

Navigating Saturated Markets



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

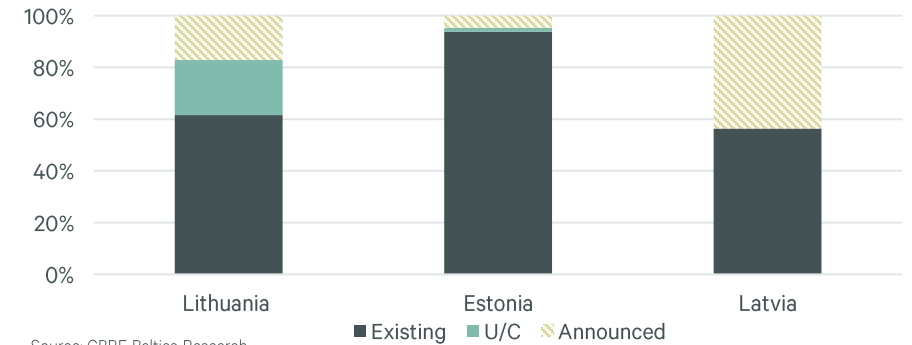
Supply. In the Baltic capitals, Q3 brought several notable retail developments. Riga has transformed a former department store into the Teika Plaza shopping center with a GLA of 23,500 sqm. In Vilnius, construction has begun on the PC Pikas neighborhood shopping center, set to open in 2025 with 8,000 sqm of GLA and Iki as the anchor tenant. Akropolis Group has received a permit for Akropolis Vingis, a multifunctional complex in Vilnius that will redevelop a former industrial area to include mixed-use retail space, offices, long-term rental apartments, and other uses. Near Tallinn, Denim Dream has opened its largest store in the Baltics, a 7,000 sqm new concept complex with a beauty salon and a restaurant.

Retail expansion is also gaining momentum in regional cities. JYSK is expanding into the largest regional Baltic cities, and IKEA is opening smaller stores in Liepaja and Pärnu. In Tartu, Depo is constructing a 22,000 sqm store, while Tartu Kaubamaja Shopping Center has reopened its ground floor with expanded food offerings. In Panevezys, the Molas shopping center has been renovated, modernizing 18,500 sqm of retail space.

Demand. Retail demand in the Baltic countries presents a mixed landscape. Latvia shows resilience, with retail confidence up by 3.2 points, despite a 1% QoQ decrease in seasonally adjusted retail trade turnover and a 1.2% YoY increase. In Lithuania, retail confidence fell by 3.4 points, with a 0.5% decline in summer trade but a 5.1% YoY growth. Estonia, however, continues to struggle, with retail confidence down by 7 points and the sharpest YoY decline in retail trade in the EU at 2.7%. Compared to two years ago, turnover has dropped by 4% YoY, particularly in manufactured goods and grocery stores, highlighting ongoing challenges in the retail environment.

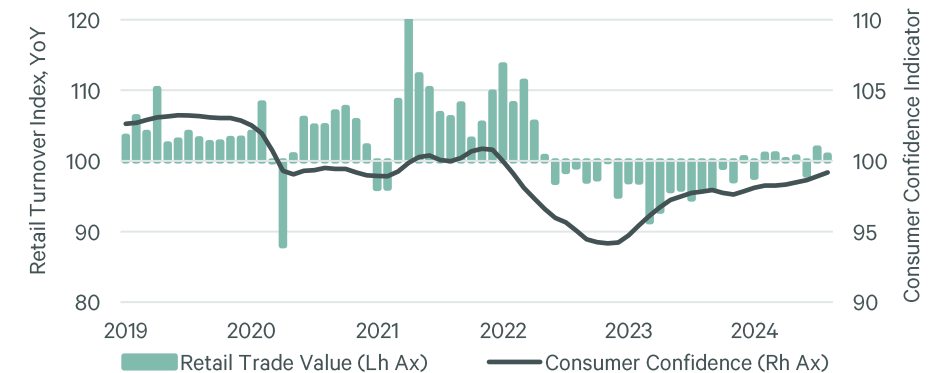
Trends. Consumer demand in the retail sector drives significant changes in property development and retail offerings. Developers are increasingly focusing on innovative, mixed-use properties to attract a wider audience by diversifying the retail space offerings. As the market becomes more saturated, existing retail spaces are undergoing refurbishment to remain competitive. Retailers are broadening their product offerings to meet the diverse preferences of different consumers. Heseburger introduced a new dining concept, HeseKebab, in Tallinn, while Stockmann transformed their ground floor premises in Riga to focus on luxury offerings.

Figure 1. Existing Retail Park Stock and New Additions, Baltics, Q3 2024



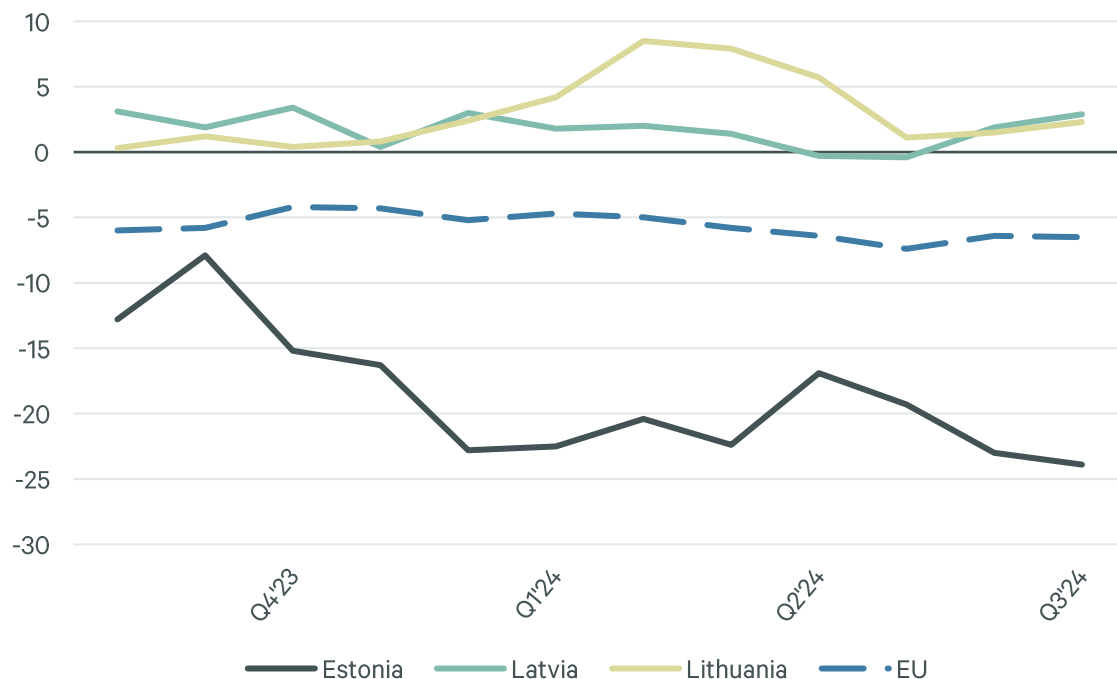
Source: CBRE Baltics Research

Figure 2. Consumer Confidence and Retail Trade, Monthly Values, Baltics, 2019-2024



Source: Eurostat, National Statistics, CBRE Baltics Research

FIGURE 3. Retail Confidence Indicators in the Baltics and the EU, Q4 2023 – Q3 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 5,000 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.

Gross Leasable Area (GLA) - total floor area within a commercial building that is available for rent to tenants, excluding common non-leasable spaces.

CEE – Central and Eastern Europe

YoY – Year-on-Year

QoQ – Quarter-on-Quarter

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