

# LITHUANIA

*Cushman & Wakefield*

*Global Cities Retail Guide*

***After regaining independence in 1990, Lithuania was the retail redevelopment leader among the three Baltic countries. Gariunai market near Vilnius was a retail phenomenon even under soviet rule – retail pilgrims all over the region boarded special busses to be at the market place at dawn.***

Opening borders to the rest of Europe brought experience. The reaction was the creation of the AKROPOLIS group, who developed four very large retail schemes with the same name in Vilnius, Kaunas, Klaipeda and Siauliai. Retail real estate development was facilitated by the fact that in Lithuania four cities have more than 100,000 inhabitants (this is a benchmark in the Baltics, as in Latvia and Estonia only capital cities have populations in excess of this figure). Not to forget the “two capitals” factor: between WWI and WWII the capital of Lithuania was Kaunas as Vilnius was taken by Poland during the regional war in 1920.

Today there are many shopping centres in Lithuania, developed by different companies, however the 4 AKROPOLIS schemes are dominant. Also, Gariunai market has not ceased to exist, just the opposite: one may say it is under permanent development and improvement. URMAS is a very large scheme in Kaunas – this market is a retail must in Lithuania’s second capital.

Grocery chain MAXIMA operate all over the Baltics, plus the IKI, RIMI, LIDL and NORFA grocery chains make food retail a challenging and competitive business in Lithuania.

APRANGA is a pan-Baltic franchise operator for the INDITEX group plus many other brands such as Armani, Boss, Burberry and many others. In addition they operate their own chains of casualwear under the names of Apranga and Apranga Galleria. This operator also has their own more up-market chain of CITY MEN & WOMEN stores.



## LITHUANIA OVERVIEW

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## ECONOMIC OVERVIEW

### ECONOMIC SUMMARY

ECONOMIC INDICATORS*	2018	2019F	2020F	2021F	2022F
GDP growth	3.4	2.8	2.5	2.5	2.4
Consumer spending	3.9	3.7	3.3	2.6	2.3
Industrial production	4.8	4.3	4.0	3.9	3.8
Investment	6.5	5.5	4.2	4.2	3.8
Unemployment rate (%)	6.3	6.4	6.1	5.8	5.3
Inflation	2.7	2.3	2.1	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 (%)	3.2	2.9	3.0	3.2	3.4

### ECONOMIC BREAKDOWN

Population	3.0 million (2018)
GDP (nominal)	US\$ 53.3 billion (2018)
Public Sector Balance	0.7% of GDP (2018)
Public Sector Debt	36.1% of GDP (2018)
Current Account Balance	1.1% of GDP (2018)
Parliament	Unicameral, 141 seats
Head Of State	Gitanas Nauseda
Prime Minister	Saulius Skvernelis
Election Date	2019

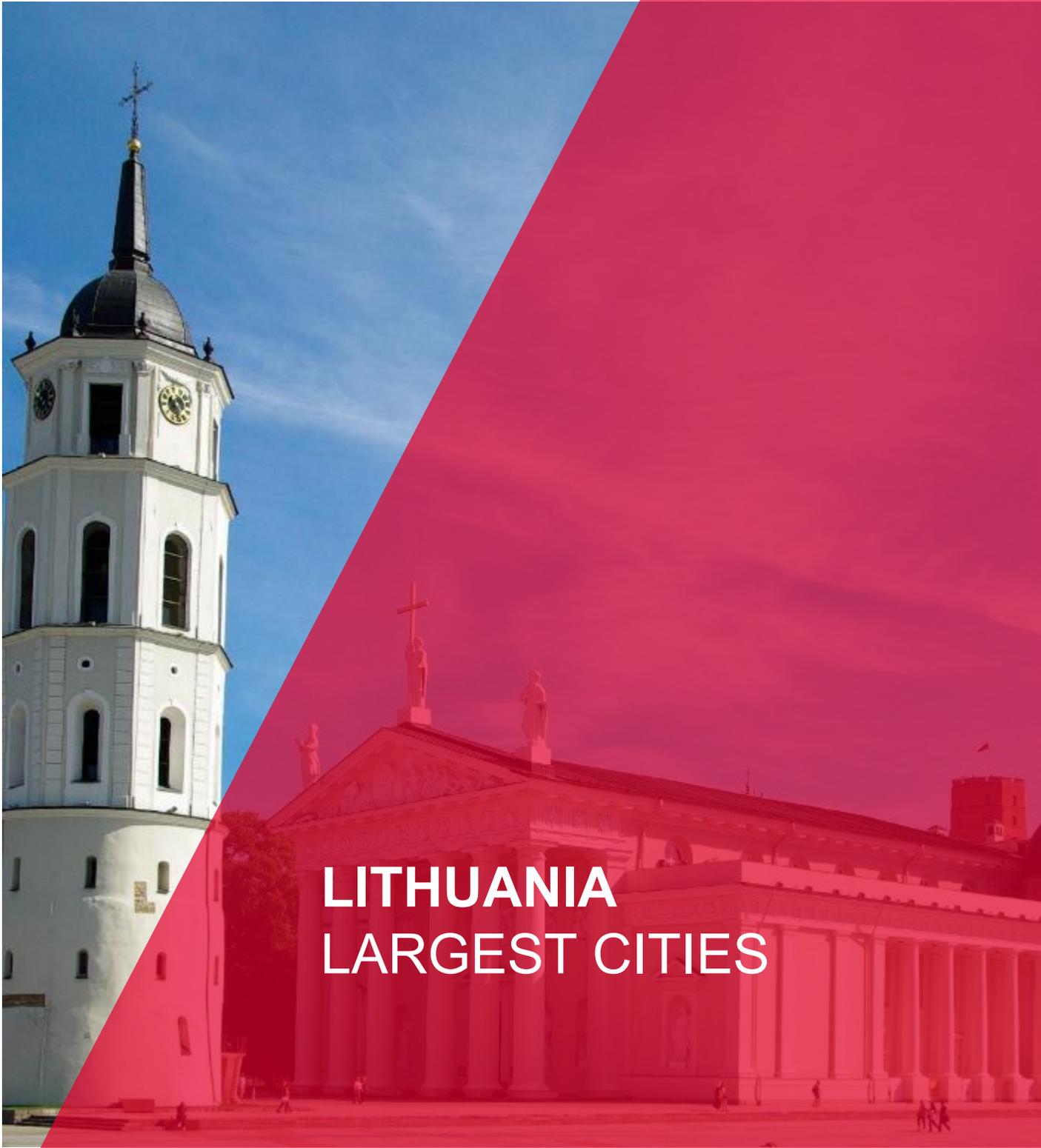
### RETAIL SALES GROWTH: % CHANGE ON PREVIOUS YEAR

LITHUANIA	2018	2019F	2020F	2021F	2022F
Retail Volume*	3.9	3.5	2.9	2.7	2.5

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

CITY	POPULATION (2019)
Vilnius	551,937
Kaunas	286,754
Klaipeda	147,892
Siauliai	100,131
Panevezys	87,139
Alytus	50,422
Mazeikiai	35,810
Marijampole	35,241
Jonava	26,722
Utena	25,495

Source: Lietuvos Statistikos Departamentas



# LITHUANIA LARGEST CITIES

# LITHUANIA

## RETAIL OVERVIEW

### MAJOR DOMESTIC FOOD RETAILERS

MAXIMA, IKI, NORFA

### MAJOR INTERNATIONAL FOOD RETAILERS

RIMI, LIDL

### MAJOR DOMESTIC NON-FOOD RETAILERS

SENUKAI (DIY), MOKI VEŽI (DIY), ERMITAZAS (DIY), DEPO (DIY), Topocentras (electronics), Avitela (electronics), Elektromarkt (electronics)

### INTERNATIONAL RETAILERS IN LITHUANIA (a selection)

Ikea, Inditex Group (Zara, Bershka, Pull & Bear Etc), Mango, Next, BALTICA, Stockman Group, Tommy Hilfiger, New Yorker, Reserved, Levi's, Benetton, Peek & Cloppenburg, Deichman

### FOOD AND BEVERAGE OPERATORS

McDonalds, Hesburger, KFC, Cili pica, Can Can Pizza, Amber Food, Fortas

#### TYPICAL HOURS

##### MONDAY – FRIDAY

08.00-22.00 (food stores)

10:00 – 22:00 (shopping centres)

##### SATURDAY

08.00-22.00 (food stores)

10:00 – 22:00 (shopping centres)

##### SUNDAY

08.00-22.00 (food stores)

10:00 – 22:00 (shopping centres)

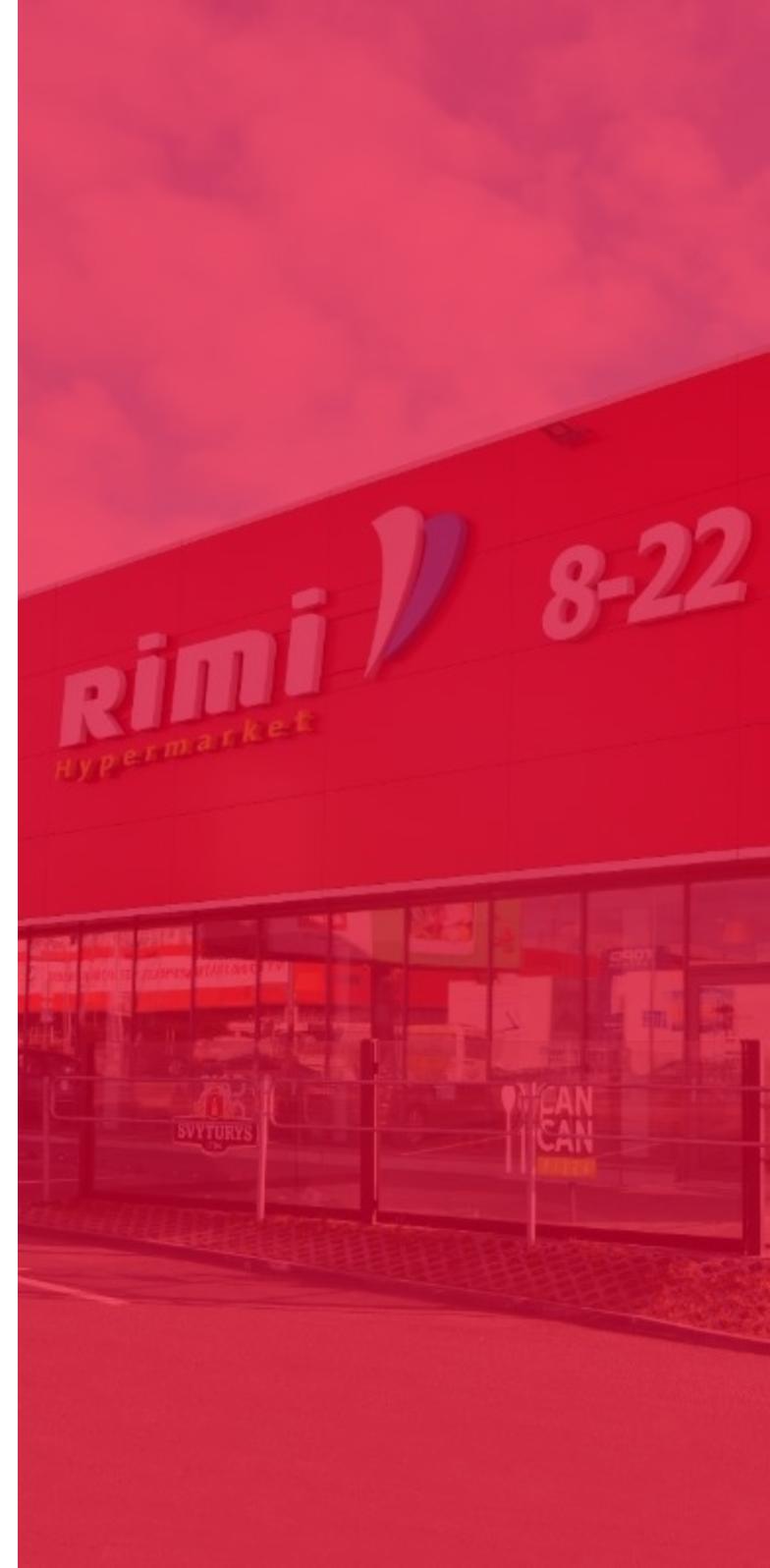
#### NEW ENTRANTS TO MARKET

Clarion

DEPO

Pepco

4F



# LITHUANIA

## RETAIL SCENE

***Lithuania is one of Europe's smallest markets with a population just below 3 million and a below average retail spend per capita. Lithuania is not yet a mature retail market and consumers are not always receptive to new concepts and formats.***

Shopping centre stock in Lithuania is characterised by the relatively low number of large schemes in comparison to other European markets. Hypermarket/ supermarket-anchored schemes with catering and/or leisure elements continue to be the dominant format. During the first half of 2019 retail sales increased by 8.0%, compared to the corresponding period a year ago. At a similar pace, the volume of retail sales in Lithuania has been growing for several years, except in January 2015, after the introduction of the euro.

Lithuania is home to a rather developed retail warehouse market (ex-traditional markets) in Eastern Europe. The market is active and has seen an increasing number of retailers entering the market from sectors such as fashion, sports goods and pet products over recent years. The winning schemes are ones such as Gariunai in Vilnius and URMAS in Kaunas.

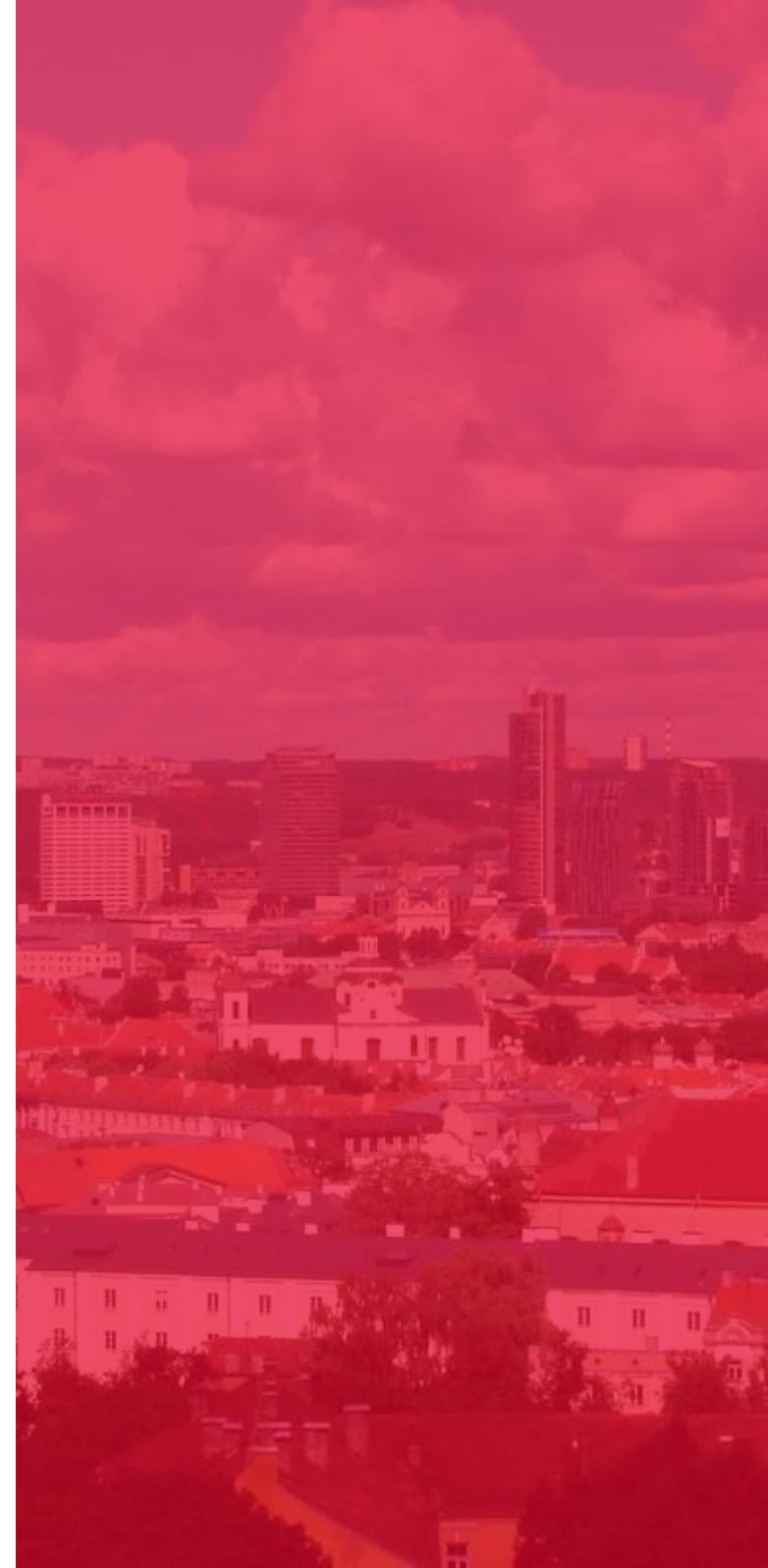
E-commerce has developed very rapidly in Lithuania. The main contributing factors are the high level of internet penetration, high levels of credit and debit card usage and bargaining traditions.

It is possible to enter the Lithuanian retail market direct, though many also franchise and enter via concessions/ shop-in-shops because of the small size of the market.

There are no heavy restrictions on foreign companies either buying or renting property in Lithuania. It is generally believed that the Lithuanian lease structure is more orientated towards landlords rather than tenants, especially when the market experiences low vacancy.

Many Lithuanian retailers have enjoyed leases which give them fixed rents for five years with almost no indexation (just CPI) and high potential to maintain their secure tenure over time.

Although it is possible to occupy a new building within a few weeks (if the location is right), it is more realistic to expect that on average it will take 3-6 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 sites, negotiating lease terms, fitting out the premises amount and agreeing on the text of lease contract.



# LITHUANIA

## SHOPPING CENTRES

### TOP SHOPPING CENTRES BY SIZE

NAME	CITY	SIZE (GLA SQM)	YEAR OPENED
MEGA	Kaunas	102,000	2005
AKROPOLIS	Vilnius	86,860	2002
AKROPOLIS	Kaunas	58,140	2007
OZAS	Vilnius	62,500	2009
AKROPOLIS	Klaipeda	61,584	2005
PANORAMA	Vilnius	52,000	2008
AKROPOLIS	Siauliai	35,646	2009
BANGINIS	Klaipeda	29,850	2005
BANGINIS	Vilnius	28,000	2006
BABILONAS I	Panevezys	21,912	2007
EUROPA	Vilnius	17,379	2004

Sources: Mega, Akropolis, Ozas, ELL Real Estate, Banginis, Ogrenta, Europa

# LITHUANIA

## KEY FEATURES OF LEASE STRUCTURE

KEY FEATURES OF LEASE	
ITEM	COMMENT
Lease Terms	Traditionally, Lithuanian leases have been for a term of 5 years and could be higher – with 10 years often seen in parts of the retail market (usually for an anchor tenant or for tenant who requires significant additional investments into premises). Break options were rare in the past but now increasingly negotiable. Some rents are signed in a non-cancellable format on the basis that both lessee and lessor could feel surely about their partnership. Termination of that kind of contract would lead to fines or compensations. On the other hand, some rent agreements include a condition of termination, but early warning about that intent should be given (usually at least 3-6 months in advance). Moreover, contract may include a condition that lessee may terminate a contract only after a certain period of time (for example, only after 2 years if there is a 5 years contract).
Rental Payment	Rents are typically payable monthly in advance and usually there are fixed, turnover/percentage or combined rent payment methods. Combined payment method is common in Lithuania and under it lessee has to pay fixed payment and extra percentage of turnover fee only if determined turnover level is exceeded. In that case, both lessee and lessor stay motivated to reinforce each other. A security deposit is not normally required for a tenant with a strong covenant or where a parent company or bank guarantee is provided. For weaker covenants, a deposit usually is required, by negotiation with 3-6months' rent equivalent common place.
Rent Review	Usually once a year there is a rent payment adjustment to CPI recordings. It is a matter of negotiation if selected CPI should track Euro zone, Lithuania or other markets. In some cases, gradually growing rent payment (for example, some kind of percentage after each year) may be defined in the contract.
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. Different lessors adopt different methods of collecting service charges: some may use variable charge with a reference to services which were used by the lessee at a particular month, and some may use fixed rate per sq. m which is reviewed annually. Service charge excludes internal maintenance and insurance of rented accommodation. The landlord is responsible for external/structural matters in shopping centres (charged back via service charge). The tenant usually pays for internal insurance directly.

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Property Taxes and other costs	The local government authority charge the 'rates', the local property tax, which is payable on commercial property. Tax base is the average market value of the property, which is determined by mass valuation method. A property tax rate may vary from 0.3 to 3% on different municipalities and is applied to the tax base. Property tax is usually paid by the landlord and recovered through service charges. VAT at 21% is charged on rental payments.
Disposal of a Lease	Sub-letting is usually not possible under the terms of the lease, strictly subject to landlord's approval. Assignment rights are normally barred in the lease, but will also be subject to consent – which theoretically should not be unreasonably withheld. Possibility and effect of early termination depends on the statements in the contract and 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	Each landlord determines individual valuation method for its premises. The most valuable units are along the main customer flows: next to anchor tenants, near entrances, in front of hypermarkets cash lines. Premises on the first floor of the shopping centres are the most valuable and valuation of upper floors depends on shopping centre layout and customers circulation.
Legislation	The Civil Code of Lithuania provides much of the framework for lease agreements. Leasing contract must comply with the laws of the Republic of Lithuania and be in writing, one copy for each signing party.

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