

FIGURES | BALTIC RETAIL | Q4 2023

Revitalizing through Renovations



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

Supply. During the last quarter of the year, Estonia was the only Baltic country that experienced significant developments in the retail sector for the second quarter in a row. The Kadaka Trade Center, with a retail GLA of 5,400 sqm, was completed during this period. Although some planned retail spaces were supposed to be completed by the end of the year, they were postponed to Q1 2024. This indicates that the upcoming quarters will witness new deliveries of DIY store and retail spaces in multifunctional centers.

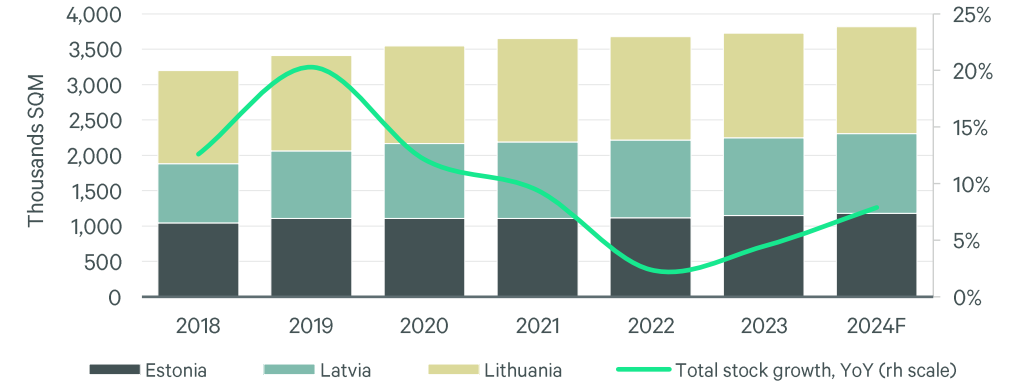
In 2023, although construction completions were sparse, the year was characterized by a notable emphasis on renovation and redevelopment initiatives, as well as substantial investments in sustainability. By the end of the year, Jarve Keskus in Tallinn completed its renovation of the facade and outdoor spaces, at a cost of over 4M EUR. Panorama in Vilnius was finalizing its renovation and implementation of an upgraded concept, with an investment of approximately 15M EUR. Riga Plaza was preparing for an upcoming expansion of approximately 8M EUR.

Shopping center landlords opted for longer tenant contracts and offered additional refurbishment for these cases. For instance, in October, Peek&Clopeenburg opened their renovated store in Domina SC, in Riga, after investing 4.3M EUR. Additionally, Akropolis in Vilnius planned to invest 1M EUR in the construction of a 480 sqm building, where the extended store "Sportland" would be located.

Demand. During the quarter, the vacancy rate and rents remained stable. However, there will be some rent-level corrections in Q1 2024 due to expected indexations. As a result of last year's high inflation, new practices have emerged, and tenant indexation policies have shifted from local to Euro Area or EU inflation rates. Additionally, capping indexation has become a standard request among the majority of the tenants.

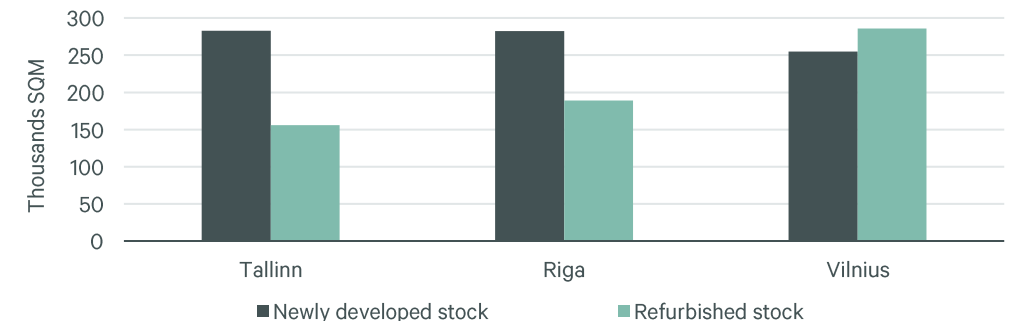
Trends. The way consumers shop is changing, especially in suburban areas where retail activity is increasing. One significant development is the rise of retail parks in the Baltic countries, which are becoming popular as suburban hubs that offer both convenience and a diverse shopping experience. In contrast, traditional high street retail is facing ongoing challenges and needs to adapt to meet changing consumer preferences.

Figure 1. Modern Retail Stock and Growth Rate, Baltics, 2018-2024F



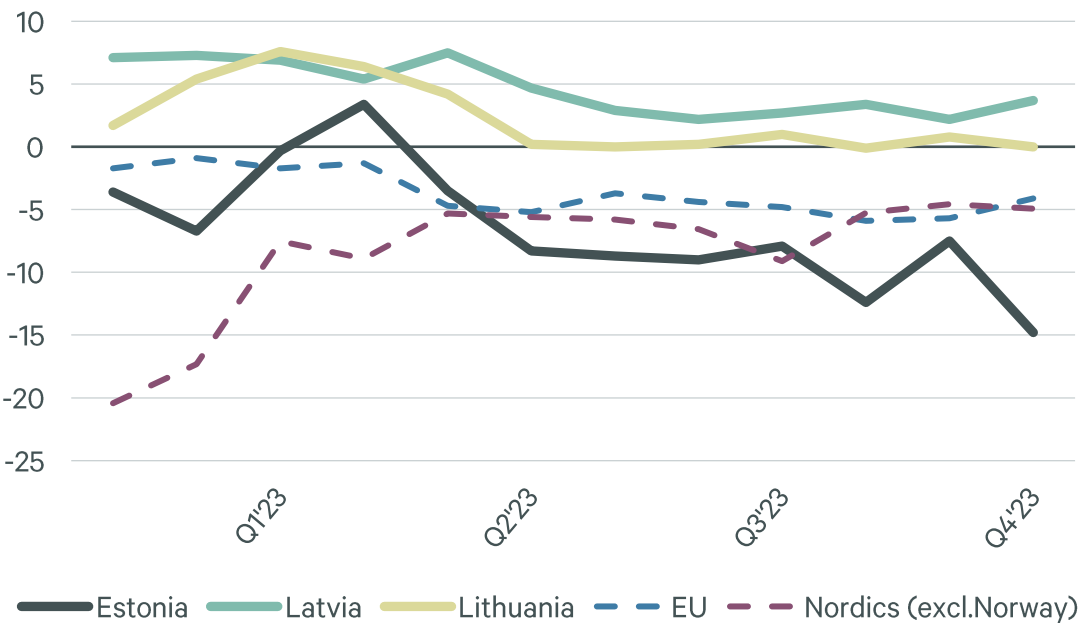
Source: CBRE Baltics Research

Figure 2. Refurbished vs. Newly Developed Modern Retail Stock, 2013-2023



Source: CBRE Baltics Research

FIGURE 3: Retail Confidence Indicators in the Baltics, EU and Nordics, Q1 2023 – Q4 2023



Source: Eurostat, CBRE Baltics Research

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.
- 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 an inverted sign).
- 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.

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