

RESEARCH



Q1 2017

PRIME RESIDENTIAL REAL ESTATE MARKET

Moscow



PRIME RESIDENTIAL REAL ESTATE MARKET. MOSCOW



HIGHLIGHTS

- The upward supply trend is being preserved in the primary market. So, the first three months of 2017 turned out to be quite active from the point of view of new delivery to the market. The sales were opened in 3 new facilities and in a new phase of Sadovye Kvartaly since the beginning of the year, the developers announced the launch of another 17 new objects until the end of the year.
- The share of fitted out properties continues to rise. All three new projects of Q1 2017 offer flats and apartments with fit out.
- We do not expect a reduction in the number of transactions this year owing to the market stabilization together with the high growth rates of the supply volume.
- The average price will unlikely show any drastic changes: the price increase in the already implemented objects will be compensated by a lower price in new facilities located at the initial stages of construction.

Key indicators. Dynamics

	Q1 2017	% to Q4 2016	% to Q1 2016
Supply			
Total supply, pcs	2,313	+8%	+15%
Average price, thousand rub./sq m	738	-6%	-7%
Average area, sq m	130	-	-4%
Average price, mln rub.	96	-5%	-11%
Demand			
Average price, thousand rub./sq m	697	-4%	+1%
Average area, sq m	128	+1%	+4%
Average price, mln rub.	89	-4%	+5%

Source: Knight Frank Research, 2017

Supply

301 thousand sq m

TOTAL SUPPLY AREA

222 bln rub.

TOTAL SUPPLY COST

35%

SHARE OF APARTMENTS

3 objects

PUT ON THE MARKET IN Q1 2017

Supply volume dynamics of the primary market



Source: Knight Frank Research, 2017

High development activity was seen over the past year and a half, this trend continued in Q1 2017. Thus, 3 new properties entered the open market in this period and the scheduled buildings of Sadovye Kvartaly residential complex were put up for sale. The supply volume increased by 8% only in the first three months of 2017, and, 2,313 flats and apartments in 55 residential complexes were exposed for sale on the primary market according to the end of Q1 2017.

The bulk of supply is still concentrated in Khamovniki, but now it shares the leading position with Ramenki. Each of them accommodate 16% of the supply. Zamoskvorech'e is running second with a share of 12%, Tverskoy district (11%) has also entered the Top-3. The least number of flats and apartments for sale is located in the districts of Patriarshiye Prudy and Donskoy.

The bulk of the supply is still represented by flats and apartments of up to 150 sq m

with the budget till 100 million rubles. The share of such lots in the overall structure is almost 60%. This figure slightly increased over the past quarter largely due to the entry of new supply in Sadovye Kvartaly residential complex.

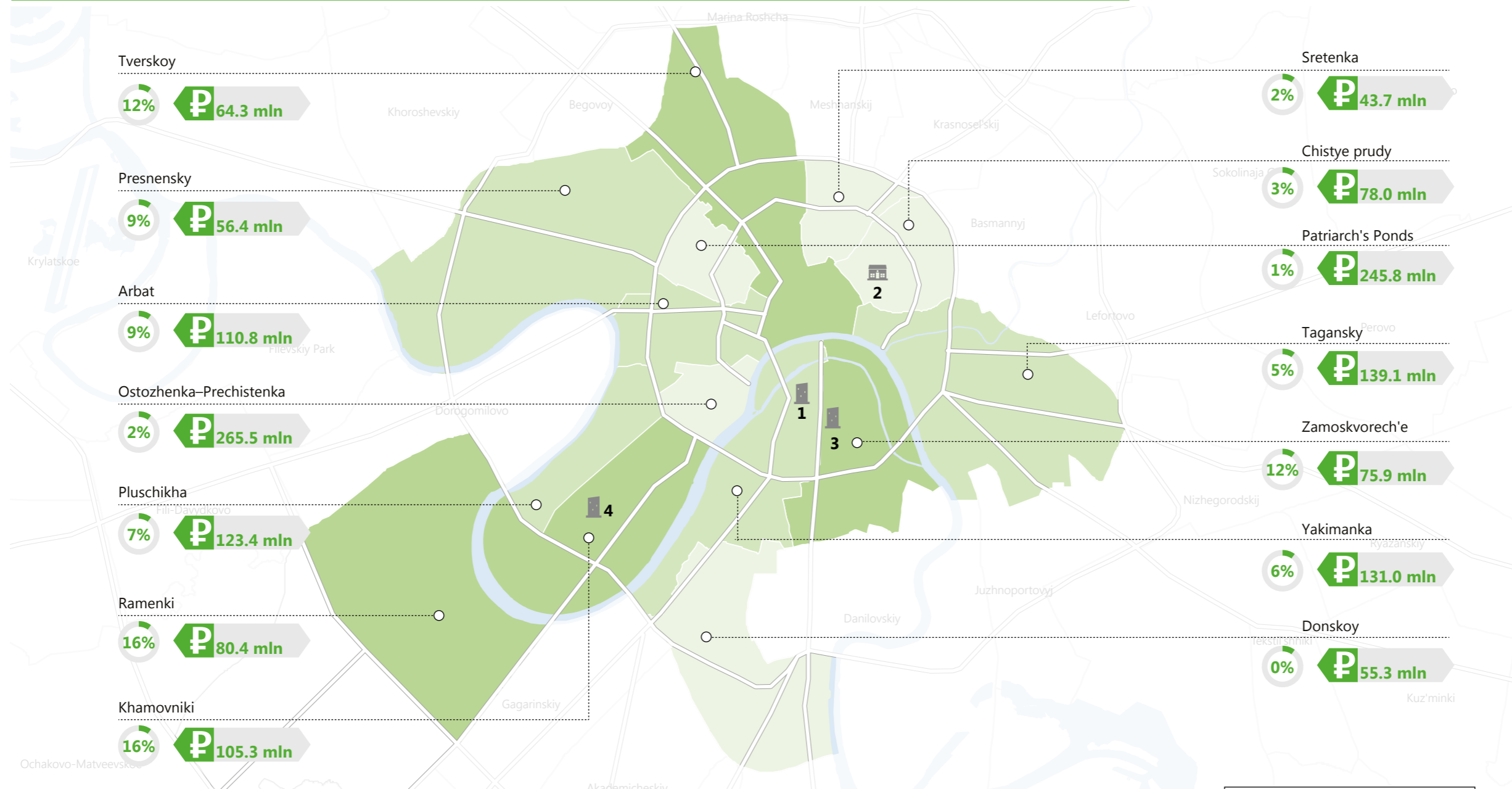
Significantly, the supply structure remained fairly stable and did not undergo significant changes over the past year despite the supply increase against the launch of new facilities to the market.

Primary market supply structure

	Up to 50 mln rub.	50-100 mln rub.	100-150 mln rub.	150-200 mln rub.	200-250 mln rub.	250-300 mln rub.	Over 300 mln rub.
Up to 100 sq m	21.7%	9.0%	0.4%	0.0%	0.0%	0.0%	0.0%
100-150 sq m	5.9%	23.2%	9.6%	1.3%	0.4%	0.1%	0.0%
150-200 sq m	0.0%	6.4%	6.9%	3.1%	0.8%	0.3%	0.1%
200-250 sq m	0.0%	0.5%	1.3%	3.2%	0.8%	1.0%	0.6%
Over 250 sq m	0.0%	0.0%	0.0%	0.5%	0.5%	0.6%	1.8%

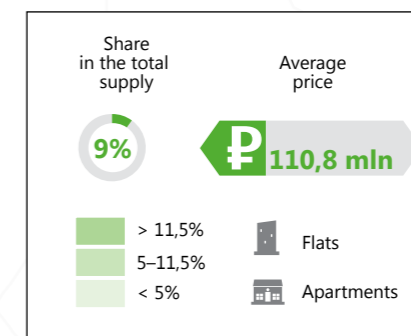
Source: Knight Frank Research, 2017

Share and average price by district. New supply



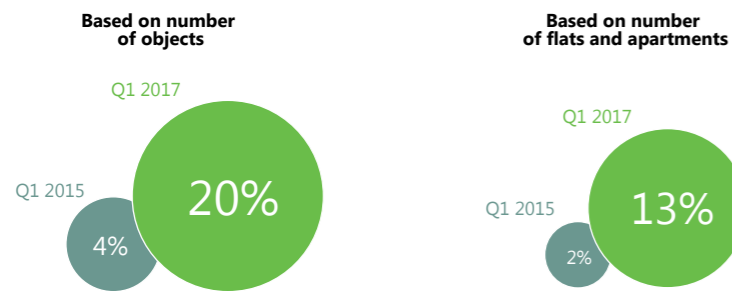
Properties entered the market in Q1 2017

Name	Location (district)	Developer	Format	Number of lots	Start of sales	Announced commissioning date	
New supply							
1	Barkli Gallery*	6, bld. 1, Ordynsky cul-de-sac (Yakimanka)	Barkli	flats	46	January	Q1 2018
2	MOSS Apartments*	10, bld. 4, Krivokolenny lane (Chistye Prudy)	Adwill	apartments	13	February	Already delivered
3	ORDYNKA	25, Malaya Ordynka St (Zamoskvorech'e)	Insigma	flats	81	March	Q4 2019
New phase							
4	Sadovye Kvartaly	11, Usacheva St (Khamovniki)	Inteco	flats	187	February	Q3 2020



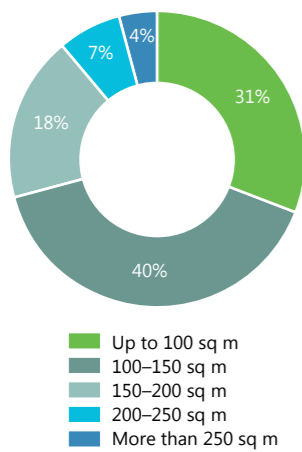
Source: Knight Frank Research, 2017

Supply with fit out



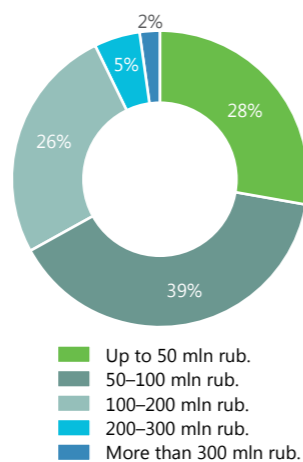
Source: Knight Frank Research, 2017

Supply of high-budget segment based on their area



Source: Knight Frank Research, 2017

Supply of high-budget segment based on their price



Supply with fit out

The trend to launch the facilities with fit out began to shape up at the end of 2015 in the primary market. This trend is not new for the market, the first prime new builds were fitted out, but later developers preferred to offer customers a "simpler product" – apartments in shell&core due to market conditions. Today, developers have come back again to this format in view of the record supply volume and high competition in the primary market.

Therefore, the number of complexes where lots were fitted out increased from 2 to 11 projects for two years, against Q1 2015. The share of fitted out lots went up from 2% to 13%. First of all, the low supply of lots is associated with the fact that basically the fit out is offered in club projects.

It shall be mentioned that all three new residential complexes of Q1 2017 offer flats and apartments with fit out.

Structure of supply

The area of the supply averaged 130.3 sq m for Q1 2017, going 4% down year-on-year. The average cost of flats and apartments showed a more significant downward trend of 11% and was recorded at the level of 96 million rubles. The reason of fall is changed structure of supply due to high activity of developers.

The rating of developers

Vesper is the leader in the number of residential complexes where primary sales are being conducted according to the results of Q1 2017. It is currently selling 6 residential complexes. All the projects of the company are club houses, therefore, Vesper does not fall into the Top-5 and is only at the 9th line according to the number of lots in the total supply volume. Sovremennik apartment complex is the largest object of the developer (72 lots). Chekhov apartment complex (8 lots) is the most chamber project of the company.

Inteco company is the leader in terms of supply in lots accounting for 14% of the total market, despite the fact that it only implements 3 properties. Donstroy is the second with a share of 11%.

Primary market supply in different construction stages

The flats and apartments located in the facilities at the groundbreaking stage hold a share of 35% in the total supply structure. One third of flats and apartments for sale are presented in the already commissioned properties.

The average price of the supply in complexes at the initial stage of construction amounted to 546 thousand rub./sq m in Q1 2017, which was 26% lower than the average market price of the supply. The average price of the supply was 760 thousand rub./sq m in the commissioned properties.

Il Ricco residential complex (11, Podsosensky Lane) was commissioned by VMS-Development company since the beginning of the year.

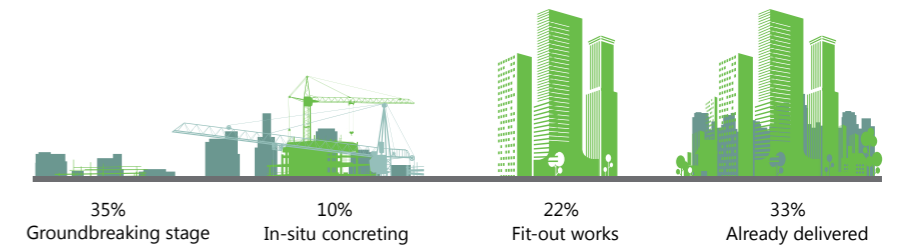
17 projects were also announced for commissioning in 2017.

Serviced apartments

For the first time the concept of serviced apartments appeared on the market in the beginning of 2010 however some developers were compelled to discard this product for various reasons.

In 2014 the complex of apartments Zvezdy Arbata under the management of international operator Marriott entered the market. Over the past 12 months, two complexes with serviced apartments Tverskaya Residence and MOSS Apartments have entered the market at once.

Primary market supply in different construction stages



Source: Knight Frank Research, 2017

Projects announced for commissioning in 2017

Name	Location	Format	Share of unsold units
Barkli Residence	1-2, Ordzhonikidze St	Flats	1%
Balchug Viewpoint	3-7, Sadovnicheskaya St	Apartments	54%
Bunin	37, Pluschikha St	Flats	45%
Chekhov	18A, Malaya Dmitrovka St	Apartments	38%
Snegiri ECO	26, Minskaya St	Flats	72%
Club House on Kotel'nicheskaya	31, Kotel'nicheskaya Emb	Flats	57%
Nabokov	10/1, Kursovoy lane	Apartments	93%
Palazzo Imperiale	4/2, bld. 3, Shchetininskiy	Flats	26%
Vorob'ev Dom	4, Vorob'yevskoy Hwy	Flats/Apartments	36%
Kotel'nicheskaya, 21	21, Kotel'nicheskaya Emb	Flats	51%
Rassvet Loft*Studio	3, Stolyarnyy lane	Apartments	15%
Rakhmaninov	3, Malyy Kislovskiy lane	Apartments	52%
Tverskaya Residence	6, 2nd Brestskaya St	Apartments	59%
Sadovye Kvartal (2nd phase)	11, Usacheva St	Flats	7%
Sovremennik	13, Mashkova St	Apartments	33%
Teatral'nyy Dom na Povarskoy	8/1/1, Povarskaya St	Apartments	28%
Khlebnyy Dom	19, Khlebnyy Lane	Flats	59%

Source: Knight Frank Research, 2017

The rating of developers by complexes

Developer	Number of residential complexes	Market share by complexes
Vesper	6	11%
Donstroy	5	9%
Hals-Developmen	3	5%
Inteco	3	5%
Lider Invest	3	5%

Источник: Knight Frank Research, 2017

The rating of developers by number of units

Developer	Number of units	Market share by number of units
Inteco	331	14%
Donstroy	262	11%
AB Development	211	9%
Hals-Developmen	185	8%
Sminex	172	7%

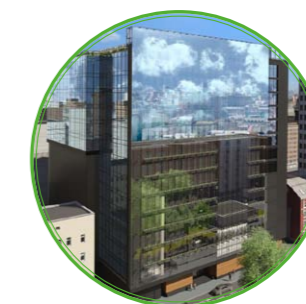
Source: Knight Frank Research, 2017

Serviced apartment



MOSS APARTMENTS

Source: Knight Frank Research, 2017



TVERSKAYA RESIDENCE



ZVEZDY ARBATA

Demand

157

SOLD FLATS AND APARTMENTS

-14%

REDUCTION OF TRANSACTION NUMBER

89 mln rub

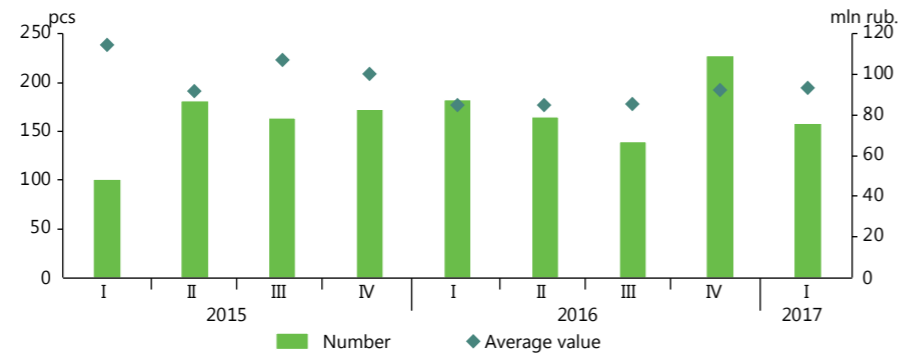
AVERAGE BUDGET

128 sq m

AVERAGE AREA

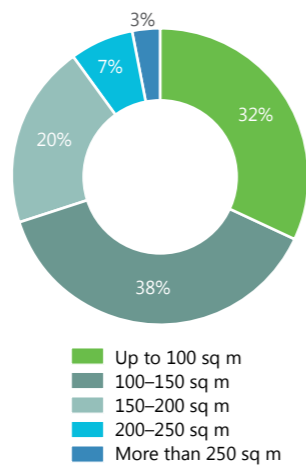
157 flats and apartments were sold in the primary market according to Q1 results which was 14% down year-on-year, while the qualitative characteristics of the transactions displayed a positive trend. Thus, the average cost of sold flats and apartments increased by 5% to 89 million rubles. The average area was also marked by an upward trend: +4% against Q1 2016 and equalled 128 sq m.

Dynamics of the number and average value of transactions

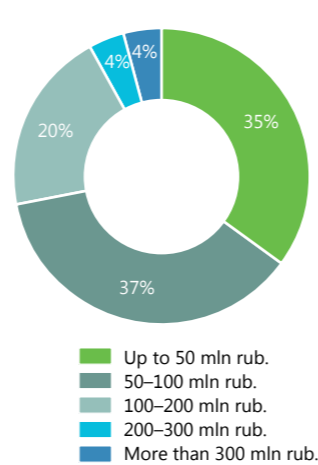


Source: Knight Frank Research, 2017

Q1 2017 transactions of the primary market based on their area



Q1 2017 transactions of the primary market based on their price



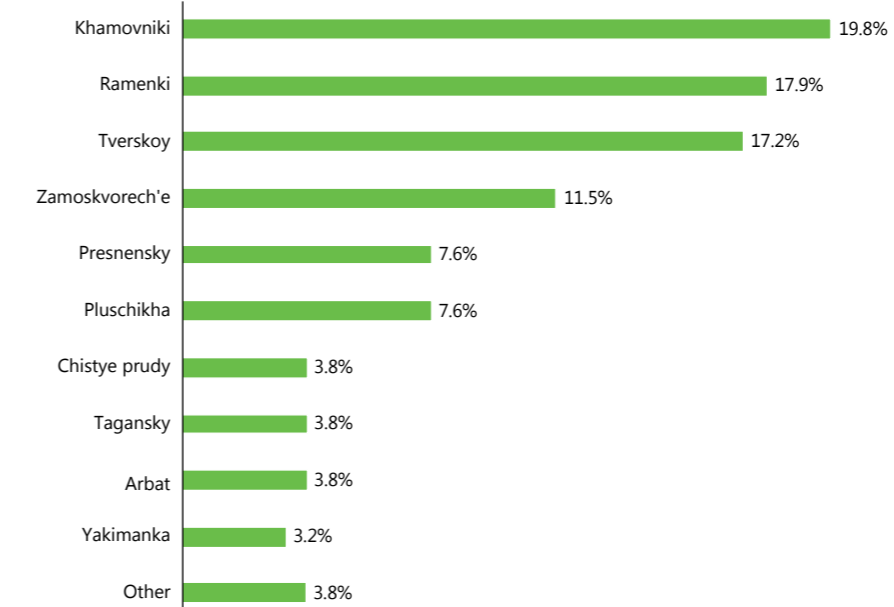
Source: Knight Frank Research, 2017

Structure of Q1 2017 transactions

	Up to 50 mln rub.	50-100 mln rub.	100-150 mln rub.	150-200 mln rub.	200-250 mln rub.	250-300 mln rub.	Over 300 mln rub.
Up to 100 sq m	26.8%	5.7%	0.0%	0.0%	0.0%	0.0%	0.0%
100-150 sq m	8.3%	22.3%	4.5%	3.2%	0.0%	0.0%	0.0%
150-200 sq m	0.0%	8.3%	7.0%	2.5%	1.3%	1.3%	0.0%
200-250 sq m	0.0%	1.3%	0.6%	1.3%	0.6%	0.0%	2.5%
Over 250 sq m	0.0%	0.0%	0.0%	0.6%	0.0%	0.6%	1.3%

Source: Knight Frank Research, 2017

Q1 2017 transactions of the primary market based on their location



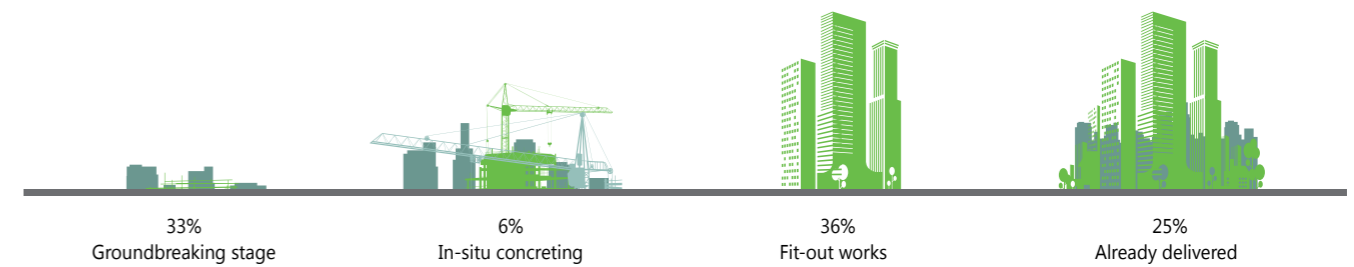
Source: Knight Frank Research, 2017

In Q1 2015 Khamovniki was the most attractive district, accounting for almost 20% of all transactions. Khamovniki remains the leading position in the ranking due to high interest of buyers in residential complex Sadovye Kvartaly. Ramenki and Tverskoy district also showed high results and were on the second and third positions respectively.

It shall be mentioned that transactions were completed only in 34 of the 55 projects put on the market. Circa 1-2 transactions were closed in 13 residential complexes. The main share of transactions was concluded in a small number of objects – about 10 complexes.

13% was the share of transactions with fitted out flats and apartments in Q1 2017.

Q1 2017 transactions of the primary market in different construction stages



Source: Knight Frank Research, 2017

Leading projects



SADOVYE KVARTALY



VOROB'EV DOM



MONE RESIDENCE



RENAME

Commercial terms

738 thousand rub./sq m
AVERAGE PRICE OF SUPPLY

-6%
QUARTER PRICE DROP

722 thousand rub./sq m
AVERAGE PRICE FOR FLATS

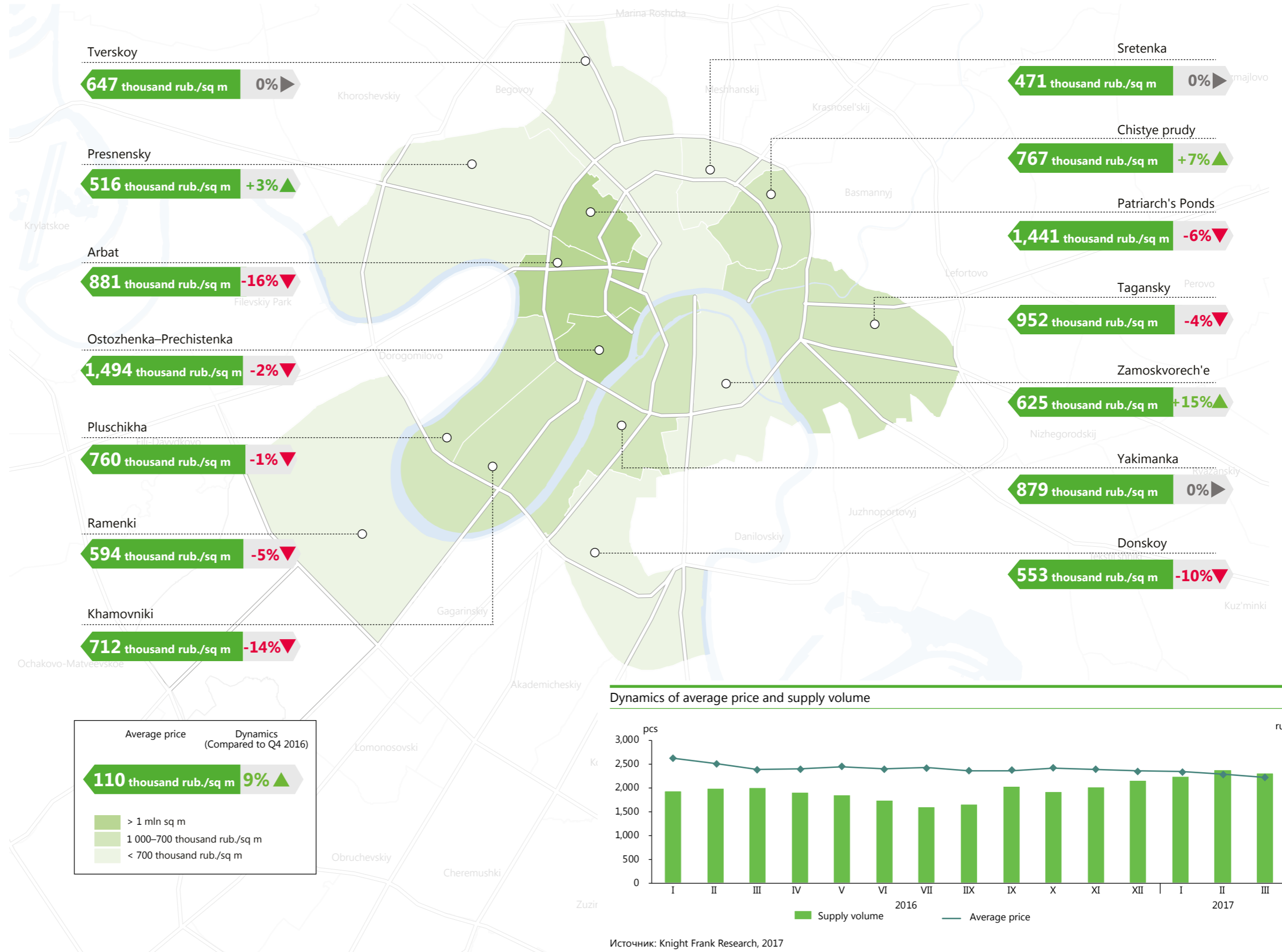
774 thousand rub./sq m
AVERAGE PRICE FOR APARTMENTS

The average price of the supply in the primary market was at 738 thousand rub./sq m. This figure fell by 6% for the quarter, which was primarily due to the change in the supply structure, the launch of new supply. The market entry of the new phase of Sadovye Kvartaly had a significant impact on the decline in the average market indicator. 4 new buildings of this project were put up for sale, where construction works are currently below ground level.

The highest price is still registered in Ostozhenka-Prechistenka and Patriarshiye Prudy (1,494 thousand rub./sq m and 1,441 thousand rub./sq m, respectively).

Positive price dynamics was registered only in three districts: Zamoskvorech'e (+15%), Chistye Prudy (+7) and Presnensky (+3%). Such a significant price increase in Zamoskvorech'e is associated with the new market launch of ORDYNKA project (25, M. Ordynka Str) by Insigma company. This residential complex offers fitted out flats in chamber houses. The maximum drop among districts was recorded in Arbat, due to the price adjustment in Stars of Arbat apartment complex (32, Novy Arbat Str).

The average Q1 price for flats was marked at 722 thousand rub./sq m, for apartments this figure was equal to 774 thousand rub./sq m. The price for both flats and apartments went down during the first 3 months of 2017, 6% and 5% down, correspondingly.





A-Residence
Sadovnicheskaya Emb., 82



NEVA TOWERS
Moscow-City



ART ECO
Novorizhskoe Hwy, 30 km



Futuro Park
Novorizhskoe Hwy, 23 km



Portonovi
Montenegro



Limassol Marina
Cyprus



© Knight Frank LLP 2017 – 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.

RESEARCH

Olga Yasko
Director, Russia & CIS
olga.yasko@ru.knightfrank.com

RESIDENTIAL

Alexey Treshchev
Head of Department
alexey.treshchev@ru.knightfrank.com

+7 (495) 981 0000