



H3 2014 COUNTRY HOME MARKET

St. Petersburg

TRENDS

- There are two controversial trends in the luxury countryside market. In the context of unstable financial markets, the high end cottage market shows trends of having a rise in demand against a general decrease in the number of offers. In the market of B class cottage villages, the situation is vice versa – the supply goes upwards, while sales go down.
- In total, as per the beginning of October 2014, the countryside market included 15 A class villages and 39 B class projects for new-builds.
- Developers' activity seems to reduce: as within Q3 2014, 1 new B class village was released for sale.
- A decrease in average prices (in USD equivalent) is being observed: there was a quarterly decrease in rates which amounted to 7% for A class properties and 10% for B class housing.

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Ekaterina Nemchenko,
Head of the Elite
Residential Property
Department, Knight
Frank St. Petersburg

«Permanent residence in a self-owned beautiful, comfortable house, with an excellent location in a picturesque place, including good transport availability becomes not only a fashionable trend, but a conscious choice in the lifestyle of most people receiving the upper-range of income. And, it is not only the location which is an important parameter, but also the quality characteristics of the housing itself. Purchasers are very attentive and scrupulous when choosing a house which would become an heirloom. Unfortunately, such offers are highly limited and have not been recently expanded.

The current situation is obvious, as there is a slowing down in the sales rates which had become typical for B class cottage villages market, and this is connected with a postponing of the time of purchase. This is caused by customers' uncertainty of their stability and financial prosperity».



House in Olgino village. Primorsky District.

Supply

As per the beginning of October 2014, sales were effected in 15 A class villages and 39 B class projects. In Q3 2014, Strawberry Fields Golf Club was added to the market of prime country houses in the Leningrad Region. It is a new village located within the boundaries of a new golf club in the Lomonosovsky District. It resulted in an increase in the supply of B class projects by 23% compared to the previous quarter.

Particular attention should be paid to the process of supply reduction in the higher priced luxury villages, which has been noted throughout the last year. Due to decreases in developers' activity, only an insignificant number of new projects were introduced

Key indicator. Dynamics

Indicator	A class		B class	
	Rate	Change compared to Q2 2014*	Rate	Change compared to Q2 2014*
Number of cottage villages, pcs	15	▼ -6%	39	▲ 3%
Total number of houses in villages displayed on the market, pcs	256	▼ -6%	1 985	▲ 3%
Supply of the market, pcs	202	▼ -10%	1 108	▲ 17%
Number of sold houses, pcs	10	▲ 43%	34	▼ -17%
Average cottage price, thousand USD	1 852	▼ -7%	570	▼ -10%
* Compared with H2 2014				
Source: Knight Frank St. Petersburg Research, 2014				

to the market. Because of this, only 2 new villages were sold and one additional phase of an existing project was begun within the previous year. At the same time, the rate of quality housing supply is constantly reducing. The number of offers for villages in the highest price category was reduced by 10% compared to Q2 2014, and by 21% compared to the same quarter of the last year. One of the reasons for this trend is that there is a stable demand for finished quality cottages in projects situated in prestigious locations. It is noteworthy that sales in these villages are in their final stages – over 75% of houses are already sold. In contrast, there are a significant number of projects currently available in the market where no cottages have been sold at all. The reasons for low demand for certain projects are different. They can include having a poor location, a slow speed of construction, uncompetitive price, and others. Due to the data listed above, the choices for the highest-end household purchaser are limited and constantly decreasing.

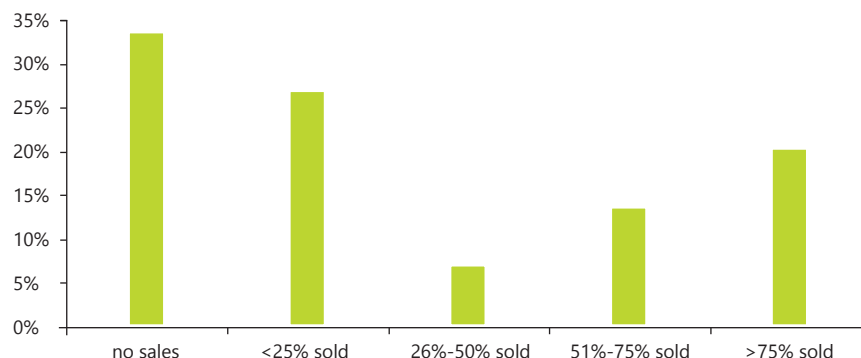
Demand

In Q3 2014, the activity of prime country house purchasers was at a higher level than in the quarter before. Between July and August this year, 10 A class cottages were sold. That amount is 43% higher than the rate of Q2 2014 and 11% higher than that of the same period of the previous year. According to experts, the trend of supply increases in the context of uncertainty at financial market continued.

In the B class cottage market, a negative supply trend is being observed. 17% less facilities were sold compared to Q2 2014. However, these rates are comparable with the sales rate of the same quarter of the previous year.

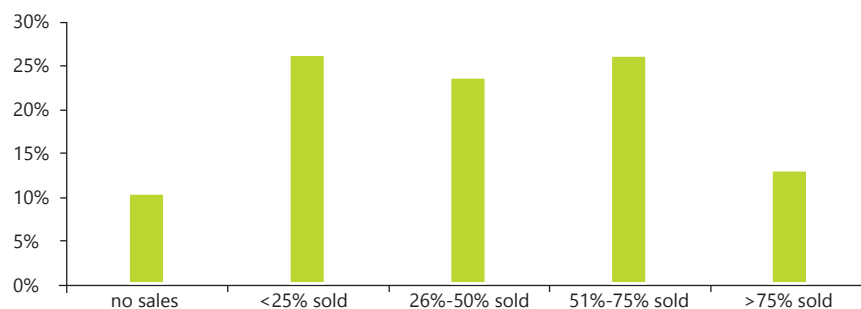
Evaluating the average sales rates of projects, it should be noted that they do not exceed 1 luxury cottage and 2 business-class facilities per 6 months. A considerable part of A class offers relates to projects that have been selling for more than 5 years. As of today, such projects are usually out-of-date and not in demand. However, some projects which have appeared at the market since 2012-2013 show substantially higher sales rates amounting to 2 cottages per quarter on average. Some of the reasons for such success are good location and delivery status of the projects, as well as having an offer which is in compliance with purchasers' expectations.

Distribution of A class villages by the share of sold houses, %



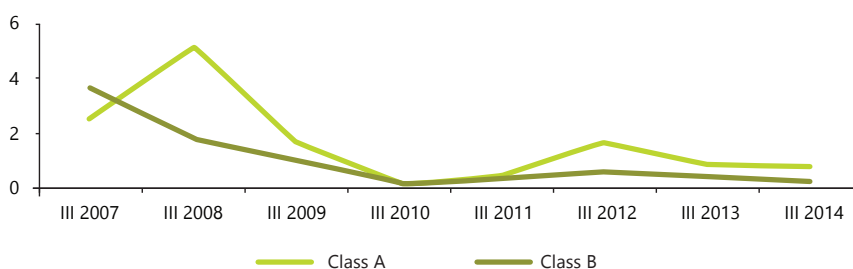
Source: Knight Frank St. Petersburg Research, 2014

Distribution of B class villages by the share of sold houses, %



Source: Knight Frank St Petersburg Research, 2014

Dynamics of average sales rates for houses in cottage villages, houses per quarter



Source: Knight Frank St Petersburg Research, 2014

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Commercial terms

At the end of Q3 2014, a quarterly decrease in the average prices of A class household rates amounted to 7%, and in business-class villages – 10%. This decrease was caused by a high currency volatility, since the price of most of offers expressed in rubles remained at the same level. Some projects that were more in demand among purchasers showed a rise in the prices for certain lots. For example, a cottage at the Repino Breeze project at the seacoast showed a rise in price by 17%.

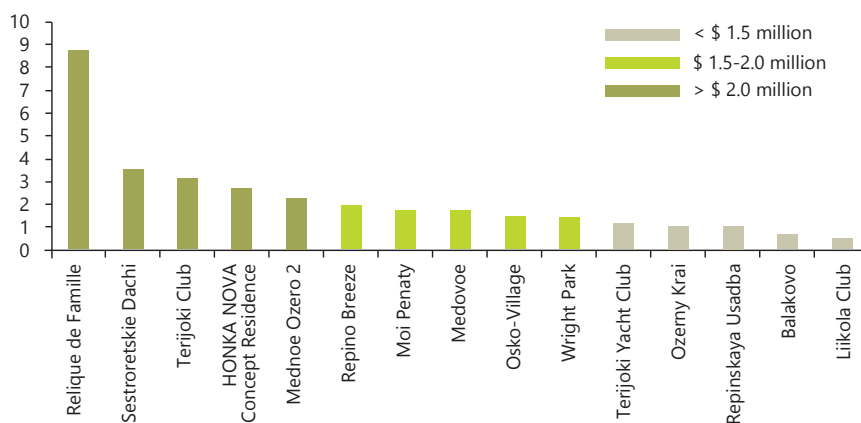
Traditionally, the most expensive projects are located in the Kurortny District, where the average offered price amounts to \$2.2 million.

Average offer price

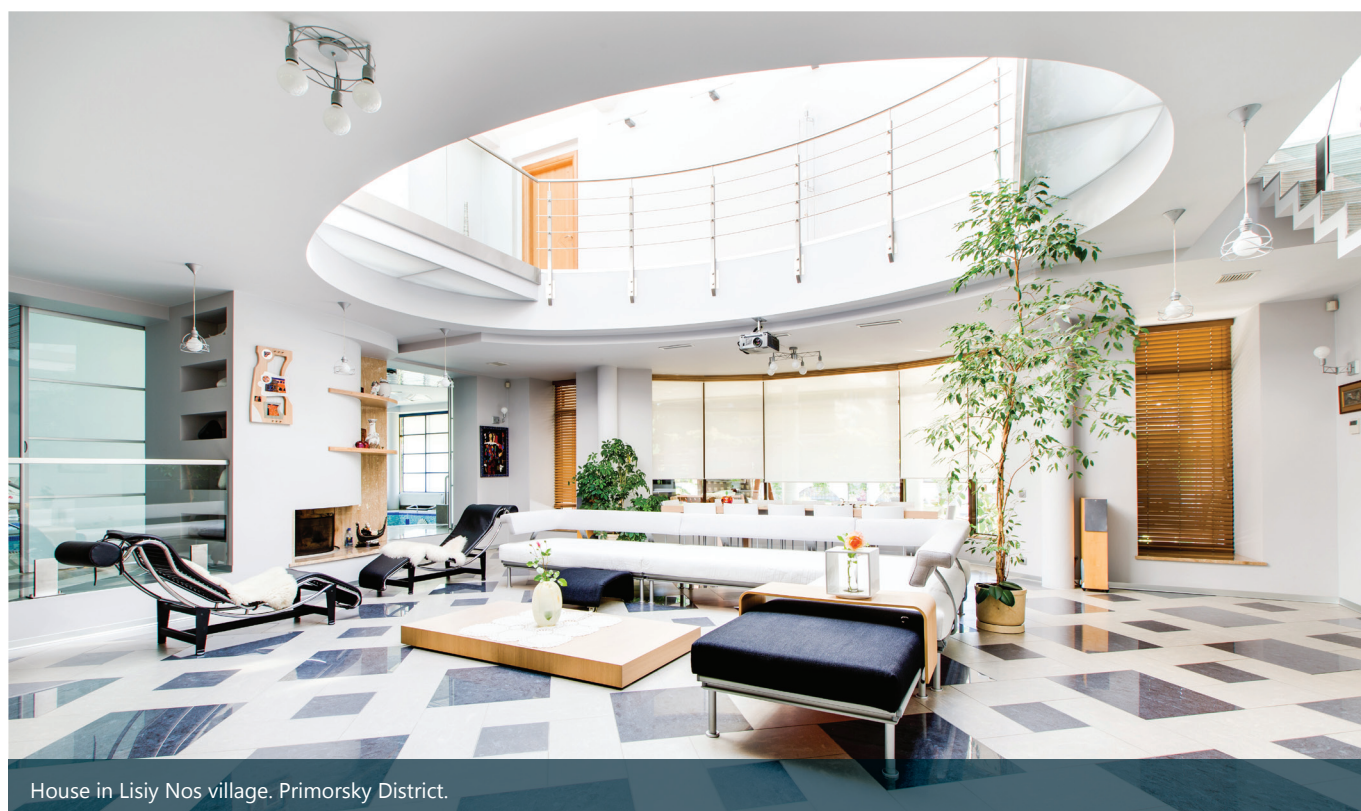
Class	Household price, thousand USD	Price per sq m, thousand USD
A	1 852	4,9
B	570	2,1

Source: Knight Frank St. Petersburg Research, 2014

A class villages distribution by average household price, million USD



Source: Knight Frank St. Petersburg Research, 2014



House in Lisiy Nos village. Primorsky District.

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
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South Korea
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Vietnam

Americas & Canada

Bermuda
Caribbean
Canada
USA

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**Olga Kochetova**

Director, Russia & CIS
olga.kochetova@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

191025,
3B Mayakovskogo St
Alia Tempora BC
Phone: +7 (812) 363 2222
Fax: +7 (812) 363 2223

MOSCOW

115054,
26 Valovaya St
Lighthouse BC
Phone: +7 (495) 981 0000
Fax: +7 (495) 981 0011

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