

# Resilience of the I&L Sector: Destined to Deteriorate?

▲ 2.0-3.5

Vacancy Rate, %

▶ 5.5-6.5

Prime Rent Range, EUR/sqm/month

▼ 80K

Completions, sqm

▼ 488K

Under Construction, sqm

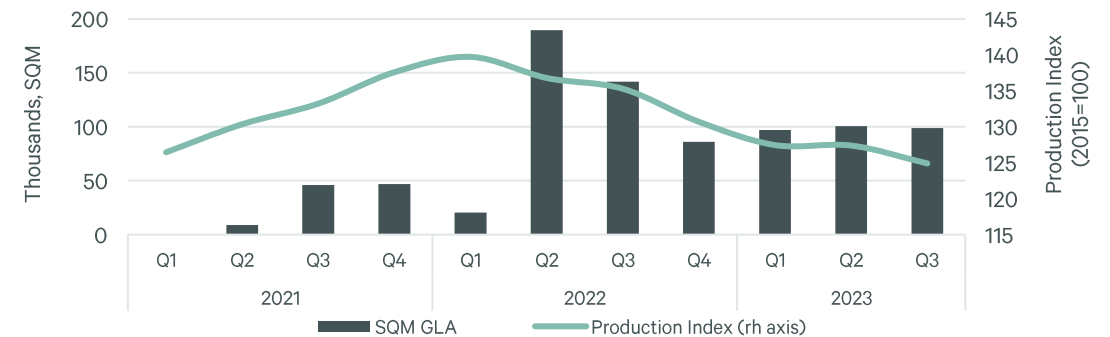
Note: Arrows indicate change from the previous quarter, considering Tallinn, Riga, Vilnius, Kaunas, and Klaipeda markets

**Supply.** In Q3 2023, six industrial projects totaling ca. 80,400 sqm of GLA were delivered to the Baltic market. The largest of these, involving over 30,000 sqm of GLA, was the finalization of the second stage of Sirin Development's J55 logistics center in Vilnius, Lithuania. Another notable project was commissioned in Estonia - the Makita Warehouse comprising 23,500 sqm of GLA. Four other projects, all of them stock offices, were delivered during the quarter in Estonia and Lithuania: Steinpark (10,000 sqm GLA) and Kaabli 9 stock office (ca. 8,150 sqm GLA) in Tallinn, as well as the first stage of eMarketCity (5,600 sqm GLA) in Vilnius and Nordspace (2,200 sqm GLA) in Kaunas. However, in Latvia, no new completions were added to the market. Regarding the projects under construction, the current I&L pipeline stands at almost 488,000 sqm of GLA, with ca. 14% of it expected to be delivered by the year's end. As for construction projects that commenced during the quarter, there were 4 in total, all located in Lithuania. The most significant among them is the Urban HUB stock office in Vilnius, covering approximately 22,000 sqm of GLA, and anticipated to be completed in Q2 2024.

**Demand.** The ongoing economic uncertainties have had a large effect on the Baltic I&L sector's players, especially in furniture, chemical, and metal manufacturing segments. With declining levels of production orders, export quantities, and growing warehouse stock across all three countries, many firms started to face financial struggles and even a few bankruptcy cases. This, in turn, is likely to lessen the demand for I&L space in the short-term, especially during the winter season when energy costs are forecasted to rise again. Due to lowering demand, multiple developers do not rush to start construction in their planned projects and tend to wait for market conditions to clear a bit.

**Lease Terms.** In terms of rents, the I&L sector has remained stable, with prime rents currently standing at €5.5-€6.5 per sqm per month across the Baltic prime industrial locations. Vacancy rates have also remained relatively leveled, averaging around 2.0-3.5% across the Baltics. However, with the upcoming commissioning of a few built-to-suit projects, several large I&L buildings are expected to place the upward pressure on vacancy rates.

FIGURE 1: Quarterly Completions and Production in Industry Index\*, Baltics, 2021 Q1 – 2023 Q3



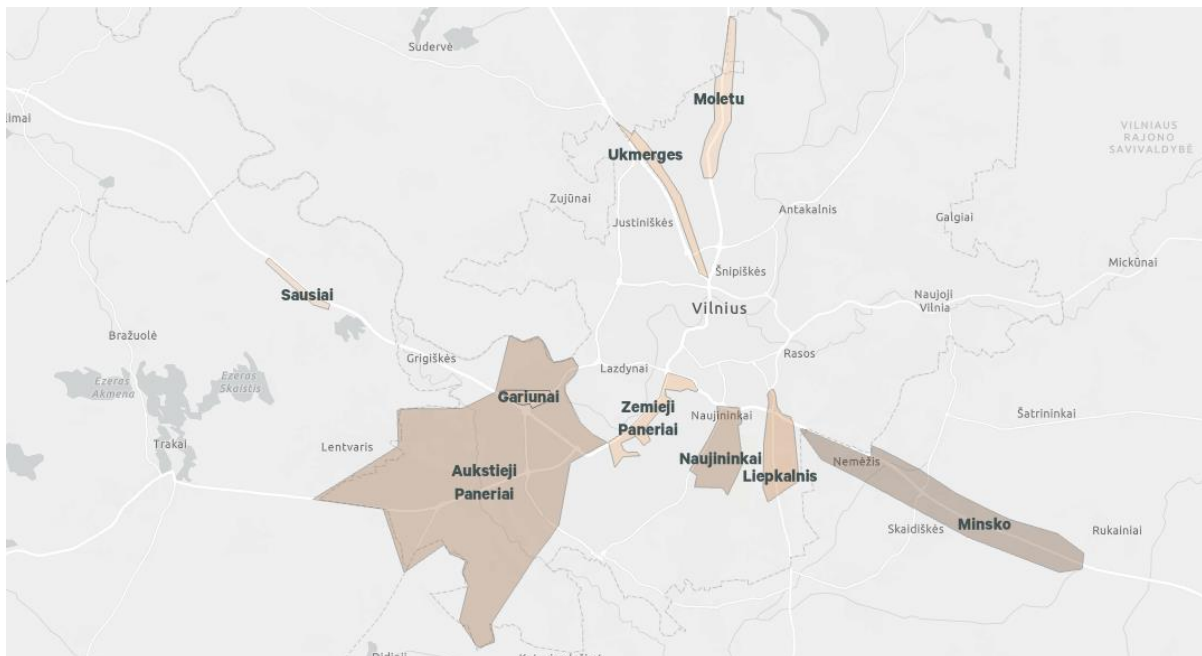
Source: CBRE Baltics Research, Eurostat  
\*Includes Mining and quarrying; manufacturing; electricity, gas, steam and air conditioning supply

FIGURE 2: Selective Sizeable Pipeline Developments in 2024, per Key Baltic Cities

Location	Project	Type	Size, sqm
Vilnius, Lithuania	LIDL Logistics Center	Distribution & Logistics	59,500
Kaunas, Lithuania	Urban Hub (1st Phase)	Stock Office	22,500
Riga, Latvia	Grenču iela 5	Distribution & Logistics	25,800
Tallinn, Estonia	Tallinna Kaubamaja logistics centre	Logistics	17,200

Source: CBRE Baltics Research

## Vilnius Industrial Districts



### Definitions

**Total Modern Industrial Stock** – represents the total completed 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 a showroom, office space, warehouse and in some cases manufacturing premises together; unit sizes could vary, and the schemes are designed for small and medium business operations.

**Under Construction** – total warehouse, distribution & logistics and stock office space that is currently in its construction phase.<sup>1</sup>

1. Previous CBRE Baltics reports used to incorporate large-scale production assets within the industrial stock figures, which is no longer considered as of this reporting period.

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