

# Vilnius Office Update

## No Breathing Space in the Office Market in the Short Term

### Economy

Lithuania maintains steady GDP growth registering a healthy 7% during the 1st half of 2005. According to labour market data, the unemployment rate is constantly decreasing and the growth of salaries stands at about 9% per year. The only concern is inflation. Expectations still remain that it won't exceed the parameters of inflation according to the Maastricht, and there won't be any problems joining the Eurozone at the beginning of 2007, as planned.

### Supply

By the end of 2006 modern office space in Vilnius should have increased by over 40,000sqm.

Major projects for 2006:

**BCC2** – Local construction and development company Eika is finishing the 13-storey BCC2 class A office building, which will be identical to the existing BCC building and will offer 6,200sqm of office space. BCC2 will complete the development of the business triangle with a slated opening for January 2006.

**Vilnius Gates** – The largest commercial and residential block in the city center on Gyneju Street (total built area exceeds 60,000sqm). The developer Ranga IV will build up to 15,000sqm of office space in early 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.

**Saltoniskiu str.** – Local developer Vilvesta has started the construction of a new office building. This building will be next to Hanner's second office tower at the crossroads of Saltoniskiu str and Gelezinio Vilko streets. They plan to deliver 6,500sqm of modern high quality office space by the end of 2006.

**Vilbra II stage** – The modern office building Vilbra is expanding and is expected to deliver an additional 2,500sqm of modern B class office space to the Naujamiestis district by mid-2006.

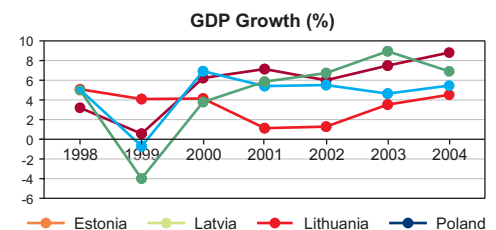
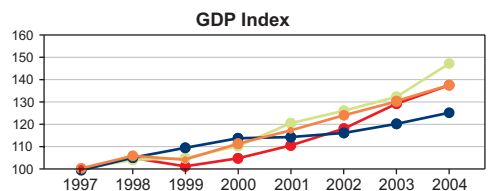
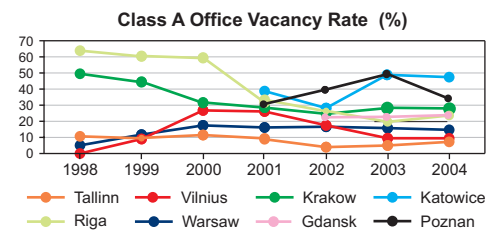
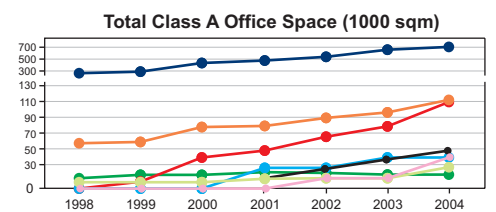
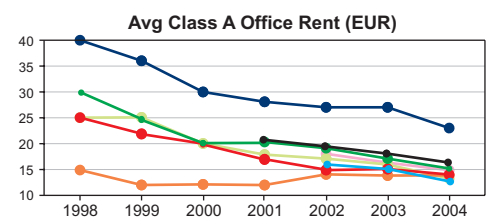
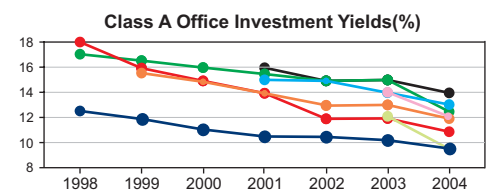
**Eika** – Ober-Haus signed a treaty with real estate development company JSC "Eika" in order to maintain the exclusive rights for purchasing a brand new office building on Kubiliaus st., in the Zirmunai district. The first (ground) floor will accommodate retail and the second and third floors will offer about 1,500sqm of B-class office space. The planned opening date is set for QII 2006.

### Demand

Supply for modern office space remains rather high. Though the days have passed when business centers were rented before the end of their development cycle, current modern office occupancy stands at a lofty 92%. It is quite high, considering the fact that during the first three quarters of 2005 the market for modern business centers has increased by about 25% (from 160,000 to 198,000sqm). The bigger part of their owners were not newly established companies, but expanding local and



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





foreign companies. More and more local capital companies choose modern office buildings not only for better work conditions, but for the prestige associated with such an address.

### Prices

During the last 12 months prices for modern office space have basically stayed the same. "The big fall" in prices occurred between 2002 and 2004 when they dropped about 20 percent. Increasing prices for land lots, and growing workforce and building material prime costs, have not led to investors competing in price-cutting. At the moment prices for space in a prestigious class-A office building range from 13-16 EUR/sqm. Class B office space goes for 9-13 EUR/sqm.

### 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 SVG, Ukmergės 220 * Marenta, Kestucio * VILBRA * Ogimos-Hanner * Zirmunai Business Center, Zirmunu St.* Others	5 500 1 600 2 300 3 500 4 600 7 000 40 073
<b>TOTAL</b>	148 000

### 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	1 500
<b>16</b> SBA	6 000
<b>17</b> Vilenlita L3 (ELL)* SVG * Atkirta (Zalgirio St.)* Business Center, Tuskulenu St.*	6 000 6 600 3 000 5 600 3 400
<b>TOTAL</b>	57 700

\* Outside of map area

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