

Resilience Amid Market Uncertainty

▲ 3.5-5.0

Vacancy Rate, %

► 5.5-6.5

Prime Rent Range, EUR/sqm/month

▼ 33K

Completions, sqm

▲ 690K

Under Construction, sqm

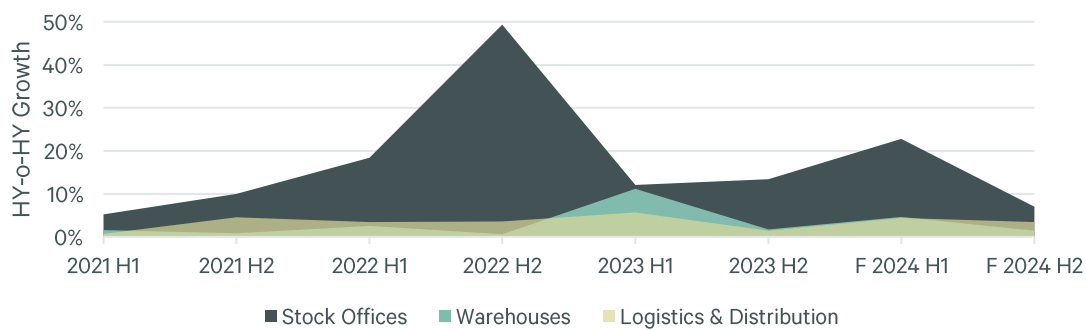
Note: Arrows indicate change from the previous quarter, considering Tallinn, Riga, Vilnius, Kaunas, and Klaipeda markets

Supply. In the last quarter of the year, six I&L projects were completed, delivering a total of 33,000 sqm GLA. Riga's market received over half of this space (52%) through projects like DV 8 (5,500 sqm) and Lidostas Parks II (11,600 sqm). In Lithuania, three projects concluded, providing nearly 9,000 sqm GLA to Kaunas through B10 HUB and WestHub25, and around 2,500 sqm GLA in Vilnius through the Nordspace stock office. Estonia had a slower quarter, with only one project, Kadaka Trade Center, completing and adding approximately 4,600 sqm of stock office space. Despite a 60% decrease in this quarter's completions compared to Q3 2023, Q1 2024 is expected to see increased activity, with approximately 155,000 sqm of I&L space anticipated to be finalized. Key projects include the commissioning of the 59,500 sqm Lidl Logistics Center in Vilnius and the first phase of Urban HUB in Kaunas (22,500 sqm). In total, as of the end of Q4 2023, ca. 690,000 sqm is under construction across the Baltics, with most of it in Lithuania – Vilnius, Kaunas, and Klaipeda (ca. 60%).

Demand. On the demand side, the year concluded with a continuation of subdued trends, though leasing remained active in the furniture and logistics sectors. Notably, Rumbula Logistics Park in Riga secured a substantial deal of approximately 24,000 sqm with VIA 3L. Simultaneously, pre-leasing activity displayed strength, underscoring the anticipation for new, high-quality stock in the market. Examples include Sirin Development's almost 100% occupancy in two of the newly built warehouses in Sirin Park Kaunas Central, along with elevated pre-lease levels in strategically positioned stock office projects across automotive, electronics, e-commerce, retail, and other sectors.

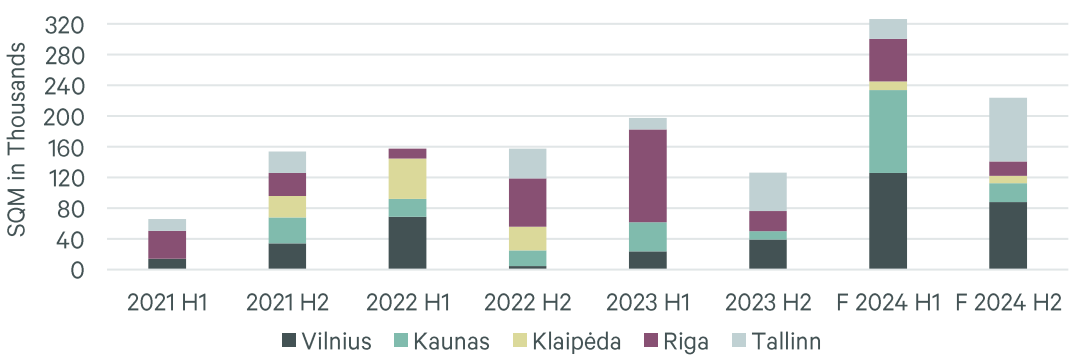
Lease Terms. In Q4 2023, leasing terms remained stable with prime rent levels maintaining a range of 5.5 to 6.5 €/sqm/month. However, there was a slight uptick in vacancy rates across the Baltics, moving from 2.0-3.5% to 3.5-5.0%. This increase can be attributed to the ongoing surge in new developments in the region that may not secure tenants immediately.

FIGURE 1: Semiannual Stock Growth by I&L Asset Type, Baltics, 2021 H1 – F 2024 H2



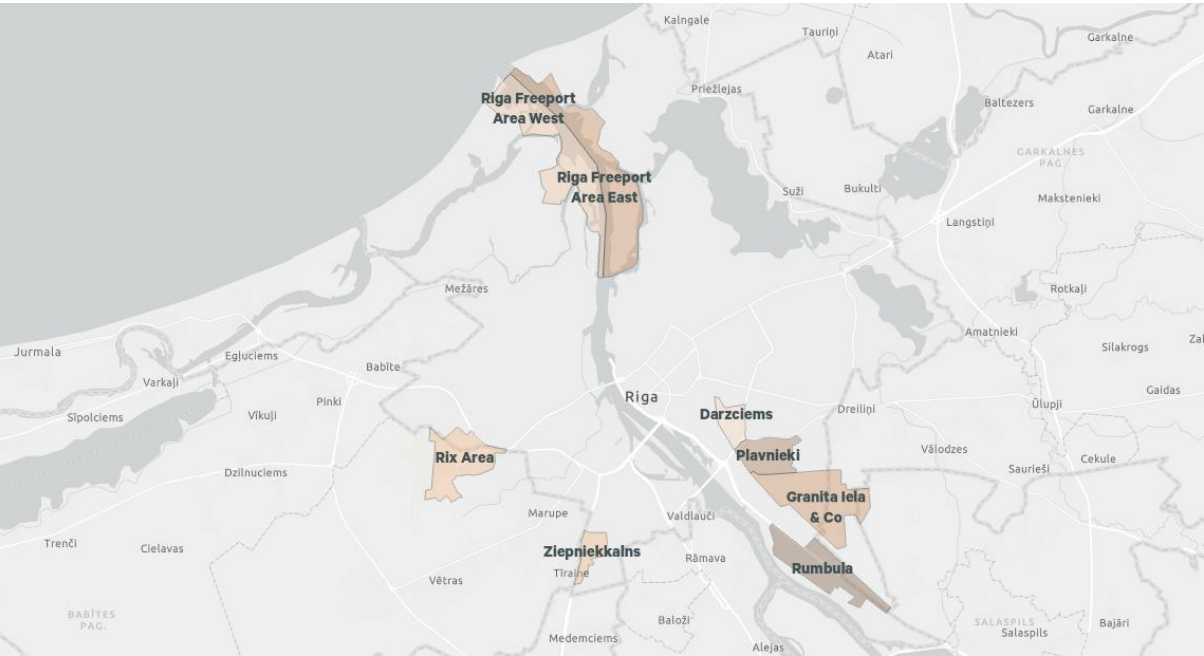
Source: CBRE Baltics Research

FIGURE 2: Semiannual (Forecasted) Completions by Market, Baltics, 2021 H1 – F 2024 H2



Source: CBRE Baltics Research

Riga’s 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.¹

1. Previous CBRE Baltics reports used to incorporate large-scale production assets within the industrial stock figures, which is no longer considered as of Q3 2023.

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