

Navigating Saturation Toward Innovation



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

Supply. During the first quarter of 2024, the modern Baltic retail market experienced stability, with no new completions observed. Currently, the modern retail stock in the Baltics stands at 3.7 million square meters. In the capital regions, this translates to approximately 800 sqm of modern retail space per 1,000 inhabitants, showcasing one of the highest retail densities in the CEE region.

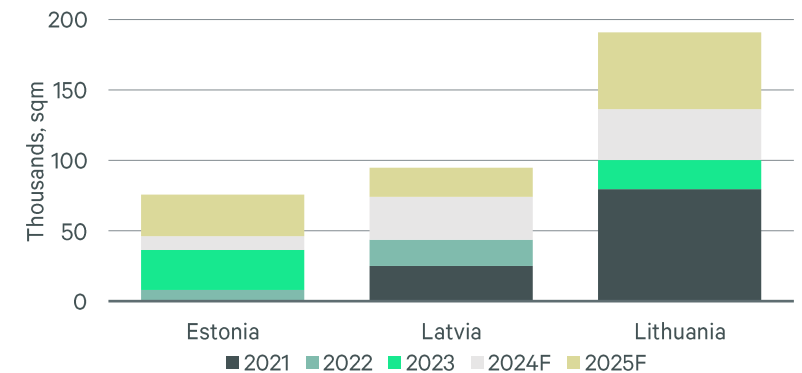
Shopping centers are increasingly focusing on refurbishments and updates to their tenant mix. Notable refurbishments and expansions are underway in Riga Plaza in Latvia and Akropolis Vilnius, as well as Outlet Park in Lithuania. Additionally, new retail projects primarily take the form of multifunctional centers with dominant retail components and functional supermarkets and DIY stores.

Demand. The Baltic countries exhibit notable variations in retail turnovers and footfall numbers. During the first quarter, Estonia experienced a decline of approximately -1% in retail turnover compared to the previous period, along with a decrease in shopping center footfall. Meanwhile, Latvian trade numbers fluctuated, ultimately falling slightly by 0.1%. In contrast, Lithuanian retail grew by approximately 0.1% over the same quarter. These variations extend to vacancy rates and tenant attraction. Prime shopping centers and premium location high street shops in the Baltic capitals are nearly vacancy-free, while city center concepts and older concept traditional shopping centers across all Baltic capitals are witnessing a slight increase in vacancies.

Trends. Investment trends in the Baltic market show dynamism. Retailers, including fast fashion, grocery, and DIY brands, are expanding beyond major cities to secondary and smaller cities. This shift highlights investment opportunities outside the capitals as smaller cities become attractive destinations. Retailers are recognizing the untapped purchasing power and adjusting their offerings to meet consumer needs in these areas.

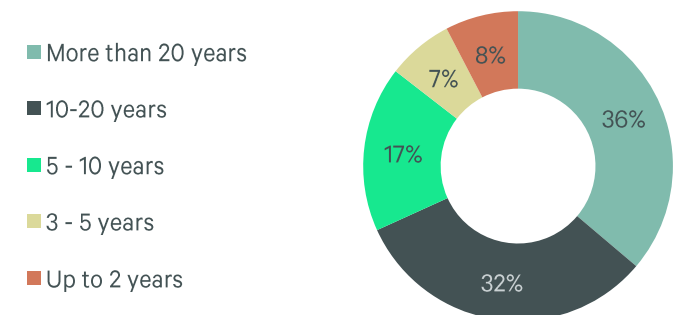
Foot traffic near the stores in metropolitan areas has rebounded, although it remains 10 to 20% lower than pre-pandemic levels. One significant factor contributing to this decline is hybrid work patterns and sustained increase in online spending as a share of overall retail expenditure. While the initial surge in online shopping has slowed, it still surpasses 2019 levels.

Figure 1. Modern Retail Stock Completions, Baltics, 2021-2025F



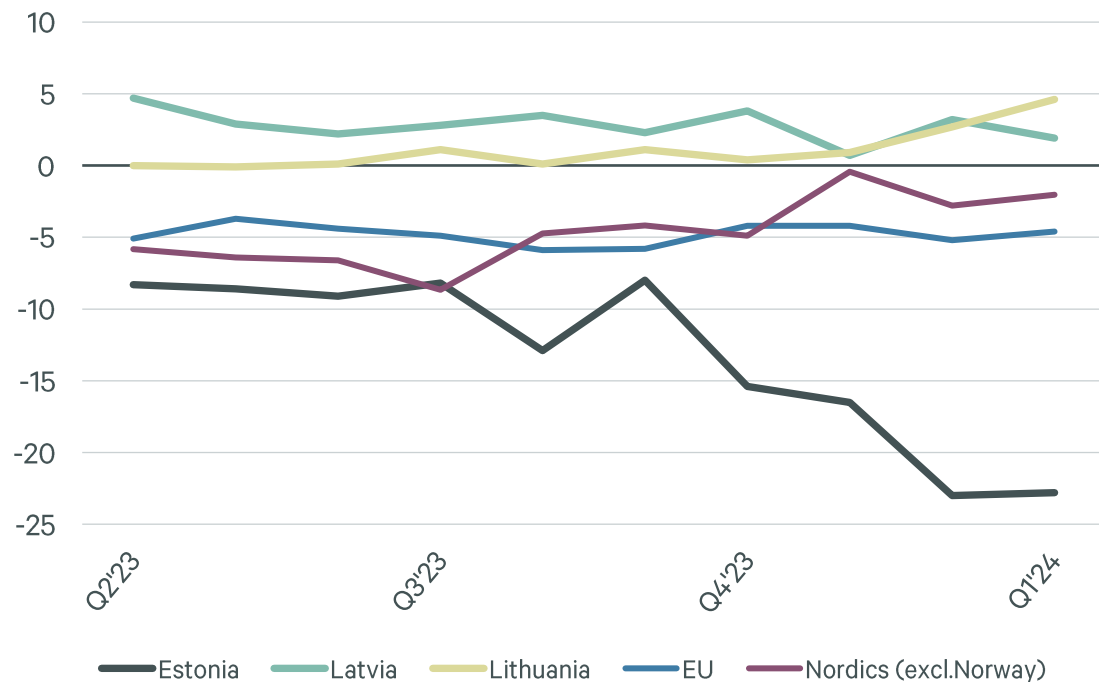
Source: CBRE Baltics Research

Figure 2. Age of Modern Retail Stock in the Baltics



Source: CBRE Baltics Research

FIGURE 3. Retail Confidence Indicators in the Baltics, EU and the Nordics, Q2 2023 – Q1 2024



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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