Research & Forecast Report

Latvia | Lithuania | Estonia 2016







Real Estate Market Overview

Annual Review

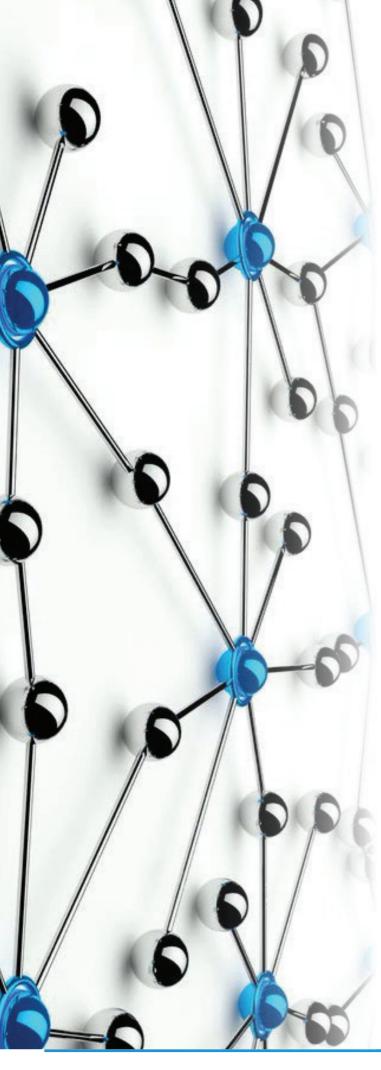


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Latvia Market Overview



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Dear Reader,

We are delighted to present the Colliers International Real Estate Market Review for Latvia, Lithuania and Estonia, wherein you will find much useful information about market trends and forecasts, the latest statistics and market insights. We are grateful to our partners - Sorainen and KPMG - for contributing to preparation of our real estate legal and tax reviews. Overall, this material will be useful in risk assessment before making the right business decisions in the Baltic States.

2015 was a record post crisis year in terms of investment amounting to over 1 billion EUR in the commercial real estate segment of all three Baltic States. Despite worries by some investors about geopolitical risks, the markets saw further improvements in the economy, yield compression and entry of new investors with worldwide names. The pipeline of large transactions remains active and we forecast similar investment volumes for 2016 as well.

Comparing the three countries in the region, development involving new commercial space including offices, retail and industrial is clearly not the same everywhere. Development in Riga is still lagging behind Vilnius and Tallinn. Most development projects in Riga still remain on paper while in the capitals of Latvia's two neighbours construction - especially in the office and retail segments - has led to discussion of possible oversupply of new space in the upcoming year or two.

Nevertheless, our forecast for each of these three countries remains positive. Meanwhile, we are here to serve your potential needs in the region.

Wishing you an interesting and successful year,

Deniss Kairans

Economic Overview

Summary

Economic growth was notably influenced by developments in external markets. These included geopolitical factors and a general slowdown in the euro area's major economies. On the other hand, the fall in oil prices positively contributed to growth in consumption.

According to latest available estimates, Latvian real GDP growth in 2015 amounted to 2.6 per cent. In line with previous years, household consumption continued to be the main GDP growth driver, being responsible for close to 60 per cent of real GDP growth in 2015. Among the most successful real economy sectors in terms of average y-o-y quarterly growth in Q1 - Q3 2015 were accommodation and food services (average 5.9 per cent growth), taxes on products (average 4.9 per cent growth) and the manufacturing sector (average 4.8 per cent growth).

Average 2015 inflation stood at 0.2 per cent. The global price drop in oil and food resources had a negative influence on inflation, while on the other side liberalization of the energy market and improvement of incomes increased it.

The fact of low inflation alongside a continued upswing in incomes has led to a rise in real wages, indicating a further increase in people's purchasing power. During Q1 - Q3, 2015 real wages grew at an average rate of 7.1 per cent per quarter.

According to latest estimates, it is probable that unemployment will reach 9.8 per cent by the end of 2015, or one per cent less than at the end of 2014. In 2015, the share of young people among the unemployed continued to decrease.

Tendencies and Forecasts

- According to available forecasts, GDP is expected to grow by 2.7 per cent in 2016 with household consumption remaining the main driver. However, the outlook depends heavily on the external environment.
- In 2016, inflation is expected to remain below one per cent, of which an increase in excise tax is expected to be responsible for 0.5 per cent.
- > Unemployment is expected to decline further in 2016. However, with the decline of active jobseeker numbers, the decrease in unemployment is expected to be lower than in 2015.
- > A further expected unemployment decrease will continue to put pressure on wages in 2016 with employers continuously facing shortages of labour.
- > Given relatively low inflation expectations and the expected decrease in unemployment, further positive real wage development is foreseeable.

| Key Economic Indicators of Latvia | | | | | | | | | | | |
|---|-------|-------|-------|---------|------|-------|-------|-------|-------|-------|-------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015F | 2016F |
| GDP Current Prices, bio EUR | 17.1 | 22.6 | 24.3 | 18.8 | 17.9 | 20.2 | 21.8 | 22.8 | 23.6 | 24.8 | 25.9 |
| GDP Growth (Real), % yoy | 11.6 | 9.8 | -3.2 | -14.2 | -2.9 | 5.0 | 4.8 | 4.2 | 2.4 | 2.6 | 2.7 |
| Industrial Production, % yoy | 4.8 | -1.0 | -8.3 | -17.7 | 14.0 | 11.5 | 9.4 | 0.6 | -0.1 | 3.7 | 3.9 |
| Share of Unemployed to the Active Population, % | 6.8 | 6.0 | 7.5 | 16.9 | 18.7 | 16.2 | 15.0 | 11.9 | 10.8 | 9.8 | 9.2 |
| Total Central Government Debt, % of GDP | 11.0 | 9.0 | 20.0 | 37.0 | 44.7 | 42.6 | 40.6 | 38.2 | 40.8 | 36.3 | 38.4 |
| PPI, % yoy | 10.2 | 16.1 | 11.8 | -4.7 | 3.1 | 7.7 | 3.6 | 1.6 | 0.4 | -0.9 | n/a |
| CPI, % yoy | 6.5 | 10.1 | 15.4 | 3.5 | -1.1 | 4.4 | 2.3 | 0.0 | 0.6 | 0.2 | 0.8 |
| Fiscal Deficit, % of GDP | -0.6 | -0.7 | -4.1 | -9.1 | -8.5 | -3.4 | -0.8 | -0.9 | -1.5 | -1.5 | -1.2 |
| Export Change, % yoy | 14.0 | 22.7 | 9.6 | -18.7 | 30.3 | 27.8 | 13.9 | 2.2 | 2.3 | 2.3 | 5.1 |
| Import Change, % yoy | 31.1 | 22.0 | -3.2 | -37.4 | 25.5 | 30.6 | 12.0 | 0.9 | 0.6 | 1.6 | 6.9 |
| Current Account, % of GDP | -20.9 | -20.8 | -12.4 | 8.1 | 2.3 | -2.8 | -3.3 | -2.4 | -2.0 | -1.4 | -2.3 |
| FDI Indicator, mln EUR | 810.5 | 955.2 | 408.3 | -1089.7 | 79.4 | 486.2 | 841.7 | 682.9 | 448.0 | 719.2 | 802.9 |

f - forecas

Source: Central Statistical Bureau, SEB, Swedbank



Investment Market

General Overview

- > 2015 closed with a total annual investment volume of EUR 394.4 million the best result since 2007.
- > Investment in the retail segment was the driver of investment activity.
- > Demand for potential investment targets was high, but a shortage of attractive cash flow investment targets served as a limit.
- > Improvement in the investment climate contributed to further yield compression in all commercial property segments.

Investment Volumes

In 2015, the Latvian real estate investment market was at its most active since 2007. The year closed with a total investment volume of EUR 394.4* million, compared to EUR 316.9 million in 2014. It should be noted that 60 per cent of investment volume was driven by acquisition of the Alfa, Mols and Dole shopping centres by the world's leading alternative asset management company - Blackstone, as a part of the acquisition of ten Nordic real estate funds managed by Obligo Investment Management.

During 2015, 71 per cent of total investment volume was generated by transactions exceeding EUR 20 million - a significant increase compared to 26 per cent a year ago. Despite large total volumes, investment transactions below EUR 3 million still constitute 76 per cent of transaction numbers. At the same time, these transactions generate only 14 per cent of total annual investment volume.

Additionally, 2015 was marked by comparably higher activity among end-users acquiring properties for their own business or occupation needs. These transactions added a further EUR 120 million to the transaction volumes noted above.

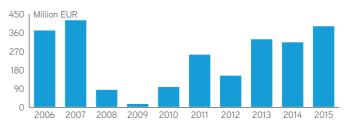
In 2015 the Latvian real estate investment market saw four new names - Blackstone, Hili Properties, Partners Group and Colonna Capital - which together were responsible for 64 per cent of total annual investment volume. In contrast, among players already present, EfTEN Capital was the most active with eight per cent of total annual investment volume generated by its acquisitions.

In addition, the market saw increasing activity by local private investors, mainly aiming at EUR 1 - 4 million transactions, whose investment decisions are mainly driven by their particular expertise or preference. In general, 2015 showed that the Latvian property market can again be interesting for leading international investors, subject to availability of products of sufficient size and quality.

Investment Properties

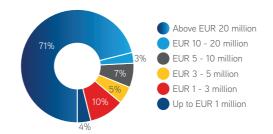
During 2015, the share of investment in retail, office and industrial commercial properties increased from 48 per cent in the previous year to 97 per cent. Such a change in composition of the weight of these property segments was driven mainly by a noticeable decrease in demand for historic buildings acquired for redevelopment, or buildings with no clear concept and existing cash flow, for example properties in the residential segment. Changes in the immigration law regarding the temporary residence permit programme, which came into force in September 2014, as well as a decrease in demand from Russian buyers, made the residential sector relatively less attractive and had an immediate effect on respective investment volume.

Dynamics of Investment Volume in Latvia



Source: Colliers International

Investment Turnover by Size in 2015



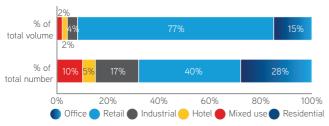
Source: Colliers International

^{*} The number of transactions includes both asset and share deal transactions exceeding EUR 0.4 million, excluding land, distressed property and end-user deals.

| Тор | Top 10 Investment Deals in Latvia in 2015 | | | | | | |
|-----|--|---------|--------|-------------------------------|------------------------------------|--|--|
| NO. | PROPERTY NAME | QUARTER | SECTOR | SELLER | BUYER | | |
| 1. | Retail Portfolio (SC Alfa, SC Mols, SC Dole) | Q3 2015 | Retail | Agasti Holding | Blackstone Real Estate Partners IV | | |
| 2. | State Revenue Service HQ | Q4 2015 | Office | Biroju Centrs Ezerparks | Valsts Nekustamie Ipasumi | | |
| 3. | Olimpia SC | Q1 2015 | Retail | Northers Horizon Capital | Partners Group | | |
| 4. | Retail Portfolio | Q2 2015 | Retail | RB Management | Hili Properties | | |
| 5. | Duntes Biroji Biznesam | Q3 2015 | Office | Catella Real Estate | EfTEN Capital | | |
| 6. | Depo at Krasta 36 | Q2 2015 | Retail | Eirospektrs | NIP Service | | |
| 7. | Eirkel Business Centre | Q1 2015 | Office | MC Estate | Reģionālā investīciju banka | | |
| 8. | North Gate Business Center | Q4 2015 | Office | Talfin Amsterdam Holding B.V. | Evolution Gaming Group | | |
| 9. | Supernetto Portfolio | Q3 2015 | Retail | ICA Baltic | Colonna Capital | | |
| 10. | Lacplesa St. 20a | Q1 2015 | Office | Insolvency administrator | EfTEN Capital | | |

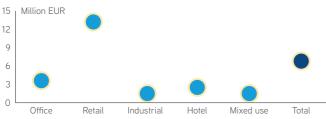
Source: Colliers International

Investment Turnover by Sector in 2015



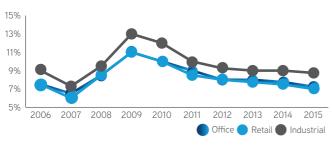
Source: Colliers International

Average Transaction Size by Sector in Latvia in 2015



Source: Colliers International

Prime Yield Dynamics in Riga



Source: Colliers International

The retail segment became a dominant investment target in 2015, generating 77 per cent of total investment volume for the period. This was driven by several large transactions and by the higher number of individual transactions above EUR 3 million, resulting in a higher overall average. The share of office investment deals accounted for 15 per cent and even though we mostly saw transactions below EUR 3 million during the first half, the year concluded with quite a few large transactions in this segment. The industrial segment continued to be less active compared to the office and retail sectors. This led to industrial segment investment volume in 2015 of just 4 per cent of total annual investment volume.

Investment Yields

Prime asking yields continued to show improvement. This was driven by several factors. Among these are the general improvement in the Latvian economy, reducing the country's risk profile, a favourable interest rate environment and availability of leverage, as well as demand for good quality cash flow generating buildings. By the end of 2015, prime yield for industrial objects reached 8.75 per cent, with prime retail and office yields experiencing a decline to 7 per cent and 7.25 per cent respectively.

Forecasts

- > We expect investment activity to continue, with trends initiated in 2015 carried over to 2016. The transaction pipeline indicates that comparable volumes can be expected next year.
- In 2016, new names might appear on the local investment market. In addition, we expect an increase in activity by investment funds, which previously did not consider our region a target.
- > Prime yields are expected to experience further downward pressure in 2016 with quality supply as the main limiting factor.
- > Due to lack of cash flow properties, the market will start to enter the commercial property development stage.



Office Market

General Overview

- A strongly pronounced shortage of large office premises was noted in 2015. In terms of shortage of vacant premises, several professional building acquisitions for owner occupation purposes were observed.
- Disregarding limited construction, some developers started to work on office project plans. Capital Mill, Hanner, ELL, Vastint, NCH and Pillar are an example of players driving market development.
- During the year the market saw commissioning of two speculative office properties and continuing development of properties initiated in 2015 with commissioning planned for 2016.
- A tendency to prelease properties at the construction stage was observed during the year. Medium sized tenants expressed their readiness to engage in prelease agreements already at that early stage.
- > The total vacancy rate remained at the 2014 level; however, a slight increase in A class rent rates was observed.

Supply

By the end of 2015, the total space of office premises in Riga amounted to approx 596,900 sqm. Speculative space dominates with 405,300 sqm or 68 per cent, while built-to-suit (BTS) office buildings account for 191,600 sqm or 32 per cent.

In 2015, office space was supplemented by two speculative B1 class office buildings - the reconstructed 13 Janvara Street 3 (GLA 2,100 sqm) and Jauna Teika 2nd stage (GLA 2,400 sqm). Both properties were already partially preleased during the construction stage.

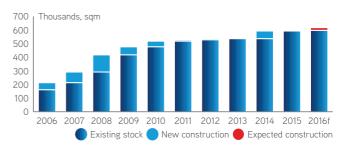
Three smaller B class office buildings are under construction at the moment, including Katrinas Osta on Katrinas Dambis 20 (GLA 1,700 sqm), as well as the Tele2 BTS project (GLA 1,700) and a speculative office building (GLA 2,000 sqm) both located in Mukusalas Business Centre territory. All three properties are expected to be commissioned by the end of the first half of 2016. Moreover, the A class office property Place 11 (GLA 15,000 sqm) on Sporta Street 11 is expected to be delivered to the market in Q4 2016 and approx 10,000 sqm of A class office premises are under construction in Z-Towers, due for commissioning in Q2 2017.

Apart from all buildings under construction, a number of developers announced their willingness to enter the market with new projects. In total more than 140,000 sqm of professional office premises are at the planning stage and taking into account the lack of vacant space we anticipate the materialisation of some of these over the next three to five years. Even though the development pipeline for the upcoming three years is starting to grow, it still lags behind Tallinn and Vilnius.

By the end of 2015, a number of planned projects were approaching the final stages of technical planning. Among these the 1st stage of the New Hanza City project, consisting of an A class speculative office building of 14,000 sqm and a BTS office building of 18,500 sqm, have already received a building permit and the start of preparatory work can be expected in Q2 2016. Additionally, Business Garden Riga 1st stage, consisting of two buildings and being developed by Vastint with total planned GLA of approx 14,000 sqm, is expected to approach the construction stage in 2016.

After commissioning of Jauna Teika 2nd stage, Hanner continued planning the next Jauna Teika stage.

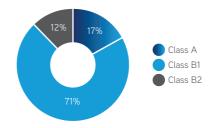
Dynamics of Office Space in Riga*



 * - office space at the end of the period (both speculative basis and built-to-suit) f - forecast

Source: Colliers International

Distribution of Speculative Office Space by Class in Riga in 2015



Source: Colliers International

Demand

According to Colliers International estimates, absorption of total office space in 2015 amounted to 4,000 sqm. This relatively low figure is explained by the fact that most leasing was generated by tenants rotating within professional space.

The financial sector and IT companies are the most active in terms of leasing, willing to consolidate in single locations with further expansion opportunities. Additionally, the BPO / SSC sector continued to be active, looking at the Latvian market to establish their presence, but interest did not materialize due to lack of large vacant premises, typically above 3,000 sqm, and competition with neighbouring countries.

Overall, during 2015 a third of the take-up in professional and non-professional office premises consisted of deals targeting areas above 1,000 sqm, while another third was focused on areas between 500 and 1,000 sqm.

Meanwhile, shortage of available premises caused big companies to acquire buildings for BTS purposes. In this context, Evolution Gaming acquired the Ziemelu Varti office building on Brivibas Street, Euro Live Technologies acquired the Triangular Bastions office property on 11 Novembra Krastmala, Compensa acquired its former rented location on Vienibas Gatve 87h, and Regionala Investiciju Banka acquired an office building in Jura Alunana Street. Lastly, the property at Jeruzalemes Street 1 was bought from Latectus potentially for single tenant occupancy. Total area within all these transactions amounted to approx 39,500 sqm.

In 2015, we observed continuation of activity from medical centres. These are acquiring administrative buildings for reconstruction with the purpose of expanding their business. At the same time, 2015 saw an increase in demand for 400 - 600 sgm premises suitable for medical practice.

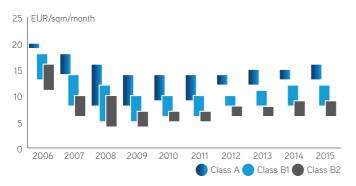
Taking into account the shortage of professional office space, landlords stand at a greater advantage in lease negotiations compared to tenants.

| Rent Rates* for 2015 in Riga and Trends for 2016 | | | | | |
|--|---------|---------|---------------------------|--|--|
| CLASS | 2014 | 2015 | TRENDS FOR 2016 | | |
| А | 13 - 15 | 13 - 16 | $\rightarrow \rightarrow$ | | |
| B1 | 8 - 12 | 8 - 12 | $\rightarrow \rightarrow$ | | |
| B2 | 6 - 9 | 6 - 9 | $\rightarrow \rightarrow$ | | |

^{* -} asking rent rates (EUR/sqm/month) excluding VAT and operating expenses

Source: Colliers International

Dynamics of Rent Rates* in Riga



^{* -} asking rent rates (EUR/sqm/month) excluding VAT and operating expenses Source: Colliers International

Rent Rates and Vacancy

During 2015, rent rate spreads for B1 and B2 class office premises remained at the 2014 level, while the upper bounds of A class rent rate spreads experienced an increase. Rent rates amounted to 13 - 16 EUR/sqm per month for A class premises, 8 - 12 EUR/sqm per month for B1 class office premises and 6 - 9 EUR/sqm per month for B2 office premises.

As of January 2016, the total vacancy rate for both speculative and BTS projects comprised 5.7 per cent, that is, on the same level as the previous year. Vacancy calculated only for speculative office buildings stood at 8.4 per cent. This fact is explained by the situation in the A class segment, where by the end of 2015 total vacancy reached 5 per cent, compared to 3.2 per cent at the end of 2014.

Tendencies and Forecasts

- > While project completion in 2015 was scarce, development is expected to improve in 2016. Properties under construction might become a target of prelease agreements.
- > Rent rates are expected to remain stable until the end of 2016.
- > Vacancy is expected to remain stable in 2016.
- Despite improving construction and anticipated completions in 2016, demand is expected to remain limited due to shortage of larger premises available for lease.
- > Properties which were the target of acquisition for owner purposes in 2015 are expected to be improved and upgraded in 2016.

| Vacancy Rates for 2015 in Riga and Trends for 2016 | | | | | | |
|--|-------|-------|---------------------------|--|--|--|
| CLASS | 2014 | 2015 | TRENDS FOR 2016 | | | |
| А | 3.2 % | 5.0 % | $\rightarrow \rightarrow$ | | | |
| B1 | 6.3 % | 5.5 % | $\rightarrow \rightarrow$ | | | |
| B2 | 5.3 % | 7.6 % | $\rightarrow \rightarrow$ | | | |

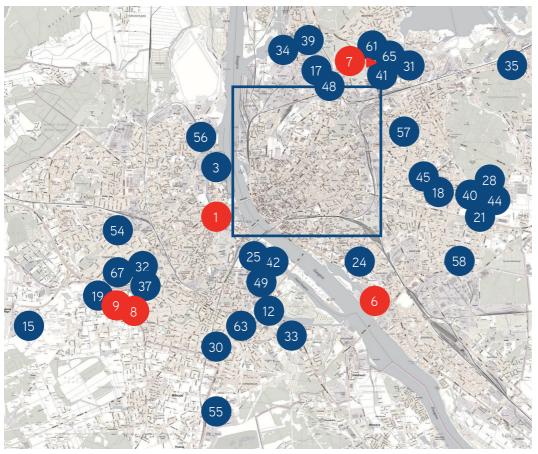
→→ - stable Source: Colliers International

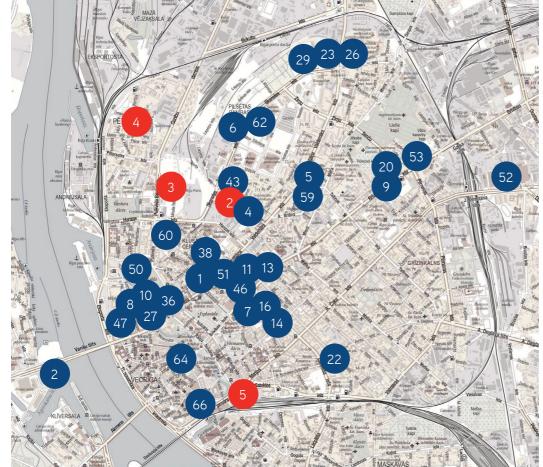
Dynamics of Vacancy Rates in Riga



Source: Colliers International

Existing and Development / Planned Office Projects in Riga





Existing Developments

- Valdemara Centre
- Swedbank HQ
- Office Complex "Ostas skati"
- Rietumu Capital Centre
- Alojas Business Centre
- DNB Bank HQ
- Pasta Banka, Brivibas 54
- Office Centre at Citadeles St. 12
- Ziemelu varti
- 10. Kronvalda Bulvaris 3
- 11. Baznicas 20/22
- 12. Valdo Office Complex
- 13. Gertrudes Centrs, Gertrudes 10/12
- 14. Terbatas Centre, Terbatas 30
- 15. Helio Biroji
- 16. Terbatas Business Centre
- 17. Marine Business Centre
- 18. Astras Biroji
- 19. Baltais Vejs
- 20. Barons Kvartals
- PBLC Bussines Centre
- Modern City
- Duntes Nami
- GMP Bussines Centre
- Mukusalas Business Centre, 2nd stage
- Duntes Biroji Biznesam
- Muitas 1a Office Building
- Dzelzavas Biroju Nams
- SWH Business Centre
- Unity Business Centre
- Reaton Office Building
- Panorama Plaza
- 33. Upmalas Biroji
- Indi Centrs
- Asu Centre
- Muitas 1 Office Building
- Zuma Biroji
- Zala 1 Office Building
- Duntes Biroju Centrs Dzelzavas 120 Office Building
- Europa Business Centre
- Office Complex Mukusalas 41
- 43. Jupiter Centre
- Energoefektiva Biroju Eka
- Astras Biznesa Centrs 46. Open Centre
- 47. Citadele HQ
- 48. RSTA Office Building
- 49. Bussines Center Mukusala
- WTC "Riga"
- 51. Dominante Office Building
- 52 Domina Office
- Brivibas 171 Office Building 53.
- 54 NTP Business Centre
- Torensberg
- 56. Magnat Business Centre
- 57. Tomo Business Centre
- 58. Lubanas Centrs
- Valdemara Pasaza
- M4A Office Building
- State Revenue Service HQ 61.
- 62. LNK Centre
- 63. Vainodes 1
- Kalku 15 64.
- Jauna Teika, 2nd stage NBP Central Offices 65.
- 66.
- American Embassy
- Valdemara Pasaza 68

New Speculative and Built-to-Suit Projects Under Construction/Reconstruction and Most Realistic Projects for Development in Riga

- Z-Towers
- New Hanza City, 1st stage
- Katrinas Osta
- Origo Retail and Business Centre
- Krasta 99, 1st stage
- Jauna Teika, 3rd stage
- Business Garden Riga, 1st stage
- Ulmana Office Park, 1st building



Retail Market

General Overview

- > Positive development of the retail segment was contributed to by a continually improving economic environment. Additionally, the market saw a constantly increasing share of e-commerce trade, which is becoming a direct competitor for conventional retailers.
- > During 2015, Riga retail space was supplemented by a new Depo DIY store. Work continued on SC Riga Akropole, as well as Alfa and Origo project preparation.
- > Activity in the grocery segment remained buoyant, resulting in the opening of new stores plus existing store upgrades by leading players Rimi and Maxima.
- Improvement of the tenant mix continued in leading shopping centres. Choice of appropriate tenants is being made more scrupulously, with a preference for recognizable international brands and synergy with existing occupiers, as well as the overall particular shopping centre concept.
- > Increasing activity was evident in street retail, where the premises most in demand were located on Terbatas Street between Elizabetes and Dzirnavu Streets.

Supply

By the end of 2015, total leasable retail space amounted to approx 639,400 sqm, consisting of shopping centre premises (380,800 sqm), big boxes (226,600 sqm) and department stores (32,000 sqm).

In 2015, retail space was supplemented by a new do-it-yourself Depo location on Krasta Street (GLA approx 12,000 sqm). Additionally, in 2015 the market saw a number of smaller hypermarket developments, among which Rimi was the leader by opening nine stores in different Latvian cities, including four locations in Riga. In addition, Maxima opened two Maxima X stores on Dammes Street in Riga and Plavinas. Moreover, in the context of tenant mix optimization and concept improvement, Stockmann department store started the partial lease of its premises in 2015 by attracting several new tenants.

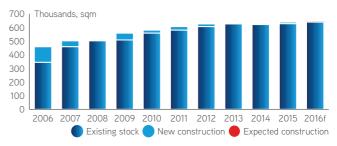
In 2016, we anticipate new addition to retail space in the face of expansion of SC Damme by 1,000 sqm.

Apart from this anticipated addition, the shopping centre segment continued its activity. Akropolis group has continued work on the technical project for SC Riga Akropole on Maskavas street in the neighbourhood of the Southern Bridge. One of the leading market players - Linstow - continued to work on expansion plans for existing shopping centres - SC Alfa and SC Origo. SC Alfa is expected to expand by an additional 17,500 sqm of lettable retail space, whereas expansion of SC Origo is designed as a multifunctional complex consisting of office space (GLA 9,015 sqm) and retail premises (GLA 15,750 sqm).

Additionally, a new do-it-yourself Depo store on Kurzemes Prospects can be expected for 2017 / 2018.

In 2015, the retail market saw a major change in shopping centre ownership structure, with acquisition of shopping centres Alfa, Mols and Dole by the world's leading alternative asset management company – Blackstone. In addition, SC Olimpia was acquired by Partners Group at the beginning of the year.

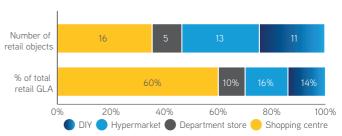
Dynamics of Retail Space in Riga*



- * retail space at the end of the period
- f forecast

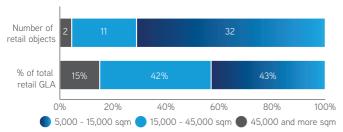
Source: Colliers International

Distribution of Retail Space in Riga by Type in 2015



Note: retail space at the end of 2015 Source: Colliers International

Distribution of Retail Space in Riga by Size in 2015



Source: Colliers International

Demand

Landlords of shopping centres, who were previously focused on filling vacancy, now continue to work on tenant mix by choosing the most appropriate tenant for a specific position. The leading shopping centres choose tenants that meet their concept and contribute to existing tenant synergy.

International brands and widely recognized tenants also remained active in 2015. The period was marked by a number of new entrants establishing their locations in leading shopping centres. Such brands as Michael Kors, La Perla, and Imaginarium opened in SC Spice. The first Kazar shoe store opened in SC Alfa. Calzedonia and Intimissimi opened their stores in SC Riga Plaza, SC Domina Shopping and Spice. The first Sportsdirect store entered the market in August 2015 with its location in SC Olimpia. Two international shoe brand stores - Sketchers and Dune London - opened in SC Alfa and SC Galerija Centrs respectively. In 2015, a tendency was noted for newcomers aiming to enter the market through regional shopping centres - a tendency that is expected to continue during the coming year.

Apart from newcomers, existing market players were expanding their presence and are working on store concept improvement. Kotryna Group, which is familiar to the Riga retail market through the Baby City / Toy City, KidzOne and Lego brands, introduced a new concept - Toy Planet - in two shopping centres. Additionally, Lindex and Reserved introduced fitness apparel in their collections, following the increasing popularity of healthy lifestyles.

Despite the fact that Centro and Seppala have left the Latvian retail market by closing all stores in Riga shopping centres, their premises were quickly taken up by other tenants.

During 2015, vigorous activity came from the catering segment with Hesburger starting construction work on a new restaurant on Krasta Street, as well as a new McDonald's restaurant opening on Karla Ulmana Gatve. In August 2015, the first KFC restaurant was opened in Riga on Audeju Street. Additionally, Subway opened two locations in SC Riga Plaza and SC Alfa. Moreover, 2015 was marked by activity from coffee shops, with Costa Coffee and Coffee Inn the leaders of expansionary activity in the segment.

Following the increasing popularity of healthy lifestyles, the fitness sector showed activity in 2015. Change of ownership of the former City Fitness brand has led to its rebranding as the My Fitness concept and improvements to services. Another fitness chain - Impuls LT - announced plans to establish its budget class sports clubs chain - Lemon Gym - in Riga during 2016 with the first club opening in January 2016. Other fitness clubs new to the market are actively looking for opportunities to enter the Baltic States with new concepts.

Strong demand continued to be noted for premises located on Terbatas Street between Elizabetes and Dzirnavu Streets. This cluster has finished its formation and we might expect further activity along Terbatas Street during 2016. Within this cluster, a City multi-brand store was opened in premises previously occupied by the Hugo Boss flagstore. Additionally, an Andrey Silchenko hair saloon was opened across the road on Terbatas Street. The luxury brand Moreschi and Peuterey store was opened at the end of 2015.

Apart from that, new concepts in street retail started to develop in 2015. For example, Rimi has opened its first new concept store in the Old Town. Statoil Fuel & Retail plans to open its first convenience store in the Old Town in 2016 and has further plans for other strategic locations.

Closure of Barona Street for reconstruction has negatively influenced its retailers. On the other hand, reconstruction of the street is expected to positively influence its retail environment in the long run.

Rent Rates and Vacancy

During 2015, rent rates did not change compared to 2014.

By the end of 2015, the total vacancy rate in all shopping centres stood at 2.7 per cent, compared to 2.3 per cent a year ago. Vacancy in less successful shopping centres exceeded the 10 per cent mark, while most successful shopping centres operated with vacancy of close to zero per cent.

| Rent Rates* for 2015 in Riga and Trends for 2016 | | | | | |
|--|---------|---------|---------------------------|--|--|
| CLASS | 2014 | 2015 | TRENDS FOR 2016 | | |
| Large retail unit (anchor tenant) | 4 - 11 | 4 - 11 | $\rightarrow \rightarrow$ | | |
| Medium retail unit (150 - 350 sqm) | 15 - 35 | 15 - 35 | $\rightarrow \rightarrow$ | | |
| Small retail unit (up to 100 sqm) | 30 - 55 | 30 - 55 | $\rightarrow \rightarrow$ | | |

 $^{^*}$ - asking rent rates (EUR/sqm/month) excluding VAT and operating expenses $\Rightarrow \rightarrow$ - stable

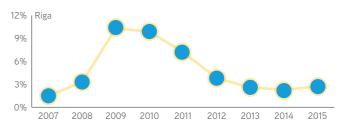
Source: Colliers International

| Street Retail Rent Rates* Trends for 2016 | for 2015 | in Riga | and |
|--|----------|---------|---------------------------|
| STREET NAME, LOCATION | 2014 | 2015 | TRENDS FOR 2016 |
| Kr. Barona, Terbatas, Elizabetes, Gertrudes | 20 - 40 | 20 - 40 | $\rightarrow \rightarrow$ |
| Old Riga | 25 - 50 | 25 - 50 | $\rightarrow \rightarrow$ |

 $^{^{\}star}$ - asking rent rates (EUR/sqm/month) excluding VAT and operating expenses $\Rightarrow \rightarrow$ - stable

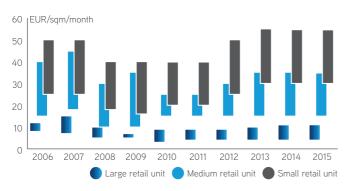
Source: Colliers International

Dynamics of Vacancy Rate in Major Shopping Centres in Riga



 $^{^{\}star}$ - asking rent rates (EUR/sqm/month) excluding VAT and operating expenses Source: Colliers International

Dynamics of Rent Rates* in Major Shopping Centres in Riga



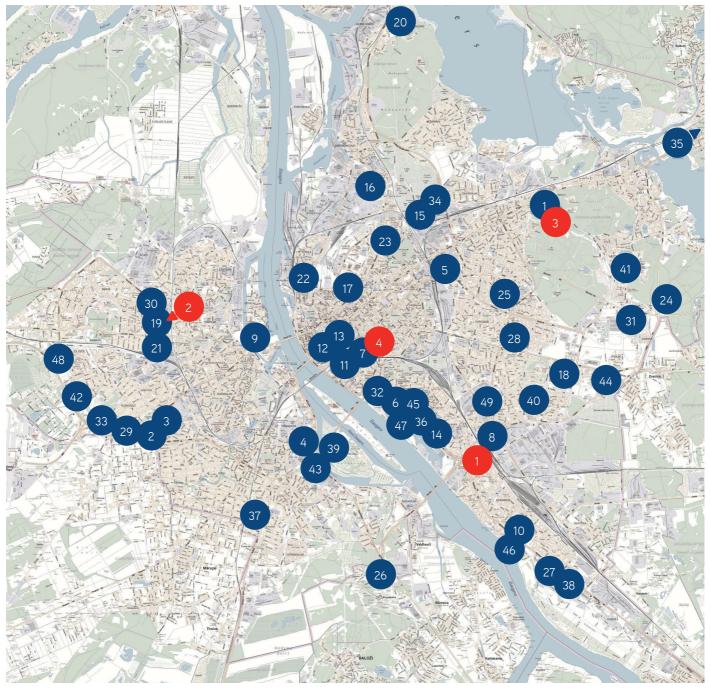
 * - asking rent rates (EUR/sqm/month) excluding VAT and operating expenses Source: Colliers International

Tendencies and Forecasts

- > Gradual improvement of the Latvian retail market will continue to be driven by positive economic developments.
- In 2016, total professional retail space is expected to be supplemented by the SC Damme expansion. Additionally, we expect continuation of activity coming from the grocery segment.
- > Activity by major shopping centre owners is expected to continue and might result in materialization of expansion plans, as well as plans for new construction.
- New potential entrants are expected to remain interested in entering the Latvian market. This may result in new openings during 2016. Brands already represented will preserve stable demand for the best shopping centre and street retail locations.
- > No significant changes in rental level are anticipated during 2016.
- > The vacancy rate is expected to decrease further mainly on account of less successful shopping centres.



Retail Shopping Centres in Riga



- Shopping Centres, Hypermarkets and DIY
- Spice
- Spice Home
- Riga Plaza
- Domina Shopping
- Mols
- Origo
- Atrium Azur
- Olimpia
- Dole
- Stockmann
- Galerija Centrs
- Galleria Riga 13.
- 14. Mc2

- Sky and More
- Prisma "Sporta" Prisma "Deglava"
- 19. Imanta Retail Park
- Rimi "Milgravja"
- Damme
- Rimi "P. Brieza"
- 23. Rimi "Valdemara"
- Rimi "Bikernieku"
- 25. Rimi "Stirnu"
- Rimi A7 near Kekava
- 27. Zoom
- 28. Maxima at A. Deglava St. 67
- 29. 30. Maxima at K. Ulmana St. 88a
- Maxima at Slokas St. 115 31. Maxima at Bikernieku St. 143
- Depo at Krasta 36

- Depo at K. Ulmana 96
- Elkor Plaza
- Depo Bergi
- Elkor Mebelu centrs
- Maxima at Vienibas St. 113
- K-Rauta at Maskavas 418A
- 39. K-Rauta at Lucavsalas 3 40. Maxima at A.Saharova 20A
- 41. Penta
- K-Rauta at Priedaines 37
- 43. Maksima at Mukusalas 73
- Depo at Lubanas 150 45. Depo at Krasta 52
- . Meistars at Maskavas 322D
- SKY at Krasta 56
- Orange Cash and Carry
- 49. cenuklubs.lv

- New Projects, Projects Under Construction and Most Realistic Projects for Development in Riga
- Akropolis
- Depo at Kurzemes prospekts
- Alfa expansion
- Origo expansion



Industrial Market

General Overview

- > Continuing development activity resulted in six industrial properties commissioned, with more under construction to be commissioned the following year.
- > Stable demand continued during 2015 with shortage of available premises serving as an activity limiter.
- > 2015 saw a continuation of the trend that started in 2013, with companies centralizing their business and relocating in one place, thus improving logistics and optimizing their functionality.
- Negative market sentiment due to geopolitical tensions between Russia and Western countries has improved since the end of 2014. Business is adapting by partially switching to other markets. Nevertheless, hidden vacancy occurs with sublease opportunities offered in the array of premises occupied by companies serving eastern markets.

Supply

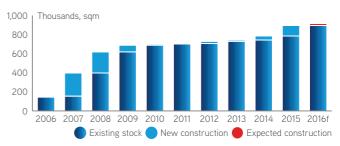
By the end of 2015, total leasable industrial space* amounted to approx 895,300 sqm, consisting of 615,300 sqm of speculative premises and 280,000 sqm of built-to-suit (BTS) premises. Around 40.0 per cent of total space is located in Riga city limits. The other 60.0 per cent is located around the Riga Ring Road (near Kekava, Olaine, Marupe, Salaspils and Jelgava).

During the year, the professional industrial market saw the largest space increase since 2009. Industrial space was supplemented by six properties with total GLA of 110,000 sqm, among which 84,000 sqm of GLA were located in BTS properties. The largest commissioned object was a BLS BTS industrial property in Kekava parish consisting of 44,000 sqm of A class GLA.

By the end of 2015, a number of projects were under construction with total volume close to 30,500 sqm of GLA, most of which were speculative premises. In general, all properties at the construction stage by the end of 2015 became a target for potential customers. Among these properties the largest is the 2nd stage of the A class speculative industrial property Balt Cargo Solutions, consisting of approx 15,000 sqm of GLA.

Moreover, by the end of 2015 a total of 84,500 sqm of GLA were at the planning stage in a number of potential properties, among which the largest speculative project is VGP 1st stage in Kekava

Dynamics of Industrial Space in Riga and Riga Region*

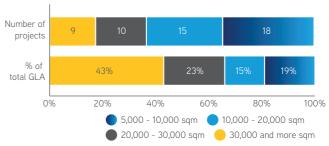


* - dynamics of industrial space at the end of the period

f - forecast

Source: Colliers International

Distribution of Industrial Space by Size in Riga and Riga Region



Source: Colliers International

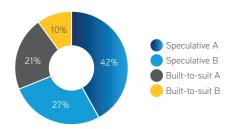
| Projects Under Construc | ction in 2016 | | | | |
|----------------------------------|-----------------|-------------|----------|----------------------|-----------------------------|
| PROJECT NAME | ADDRESS | DESCRIPTION | GLA, SQM | DEVELOPER | EXPECTED YEAR OF COMMISSION |
| UA Investor (2nd stage) | Daugavgrivas 77 | Speculative | 3,700 | UA Investor | Q1 2016 |
| Pitche | Plienciema 33 | Speculative | 2,300 | Pitche | Q1 2016 |
| Balt Cargo Solutions (2nd stage) | Dreilini | Speculative | 15,000 | Balt Cargo Solutions | Q3 2016 |
| | TOTAL | | 21,000 | | |

Source: Colliers International

 $^{^{\}star}$ $\,$ Industrial space includes all modern warehouse, logistic and industrial buildings in Riga and Riga region.

parish (GLA 20,000 sqm). Developers of most of the planned projects are ready to start construction as soon as a prelease agreement is signed. Additionally, shortage of premises above 1,000 sqm is observed.

Distribution of Industrial Space by Type in Riga and Riga Region



Source: Colliers International

Demand

Total take-up of industrial premises amounted to approx 70,000, or 40 per cent more compared to 2014. Three major deals took place in 2015, with Latakko, Trialto and Rimi occupying almost 40,000 sqm in total.

During the first half of 2015 the market saw several prelease agreements for projects which were then at the construction or final planning stages. Therefore, most projects commissioned during 2015 entered the market with minimum vacancy.

Warehouse consolidation in a single location, as well as the decision to relocate to better quality premises, both initiated in 2013, continued throughout 2015. Companies are looking mainly at consolidation into single professional properties, moving away from non-professional ones. As an example, tyre seller Latakko signed a rent agreement with Baltkors with the purpose of consolidating activity in a single location.

Similarly to previous years, potential tenants were not prone to engage in potential lease negotiations until construction had started. However, given that the largest tenants have already left non-professional space, it can be said that the process of consolidation in single locations is finalizing.

With the government co-founding a number of production premises, construction was triggered outside Riga, targeting local production companies currently occupying non-professional premises. However, these target companies are not ready to move to those premises due to budget limitations so that developers are forced to stimulate demand by attracting foreign companies, which are not at present on the local market.

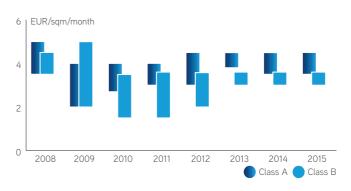
Rent Rates and Vacancy

During 2015, rent rates in both in A and B class industrial premises remained unchanged. Rent rates for A class industrial premises stood at 3.5 - 4.5 EUR/sqm per month and rent rates for B class industrial premises at 3 - 3.6 EUR/sqm per month. However, we observed a tendency for the upper bounds of A class rent rates for premises located outside Riga to be up to 20 per cent less compared to those located in Riga.

Taking into account expected speculative completions in 2016, rent rates might experience downward pressure in the upcoming year in the context of tightened competition with properties entering the market with vacant premises.

By the end of 2015, the total vacancy rate of industrial space had increased to 4.2 per cent, compared to 2.2 per cent at the end of 2014. The increase in total vacancy was driven by commissioning of a number of speculative industrial projects, which arrived on the market with available vacancy.

Dynamics of Rent Rates* in Riga and Riga Region

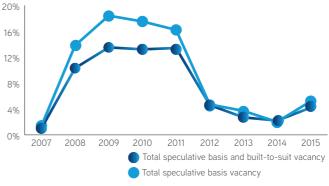


 * - asking rent rates (EUR/sqm/month) excluding VAT and operating expenses Source: Colliers International

| Rent Rates* for 2016 | for 2015 in F | Riga and Riga | Region Trends |
|-------------------------|---------------|---------------|-----------------|
| CLASS | JAN 2015 | JAN 2016 | TRENDS FOR 2016 |
| А | 3.5 - 4.5 | 3.5 - 4.5 | <i>></i> ⊿ |
| В | 3.0 - 3.6 | 3.0 - 3.6 | →7 |

^{* -} asking rent rates (EUR/sqm/month) excluding VAT and operating expenses \to u - slight decrease Source: Colliers International

Dynamics of Vacancy Rates in Riga and Riga Region



Source: Colliers International

| Vacancy Rat Trends for 2 | | n Riga and R | iga Region and |
|-----------------------------|----------|--------------|---------------------------|
| CLASS | JAN 2015 | JAN 2016 | TRENDS FOR 2016 |
| А | 3.6 % | 6.2 % | → ⁄7 |
| В | 0.3 % | 0.8 % | $\rightarrow \rightarrow$ |
| TOTAL | 2.2 % | 4.2 % | ⇒⁄⁄7 |

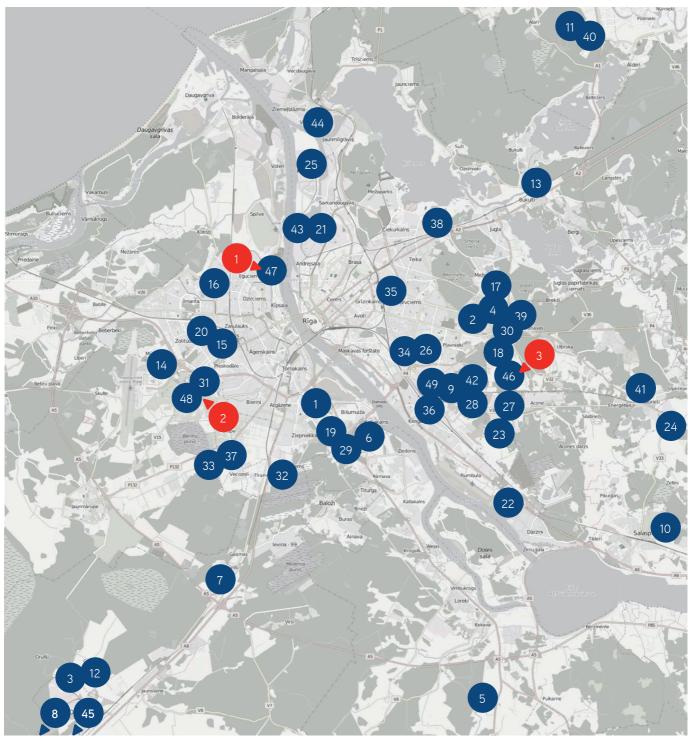
→→ - stable, → 77 - slight increase Source: Colliers International

Tendencies and Forecasts

- > Business sentiment is anticipated to continue improving and market players will continue to adapt to new market realities.
- > Development will continue, especially in the context of BTS projects. Most projects currently in the construction pipeline will be commissioned in the first half of 2016.
- > The general trend remains that developers are willing to engage in new construction only after a prelease agreement is signed.
- > Nonetheless, with properties after commissioning already largely leased out, we expect a further slight increase in vacancy, mainly on account of new professional speculative properties in the pipeline.
- > Rent rates are expected to remain stable in 2016, although in the second half A class rent rates might experience some downward pressure upon commissioning of new arrivals.



Speculative and Built-to-Suit Projects in Riga District Over 5,000 sqm





- Valdo Logistikas Komplekss
- Riga Industrial Park
- Nordic Industrial Park in Olaine
- PBLC Business Centre
- Dominante Park
- Dommo Biznesa Parks
- Eirkel Business Park
- Rolands S Warehouse Complex
- Wellman Logistics Centre Lauki Warehouse Complex, New Building
- Olaines Logistic Park
- Bergi Logistics Centre

- Elipse-BLC
- 15 Nordic Technology Park
- Abava Biznesa Parks
- Karsten Latvia Logistic Centre
- 18. Izoterms
- 19. DLW
- 20. NP Business Centre
- 21. Man Tess
- Baltkors, 1st and 2nd stages 23.
- Avers Centrs Logistic Park Maykel Business Park
- 25. System Logistics
- Atlas Logistic Centre
- Granita Industrial Park
- DSV Transport

- Maxima Latvia Logistic Complex Rimi Administrative and Warehouse
- Complex
- DHL Logistic Centre
- Sanistal Retail and Logistic Centre
- 33. Beweship Latvija Warehouse in Marupe
- Baltijas Industrialais Parks
- 35. Kroni
- BLRT 37.
- Polipaks Reaton Logistikas Centrs
- 39 Coca Cola Logistics Complex Glaskek Industrial and Warehouse Building 3. 40
- Vollers Riga
- DB Schenker Logistic Centre

- 44. Veju Roze
- NP Jelgavas Biznesa Parks
- Balt Cargo Solutions
- 47. UA Investor, 1st stage
- Plienciema 16 Lexel Fabrika

Projects under Development

- UA Investor, 2nd stage
- Pitche
- Balt Cargo Solutions, 2nd stage



Hotel Market

General Overview

- During the first three quarters of 2015, the number of visitors to Latvian hotels and other accommodation establishments grew for the fifth year in a row. Reduced numbers of Russian tourists were compensated by visitors from other countries.
- > Continuous development of tourist attractions and big public events (e.g. Latvian Presidency of the Council of the EU) positively influenced the hospitality market in 2015.
- > Hotel market stock in 2015 was supplemented by the new 4-star Wellton Hotel Riga and Spa hotel with 174 rooms.
- International chains which are already represented in Latvia continued their development plans; for example, two Accor Hotel Group hotels are expected to be commissioned in 2016 / 2017.
- > Despite May and August being marked by the best occupancy figures in the last decade, average hotel room occupancy in the first eleven months of 2015 fell slightly compared to the same period in 2014.
- > 2015 saw a reduction in the trend of hotel acquisitions by investors from CIS countries observed in 2012 2014.

Supply

By Q3 2015 Riga had 247 hotels, of which 123 were not certificated. 71 per cent of a total of 8,232 certified hotel rooms were located in Riga. In general, certified hotel room supply was largely dominated by 4-star hotel rooms, constituting 58.5 per cent and 69.3 per cent respectively of Latvia's total certified hotel room stock and total Riga certified hotel room stock.

The Latvian hotel market is clearly dominated by local hotel operators. 2015 saw no new international hotel chain entries to the Latvian hotel market, where the two largest international hotel chains represented are Rezidor and the Accor Hotel Group.

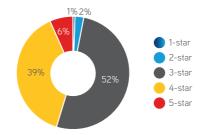
In 2015, the Riga hotel market saw the opening of the new 4-star 174-room Wellton Hotel Riga and Spa in the Old Town operated by local company Mogotel.

Moreover, by the end of 2015 a number of projects were under development. An 11-storey hotel building on the left bank of the River Daugava and next to the Z-Towers project is expected to be commissioned by the end of 2016. Additionally, under development at the moment are the 5-star Kempinski Grand Hotel

| Number of Hotels and Rooms | | | | | |
|----------------------------|--------|-------|--------|--------|--|
| STARS | RI | GA | LATVIA | | |
| SIARS | HOTELS | ROOMS | HOTELS | ROOMS | |
| 5-star | 6 | 258 | 8 | 466 | |
| 4-star | 32 | 4,066 | 48 | 4,819 | |
| 3-star | 26 | 1,499 | 64 | 2,859 | |
| 2-star | 1 | 28 | 3 | 73 | |
| 1-star | 1 | 15 | 1 | 15 | |
| TOTAL CERTIFIED | 66 | 5,866 | 124 | 8,232 | |
| Non-certified | 23 | 661 | 123 | 3,304 | |
| TOTAL | 89 | 6,527 | 247 | 11,536 | |

Source: Central Statistical Bureau

Distribution of Hotels by Number of Stars in Latvia



Source: Central Statistical Bureau

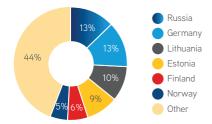
Riga and Pullmann Riga Hotel, the 4-star Semarah Hotel, as well as the Ibis Style Hotel. At the end of 2016 the increase in hotel room stock is expected to reach 635 rooms, while in 2017 hotel room stock is expected to be supplemented by an additional 150 rooms upon completion of a new hotel on Raina Street.

Demand

During the first three quarters of 2015, the number of people serviced by Latvian hotels and other accommodation establishments experienced positive growth. A total of 1.72 mln visitors were serviced by the Latvian hotel industry, of whom 1.19 mln or 69 per cent were foreign visitors. Total visitor numbers in the first three quarters of 2015 grew by 2.6 per cent and foreign visitor numbers grew by 3.4 per cent compared to the same period in 2014.

Russian, German, Lithuanian, Estonian and Finnish visitors accounted for half of all foreign visitors in the first three quarters of 2015. Visitor numbers from Russia fell by 33 per cent in the first nine months of 2015 compared to the same

Distribution of Foreign Visitors by Country of Origin



Source: Central Statistical Bureau

period in 2014 and comprised only 13 per cent of all foreign visitors. The rouble's devaluation caused spending reductions among Russian travellers. On the positive side, during the first three quarters of 2015 visitor numbers from Lithuania grew by 23 per cent, German visitors by 4 per cent and Estonian visitors by 16 per cent. We note that the tourism market has become more differentiated.

During the first nine months of 2015, the average number of nights spent by foreign visitors in Riga hotels or other accommodation establishments fell slightly to 1.8 compared to 1.9 in the same period the previous year. The leaders in terms of hotel stays were visitors from Belarus with 3.1 nights spent per visitor, the USA with 2.2 nights, and Russia with 2.1 nights. Compared to 2014, visitors from Sweden and Norway spent on average more nights in Latvian hotels and other accommodation establishments in 2015.

2015 saw growth in total foreign visitor numbers to Latvia. This was for several events, such as the Latvian Presidency of the Council of the EU in the first half of 2015, the men's European basketball championship in September, NATO alliance activities, and specialist tourism promotional activities by the Latvian Tourism Development Agency. Moreover, in 2016 the extended NATO mission in the Baltics, Riga's recognition as a former Capital of Culture, the Cooperation Between Central and Eastern European Countries and China 16+1 summit and other events might have had a positive effect on the Riga hotel market.

| Price Range for Double Standard Hotel Room in 2015 | | | | | |
|--|----------------|----------------|--|--|--|
| NUMBER OF STARS | MIN PRICE, EUR | MAX PRICE, EUR | | | |
| 5-star | 83 | 210 | | | |
| 4-star | 37 | 150 | | | |
| 3-star | 22 | 80 | | | |

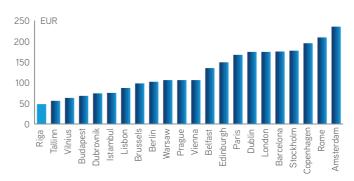
Source: Colliers International

Prices and Occupancy

According to City Cost Barometer, Riga continues to be one of the cheapest travel destinations among other European capitals in terms of overnight stay costs. Thus, for the third consecutive year the Riga hotel market experienced a decrease in accommodation costs in 3-star hotels. While maximum room prices for 3-star hotels dropped by approx 5 per cent, maximum room prices for 4-star hotels are on the same level as in 2014.

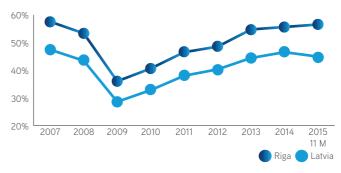
Despite the fact of increasing visitor numbers, the occupancy rate of accommodation establishments slightly decreased in 2015. During the first 11 months of 2015, average occupancy of hotels and other accommodation establishments stood at 56.5 per cent in Riga and 44.9 per cent in Latvia, which respectively is 0.7 per cent and 2.8 per cent less compared to the same period in 2014. The observed decrease in occupancy can be explained by the decrease of average nights spent by visitors in local accommodation establishments.

Price for a 2 Night Stay in 3-star Hotel for 2 Visitors



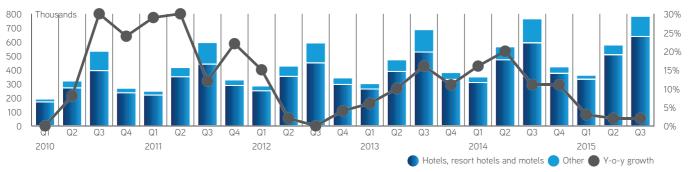
Source: City Cost Barometer

Dynamics of Average Monthly Room Occupancy Rate in Accomodation Establishments



Source: Central Statistical Bureau

Number of Visitors Served



Source: Central Statistical Bureau

Tendencies and Forecasts

- > We expect further market development both in terms of visits and hotel performance indicators. Additionally, we expect Riga hotel room stock to be supplemented by more than 755 rooms after commissioning of new developments in 2016 / 2017.
- > International hotel chains are expected to continue to expand their presence in the local market.
- > After hotel stock is supplemented by mainly 4-star and 5-star hotels, the competition is expected to tighten and might impact hotel performance figures.
- > Russian outbound travel is not expected to pick up in 2016. However, an increase is envisaged in the number of visitors from other countries. This difference might be compensated during the year in both the leisure and business segments.
- > The hospitality industry might well continue to experience a positive influence from international promotion and recognition of Latvia and Riga in particular.



Legal Overview

Real estate in Latvia can be purchased in two ways - via an asset transfer deal or via a share transfer deal. Asset deals and share deals are both commonly used in practice.

Asset Transfer Deals

Main Steps

Usually the sale of real estate by one party (seller) to another party (buyer) would be completed within 2 - 3 months following these main steps:

- 1. The parties sign a purchase agreement.
- 2. Sometimes, in the case of a larger real estate transaction, prior to the final purchase agreement, another agreement (letter of intent or preliminary purchase agreement) is concluded. The preliminary agreement sets out the main terms of the deal (eg, purchase price, payment mechanism, main deadlines to complete due diligence of real estate and sign the final agreement).
- 3. The seller offers the municipality or third parties the chance to exercise their right of first refusal to acquire the property on the same conditions as agreed in the signed purchase agreement. The municipality has up to 20 days to do so, but the term for third parties can be different.
- 4. If a party with a right of first refusal acquires real estate, then the purchase agreement signed between the parties terminates in respect of real estate acquired by third parties.
- 5. Simultaneously with the purchase agreement, the parties negotiate and conclude an agreement with a bank on opening and maintaining an escrow account at the bank.
- 6. The seller notifies the buyer on receipt of refusals from all third parties with a right of first refusal to acquire real estate or alternatively the seller confirms that third parties have not replied to the offer to exercise their right within the given term.
- 7. If third parties (eg, the municipality) do not exercise their right of first refusal, the buyer transfers the purchase price (100%) to the escrow account.
- 8. After transfer of the purchase price the parties in the presence of a notary public sign the corroboration request to the Land Book for registration of the buyer's title to real estate. The buyer pays state and stamp duties.
- The seller files the documents with the Land Book and performs other acts in order to register the buyer's title with the Land Book.
- 10. After the buyer's title is registered with the Land Book, the bank transfers the purchase price to the seller.

If the purchase of real estate is financed by a third party (eg, a bank) then the lender will require security in the form of a mortgage. This means that a third party will be involved in the transaction. This is usually done by having the third party as a party to the escrow account agreement. There the bank would undertake the obligation to finance payment of the purchase price if mortgages and encumbrances are established.

Main Advantages and Drawbacks

- > Registration of title and thus payment of notarial fees as well as state and stamp duty is required.
- > Limited scope of due diligence investigation is required since the review concerns the target asset only.
- > Agreements concluded by the seller for supply of utilities and other services must be assigned to the buyer or new agreements must be signed with utility and service providers.
- > An asset transaction may in some cases be treated as sale of the entire company, in which case all obligations associated with the company may be transferred from seller to buyer.

Share Transfer Deals

Main Steps

The main steps for share transfer deals are:

1. Initial agreement on the transaction. This involves the understanding by both parties of the sale process.

At this stage, the parties would sign a letter of intent (usually non-binding apart from confidentiality and exclusivity clauses) that will in general state the understanding of both parties on the subject of the sale and the potential price (including price calculation).

Usually at this stage a due diligence of the target company starts. Depending on the volume and business activities of the target company, the buyer performs legal due diligence, financial due diligence, tax due diligence, as well as technical, environmental, and other due diligences.

The aim of the due diligence is to identify potential risks having negative consequences on the business or share value of the target company.

Results of the due diligence can lead to decrease of the purchase price, change of the deal structure or even to a decision not to proceed with the transaction.

2. Agreement on terms and conditions of the transaction.

If the results of the due diligence are satisfactory, the parties start work on the transaction documents. In practice, the first draft of the share purchase agreement is provided by the buyer.

Depending on the complexity of the transaction, negotiations on the terms and conditions of the transaction documents can take from several weeks to several months.

3. Closing the transaction.

When the parties have agreed on all terms and conditions of the transaction agreements, signing of documents takes place.

Depending on the complexity of the transaction and the business type of the target company (eg, whether this is a regulated company) as well as on whether the purchase of target company shares is considered as a merger under Latvian Competition Law, the time required for closing the transaction can vary from a couple of weeks to several months after signing the transaction agreements.

The time for closing is required for the target company to obtain, eg, any consents required for change of control or merger clearances, as well as to provide other documents and perform other acts required for closing so that the title to the

shares and control of the target company can be transferred from the seller to the buyer on the closing date. These include, eg, change of the target company management board to ensure transfer of control to the buyer on the closing date.

Between signing and closing the transaction, the buyer has to obtain the sum required to complete the purchase, which is usually paid into the escrow account before the closing date.

4. Registration of changes in the Latvian Company Register.

Depending on the form of company (eg, private limited liability company, public limited liability company, partnership), certain registration procedures must be carried out in the Latvian Company Register and the signatures of most of the documents that have to be filed must be notarised.

Registration may involve: registration of change of Articles of Association, change of the target company management board and notification of change of target company shareholders.

Issues to Consider

When considering a share transfer of a company holding target real estate the following should inter alia be taken into account:

- > The buyer is considered to be the seller's legal successor, so that registration of the buyer's title to real estate (and payment of related expenses) is not required.
- > Ownership of shares is transferred to the buyer at the time of signing the agreement or on registration with the Latvian Company Register, depending on the agreement. Registration of ownership of shares usually takes a few days.
- > When implementing a transfer of a private limited liability company's shares, the signatures of both the buyer and the seller of the shares must be notarised.
- > Upon completion of share transfer, the buyer assumes responsibility for the whole company, including any matters that occurred before change of ownership.
- Due diligence investigations are more extensive than in asset transfers as the entire company (with all its rights and liabilities irrespective of whether they were known to the buyer at the time of concluding the agreement) is transferred, as opposed to transfer of the target real estate only.
- > Applicability of financial assistance rules.
- > Deferred tax issues.

Title to Real Estate, Land Book

Title to real estate is formally created upon registration with the Land Book. Before registration the transaction remains valid between the parties but is not binding on third parties and the buyer cannot exercise ownership rights or other property rights to real estate.

Registration of title is carried out on the basis of a corroboration request signed by both seller and buyer in the presence of a notary. Payment of stamp and state duty on registration of title is also required. In addition to the corroboration request, the original purchase agreement and documents evidencing payment of state and stamp duties, other documents may have to be filed with the Land Book (eg, written consent of the seller's spouse approved by a notary). Registration of title generally takes ten days as of filing all the necessary documents with the Land Book, although in more complex cases it may be prolonged for up to 30 days.

All the information registered with the Land Book, including information on the legal status of the real estate and its encumbrances, is binding on third parties and is publicly available (including via the electronic Land Book database) for a fee.

General

A building erected on land is considered to be a part of the land. However, as a result of land reform, situations occur where a land plot and a building situated on it are in different ownership.

Generally, transfer of title to a building or land separately from each other is not possible unless the land plot and the building are registered with the Land Book as separate property objects. With recent amendments to laws, it is also possible to register certain engineering constructions, such as roads, bridges, and landfills, as independent real estate objects in the Land Book, thus ensuring broader financing opportunities, as these constructions now can serve as fully-fledged collateral. In addition, there is also a specific regulation on acquisition of constructions which need not be registered with the Land Book as separate properties. The registration of legal possession in this case is performed and kept within the State Land Service. However, the public credibility of such registration is not yet clear.

Change of Ownership

Transfer of title to real estate may be restricted by a number of factors, including restrictions on foreign ownership of land, rights of first refusal as well as encumbrances registered with the Land Book, eg, mortgages and prohibition notes. Moreover, before title can be transferred, any real estate tax debt with regard to a particular real property needs to be paid, as well as real estate tax for the current year.

Form of Agreements

Written form is required for transactions with real estate, as well as registration with the Land Book. Notarisation of the purchase agreement is not compulsory, while notarisation is required for corroboration requests to the Land Book.

Language Requirements

There is no specific requirement to use only the official state language (Latvian) in agreements on real estate. Parties to the agreement may choose the language of the agreement themselves. However, if the original language or the prevailing language of the agreement is not Latvian, a translation of the agreement approved by a notary and an original counterpart of the agreement must be filed with the Land Book for registration of the transaction. Corroboration requests to the Land Book are always drafted by a notary in Latvian and if necessary orally translated by the notary or another person to the person signing the request.

Due Diligence

Before carrying out any real estate transaction, it is advisable to research the legal status of the real estate, eg, information on the title holder, encumbrances, lease agreements, pollution and permitted use as set by the local authority. The results of research may be useful for settling the final purchase price that better reflects its value and for more accurate assessment of potential expenses that the buyer is likely to incur on acquisition.

Right of First Refusal

Before title to real estate may be transferred, all persons with a right of first refusal to purchase the particular real estate must be offered an opportunity to exercise their right. Only after all these persons have declined in writing to exercise this right or the term for using these rights has expired may the purchase agreement and the buyer's title be registered with the Land Book.

Certain entities' rights of first refusal are established by law. However, these rights may also be agreed on by the parties to the particular transaction. A local authority has right of first refusal in respect of acquisition of real estate (land and buildings) located in its territory if the real estate is necessary for performance by the local authority of its statutory functions, eg, operation of schools, kindergartens, certain types of social housing.

The state has a right of first refusal upon sale of cultural monuments of state importance, land plots in protection zones as well as in ports and special economic zones. In addition, recent amendments to the law assign to the Latvian Land Fund and the lessee of the particular land plot rights of first refusal to agricultural land, whereby specific rules in execution of rights of first refusal apply.

Rights of first refusal also exist in favour of co-owners of real estate if any of them transfers their ideal part of the real estate to a person who is not a co-owner of the real estate. Additionally, where land and buildings (except buildings which have been divided into apartment properties) constructed on it are in different ownership, the owner of each property has a right of first refusal over the other owner's property if it is sold to a third party.

Rights of first refusal may generally be exercised within two months after the purchase agreement is delivered to persons with such rights. Depending on whether the real estate is or is not necessary for performance by the local authority of its statutory functions, the term for local government is 20 days or five days respectively.

Typical Purchase Price Arrangements

Normally, in complex and long-term projects the parties agree to use an escrow account with a bank for payment of the purchase price, in which event an escrow account agreement is signed by the seller, the buyer and the bank. From conclusion of the purchase agreement and until registration of the buyer's title to the real estate none of the parties has access to the funds transferred to the escrow account. Generally, the parties agree on a list of documents that need to be submitted to the bank and/or actions that need to be performed by the seller as preconditions to the purchase price being transferred from the escrow account to the seller. A Land Book certificate evidencing the buyer's title to the real estate is usually the main document in the list.

Restrictions

Restrictions on Acquisition of Real Estate

Certain restrictions exist as to foreign ownership of land, while no such restrictions affect ownership of buildings. However, since a building erected on land is generally considered to be a part of the land, in most cases ownership of buildings is subject to the same regulations (restrictions) as is the land. Few restrictions apply as to foreign ownership of land located in cities in Latvia, while the regulations are more stringent with regard to the ownership of land in rural areas.

EU Citizens and Legal Entities

There are number of limitations with respect to acquisition of agricultural land in Latvia. A EU citizen (including a Latvian citizen), or a citizen of the EEA and Switzerland can acquire not more than 10 ha of agricultural land without limitations. A natural person who wishes to acquire more must do the following:

- > Register as a performer of commercial activities, have no tax debts in their country of domicile.
- Confirm in writing that after purchase of the land they will start agricultural activities with the particular land within one or three years from the purchase depending on whether the particular land in the previous or current year has been subject to single area payments or direct payments under EU Regulations.
- > Confirm that (1) the person has a specific agricultural education or (2) has received single area payments during the last three years, or (3) the person receives direct payments or (4) that person's income from agricultural activities during the last three years has formed at least one third of their total income.

Stricter limitations are set for legal entities. Consequently, a legal entity may acquire not more than 5 ha of agricultural land without strict limitations. An entity that wishes to acquire more must comply with all the following rules:

- The entity must have no tax debts in Latvia or its country of domicile, all the shareholders of the entity are EU, EEA or Swiss citizens or citizens of other countries that have concluded agreements on protection of investments with Latvia.
- > The entity can identify all its beneficiaries and all of them are EU, EEA or Swiss citizens.
- > Confirm that the entity has received single area payments during the last three years, or receives direct payments or the entity's income from agricultural activities during the last three years has formed at least one third of all its income.
- Confirm in writing that after purchase of the land the entity will start agricultural activities with the particular land within one or three years from the purchase depending on whether in the previous or current year the land has been subject to single area payments or direct payments under EU Regulations.
- At least one employee or the shareholder has received an agricultural education or the entity should have at least one shareholder whose income from agricultural activities during the last three years has formed at least one third of that person's total income.

The maximum area of agricultural land that can be owned by one person is 2,000 ha.

Unlike the situation with agricultural land, EU citizens and legal entities have no restrictions on acquiring land plots in cities in Latvia.

Non-EU Citizens and Legal Entities

Citizens of (and companies registered in) the EEA or Swiss Confederation may acquire land plots but must comply with the requirements set for EU citizens or EU-registered companies. However, this only applies to acquisition of land. Therefore, apartments or buildings may be acquired without further restrictions and limitations unless the land beneath them is part of the property. In most cases, apartment ownership also

comprises a certain ideal part of the land plot, the land plot being in the co-ownership of all apartment owners in the building.

Certain restrictions apply to foreigners if land is located in state border land and special protection zones.

Merger Control

Real estate transfer may require prior approval by the Latvian Competition Authority (LCA) if it forms part of a company merger. According to the law, acquisition of assets or of the right to use those assets is considered to be a merger if it increases the market share of the buyer of the assets and the usage rights in any relevant market. The merger may take the form of either a share transfer or an asset transfer and must be notified for approval to the LCA if at least one of the following thresholds is met:

- > aggregate turnover of the companies involved in the transaction exceeds approx EUR 35.6 million for the financial year preceding the merger; or
- > the joint market share of the companies exceeds 40% of the relevant market.

However, notification of a merger to the LCA is not necessary if there are only two parties (the seller and the buyer) to the transaction and the turnover of at least one of them does not exceed approx EUR 2.13 million.

If real estate is being acquired or leased as part of a grocery chain or a retail company, additional considerations should be taken into account.

Encumbrances

Real estate may be encumbered with servitudes, rights of first refusal, lease rights registered with the Land Book, mortgages, protection zones and other encumbrances that should be taken into account when contemplating acquisition or lease of real estate, in particular with respect to constructions on it. Therefore, prior to buying a land plot for construction purposes, it is advisable to perform a legal, technical and environmental due diligence.

Property Management

Maintenance of both commercial and residential real estate is usually carried out by the owner or by an entity contracted by the owner.

Lease Agreements

General

Latvian Civil Law lays down the general terms for lease agreements. In residential law, the Law on Residential Tenancy grants extra protection to tenants in comparison with general Civil Law regulation. The reason for this difference is that the tenant is considered to be the weaker party to a residential lease agreement.

In order for a commercial lease agreement concluded by the seller of real estate with a tenant to be binding on the buyer, it needs to be registered with the Land Book. Without registration, the buyer may terminate the lease agreement, in which case the seller must compensate the tenant for all losses caused to the tenant by early termination. Residential lease agreements, in turn, are binding on the buyer, irrespective of registration with the Land Book. However, only permanent residents of Latvia and persons who reside in Latvia based on a temporary residence permit may claim protection under this rule.

Duration and Expiry of Lease Agreement

Lease agreements may be concluded for a definite or indefinite term. General rules on termination of lease agreements are laid down by law, while additional rights of each party to unilaterally terminate the agreement may be specifically agreed on by the parties. However, the landlord's rights to unilaterally terminate a residential lease agreement are limited to cases specifically provided for under the Law on Residential Tenancy.

Lease Payment and Other Expenses (Utilities)

Pre-payment of lease payments (as a deposit or a guarantee) is usually required by the landlord. These deposits and guarantees as well as the payment procedure are not specifically regulated by law.

In addition to rent, accessory expenses are usually paid by the tenant. Accessory expenses include payments for maintenance of the real estate and utilities provided such as water, gas and electricity.

Distressed Assets Purchase

Acquisition of distressed real estate can be on the basis of a voluntary agreement between the parties, in a procedure for compulsory enforcement or during insolvency proceedings of the owner of the real estate. In any case acquisition of distressed real estate is more complex. Therefore a thorough due diligence should be performed. The risk of the seller becoming insolvent has to be taken into account when planning distressed purchases, since a transaction made on conditions detrimental to the seller may be revoked during subsequent insolvency proceedings. This risk is at its highest during the first six months prior to beginning of insolvency proceedings. Therefore making any purchase price pre-payments to a potentially insolvent seller is not advisable and the transaction should be concluded on market terms.

Compulsory enforcement procedure is carried out by bailiffs and is executed through auction under the procedure set by the Civil Procedure Law. Sale of real estate during insolvency proceedings is also usually by auction and is regulated by the Insolvency Law and Civil Procedure Law.

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LITHUANIA MARKET OVERVIEW



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Market Momentum Brings New Challenges

In 2015 the Lithuanian economy grew almost twice as slowly compared to 2014. This was mainly a consequence of geopolitical resonance from relations between the European Union and Russia. Notwithstanding, the commercial RE market performed well, demonstrating sustainable growth. The biggest changes were recorded in the Vilnius office market, where new supply almost doubled after five years of stability and further attempts to maintain strong growth in the period 2017 - 2018. The retail market, which has recently been experiencing a fundamental shift in the concept of shopping, showed outstanding activity in qualitative changes. Conversion of shopping areas into leisure and entertainment venues became of key importance. Meanwhile the industrial market managed to maintain stability, with domination of built-to-suit facilities in terms of new construction and Kaunas achieving a leadership position in this field. while the hotel market was the segment that experienced the greatest challenges, although performance results achieved confirmed the country's resilience to geopolitical events. Finally, 2015 was particularly successful for the investment market with a new record for commercial property transactions closed in Lithuania, i.e. 48 per cent growth compared to last year, with retail properties taking over the leading position in terms of total investment attracted (about 50 per cent of the total).

2016 promises to be another interesting year. The Vilnius office market is likely to face some challenges, especially at the end of the year, as strong growth in supply will affect the leasing process, providing tenants with a greater choice of lease alternatives and thus placing pressure on rent rates. Meanwhile development of other commercial real estate sectors will be more balanced as a result of sustainable growth in domestic consumption. Besides, lack of attractive investment options as well as intensifying competition between investors will continue to encourage investment in commercial RE, leading to further yield compression.

Sincerely,

Ramune Askiniene

Economic Overview

Summary

Despite further growth in domestic consumption, improving business indicators and a constantly decreasing unemployment rate, growth of the Lithuanian economy in 2015 was almost twice as slow compared to 2014, with GDP growth reaching 1.6 per cent (a decrease of 1.4 per cent, y-o-y). This was mainly caused by events related to the tense geopolitical situation (trade restrictions, emigration, stagnation of the Russian economy) which Lithuania had to cope with as well as a slowed expansion in the construction sector, compared to 2014. Nevertheless, domestic consumption remained the main driver of the country's economic growth together with sustainable export performance.

The average annual change in consumer prices was negative almost throughout the year, at the end of 2015 standing at -0.7 per cent y-o-y, mostly due to declining oil prices. As a result, a significant decrease has been observed in transport services (-7.2 per cent, y-o-y) and in housing, water, electricity, gas and other fuels (-3.5 per cent, y-o-y). Since on 1 January 2015 Lithuania changed its currency to the Euro, speculation about increase in prices was high. However, a more significant increase was recorded only in the service sector (restaurant and hotel services increased by 4.8 per cent, y-o-y; health services increased by 2.7 per cent, y-o-y; various goods and services increased by 2.5 per cent, y-o-y).

According to the Lithuanian Department of Statistics, the situation in the labour market maintained positive trends in 2015 with the unemployment rate reaching 9.1 per cent (a decrease of 1.6 per cent, y-o-y) and the gross monthly wage rose by 5.1 per cent, y-o-y. Still, some negative features appeared, such as: high youth unemployment (16.7 per cent) and uneven gender unemployment prevailing: 10.2 per cent of men, 8 per cent of women. The labour market is expected to preserve earlier trends along with new international companies coming to the market and creating new workplaces with better working conditions and additional social benefits.

Growth of real earnings positively affected the retail trade market in Lithuania, which grew by 4.3 per cent y-o-y in 2015, although a short-term decline in retail turnover growth was observed at the beginning of the year (2.9 per cent during Q1 2015). This was mostly influenced by the change of national currency and some seasonal fluctuations. Meanwhile, other periods of the year were much more favourable with domestic consumption remaining the main driver of the country's economic growth. In addition, a significant increase (38.1 per cent, y-o-y) was recorded in retail sales via mail order houses or via internet during 2015, confirming that consumer habits are evolving along with changes in the economy and technological development.

Tendencies and Forecasts

- > Domestic consumption encouraged by improving labour conditions and household optimism will remain the main driver of Lithuanian economic growth. Still, the prime barrier to economic evolution will continue to be export restrictions to Russia and instability in the geopolitical situation.
- Despite the fact that integration in the Euro zone has brought an inflation outbreak in the eyes of inhabitants (though the contrary is proved based on statistical data), lower interest rates, stronger trade ties and increasing tourist flows are expected to create higher value added for the Lithuanian economy in the future.
- Expansion of international companies as well as a government decision to raise the minimal wage twice in 2016 will positively affect the labour market with the unemployment rate further decreasing and sustainable growth of wages.
- > E-commerce is expected to maintain its growing trend mostly due to increasing demand to receive goods in the most convenient manner as well as retailers expanding their services on the internet with personalized marketing solutions.

| Key Economic Indicators of Lithuania | | | | | | | | | | | |
|---|-------|-------|-------|-------|------|------|------|------|------|------|-------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016F |
| Nominal GDP, EUR billion | 24.1 | 29.0 | 32.7 | 26.9 | 28.0 | 31.2 | 33.3 | 35.0 | 36.4 | 37.2 | n/a |
| GDP at Chain-linked Volume, EUR billion | 28.4 | 31.5 | 32.3 | 27.6 | 28.0 | 29.7 | 30.9 | 31.9 | 32.9 | 33.5 | 34.5 |
| GDP growth, % yoy | 7.4 | 11.1 | 2.6 | -14.8 | 1.6 | 6.1 | 3.8 | 3.3 | 3.0 | 1.6 | 2.9 |
| Industrial Production, % yoy | 5.4 | 1.5 | 4.9 | -13.8 | 6.3 | 6.4 | 3.7 | 3.3 | 3.8 | 4.8 | n/a |
| Unemployment Rate, % avg. | 5.6 | 4.3 | 5.8 | 13.7 | 17.8 | 15.3 | 13.4 | 11.8 | 10.7 | 9.1 | 9.0 |
| Growth of Average Monthly Gross Earnings, % | 17.2 | 20.5 | 19.4 | -4.4 | -3.3 | 2.9 | 3.8 | 5.1 | 4.8 | 5.1 | 5.3 |
| Total Public Debt, % GDP | 17.9 | 16.8 | 15.5 | 29.5 | 38.5 | 39.4 | 38.3 | 36.6 | 38.3 | n/a | n/a |
| HICP avg., % yoy | 3.8 | 5.8 | 11.1 | 4.2 | 1.2 | 4.1 | 3.2 | 1.2 | 0.2 | -0.7 | 1.4 |
| CIPI avg., % yoy | 9.8 | 13.8 | 9.5 | -10.6 | -4.3 | 3.9 | 3.7 | 4.1 | 2.4 | 1.6 | n/a |
| Fiscal Balance, % GDP | -0.4 | -1.0 | -3.3 | -9.5 | -7.2 | -5.5 | -3.0 | -2.6 | -0.7 | n/a | n/a |
| Export, EUR billion | 11.3 | 12.5 | 16.1 | 11.8 | 15.7 | 20.2 | 23.0 | 24.5 | 24.4 | 22.9 | n/a |
| Import, EUR billion | 15.4 | 17.8 | 21.1 | 13.1 | 17.7 | 22.8 | 24.9 | 26.2 | 26.5 | 25.4 | n/a |
| C/A Balance, EUR billion | -2.6 | -4.1 | -4.2 | 1.0 | 0.0 | -1.2 | -0.1 | 0.4 | 0.1 | n/a | n/a |
| C/A Balance, % GDP | -10.6 | -14.4 | -12.9 | 3.7 | 0.1 | -3.7 | -0.2 | 1.2 | 0.4 | n/a | -3.5 |
| Cumulative FDI, EUR billion | 8.4 | 10.3 | 9.2 | 9.2 | 10.0 | 11.0 | 12.1 | 12.7 | 12.9 | n/a | n/a |

f - forecast

Source: The Lithuanian Department of Statistics, Ministry of Finance, Bank of Lithuania



Investment Market

General Overview

- During 2015 the Lithuanian RE investment market maintained a growing trend along with new players coming to the market and continuously shrinking yields.
- > 2015 was exceptionally active with EUR 444 million of investment recorded in commercial RE (growth of 48 per cent, y-o-y) which was mainly a consequence of overall economic growth and Lithuania's integration in the Euro zone.
- > Retail properties took over the leading position as the most popular investment objects, forming 50 per cent of total investment volume in Lithuania.
- > Nordic and Baltic investors together with major international investment funds dominated the market in 2015.

Investment Volumes

Continuous economic development, positive trends in foreign policy together with integration in the Euro zone from 1 January 2015 made an impact on the Lithuanian RE market, which gained more confidence not only from local investors but from international funds as well. Its growing attractiveness was confirmed by total investment volume, which amounted to EUR 444 million in 2015 and surpassed the previous year by 48 per cent. In terms of number of transactions closed, 2015 produced 154 transactions, exceeding 2014 by 81 per cent.

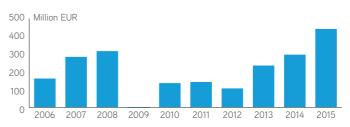
During 2015 a significant increase was observed in investment transactions over EUR 20 million, with growth of 23 per cent compared to 2014. This showed that large, experienced investors prevailed in the market, mainly targeting prime properties.

In 2015 the key investors in the Lithuanian RE market were Nordic, Baltic and major international investors, the latter displacing previously active Russian funds. Partners Group (International investor), EfTEN Capital (Baltic investor) and Northern Horizon Capital (Scandinavian investor) acquired RE for over EUR 160 million and formed 36.2 per cent of total investment volume in Lithuania. Two of these (Partners Group and EfTEN Capital) are newcomers to the market. This made a significant impact on Lithuanian investment volume by acquisition of well performing office and retail properties there.

Investment Properties

In contrast to the previous year, when the main focus of investors was dedicated to the Vilnius office market, during 2015 RE investors were more confident about the Lithuanian retail market more generally, allocating major investments to retail properties between Vilnius and other cities. As a result, 2015 stood out with the retail investment share reaching 50 per cent of total investment volume (28 per cent growth, compared with 2014) with such property acquisitions as Molas SC in Kaunas, BIG SC in Klaipeda, Europa SC in Vilnius and Saules Miestas SC in Siauliai. Meanwhile, the office market investment share shrank significantly to 27 per cent (a 29 per cent decrease, compared with 2014) due to lack of investment alternatives, although several large acquisitions were still implemented in this segment during 2015 (Vertas BC, Menulio 11 BC, Ulonu BC and Kernave BC). The industrial sector remained quite conservative in 2015, reaching an 18 per cent share of total investment with two major transactions recorded: a bulk cargo terminal in Klaipeda and the Dominari logistics centre in Panevezys. The latter property was acquired from Litectus, a wholly-owned company in the SEB Group, which they had already been leasing for some time.

Dynamics of Investment Volume in Lithuania



Note: deals over EUR 0.4 million Source: Colliers International

Investment Turnover by Sector in 2015



Source: Colliers International

| Top 5 | Top 5 Investment Deals in Lithuania in 2015 | | | | | | | | |
|-------|---|---------------|----------|-----------------------------|--|--|--|--|--|
| NO. | OBJECT | SECTOR | GBA, SQM | INVESTOR | | | | | |
| 1. | Vertas BC, Molas SC, BIG SC | Office/Retail | 53,000 | Partners Group | | | | | |
| 2. | Europa SC | Retail | 22,600 | BPT Baltic Opportunity Fund | | | | | |
| 3. | Saules Miestas SC | Retail | 22,850 | EfTEN Real Estate Fund III | | | | | |
| 4. | Molas SC | Retail | 22,640 | Westerwijk Investments | | | | | |
| 5. | Bulk Cargo Terminal | Industrial | 16,300 | Biriu kroviniu terminalas | | | | | |
| | TOTAL | | 137,390 | | | | | | |

Source: Colliers International

Investment Yields

The compression of prime investment yields continued in 2015 due to lack of attractive investment objects and increased confidence in the Lithuanian economy related to integration in the Euro zone. As a result, during 2015 investment yields fluctuated within the range of 7 per cent and 8.75 per cent depending on property type and location. The lowest yields were recorded among prime retail and office properties, while the highest yields remained in the industrial segment.

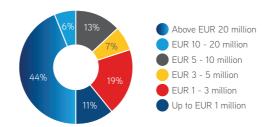
As lack of attractive investment alternatives together with high interest in office and retail properties are expected to continue in 2016, yields will continue their downward trend, reaching less than 7 per cent for prime office and retail properties. Still, the industrial sector is quite passive at the moment, so no significant changes in investment yields for industrial properties are forecast in the short term.

The recovery of investment yields in other Lithuanian cities is not yet significant despite a strong increase in investment volumes in these cities. For instance, Kaunas, Klaipeda, Siauliai and Panevezys formed a 43.7 per cent share of total investment in 2015, whereas this share amounted to only 19.4 per cent in 2014. The shift has been mostly encouraged by increased activity in retail property investment by Partners Group, Westerwijk Investments and EfTEN Real Estate Fund III.

Tendencies and Forecasts

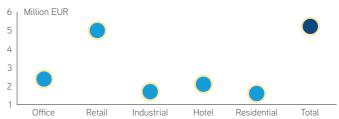
- > Lithuania will continue to recover its attractiveness to investors because of reduced risk and still greater investment returns than in some other European regions (for instance, Scandinavian or Western countries).
- > Lack of investment options with attractive returns will encourage investment in commercial real estate.
- > Office and retail properties with stable cash flows located in core locations will further attract the highest volume of investment
- > Further yield compression among office and retail properties will continue in Vilnius in 2016 as competition between investors is constantly increasing.

Investment Turnover by Size in 2015



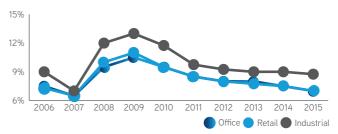
Source: Colliers International

Average Transaction Size by Sector



Source: Colliers International

Prime Yield Dynamics in Vilnius



Source: Colliers International

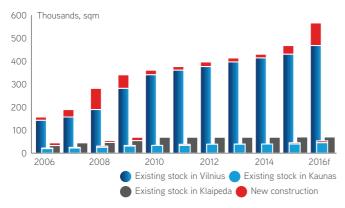


Office Market

General Overview

- During 2015 the Vilnius office market reflected optimism with 5 new office projects completed and many others in the pipeline. Besides, Kaunas city was quite active too, while other cities remained passive.
- > At the end of 2015 more than 135,000 sqm of new leasable office space was under construction in Vilnius of which more than 98,000 sqm is planned to be offered in 2016.
- > The current market situation in Vilnius can be defined as landlord dominant due to high demand and lack of possible lease alternatives.
- Attractive conditions for doing business and an abundance of highly qualified specialists are appealing elements that attract new international companies to Lithuania, forming about 20 per cent of total office space demand.
- During 2015 the most significant growth of rent rates was observed in Kaunas (by 6.2 per cent) due to new office projects offered to the market, while Vilnius experienced sustainable growth of 2.8 per cent.
- > Positive trends in vacancy levels in Vilnius together with a wider variety of office space in Kaunas reflected healthy overall growth of the office market in Lithuania.

Dynamics of Speculative Office Space in Major Cities of Lithuania



f - forecast Source: Colliers International

Supply

During 2015 the Vilnius office market was as active as ever with five new business centres (Sostena BC, K29 BC, Premium BC, BC One and Uniq BC) increasing existing office space supply to 467,650 sqm, recording 8.8 per cent growth compared with 2014.

The period 2016 - 2017 is expected to remain highly active in Vilnius as more than 182,000 sqm of new speculative office space is in the pipeline. More than half of new supply under development will be located in the central part of the city (53.4 per cent). Besides, class A office space will continue to form a reasonable part (39.4 per cent) of new office supply due to constantly growing demand for high quality offices.

Contrary to previous years, in 2015 the Kaunas office market also saw some activity, demonstrating a 14.2 per cent growth in total supply. Three new business centres (Chemijos 9D BC, Mikrovisata BC, Ozeskienes BC) with GLA of 5,560 sqm were opened, while Plaza BC was fully refurbished. Nevertheless, the Kaunas office market remained predominant with small business centres. However, it seems that the market has finally matured for new large office developments such as a new class A business centre (14,000 sqm) planned by SBA Group in K. Donelaicio St. 60.

The Klaipeda office market continued to be the least active compared to Vilnius and Kaunas with a still high vacancy level as well as market supply strongly exceeding demand. No new business centres were implemented. The only project maintaining market activity was the old administrative building at Minijos St. 19 which was under reconstruction during 2015. Upon completion of reconstruction in 2016, it will offer 1,500 sqm of newly built office space together with 500 sqm of commerce. A pre-lease agreement for one fifth of the building had already been signed by the end of 2015.

Demand

SSC and ITC companies continued to be the most active in the Vilnius office market as during 2015 just these companies signed lease agreements for more than 30,000 sqm of office space. Recent market activity led to an immediate reaction by RE developers resulting in a pipeline of over 182,000 sqm of new office space. From a retrospective point of view, over the last decade market absorption in Vilnius has fluctuated within the range of 25,000 - 35,000 sqm yearly, which leads to the conclusion that further market assimilation will highly depend on the ability to attract new international companies

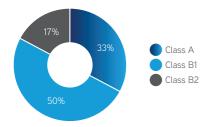
| Completed Office Projects in Vilnius in 2015 | | | | | | | |
|--|--------|----------------------|----------|----------------------------------|--|--|--|
| PROJECT | CLASS | ADDRESS | GLA, SQM | DEVELOPER | | | |
| Sostena BC | B1 | Ukmerges St. 280 | 2,300 | Sostena Auto | | | |
| K29 BC | А | Konstitucijos Av. 29 | 15,470 | Lords LB Baltic Fund IV | | | |
| Premium BC | B1 | Sporto St. 18 | 7,120 | Evolis | | | |
| Business Centre One (former Vertingis BC) | B1 | Ukmerges St. 322 | 6,000 | Nordic and Baltic Property Group | | | |
| Uniq BC | А | A. Gostauto St. 12A | 6,820 | Vastint | | | |
| TO | 37,710 | | | | | | |

Source: Colliers International

| PROJECT | CLASS | ADDRESS | GLA, SQM | DEVELOPER | OPENING YEAR | | |
|-----------------------------------|-------|-------------------------|----------|--------------------------|--------------|--|--|
| Quadrum BC (1st stage) | А | Konstitucijos Av. 21 | 33,160 | Schage RE | | | |
| Zalgirio 135 BC | B1 | Zalgirio St. 135 | 8,400 | Eika | | | |
| City BC | B1 | Zalgirio St. 90 | 18,000 | Hanner | | | |
| Green Hall BC (2nd stage) | А | Upes St. 21 | 7,400 | SBA Koncernas | 2016 | | |
| Delta BC | B1 | J. Balcikonio St. 9A | 21,600 | Technopolis | | | |
| Fabrikas BC | B1 | Saltoniskiu St. 29 | 4,800 | ZIA Valda | | | |
| Highway | B2 | Savanoriu Av. 178 | 4,900 | Inreal Valdymas | | | |
| Narbuto BC | А | Narbuto St. 5 | 4,650 | E.L.L. Real Estate | | | |
| Duetto BC | B1 | Virsuliskiu Al. 34 | 16,650 | YIT Kausta | | | |
| Park Town BC (1st and 2nd stages) | B1 | Lvovo St. 101, 103, 105 | 20,200 | MG Valda | | | |
| Pentagon BC | B1 | Ozo St. 12A | 13,730 | Realco | 2017 | | |
| S7 BC | А | Saltoniskiu St. 7 | 11,770 | M.M.M. Projektai | | | |
| 3 Bures BC (expansion) | А | Lvovo St. 25 | 13,000 | East Capital | | | |
| Domus Pro (3rd stage) | B1 | Bieliunu St. 1 | 4,380 | Northern Horizon Capital | | | |
| TOTAL | | | 182,640 | | | | |

Source: Colliers International

Distribution of Speculative Office Space in Vilnius by Class in 2015



Source: Colliers International

to Lithuania. In 2015 a significant part of office demand was gained from large international companies, with class A and B1 offices located in the city centre being the most in demand. One of the main selection criteria for office space among these companies remained a large floor area, creating difficulties for them to expand in Kaunas and Klaipeda as small office buildings (mostly renovated) form the dominant market share in those cities. Moreover, such characteristics as efficient space planning, building energy efficiency and climate control as well as an abundance of recreational areas and a wide range of additional services ensuring a healthy and comfortable working environment have become of crucial importance in the office selection process.

Looking ahead, demand from international companies is expected to remain strong due to advantageous conditions of doing business, an abundance of highly qualified specialists as

well as examples of good practice from companies successfully expanding in Lithuania (e.g., Barclays, Western Union, Danske bank, Intermedix Lietuva). Furthermore, the coming year is expected to be even more favourable for business centres offering high quality office space because local companies have also started to show interest in higher working environment standards following international business experience.

Rent Rates and Vacancy

Contrary to previous years, 2015 saw growth of rent rates not only in the capital city Vilnius but also in Kaunas, mainly related to active introduction of new office projects with higher than existing rent rates. In 2015 rent rates in Vilnius demonstrated steady growth, reaching an average of 2.8 per cent with the most significant increase in class A and B1 business centres, by 3.6 and 3.7 per cent respectively. Meanwhile Kaunas stood out with 6.2 per cent growth. Klaipeda city maintained the status quo, recording no changes in rent rates due to market inactivity.

Due to intense market supplementation and high competition among RE developers in Vilnius, rent rates are expected to come under pressure but to remain quite stable with a possible slight rent correction in an upward direction in 2016. Meanwhile other major cities (Kaunas, Klaipeda) are expected to demonstrate stability with no significant changes in rent rates. However, in the coming years, Kaunas is expected to witness more significant rent rate changes especially in class A offices as a result of newly planned, high quality office developments. Meanwhile rent rates in Klaipeda are expected to remain stable for a longer period as further absorption of existing oversupply will continue.

| Rent Rates* for 2015 in Vilnius, Kaunas, Klaipeda and Trends for 2016 | | | | | | | | | |
|---|-------------|---------------------------|------------|---------------------------|------------|---------------------------|--|--|--|
| CLASS | VI | VILNIUS | | AUNAS | KLAIPEDA | | | | |
| CLASS | RENT RATES | TRENDS FOR 2016 | RENT RATES | TRENDS FOR 2016 | RENT RATES | TRENDS FOR 2016 | | | |
| A existing | 14.0 - 17.5 | $\rightarrow \rightarrow$ | 8.7 - 10.1 | $\rightarrow \rightarrow$ | - | $\rightarrow \rightarrow$ | | | |
| B1 existing | 9.0 - 13.5 | $\rightarrow \rightarrow$ | 7.5 - 12.0 | $\rightarrow \rightarrow$ | 5.8 - 8.7 | $\rightarrow \rightarrow$ | | | |
| B2 existing | 6.6 - 9.6 | $\rightarrow \rightarrow$ | 5.2 - 7.2 | $\rightarrow \rightarrow$ | 4.3 - 6.3 | $\rightarrow \rightarrow$ | | | |

^{* -} asking rent rate (EUR/sqm/month) excluding VAT and operating expenses

Source: Colliers International

Vacancy Rates for 2015 in Vilnius, Kaunas, Klaipeda and Trends for 2016

| CITY | 2015 | TRENDS FOR 2016 |
|----------|--------|---------------------------|
| Vilnius | 4.3 % | ⇒⁄⁄7 |
| Kaunas | 6.3 % | $\rightarrow \rightarrow$ |
| Klaipeda | 13.6 % | \rightarrow 7 |

 $\rightarrow \rightarrow$ - stable, $\rightarrow \nearrow$ - slight increase, $\rightarrow \searrow$ - slight decrease Source: Colliers International

Dynamics of Rent Rates* in Vilnius



* - asking rent rates (EUR/sqm/month) excluding VAT and operating expenses Source: Colliers International

Dynamics of Vacancy Rates in Vilnius



Source: Colliers International

The fact of the Vilnius office market being as active as ever during 2015 was reflected in vacancy rates, which continued their decreasing trend, reaching an average of 4.3 per cent. Class A office space has been practically leased out, bringing vacancy to a record low level of 0.8 per cent, while among class B offices it stood at 6.1 per cent. However, active development of new office space during the period 2016 - 2017 will significantly enlarge Vilnius office stock causing the vacancy level to go up. This factor is likely to switch a landlord market to tenant dominance, bringing more favourable lease conditions for tenants as well as greater options in alternative office space.

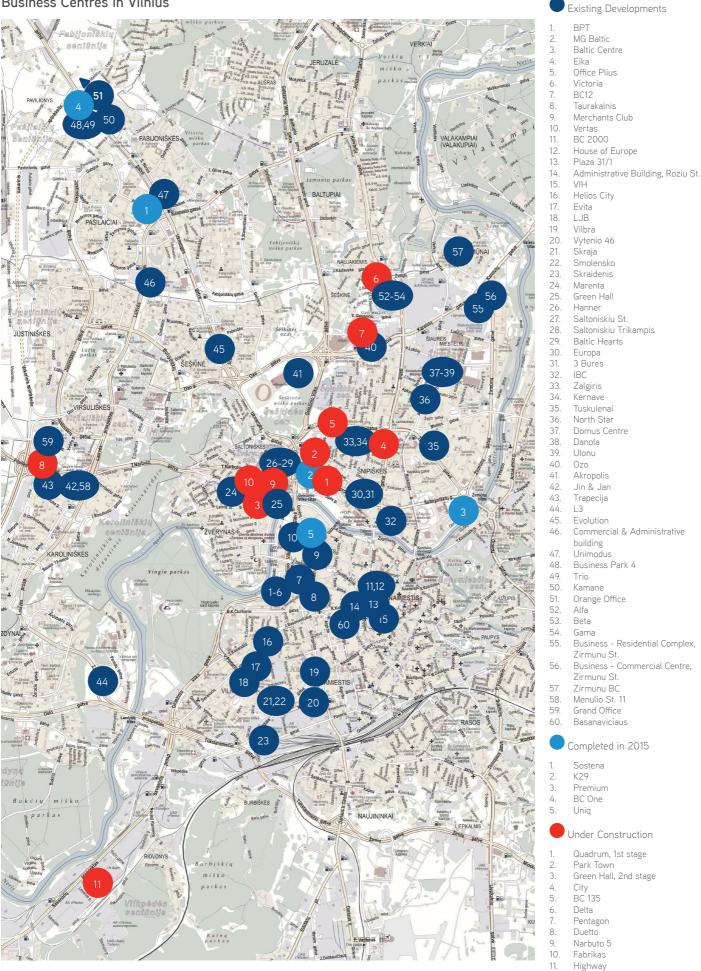
While the Kaunas office market was supplemented with new modern office space, the vacancy level reached 6.3 per cent. Nevertheless, there is still room for new developments, especially larger ones, as the Kaunas market is predominant with small business centres and big international companies do not have the ability to lease all needed office space in one place yet. During 2015 the Klaipeda office market remained inactive in terms of new developments with market supply already exceeding demand. As a result, the vacancy level stood at 13.6 per cent with a slight decrease of 0.9 per cent compared to 2014. Due to improving economic conditions the absorption of market oversupply is expected to continue as practically no new development is expected in Klaipeda in the short term.

Tendencies and Forecasts

- > The Vilnius office market will remain the most active compared to other cities in Lithuania, with a new office pipeline of more than 182,000 sqm for 2016 - 2017 of which about 135,000 sqm is already under construction.
- > Future market assimilation in Vilnius will highly depend on the ability to attract new international companies as expansion by locals will not be able to absorb new supply.
- Due to strong market development during the period 2016 - 2017, which is likely to exceed current demand, the Vilnius office market is expected to switch from landlord dominance to tenant dominance, creating more favourable lease conditions for tenants.
- > Although demand for office space is expected to grow, landlords of older business centres will have to put in more effort in order to retain tenants as newly built office space will attract more attention.
- > Rent rates in Vilnius in 2016 are expected to come under pressure but to remain quite stable throughout the year due to intense market growth. Other major cities (Kaunas, Klaipeda) are expected to demonstrate stability.
- > Vacancy rate tendencies are expected to differ in all three major cities. Growth is expected in Vilnius but decline in Klaipeda. Kaunas will most likely maintain stability with possible minor contraction.

 $[\]rightarrow \rightarrow$ - stable

Business Centres in Vilnius





Retail Market

General Overview

- Despite the closure of grocery retail chain Fresh Market and Lidl not yet operating in Lithuania, for the Lithuanian retail market 2015 was quite positive with increasing retail space supply and major grocery retail chains further straightening their positions in the market.
- > The construction of neighbourhood type SCs continued as investors were still too careful with investment in large regional retail projects.
- Qualitative changes in SCs became essential in order to attract more visitors. As a result, transformation of usual SCs into leisure locations offering new technological solutions and personalized marketing is considered to be the future of every SC.
- > During 2015 retail volume in Lithuania remained sustainable, despite a significant decline in visitors from Eastern countries, showing good performance in domestic consumption.
- > Notwithstanding the growth of retail space supply, the vacancy level remained low as the majority of new projects had tenants in advance.
- > Rent rates had a tendency to grow by 1 4 per cent in SCs in the major Lithuanian cities due to lack of alternative lease options in the market.

Supply

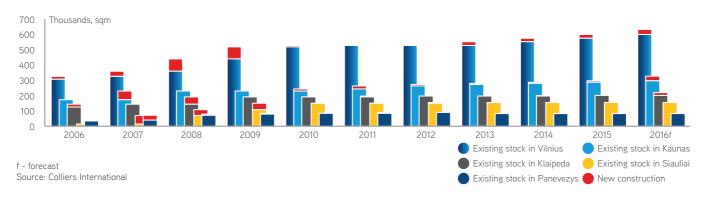
At the end of 2015 Vilnius retail space supply stood at 596,590 sqm, recording 3.9 per cent growth compared with 2014. Two new SCs opened, both having Rimi Hypermarket as the anchor tenant. These, as well as the second stage of Domus Pro SC being partially completed, have supplemented Vilnius retail stock by GLA of 22,300 sqm.

The Kaunas retail market also showed some activity in 2015. Two new DIY stores opened (Senukai and Moki Vezi) to increase supply by GLA of 9,700 sqm, bringing total stock to 296,370 sqm at the end of 2015. Besides, the expansion of one of the largest SCs in Kaunas, Mega, is already under way and is expected to supplement the Kaunas retail market by additional GLA of 30,000 sqm in 2016.

Meanwhile Klaipeda city showed no signs of increased activity, leaving retail space supply at the same level of 200,640 sqm. Notably, the Ikea order and pick-up point (1,400 sqm) which opened in October 2015, has not been included in Klaipeda retail stock due to its concept specificity and rather small size.

Grocery retailers remained the most important drivers of retail market development in Lithuania in 2015, despite the unexpected closure of grocery retail chain Fresh Market and Lidl not yet operating in Lithuania. Major grocery retail chains further actively strengthened their positions in the market by opening new stores and reconstructing old ones. Besides, huge investment in e-commerce imposed by the already closed Fresh Market moved Lithuanian grocery e-shops to a higher level, forcing competitors (such as Barbora, which is owned by Maxima) to pull up their services and significantly improve their performance.

Dynamics of Retail Space in Major Cities of Lithuania



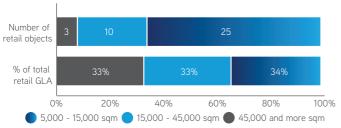
| Completed Retail Projects in Major Cities of Lithuania in 2015 | | | | | | | | |
|--|---|----------------------|----------|--|--------------------|--|--|--|
| CITY | PROJECT NAME | ADDRESS | GLA, SQM | DEVELOPER | ANCHOR TENANTS | | | |
| | Domus Pro (2nd stage, partial completion) | Bieliunu St. 1 | 1,500 | Northern Horizon Capital | Hansa tyle market | | | |
| Vilnius | Rimi Hypermarket | Linkmenu St. 22 | 5,500 | BM bustas | Rimi | | | |
| Vitilius | Nordika SC (1st stage) | Vikingu St. 3 | 15,300 | Nantucket Holdings, Ziempre Investment Limited, Zenith Capital, VPH | Rimi, Elektromarkt | | | |
| Valinas | Senukai | Veiveriu St. 148 | 5,500 | Baltic Retail Properties/RAZ SPV18 | Senukai | | | |
| Kaunas | Moki Vezi | Raudondvario Rd. 205 | 4,200 | Makveza/SKV-Valda | Moki Vezi | | | |
| | TOTAL | | | | | | | |

Source: Colliers International

| New Pro | jects in l | Major Cities of Lithuania | a | | | |
|----------|------------|---|-------------------|----------|--|----------------------|
| CITY | YEAR | PROJECT NAME | ADDRESS | GLA, SQM | DEVELOPER | ANCHOR TENANTS |
| | | Nordika SC (2nd stage) | Vikingu St. 3 | 20,100 | Nantucket Holdings, Ziempre Investment Limited, Zenith Capital, VPH | Senukai, Jysk |
| | | Unideco | Verkiu St. 44 | 6,500 | MC Grupe | Unideco |
| Vilnius | 2016 | Parkas Outlet (expansion) | Lakunu St. 29 | 4,540 | Ogmios Centras | - |
| | | Domus Pro (2nd stage, final completion) | Bieliunu St. 1 | 2,200 | Northern Horizon Capital | Gym |
| | | Laisves SC (reconstruction) | Laisves Av. 62 | 5,230 | Audejas | Audejo baldu centras |
| Kaunas | 2016 | Mega SC (expansion) | Islandijos Av. 32 | 30,000 | Baltic Shopping Centers | Gym, H&M |
| Klaipeda | 2016 | Depo | Silutes Rd. 28 | 15,230 | Depo DIY/New Bumani Invest | Depo |
| | | TOTAL | | 83,800 | | |

Source: Colliers International

Distribution of Retail Space in Vilnius by Size in 2015



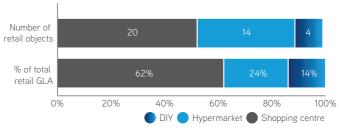
Source: Colliers International

As to construction of new SCs, slight growth is predicted in 2016, although the majority will be expansions of existing SCs. In general, total retail stock in Lithuania is expected to grow by additional GLA of 78,570 sqm, although having tenants in advance it should not have a significant impact on vacancy. Looking ahead, 2017 - 2018 is expected to be even more active, especially in Vilnius, taking into account a real estate developer's VPH plans to convert the former Audejas factory territory into a retail and business complex of 37,000 sqm. If successful, this will be a good indicator that the Vilnius retail market is finally ready to absorb a large new retail development.

Demand

Recently the Lithuanian retail market has been experiencing a fundamental shift in the concept of shopping. Growing requirements for quality in SCs as well as changing customer habits are gradually converting usual shopping areas into leisure and entertainment venues, causing property managers to review SCs' tenant mix. These trends can be tracked taking a closer look at current tenant changes in major SCs. For instance, in

Distribution of Retail Space in Vilnius by Type in 2015

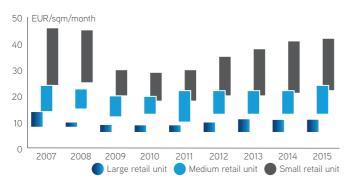


Source: Colliers International

2015 Panorama SC experienced a strong expansion in catering services by attracting such tenants as McDonald's, Drama Burger, Soul&Pepper and Manami, while Europa SC opened a Lemon Gym sports club. Moreover, growing customer needs to obtain goods in the most convenient manner is encouraging managers of SCs to invest in new technologies starting from self-service payment for goods, leading to personalized marketing as well as development of e-commerce. As a result of previous growth, e-commerce is expected to form a considerable share in the total retail market in the near future.

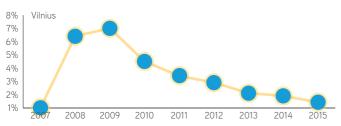
During 2015 the overall growth of the Lithuanian economy together with positive development of domestic consumption continued to maintain positive changes in retail turnover despite a notable reduction in visitors from CIS countries, mainly from Russia and Belarus (a 23.1 per cent fall during Q1 - Q3 2015). This change was mostly influenced by the declining value of the rouble, which led to lower consumption by visitors from Eastern countries and their ability to travel abroad. However, this shift is expected to be temporary and in the long-term prospective visitors from Eastern countries will continue to cover a significant part of Lithuanian retail volume, especially in Vilnius.

Dynamics of Rent Rates* in Major Shopping Centres in **Vilnius**



* - asking rent rates (EUR/sqm/month) excluding VAT and operating expenses Source: Colliers International

Dynamics of Vacancy Rates in Major Shopping Centres in Vilnius



Source: Colliers International

| Vacancy Rates for 2015 and Trends for 2016 | | | | | | | |
|--|-------|---------------------------|--|--|--|--|--|
| CITY VACANCY TRENDS FOR 20 | | | | | | | |
| Vilnius | 1.9 % | $\rightarrow \rightarrow$ | | | | | |
| Kaunas | 1.0 % | \rightarrow | | | | | |
| Klaipeda | 1.8 % | $\rightarrow \rightarrow$ | | | | | |

→ → - stable. → \(\rightarrow \) - slight decrease Source: Colliers International

Rent Rates and Vacancy

2015 maintained trends from the previous period. Vilnius city was as usual the most dynamic in terms of rent rate growth in SCs going up by 3 - 4 per cent on average, y-o-y, while Kaunas was slightly calmer with 1.5 - 2.5 per cent growth mainly in small and medium retail units. Klaipeda city was the most stable demonstrating about 1 per cent growth, mostly observed in the retail street segment.

Future prospects seem to remain positive and rent rates are expected to grow in 2016 due to a low vacancy level and lack of attractive SC alternatives for tenants.

The Lithuanian retail market in 2015 continued to remain a landlord's market with lack of alternative lease options for tenants. A low vacancy level recorded in SCs in the major Lithuanian cities (including Siauliai and Panevezys) fluctuated from 1 up to 4 per cent on average. 2016 is not expected to bring significant changes to the market because a major portion of new supply has already been leased out.

Tendencies and Forecasts

- > Grocery retail chains will remain the most active in development and reconstruction of retail properties driven by high competition among retailers.
- > Construction of new retail properties will mainly concentrate on neighbourhood type SCs with an anchor tenant - a grocery retailer in advance together with extensions of existing retail projects.
- > Qualitative changes will continue to be essential for SCs in order to attract more customers and increase attractiveness to investors.
- > Rent rates are expected to grow slightly due to a forecast low vacancy level and increasing competition among tenants encouraged by sustainable growth of internal demand.
- > The economic outlook in the Euro zone, wage changes, the impact of emigration and rapid development of e-commerce will significantly affect consumption habits and development of the retail market in the near future.

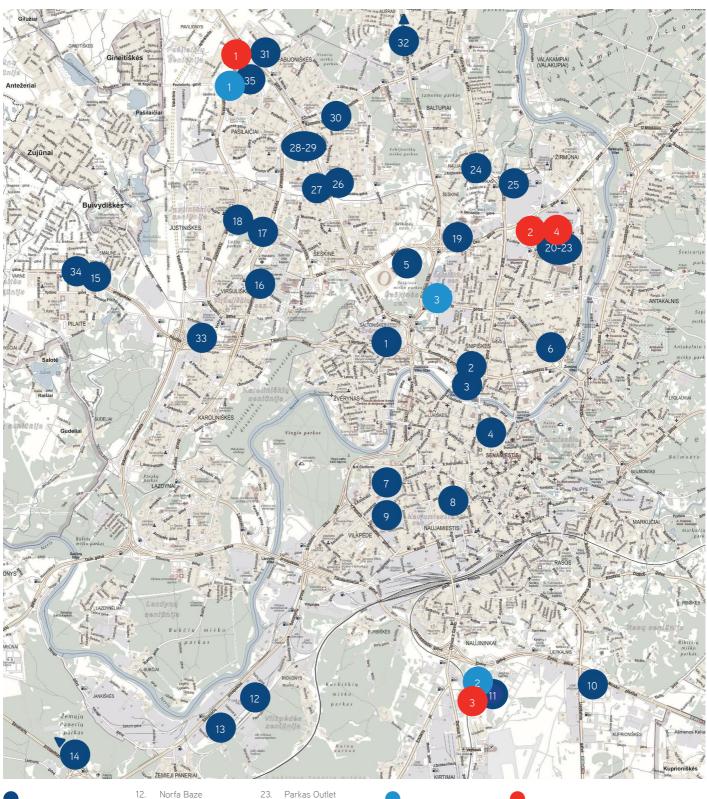
| Rent Rates* for 2015 and Trends for 2016 in Major Shopping Centres and Retail Streets | | | | | | | | |
|---|-------------|---------------------------|-------------|---------------------------|-------------|---------------------------|--|--|
| VILNIUS KAUNAS KLAIPEDA | | | | | | | | |
| UNIT SIZE | RENT RATES | TRENDS FOR 2016 | RENT RATES | TRENDS FOR 2016 | RENT RATES | TRENDS FOR 2016 | | |
| Large retail unit (anchor tenant) | 6.0 - 11.0 | $\rightarrow \rightarrow$ | 6.0 - 11.0 | $\rightarrow \rightarrow$ | 5.8 - 8.5 | $\rightarrow \rightarrow$ | | |
| Medium retail unit (150 - 350 sqm) | 13.0 - 24.0 | ⇒¤ | 10.0 - 21.0 | ⇒¤ | 8.0 - 18.0 | → 7 | | |
| Small retail unit (up to 100 sqm) | 22.0 - 42.0 | → 7 | 17.5 - 30.0 | → ⊿ | 17.0 - 30.0 | → ⊿ | | |
| Retail streets | 14.0 - 58.0 | → 7 | 8.0 - 16.0 | $\rightarrow \rightarrow$ | 6.0 - 11.0 | $\rightarrow \rightarrow$ | | |

^{* -} asking rent rates (EUR/sqm/month) excluding VAT and operating expenses.

 $\rightarrow \rightarrow$ - stable, $\rightarrow \nearrow$ - slight increase

Source: Colliers International

Retail Projects in Vilnius



- Existing Developments
- Panorama
- Europa VCUP
- G09
- Akropolis
- IKI Minskas
- Helios City
- Maxima XXX
- RIMI Hypermarket
- 10. Maxima XX IKEA

- 13. Furniture Gallery
- 14. Maxima-Baze XXX
- 15. Pupa
- MADA
- Laisves SC*
- Norfa XL
- 19. Ozas
- RIMI Hypermarket 20.
- Domus Galerija Banginis
- * under reconstruction

- 24. Norfa XXL 25. Statau
- 26. IKI Fabijoniskes
- Senukai Berry
- Maxima XXX
- 30. Mandarinas
- 31. BIG
- 32. Link Moletu
- Prisma
- Norfa XXL Domus Pro, 1st stage
- Completed in 2015
- Domus Pro, 2nd stage (partial completion)
- Nordika, 1st stage
- RIMI Hypermarket
- Declared for Completion in 2016
 - Domus Pro, 2nd stage (final completion) Unideco
- Nordika, 2nd stage
- Parkas Outlet (expansion)



Industrial Market

General Overview

- > The industrial* market continued to be positive with construction of built-to-suit projects dominating, adding a record number of 55,300 sqm of warehouse space in Kaunas in 2015.
- > Trade restrictions from Russia did not affect the industrial sector as much as initially expected. A large part of transportation companies managed to diversify their working geography and still remain positive about the future.
- > E-commerce growth not only had an impact on construction of new parcel sorting terminals (DPD, Lietuvos Pastas) but was also meaningful for demand growth for small and easily accessible industrial premises.
- > Relatively low rent rates together with an inexpensive qualified labour force continued to attract foreign companies to Lithuania looking for industrial space not only in the capital city but in other regions as well.

Supply

The major portion of warehouse space in Lithuania is located in the industrial territories of major cities (Vilnius, Kaunas, Klaipeda) as well as along the main highways. Vilnius continues to have the highest amount of warehouse space. This at the end of 2015 stood at 525,195 sqm with the dominance of speculative objects amounting to almost 80 per cent of total supply. During 2015 the Vilnius warehouse market was quite calm with only one speculative project (9,000 sqm) introduced that increased total supply by 1.7 per cent.

Kaunas, as in the previous year, stood out with active development of built-to-suit projects adding to the market 55,300 sqm of new warehouse space with three new projects implemented: Lidl LC, Lietuvos pastas and DPD parcel sorting terminals. A low vacancy level and lack of lease alternatives led to development of built-to-suit projects, which currently form a significant part of the Kaunas warehouse market.

Klaipeda city remained the most passive in the industrial segment during 2015 as no new projects were implemented. However, 2016 is expected to be more active and bring about 17,470 sqm of new warehouse space to the market.

Due to the current situation, when the majority of new projects are built-to-suit or developed only after an anchor tenant is found, the industrial sector seems to be well-balanced and one of the healthiest segments of commercial real estate. Specific objects are being built for specific customers in this manner, avoiding oversupply in the market.

| Completed Industrial Projects in Lithuania in 2015 | | | | | | | | |
|--|-------------------------|---------------------------|-----------------|-----------------|--|--|--|--|
| REGION | PROJECT | ТҮРЕ | TOTAL AREA, SQM | DEVELOPER | | | | |
| Villnius | Transimeksa (expansion) | Built-to-suit/Speculative | 9,000 | Transimeksa | | | | |
| Kaunas | Lietuvos Pastas | Built-to-suit | 8,300 | Lietuvos Pastas | | | | |
| Kaunas | DPD Terminal | Built-to-suit | 5,000 | DPD Lietuva | | | | |
| Kaunas | Lidl Logistics Centre | Built-to-suit | 42,000 | Lidl | | | | |
| | TOTAL | 64,300 | | | | | | |

Source: Colliers International

| New Projects | in Lithuania in 2016 | | | |
|--------------|--|---------------------------|-----------------|-----------------|
| REGION | PROJECT | ТҮРЕ | TOTAL AREA, SQM | DEVELOPER |
| Vilnius | Warehouse at Ilgoji St. 2G | Speculative | 6,800 | Nord Service |
| Vilnius | Woodline LC (Titnago Logistic Park, 1st stage) | Speculative | 6,000 | Woodline |
| Kaunas | Volfas Engelman at Kaunakiemio St. 2 | Built-to-suit | 7,000 | Volfas Engelman |
| Klaipėda | VPA Logistics | Speculative/Built-to-suit | 17,470 | VPA Logistics |
| | TOTAL | 37,270 | | |

Source: Colliers International

 $^{^{\}star}$ Industrial space includes all modern warehouse buildings built after 2000 with GLA of over 5,000 sqm.

Demand

2015 showed decreasing export volumes, which were mainly the consequence of deterioration of trade relations with Russia due to import restrictions since August 2014, reinforced Lithuanian truck inspection at the border and the decreasing value of the rouble. These factors reduced demand for industrial space for companies that worked with Russia, although some of these managed to diversify their working geography and still remain positive about the future. Besides, decreasing profits of transportation companies have been partially compensated by declining fuel prices as well as increasing domestic demand.

During 2015 small and medium sized industrial units in easily accessible locations were the most in demand as a result of the rapid growth of e-commerce. In addition, construction of parcel sorting terminals (for instance, Lietuvos pastas, DPD) has also intensified.

Lively activity has also been recorded among industrial companies searching for industrial space not only in the major cities but also in other regions of Lithuania. International companies are attracted by relatively low rent rates and an inexpensive qualified labour force, which create a favourable environment for production of manufacturing facilities or re-export of goods to other countries.

Rent Rates and Vacancy

In 2015 a slight growth of rent rates by 1 - 2 per cent was observed in Lithuania as a result of overall economic growth, although the industrial market had some difficulties related to export restrictions to Russia. The highest rent rate increase was observed in Kaunas (1.9 per cent) followed by Klaipeda (1.3 per cent) and Vilnius (1.1 per cent). Looking ahead, rent rates are expected to maintain positive trends, fluctuating within the range of 1 - 3 per cent.

Tenant rearrangement and some minor warehouse projects implemented in 2015 have raised vacancy levels in all three major Lithuanian cities. The vacancy level in Vilnius, Kaunas and Klaipeda was fluctuating within the range of 3.5 - 4 per cent in 2015. Vilnius and Kaunas are expected to remain stable throughout 2016, while Klaipeda will most likely experience growth in vacancy because of significant warehouse space supplementation (17,470 sqm).

| Warehouse Rent I for 2016 | Rates* for 2015 and | d Trends |
|------------------------------|---------------------|---------------|
| REGION | RENT RATES | TRENDS FOR 20 |
| \/:l=:= | 2.0 E.1 | \ 7 |

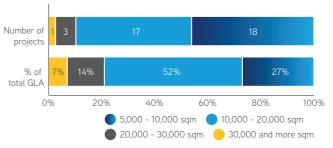
| Vilnius | 3.8 - 5.1 | ⇒⁄⁄3 |
|----------|-----------|------------------|
| Kaunas | 3.3 - 4.6 | ⇒⁄⁄3 |
| Klaipeda | 3.2 - 4.4 | ⇒⁄⁄3 |
| | Kaunas | Kaunas 3.3 - 4.6 |

Dynamics of Industrial Space in Major Cities of Lithuania



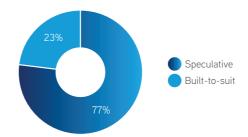
f - forecast Source: Colliers International

Distribution of Industrial Space by Size in Vilnius Region in 2015



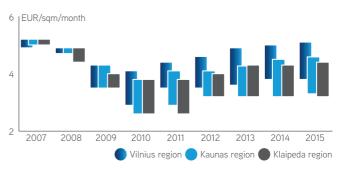
Source: Colliers International

Distribution of Industrial Space by Type in Vilnius Region in 2015



Source: Colliers International

Dynamics of Rent Rates* in Major Cities of Lithuania

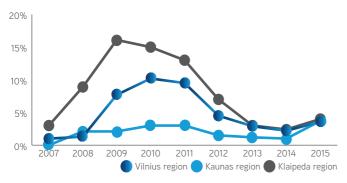


 * - asking rent rates (EUR/sqm/month) excluding VAT and operating expenses Source: Colliers International

| Vacancy Rates for 2015 and Trends for 2016 | | | | | | | |
|--|---------|---------------------------|--|--|--|--|--|
| REGION | VACANCY | TRENDS FOR 2016 | | | | | |
| Vilnius | 3.5 % | $\rightarrow \rightarrow$ | | | | | |
| Kaunas | 3.7 % | $\rightarrow \rightarrow$ | | | | | |
| Klaipeda | 4.0 % | →7 | | | | | |

→→ - stable, → 7 - slight increase Source: Colliers International

Dynamics of Vacancy Rates in Major Cities of Lithuania



Source: Colliers International

Tendencies and Forecasts

- Development of built-to-suit projects will continue to dominate the market in the coming years, while wider expansion of speculative industrial space will be limited until rent rates reach a sufficient level to cover the investment required.
- > Improving economic conditions and better expectations for the future will stimulate companies to expand. This in turn will lead to a continuous increase in demand for industrial space. However, lack of new market players and an unstable geopolitical situation will keep the market from faster growth.
- International companies are looking not only for warehouse space to store their goods but for production opportunities as well. The combination of warehouse facilities with opportunities to produce goods is expected to be in high demand in the coming years.
- Rent rates are expected to grow slightly by 1 3 per cent in 2016 due to increasing demand and lack of possible alternatives in the market. However, existing rent rates will not encourage developers to start large speculative industrial projects in the short term.
- > The vacancy level in Lithuania is expected to remain stable mostly related to smaller supply of new speculative space and an improving overall economic environment.





Hotel Market

General Overview

- Albeit with lower growth, Lithuanian tourism performed quite well, recording 1.97 million tourists accommodated in all types of accommodation establishments in Q1 - Q3 2015, or 6.0 per cent growth compared with Q1 - Q3 2014.
- > The geopolitical resonance from relations between the EU and Russia was felt in the country; however, its effects were not as strong as initially expected.
- > As the growth of the Lithuanian economy continued leading to a steadily improving standard of living, locals were strong hotel demand generators, especially in Kaunas.
- Despite the contraction in foreigners, the period Q1 Q3 2015 saw further growth of occupancy rates with the most unexpected performance by Kaunas hotels (a 10.3 per cent increase).
- > The VAT reduction to 9 per cent for hotel accommodation in Lithuania since 1 January 2015 as well as strong demand for this type of service were the main factors that led to growth in average hotel rates.

Supply

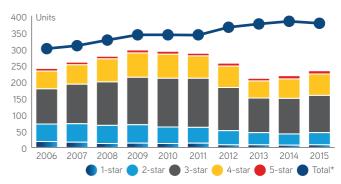
In 2015 the supply of hotels in Lithuania stood at 377 units of which 233 were classified. The number of classified hotels increased by 6.9 per cent y-o-y. Three-star hotels prevailed in the market (a total of 48.5 per cent). In the context of political events the Lithuanian hotel market continued to show positive results.

Changes in hotel supply structure were minor in 2015, mainly related to hotel reconstruction and rebranding processes. For instance, upon completion of reconstruction of the City Hotels Algirdas and Hotel Ambassador in Vilnius they have become hotels in the 4-star category. Moreover, the latter hotel has enlarged the number of rooms up to 50 and changed the name to Congress Avenue. In addition, the 92-room Campanile Vilnius Airport has been rebranded to the Ibis Styles Vilnius hotel causing the withdrawal of Louvre Hotels Group from the market.

Similar events took place in other major cities. In Kaunas the 11-room Monte Pacis hotel has been given a 4-star rating, while the previous 26-room motel Sandija has become a 3-star hotel. In Klaipeda, Achema Group has changed the manager of the

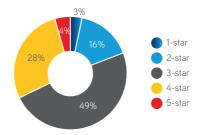
Old Port Hotel and given the hotel the new name Old Mill Conference. Moreover, the newly-launched 4-star Dunetton hotel has come as a result of radical reconstruction of the former Vecekrug hotel, while the 144-room Europa City Aurora hotel has been connected to the Accor Global Sales and Distribution System under the name Ibis Styles Klaipeda Aurora.

Dynamics of Number of Hotels in Lithuania



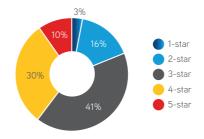
* - including classified and not classified hotels Source: The Lithuanian Department of Statistics, the Lithuanian Association of Hotels and Restaurants

Distribution of Hotels by Number of Stars in Lithuania



Source: The Lithuanian Association of Hotels and Restaurants

Distribution of Hotels by Number of Stars in Vilnius



Source: The Lithuanian Association of Hotels and Restaurants

| Number of | umber of Classified Hotels and Rooms in Major Cities and Resorts in 2015 | | | | | | | | | |
|-----------|--|-------|------------------|-------|------------------|-------|--------|-------|----------------------|-------|
| STARS | VILI | NIUS | KALINAS KLAIPENA | | KATINAS KLAIPENA | | | | S RESORT ININKAI) | |
| | HOTELS | ROOMS | HOTELS | ROOMS | HOTELS | ROOMS | HOTELS | ROOMS | HOTELS | ROOMS |
| 5-star | 6 | 557 | - | - | - | - | 2 | 172 | - | - |
| 4-star | 19 | 1,545 | 10 | 622 | 6 | 505 | 8 | 278 | 6 | 391 |
| 3-star | 26 | 1,643 | 8 | 298 | 10 | 327 | 15 | 505 | 11 | 586 |
| 2-star | 10 | 615 | 4 | 193 | 2 | 164 | 4 | 270 | 1 | 100 |
| 1-star | 2 | 58 | - | - | 1 | 22 | - | - | - | - |
| TOTAL | 63 | 4,418 | 22 | 1,113 | 19 | 1,018 | 29 | 1,225 | 18 | 1,077 |

Source: The Lithuanian Department of Statistics, Colliers International, the Lithuanian Association of Hotels and Restaurants

| Constructed or | Constructed or Renovated Projects in Major Cities and Resorts of Lithuania in 2015 | | | | | | | |
|----------------|--|----------------------|------------------|-----------------|-------------|--|--|--|
| CITY | STARS | PROJECT NAME | ADDRESS | NUMBER OF ROOMS | OPERATOR | | | |
| Vilnius | 4-star | City Hotels Algirdas | Algirdo St. 24 | 42 | City Hotels | | | |
| Vilnius | Not-classified | Congress Avenue | Gedimino Av. 12 | 50 | Independent | | | |
| Kaunas | Not-classified | Hof Hotel | Maironio St. 21A | 22 | Independent | | | |
| Klaipėda | 4-star | Dunetton Hotel | Juros St. 23 | 20 | Independent | | | |
| Druskininkai | Not-classified | Hotel Flores | Vilniaus Al. 13 | 48 | Independent | | | |
| Palanga | 3-star | Tauras Center Hotel | Vytauto St. 116 | 21 | Independent | | | |
| | | | 203 | | | | | |

Source: Colliers International

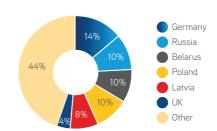
Future prospects for the Lithuanian hotel market in the coming years are optimistic as growth of the Lithuanian economy continues and Euro zone recovery is picking up pace. Quite an active expansion of hotel supply is expected, especially in Vilnius, as numerous new hotel projects are in the development pipeline. However, an abundant number of new openings are expected no earlier than 2017 - 2018 as most of these still are at project level.

Demand

During Q1 - Q3 2015 the number of tourists accommodated in Lithuanian hotels amounted to 1.48 million, i.e. a 4.9 per cent increase compared with the same period in 2014. Vilnius was the city that confidently showed stable growth of tourist flow, albeit more modest (a 3.8 per cent increase), compared with previous years. Meanwhile Kaunas and Klaipeda were on opposite poles. Klaipeda experienced a severe contraction demonstrating an absolute decline in both the number of tourists accommodated and the number of overnight stays (a 6.6 per cent and 9 per cent fall respectively, compared with Q1 - Q3 2014). In contrast, Kaunas showed an unexpectedly good performance as a result of strong growth in domestic demand (a 5.8 per cent increase in total visitors and a 9.1 per cent increase in overnight stays, compared with Q1 - Q3 2014). However, all major Lithuanian cities saw a reduction in the flow of foreigners. In Q1 - Q3 2015 the length of foreigners' stay in hotels was longer (1.92 days), compared with Lithuanians (1.81 days), but shorter compared with foreigners' stay (1.95 days) in Q1 - Q3 2014.

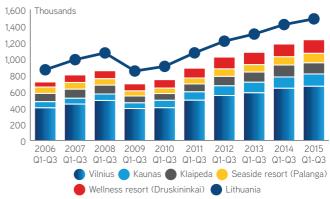
The top five countries in terms of the highest number of tourists visiting Lithuania during Q1 - Q3 2015 remained the same apart from changes in order. Most tourists arrived from Germany - 151.9 thousand (+4.2 per cent), Belarus - 118.3 thousand (-12.6 per cent), Russia - 118.0 thousand (-33.7 per cent), Poland - 102.8 thousand (+7.6 per cent) and Latvia - 88.6 thousand (+14.1 per cent). Significant growth of tourists was also recorded from Portugal (+141.2 per cent), Korea (+79.5 per cent) and Iceland (+49.5 per cent), compared with the same period in 2014.

Distribution of Foreign Visitors by Country in Hotels in Lithuania



Source: The Lithuanian Department of Statistics

Dynamics of Visitors in Hotels of Major Cities and Resorts



Source: The Lithuanian Department of Statistics

Lithuania is expected to experience modest growth in the number of arrivals and overnight stays in the coming year. A smaller number of events of international importance as well as slow recovery of Russian tourism will keep the market from major growth throughout 2016.

Occupancy

In 2015 improving general tourism trends across Europe continued to positively stimulate Lithuanian hotel performance. However, some cities' markets experienced challenges. Although not to the extent expected, Russia was by far the biggest brake on performance given its size as a major source market.

During Q1 - Q3 2015 the average occupancy rate in Lithuanian hotels grew by 2.3 per cent, compared with the same period in 2014, reaching 51.4 per cent. As before, the highest occupancy rate was recorded in Vilnius hotels. This stood at 65.2 per cent, confirming sustainable growth (a 4.3 per cent increase). Strong domestic demand in the Kaunas hotel market set a record high occupancy of 53.5 per cent (a 10.3 per cent increase), the highest in the post-crisis period. Meanwhile Klaipeda experienced some turbulence. Despite a significant decrease in the number of arrivals (by 6.6 per cent) and overnight stays (by 9 per cent) during Q1 - Q3 2015 the market saw further hotel occupancy growth, albeit very modest (a 0.7 per cent increase), reaching 55.7 per cent. We expect the current situation to be of a temporary nature with major challenges left behind in 2015 and a generally positive occupancy trend in coming years.

Prices

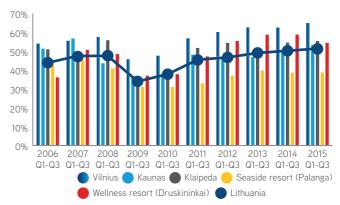
In 2015 hotels in Lithuania demonstrated average rate increases, reversing a downward trend that has recently been observed. The VAT reduction to 9 per cent for hotel accommodation in Lithuania since 1 January 2015 plus strong demand for this type of service were the main factors that led to growth in average daily rates.

Following the latest hotel market trends in Europe and Lithuania, we expect average daily rates in Lithuania to remain steady or to slightly grow in 2016. Moreover, hoteliers' efforts to improve hotel performance until new competitive openings begin to appear on the market are likely to keep at least minimum rate growth.

| Price Range* for Double Standard Hotel Rooms in 2015 | | | | | | | | |
|--|----------|---------|----------|--------------------|--|--|--|--|
| STARS | VILNIUS | KAUNAS | KLAIPEDA | TRENDS FOR 2016 | | | | |
| 5-star | 90 - 230 | - | - | → 7 | | | | |
| 4-star | 70 - 125 | 50 - 70 | 52 - 110 | >≉ | | | | |
| 3-star | 40 - 90 | 32 - 50 | 35 - 55 | >≉ | | | | |
| 2-star | 35 - 65 | 38 - 44 | 25 - 50 | → 7 | | | | |

^{* -} rack rate, EUR
→ 7 - slight increase
Source: Colliers International

Occupancy Rate of Rooms in Major Cities and Resorts



Source: The Lithuanian Department of Statistics

Tendencies and Forecasts

- Lithuania as an emerging and cheaper destination remains attractive to foreign arrivals and is competitive with other European countries; therefore, further growth in the hotel market is expected in the coming year.
- > The constantly increasing attractiveness of the country will retain strong interest of global hotel operators in the Lithuanian hotel market.
- Despite the economic downturn in Russia, which continued contraction is expected in 2016, tourist flows are likely to maintain a growth trend in Lithuania stimulated by action from the country's Tourism department. However, there is a risk of foreign arrivals falling as in 2016 less money is budgeted for marketing Lithuania abroad.
- > As growth of the Lithuanian economy continues along with a rising standard of living and decline in unemployment, and as the Euro zone recovery is picking up pace, we expect the general occupancy trend in Lithuania to remain positive with stable or slightly growing average hotel rates in 2016.



Legal Overview

Commercial real estate in Lithuania can be purchased in two ways - via asset transfer deal or via share transfer deal. Asset deals and share deals are both commonly used in practice.

Asset Transfer Deals

Main Steps

Usually a sale of real estate by one party (seller) to another party (buyer) would be carried out following these main steps:

- In the case of a larger real estate transaction, before signing
 the final sale-purchase agreement the parties usually conclude
 preliminary documents (eg, letter of intent or preliminary
 purchase agreement) setting out the main terms of the deal
 (eg, purchase price, payment mechanism, main timelines to
 complete due diligence of the real estate and sign the final
 agreement).
- 2. Before concluding the final sale-purchase agreement the seller must offer third parties with the right of first refusal the opportunity to acquire the property (eg, property co-owners, if such rights exist) by exercising those rights on the same conditions as agreed with the buyer.
- 3. In the case of price settlement through a notary or bank escrow (deposit) account simultaneously with conclusion of the final sale-purchase agreement, the parties negotiate and conclude an agreement on the terms of use of the escrow account.
- 4. If purchase of real estate is financed by a third party (eg, a bank), then the lender will require security in the form of a mortgage. In that case the mortgage is usually created immediately after registration of the real estate in the name of the new owner or the new owner may mortgage real estate to be acquired in the future.
- 5. The parties sign an asset purchase agreement, which must be certificated by a notary. Non-compliance with the requirements of form makes the asset transfer invalid.
- 6. After signature and notarisation of the purchase agreement, title to the property transferred should be registered with the Real Estate Register in the new owner's name. Registration is through the notary who certified the transaction. Notarisation and registration of transfer with the Real Estate Register marginally increase the transaction costs.
- 7. According to existing practice, the notary's fees and costs related to certification of the transaction are covered by the buyer or shared between the parties. The buyer also pays for registration of title in its name with the public register.

A regular real estate transfer transaction is usually completed within 10 - 15 business days. For more complicated transfers (involving preliminary documents, due diligence, fulfilment of certain conditions precedent, third party participation) the transaction may take about 2 - 3 months.

Key Issues Involved

- > Asset deals from 2015 stop being much more expensive than share deals, as share deals are starting to involve notary and additional related fees.
- > Lithuanian law entitles a tenant of the property to terminate the lease on change of ownership of leased property; in practice this issue is tackled by collecting waivers from tenants;
- Under certain circumstances an asset deal may be treated as a sale of the entire company, in which case the buyer may be exposed to additional risks related to validity of the transaction and liability to creditors and employees of the company which owned the target real estate.
- > The scope of due diligence investigation is limited as it covers only the target asset; moreover, asset deals are more tax-transparent from the due diligence perspective.
- > When concluding asset deals, potential VAT liabilities, including both taxation of the transfer itself and potential obligation to adjust historical VAT liabilities, should be diligently considered.

Share Transfer Deals

Main Steps

- 1. Especially in the event of a larger transaction, a letter of intent, preliminary purchase agreement or similar pre-contractual arrangement is entered into before signing the main share purchase agreement. The letter of intent, preliminary agreement or similar document sets out the main terms of the transaction (eg, purchase price, payment mechanism, main timelines to complete due diligence and sign the final agreement, exclusivity period).
- 2. Usually a due diligence (eg, legal, tax, commercial, financial) is performed before concluding the main share purchase agreement. Before examining the documents of the target company the purchaser and its advisors sign confidentiality/non-disclosure obligations. In certain situations due diligence may occur after signing the share purchase agreement but before completion of the transaction.
- 3. It should be noted that a share sale-purchase agreement needs to be notarised when more than 25% of the shares is transferred or the price of the share transfer exceeds EUR14,500 (not applicable to shares of a public limited liability company). This requirement is not mandatory but only if the accounting of shares follows the rules and procedures of Lithuanian laws on the securities market. Currently, investors circumvent the notarial form requirement by switching to double-tier accounting of shares.
- 4. If the non-notarial form of share deal is preferred, the following steps are required in order to switch to double-tier accounting of shares:
- > accounting of shares is transferred to an independent manager (eg, licenced credit institution or financial brokerage firm); and
- shares in the company are registered with the Lithuanian Central Securities Depository and an ISIN number issued.
 Costs of switching to a double-tier accounting of shares are not fixed by law but are slightly lower than notarial fees.

- 5. Once the parties reach agreement on the transaction, the share purchase agreement is signed. If the accounting of shares has not been switched to double tier accounting, the share purchase agreement must also be notarised (for exceptions see above). The notarial fee for certifying share sale-purchase agreement amounts to 0.4 0.5% of transaction value but is capped at EUR 5,792. For transactions involving transfer of shares of two or more companies, the notarial fee (when applicable) is capped at EUR 14,481.
- 6. When less than 100% of shares is acquired, waivers have to be obtained from the other shareholders (i.e. those not selling their shares) of their right of first refusal (pre-emptive right) to acquire the shares to be sold by the selling shareholder. These waivers are collected before signing the purchase agreement or before completion of the transaction (in that case obtaining waivers is included as a condition precedent for closing). In addition, when less than 100% shares is acquired, a shareholders' agreement may be concluded between the buyer and the seller and/or other shareholders.
- 7. Merger control and other regulatory filings are generally carried out before closing and are included in the transaction documents as conditions precedent for completion.
- 8. Title to shares is transferred as agreed in the share purchase agreement (eg, on signing, after payment of all or part of the purchase price). Transfer of title is evidenced by entries in the securities' accounts opened in the name of seller and buyer (in the event of non-certificated shares). If certificated shares are transferred, then entries evidencing the transfer (endorsements) are made on the share certificates. The new list of shareholders should be filed with the Register of Legal Entities.

Issues to Consider

- A share deal, if notarial certification is applicable, involves notarial fees, but not state duty for registration of real estate. However, fees for switching to double-tier accounting also apply.
- A share sale-purchase agreement does not need to be publicly registered, unlike an agreement for sale-purchase of real property. The list of new shareholders must be filed with the Register of Legal Entities. However, failure to do so does not have any impact on ownership rights to shares.
- > From 2015, a share subscription agreement must also be in written form and certified by a notary when all or part of a share issue is paid up by real estate.
- > The buyer takes over the entire company (assets and liabilities) including matters and risks occurring before change of ownership.
- Due diligence investigations are more extensive as a share deal is about transfer of the entire company, as opposed to real estate only.
- > Deferred corporate income tax as well as other tax issues may apply.
- > Existing management structure, employees, and contractual obligations of the company may be not in line with the buyer's expectations.

Title to Real Estate, Real Estate Register

Ownership of real estate is acquired upon completion of construction or on the basis of different transactions, such as sale-purchase, grant, or exchange (swap).

Real estate and related rights are registered with the Real Estate Register. There is no mandatory requirement to register transfer of title; however, a transaction must be registered before it can be invoked against a third party.

The Real Estate Register keeps and manages information on the legal status of real estate, including all encumbrances, mortgages, rights of first refusal, and other rights and obligations; the information it contains is publicly available. Data recorded with the Real Estate Register are considered true and comprehensive until proven otherwise. The rules and requirements for registration are the same throughout Lithuania. Application for registration of real estate and related rights should be filed by the acquirer. An application should be accompanied by the documents evidencing transfer of the title to the real estate, such as a notarised sale-purchase agreement or donation agreement.

Acquisition of Real Estate

General

Ownership of immovable property can be transferred if the property is formed as a real estate object, has a unique number, and is registered with the Real Estate Register. Real estate objects include inter alia land plots, construction objects (eg, buildings) and premises.

Upon sale of a building, the buyer's rights to the land plot occupied by the building and necessary for use of the building must be specified in the acquisition agreement. An agreement which does not deal with these rights to a land plot may not be approved by a notary and, even if certified, is still ineffective. If the seller does not own the land plot on which the building stands, the seller may sell the building only with prior consent of the land owner.

Change of Ownership

Title to real estate passes as of the moment of transfer of the property to the new owner. The transfer must be formalised by a transfer-acceptance deed that may either be signed as a separate document or incorporated in the agreement on real estate acquisition.

Form of Agreements

Share transfer transactions must be in written form. Share transfer transactions require notarial form only in certain cases, such when more than 25% of shares is transferred or the price of the share transfer exceeds EUR 14,500 (for possible exemption please see above). Failure to notarise both a share deal (when applicable) and a real estate transfer agreement makes the agreements ineffective. Real estate sale-purchase agreements (asset transfer transactions) must be in written form and certified by a notary.

Language Requirements

Transactions between Lithuanian legal and natural persons must be in Lithuanian. However, translations into one or more other languages may also be attached. Transactions with foreign natural and legal persons may be in Lithuanian and another language acceptable to both parties. However, if a transaction requires approval of a notary, the Lithuanian language document prevails.

Due Diligence

Legal due diligence of target real estate is strongly recommended. This includes, eg, title, encumbrances, third party rights, zoning and planning issues, existing lease agreements - all information including material facts related to real estate. Due diligence analysis may provide the buyer with certainty and information relevant to the transaction and operations after the acquisition is completed. Due diligence forms a basis for contract negotiations, risk allocation, verification of purchase price, and pre - and post - closing commitments.

Right of First Refusal

The right of first refusal may be established by law or contract. Examples of the statutory right of first refusal include a co-owner's right of first refusal to acquire a share on sale of commonly-owned real estate, except if the sale takes the form of a public auction; the state's right of first refusal to acquire land in, eg, national and regional parks, or state reservations. In addition, if a building and its land plot have different owners, the owner of the building situated on a land plot to be sold enjoys a right of first refusal to acquire the land plot.

The parties may also agree on a contractual right of first refusal. If real estate is sold in violation of that right, the holder of the right of first refusal is entitled to claim transfer of the buyer's rights and obligations.

As a general principle, if a seller of real estate fails to comply with an existing right of first refusal, the person who enjoyed the right of first refusal may apply to the court for an order transferring the rights and obligations of the buyer within the statutory limitation period.

Typical Purchase Price Arrangements

The price of real estate must be specified in the sale-purchase agreement, otherwise the agreement is ineffective. The parties are free to arrange payment of the purchase price. Payment may be made in one lump sum or divided into several instalments. For example, the first portion of the price may be transferred in order to secure the preliminary agreement or on the day of notarisation of the sale-purchase agreement, with the remainder paid after certain conditions are fulfilled, such as release from mortgage, vacation of property. Title to real estate may be transferred before or after payment of the full purchase price.

Restrictions

Restrictions on Acquisition of Real Estate

Buildings and other constructions may be acquired by Lithuanian or foreign natural or legal persons without restriction.

Under the Lithuanian Constitution, the Lithuanian state is the exclusive owner of the subsoil, internal waters, forests, parks, roads, historical, archaeological and cultural objects of national

significance. In other cases Lithuanian citizens and legal persons with offices registered in Lithuania may acquire title to land and forest unrestrictedly except for acquisition of agricultural land in which case the total area of agricultural land possessed by either a natural or a legal person and persons related to them is limited to 500 ha. For the purpose of this restriction related persons means: (i) spouses, parents together with their children; (ii) persons who directly or indirectly (via an entity in which a person has not less than 25% of votes) have more than 25% of the votes in an entity; (iii) legal persons in which the same person has more than 25% of the votes. Besides the 500 ha limit, for acquisition of agricultural land additional conditions apply (eg, 3 years' experience in agriculture, declaration of agricultural land and crops).

Investments in land (including agricultural, forestry and inland waters) for foreign citizens or legal persons, if the European and Transatlantic Integration criteria, stipulated in Constitutional Law, are met, are not more restricted than for Lithuanian citizens or legal persons. Foreign legal entities are deemed to comply with European and Transatlantic criteria if they are established in:

- > Member States of the European Union (EU) or states parties to the European Treaty with the European Communities and their Member States; or
- > Member Countries of the Organisation for Economic Cooperation and Development (OECD), states parties to the North Atlantic Treaty Organisation (NATO) or the European Economic Area Agreement (EEA).

Foreign natural persons are deemed to comply with European and Transatlantic criteria if they are:

- > citizens or permanent residents of any of the states specified above; or
- > permanent residents of Lithuania although not holding Lithuanian citizenship.

If these criteria are not met, foreign entities are not entitled to acquire land, inland waters and forest as owners; they are entitled to use and possess such real estate on some other basis, eg, rent.

Merger Control

Acquisition or possession (eg, lease) of real estate may require prior approval by the Lithuanian competition authorities.

An intended concentration must be notified to the Lithuanian Competition Council, whose permission is required where the combined aggregate income of the undertakings concerned is more than EUR 14.5 million for the financial year preceding concentration and the aggregate income of each of at least two undertakings concerned is more than EUR 1.45 million for the financial year preceding concentration. Note: if a Lithuanian undertaking participates in a concentration, its worldwide income will be taken into account. This does not apply when determining the aggregate turnover of a foreign undertaking (i.e. not incorporated in Lithuania) participating in a concentration, where only income received from sales in Lithuanian product markets is taken into account.

Encumbrances

Real estate may be encumbered with servitudes (easements), rights of first refusal, lease rights registered with the Real Estate Register, mortgages, and other encumbrances that limit its use or disposal. These encumbrances should be taken into consideration when using or constructing real estate.

Mortgage

A mortgage is a security aimed at securing fulfilment of contractual obligations. A mortgage is created by executing a mortgage contract signed by the debtor, the creditor, the owner of the mortgaged real estate, and notarised. A mortgage contract comes into effect at the moment of signing, unless otherwise specified in the mortgage contract.

A secured creditor enjoys priority against third parties to redeem the debt from the mortgaged property. A mortgage survives transfer of title to real estate.

A mortgage can also be executed over a legal entity, ie, its property (pool of assets), the composition of which may change in the normal course of business of the mortgaged entity.

Property Management

Management and maintenance of commercial real estate is usually carried out by the owner or a professional property management company. In the latter case the parties may agree on the scope of owner's rights and obligations to be delegated to the property management company by concluding a property management agreement.

Lease Agreements

General

The main regulatory framework of lease agreements is laid down in the Lithuanian Civil Code. Parties to lease agreements, however, may freely agree on most aspects and lease terms. The lease agreement survives transfer of title to the leased real estate object, provided the lease agreement is registered with the Real Estate Register.

Duration and Expiry of Lease Agreement

A lease agreement may be concluded for either an indefinite or fixed term, but in all cases the term may not exceed 100 years. If a term has not been set, the lease agreement is deemed to be concluded for an indefinite term. A fixed-term lease agreement becomes indefinite if the tenant uses leased property for more than ten days after its expiry and the landlord does not object.

Tenants who have properly discharged their obligations under lease agreements enjoy a right of first refusal against third parties to renew the lease.

Lease Payment and Other Expenses (Utilities)

Terms and conditions for payment of rent and other expenses are subject to agreement between the parties. Rent is usually paid monthly. It is common to agree on annual indexation of rent on the basis of local or EU harmonised consumer price indices.

As a rule, payments for maintenance of leased real estate and other utility costs (eg, water, heating, gas, electricity) are made on top of rent. The landlord may also require a deposit, guarantee, surety or other similar instrument securing payment obligations by the tenant. Triple net leases have become as a standard for "A" class offices.

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ESTONIA MARKET OVERVIEW

See the Forest for the Trees



Avo Roomussaar

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For the fifth year in succession, we at Colliers International, mark positive changes in the commercial real estate market in Estonia. All sectors continued to show truly remarkable results in 2015, seeing buoyant demand, high development activity and low vacancies.

Strong retail sales performance continued to support the retail and warehouse sectors. Industrial development was at a seven-year high in 2015 with continually high supply expected in 2016, while construction of a new regional shopping centre with GLA 52,000 sqm started in Tallinn in 2015. Speculative office development activity also grew to a six-year high in 2015 with almost 100,000 sqm across 18 schemes under construction throughout the year.

The investment market, one of the major indicators of the health of the real estate market, set a new turnover record in 2015, exceeding the previous total record level achieved in 2007 and showing a more than two-fold increase over the previous year. 2015 saw new players investing in Estonia, closing of several large single deals and portfolio sales and the large number and volume of deals above the EUR 10 million threshold (ca 75 per cent of total volume).

At the same time, modest economic growth in Estonia together with high supply of new commercial space and thus tightening competition in all segments have already started to slightly dampen the commercial real estate market in 2015. As a result, 2015 saw pre-letting agreements being signed later in the construction cycle compared to 2014, indicating signs of possible market saturation.

The frenetic pace of development together with rather steady than spectacular occupier demand is expected to result in a growing supply-demand imbalance and intensifying downward pressure on rent rates and causing the market to become more tenant-favourable in 2016. As a large proportion of occupier activity is attributed to lease renegotiations and existing occupiers moving within the market with no significant additional new demand coming from outside (low new demand), then keeping harmonious landlord-tenant relationship remains crucial for achieving success in the face of a growing competition.

We expect market players to approach the market in 2016 in a sober and rational manner to ensure maximum chance of sustainable success.

We at Colliers International believe that the following comprehensive market review, prepared by our best experts, will provide useful information and insights to assist in your business decision making in Estonia in 2016.

Sincerely,

Avo Roomussaar

Economic Overview

Summary

The domestic market remained the main pillar supporting the economic upturn in Estonia by 1.1 per cent y-o-y in 2015. Due to continually weak demand in trading partners, growth in Estonia did not accelerated in 2015 and has turned out slower than it was the previous year.

Private consumption expenditure increased annually by 3.3 per cent in 2014, and growth in private consumption expenditure is expected to reach 5.2 per cent in 2015 as higher real wages and low inflation continued to support consumption.

In 2015, retail sales continued to grow in Estonia compared with the corresponding period in the previous year. The retail sales of retail trade enterprises reached EUR 5.2 billion in 2015, equivalent to growth of 8 per cent at constant prices compared with 2014.

During 2015, exports decreased by 4 per cent and imports by 5 per cent compared to 2014. Estonia's exports and imports decreased mainly due to a fall in trade in mineral products, agricultural products and food preparations, and electrical equipment.

In 2015, production of industrial enterprises fell by 2.2 per cent, compared to 2014, while manufacturing showed a 0.6 per cent decrease during the same period. While at the beginning of 2015 manufacturing production grew compared to the same months of the previous year, then in the second half year growth turned into decline.

The consumer price index in Estonia decreased by 0.5 per cent in 2015 compared to the 2014 average, driven by a 13.9 per cent motor fuel price decrease. The annual change in the consumer price index remained under zero throughout 2015 with only one small increase observed in May.

The unemployment rate (6.2 per cent) in Estonia in 2015 was the lowest in the last seven years. Compared to 2014, labour market indicators improved thanks to the results of the first three quarters, whereas in Q4 2015 the situation changed.

Improvements in the economic climate, GDP and employment in 2011 - 2015 inflated consumption and growth in gross wages. In Q3 2015, the average monthly gross wage reached EUR 1,045, indicating a 6.9 per cent y-o-y increase, while real wages increased 7.5 per cent during the same period (real wages increased for the seventeenth quarter in succession).

Forecasts

- According to Bank of Estonia forecasts, Estonian economic growth is expected to accelerate modestly in the future, reaching 2.2 per cent in 2016 and 3.1 per cent in 2017. According to Colliers International estimations, Estonian economic growth is expected to remain below 2 per cent in 2016 as the recovery in external demand still remains fragile.
- > Private consumption is expected to continue growing by ca 2.8 - 3.5 per cent in 2016 - 2017. The private consumption expenditure levels of 2007 are expected to be met once more by 2017.
- > Consumer price growth is expected to remain moderate in Estonia in the coming years, growing to 1.2 per cent in 2016, according to the Bank of Estonia.
- In 2016 2017, employment is expected to fall because of lower supply and demand of labour. According to Bank of Estonia forecasts, the unemployment rate will stay around 6 per cent in 2016, although rising to 7.1 per cent in 2017.
- > Scarce labour market resources (shrinking and ageing population) continue raising wage costs in Estonia. According to Bank of Estonia forecasts, average nominal monthly gross wages and salaries in Estonia will continue grow, reaching 4.8 per cent in 2016 and 5.6 per cent in 2017.

| Key Economic Indicators of Est | onia | | | | | | | | | | |
|---|---------|---------|---------|---------|---------|-------|---------|-------|-------|------|-------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016F |
| GDP current prices, bln EUR | 13.5 | 16.2 | 16.5 | 14.1 | 14.7 | 16.7 | 18.0 | 19.0 | 20.0 | 20.4 | 21.3 |
| GDP growth (real), % yoy | 10.3 | 7.7 | -5.4 | -14.7 | 2.5 | 7.6 | 5.2 | 1.6 | 2.9 | 1.1 | 2.0 |
| Industrial Production, % yoy | 10.1 | 6.4 | -4.6 | -24.0 | 22.7 | 19.8 | 1.5 | 2.9 | 1.9 | -2.2 | 1.1 |
| Unemployment Rate, % avg | 5.9 | 4.6 | 5.4 | 13.6 | 16.7 | 12.3 | 10.0 | 8.6 | 7.4 | 6.2 | 6.8 |
| Total central government debt, % of GDP | 4.4 | 3.7 | 4.5 | 7.0 | 6.5 | 5.9 | 9.5 | 9.9 | 10.4 | 10.0 | 10.7 |
| PPI, % yoy | 4.5 | 8.3 | 7.2 | -0.5 | 3.3 | 4.4 | 2.3 | 4.1 | -1.6 | -2.0 | 0.5 |
| CPI, % yoy | 4.4 | 6.6 | 10.4 | -0.1 | 3.0 | 5.0 | 3.9 | 2.8 | -0.1 | -0.5 | 1.0 |
| Fiscal deficit, % of GDP | 2.9 | 2.7 | -2.7 | -2.2 | 0.2 | 1.2 | -0.3 | -0.1 | 0.8 | 0.1 | -0.2 |
| Export, bln EUR | 7.7 | 8.0 | 8.5 | 6.5 | 8.7 | 12.0 | 12.6 | 12.3 | 12.1 | 11.6 | 11.8 |
| Import, bln EUR | 10.7 | 11.4 | 10.9 | 7.3 | 9.3 | 12.7 | 13.8 | 13.8 | 13.8 | 13.1 | 13.3 |
| Current Account, bln EUR | -2.0 | -2.4 | -1.4 | 0.4 | 0.3 | 0.2 | -0.4 | -0.02 | 0.2 | 0.4 | -0.1 |
| Current Account, % of GDP | -15.0 | -15.1 | -8.7 | 2.5 | 1.8 | 1.3 | -2.4 | -0.1 | 1.0 | 1.8 | -0.6 |
| FDI, mln EUR | 1,063.7 | 1,688.7 | 1,249.1 | 1,324.1 | 1,139.0 | 722.7 | 1,218.0 | 411.2 | 382.2 | n/a | n/a |
| EUR/USD, aop | 1.26 | 1.37 | 1.47 | 1.39 | 1.33 | 1.39 | 1.28 | 1.33 | 1.33 | 1.11 | n/a |

f - forecas

Source: Statistics Estonia, Bank of Estonia, Ministry of Finance of the Republic of Estonia, Swedbank

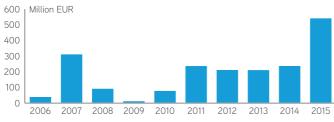


Investment Market

General Overview

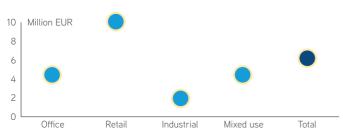
- > Total investment volume in 2015 amounted to EUR 544 million, exceeding the total record level achieved in 2007.
- > The largest deal of the year was the sale of a portfolio of municipal rental apartments to LCN Capital Partners for EUR 100 million.
- > The office and retail segments were equally preferred by investors, each attracting 29 per cent of total volume in 2015.
- > The Estonian investment market saw new players entering the market in 2015.
- > Yield compression of 25 bps was recorded in Estonia in 2015.

Dynamics of Investment Volume in Estonia



Source: Colliers International

Average Transaction Size by Sector in 2015



Source: Colliers International

Investment Volumes

Total investment volume in 2015 amounted to EUR 544 million, exceeding the total record level achieved in 2007 and showing a more than two-fold increase over the previous year's EUR 240 million.

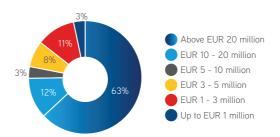
Investment activity in 2015 was driven by several large single deals and portfolio sales, including the acquisition of Radisson Blu Sky hotel, the Police and Border Guard Board building, the new Eesti Energia HQ, and purchase of a portfolio of municipal rental apartments, a BPT Optima fund portfolio, Solaris shopping centre in Tallinn and a Säästumarket portfolio.

The most notable deal in Estonia in 2015 included the sale of a portfolio of municipal rental apartments (eight buildings with 1,200 apartments) to LCN Capital Partners, a private equity firm with offices in New York and London, for EUR 100 million.

The market saw new players (new investors from Western Europe as well as groups of local investors) investing in Estonia and the Baltic region in 2015. Domestic spend was responsible for one third of acquisitions, while foreign capital was behind more than 66 per cent of invested volume in 2015. Two newcomers, Partners Group and LCN Capital Partners, were behind almost half (43 per cent) of invested volume in 2015.

Average transaction size across the market as a whole was EUR 6.2 million in 2015 (compared with EUR 3.1 million in 2014). The increase in average transaction size can be attributed to the large number and volume of deals above the EUR 10 million threshold in 2015 (ca 75 per cent of total volume). At the same time, approximately 85 per cent of the total number of transactions in 2015 in Estonia were deals of less than EUR 5 million.

Investment Turnover by Size in 2015

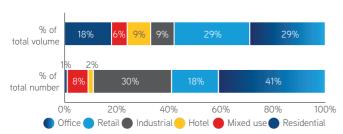


Source: Colliers International

| Top 5 | Investment Deals in Estonia in 2015 | | | |
|-------|---|------------------------|---------------|----------------------|
| NO. | PROPERTY NAME | LOCATION | SECTOR | BUYER |
| 1. | Raadiku municipal rental apartments | Raadiku St, Tallinn | Residential | LCN Capital Partners |
| 2. | Solaris Centre | Estonia pst 9, Tallinn | Retail | Partners Group |
| 3. | BPT Optima portfolio | 3 assets in Tallinn | Office/Retail | Partners Group |
| 4. | Radisson Blue Sky Hotel | Rävala pst 3, Tallinn | Hotel | EfTEN Capital |
| 5. | Police and Border Guard Board buildings | Pärnu Rd 139, Tallinn | Office | PBG Invest Holding |

Source: Colliers International

Investment Turnover by Sector in 2015



Source: Colliers International

Investment Properties

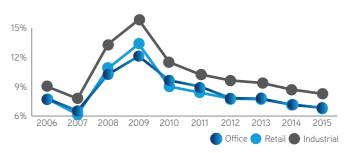
Investment activity in 2015 was dominated by retail and office segments, each attracting 29 per cent of total volume in 2015. In addition to the purchase of Vesse retail park from the BPT Optima fund portfolio, Partners Group, a global private markets investment manager headquartered in Switzerland, acquired Solaris shopping and entertainment centre in Tallinn as part of a large Sveafastigheter property portfolio (the portfolio includes 32 properties in Sweden, Finland and Estonia).

Q2 2015 saw the sale of Säästumarket portfolio (6 stores in Tallinn and 12 stores across Estonia with total GLA 16,818 sqm, sale-lease back deal) by Kinnisvaravalduse AS (Rimi / ICA) with a purchase price of over EUR 17 million and yield estimated slightly below 8 per cent. Additionally, Zenith Capital Management, an independent business advisor and wealth management company, acquired Auriga shopping centre, located next to Kuressaare and Nurmenuku shopping centre (for EUR 6.52 million) in Tallinn in the second half of the year.

The office segment also remained active in Estonia in 2015. In addition to the purchase of two office buildings (Hobujaama 4 Office Building and Valge Maja Office Building) from the BPT Optima fund portfolio in Tallinn by Partners Group, one of the most notable deals in the office segment included the sale of the Pärnu Road 139 building rented by the Police and Border Guard Board.

Additionally, in March, the real estate company related to Colonna investors acquired a new 14-storey commercial building (GLA 9,245 sqm, the main lessee is Eesti Energia) located at Lelle 22 in Tallinn, while a newly constructed office building at Sõpruse pst 157 was sold in December at a purchase price of over EUR 5 million.

Prime Yield Dynamics in Tallinn



Source: Colliers International

Despite the fact that deals with industrial properties accounted for one third of the total number of transactions in 2015, investment activity in the industrial segment remained rather low in Estonia throughout the year. At EUR 51 million, investment in the industrial/warehouse property segment accounted for less than 10 per cent of total volume (down from 34 per cent in 2014). The majority of transactions with industrial properties in 2015 in Estonia were deals of less than EUR 2.2 million.

The share of total volume invested in hotels amounted to 9 per cent in 2015. In January 2015, EfTEN acquired a full ownership of Radisson BLU Sky hotel's real estate and a hotel operator company, Astlanda Hotelli AS, for EUR 46 million. In addition to the landmark hotel Radisson Blu Sky, EfTEN Real Estate Fund II also acquired a 3,000 sqm office building and the popular pub Madissoni.

Investment Yields

Many private investors are currently active in the market, making the total number of market participants even higher. That, together with shortage of investment grade products, sufficient equity and low interest rates has put additional pressure on already significantly lowered yields.

Prime yields started to move downwards in 2014 and continued to do so in 2015, driven by cheap financial capital, shortage of investment grade products and strengthening demand from smaller investors. Following notable yield compression of 45-55 bps recorded in Estonia in 2014, prime yields continued to compress slightly by 20 - 28 bps throughout 2015.

Even though the investment market is very active, the main investment focus is continually around Tallinn, whereas other regions are considered risky and interesting only if there is a strong tenant with a strong lease contract.

Tendencies and Forecasts

- In 2016, the investment market will continue to be active as most investors have capital available. After a record-breaking 2015, Colliers foresees transaction volume in 2016 exceeding EUR 350 million in total, although total investment volume will heavily depend on the number of large lot size deals.
- > The market is seeing new players (new investors from Western Europe as well as groups of local investors) investing in Estonia and the Baltic region.
- > Sector-wise, the office and retail sectors will remain the most favoured by investors, international and local alike.
- Colliers expects to see positively active upcoming years (2016 - 2017) in the office investment market with rental flows hopefully growing (through CPI indexation) and capital values slightly rising.
- > Closing of several medium and large-scale deals with retail assets is expected in 2016, although some properties have already been on sale in Tallinn for a long time, mostly due to high expectations from landlords and intensifying competition within the retail sector (and thus, growing risks).
- > Investment activity in the industrial real estate segment will largely depend on other alternatives for investors (i.e. the office and retail sectors).
- > Prime yields are expected to remain stable in 2016.
- > Bank lending rates are expected to remain historically low over the next two years. Low interest rates mean that financing costs are low, so larger investments can be made with borrowed money and with the same amount of money.
- > Larger investors will continue to look for alternative investment options in the development segment as well as looking for suitable investment opportunities in Latvia and Lithuania.





Office Market

General Overview

- The office market has continued to demonstrate consistent activity in Tallinn during the last three years, resulting in upward movement of rent rates and supporting high development activity.
- > By the end of 2015, estimated total stock (speculative + built-to-suit) of modern office facilities was approx 761,300 sqm. New total supply delivered to the market in 2015 reached 43,720 sqm.
- > 2015 saw continually growing rent rates for quality modern office space. The estimated rent rates increase for Class A premises remained below 2 per cent on average and somewhat higher for Class B1 space (up to 3 per cent on average in 2015 compared with last year).
- > Continued positive absorption of space has seen the Tallinn vacancy rate marginally decrease throughout 2015.

Supply

Approximately 36,500 sqm of new speculative office space was delivered to the market in 2015, bringing total speculative office stock to 559,250 sqm. The number of completed projects as well as projects under construction continued to trend upwards in 2015, resulting in a doubling of total supply in 2015 compared with 2014. Supply is expected to remain continually high in 2016.

The office development market continued its positive momentum throughout 2015. Q1 2015 saw the final completion of several new speculative and built-to-suit office buildings in Tallinn in Järvevana Quarter (Lelle 24 and Lelle 22) in the City Centre and the Sõpruse 157 Office Building plus Metalli Maja in Kristiine city district. Landlords reported that these projects were almost fully leased prior to practical completion, thus allowing developers to plan and announce the next development stages.

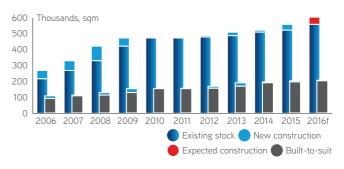
Overall, the year saw completion of several new office development projects in Tallinn City Centre - the Kadriorg Business Centre at Narva Road 63, the Pärnu 102b Office Building, Eesti Loto Building at Hallivanamehe 4, while the Norra Building in Baltika Quarter should finally enter the market at the beginning of 2016. Additionally, the 13-storey energy efficient and environment-friendly office building at Lõõtsa 5 with GLA 10,000 sqm was opened in Ülemiste City in Q4 2015.

2015 also saw the start of several new office development projects. Mainor Ülemiste started construction works on the Öpik Building with GLA 14,100 sqm in Ülemiste City at the end of Q1 2015, while development of a new commercial - residential complex in Rotermann Quarter, started in February 2015, will add more than 4,700 sqm of office space to the market in 2016. Construction work on an 8-storey office building started at Tartu road 83 site in Q3 2015. The developer is Novira Capital and office premises in Büroo 83 Office Building are aimed for sale. Additionally, expansion of Ülemiste Business Centre by 4,300 sqm was started in Q3 2015 in Lasnamäe city district and is due for completion by end-2016.

Completion of several refurbishment and retrofitting projects (e.g. the Kompassi Maja at Tartu road 13 and the Numeral Office Building) in 2016 will result in additional growth in the choice and quality of office space in Tallinn.

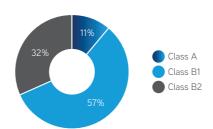
By the end of 2015, Class A premises accounted for approx 11 per cent (62,350 sqm) of the total stock of speculative (not built-to suit) office buildings in Tallinn, Class B1 for 57 per cent (320,200 sqm), and Class B2 for 32 per cent (176,700 sqm) of total stock.

Dynamics of Office Space in Tallinn



f - forecast Source: Colliers International

Distribution of Speculative Office Space in Tallinn by Class in 2015



Source: Colliers International

| List of New Built-to-Suit and Speculative Buildings in Tallinn in 2015 | | | | | | | |
|--|------------------------------|-----------------|------------------------|--|--|--|--|
| PROJECT | ADDRESS | TYPE | DEVELOPER | | | | |
| Eesti Energia Office Building | Lelle 22 | Built-to-suit | Järvevana Kvartal I | | | | |
| Kadriorg Business Centre | Narva Road 63 | Speculative, B1 | Pirita Tee Development | | | | |
| Järvevana Quarter | Lelle 24 | Speculative, B1 | Järvevana Kvartal I | | | | |
| Lõõtsa 5 Office Building | Lõõtsa 5, Ülemiste City | Speculative, B1 | Technopolis Ülemiste | | | | |
| Pärnu road 102b Office Building | Pärnu road 102b | Speculative, B1 | YIT Ehitus | | | | |
| Eesti Loto Building | Hallivanamehe 4 | Speculative, B1 | Hallivana | | | | |
| Norra Building | Veerenni 24, Baltika Quarter | Speculative, B1 | Kawe | | | | |
| TOTAL GLA, SQM | 43,720 | | | | | | |

Source: Colliers International

| YEAR | PROJECT | ADDRESS | TYPE | DEVELOPER | STATUS | |
|------|---|---------------------------|---------------------------|------------------------------|--------------------|--|
| | Explorer Office Building | Kai 1 | Speculative | Capital Mill | | |
| | R14, Rotermann Quarter | Rotermanni 6a/14/16 | Speculative | Dollimar Invest | | |
| | R2, Rotermann Quarter | Rotermanni 2/4 | Speculative | Gastorfa | | |
| | Novira Plaza | Tartu road 25 | Speculative | Novira Capital | | |
| 2016 | Büroo 83 Office Building | Tartu road 83 | Speculative | Novira Capital | Under | |
| 2010 | Numeral Office Building | Endla 15 | Speculative | Mornington Endla | construction | |
| | Öpik Building | Valukoja 8, Ülemiste City | Speculative | Mainor Ülemiste | | |
| | Pärnu 18 Business House | Pärnu road 18 | Speculative | CBD Varahaldus | | |
| | Ülemiste Business Centre, exp. | Peterburi tee 2f | Speculative | Ülemiste Ärimaja | | |
| | Health Board Office and Laboratory Building | Paldiski road 81 | Built-to-suit | RKAS (State Real Estate Ltd) | | |
| | Telekom Office Building | Mustamäe tee 3 | Built-to-suit | Polaria Kinnisvara | L la de s | |
| | Veerenni 53a Office Building | Veerenni 53a | Built-to-suit/Speculative | Veerenni Arendus | Under construction | |
| | Laev | Paldiski road 96a | Speculative | Al Mare Estate | Construction | |
| 2017 | R18, Rotermann Quarter | Rotermanni 18 | Speculative | Dollimar Invest | | |
| | Järvevana Quarter II | Piima 6, Piima 8 | Speculative | Järvevana Kvartal I | In planning | |
| | Tehnopol2kv Office Building | Mäealuse 2/2 | Built-to-suit/Speculative | Tehnopol | In planning | |
| | Lutheri Business House | Vana-Lõuna 39 | Speculative | Lutheri Ärimaja | | |
| | TOTAL GLA, SQM | | 96,560 | | | |

Source: Colliers International

More than 13,600 sqm of Class A office space will enter the market in 2016. Development in Maakri Quarter (office GLA 18,000 sqm) and Admiraliteedi Quarter (office GLA 31,710 sqm) may add almost 50,000 sqm of Class A office space in Tallinn by the year 2018.

Demand

Leasing activity remained reasonably active in 2015. Take-up activity in Tallinn throughout 2015 was largely driven by the information and communication sector (Playtech, TransferWise, Zone Media, Creative Mobile). Thus, Playtech, the international software company, occupied approx 3,000 sqm in a new 13-story office building in Ülemiste City after completion of the building in Q4 2015.

Notable leasing deals in 2015 included one of the largest telecommunication companies in the Baltic States: Eesti Telekom's lease of 7,300 sqm in Mustamäe tee 3 Office Buildings (pre-lease, built-to-suit development) and economic newspaper Äripäev's take-up of 2,700 sqm in Lutheri Quarter (pre-lease) in the City Centre. Both companies are planning to move to new locations in 2017.

Overall, the highest contribution to take-up volume in 2015 came from the information (IT and High Tech companies) and communications sector (25 per cent) followed by the professional, scientific and technical services sector (16 per cent),

and companies in the administrative and support services sector (12 per cent).

A large proportion of occupier activity in 2015 is attributed to lease renegotiations and existing occupiers moving within the market with no significant additional new demand coming from outside (low new demand).

Despite steady development in the office market, high demand for small office premises in CBD and City Centre at an attractive price remains continually unsatisfied.

Rent Rates and Vacancy

2015 saw moderately growing rent rates for quality modern office space. Estimated rent rate increase for Class A premises remained below 2 per cent on average and somewhat higher for Class B1 space (up to 3 per cent on average in 2015 compared with the previous year). 2015 saw an increase in the lower margin of rent rates for Class A premises and the upper margin of rent rates for Class B1 premises.

There is a continuous lack of supply of prestigious high-rise Class A office premises with excellent location and opening view, which allows the owners of such premises still somewhat to dictate the rental price and choose tenants. However, the high end of Class A prime rent has not changed over past years and stays around 16 EUR/sqm/month, up to 17 EUR/sqm/month maximum.

An active development market (high supply of office space during 2HY 2015 - 2016) and the threat of return of space from existing tenants forces office building owners to become more flexible and offer incentive packages designed to secure key tenants (in case of renewal of agreements). Risk of relocations of existing anchor tenants and risk of potential high vacancy in the building is putting rents under some downward pressure and causing the market to become more tenant-favourable.

The continued positive absorption of space saw the Tallinn vacancy rate marginally decrease as at the end of 2015. The vacancy rate for Class A buildings remained below the 4 per cent level in Tallinn at the end of 2015. Although supply had increased, average vacancy in Class B1 offices remained fluctuating around effective vacancy level and stood at around 6.1 per cent as at the end of 2015.

Total office building vacancy is expected to increase somewhat at the expense of new speculative premises, primarily in the Class B1 segment. However, rent rates for properties in a good location will remain more or less stable (13 - 16 EUR/sqm/month for Class A premises and 8.5 - 13 EUR/sqm/month for Class B1 premises).

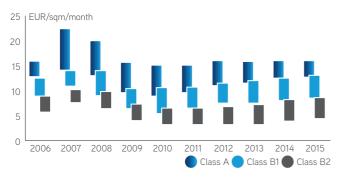
While at least 95,000 sqm of new speculative office space hit the market in 2014 - 2016, more than two thirds of this space has already been leased or pre-leased so that one third per cent of it is still available.

| Rent Rates* and Trends for 2016 in Tallinn | | | | | |
|--|-------------|-------------|---------------------------|--|--|
| CLASS | RENT | TRENDS FOR | | | |
| CLASS | 2014 | 2015 | 2016 | | |
| A new construction | 14.0 - 16.0 | 14.0 - 16.0 | ⇒ ⊿ | | |
| A existing | 12.5 - 15.0 | 12.5 - 15.5 | $\rightarrow \rightarrow$ | | |
| B1 new construction | 10.0 - 13.0 | 10.0 - 13.5 | $\rightarrow \rightarrow$ | | |
| B1 existing | 8.0 - 12.5 | 8.5 - 13.0 | →7 | | |
| B2 existing | 3.9 - 8.5 | 4.5 - 8.6 | $\rightarrow \rightarrow$ | | |

 $^{^{\}star}$ - asking rent rate (EUR/sqm/month) excluding VAT and operating expenses

→→ - stable, →¬ - slight increase
Source: Colliers International

Dynamics of Rent Rates* in Tallinn



 $^{^{\}star}$ - asking rent rate (EUR/sqm/month) excluding VAT and operating expenses

f - forecast

Source: Colliers International

Tendencies and Forecasts

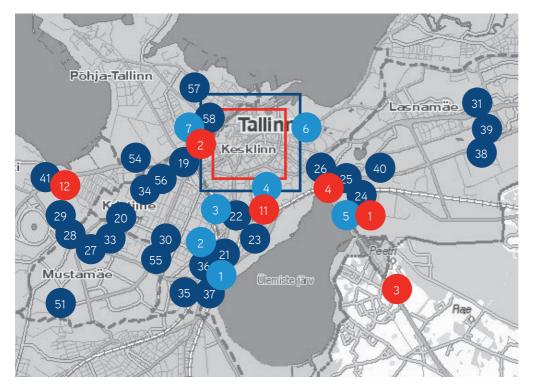
- > Approx 91,100 sqm of new speculative and built-to-suit office space is expected to be delivered to the market in 2016 - 2017.
- > 2016 is going to be yet again a year adding a considerable amount of new office space to the market. Thus, the high level of supply enables tenants either to leave outdated offices or to renegotiate their leases (tenant's market).
- > The frenetic pace of office development together with rather steady than spectacular occupier demand is expected to result in a growing supply-demand imbalance.
- > Take-up activity in 2016 is expected to come continually from the information and communication sector as well as from the professional, scientific and technical activities sector.
- > The office market will continually see relocations of some large space occupiers in 2016 2017.
- > The risk of relocations by existing anchor tenants and the risk of potential high vacancy in the building is putting rents under downward pressure and causing the market to become more tenant-favourable. Developers are ready to make several discounts and incentives to attract larger tenants.
- Office rent rates are expected to remain more or less stable during 2016. In the most sought-after areas a slight rent rate increase up to 2 per cent can be still expected, although no drastic changes are expected in the nearest future.
- > The maximum rent level for Class A premises will stay around 15 16.5 EUR/sqm/month and for Class B1 premises 12 13 EUR/sqm/month, with an average around 13 14 EUR/sqm/month and 10 12 EUR/sqm/month respectively. An increase in the upper end of headline prime rents in the next few years is not to be expected.
- > 2016 may see a somewhat increased vacancy rate, especially in older office buildings as well as in some Class B1 buildings due to construction of new office buildings and movements of tenants from larger to smaller premises in order to achieve higher cost-efficiency.

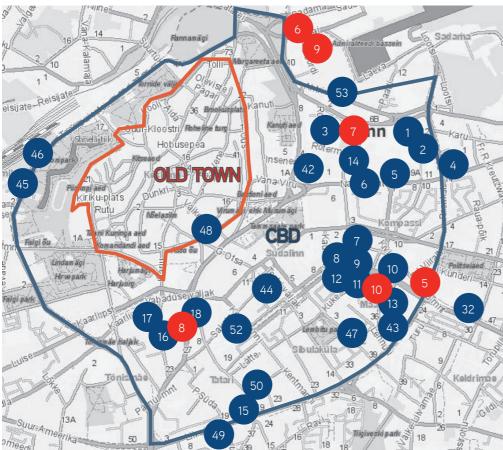
Dynamics of Vacancy Rates in Tallinn



Source: Colliers International

Speculative (Not Built-to-Suit) Office Centres in Tallinn





- Declared for Completion in 2016 2018
- 1. Öpik Building
- Numeral Office Building
- 3. Ülemiste Business Centre, expansion
- 4. Büroo 83 Office Building, Tartu road 83
- 5. Novira Plaza, Tartu road 25

- 6. Explorer Office Building, Kai 1
- 7. Rotermann Quarter R14, R2, R18
- 8. Pärnu 18 Business House, Pärnu road 18
- 9. Admiraliteedi Centre/Porto Franco
- 10. Maakri Quarter, Maakri 19/21
- 11. Veerenni 53a Office Building
- 12. Laev. Paldiski road 96a

- Existing Developments
- 1. Admirali Business Centre
- 2. WTC Business Centre
- Rotermann Quarter
- 4. Pro Kapital
- 5. Triumph Plaza
- 6. Foorum Business Centre
- 7. City Plaza
- 8. Rävala pst 6 Business Centre
- 9. Rävala pst 4 Business Centre
- 10. Tornimäe Twin Towers11. Radisson
- 12. Rävala pst 5 Office Centre
- 3. Office Building at Maakri 23
- 14. Hobujaama 4 Office Centre
- 15. ECE Business Centre
- 16. Swiss House
- 17. Roosikrantsi 2 Office Centre
- 18. Kawe Plaza
- 19. Tulika 15/17 Business House
- 20. Tetris Office Centre
- 21. Kalev Business Quarter (Lincona, Catweesi)
- 22. YIT Business Centre and Ärimaja Office Centre
- 3. Veerenni Business Centre
- 24. Ülemiste City
- 5. Ülemiste Business Centre
- 26. Valge Maja Office Building
- 27. Laki 34 Office Building
- 28. Ehitajate tee 114 and Ehitajate tee 108 Office Centres
 - 9. Office Building Meistri 22
- 30. Sõpruse pst 145 and Sõpruse pst 151 Office Centres
- 31. Tähesaja 14 Office Building
- 32. Scala City
- 33. Tammsaare Business House
- 34. Marienthali Business Centre
- 35. Tammsaare Business Centre
- 36. Estconde Business Centres
- 37. Delta Plaza
- 38. Peterburi Road Business Centre
- 39. Lasnamäe Business Centre
- 40. Peterburi Business Quarter, 1st stage
- 41. Rocca al Mare Tivoli
- 42. Metro Plaza
- 43. Nordea Building
- 44 Solaris
- 45. Toompuiestee Office Building
- 46. Shnelli Business Centre
- 47. Lauteri 5 Office Building
- 48. Saarineni Business House
- 49. EKE Invest Business Centre
- 50. Tatari 23/25 Business House
- 51. Tallinn Science Park Tehnopol52. Sakala 10/Kentmanni 4 Business House
- 53. Laeva 2, Navigator
- 54. Paldiski 80 Office Building (G4S)
- 55. Sõpruse 157 Office Building
- 56. Mehaanika 21 and Metalli 3 Office Buildings
- 57. Noblessner Quarter (Creative House)
- 58. ON-Building, Telliskivi 60

Completed in 2015

- Järvevana Quarter (Eesti Energia Office Building)
- 2. Eesti Loto Building
- 3. Pärnu road 102b Office Building
- 4. Norra Building
- 5. Lõõtsa 5 Office Building
- 6. Narva road 63 Business Centre
- 7. Mayerl Bussiness Centre, expansion



Retail Market

General Overview

- In 2015 sentiment in the retail sector was continually optimistic - with retail sales figures increasing, household consumption and expenditure on an upturn due to growing real wages, low deposit rates and a fall in inflation.
- > Retail sales of retail trade enterprises reached EUR 5.2 billion in 2015. Compared to 2014 retail sales increased by 8 per cent at constant prices.
- > 2015 saw the opening of two shopping centres in Tallinn region and some activity in the grocery sector.
- > Several new international brands made their debut by entering the Tallinn retail market in 2014 and continued to expand further in 2015.
- > Prime shopping centre rents have remained more or less stable in 2015, although some downward pressure on rents has increased in 2015 due to intensifying competition within the retail sector.
- > Vacancy rates in larger shopping centres remained effectively zero in 2015.

Supply

By the end of 2015, the stock of Tallinn retail space had increased by approximately 7,000 sqm since the beginning of the year, to a total of 549,520 sqm (1.25 sqm per capita). 2015 saw the opening of two shopping centres in Tallinn region and some activity in the grocery sector.

Most active retail development activity in Tallinn and its suburbs during the last two-three years is observable in Tallinn city districts with the lowest retail space ratio per capita (Stroomi Centre and Arsenal Centre in Põhja-Tallinn city district and Mustamäe Centre and Decora Maja in Mustamäe city district) or Tallinn residential suburbs currently under active development (Peetri, Viimsi).

Thus, major retail completions in 2015 occurred in Tallinn's neighbouring municipality Viimsi. June saw the opening of Viimsi Market (8,500 sqm) with Rimi and Decora DIY store as anchor tenants and August saw the opening of Viimsi Centre (with GLA 14,300 sqm) with Selver and MyFitness as anchor tenants.

Grocery chains continued to open new stores in 2015, resulting in constantly tightening competition in the grocery sector. Selver became the anchor tenant in Viimsi Centre, while Rimi also opened a new supermarket in Viimsi (in the redeveloped Viimsi Market). In December, the first XXX format Maxima hypermarket in Tallinn opened its doors in Lasnamäe city district.

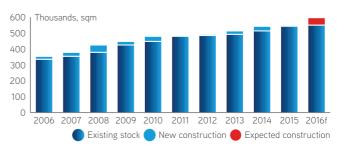
A frenetic pace of retail development is expected with 158,000 sqm of leasable area set to enter the market in the coming years. The new Mustamäe Centre will open its doors at the beginning of 2016. The shopping centre, located at Tammsaare tee in Mustamäe city district, has a total construction volume of 21,000 sqm, of which the leasable area is 13,500 sqm. The most significant leaseholders of the centre are Rimi, Apollo multiplex cinema, MyFitness and different restaurants and cafes.

Pro Kapital, developer of T1 shopping centre, signed a construction agreement in June 2015 and started some construction work on site in September 2015. The gross area of the centre, located at Peterburi tee 2, is ca 130,000 sqm, including over 52,000 sqm of different rental space (retail, catering, multiscreen cinema and entertainment) and the centre should be open for visitors in autumn 2017.

Porto Franco organised a new architectural design contest for Admiraliteedi / Porto Franco Centre (a large-scale commercial development in Tallinn port area with a total capacity of 170,000 sqm and retail GLA over 40,000 sqm) and signed a project management agreement in 2015. The centre is due for completion in 2HY 2017.

Capfield (owner of six retail centres in Estonia) announced plans to extend its Norde Centrum twofold. Refurbishment and extension of Norde Centrum should begin in spring 2016 with expected completion in 1HY 2017.

Dynamics of Retail Space in Tallinn



f - forecast Source: Colliers International

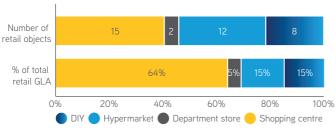
| Completed Projects in Tallinn and Tallinn Region in 2015 | | | | |
|--|---------------------|-------------------|--------------------|--|
| PROJECT | CITY / MUNICIPALITY | ANCHOR TENANT | DEVELOPER | |
| Maxima XXX hypermarket | Tallinn, Lasnamäe | Maxima | Maxima | |
| Viimsi Market | Viimsi municipality | Rimi, Decora | Lugosta | |
| Viimsi Centre | Viimsi municipality | Selver, MyFitness | Tallinna Kaubamaja | |
| TOTAL (| GLA, SQM | 29, | 800 | |

Source: Colliers International

| Projects Scheduled for | Completion in 2016 - 2017 | | |
|------------------------|---------------------------|---------------------------|--------------------|
| PROJECT | CITY / MUNICIPALITY | ANCHOR TENANT | DEVELOPER |
| Mustamäe Centre | Tallinn, Mustamäe | Rimi, Lido, Apollo Cinema | Mustamäe Keskus |
| Decora Maja | Tallinn, Mustamäe | Decora | Hansa Maakler |
| Kärberi Centre | Tallinn, Lasnamäe | Selver, MyFitness | Megaron Kinnisvara |
| Arsenal Centre | Tallinn, Põhja-Tallinn | Selver | Arsenal Centre |
| Espak | Tallinn, City Centre | Espak | Espak |
| Norde Centrum, exp | Tallinn, City Centre | Rimi | Capfield |
| Maxima XXX hypermarket | Tallinn, Haabersti | Maxima | Maxima |
| T1 shopping centre | Tallinn, Lasnamäe | Selver, fashion stores | Pro Kapital |
| Porto Franco | Tallinn, City Centre | Fashion stores | Porto Franco |
| TOTAL GLA, SQM 158,700 | | | |

Source: Colliers International

Distribution of Retail Space in Tallinn by Type



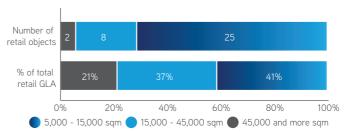
Source: Colliers International

A few smaller shopping centre development projects are also seen in the market. June 2015 saw the start of construction work of Kärberi shopping centre (6,000 sqm) in Lasnamäe city district with Selver and MyFitness as anchor tenants, while Q3 saw the start of construction work at the Pärnamäe centre (2,600 sqm) next to Tallinn city border. Construction work in Arsenal Centre (redevelopment project with ca 15,000 sqm of office and retail space, anchor tenant - Selver) started in fall 2015 with expected completion at end 2016.

At the same time, the grocery sector is showing signs of saturation. Although several grocery retailers continue to seek possibilities for further expansion and opening of new stores in Tallinn, their plans and ambitions become more thought-out and cautious.

Additionally, activity is seen in the DIY segment also. Thus, Decora (a DIY chain widely represented in South Estonia) entered the Tallinn region and opened a store in Viimsi in the redevelopment project of the former Viimsi Market in June 2015. Completion of a new DIY shopping centre (Decora Maja with a total area of 14,150 sqm) in Tallinn is planned for April 2016. Additionally, Espak started construction of a new DIY store in Tallinn City Centre in 2015.

Distribution of Retail Space in Tallinn by Size



Source: Colliers International

Demand

In 2015, demand for modern retail space in bigger shopping centres still exceeded supply and free space was absent in Tallinn's existing large shopping centres with a vacancy rate that remained almost zero.

Several new international brands made their debut by entering the Tallinn retail market in 2014 and expanding further in 2015 - SportsDirect opened its second store in Tallinn Norde Centrum in March 2015. 2015 witnessed growing activity from domestic retailers, with Decora entering Tallinn region by constructing a new DIY shopping centre (Decora Maja) and opening a store in Viimsi in the redevelopment project of the former Viimsi Market in June 2015.

Additionally, Apranga Group (Zara, Bershka, Pull and Bear, Stradivarius, Massimo Dutti stores), after opening 7 new stores with total sales area of more than 2,000 sqm in Estonia in 2014, continued with expansion in 2015. Apranga opened three new stores in Tallinn (Apranga store in Kristiine shopping centre and two Aldo stores in Rocca al Mare and Kristiine shopping centres with total area of more than 1,000 sqm).

Baltika Group's expansion in Tallinn continued in 2015 with the opening of a new Monton store in Lasnamäe Centrum in May.

Overall, shopping centres continue to make changes in tenant mix in order to strengthen their positions among growing competition. New shopping centres added to the market in 2015 or currently under construction have a considerable share of tenants providing leisure and sporting activities. Thus, MyFitness became one of the anchor tenants in Viimsi Centre and will also be one of the anchor tenants in Kärberi Centre and Mustamaäe Centre.

Rent Rates and Vacancy

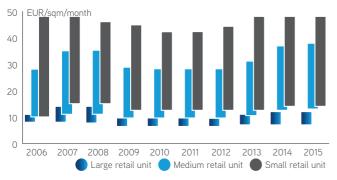
Rents have remained largely stable in the main shopping centres in Tallinn during the last decade as demand continually exceeded supply (the vacancy rate in bigger shopping centres in Tallinn varied from 0.5 to 2 per cent).

Rental values for the shopping centre sector began to improve slightly in 2012 by 3 - 5 per cent on average mostly due to index increments and fewer rental discounts, a trend that continued in 2013 and 2014.

Prime shopping centre rents remained more or less stable in 2015 and rental growth is expected to remain relatively moderate in 2016. Some downward pressure on rents increased in 2015 due to intensifying competition within the retail sector and even long-term agreements are becoming difficult to extend at current rental levels.

Vacancy rates in larger shopping centres remained effectively zero in 2015. Both centres, Viimsi Centre and Mustamäe Centre, were more than 75 per cent pre-let before the start of construction in 2014.

Dynamics of Rent Rates* in Major Shopping Centres in Tallinn

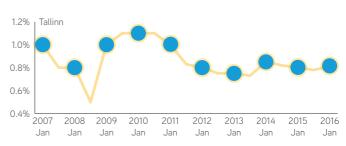


* - asking rent rate (EUR/sqm/month) excluding VAT and operating expenses Source: Colliers International

Tendencies and Forecasts

- > According to a Bank of Estonia forecast, private consumption is still expected to continue growing by 3.5 per cent in 2016 and by 2.5 per cent in 2017. Private consumption growth and retail sales are expected to slow down in 2016 due to the uncertain external environment and a high reference base.
- > Approx 47,100 sqm of new retail space is expected to be delivered to the market in 2016. The beginning of 2016 will see the opening of the Mustamäe leisure-based centre in Tallinn with GLA 13,500 sqm.
- > Several grocery retailers (e.g. Selver, Rimi, Maxima) continue to seek possibilities for further expansion and opening of new stores, although plans and ambitions of grocery chains are becoming more thought-out and cautious.
- > The most intensive retail development is expected to occur during the next 2 years in Lasnamäe and City Centre city districts in Tallinn.
- > Vacancy rates in larger shopping centres will remain effectively zero in 2016.
- In 2016, rent rates are expected to remain more or less stable, with a slight improvement of 2 3 per cent on average likely due to index increments. There is some pressure and expected decrease in rent rates for tenants occupying medium retail units (up to 350 sqm), although rent rates for anchor tenants are expected to remain stable throughout the year.
- The Tallinn shopping centre market is close to saturation. As the number of new consumers, or customer purchasing power, is not expected to substantially increase in the near-term future, the emergence and development of any new shopping centre will signify and sharpen the growing redistribution of existing consumers among new and existing shopping centres indicating a sharp rise of business competition (a Win - Lose situation).

Dynamics of Vacancy Rate in Major Shopping Centres in Tallinn



Source: Colliers International

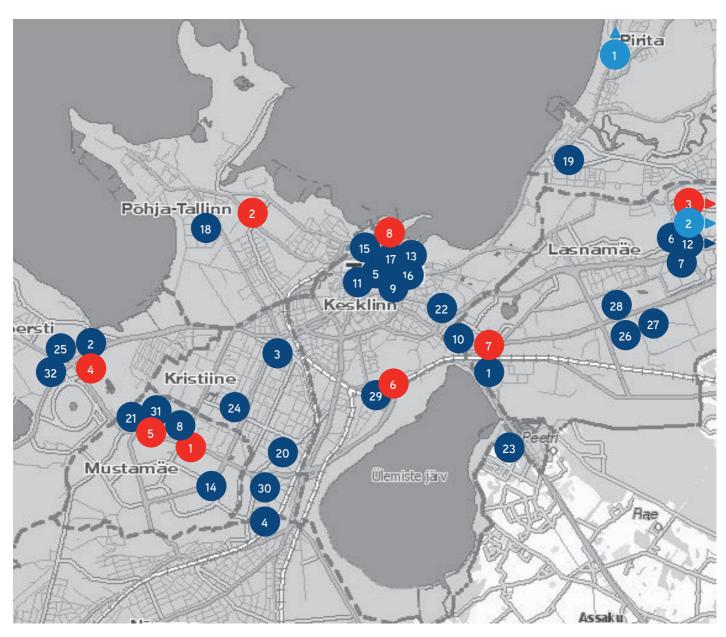
| Rent Rates* and Trends for 2016 in Shopping Centres in Tallinn | | | | |
|--|------------------------|------------------------|---------------------------|--|
| CLASS | RENT | RENT RATES | | |
| CLASS | 2014 | 2015 | TRENDS FOR 2016 | |
| Large retail unit (anchor tenants) | 7.0 - 12.0 | 7.0 - 12.0 | $\rightarrow \rightarrow$ | |
| Medium retail unit (150 - 350 sqm) | 10.5 - 37.0 | 10.5 - 38.0 | \rightarrow | |
| Small retail unit (up to 100 sqm) | 13.5 - 48.0, up to 100 | 13.5 - 48.0, up to 100 | →7 | |

* - asking rent rate (EUR/sqm/month) excluding VAT and operating expenses

 $\rightarrow \rightarrow$ - stable, $\rightarrow \nearrow$ - slight increase

Source: Colliers International

Shopping Centres, Hypermarkets and DIY Hypermarkets in Tallinn



- Shopping Centres, Hypermarkets and DIY Hypermarkets
- Ülemiste Centre
- Rocca al Mare
- Kristiine Centre
- Järve Shopping Centre
- Viru Centre and Tallinna Kaubamaja
- Tähesaju City (Mustakivi Prisma, Bauhaus)
- Lasnamäe Centrum
- Mustikas Centre
- Stockmann
- Sikupilli Centre
- Solaris Centre Mustakivi Centre
- Norde Centrum
- Magistral Centre

- Rotermann Quarter
- Foorum
- 17. Postimaja Shopping Centre
- 18. Stroomi Centre
- 19. Pirita Selver Hypermarket
- Tondi Selver Hypermarket 20.
- 21. Kadaka Selver Hypermarket
- Torupilli Selver Hypermarket
- Peetri Selver Hypermarket
- Sõpruse Rimi Hypermarket Haabersti Rimi Hypermarket
- Lasnamäe Maksimarket
- 27. Smuuli Bauhof
- Lasnamäe Ehituse ABC
- Espak
- Tondi K-rauta
- Kadaka Ehituse ABC
- Haabersti K-rauta

Completed in 2015

- Viimsi Centre and Viimsi Market
- Maxima Hypermarket
- Planned for Completion in 2016 2017
- Mustamäe Centre Arsenal Centre
- Kärberi Centre
- Maxima Hypermarket
- Decora Maja
- Espak, exp.
- T1 Shopping Centre
- Porto Franco and Norde Centrum expansion



Industrial Market

General Overview

- > The warehouse and industrial property market continued to remain active in 2015 in terms of new developments and buoyant demand for modern quality space.
- > At the beginning of 2016, the estimated total stock of modern industrial facilities amounts to approx 1,083,600 sqm. New supply delivered to the market reached 123,920 sqm in 2015.
- > 2015 saw completion and expansion of 22 warehouse and industrial buildings in industrial and logistics parks in Harju County, including the large-scale speculative VGP Nehatu project development.
- > Strong local retail sales performance continued to support the warehouse sub-sector.
- > In 2015, rent rates largely remained at the 2014 level, although some downward pressure on rental rates intensified in 2015. During the last four years since the beginning of 2012 the vacancy rate has continued to decline and stood below the 6 per cent level by the beginning of 2016.

Supply

By the beginning of 2016, estimated total stock of modern industrial facilities* was approximately 1,083,600 sqm (374,750 sqm of generic facilities plus 708,750 sqm of built-to-suit facilities). New supply delivered to the market reached 123,920 sqm since the beginning of 2015.

In 2015, development activity was seen in both the Tartu and St. Petersburg directions, although 74 per cent of new supply came in in Rae municipality (Tartu road area) due to completion of several large-scale warehouse / logistics developments started in 2014. Thus, Q1 2015 saw commissioning of the first stage of Smarten Logistics (17,250 sqm), while completion of the Maxima logistic centre in Rae municipality added 43,400 sqm of built-to-suit warehouse space to the stock at the end of 2015.

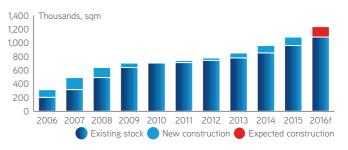
Overall, 2015 saw completion of 16 new warehouse and industrial buildings in industrial and logistics parks in Harju County with total GLA 37,750 sqm, including three projects with total GLA exceeding 8,000 sqm in Jüri Industrial Park, and three development projects with total GLA over 9,000 sqm in the new Peetri Business Park.

New construction in 2015 was driven mainly by built-to-suit activity, with speculative development remaining rather scarce. At the same time, VGP, based on the highly successful development of its large-scale speculative VGP Park Nehatu project, completed the fourth (11,050 sqm) and started preparatory work for the fifth (11,700 sqm) buildings in VGP Park Nehatu in 2015. The third, C Warehouse, in VGP Park Nehatu was commissioned in April 2015, increasing total leasable area in VGP Park Nehatu to 60,000 sqm at that time.

2015 saw the start of construction of several new large-scale warehouse / logistics projects in Tallinn and its suburbs, including logistics centres for Coop / ETK (41,330 sqm) and Sanitex (21,300 sqm) in Rae municipality and Tallink (14,350 sqm) in Maardu.

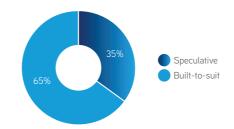
Development of at least 20 new speculative projects - Stock Office projects in Tallinn and Harju County - was announced and partially started in 2014 - 2015 (e.g. Priisle Business Park, Mõigu Maja, Laagri Stock Office). A Stock Office is a building that combines a store, an office and a warehouse and is seen as a multifunctional solution perfect for small businesses, although

Dynamics of Industrial Space in Tallinn and Harju County



f - forecast Source: Colliers International

Distribution of Industrial Space by Type in Tallinn and Harju County



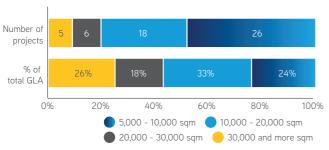
Source: Colliers International

^{*} Total stock includes all modern industrial and logistics properties located in industrial parks in Harju County and largest detached warehouse / logistics properties of a size and quality commensurate with the needs of local occupiers.

| Major Development Projects in Tallinn and Harju County with GLA over 5,000 sqm | | | |
|--|-------------------------------------|----------------------------------|---------------------------|
| CITY / MUNICIPALITY | CITY DISTRICT / INDUSTRIAL PARK | PROJECT | ТҮРЕ |
| | COMPLETED | DEVELOPMENTS IN 2015 | |
| Jõelähtme | Nehatu Logistics Park | VGP Park Nehatu III | Speculative |
| Rae | Rukki Industrial Park | Smarten Logistics | Built-to-suit |
| Jõelähtme | Nehatu Logistics Park | VGP Park Nehatu IV | Speculative |
| Rae | Next to Rebasepõllu Industrial Park | Maxima central warehouse | Built-to-suit |
| ON-GOING AND PLANNED DEVELOPMENTS | | | |
| Jõelähtme | Nehatu Logistics Park | VGP Park Nehatu V | Speculative |
| Rae | Sõpruse Business Park | Sanitex central warehouse | Built-to-suit |
| Rae | Detached, next to Suur-Sõjamäe IP | Coop/ETK central warehouse | Built-to-suit |
| Maardu | Detached, next to Maardu IP | Maardu Logisits (Tallink) | Built-to-suit |
| Tallinn | Liiva Logistics | RRK warehouse | Speculative |
| Jõelähtme | Nehatu Logistics Park | Niidu tee 6 | Built-to-suit/Speculative |
| Rae | Jüri Industrial Park | Karia cold storage warehouse | Built-to-suit |
| Tallinn | Detached, Betooni area | Nordnet Logistics center exp | Built-to-suit |
| Rae | Rae Industrial Park | Hilding industrial building, exp | Built-to-suit |
| | TOTAL SIZE, SQM | | 212,970 |

Source: Colliers International

Distribution of Industrial Space by Size in Tallinn and Harju County



Source: Colliers International

asking the rent rate for such premises is somewhat higher, varying in the range between 5 - 6.5 EUR/sqm on average. Thus, planned completion of ten Stock Office projects may add up to 31,050 sqm of new commercial and warehouse space to the market in 2016.

Current existing stock comprises eleven industrial and warehouse projects with a GLA of over 20,000 sqm per project and a total area of 331,770 sqm. Most of the existing stock consists of industrial and warehouse projects with a GLA up to 5,000 sqm per project (150 projects).

Demand

Despite the large number of new development projects and a non-supportive external environment, demand for industrial and logistics facilities remained buoyant in 2015, with continually prevailing demand for built-to-suit facilities. At the same time, demand for new lettable space from manufacturing and logistics companies also supported speculative development as well as leasing activity throughout the year.

Logistics operators, followed by retailers, typically generated the strongest demand for new warehouse space in 2015. It is also worth mentioning that a significant share of 3PL's demand is derived from their contracts with retail chains. The market has been continually benefiting from increased consumption and improved retail sales numbers during the last four years, resulting in a stimulating effect on demand for premises. This is

a main market growth engine, also fuelled by the development of e-commerce.

Companies from the automotive (maintenance and repair of motor vehicles, buying used cars) and food (manufacture and catering of food products) sectors also secured a significant share in 2015 take-up.

The most popular and frequently requested format of premises is quality space mainly in the size range from 500 up to 1,000 sqm. Currently available options on the rental market include mostly units over 1,000 sqm in the classic warehouse space segment and small-size units (up to 500 sqm) in the complex officewarehouse premises and storage/small-scale industrial premises segment.

Rent Rates and Vacancy

In 2015, rent rates largely remained at the 2014 level. Greatest demand continues to be for modern premises with a rent rate of 4.1 - 4.6 EUR/sqm/month in the direction of Tartu - Tallinn Road and Peterburi Road area.

At the same time, warehousing is the main real estate sector, where pressure on rental rates can be observed due to a high development pipeline, limited demand and the fact that new construction is continually mainly driven by built-to-suit activity.

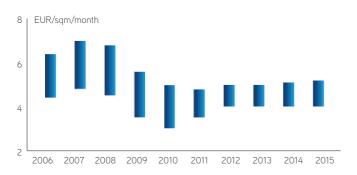
Nevertheless, no sharp decrease in rent rates or increase in vacancy is expected in the mid-term perspective if the overall economic situation remains stable. The actual asking rents for warehouse / industrial premises are expected to stay between 4.5 - 5.2 EUR/sqm/month (up to 6.5 EUR/sqm/month for Stock Offices).

Warehouse and Industrial Space Rent Rantes* and Trends for 2016 in Tallinn and Harju County

| CLASS | RENT | TRENDS | |
|-----------------------------|-----------|-----------|---------------------------|
| CLASS | 2014 | 2015 | FOR 2016 |
| New and renovated buildings | 4.0 - 5.1 | 4.1 - 5.2 | $\rightarrow \rightarrow$ |
| Older buildings | 1.3 - 3.3 | 1.3 - 3.3 | \rightarrow 7 |

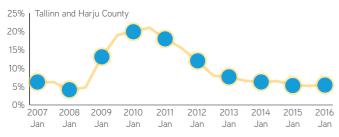
Due to buoyant demand for modern industrial and logistics space the vacancy rate remained below the 6 per cent level by the end of 2015. At the same time, development of several large-scale development projects during 2014 and 2015 (e.g. the Logistika Pluss, Via3L, Smarten, Maxima and Coop / ETK logistics centres), have already resulted in consolidation of different units in one location, vacating some previously occupied premises, a trend expected to continue in 2016 and 2017.

Dynamics of Rent Rates* in Tallinn and Harju County



* - asking rent rate (EUR/sqm/month) excluding VAT and operating expenses Source: Colliers International

Dynamics of Vacancy Rates in Tallinn and Harju County



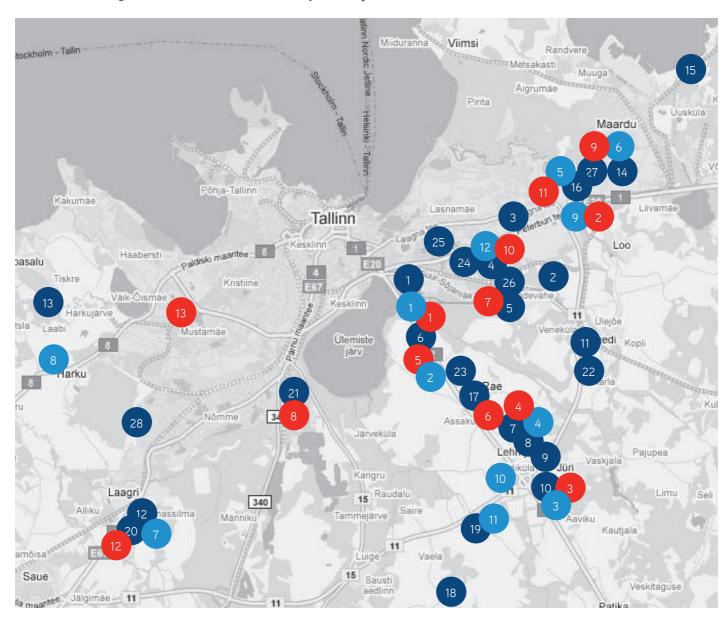
Source: Colliers International

Tendencies and Forecasts

- At least 155,575 sqm of developments are anticipated to be completed during 2016, 67 per cent of it on a built-to-suit basis.
- > The volume of new construction in 2015 surpassed the 2006 level and will remain constantly high in 2016, thus almost reaching the record high years 2007 2008.
- > More than half of new supply in 2016 will come in Rae municipality, although one fifth of supply is expected to enter the market in Tallinn.
- A new trendy product on the market is a Stock Office project, combining retail, office and warehouse space. Planned completion of ten Stock Office projects is expected to add 31,050 sqm of new commercial-warehouse space to the market in 2016.
- > The retail trade oriented distribution sector is expected to remain among the most active sectors seeking and leasing warehouse premises in the coming years. At the same time, the decreasing pace of economic growth in Estonia may slightly calm the market in 2016.
- According to analysis and signs in recent months and assuming that construction costs remain stable, rental values for the industrial sector are likely to remain stable in 2016.
- > Completion of several large-scale development projects (e.g. logistic centres for Maxima, Smarten and Coop / ETK) during 2015 - 2016 may result in a growing vacancy rate in the near-term perspective due to a small and still limited local market.



Industrial and Logistics Parks in Tallinn and Harju County



- **Existing Developments**
- Ülemiste City
- Tallinn Industrial Park
- Tondiraba Industrial Park
- Betooni Industrial Park
- Suur-Sõjamäe Industrial Park
- Mõigu Industrial Park
- Sinikivi Industrial Park
- Rae Industrial Park
- Sweet Valley Industrial Park Jüri Industrial Park
- 11 Killustiku Industrial Park
- Tänassilma Industrial Park 12
- Tabasalu Industrial Park

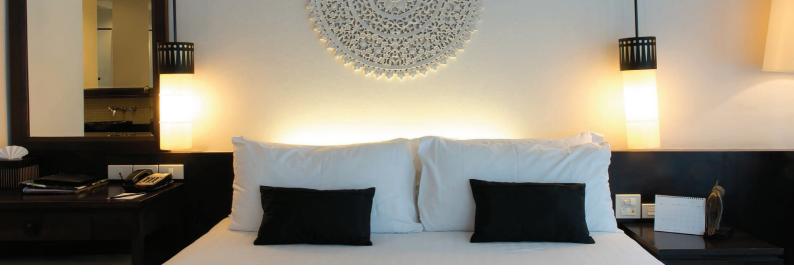
- 14. Maardu Industrial Park
- Muuga Industrial Park/KTN Logistics 15.
- Iru and Nurmevälja Industrial Parks 16.
- Sõpruse Business Park 17.
- 18. Kiili Industrial Park
- 19. Rebasepõllu Industrial Park
- VGP Park Tallinn and DSV Logistics 20
- Liiva Logistics Park 21.
- Via3L Logistics
- KAWE Logistics 23.
- DHL Logistics Centre and Nordnet Logistics
- ABT Warehouse
- VIA Estonia Warehouse Complex
- Vana Narva road Logistics Park
- ETK Logistics Centre

Completed in 2015

- Mõigu Industrial Park
- Peetri Business Park
- Jüri Industrial Park
- Rae Industrial Park
- Iru Industrial Park
- Maardu Industrial Park
- Tänassilma Industrial Park
- Allika Industrial Park
- VGP Park Nehatu, III-IV
- 10 Smarten Logistics Centre
- Maxima Logistics Centre
- DHL, expansion

Declared for Completion in 2016

- Mõigu Industrial Park
- Nehatu Logistics Park
- Jüri Industrial Park
- Rae Industrial Park
- Peetri Business Park
- Sanitex Logistics Centre
- Coop/ETK Logistics Centre
- Liiva Logistics
- Tallink Logistics Centre
- Nordnet Logistics, expansion Priisle Business Park
- Laagri Stock Office
- Järveotsa 50 Stock Offices

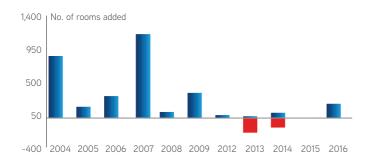


Hotel Market

General Overview

- > The hotel market in Estonia showed a weak start of the beginning of the year and was strongly affected by the slowdown in tourist arrivals from Russia.
- > International arrivals in Estonia showed a downward trend, decreasing by 2.7 per cent in Estonia and by 2.2 per cent in Tallinn during 2015.
- An increase in the number of tourists from Latvia, Lithuania, Norway and the UK was offset by a decline in the number of tourists from Russia, Sweden and Finland.
- > Domestic tourism in Estonia continued growing throughout the year, increasing by 7.2 per cent y-o-y in 2015 and thus positively affecting the hospitality industry.
- Starting from autumn 2010 the average room price started steadily to increase, a trend that continued in 2011 - 2015. According to Statistics Estonia, hotel revenue per available room (RevPAR) in Estonia saw a moderate increase in 2015 compared with 2014, driven by a rising average daily rate (ADR).
- > From June 2015, the former Meriton Grand Conference&Spa Hotel (465 hotel rooms) in Tallinn became the Park Inn by Radisson Meriton, while construction work on the Tallinn Hilton continued throughout the year.

Number of Hotel Rooms Accrued to the Tallinn Hotel Market



Source: Colliers International, Estonian Hotel and Restaurant Association

Supply

In the summer of 2013 Estonian casino operator Olympic Entertainment Group signed a contract with Hilton Worldwide, which will operate a new hotel in the City Centre. Located at Gonsiori 20 / F. R. Kreutzwaldi 23, a new 13-storey hotel is being built in place of the former 8-storey Reval Park Hotel building. The new 202 room Tallinn Hilton luxury hotel with conference centre, spa, restaurant and casino will open in September 2016.

Tallinn Seaport Hotel (former City Hotel Portus) acquired a new operator and was totally renovated at the beginning of 2015. Additionally, in 2015, EfTEN acquired full ownership of Radisson BLU Sky hotel's real estate and hotel operator company, Astlanda Hotelli AS, for EUR 46 million.

While one fourth of all Estonian hotels are 4-star hotels, approx 40 per cent of Estonia's total hotel room stock is strongly rooted in the 4-star hotel segment, indicating that tourists visiting Estonia are often looking for middle and higher-value travel options.

As to the number of rooms, approx 36 per cent of Estonia's total rooms in accommodation establishments (incl. hotels, hostels, guesthouses, B&B, and others) is concentrated in Tallinn, while Tallinn hotel rooms account for 51 per cent of Estonia's total hotel room supply.

By the end of 2015, the 4-star segment comprised the largest percentage of Tallinn's available rooms, consisting of 26 hotels with 3,799 rooms, or 60 per cent of all hotel-room stock in Tallinn.

The hotel market in Tallinn is largely dominated by local hotel chains and operators. Among local hotel chains the biggest is the Tallink Hotels chain, which has 4 hotels with 1,035 hotel rooms in Tallinn. One of the new local players in the market is Baltic Beach Holding, operating 3 hotels in Tallinn and Tallinn region with 436 hotel rooms.

| Number of Hotels and Rooms in Estonia and T | Tallinn |
|---|---------|
| by Stars in 2015 | |

| CTABC | TALLINN | | ESTONIA | |
|--------|---------|-------|---------|--------|
| STARS | HOTELS | ROOMS | HOTELS | ROOMS |
| 5-star | 5 | 414 | 7 | 456 |
| 4-star | 26 | 3,799 | 45 | 5,049 |
| 3-star | 20 | 1,959 | 89 | 5,751 |
| 2-star | 5 | 187 | 45 | 1,299 |
| TOTAL | 56 | 6,359 | 186 | 12,555 |

Source: Colliers International, Estonian Hotel and Restaurant Association

Since June 2015, the former Meriton Grand Conference & Spa Hotel (465 hotel rooms) in Talllinn became the Park Inn by Radisson Meriton, indicating that the Carlson Rezidor Hotel Group with 2 Radisson Blu Hotels (670 hotel rooms) and two Park Inn Hotels (710 hotel rooms) has become the largest international hotel chain in Tallinn as well as the largest hotel chain in Tallinn. The second largest international hotel chain in Tallinn is Sokos Hotels, the biggest hotel chain in Finland, which has 516 hotel rooms under management in Tallinn.

Demand

During 2015, 1.93 million foreign tourists stayed overnight in Estonian accommodation establishments. Their number decreased by 2.7 per cent or by 54,151 compared with the previous year. The number of foreign tourists (1.38 million) staying overnight in Tallinn accommodation establishments in 2015 decreased by 2.2 per cent y-o-y, while the number of nights spent in Tallinn decreased by 2.7 per cent.

Visits to Tallinn are relatively seasonal in comparison to other European cities and they are also short. The duration of trips shortened in 2013 to 1.79 nights on average and remained almost unchanged in 2014 (1.78) and 2015 (1.79). Seasonality did not change much and the number of visitors remains traditionally the highest in July.

During 2015, the number of tourists from the largest source market, Finland, amounted to 907,052 (-0.9 per cent or 8,488 less than a year earlier). In Tallinn, the number of tourists from Finland slightly decreased by 0.9 per cent and the number of nights spent by 0.3 per cent compared to the previous record year.

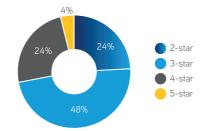
The number of Russian tourists staying at accommodation establishments during 2015 - 186,061 - was 89,344 less than a year earlier. The number of tourists decreased by 32.4 per cent compared with the same period the previous year, while their overnights dropped by 36 per cent. Tallinn remains the most popular destination for tourists from Russia, but the number of tourists saw a decrease of 35.8 per cent y-o-y in 2015.

The number of tourists arriving from Russia to Tallinn decreased every month in 2015 with the highest annual decrease registered in Q1 2015 (-46 per cent) and Q2 2015 (-35 per cent). In Q3 and Q4, the number of Russian tourists staying at accommodation establishments in Tallinn continued to decrease compared to the corresponding period of the previous year by 27 per cent and 30 per cent respectively.

The recovery in the tourism from Germany continued in Estonia in 2015 - the number of arrivals (116,088) slightly increased by 2.8 per cent, while the number of overnights (241,400) remained unchanged compared to 2014 figures. The number of tourists from Germany staying at accommodation establishments in Tallinn increased by 3.3 per cent y-o-y during 2015 and amounted to 82,254.

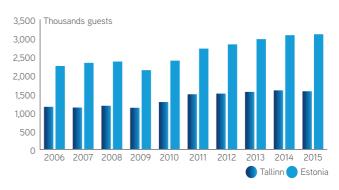
The number of Latvian tourists and their overnights achieved a new record in 2014 and continued to set a new record in 2015. During 2015, 127,864 Latvian tourists stayed at accommodation establishments in Estonia. This was 13.5 per cent more than in 2014. In Tallinn, the number of tourists from Latvia surpassed the record level achieved in 2013, thus amounting to 52,253 or 20.5 per cent more than a year earlier.

Distribution of Hotels by Number of Stars in Estonia, 2015



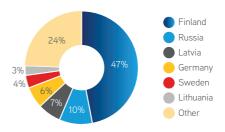
Source: Colliers International, Estonian Hotel and Restaurant Association

Distribution of Visitors in Accommodation Establishments in Estonia



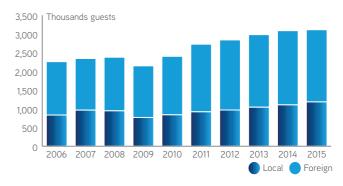
Source: Statistics Estonia

Distribution of Foreign Visitors by Country in Accommodation Establishments in Estonia in 2015



Source: Statistics Estonia

Distribution of Local and Foreign Visitors in Accommodation Establishments in Estonia



Source: Statistics Estonia

Tourism from Sweden, the fifth largest market in terms of numbers of tourists, continued to show modest results. Following a recovery in 2010 and 2011, their numbers decreased almost throughout 2012, a trend that continued in 2013 and 2014. During 2015 the number of Swedish tourists decreased by 1.2 per cent and their overnights by 3.5 per cent in Estonia. Tallinn as the main destination accounted for a slight increase, with the number of Swedish tourists staying at accommodation establishments in Tallinn slightly increasing by 0.5 per cent y-o-y during 2015.

The number of domestic tourists and their overnights has grown steadily and new records have occurred. In Estonia, the number of domestic tourists increased by 7.2 per cent (79,224 more than a year earlier) and the number of overnights by 6.4 per cent in 2015. The number of domestic tourists and their overnights in Tallinn continued to grow in 2015, increasing by 3.5 per cent and 1.1 per cent y-o-y respectively.

During 2015 the number of passengers (including both arrivals and departures) passing through the harbours of the Port of Tallinn hit a new all-time record of 9,793 million passengers, an increase of 223,763, or 2.3 per cent more than a year earlier. Approximately 84 per cent of passengers passing through the harbours of the Port of Tallinn travelled on the Tallinn-Helsinki route, 10 per cent on the Stockholm route, 1.3 per cent on the St. Petersburg route, while 5 per cent were cruise passengers. The Port of Tallinn expects the number of passengers to continue growing in 2016 to reach 9.95 million, thus surpassing the record level of 2015 by more than 2 per cent.

In 2015, the number of passengers (including both arrivals and departures) at Tallinn Airport increased by 7.4 per cent to 2.17 million passengers compared to 2.02 million passengers in 2014. In the first ten months of 2015, the number of passengers at Tallinn Airport increased steadily by more than 6 per cent compared to the same months of the previous year. The decision by the board of Estonian Air to terminate operations starting from November 2015 partially resulted in a slight decline in the number of passengers in November and December compared to the corresponding months of the previous year. Estonian Air (which operated 27 per cent of flights at Tallinn Airport) declared the reason for terminating all operations as the European Commission decision on reimbursement of state aid. Tallinn Airport does not anticipate a reduction in the number of flight operations or passenger volumes in 2016 and thus expects the number of passengers to increase by approx 2 per cent in 2016.

Prices and Occupancy

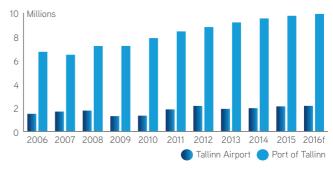
The slowdown in tourist arrivals from Russia affected foreign visitors' expenditures in Estonia in 2015. According to Bank of Estonia, foreign visitors consumed around EUR 1.3 billion of goods and services in Estonia in 2015. Although the number of same-day visits to Estonia increased by 5 per cent and made up 55 per cent of the total number of visits, the number of tourists staying overnight was down by 5 per cent y-o-y in 2015, thus influencing the performance of hospitality companies throughout the year.

According to Statistics Estonia, average daily rate (ADR) decreased by about 10 - 15 per cent between 2008 and 2010 and increased only slightly in 2011. Thus, the increase in 2012 and later in 2013 meant that ADR reached the 2007 - 2008 boom level and set a new all-time record in 2014.

| Change in Number of Tourists in Estonia | | | | |
|---|----------|-----------------|--------|---------------------|
| | NO. OF T | NO. OF TOURISTS | | ANGE |
| COUNTRY | 2014 | 2015 | % | ABSOLUTE FIGURES |
| Finland | 915,540 | 907,052 | -0.9% | -8,488 |
| Russia | 275,405 | 186,061 | -32.4% | -89,344 |
| Germany | 112,877 | 116,088 | 2.8% | 3,211 |
| Latvia | 112,703 | 127,864 | 13.5% | 15,161 |
| Sweden | 71,963 | 71,087 | -1.2% | -876 |
| Lithuania | 52,522 | 54,743 | 4.2% | 2,221 |
| United Kingdom | 46,189 | 48,061 | 4.1% | 1,872 |
| Norway | 36,272 | 37,064 | 2.2% | 792 |

Source: Statistics Estonia

Total Number of Passengers in Port of Tallinn and Tallinn Airport

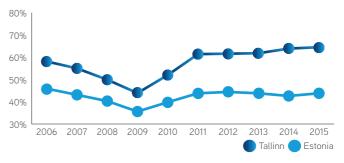


Source: Port of Tallinn, Tallinn Airport

| Price Range for Double Standard Hotel Rooms in Tallinn in 2015 | | | | |
|--|----------------|----------------|--|--|
| NUMBER OF STARS | MIN PRICE, EUR | MAX PRICE, EUR | | |
| 5-star | 110 | 250 | | |
| 4-star | 55 | 150 | | |
| 3-star | 45 | 100 | | |

Source: Colliers International

Dynamics of Average Room Occupancy Rate in Accommodation Establishments



Source: Statistics Estonia



In 2015, the average price for a night in accommodation establishments in Estonia was EUR 34.6 and EUR 41.3 in Tallinn, indicating a y-o-y increase of 2.5 per cent and 2.9 per cent respectively, according to Statistics Estonia.

During 2015, the average room occupancy rate in Estonia was 43.8 per cent and 64.5 per cent in Tallinn, indicating moderate growth in the room occupancy rate in Estonia, as well as a slight increase in the room occupancy rate in Tallinn.

Overall, hotel revenue per available room (RevPAR) in Estonia saw a moderate increase (by 2 - 3 per cent on average) in 2015 compared with the same period a year earlier, driven by the rising average daily rate (ADR).

Tendencies and Forecasts

- According to European Travel Commission, in 2015 all but a few countries continued to welcome increasing numbers of both foreign visitors and foreign visitor nights.
- Despite economic woes, geopolitical tensions or threats of terrorism as well as a steady trail of migrants, industry suppliers insist they are still bullish on leisure travel to Europe in 2016. Inbound tourism is expected to grow by approximately 2.2 per cent in 2016 and 4.1 per cent in 2017 respectively in Central Europe and the Baltic States.
- > In 2016, growth in the number of tourists accommodated in Estonia is expected to remain low due to a high reference base, increased ADR and external uncertainty. All of these factors put downward pressure on ADR and occupancy level in 2016.
- Despite the fall in the number of Russian tourists staying at accommodation establishments in Estonia in 2014 and 2015, the number of tourists from Russia is still expected to turn to growth in 2016, albeit from a very low base.
- > The Port of Tallinn expects the number of passengers to continue growing in 2016 to reach 9.95 million, thus surpassing the record level of 2015 by more than 2 per cent.
- Development of inbound tourism is substantially dependent on the volume of Estonia's air travel. Tallinn Airport expects the number of passengers to continue growing in 2016 to reach 2.2 million.
- > The new Tallinn Hilton hotel will open its doors in 2016. New hotel chains (Accor, Pandox) are expected to enter the Tallinn hotel market in the 2 3 year perspective.

Legal Overview

Most commercial properties in Estonia owned for investment purposes are held in single asset or portfolio special purpose companies. Commercial property can therefore be sold either by selling the real estate (asset transaction) or by selling 100% of the shares of the property holding company (share transaction). Both options are widely used. An asset transfer may constitute a business transfer in which case it will be similar to a share deal since the obligations of the seller will transfer to the buyer along with the asset.

Asset Transfer Deals

An important issue to consider is whether transfer of assets also constitutes transfer of a business as a going concern. This can happen if the asset comes with operational lease agreements, if the asset is for a specialised purpose or if other unique factors are involved. If the asset transfer constitutes a business transfer, the following issues must also be considered:

- > Merger clearance may be needed.
- > Obligations of the business transfer to the buyer (including tax obligations).
- > Employees of the business must be notified of the transfer.
- The transferor and transferee share joint and several liability for obligations which arise before transfer of the enterprise and which fall due by the time of the transfer or will fall due within five years after the transfer.
- > Creditor clearance is not needed.

Main Steps

Usually in practice sale of real estate by one party (seller) to another party (buyer) would be completed within 2 - 6 months mostly following these main steps:

- 1. The parties sign a letter of intent (LOI or HOT) on the anticipated transaction, stating the main terms of the deal (eg, purchase price, payment mechanism, terms of conducting due diligence and the prospective timelines for the transaction). Note that in Estonia the obligation to buy or sell real estate must be notarised in order to be binding. However, if a LOI or HOT sets out the parties' obligation not to negotiate with third parties (so-called exclusivity), this agreement is considered valid and binding even without notarisation. To avoid performing the entire transaction at a notary's office. it can be concluded in several parts, so that, for example, a promise to sell the immovable is notarised, but other conditions are made in unattested written form. Moreover, in commercial transactions, the LOI or HOT usually only regulates the structure and timelines of negotiations. Breach of the exclusivity obligation entitles the aggrieved party to compensation by way of damages, including payment of specific contractual penalties.
- 2. Negotiations with banks on financing, local municipalities and potential building contractors and conduct of legal, financial, environmental and technical due diligence of the property.
- 3. Often, prior to or simultaneously with the due diligence, the parties negotiate an asset purchase agreement (APA). This is usually signed after completion of the due diligence review. The APA must be notarized and state all necessary terms and conditions of the transaction (eg, purchase price, conditions of closing). Often a preliminary notation is also entered into the Land Register for the benefit of the buyer.

- 4. In the case of business transfer, applying for merger clearance and fulfilment of other conditions precedent (eg, issue of building permit, adoption of detailed plan).
- 5. Closing, i.e. conclusion of the real right agreement, transfer of the purchase price (whether from notary escrow or by the financing bank), payment of stamp duties followed by filing the purchase agreement with the Land Registry.
- 6. Registration of the new owner and other pertinent changes (eg, new mortgages) at the Land Registry (within one month as of filing at the latest). In some cases, payment of the purchase price is a condition of transfer of title, i.e. the purchase price is paid by the Buyer after the Buyer has been entered into the Land Register as the new owner. This is rare, though the most buyer-friendly set up of the asset transfer transaction.

Issues to Consider

- > Asset transfer involves payment of notary fees and state duty, so is more expensive than a share transfer.
- > Notarised agreements are usually in Estonian and seldom in English.
- > Limited scope of due diligence investigation since the review concerns only the target real estate unless the transaction qualifies as a business transfer.
- > Lease agreements survive change of ownership of the target asset, i.e. agreements transfer to the purchaser.
- > Agreements on supply of utilities and other services must be assigned or concluded anew.
- > LOI or HOT setting forth the parties' obligation not to negotiate with third parties (so-called exclusivity) is considered valid and binding without notarisation; the obligation to buy or sell must be in notarised form.
- > An asset transaction may qualify as a business transfer, in which case all obligations (including employees, tax obligation) associated with the business acquired are transferred from seller to buyer.

Share Transfer Deals

Main Steps

As a compulsory rule, the shares of a public limited liability company must be kept in the securities account of the shareholder(s) opened with an Estonian commercial bank at the moment of establishing the company. The shares are registered and the shareholders' list is kept at the Estonian Central Register of Securities (ECRS).

This means that sale of shares of a public limited liability company (property holding company) is via bank transactions by transferring the share(s) from the securities account of the seller to the securities account of the purchaser.

In the case of a private limited liability company the share(s) may either be registered at the ECRS or not. Registration of share(s) of a private liability company at the ECRS is voluntary and requires a shareholder(s) resolution. If the share(s) are not registered at the ECRS the share transfer must be executed via notarised share purchase agreement. If the share(s) are registered at the ECRS, the sale of shares can be executed by concluding a share purchase agreement in simple written form and transferring the share(s) via bank transactions by transferring the share(s) from the securities account of the seller to the securities account of the purchaser.

Regulation on transfer of enterprise applies to sale of a majority holding in a company. In that case, a deficiency of the enterprise is deemed a deficiency of the share so that legal remedies applying to deficiencies can be used. The qualities of a share may be affected, for example, by deficiencies arising from investments.

General steps on selling shares via the ECRS are as follows:

- In the case of a private limited liability company which
 does not yet have its share(s) registered at the ECRS, the
 shareholder(s) must open a securities account for themselves
 with an Estonian commercial bank. Securities accounts are
 always linked to a regular bank account.
- 2. To register share(s) at the ECRS the shareholder(s) adopt a resolution to that effect and the management board of the company files the application with the ECRS. The share(s) will be registered within 1 5 days.
- 3. The parties conclude a share purchase agreement in simple written form.
- 4. To transfer shares, the seller instructs the administrator of its securities account (the bank) to transfer the shares to the securities account of the purchaser, and the purchaser gives counter instructions to its securities account to acquire the shares.
- 5. The shares of the company can be transferred via two methods: FOP (free of payment) or DVP (delivery versus payment).
- 6. FOP transfer allows payment for the shares by instalments, on a different date than the closing date and from and to accounts not linked to the securities account and thus also not in a bank registered in Estonia.
- 7. DVP requires total payment to be made at the same time as the shares are transferred and from and to the accounts of the parties which are linked to their respective securities accounts in a bank in Estonia.
- 8. To execute the transaction, the seller must issue an irrevocable and unconditional instruction to the bank administering its securities account to transfer its shares in the company to the purchaser's securities account. In the case of DVP, the instruction is made and executed only against payment for the shares.
- 9. To execute the transaction, the purchaser must issue irrevocable and unconditional instructions to the bank administering its securities account to accept the shares of the company. In the case of DVP, the acceptance instruction is accompanied by an instruction to transfer the purchase price for the shares to the seller's current account. In that event, the shares are transferred only against payment for the shares.
- 10. Thereafter automatic changes are made to the list of shareholders in the company maintained by the ECRS. Transfer of title to the share(s) takes place at the moment the share(s) are registered in the securities account of the purchaser if the time for transfer of title is not agreed otherwise in the share purchase agreement.

General steps for selling shares by concluding a notarised share purchase agreement (only private limited liability companies whose shares are not registered at the ECRS) are as follows:

1. A notarised share purchase agreement is concluded by the parties. The notary fee depends on the transaction value of the share(s). A share transaction is void if it fails to comply with the format set by law.

2. Changes in the shareholders' list are made by the management board of the company.

Issues to Consider

- Notary fees and state duty arising from real estate sales are saved from transaction costs where sale of shares of a private or public limited company (whose shares are registered at the ECRS) is completed without notarisation as an electronic share transfer via banks and the ECRS.
- Notary fees apply in the case of a share transfer by notarised share purchase agreement, which makes the transaction more expensive than executing via securities transaction via the ECRS.
- > Ownership of shares is transferred as agreed in the sale agreement, usually at the time of closing the transaction, or (in the case of transfer via the ECRS), upon registration, which takes only a few days, whereas in an asset deal transfer of title takes a max of one month (registration with the Land Register).
- Scope of due diligence investigation is extended because in a share deal the entire company transfers to the purchaser (with all known and unknown rights and liabilities) as opposed to due diligence of target real estate only.
- > Financial assistance rules apply (the target company may not use its own assets to secure a loan taken by the buyer to finance acquisition).
- > Deferred tax issues.

Title to Real Estate, Land Book

Ownership of real estate is registered in the Land Book. This is a national register, which includes information about ownership, details of real estate, and related encumbrances. Entries in the Land Book are assumed correct and valid vis-à-vis third persons acting in good faith.

The Land Book is a public register and everyone may access registered information. The register is maintained electronically.

Acquisition of Real Estate

General

Real estate consists of land and things permanently attached to it, such as buildings and standing forest. In general, transfer of a building separately from the underlying land is not permissible, except if building title is established and so transferred. In that case, the building forms an essential part of the building title, not of land.

Change of Ownership

Title to real estate is considered transferred on registration of ownership in the Land Book, not on signing the agreement. Ownership is usually registered within 2 - 4 weeks as of filing an application with the Land Book along with the signed and notarised real right agreement.

Form of Agreements

Transfer of title to real estate requires a sale agreement (setting the terms and conditions of sale) and a real property rights agreement (agreement to transfer title). These may be contained in one document but may also be separate.

All transactions related to the obligation to sell and purchase real estate require notarisation in order to create legally binding obligations. The notary verifies the authorisation of the signatories to the agreement, the content of the agreement, and the will of the parties, who must appear before the notary to conclude the agreement.

Language Requirements

Notarised contracts are usually signed in Estonian. Notaries with sufficient language skills may consent to attest a contract in English or other foreign language. If agreements are verified in Estonian, foreigners may ask for a written translation or obtain the help of an interpreter before signing.

As the Land Book is maintained in Estonian, any documents in foreign languages must be filed with the Land Book with a notarised translation into Estonian.

Due Diligence

It is advisable to carry out legal due diligence of the target real estate/holding company before concluding a purchase. Due diligence involves checking title, encumbrances, planning issues, building rights, third party rights, public restrictions, permits, environmental issues, disputes and other matters. This gives the buyer more security or bargaining power.

Right of First Refusal

Rights of first refusal may be created by contract or law. For example, a co-owner of real estate has a statutory right of first refusal upon sale of a legal share of the real estate to third persons. Further, the state or local government have a statutory right of first refusal upon transfer of real estate located within the boundaries of a shore or shore bank building exclusion zone or if real estate is located in certain nature protection zones, or if a heritage protection object is located on real estate.

Rights of first refusal may be exercised within two months after receiving notification of a sale agreement.

As to rights of first refusal, preliminary notation plays an essential role. A preliminary notation is a notation which may be entered in the Land Register to secure a claim for acquisition or deletion of a real right, for change of content or ranking of a right, including a future or conditional claim. If a preliminary notation is registered in the Land Register regarding rights of first refusal encumbering an immovable, then disposal of the real right after entry of a preliminary notation in the land register is void to the extent that this prejudices or restricts a claim secured by the preliminary notation.

Typical Purchase Price Arrangements

The buyer may be required to pay a deposit on the purchase price to a broker's or seller's account before a real estate purchase agreement is signed.

Often the purchase price is transferred to a notary's deposit account before concluding the sale agreement. The notary releases the purchase price to the seller after the agreement is signed and filed with the Land Book and no other applications are filed in the Land Book that would hinder transfer of title.

Restrictions

Restrictions on Acquisition

In general, no restrictions are imposed on foreigners acquiring real estate in Estonia. Exceptions include forestry and agricultural land, plus some island and sea coast and state border areas.

Acquiring real estate where the intended purpose of which is profit-yielding land consisting of ten or more hectares of agricultural or forestry land is unrestricted only for:

- > Estonian citizens.
- > Citizens of a state which is a contracting party to the EEA Agreement.
- > Citizens of a member state of the Organisation for Economic Cooperation and Development.
- A legal person, with its seat in Estonia, from a country which is a contracting party to the EEA Agreement or in a member state of the Organisation for Economic Cooperation and Development which has been engaged in production of agricultural products or forest management for three years immediately preceding the year in which it makes the transaction to acquire the immovable.

Other persons may own such land but on limited grounds and on approval of the county governor. Transfer of land on smaller islands and certain border areas to non-citizens or legal persons of states not contracting parties to the EEA agreement requires permission of the Estonian Government.

Concentration Control

Transfer of real estate (both asset and share transfers) may be subject to concentration control by the competition authorities, if:

- > turnover in Estonia of the participants to the concentration (target undertaking and buyer) exceeds EUR 6,000,000; and
- > turnover in Estonia of at least two participants to the concentration exceeds EUR 2,000,000 each.

Turnover considered in deciding if concentration control applies is turnover of sales in or to Estonia in the last financial year. If the buyer has no business in Estonia (on first purchase), concentration control does not apply.

Public Restrictions

Public restrictions may apply to use of real estate in the following areas: natural protection and coastal areas, Natura 2,000 protection areas, heritage protection zones, protected zones of power lines, railways, roads, and other utility networks. Restrictions may mean that part of the real estate may not be used for building or the owner must avoid activity in protected zones, or that building or other activities require consent from utility networks, the operator, or the governing body (eg, heritage protection authorities, local government, environmental protection authorities).

Encumbrances

The following rights, which are entered in the Land Book, may encumber real estate: usufruct, servitudes, building title, rights of first refusal and mortgages. In general, these rights may be used in real estate transactions and are entered in the Land Book under notarised agreements to secure the interest of the parties, third persons, or neighbouring real estate owners.

The Land Book may register notation of a lease agreement, which ensures that upon transfer of real estate the new owner may not terminate the lease agreement within three months of acquisition citing urgent personal need to use the premises.

Property Management

Maintenance of real estate is usually carried out by the owner or by a professional management company which provides technical support, accounting, and other related services. Apartment owners may establish an apartment owners' association for the common management of property. The Estonian legislator has adopted a new Apartment Ownership- and Association Act by which an apartment owners' association will be established automatically on the basis of the law. The new act will enter into force in 2018.

The Estonian legislator has also adopted a new Building Act whereunder owner supervision of real estate includes the obligation to control compatibility of construction with the regulations set by law and contract. A person responsible for owner supervision has quite a wide notice obligation.

In addition, a right of security of lessor can encumber real estate. The lessor of an immovable has the right of security over movables located on the leased immovable and, upon the lease of a room, over movables which form part of furnishings or are used together with the room in order to secure claims arising from a lease contract even if the movables are not in the possession of the lessor. Claims for rent of the current year and the previous year and claims for compensation should be secured by pledge.

Lease Agreements

General

For residential leases the law provides extensive mandatory regulation protecting the tenant.

Business leases are much more flexible but a set of mandatory rules also applies.

On transfer of real estate, lease agreements survive change of ownership. However, an owner who needs the premises urgently for own use may terminate a lease agreement within three months of acquisition. This right may not be exercised if a notation of the lease agreement has been entered in the Land Book.

Duration and Expiry of Lease Agreement

Lease agreements may be either for specified or unspecified terms. If the parties have not agreed otherwise, either party to a lease agreement for an unspecified term may terminate a residential or business lease by giving at least three months' notice.

A lease agreement for a specified term expires at the end of the term. Extraordinary termination is allowed for material breach of agreements for both unspecified and specified terms.

If the tenant continues to use the leased premises after expiry of a lease agreement (entered into for a specified term), the lease is taken to have become a lease agreement entered into for an unspecified term unless the owner or tenant expresses some other intention to the other party within two weeks of expiry of the lease agreement (applies to the tenant) and as of when the owner learns that the tenant is continuing to use the leased premises (applies to the owner).

If the tenant does not release the premises after expiry of a lease agreement the tenant will become an unlawful possessor of the premises. Under Estonian law unlawful possession is also protected by law and the premises can be recovered only through court proceedings. As a result, there have been problems in practice regarding recovering premises from unlawful possessors.

Lease Payment and Other Expenses (Utilities)

Rent is usually paid once a month to the bank account of the landlord. The rent is typically indexed (eg, changes in local CPI may be capped at, eg, 3 - 5% per annum). The tenant commonly pays a deposit (or provides a first demand bank guarantee) of one to three months' rent.

Accessory expenses (utilities) such as electricity and water are considered included in the rent if not otherwise agreed in the lease agreement. Prevailing market practice is that the tenant pays for utilities and other expense items in addition to the rent in accordance with invoices from service providers or the landlord.

Distressed Asset Purchases

Distressed sales may be facilitated or controlled by banks that have been financing real estate projects which run into difficulties. The risk of seller insolvency has to be taken into account when planning distressed purchases because a transaction made on conditions detrimental to the seller may be revoked in later insolvency proceedings. This risk is higher during the first six months following appointment of an interim trustee for the seller. No purchase price pre-payments should be made to a seller who is potentially insolvent.

If a distressed asset is sold through enforcement proceedings, then statutory auction rules are applied so that the bankruptcy trustee or bailiff will arrange the auction. Real estate from insolvency or enforcement auctions can be bought using bank financing. The bankruptcy estate can be sold without public auction with consent of the creditors.

A distressed asset is usually sold "as is", which makes thorough due diligence even more important.

Lease contracts concluded by previous owners under terms adverse to the new owner may be difficult to terminate. As eviction of tenants is allowed only by court order then the process may be time consuming and costly.

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| Notes | |
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SORAINEN is a leading regional business law firm with fully integrated offices in Estonia, Latvia, Lithuania and Belarus. Established in 1995, today SORAINEN numbers more than 170 lawyers and tax consultants advising international and local clients on all business law issues involving the Baltics and Belarus.

Partners Group

Acquisition of real estate in all three Baltic States and Poland from the 'BPT Optima' real estate fund

Total lease area 112,000 m² EUR 163 million

2015

Buyer's Legal Adviser

MG Valda

Sale of North Star business centre in Vilnius, Lithuania

Total area approx 10,500 m² EUR 18.5 million

2015

Legal Adviser

Linstow group

Extension of Alfa and ORIGO shopping centres in Latvia

Total project value exceeds EUR 30 million

2015/2016

Legal Adviser

Technological Solutions

Construction of cogeneration plant and pellet plant in Brocēni,
Latvia

Total project value approx EUR 30 million

2015

Legal Adviser

AJ Produkti

Extension of office and warehouse in Latvia

Total project value approx EUR 1.2 million

2016

Legal Adviser

Estonian Technical Regulatory Authority

Analysis of legal possibilities and principles for compensating potential adverse effects of Rail Baltica construction on affected landowners

2015

Legal Adviser

Baltic Opportunity Fund

Purchase of Europa shopping mall in Vilnius, Lithuania

Total area 22,600 m²

2015

Buyer's Legal Adviser

East Capital Baltic Property Fund II

Acquisition of Mustamäe Keskus shopping centre in Tallinn, Estonia

Total area 21,000 m²

2015

Buyer's Legal Adviser

Rimi Eesti Food

Sale and lease-back of 18 retail properties in Estonia, housing Rimi and Säästumarket shops

Total lease area 16,818 m²

2015

Seller's Legal Adviser

Inreal group

Acquisition of a nine-storey business centre located in convenient and rapidly developing part of Vilnius, Lithuania

Gross area 14,850 m²

2016

Buyer's Legal Adviser

Latectus

Reconstruction of multistorey office building in the historic centre of Riga, Latvia

Total area approx 10,000 m²

2015

Legal Adviser

Minsterejas Projekti

Acquisition of properties in Riga, Latvia, for manufacturing purposes EUR 750,000

2015

Buyer's Legal Adviser

AIG

Opening of shared services centre in Lithuania

2015

Legal Adviser

Inreal Valdymas

Sale of Vertingis business centre in Lithuania

Total lease area 6,000 m²

2015

Seller's Legal Adviser

Naesborg

Spin-off and sale of real estate to investor in Lithuania

2015

Seller's Legal Adviser

Olympic Entertainment Group (OEG)

Entering the Maltese market and opening OEG's largest casino

Total area 2,700 m²

2015

Legal Adviser

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Canada: 31

Latin America: **24** Asia Pacific: **199**

EMEA: 108

€1.75

billion in annual revenue

160.0

million square meters under management

16,300

professionals and staff

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