

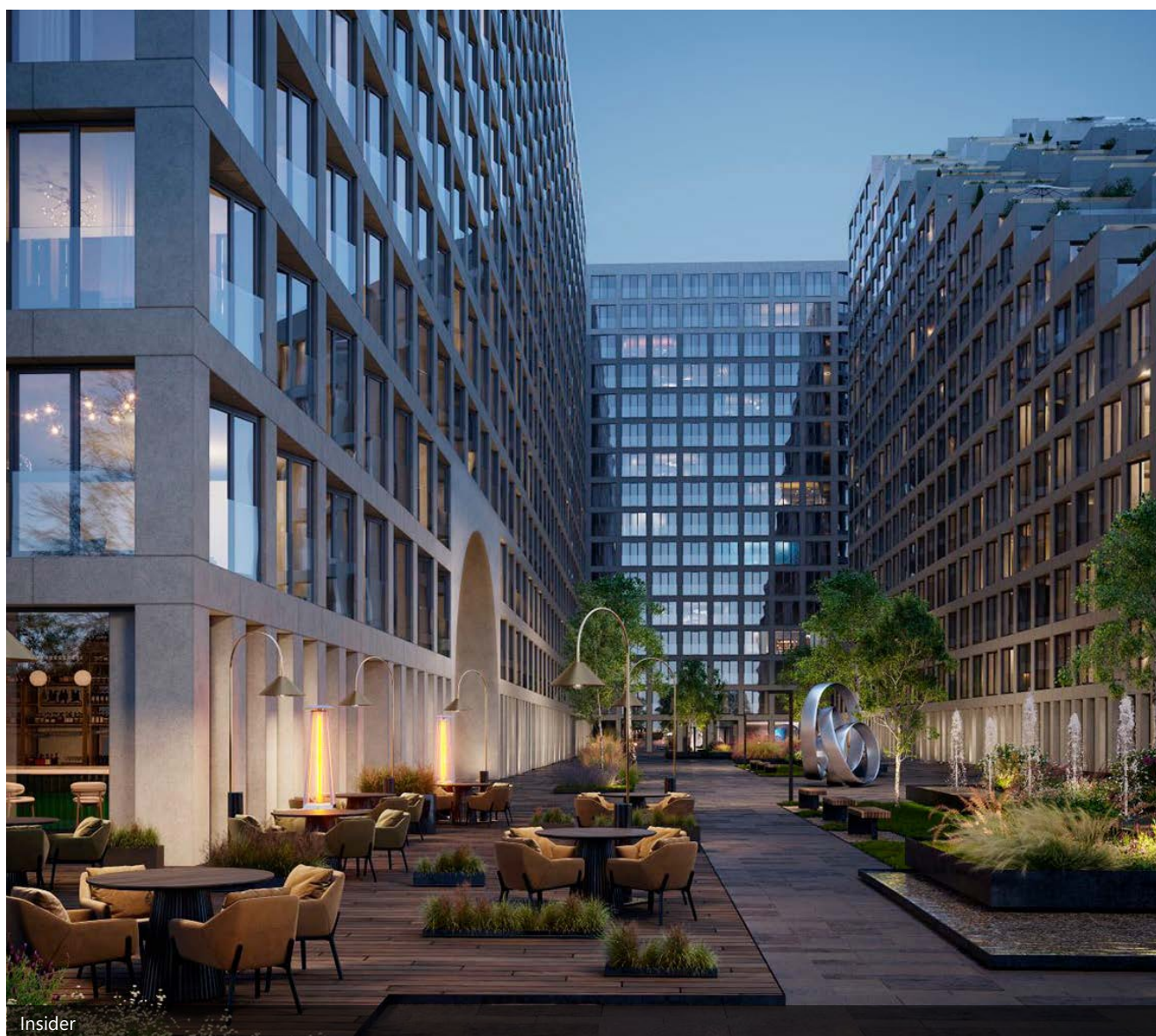
The supply for the quarter did not change in comparison with the previous quarter and amounted to **12.8 thousand units**

In Q3 2022, **2.9 thousand units** were sold, which is **42%** less than in the same period last year



BUSINESS CLASS RESIDENTIAL REAL ESTATE MARKET MOSCOW

Q3 2022



Insider



Olga Shirokova
Regional director
Consulting & Research,
Knight Frank

«The demand satisfied in Q3 2022 showed an upward trend relative to the previous quarter, which, however, was merely due to the low base effect. As for the same periods of previous years, the demand is still low. It was supported by promos of developers, with discounts reached 20%. Subsidized mortgages also played its part, including that from developers. Nevertheless, it is already obvious that the 2022 demand in the prime business class market of Moscow will be less than in previous years. The deals in the last quarter of the year will not be able to cover the difference even in comparison with the pre-feverish demand in 2018-19.»

Summary

- ♦ The supply for the quarter did not change in comparison with the previous quarter and amounted to 12.8 thousand units.
- ♦ In Q3 2022, 2.9 thousand units were sold, which is 42% less than in the same period last year.
- ♦ The average weighted price per sq m continued its growth despite the low demand. For Q3, the average weighted price reached 485,000 rubles/sq m, and the figure doesn't take into account the promos of developers.
- ♦ In half of the business class projects available on the prime market, discounts of up to 20% were offered in Q3 2022. Many projects offered joint programs of developers and banks on subsidized mortgages as well.

Key indicators

Supply

	Figure	Dynamics*
Supply volume, pcs.	12.8	0%
Supply volume, mln sq m	0.898	+0.5%
Average weighted price, thsnd rub./sq m	485.2	+3%
Average area, sq m	70.2	0%
Average cost, mln roubles	34.0	+3%

Deals

	Figure	Dynamics**
Transaction number, thsnd. pcs.	2.9	-42%
Transaction volume, mln sq m	0.181	-44%
Average weighted price, thsnd rub./sq m	437.1	+14%
Average area, sq m	63.4	-3%
Average cost, mln roubles	27.7	+10%

* Q3 2022 / Q2 2022

** Q3 2022 / Q3 2021

Source: Knight Frank Research, 2022

Supply

In Q3 2022, the prime business class housing market in Moscow supplied 12.8 thousand flats and apartments with a total area of 898.2 sq m. The number of units on sale remained unchanged in comparison with the previous quarter. At the same time, only 3 new projects were added to the market and 3 buildings in previously launched projects. The total projected volume of complexes put on sale amounted to 3.0 thousand units, which is almost 3 times less than the last quarter and 2.5 times less than in Q3 2021. Developers are extremely cautious

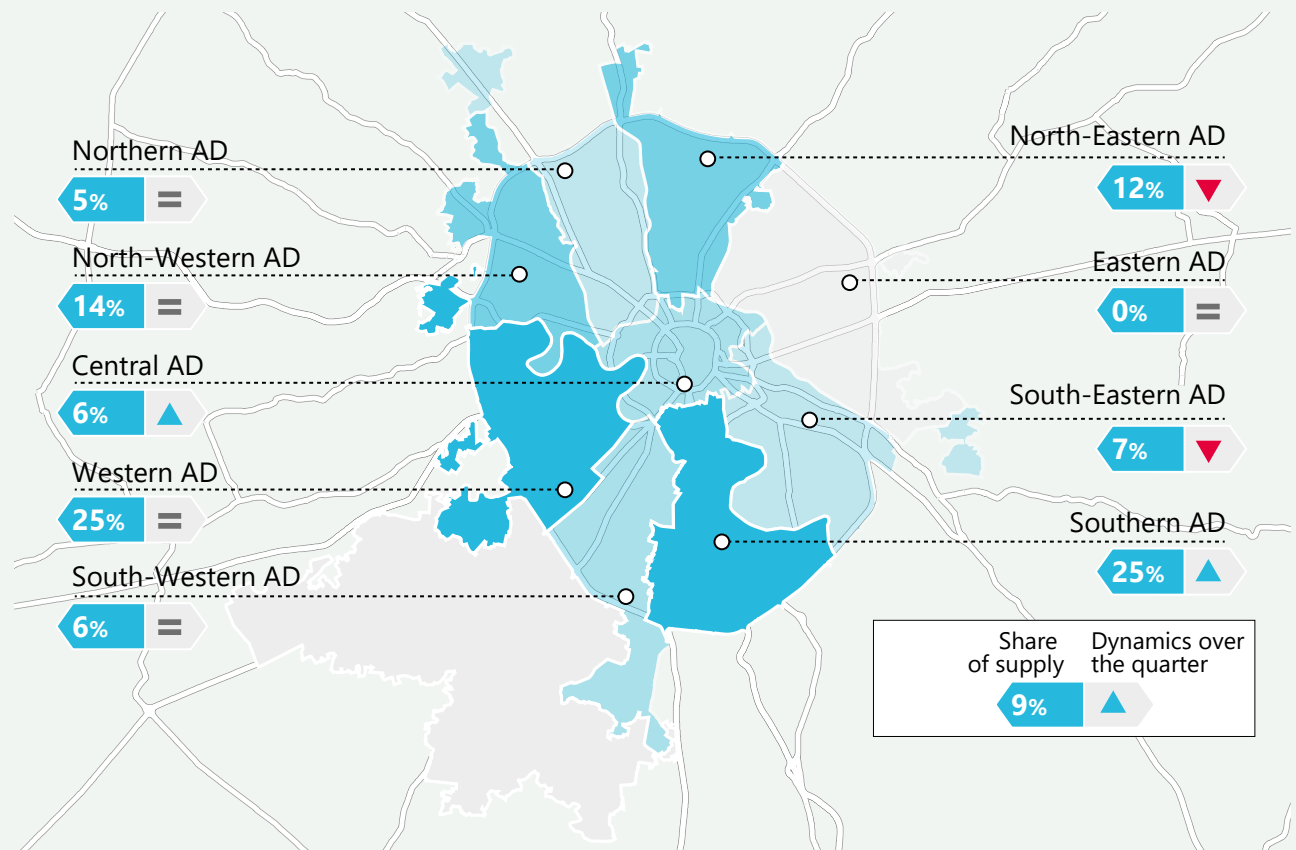
in launching new business-class projects to the market by preferring to «watch for» the market situation for the time being.

In the supply structure in relation to the construction stage, the largest share falls on the units in buildings that are at the stage of upper floor construction (24%) and at the beginning of works stage of construction (21%). The share of supply in the commissioned projects further declines – only 5% are available at the end of Q3 2022. Despite the fact that a large number of buildings will be put into operation in the next quarter, the share of supply in

ready-to-move objects will not increase as it often happens at the end of the year. The bulk of the supply will be concentrated on the stages of active construction.

The share of supply with finishing for the quarter added 2 p. p. and amounted to 35% by the end of September. A slight growth in the share results from the launch of a new project, where all apartments are with finishing. As compared to the beginning of the year, the share of the supply with finishing lost 4 p. p. on the back of the rise in prices for finishing materials and the disruption of logistics chains.

Supply structure by districts



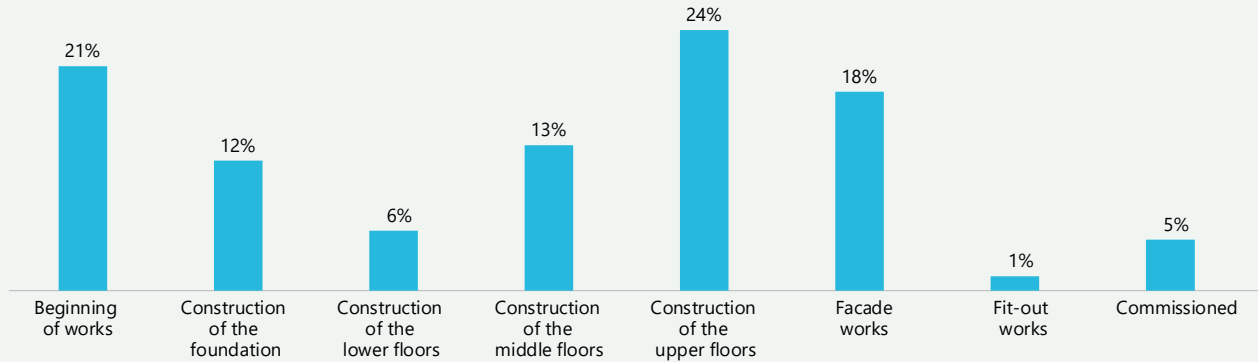
Source: Knight Frank Research, 2022

Objects that were launched in Q3 2022

Name	Market Launch	District	Property type	Developer	Number of units	Commissioning date	Finishing
New projects							
Republic	July 22	Presnenskiy	Flats	Forma	389	Q3 2025	Without finishing/ White box
Intelligent	July 22	Basmany	Flats	Mosinzproekt	813	Q2 2024	Without finishing
Insider	Sept. 22	Danilovskij	Apartments	RKS Development	909	Q2 2025	With finishing
New stages							
Primavera (block of houses Vivaldi)	July 22	Pokrovskoe-Streshnevo	Flats	Spartak Stadium	722	Q2 2025	Without finishing
Foriver (bld. 1, 10)	July 22	Danilovskij	Flats	Ingrad	193	Q4 2024	Without finishing

Source: Knight Frank Research, 2022

Supply structure by the construction stage.



Source: Knight Frank Research, 2022

None of the developers refused from finishing in their projects (if it was declared earlier). Although, some of the units with finishing were removed from the market in the first months of instability, but they were returned there later.

The share of apartments continued the growth started in the previous quarter and reached 11% (+4 p.p. per quarter) as a result of the launched sales of a new apartment project.

In the supply structure by districts, the leadership is shared by the Western and Southern Administrative Districts: each of them accounts for 25% of all business class flats and apartments. The North Western Administrative District goes second (14%) far behind the leader; the third place is taken by the North-Eastern Administrative District (12%).

The supply structure remained unchanged during the quarter under review. There are still 38% of units on sale with an area from 60 to 90 sq m. The largest units with an area exceeding 120 sq m are the least on sale: their share is 6%. Small units of up to 40 sq m make up 12% of the total supply. The average area of units supplied is 70.2 sq m.

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%	9%	2%	0%	0%	0%
40–60 sq m	0%	8%	16%	3%	0%	0%
60–90 sq m	0%	1%	12%	18%	7%	0%
90–120 sq m	0%	0%	1%	3%	11%	2%
Over 120 sq m	0%	0%	0%	0%	2%	4%

Source: Knight Frank Research, 2022



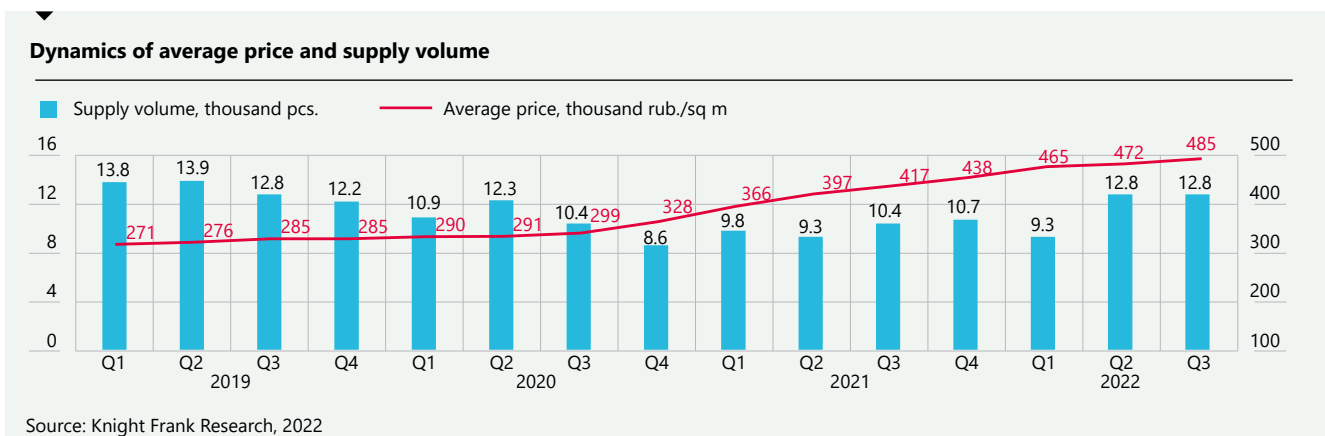
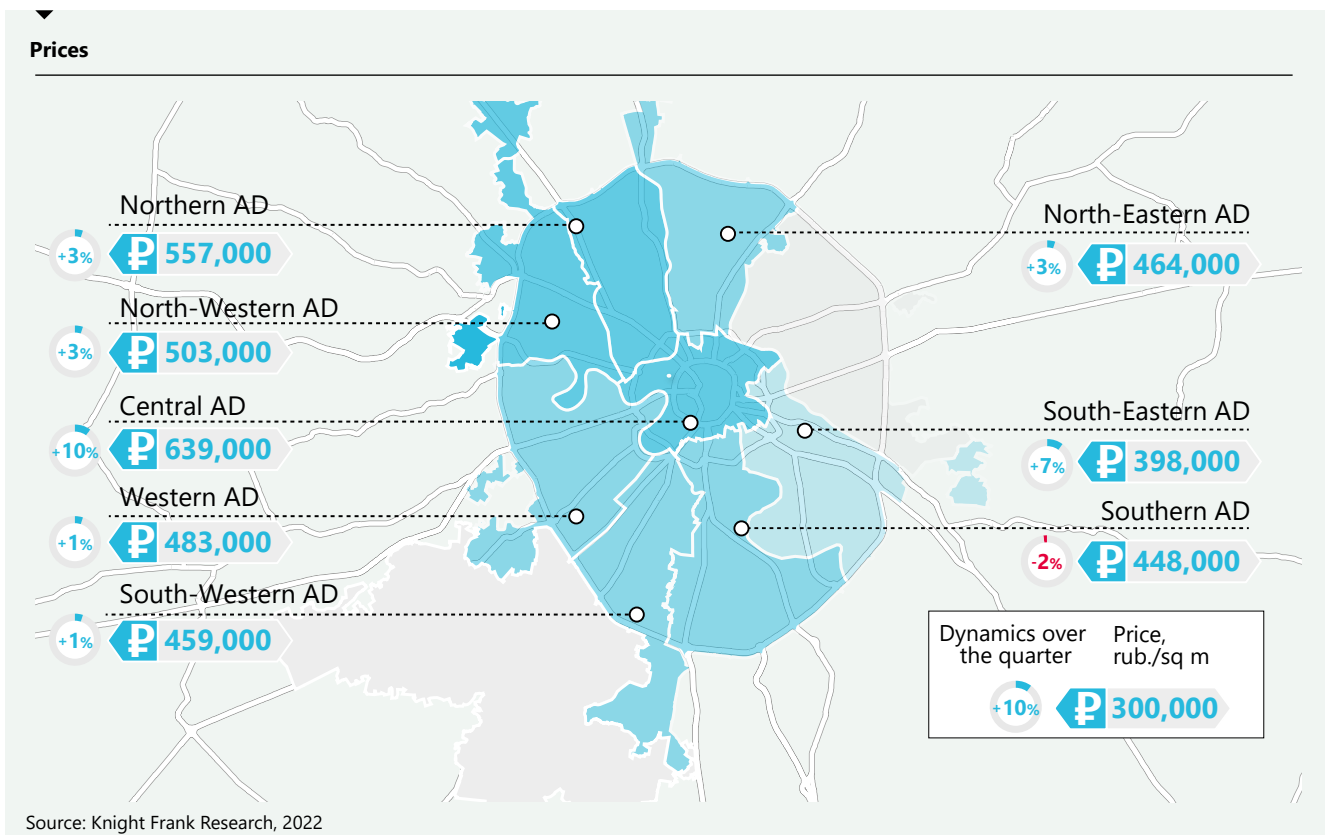
Primavera

Prices

Despite the low demand, the average weighted price per sq m in the prime business class market continued to grow by adding 3% in the quarter and reaching 485,000 rubles. However, this value does not take into account special offers from developers and discounts that began to appear in the last quarter, but became widespread in Q3. So, discounts were offered in half of the business class projects at the end of September 2022. Their rate in a number of facilities reached 20%.

Promos on the subsidized mortgages from the developers with the rates ranging from 0.1% have become more popular as well. It should be borne in mind that the difference in mortgage payments is included in the budget of units. Nevertheless, such conditions are favorable for a large number of buyers. In this context, the actual average price per sq m (in view of discounts and shadow margins) for the quarter may be lower than in the previous quarter.

The largest increase in the average weighted price was in the Central Administrative District (+10%) backed by the new supply with a high price per sq m there. At the same time, for the first time in a long time, there is a downward trend in the average weighted price: in the Southern Administrative District, the decrease was 2%, although it also results from a change in the supply structure.



The average budget of the supply in the prime business-class housing market in Moscow reached 34.0 mln rubles by the end of September 2022, by adding 3% as compared to the previous quarter. The average budget increased pro rata the growth of the average weighted price per sq m on the back of maintaining the average unit area supplied.

In the supply structure by the budget, the smallest share still falls on units worth up to 10 mln rubles. In Q3, their number decreased by half: at the end of September, only 95 units were on sale for less than 10 mln rubles. The largest share of the supply falls on units worth from 20 to 30 mln rubles (31%).

Demand

The demand for Q3 2022 amounted to 2.9 thousand flats and apartments and turned out to be almost equal to that entered the market within the framework of new projects and buildings. Although it exceeded 1.5 times the sales for the previous quarter, the number of units sold in July-September 2022 was minimum in comparison with the same periods of the previous years: for example, the decrease exceeded 40% in relation to Q3 2021.

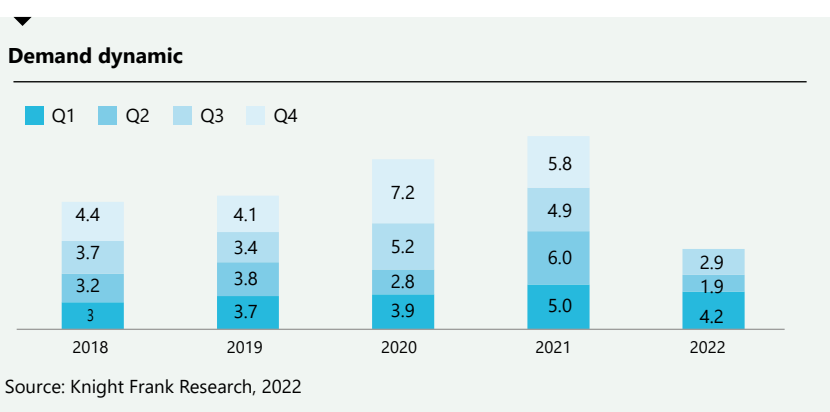
On the one hand, some recovery in demand was facilitated by factors such as promos of developers and the demand postponed due to buyer caution in the second quarter. However, the most significant contribution to the growth of deals was made by mortgages: the share of deals under DDU contracts with mortgage reached 61% by the end of Q3 2022. This value broke the previous record of the pandemic period, when the subsidized mortgages were in effect and this share was equalled to 50%.

On the other hand, the factors limiting the demand had a more profound effect: continued uncertainty and caution of buyers, limited supply and high prices remained after a period of high demand. In addition, the outflow of business-class potential buyers increased at the end of September, which will affect the reduction in demand in the future.

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	2%	16%	1%	0%	0%	0%
40–60 sq m	0%	11%	15%	2%	0%	0%
60–90 sq m	0%	1%	18%	14%	4%	0%
90–120 sq m	0%	0%	2%	4%	6%	1%
Over 120 sq m	0%	0%	0%	0%	1%	2%

Source: Knight Frank Research, 2022

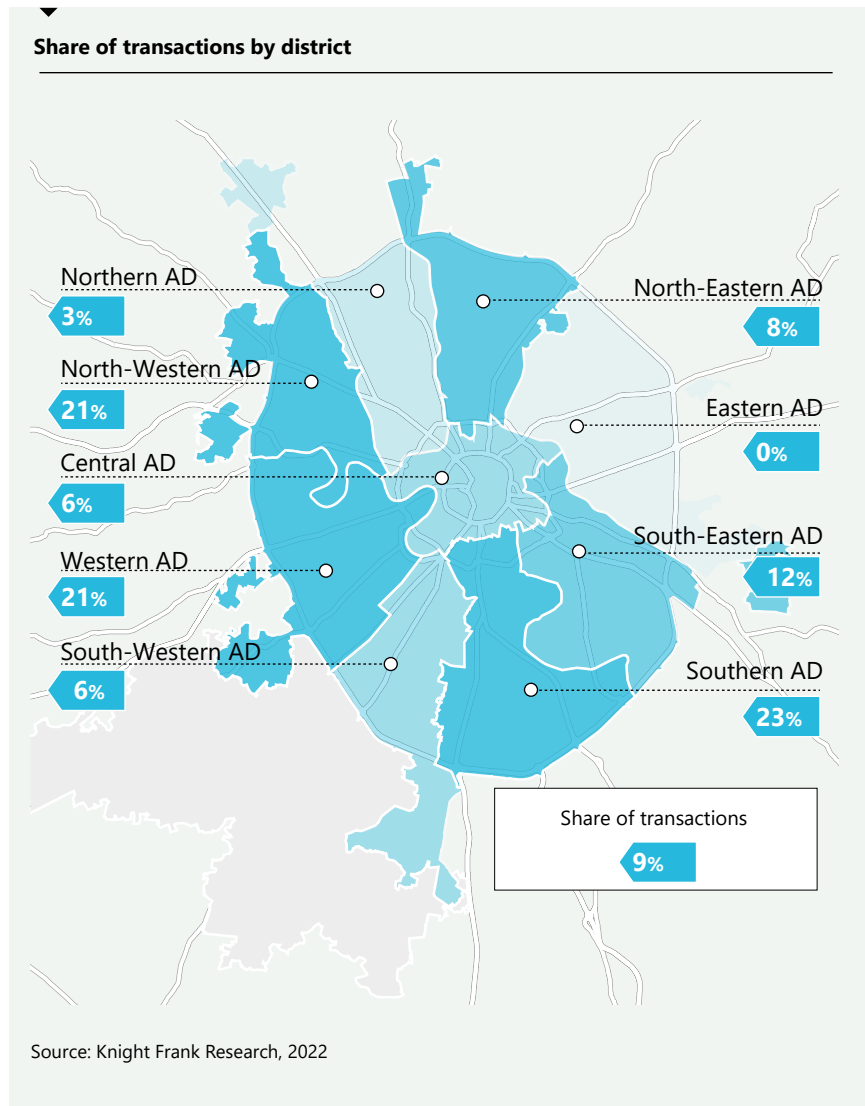


The top three by number of units sold includes the following housing projects: «Symbol» («Donstroy»), «Level Michurinsky» (Level Group), «Ostrov» («Donstroy»). The three projects accounted for one third (31%) of total number of units sold in the prime business class market in Q3 2022. Among developers, the leaders in sales are Donstroy, Level Group and Ingrad, which account for almost half (49%) of total deals in the segment under review.

Most of the deals were made in the Southern Administrative District (23%), which is due to the large supply there and favorable prices (relative to other districts). The North-Western and Western Administrative Districts accounted for 21% of total number of units sold on the prime business-class housing market in Moscow.

In the structure of demand, the largest share still falls on the units priced from 20 to 30 mln rubles - 36% of the total number of flats and apartments sold. Less than 70 units were sold in the budget of up to 10 mln (2% of total deals for the quarter) on the back of the limited supply in this budget.

The share of deals with apartments further declines: according to the results of Q3 2022, it amounted to 5% (against 8% for H1 2022). This share has been sliding down for a long period, which was partly caused by the limited supply. However, the today's factor limiting the demand is a mortgage: subsidized mortgages are provided only for flats.



CONSULTING & RESEARCH DEPARTMENT

Knight Frank Russia & CIS has the local expertise and global experience.

WE WORK IN ALL REGIONS AND ALL SEGMENTS

- Residential
- Offices
- Retail
- Warehouse
- Hotels
- Resort-recreational



Other reports in Research [section on the website](#)

SERVICES

CONSULTING

- Best use
- Project's concept development /reconception
- Audit and optimization of Project
- 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

Or make request on our [website](#).

CONSULTING & RESEARCH

Olga Shirokova

Regional director, Russia & CIS

OShirokova@kf.expert

REAL ESTATE VALUATION

Olga Reshetnyakova

Director, Russia & CIS

or@kf.expert



© Knight Frank LLP 2022 – This overview is published for general information only. Although high standards have been used in the preparation of the information, analysis, view and projections presented in this report, no legal responsibility can be accepted by Knight Frank Research or Knight Frank for any loss or damage resultant from the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank in relation to particular properties or projects.

Reproduction of this report in whole or in part is allowed with proper reference to Knight Frank