

# OVERVIEW

## CREATIVE SPACES OF ST. PETERSBURG:

ECONOMICS, TRENDS AND FORECASTS

SEPTEMBER /

/ 2018

## BACKGROUND: INTERNATIONAL PRACTICES

The boom of creative spaces opening in developed countries was at the end of the twentieth century.

The idea of using abandoned industrial buildings for residential and office functions first came to the Americans. In the early twentieth century, the cost of land plots in central areas of New York began to grow, the process of industrial enterprises relocation to the outskirts of the city was started. People of creative professions became interested in the vacated premises — low rent (in comparison to classic housing rent), as well as a large area of spaces suitable for use played the role.

In Europe, in buildings of former non-functioning factories, offices and even churches galleries, clubs, bars and creative spaces are opening. **The UK is considered the format founder.** Today, the creative industry of the United Kingdom amounts to 77 billion pounds and 1.7 million jobs.

An original format of creative clusters has been forming naturally. In the future, the idea received the support of business and the government. **For example, since 1998 the support of creative industries has been declared one of the priorities of state policy in the UK.**

**At the moment, the development of creative industry in Europe is supported at the state level.** Thus, the authorities seek to solve the problem of empty buildings, surrendered after the industrial boom.

### *Successful Examples of Creative Spaces in Europe*



*Superstudio, Milan, 1966*



*Melkweg Cultural Centre, Amsterdam, 1970*



*Tea Factory Loft, London, 2000*

## BACKGROUND: MOSCOW

Mass emergence of creative spaces in Russia began in the early 2000s. First creative space appeared in Moscow.

ARTPLAY Design Centre. The project was launched in 2003. In 2008, ARTPLAY moved to the territory of the former industrial zone near Kursky railway station. At the moment the total area is 75,000 sq. m.

Flacon Design Factory is a project realized on the territory of a former glass factory in 2009. The area of the space is about 25,000 sq. m.

Winery Contemporary Art Centre is a project realized on the territory of the oldest grape and dessert wines plant in Moscow, the former Moscow Bavaria brewery. Opened in 2007. Total area of the exhibition space is 20,000 sq. m.

More than **30**  
creative spaces in St-  
Petersburg

With total area of more than  
**100,000** sq. m

**67.6 %**

CREATIVE CAPITAL INDEX\* FOR  
**MOSCOW**

**67.2 %**

CREATIVE CAPITAL INDEX\* FOR  
**SAINT PETERSBURG**

*An index introduced within the framework of a study prepared by Calvert 22 Foundation and PwC in Russia after eight of the world's creative capitals benchmarking, as well as the innovative and creative sector analysis*

## BACKGROUND: SAINT PETERSBURG

The first clusters in St. Petersburg appeared in 2007.

For the last 5 years, on the territories of the city's grey zone a number of creative clusters has increased 7 times.

Floors Loft Project is the first creative space of the Northern capital, which appeared in 2007 on the territory of the Smolninsky Bakery building.

In March 2018, the St. Petersburg Parliament adopted a law under which companies engaged in creative activities may receive benefits for premises renting.

At the moment, a possibility of creating a fund of creative spaces with a total area of 20 thousand square meters is being considered.

## CREATIVE SPACES

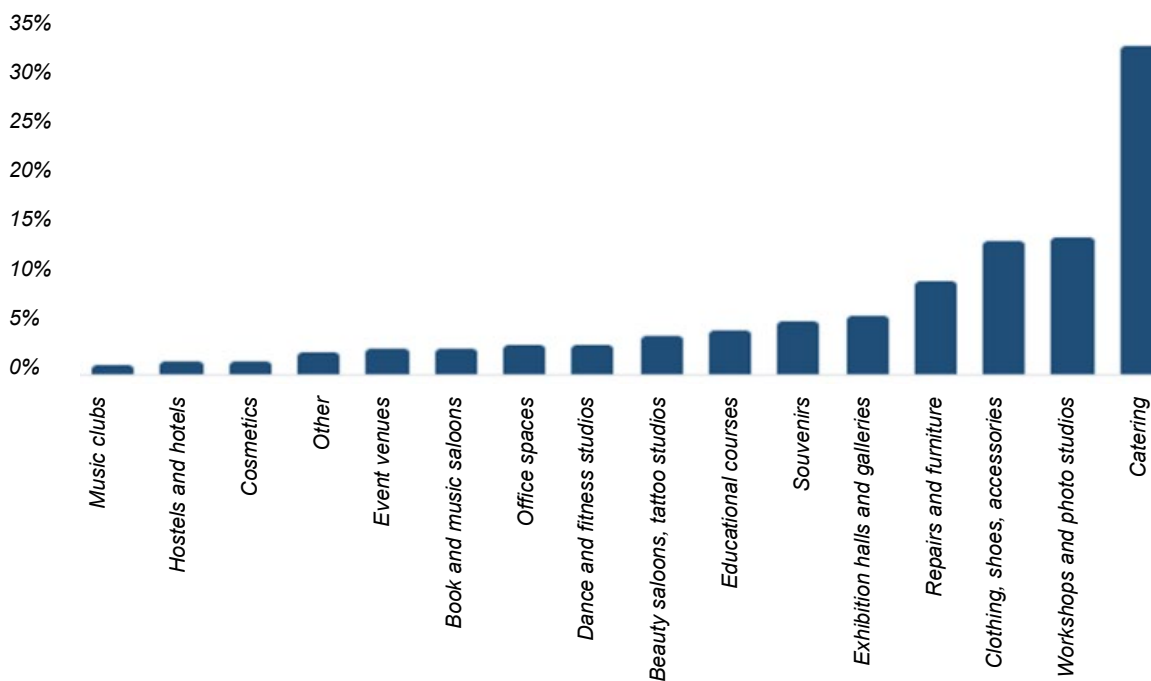
## CREATIVE SPACES LOCATION

Location of the largest creative spaces in the city

*Central and Vasileostrovsky districts are areas of creative spaces concentration*



Main Residents of Creative Spaces in Saint-Petersburg



## PROJECTS ECONOMICS

Creative spaces projects are actively implemented on the territories of former industrial areas, as a rule at facilities, where classic development is not possible at the moment:

- Tkachi is a reconstructed building of a former Peter Anisimov spinning and weaving factory
- ArtMuza is a territory of former Muzdetal musical instruments factory
- ATPLAY is a building of the former Central Design Bureau of Machine Building
- Sevkabel Port is a historical territory of Sevkabel plant.

Building demolition and change of functionality are economically unprofitable for the owner. In the event of difficulties with the facility re-formation for business or commercial purposes, the owner chooses a "creative" concept. With minimum investments, it is possible to increase the facility capitalization.

*Main Prerequisites for Art Clusters Organization in St. Petersburg:*

- Town planning restrictions for buildings usage;
- The investor's financial limits for the facility reformation;
- The volume of investments into the current building demolition and a new project implementation is much more than into the facility reformation for creative space functions.

*Main Functions of Creative Spaces*

- Creation of innovative environment;
- Improvement of depressing urban areas;
- Increasing the city attractiveness for tourists;
- Development of start-up ideas market.

### *Rotation of Tenants*

Usually, the rotation of tenants in creative spaces is high and directly correlates with an area of occupied premises. The smaller the area, the higher the rotation. However, it has little effect on the owner's income flow, because frequently changing tenants are small organizations and are not considered anchor tenants. Vacant spaces are empty not for long, they are usually immediately got occupied by other organizations.



*Sources of creative spaces' income:*

Payments of tenants  
Less frequent — fundraising

*Rental Rates in Creative Spaces*

**1,000 roubles per sq. m** is an average rate for Saint-Petersburg market

**from 700 to 3 000 roubles per sq. m**

a range of rental rates on the market

*Types of Agreements*

Tenancy Agreement is for projects with a relatively small amount of investments

Concession is for major long-term projects with objects of large area, requiring extensive renovation



## TRENDS AND CONCLUSIONS

In Europe, it often happens that the creative spaces format can be considered only as a temporary marketing functions for the location promotion, until a better application is found. An office function is usually becomes the main one. The main income is generated by business.

Creative spaces of St-Petersburg are heading the other way. The creative space format is not temporary here — the owners continue to develop their projects without changing the application. As a rule, public catering and retail companies, occupying the premises on the first floors of buildings, are anchor tenants.

### *Main Obstacles to Increasing Number of Creative Spaces:*

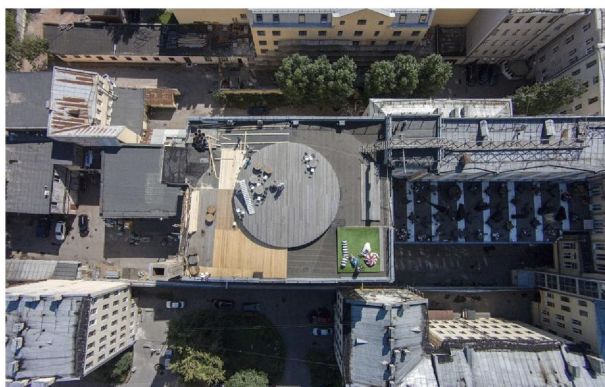
1. Lack of funding;
2. Unstable pool of tenants (start-ups, creative studios, etc.) not providing a continuous and stable rental stream;
3. Non-guaranteed growth of capitalization.

Creative spaces yield directly depends on loyalty and financial solvency of the tenants pool. A number of St. Petersburg projects have faced the difficulties associated with a large concentration of small creative residents, not able to generate a stable income for the owner.

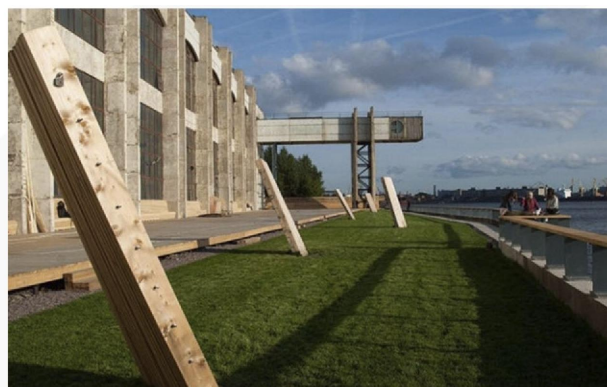
Although, an increase in a number of creative spaces has been noticed recently, there is a trend of their closing due to problems with documentation and conflicts with the owner.

### *Closed Art Spaces in St. Petersburg:*

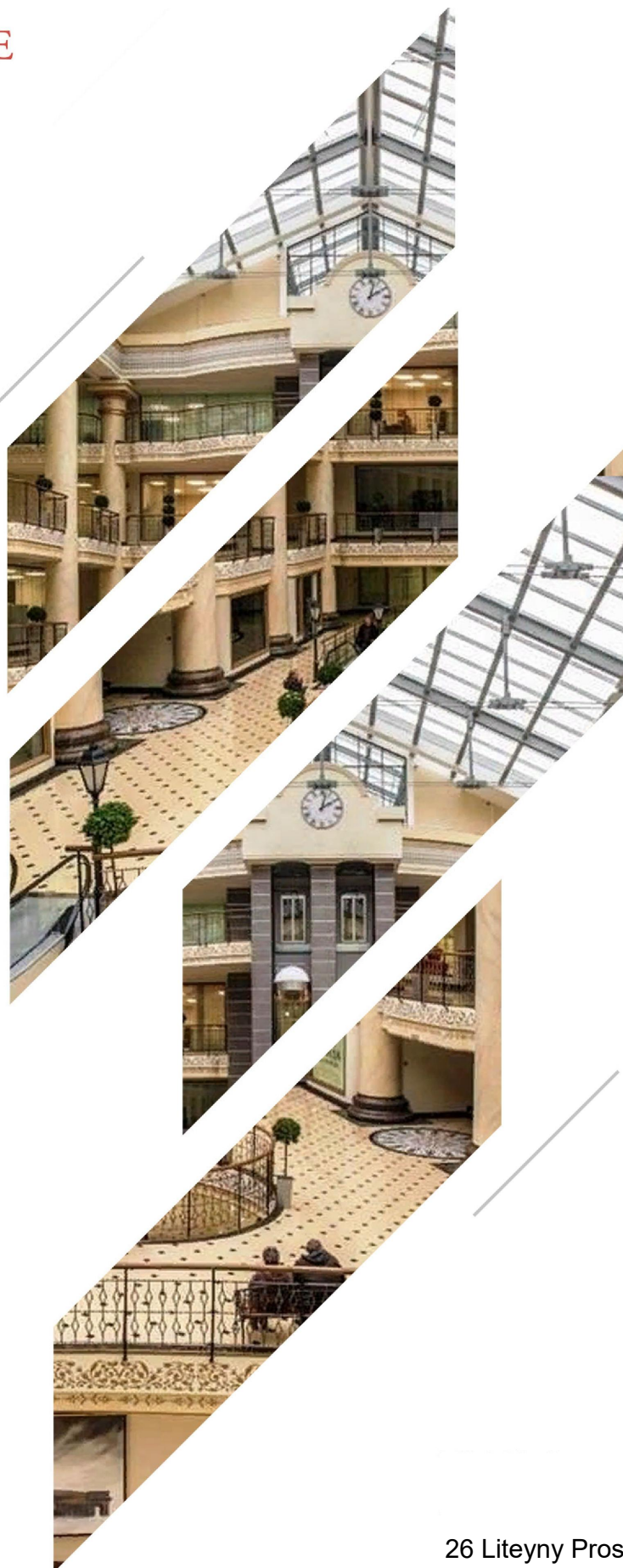
1. Taiga
2. Quarter II
3. Hello Hostel
4. Quarter I
5. HyperSpace
6. Sea
7. Salon
8. Mirakl



*Floors Loft*  
First art space  
in St. Petersburg  
 $S = 5,000 \text{ sq. m}$



*Sevkabel Port*  
One of the biggest and new  
spaces in St. Petersburg  
 $S = 25,000 \text{ sq. m}$



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

---

[www.ipg-estate.ru](http://www.ipg-estate.ru)