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Foreign Investment in Russian Commercial Property Hits 7-Year High

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While foreign investors in the Russian real estate market are active as ever, the total amount of investment in commercial property this year has been much lower than last year.

Foreign investment in Russian commercial property has hit a seven-year high as the weak ruble has made the market more attractive for international companies, the RBC newspaper reported Friday, citing a recent market study.

Foreign capital accounted for 42 percent of investment in the commercial real estate market in the first nine months of the year, the highest rate since 2008, when foreign capital was used in 77 percent of the deals over the same period, a report by real estate agency Cushman & Wakefield showed, according to the newspaper.

Out of $2 billion invested in commercial property in Russia between January and September, foreign investors put up $848 million, the report said.

Cushman & Wakefield's analysts attribute the increased interest from foreign investors in Russian commercial real estate to the devaluation of the Russian currency, which has lost more than 40 percent of its value since the beginning of last year.

For foreign companies, the ruble's fall was a positive signal to conclude deals, Mikhail Mindlin, a member of Cushman & Wakefield's board of directors in Russia, told RBC.

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Investment in commercial property in Russia dropped by 44 percent in the first nine months of the year compared to the same period in 2014, RBC cited the report as saying. The sharp overall decline is caused mostly by a drop in investment from Russian companies, Cushman & Wakefield data showed.

In the first nine months of the year, Russian investors spent $1.2 billion on commercial real estate in the country, $1.8 billion down from the same period last year. They are waiting for the market to hit the bottom and are in no hurry to purchase property, Mindlin told RBC.

The most attractive segment for commercial real estate investors is office space, where 47 percent of the total amount of investment was seen in the first five months of the year, the Kommersant newspaper reported last week, citing data from real estate consultancy Colliers International.

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