

RETAIL MARKET

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“Over a long period of time demand for retail premises has been rapidly growing outstripping a current supply. If delivery of new shopping malls might cope with emerging demand in this submarket, street retail has been experiencing a gradual reduction of vacant space on St. Petersburg’s main shopping streets”.

SUMMARY

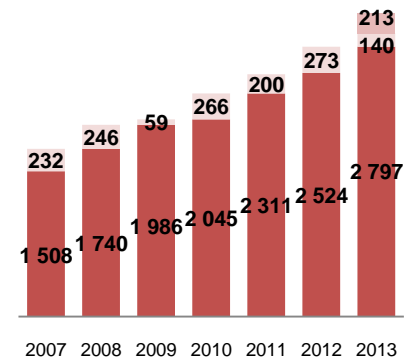
- In the second quarter of 2013 the retail market experienced a new delivery (MFC “Liteyny, 26”) measuring 6,500 sq.m of leasing area. As of June 2013, St. Petersburg had a ratio of 586 sq.m of retail space per 1,000 inhabitants.
- At the end of reporting period, total volume for the entire St. Petersburg area measures 2,937 thousand sq.m of gross leasable area (GLA).
- In general, during the course of the first half of 2013 six shopping centers were delivered to the market with a total GLA of 140 thousand sq.m resulting in 5 per cent growth against the end of 2012.
- Due to a gradual decline in the number of vacant street retail premises on major transport arteries, new supply can emerge from tenants’ rotation and mostly with ending long term lease agreements.
- A lack of retail premises in the most liquid shopping centers persists where wait lists is common practice for potential tenants. The average vacancy for popular shopping center was 3.5 per cent.
- The rental rates didn’t experience significant fluctuations on the market. Usually the rates in the most liquid centers are 1.5-3 times higher than that of the others.
- The street retail market marks a new trend regarding commercial premises as a part of residential development. Now they are being perceived as essential elements in the concept of the housing complex that facilitate its prestige and uniqueness. The formation of an appropriate infrastructure is one of the approaches that raise interest to the housing project from potential customers.

TOTAL VOLUME ↗

VACANCY →

RENTAL RATES →

Overall shopping centers’ GLA in St. Petersburg



- St. Petersburg shopping centers overall GLA at the beginning of a year, 000 sq.m
- New retail space commissioned during the related year, 000 sq.m
- Forecast until the end of a year, 000 sq.m

Source: ASTERA an alliance member of BNP Paribas Real Estate

KEY INDICATORS

Indicator	Q2 2012	Q2 2013
Overall GLA of shopping centers, thousand sq.m	2,636	2,937
Vacancy in operating shopping centers		
Super regional	1,1% [†]	1,2% [†]
Regional	0,4%	4,5%
Community	4%	3%
Neighborhood	2,6%	2%

[†] – wait list

Source: ASTERA an alliance member of BNP Paribas Real Estate

SUPPLY

In the second quarter of 2013 there was only one project that having been put into operation - MFC "Liteyny, 26" with a leasable area of 6.5 thousand sq.m. The rest of the projects were put back until the next period.

Summarizing the first half of 2013, total volume for the entire St. Petersburg area increased by 140 thousand sq.m (+5%) and totaled 2,937 thousand sq.m. For that period of time, the market experienced six deliveries that measured 39.7 per cent out of the volume announced for the whole 2013 year.

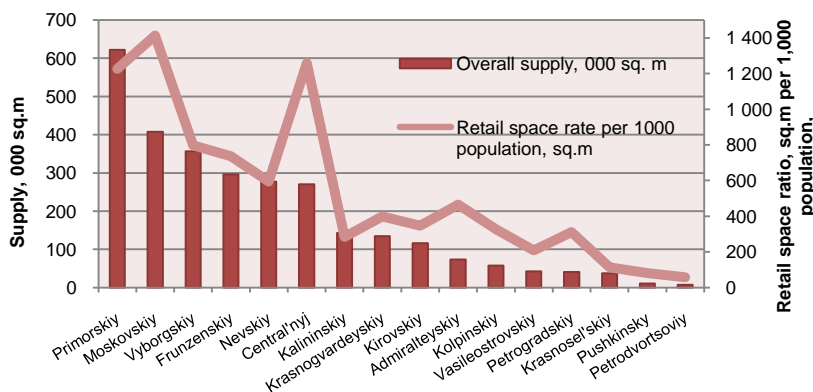
By geographical location the highest growth rate occurred in Frunzensky and Vyborgsky districts where the supply had risen by 22.7 per cent and 9.7 per cent respectively.

Shopping centers (SC) delivered in the first half of 2013

Name	GBA, sq.m	GLA, sq.m	District	Developer
Avenue	45,000	31,500	Vyborgsky	Stroycorporatsiya "Elis"
Kontinent na Zvezdnoi (2nd phase)	66,502	28,200	Moskovsky	"Adamant"
Aura Boutique Centre	14,500	9,700	Primorsky	"Lenspetsmu"
Tchkalovsky	11,300	7,300	Petrogradsky	"Centr Stroitel'nogo Buznesa"
Balkaniya Nova – II	74,000	56,800	Frunzensky	"ADAMANT"
Liteyny, 26	10,000	6,500	Central	"Peterburgstroy"
Total		140,000		

Source: ASTERA an alliance member of BNP Paribas Real Estate

Breakdown of present supply of shopping centers' area by districts, June 2013



In the second half of 2013 seven shopping centers are expected for commission with a total leasing area of 212.7 thousand sq.m. The complexes worth mentioning are "London Mall" (after reconstruction) and "Pearl Plaza".

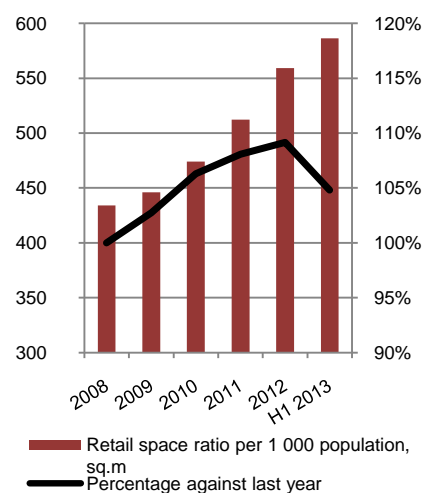
Shopping centers to be delivered in the second half of 2013

Name	GBA, sq.m	GLA, sq.m	District	Opening date
Velikan Park	14,500	11,000	Petrogradsky	Q3 2013
Pearl Plaza, (1st phase)	94,000	48,000	Krasnosel'skiy	Q3 2013



MFC "Liteyny, 26"

Increase in ratio of shopping malls' retail space in St. Petersburg



Source: ASTERA an alliance member of BNP Paribas Real Estate



MFC "Kontinent na Zvezdnoi"



SC "Balkaniya NOVA"

Five Lakes	32,200	21,570	Primorsky	Q3 2013
London Mall	83,000	61,300	Nevsky	Q3 2013
Zanevsky Kaskad- 3 (1-3 floors to be opened)	62,000	24,440	Krasnogvardeysky	Q4 2013
Montpansje	58,500	30,500	Primorsky	Q4 2013
Torgovy Dvor	20,940	15,900	Moskovsky	Q4 2013
Total	212,710			

Source: ASTERA an alliance member of BNP Paribas Real Estate

DEMAND

Over a long period of time demand for retail premises has been rapidly growing outstripping existing supply. If delivery of new shopping malls might cope with emerging demand for retail premises in this submarket, street retail has been experiencing a gradual reduction of vacant space on St. Petersburg's main shopping streets.

Traditionally, the demand in St. Petersburg market is mostly driven by FMCG-chains, public catering and fashion retail. Arriving of new competitors along with new projects's launching is strengthening the demand in both submarkets – street retail and shopping centers.

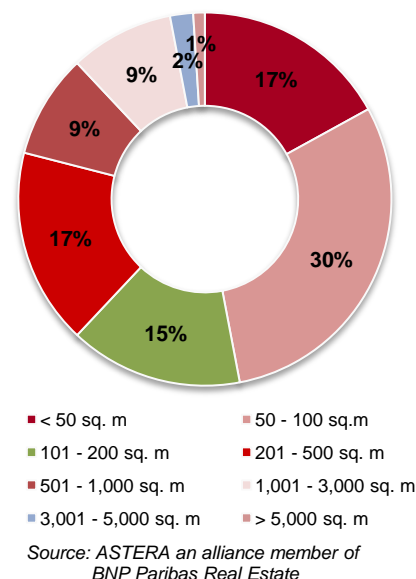
The reporting quarter was characterized by a steady demand from public catering companies where some new projects were announced. Most of the projects will be started in street retail:

- ✔ A new chain of pubs named "Kronborg" have started in St. Petersburg. The chain is going to open 8 pubs in St. Petersburg by the end of the year, and, moreover, enter to the federal level in the future.
- ✔ "Boost Juice Bars" an international retail chain that specialize in selling fruit juice opened its first outlet in "Galeria". According to the company's plans, the number of smoozie-bars will reach 15.
- ✔ First confectionary shops operating under brand name "Gusli" opened in street retail.
- ✔ "Any.Testo" is a new restaurant of Italian home cuisine from the owners of «Any.Pasta» and «Any.Soup».
- ✔ Turkish coffee house "Mado" opened on Nevsky prospect.
- ✔ The company "Global Point Family" started "Funky Kitchen", a mix of a bar and inexpensive restaurant.
- ✔ "CoffeeShop" and "Bukvoed" started a joint project in a popular "book store + café" format. Yet another outlet is underway.

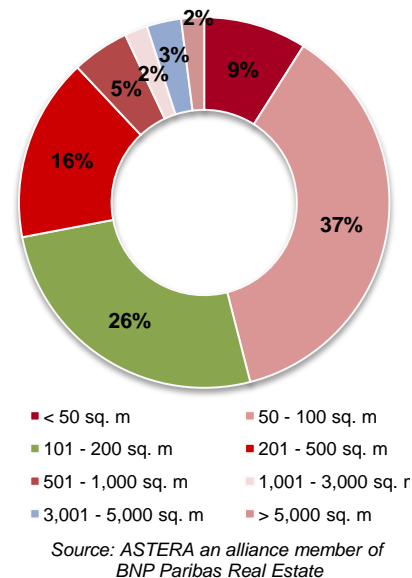
Super- and hypermarkets cover all St. Petersburg area and suburbs. Along with local operators, federal and foreign retail companies are actively developing in Peterburg market. For example:

- ✔ "Azbuka vkusa" plans to construct its own shopping centers targeted at upper middle class customers.
- ✔ Having become the company #1 in Russian retail market since Q1, 2013, "Magnit" successively expands its presence in St. Petersburg. The company's format of development is small supermarkets near residential buildings.
- ✔ Finnish «SOK Retail International Oy» intends to increase the share on the market by doubling the number of its stores "Prisma". To achieve the goal, 50 million euro will be invested.
- ✔ The second hypermarket "K-Ruoka" operating by "Kesko" group (Finland) was opened in Vsevolozhsk. There will be two more in St. Petersburg by the end of 2013.
- ✔ "Intertorg" a licensee of "SPAR North-West" is going to finish the construction of the first hypermarket on Kollontay ul. at the end of 2013.

Requested area breakdown in shopping centers, Q2 2013



Requested area breakdown in street retail, Q2 2013



NEW PROJECTS

- ✔ "OKey" opened a pharmacy in one of its hypermarkets;
- ✔ the "Pervaya Pomosch" pharmacy chain is going to start its stores in a new format – "drugstore", where drugs, FMCG goods and cosmetics to be sold;
- ✔ "Ulybka Radugi" is going to open a shop which will add food to its traditional assortment;
- ✔ Spanish «Retailer Indexer» to start shops under brand names "Violeta" and "Rebels".

In the opinion of ASTERA consultants, FMCG companies are experiencing a lack of premises set out for development in close proximity to residential buildings. For this reason, the operators have only two options whether to occupy locations where other retailers have failed to thrive or to sign up leasing agreements in new residential complexes being under construction. The latter are being harshly competed by retailers.

An array of banks (e.g. Sberbank, VTB 24, Leto bank, Bank Rossiysky Credit, Jugra, BaltInvestBank) has been following their plans for 2013 regarding opening its front-offices in St. Petersburg.

The intense competition in Appliances and Electronics segment leads to withdrawals from the market or mergers and acquisitions. During the second quarter:

- ▼ "RiK Computers" stopped its operations due to bankruptcy.
- ▼ "Ret's" only shop in St. Petersburg was closed. The owners started developing under franchise of "Samsung".
- ▼ "Zakazhi24" closed its delivery locations due to merging with "Technoshock".

However, the Appliances and Electronics market is still attractive for new players who are ready to open their stores as well as delivery locations, e.g. "OnlineTrade" from Moscow.

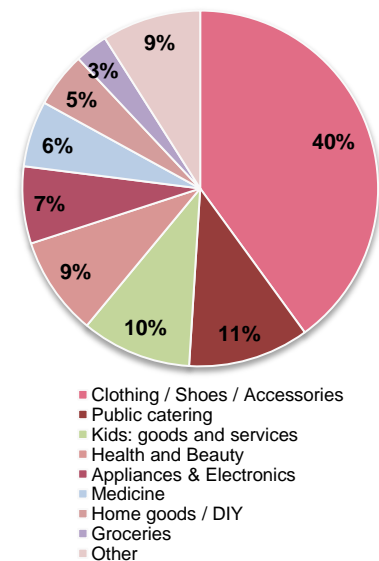
The group of companies "Inventive Retail Group" opened its 15th store in "Apple Premium Reseller" format in "Mega Dybenko". Other formats "Lego" and "Samsung" are to be opening at faster rates compared to the previous year.

In the course of the reporting period, the fashion retail segment showed a good dynamic of development – two international brands "Affliction" and "Takko Fashion" entered the market. The latter plans to open up to three stores in St. Petersburg. "Ferrari" is a branded boutique of "Ferrari" opened on Sadovaya ul. A Polish leather clothes chain "Ochnik" leased 79.9 sq.m for the first shop in "Leto".

Major transactions closed in the second quarter of 2013

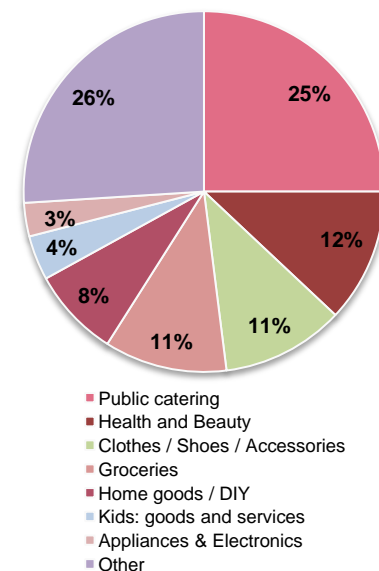
Brand name	Area, sq.m	Specialty	Address
Samsung	200	Appliances and Electronics	SC "Svetlanovsky"
Kronborg	240	Public catering	Vladimirsky pr.
Kronborg	200	Public catering	Aviakonstruktorov pr.
Italy	162	Public catering	Bolshaya Morskaya 14
Subway	169	Public catering	B.Sampsonievsky pr. 62
VinoStudia	181	Public catering	Rubinshteina ul.
Affliction	146	Clothes	SC «Galeria»
Togas	200	Textile	Moskovsky pr. 157
Takko Fashion	970	Clothes	SC "Leto"
Obuv.com	250	Shoes	SC "Leto"
Incanto	80	Underwear	SC "Balkania NOVA"
Missha	53	Cosmetics	SC "Balkania NOVA"
Leto	80	Bank	Stachek pr. 94
Rossiysky Credit	100	Bank	Zagorodny pr. 8

Breakdown of tenants specialty in Q2 2013 (shopping centers)



Source: ASTERA an alliance member of BNP Paribas Real Estate

Breakdown of tenants specialty in Q2 2013 (street retail)



Source: ASTERA an alliance member of BNP Paribas Real Estate

VACANCY AND RENTAL RATES

Shopping centers. In the second quarter of 2013 the weighted vacancy rate in popular shopping centers (excluding new projects) measured 3.5 per cent.

A majority of new shopping centers delivered half a year ago were occupied at a rate of 30-70 per cent. Having a zero vacancy, the most liquid malls continued to renew the pool of tenants in order to gain attraction.

In the reporting period the rental rates didn't experience significant fluctuations on the market.

Street retail. Over the last 2-3 years the mass housing construction has increased demand for commercial space in new residential complexes. At the present time, the supply is presented by a number of major projects, among them the most prominent are "Severnaya Dolina", "Baltic Pearl", "Slavyanka", "Sunday", a major residential area at the intersection between Optikov and Turistskaya ul. – "Gusi Lebedi", "Novaya Scandinavia", "Serebryanye Ruch'i".

The street retail market marks a new trend regarding commercial premises as a part of residential development. Now they are being perceived as essential elements in the concept of the housing complex that facilitate its prestige and uniqueness. The formation of an appropriate infrastructure (including brokerage) is one of the approaches that raise interest to the housing project from potential customers. For illustration purposes, such projects are "New Okkerville" (company "Otdelstroy"), "Novoorlovsky" (company "YIT"), "Severnaya Dolina" (company "Glavstroy"), "Na Badaeva" (company "Temp")

It is discretionary by developers to place a beauty salon, a pharmacy, a fitness center, bank branches, children goods and household products in the project plan. For this reason, the developer has to set up a pool of tenants at the designing stage.

The rental rates for street retail facilities depend on many factors (The key ones are location, area and finishing). Usually, the rates range from 800 to 2,000 RUB/sq.m/month.

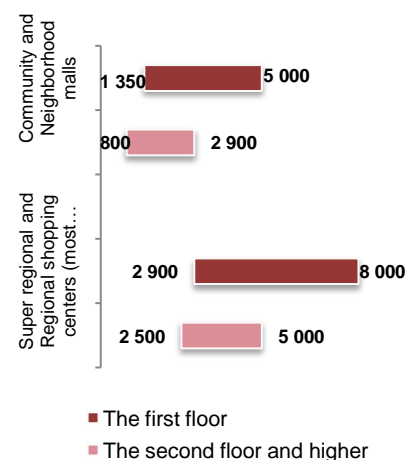
The range of rental rates on main shopping corridors

Shopping corridor	Rental rate, thou. RUB/ sq.m/month*	
	Q1 2013	Q2 2013
Nevsky pr. (from Malaya Morskaya up to Vosstaniya)	6,5 - 10	6,5 - 12
Near "Moskovskaya" subway station	3,5 - 8	3,5 - 8
Near "Ploshad Vosstaniya"	6 - 10	6 - 10
Near "Vasileostrovskaya"	2,5 - 5	2,5 - 4,5
Ligovsky pr.	3,5 - 4,8	3,5 - 4,8
Near Bolshevikov pr.	2,5 - 4	2,5 - 4

* incl. VAT and utilities

Source: ASTERA an alliance member of BNP Paribas Real Estate

Average asking rental rates in shopping centers of St. Petersburg, Q2 2013, RUB/sq.m/month, incl. VAT



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, providing professional consulting services in commercial and elite residential real estate. The Company has been actively working on 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 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 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 a full range of services for investors, developers, owners, tenants and buyers of commercial and elite residential real estate:

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

A reputation of ASTERA is a member of 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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