

RESEARCH



2018

PRIME RESIDENTIAL REAL ESTATE MARKET

Moscow



HIGHLIGHTS

The average weighted price increased by 12% yoy matching the figure of Q4 2016, i.e. 787,000 rub./sq m.

A record number of new properties was launched to the market, namely 21 properties, 10 of which refer to the elite segment and 11 – to the premium class.

The number of transactions in 2018 exceeded that of 2017 by 38%, thus recording a rise in demand.



Andrey Solovyev
Director of City Sale Department,
Knight Frank

"2018 was marked by a high-level activity in the top-priced new-builds residential property market as well as the growth of all key market indicators, among which the average weighted price, the demand and the developer activity. As for the buying activity, it was fueled by new developments with launch prices, especially in the prime segment. However, the market is very likely to be developing less rapidly in 2019 in terms of launching new properties. For the most part, it is due to the fact that developers have to switch to escrow accounting system. It is going to specifically influence the prime segment of the market, where most of the projects are currently being financed through DDU contracts according to Federal Law 214, and replacing the financing system for the existing projects will lead to a leap in prices. So we expect some of the announced new launches to be postponed".

PRIME RESIDENTIAL REAL ESTATE MARKET

Supply

As of the end of 2018, there were about 2,180 flats and apartments listed for sale on the prime new-build residential property market, which is 15% less than last year's figure. At the same time, the total cumulative area was down by 11% and amounted to 273,000 sq m by the end of 2018.

The decrease in supply is mostly caused by a high-level buying activity, especially during the summer. The market benefited

from a significant number of supply with loyal pricing.

It is worth mentioning that there was a 10-year record number of properties new to the high-end residential property market. Thus, 21 new residential complexes were launched to the new-builds market, 11 of which referred to the premium segment and the remaining 10 to the elite segment.

As of 2018, almost one third of all supply (31%) consists of flats and apartments

Key indicators. Dynamics

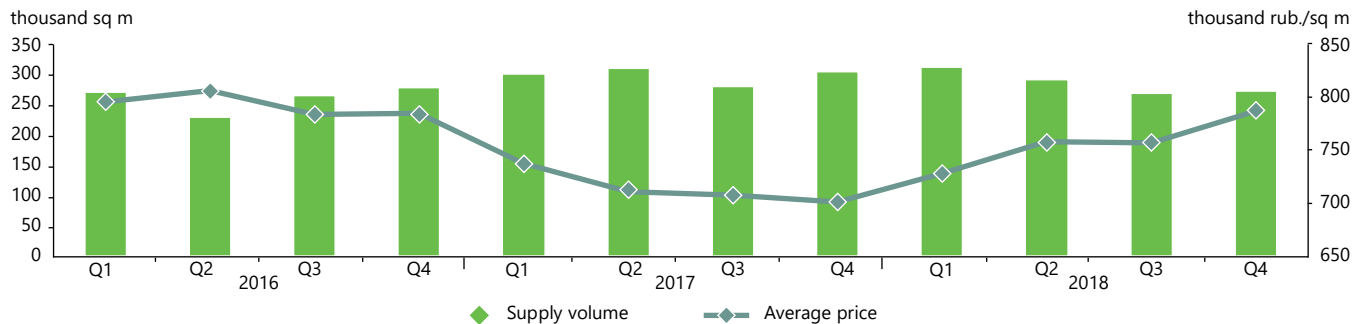
Supply				
	Premium segment	Dynamics*	Elite segment	Dynamics*
Total supply, pcs.	1 346	-24%	837	6%
Average price, thousand rub./sq m	600	6%	993	8%
Average area, sq m	106	0%	156	4%
Average price, mln rub.	63	7%	155	13%
	Premium segment	Dynamics**	Elite segment	Dynamics**
Demand				
Total supply, pcs.	810	54%	280	7%
Average price, thousand rub./sq m	546	6%	813	-9%
Average area, sq m	99	-8%	148	-8%
Average price, mln rub.	54	-2%	120	-17%

* Q4 2018 / Q4 2017

** 2018 / 2017

Source: Knight Frank Research, 2019

Supply volume and average price dynamics of the primary market



Source: Knight Frank Research, 2019

with finishes, which is up three percentage points on an annual basis. At the same time only 1% of supply is offered as white box and 2% of supply is available with finishes as an additional option.

The launch of multiple new projects caused changes in the structure of distribution of supply by district. Now, 40% of all flats and apartments that are currently listed on the high-end new-build residential property market are located in three districts, and namely:

- Tverskoy (14%);
- Khamovniki (13%);
- Zamoskvorechye (12%).

Tverskoy district crowned the Top-3 with its 14%. Four new properties were launched

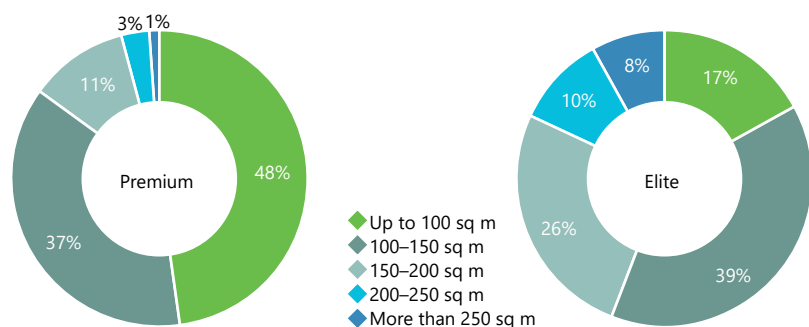
It is interesting to know that the volume of new supply had been gradually growing since 2010 until it reached its peak value in 2013. Thus, 15 new residential complexes were launched to the market in 2013 (1,562 flats and apartments). The pace of new delivery then slowed down in 2014 when the sales were launched in 11 new properties embracing 853 lots in January through to December. In 2015, there were another 11 properties containing 544 lots, new to the market, which was similar to the figures of 2008/2009 financial crisis years. The supply grew by 745 and 439 corresponding lots back then. The sales were launched in 11 more new properties in 2016 (742 lots), 15 more new properties in 2017 (1,393 lots), and, finally, 21 new properties in 2018 (915 flats and apartments).

Primary market supply structure

	Up to 50 mln rub.	50–100 mln rub.	100–150 mln rub.	150–200 mln rub.	Over 200 mln rub.
Up to 100 sq m	26.1%	9.7%	0.3%	0.05%	0.0%
100–150 sq m	2.7%	25.7%	8.0%	1.0%	0.6%
150–200 sq m	0.05%	5.4%	6.9%	2.3%	2.1%
200–250 sq m	0.0%	0.1%	0.9%	2.5%	2.0%
Over 250 sq m	0.0%	0.0%	0.1%	0.2%	3.5%

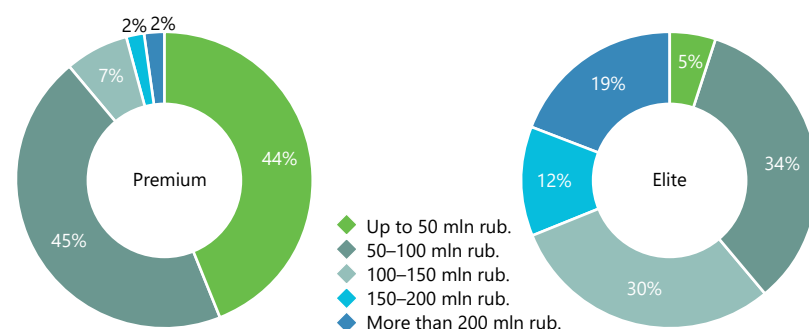
Source: Knight Frank Research, 2019

Supply based on their area



Source: Knight Frank Research, 2019

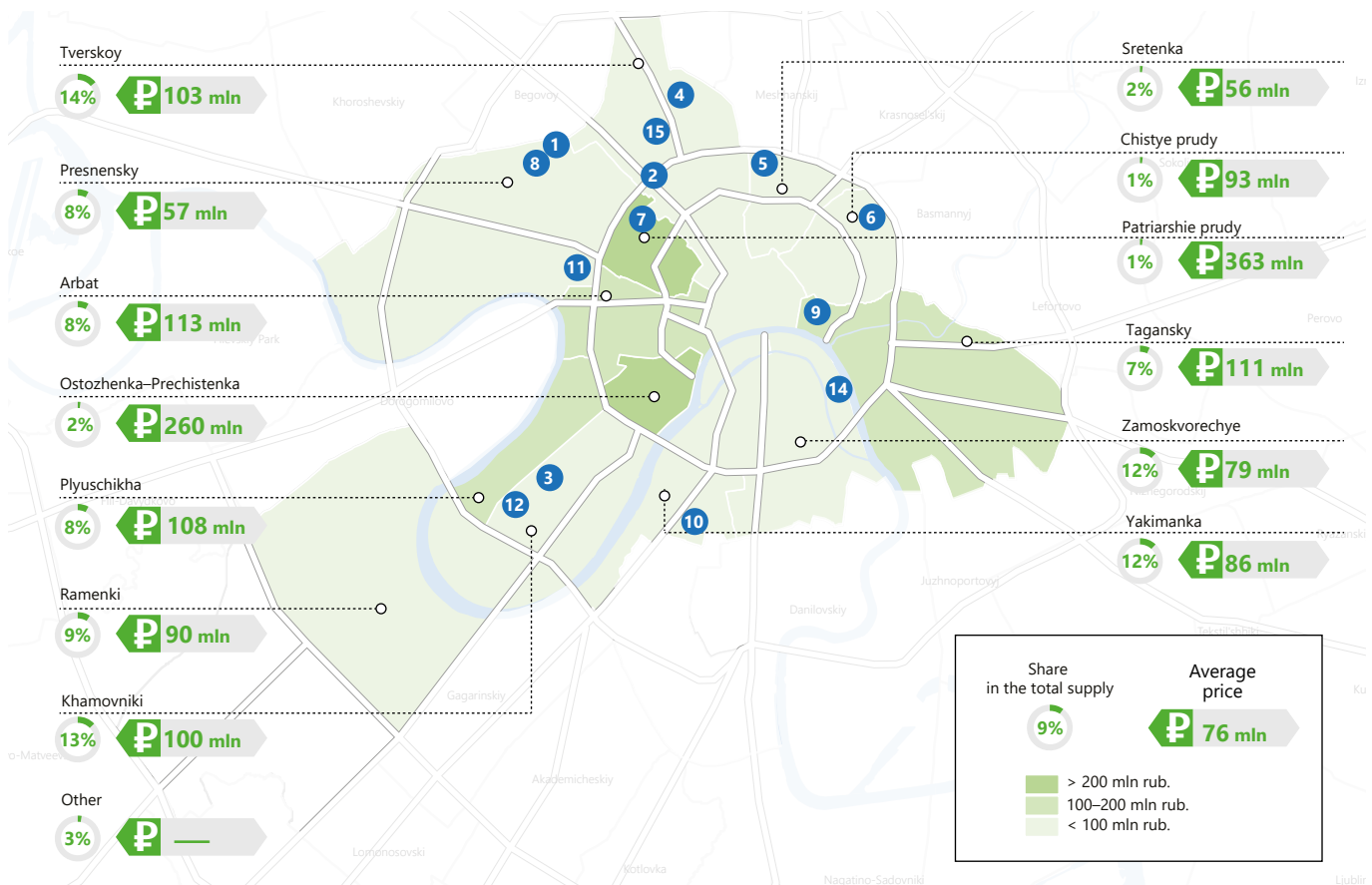
Supply based on their price



Source: Knight Frank Research, 2019

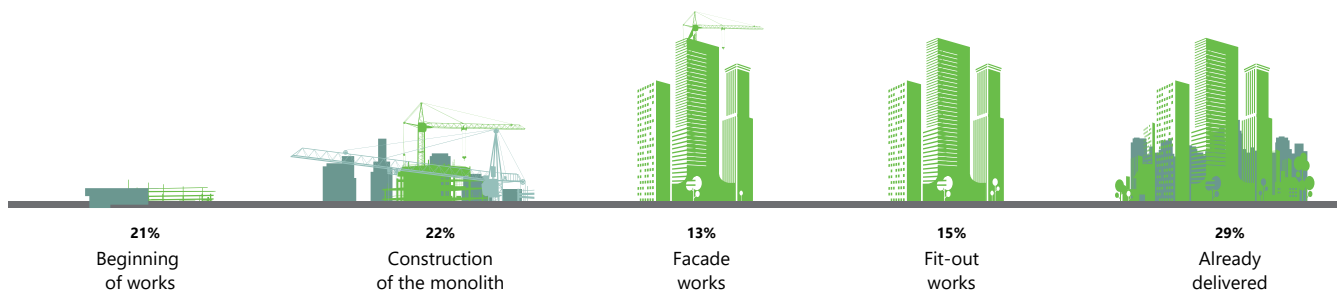
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Share and average price of supply by district



Source: Knight Frank Research, 2019

Primary market supply in different construction stages



Source: Knight Frank Research, 2019

to the market over the past 12 months in this location. Zamoskvorechye district moved down from the second line to the third one yielding to Khamovniki district, which dropped out of the Top-3 in 2017 due to the numerous sales in this location as well as massive new launches throughout the market.

The structure of supply underwent certain changes over the past year, both in premium and elite segments, where the high-level

buying activity along with an array of large lots in some new properties caused a shift towards larger and more expensive lots. For instance, at Cameo, the buyers are offered villas of 230+ sq m, while there are townhouses and mansions of 350+ sq m available at one of the properties with private sales.

Thus, the average lot area in premium class new-builds hasn't changed over the past 12 months of 2018 amounting to

106 sq m, while the figure for elite properties has grown by 4% amounting to 156 sq m by the end of the year.

The average lot value of the flats and apartments available for sale in premium segment grew up to 63 million rubles in 2018 (+7% yoy), while the elite segment recorded an even greater pace, with the average lot value having increased by 13% to 155 million rubles.

Complexes where sales started in 2018

	Property name	Address	Segment	Developer	Property type	Number of lots	Market launch	Fit out	Commission
1	Edison House	10, Elektrichesky Lane., bld. 1 (Presnensky)	premium	Prioritet investment company	apartments	12	February 2018	Fitted out	Q1 2019
2	Fairmont Vesper Residences	2, 1st Tverskaya-Yamskaya St. (Tverskoy)	elite	Vesper	apartments	36	October 2018	Fitted out	Q2 2019
3	Magnum	9, Usacheva St. (Khamovniki)	premium	Magnum Development	apartments	44	April 2018	Without fit out	Q3 2020
4	Maison Rouge	4, Palikha St., (Tverskoy)	premium	MR Group	apartments	34	February 2018	Without fit out	Q3 2019
5	Manor (Residences on Sadovaya-Sukharevskaya)	10-12, Sadovaya-Sukharevskaya St. (Sretenka)	premium	MR Group	flats	7	April 2018	Without fit out	Q1 2019
6	Quartet House	43, Pokrovka St., bld. 8 (Chistiye Prudy)	premium	–	apartments	4	November 2018	–	Q3 2019
7	Bakst	13-15, B. Kozihinsky Lane, bld. 1, 2 (Patriarshie prudy)	elite	Invest-stroycom company, Ltd.	flats	18	January 2018	Without fit out	Q1 2019
8	Dom na Tishinke	5-7, Sredniy Tishinskiy Lane (Presnensky)	premium	Donstroy	flats	143	October 2018	Without fit out	Q3 2020
9	Atlant House	7, Solyanka St., bld. 1 (Tagansky)	elite	VMC Development, Ltd.	apartments	19	December 2018	Fitted out	Q2 2020
10	Medniy	14, Donskaya St., bld. 1 (Yakimanka)	premium	Capital Group	flats	134	November 2018	Fitted out / Without fit out	Q1 2020
11	Narkomfin	25, Novinsky Bvd., bld. 1 (Presnensky)	premium	Liga Prav, Ltd.	flats	46	April 2018	Fitted out	Q3 2019
12	Pirogovskaya, 14	14, Pirogovskaya St. (Khamovniki)	elite	Elbert Development Group	apartments	53	September 2018	Fitted out	Q1 2021
13	BOR	1, Tamanskaya St., bld. 3 (Khoroshevo-Mnevniki)	premium	Spetsstroyproekt	apartments	50	October 2018	Without fit out	Q3 2019
14	Somelier	28, Kosmodamianskaya Emb., bld. 1 (Zamoskvorechye)	premium	Real-avto, Ltd.	apartments	6	May 2018	Without fit out	Q2 2019
15	Cameo	23a, Dolgorukovskaya St. (Tverskoy)	elite	Stone Hedge	apartments	17	October 2018	Without fit out	Q4 2020
16		Khamovniki	elite	closed sales	flats			Fitted out	
17		Khamovniki	elite	closed sales	flats			Fitted out	
18		Plyuschkha	premium	closed sales	flats			Fitted out	
19		Ostozhenka	elite	closed sales	flats			Fitted out	
20		Tverskoy	elite	closed sales	apartments			Fitted out	
21		Zamoskvorechye	elite	closed sales	flats			Without fit out	
New supply (new phases)									
	Sadovye Kvartaly	11, Usacheva St (Khamovniki)	premium	Inteco	flats	142	February 2018	Without fit out	Q2 2020

Source: Knight Frank Research, 2019

Demand

As of 2018, there were about 1,090 transactions closed with flats and apartments in the prime residential property market, which is up 38% yoy. The total area of all sold lots amounted to more than 121,000 sq m, with the cumulative lot value of 77 billion rubles.

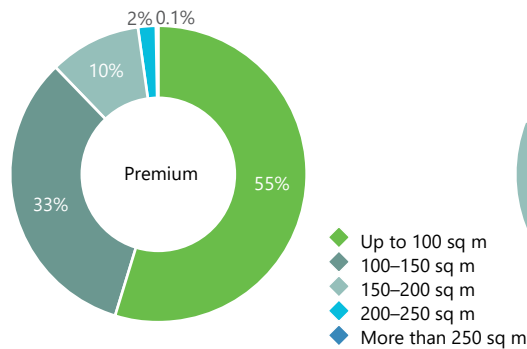
Unlike last year, the buyers preferred premium class lots in 2018, although both segments showed positive movements in trading volumes. Thus, the figure for elite segment grew by 7%, while that of the premium segment increased by more than half (+54% compared to last year's figure).

As the number of transactions grew, their qualitative features decreased in a way. Thus, the average lot area of sold items both in elite and premium classes went down by 8% amounting to 99 sq m and 148 sq m accordingly by the end of 2018. It is mainly due to the changes in buyer preferences, who are currently interested in purchasing residential properties with optimum floor plans and no extra spaces that are functionless.

The average lot value of sold items in premium class has declined insignificantly by two percentage points and currently amounts to 54 million rubles, while the figure for elite segment had dropped by 17% to 120 million rubles.

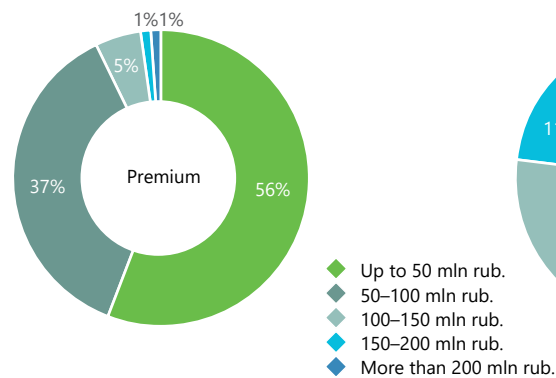
In 2018, Khamovniki district was the most sought-after one, its share in the structure of distribution of transactions amounted to 23%. Ramenki took the second place with its 14%; most of the demand here accounted for Vishneviy Sad Residential Complex. The thirst position is shared by Zamoskvorechye and Presnensky districts, each of which has the share of 11% of all closed transactions.

Transactions of the primary market based on their area



Source: Knight Frank Research, 2019

Transactions of the primary market based on their price



Source: Knight Frank Research, 2019

Primary market transactions structure

	Up to 50 mln rub.	50–100 mln rub.	100–150 mln rub.	150–200 mln rub.	Over 200 mln rub.
Up to 100 sq m	37.8%	7.9%	0.4%	0.0%	0.0%
100–150 sq m	5.1%	25.4%	3.2%	0.6%	0.1%
150–200 sq m	0.0%	6.7%	4.4%	1.5%	0.4%
200–250 sq m	0.0%	0.0%	1.7%	1.3%	2.1%
Over 250 sq m	0.0%	0.0%	0.0%	0.2%	1.4%

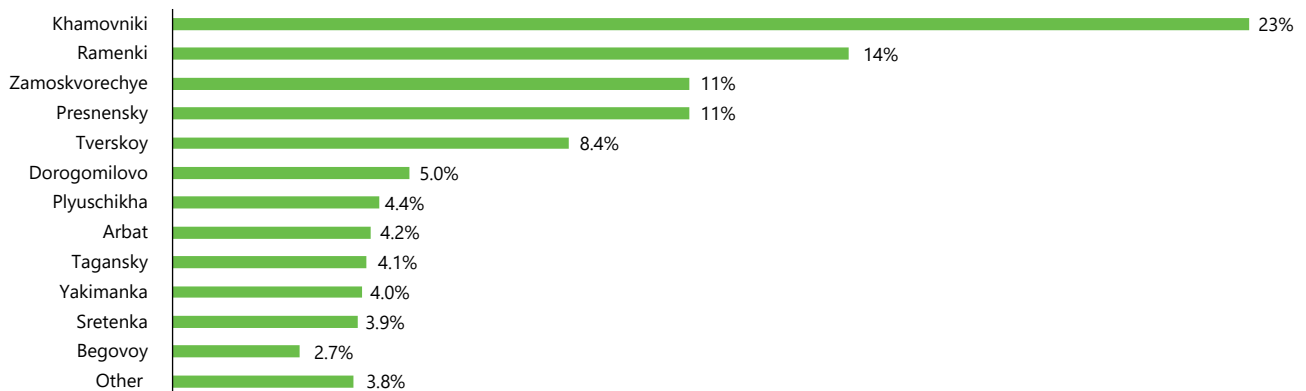
Source: Knight Frank Research, 2019

Dynamics of the number and average value of transactions in the premium and elite segment



Source: Knight Frank Research, 2019

Share and average price of transactions by district



Source: Knight Frank Research, 2019

Leading projects



Sadovye Kvartaly



Vishneviy Sad



Kutuzovskiy, 12

Source: Knight Frank Research, 2019

As before, most of the demand in premium class accounted for the lots of under 100 sq m in area, while the lots of 100 to 150 sq m in area were most popular in elite class.

The structure of transactions by price underwent more noticeable changes in new-builds market. While the share of flats and apartments of under 50 million rubles per lot decreased by 10% in elite segment and by 4% in premium segment in 2018, the lots of 50 to 100 million rubles, on the contrary, increased by almost 15% and 2% correspondingly. Apart from that, there were twice as many transactions closed in premium segment with the lots of over 200 million rubles compared to last year's figure.

Sadovye Kvartaly Residential Complex maintains its eternal leadership by the number of sold lots. Such properties as Vishneviy Sad, and 'Kutuzovskiy, 12' also made it to the Top-3.

Prices

As of the end of 2018, the average weighted price of high-end residential new-builds amounted to 787,000 rub./sq m. It is worth mentioning that the figure is set to grow; thus, it recorded a 12% rise over the past year. The price of a square meter of premium property amounted to 600,000 rubles (+6% yoy), the same figure for elite segment was 993,000 rubles (+8% yoy).

Patriarshiye Prudy remains the top priced district of Moscow. As of the end of 2018, the average weighted price here amounted to 1,863,000 rub./sq m, which is 8% higher than last year. Apart from being a prestigious location, the high price of flats in Patriarshiye Prudy is also explained by the scarce supply of new properties in this district. Currently, only two new buildings are under construction here; they determine the local pricing situation for new-builds.

An increase of the average price of a square meter was registered in Q4 2017, for the first time after a-year-and-a-half-long decline. The trend maintained throughout 2018. We do not see any conditions for the figure in the high-end segment to resume falling within the next year, which is due to the general situation, namely the growth of VAT and the key interest rate, and switching to escrow accounting.

The lowest price of 536,000 rub./sq m was registered in Presnensky district for the first time in a long while. Over the past year and a half, Sretenka had been the most affordable district, which now moved up a line, with its 542,000 rub./sq m. The most dramatic change of the average weighted

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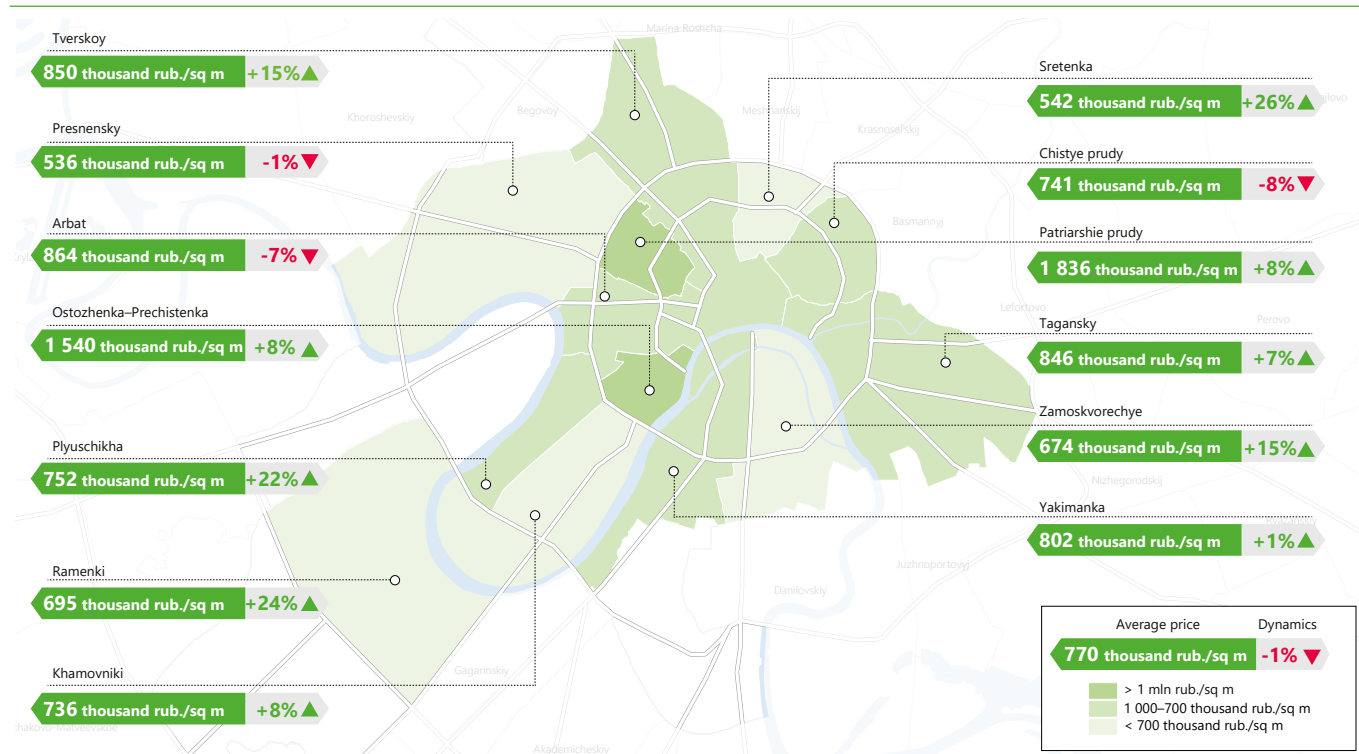
price of residential property (+26% yoy) was also recorded for this location. Such changes in Sretenka are due to the high-level demand for the lots in CVET 32, a prime residential complex, as well as the growth of the average price in this location due to the advanced stage of construction of local properties.

Additionally, a significant rise in average prices was registered for Ramenki and Plyuschkha districts, by 24% and 22% accordingly. In case of the former, the reason for that is the high-level demand for Vishneviy Sad project, which happens to be one of the sales leaders 2018, and for Vorobyev Dom project, which is on Top-5 bestselling properties. In case of

Plyuschkha, the growth in the average price is due to the fact that the supply grew by two properties, which are currently in private sales, as well as the rise in the prices for Zhizn Na Plyuschkhe Residential Complex.

The price of a square meter actually dropped in Arbat (-7%), Presnensky district (-1%), and in Chistye Prudy (-8%).

Dynamics of average price



Source: Knight Frank Research, 2019

Dynamics of average price and supply volume



Source: Knight Frank Research, 2019



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