

INVESTOR SURVEY RESULTS

ROUND 2

1HY INVESTMENT MARKET OVERVIEW

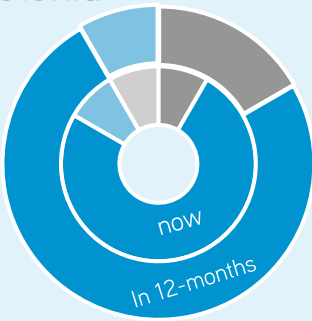




INVESTMENT MARKET OUTLOOK

▶ CURRENT INVESTOR SENTIMENT

Estonia



Latvia

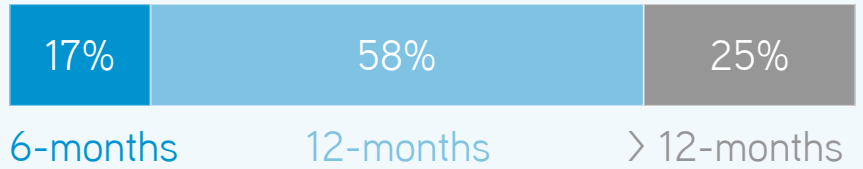


Lithuania



■ Falling ■ Balanced
■ Growing ■ Overheated

▶ How long will it take until we see the markets stabilize after Covid-19 outbreak?



▶ With regard to the timing of the bounce back, will it be V-shaped, W-shaped or U-shaped?



▶ What will be the % change in capital values by the end of 2020?

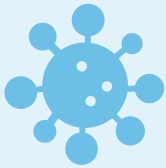


“More than 80% of respondents believe it will take at least one year for the investment market in the Baltics to recover”



INVESTMENT PLANS

▶ HOW HAS COVID-19 AFFECTED INVESTOR PLANS IN THE BALTICS?



69% of respondents haven't changed plans

15% plan to sell some properties during next 12-months

8% plan to switch focus to other property segments

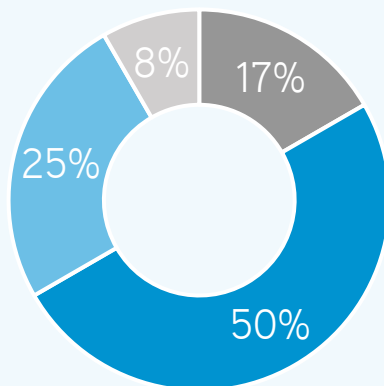
8% will not invest in existing property development

▶ CRE INVESTMENT STRATEGY IN THE BALTICS FOR 2020



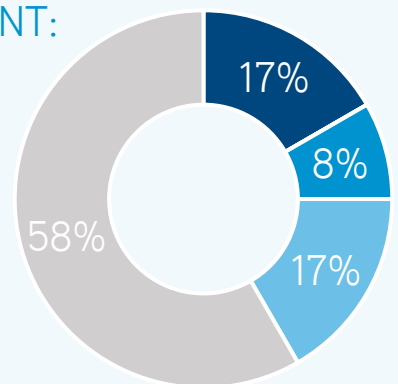
▶ NEXT ASSET ACQUISITION PLANNED:

- Now
- In 3 months
- In 6 months
- In 12 months
- Not planned



▶ NEXT INTENDED ASSET DIVESTMENT:

- Now
- In 3 months
- In 6 months
- In 12 months
- Not planned

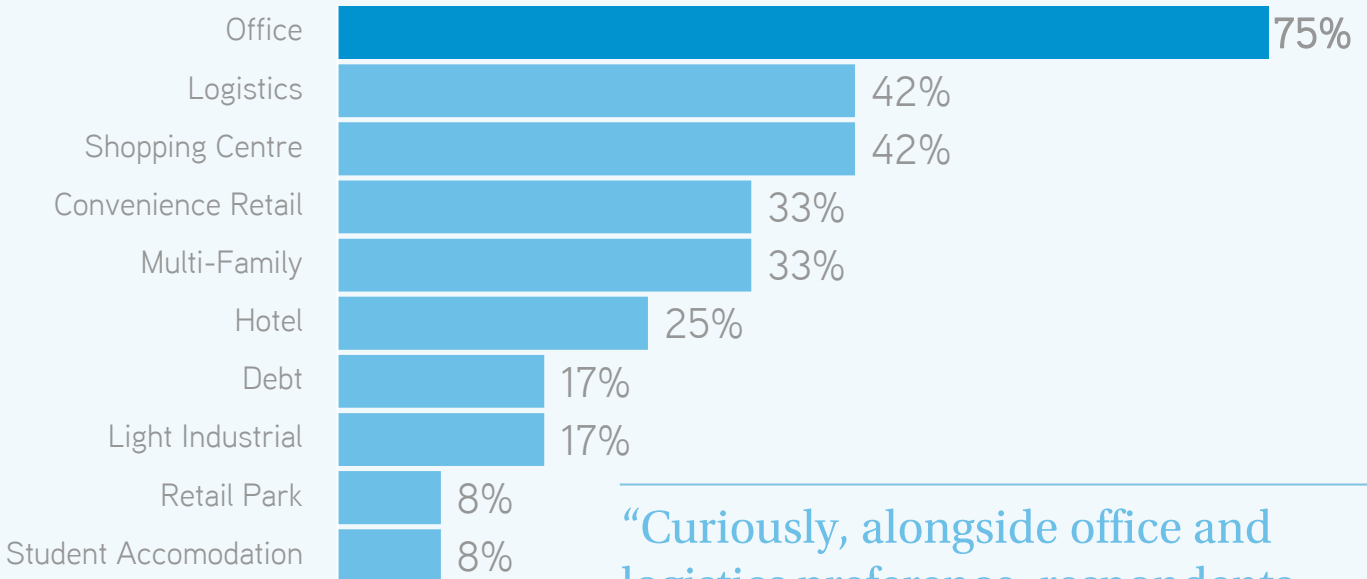


“75% of respondents are in the buying mood and 67% plan to acquire a new asset in the next 3 to 6 months. In the meantime, only 34% of respondents would rather sell and only 25% plan to do so in the next 6 months”



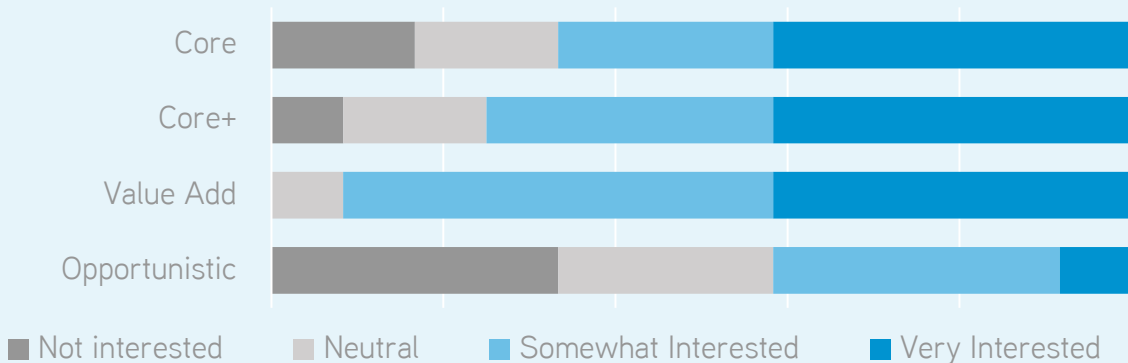
ASSET CLASS & RISK PROFILE

▶ HOW INTERESTED ARE INVESTORS IN THESE ASSET CLASSES?



“Curiously, alongside office and logistics preference, respondents in the Baltics still see opportunities in the shopping center segment”

▶ HOW INTERESTED ARE INVESTORS IN THESE RISK PROFILES?

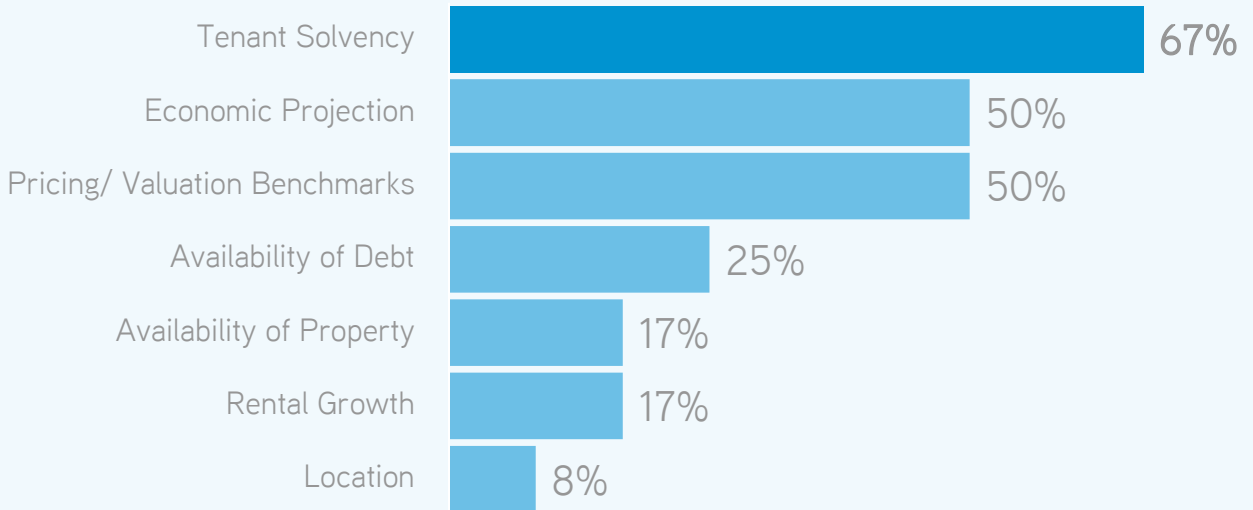


“Majority of respondents have wide target risk profile, ranging from core to value add, while some investors focus only on the later, making value-add properties a desirable target in the Baltics”

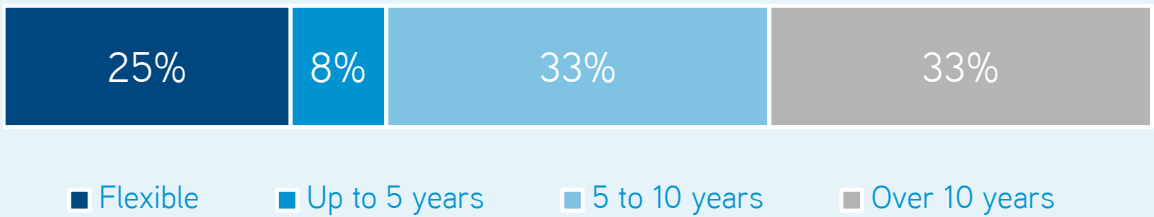
TARGET INVESTMENT & CHALLENGES



▶ WHAT ARE THE BIGGEST CHALLENGES TO REAL ESTATE MARKETS GOING FORWARD IN THE NEXT 12 MONTHS?



▶ INVESTMENT HOLDING PERIOD:



“50% of respondents are ready to invest in all three Baltic countries & 25% are looking also beyond the region”

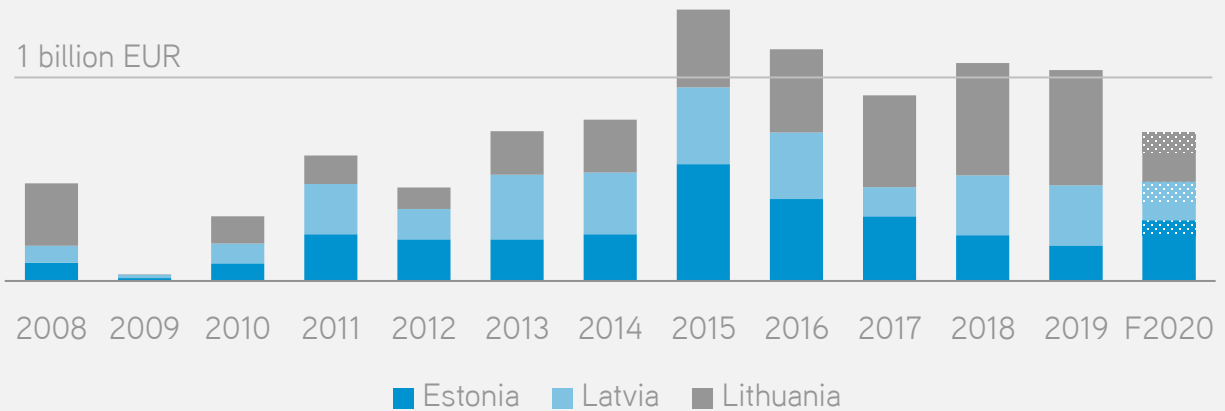


Second round of the Baltic investors' survey was conducted in July 2020. The results presented here show respondents' sentiments and might not be representative of the whole market in the region.

TRANSACTION VOLUME



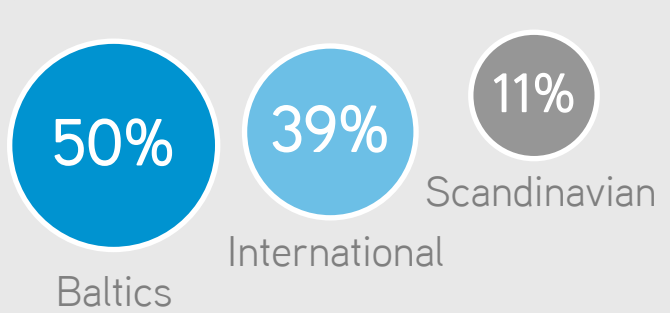
TOTAL INVESTMENT VOLUME IN THE BALTICS



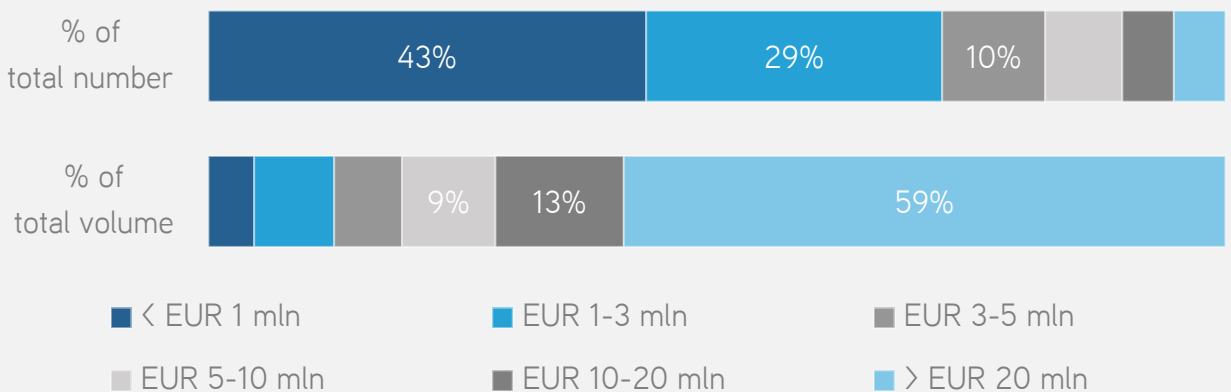
INVESTMENT VOLUME 1HY 2020



CAPITAL ORIGIN 1HY 2020



INVESTMENT TURNOVER IN THE BALTIC STATES BY SIZE IN 1HY 2020



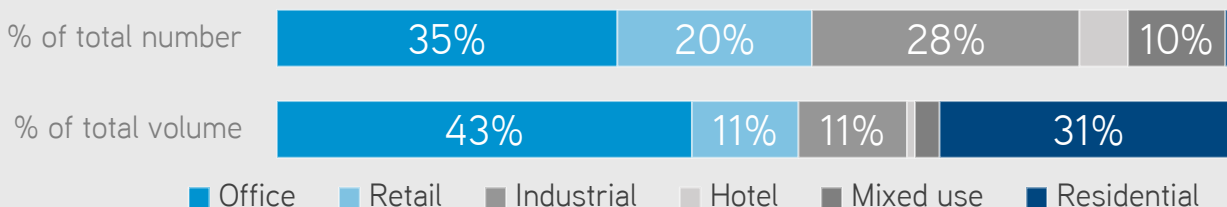
INVESTMENT PROPERTIES






▶ TOP 10 INVESTMENT TRANSACTIONS IN 1HY 2020

Object	📍	Type	Thou sqm	Vendor	Investor
Raadiku municipal rental apartments	EE	RESI	107.9	LCN Capital Partners	ICG
Park Town BC stage II	LT	OFFICE	22.5	Darnu Group	PT Rytai
SEB HQ	EE	OFFICE	18.9	Laurus	East Capital
IBC BC	LT	OFFICE	24.8	INVL Baltic Real Estate	Lords LB Asset Management
Dominante	LV	I&L	38.9	1B Logistics	EfTEN Capital
Portfolio: Piepilsetas LC & AirBaltic office	LV	VARIOUS	20.7	Pillar	EfTEN Capital
Valge Maja	EE	OFFICE	16.4	Laurus	LHV pension funds
SEB Bank buildings	LT	OFFICE	10.2	Laurus	Wabashi
A7	LV	RETAIL	6.6	New Agenda Partners	TZA7
Dzirciema 42	LV	RETAIL	3.2	INTERFIELD 2011	LIDL

▶ INVESTMENT TURNOVER IN THE BALTICS BY SECTOR IN 1HY 2020



▶ PRIME YIELDS BY COUNTRY

	Office 	Retail 	Industrial 
Estonia	6.1%	6.4%	7.75%
Latvia	6.2%	6.6%	7.75%
Lithuania	5.8%	6.5%	7.75%

“74% of total 1HY 2020 investment volume is formed by TOP 10 investment transactions”



TENDENCIES & FORECASTS



- Despite intense current investors activity, pause in the transactions during the spring period might mean that investment volume in 2020 will settle at around EUR 800 million instead of EUR 1 billion.



- Spike of investment volumes in 2HY 2020 is still possible if larger transactions are completed this year.



- If current situation remains as is, markets will get more active during 2nd half of 2020, partly due to lifting of quarantine and travel restrictions, but even broader recovery is expected in 2021 tracking the economy and sentiments of all market participants.



- Investors are expected to target more defensive assets, such as offices, logistics and grocery led retail.



- Tenant solvency will be the key driving factor for successful cash flow generating asset divestments.



- Increased share of transactions by Baltic investors is expected to remain throughout the year, as now it is much simpler to complete transactions with teams on the ground.



- The economic environment and financing conditions will have an impact on the bottom line of real estate investors, however, competition remaining strong, prime yields will not see any dramatic increase. Prices in core+, value-add and opportunistic segments will experience more pressure.



- The Baltic States as a higher-yielding European market will continuously attract new global capital in the long-term perspective, however on condition that there is supply of good quality investment products.



- Investors will benefit from new opportunities in the market.



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