

Estonian Residential Real Estate

Q4 2009

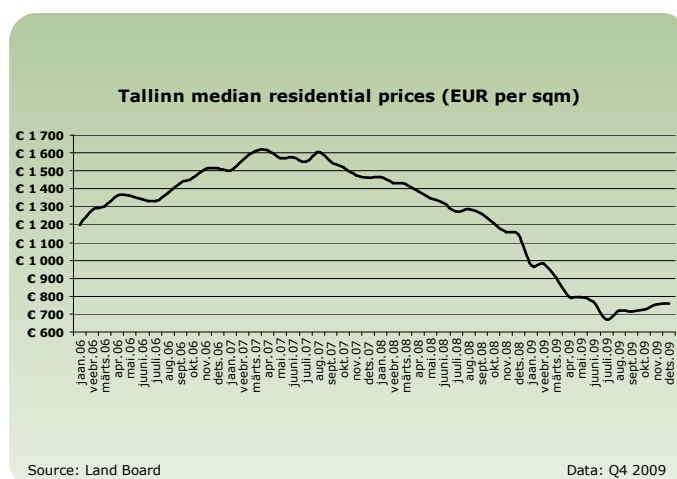
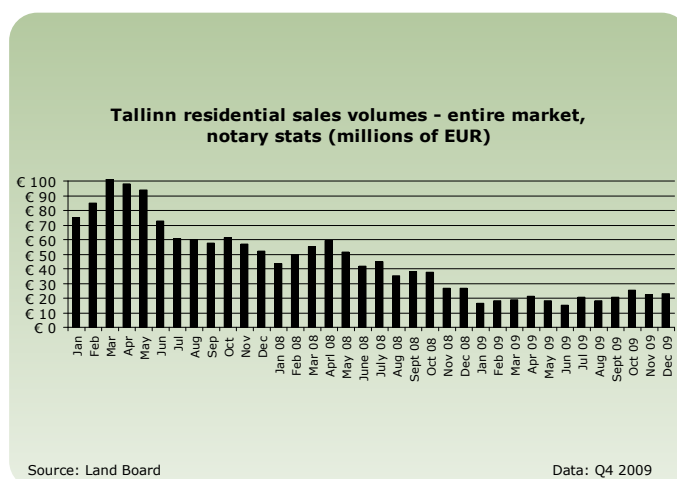
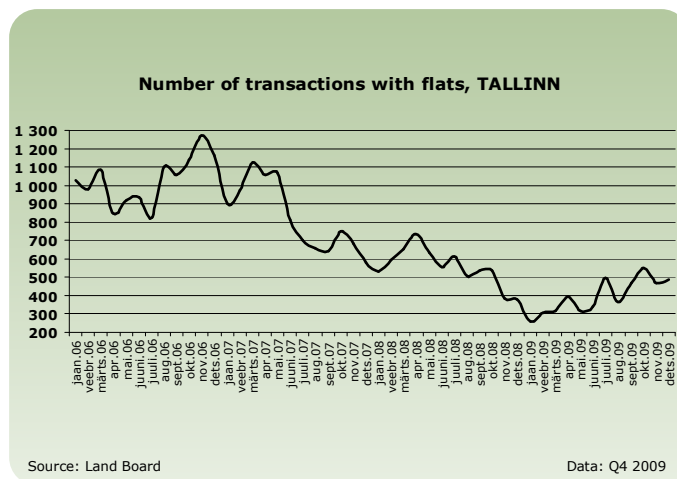
MARKET COMMENTARY

In 2009 total number of transactions with apartments in Tallinn declined **28%** and the sales volume declined **54%**. This year's fourth quarter price decrease stopped and number of transactions began to increase. There were also several block deals with lower price than average. Due the individuals and companies bankruptcies, more properties are thrown into the market, but also we can see some upward price pressure related apartments in good locations and in good shape. During next few months some financially strong developers will start with few new objects, because construction prices have fallen substantially and in some locations demand exceeds supply in certain price level. A considerable number of transactions are made without a bank loan.

In City Center and Old Town according to preliminary data, on the Q4 of 2009 financial volume fell **14%**, but number of transactions rose **10%** in y-o-y comparison. Comparing with Q3 2009, number of deals rose **25%** and statistical price increase was **7%**. Similarly to Q3, we can see growing number of foreigners purchasing real estate, but they only have interest to unique objects. Number of properties in the market and offer prices have stabilized. Today there are **50%** of the total offers are with price over **1,600 EUR/sqm**, but only very few transactions are done over mentioned level. Most transactions are done in price range between **650 to 1,300 EUR/sqm**. Major renovations needed apartments price offers are starting from **500 EUR/sqm**, apartments in good shape from **830 EUR/sqm**. In newly constructed or renovated buildings real sales are done between **1,000 – 1,600 EUR/sqm**. In the Old Town, prices starting from **1,000 EUR/sqm** for major renovations needed apartments and from **1,500 EUR/sqm** for the renovated apartments.

In suburbs most transactions are done with 1 or 2-room cheaper and major and modernization needed or with very good condition apartments. The decisive factor for customers is a technical condition of the building, housing union's activity and the debt burden. In not so valued areas and major renovations needed price offers start from **320 – 450 EUR/sqm**. Most of the sales are done in price range **580 – 830 EUR/sqm**.

If the rental market in the Q3 showed signs of stabilizing, then Q4 supply increased by **10%** due the decreasing demand. Compared with the Q3 of this year rent price decrease was **5%** and comparing with Q4 last year **35%**. Price reduction has been bigger in expensive apartments. Because supply exceeds demand, the rental market has become so called "tenant market" and the apartment owners are willing to make significant concessions in terms of prices and length of the lease. The precarious situation on the labour market often leads to short term agreements than in the past.



Potential tenants have begun to increasingly focus on the heating costs of the property. Most demanded is 1 - 2 room furnished apartment in the City Centre or nearby, in rent range **160 – 288 EUR per month**, preferably with parking. In the suburbs, a typical furnished 2 - room apartment rent is **128 – 192 EUR per month**, depending on the location and conditions.

In Harju County and Tallinn, on the Q4, number of private house sales rose **20%** but price volume fell **20%** y-o-y. Average price decrease was **30%**. Comparing with Q3 number of transactions and price volume both increased, **13%** and **28%**. There are **1,800 – 2,000** private houses on the market in Tallinn and Harju county, but only **220 – 240** sales are done during recent quarters, ca **75** per month.

Most of the sales taking place in areas close to town, with developed infrastructure in price range between **58,000 – 115,000 EUR**. Modern and in good condition house prices are from **102,000 to 141,000 EUR**, renovations needed or not finished houses from **51,000 to 96,000 EUR**. In very highly valued regions there have been sales between **192,000 – 288,000 EUR**. In areas far from Tallinn the liquidity is very limited, even prices are cheap. While in Tallinn liquidity and prices are stabilizing, in secondary locations they still declining.

In the 4Q, the number of transactions with residential land and prices were both in downfall trend. In Tallinn and Harju county there are around **1,800** plots on the market in very different price scale. There were only **150** deals with land during 4Q. Most transactions take place in Tallinn and in the immediate vicinity of the city between **19,000 – 51,000 EUR (19 – 51 EUR/sqm)**. At a price level more than **1,000,000 EEK** or **64,000 EUR**, (more than **64 EUR/sqm**) very few sales have been done in very valued regions such as Nõmme, Pirita and Kakumäe. Similarly to private houses sector, land prices differentiation in continuing based on location.

If you wish to receive any additional information about development of the real estate market in Estonia, Lithuania, Latvia 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 real estate market analysts.

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