

# Tallinn Retail Update

## Tallinn Now the Most Retailled City in Baltic

### Economy

Estonia has enjoyed six straight years of economic growth, with 6.2% GDP growth in 2004. 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

Another 82,000 sqm of new retail was added in 2004, bringing the retail stock to 379,000 sqm. At 0.97 sqm of retail gross lettable area (GLA) per capita, Tallinn is more retailled than Helsinki (0.71), Stockholm (0.75), Warsaw (0.60), Riga (0.63) or Vilnius (0.71). New developments in 2004 include:

**Ülemiste Shopping Centre** – This 50,000 sqm next to Tallinn Airport is the city's largest shopping mall. Developed by Norwegian group Linstow Varner, the property is anchored by a 10,000 sqm Rimi Hypermarket.

**Viru Square** – a 32,000 sqm newly built city centre scheme by the Viru Hotel. The new building houses the bus station underground, and is connected by bridges to the Viru Hotel and the Tallinn Department Store. Tenants include a 2,000 sqm extension of Tallinn Department Store and Mango, the Spanish fashion house. The developers were Finland's SRV and Estonia's Merko.

Further supply will be very limited. Local banks are hesitant to lend on new shopping center development in Tallinn. It is expected that further development will be for single tenants, mainly for discounter shops and for super markets. More development will take place in eastern side of Tallinn called Lasnmäe. Prisma will open its fifth 10,000 sqm hypermarket there on Laagna road. Developers – Paul Oberschneider with partners.

Retailers are looking other cities in Estonia to expand. First targets are Tartu (population 105,000), Pärnu (50,000) and Narva (70,000).

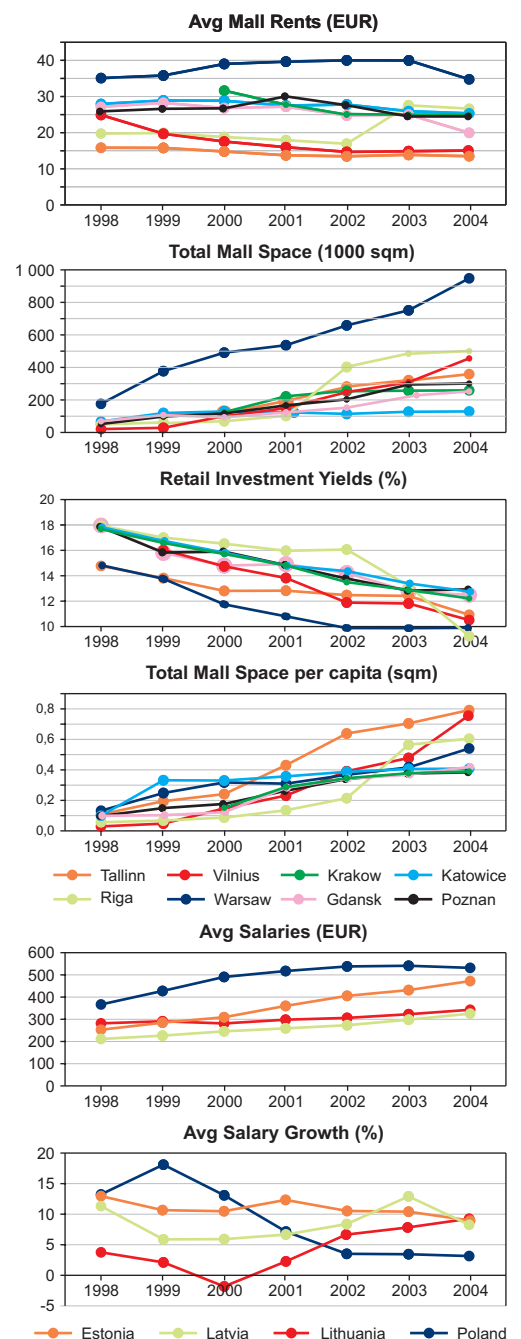
For information on leasing retail space in Estonia, contact Hindrek Leppsalu on +372 66 59 700.

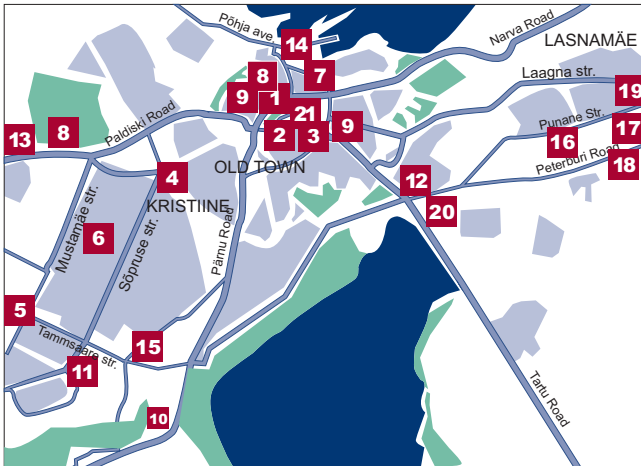
### Demand

German retail developer Lidl announced expansion plans for the Baltics. They expect to open their first store in Estonia in 2006. Lithuania's largest food retailer VP,



Viru Square – a 32,000 sqm newly built city centre scheme by the Viru Hotel.





under it's Maxima and T-Market brand also is entering Estonia, and has opened first T-Markets already in Tallinn and In Pärnu.

Vacancy in Tallinn shopping centres is very low at 3%. However, we see vacancy increasing now in certain centres which do not attract sufficient footflow are already losing tenants and will have to lower rents.

It is expected that the vacancy will increase in the future as it becomes clearer which centers have sufficient number of foot flow. Those centers, which don't, will have higher vacancy and they also have to lower their rent level.

## Rent

The rapid increase of retail space is lowering sales per square meter and retail-profits. Many retailers have felt forced to open in every new mall in order to keep their market share.

There is little new space in the pipeline, however, and we see rents overall today stable, and considered under market level when compared to CEE peer countries. New shopping centres charge EUR 12-18 per sqm, with food store anchors generally paying EUR 9-11 per sqm. Ober-Haus sees room for long-term rental growth.

## Transactions

There were no major retail properties sold in 2004, although foreign buyers have made offers on the best existing retail properties at yields around 9%. With the economy growing, interest rates low, and rents expected to rise, no property owners are eager to sell.

For information on commercial leasing in Estonia, contact Hindrek Leppsalu on +372 665 9700. For information on investment properties, contact Peter Morris on +48 22 829 1212.

## Retail sqm existing in Tallinn

Property name	sqm
1 Viru centre	5 500
2 Kaubamaja	11 000
3 Stockmann	14 000
4 Kristiine Centre (Prisma)	30 000
5 Kadaka Centre, Prisma	30 000
6 Citymarket Mustamäe	5 000
7 Norde Centrum, Ober-Haus	12 400
8 Merimetsa Selver	5 000
9 Selver Gonsiori str.	5 000
10 Jarve Centre, Selver	30 000
11 Magistrali centre, Mustamäe	10 000
12 Sikupilli, Prisma	17 000
13 Rocca al Mare Centre	36 000
14 Sadamarket, Port	11 200
15 Tondi Selver, Tammsaare tee	5 000
16 Idakeskus, Tasmo Ärikeskus	8 000
17 Meka (Lasnamäe)	5 100
18 United Capital	10 300
19 Lasnamäe Cenrum	22 500
20 Linstow Rimi	40 000
21 SRV Viru Square	12 000
Citymarket Rocca al Mare *	11 000
Maksimarket Laagri *	18 000

**TOTAL 297 000**

## Retail sqm planned in Tallinn

Property name	sqm
Prisma *	10 000
<b>TOTAL</b>	<b>10 000</b>

\* Outside of map area

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

### LATVIA

Contact: Girts Grinbergs  
Tel +371 728 45 44  
girts.grinbergs@ober-haus.com

### POLAND

Contact: Peter Morris  
Tel +48 22 829 12 12  
peter.morris@ober-haus.com

### LITHUANIA

Contact: Vytas Zabilius  
Tel +370 5 210 97 00  
vytas.zabilius@ober-haus.com

### ESTONIA

Contact: Hindrek Leppsalu  
Tel +372 665 97 00  
hindrek.leppsalu@ober-haus.com