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RUSSIAN CONSTRUCTION INDUSTRY

HOUSING, CIVIL, INFRASTRUCTURE CONSTRUCTION

Results of 2018 and Trends for 2019
Development Prospects up to 2021

INFO *Line*

информационное агентство

information agency

- CONSTRUCTION INDUSTRY PERFORMANCE INDICATORS
- CONSTRUCTION INDUSTRY MILESTONES
- CONDITION OF CONSTRUCTION INDUSTRY SEGMENTS
- CONDITION OF BUILDING MATERIALS INDUSTRY

ABOUT ANALYTICAL AGENCY INFOline

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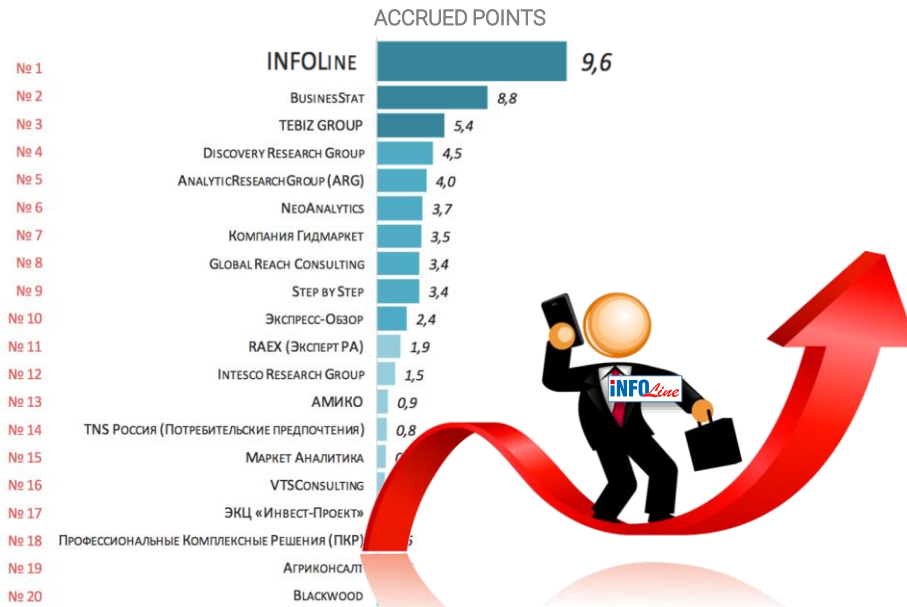
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NEW RESEARCH –
“TOP-470 projects in the industrial construction 2019-2023”

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5 parts, 100 slides, 73 figures, more than 160 projects

«RUSSIAN CONSTRUCTION INDUSTRY. Results of 2018 and Trends for 2019 Development Prospects up to 2021»:

- Monitoring of the construction industry, building materials industry and others.
- Analytical databases and company ratings.
- Analysis of investment projects 2019-2023.

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Daily monitoring
- Thematic News
service





TOP-470 projects
in the industrial
construction

Building
materials
market research


Research
«Russian
Construction
Industry»

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Branch Ministries, Departments, Associations

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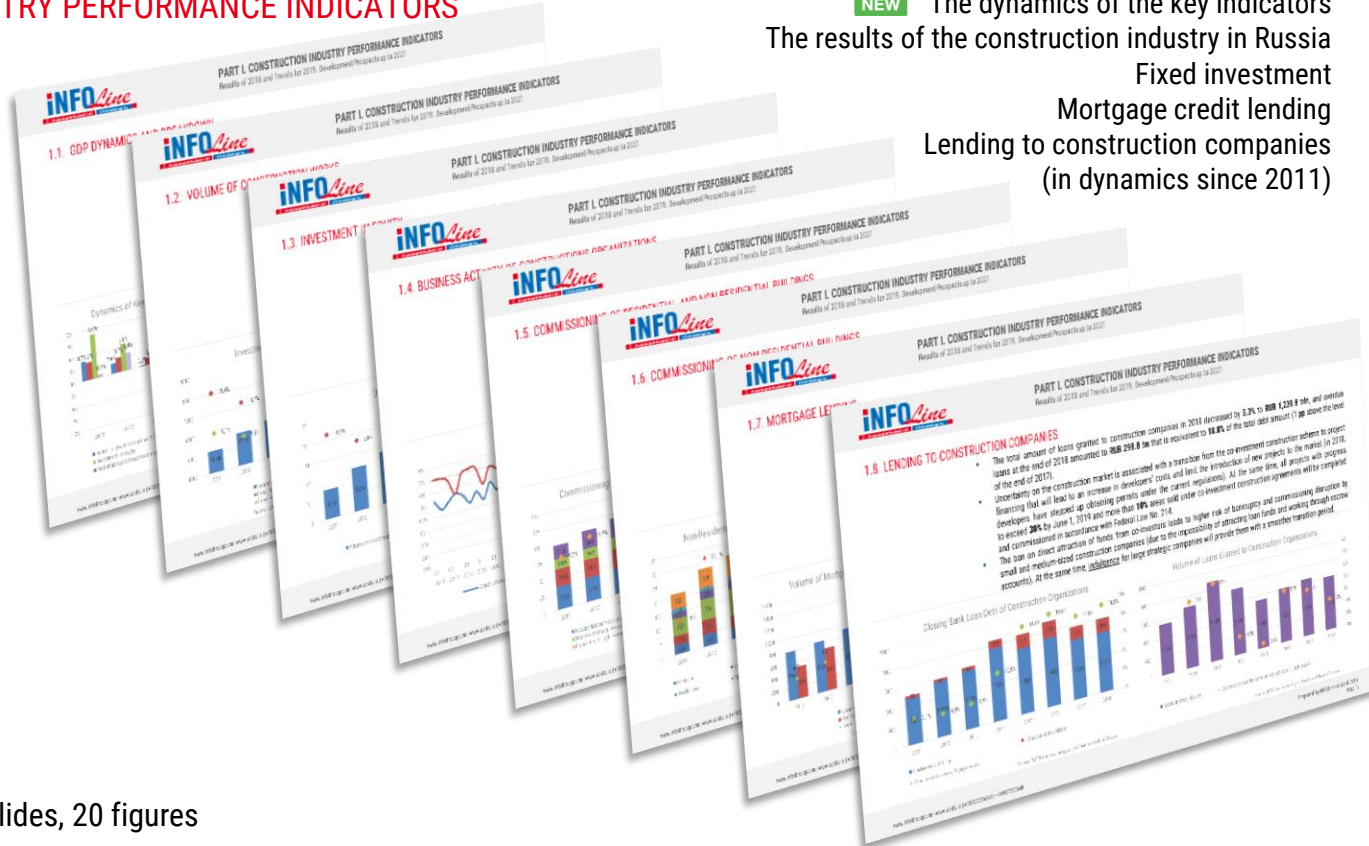
Agreement on Information Use

About the Author – INFOLine Information and Analytical Agency

 - the section is presented in a DEMO-version
 - the section is partially presented in a DEMO-version
NEW - new or substantially updated section

PART I. CONSTRUCTION INDUSTRY PERFORMANCE INDICATORS

In the FULL version of the research
**“RUSSIAN CONSTRUCTION INDUSTRY.
 Results of 2018 and Trends for 2019
 Development Prospects up to 2021”:**

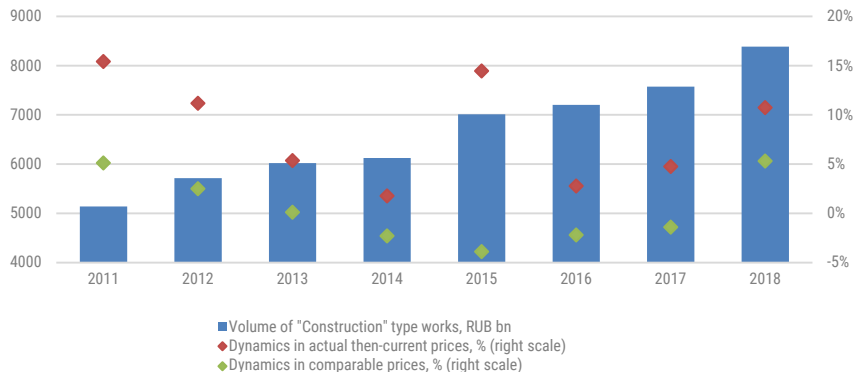


the FULL-version contents – 10 slides, 20 figures

1.2. VOLUME OF CONSTRUCTION WORKS

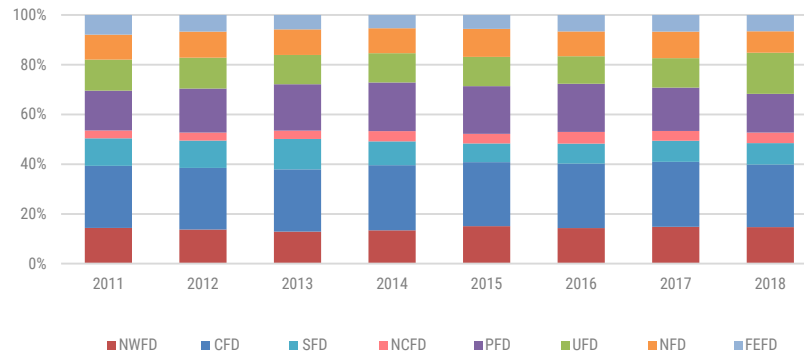
- Taking into account the 2018 data revision by FSSS, the volume of “Construction” type works performed increased in comparable prices by **5.3%** to **RUB 8,386 bn**. In actual prices, the volume of works in 2018 increased by **10.7%** (by the end of 2017 there was an increase of **4.7%**).
- According to the results of 2018, the volume of construction work in the Central Federal District and Volga Federal District decreased by **2.2%** and **8.7%**, respectively (in comparable prices), and in the Ural Federal District it increased by **64%** (due to growth in the Yamal-Nenets Autonomous Area by **3.3 times**). A positive trend was recorded in the North-West Federal District and North Caucasian Federal District: **+5%** and **+1.8%** (in comparable prices), respectively. As a result, the UFD in 2018 ranked second in terms of the amount of “Construction” type works, ahead of the PFD.
- Nominally declared growth in the construction sector in 2018 was a record for 10 years: the industry grew with bigger rate (**+12.8%**) only in 2008. However, it should be understood that the growth is associated only with the Yamal SPG project implementation in the Yamal-Nenets Autonomous Area, and the dynamics of the construction sector in the Russian Federation excluding the Yamal-Nenets Autonomous Area following the results of 2018 in comparable prices is **-0.5%** (**+3%** in actual prices).

Investment and Construction Activity Indicators



Source: INFOLine estimates, FSSS (* from 2015 - including construction using own resources)

Construction Works Breakdown and Volume by Federal Districts, %

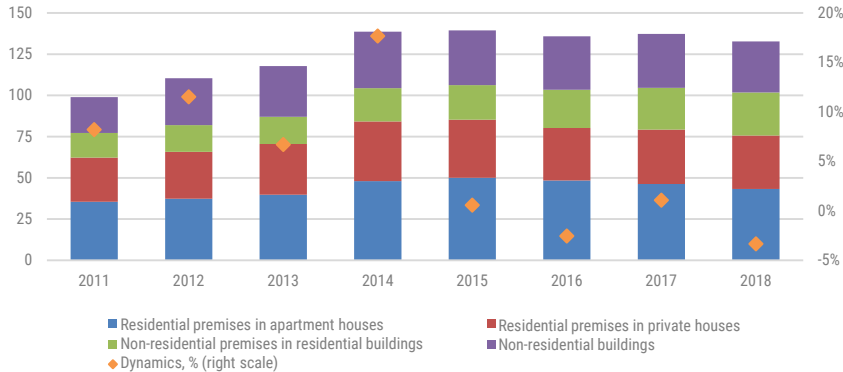


Source: INFOLine according to FSSS, Unified Interdepartmental Statistical Information System

1.5. COMMISSIONING OF RESIDENTIAL AND NON-RESIDENTIAL BUILDINGS

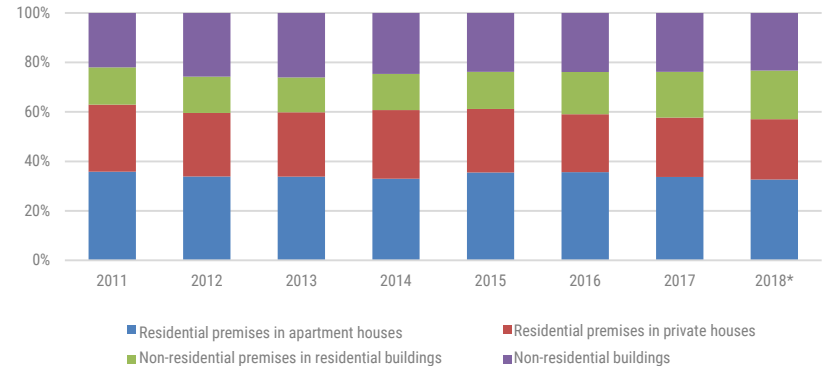
- According to updated data, in 2018, commissioning of residential and non-residential buildings and premises in Russia decreased by **3.3%** to **132.7 mln sq.m.** Commissioning of non-residential buildings in 2018 decreased by **5.5%** to **30.9 mln sq.m.**, and the share of non-residential real estate in the overall structure remained at the level of 2017 (**23.3%**).
- Housing commissioning decreased by **4.5%** to **75.65 mln sq.m.**, however, commissioning of non-residential units in residential buildings increased by **2.9%** and amounted to **26.1 mln sq.m** (share increased by **1.2 pp** to **19.7%**).
- A decrease by **6.5%** to **43.2 mln sq.m** is observed in the segment of apartment housing construction.
- Commissioning of houses built by the population for 2018 decreased by **1.7%** to **32.4 mln sq.m.** At the same time, the share of private housing construction in the total amount of buildings commissioned was **24.4%**.
- According to INFOLine, in 2019 negative changes in residential and non-residential building commissioning are expected to continue, and this indicator will decrease to **125-130 mln sq.m.**

Commissioning of Buildings and Structures by Type, mln sq.m.



Source: INFOLine analysis, according to FSSS

Structure of Building Areas commissioning, %

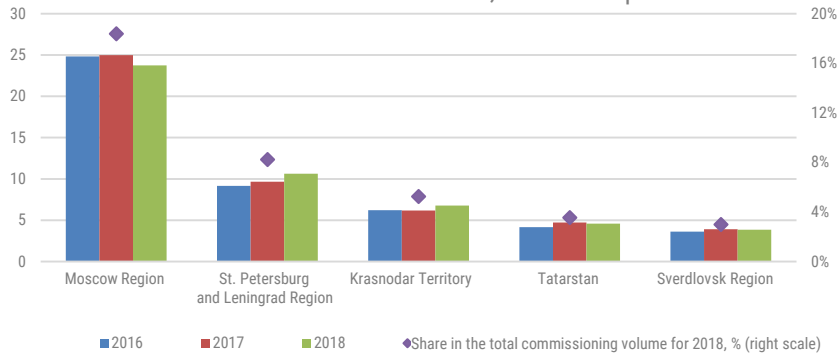


Source: INFOLine analysis, according to FSSS

1.5. RESIDENTIAL AND NON-RESIDENTIAL BUILDING COMMISSIONING: TOP-5 REGIONS BY TOTAL COMMISSIONED BUILDING AREA

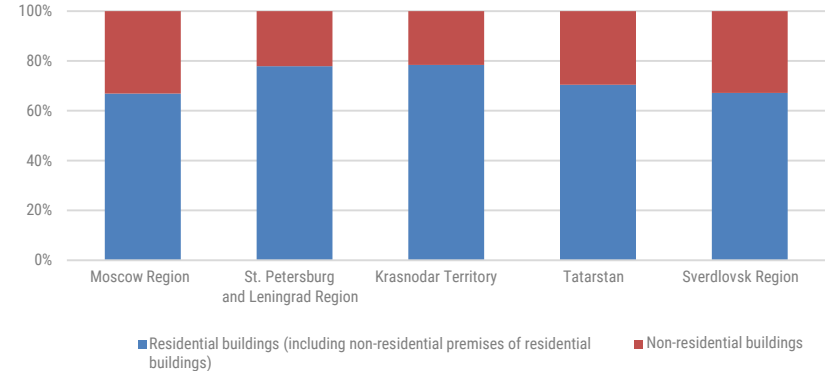
- The Moscow area (Moscow and Moscow Region) remains the leader in terms of residential and non-residential building commissioning: about **18.4%** properties were commissioned in 2018 that is equivalent to **23.7 mln sq.m** (at the end of 2017 commissioning was **25 mln sq.m** or **18%**). St. Petersburg and the Leningrad Region rank second with **10.6 mln sq.m** or almost **8.2%** of the total commissioning volume commissioned (according to the results of 2017 commissioning was **9.7 mln sq.m** or **7%**).
- Moscow and St. Petersburg agglomerations traditionally lead in terms of real estate commissioning where the share of Moscow and the Moscow Region is gradually reducing, and the share of St. Petersburg and the Leningrad Region is growing. Due to the presence of numerous large ongoing investment and development projects, as well as the housing renovation program in Moscow, INFOLine predicts that leadership will remain there in the long term.
- The five leaders in real estate commissioning also include the Krasnodar Territory and the Republic of Tatarstan where residential construction prevails (about **78% and 71%** of total commissioning), as well as the Sverdlovsk Region where housing accounts for about **67%**, and the rest falls on non-residential buildings (mainly commercial and educational premises).

TOP-5 Regions by Total Area of Buildings Commissioned in 2016-2018, thousand sq.m



Source: INFOLine, FSSS, Unified Interdepartmental Statistical Information System

Structure of TOP-5 Regions Commissioning Buildings for 2018

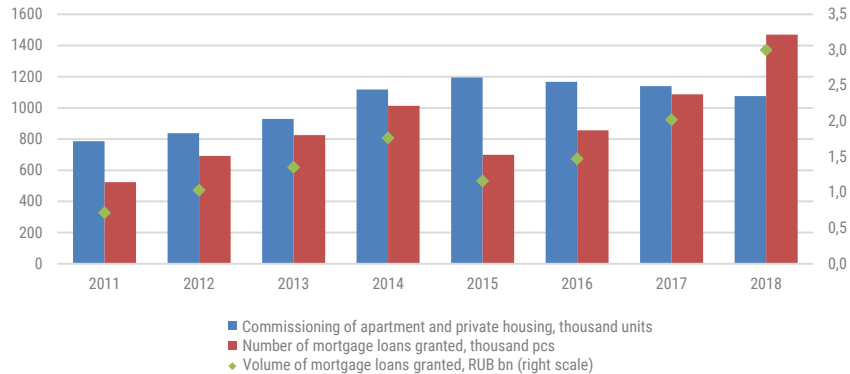


Source: INFOLine, FSSS, Unified Interdepartmental Statistical Information System

1.7. MORTGAGE LENDING

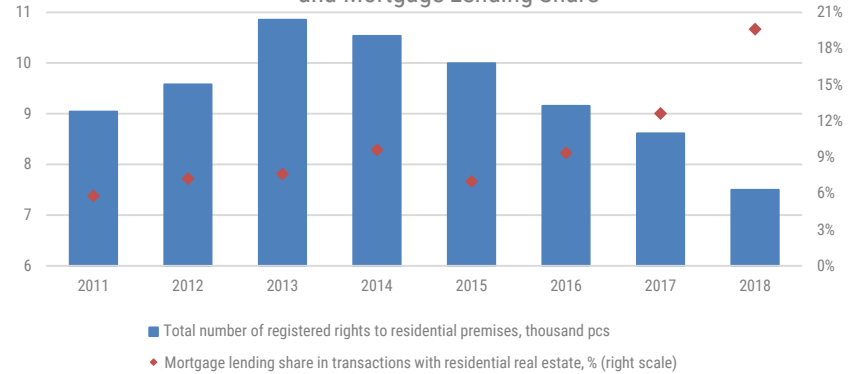
- In 2018, **1.47 mln** mortgage loans (**38%** increase) valued at **RUB 3.01 trln** were granted in Russia. This is a new record (**+50%** by 2017), the key factor of which was the reduction of rates to a historical minimum of **9.6%**.
- The portfolio of mortgage loans in the banking sector in 2018 grew by **25%** and exceeded **RUB 6.53 trln**. New borrowers were given **RUB 2.67 trln** (growth by **+40%** by 2017), and mortgage has become the main way to improve housing conditions: **56%** transactions in new buildings and **49%** on the existing home market were made with the help of a mortgage. The share of mortgage refinancing amounted to **11.5%** (**170 thousand**), and on average payments decreased by **15%** due to a reduction in the rate.
- The average size of a mortgage loan in 2018 amounted to **RUB 2.05 mln.** (**RUB 1.86 mln** in 2017), and portfolio quality has improved: thus, the share of loans with overdue loans for a period over **90 days** decreased to a minimum (**1.78%**).
- The number of registered rights to residential premises in 2018 decreased by **13%** to **7.5 mln pcs** and the mortgage lending share in the total number of registered rights increased by **7 pp** to **19.6%**.

Volume of Mortgage Loans Granted and Housing Commissioning



Source: INFOline, according to FSSS, DOM.RF (former AHML), Central Bank of Russia

Registered Property Rights and Mortgage Lending Share

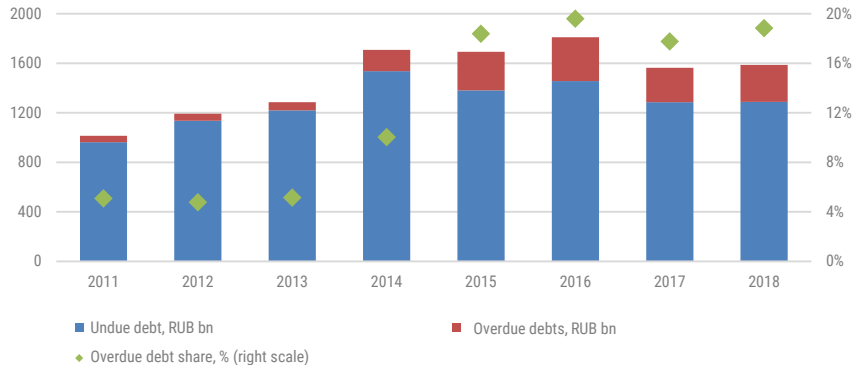


Source: INFOline, according to FSSS, DOM.RF (former AHML), Central Bank of Russia

1.8. LENDING TO CONSTRUCTION COMPANIES

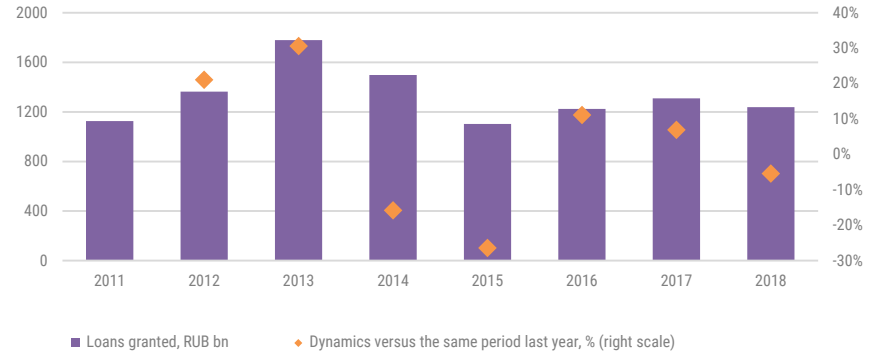
- The total amount of loans granted to construction companies in 2018 decreased by **5.3%** to **RUB 1,239.8 trln**, and overdue loans at the end of 2018 amounted to **RUB 298.8 bn** that is equivalent to **18.8%** of the total debt amount (**1 pp** above the level of the end of 2017).
- Uncertainty on the construction market is associated with a transition from the co-investment construction scheme to project financing that will lead to an increase in developers' costs and limit the introduction of new projects to the market (in 2018, developers have stepped up obtaining permits under the current regulations). At the same time, all projects with progress to exceed **30%** by June 1, 2019 and more than **10%** areas sold under co-investment construction agreements will be completed and commissioned in accordance with Federal Law No. 214.
- The ban on direct attraction of funds from co-investors leads to higher risk of bankruptcy and commissioning disruption by small and medium-sized construction companies (due to the impossibility of attracting loan funds and working through escrow accounts). At the same time, indulgence for large strategic companies will provide them with a smoother transition period.

Closing Bank Loan Debt of Construction Organizations



Source: INFOLine, according to the Central Bank of Russia

Volume of Loans Granted to Construction Organizations



Source: INFOLine, according to the Central Bank of Russia

PART II. CONSTRUCTION INDUSTRY MILESTONES

In the FULL version of the research
“RUSSIAN CONSTRUCTION INDUSTRY. Results of 2018 and Trends for 2019 Development Prospects up to 2021”:



2.3. RESIGNATIONS AND APPOINTMENTS

2.2. THE LARGEST M&A DEALS

2.1.7. GOVERNMENT REGULATION: NORMS BECAME EFFECTIVE FROM JANUARY 1, 2019

2.1.1. GOVERNMENT REGULATION IN CO-INVESTMENT CONSTRUCTION

NEW State regulation in housing, public procurement, urban development, housing renovation, design and standardization
 M&A Resignations and appointments (key events of 2018 and I quarter of 2019)

the FULL-version contents – 17 slides

2.1.1. GOVERNMENT REGULATION IN CO-INVESTMENT CONSTRUCTION










- In December 2018 the President of the Russian Federation signed Federal Law 478-FZ, which allows direct interaction of developers with the Co-Investor Protection Fund in Unified Information System of Housing Construction accounts on properties that were previously subject to insurance** ([text of document](#)). If a co-investment construction agreement is filed for state registration after December 25, 2018, then developers are required to pay contributions to the Fund. Exceptions are the co-investment construction agreements covered by insurance in relation to the entire apartment building.

- On December 26, 2018 Government Regulation No. 1683 approved the standards for financial sustainability of developer's activities with a building permit obtained before or after July 01, 2017** ([text of document](#)). In particular, the following standards are set for building permits obtained after July 1, 2018: obligation security - not less than 1; targeted use of resources - not more than 1; amount of the developer's own funds - not be less than 10% of the planned construction cost of apartment buildings or other real estate properties specified in the project declaration.



- On April 22, 2019 Regulation No. 480 of the Government of the Russian Federation approved criteria for housing construction projects that can be completed by developers according to the old rules of financing, without the use of escrow accounts** ([text of document](#)). The Regulation establishes two base criteria that, if met simultaneously, make it possible to continue building according to the old rules: under the building project, co-investment construction agreements must be concluded for an overall area not less than 10% of the total property area, and the degree of project readiness must be not less than 30%. In this case, the readiness degree criterion can be reduced to 15% for integrated urban development projects, renovation projects (including demolition of dilapidated and hazardous dwellings, e.g. the Moscow Renovation Program), as well as projects involving construction of engineering infrastructure and social infrastructure (children's preschool institutions, secondary schools, polyclinics). Also, the readiness degree criterion can be reduced to 6% in cases where the developer completes the troubled residential properties (long-term construction or bankrupt developer's properties) or when the developer is included in the list of systemically-important developers, has a portfolio of building permits for more than 4 million sq.m of housing in 4 or more regions of the Russian Federation (as of April 2019, such developers are PIK, GK and LSR Group).

2.2. THE LARGEST M&A DEALS

Deal participants		Asset	Value, RUB bn	Closing date	Deal format and description
 YIT Corporation	 Lemminkäinen Corporation	Merger of YIT and Lemminkäinen	3.6146 new shares of YIT for each share of Lemminkäinen	February 2018	The merger was carried out as acquisition of the entire Lemminkäinen European business by YIT. Lemminkäinen shareholders received 3.6146 new YIT shares for each Lemminkäinen share. As a result, YIT owns 60% of the merged company shares, and Lemminkäinen owns 40% of them. At the same time, the Lemminkäinen brand ceased to exist. The merged company portfolio in Russia includes housing facilities in the Moscow Region, St. Petersburg and the Leningrad Region, Yekaterinburg, Kazan, Rostov-on-Don and Tyumen.
 FCC "Lider"	 LSR Group	100% of authorized capital of LSR. Stroitelstvo-M	N/A	March 2018	LSR Group signed an agreement to sell 100% interest in LSR. Stroitelstvo-M" (ZhBI-6 combine) to FCC "Lider". The company produces external and internal wall slabs, ceilings, partitions, and reinforcement steel. Production capacity is 150 thousand m ³ of concrete products per year. FCC Holding also includes 4 HBF-1 house building factories, HBF Project design company and specialized units.
 TOROS JSC	 LSR Group	100% of authorized capital of LSR. Zhelezobeton-Severo-Zapad	1.2*	March 2018	LSR Group made a deal with TOROS JSC for selling 100% of authorized capital of LSR. Zhelezobeton-Severo-Zapad (Production Association "Barrikada"). The deal included 3 HBFs in St. Petersburg and the Leningrad Region. (Production sites at the Rybatskoye metro station, the HSF in Gatchina and in the Nazia village). Their total capacity is 540 thousand m ³ of concrete products per year.
Pavel Tyo (Chairman of the Capital Group Board of Directors)	Esazione Capital Ltd. (Cyprus), former PIK, GK	50% of authorized capital of MFS-PIK LLC	0.13	March 2018	Pavel Tyo, Chairman of the Capital Group Board of Directors, acquired 50% of authorized capital of MFS-PIK LLC, which belonged to Sergey Gordeev's PIK, GK until December 2017. MFS-PIK LLC is a key PIK, GK contractor and received contracts under the Moscow Renovation Program worth of nearly RUB 9 bn. The deal was made through Esazione Capital Ltd. and Evalaro Trading & Investments Ltd. Cyprus offshore companies.
Stroyprojectholding LLC	 Non-state Pension Fund "Blagosostoyanie"	100% of shares TFK-Finance JSC	39	April 2018	Arkady Rotenberg's Stroyprojectholding LLC repurchased from Non-state Pension Fund "Blagosostoyanie" 100% of shares of TFK-Finance LLC, which owns 94.2% of Mostotrest PJSC shares. Recall that the reverse transaction was completed in 2015. According to the results of 2018, the revenue of Mostotrest PJSC amounted to RUB 206.3 bn (-1% by 2017), EBITDA margin is 10%.

* INFOLine estimates

2.3. RESIGNATIONS AND APPOINTMENTS



- In December 2018 **Arseny Vasilyev** left the post of general director of **Unisto Petrostal, GK** and 8 companies belonging to the group. The group hired a crisis management team. Management is carried out by the owner - Vladimir Oksman.



- On January 17, 2019 **Sergey Eduardovich Prikhodko** was elected **Chairman of the DOM.RF JSC Supervisory Board**. He also holds the position of First Deputy Head of the Government Office of the Russian Federation.



- On February 6, 2019 **Vyacheslav Petushenko** was appointed **Head of Avtodor**. Previously he was the First Deputy Chairman of the Avtodor Board. Prior to this, Sergey Kelbach headed Avtodor.



- On February 14, 2019 **Dmitry Kashinsky**, former head of **Etalon, GK**, was appointed **General Director of SPb Renovation LLC** and **Samolet LO LLC**. Previously, these posts were occupied by the co-owner of these companies, Igor Evtushevsky.



- In February 2019 **Oleg Mubarakshin** was elected **Chairman of the Etalon, GK Board of Directors**. Founder of the Etalon, GK Vyacheslav Zarenkov who previously held this position retained the post of General Director of Etalon, GK. Also, the Board of Directors of Etalon, GK accepted resignations of Olga Shevchuk and Anton Shatov and approved a new member of the Board - Sergey Egorov. Rotation in the Etalon, GK governing bodies was made after the sale of 25% interest in the Group to **Sistema Joint-Stock Financial Corporation**.



- On March 4, 2019 **Tatyana Kostareva** was appointed **State Secretary - Deputy Minister of Construction, Housing and Utilities of Russia**. Before appointment she worked in the Administrative and HR Department of the Ministry of Construction.



- On March 6, 2019 **Andrey Repin** was appointed **General Director of SPb Renovation LLC** succeeding Dmitry Kashinsky who was appointed in February 2019. Earlier, in 2014, Andrey Repin served as Executive Director of this company.

PART III. INVESTMENT ACTIVITY IN CONSTRUCTION INDUSTRY

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NEW Fuel and Energy Complex (Oil Industry, Gas Industry, Electric Power Industry)

NEW Transport Industry (Road Infrastructure, Railway Infrastructure, Ports and Terminals)

Housing Construction
 Shopping Centers
 Agriculture Sector

the FULL-version contents – 37 slides

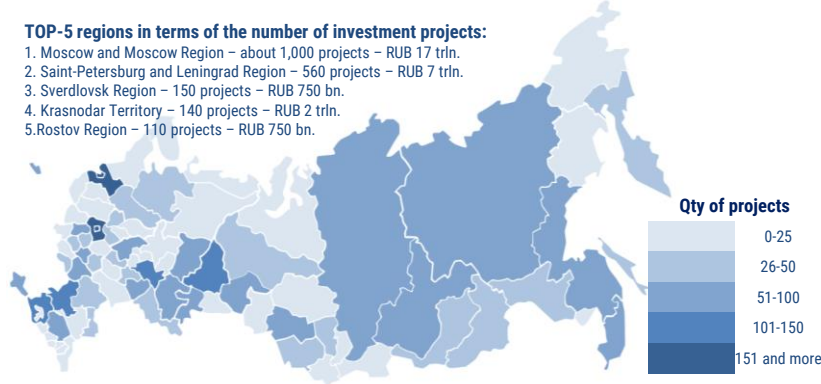
3.1. METHODS OF INVESTMENT PROJECT SELECTION

- According to the results of INFOLine Research, over **4.5 thousand** large investment projects with an aggregate investment of about **RUB 57 trln** are implemented in Russia.
- In the investment projects ranking, INFOLine specialists accepted for consideration projects that are under active implementation as of 2019 and are planned to be completed no earlier than in Q2 2019.
- Projects at the stage of research or design work were classified as being implemented only if a construction permit was obtained, guaranteed financing was provided, if their construction is timed to large events (e.g. international sports competitions) or they are funded from public sources. Otherwise, large projects were classified as investment plans.
- Moscow Region (Moscow and Moscow region) is a leader in the number of major projects implemented and the amount of financial expenses for their implementation. It is followed by St. Petersburg and the Leningrad Region: cumulatively these regions account for about **RUB 25 trln** or **40%** of the total investment in construction in the Russian Federation.

Major Construction Investment Projects in 2019-2021

TOP-5 regions in terms of the number of investment projects:

1. Moscow and Moscow Region – about 1,000 projects – RUB 17 trln.
2. Saint-Petersburg and Leningrad Region – 560 projects – RUB 7 trln.
3. Sverdlovsk Region – 150 projects – RUB 750 bn.
4. Krasnodar Territory – 140 projects – RUB 2 trln.
5. Rostov Region – 110 projects – RUB 750 bn.



Largest Industrial Construction Investment Projects in Russia



TIME FRAMEWORK OF RESEARCH:

2019 - 2023 Projects

RESEARCH DATES:

Q2 2019

STUDIED INDUSTRIES:

- Mechanical Engineering
- Industry
- Building and finishing materials
- Woodworking
- Agriculture sector
- Food production
- Fuel and Energy Complex and oil refining
- Metallurgy, ore mining and processing, etc.

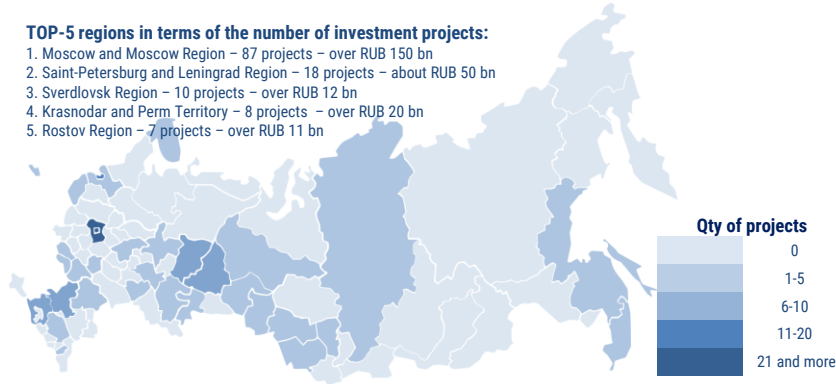
3.3. INVESTMENT ACTIVITY ON THE MARKET OF SHOPPING CENTERS

- According to INFOline, **over 200** large investment projects for shopping center construction and reconstruction with an investment of **RUB 200 mln** are announced and implemented in Russia as of Q2 2019. Cumulative investments in them exceed **RUB 800 bn**.
- The greatest number of projects implemented (**87**) is concentrated in Moscow and the Moscow region. St. Petersburg and the Leningrad Region ranked second with **18** projects, Sverdlovsk Region ranks third with **10** projects. Total investment in the TOP-5 regions is **RUB 240 bn**.
- According to INFOline, the largest investor on the market of shopping centers is **Ingka Centres**. The company implements a number of investment projects, the total value of which exceeds **RUB 153 bn**.
- **ADG** is a leader in terms of the number of projects implemented. The company has 39 projects in progress for the construction and reconstruction of shopping and entertainment centers on the sites of old cinema buildings in Moscow with a total investment volume of over **RUB 52 bn**.

Major Investment Projects in Shopping Center Construction in 2019-2023

TOP-5 regions in terms of the number of investment projects:

1. Moscow and Moscow Region – 87 projects – over RUB 150 bn
2. Saint-Petersburg and Leningrad Region – 18 projects – about RUB 50 bn
3. Sverdlovsk Region – 10 projects – over RUB 12 bn
4. Krasnodar and Perm Territory – 8 projects – over RUB 20 bn
5. Rostov Region – 7 projects – over RUB 11 bn








Source: INFOline Developer Russia TOP

Largest Investor in Shopping Center Construction Industry

COMPANY	PORTFOLIO OF IMPLEMENTED PROJECTS	INGKA CENTRES
Ingka Centres	RUB 153.5 bn	
EXECUTIVE DIRECTOR	Milen Genchev , General Director of Ingka Centres	
LARGEST PROJECTS OF SHOPPING CENTRES	Construction: SEC Mega Mytishchi , Moscow Region (RUB 30 bn)	
	SEC Mega Novoselye Leningrad Region (RUB 23 bn)	
	SEC Mega , Voronezh (RUB 18 bn)	
	SEC Mega , Perm (RUB 15 bn)	
	SEC Mega , Chelyabinsk (RUB 15 bn)	
	SEC Mega , Krasnoyarsk (RUB 9 bn)	
	Reconstruction: SEC Mega Teply Stan in Moscow, SEC Mega Adygeya Kuban and SEC Mega in Yekaterinburg with a total finance volume of RUB 44 bn.	

3.3. SHOPPING CENTERS: MAJOR PROJECTS IN PROGRESS

Participants	Projects	Project start	Project finish	Investment, RUB bn	Project description
 <p>РЕГИОНЫ группа компаний Regions, GK</p>	<u>MFC Dream Island</u> in Moscow	Q3 2015	Q4 2019	***	Total area of the covered part of the Dream Island amusement park will be about 300 thousand sq.m. Rental area of the retail zone will be 131 thousand sq.m including central square with a cinema and concert hall. The SEC comprises over 200 stores and 50 restaurants. Dream Island is located in the south of Moscow, in the Nagatinskaya floodplain.
 <p>TASHIR Tashir, GK</p>	<u>SEC Rio</u> in Mytishchi	Q3 2014	Q4 2019	***	The project provides for building a SEC with a total area of 175,000 sq.m. It is expected to place over 300 stores in the SEC. Project concept also includes an 11-screen cinema – Cinema Star and an entertainment center. The SEC will be located at Yaroslavskoye highway, near House 26.
 <p>УГМК UMMC UMMC LLC</p>	<u>SEC Veer Mall</u> in Yekaterinburg	2015	Q4 2020	***	The SEC will be located in the northern part of the city at the intersection of Shefskaya Street and Kosmonavtov Avenue (Ordzhonikidze District). This is the only part of the city with no modern super-scale SEC. VEER mall also affects nearby satellite towns: Verkhnyaya Pyshma, Sredneuralsk and Berezovsky. The SEC will be located on the UMMC greenhouse farm lands. Total area of the SEC – 167 thousand sq.m, leasing area - 76 thousand sq.m.
 <p>GAMMA INVEST GROUP Gamma Invest Group LLC</p>	<u>SEC Baltiya Mall</u> in Kaliningrad	Q3 2013	2020	***	SEC Baltia Mall will be the first retail park in the Kaliningrad region. Location: on the outskirts of the city, at the intersection of the largest regional transport routes – the Belt Road and the Primorsky Ring, on the main tourist and recreational direction. About 120 tenants will be represented in the SEC. Since November 2017, the territory comprises a Leroy Merlin hypermarket with an area of 17 thousand sq.m that will be part of the complex. Total area of the SEC (excluding DIY hypermarket) will be 55 thousand sq.m.
<p>MALLTECH MALLTECH</p>	<u>SEC Planeta</u> in Perm	Q3 2015	2021	***	Planet is being built in the Industrial District at: 162 Kosmonavtov highway. Previously an hippodrome was located on the site. The SEC will be the largest one in the Perm Territory with the total area of 150 thousand sq.m. The SEC will house over 185 stores.
 <p>АВИАТИКА торгово-развлекательный комплекс Treydskver LLC</p>	<u>SEC Aviatika</u> In Kazan	Q2 2017	2021	***	SEC Aviatika will be the largest SEC in Kazan - its total area will be 190 thousand sq.m. The SEC will comprise over 200 stores. In addition, the SEC includes: the only attraction in the region with a wind tunnel, a climbing wall, a ropes course and a go-cart.

* According to INFOLine estimates

PART IV. INDICATORS OF CONSTRUCTION INDUSTRY SEGMENTS

In the FULL version of the research
**“RUSSIAN CONSTRUCTION INDUSTRY.
 Results of 2018 and Trends for 2019
 Development Prospects up to 2021”:**

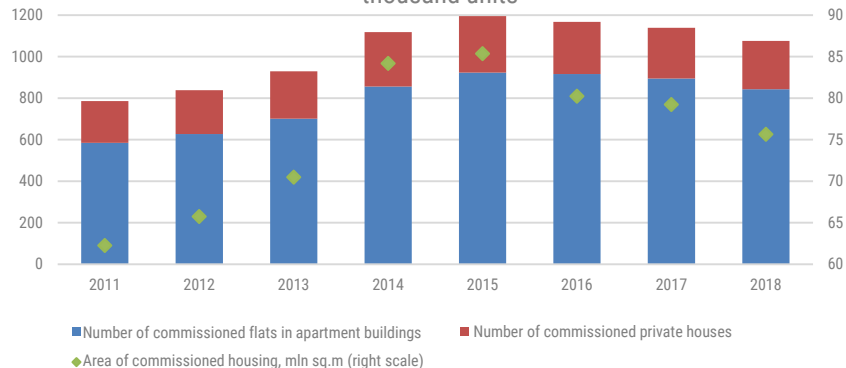


the FULL-version contents – 25 slides, 50 figures

4.1.1. MAIN INDICATORS

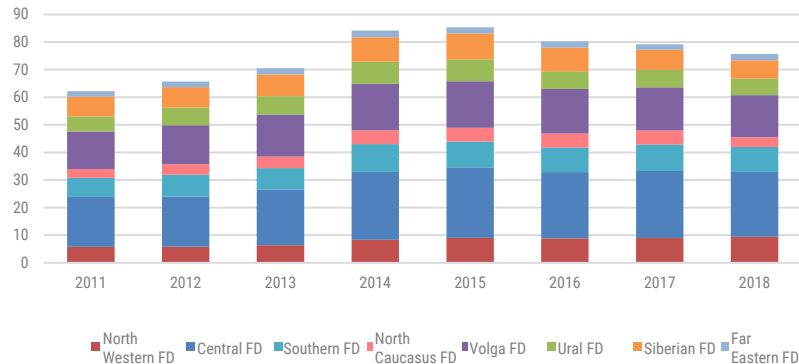
- According to updated data, in 2018, housing commissioning in Russia decreased by **4.5%** to **75.65 mln sq.m.**
- In the apartment and private segments of housing construction **1,075.7 thousand** residential premises were commissioned (**63.3 thousand** or **5.6%** less than in 2017) including **842,6 thousand** flats in apartment buildings and **233.1 thousand** private houses. The number of commissioned private houses decreased by **4.5%** or by **11.1 thousand units**, and apartments – by **5.8%** or **52.2 thousand units**.
- The share of apartment and private housing in the aggregate structure of residential and non-residential commissioning in 2018 was about **57%** that is **0.7 pp** less than the same indicator for 2017.
- Residential commissioning in 2018 decreased in all districts except for the Far Eastern Federal District (**+15.1%**) and the North-West Federal District (**+5.6%**). The North Caucasus Federal District demonstrated the most significant reduction in commissioning (by **1.4** times). Leadership in residential commissioning was maintained by the Central Federal District (**23.4 mln sq,m**, share in the commissioning structure - **31%**) and the **Volga Federal District (15.2 mln sq,m**, share – **20%**).
- The average housing construction period in 2018 increased to **36** months (versus **32.5** months in 2017 and **29.5** months in 2016).

Number of Residential Premises Built in Apartment and Private Segments, thousand units



Source: INFOLine, according to FSSS, Unified Interdepartmental Statistical Information System (UISIS)

Housing Commissioning by Federal Districts (FD), mln sq.m

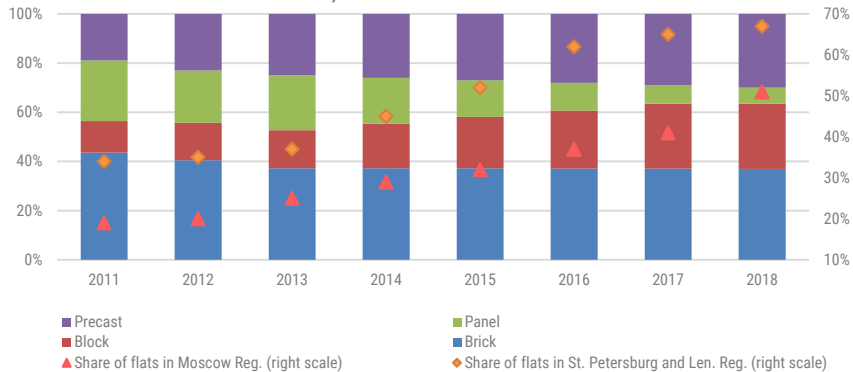


Source: INFOLine, according to FSSS, UISIS

4.1.1. MAIN INDICATORS

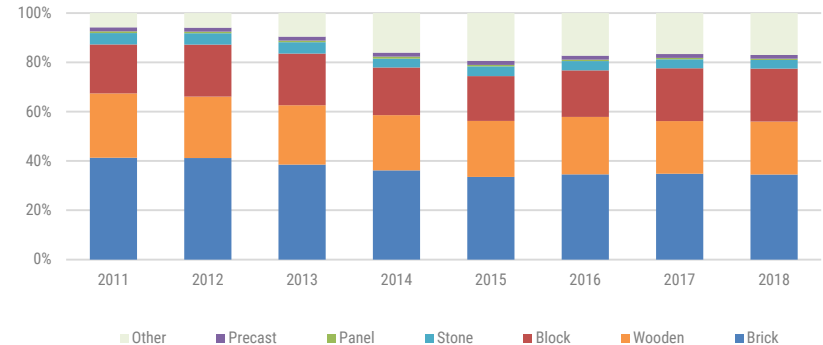
- In 2018, brick, wood and building blocks retained the status of basic materials in the segment of private housing construction: brick buildings accounted for **35%** of the area, wooden houses and houses - **22% each**.
- In the segment of apartment housing construction brick and precast construction prevails (**37%** and **30%**, respectively), as well as block houses (**27%**).
- The number of apartment buildings with flats rented in fully or partially finished condition continue to grow rapidly: in 2018, the share of flats rented in finished condition exceeded **51%** in the Moscow Region, and **67%** in St. Petersburg and the Leningrad Region according to INFOLine estimates.
- Since 2018, residential property classification has changed: the term “economy-class housing” has been replaced by “standard housing” (Federal Law No. 506-FZ dated December 31, 2017). In the context of the new classification in 2019, the Ministry of Construction is discussing the introduction of mandatory finishing at the construction stage in the standard housing segment. Finishing will include installation of doors, windows, plumbing and meters, as well as alignment of ceilings, floors and walls. In this case, it is proposed to coordinate the choice of finishing materials with the owner based on the developer's catalog.

Structure of Apartment Housing Commissioning by Types of Wall Structural Materials, % of the area commissioned



Source: INFOLine calculations and estimates, according to FSSS, Analytical Center at the Government of the Russian Federation

Structure of Private Housing Commissioning by Types of Wall Structural Materials, % of the area commissioned

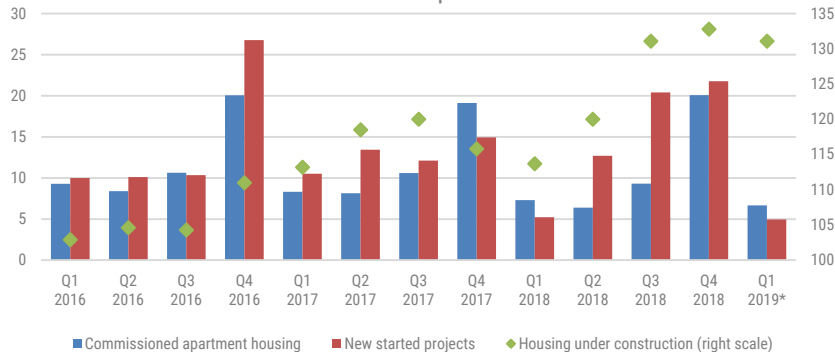


Source: INFOLine calculations, according to FSSS, Analytical Center at the Government of the Russian Federation

4.1.2. APARTMENT CONSTRUCTION

- A key factor of uncertainty in the apartment housing segment is the transition to a project financing scheme using escrow accounts since July 1, 2019. Provided that **30%** ready projects with the number of concluded co-investment construction agreements (CCA) over **10%** will be completed according to the old scheme (as per Regulation of the Government of the Russian Federation), INFOLine predicts that developers of about **15 mln sq.m** of housing will not be able to proceed to project financing for certain reasons.
- At the same time, the Government approved additional indulgence for systemically-important companies (companies with building permits for more than 4 mln sq.m of housing in 4 or more regions of the Russian Federation), as well as for companies participating in of **the Moscow Renovation Program, integrated urban development (IUD) and troubled property completion** projects.
- The volume of properties at the construction stage by the end of 2018 reached a record - about **133 mln sq.m**, but in 2019 the figure decreases: to **131 mln sq.m** in Q1 2019. Developers' activity in the groundbreaking of new residential buildings slowed down in 2019, especially for small and medium-sized business developers.

Housing Commissioning, Starting New Projects and Volume of Projects in Progress, mln sq.m



Source: INFOLine calculations, according to FSSS, UISIS, URoD

Exceptions Proposed by the Ministry of Construction in Transition to Project Financing Scheme of Housing Construction



Source: INFOLine, according to Regulation of the Government of the Russian Federation No. 48 dated April 22, 2019

* Systemic-important companies are companies having a package of building permits for over 4 mln sq.m of housing in 4 or more regions of the Russian Federation (tentatively, these are PIK, GK and LSR Group). The interdepartmental commission checks the compliance with these requirements and forms a final list...

4.5.6. MARKET RESEARCH OF LARGEST BUILDING AND FINISHING MATERIALS SUPPLIERS*

Content of the research

- Sales results of largest suppliers in 2016-2018 and forecast 2019
- Share of largest suppliers' sales through DIY&HH chains in 2016-2018 and forecast for 2019
- Promo sales and participation in joint marketing promotions in 2018 - **NEW!**
- Export in sales structure in 2018 and forecast for 2019 - **NEW!**
- Interaction with retail chains and cooperation success.

INFOLine research methodology

- Manufacturers of construction and finishing materials were sent a corresponding invitation and questionnaire with questions for participation in the survey.
- Participation in the survey was free.
- The questionnaire consisted of 8 sections and 21 close-ended questions.
- Questionnaires were collected by INFOLine specialists.
- The survey is conducted in Q1 2019.
- Information gathered was analyzed by INFOLine analysts, structured using graphs/charts and provided in the presentation.



Survey purpose is to assess the prospects for market development, effectiveness of interaction with retail chains and provide forecasts for leading suppliers' e-commerce work.

Annually the survey involves over 200 largest suppliers of building and finishing materials, most of which have annual sales of more than RUB 1 bn.



Complete research results are available in the survey "Russian DIY Market. Results of 2018. Trends for 2019. Forecast up to 2021"

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- In 2019 INFOline presents a series of industry studies, which, in addition to a detailed analysis of the development of the industry, include: ratings, descriptions of the largest M&A transactions, analysis of changes in state regulation, the dynamics of development of industries in the last 5 years, the forecast of development of industries up to 2020 and some necessary information for understanding of current situation and prospects.

- Studies are published in the format of a convenient electronic presentation: the optimal combination of key conclusions and abstracts, graphic materials (more than 1000 figures, diagrams, tables), as well as hyperlinks to the most important regulatory documents and websites of companies. Materials are available in English.

MARKET RESEARCH:

- Transport industry and logistics of Russia
- Fuel and energy complex of Russia
- Construction industry and construction materials market
- Retail and consumer market
- Food industry and agriculture

and other industries

- A single (by methodology and structure) set of 7 studies covers all key industries and markets of Russian economy. The reviews include a scenario forecast and development prospects for the following three years.

ABOUT THE AUTHOR



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28 KIM Avenue, St-Petersburg 199155

www.infoline.spb.ru | www.advis.ru | +78123226848 | +74957727640

mail@advis.ru | str@allinvest.ru

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