



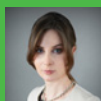
## 2011 COUNTRY REAL ESTATE MARKET

Saint Petersburg  
**Knight Frank**

### EXECUTIVE SUMMARY

- In 2011 most developers focused on selling land plots in cottage settlements. The total market stock of cottage settlements constructed by developers, especially in the premium segment, remained nearly unchanged. The sales of some new projects originally scheduled to start in 2011 were put off to 2012.
- Late in 2011, a substantial increase was seen in demand for countryside properties in the upper price segment, which resulted in a jump in the sales number of such properties. Nevertheless, annual sales in the segment more than halved as compared to 2010.
- The price index did not show any apparent trends during the year, however there were some occasional slight drops of the index resulting from discounts and special offers on some projects. In general, by the end of 2011, average asking prices grew by 11% as compared to Q4 2010.

## COUNTRY REAL ESTATE MARKET

**Elizaveta Conway**Head of Residential,  
Knight Frank St. Petersburg

«Both year-end market performance indicators and expert opinions show that the amount of quality supply has dropped to a minimum. Last year there were many examples of buyers facing a limited choice: shopping for a suitable property often took as long as several months. Buyers have become more particular about their choice of house: before buying a country house property they consult technical experts, designers and lawyers for a comprehensive assessment of the property; at the same time, customers pay attention to factors such as convenience of transport access, location image, social infrastructure.»

In 2011, the suburban real estate prime residential market developed moderately. Most developers waited until supply of vacant properties decreases further and the remaining properties are sold, before launching new sales campaigns. Several landmark projects are expected to enter the market in H1 2012: those will be almost commissioned cottage settlements in popular locations. Besides, commissioning and take-up amounts in 2011 were below those reported in 2010. The country house property purchaser profile is gradually changing: average customer becomes younger, shows increasing technical competence and makes high demands of quality.

## Key events

- The key event of 2011 that had an effect on the entire out-of-time prime residential

Main indicators		Change*
Number of prime cottage settlements	14	↓
Total number of houses in prime cottage settlements with sales in progress	369	↓
Number of country real estate properties available for purchase	97	↓
Number of houses sold	19	↓
Number of prime country house settlements scheduled to enter the market	4	↑
* Change as compared to 2010		
Source: Knight Frank Research, 2012		

market was the completion of several large-scale transport infrastructure projects. Those included the commissioning of the tunnel under the Gulf of Finland which helped to achieve the full completion of the Ring road; renovation of Priozerskoye Highway, including the Skotnoye-Agalatovo junction, and completion of the 1st phase of the Kievskoye Highway renovation project with junctions built at major intersections. The improved transport connections and accessibility of some areas led to high demand for permanent country houses and general popularity of country lifestyle.

- In many prime cottage settlements sales were stopped on the final stage after the project had been commissioned and owners had moved in, and only 2-3 houses remained unsold – most such developments reported no sales at all in 2011. At the same time, there is sustained interest from buyers in several cottage settlements of the upper price segment. During the year, the total market stock dropped down to 97 houses available for sale on the open market.

- In 2011, two more new projects entered the market; these are located in the prestigious area within the «Golden Triangle» of Kurortny district: Villa Premium and GrandVill. In addition, fully furnished houses were offered for sale located in Terijoki yacht club, a modern property located in Zelenogorsk.

## Supply

In 2011, the largest share of out-of-town prime residential market supply was concentrated in Kurortny district, where six new cottage settlements were built. A significant share of supply is traditionally concentrated in Vsevolozhsky district. Vyborgsky district represents the least share: they are primarily concentrated near Leninskoye and Roschino villages.

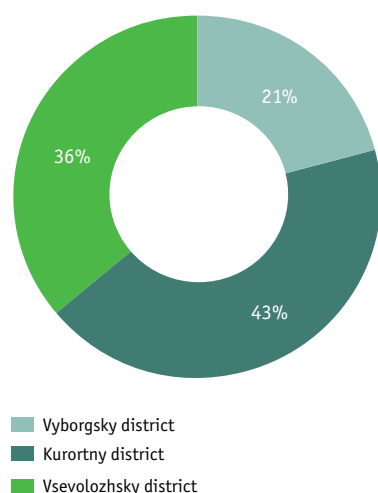
On the other hand, suburban residential developments in Kurortny district are usually marketed as club-like properties and each comprises no more than 20 country house properties, therefore, despite the new supply of cottage settlements, Kurortny district





### Distribution of supply by districts, 2011

%



Source: Knight Frank Research, 2012



### Prime country house settlements, sales of which started in 2011

Project	Address	Number of houses	Price, \$ mln
Villa Premium	Kurortny district, Solnechnoye	9	2.6–3.6
GrandVill	Kurortny district, Komarovo	11	0.9–1.2
Terijoki	Kurortny district, Zelenogorsk	9	1.8–2.3

Source: Knight Frank Research, 2012

still faces the lack of out-of-town housing, so in 2011 Vsevolozhsky district was the number one in terms of the number of country house properties (53%).

The trend of market entries performed by projects at the final construction stage continued throughout the year. However, some of these projects have not been offered for sale on the open market, as owners are waiting for the market to grow.

At the same time, suspended development projects still remain in some locations, largely as a consequence of a high concentration of projects under construction or in projecting that appeared over the last several years.

No changes were seen in the social infrastructure of suburban properties: most developers do not provide social amenities within the developments they build, instead of relying on the external infrastructure which is not always conveniently located. This segment is largely underdeveloped in the Leningrad region, and is gradually emerging in large-scale housing projects in a lower price range.

### Demand

Despite the high levels reported in Q4 2011, the decline in demand observed in the first three quarters had a negative effect on the annual result. New country house developments sold 19 houses, which is 50%

less as compared to 2010. The decline in number of offered for sale houses took place mainly due to gradual take-up in several cottage settlements. New developments made no significant contribution to the overall supply of housing due to their small scale.

Qualitative changes of the purchaser's profile were registered in the country real estate market, including the upper-price segment. Experts agree that average buyer has become younger. On the other hand, mostly due to the involvement of various technical specialists, property selection process has become very meticulous, resulting in increased searching and decision-making period.

2011

# COUNTRY REAL ESTATE MARKET

Saint Petersburg



## Average price of elite cottage has a positive trend

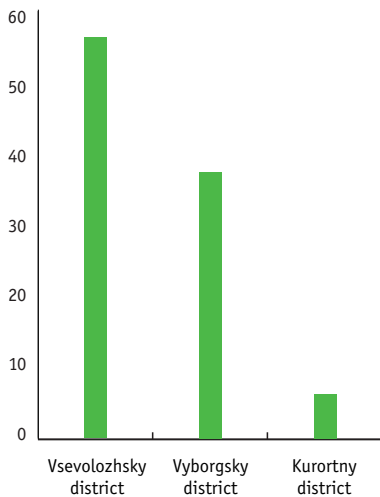
thds. \$



Source: Knight Frank Research, 2012

## Distribution of sold properties in new cottage settlements by districts, 2011

%



Source: Knight Frank Research, 2012

## Commercial Terms

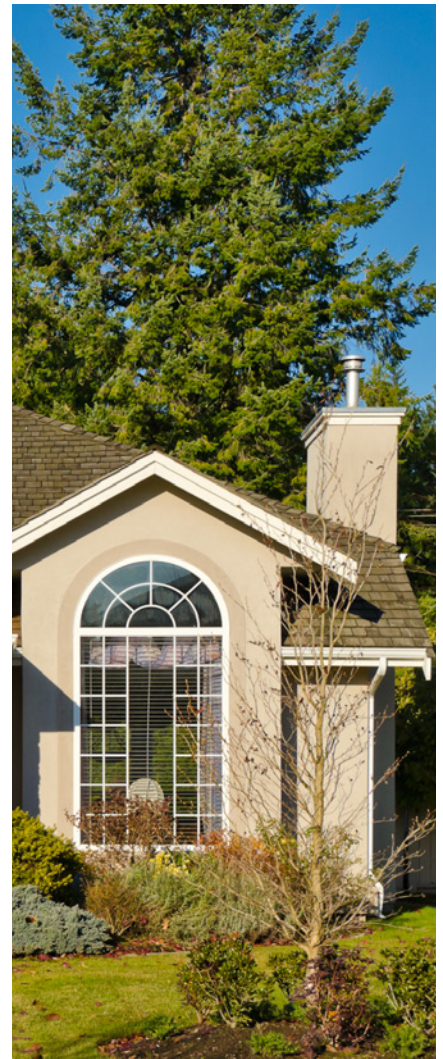
During the year, country real estate developers offered a range of discounts and special offers to encourage potential purchasers, however as of the year-end average price in the US dollar terms rose by 11% as compared to 2010. Price growth was mainly seen for the projects that were actively marketed during the year.

## Forecast

Initially, most developers were skeptical about the prospects for country prime residential market in 2011; as a result, few projects entered the market during the reporting period: many developers had a wait-and-see attitude towards starting new development projects.

The shift in demand towards cheaper housing seen since 2008 year-end made many developers with experience in prime residential projects consider diversifying their portfolios and include more affordable residential projects. However, in 2012 development activity in the prime sector will continue: new country residential projects are expected to be announced to the market, and new country real estate property types will be presented to the market.

Prices are expected to rise moderately, and developers will use marketing tools more intensively to promote their projects.



Cottage on Zhdanovskoe lake, Vsevolozhsky district

# OVERVIEW



## Europe

Austria  
Belgium  
Czech Republic  
France  
Germany  
Ireland  
Italy  
Monaco  
Poland  
Portugal  
Romania  
Russia  
Spain  
Switzerland  
The Netherlands  
UK  
Ukraine

## Africa

Botswana  
Kenya  
Malawi  
Nigeria  
Tanzania  
Uganda  
Zimbabwe  
Zambia  
South Africa

## Middle East

Bahrain  
UAE

## Asia Pacific

Australia  
Cambodia  
China  
India  
Indonesia  
Malaysia  
New Zealand  
Singapore  
South Korea  
Thailand  
Vietnam

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