



H1 2019

PRIME RESIDENTIAL REAL ESTATE

Saint Petersburg

HIGHLIGHTS

In the first half year of 2019, the prime residential real estate market had 163.9 thousand sq m of vacant supply, which is 7% more than in the previous year.

22.5 thousand sq m of prime residential spaces have been sold since the beginning of the year. This is a 3% increase compared to the first half year of 2018. The average deal value was 40.2 million rubles.

The average supply price decreased by 1% compared to the end of 2018 to reach 340.2 thousand rub. per sq m.



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The stability of the prime real estate market is currently not conducive to a significant price increase or surges in supply or demand. Quick purchases are kept at a minimum, with buyers being careful in selecting residential properties for themselves and their families, usually with an aim to improve their living conditions or move to another place. People are looking for a comfortable environment for living with features such as restricted access to the estate, an environmentally healthy district, availability of park areas in the neighbourhood, a well-developed infrastructure of the residential facility. The number of requests for larger flats (with an area of 250 sq m and more) and units with higher ceilings (3.5 m and higher) has increased. Buyers have become more demanding in terms of quality of construction and design of common areas. The decision to purchase is also influenced by a percentage of completion, with preferences being given to completed residential properties offering complete finish.

Krestovskiy Island and Tsentralny District are holding sway, but one location is becoming not enough to ensure stable demand: a modern buyer is poised to select a high-quality product that meets all requirements in terms of a layout and arrangement design, construction quality, finish of common areas, and infrastructure.

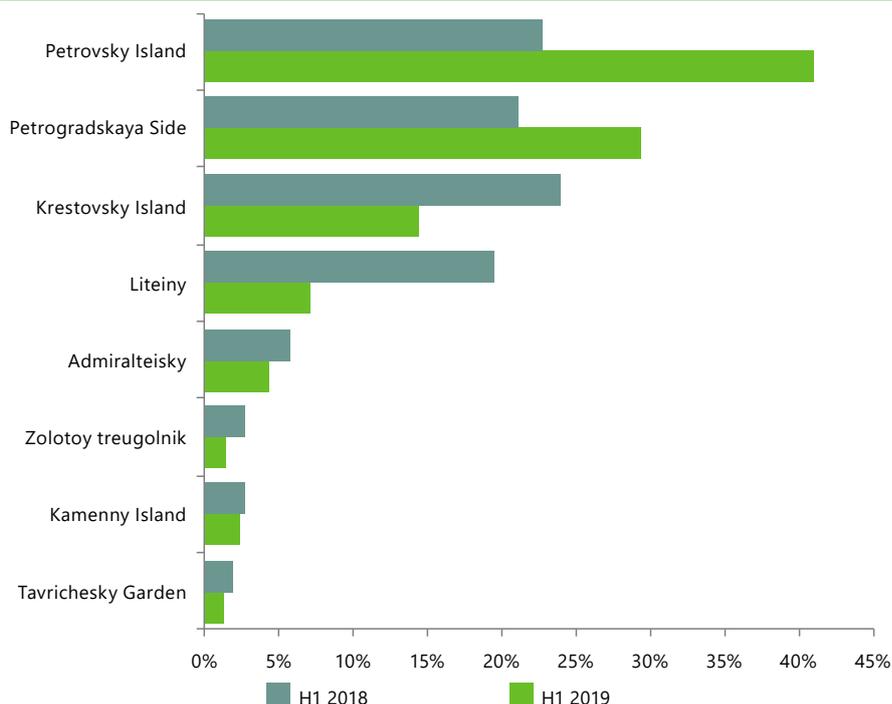
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Key indicators

	Indicator	Dynamics*
Flats supply, thousand sq m	163.9	+7% ▲
Demand for flats, thousand sq m	22.5	+3% ▲
Start of sales, sq m	18.2	+100% ▲
Average price, thousand rub. per sq m	340.2	-1%** ▼

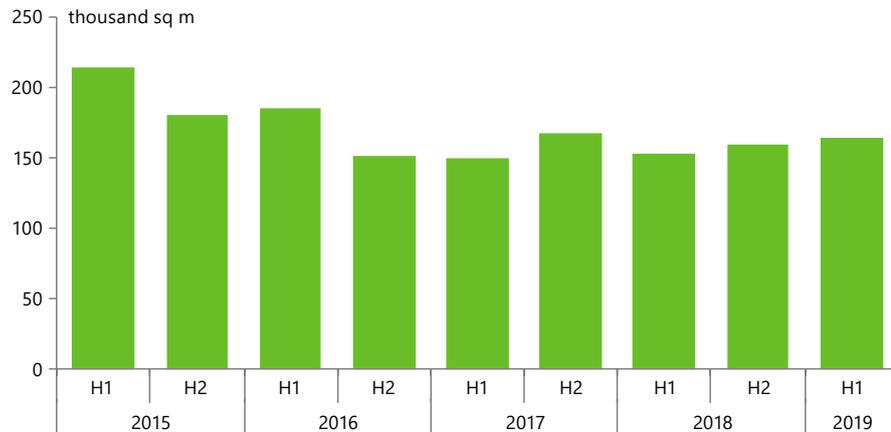
* Compared with 2018 H1
 ** Compared with 2018
 Source: Knight Frank St Petersburg Research, 2019

Dynamics of prime flats supply by the locations of prime housing



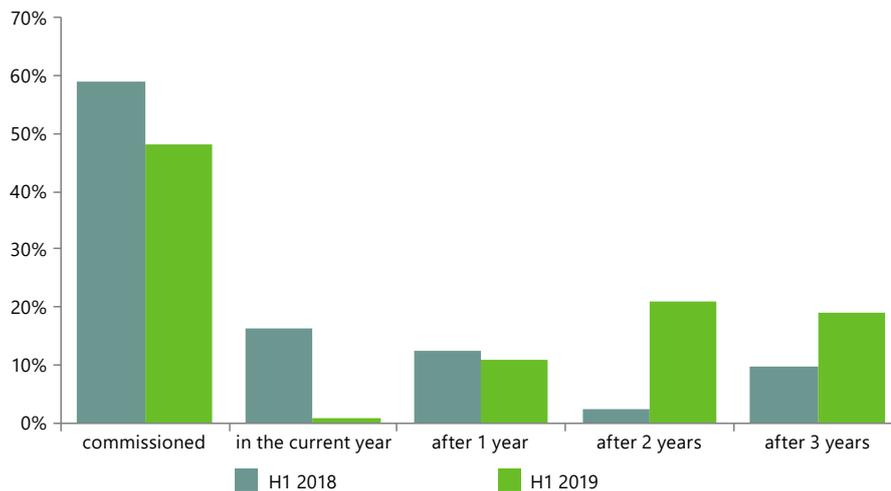
Source: Knight Frank St Petersburg Research, 2019

Dynamics of prime flats supply



Source: Knight Frank St Petersburg Research, 2019

Dynamics of prime flats supply by the commissioning date



Source: Knight Frank St Petersburg Research, 2019

Supply

In the first half year of 2019, the market offered 1.3 thousand flats with a total area of 163.9 thousand sq m. This was a 7% increase compared to the previous year caused by putting a view building of the Neva Haus residential facility on sale.

There is an emerging trend of increasing supply of prime housing in properties under construction scheduled to be commissioned in 2020-2022. A year ago, the major portion of supply (75%) was concentrated in buildings already commissioned or expected to be commissioned in the near six months. At present, more than 50% of flats are offered in facilities under construction with the commissioning dates falling in 1 to 3 years.

The widest choice is available in locations on Petrovsky Island and Petrogradskaya Side, with prime flats accounting for 41% and 29% of the total supply, respectively. Last year saw a considerable increase in supply of prime properties on Petrovsky Island (the share of spaces offered on sale increased by 18 p.p.). The market was offered two large prime residential complexes — Petrovskaya Dominanta and Neva Haus.

Demand

As at end the first half year of 2019, 22.5 thousand sq m of prime residential



9-11 Petrovsky Ave

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spaces have been sold. This is 3% more than in the previous year. The stability of demand in the first half year of 2019 indicates that there is neither excitement nor concerns about increasing prices for prime residential spaces due to changes in the market situation.

The breakdown of demand by flat type has changed toward an increase in the number of rooms in units purchased. Over the past year, the share of demand for three-bedroom flats has increased by 6 p.p. while the share of sales of one-bedroom flats has decreased (by 10 p.p.). The past year saw an increase (by 9 p.p. compared to the first half year of 2018) in the percentage of buyers willing to acquire flats with an average area of 120 to 150 sq m (usually with three bedrooms).

The greatest number of deals was registered in Liteyny (41%) and Krestovsky Island (21%) locations.

Commercial terms

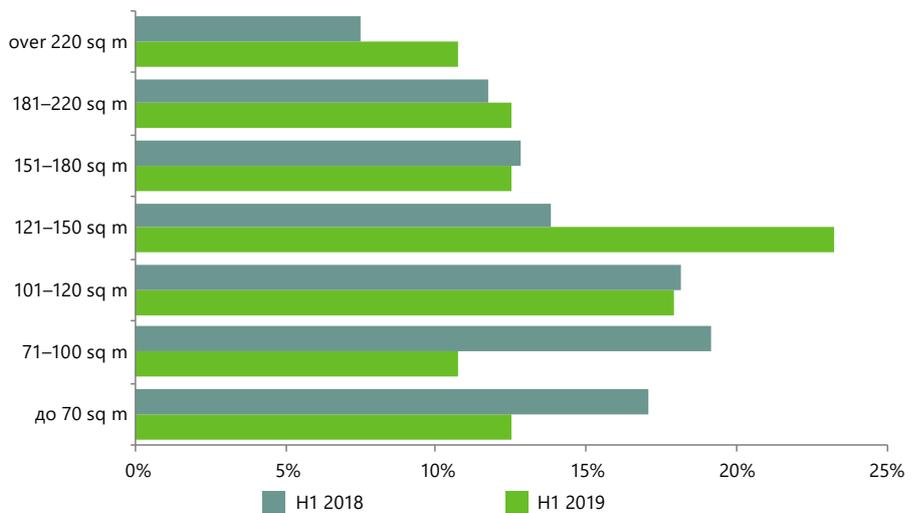
In the first half year of 2019, the average supply price on the prime residential market was 340.2 thousand rub. per sq m, which is a 1% decrease compared to 2018. This is due to putting on sale cheaper residential spaces on the one hand and a reduced amount of expensive flats available on sale on the other.

The maximum average price is still found in the Kamenny Island location (989 thousand rub. per sq m), and the lowest average price is found in Petrovsky Island (279 thousand rub. per sq m).

In the first half year of 2019, the average deal value was 40.2 million rubles (-2.4% as compared to the same period in 2018). The decline was due to a decrease in the average area of flats purchased on the market in April – June 2019.

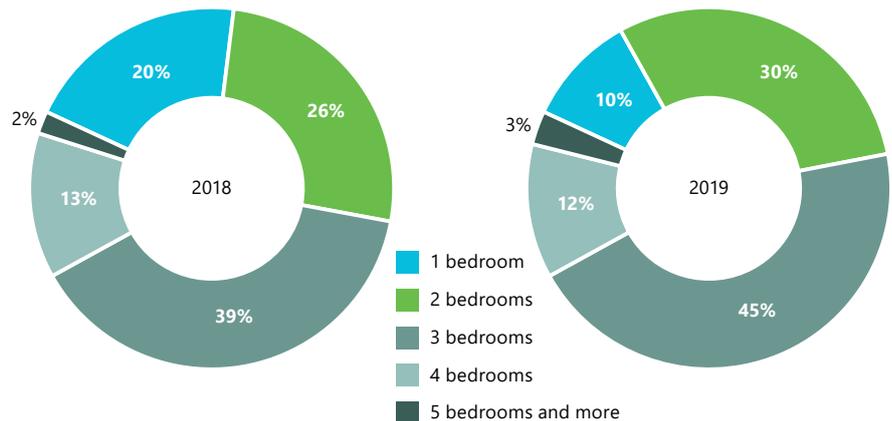
The number of flats worth of 15 million to 24 million rubles that were sold in the first half year of 2019 has decreased (-9% p. p. as compared to that in the first half year of 2018) due to a shift in demand toward deals with a larger budget (ranging between 25 million and 34 million rubles) (+10 p. p.).

Dynamics of the total living space area of sold prime flats



Source: Knight Frank St Petersburg Research, 2019

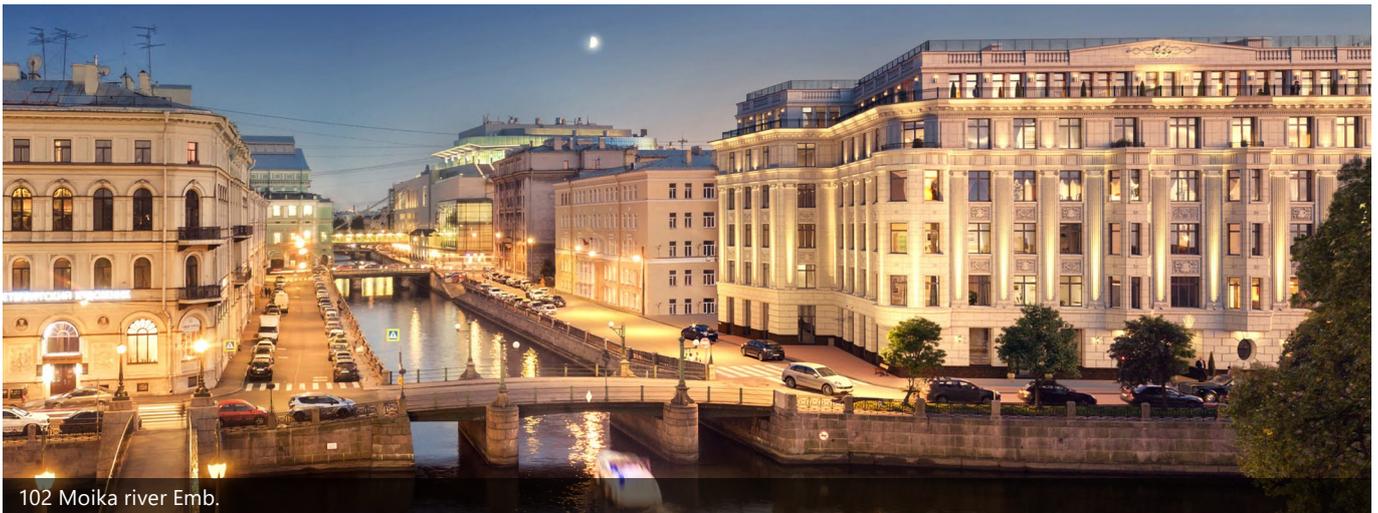
Dynamics of prime flats supply by the number of bedrooms



Source: Knight Frank St Petersburg Research, 2019

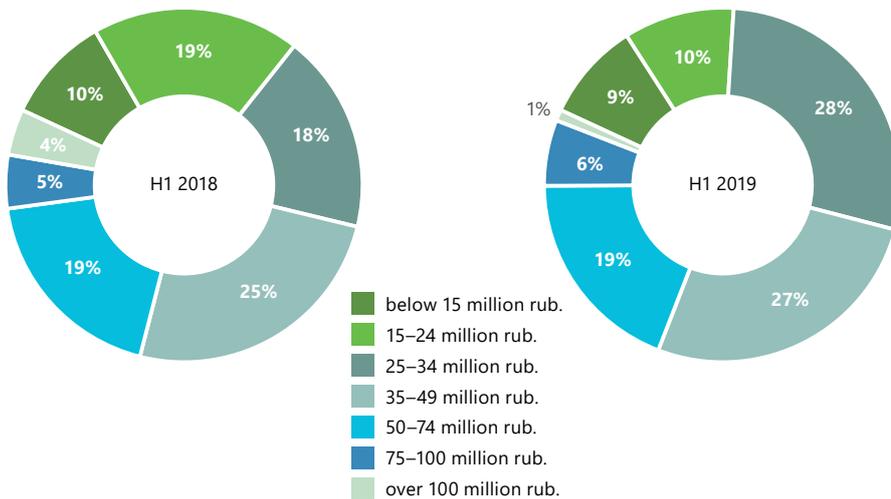


24 Kutuzov Emb.



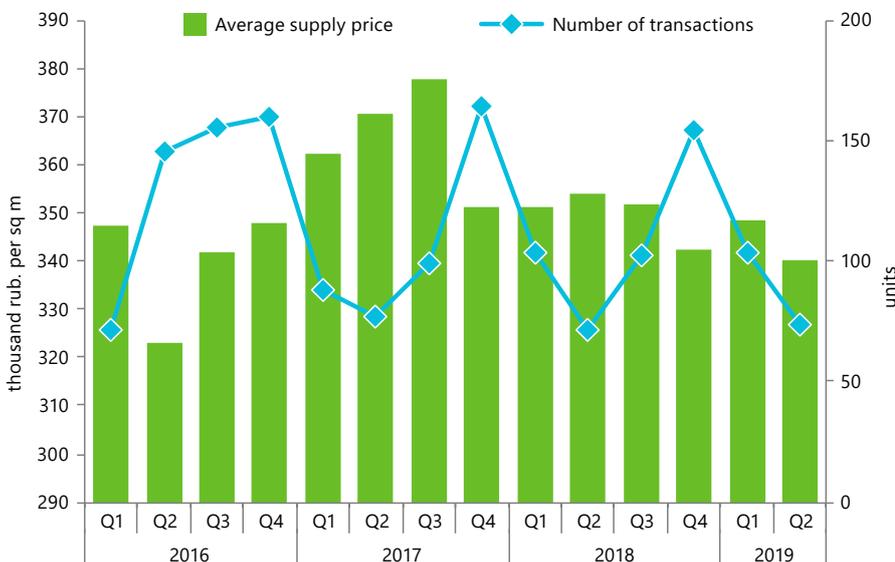
102 Moika river Emb.

The structure of transactions at the cost of prime housing



Source: Knight Frank St Petersburg Research, 2019

Dynamics of the average price and the number of transactions at the primary market



Source: Knight Frank St Petersburg Research, 2019

Forecast

No significant increase in prices for prime real estate on the primary market is expected until the end of 2019. New regulations on selling flats will not have a notable impact on the level of average prices on the market due to a high degree of completion in the majority of prime properties.

Sales of several prime residential projects with a total area of about 22 thousand sq m are expected to be launched before the end of the year. One residential facility (3.7 thousand sq m) is scheduled to be commissioned.

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