Property Times
Baltic States Office Q1 2014
Balanced Expansion and Growth in Investment Activity

22 April 2014

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Authors

Aivar Tomson
Baltic Head of Research
+ 372 6 264 250
aivar.tomson@dtz.ee

Jurga Kusptyte
Project manager
+ 371 6 724 4811
jurga.kupstyte@dtz.lv

Kristina Kondratovica
Valuation expert
+ 371 6 724 4811
kristina.kondratovica@dtz.lv

Contacts

Magali Marton
Head of CEMEA Research
+ 33 (0)1 49 64 49 54
magali.marton@dtz.com

Hans Vrensen
Global Head of Research
+ 44 (0)20 3296 2159
hans.vrensen@dtz.com

- In all three Baltic States, the office market is in a healthy expansion stage, with quite diversed (in terms of quality and location) new additions to the market that are expected to be sleekly absorbed.

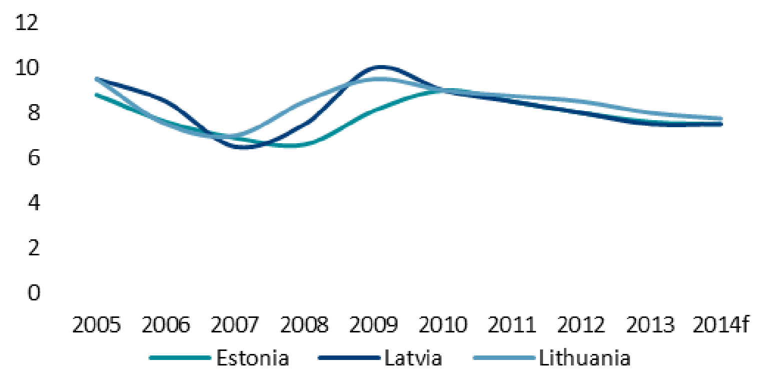
- Lithuanian and Estonian office market expands on the account of new developments; Latvian expansion is a mixture of new developments and re-introductions of the last assets previously frozen by the crisis.

- The short-term average vacancies will therefore be pushed upwards in all three capitals. The rents meanwhile experience a ladder-type growth across the region, with the rates at which new buildings are being introduced into the market exceeding the average figures for lease contracts in currently existing office buildings.

- With investment activity increasing in office segment, property yields are subject to marginal decrease, especially in the long-term perspective. After prolonged after-crisis stagnation, office market has finally witnessed several large investment deals across all three countries.

Figure 1

Office yield dynamics in the Baltic States, %



Source: DTZ Research

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Macroeconomic Trends in the Baltic States

Estonia

Economic growth continued to be based on domestic demand and this was primarily driven by higher household incomes and consumption. Annual GDP growth was 0.8% in 2013. The support for the Estonian economy from exports has been decreased, because growth in Estonia's main trading partners was weaker. Estonian economic growth is expected to accelerate as export markets recover, reaching 2.6% in 2014 and 3.9% in 2015.

The consumer price index (CPI) increased by 1.4% in 2013. According to Bank of Estonia (December, 2013) consumer price growth will remain moderate in Estonia in the coming years, reaching 2.1% in 2014 and 2.9% in 2015. Prices are expected to rise more slowly than in the previous years, partly because the impact of the sharp rise in electricity prices on the consumer basket will pass out from the comparison base at the start of 2014. Price pressures will also be reduced by a fall in the price of oil. The prices of imported goods will start to rise gradually as the euro area economy recovers. Core inflation will increase at the same time, driven by domestic factors, principally wage rises. The risks to prices are more on the upside, because recovery in the global economic growth that is faster than expected could lead demand for commodities, including oil, to push prices higher.

According to the Statistics Estonia, the annual average unemployment rate was 8.6% in 2013. According to the Bank of Estonia (December, 2013) employment increased rapidly in the first half of 2013, but the growth levelled off in the third quarter. A small but constant fall in employment is expected in the coming years. Employment is mainly falling due to the ageing of the population and emigration, and therefore unemployment will similarly fall in the next few years. Unemployment will fall slowly because the current workforce can be employed more intensively through increases to the working hours that were cut after the crisis.

Latvia

According to the Central Statistical Bureau of Latvia, in Q4 2013, country's GDP increased by 0.7% on a quarterly basis, which is a slowdown when compared to 1.3% quarterly growth in Q3 2013. When set against the corresponding quarter in 2012, the increase amounts to 3.5%, whereas the total aggregate GDP growth in 2013 was 4.0%, which is one of the strongest – if not the strongest, - growth rates in the Euro zone. Preliminary data suggests that positive contribution to GDP development came from the manufacturing sector, which experienced 2.0% output growth, and from 1.0% increase in retail trade turnover. The rest of the industry negatively contributed to GDP development, with mining decreasing by 2.2% and energy sector slowing down by 3.6%.

The Bank of Latvia predicts a 4.1% GDP growth rate in 2014. Similarly as in the previous years, economic growth will be tightly linked to the developments on the foreign markets. While in 2013, investment growth slowed down in the country, thus leading to a situation where some of the industry sub-sectors operate at a fully saturated production capacity, the next economic jump will certainly require additional investments, hence setting additional challenges for 2014.

In December 2013, the annual rate of inflation remained negative (-0.4%), which was mostly sustained by the drop in energy prices. Although price increase was observed in fuel prices and in many food groups, the overall effect was offset by declining prices for heating, clothing and footwear; a month-on-month inflation change was therefore 0.0%. Consequently, the average annual inflation rate in 2013 reached a record level under growth conditions and amounts to 0.0%, which by far and large is the result of supply-side factors, the influence of which within the upcoming few months is expected to shrink. The annual inflation rate in 2014 will therefore return to positive numbers; the Bank of Latvia predicts it to stand at around 2.0%.

The rate of unemployment has declined in Latvia to 11.8% in the Q3 2013 (slightly below the euro area average unemployment rate). Employment increased mostly in domestic sector, whereas export-oriented industries naturally enough are wary of hiring, not only due to shrinking growth figures, but also due to investments into machinery (although at a lower rates than in the previous years) with the anticipated increase in productivity and efficiency, and reduced dependency on labour market. And yet, unless the natural level of unemployment is reduced via structural reforms, wage pressures are likely to become more pronounced (similarly to the developments in Estonia within the last few years).

Lithuania

The growth of Lithuania's economy is rather stable. Real GDP grows slightly more than 3 per cent over the year. Nevertheless the development of different sectors is uneven. While the construction activity dropped in previous years, now it is increasing.

The gross fixed capital formation and household consumption remains the key drivers of the economy. Real GDP, which grew by 3.2% in 2013, is projected to increase by 3.6 % in 2014 and 3.8 % in 2015. Compared with 2012, exports of Lithuanian goods in 2013 increased by 6.5%. Despite the restrictions on the import, the growth was mainly determined by the export of the food industry which increased by 8.1%.

Consumer prices are rising slightly and less than expected. The average annual inflation in 2013 was 1.2%.The global prices of food, energy and other commodities will continue to decrease. If global price trends continue to be favourable, it can be expected that inflation will be as low as in 2013 or even lower.

According to Statistics Lithuania in December 2013, average annual inflation (2013, against 2012) calculated based on the harmonised index of consumer prices (HICP), which is methodologically harmonised with those of other EU member states, stood at 1.2%. Projected average annual inflation should stand at 1.5% in 2014.

According to the Statistics Lithuania, the unemployment rate decreased in 2013 to 11.9% from 13.2% at the end of 2012. Despite improvements in the labour market, structural unemployment remains high, with about half of the unemployed out of work for over a year.

Table 1

Key Macroeconomic Indicators

	Estonia	Latvia	Lithuania
Population (in thousands)	1,340	2,033	2,971
Urban population	65%	68%	67%
Area (thousand km²)	45	65	65
Population density (per km²)	30	31	46
Capital city	Tallinn	Riga	Vilnius
Population in capital cities (thousand)	430	649	534
Currency	EUR	EUR	LTL
Exchange rate (€)	X	X	3,4528
GDP at current prices (€Bn, 2013)	18,40	23,31	34,60
GDP per capita (€, 2013)	13,73	11,75	11,69
GDP growth (%, 2013)	0.8	4.0	3.2
Inflation rate (%, 2013)	2.8	0.0	1.2
Unemployment rate (%, 2013)	8.7	11.3	11.9

Source: National Statistics, Eurostat, Oxford Economics

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Office Market in Estonia

Office market in Tallinn historically was mainly concentrated in the city centre. Due to poor parking possibilities, almost non-existing vacancy and considerably higher rental fees, compared to other city districts, more and more office buildings have been developed in commercial areas next to larger roads and crossings outside the city centre. There are four main office areas - City Centre, area next to Mustamäe Road, Järve-Tondi area and Ülemiste City near airport area.

Tallinn

In the end of 2013, total area of modern office space in Tallinn was approximately 600 000 sq m. The office buildings added in 2013 exceeded significantly the annual volume of office spaces completed in 2010 – 2012. However, part of these projects was initiated for a particular use. For example, office buildings for the Statistics Estonia at Tatari Street and G4S at Paldiski Road were developed in view of specific users. The triple tower with lettable area 24 000 sq m in Ülemiste City was developed taking into account the needs of the Estonian Tax and Customs Board (they occupy 11 650 sq m).

Pipeline

There are several office buildings in the pipeline for city suburbs and city centre periphery; part of these projects will be completed in 2014 and 2015. For example, the office building with the lettable area 2 800 sq m at Sõpruse Road (known as one of the first office buildings with the concept of Green Building) and the new office building with the lettable area 7 500 sq m for Eesti Energia on Pärnu Road 139a should be completed in 2014.

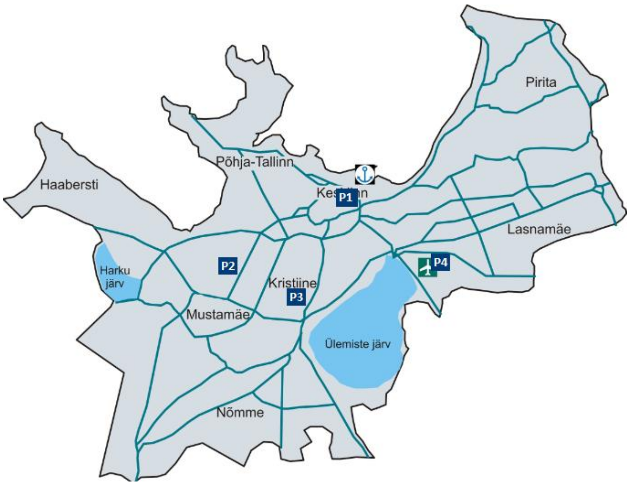
Demand

The highest occupier demand is for 100-300 sq m premises, located either in CBD or next to major city roads outside the city centre. For a successful lease transaction, important factors are easy accessibility, sufficient parking possibilities, and professional building management.

In general, occupier demand is expected to be satisfied with the new office stock in 2013. Speculative development in Ülemiste City nonetheless is expected to face a more prolonged leasing period.

Map 1

Major office areas in Tallinn



Source: DTZ Research

Table 2

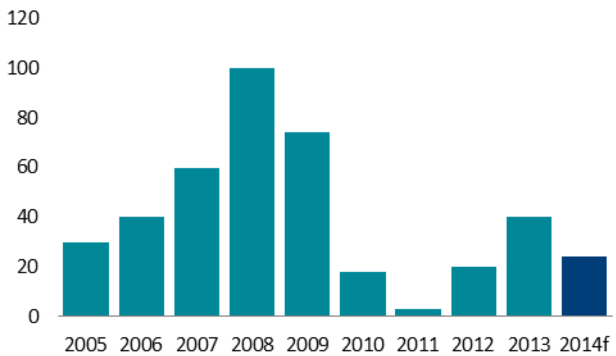
Major office areas in Tallinn

No on the map	Name of area
P1	Area in the City Centre, including CBD
P2	Area at Mustamäe Road
P3	Järve-Tondi area
P4	Ülemiste area

Source: DTZ Research

Figure 2

New office supply in Tallinn, gross area, 000 sq m



Source: DTZ Research

Rental values

In 2013, the rental fees remained rather stable. A slight increase was observed in the sub-segment of top rents. Prime rent remain around 14.0-15.0 €/ sq m/ month. New developments in the city centre planned to be completed during the next year are on offer from 14.0 €/ sq m/ month up to 17 €/ sq m/ month.

Table 3

Rental fees in Tallinn, €/ sq m/ month

	A	B	C	2014
City centre	11–16	7–10	n/a	→
Suburban areas	8–11	4 – 8	3–4	→

Source: DTZ Research

Vacancy

The overall average vacancy rate among new office buildings is below 10%, but reaching to 10-15% in certain buildings. Vacancy is significantly higher in older buildings as the tenants have moved to new premises. There is no statistics regarding the older buildings as these have often lost their position in rental market. Vacancy in most demanded areas is marginal; in CBD and in a few most popular office buildings in vicinity to the city centre it is clearly below 5%.

Pärnu

The main business districts in Pärnu are the city centre, its close surroundings, and Papiniidu district. These districts accommodate not only office buildings, but also other types of commercial properties.

The total amount of modern office space in Pärnu is approx. 50,000 sq m. Only 20% of this space is located in built-on-purpose office buildings, constructed between 1998 and 2003. The rest is distributed among built-to-suit premises and top floors of multi-purpose commercial buildings. New construction and renovation has been on minimal level. Some office space no longer occupied by the city government has been vacant since 2007.

Table 4

Rental fees in Pärnu, €/ sq m/ month

	A	B	C	2014
City centre	5.5 – 8.5	3.0 – 5.0	n/a	→
Suburban areas	3.5 – 5.5	2.5 – 3.0	1.0 – 2.5	→

Source: DTZ Research

In 2008-2009, office rental fees in Pärnu were adjusted downwards by as much as 30%, and have only marginally increased ever since. The rentals so far are below former levels, it seems that recovering is rather unlikely and most probably the rentals will stabilise on the lower level.

As a result, within the recent years, the majority of the completed lease transactions were relocation deals, with occupiers optimizing on the quality of the office space. Hence older buildings are gradually abandoned, and their occupancy rates are already close to zero. Average vacancy rates for A-class premises are between 10-15%, whereas vacancy rates for B-class premises are between 15-25%.

Tartu

Office properties in Tartu are mostly clustered in the city centre and its close surroundings, as well as in Karlova, Veeriku, Ropka districts, and *Ropka Industrial Park*.

The last new development, *Krause* commercial building (5,674 sq m), was introduced into the market back in 2010, whereas the following years saw only reconstruction activities. Hence the former Postal Office (6,82 sq m) was reconstructed into *Bandwick* office building, whereas 3-12 floor office premises in *Emajõe* commercial centre were renovated in 2011 and currently accommodate such tenants as Teadusarenduskeskus, Axinom Eesti OÜ, etc. In 2013, there was no new activity in development segment.

Emajõe commercial centre, as well as modern buildings in its immediate proximity, currently also have the highest rental fees (10 €/ sq m/ month). The lowest rental rates (6 €/sq m/ month) depend less on the location and more on the access and parking possibilities, as well as on the overall quality of a building and premises. Suburban properties nonetheless still struggle with their occupancy rates.

Overall, the market is still ill balanced, with vacancy rates generally ranging between 10-25%. Higher vacancy rates are not only in less demanded properties, but also in the buildings that were recently reconstructed.

Table 5

Rental fees in Tartu, €/ sq m/ month

	A	B	C	2014
City centre	10	6.3	5.0	→
Suburban areas	6.0	3.8	3.0	→

Source: DTZ Research

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Forecast

- For the existing and well established properties 2014 will be stable with no substantial changes in occupancy rates;
- Despite rather extensive development pipeline in Tallinn, the significant increase of the average vacancy will not follow throughout the city. It is expected that vacancy figures will show only temporary increase, with all new office space being successfully absorbed;
- The extensive development pipeline will also keep the rents within the current brackets;
- Prime yields are expected to decrease slightly.

Office Market in Latvia

Improving conditions on the employment market also had a positive impact on the office segment. Similarly as in the last three years, the rental market is dominated by occupiers' extension deals, with shortage of medium- and large-sized premises becoming strongly pronounced. At the same time, in 2013, after a prolonged after-crisis stagnation, office market has finally witnessed several large investment deals (with both stable cash flow generating properties and properties that are subject to risk correction through leasing and management), which only reinforces confidence in the fact that Riga office market can offer medium yielding assets with stabilized cash flows and good potentials for rental development in the future.

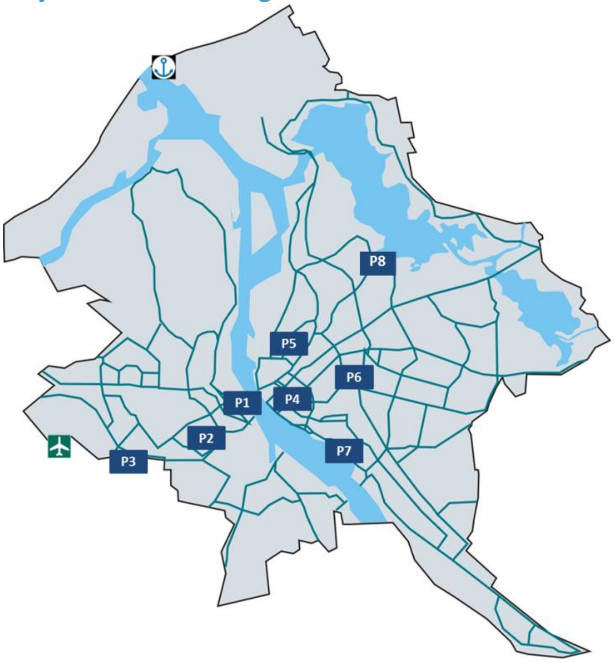
Existing supply

By the end of 2013, the total stock of modern office space in Riga amounted to almost 530,000 sq m, of which only 20% are A-grade offices; nearly 80% of these A-grade office premises are built-to-suit banking headquarters. Historically, the most profoundly developing district is Skanstes Street Area, which also hosts the majority of built-to-suit banking headquarters. The only speculative new office development completed within the last four years, Jupiter Business Centre (7,200 sq m of B-grade office space distributed over 14 floors), is also hosted within the area. In H1 2013, Aizkraukles Banka became the anchor tenant for the building (9 out of 14 floors), thus also becoming the party to the largest office lease deal of the year.

In terms of geographical subdivision, the office landscape in Riga can be broken down as follows:

Map 2

Major office areas in Riga



Source: DTZ Research

Table 6

Major office centres in Riga

No on the map	Name of area
P1	Pārdaugava
P2	Pārgaugava Periphery
P3	Airport area
P4	Central area
P5	Skanste Street district
P6	Right Bank area
P7	Krasta Street area
P8	Mezaparks

Source: DTZ Research

Occupier demand, vacancy rates, and rental fees

Throughout the year 2013, office rental market was mostly dominated by medium-size (500-800 sq m) relocation and expansion deals, whereas the total annual take-up amounted to around 15,000 sq m (set against 39,000 sq m in 2011 and 25,000 sq m in 2012). Such a decline in annual take-up figures is explained by the constrained supply of available premises, especially for the areas above 400 sq m, as well as by the fact that in year 2011, the market offered quite favourable rental conditions for potential tenants, and hence quite many relocation deals were completed back then.

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While in 2012, occupier demand was mostly focused on established office districts, in 2013, tendency to compromise on location and/or quality of the premises for the benefit of single large office space has elicited itself on the market. By the end of 2013, the average vacancy throughout the city stood at around 8.5%, which is around 3% drop when set against the end of 2012.

Since the majority of A-class premises across the city are built-to-suit buildings, vacancy rate in this segment amounts only to 3%. Vacancy rates in B-class buildings range between 8-12%, depending on the location of the building and quality of the services offered.

By the end of 2014, vacancy rates will be pushed upwards due to anticipated changes on the supply side. The first change relates to the re-introduction into the market of the previously frozen buldings. Among these are an office building on G.Astras Street (located in Right Bank periphery, 7,000 sq m of B-class premises, an asset previously repossessed and frozen by the bank, and disposed in summer 2013 for 5 M EUR) and former headquarters of Krajbanka (located in Skanstes Street district, around 8,000 sq m of B-class premises). The second supply-side change relates to the completion of the Ezerparks building, the anchor tenant for which is the State Revenue Service. Not only will the building itself offer a few thousand square meters of the office space on the speculative market; the relocation of the anchor tenant will also result in a few vacated buildings across the city (including CBD), the total area of which amount to around 20,000 sq m.

After the prolonged after-crisis stagnation period, the rents due to the scarcity of supply were pushed upwards, and by the end of the year, stand on average at 12-15 € / sq m/ month for A-class buildings, 8-11 €/ sq m/ month for B-class buildings in demanded locations (central district, Skanstes Street area, Pardaugava, Riga Airport area), and 6-8 €/ sq m/ month for B-class buildings in peripheral locations. An upward pressure on rents was strongly pronounced in H2 2013, both in contexts of new rental deals and while negotiating prolongations for existing lease agreements. Although generally, the forecasted increase in vacancy rates is expected to constrain the rent growth potential for a time being, the new buildings are introduced into the market at higher rates than those currently charged in existing buildings (ex, Ezerparks building is offered at 13.5 €/ sq m/ month). The average brackets for office rental rates are therefore expected to increase in case of successful completion of potential new lease deals.

Table 7

Average vacancy in Riga, %

	Vacancy	2014
A-grade	~3%	→
B-grade (centrally located)	~8%	↗
B-grade (periphery)	~12%	↗

Source: DTZ Research

Table 8

Average rent level in Riga, €/ sq m/ month

	Rent	2014
A-grade	12-15	↗
B-grade (centrally located)	8-11	↗
B-grade (periphery)	6-8	↗

Source: Source: DTZ Research

Pipeline

Despite scarcity of supply, tenants' unwillingness to engage into pre-lease commitments is still strongly pronounced, and the pipeline for 2014 consists mostly of built-to-suit buildings. The only large-scale mixed-use speculative development that has been anticipated on the market ever since 2006 with expected delivery in 2014, Z-Towers, has re-constituted its office part into upscale apartments throughout the course of construction.

Office development pipeline for 2014 by far and large can be broken down into three segments.

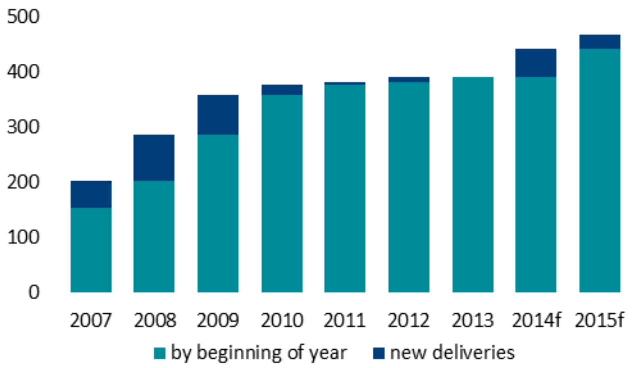
Segment one incorporates one large-scale office development project, which is located in Mezaparks, the district that historically was more famous as a luxury residential area rather than active business district. Recent large-scale developments in the city infrastructure nonetheless introduced also this area into the commercial landscape; the 1st stage of Ezerparks development project is expected to be completed in the first half of 2014, and shall introduce 50,000 sq m of office space into the market along with 38,000 sq m of residential areas. Given that 80% of the office area is pre-leased to the State Revenue Service, the project will definitely make an impact on the current geographical landscape of Riga business districts both in terms of space for supply and in terms of business visitors' flows.

Segment 2 incorporates a few small-scale development, reconstruction, and refurbishment projects in CBD that are expected to benefit from the already existing mismatch between supply and demand in this particular sub-location. The major restriction on new development activity in this segment comes from the very limited supply of empty land plots available in the city centre; the area nonetheless offers plenty of options for reconstruction.

Segment 3 incorporates built-to-suit, mostly small-scale development projects in different parts of the city, locations for which are chosen based on enterprise-specific reasons. Although such developments are usually very small, and within a broader office segment context come hardly noticed, they do have a restricting impact on the scope of occupational markets.

Figure 3

Office space dynamics in Riga, GLA, 000 sq m



Source: DTZ Research

Table 9

Active large-scale office developments in Riga

No on the map	Name of office buildings	Address	Total project area, sq m	Office GLA, sq m	Date	Quality
P1	Z-Towers	9A Daugavgrivas Street	50,000	25,000	2015	A
P8	Ezerparks „Pilsēta pilsētā“	Kisezera Street	88,000	50,000	2014	A
	Total		**138,000**	**75,000**		

Source: DTZ Research

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Forecasts for 2014

- Strongly pronounced shortage of medium and large office spaces will be partially met by introduction of three buildings into the market – new development in Mezaparks district, and two frozen office buildings (Right Bank periphery and Skanstes Street area), - as well as by the premises to be vacated after the relocation of the State Revenue Service. Short-term average vacancy rates will therefore be pushed upwards;
- An upward development in average rental rates will pertain into 2014, primarily due to higher asking rates in currently introduced buildings;
- Potential for speculative new developments will be still back-held by the shortage of tenants ready for pre-lease commitments;
- Activity on office investment market will also continue into 2014. In this respect, windows of opportunity are open for investors who are looking for medium yielding assets with stabilized cash flows and good potentials for rental development in the future. The market also offers speculative opportunities with risks that are generally correctable through re-development, management and/or recapitalization.

Office Market in Lithuania

Vilnius

The office market`s growth rallied with labour market situation. According to the Lithuanian Labour Exchange forecast, the recruiting grow up by 2-3%. Unemployment Rate in Lithuania decreased to 10.9% in the third quarter of 2013 from 11.7 percent in the second quarter of 2013. In the last quarter of 2012, this number was 12.7 percent.

The office market in Lithuania is active and well-developed not only in the capital city Vilnius, but also in the second largest cities - Kaunas and Klaipeda.

The total area of modern office space in Vilnius amounted to approx. 386,000 sq m, of which almost one third is A+ and A class premises, primarily distributed between Business Triangle (11% of the total office stock) and New City Centre (18% of the total office stock) districts. B-class office buildings stretch along major city roads outside city centre, namely, Ukmerges Street, Kalvariju Street, and Pilaites Avenue. One more B-class business cluster is located in Naujamiestis city district. One office building, GAMA (10 000 sq m in Ozas business park on Kalvariju Street), was commissioned at the end of 2013. Generally, in 2013, the vacancies dropped, whereas the rental fees increased by around 5%.

On office investment market side, the BPT Business Centre located prominently on Goštauto Street was sold by BPT Optima in April 2013.

Demand

Since the majority of A-class office properties have almost reached their natural vacancy levels, certain potential occupiers are already forced into considering better quality B-class office premises, which certainly served as an impetus for the recently completed development projects and the ones that are in the active pipeline. In B-class sub-segment, the highest demand is for the properties in close proximity to city centre in general and Business Triangle district in particular.

Rental levels

Rental fees grew up throughout 2013 and range from 5.25 €/ sq m/ month in B-class sub-segment up to 15.2 €/ sq m/ month for A-class premises. Similarly as in Latvia, new buildings are being introduced into the market at higher than current average rates – for example, B+ business center GAMA is offered for 11.5-14.5 €/ sq m/ month.

Table 10

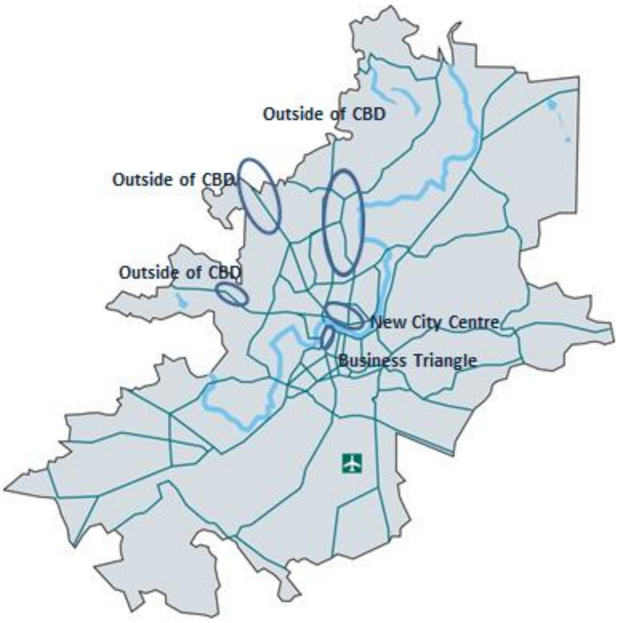
Average rent level in Vilnius, €/ sq m/ month

	A	B	C	2014
Vilnius city centre (CBD)	11-15	7-9	n/a	↗
Suburb	n/a	5-7	2-4	→

Source: DTZ Research

Map 3

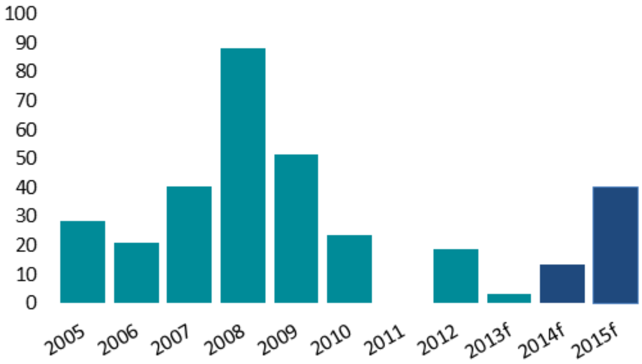
Office Districts in Vilnius



Source: DTZ Research

Figure 4

New office space in Vilnius, GLA, 000 sq m



Source: DTZ Research

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Table 11

New office developments in Vilnius

New office developments in Vilnius	Address	Total area, sq m	GLA, sq m	Date	Quality
K29	Konstitucijos Ave. 29	27,700	24,000	2014	A
Baltic Hearts (I, II stage)	Ukmerges St. 120	7,000	6,600	2013-2014	A
Baltic Hearts (Stage III)	Ukmerges St. 120	3,500	3,300	2014	A
Grand Office	Virsuliskiu lane 34	10,000	9,200	2014	B
Quadrum	Konstitucijos Ave. 21	70,000	40,000	2015	A
Total		**118,200**	**83,100**		

Source: DTZ Research

Pipeline

The pipeline for 2014-2015 promises a further 15% or 52 500 sq m (GLA) increase in the supply in Vilnius. The commissioning of the 3rd stage of the Baltic Heart project (three stages in total, 3 300 sq m each) located at Ukmerges Street in close proximity to the New City Centre was slightly postponed, however, is expected to be soon introduced into the market

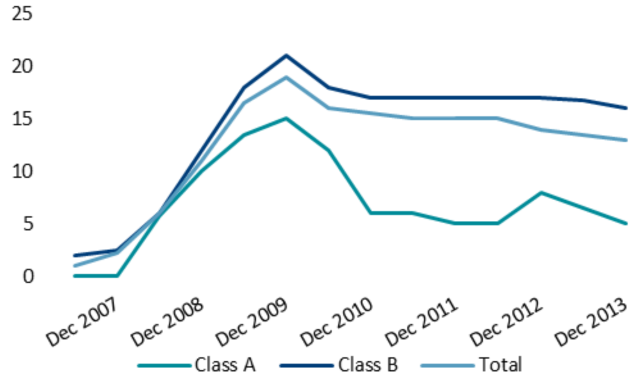
More than 75% of above mentioned new supply is attributed to Quadrum A-class office building in the New City Center. New contribution to the B-class sub-segment comes from one office building in city suburbs on Virsuliskiu Lane (see table 8). The Grand Office will be one of the highest buildings in Vilnius, with its height reaching 81 meter over 21 floors.

Vacancy

The average vacancy rate across both A- and B-class properties decreased and reached 12.6% in the end of 2013. When broken into sub-segments, A-class average vacancy rate is 5%, whereas B-class average vacancy rate reaches 16%, yet varies between 7-30% across separate buildings, depending on the location, quality of premises and services offered.

Figure 5

Vacancy rate in Vilnius by grade, %



Source: DTZ Research

Kaunas

The total area of modern office space in Kaunas amounted to approx. 52 400 sq m by the end of 2013. New built-to-suit office building with the total area 17 000 sq m was constructed for major DIY retailer *Senukai*.

In this city, the highest locally-generated demand is for small 20-50 sq m premises; the supply of that type of space is already limited. At the same time, expansion of businesses is becoming already pronounced. The rents slightly grew up throughout the period, and range between 4.5-10,5 €/ sq m/ month. Vacancy rates vary between 7-20% across separate buildings and are expected to decrease in 2014.

Klaipeda

The total area of modern office space in Klaipeda amounted to approx. 45 200 sq m by the end of 2013.

There were no new developments during 2013 and most probably the same tendency will pertain into 2014, since the city still sees its office vacancies increasing (contrary to the situation in Vilnius and Kaunas).Currently, they range between 10-21% across separate buildings. The rental rates in high quality business centres range from 5.8-10.0 €/ sq m/ month, whereas office premises in economy class centres are leased at 2.9-5.8 €/ sq m/ month.

Panevezys and Siauliai

Panevezys and Siauliai are secondary cities on the country's office landscape, primarily populated by converted office premises that usually comply with B-class standards. In both cities, the highest demand is for 30-50 sq m areas. In Siauliai, the premises are leased at 6.0-8.0 €/ sq m/ month in city centre and at 3.0-5.0 €/ sq m/ month in suburban areas. In Panevezys, rental rates usually fall into a narrower range of 3.5-6.0 €/ sq m/month.

Baltic States Office Q1 2014

Forecast

- The rental fees will increase in Vilnius and Kaunas;
- The vacancies in the major cities as Vilnius and Kaunas will drop;
- Prime yields will remain stable.

Other DTZ Research Reports

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Obligations of Occupation EMEA
Global Office Review
India Office Demand and Trends Survey 2013-14
Sweden Computer Games Developers November 2013

Property Times

Regular updates on occupational markets from a landlord perspective, with commentary, charts, data and forecasts. Coverage includes Asia Pacific, Bangkok, Beijing, Berlin, Brisbane, Bristol, Brussels, Budapest, Central London, Chengdu, Chongqing, Dalian, Edinburgh, Europe, Frankfurt, Glasgow, Guangzhou, Hangzhou, Ho Chi Minh City, Hong Kong, India, Jakarta, Japan, Kuala Lumpur, Luxembourg, Madrid, Manchester, Melbourne, Milan, Nanjing, Newcastle, Paris, Poland, Prague, Qingdao, Rome, Seoul, Shanghai, Shenyang, Shenzhen, Singapore, Stockholm, Sydney, Taipei, Tianjin, Ukraine, Warsaw, Wuhan, Xian.

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DTZ Research

DTZ Research Contacts

Global Head of Research

Hans Vrensen

Phone: +44 (0)20 3296 2159

Email: hans.vrensen@dtz.com

Global Head of Forecasting

Fergus Hicks

Phone: +44 (0)20 3296 2307

Email: fergus.hicks@dtz.com

Baltic Head of Research

Aivar Tomson

Phone: + 372 6 264 250

Email: aivar.tomson@dtz.ee

Head of CEMEA Research

Magali Marton

Phone: +33 1 49 64 49 54

Email: magali.marton@dtz.com

Head of Strategy Research

Nigel Almond

Phone: +44 (0)20 3296 2328

Email: nigel.almond@dtz.com

DTZ Business Contacts

Chief Executive, EMEA

John Forrester

Phone: +44 (0)20 3296 2002

Email: john.forrester@dtz.com

DTZ Baltic

Tambet Tiits

Managing Director

Phone: +372 626 4250

Email: tambet.tiits@dtz.ee

Estonia

Aivar Roosik

Director, Development

Phone: +372 626 4250

Email: aivar.roosik@dtz.ee

Latvia

Andris Juršāns

Director, Latvian office

Phone: **+371 6 724 4811**

Email: andris.jursans@dtz.lv

Lithuania

Valdemaras Ivaško

Director, Valuation & Consulting

Phone: +370 5 210 0252

Email: valdemaras.ivasko@dtz.lt

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a UGL company