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# XVII International conference **Real Estate and Construction in the Baltics 2014**

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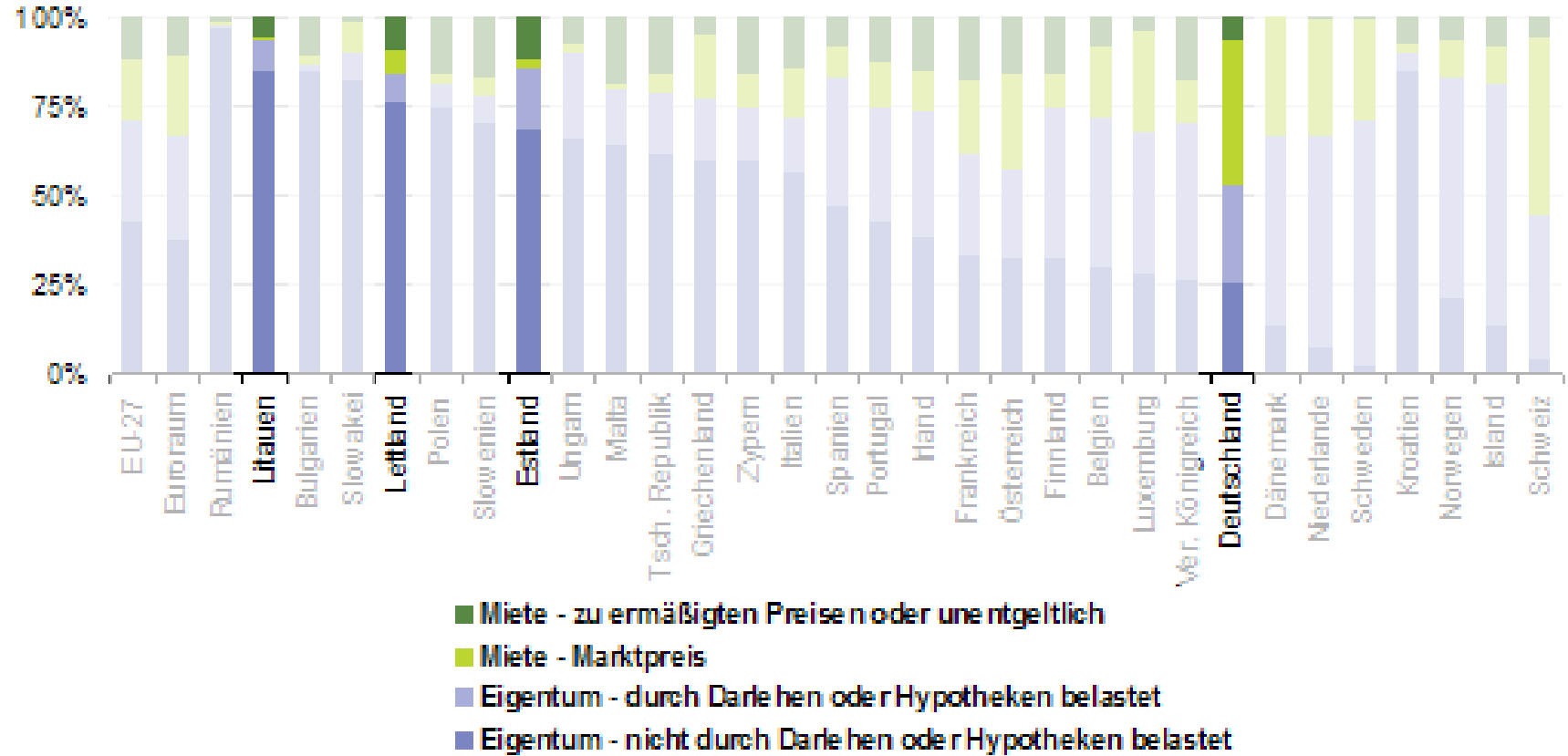
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# The Baltic and the German real estate market, a brief comparison

# Residential market



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Quelle: Eurostat (Online-Datencode: ilo\_mvho02)



# The size of the countries



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inhabitants (milion)	3,0	1,3	2,0	80,7
Area (thousand km <sup>2</sup> )	65	45	65	357
GDP (bilion €)	31	15	20	2570

How important is the size of a country for its Real Estate market?



# Market size



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<b>City</b>	<b>inhabitants</b>	<b>office</b> (thousand m <sup>2</sup> )	<b>hotel</b> (beds)	<b>retail</b> (thousand m <sup>2</sup> )	<b>total</b> (thousand m <sup>2</sup> )
Tallinn	450.000	510	13.000	515	1.285
Riga	700.000	540	10.000	660	1.400
Vilnius	540.000	405	8.000	550	995
Hannover	515.000	4.340	13.400	900	5.508
Leipzig	520.000	4.100	12.400	700	5.048



# Prime investment yields



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City	office	retail
Tallinn	7,5%	7,5%
Riga		
Vilnius		
Hannover	4,9%	4,9%
Leipzig		



Investors are ready to pay for 1 € of net operating income in prime real estates a purchase price of:

**13,50 €** in Tallinn, Riga and Vilnius

**20,50 €** in comparable cities in Germany



## Where are the differences?



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Why leads the rental income of a real estate in Germany to an approximately 50% higher purchase price, than the same rental income of a real estate in Latvia, Estonia, Lithuania?





## Where are the differences?



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### Technical quality

- General quality standard and maintenance level
- Shape of the building
- Flexible user concept
- Fire safety standard
- Landplot and building must be free of pollution
- Energy efficiency
- Sustainable building certificate
- Maintenance friendliness
- Availability of parking places
- Utility cost separation (metering devices for each rental unit and for each of the individual utilities)



## Where are the differences?



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### Legal quality and quality of rent contracts

- Land plot, shape, access, easements, neighbor rights
- Public permissions
- Stipulations in the rent contracts
  - term of the agreement
  - break clauses
  - indexation
  - right to transfer all obligations to another company
  - how are the liability stipulations of the landlord
- Tenant
  - solvency
  - company structure
  - liability and reliability



## Conclusions



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- The size of the country is not influencing the real estate market significantly. The size of the city or the region and its market size in this region or country is important.  
Tallinn, Riga and Vilnius can develop in a way, that the market environment will be similar to Western European cities of the same size.
- Investors are ready to pay for the same NOI in Germany approximately 50% more than in the Baltic countries.
- The legal quality, the technical quality and the habits of the market participants must change, in order to develop the Baltic real estate market towards Western European standards.

Latvijas Ilgtspējīgas būvniecības padome (LIBP), žurnāli „Latvijas Arhitektūra”  
un „Latvijas Būvniecība” un patrons – World Green Building Council (WGBC)

IZSLUDINA KONKURSU



ILGTSPĒJĪGAS  
BŪVNIECĪBAS PADOME

latvijas  
arhitektūra



Latvijas  
BŪVNIECĪBA

WORLD GREEN BUILDING COUNCIL

ILGTSPĒJĪGS = PĀRDOMĀTS = PAMATOTS

# ILGTSPĒJĪGĀKĀ ēka un projekts 2014

ŠĀDĀS NOMINĀCIJĀS:

- ilgtspējīgākā ēka
- ilgtspējīgākais projekts
- ilgtspējīgākā studentu ideja

Ar konkursa nolikumu var iepazīties [www.latvijasbuvnieciba.lv](http://www.latvijasbuvnieciba.lv) un [www.libp.lv](http://www.libp.lv). Pieteikšanās termiņš: līdz 2014. gada 20. jūnijam.



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*Thank you for your attention!*