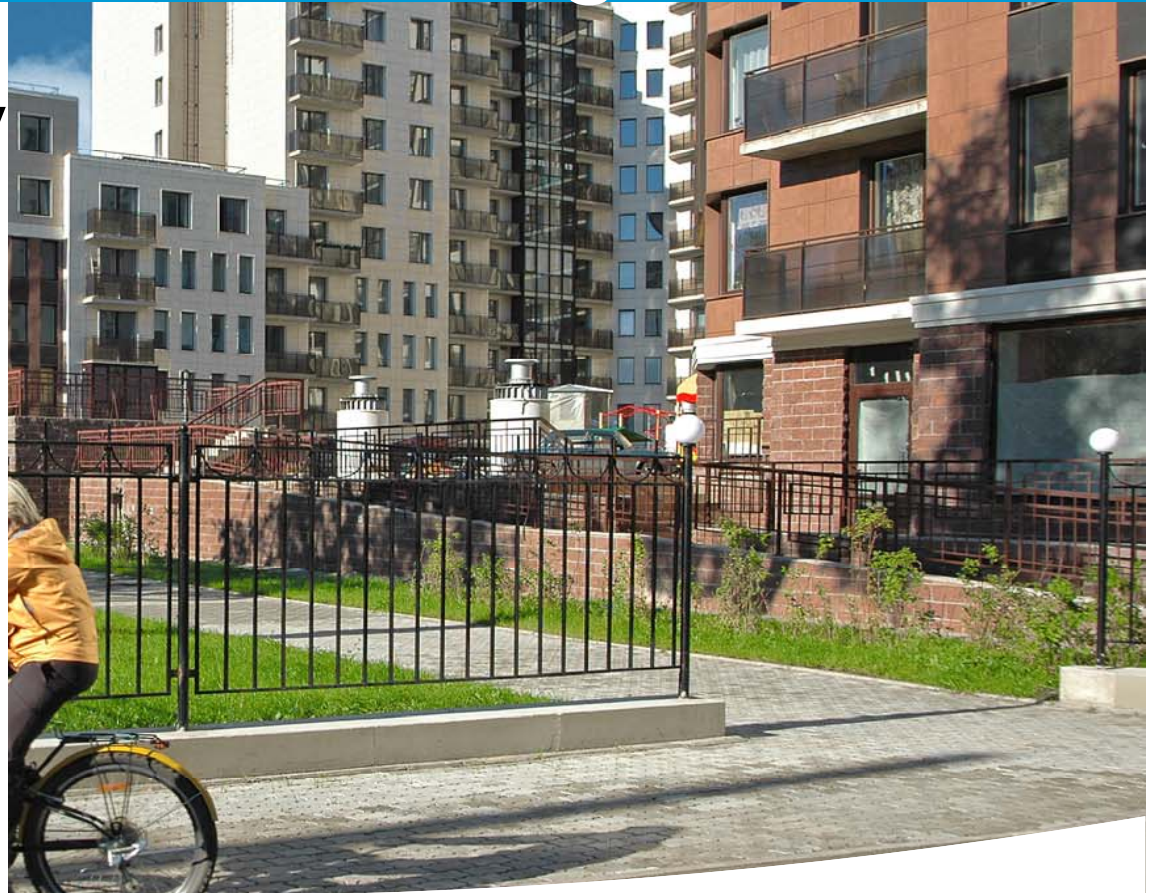


# Construction Services in St. Petersburg

Mikhail Voziyanov  
General Director  
YIT Lentek,  
St. Petersburg

YIT Capital Markets Day  
Helsinki  
September 24, 2009




# Contents

- YIT Lentek
- Market environment and trends
- Focus areas
- References



# YIT Lentek



YIT Lentek constructs housing and business premises in St. Petersburg. Established in 1988 as a joint venture, YIT Lentek has been a subsidiary of YIT since 1997.

## Residential construction

- Apartments and detached houses
- Own development projects
- Brand name YIT DOM

## Business premises construction

- Office, retail and logistics premises, industrial buildings
- First own development projects completed



# YIT Lentek in residential construction

## Market position

- Major foreign player in residential development
- Among biggest developers in the city
- Market share in St. Petersburg:  
~8% of sold new apartments

## Current activity

- 1,400 employees in St. Petersburg
- 7 residential complex projects under construction
- Apartments currently on sale in 14 houses



# Typical residential building

## Existing projects

- ~300-800 apartments
- ~16 floors
- Construction time approx 2.5-3.5 years

## Action program

- ~150-300 apartments
- ~16 floors
- Construction time approx 1.5-2.0 years

Target group: upper middle class

## Level of finishing:

- Normally semi-finished
- Possible to buy finished apartments from YIT



# Market environment and trends



# Market environment and trends in St. Petersburg



- In the long term, huge need for apartments
  - Need for more quality housing
  - Low living space per capita
- Sales volumes down to 1/3
- Decreased supply of apartments
  - Many projects suspended due to uncertainty in the market
- Housing price decrease has continued during 2009

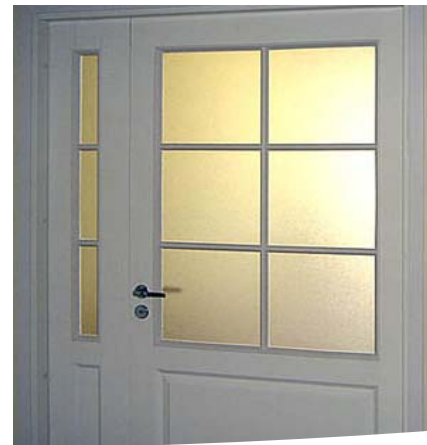
- Unemployment weakens housing demand
- Industrial confidence
  - Cautious views on business prospects
- Decrease in mortgage market
  - Early recovery
- Legislation
  - Strict and volatile



# Housing market features

## Housing market features

- Normal sellable product in markets is shell and core excluding finishing
- Existing houses often in poor condition
- Renovation of existing houses is complicated and expensive
- Quality of new housing varies
  - Guarantees
  - Schedules
- Delays in construction completion are common

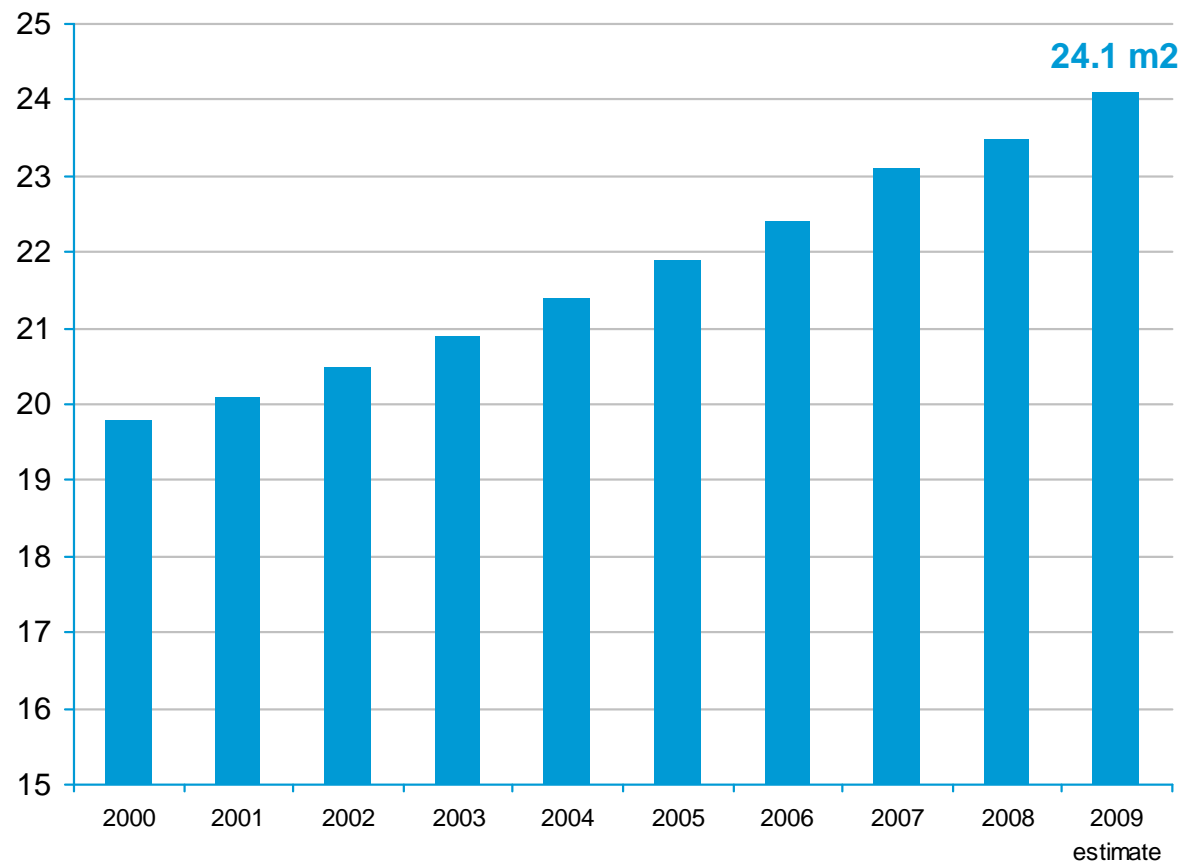




# Living space growing slowly but steadily - still at low level

m<sup>2</sup> per person

Living space per person in St. Petersburg



Source: Petrostat

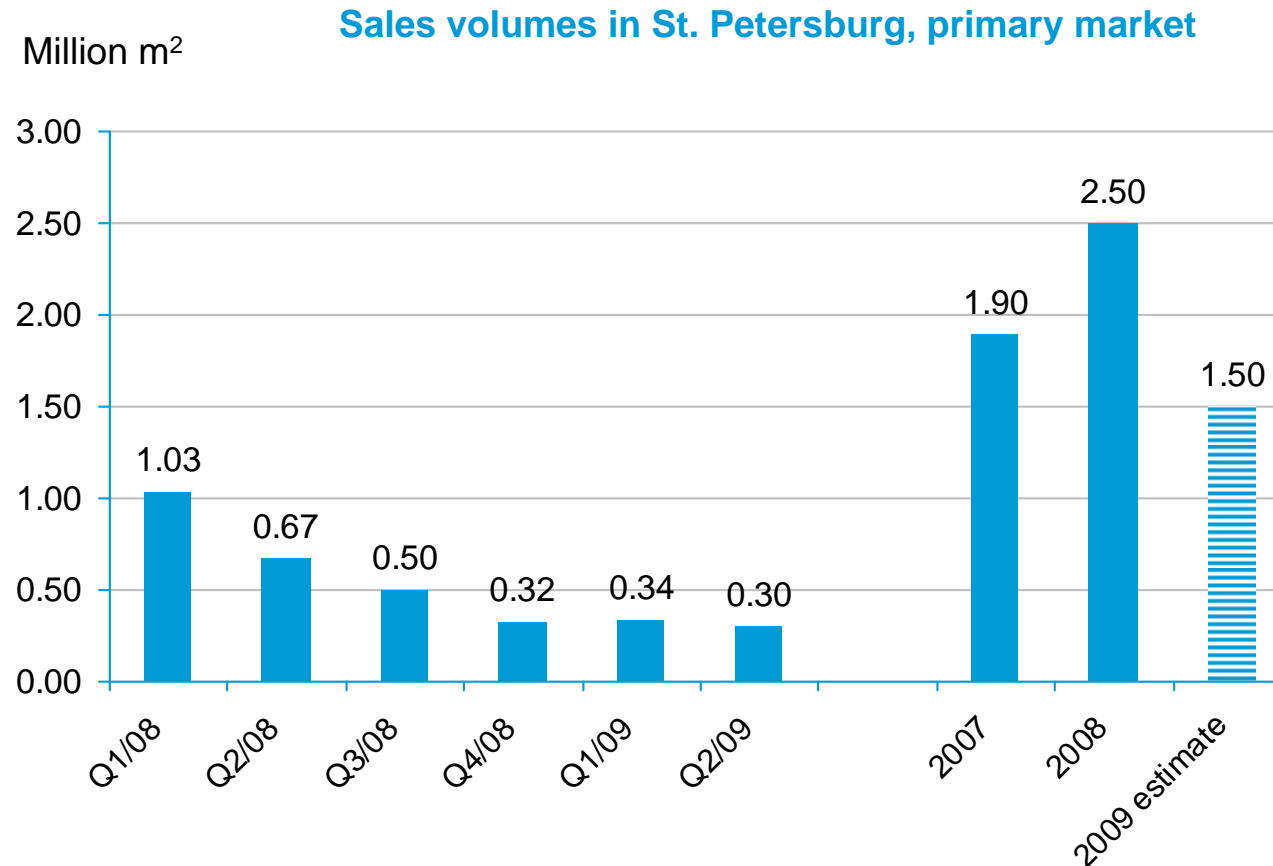
## Comparison:

21 m<sup>2</sup> in Russia (average)  
38 m<sup>2</sup> in Finland

Together we can do it.



# Sales volumes down to one third



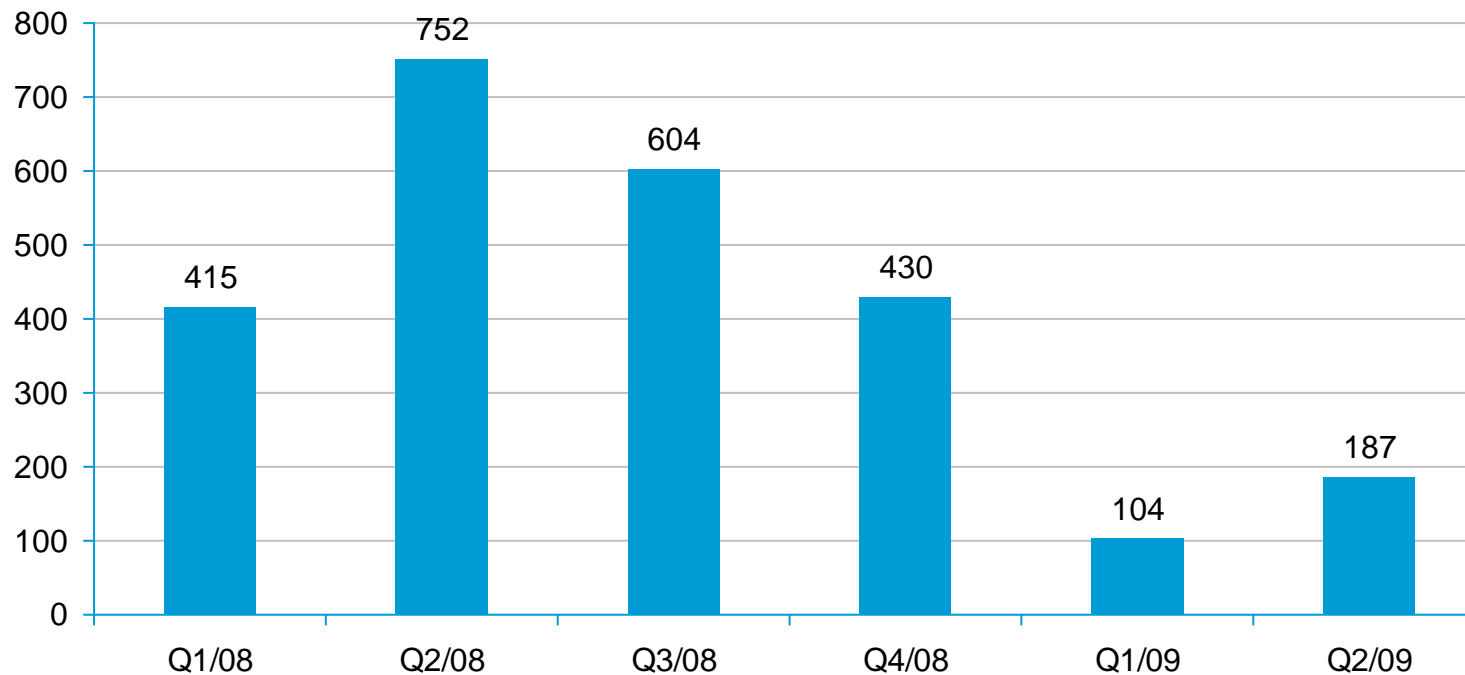
Source: Petersburg's Estate

Together we can do it. **YIT**

# Start-ups decreased by 75% in one year

thousand m2

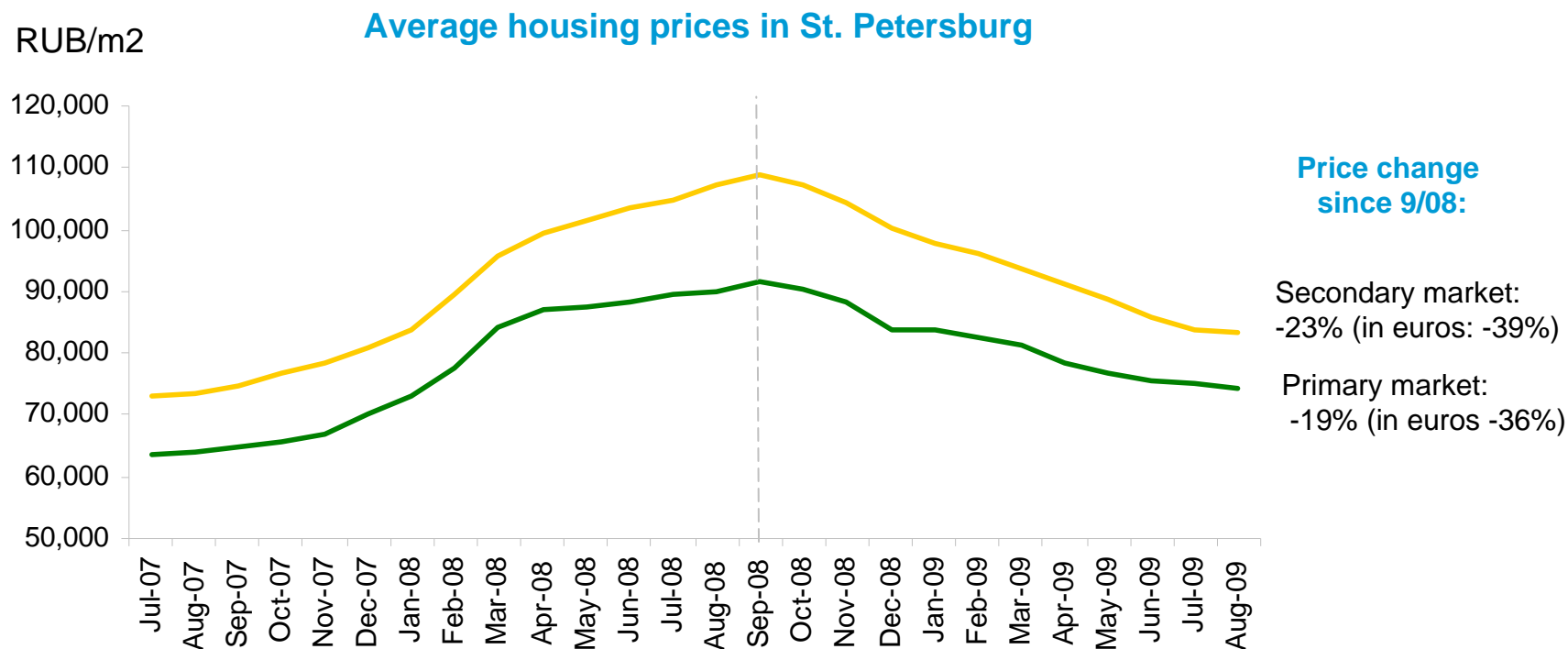
Launching of new housing objects in St. Petersburg



Source: Petersburg's Estate

Together we can do it. **YIT**

# Housing price decrease has slowed down



**Price index  
in the primary market, %**

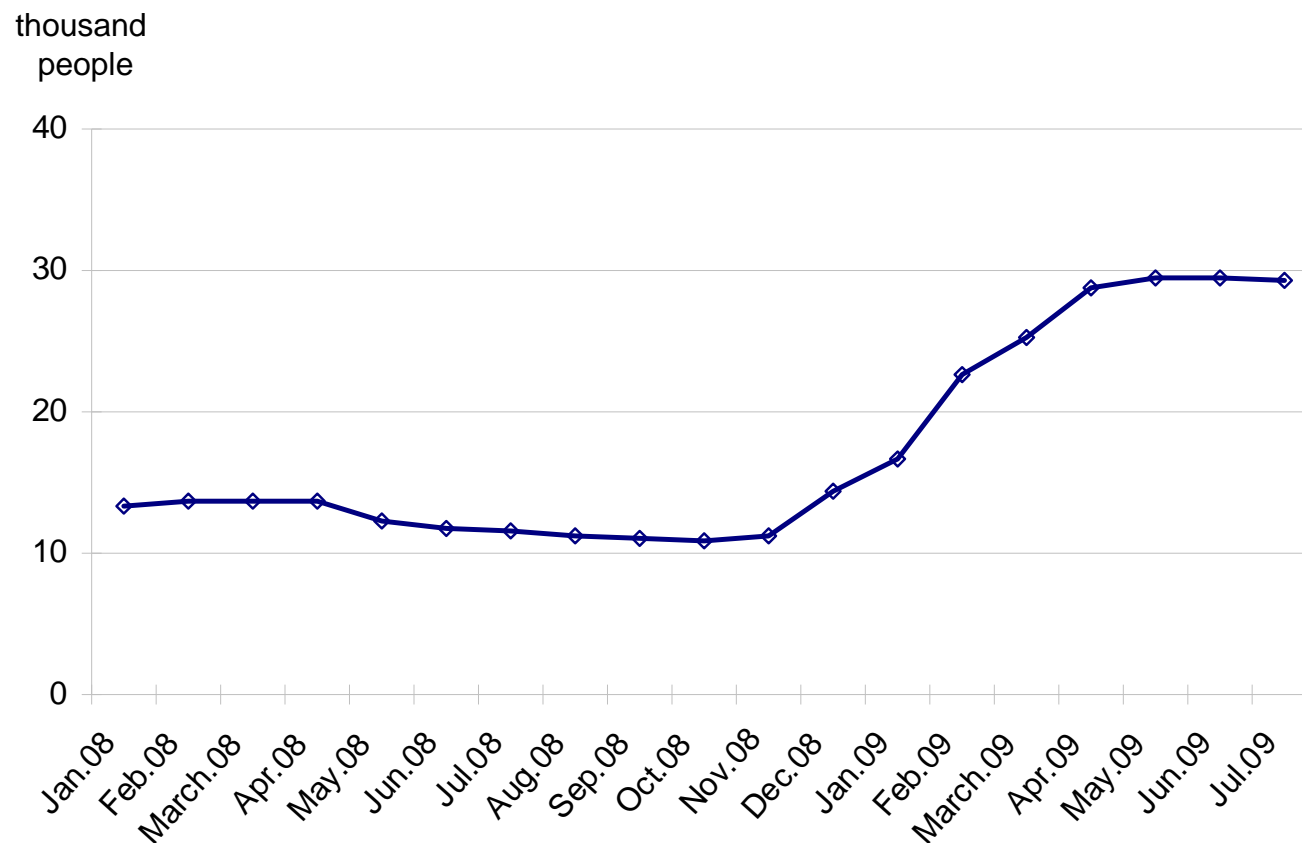
Q4/08:	Q1/09:	Q2/09:
-9%	-3%	-7%

Source: Construction Bulletin

Together we can do it. **YIT**



# The number of unemployed has doubled

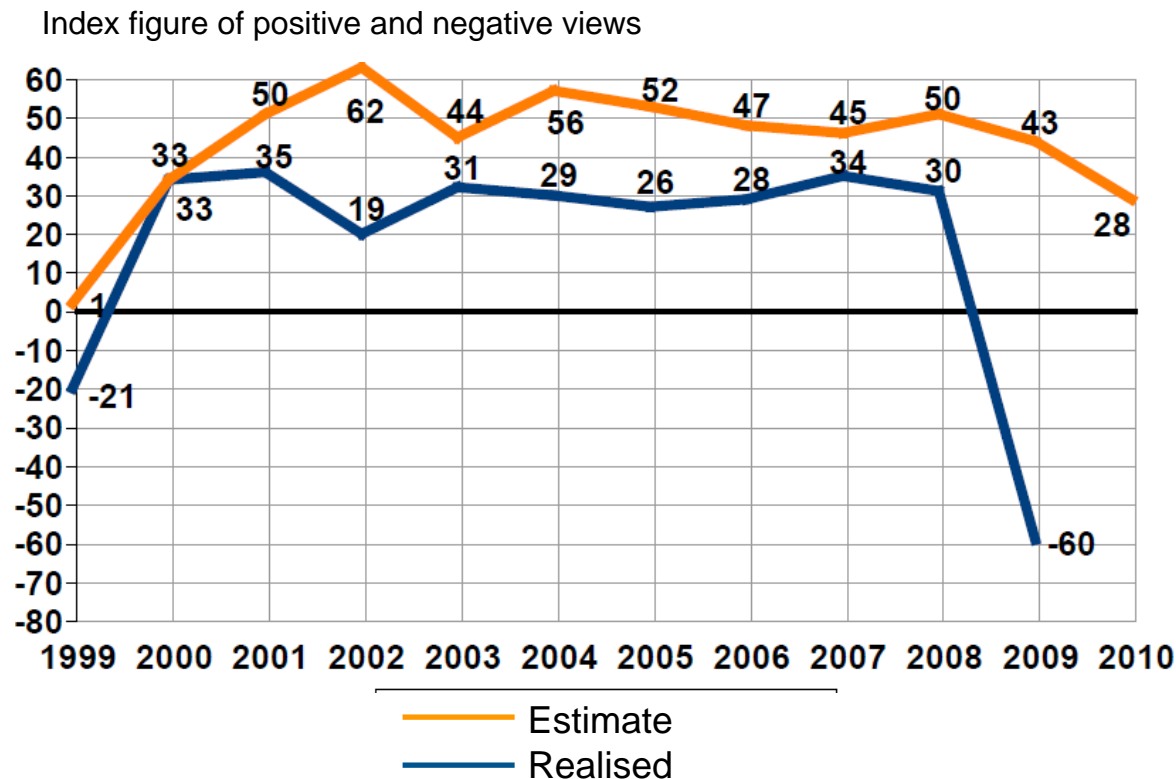


Source: Petrostat

Together we can do it. **YIT**

# Industrial confidence: Cautious views

## Russian business executives views on business prospects



- In St. Petersburg, business executives considered business prospects to have fallen 90 points in 2009 (Moscow: -77, other North-West Russia: -75).

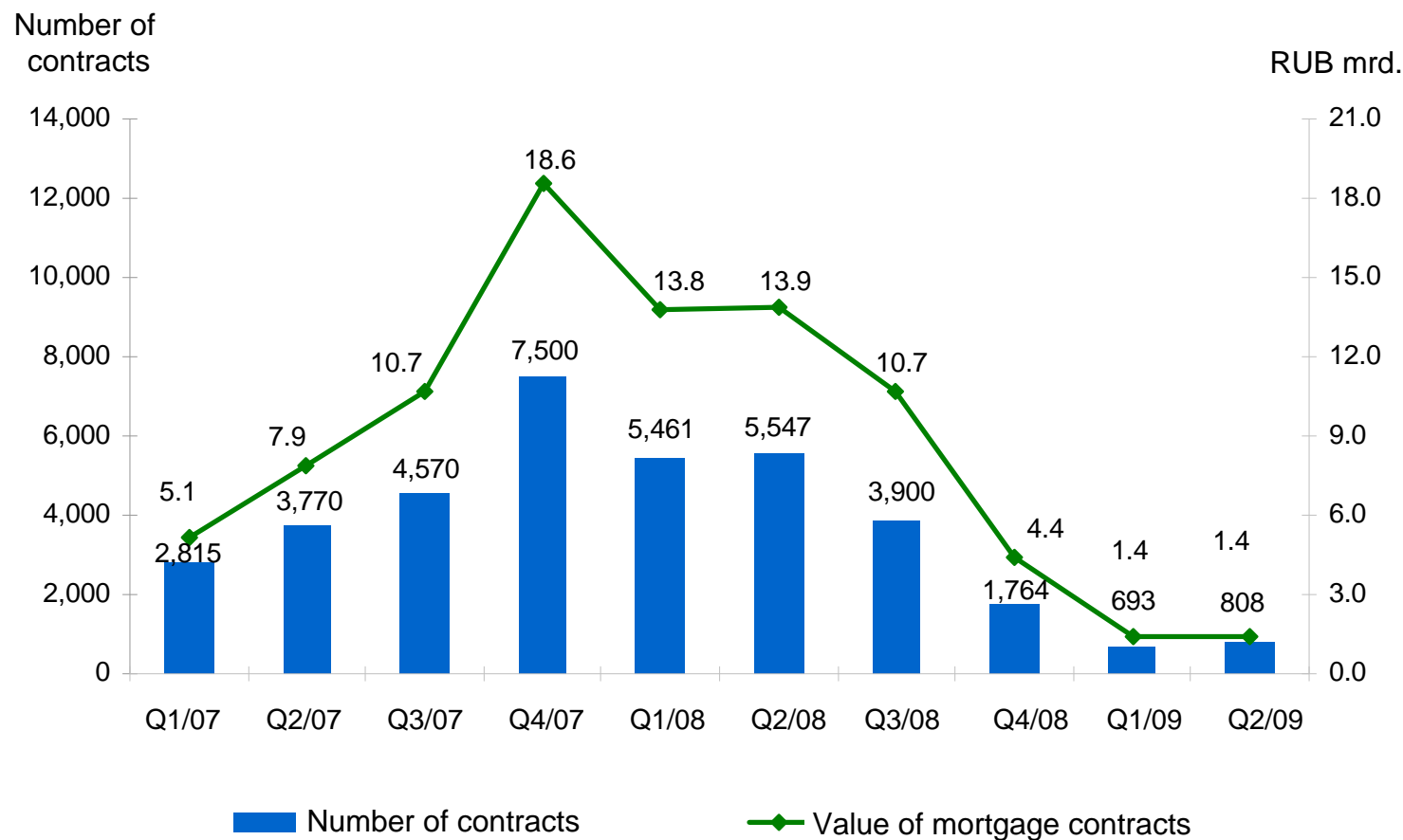
- Executives estimate the outlook for 2010 to be weaker than in 2009, but to be clearly positive.

### Estimate for 2010 (index):

- St. Petersburg: 28
- Moscow: 29
- Other North-West Russia: 26

Source: North-West Russia Business barometer, 8.9.2009. Central Chamber of Commerce in Helsinki.  
1,204 Russian executives representing various industries were interviewed.

# Decrease in mortgage market



Source: Saint-Petersburg mortgage agency

Together we can do it. **YIT**

# Strict and volatile regulation

- General city plan
- Rules of building up and land tenure
- Law for cultural heritage preservation
  - regulates the central part of the city development
- Technical regulations for buildings and sanitary code preservation
- Federal 214 -law regulates client-developer relationships in housing construction





# Focus areas



# Focus areas in St. Petersburg

**Strengthen sales**

**Reduce costs**

**Better capital  
efficiency**

**Prepare ourselves  
for controlled growth**



# Actions to improve sales

- Re-organising sales
  - Stronger support to broker sales
  - Co-operation with banks to increase amount of mortgages
- Advertising campaigns
  - Promoting reliability and supply portfolio
  - Message strong and easy to understand
  - Many channels including local TV
- Pricing
  - Accurate and continuous market and competitor analysis
- Strengthening offering
  - Level of finishing - full finishing as an alternative
  - All apartments in sale (short reservation periods)



# Co-operation with Sberbank



- Co-operation agreement signed in August 2009
  - Joint promotion program and co-operation started in September 2009
- Allows our clients to get mortgages for all apartments in our portfolio
  - Apartments both in completed buildings and buildings under construction
- Interest rate starting from 12.5%
- Expectation is that amount of sold apartment with mortgages shall increase
- Extension of co-operation to other cities in Russia on-going



# References



Together we can do it. **YIT**

# Reference

## Komendantsky kvartal

To be completed 07/2010



- Primorsky district, St. Petersburg North



- Eight 16-25-storeyed buildings

- Built-in premises for commercial purposes

- Complete apartments are sold with preparation for final finishing

## Reference

# Atmosphere residential buildings

- Primorsky district, St. Petersburg North
- Five residential buildings, out of which three buildings commissioned, two to be commissioned in 12/2009
- Level of finishing varies Some buildings with preparation for final finishing, others with complete final finishing
- Some buildings with sea view





# Atmosphere Buildings Beta, Gamma and Delta

Completed



Together we can do it. **YIT**



# Atmosphere, buildings Alfa and Epsilon

To be completed 12/2009



Together we can do it. **YIT**

# Toreza

## Completed

- Vyborgsky district, near the forest park Sosnovka, St. Petersburg North
- Commissioned
- With final finishing





# Reference

# Lotus

To be completed 6/2010



- Vyborgsky district  
St. Petersburg,  
North
- Two different  
levels of finishing
- 16-25-storeyed building
- View to the Suzdalskie lakes



# Optimist

**To be completed 6/2010**

- Krasnoselsky district, St. Petersburg South
- 12-14-18-storeyed sections
- With the view to the Gulf
- With preparation for final finishing or with complete final finishing



# Oriental

**To be completed 9/2010**

- Petrogradsky district, St. Petersburg center
- 4 -11-storeyed buildings

