

FIGURES | INVESTMENT | 2021

Record high investment volumes across the Baltics

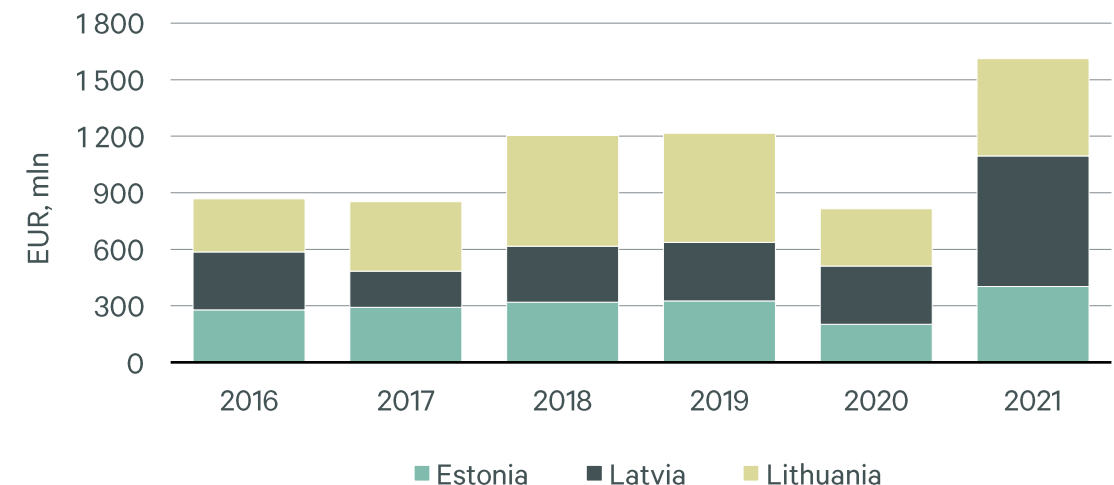


Note: Arrows indicate change from previous year.

Highlights

- Record CRE investment volume was achieved in the Baltics in 2021, with Latvia as the leader at 43%, followed by Lithuania at 32% and Estonia at 25%.
- Investments have doubled compared to 2020 and increased by 30% compared to 2019.
- Retail as the leading sector comprising 40% of total investment volumes, followed by office and logistics sectors, each accounting for ca. 20% of the total volume.
- Investment volumes in I&L have grown by ca. 120% on a year-on-year basis.
- The Baltics have witnessed the first multifamily forward agreement deals between investors and developers, accounting for ca. 7% of total investment volumes in 2021.
- Further yield compression has been evident in the office and I&L sectors.
- The Baltics are also witnessing a growing appetite for alternative real estate sectors.
- ESG criteria is playing a more significant role for institutional investors than ever before.
- Baltic investment funds and portfolio managers have started actively looking into the broader CEE region, with new investments in secondary locations in 2021.

FIGURE 1: Investment Volumes in the Baltics



Source: CBRE Baltics Research

Retail is leading the Market

The distressed retail environment and attractive yields compared to other asset classes have had an influence on the retail sector which leads investment volumes in the Baltics. Investments in retail have more than tripled compared to 2020 and more than doubled compared to 2019, while the volumes were also twice the size of the 5-year average. Latvia accounted for a half of the retail transaction volume in the Baltics.

Record low yields have been witnessed in the office sector, with the largest transaction registered in Latvia, where EfTEN Capital acquired the Teika office block from Hanner Group in Riga for €131m, comprising more than a third of total investments in offices in the region.

Investment volumes in industrial and logistics have grown by ca. 120% on a year-on-year basis, with the largest sale transactions being Balt Cargo Solutions and a half of the Baltic Industrial Park in Latvia, the sale of Via 3L in Estonia, and Rehau in Klaipeda. Demand for I&L assets further compress the yields in the Baltics, with prime logistics yields falling below prime retail yields.

Several large investment transactions have already been announced, however, they will be finalized later this year. In December 2021, East Capital Real Estate signed an agreement for the sale of three properties located in Tallinn, Estonia and the surrounding area: the J13 Logistics Park, the Rimi Logistics Park, and the Metro Plaza Office Building.

The Baltics have witnessed the first forward agreement deals in multi-family sector between BTA Baltic Insurance Company and YIT across the Baltics, and EfTEN Capital and Etapas group in Lithuania, both accounting for ca. 7% of total investment volumes in the Baltics in 2021.

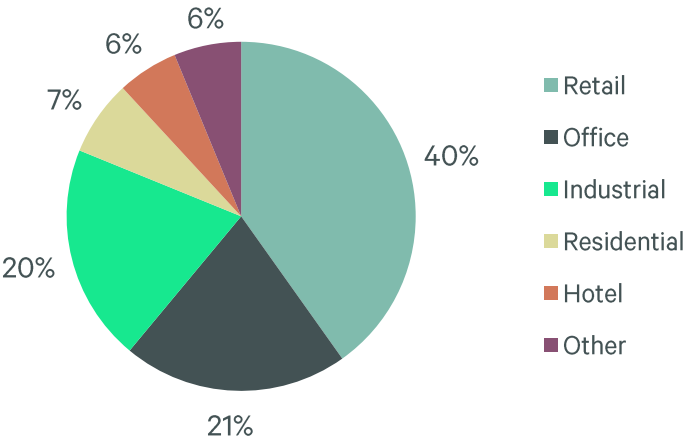
Local investor presence is still strong

It is the second year in a row that Baltic investors and commercial real estate fund managers accounted for more than two-thirds of total investment volumes in 2021, showing strong local investor demand in the region.

Changing environment

ESG criteria plays a more significant role for institutional investors than ever before for all asset classes. Additionally, the Baltics are witnessing increasing investor demand for alternative sectors and conversions in the region.

FIGURE 2: Investment by Sectors in 2021



Source: CBRE Baltics Research

FIGURE 3: Prime Yields by Sectors

Property Type		2019	2020	2021	Change (2019/2021)	Change (2020/2021)
 Logistics	EE	7.25	7.25	6.75	▼	▼
	LV	7.25	7.25	6.75	▼	▼
	LT	7.25	7.25	6.75	▼	▼
 Shopping centres	EE	6.50	7.00	7.00	▲	▶
	LV	7.00	7.25	7.25	▲	▶
	LT	6.50	7.00	7.00	▲	▶
 Retail	EE	6.00	6.30	6.25	▲	▶
	LV	6.25	6.75	6.75	▲	▶
	LT	6.50	6.80	6.75	▲	▶
 Offices	EE	6.25	6.15	5.50	▼	▼
	LV	6.25	6.00	5.50	▼	▼
	LT	5.85	5.85	5.25	▼	▼
 Offices secondary	EE	7.00	7.25	7.00	▼	▼
	LV	7.75	7.50	7.25	▼	▼
	LT	7.25	7.10	6.50	▼	▼

Source: CBRE Baltics Research

Largest Investment Transactions in Baltics, 2021

Project	Sector	Country	Purchaser	Seller
Alfa SC	Retail	Latvia	Akropolis Group	AMD Holding
Jauna Teika	Office	Latvia	EfTEN Capital	Hanner Group
Stockmann SC Portfolio	Retail	Latvia, Estonia	Viru Keemia Grupp	Stockmann
YIT Multifamily Rental Portfolio	Residential	Baltics	BTA Baltic Insurance Company	YIT
T1 SC	Retail	Estonia	Lintgen	TMK (bankruptcy)
Jaunbumani & Balt Cargo Solutions	Industrial	Latvia	SG Capital Partners Fund I	Beinits , Balt Cargo Solutions
Liepu 81 SC	Retail	Lithuania	NDX Group	VPH
Ozols SC	Retail	Latvia	Titanium	KS Holding
Uptown Park	Office	Lithuania	Eastnine	Vilbra
Vastint Office Portfolio	Office	Lithuania, Latvia	Eastnine	Vastint

Definitions

Investment Volume – the total amount of the value of investment transactions that have been completed during the period reported. A property is deemed to be sold only when contracts are signed or a binding agreement exists.

Yield – represents the income return on an investment after operational costs have been deducted. Yield is determined by first subtracting the property’s annual operational costs from its gross operating income and then dividing this by a sum of the purchase price (PP), not including additional acquisition costs.

Prime Yield – the yield which an investor would receive when acquiring a grade/class A building in a prime location (CBD, for example), which is fully let at current market value rents. Prime Yield should reflect the level at which relevant transactions are being completed in the market at the time but need not be exactly identical to any of them, particularly if deal flow is very limited or made up of unusual one one-off deals. If there are no relevant transactions during the survey period a hypothetical yield is quoted, and is not a calculation based on particular transactions, but an expert opinion formed in the light of market conditions. The same criteria on building locations and specifications still apply.

PRS - Private Rented Sector or Build-to-Rent properties. PRS properties are new housing developments where all the properties are built for rent, not sale. Owned by landlords, who can either be individuals or companies, and leased out to tenants.

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