

Retail Leading Investments in Baltics, Again



Note: Arrows indicate change from corresponding period of the previous year

Total volumes: investment volume in Q1 2022 grew by 40% compared to Q1 2021. Increasing inflation drove capital to continue seeking real estate assets in particular, and demand in the region remained high. However, with the current geopolitical situation, international investors have postponed their plans to enter the Baltic region due to increasing uncertainty and geopolitical risks.

Investor origin: in Q1 2022, the trend continued the same as the previous year, with more than 80% of investments completed by pan-Baltic investors.

Asset classes: investors continued to hedge against inflation and focused on the traditional asset classes - retail and core offices, with increased activity in the residential rental sector. We expect investment to pick up the pace later this year. According to EPRA data (see Figure 4), the top performers in Developed Europe over the last two years were the self-storage and industrial sectors.

Following the trend in 2021, 36% of total investments were deployed in the retail sector in Q1 2022, thus reflecting the majority of supply in the market from the seller's side, and the buyers were taking advantage of buying assets for higher yields.

However, due to the lack of core investment opportunities in the region – the Baltic investors have been actively looking to expand portfolio at the secondary locations across the CEE and Nordic regions.

Figure 3: Investment Volume by Sector, Q1 2022








	RETAIL 36%	▲	37M Y-o-Y Change
	INDUSTRIAL 26%	▼	-10M Y-o-Y Change
	OFFICE 18%	▲	57M Y-o-Y Change
	MIXED USE 9%	▲	25M Y-o-Y Change
	HOTEL 5%	▼	-5M Y-o-Y Change
	RESIDENTIAL 4%	▼	-6M Y-o-Y Change
	OTHER 2%	▼	-5M Y-o-Y Change

Figure 1: Share of Investment Volume by Baltic Countries

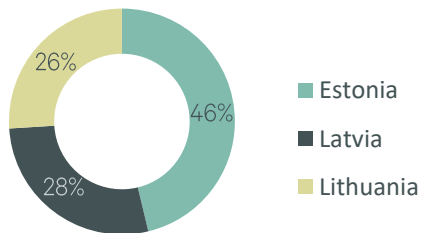


Figure 2: Share of Investment Volume by Investor Origin

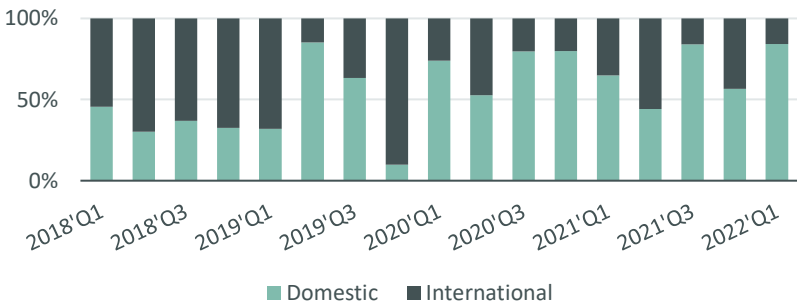
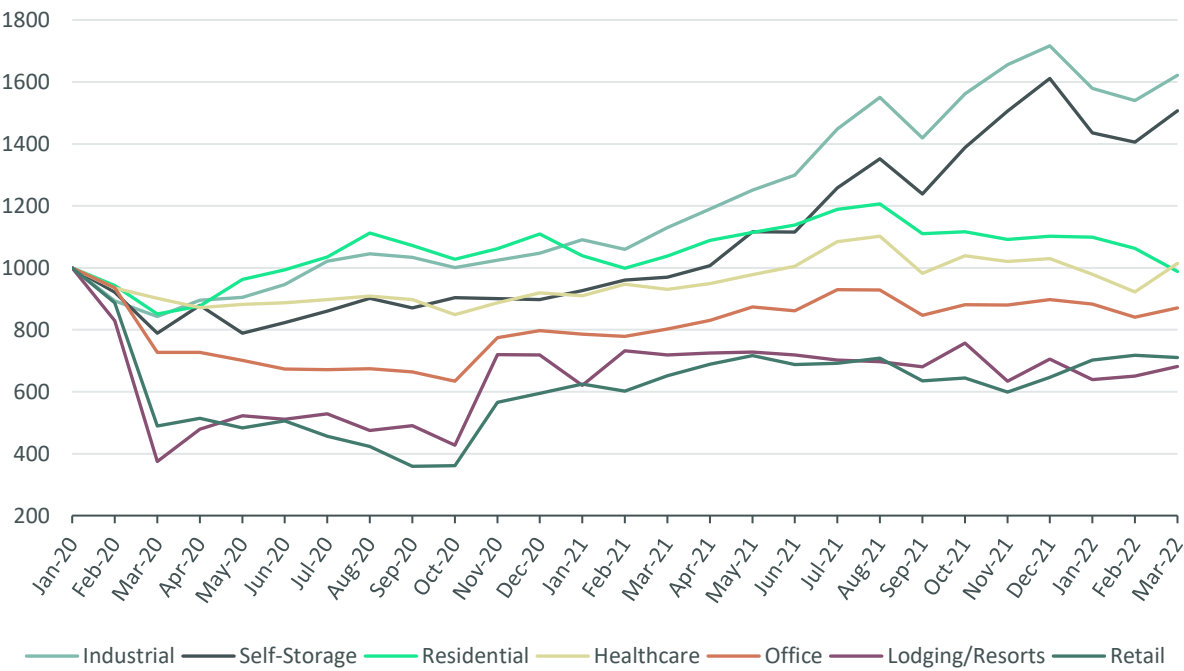


Figure 4: FTSE EPRA/NAREIT Developed Europe Index: Total Return by Sector (01/01/2020=1000)



Source: EPRA (European Public Real Estate Association), 2022

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-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.

The FTSE EPRA/NAREIT Developed Europe Index, - a Market Capitalization-Weighted Index consisting of the most heavily traded real estate stocks in Europe. It is designed to track the performance of listed real estate companies and REITs.

Contacts

Andrius Radiul

Senior Investment Analyst
Investment Properties
+370 6208 1273
andrius.radiul@cbre.lt

Elza Muraševska

Market Analyst
Research & Consulting
+371 2038 9233
elza.murasevska@cbre.lv

Denis Rein

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

Vineta Vigupe

Senior Director
Investment Properties
+371 2916 2408
vineta.vigupe@cbre.lv

© Copyright 2022. All rights reserved. This report has been prepared in good faith, based on CBRE Baltic's current anecdotal and evidence based views of the commercial real estate market. Although CBRE Baltics believes its views reflect market conditions on the date of this presentation, they are subject to significant uncertainties and contingencies, many of which are beyond CBRE Baltic's control. In addition, many of CBRE Baltic's views are opinion and/or projections based on CBRE Baltic's subjective analyses of current market circumstances. Other firms may have different opinions, projections and analyses, and actual market conditions in the future may cause CBRE Baltic's current views to later be incorrect. CBRE Baltics has no obligation to update its views herein if its opinions, projections, analyses or market circumstances later change.

Nothing in this report should be construed as an indicator of the future performance of CBRE Baltic's securities or of the performance of any other company's securities. You should not purchase or sell securities—of CBRE Baltics or any other company—based on the views herein. CBRE Baltics disclaims all liability for securities purchased or sold based on information herein, and by viewing this report, you waive all claims against CBRE Baltics as well as against CBRE Baltic's affiliates, officers, directors, employees, agents, advisers and representatives arising out of the accuracy, completeness, adequacy or your use of the information herein.