



Q3 2023

Retail Shopping Centers

Russia | Moscow

Table 1

Key market indicators

Source: Nikoliers

	Q3 2020	Q3 2021	Q3 2022	Q3 2023*
Existing space at the end of the period, million sq m	7.4	7.7	8.0	8.0
New supply for I-III quarters, thousand sq m	298.7	92.2	43.5	50.7
Number of opened SCs for I-III quarters	6	4	4	4
Vacancy rate, %	8.6	9.7	13.0	11.9
Per capita retail space, sq m per 1,000 residents**	600	612	617	613

*Starting in Q1 2023, a new method of existing space calculation and per capita retail space is applied (adjusted for coverage of Moscow satellite towns).

**Data for 2022-2023 have been adjusted to take into account the results of the Nationwide Population Census held in October-November 2021.

Supply

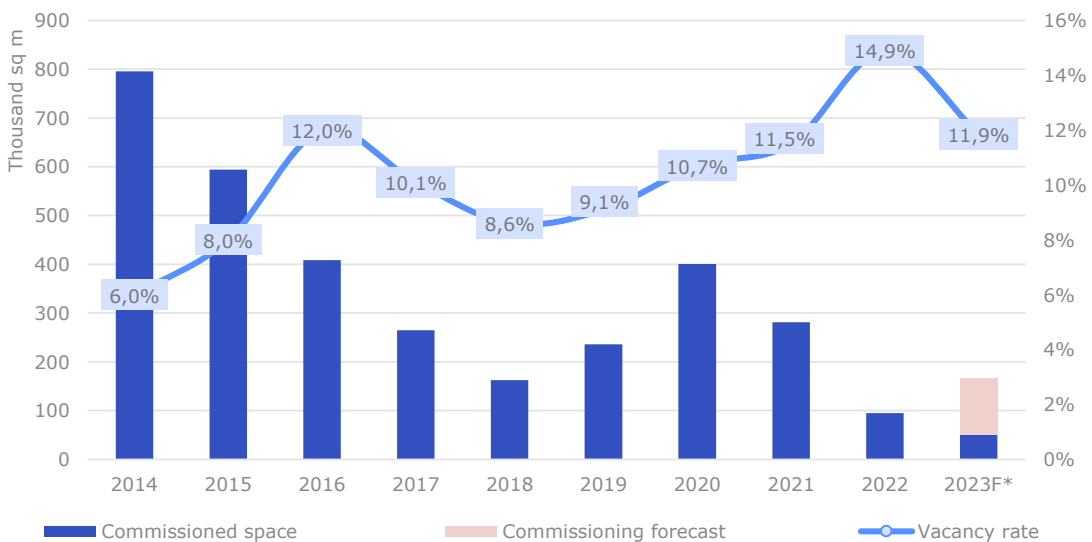
At the end of nine months of 2023 the new supply totaled to 50,700 sq m. In Q3 2023 we saw a long-awaited inauguration of ADG Group’s project in the Moscow market – Meeting Place Zvezdny shopping center (GLA=4,300 sq m). According to our estimates, by the end of the year the quality supply in the capital city will increase by another 116,200 sq m of leasable area. One of the largest projects slated for commissioning is Letniy Sad shopping center within the eponymous housing estate in the north of Moscow. Provided that all of the announced plans are brought to fruition, among the high-profile developers, which have completed the largest number of projects this year, are ADG Group (29.9% of the total projected supply in 2023), SIS Development (16.2%), A101 Group (13.2%), with total new supply amounting to 166,800 sq m.

Vacancies keep on shrinking, the change to the previous quarter amounting to -1.7 p.p. The nature of changes is due to the vacated spaces of the exiting anchor tenants being rapidly filled. According to our estimates, vacancies will keep falling throughout the entire year 2023. Thus, we can speak about market stabilization and return to the dynamics typical of 2021.

Chart 1

Dynamics of retail space commissioning in the Moscow area, 2014–2023F

Source: Nikoliers



*Vacancies for 2023 are indicated with reference to the results for Q3 2023

Demand

Table 2

Examples of expansion by biggest department stores of various positioning in Moscow shopping malls for 9 months of 2023 (on a sample basis)

Source: Nikoliers, official websites of shopping centers and retailers

Familia	Stockmann	Lady & Gentleman City
Openings in 2023		
TDC RTS Rublevskiy Mozaika mall Gorod Kosino mall Mitino Park SC Yasenevo SC VTB Arena Plaza SC	Vegas Crocus City mall Vegas Kuntsevo mall Columbus mall Kapitoliy Vernadskogo SC Mega Teply Stan mall	1. Just Clothes brand launched in Aviapark Mall, Europolis Rostokino Mall, Mega Khimki Mall, Mega Teply Stan Mall 2. Lucky Bear brand launched in Europolis Rostokino Mall, Evropeiskiy Mall
Expansion plans		
	Opening of 20 new department stores across Russia in 2023	Just Clothes brand expansion, opening the stores of other profiles

In Q3 2023, four new international brands entered the Russian market, two of which are Turkish (OXXO, AVVA), one Belarusian (Comintern) and one Finnish (Lassie). Three of the four belong to the Garments & Shoes category, one represents Children’s Goods. Overall, since the beginning of the year, 20 international brands have entered the market. Russian retailers also launched several brands in the third quarter. Thus, Lady & Gentleman City started a push for Just Clothes brand, while MFG opened its first IDOL premium clothing shops. Good Luck housekeeping goods shop opened its doors for customers in Rummyantsevo business park. Moreover, Lady & Gentleman City announced its intention to continue the new brand development and in the nearest future to please its consumers with children’s clothes (Just Kids), housekeeping goods (Just Home) and even cosmetics (Just Cosmetics). Retailers that have been operating on the Russian market for a long time are expanding their assortment matrix. Now in Rendez-Vous shop you can buy not only shoes of various brands, but also garments. Sela has launched a men’s collection, while Ralf Ringer has decided to enter the “home improvement goods” as well as “cosmetics and

perfumery” markets. The shortage of sportswear supply was not ignored either.

Zenden is eyeing the possibility of launching a line of sportswear. Lime has announced the expansion of its range of clothes for teenagers, whereas Gloria Jeans stated its intention to launch a new brand for teenagers, named Ready! Steady! Go!

Old brands continue to reappear under new signage. One of the most striking events at the end of summer was the change of ownership of the Domino’s Pizza chain. After 60 restaurants were sold out, they were soon reopened as Domino Pizza. Puma ceased to exist as a mono-brand boutique, with Amazing Red multi-brand spaces now opening in its venues.

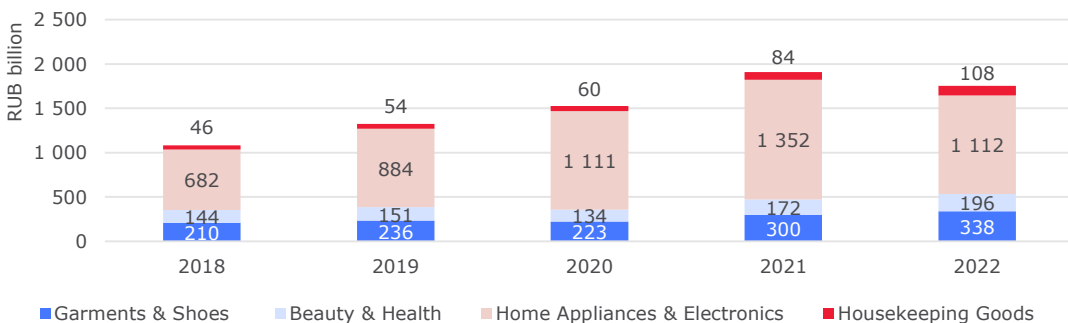
According to the published operating results for 2018-2022, we can conclude that almost all of the categories presented, except for “home appliances and electronics”, show a stable growth rate. This said, the “housekeeping goods” category is the most active, which may indicate a permanent interest on the part of consumers.

Chart 2

Dynamics of cash turnover of the largest retailers (selectively), RUB billion.

The sample consists of the 24 largest and aggressively expanding retailers in the categories such as “garments and shoes” – 10 units, “beauty and health” – 6 units, “home appliances and electronics” – 4 units, “housekeeping goods” – 4 units.

Source: SPARK Interfax

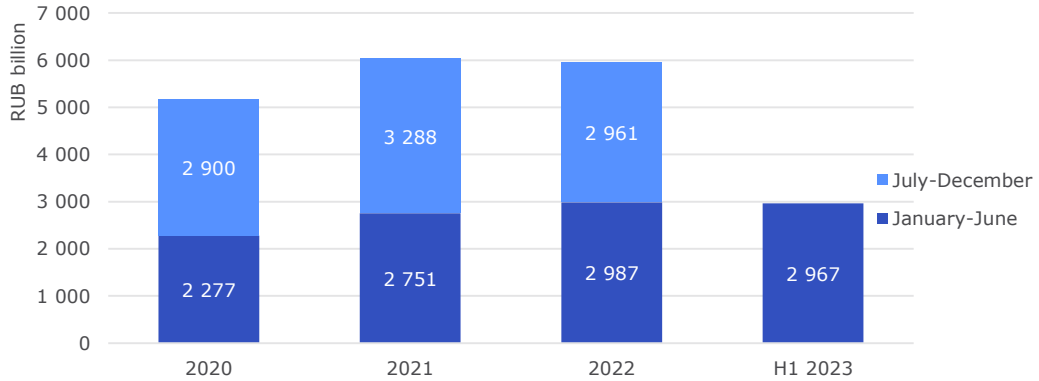


Retail trade

Chart 3

Dynamics of retail turnover in Moscow, 2020 — H1 2023

Source: mosstat.gks.ru



After six months of 2023, retail turnover totaled RUB 2,967 billion, which is 3.2% lower in comparable prices year-on-year. It is expected that in the second half of the current year the turnover growth rates will be restrained. An increase in the CBR key rate first by 3.5 p.p. from 8.5% to 12%, and then by 1 p.p. to 13% will stimulate commercial banks to increase the attractiveness of deposits, which will lead to an outflow of money into the banking sector.

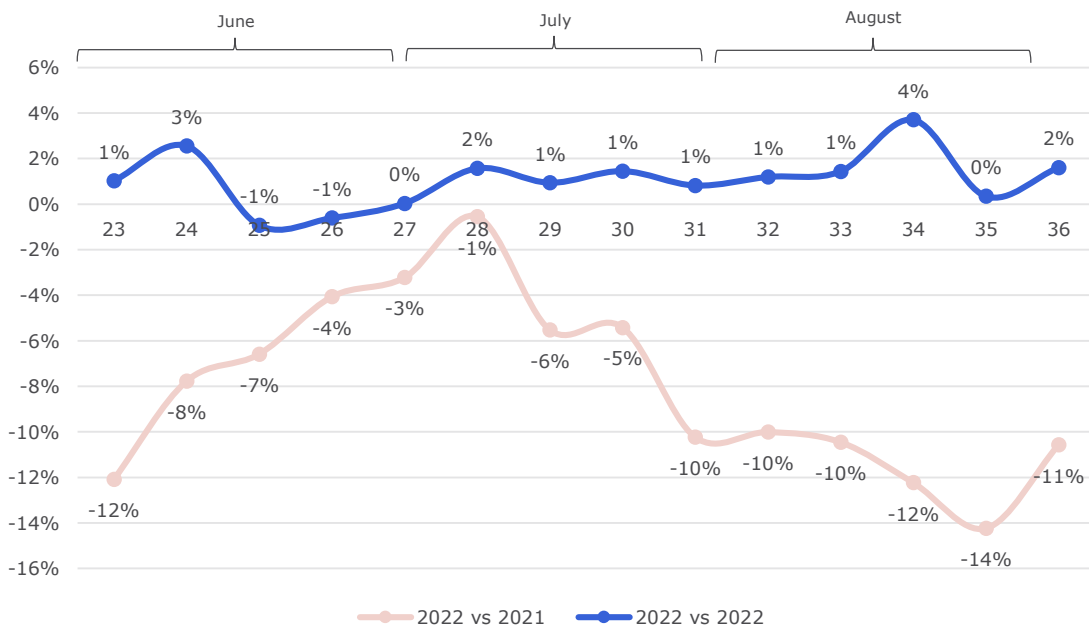
Footfall

The market shows a clear trend for the reduction of seasonal impact on the mall footfall. The dynamics of the attendance index in the summer period of 2023 ranged from -1% to +4% relative to the same period of the previous year. Speaking about seasonal fluctuations, it should be noted that the quarterly change in the dynamics of the Mall Index for the I-III quarters of 2023 was within 2%.

Chart 4

Dynamics of Moscow Mall Index (week 23-36), compared to the same period in 2021 and 2022

Source: Focus Technologies





Trends and forecasts

Consumer behavior

The attendance of small-size shopping centers is getting stable. According to Focus Technologies, during the summer period of 2023, the footfall ranged from -2% to +4%. Today, when choosing a place for everyday shopping, consumers prefer small shopping centers close to their homes or shops on the ground floors of residential developments. As for large-size retail facilities, the attendance rate in summer 2023 vs. the same period last year “froze” in the range of -6% to 0%, while in the first quarter of 2023 the fluctuations varied between -24% and -12%. This trend can be explained by the reduction of vacancies in the capital city’s shopping centers due to the entry of new brands, both domestic and foreign, to which consumers would like to be “exposed.”

Entertainments and activities

Shopping centers, which have long been a place not only for shopping but also for enjoyable pastime, try to lure more traffic with the help of non-trivial tenants. We see VR-spaces, fitness clubs and children’s centers appearing inside many shopping malls. The projects of SPA-salons with swimming pools and thermal baths, popular in the regions, are now being implemented in the capital city’s shopping sanctuaries as well. For example, a rooftop swimming pool has become the hallmark of the Food Hall on Yangel str. mall, whereas the Termoland aqua-thermal bathing complex is slated for opening in Zelenopark mall.

Shopping center as a place for new experience and impressions

The role of the project’s external attractiveness is increasing, as this component shapes the visitor experience. Shopping centers try to live up to community values, such as communication, healthy lifestyle, education and some others. For example, in the Meeting Place Angara shopping center it is possible to sign up for the library or simply use the opportunity of bookcrossing inside the retail facility. It is not uncommon that instead of the usual food court the owner prefers to arrange a food hall, where the key tenants are not well-known fast food chains, but a wider range of authentic cuisines and exciting concepts.

Contacts

Retail

Anna Nikandrova

Partner

Tel. +7 495 258 5151

Anna.Nikandrova@nikoliers.ru

Irina Tsarkova

Director

Tel. +7 495 258 5151

Irina.Tsarkova@nikoliers.ru

Business Support

Olga Bakulina, MCIM

Head of Business Support

Tel. +7 495 258 5151

Olga.Bakulina@nikoliers.ru

Research

Veronika Lezhneva

Director

Tel. +7 495 258 5151

Veronika.Lezhneva@nikoliers.ru

Evgeniya Maul

Analyst

Tel. +7 495 258 5151

Evgeniya.Maul@nikoliers.ru

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 **Nikoliers**

123112 Moscow
10 Presnenskaya Embankment
BC Naberezhnaya Tower
Block C, 52 floor