

# RETAIL MARKET



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*"Steady growth of market activity is the major trends of 2012, and is followed by: increase in demand volume, rental rates growth, reduction of on-display term, growth of competition between the active market players, growth of deficit for quality retail space, increasing number of long-term agreements subject to registration".*

## MAJOR TRENDS

- Gross leasable area (GLA) in the shopping centres (SC) has increased by 273 thous. sq. m or by 10.8% as against 2011. Supply increase has remained steadily high over the last three years.
- Vacancy rates in the shopping centres of Saint Petersburg are gradually decreasing, which is caused by high demand of the tenants for quality shopping centres. The most liquid projects still keep the waiting lists.
- In 2012 the rental rates in shopping centres increased within the frame of annual indexation under acting lease agreements (from 5% up to 10%, or according to already concluded long-term agreements). When the tenant is changed, the rate may grow by 10-20%.
- As a rule in the new retail complexes the long-term lease agreements are concluded on the following terms: "base rental rate + turnover %".
- In Q4 2012 the amount of supplied street retail format in the main shopping corridors of the city increased, however, the rental rates in these locations remained intact. In case the rental rate complies with the market price, the on-display term of the project in the main shopping corridors may be up to 1.5 months; in case of overcharged rental rate, the on-display term may increase up to 4 months.
- In 2012 the demand for retail real estate of street retail format remained high, being supported by the food store chains and public catering networks. Active demand for retail real estate was also provided by the major banking structures. Segment 'electronics and household appliances' comes out of recession of 2008-2011, in 2012 a number of large stores of this format were opened in St. Petersburg.
- New participants appeared on St. Petersburg market in 2012: Moscow networks and international brands, such as Thomas Munz, Bashmag, Miratorg, Rendez-Vous, Starbucks, teXet, K-Ruoka, etc.

TOTAL AREA



VACANT AREA



RENTAL RATES



## KEY INDICATORS

Indicator	Q4 2011	Q4 2012
Leasable area in shopping centres, thous. sq. m	2,524	2,797
<b>Vacancy rate in operating SC</b>		
Super regional	0% <sup>1</sup>	0% <sup>1</sup>
Regional	1 - 2%	1 - 2%
District	6%	3 - 4%
Microdistrict	6%	3%

<sup>1</sup> – waiting list

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

## FORECAST 2013

- In case all the declared projects are implemented, the volume of commissioned leasable space in the shopping centres in 2013 will make 345.6 thous. sq. m - which is the highest value since 2007.
- Due to high demand from the tenants' side and large volume of space declared to be commissioned, it is possible to anticipate an active growth of the retail market in 2013.

## SUPPLY

## New Retail Real Estate Projects Commissioned in 2012

12 shopping centres were opened in St. Petersburg in 2012. As a result of that, the gross leasable area in retail complexes made 2,797 thous. sq. m in absolute terms - it increased by 10.8% as against the values of 2011.

## Shopping centres commissioned in 2012

Project name	GBA, sq. m	GLA, sq.m	District	Developer
Piterland	180,000	80,000	Primorsky	Management Company (MC) Piterland/CJSC Stremberg
RIO	63,000	45,000	Frunzensky	Tashir
Kosmos	54,000	27,000	Moskovsky	Stroycorporation Elis, LLC
DLT <sup>1</sup>	33,240	10,000	Central	Mercury
Garden-City <sup>2</sup>	1,500	1,000	Primorsky	Pervaya Mebelnaya Fabrika
Shkipersky Mall <sup>3</sup>	11,600	9,300	Vasileostrovsky	JSC SiB
Zanevsky Kaskad <sup>4</sup>	4,800	4,500	Krasnogvardejsky	Adamant
Kruiz	22,000	17,000	Primorsky	Femida
Furniture centre "12 stuljev" ("12 chairs") <sup>5</sup>	21,000	16,800	Frunzensky	Adamant
Elektra	10,000	6,700	Moskovsky	Dorinda Invest
Mezhdunarodny	46,400	22,500	Frunzensky	Adamant
Kontinent in Bukharevskaya	74,700	33,900	Frunzensky	Adamant
<b>TOTAL:</b>		<b>273,700</b>		

<sup>1</sup> after reconstruction;

<sup>2</sup> expansion;

<sup>3</sup> Phase 2;

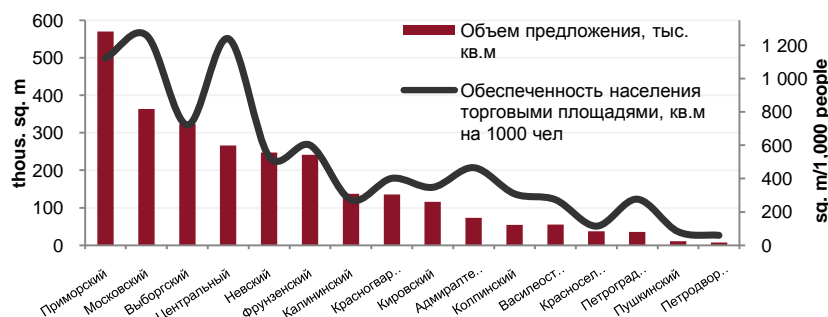
<sup>4</sup> Phase 1 expansion;

<sup>5</sup> integrated in Retail and Leisure Complex (RLC) Balkaniya NOVA

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

The shopping centres were mostly opened in the dormitory districts of St. Petersburg. 43.2% of total commissioned leasable space was opened in Frunzensky district, 35.8% - in Primorsky district and 12.3% in Moskovsky district. Developers of the existing shopping centers were expanding the retail space (Zanevsky Kaskad, Garden-City), also by means of opening new project phases (Shkipersky Mall) and reconstruction (DLT).

## Distribution of current supply at retail real estate market by districts of St. Petersburg, December 2012



## Dynamics of leasable area changes in St. Petersburg



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



RIO  
RLC Piterland

## Dynamics of increase of St. Petersburg population provision with shopping centres space



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

## Shopping centres to be commissioned in 2013

It is planned to commission around 345.6 thous. sq. m of retail space in 2013. In case all the declared projects are implemented, the gross leasable area of St. Petersburg shopping centres will increase by 12.4% and will make 3,142.7 thous. sq.m. The rate of population provision with shopping centres space will reach the value of 622 sq.m per 1,000 citizens. Among the largest projects scheduled to be put into operation in 2013, one can note shopping centres Balkaniya NOVA (Phase 2), Zhemchuzhnaya Plaza (Phase 1) and London Mall (after reconcept). In terms of location, the leasable space increases predominantly in Frunzensky, Nevsky and Vyborgsky districts.

### Shopping centres to be opened in 2013.

(net of earlier commissioned shopping centres)

Project name	GBA, sq. m	GLA, sq.m	District	Opening date
<b>Kontinent in Zvezdnaya</b> (Phase 2)	66,502	28,200	Moskovsky	Q1 2013
<b>Avenue</b>	45,000	31,500	Vyborgsky	Q1 2013
<b>Aura Boutique Centre<sup>1</sup></b>	14,500	9,700	Primorsky	Q1 2013
<b>Aleksandrovsky Park</b>	14,500	11,000	Petrogradsky	Q1 2013
<b>SC Tchkalovsky</b>	11,300	7,300	Petrogradsky	Q1 2013
<b>Balkaniya NOVA</b> (Phase 2)	74,000	54,800	Frunzensky	Q1 2013
<b>Zanevsky Kaskad - 3</b>	62,000	24,440	Krasnogvardejsky	Q2 2013
<b>Torgovy Dvor</b>	20,941	15,900	Moskovsky	Q2 2013
<b>Mercury (3rd floor)</b>	5,000	5,000	Kolpinsky	Q2-3 2013
<b>London Mall</b>	83,000	61,300	Nevsky	Q3 2013
<b>Zhemchuzhnaya Plaza</b> (Phase 1)	94,000	48,000	Krasnoselsky	Q3 2013
<b>Monpasje</b>	58,500	30,500	Primorsky	Q4 2013
<b>Retail and Leisure Complex (RLC) Scandinavia</b> (Phase 1)	39,900	18,000	Vyborgsky	Q4 2013 - Q1 2014
<b>TOTAL:</b>		<b>345,640</b>		

<sup>1</sup>In Q4 2012 only hypermarket Super Siwa was opened

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

## DEMAND

The retail turnover in St. Petersburg (according to Petrostat data) has increased by 16.7 % over 11 months of 2012: from 62.7 up to 73.2 bln roubles. Retail real estate market, both in street retail format and in shopping centres, experienced stable growth.

The quality shopping centres were particularly popular among the tenants, therefore, the vacancy rate in such SC remained at an almost zero-level. According to ASTERA data, the highest demand among the potential tenants could be observed for space from 50 up to 100 sq. m, a bit less than 40% of all applications were made for such space; premises from 1,000 sq.m were considered by 8% of tenants. As to tenants activities, 43% of them were shoe stores, clothes and accessories shops.

Last year the most actively developing clients in street retail format were food store chains and public catering networks.

The former were developing in large-scale format (500-2,000 sq.m, 2,000-5,000 sq.m) and in small-shops format (50-200 sq.m). The geography of their development covered the whole St. Petersburg and Leningrad region. At the same time, apart from leasing street retail and shopping centres space, the large food chains were considering acquisition of real estate property, including land plots for their stores construction. As an alternative, acquisition of weaker chains was also considered. The network companies kept developing both under the famous brand-names and under the newly introduced to the market brands (Verny, Fasol, etc.) Regional chains entered St. Petersburg market.

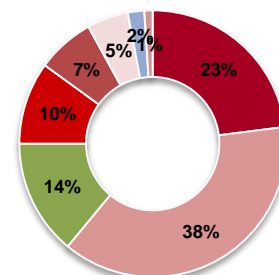


Multi-Functional Complex (MFC) Zhemchuzhnaya Plaza



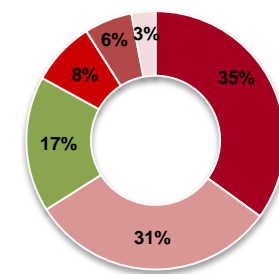
MFC Kontinent in Zvezdnaya

Considered area in SC according to clients applications Q4 2012



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

Considered area of in-built premises according to clients applications 2012



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

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

An example is acquisition of 'NORMA' chain by company "TD Intertorg" owning the networks 'Narodnaya 7ya semYa' and 'Spar'.

Besides, the agricultural holding Miratorg is entering the retail market. In February 2013 in 25, Yegorova street Miratorg is opening its first super-market; the consultant on premises selection is **ASTERA**, an alliance member of **BNP Paribas Real Estate**. Besides, Miratorg is planning to open 40 stores in different districts of St. Petersburg and its suburbs in the coming year.

Large public catering networks were developing independently or by franchise (KillFish, Subway, BurgerKing, Mama Roma, Bubble Tea), as well as by launching new projects. For example,

- Brands Vasabi and Rosario opened Ukrainian cuisine restaurants 'Primorsky' and 'Kurortny';
- Frikadelki are renamed as Marketplace restaurants;
- Fast food chain Teremok changes format of pancake cafes and launches new projects - restaurants of enhanced comfort;
- Dve Palochki are testing the new format: 'American style cafe' - with burgers, music machines and comics.

Geography of public catering development covered the whole St. Petersburg: the centre - Nevsky prospect and adjacent streets, as well as dormitory districts - near the underground stations and active road junctions in the centre of residential quarters. Some players considered space in towns of Gatchina, Pushkin, etc.

High demand for retail real estate was also provided by the major banking structures. For example, Sberbank, VTB24, Alfabank, Russky Standart, Raiffeisenbank opened 1-3 offices each in 2012. They plan to remain as active in 2013.

In 2012 an active demand for retail real estate in luxury segment was observed on St. Petersburg market, which was also caused by the new brands introduction. The main area of luxury segment development is Nevsky prospect, including Staro-Nevsky, Bolshoy prospect of P.S., Kamennostrovsky prospect, Bolshaya Morskaya street, Bolshaya Konyushennaya street. The growth of demand in B.Konyushennaya street was caused by opening of DLT store in September 2012.

#### Major transactions at St. Petersburg retail real estate market in 2012

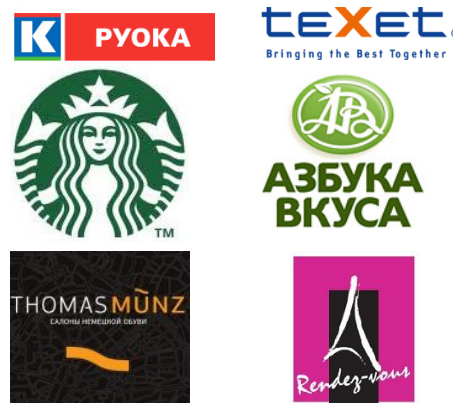
Brand	Area, sq. m	Specialty	Address
Kiberry	900	Electronics	SC Platforma, Transportny per.
Sunlight	430	Jewelry	SC Nevsky Atrium
Detsky Mir	1,700	Goods for kids	SC Mercury, Kolpino
Prizma	8,000	Hypermarket	SC Grand Canyon
Mastergrad	5,400	Kids park	RLC Piterland
Rendez-vous	305	Shoes	RLC Piterland
Key	950	Digital instrumentation	RLC RIO
Auchan	18,000	Hypermarket	RLC Northern Mall
Eldorado	1,676	Electronics	RLC RIO
H&M	2,000	Clothes	RLC RIO
M.Video	2,163	Electronics	RLC Zhemchuzhnaya Plaza
Detsky Mir	1,226	Goods for kids	RLC Zhemchuzhnaya Plaza
Formula Kino	5,000	Cinema	RLC Zhemchuzhnaya Plaza
12 Stuljev	21,000	Hypermarket, Furniture	RLC Balkaniya NOVA
Starbucks	174	Public Catering	RLC Piterland
Muztorg	1,600	Music equipment	SC Yamskoj
Thomas Munz	165	Shoes	Nevsky pr., 108
Dve Palochki	505	Public Catering	Prosvescheniya Veteranov pr.
Telexmax	2,000	Electronics	Budapeshtskaya str.
Yulmart	1,370	Electronics	Prosvescheniya Nauki pr., 10
VTB24 Bank	420	Banks	Prosvescheniya pr.
Produkty24	500	Food	Leninsky pr.
Sberbank	400	Banks	Ligovsky pr., 37
Miratorg	1,630	Food	Yegorova str., 25
Spar (Intertorg)	800	Food	Tambasova str.

Major activities of SC clients according to applications, Q4 2012



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

#### New brands entering St.Petersburg retail real estate market in 2012



#### Rental rates range by main shopping corridors of St. Petersburg in Q1 and Q4 2011

Shopping corridor	Rental rate, thous. RUR/sq.m/month*	
	Q1 2012	Q4 2012
Nevsky pr. (from Malaya Morskaya str. up to Vosstaniya square)	5 - 10	6.5 - 10
In the vicinity of 'Moskovskaya' underground station	2.5 - 8	3.5 - 8
In the vicinity of 'Ploschad Vosstaniya' underground station	1.8 - 6.5	3.5 - 6.5
In the vicinity of 'Vasileostrovskaya' underground station	1.5 - 5	2.5 - 5
Ligovsky pr.,	1.8 - 4.2	3.5 - 4.8
In the vicinity of 'Prospekt Bolshevikov' underground station	1 - 3.5	2.5 - 4

\* incl. VAT, utilities

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



'Electronics and household appliances' segment has revived after the post-crisis period of 2008-2011. In 2012 it was developing in direction of leasing premises in SC - mostly district and microdistrict ones. The space rented in this segment was from 1,000 up to 3,000 sq.m. In 2012 such space was rented as part of area expansion in SC, and through leasing vacant space in SC with less than 100% occupancy. The rental rate in this segment made 500-1,200 RUR / sq. m / month. In 2012 the most active players were cybermarket-chains<sup>1</sup>, with operating issuing points (outpost format). Large networks have also declared their intention to develop in such format.

<sup>1</sup> cybermarket is a warehouse store of electronics and household appliances

## VACANCY RATE

### Shopping centres

In Q4 2012 the average vacancy rate in popular shopping centres of St. Petersburg made 1.8-2.5%. Volume of demand for quality shopping centres remained high and was reflected in vacancy rate reduction in such shopping centres. The most liquid projects kept waiting lists, the vacancy rate in them tended to zero. Rotation in such centres can be performed only when a tenant is replaced by the management company with a new more attractive and interesting brand.

### Street retail

In the last quarter of 2012 some space of street retail format in the main shopping corridors became vacant, although during the whole year such space was lacking. Increasing supply, for instance, in Nevsky prospect, Bolshoy prospect of P.S, 6th and 7th lines of V.O. is, first of all, caused by some operators exiting the market upon expiry of 11-month agreements and due to increase in rental rates, taking the annual indexation in consideration.

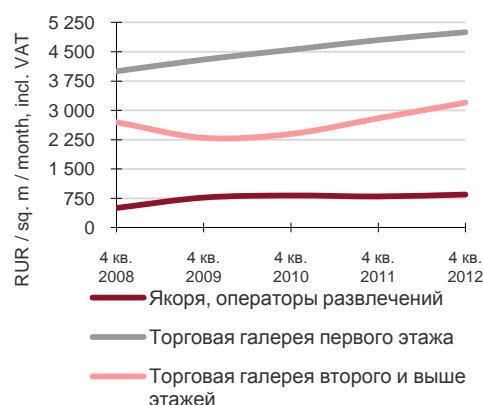
## RENTAL RATES AND COMMERCIAL TERMS

In 2012 the rental rates in shopping complexes increased within the frame of annual indexation under acting agreements (from 5% up to 10%, or according to already concluded long-term agreements). In certain cases, when the tenant was changed, the rate could grow by 10-20%.

By the end of 2012 the situation on the retail real estate market in St. Petersburg was quite stable in terms of rental rates in shopping centres. At the present moment the rental rates level is by 5-20% lower than those in the pre-crisis period. There are pre-conditions for the rental rates to reach the pre-crisis level by the end of 2013, providing that the stable macroeconomic situation in the country is maintained. However, it is highly unlikely that the pre-crisis level can be exceeded. First of all, it is caused by changes in the tenants behaviour. Earlier, the tenants has considered renting a retail project for image or some other reasons, whereas now the preference is given for the retail project profitability. In case of zero or negative profitability, the tenants will prefer either closing the shop, or moving it to some other location, where they will be able to gain profit.

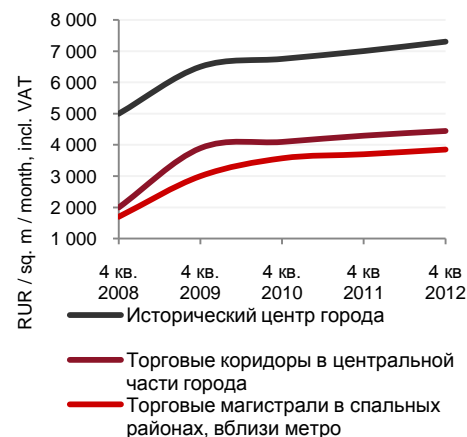
In the popular shopping centres with 100% occupancy, about 70% of lease agreements are short-term ones, and agreements with the fixed rental rates still prevail. However, even in these SC the rental schemes based on turnover percentage and long-term agreements for anchor, federal and international tenants gain grounds for development.

### Dynamics of average rental rates in quality SC of St.Petersburg



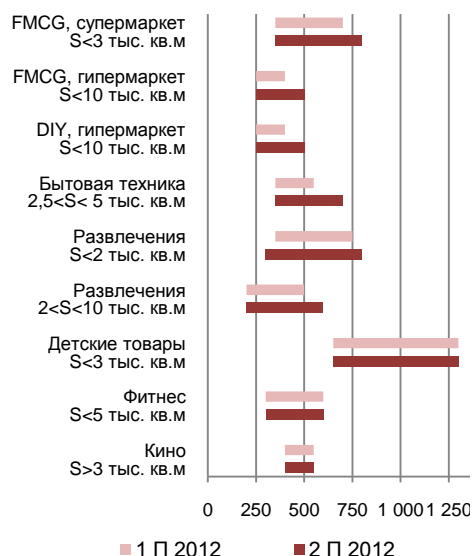
Source: ASTERA, an alliance member of BNP Paribas Real Estate

### Dynamics of average rental rates in street retail premises of St.Petersburg



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

### Rental rates range for anchor tenants in SC of St.Petersburg by clients activities, 2012



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

# ABOUT ASTERA

**ASTERA, an alliance member of BNP Paribas Real Estate**, is an international consulting company, rendering professional consulting services in commercial and elite residential real estate. The Company has been actively present on the Russian real estate market since 1992. The Company's offices are located in Moscow, St. Petersburg and Kiev.

ASTERA is the partner of **BNP Paribas Real Estate** in Russia and Ukraine. BNP Paribas Real Estate is a leading international real estate company and the largest company by gross turnover among European consulting companies by year 2010, according to annual rating of authoritative publication Property Week.

An alliance with BNP Paribas Real Estate gives ASTERA specialists the opportunity to represent the interests of their clients abroad and to attract foreign investments into Russian development projects.

ASTERA portfolio comprises retail, office, industrial, warehouse and hotel projects, including large multi-functional complexes and commercial premises of street retail format, detached buildings, 'built-to-suit' projects and land plots.

ASTERA portfolio includes over **500 implemented projects** of strategic and investment consulting and the exclusive data base consisting of **30,000 objects** in all segments of commercial real estate. Since 1992 ASTERA consultants have leased and sold **more than 6,000,000 sq. m** of commercial premises and concluded over **9,000 transactions** on the commercial real estate market in Russia and Ukraine.

ASTERA has assisted over **4,000 clients**, including major international and Russian financial, investment, trading and industrial corporations and networks.

*ASTERA provides full range of services for investors, developers, owners, tenants and buyers of the commercial real estate:*

- Consulting services
- Investment consulting
- Real estate valuation
- Brokerage services
- Pre-brokerage
- Representing the clients' interests
- Legal services
- Real estate projects promotion

*ASTERA reputation is confirmed by membership in the leading Russian and international professional organizations:*

- Guild of Managers and Developers (GUD)
- Russian Shopping Malls Council
- Russian Realtors Guild
- Russian-British Chamber of Commerce
- European Business Association

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