

MARKET COMMENTARY

Apartments in Tallinn

Compared to the top in spring 2007, prices in Tallinn have fallen 50%. The number of transactions fell 55% and the total volumes 75%. Compared to the same period last year, the number of transactions fell 20% and the volumes 50%.

Moderate price decline continued in 3rd quarter, although the amount of apartments for sale decreased and number and volume of transactions increased. According to statistics the average sales time extended and the offer prices continue to decline. Many potential sellers have withdrawn their objects from listings, because they see no possibility to get the price they wanted.

In 3rd quarter the market was affected by several large block transactions, which were made with prices lower than average.

Increasing amount of bankruptcies, both firms and individuals, have risen the number of forced foreclosures.

In city centre more apartment offers originate from boom time buildings compared to old apartments, than in suburbs.

Most probably 2 - 3 new developments will be started by some bigger developer, because the construction price has fallen significantly and in several regions the demand starts to exceed offering at some price levels. The developers will probably have to finance the projects from their own funds, because banks are afraid to finance new projects at the moment.

In August the growth of residential loans was negative for the first time in 8 years. On EUR bases the interest for residential loan starts at 3%, on EEK bases at 7%.

City Centre

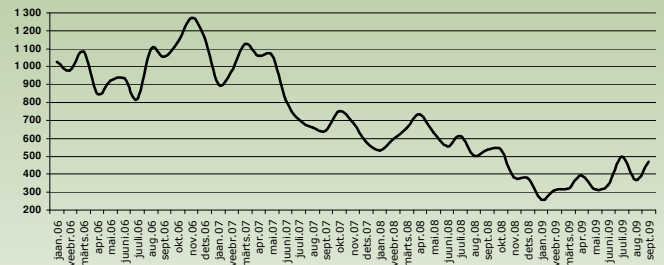
In the city centre the volume of transactions decreased 43% compared to the same period last year and the amount of transactions 20%. Compared to the 2nd quarter of current year the number of transactions and volumes increased and the prices stabilized. In 3rd quarter there is noticeable, that the amount of foreign private buyers is increasing in apartment market, but they take interest only in objects with special qualities.

In the city centre about half of the sales offer are at price level from 25,000 EEK/sqm (1,600 EUR/sqm) and up, but there are very few transactions at that price level.

Most of the transactions are made in price range from 10,000 - 20,000 EEK/sqm (640 - 1,300 EUR/sqm), total average 700,000 - 1,500,000 EEK (44,700 - 95,900 EUR) per transaction. Sale offers for apartments needing large renovations start at price level 7,000 EEK/sqm (450 EUR/sqm), for apartments in good condition, but average quality buildings at 13,000 EEK/sqm (830 EUR/sqm).

In new buildings or thoroughly renovated buildings the real transaction prices stand in range 16,000 - 25,000 EEK/sqm (1,000 - 1,600 EUR/sqm).

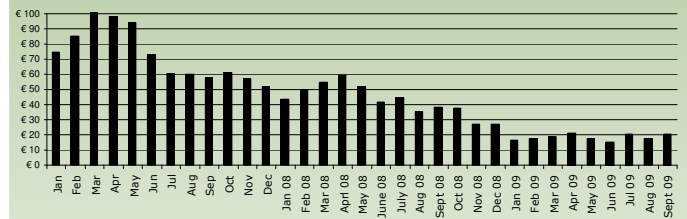
Number of transactions with flats, TALLINN



Source: Estonian Land Board

Data: Q3 2009

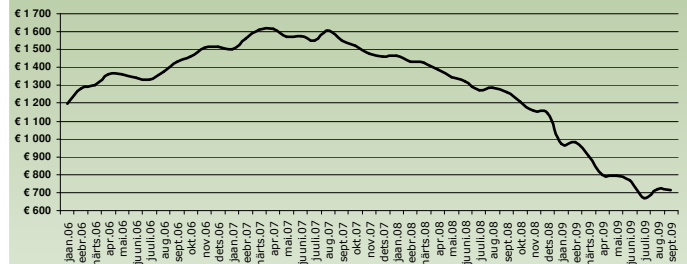
Tallinn residential sales volumes - entire market, notary stats (millions of EUR)



Source: Estonian Land Board

Data: Q3 2009

Tallinn median residential prices (EUR per sqm)



Source: Estonian Land Board

Data: Q3 2009

In the city centre the amount of primary market apartments compared to secondary market apartments is much bigger than in suburbs.

Our conclusion is, that in current market situation there is considerable demand for city centre apartments in 18,000 – 23,000 EEK/sqm (1,100 – 1,500 EUR/sqm) price range.

Suburbs

Apartments in desired regions near city centre (Lilleküla, Kalamaja, Pelgulinn) have been least affected by general price drop.

Key factors are the technical condition of the building, the effectiveness of the apartment union and the amount of loans the union has taken.

In less valued regions sale offers for not renovated apartments start from 5,000 – 7,000 EEK/sqm (300 – 450 EUR/sqm) price level.

Transactions with new and recently completed apartments are made at 11,000 – 12,000 EEK/sqm (700 – 800 EUR/sqm) price level, which brings the price of old standard apartments even lower.

Most of the transactions are made with 1 or 2 room apartments from lower price category.

Transactions with 2 room apartments in good condition start from level below 10,000 EEK/sqm (640 EUR/sqm).

Transactions with 2 room apartments, which require renovation start from 6,500 EEK/sqm (400 EUR/sqm) price level.

In suburbs the amount of transactions with large apartments with central heating has decreased drastically. Probable reasons are high communal expenses and decreased demand. Significant amount of transactions are done without bank loan.

Rental Market

In 3rd quarter the rental market stabilized due to seasonal increase in demand caused by school year and ending of vacations.

Compared to the 3rd quarter of last year the rent for apartments has dropped 30 – 50 %. The rent of expensive apartments has dropped the most.

There is practically no interest in unfurnished new apartments situated in suburbs and outside town. Even in city centre unfurnished apartments get very little interest. The period for finding a tenant suitable for owner has prolonged.

Potential tenants focus more on communal expenses of the rental space. Often cheap rental price is deceptive and accompanied by huge communal payments.

Today offer rental prices for ordinary condition 1 room apartments in city centre start already from 1,500 EEK/month (100 EUR/month). Most wanted are 1 or 2 room furnished apartments in city centre or near by at price level 2,500 – 4,500 EEK/month (160 – 300

EUR/month), preferably with parking space. On today's market rental transactions with prices more than 8,000 EEK (500 EUR) per month are very rare.

In suburbs offer for 1 room apartments start from 1000 EEK/month (60 EUR) and for 2 room apartments from 1,500 EEK/month (100 EUR).

Houses

In Harju county and Tallinn the volume of house sales dropped 50% compared to the same period last year, the amount of transactions dropped 20%. The prices dropped from 25 to 45% according to certain object and location compared to the 3rd quarter last year. New housing districts out of town saw the largest price drop. Compared to the 2nd quarter this year the price reduction continued. Potential clients value more and the location of the real estate.

Different sources state, that there are 1,800 – 2,000 houses or parts of house for sale in Tallinn and Harju county, but there are only 200 transactions during one quarter.

Most of the transactions are done with houses inside or near by Tallinn in regions with good infrastructure and in price range from 1,200,000 to 1,900,000 EEK (77,000 – 121,000 EUR). Modern houses in good condition stay in 1 600,000 to 2,700,000 EEK (100,000 – 172,000 EUR) price range, the houses not finished or needing renovation in 800,000 to 1,500,000 (51,000 – 96,000 EUR) price range. In new housing areas, built on fields and more far from Tallinn there could be now interest, even if the price is very low.

In more expensive price category (more than 5,000,000 EEK, 320,000 EUR) free market transactions have become very rare.

Residential Land

In Harju county and Tallinn the volume of land sales dropped 30% compared to the same period last year. Compare to the top the price drop is up to 50 – 80% according the location. Some plots can be completely illiquid.

In Harju county and Tallinn there are about 1800 residential land plots for sale in different price categories, but there were only 130 transactions in 3rd quarter. The offering clearly overcomes demand.

Most of the land transactions in Tallinn and near by regions stay in 350,000 – 800,000 EEK (22,000 – 51,000 EUR) price range 300 – 800 EEK/sqm (20 – 50 EUR/sqm). With prices more than one million per plot or 1000 EEK/sqm (640,000 EUR or 64 EUR/sqm) there are only few transactions, mostly in valued regions, like Nõmme, Pirita, Kakumäe.

If you wish to receive any additional information about development of the real estate market in Lithuania, Latvia, Estonia and Poland; or you would like to order a special report on the part of the market relevant to you or the market of the project in progress, please contact Ober-Haus Estonia.

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