

BalticBusiness Quarterly

AUTUMN 2021



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The vision of
the Old City Harbour
in Tallinn

DISCOVER PROPERTY
DEVELOPMENT PROJECTS AND TRENDS
ON THE BALTIC MARKET

Baltic Real Estate: **BUBBLE OR BOOM?**



**Tesonet cyber city
for employees in Vilnius**



**Artery – the new business
district in Vilnius**



**The Rail Baltica
central hub in Riga**

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BAVARIA - PARTNER STATE 2021

Similar yet different

Amongst the three Baltic states, in recent years Lithuania has been leading the way in terms of property development, while Tallinn is leading the way in house prices, and Riga is only just beginning to realise its potential.

COMMENTS WERE SUMMARISED
by **INGRĪDA DRAZDOVSKA**
DELFI BIZNESS, EXCLUSIVELY FOR
BAL TIC BUSINESS QUARTERLY

Offices

REINIS LAUSKIS, CBRE BAL TIC
SENIOR CONSULTANT

In the past few years Lithuania has been more successful in attracting international companies to its capital city and therefore in encouraging developers to be more active in office building construction. For example, in Vilnius a total of 49% of the modern office stock is no older than five years, while in Riga a fairly hefty 62% of the modern office stock is more than ten years old. But the next few years will show whether Riga can keep up with its neighbour as Riga's office market has an impressive pipeline of office premises which are scheduled to be delivered by the end of 2023, all of which have a total floor space of over 150,000 square metres. Tallinn's office market is also pretty active, with nine projects with a total GLA (gross leasable area) of more than 50,000 square metres having been delivered in 2020, and more with a total floor space of about 80,000 square metres to be delivered in 2021/2022. Prime rental prices

in all three Baltic capitals stand at around 17 EUR per square metre. In 2020, vacancy rates in all three Baltic capitals increased as a result of the influx of new office premises into the total volume of stock.

Industrial

REINIS LAUSKIS, CBRE BAL TIC
SENIOR CONSULTANT

Modern industrial stock in the Baltic countries has been very active. It grew by more than 300,000 square metres in 2020 and is expected to grow by an additional 310,000 square metres in 2021. The most active market in terms of planned and delivered projects is in Lithuania because, unlike the other Baltic countries, Lithuania's warehousing and logistics sector is concentrated in three cities (Vilnius, Kaunas, and Klaipeda) rather than in just one. With the growth of e-commerce, there is an increasing need for warehousing facilities for retail companies. Rental prices in all three Baltic countries are expected to remain stable, with average rents being between about 4.20-4.65 EUR per square metre. Industrial assets are of increasing interest and appeal in the commercial property investment sector. With the rising volumes of e-commerce services, various warehouses, logistics centres, and similar properties tend to capture investor attention.

PRIME RENT PRICE		€ per sqm
Offices	17	
Industrial	4.20-4.65	

Source: CBRE

Housing

RAIMONDAS REGINIS,
RAIN RÄTT, AND ANDIS BĪRIŅŠ,
OBER HAUS EXPERTS

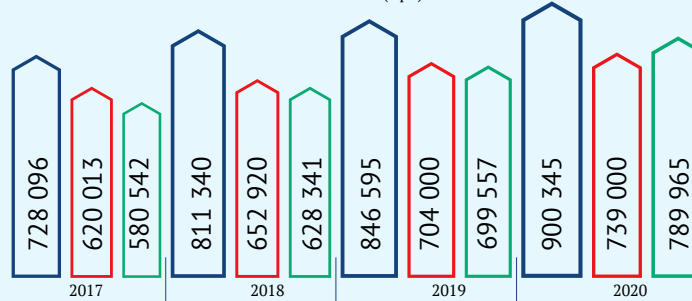
Out of the Baltic states capitals, Riga's property market seems to be the weakest. It suffers from a continuing deterioration of its demographics and a lack of confidence on the part of property market players, something which is shown by what remains the lowest levels of market activity and overall investment into housing developments. At the same time lower house prices and their growth rate do tend to reveal the market potential in Riga. Recently, the interest of investors and developers in the Latvian market has been increasing. In 2021, the easing of pandemic restrictions has encouraged people to become active again in selling, buying, and changing property. Optimism about market growth is higher in Latvia and the growth rate is faster, but not as pronounced as in Estonia and Lithuania. Price growth in the Baltics is somewhat frenetic. Still, both 2021 and 2022 promise to be productive for the Baltic housing markets. The rapid economic recovery, the persistence of attractive housing financing conditions and the expectations of the population and businesses regarding the prospects of the housing market all serve to create the conditions for further market development. Of course, each country has a different starting point. Although the general trends will be similar, the pace of development may be different. In May 2021, an all-time record was achieved in Lithuania, with record sales of apartments and houses being registered in the country, beating all previous figures. The annual growth of apartment sale prices is at its highest since 2008. This means, for example, that it is more difficult to expect even higher relative activity or sale price growth in the housing market than in Latvia, which has a much lower comparative base, something which is a hangover from the recent global financial crisis of 2008-2009.

Key indicators for real estate in Estonia, Latvia and Lithuania

■ Riga ■ Tallinn ■ Vilnius

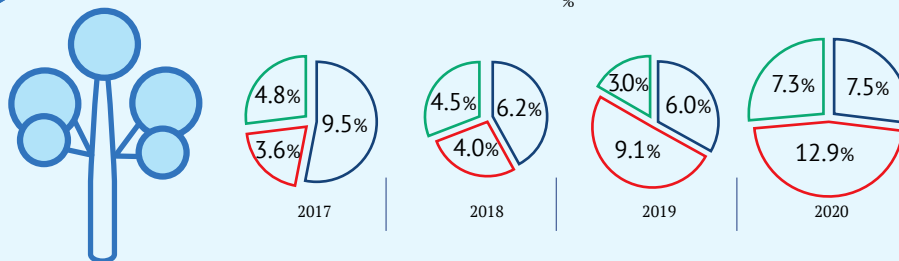
Offices

Total Stock (sqm)



Vacancy

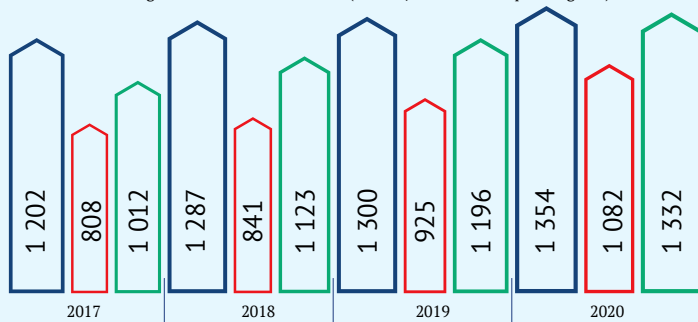
%



Industrial

Total Stock (1000 sqm)

■ Riga ■ Tallinn ■ Lithuania (Vilnius, Kaunas & Klaipeda regions)



Average apartment price index in the Baltic capitals

(EUR per sqm) May, 2021

1280 €

1832 €

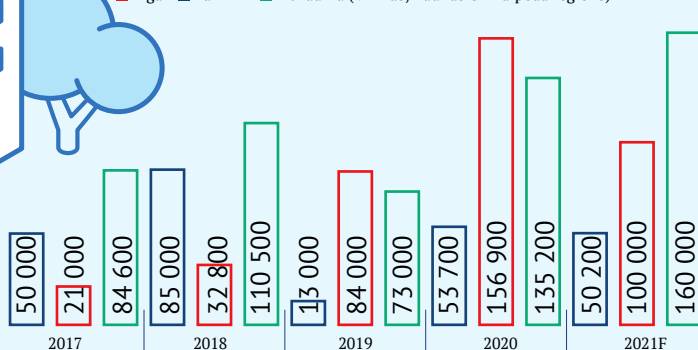
2272 €

The calculations include data on transactions for all types of apartments – new-build, Soviet-era, both primary and secondary market.

New deliveries

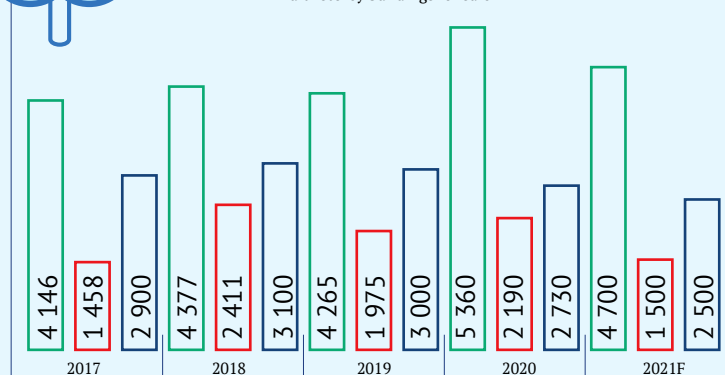
(isqm)

■ Riga ■ Tallinn ■ Lithuania (Vilnius, Kaunas & Klaipeda regions)



Number of completed apartments

in multi-storey buildings for sale



Source: Ober Haus, CBRE

by INGRĪDA DRAZDOVSKA
DELFI BUSINESS, EXCLUSIVELY FOR BALTIC BUSINESS QUARTERLY

Project highlights

Forrest Gump quoted his mother who compared life to a box of chocolates to describe how full of surprises it was; BBQ also has prepared a little selection of property development projects in order to outline trends on the Baltic market. Sustainable, green solutions and ideas are currently in focus in the region, and elsewhere in the world.

Kalaranna District (Estonia)

Pro Kapital project Kalaranna District is a unique sea-side residential district on the border of Tallinn's central city and old town. Kalaranna District will have twelve four and five storey buildings on nearly six hectares. The immediate seafront location on the border of Tallinn's Old Town also means an important footprint in the development of Tallinn's seaside area. Kalaranna District will be built in two phases, of which the first one is currently in progress and will be completed in spring 2022. With an ongoing phase, 8 houses, a District Square connecting the houses, Kalaranna Park

area & renewed promenade will be completed. The architects have drawn a parallel to the old town with its quiet corners and cozy fit, which they also brought to Kalaranna. The area between the houses is reminiscent of a modern Italian urban space with a pleasant atmosphere - restaurants, cafes, boutiques and homes on the upper floors line the town square. The promenade area will have its own sandy beach, volleyball area (that can be used as an ice skating rink during wintertime), a table tennis area, playground for kids, greeneries with picnic areas and much more. With the second construction phase, 4 buildings will be completed. Kalaranna District is a car free urban space, with fully underground parking.





Artery in Vilnius (Lithuania)

A building complex designed by a world-renowned architect Daniel Libeskind in Vilnius's business district will redefine the modern workplace by offering an unconventional and innovative approach to the new ways of working. Lords LB Asset Management's Lords LB Special Fund I Subfund A is developing the 69 EUR million project. A 20-storey business centre, called Artery, is projected to be finished in the summer of 2023. The building's contemporary architecture will enrich the composition of the "urban hill" and reflect the city's desire to welcome innovations

of the 21st century whilst maintaining strong ties to the beauty of historic architecture. The complex's three underground floors are being completed. The construction work will move to the surface at the end of summer. The building will be Class A+ in energy efficiency and aim to get the global BREEAM Excellent New Construction sustainability certificate. The business centre will boast restaurants, cafes, retail and service spaces, as well as a 35-metre-high atrium open to the public 24 hours a day. An underground passage will connect the business district with the centre of Vilnius. It will include bicycle storage, showers, changing rooms and one of the largest spaces for charging electric cars and scooters in Vilnius.



Preses nama kvartāls (Latvia)

The real estate developer "Lords LB Special Fund V" is giving a new look to the former Press House area opposite Riga's historical centre. In the first construction phase it is planned to establish one of the most modern business centres in the Baltics. The complex will also develop a multifunctional centre with large shopping and dining areas, a fitness club, medical services, a bicycle shed and a repair shop, as well as a three-level car park above the ground. On the roof of the building there will be a green terrace, a football field, an adjustable sports area, a café and a children's playground. The unique football field on the roof terrace of the fifth floor of the multifunctional centre will be the only one in the Baltics, and with its construction the project developer plans to create synergies between an active lifestyle and work environment. The former Press House skyscraper will be renovated to become a four-star "Holiday Inn" hotel. The new business district will become an educational, cultural and financial centre of Riga, boasting sustainable and environmentally friendly solutions. The first construction stage is set to finish in 2023.



Verde (Latvia)

The greenest Class A office complex is located at Riga's modern business centre in the Skanstes district. According to forecasts, by 2030 more than 42,000 people will work and live in the Skanstes district.

In essence, the project rests on four powerful pillars: a sustainable architectural solution, Class A energy efficiency levels, smart building management (holding both the BREEAM Excellent and nZEB certificates), impressive landscaping, and greenery both outside and inside the buildings. Tenants have access to a range of facilities, including

a conference centre and a 600 m² terrace with a garden. The total floor space of the complex, including its underground parking facilities, will amount to 45,000 m², of which 30,000 m² will be available for leasing. The project's development will consist of two rounds. The first building is currently under construction and is scheduled to open in June 2022. The VERDE architect is Andris Kronbergs, working in conjunction with the ARHIS Arhitekti firm. Developer: the Lithuanian SBA Group subsidiary, Capitalica Asset Management. More than sixty-five million euros are to be invested into the complex.



Nemunaičiai (Lithuania)

'Nemunaičiai' is a new residential project developed by "SBA Urban" in Kaunas, second biggest city in Lithuania, on the left bank of the largest river in the country - Nemunas. The project concept is based on the balance of nature and the city. Here, residents will be able to enjoy the green banks of the Nemunas, the river and the panoramic view of Kaunas Old Town. The architectural concept of the territory was prepared by the architectural studio of the National Prize winner Rolandas Palekas. Five A+ 6-8 storey buildings with 165 apartments will emerge here. Construction work on the first two buildings began in 2021, April, it is planned that the settlers will move in in the third quarter of 2022. The investments into this project will reach up to 19 million euro. The territory itself is undergoing significant changes. In this part of the city, next to the Nemunas Island and Arena, not only residential houses, but also offices, cultural and sports facilities will be developed. The projects initiated by the city are the M. K. Čiurlionis Concert Center, a museum-science island, the construction of which has already begun. According to the territorial development plan approved by the city, two new pedestrian and bicycle bridges will appear on the Nemunas Island.



The Pine (Latvia)

Swedish real estate developer Eastnine plans to start the construction of a wooden five-storey class-A office building ('The Pine') in Riga; the operation of the building is to start in late 2023. According to information available to Eastnine, this will be the first wooden office building of this size in the Baltics, and will become one of the most innovative and tenant-friendly office buildings

in the region. The project was developed by Arrow Architects from Denmark, who worked in conjunction with the Latvian architect firm ARHIS Arhitekti. The total floor area of the office building will be 16,900 m². The focus will be placed on using renewable energy in the overall energy consumption in the building, for example by obtaining such from the solar panels that will be installed on its roof. Eastnine has set the goal of developing The Pine as the first zero-emissions office building in the Baltics.



Grüne (Estonia)

The "grüne maja" building is an office space for those who appreciate the comfort of an urban environment and an environmentally friendly way of thinking. The building is located in the green space of Tallinn, Haabersti district, between the Tallinn Zoo green corridor and the Kõrgepinge street multi-purpose path. The developer "Hepsor" is constructing a new extension to Meistri street with sidewalks to ensure good access for all road users. Innovative engineering solutions help keep the utility costs of your future office in check. The energy-efficient ground source heating system uses ground heat for heating in winter and cooling during summer. The smart automatic devices of the building regulate the distribution and storage of heat in the building's inserted ceilings. Rainwater will be collected and recycled to reduce unnecessary water consumption. Well-thought out architectural details help reduce the cooling and heating requirements of the building. Solar panels installed on the roof of the building help keep the electricity costs down. Architecture – "molubma" & "VL Interior Architecture". The new office building will be ready by the end of this year.