

Time to Sell Penthouse. The Russians Have Cash.

Big Deal

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\$88 MILLION A trust linked to the eldest daughter of Dmitry Rybolovlev bought an apartment at 15 Central Park West.

Left, Richard Drew/Associated Press; right, Lionel Cironneau/Associated Press

More than 200 real estate brokers and lawyers, many of them among the most ambitious in the Manhattan real estate world, filed into an Off Broadway theater last month for three hours.

The subject of the gathering was not art, but money: specifically, how to sell multimillion-dollar properties to clients from Russia and other parts of Eastern Europe.

While the brokers sipped wine and nibbled cheese, a panel of lawyers and a banker reviewed some of the biggest sales made to Russians, including the \$188 million spent on properties in Florida and New York by trusts linked to Dmitry Rybolovlev, who made billions from potash fertilizer; the \$48 million that a composer, Igor Krutoy, paid for an apartment at the Plaza Hotel; and the \$37 million spent by Andrei Vavilov, a former deputy finance minister, on a penthouse at the Time Warner Center.

The real estate market in the United States may still be slumping, but its high end is enjoying a remarkable updraft, propelled by money flowing in from all corners of the globe, including from developing countries like Brazil, China and India. But no group is consistently writing bigger checks than the Russians.

Over the past four years, Russians and other citizens of the former Soviet Union have signed contracts to buy more than \$1 billion worth of residential real estate in the United States, according to estimates from lawyers and brokers.

The spending spree may just be warming up, given that \$84 billion left Russia last year, with the Russian government estimating that up to 5 percent of that capital flight was being plowed into American real estate. The number of billionaires in Russia and Ukraine has more than tripled since 2009, to 104, according to Forbes.

“The fact that everybody recognizes that the high end of the market right now is controlled by that buyer is definitely driving that interest,” said Edward A. Mermelstein, a lawyer with Rheem Bell & Mermelstein, which helped organize the seminar last month.

Jill Sloane, a broker with Halstead Property, said, “Everyone knows they are the ones with the big money right now.” She added that when she heard that the penthouse at 15 Central Park West had sold for \$88 million, “I knew it had to be a Russian.”

The billionaire buyers are flush with cash from the privatization of Russian state industries and from high prices on oil and other commodities, and are eager to park much of their fortunes outside the reach of the government of Vladimir V. Putin.

Mr. Putin signaled his frustration in February, when he said Russia “must end this period,” referring to what he called the “unfair” privatizations in the 1990s.

Even before Mr. Putin was elected last month to another term as president, many wealthy Russians had been taking steps to move their families to New York, in some cases by using EB-5 visas in exchange for making government-approved investments, Mr. Mermelstein said.

“I think that Putin scares them to death,” said Victoria Shtainer, a Russian-born broker with Prudential Douglas Elliman in Manhattan. “You can’t have so many droves of people here purchasing at such high rates of speed if things were O.K.”

Many of the Russians seem determined to make names for themselves as conspicuous consumers. After buying trophy apartments and houses, they often pour tens of millions of dollars more into remodeling projects by brand-name interior designers like Jacques Grange. They also collect rare art and commission one-of-a-kind yachts.

Mr. Rybolovlev, worth an estimated \$9 billion, has been involved in two of the biggest sales. In 2008, a trust linked to him bought a 69,000-square-foot oceanfront home from Donald Trump for about

\$100 million — then a record in the United States. In February, a trust linked to his eldest daughter, Ekaterina, 22, bought a four-bedroom penthouse at 15 Central Park West from the former Citigroup chairman Sanford I. Weill for \$88 million — the most ever paid for an apartment in New York City.

That sale stirred the imaginations of Manhattan brokers and emboldened developers to increase the prices of other luxury residences. In the past four months, Extell Development Company has increased its listing prices by 5 percent to 15 percent at 157 West 57th Street, which will be New York's tallest residential building. The two-floor penthouse is now selling for \$115 million, up from the original asking price of \$98 million.

Extell's president, Gary Barnett, said Russians had signed contracts to buy two apartments in the new building, each in the \$25 million to \$30 million range. A few other Russian buyers walked away after failing to negotiate "big price reductions," he said.

Russian buyers usually know what they want — Central Park views in modern, full-service buildings with on-call concierge service are high priorities — but typically end up spending twice their original budget, said Jacky Teplitzky, a broker with Prudential Douglas Elliman.

A number of wealthy Russians are making an impression on the New York night-life scene, too.

They frequent the Japanese restaurant Nobu and drink at the Standard Hotel in the meatpacking district, brokers said. Many are in their 30s and 40s. They are obsessive about keeping in shape and are often seen with a series of female companions, Ms. Teplitzky said.

Some of them roll about town in customized Rolls Royces where the doors open at the opposite hinge to allow women to step out easier in heels, added Ms. Teplitzky, whose Russian clients include Vladislav

Doronin, a construction magnate who dates the British model Naomi Campbell. Mr. Doronin has spent more than \$20 million redoing a home on Star Island in Miami Beach that he bought in 2009 from the basketball player Shaquille O'Neal for \$16 million, according to neighbors.

“When I am with them, I feel like I am in a movie,” Ms. Teplitzky said. “It is a complete different world.”

When the Russians shop for real estate, they tend not to dither, brokers said, and they seem to spend their fortunes as quickly as they made them.

Mr. Rybolovlev, for example, trained as a physician and started an electromagnetic therapy company in his 20s. He became one of the first stockbrokers in Russia, worked at an investment fund specializing in buying voucher funds, effectively shares in state-owned enterprises, and, in 1994, founded a bank.

He was in the right place when state industries started privatizing in the early 1990s. Instead of investing in the oil industry, as many others did, he chose the chemical industry. He joined the board of Uralkali, which exports potash fertilizer.

Mr. Rybolovlev was aware of several threats on his life and took to wearing a bulletproof vest, his lawyer, Tetiana Bersheda, said. He moved with his family to Switzerland in 1995.

Shortly after being named chairman of Uralkali in 1996, at age 29, he was charged with murder in the death of a competitor. He spent 11 months awaiting trial before the chief witness against him recanted and the charges were dropped.

In 2000, the market value of Uralkali was \$15 million. It went public in 2007, and by 2008, the value had ballooned to \$34 billion, Ms.

Bersheda said. But Mr. Rybolovlev was not taking any chances. In 2005, well before the initial public offering, he transferred his stake in the company to two trusts in Cyprus, where much of his fortune remains.

His other assets are spread around the world, including in banks in London and Singapore, according to a court filing in his pending divorce case. His art collection, valued at \$500 million to \$1 billion, includes paintings by Monet, Van Gogh and Picasso, all stored outside of Russia.

His real estate collection includes a home in Paris that he bought from the fashion designer Pierre Cardin, as well as residences in Dubai and Geneva and a house under construction in Gstaad, Switzerland. He and his daughter Ekaterina share a large apartment in Monaco, their principal residence.

In 2008, Mr. Rybolovlev and his wife made house-hunting trips to New York. He made an offer on an apartment at 15 Central Park West — not Mr. Weill’s penthouse, which was not for sale at the time — but the seller backed off the deal, Ms. Bersheda said.

He turned his attention to Florida, where Mr. Trump had been trying for a few years to sell the Palm Beach residence he had bought for \$39 million at an auction in 2005. Mr. Rybolovlev created a trust for his two daughters to buy the property, which stretches across about 6 acres and 475 feet of the Atlantic Ocean. He has not set foot in it since.

Then, last year, Mr. Rybolovlev returned to New York, this time with Ekaterina. She directed the search, which included a few other apartments, but she found Mr. Weill’s four-bedroom penthouse with a wraparound terrace “unique,” Ms. Bersheda said.

Using a trust set up to benefit her and her future children, Ms. Rybolovleva bought the condominium with cash. She has not visited it since the sale closed in February. Despite the uncertainties caused by her parents' divorce, she hopes to be able to stay in the apartment between September and December, when she expects to be finishing a liberal arts degree from Harvard University Extension School, Ms. Bersheda said.

She has been attending most of her classes online because her passion for competitive horse riding keeps her close to Monaco.

"She is close to nature, to animals," Ms. Bersheda said of the owner of the most expensive Manhattan address. "Ekaterina is not a bling-bling girl that would be partying all the time."

Olga Slobodchikova contributed reporting from Moscow.

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