

H1 2024

Retail Shopping Centers

Russia | Moscow

Key market indicators for H1 2024



Main Results



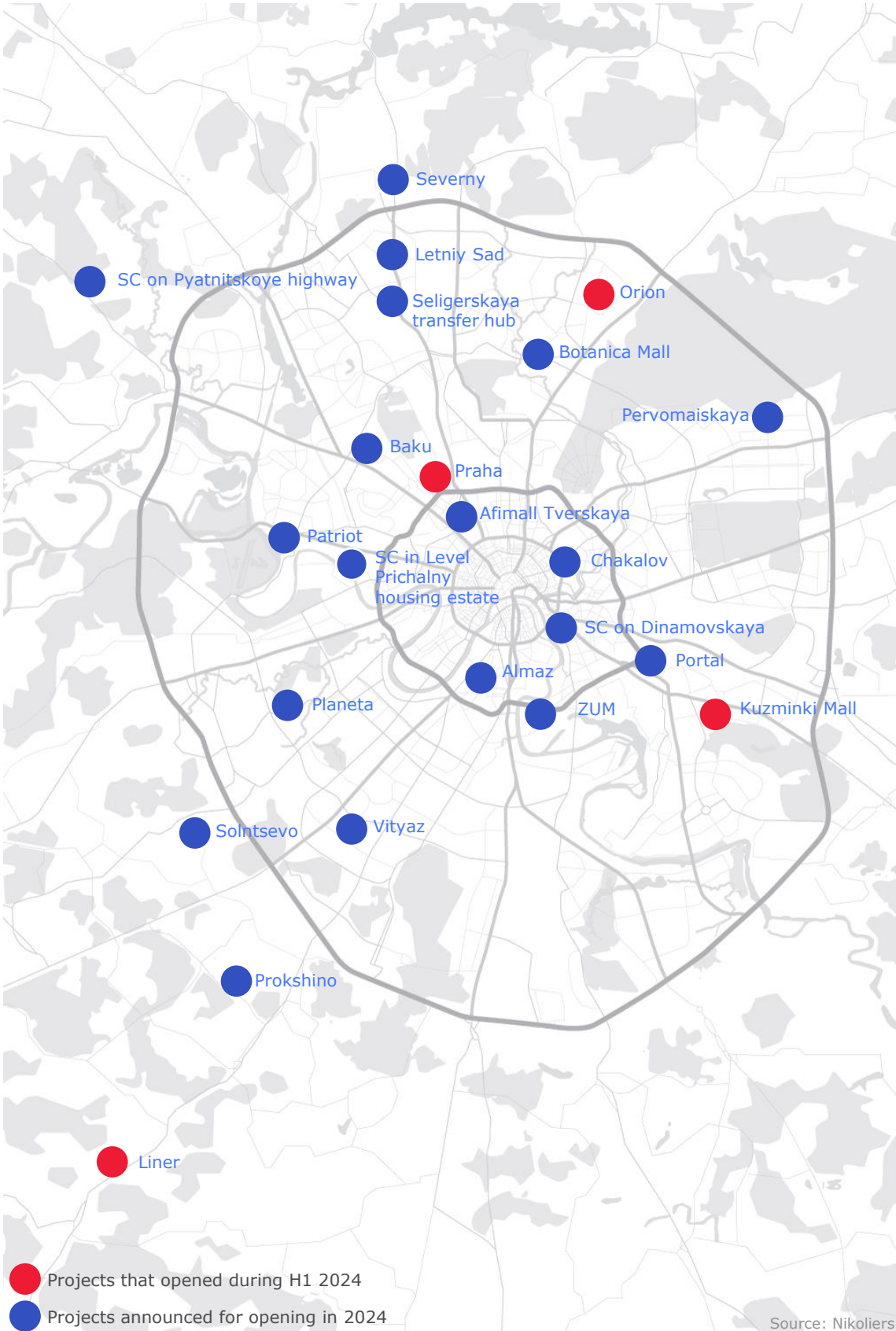
Despite the intensification of construction activity and the growth of new space commissioning, the supply of vacant space in SCs is shrinking amid the aggressive expansion of federal retailers.

Foreign brands keep on entering the market, even though the breakdown of new retailers by their country of origin is undergoing marked changes.

Given the shortage of space supply in retail facilities and growing commissioning of residential projects, retailers are increasingly often consider placement in street retail facilities on the lower floors of new housing estates. From 2010 and to the end of 2024 this kind of space commissioning will reach almost 2 million sq m (about 30% of the existing SC stock. However, this format is not suitable for all tenants.

The amount of greenfield development in the Moscow area proved almost twice as high in H1 2024 as during the entire year 2023.

Shopping centers announced for opening, Moscow, 2024

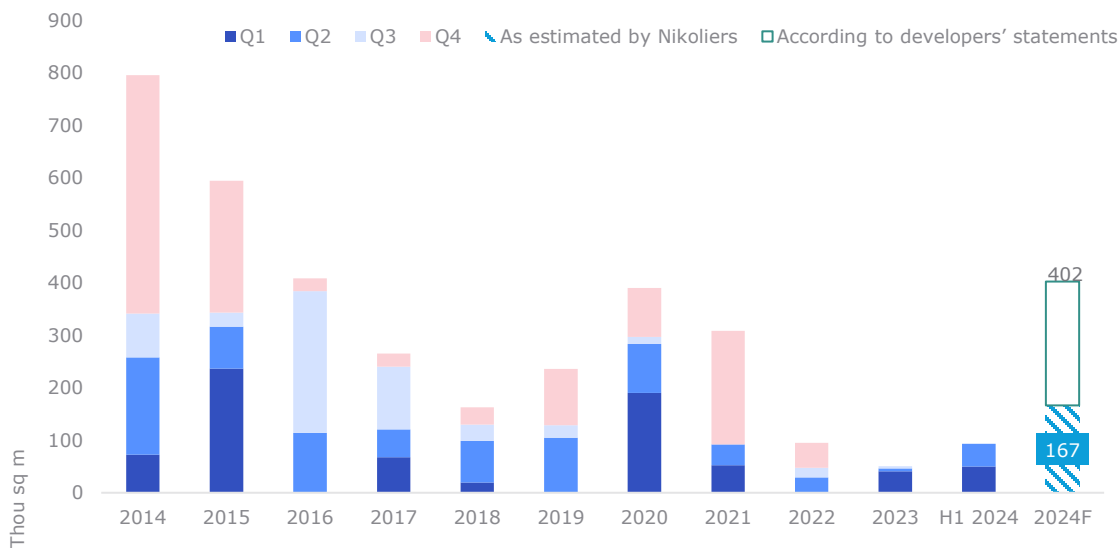


Supply

Based on the results of H1 2024, seven shopping centers with a gross leasable area of 99,600 sq m were opened in Moscow and its satellite cities. In Q2 My Mall SC (GLA – 13,000 sq m) was opened in Ramenskoye in addition to three shopping centers in Moscow: Orion SC (GLA – 21,000 sq m) on Letchika Babushkina Street, Liner SC (GLA – 9,700 sq m) in Novye Vatutinki and Prague SC (GLA – 6,300 sq m) on Nizhnyaya Maslovka Street.

As has been stated by developers, in 2024 about 28 quality retail facilities with a total area of 402,400 sq m will hit the market. These are mainly neighborhood and community centers. In our estimation, taking into account the practice of pushing back the commissioning dates at the level of 50-60% of the announced amount, the new supply will not exceed 167,000 sq m this year.

Dynamics of retail space commissioning in the Moscow area, 2014-2024F



Shopping centers vs street retail in residential developments

Availability of retail space in Moscow shopping centers is fluctuating. Due to robust residential development, the population in some administrative districts is increasing and at the same time new shopping centers are being commissioned. As a result, by the end of 2025 the main changes will affect Central Moscow (+ 163.5 sq m per 1,000 residents) and West (+ 44.4 sq m per 1,000 residents), where per capita retail space will keep rising in the midst of growing commissioning of new SCs. If all the plans announced by developers come to fruition, per capita retail space in other districts will remain at a comparable level.

Street retail within the residential developments is a segment that increasingly impacts shopping centers. Within the boundaries of Old Moscow, according to project declarations, in 2024 housing commissioning is expected at the level of 5.6 million sq m. As a consequence, the new commercial premises, accounting for 5% of the commissioned living space on average, may hit the 284,000-sqm mark, as street retail in housing estates, or as much as 15% of all commercial premises commissioned over the last 14 years. The most common profiles by the number of tenants are Services, Public catering and Groceries. Tenants in Fitness, Entertainments as well as Clothing and Footwear categories are becoming more frequently found features as well.



The analysis of five residential developments raised over the last five years by different developers shows that in terms of the tenant structure Services, Catering and Home Goods are among the TOP-3. The leadership of the latter category is due to the presence of a large number of furniture stores as part of The Dom interior design center in the Heart of the Capital (Serditse Stolitsy) housing estate. Fitness is represented in all of the residences under review. The Entertainments profile is less widespread, being present in only one of the five residential schemes under review, whereas specific one-off fashion concepts are very rarely found. Among the tenants we see large federal chains, such as the furniture studio Maria, Mr. Doors in Zilart housing estate or home goods from Togas and the Russian clothing brand ILCOTT in Heart of the Capital residential scheme.

Main tenants in street retail, in housing estates*

Services

36%

Catering

20%

Housewares

16%

Foods

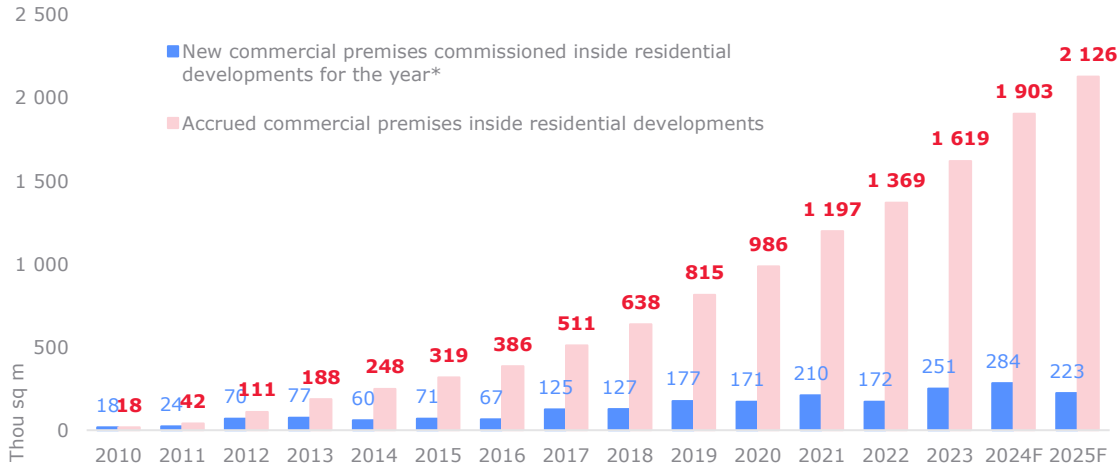
11%

Other

7%

*We took into account tenants in five residential developments of Moscow that have been raised in five recent years: Zilart, Zapadny Port, Serditse Stolitsy, Symbol, Seliger City.

Dynamics of retail space commissioning inside housing estates according to project declarations in Moscow



*Calculated as average shares of commercial premises in residential projects (5%).

Demand



Foreign brands continue entering the Russian market.

In the first six months of 2024, the market saw 16 new brands* pouring in. Most of them came from China (31.3% of all brands), followed by Italy (18.8%), with Turkey and Germany accounting for 12.5% each. The most popular category has traditionally been Clothing and Footwear represented by 9 out of 16 new brands, followed by Household Appliances and Electronics. About 18 more brands from China, Turkey, South Korea, UAE, France, Finland, Italy, USA, India and Mexico may enter the market till this year's end.

Q2 saw the long-awaited opening of several stores by the Russian teen clothing brand Ready! Steady! Go! The new brand features AI fitting rooms in its offline shops. Also, some Russian retailers are testing the synergy of two profiles in one store: fashion and catering. "The main special feature of the biggest 2MOOD flagship store in Metropolis Mall is a cafe inside the store, whereas MFG retailer opened a Sela flagship store with a Vigge cafe in the same mall."

Munz Group (cosmetics under the Salamander brand) and two marketplaces – Yandex Market (Tame and Muted clothing, Pragma home goods and Lapsville pet food) as well as Lamoda (men's and women's clothing Mademan and Nume) – shared their desire to launch private labels. Small-size outlets keep emerging and evolving. OBI (besides the standard 12-16 thou sq m stores, this chain is currently opening 4-6 thou sq m points of sale), M-Video-Eldorado (in addition to 1-1.5 thou sq m stores, it is currently launching 350-450 sq m outlets), Sportmaster (apart from its standard 1.2-2.5 thou sq m format, this chain has started opening 100-300 sq m outlets) – announced their intention to launch smaller-size stores.



Russian retail operators are launching new brands, private labels and mini formats.

Key international brands that have entered the Russian market since the beginning of 2024

Category	Brand name	Country of origin
Household appliances and electronics	TECNO	China
	Casarte	China
	Candy	Italy
Clothing and footwear	BAASPLOA	China
	Casa moda	Germany
	JOSINY	South Korea
	Rinascimento	Italy
	Ellassay	China
	Mai Collection	Turkey
	Laurel	Germany
	Eleventy	Italy
Perfumery and cosmetics	BIMBA & Co	Spain
Children's goods	22/11 cosmetics	Armenia
Housekeeping goods	Balabala	China
Sporting goods	Chakra	Turkey
	7SABER	Uzbekistan

Source: Nikoliers

*A brand is considered new:

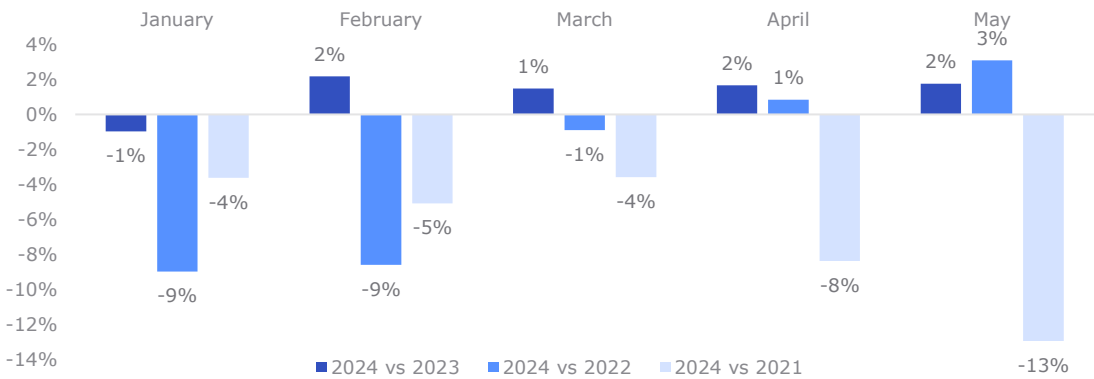
1. if it opens its first shop in an SC or on street retail routes, even if this is not the first entry of a given brand to the Russian market;
2. if it had earlier represented online or as a pop-up shop in a department store and then opened as a mono-brand boutique in a shopping center.

Footfall and vacancy rate

+1.3% Footfall in Moscow shopping centers: 5 months of 2024 vs 5 months of 2023

Nevertheless, the footfall is still 7% behind the level of 2021. In our estimation, this indicator will be at the level of +1-2% versus 2023.

Dynamics of Moscow Mall Index (1-22 weeks) vs the footfall during similar periods in 2023, 2022 and 2021

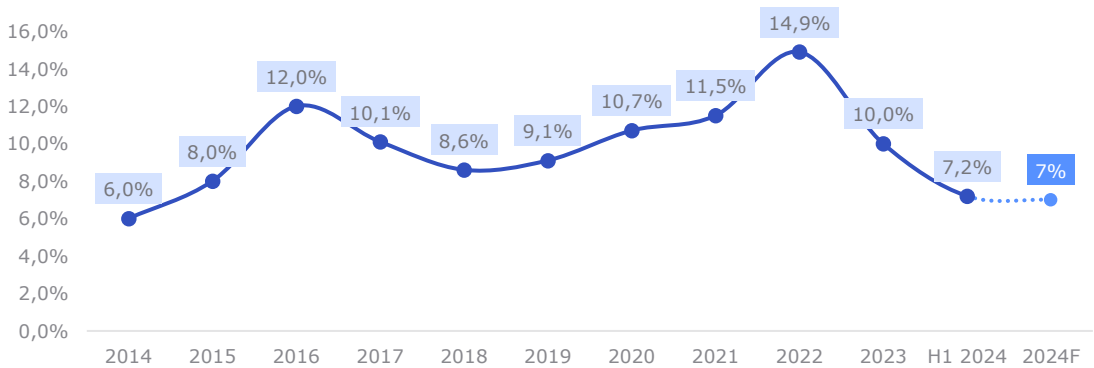


Source: Focus Technologies

7.2% Vacancy rate in Moscow SCs: H1 2024

As of the end of Q2 2024, the vacancy rate went down 0.4 p.p. versus Q1 2024 reaching 7.2%, if we take into account the lease of IKEA premises in MEGA shopping mall to Megamarket. Vacant space in Moscow shopping centers has shrunk roughly two times versus the end of 2022 (14.9%). The main reason for a gradual slide of this indicator during two years has been the low commissioning of retail premises in 2022-2023 along with large-scale expansion plans of Russian retailers. The amount of vacant space was greatly affected by monetization in Q2 2024 of the largest vacant lots in MEGA Mall, where IKEA was once accommodated. Thus, at the end of 2024 the vacancy rate may come to about 7%, that is the lowest level for the last 9 years.

Dynamics of vacant retail space in Moscow SCs



Source: Nikoliers

Trends and forecast

	2022	2023	H1 2024	2024F
Total space existing in the Moscow area at the end of the period, thou sq m*,	8 063	8 114	8 207	8 516
including in Moscow	6 167	6 218	6 282	6 602
New supply in the Moscow area, as planned by developers, thou sq m,	105.5	50.7	99.6	402.4
including in Moscow	95.1	50.7	70.0	319.5
The number of SCs opened in the Moscow area in accordance with developers' plans,	10	4	7	28
including in Moscow	9	4	4	22
Vacancy rate, Moscow, %**	14.9	10.0	7.2-8.2	7.0
Per capita retail space in the Moscow area, sq m per 1,000 residents*	504	502	497	516
Per capita retail space in Moscow, sq m per 1,000 residents*	494	505	479	504

*From the first quarter 2024, a new methodology for calculating the volume of existing space and the provision of space is applied (the population volume for the Moscow region is adjusted). The Moscow region includes Moscow and the Moscow region within the Central Ring Road.

**Vacancy level in Q2 2024 was determined by the range taking into account the lease transaction by Megamarket of the former IKEA premises in the MEGA shopping center. Based on the "closed" doors, the premises are vacant, but if we take into account the announcement of this transaction in the media, the premises are occupied.

Development: low activity

Limited retail space has been commissioned, despite the positive trend. In 2022-2023, newly built space was at its record low for the entire period of observations. This year, developers have announced a large number of projects, but there is a high probability of pushing back the opening dates for some of these. In 2025, it is expected that new construction will include superregional projects, which will lead to an increase in the average floor area of commissioned SCs, though this extra space will not be enough for retailers to implement their plans to expand their chains, given that new facilities will mainly be small-size centers which won't suit some fashion operators, as one example.

Demand: Russian brands stepping up their activity alongside foreign brands entering the market

Over the last 2.5 years, 48 foreign brands, mostly from the fashion segment, have left the Russian market. In the meantime, 57 new brands have entered the Russian market. We see a rapid expansion of Russian brands with many retailers announcing grand-scale expansion plans. While the share of Russian operators in the structure of shopping centers has increased in general, the share of foreign fashion operators in key SCs is still at the level of 35-45% of the total space available in fashion galleries.

Everything for reconception!

Today in Moscow, about 55% of available retail space in shopping malls was built more than 10 years ago, with only 27% of it gone through renovation. As a rule, a shopping center's concept retains its relevance for 5-7 years. Partial or sometimes even complete reconceptualization of a retail facility, which includes both updating of the tenant mix and redecoration of public spaces, allows a management company to introduce new solutions for a given shopping mall to remain trendy. Working with visitors is of particular importance. A good customer experience leads to loyalty, so it is important to create a pleasant atmosphere in a shopping center, constantly improving the service to meet the needs of customers. The focus is shifting from the development of new facilities to renovation of the already existing concepts. This increases the role of management companies.

Services



Offices



Industrial



Retail



Residential



Hotels



Land plots



Property management



Managing construction projects



Strategic consulting



Property and business valuation



Investment



Lease & sale (agency)



Representation of tenants



Research and analytics



Marketing

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