

Stock Offices – A New Way Forward

Stock Office / Small Business Unit – a building that combines together a showroom, office space, warehouse and in some cases manufacturing premises. Unit could size from 200 sqm, designed for small and medium business operations.

Ülemiste LoftOffice, Tallinn



Source: Hammerhead

SUMMARY

- There exist ca. 100,000 sqm stock offices space throughout the Baltic states, another ca. 100,000 sqm are under construction or are planned to be built.
- Stock office format has successfully been introduced to the Estonian and Latvia markets. Lithuanian developers have also started experimenting with the concept but are careful to rush with major development plans, most likely due to false assumption that the market is uneducated when it comes to understanding the stock office advantages over combining office and warehouse space together.
- The pipeline in the Baltics shows a trend of stable growth of new stock. Because of the novelty of the concept, it is still expected to find its clientele in the years to come.

Stock Offices

Baltics | 2020

OVERVIEW

Compared to the old-fashioned production and warehouse premises which can serve for mainly storage purposes, the new type of the stock office facilities are a fresh and economic outlook towards organizing business, especially for production, and e-commerce related companies. Often this type of buildings are located within city borders close to main city motorways to ensure easy access and good visibility. Stock offices have a modern and professional appearance which is why companies can also have a representative showroom in the same place.

Alternatively, stock offices are efficient as they provide space for small industrial or storage operations on-site as well as a modern area for administrative functions. In case a project provides good visibility, it also could generate additional sales revenues.

From the conceptual point of view, usually, 65-85% of the building surface is a warehouse or shop, 20-30% an office, on-demand separate showrooms are created. The price of stock offices is also highly dependent on warehouse/office/showroom split.

The overall concept of the stock offices should grow. The nearest openings are set to be successful due to the current surge of e-commerce activity, as producers and retailers transitioning to online sales. In addition, the strengthening of small and medium businesses will also positively affect demand. At the same time, the popularity of the concept should raise with higher available supply.

A1, Kaunas



Source: CBRE Baltics

Dienvidu Varti, Riga



Source: CBRE Baltics

Selected Pipeline Projects in the Baltics

Project name	Size, sqm	Expected	Location		Developer
Plasti	3,500	2020	Estonia	Tallinn	Colonna
Saluste 3	23,300	2021			Favorte
Kassi	1,800	2021			Kassi Kvartal
Dienvidu Varti (II stage)	5,000	2020/2021	Latvia	Riga	LNK Properties
DV8	5,478	2021			DV Serviss Group
StokOfiss U30	3,750	2021			Hepson
Vilia Industrial Lubana	14,500	2022			Vilia
Dantes 11	8,700	2022			N/A
Vilniaus Verslo Parkas	24,000	2022	Lithuania	Vilnius	Darnu Group
Liepu Parkas	12,000	2022		Klaipeda	BNTP
Pavilnioniu 63	20,000	N/A		Vilnius	Novatoriai
Islandijos 67	6,200	N/A		Kaunas	N/A
Mozuriskiu 31	4,300	N/A		Vilnius	Investavimas LT

Source: CBRE Baltics

ESTONIA

The stock office boom in the country has started in 2015, and their popularity keeps rising. In the very beginning of stock office appearance in the market, the projects were located in the outskirts of Tallinn, but as the demand kept growing, new stock offices can be found now all around the capital city. Moreover, a few projects have been built in Tartu, as well. Despite higher rent prices, larger developers like Favorte and Hammerhead do not find it hard to lease the space to new tenants.

Typical units are between 400 and 900 sq m. New stock office supply has recently increased to around 50,000 sq m with another 35,600 sq m being under construction. The most substantial stock office is located at Saluste str., where 23,300 sq m stock office was introduced to the market by Favorte in 2020. Among the recognizable occupiers of stock offices are such companies as Würth and Assa-Abloy.

In the future perspective, there is a forecasted trend of stable growth of new stock office projects due to the matter that the interest from occupiers' side is constantly growing. The reasons why tenants find stock offices so tempting are related to the changes in the way business activities are organized, the depreciation of existing premises and willingness to be more visible as well as closer to clients.

In five-year period the rent has risen from 5 to ca. 7-10 EUR/sqm per month for an average stock office unit.

LITHUANIA

The concept of stock offices has recently started emerging in Lithuania's real estate market. However, overall low supply and unfamiliarity with the concept contributes to relatively low stock office popularity among potential occupiers that are currently served by adapted traditional industrial or warehouse premises. Likewise, developers avoid dealing with stock offices as without pre-lease agreements, it is difficult to offer competitive pricing.

Mostly, stock offices in Lithuania are slightly more leaning to retail than to office-storage or office-production facilities. The immediate clientele that are likely to help the concept to break through are businesses with e-commerce operations, since e-commerce popularity has recently observed a positive shock due to preventive measures taken because of the pandemic.

There are several projects in the plans of developers to be delivered, yet progress of these are at different stages. One of the more recent announcement is Vilnius Verslo Parkas on the A2 highway. A 24,000 sq m stock office was announced to be delivered by an experienced developer Darnu Group. Among existing examples that fall under stock office concept there is Ukmerges str. 241 in Vilnius, and A1 project in Kaunas located on the highway Vilnius-Kaunas. Both projects were opened 2 years ago.

As the stock office concept is still an emerging notion in the Lithuanian market, the emphasis

should be put on the issue that some of the projects' involvement might not proceed further unless tenants are willing to sign pre-lease agreements.

The monthly rent price for stock office unit ranges between 6 and 8 EUR/sqm.

LATVIA

Stock office concept in Riga gets a continuously increasing tenants' interest due to the provided opportunity to have industrial, offices and retail /showroom under one roof. The size of a single average stock office unit ranges from 300 to 900 sq m. Additional reason for tenants to consider relocation to newly built premises is aging stock for similar premises currently on the market.

A variety of stock offices to choose from is expected to be substantial. The stock office space supply has increased from 10,500 sq m to 23,600 sq m during the last 1.5 years. Taking into account the projects currently in the pipeline, the total volume of stock offices is anticipated to almost triple and reach 61,000 sqm.

LNK Properties business complex located on the corner of Piedrujas and Rezeknes streets along A2 motorway is the most remarkable development in current stock. Dienvidu Vārti expanded by ca. 3,500 sq m in early 2020 and the second stage of Dienvidu Vārti complex is expected to be commissioned in 2020/2021.

The monthly rent rates ranges from 6.0 to 8.0 EUR/sqm for an average type of stock office unit.