

*Decreased supply: during the quarter, the number of available units reduced by **13%***

*Weakened activity of developers: only **4 new projects** were launched during the quarter*



# BUSINESS CLASS RESIDENTIAL REAL ESTATE MARKET MOSCOW

Q1 2022

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West Tower



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«1Q2022 showed good demand in the primary business class residential real estate market in Moscow: the number of units sold, although less than in the previous quarters of 2021, remains high. Developers were less active: in the current uncertainty, only few decided to launch new projects to the market. These two factors led to a decreased supply. However, new projects will continue to enter the market: in the near future, several projects are planned to be launched. Large earlier-launched complex facilities will also be completed».

## Summary

- ♦ Decreased supply: during the quarter, the number of available units reduced by 13%.
- ♦ Weakened activity of developers: only 4 new projects were launched during the quarter.
- ♦ The number of units sold in the first quarter is comparable to the «pre-pandemic» figures, although less than those for the last year quarters.

## Supply

In 1Q2022, the primary business class residential real estate market in Moscow is presented by 9,3 thousand flats and apartments with a total area of 686,000 sq m. After recovery in the second half of 2021, the supply lost 13% and returned to figures below 10,000 units. However, if at the end of 2020 and the beginning of 2021 the supply was low due to high demand in the market, the decline in 1Q2022 is primarily resulted from weakened activity of developers in the market.

Only 4 new projects were launched to the market in 1Q2022. In addition, sales were opened for 4 new buildings/blocks of houses in previously launched residential projects against 6 new facilities and 10

buildings for the same period last year. Developers are in no hurry to bring new objects to the market on the back of uncertain economic and political situation.

Despite the increased cost of finishing materials, the share of supply with finishing (final finishing and white box) remained at the level of 40%. At the same time, it can be noted that some developers change the finishing format in their projects from final finishing to white box. In this context, the share of white box units increased by 3 p. p. in the quarter. None of the buildings put on sale in the first three months of 2022 offer units with final finishing.

### Key indicators

#### Supply

	Figure	Dynamics*
Supply volume, pcs.	9,300	-13%
Supply volume, mln sq m	0.664	-14%
Average weighted price, thsnd rub./sq m	465.5	+6%
Average area, sq m	71.3	-2%
Average cost, mln roubles	33.2	+5%

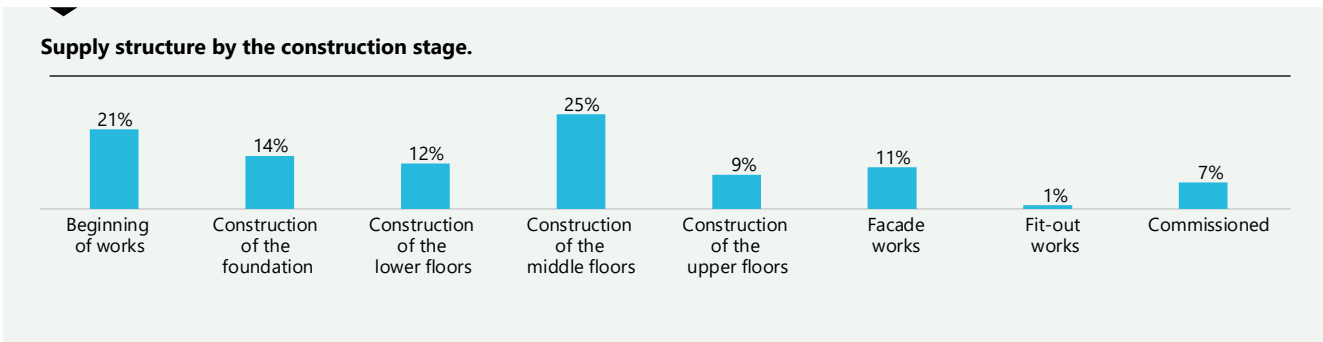
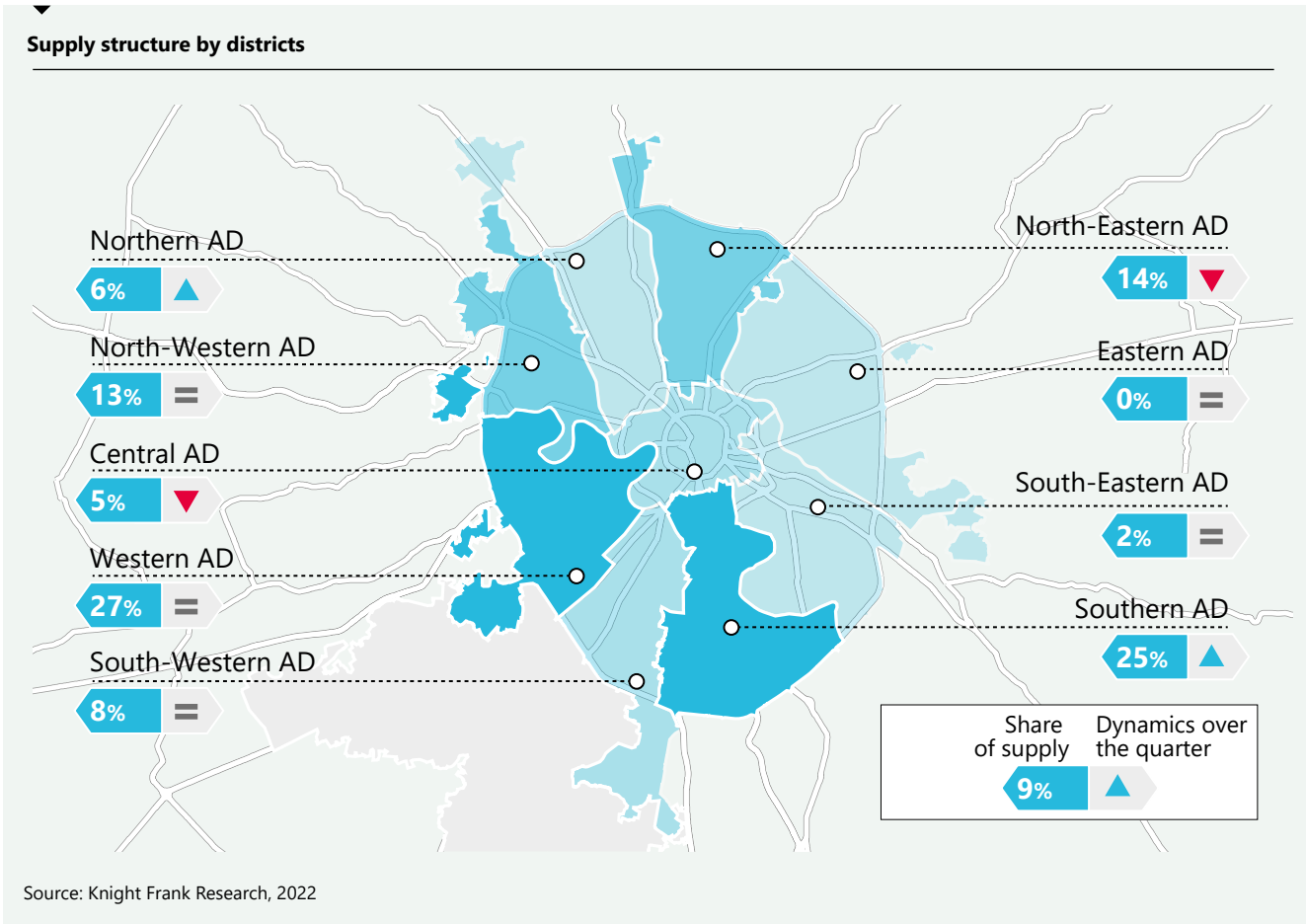
#### Deals

	Figure	Dynamics**
Transaction number, thsnd. pcs.	4,200	-16%
Transaction volume, mln sq m	0.279	-14%
Average weighted price, thsnd rub./sq m	421.7	+24%
Average area, sq m	66.7	+2%
Average cost, mln roubles	28.1	+27%

\* Q1 2022 / Q4 2021

\*\* Q1 2022 / Q1 2021

Source: Knight Frank Research, 2022



The supply structure by the construction stage remained almost unchanged during the quarter. On the back of minimum new adds to the market, units in buildings at the stage of medium floor construction take the largest share in the supply now. However, 21% of the total number of units available for sale is still at the initial stages.

### Supply 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	1%	10%	2%	0%	0%	0%
40–60 sq m	0%	9%	14%	2%	0%	0%
60–90 sq m	0%	1%	14%	17%	5%	0%
90–120 sq m	0%	0%	1%	4%	11%	2%
Over 120 sq m	0%	0%	0%	0%	3%	4%

Source: Knight Frank Research, 2022

### Objects that were launched in Q1 2022

Name	Market Launch	District	Property type	Developer	Number of units	Commissioning date	Finishing
<b>New projects</b>							
Primavera (1 stage)	Jan. 22	Pokrovskoe-Streshnevo	Flats	SZ Stadion Spartak	264	Q3 2024	Without finishing
Logos	Feb. 22	Danilovskij	Apartments	SZ Logos	255	Q3 2024	White box
West Tower	Mar. 22	Ochakovo-Matveevskoe	Apartments	Tashir	277	Q1 2021	White box
Nametkin Tower	Mar. 22	Cheremushki	Apartments	Osnova	2 314	Q4 2025	Without finishing
<b>New stages</b>							
Ostrov (q. 6)	Feb. 22	Ramenki	Flats	Donstroy	1 115	Q1 2025	Without finishing
Sobytie-5	Feb. 22	Ramenki	Flats	Donstroy	569	Q1 2025	Without finishing
Prime Park (b. R7)	Feb. 22	Khoroshevskij	Flats	Optima Development	368	Q2 2023	White box
West Garden (b. 11)	Feb. 22	Ramenki	Flats	Inteco	51	Q2 2023	Without finishing

Source: Knight Frank Research, 2022

The Western AD leads the market in terms of supply, i.e. more than every fourth unit (27%) in the primary business class housing market is available there. Another one fourth share of supply falls on the Southern AD (25%) with 18 residential projects, most of which are large-scale. The North-Eastern AD with a 14% supply share is well behind the two leaders.

The supply structure is dominated by units of 60-90 sq m, however, their share in supply sees its further decline by losing 2 p. p. for the quarter. At the same time, the share of small-scale units of up to 40 sq m increased, despite a small number of new supply added to the market. This situation can be explained by the market «exit» of a large number of investors who bought small-scale units. At the start of 2022, the demand shifted to the larger units for own usage.



Nametkin Tower

# Prices

As of the end of Q1 2022 the average weighted price per sq m in the primary residential real estate market of Moscow business class reached 465,000 rubles/sq m by adding 6% over the quarter. Comparing to the end of 1Q2021, the average weighted price grew by 100,000 rubles. The price rise is caused primarily by accelerated inflation leading to price growth for construction and finishing materials.

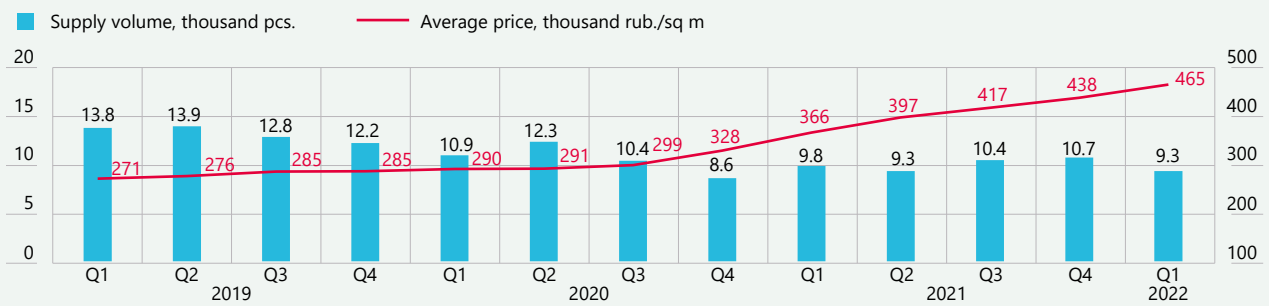
The average budget for the business class housing supply in the primary market also increased: 33.2 mln rubles as of the end of 1Q2022 (+5% compared to 4Q2021). Most of the supply (31%) is within 20-30 mln rubles per unit, which is 5 p. p. lower against the last quarter. However, the share of higher budget supply expanded.

The average weighted price per square meter, broken down by administrative

districts, changed unevenly. The growth leader for the first quarter is the North-Eastern AD with the average weighted price risen by 17%. The Southern AD (+14%) and the Central AD (+13%) showed high price growth as well.

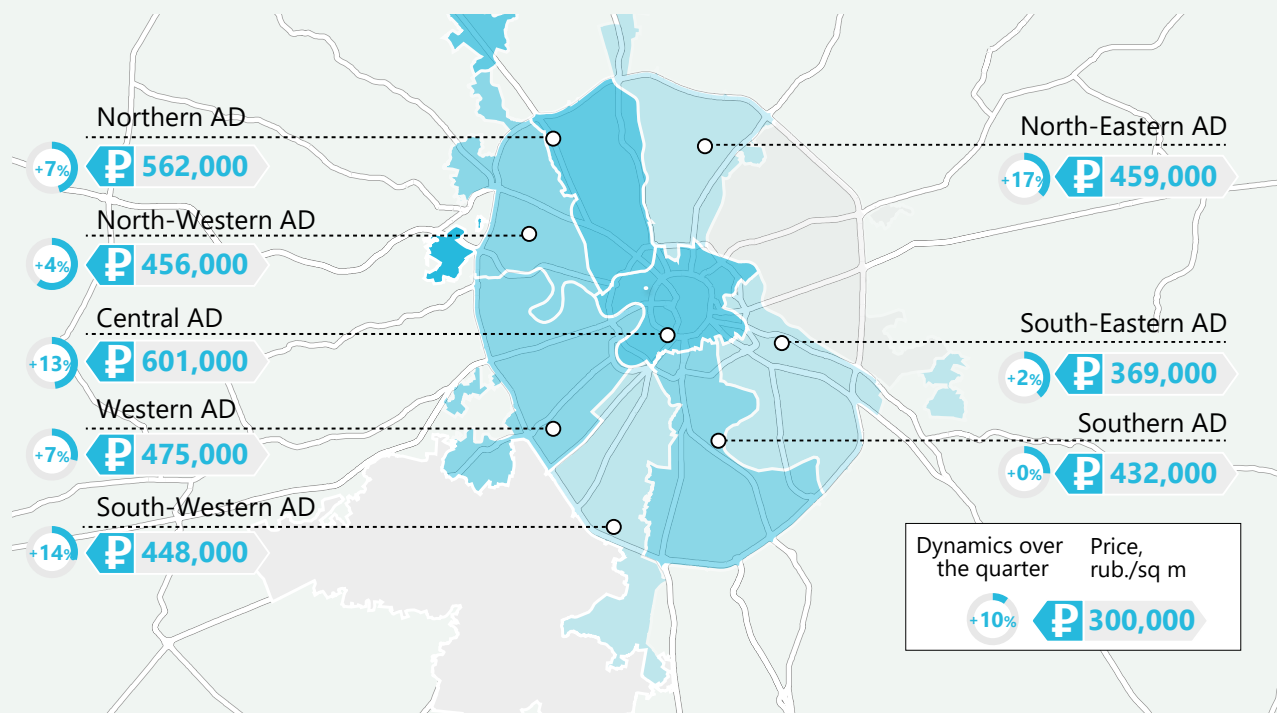
It is worth noting that many developers have announced promotions and special offers with discounts of 2-6% in their projects, so the actual price increase is lower.

## Dynamics of average price and supply volume



Source: Knight Frank Research, 2022

## Prices



Source: Knight Frank Research, 2022

# Demand

In total, 4.2 thousand business class units were sold in January-March, 2022. It's the lowest value since the second half of 2020, when the demand was «speeded up» by low mortgage rates (including subsidized mortgages). Nevertheless, the number of units sold is comparable to pre-pandemic figures of 2019, so it's too early to talk about any significant decline in demand yet.

The share of transactions within DDU with mortgage lending further declines: at the end of 1Q2022, it amounted to 47% vs. 50% at the end of 4Q2021. It is worth reminding that before the «mortgage boom» began with the pandemic, the share of mortgage transactions in the primary business class housing market was up to 40%.

Flats and apartments in the North-Western AD were of the highest demand during the quarter, as almost every fourth unit (24%) was purchased there. It is here where the leader by the number of units sold in January-March, 2022 among the business class projects is located, i.e. the residential project «Ostrov». The Western AD comes next with a share of 22%, where the residential project «Sobytie» also taking the second place in sales in the segment is located. The Southern AD comes third among the districts in terms of the demand share (19%). The residential project «Symbol» is the closing link of the leaders' chain.

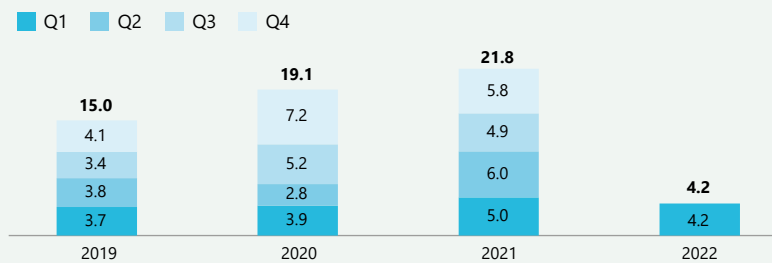
In the structure of demand by area, the largest share falls on the units of 60-90 sq m (40%). As compared to the demand for 4Q2021, the share of demand for such units increased by 2 p. p. Units of 40-60 sq m find a quick sale as well (27% of all units sold in 1Q2022).

## Transactions 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	1%	13%	1%	0%	0%	0%
40-60 sq m	0%	13%	13%	1%	0%	0%
60-90 sq m	0%	1%	24%	13%	3%	0%
90-120 sq m	0%	0%	1%	6%	5%	1%
Over 120 sq m	0%	0%	0%	0%	2%	2%

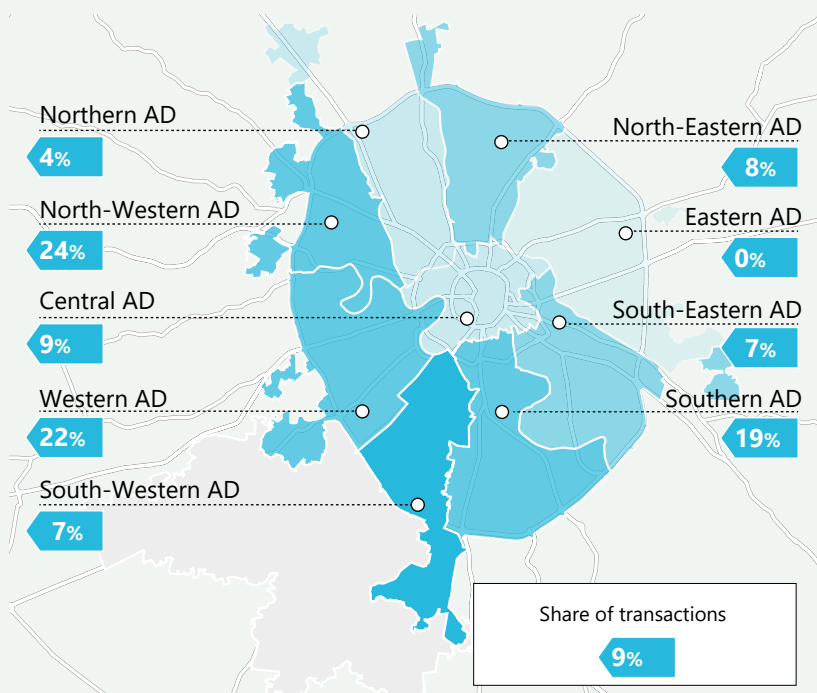
Source: Knight Frank Research, 2022

## Demand dynamic



Source: Knight Frank Research, 2022

## Share of transactions by district

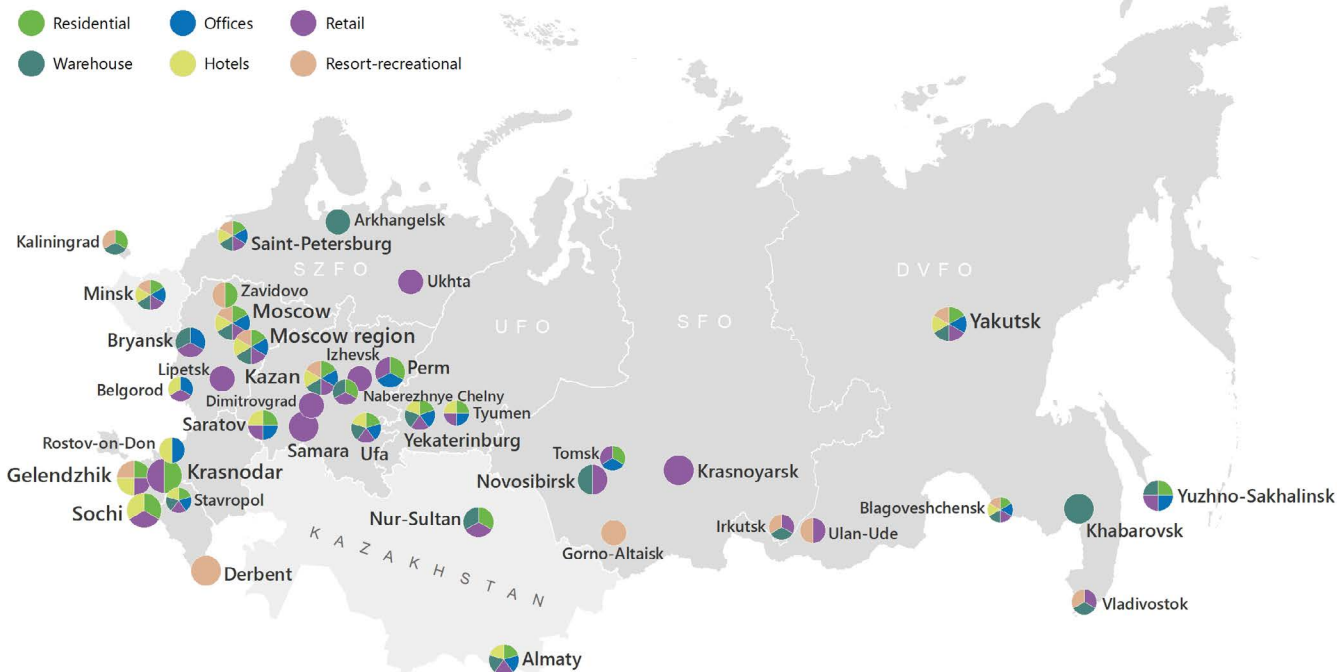


Source: Knight Frank Research, 2022

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