

Adapting Retail Strategies During Economic Shifts



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

Supply. During Q3 2023, Estonia was the only country in the Baltic region to witness significant retail developments, such as the Kurna Retail Park in Tallinn, which is fully leased and boasts a gross leasable area (GLA) of 20,000 sqm, and the Luige Trade Center, located near Tallinn and featuring a retail GLA of 3,300 sqm.

By the end of the year, the retail space available in the Baltic region is expected to increase by approximately 20,000 sqm. The most notable upcoming retail spaces include the DIY Depo in Kaunas, Lithuania, which will have GLA of 14,000 sqm and the Kadaka Trade Center in Tallinn, Estonia. It is worth mentioning that 20% of the retail spaces being built in the region are multifunctional projects.

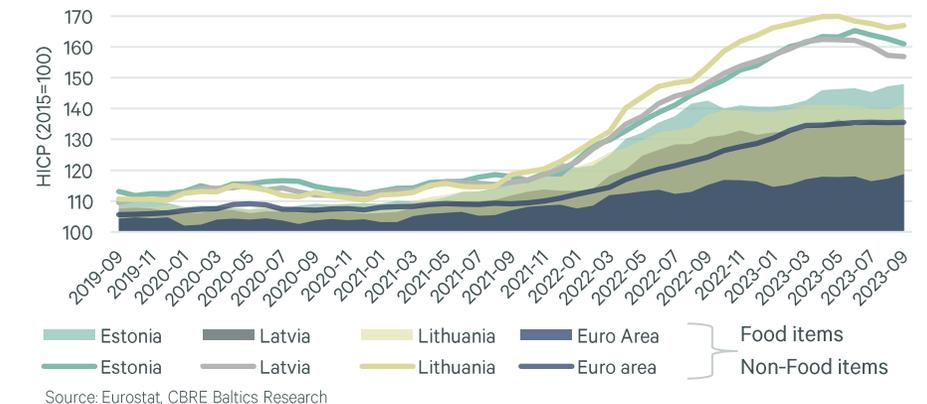
During the quarter, Spice Shopping Center in Latvia completed a successful EUR 7 million refurbishment project. It is worth noting that several other shopping centers initiated or continued refurbishment and development projects, including Jarve Keskus in Estonia, which began a EUR 4 million renovation, and Riga Plaza in Latvia, which plans to invest EUR 5 million in its development efforts.

Grocery shops are expanding in capital cities, particularly in neighborhood shopping centers and supermarkets, as well as in secondary cities. A noteworthy trend involves grocery chains actively acquiring land and properties at premium prices to secure prime locations for the long term.

Demand. The overall vacancy rate and rents remained relatively consistent during the quarter. While some properties are swiftly occupied, a significant portion of available stock experiences a prolonged waiting period for new tenants.

In 2023, there was a noticeable increase in retail economic activities in the sale of motor vehicles across the Baltics. However, Estonia experienced a decrease in sales volumes across all sectors. The recent drop in turnover can be attributed to the rising prices of non-food items, which have dampened consumer demand. Interestingly, during the summer of 2023, prices for food items began declining for the first time since 2020. This was mainly due to seasonal changes and increased supply.

FIGURE 1. HICP for Food and Non-Food items, Baltics and the Euro Area, September 2019-September 2023



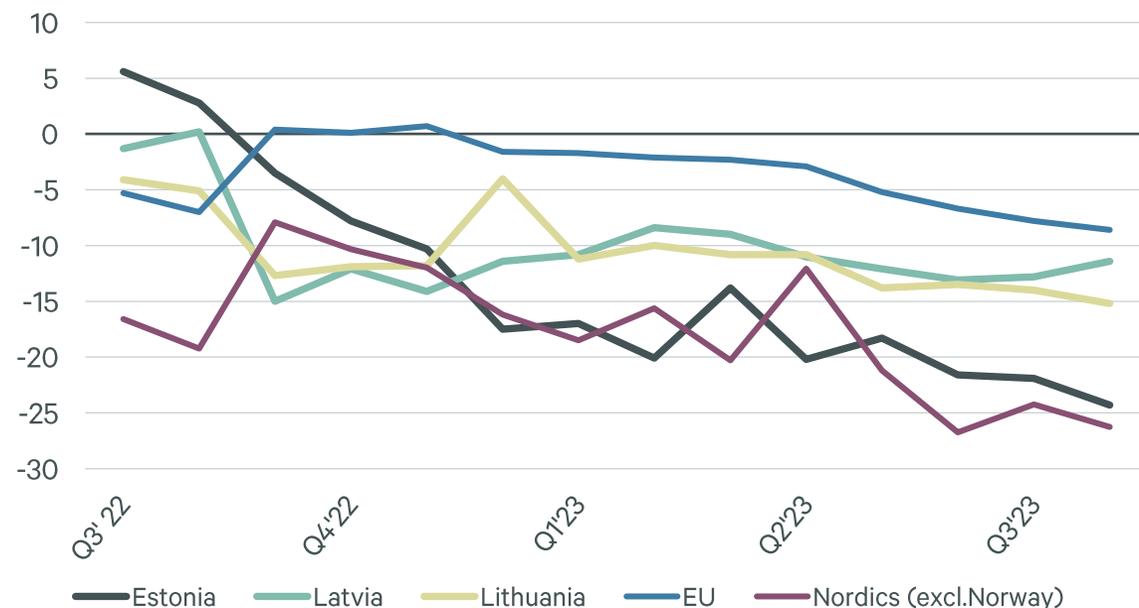
Source: Eurostat, CBRE Baltics Research

FIGURE 2: Selective Retail Spaces Under Construction, Baltics, 2023 -2024

Location	Project	Type	Planned Opening
Tallinn , EE	Kadaka Trade Center	Multifunctional	2023 Q4
Kaunas, LT	Depo	DIY	2023 Q4
Riga, LV	Preses Nama Kvartāls	Multifunctional	2024 H2

Source: CBRE Baltics Research

FIGURE 2: Retail Confidence Indicators in the Baltics, European Union and Nordics, Q3 2022 – Q3 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 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).

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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