

Year-end 2023

Retail Shopping Centers

Russia | Moscow

Table 1
Key market indicators

Source: Nikoliers

	2021	2022	2023	2024F
Existing space as of the end of the period, thou sq m	7,968	8,063	8,114	8,427
New supply for the period, thou sq m	281.4	95.5	50.7	313.1
Number of open SCs	11	10	4	24
Vacancy rate, %	11.5	14.9	10.0	-
Retail space per 1,000 residents, sq m**	630	620	620	641

*Starting in Q1 2023, we've been using a new method for calculating the existing space and per capita retail space (the coverage of Moscow's satellite towns has been corrected).
**The data for 2022-2023 have been corrected with the results of the Nationwide census in October-November of 2021 taken into account.

Supply

The commissioned retail space in the capital city set an anti-record in 2023 for the last 20 years, with only 50,700 sq m or four shopping centers added to the market. Thus, the commissioning in 2023 will prove to be 46.9% lower than last year and 82% lower than in 2021, when 281,400 sq m of new space were commissioned. This year the new supply is represented by neighborhood and community centers.

Quality retail space per capita remains at a high level in the Moscow area. Even though only neighborhood centers have been announced for commissioning, their number will be quite high, which will lead to an increase in the retail space supply in 2024.

Shopping centers opened in Moscow during 2023

- Mitino Park**
GLA: 27,000 sq m
Developer: SIS Development

Siesta
GLA: 14,000 sq m
Developer: A101 Group

Kuvshinka
GLA: 5,300 sq m
Developer: Mosinzhprom

Meeting Place Zvezdny
GLA: 6,254 sq m
Developer: ADG group

Source: Nikoliers, developers' data

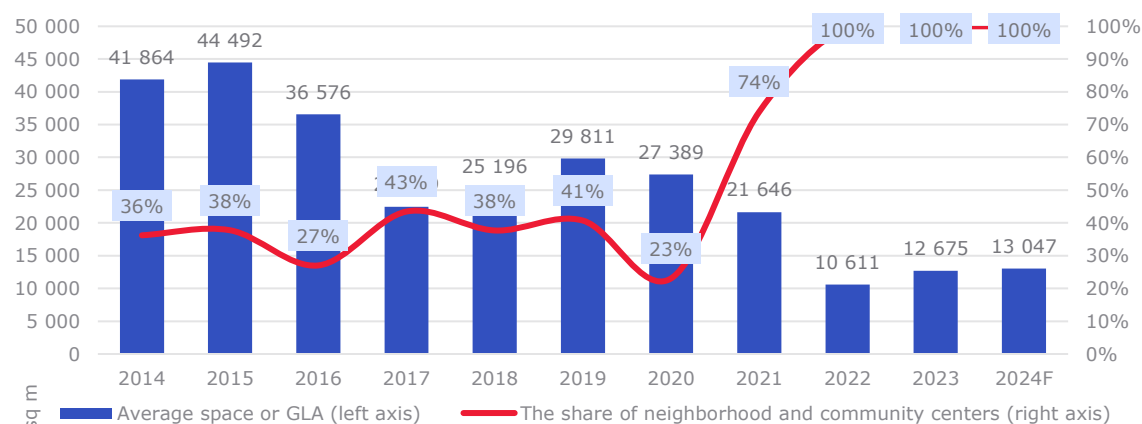
Chart 1
Dynamics of retail space commissioning in the Moscow area, 2014–2024F
Source: Nikoliers



Chart 2

Average space of newly commissioned shopping centers, 2014–2024F

Source: Nikoliers



The average area of retail facilities commissioned in 2023 is 12,700 sq m, which is 19.5% more than in 2022. According to our estimates, in 2024 the average area will be higher – about 13,000 sq m, due to the opening of facilities such as Kuzminki Mall on Zelenodolskaya Street, Odintsovo Park on Mozhaisk Highway and some others.

The new supply in 2024 can conventionally be divided into two groups. The first one is free-standing neighborhood centers. Nine out of 24 projects announced for commissioning belong to the Meeting Place retail chain from ADG Group. Provided that the projects are implemented in due time, the developer can commission about 82,000 sq m next year. The second group is shopping galleries within other real estate segments. For example, Chkalov SC as part of the eponymous residential development, El Portal SC as part of Ryazanskaya transfer hub or Botanica Mall within a mixed-use that combines offices, retail and even an apartment hotel in one project.

Table 2

Shopping centers slated for commissioning in the Moscow area in 2024

Source: Nikoliers, developers' data

SC name	GBA, sq m	GLA, sq m	Developer
Kuzminki Mall	69,000	36,500	Limak Marash
Botanica Mall	51,578	25,578	Pioner Group
Odintsovo Park	32,000	22,500	Sandonia Limited Ltd
Orion	37,731	21,000	ADG group
Letniy Sad	30,000	20,312	Etalon Invest
Tweed	25,427	16,754	Neo River Ltd
Chkalov	60,400	15,000	IKON Development
Afimall Tverskaya	21,900	14,700	AFI Development
Moi Mall	24,000	14,000	n/a
El-Portal	20,000	14,000	MR Group
Dom-Megalit	19,000	13,000	Megalit JSC
Aurora	18,900	11,304	ADG group
Vityaz	17,610	10,967	ADG group
Liner	14,400	10,500	Solnechnoye 14
Pervomaiskiy	16,227	9,700	ADG group
Novy	15,000	9,200	n/a
Baku	13,180	9,171	ADG group
Prokshino	9,000	8,000	A101 Group
Praga	9,548	6,290	ADG group
Planeta	7,692	5,050	ADG group
Solntsevo	7,252	4,954	ADG group
Liverpool	22,000	4,500	Corbis K
Almaz	5,557	3,823	ADG group
SC at 1A Dinamovskaya str.	7,100	5,325***	Yauzskie Vorota

***As estimated Nikoliers

Demand

According to the results of 2023, the demand in the retail market stabilized. Despite the high vacancy rate at the beginning of the year, when this indicator reached 15.6%, the vacated premises found new tenants pretty quickly. The spaces previously occupied by the stores of Swedish IKEA and French Decathlon are gradually being refilled with new tenants. In Europolis Rostokino Mall the Lazurit chain of homewares has occupied most of the premises, where IKEA used to be located. At the end of the year Decathlon resumed its operations, but already under a new sign of Desport. Nevertheless, some of the premises have already been let to other tenants. For example, Sportmaster sporting goods store opened in Raduga Park Mall, Moscow East, in place of Decathlon. The first ASP store with Adidas and Reebok products on offer has replaced Adidas in Belaya Dacha Outlet Village.

During 2023, twenty-seven new foreign brands entered the Russian market, while eight foreign brands ceased their operations. The new players were mainly brands from Turkey, Lebanon and Belarus. Of the brands that exited the market 51.9% belonged to the midmarket segment, 33.3% to the upper middle segment, 11.1% to the premium segment, and only 3.7% to the low middle segment. Russian brands also demonstrated high growth rates.

In addition to quantitative expansion, retailers tended to increase shop sizes and to widen their assortment matrix. Alena Akhmadullina fashion house started making men's clothes to order. ZARINA also opened a new format called ZRN MAN, where a collection of men's clothing is on offer. Love Republic, another brand of the Melon Fashion Group retailer, added homewear and underwear to its assortment. Gloria Jeans announced the launch of Ready! Steady! Go! lineup for teenagers. KANZLER brand, which previously specialized only in men's garments, pleased its customers with a line of men's perfume. Homewares appeared in the assortment of LETUAL and Detskiy Mir, while the home textile chain Togas announced its desire to start its own furniture production.

Table 3

Key international brands that entered the Russian market in 2023

Source: Nikoliers

Brand name	Category	Country of origin	Price segment
Azmirli	Cosmetics and perfumery	Belarus	Midmarket
d'Alba	Cosmetics and perfumery	South Korea	Upper middle
Replay	Clothing & footwear	Italy	Premium
PIZHON	Clothing & footwear	Belarus	Midmarket
COMINTERN	Clothing & footwear	Belarus	Midmarket
AYAL	Clothing & footwear	Kyrgyzstan	Midmarket
MAAG	Clothing & footwear	Lebanon	Upper middle
VILET	Clothing & footwear	Lebanon	Midmarket
DUB	Clothing & footwear	Lebanon	Midmarket
ECRU	Clothing & footwear	Lebanon	Midmarket
AVVA	Clothing & footwear	Turkey	Premium
Beymen Club	Clothing & footwear	Turkey	Upper middle
NetWork	Clothing & footwear	Turkey	Upper middle
AC&Co	Clothing & footwear	Turkey	Upper middle
Loft	Clothing & footwear	Turkey	Midmarket
OXXO	Clothing & footwear	Turkey	Midmarket
Mudo	Clothing & footwear	Turkey	Low middle
BeneBene	Clothing & footwear	South Korea	Premium
inni	Clothing & footwear	South Korea	Upper middle
6IXTY8IGHT	Clothing & footwear	South Korea	Midmarket
Swed House	Household goods	Belarus	Midmarket
Kelebek	Household goods	Turkey	Upper middle
Madame Coco	Household goods	Turkey	Midmarket
Karaca Home	Household goods	Turkey	Midmarket
Lassie	Juvenile products	Finland	Midmarket
2XU	Sporting goods	Australia	Upper middle
Plein Sport	Sporting goods	Italy	Upper middle

Table 4

The matrix of foreign fashion brands in Moscow’s professionals SCs (a sample)****

Source: Nikoliers, official websites of shopping centers and retailers

	Aviapark					Columbus		Metropolis			Vegas Kashirskoye	Vegas Crocus City			Riviera	Salaris	
Uniqlo	Rendez-Vous					LIMÉ		Vacant		Rendez-Vous		Gloria Jeans			LIMÉ	LIMÉ	
Pull&Bear	DUB					DUB		Gloria Jeans			DUB	DUB			DUB	DUB	
Zara	MAAG	inni			MAAG	Ivlev Chef	MAAG	CookHouse		MAAG	MAAG	Gloria Jeans	ZARINA	MAAG	MAAG	ZARINA	
Oysho	LUSIO					EMKA		LAVARICE			All we need		IDOL	Tezenis	Madame Coco	CHARUEL	GATE31
Levi's	JNS					MUSTANG		JNS			JNS	JNS				MUSTANG	
Bershka	ECRU					ECRU		ECRU			ECRU	ECRU			ECRU	ECRU	
Stradivarius	VILET					VILET		VILET			Vilet	VILET			VILET	VILET	
H&M	Befree	Love Republic	Karaca Home	sela		STOCKMANN	STOCKMANN			Snow Queen	STOCKMANN			Gloria Jeans			
Massimo Dutti	12 STOREEZ					KANZLER	Vacant			sela	SuperStep			Mango			
Marks & Spencer	JUST CLOTHES		Aeronautica Militare			Thomas Münz		Climber B.C.			LC Waikiki	Befree			THE STORE	Mango	
Reebok	SneakerBox					SneakerBox		SneakerBox			SneakerBox	SneakerBox					
Nike	Street Beat					Demix		LOFT			Streat Beat	Streat Beat					
CROPP	CR					CR					CR				CR	CR	
Gap	Network							NetWork			MUDO	Mango					
Reserved	RE					RE		RE							RE	RE	
Sinsay	SIN					SIN					TVOE				SIN	SIN	
Mohito	MR					MR					MR				MR	MR	
Monki	LAVARICE					sela						Electra Style					
House	HS					HS									HS	HS	
& Other Stories								12 STOREEZ				Telegraph					
COS								lady & gentleman CITY									
Weekday	ANTA					sela											

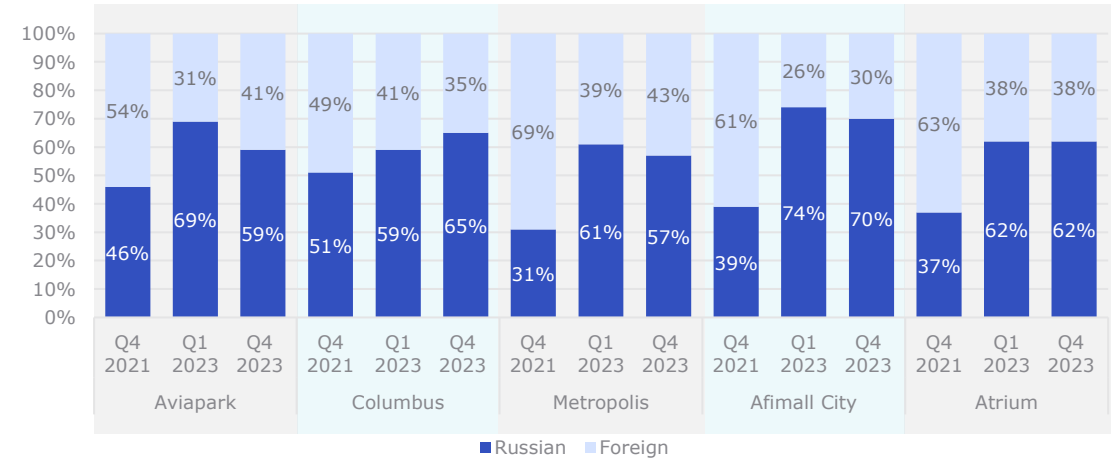
****Based on the results of Moscow’s SC visitation from November 10 to 26, 2023

■ - Rebranding ■ - New Shop ■ - Vacant ■ - Soon to open

Chart 3

Breakdown of tenants by their number for Q4 2021, Q1 2023 and Q4 2023 in Moscow’s shopping centers by the brand origin (a sample), %

Source: Nikoliers, official websites of shopping centers and retailers



Footfall

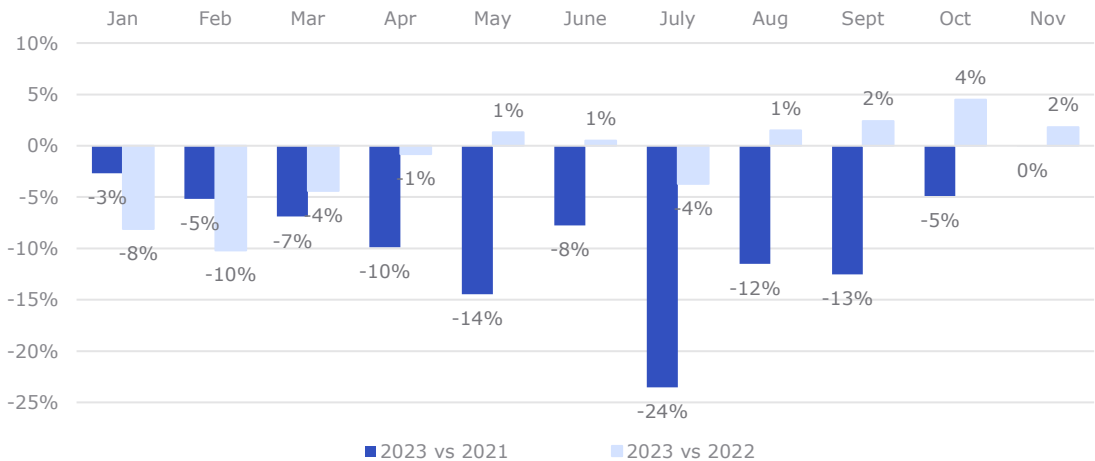
The footfall of the capital city’s shopping centers in 2023 is rebounding. For the 11 months of 2023 the decrease amounted to 1.0% year-on-year. Starting in May, the footfall has consistently been growing in malls. We expect this indicator to increase as shopping centers are filled with new tenants.

The development of online retail has not yet had a significant impact on the footfall. Nevertheless, according to Data Insight, in 2023, the share of online retail in total turnover can amount to 19%, which is 4 p.p. more than a year earlier. In the future, the consumer will favor retailers that adhere to the principles of omnichannel trade. This approach allows retaining customers and attracting new consumers due to usability.

Chart 4

Mall Index dynamics for Moscow’s SCs (1-48 weeks), as compared to similar periods in 2022 and 2021.

Source: Focus Technologies



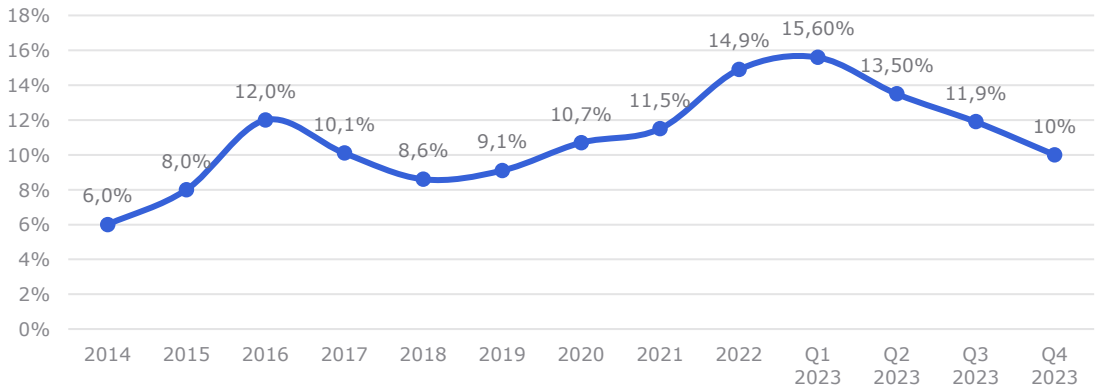
Vacancy rate

The vacancy rate in Moscow’s shopping centers dropped to 10% in 2023, the average vacancy rate for 2023 stood at 13.3%. This indicator decreased by 1.6 p.p. year-on-year. We expect that in 2024 the vacancy rate will continue to slide, but at a more moderate pace, as the largest lots left by the foreign brands that exited the Russian market have already been occupied and there are no more retailers who have suspended their operations in the capital city’s shopping centers.

Chart 5

Dynamics of the retail space vacancy rate in Moscow’s SCs, 2014-2023

Source: Nikoliers





Trends and forecasts

• SC tenants

Supermarkets and hypermarkets

The size of grocery stores in shopping centers keeps shrinking. The share of private labels in the assortment of grocery retailers is on the rise. The growing popularity of delivery services is forcing supermarkets to look for new retail formats compatible with a separate online order assembly area.

Catering

The food court and restaurant formats were not reconfigured. The range of opportunities for the development of food halls is expanding. The project success will hinge upon the product on offer and the quality of operators represented there.

Home appliances and electronics

Retailers are merging their stores, favoring smaller outlets and opening more order pickup points. The number of private labels in the assortment is increasing.

Clothing and footwear

The rotation of the operators exiting the market is almost over. A robust entry of new international brands from friendly nations, as well as the qualitative and quantitative expansion of domestic retailers, continues. Product lineups and product range are expanding. Multi-brand spaces are getting more popular.

Wellness

More and more space is being given to fitness clubs, beauty salons and specialized restaurants of proper nutrition. There is a growing interest in wellness and spa; this type of operators appears not only in freestanding buildings, but also within shopping malls.

Entertainments

Entertainment spaces in shopping malls are getting larger and more innovative due to the growing expectations of today's consumers. Objects of note or cultural spaces are becoming an anchor in a shopping mall. Thus, the opening of immersive art space Luminar in the Sun of Moscow mixed-use center was one of the most remarkable transactions in the outgoing year. The project combines modern technologies of digital media art with creativity of the best national companies in the area of 3D and generative graphic art.

• Scarcity of quality retail space

Given that fashion retailers are still bent on aggressive expansion and also record minimum commissioning of shopping centers in recent years, there will be a shortage of retail space for expansion across Russia, which will lead to a rotation of current players. Already now, the most attractive lots, which emerged after the exodus of some foreign retailers, have been almost entirely filled up with new tenants. Meanwhile, the vacancy rate at the end of the year amounted to 10%, which is comparable to that of 2019.

• Demand for professional facility management

Due to the shortage of quality retail space and stiffer competition among tenants for the most attractive lots, the demand for quality facility management will increase. The success of a shopping center will depend on effective management, primarily as regards the income management, including brokerage and marketing. Thus, management companies will have an opportunity to improve the pool of SC tenants in order to maintain their profit margins in an increasingly difficult economic environment. Perhaps these processes will spark a new wave of development in the years to come.

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