

# TALLINN

## OFFICE MARKET

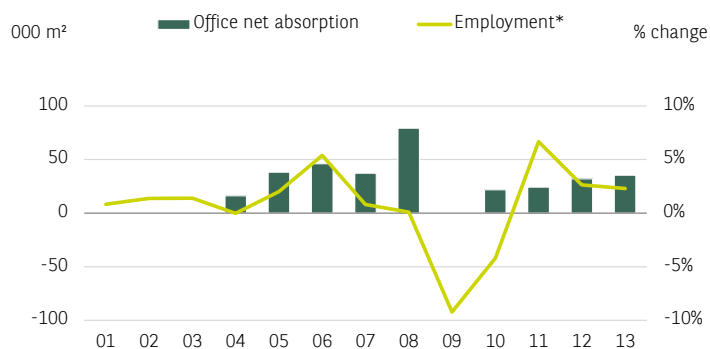
2013

### GROWING ABSORPTION RATES

The modern office stock in Tallinn accounted for more than 590,000 m<sup>2</sup> at the end of 2013. The city centre remains the main office development area although development activity is moving to the city outskirts as well. Nearly 30,000 m<sup>2</sup> of new office space were launched in Tallinn during 2013, same as in 2012.

The employment dynamics in the service sector remained positive in Estonia for the past three years, thus supporting a positive net absorption in the same period. Yet, developers are still cautious as at the beginning of 2014, less than 25,000 m<sup>2</sup> of new offices were announced to be delivered in Tallinn during the year.

### TAKE-UP - EMPLOYMENT



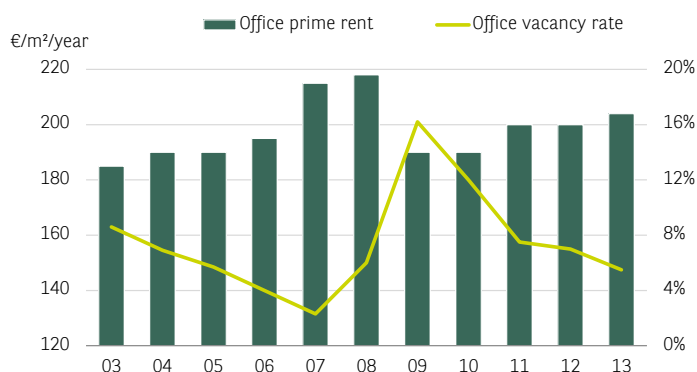
Source: Newsec  
 \* Oxford Economics/BNP Paribas - Data for Estonia

### MODERATE GROWTH IN RENTS

Moderate growth in rents continued in Tallinn in 2013 as a result of both little development and low vacancy rates in prime locations. The average prime rent at the end of the year reached €204/m<sup>2</sup>/year and is expected to rise slightly (+3%) in 2014.

The average vacancy rate in Tallinn was below 6% at the end of 2013, whereas in the CBD and several office buildings on the border of the city centre (where there is free parking) it was below 4%. The balance between supply and demand is expected to be maintained in 2014. This will hold the average vacancy rate to the level recorded in 2013 with insignificant downwards correction in grade A premises.

### PRIME RENT - VACANCY RATE



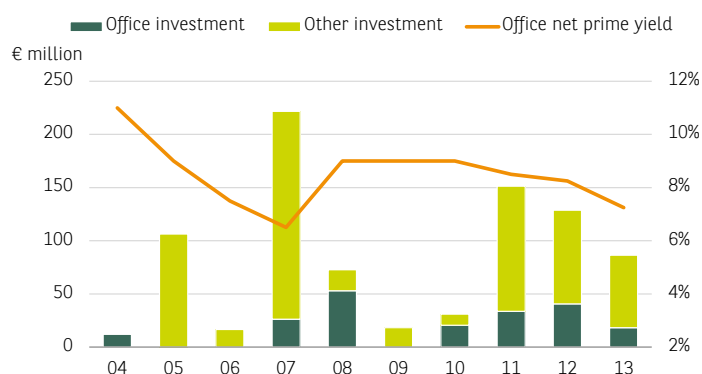
Source: Newsec

### POTENTIAL FOR COMPRESSION IN THE PRIME YIELD

Yield levels in Estonia are 25 to 50 bps lower than for similar properties in Latvia or Lithuania. This was caused by a strong economy and the introduction of the Euro at the beginning of 2011. The average yield for prime office properties in Tallinn stood at 7.25% at the end of 2013. Yields are expected to remain stable in the forthcoming months, with 25 bps downwards potential for institutional quality products.

The total real estate investment volume in Estonia accounted for €140 million in 2013. In Tallinn, it reached €86 million whilst office investment accounted for nearly 20% of the total real estate investment volume.

### INVESTMENT - PRIME YIELD



Source: Newsec

	Take-up (thousand m <sup>2</sup> )		Vacancy Rate (%)	prime rent (€/m <sup>2</sup> /year)	Investment volume (€million)		Prime yield (%)
	2013	2012	Q4 2013	Q4 2013	2013	2012	2013
Amsterdam	236,200	234,500	17.6%	350	1,007	616	5.85%
Barcelona	172,900	157,000	17.1%	210	370	230	6.50%
Belgrade	61,100	74,000	17.0%	168	-	-	9.50%
Berlin	453,000	548,000	5.4%	264	1,621	1,881	4.70%
Birmingham	61,700	46,500	13.9%	365	336	215	5.75%
Bratislava	80,000	55,000	14.5%	186	75	22	7.25%
Brussels	314,600	442,000	10.5%	265	978	342	5.00%
Bucharest	173,900	243,200	14.5%	216	221	60	8.25%
Budapest	190,600	174,100	18.4%	192	190	33	7.75%
Central London	1,199,300	919,600	6.5%	1395	23,906	16,030	3.75%
Central Paris	1,571,000	2,028,300	8.7%	780	9,359	9,213	4.50%
Cologne	276,000	261,000	7.2%	258	453	256	4.85%
Dublin	195,700	145,000	18.2%	377	764	341	6.25%
Düsseldorf	415,000	346,000	10.6%	330	1,236	618	4.75%
Edinburgh	61,500	54,900	12.4%	377	196	31	5.75%
Frankfurt	493,000	580,000	12.0%	456	2,557	2,209	4.65%
Geneva <sup>(1)</sup>	-21,000	-53,400	1.9%	730	386	453	3.20%
Glasgow	77,200	44,200	10.4%	346	149	211	5.75%
Hamburg	440,000	435,000	6.2%	300	1,470	1,128	4.65%
Helsinki <sup>(1)(2)</sup>	31,600	-2,700	10.9%	345	1,091	1,276	5.20%
Istanbul <sup>(1)</sup>	356,400	188,600	8.3%	353	239	157	7.25%
Lille	171,400	160,300	n/a	220	142	223	5.70%
Lisbon	77,800	102,000	13.2%	222	227	69	7.50%
Luxembourg	150,000	147,500	5.2%	480	490	206	5.10%
Lyon	251,600	186,800	5.8%	315	655	514	5.70%
Madrid	365,200	253,600	15.3%	288	299	441	6.20%
Manchester	75,700	69,100	10.1%	384	456	144	5.75%
Marseille	106,100	156,400	n/a	260	17	71	6.10%
Milan	231,500	241,400	12.6%	490	795	321	5.75%
Moscow	523,300	991,200	12.8%	613	3,377	2,816	10.00%
Munich	603,000	715,000	6.4%	402	2,899	2,791	4.40%
Oslo <sup>(2)</sup>	110,000	160,000	8.1%	408	2,974	2,353	5.00%
Prague <sup>(2)</sup>	151,000	125,000	13.0%	246	610	385	6.25%
Riga <sup>(1)</sup>	12,300	28,800	7.5%	152	30	9	7.75%
Rome	159,400	66,500	7.6%	400	548	202	6.25%
Saint Petersburg	153,900	141,100	9.1%	439	140	58	10.00%
Stockholm <sup>(1)</sup>	17,900	48,800	8.9%	508	2,691	2,879	4.50%
Tallinn <sup>(1)</sup>	35,400	31,900	5.5%	204	18	41	7.25%
The Hague	126,200	86,000	15.2%	200	241	107	6.30%
Toulouse	109,800	129,600	5.8%	200	58	65	6.20%
Vienna	300,000	320,000	6.6%	306	435	490	4.90%
Vilnius <sup>(1)</sup>	30,300	15,400	6.3%	177	92	5	7.50%
Warsaw	451,000	441,000	11.7%	300	1,030	827	6.00%

(1) Net Absorption , (2) Investment data for the country

**CONTACT**



**Vincent ROBION**  
Head of Research for Alliances  
  
**BNP Paribas Real Estate**  
Paris - France  
vincent.robion@bnpparibas.com



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