

# Steady Growth amid Diverging Prospects

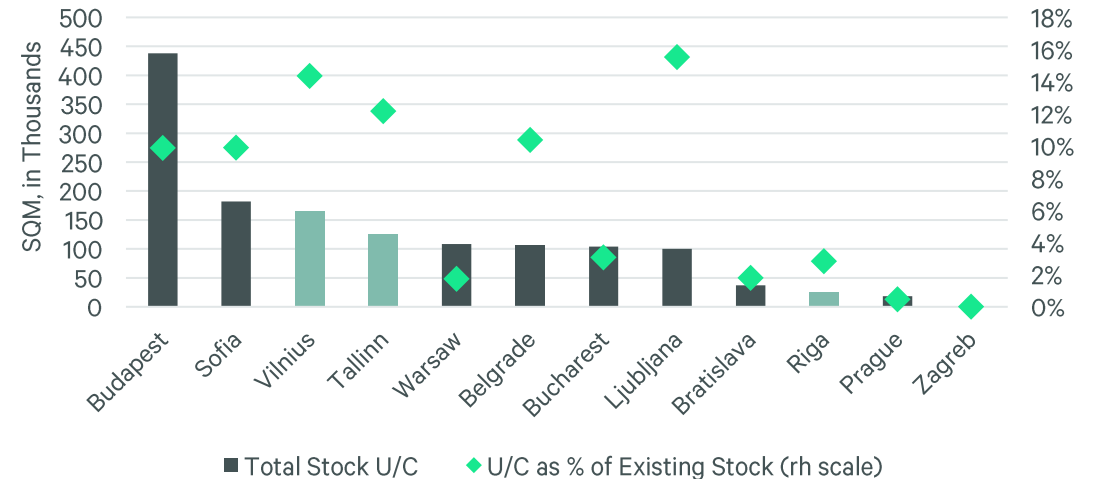


## Highlights

In Q3 2024, the Baltic office markets showed diverse activity across Vilnius, Riga, and Tallinn. Vilnius led in supply, adding 13,200 sqm from two newly completed office projects and 165,000 sqm still on the way. Riga saw no new completions but had 25,000 sqm under construction. Tallinn added 9,000 sqm with the completion of B-Tower in the Arter Quarter and has a stock of 145,000 sqm under development.

Demand remained steady, with Vilnius and Tallinn recording similar take-up figures. Vacancy rates varied, increasing slightly in Vilnius to 8.3%, while Riga and Tallinn saw moderate declines. Rents have largely stabilized across the region, with A-class spaces commanding the highest prices in all three capitals.

FIGURE 1: Stock Under Construction and its Share in Total Existing Stock, CEE Capitals (2024-2026)



Source: CBRE Baltics Research

**KEY PERFORMANCE INDICATORS, Q3 2024**

Growth Rate YoY (%)

Note: Arrows indicate change from previous quarter.

# Vilnius

## SUPPLY

In the third quarter of 2024, two office buildings were completed: the A-class Yellowstone in the capital's New Town area and the B-class Ateities Trio BC (II stage) in Fabijoniškės. Together, these projects added 13,200 sqm of GLA to the city's total office supply, bringing it close to 1.15 million sqm. At the same time, construction began on two projects in Žvėrynas – the renovated Sėlių 3A and the newly constructed Lapių 3 will add an additional 8,200 sqm of GLA by the end of 2025. These two office centers account for only 5% of all stock currently under construction in Vilnius, which stands at an impressive 165,000 sqm of GLA. Of that, approximately 6% is expected to be completed by year's end.

## DEMAND

The total take-up for the quarter reached 16,800 sqm, with approximately 37% of the deals (47% in terms of sqm) occurring in A-class offices. The majority of leases were signed in existing buildings, with 76% of the stock being leased in older properties.

Although the concept of the "15-minute city" is not new to the Vilnius market, an interesting trend has recently emerged. More and more healthcare facilities are beginning to settle in vibrant office locations. CORE saw the opening of the second Eglė Sanatorium's rehabilitation center in Vilnius, while Hila pre-leased 1,700 sqm in Hanner's flagship Business Stadium Central. Since the start of 2024, 3 additional healthcare-related deals have been completed.

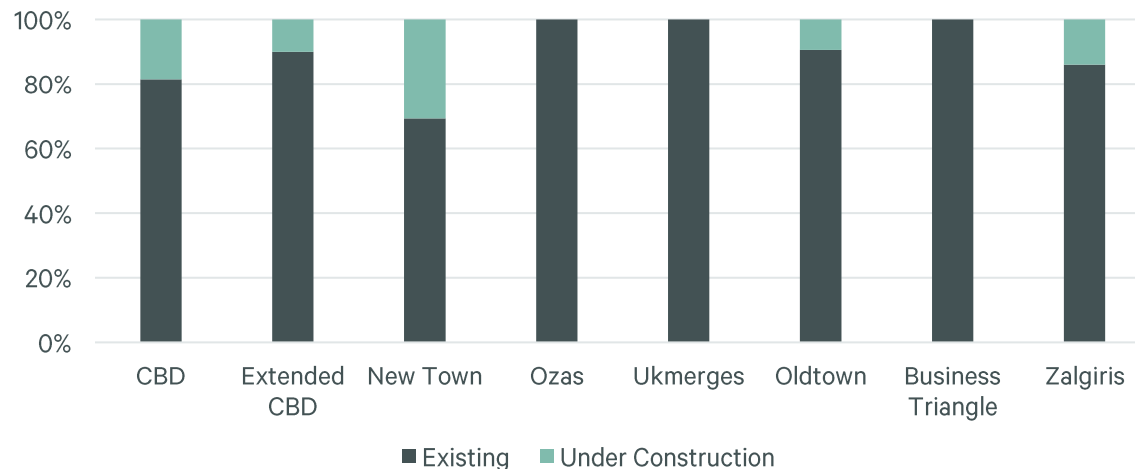
## VACANCY

The overall vacancy rate in the city stood at 8.3% at the end of Q3 2024, marking a 0.5 p.p. increase compared to the previous quarter. Vacancy rates rose across both office classes, currently reaching 6.7% in A-class buildings and 9.6% in B-class offices. This increase can be attributed to several large occupiers filing for bankruptcy, freeing up significant spaces for new tenants. However, landlords experiencing these unexpected vacancies are already in discussions with multiple potential tenants and expect to fill the spaces by the end of the year.

## MARKET RENTS

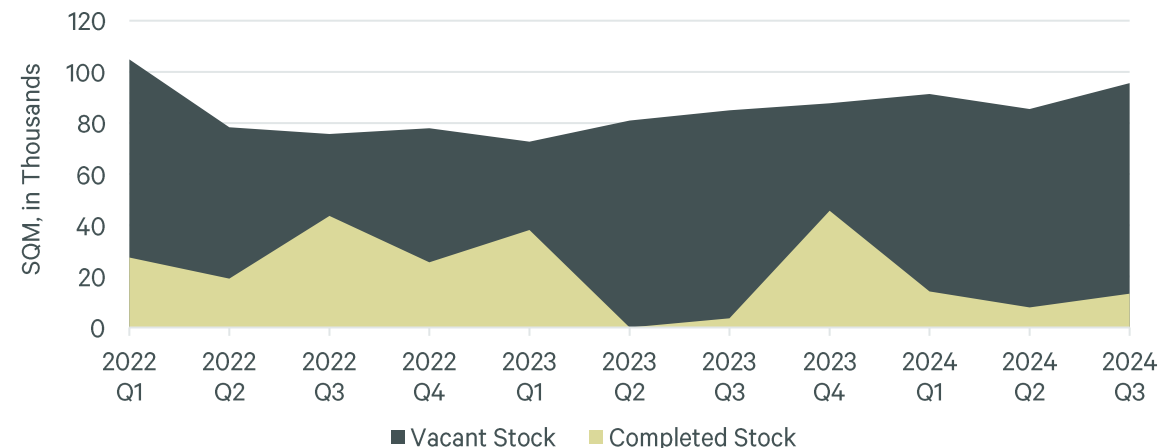
Prime rents, which dipped at the end of last year due to low market activity, are now beginning to recover and range between 16.00 and 20.50 €/sqm/month. Meanwhile, B-class rents remain unchanged, ranging from 13.00 to 15.00 €/sqm/month.

FIGURE 2: Proportion of Existing Stock to U/C Stock by Districts, SQM, Vilnius, as of Q3 2024



Source: CBRE Baltics Research

FIGURE 3: Vacant Stock vs Newly Completed Stock Development, Vilnius, 2022 Q1 – 2024 Q3



Source: CBRE Baltics Research

# Riga

## SUPPLY

This quarter, no new office projects were completed in Riga. Nonetheless, approximately 25,000 sqm of modern office space is currently under construction, including a new development on Barona Street by River Properties, which is expected to be completed by the end of the year. Additionally, nearly 100,000 sqm of high-quality office space is in the planning stages, with expected delivery by the end of 2027. While this ongoing development activity is a positive sign, the growing demand from office occupiers for sustainable office solutions has not yet been met with sufficient new supply.

## DEMAND

Take-up in Q3 remained consistent with Q2 2024, totaling nearly 10,000 sqm. Notably, 60% of this take-up occurred in A-class office buildings. Although the number of transactions increased, the average deal size was smaller compared to Q2. The most significant transaction was Atea Global Services' pre-lease of over 4,000 sqm in Vastint Latvia's office project, Magdalena's Quarter, which is scheduled for completion in 2025. The rising demand for sustainable, modern office solutions is evident, as companies increasingly align with their ESG goals. Several transactions in A-class office buildings involved tenants relocating from older, less modern office spaces.

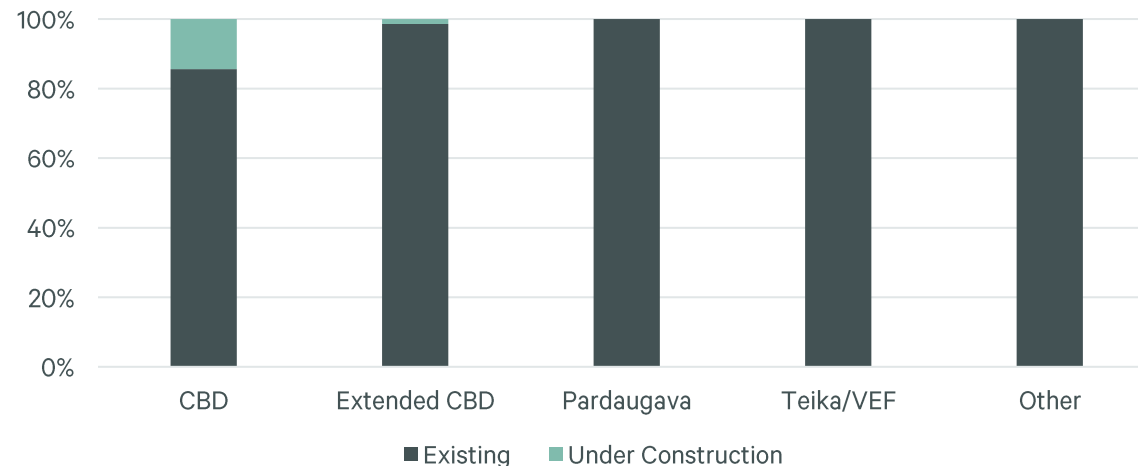
## VACANCY

Overall vacancy in Riga stood at 13.4% in Q3 2024, a decrease of nearly 1% from the previous quarter due to absorption of previously completed spaces. Vacancy rates are expected to remain stable in the coming periods, as relatively few new projects are set to be completed in 2025 and 2026. Since Q3 2023, vacancy in A-class office buildings has declined, while B-class office vacancies have increased, reflecting a growing trend where occupiers agree to pay higher rents for modern, high-quality office spaces.

## MARKET RENTS

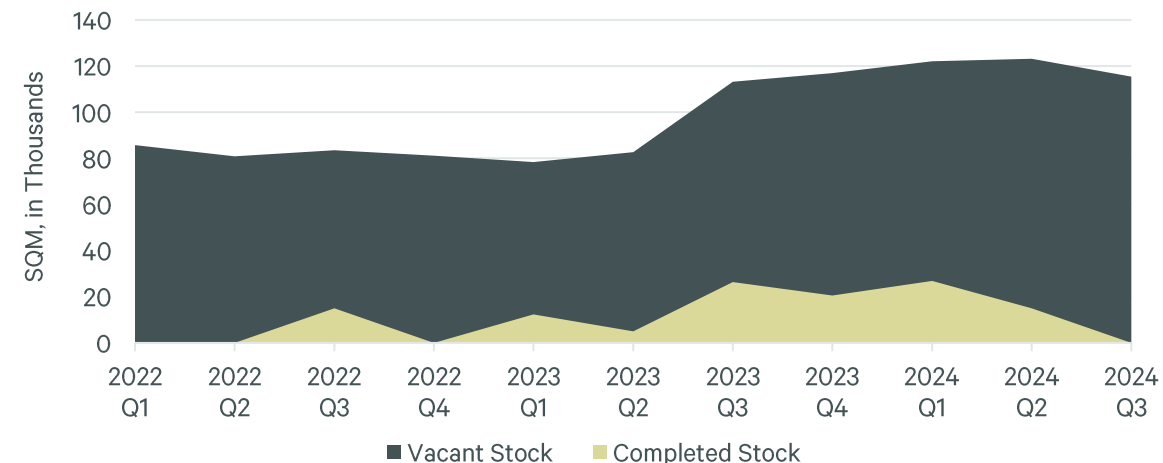
Prime rents remained stable during Q3, at around 18.00 €/sqm/month. However, there is a slight downward trend in lower B-class office premises, as landlords face a lack of interest from potential tenants due to outdated technical solutions in these buildings. B-class rents average around 8.00 - 15.00 €/sqm/month.

FIGURE 4: Proportion of Existing Stock to U/C Stock by Districts, SQM, Riga, as of Q3 2024



Source: CBRE Baltics Research

FIGURE 5: Vacant Stock vs Newly Completed Stock Development, Riga, 2022 Q1 – 2024 Q3



Source: CBRE Baltics Research

# Tallinn

## SUPPLY

During Q3 2024, 9,000 sqm of new office space was completed and added to Tallinn’s office market with the completion of the B-Tower, part of the city’s A-class landmark project, Arter Quarter. Meanwhile, construction has begun on Fahle Terrassid, a 6,500 sqm development that will be Tallinn’s first mass timber high-rise building. Additionally, the first phase of the Hipodroomi Quarter, a residential project with extensive commercial premises, is underway, and a contract for the construction of City Plaza 2 has been signed. Currently, approximately 145,000 sqm of space is under construction and 16,000 sqm under renovation in Tallinn, with around half expected to be completed by the first half of 2025.

## DEMAND

In Q3 2024, take-up in Tallinn’s office market reached 16,700 sqm, a 3% increase from the previous quarter, reflecting stable market demand. Both the number of transactions and the average transaction size remained largely unchanged compared to Q2 2024, with deals in existing office projects continuing to dominate. Lease activity in B-class properties rose significantly, accounting for 73% of total leased space, as many prime A-class developments had already seen high take-up in previous periods (e.g., Arter’s B-Tower, now 98% occupied). As a result, potential tenants seeking new office premises turned to B-class options. High-quality B-class spaces outside the city center, such as Park Tondi, are attracting tenants and preventing vacancy rates in this segment from rising significantly.

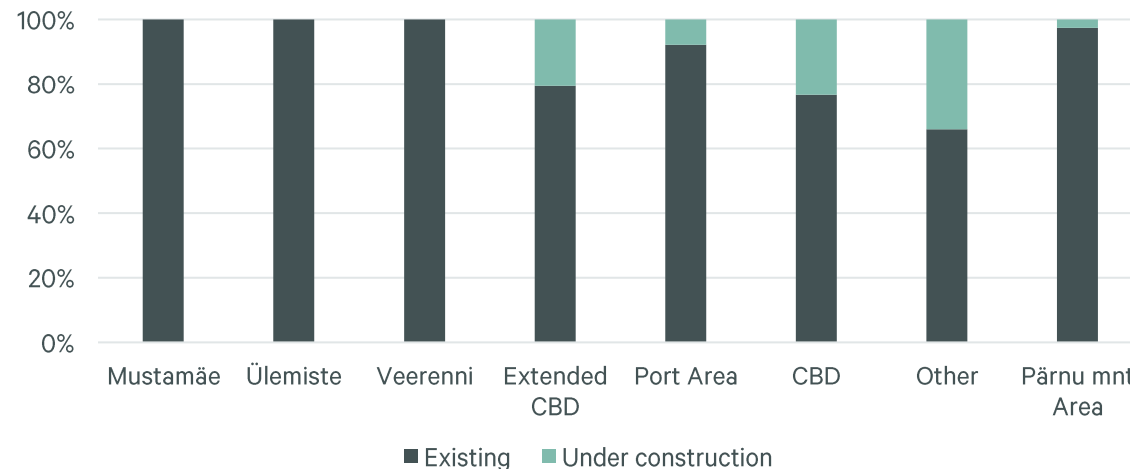
## VACANCY

At the end of Q3, the average vacancy rate for modern office space in Tallinn stood at 10.0%. Over the past year, A-class vacancy increased from 6.1% to 8.5%, while B-class vacancy rose from 10.1% to 10.7%. On a Q-o-Q basis, A-class vacancy dropped by 0.5 p.p., likely driven by the high occupancy in Arter Towers, while B-class vacancy saw a slight increase. The continuous rise in B-class vacancy is prompting landlords to invest in renovations to make their properties more competitive.

## MARKET RENTS

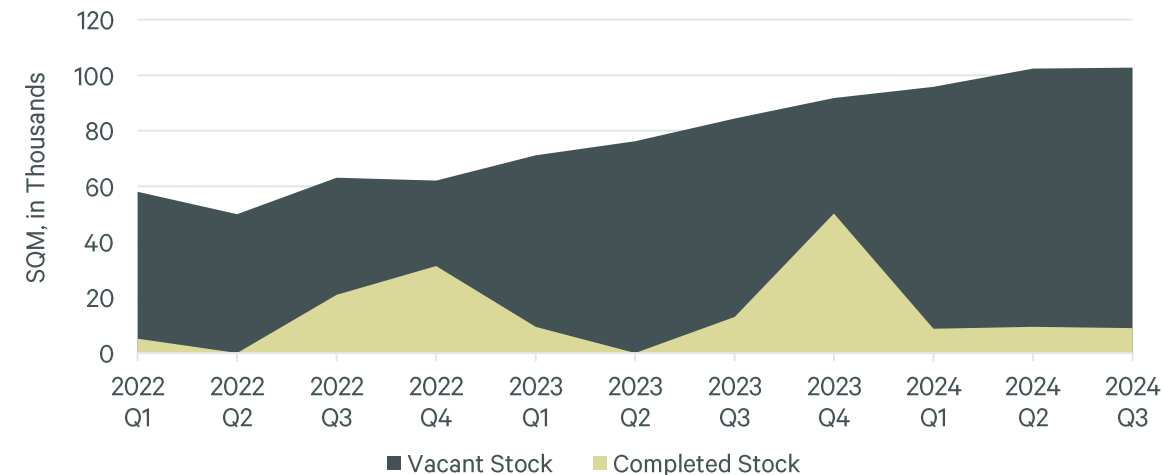
In Q3 2024, average office rent levels remained mostly stable, with a slight decrease observed in B-class rents. A-class rents ranged from 17.00 to 21.5 €/sqm/month, while B-class rents averaged between 9.70 and 16.50 €/sqm/month.

FIGURE 6: Proportion of Existing Stock to U/C Stock by Districts, SQM, Tallinn, as of Q3 2024

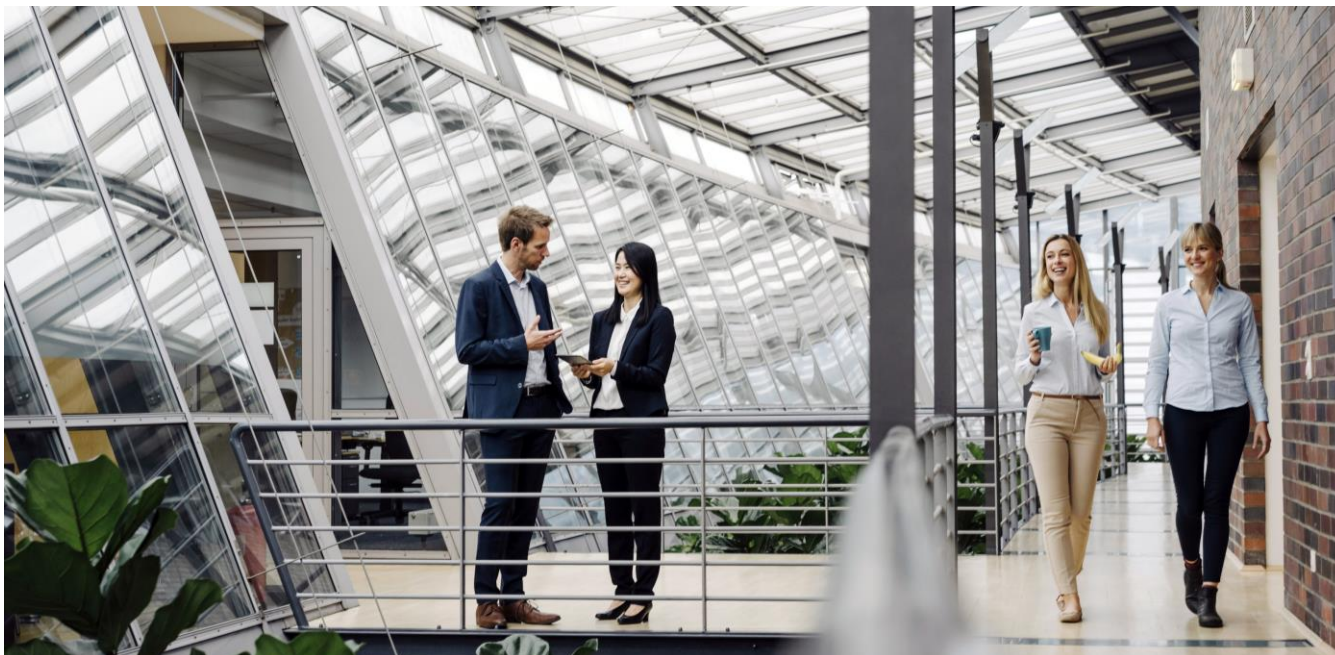


Source: CBRE Baltics Research

FIGURE 7: Vacant Stock vs Newly Completed Stock Development, Tallinn, 2022 Q1 – 2024 Q3



Source: CBRE Baltics Research



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