

# Industrial Stays Insulated with Solid Fundamentals

► 0.5-3.5

Vacancy Rate, %

▲ 5.0-6.5

Prime Rent Range, EUR/sqm/month

▲ 88K

Completions, sqm

▲ 450K

Under Construction, sqm

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

## Supply

In Q1 2023, around 88,000 sqm of modern industrial stock was supplied to the market (+26% q/q). A 7,000 sqm GLA Ringtee stock office was constructed in Tallinn, and JYSK logistics centre with 42,000 sqm GLA and NP business centre with 7,300 sqm GLA was commissioned in Riga. However, in Lithuania, four projects were supplied, amounting to roughly 31,000 sqm, including a Tamro D&L centre, Emri warehouse, Raudondvario 107B stock office and the J55 I stage 2<sup>nd</sup> building. As of end Q1 2023, ca. 450,000 sqm is under construction in the Baltics. Country-wise, Lithuania is leading the region with UC stock volumes, followed by Estonia and Latvia, equating to ca. 54%, 24% and 22% of total Baltics UC, respectively. Sector-wise, about 32% of Baltics UC stock are logistics-type properties, 27% warehouses, 17% stock offices and 24% other. In addition, suppliers are considering constructing larger yet more separate unit prime properties to satisfy tenant demands to expand and/or move within units. However, identifying potential landmarks for large-scale projects in prime-urban sites is becoming increasingly difficult due to land scarcity and strong competition.

## Demand

In Q1 2023, demand for high-quality industrial properties in prime locations remained robust, with few available offerings on the market and close to zero vacancies in the prime locations. Yet, less well-maintained industrial assets have proven to have significantly higher vacancy rates. Consequently, the absorption rate for the upcoming industrial supply is also likely to follow the current trend, with prime properties maintaining solid fundamentals as potential lessees are more likely to target convenient sites with quality and sustainability features and pay a premium, rather than gain an incremental cost reduction while staying in less well-maintained properties.

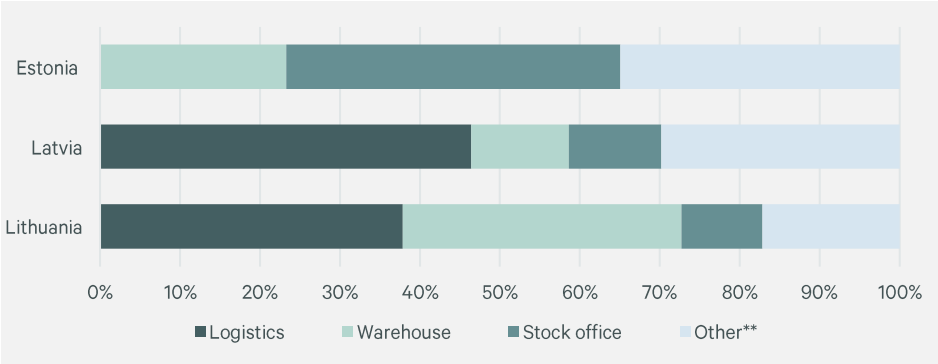
## Lease Terms

Prime rents are recorded at around 6.5 EUR/sqm/month in Tallinn, 5.0 in Riga, and 5.5 in Vilnius, with no significant adjustments from the previous quarter. In the long-term prime rents are expected to continue progressing as structural cost pressures grow.

FIGURE 1: Selective Largest Pipeline Developments (Under Construction), 2023-2024, Baltics\*

Development	Developer	City	GLA, sqm
Lidl Logistics Center	Lidl Lietuva	Vilnius	59,500
J55 II stage	Sirin Development	Vilnius	31,000
Rumbula Logistics Park III	Sirin Development	Riga	27,700
Makita Nordics HQ	Makita	Tallinn	23,500
Moki-veži Warehouse	Makveža (Norteo)	Vilnius	20,700

FIGURE 2: Split of the UC Stock, Baltics\*



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

\*\*Includes production, laboratory and industrial parks

Market Area Overview



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.

Contacts

Research

Ieva Vitaitytė

Manager  
Research & Consulting  
+370 6560 9710  
ieva.vitaityte@cbre.lt

Justė Subatavičiūtė

Analyst  
Research & Consulting  
+370 6058 2527  
juste.subataviciute@cbre.lt

Elza Muraševa

Senior Analyst  
Research & Consulting  
+371 2038 9233  
elza.muraseva@cbre.lv

A&T

Denis Rein

Director  
Advisory & Transactions  
+370 6985 1716  
denis.rein@cbre.lt

Reinis Lauskis

Associate Director  
Advisory & Transactions  
+371 2832 4165  
reinis.lauskis@cbre.lv

Nikita Kulikov

Senior Consultant  
Advisory & Transactions  
+372 505 8548  
nikita.kulikov@cbre.ee

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