

Added supply after a long reduction:
+43% for the last 3 months up to
1,570 units

Decreased level of consumer activity by
40% compared to the same period of the
previous year



PRIME RESIDENTIAL REAL ESTATE MARKET MOSCOW

HI 2022

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River Park Towers Kutuzovsky


Andrey Solovyev

Regional Director of City Sale
Department,
Knight Frank

«Now, being under uncertainty, many people take a wait-and-see position by postponing the purchase of real estate. In addition, the twofold growth of the Central Bank's rate in March and the rouble high volatility have triggered the transfer of savings to deposits whose holders plan to open transactions in the short or medium term. Another reason for the wait-and-see position of potential buyers was the limited supply in the segment - many of them just monitor the market in anticipation of new projects at attractive prices or are aimed at buying an apartment in a certain project with the launch of sales in the second half of the year. By Q2, the market supply was at the minimum level, but now the deficit is gradually being covered on the back of high development activity. Over the past 3 months, the supply range has significantly expanded; in the near future, a number of high-quality new-built projects in the top locations are being prepared for launching. It is highly likely that the new projects will support demand in future, and the second half of the year will demonstrate good results.»

Key findings:

- ♦ Added supply after a long reduction: +43% for the last 3 months up to 1,570 units.
- ♦ Adjusted average weighted price of supply up to 1,459 thousand rubles/sq m (-9% for the quarter and +9% for the half-year).
- ♦ Decreased level of consumer activity by 40% compared to the same period of the previous year.

PRIMARY MARKET

Key indicators. Dynamics

Supply	Deluxe	Dynamics*	Premium	Dynamics*
Total supply, pcs.	530	+28%	1,040	+28%
Average price, thousand rub./sq m***	2,052	+7%	1,067	+11%
Average area, sq m	153	-16%	117	-9%
Average cost, mln rub.	315	-10%	125	+1%
Demand	Deluxe	Dynamics**	Premium	Dynamics**
Number of transactions, pcs.	70	-39%	420	-40%
Average price, thousand rub./sq m	1,493	+19%	874	+26%
Average area, sq m	159	+4%	106	-7%
Average cost, mln rub.	237	+23%	93	+16%

* H1 2022 / H2 2021

** H1 2022 / H1 2021

Source: Knight Frank Research, 2022

Supply structure by class

■ Deluxe ■ Premium



Source: Knight Frank Research, 2022

Supply structure by property type

■ Flats ■ Apartments



Source: Knight Frank Research, 2022

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

Supply

After a long trend of supply reduction observed both throughout the previous year and the first months of 2022, the Q2 market of prime residential real estate was able to somewhat cover the supply deficit: by the end of June, there were about 1,570 flats and apartments (+43% compared to Q1 2022 and +21% compared to the results of 2021).

The upward trend in the segment relates to a slumping demand and a high development activity. For the previous 3 months, 6 new projects have announced the sales. In H1 2022, the elite segment totally added 9 new projects and a new building in an already implemented project. For comparison: 8 projects and 1 new phase went on sale for the whole

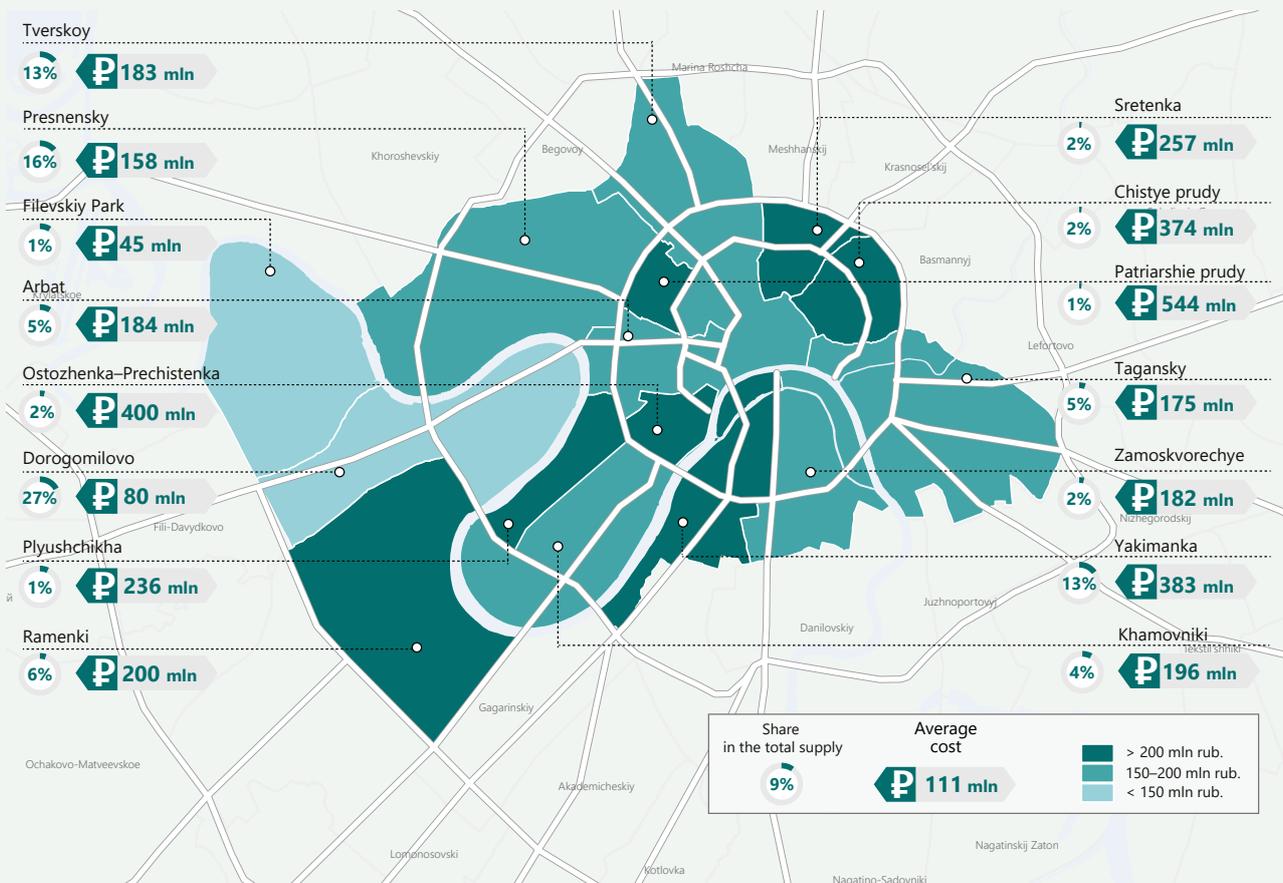
of 2021. At the same time, the format of closed sales is still remains on the market and used by many developers both at the initial stage and in some cases throughout the entire term of the project.

Within the supply structure, the Dorogomilovo district still leads by the number of available units, while during the quarter its share increased from 19 to 27 p.p. due to the new large-scale project «River Park Towers Kutuzovskiy». The Presnensky district hosting 16% of flats and apartments comes second. Among the newcomers of the location, there is ONEST project by INTECO. The developer has also announced the closed sales of «Ilyinka, 3/8» project in the Tverskoy district, which shared the third

place with the Yakimanka district with 13% of the supply for each location. In addition, it is worth noting the market geography expansion: the Filevskiy Park district appeared in the list of premium locations due to the launching of AHEAD project to the market.

With-finishing and white box trends remain relevant in the prime residential real estate market, despite a slight decrease in its share last year on the back of a number of large-scale projects without these options. By the end of June, 54% of all supplied flats and apartments are with finishing. At that, the white box share has increased significantly in both supply and demand (+10 p. p. compared to the end of 2020).

Share and average cost of supply by district



Source: Knight Frank Research, 2022

Complexes where sales began in H1 2022

Name	Address	Class	Developer	Property type	Number of units	Market Launch	Finishing
AHEAD	Vasilisa Kozhina str., 25/1 (Filevsky Park)	Premium	Vos'hod	Apartments	62	May, 2022	With finishing
ONEST	Sergei Makeev str., 11/9 (Presnensky)	Premium	INTECO	Flats	475	May, 2022	No finishing
River Park Towers Kutuzovsky	Kutuzovsky passage, 16, bldg. 1 (Dorogomilovo)	Premium	AEON Development	Flats	2,012	April, 2022	With finishing/ white box/ no finishing
The Patricks	Spiridonevsky lane, 17 (Patriarch's Ponds)	Deluxe	R4S Group	Apartments	10	January, 2022	With finishing
VERNISSAGE	Shchipok str., 26, bldg. 2 (Zamoskvorechye)	Premium	Ziggurat Development	Apartments	26	March, 2022	White box
Ilyinka 3/8	Ilyinka str., 3/8, bldg. 3, 4 (Tverskoy)	Deluxe	INTECO	Apartments	68	May, 2022	No finishing
Cosmo 4/22	Kosmodamianskaya embankment, 4/22 (Zamoskvorechye)	Deluxe	Gals-Development	Apartments	81	June, 2022	No finishing
Krasny Oktyabr (presales)	Bolotnaya emb. (Yakimanka)	Deluxe	Guta-Development	Flats	29	April, 2022	White box
Chistye Prudy	Potapovsky lane, 5, bldg. 4 (Chistye Prudy)	Deluxe	Sminex	Flats	31	January, 2022	No finishing
New buildings							
Vesper Tverskaya	1st Tverskaya-Yamskaya str., 2	Deluxe	Vesper	Apartments	109	April, 2022	With finishing

Source: Knight Frank Research, 2022

In today's situation, the priority issue for developers is that of competent management of construction cost and solving the problems with supply of materials. And it is referred not only to finishing, but to utilities, elevators and so on. Developers with projects at the finishing stage, who have already purchased the materials, have now found themselves in a winning situation, and the restrictions have affected only a part of some goods. Others have begun to actively establish supply chains through Kazakhstan, China, and Asia. Some developers have elected to lodge new projects without finishing.

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	14.9%	16.0%	0.8%	0.0%	0.0%	0.0%
100–150 sq m	0.8%	8.3%	8.3%	3.2%	0.6%	0.2%
150–200 sq m	0.0%	5.1%	8.5%	5.3%	2.3%	1.7%
200–250 sq m	0.0%	0.6%	1.8%	2.3%	1.9%	5.1%
Over 250 sq m	0.0%	0.4%	0.6%	1.3%	0.7%	9.3%

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	9.0%	0.1%	0.0%	0.0%	0.0%	0.0%
50–100 sq m	18.3%	18.2%	1.8%	0.0%	0.1%	0.0%
100–150 sq m	0.1%	8.8%	12.4%	4.2%	1.0%	0.3%
150–200 sq m	0.0%	0.1%	3.4%	7.5%	4.0%	1.1%
Over 200 sq m	0.0%	0.0%	0.0%	0.9%	2.0%	6.7%

Source: Knight Frank Research, 2022

Supply structure by the construction stage. Deluxe



Source: Knight Frank Research, 2022

Supply structure by the construction stage. Premium



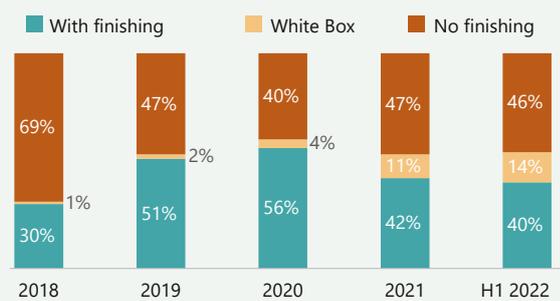
Source: Knight Frank Research, 2022

Dynamics of average price and supply volume



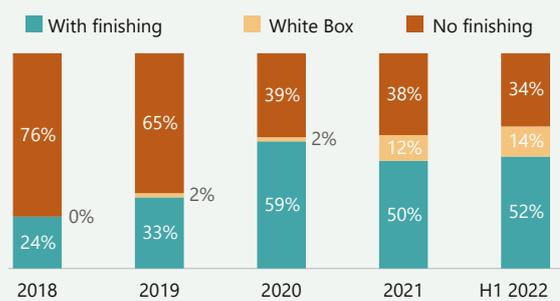
Source: Knight Frank Research, 2022

Supply share with finishing



Source: Knight Frank Research, 2022

Demand share with finishing



Source: Knight Frank Research, 2022

Demand

Over the past months, a consumer activity decreased in the prime residential real estate market. In total, according to the results of H1 2022, about 490 transactions were made in the segment. If compared to the same period of the previous year with unusual high values for the market, the demand lost 40%. At the same time, the current indicator exceeded the one of the pandemic period of H1 2020 by 36% and turned out to be comparable to 2018 (+3% compared to H1 2018).

In the face of uncertainty, many people take a wait-and-see position by postponing the purchase of real estate for an indefinite period. In addition, the twofold growth of the Central Bank's rate in March and the rouble high volatility have triggered the transfer of savings to deposits whose holders plan to open transactions in the short or medium term.

The Dorogomilovo district has retained its leadership in demand, but also reached a record share of 42%, since three leading projects by the number of units sold are located there («River Park Towers Kutuzovsky», «Poklonnaya, 9» and Victory Park Residences). The Presnensky district is in the second place with its 17% of all transactions in the segment. The Ramenka district closes the top three with a value of 10%.

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	10.3%	17.6%	0.0%	0.0%	0.0%	0.0%
100–150 sq m	4.3%	14.7%	11.8%	0.0%	0.0%	0.0%
150–200 sq m	0.0%	11.8%	11.8%	0.0%	2.9%	0.0%
200–250 sq m	0.0%	2.9%	0.0%	0.0%	1.5%	1.5%
Up to 250 sq m	0.0%	0.0%	0.0%	0.0%	0.0%	8.8%

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	15.0%	0.5%	0.0%	0.0%	0.0%	0.0%
50–100 sq m	18.1%	20.4%	1.0%	0.0%	0.0%	0.0%
100–150 sq m	0.0%	7.0%	15.8%	1.0%	0.9%	0.2%
150–200 sq m	0.0%	0.7%	5.9%	4.9%	0.7%	0.2%
Over 200 sq m	0.0%	0.0%	0.2%	1.6%	1.9%	4.0%

Source: Knight Frank Research, 2022



Leading projects



River Park Towers Kutuzovsky



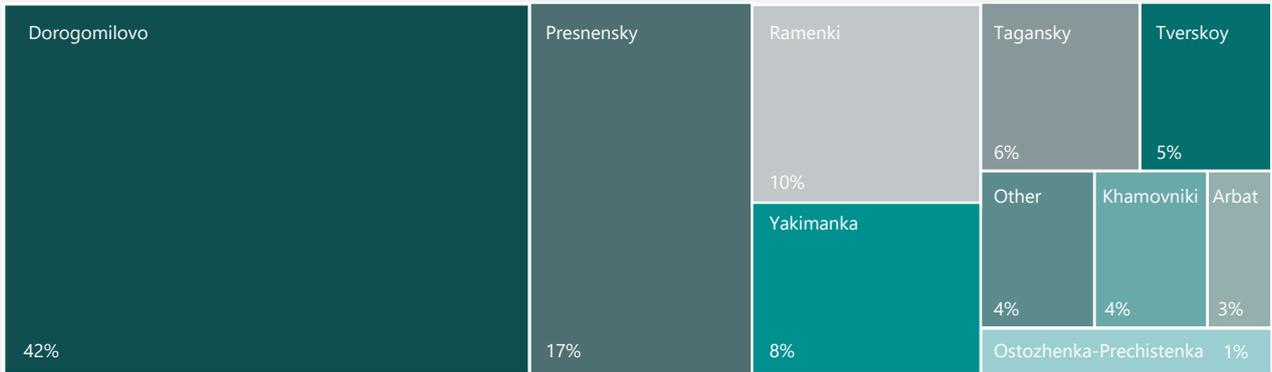
Poklonnaya, 9



Victory Park Residences

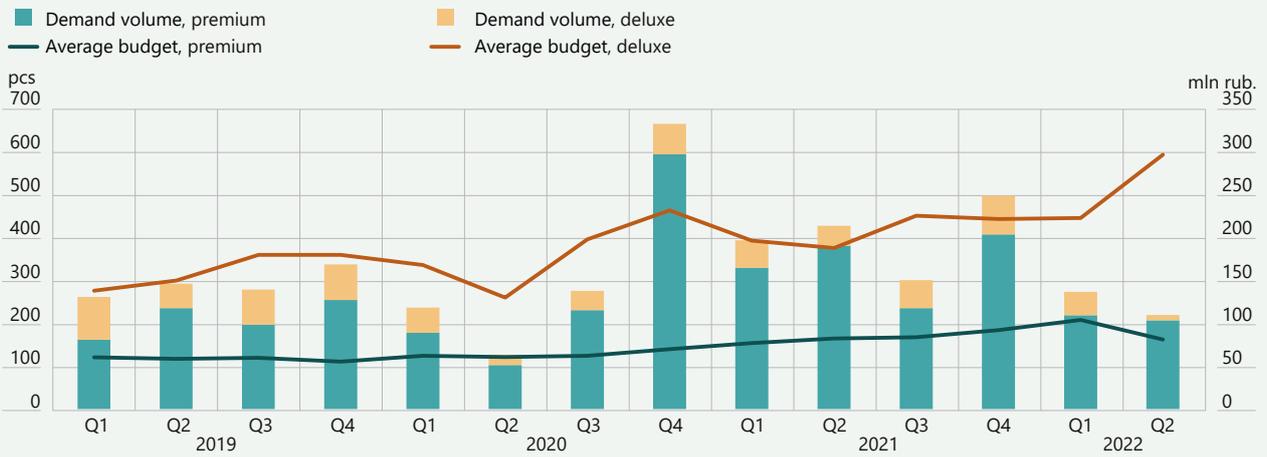
Source: Knight Frank Research, 2022

Share of transactions by district

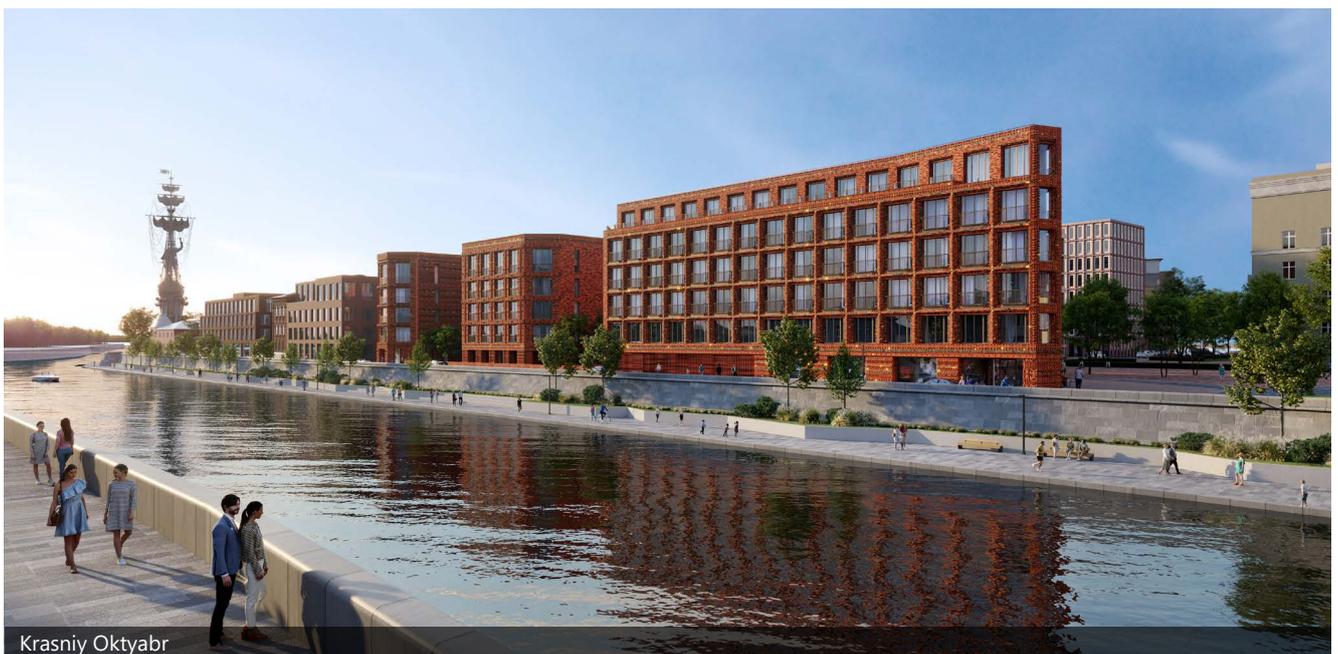


Source: Knight Frank Research, 2022

Dynamics of the number and average value of transactions by segments



Source: Knight Frank Research, 2022



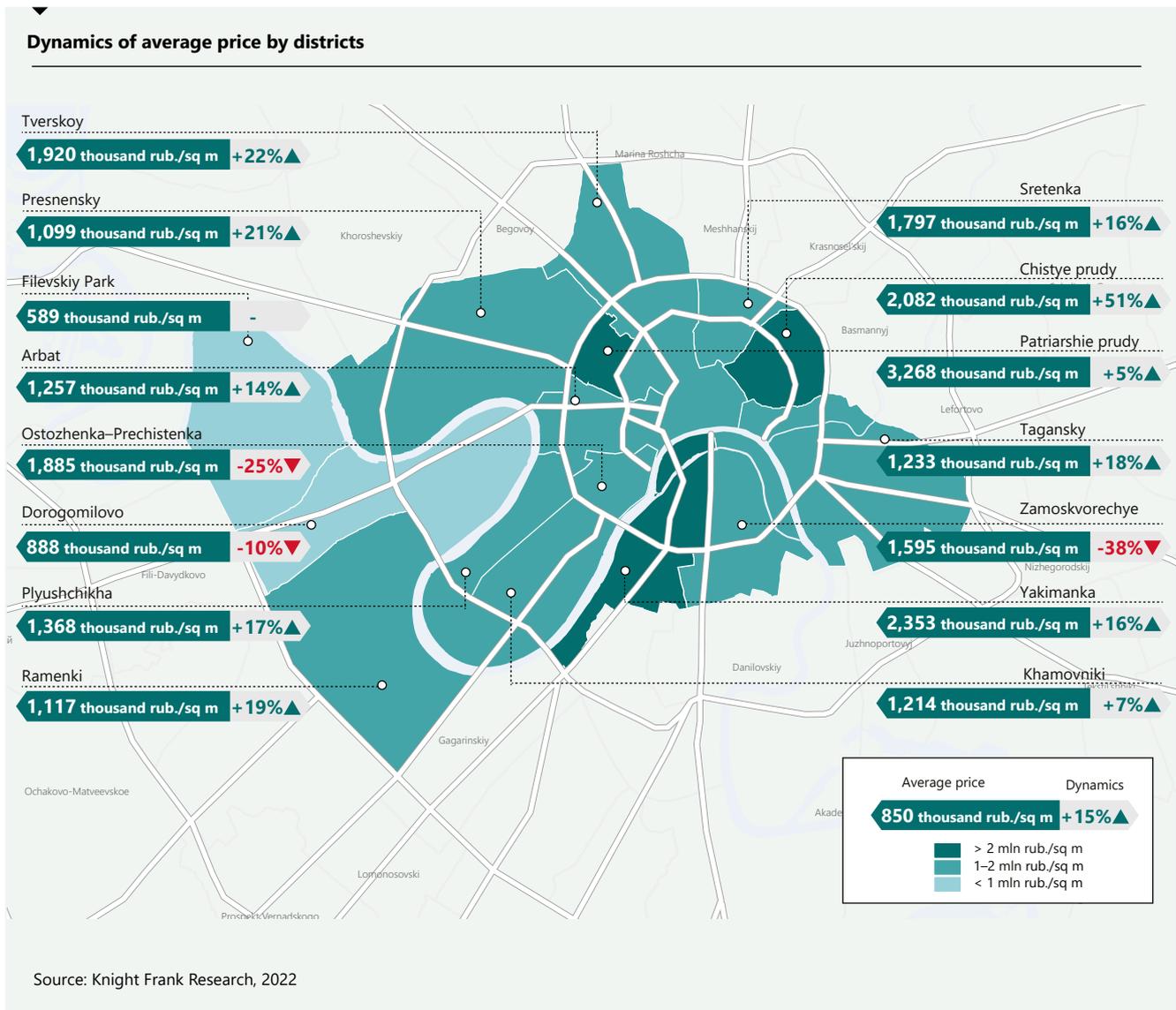
Prices

According to the results of H1 2022, the average weighted supply price in the prime residential real estate market amounted to 1,459 thousand rubles/sq m by adding 9% for six months. At that, a downward trend has been recorded in the segment during the past three months (-9% per quarter). The adjustment is primarily resulted from a change in the supply structure on the back of new supply, including large-scale premium projects at affordable prices. The rouble strengthening during the period under review has also influenced somehow. Currently, prices in dollars or euros are

set only for a few projects. Prices for some exclusive units are also often set in a foreign currency. In terms of classes, the average weighted supply price for deluxe units was 2,052 thousand rubles/sq m (+7% since the beginning of the year), with 1,067 thousand rubles/sq m for premium segment (+11% since the beginning of the year).

Change in the rating of districts by the price per square meter is also one of the strengthened rouble consequences. For a long time, Ostozhenka-Prechistenka has always taken the second place on the market, being outplayed only by the

Patriarch's Ponds. The district's supply is primarily set in dollars, so the average weighted price in Q2 decreased by almost a third to 1,885 thousand rubles/sq m, which shifted Ostozhenka to the 5th place. Today, Patriarch's Ponds (3,268 thousand rubles/sq m.), Yakimanka (2,353 thousand rubles/sq m.) and Chistye Prudy (2,082 thousand rubles/sq m) are among the most expensive districts of Moscow. The most budget supplies for H1 2022 is in Filevsky Park and Dorogomilovo, i.e. less than 1 million rubles per square meter.



Dynamics of average price and supply volume by segments



Source: Knight Frank Research, 2022



Ilyinka 3/8

SECONDARY MARKET*

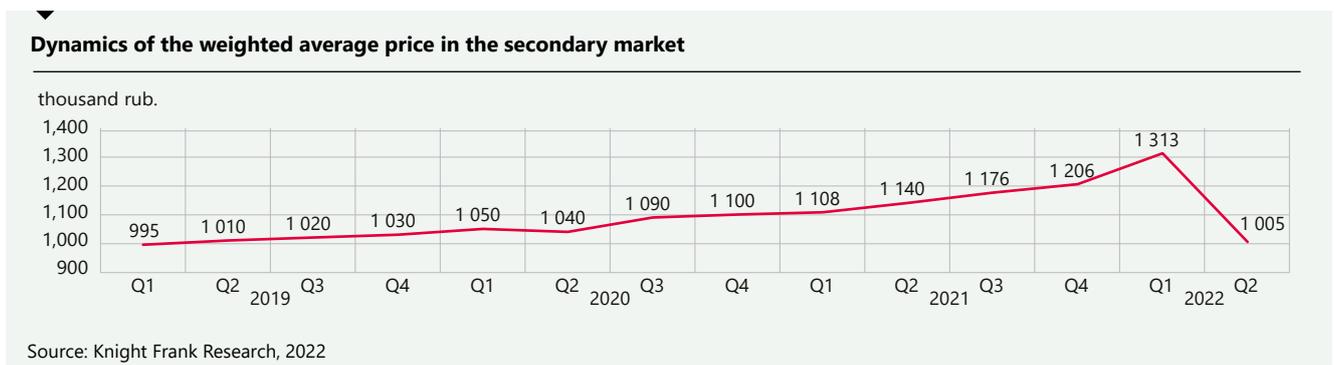
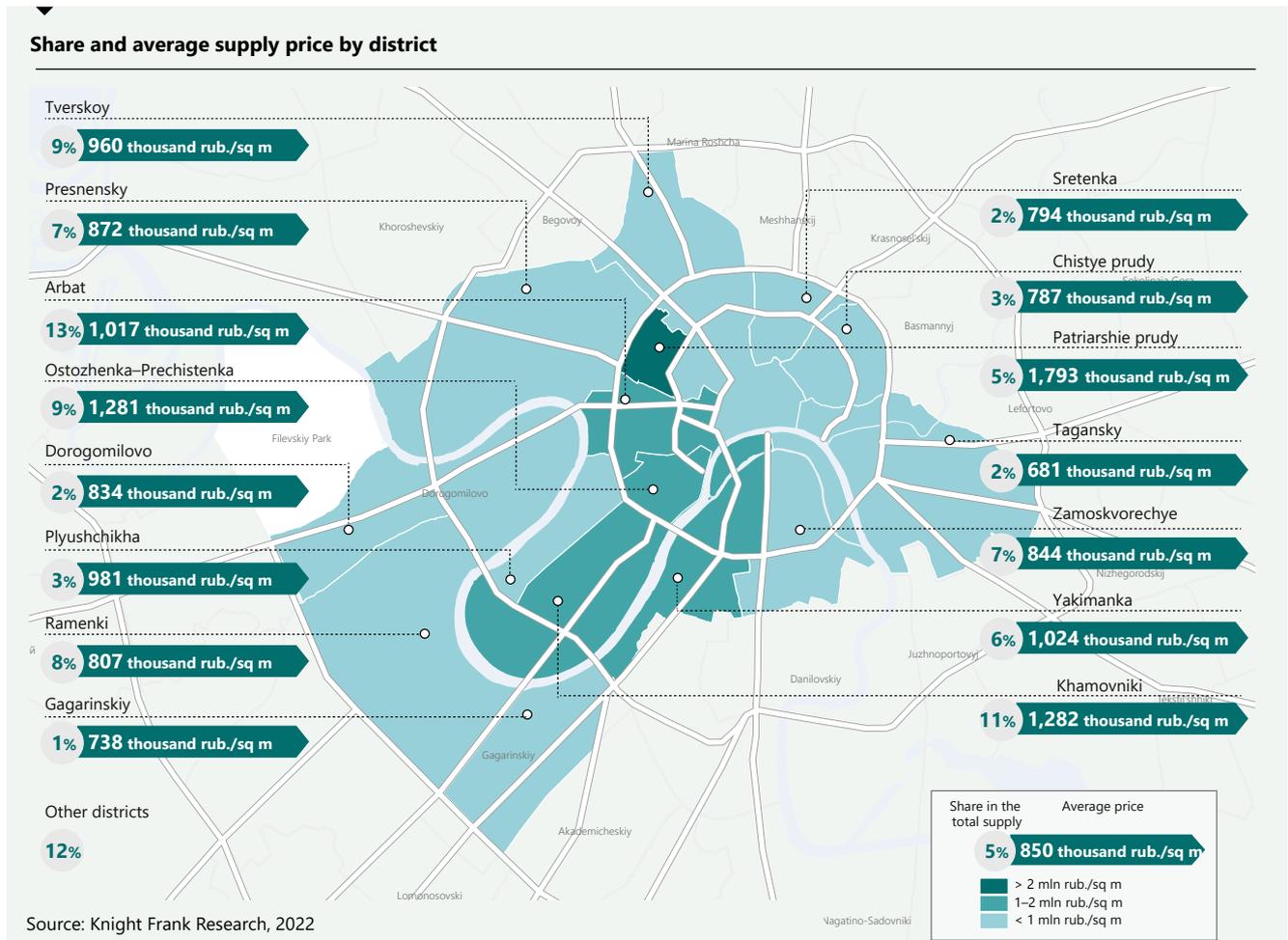
Supply

In H1 2022, a third of all flats and apartments in the secondary market of elite residential real estate was concentrated in three districts. The largest share of the supply still falls on the Arbat district with its 13% of available

units. This is followed by the Khamovniki district and the Tverskoy district with shares of 11% and 9%, respectively.

The average area of the supply for six months increased by 2%, and at the end

of June amounted to 213 sq m. As for the annual dynamics, the indicator lost 4% up to the figure of 223 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 9 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 (23%). Another 20% is accounted for units of 150 to 200 sq m, with 18% of the supply falling on units with a larger area (exceeding 300 sq m).

The average budget of the supply on the secondary market is 214 million rubles by losing 15% for six months, and it has decreased by almost one fourth for the last three months (-22% for the quarter). The largest part of flats and apartments is still within the range from 50 to 100 mln rubles, with a share of 23%. A significant part of the supply also falls on units worth from 100 to 150 million rubles (20%).

Prices

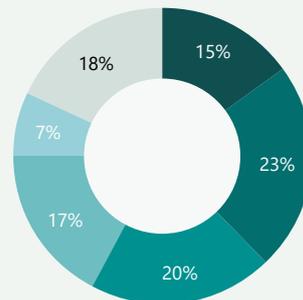
Unlike the new-built housing market, where ruble pricing prevails, slightly more than a third of all units falls on the secondary market supply in foreign currency. In this regard, the adjustment of the average weighted price turned out to be more significant: 1,005 thousand rubles/sq m (-23% for the quarter and -17% since the beginning of the year).

TOP-3 most expensive districts:

- Results of H1 2022 show that the maximum price per sq m of 1.8 mln rubles was fixed at Patriarch's Ponds (+16% from the year-start).
- The Khamovniki district with a value of 1,282 thousand rubles/sq m (-1% for six months) comes second.
- The Ostozhenka-Prechistenka cluster closes the top three, where the average weighted supply price was 1,281 thousand rubles/sq m, which is 18% lower than half a year earlier.

Supply structure in the secondary market by area

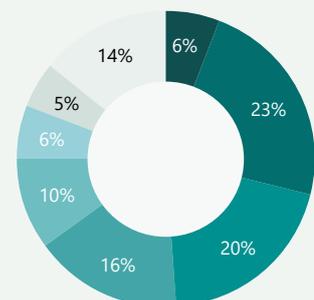
- Up to 100 sq m
- 100–150 sq m
- 150–200 sq m
- 200–250 sq m
- 250–300 sq m
- Over 300 sq m



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



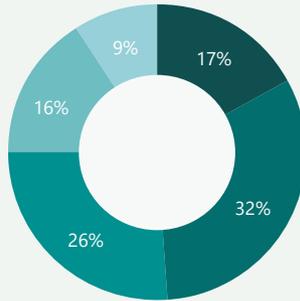
Demand

In the structure of the secondary market demand, flats and apartments of 100 to 150 sq m retain of the highest demand, i.e. almost a third of those asked in H1 2022 (32%). It worth noting that the requested average area was 161 sq m, which is 5% higher the value of the same period a year ago.

At the same time, almost half of the demand in the segment (49%) are for more budget units up to 100 million rubles, including the most popular ones worthing from 50 to 100 million rubles, whose share in the total distribution structure was 35%. The average asked budget in the secondary market increased by 17% to 132 million rubles (vs 105 million rubles in H1 2021).

Structure by requested average area

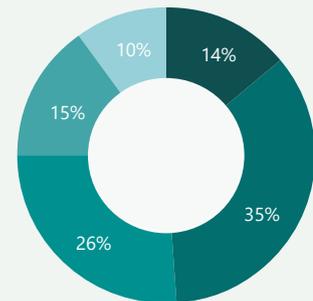
- Up to 100 sq m
- 100–150 sq m
- 150–200 sq m
- 200–250 sq m
- Over 250 sq m



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

H1 2022 showed an upward trend in supply (+39% for 6 months) at the market of high-budget flats and apartments for rent (from 150 thousand rubles/month). Given that the number of available units in the segment increased by 20% in the first quarter due to the outflow of both foreign and Russian tenants, the supply added another 16% for the past 3 months. In this context, at the end of June, the number of units available for rent in Moscow returned to the level of the same period of the previous year. Nevertheless, the indicator is still below the record values of the pandemic 2020.

The activity of tenants in the rental market remained weak during the period under review. After rather good results of the first month of this year, a gradual decrease in demand here was recorded under the current conditions, and the trend continued until May. In June, there was a slight growth of demand, i.e. the indicator returned to the level of January, 2022. Thus, in H1 2022, the total demand for elite rentals lost almost 40% as compared to the

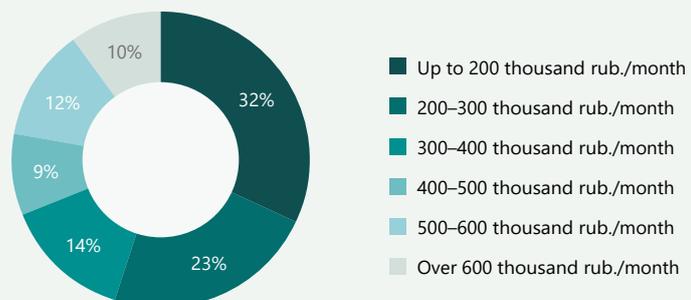
The supply index in the high-budget rental market*



*100% – Q4 2019

Source: Knight Frank Research, 2022

The most requested rates in the high-budget rental market

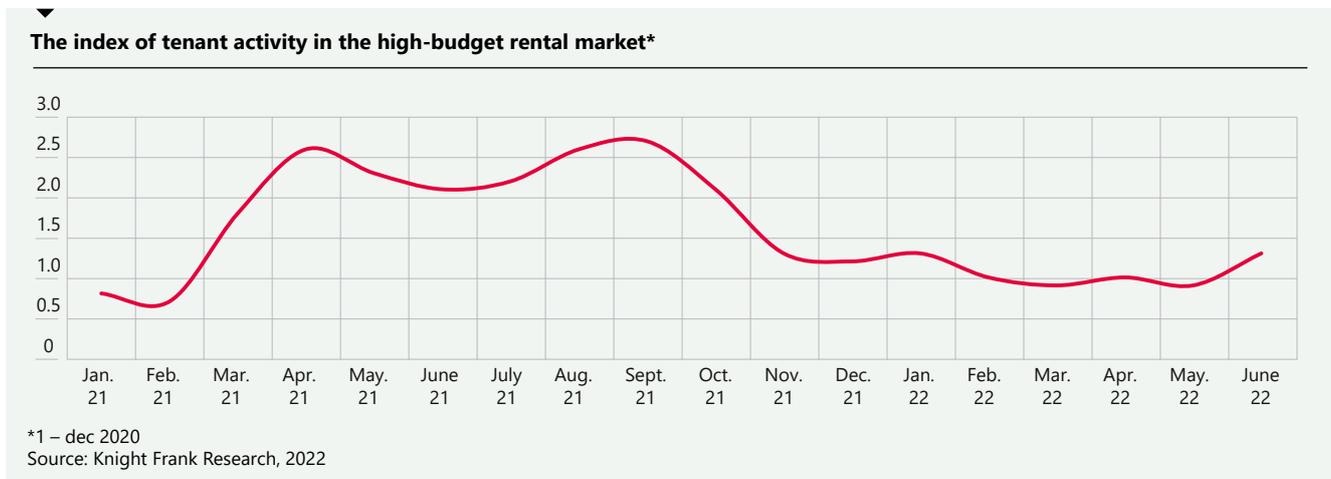
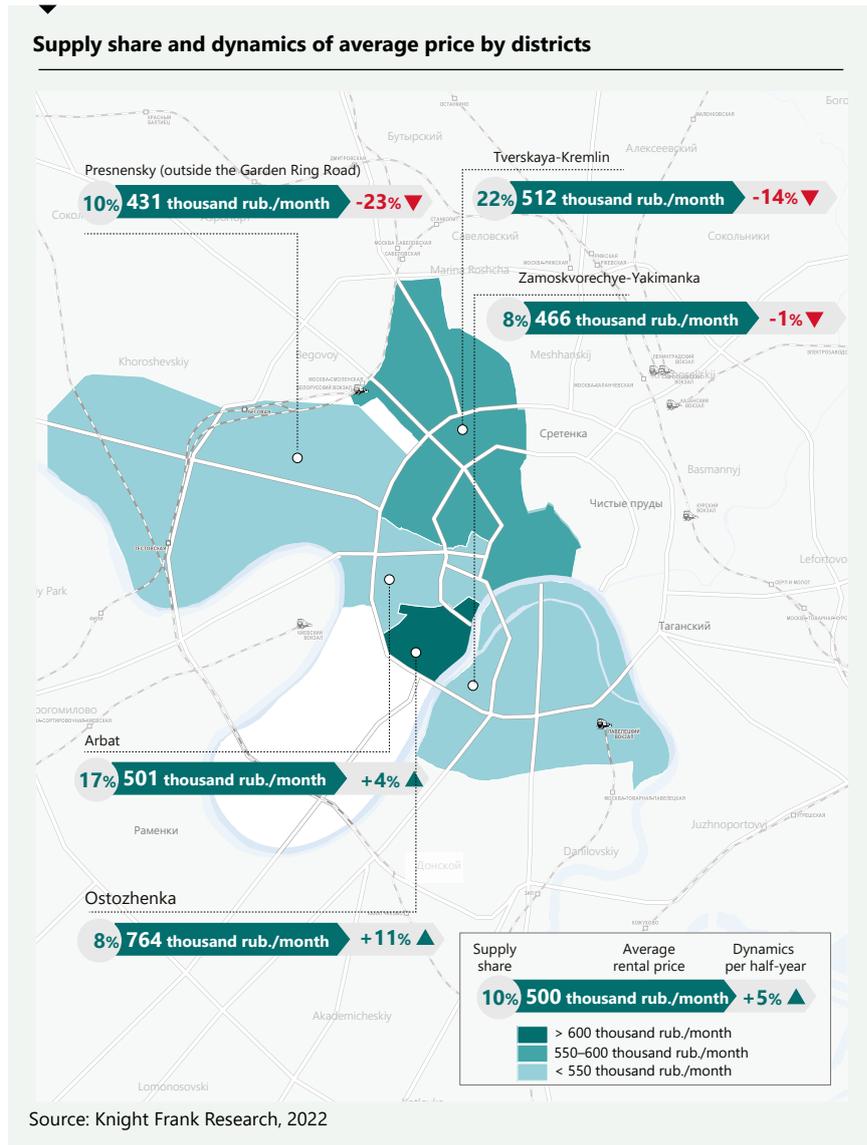


Source: Knight Frank Research, 2022

same period of the previous year. And the volume of transactions due to the outflow of some potential tenants turned out to be twice lower than last year's figures (-50% compared to H1 2021). In Q3 2022, we expect higher activity in the segment related to both seasonality and the gradual return of Russian citizens.

There were no significant changes in the market structure in H1 2022. As for the geography of supply distribution, the Tverskaya - Kremlin location still leads, where 22% of all available flats and apartments are hosted. The Arbat district (17%) and the Presnensky district outside the Garden Ring (10%) also entered the Top 3 in terms of the number of units available for rent. They are followed by Zamoskvorechye – Yakimanka and Ostozhenka in terms of supply (8% in each district).

The range of available units in Moscow gradually expands, with the average supply rate decreased by 7% since the beginning of the year. Traditionally, the most expensive apartments are in Ostozhenka: average rental here is 760 thousand rubles/month, with 600 thousand rubles/month and 500 thousand rubles/month, respectively, in the «neighboring» Khamovniki and Arbat.



The classification* of Moscow prime residential real estate

Comparison criteria	Deluxe	Premium
Mandatory, limiting criteria		
Location	Within Central Administrative District	Preferably within the Third Ring Road, Western Administrative District (Dorogomilovo, Ramenki)
Construction	Frameless homes from ceramic bricks and solid-cast homes with reinforced-concrete frame structures	
Number of units per level	Up to 4	Up to 6 (rarely up to 8)
Ceiling height	> 3.2 m	> 3.0 m
Average unit area within project	> 110 sq. m	> 90 sq. m
Parking parameters	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.
Lobby and public areas finishing	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
Security	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	
Engineering support	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	
Windows	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)	
Optional criteria		
Architecture	Individual author's architecture design	
Space-planning decisions	. 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	
Final finishing of units	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.

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CONTACTS



Andrey Solovyev
Regional Director
of City Sale Department,
+7 (903) 130-8113
asolo@kf.expert



Olga Bogoroditskaya
Director,
Key Client Management
+7 (985) 773-2173
Olga.Bogoroditskaya@ru.knightfrank.com

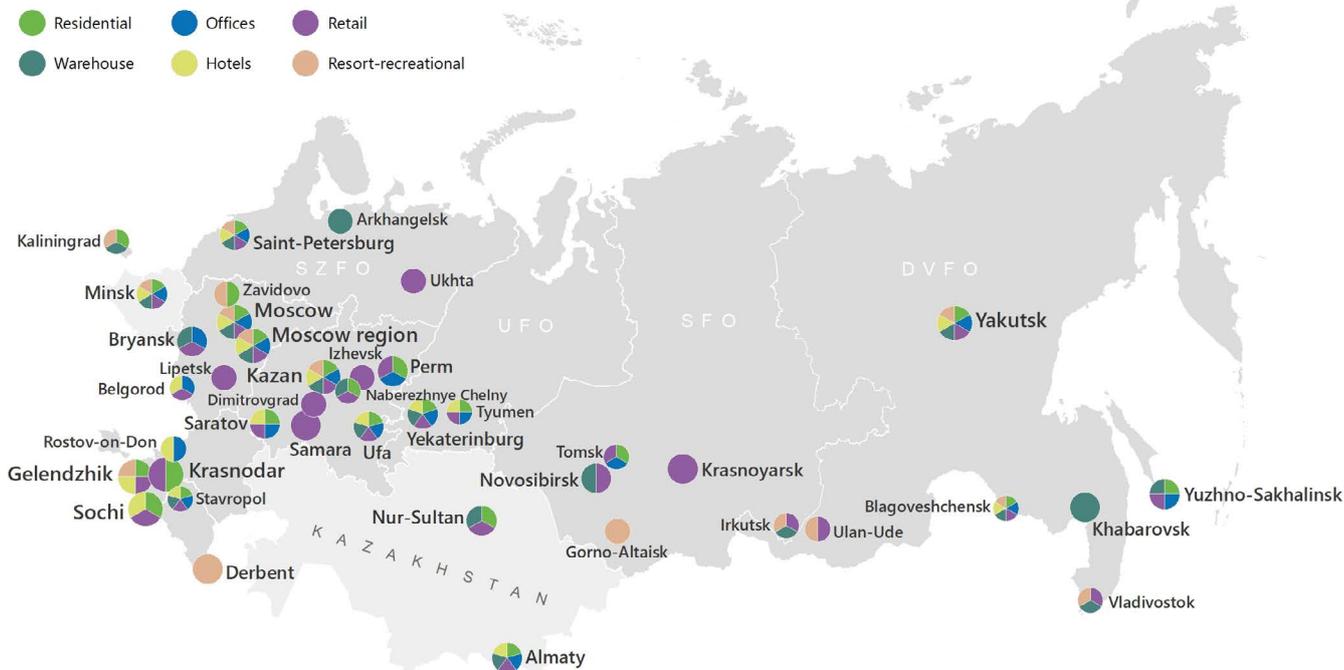


Igor Nechaev
Director,
Key Client Management
+7 (926) 815-0916
Igor.Nechaev@ru.knightfrank.com

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- ♦ Marketing opinion / Market research
- ♦ Project's business plan
- ♦ Analysis of the project's economic feasibility / Financial analysis
- ♦ Architectural concept development
- ♦ Hotels / SPA / public spaces operator search
- ♦ Survey of potential tenants

REAL ESTATE VALUATION

- ♦ Commercial and Residential real estate
- ♦ Federal and International valuations standards
- ♦ Valuation for managerial decisions
- ♦ Valuation for loan financing
- ♦ Valuation for purchase and sale
- ♦ Valuation for financial statements



To learn more about our services or ask questions please contact us

+7 (495) 023-08-12
kf@kf.expert

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CONSULTING & RESEARCH

Olga Shirokova

Regional Director, Russia & CIS

OShirokova@kf.expert

REAL ESTATE VALUATION

Olga Reshetnyakova

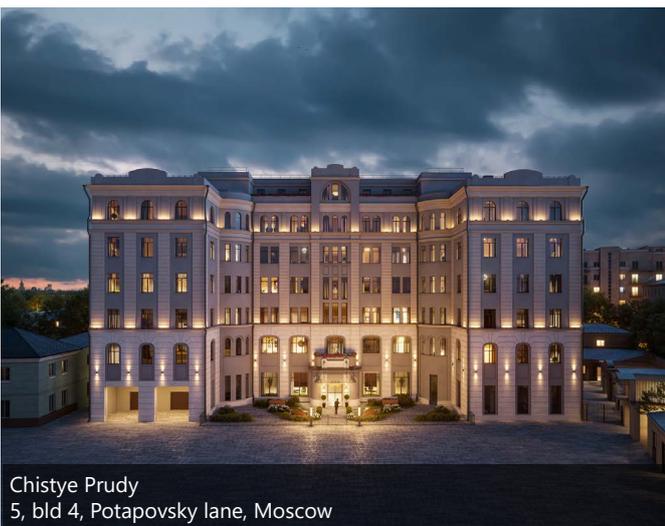
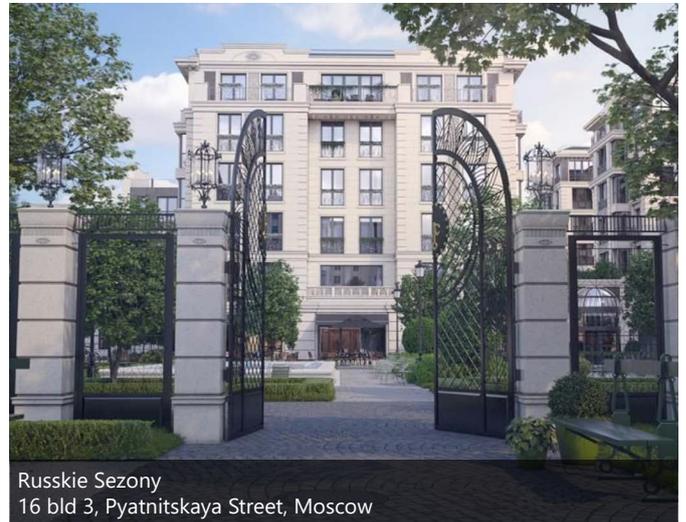
Director, Russia & CIS

OR@kf.expert



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