REAL ESTATE MARKET OVERVIEW – RIGA AND GREATER RIGA AREA

February 2006

If compared with January data, the average price of a standard type apartment has climbed by 4%, reaching 1,024 EUR/m^2.

February was marked by stronger activity in the Old Town and the near centre property market. Both – apartments and house properties were purchased, provided their prices correspond with the property market value.

In accordance with the data of the Land Book Register and the State Land Service on the number of apartment purchases, this January was registered the biggest number of deals ever closed in the beginning of a year, i.e., more than 1,300 purchases in one month's time.

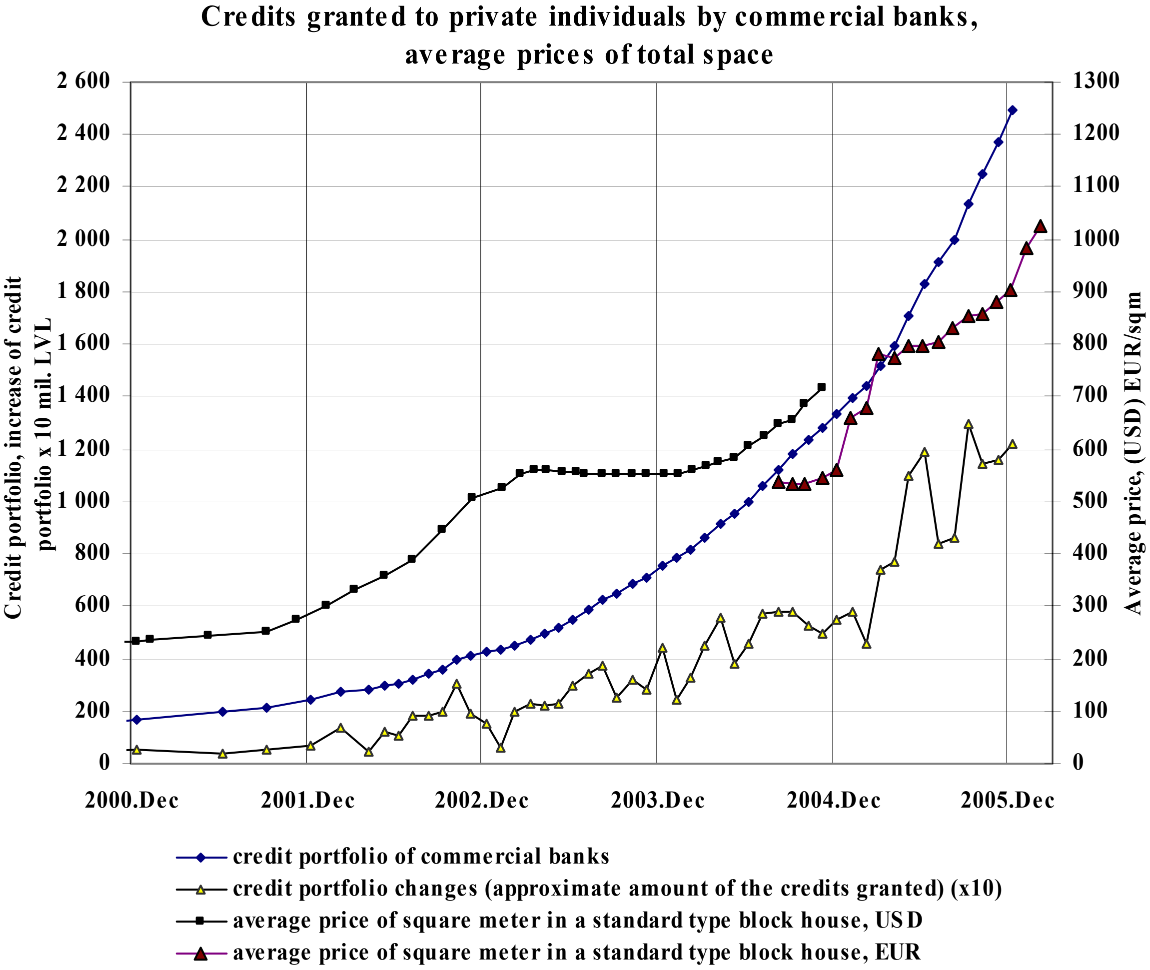
Strong demand was witnessed for rental apartments located in residential districts. Rent of a one room apartment fluctuates between 120 and 160 LVL, utilities payment not included.

If a year or two ago the average price of a simple detached house was around 100,000 EUR, this year it is the price of a fairly big and well renovated apartment in certain series' multifamily houses located in the popular Plavnieki and Purvciems residential districts.

Lately in central Riga competition between two different markets – office market and apartment market – is becoming more pronounced. This competition is characterised by the change of usage concept of a number of buildings that usually takes place after the change of owners.

On February 18th the new development plan of Riga for the years 2006 – 2018 came into force. The development plan offers all the property market players clear outlook on the city development concept, on the new territories to be developed.

HOUSING MARKET



Source: LATIO, the Finance and Capital Market Commission

STANDARD TYPE APARTMENTS

The average apartment price has climbed by 4% during the past month, i.e., by 40 EUR. Thus in February the average price of a standard type apartment in residential districts has reached 1,024 EUR/m^2.

Supply still does not meet demand; the strongest demand invariably is for one and two room apartments. At the moment the biggest interest is witnessed in non-renovated, i.e., cheaper apartments.

Lately strong demand for apartments for rent is witnessed in Riga residential districts. Due to the insufficient supply rents in residential districts tend to climb, the average monthly rent of a one room apartment being about 120 LVL plus utilities. On some occasions rent of a one room apartment is reaching 150 - 160 LVL, utilities not including. Construction companies are among the rental market demand drivers, they are searching for rental apartments to accommodate visiting workers employed in construction works. Some construction companies not only rent, but also buy apartments to accommodate their visiting workers. Other companies, like "Lido" Ltd., consider building of a multifamily apartment house for the needs of their employees as the most convenient solution.

Prices of standard type apartments in residential districts of Riga in February, EUR/m^2

District/ series		Purv-ciems	Ziepniek-kalns	Agens-kalns	Imanta	Zolitude	Plavnieki	Mezciems	Jugla	Kenga-rags	Bolderaja
Series 119	1-room	46000 - 56000	43000 - 54000	-	-	43000 - 54000	43000 - 53000	-	-	-	-
	2-rooms	60000 - 72000	57000 - 67000	-	-	57000 - 69000	54000 - 71000	-	-	-	-
	3-rooms	70000 - 89000	69000 - 84000	-	-	69000 - 83000	62000 - 88000	-	-	-	-
	4-rooms	76000 - 105000	78000 - 91000	-	-	77000 - 91000	71000 - 105000	-	-	-	-
Series 602	1-room	38000 - 46000	36000 - 42000	-	36000 - 43000	-	35000 - 45000	34000 - 43000	-	-	-
	2-rooms	53000 - 64000	52000 - 61000	-	51000 - 59000	-	52000 - 61000	50000 - 58000	-	-	-
	3-rooms	61000 - 72000	61000 - 72000	-	58000 - 72000	-	60000 - 69000	59000 - 70000	-	-	-
	4-rooms	70000 - 87000	72000 - 79000	-	69000 - 91000	-	70000 - 83000	70000 - 82000	-	-	-
Series 103	1-room	43000 - 52000	-	37000 - 45000	-	-	39000 - 47000	-	-	-	33000 - 37000
	2-rooms	55000 - 70000	-	49000 - 61000	-	-	52000 - 66000	-	-	-	45000 - 55000
	3-rooms	66000 - 79000	-	62000 - 74000	-	-	64000 - 78000	-	-	-	53000 - 61000
Series 104	1-room	47000 - 59000	44000 - 51000	-	43000 - 54000	45000 - 53000	47000 - 58000	45000 - 55000	-	-	-
	2-rooms	59000 - 73000	57000 - 66000	-	58000 - 67000	54000 - 66000	55000 - 72000	58000 - 66000	-	-	-
	3-rooms	68000 - 92000	67000 - 77000	-	68000 - 89000	69000 - 83000	63000 - 90000	62000 - 76000	-	-	-
„Lithuanian" proj.	1-room	37000 - 43000	33000 - 39000	33000 - 40000	36000 - 41000	-	-	35000 - 40000	-	32000 - 37000	31000 - 35000
	2-rooms	51000 - 58000	47000 - 52000	48000 - 54000	48000 - 55000	-	-	51000 - 56000	-	41000 - 47000	43000 - 49000
	3-rooms	56000 - 66000	56000 - 61000	55000 - 64000	56000 - 66000	-	-	56000 - 63000	-	48000 - 52000	51000 - 56000
„Hruschov" type houses	1-room	37000 - 86000	34000 - 39000	34000 - 40000	-	-	-	-	35000 - 41000	31000 - 37000	-
	2-rooms	49000 - 59000	45000 - 53000	46000 - 59000	-	-	-	-	46000 - 56000	40000 - 52000	-
	3-rooms	58000 - 70000	56000 - 61000	53000 - 64000	-	-	-	-	57000 - 66000	51000 - 62000	-

source: LATIO

NEW PROJECTS

In February construction of a number new homes has been commenced. "Remarks Nekustamie Ipasumi" Ltd. has started construction works of three housing projects outside Riga – 2nd stage of "Vecozols" in Marupe, "Nurmuiza" in Sigulda and a house in Vilku street, Cesis, although in some sources it is said that construction of these projects was commenced already last year. "Eurohaus" Ltd. has started building of a new home project in Progresa street in Riga, "Alkantra" Ltd. has commenced construction works in Daibes street in Marupe parish.

Price range of the new homes is quite wide. Average prices of apartments in the new housing projects with partial finish in Jurmala and Vecriga are 3,500 EUR/m^2 and 4,500 EUR/m^2 respectively. In Balozi, Ciekurkalns new fully finished apartments cost in average 1,300 EUR/m^2, while in Zolitude 1,400 EUR/m^2. For comparison, the highest apartment price in a fully finished project "Uz Tobago" located in Shampeteris is 1,750 EUR/m^2.

APARTMENTS IN THE CENTRE OF THE CITY

February was marked by stronger activity in the Old Town and the near centre property market. Purchasers were showing keen interest both in the apartments which average price corresponded with the market value, i.e., 3,500 – 4,000 EUR/m^2, and in house properties. Properties were purchased for owner occupancy as well as investment objects.

This month a number of house properties entered the market, some of them inherited, some recently having changed owners. Price range is wide as the buildings offered are very different – renovated, non-renovated, tenant occupied, vacated. Some of the properties are offered in the market notwithstanding the recently concluded long-term rent agreements.

DETACHED HOUSING AND RESIDENTIAL DEVELOPMENT LAND

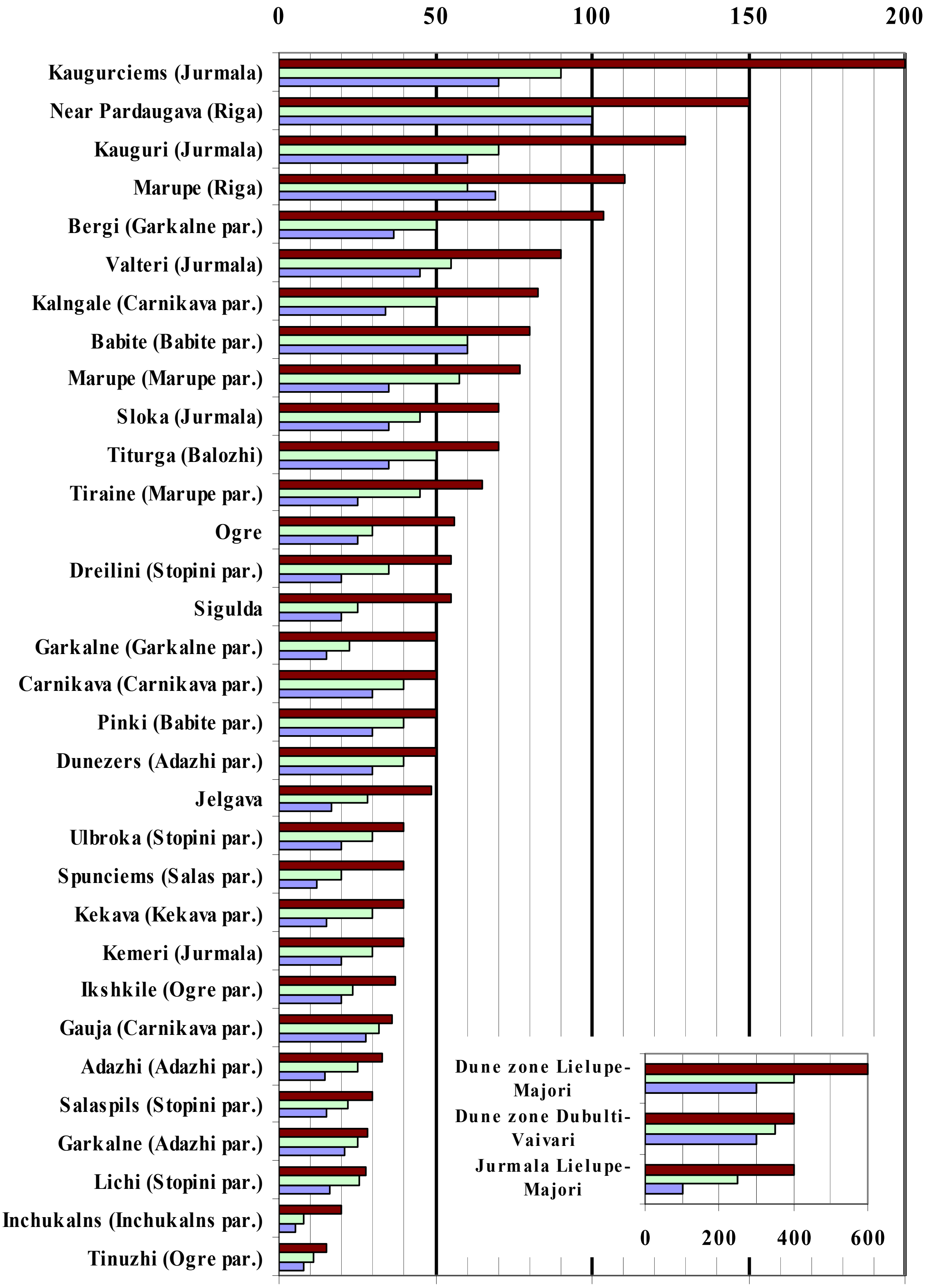
Previously detached housing and residential development land markets were of expressly seasonal character when during autumn and winter periods customer activity was noticeably weaker than during spring and summer. Lately due to the considerable real estate market activity no market segment is of seasonal character any more.

Detached housing market is quite active, along with the growth of construction costs and land prices, detached house prices are climbing, too. If a year or two ago price of a simple detached house was about 100,000 EUR, this year one can buy for the said price a fairly big and nicely renovated apartment in a certain series' multifamily house in the popular Plavnieki and Purvciems residential districts. Lately newly built detached houses with white finish and all the communications cost starting with 200,000 EUR. Price level of some projects in Greater Riga is considerably lower, i.e., 85,000 – 130,000 EUR, but these projects are offered in various stages of incompleteness, having small adjacent land plot, without provision of all the necessary communications and alike.

Greater interest is expected in residential development land and detached houses located in direct vicinity of the South bridge that will be under construction very soon.

Regulations dated February 14 approved by the Cabinet of Ministers on prohibiting transformation of land of national significance will hardly have any influence on detached house and residential development land markets in Riga and Greater Riga area. In these territories transformation of land is more or less finished, there is almost no free land left.

RESIDENTIAL DEVELOPMENT LAND PRICES, EUR/M^2



Source: LATIO minimum the most typical maximum

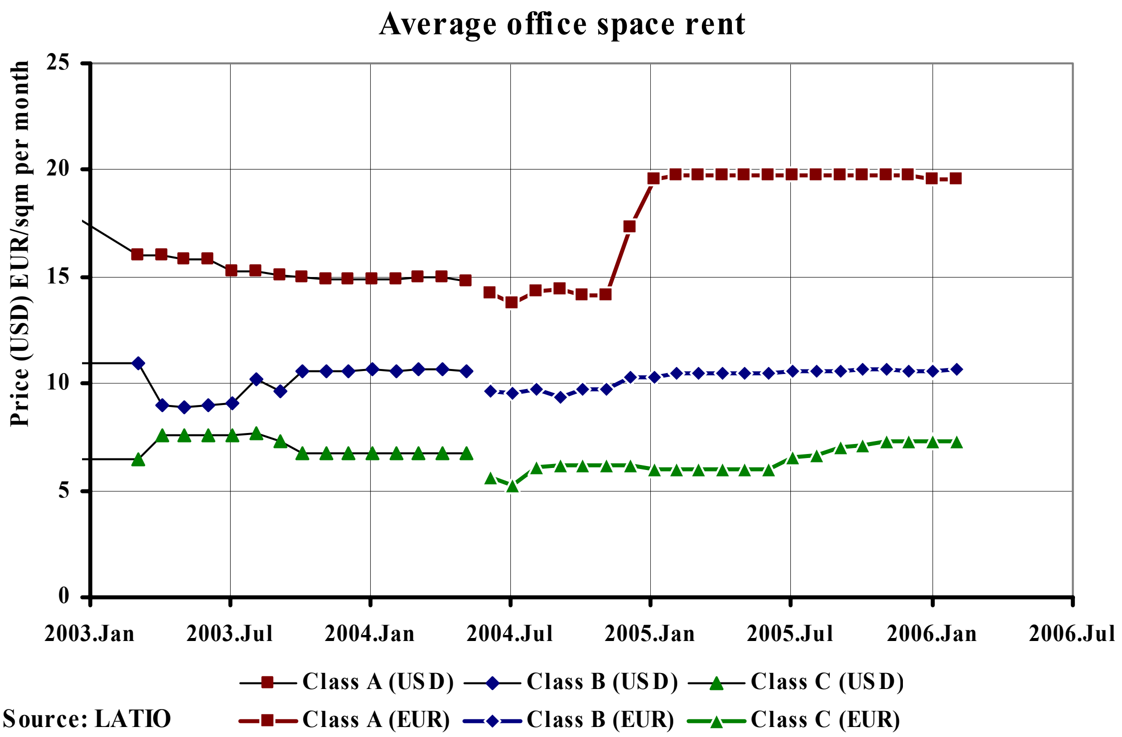
COMMERCIAL SPACE MARKET

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.

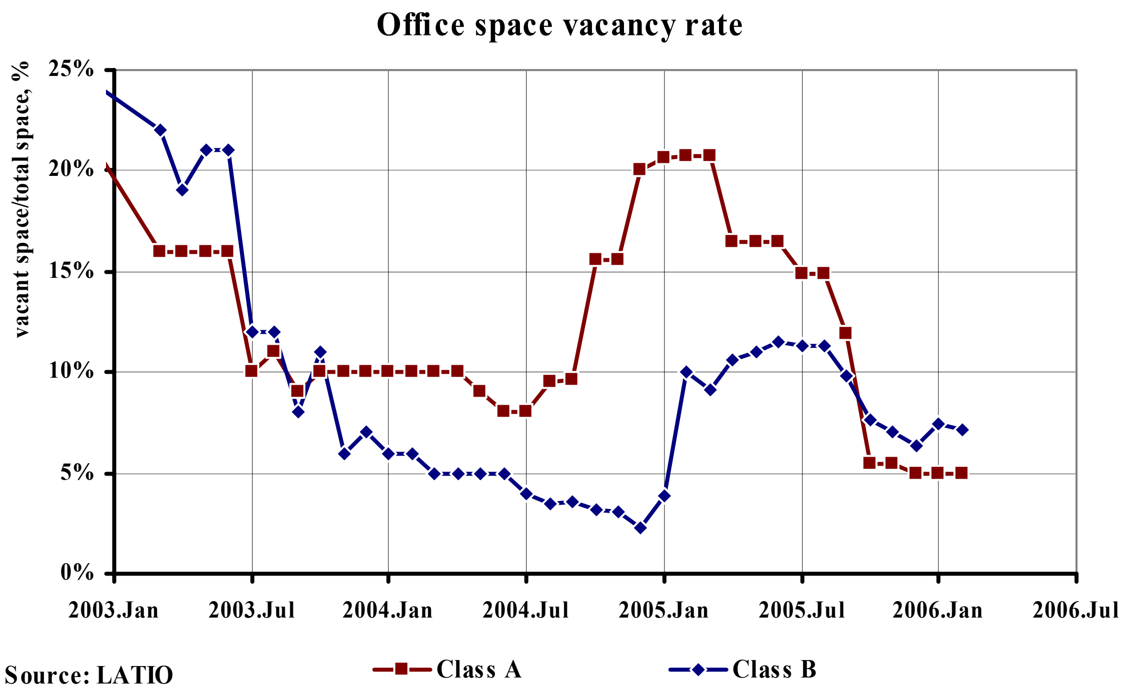
OFFICE SPACE

Lately in central Riga competition between two different markets – office market and apartment market – is becoming more pronounced. This competition is characterised by changing the usage concept of a number of centrally located buildings. For example, office buildings in Dzirnavu and Terbatas streets, Basteja boulevard are transformed into mixed type or residential buildings, or a hotel. A multifamily residential building located in Dzirnavu street initially was turned into an office centre, but along with the change of owners it is being transformed into a residential building again. In a number of other buildings there are offered both - offices for lease and apartments for rent, moreover fitness clubs, tanning studios and alike are opened.

Growing demand to buy quality office space in office centres of about 100 m^2 is witnessed, but there is no supply. At the same time in a number of residential buildings, especially in the new housing projects that are mixed use buildings – Panorama Plaza, the building on 66 Gertrudes street – smaller office premises are offered for sales for the price of apartments, i.e., for about 2,500 EUR/m^2.



Source: LATIO



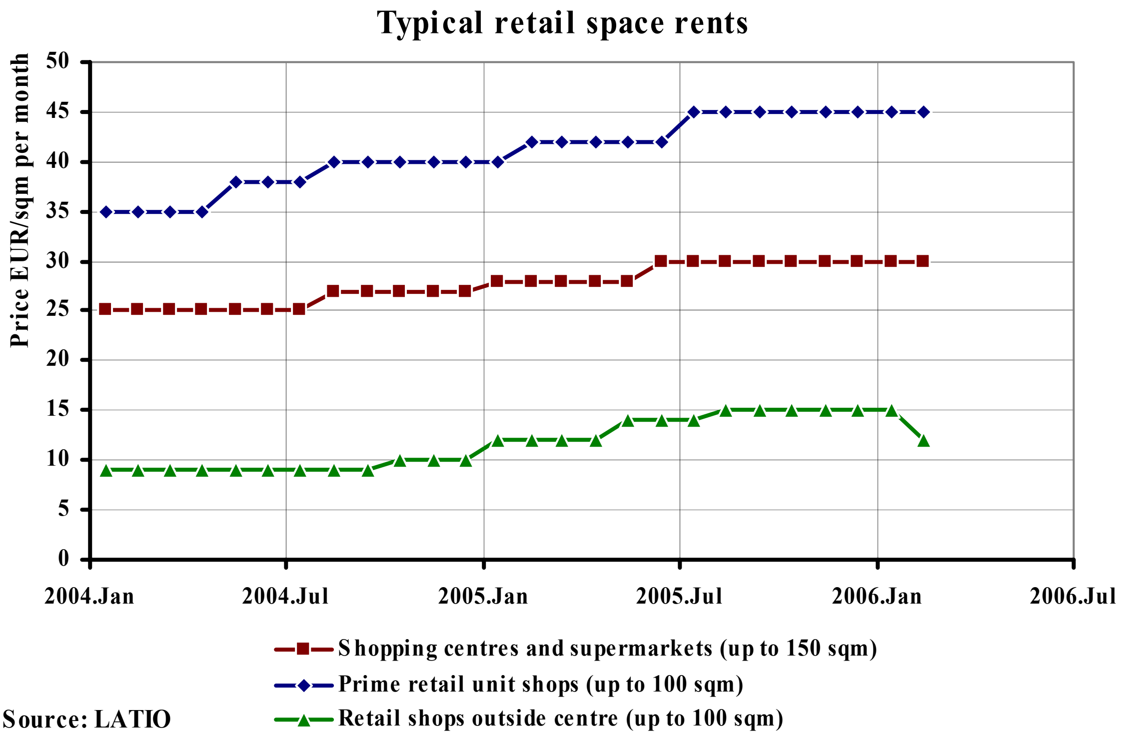
In the so called quiet centre more and more class C offices come into market, part of this supply being adjusted apartments that are leased out as offices. Some of these premises were vacated by the previous tenants looking for better space in office centres having parking lots. Moreover, the said class C offices are offered for class B prices, customer interest in them is low.

RETAIL SPACE

The strongest demand invariably is witnessed in retail space located in prime shopping streets. There is an increasing trend for owners of centrally located retail premises not to prolong lease agreements with their current tenants for the previously concluded prices. On average these premises are rented out for higher prices to new tenants in one week's time.

In February "United Colors of Benetton" closed the company shop on Brivibas street, all the three floors are leased out to an optics shop. By the end of summer construction of the 2nd stage of the department store "Centrs" will be finished, however, all retail space is already leased out.

The main criterion of retail space price is intensity of purchaser flow. Thus lease of retail premises in some of the residential districts exceeds lease of centrally located retail space, but on streets having little pedestrian flow activity. For example, retail space on Anninmuizas boulevard is offered for some 16 EUR/m^2 or 17 EUR/m^2, at the same time space on Brivibas boulevard passing corner with Tallinas street stands at 12 EUR/m^2 only. In February the biggest retail space supply was constituted by premises outside the city centre for about 12 EUR/m^2.



Source: LATIO

More and more retail space in residential districts is offered for sale, price range being quite wide - from 900 to 1,500 EUR/m^2.

The main demand drivers invariably are mobile operators and pharmaceutical chains looking for new premises both in Riga and cities all over Latvia.

INDUSTRIAL SPACE

In February industrial space market activity was somewhat lower, demand for lease premises not high.

One of the main problems in the industrial space market is the too large lease space which the owners do not agree to divide into smaller space upon request of potential customers. Taking this into account the new industrial parks are being built in compliance with contemporary requirements and are flexible.

Pre-construction works in order to develop industrial parks are taking place - land for construction of industrial facilities is purchased within a radius of 20 km from Riga, land is prepared for further development by changing zoning, designing infrastructure, but no considerable construction works are initiated yet.