

2022 Results

Retail Russia St. Petersburg



Table 1
Key market indicators

Source: Nikoliers

	2020	2021	2022
Total supply of shopping centres, thousand sq m	3,219	3,238	3,248
Number of existing traditional and specialised SCs	125	127	128
New supply, thousand sq m	148.3	18.0	16.2
Vacancy rate, %	5.1	5.4	10.4
Retail provision, 1,000 sq m per 1,000 people	576	602	604

Key results

The retail real estate segment is one of the most vulnerable to the changes that took place last year. After the tense of geopolitical environment at the beginning of the year, and the subsequent introduction of anti-Russian sanctions, many foreign retailers decided to suspend their operations in Russia or withdraw from the market. By the end of Q1 2022, the number of brands which have suspended their operations exceeded 95 over the country, 57 of them had presence on the St. Petersburg market as well. By the end of December, stores of 16 brands at the shopping centres remain temporarily closed in St. Petersburg, 15 brands have finally pull out of the market, while the other 26 brands have resumed work under the same or new names.

By the end of 2022, the retail real estate market of St. Petersburg comprised 3.25 million sq m. Only one shopping centre was opened during the year – SC Prometey in Kalininskiy district, with gross leasable area nearly 16,200 sq m. On the backdrop of modest increase in supply, the retail space provision not much changed, amounted to 604 sq m/1,000 people. Therein, Moskovskiy, Centralniy and Primorskiy are the top-three districts of the city in terms of retail space provision, the figure for each of them exceeds 1,000 sq m per 1,000 people.

Five shopping centres are currently under construction in St. Petersburg, with a total leasable area of more than 160,000 sq m with the opening perspective in the next two years. Among the facilities under construction, there are such projects as MFSEC Hollywood near the Pionerskaya metro station, the 4th stage of the MFC Zanevskiy Kaskad, SC's Nebo and Ecopark in Murino, as well as SC Park Mall Green on Prosveshcheniya Avenue.

Chart 1
Retail space completions, 2012–2023

Source: Nikoliers

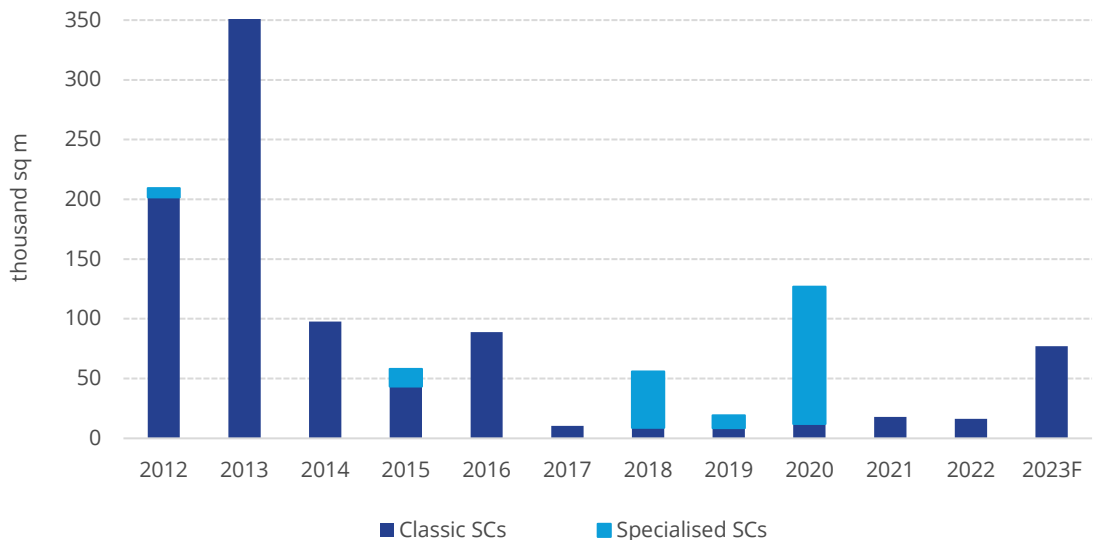
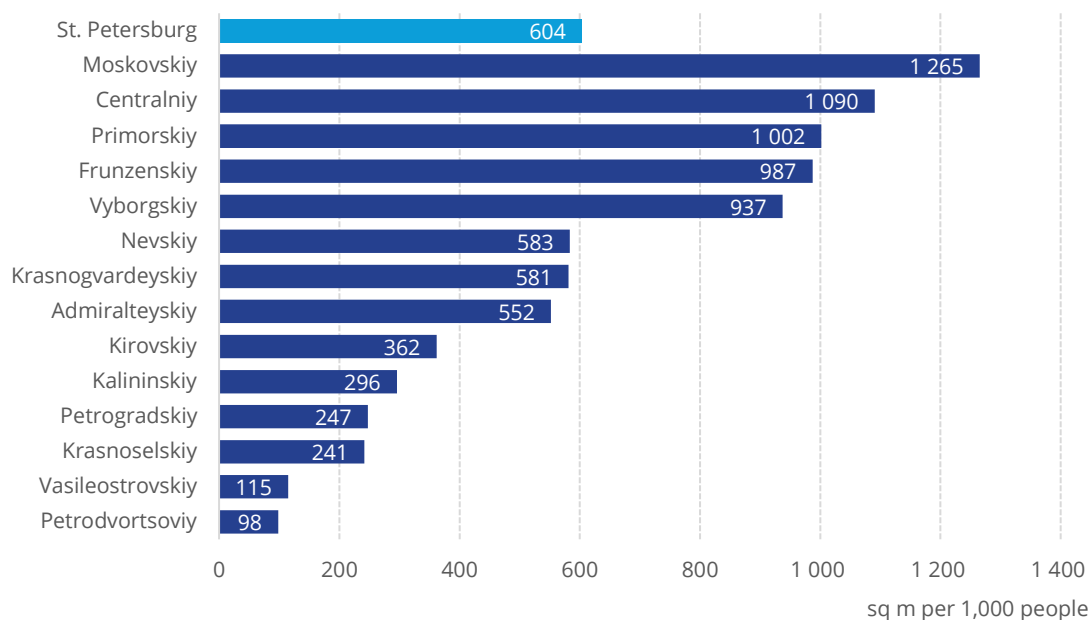


Chart 2

Provision of retail space by city district, sq m per 1,000 inhabitants

Source: Nikoliers



Demand

In 2022, retailers' activity in terms of opening new stores was at the comparable level with 2021 – we recorded at least 150 openings in shopping centres, almost half of which occurred in the last quarter of the year. 46% of new openings were of the clothing and footwear segment. The ones who most actively expanded their presence are brands Befree, Familia, Mexx, Gerry Weber – they opened two-three stores each in the SCs of St. Petersburg. On the second place there were children's goods stores (11% of the total number). Notable openings in this segment include the new Button Blue stores (Europolis, Galeria, MEGA Parnas) and sela moms & monsters (Europolis, MEGA Parnas). It is also worth noting the entry into the St. Petersburg market of such children's brands as LOLOCLO, GUESS Kids (both opened in the SEC Galeria), Royal Rabbit (MEGA Dybenko).

In addition to the above-mentioned children's brands, ten more new names appeared on the St. Petersburg market in 2022, three of which are Italian (LORIATA, Dan John, RUCK&MAUL), the other seven are representatives of Russian companies.

The segment of home and interior goods can also be called one of the most active in 2022 (10% of the total quantity of openings). For instance, Candellabra HOME launched three stores in St. Petersburg (Piter Raduga, Zhemchuzhnaya Plaza and PIK shopping centres).

Separately, it is worth mentioning that the process of replacing closed stores is actively undergo in the St. Petersburg shopping centres. Thus, the Freedom Store was opened in SEC Galeria instead of the Nike store, the former Lee Wrangler premise are now occupied by the Rosi store; Snezhnaya Koroleva replaced Marks & Spenser in MEGA Parnas, and Gerry Weber occupied Tommy Hilfiger's premises in two MEGA shopping centres.

In the context of the presence of foreign brands in the Russian market as of 2022, there are four main options chosen by retailers:

- Sale of Russian division business to local partners, franchisees or foreign holdings with subsequent brand change (LPP, Starbucks, McDonald's, L'Occitane, Samsonite, Reebok, etc.);
- Complete exit from the market (Gap, Victoria's Secret, Hesburger);
- Partial resumption of work after the setting up technical, logistical and operational issues (Tous, Swarovski);
- Temporary closure status remained (Women's Secret, Decathlon, Uniqlo, Adidas).

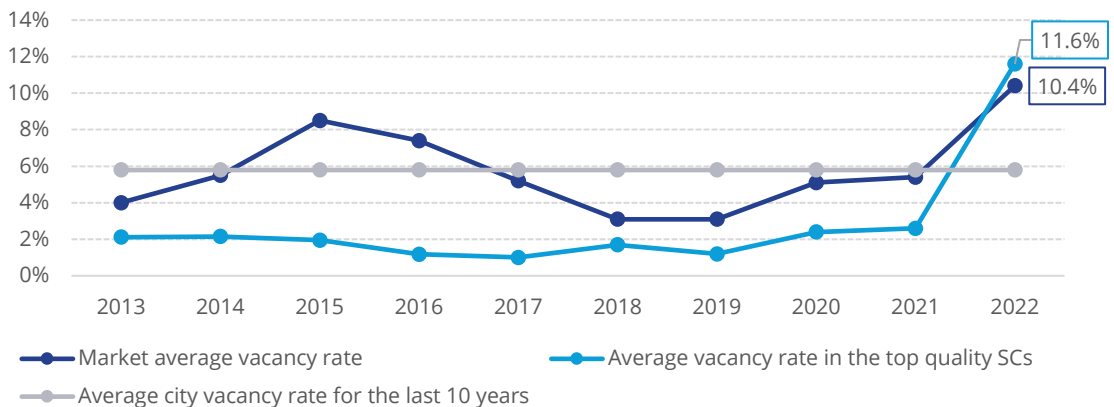
Vacancy rate

As of December 2022, the average vacancy rate in the St. Petersburg SCs was at 10.4%, which is the maximum for the last eleven years. Compared to the previous year, the figure grew by 5 p.p. Such a substantial growth occurred as a result of the stores closure of such large brands such as H&M Group (there were 20 stores with total area 28 800 sq m in shopping centres in St. Petersburg at the beginning of the year), and IKEA (two stores occupied about 58,000 sq m at MEGA Dybenko and MEGA Parnas).

Notably, that for the first time the vacancy rate at the most quality shopping malls increased the market average value, reaching 11.6%. Mainly, this selection includes regional and super-regional malls, the anchor tenants of which were the brands who left the market. At the same time, community and neighborhood shopping centres in a less degree faced to the vacancy growth.

Chart 3
Vacancy rate in traditional shopping centres*

Source: Nikoliers



*The level of vacant space exclude spaces of stores with temporarily closed status at the end of 2022.

Shopping mall traffic

Closure of foreign brands stores, a few of which were an anchor and visitors' attraction segment, has affected footfall of the malls of St. Petersburg. According to Focus Technologies, from the beginning of the March, the Mall Index (reflects traffic for 1,000 sq m of retail space) showed the negative growth almost permanently if to compare to the corresponded periods of 2021. The only exception was the start of November, when the Mall Index was at +84% y-o-y, which was due to the lockdown in St. Petersburg these days in 2021. In general, the gap in footfall was at -10-12% y-o-y during the past 12 months.

Chart 4
Dynamic of traffic index in shopping centres of St. Petersburg (Mall Index), % to the corresponding periods of 2021

Source: Focus Technologies

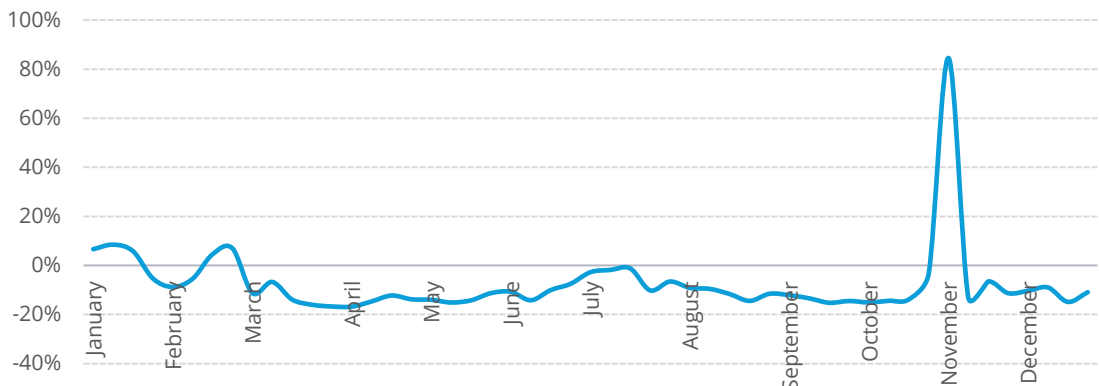


Table 2
Examples of key store openings in shopping centres, 2022

Source: Nikoliers

Name	Profile	Shopping centre
5КармаНов	Clothing and footwear	City Mall
Vsesmart	Electronics & Household appliances	Rodeo Drive
Snezhnaya Koroleva	Clothing and footwear	MEGA Parnas
Befree	Clothing and footwear	Okhta Mall, Piter Raduga
Candellabra HOME	Home & Interior goods	Piter Raduga, Zhemchuzhnaya Plaza, PIK
Coccinelle	Clothing and footwear	Galeria
EMKA	Clothing and footwear	Galeria
Familia Home	Home & Interior goods	Nord
Slava, Slava Kids	Clothing and footwear, Children's goods	Nevsky Centre
Urban Vibes	Clothing and footwear	City Mall, Galeria
You Wanna	Clothing and footwear	Galeria

Table 3
Presence of Russian retail brands in St. Peterburg SCs (sample selection), Q4 2022

Source: Nikoliers

	Galeria	MEGA Dybenko	Leto	MEGA Parnas	Europolis	Piter Raduga	City Mall	Zhemchuzhnaya Plaza	Гранд Каньон	Balkania Nova	Okhta Mall	London Mall	Kontinent on Stachek	Nevsky Centre	Brand representativity at the SCs sample, % from the number
Befree															86%
Snezhnaya Koroleva															79%
ZARINA															71%
Love Republic															64%
Sportmaster															64%
Charuel															57%
Gloria Jeans															57%
Sela															50%
Familia															43%
You															21%
First in Space															21%
LIME															14%
Brusnika															14%
Lichi															14%
12 Stories															14%
Emka															7%
I am studio															7%
You Wanna															7%
Urban Tiger															7%
Slava															7%
The number of researched brands in the SC fashion gallery	15	9	7	9	12	4	7	6	5	8	7	7	1	2	



The largest mall under construction in St. Petersburg – MFSEC HOLLYWOOD

Trends and forecasts

- Transformation of the retail market has led to the demand redistribution, and, riding this wave, a number of Russian brands announced qualitative changes and adjusted their development plans. For example, such companies as Melon Fashion Group (brands Befree, Zarina, Love Republic, Sela), LIME, Kari had extended the size of the stores as well as an assortment mix by adding previously unrepresented groups of goods. As for example, in the end of the year, in SEC Piter Raduga Befree store was opened in new expanded format, and LIME in SEC MEGA Dybenko multiplied its area by three times (up to 1,500 sq m). Munz Group (Thomas Munz) is planning new format stores with an apparel, footwear, and accessories. Besides, such retailers as Noun, Adamas, L'Etoile, Teremok, Emka, Candellabra Home, Demix, Sokolov and others announced a strong intent to expand their presence on the whole Russian market.
- Macroeconomic changes of the past year, including high inflation and a decline in real disposable incomes, resulted the population to switch to savings consumption model. The approach to the purchase of goods and services has become more rational, the price became mostly the main factor in the purchase. This trend will be decisive for the entire retail market in the next couple of years.
- On the back of limited availability of familiar consumer brands, large retail chains are putting on an increase in the private label brands share. For example, the X5 Retail Group, Magnit and Lenta chains announced that they are working to increase the number of private label positions and the sales share of goods under their own brands to grow.
- Given the growth of vacancy in shopping centers, we can expect an increase in the presence of tenants of entertainment formats and segments, which are non-traditional for shopping malls (coworkings, various workshops, studios, etc.).
- The retail real estate market in St. Peterburg is quite mature and competitive. Property management companies constantly work on updating and reconceptualizing their projects. The food halls launching in SCs became one of the renewal tools. Food halls have recently become a center of leisure, meetings and tourist destinations for visitors to the city. In 2022, after the renovation the largest food hall project in Russia was opened – Vokzal 1853, designed for 90 restaurant concepts. Adamant company also launched food halls at Merkuriy and Nord shopping malls, and, for the next year it's expected to open food hall projects at shopping centres Kontinent onStachek, Zanevskiy Kaskad and Akademicheskij.

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