

LATVIA, RIGA

# RESEARCH & FORECAST REPORT



## MARKET INDICATORS

### STREET RETAIL RENT RATES AND TENDENCIES

location	rates*	2012
Kr. Barona, Raina Blvd, Brivibas, Gertrudes streets	12-30	↗ ↕
Old Riga	10-25	↗ ↕

### RENT RATES AND TENDENCIES IN SC

location	rates*	2012
Large retail unit (anchor tenants)	4-9	↗ ↕
Medium retail unit (150-350 m2)	15-25	↗ ↕
Small retail unit (up to 100 m2)	20-40	↗ ↕

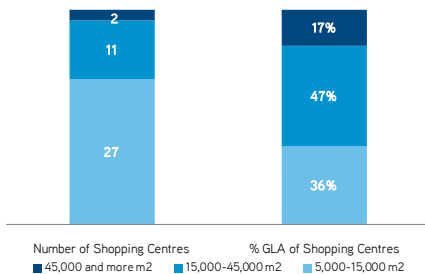
\* - asking rent rate (EUR/m2/month) excluding service charges,taxes and tenant incentives.

### VACANCY AND TENDENCIES IN SC

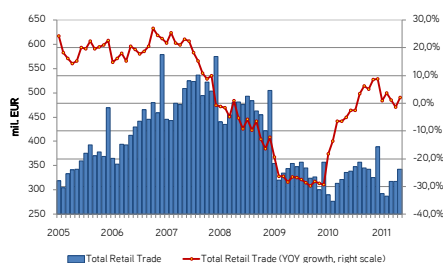
location	vacancy	2012
Riga	6.9%	↗ ↕

↗ ↕ - slight increase; ↗ ↕ - stable; ↗ ↕ - slight decrease

### DISTRIBUTION OF SC BY SIZE



### RETAIL TURNOVER IN LATVIA



## 1HY 2011: Retail Market in Riga is Promising and Dynamic

### OVERVIEW

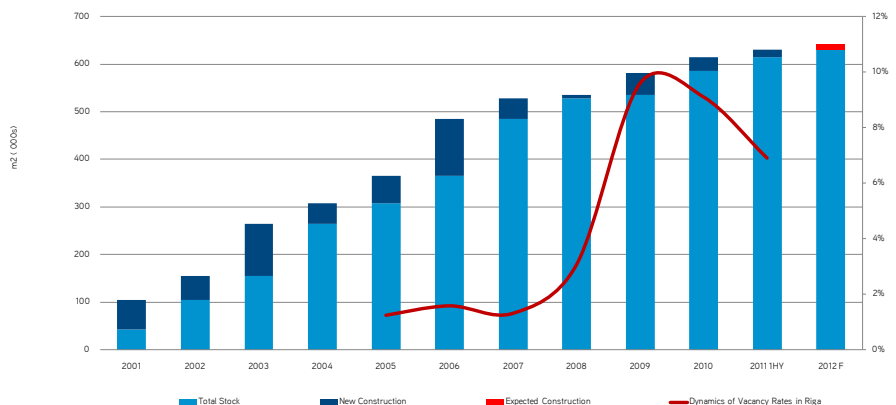
First half year of 2011 in retail market segment in Riga can be characterized as promising and dynamic with many activities from the tenant side and transactions taking place. This is supported by positive data in official statistics. For instance, retail monthly turnover has demonstrated a stable increase of 1.3 per cent y-o-y over the five month period, number of employed persons during 1Q2011 has grown by 3.1 per cent (y-o-y) and real net wages have stopped shrinking. In case this trends trend continues in the second half year of 2011, it will facilitate further improvements in retail market.

### SUPPLY

During 2011 two retail objects have opened their doors for customers in Imanta: *Rimi* shopping centre *Damme* and first stage of *Prisma* retail centre. These are the only properties that were commissioned in retail market during 2011. As a result, total GLA of shopping centres in Riga increased by 12,700 m2 and amounted to 637,500 m2. One retail project comprising GLA of 5,000 m2 is currently under construction in Riga: Homburg shopping centre in Zolitude that will have grocery supermarket *Maxima* as anchor tenant. .

Supply in prime street retail locations becomes scarcer as very best premises are gradually being taken up and let to tenants.

### DYNAMICS OF RETAIL SPACE AND VACANCY IN SC IN RIGA (F - forecast)



## DEMAND

During 1HY2011 overall demand for retail premises in shopping centres remained positive and exceeded levels of previous year. Many brands, such as *Camicie & Cravatte* (clothing and accessories), *Madara* (cosmetics), and *Oasis* (women fashion clothing) have decided to open new stores and expand. Several new brands, such as *Piccolo* (kid's shoes) entered retail market in 1HY 2011. Kid's clothes brand *Okaidi* that previously had closed shop in Riga reopened new one.

Total leasing activity was high in street retail during first six months of 2011. One of the most dynamic segments in street retail was catering business. Existing cafes and restaurants as well as new concepts were actively looking for expansion possibilities or new suitable premises. The rotation of tenants in this market segment is also high: unsuccessful concepts leave the market and new players are eager to enter.

Another niche of street retail players are fashion stores targeting lower income customers. Second-hand store chain *Humana* was very active with opening three new outlets in Riga and one outlet in each Jelgava and Daugavpils.

Most demanded street locations in Riga for perspective tenants are Barona and Terbatas streets, popular is prestigious part of Brivibas street adjacent to the Old Riga.

## RENTAL RATES

Rental rates during 1HY2011 have stabilized and some slight increase is evident in successful shopping centers.

Street retail rates have also slightly risen to EUR 12-30 for most popular and demanded locations outside Old Town and EUR 10-25 for locations in Old Riga. Since vacancy in most successful locations has reached sustainable level, rental rates are expected to grow.

## VACANCY RATE

Total vacancy rate in shopping centres decreased during 1HY 2011 by 2.2 percentage points and equaled 6.9 per cent. Vacancy in most popular shopping centres has reached sustainable level of 1 per cent, while less successful SC have vacant areas at average level of 20 per cent.

## TRENDS AND FORECASTS

- > Retail market segment can be characterized as active and dynamic. Official macroeconomic statistics allows for stable forecasts in its development for the next 6 months.
- > Advanced activity in retail during 1HY2011 was evident in catering business and development of new hypermarkets. Two hypermarkets are currently under construction and are expected to be commissioned during next 12 months.
- > Demand for premises in both street retail and shopping centres is expected to remain stable.
- > As vacancy in successful shopping centres dropped to near-zero level, rental rates in these locations are expected to grow. Rents in less popular retail objects are expected to remain stable.

## DEFINITIONS

- > **SC** - Shopping Centre.
- > **Total stock** - Existing gross lettable retail floor space (all classes) within the specified area.
- > **Vacant stock** - Total stock currently vacant within the specified area, and available for immediate occupation within three months.
- > **Vacancy rate** - Ratio of total vacant stock to total stock within the specified area.



## 512 offices in 61 countries on 6 continents

> Revenues:	€1.14 Billion
> Professionals & Staff:	12,509
> Brokers:	4,387
> Square Meters Managed:	90.9 Million
> Lease/Sale Transactions:	73,972
> Total Transaction Value:	€44.5 Billion

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