



Q1 2014  
RESIDENTIAL  
MARKET REPORT  
Saint Petersburg

## HIGHLIGHTS

- By the end of Q1 2014, the average price on the new-builds market of prime residential real estate was 10,248 \$/sq m. Considering the volatility of the dollar over the period, this value has dropped by 2.9%.
- YTD sales have opened in three elite objects; as a result, the total area of prime housing under construction has grown by 13% – up to 430 thousand sq m.
- In Q1 2014, the demand for prime residential property has grown by 21% to 169 apartments. Meanwhile, the average size of a purchased apartment has grown to 131 sq m.

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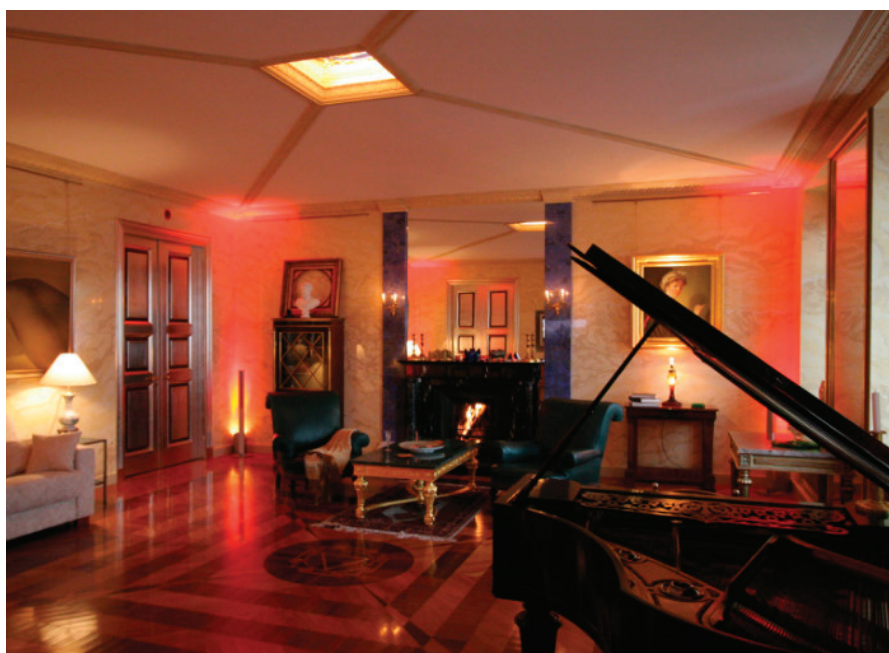


**Ekaterina Nemchenko,**  
The head of residential  
real estate department,  
Knight Frank St.  
Petersburg

"Q1 2014 was rich in events and shaping of new trends. The weakening of the national currency was not met with indifference of real estate market participants. Both the investors striving to utilize spare capital and the owners of prime real estate have intensified their activity, which had an overall positive effect on the market. The sellers, including developers, decided to fix prices in conventional units to avoid frequent price revision. A number of very interesting club-format properties meeting all requirements of customers with the highest demands and expectations were added to the high-end supply stock. Obviously, this demand was not fully satisfied with the pre-existing stock. One of the most desirable and expensive real estate objects in St. Petersburg: the Art View House (102 Moika River Emb.) is one such example. Residential complexes under construction in the city center are also sold at a good pace; the supply stock of those has been expanded with new construction project queues".

### Supply

By the end of Q1 2014, the prime residential property stock on the new-builds market amounted to about 2,700 apartments (430 thousand sq m). Traditionally, the bulk of apartments in prime residential complexes within the supply stock (42%) is concentrated at the Tavricheskiy Garden location, where construction of three large-scale complexes is underway: Smolnii Park and Paradnii Kvartal from the Vozrozhdenie Sankt-Peterburga development company, and the Smolnii Prospect (YIT). The second place (23%) in the total supply stock of prime apartments in Q1 2014 belongs to



### Key indicators. Dynamics

Indicator		Changes*
<b>New-builds market</b>		
Apartments supply, units	1,321	▲ 22%
Demand for apartments, units	169	▲ 21%
Average price, \$/sq m**	10,248	▼ -2.9%
<b>Re-sales market</b>		
Apartments supply, units	2,210	▲ 2.3%
Average price, \$/sq m**	5,522	▼ -3.6%

\* compared to Q1 2013

\*\* as of March 2014

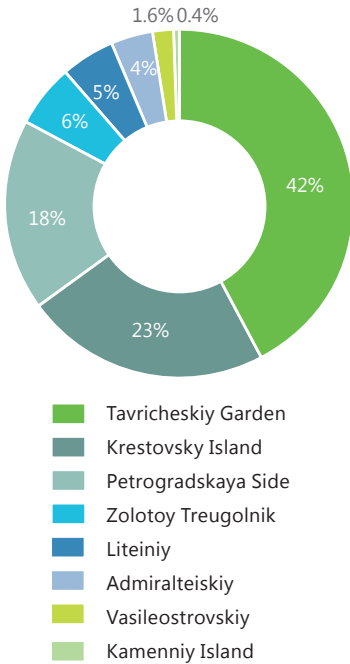
Source: Knight Frank St. Petersburg Research, 2014

### Objects where sales have started in Q1 2014

Project	Address	Living space, sq m	Number of apartments, units
Art View House	102 Moika River Emb.	3,809	24
Del Arte	3 Sanatornaya St.	1,773	9
Privilegiya	8 Vyazovaya St.	48,408	334

Source: Knight Frank St. Petersburg Research, 2014

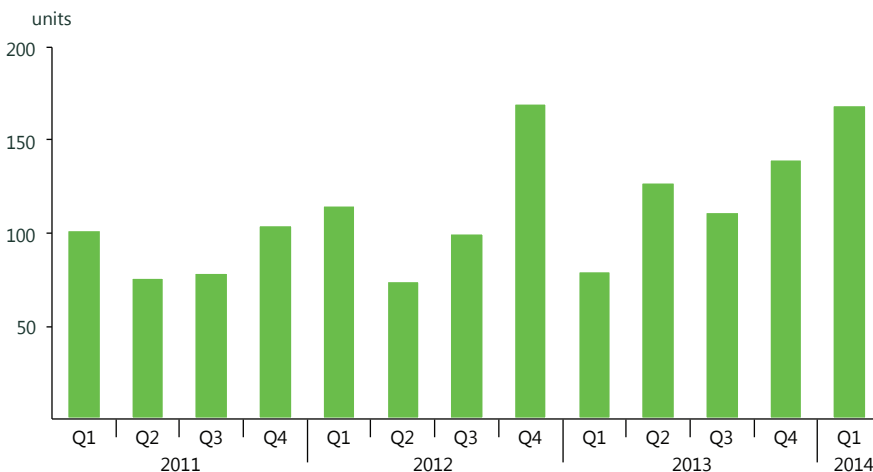
**Prime flats distribution according to locations**



Source: Knight Frank St. Petersburg Research, 2014

the Krestovskiy Island thanks to the sale of Privilegiya Residential Complex on 8 Vyazovaya St. (developed by Evrostroy). The share of Petrogradskaya side, where only one major project is being built (RC Leontiefskiy M'is on 45 Zhdanovskaya Emb.), amounts to only 18% in the total supply stock of prime residential real estate market.

**Sales dynamics for the prime flats market segment**



Source: Knight Frank St. Petersburg Research, 2014



The re-sales market supply stock is evaluated at 2,210 apartments (251 thousand sq m).

The long-awaited opening of sales in the clubhouse Art View House located on the 102 Moika River Emb. took place in February 2014. Knight Frank Company acts as a consultant and the exclusive broker of the object. 24 apartments ranging from 130 to 240 sq m each and a two-level underground parking lot for 46 cars are planned for in Art View House. The most modern engineering solutions that meet the declared quality ranking will be used.

The trend of active market delivery of apartment complexes continues with

developers. For example, in March 2014, sales have started in the clubhouse Del Arte on Kamenny Island.

**Demand**

Having started in the late 2012, a significant growth of consumer activity was noted in Q1 2014. The number of purchased flats has grown by 21% compared with the previous quarter, amounting to 169 units. By the end of the quarter, the total sold space volume amounted to 22.1 thousand sq m. Furthermore, the average purchased apartment size has grown by over 10 sq m now amounting to 131 sq m.

The preferences of prime flats buyers regarding the size and the number of bedrooms have not changed significantly. The main share of consumer demand still lies with 3-4 bedroom apartments spaced between 100 and 150 sq m.

A change of factors priority influencing the choice of apartments has occurred in Q1 2014. While the leading position still belongs to the house location, the apartment price has once again become the second most important factor, relegating the importance of quality of the project to the third place. This reflects a growth of investor interest in prime housing.

Petrogradskiy district remains the preferred location with property buyers.

At present, the improvement of living conditions and relocation to a more suitable area are the main motives for property purchase. However, the share of demand

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in these categories has shrunk. At the same time, according to the analysis of demand among the clients of Knight Frank, the share of investment purchases of prime real estate has more than doubled.

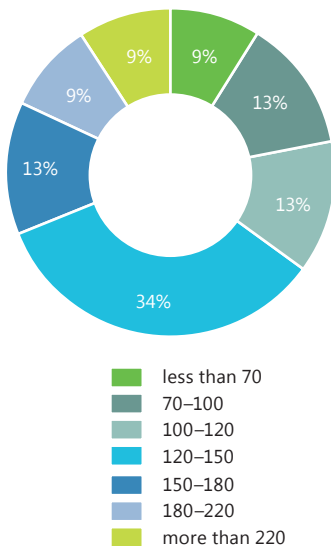
## Commercial terms

The supply price on the market of prime housing under construction in Q1 2014, taking into account the volatility of the dollar exchange rate, was 10,248 \$/sq m.

For the period under consideration, this figure has dropped by 2.9%. The negative dynamics is mainly the result of the dollar appreciation, which has grown against the ruble by more than 9% since the beginning of the year. Price growth for prime housing in ruble terms amounted to about 6%.

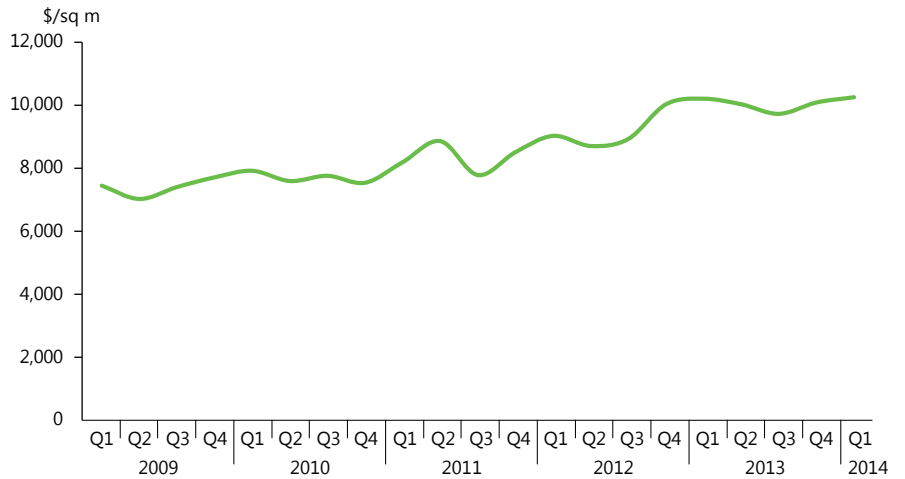
The situation on the re-sales market is similar to that of the market for housing under construction. The average price based on the volatility of the dollar has dropped by 3.6%, down to 5,522 \$/sq m. In general, the new supply stock prices exceed those of re-sales market. Such patterns inevitably accompany the periods of high activity on the housing market. As the experience of the previous market cycles shows, the situation is subsequently adjusted by convergence of price indices of new-builds and re-sales housing. The high-end market is also characterized by the desire of buyers to purchase housing in objects with engineering systems of a higher quality.

## Buyers' preference distribution according to flat sizes



Source: Knight Frank St. Petersburg Research, 2014

## Price dynamics for prime flats sold on the new-builds market of St. Petersburg



Source: Knight Frank St. Petersburg Research, 2014

The highest prices are observed in the Admiralteyskiy and Tsentralniy Districts. Despite that, 55% of all transactions in the last quarter occurred in Tsentralniy District, which is explained by the supply structure and high popularity of the district with the buyers of prime flats.

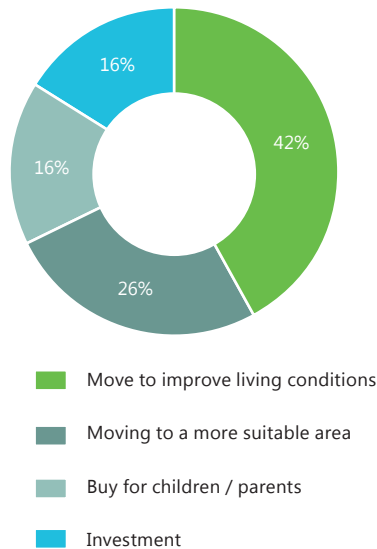
## Forecast

New interesting projects are expected to enrich the supply stock of prime real estate

in the central districts of St. Petersburg by the end of the year. Among the announced projects are the residential complexes at 51 Shpalernaya St., 2 Antonenko lane, 27 Karpovki River Emb., 29 Morskoy Ave and others.

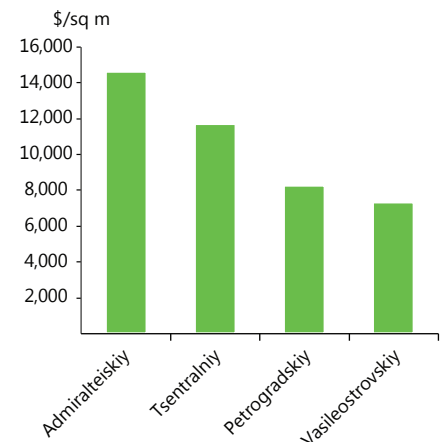
It can be expected with a high degree of certainty that the buyers on the prime housing market are going to remain very active over the coming quarter.

## Main reasons for flats purchase



Source: Knight Frank St. Petersburg Research, 2014

## Average price of prime flats in residential complexes under construction for St. Petersburg



Source: Knight Frank St. Petersburg Research, 2014

**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  
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Established in London more than a century ago, Knight Frank is the renowned leader of the international real estate market. Together with Newmark Company, Knight Frank's strategic partner, the company encompasses 370 offices in 48 countries across six continents.

Knight Frank has been a symbol of professionalism for tens of thousands of clients all over the world for 117 years. After 17 years, Knight Frank has become the leading company in the commercial, warehouse, retail and residential real estate segments of the Russian real estate market. More than 500 large Russian and international companies in Russia have already made use of the company's services.

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