

Today vs. One Year Ago – Volatility or Growth?



Note: Arrows indicate change from the previous year

Total Volumes. In the last quarter of 2024, total investment volumes reached nearly €350 million, marking a 70% increase compared to Q4 2023 and an impressive 219% increase from the previous quarter. This surge was primarily driven by the sale of the Kristiine Keskus Shopping Center in Estonia. As a result, Estonia became the leading country in the Baltic region during this quarter, accounting for approximately 67% of total investments, which amounts to around €236 million. Lithuania contributed 26%, or €91 million, while Latvia's commercial real estate market accounted for only 7%, or about €23 million. In total, 30 investment deals were recorded across all three countries in the last quarter of the year. Over the past 10 years, the share of domestic* investments has increased significantly, rising from 23% to 89%.

Looking at the entire year, 2024 investment volumes have rebounded from the previous year, growing by 58% and nearing €1 billion. However, the total volumes are still by -40% lower from the record-year of 2021 in the Baltics. The capital markets' recovery is expected to continue throughout 2025.


Asset Classes & Transactions. In Q4 2024, retail assets accounted for 54% of total investments, highlighted by Citycon's €129 million sale of Kristiine Keskus in Tallinn to EfTEN Capital. Office investments made up 23%, while the industrial sector accounted for 7% of the total investment volumes during the quarter. The hotel sector attracted 4% of investments, mainly from Lithuania, and other categories like mixed-use and healthcare collectively contributed €43 million, or 12% of the total investment volume in the Baltics.

Year-end 2024 sector breakdown results are summarized in Figure 1.

Yields. Yields have remained stable and unchanged in Q4 2024. In some segments prime yields across CEE countries showed signs of strengthening. For instance, prime retail yields in the Czech Republic decreased by 0.5 percentage points in Q4. Similarly, prime industrial yields in Poland contracted by 0.25 percentage points. This trend suggests that with strengthening economic fundamentals and recovering investment sentiment, similar contractions can be anticipated in the Baltic States, with expectations for this to occur in the latter half of 2024.

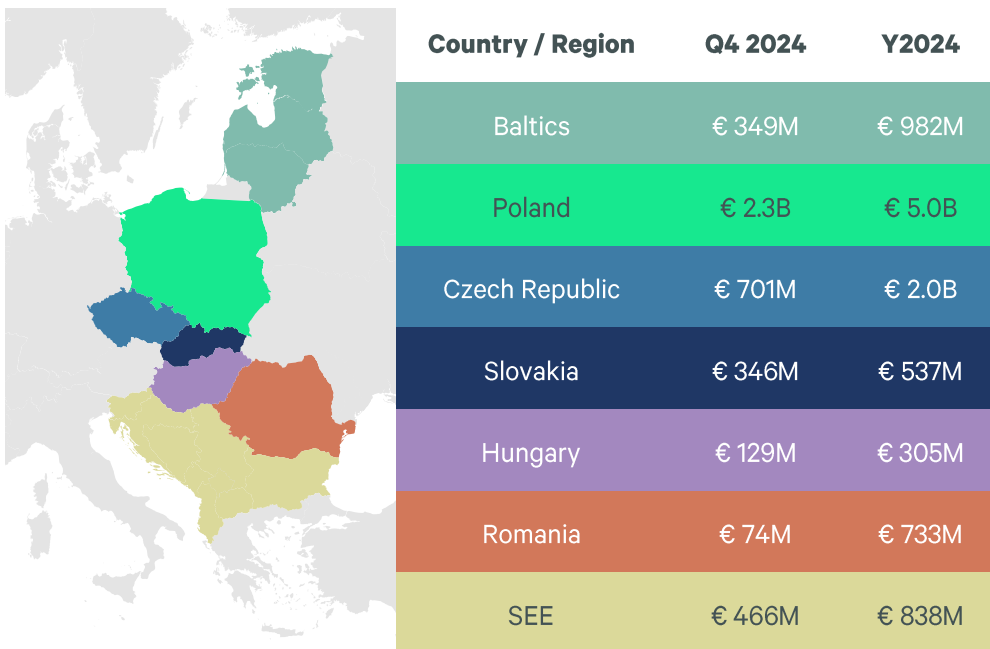
*Accounting for the three Baltic states

Figure 1. Investments by Sector in the Baltics, Full-Year 2024

	RETAIL 41%	▲ +370% YoY	402M
	OFFICE 34%	▲ +90% YoY	329M
	INDUSTRIAL 13%	▼ -42% YoY	126M
	MIXED-USE 5%	▲ +32% YoY	53M
	HOTEL 4%	▼ -30% YoY	41M
	OTHER 3%	▼ -38% YoY	31M

Source: CBRE Baltics Research

Figure 2. Investment Volumes by Market, CEE Region, Q4 2024 and Year 2024



Source: CBRE Research

Definitions

CEE – Central Eastern Europe.

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.

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.

SEE – Southern Eastern Europe.

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.

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