Latvia Retail Market Overview
Annual Review
Retail Market

General Overview

- Positive development of the retail segment was contributed to by a continually improving economic environment. Additionally, the market saw a constantly increasing share of e-commerce trade, which is becoming a direct competitor for conventional retailers.
- During 2015, Riga retail space was supplemented by a new Depo DIY store. Work continued on SC Riga Akropole, as well as Alfa and Origo project preparation.
- Activity in the grocery segment remained buoyant, resulting in the opening of new stores plus existing store upgrades by leading players Rimi and Maxima.
- Improvement of the tenant mix continued in leading shopping centres. Choice of appropriate tenants is being made more scrupulously, with a preference for recognizable international brands and synergy with existing occupiers, as well as the overall particular shopping centre concept.
- Increasing activity was evident in street retail, where the premises most in demand were located on Terbatas Street between Elizabetes and Dzirnavu Streets.

Supply

By the end of 2015, total leasable retail space amounted to approx 639,400 sqm, consisting of shopping centre premises (380,800 sqm), big boxes (226,600 sqm) and department stores (32,000 sqm).

In 2015, retail space was supplemented by a new do-it-yourself Depo location on Krasta Street (GLA approx 12,000 sqm). Additionally, in 2015 the market saw a number of smaller hypermarket developments, among which Rimi was the leader by opening nine stores in different Latvian cities, including four locations in Riga. In addition, Maxima opened two Maxima X stores on Dammes Street in Riga and Plavinas. Moreover, in the context of tenant mix optimization and concept improvement, Stockmann department store started the partial lease of its premises in 2015 by attracting several new tenants.

In 2016, we anticipate new addition to retail space in the face of expansion of SC Damme by 1,000 sqm. Apart from this anticipated addition, the shopping centre segment continued its activity. Akropolis group has continued work on the technical project for SC Riga Akropole on Maskavas street in the neighbourhood of the Southern Bridge. One of the leading market players - Linslow - continued to work on expansion plans for existing shopping centres - SC Alfa and SC Origo. SC Alfa is expected to expand by an additional 17,500 sqm of lettable retail space, whereas expansion of SC Origo is designed as a multifunctional complex consisting of office space (GLA 9,015 sqm) and retail premises (GLA 15,750 sqm).

Additionally, a new do-it-yourself Depo store on Kurzemes Prospects can be expected for 2017 / 2018.

In 2015, the retail market saw a major change in shopping centre ownership structure, with acquisition of shopping centres Alfa, Mols and Dole by the world’s leading alternative asset management company – Blackstone. In addition, SC Olimpia was acquired by Partners Group at the beginning of the year.

**Dynamics of Retail Space in Riga**

<table>
<thead>
<tr>
<th>Year</th>
<th>New construction</th>
<th>Expected construction</th>
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</thead>
<tbody>
<tr>
<td>2006</td>
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<tr>
<td>2007</td>
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<td>2008</td>
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<td>2015</td>
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<td></td>
</tr>
<tr>
<td>2016</td>
<td></td>
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</tbody>
</table>

* - retail space at the end of the period
f - forecast
Source: Colliers International

**Distribution of Retail Space in Riga by Type in 2015**

<table>
<thead>
<tr>
<th>Type</th>
<th>Number of retail objects</th>
<th>% of total retail GLA</th>
</tr>
</thead>
<tbody>
<tr>
<td>DIY</td>
<td>16</td>
<td>60%</td>
</tr>
<tr>
<td>Hypermarket</td>
<td>5</td>
<td>10%</td>
</tr>
<tr>
<td>Department store</td>
<td>13</td>
<td>16%</td>
</tr>
<tr>
<td>Shopping centre</td>
<td>11</td>
<td>14%</td>
</tr>
</tbody>
</table>

Note: retail space at the end of 2015
Source: Colliers International
Landlords of shopping centres, who were previously focused on filling vacancy, now continue to work on tenant mix by choosing the most appropriate tenant for a specific position. The leading shopping centres choose tenants that meet their concept and contribute to existing tenant synergy.

International brands and widely recognized tenants also remained active in 2015. The period was marked by a number of new entrants establishing their locations in leading shopping centres. Such brands as Michael Kors, La Perla, and Imaginarium opened in SC Spice. The first Kazar shoe store opened in SC Alfa. Calzedonia and Intimissimi opened their stores in SC Riga Plaza, SC Domina Shopping and Spice. The first Sportsdirect store entered the market in August 2015 with its location in SC Olimpia. Two international shoe brand stores - Sketchers and Dune London - opened in SC Alfa and SC Galerija Centrs respectively. In 2015, a tendency was noted for newcomers aiming to enter the market through regional shopping centres - a tendency that is expected to continue during the coming year.

Apart from newcomers, existing market players were expanding their presence and are working on store concept improvement. Kotryna Group, which is familiar to the Riga retail market through the Baby City / Toy City, KidsOne and Lego brands, introduced a new concept - Toy Planet - in two shopping centres. Additionally, Lindex and Reserved introduced fitness apparel in their collections, following the increasing popularity of healthy lifestyles.

Despite the fact that Centro and Seppala have left the Latvian retail market by closing all stores in Riga shopping centres, their premises were quickly taken up by other tenants.

During 2015, vigorous activity came from the catering segment with Hesburger starting construction work on a new restaurant on Krasta Street, as well as a new McDonald’s restaurant opening on Karla Ulmane Gatie. In August 2015, the first KFC restaurant opened in Riga on Audeju Street. Additionally, Subway opened two locations in SC Riga Plaza, SC Domina Shopping and Spice. Calzedonia and Intimissimi opened their stores in SC Riga Plaza, SC Domina Shopping and Spice. The first Sportsdirect store entered the market in August 2015 with its location in SC Olimpia. Two international shoe brand stores - Sketchers and Dune London - opened in SC Alfa and SC Galerija Centrs respectively. In 2015, a tendency was noted for newcomers aiming to enter the market through regional shopping centres - a tendency that is expected to continue during the coming year.

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Tendencies and Forecasts

- Gradual improvement of the Latvian retail market will continue to be driven by positive economic developments.
- In 2016, total professional retail space is expected to be supplemented by the SC Damme expansion. Additionally, we expect continuation of activity coming from the grocery segment.
- Activity by major shopping centre owners is expected to continue and might result in materialization of expansion plans, as well as plans for new construction.
- New potential entrants are expected to remain interested in entering the Latvian market. This may result in new openings during 2016. Brands already represented will preserve stable demand for the best shopping centre and street retail locations.
- No significant changes in rental level are anticipated during 2016.
- The vacancy rate is expected to decrease further mainly on account of less successful shopping centres.

Dynamics of Rent Rates* in Major Shopping Centres in Riga

* - asking rent rates (EUR/sqm/month) excluding VAT and operating expenses
Source: Colliers International
Retail Shopping Centres in Riga

- **Shopping Centres, Hypermarkets and DIY**
  1. Alfa
  2. Spice
  3. Spice Home
  4. Riga Plaza
  5. Domina Shopping
  6. Mols
  7. Origo
  8. Atrium Azur
  9. Galleria
  10. Dole
  11. Stockmann
  12. Galerija Centrs
  13. Galleria Riga
  14. Mc2
  15. Podium
  16. Sky and More
  17. Prisma “Sporte”
  18. Prisma “Deglava”
  19. Imanta Retail Park
  20. Rimi “Milgravis”
  21. Damme
  22. Rimi “P. Brieza”
  23. Rimi “Valdemara”
  24. Rimi “Bikerniku”
  25. Rimi “Stirnu”
  26. Rimi AT near Kekava
  27. Zoom
  28. Maxima at A. Deglava St. 67
  29. Maxima at K. Ulmana St. 88a
  30. Maxima at Skolas St. 115
  31. Maxima at Bikerneku St. 143
  32. Depo at Krasta 36
  33. Depo at K. Ulmana 96
  34. Elikor Plaza
  35. Depo Bergi
  36. Elikor Mebelu centrs
  37. Maxima at Viinibas St. 113
  38. K-Rauta at Maskavas 418A
  39. K-Rauta at Lucava 3
  40. Maxima at A. Saharova 20A
  41. Penta
  42. K-Rauta at Priedaines 37
  43. Maksima at Mukusalas 73
  44. Maksima at Mukusalas 73
  45. Depo at Lubanas 150
  46. Depo at Krasta 52
  47. SKY at Krasta 56
  48. Orange Cash and Carry
  49. cenuklubs.lv

- **New Projects, Projects Under Construction and Most Realistic Projects for Development in Riga**
  1. Akropolis
  2. Depo at Kurzemes prosp.
  3. Alfa expansion
  4. Origo expansion
502 offices in 67 countries on 6 continents

United States: 140
Canada: 31
Latin America: 24
Asia Pacific: 199
EMEA: 108

€1.75 billion in annual revenue

160.0 million square meters under management

16,300 professionals and staff

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