

## Estonian Commercial Real Estate

**Q2 2009**

# MARKET COMMENTARY

### Economy

The credit crunch hit hardest in the overleveraged Baltic States. Estonian unemployment quadrupled to 15.6% in May 2009 (from just 3.9% in May 2008), while GDP fell a staggering 15.1% in 1Q 2009.

### Office

Vacancy rates for modern office stock have jumped to over 20% in 2Q 2009 (from just 3% in 2Q 2008) as new supply increased just as the economy plunged.

Prime class A rents have now sunk as low as 150 EEK (9.60 EUR) per sqm per month, and as low as 80 EEK (5.10 EUR) for class B or out of centre locations.

### Retail

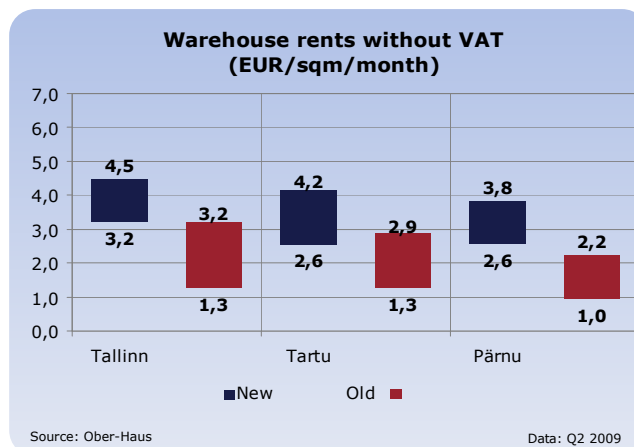
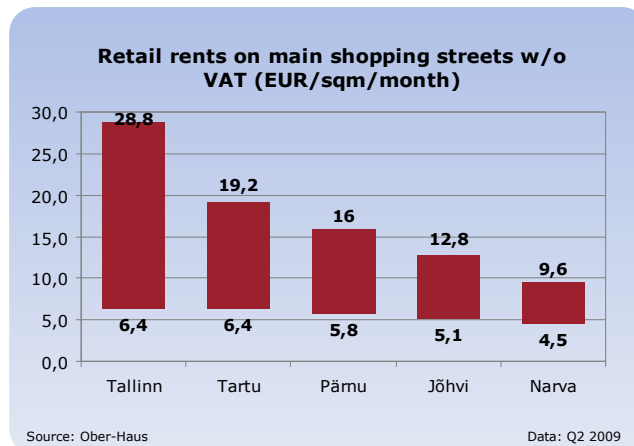
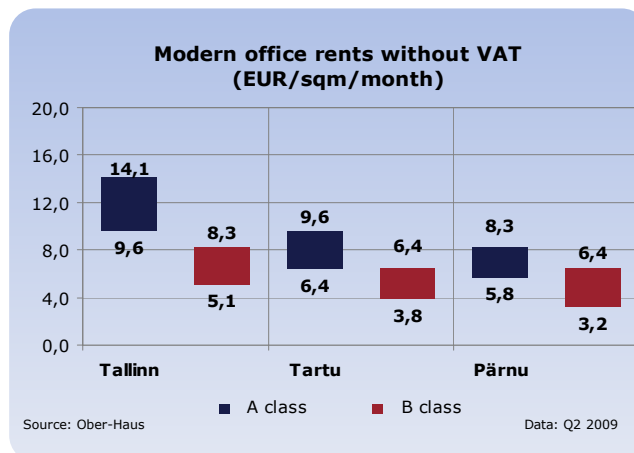
Retail sales are down over 16% in 2Q 2009 compared to one year ago. Retail rents have also softened by 10% in 2009, even as much as 40% in high street locations, where more vacant units have appeared of late.

There are substantially more properties now available to buy or let for the entertainment sector (restaurants, clubs, bars). It is obvious, that businesses started in the past year were too optimistic and taking under allowance today's drop in demand, it is clear that there is too much supply for many years to come.

### Warehouse and Industrial

Comparing with the previous year, activity in this sector has rapidly decreased. A lot of entrepreneurs have adjusted their business plans and postponed possible investments. Because of uncertainty on the whole economy, tenants prefer to make only short term lease agreements. Also, some companies planning to expand, waiting to buy cheap bankrupted companies assets.

In Tallinn and Harju County, prices for new and modern warehouse and production spaces range from 50-70 EEK (3.20 – 4.50 EUR) per sqm and older spaces rent for 20 EEK (1.30 EUR) per sqm.



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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