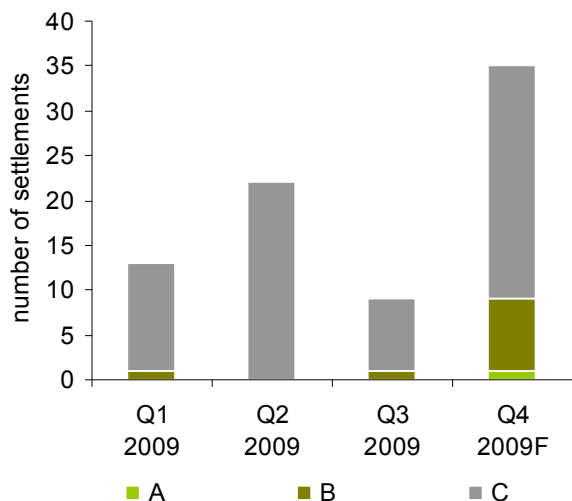




Key indicators

The main volume of new supply on the suburban real estate market in 2009 consisted of class-C housing developments



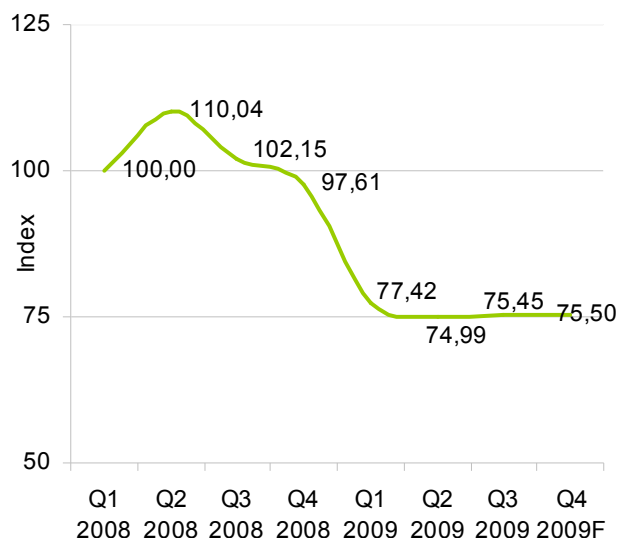
Source: Knight Frank Research, 2009

More than 70 new housing developments entered the market in 2009. The main volume of new supply consisted of the economy segment of the market. In general, this segment was presented as class-C developments, in which land plots were being realized without mandatory working contracts for construction. If in the previous year this type of supply was wide-spread for the most part in the «distant datcha» segment (developments 70-120 km from MKAD), then in this year land plots without contracts could be acquired even in immediate proximity to Moscow. In the end of the year, developers activated the introduction of more capital-intensive, class-B projects to the market. In all of 2009, not one elite class-A project was announced.

A strong increase in supply was felt on the secondary market for elite suburban real estate at the beginning of the year. With the decrease in prices for suburban real estate, a tendency to remove objects from the market appeared, since the price level did not prove satisfactory to sellers of elite homes.

The main share of requests for purchasing suburban real estate were for the more prestigious areas of the Moscow region (Rubliovo Uspenskoe, Novorizhskoe). However, budgets for purchasing elite objects in these areas significantly contracted.

A stabilization of prices is anticipated on the suburban real estate market by the end of the year.



* Price index of supply for the primary and secondary markets of elite suburban real estate, prices from Q1 2008 equal 100%

Source: Knight Frank Research, 2009

According to the index of Knight Frank, the decrease in supply prices for the more prestigious regions of the Moscow region equaled more than 30% relative to the market's peak (Q2 2008). The market underwent the largest drop in prices during Q1 2009. Beginning with Q2 2009, the price level stabilized and started to show a weak positive dynamic.

Due to pre-New Year discounts and sales, directed at stimulating consumers towards quicker deal closings, the price level is expected to remain stable by the end of the year.

Year trends

- ❖ The main share of new supply on the market consisted of class-C housing developments, in which land plots are being realized without mandatory working contracts.
- ❖ A growth in the supply of land plots without mandatory working contracts in close proximity to Moscow was noted, as well as in redeveloped elite cottage developments.
- ❖ A shortage of unique elite objects on the secondary market due to sellers removing their objects from the market in anticipation of more acceptable price levels was also observed.
- ❖ Consumers contracted their budgets for acquiring elite objects while maintaining their interest in the more elite areas.
- ❖ The market saw a stabilization of price levels after a steep fall at the beginning of the year.