

**+7%** growth of the average weighted supply price since the beginning of the year

A reduction in the number of transactions by **one third** compared to H1 2019.

# PRIME RESIDENTIAL REAL ESTATE MARKET MOSCOW

H1 2020





**Andrey Solovyev**  
Director of City Sale Department,  
Knight Frank

"The sales in the Moscow high-end residential real estate market reduced in Q2 as expected. However, buyer interest remained stable at a high level. The second half of 2020 will be indicative of all segments as we will see how the market will recover after the restrictive measures are lifted. We will be able to assess the crisis effect in full only in future periods. Development activity will be one of the demand-supporting factors: after the Q1 slack, still several new projects appeared on the market and a number of other complexes, which were postponed earlier, are planned in the near future. Our forecasts regarding prices have not changed, and we expect their growth by 5–7% by the end of the year unless the indicators are adjusted due to the release of large complexes at a low price. The high-end segment is traditionally less affected by crises, which is proved by the previous years experience. We soon expect the market to return to the «normal» condition although with updated requirements for a number of parameters".

## Key findings

- ♦ A reduction in the number of transactions by one third compared to H12019.
- ♦ Growth of the average weighted supply price to 864,000 rubles per sq. m (+ 7% since the beginning of the year).
- ♦ The trend for interior finishing has survived: half of all January-June transactions included this option.

## Supply

The offer volume in the elite market, supported by the release of several new projects and the return to the market of one of the already known projects, together with a small number of transactions in the II quarter, amounted to about 2.6 thousand apartments and apartments with a total area of 317 thousand square meters at

the end of the half year. Compared with Q1 2020, the number of units on show has increased by 3%. In annual dynamics, the indicator growth is more significant: almost 17% (compared with H1 2019), as certain large projects entered the market in H2 last year.

### Key indicators. Dynamics

Supply	Deluxe	Dynamics*	Premium	Dynamics*
Total supply, pcs.	740	-6%	1,840	1%
Average price, thousand rub./sq m	1,253	8%	642	6%
Average area, sq m	156	3%	109	-2%
Average price, mln rub.	195	12%	70	4%
Demand	Deluxe	Dynamics**	Premium	Dynamics**
Total supply, pcs.	80	-47%	280	-29%
Average price, thousand rub./sq m	1,007	13%	544	-5%
Average area, sq m	156	-2%	113	9%
Average price, mln rub.	157	10%	62	4%

\* H1 2020 / H2 2019

\*\* H1 2020 / H1 2019

Source: Knight Frank Research, 2020

### Supply structure by class

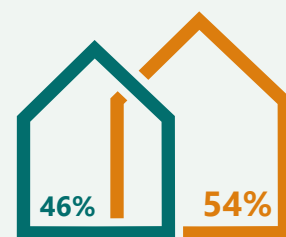
■ Deluxe ■ Premium



Source: Knight Frank Research, 2020

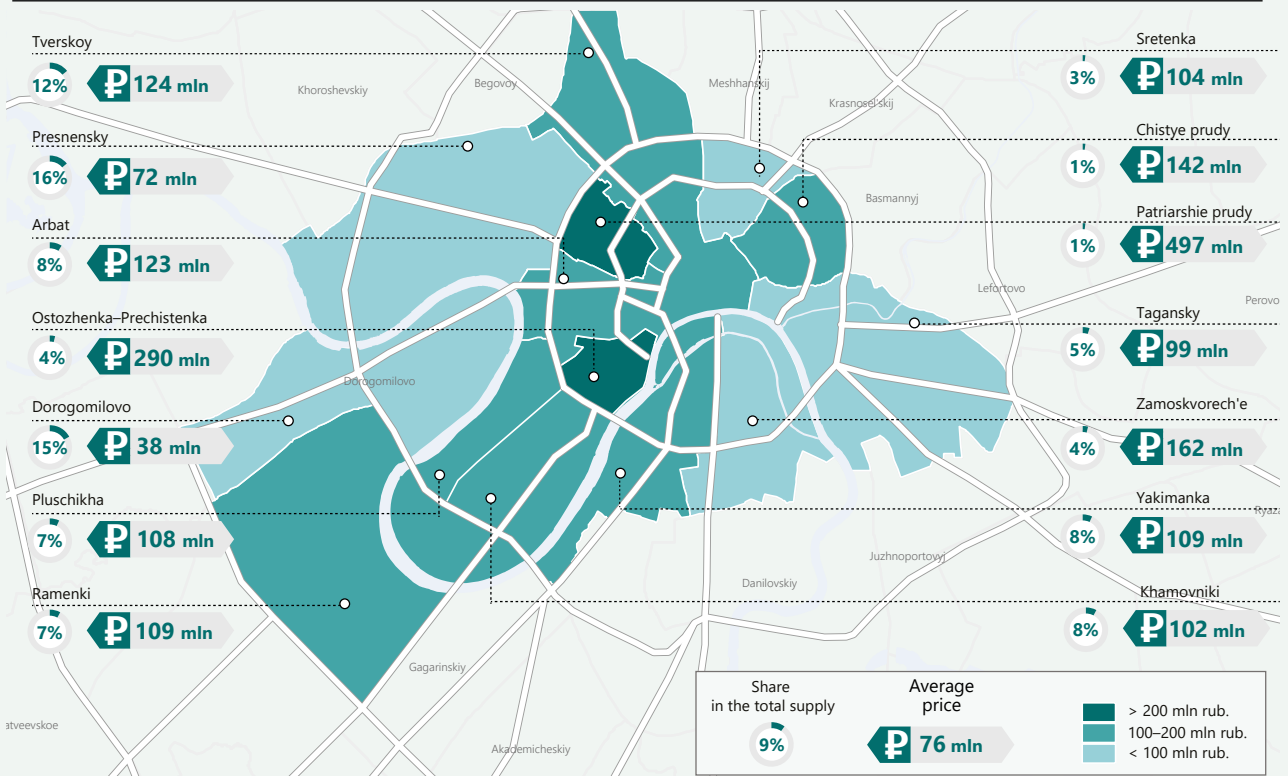
### Supply structure by property type

■ Flats ■ Apartments



Source: Knight Frank Research, 2020

### Share and average price of supply by district



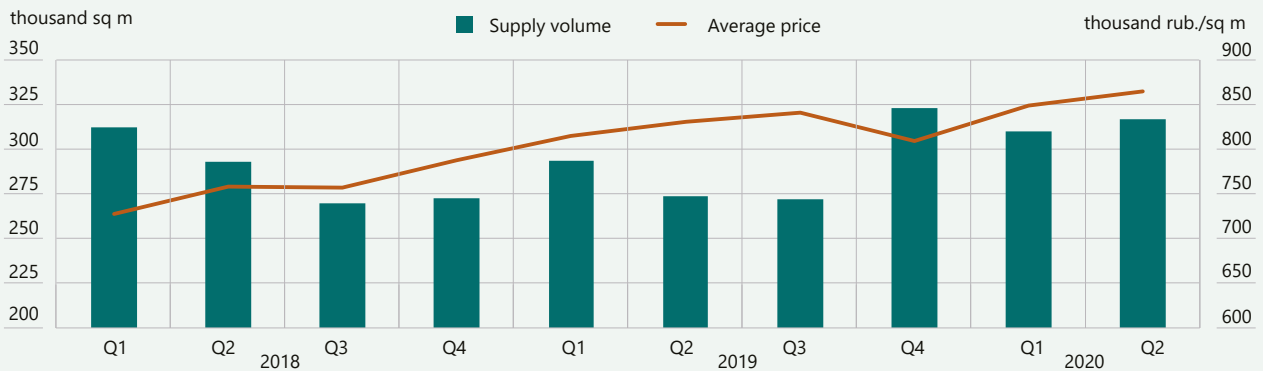
Source: Knight Frank Research, 2020

### New projects in H1 2020

Name	Address	Class	Developer	Property Type	Number of units	Market Launch	Finishing	Commissioning Date
Private sales	Taganskiy	Premium		apartments		June 2020	Finish	
Private sales	Yakimanka	Deluxe		flats		May 2020	No finishing	

Source: Knight Frank Research, 2020

### Dynamics of average price and supply volume



Source: Knight Frank Research, 2020

Two new projects appeared on the market in April - June. Both complexes are now being sold in terms of private sale: one of them is a Deluxe complex in Yakimanka, the second – a Premium class complex in Tagansky district of Moscow.

The Presnensky district is one of the three top locations in terms of the supply concentration as about 16% of all flats and apartments on the market are accumulated according to the results of six months. The location has occupied the top of the rating since the beginning of last year after the release of the Lucky residential quarter. Dorogomilovo takes the second place (15% of the supply) where the large-scale Poklonnaya 9 project is currently being implemented. Tverskoy district, characterized by the largest number of new buildings among other locations, closes the top three (12% of the supply).

There were no significant changes in the offer structure for the first 6 months of 2020. The majority of the flats and apartments sold in the Deluxe segment is within the range of 100–150 sq. m, while in terms of budgets two ranges almost equally dominate: 100-150 mln rubles and 50-100 mln rubles. As for the Premium class, about a quarter of the offer is formed by units of 50 to 100 sq. m. and worth 30 to 60 mln rubles.

**Primary market supply structure. Deluxe**

	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	3.4%	10.4%	6.4%	0.9%	0.1%
100–150 sq m	0.0%	12.9%	14.6%	4.6%	3.9%
150–200 sq m	0.0%	0.9%	6.6%	7.7%	8.4%
200–250 sq m	0.0%	0.1%	0.7%	2.3%	7.6%
Over 250 sq m	0.0%	0.0%	0.1%	0.1%	8.0%

Source: Knight Frank Research, 2020

**Primary market supply structure. Premium**

	Up to 30 mln rub.	30–60 mln rub.	60–90 mln rub.	90–120 mln rub.	Over 120 mln rub.
Up to 50 sq m	5.0%	2.1%	0.0%	0.0%	0.0%
50–100 sq m	10.2%	25.5%	4.2%	0.7%	0.0%
100–150 sq m	0.0%	6.9%	15.9%	8.6%	2.3%
150–200 sq m	0.0%	0.0%	5.4%	5.6%	3.1%
Over 200 sq m	0.0%	0.0%	0.0%	0.3%	4.2%

Source: Knight Frank Research, 2020

**Supply structure by the construction stage. Deluxe**



Source: Knight Frank Research, 2020

**Supply structure by the construction stage. Premium**



Source: Knight Frank Research, 2020



## Demand

The “quarantine” months resulted for the high-end market in an almost twofold reduction of transactions. Despite the increased number of incoming calls / requests for house-buying during these months, just some of them turned into factual transactions. It was first affected by restrictions in the work of the MFCs and Rosreestr (Federal Agency for State Registration, Cadastre, and Cartography), the impossibility of walk-throughs, as well as the buyers’ unwillingness to enter into transactions remotely.

It is worth noting that developers quickly adapted to new conditions: flat/apartment online showing, video tours or 3D tours have become available for most facilities, which allowed the customers to see the unit from the inside without visiting it. This option is only partly new: some developers provided it even before quarantine. The interest from the buyers’ side was rather high and virtual tours were very popular. However, if to speak about the expensive segment, it is important for customers to see the unit with their own eyes at first and only then make a deal. Therefore, even considering restrictive measures, many of them preferred to visit the facilities wearing masks and gloves and only then make the final decision whether to buy or not.

For instance, about 130 flats and apartments were sold in the segment during Q2 2020, which is almost twice lower than in Q2 2019 (-57% in annual dynamics). In general, the total number of transactions for H1 2020 amounted to about 360 transactions, i.e. one third lower than in H1 2019. We estimate that in case

of good market recovery rate, a significant part of the pre-existing deferred demand will be realized by the end of the year, which will allow us to even the “failure” of April-June transactions.

Customer preferences have changed very little over the previous months. Following the half-year outcomes, Presnensky (19% of all transactions) and Ramenki (16% of all transactions) districts were most popular. Moreover, our forecasts regarding Dorogomilovo district turned out to be true and this location also entered the top three

(14% of all transactions). Thus, almost half of all flats and apartments sold in the Moscow high-end real estate market were located in the above three districts.

The trend for interior finishing has also survived: 49% of all units sold in the H1 2020 included this option. Their share in the total volume is likely to decrease by the end of 2020 but we expect that the amount will be higher compared to previous periods. The share of transactions that included finishing was 35% by the end of 2019 and 24% by the end of 2018.

### Primary market transactions structure. Deluxe

	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	4.8%	13.3%	3.6%	0.0%	0.0%
100–150 sq m	0.0%	18.1%	9.6%	7.2%	0.0%
150–200 sq m	0.0%	1.2%	7.2%	4.8%	8.4%
200–250 sq m	0.0%	0.0%	1.2%	3.6%	7.2%
Over 250 sq m	0.0%	0.0%	0.0%	0.0%	9.6%

Source: Knight Frank Research, 2020

### Primary market transactions structure. Premium

	Up to 30 mln rub.	30–60 mln rub.	60–90 mln rub.	90–120 mln rub.	Over 120 mln rub.
Up to 50 sq m	1.1%	1.1%	0.0%	0.0%	0.0%
50–100 sq m	14.2%	25.6%	1.4%	0.0%	0.0%
100–150 sq m	0.0%	13.9%	19.2%	4.3%	0.0%
150–200 sq m	0.0%	0.4%	6.8%	5.7%	2.5%
Over 200 sq m	0.0%	0.0%	0.0%	1.1%	2.8%

Source: Knight Frank Research, 2020



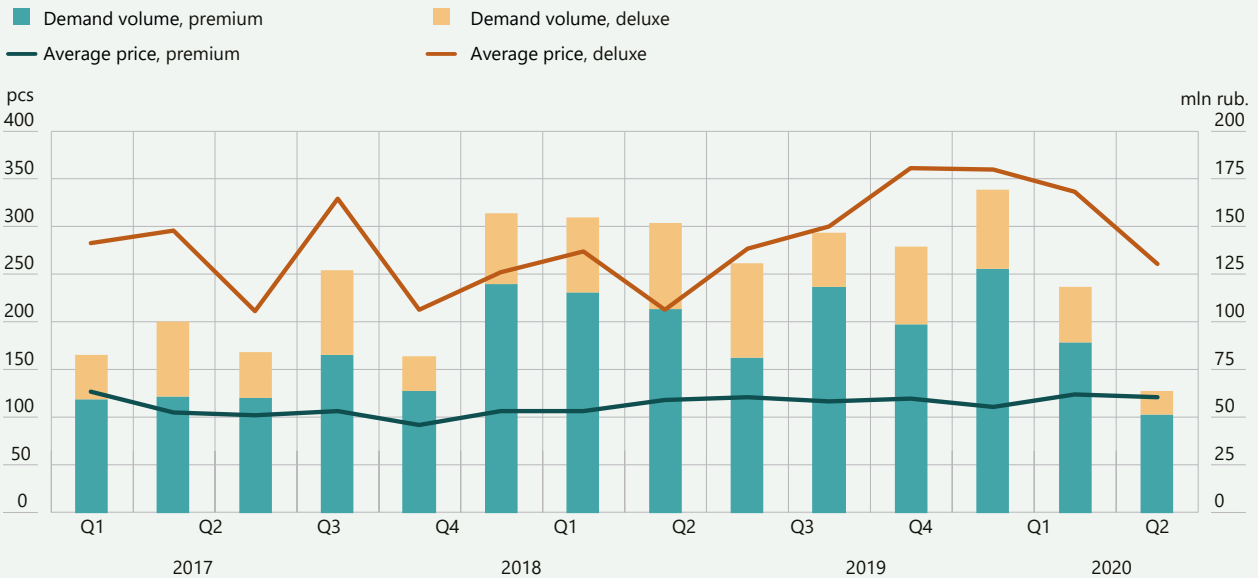
Due to the pandemic, the issue of health and safety appeared to be one of the most important, so buyers started to pay more attention to engineering systems of the projects. First of all, they are interested in their quality component and the availability of treatment and filtration systems. Individual conditioning is also important. Many customers invite independent engineers to visit the facility to have a deeper and more detailed understanding of the issue. The new time is also characterized by the need of a terrace or balcony, a private retreat and/or a study.

Share of transactions by district

Presnensky 18.7%	Dorogomilovo 13.7%	Tverskoy 7.4%	Other 6.6%
Ramenki 15.7%	Arbat 10.2%	Tagansky 6.0%	Yakimanka 4.9%
		Zamoskvo-rechye 5.5%	Sretenka 3.8%
			Khamovniki 4.1%
			Ostozhenka-Prechistenka 3.3%

Source: Knight Frank Research, 2020

Dynamics of the number and average value of transactions by segments



Source: Knight Frank Research, 2020

Leading projects



Lucky



Poklonnaya 9



Vishnevyy Sad

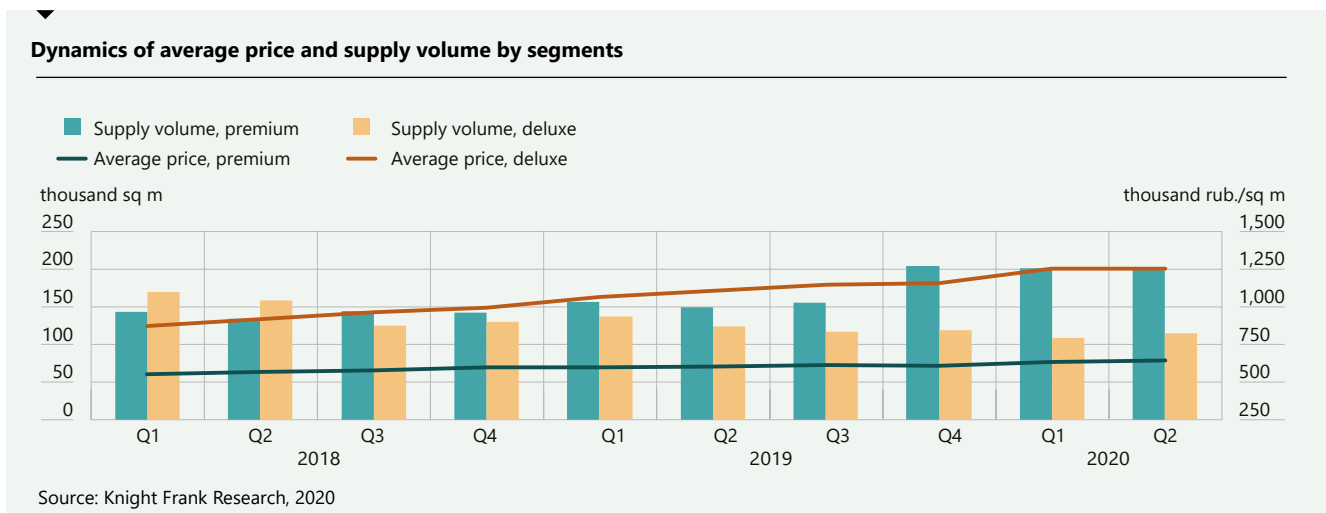
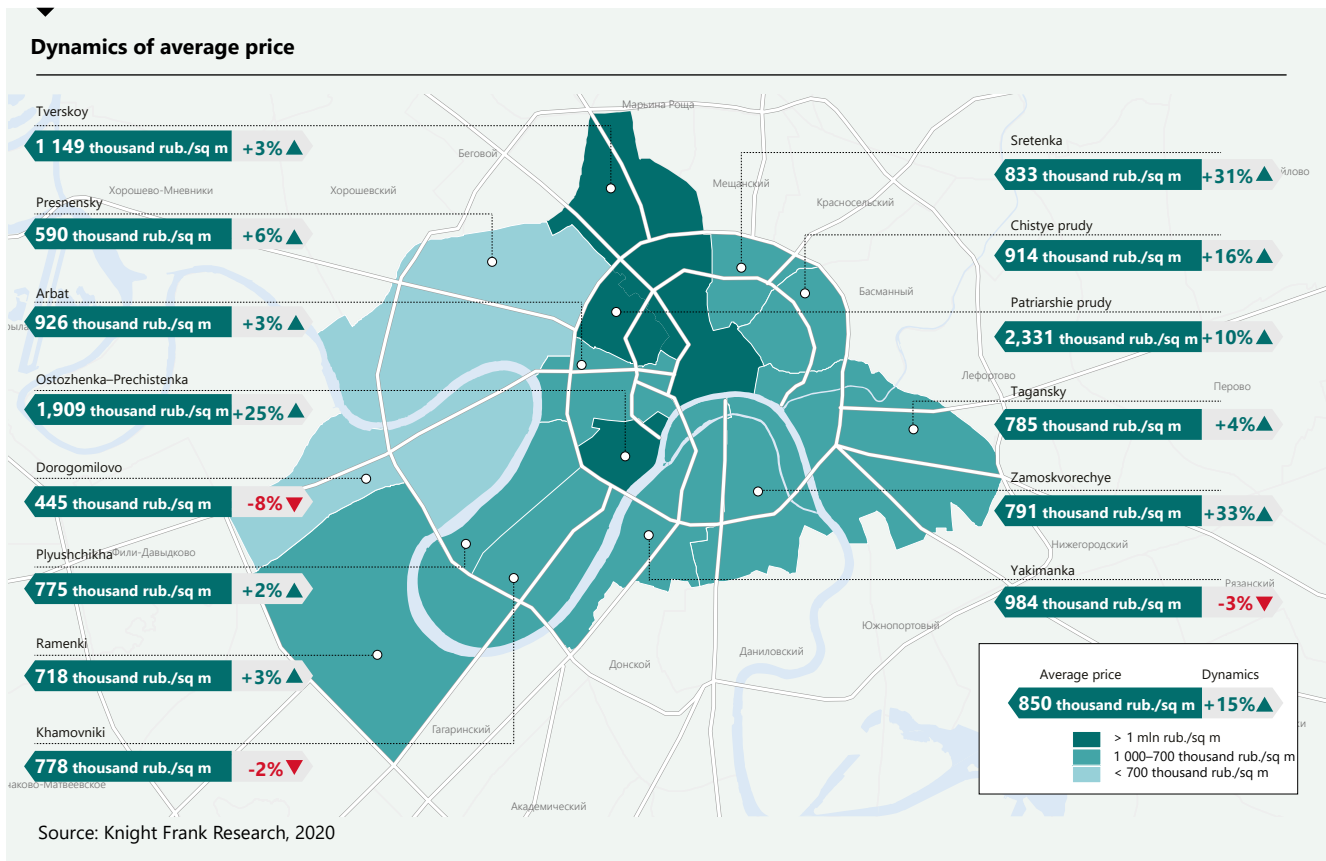
Source: Knight Frank Research, 2020

# Prices

The review of the indicators dynamics in the long term shows a clear general trend of an increase in the average weighted offer price. There was a decrease due to the market launch of a large Premium class project in Dorogomilovo in Q4 2019. At the end of June, the average weighted price in the high-end market amounted to 864,000 rubles per sq. m, which is 2% higher than in Q1 2020. The price has increased by 7% since the beginning of the year.

Over the past months, the main fluctuations in prices both in the Deluxe segment and in the Premium class real estate were associated with the improvement of the project stages as well as with the changes in the offer structure. Since the market has almost completely switched to ruble pricing, the impact of the USD/RUB exchange rate growth has been a relatively insignificant factor and reflected only on the Deluxe segment. In terms of segments, the price per square meter for Deluxe class in June reached 1,253,000 rubles (+ 8% since the beginning of the year) and for the Premium class – 642,000 rubles (+ 6% since the beginning of the year).

Patriarshie Prudy remains the most expensive district of the capital with the average price of a “square meter” more than 2 million rubles. Since the beginning of the year, a 10% increase in the indicator was recorded in the location, which is explained by the depletion of a certain offer. Currently, only two new buildings are being constructed in Patriarshie Prudy district and any change in the offer structure significantly impacts the average price in the district. As at the end of 2019, Dorogomilovo district remains the most affordable location of the capital: 445,000 rubles per sq. m, where the offer is almost completely represented by the Poklonnaya 9 project.



## 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	Deluxe	Premium
<b>Mandatory, limiting criteria</b>		
<b>Location</b>	Within Central Administrative District.	Preferably within the Third Ring Road.
<b>Load-bearing and enclosing structures</b>	Frameless homes from ceramic bricks and solid-cast homes with reinforced-concrete frame structures.	
<b>Efficiency factor (gross-to-usable area coefficient)</b>	Not more than 0.65	0.65–0.7
<b>Number of flats per level</b>	under 4	under 6 (rarely under 8)
<b>Ceilings</b>	over 3.2 m high	over 3 m high
<b>Average unit area within project</b>	110+	90+
<b>Parking parameters</b>	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.
<b>Windows</b>	Top priced up-to-date foreign-made fiberglass and wooden shapes, with soundproof and energy efficient glass.	
<b>Finished lobby and common facilities</b>	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.
<b>Safety</b>	Cutting edge safety systems. Fire safety system, 24/7 dispatch for all utilities, emergency information and response to system failures and accidents.	
<b>Optional criteria</b>		
<b>Architecture</b>	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.	
<b>Layout and arrangement</b>	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.	
<b>Final finishing of flats</b>	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 <a href="http://kf.expert">kf.expert</a> .		



# CITY SALE DEPARTMENT

Knight Frank is the only company offering a full range of consulting and brokerage services on the residential real estate market. Since 1896 in the world and since 1996 in Russia, we have been helping clients find their home and make profitable investments.

## City Sale Department:

- ♦ The largest database of objects and clients, formed since 1996
- ♦ A close-knit team of professional brokers with at least 5 years of experience in the industry
- ♦ Unique accumulated experience in marketing promotion
- ♦ Technologically advanced business processes
- ♦ Electronic report forms for owners

## STRUCTURE

- ♦ sales department
- ♦ rental department
- ♦ department for working with owners

## PRIORITIES

- ♦ market knowledge
- ♦ professionalism
- ♦ trust and security of the client, confidentiality

## SERVICES

- ♦ Selection of real estate that fully meets the client's requirements
- ♦ Representation of the client's interests by purchasing real estate, advising on all transaction issues, including legal and tax aspects and registration of the property
- ♦ Independent consultation on the valuation of high-end residential real estate
- ♦ Consulting on investment in high-end residential real estate
- ♦ Special conditions for Knight Frank clients on mortgage and Bank lending
- ♦ Individual consultations from leading design and architectural bureaus
- ♦ Full range of consulting services for developers: from best-use analysis to brokerage



## КОНТАКТЫ



**Oksana Shidlovskaya**  
Consultant  
+7 (985) 989-7626  
[Oksana.Shidlovskaya@ru.knightfrank.com](mailto:Oksana.Shidlovskaya@ru.knightfrank.com)



**Olga Bogoroditskaya**  
Director,  
Key Client Management  
+7 (985) 773-2173  
[Olga.Bogoroditskaya@ru.knightfrank.com](mailto:Olga.Bogoroditskaya@ru.knightfrank.com)

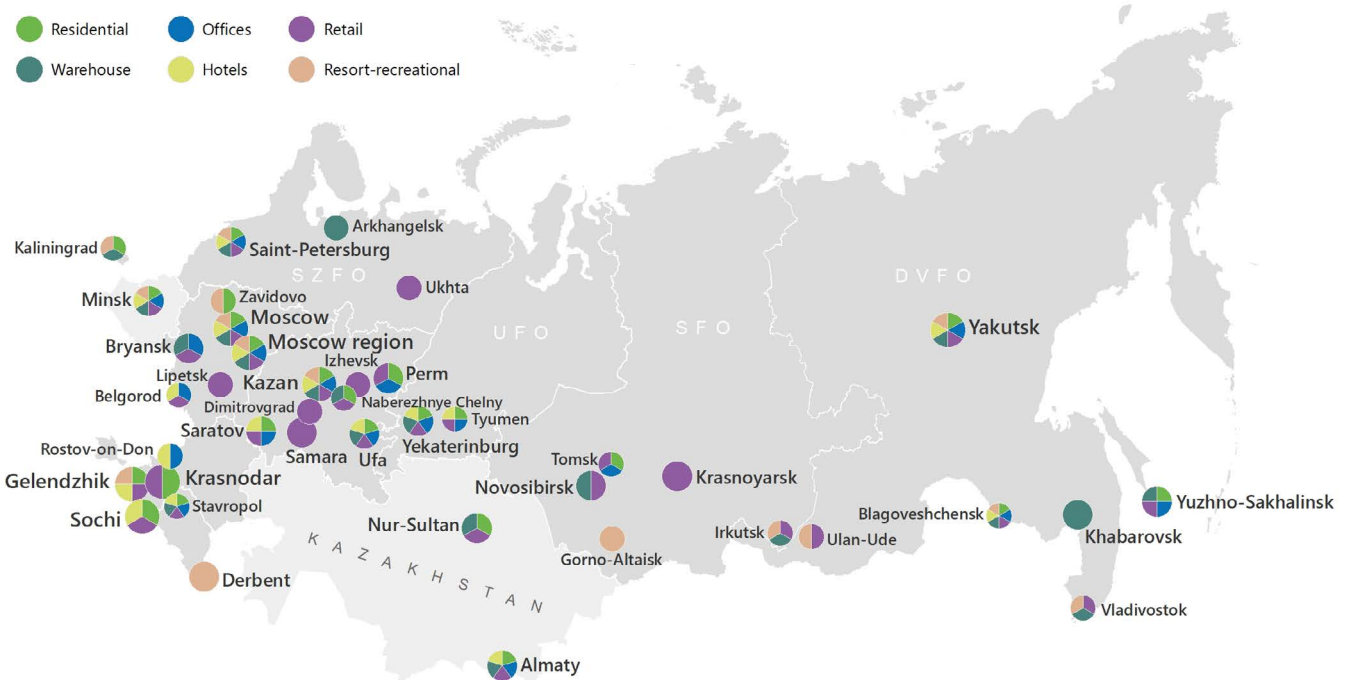


**Igor Nechaev**  
Director,  
Key Client Management  
+7 (926) 815-0916  
[Igor.Nechaev@ru.knightfrank.com](mailto:Igor.Nechaev@ru.knightfrank.com)

# CONSULTING & RESEARCH DEPARTMENT

Knight Frank Russia & CIS has the local expertise and global experience.

## WE WORK IN ALL REGIONS AND ALL SEGMENTS



Other reports in Research [section on the website](#)

### SERVICES

#### CONSULTING

- Best use
- Project's concept development /reconception
- Audit and optimization of Project
- Marketing opinion / Market research
- Project's business plan
- Analysis of the project's economic feasibility / Financial analysis
- Architectural concept development
- Hotels / SPA / public spaces operator search
- Survey of potential tenants

#### REAL ESTATE VALUATION

- Commercial and Residential real estate
- Federal and International valuations standards
- Valuation for managerial decisions
- Valuation for loan financing
- Valuation for purchase and sale
- Valuation for financial statements



To learn more about our services or ask questions please contact us

+7 (495) 023-08-12  
kf@kf.expert

Or make request on our [website](#).

#### CONSULTING & RESEARCH

**Olga Shirokova**  
Director, Russia & CIS  
[OShirokova@kf.expert](mailto:OShirokova@kf.expert)



© Knight Frank LLP 2020 – This overview is published for general information only. Although high standards have been used in the preparation of the information, analysis, view and projections presented in this report, no legal responsibility can be accepted by Knight Frank Research or Knight Frank for any loss or damage resultant from the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank in relation to particular properties or projects.

Reproduction of this report in whole or in part is allowed with proper reference to Knight Frank