
Source: www.velich.ru

Velich, Novorizhskoye Highway, 38 km from the MKAD


Source: www.poselok-evropa.ru

Evropa, Ilyinskoye Highway, 23 km from the MKAD


Stolnoye, Minskoye Highway, 5 km from the MKAD

Expert's View

During the first two quarters of 2010 completed villas were in high demand, the same as at the end of 2009 (sales in the most successful projects reached 4 units a month), and plots without a construction contract were also in demand.

From January to June prices for the high-budget suburban housing market grew slowly: from 0.5% to 1.5% a month. However, the average supply price remained at a level lower than 30% as compared to the pre-crisis level…

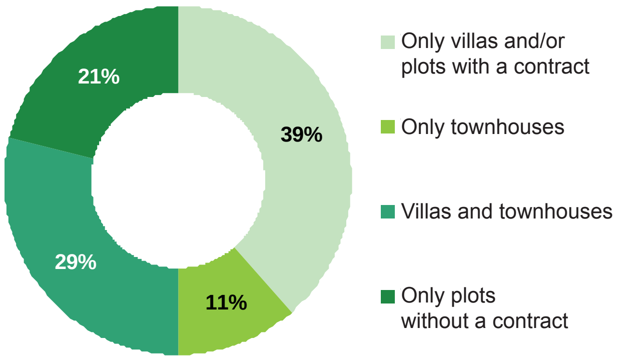
Olga VINOKUROVA,
Senior Analyst of Marketing and Market Monitoring Department, IntermarkSavills

General overview of selling projects

During Q1 and Q2 2010 in the Moscow Region new-build sales were conducted in more than 350 planned gated communities and townhouse communities, which was 10% higher than in Q1 and Q2 2009. Approximately 165 of the projects (including 20 townhouse communities) fall into the highest price category of country property projects – BUSINESS and PREMIUM Class.

High-budget country complexes under construction currently comprise approximately 22 thousand housing estates (5% less than in Q1 and Q2 2009) and occupy a territory of approximately 6 thousand hectares (7% less than during the same period in 2009). The share of unsold property in these communities is about 35% of the total projected amount.

Distribution of high-budget communities represented on the market in 2008-2009 by property type
1st half of 2010



Source: IntermarkSavills

In terms of qualitative structure, 20% of projects (include 4 thousand housing estates within an area of approximately 1.8 thousand hectares) fall into the prestigious PREMIUM Class, the remainder – into BUSINESS Class. This structure is the same as in 2009.

The significant newcomers of the first two quarters of 2010 are the following communities:

- **Valuyevskaya Sloboda** / BUSINESS Class / Kievskoye Highway / 10 km from the MKAD / area 10 hectares / 58 villas (from 390 to 570 sq.m) on plots of 10 – 17 hundred sq.m;
- **Zapadnaya Dolina** / BUSINESS Class / Kievskoye Highway / 20 km from the MKAD / area 82.7 hectares / 462 villas (from 100 to 300 sq.m) on plots of 5 – 15 hundred sq.m / 268 townhouses (from 80 to 140 sq.m) on plots from 2 to 4 hundred sq.m;
- **Istrinskaya Dolina** / 16 villa and country house communities of different quality level (from ECONOMY to PREMIUM Class) / area 650 hectares.

  Within project communities **Dachi Honka, Lesnaya Pristan-1,2, Shelestovo-1,2** are already on sale. Communities with good prospects are: ZORINO PARK, Tikhaya Zavod, Ozerny Krai, Lisichki, ECOPARK Ushakovo, LAKE SIDE, SUN STAR RESORT.
- **SANATEL Taldom** / BUSINESS Class / Leningradskoye Highway / 100 km from the MKAD / 21 residences in a resort community, all services available.

Other projects that entered the market during the period offered plots without a construction contract.

During Q1 and Q2 2010 new-build sales were completed in 7 high-budget communities launched during previous years.

The structure of high-budget country projects by direction and distance from the MKAD remained unchanged in Q1 and Q2 2010 as compared to the same period of 2009: Novorizhskoye Highway was the leader by the number of elite communities and the distance of 20-25 km from the MKAD prevailed.

During Q1 and Q2 2010 the percentage of projects with average budgets of up to $1.0 million continued to grow compared to the same period in 2009 (almost 40% in Q1 and Q2 2010 compared to 30% in Q1 and Q2 2009). This was mainly due to developers reducing prices and areas of property for sale.

Source: www.sanatel.ru

SANATEL Taldom, Leningradskoye Highway, 100 km from the MKAD

Demand

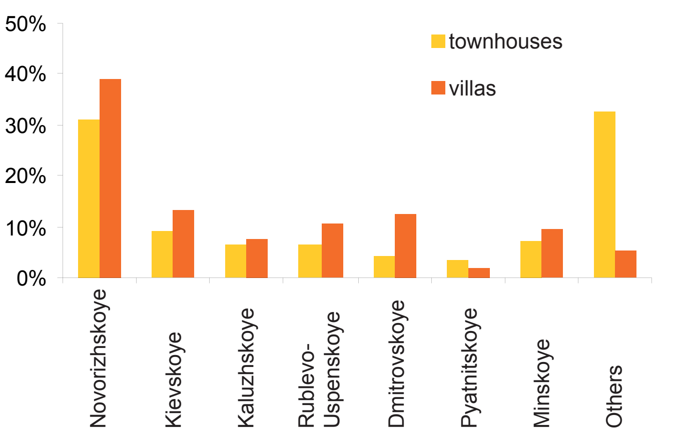
The total amount of sold actual demand for country property in BUSINESS and PREMIUM Class communities under construction amounted to approximately 700 completed new-build transactions in Q1 and Q2 2010 (which is almost double that of Q1 and Q2 2009), and 65% of those were transactions with villas, and 50% - with townhouses. .

During the first six months of 2010 approximately 171 thousand sq.m of property floor area was sold in high-budget communities (60% more than in Q1 and Q2 2009). The monetary capacity of this segment of country housing property amounted to about $550 million while the weighted average price of a sold villa was $940 thousand and that of a townhouse – $530 thousand (20% more than the same figures of the crisis year of 2009).

An analysis of the market volume this year compared to last year, demonstrates a gradual recovery of buyer interest in the highest price category.

The structure of demand by geography remained unchanged as compared to the same period of 2009: the leading area for sold property was Novorizhskoye Highway (more than 40% of villa transactions and 30% of townhouse transactions total).

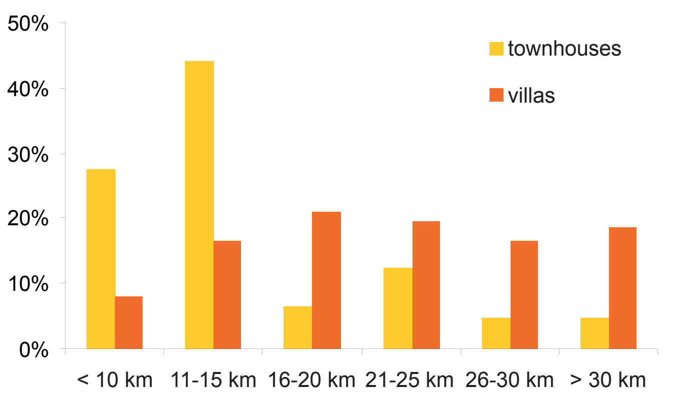
Structure of demand for villas/townhouses in high-budget communities by geography
1st half of 2010



Source: IntermarkSavills

In Q1 and Q2 2010 the major demand (60% of all purchased villas and townhouses) was for property closest to Moscow (up to 20 km from the MKAD). In Q1 and Q2 this percentage was 20%. Buyers continue to be reluctant to risk and acquire liquid property in communities commissioned by the by State Commission (at this distance from Moscow mainly fully completed property is sold).

Structure of demand for villas/townhouses in high-budget communities by distance from the MKAD
1st half of 2010

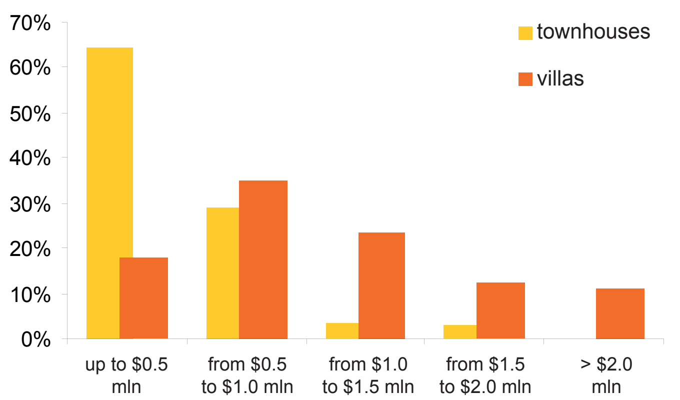


Source: IntermarkSavills

The budget demand structure at the end of Q2 2010 was almost the same as 2009: the percentage of villa transactions within a budget range of up to $500 thousand amounted to 20%, townhouses transactions – about 70% of all sold property. Before the crisis the quantity of sold elite houses of this price category was very small. The major portion of villa transactions was within a range of $500 - $1.5 thousand (60% of all sold houses).

On average the floor area (for the market segment under review) of a cottage sold in Q1 and Q2 2010 was approximately 360 sq.m on a plot of 0.18 hectares, and the floor area of a townhouse was 190 sq.m on a plot of 0.04 hectares.

Structure of demand for villas/townhouses in high-budget communities, by budgets
1st half of 2010



Source: IntermarkSavills

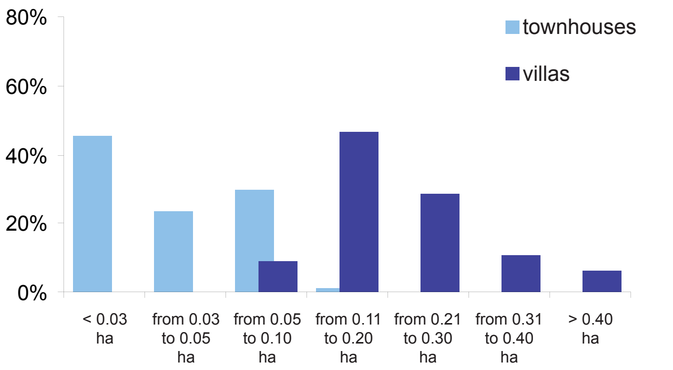
Supply

The total new-build supply of villas, plots with construction contracts, and townhouses in BUSINESS and PREMIUM Class communities under construction as of the end of Q2 2010 amounted to about 7.0 thousand units, which is almost 2.7 million sq.m of total area (these figures are 10% lower than they were in 2009).

As in 2009, approximately 80% of the country property supply falls into BUSINESS Class, and the remaining 20% – into PREMIUM Class. 40% of the current supply is made up of townhouses and the property they entail while the demand share for such property is equatable to that amount.

During Q1 and Q2 2010, as in 2009, most of the villas (40%) and townhouses (30%) offered for sale are located in the Novorizhskoye Highway area. A significant share of the supply was in the Kaluzhskoye and Kievskoye Highways area (more than 25% of villas and 15% of townhouses) and of Dmitrovskoye Highway (approximately 15% of all sold villas and 10% of townhouses). The percentage of projects along the prestigious Rublevo-Uspenskoye Highway was 5% of all villas and townhouses sold on the new-build market.

Distribution of supply of villas/townhouses in high-budget communities, by area of land allocation
June 2010

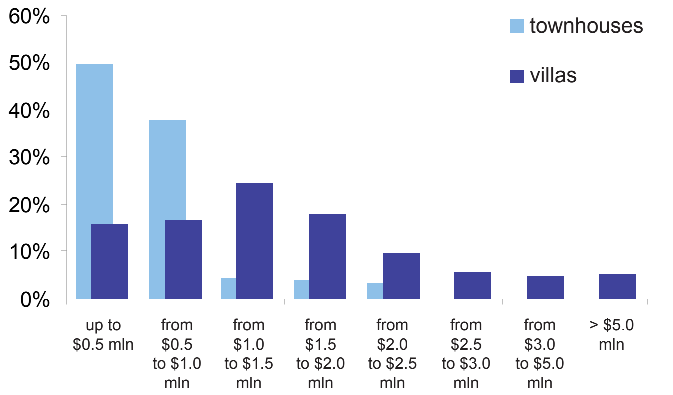


Source: IntermarkSavills

The structure of supply by distance from the MKAD in the first two quarters of 2010 remained practically unchanged as compared to the same period of 2009: the major portion of offered villas was located farther than 20 km from Moscow (80% of the overall supply). In the structure of townhouses supply it was vice versa: 70% of sold townhouses were located less than 20 km from the MKAD.

The budget structure of supply has not changed drastically and was in balance with the demand: most villas (60%) (the same as was recorded in 2009) were offered within a budget range of up to $1.5 million, and townhouses (almost 90%) – up to $1 million. In the midst of the crisis in May-June 2009 developers reviewed their official price lists and introduced significant discounts (up to 20% for most overestimated property). It was at that point that a portion of the most expensive property reduced by 20% as compared to the pre-crisis indicators.

Distribution of supply of villas/townhouses in high-budget communities, by budgets
June 2010



Source: IntermarkSavills

In the structure of supply by floor area of housing estates approximately half of the villas have a floor area of up to 400 sq.m. 15% have a large floor area of more than 600 sq.m. As for the majority of townhouses (70%) the floor area does not exceed 250 sq.m.

Source: www.glagolevo-park.ru

Glagolevo Park, Kievskoye Highway, 35 km from the MKAD

Prices

At the end of June 2010 the weighted average unit price of a villa/townhouse in the Moscow Region for all BUSINESS and PREMIUM Class projects amounted to **$3,820 per sq.m** (including the cost of the land plot).

The average market price in all BUSINESS and PREMIUM Class communities amounted to:

- **$4,140 per sq.m for villas** (increase of 3.2% over the last three months)
- **$3,050 per sq.m for townhouses** (increase of 4.1% over the same period). .

As of June 2010 the average market price of PREMIUM Class villas amounted to $5,860 per sq.m (14% more than at the end of 2009), the price of BUSINESS Class villas – to $3,600 per sq.m (11% growth over the same period).

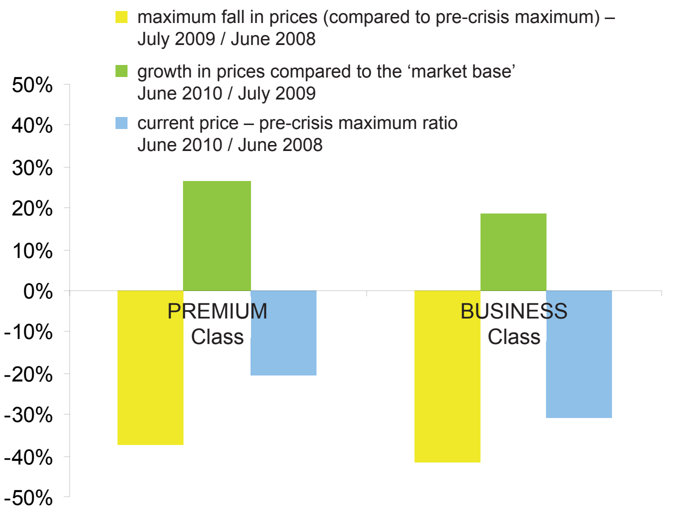
In June 2010 the average market price of PREMIUM Class townhouses amounted to $4,300 per sq.m (12% more than a year ago), the price of BUSINESS Class townhouses – to $2,700 per sq.m (8% more than in 2009).

During Q1 and Q2 2010 the growth in average villa and townhouse prices in all major routes and at all distances from the MKAD was distributed evenly in all areas. This can be explained by changing buyer preferences: they opt for practicality (buy liquid property at reasonable prices) rather than the prestige of a particular location.

Comparative analysis of prices in 2009-2010 showed gradual stabilization on the suburban high-budget market which was mostly caused by the growing demand (since autumn last year).

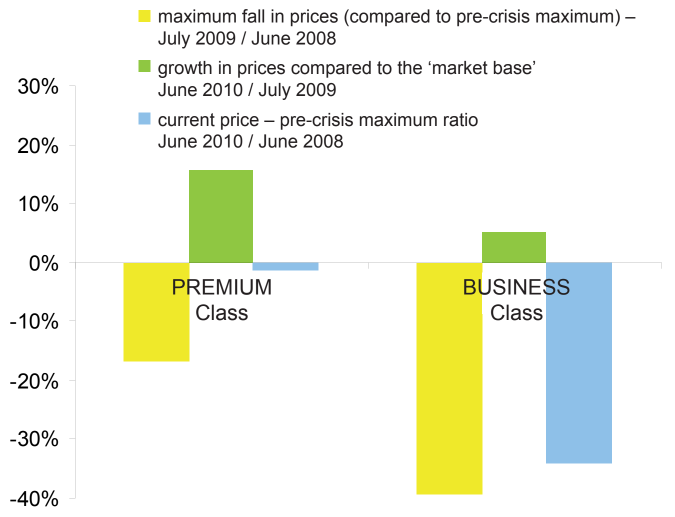
In anticipation of a seasonal spike of buying activity developers increased the cost of completed property inside communities, whereas the price of houses at the initial construction stage remained unchanged.

Dynamics in average market prices for high-budget townhouses on the market of the Moscow Region
2008-2010



Source: IntermarkSavills

Dynamics in average market prices for high-budget villas on the market of the Moscow Region
2008-2010



Source: IntermarkSavills

Valuyevskaya Sloboda, Kievskoye Highway, 10 km from the MKAD

Green Hill, Novorizhskoye Highway, 29 km from the MKAD

Main trends in market development during the 1st half of 2010

- Villa communities selling plots without a construction contract continue actively entering the market.
- Growth in the number of new-build transactions in Q1 and Q2 2010 in comparison with the same period of 2009 (by almost 2 times).
- New-build sales in 7 high-budget communities that entered the market during the previous years were fully completed.
- 3 new projects of the highest price category were brought to the market, they offer villas/plots with a construction contract, and the construction is now in the active phase.
- Differentiated increase of prices by developers: raising the cost of completed property while not changing or reducing the price of the houses that are at the initial construction stage, within one project.
- The average supply price of all projects has increased: by 10% for villas and by 5.2% for townhouses (as compared to the beginning of 2010).

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