

# Tallinn Office Update

## Trend Toward Ownership by Office Users

### Economy

Estonia has enjoyed five straight years of economic growth, including 4.6% GDP growth in 2003. Nominal wage growth bested 10% last year and should average 7-10% for the next few years. Inflation last year was only 1.5% and the currency stays pegged to the euro. Such solid wage increases will fuel demand growth and further stimulate the economy.

### Supply

Almost no new supply has come to Tallinn's tiny office market. Total class A office stock was 105,000 sqm at the beginning of 2004. Vacancy is at 5%. The addition of 20,000 sqm to the market in 2004 may increase vacancy to 6% by the end of the year.

**City Plaza** – Local construction company Estconde opens its 23-storey City Plaza in May 2004. The 7,000 sqm building is already 65% pre-leased. Rents are 12-16 EUR per sqm. Most of the tenants are local law firms and consulting companies.

**Admiral House** – Local builder Merko and partner Manutent are developing 8,100 sqm of office space for sale in the port area. The building will be completed by the end of 2004 and more than 60% of the space is booked. Selling price is 1,200-1,400 EUR per sqm.

### Demand

Favorable lending conditions have increased an interest for buying office space. Many companies follow the German model of owning, not renting, and wish to reduce their rent expenses by replacing them with monthly loan payments. Interest rates for companies today are 5 to 6%.

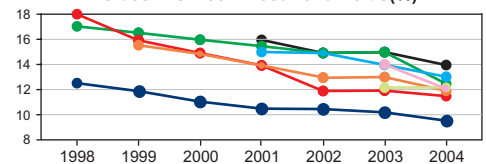
### Rents

Rents for CBD class A buildings vary from EUR 11 to 16 per sqm. Ober-Haus expects class A office rents to soften slightly by around 5% over the medium term. Due to the balance of supply and demand, we do not anticipate class B office rents to soften below the current rate of EUR 9 to 13 EUR per sqm in the center, and 6 to 10 EUR per sqm out of centre.

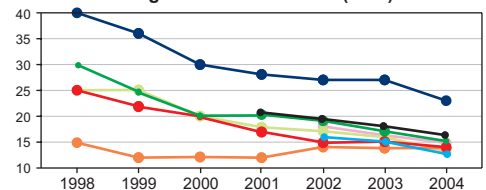


**Admiral's House** – Merko bets companies will buy their new office space, not rent.

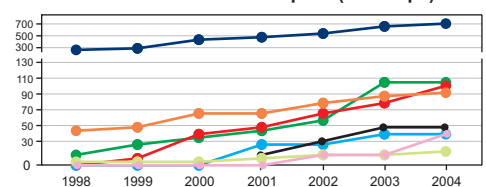
**Class A Office Investment Yields(%)**



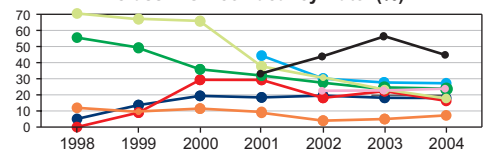
**Avg Class A Office Rent (EUR)**



**Total Class A Office Space (1000 sqm)**

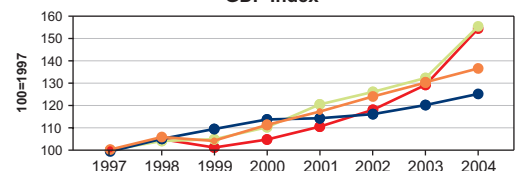


**Class A Office Vacancy Rate (%)**

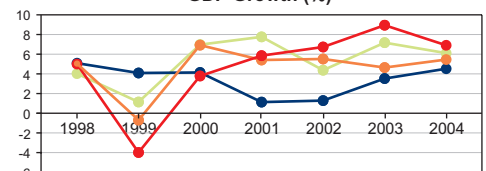


— Tallinn — Vilnius — Krakow — Katowice  
— Riga — Warsaw — Gdansk — Poznan

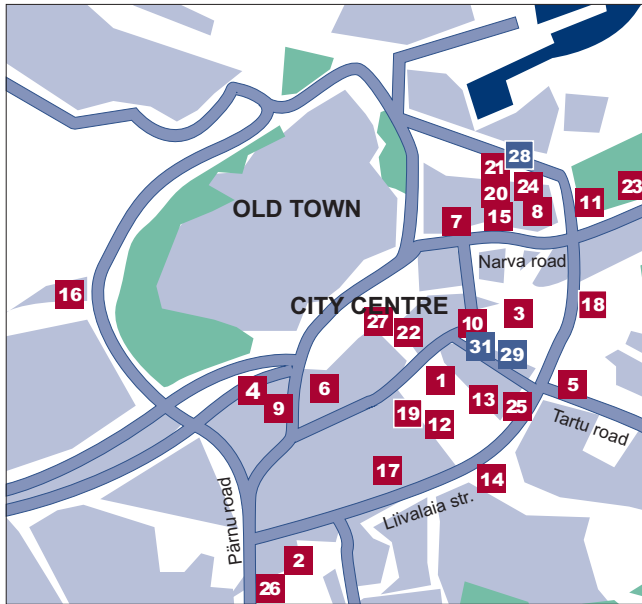
**GDP Index**



**GDP Growth (%)**



— Estonia — Latvia — Lithuania — Poland



## Office sqm in Tallinn city centre

Property name	sqm	
1	Ravala Business Centre	6 500
2	Hansapank Liivalaia	15 000
3	Ühispank Tornimae	16 000
4	Ühispank Roosikrantsi	8 000
5	Sampo Building	5 500
6	Kawe Plaza	4 800
7	Hobujaama	7 700
8	Sampo Bank	5 500
9	Swiss House	4 600
10	SAS Radisson	3 000
11	Pro Kapital Building	7 300
12	Estconde Vambola	5 900
13	SRV Maakri	8 000
14	Astrodata building	3 000
15	Narva Road 7	5 000
16	Estconde Toompuiestee	2 000
17	Liivalaia 13	7 200
18	Kreutzwaldi 12	2 000
19	Ergo Lauteri 5	3 500
20	Narva str. 7D	8 000
21	Optiva Bank(Sampo)	5 500
22	Nordea Rävåla 2	5 300
23	Esco	2 500
24	WTC Narva mnt 11	40 000
25	VE-building at Tartu Road18	1 600
26	Pärnu road 67	7 000
27	Estonia 1/3	4 000
	Others *	122 800
<b>TOTAL</b>		<b>209 600</b>

## Office sqm planned in Tallinn

Property name	sqm	
28	Admirali maja	8 100
29	Estconde Tartu Road, City Plaza	7 000
30	Pärnu str.110 *	2 000
31	Tartu str. Ametiüh.Maja	5 000
<b>TOTAL</b>		<b>22 100</b>

\* Outside of map area

### FOR COMMERCIAL LEASING OPPORTUNITIES THROUGHOUT THE REGION, PLEASE CONTACT:

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