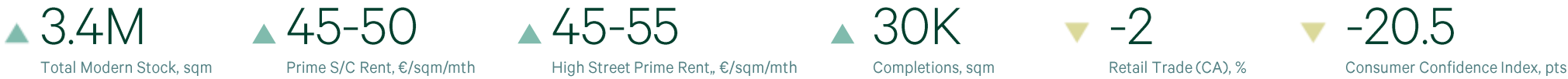


Beyond Consumer Habits: Rapidly Changing Retail



Note: Arrows indicate change from corresponding period of the previous year

Supply. During Q3 2022, only one modern retail project was commissioned, supplementing the already saturated Baltic market. In Estonia, the first full-sized Ikea store (GLA 30,000 sqm) was opened in August, just outside Tallinn and Tabasalu Keskus, a multifunctional centre, became operational in October. Overall, multiple multifunctional and retail park schemes are under construction in the Baltics and are expected to be delivered in 2023.

Leasing Terms. While during Q3 rent rates remained moderately stable for the prime high-street locations in the Baltics (45-55 Eur/sqm/mth) as well in CEE (where the high street prime rent is ca. 100 Eur/sqm/mth) and the Nordics (ca. 130 EUR/sqm/mth), the corrections are likely in the periods to come. Uncertainty remains strong, putting pressure on rents, other lease revenues, and terms. Yet the main landlord and retail groups are interested in finding long-term partnering solutions and will commit to investing in premises and common areas in response to more demanding consumer expectations from shopping, leisure, and the convenience experience.

Trends. Consumer shopping habits are currently affected by two dominant factors: the rising influence of e-commerce penetration, and inflation which has significantly increased food and utility prices. Falling consumer confidence is directly reflected in falling retailer income. The current consumer confidence in the Baltics is around the same as during the financial crisis in 2009. Consumers primarily reduce spending on travel, entertainment and other discretionary goods. Purchases have become more thought out and planned, with consumers increasingly interested in good price offers, and more sustainable (i.e., energy efficient, ecological, insured) products.

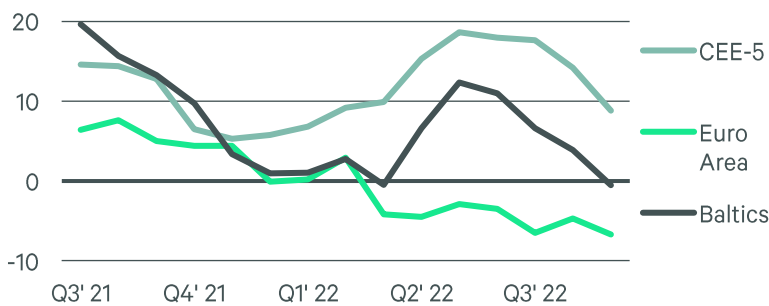
The DIY trade segment may experience challenges if consumption starts to slow down, but there is strong evidence for the sector maintaining growth. People are expected to use the opportunities provided by the economic slowdown to repair or renovate their homes, spending more on sustainable home investments, available craftsman and construction workers. According to Euromonitor, the DIY segment is expected to sustain sales growth by ca. 5% this year, with Kesko Senukai, Depo, and Ikea leading in the Baltics.

High energy prices remain a challenge for shopping centres and retailers. Operational efficiency and responsible cost planning are important operating principles. With the current situation landlords as well as tenants are looking for additional measures to save growing costs. In stores, savings are made by reducing the intensity and duration of lighting, ventilation and heating, reduction of working hours, optimization of building management systems, and other incentives.

FIGURE 1: Modern Mixed Use and Retail Spaces Currently Under Construction

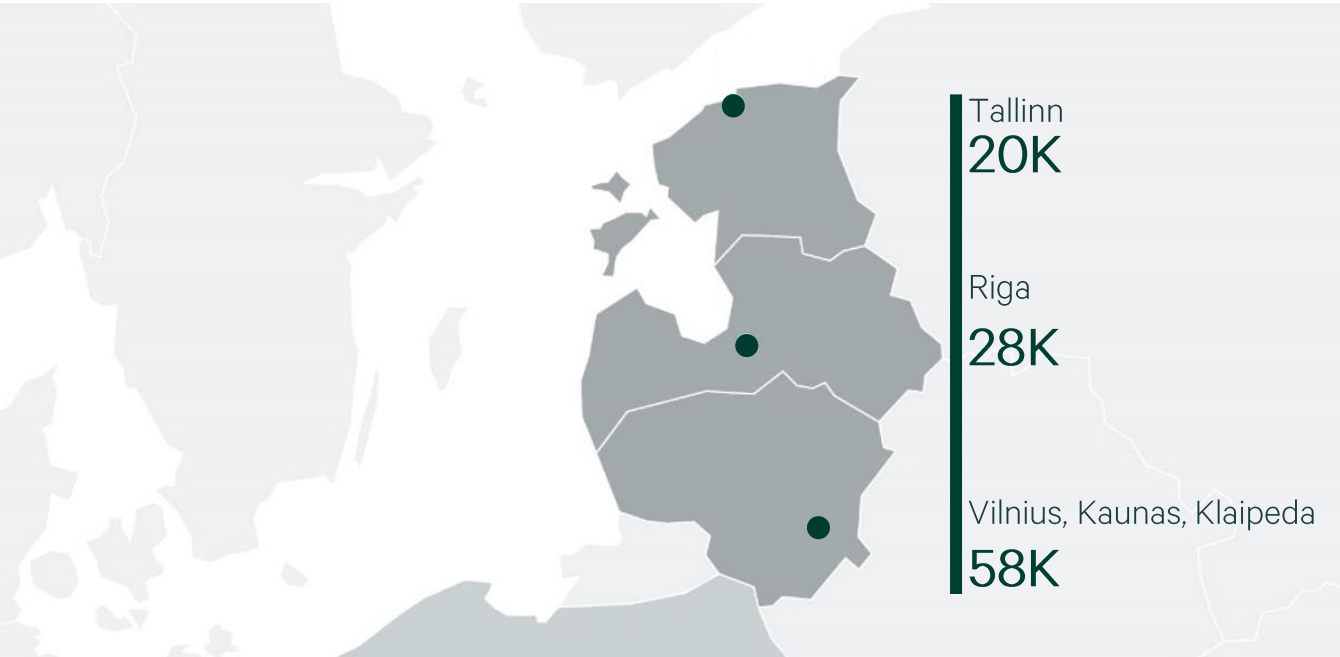
Project	City	Developer	Retail GLA, sqm	Format	Year
Mega	Klaipeda	Baltic RED	34,000	Retail Park	2023
Kurna Park	Tallinn	VPH	20,000	Retail Park	2023
DEPO	Riga	DEPO	17,000	DIY	2023
Una	Vilnius	VPH	15,100	SC	2023
Preses Nama Kvartāls	Riga	Lords LB	7,500	Multifunctional	2023
Novira Plaza	Riga	Novira Capital, Evernord	3,500	Multifunctional/ Business Centre	2023

FIGURE 2: Retail Confidence in Baltics, Euro Area & CEE, Q3 2021 – Q3 2022



Source: CBRE Research, Eurostat

Market Area Overview Modern Under Construction Retail Spaces, sqm



Definitions

Prime Rent – for retail, Prime Rent is represented as the typical «achievable» open market headline rent which an international retail chain would be expected to pay for a ground floor retail unit of up to 200 sqm of the highest quality and specification and in the best location in a given market commensurate with demand in each location.

Shopping Centre (SC) Stock – represents the total completed retail space (occupied and vacant) in the shopping centres at the survey date, recorded as net rentable retail area. Included are shopping centres with a gross lettable area above 10,000 sqm, excluding hypermarkets, DIY stores, retail parks and other specialised stores. Included are shopping centres with an anchor tenant, for which leasable area does not exceed 60 percent of GLA.

Total Modern Retail Stock - represents the total completed modern retail space (occupied and vacant). Total Retail Stock includes purpose-built, space converted from other uses and independent space forming part of a mixed-use development. Includes shopping centre stock, total retail space in retail parks, theme-oriented centres and department stores with a gross leasable area from 5,000 sqm. Space under construction is excluded from the Total Retail Stock until development completion.

CEE-5 Core Countries - Czechia, Hungary, Poland, Romania, Slovakia.

Contacts

Iveta Ardava

Head of Retail Asset Services
+371 29161744
iveta.ardava@cbre.lv

Ieva Vitaityte

Research & Marketing Manager
+370 65609710
ieva.vitaityte@cbre.lt

Elza Muraševa

Market Analyst
+371 20389233
elza.muraseva@cbre.lv

© Copyright 2022. All rights reserved. This report has been prepared in good faith, based on CBRE Baltic's current anecdotal and evidence based views of the commercial real estate market. Although CBRE Baltics believes its views reflect market conditions on the date of this presentation, they are subject to significant uncertainties and contingencies, many of which are beyond CBRE Baltic's control. In addition, many of CBRE Baltic's views are opinion and/or projections based on CBRE Baltic's subjective analyses of current market circumstances. Other firms may have different opinions, projections and analyses, and actual market conditions in the future may cause CBRE Baltic's current views to later be incorrect. CBRE Baltics has no obligation to update its views herein if its opinions, projections, analyses or market circumstances later change. Nothing in this report should be construed as an indicator of the future performance of CBRE Baltic's securities or of the performance of any other company's securities. You should not purchase or sell securities—of CBRE Baltics or any other company—based on the views herein. CBRE Baltics disclaims all liability for securities purchased or sold based on information herein, and by viewing this report, you waive all claims against CBRE Baltics as well as against CBRE Baltic's affiliates, officers, directors, employees, agents, advisers and representatives arising out of the accuracy, completeness, adequacy or your use of the information herein.