

# Proposed Gambling Zones See Prices Rocket

Real estate prices in two of the four zones designated for legal gambling, set to come into existence in mid-2009, have seen a spectacular rise since the beginning of the year.

Under a new anti-gambling law, which received President Vladimir Putin's official approval Dec. 31, gambling in Russia will be restricted to four zones from July 1, 2009. Elsewhere in the country, gambling will become illegal.

The positioning of the zones – the Baltic exclave of Kaliningrad, the Primorye region, the Siberian Altai region and the southern Krasnodar-Rostov area – raised eyebrows when it was first announced in December.

Besides the Primorye region, which already attracts a large number of gamblers from nearby China, the economic logic behind the selection of the other zones seemed unclear.

Investors, however, now appear keen to get on board the potential gaming boom, which has caused real estate prices to skyrocket.

One of the intended zones, a 1,000-hectare site by the Sea of Azov, on the border between the southern regions of Rostov and Krasnodar, has seen real estate prices shoot up tenfold in recent weeks, Vedomosti reported Thursday.

This is despite the fact that civil servants will only settle on the exact parameters of the zone in early February.

Private businesses are expected to invest up to USD 2.5 billion by 2010, with the government putting in USD 500 million for initial infrastructure, Krasnodar Deputy Governor Alexander Remezko said in a statement published on the

region's official web site.

The reports of a meteoric price rise in the Krasnodar-Rostov zone followed similar news from Altai, where another of the gambling zones will be situated.

With investors from all over Russia looking to buy up land for potential hotel redevelopment, prices have quadrupled in the village of Solonovka, on the edge of the intended zone, Rossiiskaya Gazeta reported Jan. 11.

Former inhabitants have even begun returning to reclaim any land they once owned, local news agency Amic reported.

Describing the proposed site as little more than a cluster of typical Russian villages, Alexander Smirnov, director of the Altai-based Tourist Agency Plot, expressed incredulity at the expected rate of change.

„Its difficult to imagine that this will become a Russian Las Vegas, but that's what they've said will happen,“ Smirnov said.

„You know what Russians are like – they'll spend today and wait to see what happens tomorrow.“

Officials in Kaliningrad and the Primorye region could not be contacted for similar figures Friday.

Some analysts, however, are skeptical about the accuracy of such high growth rates and questioned the wisdom of any speculative investment in the proposed zones.

„We are getting interest from various hotel chains in the Russian regions but no particular interest expressed in the proposed gambling zones,“ said Konstantin Demetriou, national director at the capital markets department of Jones Lang La Salle.

With presidential elections scheduled before the law's

implementation, Demetriou questioned whether the gambling law would ever come into effect and who would risk investing in the areas at such an early stage.

„It is far too early to talk about a possible surge in prices, and I seriously doubt that the figures are as dramatic as claimed“, said Oleg Repchenko, director of the analytical department at IRN.ru, a web site that tracks the market.

Lavrenty Gubin, spokesman for Storm International, one of the country's biggest gaming companies, which runs the Super Slots chain and several Moscow casinos, said his company had no intention of venturing into the gambling zones before carrying out marketing research.

Also, although foreign gaming giants are backed by the necessary financial resources, they will not be prepared to risk investing in the zones without guarantees that the gambling law will come into effect and with the limited infrastructure in place, Gubin said.

„This is Russia, and anything could happen. It is obvious that these zones are not going to start functioning in 2 1/2 years,“ he said.

However, supporters of the gambling law see it as a way to wrest control of the industry from the criminal elements that controlled it during the '90s.

Uprooting the gaming industry piecemeal and relocating it to remote locations, with the state able to determine how any new operating contracts are divvied up, will give the industry a clean start, proponents of the move argue.