

KAUNAS OFFICE OUTLOOK

NEWSEC

2020 H1



Project: MAGNUM business centre
Developer: Viciunai Group

KAUNAS OFFICE MARKET

OFFERS A PERFECT OPPORTUNITY FOR SMALL-SCALE BUSINESS SERVICE CENTRES

INSIGHTS

The market for modern office space in Kaunas had about 253,000 sqm at the end of H1 2020. The area available for lease grew 12% in the six-month period and was up a full 33% from a year earlier.

The city of Kaunas has been recognised internationally for recent advances. One of its latest honours was being ranked by The Financial Times' fDi Intelligence as No. 2 for FDI Strategy 2020/21 in the category of Small Regions of the European Future. The business ecosystem that the city is developing offers every opportunity for Kaunas to become a hub for smaller service centres.

Kaunas's focused strategy for attracting international tenants has also quite noticeably influence local companies, with ever more Lithuanian-owned tenants deciding to move to new modern buildings.

A new business district is taking shape in the city and clusters of office buildings are appearing. In future, these will be more competitive than individual administrative buildings. The market shows signs of more demand for buildings on campuses, where companies of similar profile are gathering and business communities forming.

SUPPLY

In H1 2020, the Kaunas office market saw the launch of three new office projects that added 26,800 sqm of leasable space to the supply. Last year, in 2019, supply on the Kaunas market grew by a record amount as office tenants were offered an additional 46,000 sqm.

The biggest new office project in Kaunas in H1 2020:

The **MAGNUM Business Centre** consists of two linked towers blended harmoniously into Kaunas's emerging central business district. Built alongside Kaunas Akropolis and Zalgiris Arena, it added 18,000 sqm of office space to the new business district and the Kaunas market. Magnum, as the largest class A office project in Kaunas to date, offers tenants class A premises with the most innovative solutions on the market.

No new office supply is planned in H2 this year, while in 2021 the potential total supply is just 12,000 sqm. More properties are planned in the rapidly developing city, but they are not expected to reach the market before 2022-2023.

It's projected that tenants may need 12-18 months to absorb the currently free office space in Kaunas, so new

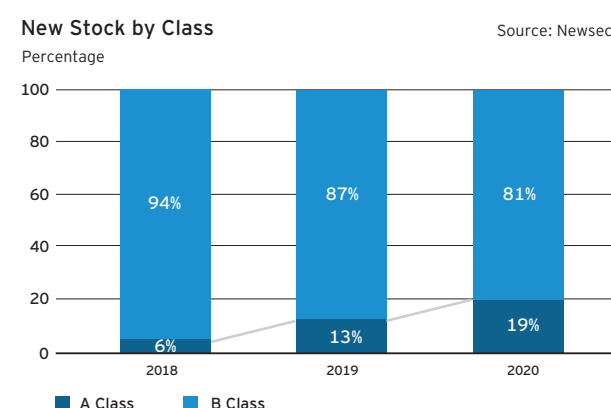
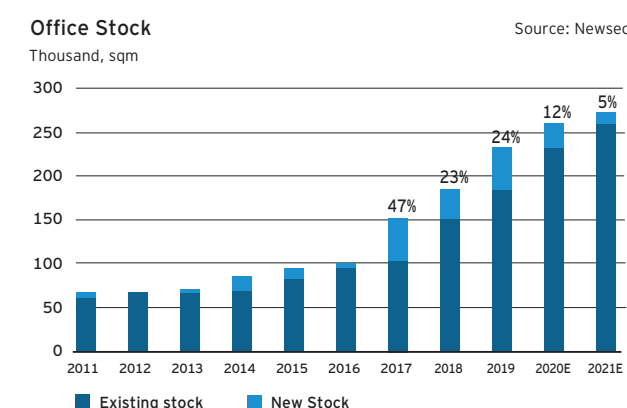
projects on the market may face notable challenges and are more likely to proceed on a built-to-suit basis only.

DEMAND

Lease transactions were made for 9,000 sqm in H1 this year, which is just below 30% of take-up for the full year 2019. The leasing of at least another 10,000 sqm is expected this year. The vacancy level is forecast to be 13% at year-end and then next year to fall to 10%. The increased vacancy rate in the office market is a good opportunity for tenants to discover the Kaunas market. In smaller buildings, companies seek identity and exclusivity, but don't want to be isolated from the business community. That's confirmed by the trend that the area leased by large tenants on the Kaunas market rarely exceeds 2,000 sqm, though the average size of offices is gradually growing, and most new business centres also target smaller tenants.

VACANCY

The overall vacancy rate at the end of Q1 was 17%, up from 12%. At properties already built and operating, a total of more than 44,000 sqm of space was free and for lease. Over a third of the premises are in projects that began operating in 2020. Absorption of the



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space on offer in Kaunas will take a bit more time, given that for the last several years take-up on the market has averaged 35,000-40,000 sqm.

RENTAL PRICES

There was no marked correction of rental

prices in H1 2020. On the contrary, rents on newly offered premises slightly increased the average price (by up to 0.7%). In class A the average rent was 12-13.5 EUR/sqm/month and in class B it was 7-11.5 EUR/sqm/month.

OFFICE DEVELOPMENT IN KAUNAS 2019-2021 AND PLANNED

	Developer/Owner	Project	GLA, sqm
2019			45,800
1	KPC Nekilnojamas Turtas	Karaliaus Mindaugo BC	4,500
2	Autodaly	S16	1,500
3	MJ Consulting	Longas	3,500
4	Polonezas	Ausra	2,400
5	Urban Inventors	BLC2	13,000
6	Prime Biurai	Prime	5,500
7	Klaipėdos Terminalo Grupe	Alia	4,400
8	Urban Inventors	Kauno Dokas II	4,600
9	Fugete/Lewben	Sqveras	6,400
2020			26,800
9	Viciunai Group	Magnum	18,000
10	Domino Partneriai	JU1	1,400
11	Sonex Consulting	Brastos 14	7,400
Planned for 2021 and later			27,200
13	YIT Lietuva	Piliamiestis	6,900
14	GS Investicija	Kudirkos 21	2,800
15	TC Investicija	Nemunas Factory HUB	2,300
16	Litvalda	Merkurijus	5,200
17	Urban Inventors	Minkovskiu str.	10,000
TOTAL			99,800

Source: Newsec



3 new projects
Developed in
2020 H1



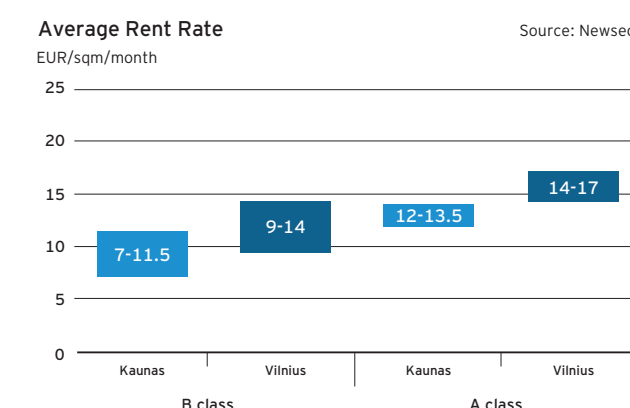
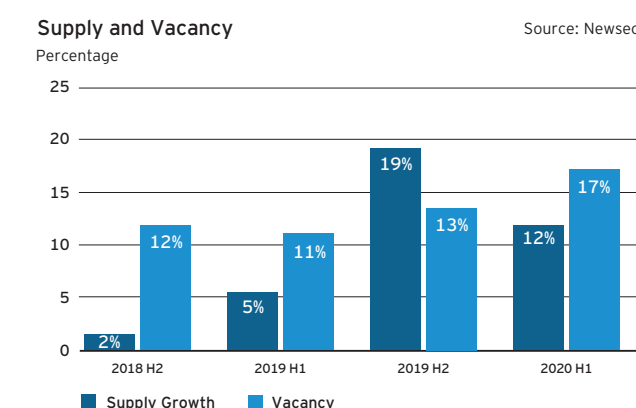
From 13% to 17%
Vacancy increased



9,000 sqm
Office take-up
in 2020 H1



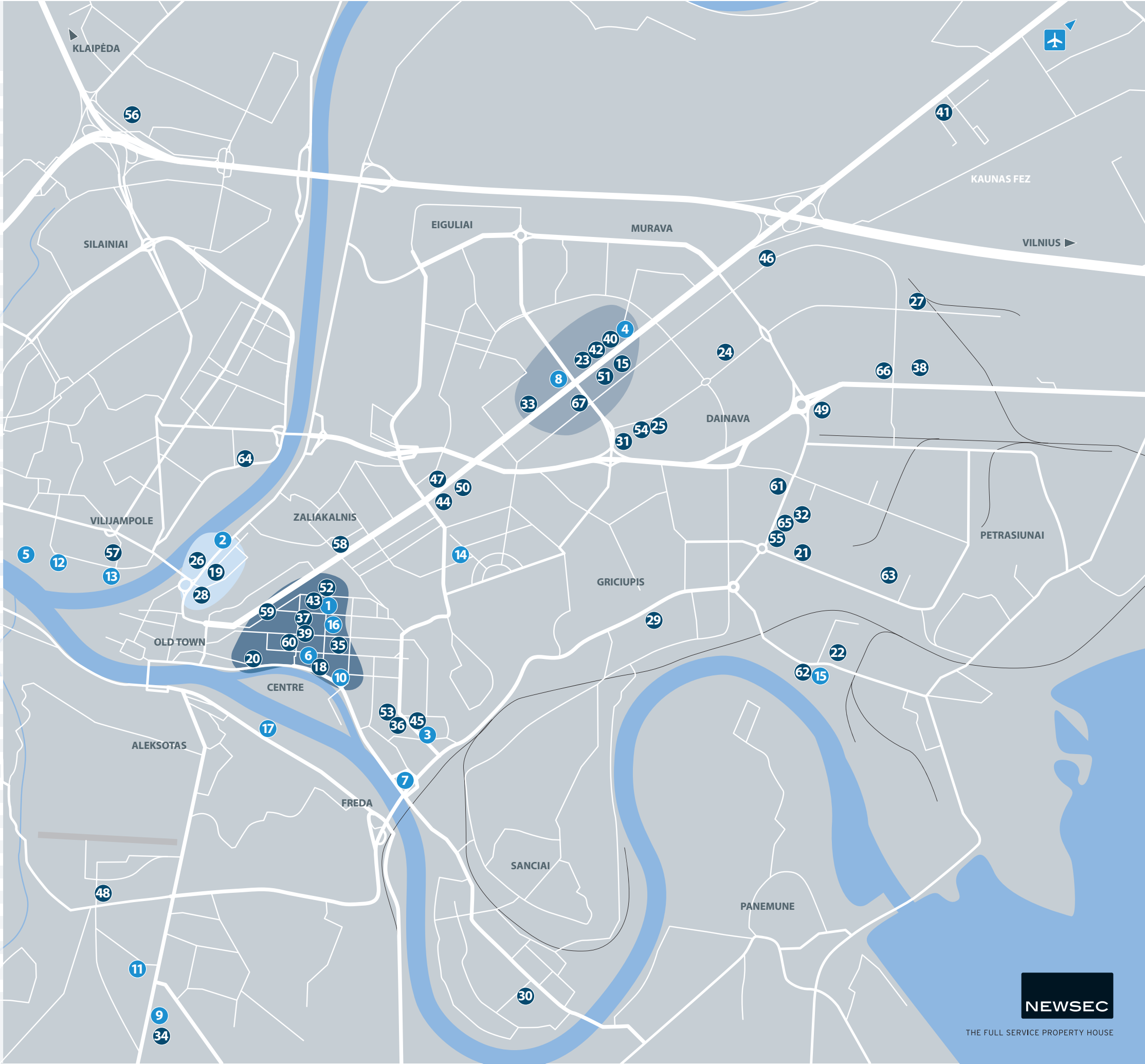
44,000 sqm
Vacant space
for lease



OFFICE BUILDINGS IN KAUNAS

No	Project Name	Address, street
Openings of 2019		
1	BLC2	K. Donelaicio str. 60
2	Kauno Dokas II	Jonavos str. 7
3	Ausra verslo parkas	Vytauto ave. 23, 27, 29
4	Prime	Savanoriu ave. 367
5	Alia	Raudondvario hwy. 107
6	Sqveras	Karaliaus Mindaugo ave. 35
7	Karaliaus Mindaugo BC	Kaunakiemio str. 1
8	S16	Statybininku str. 16
9	Longas	Veiveriu str. 153
Openings of 2020		
10	Magnum	Karaliaus Mindaugo ave. 38
11	JU1	Julijanavos str. 1E
12	Brastos 14	Brastos str. 14
Openings of 2021 and later		
13	Piliamiestis	Brastos str. 24
14	Kudirkos 21	V. Kudirkos str. 21
15	Nemunas Factory HUB	R. Kalantos str. 32
16	Merkurijus	Laisves all. 60
17	Minkovskiu	H. O. Minkovskiu str.
Existing Office Buildings		
18	Arka	Karaliaus Mindaugo ave. 37
19	River Hall	Jonavos str. 60
20	Nemuno 3	Nemuno str. 3
21	Konversus	Chemijos str. 15
22	Kalantos 49	Kalantos str. 49
23	Cube	Savanoriu ave. 321C
24	V. Krėvės 57B	V. Krėves ave. 57B
25	K26A	V. Krėves ave. 26A
26	Kauno Dokas	Jonavos str. 7
27	Kauno Duona	V. Krėves ave. 129
28	Jonavos 30	Jonavos str. 30
29	B66	Barsausko str.
30	Renasansas 1	Juozapaviciaus str. 11
31	Birzelio 23	Birzelio 23-osios str. 4
32	Pramones BC	Pramones ave. 4A
33	Savanoriu 277	Savanoriu ave. 277
34	Sitis	Veiveriu hwy. 139
35	Lapeno Namas	Kestucio str. 38
36	Ausra Business Park A&B	Vytauto str. 23, 27, 29
37	Maironio 28	Maironio str. 28
38	Plaza BC	Taikos ave. 141
39	Swedbank	Maironio str. 26B
40	BC 363	Savanoriu ave. 363A
41	Inovacijų 3	Inovaciju str. 3
42	Savanoriu 349	Savanoriu ave. 349
43	BLC	Donelaicio str. 62
44	Artis	Savanoriu ave. 178
45	Vytauto 32	Vytauto ave. 32
46	Diurablis	Partizanu str. 63M
47	Savanoriu 221	Savanoriu ave. 221
48	Technopolis	Europos ave. 121
49	BC 1000	Taikos ave. 88A
50	Nordic BC	Savanoriu ave. 192
51	Savanoriu 292B	Savanoriu ave. 292B
52	Capital	Putvinskio str. 50
53	Ausra Business Park	Vytauto ave. 23, 27, 29
54	K26A	V. Krėves str. 26A
55	Barkodas	Pramones ave. 4D
56	Senukai BC	Islandijos hwy. 32
57	NFQ (BTS)	Brastos str. 15
58	BC Mikrovisata	Savanoriu ave. 109
59	Ozeskienes 17	Ozeskienes str. 17
60	Maironio 11	Maironio str. 11
61	Pramones 23	Pramones ave. 23
62	Kalantos 34	R. Kalantos str. 34
63	Chemijos 9D	Chemijos str. 19A
64	Neries BC	Neries krnt. 18
65	Barkodas	Pramones ave. 4E
66	Daimonda	Taikos ave. 131B
67	Partizanu 15	Partizanu str. 15

- Under development Office buildings
- Existing Office buildings
- Central business district
- New business district
- Old business district



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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.

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.

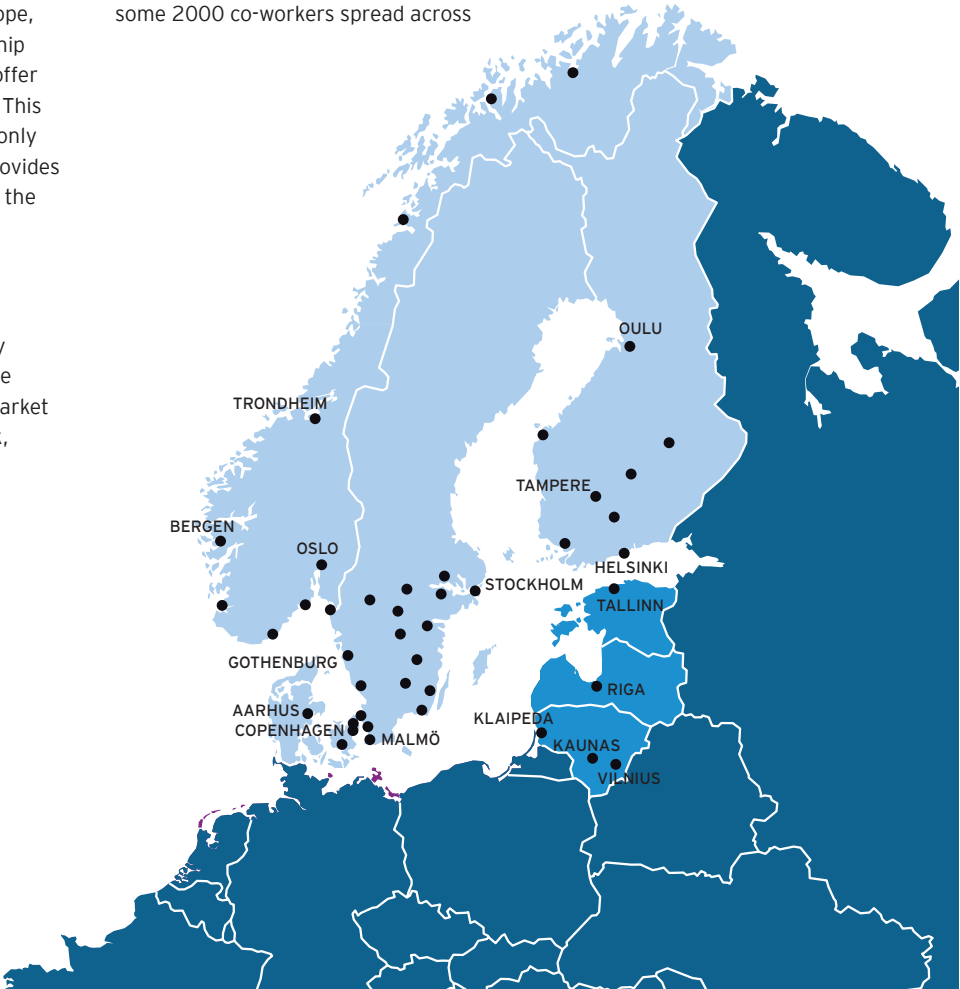
A history of growth

Newsec is the result of a unique history of growth, characterised by constant originality of thinking. The first issue of the comprehensive market analysis, Newsec Property Outlook, was published in 2001. The Group

expanded internationally into Finland in 2001, Norway in 2005, the Baltic countries in 2009 and Denmark in 2016. The Norwegian asset and property management companies First Newsec Asset Management and TM Partner were acquired in 2012. In 2013, Newsec acquired Jones Lang LaSalle's Swedish property management operation. In 2017, Newsec grew with the acquisitions of Norwegian Basale and Danish Datea, further strengthening the position within Property Asset Management.

Newsec was founded in 1994 and is today a partner-owned company with some 2000 co-workers spread across

the seven Nordic and Baltic markets. Newsec has approx. EUR 39 billion under management and annually signs lease agreements of some 760 000 sqm, manages transactions of some EUR 3 billion and does real estate valuations of underlying property worth almost EUR 180 billion. Thanks to large volumes, local presence combined with in-depth understanding of a range of businesses, Newsec has a unique expertise of the real estate market in northern Europe.



CONTACT AND ADDRESSES

More analytical information at Newsec:

Head of Research and Analysis
Mindaugas Kulbokas
Cell +370 652 10556
E-mail m.kulbokas@newsec.lt

Senior Analyst
Kristina Zivatkauskaitė
Cell +370 610 38171
E-mail k.zivatkauskaitė@newsec.lt

Office solutions at Newsec:

Head of Brokerage
Jurgita Ragaisė
Cell +370 659 66808
E-mail j.ragaisė@newsec.lt

Tenant Consulting
Head of Corporate Solutions
Martynas Babilas
Cell +370 616 12216
E-mail m.babilas@newsec.lt

Landlord Consulting
Head of Office Solutions
Indre Narauskaitė
Cell +370 698 83827
E-mail i.narauskaite@newsec.lt

Office FIT-OUT Service
Head of Project Management
Tadas Grincevicius
Cell +370 679 79779
E-mail t.grincevicius@newsec.lt

Office Care and Property Management
Head of Office Management Group
Justas Bandza
Cell +370 6555 8989
E-mail j.bandza@newsec.lt

LITHUANIA

Konstitucijos ave. 21C
LT-08130 Vilnius
Phone +370 5 252 6444
E-mail info@newsec.lt
www.newsec.lt

LATVIA

Vesetas str. 7
LV -1013 Riga
Phone +371 6750 84 00
E-mail info@newsec.lv
www.newsec.lv

ESTONIA

Roseni str. 7
EE-10111 Tallinn
Phone +372 664 5090
E-mail info@newsec.ee
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Baltic Property Outlook,
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Baltic Investment Outlook,
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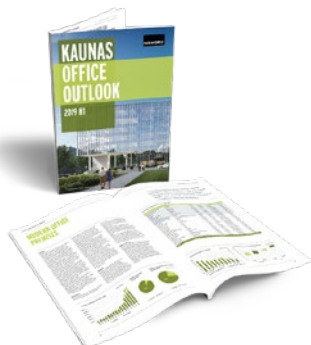
Baltic Office Outlook,
2019



Tallinn Office Outlook,
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Riga Office Outlook,
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Kaunas Office Outlook,
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