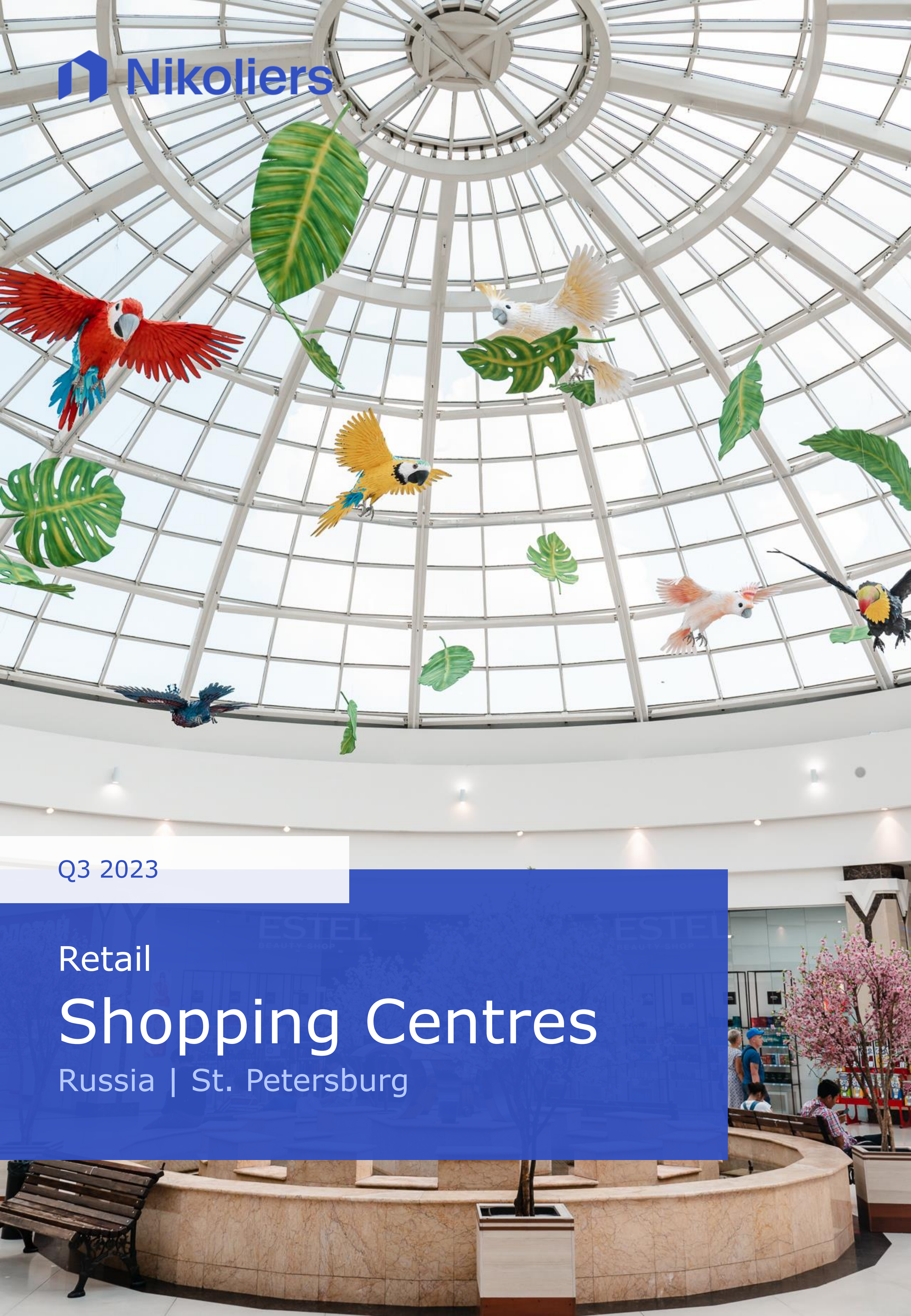


Nikoliers

Q3 2023

Retail

Shopping Centres

Russia | St. Petersburg

Table 1
Key market indicators

Source: Nikoliers

	Q3 2021	Q3 2022	Q3 2023
Total supply of shopping centres, thousand sq m*	3,219	3,211	3,211
Retail space commissioned, thousand sq m	5,7	0	0
The area of existing traditional SCs, thousand sq m	2,738	2,731	2,731
Number of existing traditional and specialized SCs*	118	118	118
Vacancy rate, %	5.2	7.0	7.0
Availability of retail space, sq m per 1,000 residents	573	597	573

**The number and area of existing SCs were adjusted in Q1 2023 via consolidation of SC phases into a single scheme*

Key results

The volume of quality retail property supply in St. Petersburg remained unchanged and at the same level as in 2022 — 3.21 million sq m. Two projects with total leasable area of 36,200 sq m have been announced to be opened by the end of the year: SEC Ecopark along with interior and exhibition centre MÖBELBURG.

The trend towards partial renovation of existing shopping centres persists, without facilities being closed to visitors. Within the framework of renovations conducted, owners of shopping centres pay special attention to public spaces and entrance lobbies. For example, the Adamant company is remodeling the entrance lobbies in SC Akademicheskiy and SEC Nord.

The activity of visitors remains stable, and the attractiveness of shopping centres, especially the most quality, is growing due to the recovery of occupancy rates. According to Focus Technologies, the Mall Index for the first eight months of the year is 1% lower than the index for the same period in 2022.
In the meantime, during the first two full weeks of September, the index exceeded last year’s figures by 4%.

Chart 1
Dynamics of retail space commissioned in St. Petersburg by format, 2014–2024

Source: Nikoliers

Demand and vacancy rate

Based on the results for Q3 2023, the average vacancy rate in St. Petersburg's SCs has dropped from 8.2% to 7%, as compared to the half-year value, getting back to the level of Q3 2022. In the most quality facilities, vacancies also sank from 9.9% to 9.1%, with more than 70 new openings taking place at such SCs in July-September.

At the moment we can already see the results of players' adaptation to the market changes that have been taking place during the recent year and a half. Retailers continue to increase shop sizes, expanding their product line-ups and upscaling their presence in the market. The number of temporarily closed shops has decreased, and many premises that entered the market after the mass exodus of foreign brands have already been let to Russian or international companies from "friendly" countries. Some shopping centres retain a pool of large-sized spaces that have not yet found new tenants due to the limited number of retailers in need of large spaces. Yet, filling those spaces with tenants is just a matter of time and choosing the right approach – from changing the floor plans and interior layout to the search for tenants from new segments and new formats.

In 2023, local brands such as Gloria Jeans, Befree, Love Republic, sela and Zarina were most active in opening and expanding their outlets within the existing malls. International players also continued their expansion. For example, Colin's, Loft, Mark Formelle and Milavitsa opened two or more new outlets each, consolidating their presence in key shopping centres of St. Petersburg.

New Turkish brands AVVA, Beymen Club and OXXO, which opened their first shops in SEC Galeria, have been added to the number of premiere brands for the St. Petersburg market over the past three months. MFG opened first shops of the new IDOL brand in SEC Piter Raduga, Europolis and Okhta Mall.

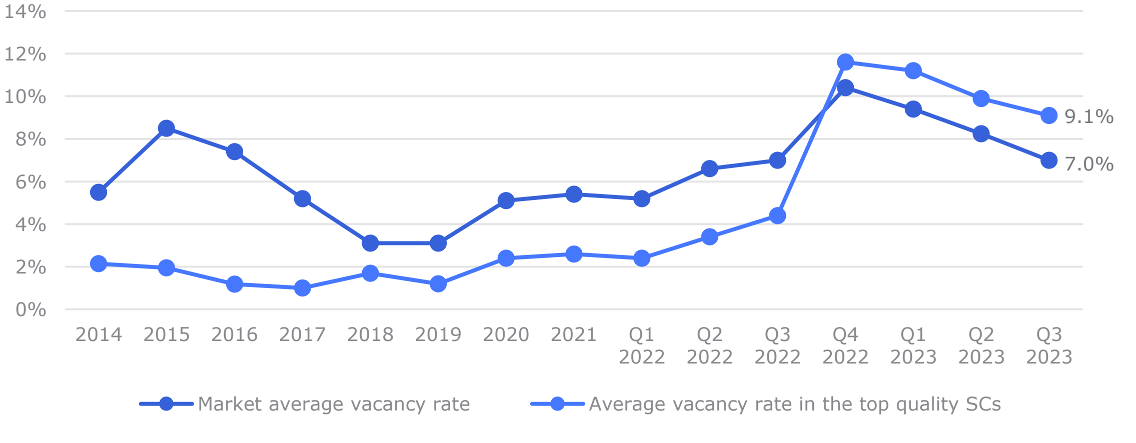
Stimulation of consumer demand through event marketing, new services and product range expansion, as well as consumer adaptation to the changed price realities – all of these factors favored the development of fashion operators. Among the eye-catching openings of the past quarter were shops in the clothing and footwear segment like Gloria Jeans, Stockmann, Lime, sela and Just Clothes.

While in the first half of 2023, in addition to the undisputed leader – clothing and footwear shops – catering establishments were active tenants in the top quality shopping malls, at the beginning of H2 the second and third places in terms of openings were claimed by children's goods and jewelry. SEC Mega Dybenko saw the following children's goods and toys shops opened: Button Blue, Kapika, Umnyash. Jewelry brands Krasivo365 and Bizhu, which had not previously been represented in SEC Galeria, made their appearance there.

At the same time, the trend for shop space enlargement due to the acquisition of next-door premises or moving to new locations within the mall was gathering momentum. Thus, in SEC Galeria, shops of Loriata and Street Beat brands expanded their retail space at the expense of next-door premises, which increased the retail space of their shops 1.5-2 times respectively. Anna Verdi, Ralf Ringer and Zarina shops moved to new premises within SEC Galeria, whereas Henderson, Imperial Porcelain and Koreana Light relocated inside SEC Leto.

Chart 2
Vacancy rate in traditional shopping centres*

Source: Nikoliers



*The vacancy rate presented does not include vacancies in the shops that temporarily suspended their operations since 2022.

Table 2
Examples of key store openings in shopping centres, Q3 2023

Source: Nikoliers

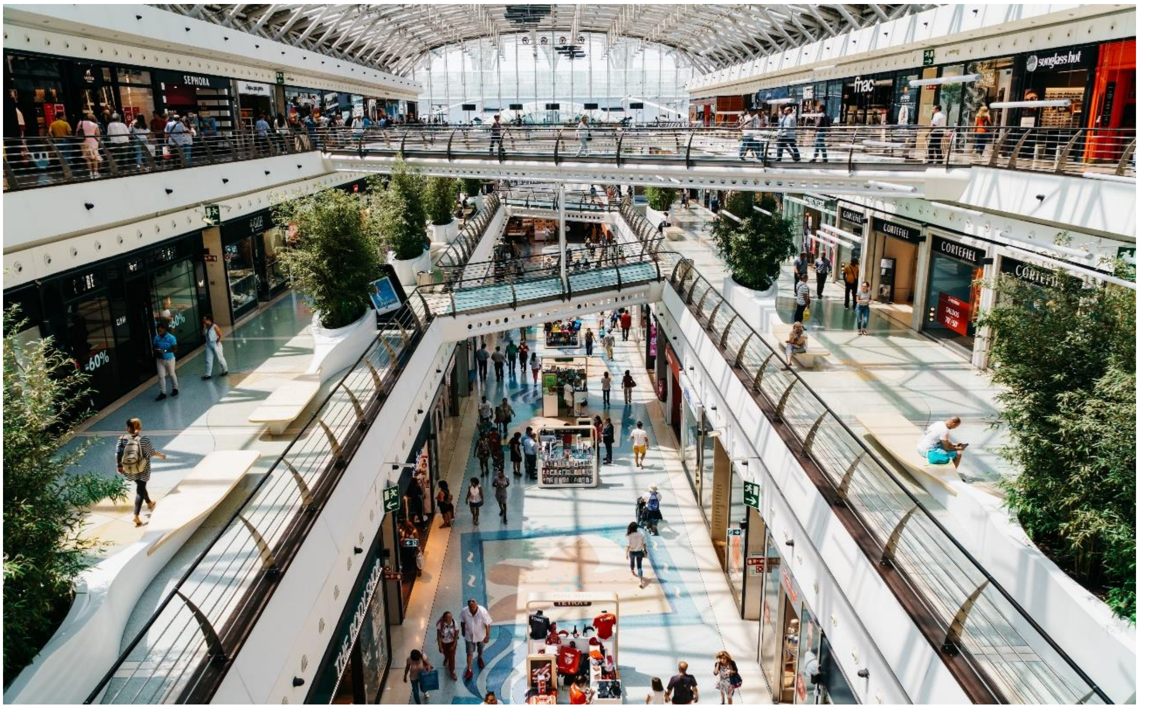
No.	Past	Present	Shop area	Segment	SC
1	H&M	Stockmann	> 3,300 sq m	Clothing and footwear	Mega Dybenko
2	Uniqlo	Gloria Jeans	2,200 sq m	Clothing and footwear	Nevsky centre
3	H&M	Stockmann	1,400 sq m	Clothing and footwear	Pearl Plaza
4	Uniqlo	Lime	1,300 sq m	Clothing and footwear	Europolis
5	Uniqlo	sela	1,200 sq m	Clothing and footwear	Piter Raduga
6	Uniqlo	Just Clothes	1,100 sq m	Clothing and footwear	Mega Parnas
7	Befree	sela	1,000 sq m	Clothing and footwear	Galeria
8	Love Republic	Zarina	800 sq m	Clothing and footwear	Galeria
9	Mango	IDOL	460 sq m	Clothing and footwear	Piter Raduga
10	HitBuy + Pompa	IDOL	200 sq m	Clothing and footwear	Okhta Mall
11	Zarina	IDOL	160 sq m	Clothing and footwear	Europolis

**Key openings are indicated with due consideration for shops moving to new locations within one mall.*

Table 3
New international brands that have entered Saint Petersburg's shopping malls since the beginning of 2023

Source: Nikoliers

No.	Brand name	Segment	Country of origin	SC
1	2XU	Clothing and footwear	Australia	Galeria
2	AVVA	Clothing and footwear	Turkey	Galeria
3	Beymen Club	Clothing and footwear	Turkey	Galeria
4	Loft	Clothing and footwear	Turkey	Leto, Mega Dybenko
5	OXXO	Clothing and footwear	Turkey	Galeria



Trends and forecasts

After the expansion of tenants' space and their presence within the walls of the shopping centers, the amount of vacant space went on shrinking both in the city as a whole and in the top-quality facilities. By the end of 2023, we expect the vacancy rate in the most quality malls to go further down by 0.5-1.0 p.p. due to the plans announced by retailers.

The search for new formats, changes in shop concepts and renewal of the offline image are the key features of brand development in modern shopping malls.

The abundance of brands and format varieties within one facility creates a so-called "paradox of choice" for visitors, encouraging retailers to transform themselves in order to attract new customers and stoke the interest.
Most of the changes concern interior design updates, as well as creating additional spaces for shoppers (waiting areas, cafés) and new services (customized bars or stylist-led shopping). For example, men's fashion house Henderson continues upgrading the interior design of its shops, enlarging their space. The largest shop of the federal chain Gloria Jeans in St. Petersburg has opened in SC Nevskiy Centre. A special feature of this shop is the GJ Factory customization studio, which allows adding unique elements to clothes – patches, stickers, embroidery or laser engraving.

Brands do not only expanding their presence; they also widen their assortment. Thus, Lime started producing men's and children's clothing, sela – a line of baby clothes, while TVOE has the first women's plus size collection on offer. And in the future we'll likely see this trend of increasing the assortment matrix of retailers gathering more pace.

New fashion operators are entering the market. At the end of September, the first three shops of the new IDOL brand in the premium segment were opened in SEC Piter Raduga and Europolis, as well as in Okhta Mall. This is the fifth brand in the portfolio of MFG, which also manages Zarina, Befree, Love Republic and sela brands. By the end of the year, we expect a number of international brands to appear on the regional market, which indicates that the city remains attractive for retailers.

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