RUSSIAN CONSTRUCTION INDUSTRY
HOUSING, CIVIL, INFRASTRUCTURE CONSTRUCTION

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

- CONSTRUCTION INDUSTRY PERFORMANCE INDICATORS
- CONSTRUCTION INDUSTRY MILESTONES
- CONDITION OF CONSTRUCTION INDUSTRY SEGMENTS
- CONDITION OF BUILDING MATERIALS INDUSTRY
ABOUT ANALYTICAL AGENCY INFOLine

INFOLine has been researching the construction industry for more than 15 years.
There are more than 2000 regular clients in the construction industry.
NEW RESEARCH – “TOP-470 projects in the industrial construction 2019-2023”
INFOLine’s INFORMATION PRODUCTS IN CONSTRUCTION INDUSTRY

Daily monitoring - Thematic News service
TOP-470 projects in the industrial construction
Building materials market research
Research «Russian Construction Industry»

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.

Researches in other industries are available on the site www.economica2020.ru
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- Branch Ministries, Departments, Associations
- List of Sources
- List of Abbreviations
- Agreement on Information Use
- About the Author – INFOLine Information and Analytical Agency
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 dynamics of the key indicators
- The results of the construction industry in Russia
- Fixed investment
- Mortgage credit lending
- Lending to construction companies (in dynamics since 2011)

the FULL-version contents – 10 slides, 20 figures
PART I. CONSTRUCTION INDUSTRY PERFORMANCE INDICATORS
Results of 2018 and Trends for 2019. Development Prospects up to 2021

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).
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.

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).

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%.

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.

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":

the FULL-version contents – 17 slides

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)
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

<table>
<thead>
<tr>
<th>Deal participants</th>
<th>Asset</th>
<th>Value, RUB bn</th>
<th>Closing date</th>
<th>Deal format and description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>YIT Corporation</strong></td>
<td>Lemminkäinen Corporation</td>
<td>Merger of YIT and Lemminkäinen</td>
<td>3.6146 new shares of YIT for each share of Lemminkäinen</td>
<td>February 2018</td>
</tr>
<tr>
<td><strong>FCC &quot;Lider&quot;</strong></td>
<td>LSR Group</td>
<td>100% of authorized capital of LSR. Stroitelstvo-M</td>
<td>N/A</td>
<td>March 2018</td>
</tr>
<tr>
<td><strong>TOROS JSC</strong></td>
<td>LSR Group</td>
<td>100% of authorized capital of LSR. Zhelezobeton-Severo-Zapad</td>
<td>1.2*</td>
<td>March 2018</td>
</tr>
<tr>
<td>Pavel Tyo (Chairman of the Capital Group Board of Directors)</td>
<td>Esazione Capital Ltd. (Cyprus), former PIK, GK</td>
<td>50% of authorized capital of MFS-PIK LLC</td>
<td>0.13</td>
<td>March 2018</td>
</tr>
<tr>
<td>Stroyprojectholding LLC</td>
<td>Non-state Pension Fund &quot;Blagosostoyanie&quot;</td>
<td>100% of shares TFK-Finance JSC</td>
<td>39</td>
<td>April 2018</td>
</tr>
</tbody>
</table>

* 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

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

- Housing Construction
- Shopping Centers
- Agriculture Sector
- Fuel and Energy Complex (Oil Industry, Gas Industry, Electric Power Industry)
- Transport Industry (Road Infrastructure, Railway Infrastructure, Ports and Terminals)

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.

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.

Prepared by INFOLine in April 2019
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

Largest Investor in Shopping Center Construction Industry

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>PORTFOLIO OF IMPLEMENTED PROJECTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ingka Centres</td>
<td>RUB 153.5 bn</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXECUTIVE DIRECTOR</th>
<th>Milen Genchev, General Director of Ingka Centres</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction:</td>
<td>SEC Mega Mytishchi, Moscow Region (RUB 30 bn)</td>
</tr>
<tr>
<td></td>
<td>SEC Mega Novoselye, Leningrad Region (RUB 23 bn)</td>
</tr>
<tr>
<td></td>
<td>SEC Mega, Voronezh (RUB 18 bn)</td>
</tr>
<tr>
<td></td>
<td>SEC Mega, Perm (RUB 15 bn)</td>
</tr>
<tr>
<td></td>
<td>SEC Mega, Chelyabinsk (RUB 15 bn)</td>
</tr>
<tr>
<td></td>
<td>SEC Mega, Krasnoyarsk (RUB 9 bn)</td>
</tr>
<tr>
<td>Reconstruction:</td>
<td>SEC Mega Teply Stan in Moscow, SEC Mega Adygeya Kuban</td>
</tr>
<tr>
<td></td>
<td>SEC Mega in Yekaterinburg with a total finance volume of RUB 44 bn.</td>
</tr>
</tbody>
</table>

Source: INFOLine Developer Russia TOP
PART III. INVESTMENT ACTIVITY IN CONSTRUCTION INDUSTRY
3.3. Shopping Centers / Results of 2018 and Trends for 2019. Development Prospects up to 2021

3.3. SHOPPING CENTERS: MAJOR PROJECTS IN PROGRESS

<table>
<thead>
<tr>
<th>Participants</th>
<th>Projects</th>
<th>Project start</th>
<th>Project finish</th>
<th>Investment, RUB bn</th>
<th>Project description</th>
</tr>
</thead>
<tbody>
<tr>
<td>РЕГИОНЫ GKV Regions, GK</td>
<td>MFC Dream Island</td>
<td>Q3 2015</td>
<td>Q4 2019</td>
<td>***</td>
<td>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.</td>
</tr>
<tr>
<td>TASHIR GKV Tashir, GK</td>
<td>SEC Rio in Mytishchi</td>
<td>Q3 2014</td>
<td>Q4 2019</td>
<td>***</td>
<td>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.</td>
</tr>
<tr>
<td>UMMC LLC Gamma Invest Group LLC</td>
<td>SEC Veer Mall in Yekaterinburg</td>
<td>2015</td>
<td>Q4 2020</td>
<td>***</td>
<td>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 Beregovsky. 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.</td>
</tr>
<tr>
<td>Gamma Invest Group LLC</td>
<td>SEC Baltiya Mall in Kaliningrad</td>
<td>Q3 2013</td>
<td>2020</td>
<td>***</td>
<td>SEC Baltiya 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.</td>
</tr>
<tr>
<td>MALLTECH МАЛЛОТЭЧ</td>
<td>SEC Planeta in Perm</td>
<td>Q3 2015</td>
<td>2021</td>
<td>***</td>
<td>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.</td>
</tr>
<tr>
<td>MALLTECH МАЛЛОТЭЧ</td>
<td>SEC Aviatika In Kazan</td>
<td>Q2 2017</td>
<td>2021</td>
<td>***</td>
<td>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.</td>
</tr>
</tbody>
</table>

* According to INFOLine estimates

Prepared by INFOLine in April 2019
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":

- Housing
- Industrial construction
- Commercial construction
- Infrastructure construction
- Building Materials (in dynamics since 2011)

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).

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

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

- **July 1, 2019 transition to project financing of housing construction**
- **CCAs concluded for 10% or more of the total property area**
- **Property readiness is 30% or more**
- **Part of renovation, IUD, soc. Infrastr. development**
- **Property readiness is 6% or more**
- **Developer is a systemic-important company (completes IUD or projects)**

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**Completion according to 214-FZ**

- **Completion according to the project financing scheme**

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* 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"
LIST OF SOURCES

- FSSS. Socio-Economic Situation in the Russian Federation in 2018 // February 07, 2019 (Report)
- National Research University Higher School of Economics. Business Climate in Construction Sector in Q4 2018 // February, 2019 (bulletin)
- External Trade Database of the UN: [electronic resource] // URL: http://comtrade.un.org/ (date of access: February 06, 2019)
- INFOLine. Russian Cement Industry // April 26, 2013 with partial update in January 2019 (research)
- INFOLine. Investment Projects in Industrial Construction of the Russian Federation // December 2018 (periodic review)
- INFOLine. Investment Projects in Civil Construction Industry of the Russian Federation // December 2018
- INFOLine. Transport Infrastructure Investment Projects in the Russian Federation // December 2018 (periodic review)
- INFOLine. Investment Projects in FEC and Engineering Infrastructure of the Russian Federation // December 2018 (periodic review)
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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

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.

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INFOLine Agency is your information department working for the benefit and development of your business. Our services will be available to all employees of your company. INFOLine Agency is an independent company and since 2001 it has been working in the research market of Russia. Surveys and reviews of investment processes in various economic sectors performed by the Agency experts in 2001-2017 are highly appreciated by numerous clients and partners and are used effectively in their work.

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Thank you!