

Real Estate Market Overview of KV.EE

4th Quarter 2008



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Comments

The balance of residence loans is starting to decline

There are few figures characterising the real estate market that have improved during the last quarter of the year. The real estate market has a tense, but interesting year before it, bringing along many changes. The most important figures characterising the market have acted in the following way.

- **Unemployment rate has started to increase.** During the last quarters, the unemployment rate has remained low and the employment rate has remained high. In the third quarter of the last year, the unemployment rate suddenly rose to the level of 6.2 percent. Also, many cases of making employees redundant have appeared. It would be too optimistic to think that the unemployment rate will not double within the next year.
- **Salary increase will decline fast.** The fast salary increase has started to decline. In the third quarter of the year 2008 the average salary in Estonia was 12,512 EEK, although this is still 14.8% higher than in the previous year. Due to the alternative of making redundancies,

the prognosis of the salary increase slowing down, if not turning into a decrease, is more than certain.

- **Construction activities in the negative for the second quarter in a row.** In the third quarter of the year 2008 there were construction activities performed in Estonia with the volume of 15,081 million EEK; this is 9.4% less than in the previous year. The money flows for financing the real estate field and the construction field have been turned to a

trickle. Thus, the construction volumes can be expected to continue to decrease.

- **The volume of fixed asset investments is on the level of the year 2005.** By the third quarter of the year 2008, the investments into construction and reconstruction of buildings and facilities have dropped to the level of 3.5 billion EEK. At the same time, enterprises expended nearly 900 million EEK on acquiring buildings and facilities and this is about half the amount expended in the first quarter of the year.
- **The volume of fixed asset investments is on the level of the year 2005.** By the third quarter of the year 2008, the investments into construction and reconstruction of buildings and facilities have dropped to the level of 3.5 billion EEK. At the same time, enterprises expended nearly 900 million EEK on acquiring buildings and facilities and this is about half the amount expended in the first quarter of the year.



Comments

- **Euribor drops, loan margins increase.** By the end of December 2008 Euribor, being the basis for the interest rate of most loans, had dropped below 3 percent. During December 2008 the interest rate of residence loans granted in EEK increased from 6.8 percent to 8.2 percent. Still, the interest rate of EUR-based loans decreased from the 6.2 percent level of the previous quarter to the 5.2 percent level.
- **Balance of loans to start on a decline?** The balance of private person loans and residence loans is still increasing on the basis of the quarter, and the respective balances have reached the levels of 121 and 97 billion EEK. On the other hand it has to be said that the increase of the balances of loans is becoming stunted and when looking at the balance of residence loans across months it can be seen to have already started to decrease. In other words, this means that banks are taking more money from the residence loans market than they are granting new loans to the market.
- **Loan turnover comparable to the year 2004.** In the fourth quarter of the year 2008 there were residence loans granted for the total amount of 3.3 billion EEK; this is on the level of the third quarter of the year 2004. The prices for residential space in 2004 were about half the prices in 2008, thus it can be said that the number of residence loans granted in the year 2008 is approximately half the number of residence loans granted four years ago. This makes the activity level of granting loans to be approximately on par with the years 2001-2002.
- **Balances of loans for business associations are already dropping.** In the fourth quarter of the year 2008 there were loans granted to business associations in the amount of 11 billion EEK and the balance of loans decreased to the level of 117 billion EEK. While the balance of private person loans and residence loans is quite probably starting to decrease, the balance of loans granted to business associations in the end of the fourth quarter of 2008 was already smaller than it had been in the second quarter of the same year. Here, too, banks are taking more money from the market than they are granting new loans to it.
- **The loan burden of private persons is still growing.** The balance of private person loans is increasing and the GDP is decreasing. The share of private person loads in the GDP has increased from the level of 47 percent in the second quarter of 2008 to the level of 48 percent. In the context of the expected negative figure for economic growth it can be said with certainty that the figure of the fourth quarter of the year 2008 will still increase.

Comments

- **The amount of completed residential space is modest.** In the fourth quarter of 2008 there were 1,018 new residential premises completed in Estonia; this is less than half the figure for the fourth quarter of 2007. During the past year, usage permits were given to a total of 5,300 residential premises with a total net space of 458,400 square metres. On the other hand, new projects were initiated sparsely during the past year – thus this field can only be expected to decline as well, unfortunately.
- **The construction of commercial premises is stable.** Regarding commercial premises it has to be said that there were more usage permits issued in the fourth quarter of 2008 than in the previous quarters of the year. The total number of usage permits for commercial premises issued in the fourth quarter of 2008 was 286, for the total space of 246,000 square metres.
- **The number of real estate transactions is dropping.** There were 11,230 real estate transactions performed in Estonia in the fourth quarter of the year 2008; this is almost on the level of the first quarter of 2004. The total value of these transactions was 7.7 billion EEK, i.e. as much as three times less than at the time of top transaction numbers (the fourth quarter of 2006).

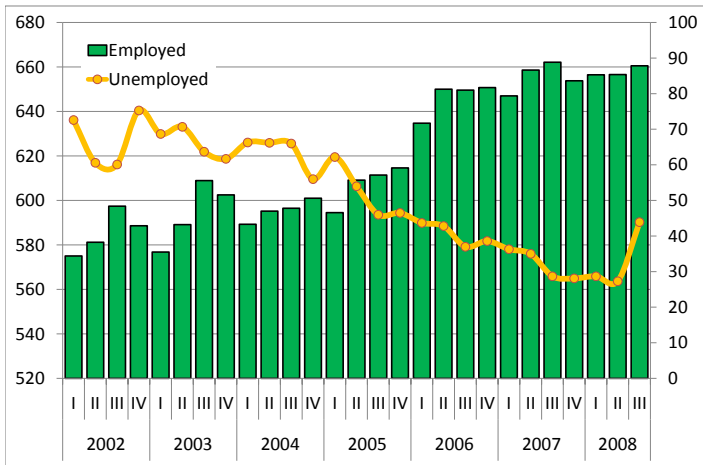
The real estate market continues to be ravaged by the difficult economic situation. The year 2009 promises to be difficult; it is not probable that any final solutions will be agreed about in the market within this year. Still, this doesn't mean that real estate market would run out or come to an end. There are few real estate transactions performed, but there still are transactions. Prices are decreasing, but hopefully the price decrease is slow and there will be no sudden quick drops.

The key to the market is still held by banks. In order for anything to start stirring again in the economy and in the real estate market, it is sorely needed that the banks start financing entrepreneurship and real estate acquisitions more freely again.

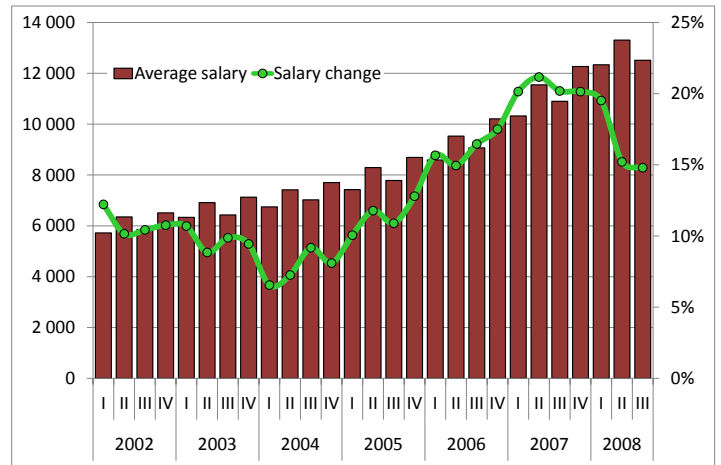
Hopefully the bottom of the decline of the economy and of the real estate market will soon come and pass, so that the time arrives when the figures characterising the market can start to get better again.

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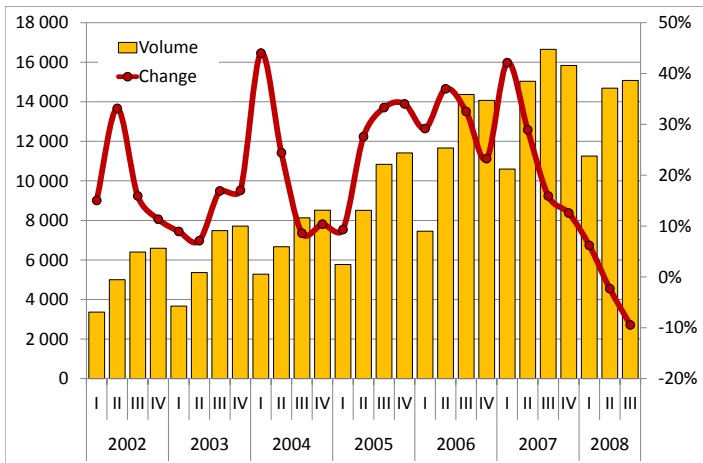
Overall statistics



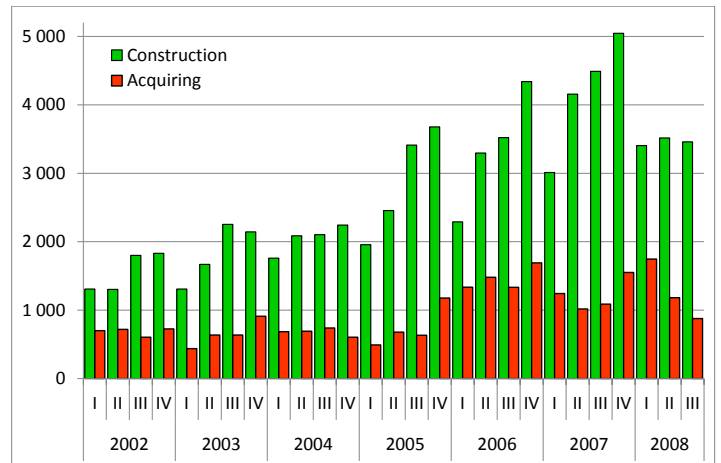
Number of employed people (left axis, 1,000) and unemployed people (right axis, 1,000)



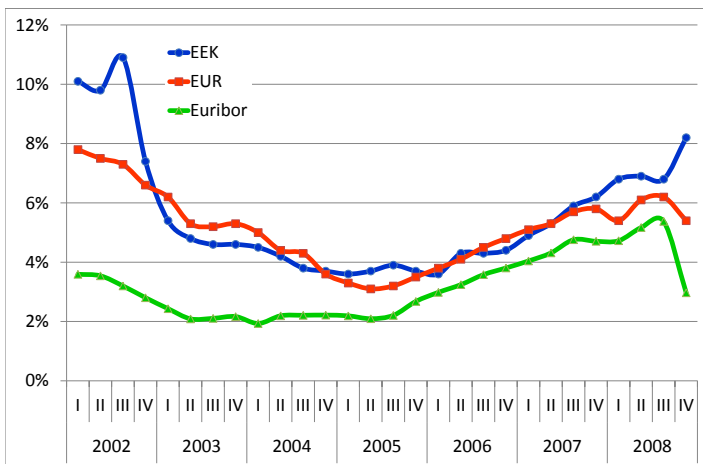
Average salary (left axis, EEK) and salary change, compared to the same period last year (right axis, %)



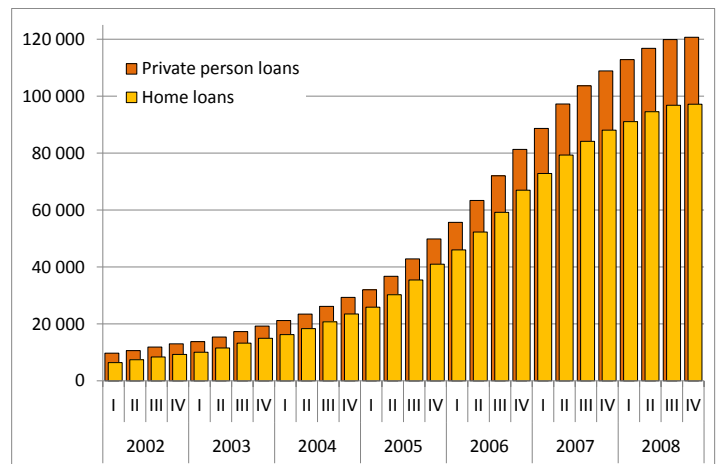
Volume of construction works (left axis, million EEK) and change, compared to the same period last year (right axis, %)



Company investments into construction and reconstruction of buildings and facilities and into construction of buildings and facilities, million EEK

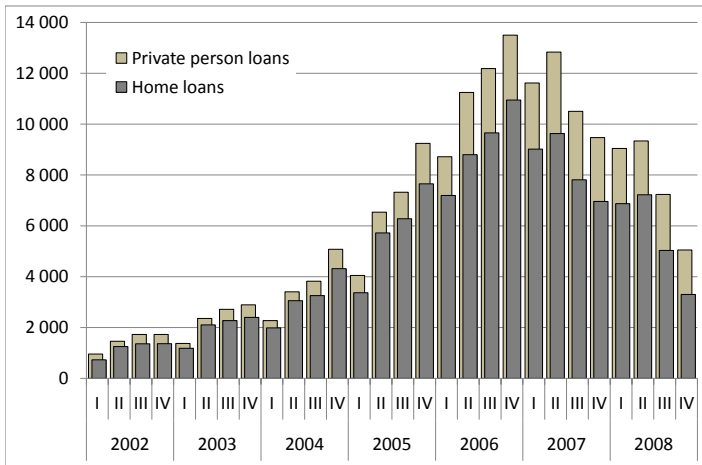


Interest rates of home loans and Euribor, %

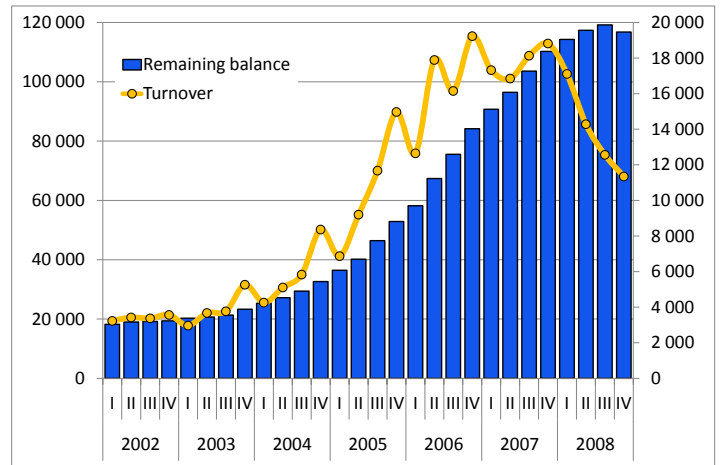


Remaining balance of home loans and private person loans, million EEK

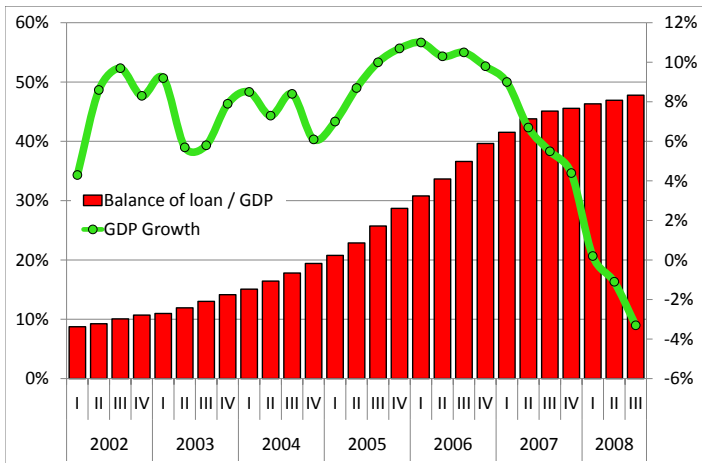
Overall statistics



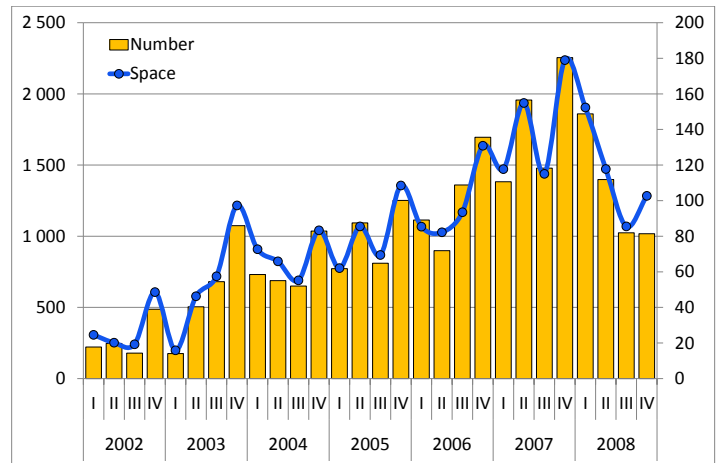
Turnover of home loans and private person loans, million EEK



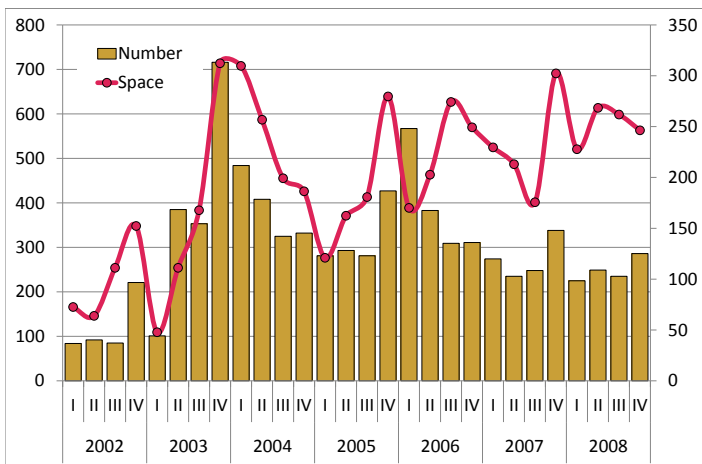
Remaining balance (left axis) and turnover (right axis) of loans given to business associations, million EEK



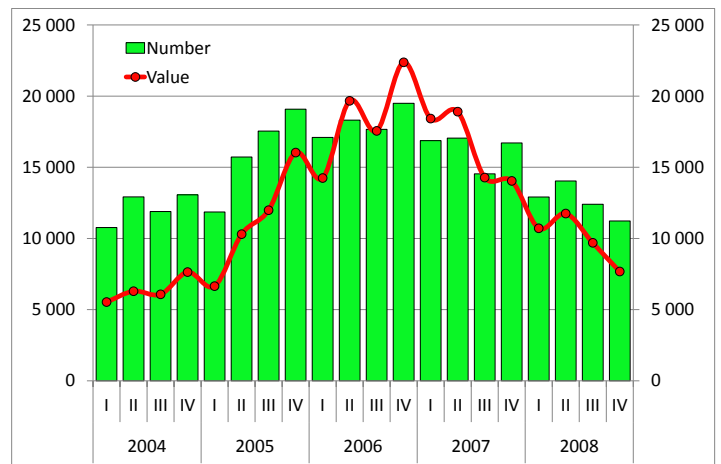
Share of private person loans in gross domestic product (left axis), and economic growth (right axis), %



Number (left axis) and space (right axis) of residential rooms with usage permit, 1,000 m2

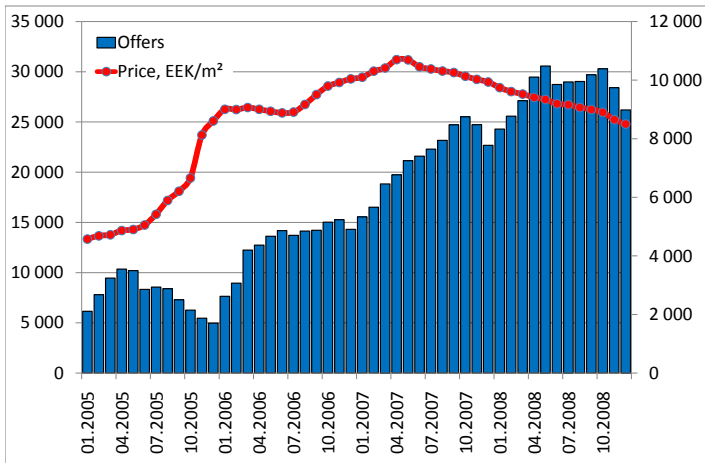


Number (left axis) and space (right axis) of non-residential buildings with usage permit, 1,000 m2

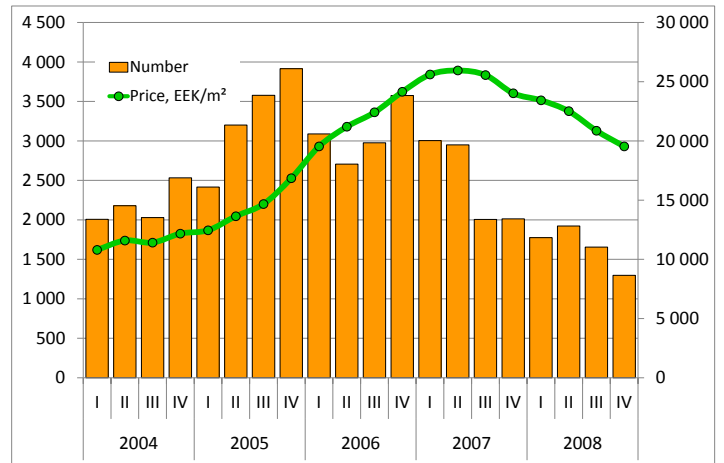


Number (left axis) and value (right axis) of real estate transactions, million EEK

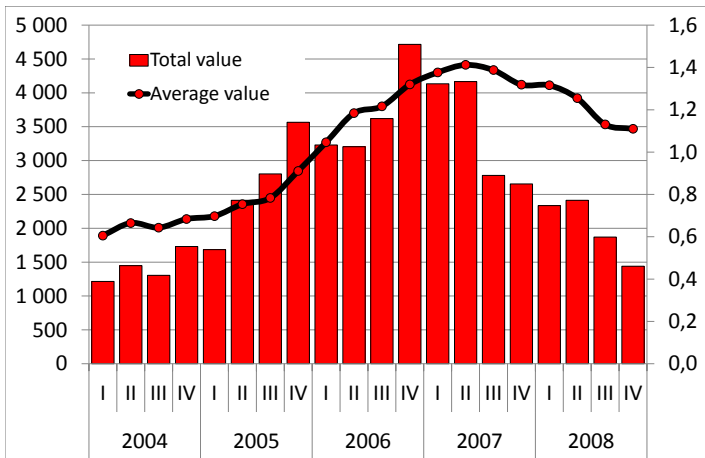
Tallinn



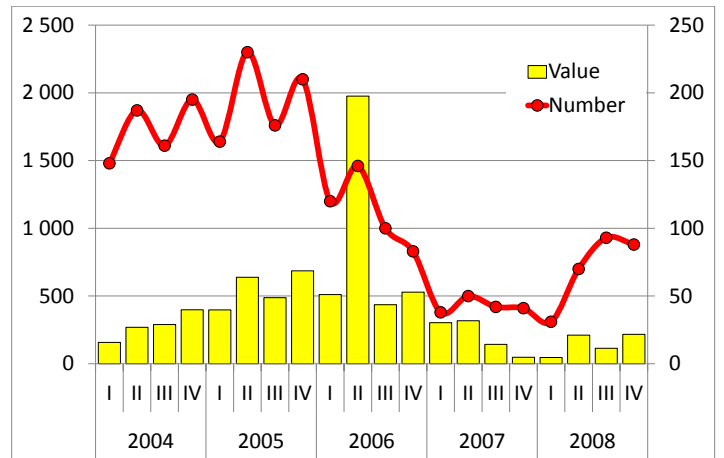
Average offer price, EEK/m² (left axis) and number of offers (right axis) in the KV.EE portal



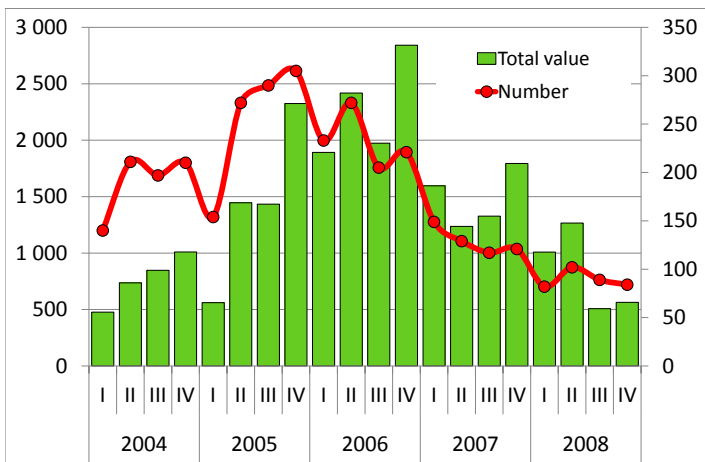
Number (left axis) and average price, EEK/m² (right axis) of apartment ownership transactions



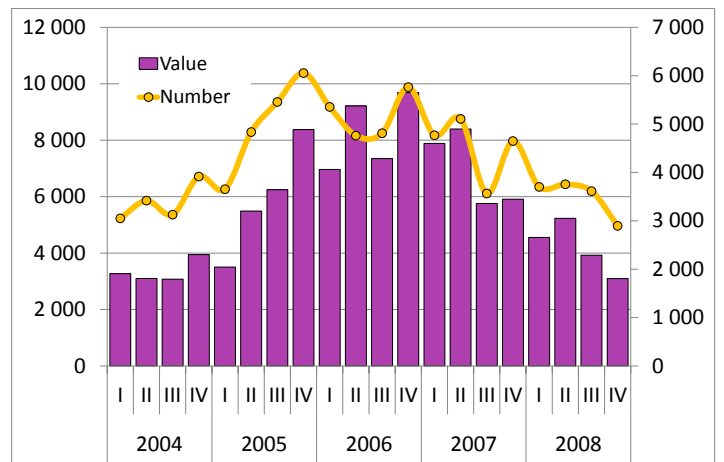
Total value (left axis) and average value (right axis) of apartment ownership transactions, million EEK



Total value (left axis) and number of transactions (right axis) of land without buildings, million EEK

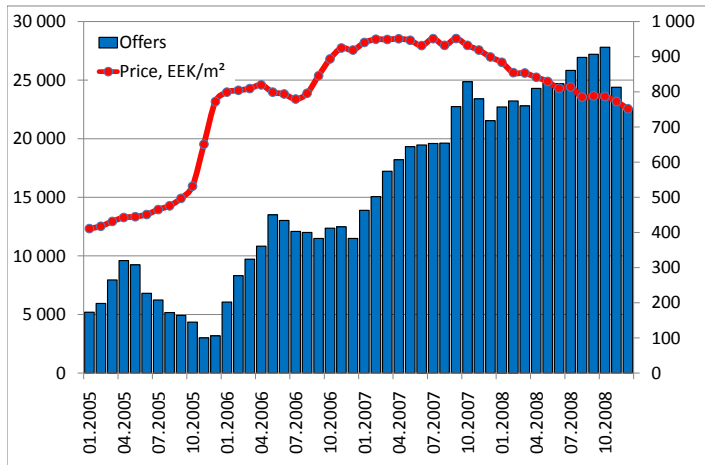


Total value, million EEK (left axis) and number of transactions (right axis) of land with buildings

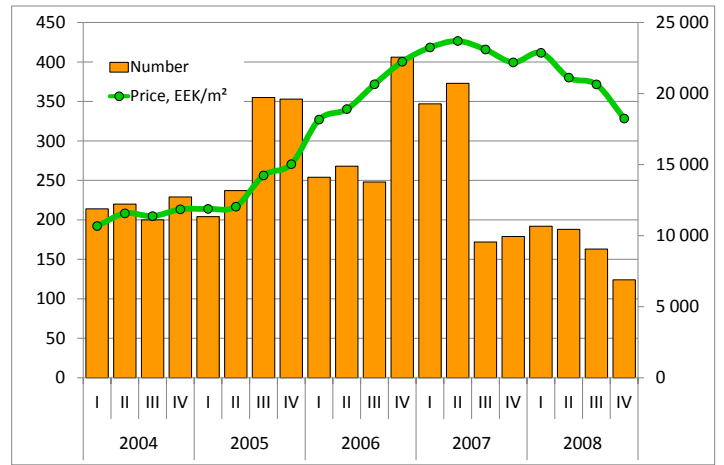


Value, million EEK (left axis) and number (right axis) of real estate transactions

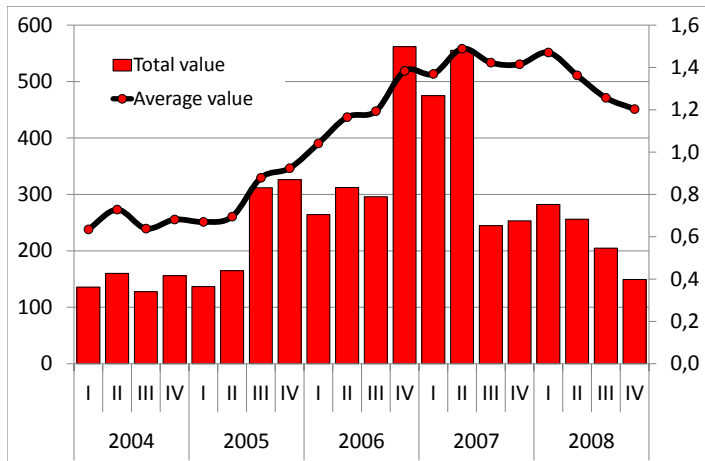
Haabersti District



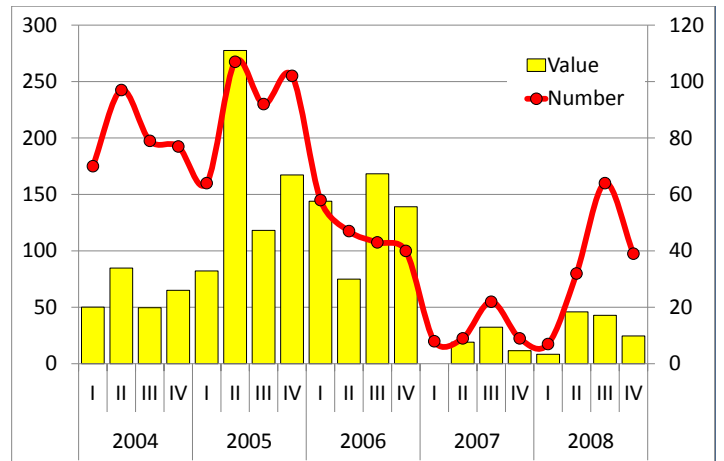
Average offer price, EEK/m² (left axis) and number of offers (right axis) in the KV.EE portal



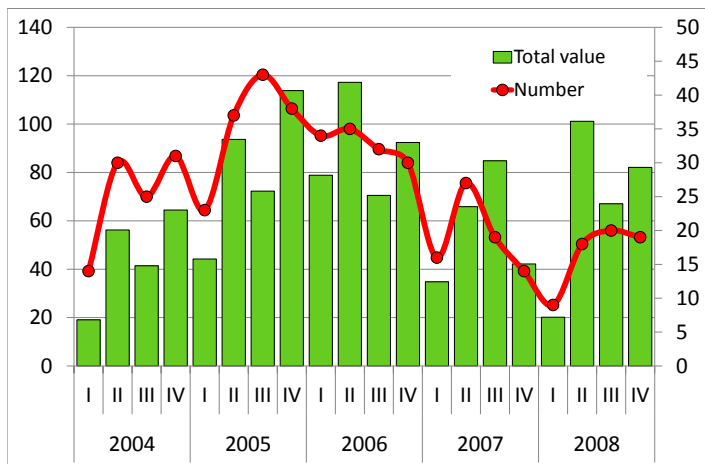
Number (left axis) and average price, EEK/m² (right axis) of apartment ownership transactions



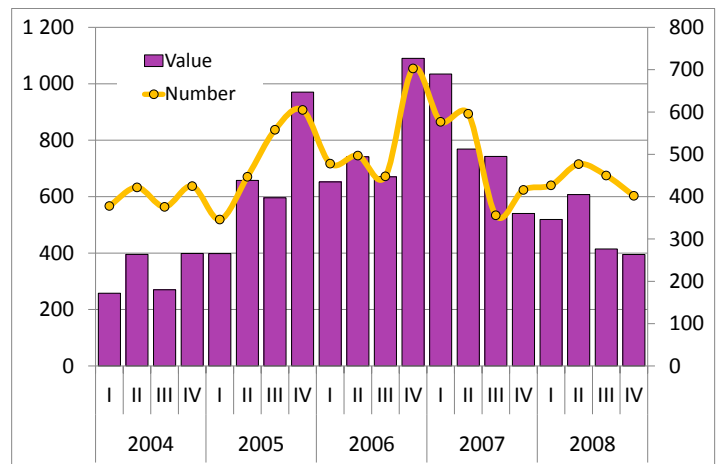
Total value (left axis) and average value (right axis) of apartment ownership transactions, million EEK



Total value (left axis) and number of transactions (right axis) of land without buildings, million EEK

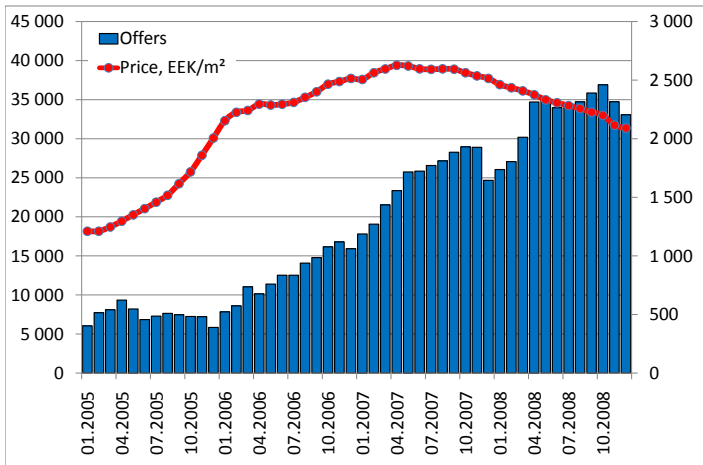


Total value, million EEK (left axis) and number of transactions (right axis) of land with buildings

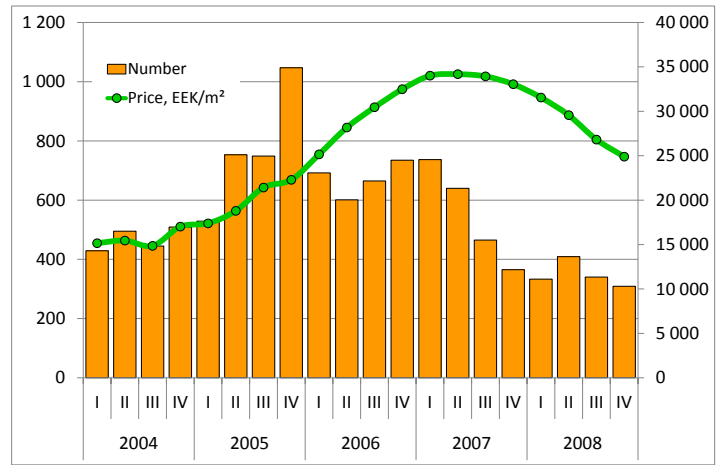


Value, million EEK (left axis) and number (right axis) of real estate transactions

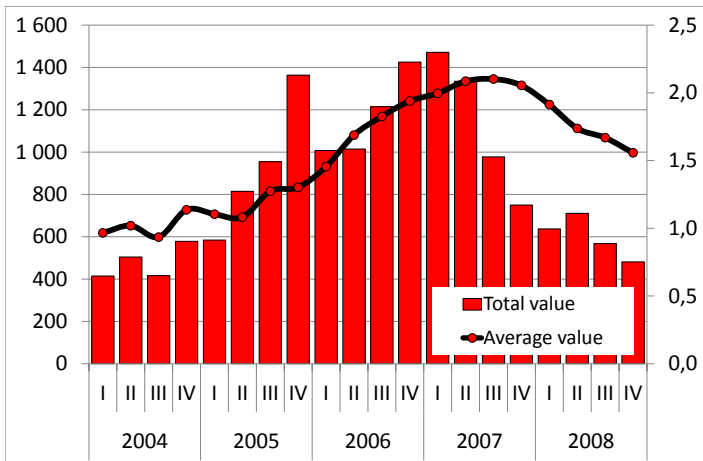
City Center District



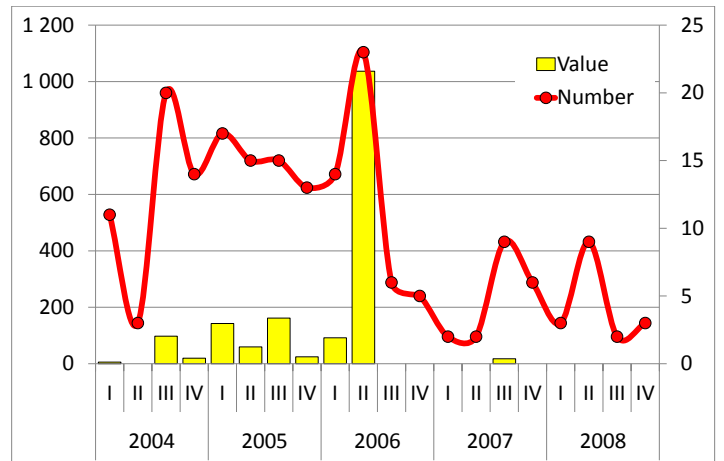
Average offer price, EEK/m2 (left axis) and number of offers (right axis) in the KV.EE portal



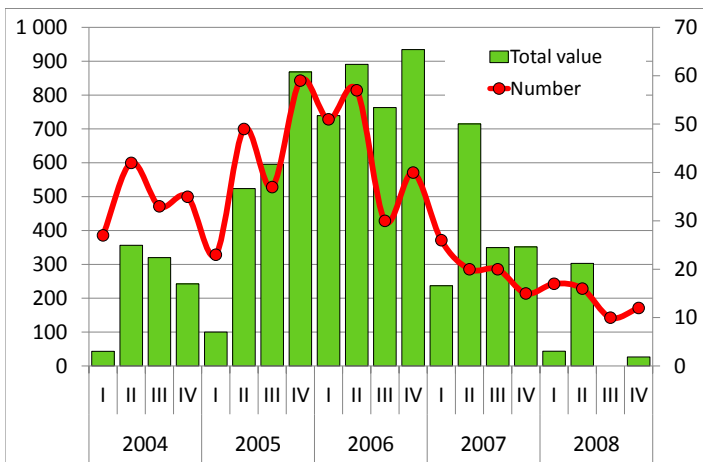
Number (left axis) and average price, EEK/m2 (right axis) of apartment ownership transactions



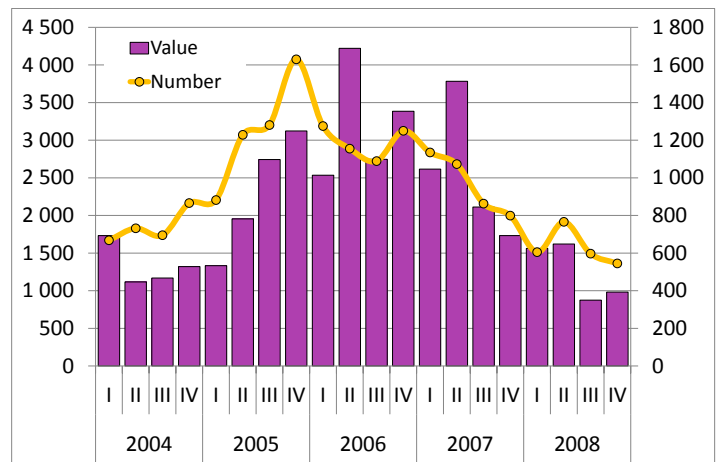
Total value (left axis) and average value (right axis) of apartment ownership transactions, million EEK



Total value (left axis) and number of transactions (right axis) of land without buildings, million EEK

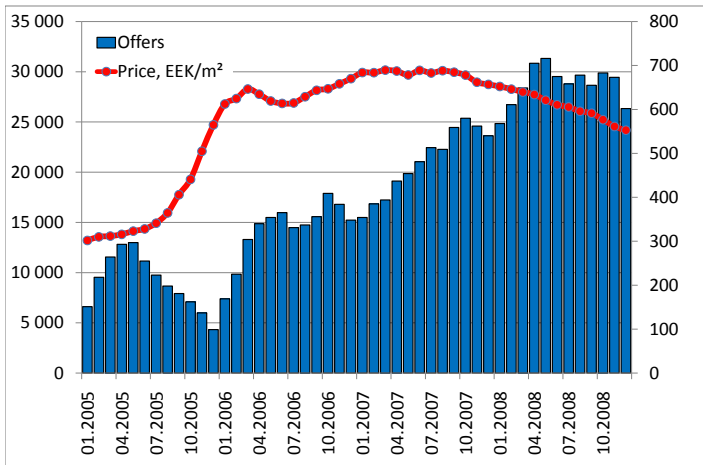


Total value, million EEK (left axis) and number of transactions (right axis) of land with buildings

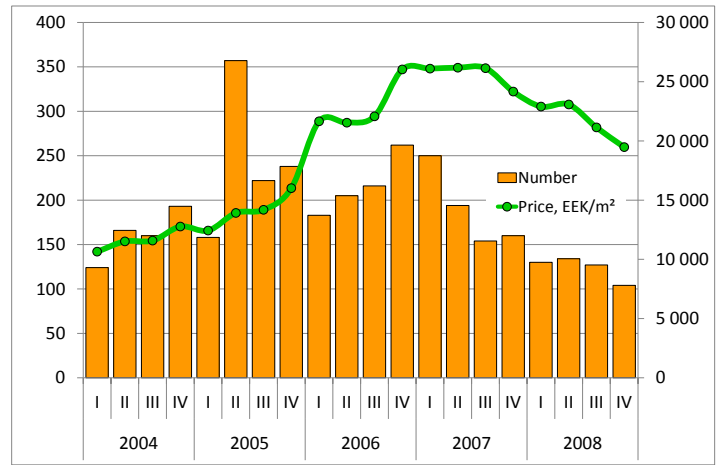


Value, million EEK (left axis) and number (right axis) of real estate transactions

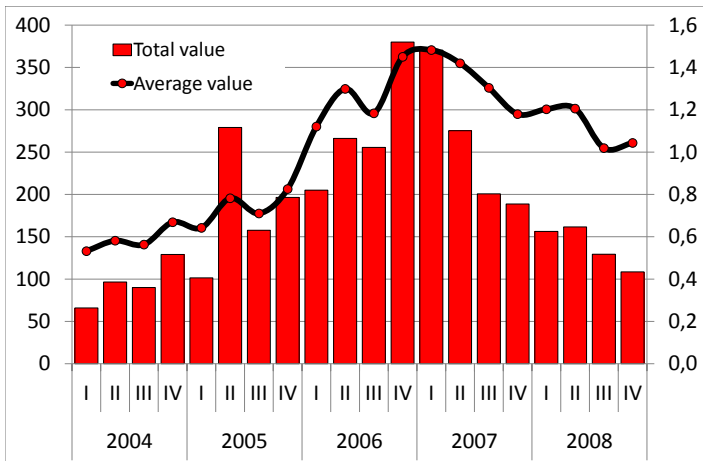
Kristiine District



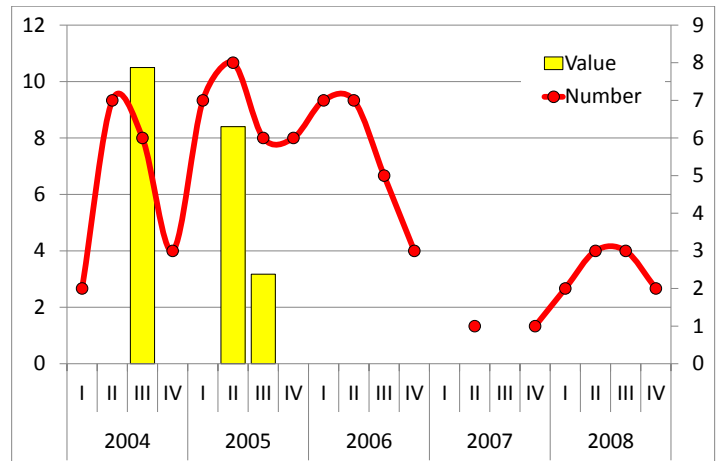
Average offer price, EEK/m² (left axis) and number of offers (right axis) in the KV.EE portal



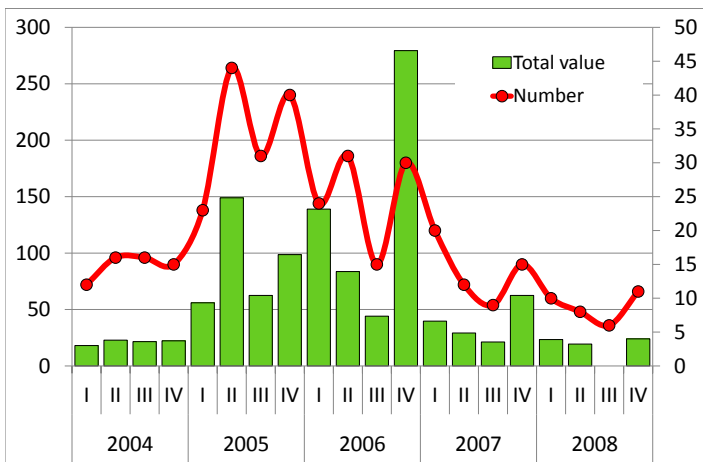
Number (left axis) and average price, EEK/m² (right axis) of apartment ownership transactions



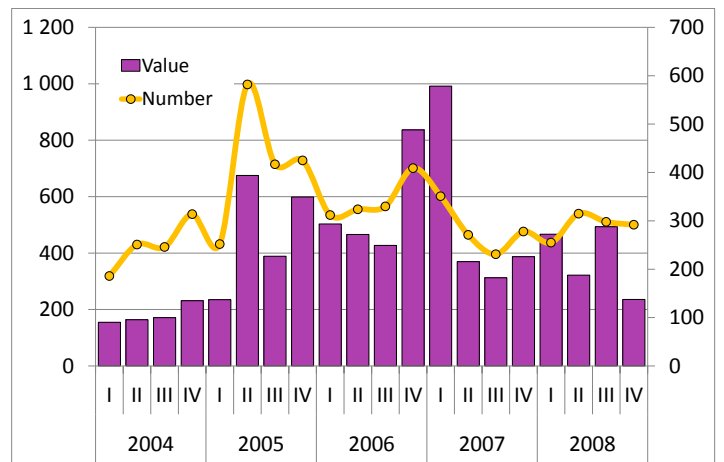
Total value (left axis) and average value (right axis) of apartment ownership transactions, million EEK



Total value (left axis) and number of transactions (right axis) of land without buildings, million EEK

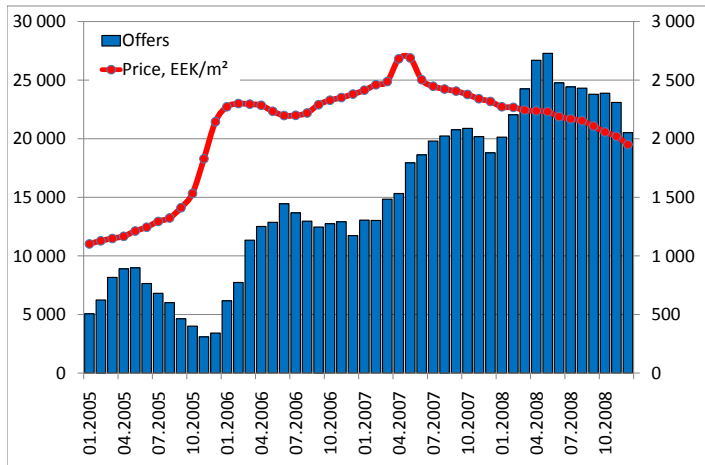


Total value, million EEK (left axis) and number of transactions (right axis) of land with buildings

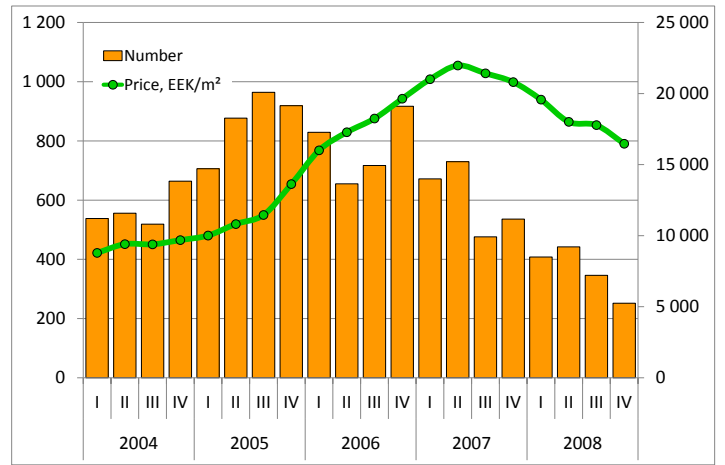


Value, million EEK (left axis) and number (right axis) of real estate transactions

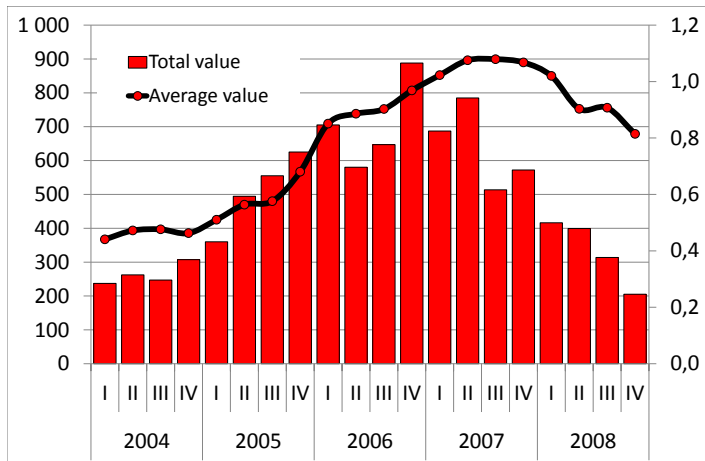
Lasnamäe District



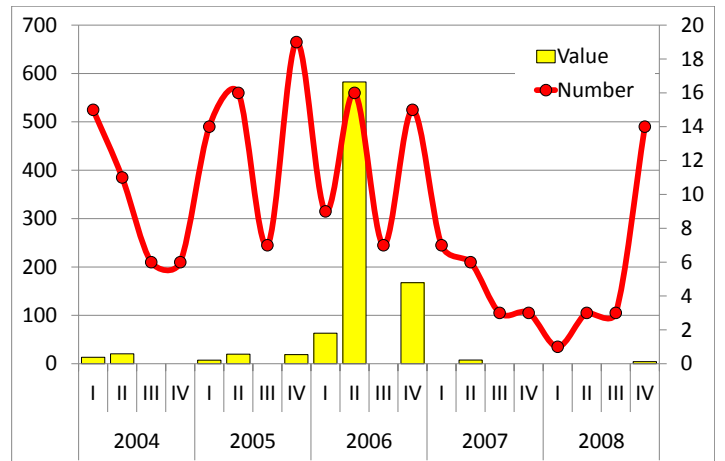
Average offer price, EEK/m² (left axis) and number of offers (right axis) in the KV.EE portal



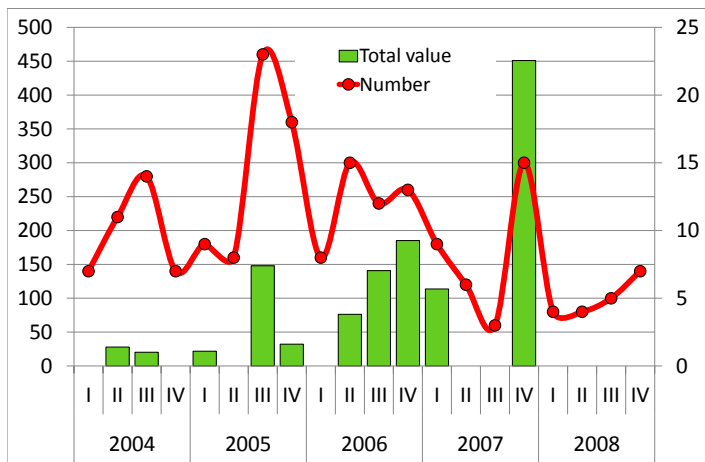
Number (left axis) and average price, EEK/m² (right axis) of apartment ownership transactions



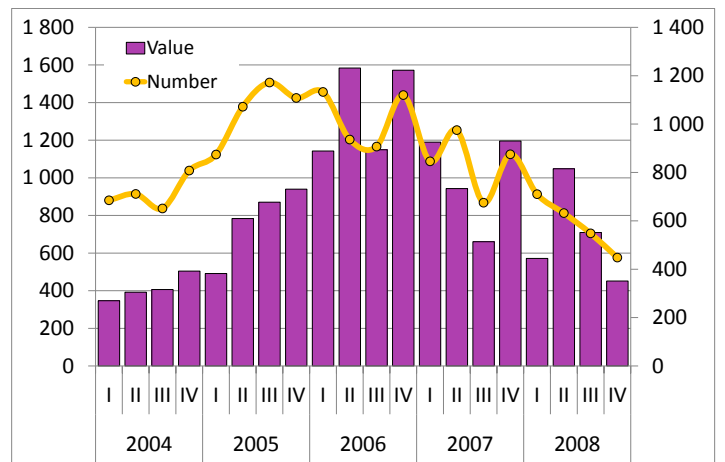
Total value (left axis) and average value (right axis) of apartment ownership transactions, million EEK



Total value (left axis) and number of transactions (right axis) of land without buildings, million EEK

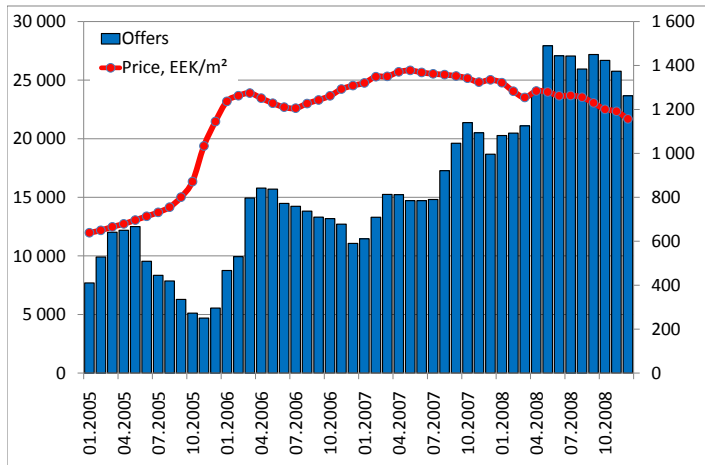


Total value, million EEK (left axis) and number of transactions (right axis) of land with buildings

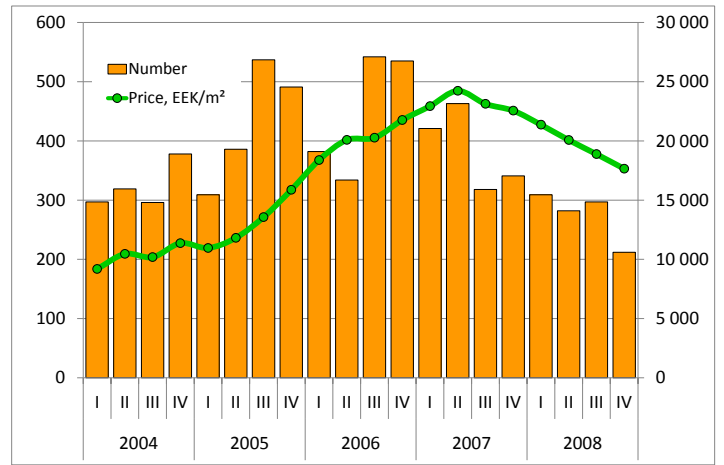


Value, million EEK (left axis) and number (right axis) of real estate transactions

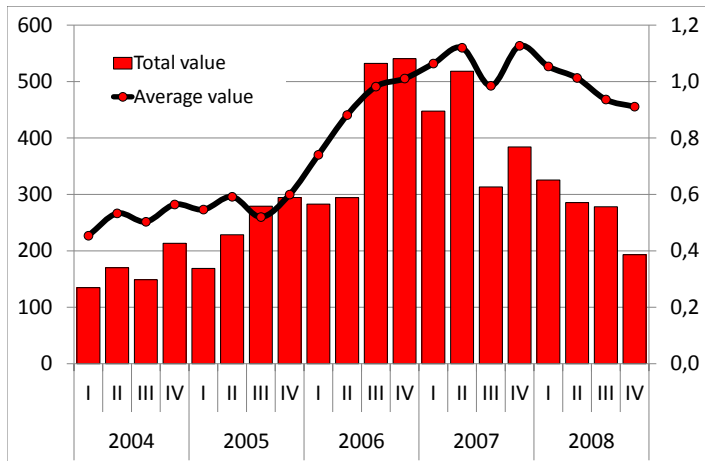
Mustamäe District



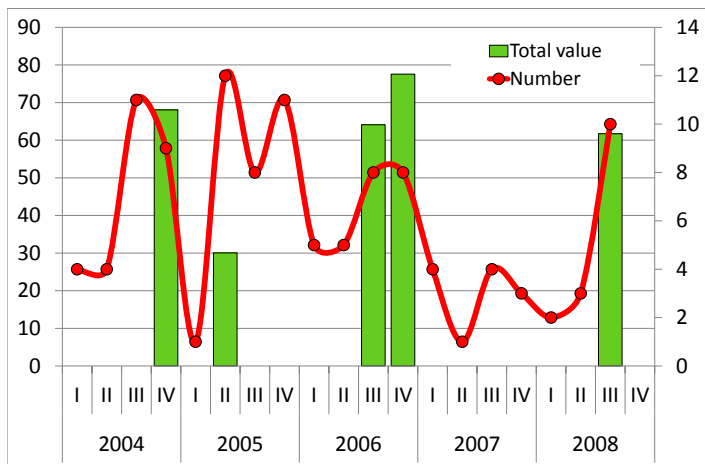
Average offer price, EEK/m² (left axis) and number of offers (right axis) in the KV.EE portal



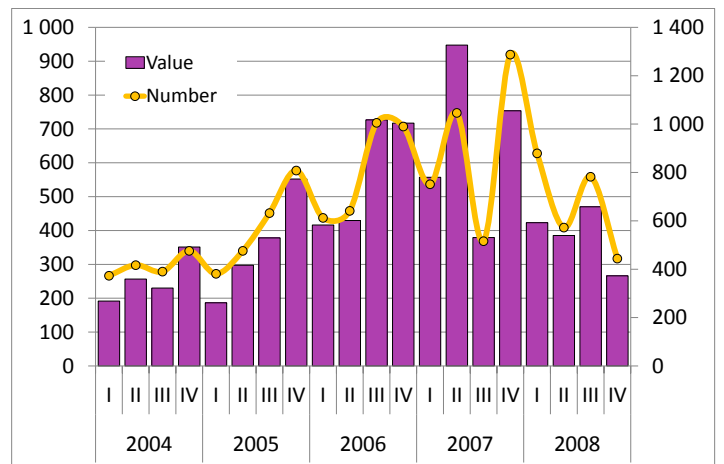
Number (left axis) and average price, EEK/m² (right axis) of apartment ownership transactions



Total value (left axis) and average value (right axis) of apartment ownership transactions, million EEK



Total value, million EEK (left axis) and number of transactions (right axis) of land with buildings



Value, million EEK (left axis) and number (right axis) of real estate transactions



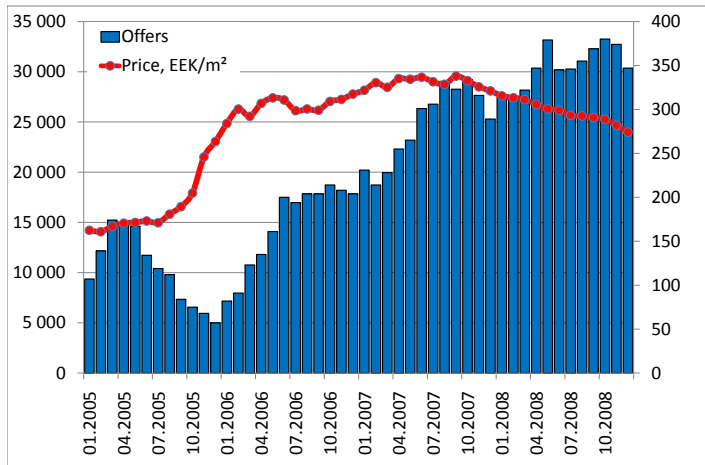
adaur grupp

KINNISVARAKONSULTATSIOONID:
kinnisvaraturu monitooring,
äriplaanid, turundus, analüüsid,
koolitus, ülevaated.

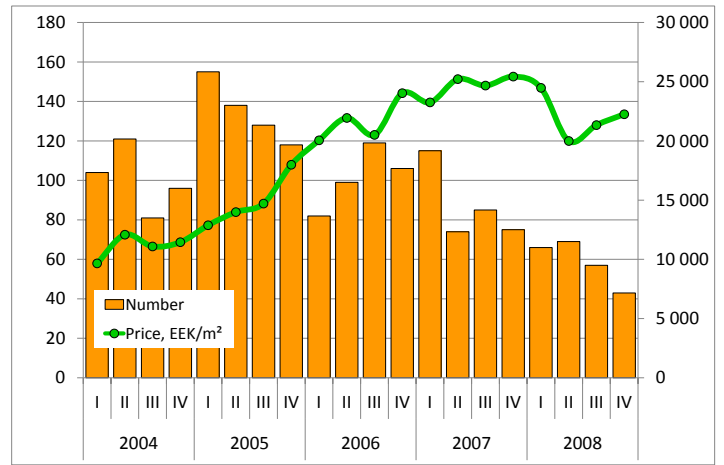
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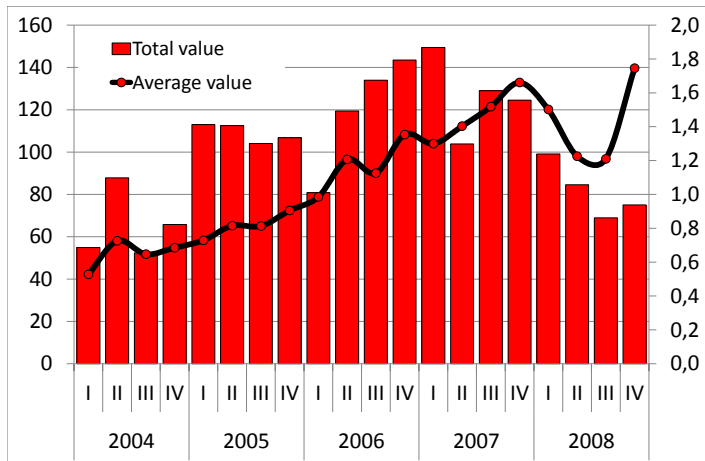
Nõmme District



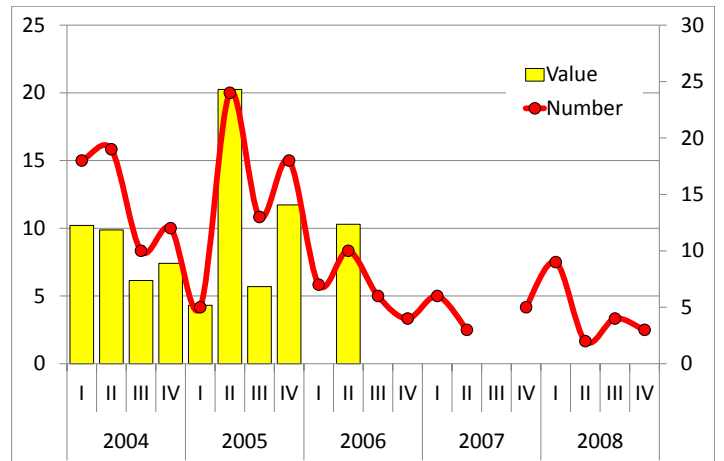
Average offer price, EEK/m2 (left axis) and number of offers (right axis) in the KV.EE portal



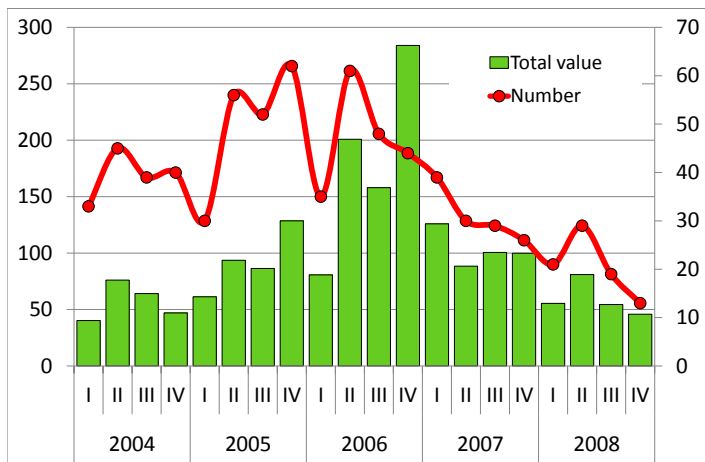
Number (left axis) and average price, EEK/m2 (right axis) of apartment ownership transactions



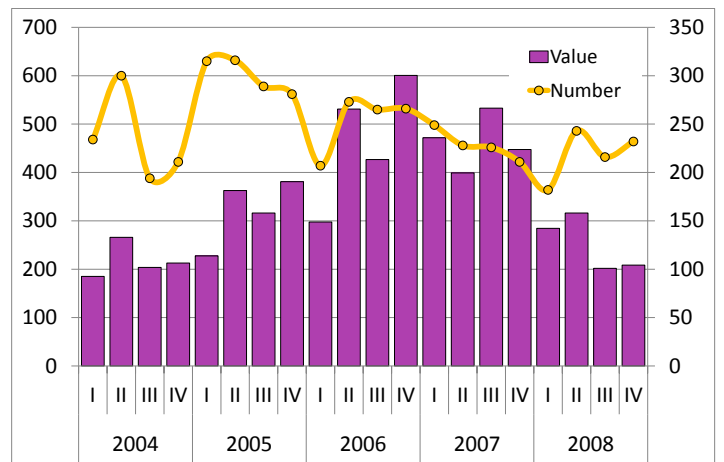
Total value (left axis) and average value (right axis) of apartment ownership transactions, million EEK



Total value (left axis) and number of transactions (right axis) of land without buildings, million EEK

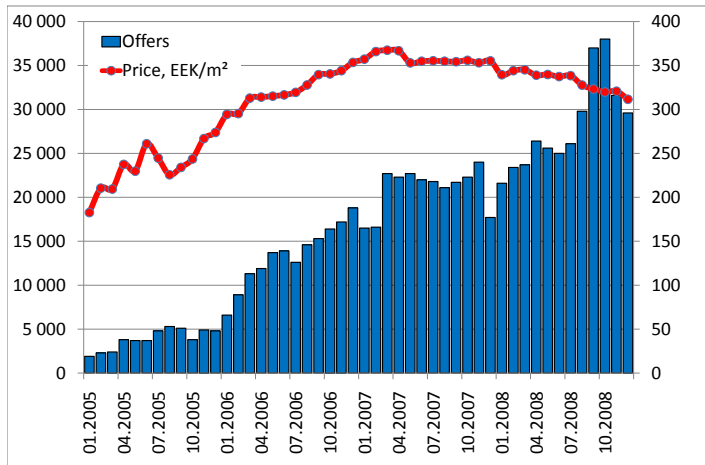


Total value, million EEK (left axis) and number of transactions (right axis) of land with buildings

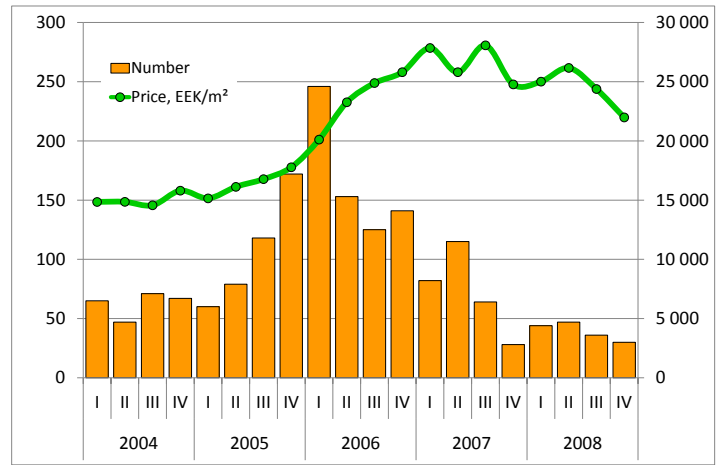


Value, million EEK (left axis) and number (right axis) of real estate transactions

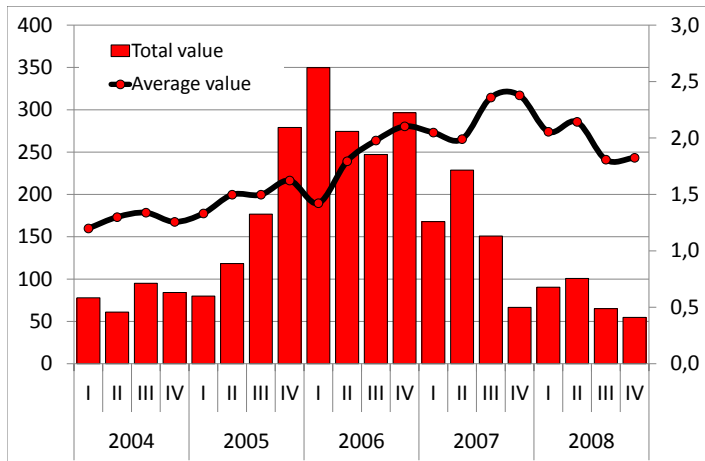
Pirita District



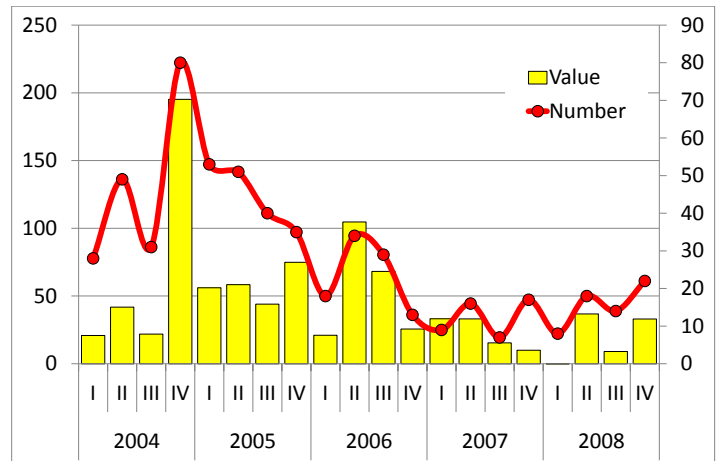
Average offer price, EEK/m² (left axis) and number of offers (right axis) in the KV.EE portal



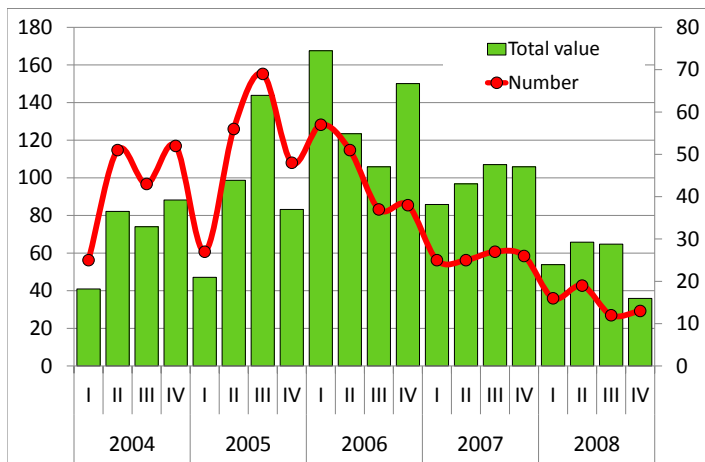
Number (left axis) and average price, EEK/m² (right axis) of apartment ownership transactions



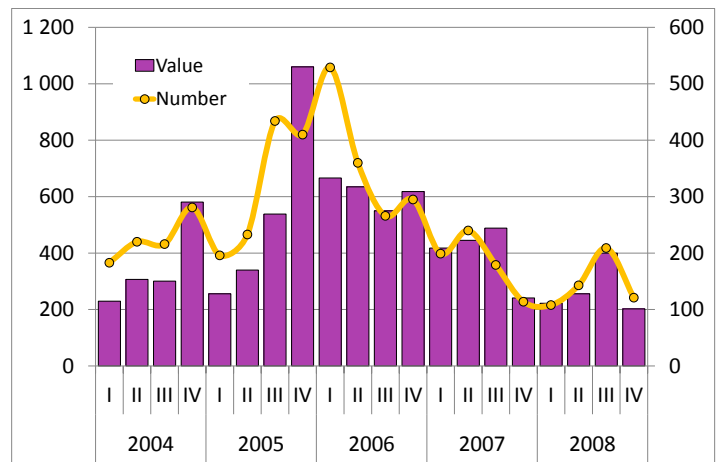
Total value (left axis) and average value (right axis) of apartment ownership transactions, million EEK



Total value (left axis) and number of transactions (right axis) of land without buildings, million EEK

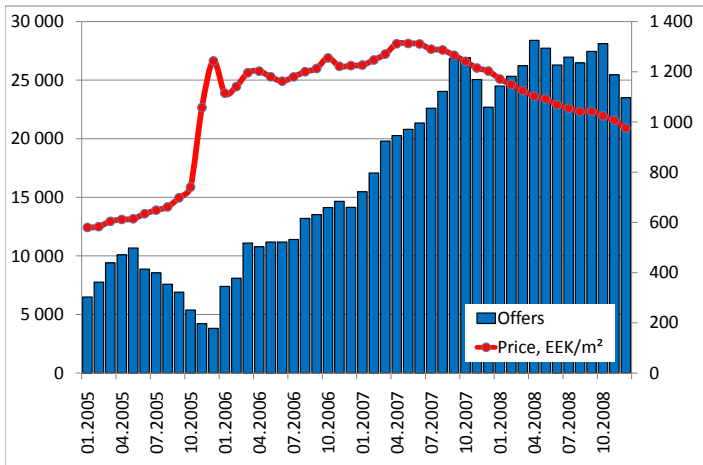


Total value, million EEK (left axis) and number of transactions (right axis) of land with buildings

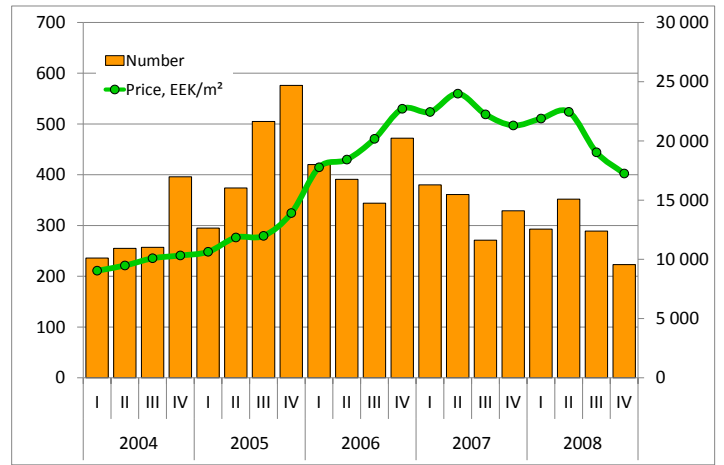


Value, million EEK (left axis) and number (right axis) of real estate transactions

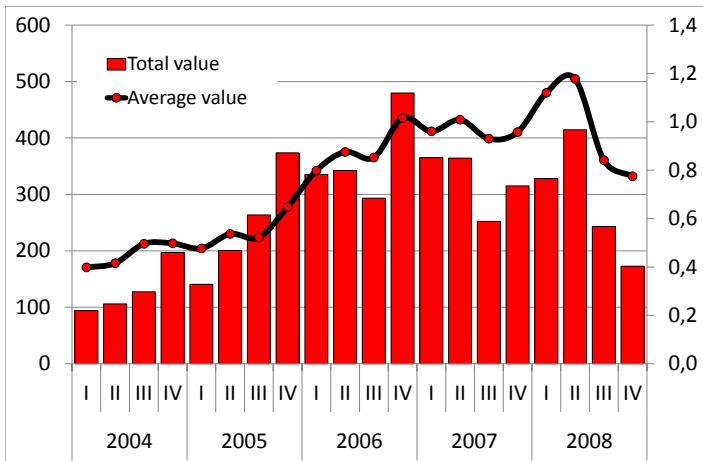
North-Tallinn District



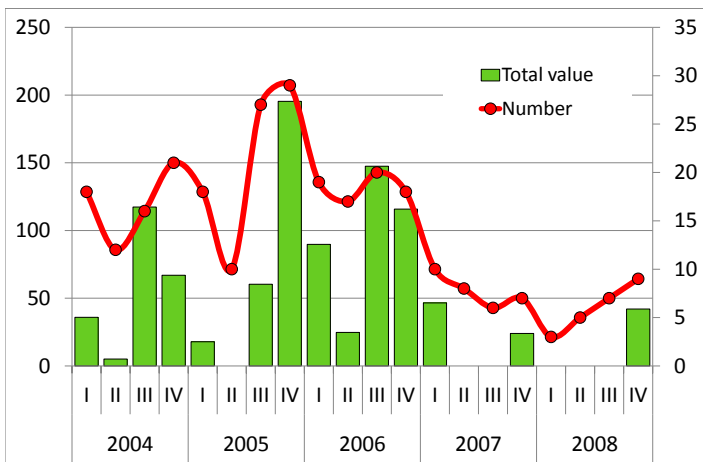
Average offer price, EEK/m² (left axis) and number of offers (right axis) in the KV.EE portal



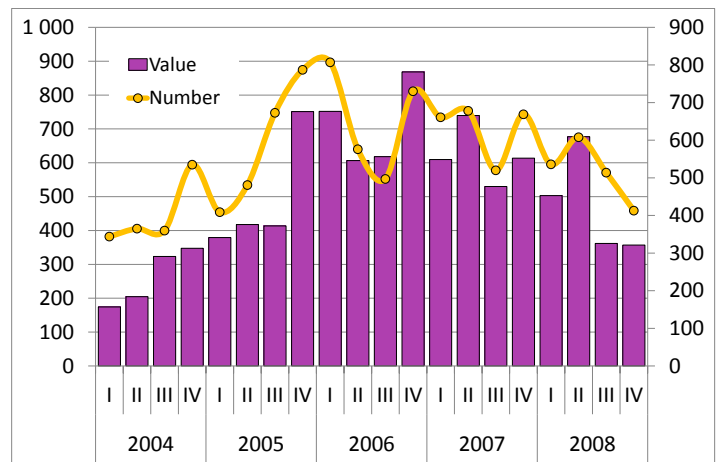
Number (left axis) and average price, EEK/m² (right axis) of apartment ownership transactions



Total value (left axis) and average value (right axis) of apartment ownership transactions, million EEK

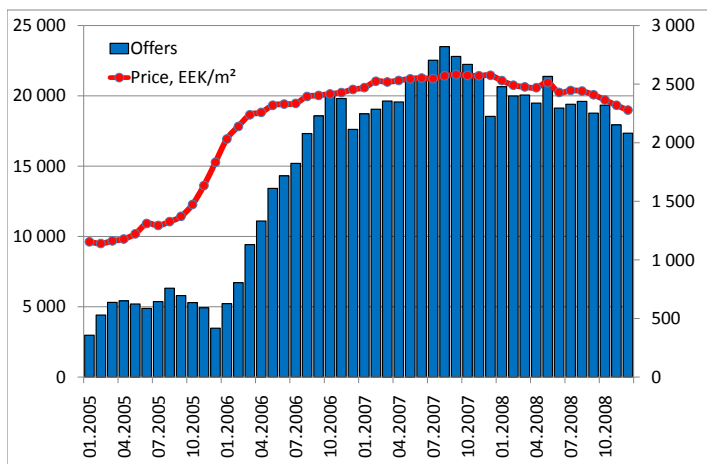


Total value, million EEK (left axis) and number of transactions (right axis) of land with buildings

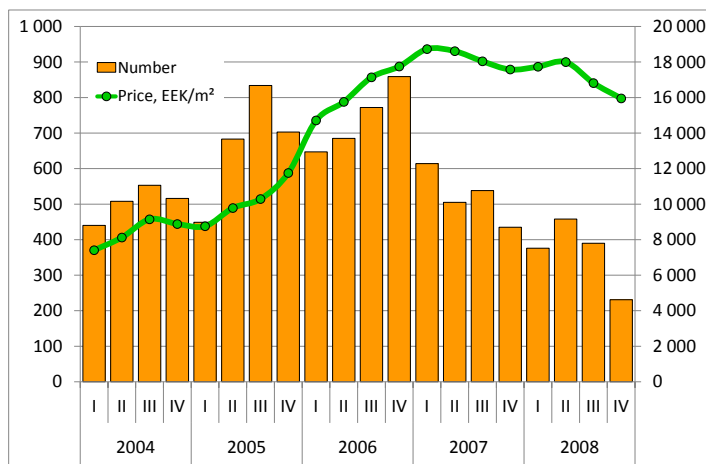


Value, million EEK (left axis) and number (right axis) of real estate transactions

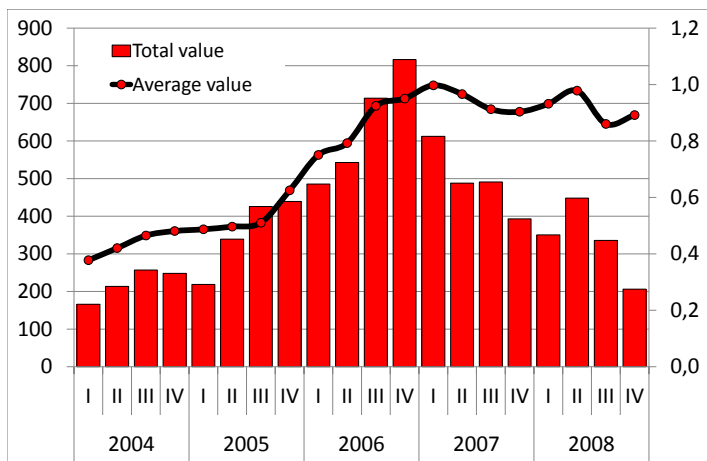
Tartu



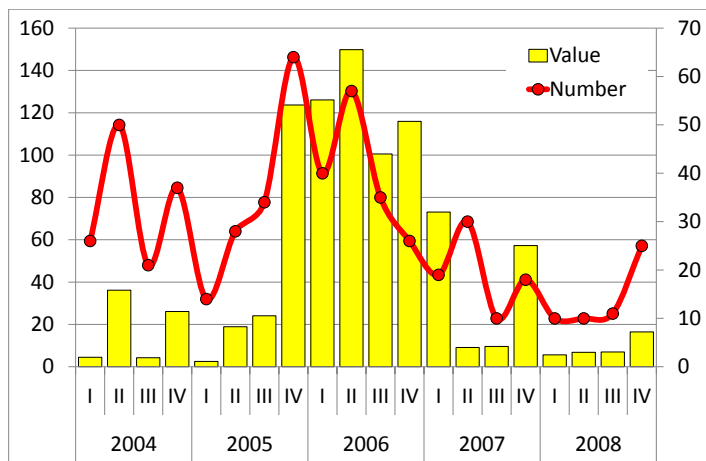
Average offer price, EEK/m² (left axis) and number of offers (right axis) in the KV.EE portal



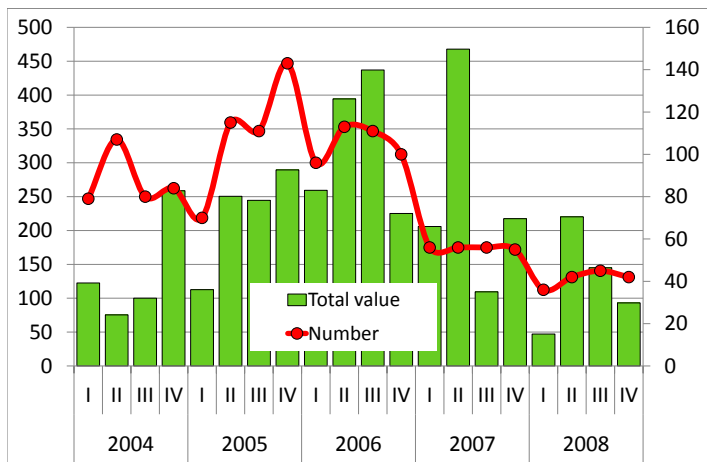
Number (left axis) and average price, EEK/m² (right axis) of apartment ownership transactions



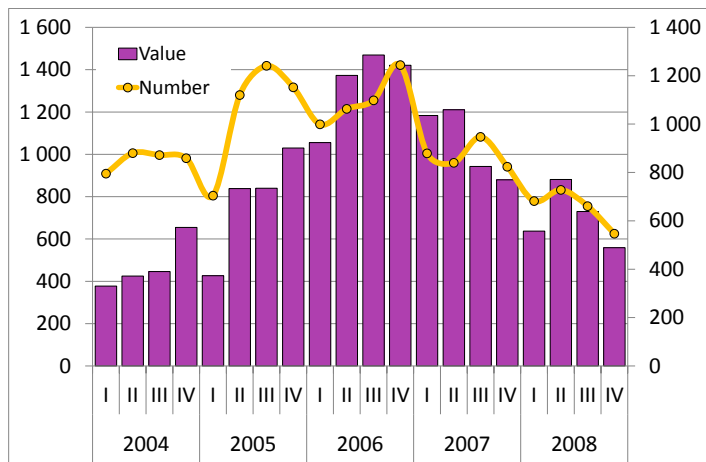
Total value (left axis) and average value (right axis) of apartment ownership transactions, million EEK



Total value (left axis) and number of transactions (right axis) of land without buildings, million EEK

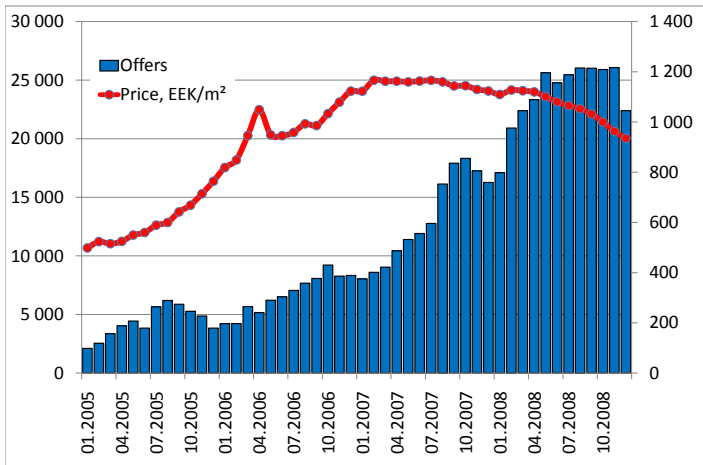


Total value, million EEK (left axis) and number of transactions (right axis) of land with buildings

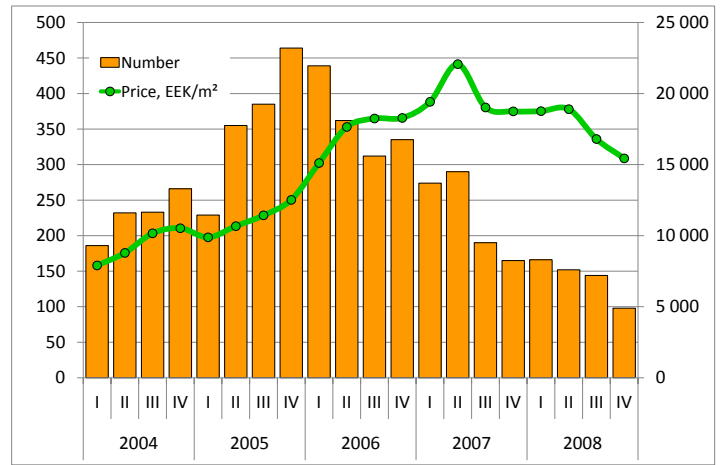


Value, million EEK (left axis) and number (right axis) of real estate transactions

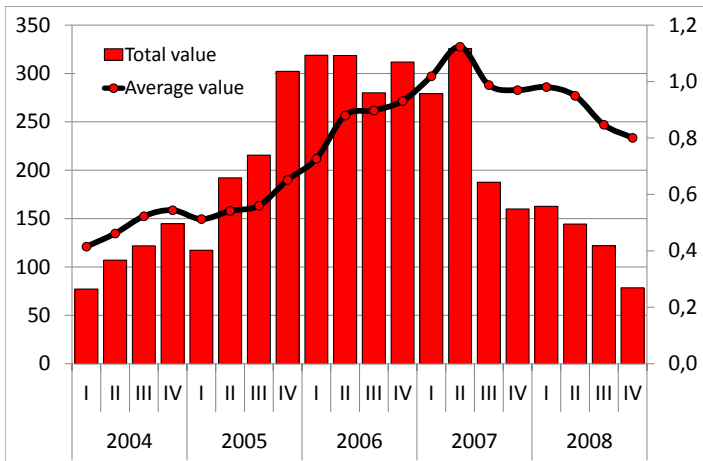
Pärnu



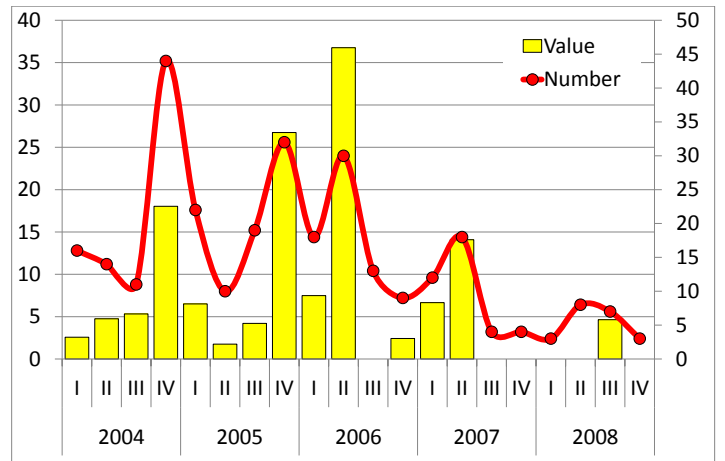
Average offer price, EEK/m² (left axis) and number of offers (right axis) in the KV.EE portal



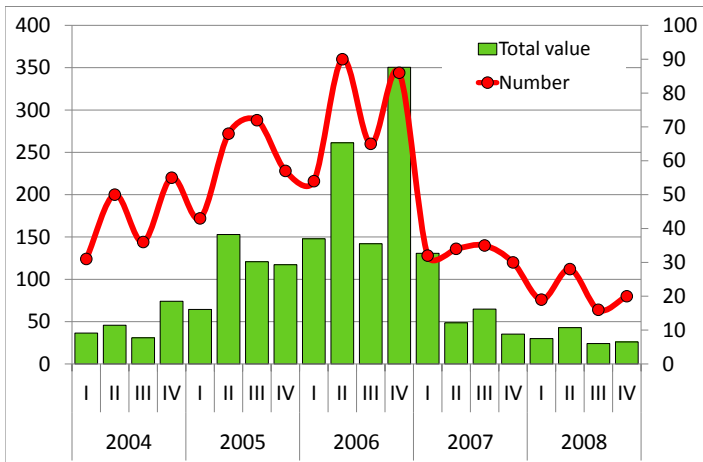
Number (left axis) and average price, EEK/m² (right axis) of apartment ownership transactions



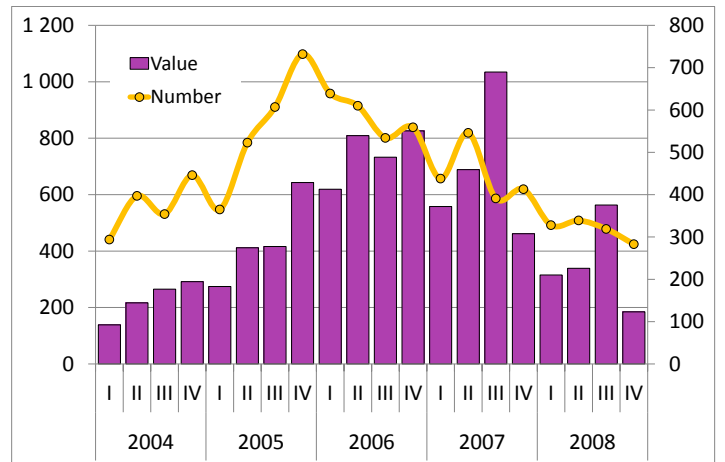
Total value (left axis) and average value (right axis) of apartment ownership transactions, million EEK



Total value (left axis) and number of transactions (right axis) of land without buildings, million EEK

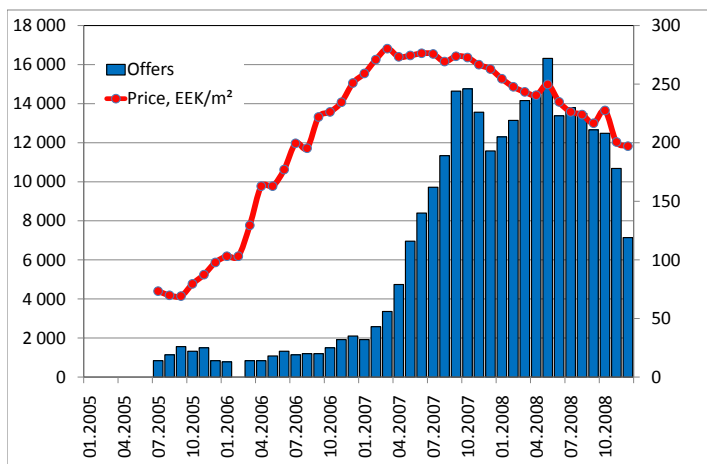


Total value, million EEK (left axis) and number of transactions (right axis) of land with buildings

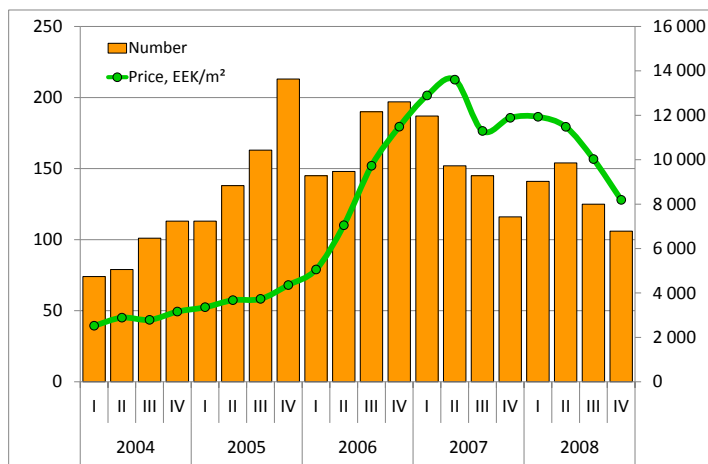


Value, million EEK (left axis) and number (right axis) of real estate transactions

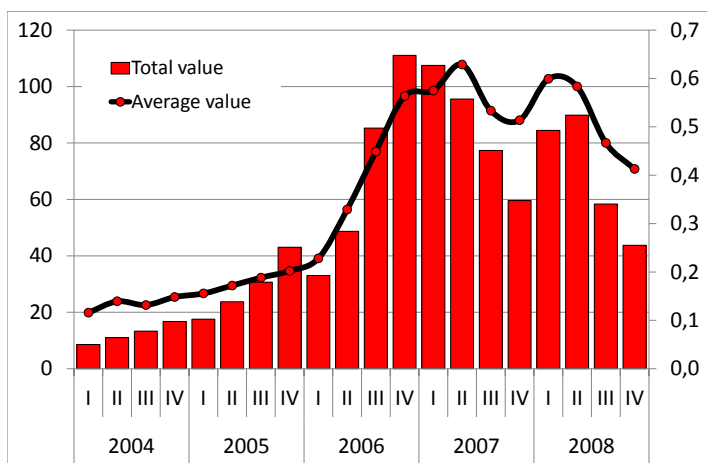
Narva



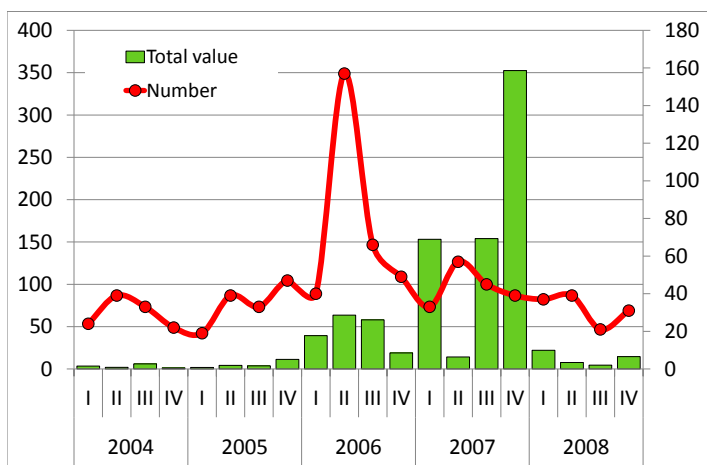
Average offer price, EEK/m² (left axis) and number of offers (right axis) in the KV.EE portal



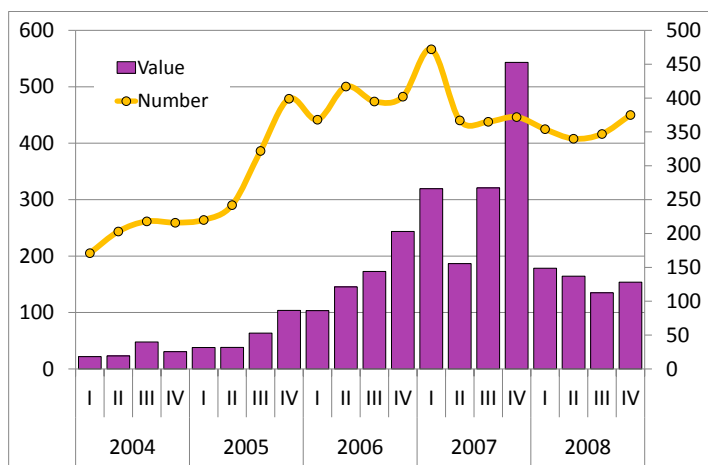
Number (left axis) and average price, EEK/m² (right axis) of apartment ownership transactions



Total value (left axis) and average value (right axis) of apartment ownership transactions, million EEK



Total value, million EEK (left axis) and number of transactions (right axis) of land with buildings



Value, million EEK (left axis) and number (right axis) of real estate transactions



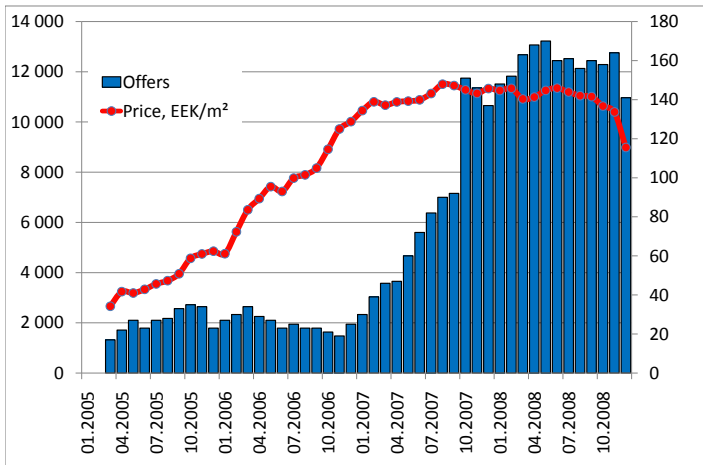
adaur grupp

KINNISVARAKONSULTATSIOONID:
kinnisvaraturu monitooring,
äriplaanid, turundus, analüüsid,
koolitus, ülevaated.

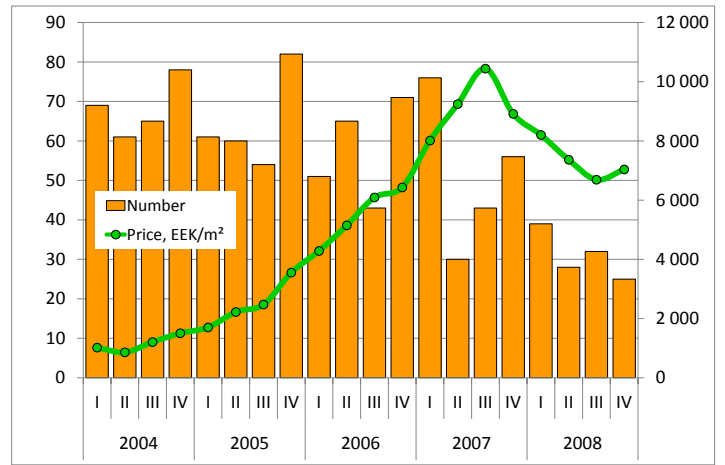
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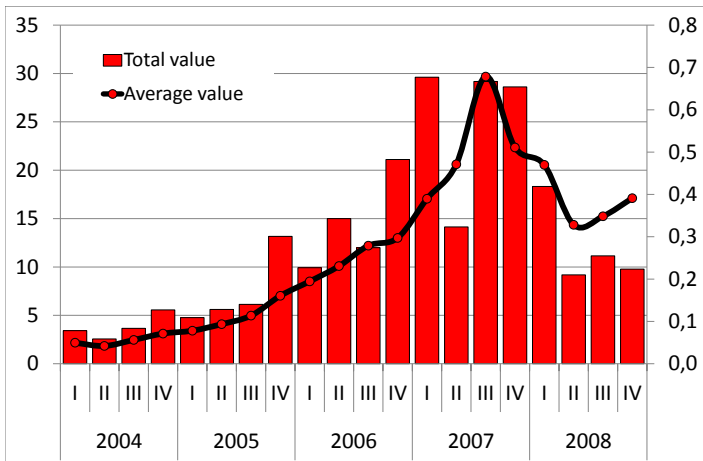
Jõhvi Parish



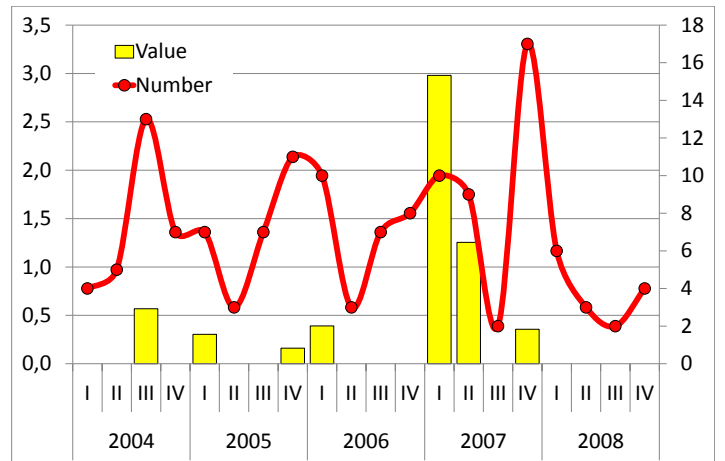
Average offer price, EEK/m² (left axis) and number of offers (right axis) in the KV.EE portal



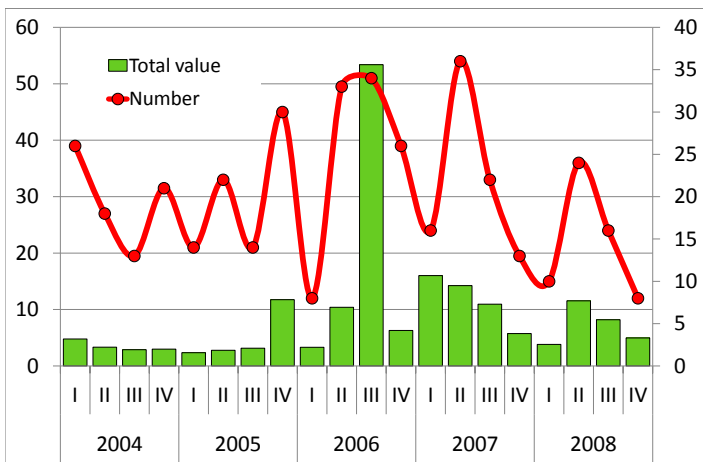
Number (left axis) and average price, EEK/m² (right axis) of apartment ownership transactions



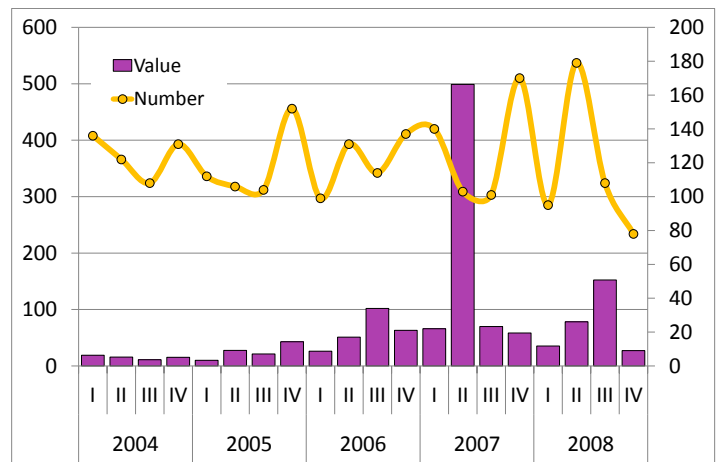
Total value (left axis) and average value (right axis) of apartment ownership transactions, million EEK



Total value (left axis) and number of transactions (right axis) of land without buildings, million EEK

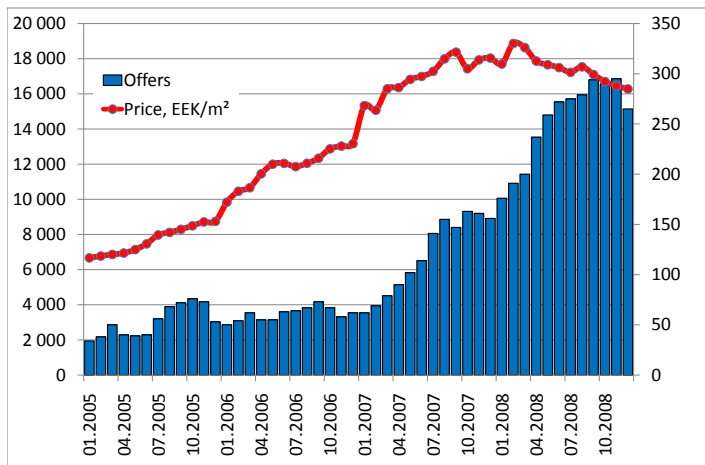


Total value, million EEK (left axis) and number of transactions (right axis) of land with buildings

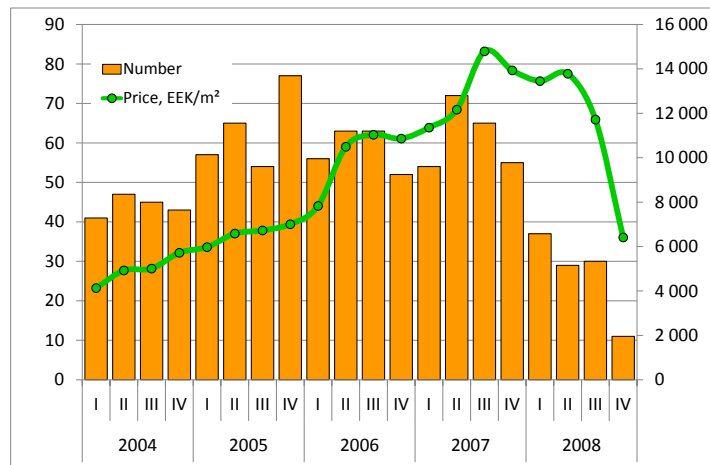


Value, million EEK (left axis) and number (right axis) of real estate transactions

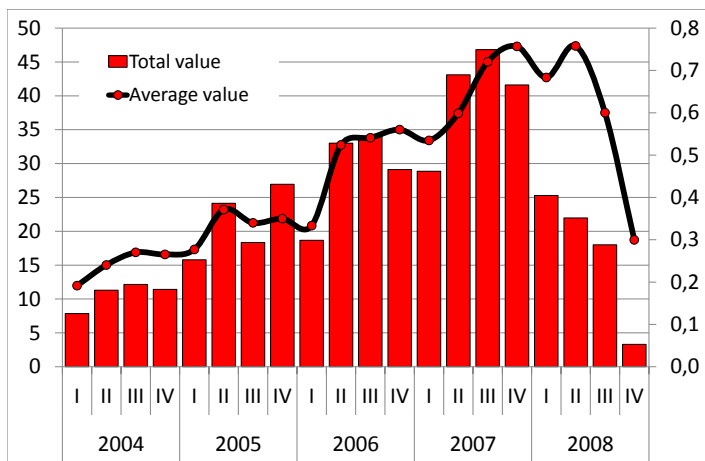
Haapsalu



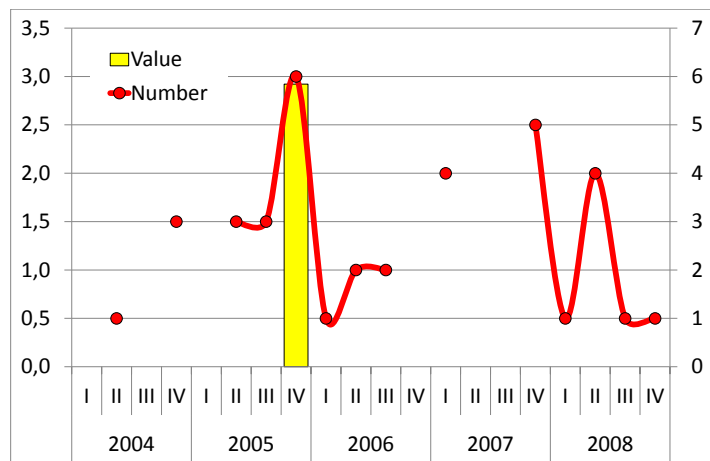
Average offer price, EEK/m² (left axis) and number of offers (right axis) in the KV.EE portal



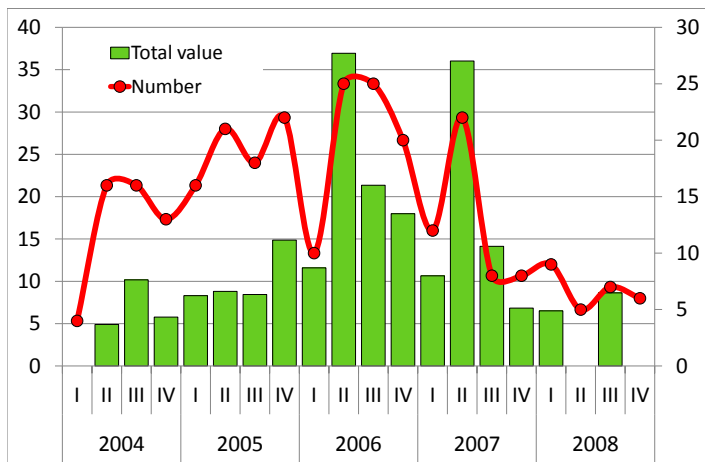
Number (left axis) and average price, EEK/m² (right axis) of apartment ownership transactions



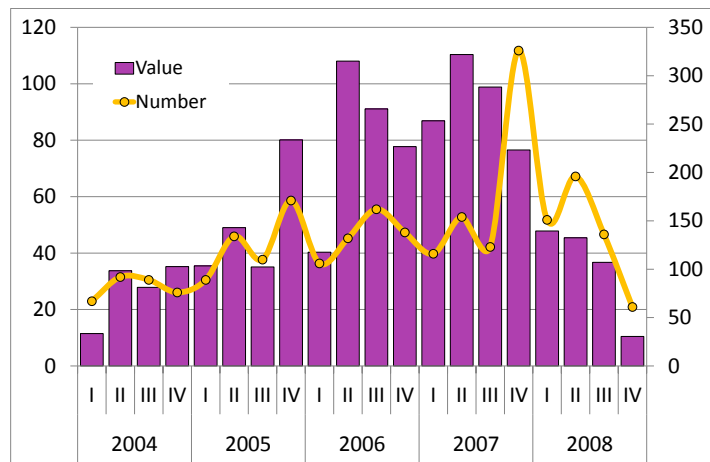
Total value (left axis) and average value (right axis) of apartment ownership transactions, million EEK



Total value (left axis) and number of transactions (right axis) of land without buildings, million EEK



Total value, million EEK (left axis) and number of transactions (right axis) of land with buildings



Value, million EEK (left axis) and number (right axis) of real estate transactions

Real estate portal KVEE has been active since year 1999. Today, more than 300 real estate companies and ca. 1,500 brokers have joined the portal. Currently there are more than 45,000 ads from brokers and owners registered in the portal. The portal is maintained by the company Diginet OÜ which belongs to the Moonfish Media Group together with the auction portal Osta.ee and three Lithuanian portals.

Adaur Grupp OÜ was established in year 2002. The company is active in real estate market monitoring, preparing prognoses, overviews, analyses, training and real estate consultations.

The sources of the data used in this market overview are Estonian National Bank, Estonian Statistical Office, Land Board, KVEE.

This overview has been prepared as a co-operation of the KVEE real estate portal and Adaur Grupp OÜ. The preparers of the overview have made their best effort to ensure high quality of the information presented in the overview. We consider the information sources used in preparing this overview to be trustworthy, but this does not exclude a possibility of error. Thus, the preparers of this overview will not accept any responsibility for any direct or indirect damages resulting from using the information presented in this overview.

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