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Elite District to Be Built Opposite Kremlin

By Irina Filatova

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The Moscow River embankment across from the Kremlin, as it looks now.

The capital's first elite district with a high-end apartment complex, luxury hotel, restaurants and shops worth a total of $300 million might appear just across from the Kremlin in the near future as DB Development signed a contract to develop a 30,000-square-meter site in downtown Moscow, the company said Monday.

DB Development, a joint venture of Deutsche Bank and Austria's Strabag focusing on Russia and the CIS, will develop the site on the Moscow River embankment, which stretches from Kamenny Bridge to the British ambassador's residence.

The project, whose overall area will be 86,622 square meters, includes an apartment complex of 36,549 square meters, a boutique hotel of 18,973 square meters — both managed by international hotel operator Four Seasons — and underground parking for 400 cars. It will also incorporate several historical buildings in the area.

A pedestrian area will be organized on the embankment — Sofiiskaya Naberezhnaya — which

will be "scattered with expensive restaurants and shops," DB Development said in a statement.

The implementation of the project is expected to bring Moscow its first "really elite district ... with its own atmosphere and recreation centers close in popularity to the Guggenheim Center in New York, Pompidou Center and d'Orsay Museum in Paris," the statement said.

Overall investment in the project totals $300 million, said Dmitry Garkusha, chief executive of DB Development.

His company, which will ensure financing, plans to hold negotiations with several banks, including Alfa Bank, Sberbank and Deutsche Bank, to provide a loan for the project, Garkusha said. Strabag will be in charge of the development work.

Given that the construction site is located in Moscow's historical center — a protected area where large scale construction is forbidden — the main problem the project could face is getting a construction permit from city authorities, said Alexei Mogila, head of the trade real estate department at Penny Lane Realty.

Garkusha promised that the upcoming construction, which is expected to start next year, would not spoil the skyline in the heart of the capital.

The location right across from the Kremlin makes the project unique, said Dmitry Khalin, managing partner at IntermarkSavills.

"There are no other sites with such a view of the Kremlin. This view is most valuable in Moscow and will remain so for the next decade," he said by telephone.

The plot of land, which analysts say is worth $160 million to $200 million, was previously developed by two firms — Kremlin Sait and Kamenny Most, in which Alfa Group recently acquired controlling stakes.

The two companies were previously controlled by State Duma Deputy Ashot Yegiazaryan — who faces arrest over a multimillion-dollar fraud case in Moscow — via an offshore company and were among his assets that were frozen last year after an investigation was begun.

Andrei Kocherov, a spokesman for Alfa Group's investment unit A1, confirmed that the company had acquired the assets but declined to provide details of the deal.

Several sources close to the deal told Vedomosti last week that the assets acquired by the group had been released by the court.

Among other advantages of the project are the size of the plot and combining an apartment complex with a high-end hotel under the management of a single operator, Khalin said, adding that apartments in the complex could be in high demand among members of the regional elite eager to flaunt their status.

The prices for housing in the complex could range from $30,000 to $60,000 per square meter, depending on the interior design, he said.

It could take up to 10 years for the hotel and the apartment complex to become profitable, Garkusha said.

According to Khalin, developers are unlikely to find buyers for the properties quickly due to the significant scale of construction and high prices.

The number of monthly deals with properties of that kind in Moscow hardly reaches seven, he said.

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