

Year-end 2023

Retail Shopping Centers

Russia | Regions



Table 1

Key market indicators

Source: Nikoliers

	2021	2022	2023	2024F
Total supply of retail space in Russia, million sq m	28.9	29.2	29.5	30.2
Retail space commissioned in Russia, thou sq m	814	250	252.3	661.2
Total supply of retail space in Russia's regions, million sq m*	17.9	18	18.2	18.5
Retail space commissioned in Russia's regions, thou sq m*	538.5	138.3	158.9	258.4
Number of opened SCs*	17	10	11	17
Per capita retail space across Russia, sq m per 1,000 residents	198	201	201	206

*All cities of Russia with the exception of Moscow and Saint Petersburg

Macroeconomy

As estimated by the Bank of Russia, annual inflation at the end of 2023 will amount to about 7.6%, up 1.8 p.p. against the expected 5.8%, that forecast being made at the end of last year. The consumer price index is anticipated to return to the pre-crisis level of about 5.1% in 2024. At the end of 2023, the key rate has been fixed at 16% while averaging at 9.9% throughout the year.

According to experts, the key rate may increase at the turn of next year, with its decrease expected not earlier than in the second half of 2024. In 2024-2025, the forecasts for the average key rate are expected to be 14% and 9%, respectively.

In 2023, Russia's GDP growth showed positive dynamics and, according to preliminary estimates,

has risen by 3.1%. The sectors contributing to economic growth, such as industrial manufacturing, construction and agriculture, continue to be the main drivers of national economy. In 2024-2026, the Russian economy is expected to slow down, with the annual GDP growth anticipated at the level of 1.3-1.5%.

The average annual USD/RUB exchange rate in 2023 amounted to RUB 85.4 per dollar with a trend for gradual weakening in the future.

Table 2

Key macroeconomic market indicators

Source: Bank of Russia**

	2022 (fact)	2023F	2024F	2025F	2026F
CPI (% in December year-on-year)	11.9	7.6	5.1	4.0	4.0
Key rate (% p/a, average throughout the year)	10.6	9.9	14.0	9.0	7.0
GDP (% , year-on-year)	-2.1	3.1	1.3	1.5	1.5
Unemployment rate (% in December without seasonality exclusion)	3.6	3.0	3.0	3.1	3.2
USD/RUB exchange rate (RUB per dollar, year's average)	67.4	85.4	92.0	93.0	94.8

 **Bank of Russia, http://www.cbr.ru/statistics/ddkp/mo_br/

Supply

Table 3

Quality shopping centers that have opened in Russia’s regions during 2023

Source: Nikoliers, developers’ data

SC name	GBA, sq m	GLA, sq m	Format	City
Marmelad	53,000	45,000	Community	Cherepovets
ARSIB Tower	35,000	27,000	Community	Tyumen
Tochka City	50,000	20,000	Community	Samara
Podkova 2	25,000	18,750***	Neighborhood	Vladimir
Shadrinsk Hall	16,000	13,500***	Neighborhood	Shadrinsk
Mandarin	15,000	11,250	Neighborhood	Sevastopol
Torpedo	10,000	8,000	Neighborhood	Nizhny Novgorod
Grani	15,800	5,000	Neighborhood	Novosibirsk
Kosmos	6,000	4,350	Neighborhood	Bryansk
Galereya	9,534	3,800	Neighborhood	Vladikavkaz
Kedr	3,000	2,250***	Neighborhood	Novouralsk

***Estimated by Nikoliers

In 2023, the new regional supply amounted to 158,900 sq m, which is 14.9% more than a year earlier. The most remarkable opening was the shopping mall Marmelad in the city of Cherepovets. The year was also marked by the opening of the Tochka City mall in the Volgar residential area of Samara and a shopping gallery within the ARSIB Tower mixed-use center located in South Tyumen. All opened shopping malls are either neighborhood or community centers.

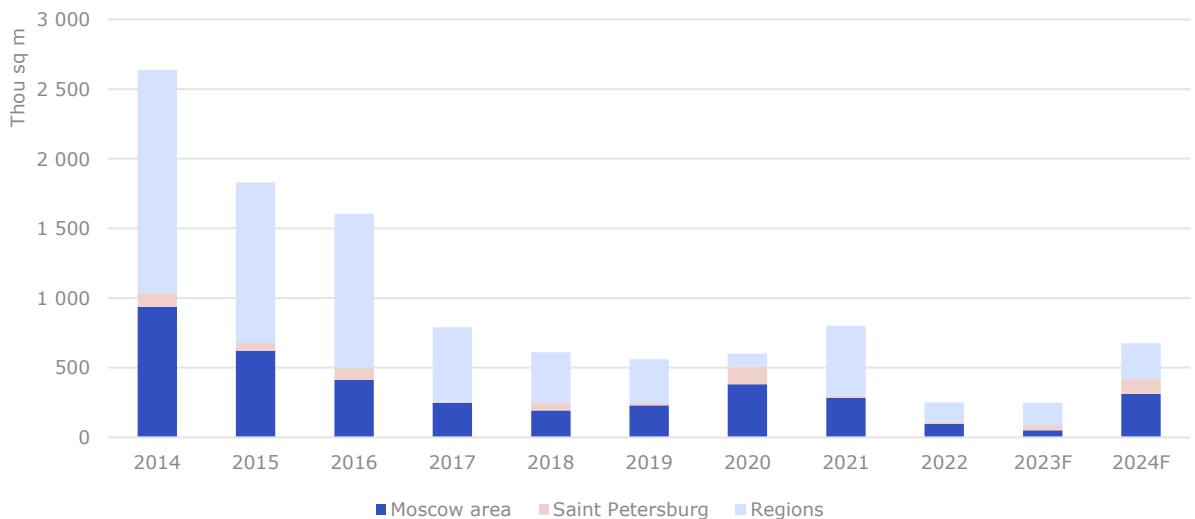
It is expected that in 2024 the commissioned space will surge by 62.6% to about 258,400 sq m of leasable area; similar to 2023, next year regional and superregional projects have not been announced for opening. The largest projects include DAF shopping mall (GLA=32,000 sq m) in Kursk, Park SC (GLA=29,600 sq m) in Nizhny Tagil and Brosko Mall, second phase (GLA=16,500 sq m), in Khabarovsk.

It is expected that by the end of 2024 the total quality retail space supply in Russia will amount to 30.2 million sq m, with regional Russian cities accounting for about 62% of total retail space, Moscow area – for 27.5%, and St. Petersburg agglomeration – for 10.5%.

Chart 1

Structure of retail space commissioned in Russia, 2014–2024F

Source: Nikoliers



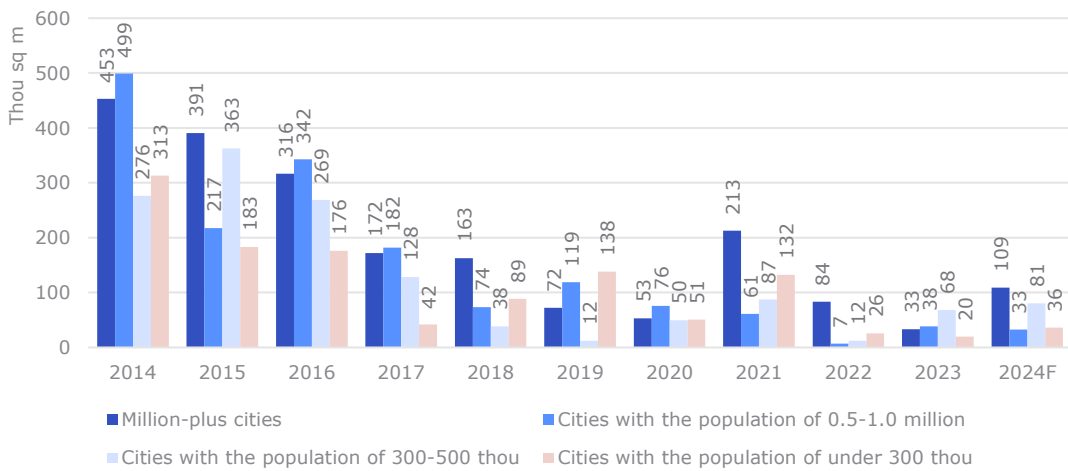
The retail space commissioning has significantly shrunk over the last few years. Three shopping centers with an aggregate area of 33,000 sq m have opened in million-plus cities this year. Two shopping centers (38,000 sq m in total) have been added to the quality supply in the cities with the population of 0.5-1.0 million people. In 2023, cities with a population of 300-500 thousand people have accounted for the main bulk of new retail space commissioned in Russia. The quality supply in cities with the population under 300 thousand has grown least of all – only by 20,000 sq m.

In our estimation, provided that all development plans are implemented in 2024, the greatest retail space commissioned will be formed in million-plus cities – 109,000 sq m, slightly less than 81,000 sq m will be commissioned in cities with a population of 300-500 thousand, while the retail space in cities with a population of 0.5-1.0 million people and with a population below 300 thousand will swell almost equally – by 33 and 36 thousand sq m, respectively.

Chart 2

Breakdown of quality retail space in regional cities (save for Moscow and Saint Petersburg) by population numbers, 2014-2024F

Source: Nikoliers

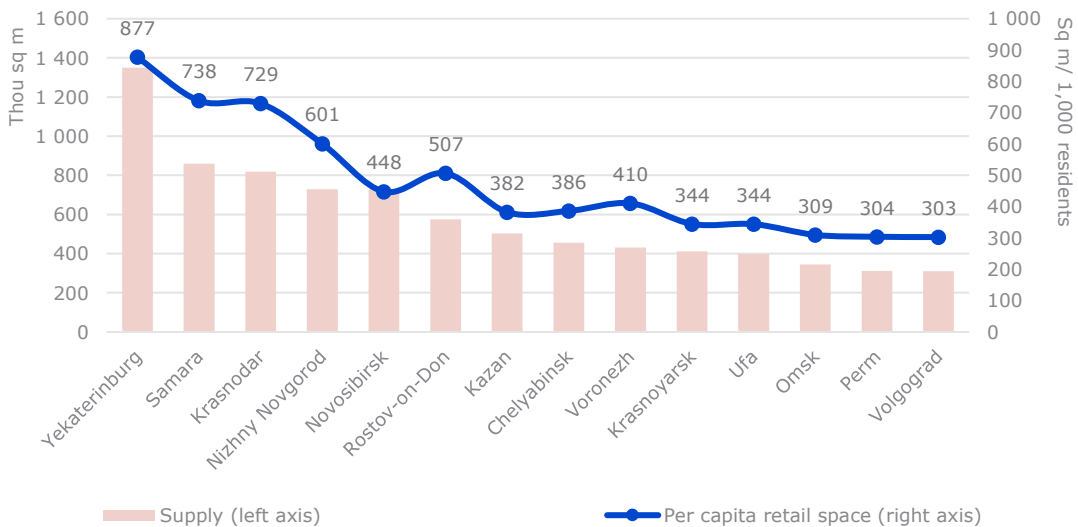


During the period under review, Yekaterinburg (877 sq m/1,000 residents) remains the leader among the million-plus cities of Russia, followed by Samara (738 sq m/1,000 residents) and Krasnodar (729 sq m/1,000 residents). In 2023, Samara which held the third position a year earlier, overtook Krasnodar due to the opening of a new facility. Perm (304 sq m/1,000 residents) and Volgograd (303 sq m/1,000 residents) remain the million-plus cities having the smallest per capita retail space.

Chart 3

Total supply of retail space in regional million-plus cities and their provision with retail space, 2023

Source: Nikoliers



Demand

In 2023, twenty-seven new foreign brands have entered the Russian market, while 8 brands have left the market. It is worth noting that in two recent years, 31 foreign brands ceased their operations in the Russian market, whereas 37 brands entered the market, mostly from friendly countries, including 37% from Turkey, 14.8% from South Korea, Belarus and Lebanon each. Traditionally, Moscow and St. Petersburg are the priority markets for brands to open their first mono-brand stores in the country.

More than 20 new domestic brands have entered the market during 2023, the most remarkable openings being Just Clothes, IDOL, ZRN MAN, GLVR, lamoda Sport, Gud Lakk, Uyut Mall, Rolls No Rules, and some others. In addition, multi-brand spaces have become widespread. In 2023, stores such as NCF, Trendzone, Amazing Red, ASP, Sneaker Box and many others have made their appearance.

Domestic retailers have aggressively expanded, increasing the number and size of their stores, changing formats, carrying out rebranding, launching stores with new assortments, and even their own brands. For example, Melon Fashion Group, Gloria Jeans, Lime, Familia brands have significantly increased the areas of their existing and new stores, while M.Video and OBI are opening new stores of lesser space.

According to operating results for 2018-2022 published, the revenue in the fitness category grew by 15.7%, clothing and footwear – by 14.1%, beauty and health – by 13.9%, catering – by 10.4%, with entertainments being an absolute leader among other categories, having shown a growth of 23.5% year-on-year.

Chart 6

Money turnover dynamics for largest retailers (selectively), 2018-2022

The sample comprises 51 biggest and aggressively expanding retailers by categories such as Garments and footwear (15), Public catering (11), Beauty and health (7), Home appliances and electronics (6), Housekeeping goods (6), Juvenile products (6)

Source: SPARK Interfax

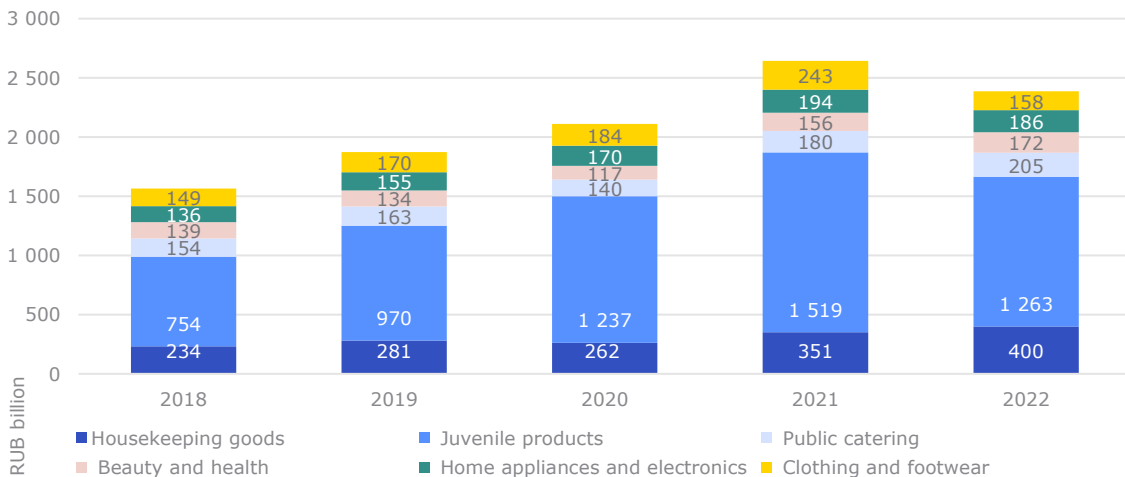


Chart 4

Dynamics of international brands entering and exiting the Russian market, 2015-2023

Source: Nikoliers

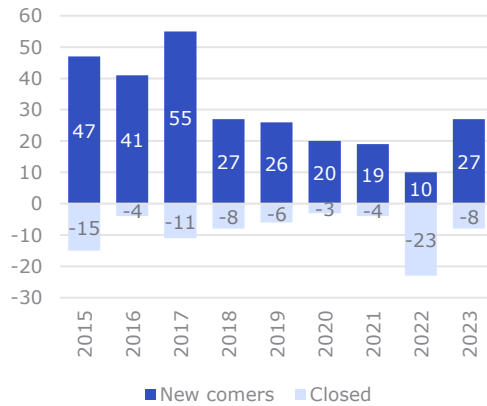
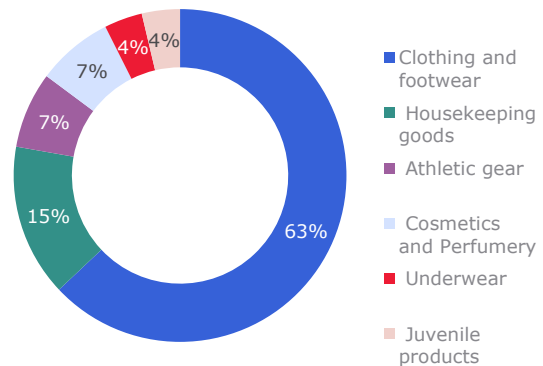


Chart 5

Breakdown of international brands entering the Russian market in 2023 by their profile, % of the total number

Source: Nikoliers



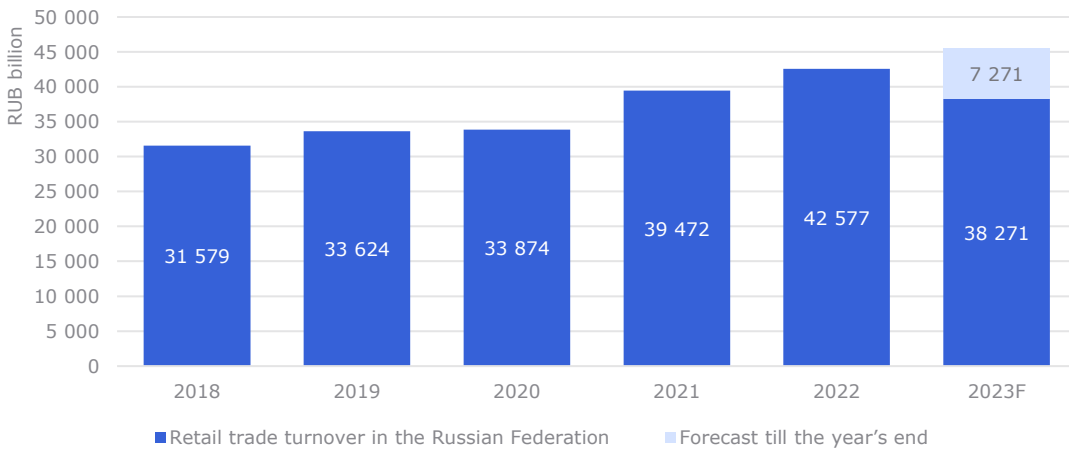
Retail trade

According to Rosstat data, during the first ten months of 2023 the retail trade turnover in the Russian Federation can be estimated at RUB 38,271 billion; according to our forecasts, it will further increase by RUB 7,271 billion in the last two months of 2023. Meanwhile, the share of food products stood at 47.9% (RUB 18,338 billion), while the share of non-foods amounted to 52.1%. From August to October there was a noticeable shift of the retail trade turnover towards non-food products – 54%. This consumer behavioral pattern is caused by a sharp increase in the key rate from 8.5% to 13% and, as a consequence, a surge in demand and simultaneous growth of prices for non-food products.

Chart 7

Dynamics of retail turnover in Russia, 2018–2023F

Source: Rosstat



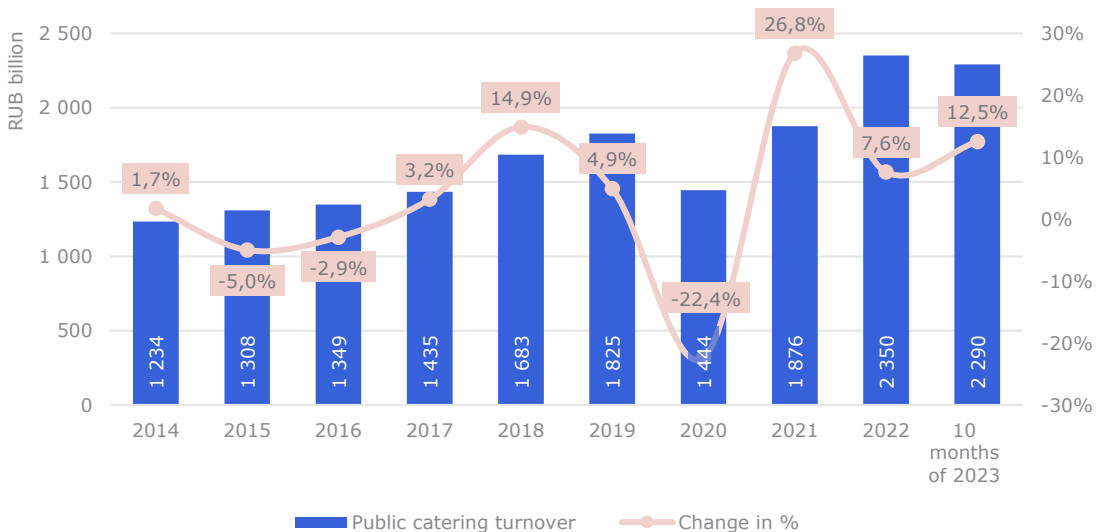
Public catering

The turnover of public catering in Russia for the first ten months of 2023 amounted to RUB 2,290 billion, up 12.5% year-on-year in comparable prices. In absolute terms, the growth amounted to RUB 386 billion. In our estimation, by the end of the year the public catering turnover in Russia will reach RUB 2,725 billion. The growth of demand for catering can be explained by improved delivery services, as well as the trend for eating out in fast-food outlets.

Chart 8

Turnover of public catering in Russia and its dynamics in comparable prices, % to the previous period, 2013–10 months of 2023

Source: Rosstat

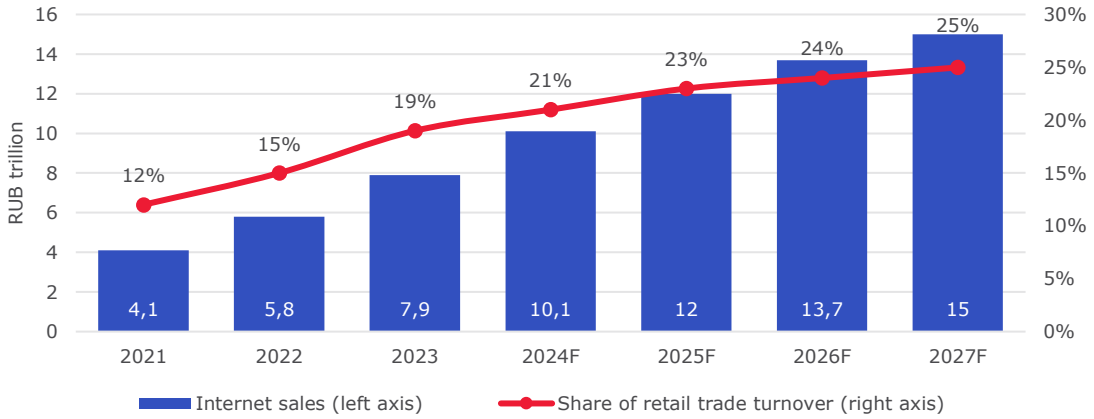


Online retail

Chart 9

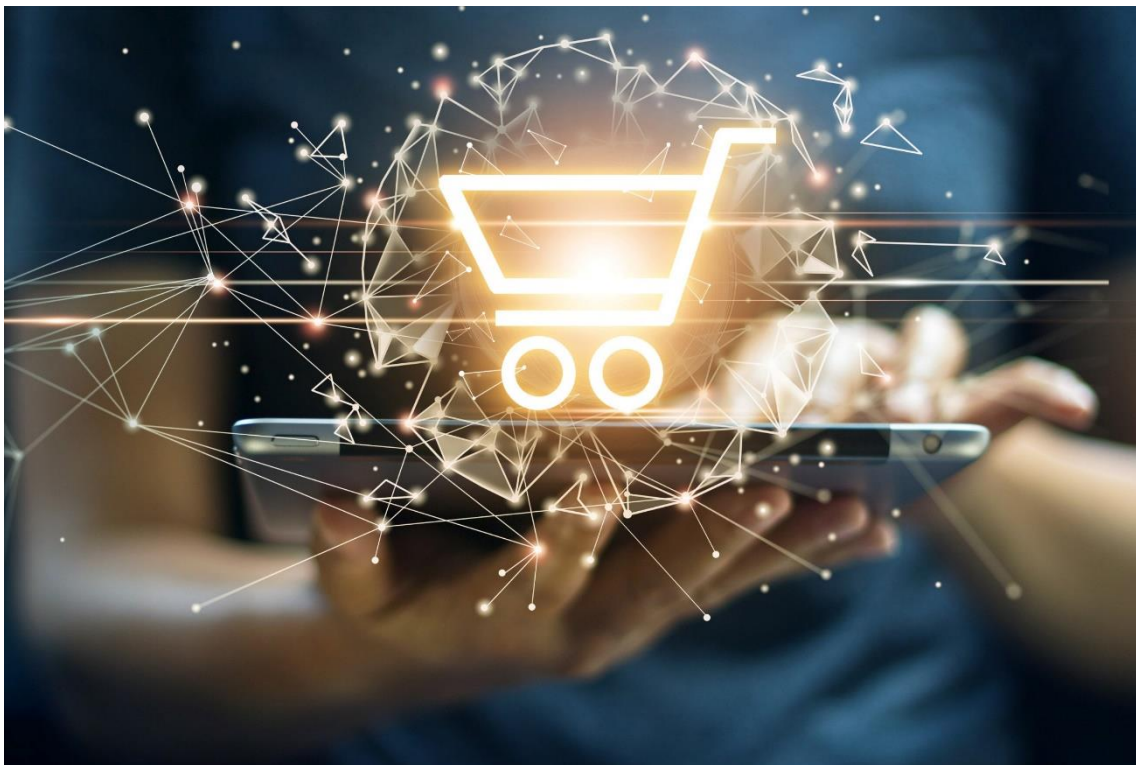
Share of Internet sales in total retail trade turnover in Russia

Source: Data Insight



According to Data Insight, online sales will total RUB 7.9 trillion by the end of 2023, up 36% year-on-year. The growth of online retail is having a significant impact on retail trade, with many companies adapting their business by expanding their presence through omnichannel marketing. However, for the time being, offline retailing retains its priority position. At the end of 2023, online retail will account for 19% of total turnover, up 4 p.p. year-on-year.

Additionally, retailers are beginning to apply virtual reality technologies to attract new consumers and to increase brand awareness. Just before New Year’s Eve, the French corporation Auchan has launched a virtual hypermarket Auchan City in the Roblox meta-universe. According to the chain management, during the initial three days after the project launch, Auchan’s virtual space was visited by more than 200,000 users. There are also known cases of launching special applications for trying on cosmetics or clothes online. For example, Megamarket has added to its application the possibility of fitting on decorative cosmetics using a “virtual mirror”, which can be accessed via the smartphone camera.





Key trends

Interest in redevelopment and renovation

The trend of creating projects through redevelopment persists, which can be explained by the scarcity of new construction sites in most convenient, central locations. Worthy of mention in this niche is ADG Group, which creates shopping centers through redevelopment. It owns one of Russia's largest projects – a chain of neighborhood centers named Mesto Vstrechi (Meeting Place). A large number of projects have also been announced in the regions, such as the redevelopment of the Voronezh hypermarket Karusel in the Nebo shopping mall, as well as a shopping center at the site of the Saturn cinema in the city of Omsk.

Wellness

Due to the strong trend towards caring for physical and mental health, more and more space is being allocated for fitness clubs, beauty salons, and specialized restaurants of proper nutrition. Fitness has been one of the fastest growing segments in recent years. The number of gyms grew by 70.4% from 2019 to 2022, while their total occupied area increased by 53.6%. There are well-known cases of opening spa outlets both within shopping centers and as freestanding buildings. Among the most active players now are the Gorodskie Termy, Termoland and Baden-Baden chains.

Multi-brand spaces

This year, more multi-brand spaces have been cropping up. For foreign retailers whose brands ceased to exist as mono-brand boutiques, the department store format allowed them to keep their presence in Russia. For example, ASP, NCF, Amazing Red, Trendzone, Pan Club and some others have entered the market in this manner.

For domestic retailers, who have aggressively expanded throughout the year, multi-brand spaces are an opportunity to enter new markets. Smaller regional brands, which previously had only an online presence, have begun to enter the offline market as corners in multi-brand stores.

The Services of Nikoliers



Office agency



Industrial real estate



Retail



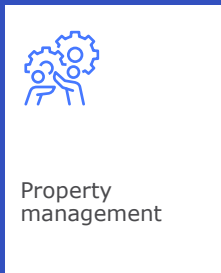
Residential real estate



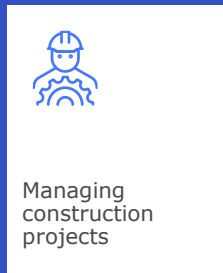
Hotels



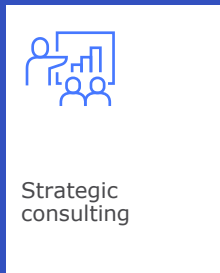
Land plots



Property management



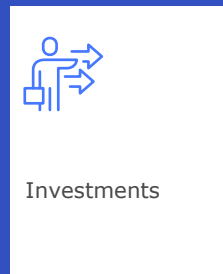
Managing construction projects



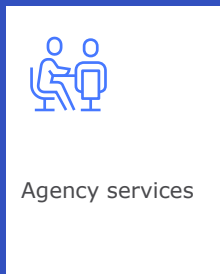
Strategic consulting



Property and business valuation



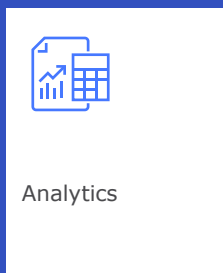
Investments



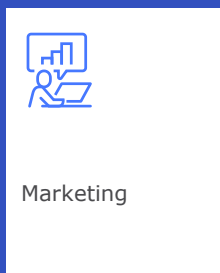
Agency services



Representation of tenants



Analytics



Marketing

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