

Tailored Experiences for Growth



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

Supply. At the beginning of 2023, no new modern retail spaces was added to the market. However, many destination shopping centres continue to actively invest in further upgrade projects, and there are still active pipeline projects in the Baltics.

Upgrades. SC Spice & Spice Home in Riga is continuing its refurbishment to modernize the interior and enhance energy efficiency, investing a total of EUR 10M in the project. Viru Keskus in Tallinn and Panorama in Vilnius are also the subject of major refurbishment works, including a partial reconfiguration of the premises with plans for a further expansion program.

Galerija Centrs has finalized reconstruction on the 4th floor combining several premises, revealing the façade with a terrace. The first food hall “Burzma” has been opened offering 11 authentic street food venues and a bar. More conversions are in the pipeline on other parts of the centre with the full investment reaching EUR 4M.

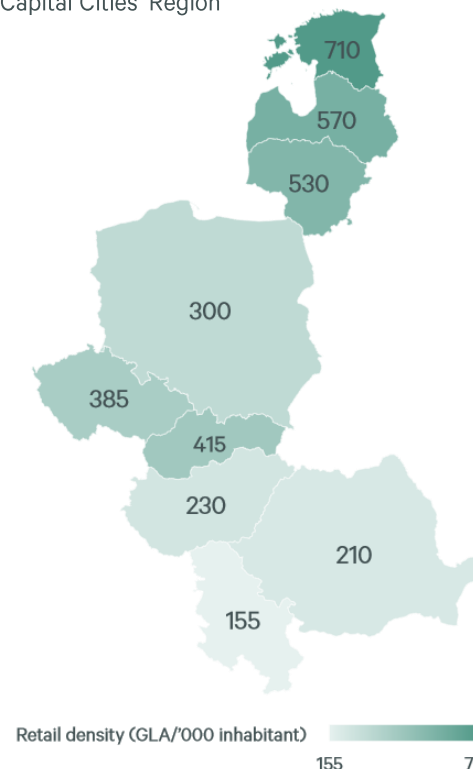
Pipeline. Non-traditional retail formats are on the increase, with over 100K sqm under construction in multi-functional and retail park schemes in the Baltics. VPH is actively developing across the Baltics with 2 retail parks expected already this year (Kurna Park near Tallinn and Una in Vilnius) while in Riga, Fabrika Retail Park and Offices Complex will be upcoming next year. In addition, Favorte is developing the Kadaka Trade Center, a complex with office, retail, and stock office premises in Tallinn, while Restate is developing the Luige Trade Centre with the first phase as a retail center in Luige, near Tallinn. In Lithuania, the construction of Mega Retail Park in Klaipeda and Kiemas Multifunctional centre by Sovli NT in Siauliai continues. In Q1 Baltic Red initiated the preliminary construction works of a multifunctional building complex in Kaunas.

Demand. After indexation, rents have increased for many shopping centre tenants. The prime rent has increased to 48-55 EUR/sqm/month in the capital cities, while the high-street rent range has not seen such price increases and has remained at last year's levels. Shopping centre vacancy has stabilized and is expected to reduce in this and coming years due to more active retailer agendas, shopping centre upgrade programs and a lack of new deliveries in the traditional sector.

Trends. New entries and retailer expansions in the Baltics are expected. Leading fashion groups – Apranga, LPP, Sportland, Peek&Cloppenburg have been expanding, with new openings and renovation of existing stores in this and the coming years. Grocery retailer Spar is expanding their chain in Riga as well as in secondary cities in Latvia.

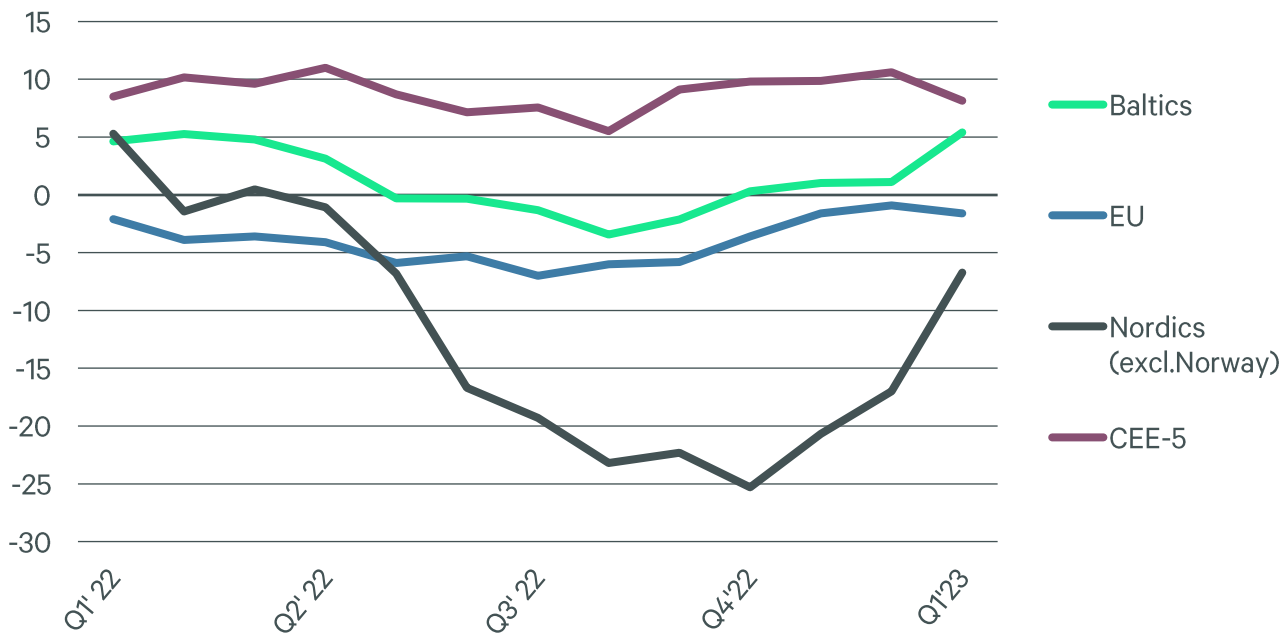
In May, H&M group brand Arket is opening a new store in Viru Centre in Tallinn, and Latvia is expected to follow. Furthermore, off-price retail stores continue to expand to the Baltic market. In May, Polish CCC group's HalfPrice is set to open their first store already in Akropole Alfa, Riga.

FIGURE 1: Modern Retail (SC) Density in the Baltic and CEE Capital Cities' Region



Source: Eurostat, CBRE Baltics Research

Market Area Overview Retail Confidence in the Baltics, Euro Area, CEE-5 and Nordics, Q1 2022 – Q1 2023



Source: Eurostat, CBRE Baltics Research

Definitions

CEE-5 Core Countries - 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 the region per 1,000 inhabitants.

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