RESEARCH

2012

RETAIL MARKET REPORT

Moscow

Knight Frank

HIGHLIGHTS

- For the second year in a row, Moscow retail real estate market is characterized by an extremely low growth of supply: in 2012, 9 shopping centres were put into operation, with the total area amounting to 337.5 thousand sq m (GLA – 206.8 thousand sq m).
- Already by the end of Q1 2012, it became clear that the opening of many objects would be postponed to a later date (Goodzone, River Mall, Rio). They are presently under active construction and lease.
- In 2013–2014, 12 shopping centres of regional and superregional format are planned for commissioning. One can expect active involvement of international operators in these projects.
- It is worth noting that redevelopment of retail properties will be a major trend for the coming years. Analysis of the situation show that in some cases it might be impractical to preserve the retail function of a facility.

RETAIL MARKET REPORT

Sergey Gipsh,
Partner,
Director, Russia & CIS,
Retail Department

«In 2012, we have witnessed a reshuffle in the largest consulting companies working in the field of commercial real estate. It is safe to say that the balance of forces, formed in previous years, has changed. Against the background of what was taking place, the Retail Department at Knight Frank distinguished itself with stability. We have managed to continue strengthening our professional team and add major key projects to our portfolio: shopping and entertainment centres Aviapark, Mozaica, Reutov Park, Galleria Novosibirsk and others.

Overall, it is the experience and competence of key players that have proven to be of importance like never before at the current stage of development of the industry. On the one hand, the demand for generic shopping malls, cookie cutter concepts and standard sets of tenants is in decline, on the other – it is time to fix the serious conceptual flaws in shopping centres built more than ten years ago».

Key indicators. Shopping centres*		Dynamics
Total supply at operating centres (total area/GLA**), million sq m	6.563 / 3.503	▲
Delivered in 2012 (total area/GLA), million sq m	0.338 / 0.207	
Sheduled to open in 2013 (total area/GLA), million sq m	1.757 / 0.827	
Vacancy rate, %	2.5	=
Base rental rate, $/sq m/year (excluding operational expenses and VAT)		
Anchor tenants	100–500	=
Gallery tenants***	700–4,000	=
Operational expenses, $/ sq m /year	80–260	=
Provision of Moscow residents with high-quality retail space, sq m /1,000 citizens	309	▲

* The following table lists the indicators only on high-quality professional shopping centres. Professional shopping centre is defined as one or a group of architecturally coherent buildings with the total area of more than 5,000 sq m united by a common concept and integrated management.
** Gross leasable area
*** Rates for stores with the area of about 100 sq m on 1st floor.
Source: Knight Frank Research, 2013

Retail trade remains one of the most development-risk resistant economic sectors in Russia. According to the Ministry of Economic Development, in 2012, the growth rate of retail trade in Moscow was 1.7% and amounted to 3,639 billion rubles. Compared to the result in 2011, when retail sales rose by 6.6%, the dynamics of this indicator has considerably slowed down. However, this does not indicate a decline in consumption, but rather the changing role of retail enterprises of Moscow in the formation of the Central Federal District turnover. Development of local real estate markets and the emergence of high-quality retail facilities in the cities of the Moscow region and the Central Federal District (CFD) affects the dynamics of goods turnover of the capital region. For example, according to Rosstat, Moscow's share in the formation of the CFD turnover is reduced by an average of 1% per year.

Against the background of rising turnover, the structure of this indicator has significantly changed, which indicates an improvement in the quality of trade infrastructure: if in 2011, 11.6% of goods were bought on retail markets and fairs, in 2012, this rate dropped to 10.6%. The lasting interest of Russians to purchases on credit is worth noting: the consumer lending growth has reached a record 40% by the end of 2012, which significantly stimulated consumer activity.

Aviapark
38A Khoroshevskoe Hwy

Key events

- As of July 1, 2012, the new edition of the Law №13-47 "On the territorial division of the city of Moscow" from July 5, 1995, came into effect. According to this normative legal act, the city limits expanded by annexing the suburban lands to the Southwest of Moscow. The annexed territories were divided into two administrative districts – Troitskiy and Novomoskovskiy. As a result of this expansion, the territory of Moscow increased by about 2.4 times, and the population has grown by 235 thousand people. The trade infrastructure in new areas is forecasted to gradually develop: the construction of shopping centre in Skolkovo has been announced, the projects Vnukovo Outlet Village and Kievsky Outlet Village, the Butovo Mall, are being delivered, the construction of Lotus City is almost complete.

- In December 2012, it became known that the Ministry of Industry and Trade is preparing amendments to art. 14 "Trade Act" to allow commercial chains exceed the threshold of 25% dominance in municipalities in the event that the companies are reconstructing old buildings and building new ones for their further development. In the event of passing the amendment, the 25% threshold cancellation will lead to strengthening the position of federal trade operators in many areas and districts of Russia, as well as to an increase in the number of mergers and acquisitions.

- In 2012, the Federal Law №271-FZ "On the retail market", an amendment to the law on state regulation of alcoholic beverages (which entered into force on July 1, 2012), and the decision of the Government of Moscow on February 3, 2011, №26-PP "On the placement of non-stationary trading facilities", were the major legislative initiatives affecting the quality of retail infrastructure. The number of tents, stalls and kiosks in Moscow significantly dropped. Furthermore, it was decided to eliminate 20 markets located in semi-permanent structures. Construction of several new objects is planned on the territories of those former marketplaces: shopping centres (in place of LLC Kara Plus market, subway station Altufevo), transportation and freight hubs (in place of LLC Altair, subway station Vykhino) or infrastructure objects (construction of flyovers and organization of a car parking zone in place of the now dismantled market near the subway station Shchelkovskaya).

Announced projects

- Symbolic stones were laid for two objects at a time, by their developer company Amma Development: Russia's largest SEC Aviapark (300 thousand sq m) and SEC Reutov Park.

SEC Iyun' Mytishchi
Mytishchi, intersection of Volokolavskoe Hwy and Mira St

- GC BIN announced plans to implement the IFC Galaxy Park at the intersection of the Moscow Ring Road and Varshavskoye Highway (GBA – 700 thousand sq m), which will include a shopping and entertainment centre with a total area of 100 thousand sq m.

- The construction of a SEC Columbus (GBA – 200 thousand sq m) began on the territory of the Prazhsky market.

- In Q2 2012, the developer MDGroup began construction of Butovo Mall (GBA – 142 thousand sq m).

- GC Opin submitted drafts for a retail park on Dmitrovskoye highway (GBA – 30 thousand sq m) as well as for a SC in Aprelevka (GBA – 8,000 sq m).

- Imagine Estate announced plans to build an IFC Petrovsky Park at the Staropetrovsky passage, which will include a multi-brand outlet centre with an area of 18.2 thousand sq m.

- Torgoviy Kvartal company has announced construction of a SEC with a total area of 100 thousand sq m near Pushkino.

- The development company Millhouse plans to begin construction of a SC at the intersection of the Moscow Ring Road and the Skolkovo Highway (GBA – 100 thousand sq m).

- PPF Real Estate Russia company (a division of the Czech group PPF) is planning to build a large SEC with a hockey arena in the Mitino district (GBA – 120 thousand sq m).

- SEC Vodny (GBA – 50.5 thousand sq m) was announced at MAPIC-2012 exhibition, it will become a part of the IFC Vodny on the Golovinskoe highway.

- General contractor GC Tashir plans to build an IFC with an area of 168 thousand sq m on the territory of Izvestiya and the now defunct SEC Tver Passage.

Transactions

- The Hungarian corporation TriGranit Development sold its share (50%) in the project SEC Mozaica (GBA – 134 thousand sq m). The buyer is the co-owner of RGI International Petr Shura.
- At the end of the first half-year, a transaction on the purchase of the remaining 50% in SEC Zolotoy Babylon Rostokino by Immofinanz group was concluded. Upon closing the transaction Immofinanz has become the sole owner of the shopping centre.
- Romanov Property Holdings Fund, which owns SEC Dream House, bought 40% of The SEC Vremena Goda .
- RB Invest sold two Metromarket shopping centres (by the subway stations of Preobrazhenskaya and Timiryazevskaya). The buyer is an investment company Atlant Capital Partners. Furthermore, at the end of the year, the company RB Invest closed the acquisition of TC Karnaval (GBA – 38 thousand sq m) in the town of Chekhov.
- The State Oil Fund of the Republic of Azerbaijan (SOFAZ) bought the retail and office centre Gallery Actor from the Capital insurance group (CIG). The deal amount totaled $133 million.
- The Finstroy company has sold a SEC underconstruction Vesna, located at the intersection of the Moscow Ring

SC Sviblovo
27 Snezhnaya St

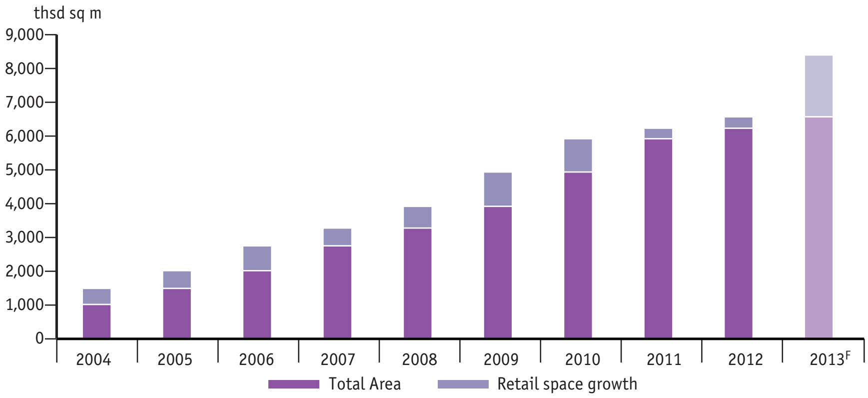
Shopping centres commissioned in 2012

Object	Address	Total Area (thousand sq m)	GLA (thousand sq m)
Iyun' Mytishchi	Mytishchi, intersection of Volkovskoe Hwy and Mira St	178	75
Kaleidoscope	7-23 Khimkinskiy blvd	n/a	41
Outlet Village Belaya Dacha*	MR, Kotelniki, 5 Yanichkin Ave	23	23
Moskva Gallery	2 Okhotny Ryad St	30	20
Parus	1 Novokurkinskoe Hwy, micro district 17	35	17
Panfilovsky	Zelenograd, 6A Panfilovsky Ave	24.8	13.3
Sombrero	152A Warsawskoe Hwy	17.3	6.1
Sviblovo	27 Snejnaya St	18.2	5.9
EGOMALL	23 Dejneva Ave	11.2	5.5

* In international understanding the term "outlet" stands for a format of a shopping centre specializing in the sale of apparel brands at a significant discount

Source: Knight Frank Research, 2013

For the second consecutive year, the retail property market in Moscow is characterized by an extremely low supply growth rate



Source: Knight Frank Research, 2013

Road and the Altufyevsk highway (GBA – 126 thousand sq m). The new owners of the project are two companies: Central Properties and Alto Assets.

- In 2012, the following upcoming deal was made public: investment fund Morgan Stanley Real Estate plans to acquire SEC Metropolis. According to the plans of the Fund, the transaction will be completed in 2013.

In 2012, several significant transactions of acquisition and consolidation of retailers took place:

- REWE Group concern (Billa chain) acquired 12 stores Sitistor from LLC Enka TC.
- Company Eldorado (owned by the Czech group PPF) purchased a chain of electronics stores Beringov (LLC Bringov Proliv Delta).
- Co-owners of the pharmacy chain A5 bought 26% of OJSC Mosoblfarmatseya from the Hi Capital fund, thus consolidating 100% of the assets of the OJSC.
- GC Detskiy Mir has acquired 100% of shares of Spartema Limited, which owns LLC Cub Market (franchisee of Russian Early Learning Centre – ELC).
- In December OJSC MegaFon and Garsdale Services Investment Ltd closed a purchase deal on 50% stake in OJSC Euroset from the businessman Alexander Mamut.
- In 2013, the transaction between Auchan and Metro Group for sale of 91 hypermarkets Real in Central and Eastern Europe, including the 17 hypermarkets operating on Russian territory is planned for completion.

Supply

For a second consecutive year already, the retail market of the capital is characterized by extremely low rates of supply growth: in 2012, nine shopping centres were delivered with a total area of 337.5 thousand sq m (GLA – 206.8 thousand sq m). In addition to that, the indicator of GLA by the end of this year was even lower than in 2011, when Knight Frank analysts recorded the historical low of market development within past decade. This situation resulted from a reduction in the number of new construction projects in 2008–2010.

The opening of the second phase of SEC Gorod (2 Ryazanskoe Ave) with total area of 78 thousand sq m (GLA – 33 thousand sq m) took place in December 2012. Tropa, which will be delivered in 2013, is going through the stage of finishing works. The opening of restaurants McDonald's and Menza, which are actually the tenants of TC Tropa, but have independent input groups, took place in December 2012 as well.

Thus in 2012, the total supply of modern retail space in Moscow reached 6.56 million sq m (GLA – 3.50 million sq m). Meanwhile, Southern Administrative District remains the leader in terms of shopping centres space stock for several years already: by the end of 2012, its share accounts for 16% of the total retail space of the city. The lowest volume of supply (about 230 thousand sq m) is observed in SWAD, because in this region there are practically no large shopping centres (except for the SEC Shuka with leasable area of 42 thousand sq m).

It should be noted that a significant increase in supply for the year is registered in SEAD: more than 16%. This is explained by the introduction of a major suburban SEC Iyun' (GBA – 178 thousand sq m) to its border, a subject of regional format targeting the citizens of Moscow as well.

In terms of citizen provision with retail space, the first place belongs to CAD, where, due to low permanent to temporary resident ratio, over 560 sq m of retail space (not counting space in street retail format) is available per thousand citizens.

Already by the end of the Q1 2012, it became apparent that delivery of many shopping centres would be postponed to 2013: SEC GoodZone, SEC River Mall, SEC Rio, and SEC at Sheremetyevkaya (A. I. Raikin). The construction and leasing of these projects is currently under way.

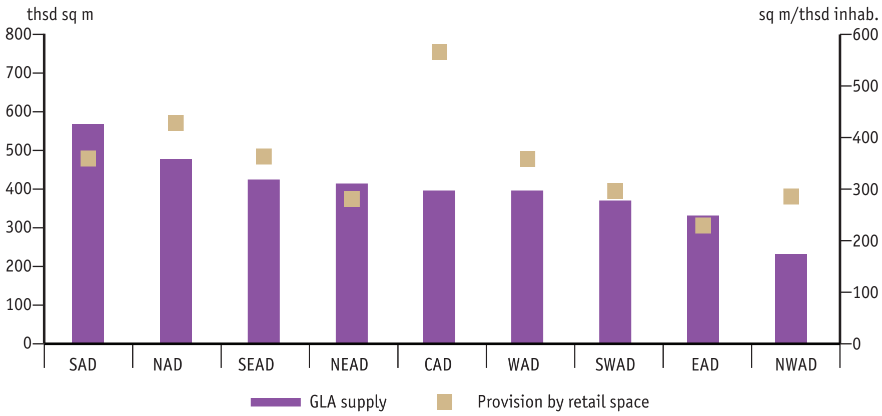
Demand

The activity of retail operators throughout 2012 remained high. Many chain companies, focusing on the expansion of consumer audience, brought new trading concepts to market. The most active from this point of view were the grocery chains. For example, Metro Group introduced several new formats for cities with population count of less than 500,000, such as Metro Punkt (1,500–2,000 sq m), as well as franchise stores project "by the house" – Fasol (50–150 sq m). Petersburg company O'Key announced establishment of a chain dicount chain Da! in which they will invest about $700 million by 2016. In the fall of 2012, Moscow and Saint Petersburg opened the first discounters Verniy (the stores chain is developed by the founder of Pyaterochka and Carousel – businessman Andrey Rogachev).

International operators present on the Russian market in other retail profiles also continue to introduce grocery stores concepts. For example, in December 2012, a Finnish chain K-rauta opened its first grocery hypermarket K-RUOKA in Saint Petersburg (in 2013, the company intends to open hypermarkets in the Moscow region). A German company Tengelmann, which is managing a major DIY chain of OBI in Russia has in its short term plans a development of grocery retail (discounters Plus). At the same time, it may be noted that major trading corporations such as Walmart, Carrefour and Tesco are still not represented in Russia.

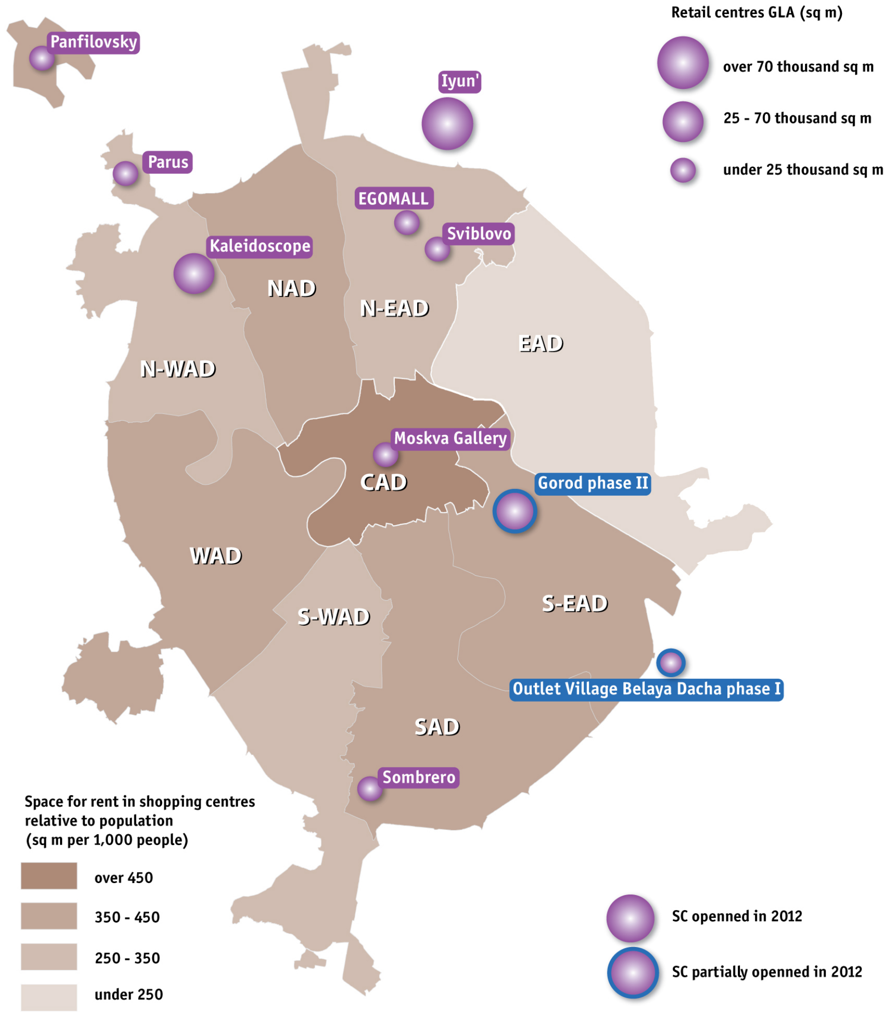
The Moscow retail real estate market for 2012 has been a priority for several international operators: during the spring of 2012, a toy store Hamleys and baby goods store Mamas &

Southern Administrative District retains the leading position in terms of shopping centres area supply: its share accounts for over 16% of total retail space in Moscow



Source: Knight Frank Research, 2013

Shopping centres opened in 2012. Retail space per 1,000 people ratio by districts, 2012



Source: Knight Frank Research, 2013

Papas opened in SEC Evropeiskiy; boutiques Ballantyne (Italy) and Juicy Couture (United States) opened in the GUM; the first stores of the Dutch Scotch & Soda (has previously been represented in the Jeans Symphony stores) and the American chain Michael Kors, as well as the French chain operator's Sia Home Fashion (decorative home goods) opened in SEC Metropolis; Russia's first mono-brand youth clothing store Volcom opened on the territory of design-factory Flacon.

In all, during 2012, 18 international operators (excluding expanded chains, already present on the market) opened their stores in Russia. Of them 15 chain companies chose to open their first stores on the market of Moscow.

The highlight of autumn of 2012 was the return to the capital of Debenhams chain with the eponymous department store opening in SEC Mega Belaya Dacha. It should be noted that some international operators, which in previous years, for various reasons, were forced to shut down their stores in Russia, in 2012 started returning to the market. For example, one could name a re-entry of Italian brand Stefanel (in 2011, this boutique, which having worked in GUM for several years, was closed). The brand Marc O'Polo returned to Russia in September – a store with the total area of 180 sq m, opened in SEC Atrium. The company JamilCo will carry out development of the brand.

International public catering operators were also active in 2012. Several chain projects entered the market that year: Marugame Seimen noodle restaurant was opened in Moscow, as well as the first out of 50 facilities of American chain Moe's Southwest Grill (Glaventer Investments Ltd. Group is responsible for the development of the franchise). Furthermore, one may note opening of Paul bakeries in the capital, the Israeli chain Sicaffe and French restaurant Buddha-Bar in Saint Petersburg.

SEC Kaleidoscope
7-23 Khimkinskiy blvd

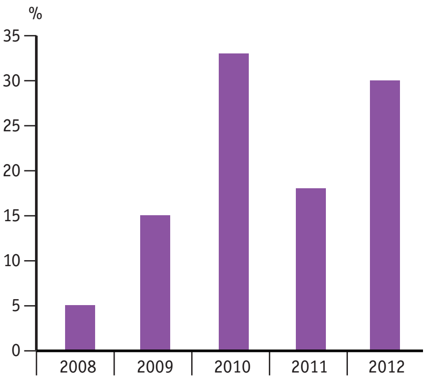
Russia may soon experience a significant growth in the number of catering chains: companies that own such brands as the Great American Cookies, Marble Slab, Pretzelmaker are negotiating with potential partners. Opening of the first restaurant of Johnny Rockets chain is planned for spring. Krispy Kreme plans to enter the market in March 2013. Closer to 2014, exotic South African fast food chain Nando's, restaurant chain Wingstop (Baxtor Limited), and American coffee shop Quiznos may appear in Russia.

It is interesting to note that several unusual concepts and formats, which had hardly been developed in Russia before 2012 have been announced. In December it became known that the Department of trade and services of Moscow together with Moskomarhitektura are looking to develop a plan to place catering facilities on the rooftops of urban buildings (accessible roofs); while the Moscow Metro administration proposed the initiative to organize a chain of metrokafe in lobbies of stations. The format of professionally equipped mobile cafês (Any Soup, mobile coffee shops of Coffee House brand, etc.) is becoming increasingly popular in Saint Petersburg and Moscow.

Commercial terms

Presently, the scheme for calculating lease rates depending on the indicator tenant turnover is becoming increasingly common on the market. It is especially true of large high-quality retail properties that entered the market in the last 5 years.

Among the retailers, who joined the market within the past 5 years, 30% opened their stores in 2012



Source: Knight Frank Research, 2013

Commonly, a contractual relationship between the owner and the tenant follows three schemes to define lease rates:

- Fixed lease rate is indicated in the contract and does not depend on the turnover of the trade operator within the shopping centre.
- Combined lease rate contains various options combining the base rental rates and the percentage of turnover of the operator.
- The lease rate expressed as a turnover percentage. It usually is calculated based on the term fixed in the contract and does not include the fixed part.

During the five years of retail real estate segment development, the share of contracts between the lessee and the lessor, which contain the lease payments calculation scheme as a percentage of turnover has reached 70%. However, this fact is true for the developed markets of the capital and major cities. Whereas the regional retail projects are dominated by the contracts with fixed lease rate.

Throughout 2012, business conditions remained relatively stable. The most popular objects could adjust rental rates in the process of changing tenants, increasing them by up to 20%. The share of vacant space in operating shopping centres of Moscow during 2012 was at a very low level – 2.5%. The most high-quality shopping centres still form "waiting lists" (lists of operators willing to lease vacant space).

In the coming 2–3 years, the commercial conditions may change: the market will be filled up with an unprecedented number of large facilities (the volume of supply may increase by 45%). Despite the strong demand from chain operators, we expect vacancy rate fluctuation between 3–6%.

Percentage of contracts with various lease calculation schemes

Lease rate contracts share	2008	2013
Fixed	80%	28%
Combined	19%	70%
Determined as a percentage of turnover without the fixed part	1%	2%

Source: Knight Frank Research, 2013

The lease conditions in Moscow shopping centres, 2012

Profile	Fixed lease rate* $/sq m/year	The share paid based on turnover, %
Hypermarket (> 7,000 sq m)	100–250	2–4
Urban hypermarket (3,000–7,000 q m)	150–350	2–4
Supermarket (1,500–3,000 sq m)	250–500	4–6
DIY (> 5,000 sq m)	200–350	4–6
Home Appliances (1,500–3,000 sq m)	250–500	4–5
Sporting goods (1,500–2,500 sq m)	400–1,200	4–5
Goods for children (1,000–2,500 sq m)	250–450	9–12
Apparels (50–300 sq m)	800–2,500	12–16
Footwear (50–300 sq m)	900–3,000	12–16
Accessories (10–70 sq m)	2,500–4,500	11–14
Movie theatres	150–250	3–5
Entertainment centres (100–1,500 sq m)	250–500	8–12
Entertainment centres (2,000–5,000 sq m)	100–200	4–7

* Excluding Operational Expenses and VAT (18%)

Source: Knight Frank Research, 2013

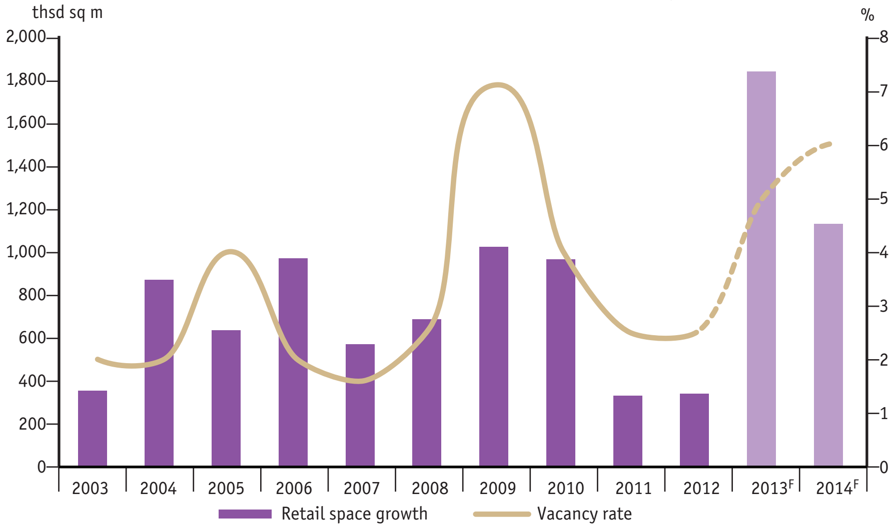
Forecast

For several years, unfavorable economic situation called for a certain line of conduct in the field of development and long-term investment: construction of projects were being suspended, shopping centres were delivered in phases, if not, on the by floor basis, external financing was difficult to attract. This is why the developers kept waiting for better conditions to begin implementation of new shopping centres.

In the past year 2012, the circumstances have changed: the construction of key trade centres, development of which for various reasons has been suspended,–got resumed. In the medium term run, the developers announced delivery of 30 shopping and entertainment centres with a total area of about 3,000,000 sq m. In the case these plans shall be realized, current stock volume will increase by 45%.

In the next two years, developers are planning to complete the construction of 12 objects

In the medium term, the expectations are to put into operation 30 shopping and entertainment centres with a total area of about 3,000,000 sq m



Source: Knight Frank Research, 2013

of regional and superregional format. In these circumstances, one can speak of a possible imbalance between supply and demand for high-quality retail real estate market: qualitative and quantitative growth of chain operators might start lagging behind the development speed of real estate projects. Thus, one can expect increased activity to encourage involvement of international retailers.

It should be noted that in 2013–2014 three outlet centres are expected to be delivered, and in 2015 the first objects in classic "retail park" format will be introduced (at the moment, such concept does not exist on the Russian market):

- Fashion House of Fashion House Development company.
- Outlet Village Belaya Dacha – a joint project by Hines and OJSC Belaya Dacha companies.
- Kievsky Outlet Village – a project of Hines and Espro Group companies.
- Retail-park at Nagorny by the LLC Dorinda Invest.
- Retail-park Dmitrovsky – developed by Trinity Russian Retail Partners.

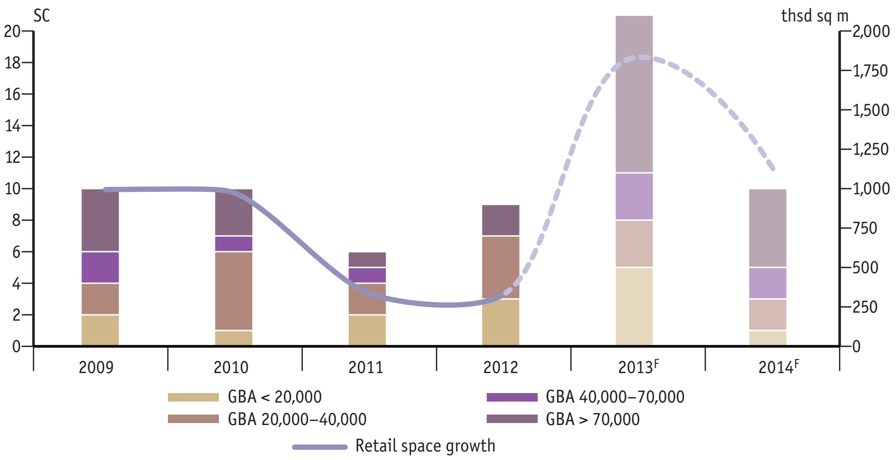
Development of shopping centres will create new retail formats, such as strip malls*, power centres, socio-shopping centres and themed centres.

It should be noted that redevelopment of retail properties will be the current trend of the coming years. By 2013, a significant amount of aging centres and facilities has accumulated in the capital, as well as in many major provincial cities and regional centres – conceptual mistakes were made in the estate development phase of these properties. Given the prospect of entering the competitive market of large objects, we can predict that developers will often refer to the reconceptualization, using various approaches to "save" their shopping centres: from minor interior changes to the demolition of the existing building, followed by construction of a new shopping centre.

Already now one can find examples of redevelopment on the real estate market, which include a complete reconstruction of an existing shopping centre (SEC at Yartsevskaya), shopping centre format change (the already opened outlet-centre Brand City in the building of former Waymart), increase the area of retail facility (SEC Semenovsky) and the change of tenants. Furthermore, in some cases, analysis of the situation may lead to the conclusion that maintaining trade function is impractical for the project.

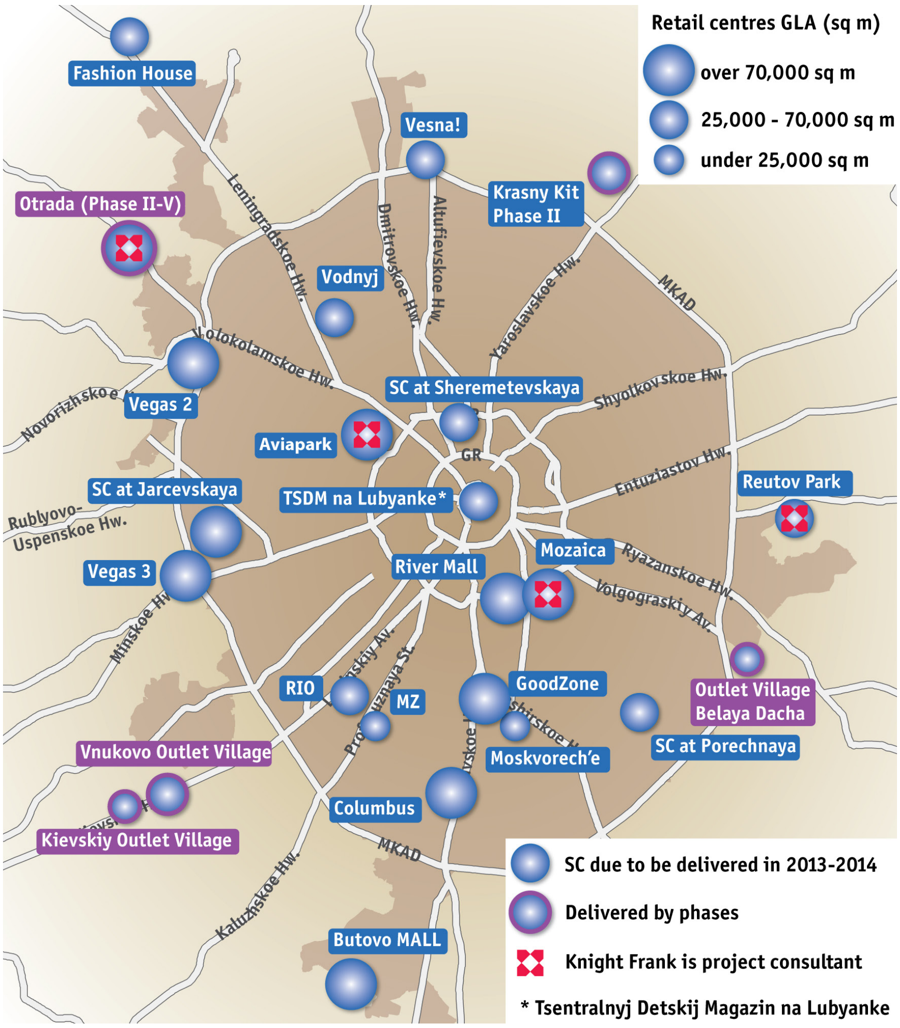
* A retail format common in the United States, Canada and Australia, designed for drivers. The objects are shopping centres stretched along the road, housing a variety of retail outlets and service points. A large car park is usually located in front of the shops. The area ranges from 5,000 to 70,000 sq m.

In 2013-2014, developers plan to commission 12 projects of regional and super regional format



Source: Knight Frank Research, 2013

Major shopping centres, planned to open in Moscow and the nearest Moscow region in 2013–2014



Source: Knight Frank Research, 2013

Major shopping centres, planned to open in Moscow and the nearest Moscow region in 2013–2014

Name	Address	Total area (thousand sq m)	GLA (thousand sq m)
Aviapark	38A Khoroshevskoye Hwy	293	252
Vegas 2	66 km MKAD	283	111
River Mall	16-18 Avtozavodskaya St	258	87
Vegas 3	55 km MKAD	231	113
Columbus	140 Warsawskoe Hwy	200	140
Mozaica	3A 7th Kozhukhovskaya St	134	67
GoodZone	12 Kashirskoye Hwy	122	56
Otrada (phases II–V)	2 Pyatnitskoye Hwy	109	75
Reutov Park	Reutov, Nosovikhinskoye Hwy	90	41

Source: Knight Frank Research, 2013

Street retail

A very slow growth in supply in the segment of shopping centres in 2011–2012 stimulated interest of many chain operators to street retail format. Some circumstances permit to suggest that the trend will continue in the future:

1. The situation is partly due to the active expansion of commercial operators to retail market.
2. Further development of multiformat projects with already existing market participants is taking place.
3. Street retail properties are still in demand with private investors, who prefer to gradually build a large portfolio of facilities of this type. They are attracted by the opportunity to get diversified and liquid assets. On average, the capitalization rate amounts to 10%.

Among the new trends of the demand, one can note the obvious interest of grocery chains operators in positioning their stores (convenience stores or supermarkets) on the first floor of office buildings. The most attractive for placement of grocery supermarkets are the buildings in which office component is not smaller than 15 thousand sq m, the size and configuration of the ground floor allow to organize retail and warehouse areas and independent entrances, while facades face of the streets or highways with intensive pedestrian and car traffic. In 2012, Knight Frank company became a consultant for several transactions, confirming this trend: the supermarket Yuppie (Meta group) rented a facility in BC CityDell, supermarket chain of homemade food Bahetle signed a lease for an area of over 2,000 sq m in the A class BC Olympic Hall, trading operator Miratorg opened a store in the building of BC Domnikov.

Another key market trend is the return of some of the operators to the main retail corridor of Moscow – the Tverskaya Street. For example, the company Euroset, which closed down its flagship store during the stagnation decided to re-rent the same premises at the end of 2011. In 2009, a well-known manufacturer of consumer electronics, Samsung, decided against continuing to rent the premises of 1,700 sq m. In 2012, the company re-leased space on Tverskaya Street (on first floor of BC Summit). Jewelry store Kristal Mechti reopened at the same place (Tverskaya street, 4), occupying about 85 sq m.

It should be noted that if the earlier opening of a store in the central shopping streets was in the first place aimed at creating brand awareness, now these objects are, rather, to maintain the image of a brand and an indicator of its status.

Lease rates in the street retail segment depend primarily on the distance of the object from the city centre: for the main shopping streets of Moscow, the rates vary in the range of 1,500–3,000 $/sq m/year, reaching in some cases 8,000–10,000 $/sq m/year. Lease rates in the Garden Ring, on average range between 1,200 and 3,000 $/sq m/year, for main highway streets – from 800 to 2,500 $/sq m/year and in residential areas – from 500 to 1,500 $/sq m/year.

The average range of rental rates in major trade corridors of Moscow 2012

Location	Lease* $ / sq m / year
The most expensive trading streets inside the Garden Ring (Stoleshnikov Sq, Tverskaya St, Kamergerskiy Sq)	2,500–10,000
Other streets inside the Garden Ring (Kuznetskiy most St, Pyatnitskaya St, Arbat St)	1,500–3,000
Garden Ring	1,200–3,000
Main transport highways (Leningradsky Ave, Leninsky Ave, Komsomolsky Ave, Kutuzovsky Ave)	800–2,500
Resident districts	500–1,500

* Excluding Operational Expenses and VAT (18%)
Source: Knight Frank Research, 2013

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Poland
Portugal
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Russia
Spain
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The Netherlands
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Ukraine

Africa
Botswana
Kenya
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Established in London more than a century ago, Knight Frank is the renowned leader of the international real estate market. Together with Newmark Company, Knight Frank's strategic partner, the company encompasses 243 offices in 43 countries across six continents.

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