

Intelligent Investment

Office & Industrial CEE Investors' Guide – Baltic Countries

VIEWPOINT

Key market information
for Business Service
and Industrial Sectors
looking to locate in Central
European Countries.

CBRE RESEARCH
2022



INTRODUCTION

Friendly, warm, and more than a little curious about foreigners – this is how Wikipedia describes Central and Eastern Europe. These are also the features that together with economic advantages make the region one of the most successful in attracting international investors. The whole region has almost 100 million inhabitants with a growing share of immigrants from neighbouring eastern countries. Membership of the EU and relatively stable political conditions are also essential factors for newcomers, particularly manufacturers looking to relocate back to the European Union.

The aim of this report is to present the whole region for the benefit of foreign investors in the most comprehensive way. *Central and Eastern Europe* has several meanings across different industries. The report includes CEE-5 (Czech, Hungary, Poland, Romania and Slovakia), SEE (mainly Serbia) and 3 Baltic states.



Andreas Ridder
CEE Managing Director
CBRE



Population

100 M

Modern Office Stock (sq m)

28M

Modern Industrial Stock (sq m)

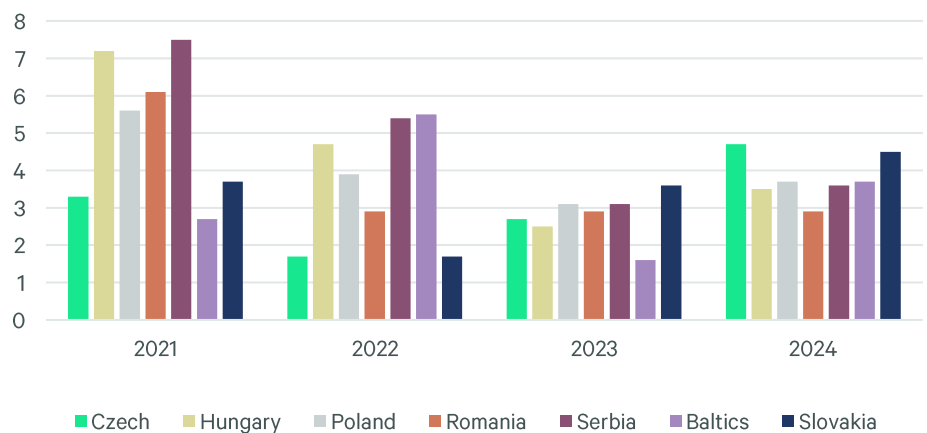
47M

WHY CENTRAL EUROPE?

The region went through the pandemic situation in quite a good condition, with positive GDP growth and good forecasts.

Like everywhere, the rising costs and high inflation are currently one of the major economic issues, however in comparison to western countries these are still much lower.

GDP Growth forecasts: Annual %



Source: CBRE House View, data as of end 2021

Economy & Demography

	Baltic Region	Czech Rep.	Hungary	Poland	Romania	Serbia	Slovakia
Population	6M	10.7M	9.7M	38M	19.1M	7M	5.5M
Unemployment	7%	2.8%	4.1%	3.2%	6.0%	10.9%	6.9%
Employment	2.8M	5.1M	4.6M	16.3M	7.7M	2.8M	2.6M
Number of students	238k	319k	282k	1,431k	534k	176k	141k
GDP Growth (2021)	5.8%	3.3%	7.1%	5.6%	5.8%	7.5%	3.7%
Purchasing Power Index (% of EU average)	53.92	56.40	49.81	47.09	45.19	36.72	50.39
English Proficiency index	574 (4/5)	563 (4/5)	593 (4/5)	597 (4/5)	598 (4/5)	599 (5/5)	590 (4/5)
S&P Investment Rating	AA-/A+	AA-	BBB	A-	BBB-	BB+	A+
Country's investment profile: Office	IT, R&D	SSC, BPO, IT, R&D	BPO, SSC, IT	SSC, BPO, IT	SSC, BPO, IT, R&D	SSC, BPO, IT	SSC, BPO, IT, R&D
Country's investment profile: Industrial	E-Commerce, 3PL, Retail	3PL, Retail, Automotive, E-commerce, Manufacturing	Automotive, Manufacturing, 3PL, E-commerce	E-commerce, 3PL	3PL, Retail, Automotive, E-commerce, Manufacturing	Logistics, Automotive, E-commerce, Retail	3PL, Automotive, E-commerce, Retail
FDI (USD bn 2021)	8.37	5.81	5.46	24.82	8.61	4.56	0.06

Source: CBRE House View, Oxford Economics, GFK, Eurostat, Numbers, EF English Proficiency Index, UNCTAD FDI, data as of end 2021

LABOUR MARKET IN CENTRAL EUROPE

The well-educated labour force offering high level English skills is one of the major factors encouraging new investors to open their shared services centres in Central Europe. The survey English Proficiency Index conducted by English First underlined the strong language backgrounds among CE citizens. The average for the CE region amounts to 588 points, which is remarkably higher than the European average – 535.

The student population amounts to nearly 3.2 million students. The greatest number of people study in Poland, Romania and the Czech Republic and the major academic hubs are Warsaw, Prague, Krakow and Bucharest.

One of the major factors influencing the location of businesses and production facilities here is labour cost. According to Eurostat, at the end of 2021, the average gross wage amounted to EUR 896 /month and it was significantly diversified across the region from EUR 735 /month in Romania to EUR 1,146 /month in Estonia. Still it is much lower when compared to the average gross wage in the European Union at EUR 1,850 /month.

Office sector average salaries
in Central Europe (gross/mth)

EUR 1,200 –
4,000

Industrial sector average salaries
in Central Europe (gross/mth)

EUR 1,100 –
3,000

Salaries in the Office & Industrial sector (Gross EUR monthly, min. - max.)

	Baltics	Czech Rep.	Hungary	Poland	Romania	Serbia	Slovakia
Finance and Accounting	1,300 - 3,000	1,500-3,600	1,600-2,400	1,150-4,000	1,600-3,300	1,569	1,300-2,700 (2000 av.)
IT	1,400 - 6,000	1,500-5,200	1,400-3,100	1,300-5,500	1,600-7,000	2,815	1,300-3,800 (2,500 av.)
Customer services	800 - 2,300	1,400-4,000	1,400-2,400	900-3,350	900-3,100	n/a	1,000-4,500 (1,900 av.)
Industrial	650 - 2,650	1,100-4,000	1,300-2,500	850-2,700	900-3,500	765	950-4,000 (1,200 av.)
Warehouse	750 - 4,000	1,100-1,600	900-1,400	650-1,400	700-3,500	933	900-1,300

Source: Grafton Recruitment, data as of Q1 2022

REAL ESTATE IN CENTRAL EUROPE

The commercial real estate markets in Central Europe are some of the most dynamic in the whole of Europe with a relatively large share of newly delivered buildings of the highest quality. The region has the highest share of commercial buildings with a green certificate in the whole of Europe.

Currently we can observe the following trends:

- High level of office and warehouse demand, due to a large number of newcomers from Eastern Europe, but also expanding e-commerce and nearshoring.
- Growing construction, labour and land costs are limiting the pipeline stock. The expected undersupply will increase the rents, both for office and industrial, which is being observed across the region.
- New generations, expecting a sustainable, flexible and well-being work environment, are shaping the competitive labour market. Quality of the space, convenient locations, friendly and advanced technology are must-have elements of today's office but also industrial space.

Average office vacancy
in CEE capital cities

12%

Average industrial vacancy
in CEE markets

3%

Real Estate Markets

	Baltics	Czech Rep.	Hungary	Poland	Romania	Serbia	Slovakia
OFFICE							
Stock (sq m)	2.6M	3.7M	4.2M	11.6M	3.2M	1M	2M
Demand 2021 (sq m)	0.2M	0.2M	0.2M	0.7M	0.2M	n/a	0.24M
Vacancy (%)	7%	8%	9%	12%	13%	6%	12%
Under construction (sq m)	0.5M	0.2M	0.5M	1M	0.3M	267,000	127,500
Prime rents (EUR/ sq m/ m)	17.00	25.50	24.00	26.00	19.00	16.50	17.00
Average rents (EUR/ sq m/ m)	14.00	16.00	14.00	14.00	16.50	14.00	14.50
INDUSTRIAL							
Stock (sq m)	5.6M	9.9M	4.1M	24M	2.8M	1M	3.3M
Demand 2021 (sq m)	0.9M	1.5M	0.5M	5.7M	0.5M	n/a	0.55M
Vacancy (%)	3%	1.8%	3%	4%	4%	3%	5%
Development pipeline (sq m)	0.5M	1.1M	0.5M	4.6M	0.2M	0.05M	0.4M
Prime rents (EUR/ sq m/ m)	5.00	7.50	5.50	5.30	3.90	4.25	4.10
Average rents (EUR/ sq m/ m)	4.25	5.50	4.75	3.90	3.60	4.00	3.90

Source: CBRE Research, data as of Q1 2022

INCENTIVES IN CENTRAL EUROPE

Investment incentives are an important instrument for all Central European governments and local authorities to attract investors creating jobs. Although working within the EU framework, CEE countries have a very different approach to granting incentives. There are different guidelines in the countries' investment agencies and every project requires a detailed advice on the incentives available.

Available state aid in CEE
related to costs

10 – 50%

Below we have compiled a general outline of the scale of the state-aid possible to be offered under different criteria and conditions. The table does not include local incentives offered on regional, non-governmental levels.

Governmental Incentives

Country	Minimum newly created jobs	Minimum investment	Maximum state aid (excluding local incentives)
Czech Rep. (manufacturing industry)	250 in case of strategic investment	CZK 10 – 40 M to long-term assets in regions with special state support depending on the size of enterprise; in the case of strategic investment in manufacturing industry it is CZK 2,000 M	20-50% of eligible costs, depending on region and company size <ul style="list-style-type: none"> Corporate income-tax relief for a period of up to ten years Cash grants for job creation up to the amount of CZK 300,000 per job (if the unemployment rate in the given district is above 7.5% and at the same time exceeds the Czech average by 50%) Cash grants for retraining and training new employees up to the amount of 50 - 70% of training costs, depending on company size (if the unemployment rate in the given district is above 7.5% and at the same time exceeds the Czech average by 50%) Cash grant on capital investment up to 10/20% of eligible costs (only for strategic investment in manufacturing industry)
Czech Rep. (Business Support Service Centres)	10-70, depending on company size and type of centre; 100 in case of strategic investment	CZK 200 M to long-term assets for strategic investment	Service must be provided in min. 3 states <ul style="list-style-type: none"> Corporate income tax relief up to 10 years Cash grant on capital investment up to 20% of eligible costs
Hungary	50	none	20 – 50 % of eligible costs, depending on the location and size: <ul style="list-style-type: none"> Cash subsidies for investments, training, investment into renewable energy and R&D Extent of subsidy subject to investment volume and number of created jobs Tax benefit for 80% of corporate tax for 12 years achievable Eligible costs are tangible (100%) and intangible (50%) assets for asset investments or all wages, benefits, salaries and contributions for job creation investments
Poland	50/150/250 (depending on location and type of processes) Business Services Sector cash grant 20/100 Manufacturing cash grant 10 R&D	PLN 1.5 M (PLN 0.3 M in some locations) PLN 7M/PLN 160 M PLN 1 M	<ul style="list-style-type: none"> 20-50% of eligible costs (+10 or 20 p.p. for SMEs), depending on the location: Cash grant Programme: <ul style="list-style-type: none"> Business Services Sector: up to PLN 12,000 or PLN 20,000 for each new job created Manufacturing: up to 10% or 15% of eligible costs, depending on location R&D: up to 15%/20% of eligible costs or up to PLN 15,000 or 20,000 PLN for each new job created. Additional training cash grant: 25% or 50% of training costs CIT exemption: between 10 and 15 years' tax free Real Estate tax exemption (up to 5 years), available in certain locations <p>Additional instruments (may be added on top of other state aid instruments): R&D tax relief, IP Box (preferential 5% tax rate), robotisation tax relief</p>

Source: Local Investment Agencies, 2022

Country	Minimum newly created jobs	Minimum investment	Maximum state aid (excluding local incentives)
Romania	10	€10 M	10 – 50 % of eligible costs, depending on the location and size New Investment: <ul style="list-style-type: none"> • Construction of new buildings • Renting costs for existing buildings • CAPEX aimed at technical installations and tools • Acquisition of intellectual property New jobs: <ul style="list-style-type: none"> • Salary costs registered for a 2 consecutive year period resulted as a direct consequence of the investment • Salary costs are comprised of gross average annual salary plus benefits
Slovakia	5	€100,000	50% 20 – 35 % of eligible costs, depending on the location and size Maximum of € 6,000 – 30,000 per employee <ul style="list-style-type: none"> • tax reliefs, • cash grants, • contributions for the newly created jobs and transfer of state/municipal property for a discounted price
Baltics	none	€1 M	<ul style="list-style-type: none"> • For development of business – loans from State Aid Programs at the development finance institution ALTUM. • Mezzanine loans for improving competitiveness of economic operators administrated by Latvian Guarantee Agency • Labour related support and grants • Office renovation cost • Purchasing fixed assets
Serbia	none	€8.5 M	<ul style="list-style-type: none"> • 6m for tax incentives, 3-5 years for government subventions, • 20-40% of gross salary of employees (depending the category)+10-30% of intended CAPEX

Source: Local Investment Agencies, 2022

Where are the opportunities in the CEE Industrial Market?

Poland remains the most interesting country in the region for investors, mainly due to the availability of the investment product. The very high demand in recent years, largely generated by e-commerce industries, relatively high availability of land and an efficient investment process, encourage developers to implement further projects. A significant number of these developments are offered to investors at various stages.

The Czech Republic is also a very interesting and highly rated country by investors - mainly due to its location, market stability, as well as high and constantly growing rents. The challenge here, however, is the availability of the product, which is very limited (low availability of industrial land, a complicated and long-term investment process).

Some I&L investors are also keen to look at Slovakia, where the risk at the project preparation stage is lower than in the Czech Republic and Hungary. As for Romania and SEE countries, at this stage, it is worth emphasizing the growing interest of tenants ready to develop their business in this part of Europe and sign long-term lease agreements. These markets, however, are dominated by developers building their own portfolios, and only few of them decide to sell their projects. Thus, again investors are faced with the lack of an investment product. However, it seems that the situation will change in the coming years - we expect an increase in the importance of southern Europe as a production and distribution location, which may encourage new developers, also the so-called Trade developers, to invest in these countries. It is certainly considered by investors who have been watching SEE markets for some time as an interesting alternative to investments in Poland.



By Joanna Sinkiewicz
Head of CEE Industrial & Logistics
CBRE

WHY LITHUANIA?

Lithuania excels in the ICT, life sciences, electronics and laser industries, as well as in traditional sectors such as transport and logistics, furniture and food. According to *Invest Lithuania*, the country ranks in the top five globally in terms of the availability of digital skills. *Enterprise Lithuania* also indicates that Lithuania's life sciences sector is the fastest growing in the EU; annual growth reaches 25%. The Lithuanian tax system is simple and has many initiatives for large-scale investors. Lithuania's EU-wide acceleration in the field of e-government solutions, which allows many business-related services to be solved electronically, also contributes to this.

STRENGTHS

- More than half the population is fluent in at least two languages.
- Lithuania in the top 5 in the EU for the recruitment of women ICT professionals.
- According to the number of Special Economic Zones (SEZs) operating in the country, Lithuania is ranked the third in the Western world.

OPPORTUNITIES

- *Invest Lithuania* has set goals to attract 225 direct investment projects in various fields by 2025 to create 21,500 new jobs.
- There are a number of attractive grant packages and funding programs offered by the Lithuanian government to foreign companies which set up business in Lithuania.
- Lithuania has the largest ICT industry in the Baltic States

GDP per capita in 2021.

€19K

Unemployment rate, 2021 Q4.
EU unemployment at 6.2%
in January 2022.

7.0%

Average gross salary in 2021.
The employee taxation is 40%

€1,680

Foreign direct investments
at the end of 2021.

€25.9B

	Vilnius	Kaunas	Klaipėda	Šiauliai	Panėvėžys
Population (2021 Q4)	569,902	293,277	149,056	101,884	84,613
Unemployment rate (%) (2021)	3.7	6.6	9.7	5.5	9.8
Average gross salary (2021 Q4)*	1,800	1,620	1,580	1,380	1,390
% office based employment (2021)	34.9	16.6	19.0	13.3	13.8
No. of students (2020-2021)	53,675	35,297	8,097	2,610	1,323
No. of graduates in universities and colleges (2020)	11,135	9,096	2,006	1,017	252
No. of foreign students (2020-2021)*			7,556		

Source: Statistics Lithuania, Oxford Economics

*Total number of foreign students in all Lithuanian universities and colleges

OFFICE LOCATIONS

Most office buildings are concentrated in Vilnius, the capital of Lithuania. 53% of Vilnius office modern stock is BREEAM or LEED certified, which is already ca. 30% above the EU average. The total office space availability in Vilnius per capita now stands at 1.5 sqm. Vilnius has become the destination of choice for many top companies, including *Nasdaq*, *Booking.com*, *Outokumpu*, *Telia* and *Moody's*. Kaunas, the second largest city in Lithuania, is also welcoming more and more companies that are being established in modern business centres.

Office Market

	Vilnius	Kaunas
Class-A rents (EUR/sqm/month)	15.5 – 17.5	12.0 – 14.5
Class-B rents (EUR/sqm/month)	10.0 – 14.5	6.0 – 10.0
Pipeline (sqm)	179,900	2,500
Vacancy, (%)	7.1	5 – 6
Total stock (sqm)	897,511	272,304
Class-A stock	379,272	52,282
Sustainable stock (BREEAM, LEED), % of total stock	36% (BREEAM); 17% (LEED)	18% (BREEAM)

Source: CBRE Baltics Research (2022)

Labour costs in Office based positions (EUR/mth) in Lithuania*

	Lithuania
Key Account Manager	2,300 – 5,000
Compliance Officer	1,250 – 6,700
Finance / Payment Specialist	1,600 – 2,800
Customer Support Specialist	1,450 – 2,850
Team Lead	2,350 – 4,300
Project Manager	1,500 – 5,000

Source: Invest Lithuania



“

Our priority technology sectors are growing, and Lithuania is becoming an increasingly attractive place to live and work for qualified foreign professionals.

”

Aušrinė Armonaitė
Minister of Economy and Innovation

* the total labor costs and total gross salary difference is 1.77%

INDUSTRIAL LOCATIONS

Considering the favorable investment environment and innovative complex logistics solutions, more and more distribution & logistics centres are being established in Lithuania. This is perfectly illustrated by the companies operating in Lithuania. The Lithuanian transport and logistics sector has such global names as *DSV*, *DHL*, *DB Schenker* and *DPD*. The *Port of Klaipėda* also makes a significant contribution to the well-developed logistics infrastructure and regional attractiveness. In 2021, more than 10 percent of cargo was handled in the *Port of Klaipėda*, or almost 1.5 million tons more than in 2020. The LNG terminal in Klaipėda allows to import natural gas from any LNG supplier. Meanwhile, one of the largest mobility projects in the region, *Rail Baltica*, is currently under construction. It will connect key elements of transport infrastructure, from seaports and land logistics infrastructure to airports and urban terminals.

Industrial market

	Vilnius	Kaunas	Klaipėda
Prime Rents (EUR/sqm/mth)	3.7 – 5.2	3.7 – 5.0	3.7 – 4.9
Total Stock (sqm)	1,127,000	1,083,000	336,000
Completions (2021)	9,500	11,500	31,400
Pipeline (UC sqm)	125,000	72,000	21,000

Source: CBRE Baltics Research (2022)

Labour costs in Industrial based positions (EUR/mth) in Lithuania*

	Lithuania
Production Manager	4,200 – 6,700
Head of R&D	4,200 – 5,900
Quality Controller	1,100 – 1,600
Purchasing, Logistics & Supply chain specialist	1,600 – 2,500
Accountant	2,000 – 3,000
Administration Office Worker	1,300 – 2,250

Source: Invest Lithuania



“

2021 was a record year in terms of production load and volume. The largest surplus in the ratio of imports and exports has been maintained.

”

Vidmantas Janulevičius
President of Lithuanian Confederation
of Industrialists

* the total labor costs and total gross salary difference is 1.77%

WHY ESTONIA?

Estonia has made the biggest development leap among the member states of the European Union in the last seven years, providing excellent digital capabilities and a competitive business environment - offering digitalization of almost everything. Entrepreneur friendly tax system provides competitive rates at 21% with no double taxation on dividends. The Country consistently ranks on a per capita startup leaderboard, which resulted as one of the ten best innovators in Europe in 2021. Tallinn is one of the top ten medium-sized cities in the fDi Magazine's index of the best foreign investment destinations – the „European cities and regions of the future“ ranking.

STRENGTHS

- One of the most advanced digital society and recognized leader in digital skills, IT infrastructure, easy and efficient business climate and supportive regulations.
- Multilingual and well-educated workforce, supporting development and testing in various innovative solutions.
- Estonia has the most unicorns per capita in Europe. So far, the country has been the birthplace of 10 companies with a value of over a billion euros .

OPPORTUNITIES

- Extensive options in various business sectors such as IT, R&D in software and hardware development, industrial, electronics, IoT, mechatronics, food, and business services.
- E-Residency grants access to Estonia's private- and public-sector services – no matter where you are located.

GDP per capita in 2021.

€23K

Unemployment rate 2021 Q4,
EU employment at 6.2%
In January 2022.

5.2%

Average gross salary in 2021.
The employee taxation is 21%.

€1,548

Foreign direct investments
at the end of 2021.

€30.8B

	Tallinn	Tartu	Narva	Pärnu
Population	438,341	95,430	53,424	50,639
Unemployment (%)	3.5	2.8	5.4	3.3
Average gross salary (2021)	1,519	1,417	1,018	1,202
Office-based employment (%)	29.0	19.1	14.5	16.8
No. of students (2021)	26,841	18,168	N/A	N/A
No. of graduates in universities and colleges (2021)	5,865	3,720	N/A	N/A
No. of foreign students (2021)	3,362	1,873	N/A	N/A

Source: Statistics Estonia and Oxford Economics

OFFICE LOCATIONS

Tallinn, the Capital of Estonia, is distributed into six different business districts. In addition to historically active areas like CBD, extended CBD, and Ülemiste City, new emerging business locations such as Veerenni and the Port neighborhood are experiencing increasing attention from potential office tenants. In 2021, an additional 36,000 sqm of office space was added to the stock, which lifted the office space availability to 2.2 sqm per capita in Tallinn.

Office Market

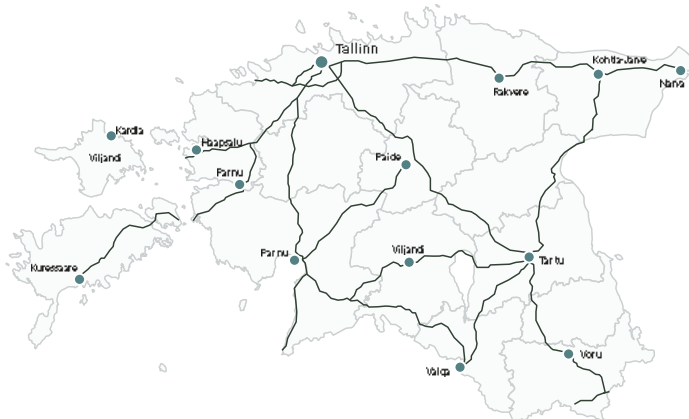
	Tallinn
Class A rent (EUR/sqm/mth)	14 - 17
Class B rent (EUR/sqm/mth)	9.5 - 14.5
Pipeline (sqm)	113,500
Vacancy (%)	5.5
Total stock (sqm)	951,000
Class A stock (sqm)	319,000
Sustainable stock (BREEAM, LEED), % of total stock	9% (BREEAM), 15% (LEED)

Source: CBRE Baltics Research 2022

Office based labor costs EUR/mth in Estonia

	Estonia
GL Accountant	1,450 - 2,450
AP/AR Team Leader	1,700 - 3,000
CS Specialist	900 - 1,450
Payroll Team Leader	1,350 - 2,300
Java Developer	1,650 - 2,900
IT Project Manager	2,100 - 3,700

Source: Statistics Estonia



“

2021 was a record year in terms of production load and volume. The largest surplus in the ratio of imports and exports has been maintained.

”

Kaspar Kokk
Director of Estonian Investments Agency

INDUSTRIAL LOCATIONS

The demand in industrial space is above the average as liquidity in the sector increases across Europe. A new trend for developers is to find new development opportunities close to the City borders due to urbanization. The most popular areas for warehouses and industrial facilities are located in the vicinity of the Capital. As one of the examples of that is Jüri in Rae Municipality, next to Tartu highway. Larger distribution centers on the City borders have secured their locations due to good visibility, good ingress and egress, and the excellent connection with the main roads like Pärnu highway and Narva highway, along with Tartu highway. At the same time, many smaller warehouses are located in the City area districts like Lasnamäe and Mustamäe. The transport infrastructure in Estonia is well established. Railway connections allows cargo delivery from seven ports, including major ones – Muuga, Sillamäe, and Paldiski. In the following years, one of the most significant investments, the project called Rail Baltica, will link Estonia, alongside existing Eastern-Europe connections, with Central and Western Europe. In addition, the Estonian Government has announced a collaboration with the Finnish Government to rent an Estonian-Finnish LNG capability floating terminal, which will be located in Paldiski.

Industrial Market

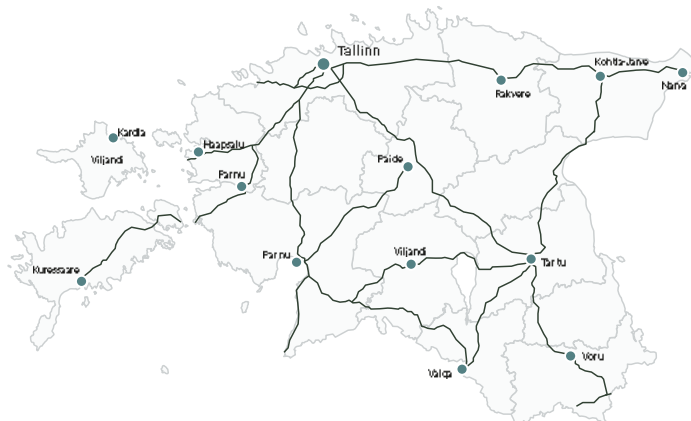
	Tallinn
Prime rent, (EUR/sqm/mth)	4.5 – 5.5
Total stock (sqm)	1,470,000
Completions 2021 (sqm)	33,000
Pipeline (UC, sqm)	58,000

Source: CBRE Baltics Research 2022

Labor costs in industrial based position EUR/mth in Estonia

	Estonia
Warehouseman	750 – 1,150
Forklift Operator	800 – 1,200
Shift Supervisor	950 – 1,650
Logistics Specialist	1,500 – 2,650
Production Engineer	1,300 – 2,200
Department Manager	1,000 – 2,250

Source: Statistics Estonia



“

The development centres and head offices of rapidly growing companies are progressively being brought to where the talents are.

”

Andreas Sutt
The Minister of Entrepreneurship
and Information Technology of Estonia

WHY LATVIA?

Latvia has its strategic location between Estonia and Lithuania. As the capital city, Riga is the largest across the Baltics, with around 1 million population within its agglomeration. Geographic location, skilled labor force, and competitive taxation provide many opportunities in logistics, GBS, finance, and IT sectors. Regarding the business environment, Latvia is ranked 19th out of 190 economies in the World Bank's Doing Business report (2020), showing solid and competitive results in all business directions. In addition, the tax system in Latvia is recognized as 2nd most competitive in the world.

STRENGTHS

- Highly skilled and inexpensive labour (ranked as 5th lowest in the EU)
- Competitive business environment, with an attractive and low-level tax system
- Strategic location, with functional regional port in Riga and air traffic hub
 - Riga International Airport, as well as upcoming development of Rail Baltica

OPPORTUNITIES

- Ongoing immigration wave in Europe, can fix the labour shortage
- Riga's universities are well known globally and can help in future to attract skilled labour
- Higher yields, compared to the Western and Central Europe

GDP per capita in 2021

€17.3K

Unemployment rate
at the end of 2021

5.1%

Average gross salary in 2021.
The employee taxation
is 31-33%.

€1,277

Foreign direct investments
at the end of 2021.

€21B

	Riga	Daugavpils	Liepāja	Jelgava	Jūrmala
Population	614,618	80,627	67,964	55,336	50,248
Unemployment (%)	3.6	7.9	5.3	3.9	4.3
Office based employment (%)	25	11	12	11	17.5
No. of students	64,364	2,786	1,895	3,882	-
No. of graduates in universities and colleges (2021)	11,923	532	366	694	-
No. of foreign students (2021)	8,220	19	35	134	-

Source: CBRE Baltics Research, Statistics Latvia, Oxford Economics

OFFICE LOCATIONS

In the past five years the annual take-up has been in range from 25,000 – 55,000 sqm with main drivers from IT/ICT sector. GBS and SSC companies tend to expand therefore projects which are developed in stages have an advantage. With commissioned buildings increases vacancy as vacant premises are absorbed at a relatively slow pace and pre-lease deals are rather rare. Even though we see a clear pattern, that even more international companies chose Riga instead of our neighbours. Noteworthy newcomers in the Riga's office market are Swisscom and Norwegian Air, that compliments already existing CCC (Facebook), Arvato systems, VISMA and many more. Office market in Riga is scattered lately developers have chosen different areas in the city for their developments in response to occupier demand. In 2021, the construction of several projects commenced including the Skanste area – Kapitel (Elemental 20,500 sqm) and Pillar – (Mihaila Tala 12,000 sqm), as well as Mukusalas Biznesa Centrs in Pardaugava, Gustava Business Centre in Teika/VEF area.

Office Market

	Riga
Class A rent (EUR/sqm/mth)	14-17
Class B rent (EUR/sqm/mth)	8-14
Pipeline (sqm)	155,792
Vacancy (%)	11,9
Total stock (sqm)	741,050
Class A stock (sqm)	127,580
Sustainable stock (BREEAM, LEED), % of total stock	26% (BREEAM) , 4% (LEED)

Source: CBRE Baltics Research

Office Gross Salary EUR/mth

	Latvia
GL Accountant	1,300 – 2,200
AP/AR Team Leader	1,500 – 2,700
CS Specialist	800 – 1,300
Payroll Team Leader	1,200 – 2,050
Java Developer	1,500 – 2,600
IT Project Manager	1,850 – 3,350

Source: Statistics Latvia, State Revenue Service of the Republic of Latvia, algas.lv



“Due to the rapid development of the Skanste neighborhood, up to 42 700 people will work and live there by the year 2030, as opposed to about 12 500 currently.

”

Martins Vanags
The Alliance of Real Estate Developers

INDUSTRIAL LOCATIONS

The transit sector is one of the strongest industrial sectors in Latvia, taking into geographical location, being at the crossroads between East, West and North. Nearly 90% of turnover in Latvian ports, more than 80% of rail cargo and a significant portion of oil and oil products are transported by tanker wagons as transit. More than 8% of Latvia's employees are engaged in the transportation and servicing of transit cargo, and this sector contributes 7.3% of countries GDP. It favours logistics and distribution complex development in Riga, Jelgava, Liepaja, Ventspils and some smaller towns along the main highways. Riga International airport is the largest in the Baltics, nourishing wide-scale developments in the nearby area. Brand new DHL terminal right in the airport territory, Greenpark and Airport Park warehouses, hosts international names such as ELKO, PRINTFULL, MGI, Venipak, Kronus, Itella logistics, McDonald's, and others. The ongoing Rail Baltica project is the largest mobility project in Baltics since 1990s, linking the Latvian railroad system with Western Europe.

Latvia serves as a solid and reliable cornerstone to strengthen One Belt, One Road initiative and is actively involved in the cooperation format 16+1 between China and Central and Eastern European countries.

Industrial Market

	Riga
Prime rent, (EUR/sqm/mth)	4.2 – 4.5
Total stock (sqm)	1,187,049
Completions 2021 (sqm)	81,000
Pipeline (UC 2022, sqm)	98,000

Source: CBRE Baltics Research

Gross Salaries in industrial based position EUR/mth

	Latvia
Warehouseman	650 – 1,000
Forklift Operator	700 – 1,100
Shift Supervisor	850 – 1,500
Logistics Specialist	1,350 – 2,350
Production Engineer	1,150 – 2,000
Department Manager	900 – 2,050

Source: State Revenue Service of the Republic of Latvia, algas.lv



“Some leading industrial developers have cancelled their asset disposal process activities but are up to grow the portfolio by the level which can attract more institutional investor attention since the Baltics still provide c.a. 250 bp premiums if compared to the Nordics and Western Europe.”

Robert Ardavs
Head of Valuation & Advisory | Baltics

SUMMARY

Pandemia, political conflicts, economic uncertainty, rising costs, supply chain disruption, immigration, new work trends and nearshoring are currently very significant factors impacting the modern economy. These changes have an impact on companies' whole operational environment. As usual the cyclical changes are forcing corporations to look for efficient solutions to remain competitive and survive within changing markets.

Companies' cost sensitivity supports the decision to move part of the business i.e. back- or mid-office functions to cost-effective countries. This trend has boosted the development of Business Services as well as industrial and logistic operations and the CEE region, with its well-educated workforce and competitive cost base, can be one of the main beneficiaries.



By Joanna Mroczek
Head of CEE Research
Head of Strategic Consulting
CBRE

FDI by Country of Origin

FDI by country of origin - main investors	Baltics	Czech Rep.	Hungary	Poland	Romania	Serbia	Slovakia
1st country (share)	Sweden (26%)	Netherlands (17%)	Netherlands (20%)	Netherlands (26%)	Netherlands (22%)	Germany (10.8%)	Netherlands (22%)
2nd country (share)	Finland (12%)	Luxembourg (16%)	Germany (16%)	Luxembourg (17%)	Germany (12%)	Italy (10.2%)	Austria (15%)
3rd country (share)	Luxembourg (10%)	Germany (15%)	Austria (16%)	Germany (16%)	Austria (12%)	USA (10.1%)	Czech Rep. (14%)
4th country (share)	Germany (10%)	Austria (10%)	South Korea (10%)	Switzerland (7%)	Italy (8%)	France (9.5%)	Germany (7%)
5th country (share)	Netherlands (8%)	France (7%)	Switzerland (10%)	Cyprus (7%)	France (6%)	Austria (8.8%)	South Korea (6%)

Source: Local Investment Agencies and National Banks, Statista

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