

Dynamic growth of the average weighted supply price of **19%**, up to **1.6 mln rubles/sq m**

In January-March, about **270 transactions** were made on the primary market, which is **30%** lower y-o-y



# PRIME RESIDENTIAL REAL ESTATE MARKET MOSCOW

Q1 2022

knightfrank.com/research



The Patricks


**Andrey Solovyev**

Regional Director of City Sale  
Department,  
Knight Frank

«During the first three months of 2022, the main trends of 2021 remained in the prime residential real estate market: a reduced supply on the back of a small number of new supply volumes, as well as positive dynamics of the average weighted supply price. Further development of the real estate market as a whole depends on a large number of factors, however, the experience has proven that the elite segment may remain the least susceptible to external influence. Among the highlights, it is worth noting that the current key rate excludes a sharp replenishment of the supply and active commissioning of new projects by developers. In addition, the increased cost of construction, disrupted logistics and currency fluctuations do not add the faith to market players. In the short term, it is highly likely that the average weighted supply price will further grow, despite a slight decrease in the purchasing power and the outflow of some ultra-high-net-worth individuals».

## PRIMARY MARKET

### Key indicators. Dynamics

Supply	Deluxe	Dynamics*	Premium	Dynamics*
Total supply, pcs.	370	-10%	730	-18%
Average price, thousand rub./sq m***	2,303	+20%	1,098	+14%
Average area, sq m	181	-1%	129	0%
Average cost, mln rub.	417	+19%	142	+14%
Demand	Deluxe	Dynamics**	Premium	Dynamics**
Number of transactions, pcs.	55	-14%	220	-34%
Average price, thousand rub./sq m	1,419	+12%	886	+32%
Average area, sq m	157	+1%	117	+2%
Average cost, mln rub.	223	+13%	104	+35%

\* Q1 2022 / Q4 2021

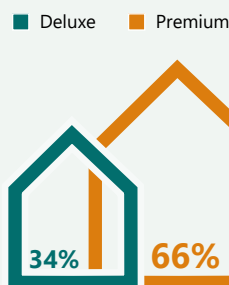
\*\* Q1 2022 r. / Q1 2021

Source: Knight Frank Research, 2022

## Key conclusions

- ♦ Maintaining the trend of supply reduction: during the quarter, the number of flats and apartments decreased by 15% and amounted to 1,100 units, or 161 thousand sq m.
- ♦ Dynamic growth of the average weighted supply price of 19%, up to 1.6 mln rubles/sq m.
- ♦ In January-March, about 270 transactions were made on the primary market, which is 30% lower y-o-y.

### Supply structure by class



Source: Knight Frank Research, 2022

### Supply structure by property type



Source: Knight Frank Research, 2022

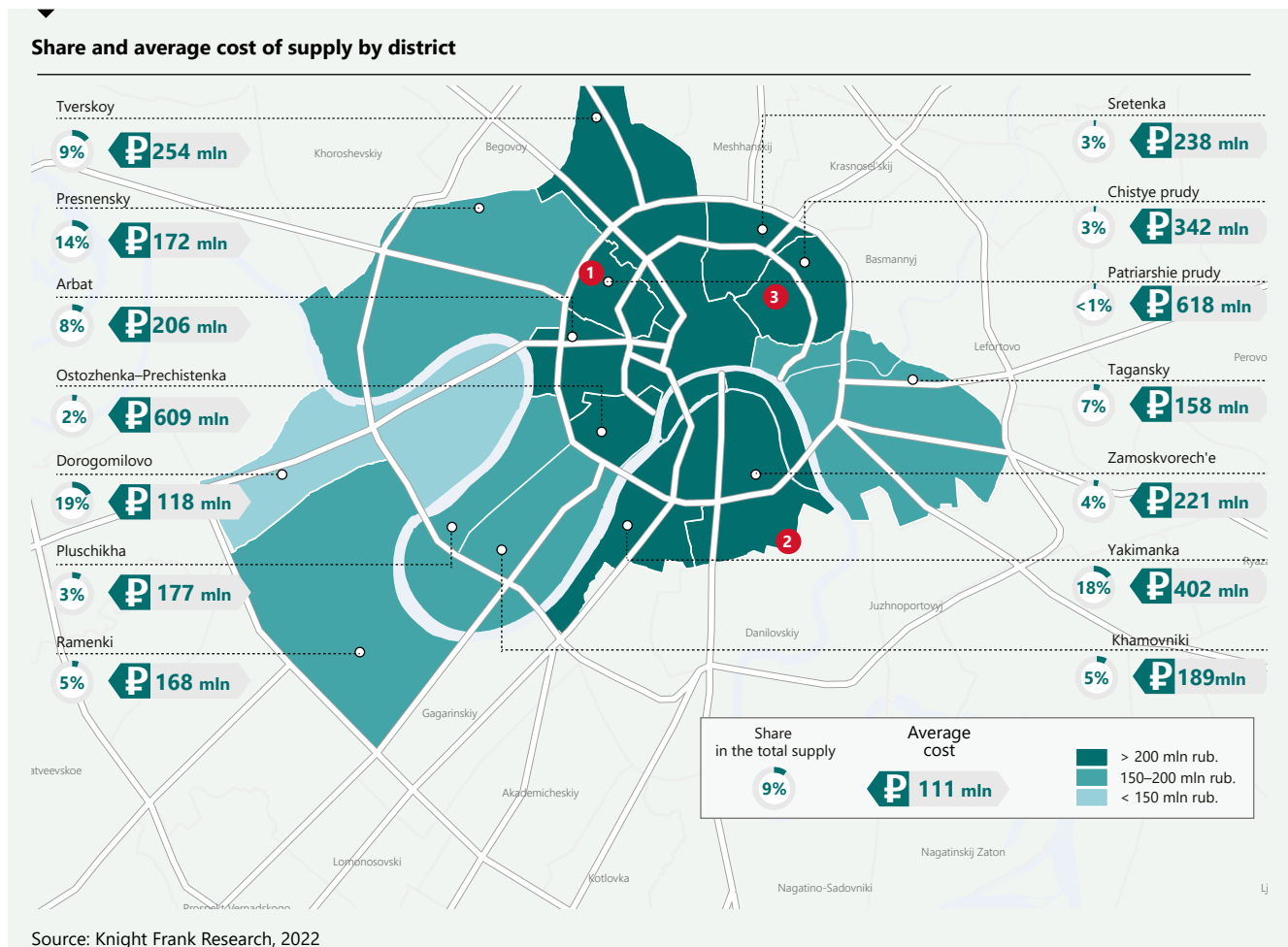
\*\*\* Hereinafter, the asked prices (supply prices) are given for all indicators; the amount of discount provided may differ

# Supply

Given the results of Q1 2022, about 1,100 flats and apartments with a total area of 161 thousand sq m were supplied in the prime residential real estate market, which is 15% lower than a quarter earlier. In January-March, only three new club-type projects joined, so the new supply volume could not cover the deficit in the segment. In addition, some of

the units were withdrawn in one of the elite project as a result of a long-term suspension of sales, but this is the only case of this type so far. The trend of supply reduction was observed throughout the past year: compared to Q1 2021, the number of flats and apartments cut in half (-49% in annual dynamics).

The top three districts leading in terms of supply remained the same during the three months. The largest share is still in Dorogomilovo with 19% of all units in the elite segment. During 2022, sales of another premium-level project are expected to start there by allowing the district to keep its leadership in the distribution structure.



### Complexes where sales began in Q1 2022

Name	Address	Class	Developer	Property type	Number of units	Market Launch	Finishing
1 The Patricks	Spiridonevsky lane, 17 (Patriarskie prudy)	Deluxe	R4S Group	Apartments	10	January, 2022	With finishing
2 VERNISSAGE	Shchipok str., 26, bldg. 2 (Zamoskvorechye)	Premium	Ziggurat Development	Apartments	26	March, 2022	White box
3 Chistye Prudy	Potapovsky lane, 5, bldg. 4 (Chistye prudy)	Deluxe	Sminex	Flats	31	January, 2022	No finishing

Source: Knight Frank Research, 2022

The second place is taken by Yakimanka district (18%), where the main supply falls on the Lavrushinsky project. The Presnensky district closes the top three with a value of 14%. Thus, half (51%) of all luxury flats and apartments supplied are concentrated in these three locations of Moscow.

Due to a significant price movement observed both throughout the past year and at the end of the current quarter, the supply structure has undergone some changes in both classes. For example, in the deluxe segment, the share of flats and apartments priced from 400 million rubles reached a little more than a third of the supply (34%) by adding 8 p. p. for the three months and 21 p. p. for the year. In the premium class, units priced from 200 million rubles now form 16% of the supply, which is 4 p. p. higher than a quarter earlier, and 11 p. p. more than a year ago. In terms of squares, no significant changes in the structure were recorded during the first three months of 2022.

**Primary market supply structure. Deluxe**

	Up to 100 mln rub.	100–200 mln rub.	200–300 mln rub.	300–400 mln rub.	400–500 mln rub.	Over 500 mln rub.
Up to 100 sq m	3.2%	11.3%	0.8%	0.0%	0.0%	0.0%
100–150 sq m	1.3%	9.7%	10.4%	4.8%	0.3%	0.3%
150–200 sq m	0.0%	4.3%	4.8%	8.6%	5.4%	2.4%
200–250 sq m	0.0%	1.1%	1.1%	2.7%	4.7%	7.5%
Over 250 sq m	0.0%	0.5%	0.3%	1.1%	1.9%	11.5%

Source: Knight Frank Research, 2022

**Primary market supply structure. Premium**

	Up to 50 mln rub.	50–100 mln rub.	100–150 mln rub.	150–200 mln rub.	200–250 mln rub.	Over 250 mln rub.
Up to 50 sq m	6.7%	0.1%	0.0%	0.0%	0.0%	0.0%
50–100 sq m	7.3%	21.4%	1.5%	0.1%	0.1%	0.0%
100–150 sq m	0.0%	7.6%	17.9%	3.6%	1.2%	0.1%
150–200 sq m	0.0%	0.1%	7.3%	7.9%	3.7%	0.8%
Over 200 sq m	0.0%	0.0%	0.3%	1.9%	2.8%	7.6%

Source: Knight Frank Research, 2022

**Supply structure by the construction stage. Deluxe**



Source: Knight Frank Research, 2022

**Supply structure by the construction stage. Premium**



Source: Knight Frank Research, 2022

### Dynamics of average price and supply volume



Source: Knight Frank Research, 2022

## Demand

Demand in the elite segment has remained quite vehement since the beginning of the year, however, the number of transactions in Q1 2022 turned out to be almost a third lower as compared to the same period last year, when the demand growth and unusually high values for the market were recorded. In total, about 270 flats and apartments were sold on the primary market in January-March (by losing 30% compared to Q1 2021). At the same time, this figure exceeded not only that for Q1 2020, when the epidemiological situation affected the demand (+16% in dynamics), but also for the pre-pandemic 2019 (+5% compared to Q1 2019). On the back of the current uncertainty, many buyers were in a hurry to make transactions to protect from depreciation of their savings or make a long-planned purchase before the price rise. Real estate always remains a «hard currency» in high volatility of financial markets.

### Primary market transactions structure. Deluxe

	Up to 100 mln rub.	100–200 mln rub.	200–300 mln rub.	300–400 mln rub.	400–500 mln rub.	Over 500 mln rub.
До 100 sq m	9.1%	20.0%	0.0%	0.0%	0.0%	0.0%
100–150 sq m	5.5%	14.5%	12.7%	0.0%	0.0%	0.0%
150–200 sq m	0.0%	12.7%	14.6%	0.0%	1.8%	0.0%
200–250 sq m	0.0%	0.0%	0.0%	0.0%	0.0%	1.8%
Up to 250 sq m	0.0%	0.0%	0.0%	0.0%	0.0%	7.3%

Source: Knight Frank Research, 2022

### Primary market transactions structure. Premium

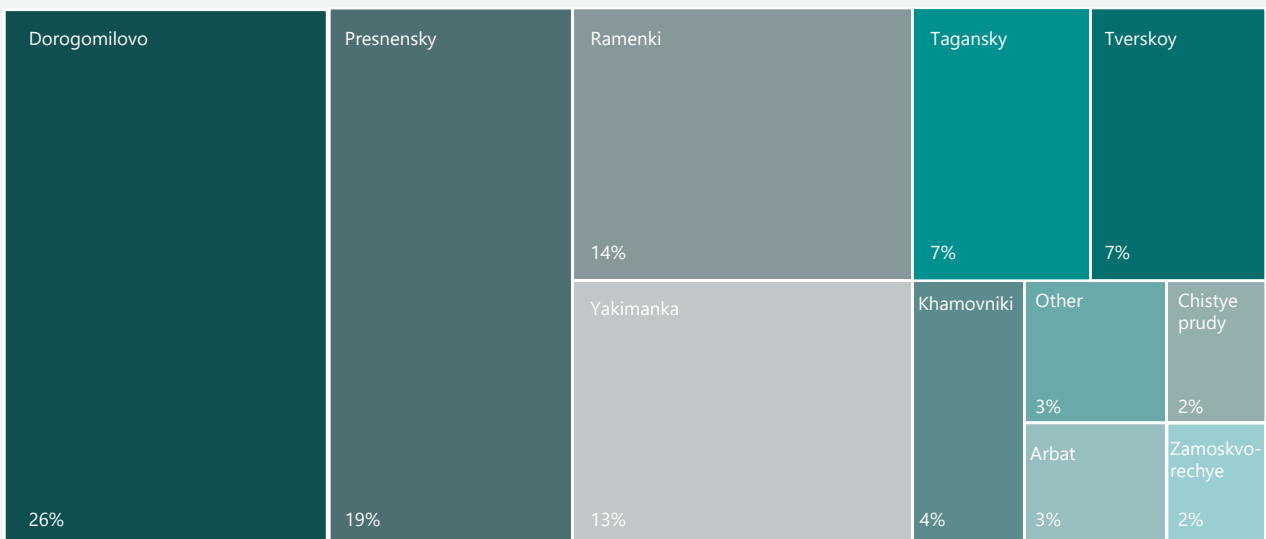
	Up to 50 mln rub.	50–100 mln rub.	100–150 mln rub.	150–200 mln rub.	200–250 mln rub.	Over 250 mln rub.
Up to 50 sq m	5.9%	0.0%	0.0%	0.0%	0.0%	0.0%
50–100 sq m	12.3%	25.6%	1.8%	0.0%	0.0%	0.0%
100–150 sq m	0.0%	7.7%	19.6%	1.4%	0.0%	0.5%
150–200 sq m	0.0%	1.4%	8.2%	6.8%	0.5%	0.0%
Over 200 sq m	0.0%	0.0%	0.0%	2.3%	1.4%	4.1%

Source: Knight Frank Research, 2022

Among other things, housing has become more affordable for people who keep their savings in foreign currency, taking into account the ruble pricing. However, by the end of the quarter, the situation was balanced due to the increased cost of housing and the ruble strengthening. Another part of wealthy buyers have taken a wait-and-see attitude and postponed the purchase of real estate. As for the mortgage rate growth, the elite market is less affected by this factor compared to more budget segments.



### Share of transactions by district



Source: Knight Frank Research, 2022

### Leading projects



**Victory Park Residences**



**Poklonnaya, 9**



**SkyView**

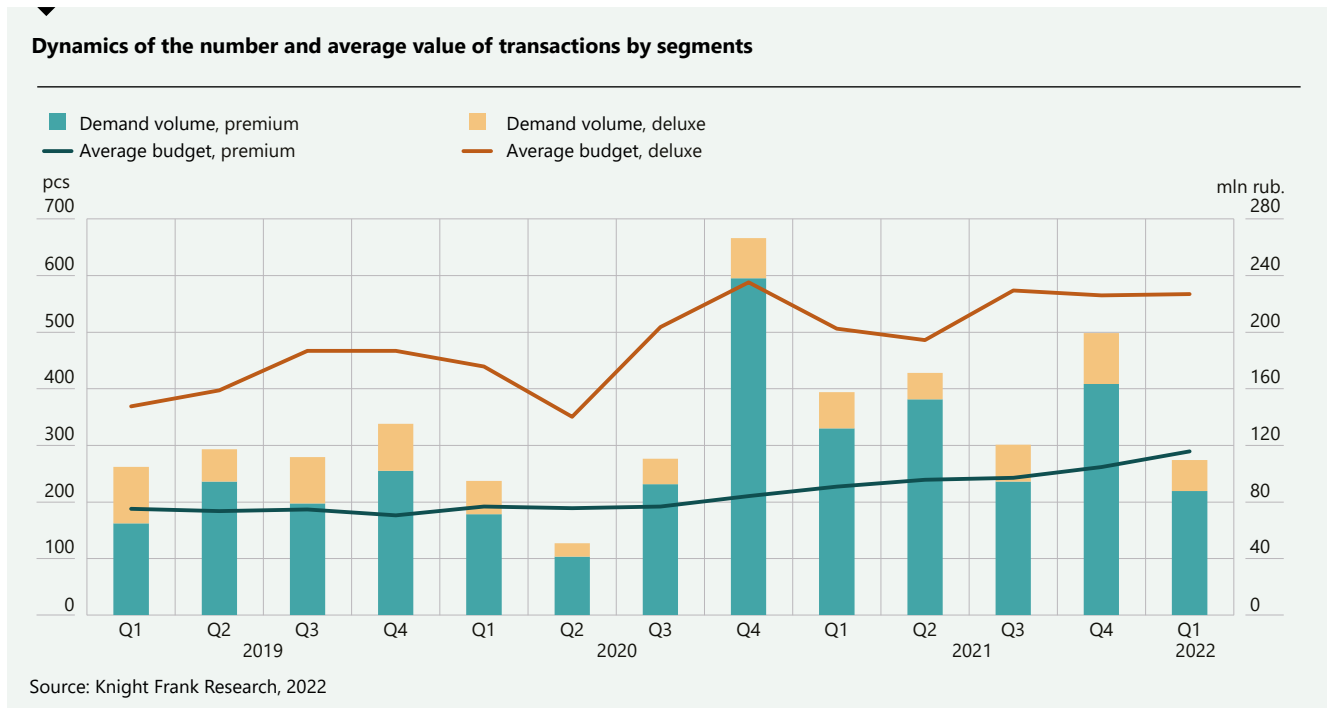
Source: Knight Frank Research, 2022

It is worth noting that the average transaction budget in the prime residential real estate market in Moscow increased by a third compared to Q1 2021 and reached 128 mln rubles per unit. In this context, despite the reduced number of transactions by almost a third,

the total cost of sold flats and apartments in the first three months (35 bln rubles) lost only 8% as compared to the same period last year, when the sales in the segment reached 38 bln rubles.

The Dorogomilovo district, where every fourth transaction in the segment

was made, still stays in the lead. The Presnensky district is in second place in the structure of demand distribution, where 19% of all units were sold. The Ramenki district closes the top three, with its 14% of all transactions in the prime residential real estate market.



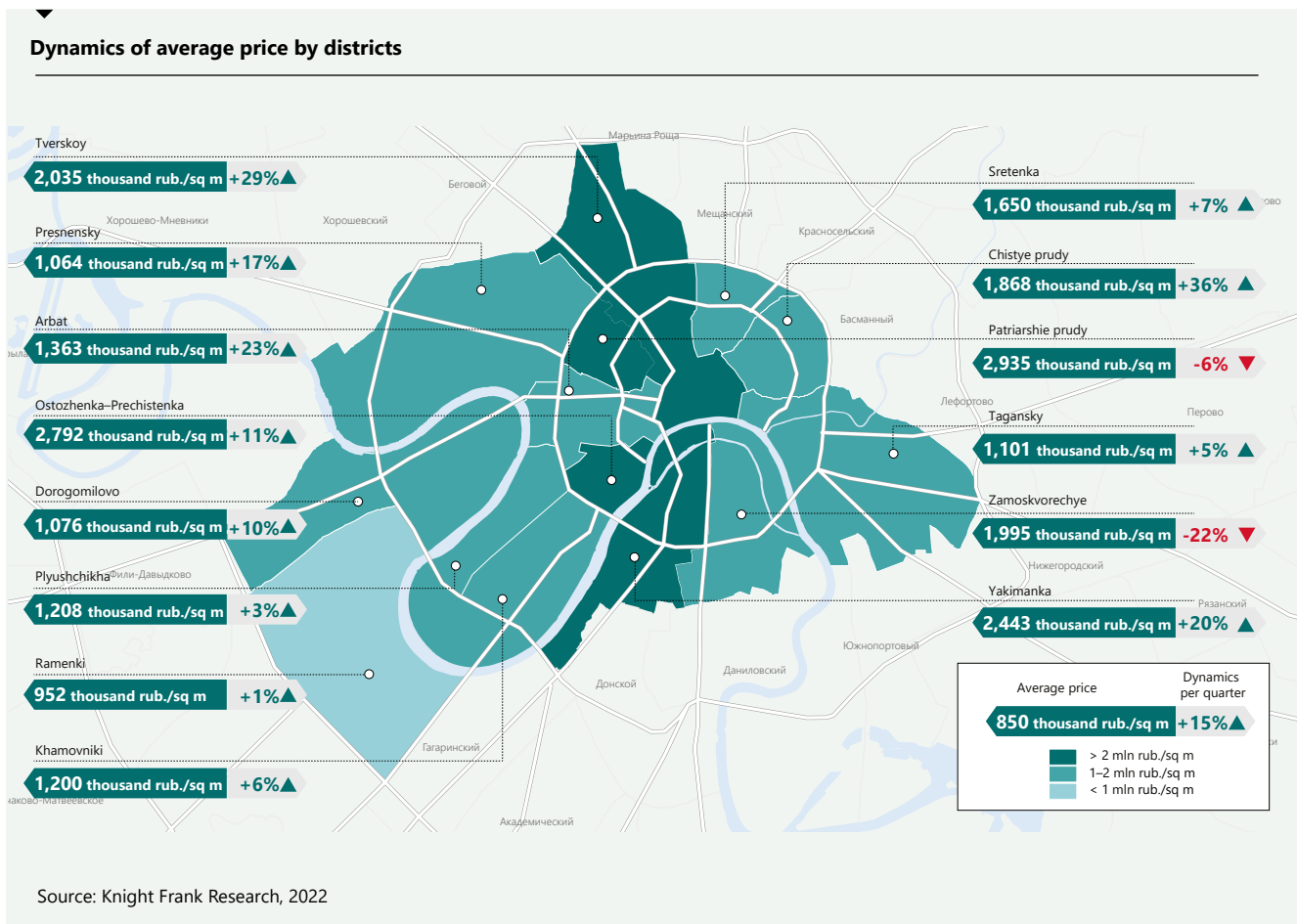
# Prices

Given the continuing trend of supply reduction, the average weighted price in the primary market showed a strong growth by adding 19% for the quarter and reached 1,603 thousand RUB/sq m. In addition, a direct increase in prices for the entire supply volume was recorded in majority of elite projects, which was another factor in the significant indicator dynamics. Since the market has almost completely switched to ruble pricing, the impact of changes in the exchange rate turned out to be insignificant and primarily influenced the deluxe class. Currently, only a few projects are completely priced in dollars or euros. Individual exclusive units are also often priced in a foreign currency.

Besides, the ruble had somewhat strengthened its position by the quarter end compared to its peak values in early March. Thus, the average weighted supply price in the deluxe class reached 2.3 mln RUB/sq m (+20% in three months), and 1.1 mln RUB/sq m (+14% in three months) in premium class.

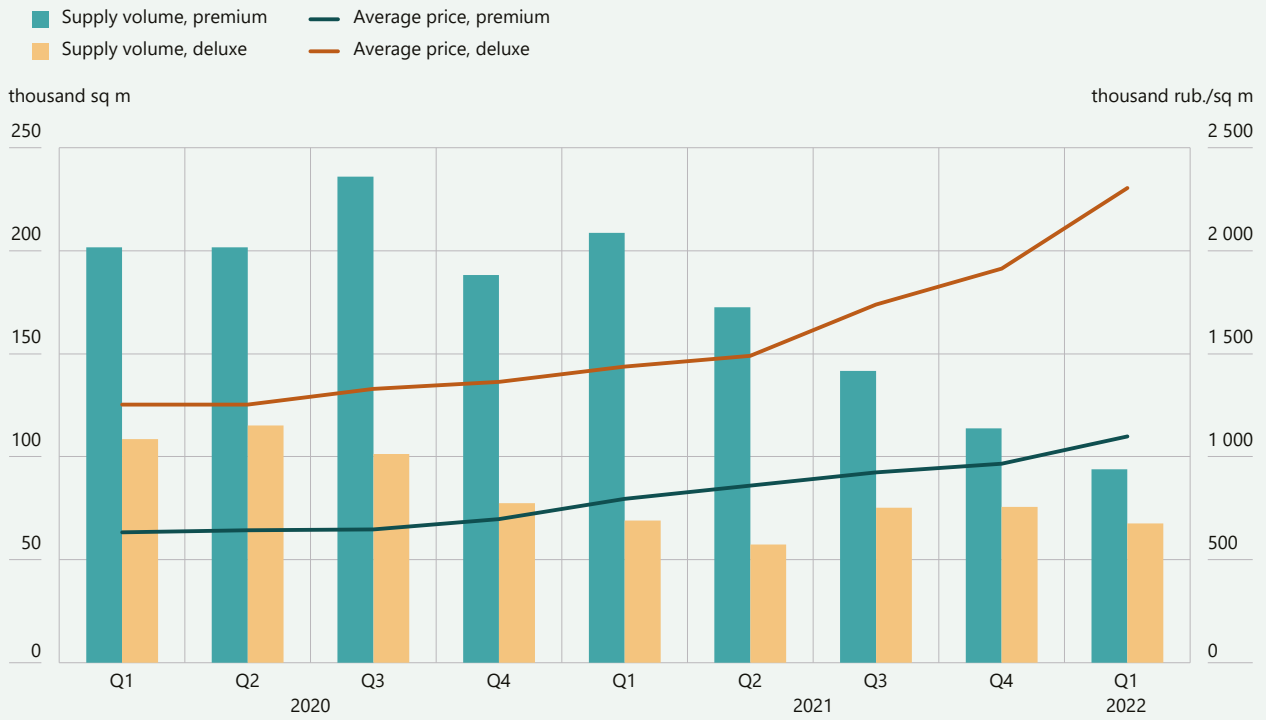
Positive dynamics of the average weighted supply price was recorded in majority of Moscow districts. The maximum increase of 36% falls on Chistye prudy district, where the indicator reached 1,868 thousand RUB/sq m. due to the entry into the market of the new project Chistye Prudy, which now forms most of the supply in the cluster.

Patriarshie prudy remained the most expensive district of Moscow, despite a slight negative dynamics of the average weighted supply price. The indicator here was adjusted to 2.9 mln RUB/sq m (-6% for the quarter) due to the opened sale of The Patricks, the new project. The most budget supply was in Ramenki, being the only location in the elite market where a square meter was priced below a million rubles. By the end of March, the average weighted supply price in the Ramenki district was 952 thousand RUB/sq m, which is only 1% higher than a quarter earlier.





### Dynamics of average price and supply volume by segments



Source: Knight Frank Research, 2022



# SECONDARY MARKET\*

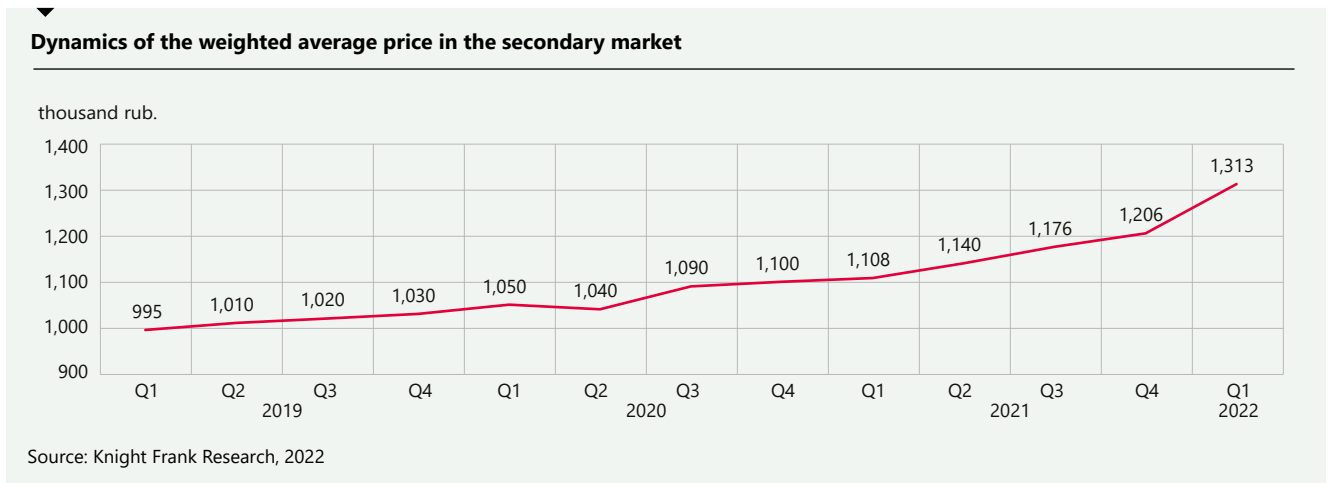
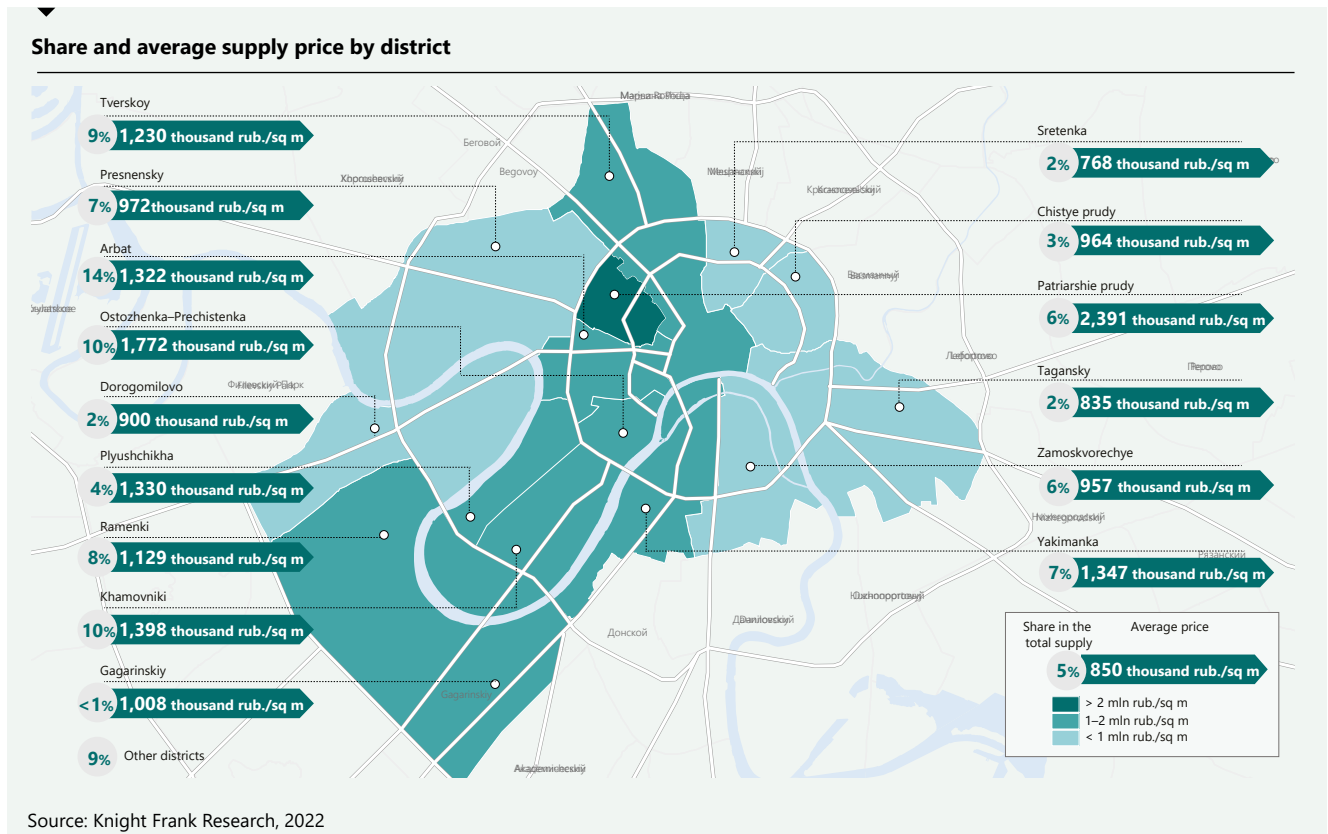
## Supply

The structure of supply in the secondary market of prime residential real estate remained unchanged for the three months. According to the results of Q1 2022, the largest share of supply is still in the Arbat district with 14% of all flats

and apartments. Next place by the supply is taken by the Ostozhenka-Prechistenka cluster and the Khamovniki district with a share of 10% in each.

The average supply area at the end of March was 210 sq m, which is only 1%

higher than a quarter earlier. As for the annual dynamics, the indicator lost 4% from the figure of 219 sq m on the back of the increased supply of a smaller-scale housing. So, the number of units of up to 150 sq m rose by 7 p. p. over the year.



\*A total of the new housing fund (houses built after 2000) and the old housing fund (houses built before 2000) are considered in the Secondary Market section.

Today, the largest supply is in the range from 100 to 150 sq m., which is almost a one fourth of the number of flats and apartments available on the secondary market (24%). Another 21% is accounted for units of 150 to 200 sq m, with 17% of the supply falling on units with a larger area (exceeding 300 sq m).

The average supply budget for the three months added 10% and reached 276 mln rubles by the end of the first quarter. The largest part of flats and apartments is still within the range from 50 to 100 mln rubles, with a share of 22%. A significant part of the supply also falls on the units priced from 100 to 150 mln rubles (18%) and more expensive units priced higher than 350 mln rubles (19%).

## Prices

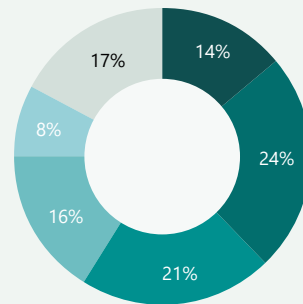
Unlike the primary market, which has almost completely switched to ruble pricing, about 40% of the supply are priced in a foreign currency in the structure of the secondary market. In this regard, the exchange rate change had a significant impact on the average weighted price, which reached 1,313 thousand RUB/sq m (+9% for the quarter and +19% for the year).

TOP-3 most expensive districts:

- Results of Q1 2022 show that the maximum price per sq m of 2.4 mln rubles was fixed at Patriarshie prudy (+12% for three months).
- The second place takes the Ostozhenka-Prechistenka cluster, where the average weighted supply price reached 1.8 mln RUB/sq m, which is 13% higher than a quarter earlier.
- The Khamovniki district closes the top three with a value of 1.4 mln RUB/sq m (+7% for three months).

### Supply structure in the secondary market by area

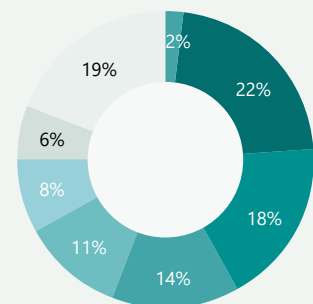
- Up to 100 sq m
- 100–150 sq m
- 150–200 sq m
- 200–250 sq m
- 250–300 sq m
- Over 300 sq m



Source: Knight Frank Research, 2022

### Supply structure in the secondary market by budget

- 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.
- 300–350 mln rub.
- Over 350 mln rub.



Source: Knight Frank Research, 2022



Barkli Gallery

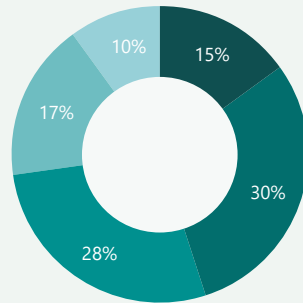
## Demand

In the structure of the secondary market demand, flats and apartments of 100 to 150 sq m showed the highest demand, i.e. almost a third of requests (30%). A slight smaller share of 28% is also within the range of 150-200 sq m. The demand for smaller-scale units (up to 100 sq m.) reached 15%, while only 10% of all requests falls on more spacious housing (from 250 sq m). The average asking area was 165 sq m.

In Q1 2022, units priced from 50 to 100 mln rubles were of highest demand as well, with a 37% share in the total structure. The demand for a housing with a budget of 200 mln rubles was 13%, with 7% falling on those buyers who choose the most budget variants (up to 50 mln rubles). The average asking budget was 132 mln rubles.

Structure by requested average area

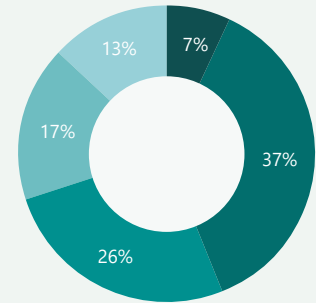
- Up to 100 sq m
- 100–150 sq m
- 150–200 sq m
- 200–250 sq m
- Over 250 sq m



Source: Knight Frank Research, 2022

Structure by requested average budget

- Up to 50 mln rub.
- 50–100 mln rub.
- 100–150 mln rub.
- 150–200 mln rub.
- Over 200 mln rub.



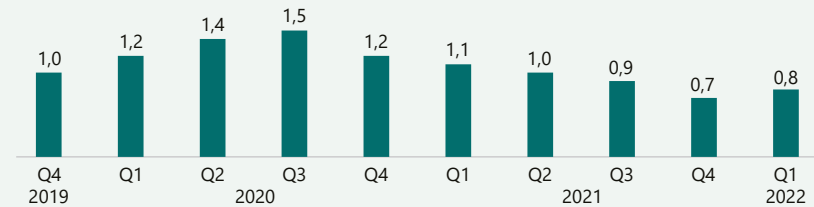
Source: Knight Frank Research, 2022

## Rental Market

After a long trend of supply reduction in the market of high-budget flats and apartments for rent (from 150 thousand RUB/month), which has been observed since the end of 2020, there is a positive dynamics for the first time. In three months, the supply in the segment increased by 20% due to the outflow of some foreign tenants and Russian citizens. Nevertheless, if analysing a long-term retrospective, the number of high-budget flats and apartments for rent will remain at a low level. Thus, the supply was one fourth lower compared to Q1 2021, and almost one third lower versus the same period of 2020, when the supply growth was recorded on the back of the pandemic.

Over the past three months, the top three clusters leading in terms of supply remained unchanged. The largest number of units available for rent in Moscow is still in the Tverskaya-Kremlin district (20%), Arbat district (12%) and Presnensky district outside the Garden Ring Road (10%).

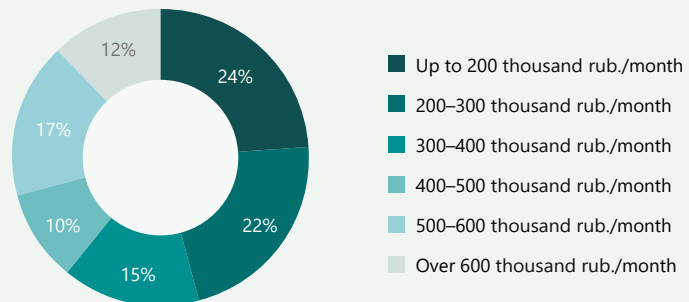
The supply index in the high-budget rental market\*



\*Q1–Q4 2019

Source: Knight Frank Research, 2022

The most requested rates in the high-budget rental market

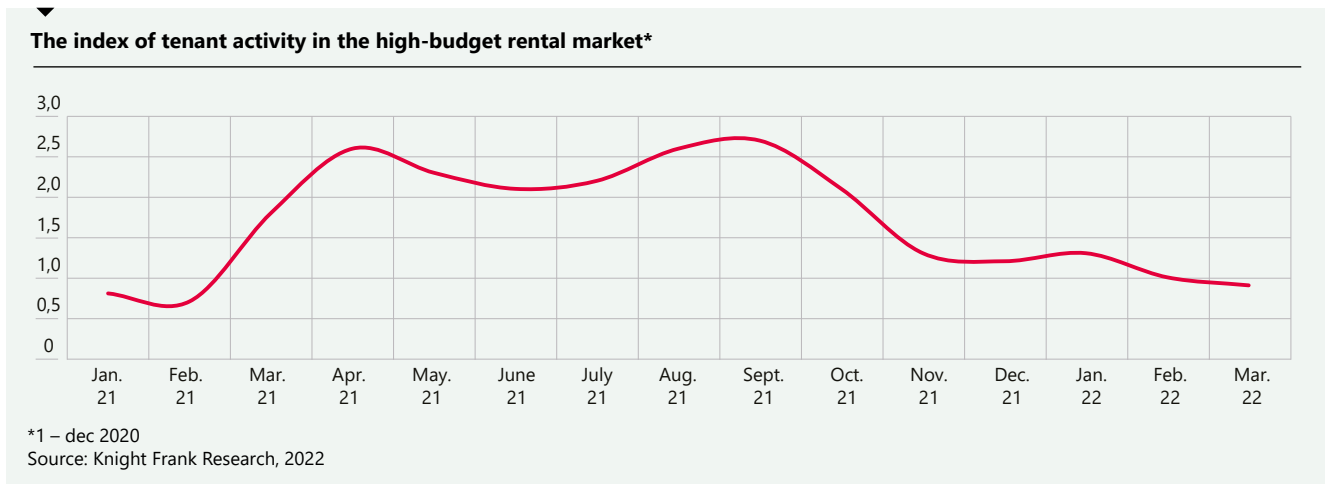
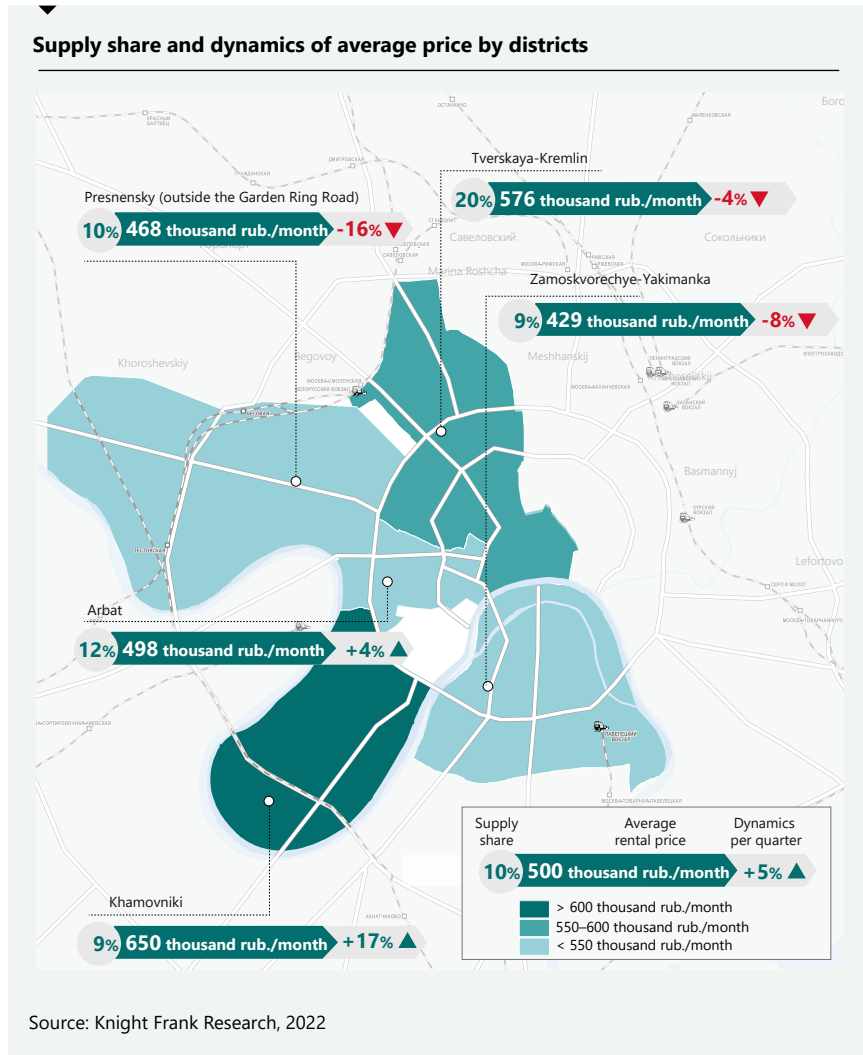


Source: Knight Frank Research, 2022

The top five also included Zamoskvorechye-Yakimanka and Khamovniki, where in each 9% of all flats and apartments are supplied. In total, 5 districts account for more than half of the total supply (60%).

The first month of 2022 in the market of high-budget flats and apartments for rent was characterized by a fairly high activity: a number of requests' increase was recorded both in annual dynamics and in comparison with December last year. February and March showed a gradual demand decrease in the segment in view of the current situation. Despite this, the total number of requests for Q1 2022 turned out to be almost at the level of the same period last year (-2% per year). Meanwhile, the volume of transactions on the market reduced by 30% due to the outflow of some potential tenants.

Today, almost half of the requests in the segment (46%) falls on more budget units with a rental of up to 300 thousand RUB/month. Units budgeted up to 200 thousand RUB/month remain the most popular and accounted for almost one fourth of the demand (24%). And the most expensive supply with a rate of 600 thousand RUB/month sparked the interest of 12% of potential tenants.



## The classification\* of Moscow prime residential real estate

Comparison criteria	Deluxe	Premium
<b>Mandatory, limiting criteria</b>		
<b>Location</b>	Within Central Administrative District	Preferably within the Third Ring Road, Western Administrative District (Dorogomilovo, Ramenki)
<b>Construction</b>	Frameless homes from ceramic bricks and solid-cast homes with reinforced-concrete frame structures	
<b>Number of units per level</b>	Up to 4	Up to 6 (rarely up to 8)
<b>Ceiling height</b>	> 3.2 m	> 3.0 m
<b>Average unit area within project</b>	> 110 sq. m	> 90 sq. m
<b>Parking parameters</b>	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 unit.	Indoor, ground-level / underground, heated parking. Available access for the residents: flat – elevator – parking. 1.0-1.5 car spaces per unit.
<b>Lobby and public areas finishing</b>	High-quality finishing with detailed elaboration	
	Materials: noble woods, genuine marble, travertine, porcelain stoneware, stained-glass glazing, metal panels	Materials: wood, porcelain stoneware, stained-glass glazing, metal panels
<b>Security</b>	Cutting edge safety systems. Access control and management system. Fire safety system, 24/7 dispatch for all utilities, emergency information and response to system failures and accidents	
<b>Engineering support</b>	Modern engineering systems with air purification, maintaining the set temperature. Additional levels of water and air treatment. Complex multi-stage filtration system. Autonomous heating (boiler room). Elevators from the world's leading manufacturers, high-speed, individual finishing in accordance with the author's design project of the entire complex	
<b>Windows</b>	Modern profiles of the upper price niche with double-glazed windows made of energy-saving glasses, a high level of sound insulation. Increased glazing area (taking into account the climatic zone)	
<b>Optional criteria</b>		
<b>Architecture</b>	Individual author's architecture design	
<b>Space-planning decisions</b>	. 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.	
	European format – guest and private zones. Guest zones – hall, guest WC, kitchen, and living room close to entrance	
	En-suite bathrooms, guest WC	
<b>Final finishing of units</b>	None or exclusive finishing (according to a custom design, with exclusive finishing materials)	None or high-quality finishing (according to a custom design)

\* The overview includes a short version of the Moscow prime real estate classification. You can request your copy of the full document by filling out a form at [kf.expert](http://kf.expert).

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- ♦ department for working with owners

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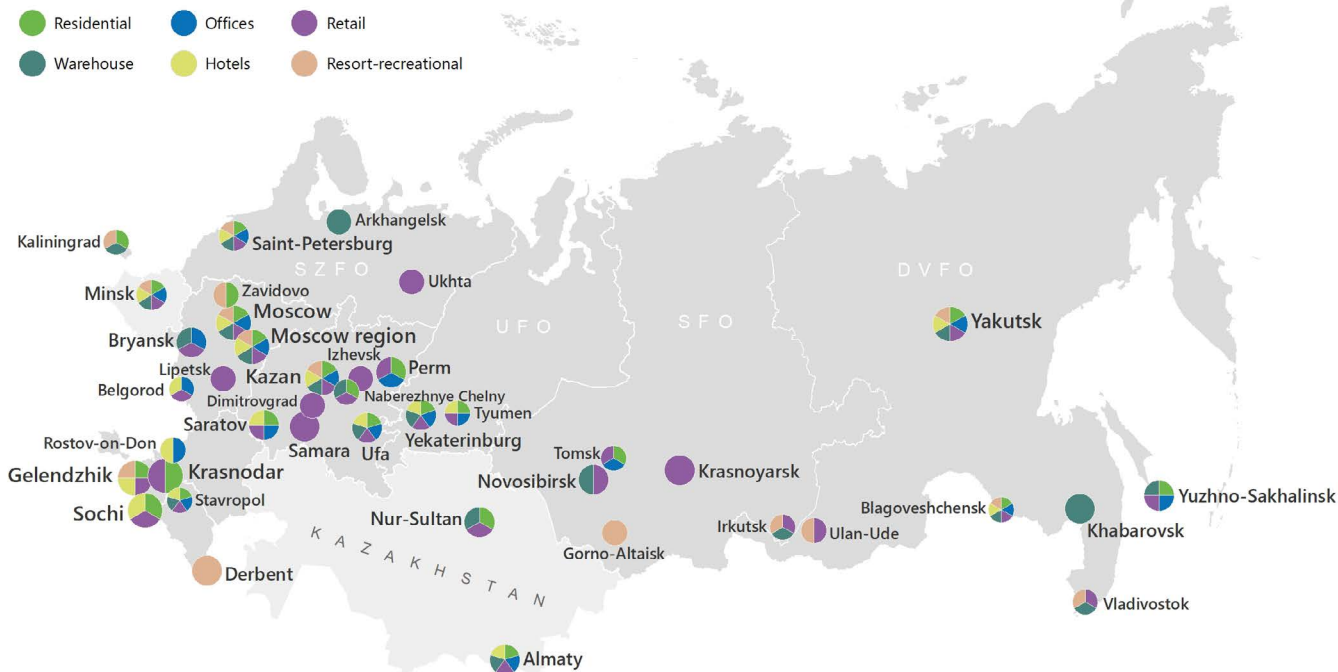


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Director, Russia & CIS

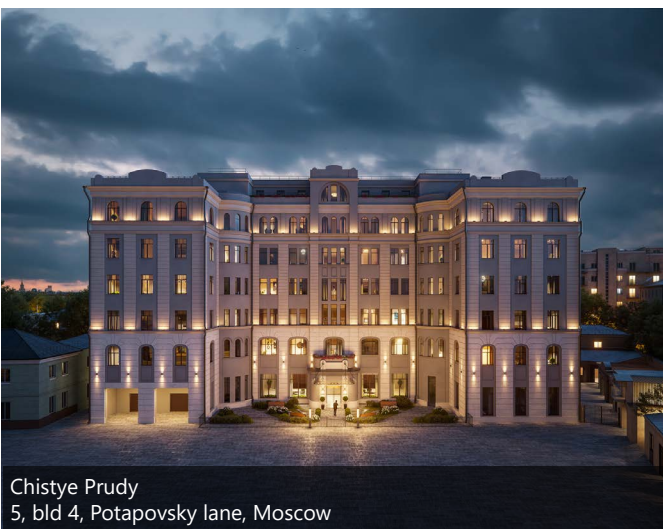
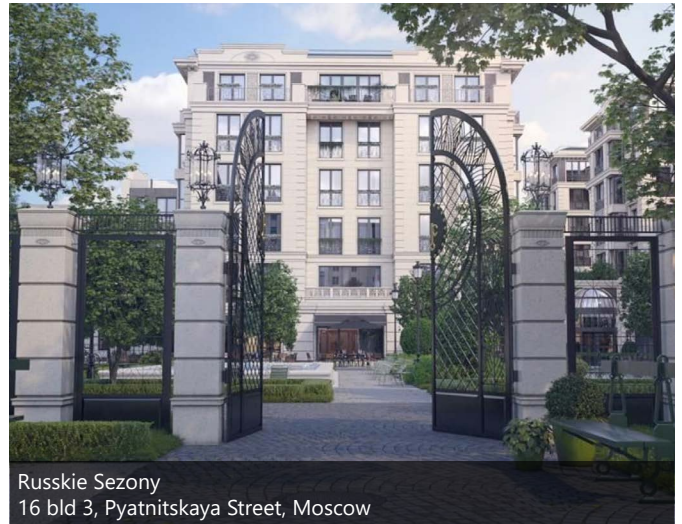
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