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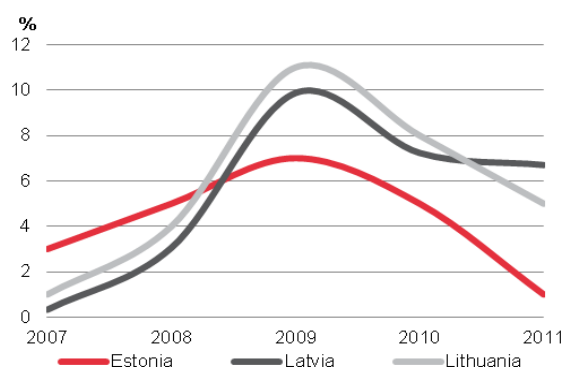
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- Recession in Baltic countries is over and although the recovery has been uneven across different economic sectors, turnaround is evident
- Consumer confidence is in recovery process in all three Baltic countries. If it was told 9 months ago that in Estonia (Tallinn) and Lithuania (Vilnius) very active recovery in retail market took place and Latvia (Riga) needs time for development to justify itself, then now it is obvious alignment between all three Baltic countries
- All three Baltic countries – Estonia, Latvia and Lithuania - experienced an increase in retail turnover, thus reaching a level comparable to that of 2009. The rental fees have shown slight increase in 2011.
- Average vacancy is mostly low in majority of shopping centres in Baltic countries, referring to main role of shopping centres in retail market.
- There is still room for new shopping centres in two-three years perspective in Tallin. Amount of retail space in Vilnius is the smallest of all Baltic capitals; some new deliveries are planned. Two new shopping centres have been opened until September 2011 and more are planned for the coming two years in Riga.

Figure 1

### Average vacancy rate in shopping centres in Baltic capitals



Source: DTZ Research

# Macro economic trends

## General trends

Recession in Baltic countries is over and although the recovery has been uneven across different economic sectors, turnaround is evident. In 2010-2011, the biggest contributor to growth was the recovering export sector. Stabilisation in household consumption, driven by stronger consumer confidence and more positive outlook towards future, supported the overall economic activity. However, global uncertainty has risen, and global growth is now expected to slow down more sharply than previously forecast.

## ESTONIA

The economic situation in Estonia has mainly improved by support of export, but the domestic demand is playing continuously larger role in overall growth. After joining the Euro zone in the beginning of 2011, the Estonian reliability has increased in the eyes of foreign investors and in international scene as whole. The amount of investment transactions in real estate sector has increased throughout the year 2011.

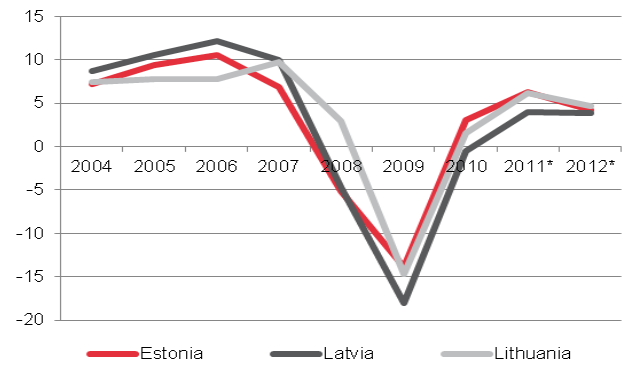
Based on the information from Statistics Estonia, GDP decreased by 13,9% in 2009, and was followed by 3,1% increase in 2010. Based on the prognoses of Estonian Bank (from June 2011) the growth of GDP will be 6,3% in 2011 and 4,2% in both 2012 and 2013. The growth of GDP was 8,4% in the Q2 Y2011 compared to the same period in 2010. In the comparison with 1<sup>st</sup> quarter of 2011, the growth was 1,8%.

Based on the information from Bank of Estonia and Statistics Estonia, the CPI was 0,2% in 2009 and 2,7% in 2010. Such fast inflation is mainly caused by price increase in food and fuel sector. Based on the prognoses of Estonian Bank, the CPI will be 4,7% in 2011 and after the inflation in food market has stabilized, 2,5% in 2012 and 2,9% in 2013.

There average registered unemployment rate was 12.3% in 2010. The same figure has continuously decreased, being averagely 7.4% in Q3 2011 and after three quarters of 2011 8.8% on annual base.

Figure 2

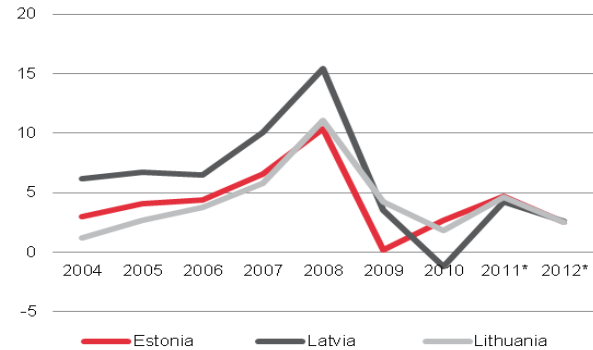
### Real growth rate of GDP in Estonia, Latvia, Lithuania



Source: Statistics Estonia, Bank of Estonia, Statistics Latvia, Statistics Lithuania, Lithuanian Ministry of Finance

Figure 3

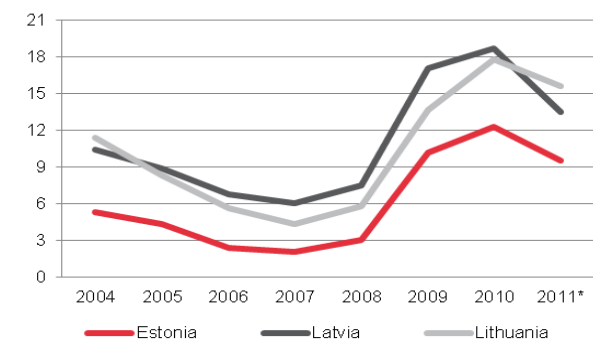
### Growth rate of CPI in Estonia, Latvia and Lithuania



Source: Statistics Estonia, Bank of Estonia, Statistics Latvia, Statistics Lithuania, Lithuanian Ministry of Finance

Figure 4

### Unemployment rate in Estonia, Latvia and Lithuania



Source: Statistics Estonia, Bank of Estonia, Statistics Latvia, Statistics Lithuania, Lithuanian Ministry of Finance

# Macro economic trends

## LATVIA

Economic growth picked up strongly in the first two quarters of 2011; however slowdown was experienced in the Q3 Y2011 because of growing import. In July 2011 the most significant share in Latvia's export had export to the countries of the European Union (74.5%), followed by export to the CIS countries – 14.1%. The main trading partners were Lithuania (18.0% of total export), Estonia (14.1%), Russia (9.7%), Germany (8.1%) and Poland (6.9%).

Compared to the second quarter of 2010, the GDP in the second quarter of 2011 has increased by 5.6%. Historically, from 1996 until 2011, Latvia's average annual GDP growth was 4.54 % reaching an historical high of 13.90 % in March of 1996 and a record low of -19.10 % in September of 2009 according to the data of the Central Statistical Bureau of Latvia. Stronger export and restocking has stimulated investments and, thus, import in 2011. Activity gains are still weak, especially in the public sector, and adjustment should continue.

The labour market situation continues to improve. In Q3 Y2011 there were 11.6% unemployed of the active population in Latvia. However, unemployment rate will remain high for years to come. Further developments will depend on productivity and wages growth.

## LITHUANIA

GDP as compared to corresponding period of previous year, seasonally adjusted, in the end of September 2009 was –decreased 14.5%, and in September 2010 GDP decreased by 1.6%. In the end of June 2011 compared with previous half-yearly GDP increased by 0.4 %. The Lithuanian Ministry of Finance forecasts 5.8% and 4.7% economic growth in 2011 and 2012, respectively. The recovery of Lithuanian economy is stimulated by the growth of domestic demand, whereas the influence of foreign demand ceased to increase.

Average annual inflation was at 3.4% in the end of August 2011 and increased by 4.2%, compared with the August 2010. According to the forecast by Ministry of Finance of Lithuania, the average annual harmonized index of consumer prices was positive in 2010 and climb to 3.3% in 2011.

According to the estimates of the Labor Force Survey conducted by Statistics Lithuania, the unemployment rate in the country in Q2 Y2011 stood at 15.6 %. Over the year, the unemployment rate decreased by 2.7 percentage points. On the July 2011, there were 255.6 thousand registered unemployed, which is 15.6 % of the country's working age population. The average annual unemployment level is assumed to stand at 14.9% in 2011, and should be followed by a mild drop to 11.5% in 2012. The more positive changes are expected in 2013-2014, when according to the forecast by Ministry of Finance of Lithuania, the unemployment level will fall to 9.3% and 7.8%, respectively.

# Legal Framework

## ESTONIA

Land reform started in November 1991, with the objective to transform relations based on state ownership of land into relations primarily based on private ownership of land. The Western European style system of Land Register was introduced and enforced with a great success. During the years 1993-1995, the main legislative acts regulating the real estate transactions were evolved: Law of Property Act, General Principles of the Civil Code Act and Commercial Code.

Hardly had the national law been created, was Estonia in situation where it was necessary to bring the regulations into line with EU requirements. The transposition of the EU Aquis Communautaire started. Estonian Government started also developing the information society, where the priority was evolvement of digital state registers that could make different administrative procedures easier and more timesaving for private entities and public institutions. For transforming the economy more attractive for foreign investments, clear and advantageous tax-system was also established.

In Estonia information related to all real estate is registered in a Land Book kept by County Court real estate registration departments. Land Book shows for each property the owner, mortgages, servitudes and other information registered in the relevant portion of the registry. Land Book data is public and any interested party may have the information. Real estate units are registered in Cadastral Register which is publicly accessible via internet.

Table 1

<b>Property registration systems</b>			
	<b>Estonia</b>	<b>Latvia</b>	<b>Lithuania</b>
Land plots (physical parameters)	Cadastré	Cadastré	Cadastré
Buildings	Building Register	Cadastré	Cadastré
Mortgages	Title Book	Land Book	Mortgage Register
Ownership etc. rights	Title Book	Land Book	Cadastré

Source: DTZ Research

# Legal Framework

## LATVIA

Transactions with real estate are regulated by Civil Code, which along with Land Register law dated from 1937, were approved by Latvian parliament in 1993.

In Latvia there is a trustworthy and effective real estate registration system that is comparable with systems in Western Europe (Land Book registry). Usually a purchase agreement is submitted to Land Book along with the corroboration request, a notarization by a notary and other information in addition to registering title or leasehold estates under the Land Book registry system. As a difference to many other countries, it is possible for land and buildings to be owned by different persons. The relationship between the different owners is regulated on the level of reform law.

Land registration is regulated with corresponding law. Real estate units are registered in Cadastral Register. It is possible to get information about all cadastral units, buildings and the value of land. Some properties are registered only in Cadastral Register. Most of these are privatized apartments and land plots restored by their previous owners.

The Land Book forms one of the underlying preconditions for the transfer of title. It is the presumption of law that the person (natural person, legal entity, state or municipality) registered with the Land Book as the owner of real estate is considered it's lawful owner having full control of the property. In any transaction involving transfer of title, it is of utmost importance to have the property registered in the name of the purchaser as soon as possible to enable the purchaser to obtain all rights of the owner with respect to third parties.

## LITHUANIA

In the beginning of 1990s shortly after becoming independent, land and ownership reforms was executed. Compared to Estonia and Latvia, the reform was less radical, combining all registers (no separate Land Book was formed).

Harmonisation of the legislative acts with those of the European Union and the reform of the administrative system in Lithuania has contributed to the protection of ownership, legal occupancy and investments. The real estate market in Lithuania is regulated following the generally accepted principles of ownership immunity and protection of rights of a just acquirer (possessor). In addition, the principles of equal treatment and equal protection are the main principles of the investment law, meaning that both Lithuanian and foreign investors are subject to equal business conditions, and their rights and lawful interests are equally protected by law.

The Real Property Register contains all actual information of buildings and land plots, rights to real estate and encumbrances thereof. One can receive information from the Real Property Register on changes in real estate, mortgages on buildings or land plots including pledges of land lease rights, imposed attachments, civil cases brought to the court regarding real estate as well as registered agreements or decisions made regarding the legal status of real estate, such as concluded lease agreements and equivalent, regarding any particular piece of property.

In Lithuania commercial land is mainly state-owned, meaning rental relations are dominant. From the institutional point of view, Lithuania has a separate mortgage institution, while in Latvia and Estonia it is included in the Title Book system.

# Legal Framework

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# Retail market

## ESTONIA

First large retail centres were developed in 1998 in Tallinn. Since then the tendency of retail premises gathering to large shopping centres has continued. Never the less, many cities have preserved their central high street and separate private retail locations, but in continuously smaller scale, as people rather like large shopping centres where most retail and service needs can be satisfied with a single visit.

Largest amount of retail space is in Tallinn along with the highest number of retail centres. Large retail centres are also built in Tartu and Pärnu, in smaller scale also in smaller towns such as Viljandi, Narva, Jõhvi, Rakvere and Paide.

### Tallinn

Retail in Tallinn is mainly gathered to twelve retail centres and department stores. The Old Town and city centre can be considered as a separate trading area, where the main business is on 1st floor shopping premises.

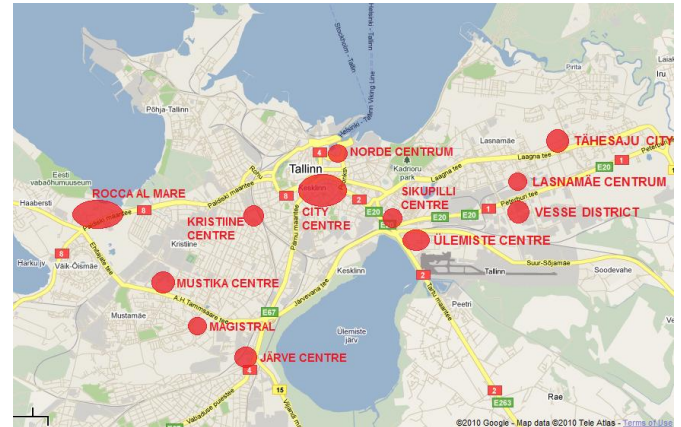
The most demanded centres are Viru Centre, Kristiine Centre, Ülemiste Centre and Rocca al Mare Centre.

During 2010, the largest expansion in retail sector was made in Kristiine Centre, where in the end of September 21,000 sq m of new retail space was added. The anchor tenant of named shopping centre remained Prisma. Mustika Centre in Mustamäe took also through a renovation and added more service premises and clothes stores to the centre. During 2011 no bigger developments are made, so the number of added space is minimal.

In the beginning of September 2011 Magistral Shopping Centre (owned by Citycon) was closed to start renovation and expansion works. 3 000 m<sup>2</sup> of new retail space will be added and the parking opportunities will be improved by adding roof top parking plot. The work should be finished on spring 2012.

Figure 5

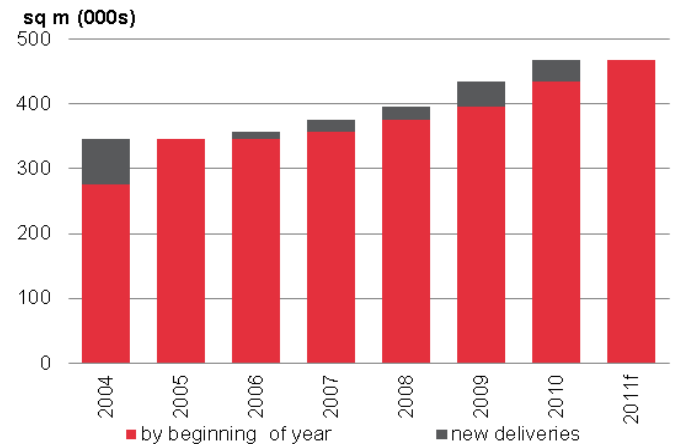
### Major retail centres in Tallinn



Source: DTZ Research

Figure 6

### Amount of retail space in Tallinn\*



Source: Building Register

\* Retail space includes modern shopping centres with net leasable area more than 5000 m<sup>2</sup>.

Table 2

## Shopping centres in Tallinn

Shopping centre	Address	Total area*, sq m	GLA, sq m	Time of construction/ expansion
Stockmann**	53 Liivalaia Str	24,520	14,500	1996/2000
Rocca al Mare	102 Paldiski Rd	64,640	53,300	1998/2008/09
Mustika Centre	116 A. H. Tammsaare Rd	20,300	16,970	1998/2001
Kristiine Centre	45 Endla Str	53,000	42,500	1999/2002/2010
Sikupilli Centre	87 Tartu Rd	27,300	15,100	2000
Magistral	201/203 Sõpruse Avenue	12,200	9,500	2000
Järve Centre	238 Pärnu Rd	62,100	41,800	2000/2008
Norde Centrum	7 Lootsi Str	14,200	10,600	2002
Lasnamäe Centrum	3 Mustakivi Str	23,600	19,600	2003
Ülemiste Centre	4 Suur-Sõjamäe Str	49,700	37,500	2004
Viru Centre	4/6 Viru Square	32,000	26,300	2004
Solaris	9 Estonia Avenue	42,900	12,800	2009

Source: Building Register, DTZ Research

\*In some cases also the area of parking houses is included

\*\*Is not shopping centre in classical means, as department store is operated by its owner



# Retail market

Larger planned and postponed retail objects are presented in the table 3.

In the first phase of Ameerikanurga retail and logistic park there is planned 20,000 sq m retail premises, of which the largest part will be occupied by ETK with 13,000 sq m. There is also agreement with Sportland, which would be largest sports store in the Baltic with 2,000 sq m. Other part of the first phase will be covered with smaller retail premises and negotiations with tenants are in the process.

SRV has announced planning of 60 000 sq m free time centre near harbour area of Tallinn, where in addition to retail premises cinema or library will be planned and there is also a possibility for hotel use partly. The project should be finished in 2016/17.

There are also different larger and smaller retail premises planned to old Post Office and to Rävåla quarter between Tallinn Department store and Solaris.

Pro Kapital has announced that they will develop new shopping centre by Peterburi Road. At the moment the development is in planning process.

Gate Tallinn is retail and industrial park, which is planned next to Pärnu Road. There is all together 240,900 sq m gross area planned to the 620,000 sq m land lot. Never the less, the development activity has not been started.

There are also other plans revealed all over the city about development plans of different retail and commercial centres, but the projects are rather with longer perspective and no rapid changes are foreseen in coming year.

If during 2009 there were approximately 10-20% decrease in overall rental flow of shopping centre owners, then in 2010 there were no remarkable changes and the year brought stabilization. The rental levels of anchor tenants have remind quite stable and no bigger changes were made in these agreements. The main reason of rent decrease was temporary discounts, which were actually lengthened. Most probably the rapid increase in current levels will not take place and the rentals will grow moderately from here on. In more popular shopping centres (as for example Viru Centre), the discounts were never made and rentals grew also during the low point of the market.

Table 3

## Planned and postponed retail schemes in Tallinn

Retail Object	Size of the building/ expansion, sq m	Time
Ülemiste Centre	30,000	postponed
Tähesaju City (III phase)	30,000	postponed
ETK hypermarket in Ameerikanurga retail and logistic park	13,000	2 <sup>nd</sup> half of 2012

Source: DTZ Research

Table 4

## Rent levels in Tallinn (size approximately 50-300 sq m), €/sq m/month in Tallinn

Location	Rent level
Old town and in city centre at the pedestrian flow	6-25
In shopping centres in city centre	12-45
In shopping centres outside the city centre	12-32

Source: DTZ Research

Vacancy in popular shopping centres is continuously low, the overall average vacancy level is under 1% in the end of Q3 2011. Only centre still suffering from low demand is Mustika Shopping Centre, where there are vacant premises on both floors.

# Retail market

## Pärnu

The most important commercial areas in Pärnu are:

- area in the city centre
- area around Jannseni Street and Tallinna Road
- Ülejõe area
- area at Papiniidu crossing

There are several new commercial buildings finished during the last couple of years – for example buildings 5 and 7 Aida Street and Port Artur 2 expansion. Most of the retail and service premises are occupied, whereas the demand for office premises in the same buildings is much lower.

Outside of the city centre there have several buildings rose to Papiniidu district – all together 9 commercial buildings sized 27,000 sq m (all together). The supply of new retail premises has increased all over Pärnu city compared to the period few years ago. The amount of transactions has also grown.

The vacancies are on the level of 10-15% among A-, 15-25% among B- and 15-35% among C-class premises.

Table 5

Retail rent levels in Pärnu, €/sq m/month	
Location	Rent level
In shopping centres in city centre	8-14
In shopping centres outside the city centre	4-10
Old town and city centre at the pedestrian flow	2.5-8
Business districts in suburban	2.5-7.5

Source: DTZ Research

Table 6

## Shopping centres in Pärnu

Shopping centre	Address	Total area*, sq m	GLA, sq m	Time of construction/expansion
Port Artur 1	2 Hommiku Str	46 41	3 700	1997
Port Artur 2	11 Lai Str	15 313	12 250	2002/2009
Pärnu Keskus	7 Aida Str	8 773	7 000	2009
Kaubamajakas	8/10 Papiniidu Str	20 695	17 000	2004

Source: Building Register, DTZ Research

# Retail market

## Tartu

Retail market in Tartu has also mainly focused to city centre and in shopping centres located outside from it. Besides shopping centres, retail has mainly gathered to three areas:

- Retail area at Ringtee Street. Average rental fee is in wide range of 5.1-19.2 €/sq m/month, vacancy is up to 5%.
- Retail area in Annelinn district. Average rental fees in retail centres are in range of 5.1-19.2 €/sq m/month. Average vacancy in retail centres is approximately 5-10%, but in other locations up to 20%.
- Retail area in city centre were rental fees vary from 12.8 to 32.0 €/sq m/month in shopping centres and in range of 5.1-14.1 €/sq m/month in Old Town.

Next few years should be quite active from retail developments side. Many retailers (like Maxima, Selver, Rimi, Konsum and Prisma) have announced their plans to open different supermarkets all around the city (mostly the concentration is at Annelinna district). Prisma centre is already in building stage, but all together most probably around 5 new stores should be opened in coming few years.

Decrease in rental fees was approximately 20% during second half of 2009. There were no significant changes during 2010. Year 2011 has brought moderate increase in rental levels, especially on the premises located in shopping centres.

## Forecast

Together with improvements in the overall economic situation the retail sector will continue to improve;

The rental levels are moderately growing together with decreasing overall vacancy in shopping centres;

Vacancy in most valued retail centres will stay low, but most probably will remain quite remarkable on separately standing premises.

Table 7

### Shopping centres in Tartu

Shopping centre	Address	Total area*, sq m	GLA, sq m	Time of construction/expansion
Tartu Department Store	1 Riia Str	29,956	15,632	2005
Eeden	1c Kadla Rd	18,859	15,000	2003
Lõunakeskus (whole complex)	75 Ringtee Str	66,000	55,000	2001-2009
Tasku	2 Turu Str	39,833	16,000	2008
Zeppelin	14 Turu Str	8,956	7,200	2001

Source: Building Register, DTZ Research

\*In some cases also the area of parking houses are included

# Retail market

## LATVIA

Development of Latvian retail market began with privatisation of former department stores and premises located on first and second floors of buildings in downtown area of Riga and other cities. Until the first shopping centre, Dole, was opened in Riga in 1997, most retailers were located in downtown. Since that time, situation has changed significantly as consumers have enjoyed the convenience of “shopping under one roof” and the number of super/hypermarkets and well developed modern shopping centres has increased.

Latvian capital city Riga is the largest cultural and industrial centre as well as the major port in country. Riga and its surroundings forms almost half of Latvian population, making it the main retail market which is hard to compare with any other Latvian city.

## Riga

Outside the city centre, most of the largest retail objects are located alongside and near major streets: West bank – K.Ulmana Street and East bank – Krasta Street and Brivibas Street.

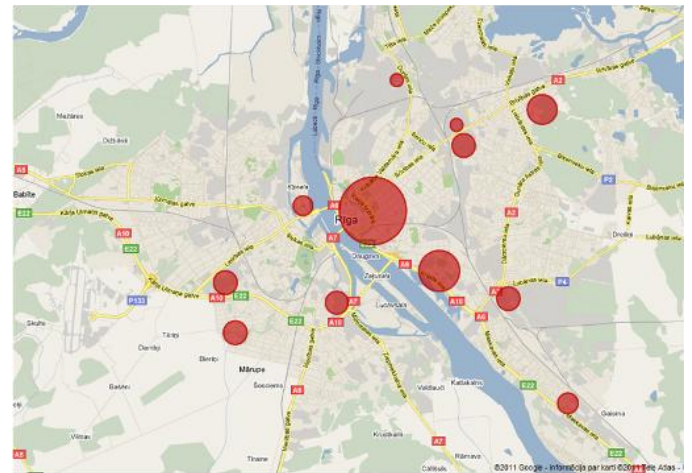
Old Town as a former important retail area has still many souvenir shops and boutiques, but the proportion of them has gradually decreased and conversed more into restaurants, pubs and other entertainment facilities.

By the first three quarters of 2011 the total amount of retail space in Riga was more than 630,000 sq m. Two hypermarkets with total area 23 500 sq m were opened during 2011 in Riga. Prisma retail chain has launched relatively aggressive expansion activities in Riga. In the nearest future it plans to build a number of hypermarkets.

The first three quarters of 2011 for retail sector was very optimistic and the nearest future also is promising. Due to growing retail turnover, decreasing vacancy rate and increasing occupancy in shopping centres we can say the purchasing power has returned. Total retail turnover has increased by 6% Q1 and Q2 Y2011 compare to the same periods in 2010 reaching 1677 and 1918 mln EUR. New rental agreements are in negotiation process. The other growing activity was noticed in catering segment: several restaurants and cafes were opened in summer 2011.

Figure 7

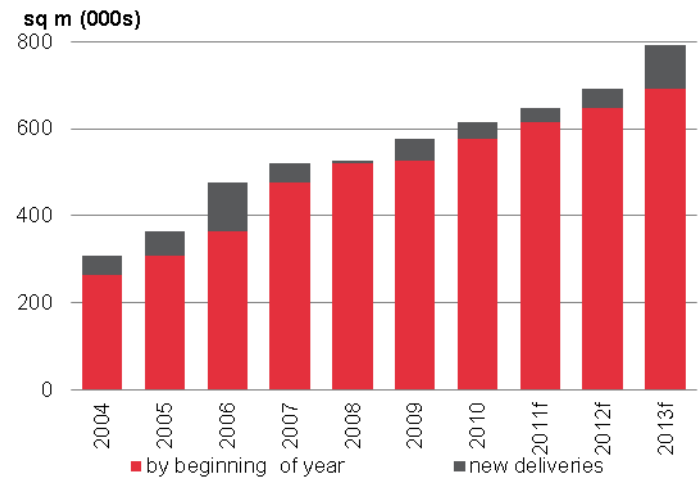
### Major retail centres in Riga



Source: DTZ Research

Figure 8

### Amount of retail space in Riga\*



Source: DTZ Research

\* Retail space includes modern shopping centres with net leasable area more than 5000 m<sup>2</sup>.

Table 8

### Rental fees in Riga, €/sq m/month

Location	Rent level
Street retail in city centre	8-30
Street retail in micro districts	5-13
Grocery space in supermarkets	5-9
Shopping centre	14-25, up to 35
Separately standing retail space	3-12

Source: DTZ Research

# Retail market

Average vacancy rate in shopping centres is around 6,7 %. However one year ago average level reached to 10%. High vacancy remains in Sky&More shopping centre, Galerija Azur, Galleria Riga (recently opened though) and Riga Plaza. On the other hand positive changes were observed in all mentioned shopping centres – retailers are opening their shops, new rental agreements are going to be signed in the nearest future. The lowest vacancy (less than 1%) is only in some shopping centres in Riga – Mols, Dole, Spice and Alfa.

The most valued retail space is:

- in good location (in a popular shopping centre or on the ground floor of the building located on a shopping street, with the highest customer flow and average expenditure per purchase, with easy access)
- near intensive pedestrian flow
- sized 50-150 sq m, with sufficient parking possibility.

## Forecast

- Several retail development projects are foreseen in 2012 - another Prisma Hypermarket in Riga; two more projects is announced by Homburg Group for 2011; and one large scale project, eg: Imanta Retail Park II-IV stage is announced for 2013.
- Successful retail centres with good location will increase their occupancy level;
- Overall vacancy will be stable with tendency to decrease during Q4 2011;
- Slight increase of rent rates is foreseen in retail area with prime location in shopping centres.

Table 9

<b>Shopping centres in Riga</b>				
<b>Shopping centre</b>	<b>Address</b>	<b>Total area, sq m</b>	<b>GLA, sq m</b>	<b>Time of construction/ expansion</b>
Spice&SpiceHome	29 Lielirbes Str	90 000	65 000	2001/2007
Alfa	372 Brīvības Str	63 000	56 000	2001/2004
Domina	3 Ieriku Str	110 000	42 000	2003/2004
Origo	2 Stacijas laukums	35 000	25 250	2003/2004
Mols	46 Krasta Str	50 000	33 000	1998
Galerija Centrs	16 Audēju Str	32 000	24 800	1997/2006
Galerija Azur	1 Rencenu Str	25 000	20 500	2006
Olimpia	5 Azenes Str	25 010	18 500	2002
Sky & More	19a Dunties Str	17 000	12 000	2007
Dole	357 Maskavas Str	13 000	9 700	1997
Zoom	400 Maskavas Str	7 500	7 000	2006
Riga Plaza	71 Mukusalas Str	67 000	47 000	2009
Galerija Rīga	65/67/69 Dzirnau Str	50 000	29 700	2010
Damme	1a Kurzemes Prospect	15 000	13 000	2011
Imanta retail park Stage I	3 Kurzemes Prospect	9 750	9 000	2011
<b>Planned centres</b>				
Homburg retail	20 Priedaines Str	9 300	5 000	2011
Prisma Hypermarket	30 A. Saharova Str	35 177	8 467	2012
Prisma Hypermarket	1 Grostonas Str	10 000	n/a	2012
Imanta retail park Stage II-IV	3 Kurzemes Prospect	100 000	n/a	2013

Source: VZD, DTZ Research

# Retail market

## LITHUANIA

The retail property market of Lithuania is not limited to the capital of the country, but is also rather strong in secondary cities, i.e. Kaunas, Klaipeda, Siauliai and Panevezys. Similarly, to other real estate sectors, development of retail property market was quite unbalanced, very often based on developers' exaggerated expectations.

The turnover (VAT excl.) of retail trade, including wholesale and retail trade and repair of motor vehicles and motorcycles in Lithuania during 2005 – 2010 period is shown below.

### Vilnius

The Vilnius retail property market can be sub-segmented to retail streets, shopping centres and super- and hypermarkets. The city's prime retail street is Gedimino Avenue, stretching nearly 2 km alongside the Vilnius Old Town. Today, however, despite being central and recently reconstructed, the street is experiencing rather high vacancy level (around 20-25%). The major losses in the retail property market till September 2011 were also related to Gedimino Avenue, as the owner of Gedimino 9 shopping centre - Ajolas UAB – has the bankruptcy status. Despite vacancies around 30%, in 2011/09 the shopping centre is still functioning under its main creditor Swedbank control.

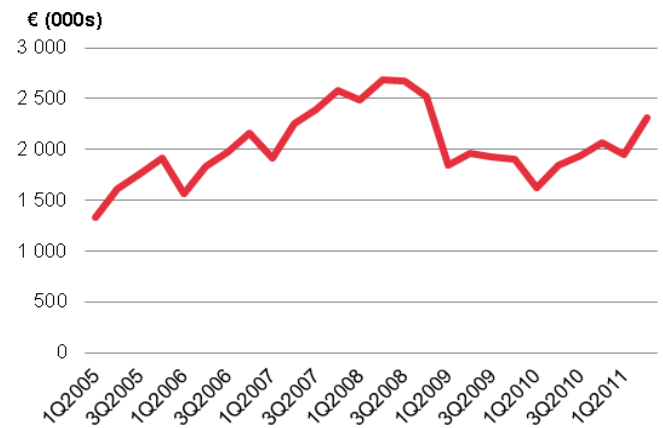
The other centrally located retail streets, namely Didzioji St., Pilies St. and Vokiecių St., are mainly accommodating boutiques, souvenir shops as well as cafes and restaurants and other Old Town walking areas oriented retailers, leaving less space for traditional apparel, footwear, etc. retailers.

In general, recent years can be described by expansion of fast food (national kitchens, to-go coffee shops, juice bars, etc.) and specialized food eg: wine and gourmet shops, bakeries retail concepts; the trend is not limited to the Old Town only. Besides, many retail units were occupied by fast credit companies, the expansion of which boomed in the face of economic crisis. Thanks to these new and flexible concepts, the Old Town retail area quite successfully managed to reduce vacancies until end of September 2011. However, the said area meets rather strong competition from shopping centres, especially during the colder seasons.

The most important and popular retail destination in Vilnius remains Akropolis shopping centre, a way ahead of its younger competitors Ozas (which entered the market in Aug 09 during the worst of economic downturn) and Panorama (which quite successfully took its piece of market share since 2008).

Figure 9

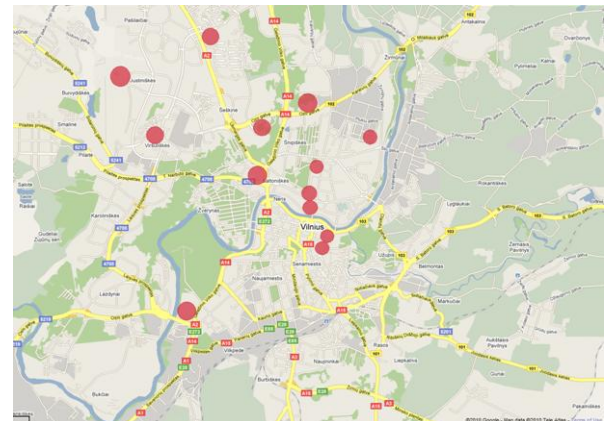
### The turnover of retail trade in Lithuania,



Source: Statistic Lithuania

Figure 10

### Major retail centres in Vilnius



Source: DTZ Research



# Retail market

During 2010, one small shopping centre was opened. It was Link Moletu shopping centre (10,000 sq m). The anchor tenant is IKI and Pasidaryk pats. Property is situated close to border of Vilnius city

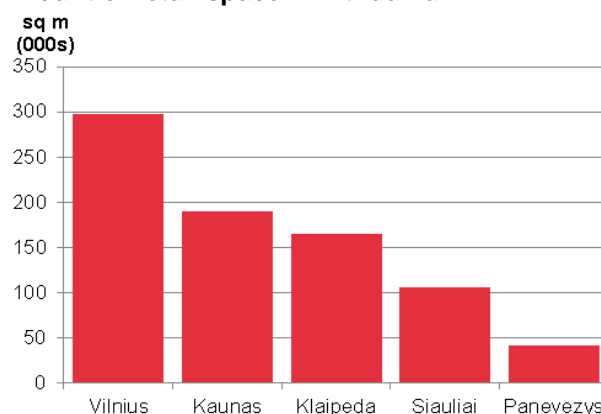
However, the reconstruction of the Parkas outlet centre was completed in Apr 10, which added additional 5,300 sq m to the existing 7,400 sq m. The centre currently accommodates about 45 outlets.

The pipeline still remains vague and the reasons of such uncertainty are lying in weak consumer demand and bank financing issues. The most realistic projects among those which were postponed are Olinda shopping centre (22,000 sq m GLA, anchored by Prisma grocery), planned by a Finish developer Vicus, and specialized interior and home products centre Domus Pro Retail Park (13,600 sq m total area), planned by Danish developer TK Development. Both centres will be located in the northern part of the city and could be delivered in 2012 or 2013, earliest.

The best performing shopping centres (Akropolis, Panorama, VCUP and Ozas) enjoy 5% or even lower vacancy rate. The vacancies are higher in other Vilnius shopping centres, reaching up to 20%. Rentals remained rather stable in the above mentioned best performing shopping centres September 2010 – September 2011.

Figure 11

## Amount of retail space in Lithuania\*



Source: DTZ Research

\* Retail space includes modern shopping centres with net leasable area more than 5000 m<sup>2</sup>.

Table 10

## Main shopping centres in Vilnius

	Address	Total area, sq m	GLA, sq m	Year of construction
<b>Akropolis</b>	Ozo 25, Vilnius	109,000	91,173	2002
<b>Ozas</b>	Ozo 18, Vilnius	93,000	62,000	2009
<b>Europa</b>	Konstitucijos 7A, Vilnius	22,600	17,380	2004
<b>VCUP</b>	Konstitucijos pr.16, Vilnius	19,800	19,800	2003
<b>BIG</b>	Ukmergės 369, Vilnius	18,800	15,600	2006
<b>Mada</b>	Virsuliskiu 40, Vilnius	18,600	16,000	2003
<b>Gedimino 9</b>	Gedimino Ave. 9, Vilnius	16,600	10,204	2007
<b>Domus Galerija</b>	P. Lukšio 32, Vilnius	14,000	14,000	2003
<b>Mandarinas</b>	Ateities St. 91, Vilnius	9,000	7,907	2005
<b>Flagman</b>	Gedimino 16, Vilnius	7,000	5,600	2004
<b>Panorama</b>	Saltoniskiu 9, Vilnius	65,000	49,500	2008
<b>Pupa</b>	Priegliaus 1, Vilnius	6,300	5,345	2009

Source: DTZ Research

# Retail market

In general, rent prices have decreased by 5-10% during 2010, after a more dramatic drop by 30% in 2009 and are stable for now. The trend was mainly determined by re-negotiated rentals and struggles to keep the vacancy rate as low as possible.

The most valued retail space is with:

- good location in a popular shopping centre;
- area of 50-150 sq m;
- sufficient parking possibility.

There are two new supermarkets under construction where anchor tenants will be Norfa and IKI in Vilnius. The building area will be approx. 3,000 sq m each.

Table 11

<b>Rental fees in Vilnius</b>	
<b>Type of tenants</b>	<b>Rent, €/ sq m/month</b>
Anchor tenants	2 - 7
>100 sq m	8 - 12
<100 sq m	12 – 30
Street retail	6 - 26

Source: DTZ Research



# Retail market

## Kaunas

The Kaunas retail property market witnessed no major changes in 2010. The total stock of modern shopping centres currently stands at nearly 180,000 sq m. The most popular among other retail schemes is Akropolis (56,800 sq m GLA), opened in 2007. Being located in rather central part of the city, Akropolis has “stolen” significant pedestrian flow from the main retail street Laisves Avenue, which is now suffering from high vacancies. The reconstruction of the street, initiated by Kaunas Municipality, is expected to start in July 2011.

New significant retail schemes were delivered in Kaunas during 2010 – Retail Park with Prisma and other small brand name

## Klaipeda

The total stock of retail space in Klaipeda is approximately 160,000 sq m. Since the last delivery of Herkaus Galerija (4,800 sq m) shopping gallery in 2009, no new larger scale retail developments were introduced during 2010, but in the beginning of 2011 there was opened the shopping centre Liepa (6,200 sq m), where anchor tenant is Norfa (format XXL). Rents are expected to be more stable in 2011.

Table 12

<b>Rental fees in Kaunas</b>	
<b>Type of tenants</b>	<b>Rent, €/sq m/month</b>
Anchor tenants	4 - 7
>100 sq m	8 - 12
<100 sq m	13 - 21
Street retail	6 – 20

Source: DTZ Research

Table 13

<b>Rental fees in Klaipeda</b>	
<b>Type of tenants</b>	<b>Rent, €/ sq m/month</b>
Anchor tenants	4- 7
>100 sq m	8-12
<100 sq m	12- 21
Street retail	5 -15

Source: DTZ Research

# Retail market

## Siauliai and Panevezys

The total stock of retail floor space in Siauliai is approximately 106,000 GLA sq m, of which 35,000 sq m, or one third, is contributed by Akropolis, opened in 2009. Due to active development of shopping centres in the city, central retail streets are suffering high vacancies in Siauliai. The formerly popular central retail street Vilniaus lost its appeal, and despite the recent struggles to bring some life by organizing various events, the street remains far less vibrant than it used to be before 2007.

Centre (42,100 GLA sq m plus 18,000 sq m modern retail area built for car business), which was developed in several stages in the course of 2005-2008. The rest of the existing supply is in the city's super/hypermarkets and ground floors of the central streets.

The significant changes did not observed 2010 and September 2011, compared the shopping centres in the biggest cities of Lithuania. The Siauliai continues to lead - for 1,000 populations is 875 sq m of shopping centres area. In other major Lithuanian cities this data are: Klaipeda, Kaunas and Panevezys, respectively 930 sq m, 564 sq m and 386 sq m.

The Siauliai retail property market is often exemplified as one of the most saturated in Lithuania, but there are no promising significant developments in 2-3 years period of time.

### Forecast

Growth in supply will remain very limited; most of the planned projects are postponed for an indefinite period of time in the secondary cities, however, the Vilnius retail property market is a little bit more optimistic with two retail projects expected in the near future (2012-2013);

Consumer confidence recovery will be very slow, largely depending on unemployment level;

Further vacancy growth can be expected in the weakest retail projects, especially in the secondary cities; however, the best performing centres have already passed the worst period and will be concentrating on retaining existing retailers rather than looking for the new ones;

Rental fees will remain on the stable level in 2011; however, the negotiation power of landlords will remain comparably weak, especially in Siauliai and Panevezys and in the best shopping centres in big cities.

Table 14

Rental fees in Siauliai and Panevezys	
Type of tenants	Rent, €/ sq m/month
Anchor tenants	2 - 7
>100 sq m	5 - 12
<100 sq m	12 - 20
Street retail	5 - 10

Source: DTZ Research

## Comparison between Estonia, Latvia and Lithuania

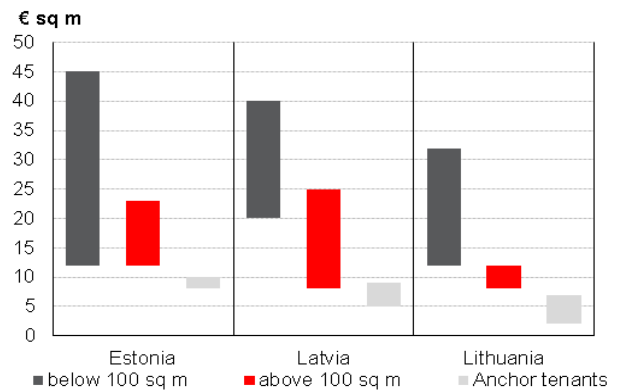
Consumer confidence is in recovery process in all three Baltic countries. If it was told 9 months ago that in Estonia (Tallinn) and Lithuania (Vilnius) very active recovery in retail market took place and Latvia (Riga) needs time for development to justify itself, then now it is obvious alignment between all three Baltic countries.

All three countries experienced an increase in retail turnover, thus reaching a level comparable to that of 2009. The rental fees have shown slight increase in 2011.

Average vacancy is mostly low in majority of shopping centres in Baltic countries, referring to main role of shopping centres in retail market. There is still room for new shopping centres in two-three years perspective in Tallinn. Amount of retail space in Vilnius is the smallest of all Baltic capitals; some new deliveries are planned. Two new shopping centres have been opened until September 2011 and more are planned for the coming two years in Riga.

Figure 12

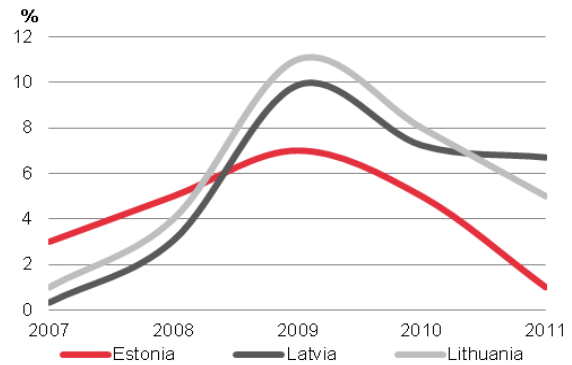
### Average rent rate in shopping centres in Baltic capitals



Source: DTZ Research

Figure 13

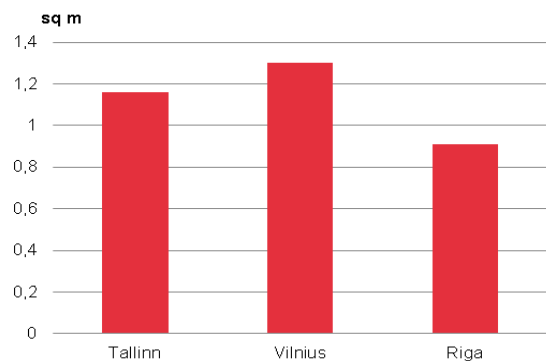
### Average vacancy rate in shopping centres in Baltic capitals



Source: DTZ Research

Figure 14

### Total retail stock per capita shopping centres in Baltic Capitals



Source: DTZ Research

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