

# THE REAL DEAL

www.TheRealDeal.com

NEW YORK REAL ESTATE NEWS

Vol.9 No.9 September 2011 \$3.00

## The Russians are coming

*Russian restaurateurs turn to New York City, opening eateries and eyeing future locations*



BY TRACEY SAMUELSON

Forget the Tea Room. There's a new wave of Russian restaurants coming to Manhattan, driven by economic and political uncertainty in Europe, a weak U.S. dollar, and the allure of New York's high-profile restaurant scene. With long-term leases and multimillion-dollar renovation budgets, more and more Russians are saying "da" to New York.

"[These restaurants] are all high end," said Marlen Kruzhkov, an attorney and partner with Gusrae, Kaplan, Bruno & Nusbaum in New York. Kruzhkov represents three Russian restaurant groups with plans to open a combined 12 to 18 restaurants in Manhattan in the next two years.

"They've invested lot of money in real estate and build-outs; they have long-term plans," he said. "These are serious leases at long-term values. They're here to stay."

Late last month, a construction crew began renovating a three-story space that will be the first New York location of Café Pushkin, a high-end Moscow eatery owned by Russian restaurant group Maison Dellos.

In April, the group signed a 12-year lease at 41 West 57th Street, a three-story location formerly occupied by Shelly's Big City restaurant. The ground-floor price per square foot was around \$325, according to Leslie Siben, a commercial real estate broker with JDF Realty, who represented Maison Dellos in the deal.

"[Maison Dellos executives] knew exactly what they wanted," said Siben. "They wanted sweeping ceiling heights, and a configuration that can accommodate a very classical design."

And they won't stop with Pushkin. Siben and her partner on the deal, Benjamin Kahr, are currently advising Maison Dellos as it searches for a 20,000-square-foot commissary outside the city to serve as food storage and a prep kitchen for the additional restaurants, patisseries and lounges the company has planned for New York.

"We have big plans for New York," said Alexander Zaytsev, the general manager of Maison Dellos, adding that the company hopes to open two additional New York locations by 2012.

Maison is following in the footsteps of Ginza Project, another Russian restaurant group, which opened MPD on Gansevoort Street last year and Mari Vanna at 41 East 20th Street in August 2009.

Modeled after a restaurant concept Ginza developed in Moscow, Mari Vanna is designed to look like a Russian grandmother's kitchen. The menu offers over a dozen house-infused vodkas, and traditional Russian dishes — from borscht (beet soup with beef) to caviar.

Ginza did not respond to requests for comment, but Bond New York broker Jim Coleman, who represented Ginza in its lease negotiations for the restaurant in 2009, likened Mari Vanna to a Russian version of the Hard Rock Café.

Just as "Hard Rock Café is [the] same wherever you are in the world, a Mari Vanna is the same," Coleman said. He added that Ginza group had originally planned to splash into the New York market with a large nightclub, but felt the space was a better fit for Mari Vanna.

And this may be just the tip of the iceberg for Russian investors in New York's culinary scene. Sources say Russian investors in already established New York restaurants are also seeking new Manhattan addresses. Other groups are waiting to see how these new ventures do before taking similar steps.

"These are really ambitious groups," said Kruzhkov. "If they succeed, we'll see more and more. There are many others taking a wait-and-see approach."

Why all these openings now, and why New York?

With the Russian population in New York City now over 260,000 people, according to the U.S. Census Bureau, there's strong demand for Russian cuisine.

And there's currently a lack of authentic, high-end Russian food in New York, Maison Dellos' Zaytsev said, adding that his company wants to take the opportunity to introduce sophisticated Manhattan diners to this kind of cuisine.

"Everything you can see in New York about Russian cuisine, it's low-level," he said. "It's kitsch."

Another factor is that for many restaurateurs, "a large part of it has to do with diversifying out of Russia," said Ed Mermelstein, another lawyer active in helping Russian clients establish New York restaurant locations.

The Russian economy is heavily reliant on oil and natural gas exports, making it highly vulnerable to the fluctuations of commodity prices, he said.

## Russian restaurant groups plan to open a combined 12 to 18 restaurants in Manhattan in the next two years.

“They’re also looking to diversify the customer base,” said Kruzhkov. “If the price of oil drops, or the ruble drops, they have a restaurant in New York that doesn’t depend on [customers in Russia].”

The United States is, of course, experiencing its own economic uncertainty, but it still feels like a safe bet for Russian investors, said Kruzhkov.

Moreover, with the dollar relatively weak in comparison to the euro or ruble, notoriously expensive New York is offering up a rare bargain to foreign investors.

“It’s almost coming to be a discount location, especially over Paris or Moscow,” Coleman said.

That “currency discount” is driving Russian investment in New York real estate and other corporate ventures as well. Moscow-born billionaire Mikhail Prokhorov’s purchase of the New Jersey Nets, which was approved by the NBA in May 2010, is perhaps the most high-profile recent example of this trend.

But Russian restaurateurs are also seeking the cachet and exposure created by success in the highly competitive New York culinary scene.

“A lot of it has to do with the prestige value,” Mermelstein said. “A company like Maison Dellos is a very high-end operator, with over 10 very high-end restaurants. It’s not different from someone like Daniel Boulud opening up all over the world. It starts in a major city and goes worldwide.”

“We want to expand our brand to the world level,” Zaytsev said. “Expanding to New York and showing the world our strong product— we’re certain it will be a great step.” **TRD**

