

Russia | Moscow

Residential Real Estate

Q4 2023

Trends on and forecasts for the Moscow market of newbuilds*

Limiting the soft mortgage coverage. In 2023, the Central Bank stepped up its crackdown on ultra-low interest rates from developers and the wide coverage of preferential or soft mortgage loans. The main reason was the resulting imbalance between housing affordability in the off-plan and secondary housing markets.

The spread of mortgage loans altered the principle of final pricing in the housing market. Previously, the cost of housing had been in proportion to people's income, but now the actual housing sale price in the mass-market segment is a derivative of the approved monthly payment and the mortgage limit. In Q4 2023, the average monthly mortgage payment under a mortgage secured by a shared construction agreement (SCA) in Moscow amounted to RUB 51,800, which is comparable to the monthly installment in Q4 2021 (RUB 51,600). Mortgage loans remained affordable due to the loan term extension by more than 4 years – from 266 to 317 months.

The existing extremely wide gap between the interest rates in the off-plan housing market and secondary housing market will create a corresponding distortion between the off-plan and secondary housing. The Bank of Russia fears the newbuild revaluation after off-plan housing becomes move-in ready housing, because given a comparable monthly installment, the higher the interest rate – the smaller the loan.

The new terms of soft mortgage programs in 2024 exclude Moscow from being covered. In 2023, mortgages accounted for 77% of transactions with off-plan housing. The lack of affordable market mortgage products due to the high key rate will be pushing demand in mass-market segments towards lots with a smaller check. Also, the role of alternative (cascade) transactions, whereby the buyer acquires a newbuild via the sale of existing housing, will increase.

High level of the Central Bank's key rate. The beginning of the Bank of Russia's monetary policy tightening cycle provoked a wave of roaring demand. The buyers' desire to fix attractive mortgage terms in the midst of increased inflation expectations whipped up demand in the second half of the year, well above the indicators of favorable post-Covid 2021. In Moscow 1.13 million sq m of off-plan housing was sold in the third and fourth quarters, which is slightly higher than at the peak of demand in 2021, when 1.09 million sq m were sold in Q2.

Feverish demand peaked in September 2023. Exceeding the historically neutral indicators of the sale rate in 2023 can be caused by the pent-up demand and the decisions to shift transactions planned for 2024 back to the year completed. The key rate growth reduces the affordability of debt capital for developers, which will result in the reduction of developers' investment in the acquisition of new promising development sites.

Government support of housing construction. The housing market records and relatively easy overcoming of the crisis situations of recent years are to a large extent the merit of responsible policies pursued by government agencies and regulators. Timely decisions

made by officials from the Construction Block and consolidation of efforts with related structures, including the Ministry of Finance and the Bank of Russia, allowed the housing market not only to easily ameliorate the consequences of shocks, but also to increase confidence in the segment on the part of buyers.

The Ministry of Construction and related agencies are known to be working on measures of support for developers in case of a negative scenario. One of the proposed measures is subsidizing the interest rate on project financing in case of insufficient funds accumulated on the escrow accounts. This measure will minimize the risks from the decline in the housing sale rates for projects in early stages of construction and will help to maintain developer activity and boost the delivery of new construction projects.

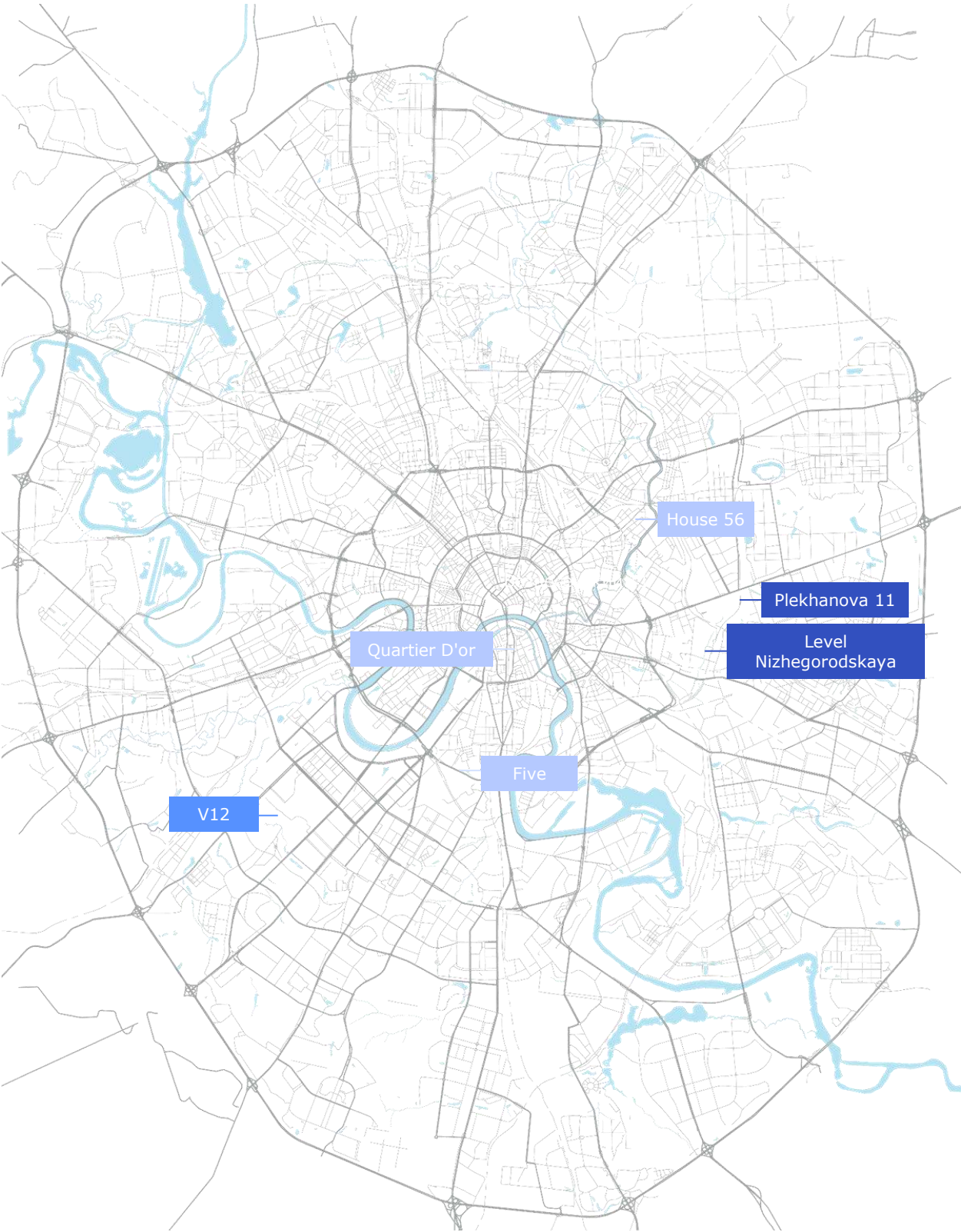
Adaptation of the Russian economy to the new environment. In 2023, the Russian economy largely overcame the adverse effects of sanctions pressure and managed to readjust, leveraging new foreign economic relations. This made a socially oriented policy possible and feasible. The newly approved Budget of the Russian Federation assumes preservation of high spending on social programs as well as heavy investments in infrastructure and manufacturing capacity in 2024-2025. For the real estate market, this means preservation of decent incomes of the population and buyer confidence.

The buyer confidence ensures a rapid return to high sale rates after the acceptable terms of housing mortgage loans are reinstated.

Investments in regional development directly and indirectly support the Moscow economy. Directly through Moscow contractors involved in regional investment projects, including those ordered by the government. Indirectly, Moscow absorbs investment demand for housing. Due to the limitation of alternative financial instruments and ongoing market volatility, residential units in Moscow continue to be perceived as a reliable investment instrument. As regional projects develop, investment demand for liquid Moscow real estate will be burgeoning.

* Hereinafter the data of our report do not include elite real estate as we only analyzed comfort, business and premium classes of housing.

New projects launched in Q4 2023



Comfort

Business

Premium

Main indicators



In Q4 2023, roughly 2.64 million sq m of apartments and residential units (excluding elite or luxury class) were on open sale in the off-plan housing market of Moscow residential real estate. Over the year this indicator has gone down by about 2%. In total, 47,000 lots were in exposure on the off-plan housing market in Q4, which is 4% less than for the same period of 2022.

At the end of Q4, the total saleable area in new supply, according to project declarations, amounted to 1.36 million sq m (+33% vs. Q3 2023 and +61% vs. Q4 2022). About 24% of the new supply (320,000 sq m of apartments and residential units) was in exposure.

The weighted average asked price in Q4 2023 was fixed at RUB 461,000 per sq m. The dynamics of this indicator stood at -1% vs. Q3 of the current year and +16% vs. Q4 of the previous year. The average supply budget has risen 19% over the year, and at the end of Q4 the average cost of a lot in the Moscow off-plan housing market amounted to RUB 25.6 million.

In Q4 2023, 1.139 million sq m of housing was sold; this indicator increased insignificantly (+0.4%) over the quarter, but more than doubled during the year (+107%). The average lot area on offer slightly increased to 55 sq m, though in real transactions no changes in the lot area were observed.

Table 1
Key market indicators: comparison of Q4 2022 with Q4 2023

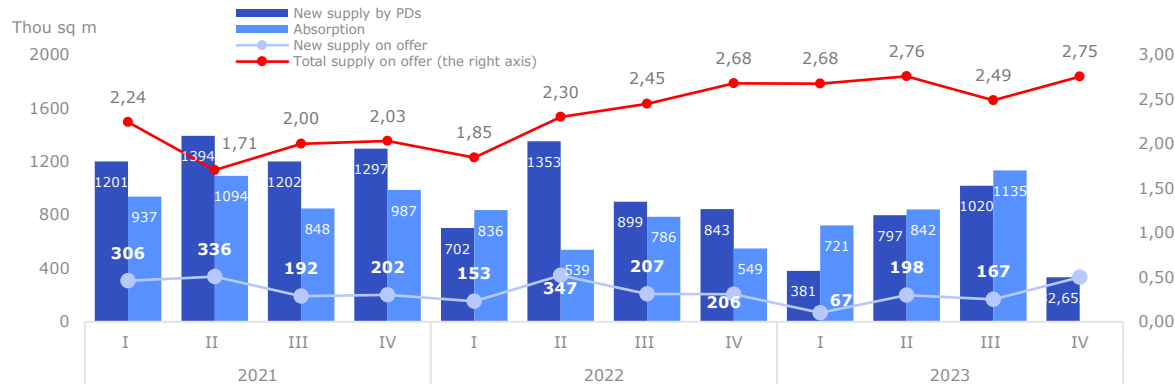
Source: Nikoliers

| Indicator | Q4 2022 | Q4 2023 |
|---|-----------|-----------|
| Supply by floor area on offer (in exposure), sq m | 2 684 704 | 2 641 437 |
| Supply by number of lots on offer | 49 629 | 47 618 |
| New supply on offer, sq m | 206 137 | 320 904 |
| New supply (by PDs) | 843 243 | 1 360 008 |
| Average area of the lot, sq m | 54 | 55 |
| Weighted average asked price, rub/sq m | 396 918 | 461 191 |
| Average budget of supply, RUB million | 21,5 | 25,6 |
| Absorption, sq m | 549 323 | 1 139 113 |
| Sold lot's average area, sq m | 48 | 48 |

Supply

Chart 1. Supply and demand dynamics

Source: Nikoliers



The inertia of the Moscow market, based on our stats, is reflected in the small lag between the date of the event and response thereto by the market. Whereas in 2022 the rates of new living space construction exceeded the absorption rates, in 2023 the sale rates outstripped the newly built space commissioning rates.

As per the results of 2023, pursuant to project declarations (PDs), 3.3 million sq m of newly built space was added to housing construction volumes, which is 12% below the same indicator for 2022 and 33% less than in 2021. The slowdown of commissioning rates reflects the conservative attitude of the loyal developer community and the desire to minimize the risks of possible stalling in sales.

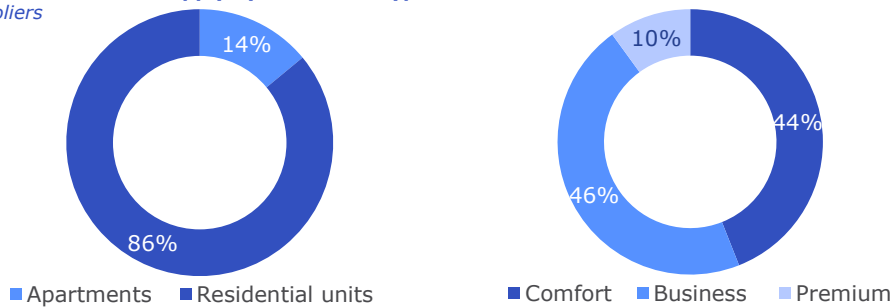
Stagewise rollout of living space for direct sale allows developers to partially compensate for market inertia and maintain a balance between supply and demand. In 2023, they rolled out 753,000 sq m in Moscow. This was 18% less than in 2022 and 17% less than in 2021.

The slowdown in new supply rollout reflects developers' desire not to increase the total space on offer. Throughout most of 2023 the amount of housing on offer in Moscow remained stable. Amid a leap in demand the supply slightly sagged to 2.49 million sq m, but already in Q4 it rebounded to the level that existed at the turn of the year. Late in 2023 the amount of living space on offer in Moscow stood at 2.64 million sq m of off-plan housing, down 2% year-on-year and up 30% versus the end of 2021.

In 2024, developers will make more strenuous effort to maintain the supply-demand balance rationing the rollout of new supply with reference to the prevailing market conditions.

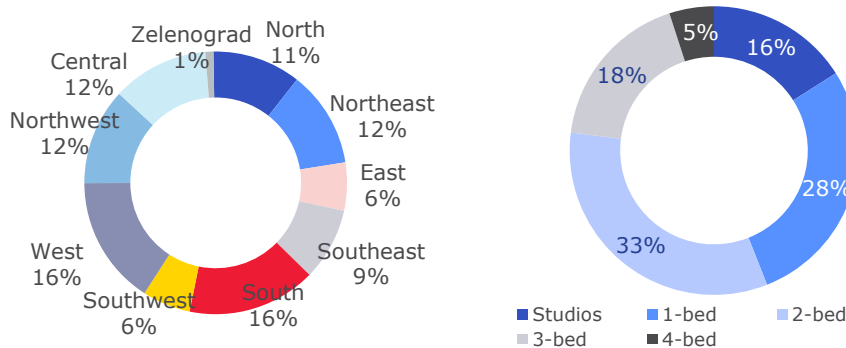
Charts 2-3. Breakdown of supply by real estate types and classes

Source: Nikoliers



Charts 4-5. Breakdown of supply by districts and room count

Source: Nikoliers



Prices

Chart 6. Dynamics of the weighted average price by classes

Source: Nikoliers

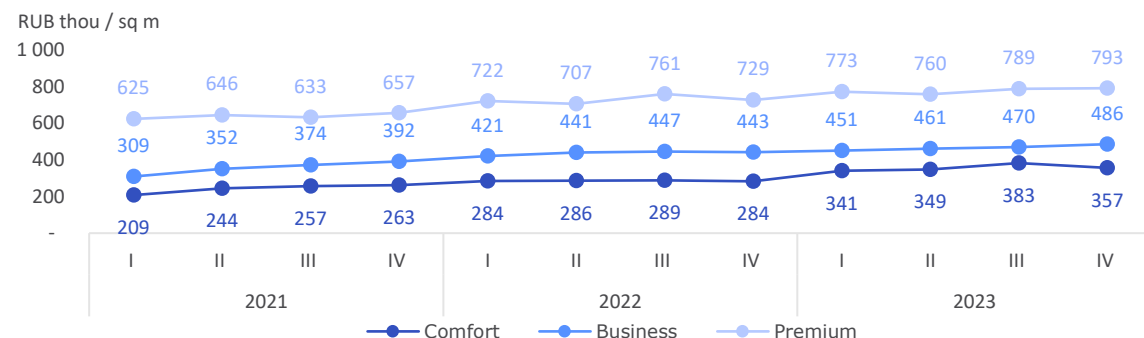
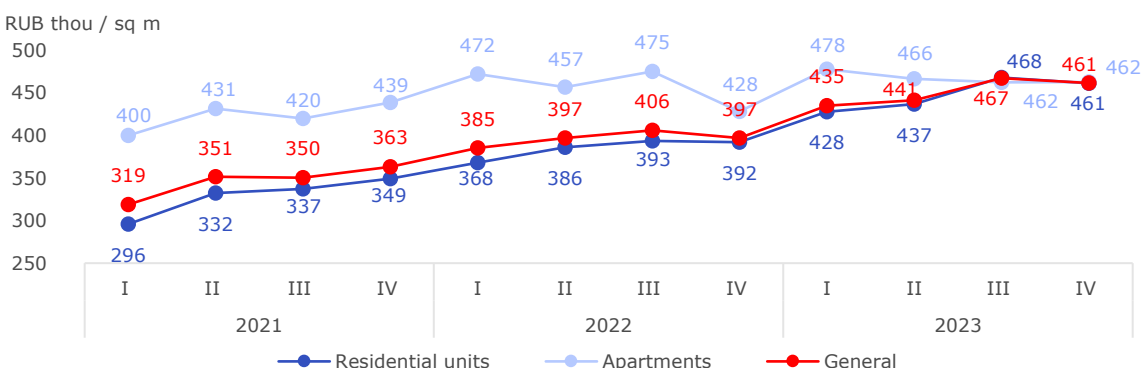


Chart 7. Dynamics of the weighted average price by real estate type

Source: Nikoliers



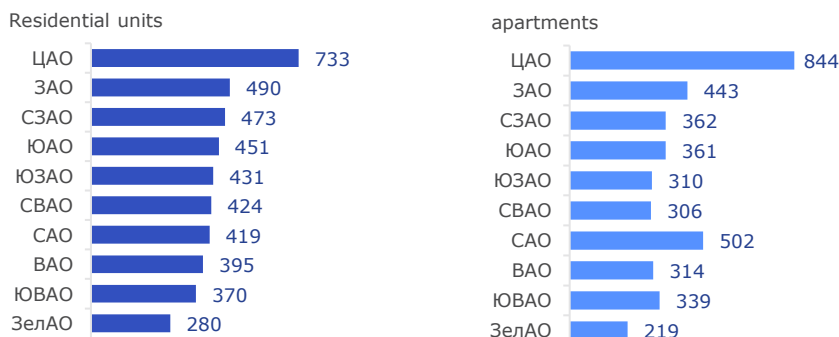
The weighted average price on the Moscow residential real estate market showed progressive growth in 2023. In Q4 2023 the weighted average price in the Moscow off-plan housing market for all classes stood at RUB 461,000 per sq m, up 16% YoY. The leap in comfort-class housing prices in Q3 2023 was caused by feverish demand spilling out and already in the fourth quarter weighted average prices returned to the values close to the long-term trend of the given indicator.

Housing prices in more expensive segments demonstrated greater stability. Weighted average prices for business and premium class housing showed similar dynamics. Business class prices rose by 10% YoY to RUB 486,000 per sq m, in premium class – by 9% to RUB 793,000 per sq m.

Weighted average prices for classic residential units and apartments were getting in sync for two quarters in a row. From the consumer perspective the difference is not obvious and the price convergence may reflect this proposition. The convergence of prices may also indicate the concentration of the target audience within a narrower range, which signals tougher competition for the buyer in the near future.

Chart 8. Weighted average price by districts, RUB thou / sq m

Source: Nikoliers



Demand

The seasonal growth in demand traditionally occurs in the fourth quarter. Due to roaring demand in 2023, the demand dynamics were distorted. The volume of housing transactions in the 4th quarter only slightly exceeded that of the 3rd quarter. In October-December 2023, transactions with off-plan housing totaled to 1.139 million sq m, whereas from July to August of the same year, 1.135 million sq m of apartments and residential units were sold. A total of 3.9 million sq m were sold in 2023, which is similar to the figures for 2021 and 43% higher than in 2022.

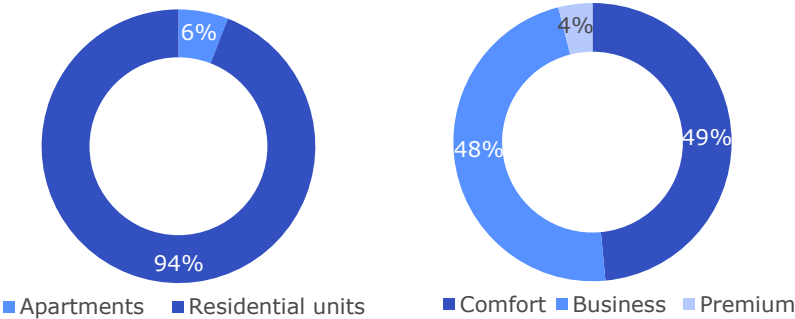
In Q4 2024, the demand was almost split in half between comfort and business class projects. Comfort class projects face additional competition from developments in satellite towns and New Moscow. The metro lines reaching beyond the Moscow Ring Road as well as the development of transport infrastructure in the Moscow agglomeration blurs the boundaries between Old Moscow and adjacent territories. As a result, more expensive housing is concentrated in traditional Moscow, while new mass-market housing is sprawling outside the Moscow Ring Road. The shortage of available sites for massive construction also contributes to this urban sprawl.

The distribution of demand between districts is generally comparable to the breakdown of supply. The highest demand is concentrated in the leading districts – South (19%) and West (17%). Southeast clearly stands out with 168,000 sq m of living space or 17% of the total sales volume monetized there in the fourth quarter. This became possible due to the delivery of large-scale projects, such as Level Nizhegorodskaya and Level Yuzhnoportovaya from Level Group (35,600 sq m), projects of PIK and Forma with a total area of 53,600 sq m, while Lyublinsky Park (28,200 sq m) and Symbol from Donstroy (25,800 sq m) also made a considerable contribution to booming sales.

The scale of the Moscow market, availability of constant demand and high liquidity of housing create favorable conditions for a boom in the local market. The development of the road and transportation network along with industrial redevelopment expand the opportunities for development of the land that was previously regarded as unattractive for housing construction.

Charts 9-10. Breakdown of demand by real estate type and classes

Source: Nikoliers



Charts 11-12. Breakdown of demand by districts and room count

Source: Nikoliers

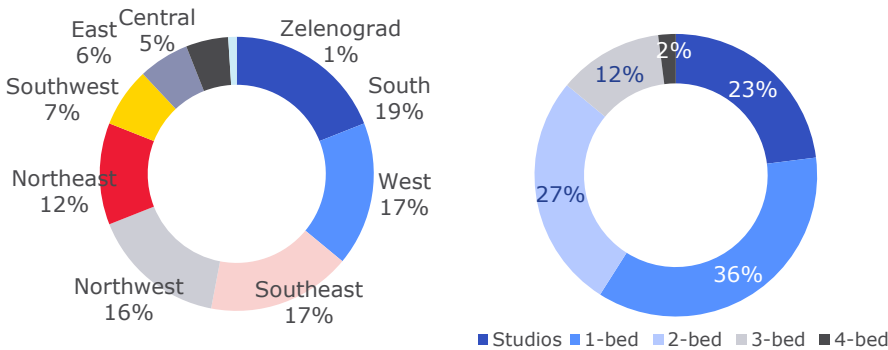
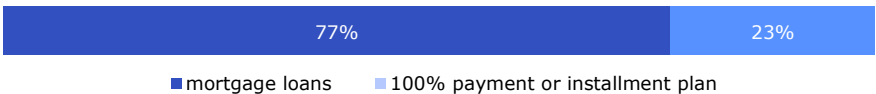


Chart 13. Breakdown of demand by type of payment

Source: Nikoliers



Classifier* of Moscow newbuilds

| Criterion | Classes | | | |
|--|---|--|--|--|
| | comfort | business | premium | elite |
| Location | No requirements | Comfortable urban areas near the Third Ring Road (TRR), unique areas outside the TRR. | Central Moscow outside the Garden Ring, prestigious areas outside Central Moscow | Central Moscow inside the Garden Ring, prestigious areas outside the Garden Ring: Khamovniki, Presnensky |
| Architectural solution | No requirements | Made-to-order design with offbeat architecture | Made-to-order design with well-known architects involved, including overseas architects | Unique architectural project with top-notch overseas architects involved |
| Material of the walls | Standard and European panel, in-situ concreting | In-situ concreting, in-situ-concreting+ceramic brick, in-situ-concreting+foam (aerated) concrete block | In-situ-concreting, in-situ concreting+ceramic brick, brickwork | In-situ-concreting+ceramic brick, brickwork |
| HVAC systems (ventilation, heating, air-conditioning) | Niches for customized air-conditioning split systems are possible | Niches for customized air-conditioning split systems, extraction ventilation, laid ducts, central air-conditioning, aluminum radiators, smart home elements are possible | Central or multizonal air-conditioning, supply and extract (exhaust) ventilation, ready-made air ducts to the points of split systems or fan coils, aluminum radiators, convectors built in the floor, smart home system | ready-made air ducts to the points of split systems or fan coils, aluminum radiators, convectors built in the floor, smart home system |
| Height of ceilings (without fit-out) | from 2.7 m | 2.8–3.2 m | from 3 m | from 3.2 m |
| Floor area | Min. floor area is 19 sq m, the average being 40-60 sq m | Min. floor area is 28 sq m, the average being 40-60 sq m | Min. floor area is 42 sq m, the average being 80-100 sq m | Min. floor area is 50 sq m, the average being 100-120 sq m |
| Number of lots per floor | No requirements | Not more than 8 | Not more than 6 | Not more than 4 or not more than 2 (for penthouses) per floor |
| Doors | Metal | Metal of the enhanced grade | Metal ones with natural wood inserts | Premium metal ones with natural wood inserts |
| Façade and glazing | No requirements | Plastered façade, clinker tiles, artificial stone. Window frames: PVC and/or aluminum | Plastered façade, clinker tiles, artificial and/or natural stone. Window frames: aluminum, wooden-aluminum | Plastered façade, clinker tiles, natural stone. Window frames: wooden-aluminum |
| Elevators | Domestic manufacturers or inexpensive models from foreign manufacturers | Foreign manufacturers: Otis, LG, SEC, Sigma, Monitor, Kleemann, SJEC | Foreign manufacturers: KONE, ThyssenKrupp, Schindler | Flagship elevator equipment from foreign manufacturers |
| Security | Entrance door intercom or video surveillance | Video surveillance, entrance door intercom, videophones, console-controlled gates, concierge | Video surveillance, entrance door intercom, videophones, console-controlled gates, security guards, access upon request through the reception counter | Video surveillance, entrance door intercoms, videophones, console-controlled gates, several 24/7 security checkpoints, access upon request through the reception counter and other hi-tech systems |
| Courtyard | Optional car-free courtyard, children's playground | Improved children's playground, gated car-free courtyard | Gated and fenced territory, illuminated and secured car-free inner courtyard with landscape design, a children's playground from environmentally friendly materials | Gated and fenced territory, illuminated and secured car-free inner courtyard with landscape design |
| Public spaces | Entrance lobby, fit-out by European standards | Entrance lobby, concierge premises, public bathrooms, baby stroller and bicycle parking rooms, fit-out by European standards | Entrance lobby, fireplace parlor and lounge zones, reception counter, public bathrooms, baby stroller and bicycle parking rooms, signature fit-out | Entrance lobby, fireplace parlor and lounge zones, reception counter, public bathrooms, baby stroller and bicycle parking rooms, paw wash facilities, bar, fit-out from eminent designers |
| Parking space | Optional (surface, underground or no parking) | Underground | Underground | Underground |
| Number of parking slots, car spaces per 1 unit | from 0.3 | from 0.5 | from 1 | from 2 and more depending on the floor area of residential units |

Source: Nikoliers

*The classification is relevant for projects with residential units for sale. As for apartments, the classification requirements can be different in each particular case.

Contacts

Residential real estate

Vladimir Sergunin

Partner

Vladimir.Sergunin@nikoliers.ru

Kirill Golyshev

Regional Director

Kirill.Golyshev@nikoliers.ru

Anna Murmuridis

Business Development Director

Anna.Murmuridis@nikoliers.ru

Research

Tatiana Divina

Regional Director

Tatiana.Divina@nikoliers.ru

Marta Vyshenkova

Senior Analyst, Residential Real Estate Market

Marta.Vyshenkova@nikoliers.ru

Marketing and PR

Olga Bakulina, MCIM

Head of Business Support

Olga.Bakulina@nikoliers.ru

Copyright © 2023 Nikoliers

Данный отчет является общим исследованием рынка недвижимости и основан на собственных или предоставленных нам материалах, которые мы принимаем как достоверные. Мы полагаемся на их точность, полноту и согласованность, и не проводим дополнительных исследований для подтверждения указанных данных, а также не принимаем на себя ответственность за любые неточности или ошибки. Мы будем признательны, если Вы сообщите нам о таких ошибках для оперативного редактирования информации. Nikoliers не несет никакой ответственности за ущерб или убытки, возникшие по причине неточностей или некорректности информации, содержащейся в данном отчете.



123112 Москва
Пресненская набережная, д. 10
БЦ «Башня на Набережной», блок С, 52
этаж
Тел. +7 495 258 51 51
www.nikoliers.ru