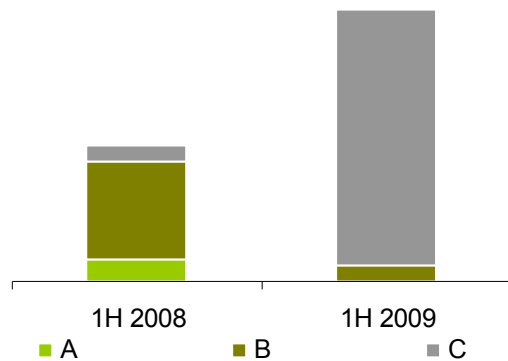




News and Trends

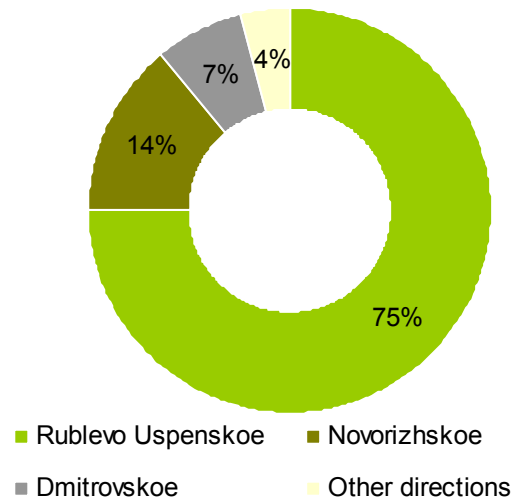
The volume of new supply on countryside real estate market has increased at the expense of mass segment (Class C), with a significantly reduced supply of new luxury properties (Class A and B)



Source: Knight Frank Research, 2009

- The bulk of Class C supply are the settlements with land plots without development contract, that does not require extensive preparation to start the sales
- There are only two new Class B projects had joined the market since the beginning of the year
- ❖ Prices changed differently depending on the class of the object and the particular settlement
- The prices of Class A houses on re-sale market have not been nominally reduced. Besides, the real transactions had closed on the price proposed and argued by the buyer
- Discounts on the primary market of Class A houses also decreased compared to period May-June
- Owners of unique Class A objects prefer to withdraw from sale rather than significantly reduce the price
- Key event for the market is the exclusive objects available for sale, which normally were out of market. For the first time since 2003 there is a mansion for sale at Serebryaniy Bor at the first line to the water
- ❖ Consumer demand is shifting to the higher class. Applications received by Knight Frank confirm the growing interest in Class A countryside properties (within 30 km from MKAD, western directions). Taking advantage of falling market buyers tend to buy for the same money, property they could not afford before the crisis

Significant share of applications accounted for the most prestigious directions of Moscow region



Source: Knight Frank Research, 2009

Outlook

The trend of market transformation is to continue with the mass segment to take the largest share of supply. Besides, the supply of elite objects is to reduce due to being withdrawn of re-sale properties and freezing of development.

Knight Frank analysts consider two possible scenarios of further market development:

1. With a favorable macroeconomic environment and further increase of consumer interest in elite properties, which could be accompanied by autumn activity of buyers and investors, it is expected moderate price growth for the elite country houses. In this case, the supply of high end properties gradually to return market
2. In case of macroeconomic shocks and resulting cut of effective demand and sharp price reduction it is expected significant market transformation which includes the bulk of supply is to be the mass market but the segment of elite country houses is to reduce sharply, because of withdrawal of owners to sale properties. This is typical situation because the owners as a rule have no serious credit obligations and elite real estate remains the most conservative investment asset, especially during the economic shocks.