

# Surges in Supply Meet Shifting Demand

▲ 3.0-5.5

Vacancy Rate, %

▶ 5.5-6.5

I&L Prime Rent Range, EUR/sqm/month

▶ 9.0-12.0

Stock Office Prime Rent Range, EUR/sqm/month

▼ 99K

Completions, sqm

▼ 585K

Under Construction, sqm

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

**Supply.** In Q3 2024, a total of 12 projects, comprising around 99,000 sqm of GLA, were completed across Vilnius, Kaunas, Klaipėda, Riga, and Tallinn. Lithuania led the region with 6 completed projects, highlighted by the Omniva Logistics Center in Kaunas, which spans 22,000 sqm. Kaunas also saw the addition of a new warehouse on the A5 highway, while in Klaipėda, Galio Group completed the 2<sup>nd</sup> and 3<sup>rd</sup> phases of Stock-O stock offices, totaling 9,400 sqm, along with two other projects delivered by Nordspace and KTG. Riga, Latvia, experienced more modest growth, with the Versum Stock Office, covering 7,900 sqm, as the only new addition. Meanwhile, Tallinn, Estonia, added 37,900 sqm through 5 projects, the largest being a 17,000 sqm built-to-suit facility for TKM Grupp.

In the Baltics, construction also began on 11 new projects, expected to deliver nearly 80,000 sqm of GLA by the end of 2025. By the close of Q3 2024, approximately 585,000 sqm of industrial and logistics stock was under development throughout the Baltic hubs.

**Demand.** During the past quarter, no shifts in demand for I&L stock have appeared, as the market remains landlord-focused. Speculative developments continue to attract interest from retail, e-commerce, and third-party logistics (3PL) players, especially those seeking to modernize outdated facilities. However, demand for new modern solutions is stronger among international players than local firms. Even if the speculative side of the warehousing and logistics market remains strong, increasing struggles are apparent across the stock office market. With rocketing supply, demand has been slow to pick up, leaving landlords unable to rent or sell the newly developed stock office solutions for prolonged periods.

**Lease Terms.** Prime rent levels for industrial and logistics stock saw no changes in Q3 2024, standing at 5.5-6.5 €/sqm/month, while stock offices commanded 9.0-12.0 €/sqm/month. However, vacancy rates slightly rose due to continuous market expansion, ranging from 3.0% to 5.5% for industrial stock, and higher for stock offices as new projects entered the market. With vacancies moderately rising, tenants begin gaining more negotiating power, which might affect the rent ranges going forward.

Figure 1. I&L Stock Development Trends, Q1 2023 – Q4 2024 F

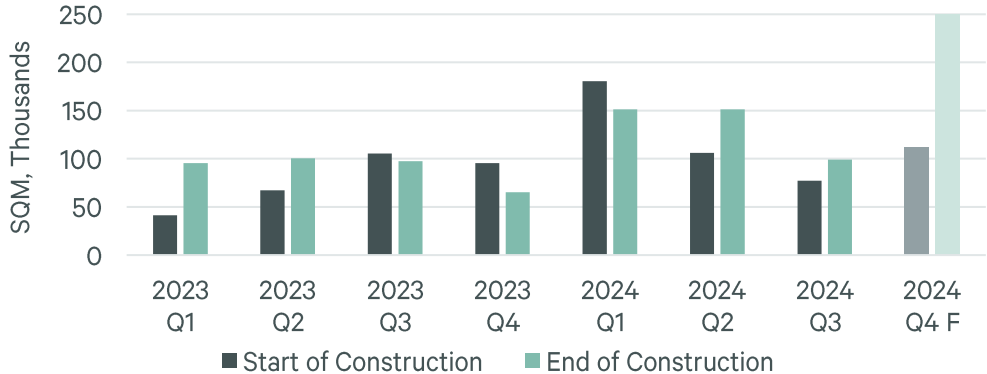
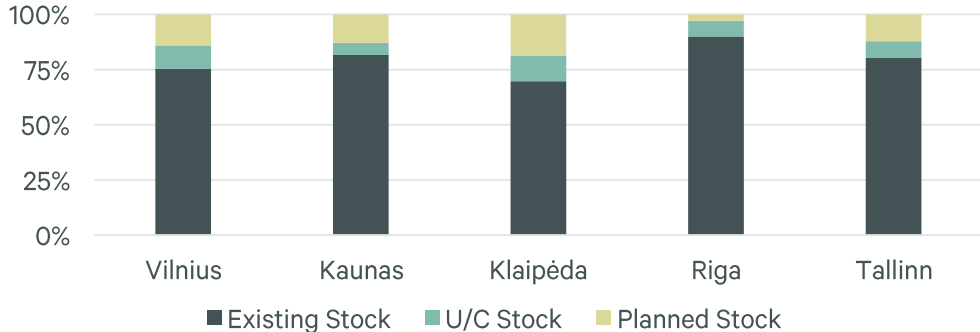
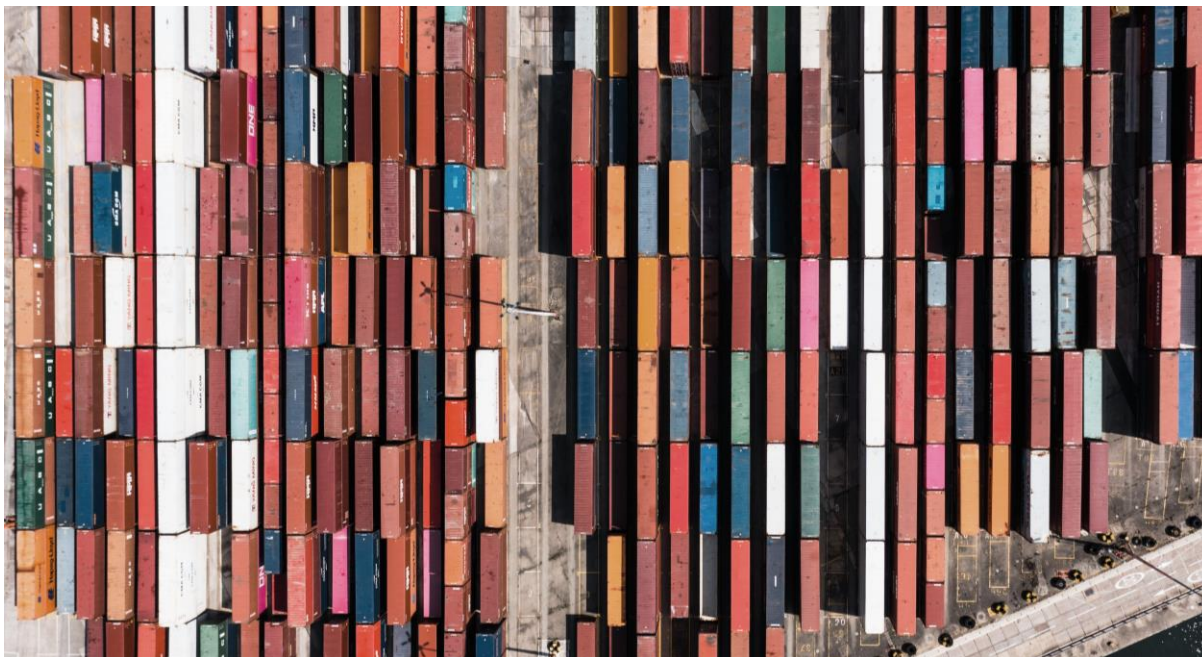


Figure 2. Pipeline I&L Stock in Comparison to Existing Stock, as of Q3 2024



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.<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 Q3 2023.

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