RETAIL MARKET

Colliers INTERNATIONAL

ST. PETERSBURG
YEAR-END REVIEW 2018. FORECAST 2019

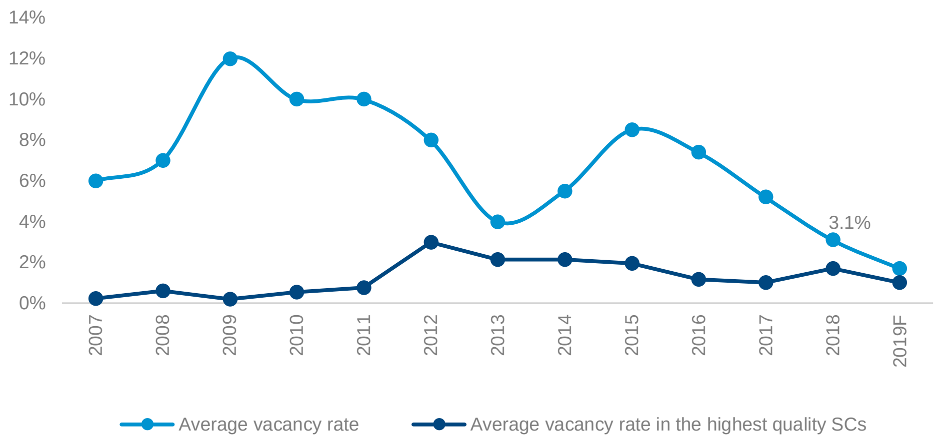
Key market indicators

	2017	2018	2019F
Total stock of retail space, thousand sq m	3,009	3,073	3,108
Number of existing classic and specialised SCs	117	120	122
Vacancy rate in the classic SCs, %	5.2	3.1	1.7
Space availability (GLA) in classic and specialised SCs, per 1000 residents, in sq m	570	574	581

Against the background of no new quality projects in the classic shopping centre segment, by the end of 2018, the vacancy rate decreased by 2.1 pp. to reach 3.1% at the end of the fourth quarter of 2018.

The vacancy in high-quality shopping centres for the fifth year in a row is moving towards zero.

Average vacancy rate in St. Petersburg and in quality SCs
Source: Colliers International



In 2018, the total supply of retail space was increased only by specialised shopping centers, including one of the largest furniture centres in the city, Bogatyr, in the Primorsky District (GLA 40,200 sq m) and the second phase of Outlet Village Pulkovo on the Pulkovo Highway (GLA 6,700 sq m).

The trend towards the formation of a food hall market – gastronomic spaces that unite various restaurant concepts and supermarkets under one roof (the latter are increasingly appearing in such spaces as the format of fresh markets) can be classified as a completely new trend that started last year.

Food halls and food parks can accommodate up to thirty tenants, depending on the area occupied and the concept, and they are united by one idea – to provide visitors to shopping centres with the opportunity to spend time and taste high-quality, innovative cuisine in a single space that combines themed cafes and restaurants, bakeries, breweries, cheese factories, farmers' corners, spaces for cooking classes, creative studios and corners with related products.

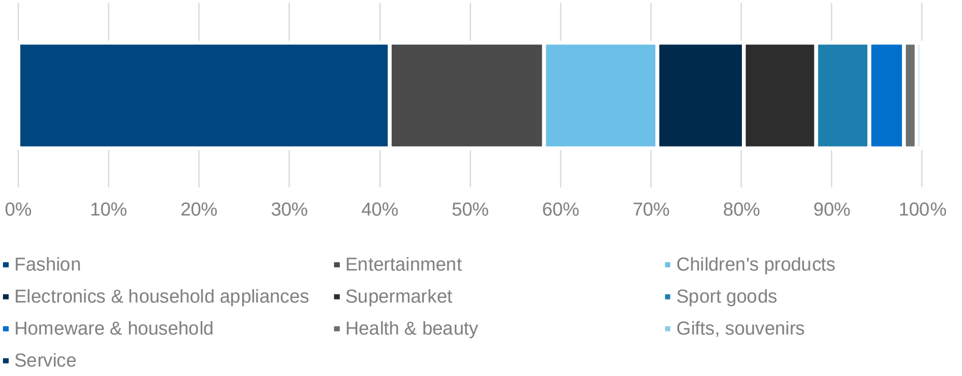
In 2018, Vladimirskiy Passage and City Mall shopping complexes announced the creation of such spaces in St. Petersburg.

Unlike street retail, where of bars and restaurants have the highest rotation rate, the undisputed leader in shopping centers in 2018 is the fashion segment. Among the most active tenants of the past year in terms of new openings, expansion of areas and, format updates, the share of fashion-operators (for occupied space) was 40%.

It should be noted that among new brands that opened stores in the city's shopping centres during the year, the fashion segment was also the leader – five of the eight brands that opened their own stores in shopping centres are from this segment, the rest are from the beauty & health and household products segments. It is noteworthy that the list of newcomers includes only one Russian brand (innovative women's clothing brand I Am Studio).

Profile of most active tenants in shopping centres (by occupied space, excluding catering) in 2018

Source: Colliers International



New brands in shopping centres in 2018
Source: Colliers International

Brand name	Segment	Country	Where opened	Occupied area, sq m
Victoria's Secret	Fashion	USA	SEC Galeria	750
Undiz	Fashion	France	MEGA Parnas SEC Galerea	98 180
I Am Studio	Fashion	Russia	SEC Galeria	89
Hublot	Fashion (watches and accessories)	Switzerland	DLT	26
Sephora	Beauty&Health	Italy	SEC Galeria	380*
DeFacto	Fashion	Turkey	SRC Raduga	1 000
Erborian	Beauty&Health	France	SEC Galeria	21
EGLO	Homeware& household	Austria	SEC Okhta Mall	340

** expert assessment*

It is impossible not to mention the new formats which large retailers are switching to in shopping centres. They mainly relate to well-known brands and involve a complete renewal of the concept – changes in zoning, the introduction of digital technologies, collaboration areas for actively engaging the customer in the purchase experience.

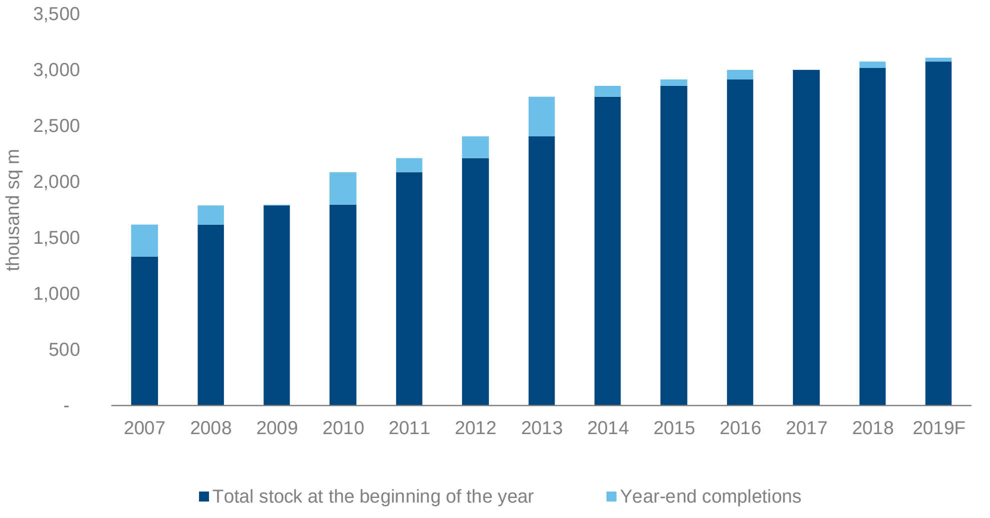
Large brands-changing concepts in 2018-2019
Source: Colliers International

Brand	Segment	New format	Where opened	Occupied area, sq m
IKEA	Homeware& household	Design studio	SEC Atlantic City SEC Leto	585 280
Starbucks	Coffee-shop	Kiosk	SEC Leto	15*
PUMA Select	Fashion	Premium collection, new concept	SEC PIK	400
Concept Club	Fashion	Supermarket	SEC RIO	778
Acoola	Fashion	Extended area	SEC PIK	400
RIV GOSH	Beauty&Health	Full reconception	Expected in 2019	

It should be noted that in 2018 the withdrawal of some large retailers from the market was contrasted by the expansion of others.

Leroy Merlin expanded its presence in the DIY segment by absorbing the K-Rauta chain; M.Video, the undisputed leader in the electronics and home appliances market, completed the merger with Eldorado and bought out all MediaMarkt stores, in which they began to operate their own stores; and X5 Retail Group has opened stores under the Perekrestok brand on the site of O'Key supermarkets, which they purchased.

Dynamics of the total supply of retail space and new construction in 2007-2019
Source: Colliers International



In the coming year, no new projects will be added to the market of classic shopping centres.

In the segment of specialised shopping centres, by the end of 2019, the construction of the Fashion House outlet on the Tallinnskoe highway (GLA 20,330 sq m) is expected to be completed.

Existing shopping centers will be increasingly focused on becoming primarily a place for leisure during shopping.

Space will be used ergonomically to create opportunities for quality recreation. By offering a higher level of service and turning into spaces for leisure, high-quality shopping centres will increasingly be focused on meeting the emotional needs of customers. In connection with this, the appearance of completely new types of anchor tenants, such as food halls, is possible.

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