



NEWSEC PROPERTY OUTLOOK

SPRING 2019

04/16/2019

THE FULL SERVICE PROPERTY HOUSE

NEWSEC OUTLOOKS



PROMO CODE
Newsec20



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May 16 - 17

BALTIC REAL ESTATE INVESTMENT FORUM 2019
Radisson Blu Hotel Lietuva, Konstitucijos ave. 20, Vilnius





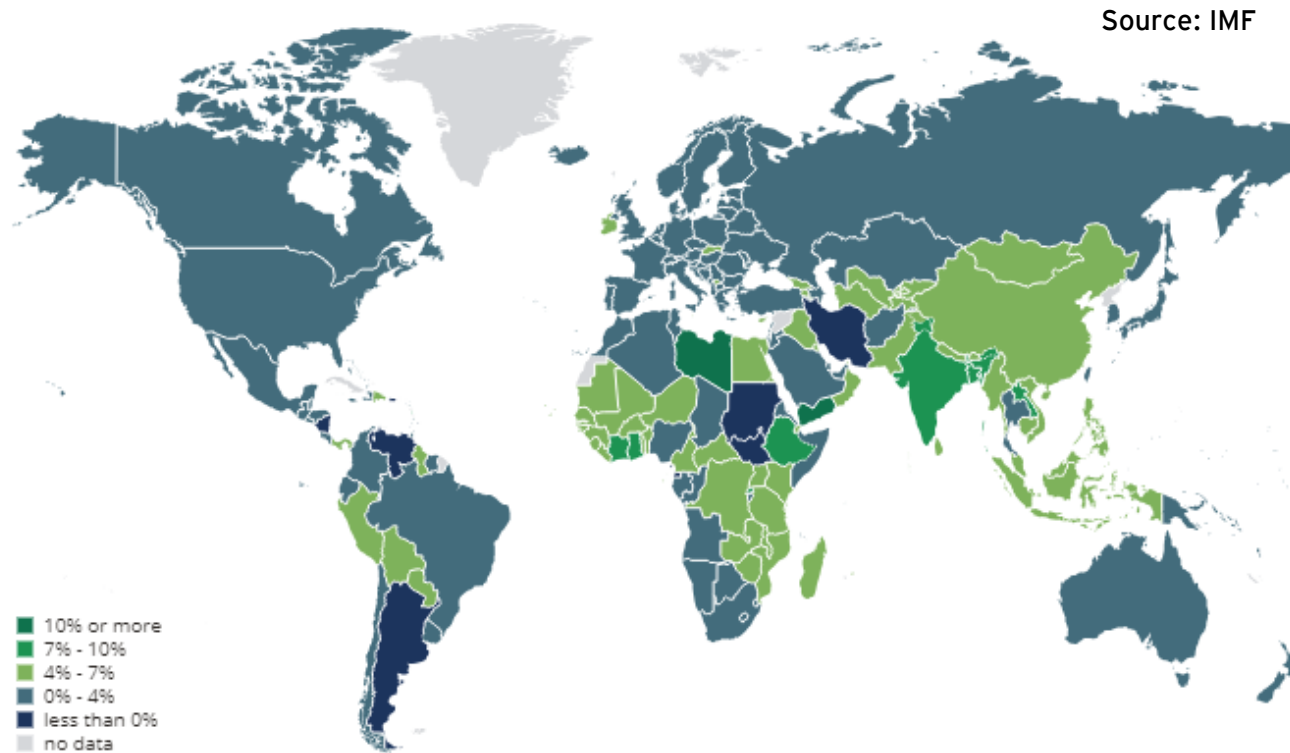
ECONOMIC SNAPSHOT

BALTICS & NORDICS

MINDAUGAS KULBOKAS

THE FULL SERVICE PROPERTY HOUSE

ECONOMIC SNAPSHOT: GDP GROWTH MODERATES



| | 2018 | 2019 |
|-------|------|--------|
| World | 3,7% | 3,7% → |
| USA | 2,9% | 2,5% ↓ |
| EU | 2,2% | 2,0% ↓ |
| Japan | 1,1% | 0,9% ↓ |



Global GDP growth remains the same but the pace in Western countries is going to slow down



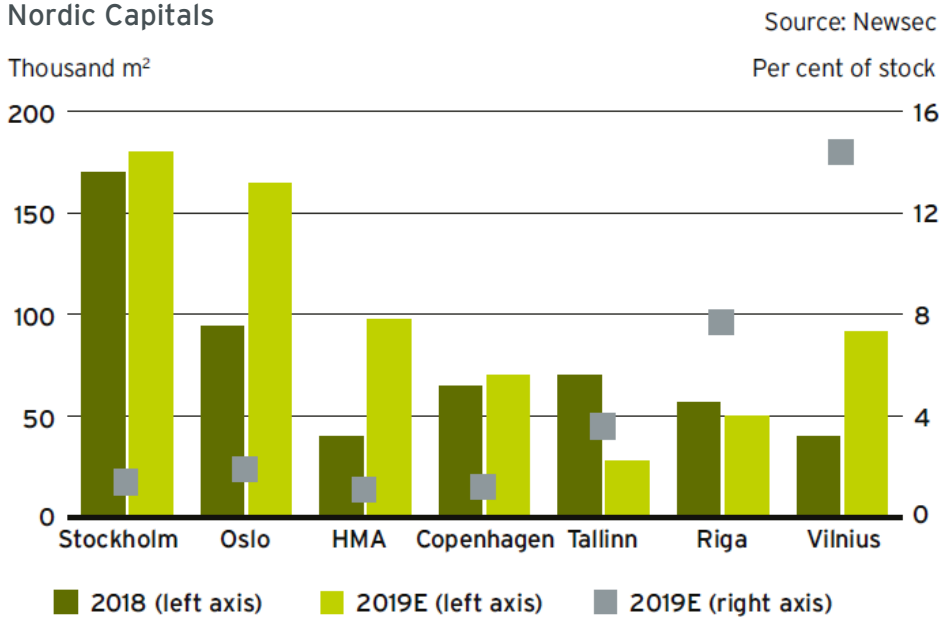
OFFICE MARKET

MARTYNAS BABILAS

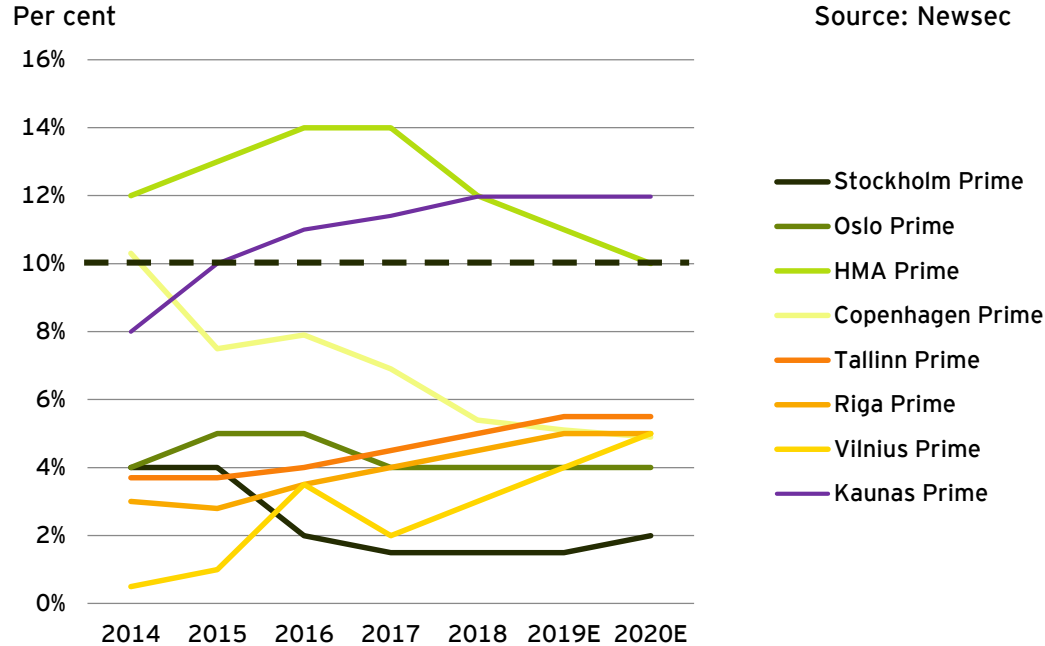
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OFFICE MARKET: NORTHERN EUROPE

Office new construction



Vacancy forecast



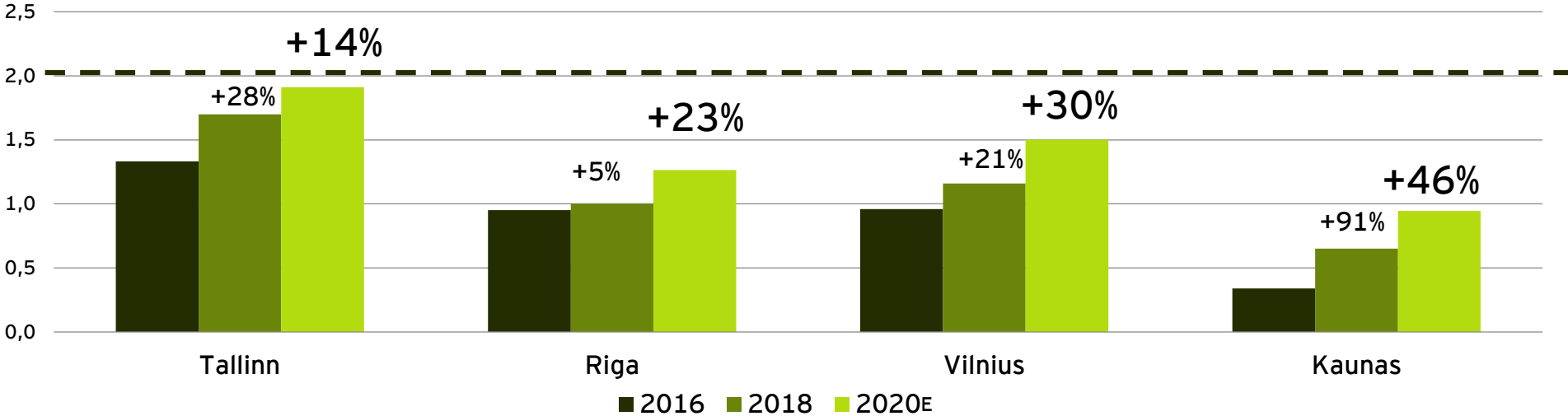
**Boom Around
The Baltic Sea
Continues...**

Yet vacancies are forecasted to remain around 5%.

OFFICE MARKET: IS IT SUSTAINABLE?

Stock per capita

Source: Newsec



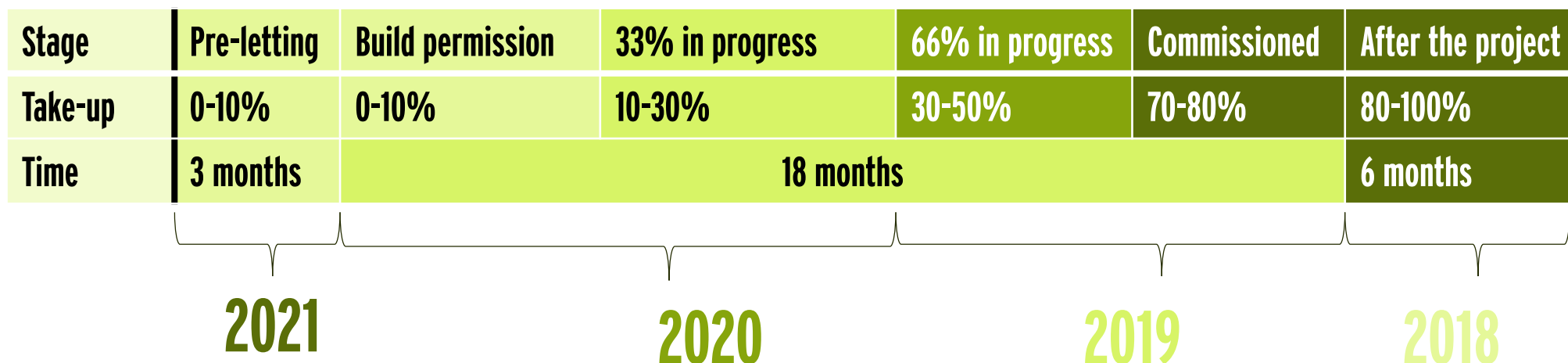
| | Pre-lease* | 2019 | 2020 | 2021 |
|---------|------------|---------|---------|--------------|
| Tallinn | | ~50-60% | ~20-30% | ~0% |
| Vilnius | | ~60-70% | ~30-40% | Less than 5% |
| Riga | | ~20-30% | ~5-10% | ~0% |

* - Until the opening of a building



OFFICE MARKET: TYPICAL OFFICE DEVELOPMENT

Average office take-up growth in relation to construction stages:



Average project letting period from the start of construction work to full-lease becomes longer because of increasing competition



In terms of take-up, Vilnius & Tallinn remain above Baltic average



OFFICE MARKET: RECOMMENDATIONS FOR DEVELOPERS



Sustainable & well-defined concept



Projects reflecting market demand



Think big but design multi & flexible

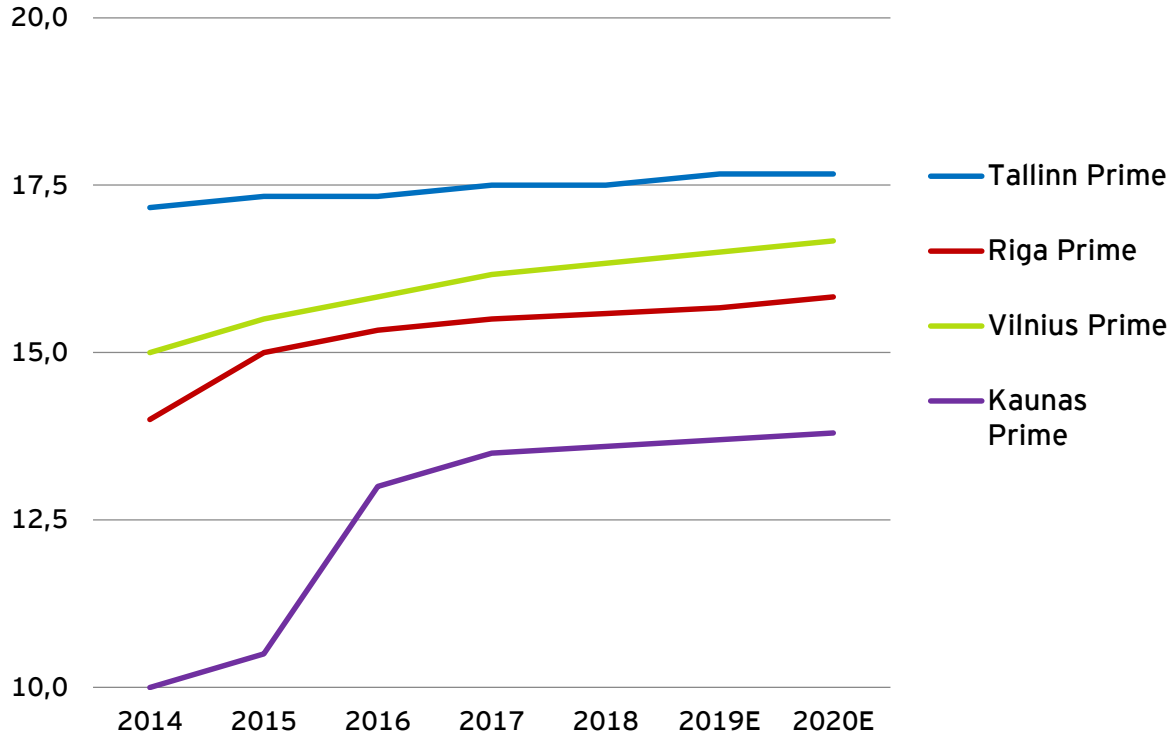


Long-term investment attitude



Office rent prices

Source: Newsec



OFFICE MARKET: DIFFERENT EXPECTATIONS

| | Developers | The gap is widening | Tenants |
|------------------------|---------------------------------------|---------------------|-----------------------------------|
| Lease agreement | Before the start of construction work | | During the construction work |
| Agreement term | 5-10 years | | 5 years or less |
| Type of tenant | Big companies | | Small & Medium companies |
| Competition | Expect to be the one and only | | Expect to choose from 5+ projects |
| Price | Increasing price | | Multiple rent incentives |
| Product | Moderate quality & self-managed | | Modern & pro-managed office |
| Parking | 1 per 4-5 employees | | 1 per 2 employees |
| Amenities | Provided by other tenants | | Expected as a package |

OFFICE MARKET: TALLINN IN NUMBERS

Total Stock

770 000 m²



Under Construction

110 000 m²



Stock per capita

1,70 m²



Investment transactions into Tallinn office market

> 100 MEUR



Rent rates



Interesting facts about Estonia

5.2 startups per 100 000 inhabitants



Third in Europe

6.0 Foreign Direct Investment % of GDP



Highest among the Baltic States

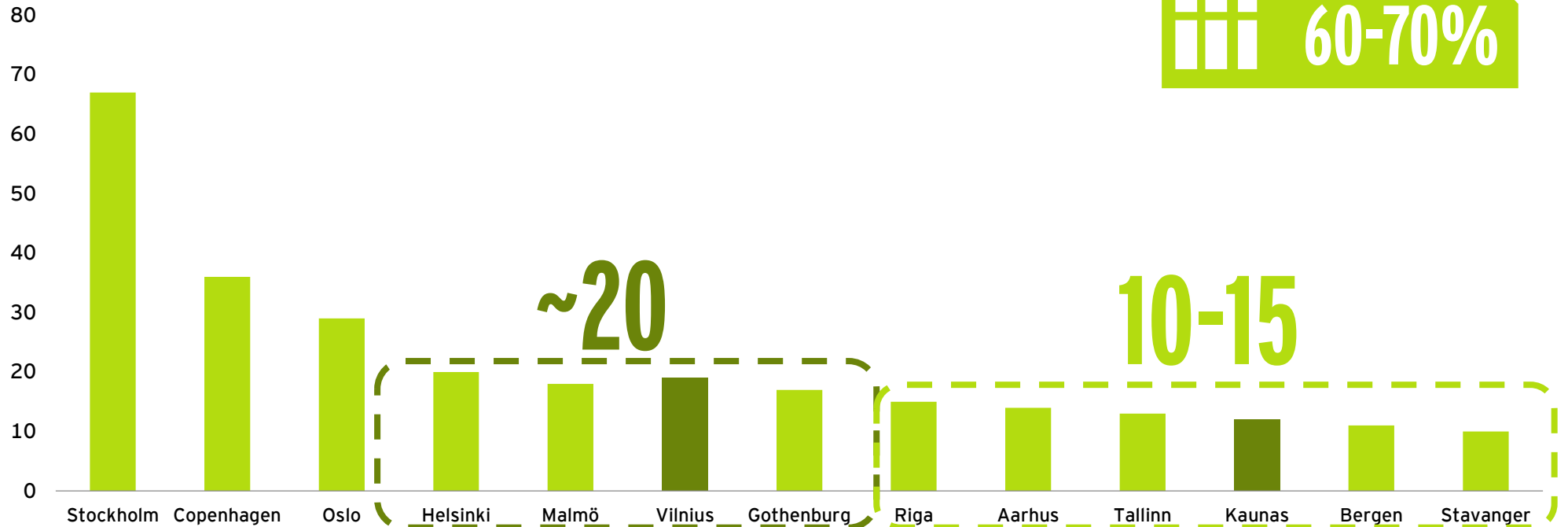
Vacancy rates



Total rental budget should be used as an indicator for expenses, instead of rent per sqm



CO-WORKING: NUMBER OF LOCATIONS



Tallinn: similar to Baltics and secondary cities in Norway & Denmark.

OFFICE MARKET: CO-WORKING IN TALLINN

WORKLAND
YOUR OFFICE



- Porto Franco
- Maakri

 **SPACES.**



Rotermanni District

International co-working operators expand in main business campuses



UMA
BY TECHNOPOLIS



- Ulemiste
- Maakri

OFFICE BUILDING QUADRUM

70 000 sqm
Schage Real Estate

Vilnius, Lithuania



QUESTIONS?





INVESTMENT MARKET

NERINGA
RASTENYTE-JANCIUNIENE

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#BLURRED LINES

Laborde, Paris, France - Best office building



New synergies between the new and the old

4 Different certificates

1/5 of all space is outdoors

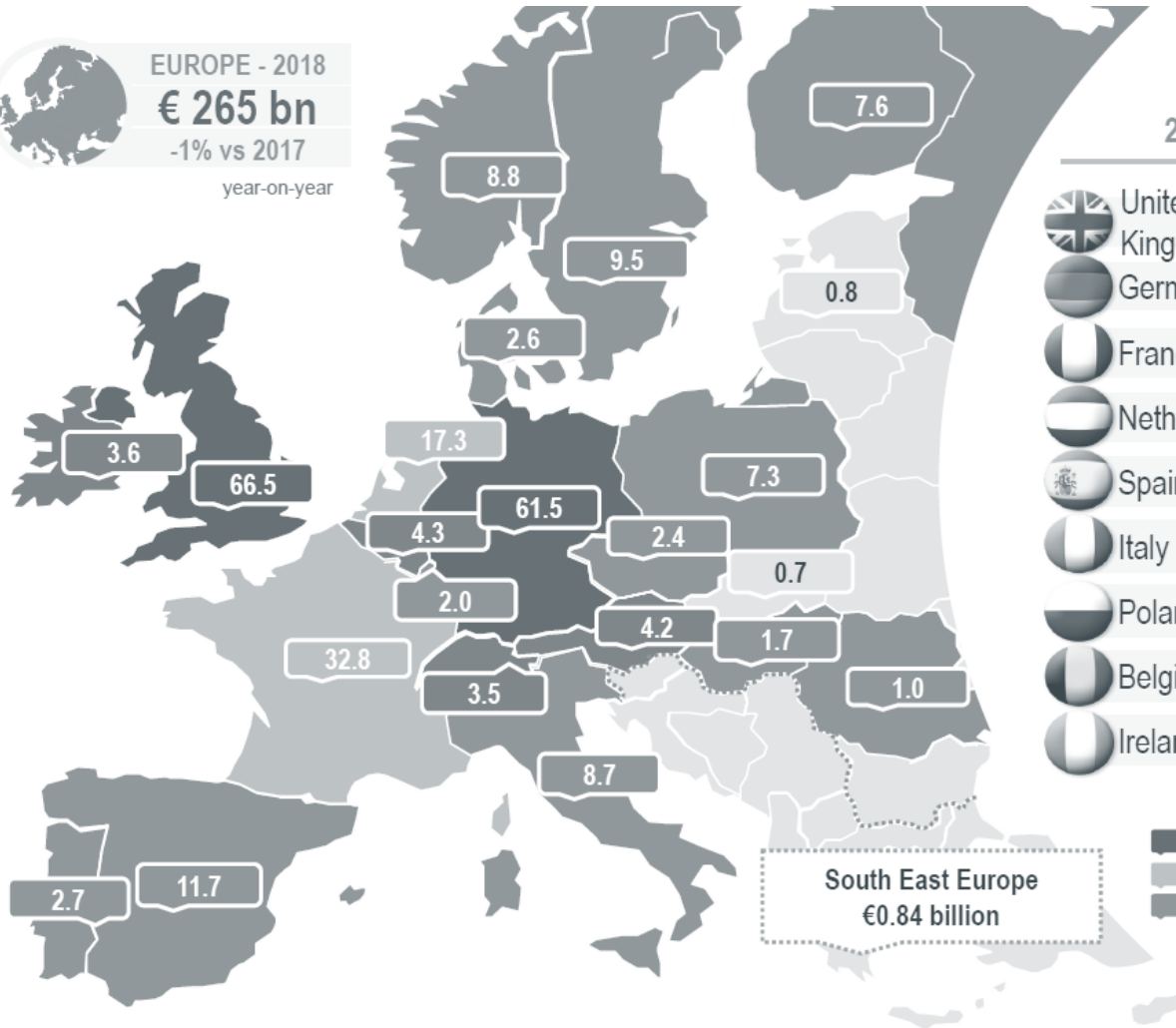
Formal meets informal In & Out of the office

Vast library for groups and individuals










Big tables for work and collaboration

INVESTMENT VOLUME: EUROPE


EUROPE - 2018
€ 265 bn
 -1% vs 2017
 year-on-year

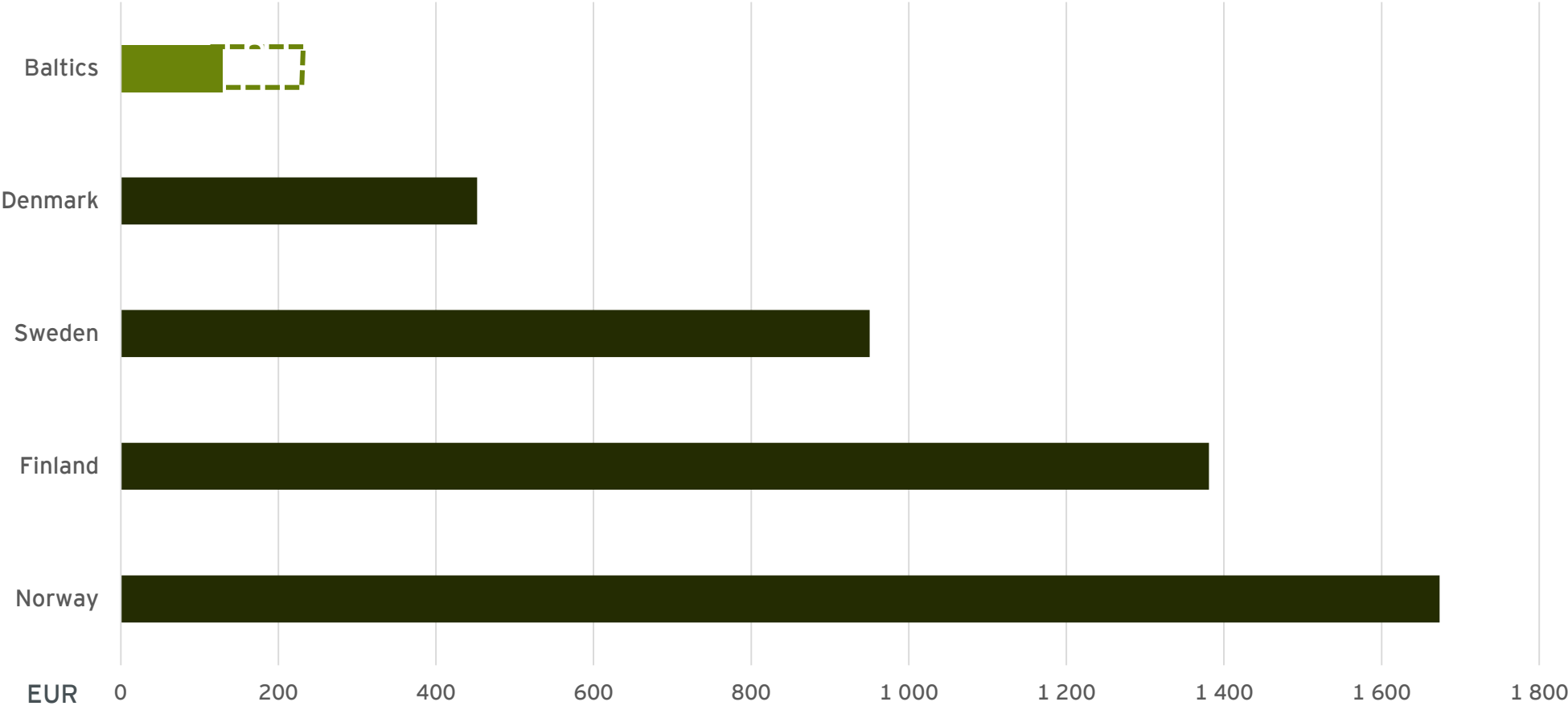


2018 vs 2017

| | |
|--|------|
|  United Kingdom | -10% |
|  Germany | +6% |
|  France | +20% |
|  Netherlands | +3% |
|  Spain | +9% |
|  Italy | -22% |
|  Poland | +42% |
|  Belgium | +36% |
|  Ireland | +43% |



INVESTMENT PER INHABITANT: **BALTICS VS. NORDICS**



 Potential growth forecast for 2020-2021



INVESTMENT VOLUME: EUROPE CONTINUES TO BOOM

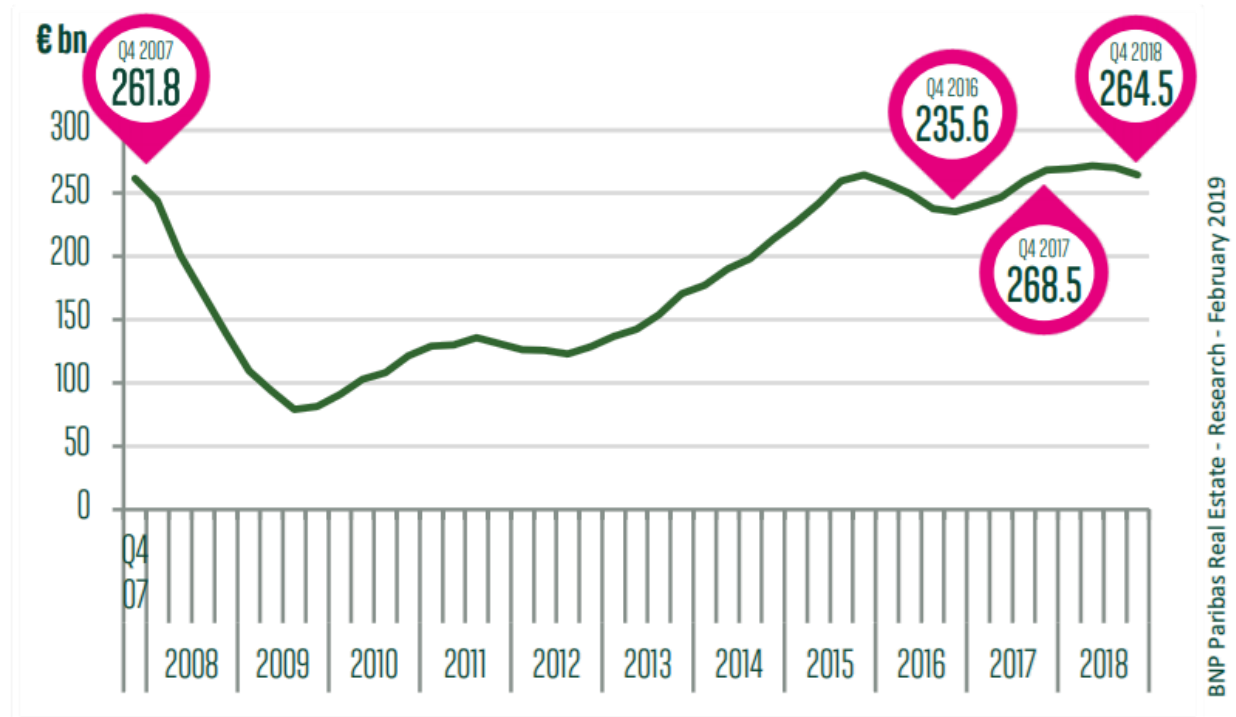
2018

! 1% lower than
2017 all-time record

 **Office** +9%

 **Retail** 0%

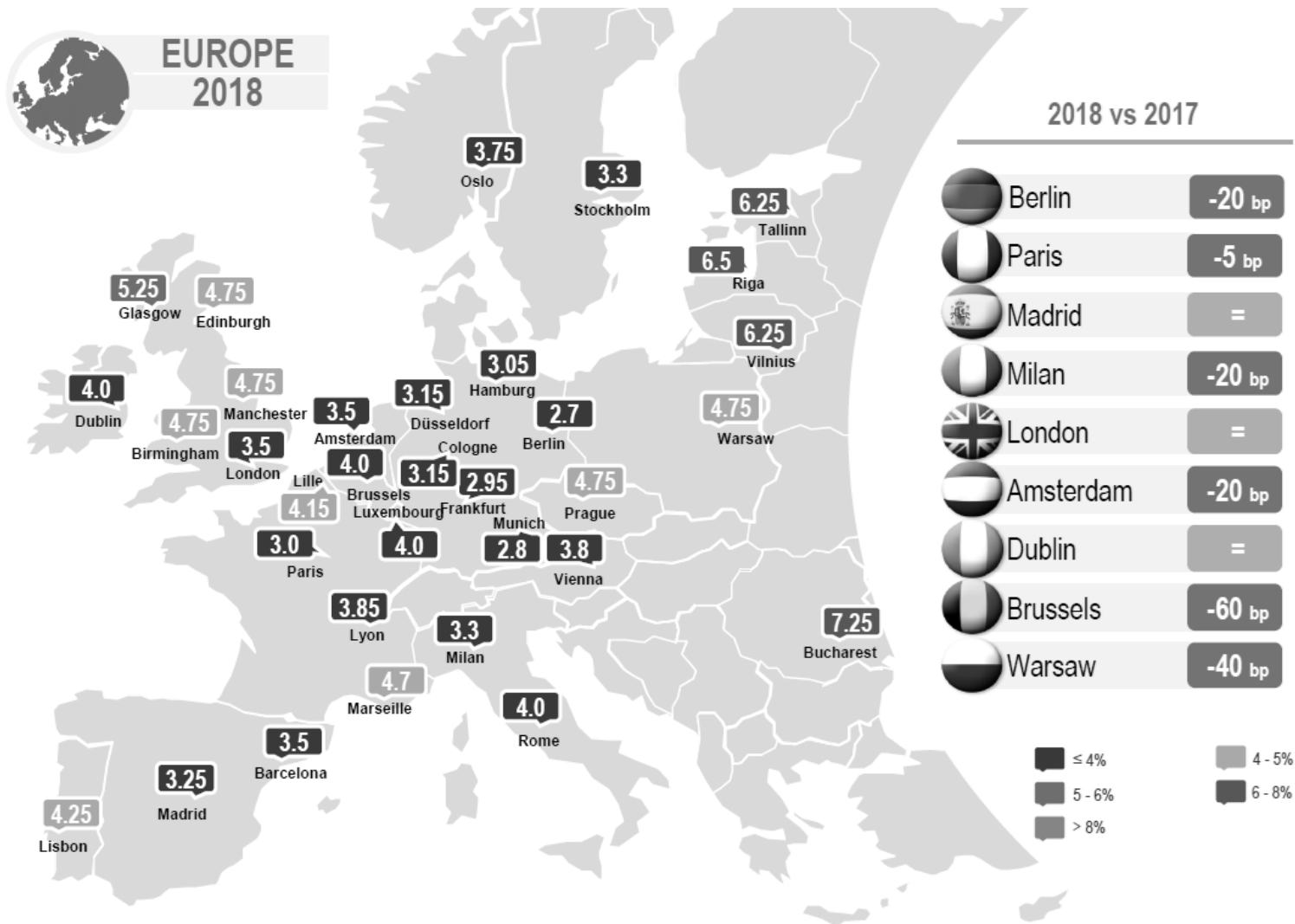
 **Logistics** -16%



BNP Paribas Real Estate - Research - February 2019

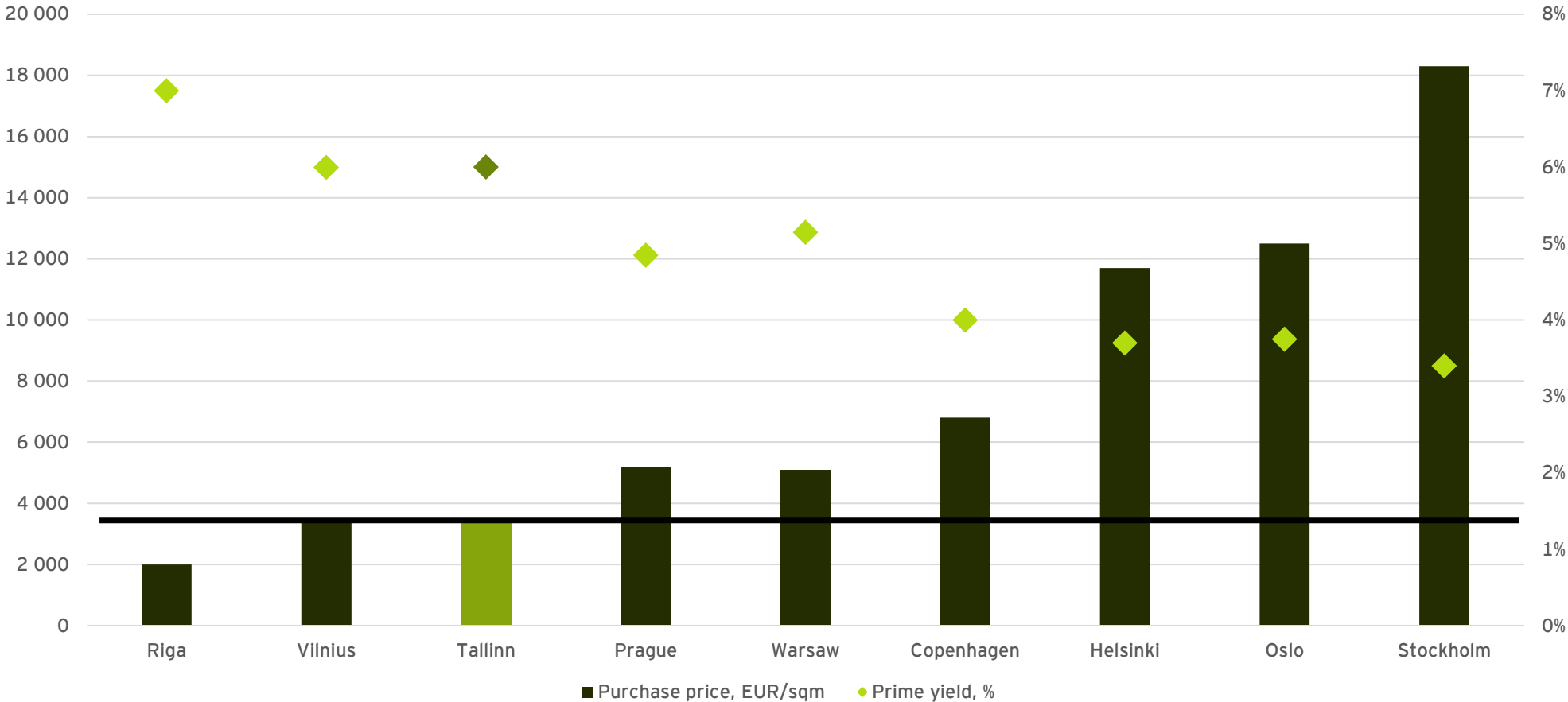


OFFICE PRIME YIELDS: EUROPE



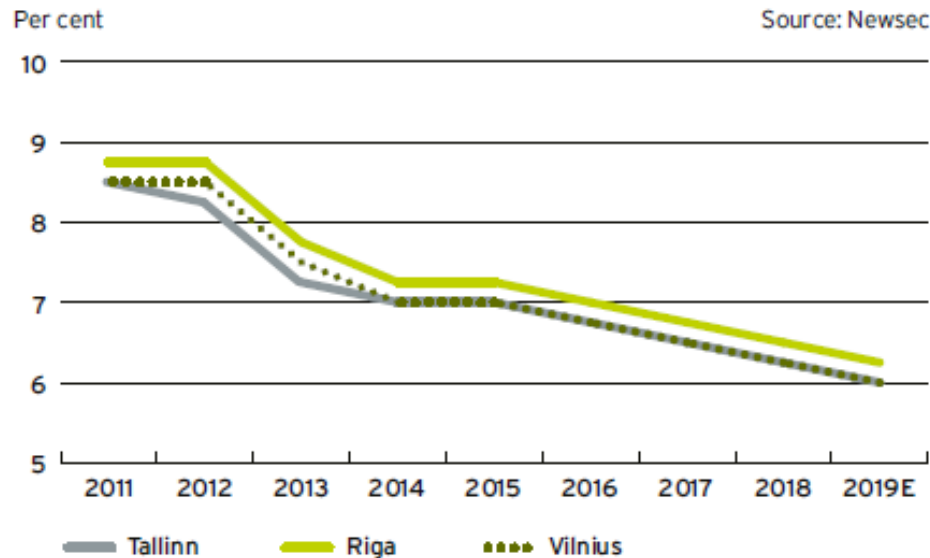
Source : BNP Paribas Real Estate

INVESTMENT: ESTONIA VS. EUROPE

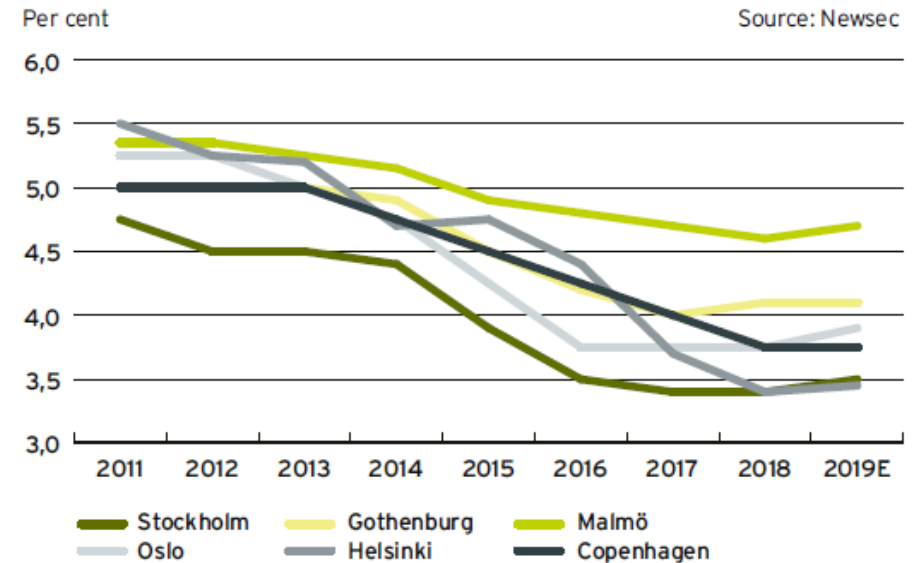


PRIME YIELDS: BALTICS

Prime Office Yields | Baltic Region



Prime Office Yields | Nordic Region



Yield compression in the Baltics is forecast to stop because of stricter financing regulations as well as regional economic conditions...

Yields in Scandinavia are already climbing up

INVESTMENT: PRIME YIELDS IN BALTICS



Tallinn CBD



Ulemiste City

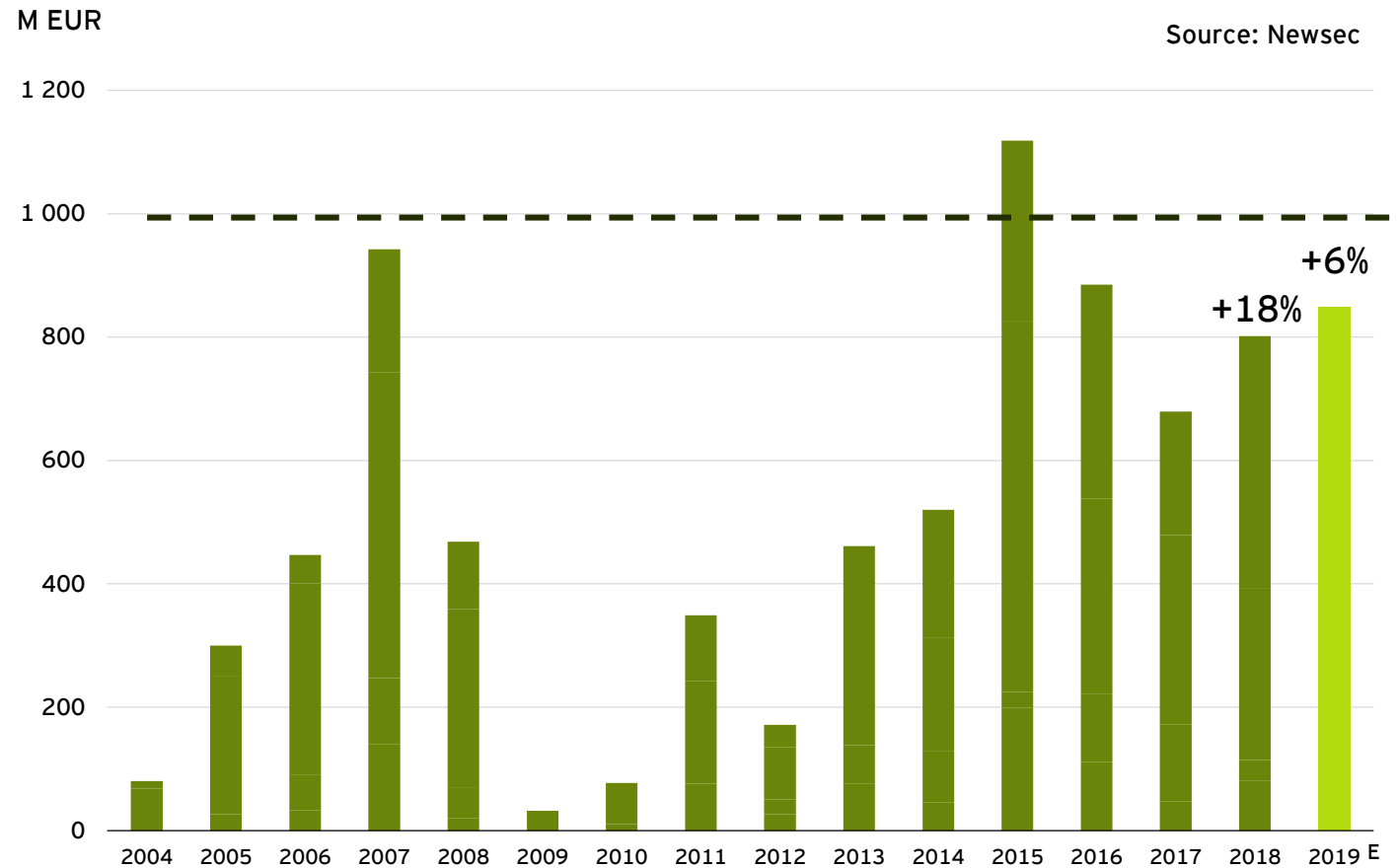
- In Vilnius, **Park Town and S7** were purchased with a yield **lower than 6,00%**
- In Tallinn, **Postimaja and Hilton** were purchased with a yield **lower than 6,00%**

Tallinn and Vilnius - most attractive locations in the Baltics



INVESTMENT: LEADERS IN BALTICS

Transaction Volume in Baltic Countries



Total volume in Estonia
in 2018 was
155 mEUR



Tallinn remains the
most attractive hub

INVESTMENT: TRENDS IN ESTONIA

Main investors:



Main sectors:

| | 2016 | 2017 | 2018 |
|------------|------|------|------|
| Office | 50% | 14% | 64% |
| Retail | 23% | 54% | 8% |
| Industrial | 9% | 29% | 3% |
| Other | 19% | 3% | 24% |



OFFICE BUILDING S7

42 500 sqm

128 mEUR

5,8 %

Eastnine

Vilnius, Lithuania





HILTON TALLINN PARK HOTEL

22 500 sqm

48 mEUR

5,4 %

East Capital

Tallinn, Estonia

INVESTMENT: PRIME VS. SECONDARY



Stockholm CBD

Gothenburg

Malmö



Helsinki CBD

Tampere

Turku

Yield Office rent rate

3,4% 52,0

4,1% 24,0

4,6% 20,0

3,8% 38,0

6,3% 19,0

4,8% 14,5



Tallinn

Tartu

Yield Office rent rate

6,0% 17,0

7,0% 12,0

Differences between primary and secondary cities are completely normal



QUESTIONS?

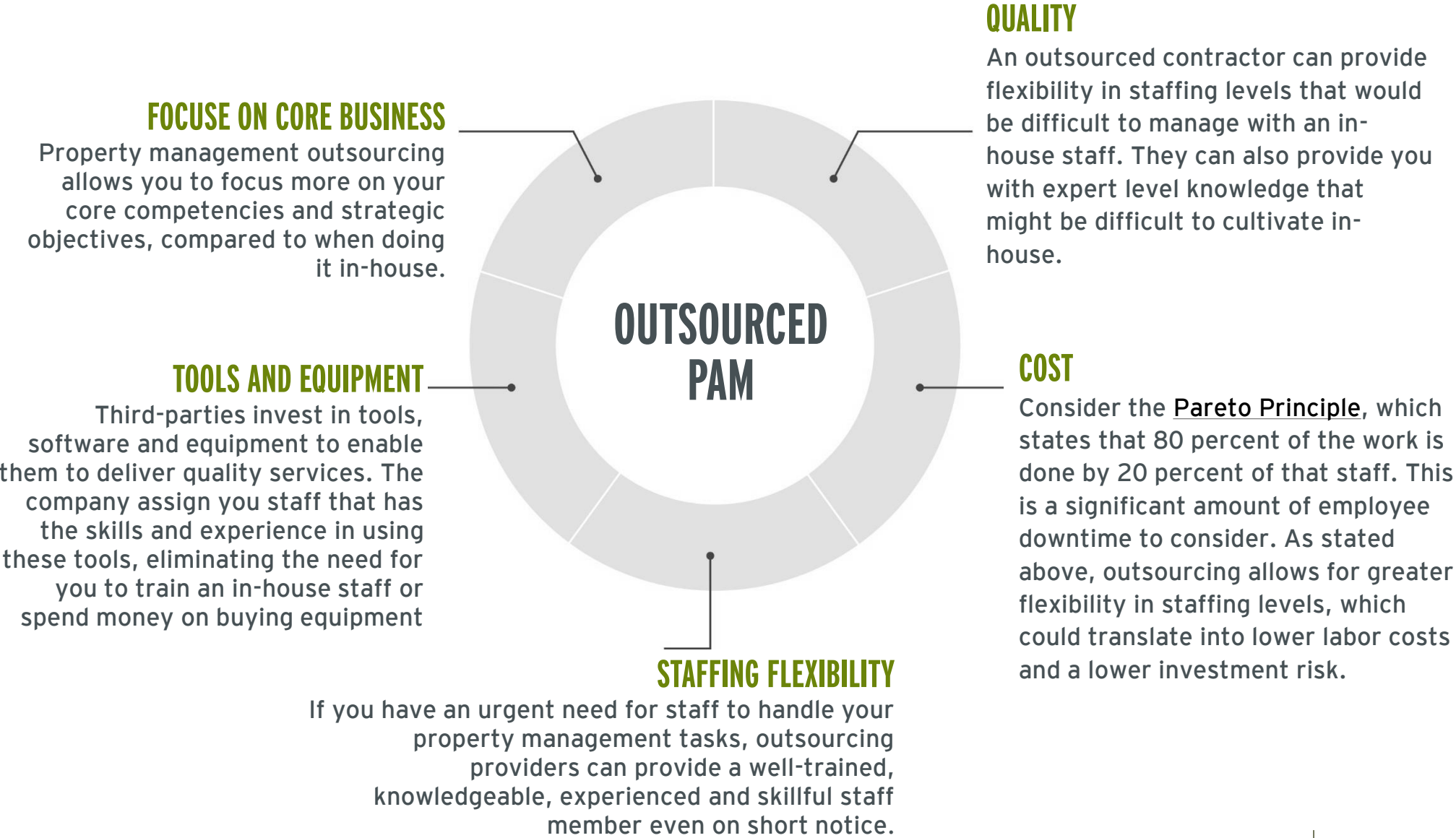




RETAIL MARKET

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KEY FACTORS TO CONSIDER



RETAIL MARKET: NEW SPACE AND INVESTMENT



Total investment per city



200 mEUR



350 mEUR



100 mEUR



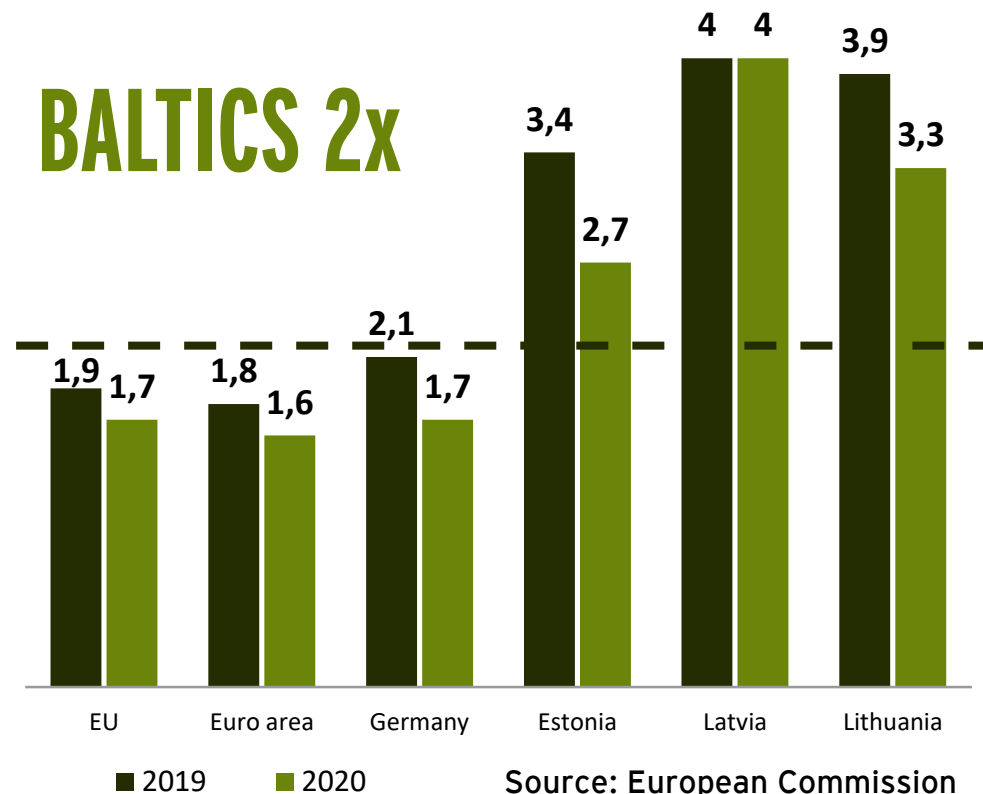
RETAIL MARKET: GROWTH CONTINUES

RETAIL TURNOVER INDEX

| | |
|----------------|-------------|
| EU | 2.1% |
| Euro area | 1.5% |
| Germany | 1.1% |
| Estonia | 1.0% |
| Latvia | 4.0% |
| Lithuania | 6.6% |

PRIVATE CONSUMPTION FORECAST

BALTICS 2x



* - 2018 yoy change %, Eurostat

AKROPOLIS SHOPPING CENTRE IN RIGA



! Construction cost:
1 850 EUR per sq. m

OYSHO

O'Learys

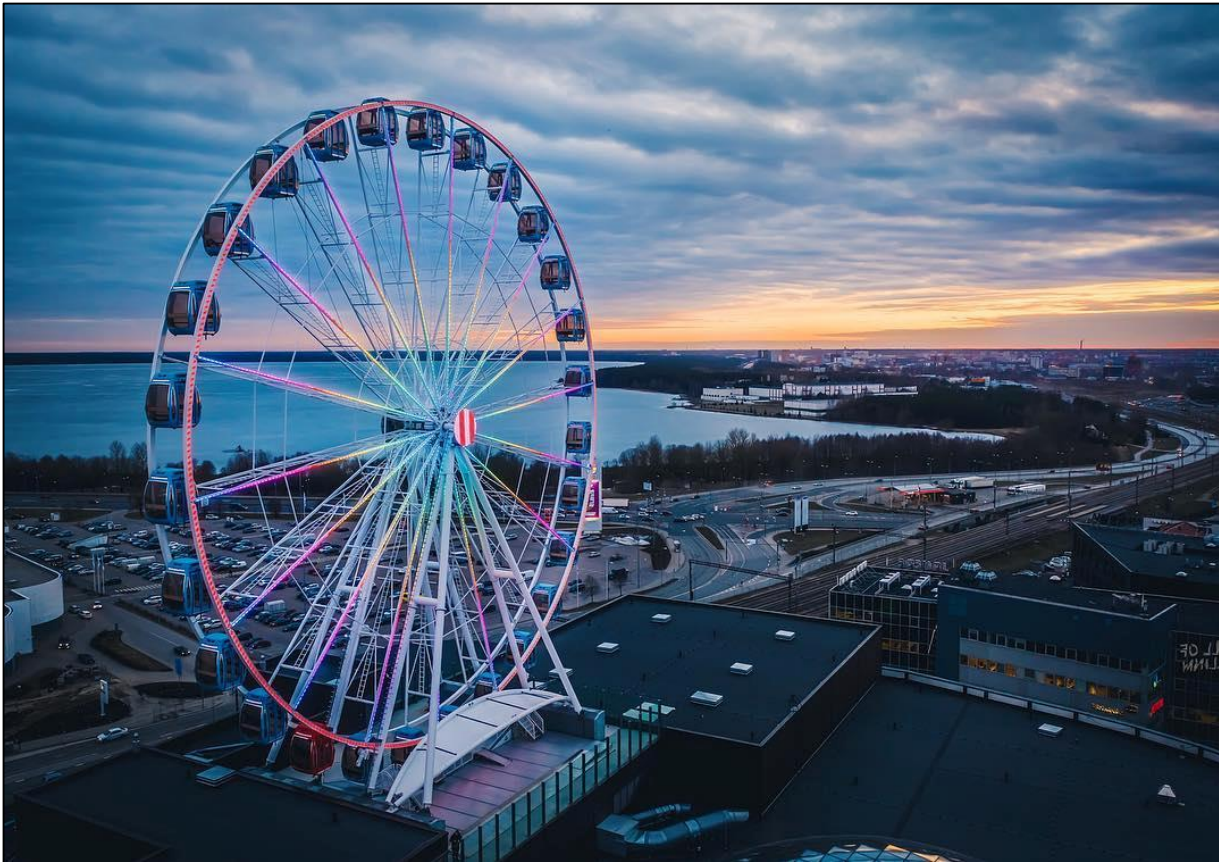
VAN GRAAF

APOLLO
KINO·CINEMA

NEWSEC

REDGATE
CAPITAL

T1 SHOPPING CENTRE



Construction cost:
1 500 EUR per sq. m

130 000 sqm building:



Over 200 stores



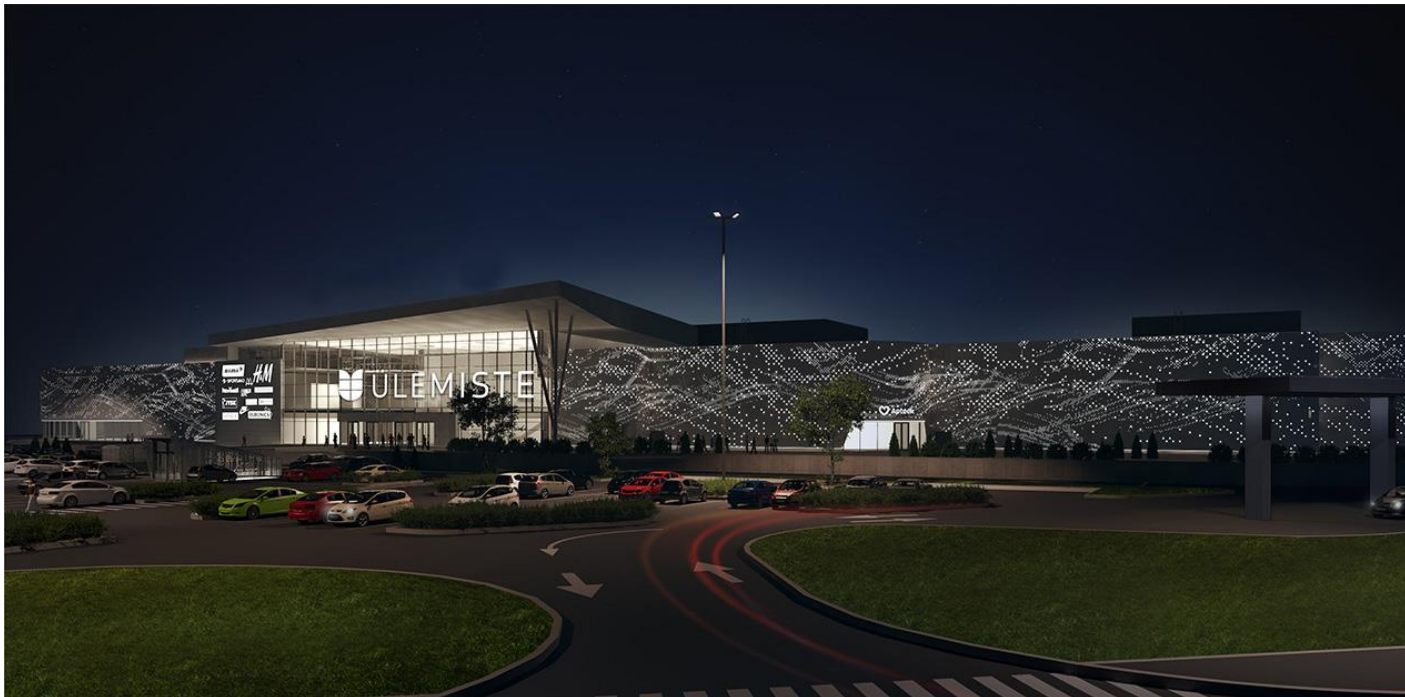
32 restaurants



Retail/Tourism?



ULEMISTE SHOPPING CENTRE



23 000 sqm. of new space:



14 000 of rental area

APOLLO
KINO • CINEMA

PEOPLE
fitness club



Construction cost:
1 500 EUR per sq. m



PORTO FRANCO **COMMERCIAL CENTRE**



Mixed-use is becoming popular in the Baltic states

Porto Franco complex will contain co-working, office, hotel and retail areas



In 2019, Live Square, a similar mixed-use centre, will open in Vilnius centre



SHOPPING CENTRE AKROPOLIS

Property management
(since 2008)

GLA: 62 000 sqm

Client: Deko Immobilien

NOI +25%

Av. rent price +18%

Footfall 13,3 mio/ann.

Turnover +44%

Occupancy rate 99%

Anchor Tenants: Maxima, Forum
Cinemas, Inditex, LPP.

Kaunas, Lithuania



SHOPPING CENTRE BIG

Property management
(since 2007)

GLA: 16 000 sqm
Client: Deko Immobilien

NOI +29%

Av. rent price +23%

Footfall 4,3 mio/ann

Turnover +62%

Occupancy rate 99,5%

Vilnius, Lithuania



SHOPPING CENTRE MOLAS

Property management (since 2015)

Property reconstruction

Tenant mix improvement

GLA: 18 500 sqm

Client: Westerwijk Investments

NOI +5,4%

Av. rent price +13,4%

Footfall 3,6 mio/ann

Turnover +33%

Occupancy rate 99%

Kaunas, Lithuania



SHOPPING CENTRE OZAS

Property management
(since SEP 2018)

GLA: 62 000 sqm

Client: NEPI Rockcastle

Footfall 5,27 mio/ann.

Occupancy rate 97%

Turnover y-o-y +20%

Anchor Tenants:

Maxima, Multikino,
Peak&Cloppenburg, Zara, H&M.

Vilnius, Lithuania



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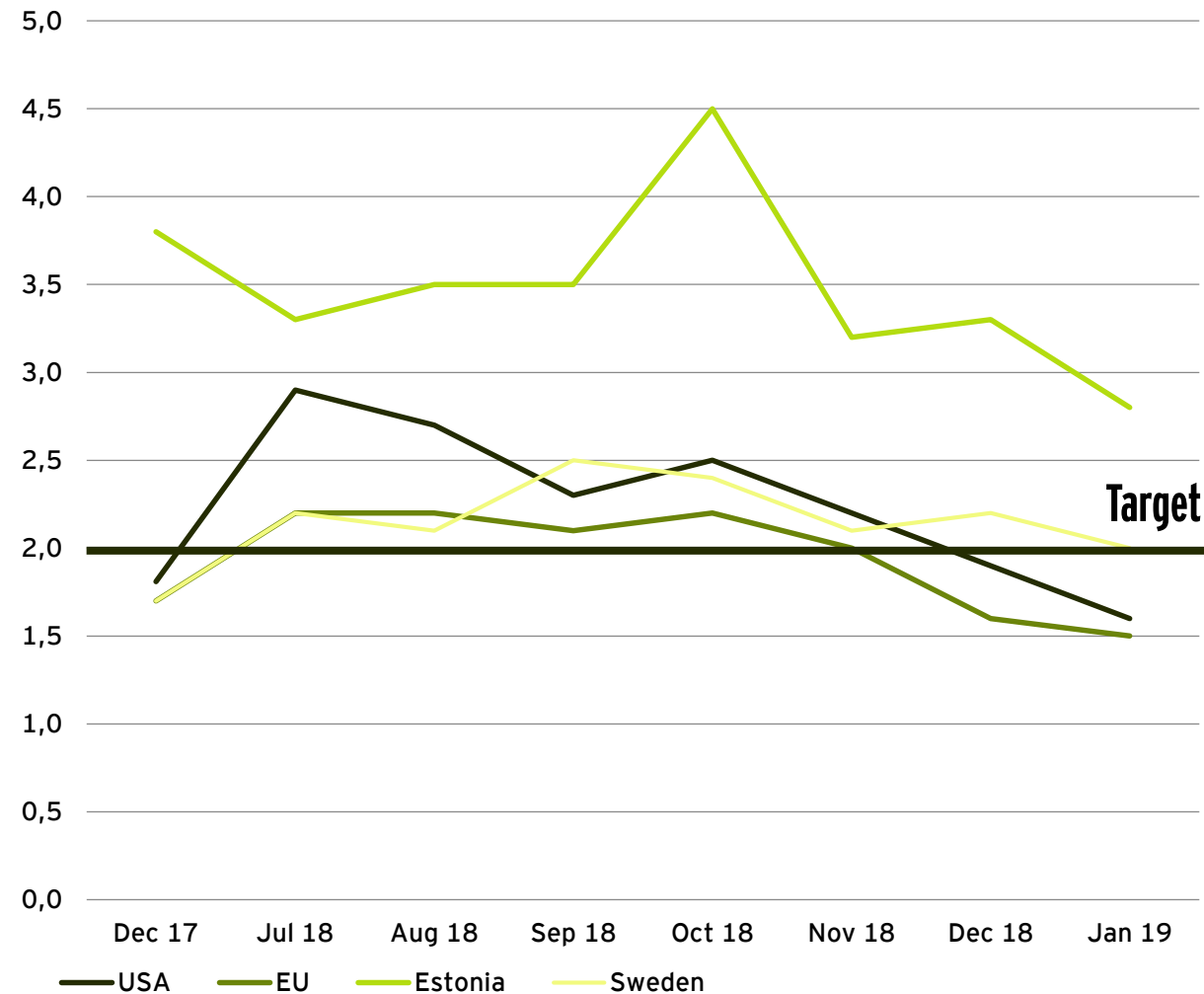
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ECONOMIC SNAPSHOT: CPI GROWTH MODERATES AS WELL

CPI

Per cent

Source: Eurostat

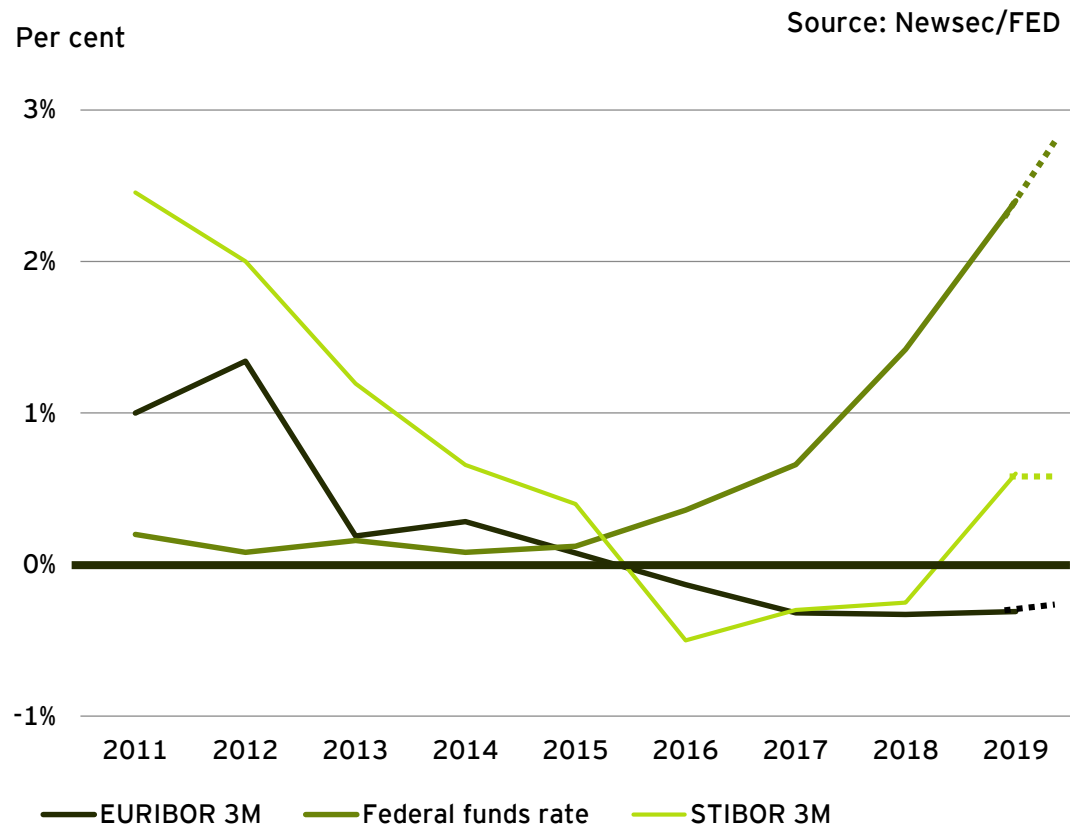


2% inflation rate is still around the corner...

But is it possible to achieve?

ECONOMIC SNAPSHOT: ALL EYES ON CENTRAL BANKS

Interest rates



The US economy is in better shape for now, but will nonetheless experience a slowdown during 2019...

On both sides of the pond, most expansionary tools in the monetary toolbox are already exploited

ECONOMIC SNAPSHOT: NORDICS IS NOT AN EXCEPTION

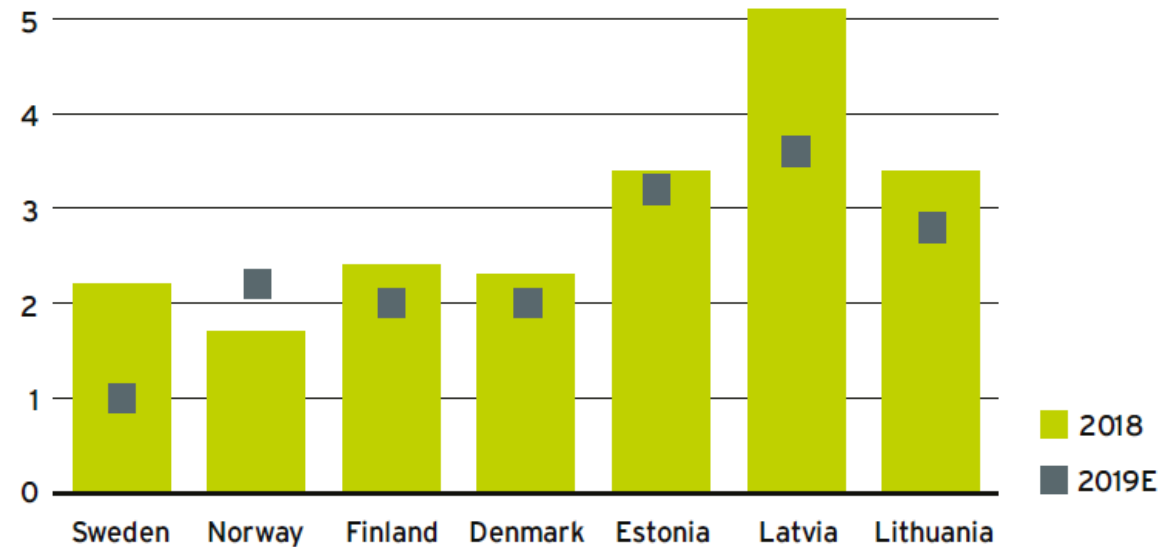
In Sweden, both household and business sentiment indicators are deteriorating...

Baltic countries remain strong but are negatively affected by the global outlook

GDP Growth 2018–2019E

Per cent

Source: Newsec/BNP



ECONOMIC SNAPSHOT: BALTICS ARE TRANSFORMING

Back office

Expertise, responsibilities,
front office

Centre of Excellence

Average salary:



Expected salary in
modern service industries:

| | |
|-----------|-------|
| Estonia | 1,291 |
| Latvia | 1,006 |
| Lithuania | 936 |

How do we find the right
way to cross the gap?

~1,700



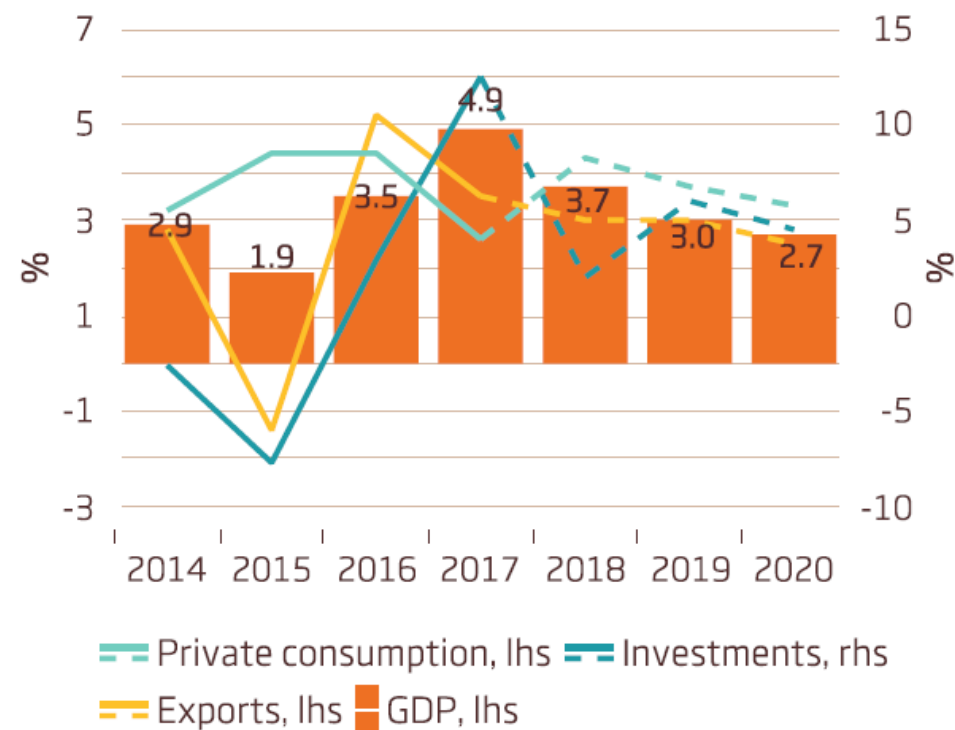
NEWSEC

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CAPITAL

ECONOMIC SNAPSHOT: HOW ABOUT ESTONIA?

Economic growth is slowing

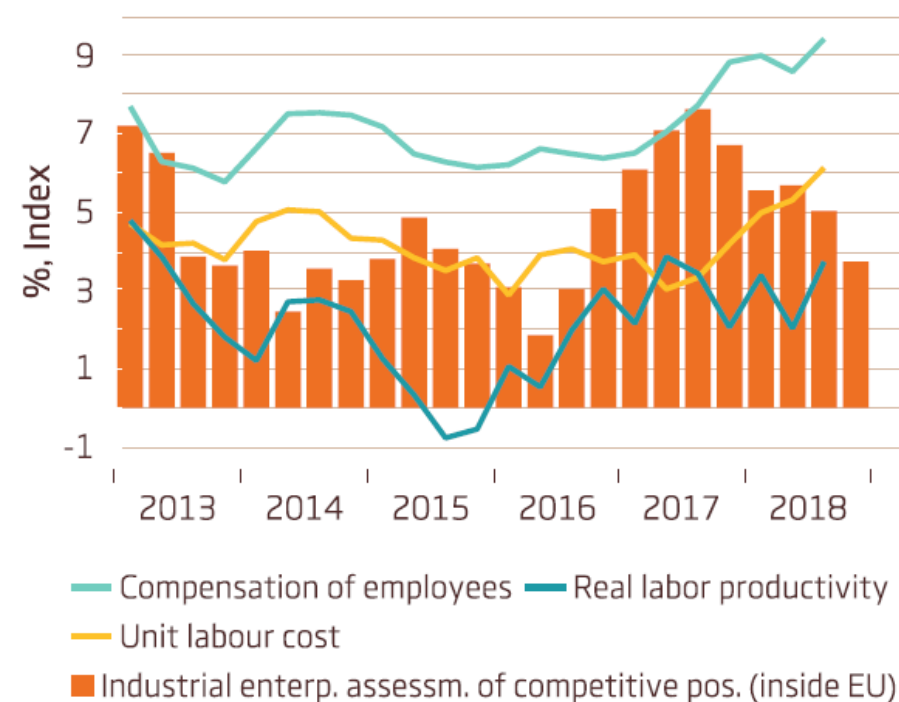
Percent, real growth



Sources: Swedbank Research & Macrobond

Labor shortage has peaked

Percent, y/y, index, 4Q MA



Sources: Swedbank Research & Macrobond

QUESTIONS?

