



## **Results of 2009. Forecast for 2010**

For the last year the elite real estate market has undergone essential transformation. Changes hit both supply and demand, the quantity of transactions, the price per square meter or per "sotka" - one hundred square meters (in rural estate segment), and a requested format of objects (the footage of an apartment, house, land plot), as well as additional qualitative characteristics ... The market became to a greater extent dependent on the consumer – the buyer of property.

The first half of the year has turned out to be extremely difficult for all segments of the real estate market: prices quickly went down and falling proceeded throughout two quarters. Demand and quantity of transactions decreased considerably. The level of prices on the market could be comparable to that of two or three years ago. At the end of the second quarter the situation began to change: the dramatic fall of the prices stopped.

At the beginning of the third quarter of 2009 the market faced its traditional lull: recession of market activity, the period of summer holidays, total ambiguity before autumn. Neither July, nor August has brought any significant changes to the real estate market. On the one hand, that confirmed the start of revival which had begun in spring and the stabilization of the market. On the other hand, the summer lull with a small, but sharp soar of the dollar exchange rate in the middle of July, triggered speculations concerning «the second wave» of reduction of prices and the so called autumn «price-fall».

In summer the fall of the prices for residential real estate almost stopped, and the decrease which still occurred in July and August in some segments of the market was more likely due to the general shift of the prices on the market: real estate objects with held-down prices now "catch up" with the basic market. All new objects which entered the market emerged already with new prices.

The demand has been growing since September 2009 and it is obvious now that it will continue growing due to the fact that the quantity of real estate objects will strongly decrease. By the end of 2009 the real estate market revealed a strong tendency of dynamic increase in the quantity of transactions per month: in autumn the demand has reached a high stable level, though not a "pre-crisis" one, however, this period is noteworthy for a constant considerable growth of quantity of transactions - on average it increases by 10 % every month.

It is difficult to say what the real estate market will be like in 2010. It largely depends on preservation of stabilisation tendencies in macroeconomic situation which could be observed for the last half of the year. Still the destiny of numerous projects frozen "at the paper stage" remains unclear (such companies, as "PIC", «MIRAX», «Capital Group»). Development of long-awaited market-forming projects such as «Red Square, house 2», «Golden Island», «City Park», «Gelijmash Union» which has been planned for 2009-2010, is now indefinitely postponed.

It is worth mentioning, that within the last few months a certain revival in the market of mortgage programs has occurred: new players appear on the field, those are Western banks (for example, Nordea) which work with individuals as well as mortgage programs. That, in its turn, will lead to a higher demand and sales.

As for elite real estate it is important to stress that it is less subject to reduction in prices in comparison with other segments of the market. Recently prices have decreased and remained stable, but next year is likely to bring about some insignificant price changes. In many respects, it will depend on the basic macroeconomic indicators: dollar exchange rate, oil prices.

Speaking about a long-term perspective, it is possible to point out that the termination of crisis will entail the growth of prices, primarily, because the demand will exceed the offer. Among the projects of the elite real estate only those fully corresponding to all the requirements of «de-luxe» class will be undoubtedly successful.

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