

FIGURES | BALTIC RETAIL | Q2 2023

Empowering Newcomers with Space Enhancements



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

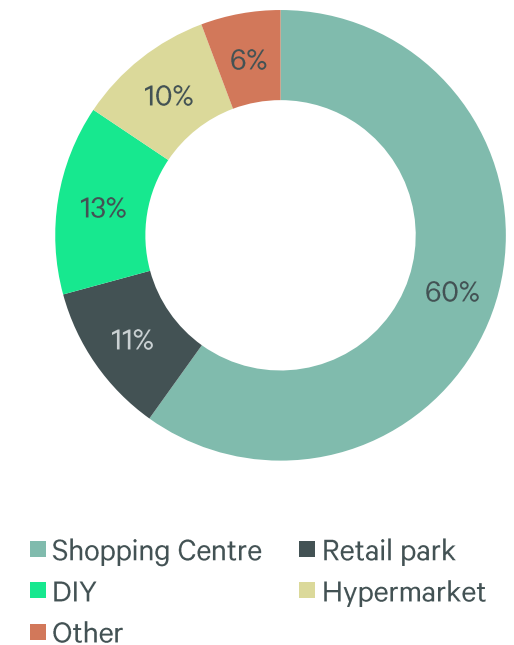
Supply. Q2 2023 brought some new developments for the retail sector in the Baltics. The completion of Retail Park Una (15,000 sqm) by VPH in Lithuania has been the most remarkable completion over H1 2023. Additionally, Viru Keskus in Tallinn and Olimpija SC in Riga underwent large-scale refurbishments, enhancing the shopping experience for customers. Spice SC in Riga is nearing completion of its renovation works, promising an updated and modern retail environment. Mada SC in Vilnius announced plans for reconstruction, while the shopping town of Kaunas region Urmas, is also undergoing changes with the implementation of a new concept and an investment of 20 million for renewal over the next four years. Retail development pipeline volumes are active, although in a transformed shape with multiple multifunctional schemes and retail parks still under construction across the Baltics.

Demand. After the Q1 indexation and a slight increase in rent rates for shopping centers in the Baltics, the market remained stable during Q2. Currently, the Prime SC range in Baltic Capitals is 48-55 EUR/sqm/month, while for Highstreet, it is 45-55 EUR/sqm/month. The differentiation of tenant demand and the need for diversification of uses continue to vary case by case between prime, secondary, and tertiary retail locations. Vacancies at prime Shopping Centers with accomplished upgrade programs across Baltic capitals stand at 1.5-3%. However, locations that have started or continue their upgrade or redevelopment program will likely face increased vacancies in the next couple of years.

Newcomers & Expansions. The Baltics welcomed several newcomers and witnessed the expansion of renowned brands during 2023. Scandinavian minimalist fashion brand ARKET made its debut in the Baltics with the opening of its first store in Viru Keskus, Tallinn. Moreover, ARKET plans to establish its presence in Galerija Centrs, Riga later this year, further solidifying its position in the Baltic retail market. HalfPrice, a discount store, successfully opened its doors in Akropole Alfa SC, Riga. Tradehouse, an Estonian makeup brand, entered Latvia through SC Olimpija. Grocery retailer Spar, which initially started its operations in regional cities, further expanded into Riga, tapping into the capital's market. Other expansions included popular fashion retailer Peak&Cloppenburg, fast-food McDonalds and Burgerking, and pizza chain Domino Pizza, which extended their footprints in the region.

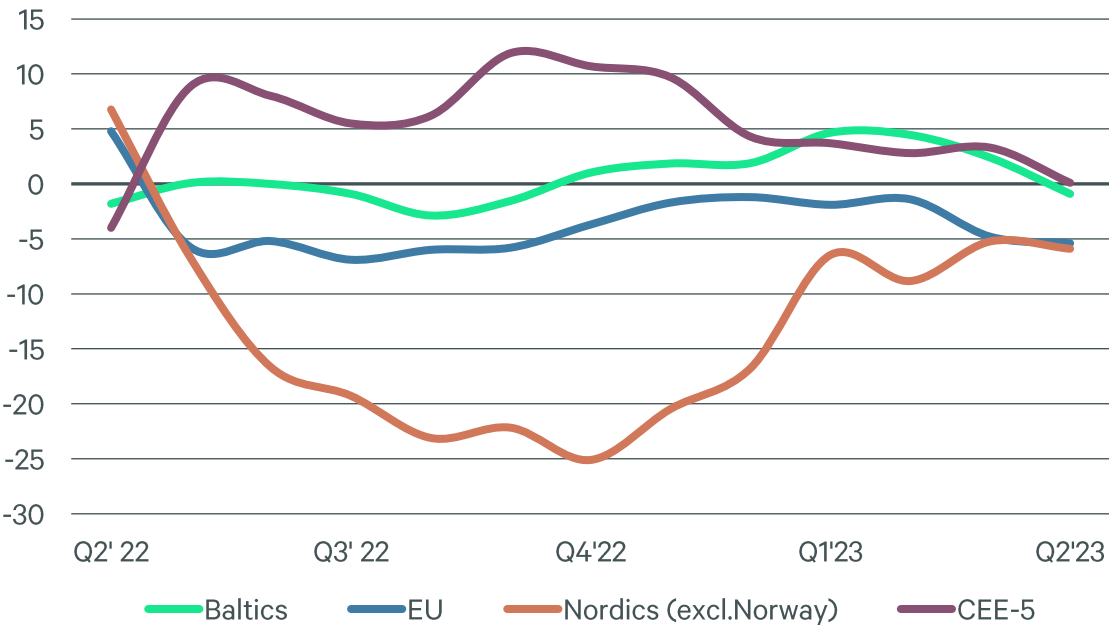
Regional retail remains a strong trend in the Baltic states, with several retail giants expanding their presence to reach customers beyond the capital cities. Sports Direct, a well-known sports retailer, expanded its operations to regional cities, offering a wide range of sports equipment and apparel. LPP, mainly with Sinsey and Pepco also took advantage of this trend, as they continued to expand their retail outlets in regional areas.

FIGURE 1: Modern Retail Space Distribution by Use, Baltics, Q2 2023



Source: CBRE Baltics Research

FIGURE 2: Retail Confidence Indicators in the Baltics, Euro Area, CEE-5 and Nordics, Q2 2022 – Q2 2023



Source: Eurostat, CBRE Baltics Research

Definitions

CEE-5 – Czech Republic, Hungary, Poland, Romania, Slovakia.

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 the 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.

Retail Density – Modern Retail sqm available in region per 1,000 inhabitants

Retail trade confidence indicator - the arithmetic average of the balances (in percentage points) of the answers to the questions on the present and future business activity, and on current stocks (the last with inverted sign).

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