

RESEARCH



H1 2019

PRIME RESIDENTIAL REAL ESTATE MARKET

Moscow



HIGHLIGHTS

The average weighted lot price showed a new record increase of 12% in the elite segment over the last six months.

The share of the lots with final finishes rose by 12% since the beginning of the year causing an increase in the number of transactions in this category.

There was a slowdown in the developer activity. Thus, only two new properties were launched to the market over Q2 2019.

PRIME RESIDENTIAL REAL ESTATE MARKET



Andrey Solovyev
 Director of City Sale Department,
 Knight Frank

“The key market indicators have been changing as expected: the growing demand trend along with the slowdown in developer activity have led to a drop in the supply. Meanwhile the current uncertainty about implementing the new amendments to the law seems to only strengthen the trends. It is already the case that the demand is gradually shifting towards the secondary high-end market, which is likely to be seen more distinctly further on.”

Supply

As of H1 2019, about 2,200 lots of elite and premium new-build residential property, total area of 274,000 sq m, were listed for sale in Moscow. The figure has dropped for the first time since Q3 2018. The number of flats and apartments listed for sale decreased by 10% in the elite segment and by 8% in the premium segment, over the past three months. The drop in figures was mainly caused by the

strong demand as well as the scarce volume of new supply. Meanwhile, the supply figure is back at the level of the end of last year. Thus, looking at the current figure changes compared to H2 2018, we can see that the number of lots has remained unchanged (+1% over six months). And the 4% decrease in elite supply was balanced by the 4 percentage point growth in the premium segment.

Key indicators. Dynamics

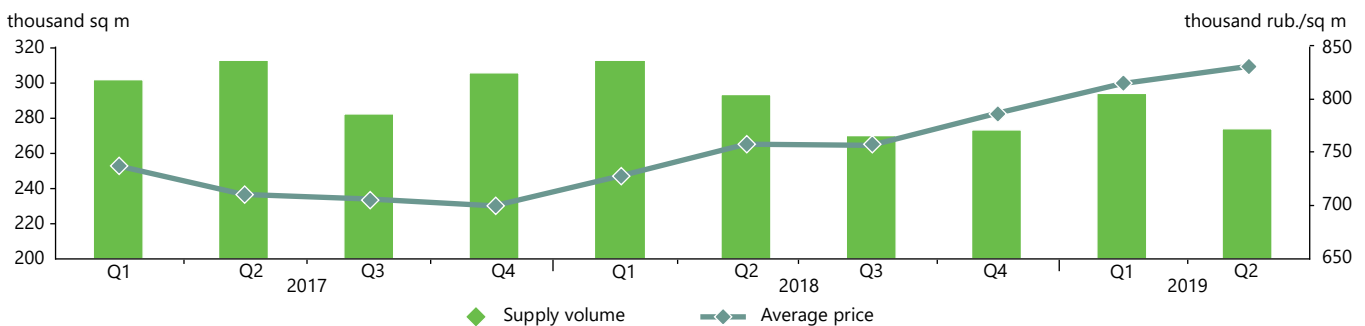
Supply				
	Elite segment	Dynamics*	Premium segment	Dynamics*
Total supply, pcs.	801	-4%	1 402	4%
Average price, thousand rub./sq m	1,110	12%	602	0%
Average area, sq m	155	-1%	107	1%
Average price, mln rub.	171	11%	64	1%
	Elite segment	Dynamics**	Premium segment	Dynamics**
Demand				
Total supply, pcs.	157	-13%	398	25%
Average price, thousand rub./sq m	892	23%	572	10%
Average area, sq m	160	22%	104	9%
Average price, mln rub.	142	51%	59	20%

* H1 2019 / H2 2018

** H1 2019/H1 2018

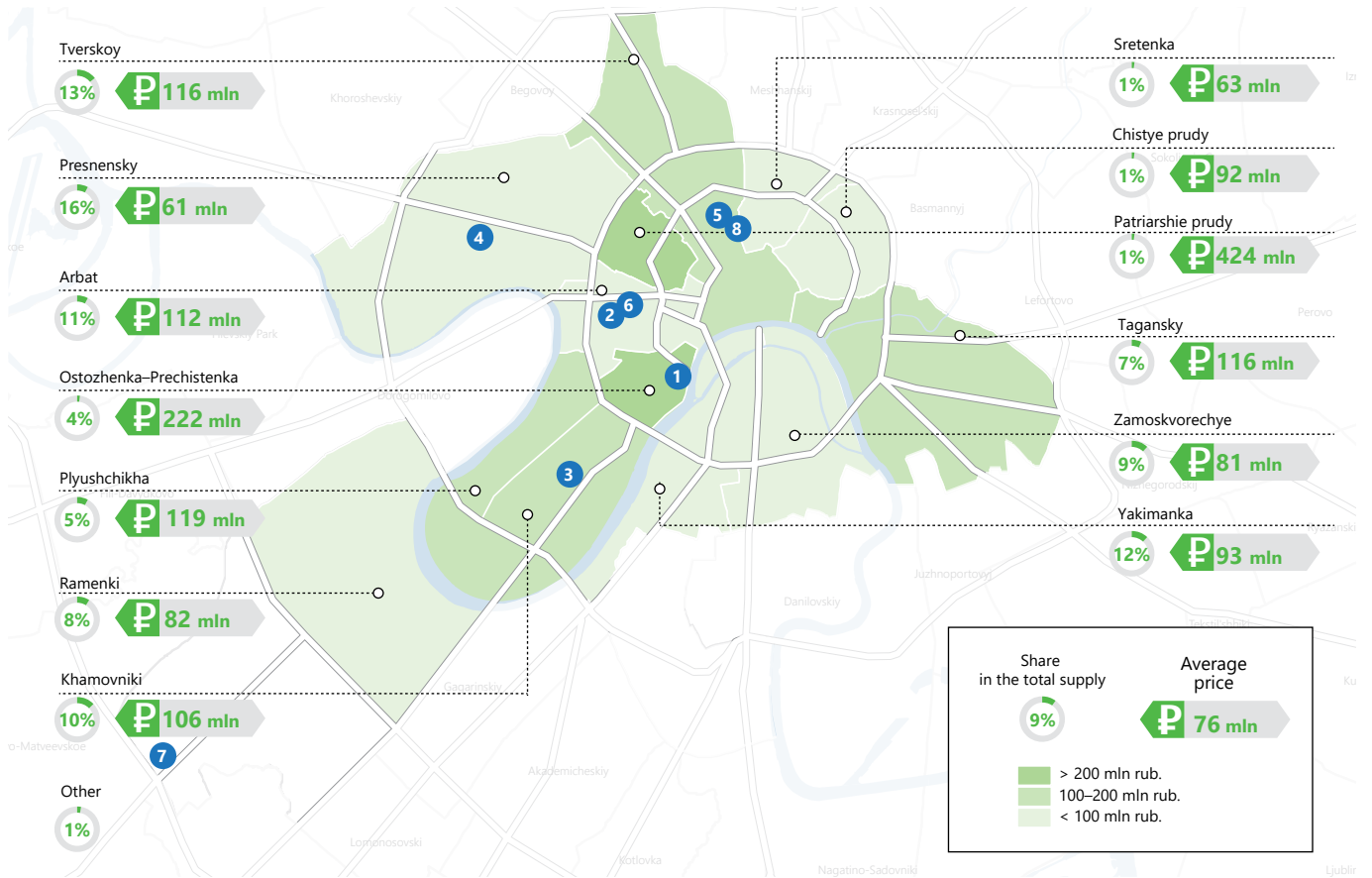
Source: Knight Frank Research, 2019

Supply volume and average price dynamics of the primary market



Source: Knight Frank Research, 2019

Share and average price of supply by district



Complexes where official sales started in H1 2019

Title	Address	Class	Developer	Property type	Number of lots	Launch of sales	Finishes	Delivery date
1 Allegoria Mosca	Ostozhenka St, 4, 6 (Ostozhenka)	elite	Stroyteks	apartments	57	March, 2019	No finish	Q2 2021
2 Artisan	Arbat St, 39 (Arbat)	elite	Valartis Group	flats	30	February, 2019	No finish	Q4 2016
3 Eight Yards	Yefremova St, 9A (Khamovniki)	premium	PST	apartments	8	January, 2019	No finish	Q1 2020
4 Lucky	2nd Zvenigiridskaya St, prop 12, bldg 6 (Presnensky)	premium	Vesper	flats, apartments	654	January, 2019	Final finish	Q4 2021
5 Stoleshnikov 7	Stoleshnikov Ln, 7 bldg 1 (Tverskoy)	elite	VMS-Development	apartments	12	May, 2019	Final finish	Q2 2020
6 The Book	Noviy Arbat St, 15 (Arbat)	premium	Capital Group	apartments	104	January, 2019	Final finish	Q3 2019
7 Reka	Lobachevskogo St, 114 (Ramenki)	premium	Donstroy	flats	115	June, 2019	No finish	Q4 2021
8 Kuznetskiy Most, 12	Kuznetsky Most St, 12, 14 (Tverskoy)	elite	KR Properties	apartments	62	March, 2019 (previously private sales)	Final finish	Q2 2020

Source: Knight Frank Research, 2019

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Only two high-end properties were launched to the market in Q2 2019: Stoleshnikov 7 Elite Club House by VMS-Development and Reka Premium Residential Complex by Donstroy. Therefore, the number of new properties amounted to eight in H1 2019, including the complex Kuznetsky Most 12, which finally came out of private sales in Spring 2019.

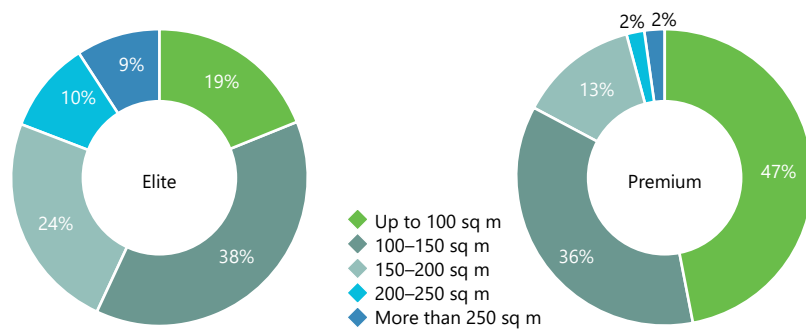
Meanwhile, Reka is situated in Ramenki district, which is quite a rare location for this price range, for it is seldom that high-end properties are built outside Central Administrative District. Indeed, all the high-end properties were launched exclusively within the central districts of Moscow over the past year and a half. Currently, there are several more properties under development that are going to be located in the western part of the city as well.

The largest volume of supply is still concentrated in Presnensky district (16% of all supply). Tverskoy district is on the second place followed by Yakimanka with their 13% and 12% accordingly, with the latter having pushed Arbat off this position, Arbat's share now amounting to 11% due to massive sales at The Book project.

The structure of supply has hardly changed in the premium segment over the past six months. Almost half of the supply (47%) is represented by compact lots of under 100 sq m. Finding a flat or an apartment of over 200 sq m appears to be most difficult as such lots amount to 4% of all premium new-builds. The non-expensive supply priced under 50 million rubles and within 50 to 100 million rubles comes in almost equal shares of 44% and 43% accordingly. The average area amounted to 107 sq m by the end of June, while the average price stood at 64 million rubles, which in both cases is by 1 percentage point more than at the end of 2018.

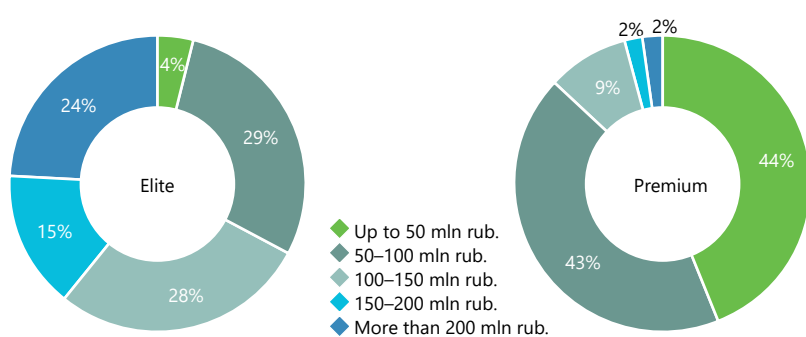
The number of expensive lots priced over 150 million rubles has increased by eight percentage points to 39%. Flats and apartments of 100 to 150 sq m still make up a bigger part of the structure of supply by area. The average lot area of elite supply has declined by 1% to 155 sq m over the past six months. The average lot price, on the contrary, reached 171 million rubles showing an 11%-growth.

Supply based on their area



Source: Knight Frank Research, 2019

Supply based on their price



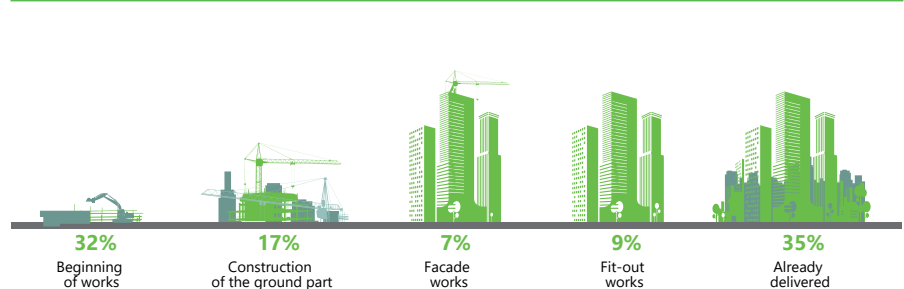
Source: Knight Frank Research, 2019

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	26.6%	9.3%	1.0%	0.1%	0.0%
100-150 sq m	3.0%	22.4%	8.6%	1.2%	1.3%
150-200 sq m	0.05%	5.7%	5.6%	3.1%	2.8%
200-250 sq m	0.0%	0.2%	0.9%	1.8%	2.2%
Over 250 sq m	0.0%	0.0%	0.2%	0.5%	3.4%

Source: Knight Frank Research, 2019

Supply structure by the construction stage



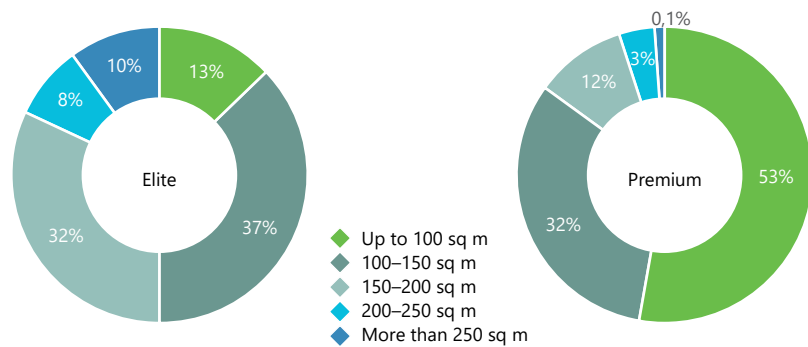
Source: Knight Frank Research, 2019

Demand

The quarterly performance on transactions is comparable to last year's figures, namely, 300 lots over Q2 2019. In general, over 550 flats and apartments were sold in H1 2019, with each third of them being with final finishes, while a year ago, the figure did not exceed 25% of all trading volume. The increase in this category of deals correlates directly with the current market trend. The increase in this category of deals is directly correlated with the market trend for the sale of the most ready-to-live housing. Thus, while about 31% of flats and apartments had final finishes at the end of 2018, the share of such lots rose to 43% over the past six months.

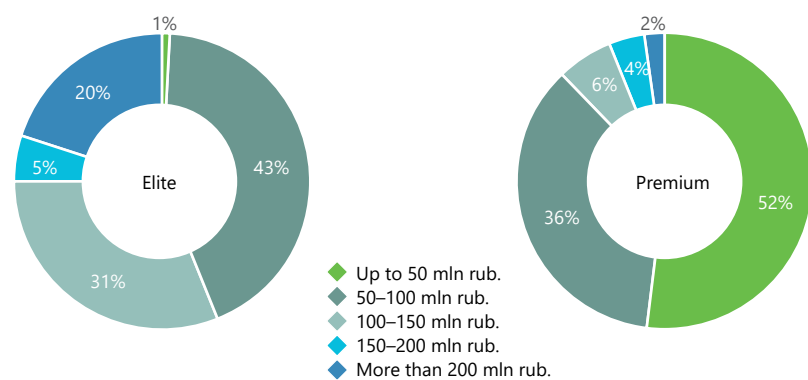
The price of a deal increased by 26% to 83 million rubles as compared to H1 2018, which is largely due to signing several major transactions at high prices. The buyers' interest to the expensive lots (over 200 million rubles) increased 3 times. Thus, 38 such flats and apartments were sold over the past six months, compared with 14 a year ago. Penthouses, lots with terraces and unique view characteristics were especially sought-after.

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	33.3%	8.3%	0.0%	0.0%	0.0%
100-150 sq m	4.5%	22.9%	5.6%	0.0%	0.2%
150-200 sq m	0.2%	7.0%	6.3%	1.1%	1.6%
200-250 sq m	0.0%	0.0%	1.1%	2.7%	1.3%
Over 250 sq m	0.0%	0.0%	0.0%	0.2%	3.8%

Source: Knight Frank Research, 2019

Leading projects



Sadovye Kvartaly



Lucky



The Book

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

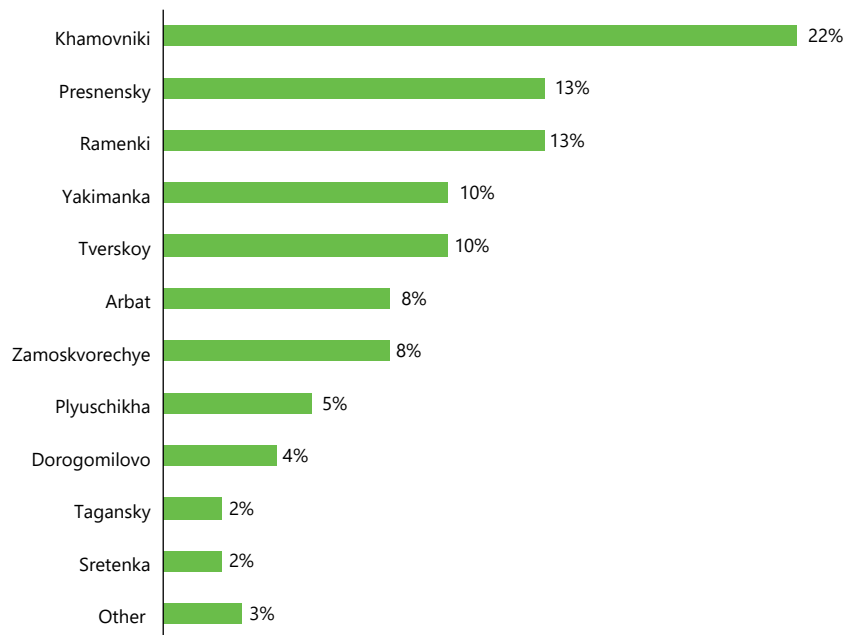


Source: Knight Frank Research, 2019

The number of deals with premium flats and apartments of under 100 sq m dropped by 9%, while the decrease amounted to 15% in the elite segment. The share of sold lots of 150 to 200 sq m in area amounted to 31% against 18% a year ago. Therefore, the average lot area amounted to 104 sq m (+9% as compared to last year's figure) for premium segment and to 160 sq m (+22% as compared to last year's figure) for elite segment.

Khamovniki remain the most popular location to buy in. Twenty-two percent of all deals were signed here over the past six months. Meanwhile, only three districts: Khamovniki, Ramenki and Presnensky, – share almost one half of all high-end flats and apartments sold in Moscow since the beginning of the year.

Share of transactions by district



Source: Knight Frank Research, 2019

Prices

The average weighted price of a lot kept growing in the high-end new-builds market. It amounted to 830,000 rubles per sq m by the end of June, which is 2% higher than the Q1 2019 figure and 6% higher than H2 2018 figure.

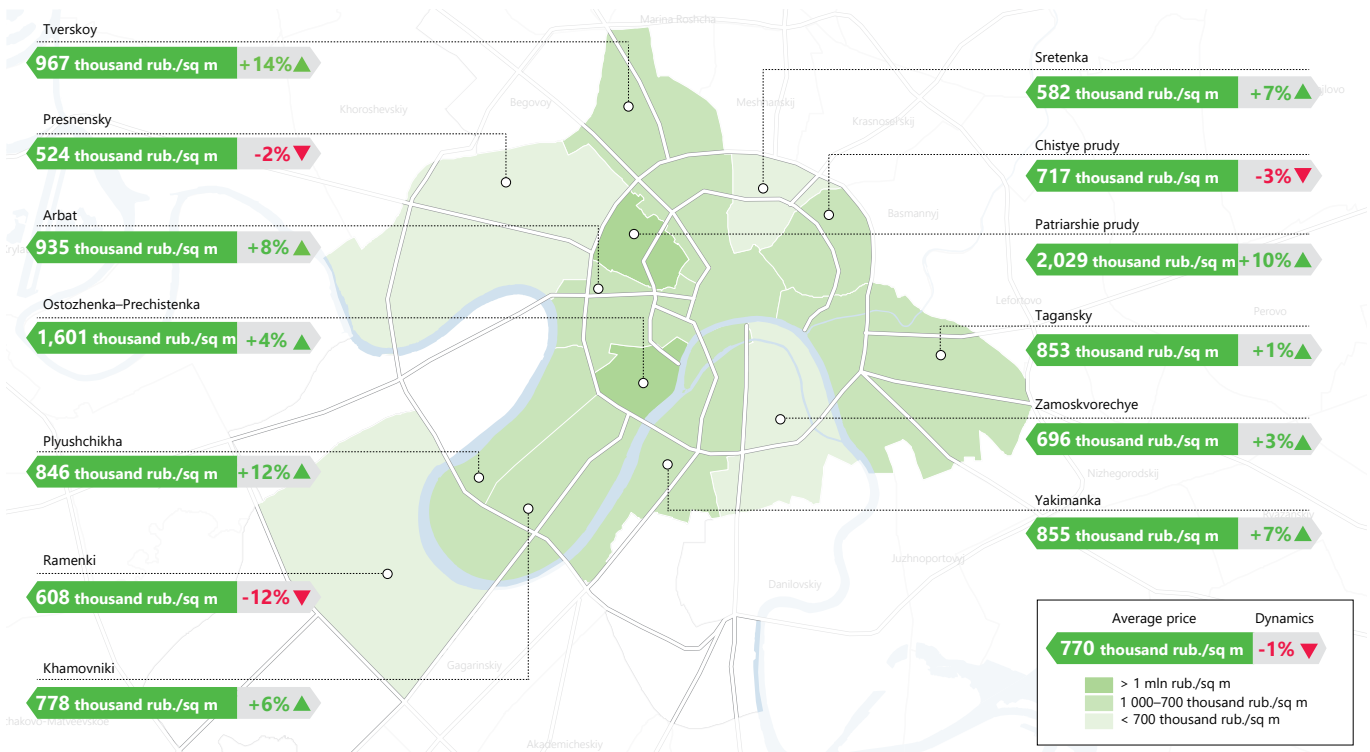
The average weighted price of a premium square meter remained stable while

fluctuating within one percentage point during H1 2019. It records at 602,000 rubles per sq m by the end of the first six months of the year, which was only by 0.3% more than last year's final figure.

Positive trends have been clearly traced in the elite market, insuring new record highs. Namely, the average weighted price

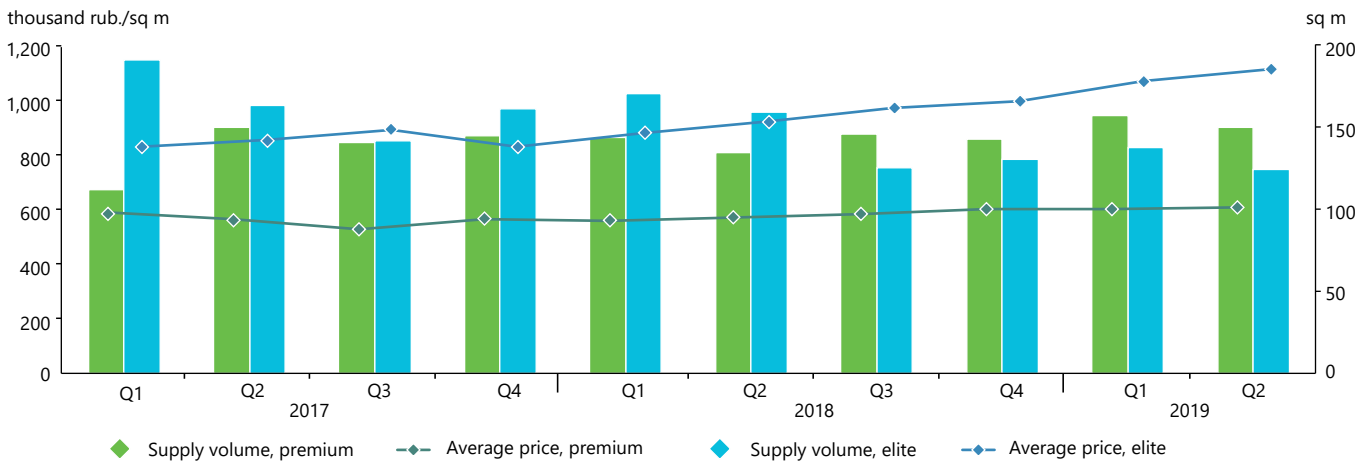
of a lot showed a 4% quarterly growth in the elite new-builds segment, while it increased further on by 12% over the past six months amounting to 1,110,000 rubles per sq m by the end of June. Another round of growth, in fact, was driven by the launch of a new project, Stoleshnikov 7. The property's high prices contributed to

Dynamics of average price



Source: Knight Frank Research, 2019

Dynamics of average price and supply volume



Source: Knight Frank Research, 2019

the increase of the average price throughout the segment.

Patriarshie Prudy remains the priciest district of Moscow. The price of the 'square' in the location stands at over 2 million rubles, which is 10% higher than

six months ago. The new-build supply in the area is limited by only two properties, which determine the pricing. Meanwhile, the average price of the most affordable district of the city, Presnensky, amounted to 524,000 rubles per sq m (-2% over the

past six months). The largest drop of 12% was recorded for Ramenki district due to the launch of a new property, Reka, as well as a decrease in the number of lots listed for sale in the existing projects.

HIGH-END PROPERTY OF THE BOULEVARD RING

The Boulevard Ring as a location has an exceptional position in the high-end residential property market. It is a horseshoe shaped historic cluster consisting of 10 boulevards and 13 squares with a pretty restrained urban planning, while the share of the residential housing in the area is quite scarce. The territory is considered the most prestigious and expensive as it is the heart of the metropolitan life, both business and culture. The area also boasts with well-developed infrastructure, so many find it an attractive district to live in.

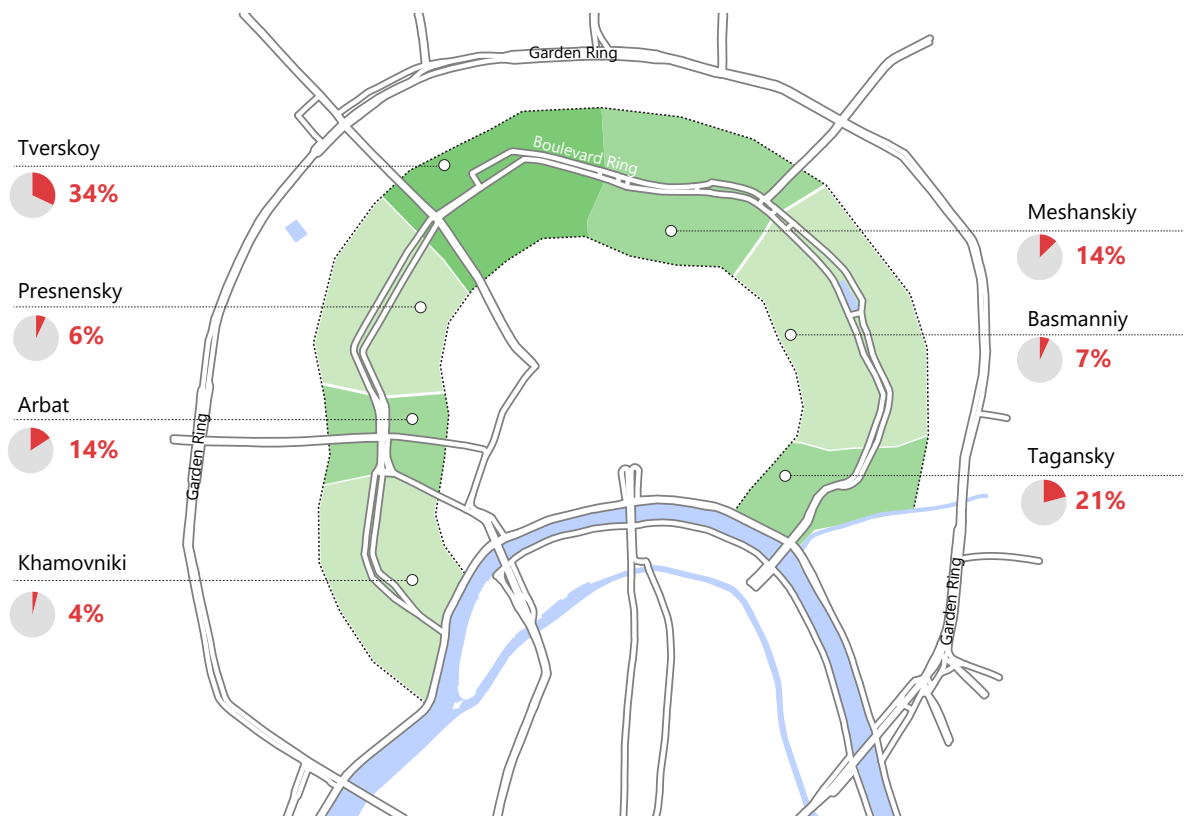
Supply

The supply of high-end real estate housing of the Boulevard Ring is traditionally limited. Currently, the location has 1/10 part of all high-end property of Moscow listed for sale. The volume of supply does not exceed 36,000 sq m or 250 lots in 13 projects. Meanwhile, the main part of the supply is composed of elite lots, which

currently account for about 80%. The share of the premium supply dropped by three times over the past two years to not more than 20%. The key reason for that is that there haven't been any new launches of premium projects since 2017, as well as the demand proves to be constantly strong.

It is worth mentioning, that the deficit of vacant land plots for new construction along with the cultural and historical presence in the territory have defined the key vector of development, which is reconstruction. Currently, more than half of the existing projects (65%) within the Boulevard Ring refer to this format.

Share of supply by district



Source: Knight Frank Research, 2019

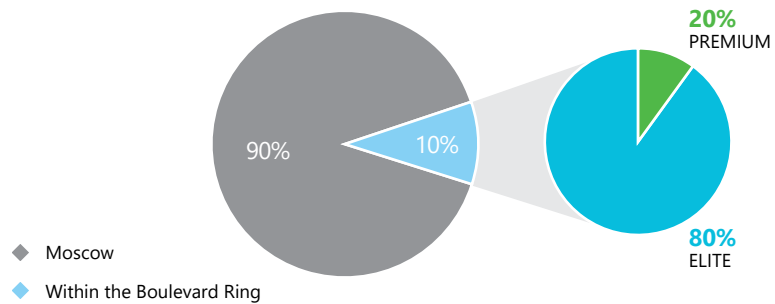
The average lot area has grown by 6% (143 sq m against 135 sq m in Q2 2016) over the past three years. The average lot price has shown a significant growth by 23% in three years. It amounted to 179 million rubles in H1 2019 (against 145 million rubles in H1 2016).

Demand

The share of transactions with the properties of the Boulevard Ring amounted to about 5% of all sold lots in the high-end residential property market of Russia’s capital. Considering the high prices and the limited supply, the sales here are rather singular. Thus, about 25 transactions were signed here over H1 2019, 44% of which accounted for the lots with final finishes. Meanwhile, unlike the supply statistics where the elite segment is leading the way, the most part of the demand here accounts for the premium segment, over the past year and a half (56% of deals).

The average weighted achieved price of the Boulevard Ring properties is by an

Share of the Boulevard Ring



Source: Knight Frank Research, 2019

Supply structure

	Up to 60 mln rub.	60–100 mln rub.	100–150 mln rub.	150–200 mln rub.	Over 200 mln rub.
Up to 60 sq m	1.0%	0.0%	0.0%	0.0%	0.0%
60–100 sq m	6.0%	8.0%	0.5%	0.5%	0.0%
100–150 sq m	0.0%	17.0%	20.0%	7.0%	4.0%
150–200 sq m	0.0%	1.0%	9.0%	5.0%	9.0%
Over 200 sq m	0.0%	0.0%	0.5%	0.5%	11.0%

Source: Knight Frank Research, 2019

Leading projects



NV / 9

Segment: premium
 Property type: flats
 Developer: Insigma

NV / 9 is a new premium class club house. It is being constructed a minute away from the Boulevard Ring. The address is Bolshoy Nikolovorobinskiy Lane, property 9. NV / 9 is an ensemble of two buildings, seven and nine stories high, boasting a designer inner garden and its own exit to the park. The main entrance is situated on the road from Bolshoy Nikolovorobinskiy Lane. The underground parking lot comprises 130 car spaces.



Bolshaya Dmitrovka IX

Segment: elite
 Property type: apartments
 Developer: Ingeocenter

Bolshaya Dmitrovka IX is a gated quarter situated in downtown Moscow. Its three mansions are named Svet, Poroda and Istoriya. The buildings feature different architecture styles while sharing a single living space, a promenade and common infrastructure. Under the modern mansions, there is an underground parking that is designed to fit 209 cars and is equipped with an electric car charging station, a dedicated elevator for sports cars, and a car wash.

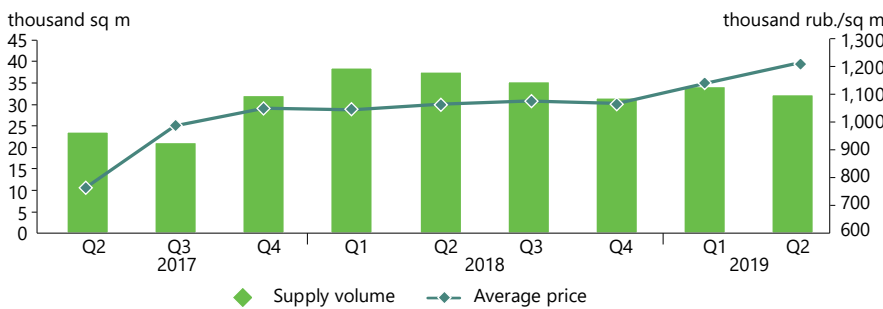
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Primary market transactions structure

	Up to 60 mln rub.	60–100 mln rub.	100–150 mln rub.	150–200 mln rub.	Over 200 mln rub.
Up to 60 sq m	16.0%	0.0%	0.0%	0.0%	0.0%
60–100 sq m	8.0%	4.0%	0.0%	0.0%	0.0%
100–150 sq m	0.0%	16.0%	16.0%	0.0%	0.0%
150–200 sq m	0.0%	4.0%	4.0%	4.0%	12.0%
Over 200 sq m	0.0%	0.0%	0.0%	0.0%	16.0%

Source: Knight Frank Research, 2019

Supply volume and average price dynamics within the Boulevard Ring



Source: Knight Frank Research, 2019



House with Atlantes

average of 25% higher than the figure throughout the market. Excluding the final discounts from developers, it amounts to 1,130,000 rubles per sq m (as based on the sold flats and apartments in January through to June 2019).

NV/9 Residential Complex was leading the way by the number of sold lots in the premium segment in H1 2019. As many as 24% of all deals within the Boulevard Ring were signed with this property. Bolshaya Dmitrovka IX turned out to be the most sought-after property of the elite sector.

Prices

The average weighted price of a square meter for the Boulevard Ring properties amounted to 1,210,000 rubles by the end of June, which is 1½ times more than the figure for the high-end property market throughout Moscow. The price has grown by 14% in the location over a year. Meanwhile, the average price of a square meter for the premium properties of the Boulevard Ring amounted to 609,000 rubles. The figure for the elite segment is twice as big and stands at 1.34 million rubles per sq m.

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