
REAL ESTATE MARKET OVERVIEW – RIGA AND GREATER RIGA AREA

April 2006

In April the average price of a standard type apartment reached 1,080 EUR/m². The main market trend at the moment – purchasers are looking for apartments as cheap as possible.

Total number of the deals concluded with apartments is close to the biggest number of transactions per month during year 2005, i.e., in March there were registered more than 1,600 transactions with the Land Book register and the State Land Service.

There is a new price leader in the market – the new homes project “Edem” in Jurmala, where price of apartments with partial finish has reached 6,666 EUR/m². Another price leader is the new project in the Old Town, Kaleju street, where price of one underground parking lot is fixed at 55,000 EUR/m². This is the price of a three room apartment in a residential district.

Taking into consideration the market demand, developers are constructing detached houses for the prices of apartments in the new homes projects.

Commercial space market is integrating into the new homes market. A number of various service companies are looking for lease premises in the new homes projects or in their vicinity.

In April the most radical changes in the commercial market were witnessed in the retail space market. The asking price of some retail premises in advantageous locations has increased by reaching 70 EUR/m².

Situation in the office market has become critical due to the lack of quality lease space. In the city centre supply of office space is scarce, customers have to lease premises previously unwanted for lengthy periods of time. Due to this reason some foreign companies choose to open their agencies not in Latvia, but elsewhere.

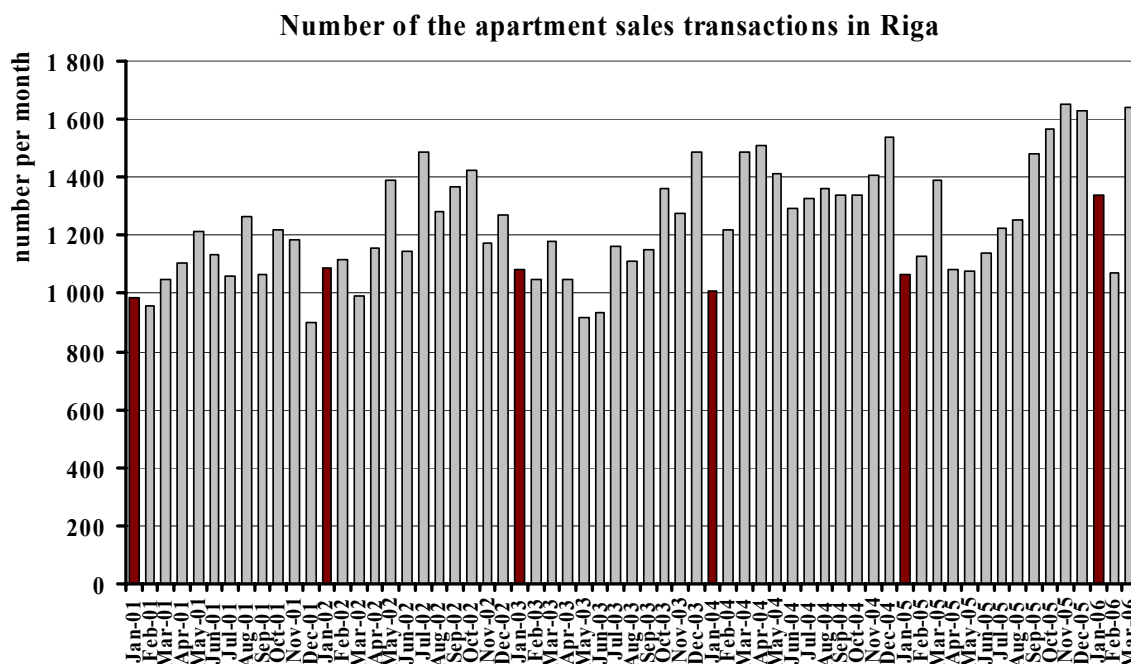
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HOUSING MARKET

STANDARD TYPE APARTMENTS

In April the average price of a standard type apartment in residential districts has slightly increased standing at 1,080 EUR/m².

Supply of apartments is not sufficient, main entrants to the market are those apartments, owners of which are buying another dwelling for themselves. The main market trend – purchasers are looking for properties as cheap as possible, apartments that previously were less in demand – on the ground floor, without a nice view, in worse condition etc.



Source: Landbook register & State Land Service

Number of the deals closed with apartments has returned to the average rate of transactions at the end of the year 2005, i.e., during March more than 1,600 apartment purchases were registered with the Land Book register and State Land Service.

Prices of standard type apartments in residential districts of Riga in April, EUR

District/ series	Purv- ciems	Plavn- ieki	Mezh- ciems	Agens- kalns	Zolitude	Imanta	Ziepniek- kalns	Kenga- rags	Sarkan- daugava	Vecmil- gravis	Bolde- raja	
Series 119	1- room	49000 - 63000	40000 - 56000	-	-	50000 - 59000	-	49000 - 58000	-	-	-	
	2- rooms	65000 - 76000	52000 - 65000	-	-	64000 - 72000	-	61000 - 71000	-	-	-	
	3- rooms	77000 - 80000	58000 - 82000	-	-	75000 - 85000	-	73000 - 86000	-	-	-	
	4- rooms	86000 - 115000	70000 - 92000	-	-	87000 - 100000	-	83000 - 100000	-	-	-	
Series 602	1- room	41000 - 49000	36000 - 46000	35000 - 43000	-	-	41000 - 47000	40000 - 47000	-	34000 - 47000	34000 - 44000	
	2- rooms	55000 - 70000	47000 - 64000	48000 - 58000	-	-	55000 - 64000	55000 - 65000	-	43000 - 60000	45000 - 58000	
	3- rooms	65000 - 80000	58000 - 66000	58000 - 70000	-	-	65000 - 75000	66000 - 77000	-	55000 - 70000	53000 - 69000	
	4- rooms	78000 - 94000	74000 - 90000	73000 - 82000	-	-	78000 - 102000	78000 - 95000	-	-	73000 - 78000	
Series 103	1- room	46000 - 56000	42000 - 47000	-	43000 - 50000	-	-	-	-	40000 - 49000	39000 - 45000	39000 - 44000
	2- rooms	56000 - 73000	55000 - 66000	-	59000 - 68000	-	-	-	-	49000 - 61000	50000 - 60000	51000 - 60000
	3- rooms	67000 - 86000	59000 - 75000	-	68000 - 81000	-	-	-	-	60000 - 70000	57000 - 67000	60000 - 69000
Series 104	1- room	49000 - 64000	48000 - 51000	48000 - 51000	-	53000 - 58000	51000 - 58000	52000 - 56000	-	-	-	-
	2- rooms	59000 - 76000	58000 - 64000	57000 - 60000	-	64000 - 73000	63000 - 73000	67000 - 70000	-	-	-	-
	3- rooms	80000 - 104000	68000 - 82000	65000 - 80000	-	75000 - 90000	74000 - 90000	74000 - 85000	-	-	-	-
„Lithuanian” proj.	1- room	41000 - 48000	-	36000 - 38000	37000 - 42000	-	40000 - 45000	39000 - 44000	31000 - 47000	-	34000 - 39000	35000 - 41000
	2- rooms	53000 - 66000	-	43000 - 53000	51000 - 58000	-	52000 - 63000	51000 - 60000	38000 - 60000	-	42000 - 52000	45000 - 53000
	3- rooms	65000 - 73000	-	55000 - 59000	61000 - 70000	-	63000 - 69000	62000 - 69000	44000 - 72000	-	53000 - 59000	57000 - 64000
„Hruschov” type houses	1- room	39000 - 47000	-	-	38000 - 42000	-	-	39000 - 44000	29000 - 46000	35000 - 40000	34000 - 38000	-
	2- rooms	51000 - 62000	-	-	51000 - 54000	-	-	49000 - 57000	38000 - 59000	43000 - 50000	44000 - 50000	-
	3- rooms	64000 - 70000	-	-	60000 - 66000	-	-	61000 - 67000	51000 - 69000	53000 - 62000	54000 - 58000	-

source: LATIO

NEW HOMES

In April construction of a new homes project „Trijādības nams” (*House of Trinity*) has been commenced in Staraya Rusas street, while the last dwelling in the project „Privātmājas Jaunmārupē” (*Detached houses in Jaunmārupe*) has been sold this month, and apartments in several new homes have been put up for sale as well.

The exclusive housings in Kipsala - „Austrāļa māja” (*Austrāļa House*) and „Laubes māja” (*Laubes House*) of the company „MG Nekustamie īpašumi” are among the most attractive apartments currently on sale. Taking into consideration situation in the new homes market, where building capacities are constantly increasing, there are very few cases when one can speak of the building architecture. The collection of wooden houses on Kipsala, i.e. „Laubes māja” (*Laubes House*), „Gata māja” (*Gata House*) and „Baznīcas māja” (*The House of Church*) (author „Zaigas Gales birojs”), has gained the special prize of Latvian architecture 2005 for successful synthesis of historical and new architecture.

„Austrāļa māja” (*Austrāļa House*) consists of two fully finished two-level apartments, and a separate tended garden for each apartment; both the apartments are offered for sale. The other house – a thoroughly renovated wooden Art Nouveau apartment house constructed by the architect Eizens Laube in 1909, is a historic architectural monument; the apartments have already been sold partly or made reservations for, but a part of them are still available. Prices for fully finished apartments in this project begin with 3,600 EUR/m².

With the season onset, a new price leader has appeared in Jurmala – the project „Edem”, 4 Rembates street, where price for an apartment with partial finish has reached 6,000 EUR/m². This is the first and the only eight-storey building under construction in Jurmala at present; the building is offered as an exclusive housing project, it meets the latest construction technologies.

At the moment the most expensive apartments known are offered in the new housing project in the Old Town, Palasta street 5, where the highest asking price for an apartment with white finish is 6,666 EUR/m². Although no sales agreement for the said price is signed yet. Another price leader in the Old Town is the house on 74/76 Kaleju street, where an underground parking lot costs 55,000 EUR. When compared to other new homes in the Old Town and Jurmala, the average price for an apartment with partial finish in this housing project, i.e., 4,300 EUR/m², is not among the highest. For comparison, the highest known price for a parking place at the moment is standing at 40,000 EUR in the housing project „Rīdzenes rezidence” (*The Rīdzene Residence*), where there are still available apartments.

According to the data of Latio Ltd. experts on several new multifamily apartment houses, the average price per square meter for apartments in residential district Zolitude recently has witnessed an increase, i.e. climbing from ca. 1400 EUR/m² to 1500 EUR/m².

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APARTMENTS IN THE CENTRE OF THE CITY

Prices for apartments in the Old Town and the near centre have been stable for about half a year; there have not been many apartment sale transactions concluded. Lately there has decreased interest of purchasers in buying apartments in prewar buildings in the Old Town.

At the same time interest in apartments in the centrally located new homes is increasing. However, there are not so many completed buildings where the construction quality could be assessed. Prices for apartments in the new housing projects in the Old Town and centre are close to the prices for apartments in prewar buildings in the respective area.

Rental market has been dynamic in the centre, besides, the average rent payment in the so called „quiet centre” is standing at about 12 EUR/m², while in the Old Town it is around 10 - 11 EUR/m². Apartments in the „quiet centre” are more in demand and more expensive mainly due to the opportunity of driving up to the house and parking one’s car on a guarded parking - lot.

DETACHED HOUSING AND RESIDENTIAL DEVELOPMENT LAND

This spring the average cost of newly - built, fully finished detached houses of some 260 square meters with tended adjacent land lot of 1,700 square meters fluctuate between 230,000 EUR and 260,000 EUR. Such houses in Marupe, for example, are bought as soon as they come to the market.

Purchasers are more interested in smaller detached houses, i.e. in houses up to 200 – 250 m², so that the prices and maintenance costs are lower, the location being as close to Riga as possible. Most purchasers prefer unfinished detached houses in order to design the interior decoration by themselves according to their taste. Developers construct small detached houses adjusting themselves to the constantly increasing demand from purchasers, which prefer living in detached houses after having compared two dwellings with similar prices, i.e., an apartment in a new housing project and a detached house.

The midway between a detached house and an apartment is a dwelling in a row house that actually means an apartment on several levels with a household lot. Some purchasers are discontented with the large floor - spaces of these dwellings.

RESIDENTIAL DEVELOPMENT LAND

Residential development land is more and more in demand, especially after the spring season setting in. If compared with the previous month, no noteworthy price changes have been witnessed.

Within the territory of Riga residential development land is purchased as soon as it comes on the market. In Ziepniekkalns land for the construction of one detached house of 1,200 m² was bought for 100 EUR/m². In Jugla land residential development land costs ca 210 EUR/m².

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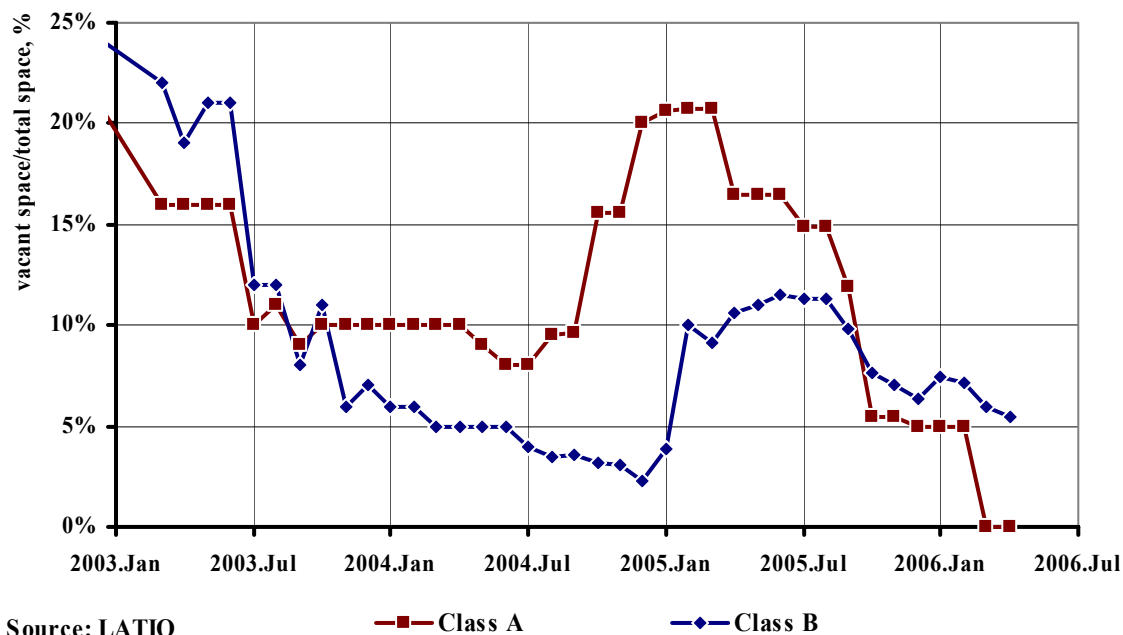
COMMERCIAL SPACE MARKET

All the commercial space rents in this and the future LATIO market overviews are quoted net, i.e., not including utilities, management, CAM, marketing or any other payments.

OFFICE SPACE

Situation in the office market has become critical due to the lack of quality premises. In the city centre supply of office space is scarce, customers have to lease premises previously unwanted for lengthy periods of time. A number of companies have concluded lease agreements for premises in the Old Town where access by car and parking is problematic and expensive. Lease agreements for such premises are concluded for the average term of 1 to 3 years.

Office space vacancy rate

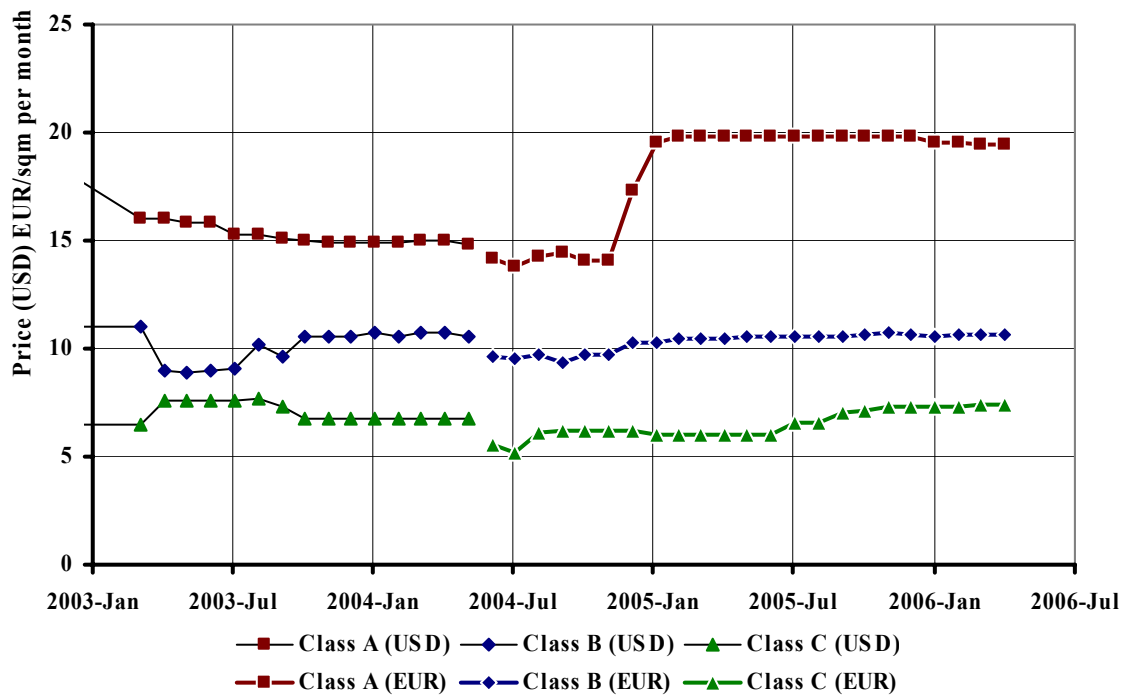


A number of enterprises, for example, “Microsoft Latvia” Ltd., “LG Electronics Inc.,” “Latvija Statoil” Ltd. and others are looking for Class A office space up to 1,000 m². In the near future no improvement of the situation is expected, quality office lease buildings are not likely to come to the market. The potential lessees are offered to lease premises in the new projects where construction works are not even commenced. Moreover, the office centres envisaged to be commissioned in the nearest future are already fully leased out. The initially planned office space planned for lease in the new building of JSC “Latvijas Krājbanka” that currently is under construction will not come on the lease market, but will be used for owner occupancy.

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Consequently some foreign companies have chosen not to open their agencies in Latvia, among the reasons stating shortage of adequate premises. Recently having investigated situation in a number of East European countries, the Baltics including, the Swiss company “Horizon 21” decided to open their agency in Slovakia. Other companies prefer to open agencies either in Tallinn or Vilnius.

Average office space rent



Source: LATIO

Class C – Soviet time administrative buildings

In compliance with the data of the Central Statistical Bureau of Latvia on the first quarter of year 2006, if compared with the respective period of the year before, construction costs have climbed in Latvia by 13%. The greatest increase of construction costs was witnessed in the office building renovation segment – by 20.3%. Lately there have been renovated a number of office buildings owned by the state and local authorities, for example, Riga City Municipality building in Valdemara street as well as the building owned by the publishing house “Santa” in Stabu street and others.

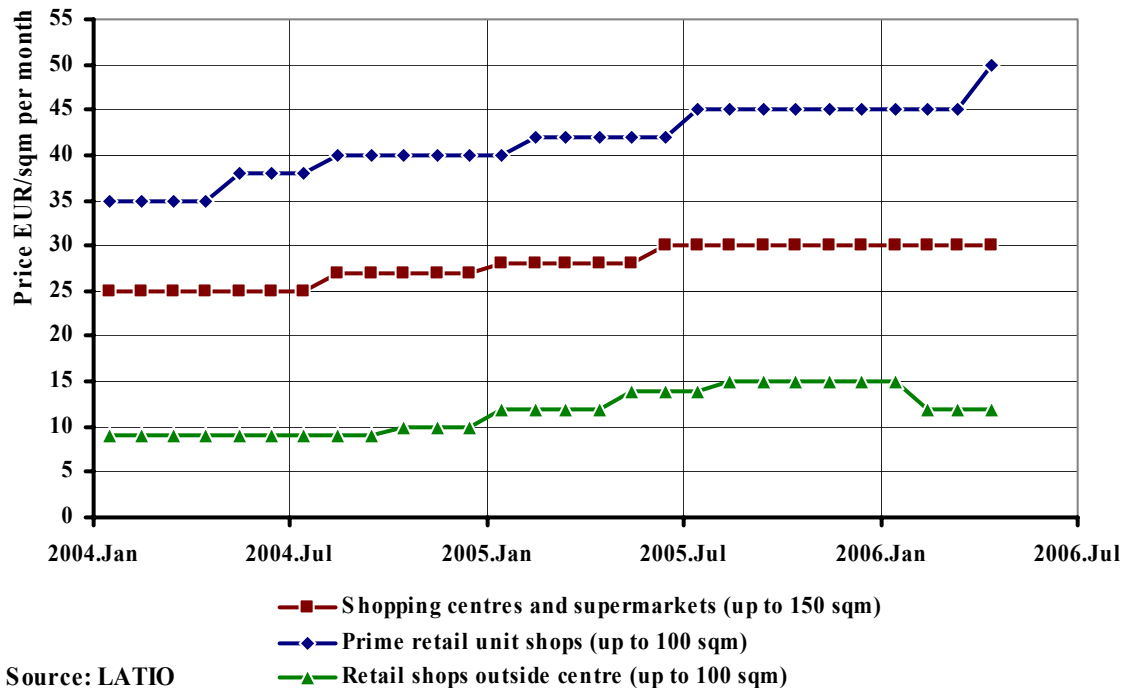
RETAIL SPACE

In April the most radical changes were witnessed in the retail space segment. Along with the entrant to the market - 1273 square meters of retail space located on the crossroads of Kr.Barona and Merkela streets where there is high concentration of intensive passenger flow, the highest lease has climbed by reaching 70 EUR/m² (see “LATIO” overview on the most expensive retail space in Latvia published on www.latio.lv in Latvian or Russian languages), the typical lease for centrally located retail space has climbed from 45 EUR/m² to 50 EUR/m². On the corner of Brivibas and Matisa streets there has come to the market retail

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space of 960 square meters for the price of 35 – 40 EUR/m². It should be noted that the both above stated former “Elkor Trade” buildings have undergone change of ownership.

Typical retail space rents



The biggest demand drivers in April were public catering enterprises, expand beauty saloon chains. Enterprises of the telecommunications company “BITE Group” are actively searching for premises.

The most interesting trend lately has been integration of commercial space into the new homes market segment. A number of service companies – furniture shops, mobile phone sellers, banks, public catering companies, pharmacies, insurance companies, press as well as confectionery and chocolate shops, dry – cleaners and others are looking for lease premises either in the new homes projects or in their vicinity. If previously premises in the new projects were offered only for sales, besides for the price of an apartment, lately there is a trend to offer premises for lease on the ground floors of the new homes. For example, JSC “DnB NORD Banka” has signed a lease agreement to open an affiliate in the project “Panorama Plaza”, a number of enterprises make enquiries about lease of retail space.

INDUSTRIAL SPACE

In April the main demand drivers in the industrial space market were construction companies, various wholesalers, smaller wood processing companies as well as car service companies. Thus the strongest demand is witnessed for warehouses of 200 – 500 square meters together with small offices up to 50 m², but there is very restricted supply. Finding of premises for

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wholesalers is not easy as not everywhere access by trucks is possible. Production premises in order to process food-stuff are searched for by supermarket chains “Globuss” and “Mego”.

Notwithstanding the restricted supply of industrial space, demand for the industrial space currently under construction is low – first of all the premises must be waited for, besides, prices are considerably higher than for the old warehouses, namely, 6 - 8 EUR/m². Besides, owners of the old warehouses have taken into account the demand and are considering provision of heating. Price level for the old warehouses is the same – up to 3.5 EUR/m². There is a growing demand for warehouses located in Pardaugava.