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Czechs Start Construction of $910M Business Park in Expanded Moscow

By Irina Filatova

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A Czech development group on Wednesday announced plans to invest more than 700 million euros ($910 million) in a project to build a business park in expanded Moscow.

The local subsidiary of PPF Real Estate has begun construction of a 780,000-square-meter business park, ComCity, which will include 430,000 square meters of office space as well as retail stores and parking, on Kievskoye Shosse, 2 kilometers southwest of the Moscow Ring Road.

The new complex is slated to host a bundle of high-profile tenants, with Rostelecom being the first to move in.

The state-controlled telecommunications company signed an agreement to rent more than

100,000 square meters to be completed in December, PPF Real Estate's investment director Tomas Lastovka said at a news conference.

He was tight-lipped on the terms of the agreements, saying only that an average annual rental rate in ComCity will be approximately 300 euros per square meter.

"Tenants of office space are not ready to pay 800 euros per square meter in the city center anymore and decide to move," Lastovka said, explaining his company's interest in building on the outskirts.

Other potential tenants might include local information technology companies, Lastovka said. Construction of the whole complex is scheduled for completion by 2018.

Sberbank, which will provide part of the project financing, might also rent offices in the complex, said Maxim Poletayev, head of the lender's Moscow branch.

The bank will provide a 186 million euro loan to finance construction, according to an agreement it signed with PPF Real Estate on Wednesday.

The loan will be spread over 7 years and will be secured by the new office complex and the land on which it is located, he said. Lastovka said his company owns the plot where construction is being carried out.

The loan provided by Sberbank accounts for just a quarter of the project's value, bringing its total worth to as much as 744 million euros. PPF Real Estate will pay 30 percent of that sum from its own funds, with the remaining portion coming from loans.

Sberbank, which is financing only the first stage of construction, including 110 square meters of office space, is ready to provide more funds, Poletayev said. The lender has 10 billion rubles set aside to finance office construction on the adjoined territories alone, he added.

As part of the Kremlin's initiative to expand the city, Moscow added 148 hectares of land in the south and southwest last year, more than doubling in area.

The ComCity business park will become one of the 12 key projects ensuring the economic growth of expanded Moscow, said Pavel Perepelitsa, deputy head of City Hall's department for developing the capital's new territories.

ComCity will have a few other large projects for neighbors: a 170,000-square-meter business park, Dudkino, with Class A office space, whose construction is under way, and business park Rumyantsevo, built in 2008.

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