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Localized Investor Profile Pertains

€86.7M	6.50-6.75%	7.50-7.75%	7.00%	6.00-6.50%
Investment Volume	Prime Office Yield	Prime S/C Retail Yield	Prime Logistics Yield	Prime Residential Yield

Note: Arrows indicate change from the previous year

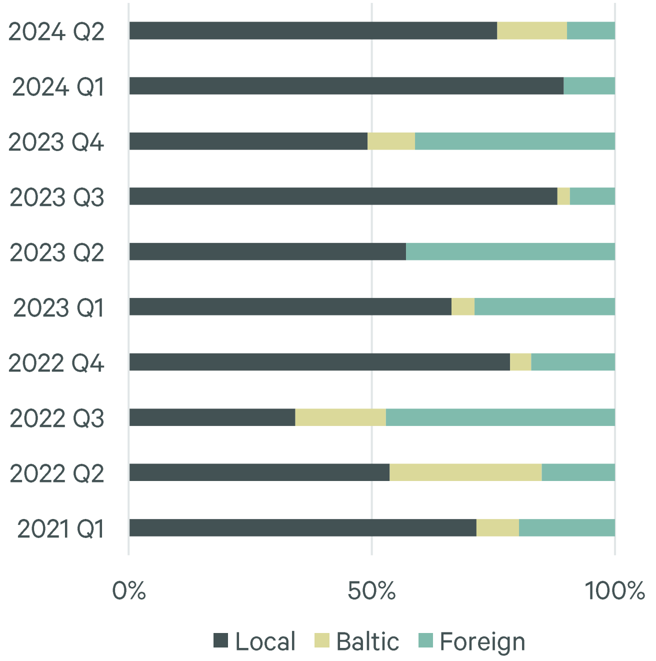
Total Volumes. During the second quarter of 2024, investment volumes amounted to approximately €86.7 million, which is ca. 80% less than in Q1 2024. However, when not accounting for the two largest deals from Q1, the drop is recorded at -37%. At the same time, when comparing this quarter's volumes with those in Q2 2023, the decline stands at -58%, marking the lowest investment volumes since 2015. The main contributor to the overall number of €86.7 million was Lithuania, with ca. €60 million (69%) attracted throughout the quarter, while Latvia and Estonia received 19% and 12%, respectively. In general, the first half of 2024 brings hope to the Baltic investment market, as already more than €520 million has been transacted, which is more than the H1 records of 2019-2023. However, the two portfolio deals from Q1 2024 make up the majority of this amount.

Asset Classes & Transactions. This quarter, retail assets attracted the most attention from investors, as €39 million or 45% of all investments went into retail projects. Notably, the largest transaction took place in Lithuania, where DIFF Capital purchased and signed the acts of intent for a portfolio of four LIDL stores. Another prominent deal happened in Ogre city, Latvia, where Maxima Latvija purchased the shopping centre Dauga. Investments in offices were also significant, with approximately €24.5 million (28%) transacted. The most substantial office deal happened in Lithuania, as ZeroSum Mixed Fund II purchased the property management company "Švitrigailos 11B" together with its assets in Vilnius. Although industrial assets rank third in terms of investment volume, with €11.2 million secured, this asset class takes first place in terms of the number of transactions, as six purchase-sale agreements were finalized, mostly involving light-scale warehouses.

Trends. One trend that is slowly emerging across the Baltics in 2024 is that local investors are becoming even more local, as certain entities or funds target assets only in their cities of operation. It also becomes apparent that sale-leaseback transactions are gaining more ground, especially among the larger players in the industrial sector, and more of such deals are expected to be observed in the latter half of 2024 and into 2025. At the same time, smaller industrial occupiers are starting to buy out their rented assets, likely due to receiving better price offers than a few years back. Additionally, value-add investments dominate, while core and core-plus strategies are not as sought after.

Yields. Simultaneously, no sharp yield movements have been recorded during the quarter, although prime office and residential yields have slightly shifted upwards from 6.25-6.75% to 6.50-6.75% for offices and from 6.00-6.25% to 6.00-6.50% for residential assets. In the near future, yields are expected to maintain stability.

Figure 1. Share of Investments by Investor Origin*, Baltics



***Note.** Local investors transact exclusively within their home country, whereas Baltic investors expand their investments to neighboring Baltic countries.
Source: CBRE Baltics Research

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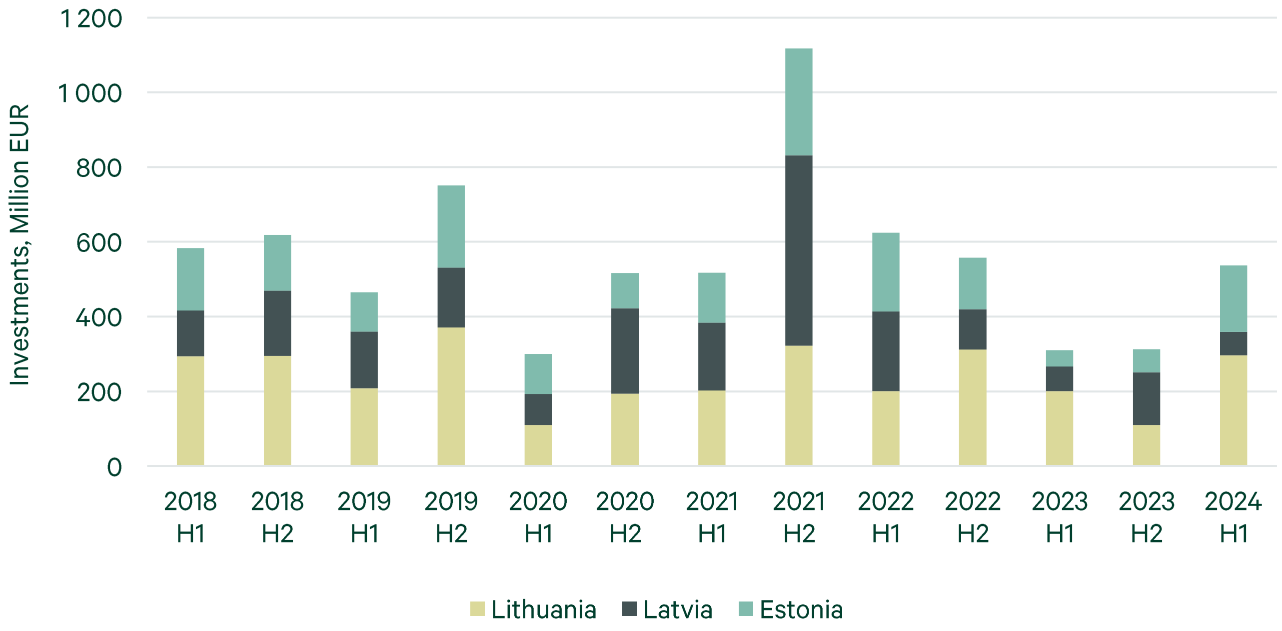
Figure 2. Historical Half-Year Investment Volumes in the Baltics, by Country, 2018 H1 – 2024 H1



Source: CBRE Baltics Research

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.

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