



# Office market overview 2022

Kivi Real Estate

- Considering the construction of new office buildings, new office tenants currently have not had ample opportunities to choose and agree on favorable contract terms. The market is witnessing sharp competition among office developers for the largest office tenants.
- Despite the high level of inflation, due to competition, rent increases have not been observed and the rent level is stable. In some cases, older office buildings with motivated landlords have reduced rents or offer discounts to new tenants.
- Office workers continued to return to work in office premises, as the effects of the Covid-19 pandemic subsided. The total share of vacant premises in class A and B office buildings (excluding new constructions) decreased during the year.
- The investment climate in Latvia was affected by the war in Ukraine, global uncertainty and the reorganization of business chains. In 2022, no new large office deals with new companies from abroad were announced. The announced transactions in new office buildings indicate a tendency to move from older A/B+ class office buildings to new office buildings, which currently provide the highest quality of premises.
- Most of the concluded large office deals were so-called pre-lease or transactions of the yet-to-be-built buildings, confirming the high interest of tenants in these projects, a strong demand that has come after years with a comparatively low supply of new office space.
- The interest in changing offices was reinforced by the high prices of energy resources and the associated high utility bills in the autumn and winter period.
- When planning a new office, companies expect a relatively lower number of jobs compared to the total number of employees, taking into account that working from home is the new status quo for some employees. Sometimes this allows you to reduce the area of the new office by choosing higher class and rentable premises. The planning has to predict the number of jobs for the next 5 years, which is the standard length of contracts for all new office buildings.

## Office buildings put into operation:

Project name	Commissioned	GLA (sq.m.)
<b>VERDE (1<sup>st</sup> building)</b>	<b>Q3 2022</b>	<b>15 000</b>

**When put into operation, 78% of the building's area was already leased**







## New office buildings:

Project name, address	The total area (m <sup>2</sup> )	Scheduled commission
Barons kvartāls, 155 Brīvības Street (Brīvības iela), Bldg. 4	5 000	Q1 2023
2A Perses Street (Pērses iela)	3 200	Q1 2023
Arcada, 45 Dzelzavas Street	4 300	Q1 2023
Business centre "Gustavs"	14 416	Q1 2023
New Hanza offices, 1 Mihaila Tāla Street (Mihaila Tāla iela)	12 700	Q2 2023
ZEISS, 2 Delu Street (Dēļu iela)	4 300	Q2 2023
Elemental Skanste, 25 Skanstes Street	20 500	Q4 2023
VERDE Biroji, 14B Hanzas Street (2nd stage)	12 400	Q4 2023
Novira Plaza, 2A Marijas Street	21 800	Q4 2023
30A Barona Street	2 740	Q4 2023
Gates of the Magdelēnas Quarter, 17 and 21 Antonijas Street	9 660	Q3 2024
Preses Nams Quarter, 2 Balasta Dambis, Bldg. 2	20 700	Q3 2024

Total area: **131 716**

## Reconstructions and renovations:

Project name, address	Total area (m <sup>2</sup> )	Planned commission
Il Giardino, 9A Citadeles Street	1 251	Q1 2023
Valdemāra biroji, 118 Kr.Valdemara Street (Kr. Valdemāra iela)	4 865	Q3 2023
54 and 54A Skanstes Street	7 500	Q4 2023
15 Gen. Radzina Embankment (Ģen. Radziņa krastmala)	3 542	Q4 2023
Palazzo Italia, 2 Kr. Barona Street	3 060	Q4 2023
49 Mukusalas Street (Mūkusalas iela)	1 573	Q4 2023

Total area: **21 791**







## The largest office lease transactions in 2022:

Tenant	Project	Area (m <sup>2</sup> )
Tietoevry	Verde	4500
KPMG	Verde	3000
Decta	Verde	2300
LVRTC	Grizindarzs (Grīziņdārzs), 9 Zemitana Street (Zemitāna iela)	2000
Swisscom	Verde	1500
Workland	Verde	1420
Deloitte	Preses Nams	1000
ALPPES Capital (Eleving, Longo, Wash Drive)	Verde	950
Pasažieru vilciens	8 Perses Street (Pērses iela)	900

### Proportion of free spaces and prices

	2022 (Q1)	2023 (Q1)
<b>A class</b>	26,9%	22,0%
<b>B class</b>	13,2%	10,4%
<b>A class</b>	14 – 17,0 EUR/m <sup>2</sup>	14 – 17,5 EUR/m <sup>2</sup>
<b>B class</b>	9.0 – 15,0 EUR/m <sup>2</sup>	9 – 14,5 EUR/m <sup>2</sup>

### Forecasts for 2023:

-  The rental fee will not increase, but in the case of certain buildings it will decrease, which will be more reflected in the offers that are transferred privately.
-  The proportion of vacant premises in class A will increase significantly. This will be a time of opportunities for tenants, who will be able to choose the most suitable and attractive space option for them.
-  Moving to newer, higher-quality premises will be the main motivation for companies to change offices.
-  Companies will continue to pay more and more attention to new and energy-efficient buildings, where lower utility bills are expected.

