CBRE Baltics
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Strong Pipeline Mixed with Economic Unknowns

▶ **0.5-3.5**
Vacancy Rate, %

▲ **5.0-6.25**
Prime Rent Range, EUR/sqm/month

▼ **70K**
Completions, sqm

▼ **395K**
Under Construction, sqm

Note: Arrows indicate change from the previous quarter, considering Tallinn, Riga, Vilnius, Kaunas, and Klaipeda markets

Supply

In Q4 2022, the developers commissioned around 69,600 sqm of modern I&L space to the market, which is ca. 56% less than in the previous quarter. In Tallinn, one new stock-office space was delivered, the 9,500 sqm Iru Ärikeskus. In Riga, two projects, namely the 7,000 sqm first building of Green Park III and Kengaraga centre stock-office, with over 4,000 sqm GLA, were completed. Throughout the three biggest Lithuanian industrial hubs, Vilnius, Kaunas and Klaipeda, seven new projects were commissioned. Out of ca. 48,600 sqm commissioned, the most notable project completed within these three significant cities was the 19,000 sqm Aug Rent logistics centre in Klaipeda. In each of the three cities, stock-offices also supplemented the stock, namely M31 in Vilnius, Decathlon in Kaunas, and Stock-o (1st phase) in Klaipeda. As of January 2023, a total area of ca. 395,000 sqm is under construction in the Baltics.

Demand

Although demand did not show any extreme variations in 2022, the vacancy rates are at a record-low in all the biggest Baltic cities. Raw material costs and electricity prices, supply chain problems, as well as the ongoing regional geopolitical tensions, resulted in some projects being postponed/delayed for an undefined period. Many tenants that are looking for a switch in industrial premises, are now adopting a wait-and-see strategy, as the pipeline looks promising.

Lease Terms

Besides the rent, utility charges are becoming a vital point of consideration when selecting an industrial premises. Electricity-intensive businesses will tend to pay particularly more attention to sustainability matters. Also, the usual lease terms, which historically were strict and favoured landlords, are likely to gain more flexibility. However, due to the inflation, uncertain economic and geopolitical situation, prime rents have risen in all three Baltic countries compared to the same period last year. Prime rents are recorded at around 6.25 EUR/sqm/mth in Tallinn, 5.0 in Riga, and 5.5 in Vilnius.

FIGURE 1: Selective Pipeline Developments (Under Construction), Baltics*

Development	Developer	Country	GLA, sqm	Year of Completion
Lidl Logistics Center	Lidl Lietuva	Lithuania	59,500	2024
JYSK LC	VGP Latvia	Latvia	42,000	2023
J55 (I stage)	Sirin Development	Lithuania	30,900	2023
Rumbula Logistics (III phase)	Sirin Development	Latvia	27,650	2023
Eugusta Distribution Centre	VGP Latvia	Latvia	25,500	2023
Makita Nordics HQ	Makita	Estonia	23,500	2023
EFC Farmacy Factory	Eesti Farmaatsia Grupp	Estonia	19,500	2023

FIGURE 2: Split of the U/C Stock, Baltics*

LOGISTICS		**44%**
WAREHOUSES		**25%**
STOCK-OFFICES		**17%**
PRODUCTION		**14%**

*Tallinn, Riga, Vilnius, Kaunas, Klaipeda, and their surrounding areas

Market Area Overview   Modern Industrial Stock, sqm
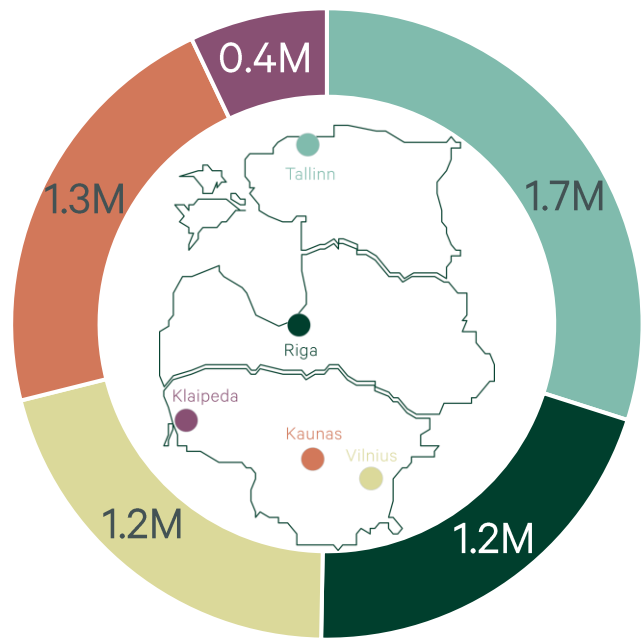
Definitions

Total Modern Industrial Stock – represents the total completed production, stock-office, warehouse and logistics space (occupied or vacant) in the private and public sector at the survey date. It includes both speculative and owner occupied (OO) space in Tallinn, Riga, Vilnius, Kaunas, Klaipeda and their surrounding areas.

Prime Rent – represents the top open-market tier of rent that could be expected for a unit of standard size (commensurate with demand in each location) of the highest quality and specification and the best location in a market at the survey date. The Prime Rent should reflect the level at which relevant transactions are being completed in the market at the time. If there are no relevant transactions during the survey period, the quoted figure will be more hypothetical, based on an expert opinion of market conditions.

Stock Office – a building that combines a showroom, office space, warehouse and in some cases manufacturing premises together; unit sizes could vary, and the schemes are designed for small and medium business operations.

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