



2018
PRIME RESIDENTIAL
REAL ESTATE
MARKET REPORT
Saint Petersburg

HIGHLIGHTS

The total area of prime housing sold in 2018 reached 55.1 thousand sq m, which exceeded 2017 numbers by 2%. The average price per transaction grew by 3%, equalling 42.4 million rub.

As a result, the supply made 158.6 thousand sq m in 2018. Most prime flats and apartments were located in Petrogradskaya Side and on Petrovsky Island.

The average supply price was 342.4 thousand rub. per sq m.



Ekaterina Nemchenko

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

«The year of 2018 will be best remembered by all real estate players as dynamic and generous for events. The market was quite busy for a full year with a clear trend of increasing demand that resulted in decreased supply by the end of the year. On top of that, we should mention investors coming back to the prime real estate market. They not only focus on the new sites but also aim at the secondary housing market. The investors are ready to engage in reconstruction for rental purposes and future property sale.

Worth mentioning is the increasing demand from prime housing buyers for mortgage deals and the growing number of deals financed by loans. We can observe an increasing demand for high cost properties and frequent deals closed at 100 million rub. and higher.

Another trend to pay attention to is the comeback of suburban real estate owners to the city. This means growing demand for prime flats in central districts on the part of those who permanently live in the suburbs with a view to subsequently relocate to the city centre.

In addition to the traditionally popular locations in Centralny District and Krestovskiy Island, there is a clear trend with prime housing buyers to acquire property on Petrovskiy Island.

The turn in the market influenced the developers as well. We can observe them showing higher flexibility towards their clients, offering new services, and paying closer attention to sales processes, service quality, and communication with real estate agencies».

PRIME RESIDENTIAL REAL ESTATE MARKET REPORT. SAINT PETERSBURG

Key indicators

	Indicator	Dynamics*
Flats supply, thousand sq m	158.6	-5% ▼
Demand for flats, thousand sq m	55.1	2% ▲
The total living space area of prime residential complexes where sales started in 2018, thousand sq m	68.1	17% ▲
The total living space area of commissioned prime residential complexes, thousand sq m	75.3	-57% ▼
Average price, thousand rub. per sq m	342.4	-1% ▼

* Compared with 2017

Source: Knight Frank St Petersburg Research, 2019

Supply

The total area of prime flats put up for sale as of the end of 2018 made 158.6 thousand sq m (1.3 thousand flats). The supply indicator shrank by 5% as compared to 2017 figures as a result of steady demand on the prime housing market.

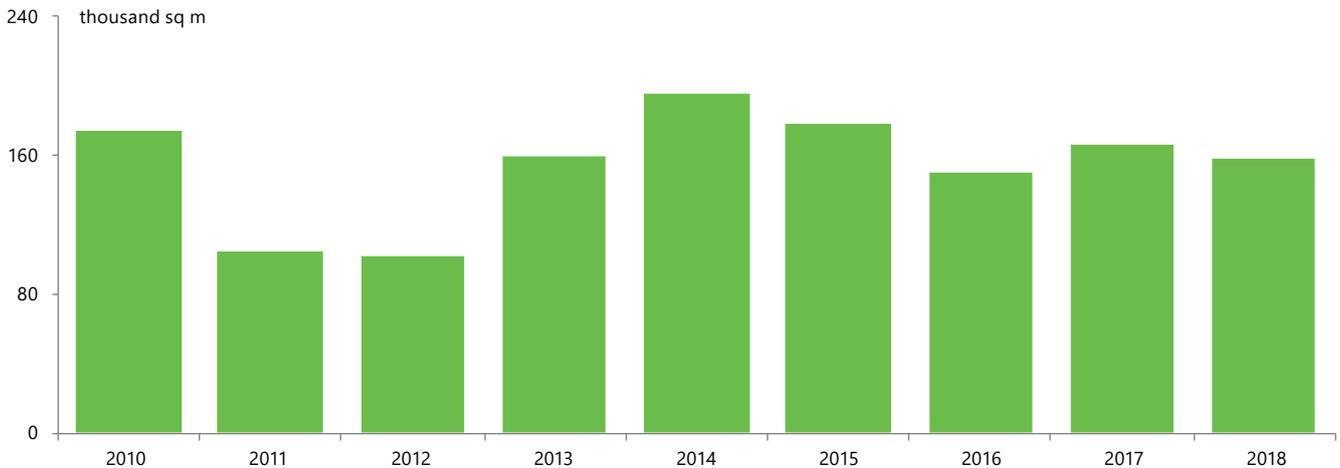
The prime residential real estate market was replenished with two new upscale residential complexes located in Petrogradskiy District – Petrovskaya Dominanta (Etalon Group) and Futurist (RBI). In total, 564 flats were added to the supply. The notable fact is that both new objects were launched on the market by the developers that previously focused on primarily Class B or Class C properties.

As a result, the 2 new properties covered the main share of supply on the prime

housing market offering 2-bedroom flats with an area of 70–120 sq m, as well as popular 3-bedroom flats with an area of 100–150 sq m which accounted for 18% in the total supply figures. The increase in supply of unique and highly-demanded 4-bedroom flats with an area of 120–180 sq m and over 220 sq m is worthy of special mention. Their share reached 13% during the year.

The locations of prime housing supply redistributed by the end of 2018. The year before, most prime flats offered were located on Krestovskiy Island as opposed to the current trend, with the supply shifting to Petrogradskaya Side and Petrovskiy Island (31% and 28%, respectively).

Dynamics of prime flats supply



Source: Knight Frank St Petersburg Research, 2019

Supply of prime flats by the number of bedrooms and types of areas

	1 bedroom	2 bedrooms	3 bedrooms	4 bedrooms	5 bedrooms and more
below 70 sq m	7%	1%			
70–100 sq m	7%	24%	0.2%		
100–120 sq m		12%	7%		
120–150 sq m	0.3%	4%	11%	4%	0.2%
150–180 sq m		2.3%	2%	5%	
180–220 sq m		1.5%	0.2%	2%	1.2%
over 220 sq m		0.8%	4%	2%	1.8%

Source: Knight Frank St Petersburg Research, 2019



Irina Ivannikova

Sales & Marketing Director
EKE Group

How did 2018 go in terms of corporate activities?
Could you mention a remarkable event?

Please share details on annual company results.
Do you have any high points to mention?

«The year definitely went well. We completed and launched the Dve Epohi Residential Complex on Vasilyevsky Island, which was our pilot residential project in Russia. When carrying out the project we kept in mind that we had to create a facility according to the stated promise and deadline, and also develop a housing that would have the Finnish air of comfort and high quality. At the same time we had to adapt it to demanding St. Petersburg clients, especially in terms of architecture. The boost of sales surpassed our

expectations. The real estate experts and, most importantly, our customers highly appreciated the quality and the concept. Many residents of our complex have already finished repairs in their flats and had a chance to see the New Year in».

Please share your expectations for 2019

«Currently our company is working on the design of a new complex in Ligovsky Ave. We expect to open sales in the second half of the year and start the construction stage. We are quite cautious for 2019 due to the too many changes in the legislation, which can potentially affect both developers' profits and costs related to the new projects».

Demand

In 2018, the sales volume of prime housing exceeded the 2017 results by 2%. 55.1 thousand sq m (around 400 flats) of prime housing were sold in 2018. As usual, the principal demand was for the 2- and 3-bedroom flats. In the meantime, the average area of sold flats grew by 7 sq m, which means a clear shift in demand for spacious flats. The increasing share of sold prime 5-bedroom flats by 2 p. p. deserves a special mention.

The choice in favour of more spacious apartments on the part of buyers is due to the prevailing motivation to improve living conditions and expand living space. The share of this type of purchases was up by 7 p. p. over the year. At the same time, the share of buyers considering relocation to a more suitable district remains stable at the level of 30%. In 2018, the purchase of flats for immediate family members, such as

children or parents, noticeably decreased by 6 p. p. as compared to 2017.

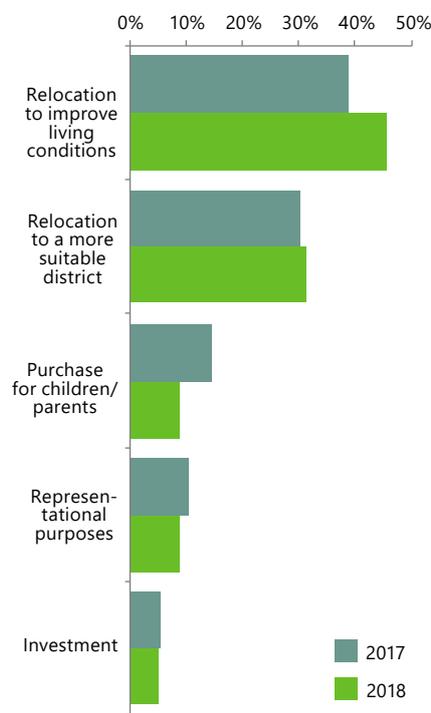
The structure of transactions depending on the price of prime housing changed as follows: the share of transactions with flats ranging from 35 to 49 million rub. grew by 6 p. p., and the share of transactions with flats of over 50 million rub. rose by 3 p. p.

Dynamics of the total living space area of sold prime flats



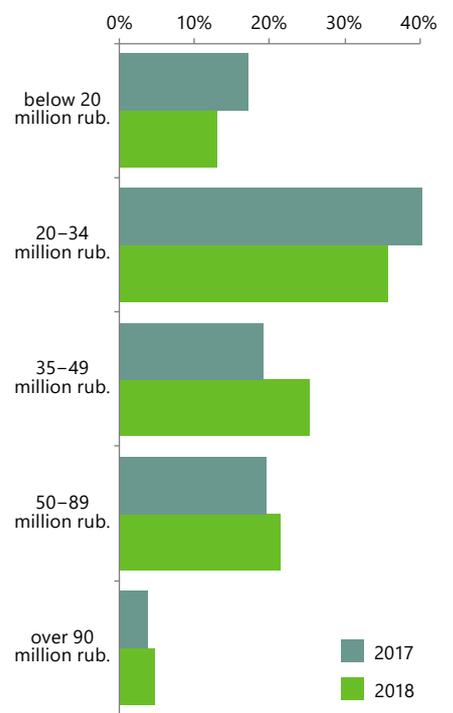
Source: Knight Frank St Petersburg Research, 2019

Main reasons for flat purchase



Source: Knight Frank St Petersburg Research, 2019

The structure of transactions at the cost of prime housing



Source: Knight Frank St Petersburg Research, 2019

Top Selling Property in 2018 among Prime Residential Complexes in Saint Petersburg



Russky Dom (LSR Group)



Krestrovsky de luxe (GPBI Development Severo-Zapad)



Neva Haus (LSR Group)

Source: Knight Frank St Petersburg Research, 2019



Vera Seryozhina

Director of Strategic Marketing
RBI Group

How did 2018 go for the company? Please share the most remarkable events. Could you sum up the results?

«We launched three new projects, each being quite symbolic for us. The Futurist Residential Complex in Barochnaya St was designed as an upscale property, located near Krestovsky Island, featuring the highest quality of the product. The project also involves the reconstruction of the Levashovsky Bakery and the creation of a social and cultural space with the room for lectures, exhibitions, master classes, an exhibition dedicated to the Siege of Leningrad, and a new public garden square. This is a unique experience for Saint Petersburg.

The Bolkonsky Residential Complex in 11th Krasnoarmeyskaya St can also account for a remarkable event on the market. Admiralteysky District is an area still being underestimated by developers. There is a certain demand there, however, there are very few new projects. The Bolkonsky Residential Complex actually rediscovers Admiralteysky District for business class housing.

The Studio Moskovsky Project in Zaozernaya St is our first apartment hotel with a full range of hotel services. We entered this market by establishing a separate company, RBI PM, within RBI Group to offer dedicated facility management of apartment hotels. The project itself will also contribute to the market: at least in terms of some indicators, Studio Moskovsky obviously surpasses the declared three-star rank.

We have another newly established company within RBI Group which is a joint venture with Development Systems. In 2018, we launched it to develop our new projects with 3D information modelling technology, or BIM. We will develop this business, in particular, by developing new products based on the BIM concept.

Also, 2018 marked the commissioning of two projects, Petrovskaya Riviera and the 2nd phase of Green City with a junior school. The commissioned properties were inhabited efficiently, with a large number of owners in both Petrovskaya Riviera and the 1st phase of Green City having got their apartments within a short period of time. It was a big challenge for our company».

Can you mention any high points?

«An important market trend of the past year is the development of apartment hotels as a new market segment. For example, two years ago, there were about 30 projects on the market, and in September of 2018 there were already more than 50. The growth in the apartment hotel segment is a general trend for a new lifestyle

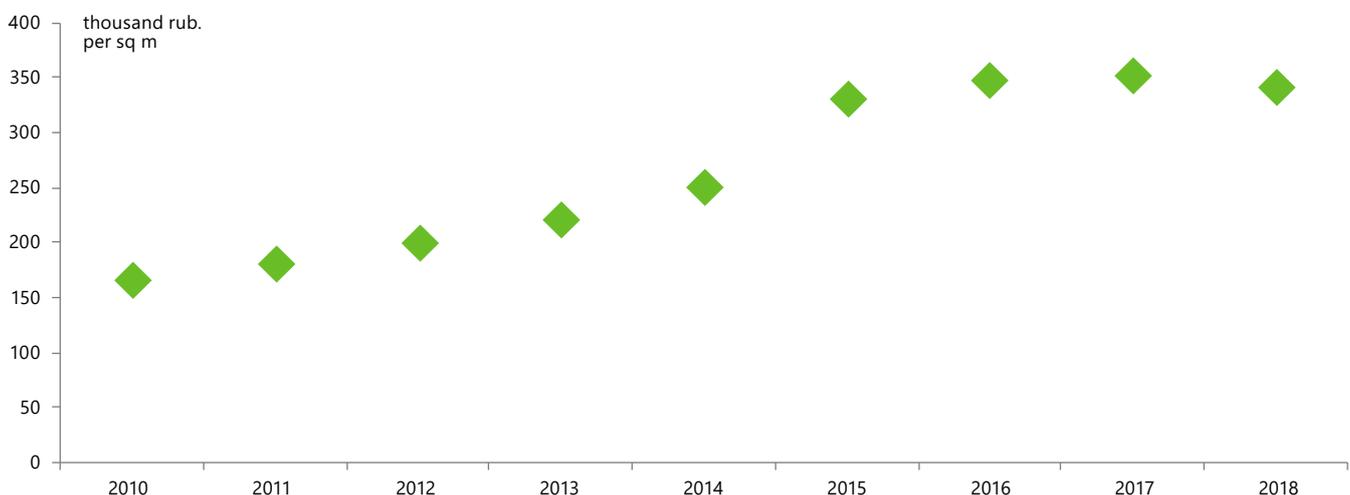
among the clients who put mobile as a priority. They do not want to spend their time and money on property ownership, but prefer to rent. On the other hand, buyers started to realize the benefits of "civilized" investment, when a specialist company manages your property in an apartment hotel and guarantees a stable income for the owner.

Another market trend is the price increase, which has become more noticeable than before. Based on the 12 months' results, it has already reached about 6% in the mass segment and 8% in the business class segment. At the same time, the demand is stable and the market is active. Mortgage deals were a strong demand driver in 2018».

Please share your expectations for 2019

«It is likely that the number of new launches will decrease in 2019 as compared to what we have today. First, the requirements for developers are getting tougher. Secondly, a large amount of prime housing was commissioned in 2018. Many developers made an effort to launch their projects as fast as possible in order to implement them within the framework of the old legislation. That is why the number of newly launched projects in 2018 exceeded the 2014 record. We shouldn't be cautious about the decrease of the supply. There are many offers on the market, and there is a reserve for launching new phases in the currently developed locations. But totally new locations are most likely to be few».

Dynamics of the average price for prime housing



Source: Knight Frank St Petersburg Research, 2019

Commercial terms

As of the end of December 2018, the average price for prime housing on the primary market of Saint Petersburg measured up to 342.4 thousand rub. per sq m. The indicator has decreased by 1% due to the change in the supply structure, where new buildings are offered for sale at the initial construc-

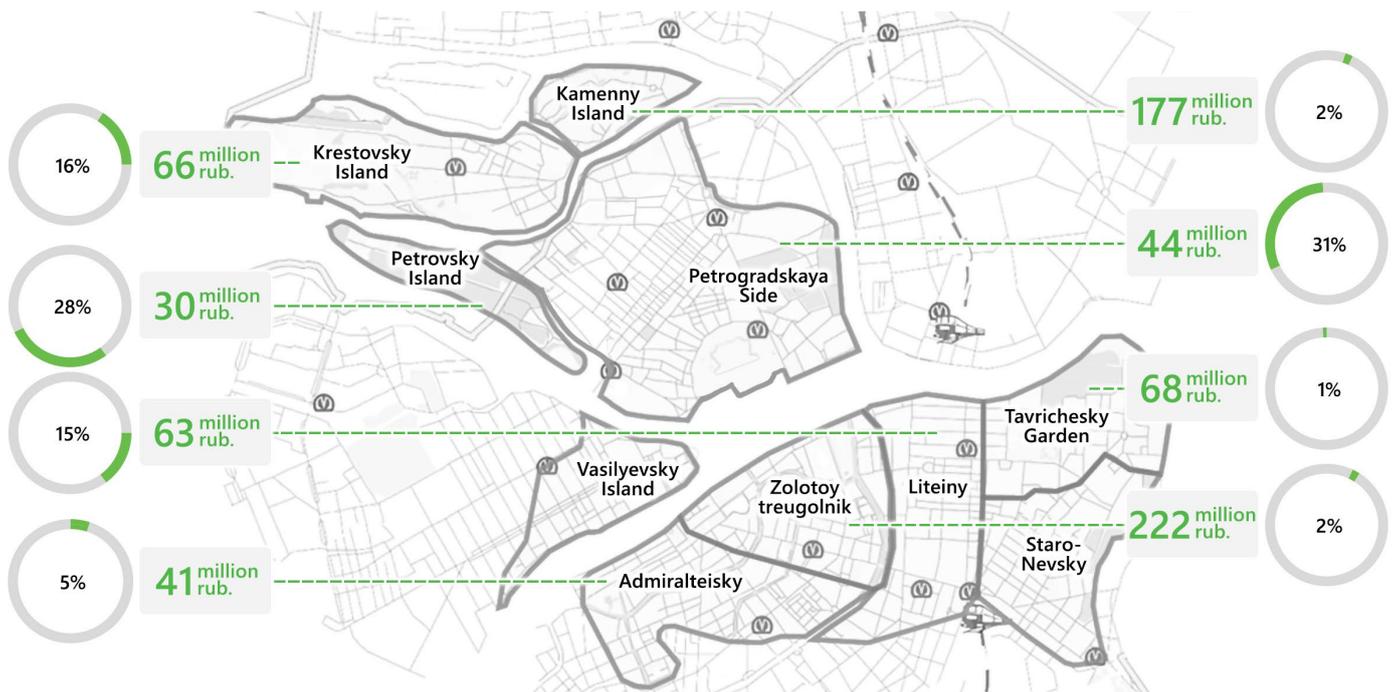
tion stage with the prices usually being lower than for commissioned projects.

The most expensive prime flats are found in the Zolotoy treugolnik area, with an average price reaching 222 million rub. The most affordable housing is offered in Admiralteisky District and on Petrogradskaya

Side, running at 41 million and 44 million rub., respectively.

The average budget for the purchase of a prime flat increased by 3% in 2018, reaching 42.4 million rub. thanks to the growing share of transactions with more spacious apartments.

The average supply price and the share of flats on sale in the locations of elite housing



Source: Knight Frank St Petersburg Research, 2019

Forecast

The adjustment by locations that we noticed in the supply of prime housing in 2018 will have a direct impact on the change in the sales structure in 2019. The primary volume of demand will shift from the facilities on Krestovsky Island and in Centralny District, with

a small number of apartments left for sale, towards Petrogradskaya Side and Petrovsky Island. At the same time, the clients who still value these locations can probably shift their focus from the primary market to the so-called "new secondary housing".

During 2019, we can expect the start of sales of several small residential club houses with a total area of about 16 thousand sq m. Only one project with a living area of 3.7 thousand sq m is scheduled to be commissioned in 2019.

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