

Finnish property company Realia has acquired Ober-Haus Real Estate Advisors, a move that will expand its residential-based business into the growing economies of the Baltics and Eastern Europe

## Realia Group

Finnish property company Realia Group Oy is the product of a merger last year between two Finnish real estate brokerage and housing management companies: Huoneistokeskus and SKV. And less than a year after it was formed, it has begun to expand outside its home market with its acquisition of the Poland-based company Ober-Haus Real Estate Advisors.

Until now, Realia operated only in Finland, where it has 200 offices, but with the acquisition of Ober-Haus it will become one of the largest property agencies in Central and Eastern Europe, with a total of 2,000 staff. Its reach will extend to Estonia, Latvia, Lithuania, Poland and Ukraine.

"We see a great possibility for strong growth in those countries, which collectively have more 100m people," says Risto Kyhälä, managing director of Realia. "The middle class is becoming more prosperous and is upgrading its living standard quickly. This trend is creating more business opportunities for us."

Economic growth in the Baltics has proved strong over the last few years with EU membership attracting increasing foreign interest. Earlier this year, in what was believed to be the largest-ever property deal in the Baltic region, Canadian investor Homburg Invest bought two portfolios from Swedish bank SEB for €197m, reflects a net initial yield of between 5% and 5.5%.

Peter Morris, managing director of Ober-Haus Real Estate Advisors said that in Estonia strong economic growth, with GDP growing over 7.5% per year on average for the past seven years, is pushing all real estate prices toward Western European levels.

"As anywhere, prices for land depend on allowable building volumes. Prices of commercial land near the city limits on main roads range from €35 to €220 per m<sup>2</sup>. Prices of commercial land plots in

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Risto Kyhälä, Realia

prime locations on main traffic roads with extensive building rights start from €250 per m<sup>2</sup>," he said.

Jani Nieminen, senior executive of Realia Group, says that Ober-Haus operates in a similar manner to Realia and that the acquisition will enable it to broaden its business reach. Its estimated 2007 turnover after the Ober-Haus acquisition is €140m.

Realia focuses on the residential sector. It manages 140,000 apartments across Finland in addition to its estate agency operations. Commercial property activity, however, accounts for 30% of Ober-Haus's business.

Within its commercial property business, Ober-Haus offers rental, leasing, acquisition and sales advice, as well as asset management, valuation services, loan arrangement and investment advisory services. It has seven offices in Estonia, with 80 brokers and 30 valuers.

Ober-Haus was established in 1994 by Paul Oberschneider, and started with three employees in Tallinn, Estonia. Shortly thereafter, it opened offices in the other

Baltic countries and at the end of 2000 it went into Poland. At the beginning of this year it opened up an office in Kiev, Ukraine, which already employs six brokers. Morris says that Poland and the Ukraine are Central and Eastern Europe's fastest-growing markets. Ukraine was a natural target for Ober-Haus, says Morris, because of its size and its ongoing integration into the European economy.

"In the Ukraine, we started out looking for land for a number of current clients from the Baltics and Poland and looking for both commercial and residential rentals. The core of that business is for the Baltic and Polish expatriate community there because Ukraine is still very cheap compared to other Central and Eastern European markets," he said.

The Kiev office also offers a valuation service that has been approved by local and international banks, such as SEB, which are already working in Ukraine.

The next step for Ober-Haus will be to open an office in Russia, according to Nieminen. The company also wants to expand into Finland's neighbouring Nordic countries.

Realia has no intention of changing the structure of Ober-Haus, which will continue to operate under the Ober-Haus brand as part of the Realia Group. Ober-Haus's senior management personnel will all stay with the company and become shareholders of the group. Morris will soon be heading international operations for Realia.

Ober-Haus's link-up with Realia Group and will help the group to expand into other markets. Morris says: "Realia Group can take it further than we could at this stage. The timing of the agency sale is reflective of our individual personal interests and my desire to focus on development."

### Ober-Haus operations

Country	Offices	Brokers	Valuers
Latvia	8	80	10
Estonia	7	80	30
Lithuania	9	100	30
Ukraine	1	6	0
Poland	10	140	20

Source: Ober-Haus

[www.realiagroup.fi](http://www.realiagroup.fi)  
[www.ober-haus.com](http://www.ober-haus.com)