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Moscow Inundated With New Shopping Malls

By The Moscow Times

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The abundance of new retail space has benefitted tenants, however, as landlords scramble to attract and retain clients.

Moscow is seeing a boom in new mall openings in what looks to be a last hurrah before the stifling effects of Russia's economic crisis freeze out new development.

In the first quarter of 2015, a record 250,000 square meters of new shopping center real estate became available, more than in 2011, 2012 or 2013 in their entirety and four times more than in the first quarter of last year, according to real estate consultancy Jones Lang LaSalle (JLL). The boom was led by several mega-malls, including the gargantuan 136,000 square meter Columbus shopping center and the 66,000 square meter Kuntsevo Plaza.

The honeymoon will be short-lived, however. Of the 850,000 square meters announced for 2015, only another 200,000 square meters are likely to be completed this year as Russia struggles with an economic downturn, JLL said.

Projects that are planned on paper will be frozen until the economy stabilizes and demand from retailers increases, Tatyana Kluchinskaya, national director and head of the retail department at JLL's division for Russia and the CIS, said in a press release.

Russia's economy is set to shrink by at least 3 percent this year, hammered by Western sanctions over Ukraine and steep falls in the price of oil, the country's top export.
The downturn has hit developers particularly hard, as financing costs have risen sharply since the Central Bank hiked its key interest rate 6.5 percent in December in an attempt to stabilize the ruble. The Russian currency has fallen about 40 percent to the U.S. dollar since the start of last year.

The abundance of new retail space has benefitted tenants, however, as landlords scramble to attract and retain clients.

While the average rental rate stayed at the level of the previous quarter, rates for high-end space fell 15 percent in the first quarter of this year to $2,000-$3,800 per square meter a year, JLL said.

Price reductions and other perks have helped keep vacancy rates in top-flight Moscow shopping centers at a relatively low 6.5 percent, JLL said, with a rise to 8 percent forecast by the end of the year.

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