



RESEARCH



H1 2018

# PRIME RESIDENTIAL REAL ESTATE MARKET

Moscow

## HIGHLIGHTS

Supply price increase (+7%) due to elimination of liquid supply as well as objects real price increase.

A moderate downward trend (-7%) of the supply volume due to high rate of object implementation.

Increase in buying activity against the future legislative changes.



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## PRIME RESIDENTIAL REAL ESTATE MARKET

Over 2,450 flats and apartments with a total area of 293,000 sq m were listed for sale on the primary market in the high-budget segment of residential real estate of Moscow as of the beginning of July 2018. Since the beginning of 2018 the supply volume at the market decreased slightly showing negative dynamics - by 6% in lots, and the same 6% in square

meters. The negative supply dynamics is primarily due to the high buying activity at the market.

The sales started in 7 new residential complexes have appeared in the elite and premium segments within the first six months, only two of them are positioned in the elite segment and five – in the premium segment. Moreover, since the beginning of

### Key indicators. Dynamics

#### Supply

	Premium segment	Dynamics*	Elite segment	Dynamics*
<b>Total supply, pcs.</b>	1,365	-5%	1,090	-9%
<b>Average price, thousand rub./sq m</b>	568	+2%	919	+9%
<b>Average area, sq m</b>	98	-3%	146	+4%
<b>Average price, mln rub.</b>	56	-1%	134	+13%

#### Demand

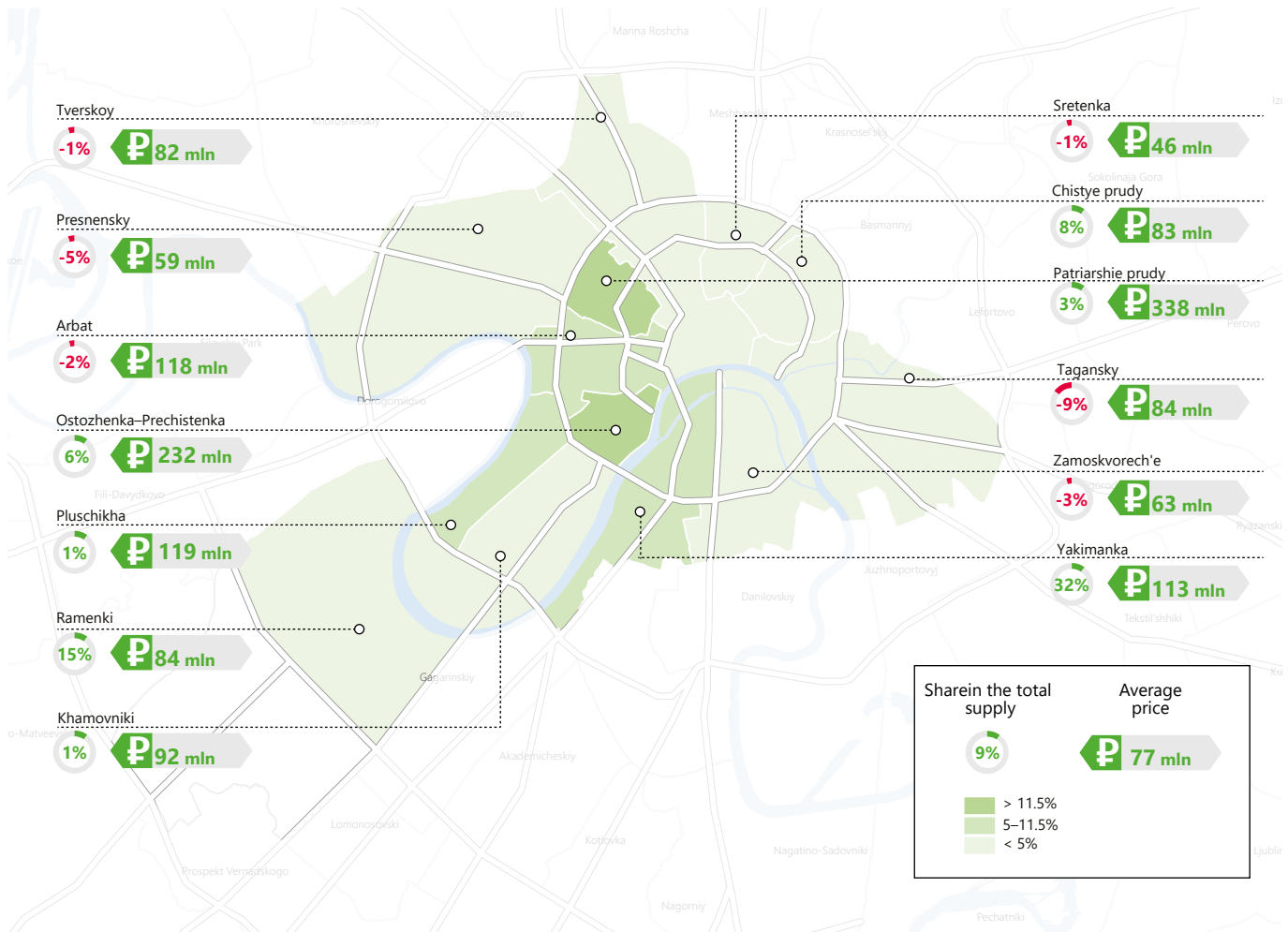
	Premium segment	Dynamics**	Elite segment	Dynamics **
<b>Average price, thousand rub./sq m</b>	520	+9%	722	-18%
<b>Average area, sq m</b>	95	-12%	131	-18%
<b>Average price, mln rub.</b>	50	-5%	94	-33%

\* H1 2018 / H2 2017

\*\* H1 2018 / H1 2017

Source: Knight Frank Research, 2018

## Share and average price by district



Source: Knight Frank Research, 2018

## Supply volume and average price dynamics of the primary market



Source: Knight Frank Research, 2018

## PRIME RESIDENTIAL REAL ESTATE MARKET. MOSCOW

### Complexes where sales started in H1 2018

Property name	Address	Positioning segment	Developer	Property type	Number of lots in the project	Fit out	Дата ввода в эксплуатацию
Edison House	10 Elektrichesky Lane., bld. 1 (Presnensky)	premium	Prioritet investment company	apartments	12	Fitted out	Q3 2018
Maison Rouge	4 Palikha St., (Tverskoy)	premium	MR Group	apartments	34	Without fit out	2019
Manor (Residences on Sadovaya-Sukharevskaya)	10-12 Sadovaya-Sukharevskaya St. (Sretenka)	premium	MR Group	flats	7	Without fit out	Q3 2018
Magnum	9 Usacheva St. (Khamovniki)	premium	Magnum Development	apartments	44	Without fit out	Q3 2020
Somelier	28 Kosmodamianskaya Emb., bld. 1 (Zamoskvorechye)	premium	Real-avto, Ltd.	apartments	6	Without fit out	Q2 2019
Narkomfin	25 Novinsky Bvd., bld. 1 (Presnensky)	premium	Liga Prav, Ltd.	flats	46	Fitted out	Q3 2019
	Khamovniki	elite	–	flats		Fitted out	
	Yakimanka	elite	–	flats		Without fit out	
<b>New supply (new phases)</b>							
Sadovye kvartaly	11 Usacheva St. (Khamovniki)	premium	Inteko	flats	142	Without fit out	Q3 2020
Bolshaya Dmitrovka IX (Poroda and Svet Mansions)	9 Bolshaya Dmitrovka St. (Tverskoy)	elite	INGEOCENTRE	apartments	64	Fitted out	Q2 2021

Source: Knight Frank Research, 2018

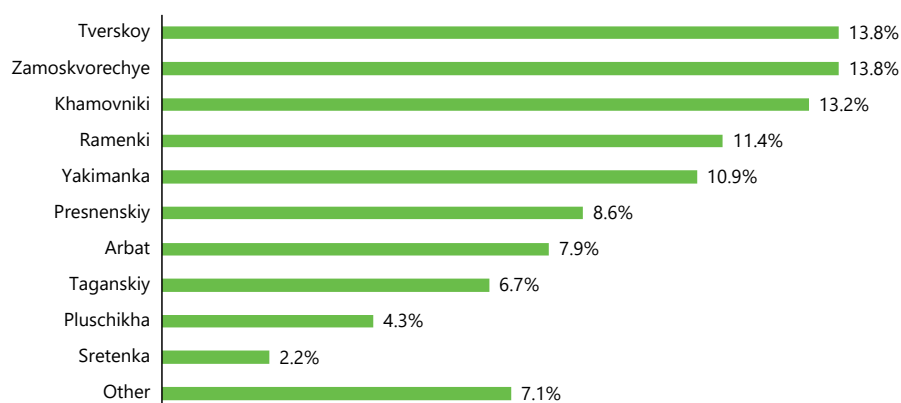
the year the supply increased also due to entering new phases of already marketed objects: Bolshaya Dmitrovka IX apartment complex implemented two buildings at the market – Poroda and Svet. Also the new 4th phase within the scope of which block 5 is being built entered the market in Sadovye kvartaly residential complex.

Just as before, premium class dominates the supply structure: by number of lots its share amounts to 56%, by area – 46%.

More than a quarter of the overall supply (28%) is fully fitted out according to results of the first half of 2018. Three out of 8 new objects presented such lots to their buyers.

More than 40% of the overall supply was focused in 3 districts:

### Structure of supply by districts



Source: Knight Frank Research, 2018

- ♦ Tverskoy (13.8%);
- ♦ Zamoskvorechye (13.6%);
- ♦ Khamovniki (13.2%).

During the previous quarter Ramenki district disappeared from the Top-3. Previously, in April 2018 the district occupied the second place with 13.3% share, now the district share dropped to 11.4%. First of all the decrease in supply volume in this location is attributed to high sale rates of Vishnev Sad residential complex, which has been dominating by sales during the last half of the year.

The supply structure in the premium segment didn't go through any serious changes during the past 6 months of 2018. As before, over half (56%) of all flats and apartments listed for sale were presented with budget up to 50 million rubles. According to H1 2018 the average price of flats in the premium segment was 56 million rubles, the average area – 98 sq m.

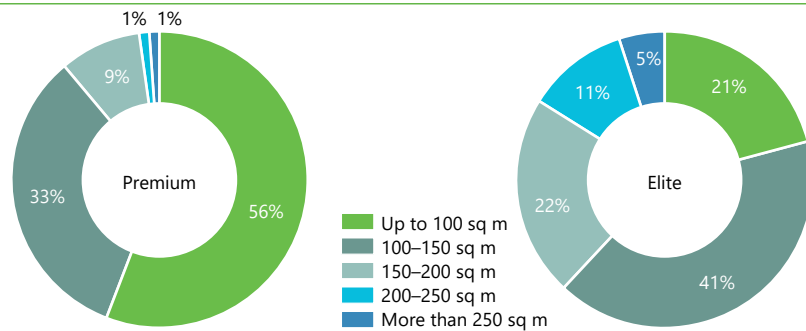
In the elite segment in January-June 2018 the elimination of the most budget supply (up to 50 million rubles) was noticed, during the first half of 2018 the share of such supply decreased by 7 p. p. On the back of it the average area of supply increased by 2% in 6 months and reached 146 sq m, the average budget of flats and apartments listed for sale was increasing faster during the first 6 months (+7%) and reached 134 million rubles.

### 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	31.0%	9.3%	0.5%	0.0%	0.0%
100–150 sq m	2.9%	24.9%	6.8%	1.4%	0.5%
150–200 sq m	0.0%	5.3%	6.1%	1.9%	1.6%
200–250 sq m	0.0%	0.0%	1.1%	1.7%	2.1%
Over 250 sq m	0.0%	0.0%	0.0%	0.4%	2.3%

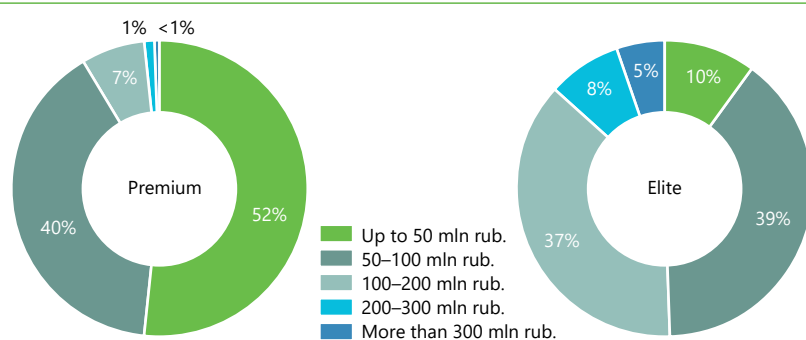
Source: Knight Frank Research, 2018

### Supply based on their area



Source: Knight Frank Research, 2018

### Supply based on their price



Source: Knight Frank Research, 2018



Narkomfin, 25 Novinsky Bvd., bld. 1

## Demand

Near 300 transactions with flats and apartments were concluded on the primary market of high-budget residential real estate in Q2 2018. Thus, the number of sale transactions of flats and apartments was over 490 in H1 2018. As compared to the same period in 2017 the number of transactions increased more than by third. The total area of all lots sold in January – June 2018 exceeded 54,000 sq m.

In both segments increase in buying activity was noticed in 2018. In the premium segment the number of sold flats and apartments increased by 45% during the first half of 2018, as compared to the first half of 2017, and amounted to 328 transactions. The elite segment has also shown a positive dynamics: the number of transactions increased by 23% during the year; in other words, over 180 apartments in elite new buildings were sold in the first half of 2018.

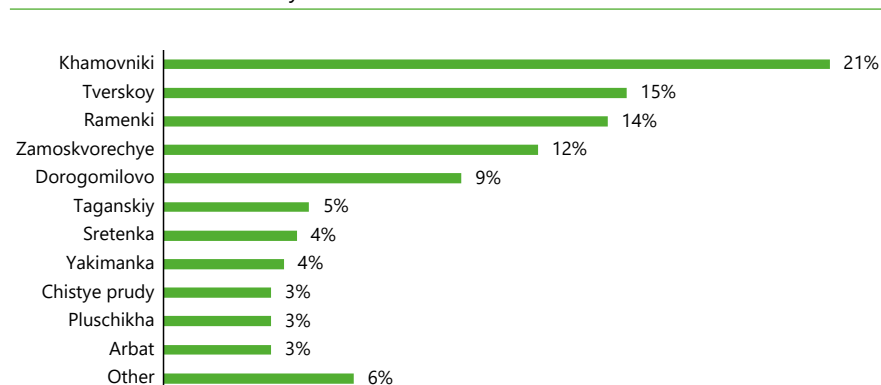
However, as compared to the growth of quantitative indicators, quality indicators has shown negative trend. For example, in the premium segment the average area of sold lots was 95 sq m, which is 12% lower than the indicator of the first half

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	43.0%	6.2%	0.2%	0.0%	0.0%
100–150 sq m	6.4%	22.7%	3.4%	0.2%	0.0%
150–200 sq m	0.0%	6.4%	4.0%	1.6%	0.0%
200–250 sq m	0.0%	0.0%	1.0%	1.4%	1.6%
Over 250 sq m	0.0%	0.0%	0.0%	0.6%	1.2%

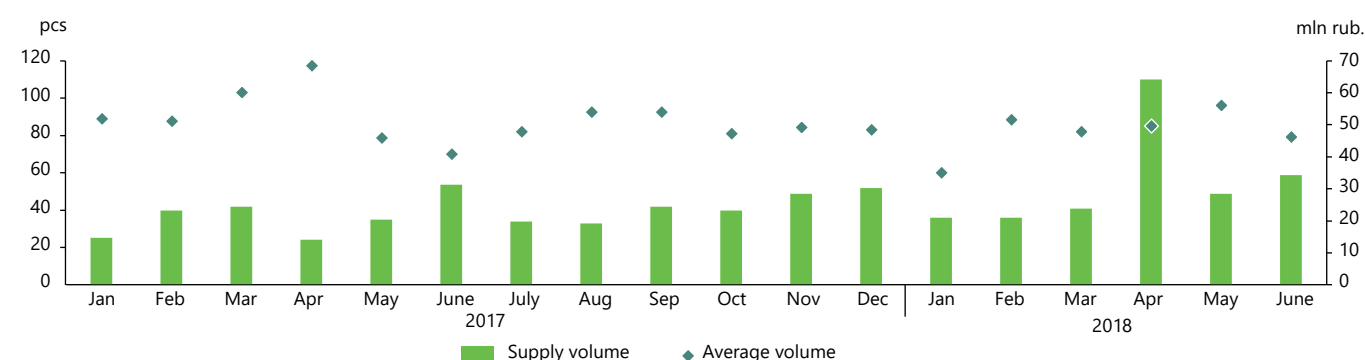
Source: Knight Frank Research, 2018

Structure of transactions by districts

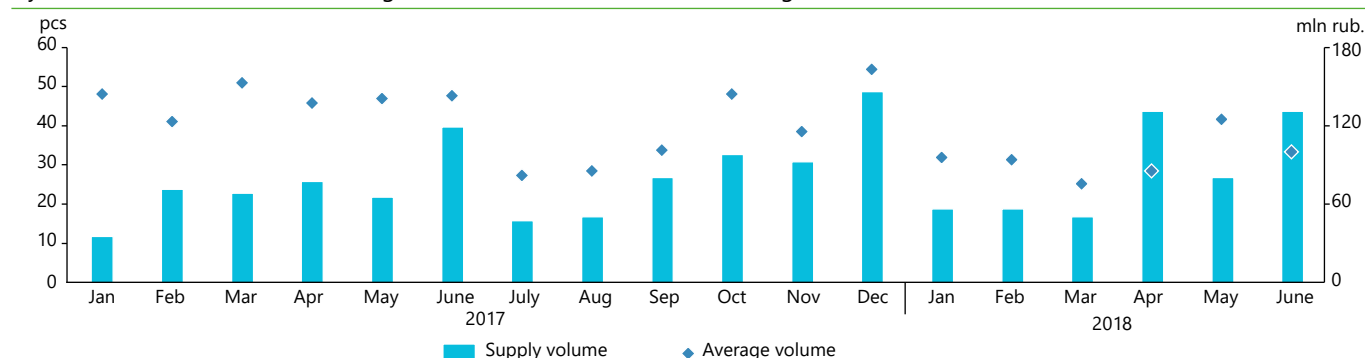


Source: Knight Frank Research, 2018

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



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

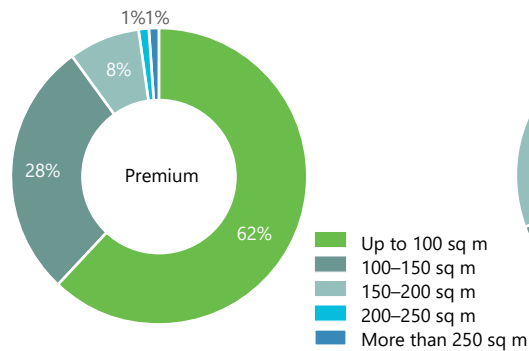


Source: Knight Frank Research, 2018

of 2017; the average budget decreased by 5% and reached the level of 50 million rubles. In the elite segment the negative dynamics were even greater: the average area of sold lots dropped by 18% – from 159 sq m to 131 sq m, the budget decreased by one third – from 141 million rubles to 94 million rubles. The decrease in indicators in the elite segment is primarily attributed to active sales in new residential complexes, which recently entered the market and which offer the buyers attractive investment prices. Moreover, one of the recent trends is the shift of interest towards compact lots. The share of transactions for fully fitted out objects also stays stably high: it represented almost one in three transactions according to the results of the first half of 2018.

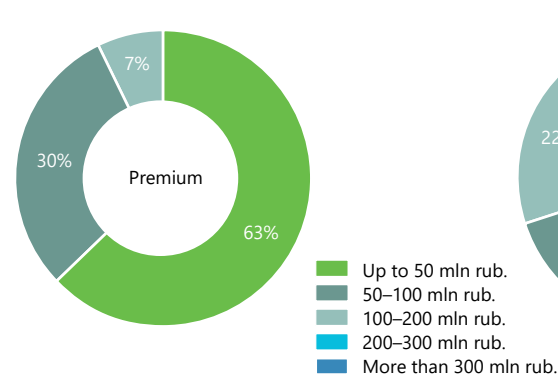
Traditionally Khamovniki district is the most popular location; this is where every fifth transaction took place in the first half of 2018. Tverskoy and Ramenki districts also entered the Top-3. In total half of all transactions were concluded in these three districts.

#### Transactions of the primary market based on their area



Source: Knight Frank Research, 2018

#### Transactions of the primary market based on their price



Source: Knight Frank Research, 2018

#### Leading projects

##### ELITE



Roza Rossa



Barrin House



Vishneviy Sad

##### PREMIUM



Sadovye Kvartaly



Kutuzovskiy, 12



RENOME

Source: Knight Frank Research, 2018

## Prices

The average supply price in the primary market of the high-budget segment has slightly increased by 7% since the beginning of the year and according to the data by the beginning of July 2018 was fixed at 758,000 rub./sq m.

At the beginning of July 2018 the average supply price in the primary market in the premium segment increased by 2% and was recorded at 568 000 rub./sq m.

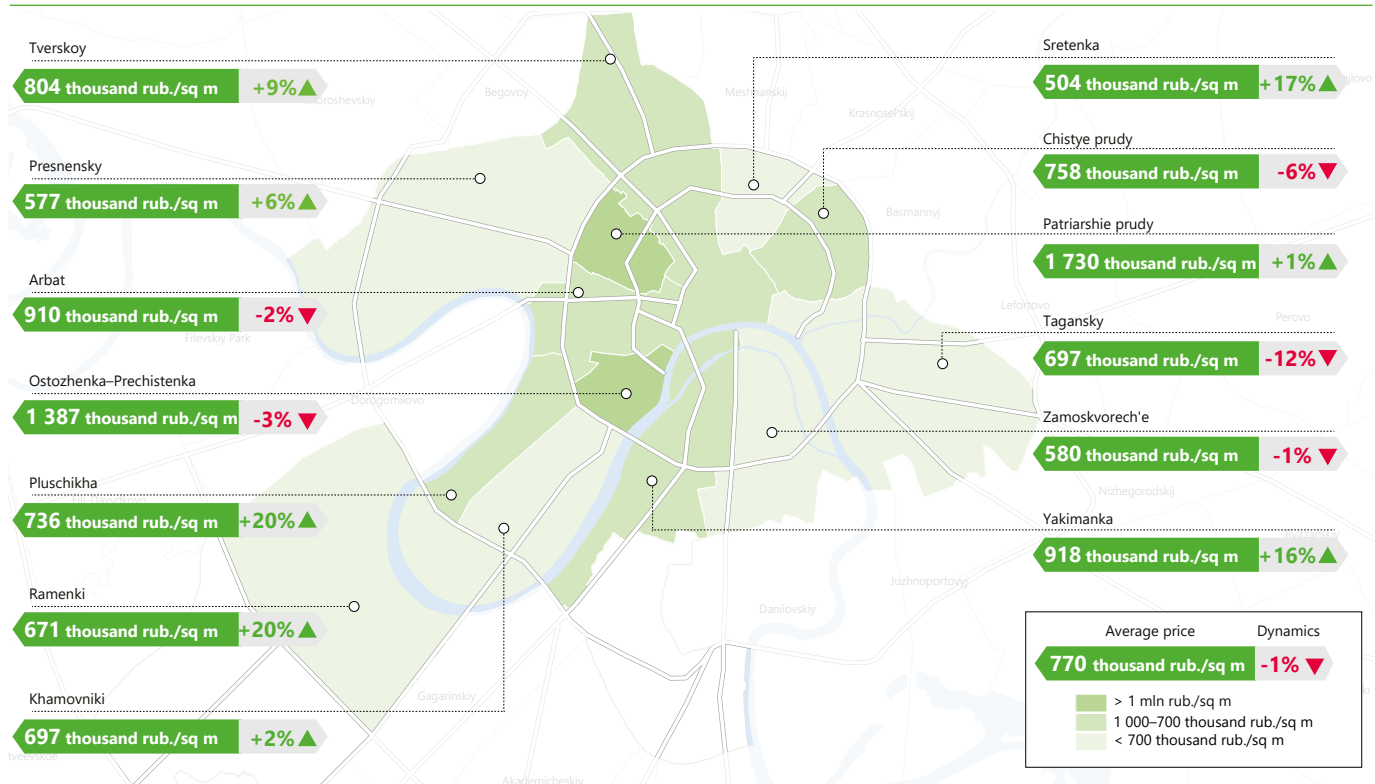
In the elite segment the average price increased even more: +9%, and was fixed at 919,000 rubles.

The highest price of 1,730 thousand rub./sq m was recorded in April 2018 in Patriarshiye Prudy area, the indicator for this district was stable during the first half of the year.

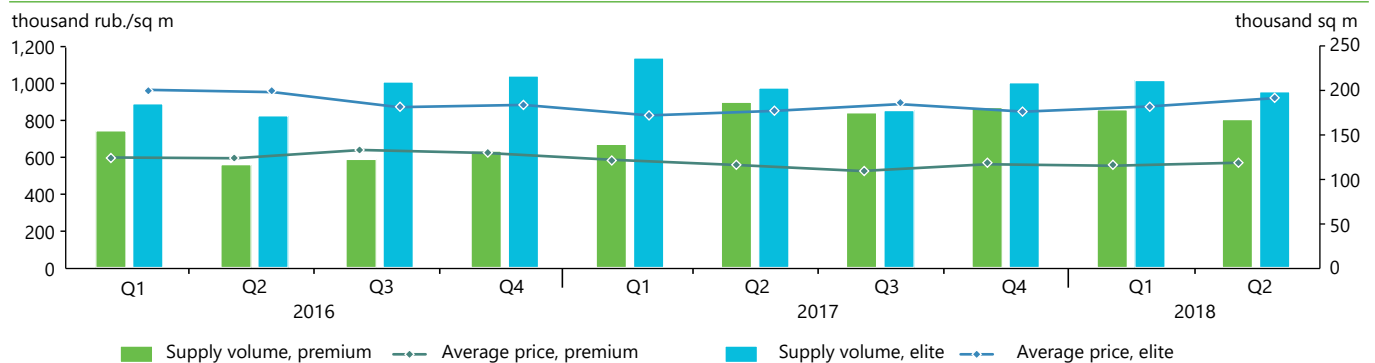
The less expensive new residential complexes are still located in Sretenka

district, where at the beginning of July the average price amounted to 504,000 rub./sq m. The indicator grew by 17% during the first half of 2018. The upward trend of the average price for the district was connected with structural changes, entering the market new Housing Complex Residences on Sadovaya-Sukharevskaya the price rise of already marketed objects.

### Dynamics of average price



### Dynamics of average price and supply volume



Source: Knight Frank Research, 2018



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