

SIAM DISCOVERY
THE CONCEPT

History of 3 Star Hotels
Development of 5 Star
Planning Concept
Design & Development
Escalators & Ramps/Steps
Expansion Areas

Marketing Planning
& Brand Awareness

16. July 2018

H1 2022

Retail Shopping centres

Russia | St. Petersburg



Table 1
Key market indicators

Source: Nikoliers

	H1 2020	H1 2021	H1 2022
Total supply of shopping centres, thousand sq m	3,093	3,219	3,238
Number of existing traditional and specialized SCs	122	125	127
Vacancy rate, %	3.4	5.3	6.6
Retail space provision, sq m per 1,000 people	573	598	602

Key results

The changes in the geopolitical and economic context that occurred in H1 2022 have significantly affected all participants on the retail real estate market, including developers, retailers and consumers. In the current situation, with the suspension of the operating activities of foreign brands, the disruption of logistics chains, sanctions restrictions, a surge in inflation and a decrease in purchasing power, St. Petersburg shopping centres faced a drop in attendance. According to Focus Technologies, from the end of February to the beginning of June, the attendance of St. Petersburg shopping centres was at least 10% lower than a year earlier.

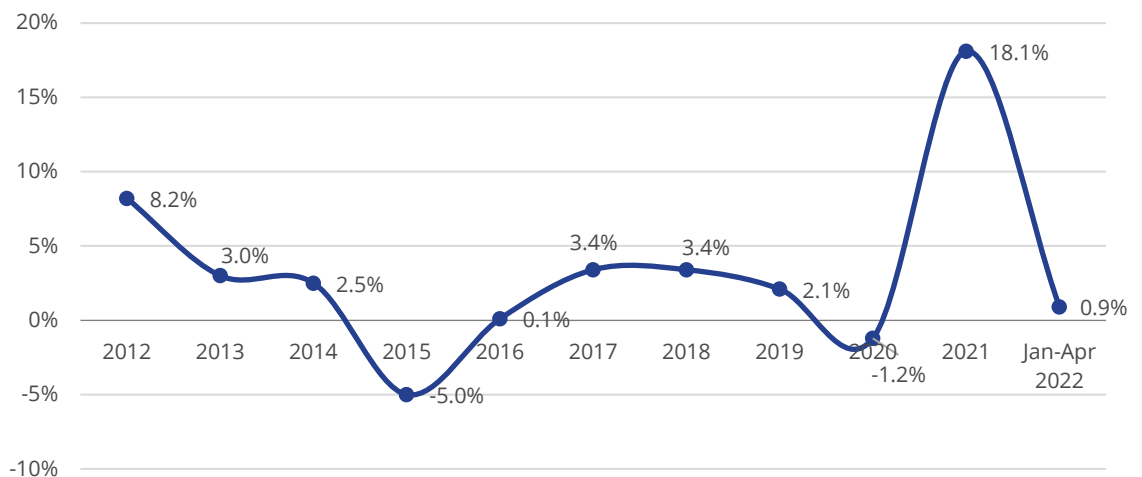
According to Petrostat, retail trade turnover in St. Petersburg in January – April 2022 amounted to RUB677.7 billion, which is 0.9% higher than in the same period last year (in comparable prices). In March, there was a rush demand of consumers who sought to buy goods in stock or have time to purchase products of brands that announced the temporary closure of their stores, which led to an increase in the turnover of food and non-food groups of goods (+12.9% and +10.1% by February, respectively). By the end of April, demand decreased, and trade turnover decreased by 17% year-on-year, amounting to RUB160.6 billion. This month, a significant drop occurred in the segment of non-food products - by 24.9% y/y, while food turnover decreased by only 1% y/y.

Over the past five years, the growth of retail space in St. Petersburg has been restrained, consisting of small neighborhood and specialized retail facilities. Currently, the construction of the SEC Hollywood, the largest shopping facility under construction in the city, is continuing.

Chart 1

Retail turnover in St. Petersburg, % to the corresponding period of the previous year (in comparable prices)

Source: petrostat.gks.ru



Demand and vacancy rate

According to our estimates, by the end of the first half of 2022, the average vacancy rate in St. Petersburg shopping centres was at 6.6%, which is 1.2 p.p. higher than at the end of 2021. At the same time, in a number of high-quality projects, vacancy remains at a low level — not more than 2%. It is worth noting that temporarily closed stores of foreign brands are not taken into account to the amount of the vacant space. The potential vacancy of these stores will be clearer in the second half of the year, when retailers announce plans for further work on the Russian market.

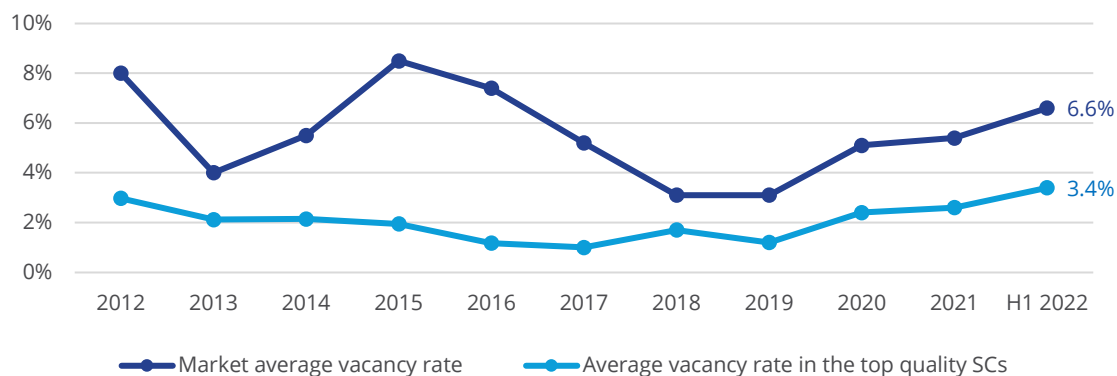
The store opening activities in shopping centres in the first half of the year were low. Compared to last year, the number of new stores decreased by a third, and compared to 2019 — by 1.5 times. Among the interesting openings are the following: the first EMKA store in St. Petersburg (SEC Galeria), YOU WANNA (SEC Galeria), two sela moms & monsters brand stores (in Okhta Mall and Europolis shopping malls), the department store of Russian designers SLAVA

(SC Nevsky Centre). We expect a further increase in the presence of Russian brands in shopping galleries, as well as the emergence of new brands from Turkey, Iran, India, and China. The owners are actively working on expanding the geography of brands in projects. However, the negotiation process usually takes at least 6–18 months.

As of the end of June 2022, the share of temporarily closed stores in shopping centres of various formats varies from 5% to 30% of the total leasable area of projects. Since March, this figure has decreased, as a few foreign retailers have sold Russian divisions, and their stores have resumed operation under new brands. Among such retailers are LPP, OBI, L'Occitane.

Chart 2
Vacancy rate in traditional shopping centres*

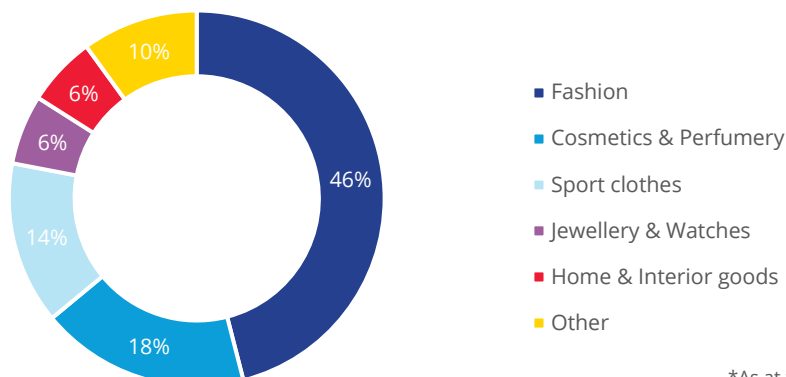
Source: Nikoliers



* The level of vacant space exclude spaces of stores that temporarily suspended their work since March 2022.

Chart 3
Structure of foreign brands suspended operations in St. Petersburg shopping centres*, by profile, % of the total number

Source: Nikoliers

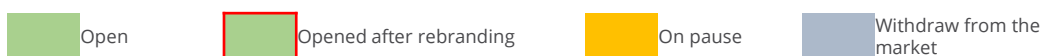


*As at the end of June 2022

Table 2
Matrix of foreign fashion brands "on pause" in selected shopping centres of St. Petersburg, June 2022

Source: Nikoliers

	Galeria	MEGA Dybenko	Leto	MEGA Parnas	Europolis	Piter Raduga	City Mall	Pearl Plaza	Grand Canyon	Balkania Nova	Okhta Mall	London Mall	PI TERLAND	Continent on Stachek	Newsky Centre	Brand representivity at the SC's sample, % from the number
H&M	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	80%
Mothercare	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	73%
CROPP (CR)	Opened after rebranding	Opened after rebranding	Opened after rebranding	Opened after rebranding	Open	Opened after rebranding	Opened after rebranding	Opened after rebranding	Opened after rebranding	Open	Open	Open	Open	Open	Open	67%
MANGO	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	67%
Sinsay (CIH)	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	60%
Reserved (RE)	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	60%
Levi's	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	60%
Reebok*	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	53%
Uniqlo	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	53%
Bershka	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	53%
Pull&Bear	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	47%
Mohito (M)	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	47%
House (XC)	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	47%
Stradivarius	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	40%
Marks & Spencer	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	33%
Zara	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	33%
Massimo Dutti	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	27%
Oysho	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	27%
Nike	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	20%
Zara Home	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	20%
Monki	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	20%
Prisma	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	13%
The number of researched brands in the SC fashion gallery																
	20	19	16	14	14	12	11	10	8	6	5	5	4	4	2	



*monobrand stores.

Trends and forecast

The suspension of Hollywood film releases has seriously hit the Russian cinema industry. According to various sources, cinema attendance has fallen by 50–70% since the beginning of March, which forces owners to optimize chains by closing both several halls in projects and projects entirely. According to our estimates, about 25% of cinemas in St. Petersburg are currently temporarily closed. In this regard, in the second half of the year, it is likely that the space occupied by cinemas will be reduced or some of the halls will be reformatted for other segments.

Food halls and gastro spaces, combining several dozen establishments of different concepts and cuisines, remain a popular entertainment format in shopping centres. Growth continues in this segment — in the second half of 2022, the launch of Russia's largest project VOKZAL 1853 in the building of the former Warsaw Express shopping mall is expected.

Despite the current restrictions caused by sanctions and logistical difficulties, Russian retailers continue to develop, test new formats and adjust the product content of stores taking into account certain locations. Russian brands have new opportunities to expand their network. Today, when the audience of suspended foreign brands is in search of replacements or analogues, quality and comfortable service at all stages of interaction with the buyer become especially relevant.

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