



2016
PRIME RESIDENTIAL
REAL ESTATE
MARKET REPORT
Saint Petersburg

HIGHLIGHTS

533 transactions were completed in the primary market of elite housing during 2016. The annual dynamics of sales reached 7%.

The supply was 11% down amounting to about 1.2 thousand units due to the minimum entry of new projects into the market (only 2 per year).

The expansion of supply is expected in 2017 through the launch of new projects at Petrovsky Island – the new perspective elite location.

Average price was 10% up amounting to 5,526 \$/sq m for the year.



Ekaterina Nemchenko
 Head of Prime Residential
 Real Estate Department,
 Knight Frank St. Petersburg

"We witnessed a significant pace of sales in prime and business class in the first three quarters of last year despite the current downturn. The demand from employees of Gazprom structures has additionally boosted the market activity. Spacious flats with more bedrooms became more in demand: the number of transactions with such facilities increased by almost half against 2015. The life in the city centre or in the immediate vicinity is becoming more and more popular. As a consequence, we note the interest in new houses with underground parking in the central districts of the city. These houses shall be built with modern materials and technologies, with good infrastructure in the neighborhood. The facilities with quality new fit out, ready to move in, have an advantage over the rest.

The construction start of Royal Park prime complex turned out to be a notable event of the year. It is the first premium class project on Petrovsky Island, which is becoming a promising elite location. The successful start of sales in the complex was a good illustration of the pent-up demand for flats with views and terraces".

PRIME RESIDENTIAL REAL ESTATE MARKET REPORT. SAINT PETERSBURG

Key indicators

| | Indicator | Dynamics* |
|--------------------------------|-----------|-----------|
| Primary market | | |
| Flats available for sale, pcs | 1,170 | -11% ▼ |
| Demand for flats, pcs per year | 533 | 7% ▲** |
| Average price, \$/sq m | 5,526 | 10% ▲ |
| Secondary market | | |
| Flats available for sale, pcs | 2,445 | -22% ▼ |
| Average price, \$/sq m | 3,353 | 16% ▲ |

* Against Q4 2015

** Against 2015

Source: Knight Frank St. Petersburg Research, 2017



13, Konnogvardeisky Blvd

Supply

The supply of prime housing and apartments on the market of prime residential real estate of St. Petersburg fell by 11% within 2016 totalling 1,170 flats (151 thousand sq m). Such reduction was due to few new projects against stable sales figures. Only two new projects per year were added to the market in H1, and the better part of new supply occurred in Royal Park Complex in Petrogradsky district.

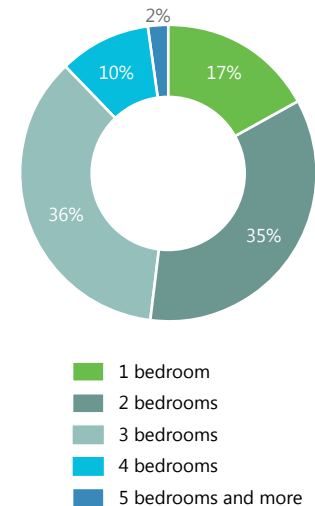
The supply of delivered facilities was supplemented by five addresses last year. The bulk of delivered space fell at the last phases of Smolny park residential complex. Taken together, 36 thousand sq m were put into operation (338 flats), which is 56% less than in 2015 and 22% – in 2014.

The supply structure by locations is stable, the better half of it is concentrated on Krestovskiy and Petrovskiy Islands, as well as in the location of Liteiny Avenue: in the aggregate 73% of the premises on sale.

The basic supply volume consists of 2 and 3-bedroom flats – over 70%. The share of 1-bedroom flats is 17%, this figure was equal to 8% in previous years. However, in practice, much of 1-bedroom flats are bought for incorporation. According to our data, about 20–30% of flats on the market are sold for further incorporation. 1 and 2-bedroom flats were most frequently purchased with incorporation aims in 2016.

The prime housing supply of the secondary market decreased by 22% over the year and stepped back almost to the level of 2014. In general, we can say that the peak supply volume was reached in 2015 mainly due to newly added secondary housing. Last year, when the delivery of new prime housing dropped, the supply of the secondary market returned to its starting positions. About 2.5 thousand flats with a total area of 278.6 thousand sq m were on sale at the end of the year.

Supply structure by types of flats



Source: Knight Frank St. Petersburg Research, 2017

Projects where sales started in 2016

| Name | Location | Developer | Living space, sq m | Number of flats, pcs |
|------------|--------------------------|-------------------|--------------------|----------------------|
| Royal Park | 2, Petrovskiy Ave | Kortros | 26,196 | 298 |
| – | 13, Konnogvardeisky Blvd | Individual person | 1,800 | 15 |

Source: Knight Frank St. Petersburg Research, 2017

Projects delivered in 2016

| Name | Location | Developer | Living space, sq m | Number of flats, pcs |
|---|---|--|--------------------|----------------------|
| Smolny park (block 3, 4, 7) | 4, Smolnogo St | LSR Group | 17,437 | 149 |
| Gollandiya | 40, Galernaya St 15, Admiralteisky channel Emb | RGS-Nedvizhimost | 7,376 | 102 |
| Dom na Pesochnoy, 2 nd phase | Litera G, 1–3, Grota St | York | 5,891 | 59 |
| Mansion on Kamenny | 7A, 1st Berezovaya St | Ecoinvest | 3,494 | 19 |
| Del'Arte | Litera A, 3, Sanatornaya Alley | UNIVER Management LLC trust management of CEIF Elita real estate | 1,875 | 9 |

Source: Knight Frank St. Petersburg Research, 2017

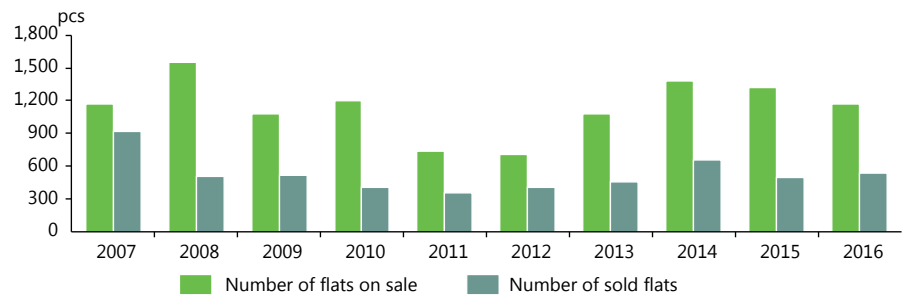
Demand

The sales volume grew up by 7% for the year as a whole despite the fact that the end of the year was unviable for the market of prime residential real estate (quarterly sales trend was negative). 533 prime flats were bought with total living space of about 63 thousand sq m.

5% pickup in sales of apartments in the total sales was an outstanding demand feature of the past year if compared with 2015.

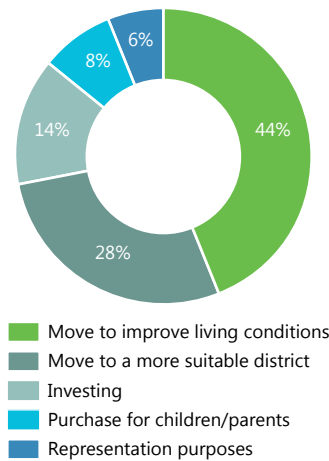
The profile of a buyer was later changed. The average age of buyers increased from 30–40 in 2015 to 40–50 in 2016. In addition, the share of buyers living in other regions of the country or abroad grew up by 15 p. p., thus equalling the share of investment purchases of the last year with the level of 2014.

Demand and supply dynamics at the prime housing market



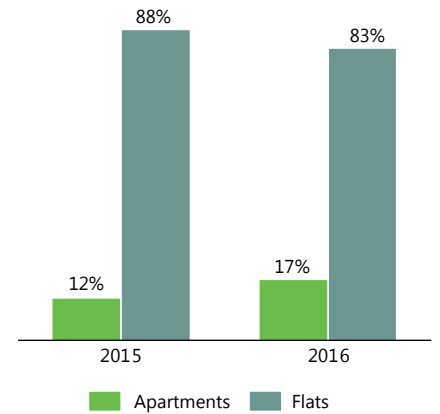
Source: Knight Frank St. Petersburg Research, 2017

Basic buying motives of prime housing



Source: Knight Frank St. Petersburg Research, 2017

Sales pattern of prime housing depending on its legal status

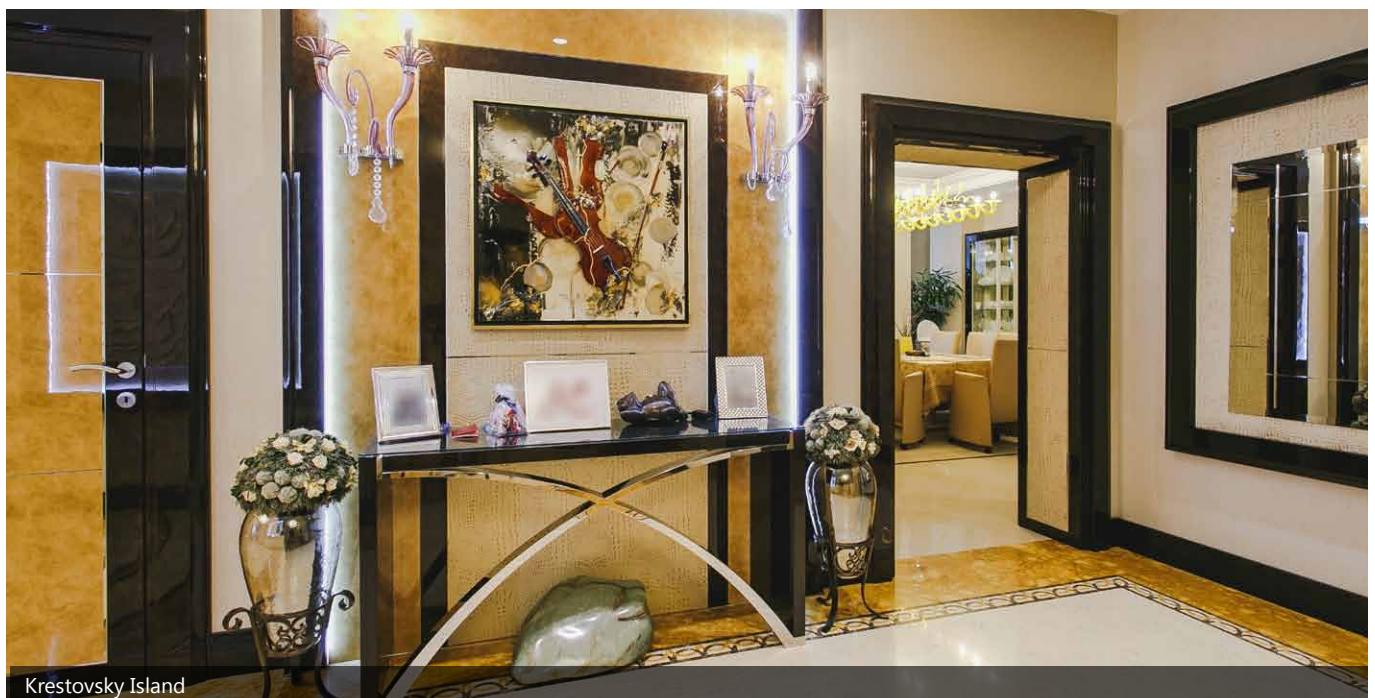


Source: Knight Frank St. Petersburg Research, 2017

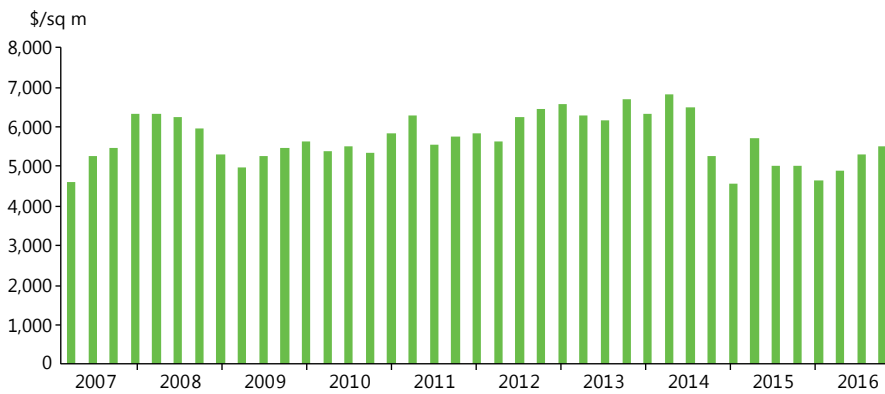
Commercial terms

The average price of luxury housing of St. Petersburg was 10% up year-on-year and reached a total of 5,526 \$/sq m by the end of 2016. The average price was not only influenced by the strengthening of the national currency but also by the adjustment of pricing policy of developers. The prices went up 2 times during the year by an average of 5% – in Q1 and Q3. Q4 prices remained practically unchanged.

The growth of foreign currency prices for prime real estate of St. Petersburg was reflected in the change of the structure

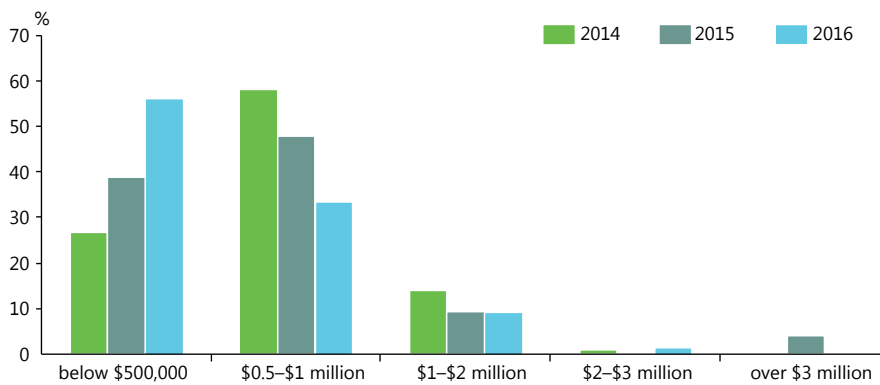


Dynamics of the average price for prime housing at the primary market



Source: Knight Frank St. Petersburg Research, 2017

Distribution of transactions by selling prices of flats



Source: Knight Frank St. Petersburg Research, 2017

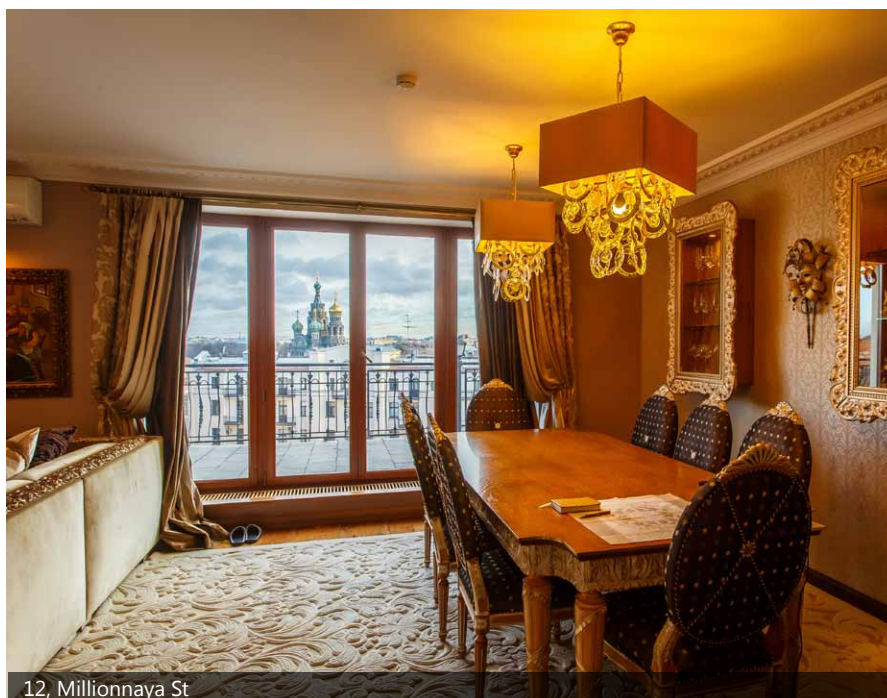
of transactions by selling prices of flats. The demand for flats less than \$500,000 became stronger by 17 p. p., while flats from \$0.5–1 million were sold rarer by 14 p. p. At the same time, there appeared transactions with flats costing \$2–3 million, not registered in 2015.

The price dynamics of the secondary market of prime housing was multidirectional. The prices increased significantly in H1 2016, and decreased, on the contrary, in H2 2016. Overall, the average price index showed 16% annual growth, amounting to 3,353 \$/sq m.

Forecast

Prospects for the development of prime residential real estate segment can be related to several factors in 2017. One of them is the establishment of Petrovsky Island as a new elite location. Two large development companies are planning to start the sales in their projects, that will stop the reduction of supply. The entry of new projects will create an additional impulse to the development of the island both as a new prestigious location and a new residential district of the city – its transport and engineering infrastructure, public areas and many more.

Another factor is associated with the prospects of construction of small club projects mainly of the apartment format that will create new supply in a prime residential segment for a limited group of potential buyers.



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