

MAYFAIR
PROPERTIES

LAND PLOTS MARKET REVIEW

2007 (quarter 1)

MARKET RESEARCH

Traditionally, the land market of the Moscow Region is the most closed and opaque sector of the real estate market. Particularly, it relates to the land plots considered to be elite properties because of the most advantageous geographic location they have. This group includes the land plots at the most prestigious directions not farther than 30 km from the MKAD (geographically this segment covers a territory from Kaluzhskoe Shosse to Ostashkovskoe Shosse clockwise) .

The elite land plots market is rather static unlike the dynamic market of the residential out-of-town real estate, which changes considerably from period to period (price dynamics, appearance of new offers, etc.). According to the MAYFAIR Properties experts, about 80% of the privatized land plots within 30 km from the MKAD belong to the large landowners. Presently, these plots are either in the process of changing the status of their authorized use or under construction of the elite cottage settlements. In any case, all these processes considerably damage the potential supply of the elite land plots reducing the number of offers.

Besides, the land plots market in the elite area of the Moscow Region is closely related to the out-of-town residential real estate. Demand for small land plots in already developed "dacha" areas is rapidly declining in favor of the land plots that belong to the cottage settlements, being either developed, under construction or already constructed. Thus, the land plots market is not that large.

Events

In the first quarter of 2007 some of the federal laws regulating land-related issues, namely the Land, Forest and Town-Planning Code of the Russian Federation, were amended. In accordance with the Federal Laws №232-FZ and №191-FZ procedure of changing the land category has been simplified, that should make transition quicker and consequently reduce the land-developers' investments. The MAYFAIR Properties experts expect the transition period to be no longer than 2 months, thus speeding up development and increasing demand for the out-of-town real estate. However, these amendments are relevant for the primary land plots market only.

About 80% of the privatized land plots within 30 km from the MKAD belong to the large landowners. Recently issued Federal Law №232-FZ will simplify the land transition process, thus attracting new players to the market.

List of the largest landowners of the Moscow Region:

Center – Capital Ltd.
East Line Company
Promsvyaz Real Estate
Your Financial Agent
Vis-à-vis Bank
Absolute Company
Vedomstvo
Wimm Bill Dann
Millhouse Capital

Procedures established before the new laws adoption should be followed with regard to the land transition from one category to another as well as changing the status of the authorized use of the land plots.

The MAYFAIR Properties analysts expect competition growth on the market because of the entry of new players, who have previously considered the old procedures as unprofitable and time-consuming.

SUPPLY

The elite land plots segment of the Moscow Region extremely differs from the mass land market, first of all, in terms of quality. While the majority of offers in the Moscow Region are the land plots for rural use (about 60% of the supply volume), the elite land plots, considered as such because of their location, are mostly used for individual housing construction (the MAYFAIR Properties estimates their share at 70% of the market supply). Historically, land-developers were quick to take care of these very land plots as they were ideal for the new forms of the modern out-of-town real estate development.

In spite of that, the land plots supply in the elite area of the Moscow Region is much variable both in terms of quality and structure. Taking into account quite lengthy exposition period for this market (up to 4-5 months), the majority of the land plots are either illiquid or largely over-priced. The first group includes small plots in the “old-dacha-areas” that are at the bottom of demand due to the ill-presented image, lack of adequate surroundings and recreational resources in particular. This category also includes land plots with the real burdens difficult to eliminate and with the noise and pollution producers nearby (for example, near airports).

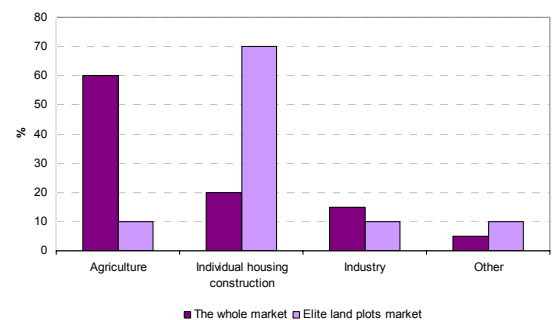
Significant share of the elite land plots belongs to the offers within the modern cottage construction, usually with such prerequisites as a house, banya (sauna), garage, etc. In spite of the fact that quite often these land plots are of low consumer characteristics (bad/inconvenient entrance, poor recreational resources, irregular form of the plot, etc.) prices for such properties are significantly over-valuated because of the elite location.

Large land plots (up to 2-3 thousand ha) for agriculture and for modern cottage construction belong to the third, the smallest group.

As a rule, these land plots are at the maximum for the elite real estate market distance from the MKAD (25-30 km.), but they are the most valuable for the land-developers and have the highest liquidity.

Majority offers are either illiquid or largely over-priced land plots. Offers of the highest liquidity fall on the land plots for mass cottage construction and settlements.

Land plots offers by categories



Source: MAYFAIR Properties

SUPPLY

According to the results of the first quarter of 2007 most of the elite land plots offers were at Dmitrovskoye Shosse and amounted to 15% of the market supply. Considerable part of the market belongs to the land plots for sale at Kievskoye Shosse (12%), Rublevo-Uspenskoye Shosse (11%), Novorizhskoye Shosse (10%). The least number of offers was noted at Borovskoye Shosse and Ilyinskoye Shosse due to their short length.

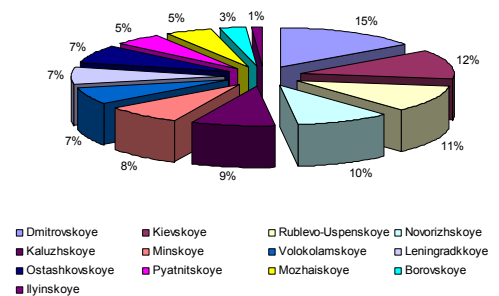
There is sense to track correlation between the average distance of the offered land plots and the direction. In the first quarter of 2007 maximum number of land plots at the farthest distance from the MKAD was at Novorizhskoye Shosse, Pyatnitskoye Shosse, and Volokolamskoye Shosse (about 20 km. from MKAD). That might be a result of the town-planning activities within 1-10 km. from the MKAD, that prevents easy circulation of the land plots.

Leaders of the elite land plots market with regard to the medium area land plots for sale are Dmitrovskoye Shosse where the average offer's area exceeds 55 sotkas, Volokolamskoye Shosse (47 sotkas) and Novorizhskoye Shosse (38 sotkas). This statistics depends on a long distance from Moscow to the majority of the offers at these directions. The largest area of the sold land plot (more than 25 hectares) was also recorded for the Dmitrovskoye Shosse. However, land plots of large area (more than 50 hectares) are not mentioned in the open sources that in some way distorts the market research.

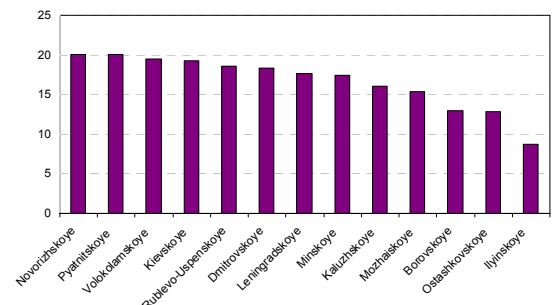
Generally the supply structure on the elite land plots market to great extend depends on the shosse along which the land plots are located. However, in spite of the peculiarities of each direction some of them have similar customer and price characteristics, which allow their grouping to identify correlations on the market. North, northwest, west, and southwest are the main four directions in the elite land plots sector.

Land plots at Dmitrovskoye Shosse amounted to 15% of the offers on the elite land market. Average area of the land plots for sale was 38 sotkas for all the directions.

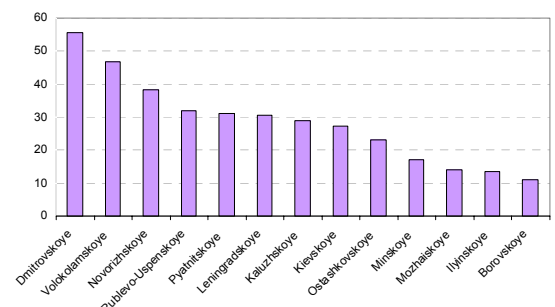
Land plots market by the number of offers



Average distance from the MKAD by the directions, km



Average area of the land plots by the direction, sotkas



Source: MAYFAIR Properties

SUPPLY

North. Not large land plots are dominating in the supply (less than 15 sotkas). Supply structure is unequal depending on the distance from the MKAD; number of offers at Dmitrovskoye Shosse grows together with the remoteness from the MKAD.

Northwest. Leningradskoye Shosse has quite heterogeneous supply distribution. Land plots for sale at Volokolamskoye Shosse and especially Pyatnitskoye Shosse are farthest from the MKAD within the elite area (21-30 km.). Regardless the highway/shosse most of the land plots are from 11 to 15 sotkas.

West. Novorizhskoye Shosse and Rublevo-Uspenskoye Shosse have trends for increasing number of offers farther from the MKAD. Due to its location and length, Ilyinskoye Shosse demonstrates the inverse relation. Mozhaiskoye Shosse has quite heterogeneous supply distribution.

Pyatnitskoye Shosse is the sales leader among the land plots farthest from the MKAD. Most of the land plots of more than 25 sotkas are at Rublevka.

Most of the land plots which exceed 25 sotkas are marked at Novorizhskoye Shosse and at Rublevo-Uspenskoye Shosse. Minskoye Shosse and Mozhaiskoye Shosse mostly offer not large land plots.

Southwest. Tendency for the number of offers to increase while driving farther from the MKAD is observed at Kievskoye Shosse only. In the total number of offers Kievskoye Shosse has a significant share of land plots that are above 15 sotkas.

Supply by direction, first quarter of 2007, comments

	Direction	Distance from the MKAD, %			Land plots area, %			
		1-10 km	11-20 km	21-30 km	< 10 sotkas	11-15 sotkas	16-25 sotkas	> 26 sotkas
North	Ostashkovskoye	45	42	13	36	40	10	14
	Dmitrovskoye	19	36	45	30	39	14	17
Northwest	Leningradskoye	27	41	33	31	39	15	15
	Pyatnitskoye	15	29	56	28	47	13	12
	Volokolamskoye	15	41	44	40	34	15	11
West	Novorizhskoye	12	42	46	19	31	34	16
	Ilyinskoye	64	36	0	46	18	36	0
	Rublevo-Uspenskoye	17	40	43	32	26	22	20
	Minskoye	27	41	32	27	45	14	14
	Mozhaiskoye	36	31	33	40	37	14	9
Southwest	Kievskoye	21	30	49	33	36	15	16
	Borovskoye	27	73	0	45	43	12	0
	Kaluzhskoye	33	34	32	40	19	21	19

Source: MAYFAIR Properties

DEMAND

It is extremely complicated to assess the level and structure of the demand for the land plots due to the lack of transparency of the land market, and on the land property market in particular.

According to the results of the first quarter of 2007 the main share of the consumer's demand for the land plots falls on the settlements (60% of the total number of orders received by the MAYFAIR Properties). In its turn demand for this category of land is divided between the individual housing construction, summer cottages construction and low-rise buildings, as the consumers of this resource are both private persons and development companies.

Orders for the rural land plots took 18 % of the total amount of requests in the first quarter of 2007. Comparing two diagrams it becomes that many buyers consider the variant of changing the land plots category and/or changing the type of the authorized use, as a rule in favor of individual housing construction. This is the reason for rather high demand for the rural land plots, as the transition procedure is the most frequent and the best from the financial point of view.

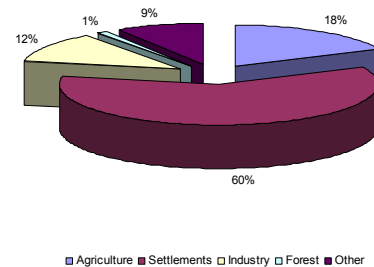
12% of potential buyers consider a variant of purchasing the industrial land plots. This category is the most popular with the buyer planning to build new enterprises (including shifting of the existing plants to the out-of-town areas), as well as transport and logistics construction.

However, the given data reflect only common regularity as most of the buyers (private persons and juridical bodies) consider the geographic characteristics of the land plot (distance from the MKAD and direction) as the basic factors, being not so much interested in the purpose and the category of the requested land plot.

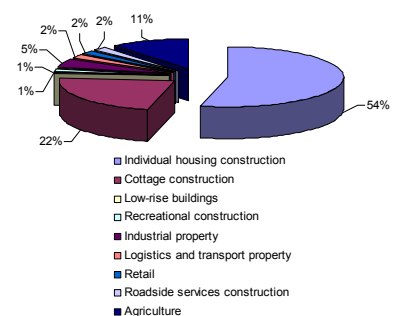
Basing on the requests process by the MAYFAIR Properties during the first quarter of 2007, we can say that the most popular directions were Novorizhskoye, Dmitrovskoye, Leningradskoye, Kaluzhskoye and Kievskoye highways. On the opposite, traditionally prestigious Rublevo-Uspenskoye direction is gradually moving to the secondary position in the demand preferences.

60% of demand is for settlement land plots, 18% - rural areas and 12% - industry land plots. Demand for the land plots at Novorizhskoye Shosse amounted to 19% of the total number of requests.

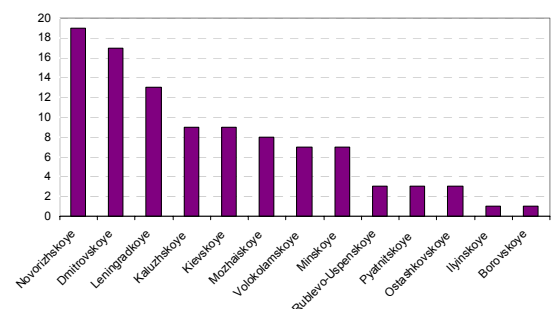
Demand for land plots by categories



Demand for land plots by the purpose of use



Distribution of demand for elite land plots by directions, %



Source: MAYFAIR Properties

DEMAND

Land plots of more than 1 ha (67% of the total number of requests to the MAYFAIR Properties within the period) are favorites of the demand for land property at the elite directions. Level of demand for the land plots of small area (less than 20 sotkas) is rather high (20% of the total number of requests).

Based on the obtained data one can describe the buyers' profile. It is evident, that juridical bodies, planning further land plots development constitute a considerable share of potential buyers. That explains the high demand for the land plots of large area.

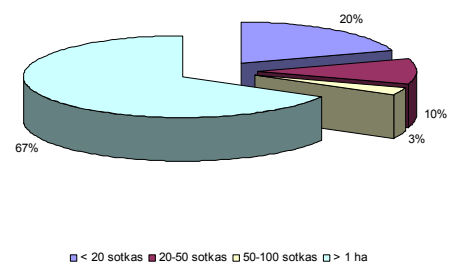
Structure of demand depending on the distance from the MKAD is quite logic taking into account structure of demand for the land plots depending on their area. According to the MAYFAIR Properties data, 63% of the total volume of demand belong to the land plots at the 15-30 km distance from the MKAD. Demand for land property within 15 km from the MKAD constituted 37% of the total number of requests of the first quarter of 2007. This distribution is based on the fact that there is a lack of offers of the large land plots within 15 km from the MKAD, thus the main portion of demand is farther from Moscow.

The demand is quite heterogeneous in terms of price that potential buyers are ready to pay. About one-third of the requests of the first quarter fall on the land plots up to \$1000/sotka. Approximately the same demand is for the land plots that value from \$1000 up to \$5000, as well as for the land plots which price exceeds \$5000/sotka.

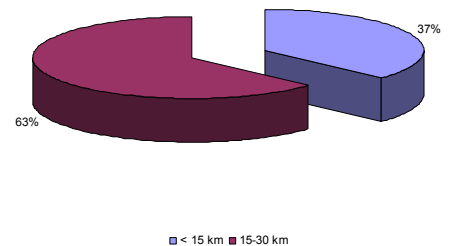
According to the received data regarding demand for the land plots depending on the area (sq meters) it is logical to assume that potential buyers of the land plots over 1 ha are mostly considering a purchase at \$1000/sotka. However, the market itself corrects the buyers intentions as the land plots with such prices are not presented at the elite land market.

Land plots over 1 hectare are leaders of the demand. 63% of the total volume of demand are land plots within 15-30 km from MKAD. Price dependent demand is equal.

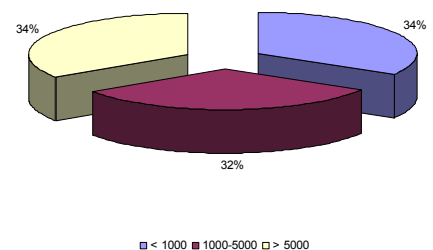
Demand for the land plots by the area



Demand for land plots by the distance from MKAD



Demand for land plots by the price, \$/sotka



Source: MAYFAIR P Properties

PRICES AND FORECAST

During the last decade Rublevo-Uspenskoye Shosse has been traditionally considered as a leader of land plot prices in the Moscow Region. As the first quarter of 2007 shows the average price per sotka on this direction was about \$31000, which is considerably higher than prices at the other directions of the Moscow Region. In total, average supply price on the prestigious directions within 30 km from the MKAD exceeds \$10000/sotka; Leningradskoye and Pyatnitskoye Shosse are exceptions with the average prices \$9300 and \$8900 correspondently.

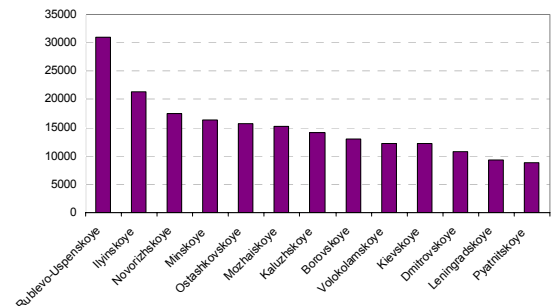
Western direction is a leader in terms of land plots prices; southwestern and northern directions share the intermediate position. Land plots on the northwestern direction have the lowest average price due to the heavy traffic on Leningradskoye and Pyatnitskoye Shosse as well as because of the dense construction that, in its turn, almost liquidates recreation resources variety.

Reasonably priced land plots (less than \$10000/sotka and \$10000-20000/sotka) take a significant share of the supply on the northern direction, and about a half of the land plots on Dmitrovskoye Shosse enter the price category 1, and the land plots on Ostashkovskoye Shosse have the higher sotka price (48% of the land plots for sale are of \$10000-20000/sotka). 7% of the total volume of supply on Ostashkovskoye Shosse are land plots which value above \$30000/sotka; Dmitrovskoe Shosse has a minimum number of such offers (about 2%).

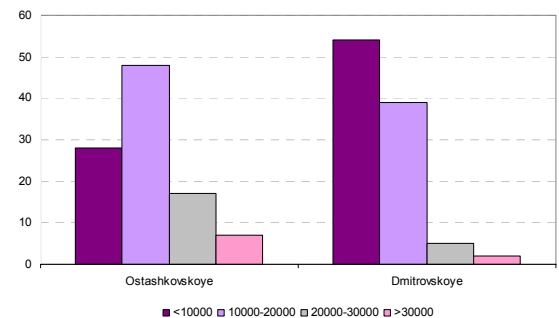
In terms of prices land plots supply on the northern direction is rather heterogeneous. Sotka prices at Leningradskoye and Pyatnitskoye Shosse is mostly within \$10000 (60-70% of market supply). Prices at Volokolamskoye Shosse are a bit higher; significant number of land plots on this direction (53%) are put for sale at the price of \$10000-20000/sotka. Along with that only Leningradskoye Shosse has land plots whose price exceeds \$30000/sotka. Though the number of these land plots is insignificant (about 1% of the supply as a whole).

Average price at Rublevo-Uspenskoye Shosse amounted to \$31000/sotka. The lowest average price was registered at Leningradskoye and Pyatnitskoye Shosse (\$9300/sotka and \$8900/sotka correspondently).

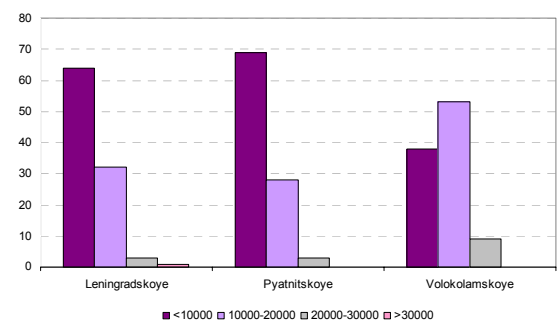
Average price of land plots by the direction, \$/sotka



Offers price at the northern direction, \$/sotka



Offers price at the northwestern direction, \$/sotka



Source: MAYFAIR Properties

PRICES AND FORECAST

Among all the highways in the western direction Mozhaiskoye Shosse has the lowest prices for the land plots with the major offers (40 %) exposed on sale at the price of up to \$10000/sotka. At Minskoye Shosse the number of such relatively inexpensive offers reaches 30 %. Generally, 30-45% of the land plots at the western direction (depending on the highway) represent the price sector of \$ 10000-\$20000/sotka. The highest price is recorded at Rublevo-Uspenskoye Shosse where the share of inexpensive land plots is minimal (5 %) while offers above \$20000/sotka make 54% of the land plots supply (half of them - from above \$30000).

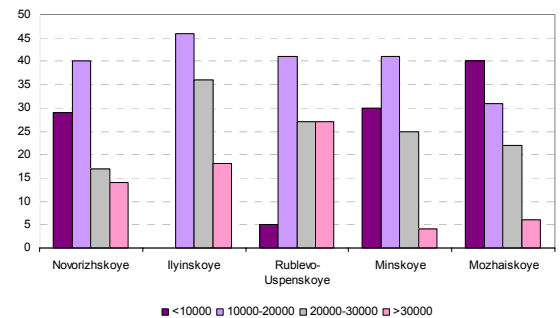
The land plots market is the most heterogeneous at the Novorizhskoye Shosse. In spite of the fact that about 30 % of offers value less than \$10000 for sotka, the number of land plots with high prices for sotka is great enough. In particular, 15 % of the supply falls on the land plots that cost above \$30000/sotka.

Land plots in the southwest direction are presented in all price segments. Rather low prices for land property are recorded for the Kievskoye Shosse; about 55 % of the volume of supply fall on the land plots cheaper than \$10000/sotka. Land plots along the Kaluzhskoye Shosse demonstrate higher prices for sotka; about 20 % of the supply fall on the land plots that cost above \$20000 per sotka.

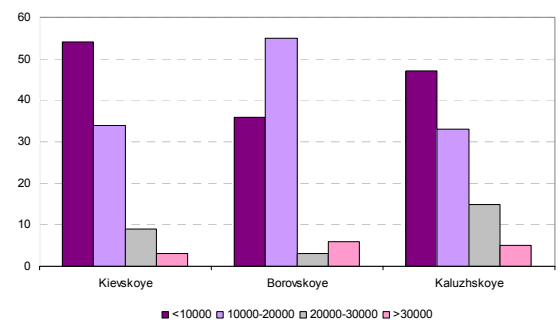
At present time the elite land plots market is characterized by the shift in the consumer demand due to changing its preferences in directions. The lesser level of demand is marked for the land property at Rublevo-Uspenskoye shosse due to the multiple overcharge for rather poor-quality objects that is revealed in stopping growth of prices in this direction with the prospect of their further reduction. On the other hand, growth of demand for the land plots in the northern direction stimulates high rates of price growth for the land plots along Dmitrovskoye and Ostashkovskoye highways. This is a long-term tendency, as the MAYFAIR Properties reports. Besides, construction of modern cottage settlements in many prestigious directions of the Moscow Region increases demand for the land plots, as the basic volume of demand falls exactly on these properties. Thus, one may forecast further growth of the market at the most actively developed directions. However, one should not expect an extreme rate of price growth due to the number of the rather high-quality offers that appear on the market in the alternative directions, thus influencing the market of the elite land property.

Slowing down the growth of prices for the most expensive directions and active rising of land plots price in developing directions is forecasted. Land quality is brought to the forefront, but not the highway.

Offers price at the western direction, \$/sotka



Offers price at the southwestern direction, \$/sotka



Source: MAYFAIR Properties

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