

Interfax - CNA  
2 Pervaya Tverskaya-  
Yamskaya  
Moscow, 127006, Russia  
Tel. (7-095) 250-2922  
cna@interfax.ru

# RUSSIA'S REAL ESTATE MARKET: KEY DRIVERS, SEGMENTS, CONSTRUCTION SECTOR TRENDS

*May 2004*

# MARKET SURVEY

## TABLE OF CONTENTS

<b>RUSSIA'S REAL ESTATE MARKET: KEY DRIVERS</b> .....	<b>4</b>
GDP growth .....	4
Foreign trade performance .....	6
Foreign investments .....	7
Banking sector.....	9
Companies' revenues.....	10
Retail boom.....	11
Savings of the population.....	12
Strong demand for residential homes .....	14
Improvements in housing regulation .....	16
Improvements in mortgage regulation .....	17
<b>RUSSIAN REAL ESTATE MARKET: KEY SEGMENTS</b> .....	<b>21</b>
Overview .....	21
Residential Homes .....	25
Major trends .....	25
Moscow and the Moscow region.....	29
St. Petersburg and the Leningrad region .....	32
Cottages, Country Houses.....	34
Offices.....	36
Retail Space.....	39
Warehouses .....	42
<b>RUSSIA'S REAL ESTATE MARKET: SUPPLY</b> .....	<b>45</b>
Russia's Construction Sector: Major Trends .....	45
Regional residential construction .....	51
Fixed-capital investment in construction sector .....	54
Foreign investments in construction sector .....	55
Russia's construction sector: financials .....	58
Russia's Construction Sector: Supply of Building Materials.....	60
Construction materials industry: overview.....	60
Regional production of key construction materials.....	62
Foreign investment in the industry of construction materials .....	65

## LIST OF TABLES

Table 1 Russia's Industrial Production by Industries in 2003, year-to-year .....	5
Table 2 Russia's Foreign Trade Surplus in 1994-2003, \$ bn .....	6
Table 3 Foreign Investments in Russia in 1998-2003, \$ mln .....	7
Table 4 Key Indicators of Russia's Top Ten Banks as of January 1, 2004 .....	9
Table 5 Profits of Key Russian Sectors and Industries in 2003, \$ mln .....	10
Table 6 Nominal Wages by Industries in Russia in December 2003 .....	13
Table 7 Russia's Households Planning on Real Estate Market .....	15
Table 8 Selected Mortgage Lending Programs in Moscow and Moscow Region: Key Terms .....	19
Table 9 Closed-End Funds on Russian Real Estate Market .....	23
Table 10 Growth in Prices for Residential Homes by Russian Regions in 2003 .....	26
Table 11 Growth in Prices for Main Types of Residential Homes in Russia in 2002-2003 .....	27
Table 12 Average Prices for Residential Homes in Russia in 4Q2003, \$ per 1 sq m .....	28
Table 13 Key Players on Moscow Construction Market .....	30
Table 14 Ten Top Moscow Advertisers on Moscow Real Estate Market .....	31
Table 15 Prices for Land Plots in the Moscow Region in 2003 .....	35
Table 16 Cottage Settlements on Sale in the Moscow Region in 2004 .....	35
Table 17 Ranking of 20 Top Russian Regions by Retail Trade Turnover in 2003 .....	39
Table 18 Volumes of Construction in Russia in 1992-2004 .....	45
Table 19 Breakdown of Number of Buildings, Constructed in 2001-2003, by Designation .....	46
Table 20 Ten Top Russian Regions by Number of Buildings, Constructed in 2003, by space .....	47
Table 21 Breakdown of Number of Buildings, Constructed in 2003, by Regions .....	47
Table 22 Volume Of Housing Construction in Russian Federal Districts in 1999-2003, thousand sq m .....	51
Table 23 Residential Construction in Russia's Regions in 1999-2003, thousand sq m .....	52
Table 24 Ranking of Key Russia's Sectors and Industries by Fixed-Capital Investment in 2003, \$ mln .....	54
Table 25 Foreign Investment in Russia by Sectors and Industries in 2001- 2003, \$ mln ..	55
Table 26 Foreign Direct Investments in Russia in 2002- 2003, \$ mln .....	56
Table 27 Major Foreign Investors in Construction in Russia in 2000-2003, \$ mln .....	57
Table 28 Ranking of Key Russian Sectors and Industries by Financial Results (Profit minus Loss) in 2003, \$ mln .....	58
Table 29 Ranking of Key Russian Industries by ROA in 2003, % .....	59
Table 30 Russia's Output of Construction Materials in 2000-2003 .....	61
Table 31 Ranking Of Russian Regions by Cement Production in 2003, thousand tonnes	62
Table 32 Ranking Of Russian Regions By Bricks Production in 2003, million of pieces	62
Table 33 Ranking of Russian Regions by Production of Reinforced Concrete Items in 2003, thousand cu m .....	63

## LIST OF GRAPHS

Graph 1 Russia's GDP Growth in 1998-2005, year-to-year .....	5
Graph 2 Russia's Gold and Foreign Currency Reserves in 1998-2004, \$ bn .....	6
Graph 3 Total Profits of Russian Companies in 2000-2003, \$ bn .....	10
Graph 4 Russia's Retail Turnover in 1998-2003, \$ bn .....	11
Graph 5 Russia's Average Incomes Per Capita, \$ per month .....	12
Graph 6 Breakdown of Capital Investment in Residential Construction by State and Individuals in Russia .....	14

Graph 7 Role of Mortgage in Operations with Real Estate in Russia and Western Countries.....	17
Graph 8 Volume of Mortgage Loans in Russia in 2001-2003, \$ mln.....	19
Graph 9 Growth in Prices for Residential Homes on the Secondary Market by Russia's Federative Districts in 2003 .....	25
Graph 10 Average Prices for Residential Homes in Moscow and the Moscow Region in 2003, \$ per 1 sq m.....	29
Graph 11 Share of Residential Homes Bought in Moscow for Investment Purposes, % ..	30
Graph 12 Average Prices for Residential Homes on the Secondary Market in St. Petersburg in 2003, \$ per 1 sq m.....	32
Graph 13 Breakdown of Homes on Sale on the Secondary Market in St. Petersburg in 2003 .....	33
Graph 14 Breakdown of Demand for Land in the Moscow Region in 2003 .....	34
Graph 15 Retail Space per Capita in Europe and in Russia, sq m per capita.....	39
Graph 16 Breakdown of Warehouses in Moscow and the Moscow Region by Quality....	42
Graph 17 Volumes of Construction in Russia in 1992-2003, \$ bn.....	46
Graph 18 Role of Housing Construction in Russia's Construction Sector in 2003 .....	49
Graph 19 Residential Construction in Russia, 1992-2003, mln sq m.....	50
Graph 20 Breakdown of Russia's Federal Districts by Share in Total Residential Construction in 1999-2003 .....	51
Graph 21 Breakdown of Foreign Investment in Construction Sector in Russia in 1998-2003 .....	57
Graph 22 Growth of Russia's Industry of Construction Materials via Construction Sector, year-to-year.....	61
Graph 23 Structure Of Foreign Investment in Industry of Construction Materials in Russia in 1998-2003 .....	65

## **INTERFAX - CORPORATE NEWS AGENCY**

Phone: +7 095 2502922

Fax: +7 095 2502584

E-mail: [cna@interfax.ru](mailto:cna@interfax.ru)

---

### **Publications Available**

- Hard Copy or E-Mail

#### **Russia's Timber, Woodworking, Pulp and Paper Industry in 2003. April 2004**

The report contains data on major trends in Russia's timber, woodworking, pulp and paper industry and its key sectors (production of timber, saw-timber, fiberboard, plywood, pulp, paper, cardboard) as well as export performance, regulation, fixed-capital and foreign investments, financials, ranking of major producers, holdings structure, recent performance of 11 top companies.

#### **Russia's Ferrous Metallurgy in 2003. March 2004**

The report contains data on major trends in Russia's ferrous metallurgy in 2003 (production and exports of iron ore, pig iron, steel, rolled stock, steel pipes, metalware, regulation, fixed-capital and foreign investments, financials), holdings structure as well as performance of 18 top steel, pipe and metalware producers.

#### **Russia's Telecommunications in 2003. March 2004**

The survey contains data on major trends in Russia's telecommunications in 2003-2004, the sector's regulation, financials, foreign investments, key holdings as well as performance of top traditional and new operators (Svyazinvest, Rostelecom, CenterTelecom, Uralsvyazinform, SibirTelecom, VolgaTelecom, YuzhTelecom, MGTS, Northwest Telecom, Dalsvyaz, Mobile Telesystems, Vimpelcom, Megafon).

#### **Russian Oil Industry in 2003. February 2004**

The report provides information on major trends in Russia's oil industry in 2003 (oil reserves, production, exports of oil and oil products, transportation issues, regulation, investment, financials, stock market), performance of 8 Russian oil companies (Lukoil, Yukos, Surgutneftegaz, TNK-BP, Sibneft, Tatneft, Rosneft, Bashneft) as well as structure of oil holdings and general information on key companies within them.

### **Major Russia's Holdings, Groups and Alliances. January 2004**

The report provides an insight in structure and business directions of the biggest Russian holdings (Gazprom, RAO UES, Lukoil, Interros, Menatep, Alfa-Group, Bazovy Element, Millhouse Capital, Surgutneftegaz, Avtovaz, AFK Sistema, Severstal, MDM Group). The report also discloses information (operational data, financials) on key companies within the holdings.

### **A Comprehensive Insight in Russia's Retail Market. December 2003**

The report provides information on key trends and challenges of Russia's retail market, market's infrastructure, expansion of retail chains in sectors of foodstuffs, nonfood goods, consumer electronics, home appliances, cosmetics, perfumery, pharmaceuticals, furniture.

### **Russia's Mineral Fertilizers Industry in 2002-2003. November 2003**

The report contains data on major trends in Russia's mineral fertilizers industry, exports, key holdings as well as performance of 22 major companies (production, exports, financials).

### **A Comprehensive Insight in Russia's Construction Activity in 2003. October 2003**

The report provides information and analysis of key drivers of Russia's construction activity (macroeconomic, industrial, social), key market segments (nonresidential, residential), major construction projects, key companies on the market (Russian, foreign) as well as trends in the industry of construction materials.

### **Belarus's Telecommunications Sector. October 2003**

The report contains data on major trends in Belarus's telecommunications, the sector's regulation, structure as well as performance of top operators (Beltelecom, Mobile Digital Telecommunications, Mobile Telesystems, Belcel, Delovaya Set, Solo).

### **Kyrgyzstan's Telecommunications Sector. October 2003**

The report contains data on major trends in Kyrgyzstan's telecommunications, the sector's regulation, structure as well as performance of top operators (Kyrgyztelecom, Bitel, Katel, Smartcom, Saima Net Telecommunications).

### **Uzbekistan's Telecommunications Sector. October 2003**

The report provides information on major trends in Uzbekistan's telecommunications, the sector's regulation, structure as well as performance of top operators (Uzbektelecom, Uzdunrobita, Daewoo Central Paging Co, Coscom, Uzmacom, Rubicon Wireless Communication, Buztel).

### **Kazakhstan's Telecommunications Sector. September 2003**

The report contains data on major trends in Kazakhstan's telecommunications in 2002-1H 2003, the sector's regulation, structure as well as performance of top operators (Kazakhtelecom, GSM Kazakhstan, Kar-Tel, Altel, ARNA, Nursat).

### **Russia's Market for Alcohol Beverages and Beer in 2002-2003. August 2003**

The report provides information on Russia's market for alcohol beverages and beer, trends in consumption and supply, import penetration, regulation, development of key market segments (vodka and other liquors, brandy, wine and sparkling wine, low-alcohol drinks, beer) as well as ranking of regional producers by output.

### **Russia's Dairy Industry in 2002. July 2003**

The report provides information on dairy products market in Russia, import penetration, major trends in dairy industry, key holdings and foreign companies as well as ranking of regional whole milk, butter and cheese producers by output.

### **Russia's Meat-Processing Industry. July 2003**

The report provides information on meat and meat products market in Russia, import penetration, major trends in meat-processing industry, meat and poultry farming, key holdings as well as ranking of regional meat and sausage producers by output.

### **Russia's Non-Ferrous Metals Industry in 2002. June 2003**

The report contains data on major trends in Russia's non-ferrous metals industry in 2002-2003, the sector's financials, key holdings as well as performance of key industries (aluminum, nickel, copper, zinc, lead, tin, titanium, magnesium) and top companies.

### **Russia's Telecommunications in 2002. June 2003**

The report contains data on major trends in Russia's telecommunications in 2002-2003, the sector's regulation, financials, key holdings as well as performance of top traditional and new operators.

### **Russia's Ferrous Metallurgy in 2002. April 2003**

The report contains data on major trends in Russia's ferrous metallurgy in 2002, export potential, regulation, key holdings as well as performance of 22 top steel, pipe and metalware producers.