

REAL ESTATE MARKET OVERVIEW – RIGA AND GREATER RIGA AREA

July 2006

- **In July, the average price for a standard type apartment in Riga increased for less than 1%. It was determined by price increase in comparatively cheap residential districts but the prices in more prestige residential districts retained the previous level.**
- **In July, the average price for a standard type apartment in Riga was 1,225 EUR per sqm.**
- **In June, there was a decrease in number of transactions concluded in the most demanded and prestige residential districts – Purvciems and Plavnieki.**
- **Transaction price of apartments in non-renovated buildings in the Old Town decreased for 15% in the course of the last year.**
- **In July, like in the preceding months, purchasers did not buy apartments in the Old Town, which asking prices were 5,000 to 6,000 EUR per sqm.**
- **In July, there were 11 new housing projects offered on the market of new homes.**
- **Within the time period from this March till July, the average increase rate of apartment prices in new homes was 200 LVL per sqm.**
- **Several local governments in Riga district revise effectual, new territory plans.**
- **Investors in Babite parish are nearly interested in lawful usage possibilities of territories they are interested in.**
- **In July, the complex of offices and warehouses „Baltais vejs” was fully taken up.**
- **The first out of three buildings of the emerging business centre „Barons Kvartals” was commissioned.**

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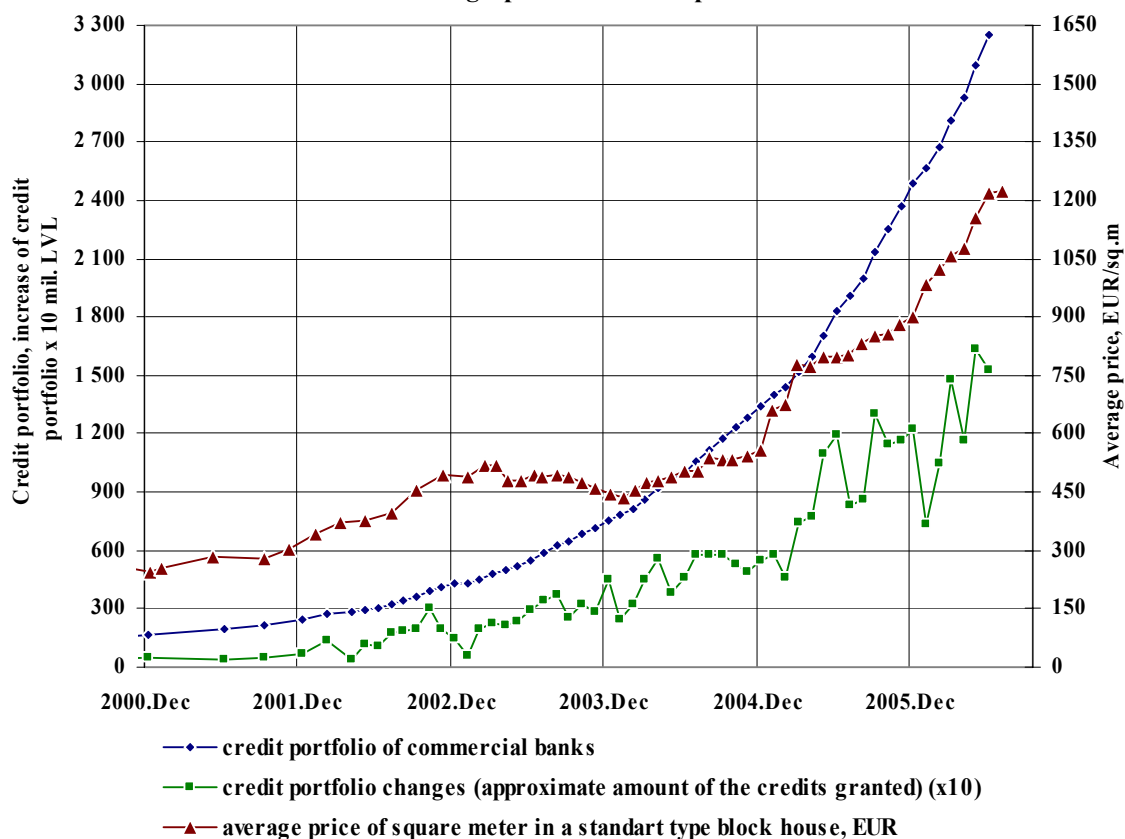
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HOUSING MARKET

GENERAL ECONOMIC SITUATION

On July 14th, the Council of the Bank of Latvia arrived at a decision to increase refinancing rate, that had been 4% to 4,5% until now. This will make resources of lats become more expensive, yet with regard to the fact that majority of loans are granted in euros, there will be no significant effect on the process of crediting caused directly.

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



Source: The Finance and Capital Market Commission, LATIO

Credit portfolio granted by commercial banks of Latvia to private persons keeps growing. According to the latest data published by the Finance and Capital Market Commission (FCMC), this June credit portfolio increased for 150 million LVL, thus going beyond the average monthly increase.. Credit portfolio granted by commercial banks to private persons in June reached nearly 3,300 mln LVL. Last June it was 1,800 mln LVL – thus almost having redoubled within a year.

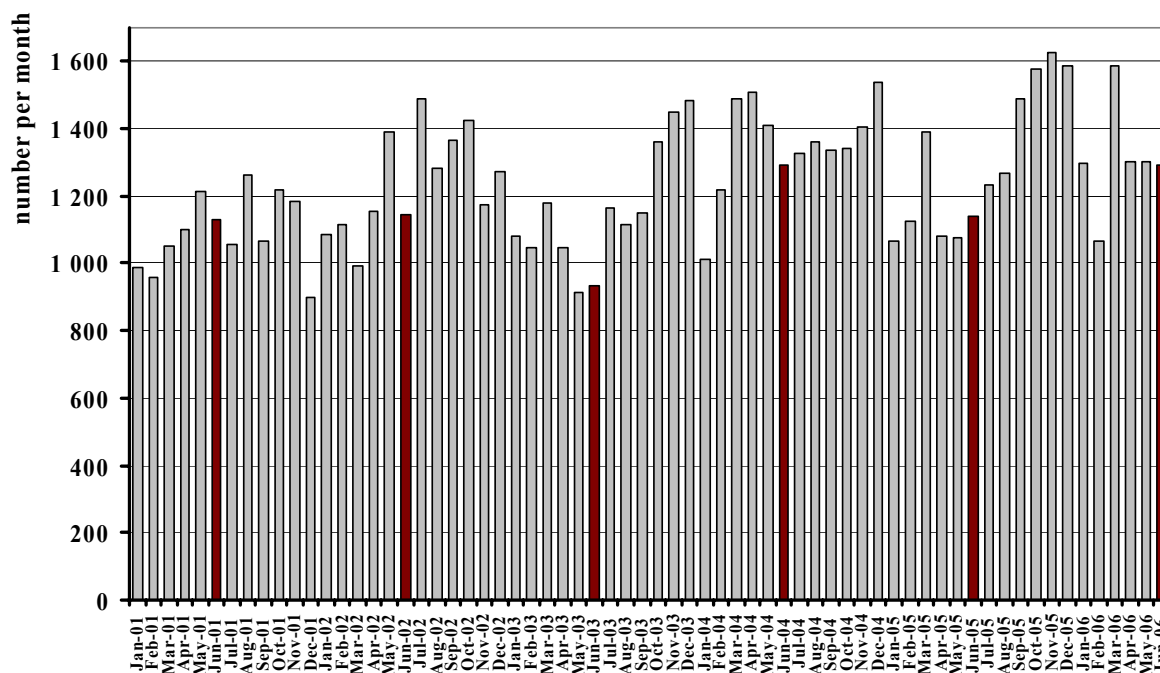
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STANDARD TYPE APARTMENTS

- In July, the average price for a standard type apartment in Riga increased for less than 1%. It was determined by price increase in comparatively cheap residential districts but the prices in more prestige residential districts kept the previous rate.
- In July, the average price for a standard type apartment in Riga was 1,225 EUR per sqm.
- In June, there was a decrease in number of transactions concluded in the most demanded and prestige residential districts – Purvciems and Plavnieki.

The number of transactions with apartments in Riga was similar to that in the last two months – 1,200 - 1,300, thus being the same as the average index of the first half of the current year. The number of transactions per month was, however, remarkably smaller in comparance with the second part of the last year.

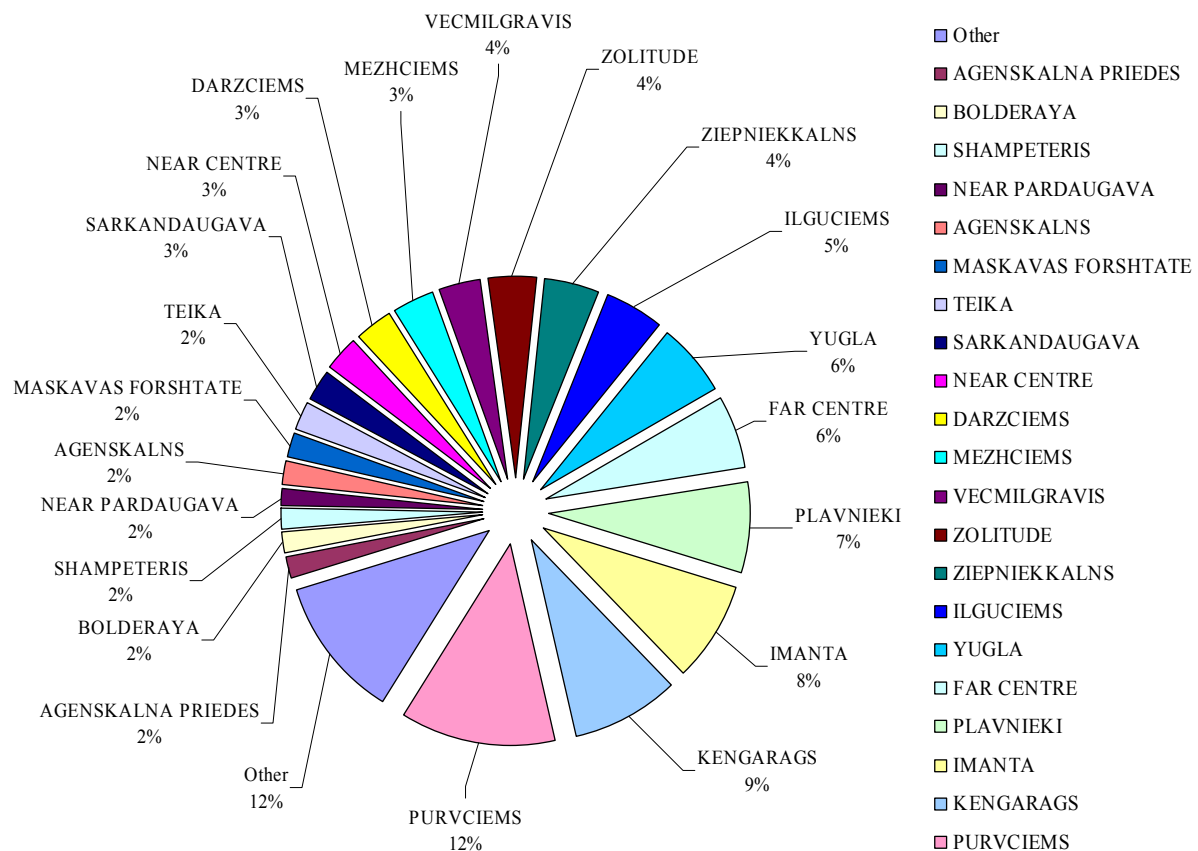
Number of the apartment sales transactions in Riga



Source: Landbook Register & State Land Service

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



Source: Landbook Register , State Address Register

By analysing the number of apartment purchase transactions in June, a typical trend was witnessed that, in comparison to this May, there was a decrease in number of transactions in the most demanded and prestige residential districts. In Purvciems, the number of transactions decreased for 4%, in Plavnieki – for 3%, in Kengarags – for 1% in comparison to this May. In its turn, a tendency of slight increase – for 1% more than this May – was observed in such residential districts like Sarkandaugava, Vecmilgravis, Zolitude, Jugla.

In general, asking prices for apartments still have a tendency to grow. Sellers set their asking prices on the ground of continued upward trends of prices in the preceding months, but purchasers take asking prices for being too high in many cases thus only those offers come to life that are acceptable for both parties. In separate areas like the Old Town, transaction prices have a tendency to decrease without regard to high asking prices.

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

District/ series	Purv- ciems	Plav- nieki	Mezh- ciems	Agens- kalns	Zolitude	Imanta	Jugla	Ziep- niek- kalns	Kenga- rags	Sar- kan- dau- gava	Vec- mil- gravis	Bolde- raja	
Series 119	1- room	53000 - 67000	52000 - 60000	-	-	55000 - 64000	-	-	54000 - 63000	-	-	-	
	2- rooms	67000 - 78000	65000 - 77000	-	-	67000 - 81000	-	-	67000 - 79000	-	-	-	
	3- rooms	78000 - 108000	75000 - 100000	-	-	79000 - 96000	-	-	79000 - 98000	-	-	-	
	4- rooms	91000 - 125000	90000 - 125000	-	-	96000 - 116000	-	-	94000 - 111000	-	-	-	
Series 602	1- room	44000 - 51000	44000 - 49000	44000 - 48000	-	-	44000 - 52000	-	43000 - 50000	-	40000 - 47000	40000 - 44000	
	2- rooms	56000 - 75000	56000 - 72000	56000 - 70000	-	-	59000 - 71000	-	58000 - 70000	-	54000 - 62000	53000 - 64000	
	3- rooms	65000 - 88000	65000 - 83000	65000 - 81000	-	-	68000 - 83000	-	69000 - 84000	-	62000 - 72000	61000 - 77000	
	4- rooms	81000 - 100000	83000 - 95000	83000 - 118000	-	-	80000 - 101000	-	83000 - 100000	-	72000 - 80000	71000 - 78000	
Series 103	1- room	50000 - 57000	46000 - 52000	-	45000 - 55000	-	-	-	-	-	43000 - 49000	43000 - 46000	38000 - 43000
	2- rooms	61000 - 78000	58000 - 73000	-	63000 - 74000	-	-	-	-	-	59000 - 71000	60000 - 72000	54000 - 63000
	3- rooms	73000 - 97000	71000 - 85000	-	77000 - 90000	-	-	-	-	-	76000 - 85000	72000 - 78000	65000 - 70000
Series 104	1- room	52000 - 64000	52000 - 55000	52000 - 55000	-	56000 - 62000	55000 - 61000	-	55000 - 61000	-	-	-	
	2- rooms	63000 - 76000	62000 - 70000	62000 - 70000	-	67000 - 77000	68000 - 77000	-	68000 - 77000	-	-	-	
	3- rooms	81000 - 107000	79000 - 101000	75000 - 90000	-	80000 - 93000	81000 - 94000	-	81000 - 93000	-	-	-	
„Lithuanian” proj.	1- room	42000 - 52000	-	41000 - 47000	40000 - 50000	-	41000 - 47000	-	40000 - 44000	39000 - 50000	-	39000 - 43000	36000 - 40000
	2- rooms	56000 - 67000	-	53000 - 62000	56000 - 65000	-	55000 - 65000	-	52000 - 62000	50000 - 63000	-	52000 - 62000	48000 - 60000
	3- rooms	66000 - 81000	-	63000 - 79000	65000 - 77000	-	65000 - 78000	-	63000 - 71000	61000 - 74000	-	65000 - 73000	58000 - 66000
„Hruschov” type houses	1- room	40000 - 47000	-	-	39000 - 45000	-	-	43000 - 50000	39000 - 44000	39000 - 50000	40000 - 45000	39000 - 43000	-
	2- rooms	55000 - 64000	-	-	55000 - 63000	-	-	58000 - 65000	54000 - 61000	49000 - 63000	54000 - 61000	53000 - 62000	-
	3- rooms	65000 - 80000	-	-	64000 - 75000	-	-	60000 - 71000	62000 - 71000	62000 - 73000	62000 - 70000	62000 - 68000	-

Source: LATIO data

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APARTMENTS IN THE OLD TOWN

In July, like in the preceding months, purchasers did not buy apartments in the Old Town which asking prices were 5,000 to 6,000 EUR per sqm. In the focus of interest of potential purchasers, there were apartments within price range from 3,000 to 5,000 EUR per sqm.

Interest of potential purchasers in apartments in non-renovated buildings of the Old Town decreased. Transaction price of such dwellings decreased for 15% in the course of last year. In the course of last year, interest of foreign citizens in buying a property in the Old Town decreased in general. The segment attractive for Latvian residents and citizens of CIS countries is new housing projects in the Old Town. But also in this segment, the price that purchasers are willing to pay for a dwelling, ranges from 4,000 to 5,000 EUR per sqm without any finish.

One should take it into account that an essential reason for the diminishing interest of foreign purchasers in buying dwellings in the Old Town, is the fact that, for example, Bulgaria becomes more attractive for investments. In Bulgaria, prices of apartments in exclusive, new housing projects by the sea range only from 1,200 to 1,400 EUR per sqm.

NEW HOMES

- **In July, there were offered 11 new housing projects on the market of new homes.**
- **Within the time period from this March till July, the average increase rate of apartment prices in new homes was 200 LVL per sqm.**
- **In the last few months, more and more renovated multi-family buildings came to the market of new homes.**

The largest project having entered the market in July was „Berzavoti” in Titurga, that followed up recently commissioned housing project „Balozu Majas”, and „Berzavoti” was to be considered as the second stage of the project. In total, it was planned to erect 7 three-floored multi-family houses hosting 196 dwellings within this project. Reservation on these dwellings started on July 1st. The apartments are offered to purchasers fully decorated.

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New housing projects on the market in July

Address/Name	Type	Developer	Price LVL per sqm	Finish	Planned No. of dwellings	Planned No. of buildings
Riga						
"Villa Marina", Riga, 12 Zilenu street	A	Private persons	1,757	full	33	1
Riga, 65 Gertrudes street	A	"Modern City" Ltd.		partial	40	1
Riga, 59/61 Miera street	A	"Modern City" Ltd	2,052	partial	52	1
Riga, Lilijas street	A	"LCP.LV" Ltd	1,405	partial	13	1
Riga, S. Eizensteina street	A	"Baltic Business Group" Ltd	1,060	partial	20	1
Riga, 13 Maza Kalna street	A	"NEIS" Ltd	1,522	full	14	1
Riga district						
"Valodzes", Stopinu parish, Ulbroka	DH	"Tokarev Invest" Ltd	350	without	10	5
"Spulgu nami", Marupes par.; 1;3;5 Mazo Spulgu street	A	"Globe Invest" Ltd	915	partial	121	3
Saulkrasti						
1b Vasarnicu street	TH	"RoadSteel" Ltd	1,300	partial	5	1
Sigulda						
"Gleznotaju nami", Sigulda, 7 Miera street	TH	"Sentioline" Ltd	770	partial	7	1
Titurga						
"Berzavoti", Titurga	A	"Verus Nami" Ltd	843	full	196	7

Source: LATIO data

A – apartments; DH – detached houses; TH – terrace houses

Another largest new housing project by its scale is „Spulgu nami”, in Marupe. Within this project, it was planned to erect 3 four-floored dwelling houses; and there were 121 apartments envisaged for project in total. The project is developed by „Globe Invest” Ltd., and this project will compete with „Vecozolu ekas” being under construction already and developed by „Remarks Nekustamie ipasumi”. „Spulgu nami” are offered with partial finish and cost starting with 915 LVL per sqm.

In July, a developer „Modern City” Ltd. started to offer two new projects on the market of new homes, i.e., in 65 Grecinieku street and 59/61 Miera street. Both of the projects stand out by their modern architecture, and their planned volume is 92 apartments in total. In the last few month, dwellings in renovated multi-family houses were more and more offered on the market of new homes, i.e. in 5 Ludzas street, 9 Rupniecubas street, 13 Maza Kalna street, 139 Brivibas street, and others.

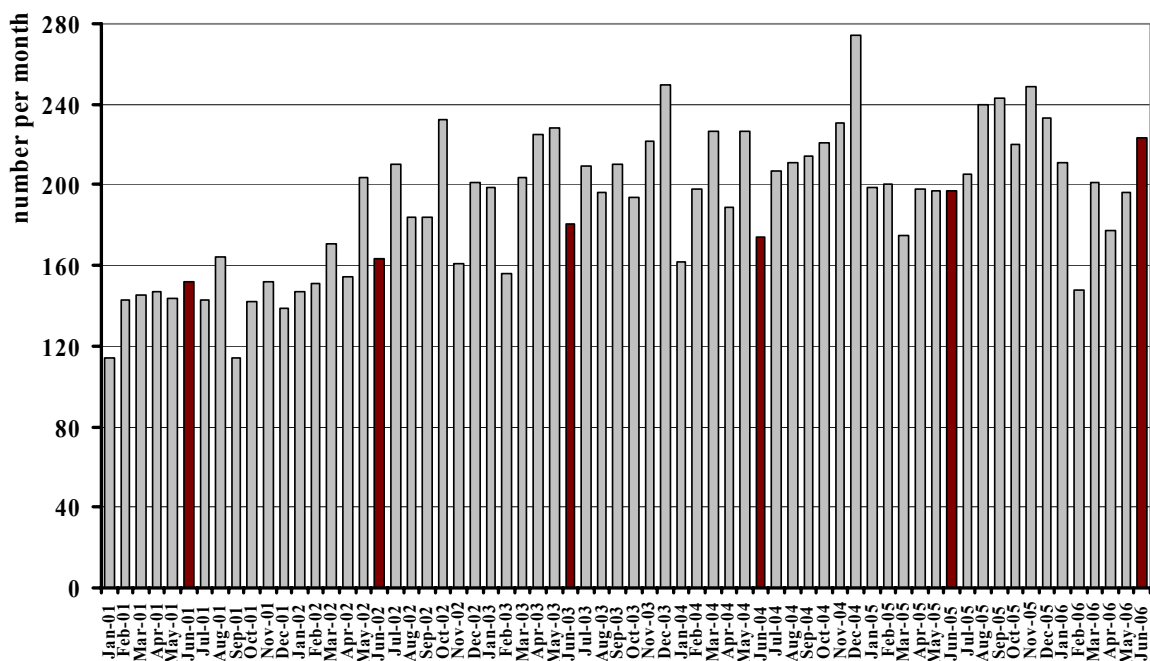
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DETACHED HOUSES

- **The number of transactions with detached houses in Riga and Riga district grew in the last few months.**

The number of transactions with detached houses in Riga and Riga district retained an upward trend for several months that was partly related to the season, following the decline in the beginning of this year. The number of transactions with detached houses in Jurmala registered by the Landbook this June was greater than in the previous months. However, it does not remark a new trend since purchase transaction and its registration takes several months, and the Landbook fixes the date that the property has been registered on. Thus, to a great extent, this index can be determined also by the capacity of a Landbook Department at the respective moment.

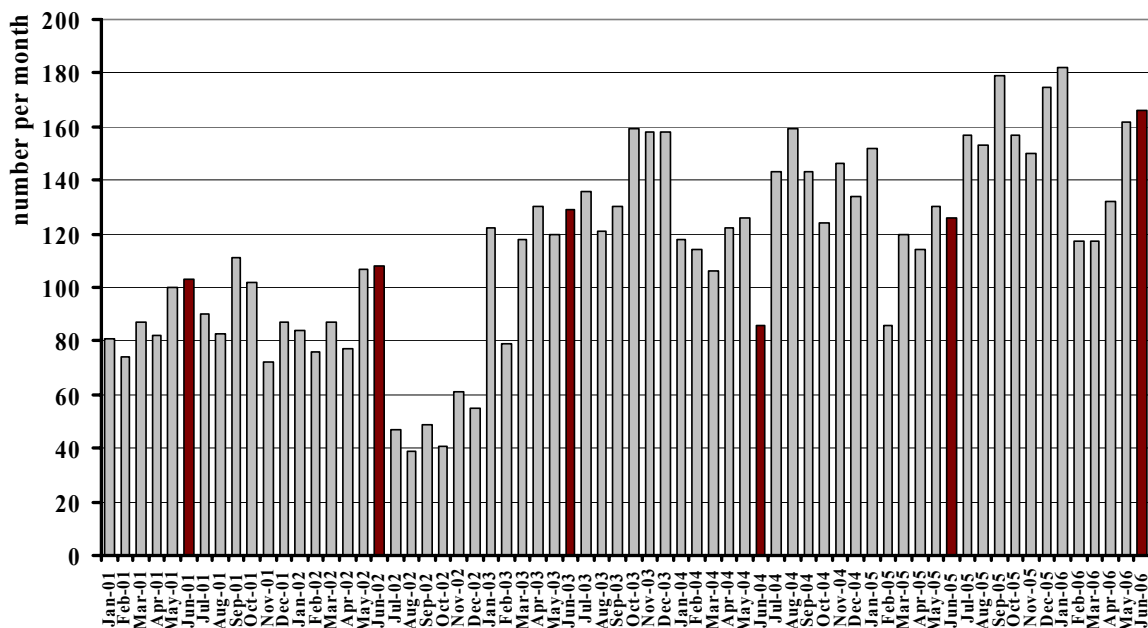
Number of the detached housing sales transactions in Riga



Source: Landbook Register

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Number of the detached housing sales transactions in Riga region



Source: Landbook Register

* data reflect information excluding Riga city and Jurmala town

RESIDENTIAL DEVELOPMENT LAND

- **Several local governments in Riga district revise effectual, new territory plans.**
- **Investors in Babite parish are nearly interested in lawful usage possibilities of territories they are interested in.**

According to information by Territory Planning Department of „Latio” daughter company „Metrum”, there is being witnessed a trend for several local governments in Riga district to revise effectual, quite new territory plannings, because changes in the planned (allowed) territory development have been proposed. This situation is being observed in Stopinu, Garkalnes, Olaines and Ropazu parishes.

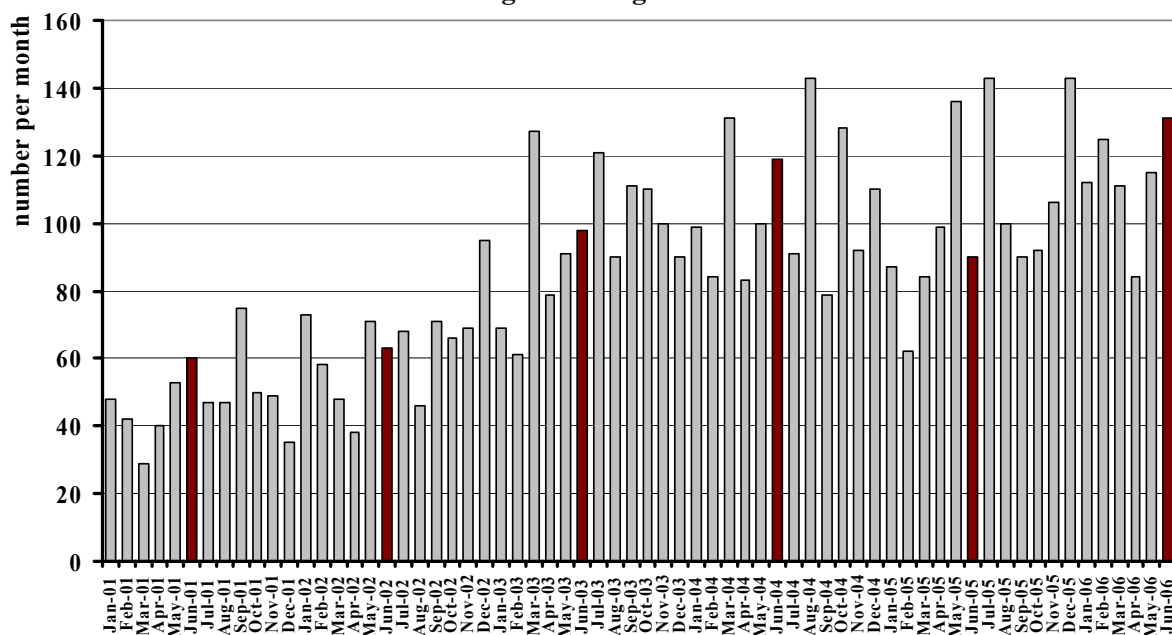
This can be largely explained by insufficient quality of the previous planning elaboration process. Elaboration of Kekava planning partly stopped due to the mentioned reason.

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In Babite parish, great landowners (investors) express an interest in gaining official, reliable information about lawful usage possibilities of the territories they are interested in. „Metrum” provide such a service not only regarding the territory of Babite parish, but also all other areas in Latvia.

In July, Mr. Maris Kucinskis, the Minister of Regional Development and Local Government received a letter from „Sabiedriba par atklatību – Delna” (Association on Publicity – Palm) asking him to give negative conclusion on amendments of Jurmala territory planning supported by Jurmala Town Council. „Delna” (Palm) considered that Jurmala Town Council had ignored the planning principles stated by the Law on Territory Planning by adopting the amendments of Jurmala territory planning during the extracurricular meeting held on June 29th.

**Amount of parcelled and sold residential development land lots
in Riga and Riga district**



Source: Landbook Register

A situation similar to that with detached houses in Riga district, was observed also with land and its division – there had been an upward trend of the volume during the last 3 - 4 months.

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COMMERCIAL SPACE MARKET

OFFICE SPACE

- **In July, a complex of offices and warehouses „Baltais vejs” was fully taken up.**
- **The first out of three buildings of the emerging business centre „Barons Kvartals” was commissioned.**
- **In July, like in the preceding months, rent was put up in new office projects in course of their construction.**

In July, there was taken up an office lease space that could not be leased out so far in the new office and warehouse complex „Baltais vejs” in 119 K.Ulmana gatve. The new lessees – JSC „Alta Real Estate Partners” and an affiliation of „Janssen-Cilag Polska Sp. z.o.o.” Ltd. in Latvia – will start occupying of their new office premises this autumn (September/October). Thus the project „Baltais vejs” developed by „Reteks Buve” Ltd. and implemented by the contractor „Re&Re” is accomplished.

Office premises and warehouses in „Baltais vejs” were offered to potential lessees since last August; the rent retained ranging from 15 to 18 EUR per sqm by the very accomplishment of the project. All in all, there are 18 lessees in the new complex of offices and warehouses, there is also „PHILIPS LATVIA” Ltd. among them.

In July, the first out of three buildings of the business centre „Barons Kvartals” was commissioned. „Barons Kvartals” is a complex of offices with the total office and retail space more than 50,000 sqm, and it is situated in Riga centre. Office and retail premises of diverse space are offered to potential lessees in five and six-floor buildings of the new office complex with a possibility of settling offices and stores in several layers.

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„Barons Kvartals” makes a part of Riga centre – a block bordering with Brivibas, Cesu and Strencu streets. One can enter and drive up to the complex on the corner of Brivibas and Cesu streets, as well as on the corner of Cesu and Elku streets. The largest lessee is JSC „Preses nams” in this complex. The least available office space was 40 sqm, the rent – starting from 10 EUR per sqm.

In July, like in the previous months, there was marked a trend of putting up rent in the new office projects in course of their construction. In 171 Brivibas street, it was raised from 15 EUR per sqm and 16.5 EUR per sqm to 20 EUR per sqm, and, in its turn, from 10 EUR per sqm to 12 EUR per sqm in the project „Barons Kvartals”.

RETAIL SPACE

- **Space on the crossroads of Merkela and Kr.Barona streets is at the highest rent in Riga.**
- **In July, a manager of trade centres „Linstow Center Management” signed an optional contract with „Saliena Real” giving the rights to purchase 50 ha of Babite parish land with a view to develop the largest trade park in Baltic States.**

The most remarkable changes in the segment of retail space took place this April when 1,273 sqm of retail space entered the market at an area with long stream of pedestrians – on the crossroads of Merkela and Kr.Barona streets. Therefore rent in the retail space segment increased reaching the highest point at 70 EUR per sqm then, and the typical rent of retail space in the centre raised from 45 EUR per sqm to 50 EUR per sqm. On the corner of Brivibas and Matisa streets, retail space of 960 sqm for 35 to 40 EUR per sqm entered the market. We have to noted, that the premises mentioned above and owned by Elkor Trade Ltd. before, have changed their owners.

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It took only 4 months for lessees to fully take up the premises on the corner of Merkela un Kr.Barona streets. The last lease agreement was signed in July, when a lessee representing a furniture trade branch, had to pay 65 EUR per sqm for 560 sqm of space on the ground floor. Thus we can conclude that space on the crossroads of Merkela and Kr.Barona streets are of the highest rent in Riga because, like it was mentioned in „Latio” market overview of June, 100 sqm retail space was leased out to a provider of mobile communication services for 75 EUR per sqm.

In July, a manager of trade centres „Linstow Center Management” signed an option contract with „Saliena Real” giving the rights to purchase 50 ha of Babite parish land with a view to develop the largest trade park in Baltic States there. More than 100 million euros are intended to be invested into the project.

The optional contract gives LCM an opportunity to make a decision on land purchase within a year from the moment of the contract conclusion, and to commence the project developing. The project will be developed in several stages, and the total retail space will reach 150,000 – 200,000 sqm. The main advantage of the trade park will be its location next to the major city highway between Riga and Jurmala – the distance being just 10 km from Riga and 2 km to Jurmala.

The project of „Linstow Center Management” is expected to be a model of modern trade parks on the European scale with a nice, friendly-to-customers design and logistics. Unlike existing trade parks in Western Europe, this is going to stand out by its detail territory planning from the very beginning of its development, because it is created as a trade park from the very beginning with premises envisaged just for this purpose, with well-considered traffic and customers’ flow regulation and solutions of logistics.

„Linstow Center Management” is a property manager and developer of five trade centres – „Alfa”, „Mols”, „Galerija centrs”, „Origo”, „Dole” – and supermarket „Minska” in Latvia, as well as the largest trade centre „Ülemiste” in Estonia..

It should be noted that this will be the opening project of such a large scale in Latvia, and it will essentially change situation in the retail space segment.

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INDUSTRIAL SPACE

- **In July, the greatest interest witnessed in industrial objects was expressed by woodworking enterprises, car services and small manufacturing enterprises.**
- **In July, several small food processing enterprises arrived at a decision to close business of their undertaking – premises used by these enterprises came onto the market.**

In July, activity on industrial space market was less than in the preceding months – it was related to period of vacations.

Enterprises mainly searched for warehouse and production space for rent. Interest in objects in the vicinity of Riga still remained since prices in Riga district were lower than those in Riga or new projects.

The greatest interest in industrial objects was expressed by woodworking enterprises, car services and small manufacturing enterprises of various spheres of activity. Thus the most demanded spaces of premises were up to 1,000 sqm with an office ca. 50 sqm large, that would be situated on the ground floor, with a convenient driving up for trucks.

In July, several small food processing enterprises arrived at a decision to close business of their undertaking thus the premises used by these enterprises became available and offered for rent or for sale. Rent remained at the previous rates.

In July, there was some demand for emerging industrial objects that would be commissioned only at the end of this year or later. Prices of newly erected projects are much higher than those of old warehouses and manufactures. The most highly demanded industrial space continue to be heated one or that with opportunity of installing a heating plant.