

Robust Development Plans in the Baltic I&L Sector

▲ 2.5-5.0

Vacancy Rate, %

▶ 5.5-6.5

Prime Rent Range, EUR/sqm/month

▲ 182K

Completions, sqm

▼ 645K

Under Construction, sqm

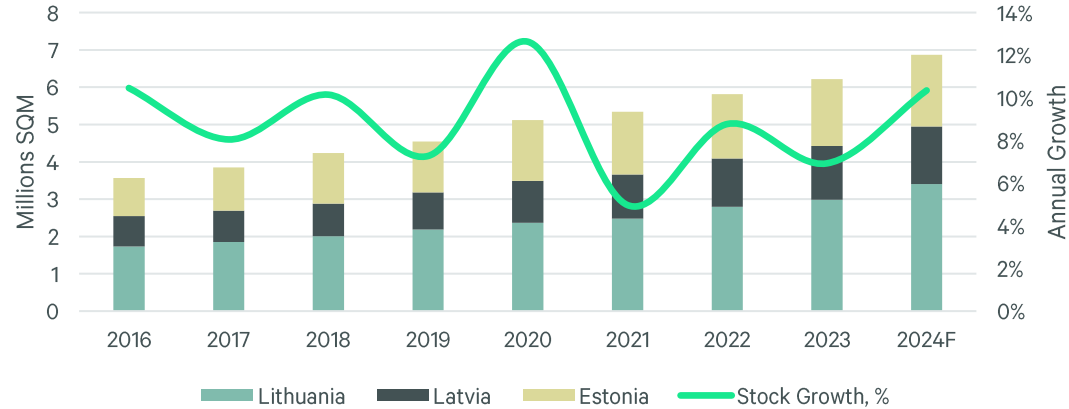
Note: Arrows indicate change from the previous quarter, considering Tallinn, Riga, Vilnius, Kaunas, and Klaipeda markets

Supply. In the first quarter of 2024, industrial and logistics (I&L) sector’s completed developments surged by more than a fivefold compared to Q4 2023, reaching over 181,500 sqm GLA across the largest Baltic industrial hubs. Vilnius saw the completion of five projects, notably including LIDL and Maxima’s logistics centers, boasting 59,500 and 43,000 sqm GLA respectively. Kaunas also saw active completion with two projects delivering 12,000 sqm GLA of industrial and logistics space to the market. In Riga, the quarter unfolded at a similar pace, witnessing the development of three industrial projects of ca. 39,000 sqm GLA in total – Pet Baltija (I stage), Lidostas Parks (III stage), and Green Park (IV phase). At the same time, in Tallinn, no projects commenced. Furthermore, during the quarter, construction began on 12 projects totaling 178,000 sqm, bringing the total under construction (U/C) stock to 645,000 sqm GLA.

Demand. Despite challenges faced by speculative developers in achieving full occupancy in their newly completed projects due to increased supply, leasing activity remained robust in Q1 2024. The construction sector was the primary driver of demand for I&L space, with logistics companies also actively seeking space. Subsequently, stock office landlords, aiming to attract more tenants, have moved towards unconventional strategies, and have attracted pharmacies and even sports clubs to their assets, this way moving away from the traditional stock office occupiers. For the past couple of years, stock office growth was mainly fueled by demand from the e-commerce sector, which currently is reaching maturity, therefore, the existing stock office space is being adapted to more conventional retail or leisure needs.

Lease Terms. Same as in the quarter before, in Q1 2024, rent levels for I&L stock remained unchanged and stood at 3.5-5.0 €/sqm/month across the main Baltic industrial hubs. Similarly, vacancies continued to be leveled and ranged between 2.5% and 5.0%, with the highest being in Riga, and lowest in Tallinn.

FIGURE 1: I&L Stock Development in the Baltics, 2016-2024F

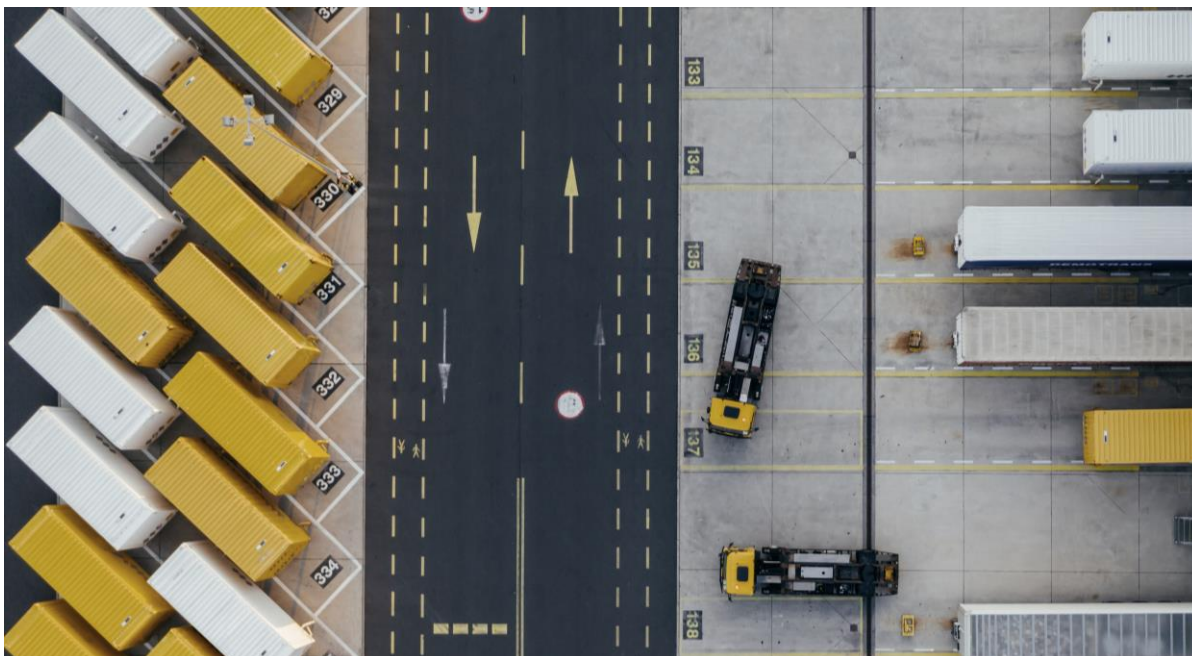


Source: CBRE Baltics Research

FIGURE 2: Share of Baltic I&L Stock Currently U/C by Type, as of Q1 2024

Type	% by Projects	% by SQM
Stock Office	51%	37%
Warehouse	29%	35%
Logistics & Distribution	20%	28%

Source: CBRE Baltics Research



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 (U/C) – 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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