

H1 2023

Retail Market

Street Retail

Russia | St. Petersburg



Table 1
Key market indicators

Source: Nikoliers

	H1 2022	H2 2022	H1 2023
Number of commercial outlets along the central retail routes*	879	880	843
Vacancy rate, %	9.4	5.9	4.9

*The number of retail outlets may change due to changes in our sample (some points of sale are merged by major tenants).

Key result

In Q2 2023 street retail tenants were more active than in the first quarter of this year. The tendency towards the reduction of retail space on the key retail routes of St. Petersburg continues.

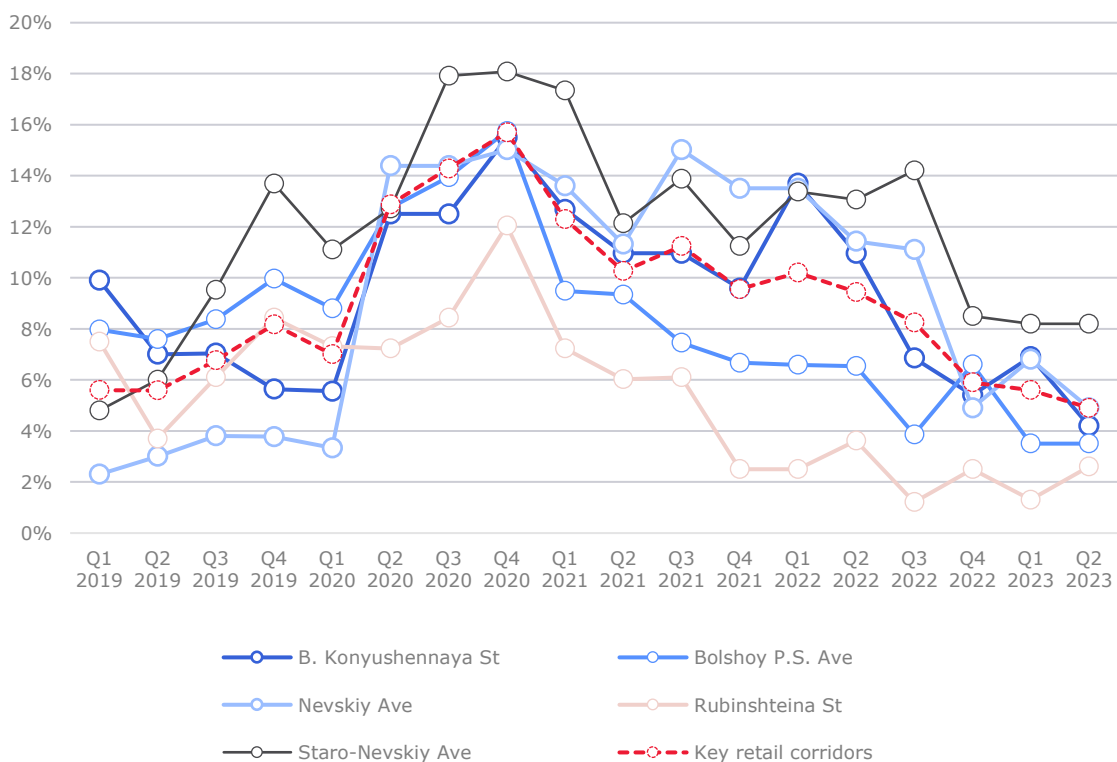
During the first half of this year there were 51 new openings on key retail corridors in St. Petersburg, while 43 points of sale were vacated. The vacancy rate has almost halved, as compared to the end of last year, dropping to 4,9% by the end of the first half-year.

Catering and fashion tenants were traditionally the most active groups in terms of new openings. During the first half of the year various concepts of chain and non-networked operators entered the market in a variety of price segments.

Expansion of Russian players continues on the street retail market, with 15 out of 19 new fashion shops opened by domestic retailers, including Gloria Jeans, 2MOOD, Econika, Pompa and Griol. New international brands are also entering the market – Santoni at 168 Nevsky Avenue, Iro and Tara Jarmon at 57 Bolshoi Avenue, as well as Maag at 21 Nevsky Avenue.

Chart 1
Vacancy rates on key retail routes, St. Petersburg

Source: Nikoliers



Demand and commercial terms

During the first half of this year there were 51 new openings on key retail corridors in St. Petersburg, while 43 points of sale were vacated. Compared to the same period of the previous year, the number of closures was a quarter less, while the rate of openings slowed down by 24%, with 67 new tenants entering five key retail streets in H1 2022. The most significant decrease in the rate of openings year-on-year was recorded on Nevsky and Staro-Nevsky avenues (15 and 11 fewer new points of sale, respectively).

The rate of quarterly rotation in premises on the central routes stood at 3.3%. Tenants rotated in 28 premises, of which 12 were occupied by catering operators and 10 by fashion retailers. The highest rotation rate in Q2 was recorded on Rubinsteina Street, where six new outlets of different formats opened between April and June this year. For instance, White Point bar at 38 Rubinsteina Street was replaced by Krevetchnaya (Shrimp Shop), while Ponte restaurant replaced Fartuk at 15-17 Rubinsteina Street.

The catering segment was the leader of new openings in the first half of the year, accounting for 45% of total openings or 23 new eateries. The activity of tenants peaked from April to June on the threshold of the tourist season. Whereas in the first quarter non-networked cafes, bars and restaurants prevailed among the new openings, in Q2 chain players were more active, especially in the democratic segments (fast casual

and fast food). Examples of openings include Chaikhona, Starik Hinkalych, Blinberi, Chaynaya Lozhka, Stolovaya №1, these chains expanded in the city by opening one extra eatery each. Interesting openings of non-networked establishments include restaurants such as Balkan on Nevsky Avenue, Yesenin, Krevetchnaya (Shrimp House) and Panasia on Rubinsteina Street, as well as Spletni Restaurant on Bolshaya Konyushennaya Street.

Clothing and footwear shops, which traditionally occupy the premises on Bolshoi Avenue, rank second by the frequency of openings in street retail strung out along the central routes. For example, Russian designer clothing shops Catarina Nova, Maker and Seven Lab opened their shops there in the second quarter.

Rates were differently corrected depending on the quality and location of the premises. On the most sought-after retail routes, there was a very selective and discreet increase in rental rates for the most liquid premises, due to the soaring interest in attractive locations from potential tenants who are willing to bargain for lucrative space.

Table 2

Average ranges of rental rates for spaces sized 100-300 sq m, open for lease, H1 2023, rub/sq m/month, excl. VAT

Source: Nikoliers

Key retail routes	Average	Min.	Max.
Nevskiy Ave	9,200	6,460	12,000
Staro-Nevskiy Ave	5,000	4,500	5,400
Bolshoy P.S. Ave	3,500	2,900	4,000
B. Konnyushennaya St	6,000	3,400	9,000
Rubinsteina St	n/a	n/a	n/a

Chart 2
Closures and openings on key street retail routes of St. Petersburg, H1 2023

Source: Nikoliers

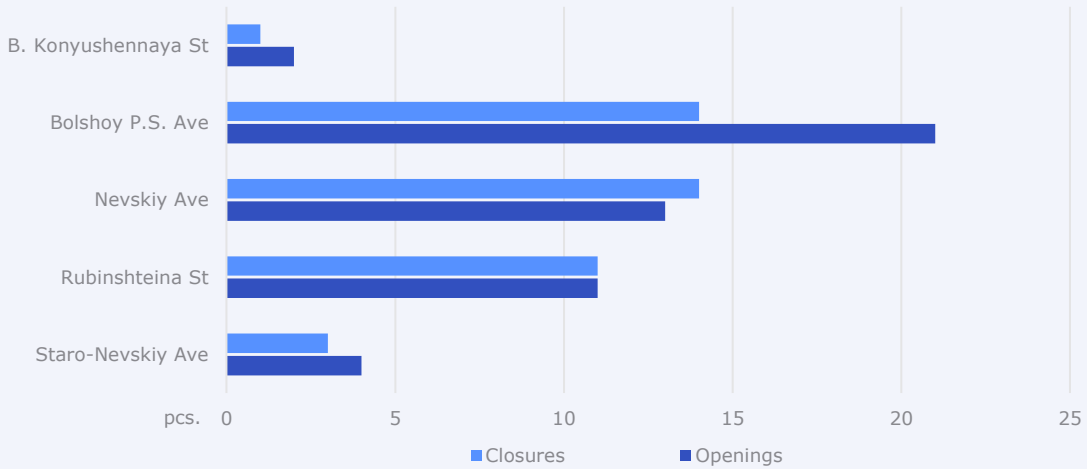


Chart 3
The rate of rotation on the key retail routes of St. Petersburg, H1 2023

Source: Nikoliers

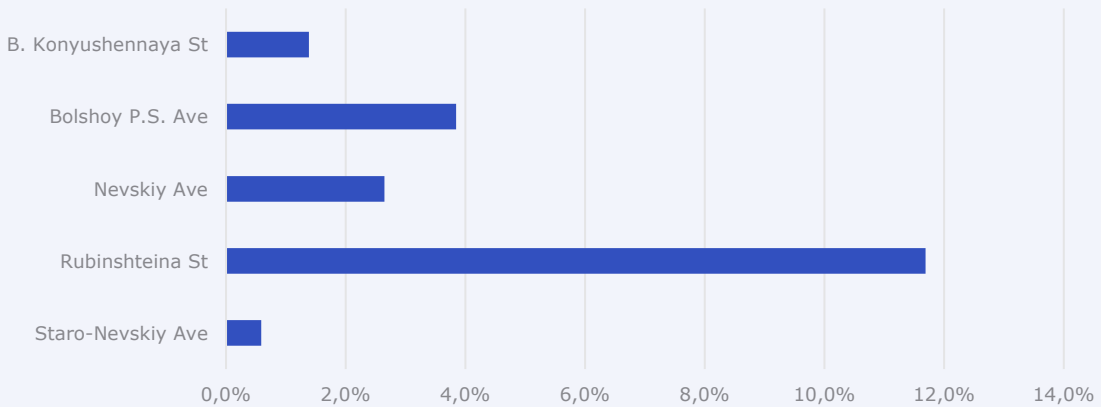


Table 3
Key openings on the key retail routes of St. Petersburg, H1 2023

Source: Nikoliers

Key street retail routes	Was	Now	Country of origin
59, Bolshoy P.S. Ave	Cos	2MOOD	Sweden/Russia
59, Bolshoy P.S. Ave	& Other Stories	Эконика	Sweden/Russia
59, Bolshoy P.S. Ave	H&M Home, Nespresso	Кенгуру	Sweden/Russia
13, B. Konnyushennaya Str.	Tourbillon	Gresso	Switzerland
37, Kamennooostrovsky Ave	Uniqlo	Gloria Jeans	Japan/Russia



Trends and forecasts

The trend of declining vacancy rates on the central streets of St. Petersburg continues. As of June 2023, the vacancy rate in almost all major retail streets and routes has fallen below 5%, reaching the pre-pandemic levels of 2019. In the midst of low vacancy rates, the number of new openings by way of rotation is on the rise.

The number of temporarily shut spaces earlier rented by foreign brands, which maintain a dormant posture not resuming their operations on St. Petersburg's central routes, has dropped to six (Prada, Brunello Cucinelli, Dior/Bvlgari, Louis Vuitton, Fendi, Chanel). If these premises reenter the market, the current vacancy rate will increase by less than 1%.

The space vacated after the exodus of international brands is in highest demand among Russian fashion retailers due to the fact that it is the spaces in most interesting locations.

We see the rising trend towards brands going offline to create a personalized experience for their customers that cannot fully materialize in an online environment. This spurs an increase in the number of full mono- and multi-brand shops in the street retail format.

Given the money-saving behavior of the population, restaurateurs are primarily developing chain and democratic segments (fast casual and fast food); on the other hand, they are launching projects with unique concepts in carefully selected locations.

The number of mobile shops run by telecom chains keeps dwindling. Over the past two years, the number of such shops along the key routes has almost halved. Tenants moved out of Nevsky Avenue mainly due to low business margins and high rental rates.

For more information

Retail department property management department

Anna Nikandrova

Partner

+7 495 258 5151

Anna.Nikandrova@nikoliers.ru

Irina Tsarkova

Director, St. Petersburg

+7 812 718 3618

Irina.Tsarkova@nikoliers.ru

Research department

Bazaeva Alina

Head of the Research

Department, St. Petersburg

+7 812 718 3618

Alina.Bazaeva@nikoliers.ru

Julia Bykova

Analyst

+7 812 718 3618

Julia.Bykova@nikoliers.ru

Marketing & PR

Olga Bakulina, MCIM

Regional Director

+7 495 258 5151

Olga.Bakulina@nikoliers.ru

Anna Sabinina

Director, St. Petersburg

+7 812 718 3618

Anna.Sabinina@nikoliers.ru

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 **Nikoliers**

191186 St. Petersburg
3 Volynsky Lane
BC Senator
+7 812 718 36 18
www.nikoliers.ru