

O1 Properties Pulls IPO, Blames Instability on World Bourses

By [Rachel Nielsen](#)

May 11, 2012



O1 Properties owns high-end Moscow office centers, including the revamped Stanislavsky Factory complex. **courtesy of o1 properties**

Blame it on the Greeks.

Just three weeks after announcing its long-awaited initial public offering plans, O1 Properties, an owner of high-end office complexes in Moscow, is abandoning its IPO because of roiling stock markets, the company said.

The Russian stock market has dropped precipitously in recent weeks, and the company is ending its road show rather than waiting out the market "because nobody knows when it's going to stop falling," said Arina Slynko, communications director at O1 Properties.

Even smaller declines in European markets are "more than enough for investors to be concerned," Slynko said in a Friday telephone interview.

The MICEX stock index has declined almost 16 percent since March 11, while European investors have been kept on the edge of their seats by the daily updates on bailout news for Greece.

In a statement Thursday night, O1 Properties said it was canceling the launch of its IPO "due to adverse market conditions." It had planned to raise about \$425 million on the London Stock Exchange with a price range of \$11 to \$13 per share.

"We may consider returning to the equity markets and launching an IPO at another time in the future," O1 Properties chief executive Dmitry Mints said in the statement.

The company said the change of plans wasn't because of lack of interest. During its international road show, which began May 1, potential investors expressed interest in the company's offering, Slynko said.

When it announced the IPO plans on April 18, the company said the proceeds would be used "principally" for funding two acquisitions of Class A business centers in Moscow and for repaying loans.

As to whether those plans are now suspended, Slynko said in an e-mail that the IPO is "only one of the options we are considering" for financing. "Right now we are about to determine what kind of strategy we will ultimately use," she added.

The company's portfolio comprises eight office centers in the capital, such as Vivaldi Plaza, Olympia Park and Lesnaya Plaza, three of which are newly completed. It also has two sites under development.

The outlook for commercial real estate is optimistic, said Charles Boudet, managing director for Jones Lang LaSalle in Russia & CIS. The real estate consulting firm has served as middleman for many leasing deals in Olympia Park and Vivaldi Plaza.

At both O1 Properties and other sites, "the deals that we've been closing include a component of growth," he said, with companies opting for bigger office spaces and continuing a trend that started in the second half of 2010.

In August, Kaspersky Lab announced that it had leased about 30,000 square meters in Olympia Park, which meant that the Russian anti-virus software maker took nearly 65 percent of the leasable area at the complex.

Originally, Kaspersky had sought only about 20,000 square meters for its new headquarters, Boudet said.

He said the market is tougher on an economically sensitive sector like real estate than on other IPO plays. "When you're going to an IPO with commercial real estate, you're not Facebook," he said.

Mark Rubinstein, head of research for investment firm Metropol, echoed that idea. "Real estate — and developers in particular — is the most volatile sector," Rubinstein said. Factoring in the volatility of the Russian market at large, "it becomes very, very risky at this point" for the O1 Properties offering, he said.

The company's decision to end its road show instead of riding out the market was "cautious," Rubinstein said.

He said O1 Properties should delay its IPO launch until the market is smoother and "appetites" for investments in real estate development "recover over the next two to four months."

Morgan Stanley and VTB Capital were the joint global coordinators for the offering. Morgan Stanley, UBS Investment Bank and VTB Capital were joint bookrunners, and UniCredit Bank was the co-lead manager.

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