

Uncertainties in the Global Trade Policies



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

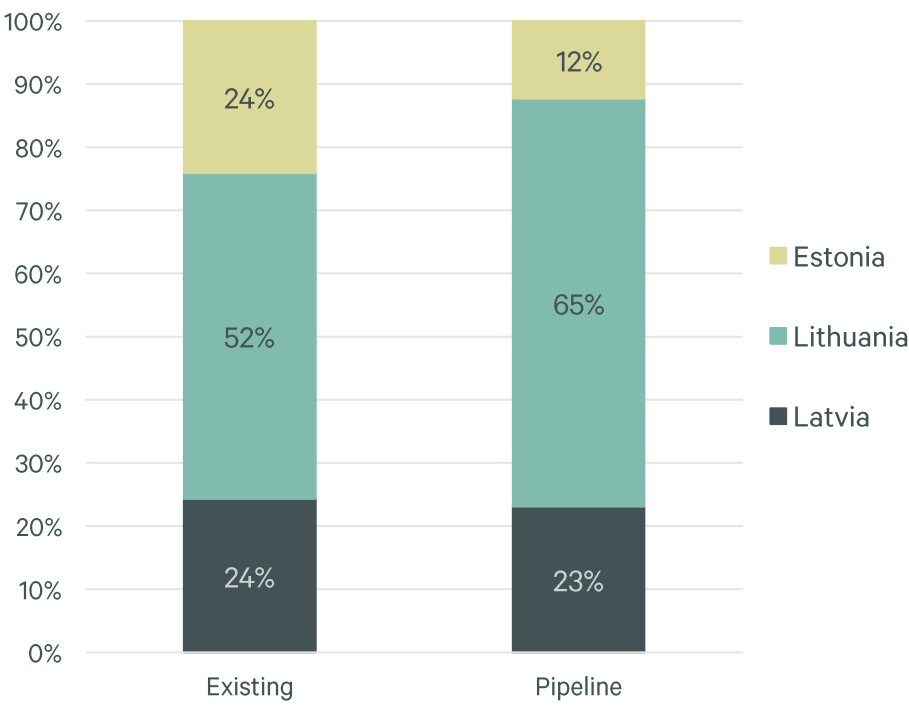
Industrial & Logistics

Supply. In Q1 2025, a total of six I&L projects, or 116,000 sqm, were completed across Vilnius, Kaunas, Klaipėda, Riga, and Tallinn, representing a nearly 50% decrease compared to Q4 2024, and bringing the total stock to almost 5.54 mln. sqm. This decline is not surprising, given that Q4 had a record number of completions. Notably, Klaipėda and Tallinn did not have any new completions in Q1. Vilnius saw the completion of three projects totaling 42,000 sqm, with 25,500 sqm of that being speculative space. In Riga, two projects were completed, amounting to 58,000 sqm, of which 34,000 sqm were speculative. Kaunas had one speculative project commissioned, covering 16,000 sqm. At the end of Q1, approximately 378,000 sqm were under construction across the Baltics, with 76% expected to be completed this year. Of this total, around 206,000 sqm is speculative stock.

Demand. The demand in the Baltic region remains subdued. While modern industrial developers continue to enjoy substantial rental income, older warehouses are facing higher vacancy rates as businesses prefer modern and efficient facilities. Developers who previously focused solely on speculative builds are now incorporating built-to-suit projects. For example, Sirin Development constructed a distribution and logistics center for Coca-Cola HBC in Kaunas. Notable leasing transactions include 15,000 sqm leased in Riga to a (confidential) tenant, Venipak leasing approximately 11,000 sqm in Sirin Park Kumpiai, and Sampa leasing 5,400 sqm in Transekspedicija III, Vilnius. Macroeconomically, demand from the main trade partners is still down. However, due to uncertainties regarding the USA’s trade policy, it is likely that trade within the inner EU networks will increase. Although the Baltic States officially disconnected from the Russian-managed BRELL system this quarter – a move expected to enhance the region’s attractiveness – geopolitical tensions continue to impact, leaving the region less volatile than it was before the Ukrainian war.

Lease Terms. In Q1 2025, prime rents for industrial and logistics properties remained stable, ranging from €5.50 to €6.25 per sqm per month. Vacancy rates remained somewhat stable due to the lack of new completions, as previously completed properties are going through take-ups. Depending on the location, the Baltic industrial vacancy rates ranged between 2.0% and 4.0%.

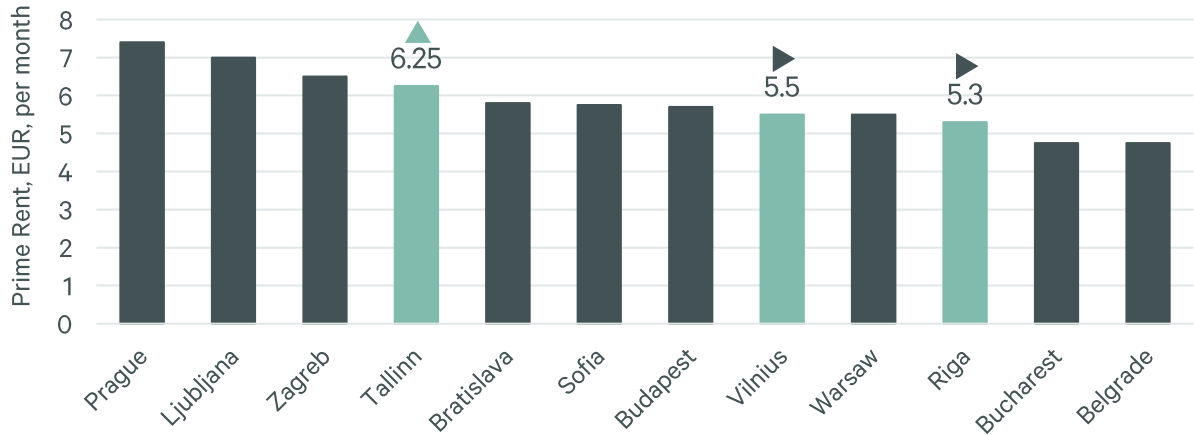
Figure 1. Distribution of I&L Stock by Country, Q1 2025



Source: CBRE Baltics Research

Stock Offices. In the first quarter of 2025, approximately 7,000 sqm of office space were completed in the Baltic region. Around 26,500 sqm began construction, while about 151,000 sqm were still under construction, with 74% expected to be completed later this year. The stock office segment in Estonia is nearing saturation, which may lead to a shift in focus back to more traditional properties in the future. Notably, 64% of the stock offices U/C are now in Lithuania. Rental prices have remained stable, ranging from €9.00 to €12.00 per sqm. Vacancy rates for stock offices are on the higher end, falling between 9% and 12%. Some developers have chosen to sell newly built properties rather than lease them.

Figure 2. Industrial & Logistics Prime Rent Rates, CEE Region, Q1 2025



Source: CBRE Baltics Research
Note: The arrow indicate change from the previous year.

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.

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