

# The Baltic real estate market overview

April 2016

**OBER**  **HAUS**  
REAL ESTATE ADVISORS

**rms**  **FORUM**  
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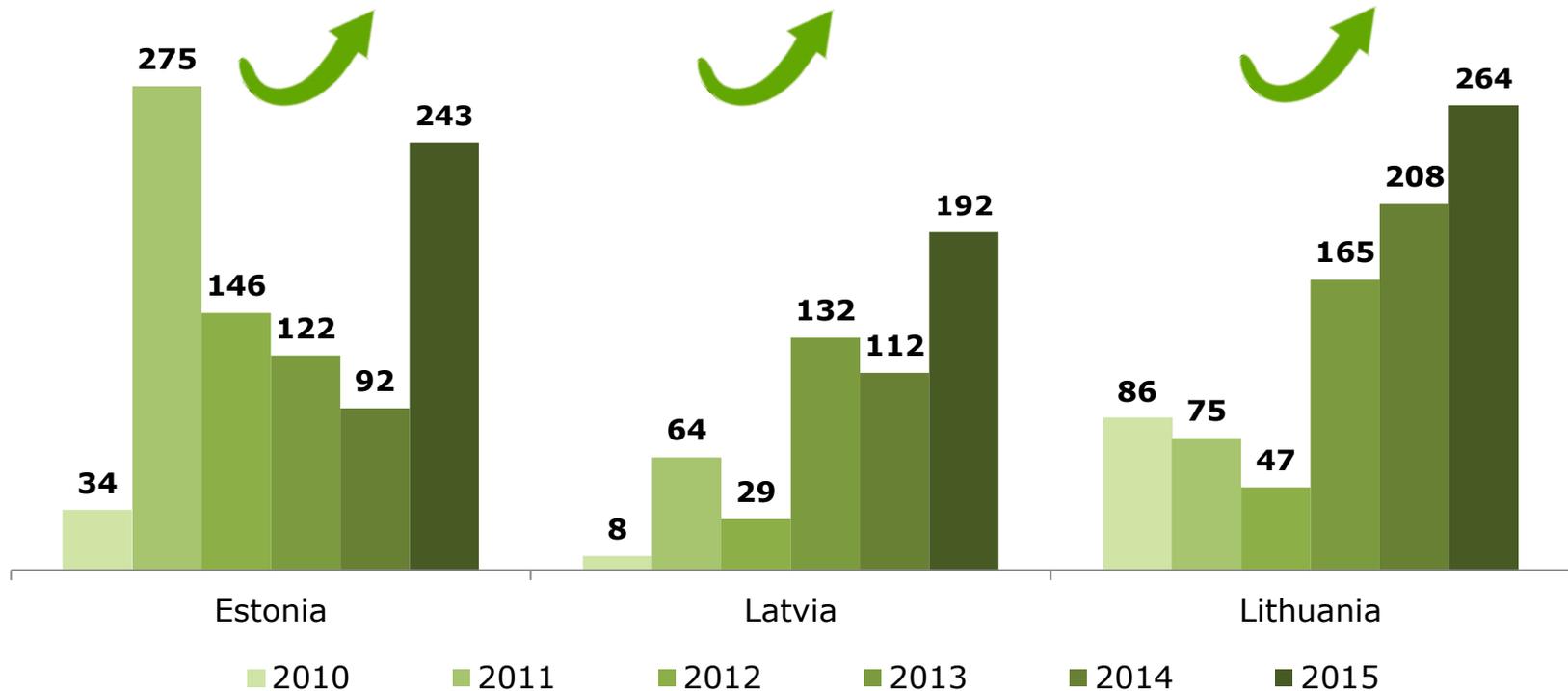


**RESIDENTIAL MARKET**

# INVESTMENT MARKET: VOLUMES

🏰 A jump of investment into the commercial real estate in the Baltics has been recorded.

## Commercial property investment volumes in the Baltics (million EUR)



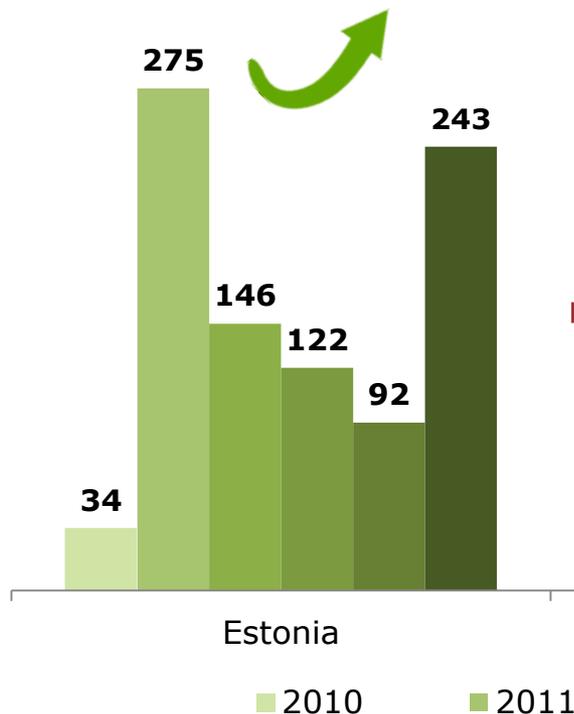
\* Investment deal – sale/acquisition of modern commercial property (office, retail, industrial) over 1.5M EUR.

# INVESTMENT MARKET: VOLUMES



In 2015 in **Estonia** some more interesting transactions were recorded...

## Commercial property investment volumes in the Baltics (million EUR)



Portfolio of municipal rental apartments in Tallinn  
(~1,200 apartments)

Raadiku Arendus > LCN Capital Partners (U.S.)

**~100M EUR**

\* Investment deal – sale/acquisition of modern commercial property (office, retail, industrial) over 1.5M EUR.

# INVESTMENT MARKET: VOLUMES

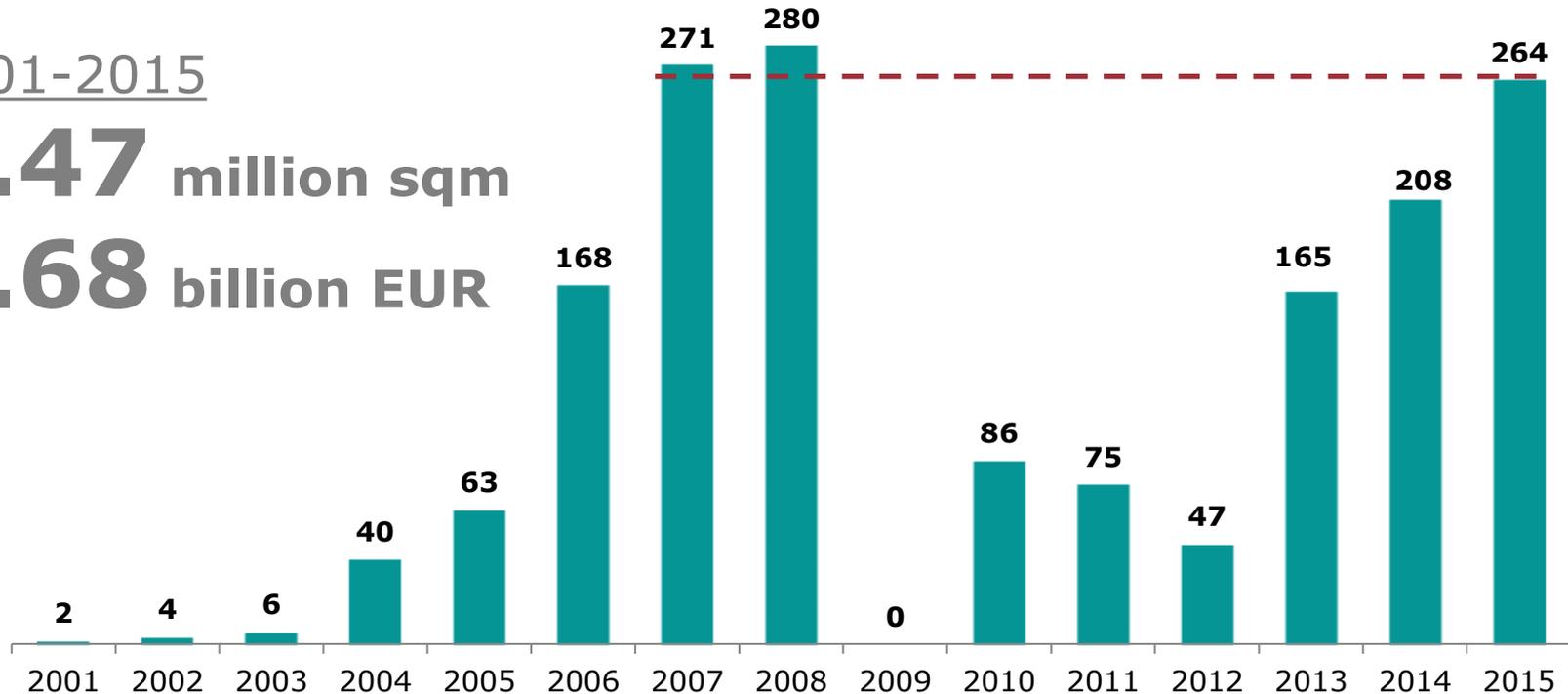
♥ The volume of investment in 2015 in **Lithuania** almost reached the 2007–2008 level.

## Commercial property investment volumes in Lithuania (million EUR)

2001-2015

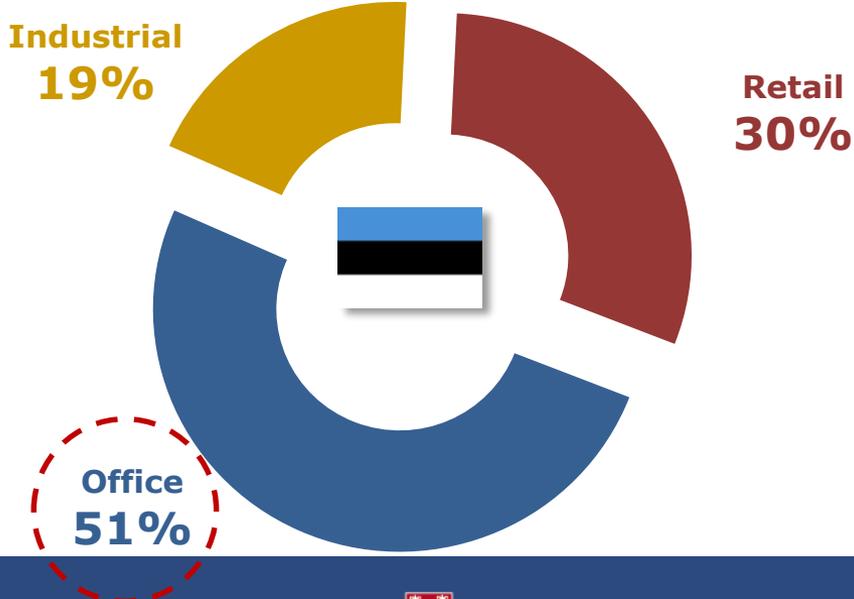
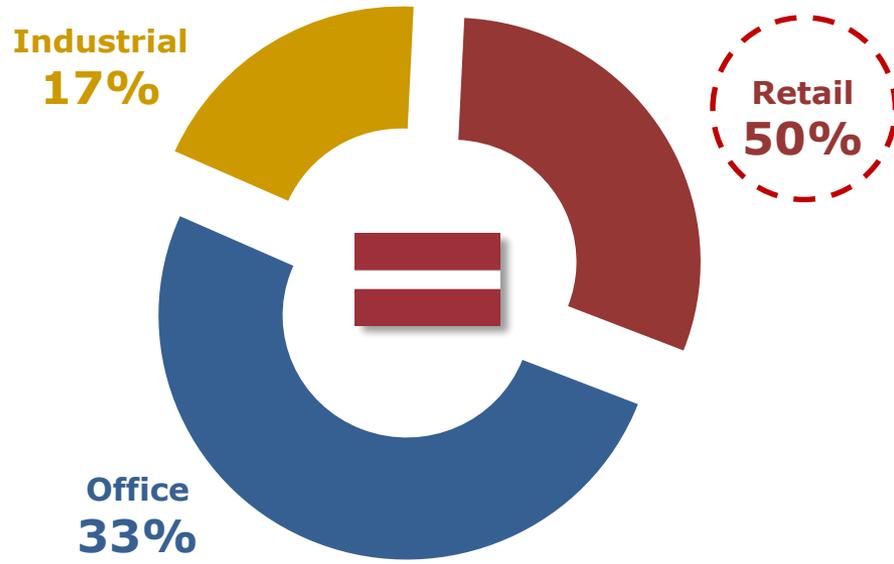
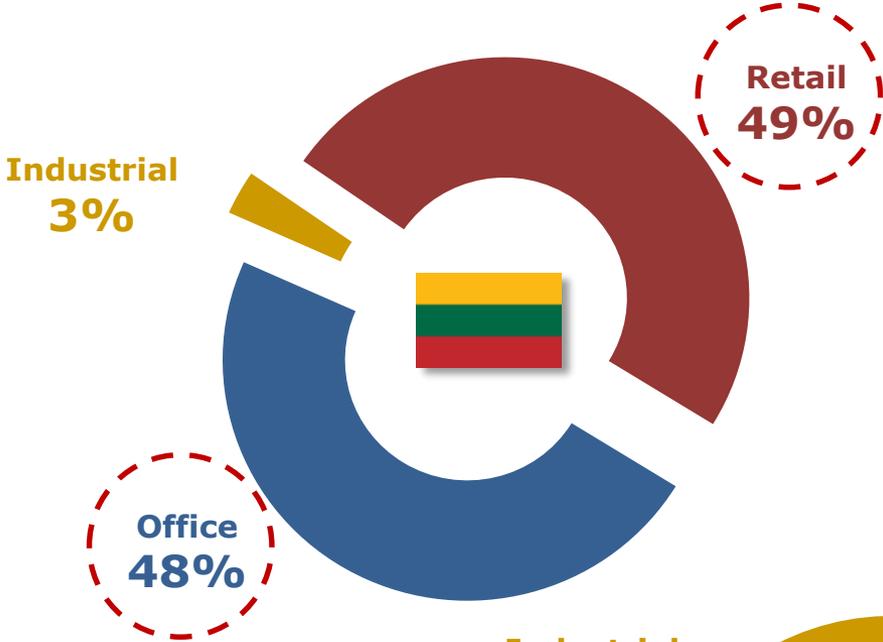
**1.47** million sqm

**1.68** billion EUR

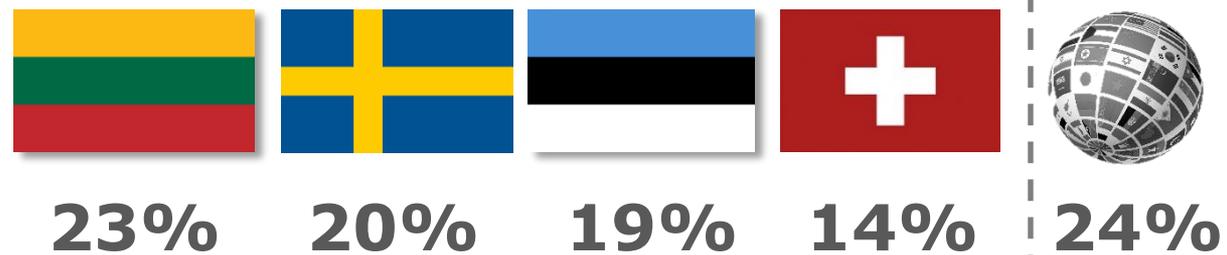
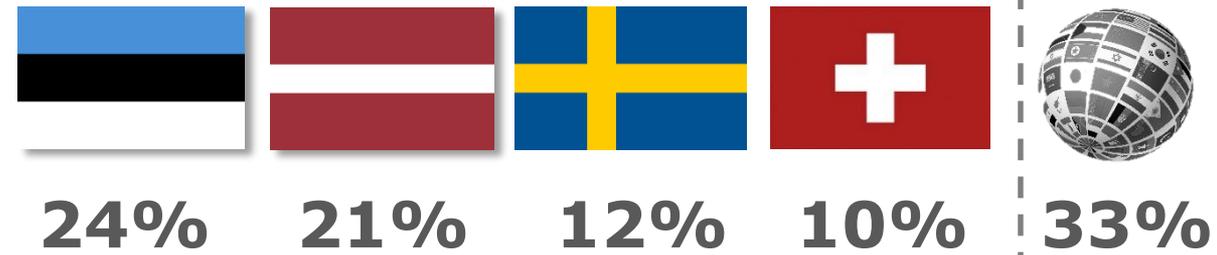
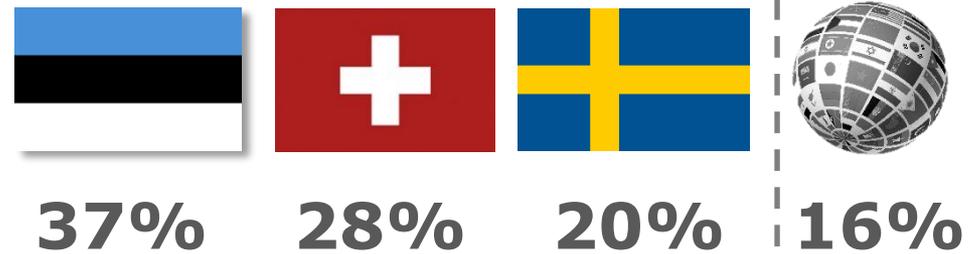
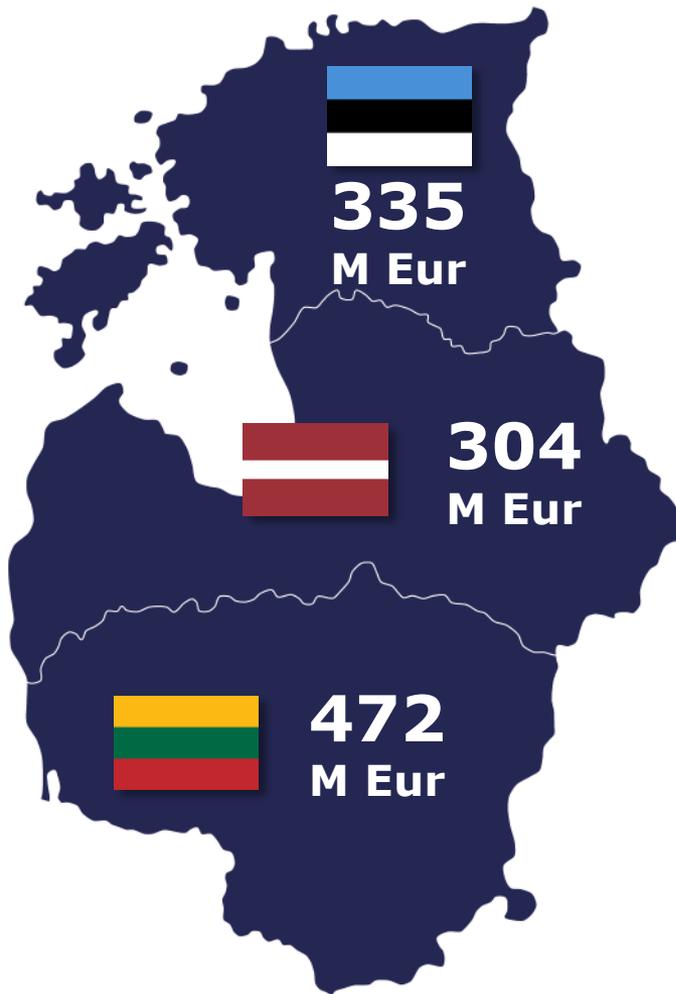


\* Investment deal – sale/acquisition of modern commercial property (office, retail, industrial) over 1.5M EUR.

# INVESTMENT MARKET: BY SECTOR IN 2014-2015



# INVESTMENT MARKET: BY COUNTRY IN 2014-2015



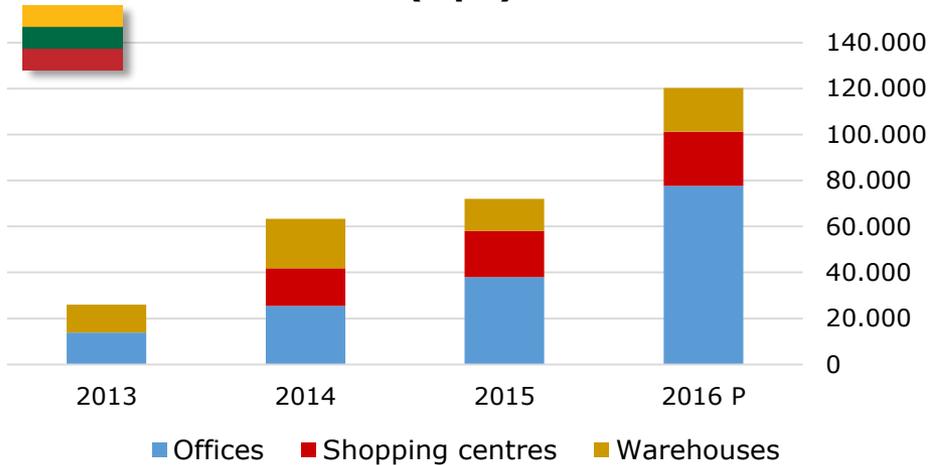
\* Investment deal – sale/acquisition of modern commercial property (office, retail, industrial) over 1.5M EUR.

## Who is the owner of modern commercial real estate in the Baltic states?

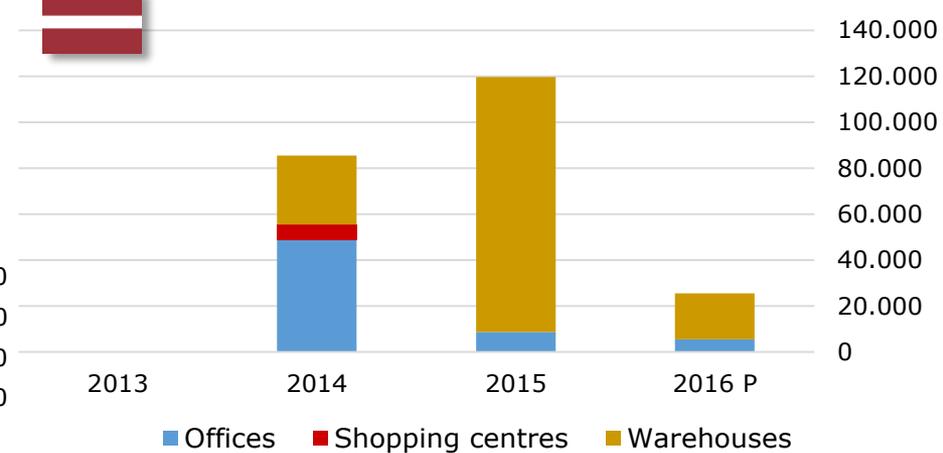


# COMMERCIAL REAL ESTATE: NEW SUPPLY

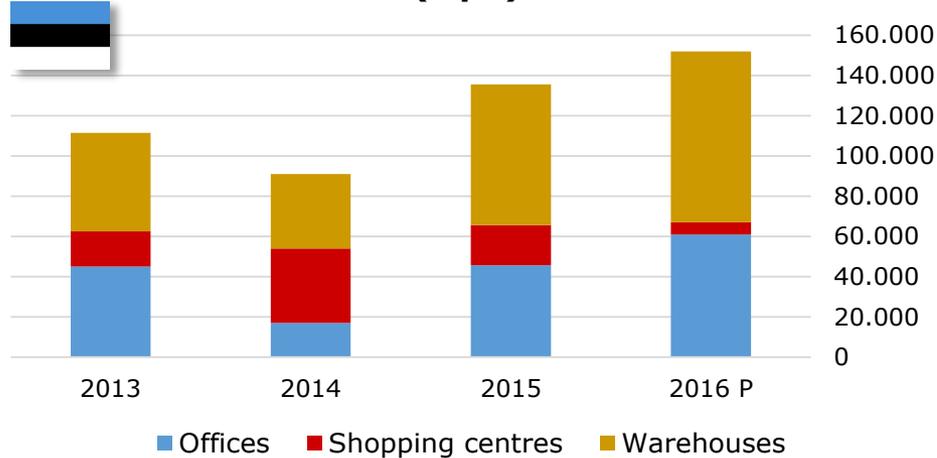
## New supply in Vilnius (sqm)



## New supply in Riga (sqm)

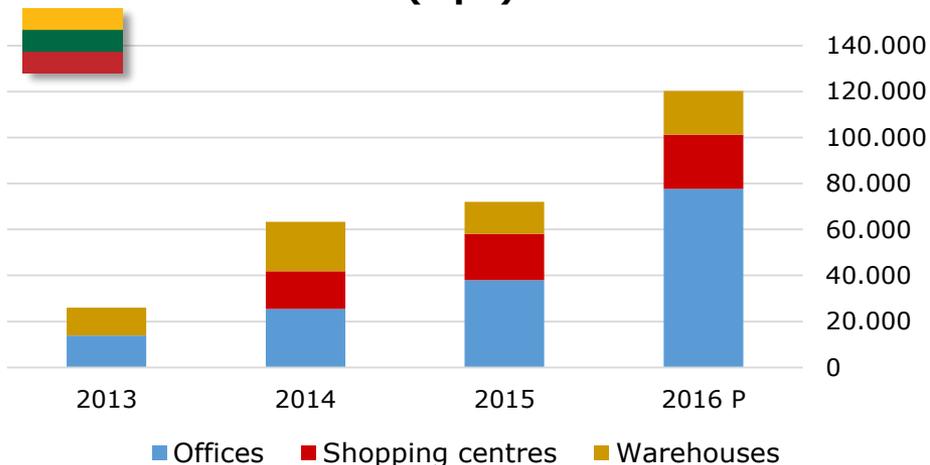


## New supply in Tallinn (sqm)

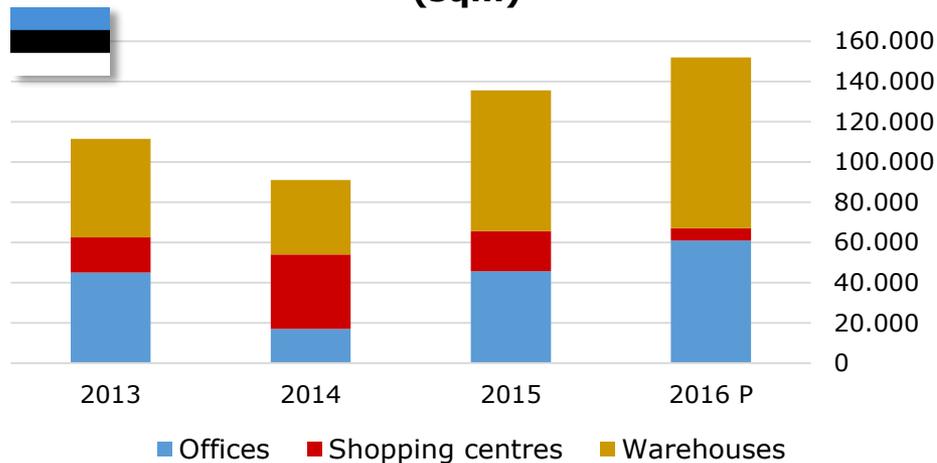


# COMMERCIAL REAL ESTATE: NEW SUPPLY

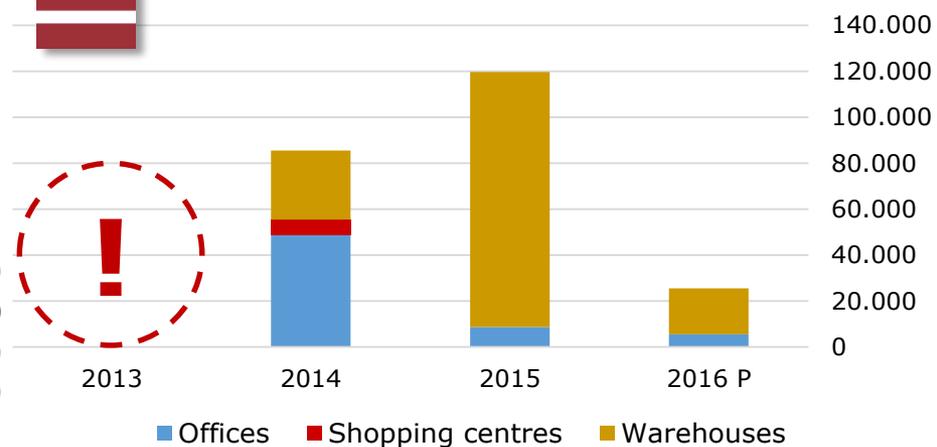
## New supply in Vilnius (sqm)



## New supply in Tallinn (sqm)



## New supply in Riga (sqm)



# COMMERCIAL REAL ESTATE: NEW SUPPLY

New developments in capitals in 2013-2016F  
(sqm per capita)



0,38



0,18



0,55



0,29



0,11



0,25



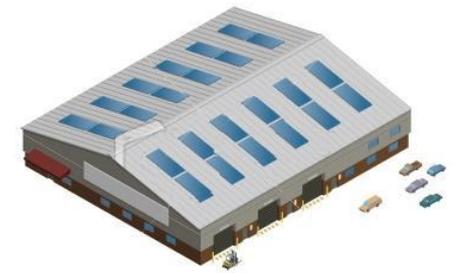
0,10



0,01

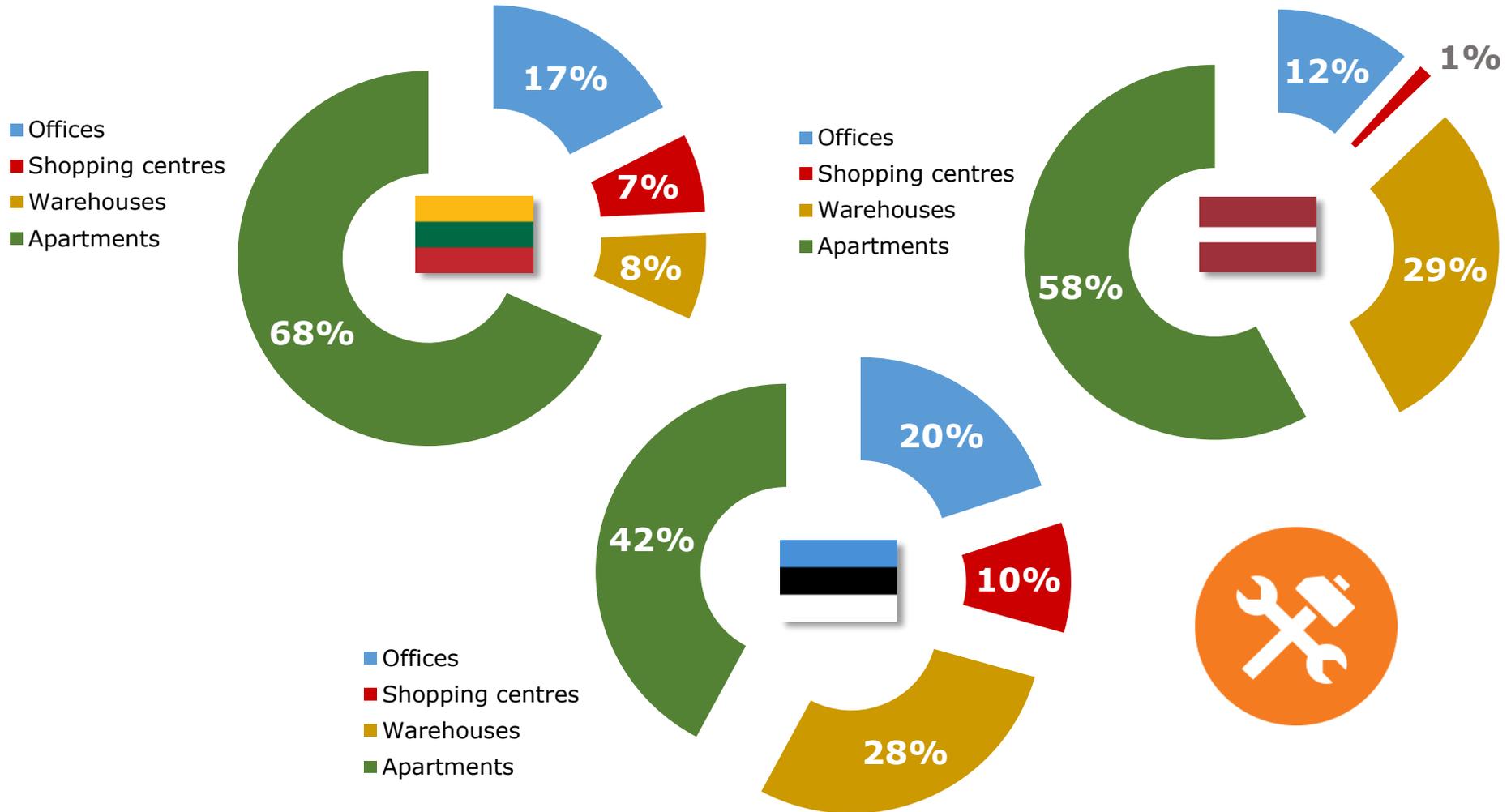


0,13

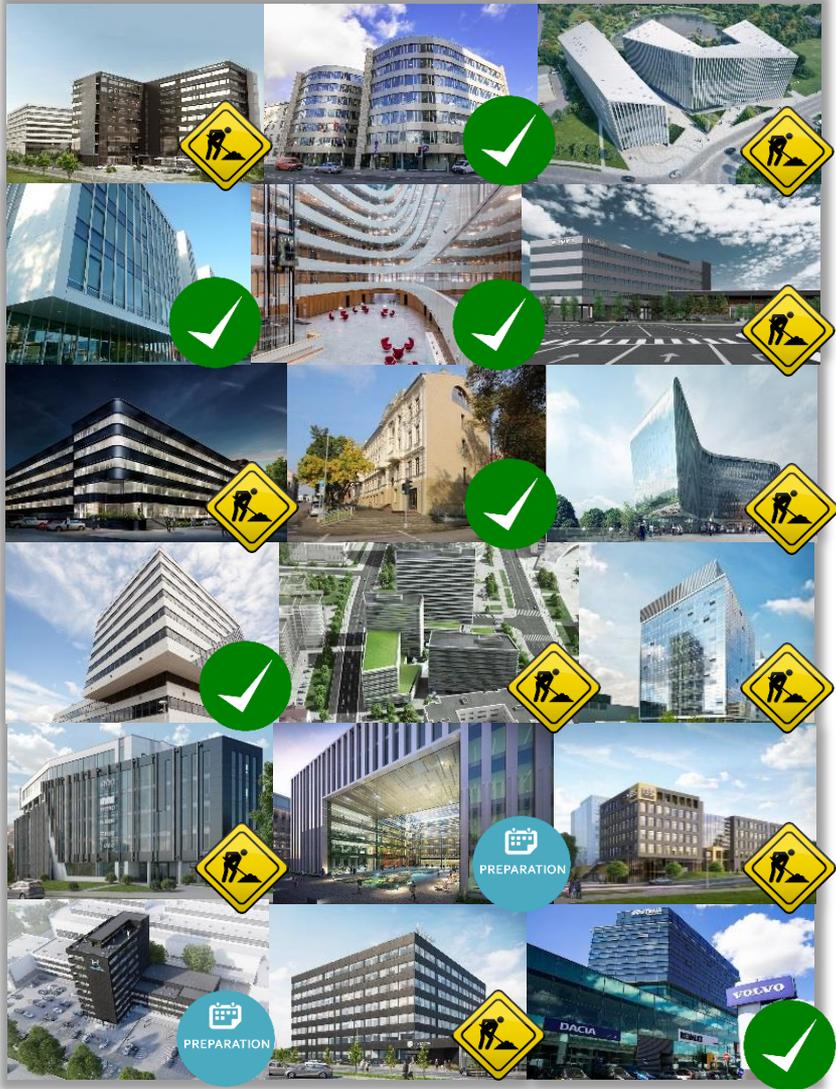


# COMMERCIAL & RESIDENTIAL REAL ESTATE: NEW SUPPLY BY SECTOR

## New developments in capitals in 2013-2016F (sqm share by sector)



# OFFICE MARKET: NEW SUPPLY & DEMAND



**What prompted such rapid development of business centres in Vilnius?**

← **New office projects in Vilnius in 2015-2017F**

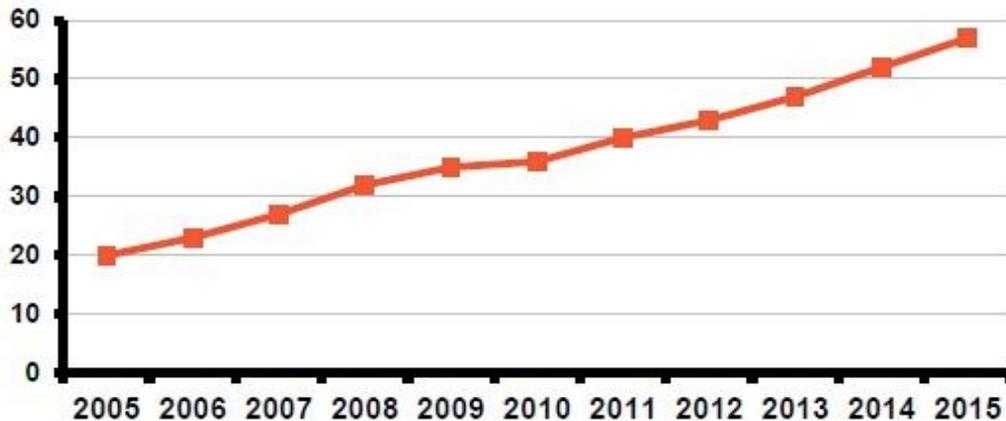


**18** projects with almost **200,000 sqm** of office space

# SSC & BUSINESS SERVICES



NUMBER OF SSC/BPO IN LITHUANIA



According to data from Invest Lithuania, **57** shared service centres (SSC/BPO) with **12,500** employees are currently operating **in Lithuania**. And many of these centres continue to expand.



The number of service centres in Lithuania has grown stably and has increased almost **six times** since 2001.



# SSC & BUSINESS SERVICES VS OFFICE MARKET



**~57**  
**SSC/BPO**

**~12,500**  
**employees**



**~75**  
**SSC/BPO**

**~6,000**  
**employees**



**~36**  
**SSC/BPO**

**~5,000**  
**employees**



# SSC & BUSINESS SERVICES VS OFFICE MARKET



**~57**  
**SSC/BPO**  
**~12,500**  
**employees**

**4%**  
**office vacancy**  
**155,000 sqm**  
**new office supply**  
**in 2013-2016F**



**~75**  
**SSC/BPO**  
**~6,000**  
**employees**

**3%**  
**office vacancy**  
**168,600 sqm**  
**new office supply**  
**in 2013-2016F**



**~36**  
**SSC/BPO**  
**~5,000**  
**employees**

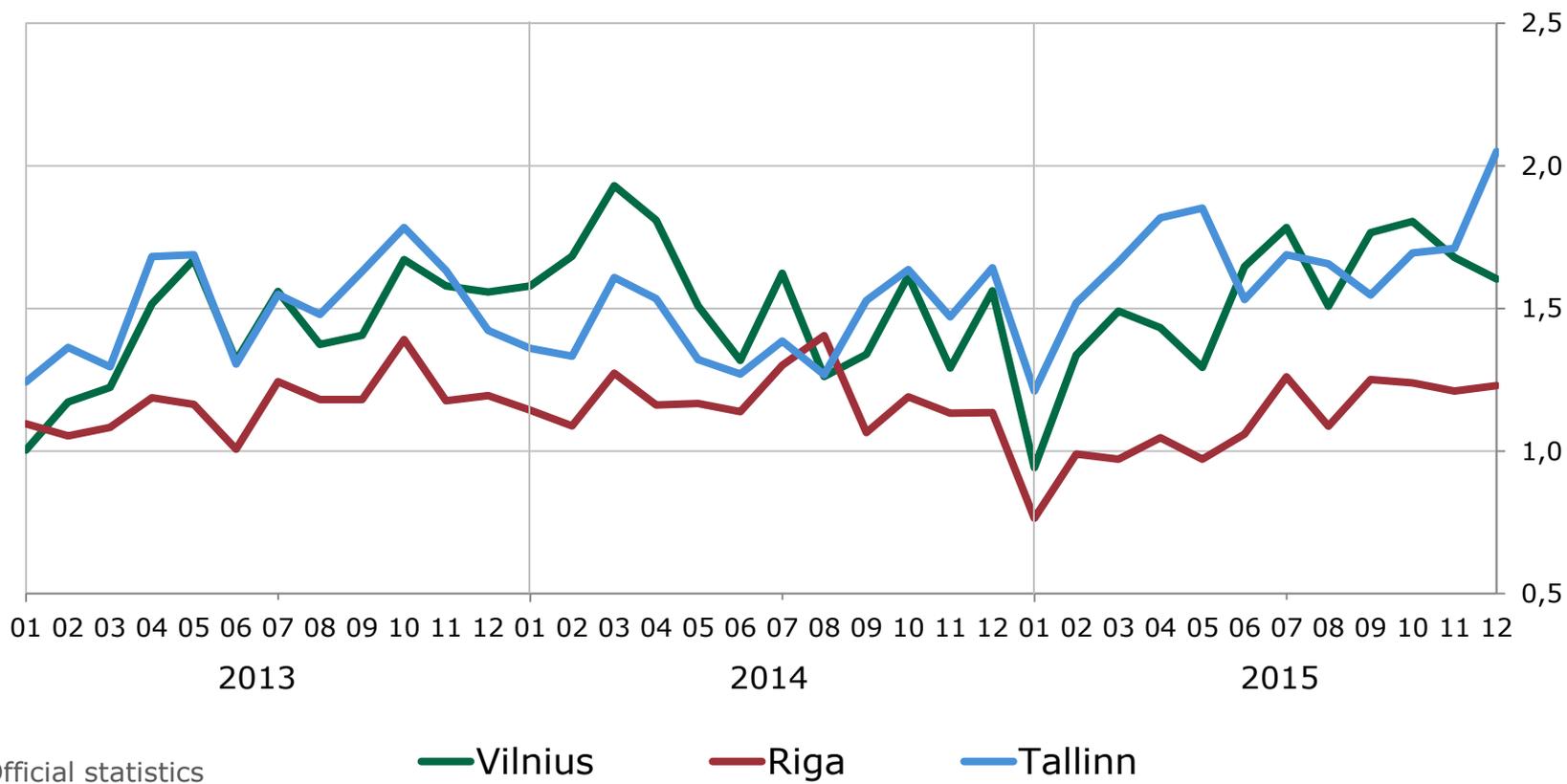
**6%**  
**office vacancy**  
**63,300 sqm**  
**new office supply**  
**in 2013-2016F**



# RESIDENTIAL REAL ESTATE: MARKET ACTIVITY

🏡 In terms of the apartment market activity per 1,000 inhabitants, **Riga** is far behind **Tallinn** and **Vilnius**.

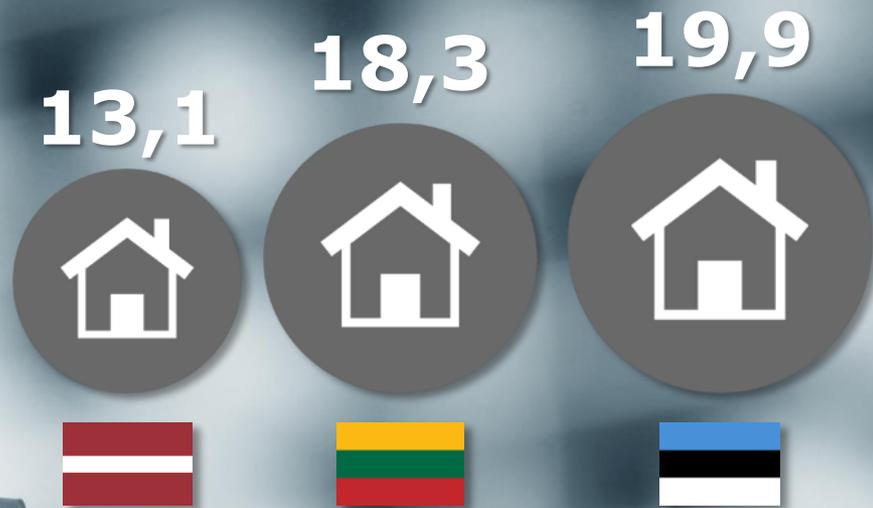
## Number of apartment transactions per 1,000 inhabitants (per month)



Source: Official statistics

# RESIDENTIAL REAL ESTATE: MARKET ACTIVITY

The activity in the apartment market is by **28%** less intensive in **Riga** than in **Vilnius** and by **34%** less intensive than in **Tallinn**.



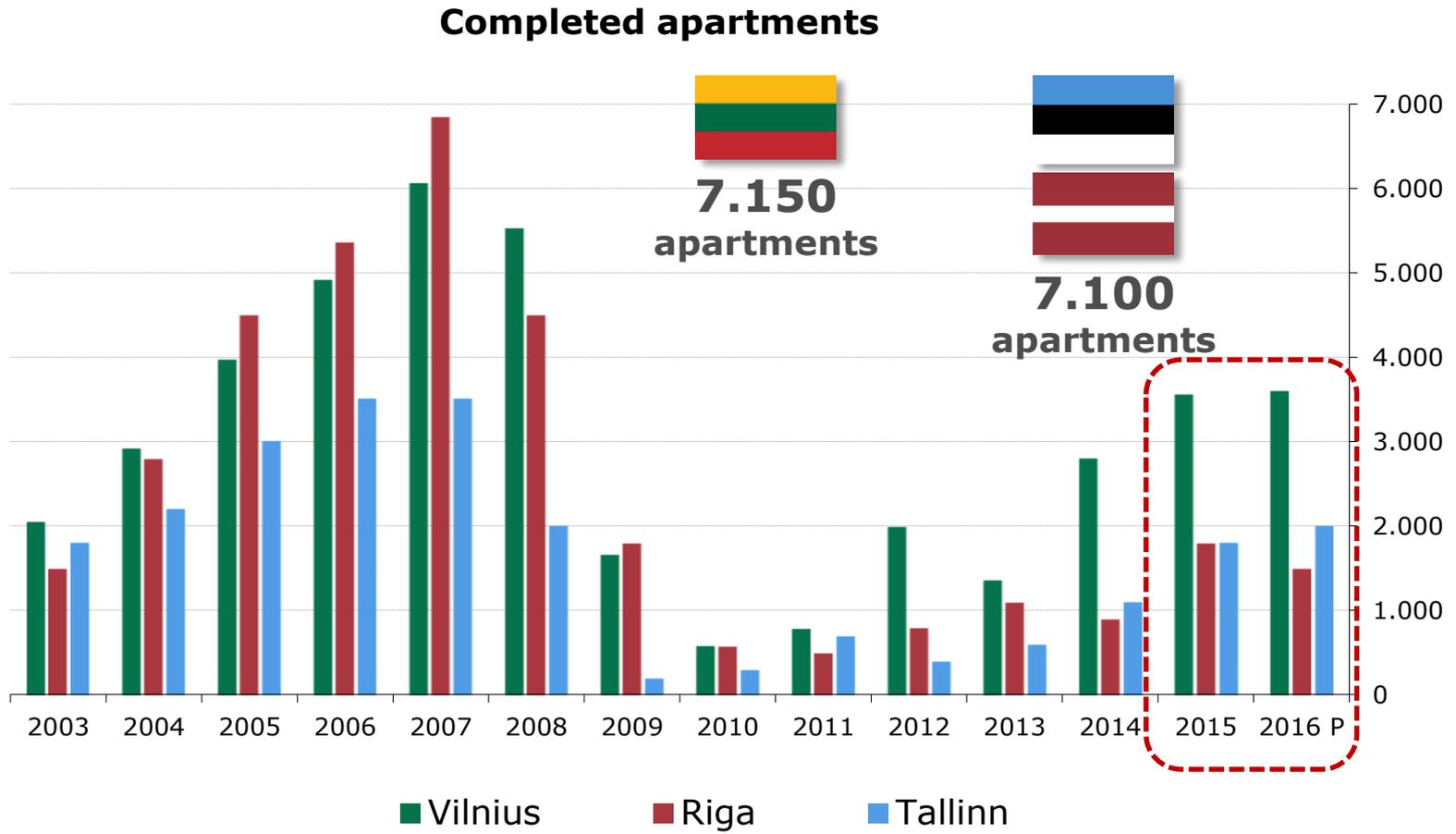
Number of apartment transactions per 1,000 inhabitants (in 2015)

Source: Official statistics

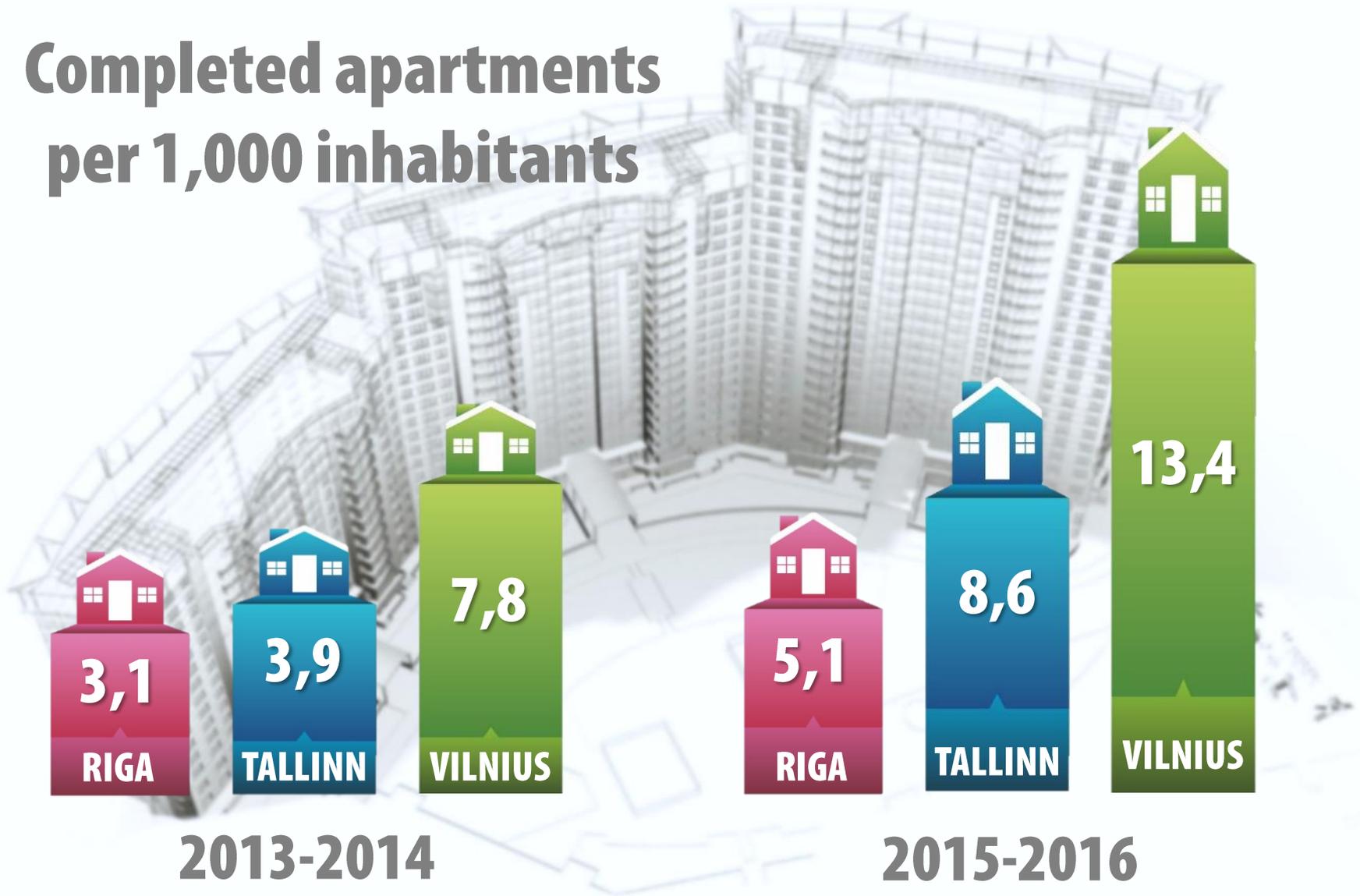
# RESIDENTIAL REAL ESTATE: NEW SUPPLY



A faster increase in the number of newly built apartments **in Tallinn** and **in Riga** has been recorded, but the number of apartments built in these cities is half as small as **in Vilnius**.



## Completed apartments per 1,000 inhabitants



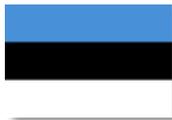
# RESIDENTIAL REAL ESTATE: NEW SUPPLY

- When comparing **Riga, Tallinn and Vilnius**, certain differences can be observed not only in terms of the volume, but also in terms of the quality characteristics of the new multi-apartment buildings.

## Average number of apartments in the new residential projects in capitals (2014-2016F)



44 apartments



56 apartments



81 apartments



- Projects implemented in **Tallinn** are of a smaller scale, while in **Vilnius** developers are not afraid to invest in larger projects.

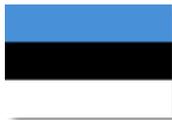
# RESIDENTIAL REAL ESTATE: NEW SUPPLY

- But **Tallinn** is ahead of Vilnius in terms of the average size of apartments, a quality characteristic of new apartments.

## Average size of apartments in the new residential projects in Tallinn and Vilnius (2014-2015)



**67 sqm**



**20%**  
smaller

**54 sqm**



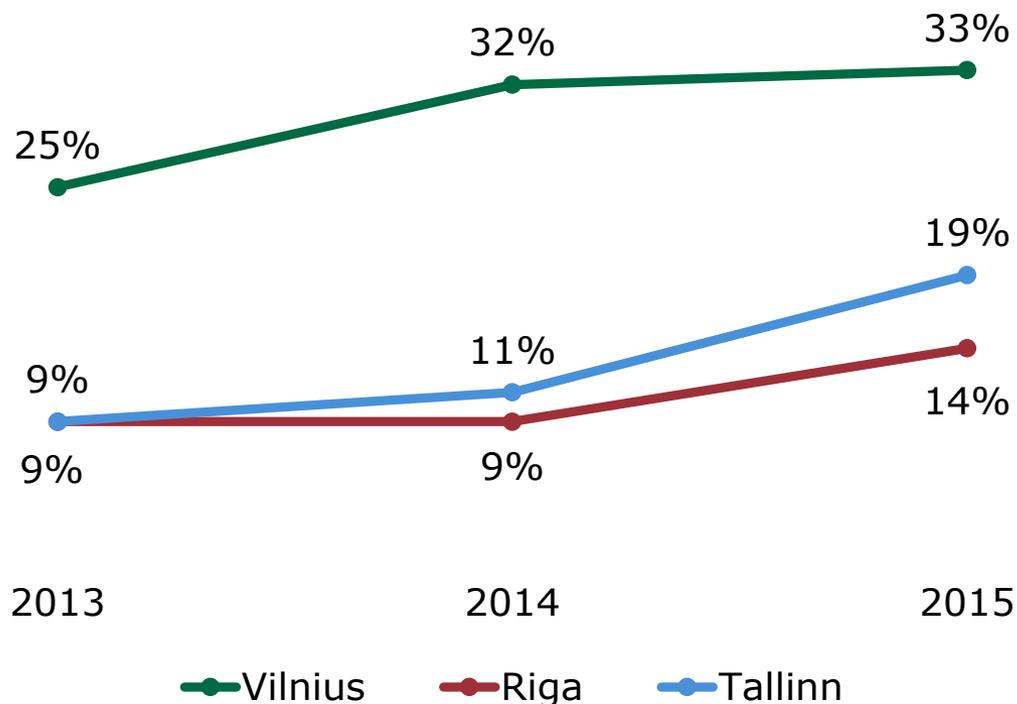
# RESIDENTIAL REAL ESTATE: PRIMARY MARKET ACTIVITY

🏡 In 2014–2015, new apartments accounted for a third of the total apartments purchased in **Vilnius**. In **Tallinn** and **Riga** the share of newly constructed property is increasing, but lags well behind the capital of Lithuania.

### Share of sold new construction apartments in total transactions

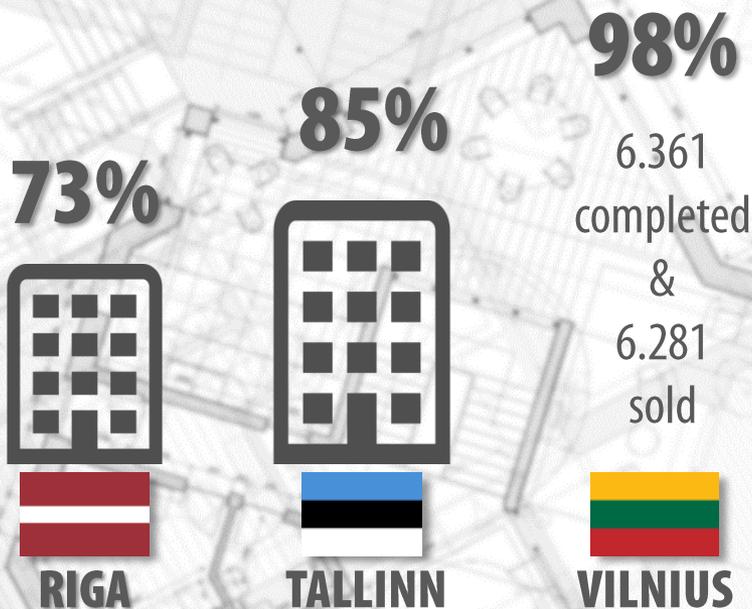


**VS.**



Source: Official statistics, Ober-Haus

## New apartments take-up vs completion in 2014-2015



The ratio between new apartments built and sold in 2014–2015 reflects the prevailing moods of developers in the Baltic states.

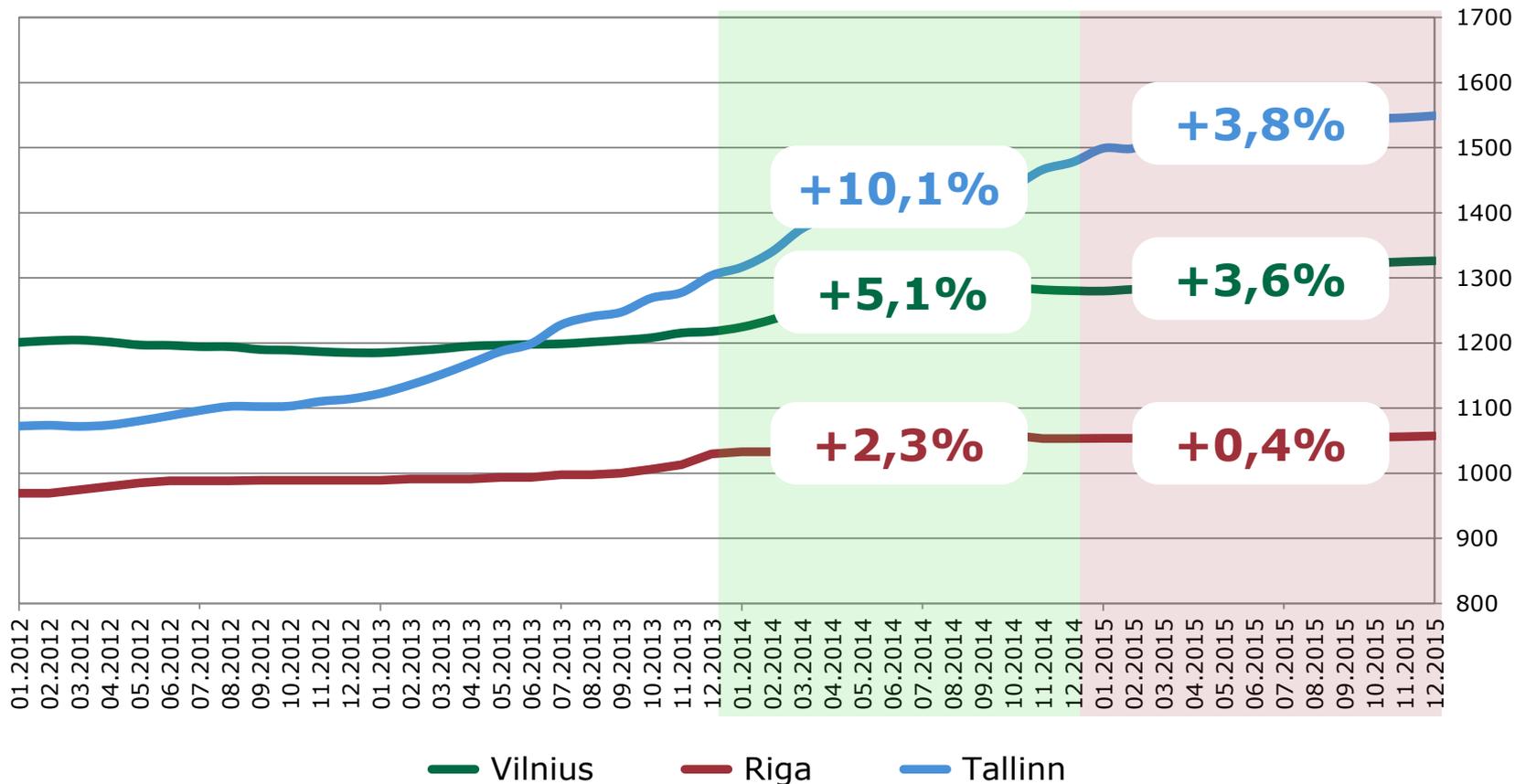
**In Vilnius**, the sale of new apartments nearly coincides with the volumes of construction, therefore developers are extremely optimistic and continue to offer new projects to the market.

The residential property market **in Tallinn** is gaining momentum, while **Riga** still needs to catch up.

# RESIDENTIAL REAL ESTATE: PRICES

🇱🇻 The increase in apartment prices in the capitals of the Baltic states in 2015 was considerably smaller than in the previous year.

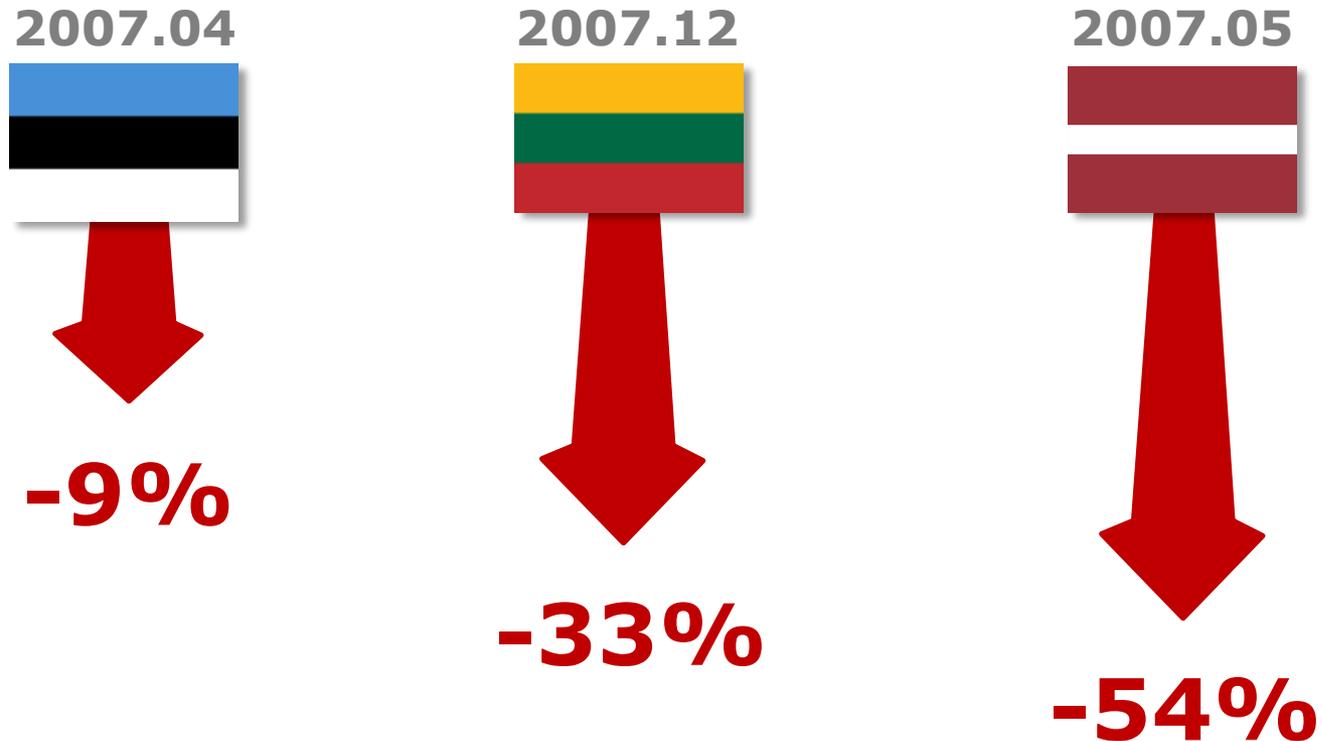
## Average apartment prices (EUR/sqm)



# RESIDENTIAL REAL ESTATE: PRICES

- During the peak period, the apartment prices were among the lowest **in Tallinn**, so now they are fastest in recovering their value. Meanwhile during the peak period, the prices were the highest **in Riga** and cannot seem to recover from the latest economic downturn.

## How much from all-time-high level?

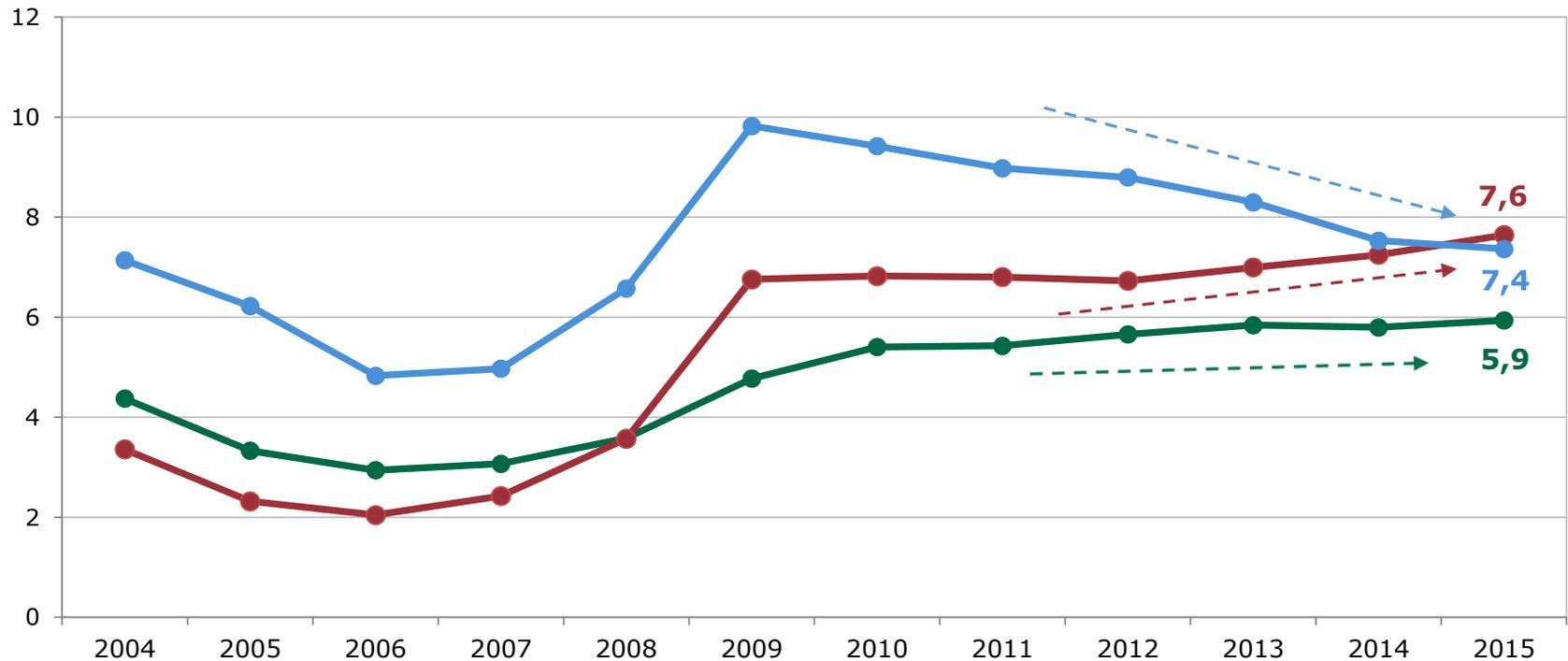


# RESIDENTIAL REAL ESTATE: AFFORDABILITY



The prices for apartments are rising faster than the salaries **in Tallinn, in Riga** the situation is the opposite, while **in Lithuania** prices for apartments are essentially increasing at the same pace as salaries.

**Apartment price-to-income ratio**  
(how many sqm can be acquired for average annual net salary)



Source: Official statistics, Ober-Haus

● Vilnius

● Riga

● Tallinn



**THANK YOU!**

**Remigijus Pleteras**

General Manager of

Ober-Haus Real Estate Advisors in Lithuania

[remigijus.pleteras@ober-haus.lt](mailto:remigijus.pleteras@ober-haus.lt)

# OBER-HAUS REAL ESTATE ADVISORS (REALIA GROUP)

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