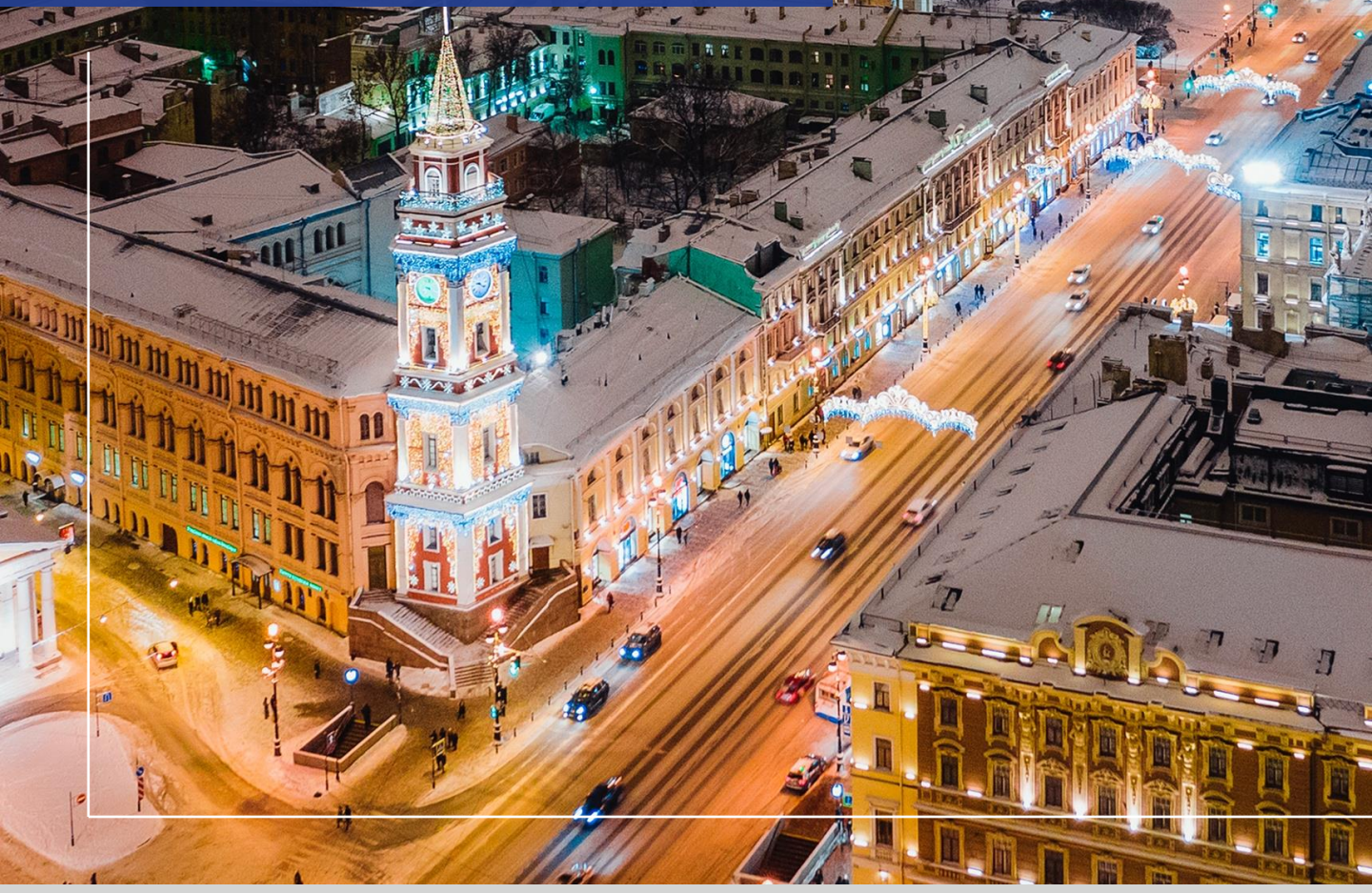


2022 Results

Retail  
Street Retail  
Russia  
St. Petersburg





**Table 1**  
Key market indicators

Source: Nikoliers

|  | 2020  | 2021  | 2022 |
|--|-------|-------|------|
| <b>Number of commercial premises on the central corridors*</b> | 857   | 864   | 880  |
| <b>Vacancy rate, %</b>   | 15.7% | 10.2% | 8.9% |

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

## Key outcomes

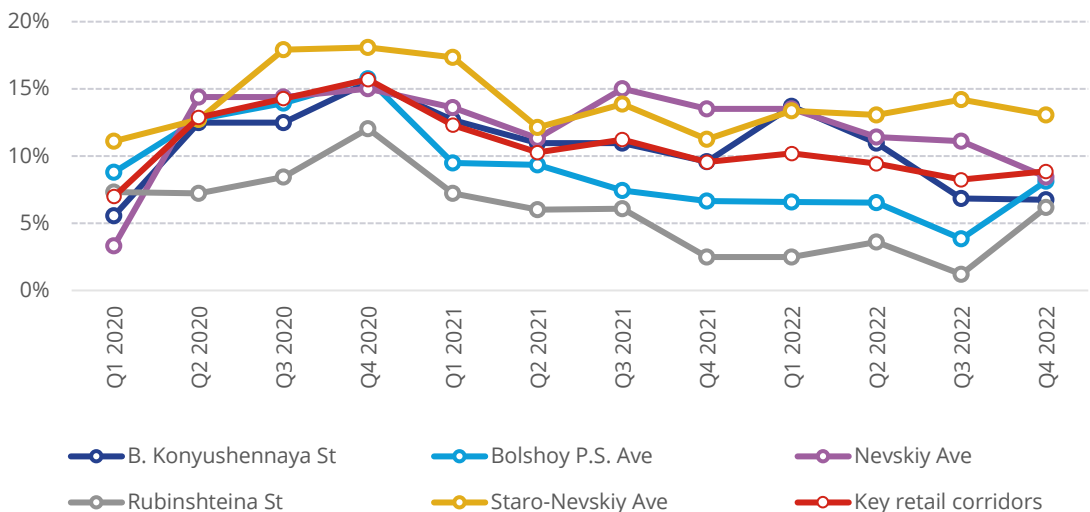
Geopolitical and macroeconomic changing conditions in 2022 has become a real challenge for tenants and landlords of retail premises in St. Petersburg. Many companies faced the need to rebuild their operations, which affected both internal and external processes (changes in supply chains, cost optimization, rebranding, assortment and/or format changes, etc.). During the first half of the year, many foreign retailers announced a temporary suspension of activities in Russia. Thus, since the beginning of March, the number of temporarily closed stores on the central retail streets totaled 27. During this period, 11 stores resumed work under the same or new brands, six premises were vacated, and the other ten stores remain temporarily closed, which are mainly located on Staro-Neviskiy Prospekt.

The vacancy rate on the five key retail corridors was 8.9% by the end of 2022, which is 0.7 p.p. lower than the year before. In terms of vacancy

rate dynamics there were different trends. Such locations as Nevskiy Ave and Bolshaya Konyushennaya St, demonstrated a decline in the figure over the year (by 5.1% and 2.8% respectively). However, those corridors haven't yet reached the vacancy rate of the pre-pandemic period. On the three other key retail corridors, the vacancy rate increased over the year, in this context the most significant rise was on Rubinshteina St – from 2.5% to 6.2%, due to the closure such cafes and restaurants as Vice City, RS20, Crazy Wine. At the end of the year such stores as Cos, &Other Stories, H&M Home, Nespresso and others were closed on Bolshoy Ave P.S., which led to the vacancy rate increase on this corridor after declining for seven consecutive quarters. By the end of the year, the vacancy on this avenue was at 8.1%. However, this surge was of likely a one-time nature, and therefore we expect a gradual decrease in the share of vacant premises during 2023.

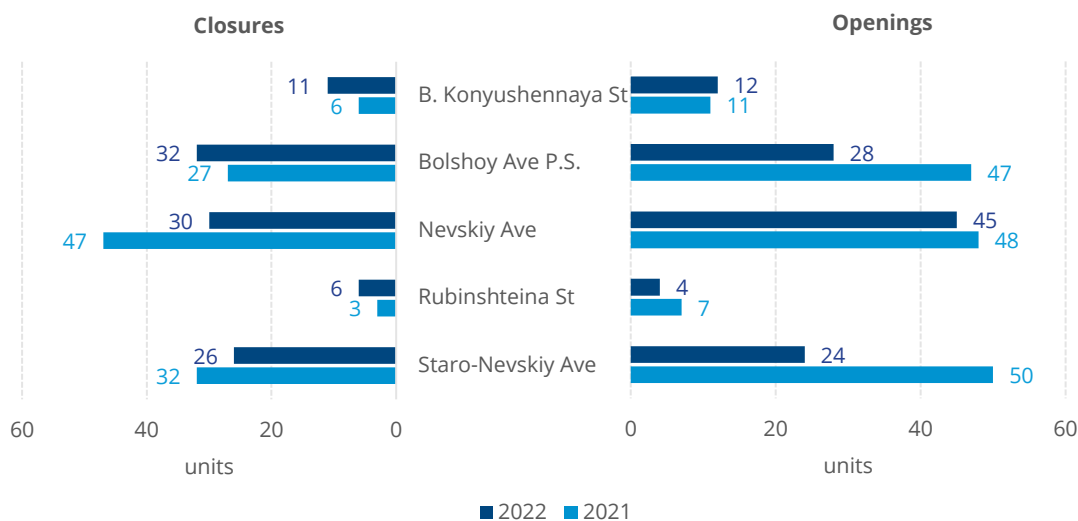
**Chart 1**  
Vacancy rates on key retail corridors, St. Petersburg

Source: Nikoliers



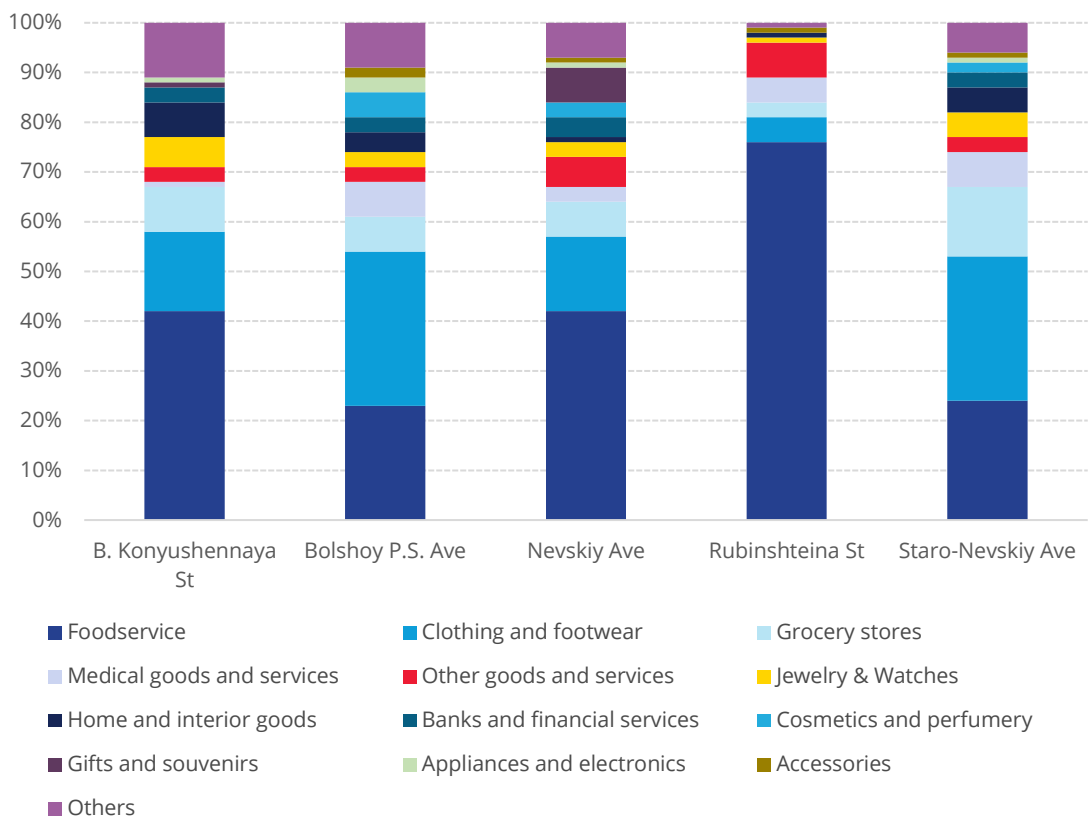
**Chart 2**  
Closures and openings on key street retail corridors in 2021-2022

Source: Nikoliers



**Chart 3**  
Distribution of tenants' profile on key retail corridors

Source: Nikoliers



## Demand and commercial terms

In 2022, we saw a modest level of rotation in the city center – 7.2%. Store signs were replaced most actively on B. Konyushennaya St (rotation level – 12.2%) and Nevskiy Ave (9.2%). For example, on B. Konyushennaya St, on the site of the MILLZ KARTA store, the Sokrovische jewelry store was opened. On Nevskiy, Carl's Junior replaced Subway, and the Sever Metropol confectionery occupied the former premises of the Estel store. Over the past 12 months, 105 closures occurred on the five key retail corridors in St. Petersburg because of vacating premises and tenants' rotation, while there were 113 openings for the same time. Compared to the previous year results, there were 10% less closures, while the number of openings decreased by almost a third.

The prevailing part of opened during 2022 outlets traditionally refers to the foodservice segment – 42%, or 47 facilities. Sono Asia, Maze (both — on Bolshoy Ave P.S.), Midiynoe mesto on Nevskiy Ave, Provocateur on Rubinshteina St were among the interesting openings in this segment.

Stores from the clothing and footwear segment formed 17% of new openings (19 premises). Most of the new stores are representatives of small Russian brands, such as Mia Monica, MoonShine, DreamWhite or Nude Story. The last one opened its first store in St. Petersburg in 2022. Among the federal brands expanding their presence in the street retail format in the city center are the footwear brands Sofia and Tamaris.

Among other profiles formed an active demand for street retail premises, various confectionery stores can be distinguished: Klad-Marmelad, Alenka, Krupskaya Factory store, Elit Loqum chains increased the number of their outlets on the main streets in 2022. The number of openings of gift shops has increased as well:

in January-December, seven new souvenir stores appeared, while there were only three openings for the entire previous year. It is noteworthy that six of the seven new souvenir shops were opened in the Q2 and Q3 – on the eve and during the summer season.

Separately, it is worth noting the high activity of tobacco shops on the central highways: over the past 12 months, 17 tobacco shops have been opened. By the way, in 2021, new tobacco shops did not appear on any of the five shopping corridors. Tenants of this profile, as a rule, occupy several square meters in a room with representatives of other segments. For example, most often tobacco shops are combined with communication stores, confectionery shops and coffee houses.

Of particular note, there was a high activity from tobacco shops on the central streets: there were 17 openings in this segment during the past 12 months. As an aside, new tobacco shops did not appear on any of the five retail corridors in 2021. Tenants of this profile, as a rule, occupy several square meters in a premises with tenants of other segments. For example, most often tobacco shops combine with telecommunication stores, confectionery shops and coffee houses.

Rental rates dynamics on the five retail streets was various in 2022. On Bolshoy Ave P.S. rental rates on average grew by 5-15% y-o-y, and on Nevskiy Ave asking rental rates decreased by 10-20% y-o-y. It is worth mentioned that on the streets with a small number of listing premises for rent, rental rates might be significantly different from one quarter to another. Thus, due to several quality premises were vacated, we observed two-time growth of the upper limits of offered rates on B. Konyushennaya St and Staro-Nevskiy Ave.

**Table 2**

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

Source: Nikoliers

| Central retail corridors | Q4 2022             |                 |                 |
|--------------------------|---------------------|-----------------|-----------------|
|                          | Rental rate average | Rental rate min | Rental rate max |
| Nevskiy Ave              | 7,270               | 3,800           | 10,700          |
| Staro-Nevskiy Ave        | 7,030               | 5,500           | 8,000           |
| Bolshoy P.S. Ave         | 3,200               | 2,500           | 3,800           |
| B. Konnyushennaya St     | 4,900               | 2,200           | 7,700           |
| Rubinshteina St          | n/a                 | 1,700           | n/a             |



## Trends and forecasts

- Last year defined by high volatility. However, the market players are adapting to the changes happened and developing plans to growth. According to our estimates, considering the absence of major external shocks, the vacancy rate and rental rates in the centre of St. Peterburg are about to stabilize in 2023.
- Domestic fashion retailers actively announced their plans to expand the market last year. Some companies intend to launch new brands and profiles, the others – to extend their store formats and inventory assortment. In this regard, we can expect an increase in demand for liquid premises from both large players and small local brands.
- As for the foodservice segment, there will be defining factors for pace of new openings such as high inflation rate (11.94% in December y-o-y, according to Rosstat), a decrease in real disposable incomes and population's transition to the savings consumption. We believe, both branch and unitary conceptual projects will be eminently careful and thoughtful to choose premises, picking only frontmost in terms of traffic and business surroundings.

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