

# RETAIL MARKET



**Olga Atkachis**

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

*"Stability and no cardinal changes were the key trends of Q1 2012. An insignificant decrease in tenants' activity took place in March due to presidential elections in Russian Federation and to a holiday period factor (decrease of demand during a period of vacations and holidays)."*

TOTAL AREA



VACANT AREA



RENTAL RATES



CAPITALIZATION RATE



## MAJOR TRENDS

- Stabilization of rental rates in both shopping mall and street retail segments on the level of Q4 2011
- Continuous active demand formed by retail chains. Activation of tenants who were not active on the St. Petersburg leasing market during 2011 – white goods operators, pharmacies
- Active development of regional retail companies in St. Petersburg
- Zero vacancy rate and further extension of waiting lists for the most successful shopping malls; brokerage companies now also have waiting lists for the most successful shopping malls. In the least interesting shopping centers there's a constant rotation of tenants for 10-15% of leasable space
- In Q1 2012 owners of shopping malls announced new sales offers on the market, all offers are being considered by potential investors
- Increase in demand for liquid space from investment buyers. Acceptable payback period for investors is 6-7 years
- Insignificant increase in liquid retail space supply; increase in the quantity of sales deals after presidential elections

## KEY INDICATORS

*Key indicators of shopping centres market development, Q4 2011 – Q1 2012*

Key indicators	Q4 2011	Q1 2012
Leasable area of new retail projects, 000 sq.m	2 511	2 553
Vacancy rate, %		
Super regional	0% <sup>1</sup>	0% <sup>1</sup>
Regional	1 - 2%	0,5 - 1%
District	6%	5%
Microdistrict	6%	2%
Change of rental rates in appropriate quarter	+7...10% <sup>2</sup>	+0..5% <sup>3</sup>

<sup>1</sup> – waiting list

<sup>2</sup> – compared to Q3 2011, in roubles

<sup>3</sup> – compared to Q4 2011, in roubles (minimum change as per new lease agreements)

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

## ASTERA – AMONG THE TOP THREE

### CRE EXCLUSIVE DAY

CRE Exclusive Day – yearly rating of brokerage companies, constructed by CRE North-West journal. According to yearly results leaders by volume of realization of commercial space are selected among companies.

**In 2011 ASTERA was among the top 3 brokers on Saint-Petersburg retail real estate market.**

## SUPPLY

## New retail real estate projects commissioned in Q1 2012

In Q1 2012 one new neighborhood shopping mall Kosmos and the 2<sup>nd</sup> phase of «Shkipersky mall» were commissioned, areas of two operating shopping malls were enlarged. Total volume of new office space commissioned in Q1 amounted to 42'000 sq.m.

## Projects commissioned in Q1 2012

Name	Opening date	District	GLA, sq.m
Shkipersky mall, 2 phase	Q4 2011 – Q1 2012	Vasileostrovsky	9'300
Kosmos	Q1 2012	Moskovsky	27'000
Zanevsky Cascade, enlarging 1 <sup>st</sup> phase	Q1 2012	Krasnogvardeisky	4'500
Garden-city	Q1 2012	Primorsky	1'000
<b>TOTAL</b>			<b>41'800</b>

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

Leasable area of shopping malls in St.Petersburg increased by ~ 2% in Q1 2012 and amounted to 2'553'000 sq.m.

In addition to that in February 2012 a new aqua park in Piterland shopping mall was put into operation. Trade gallery of the mall is expected for commission in May 2012.

## Shopping centres planned for commission in 2012

In Q1 2012 the commission of about 252'000 sq.m of space in shopping malls was announced. In case of realization of all the announced projects GLA of shopping malls in St. Petersburg will increase by 11.7% and amount to 2'806'000 sq.m or around 600 sq.m for 1000 citizens. Shopping mall market will enlarge mostly due to a commission of a superregional mall Piterland, regional shopping centers RIO and London mall (reconstructed mall Felichita at Kollontai street).

## Shopping malls announced for commission in 2012

Name	GBA, sq.m	GLA, sq.m	District	Opening date
Piterland	180'000	80'000	Primorsky	Q2 2012
RIO	63'000	45'000	Frunzensky	Q2 2012
Mercury (commission floor by floor)	4'625	3'238	Kolpinsky	Q2-Q3-Q4 2012
Mercury/DLT (after reconstruction)	30'240	10'000	Central	Q3 2012
London Mall (Felichita after re-conception)	83'000	47'000	Nevsky	Q3 2012
Continent on «Bukharestskaya»	74'700	33'875	Frunzensky	Q4 2012
Mejdunarodny	46'400	22'500	Frunzensky	Q4 2012
U Krasnogo Mosta	14'200	11'200	Admiralteisky	Q4 2012
<b>Итого</b>	<b>499 165</b>	<b>252 813</b>		

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

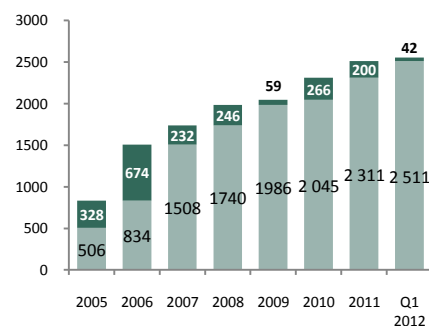


New retail and entertainment center Kosmos



Retail and entertainment center Shkipersky mall, 2 phase

## Dynamics of leasable area volume in St. Petersburg



■ Leasable area of shopping malls in the beginning of a respective year, 000 sq.m

■ Leasable area of shopping malls commissioned in a respective year, 000 sq.m

## SUPPLY

In Q1 2012 there was a continuous active demand for retail premises from chain operators. Many retail chains which actively increased the number of their stores in 2011 continue development. Those companies who had a wait-and-see policy last year become active (for instance IL' DE BOTE). Clients inactive in the previous period (white goods operators, pharmacies) started their development. Russian banks continue increasing demand for rental space. New brands, Russian as well as foreign, appear on the market in catering, fitness-centers, FMCG, childhood goods, footwear, jewelry segments. Regional retailers (from Central Russia and Siberia) which have previously announced their development plans in St. Petersburg for 2012, start their realization.

Toughening of competition in FMCG and public catering segments lead to the tendency of reforming shops among retailers in order to optimize their functional effectiveness or approach new market segments.

Retail chains consider different districts for development operators open new stores in all St. Petersburg districts, central as well as suburbs.

The tendency of high demand for quality street retail premises, which appeared after the 2008 crisis, continues. Tenants have an increasing level of requirements for premises – they are interested not only in location characteristics, but also in condition of retail space which predetermines how fast they can open a new retail store.

There is a growing demand for street retail premises from investors, who want to buy properties with a payback period of 6-7 years. However on St. Petersburg market there is a strong deficit of liquid retail property available for sale and if such premises appear they are quickly sold.

In Q1 2012 owners of shopping malls announced new shopping malls sales offers on the market; all offers are being considered by potential investors

### Examples of Large transactions on Saint-Petersburg retail market in 2011

Brand	GLA, sq.m	Business area	Name of the mall/Address
<b>Shopping malls</b>			
GK Espro - Masterslavl	5'400	Entertainment	Piterland
Telemaks	1'500	White goods	Gulliver
Retail chain Leonardo	550	Art goods	Balkaniya NOVA
Retail chain Leonardo	550	Art goods	Gorod
<b>Street-retail</b>			
Eldorado	1'600	Whit goods	Vyborgskoe av., 503
Italy Ug	900	Restaurant	Moskovsky pr., 159
Shchi Borschi Bar	400	Restaurant	Pyatiletok pr.
Novaya Kofeinys	400	Restaurant	Nevsky pr., 21
Prodykti 24	500	Food	Leninsky pr.

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

In Q1 2012 the major active tenants of shopping malls were apparel and footwear operators of lower-to-medium price segment, among which the most popular and frequently asked formats of premises were 50 – 100 sq.m (for non-chain operators) and 100 – 200 sq.m (for chain operators). In street retail segment catering, food and apparel operators were the most active, and the most popular premises formats were 50 – 100 sq.m (37%), 100 – 200 sq. m (28%) and 200 – 500 sq.m (17%).

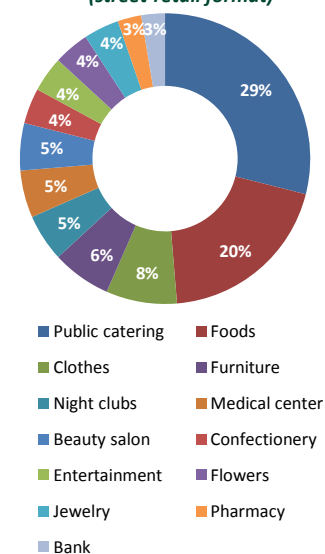
## Vacancy rate in shopping malls

During Q1 2012 average vacancy level in St.Petersburg shopping was continually decreasing. At the end Q1 2012 an average vacancy rate was 2%.

The tendency of 2011 continued – vacancy rates for the most liquid shopping malls were on a zero or close to zero level. In less interesting shopping malls 10-15% of leasable space remained unleased or there was a constant rotation of tenants for this space. Waiting lists for the most successful shopping malls were extended; brokerage companies now also have waiting lists. There is the lowest vacancy rate (0%+waiting list) in superregional shopping malls.

The volume of space released by tenants is low. Some operators may be substituted by well-known brands or enlargement of space with more advantageous financial terms may take place if an existing operator doesn't have a long-term lease agreement.

Most active tenants of retail premises (street-retail format)



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

## Rental rates and commercial terms

Overall in Q1 2012 rental rates for both street retail and shopping mall segments remained on the level of Q4 2011.

For the most liquid properties in major city retail zones owners decreased asking rental rates. From the very start owners announced rental rates which were close to deal prices, without exaggerating them. This allowed owners to lease their properties faster than usual – within 1-2 months, not 3-4 months. This tendency was to a large extent caused by owners' concerns and expectation of market changes after the presidential elections.

### *Rental rates range in major retail zones of Saint-Petersburg in Q4 2011- Q1 2012*

Trading zone	Rental rate, RUB/sq.m/month*	
	Q4 2011	Q1 2012
Nevsky prospect (form Malaya Morskaya to Vosstaniya square)	5 000 – 10 000	5 000 – 10 000
Near Moskovskaya subway station	3 000 – 10 000	2 500 – 8 000
Near Ploschad Vosstaniya subway station	1 850 – 9 000	1800 – 6 500
Near Vasileostrovskaya subway station	1 550 – 7 000	1 500 – 5 000
Ligovsky prospect	1 200 – 4 500	1 750 – 4 200
Near Prospect Bolshevikov subway station	1 200 – 4 000	1 000 – 3 500

\* including VAT, utilities

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

# ABOUT ASTERA



**ALEXEI FILIMONOV**  
General Director  
a.filimonov@asteragroup.ru



**LYUDMILA REVA**  
Director in St. Petersburg  
l.reva@asteragroup.com



**VERA BOIKOVA**  
Head of Warehouse and Industrial Real Estate Department  
v.boikova@asteragroup.com



**OLGA ATKACHIS**  
Head of Retail Department  
o.atkachis@asteragroup.com



**ALEXANDR VOLOSHIN**  
Development director  
a.voloshin@asteragroup.com



**ANNA BRUN**  
Head of Elite Residential Real Estate Department  
a.brun@asteragroup.com



**OLGA ZEMTSOVA**  
Head of Consulting Department  
o.zemtsova@asteragroup.com

**ASTERA an alliance member of BNP Paribas Real Estate** is an international company, which renders professional services in commercial and elite residential real estate. The company has been actively operating on the Russian market since 1992. Companies' offices are located in Moscow, Saint-Petersburg and Kiev.

ASTERA is a partner company to BNP Paribas Real Estate in Russian and Ukraine. BNP Paribas Real Estate is a leading international company in real estate sphere, which occupies leading positions among the consulting companies on the European market in terms of turnover volume by the results of 2009, according to an annual rating of authoritative publication Property Week.

Alliance with BNP Paribas Real Estate gives the ASTERA specialists an opportunity to represent the clients' interest abroad and to attract foreign investment to the Russian development projects.

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- 'In-house' exclusive data base comprising 30'000 projects of retail, office, warehouse and elite residential real estate;
- Over 6'000'000 sq.m of commercial real estate space have been realized by the consultants of ASTERA company since 1992;
- Over 8'500 transactions concluded on the commercial real estate market of Russia and Ukraine;
- Over 4'000 companies, including the major international and Russian financial, investment, retail and industrial corporations and chains are now clients of ASTERA

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

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### Office in St/Petersburg

Tel.: +7(812) 703-00-03  
Fax: +7(812) 703-00-04

### Office in Moscow

Tel.: +7(495) 925-00-05  
Fax: +7(495) 981-05-65

### Office in Kiev

Tel.: +380(444) 501-5010  
Fax: +380(444) 501-5011

[www.asteragroup.ru](http://www.asteragroup.ru)  
[marketingspb@asteragroup.com](mailto:marketingspb@asteragroup.com)