

RETAIL MARKET



Olga Atkachis

Head of Retail Department Owners' Division at ASTERA, an alliance member with BNP Paribas Real Estate

"In shopping centres' segment a trend has been formed to generate a brand-name tenants' pool by substitution of no-name companies in order to increase the centres' competitive attractiveness to the consumers. For that purpose the landlords often unite several shopping units into one".



Vera Boikova

Head of Retail Department Tenants' Division at ASTERA, an alliance member with BNP Paribas Real Estate

"In the third quarter the expansion of major public catering companies has continued, as well as rebranding or change of format in compliance with the market trends".

TOTAL AREA



VACANT AREA



RENTAL RATES



CAPITALIZATION RATE



KEY INDICATORS

Key indicators of shopping centres market development, Q3 2011

Key indicators	Q2 2011	Q3 2011
Leasable area of new retail projects, 000 sq.m	7.6	115.2
Vacancy rate, %		
Super regional	0% ¹	1%
Regional	1%	1%
District	7%	3%
Microdistrict	5%	3%
Change in rental rates	+0% ²	+5% ³

¹ – waiting list

² – compared with Q1 2011

³ – compared with Q2 2011 (minimum change as per new lease agreements)

Source: ASTERA, an alliance member of BNP Paribas Real Estate

MAJOR TRENDS

- Growth of demand for retail real estate has continued, as well as confirmation of the retail chains' development plans declared in Q2, appearance of the new jewellery and clothes brands on the market – potential tenants for the shopping centres
- Vacancy rate reduction in shopping centres, reduction of vacant space in food-courts
- Rental rates increase in both street-retail and shopping centres, for instance, minimum increase in rates for areas in shopping centres under new agreements has made +5%
- Companies' intention to rent space after the operators of the same segment (banks rent space after banks, public catering companies after the same segment companies), which is related to the requests for the premise to fully comply with the technical requirements and with the tenants' desire to reduce the expenses and time for re-equipment of the areas
- In Q4 2011 the increase in number of lease agreements for the term of over 11 months among the public catering operators and food shops is anticipated. The retail chains keep expanding the 'geography' of their presence on the market

SUPPLY

New retail real estate projects commissioned in Q3 2011

In Q3 2011 a significant increase in space volume in new shopping complexes has been observed; it has made almost 190'000 sq.m, with leasable area of around 115'000 sq.m. However, there was no substantial growth in vacancy, as at the moment of commissioning the shopping centres had already been occupied by almost 100%.

Projects commissioned in Q3 2011

Name	Type	Address	GLA, sq.m	Developer
Leto	Shopping centre	Pulkovskoe highway, 25	60'500*	Hals Development
Osinovaya Roscha	Shopping centre	Pargolovo village, Vyborgskoe highway / Ring Road	21'400	Adamant
Ligov	Shopping centre	Ligovskiy pr., 153	19'300	Adamant
Club House	Theme leisure complex	Pionerskaya str., 32	14'000**	Werewolf MC
TOTAL			115'200	

* area net of anchor tenants, opened at the end of 2010

** estimate

Source: ASTERA, an alliance member of BNP Paribas Real Estate

By the end of Q3 2011, 37% of leasable area declared to be commissioned in 2011, has been commissioned in new shopping centres. Opening date of some shopping centres has been postponed to 2012 (for example, DLT, Shkiperskiy Mall).

Shopping centres planned to be commissioned by the end of 2011

By the end of 2011 it is anticipated to open around 219'000 sq.m. of leasable area in shopping centres. Shopping centres market will grow mostly due to commissioning of a super regional shopping centre 'Piterland' and a regional shopping centre 'RIO'. Total area of shopping centres will increase in 2011 by 18% as compared with 2010.

By the end of 2011 total area of shopping centres in Saint-Petersburg may reach 4 mln sq.m, leasable area – 2.7 mln sq.m.

Shopping centres planned to be opened by the end of 2011

Project name	GBA, sq.m	GLA, sq.m	District	Opening date
Piterland	180'000	80'000	Primorskiy	Q4 2011
RIO	63'000	45'000	Frunzenskiy	Q4 2011
Cosmos	54'000	27'000	Moskovskiy	Q4 2011
Felicita-2, Phase 3	44'800	38'300	Primorskiy	Q4 2011
Akadem-Park (former Great after reconstruction)	32'000	22'400	Kalininskiy	Q4 2011
Zanevsky Kaskad, extension of Phase 1	4'800	4'500	Krasnogvardeyskiy	Q4 2011
Mercury, Phase 4	2'800	1'900	Kolpinskiy	Q4 2011
TOTAL	381'400	219'100		

Source: ASTERA, an alliance member of BNP Paribas Real Estate



New retail and entertainment centre 'Ligov' of Adamant company



Retail and entertainment centre 'Leto'

DEMAND

In Q3 2011 growth of demand for retail real estate has continued due to start of implementation of multiple development programs of existing retailers, declared in the first half of 2011. Besides, new international brands have kept entering the Saint-Petersburg market (DKNY Jeans, Pandora, Banana Republic, Firetrap).

The retail chains continued expanding the 'geography' of their presence on the market in both the shopping centres and in street retail in dormitory districts.

Examples of major transactions on Saint-Petersburg retail market in Q3 2011

Brand	GLA, sq.m	Address	Broker
First Family Fitness	5'000	Kosmonavtov pr., 37	No data
Metrika	Over 4'000	Tallinskoe highway, 40, lit. A (former premise of 'Zelyonaya strana')	No broker
H & M	2'600	Ispytateley pr., 5, (SC 'Felicita-2')	No data
Prisma	2'300	Ligovskiy pr., 153 (SC 'Ligov')	No broker
Nike Factory Store	900	Ispytateley pr., 35 (SC 'Orion')	ASTERA
Megaburger	447	Leninskiy pr., 128 (street retail)	ASTERA

Source: ASTERA, an alliance member of BNP Paribas Real Estate

At the present moment the retail operators intend to rent space, which was previously occupied by the operators of the same segment. First of all it concerns the operators with specific set of requirements for the retail space (banks, public catering companies). This strategy allows the tenants to reduce the expenses and time for re-equipment of the premises.

The largest event of Q3 2011 was sale transaction of 'Passage' department store with the area of 21'500 sq.m by VTB bank for 80 mln dollars. The buyer was the investment company Jensen Group.

Rental rates and commercial terms

During Q3 2011 the rental rates in shopping centres and in street-retail format have not changed significantly.

Rental rates increase has been observed only for space in several shopping corridors: Ligovskiy prospect, streets adjacent to the metro stations 'Vasileostrovskaya', 'Moskovskaya', 'Electrosila', 'Prospect Bolshevikov', which was caused by the fact that large retail operators, who had previously been renting space only in the city centre, entered dormitory districts.

Starting from Q4 2011 the increase in a number of registered agreements (for leasing term of over 11 months) for such tenants as public catering companies and food shops is anticipated, due to tightening of licensing process for retail sales of alcohol products.

Vacancy rate

Shopping centres

Vacant space in the shopping centres is decreasing, shortage of space at food-courts and for jewellery shops is observed. Average occupancy rate of the city shopping centres makes 97%.

High vacancy rate is observed in shopping centres with unsuccessful location. More and more often the managers of such shopping centres re-concept the projects, attracting, as a rule, operators of goods and services of target purchase and partially renting space for offices.

Street retail

In Q3 2011 almost all premises, void after gambling operators had exited the market at the beginning of 2011, has been leased.

New brands

Hoff (Home of Furnishing): "Domashniy interior" (Home Interior) company has exited from the franchising agreement with Kika; the company is planning to rebrand all the shops. The chain comprises 5 hypermarkets with the area from 7'000 to 13'000 sq.m each.

Pervaya premiya (First prize): new chain of supermarkets with the area from 200 to 1'000 sq.m each. Currently one shop is operating on Petrogradskaya side. It plans to open a shop in each city district. By the end of 2012 the chain will comprise 20 shops.

Rental rates range as per major shopping corridors of Saint-Petersburg in Q3 2011

Shopping corridor	Rental rate, USD/sq.m /p.a*
Nevskiy pr. (from Malaya Morskaya str. to Vosstania square)	2'000 – 4'300
In the vicinity of metro station 'Moskovskaya'	1'050 – 4'150
In the vicinity of metro station 'Vosstania square'	750 – 3'300
In the vicinity of metro station 'Vasileostrovskaya'	620 – 2'700
Ligovskiy pr.	750 – 1'750
In the vicinity of metro station 'Prospect Bolshevikov'	450 – 1'500
In the vicinity of metro station 'Electrosila'	750 – 1'200

* incl. VAT, utilities

Source: ASTERA, an alliance member of BNP Paribas Real Estate