

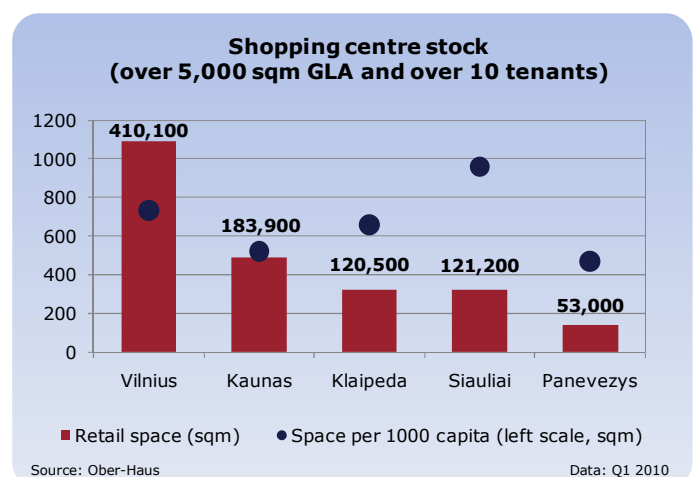
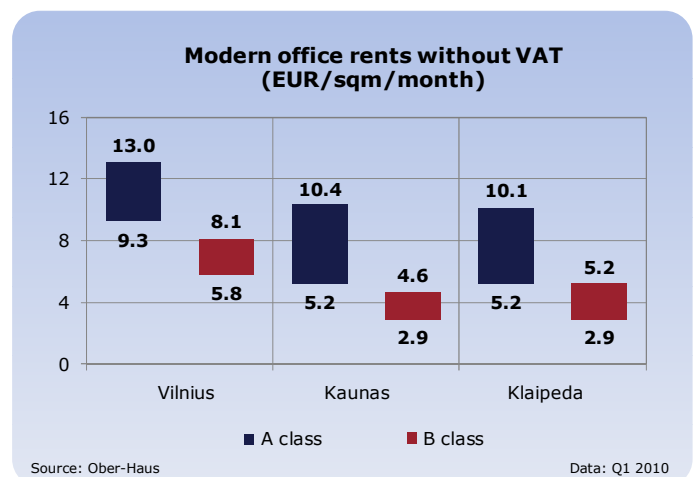
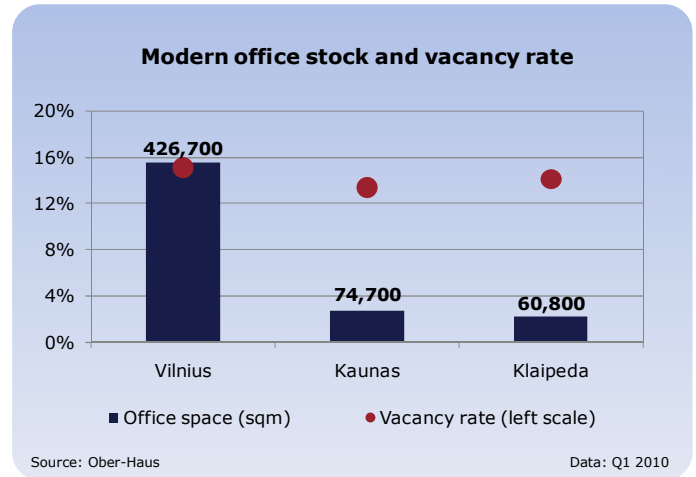
MARKET COMMENTARY

In 2009, the commercial sector suffered the greatest shake-up in the entire history of the existence of modern commercial premises in Lithuania, i.e. since 1999. Even though the situation in the commercial property market remains tense, the results for Q1 2010 look promising and allow us to assert that the largest problems in this sector are already in the past. It is too early to speak about a rapid recovery in the market, but the first signs of price stability in the commercial property market are present. In addition, the amount of vacancies in this market is slowly decreasing.

The sector of modern office premises, which saw a sharp drop in 2009, finally reached its bottom for a price point. In Q1 2010, office rent went down slightly only in **Klaipėda (around 5%)** and in **Vilnius** and **Kaunas** remained the same as those at the end of 2009. It should be noted, however, that some owners of successfully operating business centres are already trying to raise prices. Such attempts are usually observed in the buildings with few vacancies. In **Vilnius** today A class offices are being offered for **9.3–13.0 EUR/sqm** and Class B are being offered for **5.8–8.1 EUR/sqm**. In **Kaunas** and **Klaipėda**, the price level of modern offices is nearly the same: the asking price is **5.2–10.4 EUR/sqm** for rent of A class offices and **2.9–5.2 EUR/sqm** for rent of B Class offices.

Because during the past quarter no new business centres have been opened in Lithuania and successful companies or companies newly established in Lithuania (e.g., the IT centre of Barclays Bank in Vilnius) are taking an opportunity to rent modern premises for attractive prices, the vacancy rate of office premises in the major cities of Lithuania continues to decrease. For instance, in Vilnius and Kaunas this indicator went down the second consecutive quarter. The total vacancy rate of modern offices (A and B class) in Vilnius in Q1 2010 dropped from **17.7%** to **15.1%**, and the total area of vacant premises decreased from 75,500 sqm to 64,300 sqm. The highest vacancy rate of 16.6% is in B class office buildings, which account for nearly 2/3 of the entire modern office market in Vilnius. This indicator in A class office buildings is lower—13.0%. The total vacancy rate of modern offices in Q1 2010 went down from **14.9%** to **13.4%** in **Kaunas** and from **16.8%** to **14.1%** in **Klaipėda**. The total area of vacant premises in these cities was 10,000 sqm and 8,600 sqm respectively.

Over the past quarter, the situation in the market of retail premises has not changed in essence. The main shopping streets apparently continue to lose the competitive battle to shopping centres. The purchasing power of people, which dropped considerably, is not encouraging businessmen to open any new retail stores, and therefore it is still difficult for the owners of the premises to find tenants. This notably reflects on the rent of retail premises in the shopping streets of the cities; over the past year they have dropped **25–35%**, and compared to the peak price point they have dropped to **50–60%**.

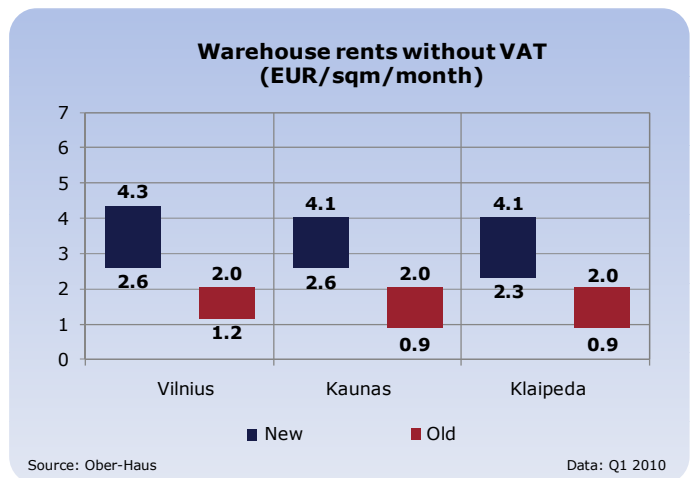
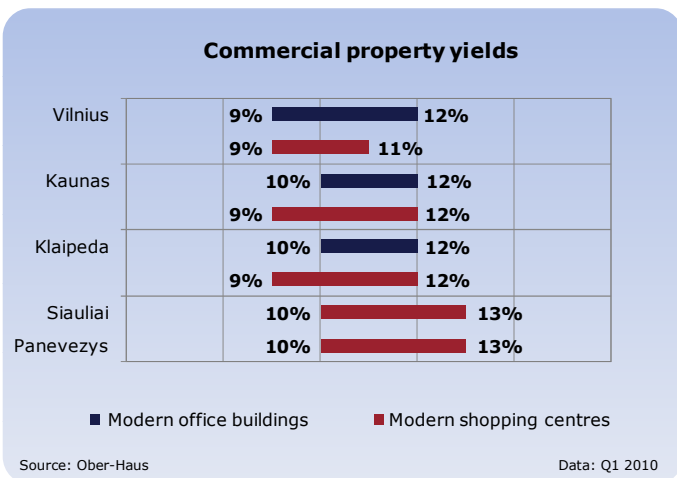
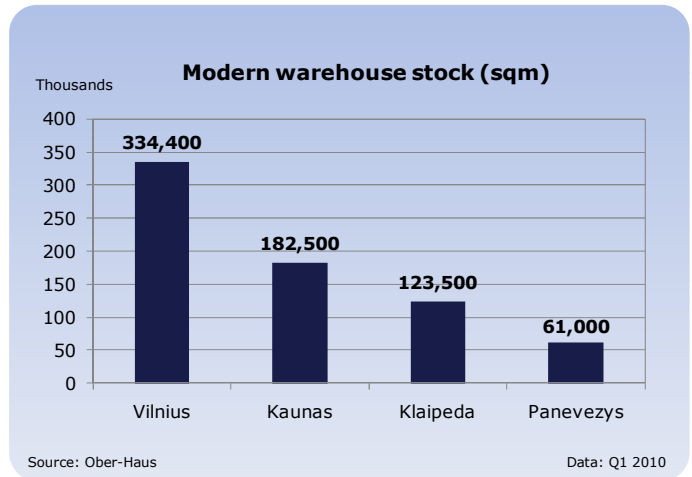
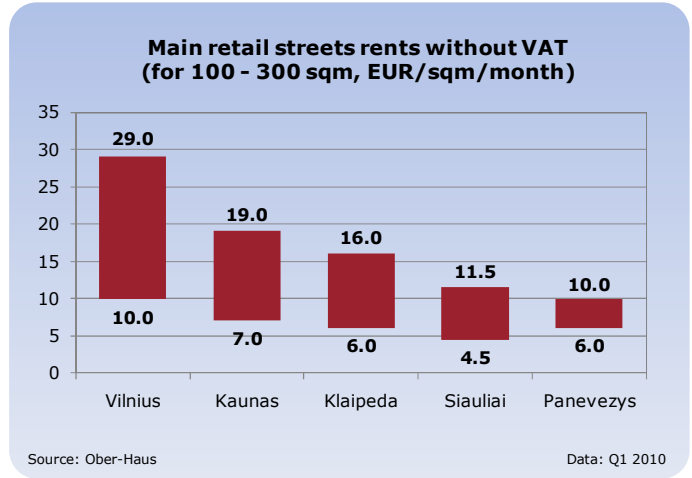


Lithuanian Commercial Real Estate **MARKET COMMENTARY** **Q1 2010**

It can be said that the majority of the shopping centres managed to reach an agreement with their tenants and continue to operate successfully. As a result, in Q1 2010, total occupancy rates of shopping centres have not changed. Yet the downturn revealed the weaknesses of poorly planned shopping centres. Managers of some shopping centres may face (or are already facing) serious solvency problems since they have chosen the wrong concept, are not flexible enough with respect to tenants, or even made mistakes at the design stage of the centre (size, floor plan, locations, etc.).

Even though the transportation and logistics sector started to feel the slowly recovering foreign markets and increased volumes of their operations, this has had no positive impact on the sector of warehousing premises. In 2009, prices for new warehouse premises in **Vilnius, Kaunas, and Klaipėda** dropped by **25–30%** and those of old warehouse premises fell by as much as **35–40%**. Currently, new warehousing premises are available for **2.6–4.3 EUR/sqm** in **Vilnius** and its environs and for **2.3–4.1 EUR/sqm** in **Kaunas** and **Klaipėda**. Depending on the location and the level of finish, warehousing premises in old buildings are available for **0.9–2.0 EUR/sqm**.

In summary, the main reason for the stabilisation of the existing market of commercial premises is not growing demand (which still remains low), but the reduction in the supply of modern offices because no new projects have been started and those started earlier have been suspended and not yet resumed. There are however expected to be one or possibly more new commercial projects in Lithuania in 2010 before the vacancies in the commercial premises sector are eliminated. New projects in the commercial sector will be implemented more actively only when clearer signs of national economic recovery and growth in demand for premises are seen.



If you wish to receive any additional information about development of the real estate market in Lithuania, Latvia, Estonia and Poland; or you would like to order a special report on the part of the market relevant to you or the market of the project in progress, please contact Ober-Haus real estate market analysts.

Saulius Vagonis, Valuation and Market Research Group Manager
Tel.: +370 5 210 97 17, e-mail saulius.vagonis@ober-haus.lt