

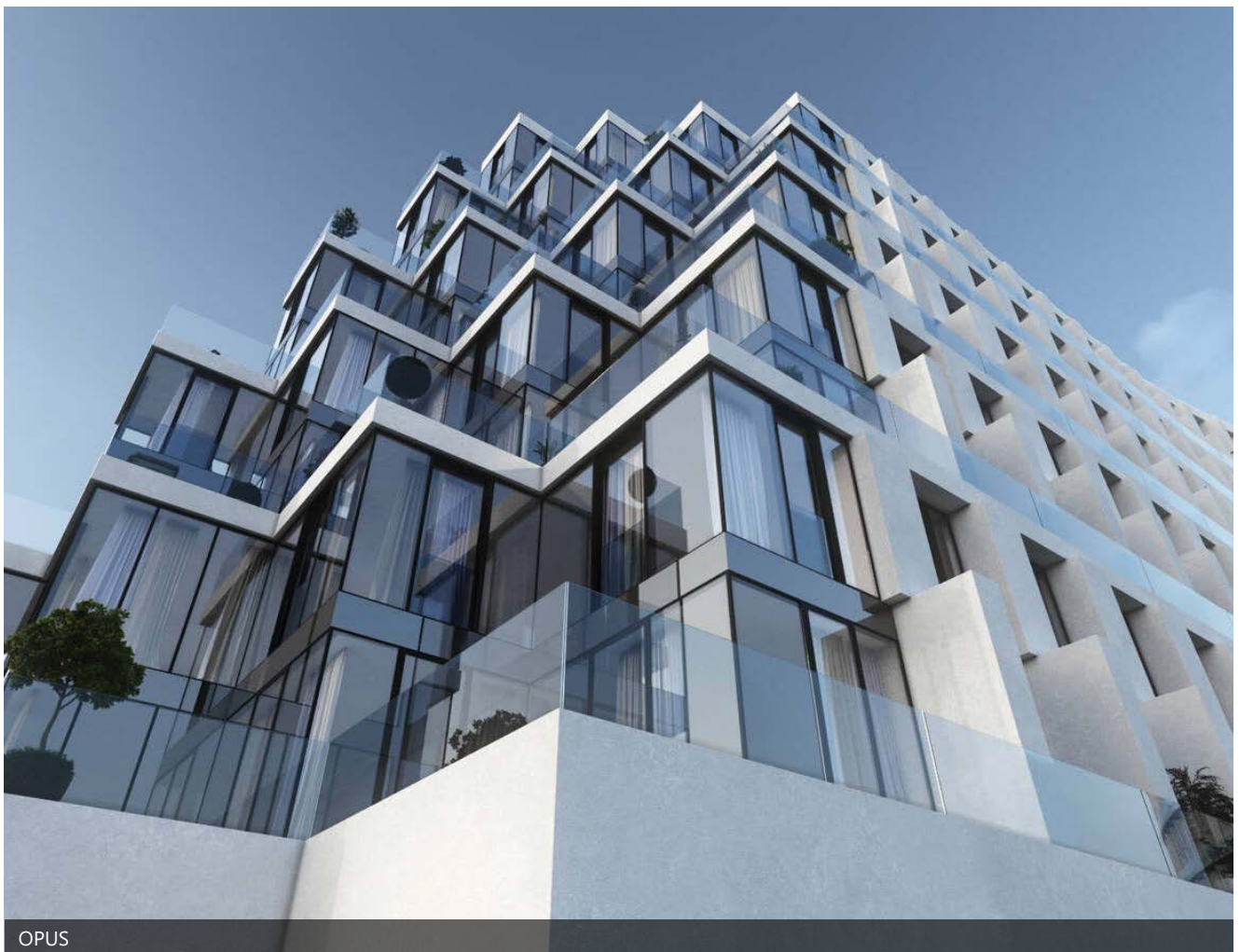
Maintaining the trend
of supply volume growth
(+13% for the last 3 months)

Decreased level of consumer
activity by 37% compared to the same
period of the previous year



PRIME RESIDENTIAL REAL ESTATE MARKET MOSCOW

Q3 2022





Andrey Solovyev
Regional Director of City Sale
Department,
Knight Frank

«In general, the correction of demand in 2022 in the context of the current situation was expected, and today it is difficult to forecast the scenario for the elite segment development and the entire real estate market. However, it is important to bear in mind that in the future, elite housing will retain the status of a «safe haven» for keeping savings in a context of increased uncertainty, the weakening of other investment and capital saving tools. As a rule, after the situation stabilizes, we see a growing number of deals due to deferred demand, which eventually compensates for cooling periods in the market.»

PRIMARY MARKET

Key indicators. Dynamics

Supply	Deluxe	Dynamics*	Premium	Dynamics*
Total supply, pcs.	620	+18%	1,150	+10%
Average price, thousand rub./sq m***	2,089	+2%	1,103	+3%
Average area, sq m	161	+5%	118	0%
Average cost, mln rub.	337	+7%	130	+4%
Demand	Deluxe	Dynamics**	Premium	Dynamics**
Number of transactions, pcs.	40	-32%	150	-38%
Average price, thousand rub./sq m	1,612	+9%	847	+8%
Average area, sq m	112	-26%	93	-12%
Average cost, mln rub.	181	-20%	79	-6%

* Q3 2022 / Q2 2022

** Q3 2022 / Q3 2021

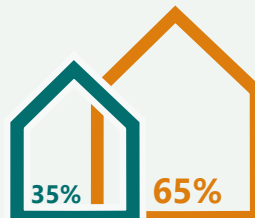
Source: Knight Frank Research, 2022

Key findings:

- ♦ Maintaining the trend of supply volume growth (+13% for the last 3 months).
- ♦ Growth of the average weighted price by 4% up to 1,523 thousand rubles/sq m
- ♦ Decreased level of consumer activity by 37% compared to the same period of the previous year.

Supply structure by class

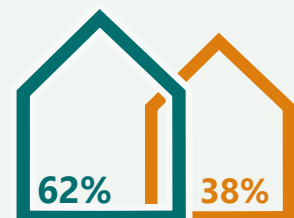
■ Deluxe ■ Premium



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

In Q3 2022, supply volumes continued to be replenished in the prime residential real estate market. By the end of September, the number of available flats and apartments was almost 1.8 thousand units. Both in comparison with the last quarter and in the annual dynamics, the indicator added 13%. The total supply in the elite segment reached 236,000 sq m (+16% for the quarter).

It results from the cooling of demand and the active commissioning of new projects. In particular, four new buildings, including two deluxe class projects and two premium class projects, were launched to the market over the past three months. In general, a higher level of development activity is recorded in the elite segment compared to last year. In total, 13 facilities and one new building

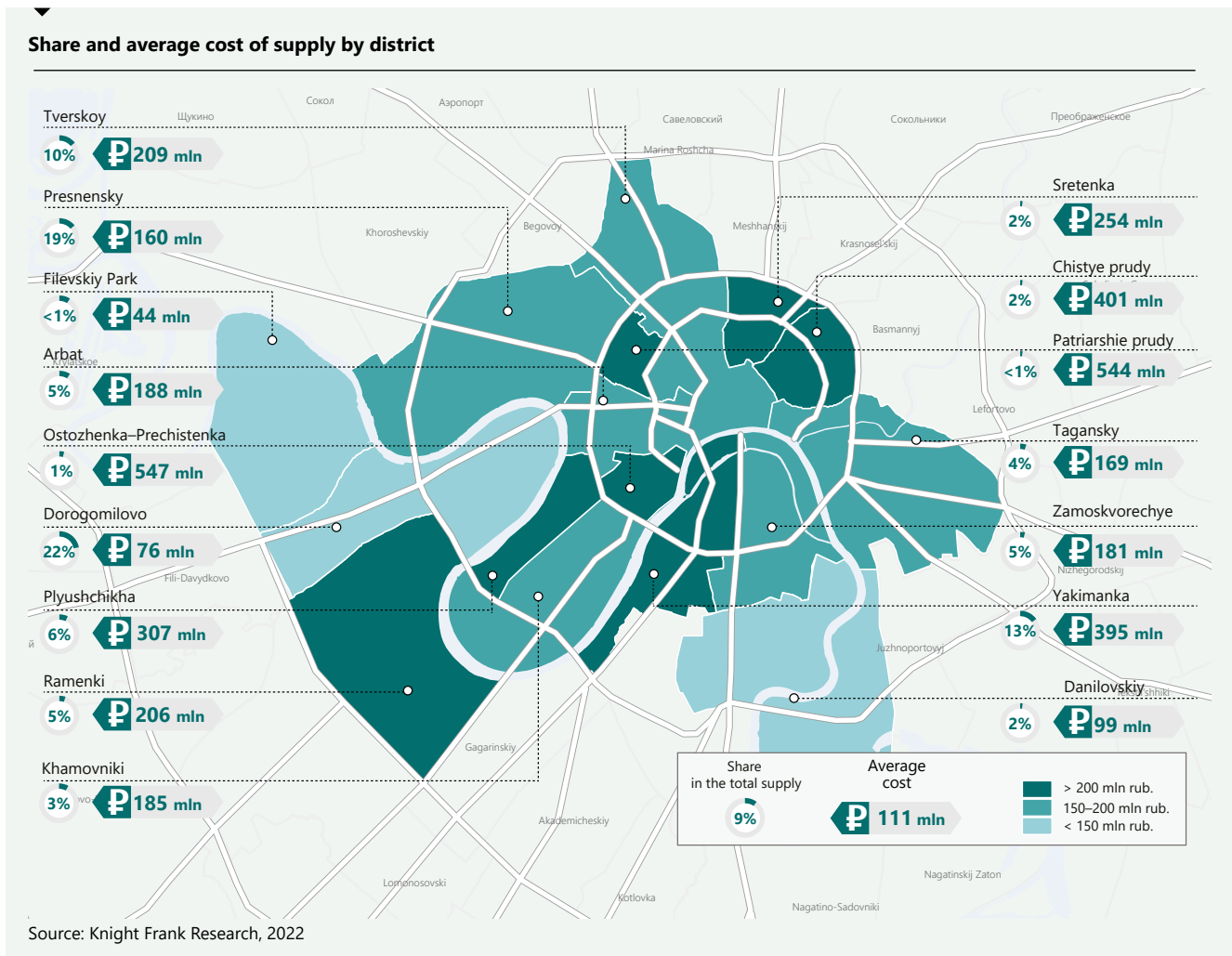
in the already developing project went on sale for just 9 months. Whereas for the whole of 2021, only eight projects and one new phase were added to the supply.

The market of elite new buildings further develops. It is expected that projects under development or at their initial stage will meet the declared dates of sale launch. In the near future, this will support the trend of supply growth, and the indicator will be able to return to the level of 2,000 units.

Among the key trends, it is worth noting the joining of new players to the segment who previously worked in more budget classes. For example, Level Group announced the launch of two deluxe projects in Plyushchikha – «Savvinskaya 17» and «Savvinskaya 27». At the same time, the launch of sales was announced

in Opus Residential Project by Pioneer Group of Companies: the project has joined the list of high-budget areas outside the CAO. At least one more new project in this category is to appear until the year-end.

As for the supply, the Dorogomilovo district retained the leadership in the number of available units, while its share decreased from 27% to 22% during the quarter. The Presnensky district goes second with a slight margin, where 19% of all flats and apartments are concentrated. Given the entry into the market of the project «House on Malaya Gruzinskaya», the share of this location increased by 3 p. p. in quarterly dynamics. The Yakimanka district closes the top three with a 13% supply share, which is similar to the figure 3 months ago.



Complexes where sales began in Q3 2022

Name	Address	Class	Developer	Property type	Number of units	Market Launch	Finishing
OPUS	Derbenevskaya emb., 1 (Danilovsky)	Premium	Pioneer Group of Companies	Flats	172	August 2022	No finishing
Savvinskaya 27	Savvinskaya emb., 27 (Plyushchikha)	Deluxe	Level Group	Apartments	61	August 2022	With finishing/ No finishing
Savvinskaya 17	Savvinskaya emb., 17 (Plyushchikha)	Deluxe	Level Group	Flats	22	August 2022	No finishing
House on Malaya Gruzinskaya	Stolyarny lane, 3, bldg. 6 (Presnensky)	Premium	KR Properties	Flats	104	July 2022	No finishing

Source: Knight Frank Research, 2022

Regarding the finishing trend, it wasn't that the situation changed dramatically over the last six months. No doubt that the priority issue for developers is that of competent management of construction cost and solving the problems with supply of materials. It is referred not only to the interior of flats, but to utilities, elevators and so on. Many developers in the current conditions have decided to completely abandon finishing in new projects, while others try to establish logistics through the Turkish and Asian markets. At that, due to the market inertia, it will be possible to assess the real consequences of the changes only next year: whether the market will be able to establish supplies and receive a product of the required quality at an adequate price. Today, the finishing continue to be relevant on the market, although there is a shift towards refusal from this option. Thus, according to the results of Q3 2022, 48% of the supply (-5% since the beginning of the year) was available with finishing and white box. In the demand structure for the last three months, the share of deals with finishing was 57%.

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	10.4%	18.8%	1.0%	0.0%	0.0%	0.0%
100–150 sq m	0.5%	6.6%	10.6%	3.2%	0.6%	0.2%
150–200 sq m	0.0%	4.3%	7.5%	6.1%	2.6%	1.9%
200–250 sq m	0.0%	0.8%	1.6%	2.4%	2.7%	5.7%
Over 250 sq m	0.0%	0.3%	0.3%	1.5%	0.8%	9.6%

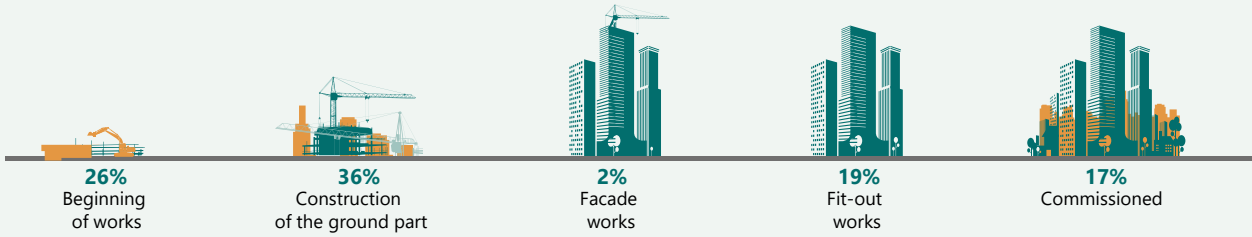
Source: Knight Frank Research, 2022

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	9.5%	0.1%	0.0%	0.0%	0.0%	0.0%
50–100 sq m	14.6%	20.1%	2.3%	0.0%	0.1%	0.0%
100–150 sq m	0.2%	7.7%	13.8%	4.6%	1.0%	0.4%
150–200 sq m	0.0%	0.1%	2.8%	7.9%	3.5%	1.4%
Over 200 sq m	0.0%	0.0%	0.1%	0.8%	1.9%	7.0%

Source: Knight Frank Research, 2022

Supply structure by the construction stage. Deluxe



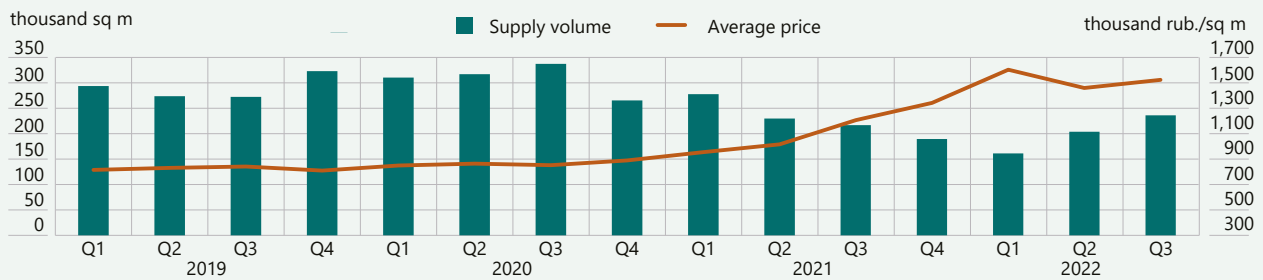
Source: Knight Frank Research, 2022

Supply structure by the construction stage. Premium



Source: Knight Frank Research, 2022

Dynamics of average price and supply volume



Source: Knight Frank Research, 2022



Savvinskaya 27

Demand

Similar to H1 2022, the demand for prime residential real estate in Q3 remained quite moderate: in July-September, about 190 deals were made on the prime market, which is 37% lower than the same period last year. Many buyers still take a wait-and-see approach in the face of uncertainty, while others have completely refused from deals or consider possible relocation of their families and businesses to other countries. In this context, the total number of deals for 9 months did not exceed 690 (-39% in annual dynamics).

The structure of demand in the context of districts has not changed: the today's Top-3 remain unchanged throughout 2022. The largest number of deals was made in Dorogomilovo, whose share was 41% due to the hosting of River Park Towers Kutuzovsky - leader by the number of units sold. The Presnensky district is in the second place with its 17% of all deals in the segment. The Ramenka district closes the top three with a value of 11%.

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	18.2%	31.8%	0.0%	0.0%	0.0%	0.0%
100–150 sq m	0.0%	13.6%	13.6%	0.0%	0.0%	0.0%
150–200 sq m	0.0%	2.3%	9.1%	4.5%	0.0%	0.0%
200–250 sq m	0.0%	0.0%	0.0%	0.0%	2.3%	0.0%
Up to 250 sq m	0.0%	0.0%	2.3%	0.0%	0.0%	2.3%

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	23.8%	0.0%	0.0%	0.0%	0.0%	0.0%
50–100 sq m	25.9%	12.9%	0.7%	0.0%	0.0%	0.0%
100–150 sq m	0.0%	8.8%	10.9%	2.0%	0.7%	0.0%
150–200 sq m	0.0%	0.0%	4.1%	5.4%	0.7%	2.0%
Over 200 sq m	0.0%	0.0%	0.0%	0.0%	0.7%	1.4%

Source: Knight Frank Research, 2022

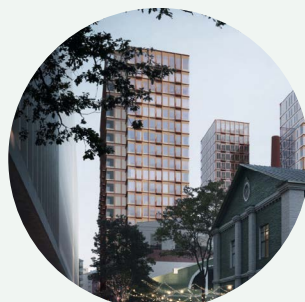


Lavrushinsky

Leading projects



River Park Towers Кутузовский



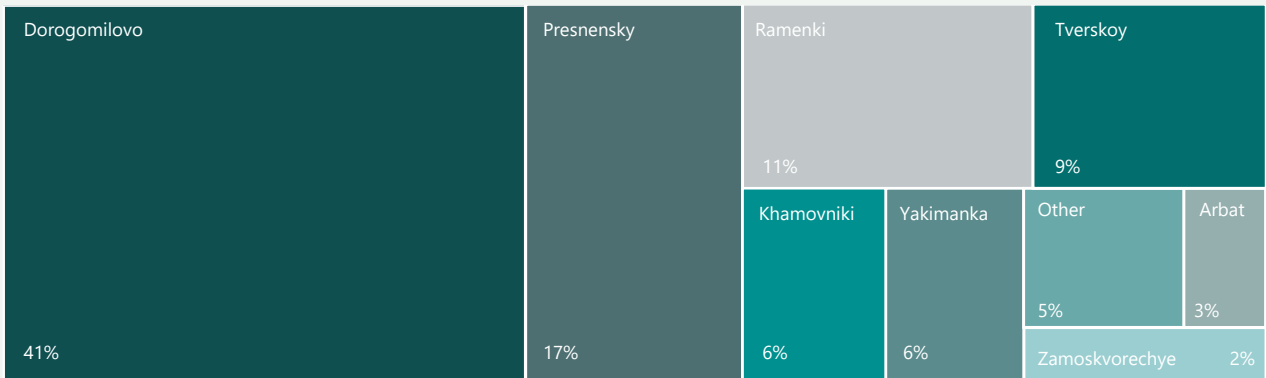
Lucky



ONEST

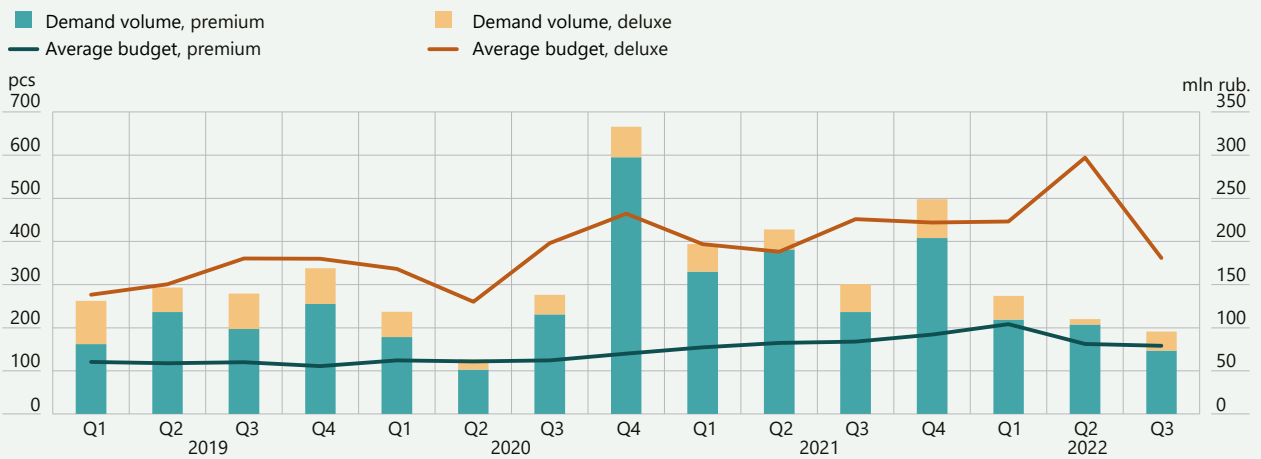
Source: Knight Frank Research, 2022

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



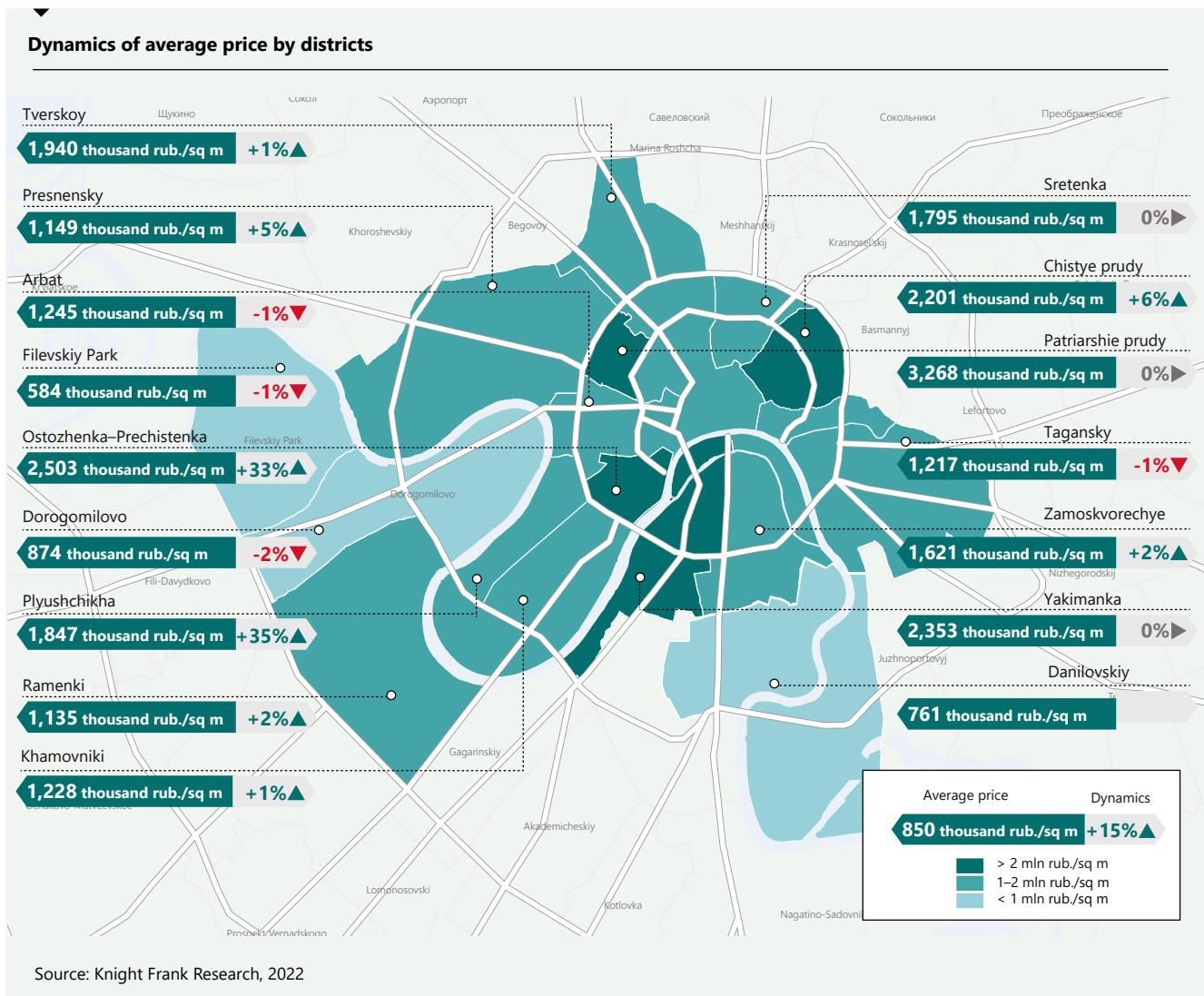
Prices

Confirming the previous forecast for the market, the average weighted price per square meter in elite new buildings showed a slight growth after adjustment in Q2 2022 and amounted to 1,523 thousand rubles at the end of September by adding only 4% in three months due to changes in the supply structure and price increase in a number of new buildings being sold. At the same time, a positive dynamics of 26% is recorded year on year. In general, we can expect further uptrend of this indicator and slight growth rates in the short term. At the same time, the rate of discounts provided on an individual basis may increase, in particular in projects that have been on the market for a long time.

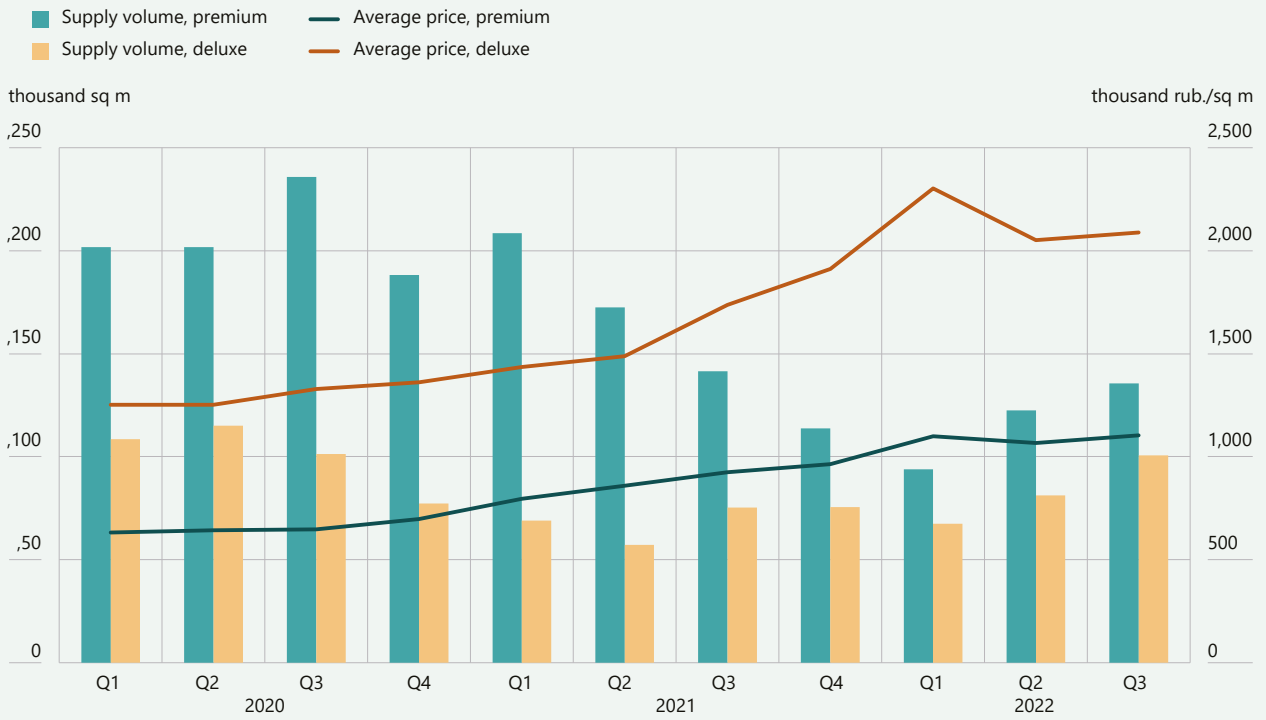
In each of the high-budget housing classes, almost the same quarterly and annual dynamics of the average weighted price was observed: in the deluxe class, the indicator reached 2,089 thousand rubles/sq m (+2% for the quarter and +20% for the year), in the premium class - 1,103 thousand rubles/sq m (+3% for the quarter and +19% for the year).

In the context of districts, the maximum quarterly change in the average weighted price of 35% was recorded for Plyushchikha, where the cost per square meter reached 1,847 thousand rubles on the back of launched sales of two deluxe projects («Savvinskaya 17» and «Savvinskaya 27»). There was

also a significant growth in Ostozhenka-Prechistenka, where the figure reached 2,503 thousand rubles/sq m (+33% for the last three months). Most of the supply in this cluster is formed by Allegoria Mosca project that was previously priced in dollars. In Q3, the value of units was fixed in rubles at a rate exceeding the market one, which served as a driver of positive dynamics. This factor returned Ostozhenka to the second place in the ranking of the most expensive districts of Moscow. The first place is traditionally taken by the Patriarch's Ponds with a value of 3,268 thousand rubles/sq m.



Dynamics of average price and supply volume by segments



Source: Knight Frank Research, 2022



SECONDARY MARKET*

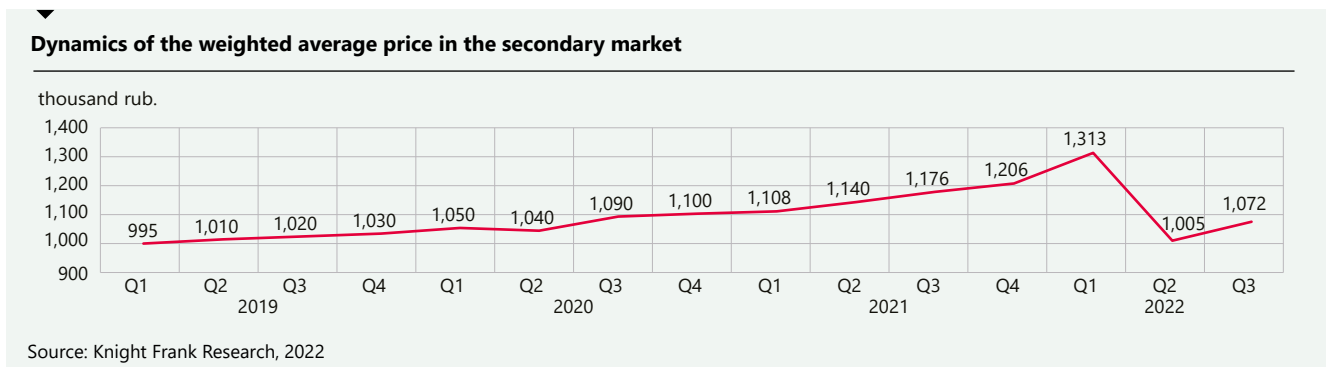
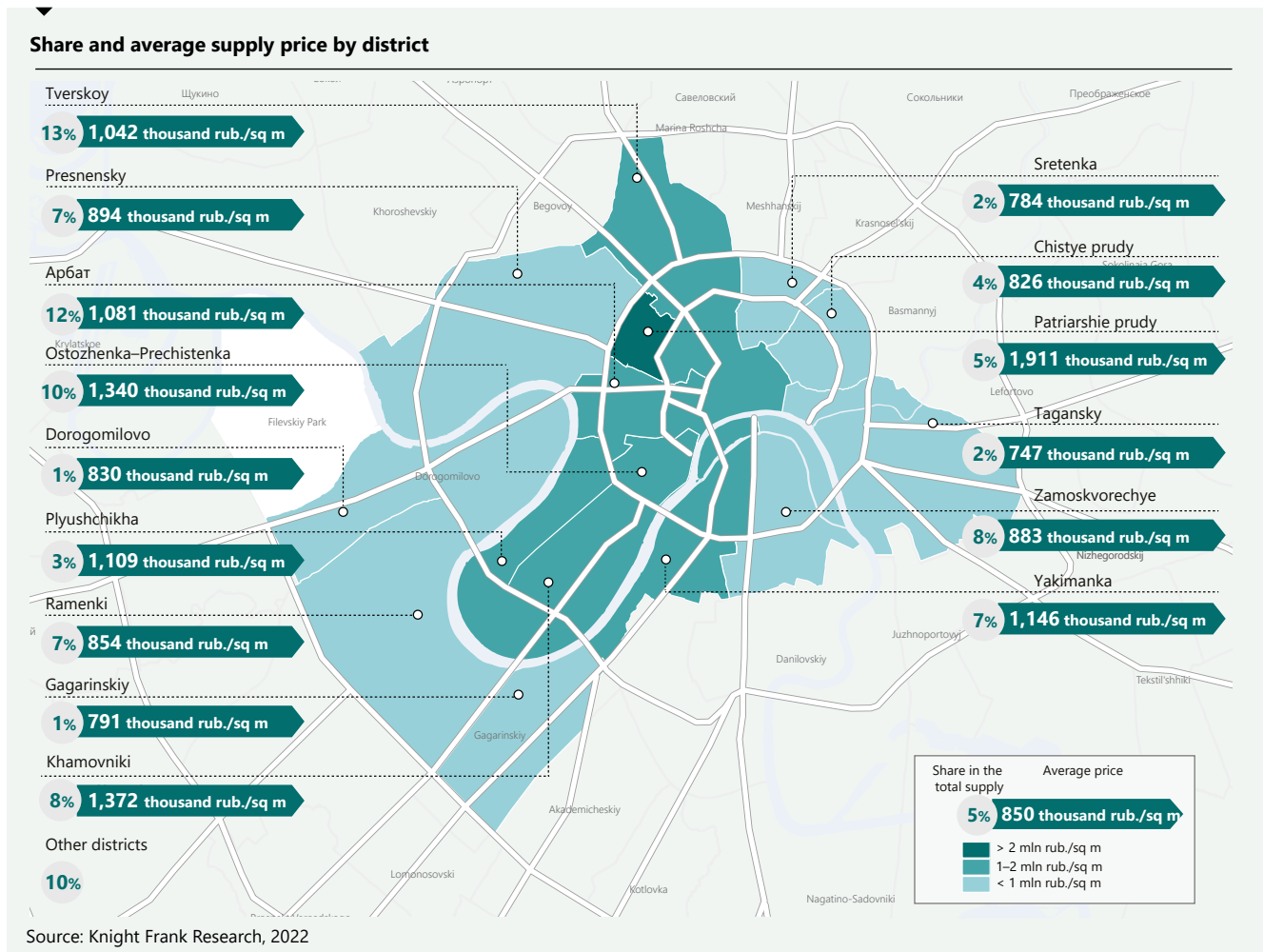
Supply

In Q3 2022, more than 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 falls on the Tverskoy district with its 13% of available

units. This is followed by Arbat and Ostozhenka with a share of 12% and 10%, respectively.

The average area of supply for three months slightly changed and was 211 sq m (-1%

for the quarter) at the end of September. As for the annual dynamics, the indicator lost 7% from the figure of 226 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 increased by 8 ppt 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 part of supply (23%) is concentrated in the range from 100 to 150 sq m, another 21% falls on units of 150 to 200 sq m, with 17% taken by larger units (more than 300 sq m).

The average budget of the supply on the secondary market was 226 mln rubles (+6% for the last three months). At the same time, the negative dynamics of 15% is still recorded for the year. 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 units worth from 100 to 150 mln rubles (21%).

Prices

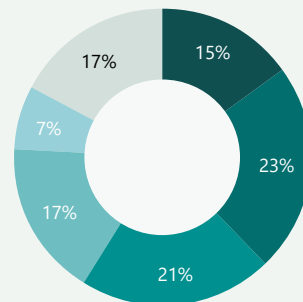
For Q3 2022, the average weighted supply price on the secondary market of elite residential real estate added 7% and amounted to 1,072 thousand rubles/sq m by the end of September. In contrast to the market for new buildings, another driver of positive price dynamics, in addition to structural transformations, was the exchange rate change over the period under review in the secondary elite real estate market. At that, the indicator remains at a low level in the annual context, which results in a negative annual dynamics of 9%.

TOP-3 most expensive districts:

- Results of Q3 2022 show that the maximum price per square meter of 1.9 million rubles was recorded at the Patriarch's Ponds (+7% for three months).
- The Khamovniki district with a value of 1,372 thousand rubles/sq m (+7% for the quarter) comes second.
- The Ostozhenka-Prechistenka cluster closes the top three, where the average weighted supply price was 1,340 thousand rubles/sq m, which is 5% lower than a quarter earlier.

Supply structure in the secondary market by area

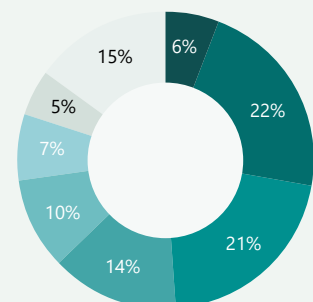
- Up to 100 sq m
- 100–150 sq m
- 150–200 sq m
- 200–250 sq m
- 250–300 sq m
- Over 300 sq m



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



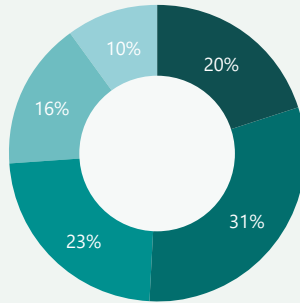
Demand

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 Q3 2022 (31%). At the same time, it is worth noting that the average area of the asked unit changed a little and amounted to 159 sq m, which is 1% lower than the same period last year.

Unlike in previous periods, when preferences were given to more budget units, in Q3 2022, more than a third of demand in the segment (37%) were for units worth from 150 to 200 million rubles, including the most expensive units worth from 200 million rubles, whose share in the total structure was 25%. Thus, the average asked budget in the secondary market was 110 million rubles, which is 5% higher than in H1 2022.

Structure by requested average area

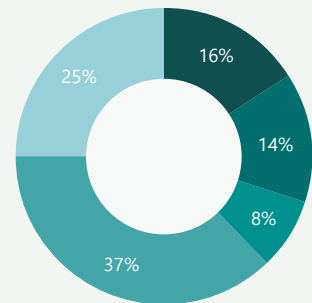
- Up to 100 sq m
- 100–150 sq m
- 150–200 sq m
- 200–250 sq m
- Over 250 sq m



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.



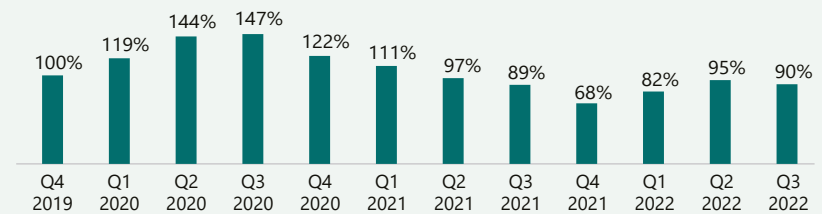
Source: Knight Frank Research, 2022

Rental Market

The activity of tenants in the high-budget rental market over the past three months was 20% higher compared to both Q1 and Q2, which is due to the traditional seasonality of the segment, including the peak of demand in August. Nevertheless, the indicators remain at a low level year on year: according to Q3 results, the total number of requests for elite rentals was almost twice as low as in the same period last year, and the total number of requests for 9 months decreased by 42%. The volume of deals shows a similar negative trend (-40% compared to the period January-September 2021).

In the current situation, many people are now in a state of uncertainty by postponing all issues related to real estate. Therefore, tenants of the high-budget flats and apartments, as in the sales, have put their activity on hold. In addition, a significant decrease in demand was affected by the departure of some financially reliable customers from the country, including the outflow of foreign tenants since spring. It is likely that the current trends in the rental market will continue until the end of the year, which will affect the final dynamics of the segment.

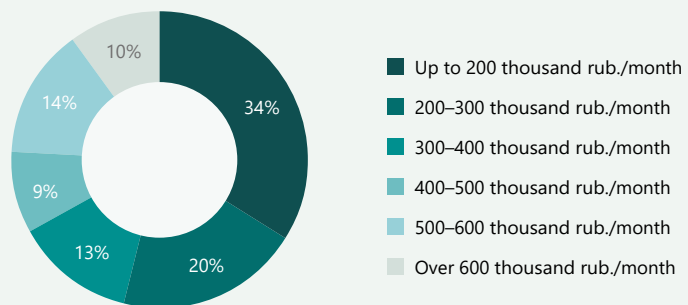
The supply index in the high-budget rental market*



*100% – Q4 2019

Source: Knight Frank Research, 2022

The most requested rates in the high-budget rental market

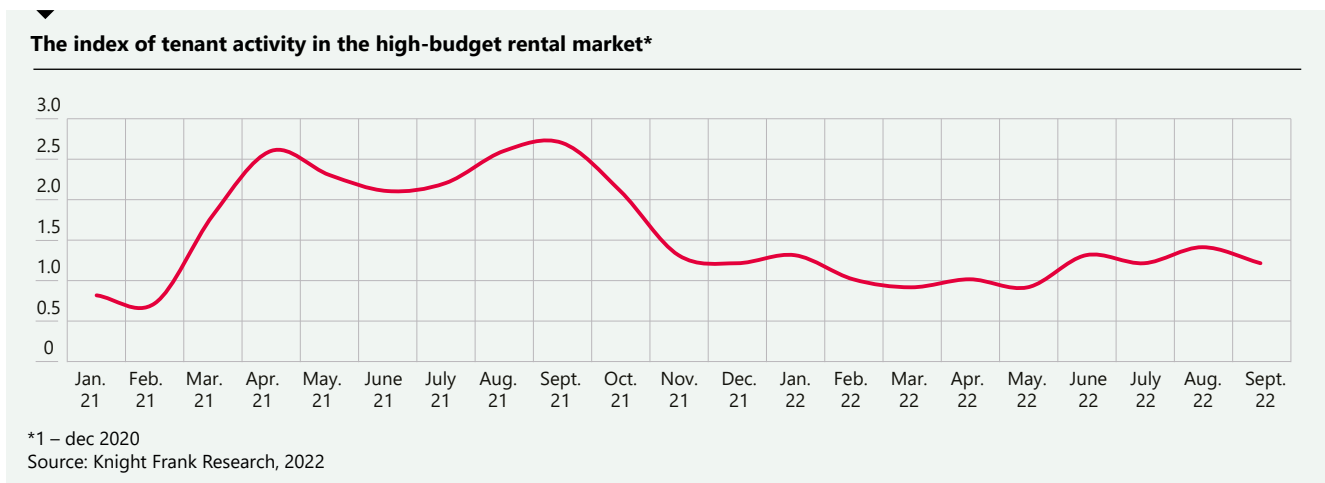
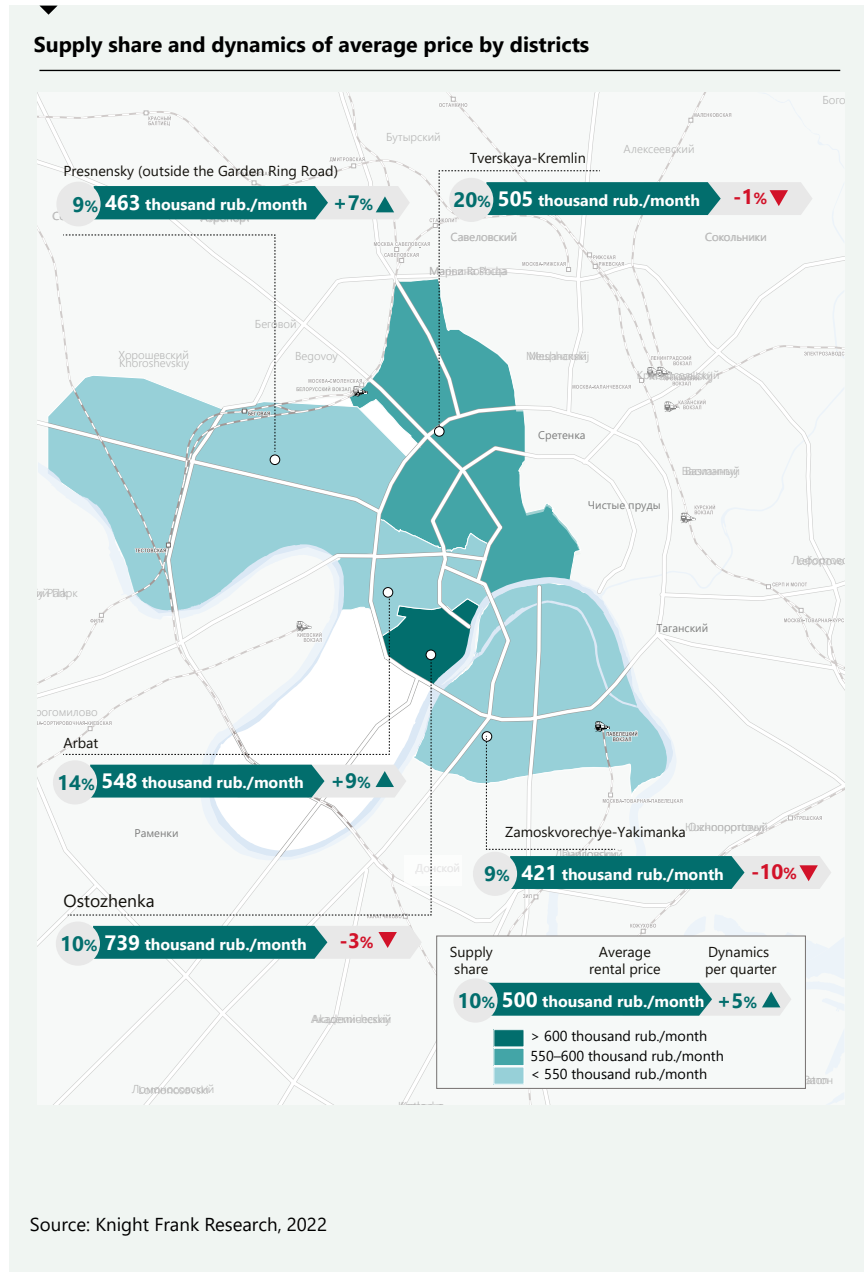


Source: Knight Frank Research, 2022

At that, there is a shift in the structure of demand for more budget units with a rental rate of up to 200,000 rubles/month – they account for a third (34%) of all demand for 9 months of 2022, which is 15 p. p. higher than in the same period of 2021. At the same time, 20% of all requests are in the budget from 200,000 to 300,000 rubles/month. In this context, more than half of the total demand in the rental market falls on the budget categories concerned. The interest in the most expensive units (from 600,000 rubles/month) was taken by 10% of customers.

After replenishing the supply during H1 2022, the market of high-budget flats and apartments for rent (from 150,000 rubles/ month) showed a slight negative trend in Q3: compared to the results of June, the number of available units decreased by 5% by returning to the level of September last year.

As for the market geography, the largest number of flats and apartments for rent is still within Tverskaya-Kremlin (20% of units). The Arbat district goes second in the supply structure with a share of 14%, and Ostozhenka closes the top three with its share of 10%. Next in the ranking are Zamoskvorechye-Yakimanka and the Presnensky district outside the Garden Ring: 9% of all units for rent in Moscow are provided in each of the two districts.



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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STRUCTURE

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- ♦ rental department
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- ♦ trust and security of the client, confidentiality

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- ♦ Selection of real estate that fully meets the client's requirements
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- ♦ Full range of consulting services for developers: from best-use analysis to brokerage



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

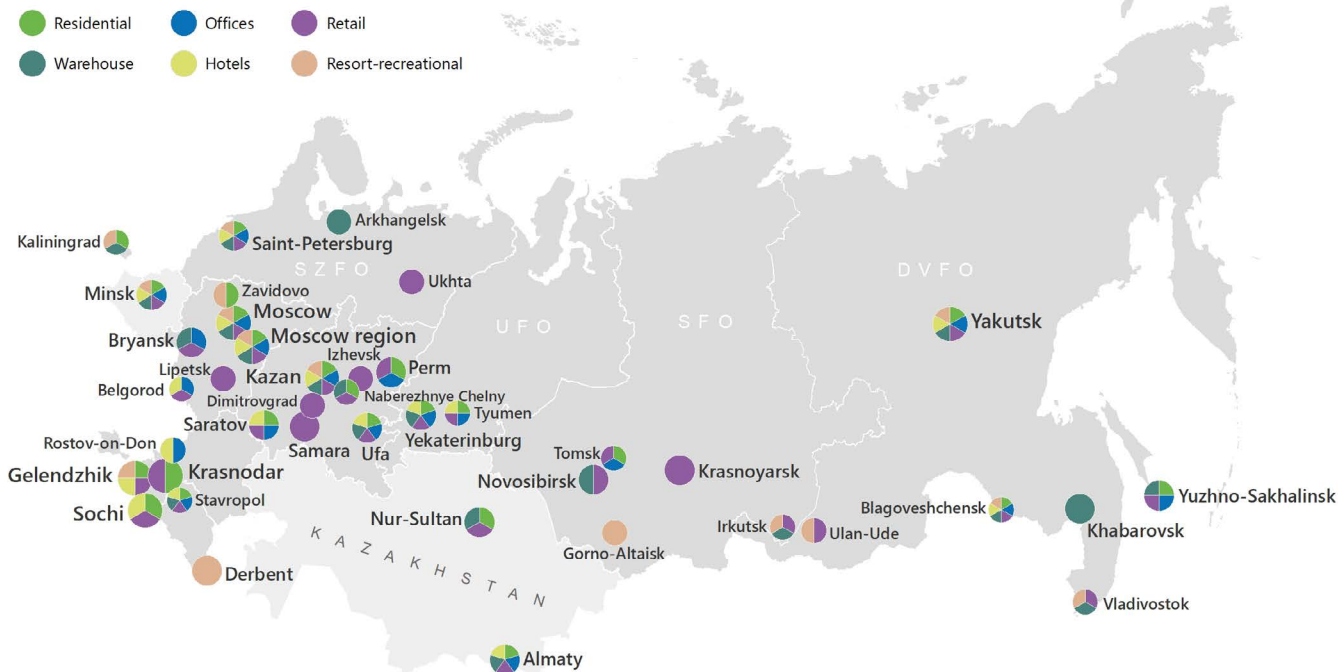


Igor Nechaev
Director,
Key Client Management
+7 (926) 815-0916
Igor.Nechaev@ru.knightfrank.com

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- ♦ 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

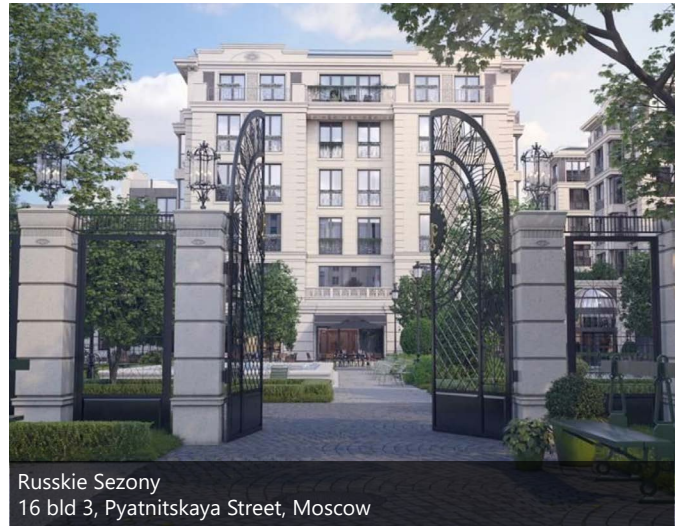
Director, Russia & CIS

OR@kf.expert



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