

INSIDE BALTIC INVESTMENT MARKET

2015



Vilnius

The Baltic region became a full member of Eurozone after the euro adoption in Estonia (2011), Latvia (2014) and Lithuania in 2015. It proved accomplishments of the Baltic States in securing financial stability and stable economic growth. The Baltics will benefit from this, as the currency risk has been removed opening opportunities for new investors and proving the attractiveness of this region.

The Baltic countries showed their strength in growing economies, continuously improving domestic consumption and increasing interest and investments from international companies.

2014 IN BRIEF

The most active investment market last year was Lithuania (40%) and investment volumes in Latvia in Estonia were alike (~30% each). The most active investment segment in the Baltic countries was the office market, which covered half of all investment volume and was the highest ever reaching nearly 210 million EUR. Warehousing and logistics segment was also active - 2014 marked the first time when investment in this segment exceeded investment in the retail segment. Transaction volume in the Baltics has reached pre-crisis level (approx. 425 million EUR in 2014) setting high expectations for 2015.

INVESTORS PROFILE

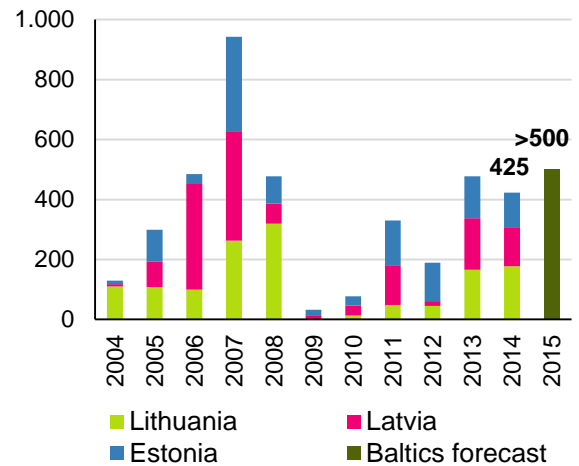
Key players are Nordic, Baltic and Russian investors. Dominating investor types are international funds with established presence (East Capital, Northern Horizon Capital), local funds (EFTEN Capital, Lords LB) and private investors (Russian, Scandinavian capital).

Expectations of investors have changed in the last couple of years - investment funds established in 2009-2011 acquired properties promising the annual return on invested capital of 15-20%; however the expected return has now decreased to 10-12%.

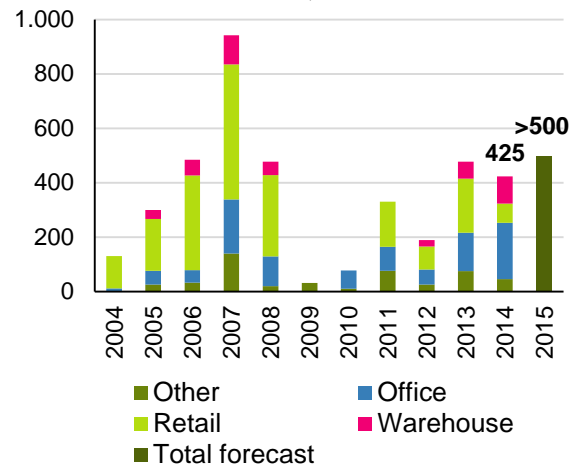
Behaviour of investors has also changed. Firstly, local funds have become solid and professional investors. Then, the number of private non-professional investors and family offices (Russia and Nordics) have increased significantly. Also, greater amount of homework is being done by new cross border investors.

Moreover, international investors that were previously hesitant to enter the Baltic region because of relatively small markets, currency risk and lack of liquidity are investigating possibilities to include the region in their investment strategies.

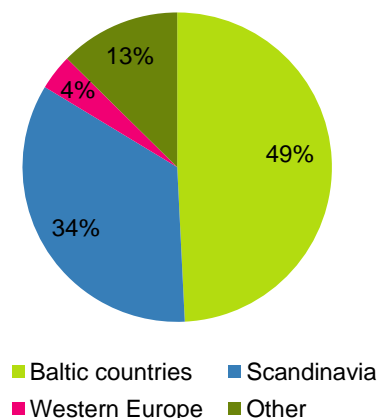
Transaction Volume* in Baltic Countries, M EUR



Transaction Volume* in Baltic Countries, M EUR



Transaction Volume by Investor Origin in 2013-2014 | Baltic Countries



* - investment deals of properties generating income or otherwise intended for investment purposes exceeding 5 M EUR are included into statistics

YIELDS

Baltic States are still at an attractive value gap compared to Western European and Nordic levels. Average yields for prime retail and office assets in 2014 decreased slightly down to around 7.00%-7.25% on average and secondary properties stand between 8.00% and 9.00%. Yields for prime logistic centres and warehouses vary between 8.50% and 8.75%. Capital cities are the main investment targets in Baltic countries with the most liquid yet the most expensive assets. Yields for properties in other cities than capitals are higher and reach 9.00%-12.00% on average.

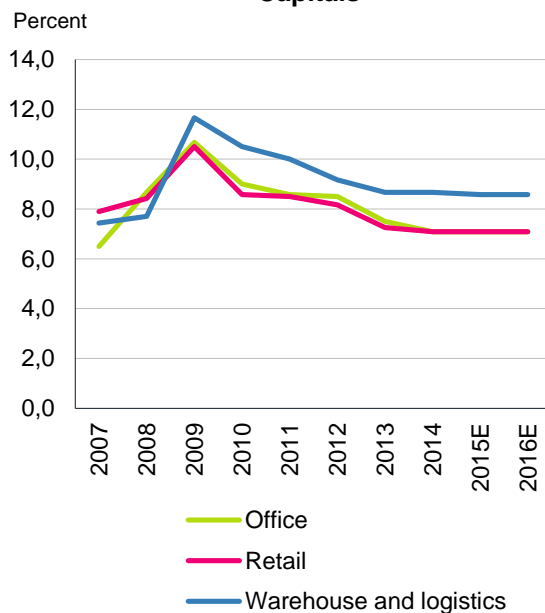
2015 OUTLOOK

The beginning of 2015 was rather active in terms of investment transactions as investment volume reached 204 M EUR by the end of February. It is expected that by the end of Q1 2015 the investment volume in all three Baltic countries will reach 290 M EUR and over 500 M EUR by the end of the year.

Becoming a part of Eurozone made it more possible to attract new investors from Western Europe that are focusing their strategies on Eurozone only. Euro adoption has a strong positive influence to investment market however optimistic expectations are pulled down by geopolitical uncertainty.

2015 is also expected to be a year of portfolio enhancing. Current major funds continue enlarging their portfolios, which is also related to attracting new international investors, and at the same time successfully implementing exits of their first funds.

Average Prime Yields in Baltic Capitals



Major investment deals in Baltics in 2014

Property	Buyer	City	Category
Vilnius Business Harbor	East Capital	Vilnius	Office
161 A. Deglava Street	RIMI	Riga	Warehouse
Domus Centras	Westervijk Investments	Vilnius	Retail/Office
Metro Plaza	East Capital	Tallinn	Office
Nordic Technology park	EfTEN Capital	Riga	Warehouse
Damme Shopping Centre	New Agenda Partners	Riga	Retail
North Star	Prosperus Real Estate Fund I	Vilnius	Office
Business Park 4	Nordic and Baltic Property Group	Vilnius	Office
Grand Office	Capital Mill	Vilnius	Office
Prisma Annelinna	Russian Baltics Retail Properties	Tartu	Retail
Betooni 1a and 6	EfTEN Capital	Tallinn	Warehouse
Business Centre TRIO	Nordic and Baltic Property Group	Vilnius	Office
Rimi Eesti Food AS logistics centre	East Capital	Tallinn	Warehouse
Mandarinas Shopping Centre	Lords LB	Vilnius	Retail

ABOUT NEWSEC

Newsec – The Full Service Property House in Northern Europe – is by far the largest specialised commercial property firm in Northern Europe. Newsec manages more properties and carries out more transactions, more lettings and more valuations than any other firm in Northern Europe. Through this great volume, and the knowledge and depth of our various operations, we acquire extensive and detailed knowledge of the real estate market. In turn, we can quickly identify business opportunities that create added value.

Newsec is a stable and long-term player. The company was founded in Sweden in 1994. The founding family have been the main owners from the start, with the rest of the company owned by key executives in the Group. The Group expanded internationally into Finland in 2001, Norway in 2005 and the Baltic countries in 2009.

Our prime market is Northern Europe, but through our alliance membership with BNP Paribas Real Estate, we offer our services on the global market. This makes Newsec Northern Europe's only full service property house, and provides us with a unique ability to forecast the future trends.

Today, Newsec employs over 600 professionals in over 20 offices and covers all parts of the commercial property market. Newsec provides services to most of the leading property owners, investors and corporates in the region.



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