



RESEARCH



2017

PRIME RESIDENTIAL REAL ESTATE MARKET REPORT

Saint Petersburg

HIGHLIGHTS

The start of sales in 4 new properties boosted the supply of prime housing by 10%, which reached 166.4 thousand sq m by the end of the year.

The sales volume of 2017 was equal to 54 thousand sq m of prime flats and apartments, which was 14% lower than in 2016.

The average supply price was 351.6 thousand rub. per sq m as a result of 2017, adjusting within 1% for the year.



Ekaterina Nemchenko

Head of Prime
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«The most popular in 2017 were fully fitted out flats in residential settlements built in the last 5 years. Again, buyers carefully studied the characteristics of a building, internal and surrounding infrastructure. Actual sales indicated a great interest to newly built houses and projects in the final stages of construction in Centralny and Petrogradsky districts. Unique views from the windows could be an argument in favour of the property being built at the initial stage.

The appearance of prime fully fitted out projects in St. Petersburg was the impact of the world practice, Moscow experience and the interest of the target audience in such supply. Obviously, this was an evidence of a shift in market conditions, which would affect the distribution of preferences. Nevertheless, the development of such projects could only be performed by a highly professional developer, who thoroughly understood the specifics of the issue».

PRIME RESIDENTIAL REAL ESTATE MARKET REPORT. SAINT PETERSBURG

Key indicators

| | Indicator | Dynamics* |
|---------------------------------------|-----------|-----------|
| Supply of flats, thousand sq m | 166,4 | 10% ▲ |
| Demand for flats, thousand sq m | 54 | -14% ▼ |
| Average price, thousand rub. per sq m | 351,6 | 1% ▲ |

* Compared to 2016

Source: Knight Frank St. Petersburg Research, 2018

Supply

Twice as many flats were put up for sale as of the end of 2017 against the figures of the last year. Therefore, the primary market of prime residential real estate was replenished with 4 new residential complexes in different locations of the historical centre - on Krestovsky and Petrovsky Islands, near Liteiny Ave and on Petrogradskaya Side. In total, 495 flats with a total area of 58 thousand sq m were added to the supply, their large proportion stemmed from the first phase of the new large-scale project Neva Haus at 9-11, Petrovsky Ave by LSR Group.

As a result, the development of Petrovsky Island as a new prime location was continuing at an active pace. The future plans of LSR

Group, in addition to the second phase of Neva Haus, included the construction of two more properties on the southern coast of the island. The appearance of such projects will create a new unique high-quality environment on Petrovsky Island, provided with the necessary facilities of social, transport and commercial infrastructure.

Apart from the development of Petrovsky Island, another significant event was the market launch of housing complex with fully fitted out with furnishing - One Trinity Place, located on the Admirala Lazareva Embankment - the second in the history of prime residential real estate in St. Petersburg.

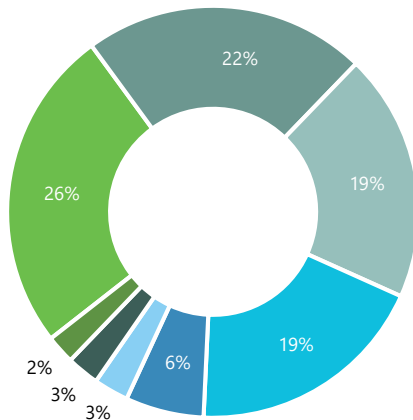


One Trinity Place, Admirala Lazareva Emb.

During the year, the supply of prime residential market went up by 10%, equalling to 166.4 thousand sq m by the end of December. New projects were added to the market changing the supply structure by types of flats. The share of flats with 1 bedroom increased, while the share of flats with 3 bedrooms decreased. The result of the adjustment was a reduction in the average area of flats exposed on the market - from 129 sq m in late 2016 to 124 sq m by the end of 2017.

Three large residential complexes and several small properties were delivered in 2017. In general, the supply of ready-made housing was expanded by 1.2 thousand flats with a total area of 174 thousand sq m. As a result, the share of supply of flats in delivered facilities increased to 50%. All commissioned properties were located in Petrogradsky district. Thus, buyers of prime housing had the opportunity to select a wide range of flats in ready-made complexes, as well as in objects in the final stages of construction, allowing to evaluate all the advantages of projects.

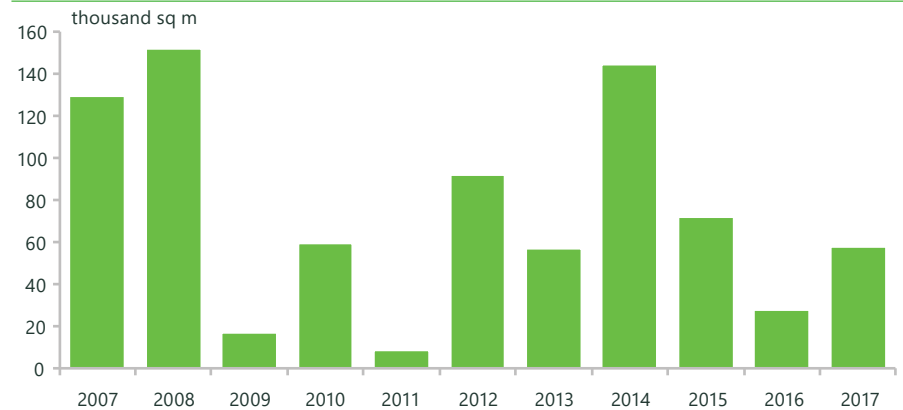
Supply of prime flats by locations



- Krestovsky Island
- Petrovsky Island
- Liteiny
- Petrogradskaya Side
- Admiralteisky
- Zolotoy treugolnik
- Kamenny Island
- Tavrichesky Garden

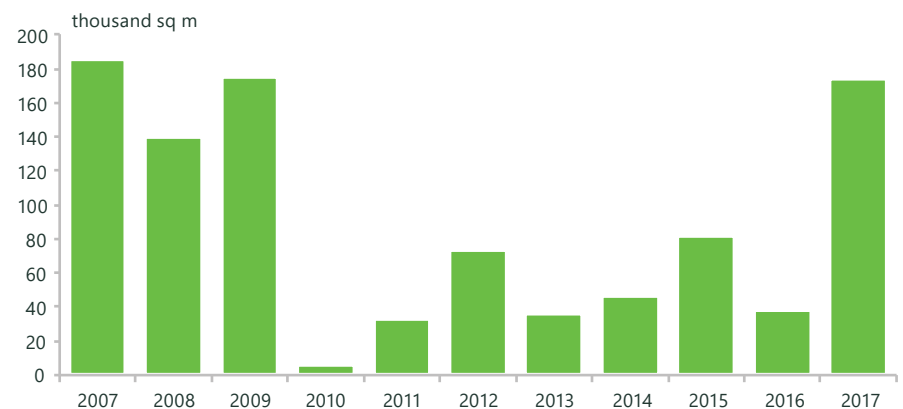
Source: Knight Frank St. Petersburg Research, 2018

Dynamics of prime new housing supply

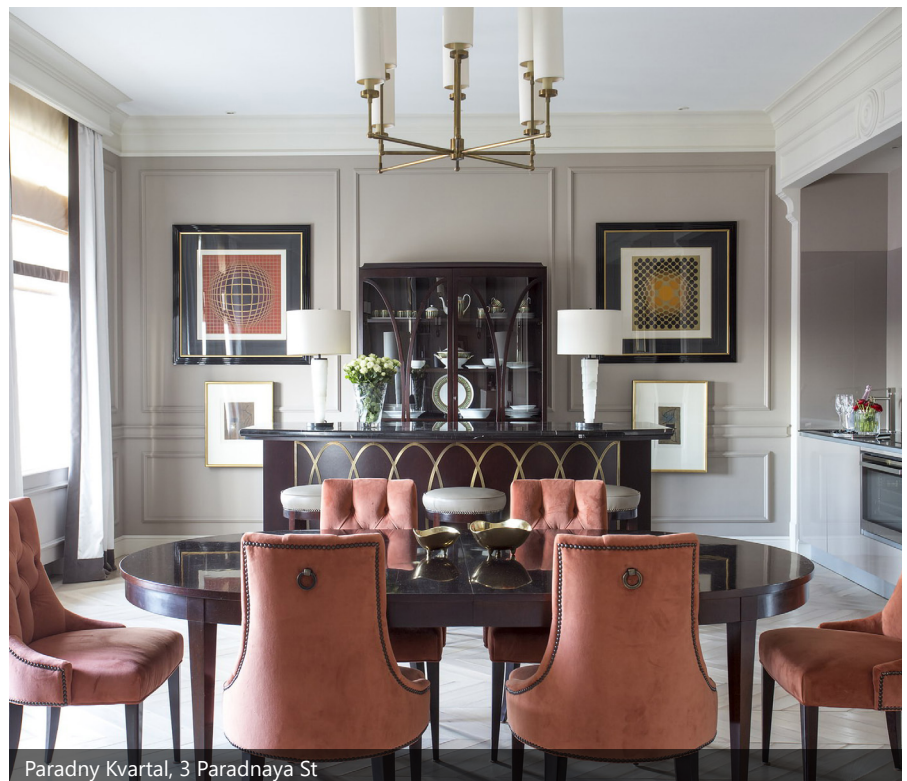


Source: Knight Frank St. Petersburg Research, 2018

Dynamics of the total living space area of commissioned prime residential complexes



Source: Knight Frank St. Petersburg Research, 2018



Paradny Kvartal, 3 Paradnaya St

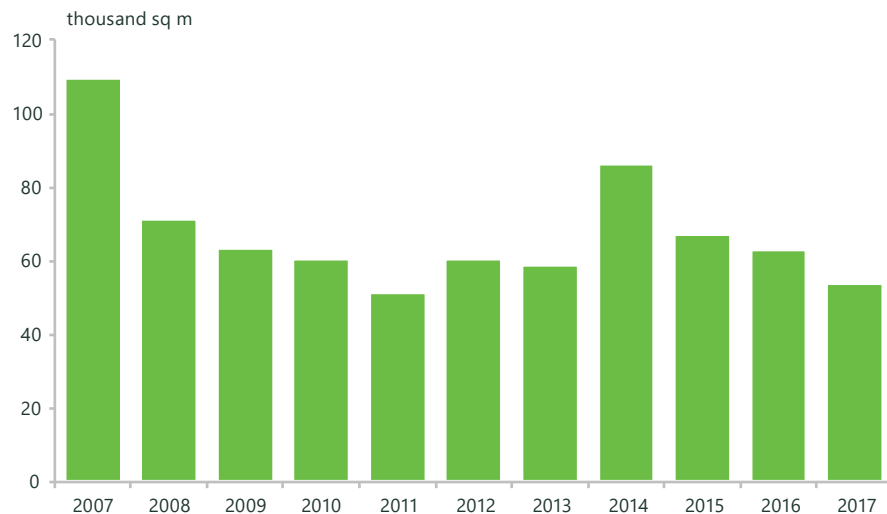
Demand

54 thousand sq m of prime housing were sold in 2017, going down by 14% against the same index in 2016. The main demand was for the properties in the final stages of construction, as well as for the already commissioned residential complexes. That demand was reflected in the types of flats purchased. Traditionally, large-size flats were popular in the final stages of construction. As a rule, such real estate was purchased to improve living conditions, expand living space, for example, due to the changed composition of the family. It was important for buyers to solve their housing problem as quickly as possible in similar life situations. As a result, in 2017, the share of transactions with flats with 3 and 4 bedrooms was up by 5 p. p., accounting for 55% of demand. The sales of flats with 2 bedrooms was proportionally reduced.

The portrait of the buyer of prime flats was changed for the year. The main share consisted of buyers aged 30–40 (while a year earlier the activity was recorded from the age category of 40–50 years), living in St. Petersburg. The share of buyers living abroad noticeably decreased, while the share of residents from other regions of Russia, including Moscow, slightly increased.

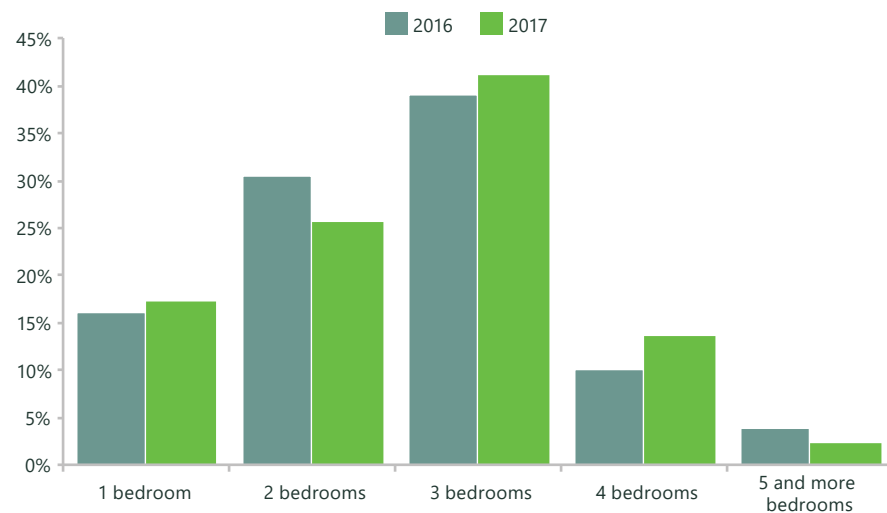


Dynamics of the total living space area of sold prime flats



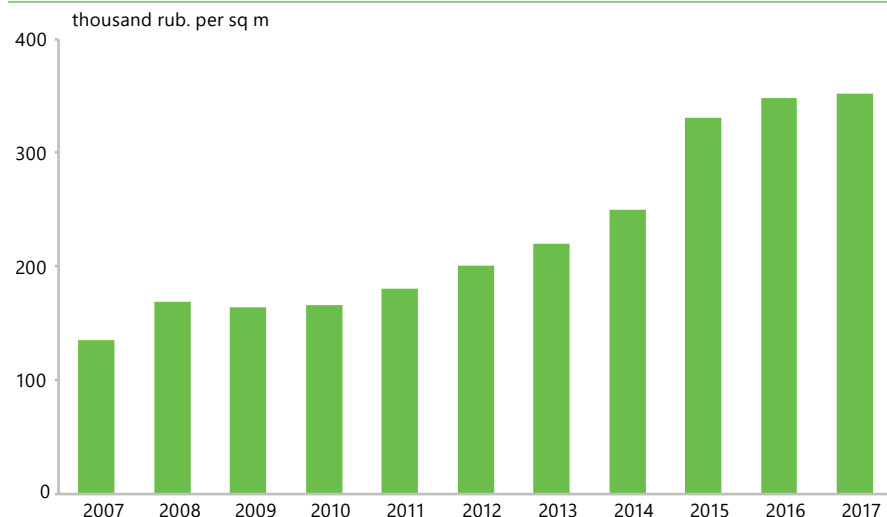
Source: Knight Frank St. Petersburg Research, 2018

Dynamics of the sold types of apartments



Source: Knight Frank St. Petersburg Research, 2018

Dynamics of the average price for prime housing at the primary market



Source: Knight Frank St. Petersburg Research, 2018

Commercial terms

The average price for prime housing in December 2017 measured up to 351.6 thousand rub./sq m, adjusted by 1% within the limits of an average margin of error for the year.

The most expensive flats were still situated in new houses on Kamenny Island. The greatest potential for the price increase still had the location of Petrovsky Island.

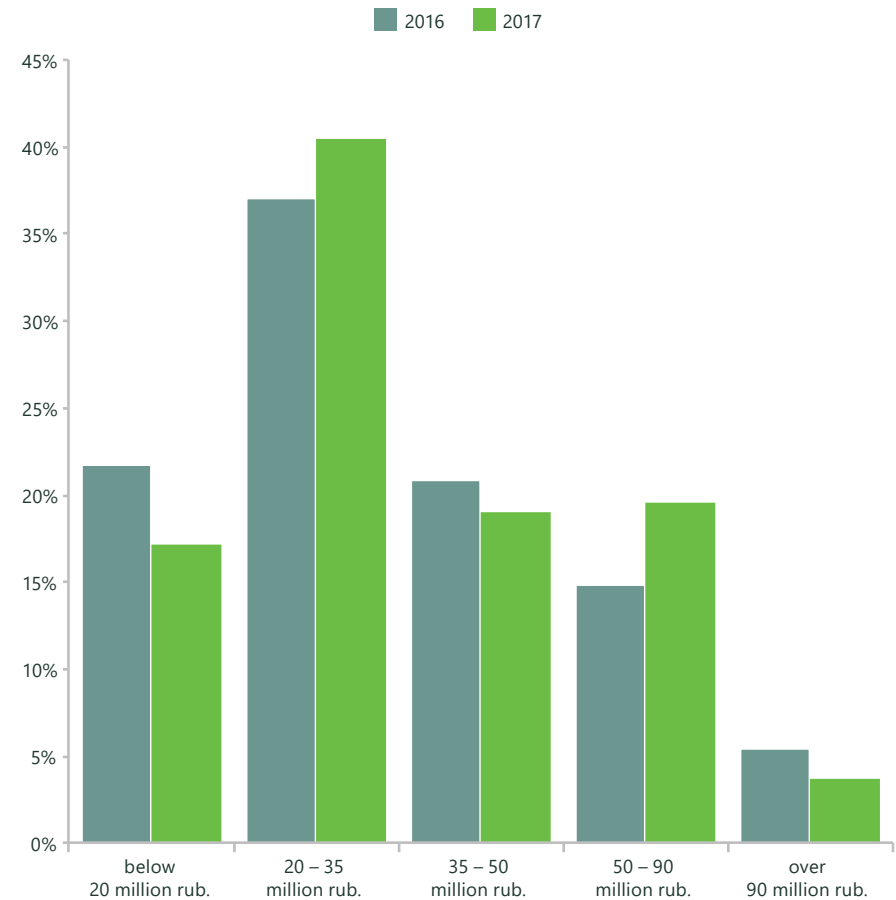
The most popular prime flats among buyers were in the value range of 20–35 million rub. Their share was 3 p. p. up if compared with 2016. The share of transactions with flats of the budget of 50 to 90 million rub. rose by 5 p. p. Meanwhile, the average cost of prime flats purchased during the year grew by 12% over the year, running at 43.3 million rub.

Forecast

The potential development of the prime segment still has Petrovsky Island, as well as the new projects of the club format located in interesting locations of the historical centre. Further shift of emphasis of the new supply towards fully fitted out solutions with furnishing is likely to take place.

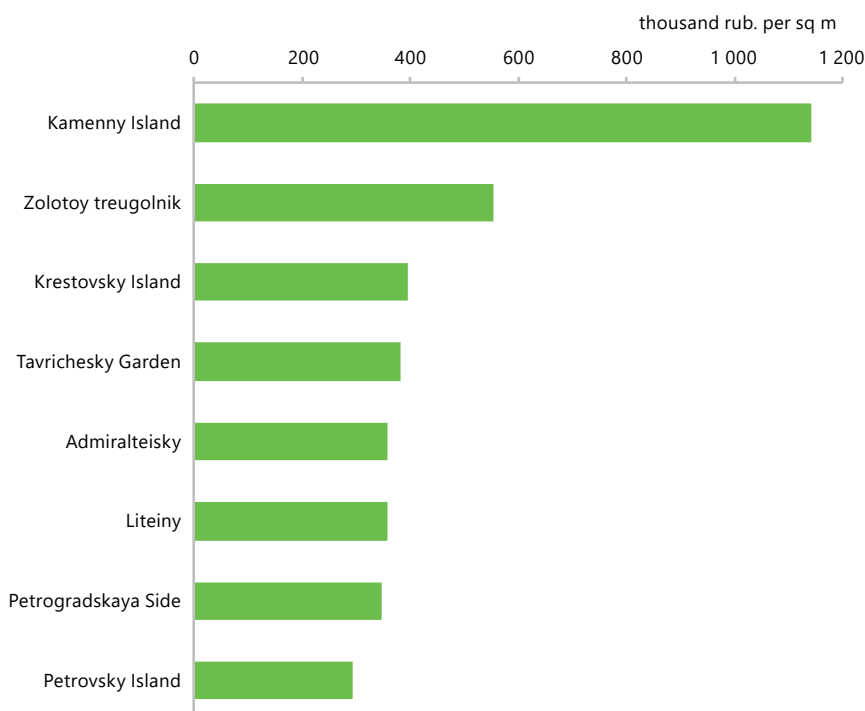
The total area of projects that can be put up for sale during 2018 is about 225 thousand sq m.

Distribution of transactions by selling prices of flats



Source: Knight Frank St. Petersburg Research, 2018

Distribution of average prices at the primary market of prime real estate by locations



Source: Knight Frank St. Petersburg Research, 2018

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