

Parking Saga

In the fall of last year, an experiment was started at the initiative of Moscow authorities: from November 1, 2012 until February 28, 2013, parking on streets in Moscow's center became paid. The experiment was declared successful by the city's administration – while calling for further perfection of technical matters regarding payment. According to the new project, starting on May 15, 2013, auto parking will be payment-based across city territory within the Boulevard Ring, as well as on certain parts within the Garden Ring. Beginning in 2014, parking could become payment-based within the entire Garden Ring and in 2015 – within the Third Transport Ring.



The citizenry, who initially spoke out against such actions by the city's authorities, have somehow reconciled with this thought, although experts on the commercial real estate market believe that the introduction of paid parking could radically change the situation and balance of forces both in the retail sphere and in the office real estate segment. And yet, this hardly means a worsening. Simply everything will be a little... different.

FACTS AND NUMBERS

For starters – several numbers allowing for assessment of the “issue’s scale”. First: as noted by first deputy director general at STA (State Treasury Agency) Sergei Marinichev, the results of the research recently conducted by his agency evidence that 54% of Moscow’s population recognize traffic as the city’s main problem. Second: inventorying of Moscow’s parking space inside the TTR conducted again by Sergey Marinichev’s agency shows that inside the CAD 46 thousand automobiles are standing in violation of road traffic rules. Furthermore, in terms of the CAD’s overall parking capacity, this totals 303,000 auto spaces. And third: right now Moscow’s transport department is implementing approximately 15 projects relating to the development of public transport. Furthermore, a framework has been developed under which in the next several years plans call for building approximately 35 thousand parking spaces in the center.

And now several numbers cited by representatives of the business community. First: as noted by Evelina Ishmetova, vice-president of consulting department at GVA Sawyer, presently in the Central business district (CBD), including the territory within the Garden Ring and several neighboring business clusters (particularly Belorusskaya district and Moscow-City territory), the calculation is the following: one parking space per 100 sq.m of office space. Furthermore, up to 15 employees can work in 100 “squares”, while statistics say 60% of them have cars. Second: according to experts from CBRE, located in the Central business district on territory of approximately 20 mln sq.m are more than 357 class A and B business centers, which altogether offer their tenants approximately 33 thous parking spaces. Third: as highlighted by Marina Novikova, analyst research at CBRE, according to the very lowest calculations, 10–15 thousand parking spaces are lacking inside the Garden Ring.

OFFICE-PARKING ROMANCE

It must be noted at once – there’s no panic among the business community regarding the Moscow government’s auto parking initiatives. Everyone realizes that the center’s transport problem must be addressed, no matter how tempting it is to ignore. Furthermore, as noted by Sergei Marinichev, the first experiment of November-February showed that certain business segments will only benefit from the introduction of paid parking. For example, the banks located in the area of the project pilot zone spoke about it in the most exuberant tones: previously their clients arrived, searched for a parking space for 30–40 minutes, and failing to find one left their car wherever they could while risking incurring a fine, towing or other inconveniences. But while the experiment was under way, there were 30–40% open spaces surrounding the bank branch and the 50–100 rubles spent while visiting the bank didn’t bother anyone.

Of course, it’s an entirely separate matter if we speak about visitors arriving for 30 minutes- one hour and office employees leaving their cars for the entire workday. According to Evelina Ishmetova’s estimates, the lower threshold regarding rental rates for parking spaces at high-caliber business centers inside the Central Business District (CBD) is set at \$400 per month (see Table 1). But under the program set forth by the city, a minimum of \$300 per month will be paid. A comparison of these numbers provides the possibility to sketch several scenarios for the development of events once the city’s administration introduces paid parking in the center. Furthermore, each one of these scenarios has the following phrase as an epigraph: “Under no scenarios will companies take on additional expenditures in order to provide their employees with parking spaces (of course, this doesn’t pertain to top management)”.

First scenario: employees park in paid city garages for \$300 a month. Second scenario: employees independently agree with BC owners and park inside for some amount of money. Third scenario: everyone who is able switches to public transport. Fourth scenario: employees of center offices seek new places of employment in different locations.

The last scenario can be undertaken not only by individual office employees, but also entire companies. Which immediately engenders the question as to how much the city

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administration's initiative will change the situation on the "central" office market. As acknowledged by Evelina Ishmetova, at first GVA Sawyer thought that office moves due to parking are no more than a myth. "But, digging into the situation", they decided that for certain companies this is indeed the reality. Ms. Ishmetova thinks that these companies can actually be split into a small representative office in the center and back office outside the TTR. Perhaps there will be few of these companies, but according to her, even if 5% of the structures "get up and leave", the share of vacant premises in CBD centers will increase from today's 7–8% to 15%. And if even 10% of premises are vacated in office buildings, the IRR will start to fall considerably. However, CBRE doesn't believe in either isolated or en-masse departures of companies from the center. Above all because in Moscow the share of expenditures on parking in the overall total of companies' costs is relatively low, especially in comparison with world statistics.

And even if the owners of business centers eventually, under the pressure of mounting numbers of drivers wishing to park their cars, increase the prices on their parking spaces, this won't prompt companies to move. However, of course, as noted by Claudia Chistova, head of office research at CBRE in Russia, "according to the analysis of office buildings inside the Garden Ring and parking spaces in these business centers, we anticipate reduced demand for office premises bereft of parking along with greater demand for office premises provided with an efficient parking factor. We also believe that the ban on free parking will serve as an additional stimulus for tenants who have no need in terms of business and image to be in the city center to begin exploring office premises outside the TRR".

And finally, as told by Sergei Matyushin, his agency is developing a framework under which the owners of buildings not provided with parking can reach out to the city's authorities with a request for either the organization of noncapital parking or the rental of parking spaces from the city.

VIEW FROM BEHIND THE WINDOW

The experts assess the situation slightly differently when the conversation touches upon the retail real estate segment. In terms of retail centers, in the majority of cases, there was, remains and will be parking. The prices are by no means draconian, but neither can they entice visitors to Neginnaya Plaza or Tsvetnoi to park underground. And their outdoors parking interferes with traffic. For example, natural parking on the Garden Ring, according to Dmitry Stepovoi, CEO of Atrium Mall, renders this part of the Ring sclerotic. Furthermore, the underground parking at the mall itself is all but empty. As a result, the owners of Atrium today propose setting up a fence along the entire building facade facing the Ring. All the auto owners will be directed to underground parking. However, the problem can be solved much easier. According to the vast majority of experts, as soon as the new parking rules take effect the "car-people" themselves will rush towards the underground parking without any kind of additional prompting.

And in the street retail segment, the introduction of paid parking could even be welcomed. According to Irina Smirnova, Partner, Lead Consultant at MAGAZIN MAGAZINOV, part of CBRE affiliate network, paid parking hardly hinders retail: "At a more or less well-organized car park located under someone's surveillance oftentimes there's even more order and more possibilities for finding space". And yet what's truly pernicious for business is the lack of parking outside! "For example, the ban on parking on Tverskaya, even though the street possesses high pedestrian traffic, led to downwards adjustments of rates," Irina Smirnova emphasizes. It's a separate matter that over the past two years the experts note a considerable reduction of interest in street retail properties on the part of, for example, tenants of the "clothing-footwear" segment. Today these retailers prefer "retail centers" with guaranteed traffic. And their space outside is occupied by restaurant businesses targeting "pedestrian" clients. c|R|e