

FIGURES | RIGA OFFICES | Q1 2022

Renewal of Riga's office stock continues

▼ 11.6%

Vacancy Rate

► 741k sqm

Total Modern Stock

▲ 17.6k sqm

Take-up

► 5.5%

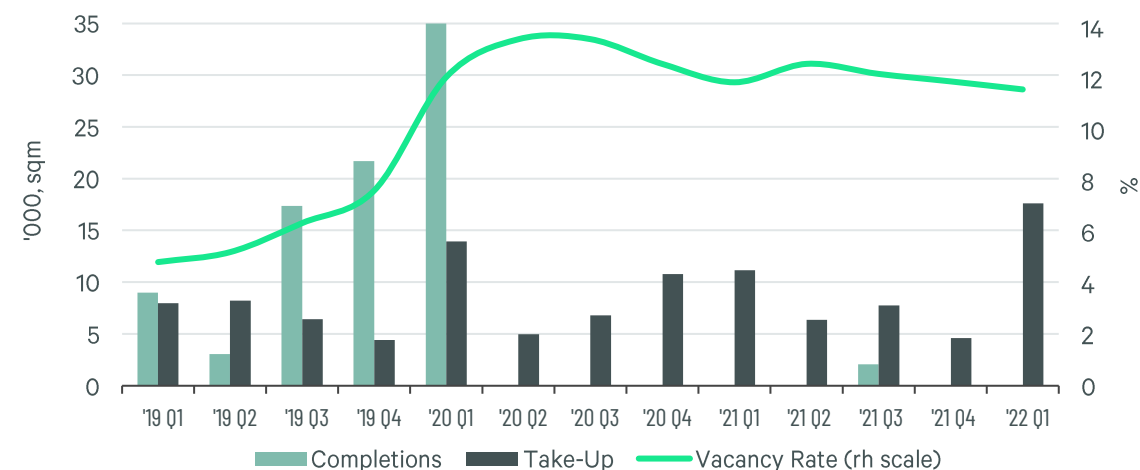
Prime Yield

Note: Arrows indicate change from previous quarter.

Highlights

- Riga's office market has shown strong take-up in Q1 with more than 60% being pre-lease deals.
- The pipeline remains strong with more than 130,000 sqm under construction. Overall, developers with projects at the planning stage remain positive with very few postponed schemes due to increased construction costs.
- Vacancy has decreased by 0.3 pp compared to the previous quarter. We expect that vacancy will continue on a downward trend before increasing in 2023 as a result of new projects being commissioned.
- Rent prices have remained stable in existing B1 class office buildings. Due to increasing construction prices, projects under construction or in a shell&core condition may review their fit-out standards and in some cases ask for an occupier contribution towards the office fit-out.
- B2 class office buildings are willing to offer more incentives as occupiers are actively looking to review their existing office sizes and prefer relocation to higher class office buildings

FIGURE 1: Riga Modern Office Stock Completions, Take-up and Vacancy rate, 2019 Q1 – 2022 Q1



Source: CBRE Baltics Research

SUPPLY

Riga's modern office stock stands at 741,000 sqm and no new projects were delivered to the office market in Q1 2022. Significant changes are expected during the second part of the year and in 2023 as more than 130,000 sqm is planned for delivery during this period. Developers have chosen different parts of the city for their projects, for example Elemental Skanste by Kapitel will add 20,500 sqm to the Skanste area, Preses Nama Kvartāls have ambitious plans with several stages in near Pardaugava and Novira Plaza will add more than 20,000 sqm in the CBD.

DEMAND

Demand has remained strong with office occupiers returning to their offices after two years of increased remote working. Hybrid work will have a significant role for companies moving forward and many occupiers are already reviewing options to optimize currently leased premises. Companies prefer relocation over subleasing as many office buildings cannot offer the required flexible office split options. Increased interest from companies in relocating their offices to Riga was observed.

VACANCY

Vacancy has remained in double digits for a second straight year and stands at 11.6%. Vacancy decreased by 0.3 pp compared to the previous quarter and is expected to remain at the same level in 2022 before increasing in 2023 due to new additions to the market.

MARKET RENTS

Market rents have remained stable in Q1 2022 with a slight downward trend for B2 class office buildings. With a high volume of new project commissioning expected by the end of 2023 rent prices should remain stable as projects will have to compete to attract occupiers. Increasing construction costs and inflation may put pressure on developer planned investment into fit-out and thus part of the investment may be transferred to occupiers.

FIGURE 2: Pipeline Projects Under Construction. 2022-2023

No.	Project	Developer	Class	GLA, sqm	Year of completion
1	Verde I	Capitalica Asset Management	A	15,000	2022
2	MH1	Pillar	A	12,000	2022
3	Dzelzavas 45	Arcada	B	7,000	2022
4	Barons Kvartals	Barona Kvartāls	B	4,992	2022
5	Preses Nama Kvartāls	Lords LB	A	25,000	2023
6	Novira Plaza	Novira Capital	A	23,500	2023
7	Elemental Skanste	Kapitel	A	20,500	2023
8	Verde II	Capitalica Asset Management	A	15,000	2023
9	Zeiss Office	MBC	A	4,200	2023

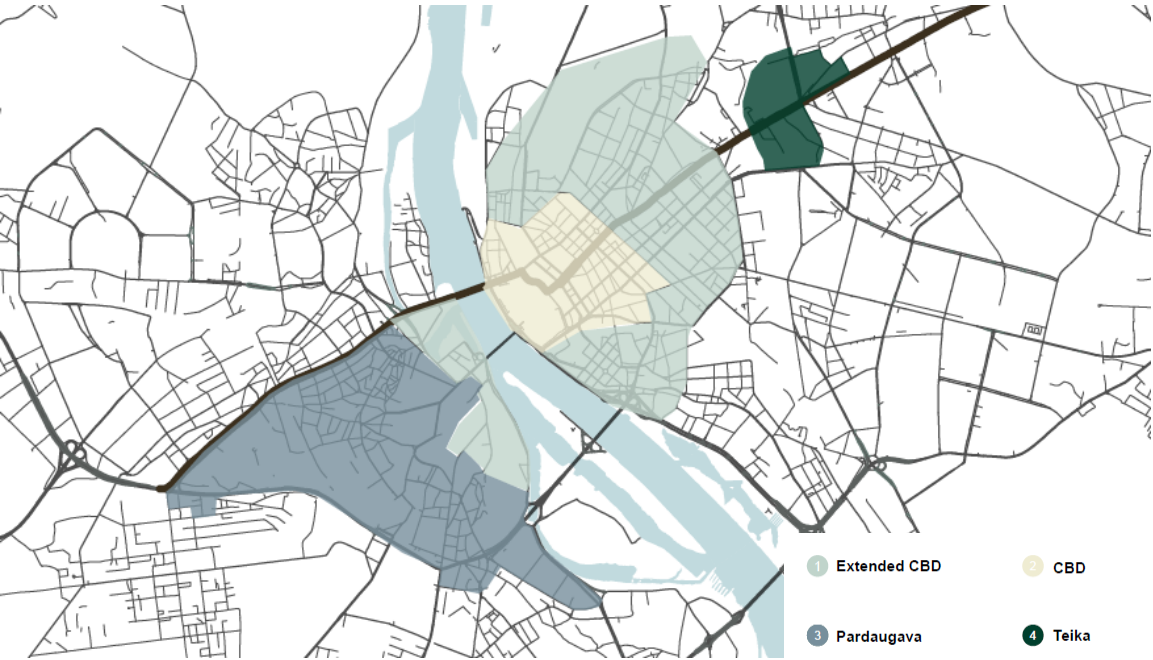
Source: CBRE Baltics Research

FIGURE 3: Riga Modern Office Stock by Class



Source: CBRE Baltics Research

Market Area Overview



RIGA OFFICE

Z1
Zala Street 1
Riga Latvia, LV-1010

TALLINN OFFICE

Porto Franco
Laeva tn 1,
Tallinn, Estonia, EE-10111

VILNIUS OFFICE

Green Hall 2
Upes Street 23
Vilnius, Lithuania-08128

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