REAL ESTATE MARKET OVERVIEW – RIGA AND GREATER RIGA AREA

April 2007

- **In April, amount of supplied apartments grew rapidly. Volume of supply even doubled within the price category around 100, 000 EUR.**
- **Activity of apartment purchasers has diminished.**
- **The average price of a standard type apartment in Riga has retained the previous level – 1, 720 EUR per sqm.**
- **In April 15 new housing projects were announced – 3 in Riga, 9 in Riga District, 1 in Liepaya, 1 in Cesis, and 1 in Talsi.**
- **Future vision of Latvia was also lowered from a stable one down to a negative one by the international ratings agency "Fitch Ratings". "Standard & Poors" had stated it in February already.**
- **Office rentals have increased for 30% - 80% within a year in renovated buildings in Riga centre and outside its limits.**

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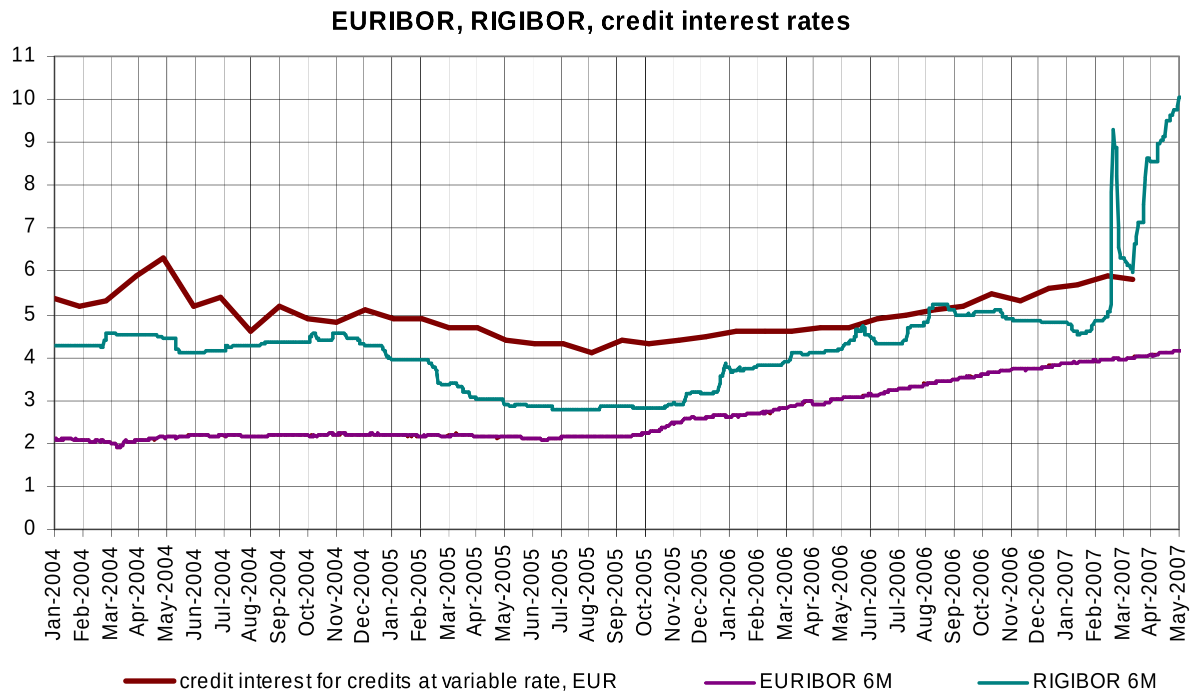
GENERAL ECONOMIC SITUATION

Starting with April 16, 2007, there came into force amendments of regulations No.28 "Regulations on stamp duty for performance of notary operations and fixation of proprietary rights and legal lien in the Land Register" issued by the Cabinet of Ministers on January 23, 2001. The aim of these laws is to determine a progressive real property tax as well as stamp duties for recording a property in the Land Register depending on property value, and to reduce speculations with real property thus diminishing inflation, too.

In March credit interest of credits at variable rate still had sustained growth. Also rate of 6 month EURIBOR invariably climbed up in March and April as compared to February. In its turn, 6 month RIGIBOR changed most rapidly in April.



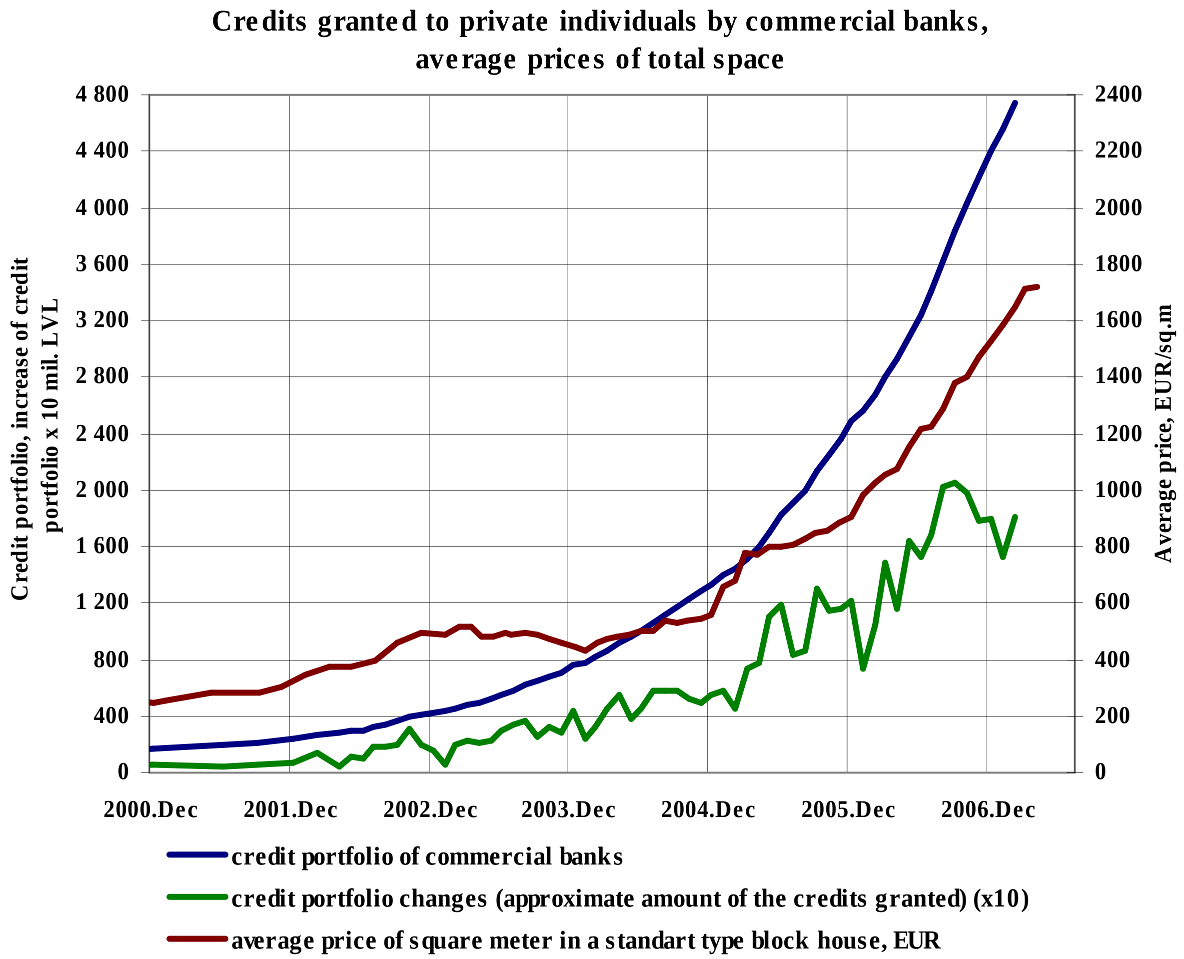
The international ratings agency "Fitch Ratings" lowered forecast of rating development of Latvia from a stable one down to a negative one, while warning about overheat threat to the rapidly growing economy of Latvia. “Standard & Poors” have stated future assessment of Latvia as a negative one in February already. At present credit ratings A- (Standard & Poors)/A- (Fitch Ratings)/A2 - (Moody’s) given to Latvia have remained unchanged. Compared to Lithuania and Estonia, credit rating of Latvia has been assessed as a medium level one by Moody, but rating agencies Standard&Poor’s and Fitch Ratings assess it more doubtful that is reflected by a lower credit rating level and a negative future assessment.

Financial institutions which attract monetary resources from the society, such as bank deposits, are subject to a specific government control performed by FCMC. At the same time there are a range of credit institutions in Latvia which are not monitored by FCMC. Therefore limitations intended to be imposed on getting loans and which are being applied already by individual monitored banks, force borrowers to search for alternative ways of getting money in non-monitored credit institutions.

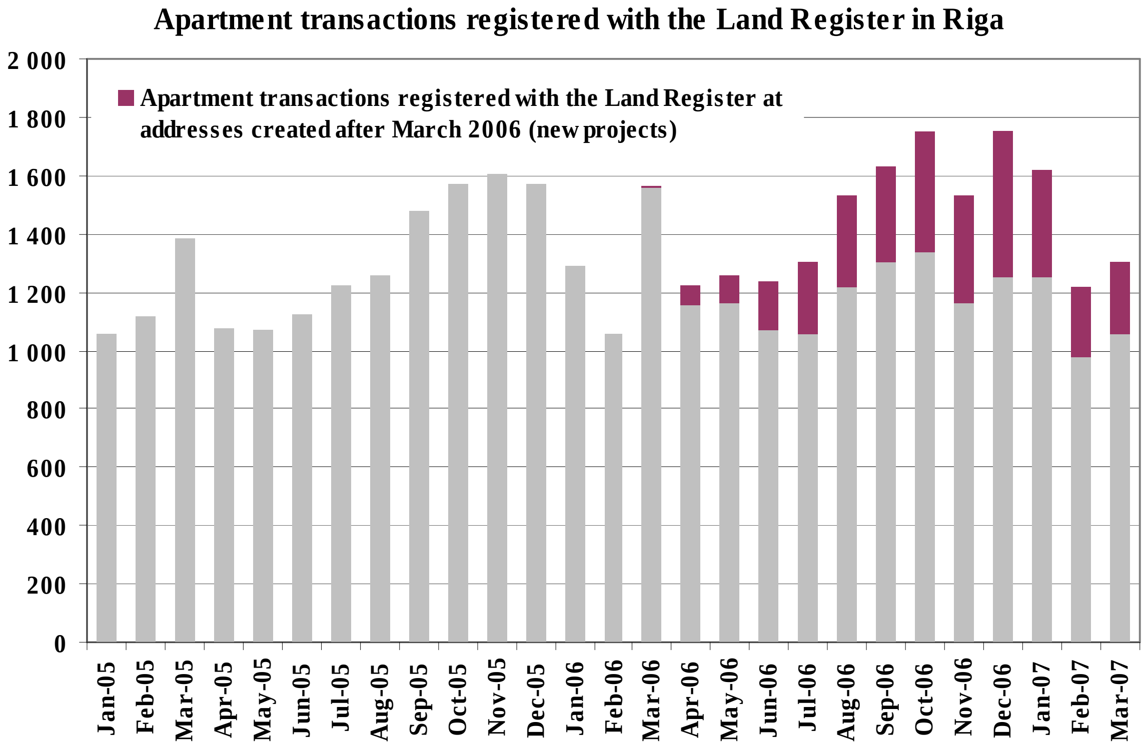
HOUSING MARKET

STANDARD TYPE APARTMENTS

- **In April the average price of a standard type apartment in Riga was 1, 720 EUR per sqm that has not changed during a month.**



Source: Finance and Capital Market Commission, LATIO



Source: the Land Register, the State Land Service

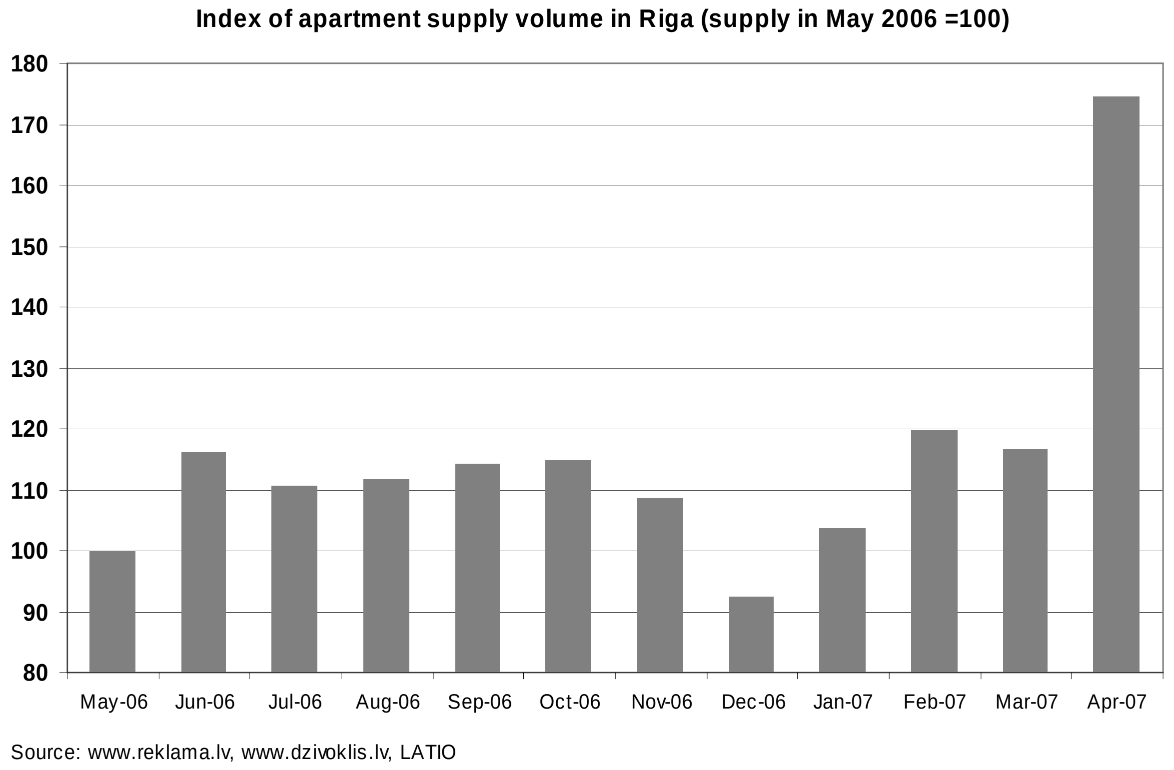
**Amount of apartment transactions is estimated based on the Land Register records dividing in types of transactions: purchase or gift, and in properties: apartments. These data are corrected while neglecting the records that may double if an apartment has been purchased as joint property. Amount of apartment transactions is corrected by a coefficient that is based on the proportion of purchase transactions registered in the State Land Service.*

The marked part within the diagram represents transactions that were registered with the Land Register as apartment transactions at the addresses created after March 2006. This part represents transactions with apartments in new projects; yet it is just an approximate index since transactions with nonresidential space such as parking places in new projects are also registered with the Land Register as apartment transactions.

In March, the number of apartment transactions in Riga recorded in the Land Register has increased slightly as compared to February. About 1,300 transactions were registered. Without respect to the fact that the amount of transactions has increased as compared also to this period last year, a note should be taken that records are made on concluded transactions in the Land Register with temporal deviation and no reflection of the present situation that has changed rapidly has appeared in transactions' amount yet.

Procedure of transaction execution prolongs due to longer time that is taken to get a loan. Loan refusals were made more often than in the previous period.

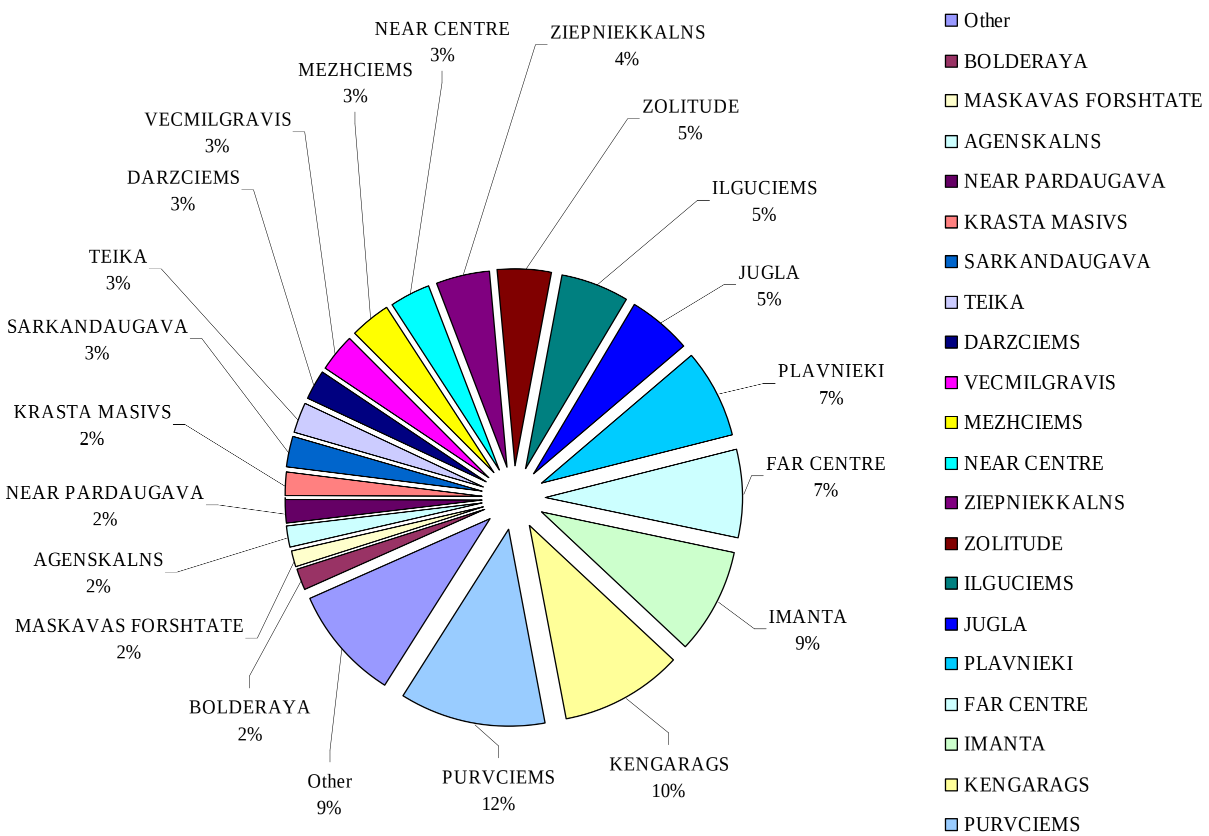
According to the largest real estate portals, index of apartment supply in Riga grew rapidly in April. Asking prices of apartments have a reducing trend.



During the last month it has been observed that purchasers temporize anticipating price fall due to the recent amendments of legislation related to real estate branch. Exception is one-room apartments in purchase of which a great interest is sustained.

In its turn, demand in apartments for rent keeps growing. Rentals have not changed.

Apartment purchase transactions ratio among residential districts in Riga, March 2007



Source: the Land Register, the State Address Register

In March, most of apartment transactions were registered in Purvciems, while biggest increase in the number of transactions was observed in Kengarags.

In April, the average price of a standard type apartment has hardly changed as compared to March. Prices of 3-room apartments in houses of Hruschov type and “Lithuanian” project reduced for about 2 % on average.

There was still sustained climb of prices in houses of the series 119, 103 and 104 in Purvciems and Plavnieki.

Typical prices of standard type apartments in Riga residential districts in April, EUR

Rajons/ sērija		Purv-ciems	Pļav-nieki	Mež-ciems	Āgens-kalns	Zoli-tūde	Imanta	Jugla	Ziep-niek-kalns	Ķenga-rags	Sar-kan-dau-gava	Vec-mīl-grāvis	Bolde-rāja
119.sēr.	1-ist.	83 000	83 000			79 000			79 000				
	2-ist.	103 000	103 000			99 000			98 000				
	3-ist.	120 000	120 000			118 000			113 000				
	4-ist.	130 000	130 000			130 000			128 000				
602. sēr.	1-ist.	66 000	67 000	63 000			64 000		64 000		60 000	60 000	
	2-ist.	88 000	89 000	88 000			89 000		88 000		84 000	82 000	
	3-ist.	109 000	109 000	109 000			101 000		107 000		103 000	100 000	
	4-ist.	117 000	120 000	117 000			121 000		122 000		112 000	110 000	
103. sēr.	1-ist.	75 000	75 000		69 000						62 000	62 000	55 000
	2-ist.	95 000	95 000		94 000						88 000	83 000	75 000
	3-ist.	115 000	115 000		115 000						107 000	105 000	94 000
104. sēr.	1-ist.	80 000	80 000	82 000		78 000	77 000		79 000				
	2-ist.	105 000	105 000	105 000		100 000	98 000		100 000				
	3-ist.	125 000	125 000	125 000		120 000	120 000		120 000				
Lietuviešu proj.	1-ist.	64 000		62 000	62 000		59 000	62 000	57 000	59 000		55 000	52 000
	2-ist.	83 000		85 000	81 000		84 000	78 000	79 000	78 000		76 000	68 000
	3-ist.	100 000		103 000	99 000		97 000	90 000	89 000	91 000		89 000	89 000
Hruščova laika mājas	1-ist.	63 000			63 000			62 000	60 000	59 000	58 000	53 000	
	2-ist.	82 000			80 000			78 000	77 000	77 000	74 000	73 000	
	3-ist.	97 000			98 000			90 000	89 000	89 000	89 000	88 000	

Source: LATIO data

DETACHED HOUSES

In April houses and building plots up to 1,500 sqm large were most demanded within a radius of 50 km around Riga. There is no interest shown by purchasers in large land plots that should be parcelled in order to obtain building plots. In April, no essential demand has been observed also in expensive land in Jurmala and that near water.

In Jurmala, supply of houses and land has increased during the last month. Demand has also grown slightly; purchasers are interested especially in detached houses within the price limit of 300, 000 EUR. As summer season begins interest in summer cottages grows too, as well as their prices. Persistently high interest is shown in rent of exclusive properties for summer season. In Melluzhi monthly rentals of detached houses fluctuate between 1,000 and 2000 LVL; in Dzintari and Majori: 6,000 – 7,000 EUR.

In April, in Saulkrasti, the biggest demand was observed in private houses and land plots in the centre of Saulkrasti and Pabazhi, within 700 m from the sea. Such demand still exceeds supply in Saulkrasti. Many owners are waiting for the new territory planning that will state purpose of land plot use including construction opportunities and area of parcelled land plots. Price of such building plots is 100 to 150 LVL per sqm. In April, in Saulkrasti, big demand was also in houses built as winter houses – heat isolated and having all communications. Yet there is almost no supply of such houses. Potential purchasers are most interested in fully finished houses where one can settle at once and live in without doing any renovation. In Saulkrasti, most demanded houses are 150 to 200 sqm large with 4 rooms and all communications. Price of such houses fluctuate between 150, 000 and 250, 000 LVL depending on their location – closer to Riga and the sea (more expensive), closer to Zveyniekciems and railway (cheaper).

In April, big demand was observed also in summer cottages and vacant land plots in Skulte Parish where more than 20 gardening societies are located. The average land area is ca.600 sqm in these societies, but space of the houses 60 to 120 sqm. Prices are very variable in these cooperatives and depend on the lay-out of a cooperative (vicinity of public transport means, the sea and the centre), driveways and electricity as well as quality of the cottages. Prices of the cheapest cottages with small space (up to 70 sqm) fluctuate between 30, 000 and 60 000 LVL. Prices of summer cottages with larger space and in better condition fluctuate between 60, 000 and 90, 000 LVL. Vacant land plots that are 600 sqm large fluctuate between 35 and 40 LVL per sqm in this area.

NEW HOUSING PROJECTS

In April, 15 new projects were announced. In Riga, 3 new multi-apartment housing projects were announced. In Riga District 9 new projects were announced in April – 4 multi-apartment houses, 3 detached houses and 2 terrace houses. In their turn, 3 new projects were announced in other districts in April– 1 in Liepaya (detached houses), 1 in Talsi (terrace houses) and 1 in Cesis (multi-apartment house).

In April, the trend of previous months went on when more and more new projects were announced outside Riga city limits.

There is lapsing interest of purchasers in apartments in new projects with no interior decoration, or commissioning of which is not expected before long. Prices are reduced in some projects with no interior decoration.

On the secondary market there is growing volume of supply in new projects which are expected to be commissioned in the nearest time period. Rights to purchase an apartment are sold in those cases.

Where a project has not been sold out yet the price offered by secondary purchasers is often same as the project developer’s.

Part of apartment buyers-up, especially those who purchased several apartments for future trade, reduces their prices gradually. Thus the profit gained within a year is reduced from 60% down to 40%.

New projects announced in April

Name, address	Type of dwelling	Developer	Price LVL per sqm	Finish	No. of dwellings	No. of buildings
Riga						
"Prūšu nami", Riga, Kengarags, Prusu Street	Apart-ments	SIA "Ķīšzeme"	1572	Partial	285	3
"Krustkalni Apartments" 1st round, Riga, Ziepniekkalns, Ziepniekkalna Street	Apart-ments	SIA "ECD Latvia"	n/i	Full	84	5
"Krustkalni Apartments" 2nd round, Riga, Ziepniekkalns, Ziepniekkalna Street	Apart-ments	SIA "ECD Latvia"	n/i	Full	84	5
Riga District						
"Priežavoti", Riga District, Salaspils, Salaspils Country Area, near Riga Detour	Detached houses	SIA "Priežavoti"	800	No partition walls	8	8
"Amber Apartments", Riga District, Vecaki , 9 Pludmales Street	Apart-ments	SIA "I un MC"	n/i	No partition walls	14	1
"Orions", Riga District, Stopini Parish, Ulbroka	Detached houses	-	n/i	n/i	12	12
"Kadagas nami", Riga District, Adazhi Parish, Kadaga, Lindas Street	Apart-ments	"SIA "Genesis-invest"	1195	Full	175	7
"Meldru ielas nams", Riga District, Salaspils, Meldru iela 91	Terrace houses	SIA "BESTHAUS"	n/i	Full	6	1
"Priežsili", Riga District, Kekava Parish, Priezhsili, Kalna Priedes	Detached houses	n/i	n/i	n/i	n/i	n/i
"Vita a Bordo", Riga District, Adazhi Parish, Baltezers (between the lakes Lielais and Mazais Baltezers	Apart-ments	SIA "Baltnams Grupa"	1850	Partial	43	1
"Sapņu iela", Riga District, Babite Parish, Mezhares, Sapnu Street	Apart-ments	SIA "ERA Nami"	1055	Full	4	2
Riga District, Marupe Parish, Marupe, Liepkalnu Street	Terrace houses	SIA "ERA Nami"	985	Full	3	1
Other districts						
"Skujiņas", Liepaya District, Grobina Parish	Detached houses	SIA "SILS nekustamie īpašumi"	n/i	Full	49	49
"Talsu māja", Talsi, 44 Milenbaha Street	Terrace houses	SIA "ANDRI SG"	n/i	Full	4	4
"Cēsu terases", Cesis, 21 Leona Paegles Str.	Apart-ments	SIA "Celtima"	1150	Partial	32	1

Source: LATIO data

COMMERCIAL SPACE

The owner of SEB Unibanka, Swedish SEB Group, has sold its real properties in Baltic to an international real estate company Homburg Invest Inc. which operates also in Baltic. The real properties have been sold according to the business strategy of SEB Group that does not provide for real property to be possessed by them. This transaction continues the introduced tendency on the commercial space market when banks sell their properties and take on lease the previous premises without changing their location in some cases.

OFFICES

Rentals of offices have increased for 30-80% within a year in renovated and transformed buildings in Riga centre and outside its limits. Climb of the rentals, forbidden possibility of free car parking as well as altered terms of lease and management cause replacement of existing lessees of the office premises.

In April little activity was observed on office market. There was a little interest in objects for sale. Demand in office premises was made by clients representing such industries like family doctor’s practice, enterprises of internet services as well as oil products trading company.

In its turn, office lease market was still active in April. Big demand was especially active for small premises (up to 100 sqm), mainly in Pardaugava. It was observed that many lessees and purchasers were only looking for and researching the market, obtaining information, and they were not ready to buy or take on lease premises at once.

RETAIL SPACE

In April, rapid rotation of lessees was sustained also on retail space market because rentals were put up since expiration of lease agreements were coming close and signing lease agreements for bigger sums was proposed to the present lessees – but in many cases the present lessee refused to prolong the agreement thus changing its selling place.

In April, traditionally, the most demanded retail space was that from 30 to 150 sqm large in *top* centre.