RESEARCH





KEY FINDINGS

- In Q3 2014, offers for business class housing increased by 7% as compared with Q2 2014, increasing in the amount of 692 thousand sq m.
- Sales began in 11 new locations (taking queues into account.) The geography of business class housing was enriched with a new district the Kalininskiy district.
- In this quarter, 83 thousand sq m was sold, resulting in a total sales of 2014 exceeding pre-crisis figures.
- The average price per square meter at the end of Q3 2014, was 141.2 thousand sq m (\$3,910/ sq m) while the RUB index rose slightly.

Q3 2014 MARKET OF BUSINESS CLASS REAL ESTATE

St. Petersburg

MARKET OF BUSINESS CLASS REAL ESTATE



Ekaterina Nemchenko, Director of Residential Property, Knight Frank St. Petersburg

«The results from the third quarter continue with the overall trend of 2014-increases in the sales of business-class projects. With an aggregate of factors such as the diversity of proposal on location and availability, high quality projects, stated developers, the start of sales of new projects which were formed by a previously unfulfilled demand, the instability of the natural currency, the current international situation, and high activity in the property market, result in elevated interest from the business-class and quick purchasing decisions. A large amount of offers in this segment are concentrated in the central districts, which provide a great alternative for those who prefer to live in the city center but are not yet ready to buy expensive luxury housing».

In Q3 2014, 169 thousand sq m B-class properties entered the market. This resulted in a 7% gain in offers, amounting to 692 thousand sq m (more than 8.8 thousand flats).

Among these new projects, were the opening of sales in the "Samotsvety", Stockholm, "Artistrokrat", "Mirozdanie", "Dom na Frunzenskoy", as well as new housing in already implemented projects.

More than 70% of the new offers fell on the central areas of St. Petersburg (in the Admiralteyskiy, Vasileostrovskiy, and Petrogradskiy districts.) This last quarter marked an expansion in the geography of B-class business housing, such as with the "Pyat' Zvezd" residential complex currently being built in the Kalininskiy district on Zhukova St., 1 (developed by UK "Teorema").

Indicator	Value	Dynamics [*]	
Supply, thousand sq m	692	~ 7%	
Demand, thousand sq m	83	35%	
Area of New Projects, thousand sq m	171,6	54%	
Average Price, thousand RUB/ sq m**	141,2	1 ,4%	
Average Price, \$/ sq m	3 910	▼ -3%	

Much of the current housing supply of the B-class segment is account for as being for "comfort" as opposed to "business" in

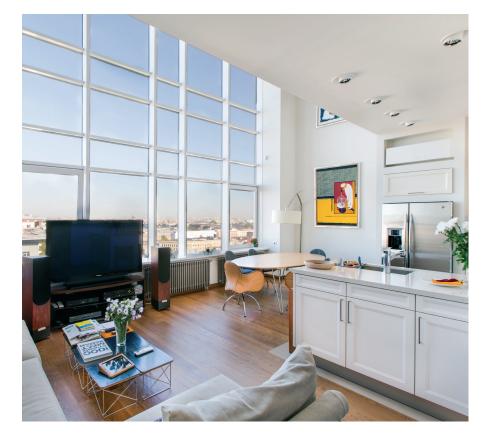
its residential qualitative parameters.The

potential of many sites which currently offer

comfortable accommodation are limited

Source: Knight Frank St. Petersburg Research, 2014

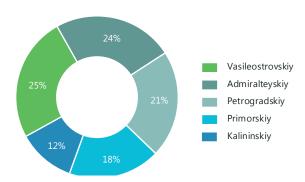
as they do not fulfil buyers requirements for location (which usually demand more expensive apartments,) however there are some conceptual solutions on the market which are noteworthy.





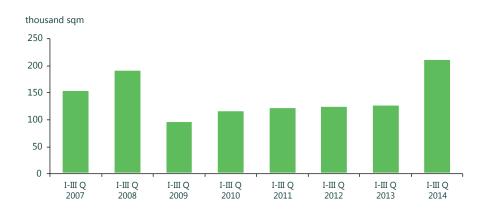
Brand	Address	Developer	Segment	Living area sq. m.	Number of flats, indv.
Samotsvety (stage 1)	Uralskaya St., 2-4	LenSpetsSMU	B (comfort)	42 016	626
Tapiola (stage 2)	Odvodnogo Kan. Emb., 108A	Lemminkainen	B (comfort)	28 998	431
Pyat' Zvezd (stage 1)	Zhukova St., 1	UK Teorema	B (comfort)	19 315	267
Aristokrat	M. Zelenina St., 1/ Korpusnaya St., 22A	Baltiyskaya Commertsiya	B+ (business)	17 204	208
Nizhne-Kamenskaya 7	Nizhne-Kamenskaya St., 7	Temp	B (comfort)	15 000	142
Stockholm (stage 1)	Primorskiy Ave., 46	Setl City	B+ (business)	13 919	157
Mirozdanie	Mira St., 37	Setl City	B+ (business)	12 800	154
Europe City (9)	Medikov Ave., 10	Vozrozhdenie St. Petersburg	B (comfort)	6 106	101
Dom na Frunzenskoy	Obvodnogo Kan. Emb., 108J	AAG	B (comfort)	6 658	107
Admiral	Staro-Petergoffskiy Ave., 28	PRIMAtec	B (comfort)	4 777	70
Rich'art Club 2	Dibunovskaya St., 30	Noviy Gorod	B+ (business)	1 932	16

The Amount/Total Area of New Offers by District



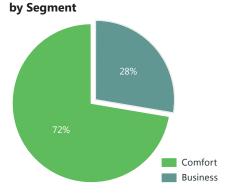
Source: Knight Frank St. Petersburg Research, 2014

Dynamics Involving the Total Area of B-Class Apartments Sold



Source: Knight Frank St. Petersburg Research, 2014

The Distribution of Offers



Source: Knight Frank St. Petersburg Research, 2014

Demand

In Q3 2014, 83 thousand sq m of businessclass housing was sold (more than 1,100 apartments), which is 35% higher than in the previous quarter. The aggregate number of area and apartments sold in 2014 exceeded pre-crisis figures.

A high activity in the demand for real estate is not only connected with the economic and political climate of the country, but also to the launch of new projects in sought after areas, as well as with the appearance of sales of apartments with high quality, comfortable layouts. All of these factors became a driving factor for many potential buyers who decided to take an initiative to improve their living condition and expand living space.

Q3 2014 MARKET OF BUSINESS CLASS REAL ESTATE

St. Petersburg

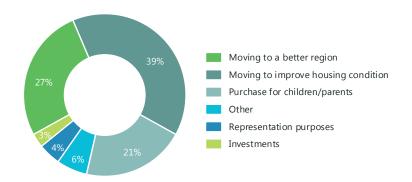
Commercial conditions

The average price of B-class real estate in Q3 of 2014 increased by 1.4% amounting to 141.2 thousand sq m (\$3,910/sq m). This rise in prices is associated mainly with the increasing availability of some real estate, with their commissioning, as well as reductions to less expensive offers. Dy namicsinvolvingaveragepricesforthefirst three quarters of 2014 amounted to 5%. At the same time there was a marked increase shown in the prices of the "business" segment, while the average price of the "comfort" segment grew at a moderate pace due to high completion which did not allow for developers to significantly adjust their pricing.

Forecast

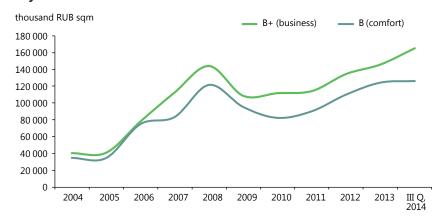
Until the end of 2014, the sale rate of B-class apartments is assumed to remain the same. New major projects to be released into sale have not been reported, except for new housing in already introduced residential complexes. Towards the end of the year, traditional New Years special offers are to be expected from developers which will serve as a hindrance to the average level of prices for B-class housing under construction.

Main Reasons Listed for Acquiring New Apartments



Source: KnightFrankSt. PetersburgResearch, 2014

The Dynamics of B Class Prices



Source: KnightFrankSt. PetersburgResearch, 2014



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Europe

Austria Belgium

Crech 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

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New Zealand
Singapore
South Korea
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Americas & Canada

Bermuda Caribbean Canada

Vietnam



Investment and Sales

Nikolai Pashkov

General Director

nikolai.pashkov@ru.knightfrank.com

International Investments

Heiko Davids

Partner

heiko.davids@ru.knightfrank.com

Property Management

Dmitry Atopshev

Partner, Director

dmitry.atopshev@ru.knightfrank.com

Project Management

Andrew Zakrewsky

Partner

andrew.zakrewsky@ru.knightfrank.com

Offices

Marina Puzanova

Head of Department marina.puzanova@ru.knightfrank.com

Industrial & Warehouses

Mikhail Tyunin

Head of Department

mikhail.tyunin@ru.knightfrank.com

Retail

Sergey Gipsh

Partner, Director, Russia & CIS sergey.gipsh@ru.knightfrank.com

Residential

Ekaterina Nemchenko

Head of Department

ekaterina.nemchenko@ru.knightfrank.com

Strategic Consulting

Igor Kokorev

Associate Director

igor.kokorev@ru.knightfrank.com

Valuation

Svetlana Shalaeva

Associate Director

svetlana.shalaeva@ru.knightfrank.com

Marketing, PR

Galina Cherkashina

Marketing Director

galina.cherkashina@ru.knightfrank.com

Market Research

Tamara Popova Head of Department

tamara.popova@ru.knightfrank.com

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ST. PETERSBURG MOSCOW

191025, 115054, 3B Mayakovskogo St 26 Valovaya St Alia Tempora BC Lighthouse BC

Phone: +7 (812) 363 2222 Phone: +7 (495) 981 0000 Fax: +7 (812) 363 2223 Fax: +7 (495) 981 0011

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