

REAL ESTATE MARKET OVERVIEW – RIGA AND GREATER RIGA AREA

January 2007

- **Growth rates of loaned credits have decreased.**
- **In January, the average price of a standard type apartment in Riga was 1,583 EUR per sq.m. It has risen for less than 4% in comparison with the previous month.**
- **In January, 15 new housing projects were announced – 5 in Riga, 6 in Riga District, 1 in Jurmala, 1 in Daugavpils, 1 in Ogre, and 1 in Bauska. Construction permissions have been issued for 3 projects in Riga and one in Jurmala.**
- **In January, supply of new office premises was supplemented by a new project – the development “Spīķeri”.**
- **There is an increasing interest in purchasing of land plots for commercial development in Riga.**

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GENERAL ECONOMIC SITUATION

Growth rates of loaned credits have decreased during the last few months. Volumes of credits loaned in December have not been changed in comparison to the previous months. Rise in credit portfolio both in November and December was 180 million LVL. In August, September and October rise in credit portfolio was 200 million LVL.

Several banks emphasized the fact of introducing more and more conservative crediting policy. Some banks loan credits reluctantly to persons trading on real estate, and banks unwillingly give credit to purchasing agricultural land that will be parcelled into development land later on.

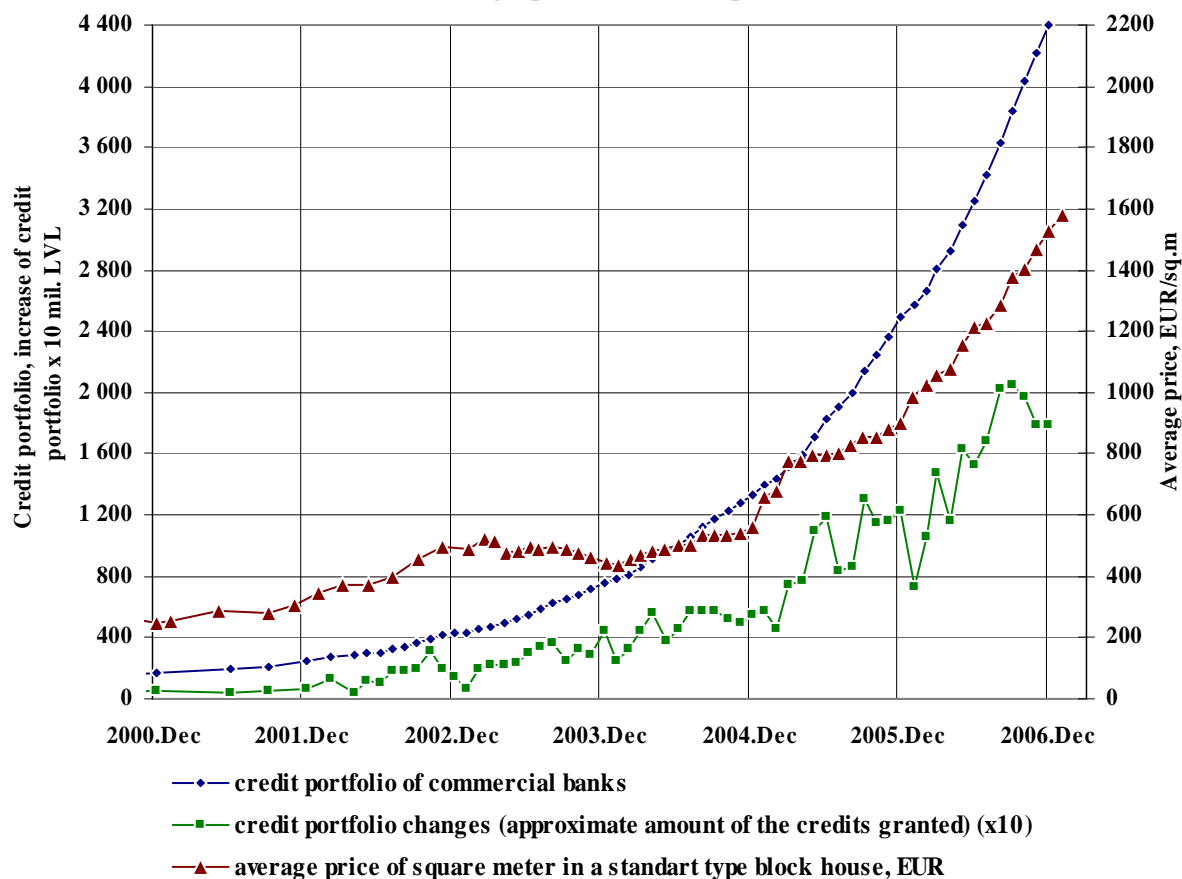
Amendments of law have been adopted providing for possibility to call off a whole territorial planning and a detail planning or just a separate part of it establishing the use of a territory. These amendments prolong also the deadline for drafting of territorial planning projects from December 31, 2006 to December 31, 2007. At present there are more than 200 territorial planning projects in drafting stage.

HOUSING MARKET

STANDARD TYPE APARTMENTS

- In January, the average price of a standard type apartment in Riga was 1, 583 EUR per sqm thus being for 3.7% higher than in the previous month. To compare – in January, 2006 prices of standard type apartments had been grown for 8%.

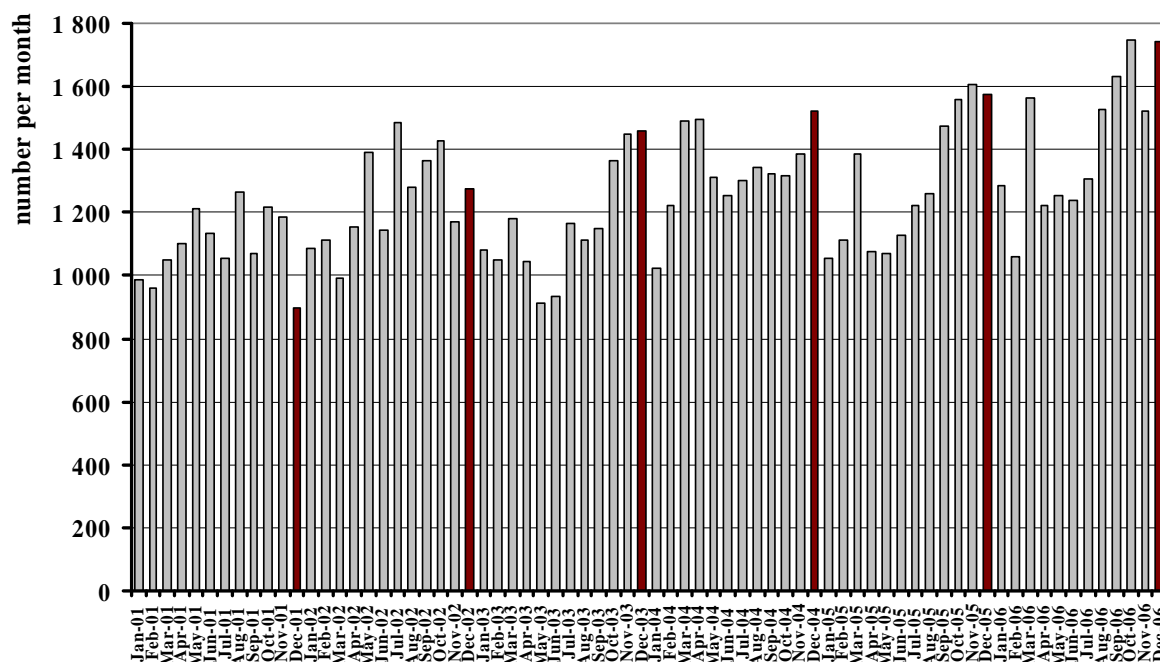
Credits granted to private individuals by commercial banks,
average prices of total space



Source the Finance and Capital Market Commission, LATIO

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Number of the apartment sales transactions in Riga



Source: the Land Register, State Land Service

Although the recorded number of transactions in December was high and it repeated the maximum number of the registered transactions reached in October, consideration should be taken of the fact that a part of transactions to have been registered in November were registered in December.

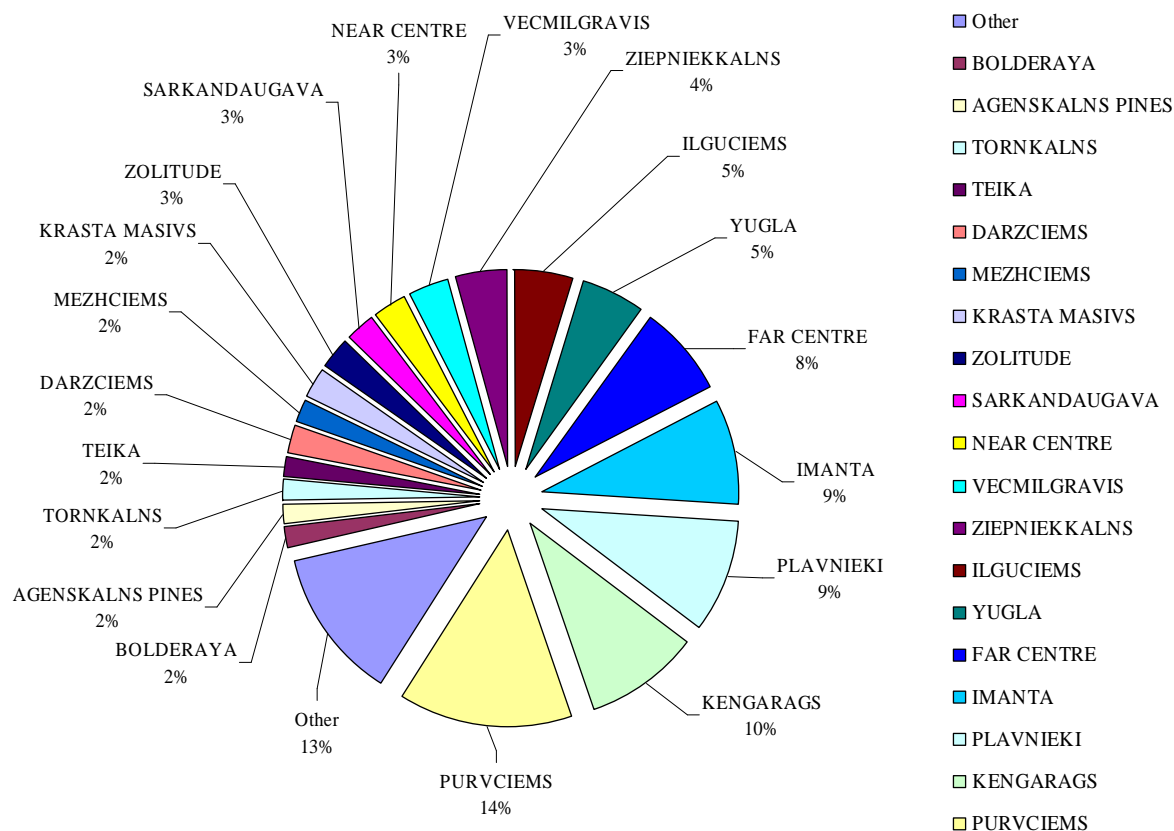
The bulk supply of rent apartments involves apartments in the centre or in the new projects with asked rentals more than 350 LVL per month. General demand is for standard type apartments with rentals up to 300 LVL in residential areas.

Rent agreements are usually concluded for a term of 1 year. In world practice it is taken for a norm to conclude rent agreements for a term of 3 years.

Irrespective of the fact that the major part of apartments are supplied within the City centre transactions most often take place with apartments in Purvciems (14% out of all transactions with apartments). In Ziepniekkalns – in its turn – the number of transactions decreased a little in comparison with November.

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Apartment purchase transactions ratio among residential districts in Riga, December 2006



Source: the Land Register, State Address Register

In January, most significant increase of the average prices was observed in standard type apartments in Ķengarags, Sarkandaugava, and Vecmīlgrāvis (compared to the increase in the average prices of standard type apartments this month) whereas little rise in the average prices – in their turn – was witnessed in Purvciems, Pļavnieki and Jugla. In Bolderāja the prices have retained the level of the previous month, actually.

Still transactions with two-room and one-room apartments account for the major part of transactions. There is a pronounced purchasers' interest in small apartments, and shortage of one-room and two-room apartments in standard type houses is most pronounced in residential areas. One square metre of a small apartment may cost for one third more than, for example, that of a 3-room apartment within the same building.

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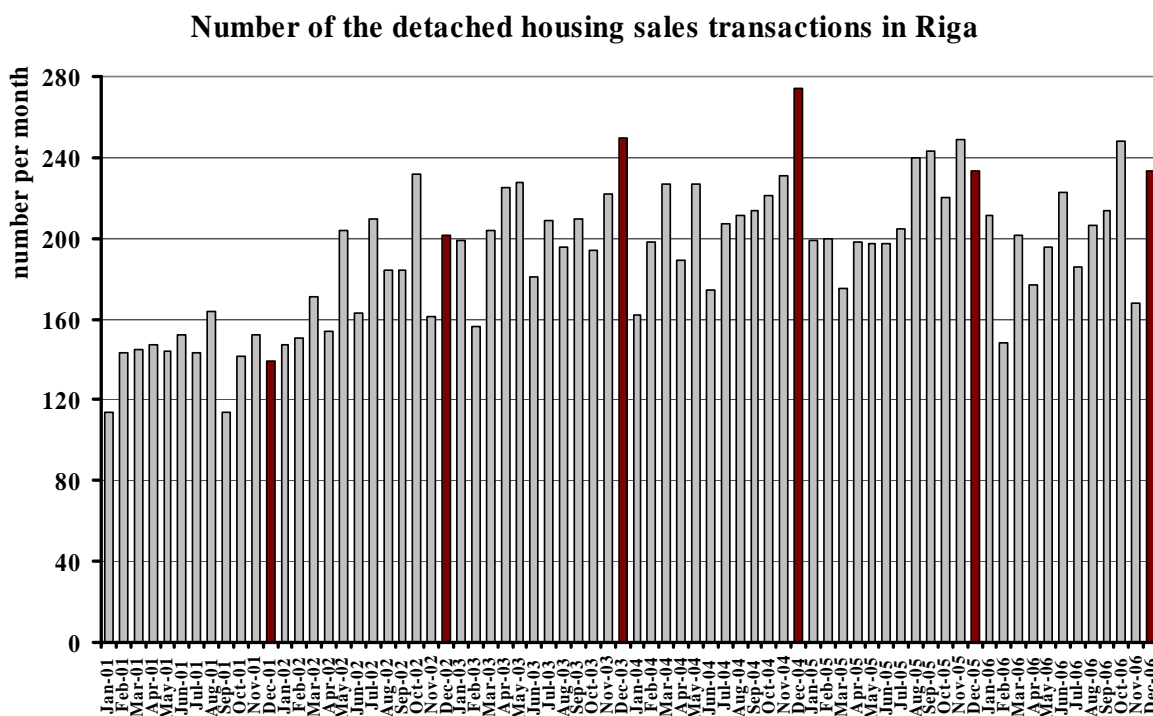
Typical prices of standard type apartments in Riga residential districts in January, EUR

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	73 000	71 000			75 000		74 000					
	2- rooms	94 000	93 000			90 000		89 000					
	3- rooms	112 000	106 000			113 000		109 000					
	4- rooms	120 000	115 000			121 000		115 000					
Series 602	1- room	63 000	65 000	65 000			64 000	62 000		58 000	56 000		
	2- rooms	86 000	85 000	87 000			81 000	83 000		74 000	72 000		
	3- rooms	97 000	99 000	96 000			96 000	97 000		86 000	85 000		
	4- rooms	109 000	115 000	111 000			112 000	113 000		105 000	103 000		
Series 103	1- room	63 000	61 000		67 000					60 000	60 000	52 000	
	2- rooms	90 000	86 000		87 000					78 000	77 000	68 000	
	3- rooms	103 000	100 000		107 000					95 000	93 000	81 000	
Series 104	1- room	70 000	72 000	72 000		76 000	73 000	71 000					
	2- rooms	91 000	91 000	91 000		92 000	87 000	86 000					
	3- rooms	112 000	110 000	110 000		112 000	107 000	102 000					
„Lithuanian” proj.	1- room	59 000		58 000	57 000		58 000	56 000	55 000	57 000		53 000	49 000
	2- rooms	82 000		82 000	77 000		79 000	72 000	73 000	73 000		68 000	65 000
	3- rooms	91 000		91 000	89 000		91 000	86 000	85 000	87 000		83 000	77 000
„Hruschov” type houses	1- room	57 000			60 000			55 000	58 000	57 000	57 000	53 000	
	2- rooms	79 000			76 000			74 000	70 000	73 000	70 000	67 000	
	3- rooms	89 000			91 000			87 000	87 000	87 000	85 000	82 000	

Source: LATIO data

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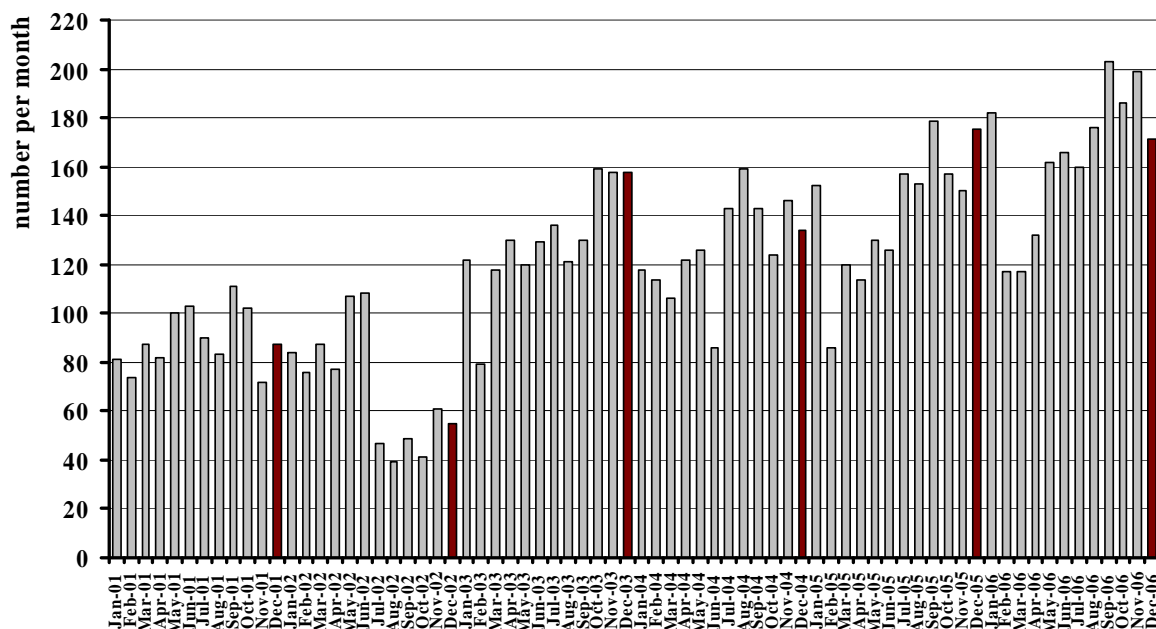
DETACHED HOUSES



Source: the Land Register

Though the number of registered transactions with detached houses in Riga has increased significantly in comparison with November, yet it has remained invariable as to the same period a year ago. The number of transactions reflects the activities within the segment of detached houses only partially since most inhabitants of Riga prefer construction of a house to its purchase.

Number of the detached housing sales transactions in Riga region*



Source: the Land Register

* - data reveal information excluding Riga and Jurmala town

In December, the number of purchase transactions with detached houses in Riga District decreased. This could happen due to winter season when there was decline in trade of detached houses. The number of transactions reflects the activities within the segment of detached houses in Riga District only partially since most people having desire for a house prefer construction of a house to its purchase.

NEW HOUSING PROJECTS

New projects announced in January

Title, address	Type of dwelling	Developer	Price LVL/m ²	Finish	Number of dwellings	Number of buildings
Riga						
Riga, Mezhaparks, 17 Mores Street	A	SIA "Bronto"	-	Full	14	1
"Keizarmezha Krasti" Riga, Mezhaparks	A	SIA "Keizarzeme"	-	Full	75	9
Rīga, Shampeteris, 95 Kalnciema Street	A		-	Full	38	1
"Privatmajas Marupe" Riga, Marupe	DH	SIA "Stone Development"	1, 020	Full	2	2
"Privatmajas Marupe" Riga, Marupe	TH	SIA "Stone Development"	935	Full	24	10
Riga District						
"Privatmajas Daugmale" Riga District, Stopini Parish, Daugmale	DH	SIA "Stone Development"	-	-	9	9
"Privatmajas Daugmale" Riga District, Stopini Parish, Daugmale	TH	SIA "Stone Development"	-	-	16	8
"Privatmajas Carnikava" Riga District, Carnikava Parish, Carnikava	DH	SIA "Stone Development"	-	-	26	26
"Privatmajas Carnikava" Riga District, Carnikava Parish, Carnikava	TH	SIA "Stone Development"	-	-	56	16
Riga District, Salaspils, 11 Silmalu Street	A	SIA "Daugavas Buvserviss"	1, 055	Partial	12	1
Riga District, Garkalne Parish., Upesciems, Abrenes Street	DH	Privātpersonas	1, 116	Full	17	17
Jurmala						
Pumpuri, 10 Razhas Street	A	SIA "Korso"	-	Partial	21	1
Other districts						
"Casa Verde", Daugavpils, Nometnu Street	A	SIA "Arhis"	700	Partial	25	1
"Somu Majas", Ogre Parish, Ogre, 127 Brivibas Street	TH	SIA "Somu Maja Inženieru Birojs"	957	Full	4	2
Bauska, 4 Maza Salatu Street	A	SIA "Zemgales finansu un investīciju kompanija"	650	White	28	1

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

Source: LATIO data

In January 15 new housing projects were announced – 5 in Riga, 6 in Riga District, 1 in Jurmala, 1 in Daugavpils, 1 in Ogre, and 1 in Bauska. Construction permissions have been issued for 3 projects in Riga (17 Mores Street, “Keizarmezha krasti” in Mezhaparks and in Shampeteris along Kalnciema Street) and one in Pumpuri, Jurmala.

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COMMERCIAL SPACE

OFFICE SPACE

- **In January, supply of new office premises was supplemented by a new project – the development “Spīķeri”**
- **Demand in car parking places in new office projects exceeds their supply.**

In January, supply of new office premises was supplemented by a new project – the development “Spīķeri”. The object is commissioned piecemeal in order of adapting decoration of premises to each lessee. Asked rental of offices is 14 EUR per sqm, retail space - 15 EUR per sqm.

A tendency is observed that clients which seek to purchase premises in new projects office demand car parking places for more cars than owners of the projects have been provided for/ are ready to offer. Therefore the clients continue their search for offices in newly erected centres with sufficient amount of parking places. Though located outside the city centre many new office projects provide for very limited number of parking places (one parking place per every 50 sqm though they are charged ones) with no opportunity of getting more places.

Still big demand is observed in office premises 50 to 100 sqm large in the Calm centre. Supply of such premises is much lesser than demand in them as always.

RETAIL SPACE

Still several Lithuanian and Estonian companies wish to expand their business to Latvia; these are local (national) and international companies running their business within the field of spare parts for cars, and agencies of various companies as well as wholesale traders.

Largest Latvian banks and service providing companies in Latvia continue to broaden their business therefore searching for appropriate premises. These companies search for suitable premises both in Riga and outside its limits.

In the segment of retail space there was observed a big demand in different premises in residential areas or in the far centre where easy car parking would be possible. The most active lessees are public catering enterprises, bars, and banks as well as outfitters.

INDUSTRIAL SPACE

The tendency of previous months has retained for companies that in general wish to purchase industrial space in the area up to 500 sqm in their own possession. Yet the supply is quite little on the market whereas the prices are high. Interest in objects in Riga District has been witnessed since the prices are lower there.

Pronounced interest in industrial objects was expressed for wood-working companies, car service stations and metal-processing purposes. Therefore the most demanded space was up to 800 sqm + offices around 100 sqm, the ground floor and easy parking for trucks.

The price level retains within the previous margins.

There was a comparatively little demand in industrial objects being under construction currently. Recent prices of industrial objects that are going to be commissioned just in autumn 2007 or even later are much higher than those of old warehouses and production units.

There is always increasing interest in industrial space with heating system.

COMMERCIAL DEVELOPMENT LAND

On the market big demand was witnessed in commercially profitable land plots lying along facades of main streets, on cross-roads, near newly developing business centres, etc. In general, all of these land plots are in hands of owners which have purchased this land in speculative purposes.

There is increased interest in purchase of land plots for commercial development (industrial) in Riga and in Greater Riga Area. In general, it is searched for 0.5 to 1.0 ha and up to ca. 4.0 ha about 25 km from Riga, in the vicinity of cities or villages. Also the supply is growing.

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