

High level of developers activity:  
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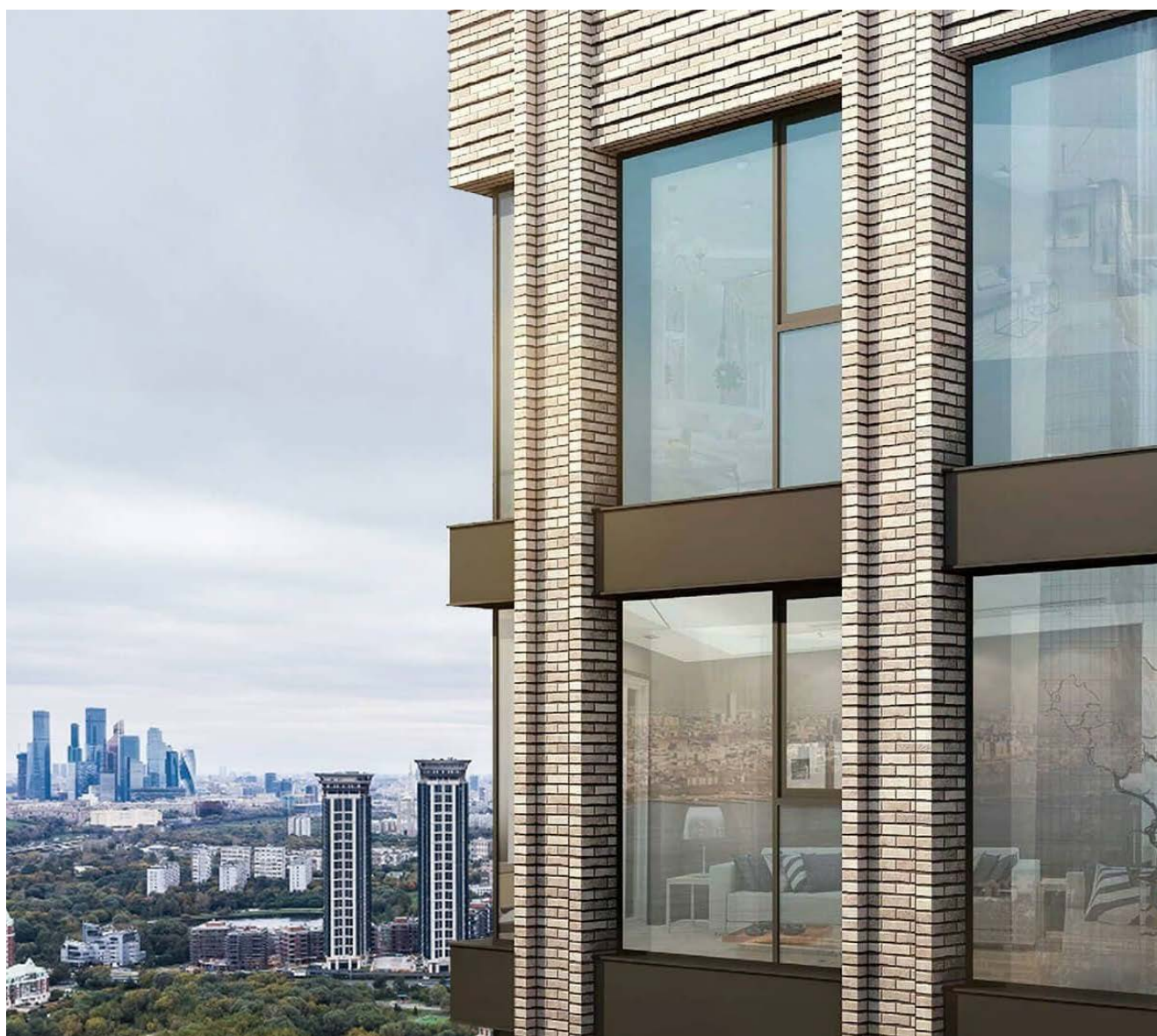
Active demand: approximately  
**5,000 units** were sold in the Q1,  
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it was in the same period last year



# BUSINESS CLASS RESIDENTIAL REAL ESTATE MARKET MOSCOW

Q1 2021

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"Despite the active replenishment of the business class market with some new projects at the initial stages of construction, supply prices are growing rapidly. This situation is rather atypical for the real estate market, where the price per square meter at the start of construction works is usually lower than the market average one, but many projects are being launched at the average market price and sometimes even at a higher one nowadays.

The rise in prices is fueled by demand remaining at a high level but the demand may slow down which will also hold the relevant prices down with an increase in the key rate and an increase in mortgage rates thereby as well as with a decrease in the supply share in the minimum budgets available for a subsidized mortgage rate".

## Basic conclusions

- ♦ High level of developers activity: some several large residential complexes, new construction phases and new buildings within the residential complexes went on sale at once, which increased the quarter supply volume by 15%.
- ♦ Active demand: approximately 5,000 units were sold in the Q1, which is almost a third more than it was in the same period last year.
- ♦ Continuation of the average weighted price per square meter growth trend: it reached 365,500 rubles/sq. m according to the results of the first three months.

## Supply

The primary business class residential real estate market in Moscow finally showed some positive dynamics in terms of the supply volume at the end of the Q1 of 2021: the market was replenished with 6 new projects, 3 new phases in large-scale projects as well as with 6 buildings in the residential complexes already under construction in the first three months of the year. The total number of units on sale amounted to 9,800 flats and apartments at the end of March 2021, which is 15% more than it was at the end of the last year. However, despite the active emergence of new objects, the total number of units on sale remains low – 10% lower compared to the end of the Q1 of the last year.

Therein, if last year some developers put some small pools of units (20-50 ones only) on sale, nowadays some developers exhibit almost the entire project volume in their buildings: the market has been totally replenished by more than 2,700 flats and

apartments in new objects launched to the market recently.

The upward trend in the supply share with finishing (finishing and white box) continues, it amounted to 40% at the end of March 2021, which is 2 p.p. more than at the end of 2020.

The new supply emergence also influenced the supply structure in terms of the construction stages: the supply share at the initial stages of construction (from the construction site preparation to the construction of foundation) significantly increased and amounted to 43% (+15 p.p. per quarter).

Due to the launch of several projects in the Western AD, the district regained its leading position in the business-class housing supply: its share in the primary market supply increased by 8 p.p. compared to the end of last year and amounted to 24%. The Southern AD hit the second place with a share of 21% and the North-Eastern AD takes the third place (17%).

### Key indicators. Dynamics

#### Supply

|   | Figure | Dynamics* |
|---|--------|-----------|
| Supply volume, pcs.                     | 9.8    | +15%      |
| Supply volume, thsnd sq m               | 746.6  | +12%      |
| Average weighted price, thsnd rub./sq m | 365.5  | +11%      |
| Average area, sq m                      | 75.9   | -2%       |
| Average cost, mln roubles               | 27.7   | +9%       |

#### Demand

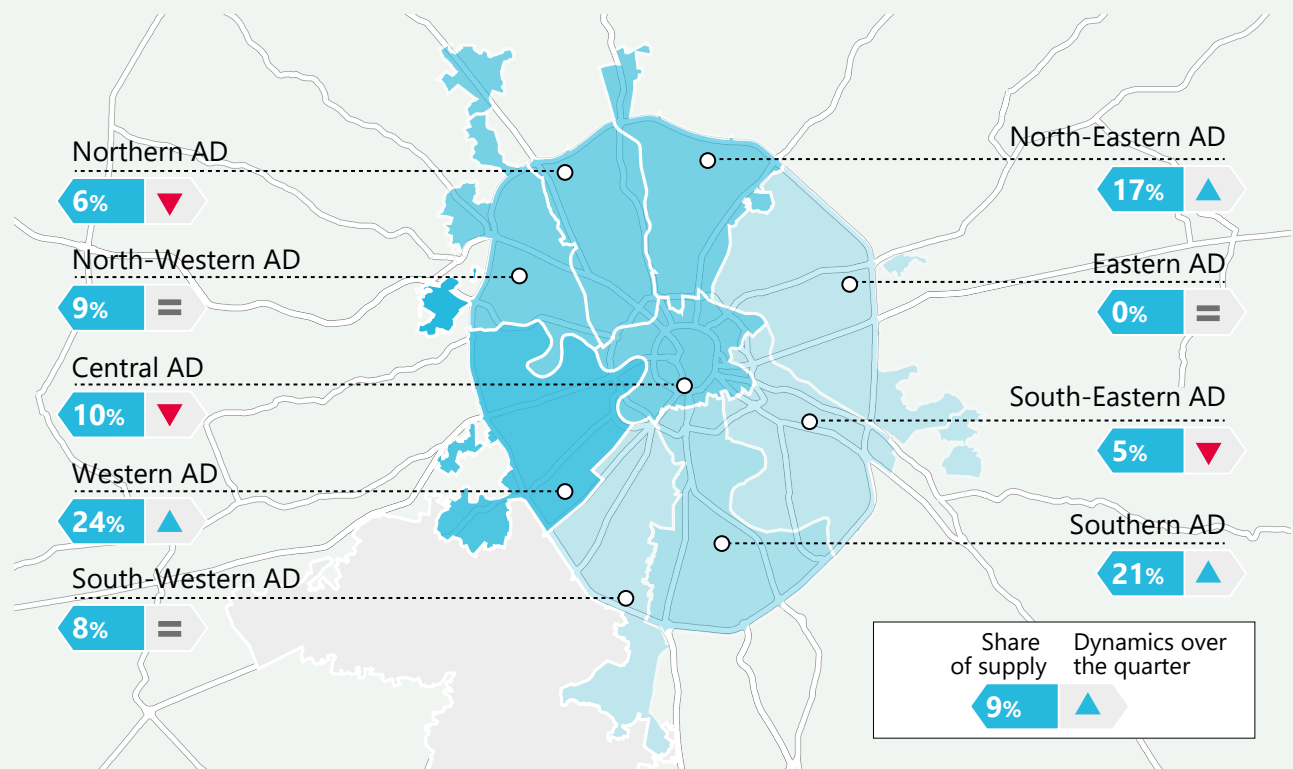
|   | Figure | Dynamics** |
|---|--------|------------|
| Transaction number, pcs.                | 5.0    | +28%       |
| Transaction volume, thsnd sq m          | 325.7  | +16%       |
| Average weighted price, thsnd rub./sq m | 340.3  | +11%       |
| Average area, sq m                      | 67.3   | +24%       |
| Average cost, mln roubles               | 22.2   | +12%       |

\* Q1 2021 / Q4 2020

\*\* Q1 2021 / Q1 2020

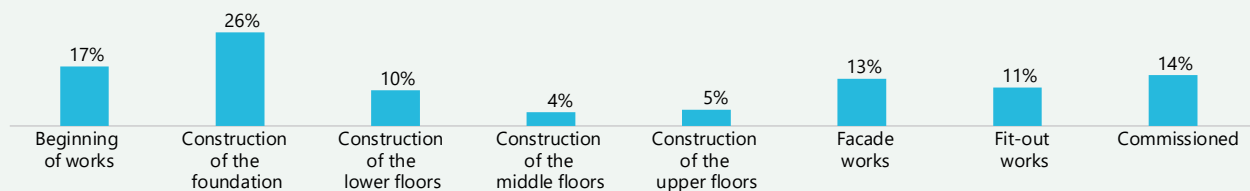
Source: Knight Frank Research, 2021

## Supply profile per districts



Source: Knight Frank Research, 2021

## Supply structure by the construction stage.



Source: Knight Frank Research, 2021

The supply structure by the area of units has been substantially unchanged over a long period of time. Most of the units are represented in the range of 60-90 sq. m – 41% of the supply. However, due to the replenishment of the market with some new projects, the supply share of small units (up to 40 sq. m) increased: 10% of the supply is represented by studios and small one-room flats/apartments.

## Supply structure

|               | Up 10 mln rub. | 10–20 mln rub. | 20–30 mln rub. | 30–40 mln rub. | 40–60 mln rub. | Over 60 mln rub. |
|---------------|----------------|----------------|----------------|----------------|----------------|------------------|
| Up 40 sq m    | 2%             | 8%             | 0%             | 0%             | 0%             | 0%               |
| 40–60 sq m    | 0%             | 15%            | 6%             | 0%             | 0%             | 0%               |
| 60–90 sq m    | 0%             | 5%             | 27%            | 7%             | 2%             | 0%               |
| 90–120 sq m   | 0%             | 0%             | 7%             | 7%             | 5%             | 1%               |
| Over 120 sq m | 0%             | 0%             | 0%             | 1%             | 3%             | 3%               |

Source: Knight Frank Research, 2021

### Objects that were launched in Q1 2021

| Name                       | Market Launch | District            | Property type | Developer                | Number of units | Commissioning date | Finishing                       |
|----------------------------|---------------|---------------------|---------------|--------------------------|-----------------|--------------------|---------------------------------|
| <b>New projects</b>        |               |                     |               |                          |                 |                    |                                 |
| Will Towers                | Jan. 21       | Ramenki             | Flats         | UEZ                      | 1,906           | Q3 2023            | No finishing                    |
| Beregovoy 2                | Feb. 21       | Filevsky Park       | Flats         | Glavstroy                | 782             | Q4 2023            | With finishing                  |
| Dostizhenie                | Feb. 21       | Ostankinsky         | Flats         | Sminex                   | 1,195           | Q3 2022            | No finishing                    |
| Ostrov                     | Feb. 21       | Khoroshevo-Mnevniki | Flats         | Donstroy                 | 584             | Q4 2023            | No finishing/<br>with finishing |
| SLAVA                      | Mar. 21       | Begovoy             | Apartments    | MR Group                 | 575             | Q3 2022            | White box                       |
| AFI Park Voroncovsky       | Mar. 21       | Obruchevsky         | Flats         | AFI Development          | 846             | Q3 2023            | No finishing                    |
| <b>New buildings</b>       |               |                     |               |                          |                 |                    |                                 |
| Sobytie-2                  | Jan. 21       | Ramenki             | Flats         | Donstroy                 | 498             | Q4 2023            | No finishing/<br>with finishing |
| Zapadny Port (b. 2.2.2)    | Feb. 21       | Filevsky Park       | Flats         | PIK                      | 739             | Q1 2023            | White box                       |
| Zilart (b. 11, 12)         | Feb. 21       | Danilovsky          | Flats         | LSR                      | 575             | Q2 2023            | No finishing                    |
| Foriver (b. 7)             | Feb. 21       | Danilovsky          | Flats         | Ingrad                   | 109             | Q4 2023            | No finishing/<br>with finishing |
| NOW (2 stage)              | Mar. 21       | Danilovsky          | Flats         | Tekta Group              | 587             | Q4 2022            | No finishing                    |
| Paveleckaya City (b. 7, 8) | Mar. 21       | Danilovsky          | Flats         | MR Group/<br>Level Group | 506             | Q4 2023            | White box                       |
| Headliner (b. 5)           | Mar. 21       | Presnensky          | Flats         | Kortros                  | 197             | Q2 2024            | No finishing                    |
| West Garden (b. 13)        | Mar. 21       | Ramenki             | Flats         | Inteco                   | 121             | Q2 2023            | No finishing                    |

Source: Knight Frank Research, 2021



Береговой 2



## Prices

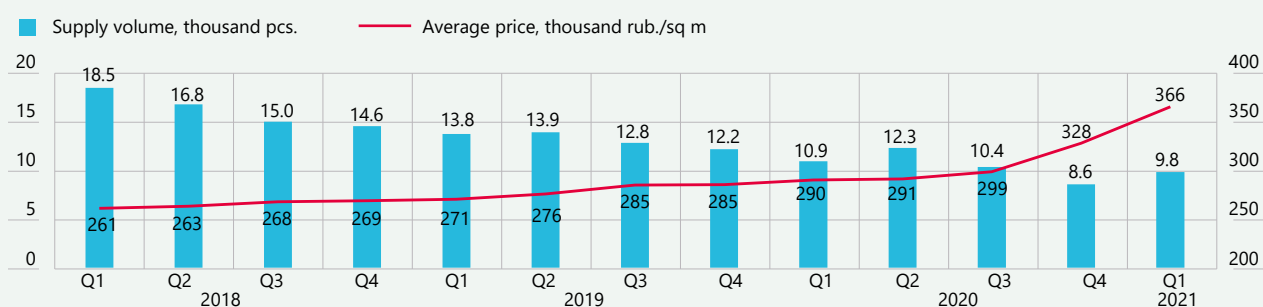
The average weighted price of 1 square meter of business-class residential real estate in the Q1 of 2021 continued to grow and reached 366,000 rubles. Despite the fact that slightly less than a half of the supply is at the stage of the zero construction stage, the increase equaled to 11% for the quarter. The most significant growth, notably by 21%, was registered in the Western AD, where the second stage of the Beregovoy

Residential Complex went in sale with a high price for a square meter and a large number of units in sale. Moreover, the average weighted price in the Northern AD increased by 20%, which was also supplemented by some new supply, notably by the Slava MFC.

The average budget for the business-class housing supply increased following the growth of the price per square meter and reached 27.7 mln rubles, which is 9%

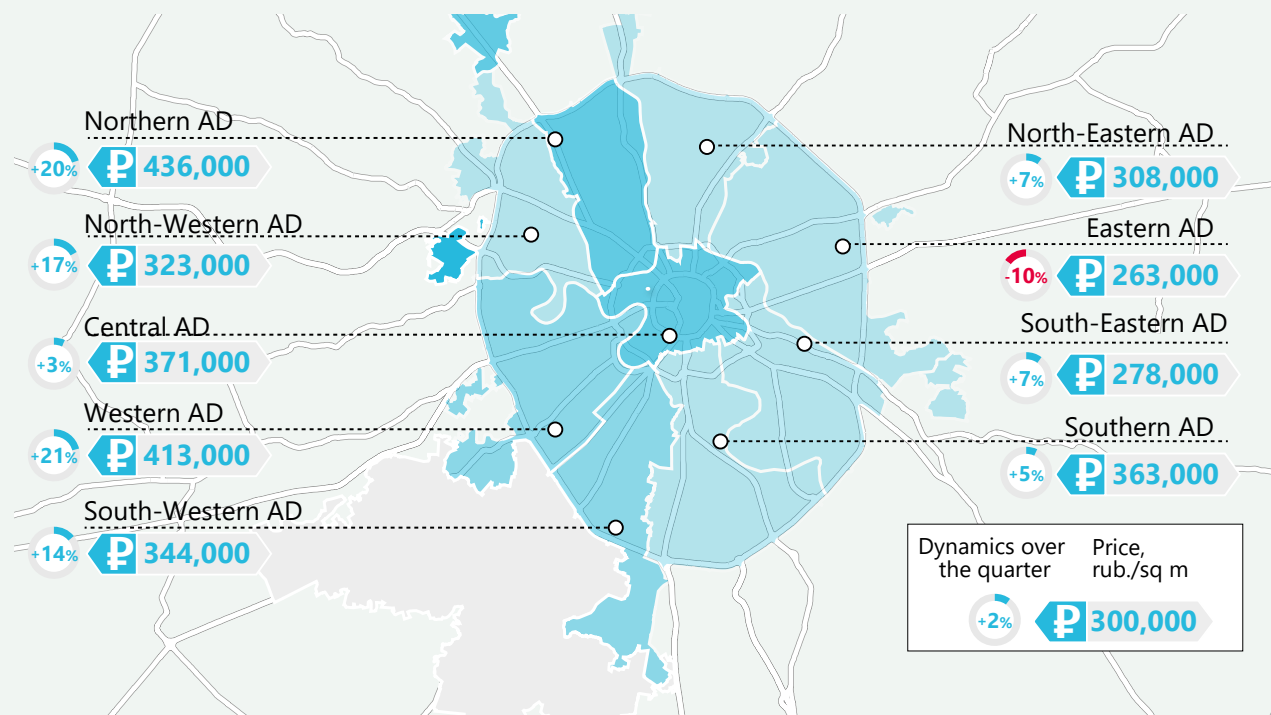
higher than a quarter earlier, the growth equaled to 22% for the year. Moreover, the supply in low budgets continues to decline – up to 10 mln rubles: it is only 2% of the total number of units on sale, in the range of 10-20 mln rubles equaling to 29%, which is 5 p.p. less than in 2020 and 16 p.p. less than a year earlier. Thus, fewer and fewer purchasers may take advantage of subsidized mortgages for a small down payment.

### Dynamics of average price and supply volume



Source: Knight Frank Research, 2021

### Prices



Source: Knight Frank Research, 2021

## Demand

Approximately 5,000 business class flats and apartments were sold in the primary market in the Q1 of 2021. The volume of transactions increased by substantially a third (27%) compared to the same period in 2020.

Mortgages remain among the factors contributing to the increased demand: 51% of transactions executed within the framework of some co-investment agreements in business-class projects in Moscow were consummated with the involvement of mortgage loans. Compared to the Q4 of 2020, the share of mortgage transactions decreased by 4 p.p. due to the reduction of the supply in the minimum budgets available for the use of subsidized mortgages by a large circle of potential purchasers.

Besides, the demand was supported by the emergence of new supply: three projects from the top five by the transaction volume were launched to the market during the first three months of this year (or were replenished with new buildings).

The three leaders in terms of demand are represented by three projects by one developer Donstroy: Simvol, Ostrov and Sobytiye, more than 1,300 units were totally sold therein. The most popular districts in terms of demand included the Western AD (19% of all sales), the Southern AD (18%) and the South-Eastern AD (15%).

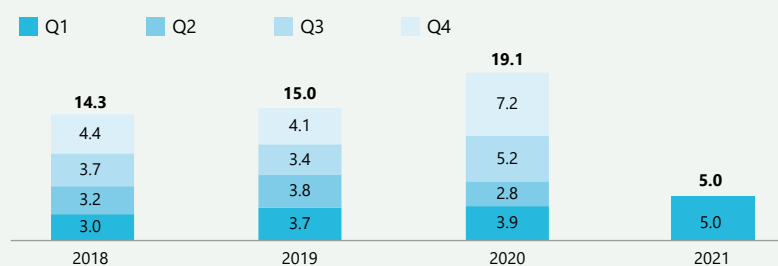
The units in the price range of 10-20 mln rubles as well as the units in the range of 60-90 and 40-60 sq. m are still in the greatest demand. Therein, one should note the growth of the demand share for small units with an area of up to 40 sq. m: the share of transactions with such units compared to the data for the Q1 of 2020 grew by 10 p.p. and probably constitutes the result of an increase in the share of investment transactions.

### Demand structure

|               | Up to 10 mln rub. | 10-20 mln rub. | 20-30 mln rub. | 30-40 mln rub. | 40-60 mln rub. | Over 60 mln rub. |
|---------------|-------------------|----------------|----------------|----------------|----------------|------------------|
| Up to 40 sq m | 6%                | 14%            | 0%             | 0%             | 0%             | 0%               |
| 40-60 sq m    | 0%                | 26%            | 3%             | 0%             | 0%             | 0%               |
| 60-90 sq m    | 0%                | 8%             | 20%            | 4%             | 1%             | 0%               |
| 90-120 sq m   | 0%                | 0%             | 4%             | 6%             | 2%             | 0%               |
| Over 120 sq m | 0%                | 0%             | 0%             | 2%             | 3%             | 1%               |

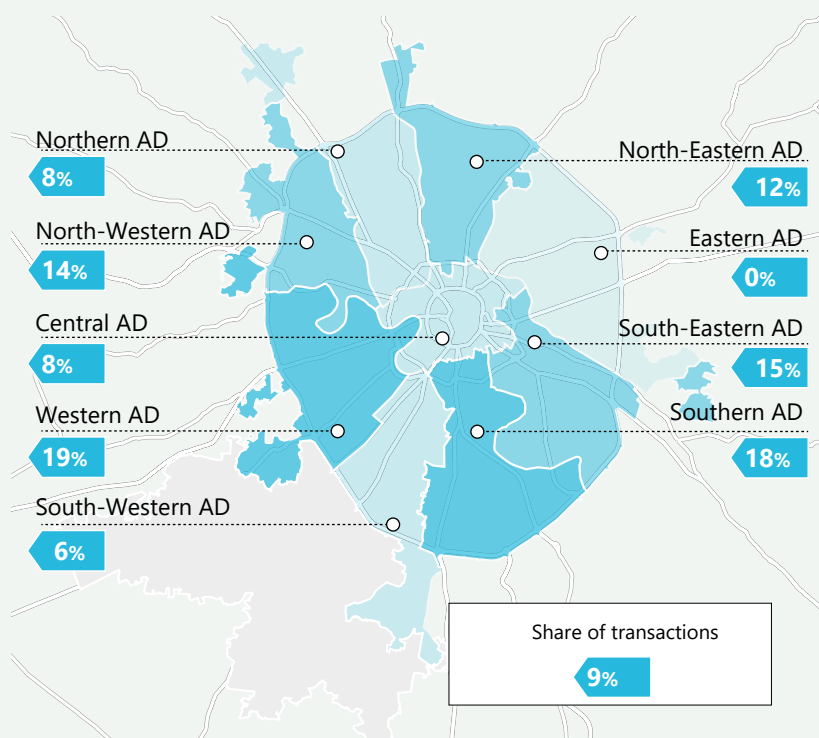
Source: Knight Frank Research, 2021

### Dynamics of transactions volume



Source: Knight Frank Research, 2021

### Share of transactions by district

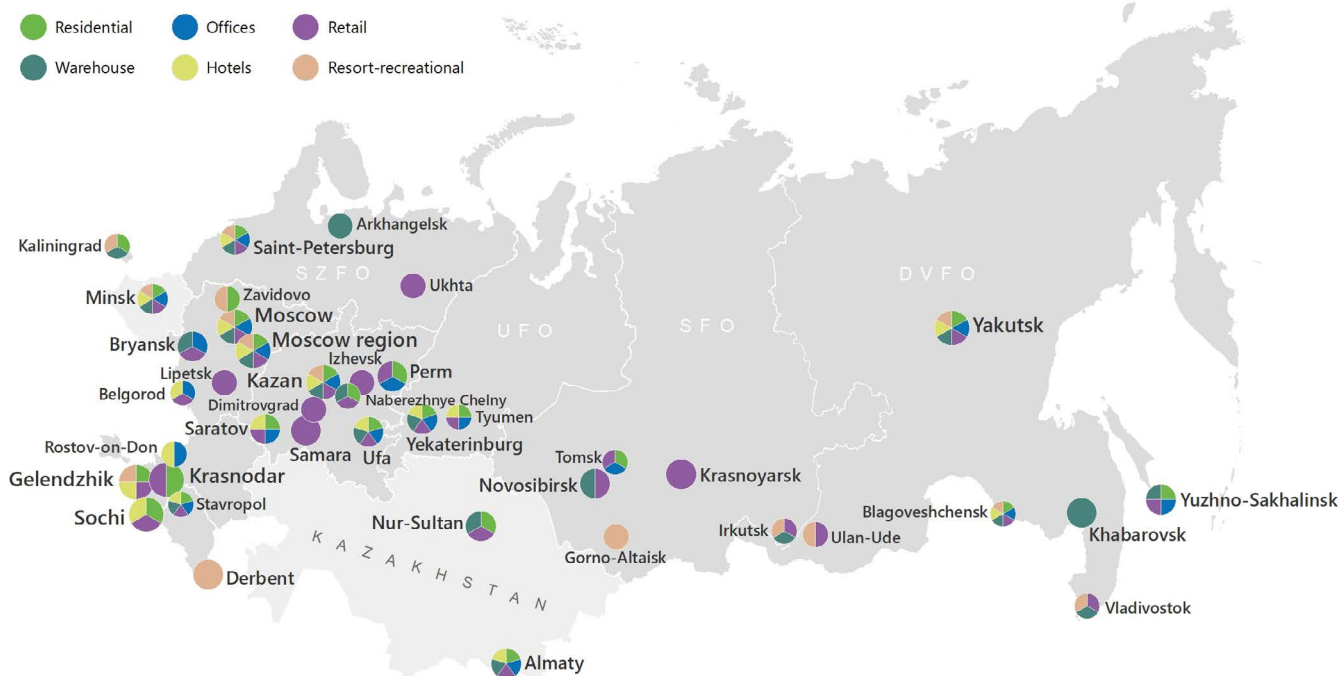


Source: Knight Frank Research, 2021

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