

Expats Lead Market in High-End Rentals

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April 18, 2011



High-end apartments are usually located in prestigious parts of the city – like Ulitsa Ostozhenka, Patriarch's Ponds, Chistiye Prudy and Arbat, pictured here. **Vladimir Filonov**

Demand for high-end apartment rentals jumped by 40 percent in the first quarter of this year compared with the same period last year, as more foreigners are moving to Moscow due to stable economic growth, a real estate agency said Friday.

Moscow-based companies are hiring more foreign employees because the economy is recovering after the financial crisis, driving demand for high-end property, said Galina Tkach, head of the rental department at IntermarkSavills.

"We see the start of new projects, more merger deals. This results in companies bringing new employees," she told The Moscow Times.

Tkach said expats are the main tenants of high-end apartments, accounting for 70 percent of demand.

High-end apartments are in buildings constructed in the last 10 years, or pre-revolutionary structures that have been redone, and are usually located in prestigious parts of the city — like Ulitsa Ostozhenka, Arbat, Patriarch's Ponds and Chistiye Prudy, as well as districts like Leningradsky Prospekt or Krylatskoye.

The chief executive of Penny Lane Realty, Georgy Dzagurov, also sees economic recovery as a key factor in market growth.

"A rental rate of \$7,000 for a two- to three-room apartment doesn't shock that much anymore, like it did two years ago. Tenants are psychologically ready to pay for expensive and quality housing," he said in e-mailed comments.

Meanwhile, Russians also demonstrated a strong demand for such property because it's more economically feasible to rent an apartment in the high-end sector than to buy one.

"The housing market hasn't recovered yet, so people continue to rent apartments," Tkach said, adding that mortgage rates are still too high.

An average mortgage rate stood at 14.99 percent for ruble loans and at 12.68 percent for dollar loans in the first quarter of the year, according to mortgage broker Kreditmart.

The first three months of the year saw demand for apartments of \$7,000 and more from Russian tenants growing by more than 50 percent, compared with the first quarter of 2010, Dzagurov said.

While demand is up, the number of high-end apartments for rent with desirable locations declined.

Downtown Moscow, including Arbat and Ulitsa Tverskaya, remains the most popular location among tenants, while new apartments for rent were being offered in less attractive districts, Tkach said.

The lack of balance between supply and demand is contributing to the growing rental rates, with an average monthly fee staying at \$6,681, up 14 percent from the first quarter of last year, she said.

According to IntermarkSavills, 74 percent of all requests from tenants were in the price segment of up to \$6,000 per month, in line with the first quarter of 2010. Demand for the most expensive apartments — costing \$10,000 per month and more — also remained at last year's level of 9 percent.

Rental rates haven't reached their pre-crisis heights yet, and analysts expect them to continue to grow throughout the year.

Dzagurov said rental rates are likely to increase by 2 percent to 3 percent by June 1.

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