

RESEARCH



2019

PRIME RESIDENTIAL REAL ESTATE MARKET

Moscow



KEY FINDINGS

A solid growth in the supply with final finishes was supported by the growing demand for ready-to-move-into units. Each third sold unit was finished.

The average weighted price grew up to 809,000 rubles per sq m (+3% yoy).

The cumulative value of the transactions exceeded 100 bln rubles having reached record figures over the past five years.



Andrey Solovyev
 Director of City Sale Department,
 Knight Frank

"We will keep the old year in our memories thanks to the bright events in the high-end residential real estate market of Moscow. Thus, some new large-scale properties with developed infrastructure are currently getting ready to be launched, along with some smaller 'boutique' ones that are located downtown. The government control is getting stronger, the system of bank financing via escrow accounts has started functioning. We see a strong buyer activity in the premium segment as well as the structure changes to the development market, with the developers searching for new land plots, the companies getting bigger, and smaller players leaving the market. Only high-level professionals with strong teams and a profound understanding of the market are set to stay.

The market capacity remains at the same level, as has been the number of rich people in Russia for the past few years. The re-sales market contributes to the supply, but yields to the new-builds market in terms of quality, which results in a drop in prices for the former. In its turn, the premium residential real estate market has completely shifted into the ruble zone, while the buyers require high-quality construction and finishes for a reasonable price. All in all, the market is looking for and finding its balance, as always."

PRIME RESIDENTIAL REAL ESTATE MARKET

Supply

As of 2019, the total new-build supply in the high-end residential real estate market amounted to 2,600 units, which is 20% more than a year ago. As for the performance within the segments, there is a variety of trends. Thus, about 780 units

are listed for sale in the elite segment (-6% yoy), while there are about 1,830 units in the premium class (+36% yoy). This is due to that it was mostly club format properties that contributed to the growth in supply in the elite market,

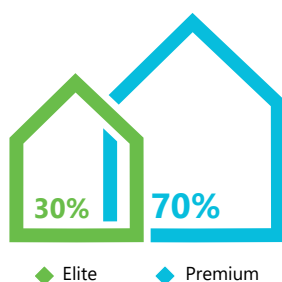
Key indicators. Dynamics

Supply				
	Elite segment	Dynamics*	Premium segment	Dynamics*
Total supply, pcs.	780	-6%	1,830	36%
Average price, thousand rub./sq m	1,156	16%	608	1%
Average area, sq m	151	-3%	111	5%
Average price, mln rub.	175	13%	68	7%
	Elite segment	Dynamics**	Premium segment	Dynamics**
Demand				
Total supply, pcs.	320	15%	850	5%
Average price, thousand rub./sq m	973	20%	562	3%
Average area, sq m	166	12%	104	5%
Average price, mln rub.	162	35%	58	8%

* Q4 2019 / Q4 2018
 ** 2019 / 2018

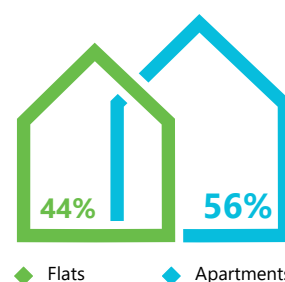
Source: Knight Frank Research, 2020

Supply structure by class



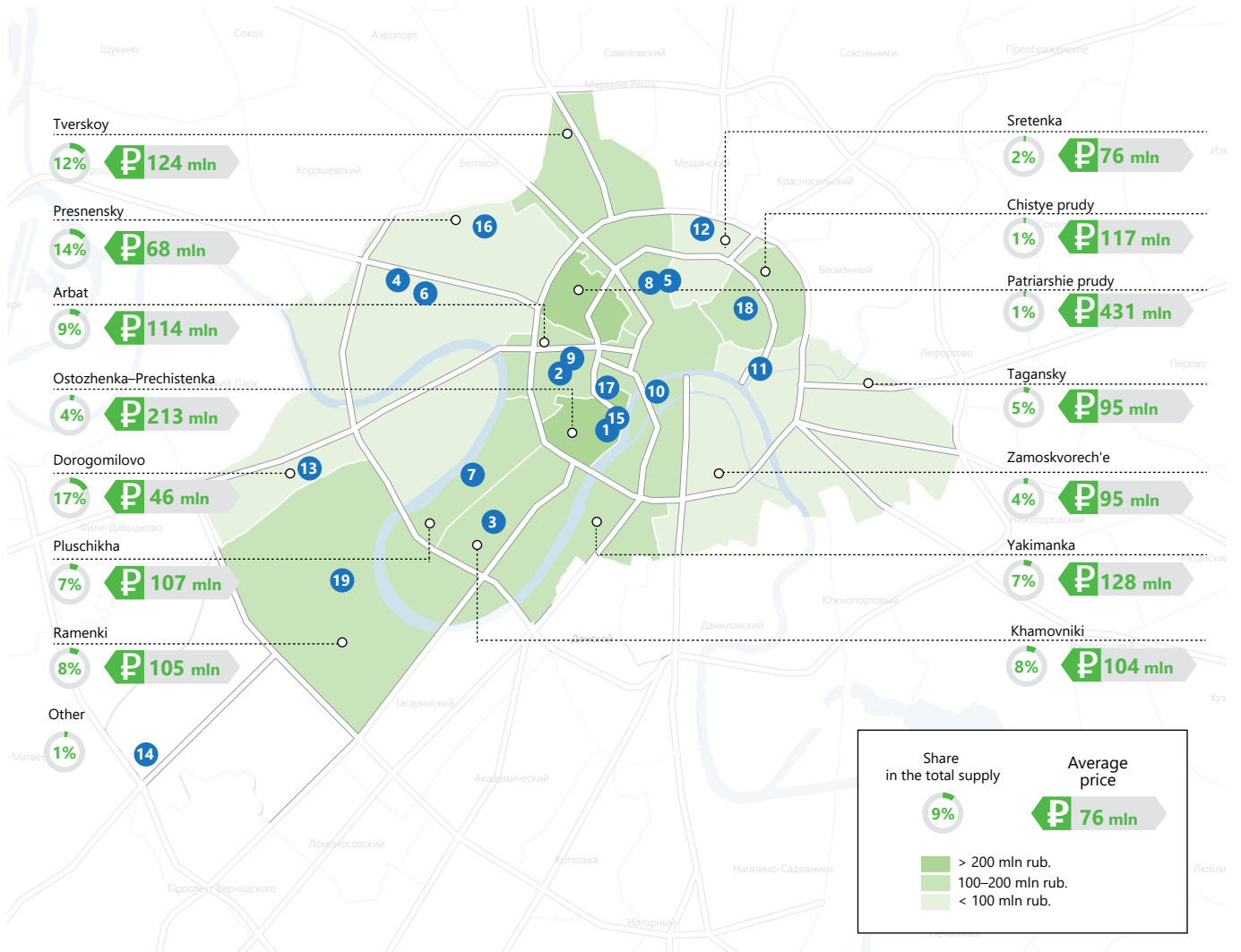
Source: Knight Frank Research, 2020

Supply structure by property type



Source: Knight Frank Research, 2020

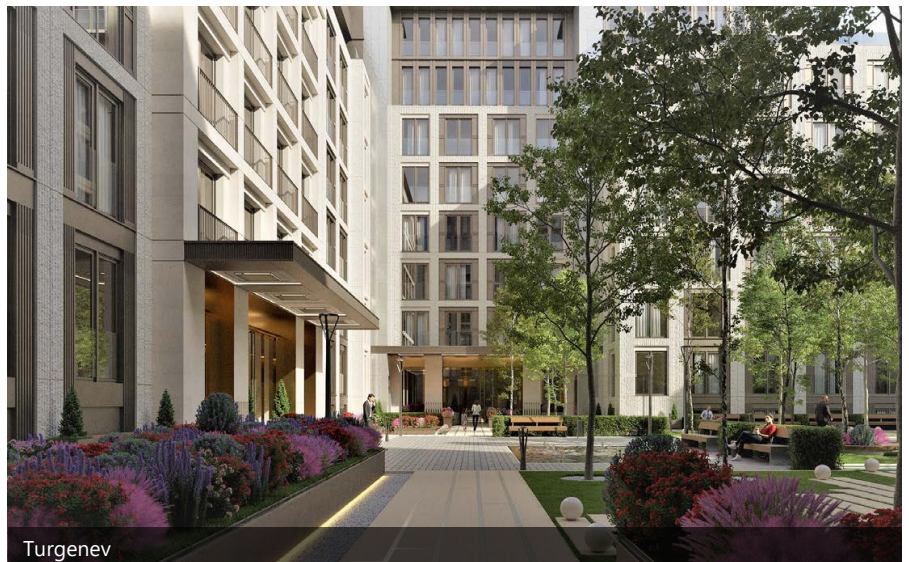
Share and average price of supply by district



Source: Knight Frank Research, 2020

while for the premium segment, on the contrary, several large-scale properties of 500 to 600 units entered the market. For instance, the sales were launched in Lucky Residential Building by Vesper in Q1 2019, and Poklonnaya, 9 by ANT Development was launched in Q4 2019.

Due to the same reason, the Top-3 districts leading by the number of supply changed their positions. Currently, 17% of all flats and apartments are listed in Dorogomilovo (the location of Poklonnaya, 9). Presnenskiy district came in second with its 14% (the location of Lucky). Tverskoy district, which used to top the ranking at the end of last year now takes up the third line, with 12% of all supply being situated here.



PRIME RESIDENTIAL REAL ESTATE MARKET. MOSCOW

The complexes with the sales launched in 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	Q3 2019
3	Eight Yards	Yefremova St, 9A (Khamovniki)	premium	PST	apartments	8	January, 2019	No finish	Q1 2020
4	Eleven	Zvenigorodskoe highway, 11 (Presnensky)	premium	RosStroyInvest	flats	90	October, 2019	Final finish	Q2 2021
5	La Rue	Petrovka St., 26 (Tverskoy)	premium	Capital Group	apartments	106	September, 2019	Final finish/ No finish	Q2 2021
6	Lucky	2nd Zvenigiridskaya St, prop 12, bldg 6 (Presnensky)	premium	Vesper	flats	654	January, 2019	Final finish	Q4 2021
7	Savvin River Residence	Bolshoy Savvinskiy Ln, 4 (Plyuschikha)	premium	Gardteks	flats	169	September, 2019	No finish	Q1 2021
8	Stoleshnikov 7	Stoleshnikov Ln, 7 bldg 1 (Tverskoy)	elite	VMS-Development	flats	12	May, 2019	Final finish	Q4 2020
9	The Book	Noviy Arbat St, 15 (Arbat)	premium	Capital Group	apartments	178	January, 2019	Final finish	Q3 2019
10	The Residences Mandarin Oriental Moscow	Sofiyskaya Emb., 4, bldg 1 (Yakimanka)	elite	Capital Group	flats	137	May, 2019	Final finish	Q4 2020
11	Titul na Serbryanicheskoy	Serebryanicheskaya Emb, prop. 7-11 (Taganskiy)	premium	Tsentri Invest	flats, apartments	175	September, 2019	No finish	Q3 2020
12	Turgenev	Kostyansky Ln, 13 (Sretenka)	premium	NeoStroy	flats, apartments	169	December, 2019	Final finish	Q4 2021
13	Poklonnaya, 9	Poklonnaya St., 9 (Dorogomilovo)	premium	ANT Development	apartments	475	October, 2019	Final finish	Q4 2022
14	Reka	Lobachevskogo St, 114 (Ramenki)	premium	Donstroy	flats	115	June, 2019	No finish	Q4 2021
15	private sales	Ostozhenka	elite		apartments			No finish	
16	private sales	Presnensky	premium		flats			n/a	
17	private sales	Arbat	elite		apartments			No finish	
18	private sales	Chistye prudy	elite		flats			White box	
New phases									
19	Vishnevyy Sad (2nd phase)	Mosfilmovskaya St./ Kosygina St. (Ramenki)	premium	AB Development	flats	106	November, 2019	Final finish/ No finish	Q4 2021

Source: Knight Frank Research, 2020

Primary market supply structure

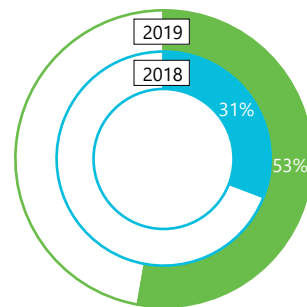
	Up to 50 mln rub.	50–100 mln rub.	100–150 mln rub.	150–200 mln rub.	Over 200 mln rub.
Up to 100 sq m	28.6%	8.3%	1.4%	0.2%	0.1%
100–150 sq m	2.5%	23.3%	7.8%	1.4%	1.0%
150–200 sq m	0.0%	5.7%	6.1%	2.9%	2.4%
200–250 sq m	0.0%	0.1%	0.4%	1.2%	2.5%
Over 250 sq m	0.0%	0.0%	0.2%	0.7%	3.2%

Source: Knight Frank Research, 2020

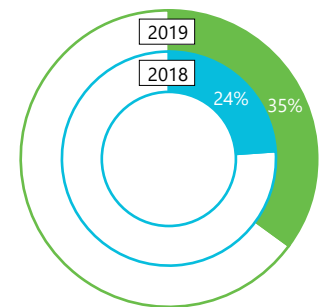
Over January to December 2019, the high-end residential real estate market grew by 18 new properties and one new phase. It is worth mentioning that the format of private sales that was especially sought-after in 2018 kept its popularity in 2019. Thus, four out of 18 new properties are being sold via private sales, which is 22% of all new high-end supply.

A solid growth in the finished units is among the new trends of the market. Thus, 53% of such are currently found in the total supply (+22% yoy). The demand for finished flats and apartments follows their growth in supply. Thus, each third unit sold was finished, while not more than 24% of all transaction volume shared this feature a year ago. Further on, the share of finished supply will continue growing, for a growing number of residential property buyers prefer this kind of units.

Supply share with finishing

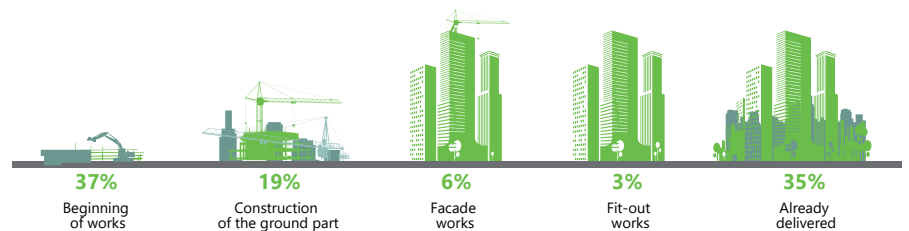


Demand share with finishing

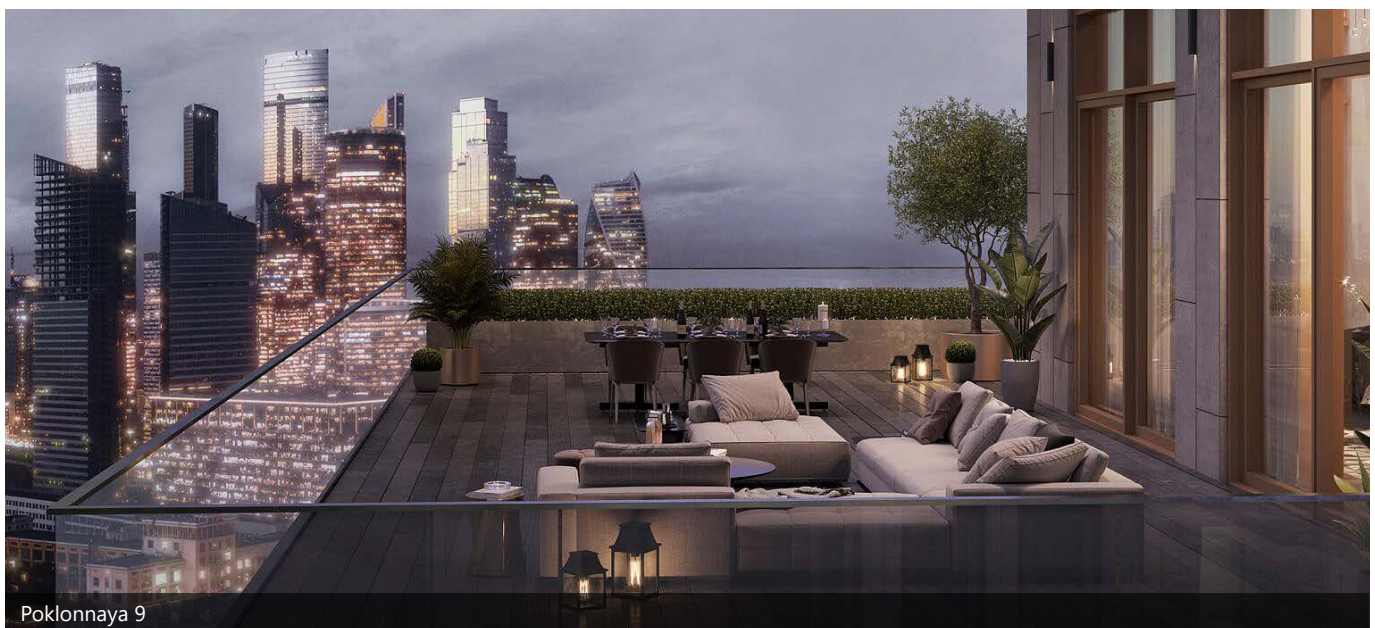


Source: Knight Frank Research, 2020

Supply structure by the construction stage



Source: Knight Frank Research, 2020



Poklonnaya 9

Demand

As of 2019, about 1,170 transactions with flats and apartments were signed in the high-end residential real estate market, which is 8% more than a year ago. Their cumulative value amounted to more than 100 bln rubles and reached record high value over the past five years, breaking the result of 2018 by 32% and that of 2017 – by 53%.

Positive performance is partially due to the growth in the popularity of highly priced units (200+ mln rubles) - twice as many transactions as compared to last year figure. The number of signed deals stood at 86 in this price range in 2019, which was 7% of all sold flats and apartments (against 43 deals or 4% in 2018).

Due to the above, the average transaction price grew by 22% yoy and amounted to 87 mln rubles. The figure dropped by 35% to 162 mln rubles per unit for the elite segment, and to 58 mln rubles per unit for the premium class (+8% yoy). The average deal area rose for both segments: by 12% to 166 sq m for the elite market and by 5% to 104 sq m for the premium segment, as compared to 2018.

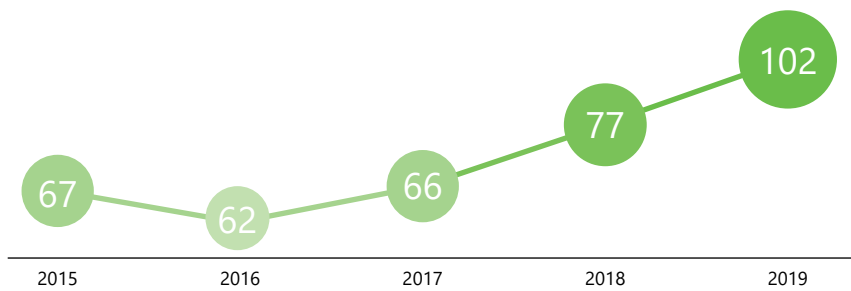
Khamovniki remains the most popular location for new-builds, with its 17% of all transactions, while the figure amounted to 23% in 2018. The decline is due to the fact that some interesting objects came to the market in different districts of Russia's capital. For example, the buyer interest to Presnenskiy district (15%) is increasing. Its

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	32.6%	7.5%	0.1%	0.0%	0.0%
100-150 sq m	4.7%	23.8%	4.9%	0.9%	0.3%
150-200 sq m	0.1%	6.4%	5.8%	1.6%	1.9%
200-250 sq m	0.0%	0.3%	1.5%	2.1%	1.5%
Over 250 sq m	0.0%	0.0%	0.1%	0.3%	3.6%

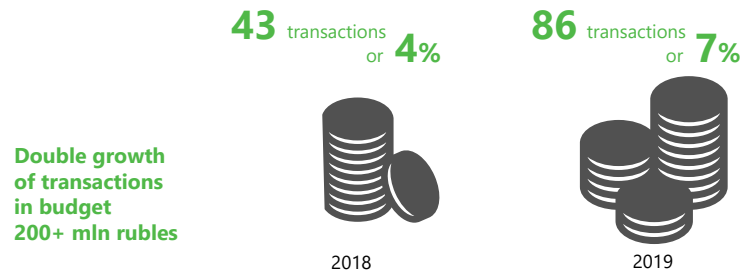
Source: Knight Frank Research, 2020

Dynamics of the transactions total value, bln rubles



Source: Knight Frank Research, 2020

The growth in the popularity of high priced units



Source: Knight Frank Research, 2020

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

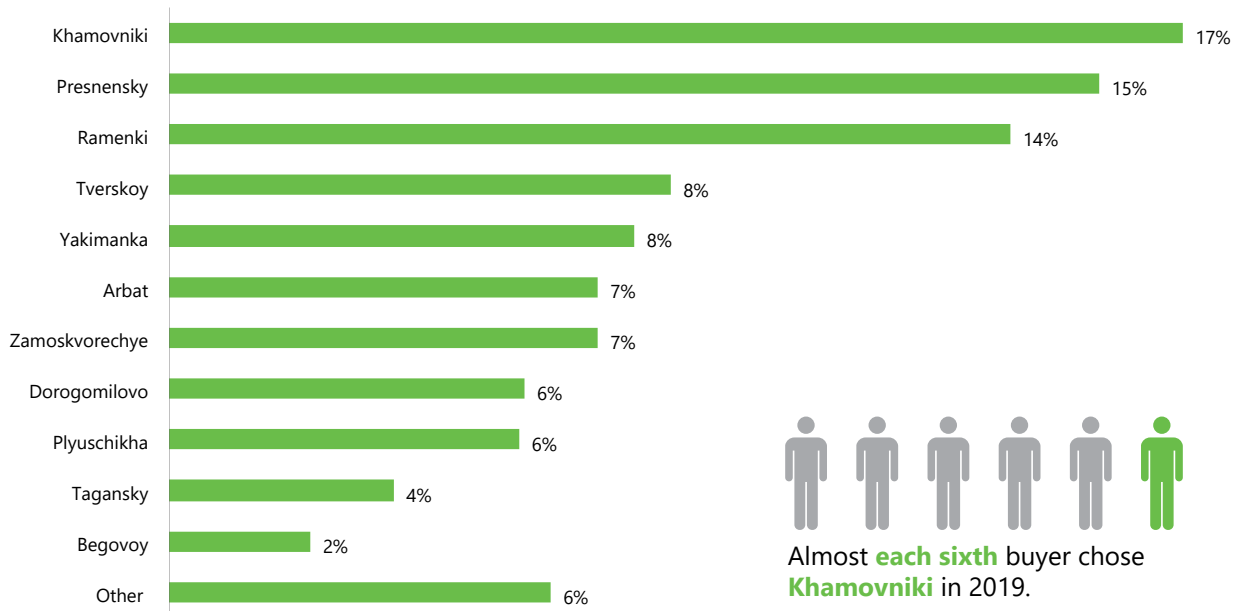


Source: Knight Frank Research, 2020

share grew by 4 p.p. yoy, which allowed it to jump up from the fourth line to the second one. Also, we expect Dorogomilovo district to enter the Top-3 in the near future in addition to its leading position by the supply volume. Apart from the launch of Poklonnaya, 9 in 2019, another large-scale property (encompassing a bout 500 units) is scheduled to be launched in H1 2020 in this location, which will affect significantly the structure of demand in the high-end residential real estate market.



Share of transactions by district



Almost **each sixth** buyer chose **Khamovniki** in 2019.

Source: Knight Frank Research, 2020

Leading projects



Lucky



Sadovye Kvartaly



Vishneviy Sad

Prices

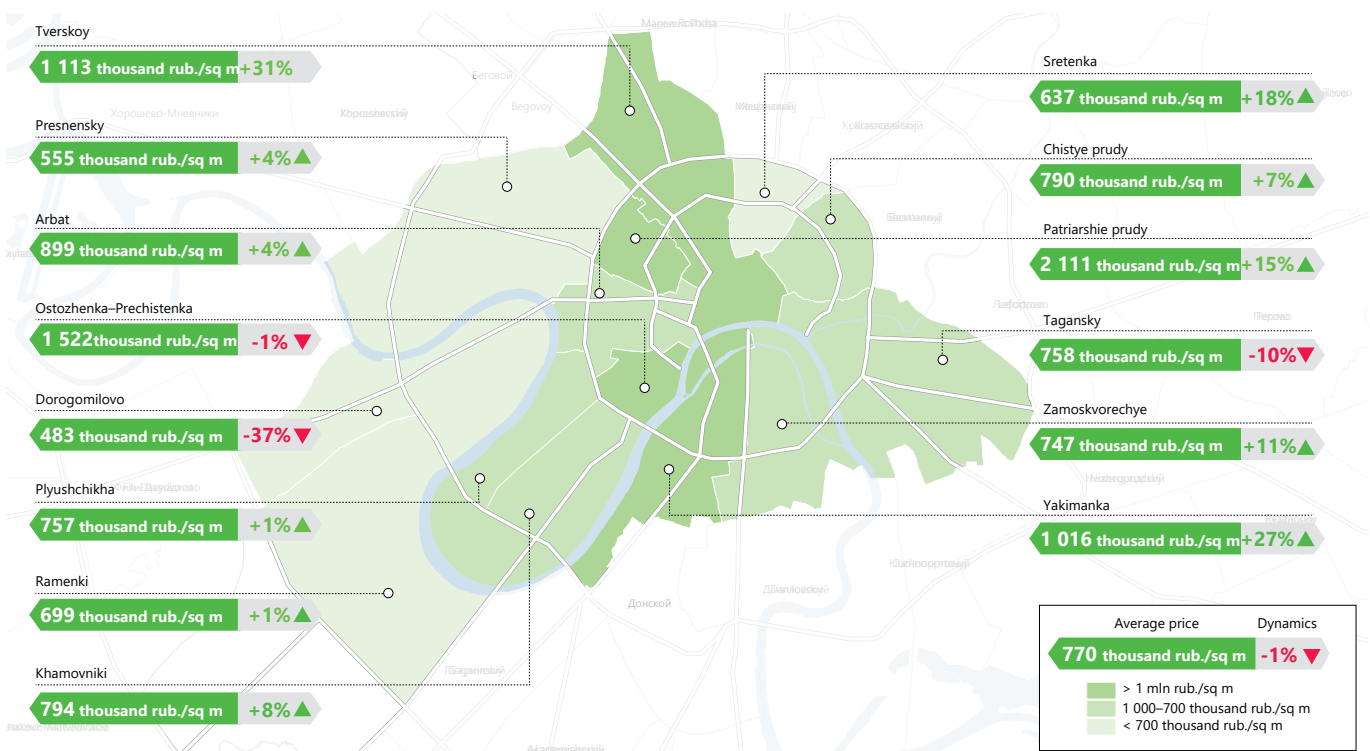
As of the end of 2019, the average weighted price for the high-end residential real estate market amounted to 809,000 rubles per sq m (+3% yoy). While the figure for the premium segment basically remained flat and amounted to 608,000 rubles per sq m (+1% yoy), that for the elite segment increased substantially to 1,156,000 rubles per sq m (+16% yoy). This growth owed to two key factors, namely the more advanced

construction stage of the properties as well as the launch of new high-end supply. For instance, The Residences at Mandarin Oriental, Stoleshnikov 7, Allegoria Mosca, and Artisan.

Patriarshiye Prudy still remain the priciest district of Moscow, with the sq m price here amounting to 2.1 mln rubles in average. The lowest average price is reported for Dorogomilovo district and amounted

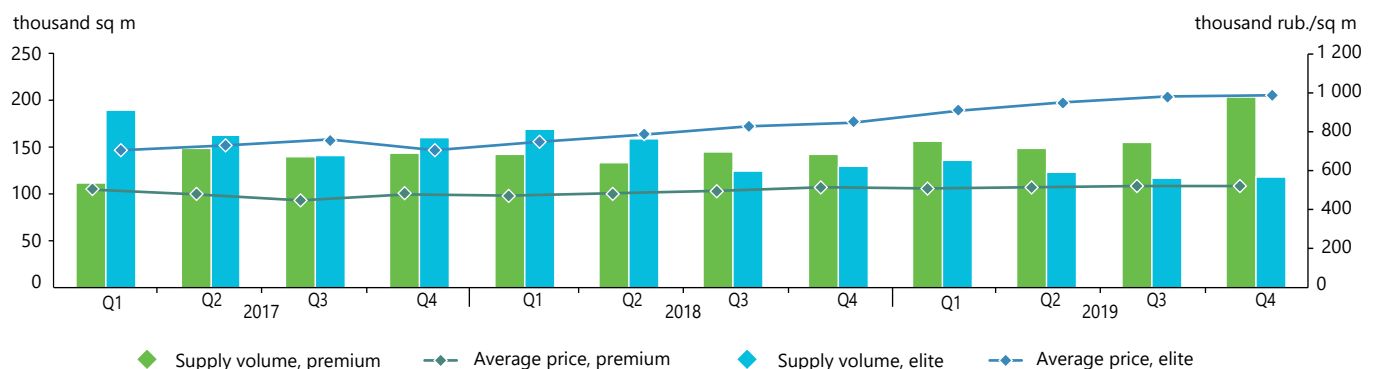
483,000 rubles per sq m. At the same time, the most significant downward price movements were recorded for this location (-37% yoy). This is due to the launch of sales in a large-scale property Poklonnaya, 9, while by the end of 2018 only one property – Kutuzovskiy, 12 – was situated here and controlled pricing situation in the area.

Dynamics of average price



Source: Knight Frank Research, 2020

Dynamics of average price and supply volume



Source: Knight Frank Research, 2020

The classification of high-end property of Moscow

According to the 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).

* The overview includes a short version of the Moscow High-end Real Estate Classification. You can request your copy of the full document by filling out a form at kf.expert.

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