

FIGURES | BALTICS INDUSTRIAL | Q1 2022

# Recovering Supply Chain Disruptions Elevate Industrial Market Activity

▼ **3.4%**      ▼ **189k sqm**      ▼ **6.75%**  
Vacancy Rate      Completions      Prime Yield

Note: Arrows indicate change from Q1 2021.

## Highlights

- Developers have commissioned 189k sqm of modern logistics space to the market over the year 2021.
- As of April 2022, a total area of 325,000 sqm is under construction in Baltics.
- Rents have been stable in all three Baltic countries in 2021, but disrupted supply chains and increasing costs of materials with a lack of new supply put upward pressure on rents in 2022.
- Increasing demand for modern logistics space and lack of supply of new speculative developments further decrease vacancy rates in the region, which currently stands at 3.4%.
- Until financing becomes more expensive with anticipated interest rates hikes by the ECB, strong sector fundamentals continue compressing the yields in the Baltic, with prime yields set at 6.75%.
- Industrial and logistics properties will continue to thrive, driven by strong rental growth and high demand and supply imbalance.

FIGURE 1: Selective Industrial Developments Pipeline

Project name	Country	City	Type of development	Year	GLA, sqm
Iru Ärikeskus	Estonia	Tallinn	Stock offices	2022 H2	9,500
JYSK Logistics centre	Latvia	Riga	Distribution & Logistics	2022 H2	42,000
Rumbula logistics III phase	Latvia	Riga	Distribution & Logistics	2023 H2	27,650
Vilpra	Lithuania	Vilnius	Distribution & Logistics	2022 H1	11,000
Kauno Baldai	Lithuania	Kaunas	Production	2022 H2	28,000

Source: CBRE Baltics Research

## Supply

In 2021, the pandemic tailwinds put pressure on the industrial market activity. Due to the supply chain disruptions, the modern industrial stock growth rate has slowed down. The stimulus behind more active market activity is mainly attributable to the increasing e-commerce companies' demand for modern logistics premises.

## Demand

In the post-pandemic setup, the popularity of e-commerce is growing fast. Hence, the modern warehouse space is quickly absorbed in the market, with stock offices gaining momentum

With the demand growing fast and supply falling behind, it is expected that the number of speculative stock should soon increase across the Baltics. However, the lag in supply might be attributable to disrupted supply chain. Under the current circumstances, commissioning a new built-to-suit warehouse takes up to 18-24 months, which in most cases is observed as an extended period.

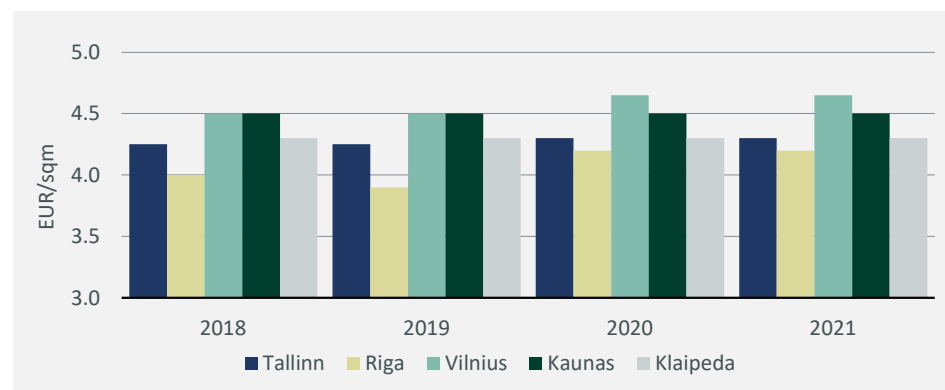
## Rents

Due to increasing demand for modern industrial premises, a high inflationary environment, and supply chain disruptions, prime rents are expected to experience upward pressure, which in some cases is already evident by pushing the smaller unit rents to 6.0 EUR/sqm. The average sqm rent price for industrial space in the Baltics is 4.4 EUR/sqm. Consequently, the prime rents have increased to 5.15 EUR/sqm.

## Investment

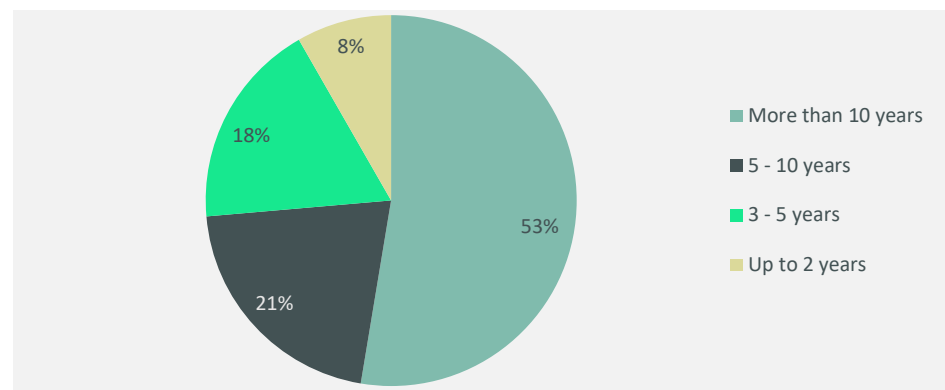
Record high CRE investment volume was achieved in Baltics in 2021, with Latvia as the leader at 43%, Lithuania at 32%, and Estonia at 25%. The total volume of investments surpassed EUR 1.6B. Of that, the industrial sector constituted ca. 20 % or EUR 324M. Compared to last year, it was a 120% growth. This is mainly due to the high demand for core industrial assets in all three Baltic countries and segments' resilience to the pandemic.

FIGURE 2: Average Rents for Prime Warehouses in Baltics



Source: CBRE Baltics Research

FIGURE 3: Age of Industrial Stock in Baltics



Source: CBRE Baltics Research



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