

# Evans Property Services

## Moscow residential property market

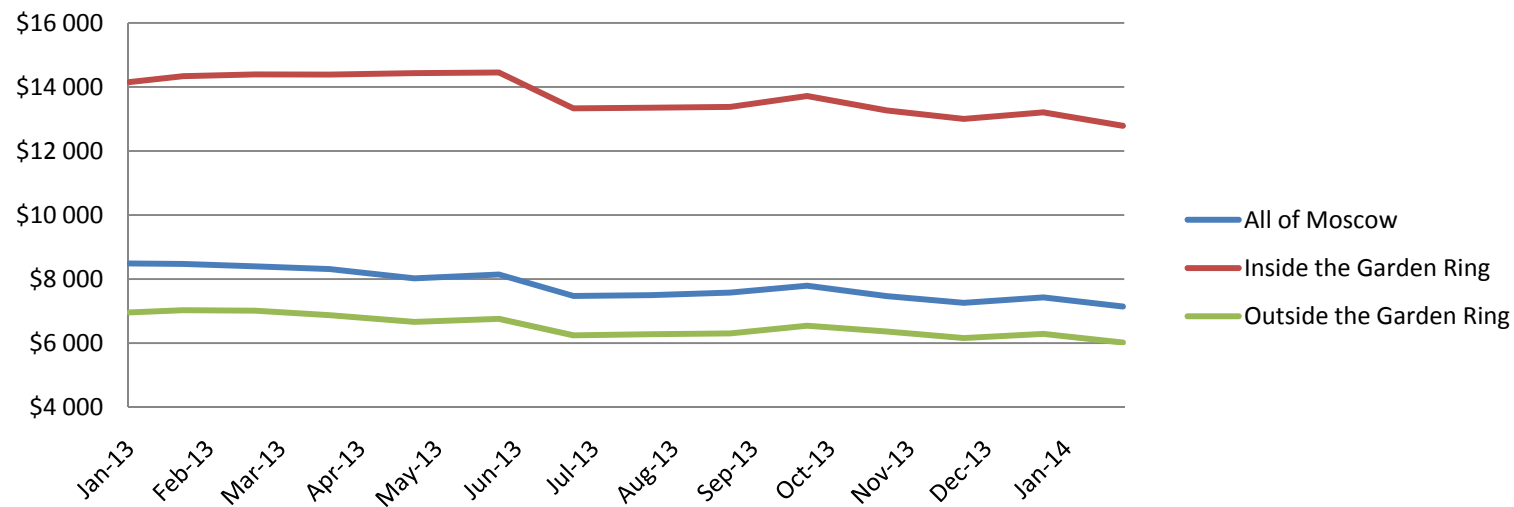
# Overview

- Residential market overview for 2013
  - Market overall
  - “Elite” segment
  - Main events
- Main trends for 2014
  - Economic
  - Legal
- Price expectations

# Market overall in 2013

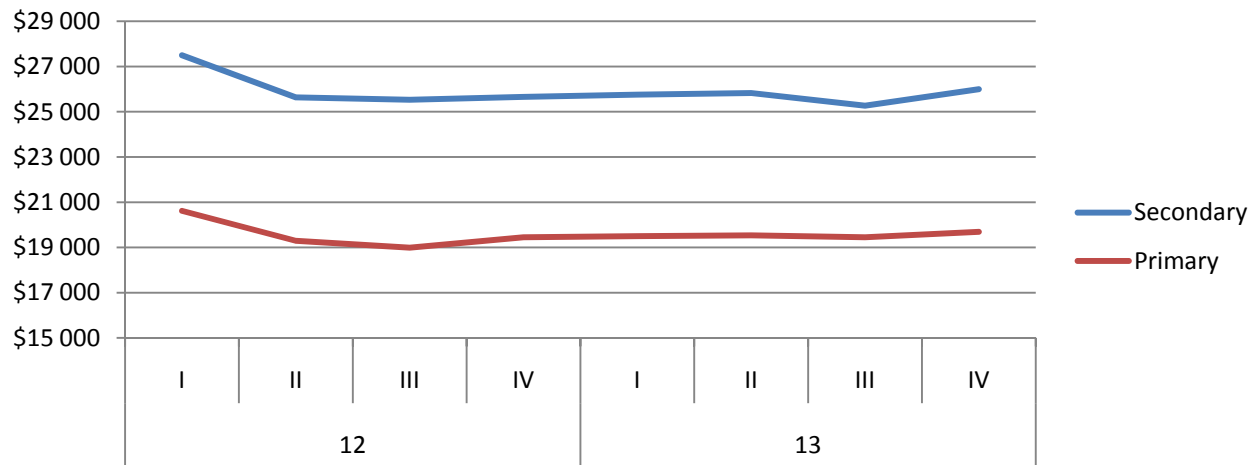
- Overall, prices decreased slightly in all of Moscow
- Increase of mortgaged deals (up to 25%-30%)
- Slight increase in number of deals in Nov.-Dec.

Average Price per m<sup>2</sup> (USD)



# Upper segment in 2013

- Prices in this segment showed small growth (both primary and secondary market)
- Average price: \$26 500 / \$20 500
- Slightly increased demand



# Main trends of 2013

- Decreased number of new development projects compared to previous years
  - 50% business class ( $\approx \$7\,000 / \text{m}^2$ )
  - 20% comfort class ( $\approx \$4\,700 / \text{m}^2$ )
  - 15% elite class ( $\approx \$20\,000 / \text{m}^2$ )
  - 15% economy class ( $\approx \$4\,000 / \text{m}^2$ )
- Increased number of “apartment” projects (doubled)
- Issues with banking sector
- Devaluation of the Ruble
- GDP growth below expectations at 1,3%

# “New Moscow” in 2013

- Continued development
- Price growth (in Rubles) in line with inflation
  - “Economy class” and “Comfort class” showed small growth, while “Business class” showed a small decline
- Overall average price per m<sup>2</sup>: \$2 735
  - Economy: \$2 600
  - Comfort: \$ 2 700
  - Business: \$ 3 750

# What to expect in 2014

- Overall prices are likely to remain flat or decline
- Some segments may have slight upward or downward trends
  - Upper segment is likely to continue small growth
  - Mass segment is likely decline slightly, especially in USD
- Demand will depend largely on overall health of the economy

# What to expect in 2014

- New projects comparable to 2013
- Active development of industrial areas
- Possible reduction of “apartments” due to new regulations
- Possible reduction of investment purchases due to increased holding costs



# What to expect in 2014 (pessimistic scenario)

- Further rapid decline of the exchange rate and overall stagnation of the economy
- Noticeable decline of prices over the second half of the year (similar to 2009)
- Vastly increased supply with diminishing demand
- Possibility of “frozen” new developments
- Small number of opportunistic investors flocking to the market

# Legal developments in 2014

- New “registration law” went into effect
- Possible changes to property taxes
- Possible changes to taxes on income from rental and sale of real estate
- Possible changes in the requirements for construction of “apartments”