

# Vilnius Office Update

## Rents Soften as Supply Paces Demand

### Economy

Lithuania maintains rapid GDP growth with 6.7% growth in 2004. This follows 8.9% in 2003, and 6.7% in 2002. Construction works were up 9.4% in 2004. National unemployment is less than 10%, and half that in the capital, Vilnius.

### Supply

Vilnius is the fastest and tallest growing office market, boasting the Baltics' only 33-storey tower, the Europa Tower, which opened in Spring last year. Total class A office space grew 40,000 sqm in 2004 to 148,000 sqm.

The Europa Tower is a 33-storey 15,700 sqm class-A office building. By the end of the year, it had leased out 75% of its space. The Tower was one of the first class-A office buildings which was not pre-leased before the opening day. This shows that the market for class-A office space is approaching its maturity stage as only two buildings meeting class-A office space standards were built in 2004: the Europa Tower and the 3,500 sqm Vilbra business centre.

The most successful in terms of leasing was MG Valda's class B Office Plus in the business triangle, which completely pre-leased its 5,500 sqm before opening in May 2004.

By Spring 2006, modern office space area in Vilnius should increase by another 50,000 sqm. Major projects for 2005 and early 2006 include:

**Victoria Building** – the tallest 16-storey class-A office building of 6,500 sqm in the business triangle. The project is developed by MG Valda. The business centre is to be opened on 1 February 2005. The rent ranges from 15 to 18 EUR per sqm.

**BCC2** – local construction and development company Eika announced the launch of the construction of this class-A office building in the business triangle. The 13-storey building will be identical to the existing BCC and will offer 6,200 sqm of office space. The opening date is January 2006. Victoria and BCC2 will complete the development of the business triangle.

**L3** – business centre: 11-storey class-A retail centre of 6,600 sqm in Lazdynai next to the Exhibition Centre Litexpo. The project is developed by Eil Real Estate (Merko Group). The rent ranges from 11.3 EUR per sqm.

**Vilnius Gates** – probably the largest commercial and residential block in the city at Gyneju Street (total area of buildings exceeds 60,000 sqm). The developer Ranga IV expects to build up to 13,000 sqm of office space before 2006. Some space will be used by the company itself and its affiliated companies and the remaining space will be placed on the market for both lease and sale.

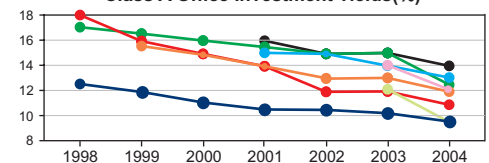
### Demand

Vacancy rates are dropping, from 14% to less than 10% today, despite supply growing 35% last year. High take-up rates are mostly due to successfully leased

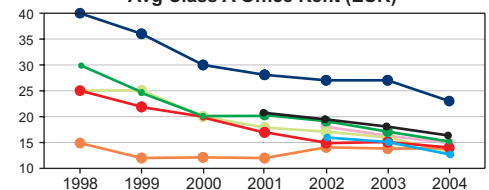


**BCC2** – it is expected that it will be leased out the same successfully as its twin brother BCC.

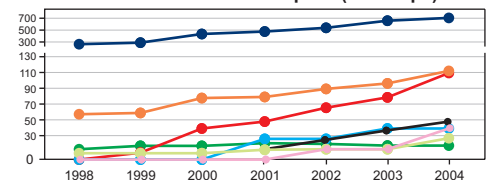
**Class A Office Investment Yields(%)**



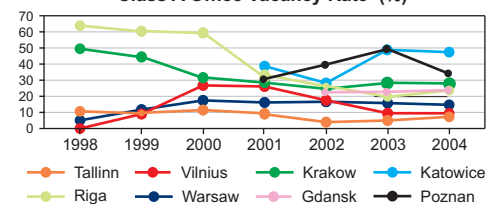
**Avg Class A Office Rent (EUR)**



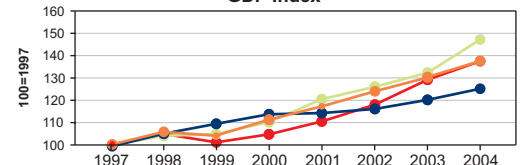
**Total Class A Office Space (1000 sqm)**



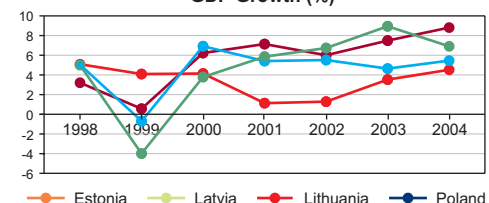
**Class A Office Vacancy Rate (%)**



**GDP Index**



**GDP Growth (%)**





lower rent business centres.

## Rents

New supply helps tenants, in the last three years the rent for class A office space dropped by 25%. High rents three years ago (17.4 to 23.2 EUR per sqm for class A) were due to lack of space. As competition developed, rents decreased to current levels (11.6 to 17.3 EUR per sqm). Rents for class B office space are from 6.7 to 13 EUR per sqm and have not changed for many years.

## Transactions

No office buildings were sold in 2004. The last office building transaction was the purchase by Baltic Property Trust of two office buildings in 2003 at roughly a 10% yield.

For information on commercial leasing in Lithuania, contact Vytautas Zabalius on +370 5210 9700. For information on investment properties, contact Peter Morris on +48 22 829 1212.

## Office sqm existing in Vilnius

Property name	sqm
<b>1</b> BPT, Goštauto str.	2 700
<b>2</b> Bussiness centre 2000	12 000
<b>3</b> Hanner, Geležinio Vilko str.	5 200
<b>4</b> Vilniaus bank, Gedimino ave.	5 200
<b>5</b> Municipality, Konstitucijos Av.	15 000
<b>6</b> EIKA BCC, Goštauto	6 200
<b>7</b> MG VALDA, Jasinskio	9 500
<b>8</b> Invalda (I+II steps)	8 927
<b>9</b> Europa Business Center, Konstitucijos Av.	15 700
<b>10</b> Vilniaus bank, Jogailos str.	3 000
<b>11</b> Office Plus	5 500
SVG, Ukmergės 220 *	1 600
Marenta, Kestucio *	2 300
VILBRA *	3 500
Ogimos-Hanner *	4 600
Zirmunai Business Center, Zirmunu St.*	7 000
Others	40 073
<b>TOTAL</b>	<b>148 000</b>

## Office sqm planned in Vilnius

Property name	sqm
<b>12</b> Ranga IV	12 900
<b>13</b> Victoria	6 500
<b>14</b> BCC2	6 200
<b>15</b> Savanoriu Tower	10 000
<b>16</b> SBA	6 000
<b>17</b> Vilenlita	6 000
ELL, L3*	6 600
SVG *	3 000
Atkirta (Zalgirio St.)*	5 600
Business Center, Tuskulenu St.*	3 400
<b>TOTAL</b>	<b>66 200</b>

\* Outside of map area

## FOR COMMERCIAL LEASING OPPORTUNITIES THROUGHOUT THE REGION, PLEASE CONTACT:

### LATVIA

Contact: Girts Grinbergs  
Tel +371 728 45 44  
girts.grinbergs@ober-haus.com

### POLAND

Contact: Peter Morris  
Tel +48 22 829 12 12  
peter.morris@ober-haus.com

### LITHUANIA

Contact: Vytautas Zabalius  
Tel +370 5 210 97 00  
vytautas.zabalius@ober-haus.com

### ESTONIA

Contact: Hindrek Leppsalu  
Tel +372 665 97 00  
hindrek.leppsalu@ober-haus.com