Nikoliers

H1 2024

Retail Market

Street Retail

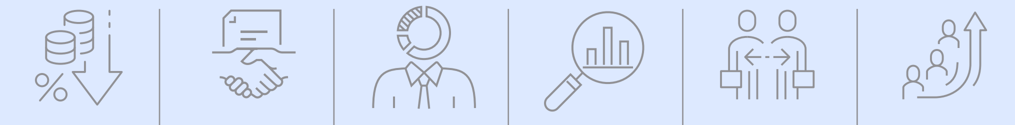
Russia | St. Petersburg

Key result

Key market indicators

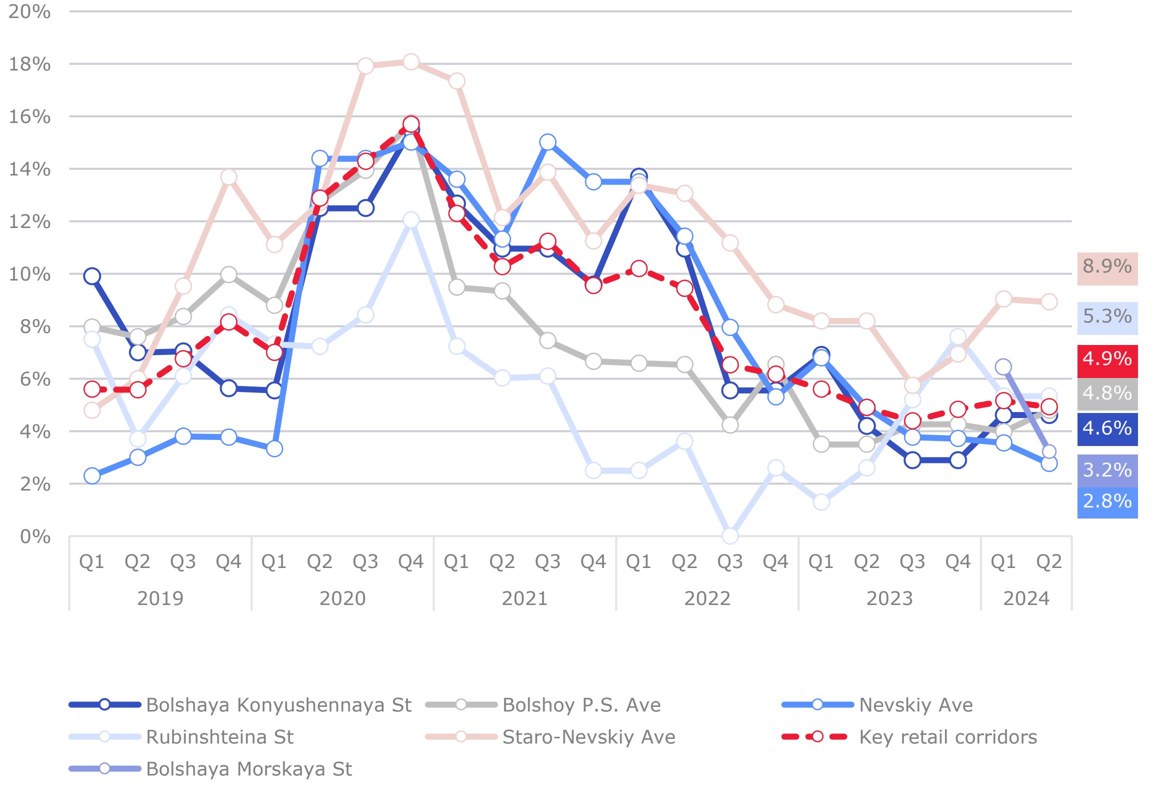
	2022	2023	H1 2024
Number of commercial premises on the central corridors*	843	848	873**
Vacancy rate, %	6.2	4.8	4.9**

**The number of retail outlets may change due to changes in our sample, division or consolidation of premises.*
***In Q1 2024, Bolshaya Morskaya Street was added to the stock.*



- Shrinking vacant space
- High tenant activity
- Growing number of openings by fashion retailers
- Shortage of quality premises
- Rotation mainly within one segment
- Growing number of new brands

Vacancy rates dynamics on central retail corridors, St. Petersburg



Source: Nikoliers

Demand and commercial terms

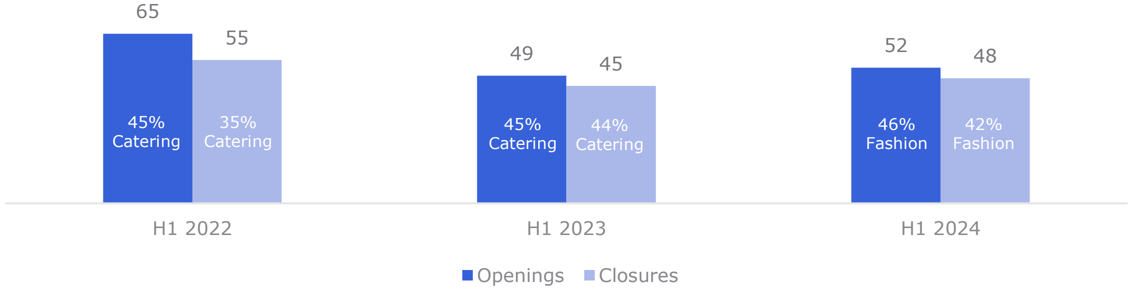
In the first half of 2024, 52 new openings took place, 24 of these being fashion stores. There were fewer openings during this period last year — 49, and back then catering establishments were in the lead. This year there has seen an increase in the share of fashion operators' openings compared to the results of previous years. This shift is due to the exodus of international brands and the vacation of niches for retailers' development, expansion of their assortment matrices, as well as the services offered within retail spaces. The new stores aim to provide customers with a unique experience. For example, SuperStep, which opened on Nevskiy Avenue, has placed a basketball court, a skateboard ramp and an area with a game console within the precincts of its store, attracting customers and creating an unique shopping atmosphere.

Fashion retailers opened more often on Bolshoy P. S. Avenue. In Q2 2024 Russian brands Scandale Maniere, Estego, Latrika, Mart Store и Volchikhina&Beliaeva have opened their stores here.

During the first six months of 2024, seven new names appeared on the city's central shopping lanes. Among them are foreign fashion brands Eleventy (Italy) and Ketroy (Turkey), as well as Russian brands In Trend, macrocosm, Suborbia and Le Journal Intime. The St. Petersburg market was also supplemented by Dom Farfora (House of Porcelain), a store of interior decor items.

In the near future, at least six more catering establishments, a clothing and footwear store, as well as a home goods store, which was not previously represented in St. Petersburg, will open on the central retail routes.

The number of opened and closed premises on the central retail corridors of St. Petersburg



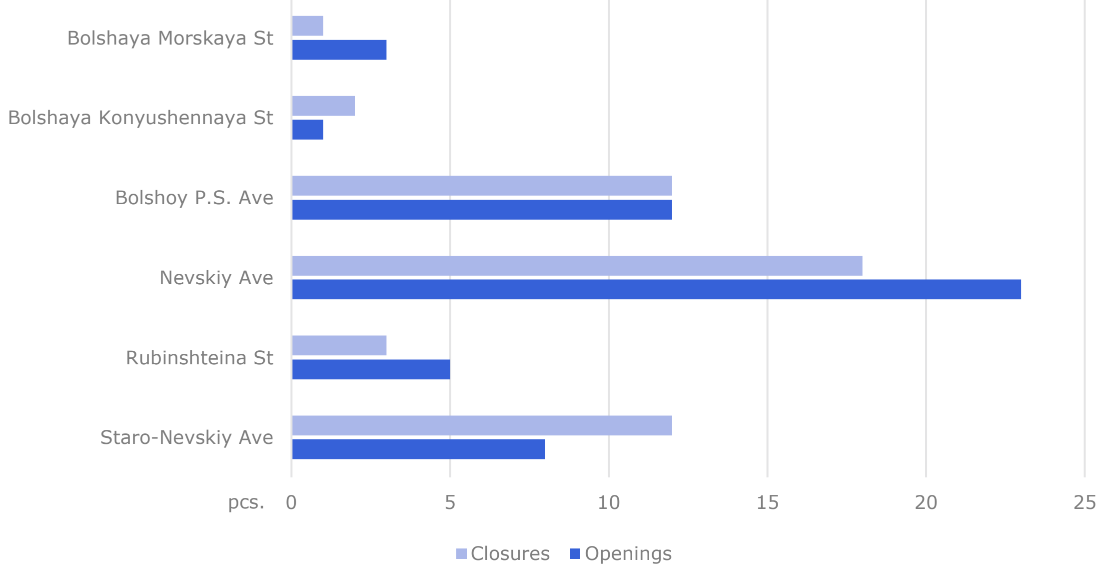
Planned openings on central retail corridors of St. Petersburg in 2024

Central retail corridors	Previous tenant	Tenant's profile	Potential tenant	Tenant's profile
1, Bolshaya Konyushennaya St	Svetlana	Food products and supermarkets	Double Bubble Tea	Public catering
14, Bolshoy P. S. Ave	Pirosmani	Public catering	Eurasia	Public catering
27, Nevskiy Ave	7 Stories	Clothing and shoes	Griol	Clothing and shoes
96, Nevskiy Ave	Pizza N	Public catering	Lyudi Liubyat	Public catering
106, Nevskiy Ave	Lilkko	Stationery, hobby products (lifestyle)	Met Tea	Public catering
30, Rubinshteina St	Neapol	Public catering	Tamar	Public catering
113, Staro-Nesvkiy Ave	Bvlgari	Jewelry and watches	Anette	Household goods
142, Staro-Nesvkiy Ave	Azbuka daily	Food products and supermarkets	Khlebnik	Public catering

Source: Nikoliers

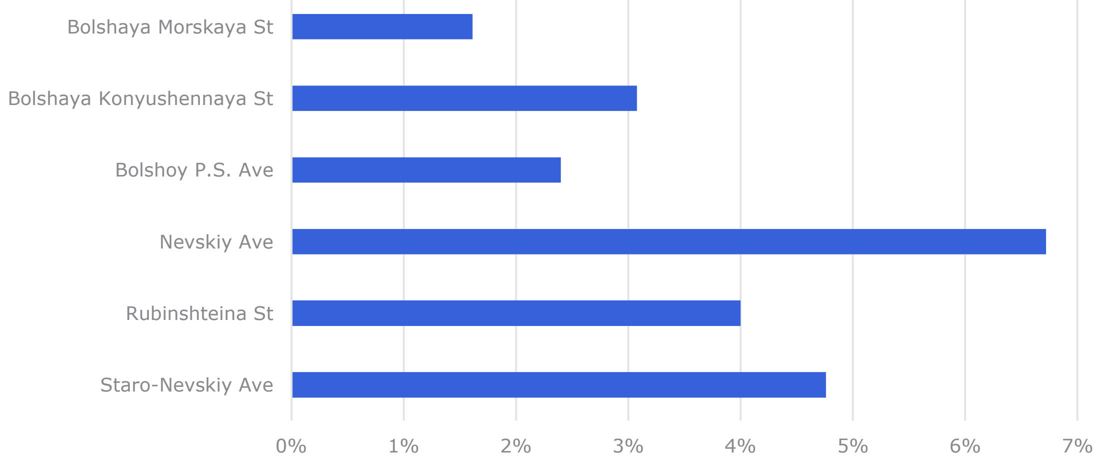
From January to June 2024, the number of closures exceeded the number of openings on Staro-Nevskiy Avenue and Bolshaya Konyushennaya Street. The main reason for this dynamic is the time interval that occurs between the end of one tenant's work and the beginning of the next tenant's activity. Staro-Nevskiy Avenue was mainly vacated by fashion retailers, while Bolshaya Konyushennaya Street was vacated by catering establishments. Nevertheless, new tenants have already opened their outlets or will open them in the near future to occupy the vacated premises. Still vacant are mainly those premises which their owners have failed to let out for more than 2.5 years.

Number of opened and closed premises on central retail corridors of St. Petersburg, H1 2024



Based on the results for the first half of 2024, the rotation rate amounted to only 4.2%. Traditionally, the most active tenant turnover has been recorded on Nevskiy Avenue, which is due to this location's specifics: a large number of small tenants, tough competition, and high rental rates. As a result, tenants are forced to reconsider their whereabouts in an effort to optimize their costs and remain competitive within their segment.

Rotation level* on central retail corridors of St. Petersburg, H1 2024



**Rotation means replacement of one tenant by another without any down time (without the premises entering an open market).*

Source: Nikoliers

Key openings on central retail corridors of St. Petersburg, H1 2024

Central retail corridors	Tenant's name	Tenant's profile
12, Bolshaya Konyushennaya St	Nikita Efremov	Clothing and shoes
28, Bolshaya Morskaya St	Banka Home	Cosmetics and perfumery
57, Bolshoy P. S. Ave	Scandale Maniere	Lingerie, bathing suits
65, Bolshoy P. S. Ave	Gresso	Optics
11, Nevskiy Ave	Eleventy	Clothing and shoes
23, Nevskiy Ave	Vsesmart	Electronics
55, Nevskiy Ave	The Byk	Public catering
59, Nevskiy Ave	SuperStep	Clothing and shoes
65, Nevskiy Ave	Media place	Public catering
90–92, Nevskiy Ave	Gazprombank	Bank branch
13, Rubinshteina St	Open People	Public catering
24, Rubinshteina St	Ministry	Public catering
150, Staro-Nesvkiy Ave	Ketroy	Clothing and shoes
153, Staro-Nesvkiy Ave	Babochka	Clothing and shoes

Tenants continue to choose the most liquid premises in terms of location and traffic intensity. In the first half of 2024, Nevskiy Avenue became the leader by the number of openings — 23 openings (44%). Bolshoy P. S. Avenue with 12 openings (23%) ranked second, followed by Staro-Nevskiy Avenue with eight openings (15%).

The range of rental rates for vacant premises with an area of 100-300 sq m, rub/sq m/month, excl. VAT, H1 2024

Central retail corridors	Average	Min.	Max.
Bolshoy P. S. Ave	2.775	2,220	3,330
Nevskiy Ave	nd	7 500	nd
Staro-Nesvkiy Ave	5,430	3,620	8,820

An increase or decrease in average asking rates for commercial premises along the central lanes depends on the market offer, including the property location, visibility, traffic intensity, size and quality of shop windows, as well as the area and technical characteristics of the premises.

Bolshaya Konyushennaya Street, Bolshaya Morskaya Street and Rubinshteina Street lack any quality rental premises with the floor area under review as of the end of Q2; the only ones on offer are those at the basement level or on upper floors.

Source: Nikoliers

Trends and forecasts

The shortage of quality premises

There is a shortage of quality retail space on the city’s central shopping lanes. New openings are mainly due to tenant rotation. More than 50% of 43 vacant premises can be classified as illiquid due to their format and/or floor area.

Splitting the premises

Since late 2023, the trend towards splitting the premises has been persistent. This practice pays for retail space owners, since in case one of the tenants moves out, the rest of the retail space will keep generating income, and this is also an adequate response to the market demand for smaller size stores. For example, in Q2 2024, the premises of Azbuka Daily at 142 Staro-Nevskiy Avenue were split into two parts, with Khlebnik to open in one of them soon.

Fashion retailers consolidating their stance

Retailers are tightening up their grip on St. Petersburg’s central streets. Given the current trends and demand, we can expect an increase in the number of new stores, including flagship boutiques offering a wide range of extra services.

Growing number of new restaurant openings

In the first half of 2024, restaurants accounted for about half of all new openings in the catering sector. This figure exceeded the results of the previous years: in 2023 their share amounted to 41%, and in 2022 – to only 28%. Tenant interest in the city’s key retail routes will keep up at a high level as demand for such establishments in the city core remains high due to tourists and locals.

Services

Offices

Industrial

Retail

Residential

Hotels

Land plots

Property management

Managing construction projects

Strategic consulting

Property and business valuation

Investment

Lease & sale (agency)

Representation of tenants

Research and analytics

Marketing

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