

FIGURES | BALTIC INDUSTRIAL | Q2 2023

# Vast Plans and Growing Interest in Multifunctionality



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

**Supply.** In Q2 2023, seven new construction and two expansion projects were finalized across Baltic industrial hubs supplying more than 100,000 sqm GLA, with Riga being the main driver. Two significant projects were commissioned there, each approx. 28,000 sqm in size. One was a built-to-suit (BTS) distribution center for Eugesta, and the other one was developed by Sirin - Rumbula Logistics Park (3<sup>rd</sup> stage). Although the quarter was relatively slower in Estonia and Lithuania as Latvia commissioned ca. 70% of all Q2 stock, several new stock offices were offered to the market, with the largest being over 6,000 sqm in Vilnius under the 1<sup>st</sup> stage of West Garden project by Homa Group. Regarding the pipeline, 589,000 sqm are currently under construction (UC), with stock offices gaining further traction and accounting for ca. 25% of all current UC stock. Noticeably, SBA Urban has started one of the most expansive stock office projects in Lithuania's largest cities, Vilnius and Kaunas, promising over 20,000 sqm in each stage of construction. Additionally, in Tallinn, Ericsson Estonia announced plans to build a Next-Generation Smart Manufacturing and Technology Hub comprising of 50,000 sqm in Ülemiste City by 2026.

**Demand.** One noticeable trend lately is the need for expansion by largest Baltic supermarket chains. Both Maxima and Rimi have confirmed plans to construct modern logistics and distribution centers in Lithuania and have them open by 2024 and 2025, respectively. Meanwhile, Rimi Estonia recently announced it will be developing a 25,000 sqm logistics, production and office complex near Tallinn. At the same time, most other BTS pipeline projects in Estonia and Latvia focus on production, with just a few carrying out a logistics role. However, more than half of pipeline stock among the Baltic capitals is speculative, suggesting that developers are stepping more confidently into stock office development despite economic uncertainty, providing higher on-demand supply for SMEs.

**Lease Terms.** No substantial changes were observed during Q2 2023, with prime rents currently standing at 5.5-6.5 EUR/sqm/month in Tallinn, 4.5-5.5 in Riga, and 5.0-5.75 in Vilnius. Vacancy rates have also remained solid at around 0.5-3.0% on average across the Baltics. Yet, both rents and vacancies remain heightened for stock offices, standing at 8.00-12.00 EUR/sqm/month and 5-7%, respectively.

FIGURE 1: Proportion of Pipeline\* Projects' Purpose Types (based on GLA)

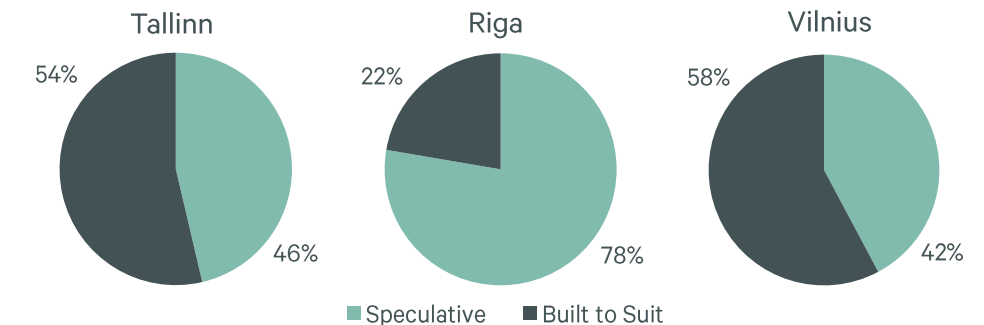
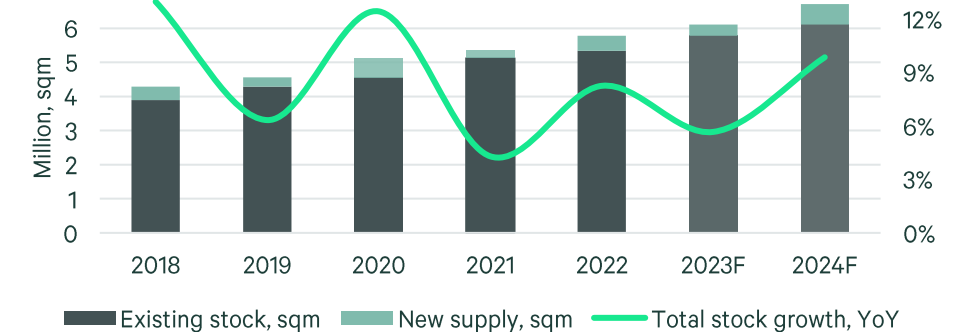


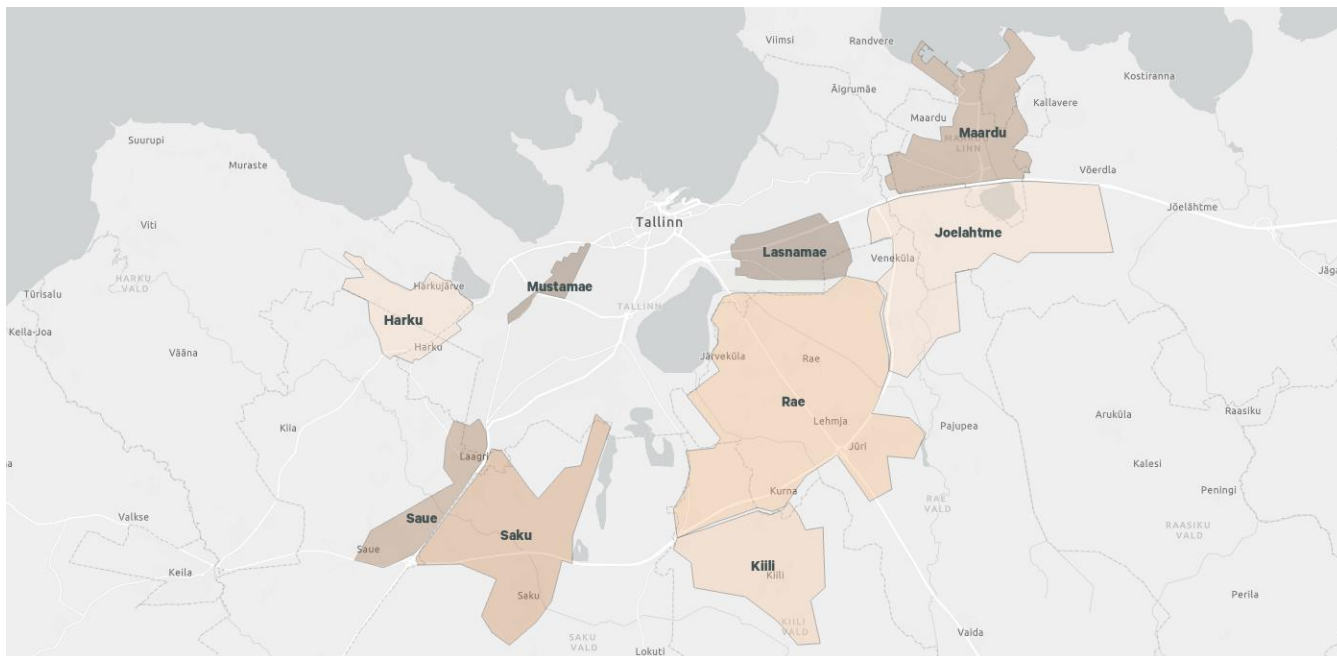
FIGURE 2: Total Stock Development, Growth & Forecast, 2018-2024F, Baltics\*\*



\*Under construction and planned projects to be commissioned by the end of 2025

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

## Tallinn Industrial Districts



## 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.

UC – abbreviation for the term *Under Construction*, a state of property where construction has already begun and is yet to be completed.

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