

128 тыс м²
объем ввода
в эксплуатацию

6,5%
вакантность
в ТЦ

5 брендов
вышло на рынок
России



MOSCOW RETAIL MARKET REPORT

Q1 2020

knightfrank.com/research



Key findings

- ♦ In Q1 2020 there were openings of two shopping centers as a part of Mixed-Use Complex «Kvartal West» (GLA – 58,000 sq m) and as a part of the theme park «Ostrov Mechty» (GLA – 70,000 sq m).
- ♦ The Vacancy rate in Moscow shopping centers for the Q1 2020 amounted to 6.5%, which is 0.5 percentage points below the indicator of the 1Q 2019.
- ♦ The activity of new international retail operators is low. 4 new brands entered the Russian market, in Q1 2019 – 5.
- ♦ Within Q1 the rental rates for retail premises in shopping centers haven't changed substantially and generally remained at the same level.



Evgenia Khakberdieva
Director of Retail Department,
Knight Frank

«Since the market entered turbulence period only in mid-March, main market indicators haven't been adjusted yet, and serious changes are expected in Q2. At the moment owners and tenants are looking for ways to mitigate crisis consequences for both sides, in particular with state supported measures.

By the end of the year, we expect a decrease in the tenants' development activity caused by suspension of non-food stores because of the pandemic and Russian ruble devaluation. One more consequence of the epidemiological situation in the country will be postponed opening of some facilities planned in the second half of 2020 as well as increase in the vacancy rate level against the introduction of new retail space, and, accordingly, change of commercial conditions for both existing and new contracts».

Key indicators. Shopping centres*. Dynamics*

Shopping centres stock (GBA / GLA), million sq m	13,5/6,51
Opened in 2020 (GBA / GLA), thousand sq m	405/138
Scheduled for opening in 2020 (GBA / GLA), thousand sq m	≈1 470,3/≈794,3
Vacancy rate, %	6,5 (+0,4 p.p.)**
Fixed rental rent:	
Retail gallery tenants, rub./ sq m/year	0–120,000
Anchor tenants, rub./ sq m/year	3,000 -20,000
Operating expenses:	
Retail gallery tenants, rub./ sq m/year	6,000–10,000
Anchor tenants, rub./ sq m/year	1,500–3,000
GLA in quality shopping centres per 1,000 citizens	519,5

* The table refers only to high quality, professional retail properties. A professional shopping centre is a standalone building or a group of buildings sharing the same architectural style, concept and under common management, with a total area of more than 5,000 sq m

** Compared to the end of 2019

Source: Knight Frank Research, 2020

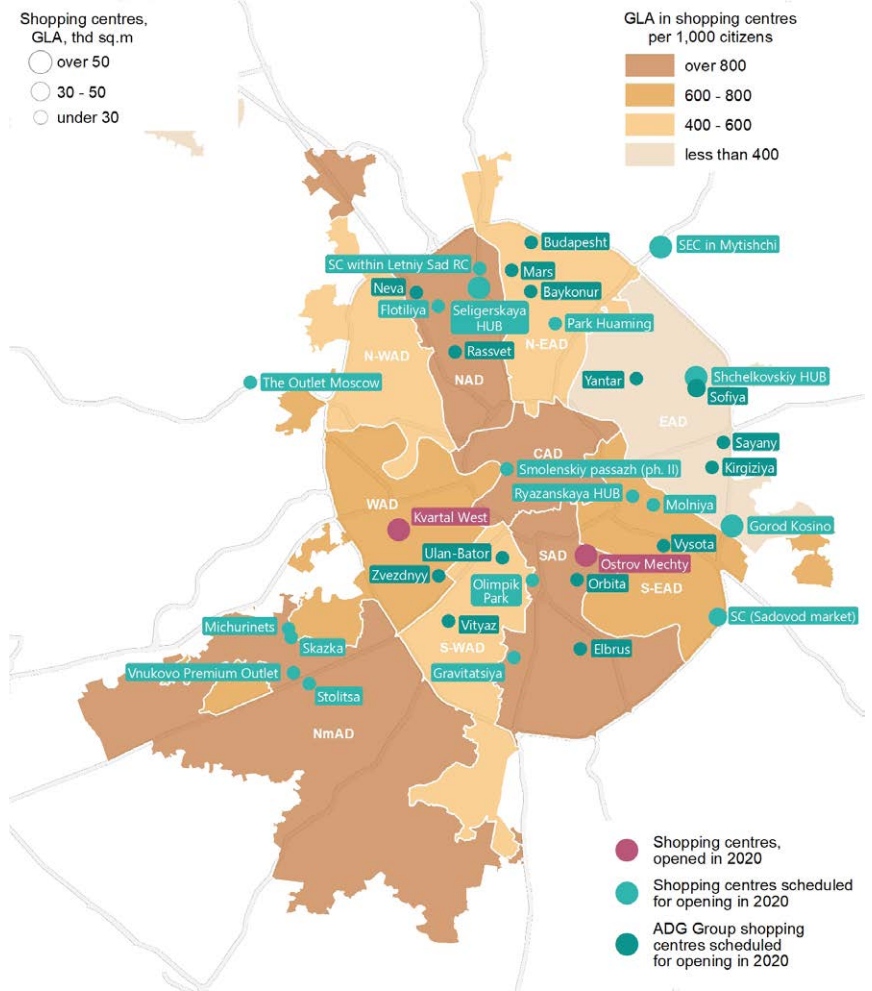


Supply

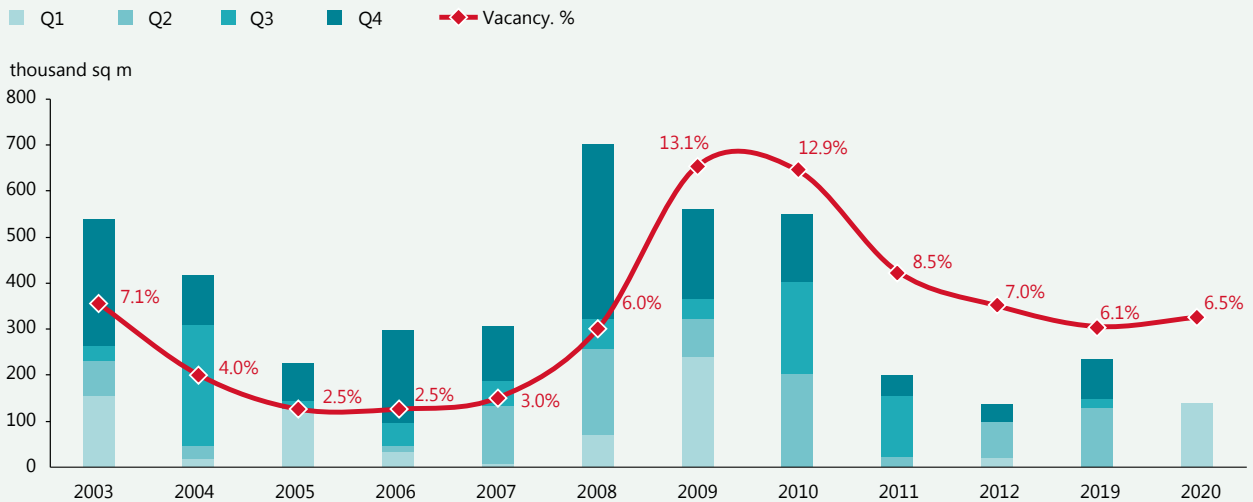
The results of Q1 2020 highlighted that the total supply volume of the retail real estate market in Moscow came up to 13.5 million sq m (GLA – 6.51 million sq m). The supply was enlarged by opening of two shopping centers as a part of Mixed-Use Complex Kvartal West (GLA – 58,000 sq m) and as a part of the theme park Ostrov Mechty (GLA – 70,000 sq m). It is worth noting that the second facility is currently not functioning due to restrictions on the operation of entertainment centers.

The previously announced Q1 openings of the two outlets The Outlet and Vnukovo Premium Outlet, as well as redevelopment projects for the ADGgroup cinema network, have been postponed to the following quarters.

Shopping centers opened in 1Q 2020 and scheduled for opening in 2020



Volume of opened shopping centers and vacancy rate dynamic



Source: Knight Frank Research, 2020

Demand

The Vacancy rate in Moscow shopping centers for the Q1 2020 did not significantly change (relative to Q4 2019) and amounted to 6.5%, which is 0.5 percentage points below the indicator of the Q1 2019 and by 0.4 percentage points higher than last year's total.

It is worth noting that the SC "Ostrov Mechty" was not taken into account in calculating the vacancy rate because the object did not start to work at the time of the study.

In the largest conceptual shopping centers the share of free space is about 3% of the total leasable area of the object.

4 international retail operators approached the Russian market in Q1 2020 which was one less than in the same period in 2019. There are brands of the "upper middle" and «premium» price segment, various profiles: "apparel, footwear, lingerie", "sports", "cosmetics and perfumes"

The following brands are expected to enter the market: &OtherStories (Apparel), WeekDay (Apparel), Urban Revivo (Apparel), Minimi (Children Apparel), Skin&Co Roma (Cosmetics), DreamPlay Theme Park in Aviapark SEC, theme park of Japanese company Round One Corporation in Evropeiskiy SEC, JYSK from Denmark (Household goods).

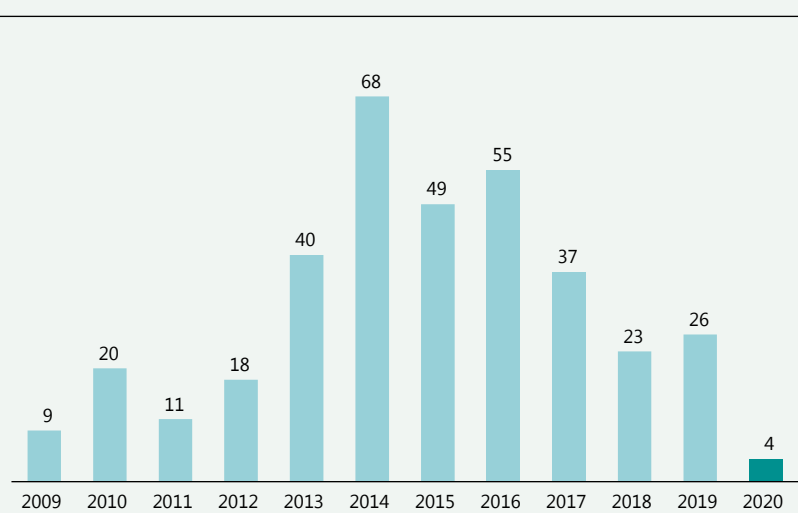
Active development of retail outlets of Russian designers is noted - 40 stores in key shopping centers of Moscow in 2019

International operators that came to the Russian market in Q1 2020

	Brand	Country	Profile	Price segment
1	UFC Gyms	USA	Sport	Upper middle
2	Filorga	France	Cosmetics / Perfumeriy	Upper middle
3	Suitsupply Woman	Nitherlans	Apparel / Footwear / Lingerie	Premium
4	Ereda	Italy	Apparel / Footwear / Lingerie	Premium

Source: Knight Frank Research, 2020

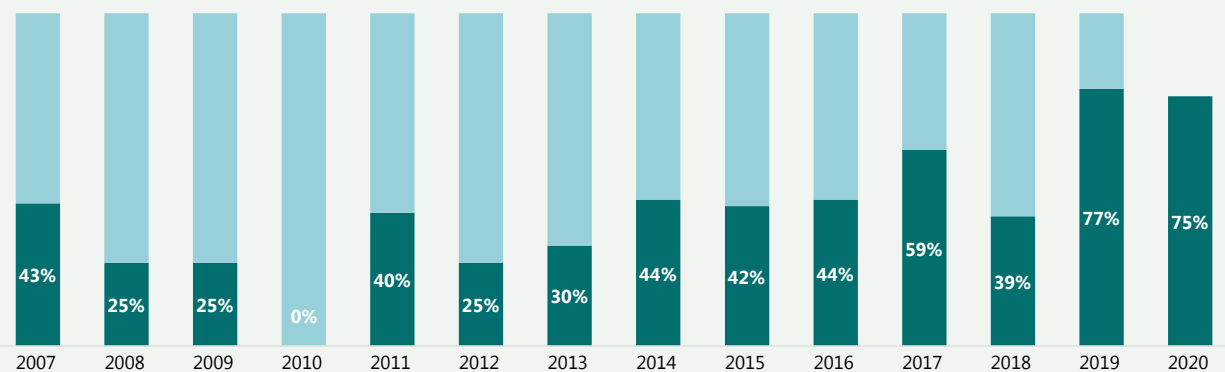
Dynamics of new international retailers' volume over the past 10 years, items



Source: Knight Frank Research, 2020

The structure of brands put on the Russian market over the past 10 years classified by price segment

■ High-price segment ■ Low-price segment



Source: Knight Frank Research, 2020

Volume of opened shopping centers and dynamics of Russian brands shops openings in shopping centers



Source: Knight Frank Research, 2020

against 20 a year earlier. The main increase was provided by the development of such brands as BRUSNIKA, 12Storeez, Amestore. The profile of most Russian brands is “Apparel” (95%); 44% of brands position themselves in the middle price segment, about a third (27%) are players in the “Upper middle” segment.

In the end of Q1 the solution of global problems came to the forefront having a strong negative impact on all spheres of the economic process, in particular, on the trade market - both for developers and retailers.

The market is trying to adapt to the new rules caused by uncertainty and restrictive measures. The most active players are online shops, in particular grocery.

It is worth noting the “mobilization” of the market. The association of fashion industry participants launched the “Svobodnie Moschnosti” project which provides the opportunity to place and order collection online. Wildberries offers an employment program. Bosco has engaged part of the production for sewing medical masks, cosmetic brands Mixit and Faberlic will be engaged in the production of antiseptics.



Commercial terms

The rental rates for retail premises in shopping malls didn't undergo any significant changes over Q1 2020 generally remaining in the same price range. It is recorded small fluctuations in the level of the upper interest rate on the turnover of some operators in the range of 3-7% which are mainly associated with indexation as a result of re-signing contracts.

The top range basic rent rates accounted for the premises within the food court zone and for pop-up retail in the functioning properties with solid foot traffic, reaching 150,000 rubles per sq m per year. The lower range rents were set for anchor tenants taking up the spaces of over 2,000 sq m.

For shopping gallery operators, the OPEX rate is 6,000–10,000 rubles/sq. m/year, for anchor tenants – 1,500–3,000 rubles/sq. m/year. The cost of OPEX has not changed compared to a year earlier.

Forecast

According to announced plans about 794,000 sq m retail space will be introduced on the Moscow market in 2020.

Between 29 shopping centers announced for opening four are shopping centers within transport interchange hubs: Schelkovsky (GLA – 70,000 sq m), Ryazanskaya (GLA – 14,000 sq m) and Rassokazovka (GLA – 18,600 sq m), Seligerskaya Transport Interchange Hub (GLA – 145,000 sq m).

The biggest ones are SEC in Mytishchi by Tashir (GLA – 144,000 sq m) and Gorod Kosino SEC (GLA – 72,000 sq m). The opening of two premium outlets Vnukovo Premium Outlet (GLA – 11,900 sq m) and The Outlet Moscow (GLA – 14,500 sq m) is also planned.

The new supply of Russia's capital will be composed of the retail premises located within transport interchange hubs. The city authorities attract investors for some properties via tenders or work on other ones on their own. As of today, investors entered 15 transport interchange hub projects, most of them have a retail part. The construction of shopping malls is announced to take place within Vykhino Transport Interchange Hub (GLA – 70,000 sq m), Seligerskaya (GBA – 145,000 sq m) and Park Pobedy

Условия аренды в торговых центрах Москвы

Profile	Fixed rental rate, RUB/sq m/year*	The share paid based on turnover, %
Hypermarket (>7,000 sq m)	4,500–10,000	1,5–4
DIY (>5,000 sq m)	3,000–9,000	4–6
Supermarket (1,000–2,000 sq m)	12,000–23,000	4–6
Supermarket (450–900 sq m)	18,000–35,000	6–8
Household goods (<1,500 sq m)	6,000–10,000	10–12
Household appliances and electronics (1,200–1,800 sq m)	8,000–20,000	2,5–5
Sports goods (1,200–1,800 sq m)	6,000–12,000	6–8
Children's goods (1,200–2,000 sq m)	6,000–16,000	7–9
Operators of the shopping gallery:		
Anchors >1,000 sq m	0–12,000	4–12
Mini-anchors 700–1,000 sq m	0–14,000	6–12
500–700 sq m	0–16,000	6–12
300–500 sq m	0–25,000	5–12
150–300 sq m	8,000–18,000	6–14
100–150 sq m	16,000–36,000	10–14
50–100 sq m	25,000–80,000	12–14
0–50 sq m	45,000–120,000	12–14
Leisure concepts:		
Entertainment centres (2,000–4,000 sq m)	4,000–8,000	10–14
Cinemas (2,500–5,000 sq m)	0–6,000	8–12
Public catering:		
Food-court	45,000–150,000	12–15
Cafes	15,000–90,000	12–15
Restaurants	0–25,000	10–15

* Negotiated commercial terms

Source: Knight Frank Research, 2020



(GBA – 237,000 sq m) by Tashir, Shchelkovskaya Transport Interchange Hub by Kiyevskaya Ploshchad, Botanicheskiy Sad Transport Interchange Hub (GLA – 27,000 sq m), and Khovrino Transport Interchange Hub (GBA – 25,000 sq m). Apart from that, an affiliate of Kiyevskaya Ploshchad applied for an investment package for Nagatinskaya Transport Interchange Hub, while 3S Retail, which is an affiliate of 3S Property Development, purchased 99% of Nekrasovka Transport Interchange Hub, which will include a shopping centre with GLA of 37,500 sq m. IKEA intends to start the construction of a shopping centre within Petrovsko-Razumovskaya Transport Interchange Hub (GBA – 140,000 sq m). The mentioned properties are scheduled to be completed within 2020-2024.

Paveletskaya Plaza (GLA/GBA – 35,000 sq m/73,000 sq m) is among other announced shopping centres and is scheduled to be opened by the end of 2020. The start of construction of Prokshino Mixed-Use Complex by Safmar (GBA – 332,000 sq m) was announced for 2020. A new retail park on Varshavskoye Highway is expected to include six hypermarkets, the property is scheduled to Q2 2022. IKEA intends to build a shopping centre within Moscow on the land of the former Serp & Molot factory. Another shopping centre is planned on the territory of the former plant land of Satex (GLA – over 42,000 sq m). Chkalov SC (GLA – 45,300 sq m) by Ikon Development is expected to appear on Kurskogo Vokzala Square

The neighbourhood shopping centres are represented by the following properties: SC on Aviakonstruktora Milya St., area amounting to 11,000 sq m, located next to the existing Milya SC, and another shopping centre within Leninskiy, 38 Residential Complex, GLA amounting to 10,000 sq m. The latter is expected to be opened in 2021.

Given the declared openings and the impact of the negative consequences of global problems on market participants an increase in vacancy rate is expected to 11%.

Shopping centres which will be opened in 2020

Name	Address	GBA	GLA
Seligerskaya HUB	Dmitrovskoye Hwy. / Korovinskoye Hwy.	160,000	145,000
SEC in Mytishchi	Yaroslavskoye Hwy., 2B	175,000	144,000
Gorod Kosino	Novoukhtomskoye Hwy.	127,000	72,000
Shchelkovskiy HUB	Shchelkovskoye Hwy., 75	100,000	70,000
Flotiliya	Flotskaya St., 7, bld. 1	28,000	23,000
Smolenskiy passazh (phase II)	Smolenskaya Sq., 7-9	58,437	19,647
Rasskazovka HUB (Skazka)	Borovskoye Hwy. / Korneya Chukovskogo St.	29,000	18,608
Gravitatsiya	Chertanovskaya St.	30,000	18,500
The Outlet Moscow	Novaya Riga, 5 km from MKAD	27,000	14,500
Molniya	Ryazanskiy Ave. within Kvartaly 21/19 RC	18,450	14,020
Ryazanskaya HUB	Nizhegorodskaya St.	20,000	14,000
Vnukovo Premium Outlet	Lapshinka Village	17,000	11,900
Olimpik Park	Elektrolitnyy assage, 3B	20,000	11,000
Stolitsa	Moskovskiy, Kiyevskoye Hwy.	18,000	10,000

Source: Knight Frank Research, 2020

ADG Group Projects which will be opened in 2020

Name	Address	GBA	GLA
Baykonur	Dekabristov St., 17	13,454	9,541
Budapesht	Leskova St., 14	19,103	9,736
Vityaz	Miklukho-Maklaya St., 27a	16,650	12,197
Vysota	Yunykh Lenintsev St., 52	8,944	6,139
Zvezdnyy	Vernadskogo Ave., 14	6,343	5,288
Kirgiziya	Zelenyy Ave., 81	26,147	13,592
Mars	Inzhenernaya St., 1	8,070	6,184
Neva	Belomorskaya St., 16A	8,664	5,890
Orbita	Andropova Ave., 27	9,066	5,958
Rassvet	Zoi i Aleksandra Kosmode-myanskikh, 23	9,365	6,460
Sayany	Sayanskaya St., 9	5,260	3,026
Sofiya	Sirenevyy Blvd., 31	62,070	35,513
Ulan-Bator	Grimau St., 12	8,672	5,913
Elbrus	Kavkazskiy Blvd., 17	6,919	4,701
Yantar	Otkrytoye Hwy., 4 bld. 1	12,613	8,536

Source: Knight Frank Research, 2020



© Knight Frank LLP 2020 – This overview is published for general information only. Although high standards have been used in the preparation of the information, analysis, view and projections presented in this report, no legal responsibility can be accepted by Knight Frank Research or Knight Frank for any loss or damage resultant from the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank in relation to particular properties or projects.

Reproduction of this report in whole or in part is allowed with proper reference to Knight Frank.

RESEARCH

Olga Shirokova

Director, Russia & CIS

olga.shirokova@ru.knightfrank.com

RETAIL

Evgenia Khakberdieva

Director

evgenia.khakberdieva@ru.knightfrank.com

+7 (495) 981 0000

KnightFrank.ru