ESTONIA

GLOBAL CITIES RETAIL GUIDE

2025 EDITION

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ESTONIA OVERVIEW

The Estonian retail market is dominated by shopping centres and the rapid development of e-commerce.

The market is dominated by shopping centres and standalone hyper/supermarkets. Estonia continues to maintain one of the highest levels of shopping centre space per capita in Europe.

The retail market has been affected by the growth of e-commerce, the coronavirus pandemic and war in Ukraine. The number of retailers is currently close to pre-pandemic levels but the tourist offering has suffered significantly. The war in Ukraine has had a similar influence. However, well performing shopping centres are still relatively attractive with low yields.

The new trend is the emergence of retail and business park developments and Ülemiste SC has announced a 60,000 sqm extension. Well established examples include Tähesaju Business Park in Tallinn and Kurna Park in Rae Parish, adjacent to Tallinn. A similar development has occurred in Estonia's second-largest city, Tartu, where various retail buildings housing different brands have been built next to the Lõunakeskus shopping centre.

Retail properties in Estonia are attractive to international investors; however, some schemes remain owned by the original developers. As the majority of retail stock was constructed within the past 10–20 years, the buildings are generally in good condition.

ESTONIA

Economic Overview

ECONOMIC SUMMARY

ECONOMIC INDICATORS	2023	2024F	2025F	2026F	2027F
GDP (% y/y change)	-3.1	0.3	5.6	3.4	3.9
Consumer spending (% y/y change)	-1.4	-0.2	3.2	0.7	1.6
Industrial production (% y/y chante)	-12.0	-5.4	1.6	5.3	7.4
Investment (% y/y change)	8.8	0.3	14.3	10.7	9.6
Unemployment rate (%)	6.4	7.1	6.0	6.0	6.3
Inflation rate (%)	9.3	3.3	5.5	5.6	4.4
Exchange rate vs USD	1.1	1.1	1.1	1.2	1.2
Interest rates short-term (%)	3.8	4.1	2.8	2.4	2.4
Interest rates 10-year (%)	3.3	3.0	2.9	2.8	2.9

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

SOURCE: Moody's Analytics, Inc.

RETAIL SALES GROWTH: % CHANGE ON PREVIOUS YEAR

INDICATOR	2019	2020	2021	2022	2023
Retail sales growth volume (%)	5.4	1.7	9.9	-0.3	-1.7

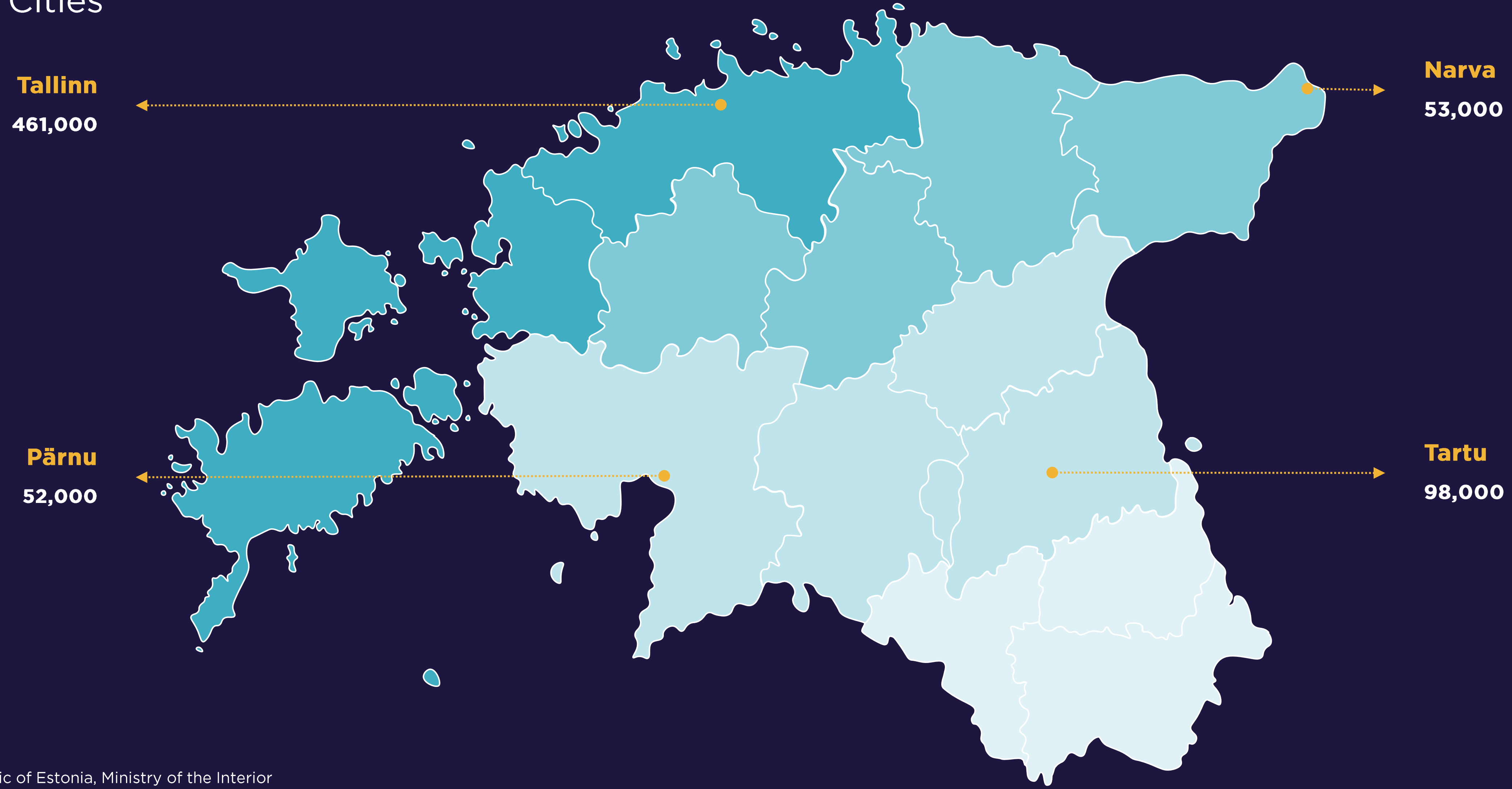
ECONOMIC BREAKDOWN (2023)

Population (million)	1.4
GDP nominal (bil. USD)	49.4
Public sector balance (% of GDP)	-2.6
Public sector debt (% of GDP)	17.9
Current account balance (% of GDP)	-0.3

PARLIAMENT	Coalition of the Reform Party (Reformierakond), Pro Patria (Isamaa), and the Social Democrats (Sotsiaaldemokraatlik Erakond).
HEAD OF STATE	Alar Karis
PRIME MINISTER	Kristen Michal
ELECTION DATE	2027 (Parliamentary)

ESTONIA

Largest Cities



SOURCE: Republic of Estonia, Ministry of the Interior

ESTONIA

Retail Overview

MAJOR DOMESTIC FOOD RETAILERS

Grossi, Selver, COOP, MEIE

MAJOR INTERNATIONAL FOOD RETAILERS

Maxima, Prisma, Rimi, Lidl.

MAJOR DOMESTIC NON-FOOD RETAILERS

Apotheka, APOLLO GROUP, Espak, Rademar, Sportland, Euronics.

INTERNATIONAL RETAILERS IN ESTONIA

Bauhaus, Bershka, Decathlon, H&M, IKEA, Jysk, Lindex,,
Mango, NewYorker, Zara, Pull & Bear, Reserved, Stockmann;

FOOD AND BEVERAGE OPERATORS

Amps, Domino, Hesburger, Lido, McDonalds, MySushi, Peetri Pizza, Reval Café,
Vapiano, Burger King , KFC

NEW ENTRANTS TO MARKET

Ikea, Decathlon Domina Pizza

TYPICAL HOURS

MONDAY - FRIDAY	SATURDAY	SUNDAY
08.00-22.00	08.00-22.00	8.00-22.00

ESTONIA

The Retail Scene

Estonia is one of Europe's youngest and fastest growing markets. Most retail schemes have been built in the last 25 years and are performing well.

Shopping centre stock is well established in Tallinn and some of the larger secondary cities. Hyper/supermarket anchored schemes with a catering and/or leisure offer continue to dominate the market. In 2023, retail trade turnover in Estonia decreased by 8% compared to 2022. This decline was primarily driven by a reduction in sales of manufactured goods, which saw a drop of 11%, and automotive fuel sales, which decreased by 5%. Grocery stores also experienced a 4% decrease in turnover. This downward trend has been consistent since late 2022. In contrast, in 2022, the retail trade turnover increased by 2% compared to the previous year.

There is a remarkable number of separately standing hyper/supermarkets in Estonia. In recent years, many discounter supermarkets have been changed to more expensive supermarkets.

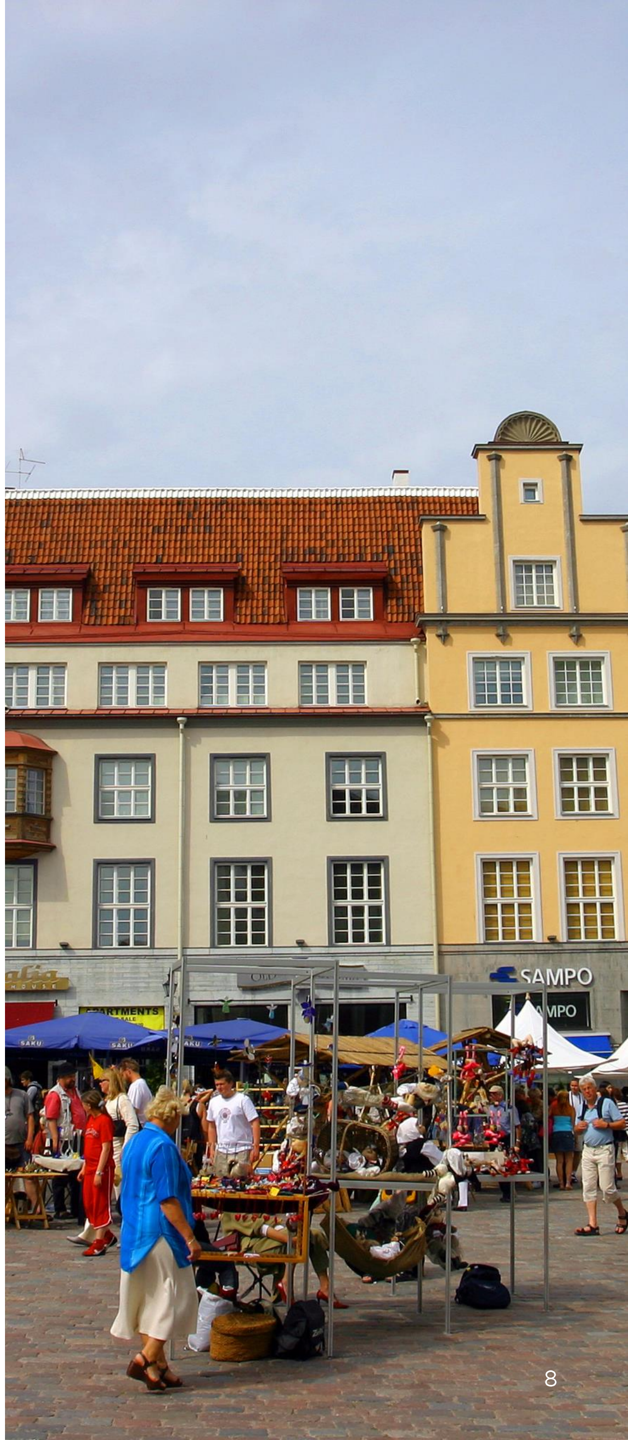
Major shopping centres, such as Ülemiste centre and Rocca al Mare centre continue to have ambitious development plans.

By 2023, e-commerce in Estonia has continued to grow rapidly. The turnover for e-commerce reached approximately €3.54 billion in 2022, representing a 34% growth compared to the previous year. E-commerce now accounts for around 20% of the total retail trade in Estonia. The percentage of e-shoppers, or individuals making online purchases, has increased significantly, with 78% of internet users shopping online by 2023.

In connection with the close competition of shopping centres, a future trend is emerging, where the centres will be transformed into multi-purpose centres - inner campuses, together with sports and park and entertainment areas.

It is possible to enter the Estonian retail market directly, though many also franchise and enter via concessions/shop-in-shops because of the small size of the market. There are no restrictions on foreign companies either buying or renting property in Estonia.

Although it is possible to occupy premises within a few weeks, it is more realistic to expect that on average it will take 3-4 months from initialising the property search to taking occupation of an existing property. The main issue is related to very limited vacancy in the major shopping centres, making it difficult to find available space.



ESTONIA
Shopping Centres

TOP SHOPPING CENTRES BY SIZE

NAME	CITY	SIZE (GLA SQM)	YEAR OPENED
Lõunakeskus	Tartu	75,000	2001
Ülemiste	Tallinn	74,000	2004 (expanding)
Rocca al Mare	Tallinn	57,300	1998 (expanding)
Kristiine	Tallinn	43,700	1999
Järve Keskus	Tallinn	45,200	2000
Astri Keskus	Narva	40,000	2006
Põhjakeskus	Rakvere	35,000	2011
Viru Keskus	Tallinn	42000	2004
Solaris	Tallinn	23,500	2009
Kaubamajakas	Pärnu	22,000	2004
T1	Tallinn	64,100	2018 (mainly outlets)

Source: Kinnisvaraekspert Research

ESTONIA

Key Features of Lease Structure

ITEM	COMMENT
Lease Terms	Leases are mainly for a term of 5 years, 5 + 5 years is also commonly used. 10 years is rather unusual in general but still often used for anchor tenants. Some agreements are signed with no possibilities to terminate the agreement.
Rental Payment	Rents are typically payable monthly in advance and usually there are fixed area-based rents. Sometimes fixed rents are combined with turnover-based rents. In this case most often the lessee has to pay a fixed payment plus a percentage of turnover, only if determined turnover level is exceeded. A security deposit is commonly used.

ITEM	COMMENT
Rent Review	Most rents are indexed based on CPI or fixed indexation. Typically indexation is based on local CPI, sometimes Eurozone CPI or fixed % is used. In case of negative CPI it is not considered in indexation. Quite often indexation is limited to certain level (up to 3-5% annually for example).
Service Charges, repairs and insurance	A service charge is usually payable in multi-tenanted buildings and covers management fees, security, cleaning and internal maintenance of common parts, external maintenance and insurance, etc. 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 sqm 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.

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Key Features of Lease Structure

ITEM	COMMENT
Property taxes and other costs	The only property tax is a land tax which in most cases is rather marginal. Land tax should be paid by the landlord and is recovered through service charges. VAT at 22% 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. Possibility and effect of early termination depends on the statements in the agreement 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 Estonian Civil Code provides much of the framework for lease agreements. Lease agreements must comply with the laws of the Republic of Estonia.

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ABOUT CUSHMAN & WAKEFIELD

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in nearly 400 offices and 60 countries. In 2023, the firm reported revenue of $9.5 billion across its core services of property, facilities and project management, leasing, capital markets, and valuation and other services. It also receives numerous industry and business accolades for its award-winning culture and commitment to Diversity, Equity and Inclusion (DEI), sustainability and more.

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