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Firms Challenge Private Landlords for Tenants

By Irina Filatova

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Moscow's few professionally managed buildings are providing stiff competition to private landlords in the rental market for upmarket apartments, especially for foreigners.

On average, foreigners account for 70 percent of tenants in buildings run by professional management companies, said Galina Tkach, director of leasing at real estate agency IntermarkSavills.

At Pokrovsky Hills, the number is as high as 90 percent — mostly embassy employees and representatives of foreign companies, said Yelena Slesareva, a spokeswoman for building management company Hines International.

Management companies lure tenants by offering them a wide range of services, including maintenance, and a high level of security. In Pokrovsky Hills, many tenants also know one another well because their children go to the Anglo-American School of Moscow, Slesareva

said.

The advantages of renting a home from a management company are also transparency of the deal and availability of English-speaking staff.

On the downside, rates are higher compared with what private landlords charge, Tkach said. They range from $3,000 to $15,000 per month.

Other commercial apartment buildings include properties in Bolshoi Nikolovorobinsky Pereulok, owned by City Hall; Park Place Moscow on Leninsky Prospect; and Donskoi Posad on Stasovaya Ulitsa.

Apartments from management companies are unlikely to satisfy picky tenants because such accommodations can't usually boast creative design — something that private landlords do feature, analysts said. Another disadvantage is that companies charge inflexible rates in their contracts, said Vadim Lamin, head of high-end apartment rentals at Penny Lane Realty. "It's much easier to come to an agreement about rates with a private landlord," Lamin said.

Managed apartment buildings are not common in Russia, occupying a minuscule part of Moscow's high-end rental market. There's a total of 2,000 apartments, townhouses and cottages managed by companies, Tkach said.

"Such projects presume long-term investment and provide a much lower return compared with the profit from an immediate sale," she said.

The annual revenue from renting a property is 5 percent to 7 percent of the potential revenue from selling the same property at a profit, Tkach said.

It's easier for developers to sell a building to repay the loans that they take out to finance construction, Lamin said. "It usually takes 15 to 20 years until a rental building becomes profitable. What bank will issue a loan on such terms?" he said.

The building management business didn't see any new big projects in Moscow or the surrounding region in the years before the economic crisis because developers focused on selling real estate to get quick profits.

But demand for high-end housing slumped after the crisis in fall 2008, causing developers to set their sights again on management companies.

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