

Growth of the average weighted supply price in the segment up to **954,000 rubles/sq m** (+ 7% YTD)

Ongoing interest in prime residential real estate in Q1: **66%** more transactions than a year earlier

PRIME RESIDENTIAL REAL ESTATE MARKET MOSCOW

Q1 2021





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"So far, the ongoing demand and supply shortage in the prime residential real estate market are pushing prices up. Due to these factors as well as the growth of developer's costs on the pre-construction works and construction, the new projects will be of higher value. At the same time, even if the situation on the market changes in the future, developers will not start to cut prices everywhere: this will more likely affect the possible discount amount than the price offers. Therefore, prices will not return to the pre-quarantine period in the near future. Real estate remains an attractive sector for investments and savings, while maintaining liquidity and acceptable risks".

Key conclusions

- ♦ Growth of the average weighted supply price in the segment up to 954,000 rubles/sq m (+ 7% YTD).
- ♦ Ongoing interest in prime residential real estate in Q1: 66% more transactions than a year earlier.
- ♦ The total number of units in the first three months increased by only 2% — to 2.2 thousand.

Key indicators. Dynamics

Supply	Deluxe	Dynamics*	Premium	Dynamics*
Total supply, pcs.	410	-15%	1,750	+7%
Average price, thousand rub./sq m	1,437	+5%	795	+14%
Average area, sq m	167	+5%	119	+4%
Average price, mln rub.	240	+10%	95	+18%
Supply	Deluxe	Dynamics*	Premium	Dynamics*
Total supply, pcs.	65	+8%	330	+85%
Average price, thousand rub./sq m	1,267	+20%	700	+23%
Average area, sq m	155	-3%	115	+1%
Average price, mln rub.	197	+17%	77	+24%

* Q1 2021 / Q4 2020

** Q1 2021 / Q1 2020

Source: Knight Frank Research, 2021

Supply structure by class

■ Deluxe ■ Premium



Source: Knight Frank Research, 2021

Supply structure by property type

■ Flats ■ Apartments



Source: Knight Frank Research, 2021

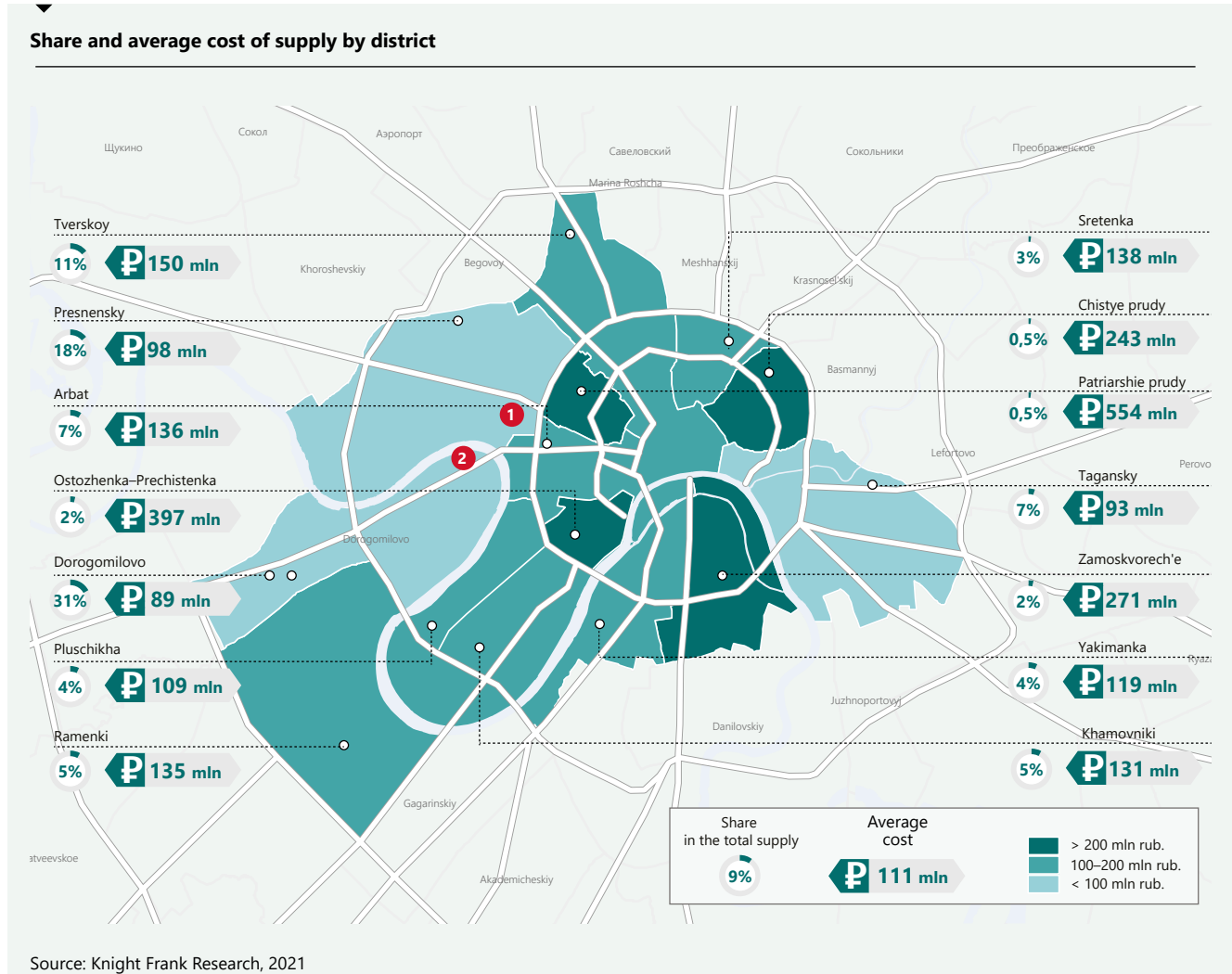
Supply

In January – March 2021, the segment was replenished with two new Premium projects. However, despite their large scope, the total number of units in the first three months increased by

only 2% – to 2.2 thousand, and the total supply increased by 5% – to 278,000 sq. m. against the active demand.

It is worth noting that there is a shortage of supply in the Deluxe class: the number

of units on display decreased by 15% over the quarter and by more than 40% over the year. In general, developers' activity in the past 2020 was low. Moreover, two of the three new Delux projects



Complexes where sales began in Q1 2021

Name	Address	Class	Developer	Property Type	Number of units	Market Launch	Finishing	Commissioning Date
1 Sky View	15 Druzhinnikovskaya Street (Presnenskiy District)	Premium	KINOTSENTR	Apartments	304	March 2021	White Box	Q1 2023
2 Badaevsky (first stage)	12/6, 12/2 Kutuzovskiy Avenue (Dorogomilovo)	Premium	Capital Group	Flats	326	February 2021	No finishing	Q4 2024

Source: Knight Frank Research, 2021

were of club format, which, together with the roaring demand for real estate at the end of last year, caused negative dynamics. Also, a small part of the supply in the segment was withdrawn from sale. Deluxe projects have been announced among the promising sites but most likely the majority of them will start only in the second half of the year.

Dorogomilovo District managed to maintain its leadership in terms of the number of units displayed in the market, including due to the new large “Badaevsky” project in the District. Almost a third (31%) of all flats and apartments in the segment is still concentrated here. The second place with its 18% is taken by Presnensky District, the share of which has grown by 7 pp since the end of 2020. Tverskoy District (11%), which is traditionally characterized by the largest number of new buildings, closes the top three.

Primary market supply structure. Deluxe

	Up to 100 mln rub.	100–150 mln rub.	150–200 mln rub.	200–250 mln rub.	Over 250 mln rub.
Up to 100 sq m	11.9%	9.2%	0.7%	0.2%	0.0%
100–150 sq m	5.6%	15.8%	6.6%	3.4%	1.0%
150–200 sq m	0.0%	2.9%	8.5%	3.4%	7.3%
200–250 sq m	0.0%	0.5%	2.2%	1.7%	7.3%
Over 250 sq m	0.0%	0.2%	0.2%	0.2%	11.2%

Source: Knight Frank Research, 2021

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	2.5%	2.9%	0.0%	0.0%	0.0%
50–100 sq m	1.5%	26.9%	8.1%	0.3%	0.0%
100–150 sq m	0.0%	1.9%	14.1%	13.7%	3.3%
150–200 sq m	0.0%	0.0%	1.0%	6.2%	10.2%
Over 200 sq m	0.0%	0.0%	0.0%	0.1%	7.3%

Source: Knight Frank Research, 2021



Dynamics of average price and supply volume



Source: Knight Frank Research, 2021

Supply structure by the construction stage. Deluxe



Source: Knight Frank Research, 2021

Supply structure by the construction stage. Premium



Source: Knight Frank Research, 2021

Demand

Despite the fact that Q1 is usually market by lower activity than other periods, the number of transactions made this year with prime residential real estate has become significantly higher. In January – March 2021, about 390 flats and apartments were sold at the primary market, which is 66% higher than the same figure last year. A significant increase in annual dynamics is associated not only with the epidemiological situation impact on demand last year (please recall that the number of sold flats and apartments was 10% lower than in the first three months of 2019), but also with the growing buying activity in the market as a whole.

This growth in interest in prime residential real estate can be traced back to Q3 of 2020, when the main restrictions were lifted. However, the main driver of growth at that time was still deferred demand. Record sales were further fixed in the last months of 2020.

Primary market transactions structure. Deluxe

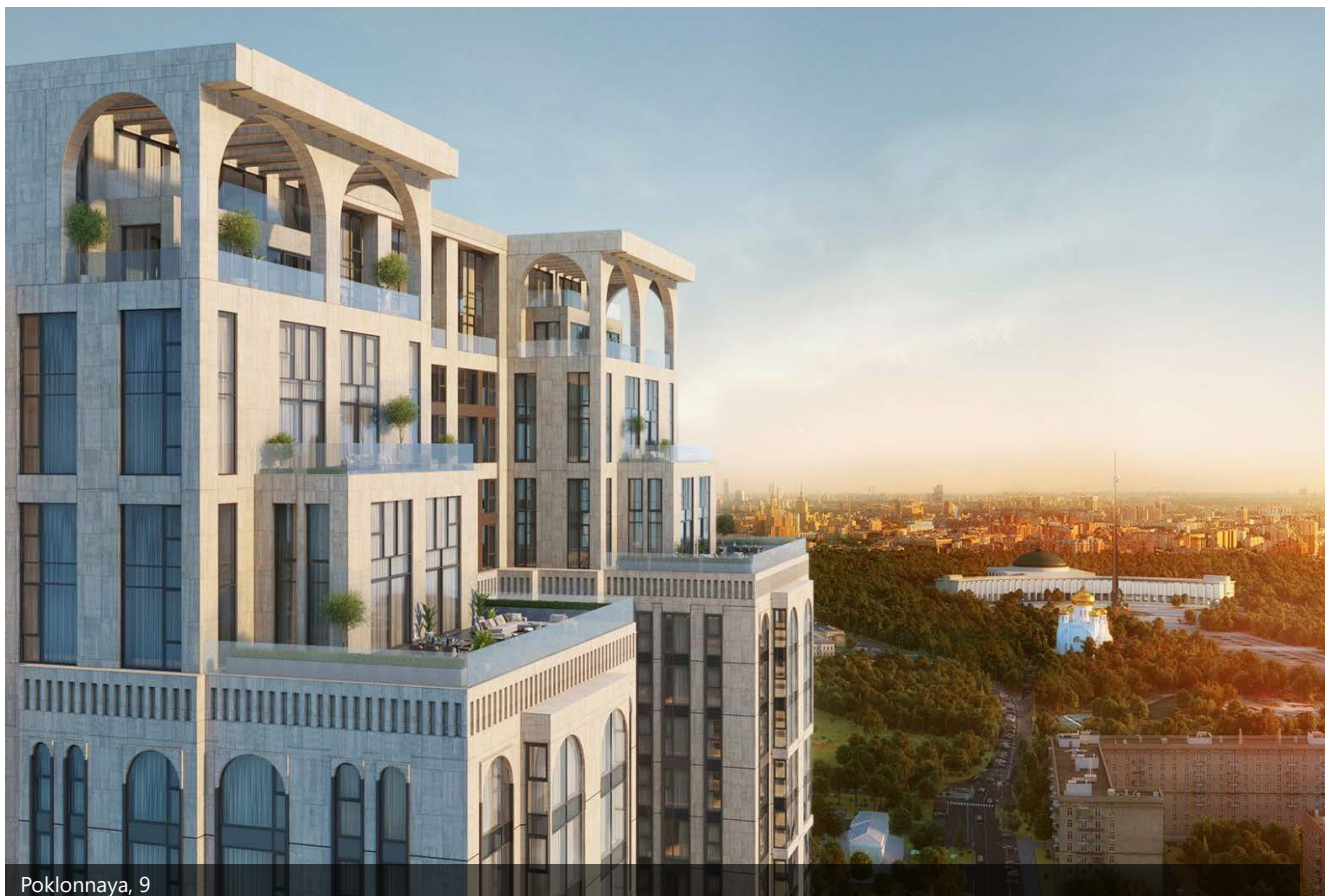
	Up to 100 mln rub.	100–150 mln rub.	150–200 mln rub.	200–250 mln rub.	Over 250 mln rub.
Up to 100 sq m	12.5%	3.1%	0.0%	0.0%	0.0%
100–150 sq m	3.1%	23.4%	12.5%	0.0%	1.6%
150–200 sq m	0.0%	3.1%	10.9%	1.6%	6.3%
200–250 sq m	0.0%	0.0%	1.6%	1.6%	4.7%
Over 250 sq m	0.0%	0.0%	0.0%	0.0%	14.1%

Source: Knight Frank Research, 2021

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	2.4%	0.9%	0.0%	0.0%	0.0%
50–100 sq m	2.1%	29.1%	5.5%	0.0%	0.0%
100–150 sq m	0.0%	9.1%	18.5%	9.1%	2.7%
150–200 sq m	0.0%	0.0%	2.1%	6.4%	7.3%
Over 200 sq m	0.0%	0.0%	0.0%	0.3%	4.5%

Source: Knight Frank Research, 2021



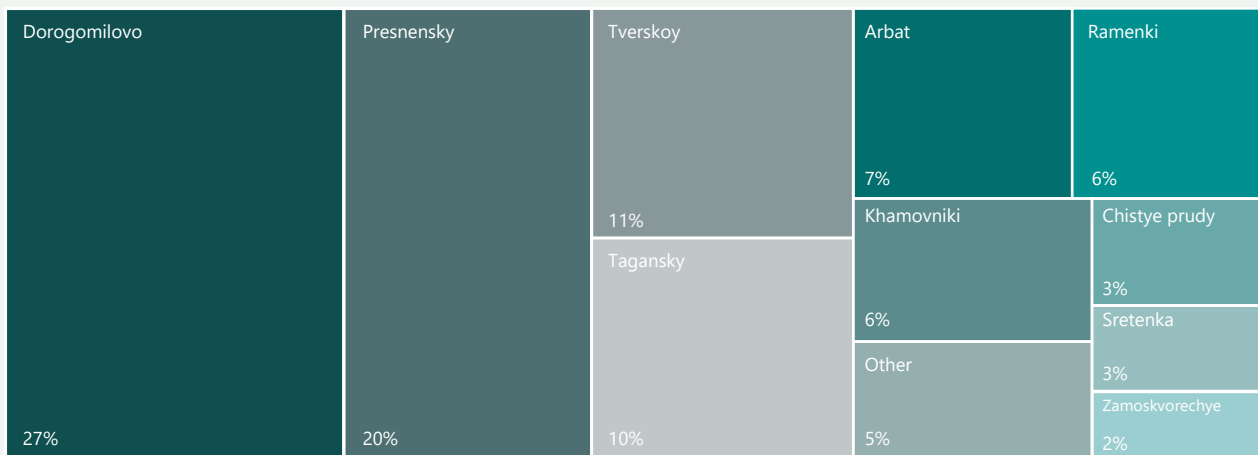
Poklonnaya, 9

In Q1 2021, prime residential real estate also remained an attractive asset among affluent buyers. Against low mortgage interest rates, low interest rates on deposits and a large volume of printed money stock, real estate remains a hard currency and comes to the fore as a way to preserve capital.

Several factors have contributed to the high level of demand in the prime real estate market. Firstly, record low mortgage interest rates have become a driver thereof, which makes it quite easy to get into mortgage transactions, especially for Premium class facilities. That is, more people now can afford to buy, albeit with the involvement of borrowed funds. Low interest rates on deposits, the alternative to which were

investments in high-quality real estate, also influenced the demand. After the situation with the pandemic, we are seeing a gradual increase in the share of investment transactions. Moreover, a certain number of people of substance have returned from non-CIS countries and are also considering buying their own homes. According to our forecasts, active demand for real estate will maintain this year.

Share of transactions by district



Source: Knight Frank Research, 2021



Victory Park Residences

The leaders in demand among residential complexes included 3 large Premium projects: Victory Park Residences, Lucky and Poklonnaya 9. Therefore, almost half of all transactions in Q1 were concentrated in two locations: the leading position was retained by Dorogomilovo District, where 27% of all flats and apartments were sold, and Presnensky District with a 20% share. The third place in the structure of the transaction distribution was taken by Tverskoy District: 11% of all units sold at the primary market are concentrated in this area.

Prices

At the end of Q1 of 2021, the average weighted supply price amounted to 954,000 rubles/sq. m. (+ 7% for three months and + 12% in yearly dynamics). In terms of classes, more significant dynamics was noted with regard to Premium new buildings: the price per 1 sq. m. reached 795,000 rubles (+ 14% per quarter) at the end of March. While the figure in the Deluxe segment increased by 5% – to 1,437 thousand rubles/sq. m. for 3 months. Firstly, a direct increase in prices for most of the Premium facilities has been recorded, while most often the

prices grew for the entire volume at once. Only under some projects those were single units. Secondly, this is due to the release of new complexes, since the supply of the large Badaevsky project corresponds to the upper price range in the Premium class facilities. Thirdly, the most liquid supply was hollowed out, which affected its structure as a whole.

As before, the highest prices per square meter were recorded in the Patriarshiy Ponds District (2.5 mln rubles/sq. m.) and in Ostozhenka-Prechistenka District (2.1 mln rubles/sq. m.). At the same

Leading projects



Victory Park Residences



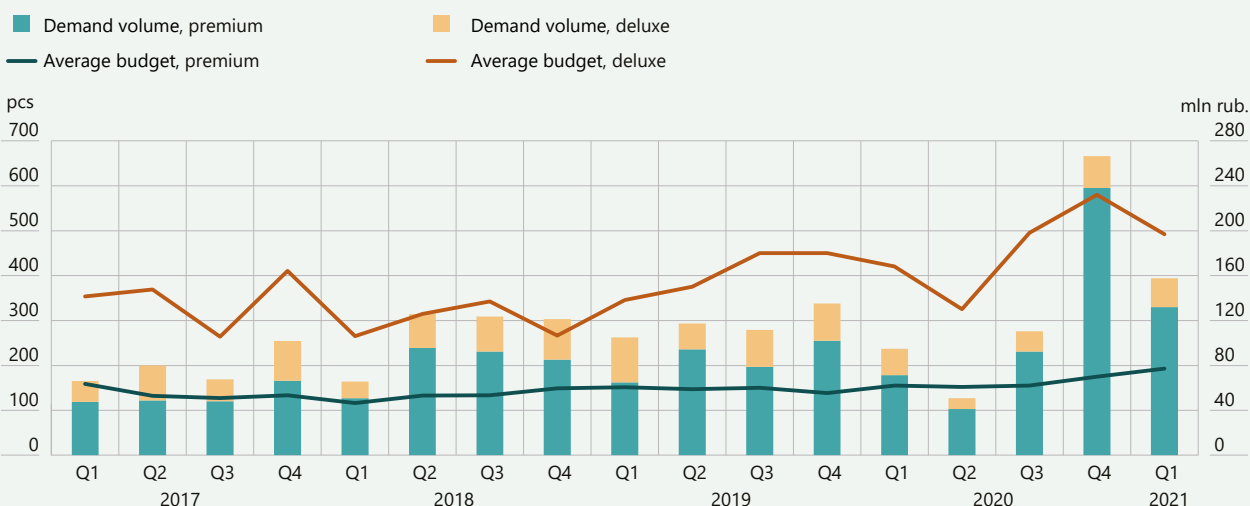
Lucky



Poklonnaya, 9

Source: Knight Frank Research, 2021

Dynamics of the number and average value of transactions by segments

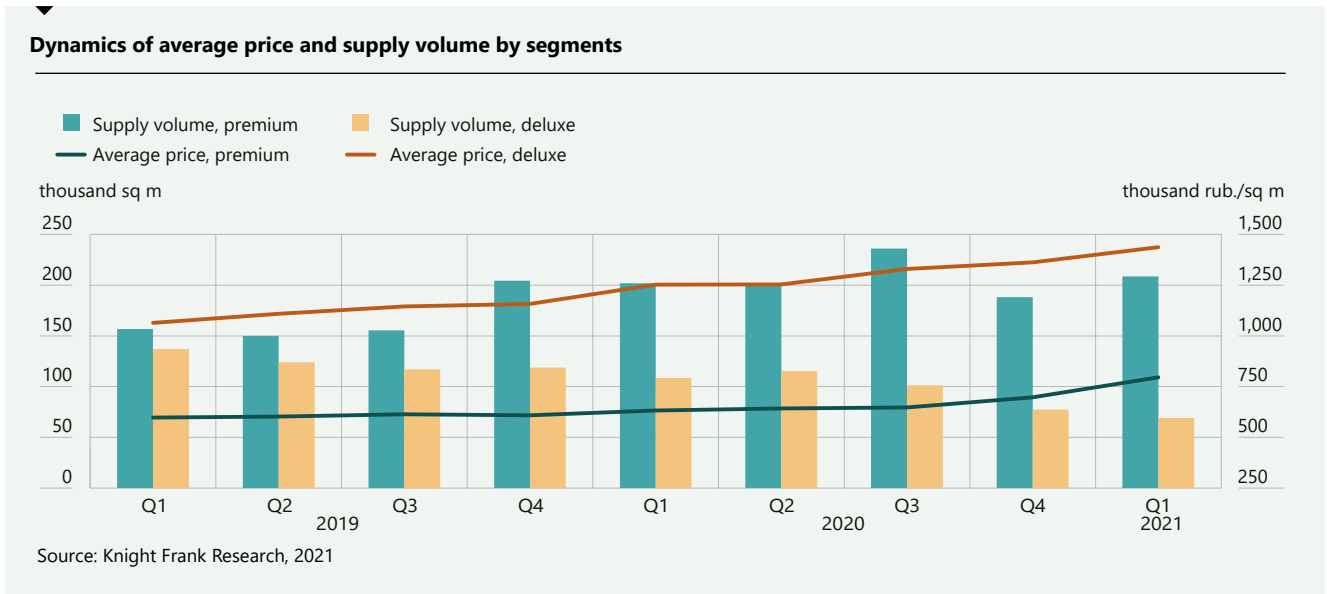
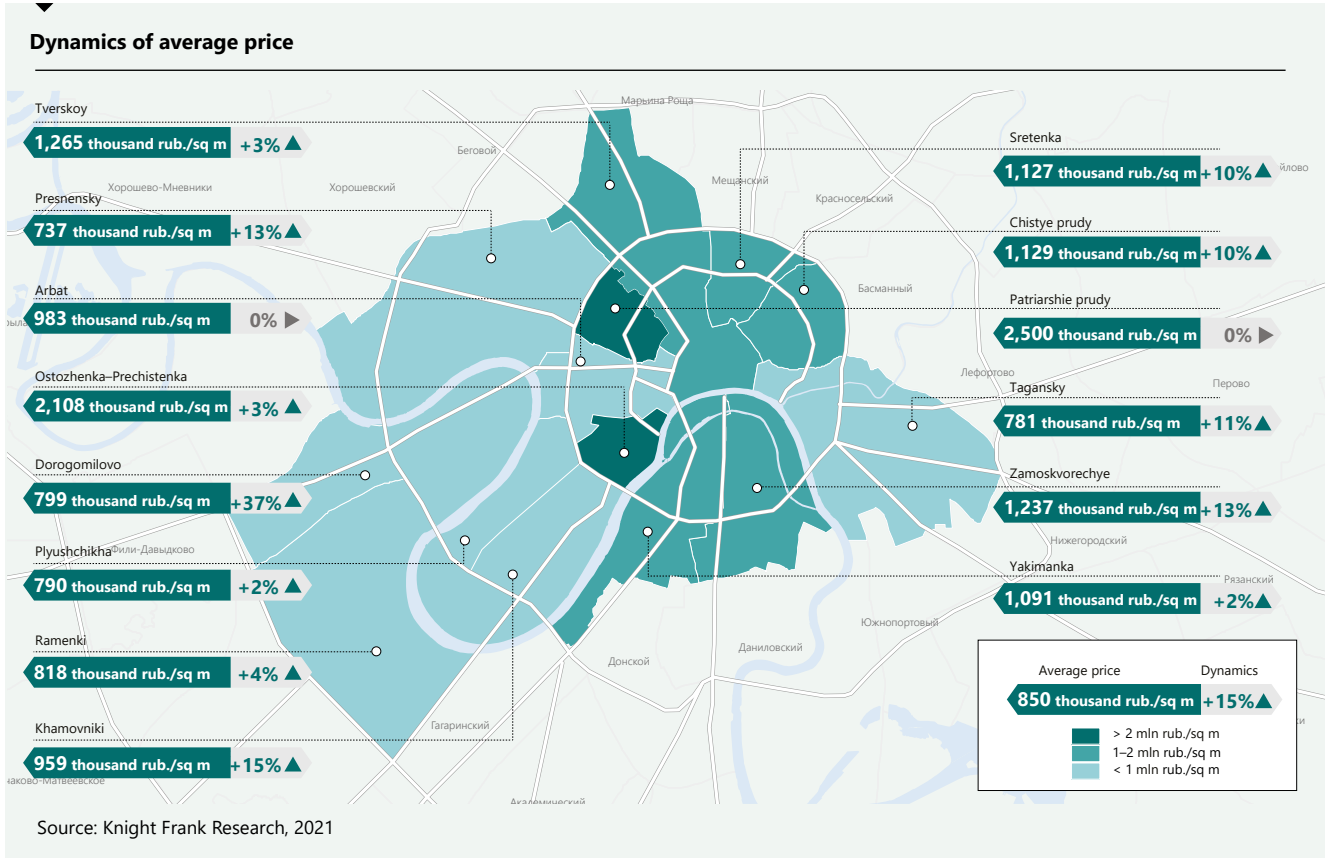


Source: Knight Frank Research, 2021

time, the maximum positive dynamics was noted in the Dorogomilovo District, where the average weighted supply price for the quarter increased by 37% – to

799,000 rubles/sq. m. In addition to the release of a new project in the upper price range, there was a direct increase in prices in the new buildings sold within the area.

Thus, Dorogomilovo District yielded the position of the most inexpensive district, which is now Presnensky District with its 737,000 rubles/sq. m.



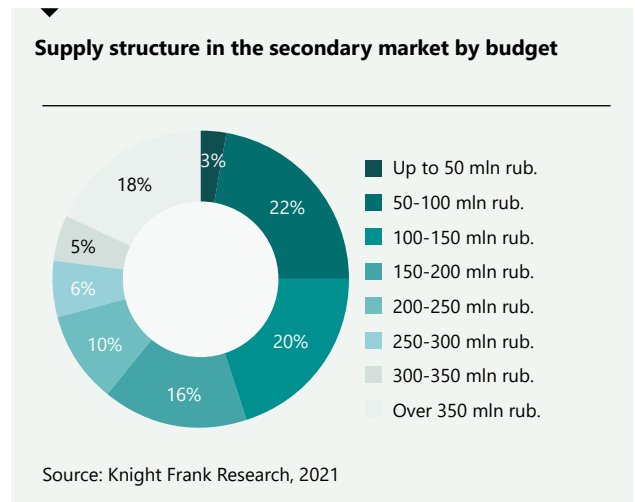
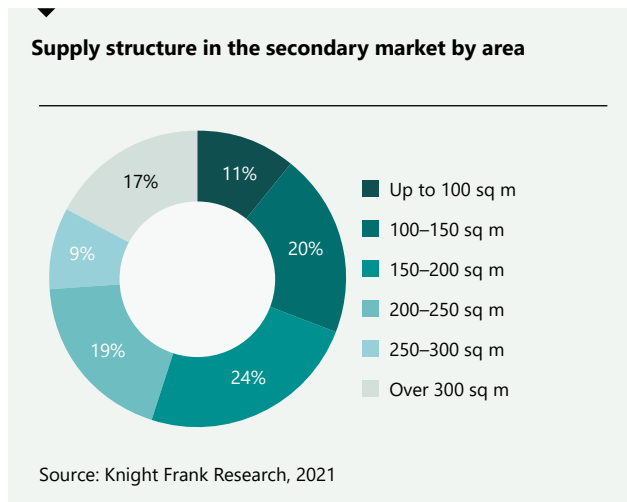
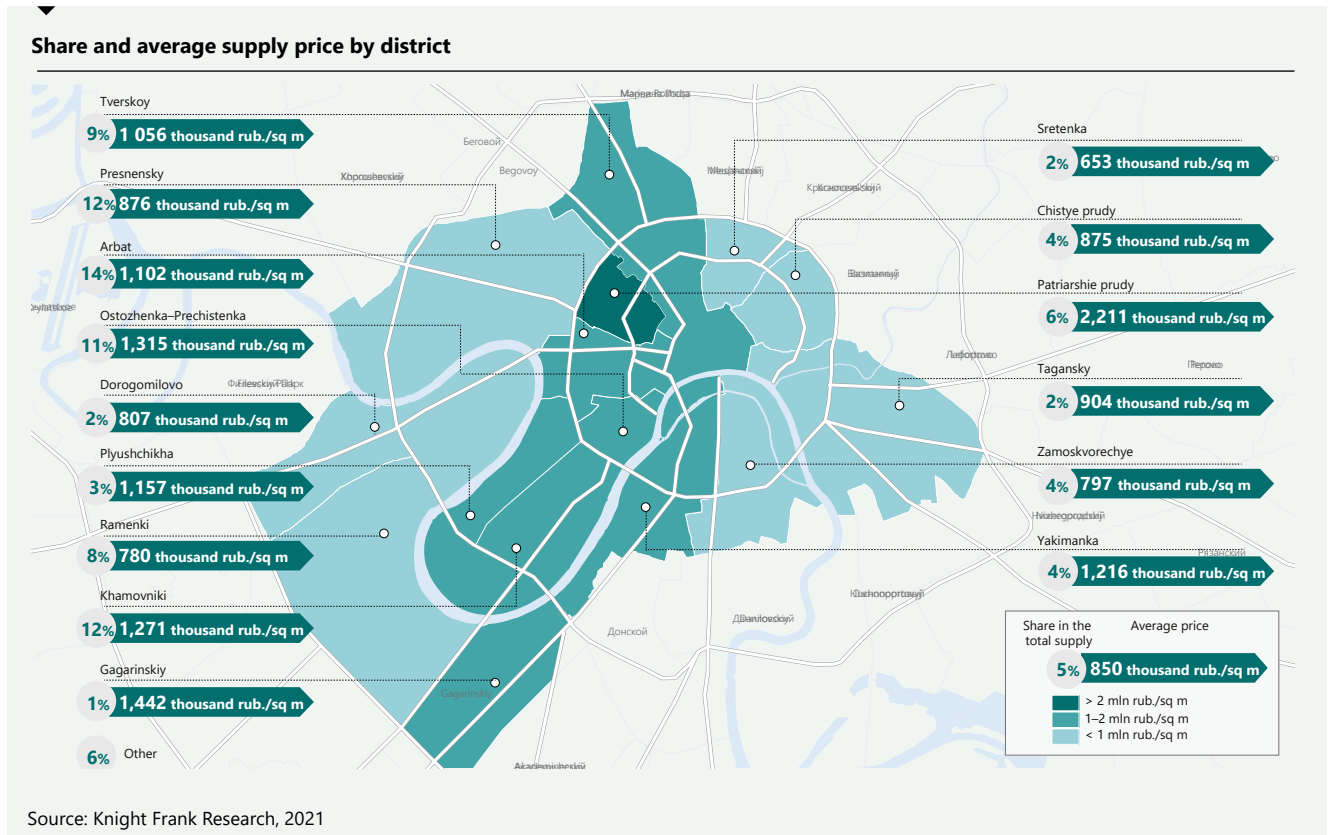
SECONDARY MARKET

Supply

At the end of Q1 of 2021, most of the supply in the secondary prime residential real estate market is focused in the Arbat District, where 14% of all flats and apartments is concentrated. It is followed by Presnensky District and Khamovniki in terms of supply with a 12% share.

The average supply area was 219 sq. m. At the same time, almost a quarter of units (24%) are concentrated in the range from 150 to 200 sq. m. Small units up to 100 sq. m. account for 11% of the supply, and large ones (from 300 sq. m.) — for about 17% of supply in the secondary market.

The average supply budget as at the end of March 2021 was 242 mln rubles. The major share of units is concentrated in the budget from 50 to 100 mln rubles. (22%) and from 100 to 150 mln rubles. (20%). At the same time, the share (18%) of expensive flats and apartments, the value of which exceeds 350 mln rubles, is also significant.



Prices

As of the end of March 2021, the average weighted supply price in the secondary prime residential real estate market amounted to 1,108 thousand rubles/sq. m., which is 6% higher than a year earlier. Compared to December 2020, the figure also increased (+ 1% for 3 months). It should be noted that the price growth rate is much lower than in the primary prime residential real estate market, but the increasing trend has been traced over the past 2.5 years.

TOP-3 most expensive District:

- As in the primary market, the maximum supply price was recorded in the Patriarshiye Ponds District, where the average weighted supply price reached 2,211 thousand rubles/sq. m.
- Gagarinsky District takes the second place with the price of 1,442 thousand rubles/sq. m.
- Ostozhenka-Prechistenka District takes the third place with the average weighted supply price of 1,315 thousand rubles/sq. m.

Demand

In January – March 2021, flats and apartments with the area from 100 to 150 sq. m. were mostly demanded and took a third (33%) of all demand. A slightly smaller share (31%) is concentrated in the range of 50-100 sq. m. More compact units (up to 50 sq. m.) were of interest to only 10% of buyers.

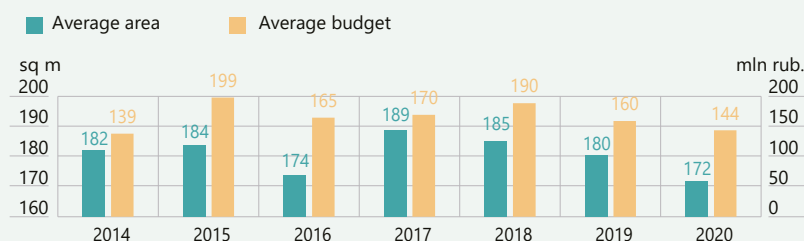
The most requested budgets for Q1 of 2021 were within the range from 50 to 100 mln rubles, the share of which in the total distribution structure was 43%. Another quarter (25%) of requests fell on the budget of up to 50 mln rubles.

Dynamics of the weighted average price in the secondary market



Source: Knight Frank Research, 2021

Dynamics of the average transaction area and average transaction budget in the secondary market



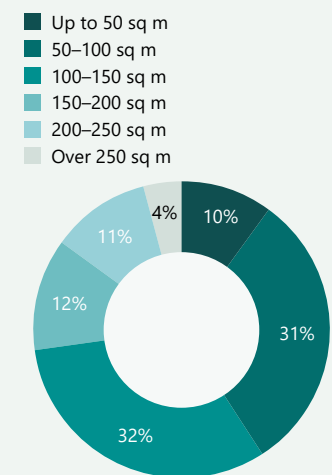
Source: Knight Frank Research, 2021

Dynamics of the average transaction price



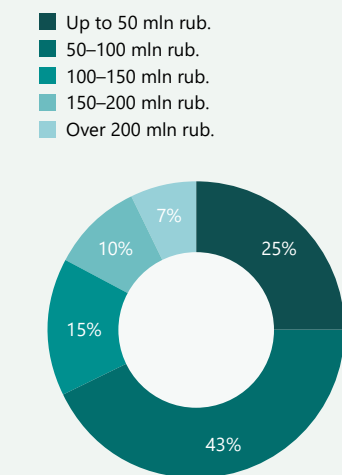
Source: Knight Frank Research, 2021

Structure by requested average area



Source: Knight Frank Research, 2021

Structure by requested average budget



Source: Knight Frank Research, 2021

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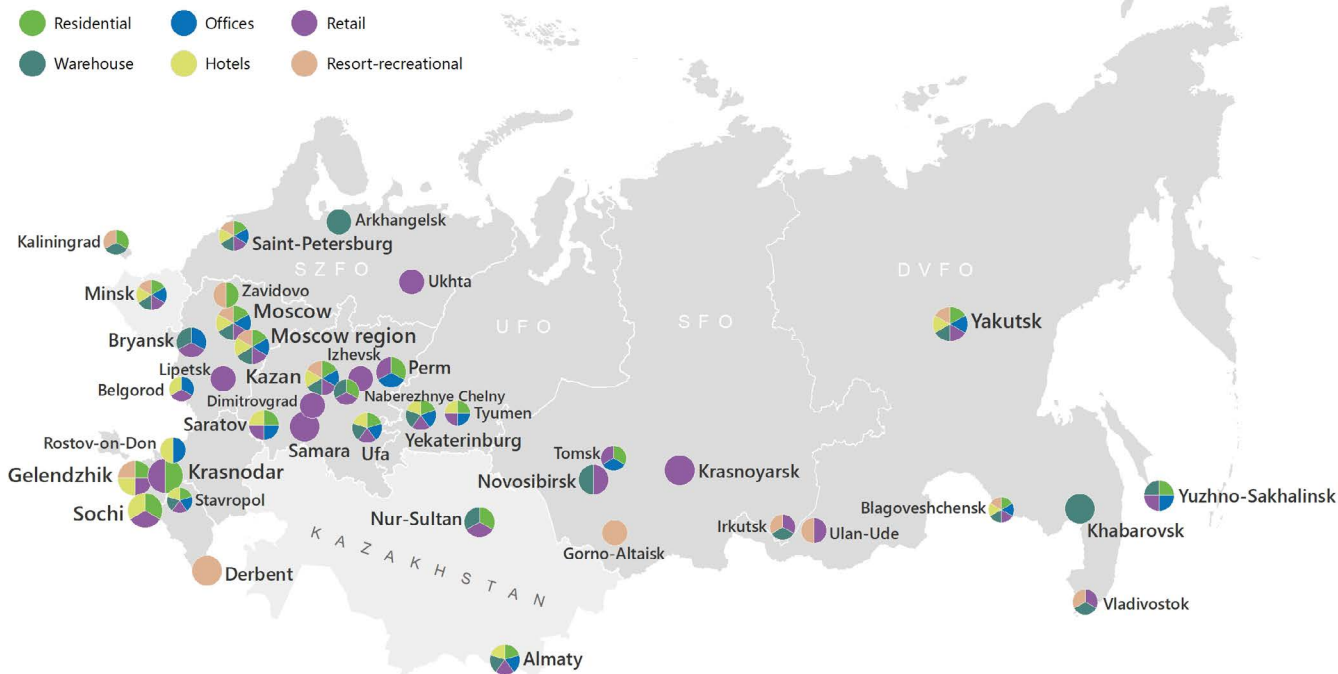


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