

Round and round it goes

by:

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Developers in Moscow claim they will commission millions of square meters of shopping space in 2014. But as experience suggests and the actual state of the projects convinces, hardly half of this is likely to open on time. More striking, however, is developers' readiness to build megamalls at all. The economy is weakening, retailer sales have slumped. What will happen to the construction projects dwarfing the pharaohs?

Last year passed without significant changes. According to Colliers International, in 2013 a little over 178.2K sq. m. of high-quality shopping space (GLA) was available in Moscow, in 2012 around 165K. Jones Lang LaSalle calculates that 2–3 times less new space has been provided in Moscow in 2011–2013 compared to the period of 2009–2010. Another line from the old reports of consulting firms remains relevant: “A number of large-scale projects have been delayed, e.g. River Mall, GoodZone, Vesna, Moskvorechye.” Now we can extend this “next year” malls list with Reutov Park, Brateyevy Mall, Alfavit, Perovo, Otrada's third phase, Mytishchi Red Kit's second phase, another Red Kit (former Komso-molets) in Krasnogorsk and many others. What to say? This side of the looking-glass there is always “jam tomorrow.”

Special offers

So what does the segment bring to the uneasy 2014? Contrary to expectations, last year the only company to significantly expand available shopping space in the capital was Tashir Group. A year ago the developer announced it would focus on Moscow and has been true to that strategy. In 2013 the holding invested some USD 600 million in malls in the city, commissioned four projects: RIO in Leninsky Avenue, Raikin Plaza, the City Point complex and Dirigible within the residential cluster of the same name. Two other RIO malls, in Pokryshkina Street and Kievskoye Highway, have been suspended until 2014. The developer doesn't

chase after size, satisfied with projects that have GBA of 70K sq. m. and GLA of 40–45K sq. m.

The bulk of new malls follow the last few years' trends — these are mostly centers of local significance, some within residential complexes. Outlet centers, supposed to cater to most of the Moscow area, are suddenly (or perhaps not so unexpectedly) finding themselves local as well. In 2013 Vnukovo Outlet Village and Fashion House Moscow joined Outlet Village Belaya Dacha in the category. These are interesting and high-quality shopping places with original architecture, but they hardly fit the outlet format, where discounts serve to anchor traffic. What's more, they have yet to work out an effective operation concept and bring in such classic “shopper magnets” as supermarkets, DIY, entertainment etc. to the tenant mix. With competition getting stronger, positioning these malls as outlets was certainly a smart promotional move for their consultants.

Another answer to competition is building a specialized mall. Colliers International estimates that a total of 836K sq. m. of shopping centers make use of some limited concept. In 2012, for example, opened Dexter, specializing in fitness machines, in 2013 — Sportex and the furniture bonanza Roomer. In 2014, at long last, Detsky Mir in Lubyanka square will be commissioned.

Total anchorage

Most players say that in Moscow with its 350 sq. m. of GLA per thousand city in-

habitants the market of commercial real estate is far from saturation. It's a curious fact that consulting firms over the last years have adopted the habit of publishing two supply forecasts — how much space developers say they will deliver in the coming year and what portion of that may actually come in, given the state of construction, social factors, legal misadventures etc. In this spirit Colliers reports that 18 properties with a total area of 950.9K sq. m. have been declared, but only 13 of them are likely to open, their combined area of 641.4K sq. m. But even this, more realistic assessment sounds grand. If it comes true, the capital will receive in a short time more shopping space than ever before. For comparison, the previous record of 500K sq. m. delivered within a year belongs to 2009 (JLL data). There is no doubt that malls can and need to be built. The question is where and what kind, and answering it is difficult, because no global market studies have been made. The Moscow government publishes various city development concepts from time to time — for retail, wholesale, for shopping streets. But no detailed research has been done, no clear strategy or program presented, though the administration, apparently guided by the principle “the more tenants, the merrier,” continues to approve large-scale projects — Avia Park, Columbus, Vegas Crocus City, Vegas Kuntsevo, and more.