BUSINESS CLASS RESIDENTIAL REAL ESTATE MARKET MOSCOW

Q3 2023

Dom 56

Key findings

- Significant growth in consumer activity: 6,800 transactions in three months (+137% in annual dynamics).
- Reduction of the supply volume to 15,100 units (-5% for the quarter).
- Maintaining the trend of moderate growth of the average weighted offer price and achieving the indicator of 506,000 rubles/sq m (+2% for the quarter and +4% for the year).

Natalia Sazonova
Director of Primary Sales Department NF Group

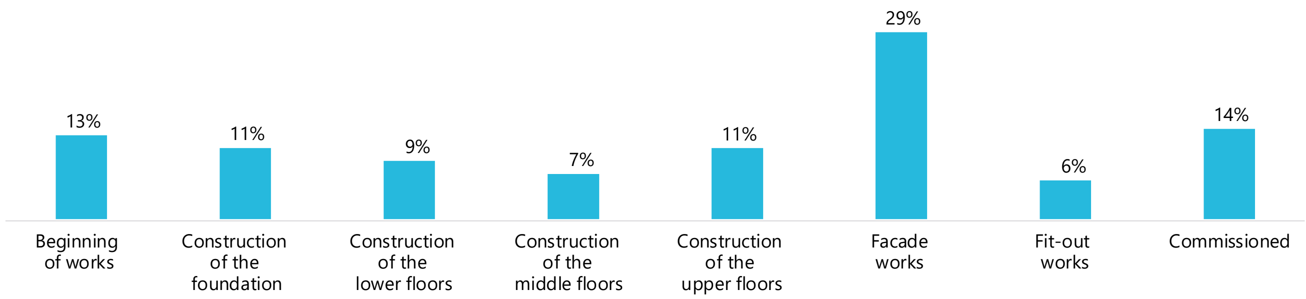
«The third quarter, of course, was a success for the primary market of business-class residential real estate and contributed to the restoration of balance. The volume of sales from January to September of this year is already 20% higher than the final indicator of the entire 2022. High purchasing activity restrained further growth of exposure on the market, and also allowed developers to index prices more actively. In the context of rising inflation, increasing construction costs and low sales last year, the quarterly results of the last three months should increase the sustainability of business class segment developers in the short term. However, an increase in the key rate, changes in mortgage lending conditions and general uncertainty may lead to the fact that by the end of the year the favorable dynamics will slow down.»

Key indicators

Supply		
	Indicator	Dynamics*
Supply volume, thsnd pcs	15.1	-5%
Supply volume, mln sq m	1.016	-6%
Average weighted price, thsnd rub./sq m	506.4	+2%
Average area, sq m	67.2	-1%
Average price, mln rubles	34.0	+2%
Demand		
	Indicator	Dynamics**
Number of transactions, thsnd pcs	6.8	+137%
Transaction volume, mln sq m	0.42	+129%
Average weighted price, thsnd rub./sq m	454.8	+4%
Average transaction area, sq m	61.2	-3%
Average transaction budget, mln rubles	27.8	0%

* Q3 2023 / Q2 2023
** Q3 2023 / Q3 2022
Source: NF Group Research. 2023

Supply structure by the construction stage



Source: NF Group Research, 2023

Supply

According to the results of Q3 2023, the volume of supply in the primary market of business-class residential real estate in Moscow amounted to 15,100 flats and apartments with a total area of 1,02 mln sq m. Compared to the previous quarter, the number of exhibited units decreased by 5%. Despite the more active release of new supply, these volumes could not compensate for a significant surge in demand in the segment. In total, in July – September, the market launch was announced in 6 new projects, as well as in 16 buildings within the framework of existing business class residential complexes. Nevertheless, an 18% increase in the volume of supply was recorded relative to the same period last year.

The supply structure in the context of administrative districts has practically not changed during the quarter. At the end of September, the Southern Administrative District retained the leading position in terms of the number of units on display concentrating 28% of all available flats and apartments. The share of Western Administrative District, located on the 2nd line of the rating, decreased by 1 pp in 3 months and amounted to 18%. The North-Eastern Administrative District closes the TOP-3 with a share of 15% (-1 pp per quarter).

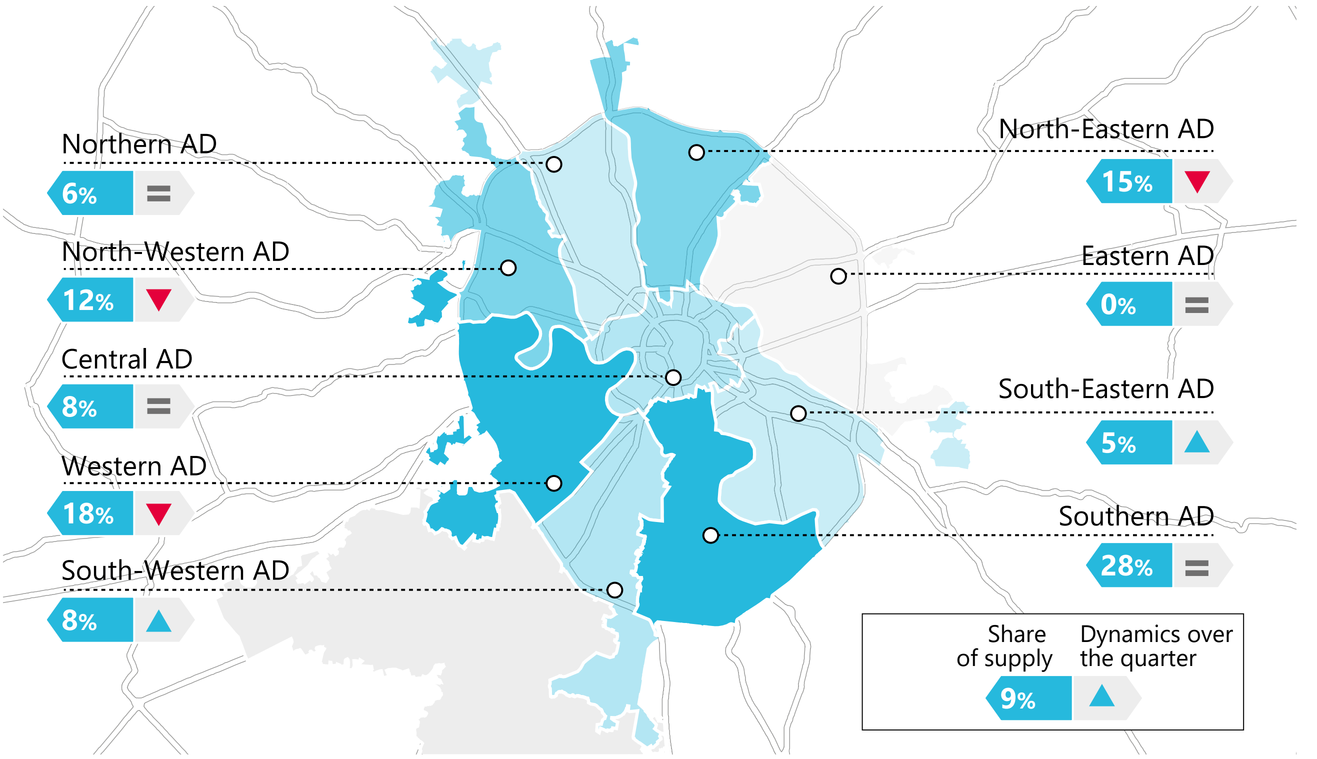
According to the results of Q3 2023, a third of the total supply (33%) was presented in the primary market of business-class residential real estate in Moscow with finishing. At the same time, 19% of flat and apartments were exhibited in the white box format, while options with finishing accounted for 14% of all units. Nevertheless, most of the segment's supply (67%) is still sold without finishing.

Supply structure by districts

	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%	12%	4%	0%	0%	0%
40–60 sq m	0%	7%	16%	3%	1%	0%
60–90 sq m	0%	0%	10%	18%	8%	1%
90–120 sq m	0%	0%	0%	2%	9%	3%
Over 120 sq m	0%	0%	0%	0%	1%	4%

Source: NF Group Research, 2023

Supply structure by districts



Source: NF Group Research, 2023

Objects that were launched in Q3 2023

Name	Market Launch	District	Property type	Developer	Number of units	Commis-sioning date	Finishing
New projects							
Emotion	Aug. 23	Khoroshevo-Mnevniki	Apartments	Osnova	551	Q2 2027	Without finishing
INJOY	Aug. 23	Voykovsky	Flats	Ingrad	1,506	Q1 2027	Without finishing
MYPRIORITY Paveletskaya	Aug. 23	Zamoskvorechye	Flats	Granel	377	Q4 2026	Without finishing
Twelve	Aug. 23	Nagorny	Flats	Tekta Group	934	Q1 2026	Without finishing
Dom 56	Sept. 23	Basmanny	Flats	Hals-Development	510	Q3 2026	Finishing/ Without finishing
Dom Horizontov	Sept. 23	Krylatskoye	Flats	Touch	142	Q1 2026	Without finishing
New stages and buildings							
Moments (2nd stage, bld. 2.1)	July 23	Shchukino	Flats	Forma	367	Q1 2027	White box
Voxhall (bld. 1)	July 23	Zamoskvorechye	Apartments	Etalon Group	280	Q3 2025	Without finishing
Level Baumanskaya (bld. A)	Aug. 23	Basmanny	Flats	Level Group	114	Q4 2025	White box/ Without finishing
Nagatino I-Land (3rd stage, bld. 1)	Aug. 23	Danilovsky	Flats	Etalon Group	370	Q2 2026	Without finishing
SLAVA (2nd stage, bld. D, E, F)	Aug. 23	Begovoy	Flats	MR Group	930	Q2 2027	White box
Soul (bld. 3)	Aug. 23	Aeroport	Flats	Forma	205	Q4 2026	White box
Ostrov (block of houses 4, bld. 2)	Aug. 23	Khoroshevo-Mnevniki	Flats	Donstroy	94	Q4 2024	Without finishing
Soyuz (2nd stage, bld. 3, 4)	Aug. 23	Rostokino	Flats	Rodina	392	Q3 2025	Without finishing
High Life (2nd stage, bld. 4, 5, 6)	Sept. 23	Danilovsky	Flats	Pioneer	n/a	Q4 2027	Finishing/ Without finishing
Level Michurinsky (3rd stage, bld. 7, 8)	Sept. 23	Ochakovo-Matveevskoye	Flats	Level Group	706	Q4 2026	Without finishing

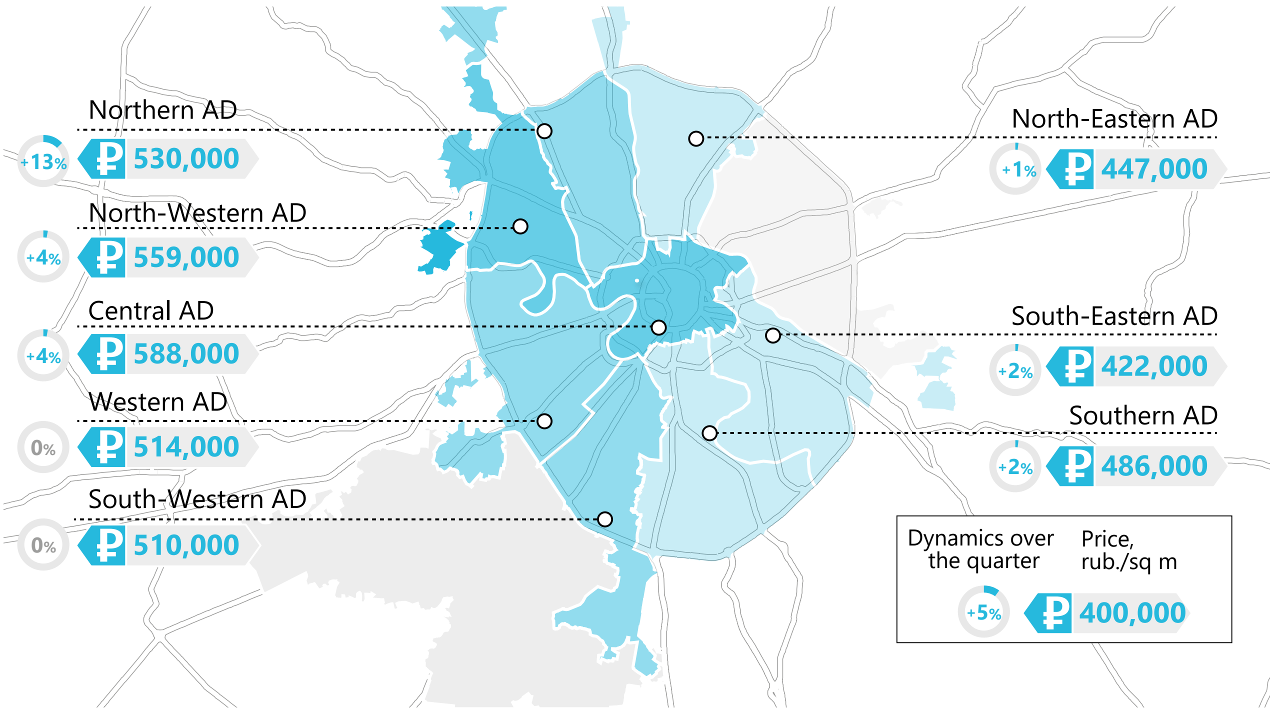
Source: NF Group Research, 2023

Prices

The trend of moderate growth in the average weighted supply price remained throughout the third quarter of 2023. The indicator for the first time crossed the milestone of half a million rubles and amounted to 506,000 rubles/sq m (+2% for the quarter and +4% for the year). The segment also continues to gradually decrease the average size of the discount: at the end of September, the cost per square meter, taking into account all possible discount programs, was at the level of 491,000 rubles. For comparison: three months ago it was 478,000 rubles, six months ago – 465,000 rubles.

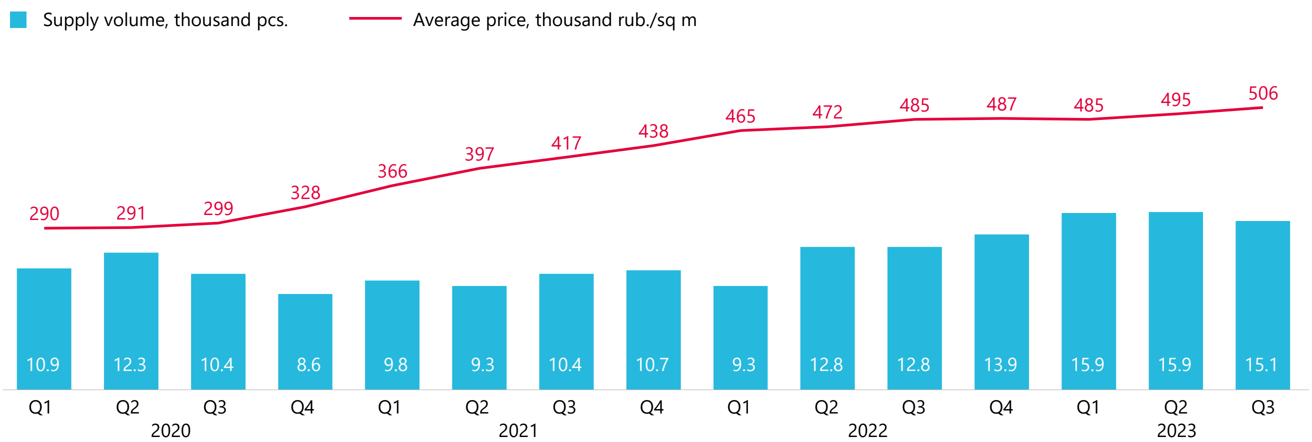
Broken down by administrative districts, the average weighted supply price in most cases showed a slight positive dynamics – within 4%. The only location with a significant increase in the indicator of 13% was the Northern Administrative District (up to 530,000 rubles/sq m), this is due both to the new supply and to an increase in prices in new buildings there. The highest price per square meter is traditionally noted in the Northern Administrative District (at the level of 588,000 rubles).

Prices



Source: NF Group Research, 2023

Dynamics of average price and supply volume



Source: NF Group Research, 2023

Demand

In Q3 2023, a surge in consumer activity was recorded in the primary market of business-class residential real estate in Moscow. During the period under review, about 6,800 flats and apartments were sold, which is one of the highest quarterly values of the segment in the entire history of observations. A higher figure was noted only in Q4 2020 – back then an absolute record of sales was set at the level of 7,200 units. That being said, due to the significant cooling of demand during 2022, the number of transactions in annual dynamics increased almost 2,4 times (+137% compared to Q3 2022).

Such high purchasing activity in the last three months has been facilitated by the significant volatility of the exchange rate and the desire to invest the savings in real estate. Moreover, against the background of the increase in the Central Bank's key rate, the expected increase in mortgage rates and tightening conditions for preferential programs, many buyers were in a hurry to enter into transactions now on the same more favorable terms. Thus, the share of transactions within DDU contracts (equity participation contracts) using mortgage lending reached 67%, which broke the previous record set exactly a year ago, when the share was at 61%.

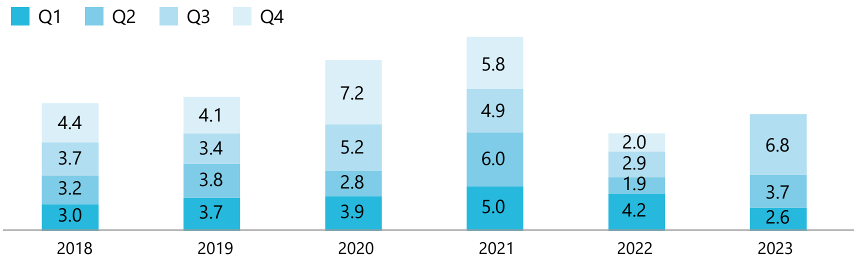
The leaders in the number of units sold in July – September among new business class buildings were Symbol, Shagal, and Ostrov residential complexes. The Southern Administrative District was the most popular location, where 22% of all transactions were concluded during the period under review. A significant part of the demand was also formed by the North-Eastern Administrative District (15%) and the North-Western Administrative District (14%). In total, these three locations accounted for slightly more than half of all sold units (51%).

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%	19%	1%	0%	0%	0%
40–60 sq m	0%	13%	14%	2%	0%	0%
60–90 sq m	0%	1%	17%	14%	4%	0%
90–120 sq m	0%	0%	0%	3%	6%	1%
Over 120 sq m	0%	0%	0%	0%	1%	2%

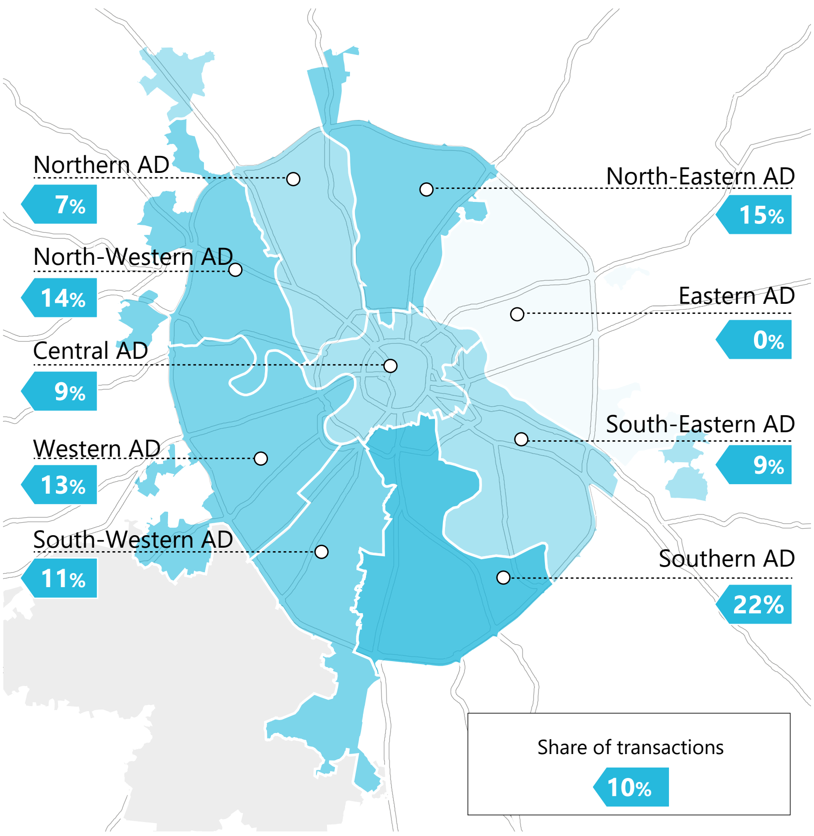
Source: NF Group Research, 2023

Demand dynamic



Source: NF Group Research, 2023

Share of transactions by district



Source: NF Group Research, 2023

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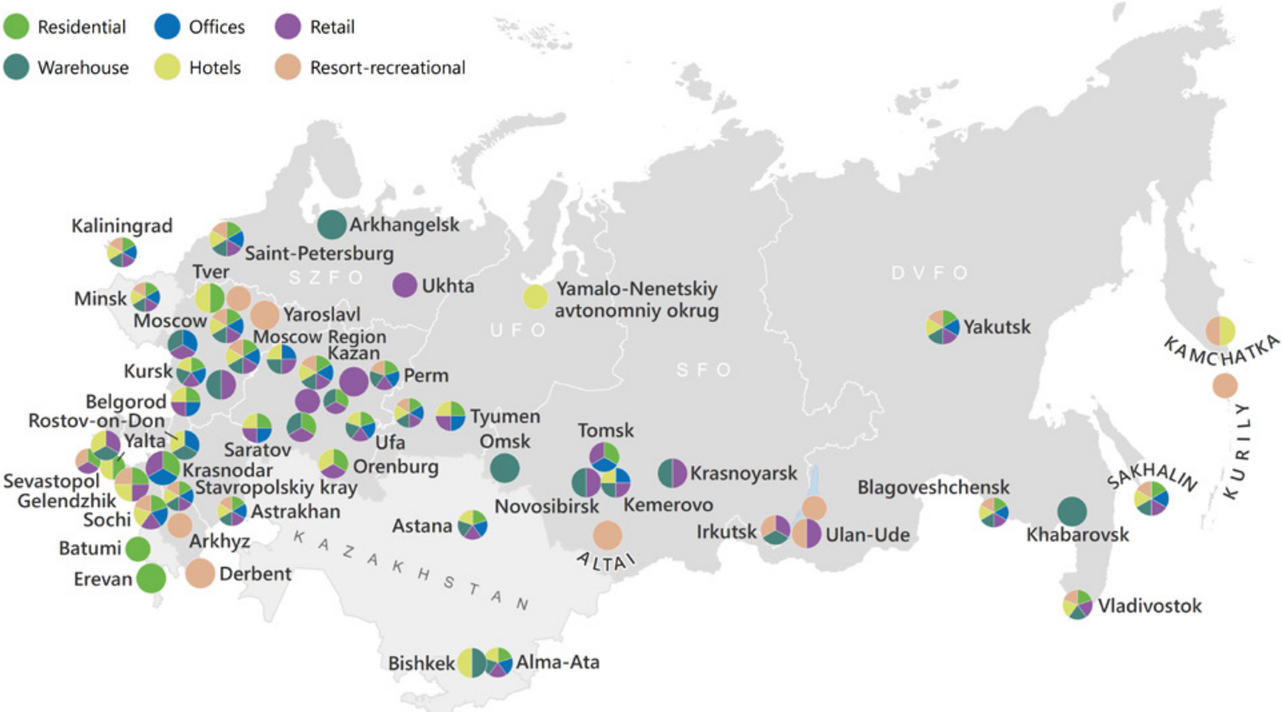

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