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Morgan Stanley Sells Half of Metropolis Mall

By The Moscow Times

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Morgan Stanley sold a 50 percent stake in Moscow's Metropolis shopping mall to a joint venture of U.S. real estate firm Hines and a California pensions managing agency in a deal which might be valued at over $600 million, a media report said.

Hines CalPERS Russia Long Term Hold Fund — a joint venture between Hines and the California Public Employees' Retirement System — acquired half of the 205,000-square-meter shopping center in the northwest of the city, managing director and country head for Hines in Russia Lee Timmins told Kommersant late last week.

The sides officially announced closing the deal on July 10 but did not disclose any details of the transaction. Timmins did not comment on the size of the deal either, but it could be valued at approximately $600 million, given the $1.2 billion Morgan Stanley had paid for the entire property.

Analysts told Kommersant that Morgan Stanley could increase the value of stakes by 7 to 10 percent by selling them separately, with the potential deal value exceeding $640 million.

Morgan Stanley's real estate investment division bought Metropolis from developer Capital Partners earlier this year, with analysts calling the transaction the largest in the history of Russia's commercial property market.

Moscow remains the country's most attractive market for investment into commercial real estate, Alexander Zinkovsky, a senior analyst at Cushman and Wakefield, said in a statement earlier this month. Retail properties were the most prosperous segment for investors in commercial real estate in the first six months of this year, he added.

Over half of the $4.63 billion investment into commercial properties in Russia in that time period was in the retail segment, according to the consulting firm.

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