

# Hitting new highs

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Developers are planning to introduce about 2 million sq. m. of retail spaces in 2014, and if they succeed, the year will set a new industry record. We spoke to Marina Malakhatko, Head of Business Development, Commercial Real Estate Division, Jones Lang LaSalle, on local situations throughout Russia.

In 2013, regional mall markets welcomed huge newcomers. Those include Planeta (Ufa), Aquarelle (Volgograd), Kristall (Tyumen), Aura (Yaroslavl), Aero Park (Bryansk), etc. Last year's fourth quarter appeared an absolute leader in new spaces introduction. Developers have brought over 800K sq. m. to their respective markets thus reaching a seven year quarter high. The majority of the volumes were opened in under-million towns. Russia's overall mall market nearly hit the level of 16M sq. m.

## Ural horizons

Yekaterinburg has the country's third highest annual income per capita after Moscow and St. Petersburg; and its consumer demands are high enough. Last year, the city saw commissioning of the phase one of two malls, Globus (after reconstruction) and Sverdlovsk; and the second phase of Raduga Park mall. Over the next few years, two large-scale shopping centers are planned for opening in the city's opposing parts, AstroMall (previously Gagarin Mall) and Olymp; add here a re-conception of six more projects

to include MEGA. Another city in the Urals, Chelyabinsk, is now getting involved in active development, too, thanks to its stable industries keeping it the region's most stable and dynamic place.

## Third best

At present, Nizhny Novgorod ranks the seventh among Russia's million-plus cities, in terms of retail space. Last year, only one larger project was commissioned here, Indigo Life, with 40K sq. m. GLA. However, with new openings scheduled for 2014, i.e. Nebo with about 70K sq. m. of GLA, the city is expected to hit the third place, after Yekaterinburg and Samara. The malls to be brought to market before 2015 will total about 100K sq. m. of retail floorspace. Moreover, in five years from now, a huge Novinki shopping center will appear in a newly built residential district, to offer 33K sq. m. of GLA. However, already-opened objects, MEGA included, show but moderate success. Fantastika, Respublika, and 7 Nebo malls open back in 2012 faced difficulties in attracting retail operators.



Aura Mall,  
Yaroslavl

## Nearly saturated

Novosibirsk will enrich its retail space offer with the second phase of Aura shopping center purchased last year from Renaissance Development by RosEvroDevelopment. The project's total space will be extended to reach 170K sq. m. Also, TPS Nedvizhimost will build Novosibirsk Gallery on the River Ob's right bank. Developers try to differentiate the new malls. Aura is a typical family mall with entertainments, rich food court and mass market segment mix while Gallery mall relies on fashion traffic with Kontinent Vkusa — an expensive food store — being its anchor. In the north of the city, MiG-1 developer has decided to complete the previously frozen project of Evropeysky shopping center. Many residential houses are under construction in the district, thus Evropeysky looks promising. On the River Ob's left bank, several smaller malls as well as Sun City and MEGA are open. Despite their distant location, they generate substantial traffic.



Ambar Mall,  
Samara

## Glut of goods

Over the next four years, retail space in Perm might increase several-fold. Developers-to-be include RosEvroDevelopment, Forum Group, Viktor & Co, and more. All in all, about a dozen developers, locals as well as chains, consider purchasing land lots here. Interestingly, all of the potential projects are to be completed at more or less the same time. If we look at the land lot sizes, each player aims at adding 50K+ sq. m. of retail space, which will add up to over-exhaust the city capacity.

Krasnoyarsk market of retail real estate is going dynamic. Last year, DVI Group opened its KomsoMall, purchased from former partners and formerly known as Ogni. The third phase of Planeta shopping center is going on market soon. Torgovy Kvartal Group and Lenhard Group are planning to open a 104.6K sq. m. GLA mall in Soloncy village in 2015.

## Wedging in

Even some cities with high retail space saturation have a proper potential of infill development. That said, Samara, where many retail operators claim to get Volga region's best sales, will see a new object of Viktor&Co, Ambar mall, opening this year at 120K sq. m. GBA. And the city has enough capacity for yet another new generation project. The

very heart of Samara features a very convenient site for it, with 60 to 80K sq. m. GLA. The project is currently frozen. One more larger mall can be built in Ufa.

## New spaces

Last December, Kuban region capital saw the opening of Gallery Krasnodar's second phase while Yaroslavl welcomed the long-awaited Aura mall.

Tyumen witnessed dramatic retail spaces growth where two malls totaling 105K sq. m. opened to include the 75K sq. m. GLA Kristall (when opened in December, only Auchan and satellite stores functioned) and the 30K sq. m. GLA Voyage Gallery, which was Russia's fourth largest in 2013. We'll follow up to see how the new shopping centers succeed and influence the traffic.

This year, leaders in retail real estate commissioning will probably include Barnaul introducing Arena mall with 95K sq. m. of GLA, and Irkutsk undergoing an overhaul of development industry. We see most potential in terms of population income vs. retail spaces, in Khabarovsk, Vladivostok, and Tomsk. The latter, though, can be saturated on a mid-term horizon. In 2014, Tomsk will get Izumrudny Gorod mall, a real milestone for the local market. Kemerovo and Stavropol also have this short-term potential, with enough capacity left for 1 or 2 high-quality large format projects;

while Penza and Astrakhan would take smaller, 40K sq. m. GLA ones.

## Potential in ambiguo

In certain cities, further retail real estate construction is less than reasonable. For example, in Saratov, two large-scale malls Tau Gallery and Karnaval are under construction at the moment. Given the already existing retail spaces, the new offer will remain satisfying for the city's needs for some years. Ryazan is another instance. This town with poor purchasing power population is still struggling with two huge shopping centers located mere 3.5km apart. Those are the region's largest Premier (by a local developer) and M5 Mall (by PPF). The competition being tough, both places lack sufficient traffic. Orenburg is yet another case of bad development location. The reason here is not in high competition but in the city's only mall Armada that is adding more spaces all the time and has already turned into a market monopolist. Finally, Togliatti's development market dynamics looks both odd and pointless. This saturated market suddenly sees re-conception of and adding a second phase to Russ Na Volge mall as well as de-frosting of Volga Mall and the prospects of a new large project being constructed next to it by a local businessman.