

Q1 2024

Residential Real Estate

Russia | Moscow

Moscow market of new builds: trends and forecast*

The trend for increasing the share of transactions on installments and hundred percent payment

The market of new builds cooled down at the turn of this year. In Q1 2024 the share of mortgage transactions in total sales of off-plan housing within the "old" Moscow boundaries went down to 63% (in January the share of mortgage transactions amounted to 71%, in February – to 54%, in March – to 64%). The share of transactions with a hundred percent payment or those based on installments, on the contrary, increased over the quarter from 23% to 37%. Preferential mortgages in the future will cease to have a mass character and will be reoriented to infill development and targeted programs.

Prices grow in all housing segments

Asked prices increased in all segments of residential real estate without exception in Q1 2024. The weighted average asked price increased by 2% over the quarter and by 8% for the year. Further smooth growth of prices is expected, but within the current inflation rates. A change in the price per square meter will depend on the market structure as well as trends in the apartment mix and floor plans of projects. If in the previous periods there was a decrease in the average lot area by supply and demand, in the current quarter we've seen a trend for a slight increase of the lot.

The key rate remains at the level of 16%

At the beginning of Q1 2024, the Bank of Russia stated that the reduction of the key rate to the benchmark values of 10-13% by the end of this year is possible with a projected decline in inflation to 4.0-4.5%.

In March, at the regular meeting of the Central Bank it was decided to leave the key rate at the current level (16%). This step can mean that investors will rather prefer to keep their money in deposits and delay their real estate purchases, because banks still provide attractive yields.

The trend for seasonal change of demand in the beginning of the year

The beginning of the year is traditionally the least active season for buyers due to long holidays and low purchasing activity. This was reflected in a 6% decrease in the amount of registered fiduciary management agreements (FMAs) compared to Q1 2023, which is a consequence of tighter terms for the approval of preferential mortgages.

Less space is put on sale in new projects

In Q1 2024, the new supply in exposure went down by 72% as compared to the previous quarter. Over the year, the reduction amounted to 34%. Due to high interest rates for bridge and project financing, charged by banks, small and new players may push back their projects until 2025.

Business class takes the lead in the demand

Compared to Q1 2023, we've seen a change of the leader in the sales structure by housing classes. Comfort class has ceded the first place to business class, whose share of sales in Q1 2024 has stood at

51% (345,000 fiduciary management agreements), although a year earlier this index stood at 35%. Reduction in the share of comfort class sales, due to changes in the limits of preferential mortgages, led to both a general decline in the market as a whole and a reduction of the comfort class share in the overall structure.

The popularity of business class is also growing due to a decrease in the floor area of designed and sold lots and, as a consequence, to a decrease in the purchase budget.

SFH as an alternative to urban housing

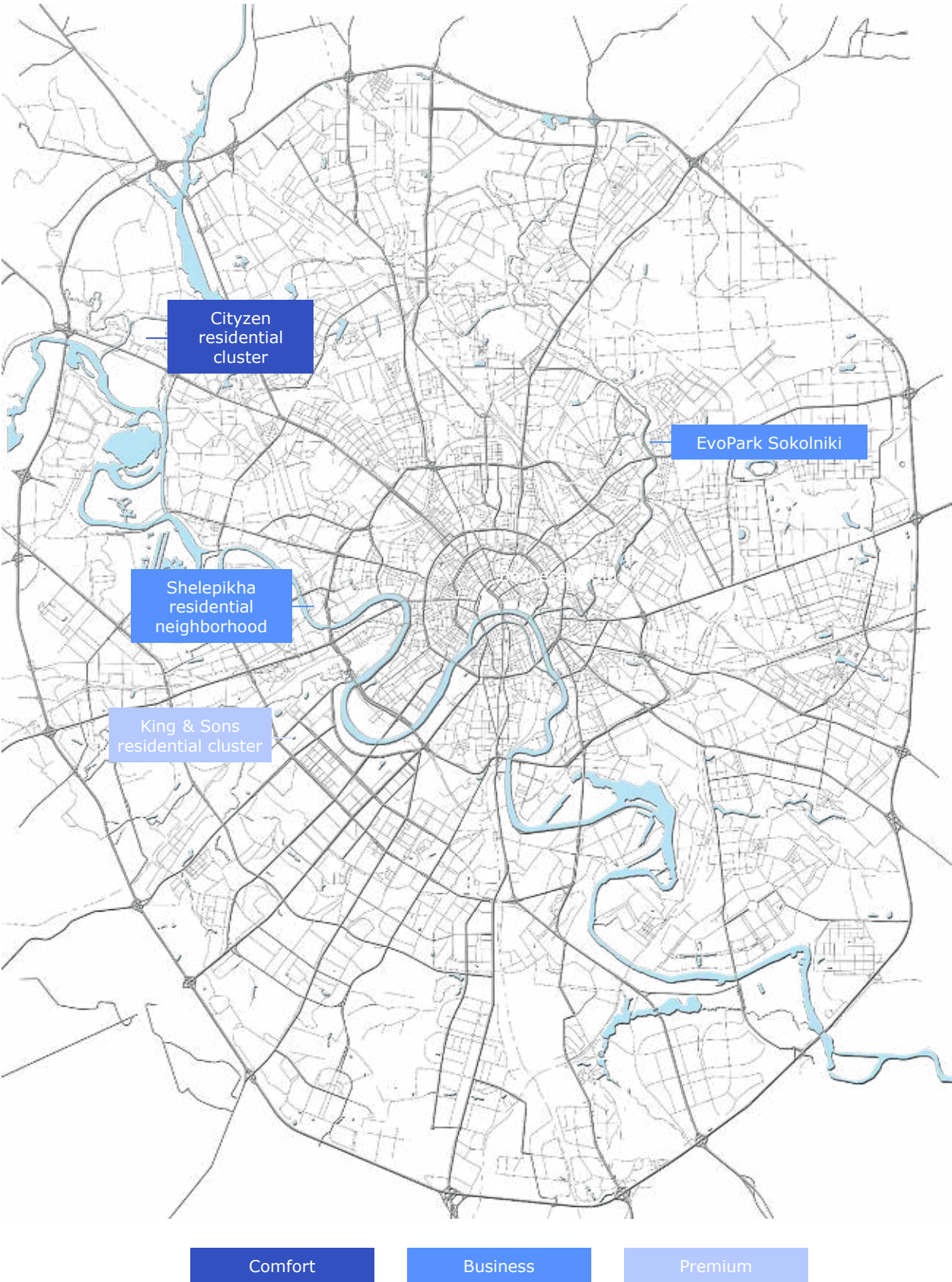
Due to preferential mortgage programs now covering individual housing construction (single family developments), a significant share of demand is expected to flow into this market segment in the future. According to DOM.RF, there is a multiple increase in the share of concessional mortgages in the SFH segment. This trend will persist in the future.

Other factors to influence the housing market

- Regional and local preferential mortgage programs are being developed
- Scaling and diversification of developers' portfolio away from Moscow to Russian regions
- The instalment plan is considered by the market players as a new way to boost sales
- The distinction between housing classes is further blurred with business segment shifting to more remote locations relative to the historical centre of Moscow

*Here and henceforth in our report we give data for Moscow within its "old" boundaries and without luxury real estate taken into account. Our analysis includes comfort, business and premium housing classes.

New projects launched in Q1 2024



Key indicators

Based on the results of Q1 2024, the total supply of residential units and apartments in the Moscow residential real estate market (excluding the luxury segment) amounted to 2.65 million sq m, which is 1% less than a year earlier (2.68 million sq m). Compared to Q4 2023, this indicator increased insignificantly (+0.4%). The number of lots exposed in Q1 of this year amounted to 48,000, which is 2% less than a year earlier (49,000 lots in exposure). The new supply in Q1 2024 is represented by 89,000 sq m, which is significantly less (-72%) compared to the previous quarter (321,000 sq m in exposure), but exceeds the figure of Q1 2023 by 34% (67,000 sq m). Only 17% of the total new housing under construction (511,000 sq m) was rolled out.

The weighted average price of residential units and apartments in Q1 2024 amounted to 471,000 rubles per sq m. (a 2% increase over the quarter). The increase for the year amounted to 8%. Developers do not lower prices in the backdrop of high interest rates on project financing and an increase in construction costs.

The average area of sold lots increased from 49 to 51 sq m, and the average area supplied, adjusted by 1 sq m, stands at 55 sq m.

Total demand in Q1 2024 is 680,000 sq m, which is slightly less than sales in Q1 2023 (-6%), while the decrease for the quarter has been 40%.

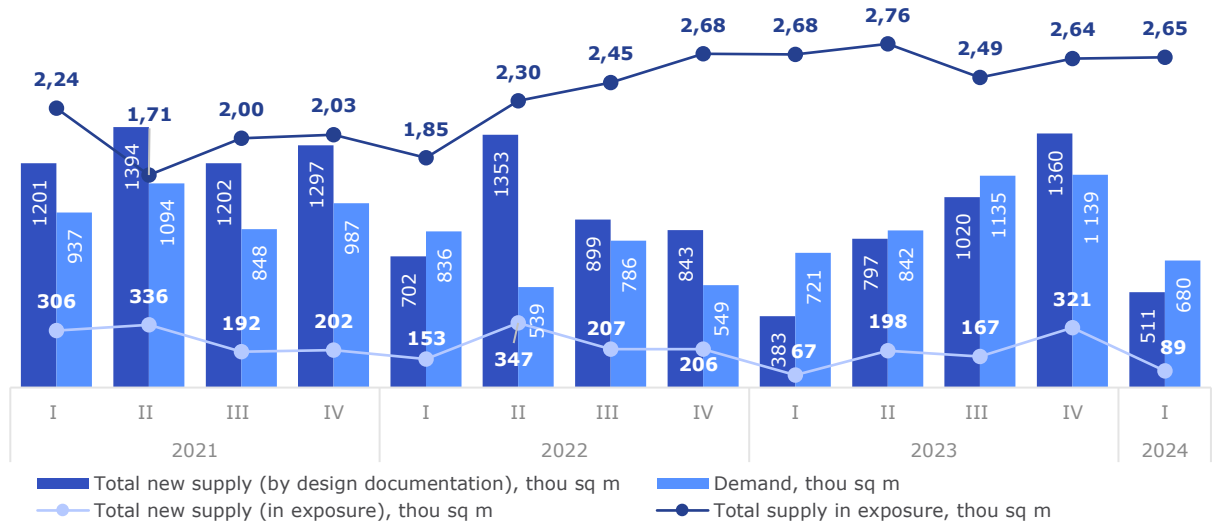
Key market indicators in Q1 2024 versus Q1 2023

Source: Nikoliers

| Indicator | Q1 2023 | Q1 2024 |
|---|---------|---------|
| Total supply in exposure, thou sq m | 2,676 | 2,653 |
| Total supply by number of lots, thou lots | 49 | 48 |
| Total new supply (in exposure), thou sq m | 67 | 89 |
| Total new supply (by design documentation), thou sq m | 383 | 511 |
| Average lot area, sq m | 54 | 55 |
| Weighted average asked price, thou RUB/sq m | 435 | 471 |
| Average budget (supply), RUB million | 24 | 26 |
| Demand, thou sq m | 721 | 680 |
| Average area of a monetized lot, sq m | 49 | 51 |

Supply and demand dynamics

Source: Nikoliers



Supply

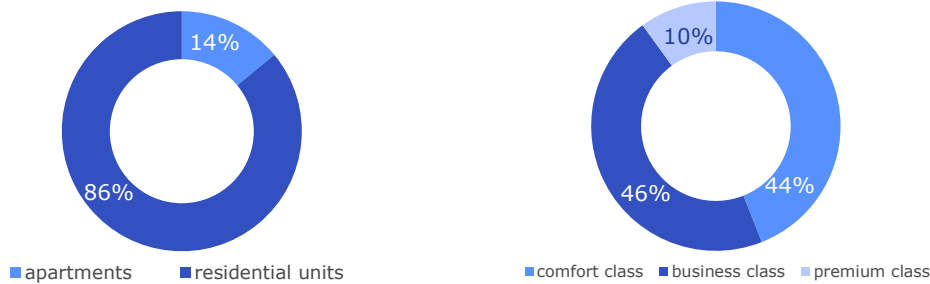


The structure of supply by type of real estate in the first quarter of 2024 did not change in comparison either with the previous year or with the previous quarter, with residential units still dominating the living space in exposure.

The leading position in the supply structure by classes, like a quarter earlier, is held by business class, which accounts for almost half of the total supply. Over the year this indicator lost 3 p.p., with no changes recorded during the quarter. The share of comfort class also did not change as compared to the previous quarter, and in comparison with Q1 2023 it has grown by 2 p.p.

Supply breakdown by real estate type and class

Source: Nikoliers

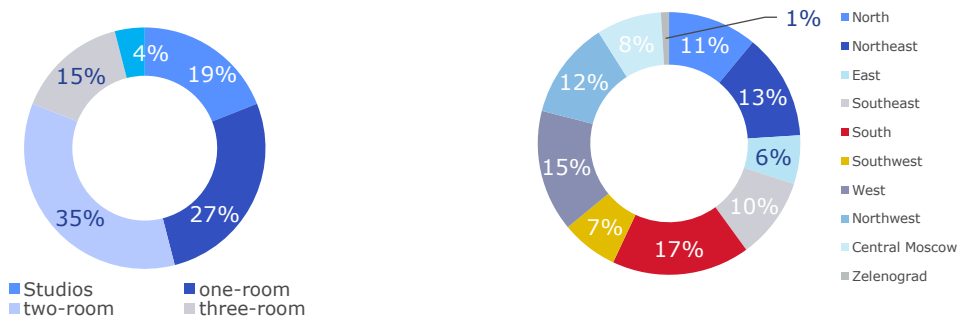


The largest share of supply was recorded in the South of Moscow (SAD) that claims 17% of the total supply, courtesy of Shagal residential development (75,000 sq m on sale in three phases). The second spot goes to the West with its share of 15% of the total supply. Next in descending order are the Northeast, Northwest and North with 13%, 12% and 11%, respectively. In comparison with Q1 2023, a slump is observed in the West (from 20% to 15%) due to robust sales and exposure of fewer lots in residential developments such as Beregovoy, Matveevsky Park, Zapadny Port and Novoye Ochakovo.

The leading position in the structure of supply by room count is claimed by two-room residential units/apartments. The increase in comparison with the previous quarter and year is 2 p.p. each. Developers started to roll out more studios to the market: their share has risen from 16% to 19% during the quarter. And the share of three-room lots in comparison with Q4 2023 showed the highest slump from 18% to 15%. Thus, the trend towards a decrease in the area of sold lots is taking root.

Supply breakdown by room count and district

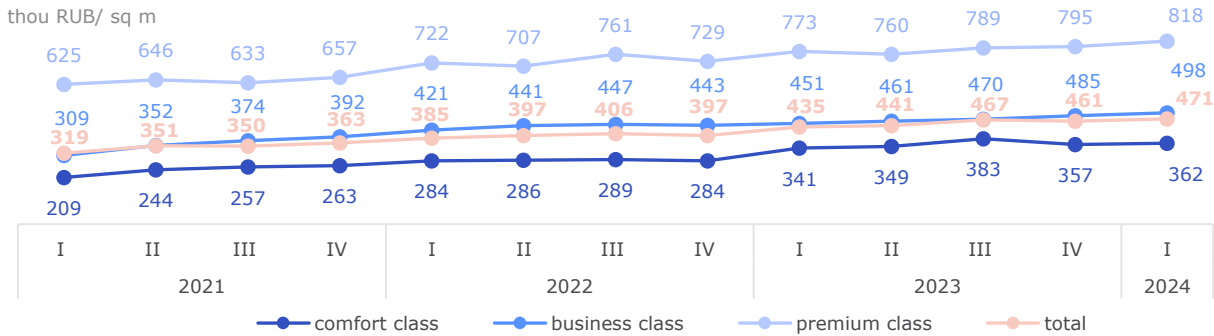
Source: Nikoliers



Prices

Dynamics of weighted average price by classes

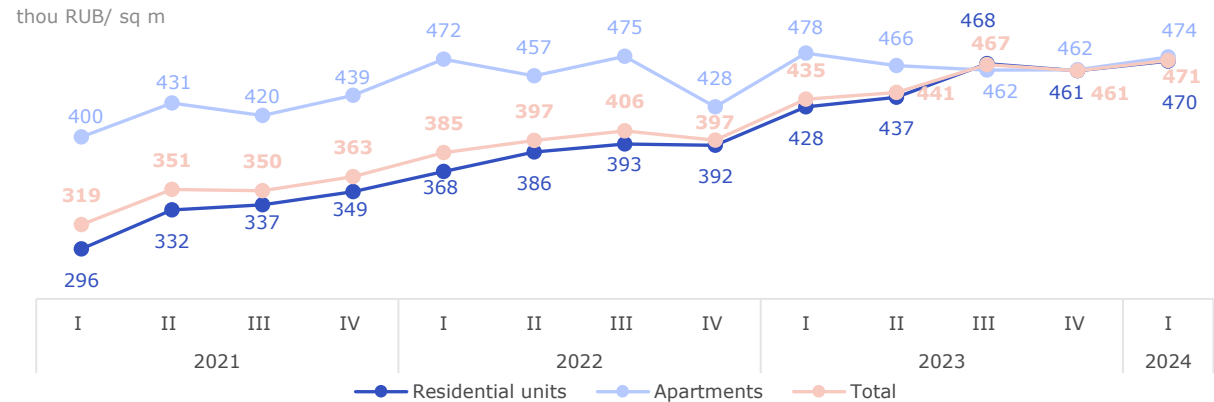
Source: Nikoliers



According to the results of Q1 2024, the total weighted average price per square meter of residential real estate in Moscow across the board has increased by 2%, to 471,000 RUB/sq m, and for the year the increase has been 8%. Business and premium classes showed a 3% growth for the quarter respectively, in comfort class no significant fluctuations in the quarterly dynamics were registered. The biggest change in the weighted average price over the year has been recorded in business class (by 10%), which is due to the increased interest of buyers in this segment.

Dynamics of weighted average price by type of real estate

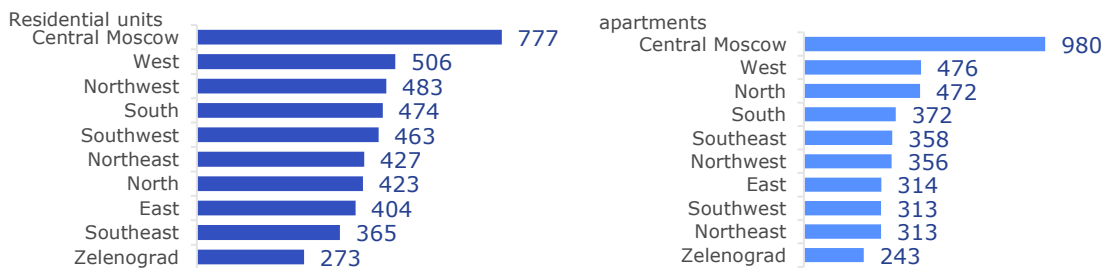
Source: Nikoliers



The dynamics of the recent years has shown a strong price advantage of apartments. Yet since Q3 2023, the gap between the weighted average price of apartments and residential units has been narrowing. In Q1 2024 the gap in the price per square meter between different types of real estate has been only 0.8%, although a year ago apartments were priced 12% higher. But in various districts, exclusive of the Central Moscow, the price gap between residential units and apartments is about 17%. In Central Moscow there is a large number of premium projects with the price of apartments higher than that of residential units, which resulted in the convergence of prices in different types of real estate.

Weighted average price by districts, thou RUB/sq m

Source: Nikoliers



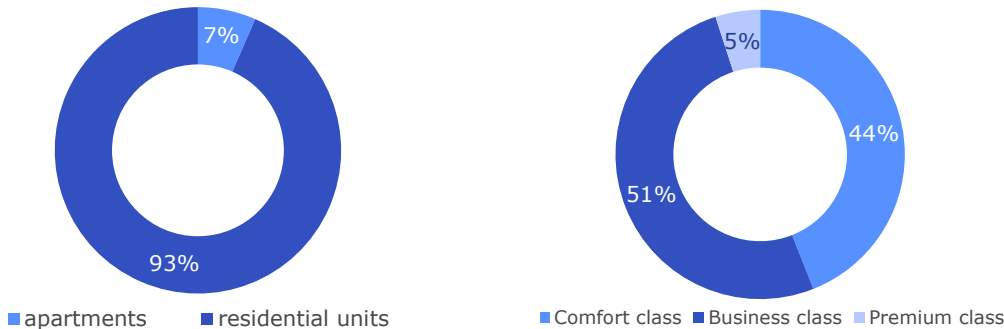
The quarterly change of prices for residential units shows a moderate upward trend in all districts. The largest increase in the weighted average price for the quarter has been recorded in Central Moscow and South by 6% and 5%, respectively. As for apartments, the most significant change compared to Q4 2023 occurred in the historical centre due to the rollout of premium class projects and upward revision of developers' pricing policy. Also a quarterly increase in the price of apartments by 11% was observed in Zelenograd on account of further price increase in Aparthotel Sigma Silino residential development for two buildings currently on sale.

Demand

The results of housing sales in Moscow during Q1 2024 demonstrated an optimistic pattern. A total of 13,200 FMAs (fiduciary management agreements) were registered in this quarter to the total floor area of 679,800 sq m, which is 6% less than a year earlier. Compared to Q4 2023, the demand went down by 40% due to the seasonal decline at the beginning of the year.

Breakdown of demand by real estate type and class

Source: Nikoliers



The share of flats (residential units) at the end of Q1 2024 still prevailed over that of apartments in total housing sales. Relative to the previous year, this indicator remained at a comparable level. Comfort class sales lost their leadership, their share dropping from 62% to 44% during the year. Business class ranks first by the amount of concluded transactions and accounts for half of the total sales volume. Compared to Q4 2023, a positive change of 3 p.p. has been recorded and 16 p.p. versus Q1 2023. The reduction in the share of comfort class sales due to the curtailment of preferential mortgages led both to the overall decline in the market as a whole and to the reduction of the comfort class share. Whereas more affordable offers in the business class allow buyers to choose optimal options in terms of the value for money.

Breakdown of demand by districts and room count

Source: Nikoliers

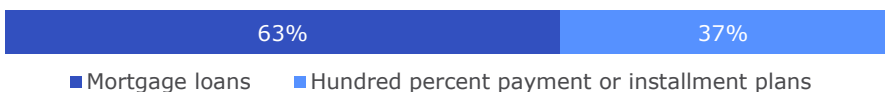


One-room and two-room lots are still in the highest demand among buyers. The share of two-room flats has increased by 2 p.p. over the year while the sales of studios have seen almost no changes.

As per the results of Q1 2024, Moscow South is in the highest demand, its share standing at 19% (last year its share was 12%). Shagal and Nagatino i-Land residential developments sparked the greatest interest among buyers in this district. The second most popular district among buyers is the West, where the sales leaders were Sobytiye and Level Michurinsky residential developments.

Breakdown of demand by type of payment

Source: Nikoliers



The share of mortgage transactions in total sales for the first quarter of 2024 has shown a downward trend. Over the quarter this indicator has sunk by 14 p.p. The 10 p.p. decrease was also recorded in comparison with the first quarter of 2023. The share of transactions with 100% payment or instalment plans, on the contrary, increased by 14 p.p. over the quarter, and by 10 p.p. during the year due to the fact that developers launched vibrant promotion of the program of deferred payments.

Classifier* of Moscow's new builds

| Criterion | Classes | | | |
|---|---|--|--|---|
| | Comfort | Business | Premium | Luxury |
| Whereabouts | No requirements | Comfortable neighborhoods close to the TRR, unique zones outside TRR | Central Moscow outside the Garden Ring, prestigious zones outside the historical centre | Central Moscow within the Garden Ring, prestigious zones outside the GR – Khamovniki, Presnensky |
| Architectural solution | No special requirements | Individual design with offbeat architecture | Bespoke design with well-known architectural workshops involved, including foreign ones | Unique architecture and design with high-end foreign bureaus involved |
| Material for the walls | Standard and Euro panel, solid cast or cast-in-situ | Solid cast, cast-in-situ + ceramic brick, solid cast + foam concrete blocks | Solid cast, cast-in-situ + ceramic brick, brickwork | Solid cast + ceramic brick, bricks |
| MEP systems (ventilation, heating, air-conditioning) | Niches for individual split air-conditioning are possible | Niches for customized split air-conditioning, exhaust ventilation, laid ducts, central air-conditioning is possible, aluminum radiators, "smart home" components | Central or multizonal air-conditioning, combined extract-and-input ventilation, ready ducts to points of split air-conditioning systems or fan coils, aluminum radiators, convectors built in the floor, "smart home" system | Ready ducts to points of split air-conditioning systems or fan coils, aluminum radiators, convectors built in the floor, "smart home" system |
| Height of ceilings (regardless of finishes) | from 2.7 m | 2.8–3.2 m | from 3 m | from 3.2 m |
| Floor area | Min. area is 19 sq m, the average being 40-60 sq m | Min. floor area is 28 sq m, the average ranging from 60 to 80 sq m | Min. floor area is 42 sq m, the average ranging from 80 to 100 sq m | Min. floor area is 50 sq m, the average ranging from 100 to 120 sq m |
| Number of lots per floor | No requirements | No more than 8 | No more than 6 | No more than 4, no more than two per floor for penthouses |
| Doors | Metal ones | Metal ones of 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 profile: PVC and/or aluminum | Plastered façade, clinker tiles, artificial stone and/or natural stone. Window profile: aluminum, timber-aluminum | Plastered façade, clinker tiles, natural stone. Window profile: timber-aluminum |
| Elevators | Domestically manufactured or inexpensive models from overseas manufacturers | Foreign manufacturers: Otis, LG, SEC, Sigma, Monitor, Kleemann, SJEC | Foreign manufacturers: KONE, ThyssenKrupp, Schindler | Flagship elevator equipment from foreign manufacturers |
| Security | Door intercom or video surveillance | Video surveillance, intercom, videophones, remote-controlled gate, concierge services | Video surveillance, intercom systems, videophones, remote-controlled gate, security, entry on request at the reception desk | Video surveillance, intercom systems, videophones, remote-controlled gate, several 24/7 security posts, entry on request at the reception desk, and other hi-tech systems |
| Inner courtyard | Optionally a vehicle-free courtyard, a children's playground | Improved children's playground, gated inner courtyard, vehicle-free courtyard | Gated, guarded and lit inner courtyard with landscape design, vehicle-free courtyard, children's playground from natural environmentally friendly materials | Gated, guarded and lit inner courtyard with premium landscape design |
| Public spaces | Entrance lobby, euro finishes | Entrance lobby, concierge premises, public bathrooms, pram and bicycle storage rooms, euro finishes | Entrance lobby, fireplace hall and lounge zones, reception desk, public bathrooms, pram and bicycle storage rooms, designer-grade fit-out | Entrance lobby, fireplace hall and lounge zones, reception desk, public bathrooms, pram and bicycle storage rooms, paw washes, a bar, finishes and fit-out from eminent designers |
| Parking lot | Optional (surface/underground or no parking lot) | Underground | Underground | Underground |
| Number of parking slots, car spaces per 1 residential unit | from 0.3 | from 0.5 | from 1 | Preferably from 2 and more, depending on the area of residential units |

Source: Nikoliers

*The classification is relevant for projects with an offer of residential units. For apartment developments classification requirements can be different in each particular case.

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