

## Moscow and St Petersburg Residential Prime Property Market • Q1 2007

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### Executive Summary

- Despite the sceptical forecasts of analysts, the new build prime residential property market proved otherwise: in contrast to a slowdown in prices for affordable housing, prices for new build prime residential properties have grown by 15.4% since the beginning of the year and reached \$16,860 per sq m in Q1 2007.
- The re-sale market saw a correction in prices during Q1 2007, with a minor increase recorded in March. Average prices grew by a moderate 0.8%. The maximal price increase of 8-11% was reported in the Arbat and Pluschikha sub-markets.
- The lettings market showed signs of recovery as seasonal downturn in activity slowed down. There was no lull in lettings activity typical of the year beginning. Demand for short-term rent of cottages increased in March.
- A new market trend – the development of large housing schemes such as mini-towns outside of Moscow – has been observed.
- The St Petersburg prime residential market is growing steadily. In Q1 2007 the new build market saw an 8.8% increase in average prices.



5, Boutikovskiy In.

## Moscow. Prime residential property market

### Key Indicators

Market segment	Average prices/ rents, Q1 2007, \$ per sq m (\$ per month)	Average price/ rental growth Q1 2007, %**	Average price/ rent growth over 6 months, %**	Average price/ rent growth over 9 months, %**	Average price/ rent growth over 12 months, %**	Average price/ rental growth, Q1 2006, %**
New build	16,860	15.4	28.8	70.3	89.8	17.8
Re-sale	19,000	0.8	23.6	42.5	55	15.2
Lettings*	5,470	11.7	13.1	22.6	21.7	20.8

\* Rents are given for flats with a total area of 80-150 sq m with high quality finishing.

\*\* The base period is December 2005.

Source: Knight Frank Research, 2007

**“Three new prime residential projects were announced in Q1 2007.”**

### New build market

#### New prime projects announced by the developers in Q1 2007

Address	Area	Date of delivery to the State Committee	Number of floors	Number of flats
13, Kostyansky In.	Sretenka	Q4 2008	8	57
6, Yakimansky In.	Yakimanka	Q4 2008	11-16	65
18, Teterinsky In.	Taganka	Q4 2009	n/a	42

Source: Knight Frank Research, 2007

Average monthly price growth in the prime residential new build market, %



■ January ■ February ■ March

Source: Knight Frank Research, 2007

### Price dynamics

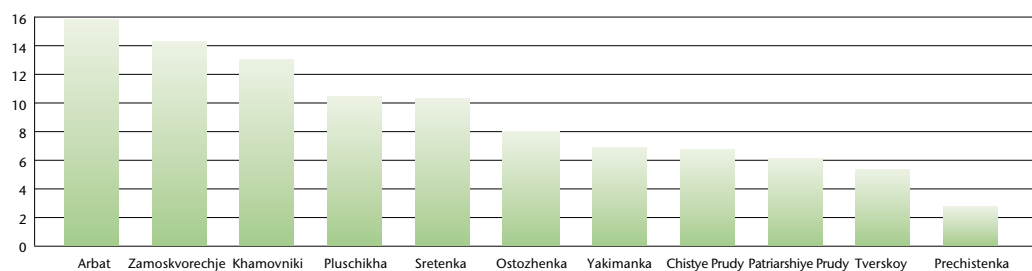
Average prices, Q1 2007, \$ per sq m	Average price growth, Q1 2007, %*	Average price growth over 6 months, %*	Average price growth over 9 months, %*	Average price growth over 12 months, %*	Average price growth, Q1 2006, %
16,860	15.4	28.8	70.3	89.8	17.8

\* The base period is December 2005

Source: Knight Frank Research, 2007

**“Forty-five prime residential complexes were in the course of construction in Q1 2007.”**

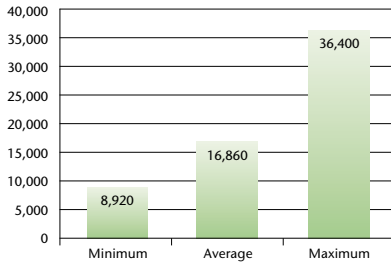
### Distribution of supply in the new build market, % of all flats offered in project



Source: Knight Frank Research, 2007

**“Flats in 36 objects were offered for sale in the new build market in Q1 2007.”**

Prices in the new build prime residential market, March 2007, \$ per sq m

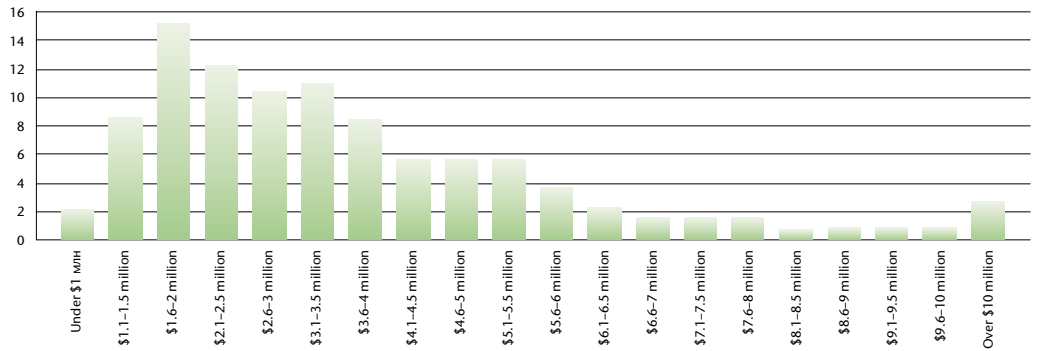


Source: Knight Frank Research, 2007

**“Several new projects that provide good investment opportunity are expected to start sales in Q2 2007.”**

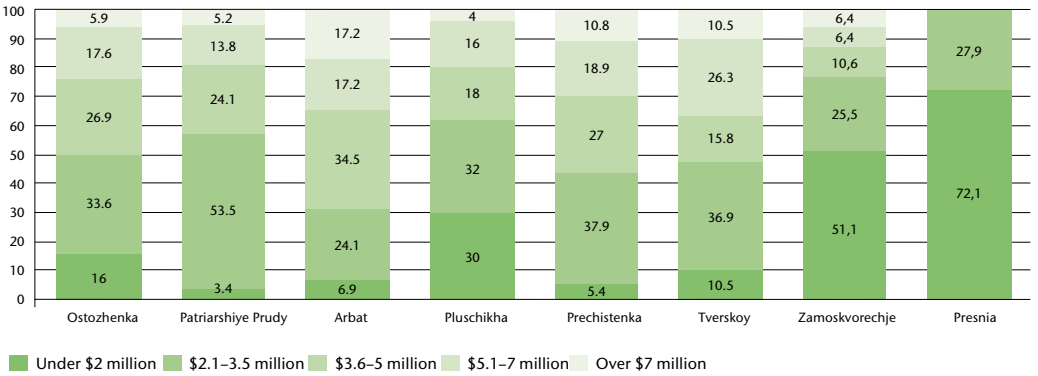
**“Subtle price growth in the re-sale prime property market in Q1 2007 is mostly due to a market price correction.”**

Prime new build supply in the new build property market by price band, Q1 2007, % of all prime property supply



Source: Knight Frank Research, 2007

Residential supply in the new build prime property market by price band, Q1 2007, % of all elite flats in the district



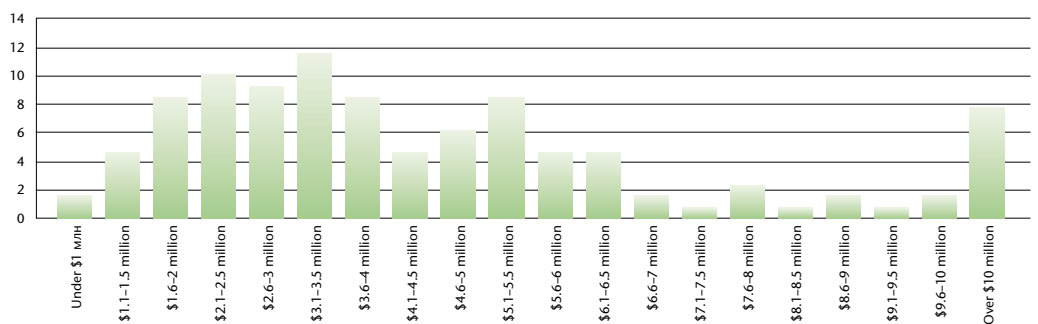
Source: Knight Frank Research, 2007

**Re-sale market**

Price dynamics					
Average prices, Q1 2007, \$ per sq m	Average price growth, Q1 2007, %	Average price growth over 6 months, %*	Average price growth over 9 months, %*	Average price growth over 12 months, %*	Average price growth, Q1 2006, %*
19,000	0.8	23.6	42.5	55	15.2

\* The base period is December 2005  
Source: Knight Frank Research, 2007

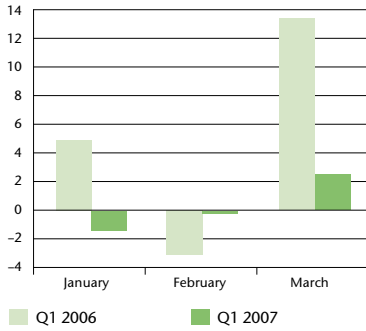
Prime re sale supply in the re-sale property market by price band, Q1 2007, % of all prime property supply



Source: Knight Frank Research, 2007

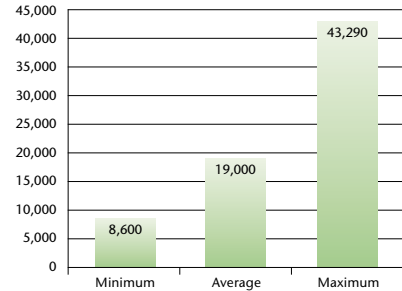
**“Prices in the re-sale prime property market grew by 2.5% in March 2007.”**

Average monthly price growth in the prime residential re-sale market, %



Source: Knight Frank Research, 2007

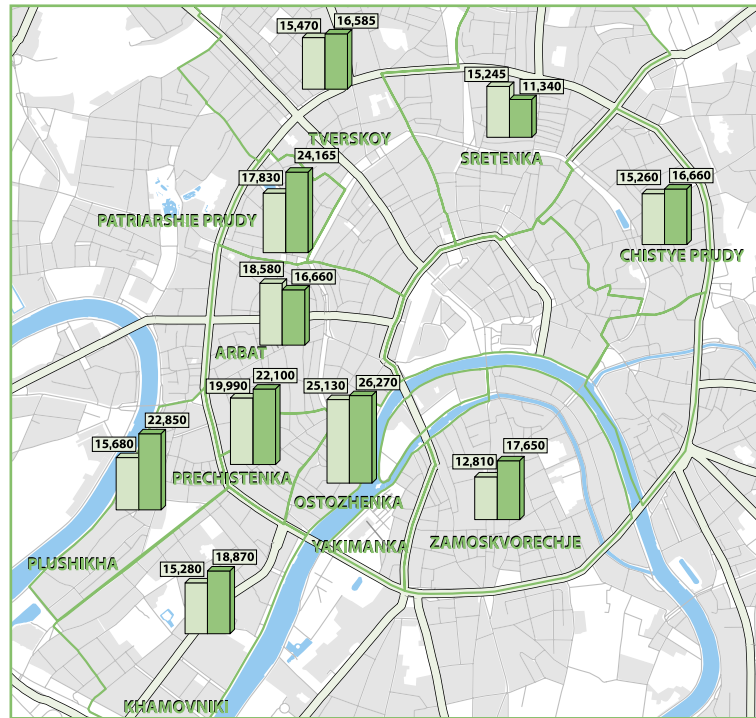
Prices in the re-sale prime residential property market, March 2007, \$ per sq m



Source: Knight Frank Research, 2007

**“The majority of re-sale offers fall into the \$3–3.5 million price segment. Flats of over \$10 million account for 8% of the total prime market supply.”**

Average prices in the prime residential property market, Q1 2007, \$ per sq m



Legend: New build market Re-sale market

Source: Knight Frank Research, 2007

**“In Q1 2007 rental growth in the prime lettings market was 11.7%.”**

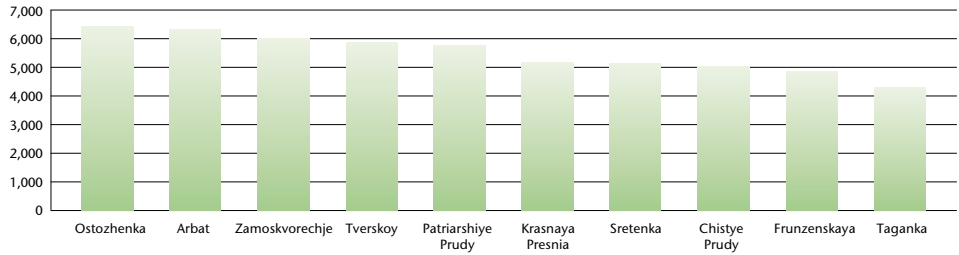
Moscow lettings market

Rent dynamics*					
Average rents, Q1 2007, \$ per month	Average rental growth, Q1 2007, %**	Average rental growth over 6 months, %**	Average rental growth over 9 months, %**	Average rental growth over 12 months, %**	Average rental growth, Q1 2006, %**
5,470	11.7	13.1	22.6	21.7	20.8

\* Rents are given for flats with a total area of 80-150 sq m with top quality finishing  
 \*\* The base period is December 2005.  
 Source: Knight Frank Research, 2007

**“Ostozhenka remains the most prestigious and expensive lettings location with an average rent of \$6,410 per month.”**

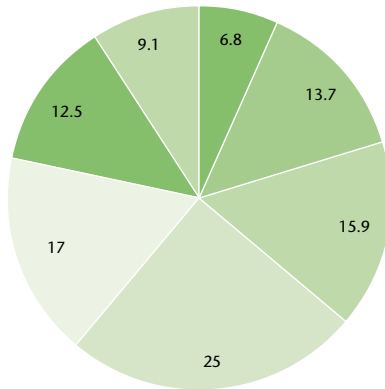
Average rents in the prime residential property market, Q1 2007, \$ per month



Source: Knight Frank Research, 2007

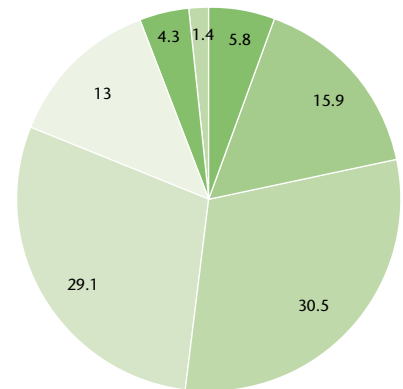
**“3- and 4-room flats are traditionally most in demand accounting for 60% of total demand.”**

Prime lettings demand by budgets, % of total number of applicants



Source: Knight Frank Research, 2007

Prime lettings demand by number of rooms, % of total number of applicants



Source: Knight Frank Research, 2007



36/2, Starokonushenny In.

## Moscow. Out-of-town property Supply

### Large-scale out-of-town projects

Project	Location, highway	Distance from the MKAD, km	Developer	Area, hectares
Crystal Istra	Novorizhskoye	17	MCG	100
A101	Kalyuzhskoye	3–23	Rusagro	13,000
Agalarov Park	Novorizhskoye	25	Agalarov Estate	300
Millenium Park	Novorizhskoye	24	Villagio Estate	280
Monteville	Novorizhskoye	34	Villagio Estate	94
Istra Island	Novorizhskoye	55	MCG	1,150
Pavlovo-2	Novorizhskoye	14	Open Investments	80
Plestcheyevo	Rubliovskoe	10	OPK	600
Rublevo-Arkhangelskoye	Novorizhskoye	5	Terra Development	430

Source: Knight Frank Research, 2007

**The Ilyinka lanehouse complex (11 km from Moscow near Ilyinskoye highway) offers a new format of suburban residential accommodation.**





Roublevo-Uspenskoye hw. 24 km from MKAD

Average asking prices in the prime suburban residential market, Q1 2007, US\$ per sq m

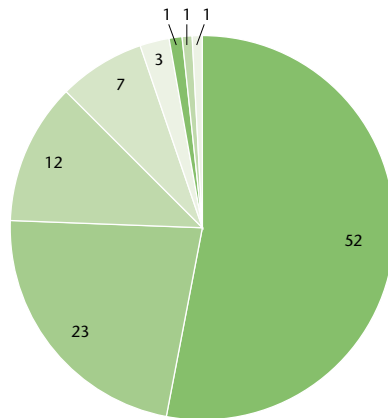
Highway	Up to 10 km	10–20 km	20–30 km
Roublevo-Uspenskoye	11,710	10,390	4,930
Novorizhskoye	6,610	5,250	3,410
Minskoye	6,540	6,090	5,060
Kaluzhskoye	4,610	3,550	2,870
Dmitrovskoye	3,160	1,830	2,560

Source: Knight Frank Research, 2007

Demand

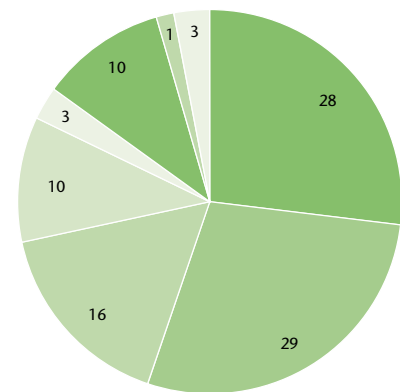
Geographic distribution of buyers demand for prime out-of-town property, Q1 2007, % of the total number of applicants

Buyers budget for prime out-of-town property, Q1 2007, % of the total number of applicants



- Roublevo-Uspenskoye
- Novorizhskoye
- Kaluzhskoye
- Kievskoye
- Pyatnitskoye
- 1st Uspenskoye
- Ilyinskoye
- Minskoye

Source: Knight Frank Research, 2007



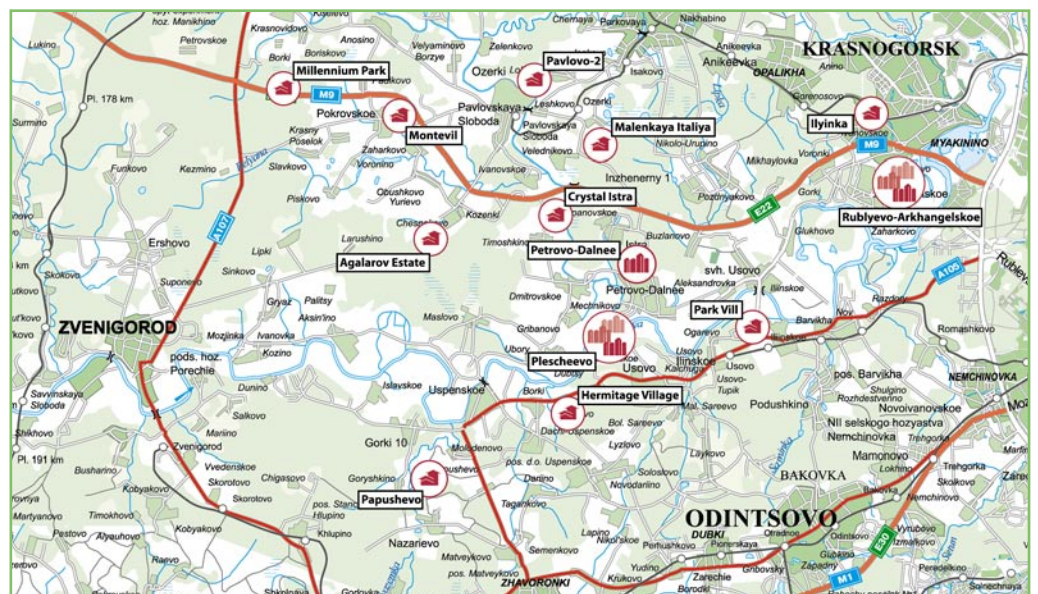
- Under \$1 million
- \$1,1–2,5 million
- \$2,6–4,5 million
- \$4,6–6 million
- \$6,1–8 million
- \$8,1–15 million
- \$15,1–20 million
- \$20,1–25 million

Source: Knight Frank Research, 2007

“A new market trend – the development of large residential schemes such as mini-towns outside of Moscow – is observed.”

“Buyers with a budget of up to \$2.5 million account for the majority of the requests for prime out-of-town properties (57%).”

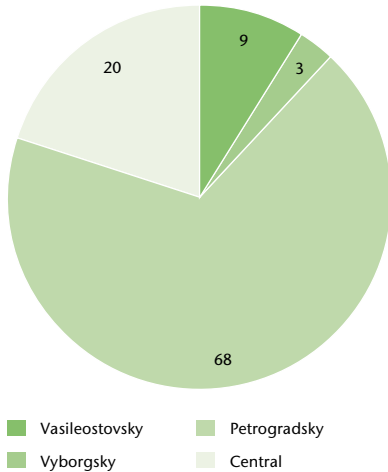
Map of the key out-of-town projects along Roublevo-Uspenskoye and Novorizhskoye highways, Q1 2007



Source: Knight Frank Research, 2007

**“Average prices in the new build prime property market grew by 8.8% in Q1 2007.”**

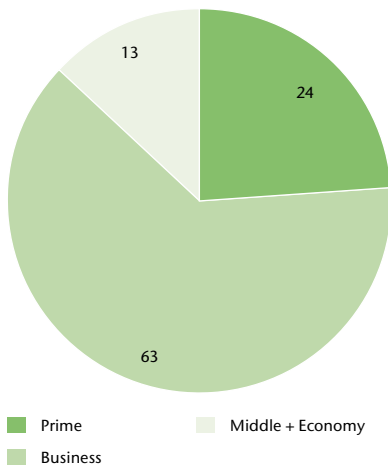
Prime residential property under construction by district, % of all projects under construction



Source: Knight Frank Research, 2007

**“78 cottage complexes are currently offered for sale, an additional 48 are undergoing the design stage. The new build stock has amounted to 2.5 thousand individual properties.”**

Distribution of cottage settlements by class, % of all cottage settlements



Source: Knight Frank Research, 2007

## St Petersburg. Prime Residential Property Market

Urban residential property. Supply

### Key completed reconstruction projects in the historical city centre

Location	Number of floors	Number of flats	Price, US\$ per sq m
18, Vladimirsky av.	5	8	5,000
36, Roubinsteina st.	4	8	8,050
11, Nevsky av.	6	5 penthouses	18,780

Source: Knight Frank Research, 2007

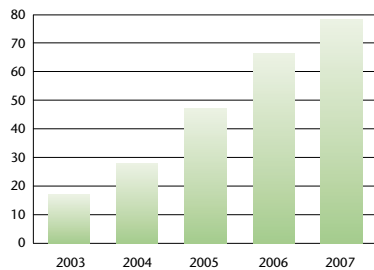
### Price dynamics

Market segment	Average prices, Q1 2007	Minimal price, \$ per sq m	Maximal price, \$ per sq m	Average price growth in Q1 2007, %	Average price growth over the last 12 months, %
New build	4,772	2,955	10,977	13.5	74.6
Re-sale	6,203	3,460	16,000	8.8	111.6

Source: Knight Frank Research, 2007

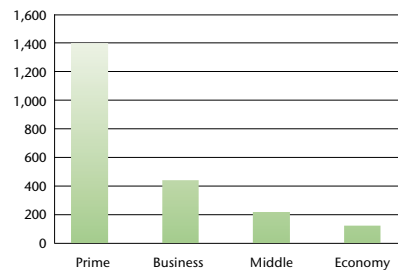
## Out-of-town property market. Supply

Supply dynamics in the new build cottage settlements market, 2003-2007, number of cottage settlements



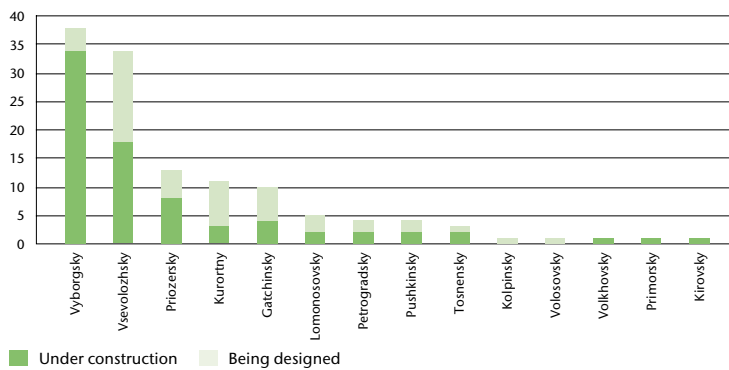
Source: Knight Frank Research, 2007

Average price per cottage across price segments, \$ thousand



Source: Knight Frank Research, 2007

Geographical distribution of new cottage settlements in the pipeline and being designed in St Petersburg by region



Source: Knight Frank Research, 2007

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