



Q3 2011 COUNTRY REAL ESTATE MARKET

Saint Petersburg

Knight Frank

EXECUTIVE SUMMARY

- In Q3 2011 the out-of-town prime residential market remained stable.
- In the new build market segment supply almost remained unchanged: in 15 cottage settlements about 154 houses were offered for sale as of early October, 2011.
- Growing USD exchange rate is the reason for slight fluctuations of market prices. In Q3 2011 just one cottage settlement entered the out-of-town residential market; its offering price was lower than the market average.
- The main reasons for the fact buying activity reached its historic low level are global political and economic instability and customers' expectations of negative market development scenario.

COUNTRY REAL ESTATE MARKET



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We expect the market demand to rise due to the fact some Gazprom subsidiary companies plan to move to Saint Petersburg. Now just few deals are being made in the out-of-town prime residential market, but we see a slight grow of demand for projects located in Kurortny district.

Key indicators*

Average area of country house, sq m	Average area of land plot, hundred sq m	Average price of country house property, \$ (including land plot)	Average price, \$/sq m (including land plot)
383	29	1,741,519	4,505

* as of September, 2011

Source: Knight Frank Research, St Petersburg, 2011



Patrikki Club, Roschino village, Vyborgsky district of the Leningrad region

Most developers have wait-and-see attitude: sales in only one prime cottage settlement started in Q3 2011

Brand	Location	Number of country house properties	The range of country house areas, sq m	The range of land plots' areas, hundred sq m*	Average price of country house property, \$ mln (including land plot)*
Grand Vill	Komarovo village	11	261-317	12-15	0.97-1.24

* as of August, 2011 (the start of the project's sales)

Source: Knight Frank Research, 2011

Supply

In the past quarter the market supply remained almost unchanged. As of early October, 2011 about 154 houses were offered for sale; most of them are located in projects at final construction stage.

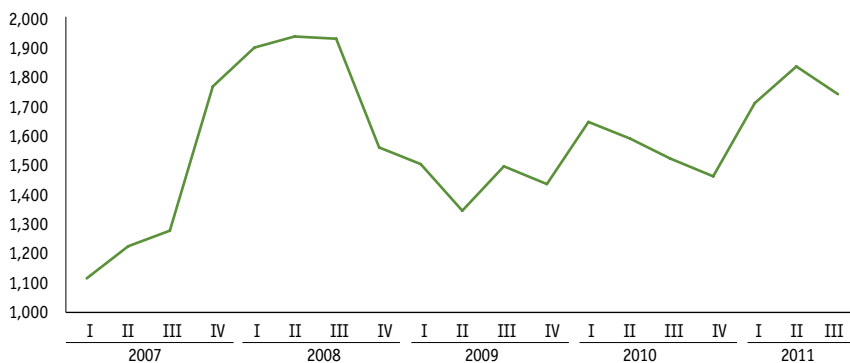
Demand

In Q3 2011 the sales volume dropped down to its record low level: the only one deal was registered in the new build market segment (Medovoe cottage settlement, Vsevolozhsky district of the Leningrad region).

Commercial Terms

The market demonstrated correction of the average offering price due to sharp fluctuations of USD exchange rate in Q3 2011. Despite the fact prices for key construction materials grow, developers do not raise prices for their projects on the market due to low buying activity

thousand USD



Source: Knight Frank Research, 2011

OVERVIEW



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