

RUSSIA

Retail Market Snapshot

Second Quarter | 2018



MARKET INDICATORS

Market Outlook

- Prime Rents: Prime indicator in shopping center segment shows a slight growth. ▼
- Prime Yields: Yields compression due to softening risks and Central Bank key rate decrease. ▲
- Supply: Vacancy rate will decrease due to new construction fall. ▲
- Demand: Retailers show cautious optimism in expansion plans, the most active are large federal operators. ►

Prime Retail Rents – June 2018

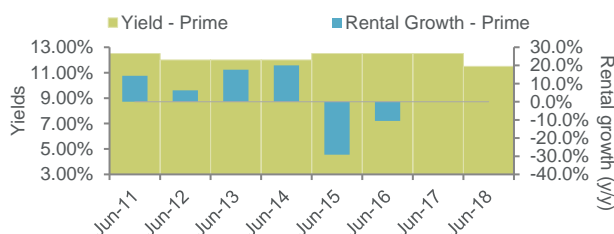
	RUB	€	US\$	GROWTH %	
HIGH STREET SHOPS	SQ.M	SQ.M	SQ.FT	1YR	5YR
	YR	YR	YR	CAGR	
Moscow (Stoleshnikov)	200,000	2,749	299	0.0	-5.3

Prime Retail Yields – June 2018

SHOPPING CENTRES (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Country prime	9.50	10.50	11.00	13.00	9.00

With respect to the yield data provided, in light of the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

Recent performance



Overview

Market revival is going slower than expected. The pace of recovery is still not enough for the average market rental rate to go up, and only prime shopping center segment is showing the first signs of growth.

Occupier focus

Market consolidation continues - large retailers are strengthening positions not only by opening new stores, but also by taking over other operators.

To attract new customers, both shopping centers and retailers are in search of new unique formats and concepts. Especially active development is seen in online retail with operators launching new applications, delivery services and marketplaces.

The development cycle of the projects is increasing - many properties planned for opening this year were moved to the next years. After high levels of new construction in 2014-2016, the market is reaching balance and showing low construction volume. In 2018, the figure will beat a new abysmal record – around 350,000 sq. m of retail space is expected to be delivered to the market.

The average size of a shopping center is decreasing - the largest shopping center of 2018 is Kashirskaya Plaza (GLA 71,000 sq. m), which was opened in Moscow in Q2.

Investment focus

Investors do not show significant interest to the retail segment as the consumer market is still weak. The segment covers only 15% of the total investment volume.

Outlook

The forecast for the main economic indicators is expected to be revised downward for the next year. However, the general trend for consumer market recovery remains positive. Low construction volume will lead to a graduate vacancy rate decrease.

This report has been produced by Cushman & Wakefield LLP for use by those with an interest in commercial property solely for information purposes. It is not intended to be a complete description of the markets or developments to which it refers. The report uses information obtained from public sources which Cushman & Wakefield LLP believe to be reliable, but we have not verified such information and cannot guarantee that it is accurate and complete. No warranty or representation, express or implied, is made as to the accuracy or completeness of any of the information contained herein and Cushman & Wakefield LLP shall not be liable to any reader of this report or any third party in any way whatsoever. All expressions of opinion are subject to change. Our prior written consent is required before this report can be reproduced in whole or in part. ©2018 Cushman & Wakefield LLP. All rights reserved.

Tatyana Divina

Associate Director, Research
 Gasheka Street, 6, Moscow, 125047, Russia
 Tel: +7 495 797 9600
tatyana.divina@cushwake.com
cushmanwakefield.com