

Energy Source & Consumption Spotlighted

▼ 2.5

Vacancy Rate, %

▼ 129K

Completions, sqm

▲ 4-6

Rent Range, EUR/sqm/month

Note: Arrows indicate change from the previous quarter

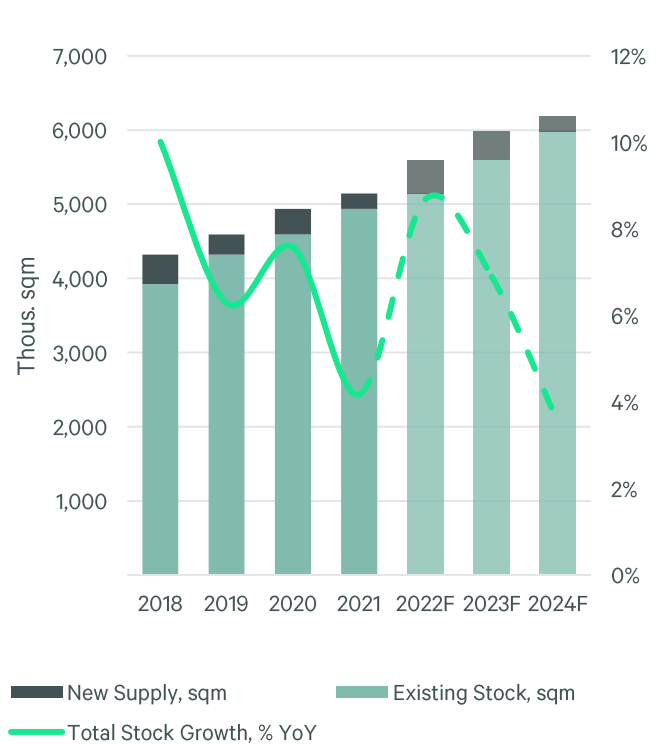
Supply. In Q3 2022, developers commissioned around 129,000 sqm of modern I&L space to the market. In Estonia, over 29,000 sqm of new stock-office space was commissioned. Latvia was leading the completions, where the second phases of Rumbula Logistics Park and Ulmana Parks were completed, adding a further 51,500 sqm to the market. In Lithuania, out of ca. 48,500 sqm commissioned, the largest project throughout the three biggest cities was Vilnius Business Park (1st stage) stock offices, completed by Darnu Group, which contributed to the market with 24,000 sqm. As of October 2022, a total area of ca. 438K sqm is under construction in Baltics.

Demand. Throughout 2022, due to the increasing demand for modern logistics space and lack of supply within the new speculative developments, vacancy rates have been decreasing. Currently, the rate stands around 2.5%. However, the approaching economic slowdown may alter the demand towards the segment, and it is expected that vacancies will rise.

Rents. However, due to increasing demand for modern industrial premises, a high inflationary environment, and supply chain disruptions, prime rents have risen in all three Baltic countries compared to the same period last year. The average rent price for industrial space in the Baltics is ca. 4.4 EUR/sqm/mth. As for prime rents, the average has risen to ca. 5.5 EUR/sqm/mth. The blended rental price for stock offices varies on average around 7-13 EUR/sqm/mth. However, in stock offices rents are subject to the division of the warehouse/office/retail space. The construction prices are still elevated in the market, and with demand still outweighing the supply, it is expected that that the rents will not be lowered within the foreseeable quarters.

Outlook. In the light of the energy crisis, solar panels and technology deployment have become notable considerations for industrial players. Due to decreasing consumption, demand for warehouse facilities in the short-run may drop. A substantial number of Build-to-Suit projects are also on hold due to the general contractors' inability to stabilize or fix the construction prices.

FIGURE 1: Existing Stock, New Supply, and Total Stock Growth, Baltics*



*Tallinn, Riga, Vilnius, Kaunas, Klaipeda and their surrounding areas

FIGURE 2: Certified I&L Stock, Baltics

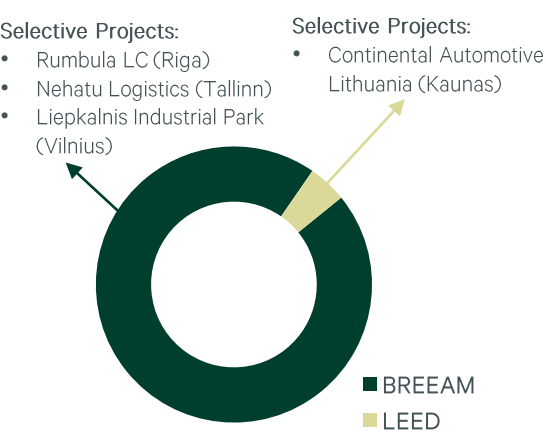
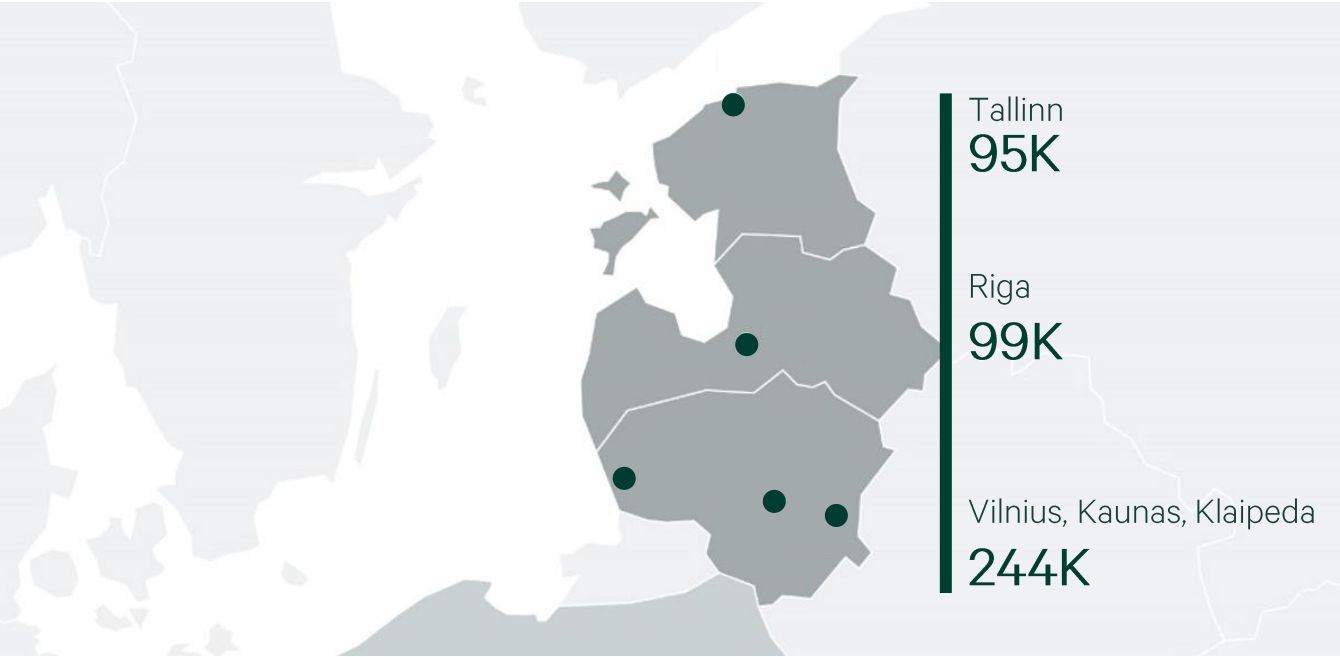


FIGURE 3: Split of the Total Stock, Baltics



Market Area Overview Modern Under Contruction Industrial Space, sqm



Definitions

Total Modern Industrial Stock – represents the total completed production, stock-office, warehouse and logistics space (occupied or vacant) in the private and public sector at the survey date. It includes both speculative and owner occupied (OO) space, in Tallinn, Riga, Vilnius, Kaunas, Klaipeda and their surrounding areas.

Prime Rent – represents the top open-market tier of rent that could be expected for a unit of standard size (commensurate with demand in each location) of the highest quality and specification and the best location in a market at the survey date. The Prime Rent should reflect the level at which relevant transactions are being completed in the market at the time. If there are no relevant transactions during the survey period, the quoted figure will be more hypothetical, based on an expert opinion of market conditions.

Stock Office – a building that combines together a showroom, office space, warehouse and in some cases manufacturing premises, unit could vary from 200 sqm, designed for small and medium business operations.

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