Nikoliers

Results 2024

Residential Real Estate

Russia | St. Petersburg

Trends. Saint Petersburg

The demand for off-plan housing in Saint Petersburg went down by 16% over the year 2024 (by the number of shared equity agreements)

In the meantime, the average floor area per deal shrank by 2 sq m amounting to 39.2 sq m. We saw a growing share of comfort class in the demand, which went up from 76% to 81% over the year, affecting the size of an average unit sold. Studios and one-room lots were most popular with buyers. Apartments, mostly serviced ones for lease, also contributed to the reduction of average floor area per transaction.

As per the resolution issued at the end of 2024, starting in 2026 it will be forbidden for the Leningrad region to design residential units less than 28 sq m in size. We cannot exclude an extension of this new restrictive measure to the city of Saint Petersburg as well.

The share ot mortgage-backed transactions dropped to the level of 69%.

This drop by 16 p.p. year-on-year is due to the termination of government-backed preferential housing mortgage, the exclusion of Saint Petersburg from the IT-mortgage program, stiffening of the family mortgage terms, and the exhaustion of bank limits on this program, as well as to the ultra-high interest rates on market loans. By December 2024, the share of housing mortgage in the structure of transactions had reached the minimum level of 44% and this trend is expected to continue next year.

The weighted average price of housing on offer grew by 10% over the year.

The weighted average price on the off-plan residential real estate market in Saint Petersburg in comfort, business and premium classes amounted to 296,000 RUB/sq m at the year's end, its growth being comparable to the inflation rate. In 2025, the dynamics of housing prices, according to Nikoliers' forecasts, will be comparable to what we saw in the previous year.

The reduction in the amount of new supply rolled out to the market stood at 34%

As per the project declarations, 1.5 million sq m of residential real estate was rolled out to the St. Petersburg market, which is 0.2 million sq m less than the total annual demand. An increase in the cost of bridge loans and project financing restricts the capabilities of developers to buy plots of land and launch projects, thus significantly reducing the amount of new supply. As the key rate goes down, the spilling of pent-up demand coupled with a lesser living space on offer in the off-plan housing market will trigger a massive launch of new projects in the future.

Housing construction in Saint Petersburg contracted by 22% year-on-year

Relative to the construction volumes at the end of 2020, the reduction amounts to 44% - during that period a number of large territories were being rapidly developed, given an aditional impetus to the market such as the launching of government-backed housing mortgage programs. This indicator restrains the price correction and in the mid-term outlook will cause the skyrocketing of housing prices as soon as the acumulated pent-up demand starts spilling out.

Source: Nikoliers

Trends. Saint Petersburg

Instalment plans

The government is developing a draft bill to regulate instalment plans and the rights of developers as regards the protection of mortgaged assets.

The share of transactions with long-term instalment plans may come to about 40% on average in the structure of demand in 2025.

Market prospects in 2025-2026

According to the Nikoliers' forecast, the primary demand for residential real estate in 2025 can be 5-10% lower compared to the final indicators for 2024. The planned recall of bank limits on the family housing mortgage will have a positive effect, whereas the introduction of the mortgage standards blocking tranche and subsidized options will negatively impact the market.

We predict a full-fledged market recovery - growth of asked prices exceeding the inflation rate, spilling of the pent-up demand amid a record amount of bank deposits opened by individuals, as well as the resumption of development activity - starting in 2026-2027.

Less and less affordable housing mortgage loans and a prolonged period of the high key rate are the main factors influencing the dynamics on the Russian residential real estate market at present. The rising cost of bridge loans and project financing brings about a slump in the activity of developers, limiting their capabilities to buy plots of land and deliver new projects there.

In the current situation companies are forced to revise their strategies, recalibrate and adapt their financial models. The priority is given to less risky projects, with smaller phases rolled out to the market, whereas a number of assets are diversified to ensure economic expedience.

Pursuant to the latets forecast from the Bank of Russia, the key rate will be kept at a high level in 2025, which puts a negative impact on the real estate market. With the average construction cycle lasting about three years, the commissioning of new housing in Russia may reach a rather low level in 2026-2027. Meanwhile, in the years to come the spilling of pent-up demand, coupled with a lesser amount of primary supply, will be conducive to the massive launching of new projects.

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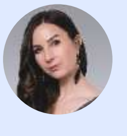
Director, Saint Petersburg Residential Real Estate and Land Development Department of Nikoliers



Source: Nikoliers

Main indicators

Key market indicators based on the results for 2024*

Total supply

1.7 million sq m
-7% YoY

Average asked price

296 thou RUB/sq m
+10% YoY

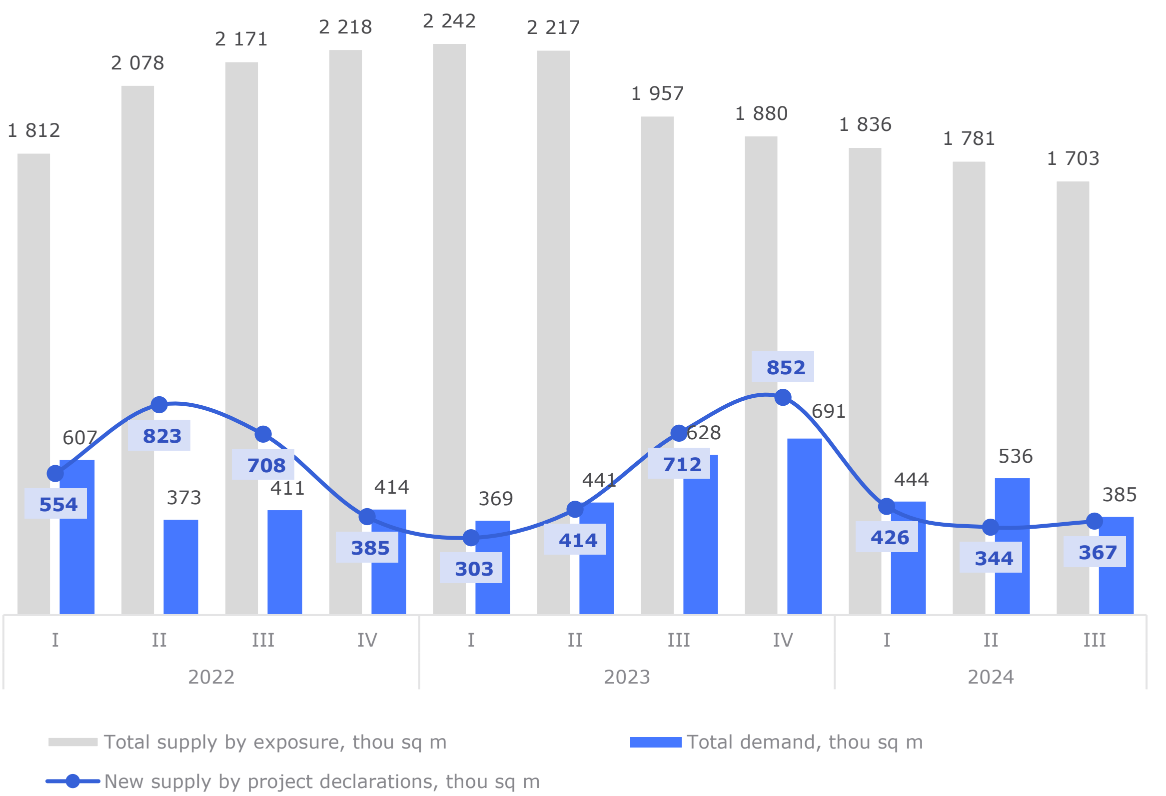
Demand

1.7 million sq m
-19% YoY

Share of housing mortgage

69%
-16 p.p. YoY

Dynamics of key market indicators



*Hereinafter registered shared equity agreements are taken into account in the demand assessment. The agreements of individuals for residential premises (units and apartments) are reflected, excluding wholesale transactions and elite class. The asked prices quoted do not take possible transactions in the elite segment into consideration.

Source: Nikoliers

New projects

-34% The contraction of new supply over the year

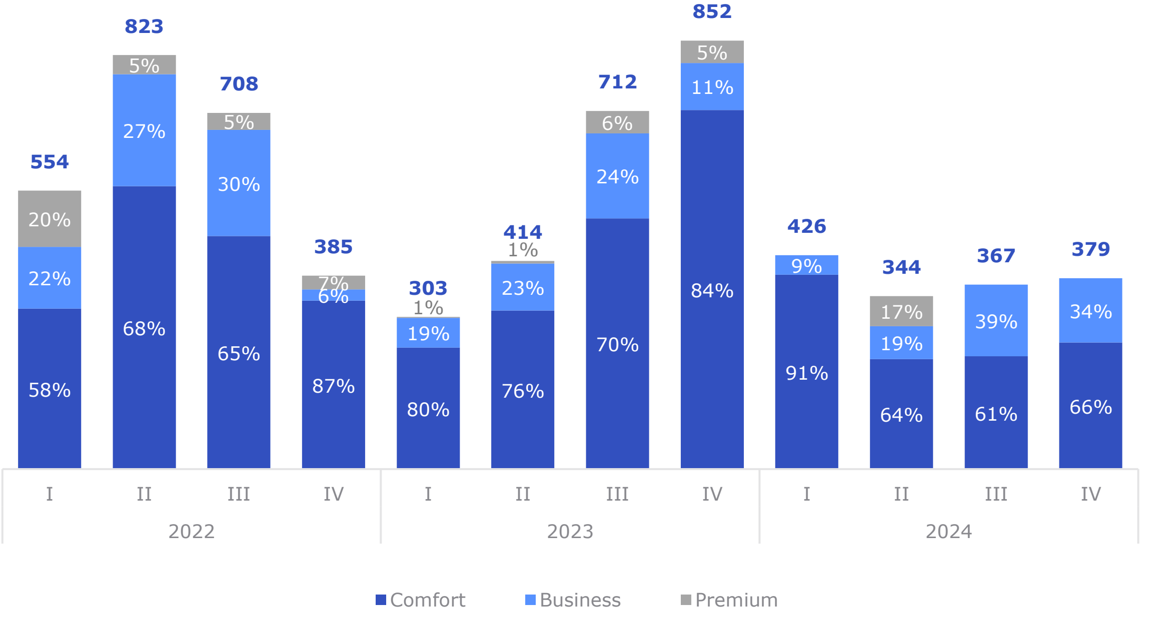
In keeping with project declarations, 1.5 million sq m of residential real estate were rolled out to the Saint Petersburg market. This figure is way below the new supply for 2023 (-34%) and 2022 (-39%).

Interestingly enough, a lesser slump in development activity could be observed in the business class - minus 10% versus the previous year. The business segment opens more opportunities for positioning as compared to the comfort class housing under a shortage of land plots in locations with advanced infrastructure and transport accessibility, as well as the annual contraction of construction volumes in Saint Petersburg.

In the long run the given trend may bring about a change in sustainable leadership positions of the comfort class (72% in the structure of Saint Petersburg exposure), similar to what we saw in Moscow (50% is the share of business and premium classes in the structure of the capital city’s exposure by the number of new lots, excluding New Moscow).

Minding the high key interest rate and tougher forecasts from the national regulator for 2025-2026, developers are very cautious in rolling out new projects to the market. For a number of their projects the planned commissioning dates have been pushed back 1-2 years ahead, because the current interest rates on project financing often disables them to reach the necessary LLCR levels (loan life cover ratio) for a successful project launch.

Dynamics of rolling out new supply as per project declarations, thou sq m



Based on the year’s results, the following districts were leaders by the amount of new housing supply: Nevsky (19%), Primorsky (12%) and Vasileostrovsky (11%).

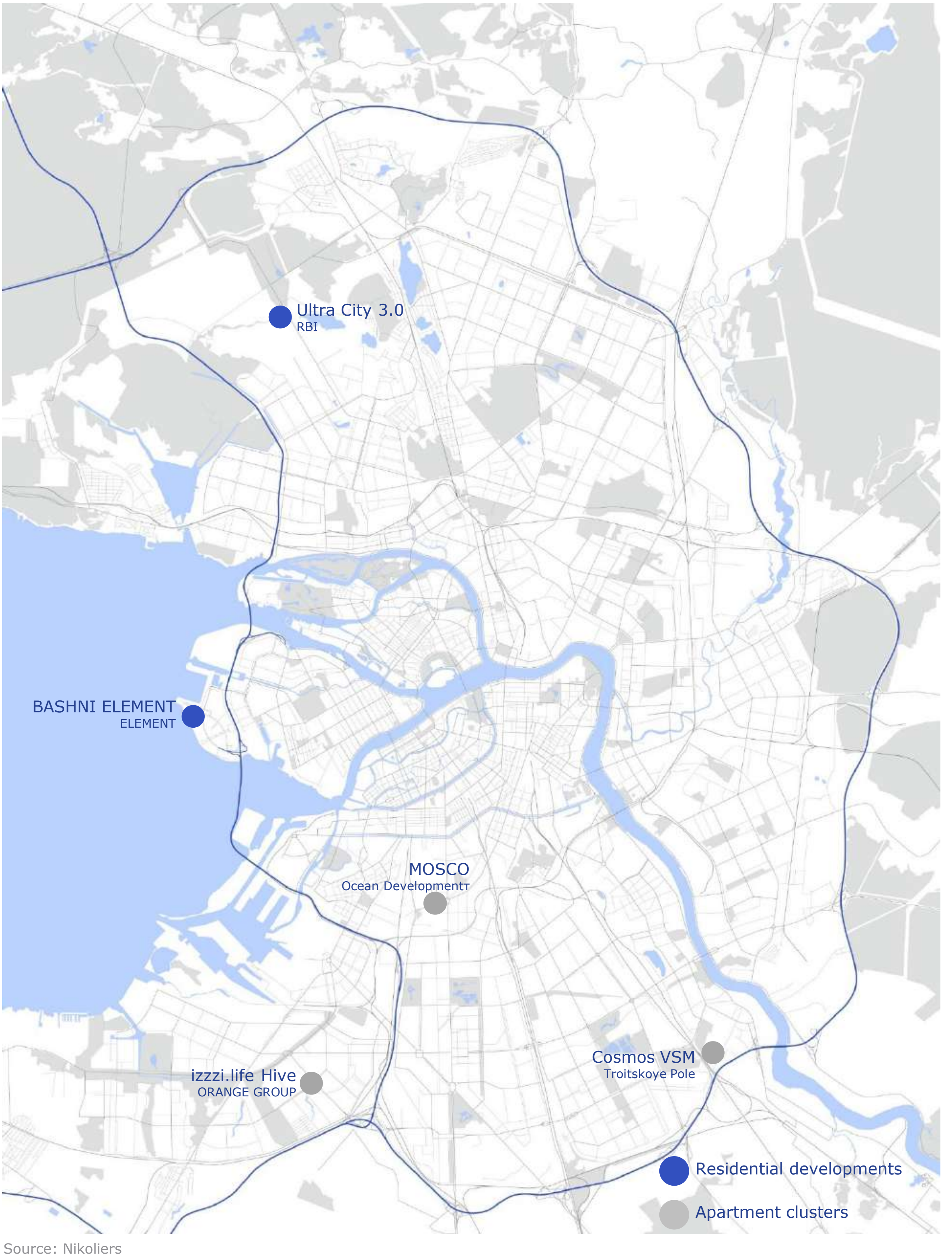
During Q4 2024 sales kicked off in new residential and apartment projects, totaling to 2,300 lots:

Comfort class: Ultra City 3.0 (RBI), Izzzi.life Hive (ORANGE GROUP), Cosmos VSM (Troitskoye Pole).

Business class: BASHNI ELEMENT (ELEMENT), MOSCO (Ocean Development).

Source: Nikoliers

New projects launched in Q4 2024



Source: Nikoliers

Supply

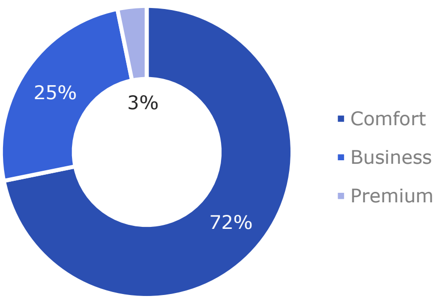
Total supply

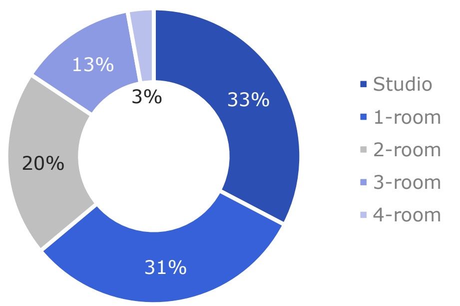
38,200 lots

Apartment share

17% of total lots

Breakdown of exposure by classes and types of floor plans (by number of lots)





By the end of 2024, the housing in exposure on the Saint Petersburg off-plan residential real estate market had gone down by 7% to 1.7 million sq m. In the second half of 2023 developers were active in bringing out new supply to the market, eager to capitalize on the period of peak demand prior to the termination of the standard preferential housing mortgage program with government support. But starting already in the beginning of 2024, companies took a more cautious stance: the new supply was below the demand, which led to the reduction of housing in exposure to the lowest levels for three recent years.

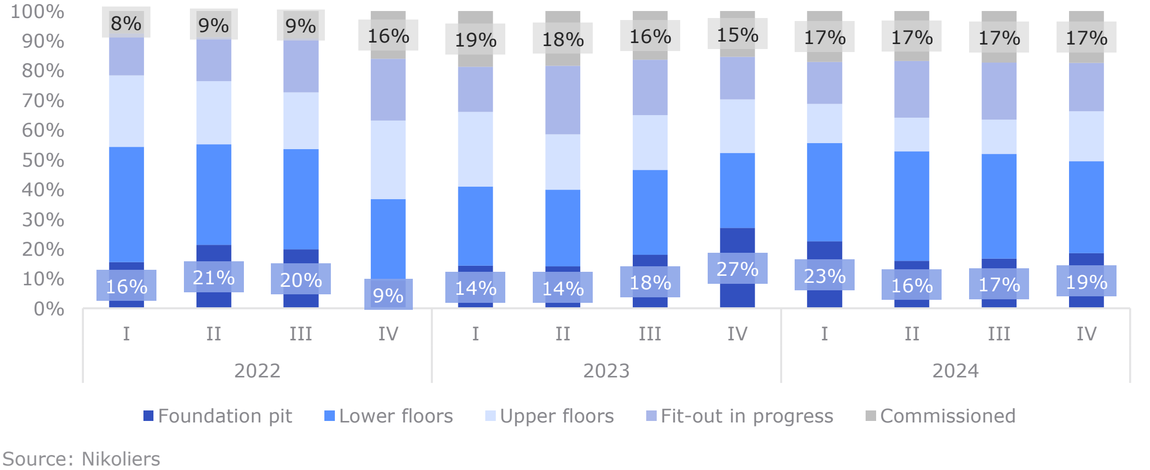
The apartment share significantly increased over the year, reaching 17% of total lots on sale (+6 p.p. a year), which was mainly caused by a number of major serviced apartment projects that were launched. In the meantime the share of apartment format remained at the level of only 5% in the demand structure.

The average foor area per lot on sale had decreased by 3 sq m to 45.5 sq m towards the year's end: 47.8 sq m for residential units and 34 sq m for apartments.

The highest supply was recorded in Primorsky (14%), Pushkin (13%) and Nevsky (12%) districts.

It's noteworthy that since the end of 2022, the trend for a relatively high amount of living space ready for move-in on offer has been quite consistent; this kind of living space had reached 17% of total lots on sale by the end of 2024. For all that, a comparable amount (19%) is offered at the stage of a foundation pit.

Dynamics of exposure distribution by stages of construction completion



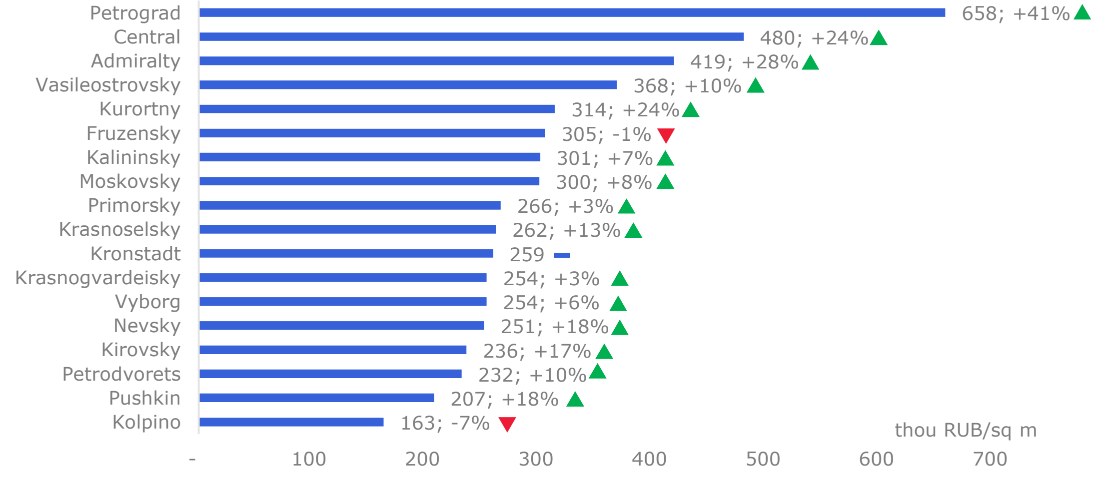
Source: Nikoliers

Prices

+10% Growth of the average asked price over the year

The weighted average price in the off-plan housing market of Saint Petersburg stood at 296,000 RUB/sq m in comfort, business and premium classes, based on the results of 2024. The 1% reduction of apartment prices was caused by the launch of 10 new serviced projects: prices are lower at the initial stages of construction, and an enlargement of exposure on a number of more affordable developments was also recorded. The average project-to-project growth of prices in the group of serviced apartments was at the level of 11% over the year: the given figure is more indicative of the market dynamics in the apartment segment.

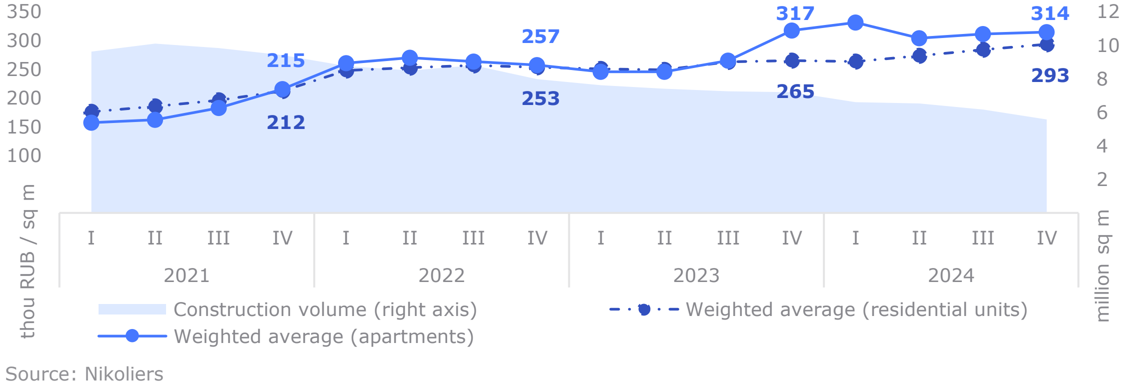
Distribution of the weighted average price per sq m between districts, dynamics relative to Q4 2024



The 10% annual growth of prices in the comfort class was recorded to 242,000 RUB/sq m. In the business segment the prices rose by 11% to 344,000 RUB/sq m. The maximum growth of prices in the premium class (+38% to 647,000 RUB/sq m) was driven by the start of new projects in Petrograd and Central districts. Despite the ongoing growth of weighted average price during the second half-year (e.g. in December the prices grew by 2%), the number of disguised discounts, such as prolonged instalment plans without price appreciation and special actions in case of wholesale purchases of several lots, also increased. In the meantime, the absorption of less expensive options in exposure also causes average prices to grow.

The total volume of housing construction in Saint Petersburg contracted by 22% versus the previous year and by 44% versus the end of 2020, when we witnessed robust development of some spacious territories in remote locations, while the launch of government-backed preferential housing mortgage programs gave an additional impetus to the market. This slowdown of construction activity restrains the correction of prices, but in the mid-term outlook, as the accumulated pent-up demand starts spilling out, it will contribute to a faster growth of housing prices which will shoot ahead of inflation.

Dynamics of the price per sq m and construction volumes in Saint Petersburg



Source: Nikoliers

Demand

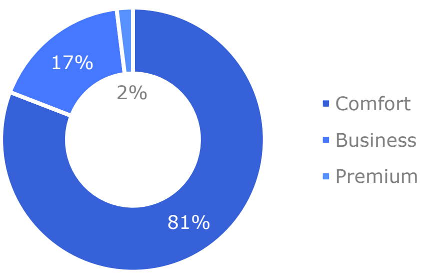
Total demand in 2024

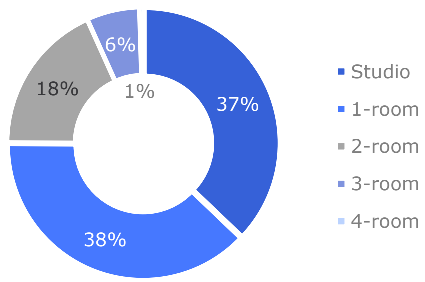
43,770 CPCS

Apartment share

5% of the total CPCS number

Distribution of all registered CPCS contracts by classes and types of floor plans for 2024



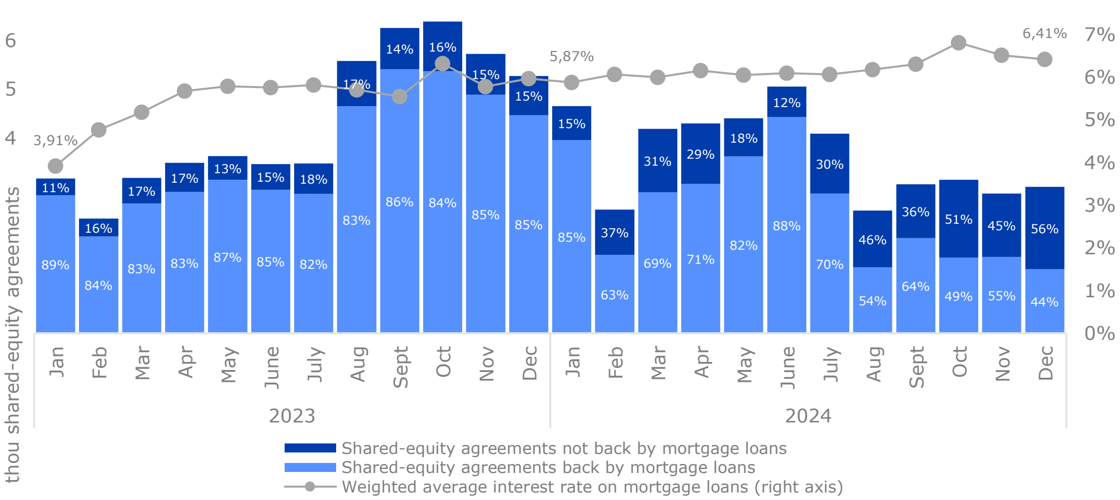


The number of registered co-investment contracts in comfort, business and premium housing classes amounted to 43,770 in Saint Petersburg for 2024 (1.7 million sq m), which is 16% below the results for 2023 by the number of contracts and 19% below 2023 in terms of sold squared meters. The average floor area per transaction went down by 2 sq m over the year to 39,200 sq m, which is 6.3 sq m less than the average floor area in the current supply. In total demand the share of comfort class grew from 76% to 81% over the year.

Based on the results for 2024, the share of housing mortgage stood at 69% (-16 p.p. year-on-year) - 72% in the segment of residential units and only 9% in the apartment segment. The absolute majority of apartment transactions leveraged installment plans: as the key interest rate set by the Bank of Russia kept growing and preferential mortgage programs were wound down, the segment refocused to prolonged installment plans as early as in mid-2023.

In H2 a significant slump in the share of mortgage deals was recorded in the structure of sales to the level of 57% (-21 p.p. vs H1). This can be explained by termination of the standard preferential housing mortgage, the exclusion of St. Petersburg from the IT program, tougher terms of the family housing mortgage program and exhaustion of bank limits on that program, as well as ultra-high interest rates.

Dynamics of demand (number of co-investment contracts) and weighted average interest rate on issued housing mortgage loans



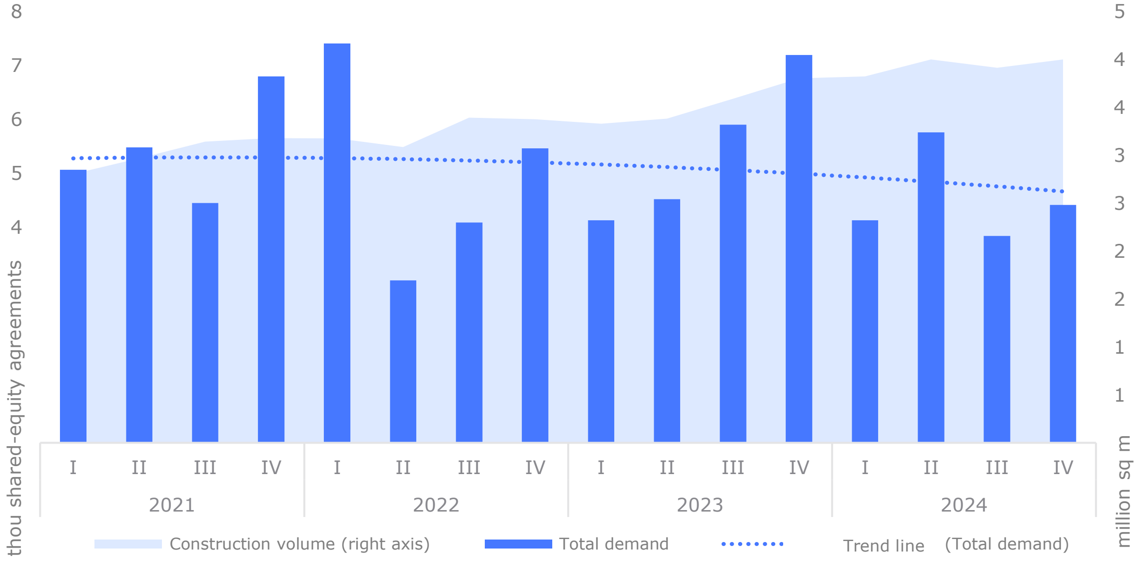
Sources: Nikoliers, Unified Housing Construction Information System

Dynamics of key indicators for the off-plan residential real estate market of the Leningrad Region

The segment of the off-plan housing estate in the Leningrad region, indirectly influencing the primary demand in St. Petersburg, was given additional consideration.

The dynamics of key indicators in the region is comparable to that of St. Petersburg - the number of co-investment contracts there went down by 17% vs. 2023, whereas the weighted average price of the primary supply went up by 9%.

Dynamics of primary demand (number of co-investment contracts) and construction volumes in the Leningrad Region



Contrary to St. Petersburg, the construction volume in its suburban areas had increased by 8% towards the end of 2024 - to 4 million sq m. The share of Leningrad Region in total housing construction in the metro area has actually doubled during four recent years - from 23% to 42% - due to a wide choice of land plots and robust construction in the areas bordering the city (especially in Murino, Kudrovo, Yanino, Shushary, Novosaratovka), which are partly comparable with more expensive projects inside the KAD borders in terms of infrastructure and transport accessibility.

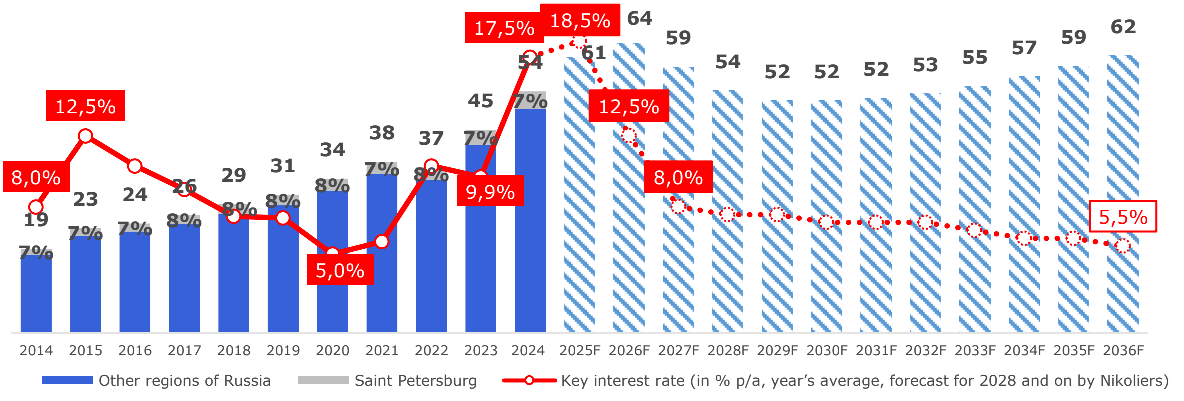
Source: Nikoliers, Unified Housing Construction Information System

Forecast

The volume of deposits by individuals in St. Petersburg 9 times exceeds the estimated level lf primary demand for 2024 in money terms

- In the short-term outlook the saving strategy of individuals won't change, as regards the entry of funds to bank accounts and deposits. A reported by the Bank of Russia, by December 2024 money in the banks had reached the peak at RUB 53.6 trillion by December 2024 (+19% since the turn of the year), with most deposits opened for less than a year. Saint Petersburg accounts for 7.3% of total deposits in the country (RUB 3.9 trillion).

Dynamics of bank deposits by individuals in Russia, exclusive of escrow accounts, RUB trillion



- In 2025, a number of substantial changes awaits the mortgage market:
  - On December 19, 2024, the Russian Ministry of Finance announced its preparation of amendments to the rules of the Family Mortgage, to exclude the mechanisms of limits from the program, following the instructions from the Russian President.
  - The enforcement of the mortgage standard starting on January 1, 2025, to regulate relations between the market participants, will block the opportunity of issuing tranche housing mortgage loans, subsidizing the mortgage interest rates by developers, as well as analogues of programs withoutany down payment.
- We forecast continued shifting of potential buyers' focus to the lease market, even though the supply keeps burgeoning. Secondary lots migrate to the lease market, whereas the exposure is supplemented by a considerable amount of investment lots, initially acquired 2-3 years ago under low interest rates on mortgage loans for subsequent letting.
- Amid the cooling demand and a growing cost of project financing, fewer projects will be launched in 2025 and so the downward trend will continue. Since the turn of the year, the weighted average interest rate on project financing had soared by 2.4 p.p. to 8.8% by Dece,ber 1, 2024 across Russia for all projects - both new ones and those which had been under construction for quite some time. Meanwhile, there was a reduction in covering the debt of developers with escrow accounts - down to 76% (-14 p.p. by the year's end).
- The funds accumulated on escrow accounts will allow developers to complete their projects to be commissioned in the near future. The share of sold housing in St. Petersburg's projects scheduled for commissioning in 2025 amounts to 55% (+6 p.p. against the average indicators for Russia); while for projects scheduled for 2026 this share stands at 33%.
- The dynamics of off-plan housing prices in Saint Petersburg might be similar to the results of 2024, according to preliminary forecasts, in the lack of macroeconomic shocks. The demand can be 5-10% below the final results for 2024, provided the positive impact of the planned cancellation of bank limits on the family program, on the one hand, and implementation of the housing mortgage standard, on the other hand.
- A full-fledged market recovery as well as the growth rates of asked prices exceeding the inflation rate can be expected starting in 2026-2027. The record amount of savings made by individuals will partly be invested in real estate, as the key rate and the yield of bank deposits go down. The spilling of pent-up demand and higher affordability of project and bridge financing will boost the activity of developers who will be launching a lot more new projects.

Sources: Nikoliers, Unified Interdepartmental Statistical Information System (UISIS), Bank of Russia, State Deposit Insurance Agency (SDIA), Ministry of Finance, Unified Housing Construction Information System

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