H1 2024

Retail

Shopping Centers

Russia | Regions

Main conclusions

Commissioning of shopping centers for the last two years turned out to be record low. In 2024-2025 the growth of construction activity will also be insignificant. In the meantime, there has been a surge in the activity of Russian retailers, especially in the fashion segment. Operators are ramping up the pace of their expansion, opening a large number of new stores, widening their geographic span and entering new niches.

Market indicators

	2022	2023	H1 2024	2024F*
Total retail space supply in Russia, sq m	**29**	**30**	**30**	**31**
including in regional cities	18	18	18	19
in the Moscow area	8	8	8	9
in Saint Petersburg agglomeration	3	3	3	3
Commissioned retail space in Russia, thou sq m	**250**	**252**	**170**	**868**
including in regional cities	154	194	77	384
in the Moscow area	106	51	93	402
in Saint Petersburg agglomeration	16	36	0	77
Number of opened SCs in Russia	**22**	**20**	**10**	**56**
including in regional cities	11	14	4	24
in the Moscow area	10	4	6	28
in Saint Petersburg agglomeration	1	2	0	4
Per capita retail space in Russia as a whole, sq m per 1,000 residents	**201**	**201**	**203**	**208**
in Moscow	494	505	479	504
in Saint Petersburg	597	577	577	593
in million-plus cities	491	495	498	509
in cities with 0.5-1.0 million population	323	326	327	331
in cities with 300-500 thou population	331	338	338	342
in cities with 100-300 thou population	349	350	352	359
in towns with the population below 100 thou residents	438	432	432	459

**According to developers' plans.*
The Moscow area covers Moscow inner city and the Moscow region within the precincts of the Central Ring Road (CKAD). The Saint Petersburg agglomeration comprises the city of Saint Petersburg and Leningrad region.

Source: Nikoliers

Supply

In H1 2024, new supply in Russia's regions, excluding the Moscow area and St. Petersburg agglomeration, amounted to 76,700 sq m with four new facilities hitting the market, which is 2.5 times more than a year earlier for the same period.

All opened shopping malls are neighborhood and community centers. The average floor area of commissioned regional facilities announced by developers in 2024 will decrease by 7.7% relative to 2023 and will amount to 12,800 sq m. In 2025 this indicator is expected to surge almost twofold due to the anticipated completion of construction on the superregional shopping mall Zolotoy in Yekaterinburg.

According to the developers, the commissioned retail space should come to about 867,800 sq m; however, taking possible postponements into account, we estimate that new construction will not exceed 430,000 sq m. If all plans come to fruition, the distribution of new supply might be as follows: 46.4% will be commissioned in the Moscow area, 44.2% in regional cities and 9.4% in the St. Petersburg agglomeration. Although traditionally the largest share of new supply falls to regional cities – usually 60-65% of total commissioning per year.

Leaders in terms of per capita retail space (sq m per 1,000 residents)

Yekaterinburg
846

Krasnodar
785

Samara
720

Largest projects opened in H1 2024

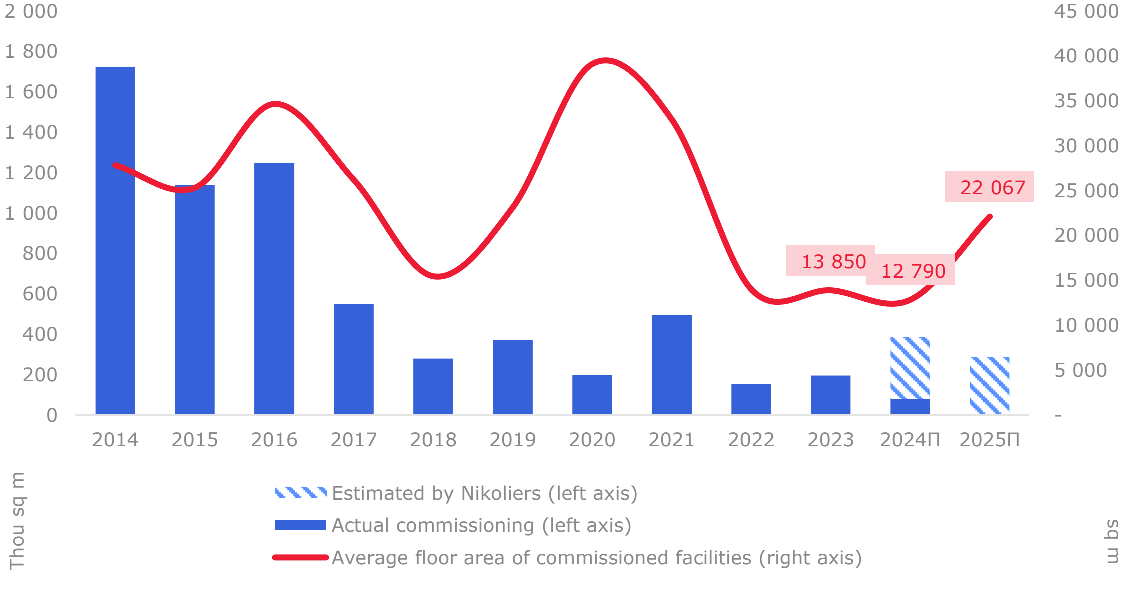
Puzzle SC, Pyatigorsk (GLA – 30,000 sq m)

Lyubimovo Mall in Krasnodar (GLA – 27,800 sq m)

DEPO SC in Ufa (GLA – 10,400 sq m)

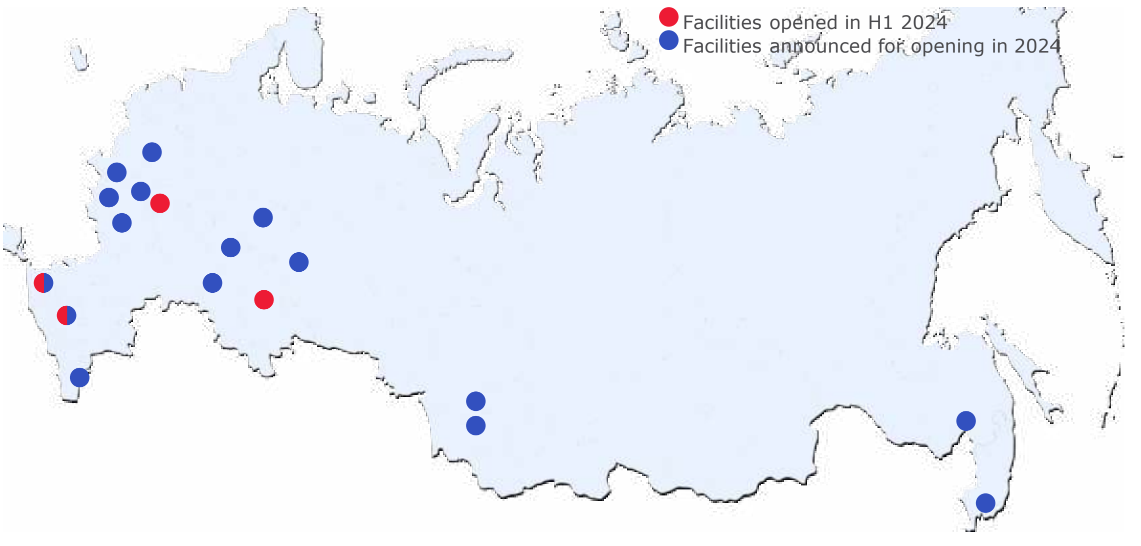
Klever SC in Ryazan (GLA – 8,500 sq m)

Commissioned retail space in Russia



Source: Nikoliers

Shopping centers announced for opening in Russian regions, exclusive of the Moscow area and Saint Petersburg agglomeration, 2024



Largest projects announced for opening in Russian regions, 2024

Druzhba SC, Ussuriysk
(GLA – 36,000 sq m)

Shokolad SC, Barnaul
(GLA – 35,000 sq m)

DAF SC, Kursk
(GLA – 32,000 sq m)


Solnechny gorod SC, Yegoryevsk
(GLA – 22,000 sq m)

Source: Nikoliers

Demand

+18% Average growth of revenues reported by 54 key retailers in 2023

The money turnover of retailers illustrates the state of the market and its dynamics. Based on the results of revenue analysis for 54 key retailers, all categories of operators in the sample showed positive dynamics of cash turnover in 2023 compared to 2022. The categories such as Jewelry and Catering grew by about one and a half times. Clothing & Footwear and Beauty & Health categories grew by 20-23%. After a slump in 2022, the Household Appliances and Electronics as well as Sporting Goods categories showed positive dynamics once again, with revenue growth of 9.9% and 2.5%, respectively, excluding inflation.

Clothing and footwear: new fashion brands

Since the beginning of 2024, nine new foreign brands in the clothing and footwear category have entered the market. Also making their debut are Russian fashion brands such as the teenage clothing brand Ready! Steady! Go! in Kazan's Park House mall, Volgograd's Park House mall and Sochi's Democratic SC.

Cosmetics and perfumery: grand-scale openings

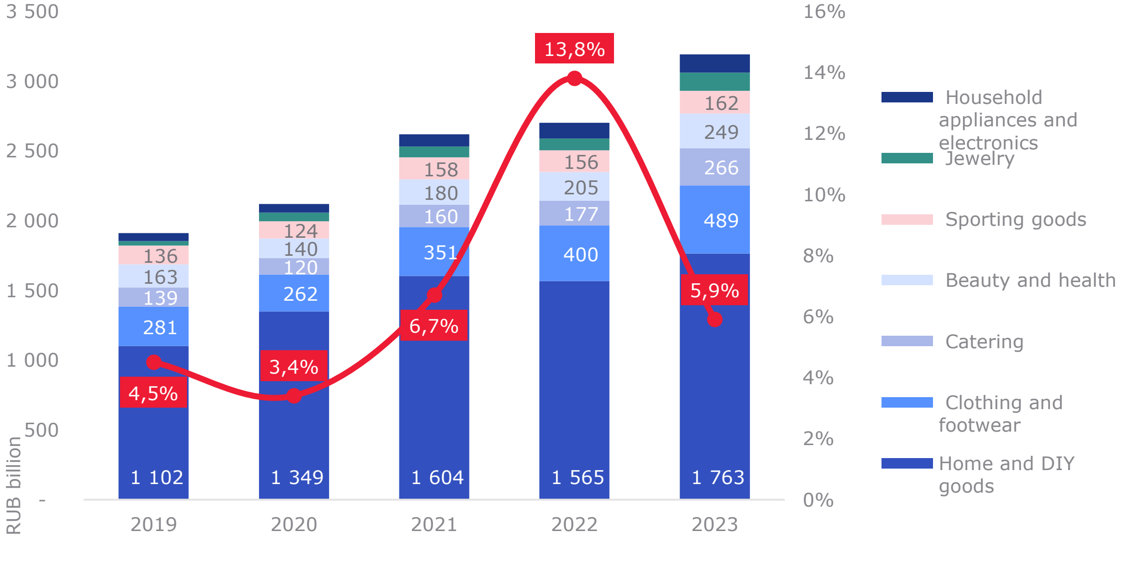
In 2024, Letoile announced its desire to open more than 30 stores in the regions of Russia, while Natura Siberica announced the launching of 200 outlets – the company plans to increase the number of its stores to 1,000 by 2026. A new Armenian 22/11 cosmetics brand has also entered the market.

Off-price stores: retail leap

Radical discounters are aggressively expanding, and the share of private labels in the assortment of food retailers is rising. For example, the Belarusian discounter chain Chesnok has opened its first stores in Ryazan and Orel, with outlets also planned for Moscow, Pskov and the Smolensk region. Another discounter chain B1 (Magnit Group), which recently opened its first stores in the Moscow Region, has widened its geographical span by entering the Leningrad Region.

Dynamics of money turnover among the largest retailers in the sample under review (in absolute terms, excluding inflation)*

*The sample comprises 54 largest and most aggressively expanding Russian retailers in categories such as Clothing and Footwear - 15 brands, Catering – 10 brands, Beauty and Health – 7 brands, Household Appliances and Electronics – 6 brands, Homewares and DIY goods – 6 brands, Sporting Goods – 5 brands, Jewelry – 5 brands.



Source: SPARK Interfax

Product line expansion as stated by Russian retailers (selectively), H1 2024

Brand	Clothing	Men's clothes	Children's clothes	Women's clothes	Underwear	Footwear	Home goods	Cosmetics	Catering	Other
Gulliver				GLVR			Gulliver Home			
Munz Group								Salamander, private label		
Sela									Vigge cafe	
Mango										
Arive										
Gloria Jeans	GJ Black									
Belle You	Outer garments									
2MOOD									Cafes	
12 Storeez										
Yandex Market	Tame, Muted private label		Humanform				Pragma, private label			Lapsville, private label
Lamoda		Mademan, private label		Nume, private label						
Vkusville									Romans	

Key international brands that have entered the Russian market including Moscow since the beginning of 2024

Category	Brand name	Country of origin	Examples of openings (selectively)
Household appliances and electronics	**TECNO**	China	Baltia Mall, Kaliningrad
	Casarte	China	8 Novinsky blvd., Moscow
	Candy	Italy	Okhta Mall, St. Petersburg
Clothing and footwear	**BAASPLOA**	China	Gorod Lefortovo Mall, Moscow
	Casa moda	Germany	Mozaika Mall, Moscow
	JOSINY	South Korea	Salaris Mall, New Moscow
	Rinascimento	Italy	Evropeisky Mall, Moscow
	Ellassay	China	GUM
	Mai Collection	Turkey	8 Bolshaya Dorogomilovskaya str., Moscow
	Laurel	Germany	GUM
	Eleventy	Italy	Vremena Goda SC, Moscow
	BIMBA & Co	Spain	Aviapark Mall, Moscow
Perfumery and cosmetics	**22/11 cosmetics**	Armenia	Metropolis Mall, Moscow
Children's goods	**Balabala**	China	Galeria Mall, Saint Petersburg
Home goods	**Chakra**	Turkey	Afimall City, Moscow
Sporting goods	**7SABER**	Uzbekistan	Mozaika Mall, Moscow

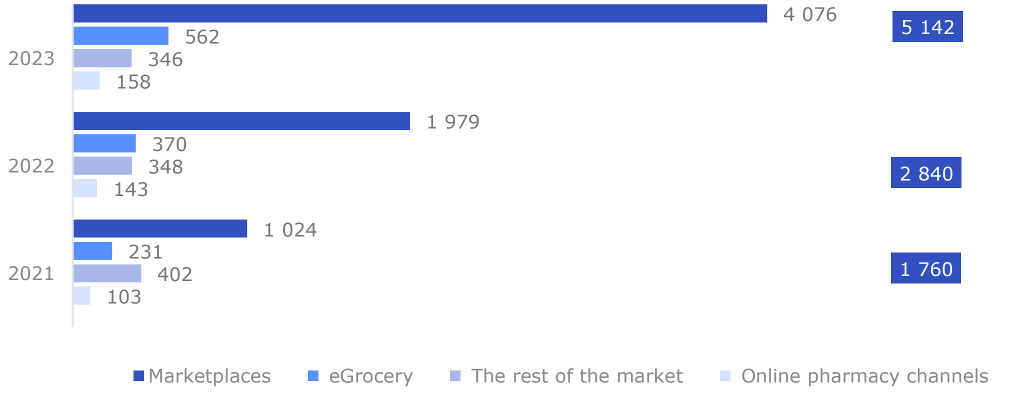
Source: Nikoliers

Internet trade

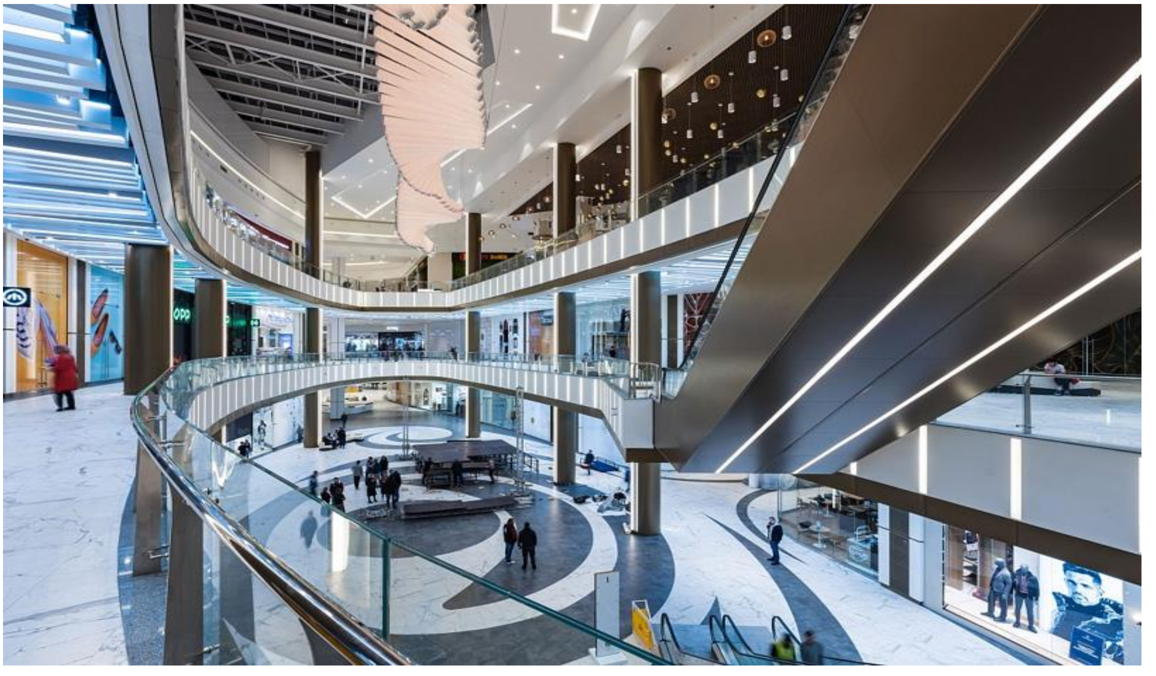
Based on the results of 2023, the share of online commerce in the total retail turnover reached 15%, in the future its growth rate will be slowing down and by the end of this year the growth will come to 2 p.p. At the end of 2023, the share of marketplaces continued to grow and reached almost 60% of the total online retail market (80% - by number of orders). This is due to wider coverage and the opening of order pick-up and delivery points in small towns or even villages. EGrocery is not lagging far behind, ranking second in terms of growth in eCommerce. According to Data Insight, by the end of 2023 the segment had grown by 47% year-on-year. One of the largest online grocery delivery stores Samokat is aggressively expanding in regional cities. Thus, in 2024 the service began to operate in Kurgan, Yoshkar-Ola, Pskov, Petrozavodsk and some other cities.

The use of virtual reality technologies by retailers is becoming a popular option for attracting new consumers. As part of the Event Integration in Metaverse course, students and the TJ Collection brand design team created a museum in the Spatial meta-universe. The space is dedicated to the company's thirtieth anniversary. The Russian family clothing brand Sela, part of the portfolio of St. Petersburg-based Melon Fashion Group, joined forces with the local meta-marketing agency Vova Family, which creates projects in meta universes along with AR effects, and presented its first game on the Roblox platform while preparing an AR collection to support it. During the game, users complete tasks, unlock their potential and talent, earning in-game currency that can be spent on UGC goods. For example, a Sela Vigge brand mascot or a backpack with its image.

Number of online orders, million



Source: Data Insight



Key trends

Reconception as the source of new quality supply

Taking into account the stabilization of vacancy rate and almost complete replacement of retailers who left, a shortage of quality space supply has come to a head and hence the need to expand in the existing shopping centers. Professional management and reconception of antiquated facilities by owners and management companies can be a source of rolling out new space for retailers to expand.

Alternative to a classic concept

Thermal spas

The interest in thermal spas is on the rise. Today there are 49 thermal facilities in Russia, of which regional cities account for 37 or 301,300 sq m. In recent years, more and more thermal spas have been opened within shopping malls. Thus, in 2023, four thermal facilities were opened in Russia's SCs: Termoland Zelenograd, Samara Thermae, New Thermae in Tver and Leto Thermal Resort in Chelyabinsk. During the next four years, 29 more projects will be implemented in Russian regions, both as freestanding facilities and within shopping malls as well as hotels. Plans for aggressive expansion have been announced by chains such as Termoland, Gorodskie Termy and Baden Family.

Food halls

After rapid growth in Moscow and Saint Petersburg, the format of food halls began to gain traction in regional cities. Thus, in 2023, twenty new projects hit the market, including 15 in regional cities, and only 5 in million-plus cities. In 2024, about 33 new projects are expected to open across Russia, and in the first half of 2024, nine of them have already launched their operations, including Food Hall 6/1 (Kaleidoscope mall in Novosibirsk), Terminal E (Passage SC in Yekaterinburg) and Food Hall 67 (at 67, Bolshaya Sadovaya Street in Rostov-on-Don). The concept of food markets, which in addition to the food hall comprises a farmer's market, demonstrates a restrained development trend in regional cities with only three projects expected to open in 2024.

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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