



# 1HY 2012 OVERVIEW

## Baltic Real Estate Investment Market

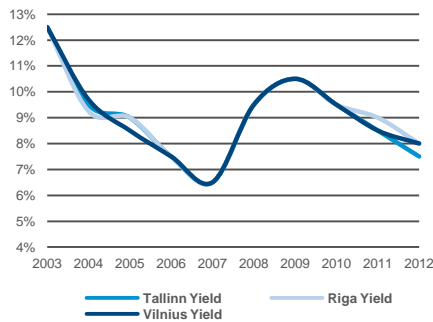
June 2012

# Baltic Real Estate Investment Market Overview

Key Investment Figures			
1Q 2012	Tallinn	Riga	Vilnius
Prime Office Yields	7.5%	8.0%	8.0%
Prime Retail Yields	7.5%	8.0%	8.0%
Prime Industrial Yields	9.0%	9.25%	9.25%

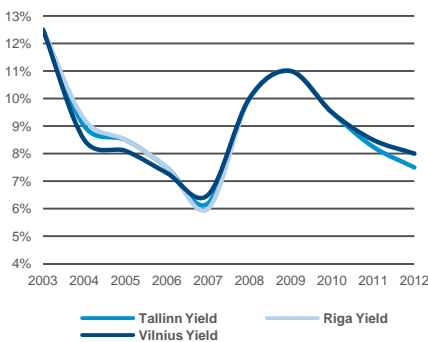
Source: Colliers International

## Office yield dynamics



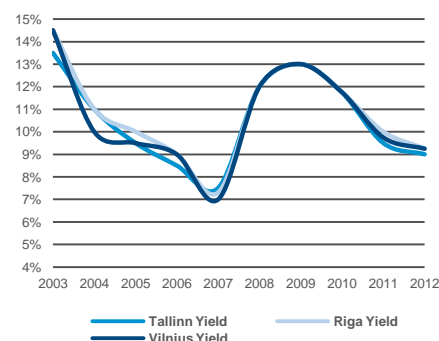
Source: Colliers International

## Retail yield dynamics



Source: Colliers International

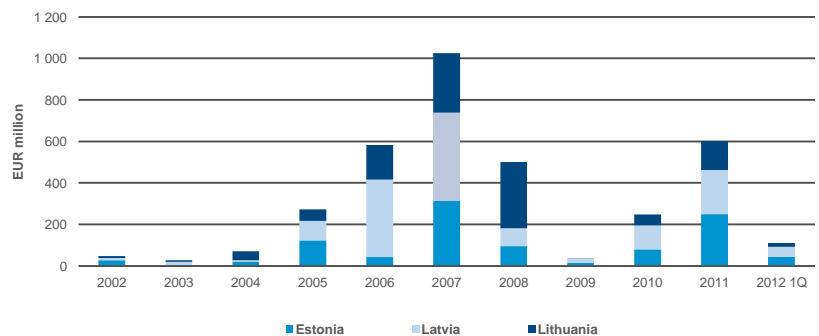
## Industrial yield dynamics



Source: Colliers International

- Total investment volume in 2011 in the Baltics was ca EUR 600 million. Tallinn is the leader with investment volume of ca EUR 250 million, followed by Riga EUR 212 million and Vilnius EUR 140 million.
- The main investment targets in 2011 were retail and office properties - 2011 saw the largest single investment deal the Estonian market has ever seen – Finnish listed retail investor Citycon acquired Kristiine shopping centre in Tallinn for EUR 105 million. A couple of large shopping centre acquisition transactions occurred in 2011 in Lithuania: Ektornet Lithuania SPV1 (daughter company of Swedbank) purchased SC Gedimino 9 (16,562 sqm) in Vilnius for EUR 23 million at auction and Finnish company Pontos group purchased SC Babilonas (26,129 sqm) in Panevezys for EUR 24 million. One more shopping centre acquisition transaction was recorded in Q2 2012 in Kaunas: Lords LB purchased SC Prisma (13,584 sqm).
- In office segment two modern office buildings in Riga - Astras Biroji with GLA of 6,700 sqm and Unity Business Centre with GLA of 17,637 sqm – were acquired by Nordic and Baltic Property Group in 2011. In addition, BPT Asset Management acquired Lincona Office Complex in Tallinn for approx. EUR 15.4 million and real estate fund EfTEN acquired two landmark office buildings on Pärnu Road in Tallinn for EUR 18.5 million.
- The hotel investment market was untypically active in Latvia during 2011 - six hotel properties changed ownership during 2011, four of them in Riga and two hotels in Liepaja.
- At the beginning of February 2012 VGP signed a binding agreement with East Capital to sell its newly built logistics property of 40,000 sqm located in Tallinn Tānassilma Industrial Park at a price of approx. EUR 24 million, making it the largest investment to warehouse sector in Baltics States in the past 2-3 years. The transaction was intermediated exclusively by Colliers.
- The main investment targets in 2012 continue to be retail and office properties with strong cash-flow and core locations. Prime yields have more or less stabilized and will not compress significantly in 2012 (up to 50 bps).
- In 2012 the market provides greater opportunities for smaller players to invest. Thus, real estate investors are interested in smaller size, liquid real estate assets at the price of EUR 1 million and below in Riga and demand among private investors for purchasing up to EUR 1-2 million good location cash flow properties has remarkably increased in Tallinn.
- Investment market in Riga is continuing to be "price per square meter" decision made rather than yield based due to absence of suitable objects. However, with the disposition of such real estate portfolios as BPT Secura and RIMI discounters, the situation can change and we will be able to see real yield levels offered from investors.
- The investment market in Lithuania has been mainly driving by speculative transactions for the last couple of years. Currently it is recovering and this fact is confirmed by growing number of large transactions (more than EUR 10 million) and newly established real estates funds.

## Investment volumes



Source: Colliers International



# Economic Overview

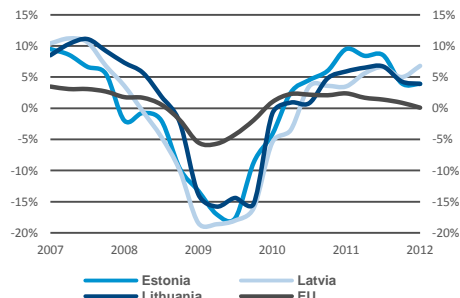
## Key Economic Figures

Q1 2012	Estonia	Latvia	Lithuania
GDP Growth	3.6%	6.9%	3.9%
Unemployment	11.5%	16.3%	14.5%
Inflation	4.4%	3.4%	3.6%

## SUMMARY

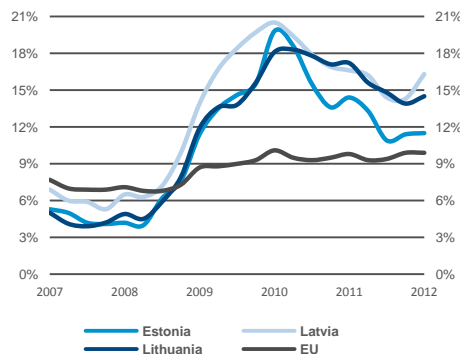
- The Economic Sentiment Indicator (**ESI**) decreased sharply in May, falling by 2.7 points in the EU and by 2.3 points in the euro area, to 90.5 and 90.6, respectively.
- The **ESI** in **Estonia** declined by 1.0 point to 101.9 in May, driven by weakening confidence in all business sectors, especially in retail trade (-4.5 points) and services (-2.7 points). By contrast, confidence increased among consumers by 3.4 points, mainly on the back of easing unemployment fears. In **Latvia** and **Lithuania** the ESI declined in May by 0.5 points and 0.4 points respectively. Consumer confidence improved by 0.1 points in Latvia and by 2.2 points in Lithuania respectively.
- According to Statistics Estonia, the gross domestic product (**GDP**) of Estonia increased by 3.6% in the first quarter of 2012 compared to the same quarter of the previous year. Fast growth of the value added in construction and trade contributed to more than half of the GDP growth. Vigorous growth in retail trade was supported primarily by the fast growth of retail sales in grocery stores.
- In accordance with the second estimate, compared to the 1st quarter of 2011, GDP volume Latvia in the 1st quarter of 2012 increased by 6.9%. The growth in manufacturing, transportation and in trade had a positive effect on the GDP in Latvia. According to the revised data, in 1Q 2012, GDP at current prices in Lithuania amounted to LTL 25 249 million and, against the same period in 2011, its growth stood at 3.9%, while against IV quarter 2011 it dropped by 7.3%.
- In the 1st quarter of 2012, the **unemployed** persons numbered 79,600 and the unemployment rate was 11.5% in Estonia. The unemployment rate was slightly bigger compared to the previous quarter, but remarkably smaller compared to the same quarter of the previous year (then the unemployment rate was 11.4% and 14.4%, respectively.) There were 166.7 thousand unemployed or 16.3% of the economically active population in Latvia in the first quarter of 2012. The unemployment rate in Lithuania in 1Q 2012 stood at 14.5% (230.9 thousand unemployed persons), which is by 0.6 percentage points more than in IV quarter 2011.
- Estonia's total **retail sales** volume increased annually by 6% in April 2012. The sales in grocery stores increased 5%, mainly due to deceleration in the price increase of food products. In April 2012, compared with April 2011, the retail sales index fell by 2.5% in the **euro area** and by 1.9% in the **EU27**. The retail sales of retail trade enterprises increased 1.5% annually in **Lithuania** and 7.8% in **Latvia** in March 2012, respectively.
- The **consumer price index** in Estonia increased 3.8% in May 2012 compared to May 2011. Energy prices behind more than half of annual inflation. Euro area annual inflation was 2.4% in May. The consumer price index increased 2.5% y-o-y in May 2012 in Lithuania and 2.2% in Latvia.

## GDP



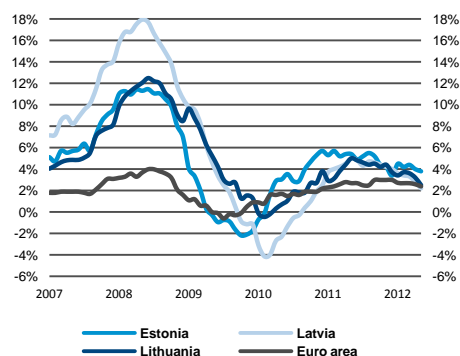
Source: Statistics Lithuania, Statistics Latvia, Statistics Estonia, Eurostat

## UNEMPLOYMENT



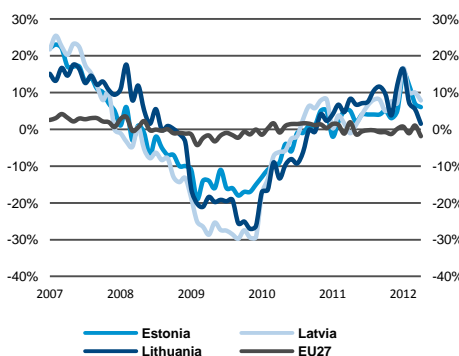
Source: Statistics Lithuania, Statistics Latvia, Statistics Estonia, Eurostat

## CONSUMER PRICES



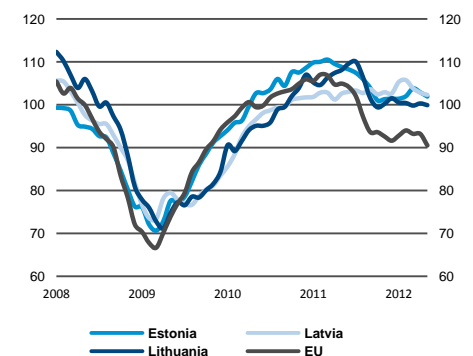
Source: Statistics Lithuania, Statistics Latvia, Statistics Estonia, Eurostat

## RETAIL TRADE



Source: Statistics Lithuania, Statistics Latvia, Statistics Estonia, Eurostat

## ECONOMIC SENTIMENT



Source: European Commission

## COLLIERS INTERNATIONAL BALTICS

### ESTONIA

Lõdtsa 2a, 11415 Tallinn  
Tel +372 6160 777  
colliers.estonia@colliers.com  
www.colliers.ee

#### Margus Tinno

Partner  
Head of Valuation and  
Investment Advisory  
Tel +372 6160 777  
GSM +372 50 59686  
margus.tinno@colliers.com

### LATVIA

K.Valdemara 21, LV-1010 Riga  
Tel +371 6778 3333  
colliers.latvia@colliers.com  
www.colliers.lv

#### Deniss Kairans

Partner  
Managing Director  
Tel +371 6778 3333  
GSM +371 2 860 6611  
deniss.kairans@colliers.com

### LITHUANIA

A.Gostauto 40B, LT-01112 Vilnius  
Tel +370 5 249 1212  
colliers.lithuania@colliers.com  
www.colliers.lt

#### Ramune Askiniene

Partner  
Director  
Tel +370 5 249 1212  
GSM +370 6501 7891  
ramune.askiniene@colliers.com