

MARKET SNAPSHOT

Kyiv Retail Market

CBRE | Ukraine

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Q3 2015

HOT TOPICS

- In Q3 2015 consumers were still struggling to balance household budgets against expensive utilities and high inflation
- No new shopping centers were delivered to Kyiv market year-to-date
- In the absence of new supply accompanied by relative stabilization of retailers demand, average market vacancy dwindled by 1 pp over Q3 2015
- Rents were broadly stable during the last three months owing to the absence of significant UAH/USD value fluctuations

PERFORMANCE

In recent months the consumer demand was fragile due to the fact that consumers were still struggling to balance household budgets against expensive utilities and high inflation. Subdued consumer demand entails weak retailers' sales figures: the organized retail turnover declined by 16.7% y-o-y in Kyiv during January – August 2015. At the same time the pace of turnover deceleration eased as year progressed, while retailers adapted to weak consumers sentiment through vigorous cost-management and marketing. No new shopping centers were delivered to Kyiv market year-to-date. As of the end of September 2015, total competitive retail stock in Kyiv amounted to approximately 880,000 sq m sq m. Regional markets witnessed a remarkable opening of Forum Lviv shopping centre (35,000 sq m GLA) by Multi Development. Another delivery of Hollywood Mall (43,000 sq m GLA) took place in Chernihiv, smaller 2nd tier city.

In the absence of new supply accompanied by relative stabilization of retailers demand, average market vacancy dwindled by 1 pp over Q3 2015. Vacancy in prime shopping centers was recorded in 4%-6% range, availability indicator in other schemes varied in the 9%-13% range as of the end of September 2015. Rents were broadly stable during the last three months owing to the absence of significant UAH/USD value fluctuations. Therefore, prime rents varied in the \$58 - \$97/sq m/month (triple net) range, while secondary rents were within the range of \$27-46/sq m/month for typical gallery units (100-200 sq m).

OUTLOOK

Delivery dates of large-scale shopping centers previously planned for opening in 2015 were postponed to 2016-2017. Therefore, we substantially downgraded our annual forecast completions for 2015: 40,000 sq m within three schemes are expected to be delivered to the market by the year-end. Prime vacancy is expected to contract slowly by the end of 2015, while vacancy in secondary schemes is forecast to increase in case of timely delivery of new space. Rents will stay broadly unchanged by the end of the year assumed stable currency and slow economic recovery.

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