

Discounts in Elite Housing Rentals Disappearing

By [Lena Smirnova](#)

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Asking more money. More Muscovites are seeking luxury housing rentals, and prices are rising. **Denis Grishkin**

Demand for elite housing rentals in Moscow continued to climb in the first half of 2011, according to real estate agencies. Experts expect the market to reach pre-crisis levels by the end of the year.

Demand for high-budget residential rentals increased 18 percent compared with the same period in 2010, according to an IntermarkSavills study. The Arbat-Kropotkinskaya, Tverskaya-Kremlin and Leningradsky Prospekt districts accounted for 43 percent of the total requests.

At the same time, the supply of elite housing fell 24 percent.

The shortage of elite housing was felt most noticeably inside the Garden Ring, according

to Penny Lane Realty research. Fewer apartments renting for \$2,000 to \$5,000 per month were available in the Arbat, Patriarch's Ponds and Ostozhenka districts, where supply fell 30 percent.

These market shifts are giving landlords the upper hand in picking their tenants.

"The market is now turning 180 degrees," said Galina Tkach, leasing department director at IntermarkSavills. "The landlords are naming their conditions and picking their clients."

"The attitude of landlords has changed in terms of their readiness to offer discounts," said Georgy Dzugarov, general director of Penny Lane Realty. "If, 1 1/2 or two years ago, during the crisis, the majority of them gladly agreed to discounts, now that is more the exception."

The rental price for one- or two-room elite-class apartments rose 15 percent in the first half of 2011 while the price for three-room apartments rose 10 percent, according to Penny Lane Realty. Rent for elite housing is now a minimum of \$4,000, and there are apartments that go for as high as \$50,000 per month.

Renters are also demanding more value for their dollar.

About 68 percent of potential tenants in the elite market in 2010 were foreigners, according to IntermarkSavills. Tkach said these renters expect Western-style comforts.

The number of elite renters who consider only furnished apartments increased 15 percent from the same period last year. Five percent more look for an apartment with a garage or a permanent parking place. Forty percent of clients consistently require property with a concierge or a guard.

"Location is very important, of course, but prime location is not enough to call the housing elite," Dzugarov said. "An elite apartment must be wonderfully remodeled and have all the necessities of life."

Dzugarov advised those who want to rent an apartment in August or September to start looking now or to wait until October or November when the market calms down.

"The first half-year of 2011 has already shown an increasing shortage of attractive proposals for rentals, which is reflected in the prices," he said. "The return of a large number of expats to the market and the shortage of new offers as landlords go on vacation will cause the prices for rentals to rise 7 to 12 percent more by the end of the year."

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