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German Fund Won't Buy Vivaldi Plaza

By Anton Filatov

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One of the largest deals on the Russian commercial real estate market has fallen through as German investment fund KanAm will not purchase the Vivaldi Plaza multifunctional complex located alongside Paveletsky Station.

KanAm Grund-Kapitalanlagegesellschaft has declined to purchase the 110,000-square-meter Vivaldi Complex from Otkritie-Nedvizhimost, two spokespeople for consulting companies told Vedomosti.

Dmitry Mints, Otkritie's senior managing director, confirmed that the agreement with KanAm was canceled at the start of the year.

"The fund had certain expectations regarding the high capitalization rates for real estate properties in Russia compared with those in other European countries. But since the start of the crisis, European rates have reached Russian levels, and the fund's interest in our country dropped off sharply," Mints said.

Questions sent to a spokesperson for KanAm went unanswered. The company has removed all information about its projects in Russia from its official web site.

Vivaldi Plaza, located on Kozhevnicheskaya Ulitsa, is a multifunctional complex including offices and the four-star Marriott Courtyard hotel. Construction on the project is finished, with just internal work remaining. A total of $450 million has been invested in the project, Mints said.

KanAm's entry onto the Russian market was a major event. The fund announced that it was purchasing the offices in Vivaldi Plaza for $900 million, which at the time made it the largest single deal on the Russian commercial real estate market.

The company then said it had agreed to purchase the Citydel office complex on Zemlyany Val for $600 million.

Since the crisis hit, however, KanAm's appetite for Russian projects has been considerably more modest. The fund reached an agreement with Otkritie-Nedvizhimost for a 20 percent to 25 percent discount on Vivaldi Plaza, and it declined to purchase Citydel altogether.

The Vivaldi Plaza was KanAm's last project in Russia.

"Considering that the capitalization rates in European countries really have risen, it's more reasonable for KanAm to invest in its local market, which it knows far better and where the risks are lower. In conditions like these, it wouldn't be justified to spend that kind of money on Russia," said Natalya Tishendorf, director of capital markets at Jones Lang LaSalle.

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