

10.4%
vacancy rate

14%
*a decrease
in vacant supply*

4.3%
*rotation rate
in H1 2021*



Street Retail Market

**Saint Petersburg
H1 2021**

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H&M Group has opened the first stores of &Other Stories and COS, as well as the first H&M HOME concept store in St. Petersburg, occupying three floors in a building on Bolshoy Ave P. S.

A two-level Italian restaurant Ognivo with an area of about 1,000 sq m opened on Maly Ave V. O. According to the project concept, the property features an internal square park with a fountain.

KEY EVENTS

12 STOREEZ, a Russian clothing operator, rented 300 sq m of spaces in Bolshaya Konyushennaya St which were previously used by Louis Vuitton and Brunello Cucinelli.

A Moscow-based brand of White Rabbit Family restaurant group announced the launch of new projects in St. Petersburg, involving about six new openings in the next two years.

A Moscow-based chain Encore Fitness is to open a premium fitness centre with an area of about 3,000 sq m in one of the buildings of the Loft Na Srednem apartment complex.

Key metrics. Dynamics*

	Average property size, sq m.	Vacancy rate (% of sq m)	Change in vacancy rates H1 2021/H2 2020, ppt	Rotation rate**, %	Leading tenants' sector
Primary shopping corridors in the central districts	137	9.7 ▼	-2.4	5.1 ▼	Catering
Secondary shopping corridors in the central districts	107	11.5 ▼	-1.4	4.6 ▼	Catering
Primary shopping corridors in bedroom communities	85	10.4 ►	0	2.5 ▼	Grocery stores
Pedestrian shopping corridors	97	9.7 ▼	-3.0	7.0 ▲	Catering

Primary shopping corridors in the central districts are the main Sts in these districts, as well as Aves featuring the highest car and pedestrian traffic and main business activities concentrated around them, such as Nevsky Ave, Bolshoy Ave P. S., Kamennooostrovsky Ave, and Moskovsky Ave.

Secondary shopping corridors in the central districts are Sts in these districts that are adjacent to the primary shopping arteries of the city that feature the highest car and pedestrian traffic or are located in close vicinity to them. These include B. Morskaya St, B. Konyushennaya St, Rubinshteina St, Vladimirsky Ave, M. Morskaya St, Mayakovskogo St, Vosstaniya St, Kirochnaya St, Zagorodny Ave, Gorokhovaya St, Sadovaya St, Sredny Ave V.O., Ligovsky Ave, Nekrasova St, Zhukovskogo St, Belinskogo St.

Primary shopping corridors in bedroom communities are large non-central arterial Sts that connect together several districts of the city. They feature the concentration of business activities and/or a significant amount of residential development projects, both completed and in progress in the adjacent areas. Some of the examples include Leninsky Ave, Slavy Ave, Komendantsky Ave, and Prosveshcheniya Ave.

Pedestrian shopping corridors are Sts with a pedestrian flow in the central districts of the city, such as M. Sadovaya St, 1st Sovetskaya St, Telezhny Lane, M. Konyushennaya St, 6-7-ya Liniya V.O.

* As compared to 2020

** The calculation of rotation rates only takes into account premises occupied by tenants in compared the periods

Source: Knight Frank St Petersburg Research, 2021

Supply

The performance in H1 2021 gives us grounds to state that the market of built-in commercial premises has mostly recovered after the introduction of the restrictive measures that were in force until the end of January 2021. Due to seasonal factor, an increased tourist flow and a resulting increase in demand for spaces in the shopping corridor format, the volume of available supply by 14.2% (to 54.8 thousand sq m) between January and June 2021, and more than 30% of the total spaces were rented during the same period.

In the first half-year of 2021, the total area of St retail spaces was

527.5 thousand sq m. On average vacancy rate was 10.4%, showing a 1.7 ppt decrease over the six months. The greatest decrease (2.4 ppt) was registered in the primary shopping corridors in the central districts (some of the examples include Bolshoy Ave P. S., Nevsky Ave, Moskovsky Ave, etc.).

The breakdown of premises by area remains unchanged. The most demanded premises are less than 100 sq m (64% of all spaces available in the market). Properties from 100 sq m to 200 sq m account for 26% of the total supply. The remaining 11% are accounted for by larger spaces with an area of 500 sq m and more.



Anna Lapchenko

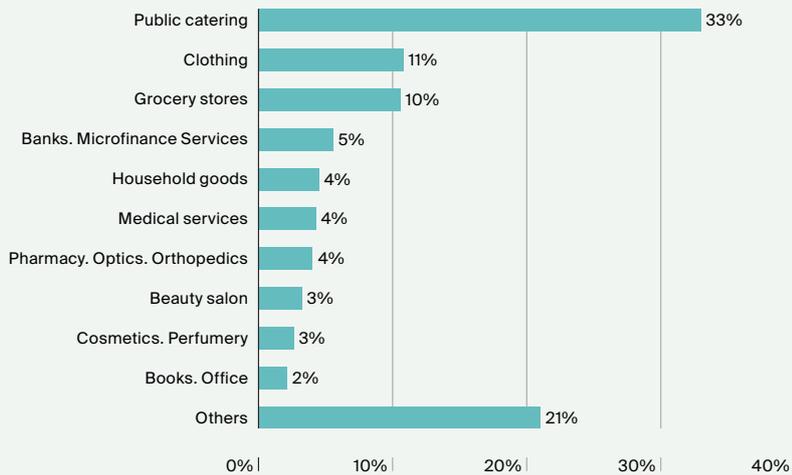
Head of Street Retail
Knight Frank St Petersburg

The performance of the first half-year of 2021 allows us to state that the St retail market has recovered after the recession, as also confirmed by the fact that landlords are gradually increasing their rental rates. Today, the number of requests from clients for high-quality spaces in popular locations outnumbers the available supply.

The format of stores in shopping Sts is becoming increasingly popular among buyers not only on the luxury segment but also on the premium segment. Customers visit a specific location with a pool of tenants on a certain price segment to receive a personalized service and high quality of goods.

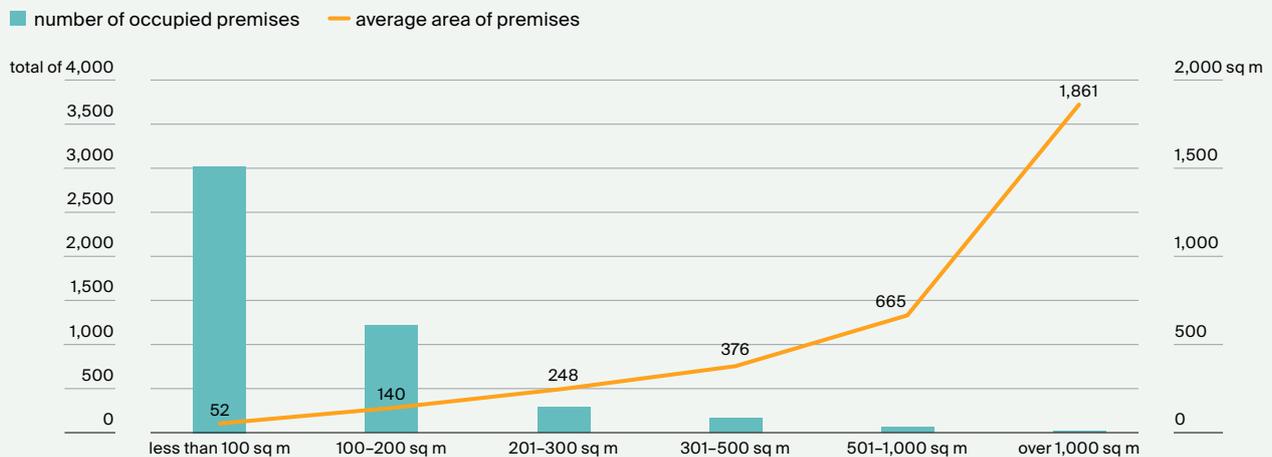
The vacancy supply decreased by 27% compared to the first half of 2020. The growth of active customer demand for spaces and the continuance of some of the restrictions with respect to shopping centres will promote a downward trend in supply of high-quality St retail spaces, leading to a further decrease in vacant spaces and a gradual increase in rental rates.

Top 10 profiles in the structure of tenants, by occupied area



Source: Knight Frank St Petersburg Research, 2021

Distribution the amount of premises by ranges of occupied areas



Source: Knight Frank St Petersburg Research, 2021

The breakdown of tenants continues to be led by three sectors: catering (33%), clothing retail (10%) and groceries (10%). At the same time, the area occupied by catering and clothing retail stores increased by 3.2% and 1.1% compared to 2020 results, respectively. On the other hand, due to rapid expansion of the food retail over the previous two years, it is now optimizing not only locations, but also occupied areas. The major chain closures include AB Daily Market on Nevsky Ave and Pyatorochka stores on Moskovsky Ave and Prosveshcheniya Ave. On the other hand, food retailer VkusVill intends to expand the existing stores. For example, the retailer has changed its locations on Vosstaniya St and Bolshoy Ave P. S., thereby increasing the occupied area more than two times.

In H1 2021, the number of opened stores exceeded closed ones by 26%. Catering operators traditionally dominate the breakdown of both opened and closed tenants, accounting for 38% and 34%, respectively. A number of restaurants (Koza Dereza, Magrib, Sibirskaya Korona) reopened after the period of restrictions. Travel agencies Nika and Pavegatur also resumed sales.

In the first six months of 2021, in the catering sector were 141 openings, which is a 23% drop as compared to the second half-year of 2020, however a 45% increase as compared to the same period of the previous year. 101 stores were closed. Moscow-based catering operators see the potential of St. Petersburg for opening their restaurant concepts which will be successful and sought-after by visitors. As a matter of example, Crocus Group's Sixty Four restaurant is found on the Moika Embankment. The Bar Group team has continued to expand their presence in the city's main restaurant street (Rubinshteina St) by opening a flagship restaurant and bar RS20 and announcing a new project, the WHITE POINT. Some other restaurant openings on Nevsky Ave worth mentioning are Izdatelstvo, CipaMoya, Chachafocaccia, and HOBZ.

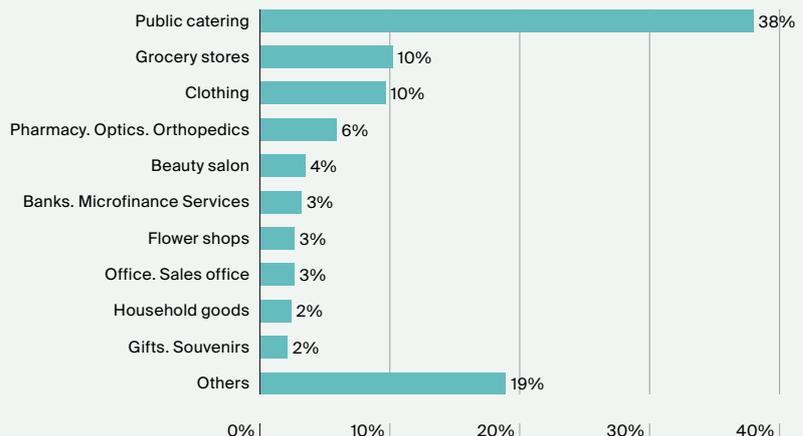
On the fashion segment, changes primarily involve rotation in high-end locations, such as Nevsky Ave, Bolshoy Ave P. S., and Bolshaya Konyushennaya St. Bogner, a premium apparel brand, has rented a part of a multibrand store at 137 Staro-Nevsky Ave; the Loro Piana boutique has moved to a part of the premises previously occupied by Brioni which was closed; the German brand Philipp Plein announced an opening in the premises of the former ST-James boutique at 150 Nevsky Ave.

Petrogradskaya side continues to remain attractive. In the first half-year of 2021, the most respectable shopping corridor Bolshoy Ave was opened fashion retailers, such as COS, &Other Stories, Anna Pekun, and Weekend,

and home improvement stores, such as the concept store H&M HOME, and Manders. Besides, electronics retailers Sumsung and re:Store have moved to new premises in Bolshoy Ave.

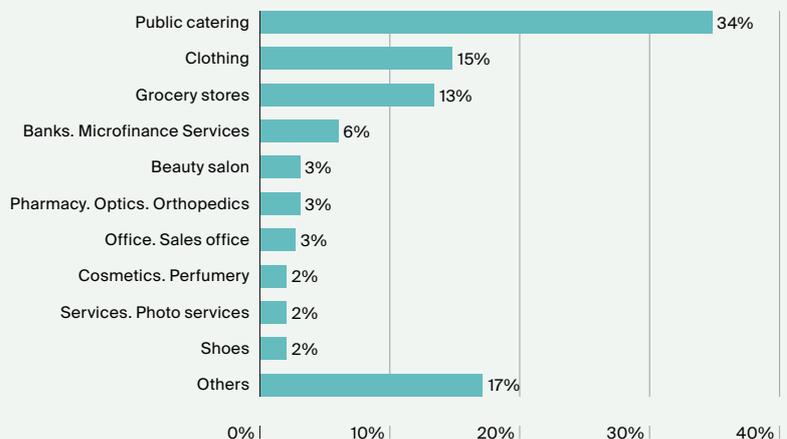
Russian brands are strengthening their presence in the city's shopping corridors, while also offering service quality capable of competing with large international brands both in terms of customer focus, individual service and product ranges. For example, an apparel brand 12 STOREEZ has opened a store next to the Prada boutique in Bolshaya Konyushennaya St. Besides, in the same location was opened a store of All We Need brand which moved from a location close to Staro-Nevsky Ave to this fashion corridor.

Top-10 profiles of tenants who opened stores in H1 2021



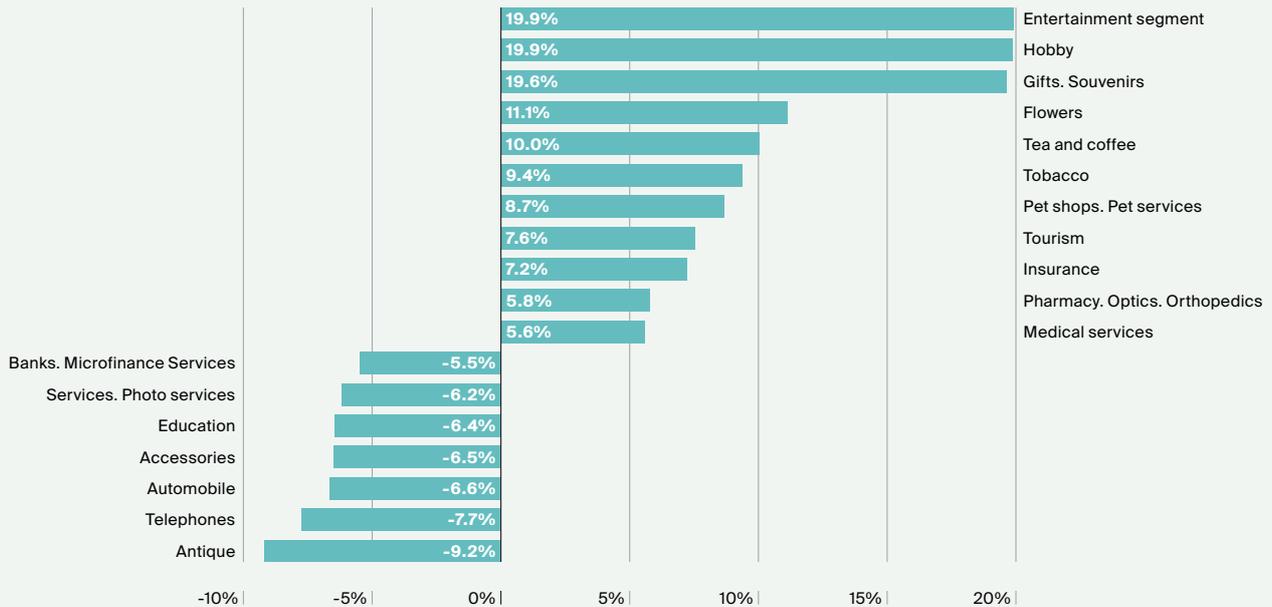
Source: Knight Frank St Petersburg Research, 2021

Top-10 profiles of tenants who closed stores in H1 2021



Source: Knight Frank St Petersburg Research, 2021

Profiles of tenants with the largest and the smallest dynamics of changes in occupied space



Source: Knight Frank St Petersburg Research, 2021

Other significant closures on the catering sector include MAMALYGA in Belinskogo St, KFC and Pizza Hut in Gorokhovaya St, Porto Maltese in Staro-Nevisky Ave, and Cheburoom in Liteyny Ave.

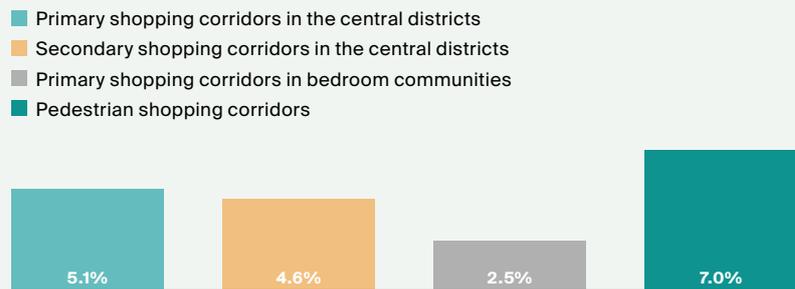
As for the decrease in the amount of rented area, the banking and micro finance segment continued to optimize the spaces they occupy reducing them by further 6% (5% of the total tenants' structure in St. Petersburg) during H1 2021. In addition, cellular phone stores reduced their presence by 7.7%, accessories by 6.5%, and service (photo, repair, etc.) operators by 6.2%.

Some tenants taking the advantage of the situation with vacant premises were able to move to locations better suited for their business needs.

As at the end of H1 2021, the rotation rate was on average 4.3%, which is 1.9 ppt below the H2 2020 results. Rotation rates for occupied premises are 10% lower than those for vacant spaces rented by new tenants. It should be noted that rotation rates are higher for the major shopping corridors in central locations than in bedroom communities.

Locations with the biggest number of premises that changed tenants worth noting include Sadovaya St (10.8%), Gorokhovaya St (12.8%),

Rotation rates by shopping corridor in H1 2021*



* The calculation of rotation rates only takes into account premises occupied by tenants in the periods covered by the comparison

Source: Knight Frank St Petersburg Research, 2021

Ligovsky Ave (12.3%), Nekrasova St (8.5%), and Nevsky Ave (7.3%).

As at the end of the first half-year of 2021, the total vacant area of street retail properties was 54.8 thousand sq m, which is a 14.2% decrease from the second half of 2020. The vacancy rate was 10.4%, which is a 1.7 ppt decrease compared to the previous period, as 136 tenants have rented spaces that were vacated during the last year (excluding premises vacant in 2021).

In the main shopping corridors in the central districts, the vacancy rates ranged from 7.8% (in the main part of Nevsky Ave) to 15.6% (in Kamennooostrovsky Ave) as at the

end of June 2021. Among the most popular locations in secondary streets in the city centre, the lowest shares of vacant spaces were in Rubinshteina St (1.3%, a 3.7 ppt decrease over last the first six months of 2021), as it still remains a highly sought-after location, Pestelya St (6.2%), and Vosstaniya St (6.1%).

The highest vacancy rates are registered in Belinskogo St (21.6%) where the amount of vacant spaces increased on account of the closed MAMALYGA restaurant, in Vladimirsky Ave (19.4%) where only one of the properties vacated in 2020 was rented during H1 2021, and Nekrasova St (18.2%).

Commercial terms

The main decline in the basic rental rates from 10% to 30% was observed in mid-2020. In the second half of 2020, only some owners adjusted further reduction in asking rates within a range of 2% to 5%. Today, the lower vacancy rates and active customer demand for premises allow us to state that the street retail market has recovered after the recession, as also supported by the fact that landlords are gradually increasing their rental rates. Today, the number of customer requests for high-quality spaces in popular locations outnumbers the available supply.

The greatest increase in the average rental rate during the first half-year of 2021 (by 9% to RUB 3,270 sq m/month) is registered on Bolshoy Ave P. S. as it is popular among retailers due to openings by world famous brands and a resulting 25% reduction in vacant spaces.

The greatest increase in average asking rates was seen in B. Morskaya St and M. Morskaya St due to the increased tourist flows in the summer season. Besides, rental rates grew on average by 6.1% in Rubinshteina St and on average by 5.2% in Gorokhovaya St.

Forecast

The persisting restrictive measures for shopping centres will promote demand for retail format both from clients who visit particular locations with selected stores and receive an individual service approach, and from retailers. Therefore, the downward trend in high-quality supply of street retail properties will continue, contributing to further reduction of vacancy rates and a gradual increase in rental rates.

Street retail properties in bedroom communities of the city will be least affected by fluctuations in vacancy and rotation rates as the traffic created by local residents is stable.

If restrictions are reintroduced or measures similar to those used in Moscow and the Moscow Region are imposed (such as QR codes for visiting restaurants and cafes), this will heavily impact the catering sector in the first place.

Ranges and dynamics of rental rates by shopping corridor

Street category	Streets	Average range of rental rates, RUB/sq m/month*	Dynamics**
Primary shopping corridors in the central districts	Nevsky Ave (main part)***	5,600–11,000	▲
	Staro-Nevsky Ave***	2,500–7,500	▲
	Bolshoy Ave P. S.	2,150–4,400	▲
	Kamennoostrovsky Ave	1,300–4,200	▲
	Moskovsky Ave	2,000–5,600	▶
Secondary shopping corridors in the central districts	B. Morskaya St	2,250–5,500	▲
	B. Konyushennaya St	3,000–7,200	▲
	Rubinshteina St	4,000–6,500	▲
	Vladimirsky Ave	2,400–3,600	▶
	M. Morskaya St	2,200–4,200	▲
	Mayakovskogo St	2,000–3,200	▶
	Vosstaniya St	2,000–5,500	▲
	Kirochnaya St	1,500–6,000	▲
	Zagorodny Ave	2,200–3,600	▲
	Gorokhovaya St	1,500–3,800	▲
	Sadovaya St	2,800–7,800	▲
	Sredny Ave V. O.	2,000–6,400	▶
	Ligovsky Ave	1,550–5,200	▲
	Liteyny Ave	1,550–5,000	▲
	Nekrasova St	1,850–3,200	▶
	Zhukovskogo St	1,850–3,200	▲
	Belinskogo St	2,800–5,000	▲
Pestelya St	1,400–2,100	▲	
Moika river Emb	1,800–4,000	▶	
Griboyedov Channel	1,800–6,000	▶	
Pedestrian shopping corridors	Malaya Sadovaya (p)	3,300–5,500	▲
	1-ya Sovetskaya (p)	1,800–2,800	▲
	Telezhny Lane (p)	2,500–5,000	▲
	Malaya Konyushennaya (p)	2,100–3,600	▲
	6-7 Liniya (p)	2,000–4,400	▶
Primary shopping corridors in bedroom communities	Leninsky Ave	1,620–5,500	▲
	Slavy Ave	1,170–2,700	▲
	Komendantsky Ave	1,530–4,500	▲
	Prosveshcheniya Ave	1,620–4,300	▲

* Rental rate include VAT (20%)

** As compared to 2020

*** Nevsky Ave (the main part) is between the Pl. Vosstaniya metro station and Admiralteysky Ave; Staro-Nevsky Ave is part of the corridor between the Pl. Vosstaniya metro station and Al. Nevsky Sq.

Source: Knight Frank St Petersburg Research, 2021

0%
up to 5%
5–10%

STREET RETAIL DEPARTMENT

- ◆ Impeccable business reputation
- ◆ Business ethics and transparency in our activities
- ◆ Long experience working on the market of St. Petersburg (since 2005)
- ◆ Leadership on the street retail segment supported by our knowledge of the market and compliance with international quality standards
- ◆ Maximum involvement of our consultants in addressing problems of any level of complexity

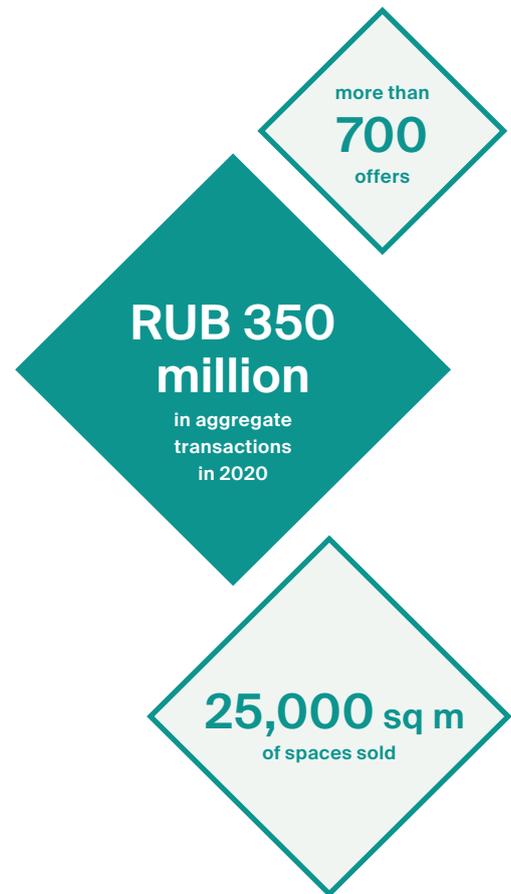
Our services

Representation of tenants and buyers:

- full-service transaction support
- selection of premises; listing of available offers
- retail real estate market research
- cost-effectiveness projections based on competitive analysis
- market forecasts and rental rate projections

Representation of owners:

- full-service transaction support
- project marketing
- recommendations on pricing
- search for and selection of buyers/tenants
- tenant mix optimization services
- property utilization assessment



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Research

- Research on the residential and commercial real estate markets
- Research of market conditions and performance
- Market forecasts for 3 to 5 years
- Market demand and supply assessment
- Competitive analysis
- Pricing analysis
- Investment potential assessment

Consulting

- Project development concept
- Market feasibility study
- Best use analysis
- Business plan and investment memorandum
- Selection of architects and project support

Real estate appraisal

- Appraisal of the market value of real properties and businesses
- Standards: RICS, IVS, the Federal Appraisal Standards (Federal Law FZ-135 and FSOs)
- Appraisal purposes:
 - fund raising and borrowings
 - IFRS financial statements
 - managerial decision making
 - sale and purchase transactions
 - investor solicitation
 - market rental rate determination

Construction audit

- Design and engineering reviews for due diligence evaluations
- As-built documentation review
- Financial and engineering supervision of projects
- Audit of planning and building permits and design specifications and estimates
- Project evaluation for financing purposes
- Expert assessment of lands for development purposes
- Evaluation of project costs and implementation timelines
- Measurement of actual work
- Construction completion evaluation
- Expenditure control with respect to investor's funds



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