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Moscow Shops Starting to Lose Tenants

By The Moscow Times

June 23, 2014



More and more Moscow stores are going empty, including the ones on Tverskaya Street.

Moscow shoppers accustomed to streets chock full of domestic and foreign retailers are encountering an unfamiliar sight this year — empty stores.

The total vacancy rate in street retail in the Russian capital has more than doubled since January, going from the stable 4 percent it has enjoyed in recent years to 8 percent and rising, according to a study by retail property consultants Magazin Magazinov.

While the poor economic situation has had an impact, the life cycle of standard rental agreements is also to blame, according to the consultancy. A typical rental agreement in street retail lasts five years, resulting in a sudden wave of exits when contracts expire.

The last such wave was seen exactly five years ago, in 2008 and 2009, when the vacancy rate reached 14 percent.

The rise in vacancies also shows that companies are losing interest in street retail, the study

said. "A tenant's market has developed in the segment, supply exceeds overall demand," said Marina Markova, head of street retail at Magazin Magazinov.

The consultancy expects the vacancy rate to continue rising, growing to at least 10 percent by the end of the year.

Amid the general outflow, there is one kind of property that has maintained a stellar occupancy rate. Just 3 percent of the highly desirable retail locations near pedestrian zones are now empty, the study found.

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