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Paris Hermitage to sign in 1Q13 for €1.2bn bank finance

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Debt financing for the €2bn Hermitage twin towers project in Paris La Défense, now increased to €1.2bn from an initial €700m, should be signed with banks early next year allowing site demolition to start in summer and the project to complete by early 2019, the firm's Russian CEO Emin Iskenderov told PIE in an exclusive interview. At that time he will name the banks as well as the operator for the five-star hotel in the complex.

Speaking at his Paris office, Iskenderov remained upbeat about the vast project, and said delays in the original timetable were caused by the time needed to obtain the construction permit, which finally came through during the MIPIM trade fair in March. He told PIE in a wide-ranging interview that despite this, French authorities have been very supportive, aware that other potential Russian investors are watching developments before considering investment projects in France.

Part of the delay in the permit was because the two gigantic Norman Foster-designed towers, planned to stand at the front of the west Paris business quarter on the Seine bank at 320 metres high - a tad shorter than the French capital's iconic Eiffel Tower at 324m. - will be the tallest mixed-use ultra-high skyscrapers in France when completed. This category of tower, called ITGH (Immeuble de Très Grande Hauteur) and above 200m., is comparable only with international ground-breaking projects such as the Freedom Tower being built in New York and aimed for 541m., and London's Shard, at 309.6m. the tallest skyscraper in Europe for now.

"The problem was that this is a completely new type of building so they needed to check all new rules and regulations and so on, and that's why French authorities took much more time to deliver us a permit," Iskenderov told PIE. The permit was first promised for the start of 2011 but finally came through after more than year of delay. "So we finally obtained the permit but we already had prior agreements with the banks for the finance, and we came back to see them and they said that's okay, it's perfect, now you have the permit." However, the market cycle had moved on and Iskenderov agreed with the banks that new studies were needed to check assumptions on market conditions and the project's viability.

The new studies, started with Knight Frank and others around April and finished in October, concluded that nothing has to be changed from the original concept. "No, nothing has changed in that respect; the only one thing that has changed is that if before, our schedule was to start to build and start to sell the apartments the same day, now we have understood that it is better to start to build and then begin sales one year after that," Iskenderov said. "The first thing is that we're going to start demolition... If

everything is as I expect - that we have our finance before January or February - we can start the demolition before about summer of next year (2013). Once we start demolition we can begin to build at the same time - because nowadays you don't need to wait to demolish the building; you can do it at the same time. If it happens like this we can deliver everything at the end of 2018 or beginning of 2019."

The towers, which will have a baseplate extending to the edge of the Seine and covering the riverbank highway, are expected to take five years to build. The retail buildings at the back, still the subject of a number of legal objections, will take about three years to construct and so can be started later but finished at the same time.

Despite doubts among the French real estate community that the Hermitage project will happen, Iskenderov has overcome all obstacles so far and at the same time established solid political connections in France and Russia; he sits on the economic council of the Russian ambassador in Paris and was part of a delegation that met recently with Prime Minister Dmitry Medvedev. Part of the concerns derived from his past with the Russian firm Mirax, forced to restructure in 2011 after building large debts. However Iskenderov said he severed all contacts with the group in 2010. "From 2010 we split our duties: I became the single owner in Paris, and my partners kept their ownership in Moscow. So that's why now Hermitage has become completely private, and completely my own company." He no longer has any business connections whatsoever to his former group, he told PIE.

And contrary to the belief that the La Defense Hermitage Towers may be most attractive to rich Russian oligarchs, Iskenderov expects demand to be global. The 165,000 sq.m. of residential space, accommodating 540 apartments, has already attracted worldwide interest - not only from Russia - and he has already fielded around 3,000 enquiries.

Iskenderov told PIE: "You have to understand our concept. Our concept begins from one fact - that today if you lived in London, if you lived in New York, if you lived in Moscow, if you lived in China, if you lived in Dubai, and you had an apartment with service, with swimming pool, with fitness, with all these things, this product is simply not available at present in Paris. Today in Paris you have two possibilities: you go to the older residential buildings market - but on that market you don't have very nice view, it's a very old building, your elevator is bad, you don't have parking, you will hear your neighbours, and all these things - or you go to new apartments, and in most of these you're going to find very cheap quality. All the new apartments that have been done recently in France are basically very cheap quality. It's 2.60m. or 2.70m. ceiling height, no air conditioning, no smart housing, no services like fitness, like spa, etc. etc ... it's not like London... In Paris there simply is no other product like this."

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