



Kaunas Business Outlook 2020

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The most comfortable chair
for business is in Kaunas

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Introduction

We believe that the strategic directions of urban development and the actions planned to achieve them will also be reflected in the city's rising annual economic indicators in the future



Public Institution Kaunas IN

Director

Tadas Stankevičius

Although 2020 can hardly be called a normal year, it did not significantly impede Kaunas' development and growth trends – the Rail Baltica infrastructure projects of national importance and the reconstruction of the bridge over the Neris River, which will separate car flows on the Islandijos highway, are being further developed.

New residential real estate projects are emerging – not only the Piliamiestis and Radio City in the city centre, but also ambitious projects such as Minkovskiai in Aleksotas or active construction of private houses in the western suburbs.

The city's ongoing projects (reconstruction of the Sports Hall, Darius and Girėnas Stadium) create a new face for the city and fill in the former gaps. The completion of the Winter Sports Centre is encouraging.

In the context of investment, we would like to welcome the expansion of existing investors, with growth recorded in high value-added sectors that create well-paid jobs: automotive components (Continental, Hella), medical technology (Hollister) and IT (Devbrige and Hostinger). The increased supply of modern offices creates excellent conditions for new business centres to come to Kaunas.

Kaunas Aleksotas Innovation Industrial Park, which received the status of an economic project of national importance at the end of last year, is being further developed and in the near future will create even more opportunities to attract new investors to the city.

Although the population of the city of Kaunas has grown for the first time since the restoration of independence in 2020, we set ambitious goals for further growth. In order to ensure a growing number of talented people working in the city, together with strategic partners from the public and private sectors, we initiated a promotional programme of highly promising electronic engineering studies, which aims to attract talent and students in the field in order to achieve Kaunas leadership in engineering sciences, innovation and manufacturing at the international level.

Kaunas highlights in 2020

LAISVĖS AVENUE REBORN

The reconstruction of Laisvės Avenue, which lasted about 5 years, has been completed this year! The region's longest pedestrian street has a new granite pavement, the most famous fountain in Kaunas has been reconstructed, new plantings have occurred and small architectural features have been renovated. Work continues on the approaches to Laisvės Avenue.

NATIONAL STATUS GRANTED FOR THE ALEKSOTAS INNOVATION AND INDUSTRIAL PARK

Road and engineering infrastructure installation works were completed in the Aleksotas Innovation Park established in 2020, by installing new underground communications, streets, bicycle paths lit. The park has been granted the status of an object of national importance (economic) by the Government of the Republic of Lithuania.

Around 30 hectares of the site will be home to innovation-generating companies and separate research and experimental development units. The next step is the conversion of a heliport.

Dec.

DEVELOPMENT OF MAJOR INVESTORS

Hella and Hollister announced expansions at the end of 2020, followed by the announcement of Continental in early 2021. Interestingly, all of these companies chose Kaunas back in 2017 and announced the second phase of their expansion at a similar time. The new expansion plans in these companies will involve a total investment of just over EUR 100 million and are expected to create more than 1.000 new jobs in the region.

Nov.

DEVELOPMENTS ON NEMUNAS ISLAND

A multifunctional water sports centre with an Olympic-sized swimming pool, SPA zone and sports club began to emerge next to Žalgiris Arena. At the same time, work began on the construction site of Mokslo Sala (Science Island) – the country's only interactive science popularisation centre, with a new bridge to the island in the vicinity.

Aug.

MAGNUM BUSINESS CENTRE OPENED

A modern Class A business centre, Magnum, with an area of 32 thousand sq. m has been opened in the centre of Kaunas, symbolically completing a huge growth spurt of Kaunas in the office market, when since 2017 the total office area has increased by 160 thousand sq. m, an increase of 2.5 times.

Jul.

VIENYBĖS SQUARE RENOVATED

Vienybės Square is the symbol of Lithuanian statehood and a place to celebrate the most important State holidays. The eastern part of the square has been extensively renovated, including new plantings. Modern architectural solutions give it a contemporary look.

May

General data for Kaunas

KAUNAS BY POPULATION

3

LITHUANIA, LATVIA AND
NORTH-EAST POLAND REGION

4

BALTIC STATES

POPULATION, THOUS.

KAUNAS CITY MUNICIPALITY

293

KAUNAS CITY AND DISTRICT
MUNICIPALITY

389

KAUNAS COUNTY

565

KAUNAS CITY AND DISTRICT MUNICIPALITY POPULATION CHANGE



GROSS DOMESTIC PRODUCT (GDP)

GDP OF KAUNAS COUNTY, EUR

9.96 bln.

SHARE OF KAUNAS COUNTY IN
NATIONAL GDP, %

20.4

GDP PER CAPITA,
THOUS. EUR

17,7

GDP PER CAPITA RELATIVE TO THE
NATIONAL AVERAGE, %

101,5

SALARIES IN KAUNAS

NET SALARY, EUR

	Q4 2020	Change from Q4 2019
KAUNAS CITY MUNICIPALITY	1005.3	13.5 %
KAUNAS CITY AND DISTRICT MUNICIPALITY	986.3	13.5 %
KAUNAS COUNTY	972.9	13.6 %

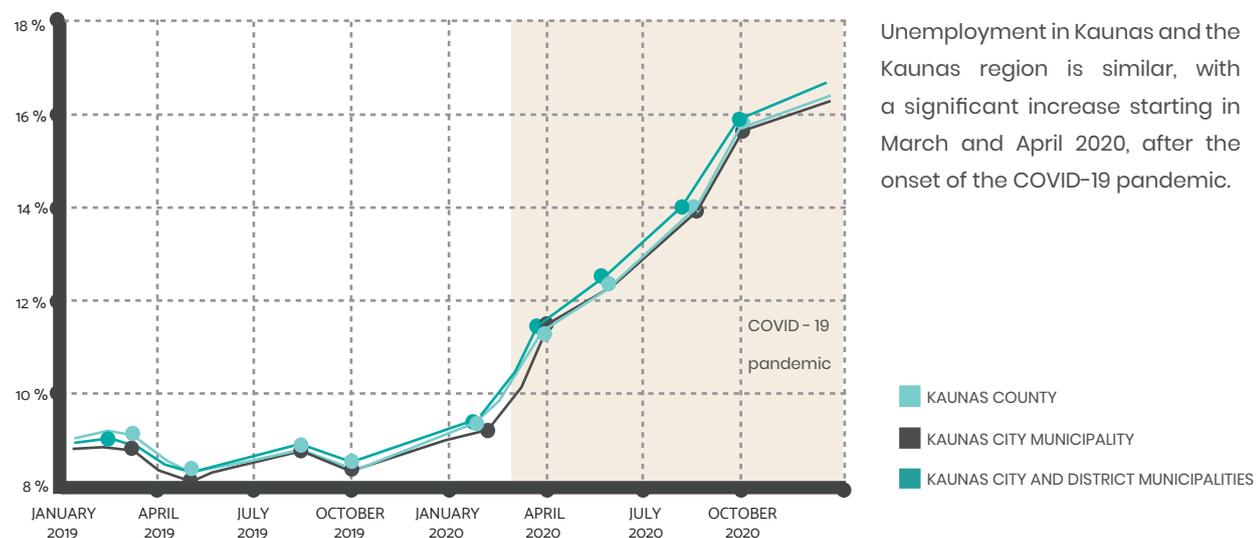
Despite some of the fastest average salary increases in Lithuania for several years, the average salaries of a wide range of highly skilled professionals still remain lower than in comparable cities in Romania or Poland. This competitive aspect indicates that there is still considerable growth potential.

Competitive salaries are likely to have contributed to its 4th place in FDI Magazine's ranking of European cities of the future (small and medium-sized cities category).

SALARIES AND WAGES IN OTHER CITIES BY PROFESSION (NET)

	Production staff (highly skilled)	Difference from Kaunas	Laboratory specialists	Difference from Kaunas	Engineers	Difference from Kaunas	Programmers	Difference from Kaunas
KAUNAS	1058	—	1092	—	1431	—	1498	—
CLUJ-NAPOCA, ROMANIA	1138	8 %	1165	4 %	1429	0 %	1571	10 %
WROCLAW, POLAND	1266	20 %	1302	16 %	1515	6 %	1627	14 %
LEIPZIG, GERMANY	4064	284 %	4148	272 %	4654	225 %	4756	232 %
AVERAGE FOR CITIES IN ILLINOIS, USA	4759	350 %	4876	336 %	5850	309 %	6035	322 %

UNEMPLOYMENT IN KAUNAS CITY AND REGION

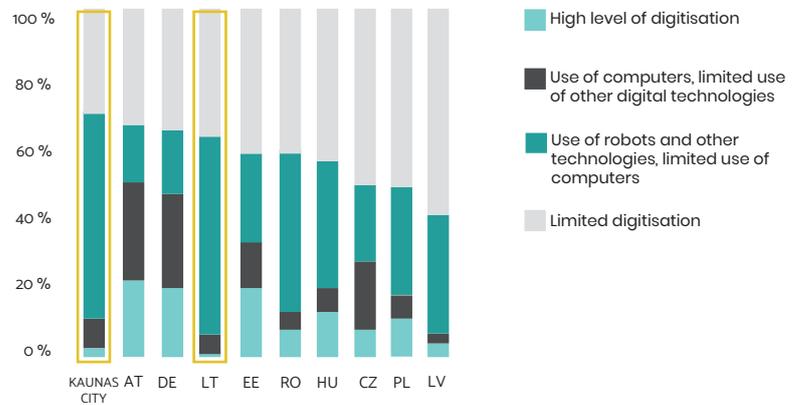


Unemployment in Kaunas and the Kaunas region is similar, with a significant increase starting in March and April 2020, after the onset of the COVID-19 pandemic.

A study by the Eurofound agency, European Union, published in 2020, revealed data on the extensive use of automation and robotics in industrial enterprises in Kaunas County.

The survey covered 38 industrial enterprises operating in Kaunas county. Even though the level of computer use in industrial enterprises is low, the widespread use of automation is delivering good modernisation results, outperforming not only Lithuania, but also the average of most European Union countries.

Kaunas industry on the road to automation



In Lithuania, there are only 7 economic entities who have been awarded the official status of an innovative enterprise by the Ministry of Economy and Innovation, granting corporate tax benefits. Three of these entities operate in Kaunas. Two of them, Elinta and Esperonus, are both in the field of automation.

Economic entities	Business groups	Companies
3	2	ELINTA ESPERONUS

Lithuanian industry needs to take immediate and decisive steps to get out of the trap of low and medium wages. Probably the only way to increase wages is to increase productivity and efficiency through robotics and the automation of production processes.

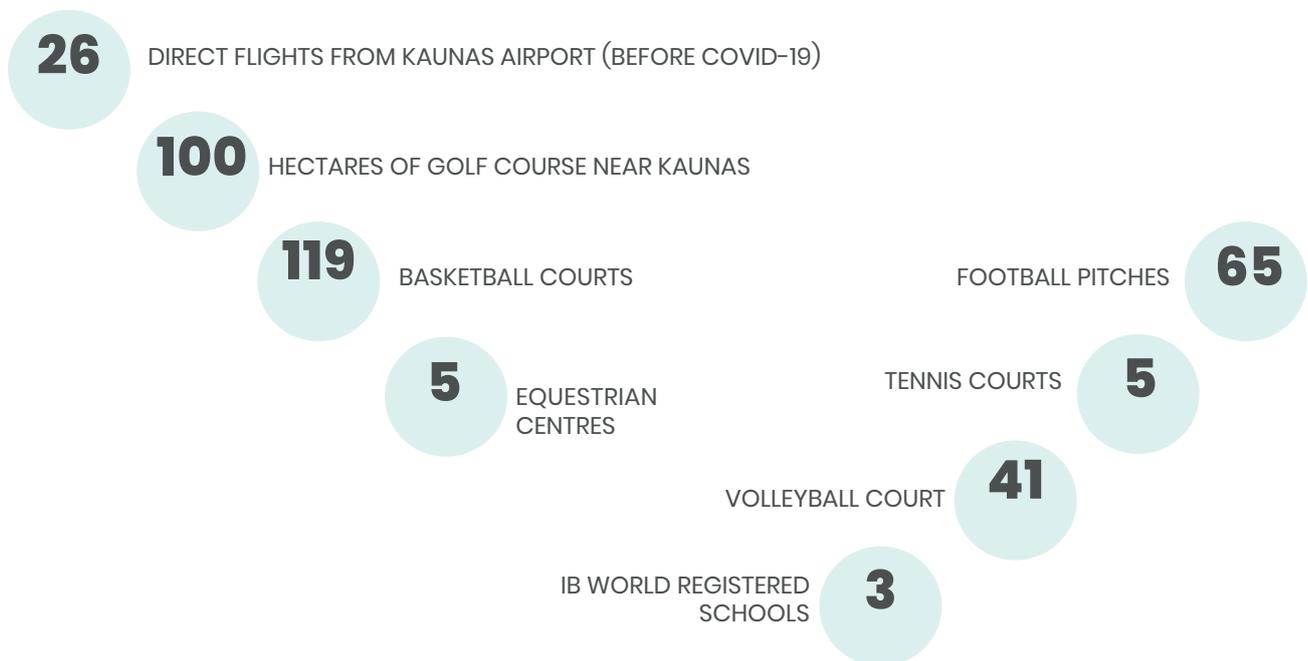
New start-ups, such as those based in the territory of Kaunas FEZ, have a high and even very high level of robotisation. Companies that have evolved from cooperatives or small enterprises to mass-producers often fail to automate or robotise production in time, and try to maintain their competitive advantage by keeping wages low and increasing volumes by recruiting more labour. This is the wrong way to go and such companies need to be encouraged to change their approach to production processes to robotics and automation as soon as possible.

I am pleased that the demand for robotics in Lithuanian industry is growing, and our company UAB Elinta Robotics is receiving increasingly more orders every month, even during the pandemic.



Elinta UAB
Vytautas Jokužis
General Manager

QUALITY OF LIFE IN KAUNAS IN FIGURES



Kaunas Naujamiestis has been officially nominated to become a UNESCO World Heritage Protected Site.

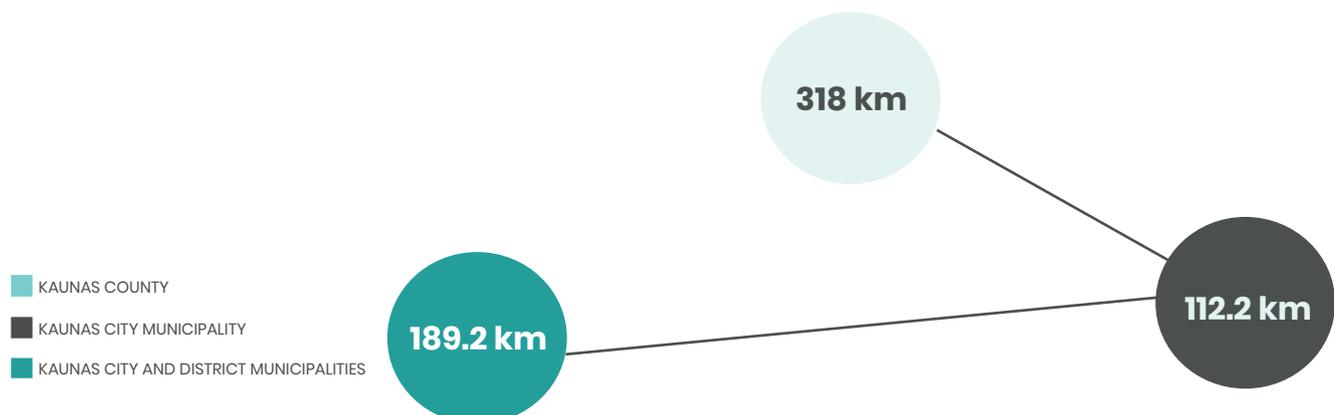


Closed Žalgiris Arena, the largest in the region and 7th–9th in Europe, attracting the most famous performers and up to 20,000 spectators.

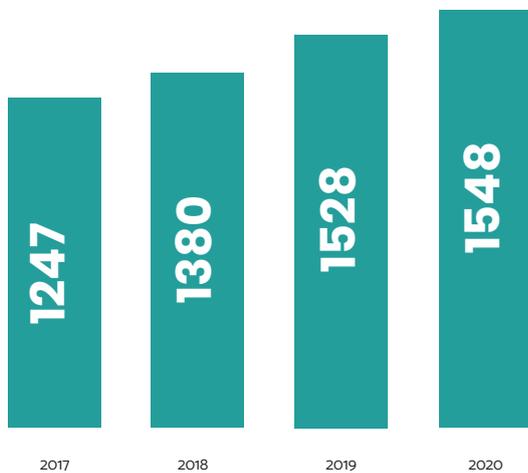
LENGTH OF BICYCLE PATHS IN KAUNAS

In 2019, Kaunas County had as many as 318 km of bicycle paths – the most compared to any county in Lithuania.

In 2020, Kaunas City Municipality built **12.4 km of new bicycle paths.**



NUMBER OF COMPLETED NEW HOUSES IN THE CITY OF KAUNAS



Increasingly more new housing is built in Kaunas every year. This reflects the increased financial capacity of Kaunas residents.

The largest number of new building permits in the last year was issued in Kaunas Šilainiai district (709), which also covers the fast-growing Romainiai district, and in Aleksotas district (415).



The residential housing market in Kaunas in 2020 was exceptional. Despite the pandemic that almost completely halted sales in the first months of the last year, the third and fourth quarters of the year have seen a particularly strong increase in demand, which can even be compared to the corresponding period in 2019. At present, our sales curves indicate the growing enthusiasm and desire of Kaunas residents to buy high-quality housing in a promising location for both living and investment.

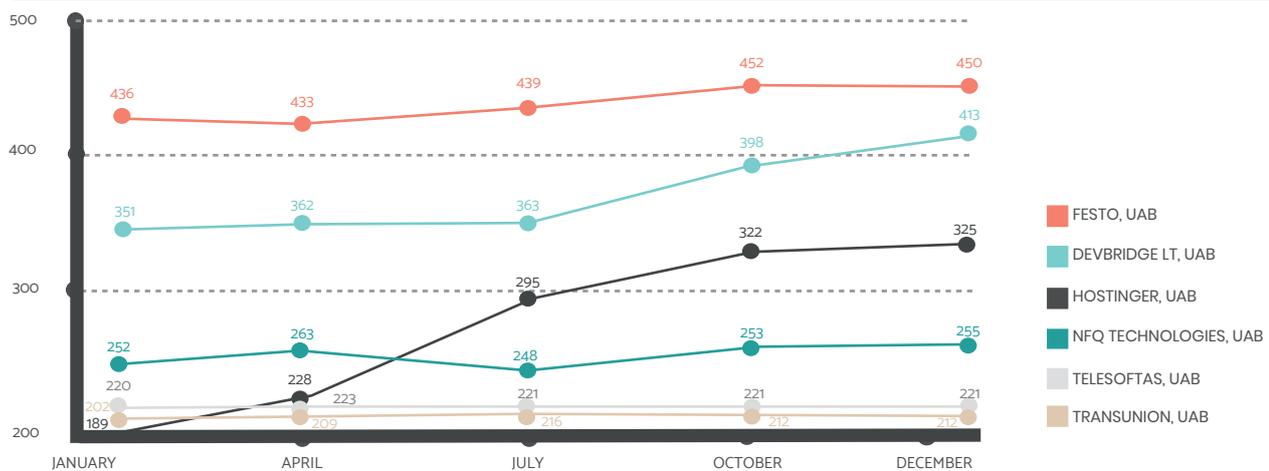
UAB „YIT Lietuva“
Kęstutis Vanagas
Managing Director

Priority business sectors

BUSINESS SERVICE CENTRE AND IT SECTOR

The largest companies in the GBS and IT sectors in Kaunas in 2020 have adapted to the new working conditions during the pandemic by retaining existing employees or through growth. Hostinger, which has shown record growth, is now among the top three companies in the sector. Devbridge, which remains the leader, also showed significant growth.

COMPANIES IN THE SERVICE CENTRE AND IT SECTORS EMPLOYING THE HIGHEST NUMBER OF STAFF



For many years now, we have been working with the world's largest manufacturing, financial and service companies in Western Europe and North America, and every year we receive new and increasing orders that have won international acclaim. We met the year 2020 with confidence: we had updated our sales strategy, set clear development criteria, invested heavily in the development of internal tools and the efficiency of processes, and faced the pandemic with calm and strength. Since the company's inception, we have been growing at an average rate of around 30% every year, and we plan to recruit 400-500 new employees over the next five years.

UAB „Devbridge“

Viktoras Gurgždys

Vice President and Head of Lithuania Division

MODERN BUSINESS SERVICE CENTRE

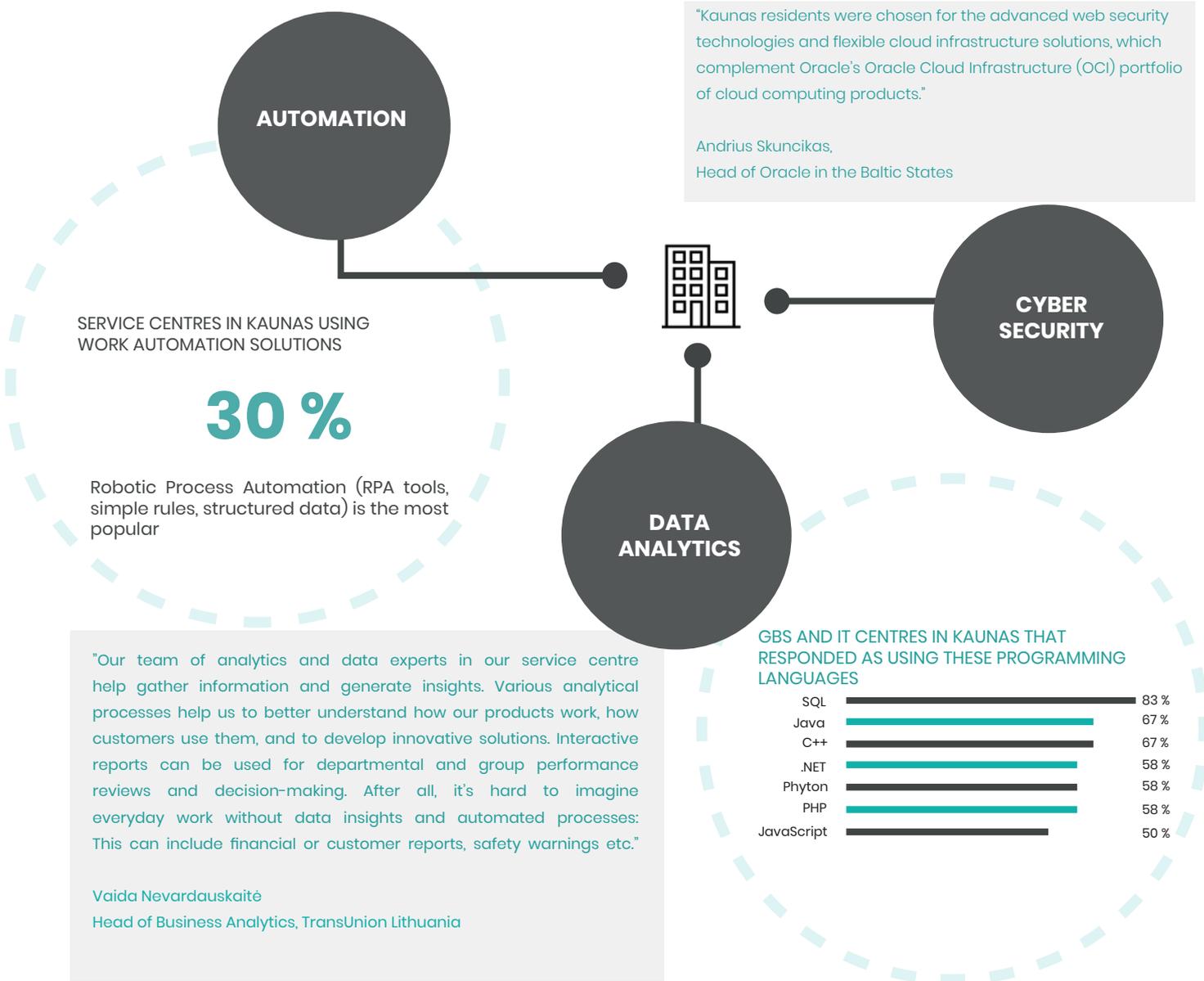
Some of Kaunas' business service centres carry out IT work.

As centres modernise, increasingly more IT specialists are needed.

The Kearney's ranking of countries' attractiveness for international service centres takes into account the latest trends in the sector: process automation, cybersecurity and data analytics.

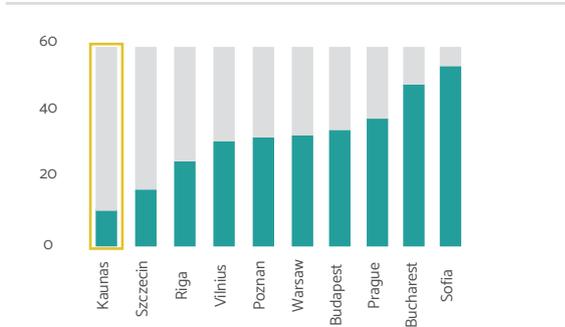
These trends are beneficial for both Lithuania and Kaunas. Lithuania has jumped up 13 places to 16th in the world, partly due to its strong performance in IT.

According to the survey, business service centres and IT companies operating in Kaunas use a wide range of programming languages. The most popular programming language (used by 83% of the companies surveyed) is SQL for data processing and analysis.



INVESTMENT ENVIRONMENT FOR BUSINESS SERVICE CENTRES AND IT

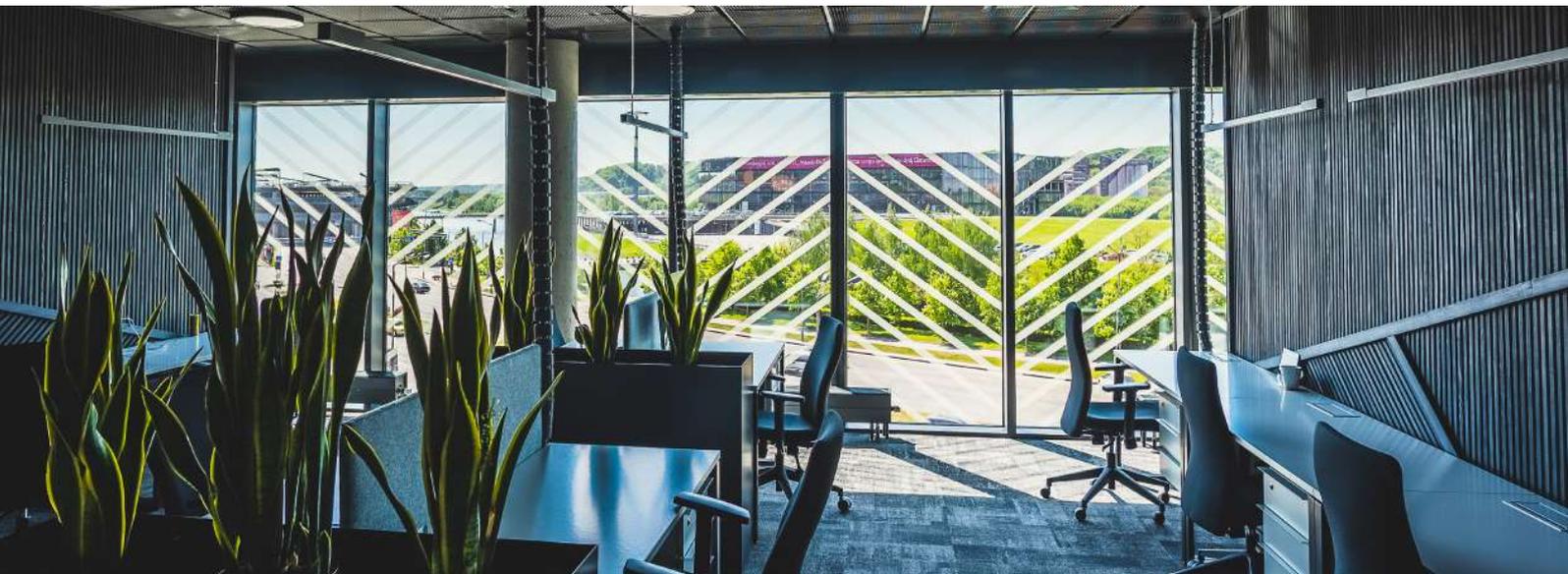
BUSINESS SERVICE CENTRE STAFF (per 1000 inhabitants)



STUDENTS OF SOCIAL SCIENCES AND HUMANITIES IN KAUNAS



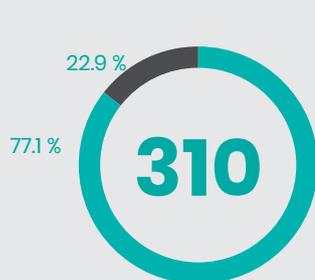
Institution	Number of students
Vytautas Magnus University	5734
Kaunas University of Applied Sciences	2375
Kaunas University of Technology	1768
Lithuanian Sports University	343
Public Institution Colping College	227
Lithuanian University of Health	197
Sciences St. Ignatius Loyola College	136
Total	10 780



Photograph by Andrius Aleksandravičius

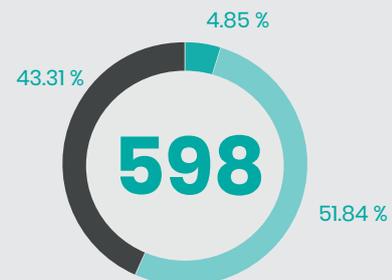
Students in undergraduate programs in software systems (IT)

Kaunas by higher education institutions



- KAUNAS UNIVERSITY OF APPLIED SCIENCES
- KAUNAS UNIVERSITY OF TECHNOLOGY

In Lithuania by municipality



- VILNIUS CITY MUNICIPALITY
- KAUNAS CITY MUNICIPALITY
- ŠIAULIAI CITY MUNICIPALITY

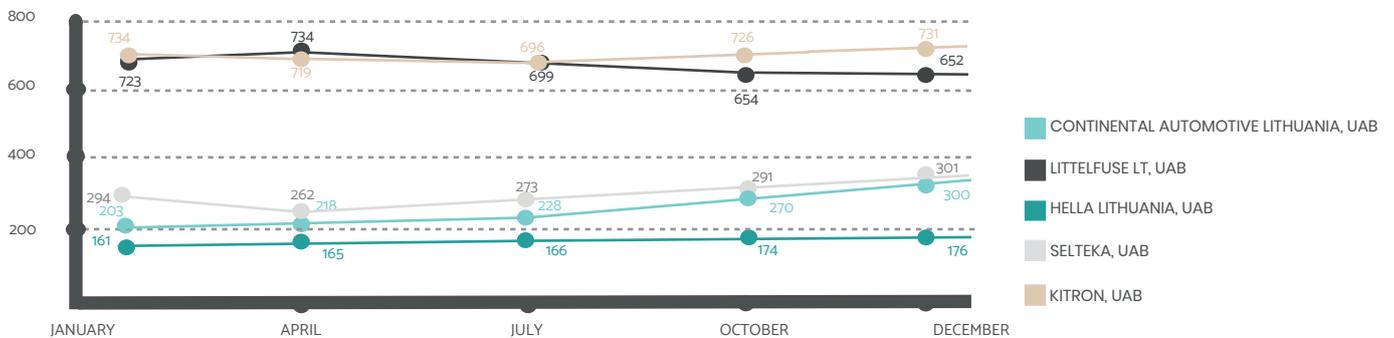
AUTOMOTIVE AND ELECTRONIC COMPONENTS INDUSTRY

The production of electronics and automotive components in Kaunas is a successfully operating and growing sector, with successful start-ups as well as new foreign investors, including well-known global companies.

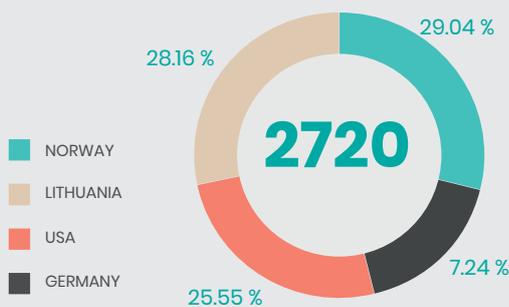
ENTERPRISE DEVELOPMENT OUTLOOK 2020

The largest number of new jobs (around 100) was created by Continental, which started operations in Kaunas in 2019 and continued its initial expansion plans. The largest companies in the sector in terms of the number of employees remained the incumbents of the market – the Swedish capital company Kitron and the US capital company Littelfuse.

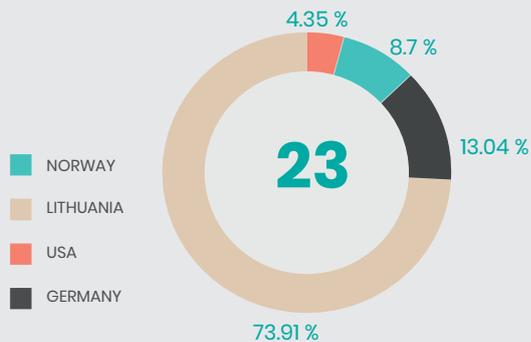
COMPANIES IN THE ELECTRONICS AND AUTOMOTIVE COMPANY SECTOR EMPLOYING THE HIGHEST NUMBER OF EMPLOYEES



Number of employees in enterprises by origin of capital of enterprises



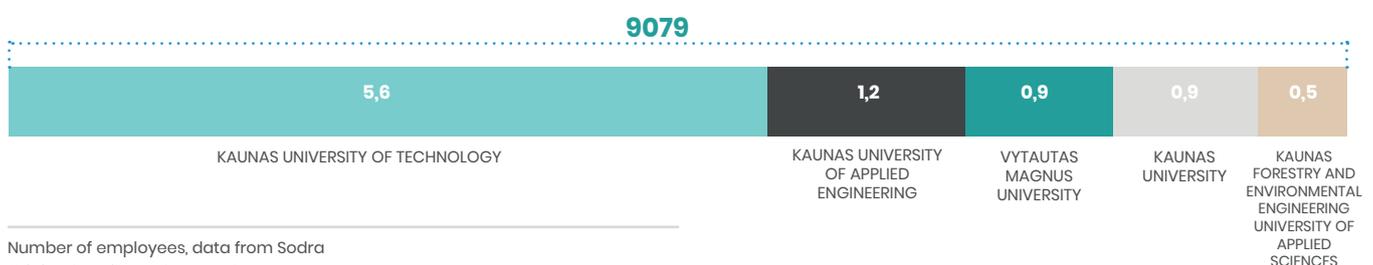
Number of enterprises by origin of capital



TALENTS IN TECHNOLOGY

In the academic year 2020-2021, Kaunas had as many as 9079 students in technology and physical sciences, most of them at Kaunas

NUMBER OF STUDENTS BY INSTITUTION, THOUS.



Number of employees, data from Sodra
Origin of capital, data collected by Kaunas IN

STUDENTS IN ENGINEERING, MANUFACTURING AND CONSTRUCTION

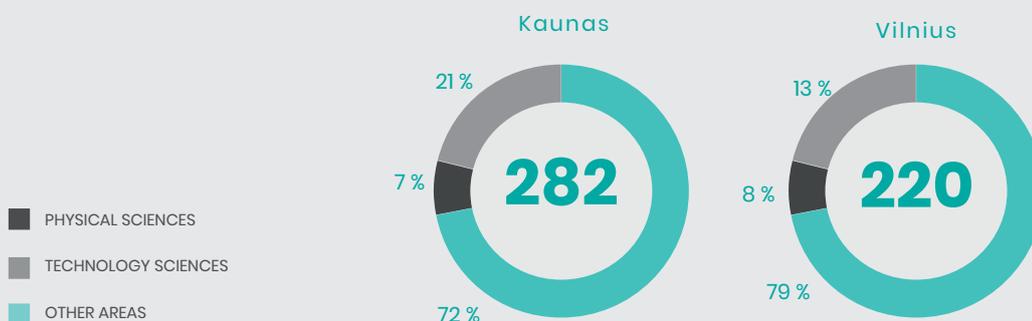
GERMANY	19.9 %
LITHUANIA	19.0 %
POLAND	16.5 %
LATVIA	16.3 %
HUNGARY	15.0 %
CZECH REPUBLIC	14.9 %

MODERN TEACHING INFRASTRUCTURE

Kaunas University of Technology has equipped the most modern testing laboratory for automotive electronics components in the Baltic States, where students acquire the knowledge they will need not only in the automotive maintenance sector, but also in the manufacturing sector.

The large number of highly qualified technology science specialists being trained will ensure Kaunas' continued leadership in the engineering industry into the future, while the large number of PhD students will contribute to a good base for technological science and research in Kaunas.

Doctoral students in physics and technology



TECHNOLOGY STUDENTS 2020-2021

	KAUNAS		VILNIUS	
	Number of students	Percentage in the city	Number of students	Percentage in the city
STUDENTS IN PHYSICAL SCIENCES	2245	7 %	4133	8 %
STUDENTS IN TECHNOLOGY SCIENCES	7149	21 %	6761	13 %
STUDENTS IN PHYSICAL AND TECHNOLOGY SCIENCES	9394	27 %	10 894	21 %
STUDENTS IN OTHER ACADEMIC FIELDS	24 782	73 %	41 136	79 %
STUDENTS, TOTAL	34 176		52 030	

KAUNAS – THE LEADING CITY IN LITHUANIA



NUMBER OF STUDENTS IN TECHNOLOGY SCIENCES



NUMBER OF PHD STUDENTS IN TECHNOLOGY SCIENCES

COMPANY PRODUCT TABLES

AUTOMOTIVE COMPONENTS SECTOR



BEGINNING OF ACTIVITIES IN KAUNAS

2012

NUMBER OF EMPLOYEES (12.2020)

652

Solar sensor for cars



A solar sensor for cars has been developed and produced in Kaunas. This sensor can detect the sun's position in the sky relative to the car with high precision, allowing it to distribute ventilation flows to the occupants. Luminance data collected from several photodiodes helps determine the exact position of the sun in the sky. All the data collected is processed by mathematical algorithms.



BEGINNING OF ACTIVITIES IN KAUNAS

2017

NUMBER OF EMPLOYEES (12.2020)

300

Car central control unit



This electronic component provides optimal driver assistance in all driving situations, contributing to the development of fully-automated vehicles. The platform includes software that monitors the car's movement and receives external signals, which are transmitted to the car's trajectory-planning algorithms.



BEGINNING OF ACTIVITIES IN KAUNAS

2017

NUMBER OF EMPLOYEES (12.2020)

176

77 GHz radar sensor



Radar technology is essential for the development of assisted and automated driving. Hella 77 GHz radars manufactured in Kaunas are perfectly suited to this need, with the ability to detect distant objects and compact size. The radar sensor is easier to install in the car and it offers a 360-degree car visualisation function.



BEGINNING OF ACTIVITIES IN KAUNAS

2001

NUMBER OF EMPLOYEES (12.2020)

731

Asphalt paving control unit



One of the many products Kitron has designed and batch-produced is for controlling a Volvo asphalt paver. It required not only electronics, but also mechanical knowledge to develop. The product must be of excellent quality and resistant to adverse weather conditions.



BEGINNING OF ACTIVITIES IN KAUNAS

2020

NUMBER OF EMPLOYEES (12.2020)

270

Industrial router RUT240



A router connects devices used in industry, which interact via the Internet of Things (relaying information to each other). It is a very popular industrial Wi-Fi router with 4G or LTE connectivity. This is used to ensure uninterrupted industrial processes.



BEGINNING OF ACTIVITIES IN KAUNAS

2017

NUMBER OF EMPLOYEES (12.2020)

280

Qalcosonic W1 ultrasonic water meter



The Qalcosonic W1 ultrasonic water meter from Axioma offers highly accurate metering and virtually unlimited data transfer capabilities via LoRa, WMBus and NB IoT. Accurate water metering helps consumers save water, allows remote monitoring of water consumption and, for utility companies, operating significantly more efficiently.



BEGINNING OF ACTIVITIES IN KAUNAS

2020

NUMBER OF EMPLOYEES (12.2020)

270

SKYLIGHTER automatic circadian luminaires



SKYLIGHTER

SKYLIGHTER automatic circadian luminaires and Biown freestanding luminaires using BLOWNLIGHT light technology have been awarded the gold medal of the Lithuanian Product of the Year 2018. In the workplace, in the office, at home, the natural circadian rhythms of the human body are maintained. Automatically changing light means a good mood, well-being during the working day and a good night's sleep, thanks to the synthesis of the natural sleep hormone melatonin in the evening.



BEGINNING OF ACTIVITIES IN KAUNAS

2001

NUMBER OF EMPLOYEES (12.2020)

101

Emergency radio beacon



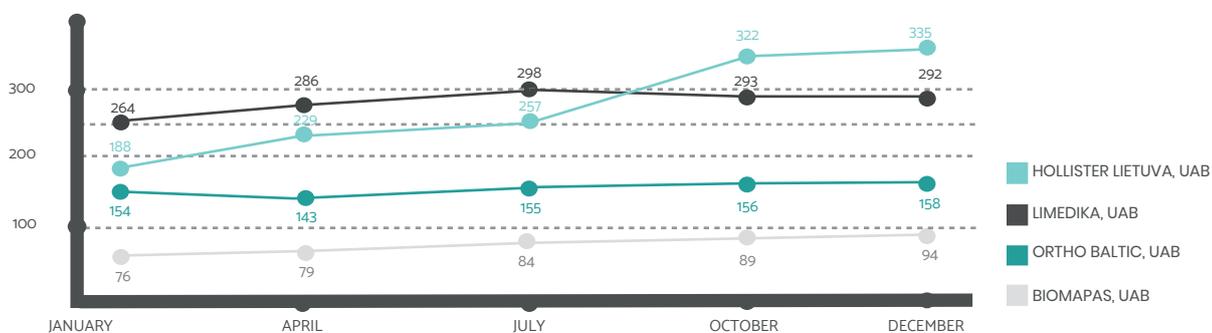
In 1970, Jotron designed and installed the world's first emergency radio beacon. Today, Jotron is a world leader in the manufacture of emergency beacons that meet all international requirements to meet the needs of the commercial fishing, leisure, marine and offshore industries.

LIFE SCIENCES AND MEDICAL TECHNOLOGY SECTOR

Kaunas is developing an ecosystem for the production of medical equipment and devices. The largest number of new employees, more than 100, was recruited by a manufacturer of medical equipment, and Hollister Incorporated. The growth of the US-owned company has expanded the whole Kaunas sector and increased the proportion of foreign-owned companies.

Local business is also strong in this sector. Lithuanian-owned company, Ortho Baltic, is one of the largest orthopaedic technology companies in Europe.

COMPANIES IN THE LIFE SCIENCES AND MEDICAL TECHNOLOGY SECTOR WITH THE LARGEST NUMBER OF EMPLOYEES



PROPORTION OF EMPLOYEES IN LIFE SCIENCES AND MEDICAL ENGINEERING BY ORIGIN OF CORPORATE CAPITAL



Research institutions, business and start-ups working together

Kaunas' strength is its high concentration of life science and engineering professionals in the city. Companies developing health science technologies or medical devices are often interdisciplinary, combining engineering and life sciences. The needs of this unique sector are met by KTU in Kaunas, which trains engineering specialists, and Lithuanian University of Health Sciences (LUHS), the largest university of its kind in the Baltics, which trains specialists in life and health sciences.

Since 2018, LUHS has been the coordinator of the European Innovation and Technology Institute for Health in Lithuania (EIT Health). Through this project, we contribute to growing and strengthening the health innovation ecosystem. We run initiatives connecting business, higher education and scientists and researchers. Since 2018, we have organised more than 10 events where startups have had the opportunity to learn entrepreneurial skills, interdisciplinary teams have been created to generate ideas based on real solutions, and new scientific and business relationships were created. Representatives from Ligence and Emplastrum, well-known start-ups in the innovation world, have been actively involved in our activities since the beginning of the project.

LUHS Development Office

Irina Kolomiiets,
Project Manager

Number of LUHS students



Number of researchers



Number of laboratories

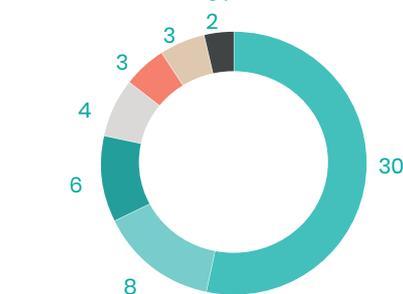


Smaller, innovative companies in this sector are often fully or partially located in science valleys – startup spaces open to researchers and innovative companies. One such space is Kaunas Science and Technology Park. Softneta, based here, develops software for medical devices. Vaizduotė codevelops robotic technology for surgery and UV lamps for the treatment of psoriasis. Vilimed is developing a ball-shaped device to reduce hand tremors.

All of these companies carry out at least part of their activities in Kaunas Science and Technology Park.

The life sciences and medical technology sector is not large in terms of the number of employees, but it is broad in terms of the range of technologies developed. There has been a slight increase in the number of employees of start-ups operating in Kaunas Science and Technology Park.

Average number of employees in the Kaunas Science and Technology Park in 2020



- SOFTNETA, UAB
- VAIZDUOTĖ, UAB
- GURUMA, UAB
- VILIMED, UAB
- KVANTAS, UAB
- GRUPPO FOS LITHUANIA, UAB
- MUNDIA, UAB



Our field requires interdisciplinary technological and medical competencies and exceptional infrastructure. We have two strong universities in Kaunas – KTU and LUHS – with priority areas of science and technologies meeting the needs of our company.

UAB Vaizduotė
Manager
Edvardas Satkauskas

Business Infrastructure

Year of the business infrastructure in Kaunas



Building a waterway on the Nemunas



Granting the status of importance to the State. Establishment of the Aleksotas Innovation Park and granting the status of an object of state importance



Building Rail Baltica

KAUNAS FEZ

Exceptional conditions

534 HA TERRITORY

PLOTS READY FOR OPERATION WITH INFRASTRUCTURE

TAX INCENTIVES:

Corporate income tax: 100% for 10 years and 50% for the next 6 years

Property tax: 0% by 2045

KAUNAS FEZ SPECIALISATION

ELECTRONIC COMPONENTS

LOGISTICS

MEDICAL EQUIPMENT, HEALTH AND BIOTECHNOLOGY

MRO (AIRCRAFT REPAIR AND MAINTENANCE)



Photograph by Darius Merkšaitis

EXCELLENT LOCATION AND DEVELOPING TRANSPORT CONNECTIVITY

BY ROAD

Kaunas FEZ is located very close to the country's main roads – A1 and Via Baltica, leading to Warsaw, Riga, Tallinn and Minsk. The Kaunas region has the highest traffic volume in the Baltic States.

BY AIR

Kaunas FEZ is adjacent to Kaunas Airport.

BY RAIL

The newly-built Rail Baltica railway will be directly connected to Kaunas FEZ. This will allow freight to be transported on both standard European and Russian tracks. The rail link will also connect Kaunas FEZ with the non-freezing port of Klaipėda.

In 2020, a new viaduct was built for seamless traffic movement between Kaunas FEZ and the main roads.

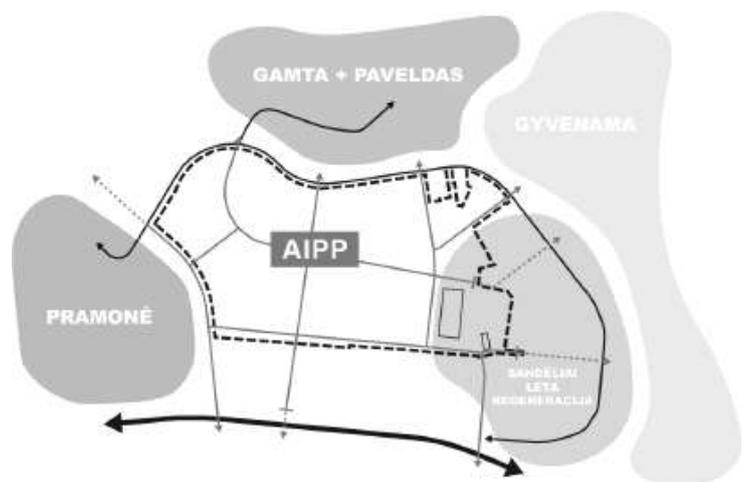
DEVELOPMENT OF THE BUSINESS STREET INSIDE THE FEZ

The new business centre will be adapted to the needs of smaller companies wishing to establish themselves in Kaunas FEZ. Suitable for production, warehousing, offices and showrooms. Businesses can rent 300 or 600 m² of space. The five 600 m² buildings will accommodate 5-9 companies.

AIPP ALEKSOTAS INNOVATION AND INDUSTRIAL PARK

A new innovation and industrial park is being established in Kaunas with the aim of promoting the establishment of innovative companies in Kaunas, connecting the business and scientific communities and increasing the added value of the region.

The government has granted the park the status of a project of national economic importance and provided 5 million euro in aid.



The concept of the park provides for active cooperation with higher education institutions, which, by training specialists, strengthen Kaunas' priority sectors. The specific sectors to be developed in the park will become clear at the end of 2021, when the park's development plan is finalised. To date, the park has already developed the necessary infrastructure – a network of streets, utility connections, and an urban feasibility study has been prepared for the development of the park territory.

It is planned to reconstruct and expand the hangar on the park's territory, adapting it for scientific work, laboratories, experimental production and administrative purposes. After the reconstruction, the building will have an area of 11,000 m².

RECONSTRUCTION OF THE SECTION OF THE A1 MOTORWAY NEAR KAUNAS

Islandijos Plentas is a motorway connecting Vilnius, Kaunas and Klaipėda. Due to the increasing traffic near Kaunas, the reconstruction of this section was started, expanding the 4-lane road to 8 lanes, thus separating traffic flows. Some of the work has already been done, and the eastern part of the road has already been extended to 8 lanes. But the major works – the reconstruction of the bridge over the Neris and the construction of a new bridge – are still under way. With the expansion of Kaunas suburbs and the growth of Kaunas FEZ factories in the outskirts of the city, this stretch of road has also become a way for some of the inhabitants to get to their workplace. Once completed, the work will also improve the capacity of local and intercity traffic.

MODERNISATION OF THE NEMUNAS WATERWAY

The Nemunas waterway from Kaunas to the Curonian Lagoon is an inland waterway of international importance, known as the E41. Lithuania is committed to maintaining the necessary requirements for shipping on this route.

The modernisation, which started in 2020, is scheduled to be completed in 2023 and is expected to boost waterborne freight transport. Although slower, this mode of transport is cheaper, greener and safer, making it ideal for transporting non-urgent goods, especially those where transport costs are a significant part of the price, such as raw materials for production and gravel. Replacing land transport with water is expected to save up to half of transport costs. Pollution would also be significantly reduced if shipping on the Nemunas were active and efficient. According to a preliminary estimate by the Inland Waterways Authority, transporting 1,000 tonnes of goods by diesel waterborne transport would reduce CO2 emissions by up to half compared to transporting the same amount of cargo by diesel land transport.

The modernisation of the waterway will be carried out by installing 500 groins. Groins shape the flow of the river, ensuring sufficient depth for navigation throughout the river. The first phase of road upgrading is currently underway in the city of Kaunas and district municipalities. The waterway's port infrastructure will also be upgraded.

RAIL BALTICA AND INTERMODAL TERMINAL

Rail Baltica is one of the biggest projects in the period of Lithuania's restored independence. The project, which will connect Lithuania and the Baltic States with Central and Western Europe via the European rail network, will allow smooth transport of freight and fast and inexpensive travel for passengers on the European high-speed rail.

TRAVEL TIME FROM KAUNAS TO OTHER CITIES, HOUR

	KAUNAS
VILNIUS	0:38
PANEVĖŽYS	0:37
RIGA	1:34
TALLINN	3:18

Kaunas is expected to be the busiest point on the network, with the highest number of freight and passenger trains. This will critically reduce travel times and boost tourism. A trip lasting less than an hour will also enable residents of other Lithuanian cities to work in Kaunas.

Rail Baltica and Intermodal Terminal

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The Kaunas Intermodal Terminal, located next to the A1 motorway, enables the transshipment of transport containers between land-based trucks and trains. Connecting Rail Baltica to this terminal will provide an additional opportunity to tranship cargo between the standard European gauge (1435 mm) and the Russian gauge (1520 mm). The transshipment is ensured by a 40-tonne capacity crane and other necessary infrastructure. As the terminal will be connected by rail to the non-freezing seaport of Klaipėda, it will become a very convenient transshipment point. The Rail Baltica project is expected to significantly increase freight traffic, which will stimulate investment and job creation in Kaunas. An integral part of the intermodal terminal is a public logistics centre, which enables the storage of semi-trailers and containers. Construction of the entire Rail Baltica network is expected to be completed in 2026. The European track has already been built from the Lithuanian-Polish border to Jiesia near Kaunas. The branch connecting Rail Baltica to Kaunas Intermodal Terminal is scheduled for completion in Q2 2021.

RAIL BALTICA'S EXPECTED MAXIMUM SPEEDS

Passenger trains



Freight trains



KAUNAS INTERNATIONAL AIRPORT



26 direct flights from Kaunas Airport before the COVID-19 pandemic.



In 2020, the airport was renovated to improve MRO (aircraft repair) conditions at Kaunas Airport. An additional apron of 15,000 m² has been built.



Passenger flights have been severely restricted by the COVID-19 pandemic. However, the volume of freight has increased sharply.

CARGO VOLUME AT KAUNAS AIRPORT IN TONNES



2018



2019



2020

SCIENCE VALLEYS

Kaunas is home to 2 of the 5 integrated science, study and business valleys in Lithuania. Their purpose is to contribute to the development of fundamental and applied research and innovation through their research and experimental development infrastructure and related activities. Open-access valleys offer businesses the rental of research laboratories and the research itself, as well as opportunities to commercialise innovative technologies developed in the valleys.

Santaka Valley

is an open access research and experimental development (R&D) centre.

Areas: sustainable chemistry and biopharmaceuticals, future energy, mechatronics, information and communication technologies

Departments:

The Centre for Advanced Pharmaceutical and Health Technologies is the first medical and pharmaceutical valley in the Baltic States, with public and private companies using its services. The Centre is established and administered by the LUHS.

National Open Access Centre for Future Energy Technologies focuses on research and development of future energy technologies. The Centre is established and administered by the Lithuanian Energy Institute (LEI).

KTU's Santaka Valley, a national open-access research and experimental development centre located on the KTU student campus, is one of the largest centres of this type in Lithuania, which houses 8 cutting-edge institutes and research centres:

- o Prof. Kazimieras Baršauskas Ultrasound Institute
- o Centre for Real-Time Computer Systems
- o Health Telematics Research Institute
- o Institute of Biomedical Engineering
- o Institute of Materials Science
- o Institute of Synthetic Chemistry
- o Information Systems Design Technology Centre
- o Centre of Excellence for Organic Semiconductor Research

Nemunas Valley

is an integrated centre for science, studies and business.

Areas: agriculture, forestry and food sectors.

Departments:

The Open Access Joint Research Centre for Agriculture and Forests specialises in research on the sustainable use of agricultural and forest biological resources and the quality of food raw materials. The centre is set up and administered by the Academy of Agriculture of Vytautas Magnus University.

Centre for Animal Health and Quality of Raw Materials of Animal Origin – 6 laboratories carrying out a wide range of veterinary research. The Centre is established and managed by the LUHS.

Centre for Animal Nutrition and Biotechnology – comprises 8 research centres and laboratories for interdisciplinary research in animal nutrition and biotechnology. The Centre is established and managed by the LUHS.

The Centre of Excellence for Food Science and Technology is the first of its kind in the Baltic States to be equipped with a unique pilot plant for the food industry, allowing the modelling and optimisation of industrial food production and storage processes. The centre is established and operated by Kaunas University of Technology.

KAUNAS SCIENCE AND TECHNOLOGY PARK

Kaunas Science and Technology Park (Kaunas STP) is probably the largest and most successful innovation community in the Baltic States, acting as an incubator for young companies with high growth potential. Kaunas STP companies are located in four buildings, one of which is part of KTU Santaka Valley.

133

INNOVATIVE COMPANIES

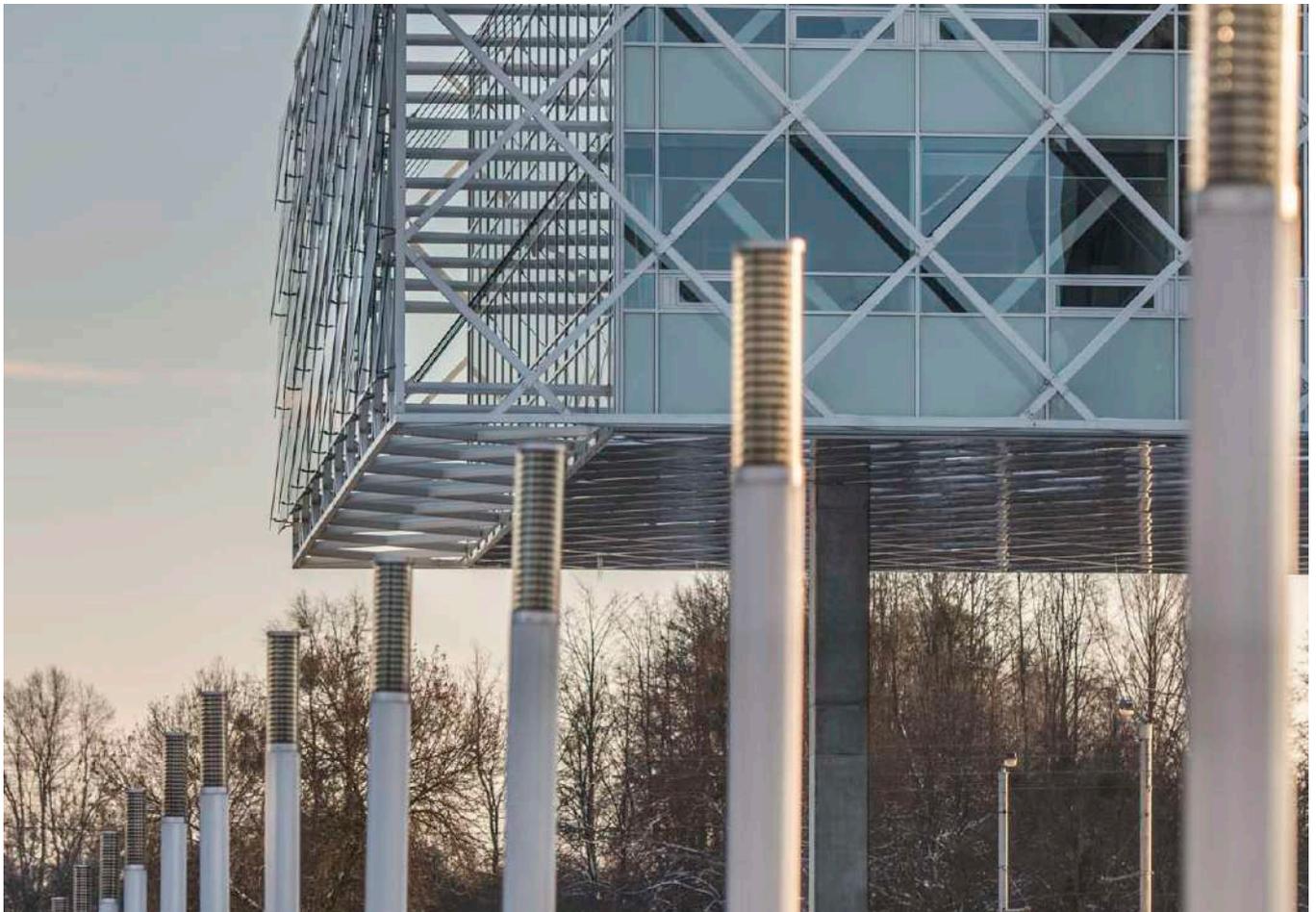
793

EMPLOYEES IN
ENTERPRISES

169

OF THESE, SCIENTISTS,
RESEARCHERS

The Park's companies are active in the fields of information technology, engineering, health and medicine, social innovation, energy of the future, sustainable chemistry. In 2020, the Park has started the selection process for the CERN High-Tech Incubator.



Photograph by Evaldas Virketis

Real Estate

OVERVIEW OF THE PROPERTY SECTOR

OFFICE MARKET

**>250,000 sq. m
of modern
office space**

 **12% market
growth
in 2020**

The year 2020 in the Kaunas office market completed the record growth cycle of 2017-2020, when the total supply of modern business centre space increased more than 2.5 times. The final touch was the opening of Magnum, the largest A-class business centre, with 18,000 sq. m of office space, built on the site of the unfinished buildings that had been an eyesore in the city centre for many years.

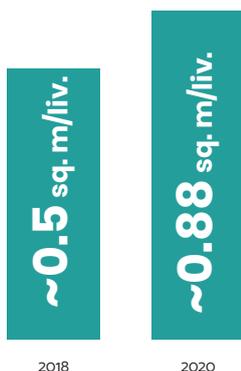
TENANT-FRIENDLY MARKET

The sharp increase in supply, which has been breaking records for several consecutive years, adding a total of about 150,000 sq. m of office space to Kaunas, has led to a market where – for at least some time – the negotiating positions are more favourable to tenants. The main reason is the sharp increase in vacancy numbers due to development. However, given the minimalist development promised for this year and the prospect of a lower supply in the coming years than has become the norm in recent years, this situation is unlikely to last.

**15.7% rental rate
at year-end**

**~27,000 sq. m of
new office space
for lease in 2020**

Office space in Kaunas for one resident, m²

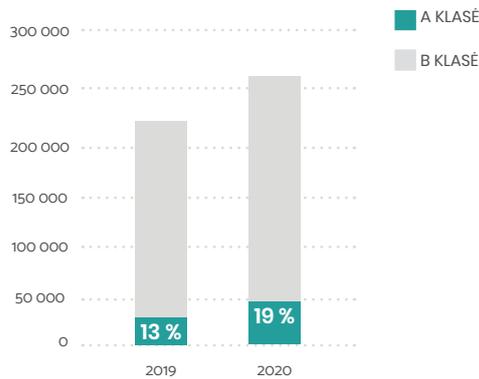


Class A offices, which did not exist in Kaunas until 2018, were able to increase their market share year by year, even in a rapidly growing market, and by the end of 2020, they will account for about one-fifth of the total market. Rapid development has not significantly increased prices, and the difference between A and B class offices remain relatively small. Office rent in Kaunas remain 10-20% lower than in Vilnius.

Price per month for B offices: 7-11.5 EUR/sq. m

Price per month for A offices: 12-13.5 EUR/sq. m

DEVELOPMENT OF MODERN BUSINESS CENTRES IN KAUNAS, M²



The development of business centres in Kaunas does not have one specific geographic location; several clusters are formed instead. The cluster at Savanorių pr., which was formed in the previous decade, is still in place, with the main development now taking place in the central part of the city, on the banks of the Neris and the Nemunas rivers. This type of development, with no single distinct central business district (CBD), while not creating the maximum visual effect, ensures more convenient traffic movement and a more organic integration of the centres into the urban pattern of the city.

BUSINESS CENTRE CLUSTERS



TOP 3 LARGEST BUSINESS CENTRES IN KAUNAS*

Magnum

Opening:

2020

Building area:

32 000 sq.m

Leased area:

18 000 sq.m

BLC2

Opening:

2019

Building area:

16 000 sq.m

Leased area:

13 000 sq.m

„Kauno dokas“

Opening:

2017

Building area:

16 000 sq.m

Leased area:

13 750 sq.m



Photograph by Andrius Aleksandravičius

INDUSTRIAL AND LOGISTICS PREMISES

The industrial and logistics space market in Kaunas has received a strong boost in recent years due to the opening of factories of several large foreign manufacturing investors, which announced their arrival in Kaunas in 2017, as well as the significant development of logistics centres on a much larger scale than before. The expansion plans of the same investors, announced around the end of the year, also inspire a general outlook for market development in the coming years.

The development of larger-scale logistics projects for lease in Kaunas continued in 2020. This reflects a more pronounced and sustained shift in the market away from the dominance of build-to-own and toward the emergence and growth of the rental market.

~ 35% of the total Lithuanian market

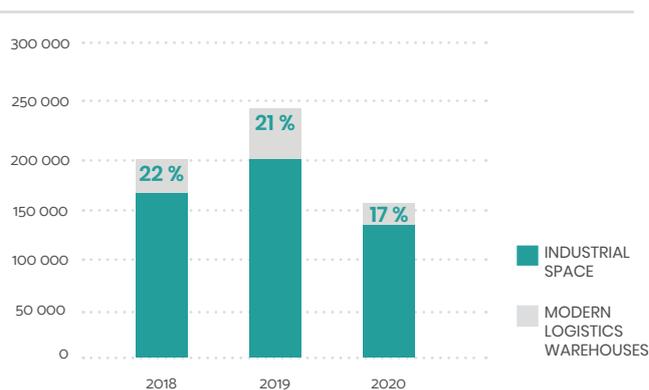
~1.2 million sq. m of modern industrial and logistics space

156 500 sq.m growth per year

~400,000 sq. m of modern logistics warehouses

66,000 sq. m of new logistics space in 2019–2020

NEW INDUSTRIAL AND LOGISTICS SPACE

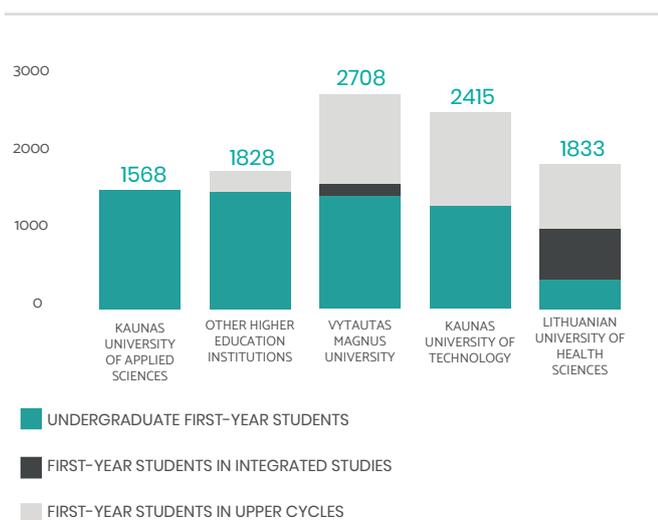


Education

Kaunas – a city of students

In 2020, Kaunas higher education institutions enrolled as many as 7,000 first-cycle (bachelor's and integrated studies) students and another 3,000 higher-cycle studies students.

FIRST-YEAR STUDENTS IN 2020



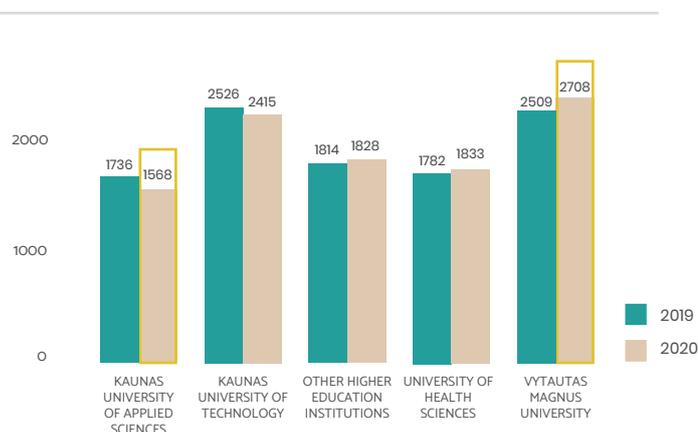
STUDENT CITY FACTS

Kaunas has the highest student density in Lithuania

1 student studying in higher education per 10 inhabitants of Kaunas

In total, Kaunas accounts for around 35% of all students in Lithuania

FIRST-YEAR STUDENTS AT ALL LEVELS

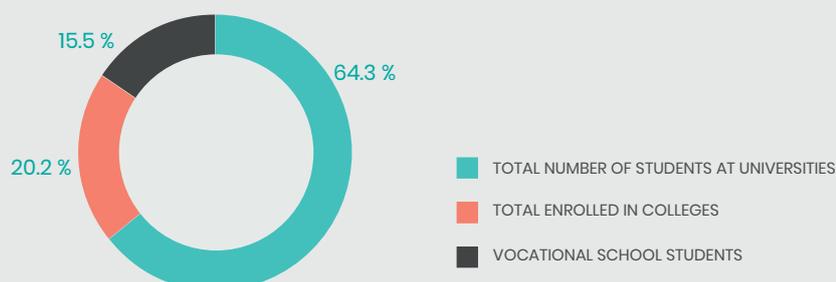


LARGEST NUMBER OF FIRST-YEAR STUDENTS

Vytautas Magnus University (students of all levels)

Kaunas University of Applied Sciences (first-cycle students)

STUDENTS IN KAUNAS BY TYPE OF INSTITUTION



EU COUNTRIES BY SHARE OF CITIZENS WITH TERTIARY EDUCATION

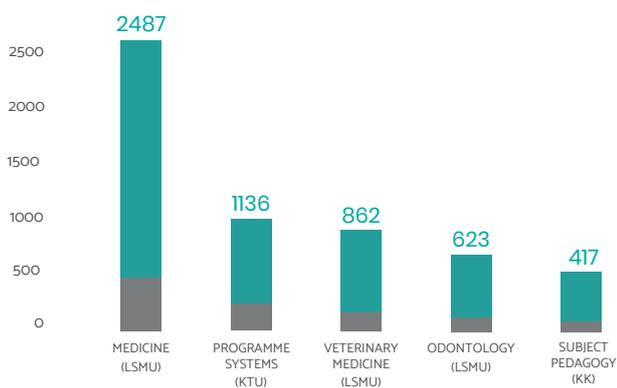
UNITED KINGDOM	40.6 %
LITHUANIA	37.9 %
SWEDEN	37.8 %
LATVIA	31.4 %
EUROPEAN UNION	29.5 %
HUNGARY	22.5 %
CZECH REPUBLIC	21.6 %

MOST POPULAR STUDY PROGRAMMES IN KAUNAS

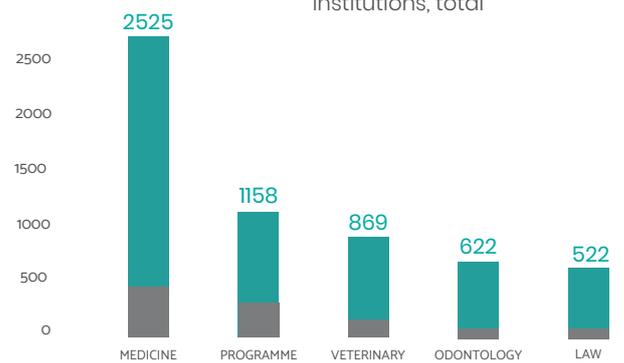


Most popular higher education programmes in Kaunas in 2020

Different higher education institutions



All Kaunas higher education institutions, total



■ STUDENTS, TOTAL
■ FIRST-YEAR STUDENTS

HIGHER EDUCATION PROGRAMMES ATTRACTING THE HIGHEST NUMBER OF FIRST-CYCLE STUDENTS COMPARED

HIGHER EDUCATION	PROGRAMME	CHANGE IN FIRST-YEAR STUDENTS
VYTAUTAS MAGNUS UNIVERSITY	PEDAGOGY OF TEACHING SUBJECT	54
VYTAUTAS MAGNUS UNIVERSITY	PUBLIC ADMINISTRATION	44
KAUNAS UNIVERSITY OF APPLIED SCIENCES	PRE-SCHOOL AND PRE-PRIMARY EDUCATION	43
PUBLIC INSTITUTION KOLPING UNIVERSITY OF APPLIED SCIENCES	TRANSPORT LOGISTICS	40
VYTAUTAS MAGNUS UNIVERSITY	PUBLIC COMMUNICATION	37
KAUNAS UNIVERSITY OF TECHNOLOGY	ARTIFICIAL INTELLIGENCE	33
VYTAUTAS MAGNUS UNIVERSITY	PRIMARY EDUCATION PEDAGOGY AND EARLY FOREIGN LANGUAGE LEARNING	33
VYTAUTAS MAGNUS UNIVERSITY	PRE-SCHOOL AND PRE-PRIMARY EDUCATION	29
KAUNAS UNIVERSITY OF APPLIED SCIENCES	INDUSTRIAL DESIGN ENGINEERING	23
KAUNAS UNIVERSITY OF TECHNOLOGY	INDUSTRIAL DESIGN ENGINEERING	9

KAUNAS HIGHER SCHOOLS SPECIALISING IN HEALTH SCIENCES, STEM* AND COMPUTER



MEDICAL AND HEALTH SCIENCES

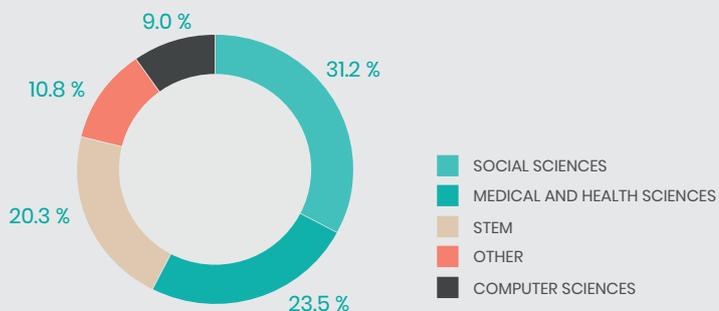


STEM (EXCL. IT)



COMPUTER SCIENCES

Distribution of all students in Kaunas by field of study



*STEM (Science, Technology, Engineering, Maths) – exact sciences, technologies, engineering and mathematics
Information technology sciences are presented as a separate group

Number of students in Lithuanian higher education and vocational schools, data from the National Education Agency



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