

# Riga Office Outlook 2022 H1



Project: Elemental Skanste  
Developer: Kapitel





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# Riga Office Market

## Expects Stronger Pre-Leasing

### INSIGHTS

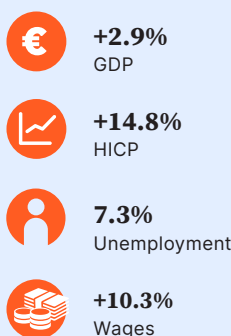
- In June 2022, the Bank of Latvia updated its economic forecasts; it now sees GDP growth of 2.9% this year and inflation higher at 14.8%.
- Total office vacancy stood at 11% at the end of Q2 2022, down 1% point from the end of 2021.
- Construction of the Preses Nama Kvartāls, a near zero-energy project, is proceeding on schedule, with work on and delivery of some offices even shifted forward.
- More than 21,000 sqm of office space will be delivered in 2022, while nearly 120,000 sqm are scheduled for delivery in 2023.

### EMPLOYERS CONTINUE TO INVEST IN WELLBEING

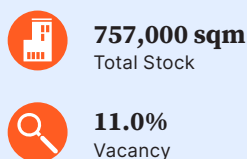
Employers are giving increased attention to new office concepts. They mainly relate to the ideas that employees will not work from the office full time and an office has to be attractive enough to compete with work from home. Words like comfortable, flexible, welcoming and competitive are often used to describe the new office concept.

The multi-service company Tele2 has invested EUR 400,000 to significantly increase wellbeing in its premises. Its entire 2,600 sqm of office space was adapted to the wellbeing concept.

### MACRO PROJECTIONS FOR 2022



### OFFICE MARKET 2022 H1



### OFFICE MARKET 2022-2023



During the reconstruction, specifics of employee work and culture at the company were taken into account and modern technological solutions for increasing productivity were introduced. In addition, modern desks were installed and new spaces for rest and socializing were created.

### CO-WORKING IS IN DEMAND

Workland, a leading flexible office space provider, is expanding in the Baltics and this autumn will open the region's greenest co-working centre in the A-class Verde office building in Riga. Workland plans 40% growth in the Baltic market overall in 2022, offering over 7,000 sqm of office space for lease on flexible terms. It intends to set up a total of 750 workstations in the three countries.

Workland Verde will include private offices of various sizes as well as coworking zones, open areas and meeting rooms to support any working style. The centre will accommodate about 180 people and will be designed to focus on community and flexibility. It will offer a number of smaller offices and an open-plan coworking area to meet the needs of teams of all sizes. All offices will have abundant natural light and original interior solutions with a modern, bright design. All members at Workland will also be welcome to

**“Co-working and activity-based offices were a global issue already before the pandemic, while during pandemic the way we work has changed irreversibly. Thus there is a particular demand to change and adapt existing workspaces to meet the future needs of institutions and staff,” says Andris Vārna, a member of the board at SRE.**

Source: [www.db.lv](http://www.db.lv)



use the sport facilities located in the building and a large terrace on the 5th floor.

#### TENANTS THINK GREEN

KPMG in Latvia, an international professional services provider, has become the third anchor tenant at the Verde class-A office complex. KPMG's team of 250 employees will move to nearly 3,000 sqm – twice the size of the company's current office – on the 7th and 8th floors of building A.

The Verde will deliver approximately 30,000 sqm of high-quality leasable area in two phases, the first of which will be completed already this summer. Each of the buildings will have a 600-sqm

terrace on the 6th floor, offering a peaceful setting and a great view of the Skanste area. Part of Verde's attraction is its green concept – it is being developed in line with the BREEAM Excellent and the nZEB (nearly Zero Energy Building) standards.

#### NEW APPROACH TO SAVING ENERGY

In Q2 2022 a time capsule was walled into the Elemental Skanste. The project has outstanding architecture, modern technical solutions, a first-class indoor climate, and ceiling heights of at least three meters. Its energy-efficient buildings are designed to meet BREEAM Excellent criteria. In addition, cooling and heating will in large part be

provided with environmentally friendly energy from geothermal piles – they can produce up to 72% of the heat energy for the office buildings' needs. The heat energy rate for tenants will be at least 10% lower than the rate from SIA Rīgas Siltums.

The two interconnected buildings will have roughly 21,000 sqm of class A office space, a co-working area, a conference centre, parking for 400 bicycles with washing and changing rooms, a gym and various catering and service areas.

#### NEW OFFICE CONCEPT PROMOTED FOR GOVERNMENT ORGANIZATION

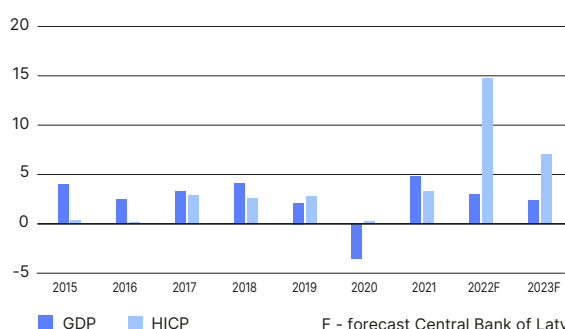
From the start of May until late July, State Real Estate (SRE) opened its



#### Macro Indicators of Latvia

Source: Statistics of Latvia

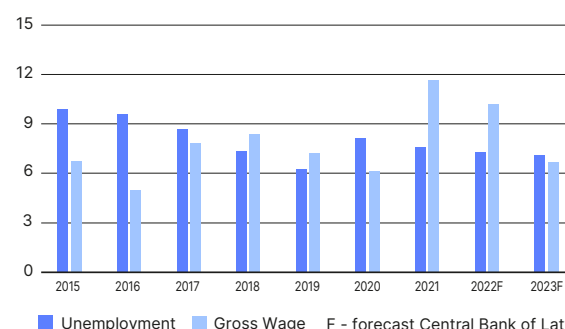
Percentage



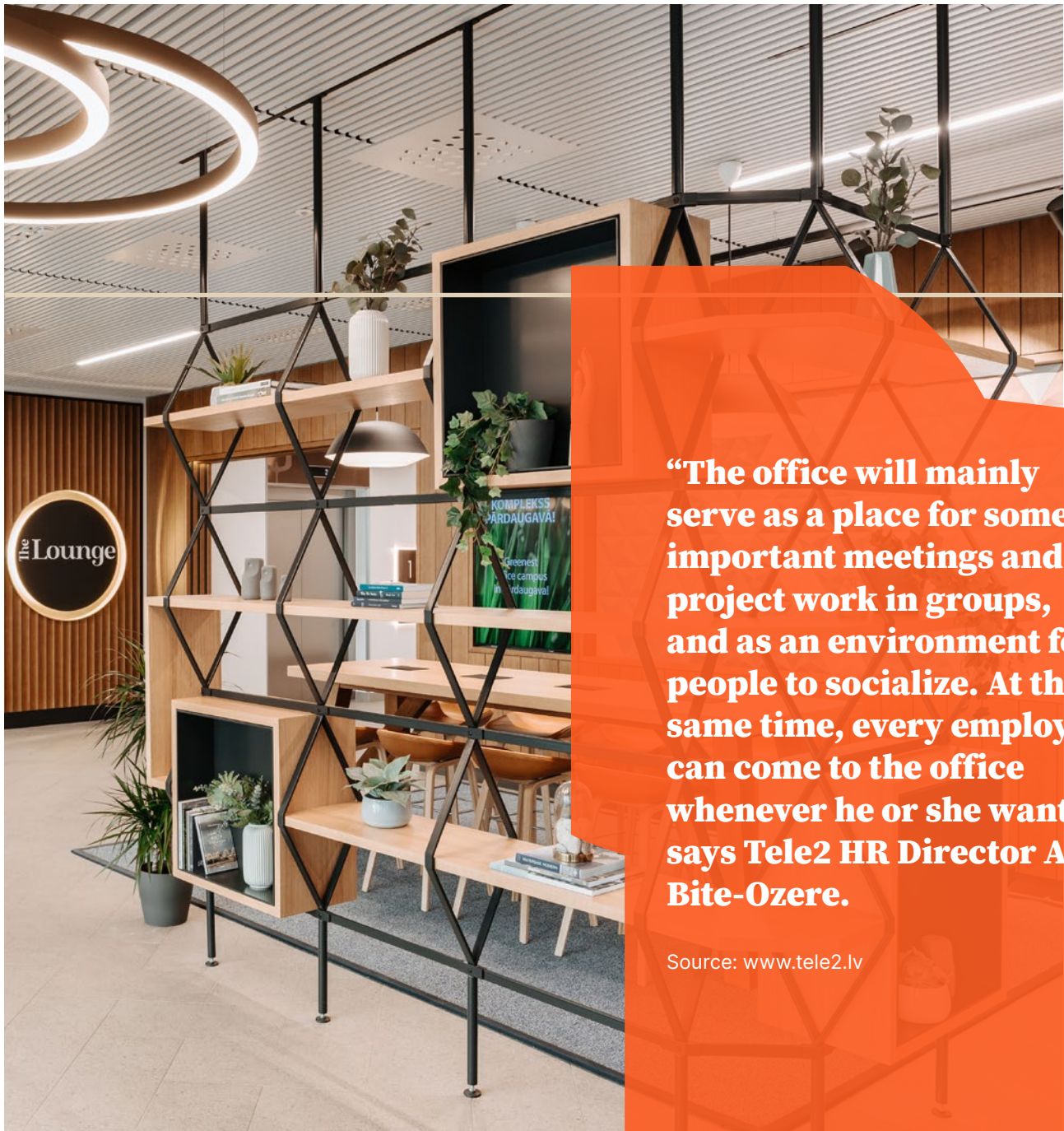
#### Social Indicators of Latvia

Source: Statistics of Latvia

Percentage







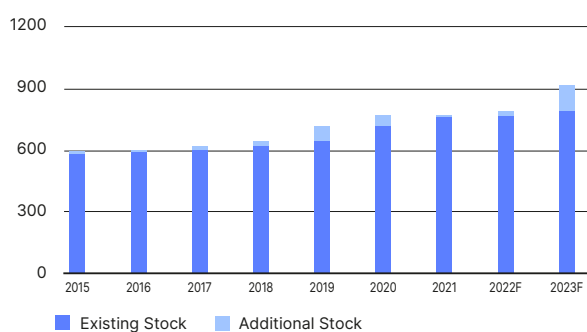
**“The office will mainly serve as a place for some important meetings and project work in groups, and as an environment for people to socialize. At the same time, every employee can come to the office whenever he or she wants,” says Tele2 HR Director Aija Bite-Ozere.**

Source: [www.tele2.lv](http://www.tele2.lv)

### Office Stock

Thousand, sqm

Source: Newsec



### Vacancy Rate

Percentage

Source: Newsec





A modern office interior featuring a long wooden table with orange chairs. The wall is covered in a geometric pattern of triangles in shades of grey, white, and orange. The ceiling has a grid of wooden slats and several large, dome-shaped pendant lights. A large potted plant is in the foreground on the right.

**“The future of office spaces is flexible. We have never before seen such an increase in demand for innovative, employee-centric, and inspiring work solutions as now,” says Indrek Hääl, the Founder and CEO of Workland.**

Source: [www.workland.com](http://www.workland.com)



activity-based office on Talejas Street in Riga to employees of public institutions and state-owned companies. The SRE office is set up to provide for all of anyone's working-day needs, with individual and coworking areas and meeting and leisure rooms. The pilot project is enabling public sector employees to implement the concept of a smart work environment and develop a modern work culture in public administration.

The aim of the project is to identify the demand for shared offices in the public sector and to understand the motivation and the need for such offices. SRE envisages possibly offering its offices for use by public institutions in the future as well, to promote more efficient and environmentally friendly use of premises as well as savings for the state budget. Such a service would also help further develop the concept of a smart work environment in the public sector. In addition, SRE has begun a renovation project for a building on Gaujas Street, aiming to optimize and adapt the premises for the State Police in the Riga region.

SRE's long-term goal is to provide a modern, well-managed and energy-efficient work environment for all public institutions.

#### GREEN ENVIRONMENT, SPACE AND FLEXIBILITY PROVES TO ATTRACT TENANTS

Seven new tenants have recently come to the Business Garden – Philips, Alfa Laval, Forma 2, ALD Automotive, AMIT Baltic, AbbVie and a branch of Luminor Bank.

Among reasons for their move, newcomers list the strategic location, flexibility in terms of custom office space design, and the wide range of

#### OFFICE DEVELOPMENT IN RIGA 2022-2024

Period	Developer/Owner	Project	Office area, sqm
<b>2022</b>			<b>21,150</b>
	Capitalica	Verde Rīga, Stage I	15,000
	Barona Kwartāls	Brīvības 155	4,500
	Vilia Investments	Hallo	1,650
<b>2023</b>			<b>120,100</b>
	Lords LB	Preses Nama kvartāls, Stage I	26,000
	Novira Capital	Novira Plaza	21,800
	Kapitel	ELEMENTAL Skanste	21,000
	Capitalica	Verde Rīga, Stage II	15,000
	Galio Group	Gustavs, Stage I	12,400
	LNK Properties	Valdemāra Biroji	6,900
	Mukusals Biznesa Centrs	Zeiss Biroji	4,300

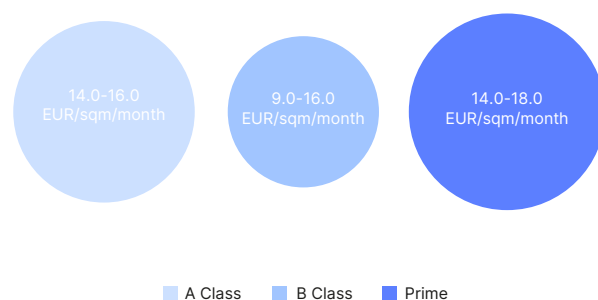
Source: Newsec from publicly available information and estimation

amenities offered by the office campus: a lounge, ample parking with electric car charging points, micro-mobility options, landscaped surroundings featuring outdoor dining and relaxation spots, and sport facilities.

Most tenants have chosen a mixed-layout concept with both open-plan work areas and separate cubicles, though Alfa Laval opted for a closed-plan concept with all workstations in individual rooms, while Philips went for an entirely open-space office with all desks in one spacious work area. Both companies emphasised that their values and principles closely align with those of Vastint and Business Garden Rīga.

#### Average Rental Rates

EUR/sqm/month



Source: Newsec

#### Office Stock by Class

Thousand, sqm

Source: Newsec



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Autumn 2021



Vilnius Office Outlook,  
2021 H1



Riga Office Outlook,  
2021 H2



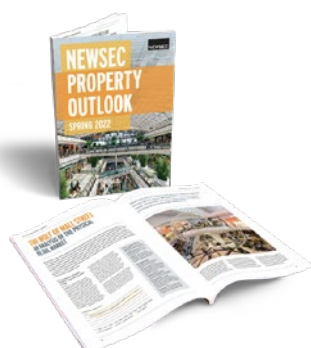
Kaunas Office Outlook,  
2021 H1



Tallinn Office Outlook,  
2019



Baltic Office Outlook, 2019



Newsec Property Outlook,  
Spring 2022



Newsec Property Outlook,  
Spring 2021



Baltic Property Outlook,  
2020-2021

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Newsec manages more properties and carries out more transactions, more lettings and more valuations than any other firm in Northern Europe. Through this great volume, and the knowledge and depth of our various operations, we acquire extensive and detailed knowledge of the real estate market. In turn, we can quickly identify business opportunities that create added value.

Our prime market is Northern Europe, but through our alliance membership with BNP Paribas Real Estate, we offer our services on the global market. This makes Newsec Northern Europe's only full service property house, and provides us with a unique ability to forecast the future.

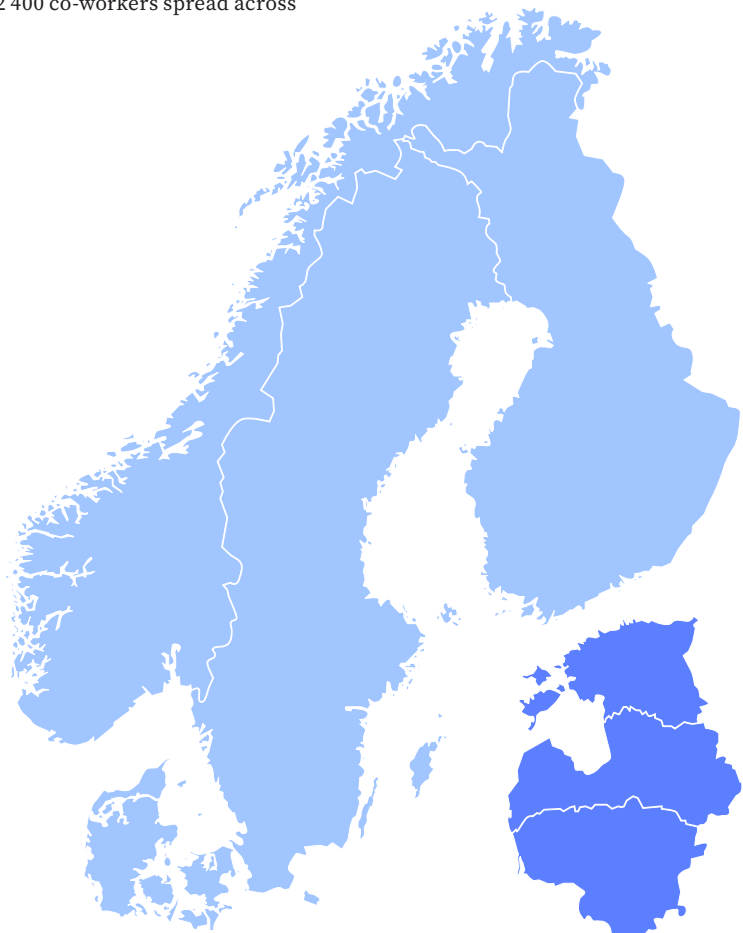
## A history of growth

Newsec is the result of a unique history of growth, characterised by constant originality of thinking. The first issue of the comprehensive market analysis, Newsec Property Outlook, was published in 2001.

The Group expanded internationally into Finland in 2001, Norway in 2005, the Baltic countries in 2009 and Denmark in 2016. The Norwegian asset and property management companies First Newsec Asset Management and TM Partner were acquired in 2012. In 2013, Newsec acquired Jones Lang LaSalle's Swedish property management operation. In 2017, Newsec grew with the acquisitions of Norwegian Basale and Danish Datea, further strengthening the position within Property Asset Management. In 2018, Newsec opened a London office to assist international investors interested in the Nordic and Baltic region.

Newsec was founded in 1994 and is today a partner-owned company with some 2 400 co-workers spread across

the seven Nordic and Baltic countries. In 2018, Newsec opened a London office to assist international investors interested in the Nordic and Baltic region. Newsec has approx. EUR 68 billion under management and annually signs lease agreements of approx. 1.5 million square meters, manages transactions of some EUR 3 billion and does real estate valuations of underlying property worth almost EUR 265 billion. Thanks to large volumes, local presence combined with in-depth understanding of a range of businesses, Newsec has a unique expertise of the real estate market in northern Europe.



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