CBRE Baltics
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Mixed Signals Across the Baltic Investment Markets

€100M	6.50-6.75%	7.75%	7.00%	6.25-6.50%
Investment Volume	Prime Office Yield	Prime S/C Retail Yield	Prime Logistics Yield	Prime Residential Yield

Note: Arrows indicate change from the previous year

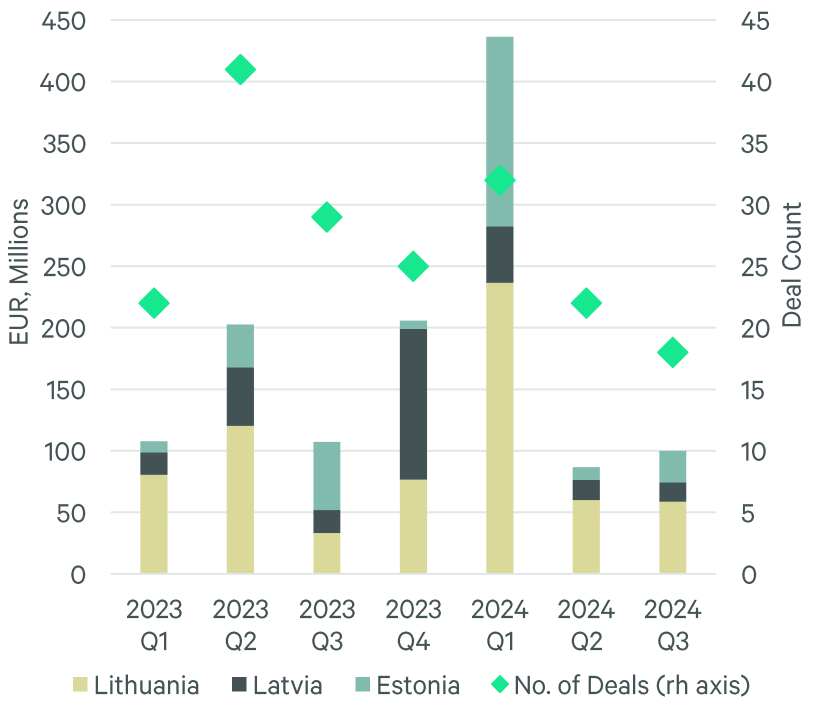
Total Volumes. Total investment volumes reached nearly €100 million in Q3 2024 – a 7% decrease compared to Q3 2023 but a 15% increase from the previous quarter. Lithuania dominated the Baltic region, accounting for approximately 60% of the total, with around €58 million invested. Estonia contributed 25%, or €26 million, while Latvia's commercial real estate market comparably underperformed, attracting just 16%, or around €16 million.

However, when comparing the number of deals, the differences between the countries are less pronounced. Each of the Baltic states recorded 6 investment deals. Throughout 2024, Lithuania has experienced stronger institutional investor confidence in its real estate market, resulting in larger transactions. Notably, local investors dominate the market, mirroring a broader trend of overconfidence observed in other sectors. In contrast, in Latvia and Estonia, real estate funds are increasingly turning to foreign markets, leaving small-scale investors – typically end-users, private individuals, or opportunistic buyers – to take the lead, which explains the smaller deal sizes. The same trends are also visible in Lithuania, although not at the same extent as in its neighboring countries, yet.

Asset Classes & Transactions. Same as in Q2 2024, retail assets attracted the largest share of investment during the quarter, accounting for 47% of the total. The most significant deal occurred in Vilnius, Lithuania, with VPH selling the Una retail park to EfTEN Capital, while the sale of Pupa in Vilnius also contributed notably. Industrial investments were the second most popular, representing 23%, mostly due to the sale of a sizeable logistics center in Lithuania. The healthcare sector saw increased activity, drawing 12% of total volumes, all of which came from Estonia. Investments in office spaces were less popular this quarter, comprising only 10%, with Latvia leading in this category. However, Latvia and Estonia also recorded several deals in the mixed-use real estate category, where offices make up a significant portion of the projects, indicating that despite the lower volume, office spaces still retain some appeal, though at a reduced rate compared to previous periods.

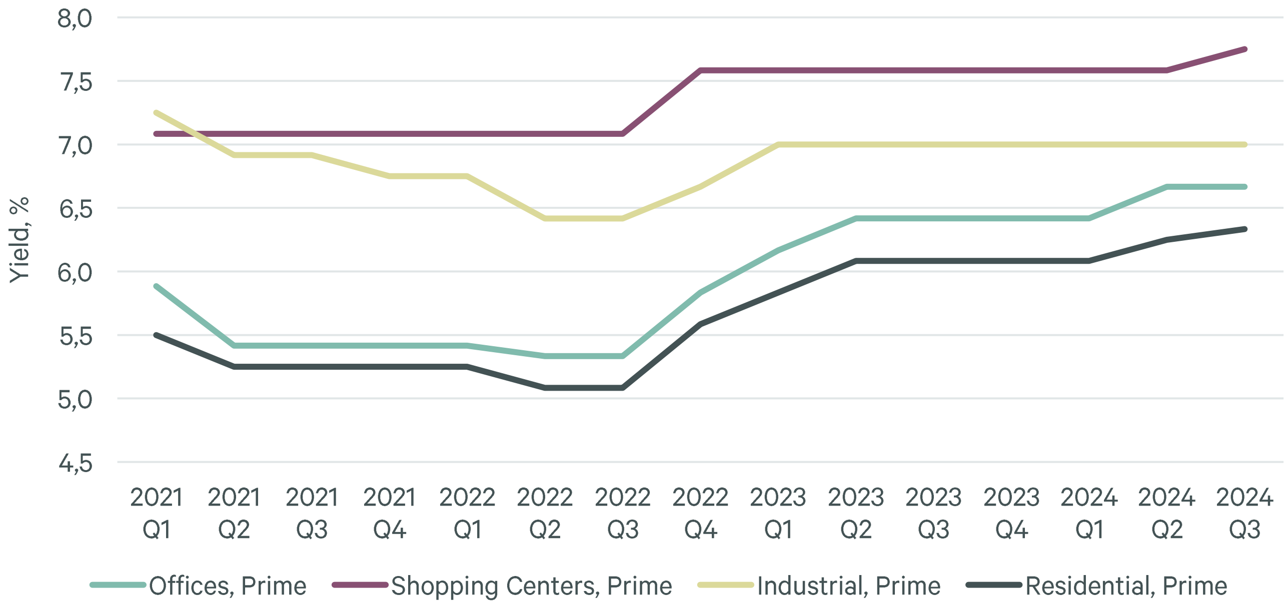
Yields. Yield movements during the quarter, though minor, reflected a consistent trend across the Baltic countries. Prime office and industrial yields remained stable, while prime shopping center yields in Lithuania rose by 0.25 p.p to 7.75%, aligning with the market sentiment levels in Latvia and Estonia. In Lithuania, residential yields also increased from 6.00% to 6.25%, matching Estonia's rate, whereas Latvian residential properties are likely to command higher yields at 6.5%.

Figure 1. Investment Volumes and Deal Count in the Baltics, 2023 Q1 – 2024 Q3



Source: CBRE Baltics Research

Figure 2. Historical Yield Movements, Baltics Average, 2021 Q1 – 2024 Q3



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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