

# Commercial Property Investment Plateaus

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The commercial property market is poised to notch another multibillion-dollar figure this year as economic factors support the purchases of malls, offices and hotels.

Though many analysts expect this year's volume of investments to come in below the record-breaking total of \$7.5 billion in 2011 — and be roughly even with last year's more modest figure of about \$6 billion — they said the 2013 number will demonstrate the market's strength.

"We're expecting a pretty positive year," said Tom Devonshire-Griffin, head of capital markets for Jones Lang LaSalle in Russia.

He pointed to stabilized macroeconomic environments in the United States and Europe, where investor jitters can have a ripple effect on the Russian market when funds and individuals try to reduce their financial risks.

"It helps that the Americans seem to have come to some form of agreement, and the noises from Europe seem to be fewer now," he said, referring to the congressional agreement over U.S. tax cuts and the European Union's government debts.

Fellow real estate consulting firm Cushman & Wakefield said the domestic market has maintained a fast clip in spite of economic woes.

"Despite the negative influence of the macroeconomic trends, the office market in 2012 experienced high demand, good supply and stable office rents," Cushman said in a report last month.

Last year's major commercial real estate buys in Russia could exceed \$6 billion, according to CBRE, or \$5.5 billion, according to Knight Frank Russia.

Knight Frank said this year's volume could reach about \$5.5 billion to \$6 billion if the 2012 market conditions for commercial real estate investments continue.

Darrell Stanaford, a longtime real estate executive and adviser in Moscow, said a 2013 figure of at least \$4.5 billion is possible.

That number doesn't even take into account two deals that might be added to the 2013 balance sheet, depending on their legal closing dates, Stanaford said.

These are the potential sales of the Metropolis shopping mall in northern Moscow for roughly \$1.8 billion and the Belaya Ploshchad office building near the Belorusskaya metro station for about \$1.1 billion.

O1 Properties, an investor in Class A office buildings, is buying the Belaya Ploshchad center, Stanaford said.

O1 Properties spokeswoman Arina Slynko said Monday night that the deal "is under way" and "isn't closed." She said a transaction probably will be officially announced closer to March.

Such big buys are familiar to observers of real estate transactions during the past two years, which have included many deals running into the hundreds of millions of dollars for prime hotels, office centers, malls and warehouse space, primarily in the Moscow area.

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