

LATVIA

Cushman & Wakefield
Global Cities Retail Guide



With more than half of the country's population concentrated in and around the capital city Riga, it is not surprising that the main retail destinations in Latvia are also located there.

Riga as the biggest City in the Baltic's and has many crowded shopping streets in the city centre. However, in the last two decades several new shopping schemes have opened in the outskirts. Most of the secondary cities now have modern shopping centres. Also, hypermarkets and supermarkets are well-represented in all secondary cities.

Latvia has seemingly been the most reluctant country in the Baltics to develop its own retail formats, with a significant proportion of franchise formats represented by Lithuanian or Estonian franchisees. Latvia has a strong tradition in the manufacturing of fashion, arts and crafts, food and food products. There are a few small local retailers such as Stenders, Madara and Dzintars, who have succeeded to attract international shoppers.

Modern shopping centres have been developed, owned and operated by international or regional companies. Shopping centres are well designed, built and maintained and there is a growing proportion of international brands taking space in shopping centres. The progress in retail development since Latvia's regaining of independence is staggering.

The image shows an aerial view of a city, likely Riga, Latvia, with a large red diagonal overlay on the right side. The city features a river, bridges, and a prominent tower. The text 'LATVIA OVERVIEW' is written in white on the red overlay.

LATVIA OVERVIEW

LATVIA

ECONOMIC OVERVIEW

ECONOMIC SUMMARY

ECONOMIC INDICATORS*	2018	2019F	2020F	2021F	2022F
GDP growth	5.0	3.6	3.0	3.0	2.9
Consumer spending	4.6	4.2	3.5	3.0	2.9
Industrial production	5.7	4.0	3.4	3.0	2.6
Investment	15.5	7.1	4.1	3.2	2.9
Unemployment rate (%)	7.3	6.2	5.7	5.4	5.3
Inflation	2.5	2.2	2.0	2.0	2.0
US\$/€ (average)	1.2	1.1	1.2	1.2	1.3
Interest rates 3-month (%)	0.0	0.0	0.2	0.5	0.7
Interest rates 10-year (%)	4.3	4.3	4.3	4.3	4.3

ECONOMIC BREAKDOWN

Population	2.0 million (2018)
GDP (nominal)	US\$ 34.9 billion (2018)
Public Sector Balance	-0.6% of GDP (2018)
Public Sector Debt	32.7% of GDP (2018)
Current Account Balance	-0.4 of GDP (2018)
Parliament	Saiema
Head Of State	President Egils Levits
Prime Minister	Krišjānis Kariņš
Election Date	2019

RETAIL SALES GROWTH: % CHANGE ON PREVIOUS YEAR

LATVIA	2018	2019F	2020F	2021F	2022F
Retail Volume*	4.7	4.1	3.5	3.1	3.0

NOTE: *annual % growth rate unless otherwise indicated. Figures are based on local currency and real terms. E estimate F forecast.

CITY	POPULATION (2018)
Riga	704,000
Daugavpils	84,000
Liepaja	69,000
Jelgava	57,000
Jurmala	49,000
Ventspils	35,000

Source: Central Statistical Bureau of Latvia



LATVIA LARGEST CITIES

LATVIA

RETAIL OVERVIEW

MAJOR DOMESTIC FOOD RETAILERS

Elvi, Mego, Beta, Sky, Top!, Lats

MAJOR INTERNATIONAL FOOD RETAILERS

Rimi, Maxima, Lidl

MAJOR DOMESTIC NON-FOOD RETAILERS

Depo, Lauma, Lingerie, Steders, Madara Cosmetics, Dino Zoo

INTERNATIONAL RETAILERS IN LATVIA (a selection)

Intidex Group (Zara; bershka, Pull & Bear, etc.), H&M, Mango, Arcadia Group, Debenhams, Stockmann Group, Tommy Hilfiger, Camel Active, NewYorker, Hugo Boss, Coss, Peek & cloppenburg, River Island, City, Esprit, Desigual, Guess, Gerry Weber, Lindex, Marccain, Massimo Dutti, Michael Kors, Max Mara, New Yorker, United Colours of Benetton

FOOD AND BEVERAGE OPERATORS

Costa Coffee, McDonalds, Chili Pizza, Double Coffee, Gan Bei, Harry Morgan, Vairak Saules, Hesburger, KFC, Ezits Migla

TYPICAL HOURS

MONDAY – FRIDAY

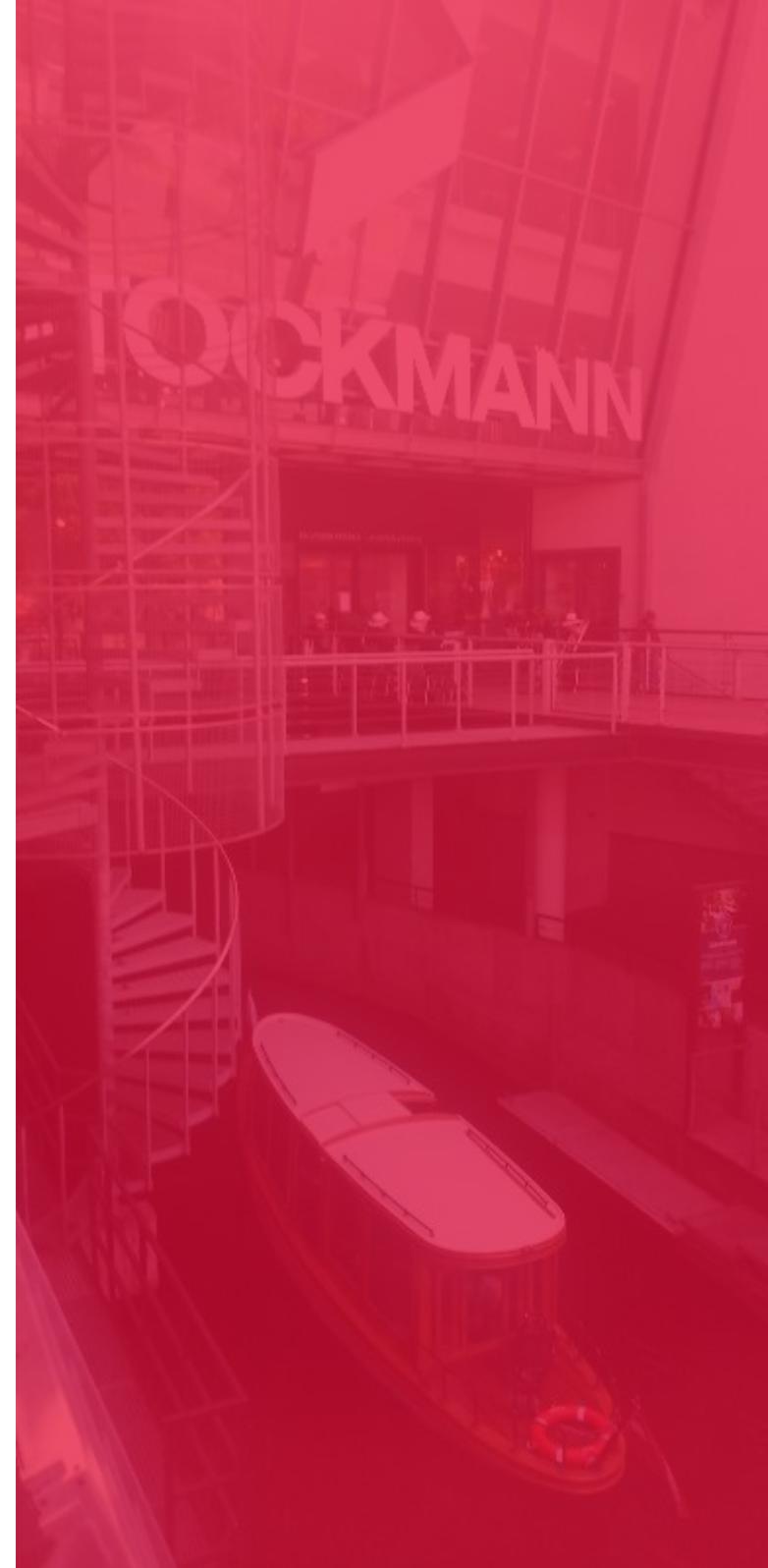
10.00-22.00

SATURDAY

10.00-22.00

SUNDAY

10.00-22.00



LATVIA

RETAIL SCENE

The traditional retail sector restarted in Latvia in 1991, after it regained its independence. The current supply of shopping centres is modern and up to date in terms of format and technology.

Many international retailers consider the Baltics as a whole market, with its 6 million inhabitants, rather than individual countries. This makes it a more viable option for expansion. However, there are still different languages spoken and also shopping and other attitudes differ, which puts additional pressure on marketing efforts.

Total existing stock of shopping centres (over 5,000 sqm) in Latvia totals to over 650,000 sqm GLA. The majority of shopping centres are classified as small by ICSC standards. Hypermarket-anchored centres with catering and/or leisure elements are the most popular format.

E-commerce has developed in Latvia along a similar trend to many other countries in Europe; e-commerce is growing fast but its proportion is still rather limited at the moment.

It is possible to enter the Latvian retail market direct, though many choose to franchise, which sometimes means that consumers believe that the franchise operator does not always offer the latest assortment.

There are no restrictions on foreign companies either buying or renting property in Latvia. Lease structures vary from location to location, but in general shopping centre operators are increasingly introducing triple-net rent. The best shopping centres have waiting lists for tenants, so there is less scope for negotiations, though international retailers are still able to secure the best spots quickly and even with considerable landlord contribution for fit-out.

Although it is possible to occupy a new building within a few weeks, it is more realistic to expect that on average it will take 6-9 months from initialising the property search to taking occupation of an existing property. This includes time for considering location options, the identification of buildings or shopping centres, negotiating lease terms and fitting out the premises.





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SHOPPING CENTRES

TOP SHOPPING CENTRES BY SIZE

NAME	CITY	SIZE (GLA SQM)	YEAR OPENED
Akropole	Riga	100,000	2019
Alfa	Riga	60,800	2000
Spice and Spice Home	Riga	52,800	2000
Riga Plaza	Riga	45,800	2009
Ditton Nams	Daugavpils	37,900	2006
Domina	Riga	37,000	2003
Galeria Riga	Riga	25,700	2010
Mols	Riga	25,100	1999
Origo	Riga	25,500	2004
Galeria Centrs	Riga	23,600	2006
Olimpia	Riga	20,500	2003

Source: DTZ Research

LATVIA

KEY FEATURES OF LEASE STRUCTURE

KEY FEATURES OF LEASE	
ITEM	COMMENT
Lease Terms	Usually for anchor tenants, lease terms are 10 years with un-breakability clause and opportunity to renew the existing agreement. In any case, for anchor tenants after un-breakable period there has to be 6-12 months advance notice. For smaller tenants usually leases are for 2-5 years with 3-6 month termination notice for both parties.
Rental Payment	Rents are typically payable monthly in advance. Turnover/ percentage rents are increasingly seen in shopping centres and also stand alone/ High Street premises. A security deposit is not normally required for a tenant with a strong covenant or where a parent company guarantee (or less frequently a bank guarantee) is provided. For regular covenants, a deposit is required, by negotiation with 1-3 months' rent equivalent commonplace.
Rent Review	Indexation is rather common practice (usually based on CPI by "Eurostat"), but it was generally suspended during recession. Usually indexation starts after 18 month of operation at the premises by the tenant. Sometimes parties agree on percentage from turnover, but, as incentive, for first 12-18 months tenant pays lower fixed amount. After performance review, rent principles are adjusted.
Service Charges, Repairs and Insurance	A service charge is usually payable in multi-tenanted buildings and covers management fees, security, cleaning, landscaping, internal maintenance of common parts, external maintenance and insurance, servicing of elevators, water, heating, air conditioning, management fees and property taxes. It excludes internal maintenance and insurance of rented accommodation, utility charges and is VAT applicable. The landlord is responsible for external / structural matters in shopping centres (charged back via service charge). The landlord usually insures the main structure and external fabric but will try to charge this back to the tenant. Insurance for common parts is also paid by the landlord and mostly charged back. The tenant pays for internal insurance directly, in case such insurance is required.
Property Taxes and other costs	The local government authority charge property tax, which can theoretically be from 0,2% till 3% of cadastral value of the property. Usually commercial property is taxed at 1,5% of cadastral value – the tax announcement is sent to each landlord before each taxation year. VAT at 21% is charged on rental payments.
Disposal of a Lease	Sub-letting is possible under the terms of the master lease, subject to arrangements between landlord and master lessee (usually done by hypermarkets). Assignment rights in general lease cases are normally barred, subject to special negotiations. Early termination is only by break clause – to be negotiated at outset of lease by mutual consent upon negotiation. At lease end, the tenant is responsible for re-instating the premises to the same condition as at the start of the lease, subject to normal wear and tear. All tenant improvements must be approved by the landlord subject to the alteration covenant in the lease and the fact that approval should not be unreasonably withheld.
Valuation Methods	Ground floor well exposed units are the most valuable along with units next to popular anchor tenants and in front of super/hypermarket cash lines. Upper floors will be valued proportionally lower, subject to actual layout and vertical circulation of the shopping centre. Basements are traditionally with lowest rent. Usually shopping centre lease terms (for prime centres) are landlord led with "take it or leave it" position in most popular centres (usually with some tenant waiting list).
Legislation	Leases must be in writing, one copy for each signing party and the signing persons have to prove their signing rights. Longer leases are usually registered in the Land Book. A mandatory standard form of lease does not exist although a market standard is in place. There are shorter forms to help smaller businesses, but these might include very short termination period from landlord side.

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