# REAL ESTATE MARKET OVERVIEW – RIGA AND GREATER RIGA AREA

## March 2007

- **The amount of apartment transactions has rapidly decreased in Riga.**
- **In March, the average price of a standard type apartment in Riga was ca. 1,713 EUR per sqm. Compared to the previous month it has grown for 4%.**
- **In March, 15 new housing projects were announced – 7 in Riga, 6 in Riga District, 1 Liepaja and 1 in Valmiera. Four new projects have been commissioned – 3 in Riga and 1 in Ropažu Parish.**
- **An offer of the ever highest rental, i.e. 80 EUR per sqm, for retail space was fixed in Riga centre.**
- **The owners of retail space assess and choose their potential tenants most pleasant to them more carefully.**

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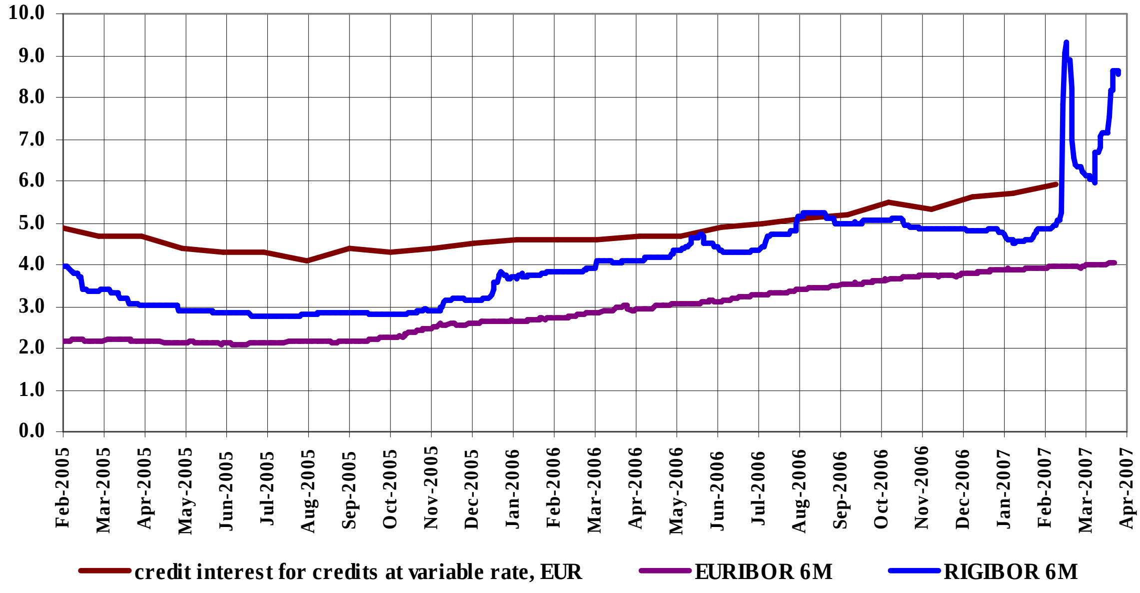
# GENERAL ECONOMIC SITUATION

Recently, there has been a sustained growth of the EURIBOR index – more than 1% yearly. It determines also the growth of credit interest rates for credits granted in EUR currency at variable rate.

Following the anxiety due to the probable devaluation of lat on the financial market, the price of lat resources increased – RIGIBOR index of 6 months, that was 5% before, grew rapidly, and then a fall and a recurrent rise succeeded – reaching 8% at the end of March. However, considering that the bulk of mortgage loans have been granted in EUR currency, the rise in price of lat resources does not affect the size of regular payments for credit takers essentially.

**EURIBOR, RIGIBOR, credit interest rates**

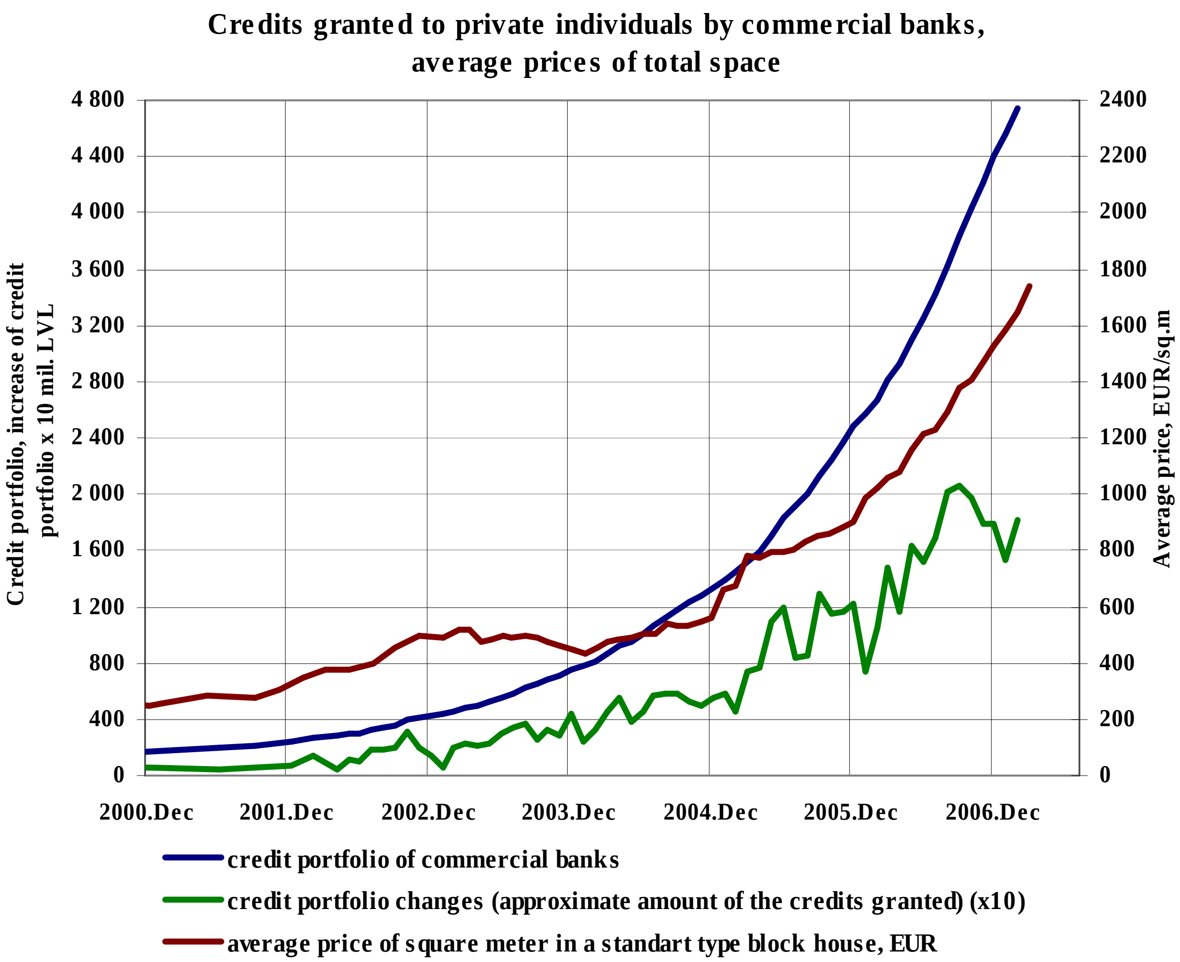



**Source:** CSB, the Bank of Latvia

# HOUSING MARKET

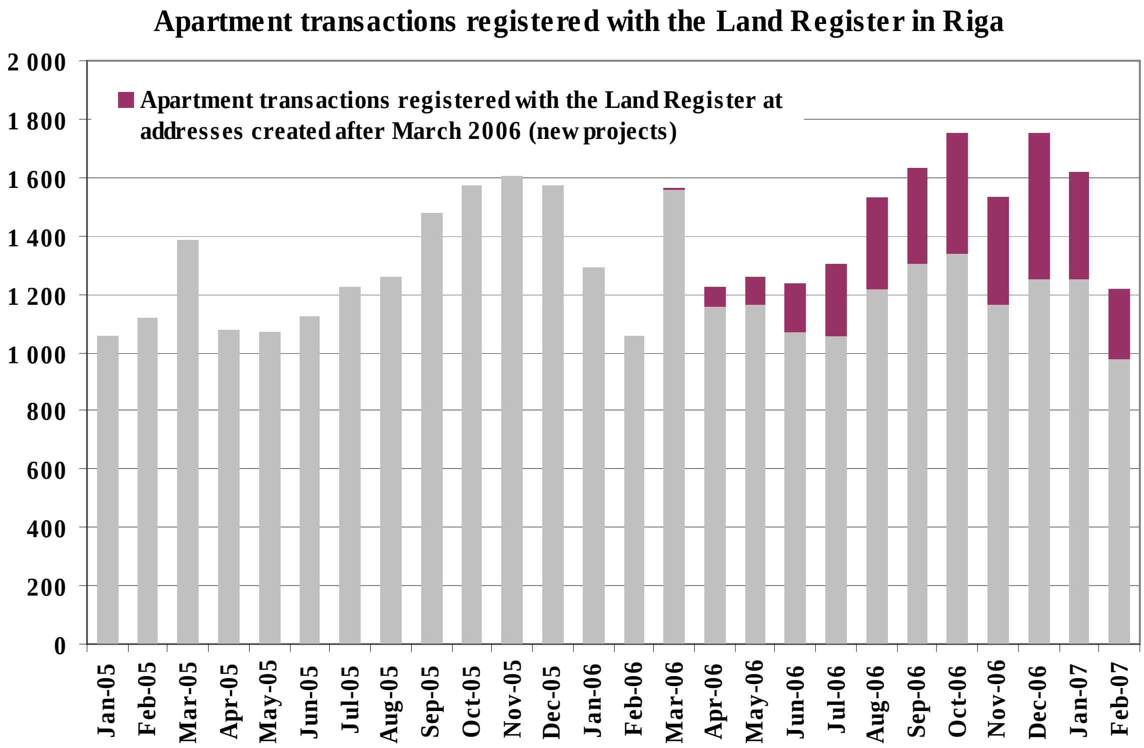
## STANDARD TYPE APARTMENTS

- **In March, the average price of a standard type apartment in Riga was ca. 1,713 EUR per sqm. Compared to the previous month it has grown for 4%.**




**Source:** the Finance and Capital Market Commission, LATIO

According to the FCMC last data, in February the amount of loaned credits to private persons by commercial banks increased for about 180 million LVL that corresponded to the level of late 2006 and the beginning of this year.




Amount of apartment transactions is estimated based on the Land Register records on apartment purchase and gift registration. These data are corrected by neglecting the double records if an apartment has been purchased as joint property. The data are supplemented by the amount of transactions with expeditiously privatized apartments that are registered with the State Land Service instead of the Land Register. According to the information provided by the SLS, ca.120 transactions with expeditiously privatized apartments or ca.10% of the transactions amount were registered monthly on average in 2006.

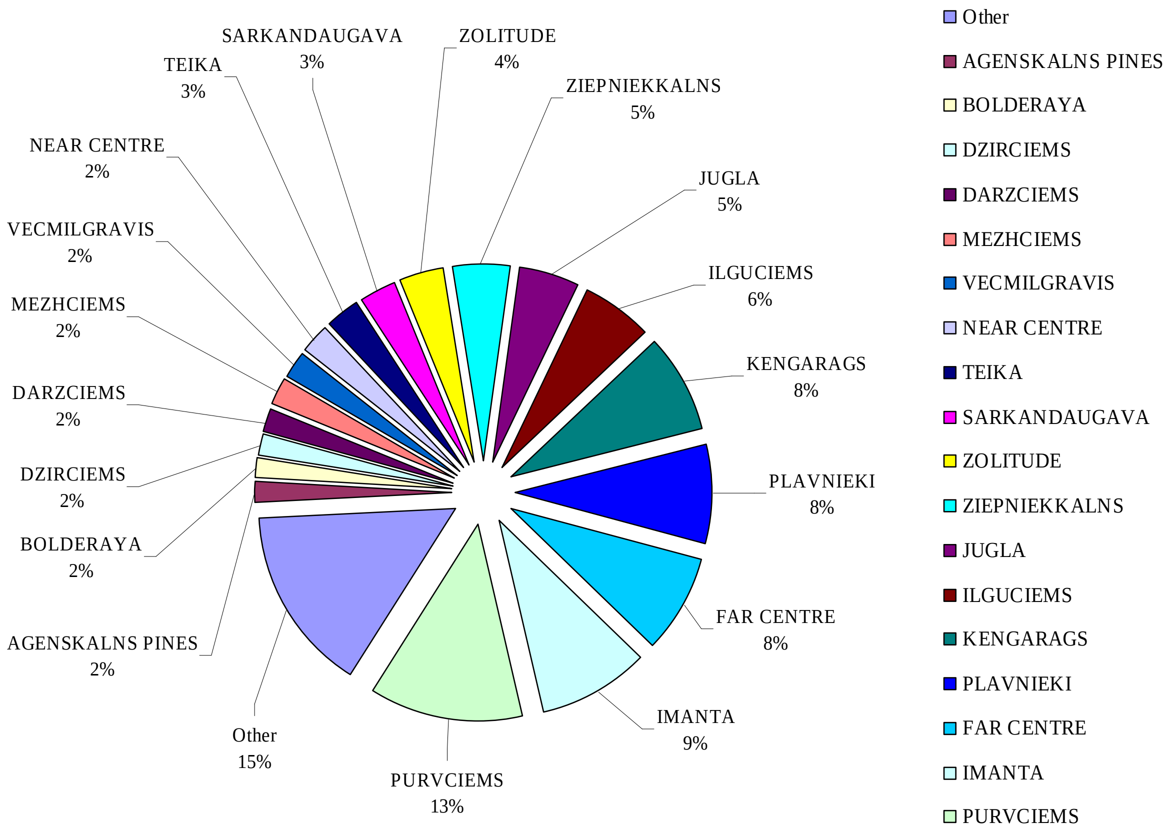
The marked part within the diagram represents the transactions that were registered with the Land Register as apartment transactions at the addresses created after March 2006, i.e. mainly in new projects. Still it should be taken into account that transactions with nonresidential space such as parking places in new projects are sometimes registered with the Land Register as apartment transactions.

The number of apartment transactions in Riga decreased rapidly. In February, there were registered only ca. 1,200 apartment transactions; that was a significant fall compared to the ca. 1,600 transactions registered in January.

The least amount of transactions within a year was fixed also last February. Still this happened under conditions when interest of buyers in apartment purchase was evidently high therefore it was only a transitional decrease in the number of transactions. At present, on the contrary, interest of buyers in apartment purchase has diminished significantly. Such a situation was observed for the last time in summer 2006 – in the heat of vacation period. Before, a long-term waiting position of apartment purchasers was witnessed only between 2002 and 2003 when new housing projects were expected to enter the market.

Yet sellers of apartments still determine the price by looking back at the price increase in the previous periods. The volume of supply has not changed significantly in March. In March, the average price of a standard type apartment has increased for ca.4%. During the last month, rise in apartment prices has been observed also in other cities of Latvia - Sigulda, Ogre, and Olaine. Price rise reached 5% in Sigulda.

**Apartment purchase transactions ratio among residential districts in Riga, February 2007**




**Source:** the Land Register, State Address Register

The number of transactions has decreased almost in all the residential areas yet the most remarkable drop-down has been in Purvciems. The number of transactions has hardly decreased in Iļģuciems, Zolitūde and Sarkandaugava. In February, the leading area within the ratio of apartment purchase transactions among residential districts still has been Purvciems – accounting for 13% of the transactions. Then follows Imanta (9% transactions), the Far centre (8% transactions), Pļavnieki and Ķengarags – 8% transactions in both the areas.

Demand in apartments for short - term rent has increased. Such supply is searched for by those who have sold their apartments and purchased dwellings in new projects commissioning of which has been postponed. In these cases, apartments for rent in new projects are especially demanded.

## Typical prices of standard type apartments in Riga residential districts in March, 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 | 80 000 | 80 000 | | | 77 000 | | | 78 000 | | | | |
| | 2-rooms | 97 000 | 98 000 | | | 98 000 | | | 98 000 | | | | |
| | 3-rooms | 113 000 | 110 000 | | | 118 000 | | | 115 000 | | | | |
| | 4-rooms | 125 000 | 130 000 | | | 130 000 | | | 125 000 | | | | |
| Series 602 | 1-room | 67 000 | 68 000 | 60 000 | | | 65 000 | | 65 000 | | 63 000 | 60 000 | |
| | 2-rooms | 91 000 | 89 000 | 90 000 | | | 89 000 | | 85 000 | | 84 000 | 80 000 | |
| | 3-rooms | 104 000 | 107 000 | 110 000 | | | 101 000 | | 108 000 | | 103 000 | 100 000 | |
| | 4-rooms | 117 000 | 120 000 | 125 000 | | | 123 000 | | 123 000 | | 113 000 | 110 000 | |
| Series 103 | 1-room | 70 000 | 67 000 | | 68 000 | | | | | | 66 000 | 63 000 | 55 000 |
| | 2-rooms | 92 000 | 92 000 | | 92 000 | | | | | | 86 000 | 82 000 | 75 000 |
| | 3-rooms | 107 000 | 107 000 | | 116 000 | | | | | | 107 000 | 107 000 | 95 000 |
| Series 104 | 1-room | 79 000 | 80 000 | 85 000 | | 77 000 | 77 000 | | 79 000 | | | | |
| | 2-rooms | 95 000 | 100 000 | 105 000 | | 97 000 | 97 000 | | 98 000 | | | | |
| | 3-rooms | 118 000 | 120 000 | 125 000 | | 118 000 | 118 000 | | 118 000 | | | | |
| „Lithuanian" proj. | 1-room | 66 000 | | 60 000 | 61 000 | | 59 000 | | 57 000 | 59 000 | | 55 000 | 52 000 |
| | 2-rooms | 81 000 | | 90 000 | 82 000 | | 84 000 | | 78 000 | 77 000 | | 75 000 | 68 000 |
| | 3-rooms | 103 000 | | 110 000 | 97 000 | | 97 000 | | 89 000 | 91 000 | | 93 000 | 90 000 |
| „Hruschov" type houses | 1-room | 65 000 | | | 63 000 | | | 62 000 | 61 000 | 59 000 | 59 000 | 54 000 | |
| | 2-rooms | 80 000 | | | 80 000 | | | 78 000 | 78 000 | 76 000 | 74 000 | 75 000 | |
| | 3-rooms | 101 000 | | | 99 000 | | | 90 000 | 89 000 | 90 000 | 91 000 | 90 000 | |

**Source:** LATIO data

## DETACHED HOUSES

Like number of transactions with detached houses in Riga District, the number of transactions in Jūrmala decreased compared to the previous months, yet in comparison to the respective time period of last years, in February, the number of purchase transactions with detached houses in Jūrmala corresponded to the trend of last years.

In March, as the spring came, purchasers expressed an increased interest in detached houses and residential development land in the vicinity of Riga. In the previous period, the bulk of purchasers were made by apartment buyers, but at present the most pronounced interest is in residential development land in the Greater Riga Area while apartment buyers "take a pause".

In March, there was a remarkably increased interest in land plots about 1,500 sqm large within 50 km from Riga and costing to 50,000 EUR on average as well as in land up to 5 ha large within 100 km from Riga (farm-stead, preferably near a watercourse). The demand in summer cottages and land on the territories of gardening societies have also increased.

In the area of Saulkrasti and Pabaži, there is an ultrahigh demand in land plots and detached houses within a belt of 700 m from the sea. Mostly, the buyers are interested in completed houses – with heat insulation and all communications.

# NEW HOUSING PROJECTS

## New projects announced in March

| Name, address | Type of dwelling | Developer | Price LVL per sqm | Finish | No. of dwellings | No. of buildings |
|---|---|---|---|---|---|---|
| **Riga** | | | | | | |
| "Double House", Riga, Mežciems, 3 Malienas Street | A | SIA "Slars" | 1,760 | Full | 8 | 1 |
| Riga, The Old Riga, 2 Riharda Vāgnera Street | A | - | - | Full | 12 | 1 |
| "Starajas Rusas ielas māja", Riga, Close Pārdaugava, 22a Staraja Rusas Street | A | SIA "Māris Gailis" | - | Full | 25 | 1 |
| "Purvciema terases" Riga, Purvciems, Vējavas / Staiceles Streets | A | SIA "Royal Baltica" | 1,465 | Partial | 64 | 1 |
| "Soleville", Riga, Pļavnieki, Ulbrokas Street | A | SIA "BS Management" | - | Full | 2220 | 17 |
| "Mežaparks", Riga, Mežaparks, Mores Street 19 | A | SIA "EKO īpašums" | 1,830 | Partial | 20 | 1 |
| "Imantas nami", Riga, Imanta, 21 Dumbrāja Street | TH | SIA "Art-Factory" | 1,190 | Partial | 6 | 3 |
| **Riga District** | | | | | | |
| Residential area in Mārupe, Riga District, Mārupe | A | SIA "Eirobuvservis" | 1,725 | Full | 45 | 3 |
| "Meža dārzs", Riga District, Carnikava, 3 Dārznieku Street | TH | SIA "Capital Real Estate" | 1,200 | Full | 12 | 4 |
| "Zeltiņu ciemats", Riga District, Mārupes Parish, Zeltiņu/Saules Street | TH | SIA "Silbloka būve" | - | Partial | 14 | 4 |
| "Penkules Nami", Riga District, Mārupes Parish, Penkules Street | TH | SIA "Silbloka būve" | 926 | Partial | 10 | 5 |
| "Zemturu nami", Riga District, Mārupes Parish, 16 and 18 Zemturu Street | A | SIA "Globe Invest" | 1,285 | Partial | 154 | 4 |
| "Elejas", Riga District, Ādaži, Gaujas Street, "Elejas" | TH | Privātpersonas | - | Partial | 5 | 1 |
| **Pārējie raj.** | | | | | | |
| "Tosmares nams", Liepāja, 7a Viršu Street | A | SIA "VERS" | 730 | Full | 45 | 1 |
| "Rīgas 67", Valmiera, 67 Rīgas Street | A | SIA "Celtima" | 1,150 | Full | 54 | 1 |

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

**Source:** LATIO

In March, there were 7 new projects announced in Riga; 6 out of those were multi-apartment houses, but 1 project – terraced houses. In Riga District, 6 new projects were announced in March – 2 multi-apartment houses and 4 terraced houses. In their turn, 2 new projects were announced in other regions in March – 1 in Liepāja and 1 in Valmiera, and both of them were projects of multi-apartment houses.

According to the data provided by Riga City Construction Board of City Development Department of Riga Council, there were registered 44 deeds of object commissioning in total in February. About half of those were made by renovation and reconstruction works. During this period of time there was registered commissioning of 7 multi-apartment houses containing 256 apartments in total.

**New housing projects commissioned in March in Riga**

<table>
<tr><th>Address</th><th>No. of dwellings</th><th>No. of dwellings offered by project developer</th></tr>
<tr><td>33 k-5 Kaivas Street</td><td>15</td><td rowspan="2">0</td></tr>
<tr><td>33 k-1 Kaivas Street</td><td>56</td></tr>
<tr><td>2 Liedes Street</td><td>24</td><td>0</td></tr>
<tr><td>6 Varkaļu Street</td><td>9</td><td>0</td></tr>
<tr><td>17 Upeņu Street</td><td>56</td><td rowspan="2">1</td></tr>
<tr><td>15 Upeņu Street</td><td>22</td></tr>
<tr><td>6 Krāsotāju Street</td><td>8</td><td>0</td></tr>
<tr><td>23 S.Eizenšteina Street</td><td>20</td><td>3</td></tr>
<tr><td>Totally</td><td>210</td><td>4</td></tr>
</table>

# COMMERCIAL SPACE

## OFFICE SPACE

On the market of offices, in March, still there were demanded small premises – 50 to 70 sqm, as well as those between 100 and 200 sqm in space. Still the crucial criterion in the choice of an office is its location, good access, good flow of public transport and possibility for staff and customers to park their cars. One of the leading criteria in an office choice is the number of available car parking places regarding not only the centre of the city but also residential districts.

The major demand is made by service providers.

In March, several cases of selling of office premises have been observed. Especially the owners of office premises who do not operate there sell their office premises. The owners of the existing office premises who are not users of the respective space sell it since they hold a view that the risks increase, there is no rapid price rise expected any more, and it is more profitable to invest the gained funds into the basic activity. Projects of office buildings, in their turn, are sold since the owners are anxious due to construction risks, high construction costs and probable delay of term of commissioning.

## RETAIL SPACE

Supplied rentals of retail space continue growing, in some cases reaching 80 EUR per sqm in top places in Riga centre thus being the highest fixed rental of an offer ever known. Response of lessees to such rise in prices is highly negatory despite the scarcity of retail space in profitable areas in Riga centre. Having weighed out the offered size of rentals, even large trading companies were not willing to take on lease premises for rentals that high.

In March, the most active fields on the lease market of retail space were outfitters', cafes, jewelers', chemist's shops and solariums.

The owners of retail premises assess and choose their potential tenants most pleasant to them more carefully.

The high rentals and the big demand in retail space determine that the owners of premises do not wish to sell them, or they offer them for sale for high prices.

In the Old Riga, retail space is offered for sale for 9,000 EUR per sqm. Though there is a deficiency of retail space and purchasers would willingly acquire premises in the Old Riga, the clients are not willing to pay that high a sum.

More and more seldom retail space is purchased as investment objects. Most of the clients search for objects that would directly correspond to the speciality of their business.

Still there is a demand in retail space to 50 sqm large in the centre but there is no such supply.

## INDUSTRIAL SPACE

The big demand in industrial space was still sustained.

In March, the most demanded premises were those up to 500 sqm large including an office around 40 sqm, situated on the ground floor and having convenient drive-up for motor vehicles. This demand was mainly expressed by woodworking enterprises, car service stations and trading companies.

Considering that the large industrial parks offer space covering more than 1,000 sqm, there has emerged a remarkably high demand in the existing industrial objects where the clients are offered to lease also smaller space.

There was an increased interest also in new industrial objects commissioning of which was expected in midsummer. The space being of interest in these projects was that of 1,000 to 3,000 sqm.

Still there is a demand in industrial space with a heating system or with facilities to install it. In March, there was also sustained interest in purchase of industrial objects or land plots to construct warehouses or production shops, especially so in the vicinity of the motorway Via Baltica.

Rentals of industrial space in March retained their previous rates.

There are practically no industrial objects on sale. Interest of purchasers in buying such objects is very big.

## COMMERCIAL DEVELOPMENT LAND

In March, relatively big interest was observed in commercial lands covering 2,000 to 3,000 sqm for construction of warehouses.

Supply of land plots increased on the market – there were several objects with planned development and ready for construction. Also several industrial parks were announced where the land was offered with established infrastructure and installed engineering communications. Despite the comparatively high prices within these projects there is a quite big interest in them.