

Q3 2019

PRIME RESIDENTIAL REAL ESTATE MARKET

Moscow

KEY FINDINGS

The supply of residential property in completed elite and premium new-builds reached its top values, with the share of flats and apartments in commissioned properties amounting to 44%.

Buyer preferences are now concentrated on larger and pricier units, which is one of the trends of 2019.

Positive dynamics of the average weighted price in both segments.

PRIME RESIDENTIAL REAL ESTATE MARKET



Andrey Solovyev
 Director of City Sale Department,
 Knight Frank

“Despite the amendments to the Federal Law that were enacted at the beginning of the quarter, not only did the demand for high-end residential property remain solid, but it also shifted toward larger and pricier units. Thus, flats and apartments worth more than 26.5 billion rubles were sold over the past three months, this figure being the record high in the last three years. Apart from that, we’re also seeing a gradually rising developer activity, which makes us feel very confident about a successful ending of the year.”

Supply

As of Q3 2019, there were about 2,170 elite and premium units listed for sale on the high-end new-build residential property market, with their combined area amounting to 272,000 sq m. The volume of supply basically remained flat throughout the past three months. The number of the flats and apartments listed for sale declined by 2%.

Such insignificant movements were due to the launch of sales in an array of new properties, as well as the solid buyer activity. Apart from that, some units of a Zamoskvorechye property were taken off the market.

New sales were launched only in two properties of premium segment in July

Key indicators. Dynamics

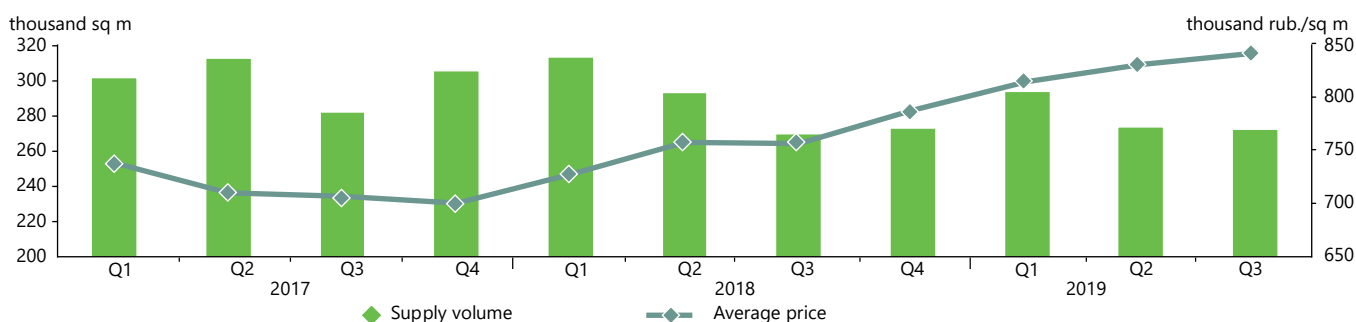
Supply				
	Elite segment	Dynamics*	Premium segment	Dynamics*
Total supply, pcs.	767	-4%	1,402	0%
Average price, thousand rub./sq m	1,145	3%	613	2%
Average area, sq m	152	-1%	111	4%
Average price, mln rub.	174	2%	68	6%
Demand				
	Elite segment	Dynamics**	Premium segment	Dynamics**
Total supply, pcs.	82	-10%	197	2%
Average price, thousand rub./sq m	984	15%	573	5%
Average area, sq m	183	27%	105	0%
Average price, mln rub.	180	45%	60	6%

* Q3 2019 / Q2 2019

** Q3 2019 / Q3 2018

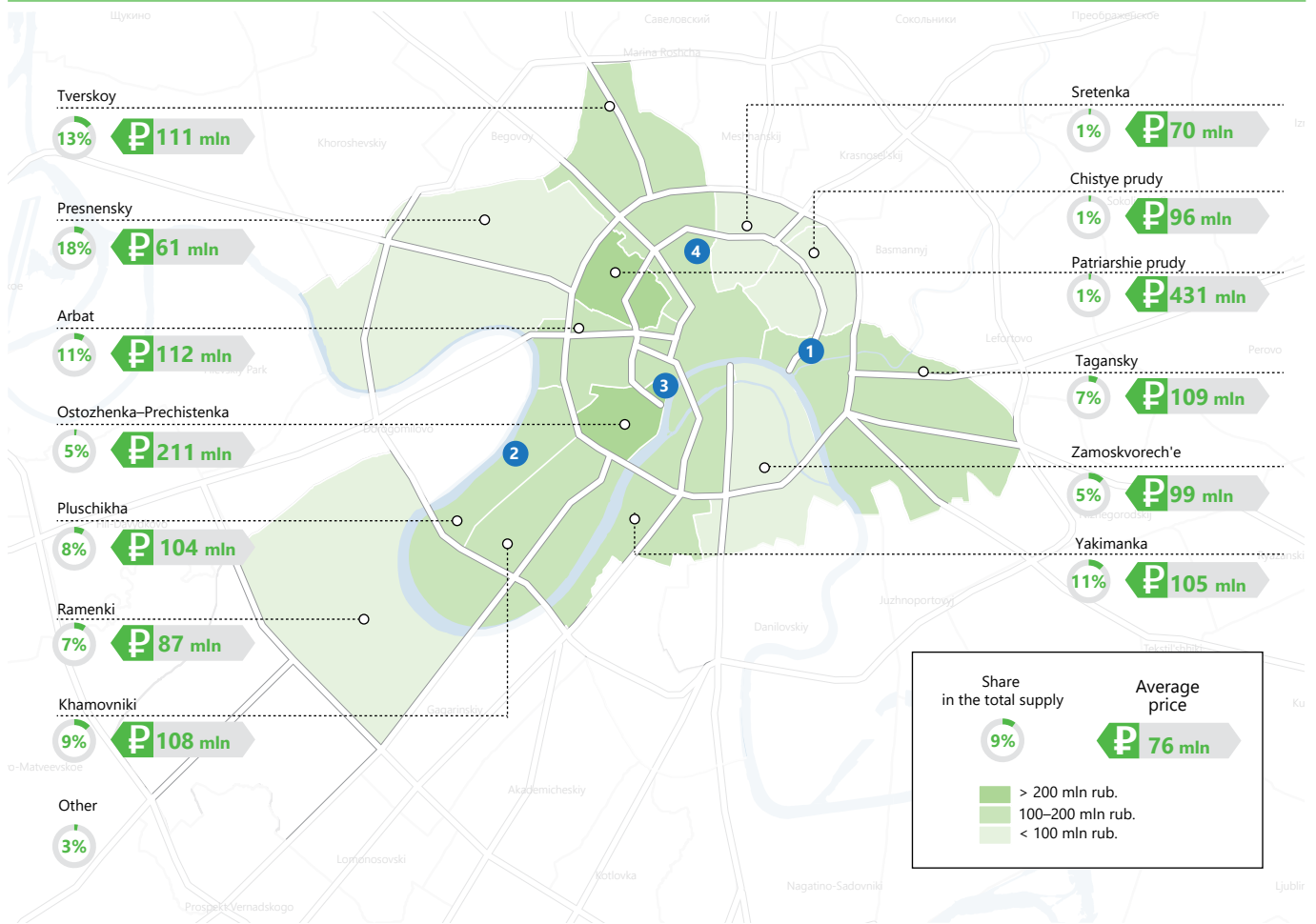
Source: Knight Frank Research, 2019

Supply volume and average price dynamics of the primary market



Source: Knight Frank Research, 2019

Share and average price of supply by district



The complexes with the sales launched in Q3 2019

Title	Address	Class	Developer	Property type	Number of units	Launch of sales	Finishes	Delivery date	
1	Titul na Serebryanicheskaya Emb, prop. 7–11 (Taganskiy)	Premium	Tsentr-Invest	Flats, apartments	175	September 2019	Without fit out	Q3 2020	
2	Savvin River Residence	Bolshoy Savvinskiy Ln, 4, (Plushchikha)	Premium	Gardteks	Flats	169	September 2019	Without fit out	Q1 2021
3	private sales	Ostozhenka	Elite	Apartments			Without fit out		
4	private sales	Tverskoy	Premium	Apartments			Fitted out/ Without fit out		

Source: Knight Frank Research, 2019

through September, and namely Titul na Serebrenicheskoy and Savvin River Residence. Also, two more properties entered the market with private sales: one in Ostozhenka and the other one in Tverskoy district.

It is worth mentioning that the supply of residential housing in completed elite and premium newly built properties reached its

top value since 2016 by the end of the quarter. Therefore, the share of flats and apartments in commissioned properties accounted for 44%, which is 9 p.p. higher than in H1 2019. All in all, there were eight complexes delivered over the past three months, among which Malaya Bronnaya, 15, Residentsiya na Vsevolozhskom, The Mostman, SVET 32 and some others.

The Top-3 leading districts by the concentration of supply remained unchanged over the quarter. The largest number of units are still listed for sale in Presnenskiy district, whose share rose by 2 p.p. to 18%. Tverskoy district came in second, with its share of 13% of all pricy flats and apartments. The third line belongs to Yakimanka, with its share of 11%.

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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.	Over 200 mln rub.
Up to 100 sq m	24.0%	9.3%	1.2%	0.1%	0.0%
100–150 sq m	1.5%	25.8%	8.3%	1.6%	1.2%
150–200 sq m	0.0%	5.7%	5.9%	3.4%	3.0%
200–250 sq m	0.0%	0.2%	0.6%	1.8%	2.4%
Over 250 sq m	0.0%	0.0%	0.2%	0.7%	3.2%

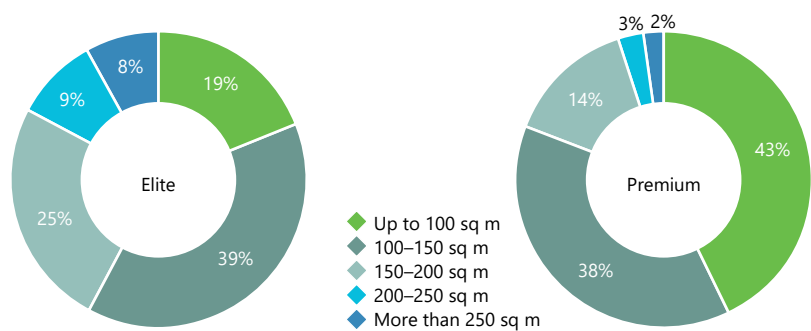
Source: Knight Frank Research, 2019

The structure of supply almost didn't change over the quarter. The share of units over 200 sq m insignificantly decreased by 2 p.p. in elite sector, which is due to the rise in buyer interest to larger units. Currently, 17% account for such offers. The larger part of elite flats and apartments are still concentrated within 100 to 150 sq m range and account for 39% of the supply. The share of the units worth 150 to 250 million rubles grew by 2% in the elite sector over the past three months.

The share of the most compact and affordable supply, on the contrary, declined due to a number of units having gone off the listings. Therefore, the number of premium flats and apartments of under 100 sq m in area decreased by 4% over Q3 2019, while the number of units worth under 50 million rubles dropped by 7% over the same period. Currently, almost half the supply (48%) is made up of the properties worth 50 to 100 million rubles.

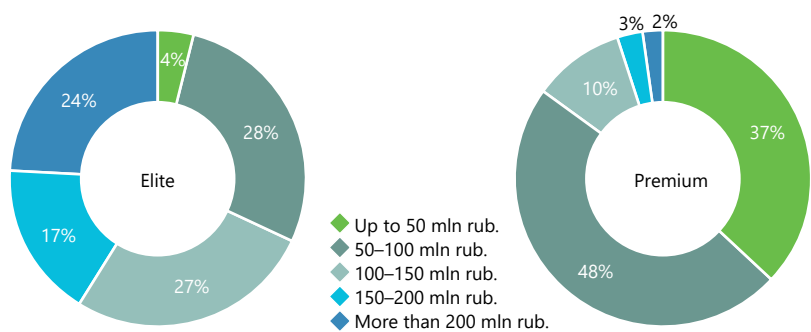


Supply based on their area



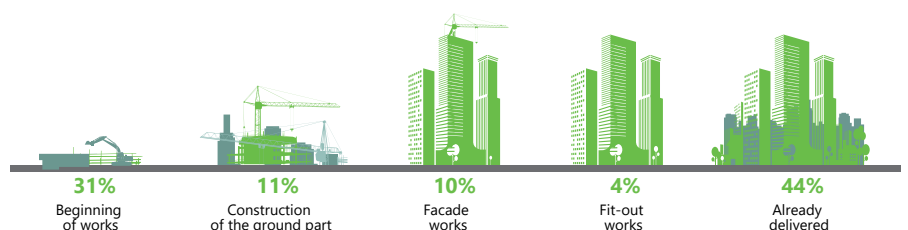
Source: Knight Frank Research, 2019

Supply based on their price



Source: Knight Frank Research, 2019

Supply structure by the construction stage



Source: Knight Frank Research, 2019

Demand

About 280 flats and apartments were sold off the residential new-build high-end market of Moscow in July through to September 2019, which is comparable to the last year's figure (a 2% annual decline). In spite of the decrease in the quantitative parameters the qualitative ones demonstrated a positive performance. Thus, the average price of a transaction grew by 22% to 95 million rubles as compared to last year. Meanwhile, the average area of a sold unit amounted to 128 sq m (a 9% annual growth). The concentration of buyer preferences on pricier units (over 200 million rubles) is one of the trends of 2019. The choice mostly falls on penthouses, townhouses, double-level housing formats, and units with terraces. Over Q3 2019, there were 25 transactions signed within this budget versus 17 of those in Q3 2018. The largest transaction of Q3 2019 was the sale of a 520 sq m unit in Knightsbridge.

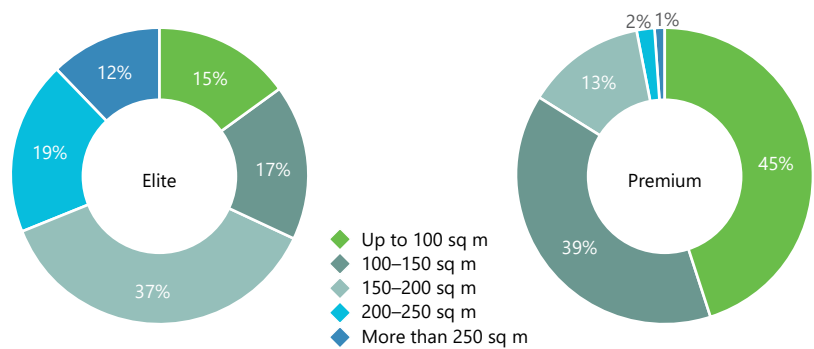
Due to this, there were significant changes to the structure of transactions. Thus, as of Q3 2018, 57% of all sold units accounted for the elite flats and apartments of under

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	28.7%	7.5%	0.0%	0.0%	0.0%
100–150 sq m	6.1%	22.9%	2.9%	0.4%	0.4%
150–200 sq m	0.0%	7.5%	7.9%	2.2%	2.5%
200–250 sq m	0.0%	0.4%	1.4%	2.5%	2.5%
Over 250 sq m	0.0%	0.0%	0.0%	0.7%	3.6%

Source: Knight Frank Research, 2019

Transactions of the primary market based on their area



Source: Knight Frank Research, 2019



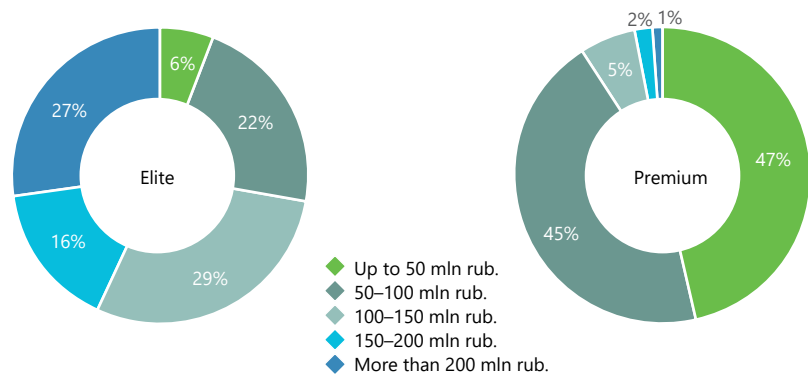
Knightsbridge

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150 sq m in area, while the figure for Q3 2019 was only 32%. Also, while earlier, a third part of demand (32%) accounted for the units of 100 to 150 sq m, now the largest share accounts for the formats of 150 to 200 sq m. The share of the most expensive flats and apartments (over 200 million rubles) in the structure of demand amounted to 27% in Q3 2019, which is 12 p.p. more than a year ago.

The situation is similar for the premium sector. The share of the most compact units (under 100 sq m) dropped by 4%, while the share of the most affordable ones (under 50 million rubles) declined by 3%. The buyer

Transactions of the primary market based on their price



Source: Knight Frank Research, 2019

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



Source: Knight Frank Research, 2019



Leading projects



Sadovye Kvartaly



Lucky



Vishnevyy Sad

preferences shifted toward the units of 100 to 150 sq m worth 50 to 100 million rubles. It is worth mentioning that there were several premium newly built units of over 250 sq m in area sold in July through to September, unlike a year ago, when such deals did not occur at all.

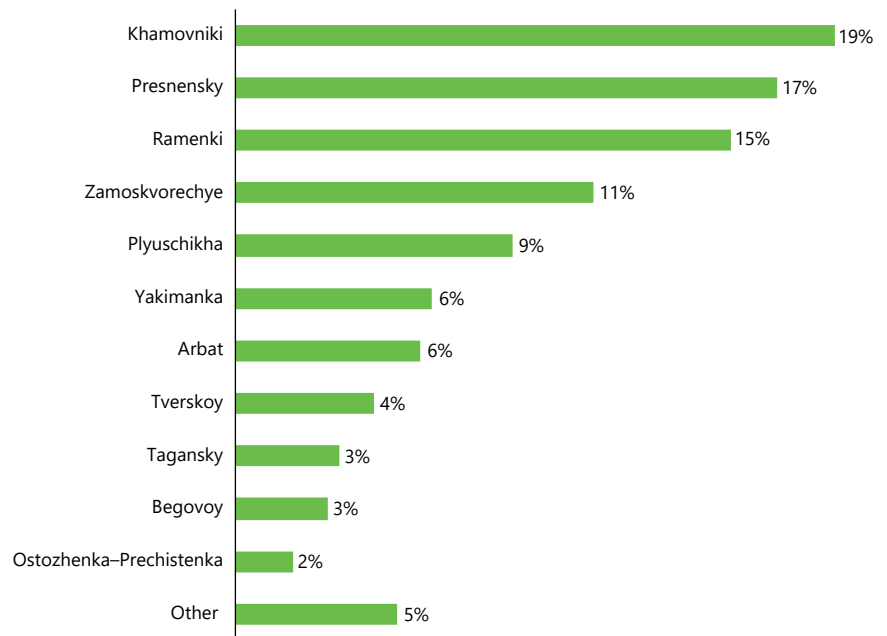
The most popular locations for the new-build properties remained the same. The leader was Khamovniki, with each fifth transaction of Q3 accounting for it. Presnenskiy district grew in popularity, with its share amounting to 17% (+6 p.p.). The share of Ramenki stood at 15%, with a 5%-increase in the number of deals as compared to Q3 2018. It was these three districts where the sales leaders of Q3 were located, namely Sadoviyе Kvartaly Residential Complex, Lucky Residential Complex, and Vishnevyy Sad Residential Complex.

Prices

As of the end of September 2019, the average weighted unit price for high-end residential new-builds amounted to 841,000 rubles per sq m, which exceeds the figure of H1 2019 by 1 p.p. Both in elite and premium sectors of the market, the figure's performance was relatively positive amounting to 3% and 2%, accordingly. By the end of the quarter, the average price of a square meter amounted to 1,145,000 rubles for elite new-builds, which happened to be its highest value over the past three years, while the figure for premium segment properties amounted to 613,000 rubles.

Patriarshiye Prudy remained the leader by the highest average weighted price of a square meter, which amounted to 2 million rubles. The most affordable options could

Share of transactions by district



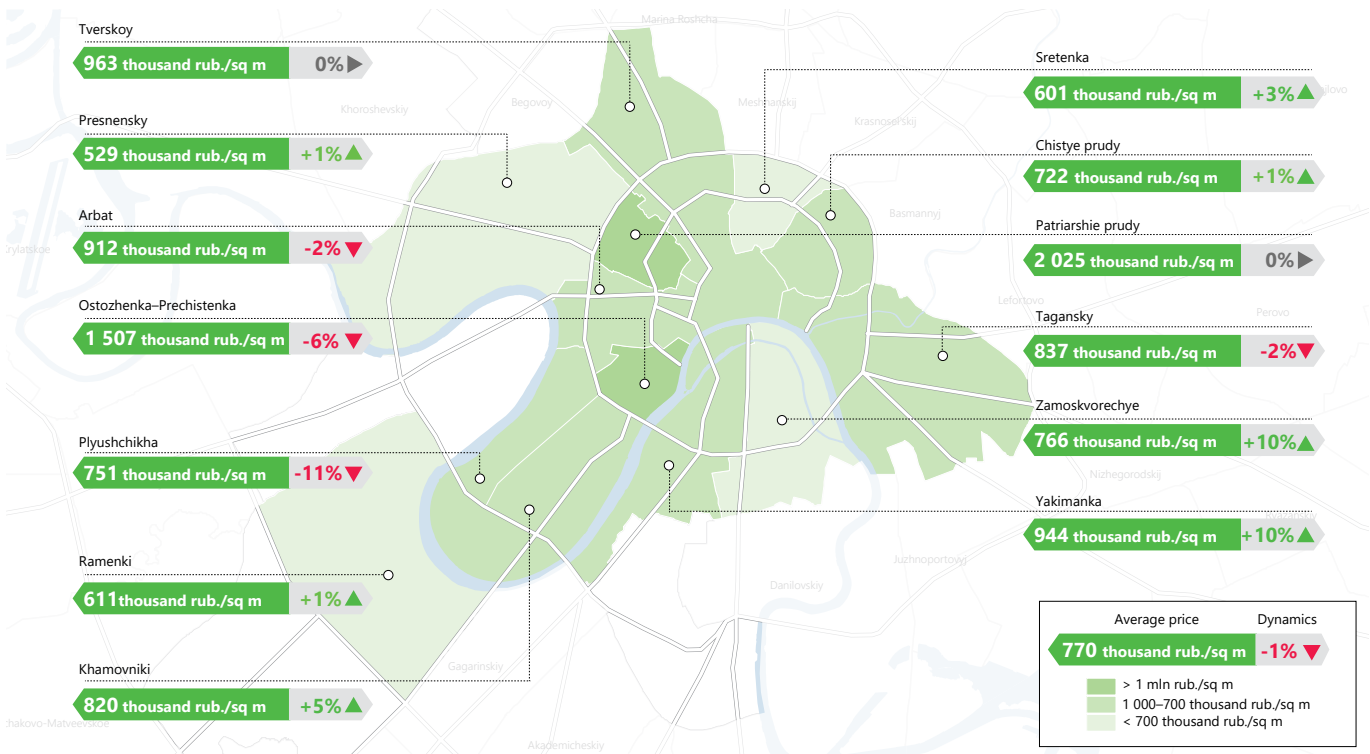
Source: Knight Frank Research, 2019



Polyanka, 44

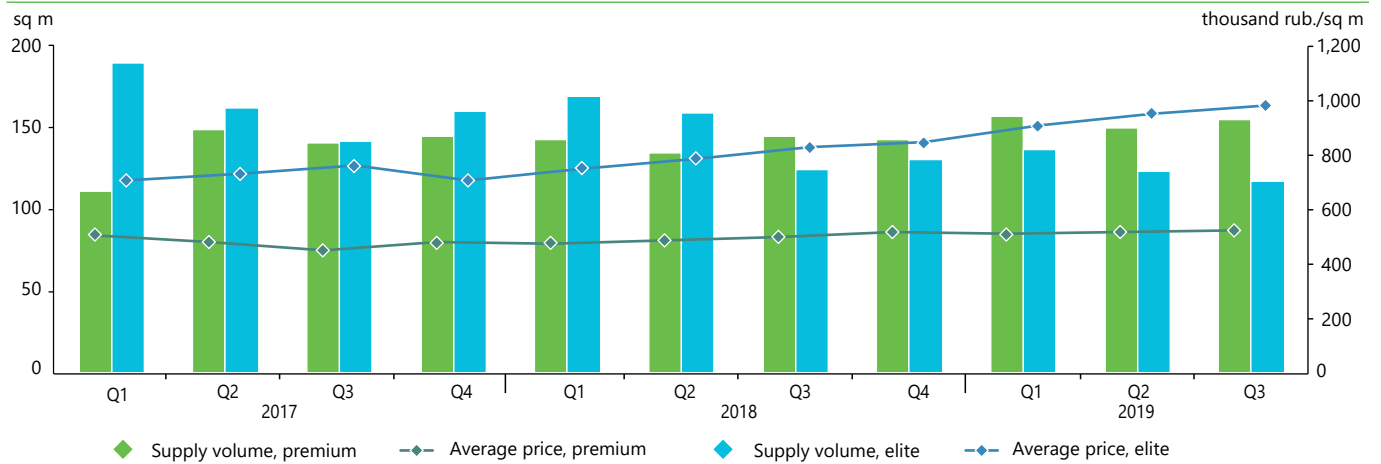
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Dynamics of average price



Source: Knight Frank Research, 2019

Dynamics of average price and supply volume



Source: Knight Frank Research, 2019

be found in Presnenskiy district, where the average price of a square meter amounted to 529,000 rubles. Both figures remained flat throughout the past three months.

The most radical changes to the average weighted price of a square meter were recorded for three districts. Positive price movements were reported for

Zamoskvorechye (a 10% quarterly growth) due to a number of units within one residential property having been taken off the market. Another positively performing district was Yakimanka (another 10% quarterly growth), which was due to the changes to the structure of supply, i.e. the liquid supply had been washed out

of Medniy and Polyanka, 44 projects. The lowest negative price movements of 11% were reported for Plyuschukha, mainly due to the launch of sales in Savvin River Residence with low average price per square meter.

The classification of high-end property of Moscow

According to the brief classification by Knight Frank, a property can be referred to a certain segment as defined by a number of detailed criteria. Among such there are mandatory criteria, i.e. structure details, unit area, finished lobby and common facilities, safety, etc., as well as a number of optional criteria, namely using a renowned architect, layout and arrangement detail, final finishes and their quality.

It is worth mentioning, that currently the outlines of the residential property classes tend to be blurred, which is why the parameters under consideration have been transforming along with the market.

Comparison criteria	Elite	Premium
Mandatory, limiting criteria		
Location	Within Central Administrative District.	Preferably within the Third Ring Road.
Load-bearing and enclosing structures	Frameless homes from ceramic bricks and solid-cast homes with reinforced-concrete frame structures.	
Efficiency factor (gross-to-usable area coefficient)	Not more than 0.65	0.65–0.7
Number of flats per level	under 4	under 6 (rarely under 8)
Ceilings	over 3.2 m high	over 3 m high
Average unit area within project	110+	90+
Parking parameters	Indoor, ground-level / underground, heated parking, preferably with a car wash. Available access for the residents: flat – elevator – parking. 1.5-2.0 car spaces per flat.	Indoor, ground-level / underground, heated parking. Available access for the residents: flat – elevator – parking. 1.0-1.5 car spaces per flat.
Windows	Top priced up-to-date foreign-made fiberglass and wooden shapes, with soundproof and energy efficient glass.	
Finished lobby and common facilities	High-quality custom finishes thoroughly thought through.	
	Materials: noble woods, genuine marble, travertine, porcelain stoneware, stained-glass glazing, metal panels.	Materials: wood, porcelain stoneware, stained-glass glazing, metal panels.
Safety	Cutting edge safety systems. Fire safety system, 24/7 dispatch for all utilities, emergency information and response to system failures and accidents.	
Optional criteria		
Architecture	Individual custom architecture design. The facade of the property has been thoroughly thought through taking into consideration the specifics of the terrain and surrounding landscape. Designed by a renowned architect / architecture bureau on the part of facades and floor planning.	
Layout and arrangement	European format – guest and private zones. Guest zones – hall, guest WC, kitchen, and living room close to entrance.	
	En-suite bathrooms, guest WC.	
	Wardrobes, laundry rooms, storage rooms; en-suite wardrobes.	
Final finishing of flats	None or exclusive finishes (according to a custom design, with exclusive finishing materials).	None or high-quality finishes (according to a custom design).



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