

REAL ESTATE MARKET OVERVIEW – RIGA AND GREATER RIGA AREA

February 2007

- **In February, the average price of a standard type apartment in Riga was 1,647 EUR per sq.m that was for 4% more compared to the previous month.**
- **International credit rating agency *Standard & Poor's* detects negative future credit rating estimate for Latvia.**
- **Six and twelve month RIGIBOR rates exceeded 9% thus reaching their highest level since the year 1999.**
- **In February, 25 new projects were announced on the market.**
- **Significant raise of real property tax pushes many of commercial space owners to consider on increasing of rentals.**

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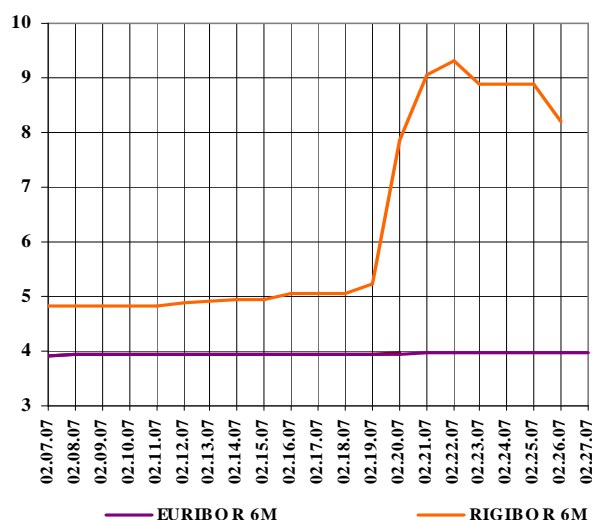
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GENERAL ECONOMIC SITUATION

The statement of the International credit rating agency *Standard & Poor's* published in the middle of February emphasized that without altering the previously detected credit rating for Latvia the future estimate, however, was detected as negative. The agency confirmed credit rating of Latvia for long-term liabilities in foreign currency on „A-„ level, short-term liabilities on „A-2” level by retaining it on the previous level.

In February, rates of six and twelve month RIGIBOR exceeded the limit of 9% sharply rising for several days thus reaching their highest level since the year 1999.

EURIBOR, RIGIBOR



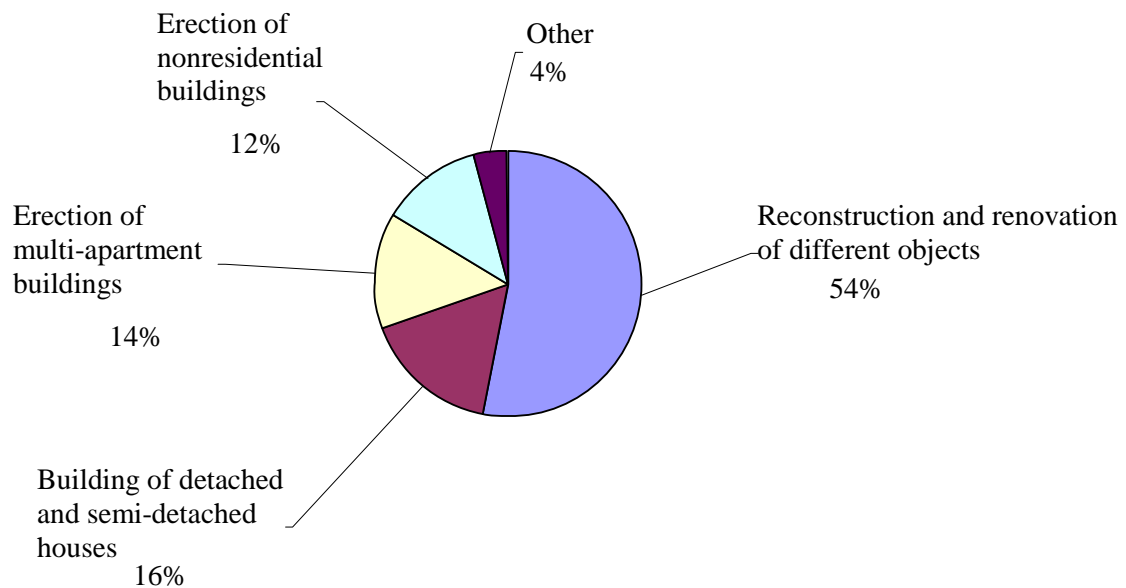
Source: Bank of Latvia

The rise in RIGIBOR increases volume of regular mortgage loan payments where loan commitments are in lats. It is expected that RIGIBOR rates will not remain that high for long.

Growth rates of credits granted to private persons have been decreasing for several months running. Volumes of granted loans in January have increased for 160 million lats in comparison with the previous month. Monthly rise in credit portfolio was 180 million lats in December, November and October, whereas it was around 200 million lats in September and August when historically utmost credit portfolio increases were achieved.

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Division of building permissions registered with Riga City Construction Board of City Development Department of Riga Council in January 2007



Source: City Development Department of Riga Council

There were 49 issued building permissions registered with Riga City Construction Board of City Development Department of Riga Council in January.

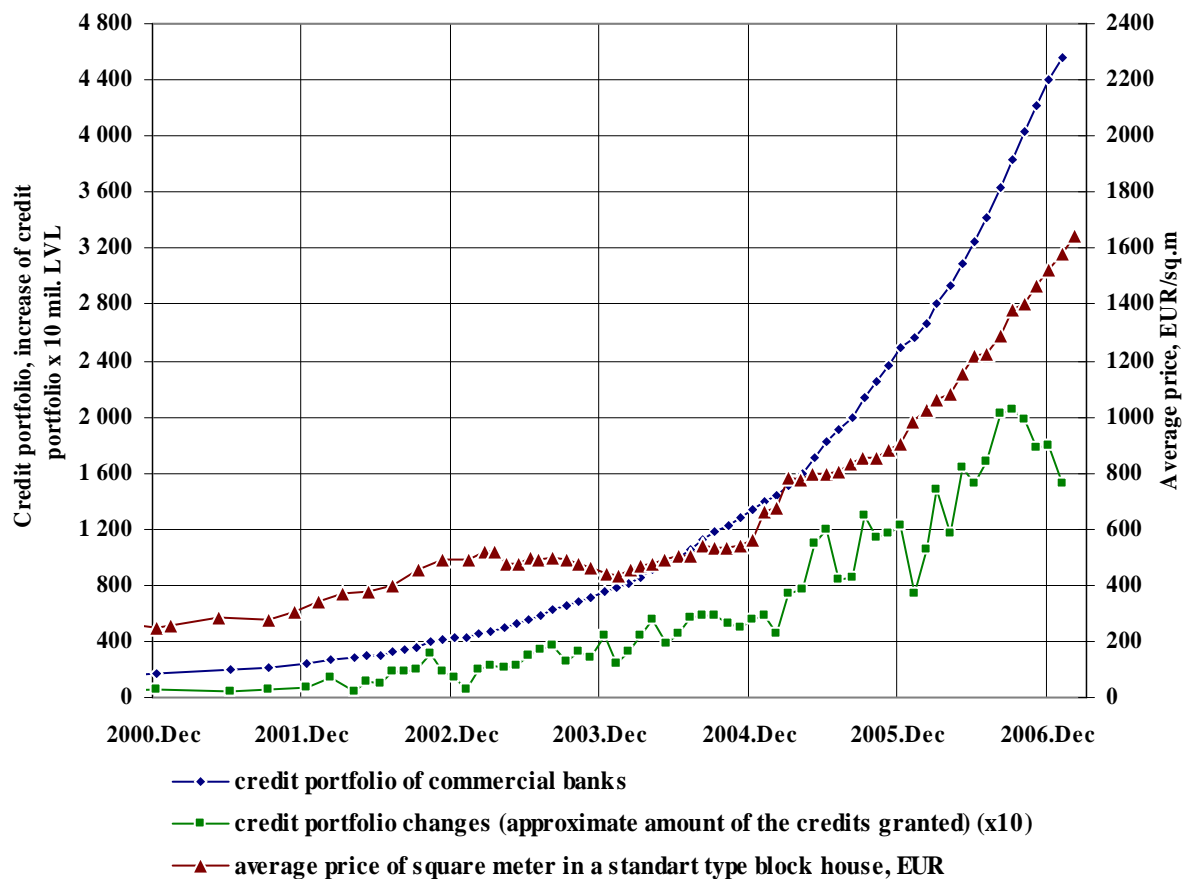
Most of them were issued for dwelling renovation or reconstruction. However, when analysing the issued building permissions by number of units to be constructed, building permissions were issued for building of 275 apartments in multi-apartment houses.

HOUSING MARKET

STANDARD TYPE APARTMENTS

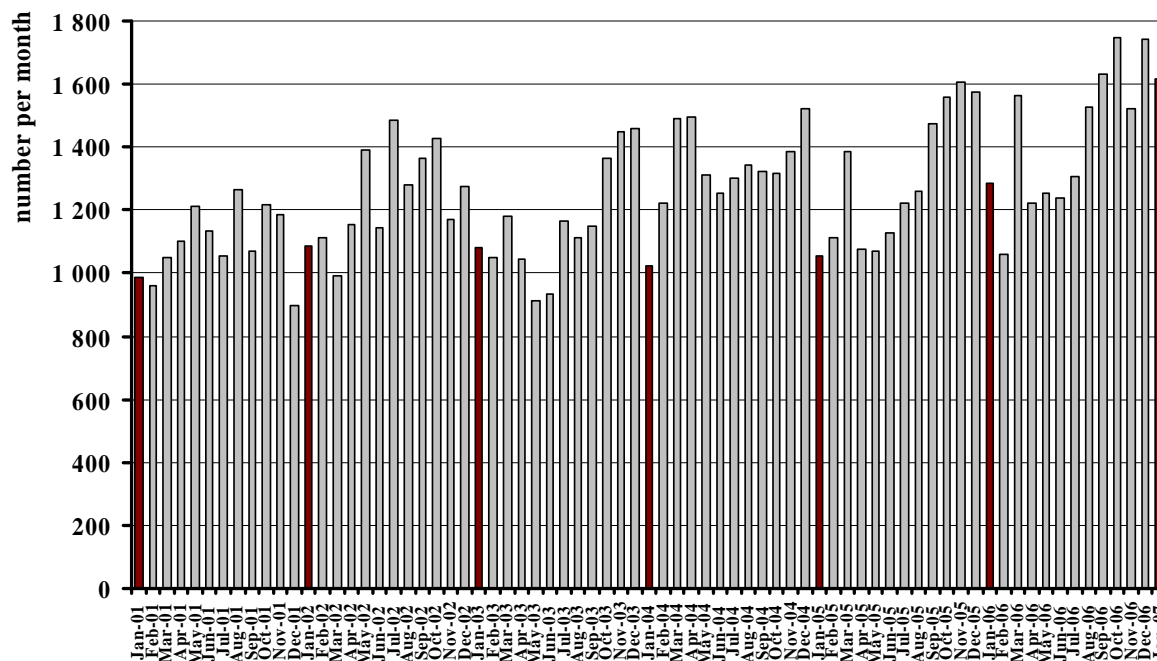
- In February, the average price of a standard type apartment in Riga was 1, 647 EUR per sq.m that was for 4% more compared to the previous month.

**Credits granted to private individuals by commercial banks,
average prices of total space**



Source: the Finance and Capital Market Commission, LATIO

Number of the apartment sales transactions in Riga

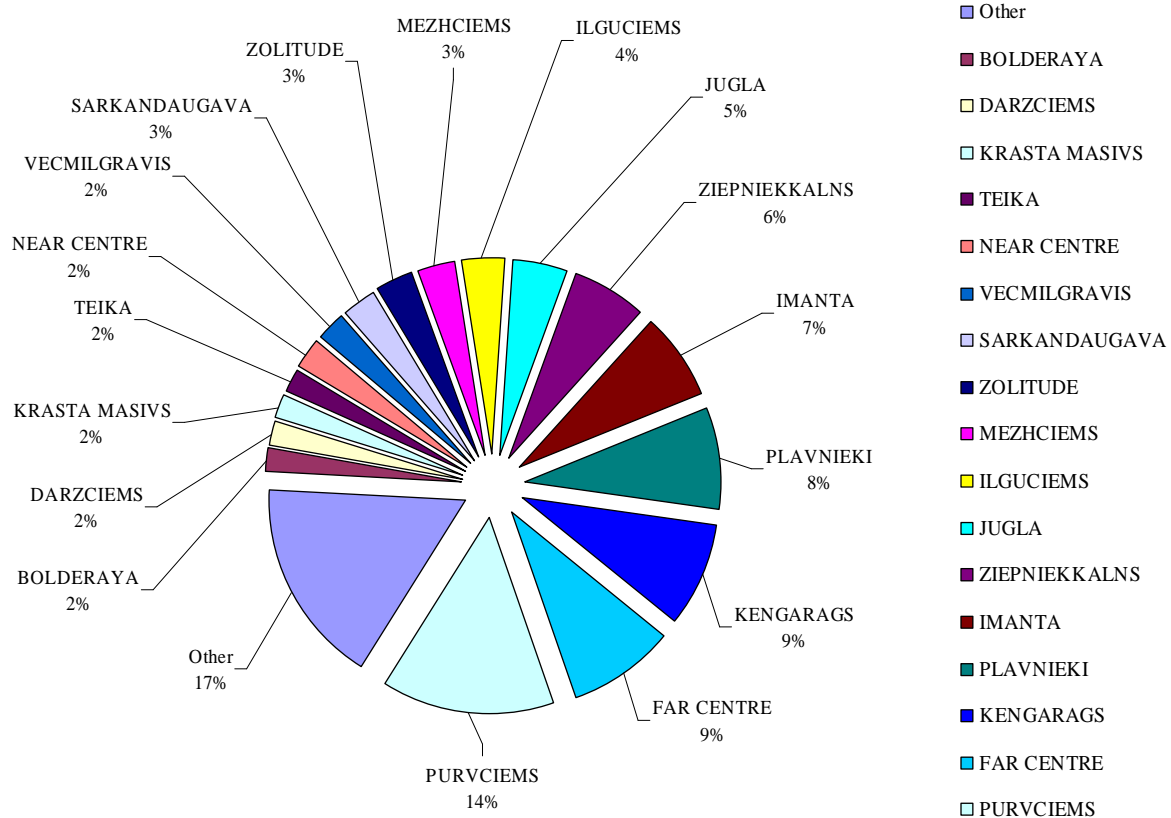


Source: the Land Register, State Land Service

The number of apartment purchase transactions decreased slightly in January compared to December 2006 but long-term trend of increasing number of transactions has retained. In January, the number of apartment purchase transactions exceeded the limit of 1,600 transactions that was for 25% more than in the same time period a year ago.

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



Source: the Land Register, State Address Register

There have been no significant changes within apartment transactions ratio among Riga residential districts in comparison with the previous month. Compared to December the number of transactions have increased in the Far centre, Ziepniekkalns and Mežciems in January. Whereas in Purvciems, Pļavnieki, Ķengarags and Imanta the number of transactions with apartments have decreased. There have been no essential changes.

There is an extensive supply of apartments, and its rise in number in Internet portals have been observed during the last few months. Depending on the chosen portal, there are two to seven times more available apartments advertised at the moment of survey than transactions recorded during a month. However, sellers' asking prices of more than 50% of the offered standard type apartments in residential districts in mass media is for 10% higher than the price of a concluded transaction.

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There is still a remarkable demand in standard type apartments that come into market for reasonable selling prices – supply of such apartments account for around half of those available in Internet portals.

Price rise was approximately the same in all residential areas. No changes in prices could be considered as essentially different from the common tendency in standard type houses.

There is an increasing demand in apartments to rent in Riga and cities in its vicinity. Recently, a part of this demand was also made by inhabitants whose chosen new housing projects fell behind their commissioning term while the previous property has been sold already.

In Ogre, rentals of apartments are close to those in Riga – a 2-room apartment is let out for ca.180 LVL per month. The price increase has been enhanced by shortage of apartments for rent and the big demand in them. Rental of a single-room apartment in Ogre is more than 100 LVL a month apart from charge for public utilities.

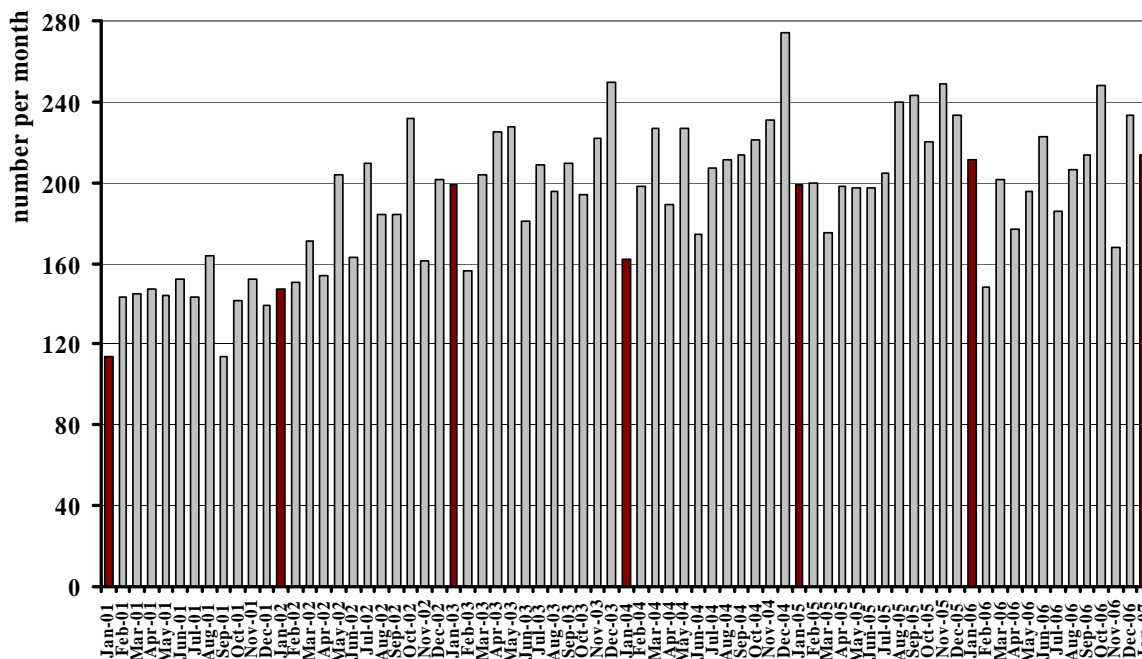
Typical prices of standard type apartments in Riga residential districts in February, EUR

District/ series	Purv- ciems	Plav- nieki	Mezh- ciems	Agens- kalns	Zoli- tude	Imanta	Jugla	Ziep- niek- kalns	Kenga- rags	Sar- kan- dau- gava	Vec- mil- gravis	Bolde- raya	
Series 119	1- room	76 000	74 000			76 000		76 000					
	2- rooms	96 000	94 000			93 000		94 000					
	3- rooms	116 000	110 000			114 000		112 000					
	4- rooms	126 000	120 000			125 000		120 000					
Series 602	1- room	65 000	65 000	65 000			64 000	65 000		60 000	59 000		
	2- rooms	89 000	89 000	89 000			85 000	88 000		78 000	76 000		
	3- rooms	103 000	102 000	103 000			99 000	101 000		98 000	96 000		
	4- rooms	115 000	117 000	113 000			113 000	117 000		109 000	107 000		
Series 103	1- room	66 000	65 000		67 000					61 000	60 000	54 000	
	2- rooms	91 000	89 000		91 000					83 000	82 000	72 000	
	3- rooms	105 000	104 000		107 000					103 000	102 000	92 000	
Series 104	1- room	74 000	75 000	75 000		76 000	76 000	76 000					
	2- rooms	96 000	95 000	95 000		94 000	91 000	90 000					
	3- rooms	117 000	115 000	115 000		114 000	115 000	108 000					
„Lithuanian” proj.	1- room	62 000		60 000	59 000		58 000	59 000	56 000	56 000		55 000	52 000
	2- rooms	82 000		82 000	79 000		81 000	76 000	75 000	77 000		75 000	69 000
	3- rooms	92 000		92 000	90 000		92 000	92 000	89 000	90 000		90 000	87 000
„Hruschov” type houses	1- room	62 000			62 000			58 000	59 000	56 000	56 000	54 000	
	2- rooms	80 000			78 000			75 000	74 000	75 000	76 000	73 000	
	3- rooms	92 000			95 000			92 000	88 000	87 000	88 000	87 000	

Source: LATIO data

DETACHED HOUSES

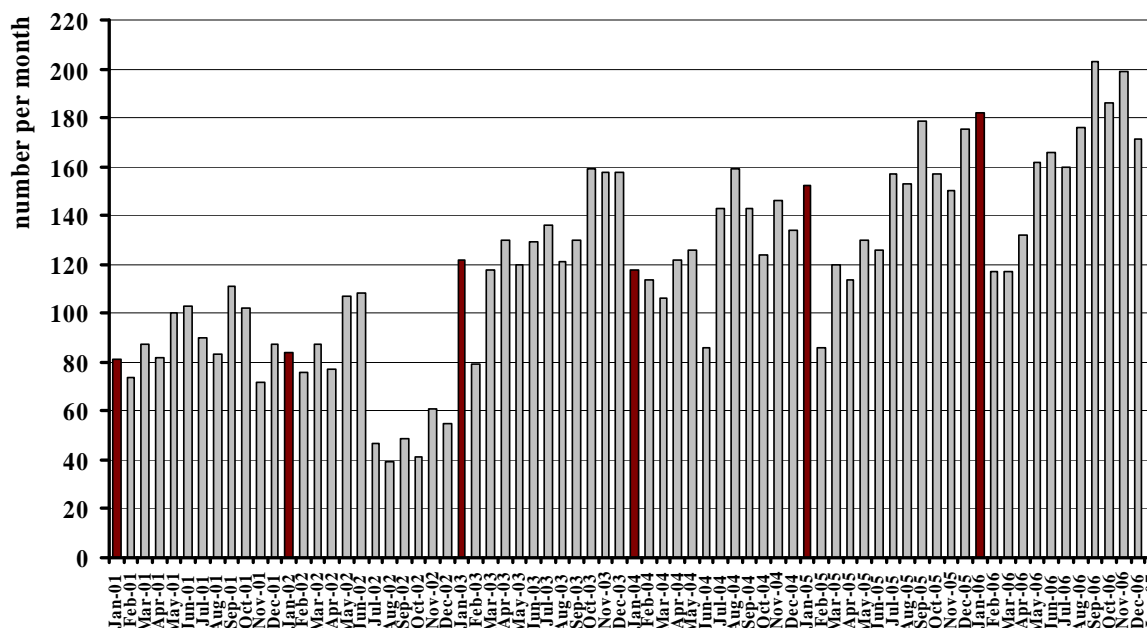
Number of the detached housing sales transactions in Riga



Source: The Land Register

The number of purchase transactions with detached houses in Riga has decreased slightly in January – there were ca. 210 transactions and this index was still high by taking into account that in late 2006, i.e., in November, the number of transactions with detached houses had went down to 160 transactions a month.

Number of the detached housing sales transactions in Riga region*



Source: the Land Register

* - data reveal information excluding Riga and Jurmala town

In January, the number of purchase transactions with detached houses in Riga district reached its historical maximum and was the biggest one in January – almost 220 purchase transactions. In December 2006, the number of purchase transactions with detached houses in Riga district slightly exceeded 160 transactions.

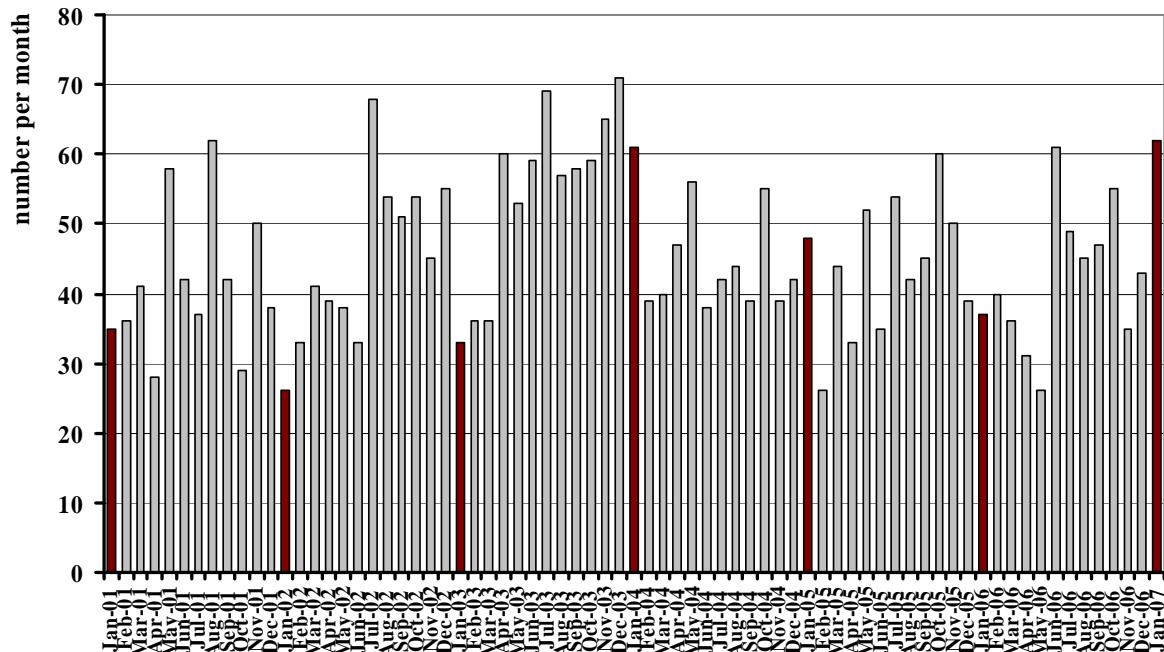
Market of detached houses was still active in January.

Part of demand in detached houses is made by purchasers selling their own apartments in standard type houses in residential areas. In January, this flow of domicile change was topical in Sigulda and Ogre where inhabitants intensively searched for detached houses to purchase or for land plots to build detached houses themselves.

There was an increased interest in residential development land. In order to stay within the planned budget for land purchase buyers consider over a possibility to buy residential development land within a radius of 50 to even 80 km from Riga.

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Number of the detached housing sales transactions in Jurmala



Source: the Land Register

In January, the number of transactions with detached houses in Jurmala increased rapidly compared to December, November, October and September, 2006. For the last time, such a big number of purchase transactions with detached houses in Jurmala was observed in June 2006.

NEW HOUSING PROJECTS

New projects announced in February

Title, address	Type of dwelling	Developer	Price LVL/m ²	Finish	Number of dwellings	Number of buildings
Riga						
Riga, Old Riga, 10 Audēju Street	A	SIA "Lance"	3,515	Full	10	1
"Zalves dārzs – 3", Riga, Šampēteris, 40 Volgundes Street	A	SIA "Eiro House"	1,690	Full	23	1
Riga, Āgenskalns, 4 Āgenskalna Street	A	Privātpersonas	2,180	Full	10	2
"Matīsa 69", Riga, Far centre, 69 Matīsa Street	A	SIA "Jugend Reality"	1,970	Partial	36	2
"Teātra arkāde", Riga, Old Riga, 2/4 Teātra Street	A	SIA "Immostate"	3,163	Partial	19	2
Riga, Pļavnieki, 29 Rencēnu Street	A	SIA "INVEST PR"	–	Full	62	1
"Nīcgales projekts", Riga, Purvciems, 37/39 Nīcgales Street	TH	SIA "Stone Development"	1,406	Partial	38	1
Riga District						
"Pulkveža Briēža", Riga District., Sigulda, Pulkveža Briēža Street	A	SIA "Jauno projektu vadība"	1,140	Partial	6	1
Riga District, Babīte Parish, Mežāres, 12-14 Kālavu Street	A	SIA "Capital Real Estate"	915	Full	4	1
"Twin houses in Carnikava", Riga District, Carnikava, Rūpnieku, Rotu, Zīļu Streets	TH	SIA "Polanta"	902	Partial	8	4
"Cibiņas", Riga District, Olaines Parish, Gaismas, Cibiņas Street	DH	SIA "Eurocentr"	887	White	2	2
"Cibiņas", Riga District, Olaines Parish, Gaismas, Cibiņas Street	TH	SIA "Eurocentr"	705	White	8	4
"Saulstari", Riga District, Sējas Parish, Pabaži	A	SIA "Sējas Nami"	770	Partial	30	1
"Lejmaļi", Riga District, Baldone, Detour Iecava-Skaistkalne	DH	–	795	Full	4	4
"Titurgas mājas", Riga District, Baloži, 17 Meža Stret	A	SIA "Titurgas mājas"	1,415	Full	146	2
"Terraced houses in Salaspils", Riga District, Salaspils, 49 Budeskalnu Street	TH	–	–	Full	14	2
Riga District, Carnikavas Parish, Kalngale, 15 Kaiju Street	TH	SIA "Kalngales priede"	915	White	3	1
"Baltežera de Lux", Riga District, Ādažu Parish, Baltezers	A	SIA "KIN Invest"	2,250	White	17	1

A – apartments, DH – detached houses, TH – terraced houses

See continuation of the table on the next page

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Continuation of the table from the previous page

Title, address	Type of dwelling	Developer	Price LVL/m ²	Finish	Number of dwellings	Number of buildings
Other districts						
"Raiņa pasāža", Ventspils, 9 Raiņa Street	A	–	–	Partial	20	1
Ogre, 19 Mednieku Street	A	SIA "Somu Māja Inženieru Birojs"	–	Partial	95	3
Liepāja, 1 and 2 Rietumkrasta Street	A	SIA "MIG Holdings"	–	Partial	74	4
Tukums, 12a Baznīcas Street	A	Privātpersonas	845	Partial	42	1
Liepāja District, Aizpute, 15 Jelgavas Street	A	SIA "Baltic Finanz-Invest"	495	Partial	33	1
Daugavpils, 19 Avenu Street	A	–	–	Partial	30	1
"Mēness Nams", Liepāja, 9 Reiņa meža Street	A	–	–	–	71	2
"Sunny Island", Daugavpils, 6b Stadiona Street	A	SIA "Arhis"	–	White	25	1

A – apartments, DH – detached houses, TH – terraced houses
Avots: LATIO dati

In February, there were 26 new projects announced on the market: 7 of them were planned in Riga, 11 in Riga district, and 8 of them in other districts - 2 in Daugavpils, 3 in Liepāja, 1 in Tukums, 1 in Ventspils and 1 in Ogre.

**Accepted objects registered with Riga City Construction Board of City Development
Department of Riga Council from 01.01.2007 to 31.01.2007**

No. of apartments in a multi-apartment house	Customer	Object	Address	Typical space (sq.m)
103	SIA "Almats"	5-storey dwelling house (103 apartments) Round I	53 Braslas Street	71.57
16	SIA "Grata Plus"	Multi-apartment buildings (3 st.-2x8 flats), Round II	85 Kantora Street, Block 1 and 2	70.7
48	SIA "Merks"	Development area of few-storey multi-apartment houses Round I Block-2,3,4.	33 Kaivas Street	83.3
530	A/S "West East Industries"	Building of few-storey multi-apartment houses Round III	126 Block 1 and 2 Biķernieku Street	77.44

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COMMERCIAL SPACE

OFFICE SPACE

In February, project of a new office building intended for rent in Riga, 8 Ūnijas Street, on the territory of the former factory „VEF”, was announced on the market. Forms of industrial architecture and decoration of the building have been preserved and they represent the yellow-brick production shops characteristic of the 19th century within this block of buildings. During the reconstruction works few more storeys will be added to the existing three-storey building thus acquiring the total space of 8500 m². The term of commissioning – August 2007.

96 % of the space has been taken up in the new office project „Barons Kvartāls”. Part of the lessees already operate in their premises although the remaining construction and improvement works of the office project will be carried out only this July.

In the Close centre (e.g., Slokas Street), lease transactions with offices 80 to 120 sq.m large in mixed type buildings are being concluded for 12 to 15 EUR per sq.m (term of lease – 5 years). In the Far centre, rental of the offices covering 70 sq.m is 12 EUR per sqm (term of lease – 3 years). In February, the lessees of office space over 50 sq.m included staff recruitment, accounting and construction companies while the lessees of small offices (up to 50 sqm) were representatives of various range of goods and services. However, the big demand in both small (up to 50 sqm) and large (over 100 sqm) office space is still sustained.

Still there is shortage of parking places in new office projects.

RETAIL SPACE

Compared to January, there was much more activity on retail space market in February. In February, just like in the previous months, outfitters were the most active searchers for premises which were interested in retail space up to 150 sqm on the ground floor.

Still rentals of retail space are climbing up in the most demanded areas of Riga centre. The limits between 40 to 50 EUR per sqm were considered as reasonable rentals on these territories in February. However, raised rentals push many of the present lessees to leave their space since they are not ready to make such financial investments.

In February, intensive demand was observed in purchasing premises in Riga centre not only along streets with continued surge of people but also having possibility of car parking. Unfortunately there is almost no supply of such premises, or if there are some then they are offered for unreasonably high price.

In February it was observed that in the segment of shops there were increasing demand in larger retail space for shops and salons related to trade of construction materials in the space up to 500 qs.m. Companies of construction materials try to find space where it would be possible to combine a small stock and a salon/shop. Similar situation has been witnessed for design and interior decoration companies which would readily combine a small stock and a shop by searching for new, larger space.

INDUSTRIAL SPACE

In February, there was no activity in purchase of industrial space observed. In general, the enterprises were searching for warehouse and production space to take on lease.

There was a remarkable interest in lease of warehouse and production space in Riga. Since there is almost no supply of such objects, the enterprises are willing to sign lease agreements even on the premises that meet their needs only partially or rentals of which exceed the market level.

There is still a remarkable interest in objects outside Riga and it is particularly expressed by representatives such branches like woodworking, car service stations and small production enterprises operating in various fields of activity. In February, the most demanded industrial space was that of 200 to 800 sqm including office premises of 50 sqm. Extra requirements included convenient parking place, drive-up and parking for trucks, as well as the ground floor within a building. There is an increased interest in objects in the vicinity of the motorway Via Baltica.

There was observed an increasing interest in new industrial objects being under construction at present. This interest particularly is associated with the objects the term of commissioning of which is this spring.

COMMERCIAL DEVELOPMENT LAND

Big demand in industrial development plots in Riga and its vicinity have been still observed.

Olaine and Ķekava are close to their territory planning confirmation. Therefore it is expected that more and more industrial and commercial development land will come into the market. Price rise caused by confirmation of the territory plannings is forecasted in the above mention areas.

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