

Investment Market Showing Robustness

▼ €275M

Investment Volume

▼ 5.25 - 5.50%

Prime Office Yield

▼ 7.00 - 7.25%

Prime S/C Retail Yield

▼ 6.25 - 6.50%

Prime Logistics Yield

▼ 5.00 - 5.25%

Prime Residential Yield

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

Total Volumes: investments in Q2 2022 reached EUR 275 million, with Lithuania leading the region at 44% of total investment volumes. Year-on-year investment volumes in the Baltics remain almost unchanged but have slightly decreased compared to Q1 2022. Investments in Lithuania and Latvia have surpassed the previous quarter's figures, while investment volumes in Estonia have declined by 50% after relatively strong Q1 results.

The Baltics yet again continue to show strong domestic investor demand for real estate, with more than two-thirds of total investments coming from local players. Yields remain unchanged compared to the previous quarter in almost all sectors. A record low yield was achieved for a DIY retail store in Vilnius acquired by Titanium Baltic Real Estate fund, a Finnish investment fund that has been welcomed in the Baltics since its first investment in the region in late 2021.

Asset Classes: for a fourth consecutive quarter, retail is the leading and most preferred investment sector in the region. Baltic retail investments on average comprised ca. 40% of the total investment volumes in the first two quarters of 2022, implying a relatively stronger retail asset availability in the market compared to other asset classes. One of them is Summus Capital, an Estonian investment company, which has acquired Damme Shopping Centre in Riga, marking the largest year-to-date retail transaction in the Baltics. Shopping centres and retail big-boxes with strong anchor tenants and long leases are, to date, by far the primary investors' target in the region in 2022, as more than 80% of total Baltic retail stock transacted in H1 2022 involved such schemes.

The office sector came in second place in Q2 2022, comprising 23% of total investment volumes in the Baltics. The most noteworthy is GROA Capital, a Lithuanian investment fund, which has acquired Freedom 36, a B+ business centre in Vilnius, valued at almost EUR 40 million, making it the largest office transaction in the region in H1 2022.

Industrial assets continue to show robustness and strength in the market, comprising 20% of total investment volumes in the Baltics. Industrial was the leading investment asset class this quarter in Estonia with production and warehouse facilities taking a half of total investment volumes in the country.

Figure 1: Investment Volume by Country and Sector, Q2 2022, MEUR

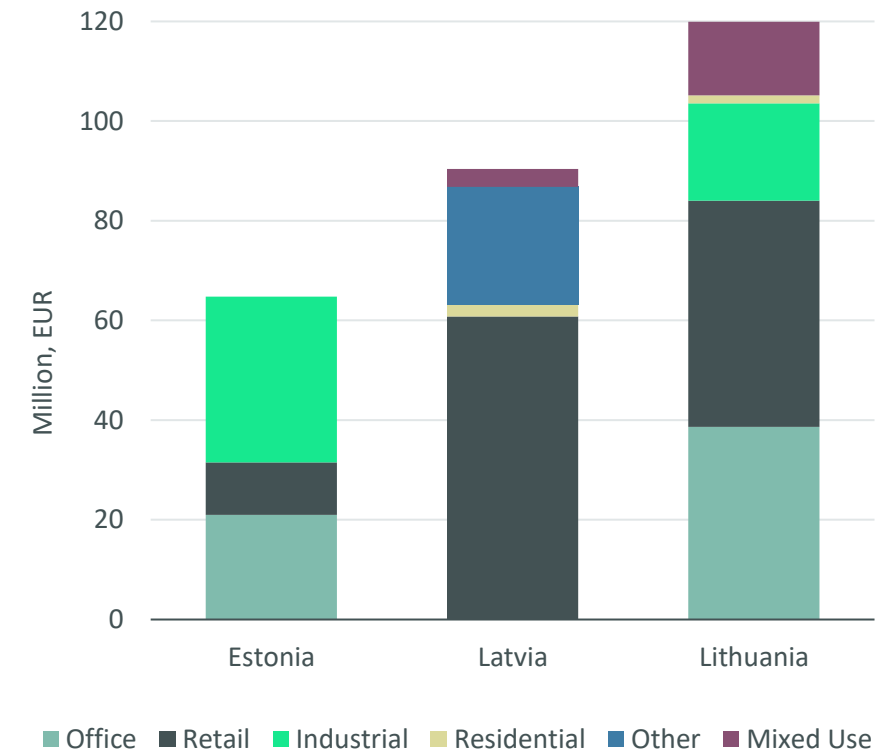
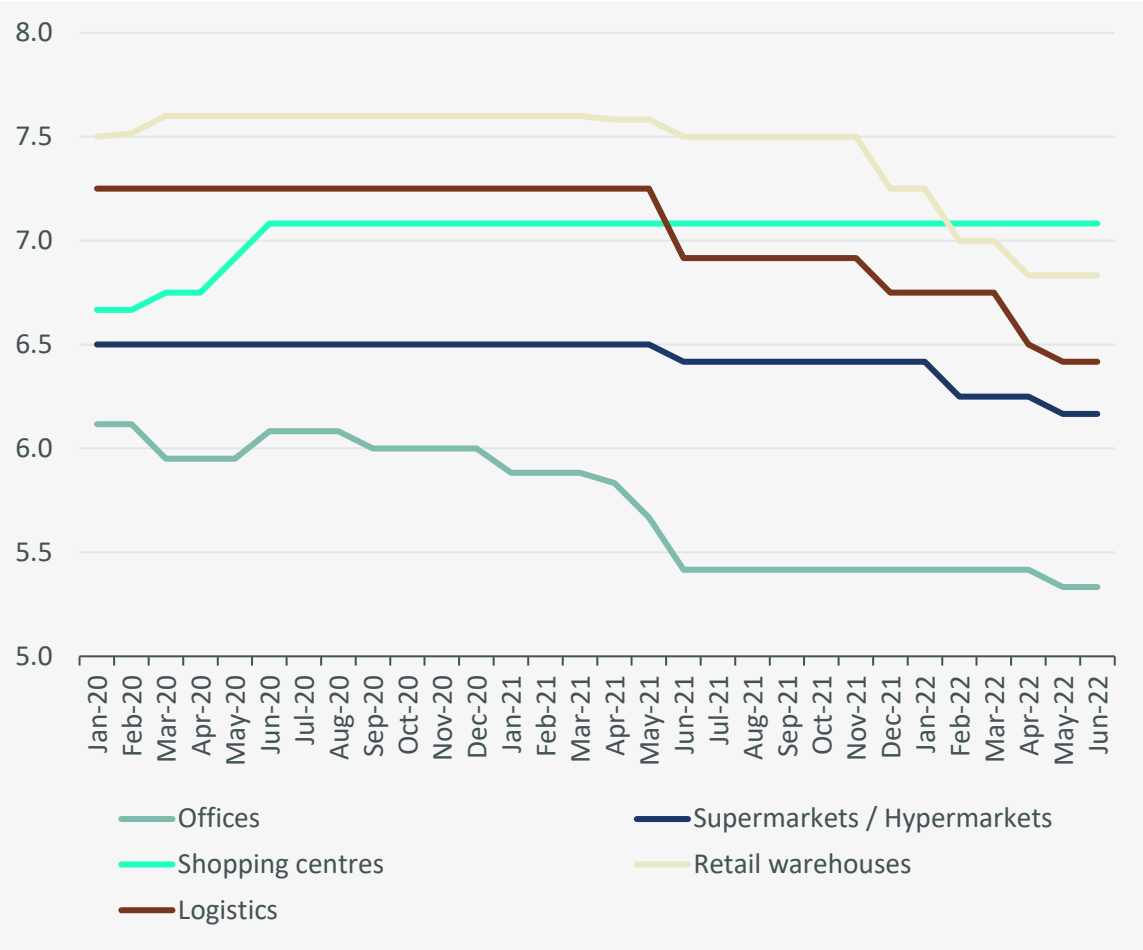


Figure 2: Prime Yields in Baltics, Jan 2020 – Jun 2022



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 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.

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