

PROPERTY TIMES

New projects in the pipeline

Baltic Industrial-Logistics Q4 2014

10 April 2015

Contents

Macroeconomic Trends in the Baltic States	2
Estonian industrial/ logistics market	4
Latvian industrial/ logistics market	7
Lithuanian industrial / logistics market	10

Authors

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

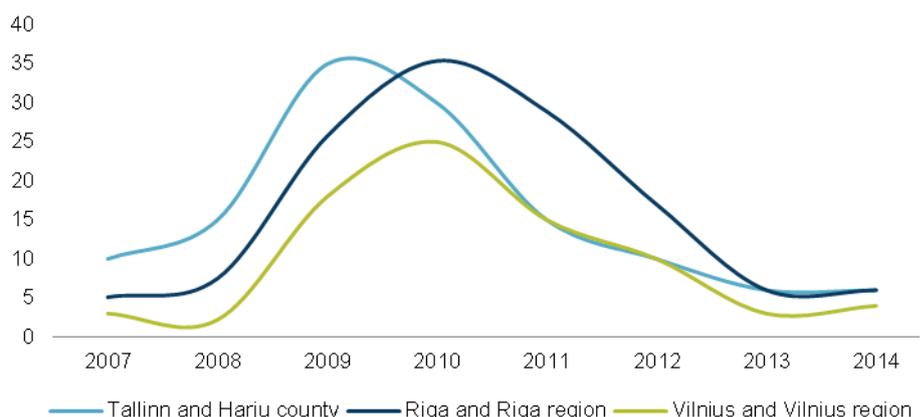
Kristina Kondratoviča
 Valuation expert
 + 371 6 724 4811
 kristina.kondratovica@dtz.lv

Contact

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

- Whereas a slight increase in rental rates was observed in 2013, the rates remained unchanged and grew insignificantly in 2014 and no growth is expected in 2015. This is mainly the result of the uncertainties of the external market and the tense situation in Russia.
- There is a shortage of new high-quality premises and although the market is mainly oriented to owner-occupiers there are good opportunities for sale and lease-back deals. Several projects are under development in all three Baltic States.
- Growing demand has been seen among cash flow objects, especially in Latvia. This may cause swinging yields downwards, especially in the long term, enabling higher returns to be gained. The prime yields at the moment are still at the level of 8.0-9.0%.

Figure 1
Industrial/ logistics yields, %



Source: DTZ Research

Baltic Industrial-Logistics Q4 2014

Macroeconomic Trends in the Baltic States Estonia

According to the estimates of Statistics Estonia in the 4th quarter of 2014, the Estonian economy grew 3.0% compared to the 4th quarter of 2013, the annual GDP growth in 2014 was 2.1% compared to the previous year.

According to the Bank of Estonia economy grew in 2014 mainly with support from the domestic market, though the market share of Estonian goods and services in partner countries has also increased. Rapid growth in production from manufacturing and slightly more optimistic expectations for output indicate that economic activity continues to increase. Economic growth in 2014 will be faster than it was last year but it will only accelerate modestly in future. Estonia is in a different phase of development from that ten years ago and sustainable growth over the long term is 3–4%. Estonian GDP will increase 2.1% in 2015 and 3.3% in 2016.

The change of the consumer price index in January 2015 was -1.3% compared to January of the previous year. Compared to January 2014, goods were 2.3% cheaper and services 0.6% more expensive. Consumer price inflation went below zero in June 2014 for the first time since the crisis. According to forecasts of Bank of Estonia the inflation will pick up in the next two years, but it will remain subdued. Higher labor costs will make the prices of domestic goods and services rise faster than those of imported goods and services. The CPI will be accordingly 0.8% in 2015 and 2.1% in 2016.

According to Statistics Estonia in 2014 the annual average number of unemployed persons was 50,000, which is 9,000 less compared to the previous year. The annual average unemployment rate (7.4%) was 1.2 percentage points lower than in 2013 (8.6%). Compared to the highest unemployment rate of the last decade (16.7% in 2010), unemployment has decreased more than twice. In 2014, the unemployment rate in Estonia was relatively low compared to other European Union countries.

Latvia

According to the Central Statistical Bureau of Latvia, in 2014 compared to 2013, GDP at constant prices grew by 2.4%.

Preliminary data suggests that positive contribution to GDP development came from the households that were the main driver during the first three quarters of 2014 however this trend cannot continue for the long time. Pessimistic mood and consequences of Russia's embargo caused caution in households and investor plans. Due to geopolitical situation investors prefer not to expend their money for business expansion, but to use already existing resources for production capacity. Another serious negative impact on Latvia's economic progress, particularly affecting the real estate sector and construction are amendments of the Immigration Law and Insolvency Law. The threshold of investments in Latvia's real estate has been significantly increased as well as the latter stipulate the introduction of liberalised personal bankruptcy regime. The prime factors of the development of Latvia economy are external factors and geopolitical situation. According to the Bank of Latvia the GDP growth forecasts for 2015 is 2.0%.

The average annual inflation in 2014 was 0.6%, which is one of the lowest levels in a growing economy in Latvia, and it was caused to a large extent, by external factors - mostly sustained by the global prices and postponement electricity market liberalisation until 2015. Given the variety of low inflation and rising employment and wages in recent years, traders and manufacturers are testing the limits of consumer spending by raising prices. Though the wages will rise in moderate pace but uncertainty related to external factors will increase the savings. Accounting for the latest global oil price dynamics, the revised inflation forecast of Bank of Latvia for January 2015 is lowered to 0.9% (instead of 1.4% projected in December).

The rate of unemployment has declined in Latvia to 8.3% in the December 2014 or 10.6% of all jobseekers from the economically active population. With the pace of economic growth employment will approach its natural level. Significant decrease of unemployment is foreseen only after implantation of motivating measures for labour market.

Lithuania

In 2014 Lithuania's economy continued to grow at a healthy pace supported by domestic demand and, in particular by the growth of private consumption. According to Statistics Lithuania the GDP growth in 2014 was 2.9%. 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 as it was in 2013. GDP is projected to increase by 3.1 % in 2015 and 3.3 % in 2016. Despite of losses in Russia, Lithuania's total export in 2015 should grow by 1%, due to recovering economy of the euro area and entering new markets. Inflation has been very low and stable for a while, mostly as a result of consumer-friendly developments in the prices for commodities in the global market and low inflation environment in the euro area. The deflation was 0.3% in 2014. According to Central Bank of Lithuania projected average annual inflation should stand at 0.9% in 2015.

The current unemployment rate is quite close to its estimated natural level, which suggests a slowdown in both unemployment decline and employment growth in the future. According to the Statistics Lithuania, the unemployment rate decreased in 2014 to 10.6% from 11.9% at the end of 2013. Despite improvements in the labour market, structural unemployment remains high, with about half of the unemployed out of work for over a year.

Baltic Industrial-Logistics Q4 2014

Table 1

Key Macroeconomic Indicators

	Estonia	Latvia	Lithuania
Population (in thousands)	1,315	2,002	2,943
Urban population	68%	68%	67%
Area (thousand km ²)	45	65	65
Population density (per km ²)	29	31	45
Capital city	Tallinn	Riga	Vilnius
Population in capital cities (thousand)	411	643	529
Currency	EUR	EUR	EUR
GDP at current prices (€ Bn, 2014)	19,5	24,1	36,3
GDP per capita (thousand €, 2014)	14,83	12,04	12,34
GDP growth (% , 2014)	2.1	2.4	2.4
Inflation rate (% , 2014)	-0.1	0.7	0.2
Unemployment rate (% , 2014)	7.4	9.0	9.1

Source: National Statistics

Baltic Industrial-Logistics Q4 2014

Estonian industrial/ logistics market

Logistics/ warehouse buildings are located in the area of major roads and city borders in larger cities, but also near intersections of major roads in the vicinity of cities/ hamlets. In the impact area of larger cities industrial and warehouse buildings are gathering to relatively newly developed industrial parks (for example Tånassilma, Jüri and Mõigu in the neighbourhood of Tallinn).

Supply

New premises are mostly constructed for owner's use. Market's development depends on how it is going in local industrial sector. The volumes have increased in recent years and the capacity of use permits for new industrial and logistics was more than 150,000 sq m in 2014.

The volume of building permits of industrial buildings and warehouses in Tallinn and Harju County in the last few years in the graph, the volume of started construction is presented for comparison.

The share of rental premises has increased slightly, leaving clearly dominant share to premises in owners' own use. Projects made on clients' orders are the main kinds.

Some examples of large projects:

- The development of VGP Park Nehatu near the Peterburi Road will continue.
- The first phase of the logistic centre of Smarten Logistics near the Tallinn-Tartu Road in Rae Parish should be completed in 2015.
- The construction of Maxima logistics centre in Rae Parish with nearly 45,000 sq m should be completed in December 2015.

Smaller rental premises sized 200-500 sq m in attractive location are valued the highest. There is rather limited demand for older, B- or C-class premises. The amount of new warehouse and industrial space on offer has rapidly decreased, referring to higher demand. As the rental fees are still quite low and the construction costs quite high, the developers are not interested to build new premises and it is also quite expensive for companies to renovate their B-, or even more, C-class premises.

Rental rates

Major adjustment in rental levels of industrial and warehouse premises were made during 2008/09 (peak year 2007). Total decrease was all together approx. 45-50%. During 2010, rental fees remained stable with some slight increase among the new premises. The beginning of 2011 brought slight increase in rents regarding mostly new premises, but the trend stopped as fast as it began. By the middle of 2012, considering the increase in CPI and construction prices, the lower level of rental fees increased by 10-15%. In 2013 and 2014 modest increase of rental prices in A-class was observed.

Map 1

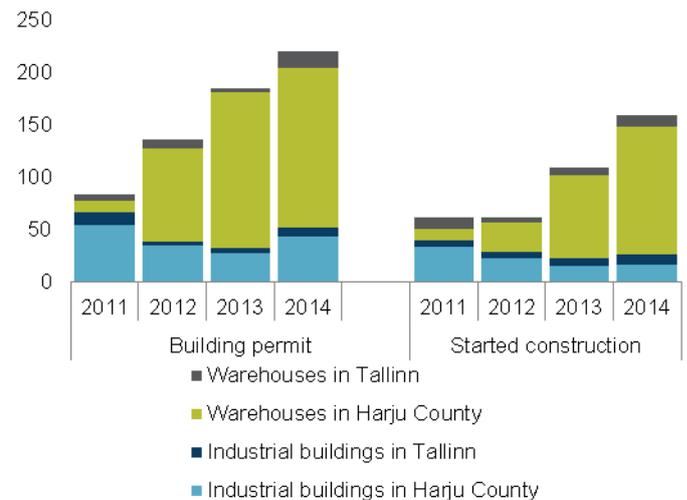
Major industrial and warehouse areas in Tallinn



Source: DTZ Research

Figure 2

Building permits of industrial and storage premises and started constructions (th sq m)



Source: Statistics Estonia, DTZ Research

Table 2

Rental fees for industrial properties in Tallinn and its vicinity, €/ sq m pm (premises sized over 300 sq m)

	A	B	C
Prime locations	4.5-5.2	3-3.8	
Secondary locations	3.5-4.2	2-3	1-2

Source: DTZ Research

Baltic Industrial-Logistics Q4 2014

Vacancy level

Together with stabilization of economic situation and increase of industrial production the vacancy and the number of active offers of new premises has decreased significantly. In condition of relatively unstable economic situation during last year the vacancy of modern premises has been relatively low. It has been affected by cautious new construction. Still, rather high vacancy is detected among older B- and C-class premises; vacancy rate is approx. 20-25% (reaching to whole buildings in some larger complexes). There has not been any compression of vacancies in older buildings as the companies are moving to newer premises.

Table 3

Main logistic hubs in Estonia

No. on the map	Name	Description	Location	Territory (ha)
INDUSTRIAL AREAS				
R1	Area at Laki Str., Kadaka Str., Forelli Str. and Marja Str.	Industrial and logistics area including office buildings	Within Tallinn city's Mustamäe city district; 8.5 km to TLL airport, 7.5 km to Tallinn Port	2.4
R2	Paljassaare harbour area and it's closer surroundings	Industrial area	Within Tallinn city, harbour area (industrial use) in Kopli district of Northern Tallinn city district; 9 km to TLL airport, 4.5 km to Tallinn Port	11
R3	Liiva industrial area	Industrial area	Within Tallinn city's Nõmme city district, the area bears the address of Kalmistu Road; 8 km to TLL airport, 8.5 km to Tallinn Port	1.4
R4	Area at Männiku Road	Industrial area	Within Tallinn city's Nõmme city district; 8.5 km to TLL airport, 9 km to Tallinn Port	2.4
R5	Suur-Sõjamäe area	Industrial area including office buildings	Within Tallinn city's Lasnamäe city district; 0.1 km to TLL airport, 5 km to Tallinn Port	7.3
R6	Area at Betooni St. and Paneeli St.	Industrial area including office buildings	Within Tallinn city's Lasnamäe city district; 5 km to TLL airport, 7.5 km to Tallinn Port	6.3
R7	Area between Punane Str. and Peterburi Rd.	Industrial area including office buildings	Within Tallinn city's Lasnamäe city district; 4 km to TLL airport, 7.5 km to Tallinn Port	3
R8	Area at Vana-Narva Rd.	Industrial area	Approx. 0.5 km from Tallinn city's eastern border, location in Jõelähtme Parish; 12.5 km to TLL airport, 6.5 km from Muuga Port and 13.5 km to Tallinn Port	4
INDUSTRIAL AND BUSINESS PARKS				
1.	Tänassilma Technological Park	Industrial/business Park	From northern side, borders with Tallinn city's border, location in Saku Parish; 15 km to TLL airport and 18 km to Tallinn Port	1.6
2.	Mõigu Technological Park	Industrial/business Park	Approx. 0.3 km from Tallinn city's north-eastern border, location in Rae Parish; 1.5 km to TLL airport and 7.2 km to Tallinn Port	18.7
3.	Kroosi Technological Park	Industrial area	Approx. 2.3 km from Tallinn city's north-eastern border, location in Rae Parish; 3.8 km to TLL airport and 9 km to Tallinn Port	12
4.	Jüri Technological Park	Industrial/business Park	Approx. 6.5 km from Tallinn city's north-eastern border, location in Rae Parish next to Jüri Hamlet; 7.5 km to TLL airport and 15 km to Tallinn Port	37

Source: DTZ Research

Baltic Industrial-Logistics Q4 2014

Pärnu

There has been a positive development in *Pärnu Industrial Park*, the total area of which is around 27 ha. The first stage of the project has been sold out and there are good opportunities for further development. Enterprise Estonia has supported the project and as the main actor here is the City Government then there is much more interest compared to some other similar areas. It is mainly because higher reliability produced by participation of public sector and as the project is partly subsidized it means that the entry is less expensive, at the same time all investors are obliged to create certain number of new jobs.

In Pärnu, the prime industrial / logistics locations are as follows:

- Tallinn Road at the intersection with Ehitajate Road (road A4/E67), Pärnu Industrial Park, and at the intersection with Rääma Street, which is closer to the city centre;
- *Mauri Technological Park*, located on the outskirts of Pärnu city.

The area between Papiniidu Street, Lao Street, and Riia Road is more and more oriented to the specialized retail. There are DIY stores, gas stations, and other commercial properties including *Papiniidu* shopping centre nearby.

The rental level in recently signed rental agreements is mainly between 2.0 and 4.0 €/ sq m / month.

Tartu

Industrial / logistics premises in Tartu are primarily concentrated in the following areas:

- Ropka Street area, located in close proximity to the railroads and the roundabout road;
- Ravila Street area, which benefits from being on the city border, yet in a very close proximity to the city centre;
- Commercially-diverse Ringtee Street area, which is on the outskirts of Tartu city and hosts wide array of commercial properties (including shopping centres, car showrooms, etc.);
- Newly built Ülenurme Industrial Park (in close proximity to Tartu Airport) and Vahi Industrial Park (Tartu district, on the intersection of A3/E264 and 39 roads). Vahi Industrial park located only 1 km away from the town of Tartu and it is bordered with Jõhvi - Tartu - Valga road.

The absolute majority of industrial / logistics premises in Tartu are owner occupied; speculative developments can be found in the new industrial parks. In 2011 and 2012 no new developments were introduced to the market. In 2013 the new 3-floor business and warehouse building was built in Karlova borough in Rebase Street 1 (739 sq m) with rental fees 4.5 €/sq m/month.

The highest demand in Tartu comes for the premises sized 400-1 000 sq m, with sufficient electricity supply. The size of the land plot available for use is also quite often a decisive factor, with the most demanded being 2 000-5 000 sq m of land.

Table 4

Rents in Parnu, €/ sq m/month

	New and renovated buildings	Old buildings	2015
Prime locations	2.5-5.0	1.5-2.5	→

Source: DTZ Research

Table 5

Rents in Tartu, €/ sq m/month

	New and renovated buildings	Old buildings	2015
Prime locations	2.5-5.0	2-2.5	→

Source: DTZ Research

Premises sized 100-300 sq m are also sought after, whereas demand for those that are over 1,500 sq m is very limited.

Rental fees remained relatively stable throughout 2014; vacancy rates range from 5% for A-class premises up to 20% for C-class premises.

Forecasts for 2015

- Industrial and warehouse sector has reached the stability phase, but the outlook is not so clear because of instability of main trading partners;
- Interest towards new and modern premises increases but remains modest towards B and C class premises;
- Rental fees remain stable;
- Although interest towards investment properties has increased the number of transactions will remain still low and the yields are staying stable.

Baltic Industrial-Logistics Q4 2014

Latvian industrial/ logistics market

Latvia has suitable geographic location for transit and logistics organization between - the European Union, CIS and Asian markets. Transit and logistics sector in the Latvian economy accounts for about one-third of export services. The efficiency, security, multi-modal, balanced, environmentally friendly and competitive transport systems, the development of a stable transit cargo growth, distribution and logistics centres and increase of value-added goods are considered as the priority of Latvia.

While remarkable growth in logistic sector has taken place during 2013-2014, flair of negative development scenario can be surmise during the first months of 2015. Several logistic companies in Latvia had experienced abrupt decrease of turnover during January and February 2015.

Despite the low overall demand in the external markets and the complicated geopolitical situation in eastern neighbours, the Latvian external trade turnover in 2014 was close to the level of 2013: the increase was at 0.8%.

According to the data of the Central Statistical Bureau, manufacturing output in December 2014 grew by 1.4% month-on-month (seasonally adjusted data). Year-on-year, there was a drop of 2.8% (working day adjusted data). Overall the amount of manufacturing output remained almost unchanged in 2014 (-0.1%) compared to 2013.

Value at current prices of manufacturing sector was 653.7 M € in Q3 2014 (10% of GDP); transportation and storage sector added another 522.2 M € (8% of GDP).

Supply

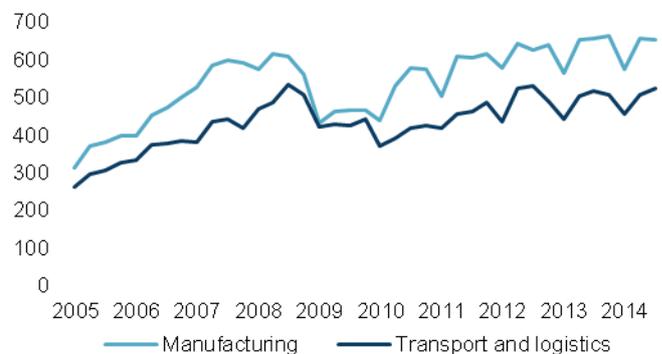
The warehousing and logistics companies are located out of city centre or even outside of the city itself due to persistent traffic problems, considerably high land prices and general lack of land plots, which are more extensive outside Riga and other major cities.

In the end of 2014 total stock of modern warehouse premises reached 700 000 sq m, out of which, around 1/3 are logistics centres, approximately 1/2 are industrial and business parks, and the rest are built-to-suit properties. The companies that throughout the years have chosen in favour of built-to-suit solutions are Coca-Cola Baltics, Karsten, DHL, Office Day, as well as grocery chains Maxima, Rimi, Elvi, and others.

During the last two years, 2013 and 2014, the new construction has commenced also in the speculative market segment; the industrial complex Amber Logistics commissioned in March 2014 in Stopini district near Riga, delivering 25 000 sq m in. Other new constructions initiated in 2013 are speculative warehouse in Daugavgrivas street 77, Riga city with total leasable area 6700 sq m commissioned in the end of 2014, and built-to-suit logistic centre with the total area amounting to around 45 000 sq m in Kekava parish. Another large scale packaging plant in Marupe, Riga district with total area 35 000 sq m has to be commission in February 2015. Fazer frozen product plant in Ogre is already under construction.

Figure 3

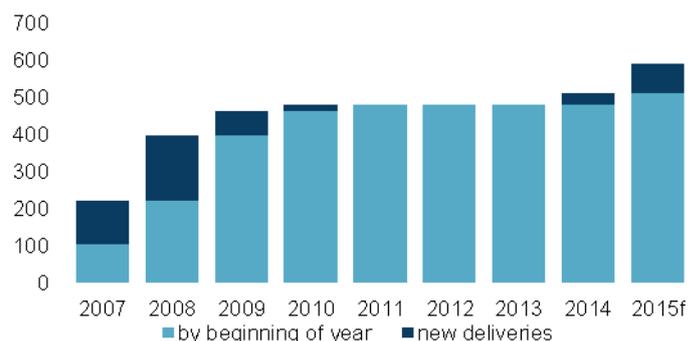
Turnover at current prices in Latvia, EUR M



Source: National Statistics

Figure 4

Dynamics of industrial/ logistics space in Riga and Riga region, GBA, 000 sq m



Source: National Statistics

Map2

Major industrial and warehouse areas in Riga



Source: DTZ Research

Baltic Industrial-Logistics Q4 2014

Table 6

Major logistic centres in Latvia (with the leasable area above 10,000 sq m, excluding fully built-to-suit properties)

No. on the map	Name	Description	Location	Territory (ha)	Freight forwarding directions
1.	RIGA CITY AND RIGA DISTRICT WITHIN RIGA RING ROAD (A4/A5):				
	DOMMO	Logistics centre operating as business park	Stunisi, Olaine district, 6 km from Riga city border, 3 km from the intersection of the roads A5 (Riga ring road) and A8 (Riga-Jelgava-Lithuania)	58	Delivery within Baltic States. Freight forwarding to Europe
	Wellman	Logistics centre	Salaspils, 2 km from A4/E67/E77 road, not far from Riga and from major railroads	6.2	Freight forwarding to Estonia, Lithuania, in case of necessity to Russia. Freight coordination within Baltic States
	Eclipse BLC	Logistics centre	On the territory of Riga International Airport	4.6	Delivery within Baltic States. Freight forwarding to Europe
	Maykel	Logistics centre, partially built-to-suit for Kuhne&Nagel	Sauriesi, not far from Riga, on regional P5 road, 2 km from A4 road	14	Europe
	Bergi Logistics Centre	Logistics centre, partially built-to-suit for Jysk	Immediate Riga district, Bergi, next to Vidzemes highway and Riga's bypass to VIA Baltic road	4.4	n/a
2.	RIGA DISTRICT OUTSIDE RIGA RING ROAD (A4/A5):				
	Dominante Park	A-grade logistics park	Kekava (20 km from Riga), directly on the A7/E67 road (Riga-Bauska-Lithuania, part of Via Baltica)	65	Regular and specialized freight forwarding to Europe, delivery within Baltic States
	Olaine Logistic Park	A-grade logistics park	Olaine district, 7 km to Riga ring road (A5), 1.5 km from A8 (Riga-Jelgava) road	17.7	n/a
3.	JELGAVA AND ITS DISTRICT:				
	Eirkel	Business Park	Jelgava, on the A8 road, which in itself is connected to the transnational European road network	49	Delivery within Baltic States. Freight forwarding to Europe
	OTHER LOCATIONS:				
4.	Central Euro-Asia Gateway	Multimodal logistics centre	Jekabpils district, Krustpils, in close proximity of the Krustpils-Daugavpils and Krustpils-Rezekne railroads intersection	68	From Europe to USA and Russia, NVS, Central Asia through Baltic ports

Baltic Industrial-Logistics Q4 2014

Rental rates

Generally, the rents for other than built-to-suit industrial and warehousing properties in Latvian market more often than not fall below break-even point when measured against potential development costs of such a property, which naturally enough negatively impacts potential for speculative developments on the market.

Within the year 2014, rents for A-class, B-class properties remained at the same level of 2013.

Vacancy level

Vacancy levels of industrial properties in Latvia have peaked in 2009, and stood at around 20% and more. The absorption of vacant spaces was slow throughout 2010-2011; by the mid of 2012, average vacancy rate was around 10% (although the polarization between well-located and secondary properties is very pronounced).

However, industrial production and export growth of 2012 raised the demand for industrial properties; on top of that, given low rental levels, relocation from old-type industrial premises was quite pronounced. Therefore by the mid-2013, average vacancy rate decreased to around 5-6%. Further absorption nonetheless slowed down in relation to substantial change in growth drivers (from exports to private consumption) of Latvian economy, as well as due to strongly pronounced mismatch between available supply and demand for premises.

After commissioning of two new projects in 2014 the vacancy rate slightly increased. Additionally due to uncertainty in external markets even more in Russia we are cautiously regarding forecasts of decreasing vacancy level in 2015.

Forecasts for 2015

- Given the changing GDP growth components in Latvia (from exports to private consumption), sudden upsurge in industrial real estate market is not expected, and generally, depends heavily on pan-European recovery.
- On the other hand, slowdown in Russian economy can open up new windows of opportunities for Latvian industrial market through potential cost optimization and increasing relocations from Russia.
- One of the speculative development, Baltic Cargo Solutions, is already almost fully pre-leased. The other one in Ilguciems is empty. The other new deliveries are mostly planned in built-to-suit segment.
- Rents will remain stable at the level of previous year.
- The broadest windows of opportunity are open for those investors who are ready to undertake development risks.

Table 7

Rents in Riga, €/ sq m/month

	New buildings	Renovated buildings	Old buildings
Riga	3-4.5	2-4	1-2
In vicinity of Riga	1.5-4	1-3.5	0.5-2

Source: DTZ Research

Table 8

Logistics vacancy rate

	Vacancy, %	2015
Riga and Riga District	6-7%	↗

Source: DTZ Research

Baltic Industrial-Logistics Q4 2014

Lithuanian industrial / logistics market

Throughout the whole 2014, the export development in Lithuania was slowing down, and the total annual decrease was 0.59% while imports increased by 1.2%. The foreign trade deficit of Lithuania amounted to EUR 0.2 billion

Restrictions implemented by Russia had a negative effect on the export of foods. The contraction resulted from almost completely closed Russian market and decline of exports to the European countries by 1/5. The sharp depreciation of the Russia national currency will also contribute to the slowdown in the growth of exports to Russia.

General overview

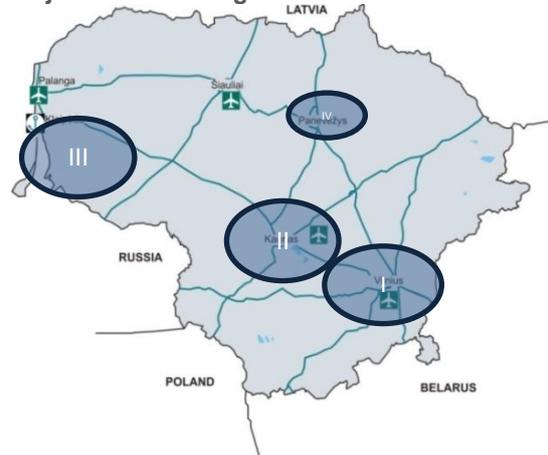
The major industrial / logistics developments in Lithuania are located near the most important international roads: on *Via Baltica* highway in North South direction, on railway line *Rail Baltica* route Tallinn – Riga – Panevezys – Kaunas - Warsaw, and on East - West direction of the road IXb (Kiev –Minsk - Vilnius-Klaipeda).

Ever since the Law on the Fundamentals of Free (Special) Economic Zones was adopted in 1995, followed by the establishment of free economic zones in Siauliai, Klaipeda, and Kaunas, as well as in other small cities (one per each), occupier demand in industrial / logistics segment is mainly focused on these areas that offer tax redemptions and other industry specific benefits. The locations of interest are areas around Vilnius, Klaipeda and Kaunas.

By the end of 2014, the total stock of industrial / logistics premises in Lithuania have reached 800 000 sq m. After substantial market compression in 2010, the first signs of recovery were also evident in new development activity.

Map 3

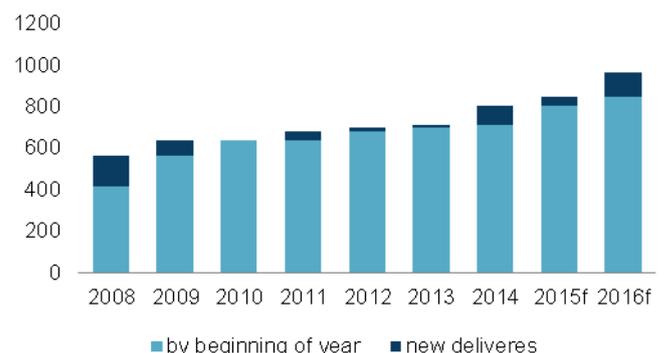
Major industrial / logistics areas in Lithuania



Source: DTZ Research

Figure 5

Dynamics of industrial/ logistics space in Lithuania, 000 sq m



Source: DTZ Research

Table 9

Major logistic areas in Lithuania

No.	Special Economic Zone	Area in 2014	Planned total area	Distance to nearest international airport	Distance to Klaipėda State Seaport
1	Kaunas SEZ	294 ha	534 ha	4 km to Kaunas Airport	228 km
2	Klaipėda SEZ	260 ha	412 ha	25 km to Palanga Airport 4 km to Zokniai Airport	7 km
3	Šiauliai SEZ	218 ha	218 ha	214 km to Vilnius Airport 142 km to Kaunas Airport 165 km to Palanga Airport	161 km
4	Kėdainiai SEZ	131 ha	131 ha	51 km to Kaunas Airport 96 km to Zokniai Airport 130 km to Vilnius Airport 208 km to Palanga Airport	205 km
5	Panevėžys SEZ	47 ha	47 ha	82 km to Zokniai Airport 135 km to Vilnius Airport 115 km to Kaunas Airport 240 km to Palanga Airport	240 km
6	Akmenė SEZ	99 ha	99 ha	240 km to Vilnius Airport 230 km to Kaunas Airport 135 km to Palanga Airport	105 km
7	Marijampolė SEZ	78 ha	78 ha	56 km to Kaunas Airport 139 km to Vilnius Airport 231 km to Palanga Airport	275 km

Source: DTZ Research

Baltic Industrial-Logistics Q4 2014

Vilnius

By the end of 2014, the total stock of industrial / logistics premises in Vilnius and Vilnius district exceeded 450 000 sq m. The major completions include mostly owner-occupied project Transekspedicija II of around 14 000 sq m and Autoversalas of 3500 sq m and one built-to-suit logistic centre with total area of 6000 sq m in Vilnius in 2014.

The Vilnius Logistics Centre (VLC) project is initiated by Lithuanian Railways and Vilnius City municipality, whereas the construction process of Sage I was completed by the end of 2014. The total territory of the project is 53.5 ha.

AP Logistics Centre project in the speculative segment is a 8 500 sq m logistic Centre to be developed by Arvydo paslaugos on the road Vilnius-Panevezys (12 km from Vilnius). Construction works for this project are expected to be commenced in 2015.

In general, demand for industrial / logistics premises in Vilnius and Vilnius region was steadily growing from the end of 2011 to Q2 2014. This growing demand substantially pushed the vacancies downwards - from 10% in the beginning of 2012 to only 1,5% by the end of 2013. At the same time, growing demand has left an influence on to the rental fees in the segment in Vilnius, Kaunas and Klaipeda.

After Baltic Property Trust Secur sold 20 600 sq m Zariju logistic Centre in Vilnius to Estonian Real Estate fund Capital Mill in 2013. There was another investment transaction in 2014 - BPT sold 3 000 sq.m Onninen industrial building to local investor in Kaunas.

Kaunas

Kaunas city has an international airport, as well as Free Economic Zone. In 2014, the total stock of industrial / logistics premises in this region did not change, and exceeded 200 000 sq m.

The pipeline for spring 2015 includes construction of built-to-suit mail centre facilities for Lietuvos Pastas. The premises of the new logistics centre will occupy more than 8 300 sq m and this makes double the size of the current mail sorting centre run by the company. Lidl will open 40 000 sq m logistic centre near Kaunas. The rental rates in Kaunas district have remained constant for quite a prolonged period of time already. There are low vacancies in Kaunas. However, rent level has been stable during the last few years and small upward changes have been noticed in 2015.

Klaipeda

The total stock of industrial / logistics space in Klaipeda amounts to 170 000 sq m.

In 2014 several new projects were put into commission with total amount of 59 000 sq m. Pipeline for 2014 included one new project, 8 200 sq m logistics centre developed by Ad Rem Lez.

Total vacancy rate in Lithuania increased from 2.3% in 2013 to 4.4% by the end of 2014.

Table 10

Rents in Vilnius, €/ sq m/month

	New buildings	Renovated buildings	Old buildings
Most preferred districts	3.5 - 4.5	2 - 3.5	1 - 2
Less preferred districts	2.5 - 4	1.5 - 2.5	0.5 - 1.5

Source: DTZ Research

Table 11

Rents in Kaunas, €/ sq m/month

	New buildings	Old buildings
Most preferred districts	3.2 – 4.3	1-2.5

Source: DTZ Research

Table 12

Rents in Klaipėda, €/ sq m/month

	New buildings	Old buildings
Most preferred districts	3.2 – 4.3	1-2.5

Source: DTZ Research

Baltic Industrial-Logistics Q4 2014

Table 13

Major logistic centres in Lithuania

No. on the map	Name	Description	Location	Territory (ha)	Area, sq.m
I					
VILNIUS CITY AND VILNIUS REGION					
1	Tromina	Logistics Centre	V. A. Graiciuno str. 38, Vilnius	5.8 hectares	Gross area 29,923 sq.m
2	Dobrovolė Logistics Centre	Warehouse	Meteliu str. 4, Vilnius	4,6 hectares	Gross area 17,070 sq.m
3	AD REM Logistics Centre	Logistics Centre	Metalo str. 2A/7, Vilnius	6,5 hectares	Gross area 37,000 sq.m
4	Kirtimai Logistics Centre	Logistics Centre	Kirtimu str. 47, Vilnius	9 hectares	The total area is 26,500 sqm with offices of 8,000 sqm.
5	Zariju BPT Logistics Centre	Logistics Centre	Žarijų str. 2A, Vilnius	3,4 hectares	Gross area 21,910 sq.m, rentable space 20,643 sq. m.
6	GLC Logistics Centre	Logistics Centre	Kuprioniškių villange, Vilnius district	4 hectares	Gross area 17,200 sq.m, offices 5,000 sq.m
7	Vingės transsphere logistika	Logistics centre	Vilnius-Kaunas road, 22 km	n/d	Gross area 18,130 sq.m. Warehousing area 16,755 sq. m, office area 1,375 sq. m
8	Vilijos Business Park	Warehouse	Vilijos str., Vilnius	6 hectares	Gross area 21,000 sq.m. Warehousing area 18,000 sq. m, office area 3,000 sq. m
II					
KAUNAS CITY AND KAUNAS REGION					
1	Senukai Logistics Park	Logistics Centre	Zemaitkiemis village, Kaunas district	n.d.	Gross area 73,000 sq.m, GLA 60,000 sq.m
2	Kaunas Terminal	Logistics Centre	Biruliskes village, Kaunas district (Kaunas LEZ)	~10 hectares	31
3	Baltic Logistic City I (VBL)	Warehouse	Kampiskiu village, Kaunas	12.77 hectares	GLA 25,838 sq.m, parking spaces 300
III					
KLAIPEDA CITY AND KLAIPEDA REGION					
1	Vingės logistika	Logistics Centre	Klaipeda LEZ	4 hectares	Gross area 18,365 sq.m, offices 1000 sq.m, warehouses 16,000 sq.m, common use 1300 sq.m
2	Klaipeda Business Park	Warehouse	Pramonės street 8a, Klaipėda	n.d.	Leaseable area 23,895 sq.m, office 6,305 sq.m, warehouse 17,590 sq.m, parking spaces 340
3	Laistai International Trade Centre	Office, Warehouse, Light Manufacturing	Laistai village, Klaipeda district	260 hectares	30,000 sq.m
IV					
PANEVEZYS REGION					
1	Business Park E67	Industrial Park	Panevezys	7,2 hectares	Gross area 27,969 sq.m, GLA 27,000 sq.m

Source: DTZ Research

Forecasts for 2015

- Export growth is expected to be moderate in 2015, and will depend on the stability of Euro zone and ability to re-orientate from Russian to Euro markets.
- Due to geopolitical intensions new speculative logistic projects can be faced with the difficulties, part of projects in pipeline can be postponed.
- Vacancy level should rise due to the decrease of demand.
- The rental fees are generally expected to remain stable in 2015.
- The overall development of the market over the longer period of time is expected to be positively influenced by active involvement of the Government of Lithuania, which currently is establishing public freight village in Vilnius, and is planning to initiate the same activities in Kaunas, Klaipeda, and Siauliai. Forecasted completion dates extend up to five years period.



Chief Executive, EMEA

John Forrester

+44 (0)20 3296 2002

john.forrester@dtz.com

DTZ Baltic

Aivar Roosik

Director

+372 626 4250

aivar.roosik@dtz.ee

Estonia

Aivar Tomson

Director, Valuation & Research

+372 626 4250

aivar.tomson@dtz.ee

Latvia

Andris Juršāns

Director

+371 67244811

andris.jursans@dtz.lv

Lithuania

Valdemaras Ivaško

Director, Valuation & Consulting

+370 5210 0252

valdemaras.ivasko@dtz.lt

Disclaimer

This report should not be relied upon as a basis for entering into transactions without seeking specific, qualified, professional advice. Whilst facts have been rigorously checked, DTZ can take no responsibility for any damage or loss suffered as a result of any inadvertent inaccuracy within this report. Information contained herein should not, in whole or part, be published, reproduced or referred to without prior approval. Any such reproduction should be credited to DTZ.

© DTZ 2015

To see a full list of all our publications please go to www.dtz.com/research

Global Headquarters
77 West Wacker Drive
18th Floor
Chicago, IL 60601 USA
phone +1 312 424 8000
fax +1 312 424 8080
email info@dtz.com

DTZ Kinnisvaraekspert
Tallinn office
Ahtri Street 6A, VII floor, 10151
Tallinn (B entrance), Estonia
phone +372 626 4250
fax +372 626 4260
email dtz.tallinn@dtz.ee

DTZ Baltic Latvia office
Gertrudes Street 66, LV-1009
Riga, Latvia
phone +371 6724 4811
fax +371 6724 4811
email dtz.latvia@dtz.lv

www.dtz.com/research