

# First Hints of Investment Activity Revival

▲ €427M	▲ 6.25-6.75%	▶ 7.50-7.75%	▶ 7.00%	▶ 6.00-6.25%
Investment Volume	Prime Office Yield	Prime S/C Retail Yield	Prime Logistics Yield	Prime Residential Yield

Note: Arrows indicate change from the previous year

**Total Volumes.** The total investment volume during Q1 in the Baltics reached 427 million EUR, which is three times more than in the same period in the previous year. Considering deal flow excluding outliers over the 50 million EUR threshold, the transaction volume amounted to 128 million EUR, still surpassing last year’s low investment numbers. Overall, across the Baltics, the largest share of investments was generated in Lithuania, with 55% of the total investments significantly impacted by the largest transaction, which was formally approved at the beginning of 2024, namely, the Technopolis campus in Vilnius. Estonia followed with 36%, or approximately 155 million EUR investments, while Latvia gathered close to 40 million EUR, or 9% of investments in the Baltics during the quarter.

**Asset Classes & Transactions.** The largest transaction in Q1, initiated last year and finalized during this period, was the portfolio acquisition of the Technopolis Business Park in Vilnius, purchased by Lords LB. Another significant office transaction in the Baltics, also occurring in Lithuania, was the purchase of the ERGO Office Building by Eriadas and DIFF Development. These transactions significantly influenced the office sector’s share, accounting for 51% of the total investment volume.

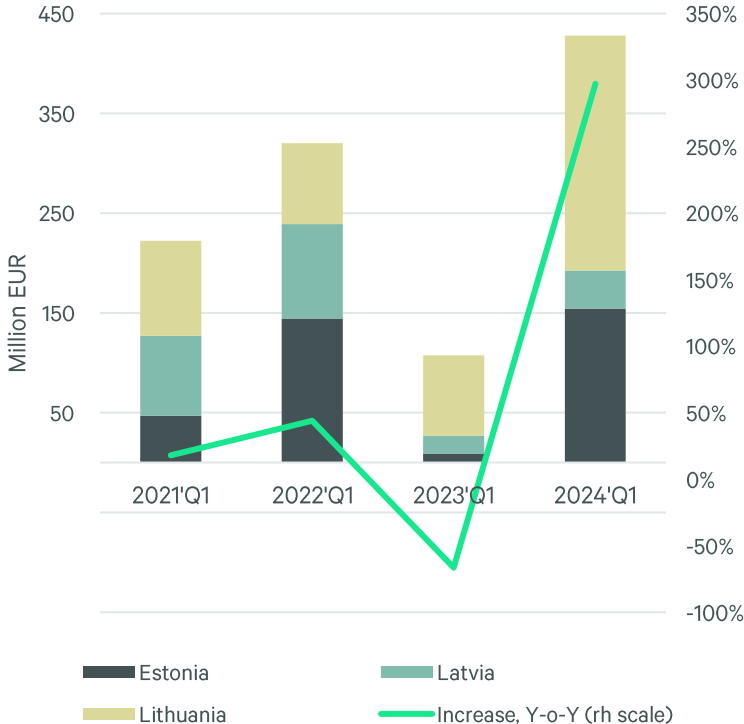
Although the retail sector was the most active in terms of the number of transactions, it followed with 28% of the total investment volume. Consequently, the second-largest transaction over the quarter happened within this sector in Tallinn, with Kapitel and Tristafan acquiring 72% of the shares of the Viru Keskus shopping center. Additionally, the largest transaction in Latvia happened within the retail sector, involving retail premises on Dzelzavas Street.

The industrial sector emerged as the third-largest asset class for investment, with 16% or 68 million EUR of the total investment volume. The sector's potential was highlighted by the third largest transaction, which took place in Estonia, Tännassilma where J13 Logistics Park was acquired by East Capital Real Estate Fund for 42 million EUR.

**Trends.** Despite the prevailing macroeconomic challenges, prime yields in the Baltic region's real estate market remained stable, albeit with limited market evidence. Some increases before yield compressions are expected in the coming periods.

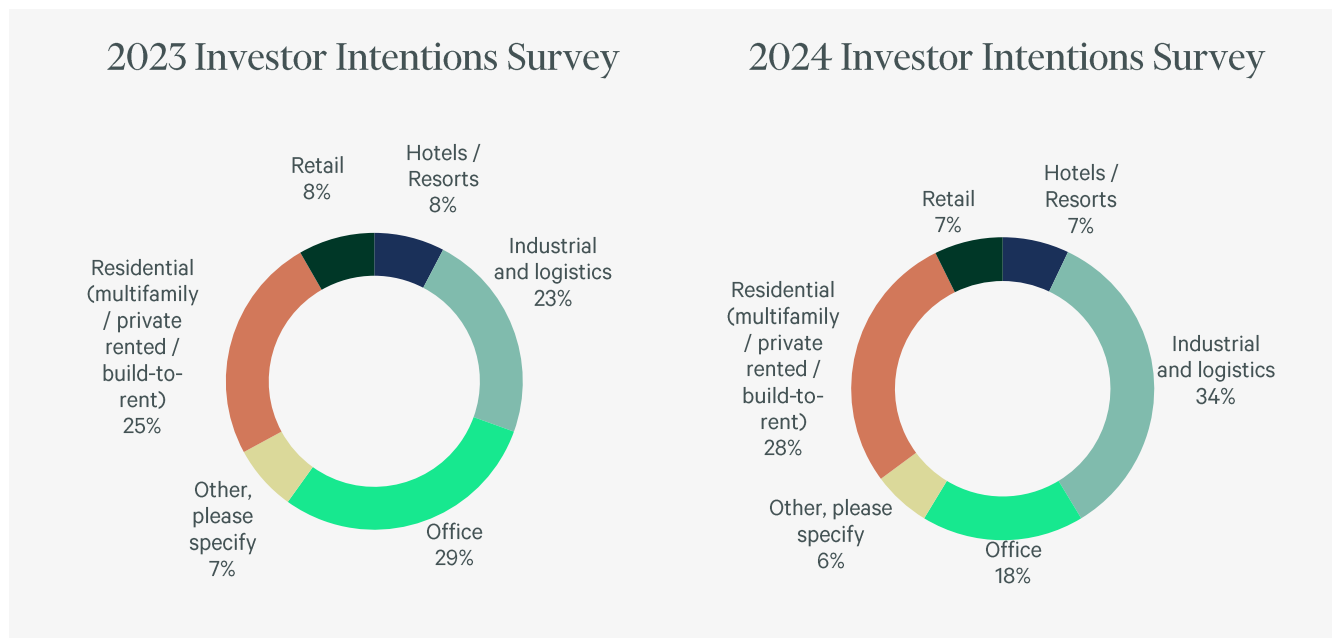
According to the latest [CBRE European Investors Intention Survey](#), most investors believe that market activity will increase in the second half of 2024 before returning to levels registered before the rise in global interest rates by H2 2025. Repricing will still continue across certain sectors in 2024, although to a much lesser extent than in 2023.

Figure 1. Investments in the Baltics Q1, 2021-2024



Source: CBRE Baltics Research

**Figure 2. European Investor Preferences: Primary Targets for Property Investment**



Source: [European Investor Intentions Survey](#), CBRE Research, December 2023

**Definitions**

**Investment Volume** – the total amount of the value of commercial real estate investment transactions with income-producing assets, a value over 1 million EUR, 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. Pure land deals (empty sites) and owner-occupation transactions in our investment volumes are not included.

**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, not including additional acquisition costs.

**Prime Yield** – the yield that 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-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.

**Contacts**

**Vineta Vigupe**

Senior Director  
Investment Properties  
+371 29162408  
vineta.vigupe@cbre.lv

**Denis Rein**

Director  
Transactions & Investment  
+370 69851716  
denis.rein@cbre.lt

**Mārtiņš Grinbergs**

Associate Director  
Investment Properties  
+371 26177874  
martins.grinbergs@cbre.lv

**Joel Armei**

Associate Director  
Investment Properties  
+372 5125525  
joel.armei@cbre.ee

**Ieva Vitaitytė**

Manager  
Research & Consulting  
+370 65609710  
ieva.vitaityte@cbre.lt

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