

RESEARCH



Q1 2019 PRIME RESIDENTIAL REAL ESTATE MARKET Moscow

HIGHLIGHTS

The average weighted price of a square meter is set to grow. Thus, the figure amounted to 815,000 rub./sq m by the end of Q1 2019 (+3% since the beginning of the year).

Arbat joined the Top-3 districts by the amount of supply for the first time in three years thanks to the simultaneous launch of sales in two properties of elite and premium classes.

The number of deals grew by 56% as compared to Q1 2018.

PRIME RESIDENTIAL REAL ESTATE MARKET

Supply



Andrey Solovyev
Director of City Sale Department,
Knight Frank

"It was a pleasant surprise for us to see a strong demand for premium and elite residential property downtown Moscow in Q1 2019. A lot of our clients who had postponed their purchases for various reasons, decided to sign their deals. The elite re-sales market has been quite busy lately, which can be seen from the number of requests and transactions we have, while the supply of the elite new-builds is currently pretty scarce. Our team are very enthusiastic about 2019, we expect a growth in sales in H2."

As of Q1 2019, there were about 2,400 flats and apartments on the high-end new-build residential property market listed for sale, their cumulative area totaling to about 294,000 sq m. The supply grew by 10% as compared to Q4 2018, which was due to the

launch of new properties both in elite and premium markets. The cumulative area was growing at a more reserved rate (+8% over a quarter).

The elite supply increased by 6% to almost 890 lots over the first three months of the

Key indicators. Dynamics

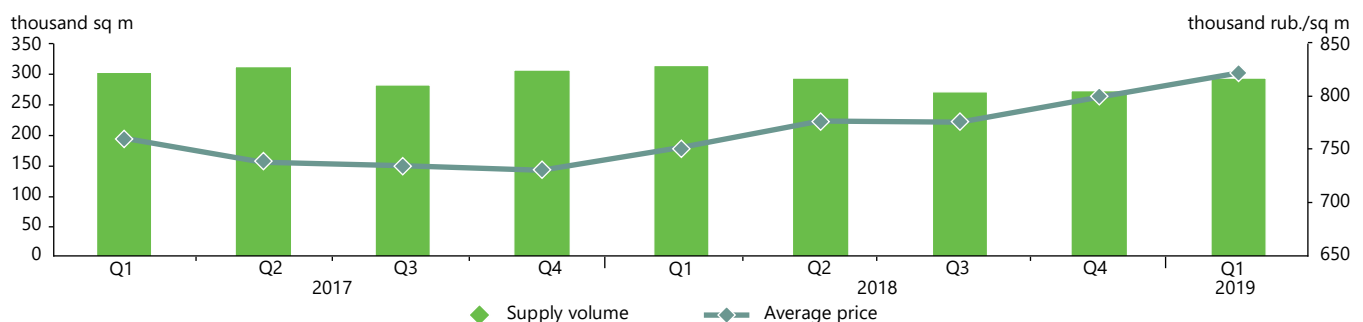
	Premium segment	Dynamics*	Elite segment	Dynamics*
Total supply, pcs.	886	6%	1,525	13%
Average price, thousand rub./sq m	1,063	7%	597	0%
Average area, sq m	155	-1%	103	-3%
Average price, mln rub.	164	6%	61	-3%
	Premium segment	Dynamics**	Elite segment	Dynamics**
Total supply, pcs.	100	82%	162	43%
Average price, thousand rub./sq m	898	26%	566	8%
Average area, sq m	154	22%	107	20%
Average price, mln rub.	138	53%	60	29%

* Q1 2019 / Q4 2018

** Q1 2019 / Q1 2018

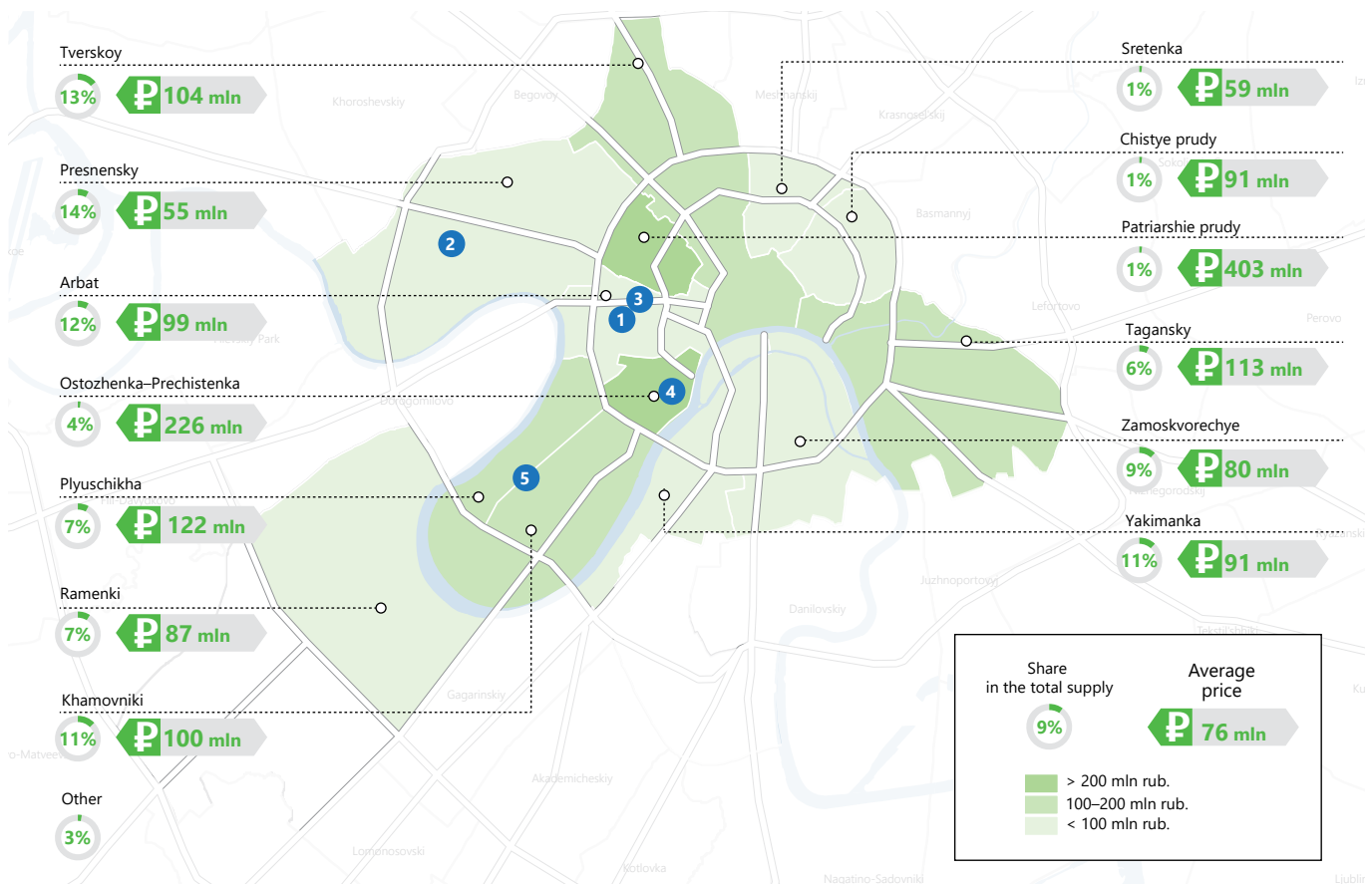
Source: Knight Frank Research, 2019

Supply volume and average price dynamics of the primary market



Source: Knight Frank Research, 2019

Share and average price of supply by district



Source: Knight Frank Research, 2019

Complexes where sales started in Q1 2019

	Title	Address	Class	Developer	Property type	Number of lots	Launch of sales	Fit-out	Delivery date
1	Artisan	39 Arbat St (Arbat)	Elite	Valartis Group	flats	30	February 2019	Without fit out	Q4 2016
2	Lucky	Second Zvenigorodskaya St, prop. 12, bld. 6 (Presnenskiy)	Premium	Vesper	flats	654	January 2019	Fitted out	Q4 2021
3	The Book	15 Noviy Arbat St (Arbat)	Premium	Capital Group	apartments	104	January 2019	Fitted out	Q3 2018
4	private sales	Ostozhenka	Elite		apartments			Without fit out	
5	private sales	Khamovniki	Premium		apartments			Without fit out	

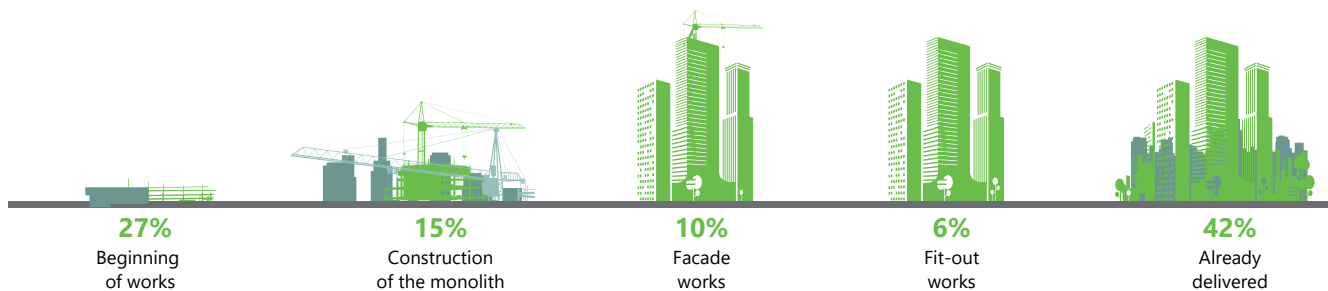
Source: Knight Frank Research, 2019

year, the premium supply rose to about 1,520 lots (a 13% quarterly growth). The structure of supply by class did not change much, with the share of premium class amounting to 63% and that of elite class accounting for 37%.

Sales were launched in five new properties with the cumulative number of lots exceeding 850 over January through to March 2019. One of the market trends that was seen particularly vividly last year, remained observable, and namely the

private sales in a number of elite and premium properties. While a third part of the market supply was offered on a private sales basis in 2018, the figure dropped to 40% in Q1 2019, which means two out of five properties kept the format.

Primary market supply in different construction stages



Source: Knight Frank Research, 2019

Due to numerous new launches, there were changes to the structure of supply by district. Now the Top-3 districts where almost 40% of all properties currently on sale are concentrated looks as follows:

- ♦ Presnenskiy (14%);
- ♦ Tverskoy (13%);
- ♦ Arbat (12%).

Arbat joined the Top-3 districts by the amount of supply for the first time in three years. It happened largely thanks to the simultaneous launch of sales in two properties of elite and premium classes. Over a quarter, Tverskoy shifted from the first position to the second one yielding to Presnenskiy, where a major property Lucky was launched.

The structure of premium supply hasn't changed a lot over the past quarter. The number of flats and apartments under 100 sq m increased insignificantly (by three percentage points) to 51%. Therefore, the supply of more affordable lots priced under 50 million rubles grew, with the share of the lots priced 50 to 100 million rubles declining accordingly. The average premium new-build lot price and lot area decreased in both cases by 3% to 61 million rubles and 103 million rubles correspondingly in Q1 2019 as compared to Q4 2018.

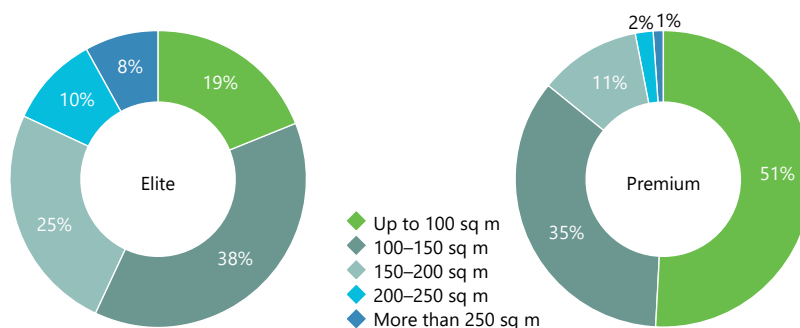
The structure of elite supply has pretty much remained flat as well over the past three months. However, a growth in prices was reported for this market, as the share of flats and apartments priced over 150 million rubles rose by 5%. The average lot value amounted to 164 million rubles, which is 6% more than the figure of the end of 2018. The average lot area, on the contrary, fell by 1% to 155 sq m.

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	29.0%	8.8%	1.0%	0.1%	0.0%
100–150 sq m	3.3%	22.5%	8.2%	1.1%	1.0%
150–200 sq m	0.04%	4.9%	5.8%	2.9%	2.4%
200–250 sq m	0.0%	0.1%	0.7%	2.4%	2.2%
Over 250 sq m	0.0%	0.0%	0.0%	0.5%	3.2%

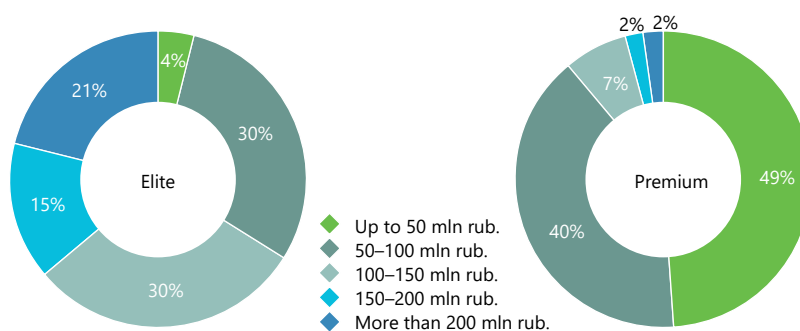
Source: Knight Frank Research, 2019

Supply based on their area



Source: Knight Frank Research, 2019

Supply based on their price



Source: Knight Frank Research, 2019

Demand

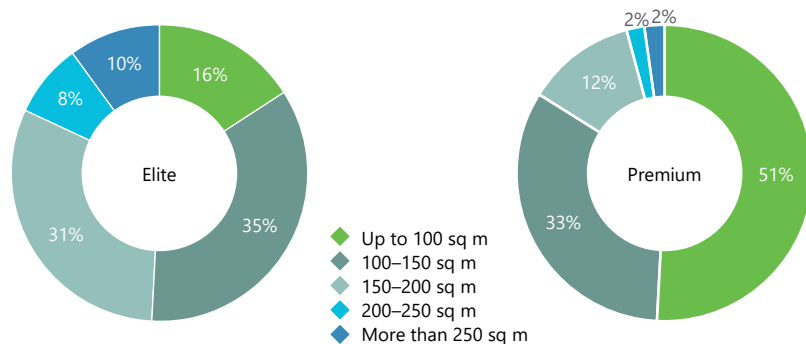
About 260 transactions were signed in the high-end new-build residential property market in January through to March 2019. The figure grew by 56% as compared to last year. The cumulative area of all sold flats and apartments amounted to 33,000 sq m.

The buyer activity increased basically by two times yoy in the elite market. Thus, the number of sold flats and apartments amounted to 100 units. The same trend was recorded for the premium market, with about 160 transactions signed over the first three months of the year, which is 43% more than a year before.

It is worth mentioning, that buyer preferences shifted to more spacious and expensive lots. Thus, while the share of the deals with the elite lots of under 100 sq m used to amount to 31%, currently it dropped by two times to only 16%. Aside of that, 10% of all transactions in this market were closed with the flats and apartments of over 250 sq m, while there was not a single deal like that a year ago. Due to that, the average area of sold lots amounted to 154 sq m, which was a 22% growth as compared to Q1 2018. The average deal budget demonstrated a higher rate of annual growth (+55%) from 90 million rubles to 138 million rubles, which was due to an array of new pricy properties in top locations coming to the market.

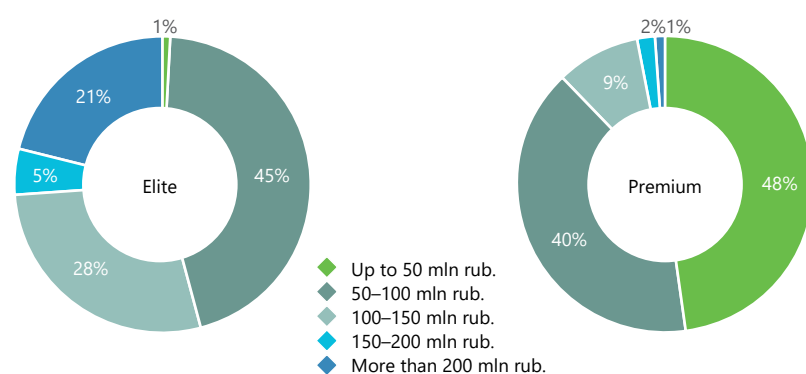
As for the premium market, the share of transactions with smaller lots (under 100 sq m) decreased by 15% and amounted to a half of all sold flats and apartments by the end of Q1 2019. Several deals with expensive lots were recorded here as well, those exceeding 200 million rubles. Therefore, the average deal area amounted to 107 sq m (+20% as

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	25.2%	12.2%	0.0%	0.0%	0.0%
100–150 sq m	5.0%	21.0%	7.6%	0.0%	0.4%
150–200 sq m	0.0%	8.4%	7.3%	1.5%	2.3%
200–250 sq m	0.0%	0.0%	1.5%	1.1%	1.5%
Over 250 sq m	0.0%	0.0%	0.0%	0.4%	4.6%

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

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compared to last year's figure) in premium class, while the average deal price stood at 60 million rubles (+29% yoy).

Khamovniki was traditionally the most popular district, with its share of about 20% of all deals. Yakimanka was found among the leaders as well having moved from the eleventh place to the second one, with its share of 13%. This kind of performance became possible thanks to the popularity of Medniy that had been launched at the end of 2018. Zamoskvorechye was quite popular with the buyers too, with its share of 12% of all pricy transactions.

The leader properties by the trading volume were Barrin House, Sadovye Kvartaly, Vishneviy Sad, and Medniy.

Prices

The average weighted price of a square meter in the high-end new-build market grew by 3% to 815,000 rubles since the beginning of the year. The average price performance is more noticeable when compared to the figure of Q1 2018, with the annual growth amounting to 12%. The positive trend has been seen since the end of 2017. The increase in the average price of a square meter was mostly determined by the washing out of the most affordable lots as well as the new expensive supply becoming available in both new projects and some previously launched ones in top locations, such as Ostozhenka.

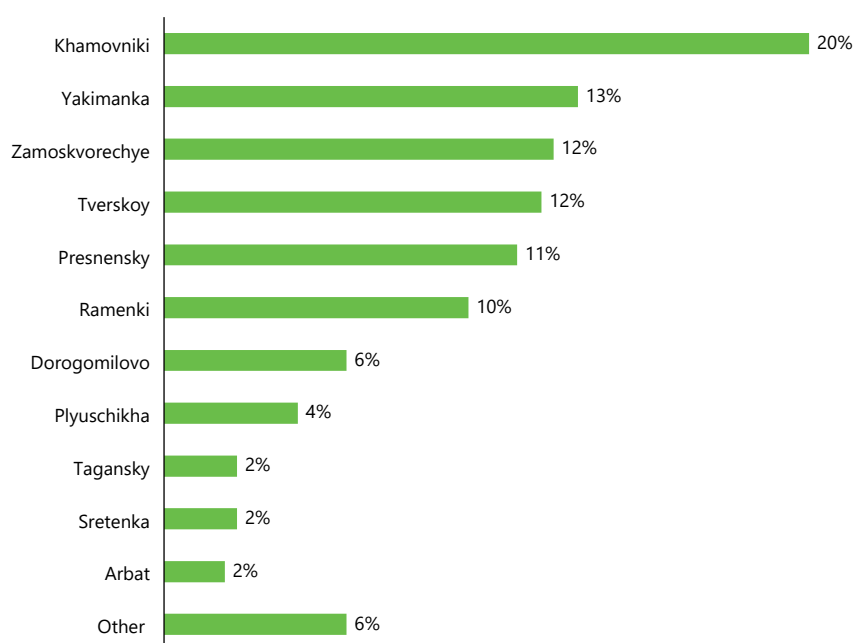
The average weighted price of a square meter basically remained flat at 597,000 rubles in the premium sector as compared to the end of 2018, namely -0.4% since December 2018. So the annual price change amounted to 8%.

As for the elite sector, the price of a square meter stands at 1,063,000 rubles, which is a market high over the past three years. It grew by 7% over the first three months of 2019, while the annual growth amounted to 22%.

The top price of a square meter was recorded for Patriarchiye Prudy, as before, where it reached 2,020,000 rubles, with a 10% quarterly growth.

Presnenskiy remains the most affordable district, just like last quarter. The average weighted price dropped by 5% to 507,000 rub./sq m over the three months, which was largely due to the launch of a major premium property Lucky offering attractive pricing.

Share and average price of transactions by district



Source: Knight Frank Research, 2019

Leading projects



Barrin House



Sadovye Kvartaly

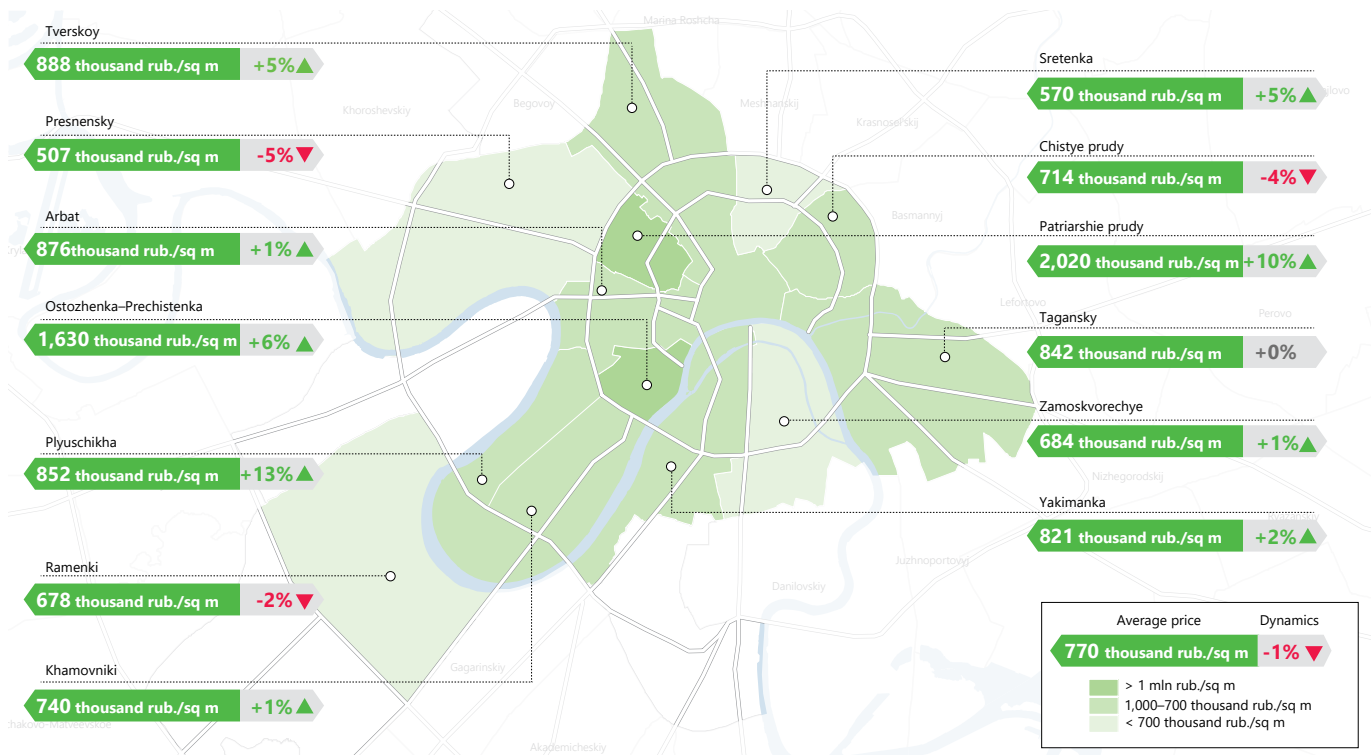


Vishneviy Sad



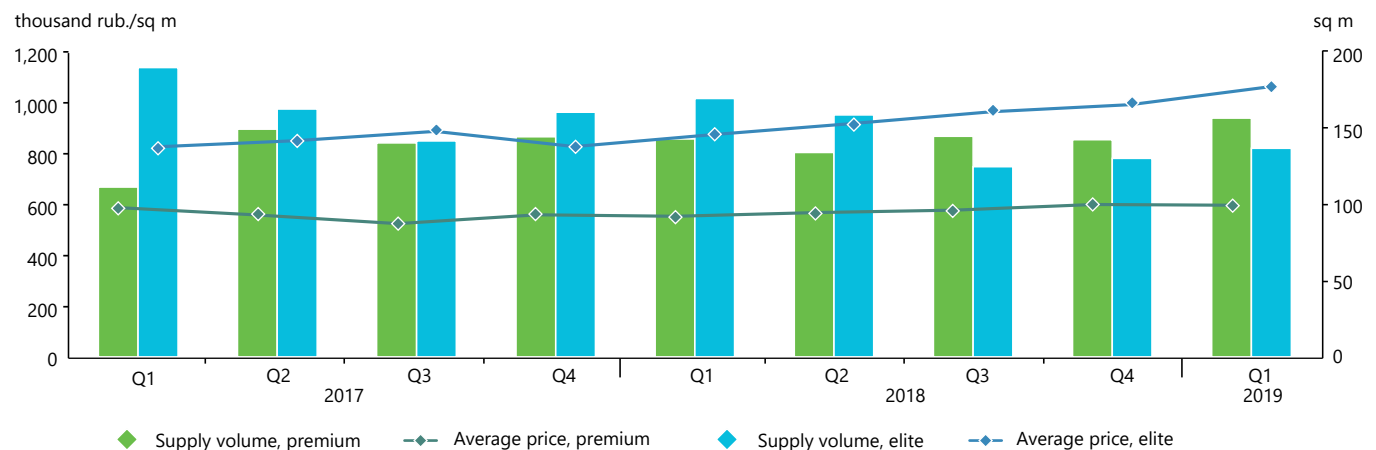
Medniy

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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