

# Feature

RUSSIA

## Retailers look to Russian potential

Russia's retail property sector entered 2014 on a roll – and it's not over yet. Despite the uncertain political picture, international retailers continue to look at the market entry opportunities, says Ben Cooper

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**W**ITH five million sq m of shopping-centre space currently under construction, Russia has the largest pipeline of any country in Europe. This mass of activity is transforming the country's retail industry, particularly around Moscow, and opening untold doors of opportunity.

But while development continues undaunted, the political instability of the past nine months is undoubtedly playing on international retailers' minds. A number of big-name brands have revised their plans for Russia and growth forecasts have been downgraded.

Despite this, with 42 cities with a population over 500,000 and a burgeoning middle class, retailers remain confident in the long-term potential for business in Russia.

Paul Grace, general director of Turner & Townsend Russia, says that Russia's retail property sector entered 2014 "riding on a wave of strong sentiment and foreign investment". He adds: "Construction momentum has continued into 2014. While the IMF has revised down its forecast for Russian GDP growth this year to 0.2%, the country's buoyant retail sector remains appealing to foreign players."

In its latest International Brands In Russia report (2013/2014), Moscow-based retail real estate consultancy Magazin Magazinov tracked 470 international retailers active in the market from all sectors of retail. With a healthy stream of new arrivals identified last year — in 2013/2014, Magazin Magazinov identified 31 new retailers in the market — Russia is becoming an international hub for shopping.

Among the big new names on the scene since MAPIC 2013 are Turkish leather and fashion retailer Derimod, Italian fashion brand Harmont & Blaine, New York-based chocolatier Max Brenner and French maternity chain Prenatal. And with Forever 21, House of Fraser, Harvey Nichols and Crate & Barrel all thought to be close to making their Russian debut, Moscow and the big



Russian cities clearly still have a powerful pull for the big brands.

And it's not hard to see why. with predictions that, by the end of this year, 50 shopping centres will have been delivered with a total GLA of 2 million sq m, following 2013 when, according to the Association of European Businesses, 63 centres were completed.

In Moscow alone, Magazin Magazinov says that the total retail supply increased by 6% in the first half of 2014, with five major centres with a total GLA of 252,500 sq m opening their doors. The largest of these was Crocus International's Vegas Crocus City, with a total GLA of 112,500 sq m, based on the Moscow ring road. Other notable arrivals include Central

**"Russia's buoyant retail sector remains appealing to foreign players"**

**Paul Grace**  
Turner & Townsend Russia

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Properties and Alto Assets' joint venture, the 56,000 sq m Vesna scheme, and Immofinanz Group's Goodzone.

A wide range of projects is due for completion by the end of 2014. The largest of these in and around Moscow is AMMA Development's Aviapark, designed by US-based architect Callison. Another major player, Hines, with 645,000 sq m of space under management throughout Russia, will also have completed the second phase of the Outlet Village Belaya Dacha scheme by year end.

Against this backdrop, the opportunities in Russia are clearly huge, attracting not only the established players, but also new developers. One of these, Essence Development, is at MAPIC this year for the first time, showcasing a major portfolio of projects totalling more than 500,000 sq m.

Regions Group — which currently owns 30 operating JUNE REC and Siberian Town RC developments with a total area of over 1.1m sq m — celebrated its 10th anniversary earlier this year. Near-term plans include opening three multi-functional complexes



with indoor theme parks in Moscow, Saint Petersburg and Yekaterinburg, as well as building another JUNE in Moscow.

Maxim Karbasnikoff, national director and head of retail at Cushman & Wakefield in Russia, says: "Retailer demand has remained

relatively strong in Russia, with existing retailers looking to expand and experiment with new format types. Despite the economic slow-down, consumer spending in Russia remains resilient. The retail turnover growth for 2014 is forecast at almost 2%".