

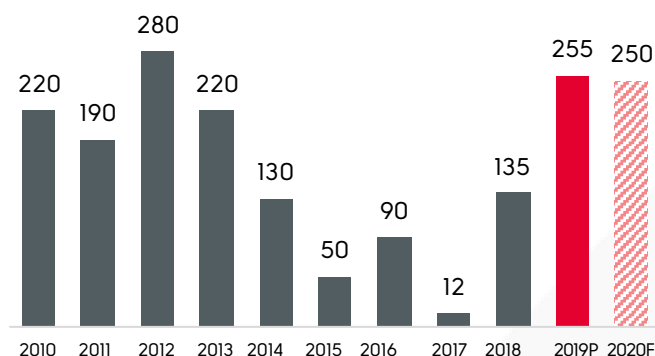
REVIEW OF RETAIL REAL ESTATE MARKET

Results of the first half of 2019

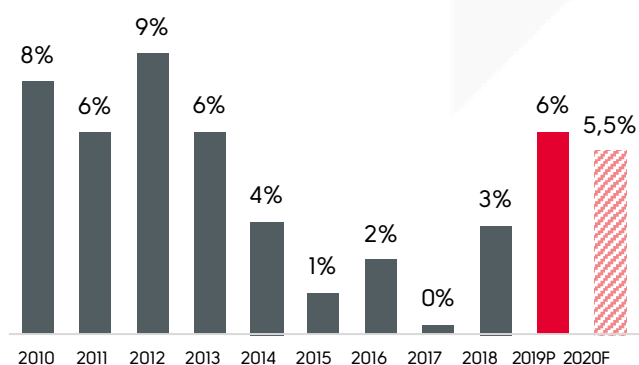


- At the end of the first half of 2019, the total market volume remained unchanged and amounted to 3.9 million sq. meters.
- Within the first half, Perron SC (9,500 sq. meters) and Industrialny SC (19,000 sq. meters) were introduced to the market.
- In June 2019, after its technical reconstruction, Andreevsky market was opened in the format of a gastro market (Vasilievsky Island, 18 Bolshoy Prospect) with an area of 3,200 sq. meters.
- Based on the announced developers' plans for new facilities construction, we expect the segment to revive by the end of 2019.
- For the third quarter of 2019, it is planned to introduce the largest furniture center in Europe – Kubatura, with an area of 140,000 sq. meters.
- The opening of EVROPA Shopping Center with an area of 11,000 sq. meters in Petrogradskaya Side is planned for the 3rd quarter of 2019.
- The launch of the first stage of Fashion House Outlet Center St. Petersburg with a total area of about 15,000 square meters (rentable area of the entire project will exceed 20,000 square meters) is scheduled for the 4th quarter of 2019.
- It is planned to put into operation a shopping mall with a total area of 59,500 sq. meters on the site of Sputnik cinema for the 4th quarter of 2019.
- We also expect an increase in the volume of introduction within 2020 – 2021 both in St. Petersburg and in Leningrad region due to new projects and an increase in the area of the existing ones.
- Ingka Centres will invest 3 billion rubles in the renovation of Mega Dybenko shopping complex. As a result of the reconstruction, the area of the facility will be increased by 25 thousand square meters up to 167 thousand square meters. The renovation programme is planned to be completed in 2020.

Dynamics of increase in quality retail space, thousand sq. m



Dynamics of increase in retail space



- Adamant Holding Company plans to continue the development of Varshavsky Express and Zanevsky Kaskad projects.
- Ingka Centres Russia announced Mega Novoselie project, which is scheduled to be launched in 2021. The area of the complex will be 140 thousand sq. meters, rentable – 96.5 thousand sq. meters.
- Within the first quarter of 2020, Vernisage Shopping Mall with a total area of 21,500 sq. meters will be introduced in Kingisepp.

Key retail facilities scheduled for commissioning in St. Petersburg in 2019

Title	Address	Area, sq m
The first stage of Fashion House Outlet	Tallinn Highway	15 000
Shopping center on-site cinema "Sputnik"	st. Babushkina, 40 A	59 000
Furniture Center "Kubatura"	st. Fucik	140 000
Shopping center EVROPA	Small pr. Petrograd side	11 000

- The level of vacant space in high-quality shopping complexes within the first half of 2019 remained at the same level (3.5 – 4 %).

- An increase in nominated rental rates is within 2% of the previous year rates.

Reduced presence and withdrawal from the market

- Ginza Project restaurant holding company refused to develop a network of Allfoods stores, leaving just one store in St. Petersburg. At that, Ginza Project Holding Company presented a concept of renovation for abandoned Greenhouses of Tavrichesky Garden, which is based on the idea of recreating the historical place in a new way.

- FAS restricted the development for X5 Retail and forbade it to open new stores in St. Petersburg. The reason is that the retailer achieved a share of 25% in the retail market of products in the city.

- Adidas continues its withdrawal from the offline market.

- Intersport and Next (Next kids) have left the market.

Development and exit of retailers

- A number of new brands entered the market within the first half of the year. The following current players continue their development:

- Tumi (Canada) opened its flagship store in St. Petersburg at 57 Nevsky Prospect.

- The first Russian store of Giorgio Magnani (Italy) will be opened at 2 Bolshaya Konyushennaya Street.

- New boutiques were opened in Outlet Village: Luisa Spagnoli, BABOCHKA Pop-Up Outlet, Monet, DIM and Naomi.

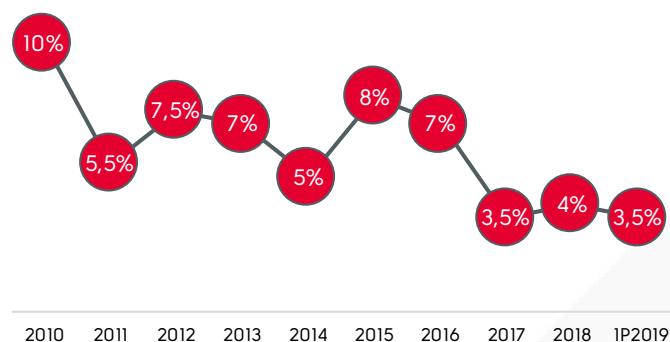
- The first mono-brand Liu Jo boutique in Russia was opened in Gallery shopping center.

- A store of French cosmetics manufacturer (Sothys) was opened in Grand Palace.

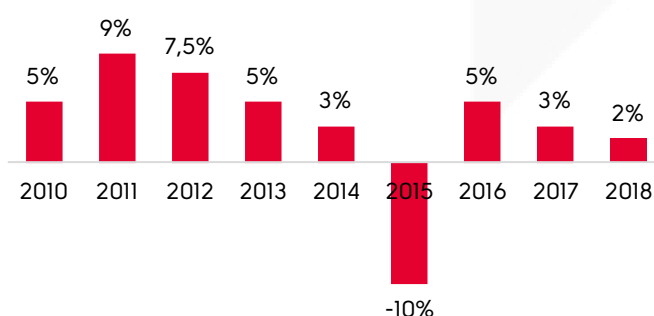
Rental rates in the street retail segment

Shopping area	Rental rate, rubles / sq.m / month
Nevsky Avenue	6 000 – 16 000
Bolshoy Prospect PS	2 700 – 10 000
Moscow avenue	1 700 – 7 000
Sadovaya street	2 200 – 5 500
Vladimirsky prospect	2 300 – 6 000
Sredny Avenue Vasilyevsky Island	1 800 – 4 500
6-7 lines of Vasilyevsky Island	2 000 – 4 000
Kamennostrovsky Avenue	2 000 – 8 000

Vacancy rate



Dynamics of rental rates



- Dutch underwear brand (Hunkemoller) announced its entry into the Russian market, including the market of St. Petersburg.

- H&M decided to launch a new brand – &Other Stories.

- Designer Alena Akhmadullina announced introduction and opening of stores in St. Petersburg under Akhmadullina brand.

- Designers' Gallery is again functioning full-size in Monpansie Shopping Mall.

- According to analysts, for the 1st quarter of 2019, household appliances stores in St. Petersburg outran clothing stores in openings.

Shopping area	Rental rate, rubles / sq.m / month
Liteiny prospect	2 000 – 7 000
Zagorodny prospect	1 500 – 5 000
Vosstaniya Street	2 000 – 6 000
Kommandantsky Prospect	1 800 – 4 500
Leninsky prospect	1 000 – 5 000
Veteranov Prospect	1 000 – 4 000
Prosveshcheniya Prospect	1 500 – 5 000
Engelsa prospect	1 200 – 4 000

Sales and deals

- At the beginning of 2019, a landmark purchase and sale deal took place in the commercial real estate market: PPF Real Estate closed a deal on purchasing Nevsky Center Shopping Center from Stockmann.
- The result of merger of K-Rauta construction stores (Kesko, Finland) by Leroy Merlin (in 2018) is introduction of a new network to the market. Leroy Merlin launched Maxipro network for corporate clients; the stores will be opened on the site of K-Rauta stores. Leroy Merlin also announced its development in the regions of the North-West Federal District. The first will be a hypermarket in Pskov city.
- Within the first half of 2019, DNS bought the oldest network of electronics stores – Key, which left the market. For DNS, it was the second merger and acquisition transaction in the market of St. Petersburg. In 2014, Komputerny Myr network came under the control of DNS.
- We also expect major deals to be closed by the end of 2019. In particular, an agreement was signed between Sberbank, SRV and SIIC on intentions to sell Zhemchuzhnaya Plaza Shopping Mall.

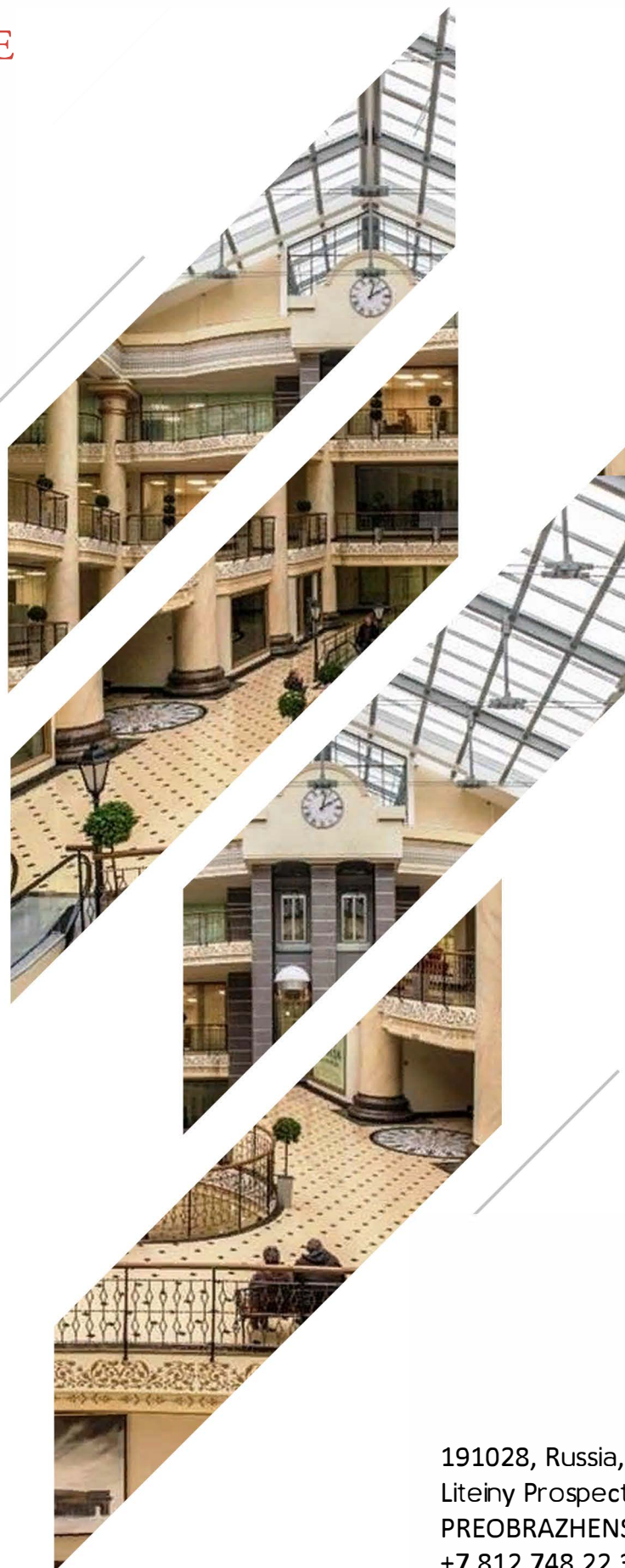
Rebranding and renovation network

- Retailers' trend on networks re-branding and facilities re-conception/renovation is still actual:
- DIY: OBI network announced its St. Petersburg hypermarkets re-conception.
- FMCG: Metro will execute its shopping centers re-conception.
- Electronics: M. Video – Eldorado Group (SAFMAR, Industrial and Financial Group) continues the development of Dorado 600 stores on the territory of Russia.
- Chitay City—Bukvoed united network is under its re-branding now and plans to open up to 70 stores per year.
- Food Retail: Perekrestok retail network opened a new format supermarket with an area of 3,000 sq. meters on the territory of Nevsky district of St. Petersburg.

- Food retailers put their bet on the development of pharmacies in the stores: X5 Retail Group signed an agreement on cooperation with such pharmaceutical companies, as Medexport – Severnaya Zvezda and Zdravservis. Magnit retailer plans to open more than 100 pharmacies on the basis of its stores.

New formats and trends

- In early 2019, it was announced on creation of premium brands association in order to create a new fashion space in Staronevsky Fashion District. The association involves: Babochka Group (Brioni, Giorgio Armani, Valentino), Jamilko Group (Salvatore Ferragamo, Wolford and St-James), Bvlgari, Dior, Louis Vuitton, Chanel, Fendi and Escada that will promote the location as the main boutique street of St. Petersburg.
- Market players are showing their interest in the format of modern gastro markets and gastro halls:
- City Mall SC launched CITY FOOD gastronomic space, combining about 30 cafés and restaurants, including 22 cm Pizza, OMO, BUREAU, Lepim i Varim, Lavanda Eclair, Babaganoush, Tuk-Tuk, YODA Express, Chou Do, NGON, MAMO, Ikigai and Wine, Mad Espresso.
- A new gastro hall on the site of the former Andreevsky market is operating in a technical mode.
- Eat Market announced its desire to become a tenant of Gallery Shopping Mall (Ligovsky Prospect) as an operator of the renovated gastro hall. Eat Market gastronomic space will unite about 40 restaurant concepts.
- In St. Petersburg, there is a trend of large retail networks relocation to new residential micro-districts that can lead to mass construction of small-format shopping centers.



191028, Russia, Saint Petersburg,
Liteiny Prospect, 26
PREOBRAZHENSKIY DVOR, BC
+7 812 748 22 38
info@ipg-estate.ru