H1 2022

Retail

Street Retail

Russia | St. Petersburg

Table 1
Key market indicators

Source: Nikoliers

	H1 2020	H1 2021	H1 2022
Number of commercial premises on the central corridors*	854	867	879
Vacancy rate, %	12.9	11.5	9.4

*The number of commercial premises can change due to changes in selection.

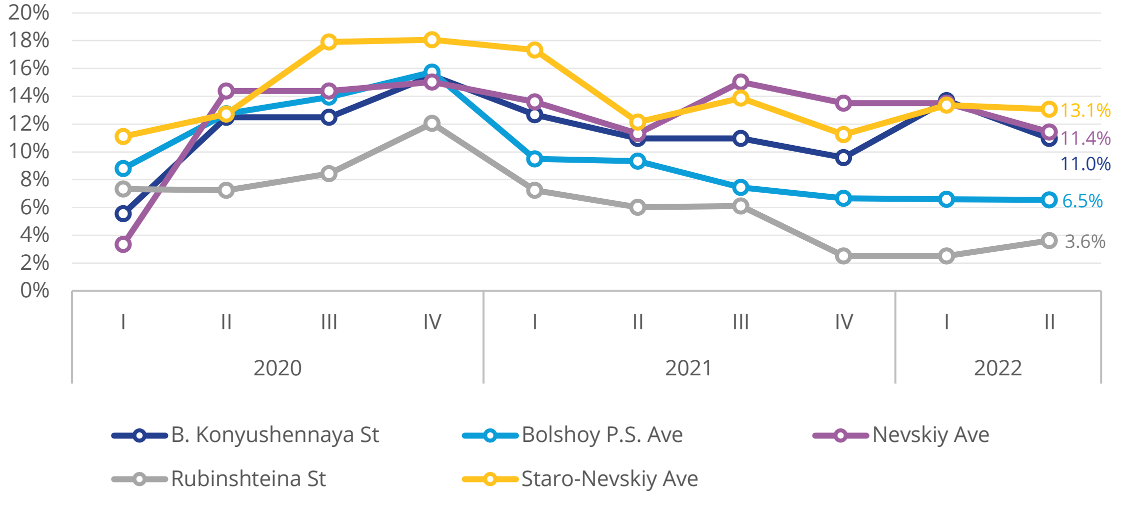
Key results

The development of the St. Petersburg street retail market in H1 2022 was undulating. Against the background of growing geopolitical tensions and uncertainty, there was an increase in the share of vacant premises in the first quarter, with a decrease by the end of the second quarter. Several foreign retailers who operated stores on the key retail streets suspended their work in Russia in March. By the end of June, 17 premises remain temporarily closed, 10 of which are occupied by representatives of the fashion segment. Of the suspended retailers renting street retail premises in the city centre, so far only the Starbucks chain has announced the final withdrawal from the Russian market. McDonald's business was sold under a Russian license and received a new brand, while the remaining players retain their premises and staff.

According to the results of the six months of 2022, the share of vacant premises on key retail corridors fell by 0.2 percentage points, amounting to 9.4%, which is the minimum value since the beginning of the COVID-19 pandemic. A decrease in vacancy was observed on Nevskiy Avenue, where for six months the share of vacant premises decreased by 2.1 percentage points, down to 11.4%. It should be noted that Nevsky is the only highway where the number of openings significantly exceeded the number of closures in the first half of the year (33 vs. 23). On Bolshoy P.S. Avenue, the share of vacant premises has not changed since the beginning of the year. The increase in the indicator occurred on Staro-Nevskiy Avenue, B. Konyushennaya and Rubinsteina Streets.

Chart 1
Vacancy rates on key retail corridors

Source: Nikoliers



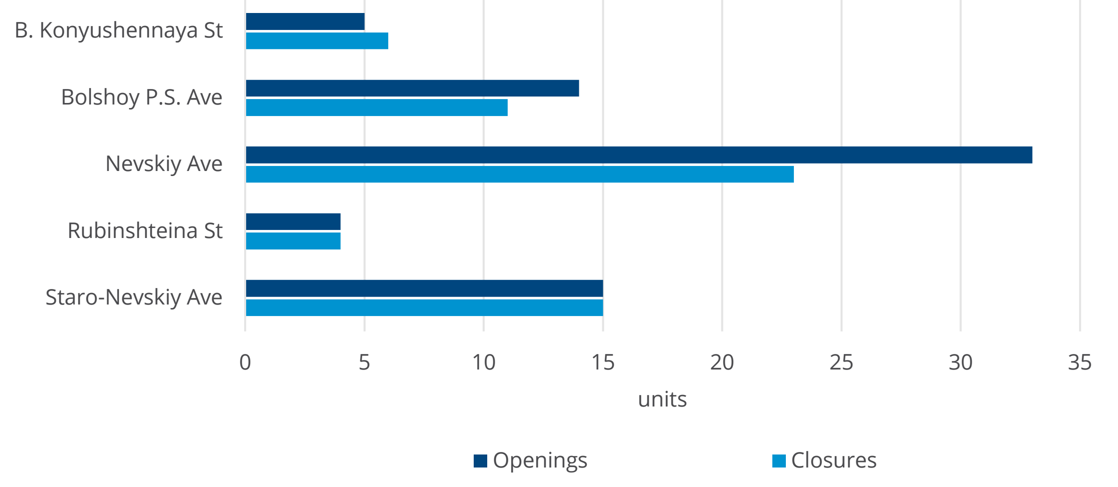
Demand and commercial terms

During the first six months, more than 70 new openings took place on the key retail corridors of St. Petersburg, while 59 premises were vacated. In comparison with the same period of the previous year, the number of closures was at a comparable level, and the pace of openings slowed down by 26% — in H1 2021, about 100 new tenants appeared on five shopping streets. The most significant decrease in the pace of openings was observed on Staro-Nevsky Avenue, Bolshoy P.S. Avenue (13 fewer premises on each of the highways).

In the structure of closures for January — June 2022, the segments of foodservice (41%) and clothing and footwear (19%) are the leaders. Representatives of the banking sector noticeably reduced their presence on the central trade corridors, continuing the trend towards optimization: five bank branches stopped working in six months (8% of the total number of closures).

Chart 2
Number of opened and closed premises on key retail corridors, H1 2022

Source: Nikoliers



According to the number of openings, representatives of the catering sector were traditionally the most active — more than 30 new establishments of this segment appeared on key retail corridors in the six months of 2022. If in the first quarter mainly non-chain cafes and restaurants were opened, then in the second quarter both network and non-network operators were equally active. Among the non-chain new cafes and restaurants that opened in H1 2022, we can mention Linguini (Nevsky Avenue), SONO Asia (Bolshoy P.S. Avenue), Antico bistro (B. Konyushennaya St), the Italian restaurant Grazie, Ragazzi! is also expected to open in the summer on Rubinsteina Street. Among the chain players that have expanded their presence in the city centre are the networks Shokoladnitsa, Chaynikoff, Carls Jr, BlackWood.

Russian designer brands are advancing in the clothing and footwear segment. For instance, five such stores appeared on Bolshoy P.S. Avenue in the first six months of 2022 — these brands are Nude Story, Kasumov Handmade, Design Dealer, Dreamwhite, UNIQUE FABRIC.

On the eve of the tourist season, the number of souvenir shops in the city centre has increased, which had to be reduced against the background of the restrictions of the pandemic.

The requested rental rates showed different trends depending on changes in the structure of the exposition. In almost all corridors, the minimum bid limits decreased by 10-30%, and the maximum, on the contrary, increased by 30-40%, indicating an increase in the supply of high-quality and liquid lots in the exposition.

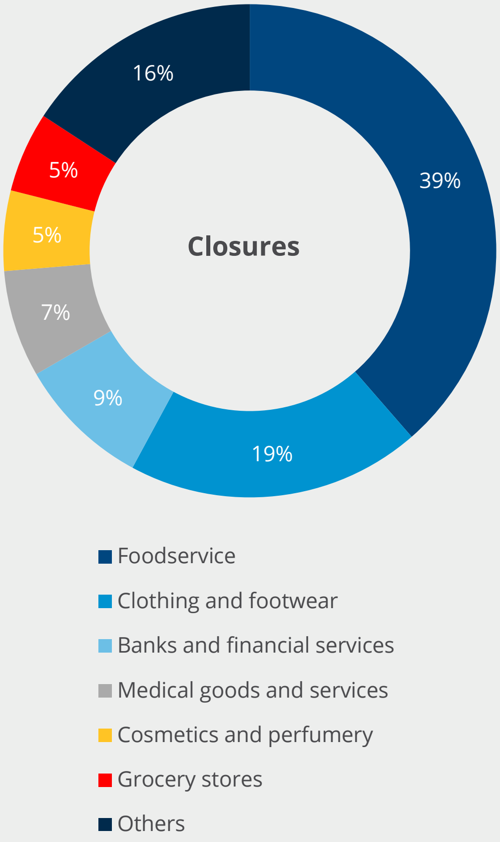
Table 2
Average range of asking rental rates for 100-200 sq. m. (open market options), RUB/sq. m./month, excl. VAT

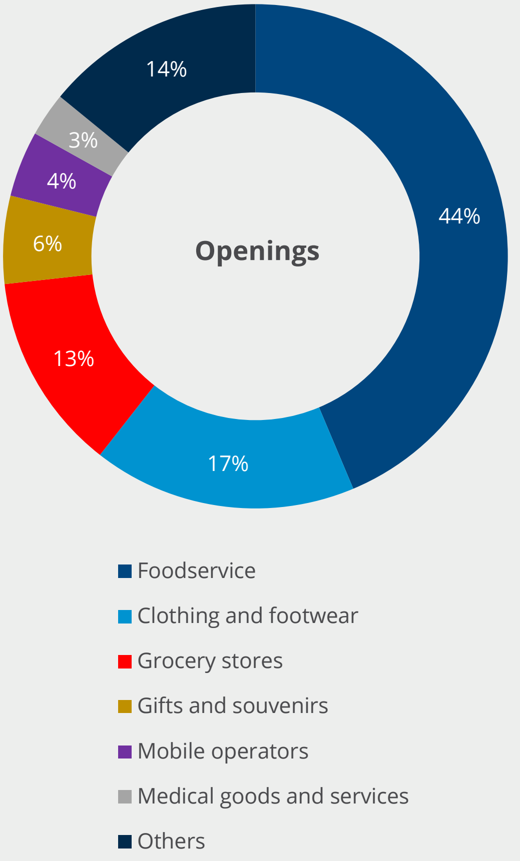
Source: Nikoliers

	H1 2022		
Central retail corridors	Rental rate average	Rental rate min	Rental rate max
Nevskiy Ave	8,700	3,150	16,000
Staro-Nevskiy Ave	3,190	2,220	5,050
Bolshoy P.S. Ave	2,720	2,300	3,500
B. Konnyushennaya St	3,560	2,230	7,500
Rubinsteina St	n/a	n/a	n/a

Chart 3
Structure of openings and closures by tenant profiles on key retail corridors, St. Petersburg, H1 2022

Source: Nikoliers





Trends and forecast

In the fashion segment, there is a trend to increase the presence of Russian brands, both local St. Petersburg and regional. Brands continue to move offline, as evidenced by the growing number of showrooms and full-fledged mono- and multi-brand stores on the central retail locations.

Most of the foreign retailers that have suspended their activities in the Russian market also maintain a pause in operating activities by the end of June. In case of final withdrawal from the market, 17 more premises will be vacated in the city centre, which will potentially increase the average vacancy by 2 percentage points, but even in this case, the share of vacant premises will be below the peak "pandemic" values of 14–15%. Risk factors for the growth of the indicator may be a slowdown in the activity of operators against the background of restrictions and increases in the cost of purchases of necessary commercial equipment and inventory. Currently, In the foreground for retailers is the solution of logistics issues and the establishment of new supply chains.

At the same time, due to the current sanctions and difficulties in traveling abroad, Russian tourists choose St. Petersburg as a vacation destination, which increases the attractiveness of central highways for tenants of various segments. A list of options for locations, budget and quality of premises for launching new projects in the city centre is currently open for existing and new retailers.

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