

+5% increase in the weighted average price since the beginning of the year

The supply shrank down to **2 500** units

PRIME RESIDENTIAL REAL ESTATE MARKET MOSCOW

Q1 2020





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"The economic situation at hand, which came as a result of the crude oil price changes along with the ruble crash and the COVID-19 pandemic, is truly unique. It is pretty difficult to make any long term market projections at this point. However, we still expect the prices for high-end new-built properties to increase gradually by the end of the year, due to the growing cost of construction. The developers, similarly to the former crisis periods, are holding back on the new launches, but the customers still can get lucky and find a liquid offer at a pre-crises price, both on the new-builds market and on the re-sales market."

Supply

Not a single new project entered the high-end residential real estate market in Q1 2020. The only property that contributed to the growth of new supply was a premium class Turgenev project in Sretenka. The sales were launched at this property at the end of last year.

Due to the combination of the limited new supply and the strong demand, the total

number of flats and apartments decreased by 4% to about 2,500 units, with the cumulative area amounting to 310,000 sq m, over the past three months. The volume of supply that included some major properties launched last year, increased by 4% yoy, while their cumulative area grew by 6% over the same period.

Key indicators. Dynamics

Supply	Elite segment	Dynamics*	Premium segment	Dynamics*
Total supply, pcs.	720	-8%	1,790	-2%
Average price, thousand rub./sq m	1,252	8%	632	4%
Average area, sq m	150	-1%	112	1%
Average price, mln rub.	188	8%	71	5%
Demand	Elite segment	Dynamics**	Premium segment	Dynamics**
Total supply, pcs.	60	-41%	180	10%
Average price, thousand rub./sq m	1,053	17%	546	-4%
Average area, sq m	160	4%	114	7%
Average price, mln rub.	168	22%	62	3%

* Q1 2020/Q4 2019

** Q1 2020/Q1 2019

Source: Knight Frank Research, 2020

Key findings

- The supply shrank down to 2,500 units due to the lack of new launches and the demand remaining strong.
- The average weighted square meter price grew for the supply priced under 849,000 rubles per sq m (+5% since the beginning of the year).
- Khamovniki district moved down from its leading position in the structure of transactions for the first time in a long while to yield to Ramenki district, with its share of 19%.

Supply structure by class

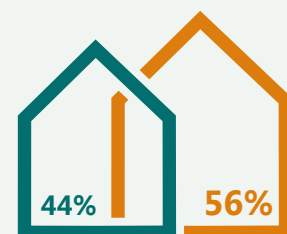
■ Elite ■ Premium



Source: Knight Frank Research, 2020

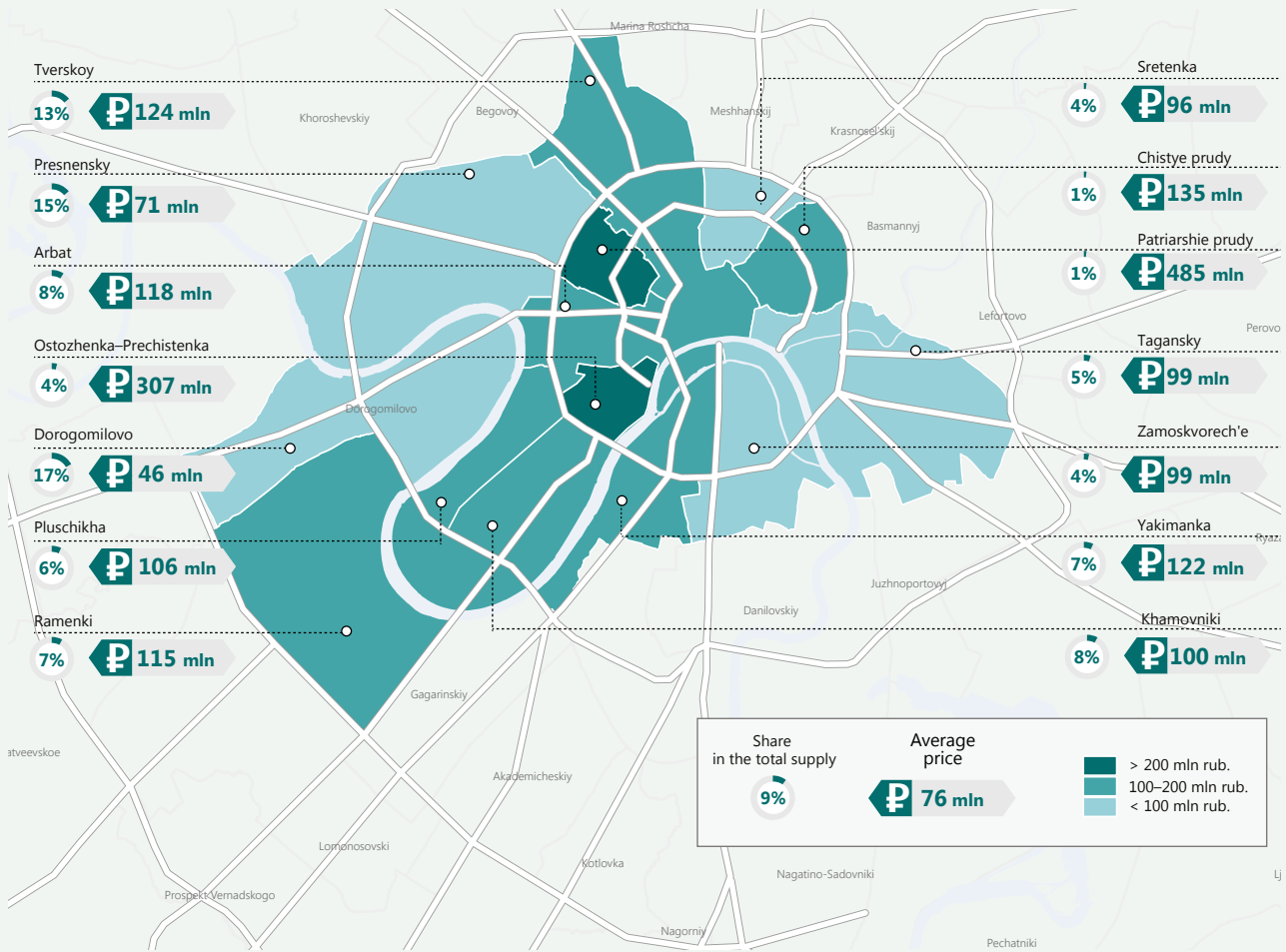
Supply structure by property type

■ Flats ■ Apartments



Source: Knight Frank Research, 2020

Share and average price of supply by district



Source: Knight Frank Research, 2020



The Top-3 leading districts by the concentration of supply hasn't changed over the past three months, with Dorogomilovo district leading the way with its share of 17%. Almost all the supply consists of Poklonnaya, 9 at the location, while Kutuzovskiy, 12, which has recently received the commissioning permit, only has a few units left. Presnenskiy district came in second (15%). This location has been sticking to the top lines of the rating since the beginning of last year after Lucky Residential Quarter was launched, with a bit over half of the units of the district accounting for the latter. Tverskoy district (13%) rounds out the Top-3. This location boasts with the largest number of new-builds compared to the others.

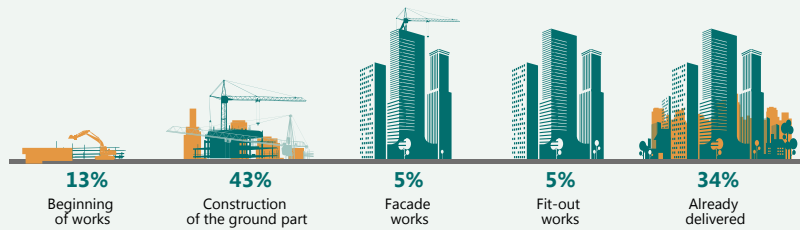
On the experience of the crisis and the post-crisis 2008 and 2015, this year we expect the developers to launch to the market less new properties than, say, a year earlier. We already know several examples of the properties that rescheduled their launch of sales from Q1 2020 for a later time. Thus, for instance, the elite and premium residential markets grew by only nine new properties over 2015, their cumulative number of units amounting to 390. Compare this with 18 properties with the total of 2,480 units in 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	28.1%	8.2%	1.4%	0.4%	0.1%
100–150 sq m	2.1%	23.1%	8.5%	1.3%	1.2%
150–200 sq m	0.0%	5.6%	5.6%	3.4%	2.3%
200–250 sq m	0.0%	0.1%	0.5%	1.3%	2.5%
Over 250 sq m	0.0%	0.0%	0.1%	0.7%	3.3%

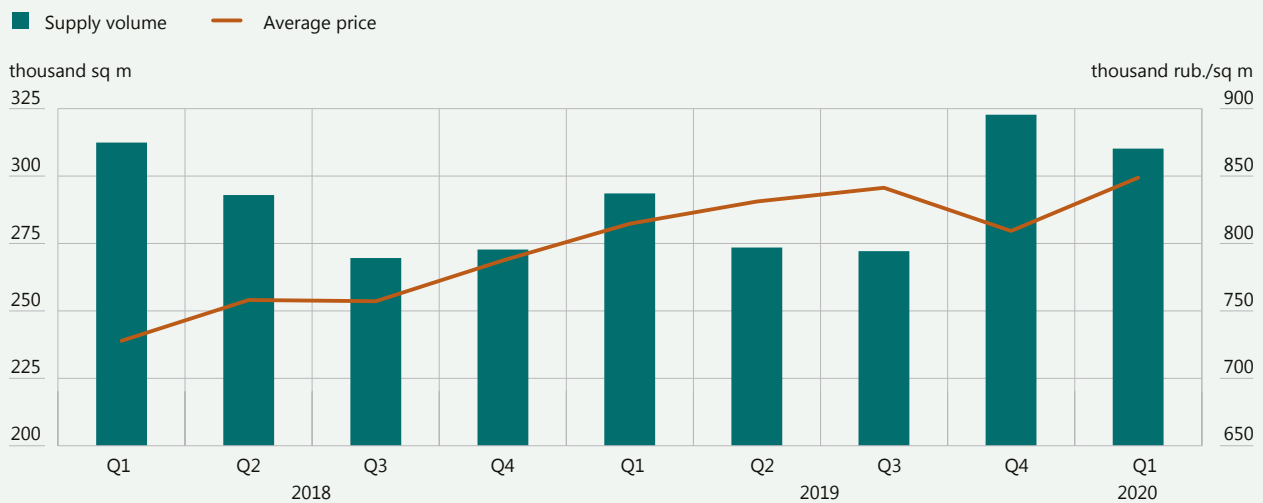
Source: Knight Frank Research, 2020

Supply structure by the construction stage



Source: Knight Frank Research, 2020

Dynamics of average price and supply volume



Source: Knight Frank Research, 2020

Demand

As for the high-end new-builds market, the number of transactions in Q1 2020 basically matched that of last year. Thus, about 240 flats and apartments were sold in January throughout March, which is 10% less than over the first three months in 2019. However, it is worth mentioning that the transactions have dropped by 40% in the elite class, which is more likely due to the strong demand for the segment last year. Meanwhile, the situation is reverse in the premium class, with the demand having grown by 10%. The Top-3 best-selling properties is composed of namely the properties of the premium level, i.e. Lucky, Vishneviy Sad, and Poklonnaya, 9.

The elite class, despite the decrease in the figures, featured a growth in the qualitative indicators. Thus, the average transaction price increased by 22% yoy to 168 million rubles, while the average area of the deal grew by 4% to 160 sq m. The average transaction price for premium class properties amounted to 62 million rubles (3% annual growth), the average area of the deal amounting to 114 sq m (7% annual growth).

It is worth mentioning that the epidemic situation, namely the obligatory isolation of the population, has affected the demand for this segment of the market. Thus, some of the requests have shifted to the country market (both rent and sale), as such housing is safer in terms of the virus issue, as the contact with other people is scarce. Apart from that, it has become impossible to show the properties, which is specifically important when buying expensive residential units. The Multi-Functional Centers

and the departments of the Federal Service of State Registration, Cadastral Records and Cartography switched to a limited schedule and stopped receiving citizens in person in a wide array of Russia's regions, which prevents signing the residential sale deals. Due to the mentioned issues, there will be a large backlog of demand mounting up during the next one or two months, which may burst out in Q3 2020 provided the quarantine is over.

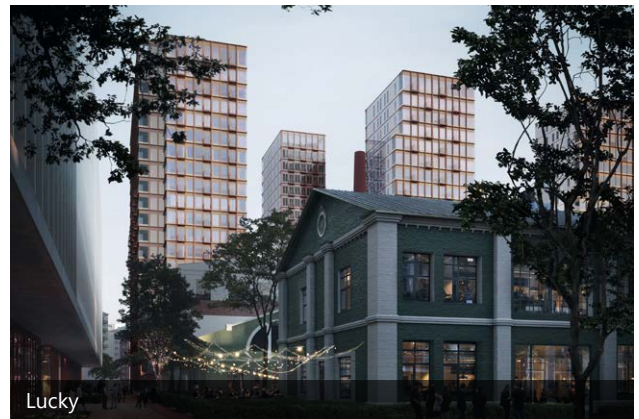
Primary market transactions structure

	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	30.4%	8.0%	0.8%	0.0%	0.0%
100–150 sq m	3.0%	25.7%	4.2%	1.7%	0.0%
150–200 sq m	0.0%	7.2%	7.2%	0.4%	3.0%
200–250 sq m	0.0%	0.4%	0.8%	1.3%	1.7%
Over 250 sq m	0.0%	0.0%	0.4%	0.4%	3.4%

Source: Knight Frank Research, 2020



Vishneviy Sad



Lucky



Vorobyev Dom



Snegiri Eco

Khamovniki district shifted down from its leading position in the structure of transactions for the first time in a long while to yield to Ramenki district, with its share of 19%. The latter had been attracting a great deal of demand during 2019. Vishneviy Sad Residential Complex is another property that is on the market in this district. Phase II of the property was launched in November last year. Also, the market grew by Reka project in the summer 2019. All in all, there are four new-builds in the area, namely Vishneviy Sad, Reka, Vorobyev Dom, and Snegiri Eco.

Share of transactions by district

Ramenki 19,4%	Arbat 11,4%	Tverskoy 6,8%	Other 6,7%	
Presnensky 18,6%	Dorogomilovo 10,5%	Zamosko-rechye 5,5%	Khamovniki 4,6%	Yakimanka 4,2%
		Tagansky 5,1%	Ostozhenka-Prechistenka 4,2%	Plyushchikha 3,0%

Source: Knight Frank Research, 2020

Leading projects



Lucky



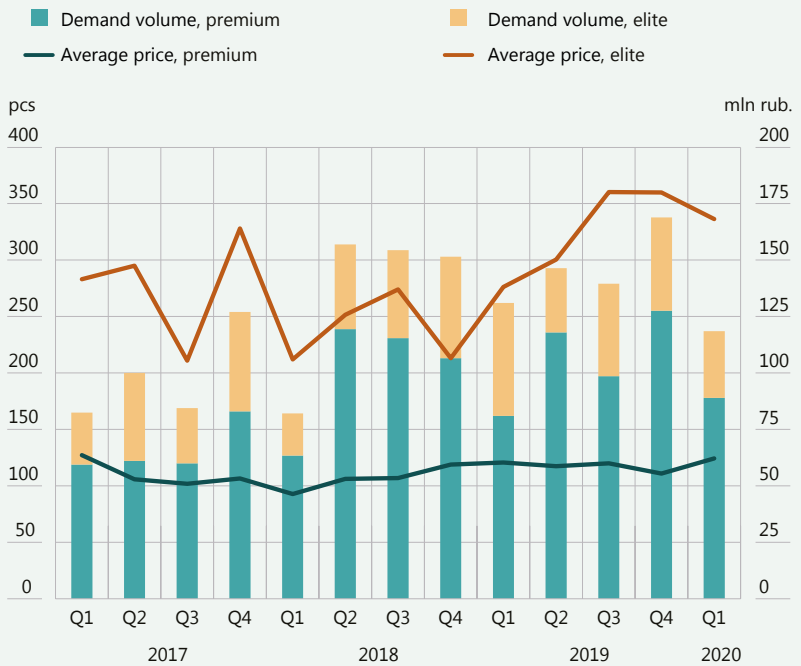
Vishneviy Sad



Poklonnaya 9

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

Prices

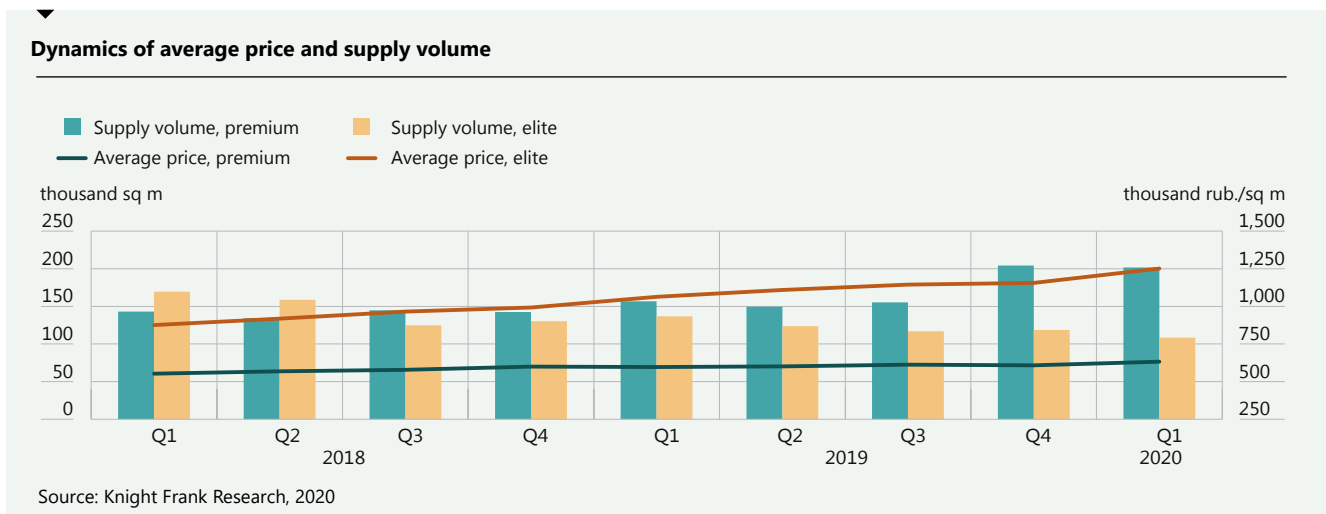
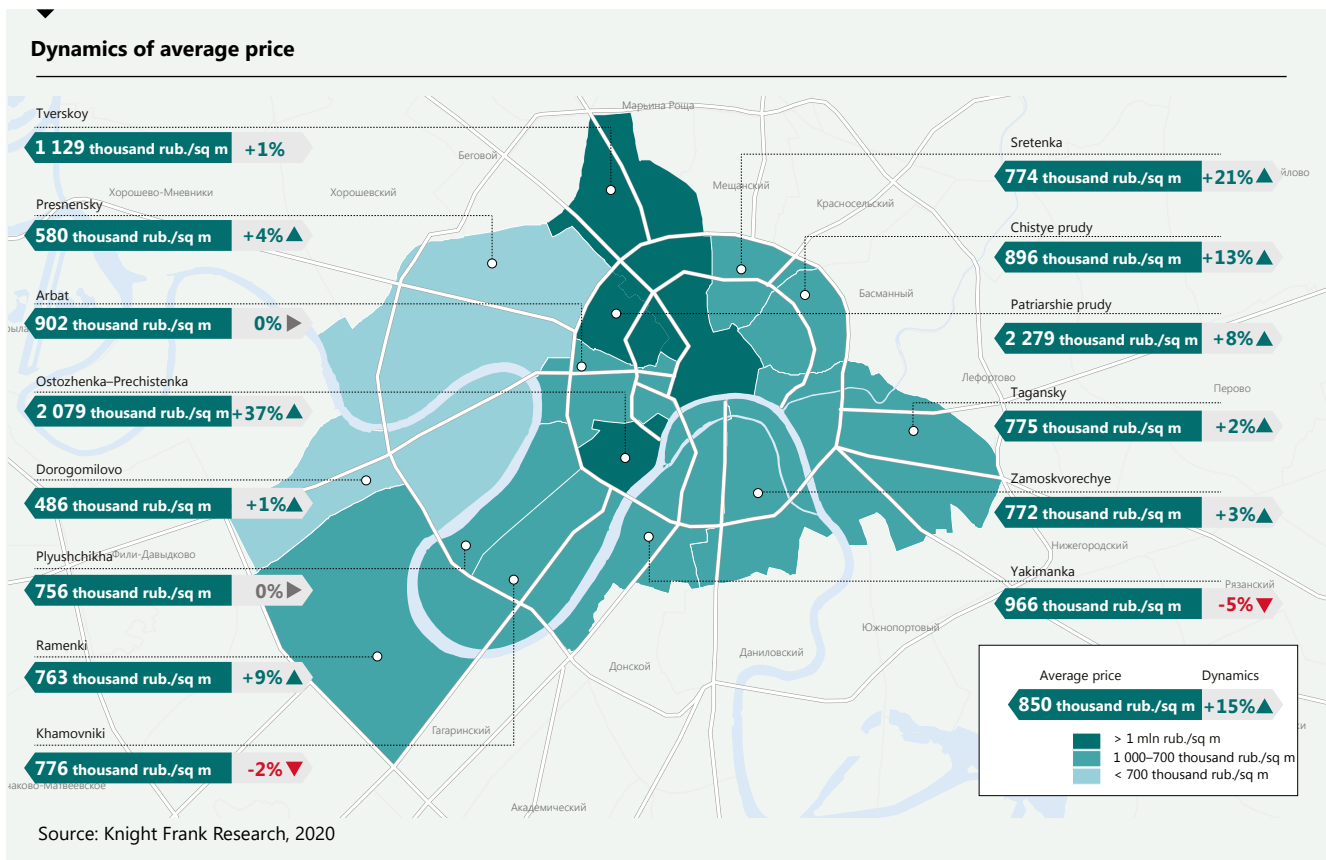
Since the beginning of the year, the price of a high-end square meter has grown by five percentage points to 849,000 rubles by the end of March. The upward price movements were featured in both segments, namely by 8% to 1,252,000 rubles per sq m for the elite class and by 4% to 632,000 rubles per

sq m for the premium class. The key reason to that was the changes to the structure of supply, while the effects from the exchange fluctuations were minimal. The elite class has been affected in a more profound way, as part of the supply is still nominated in US dollars. Due to the same reasons the average

weighted square meter price in Ostozhenka has exceeded two million rubles for the first time, while it grew to its highest in the rest of the districts (37% quarterly growth). The highest price of a square meter, same as before, was reported for Patriarshiye Prudy, where it reached 2.3 million rubles. The most 'affordable' district of Russia's capital, similar to the end of 2019, was Dorogomilovo district (486,000 rubles per sq m).

As for the exchange fluctuations, the US dollar exchange rate that has been set by the Central Bank of Russia since the beginning of the year, according to the official data, has grown by more than 15 rubles, with the main boost accounting for March. It is worth mentioning that the elite residential real estate market has almost completely shifted to the ruble pricing, while the US dollar pricing cases are rather isolated instances. Such supply is mostly concentrated in Ostozhenka. Therefore, the pricing is mostly

dependent on the structure of the supply at a certain period of time. However, we still expect a gradual growth in prices by the end of the year in the segment due to the growing cost of construction. Thus, almost all the finishing materials and absolutely all the articles of furniture, as well as the bathroom accessories and household appliances, are nominated in foreign currencies when ordered abroad to be installed into newly-built high-end properties.



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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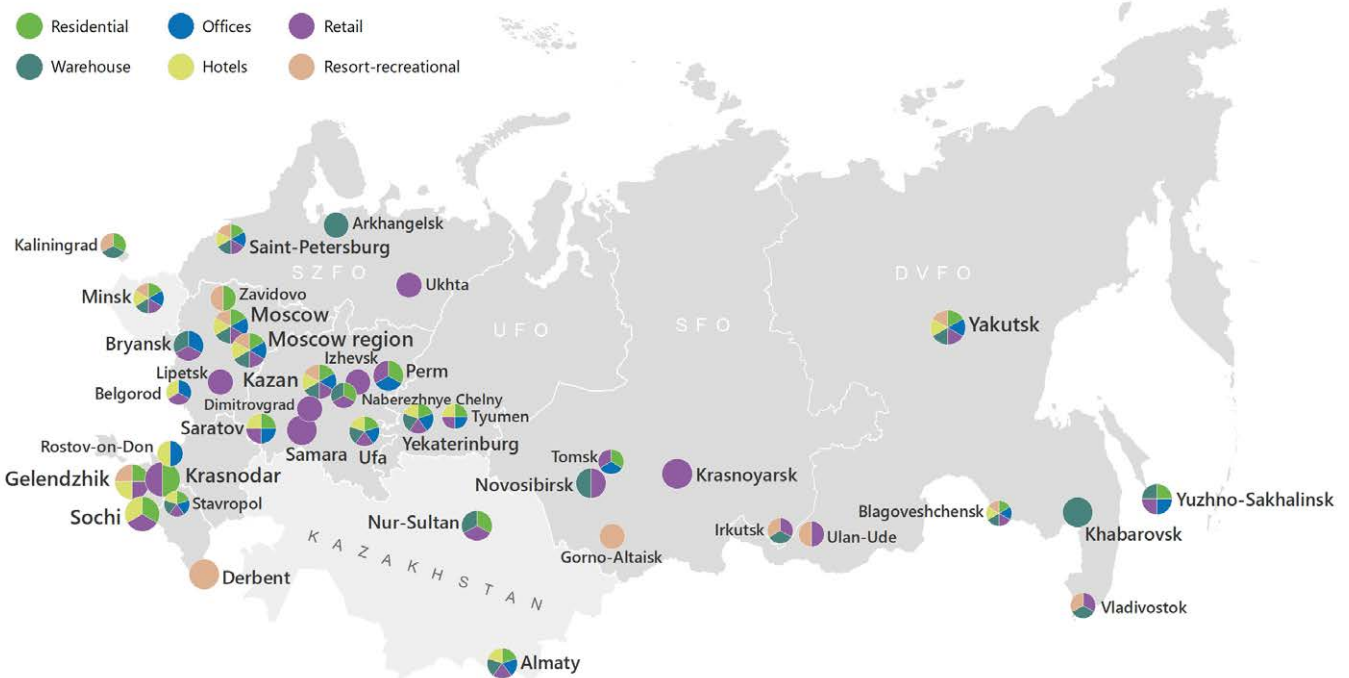


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