



2016
PRIME RESIDENTIAL
REAL ESTATE
MARKET
Moscow

HIGHLIGHTS

- ♦ **High activity of developers.** 15 complexes were put on the market since the beginning of 2016, 4 of them were reserved for private sale. Thus, the number of flats and apartments for sale rose by 19% within 2016 despite the high pace of sales over the past year.
- ♦ **Rising number of projects with fit-out.** There had only been 4 properties with fit-out on the primary market at the end of 2015, while there were already 10 complexes with fitted out flats and apartments in December 2016.
- ♦ **Increasing demand.** The primary market evidenced 12% more transactions in 2016 than a year earlier.
- ♦ **The shift of interest to smaller lots with more ergonomic layouts.** The average size of flats and apartments sold in 2016 shrank by 10% to be equal to 125 sq m.
- ♦ **Forecast.** We expect that the high pace of launch campaigns of new facilities will be maintained in 2017. If so, about 20 new projects can be introduced in the prime segment. The geography of new projects is diverse: the add-on is expected in historically prime districts such as Ostozhenka-Prechistenka, Patriarshiye Prudy, Khamovniki. Furthermore, new projects will approach the market in less traditional districts of prime development – Zamoskvorech'e, Ramenki. The average price of the supply may most likely show a negative trend, but only due to changes in the supply structure – the entry of less expensive supply at the initial construction stage to the market.

Supply

2,150 flats and apartments were listed for sale at the primary market as of the beginning of 2017, which is 19% higher than a year earlier. The total area of supply was equal to 278.8 thousand sq m as of the start of 2017, the supply volume was 11% up over the past year.

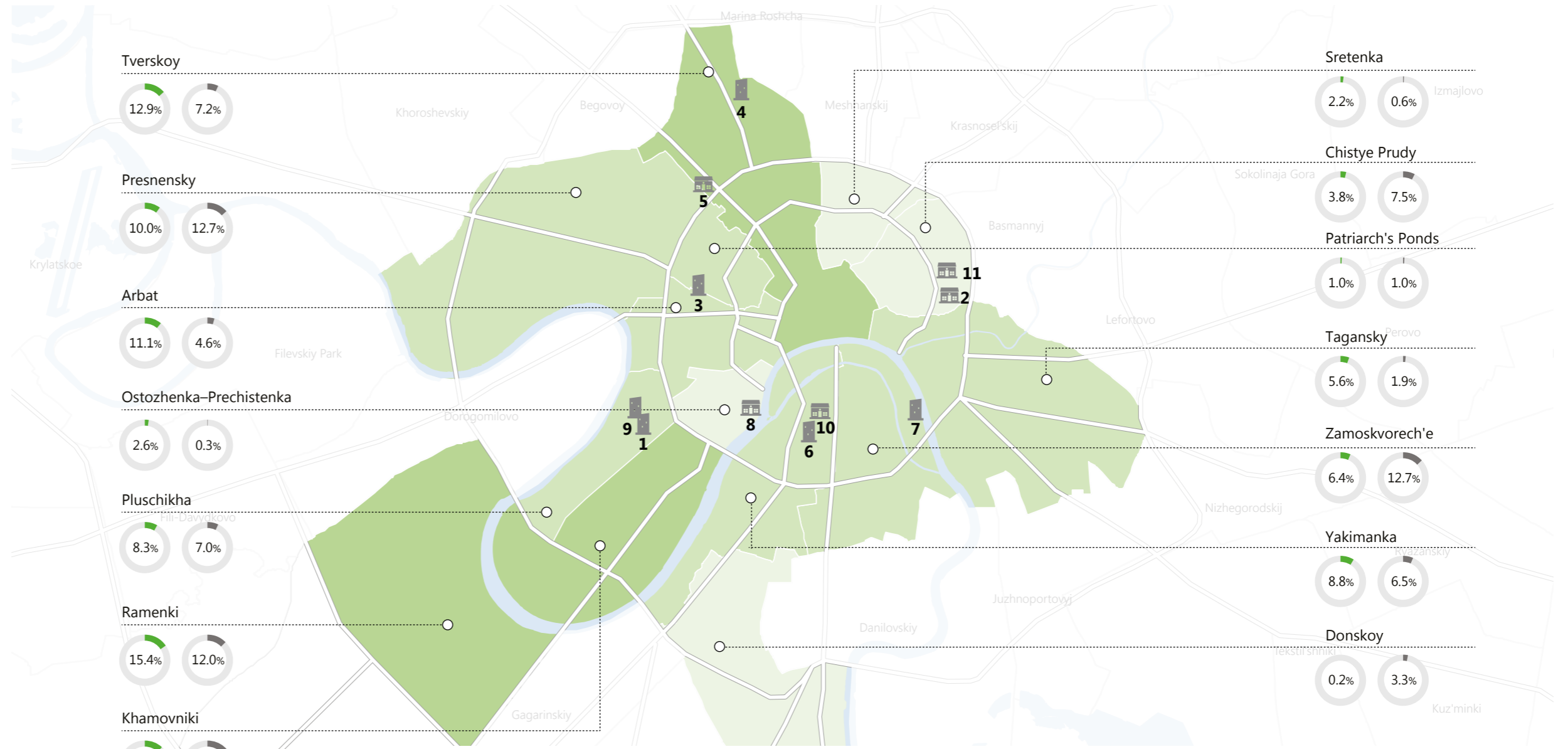
The supply growth was primarily caused by the high activity of developers: official sales were opened in 11 residential complexes for 2016, in fact, private sales were started in other 4 projects. The remarkable thing was that 6 of 11 new facilities consisted of flats. New apartment complexes were mainly represented by club format properties (up to 50 lots), the exception was Tverskaya Residence, where there were 170 apartments. 3 projects out of 6 in the segment of flats were represented by houses with few flats (50–100 lots) or large facilities (more than 100 lots).

The number of flats for sale increased by one third – from 940 to 1,250 lots, while the number of apartments remained at the same level.

40% of the total supply were focused in 3 districts:

- Ramenki (15.4%);
- Tverskoy district (12.9%);
- Khamovniki (11.7%).

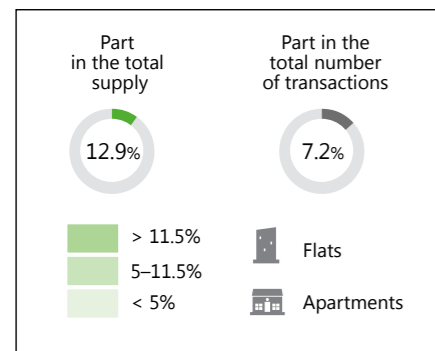
The Top-3 leaders rating underwent certain changes during the year. Arbat district left the Top-3 and stepped down from the second to fourth position in the ranking due to changes in the supply structure: part of the supply of Stars of Arbat complex was withdrawn from the market in order to make fit-out and further let out on long-term lease.



Properties entered the market in 2016

	Title	Location (district)	Format	Number of lots	Start of sales	Announced commissioning date
1	Bunin	37, Pluschikha St (Pluschikha)	flats	29	March	Q4 2017
2	Residentsiya na Pokrovsky boulevard	5, Pokrovsky Blvd (Chistye Prudy)	apartments	45	April	Q3 2018
3	Tverskaya Residence	6, 2nd Brestskaya St (Tverskoy)	apartments	114	July	Q4 2016
4	RENOME	24, Novoslobodskaya St (Tverskoy)	flats	152	July	Q1 2019
5	Khlebny Dom	19, Khlebny Lane (Arbat)	flats	14	August	Q4 2017
6	Malaya Ordynka 19	19, Malaya Ordynka St (Zamoskvorech'e)	flats	67	September	Q2 2019
7	Clubhouse at Kosmodamianskaya	38, bld. 3, Kosmodamianskaya Emb. (Zamoskvorech'e)	flats	22	September	Q4 2016
8	Nabokov	10/1, Kursovoy lane (Ostozhenka-Prechistenka)	apartments	15	October	Q1 2017
9	Zhizn' na Pluschikhe	2/3, Pogodinskaya St (Pluschikha)	flats	202	November	Q4 2019
10	Cloud Nine	9, Bolshaya Polyanka St (Yakimanka)	apartments	45	December	Q4 2018
11	il Ricco	11, Podsosensky lane (Chistye Prudy)	apartments	11	December	Q4 2017

Source: Knight Frank Research, 2017

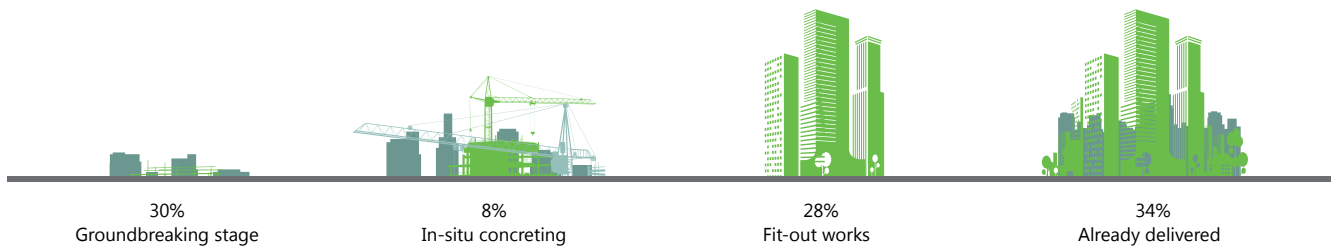


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Primary market supply structure

	Up to 50 mln rub.	50–100 mln rub.	100–150 mln rub.	150–200 mln rub.	200–250 mln rub.	250–300 mln rub.	More than 300 mln rub.
Up to 100 sq m	22.1%	8.3%	0.7%	0.0%	0.0%	0.0%	0.0%
100–149 sq m	6.0%	21.3%	10.0%	2.8%	0.8%	0.1%	0.0%
150–199 sq m	0.1%	4.5%	7.3%	3.7%	1.0%	0.7%	0.1%
200–249 sq m	0.0%	0.3%	1.3%	2.7%	0.8%	1.2%	0.8%
More than 250 sq m	0.0%	0.0%	0.1%	0.4%	0.3%	0.6%	2.0%

Primary market supply in different construction stages



The leader was changed also: the high pace of sales in Khamovniki district led to a reduction in the supply volume despite the fact that the new phase of Sadovye Kvartaly was launched in 2016, where there were 86 flats in buildings 2.1–2.4. Thus, the largest share of the primary market supply was located in Khamovniki (17%) in December 2015, but now the district only closes the Top-3 by the supply volume with its share of 11%.

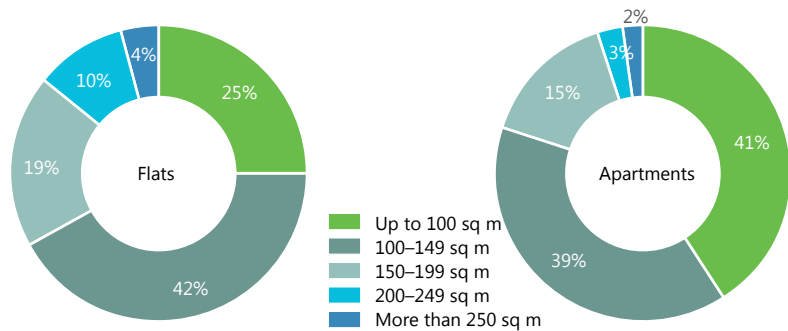
The bulk of the supply (58%) consisted of lots with an area up to 150 sq m in the budget of 100 million rubles as of early 2017.

The supply of facilities in the groundbreaking stage increased from 11% in December 2015 to 30% in 2016, which was primarily due to an active entry of new projects in zero cycle to the market, such as Malaya Ordynka, 19, Residence at Pokrovsky Boulevard, Life on Plyushchikha and so on.

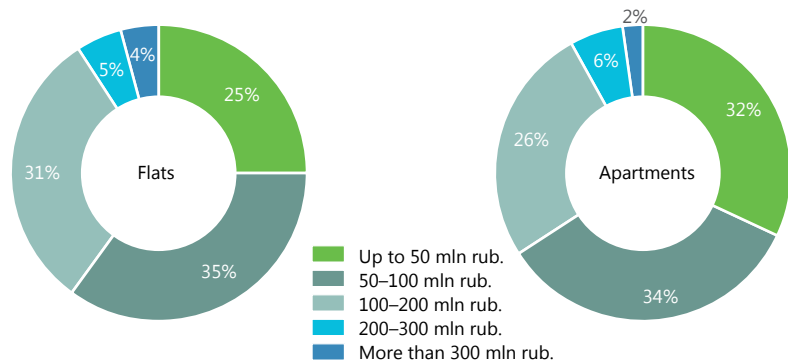
The following complexes were delivered in 2016:

- ♦ Sovetnik;
- ♦ MONE Residence;
- ♦ Pekin Gardens;
- ♦ Rassvet (1st phase)
- ♦ Wine House;
- ♦ Clubhouse at Kosmodamianskaya.

Supply of primary flats and apartments of high-budget segment based on their area

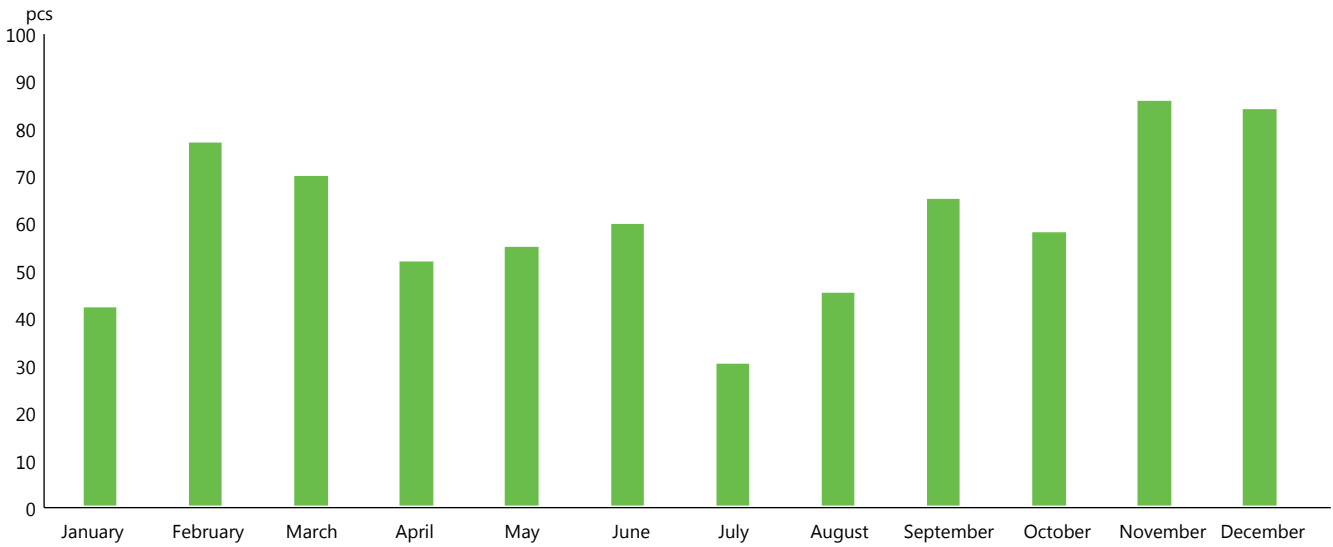


Supply of primary flats and apartments of high-budget segment based on their price

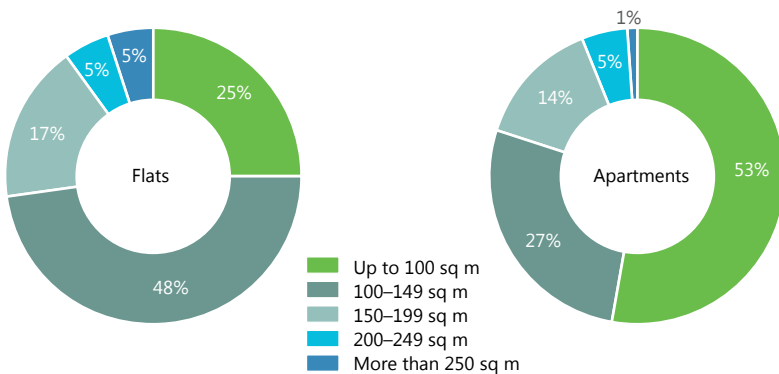


Source: Knight Frank Research, 2017

2016 dynamics of number of transactions



2016 transactions with flats and apartments of the primary market based on their area

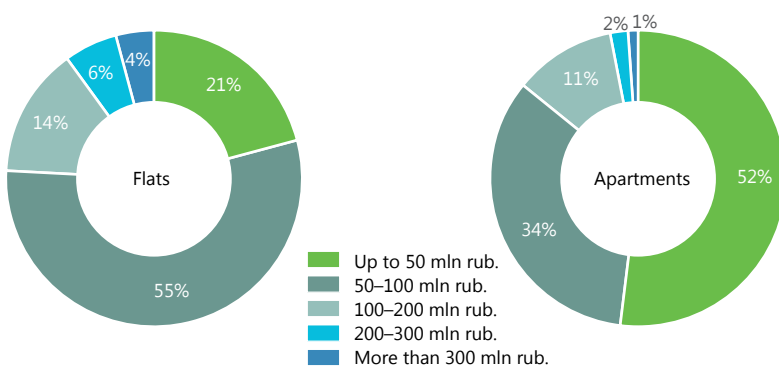


Demand

The primary market witnessed 724 transactions with flats and apartments by the end of the year, which was 12% up against 2015. The total area of all sold lots reached over 90 thousand sq m during January-December 2016.

The average budget of a transaction was 17% down year-on-year and amounted to 87 million rubles by the end of 2016. Buyers leaned toward more compact lots with ergonomic planning solutions in 2016. Thus, the average area of flats and apartments sold fell from 138 sq m in 2015 to 125 sq m in January-December 2016.

2016 transactions with flats and apartments of the primary market based on their price



The average budget of transactions with flats was fixed at the level of 100 million rubles by the end of 2016 and at 67 million rubles in the segment of apartments. The average budget in the segments of flats and apartments declined by 23% and 6%, respectively, compared to 2015.

Source: Knight Frank Research, 2017

Commercial terms

9% drop of the average sale price of the primary market was registered against last year's figure and was fixed at 785 thousand rub./sq m by the end of 2016. Interestingly, the key drop of this mid-market figure was recorded at the beginning of the year. One of the reasons of such downward trend was the adjustment of prices in Knightsbridge Private park where dollar prices were cut by 30–40% in February 2016. The next reason was the new supply in Vorob'ev Dom Residential Complex in February–March last year.

This figure was relatively stable within April–October, there was even an increase of a few percent in some months. The mid-market index did not show considerable fall despite the entry of new supply, as the prices for complexes in the active stages of implementation were marked up by developers due to changes in the stage of construction readiness and performance of sales target.

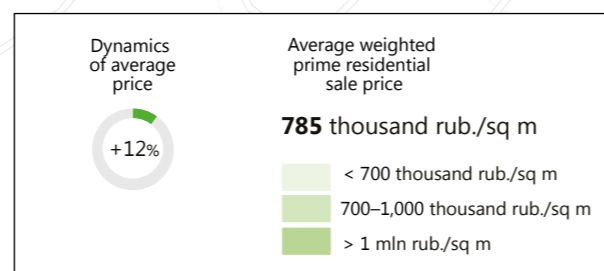
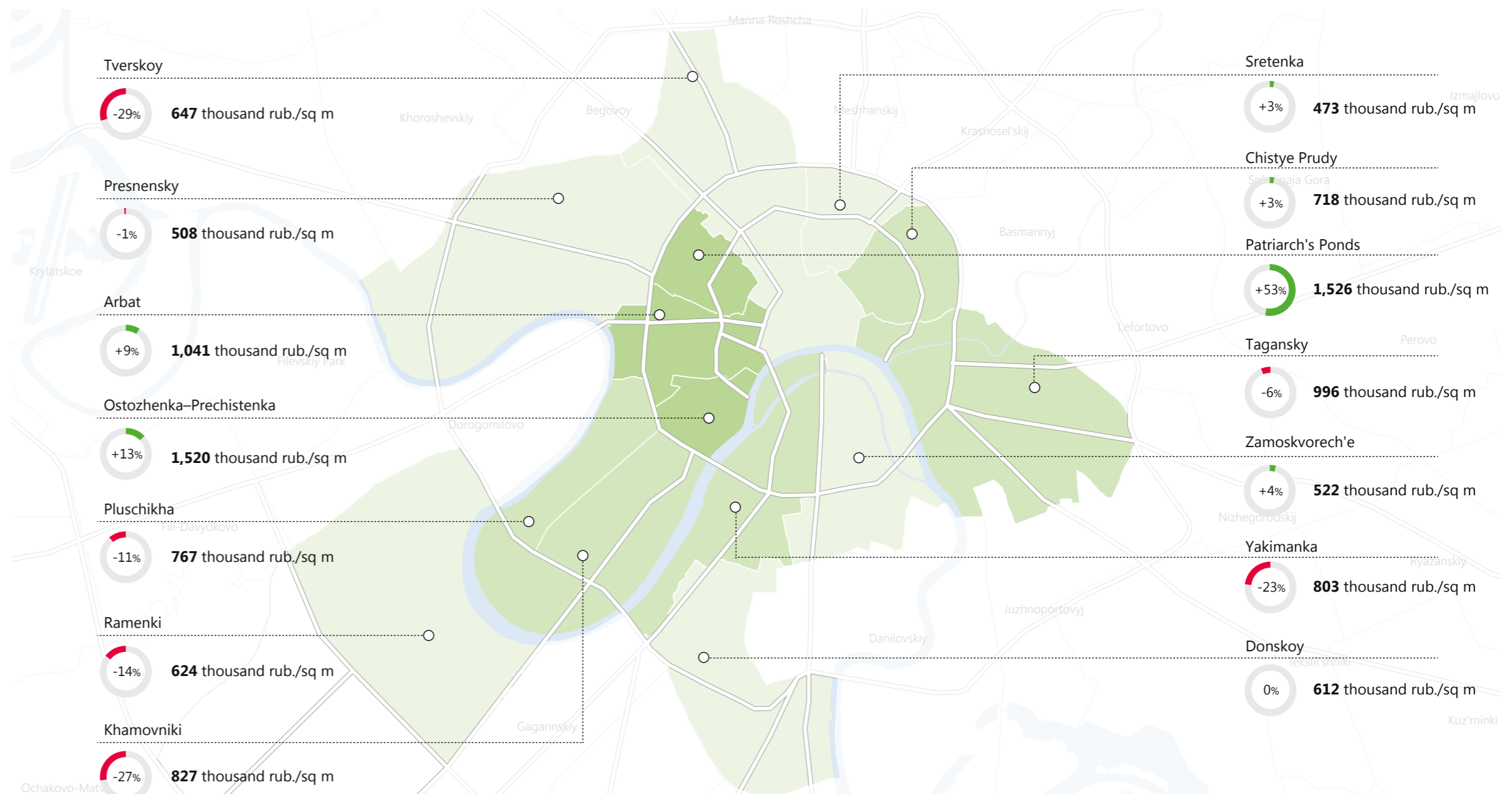
Top-3 districts with the highest average price of the supply:

- Patriarshiye Prudy;
- Ostozhenka-Prechistenka;
- Arbat.

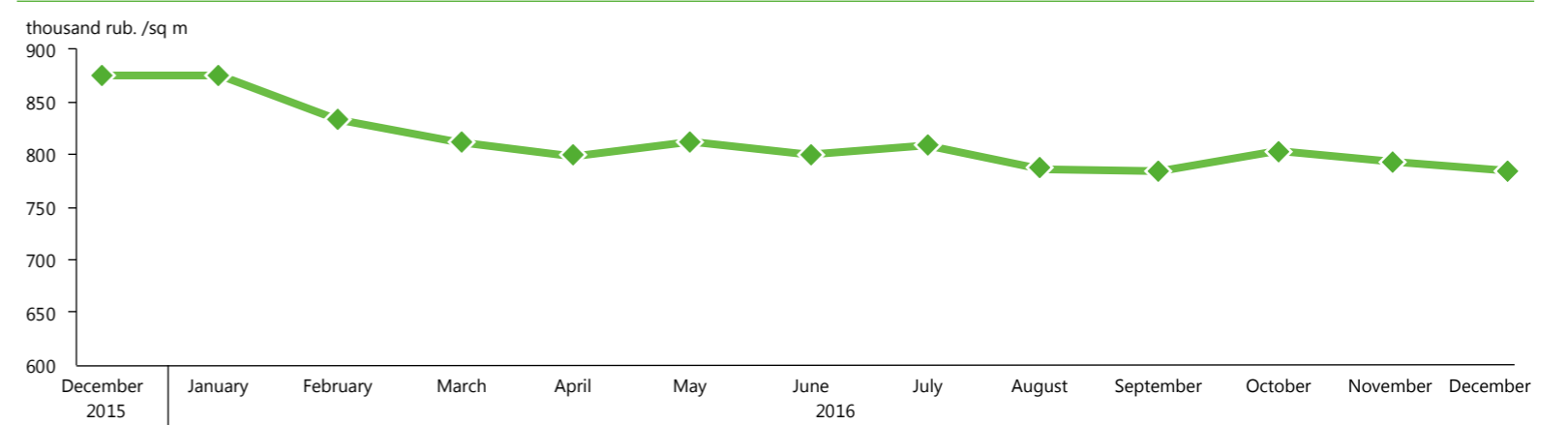
The list of leaders got changed in some way for the year. Khamovniki was withdrawn from the list of the most expensive districts due to the price cutting in Knightsbridge Private Park, as well as due to the entry of new supply in Sadovye Kvartaly residential complex.

Tverskoy district witnessed the largest decline in 2016, where the price of the supply shrank by 29% and was fixed at 647 thousand rub./sq m. The negative dynamics of the average price in this district was related to the launch of new projects. Thus, the start of sales in Tverskaya Residence and RENOME – new major complexes – was announced in Tverskoy district in 2016.

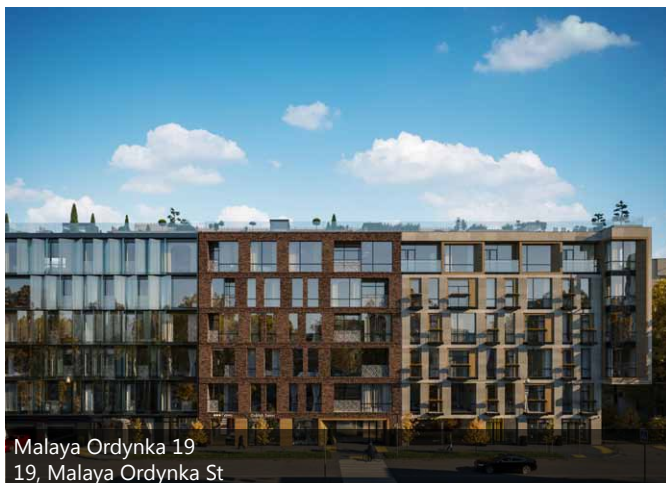
The average price for flats reached a total of 766 thousand rub./sq m at the year-end, indicating 20% fall, while 7% uprise of the price for apartments amounted to 918 thousand rub./sq m. This is an unconventional situation for the market as a year ago the price for flats was a quarter higher than the price for apartments, now it is 6% less. Such upward adjustment for the price of apartments is incidental to the change of the supply structure. For example, the entrance of Cloud Nine and Nabokov complexes to the market had the strongest influence on such price rise. Both facilities offer their buyers apartments with high quality fit-out. Moreover, the price escalation was recorded in complexes in the active stages of implementation, such as Balchug Viewpoint, Balchug Residence, Sovremennik et cetera.



Dynamics of the average price in primary market



Source: Knight Frank Research, 2017



Malaya Ordynka 19
19, Malaya Ordynka St



Bunin
37, Pluschikha St



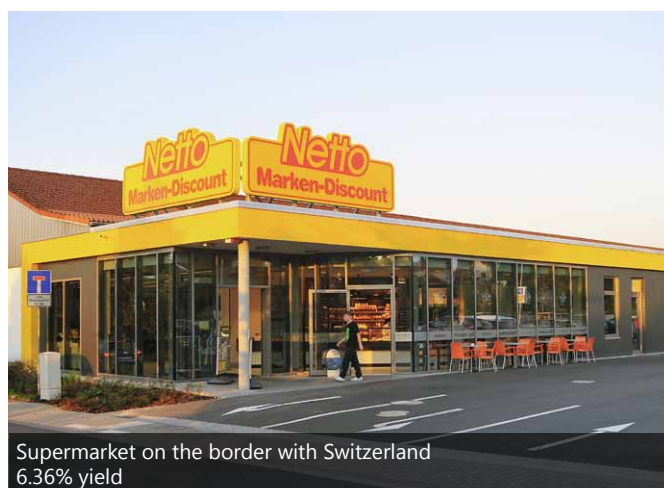
Pavlovo 1
Novorizhscoe highway, 14



Zhukovka 3
Rublevo-Uspenskoe highway, 8



Riverwalk
UK, London, Westminster, SW1P



Supermarket on the border with Switzerland
6.36% yield



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