

Q1 2023

Retail Market Shopping Centres

Russia | Moscow

Table 1

Key market indicators

Source: Nikoliers

	Q1 2020	Q1 2021	Q1 2022	Q1 2023**
Total stock of quality retail space, thousand sq m	7,552	7,792	7,968	8,025
New completions, thousand sq m	190.0	29.5	0	41.0
Number of quality shopping centres opened over the period	1	2	0	2
Vacancy rate, %	9.1	10.2	11.5*	15.6
Retail stock per 1,000 capita, sq m	596	616	630	613

*data for Q1 2022 cannot be verified due to the suspension of activities by a number of international retailers, so the vacancy rate for Q4 2021 is indicated.

**Starting in Q1 2023, a new methodology for calculating the space on the market and its availability has been applied.

Supply

According to the results of the 1st quarter of 2023, retail space commissioned in high-quality shopping malls of Moscow amounted to 41 thousand sq m. During the same period of 2022, none of the high-quality retail facilities was opened, and when compared with the figures for 2021, the growth is 39% up. Nevertheless, two shopping facilities have already opened their doors to visitors: a shopping gallery within the mixed-use center Mitino Park and the Siesta SC in Ispanskie Kvartaly residential development.

The space to be commissioned in 2023 will mainly be represented by neighborhood and community centers. The commissioning of some projects can be pushed back, but we expect that new supply will be close to 251.4 thousand sq m by the end of 2023. The average vacancy rate at the beginning of the year was up by 0.7 percentage points against the previous quarter, reaching 15.6%. The increase is due to the final exodus of some foreign retailers, who until recently were hesitant about what they would do. However, in the medium term, we expect a gradual decrease in vacancies due to the entry of new players from "friendly" countries to the market, as well as aggressive expansion of some Russian retail chains.

Shopping centres opened in Moscow since the beginning of 2023

**Mixed-use centre Mitino Park (2nd phase)
GLA 27,000 sq m**

Developer: SIS Development

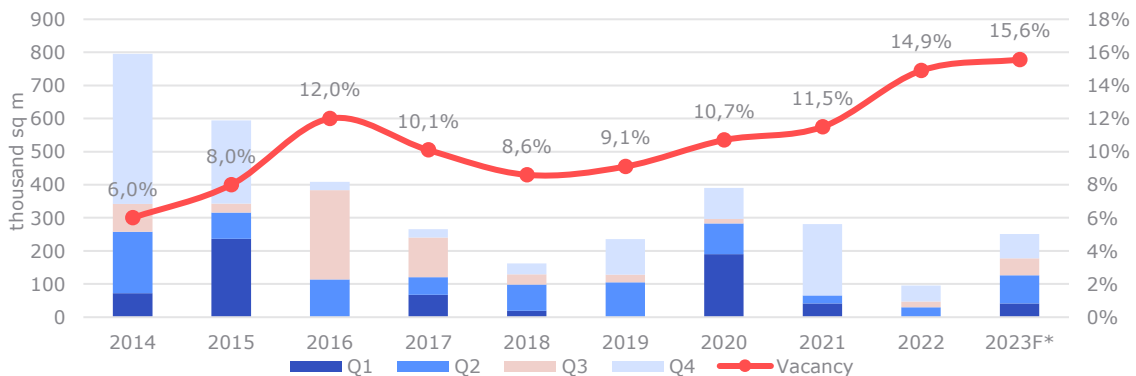
**SC Siesta (residential development Ispanskie Kvartaly)
GLA 14,000 sq m**

Developer: GC A101

Chart 1

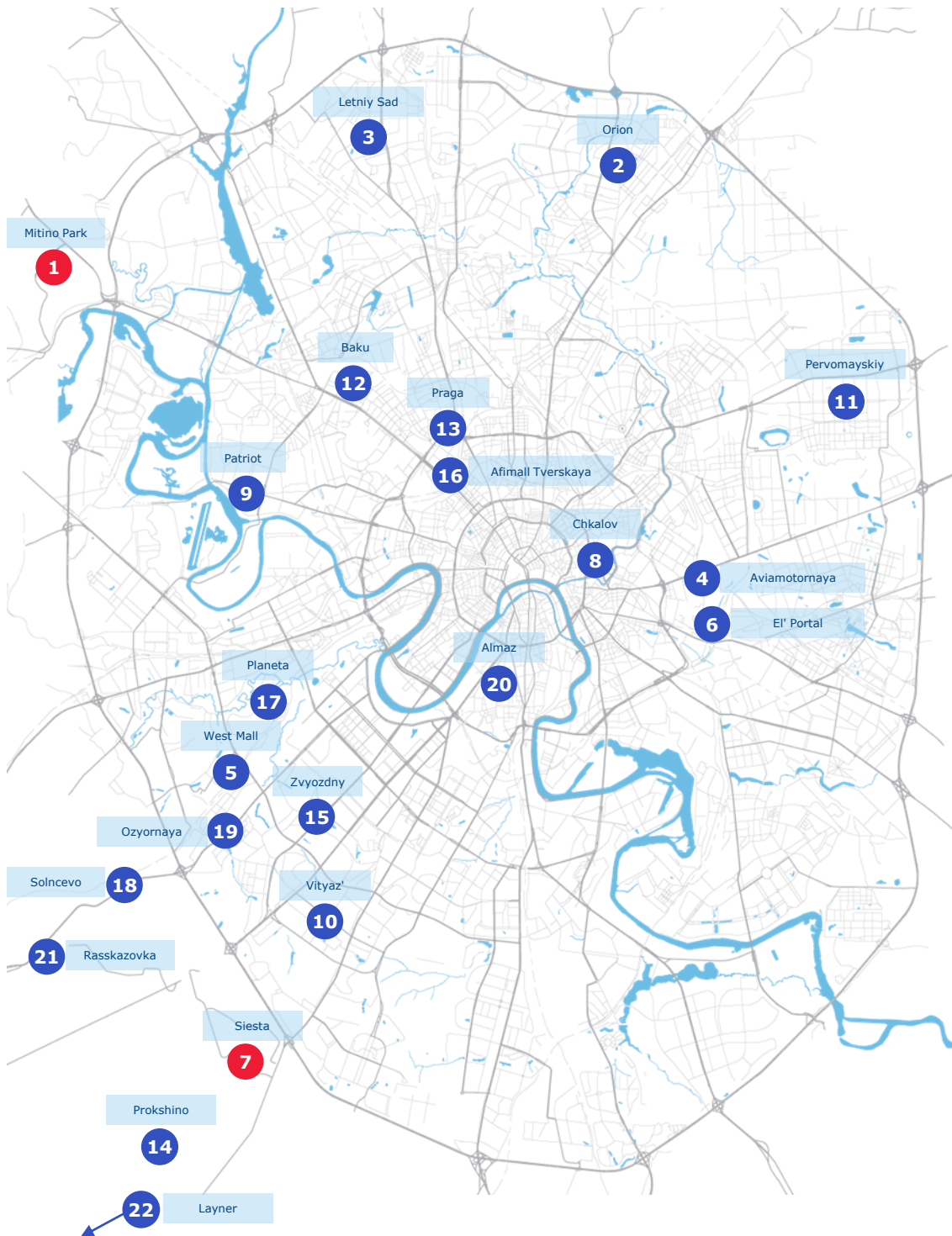
Dynamics of retail space commissioning and vacancy in the Moscow area, 2014-2023F

Source: Nikoliers



*vacancy in 2023 is indicated based on the results of Q1 2023

Key openings in 2023



- Facilities opened in the 1st quarter of 2023
- Facilities announced for opening in 2023

Demand

After the crisis that hit Russia in 2022, the breakdown of tenants in the retail market has changed markedly. The premises once occupied by major international fashion retail brands are top quality and quite attractive to new tenants. Brands such as Serginetti, Yollo, Infinity Fashion and Si Set have already claimed the space earlier occupied by H&M in the Afimall City. In malls such as Aviapark, Columbus, Afimall City almost 100% of the spaces previously occupied by H&M and Inditex have already found their tenants. The Stockmann department store chain announced the opening of new stores this spring in the Vegas Crocus City mall and in the Vegas Kuntsevo mall with areas of 4,000 sq m and more than 3,700 sq m, respectively. However, the replacement of empty premises is a long process, a number of stores are in the stage of construction and installation works or lease negotiations.

Of all the foreign retailers that have announced their entry to the Russian market since the beginning of 2022, 15 international brands have opened their first stores. During the 1st quarter of

2023, five Turkish brands – namely Club, Loft, Madam Coco, NetWork and AC&Co – opened their outlets in Moscow malls.

In addition to mono-brand stores, the opening of multi-brand formats also remains relevant, as this makes it possible to introduce the Moscow audience to new foreign players in the retail market. For example, the opening of the first INNI store, which will feature Korean brands, is expected in the Aviapark mall. The multi-brand department store lady & gentleman CITY announced the opening of a new clothing brand called Just Clothes, and the Melon Fashion Group holding will also offer customers a new clothing brand called Idol.

The trend of getting business adapted to the new market realities has not bypassed the jewelry segment either. For example, the Sokolov jewelry store chain has expanded its assortment by adding bags and purses, and 585*Gold has chosen optics, watches and silk scarves as related products to attract more customers.

Table 2

Foreign brands that opened their first stores in Russia in the 1st quarter of 2023

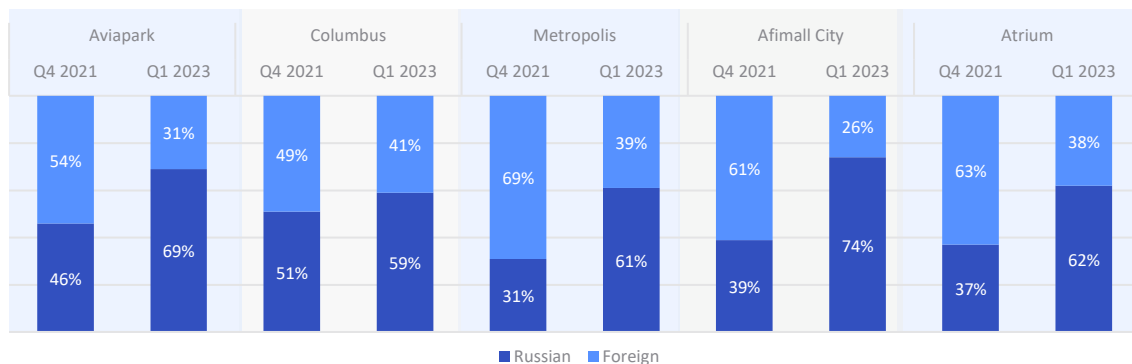
Source: Nikoliers

New tenant	Section	Shopping mall
Club	Fashion	Aviapark, Metropolis
Loft	Fashion	Mega Belaya Dacha, Shchyolkovskiy
Madame Coco	Household Goods	Mega Khimki
NetWork	Fashion	Aviapark, Metropolis, Afimall City
AC&Co	Fashion	Afimall City

Chart 2

The percentage of domestic and international tenants in Moscow shopping centres for Q4 2021 and Q1 2023

Source: Nikoliers





Key trends

Consumer behavior

Under the pressure of sanctions and subsequent surge of inflation rates in 2022, the trend for shrinking consumer demand and population's propensity to save money continues. According to Rosstat, the retail trade turnover in Moscow sagged 27% in January 2023 year-on-year. However, we should expect that in the midst of milder inflation forecasts (the Central Bank forecast for 2023 is 5-7% with a return to 4% by 2024) and subsequent stabilization of the market, the dynamics of consumer demand will again be positive.

Theaters

Changes in consumer behavior patterns have also affected film distribution networks, which have experienced a significant decrease in footfall over the past year. Nevertheless, 2023 started with the release of the domestic film *Cheburashka*, which, according to various estimates, made it possible to increase the RTO rates at some cinemas from 12 to 32%. We expect that throughout 2023 the share of films released by Russian film studios will grow further. The cinema business segment is gradually being adjusted to current realities and may show positive dynamics in 2023.

Attendance

The dynamics of the shopping mall attendance index is stabilizing. Taking the events of the past year into account, we may conclude that the attendance of the capital city's shopping malls can be characterized as consumer adaptation to new realities. The average mall footfall in Moscow, according to the Mall Index for the Q1 2023, roughly equals the average mall footfall of the previous similar periods in the second half of 2022.

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