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# Moscow's Elite Rental Market: Trends, 2011 Results, 2012 Forecast

By Marina Semenova

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**Marina Semenova**
Director of Tenant Representation
Intermark Relocation

2011 saw high activity by prospective tenants, especially corporate clients. Seasonal fluctuations were still evident on the market, but overall demand, in comparison with the previous year, grew about 10 percent.

## MAIN TRENDS

High demand for elite rentals did not influence average budgets, which did not show active growth last year and remained on par with 2010. About 70 percent of tenant requests were for rentals below $6,000 a month. Average supply rental rates demonstrated stable positive dynamics and, by mid-year, had already exceeded pre-crisis performance. By year-end, the figures reached $7,221 per apartment per month.

The elite rental market in 2011 was characterized by neither a sharp rise nor steep decline of free supply volume. A steady decline of free apartments for rent suspended for the first time during the past two years. The rate of increase was not so significant, with the supply volume reduction amounting to 5 percent versus 2010. In such conditions, the market still demonstrates a high deficit of apartments of good quality, and the demand is still unsatisfied.

The market showed a heavy deficit of large apartments in districts near international schools. The number of free offers at a time amounted to no more than five to 10 apartments.

Initially stated rental rates are almost not subject to further discussion, and the discounts are not higher than 5 percent. Owners are no more ready to include extra payments such as Internet, satellite TV, etc., in the rent. They are also unlikely to rent out an apartment without a security deposit.

## FORECAST FOR 2012

Having analyzed the results of 2011, Intermark Relocation's experts presented a forecast for 2012, with all trends and key points of the market development.

Thus, in 2012, the demand will keep quantitative indicators of 2011. Apartments in a budget up to $6,000 will remain the most popular. The share of deals in the highest budget (from $15,000 per apartment per month) won't exceed 5 percent.

In conditions of steady demand and market absorption of actual supply, the downtown will suffer from a further deficit of elite high-quality housing supply. Supply volume will continue to decrease and by the end of the year will fall 10 percent more. This trend will be especially noticeable with "business" and "elite"-class apartments situated in central districts of Moscow and large apartments (five or more rooms) in the Leningradsky Prospekt district.

## RECOMMENDATIONS

Considering all mentioned, and being particularly oriented to corporate clients, Intermark Relocation' s team is glad to present some practical recommendations to HR coordinators to facilitate the way of choosing a housing for potential tenants.

Firstly, it is important to return the budgets of employees to the pre-crisis level in accordance with rental rates growth in 2011 and to get the opportunity to establish budgets of employees in foreign currency. Also, it is necessary to develop a long-term strategy for search and selection of temporary housing for foreign employees or regulate the time to make a decision concerning selection of a property.

If the budget of the company does not allow the increase of expenses for rent of housing in districts near international schools, it would make sense to employ professionals with small families or without a family for work in Russia. It is necessary to regulate the number of bedrooms and area of rented housing. It is also essential to recommend that employees consider alternative districts for living, those with lower rental rates.

In connection with the trend of quick absorption of realizable properties by the market, we recommend the maximum reduction of a period of contract coordination on the part of the - company (no longer than five working days).

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