



THE BALTIC REAL ESTATE MARKET OVERVIEW

OBER  **HAUS**
REAL ESTATE ADVISORS

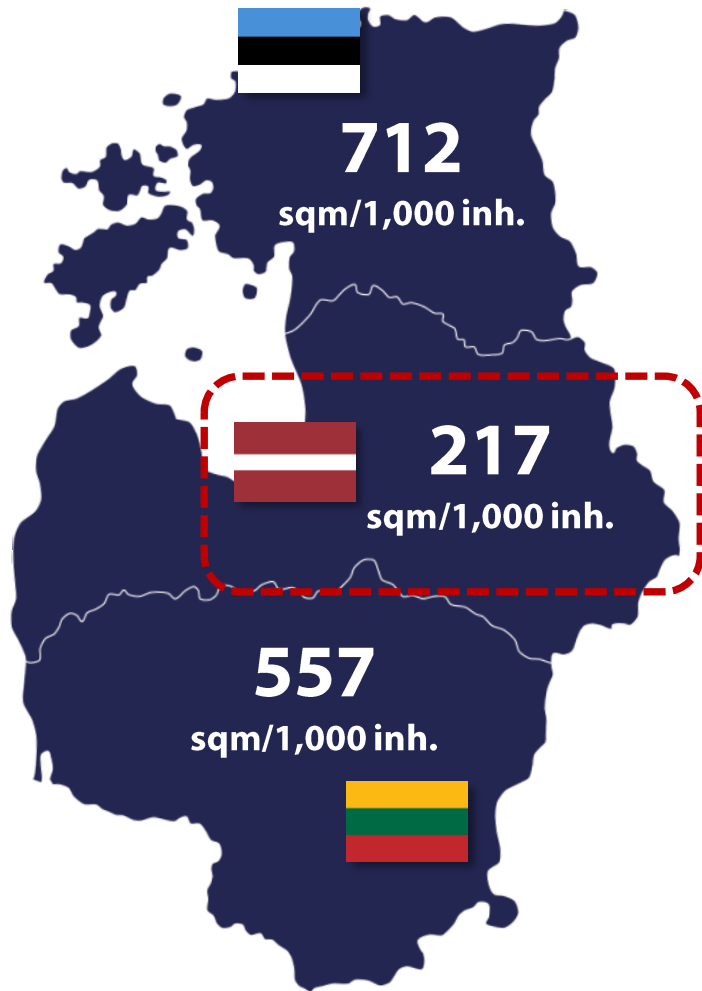


HAIR OF THE YEAR. 2016.

OFFICE & RETAIL SUPPLY: VILNIUS, RIGA, TALLINN



The commercial property development activity in **Riga** is over **2-3 times less** compared to Vilnius and Tallinn.



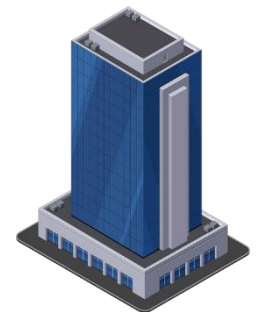
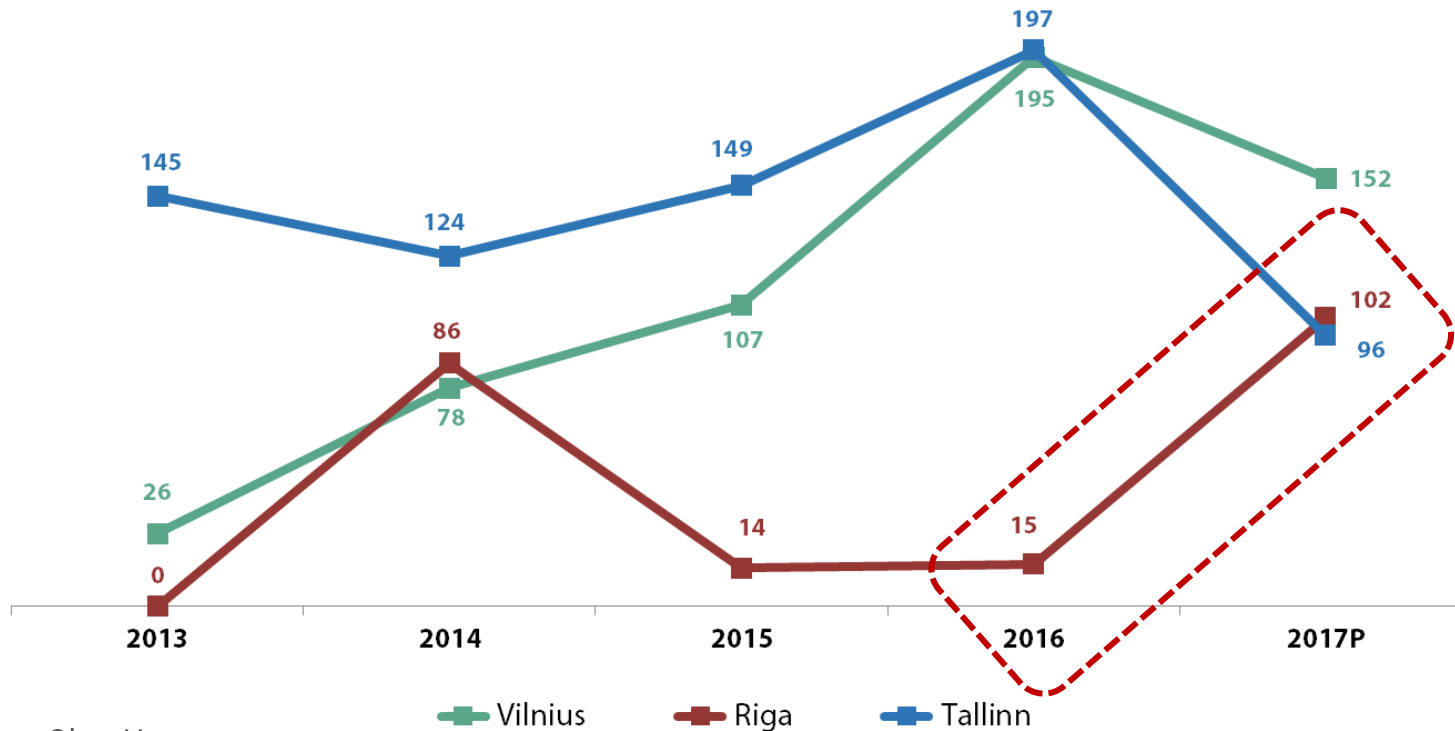
The development of traditional shopping centres and offices in capitals in 2013-2017P (5 years)

Source: Ober-Haus

OFFICE & RETAIL SUPPLY: VILNIUS, RIGA, TALLINN

🏰 The development activity figures should improve in 2017 – the completion of 4 new office projects and the expansion of 3 shopping centres are expected in Riga.

NEW SUPPLY PER 1.000 INHABITANTS
(useful space of offices and traditional shopping centres, sqm)



Source: Ober-Haus

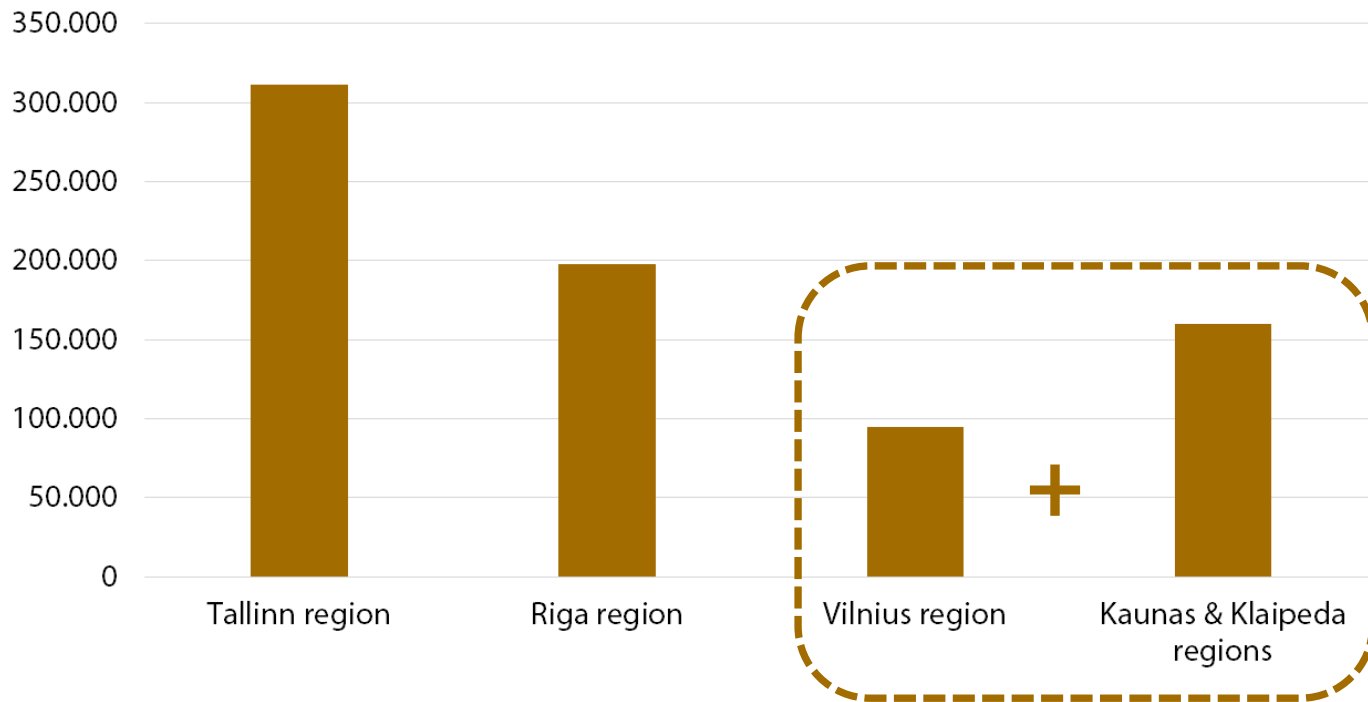
WAREHOUSE SUPPLY: VILNIUS, RIGA, TALLINN



In Lithuania the logistic sector is developing not only in the capital.



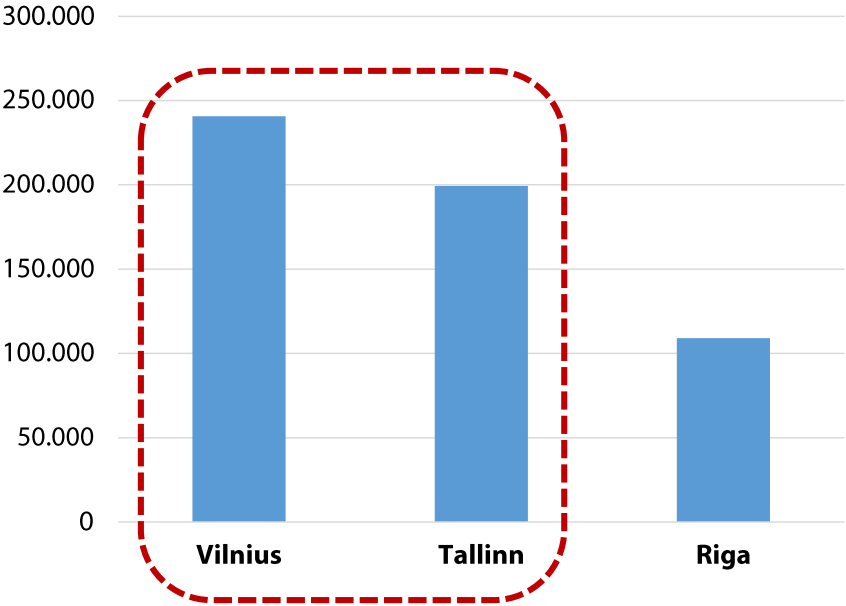
NEW WAREHOUSE SUPPLY IN 2013-2017P
(sqm)



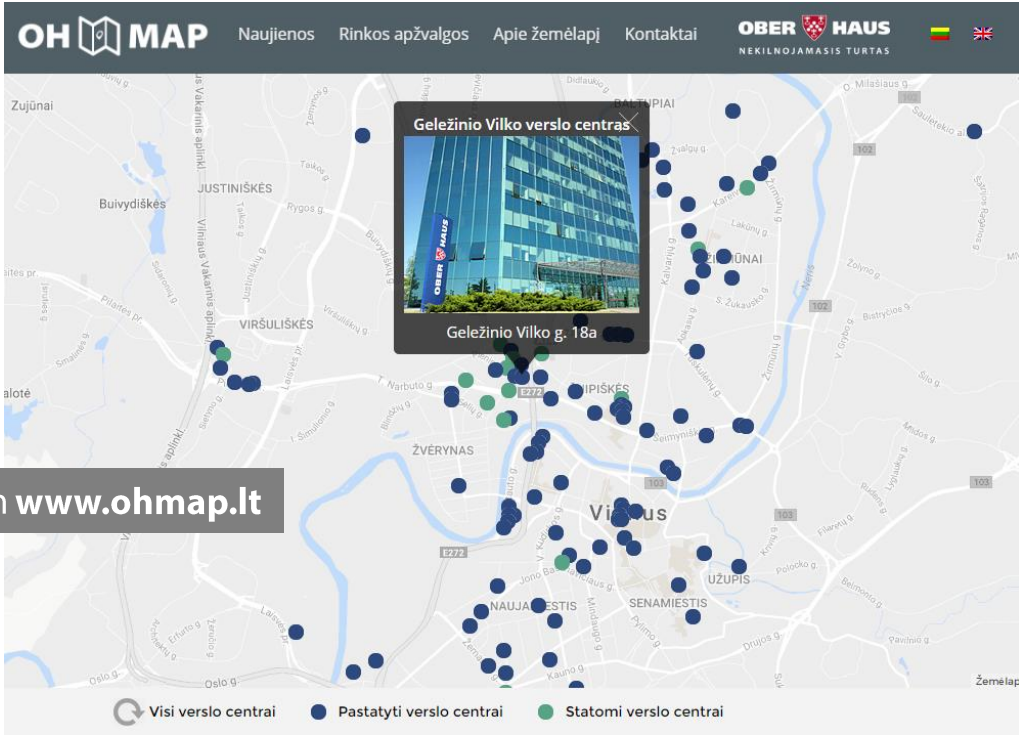
Source: Ober-Haus

OFFICE SUPPLY: VILNIUS, RIGA, TALLINN

**NEW OFFICE SUPPLY IN 2013-2017P
(sqm)**



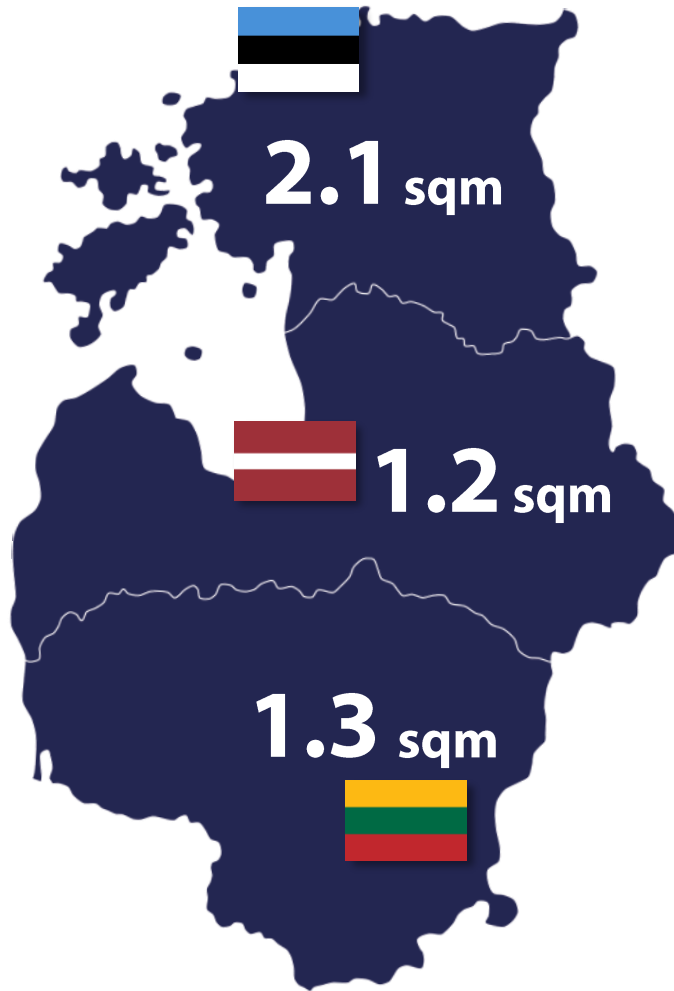
Vilnius and Tallinn office market has shown a strong growth in the recent years, while Riga is just awakening.



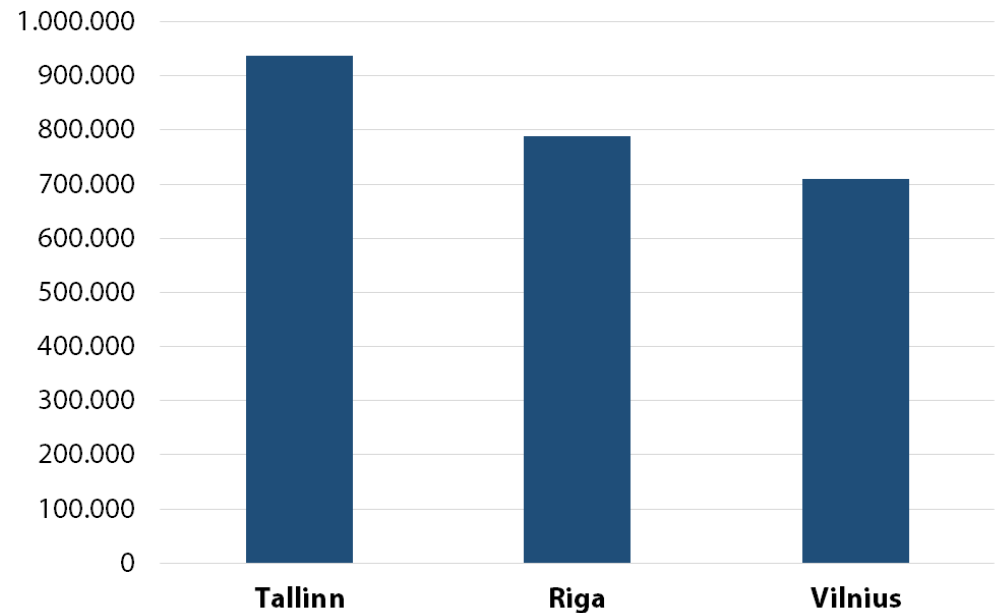
Source: Ober-Haus / www.ohmap.lt

OFFICE SUPPLY: VILNIUS, RIGA, TALLINN

Space per inhabitant at the end of 2017



TOTAL MODERN OFFICE STOCK AT THE END OF 2017 (sqm)



Source: Ober-Haus

SSC & BUSINESS SERVICES VS OFFICE MARKET



~60

SSC/BPO

~12,800 Empl



~75

SSC/BPO

~6,000 Empl



~36

SSC/BPO

~5,000 Empl



SSC & BUSINESS SERVICES VS OFFICE MARKET



~60
SSC/BPO
~12,800 Empl



~75
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~36
SSC/BPO
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CURRENT and PROSPECTIVE modern office space availability is crucial for SSC/BPO!

Available vacant space
40,100 sqm (6.4%)
+
82,600 sqm
New supply in 2017
VILNIUS

Available vacant space
28,500 sqm (3%)
+
31,200 sqm
New supply in 2017
TALLINN

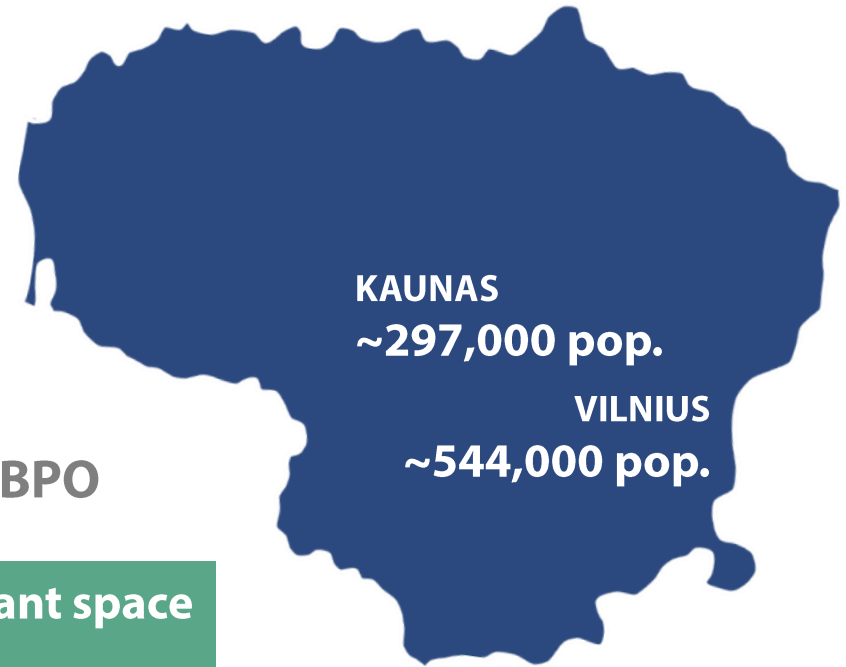
Available vacant space
52,000 sqm (7%)
+
41,700 sqm
New supply in 2017
RIGA

Source: Ober-Haus

SSC & BUSINESS SERVICES VS OFFICE MARKET



**~60
SSC/BPO
~12,800 Empl**



Vilnius is not the only city for SSC/BPO

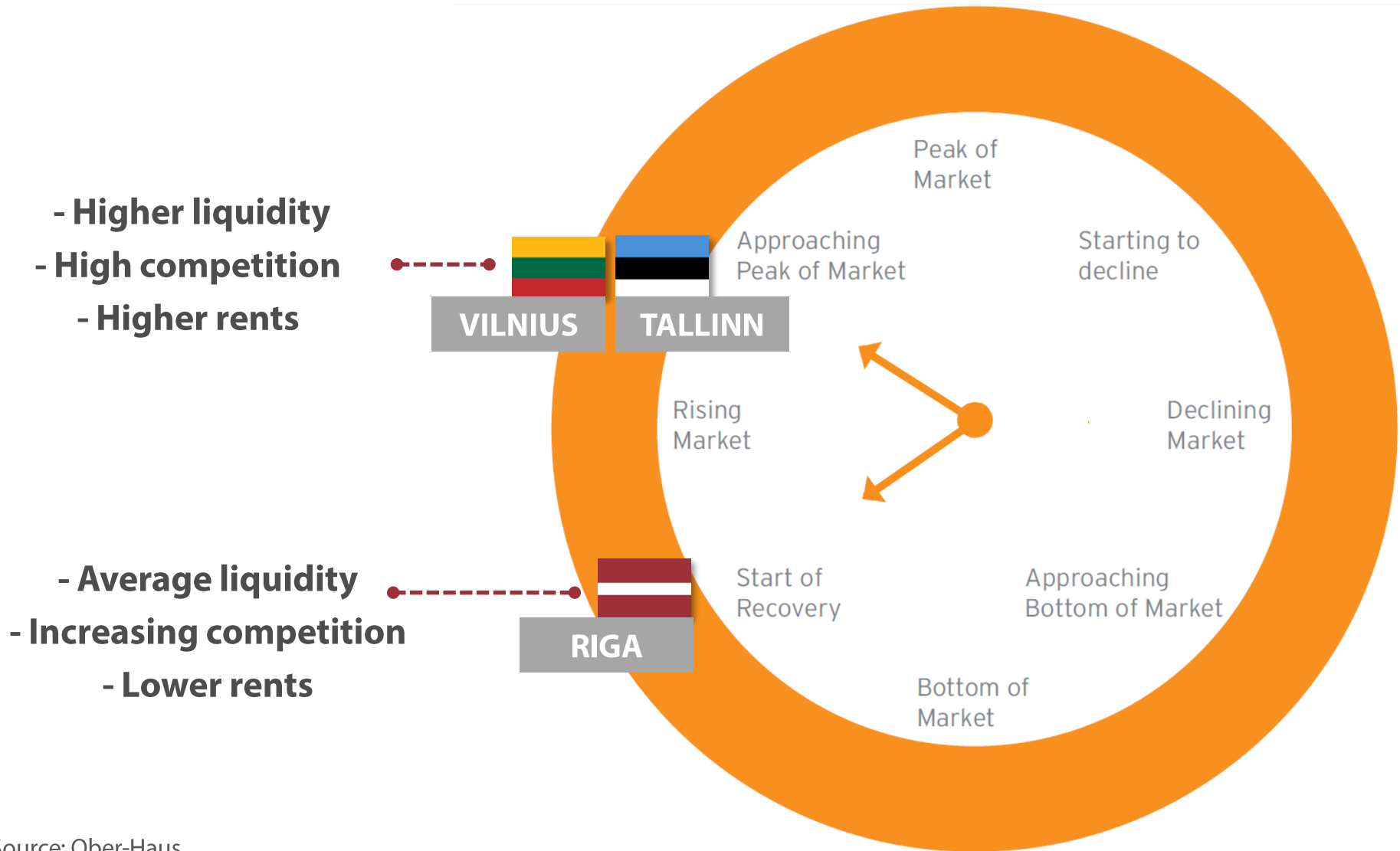
**Available vacant space
40,100 sqm (6.4%)
+
82,600 sqm
New supply in 2017
VILNIUS**

+

**Available vacant space
2,500 sqm (2.5%)
+
32,100 sqm
New supply in 2017
KAUNAS**

Source: Ober-Haus

OFFICE MARKET CLOCK

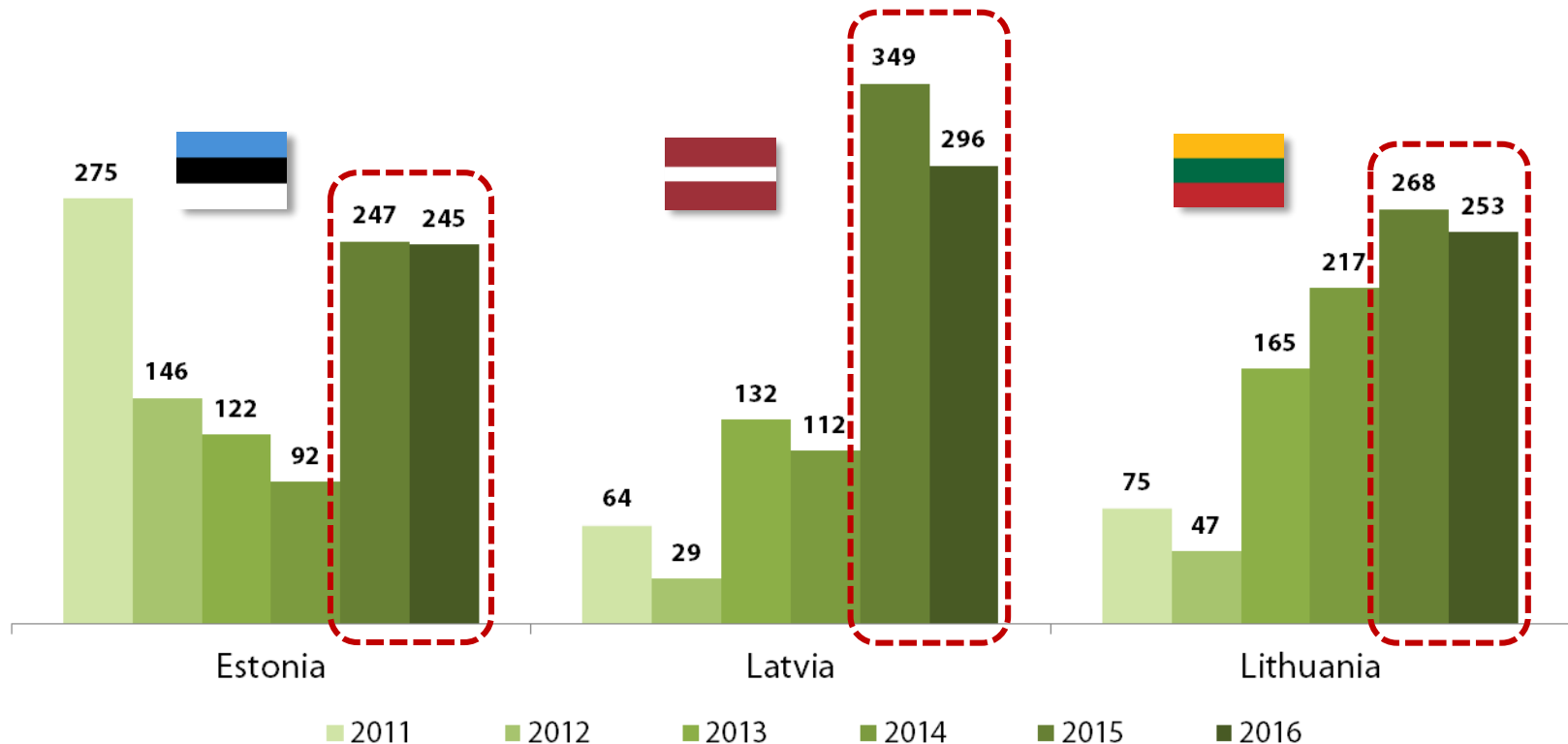


INVESTMENT MARKET: VOLUMES



A jump of investment into the commercial real estate in the Baltics has been recorded in 2015-2016.

COMMERCIAL PROPERTY INVESTMENT VOLUMES IN THE BALTICS (million EUR)



* Investment deal – sale/acquisition of modern commercial property (office, retail, industrial) over 1.5M EUR / Source: Ober-Haus

INVESTMENT MARKET: INVESTORS BY COUNTRY OF ORIGIN



1.60
bn EUR
(total volume)

2010-2014



LOCAL
44%



NORDIC
39%



OTHER (GLOBAL)
17%

* Investment deal – sale/acquisition of modern commercial property (office, retail, industrial) over 1.5M EUR / Source: Ober-Haus

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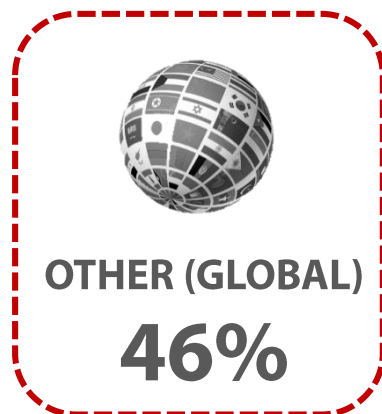
NORDIC
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OTHER (GLOBAL)
17%



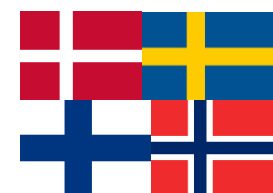
1.66
bn EUR
(total volume)



2015-2016



LOCAL
42%



NORDIC
12%

* Investment deal – sale/acquisition of modern commercial property (office, retail, industrial) over 1.5M EUR / Source: Ober-Haus

INVESTMENT MARKET: INVESTORS BY COUNTRY OF ORIGIN



1.60
bn EUR
(total volume)

2010-2014



LOCAL
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NORDIC
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OTHER (GLOBAL)
17%



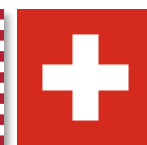
1.66
bn EUR
(total volume)

2015-2016



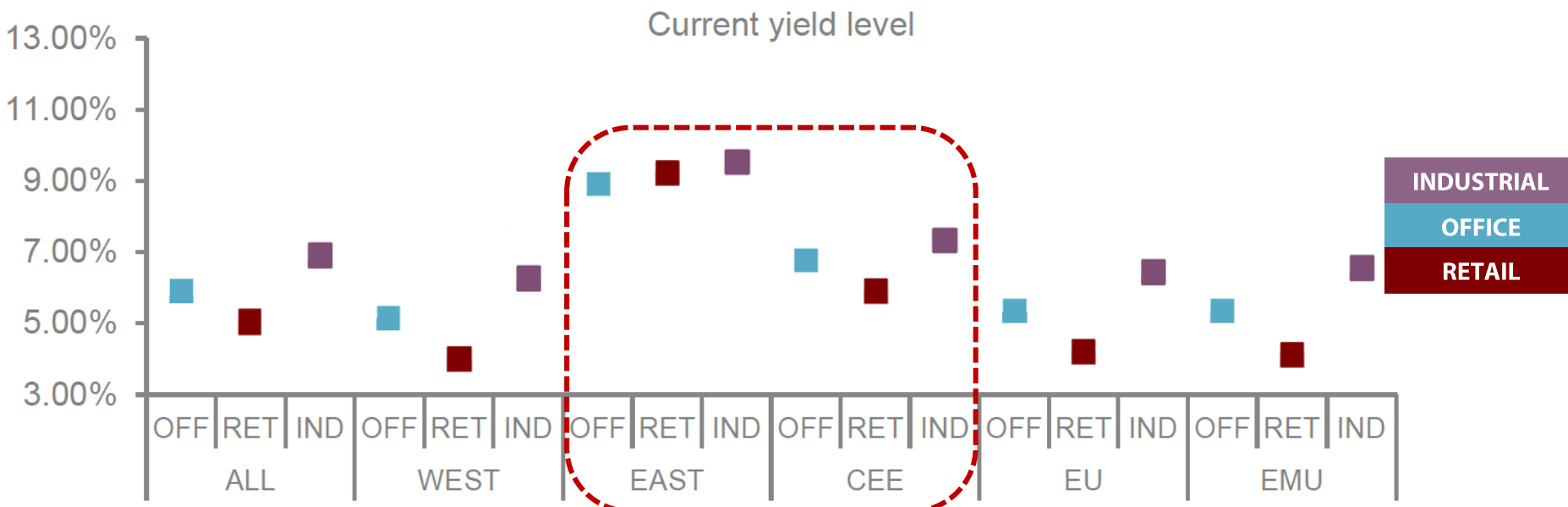
OTHER (GLOBAL)
46%

KEY INVESTORS



* Investment deal – sale/acquisition of modern commercial property (office, retail, industrial) over 1.5M EUR / Source: Ober-Haus

INVESTMENT MARKET: YIELDS



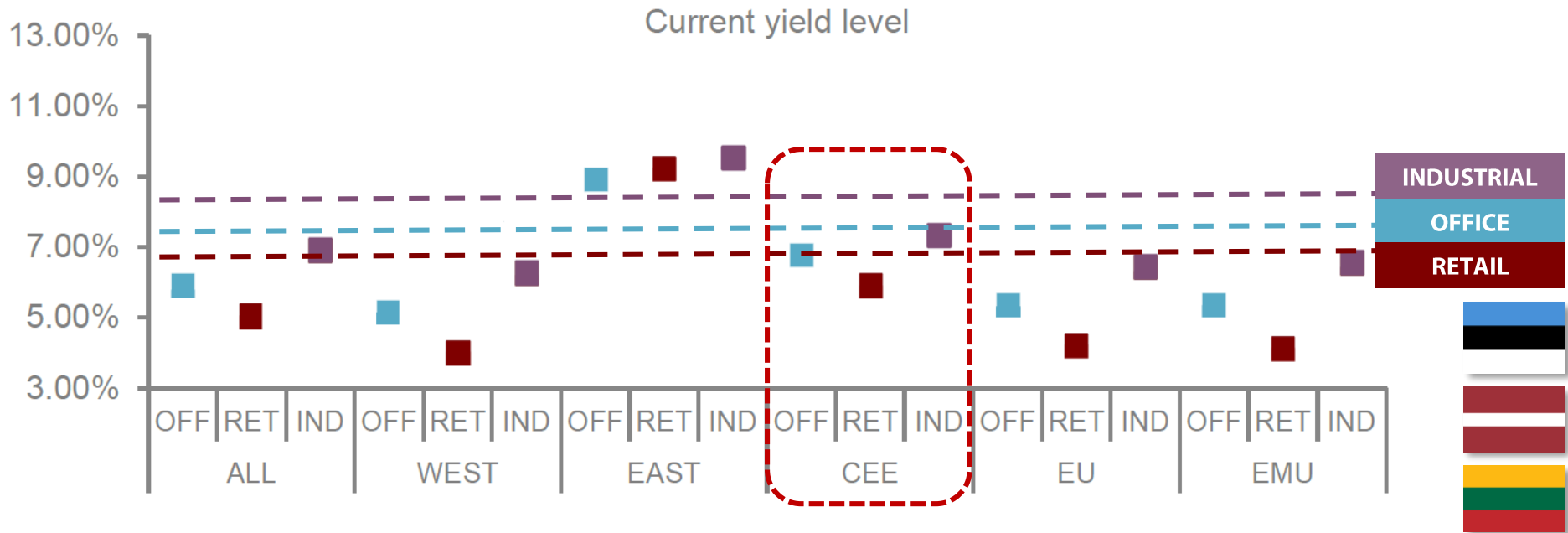
Eastern Europe countries: Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Turkey, Ukraine
 Central Europe countries: Czech Republic, Hungary, Poland, Slovakia

Source: Cushman & Wakefield

INVESTMENT MARKET: YIELDS



During 2015-2016 commercial property yields declined on average by another **25-50 basis points** in the Baltic region and still are attractive compared to Western Europe.



Eastern Europe countries: Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Turkey, Ukraine
 Central Europe countries: Czech Republic, Hungary, Poland, Slovakia

Source: Cushman & Wakefield, Ober-Haus

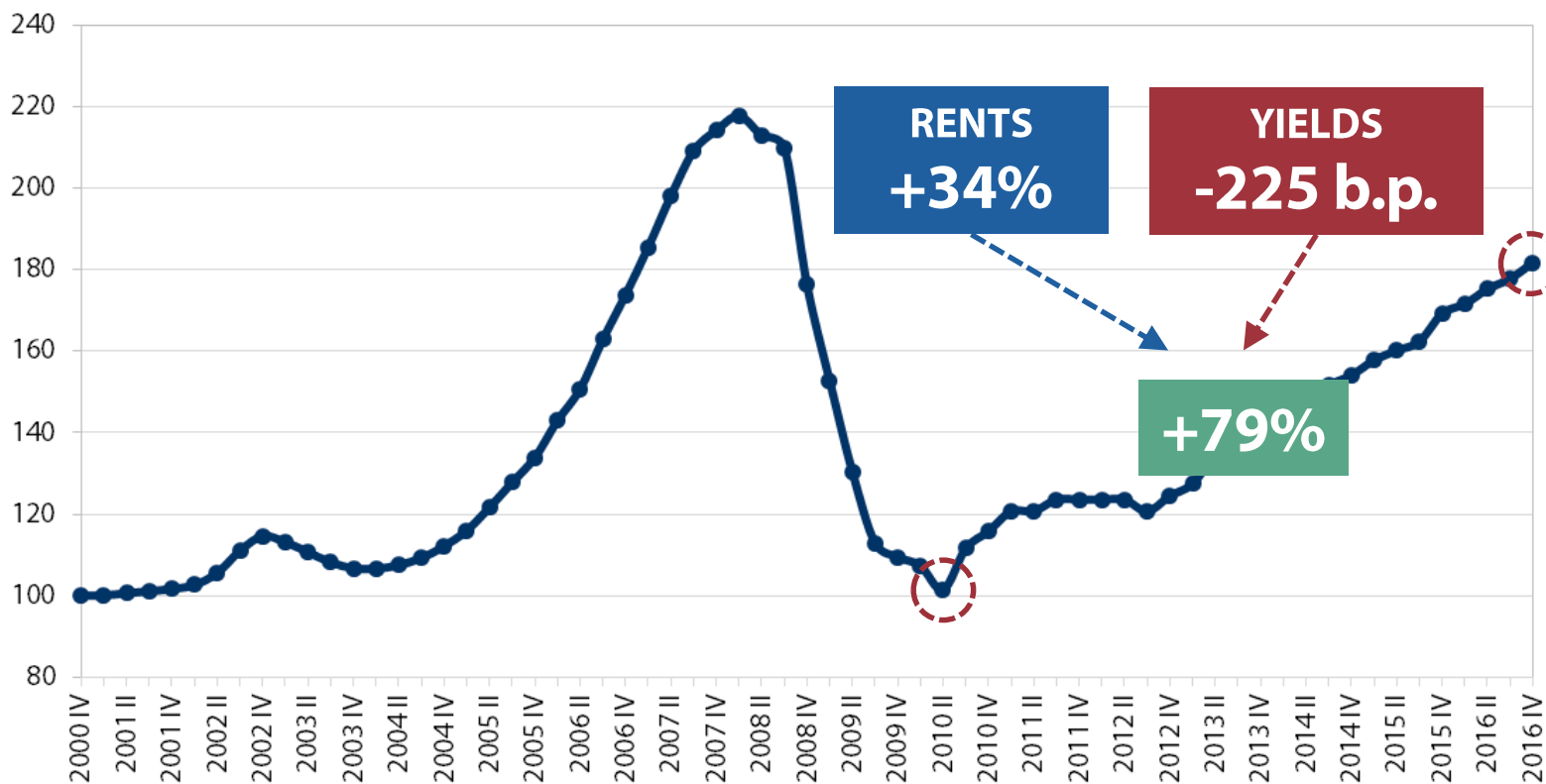
CAPITAL VALUE INDEX



At the moment prime property values are **only lower than** the levels recorded at the market peak **in 2007–2008**.

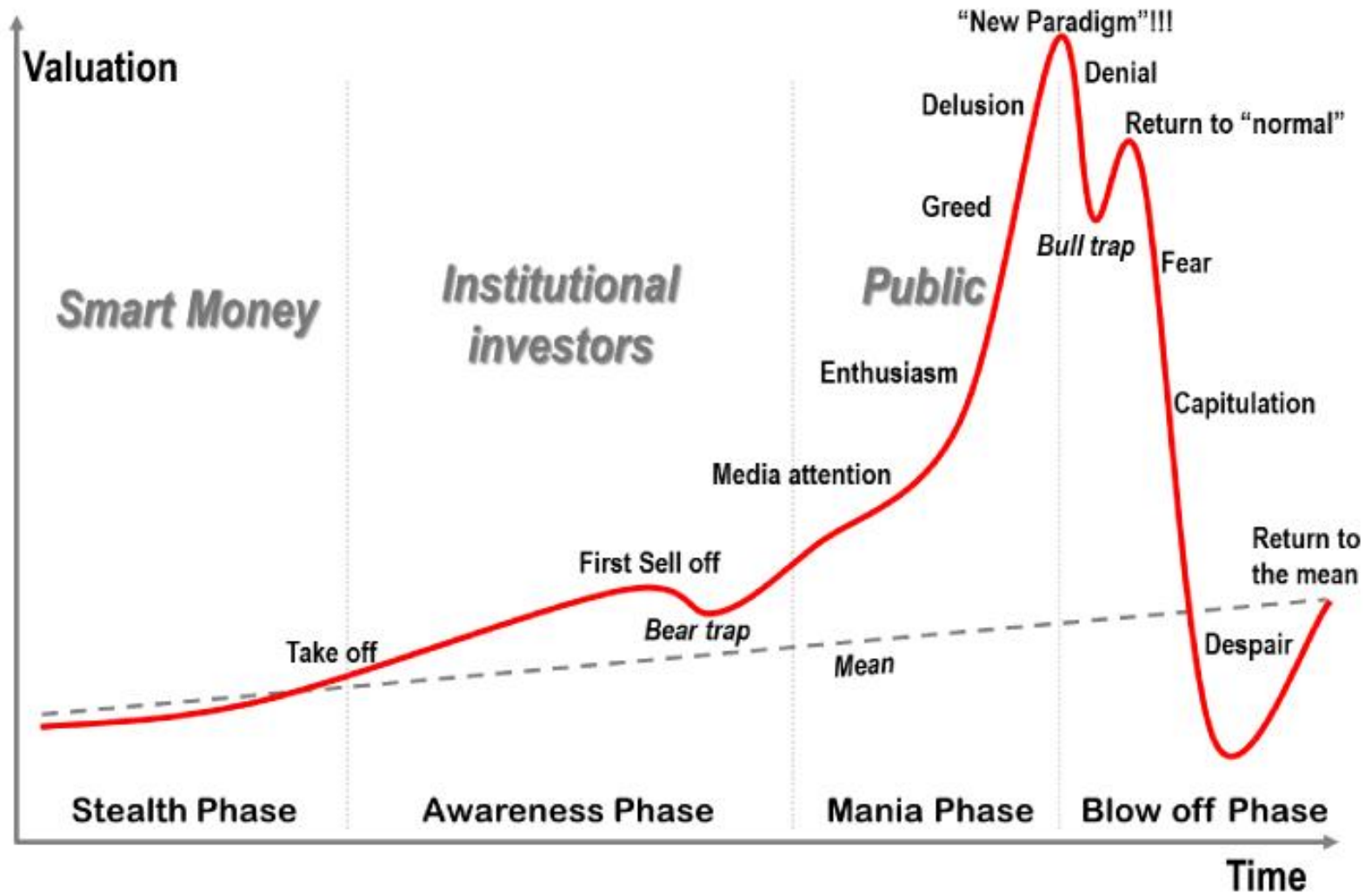


CAPITAL VALUE INDEX
(A class offices in Vilnius / Q4 2010 = 100)



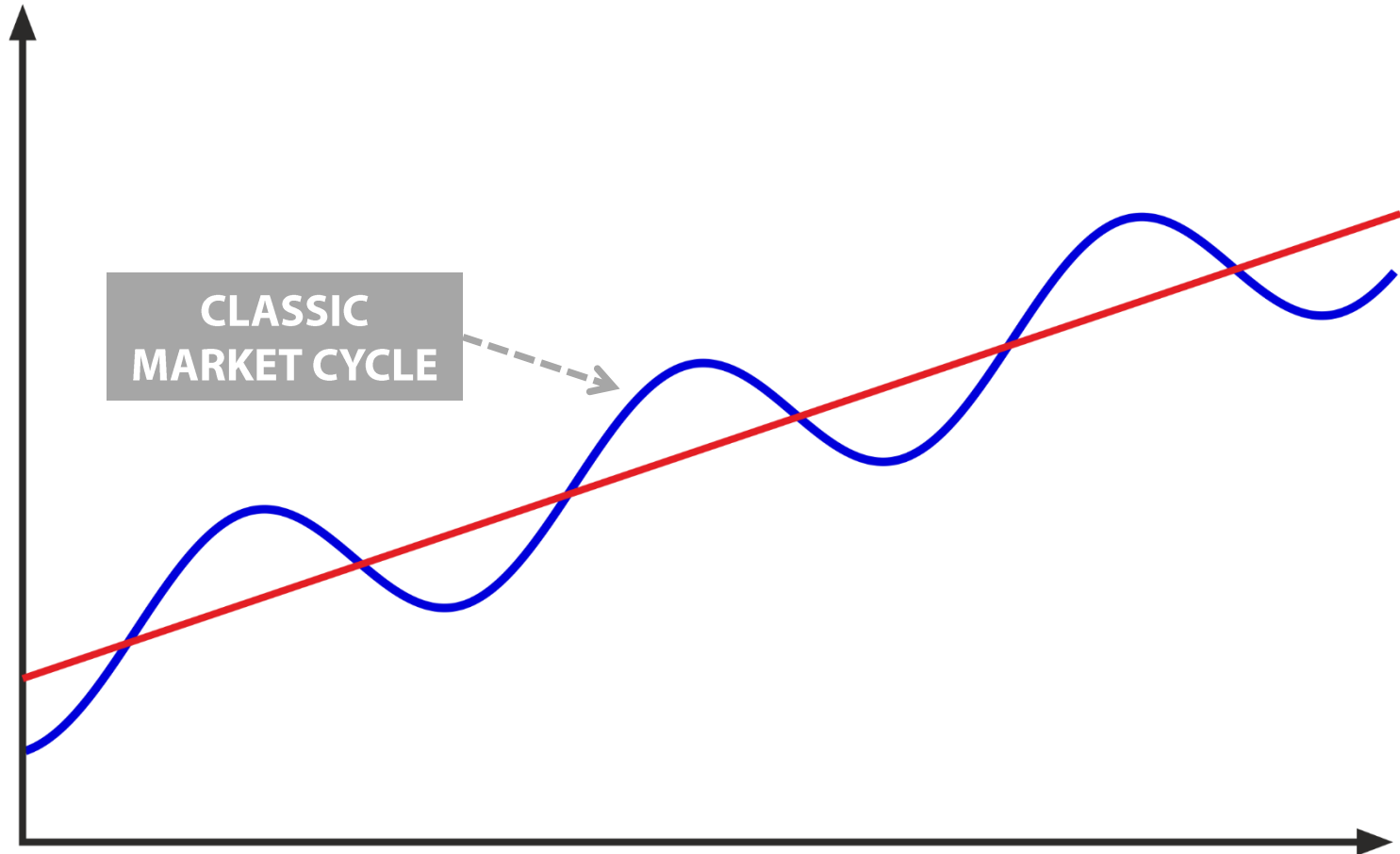
Source: Ober-Haus

THEORETICAL BUBBLE MODEL

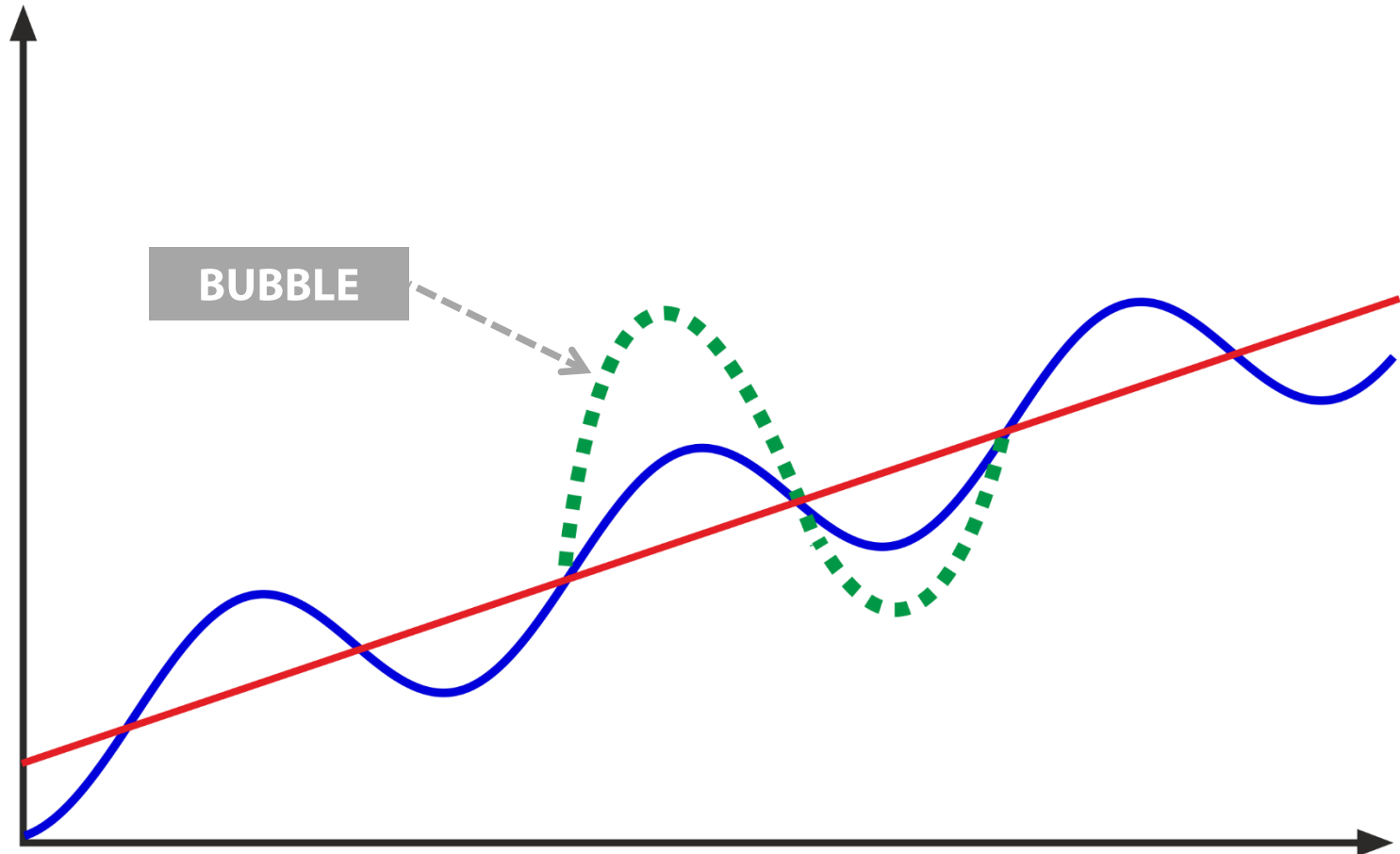


Source: Dr. Jean-Paul Rodrigue Dept. Of Global Studies & Geography Hofstra University

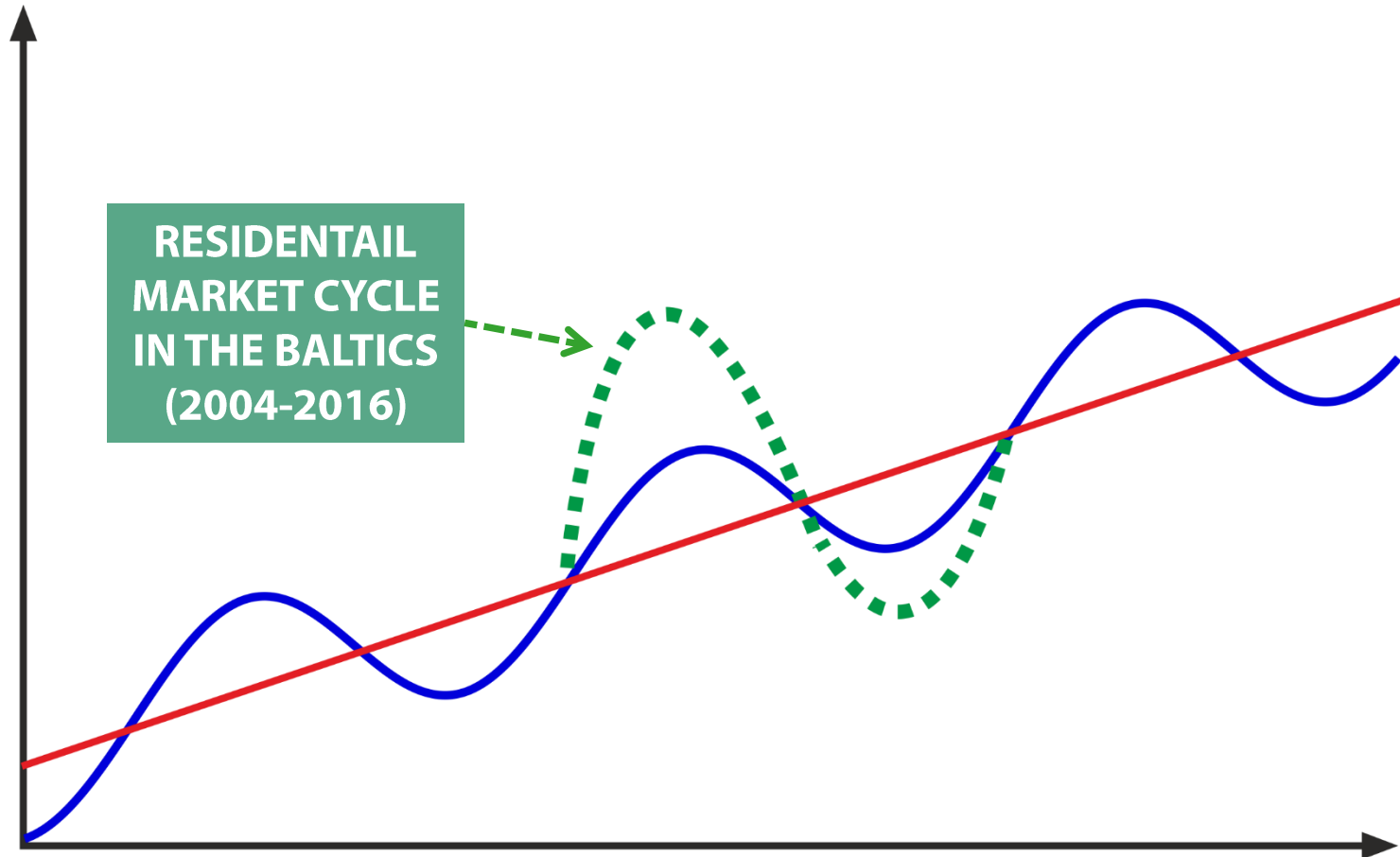
REAL ESTATE MARKET CYCLE



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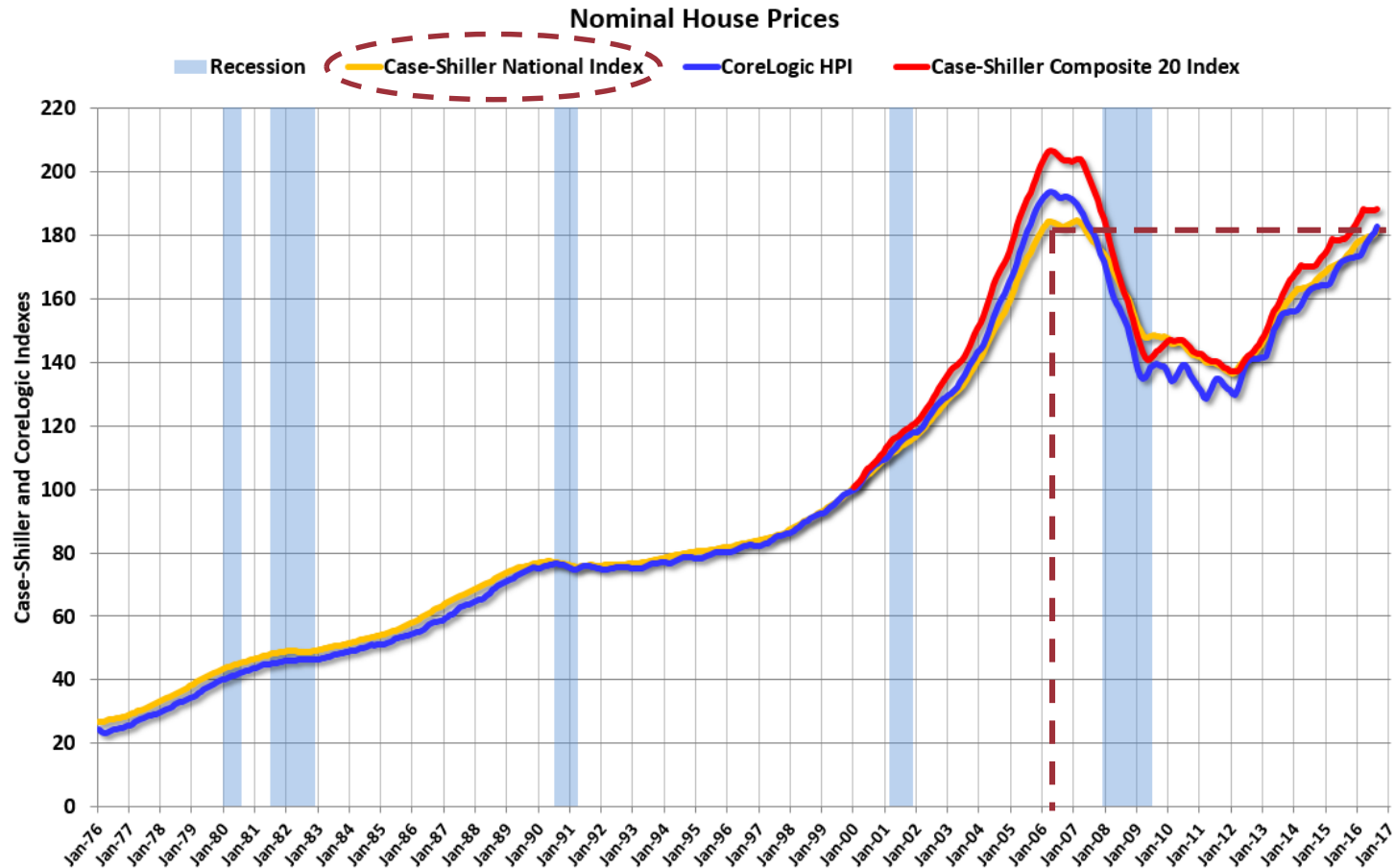
RESIDENTIAL
MARKET CYCLE
IN THE BALTICS
(2004-2016)

Source: Ober-Haus

U.S. RESIDENTIAL MARKET



In the end of 2016 U.S. **nominal** home prices has returned to it's peak of 2006.

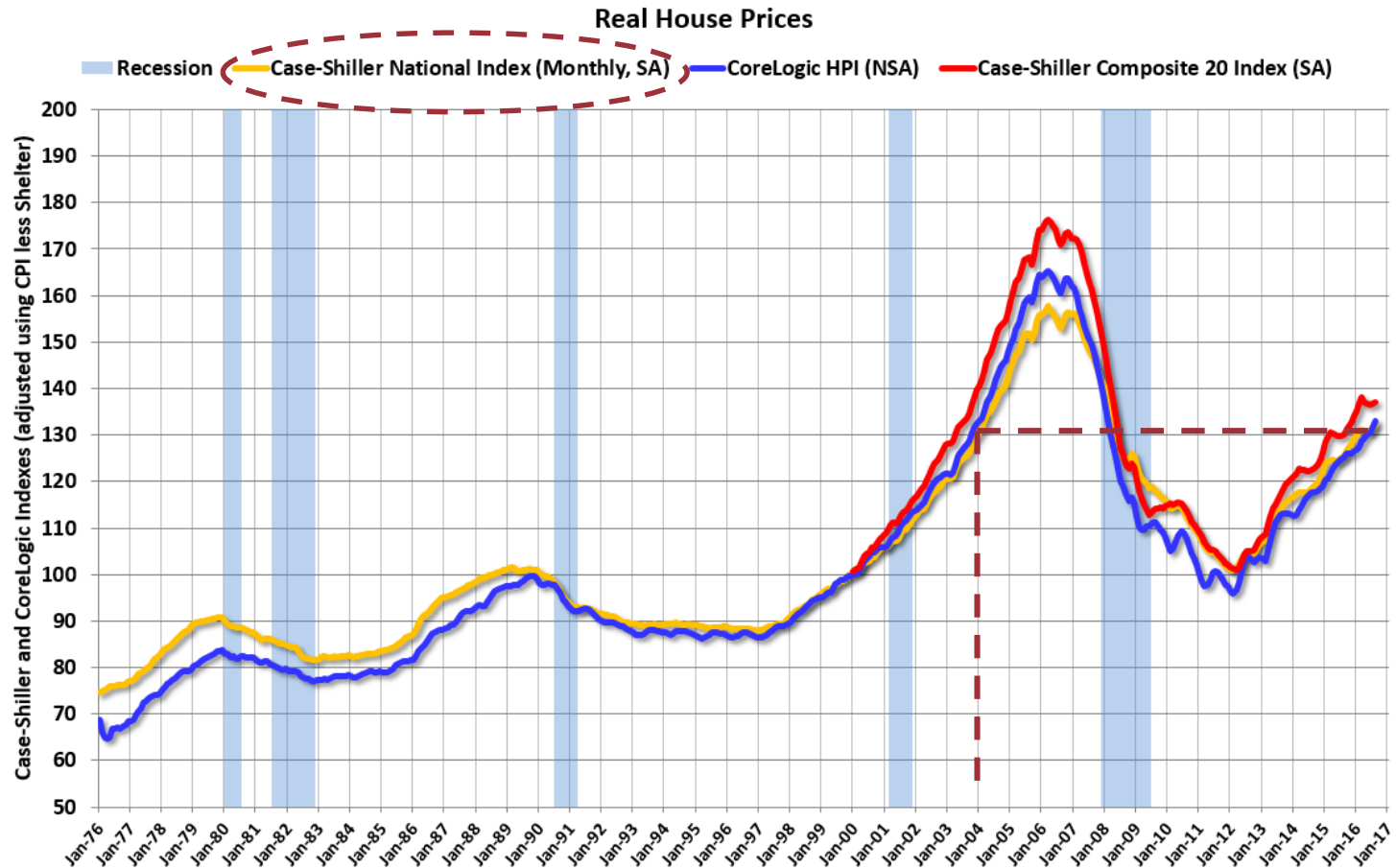


Source: S&P/Case-Shiller U.S. National Home Price Index, CoreLogic HPI, www.calculatedriskblog.com

U.S. RESIDENTIAL MARKET



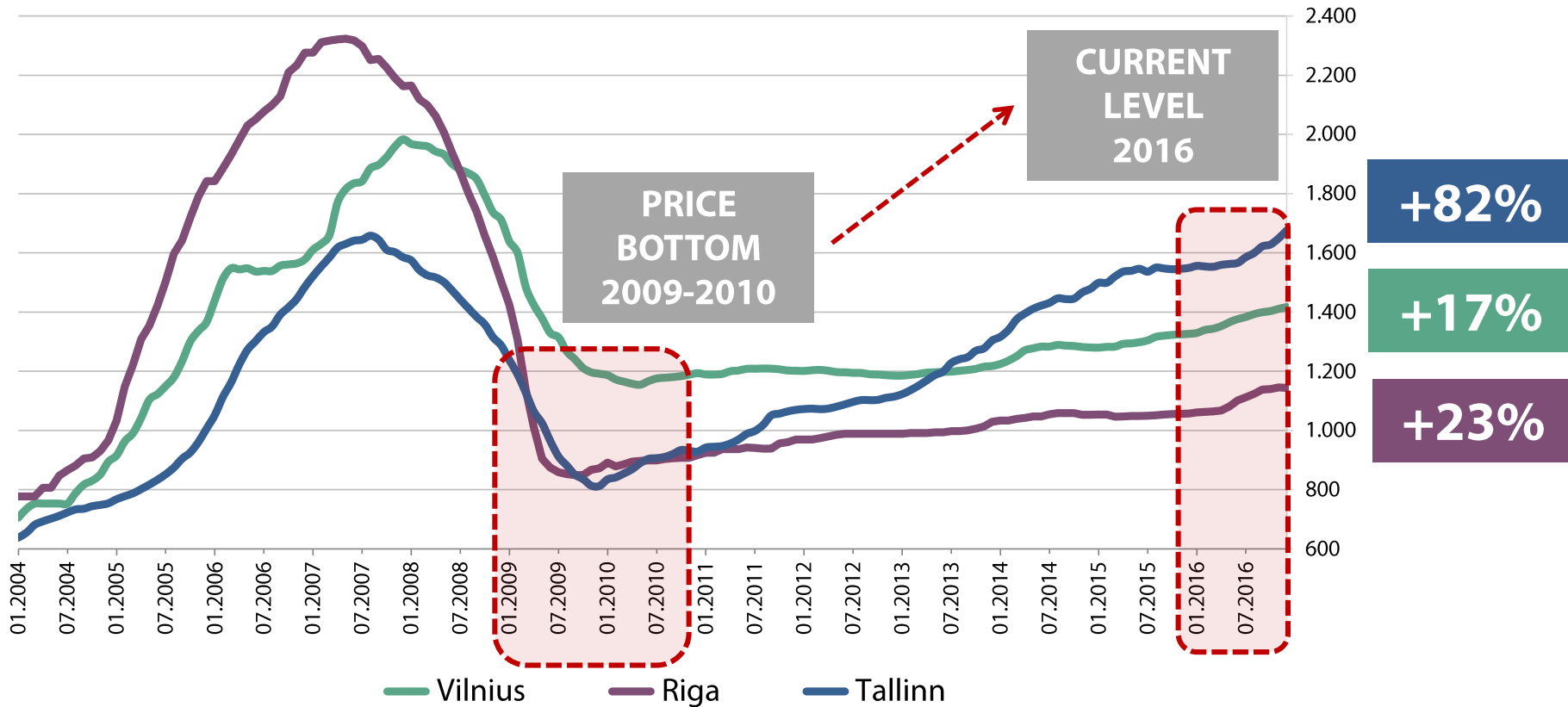
When adjusted for inflation (**real prices**) they are still 16% below the 2006 peak.



Source: S&P/Case-Shiller U.S. National Home Price Index, CoreLogic HPI, www.calculatedriskblog.com

RESIDENTIAL REAL ESTATE: PRICES

AVERAGE APARTMENT PRICES (EUR/sqm)

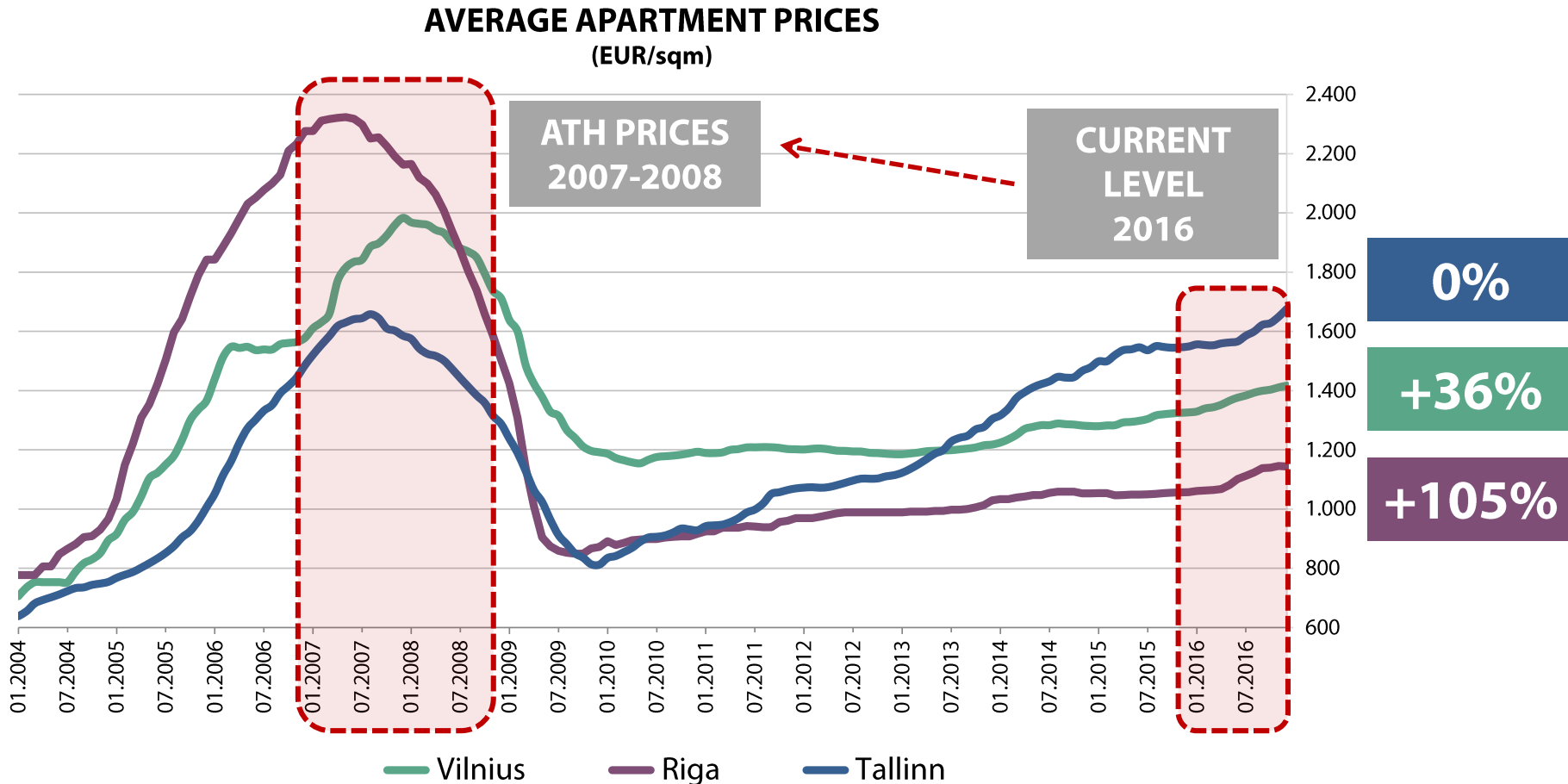


Source: Ober-Haus

RESIDENTIAL REAL ESTATE: PRICES



In 2016 apartment prices in Tallinn has returned to it's peak of 2007 (2007 avg to 2016 avg).



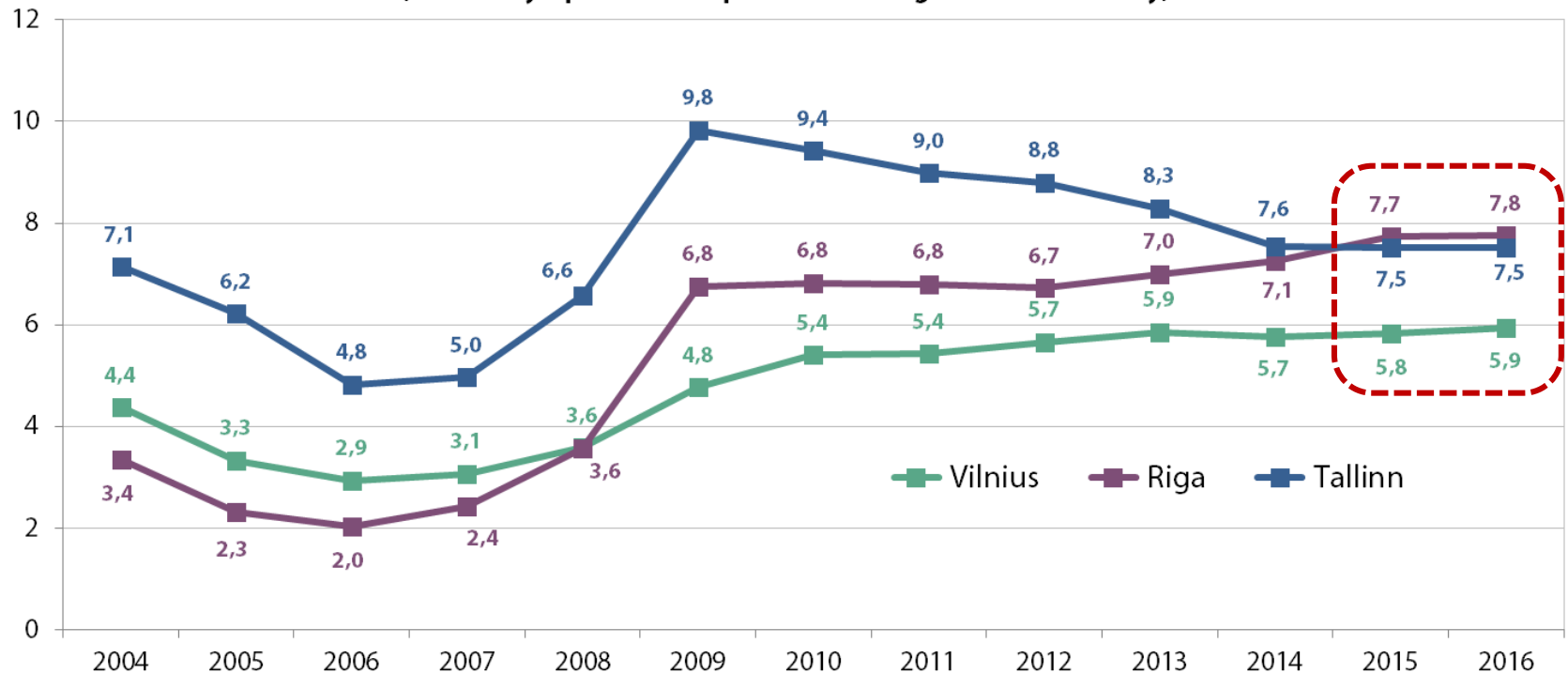
Source: Ober-Haus

RESIDENTIAL REAL ESTATE: AFFORDABILITY



As residential prices are increasing at the same pace as people's income, the housing affordability has stayed at the same level in the Baltic capitals **in 2016** (with just slight improvement **in Riga and Vilnius**). Current price to income ratio is the highest **since 2004**.

APARTMENT PRICE-TO-INCOME RATIO
(how many sqm can be acquired for average annual net salary)

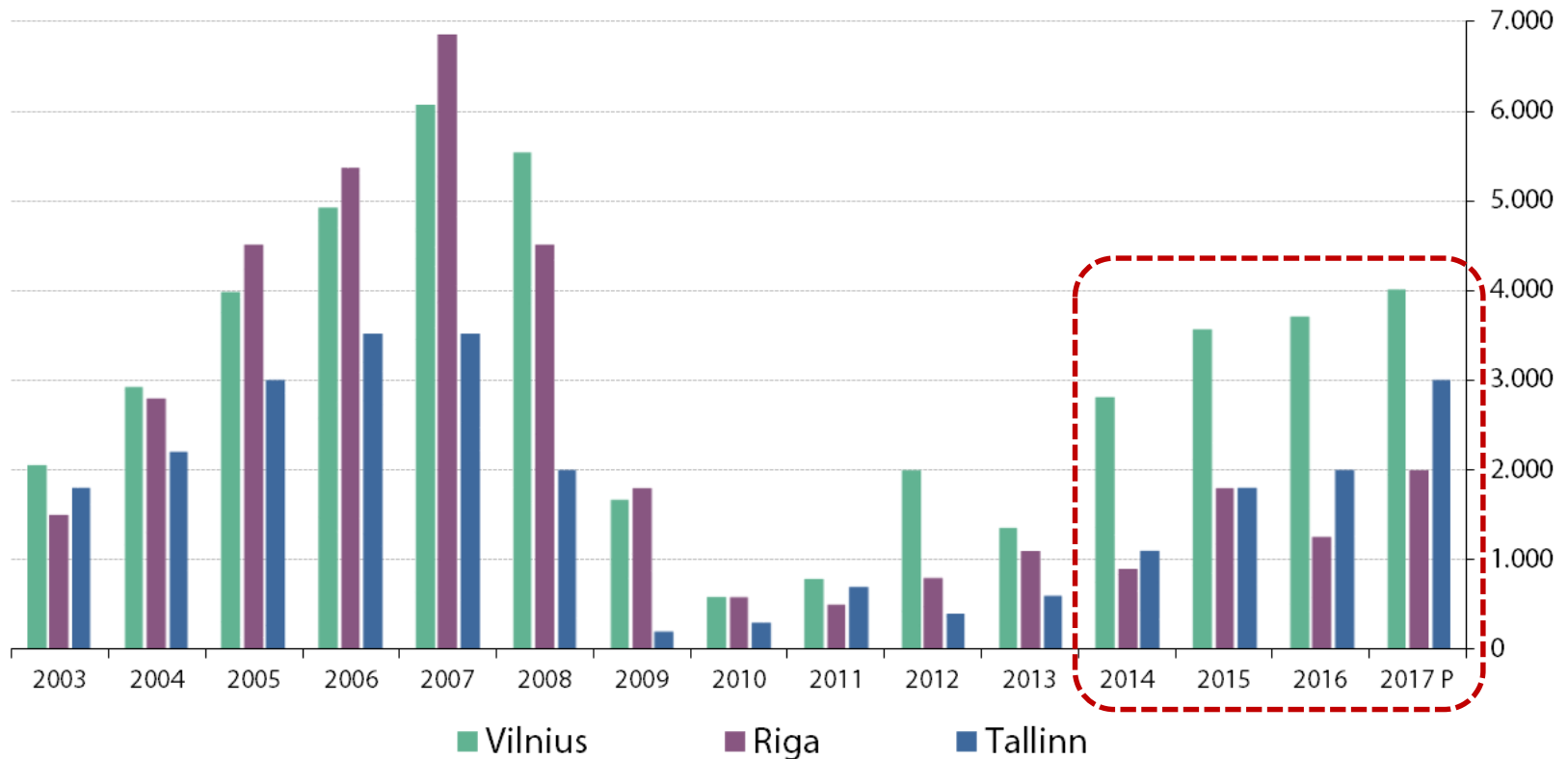


Source: Official statistics, Ober-Haus

RESIDENTIAL REAL ESTATE: NEW SUPPLY

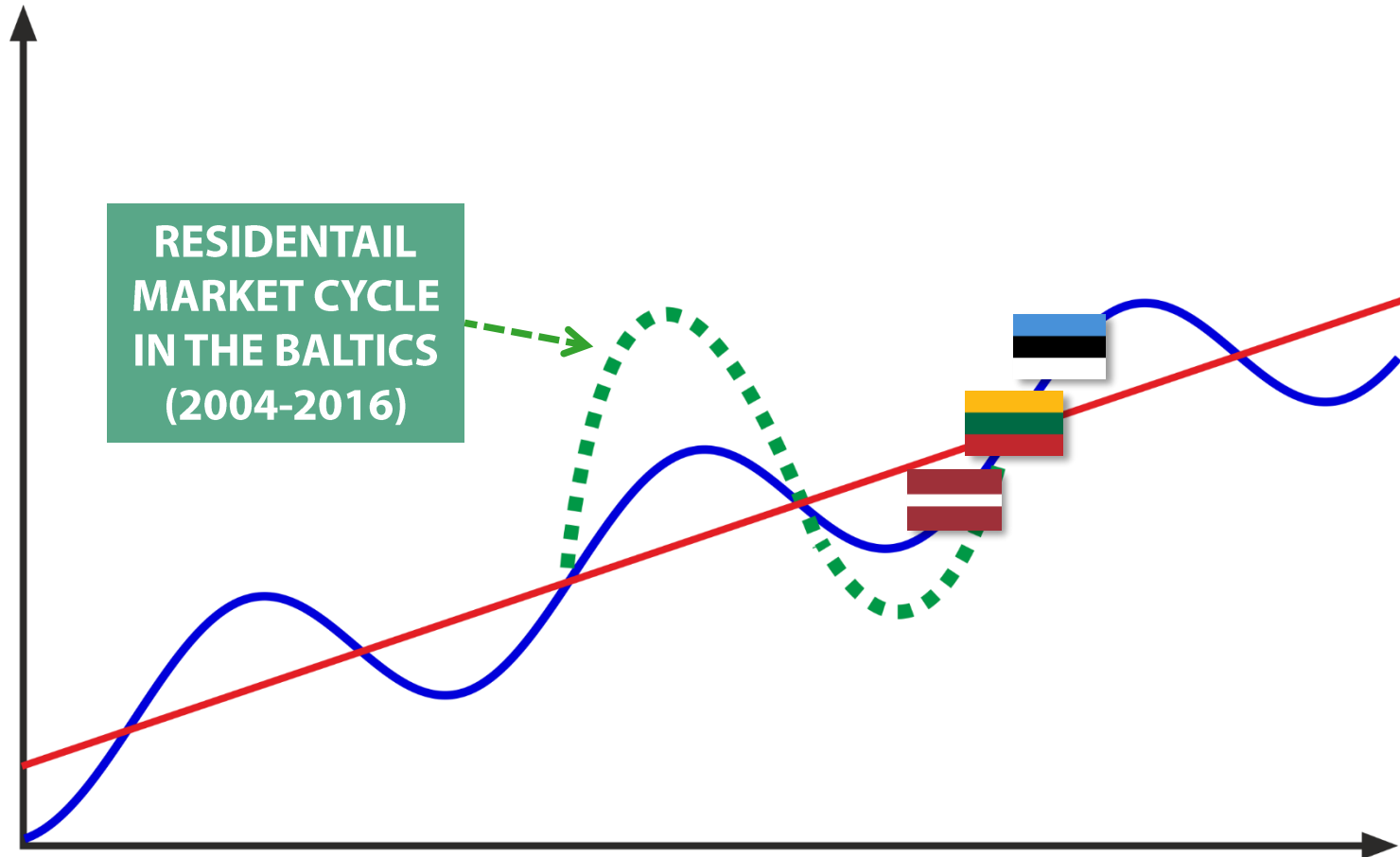
Residential development activity is **growing** sufficiently in **Vilnius and Tallinn**, while in **Riga** is still **weak**.

COMPLETED APARTMENTS



Source: Ober-Haus

WHERE ARE THE BALTIC MARKETS NOW?



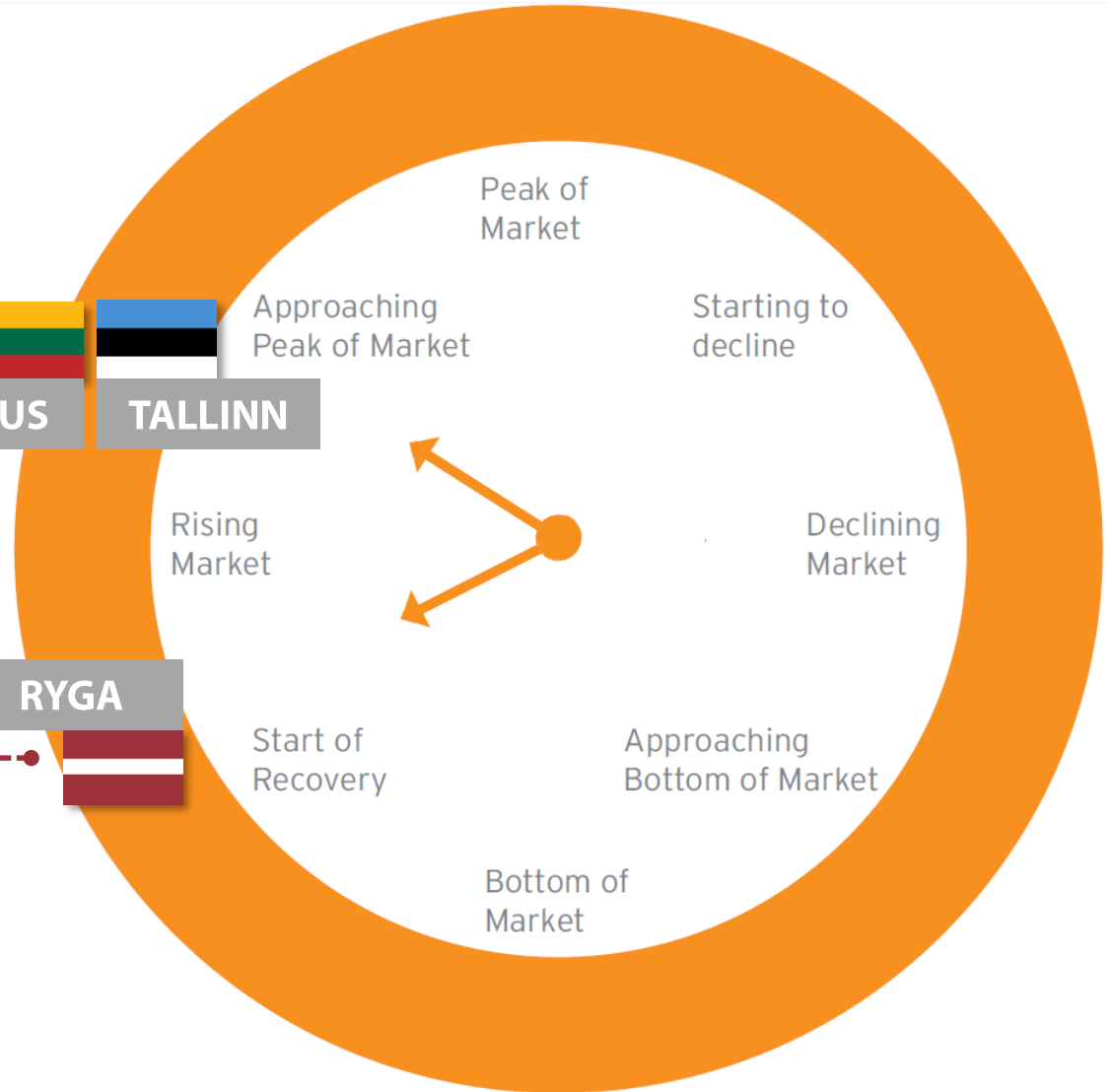
Source: Ober-Haus

RESIDENTIAL MARKET CLOCK

- Higher market activity
- Higher competition
- Highest average prices



- Lowest market activity
- Lowest competition
- Lowest average prices
(Highest price-to-income ratio)



Source: Ober-Haus



THANK YOU!

Remigijus Pleteras

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Ober-Haus Real Estate Advisors in Lithuania

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OBER-HAUS REAL ESTATE ADVISORS (REALIA GROUP)

Realia Group is the region's largest provider of real estate brokerage, valuation, investment and property management services. Realia Group's 1,600 real estate professionals serve our clients throughout Finland, Estonia, Latvia and Lithuania.

Ober-Haus Real Estate Advisors is the largest real estate agency operating across the Baltic region including Estonia, Latvia and Lithuania. Ober-Haus Real Estate Advisors is a highly experienced provider of the most complete property services including residential and commercial real estate services, property management and property valuation services and has, since 1994, grown to employ over 270 real estate professionals in 24 offices across the region. Ober-Haus Real Estate Advisors is a highly experienced provider of the most complete property services:

- residential and commercial real estate services;
- property management;
- investments advisory;
- property valuation services;
- market research.

Based on our international experience and knowledge about local market specifics we help our clients make the right choices.

REALIA GROUP

