



# FORECAST

Retail

May 23d, 2022





# ПРЕДПОСЫЛКИ ПРОГНОЗОВ

“

The Ministry of Economic Development and the Central Bank issued official forecasts in May. Both regulators do not expect Russian economy to recover in 2023. The whole system goes through a deep structural transformation. So, it is now hard to predict the following scenario including import and export balance and GDP structure even in the mid-term which makes forecasts for 2024 rather provisional. But we can expect growth of the state control and decrease of the consumer sector's share in the economy.

This year inflation may hit 20%, next year there will be 10%, and return to pre-crisis level is expected only by 2025, which means prices will grow by 40% in three years. The real estate sector will not be able to cover such a gap and guarantee the same price dynamics. As a result, we will see a noticeable decrease of prices in real terms.

It is obvious that the costs of import will grow, and the Central Bank confirms the statement. Previously, importers worked through credits and now supplies require 100% pre-payment. Against the background of high interest rates, it means dramatic growth of costs. Supply shrinkage will be the main inflation driver for local production as producers are focused on the profit optimization rather than expansion.

Exodus of international companies is an important factor influencing the real estate segment. Leaving the country, the companies will have to cover all lease obligations or forward them to new owners. It means that the market is stable at the moment because the transferring process is not cascaded to the level of lease agreements negotiations yet. We expect a major market move to start in June.

Financial modeling now should be based on 40% of inflation for the coming 3 years.

**Denis Sokolov**

Partner,  
Head of Research & Insight





# RETAIL MARKET. KEY INDICATORS

## MOSCOW

JAN - MAY 2022

5.93 MN SQM

Total Quality Stock

27.5 '000 SQM

New Construction (Retail Properties with GLA of more than 15,000 sq. m)

11 %

Vacancy Rate in Quality Shopping Centers

## MOSCOW

DECEMBER 2022

6.0 MN SQM

Total Quality Stock

60 '000 SQM

New Construction (Retail Properties with GLA of more than 15,000 sq. m)

30 %

Vacancy Rate in Quality Shopping Centers



В условиях неопределённости с магазинами, приостановившими деятельность, не только собственники ТЦ страдают от снижения арендного потока, но и работающие операторы отмечают снижение количества покупателей. При этом обороты ритейлеров могут даже расти в номинальном выражении, но этот рост, как правило, определяется значительным ростом расходов, которые отражены в ценах.



Посещаемость магазинов и ТЦ продолжает снижаться, по сравнению с мартом разрыв с показателями 2019 и 2021 гг. продолжает расти. Майские праздники не принесли ожидаемого роста количества покупателей в магазинах и ресторанах.

Мы не ожидаем восстановления посещаемости до конца этого года.



Mall Index (footfall in shopping centers):

-8% April 2022 vs April 2021

-25% April 2022 vs April 2019

Data source: Focus

# CONSUMER MARKET

After a burst of consumer activity in February, the Central Bank registered decrease of retail and catering turnovers in March (-2.5% и -7.0% м/м SA, correspondingly). Against the background of shrinkage and structural transformation of the economy which will lead to supply shortage in the short-term, consumer market will stay under the pressure.

The conservative scenario from the Central Bank assumes household consumption to decrease by 15% decrease in 2022-2023.

The conservative scenario from the Ministry of Economic Development also shows two years of real disposable income and retail sales decrease. Retail turnovers may fall by 11 in total. The basic scenario where the market will see decrease of consumer activity only in 2022 may seem overly optimistic.

However, the key rate decrease followed by fall of deposit interest rates as well as high uncertainty in forecasts may stimulate consumers to invest money in purchases.

## Macroeconomic Forecast of the Bank of Russia, May 2022 (basic scenario)

	2020	2021	2022F	2023F	2024F
CPI (%, Dec to Dec of the previous year)	4.9	6.7	18.2 – 20.9	6.8 – 10.4	4.1 – 4.6
Key rate (% per annum, average for the year)	5.1	5.7	12.5 – 14.01	9.0 – 11.0	6.0 – 8.0
GDP (%, YoY)	-2.7	4.7	-(8.0 – 10.0)	(-3.0) – 0.0	-2.5 – 3.5
Household consumption (%, YoY)		9.5	-(8.5 – 10.5)	-(2.0 – 5.0)	3.0 – 4.0

## Macroeconomic Forecast of the Ministry of Economic Development (basic/conservative scenario), May 2022

	2021	2022F	2023F	2024F
Retail Sales (%, YoY)	7.3	-8.7 -9.6	2.5 0.3	4.9 4.9
Real Disposable Income (%, YoY)	3.0	-6.8 -7.4	1.3 -1.1	4.3 2.6
Unemployment Rate % of labor source (%, YoY)	4.8	6.7 7.0	6.6 6.8	5.4 5.7

# BALANCE OF INTERESTS

The key condition of the market development is a balance of interests. Retail market has stepped in a new phase of such balance search.

Retailers estimate acceptable lease share in the total costs and initiate negotiations with landlords asking for discounts.

Developers are searching for solutions to save assets in the situation of decreasing lease income from both retailers that stopped operations and those working and losing footfalls.

## RETAILERS ARE IN NEED OF GOOD NEWS

One of the key factors influencing the retail market now is uncertainty with international operators that temporarily stopped operations in Russia.

Closed stores decrease owners' lease income and disrupt concepts of shopping centers – some of them are anchors and mini-anchors, others provide gaps in shopping galleries which leads to decrease of footfalls and turnovers of opened stores. Market players that temporarily paused operations will be able to continue working on the local market after deep transformation of business processes, new solutions in transport logistics and all of these on the assumption of positive geopolitical news.

Some operators are working on exit from the local market through sale, localization or franchising. First exit cases among retailers are LPP, McDonald's, Reebok, Starbucks, L'Occitane.

Time of "pauses" is over, it is now time of decision making. Most likely, we will see other cases of market exits until the summer end.

All retailers now face lots of challenges: growth of costs (materials, logistics), prolonged delivery time, supply shrinkage and footfall decrease. Cinemas are mostly hit by the last factor (-70% of pre-crisis footfalls).

## DEVELOPERS ARE IN NEED OF RETAILERS' DECISIONS

Developers expect final decisions from landlords, who have suspended their activity, although they are working out possible variants of development of events in case of closure of parts of operators.

Among actively discussed variants: attraction of Russian developing brands, own franchise of new Turkish and Asian retailers, reconcepting of freed-up areas.

Obvious decisions are not here now. In each of the variants there are own risks and limitations.

New brands from Asia and Turkey are not ready to go out on a direct and consider only partnership schemes. If such a partner becomes the owner of the TC, he needs to factually create a new business from scratch.

Russian brands can occupy freed-up areas only partially, for more extensive development it is necessary time and testing of the market.

Reconcepting – a complex task due to the specifics of areas of some operators (for example, cinemas), and also in conditions of a limited pool of potential landlords. For that reason, the update of the concept presupposes significant expenses, the size of which in the current situation is even difficult to estimate. Against the background of uncertainty with revenue, sooner or later, few owners will decide on such a process.



# ОЖИДАНИЯ РЫНКА

## УХОДИТЬ НЕЛЬЗЯ ОСТАТЬСЯ

Новая конфигурация рынка ритейла в России остаётся неопределённой. Никто не знает наверняка, сколько операторов розничной торговли покинет рынок полностью, сколько из тех компаний, которые переданы в локальное управление, останется в сегменте и будут сохранять формат и количество точек.

Вызовы сегмента розничной торговли состоят не только в судьбе международных операторов на локальном рынке, но и ситуации, которая будет складываться у российских операторов. С учётом экономической и геополитической неопределённости сложно даже говорить с уверенностью о том, что розничный рынок в классическом представлении сохранит свою функциональность.

Тем не менее, важно понимать и отслеживать позицию экспертного сообщества, настроения рынка, исходя из которых принимаются решения и которые косвенно влияют на направление движения рынка.

В экспертном блоге «Недвижимая Экономика» проводится опрос экспертного сообщества о вариантах развития событий в торговом сегменте. Почти 40% ответивших на вопрос о судьбе иностранного ритейла настроены оптимистично - ожидают сохранения работы иностранных брендов или качества продаваемых товаров и услуг при локализации брендов. Более 60% респондентов смотрят на будущее рынка более консервативно, ожидают снижения качества и сокращения числа магазинов, а так же деградации форматного ритейла.

Принять участие в опросе:



Недвижимая Экономика  
353 subscribers

### Что будет с иностранным ритейлом к концу года?

Anonymous Poll

- 16% Все (или почти все) иностранные бренды будут работать под своими марками.
- 21% Российские команды будут работать под новыми марками, но сохранять качество.
- 34% Новые собственники распродают запасы, закроют большую часть точек, и будут торговать чем попало.
- 18% Большая часть точек вообще не откроется и собственники ТЦ будут реквизи́ровать площади.
- 11% На месте гипермаркетов возникнут барахолки, форматный ритейл умрет.

## Denis Sokolov

Partner,  
Head of Research & Insight  
Denis.Sokolov@cmwp.ru

## Tatyana Divina

Associate Director  
Deputy Head of Research & Insight  
Tatyana.Divina@cmwp.ru

## Ekaterina Nogai

Analyst  
Retail  
Ekaterina.Nogai@cmwp.ru

