
REAL ESTATE MARKET OVERVIEW – RIGA AND GREATER RIGA AREA

May 2006

- **The average price of a standard type apartment in Riga reached 1 157 EUR/sqm.**
- **Prices of standard type apartments in Kauguri keep rising rapidly.**
- **In May 13 new housing projects have come on the market of new homes.**
- **Due to detected infringements, Babite parish binding regulations „On amendments to Babite parish development plan for years 1997 – 2007” were intercepted.**
- **The approved territory planning of Ogre region in May introduced corrections of land market in this area.**
- **Number of the deals closed with detached houses in Jurmala decreased but exclusive objects millions of euros worth awakened an increasing interest in them.**
- **In May tourist agencies frantically hunt for premises for clients service centres, offices in the Old Town and the city centre.**
- **„Unimarine Business Centre” in 17 Dunties street was commissioned.**
- **Retail space lease prices increased for 40% in the area of Reval Hotel Latvija.**

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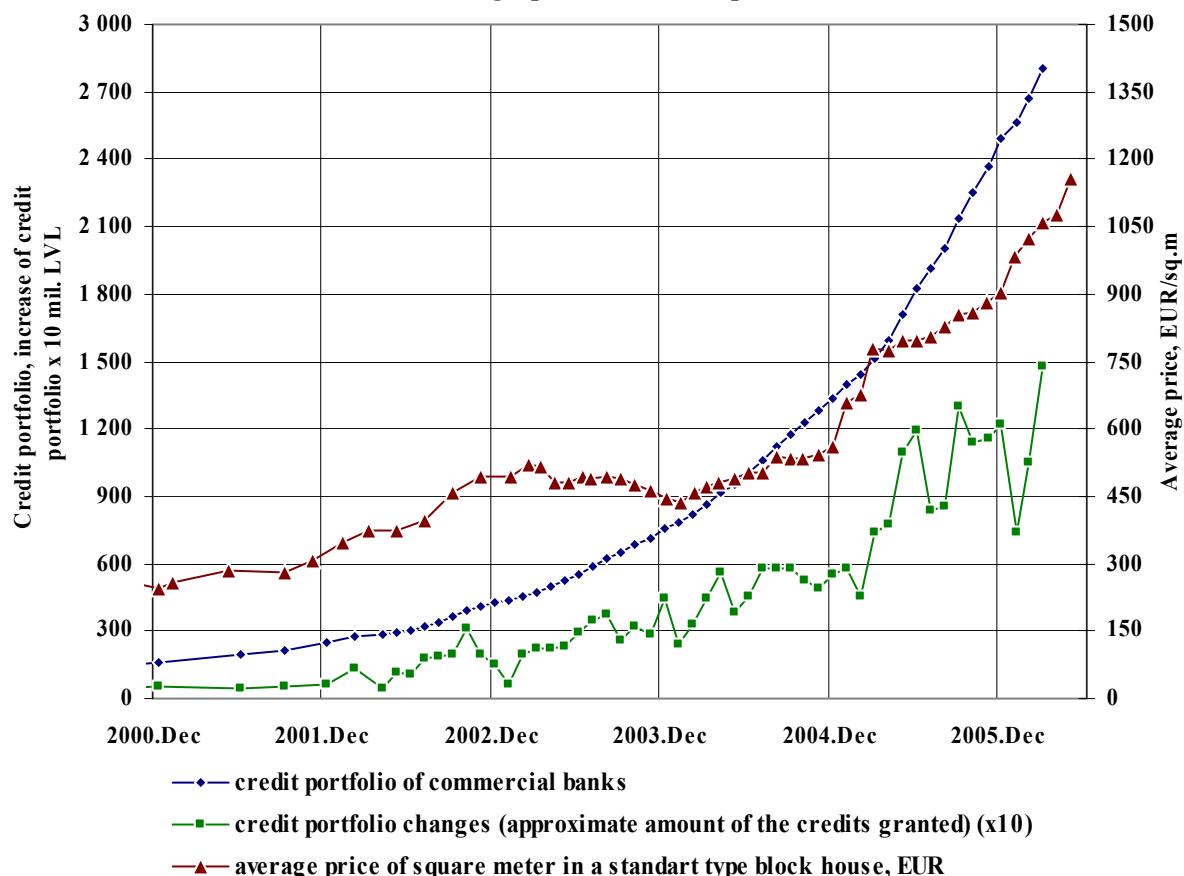
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HOUSING MARKET

GENERAL ECONOMIC SITUATION

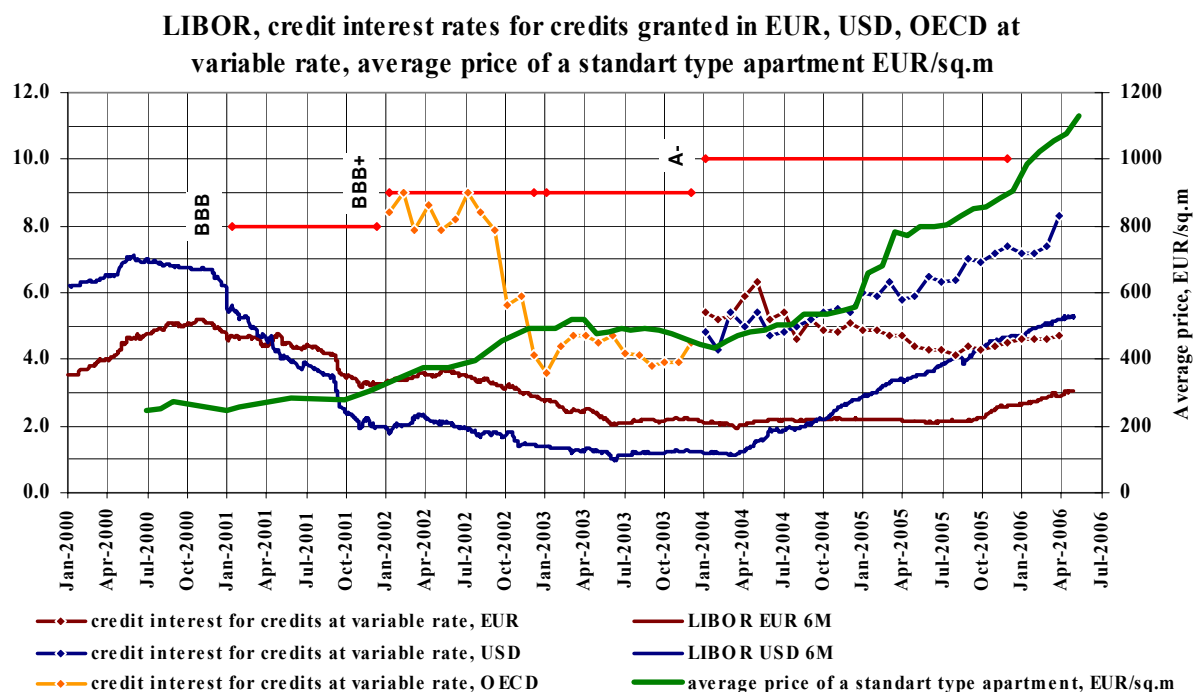
**Credits granted to private individuals by commercial banks,
average prices of total space**



Source: The Finance and Capital Market Commission, LATIO

Amount of loans granted by commercial banks of Latvia keep increasing with previous rates – there are ca.100 millions lats per month granted for loans. The total volume of loans granted to private individuals reached ca.2,800 millions lats. Among these, loans for dwelling purchase prevail accounting for ca.70 %.

Volume of mortgage loans to gross domestic product ratio has reached 25%; at this index Latvia keeps pace with other European countries.

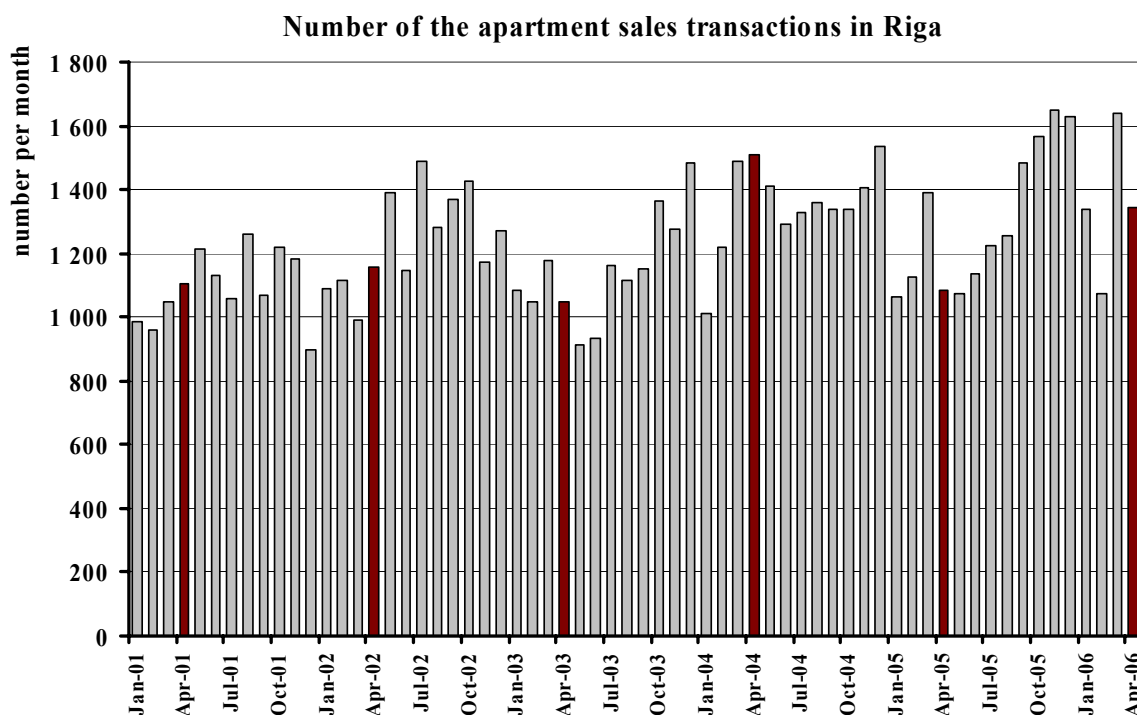


Source: *British Bankers' Association*, Central Statistical Bureau of Latvia

Price of money keeps growing on global financial markets – the trend that began in the middle of the last year goes on. This year 6 months index of LIBOR climbed up from 2.5% to 3% thus having an impact on prices of credit resources in Latvia. Interest rates of granted EUR loans have increased from ca.4% to 5% during a year's time.

STANDARD TYPE APARTMENTS

- The average price of standard type apartments in Riga reached 1 157 EUR/sqm.
- Prices of standard type apartments in Kauguri keep rising rapidly.

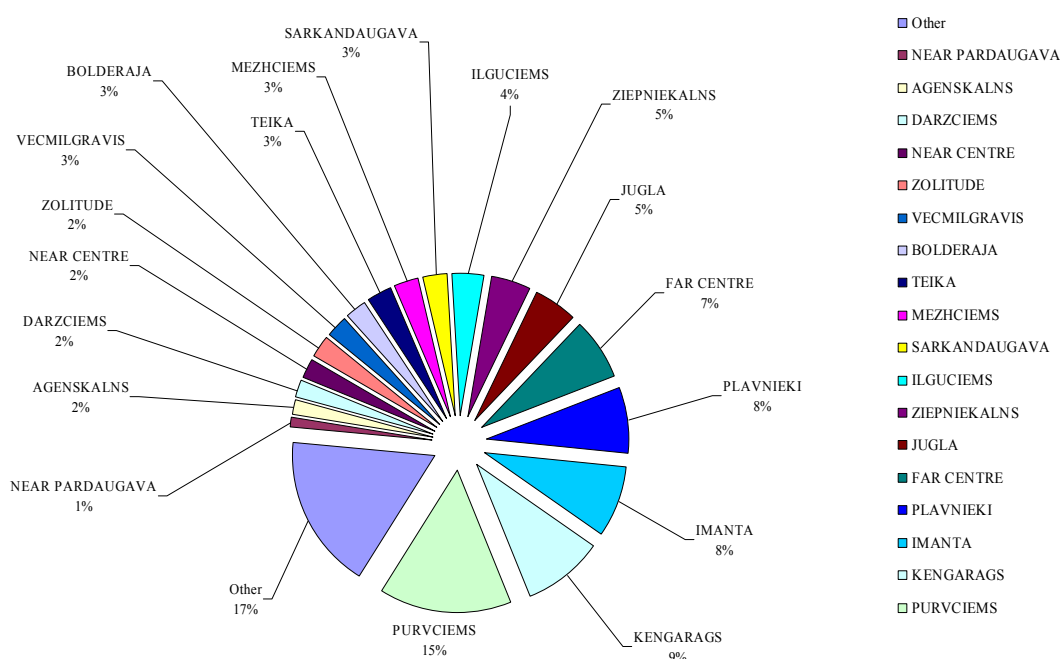


Source: Landbook Register & State Land Service

In April number of transactions with apartments in Riga decreased in comparison to March. This, however, corresponds to the average rates in that period of the last year, i.e. approximately 1 300 transactions per month. In comparison to last April the amount increased for 20%.

Analysis of amount of apartment sales transactions in April marked out a typical trend that most apartments, i.e. 15% out of the total amount, were purchased in Purvciems. The least number of apartment sales transactions took place in the Near Pardaugava and districts defined as „other”.

Apartment sales transactions ratio among residential districts



Source: Landbook Register & State Address Register

In compliance with the data of Latio Ltd. Kauguru department, a constantly rapid growth of prices for standard type apartments in Kauguri is witnessed in May. Residents of Riga account for the dominant specific weight of the purchasers. Prices of standard type apartments have duplicated during a year's time. After selling their dwellings local residents of Kauguri usually purchase dwellings that are cheaper and smaller in space in lower rating standard type houses.

In Kauguri housing, the houses of series 103 and Hruschov type houses prevail. For all that demand for dwellings remained high for a long time, offer is not wide-ranging.

Prices of standard type apartments in Kauguri (May 2005, EUR)

Series	1 room	2 rooms	3 rooms
Series 103	20 000 – 21 000	23 000 – 24 000	28 000 – 30 000
"Hruschov" type	18 000 – 19 000	21 000 – 23 000	–

Source: LATIO Kauguri department

Prices of standard type apartments in Kauguri (May 2006, EUR)

Series	1 room	2 rooms	3 rooms
Series 103	36 000 – 40 000	48 000 – 60 000	78 000 – 80 000
"Hruschov" type	32 000 – 37 000	32 000 – 37 000	–

Source: LATIO Kauguri department

Typical prices of standard type apartments in Riga residential districts and suburbs in May, EUR

District/ series	Purvciems	Plavnieki	Mežciems	Agenskalns	Zolitūde	Imanta	Jugla	Ziepniekalns	Kengarags	Sarkanādaugava	Vecmīlgravis	Boldeņa	Kauguri	Jelgava
Series 119	1-room	56000	52000	-	-	55000	-	-	54000	-	-	-	-	-
	2-rooms	66000	63000	-	-	68000	-	-	67000	-	-	-	-	-
	3-rooms	79000	72000	-	-	79000	-	-	80000	-	-	-	-	-
	4-rooms	90000	84000	-	-	91000	-	-	92000	-	-	-	-	-
Series 602	1-room	46000	44000	42000	-	-	45000	-	45000	-	42000	40000	-	35000 29000
	2-rooms	62000	61000	55000	-	-	59000	-	58000	-	51000	52000	-	43000 44000
	3-rooms	69000	64000	65000	-	-	69000	-	69000	-	60000	60000	-	60000 48000
	4-rooms	82000	85000	100000	-	-	83000	-	83000	-	-	70000	-	70000 57000
Series 103	1-room	49000	47000	-	44000	-	-	-	-	-	45000	41000	39000	35000 29000
	2-rooms	64000	62000	-	60000	-	-	-	-	-	55000	53000	52000	45000 44000
	3-rooms	74000	71000	-	71000	-	-	-	-	-	64000	59000	63000	65000 60000
Series 104	1-room	56000	54000	48000	-	53000	53000	-	54000	-	-	-	-	- 36000
	2-rooms	67000	67000	56000	-	66000	66000	-	67000	-	-	-	-	- 45000
	3-rooms	84000	79000	62000	-	81000	81000	-	82000	-	-	-	-	- 54000
„Lithuanian” proj.	1-room	44000	-	39000	38000	-	42000	-	41000	41000	-	38000	36000	- 31000
	2-rooms	61000	-	58000	50000	-	58000	-	53000	51000	-	48000	47000	- 43000
	3-rooms	69000	-	55000	62000	-	67000	-	65000	60000	-	58000	60000	- 53000
„Hrusčov” type houses	1-room	43000	-	-	40000	-	-	41000	41000	40000	39000	39000	-	33000 31000
	2-rooms	59000	-	-	51000	-	-	57000	51000	54000	45000	47000	-	42000 49000
	3-rooms	66000	-	-	61000	-	-	65000	62000	59000	60000	56000	-	- 61000

Source: LATIO

NEW PROJECTS

- **In May 13 new housing projects came on the market of new projects.**
- **The largest new housing projects by planned number of dwellings – „Jaunbikēri” and construction of developments on Deglava and Hipokrata streets.**
- **In Saulkrasti – the most active development of new homes.**

In May 13 new housing projects came on the market of new homes. Ten out of them are apartment houses, three detached houses and two terrace houses. This month the largest housing project by planned number of dwellings is located in Riga – „Jaunbikēri” on Kaivas street (381 apartments) and construction of developments in Deglava/Hipokrata streets (270 apartments), as well as the second building of „Dienvidu pakavs” hosting 147 apartments, the total planned amount of the project is 700.

New housing projects on the market in May

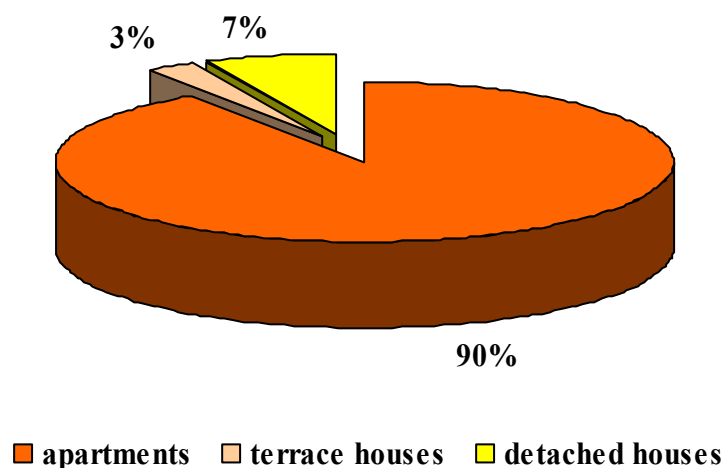
Address/Name	Type	Developer	Price LVL/sqm	Finish	Planned number of dwellings	Planned number of buildings
Riga						
Riga, Pildas street, "Darziema nami"	T	"Darziema nami" Ltd.	1144	full	20	3
Riga, Chiekurkalns, Chiekurkalns 2-nd line	A	"Dzimta Seta" Ltd.	988	partly	26	1
Riga, Kaivas street, "Jaunbikēri"	A	"Merks" Ltd.	1038	full	381	14
Riga, Deglava / Hipokrata street	A	"MT Projekti" Ltd.	1335	full	270	3
Riga, 2a Ainavas street, "Ainavas Nams"	A	"VVK Projekts" Ltd.	from 950	full	29	1
Riga, Mezhaparks, Libekas street	A	"Nekustama ipashuma projektu agentura" Ltd.	1485	partly	4	1
Riga, Mangaļsala, Veiksmes street	D	"Investprojekts" Ltd.	1200	partly	26	12
Jurmala						
Jurmala, 25 Tilta street, "Villa SOLAR"	A	"Brivibas 139" Ltd.	2655	partly	3	3
Saulkrasti						
Saulkrasti, Ainazhu street, "Saules Republika"	A	"Sun Re.Public" Ltd.	1054	partly	107	4
Saulkrasti, Parupes street	D/A	"Prodeo" Ltd.	1255	full	14	14
Sigulda						
Sigulda, 49 Pulkvezha Briezha street, "Pulkvezha nams"	A	"AB Dambis" Ltd.	530	partly	14	1

A – apartments, D – detached house, T – terrace house

A large housing project was launched in Saulkrasti (developer – Sun Re.Public Ltd.), that was natural since Saulkrasti has been one of the most active area of developing new housing projects during last months. This project stands out against the other new housing projects in Saulkrasti with its volume (4 buildings and 107 apartments) and individual architecture, that dispartates from previous standard type projects in Saulkrasti.

"Stone Development" Ltd. is to be mentioned – a new project in Kekava of a developer of individual housing projects; there have been accomplished already four villages of such type in Lichi, Adazhi, Imanta and Jaunmarupe. Novelty are the terrace houses offered in this project and not found among the previous projects of the developer.

The overall ratio of new homes in Latvia in May 2006



Avots: LATIO

This diagram shows the overall ratio of new homes in Latvia in May 2006. It includes all the projects constructed by now and being under construction. 90% from the new homes are apartments, detached houses account for 7%, and terrace houses – 3%.

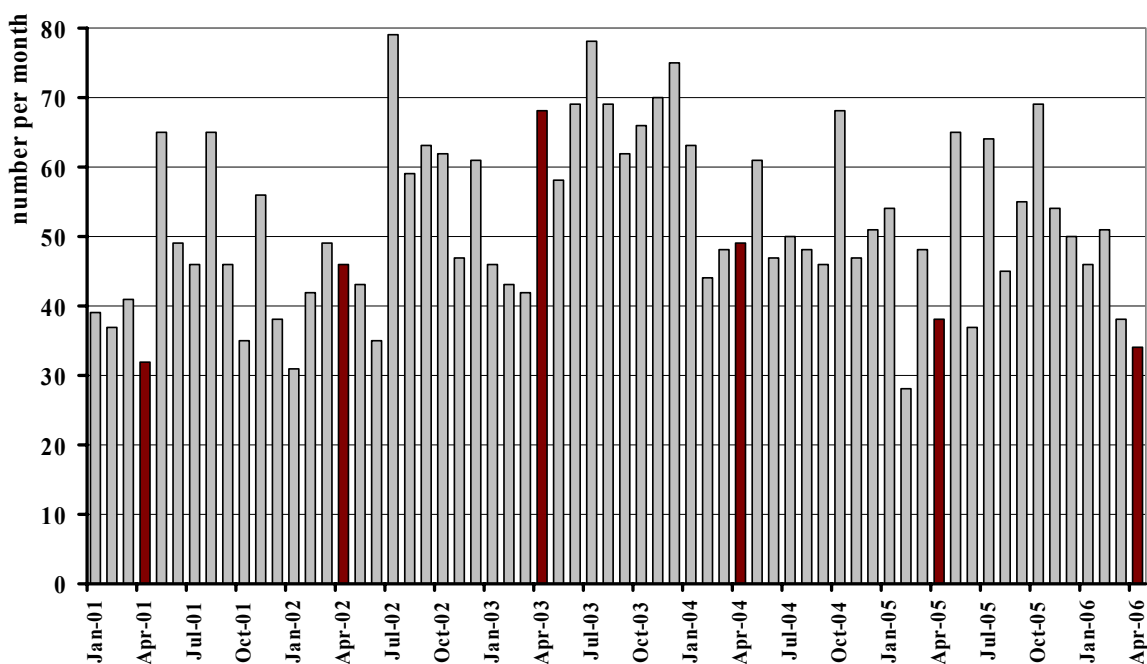
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DETACHED HOUSES

- **Number of transactions with detached houses in Jurmala decrease but exclusive objects millions of euros worth awaken an increasing interest in them.**
- **Activity in construction of new detached houses in Jurmala is growing – in Valteri and Krastaciems.**
- **In Riga and Riga district there are offered mainly detached houses that were started to construct during the last year's time and remained unfinished in areas with undeveloped infrastructure.**

An essential trend in segment of detached houses is decrease in number of sales transactions in Jurmala witnessed during the last few months that Landbook Register data confirm. Without regard to this fact during the first quarter of this year in comparison to the last year in Jurmala offer of exclusive detached houses, prices of which reach several millions euros, increased. Last year the total offer of such houses was almost as twice smaller as at present.

Number of the detached housing sales transactions in Jurmala



Source: Landbook Register

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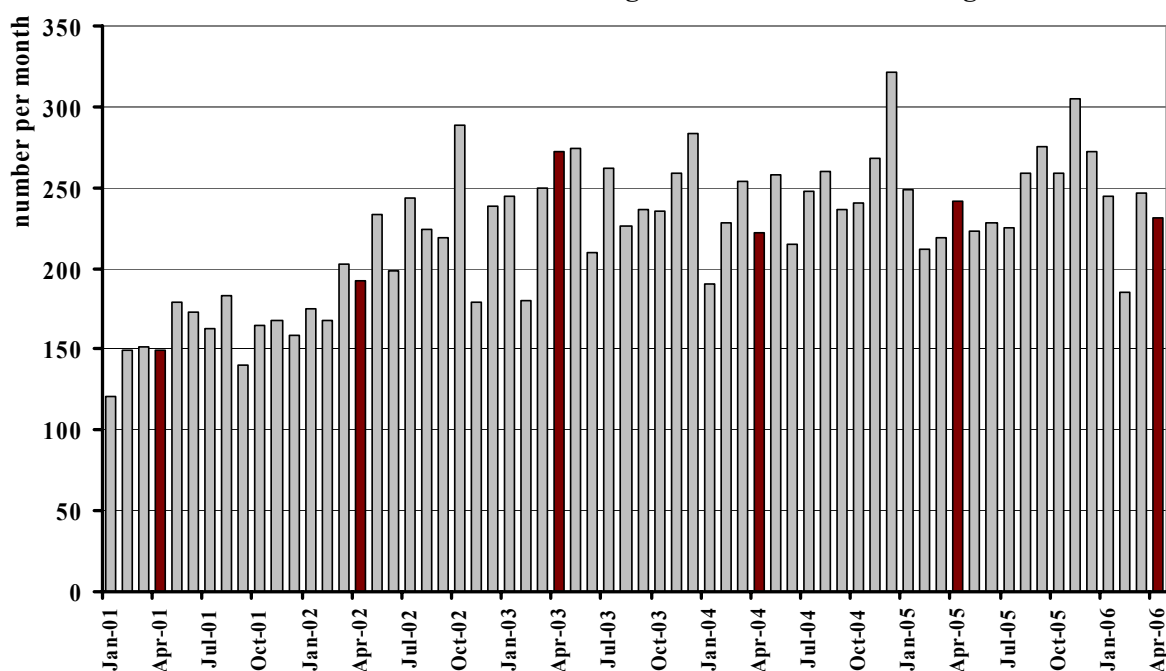
All in all in Jurmala detached houses are widely offered but they differ much. Detached houses for about 500 000 EUR to 800 000 EUR are demanded in the area from Lielupe to Asari on the sea side. Potential buyers that are ready to pay such price for a detached house consider it important for the house to be thoroughly repaired in avoidance of any further financial investments.

Active building of new detached houses takes place also in the area across the railway, for example, in Valteri and Krastaciems where there were land lots offered for some time, they were parcelled out and an active building of private houses began. Newly built detached houses as well as terrace houses for prices between 170 000 EUR and 230 000 EUR are offered to potential buyers.

A great interest of purchasers to buy detached houses is witnessed in Riga and its suburbs. There is an ever increasing offer of unfinished houses built for sale in areas that started their residential developing only in the last few years. It holds average prices at the level of approx. 1 000 EUR/sqm for several months in more actively developing parishes (Kekava parish and Marupe parish)

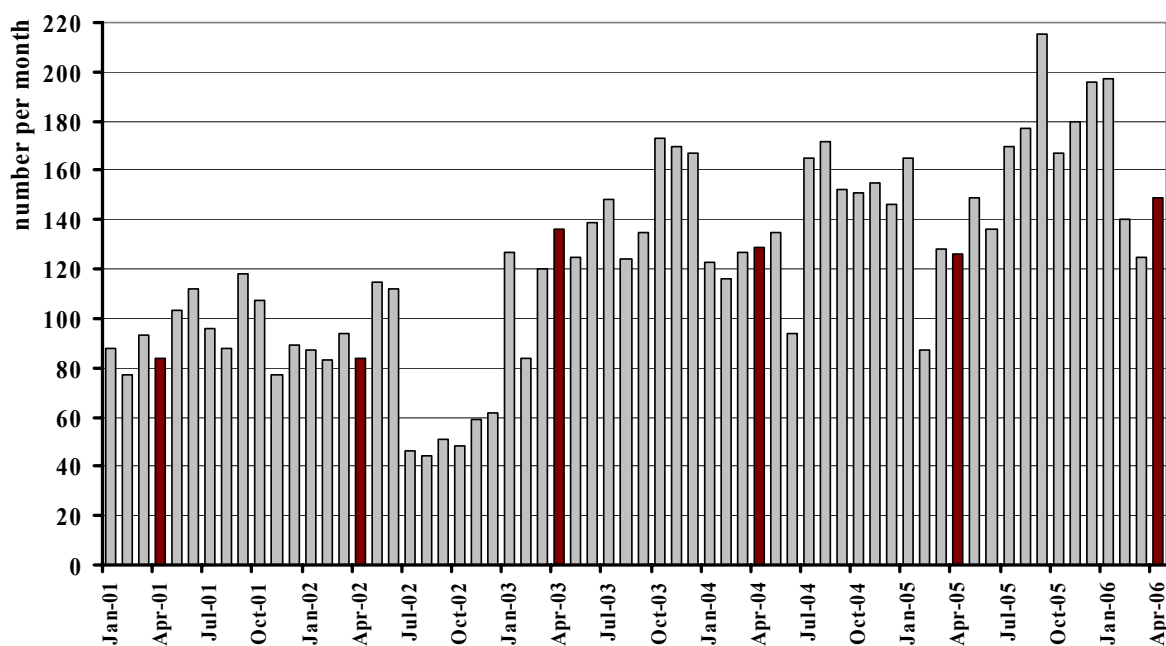
One of the most important criteria of choosing a detached house for buyers is availability of public transport, schools, shops and other infrastructural objects. Thus without regard to bigger offer in the vicinity of Riga border the major part of transactions with detached houses take place in Riga.

Number of the detached housing sales transactions in Riga



Source: Landbook Register

Number of the detached housing sales transactions in Riga region



Source: Landbook Register

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RESIDENTIAL DEVELOPMENT LAND

- **Due to detected infringements, Babite parish binding regulations „On amendments to Babite parish development plan for years 1997 – 2007” were intercepted.**
- **The approved territory planning of Ogre region in May introduced corrections of land market in this area.**
- **Demand for land on the right bank of the river Daugava in Ogre, Aizkraukle and Lielvarde increases.**
- **In Jurmala offer of exclusive land lots for prices between 500 and 800 EUR/sqm is on the increase.**

After having detected infringements of elaboration procedure for amendments to territorial planning, Ministry of Regional Development and Local Government intercepted Babite parish binding regulations „On amendments to Babite parish development plan for years 1997 – 2007” issued on March 15, 2006.

The vicinity of Riga and Jurmala makes Babite parish land attractive for residential development; that is the best way of land use in the major part of the parish territory. Construction that affects environment of all the surrounding territory essentially and in long-term period, should be well-considered, oriented to regional development in the direction desideratum, in areas sufficient for living, and keeping the balance with building of roads and engineering communications. Construction under a pressure of land owners or ill-considered one may result in future problems for present and potential residents of the region.

In May, in its turn, there was approved territorial planning of Ogre region (graphical part of territory planning of Ogre region, and regulations on territorial use and residential development in Ogre region). In March and April there was a wait-and-see situation on land market in this area because of indefinite permitted use of land plots (Construction Board would not issue a legally binding certificate), whereas in May the market became active and corrections also in asking prices of the offered land plots somewhere occurred.

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For example, sellers whose land use purpose, in compliance with the approved planning, is farmland, are pressed to lower prices of their objects and offer the land cheaper than before, or to wait till there is a demand for country estate.

Month by month land market becomes active more farther from Riga, there is a significant demand for residential development plots on the right side of the river Daugava. While previous price of a residential development plot in Ogre (36km from Riga) was 8-10 Ls/sqm, at present it is hardpan of price for offered residential development plots in Lielvarde (55 km) and even for separate land plots in Aizkraukle (91km), the price reaching up to 16Ls/sqm.

Asking prices of residential development land, LVL/sqm

Area	Price
Ogre	16 – 28 Ls/sqm up to 40Ls/sqm
Aizkraukle	2 – 6 Ls/sqm (with and without electricity), 16Ls/sqm (near town utilities, town centre)
Lielvārde	8 – 12 Ls/sqm

*1200 – 2000 sqm land plots with communications

Avots: LATIO Ogre department

In the last few months no considerable change were witnessed in the number of sold residential development land plots in Riga and Riga district.

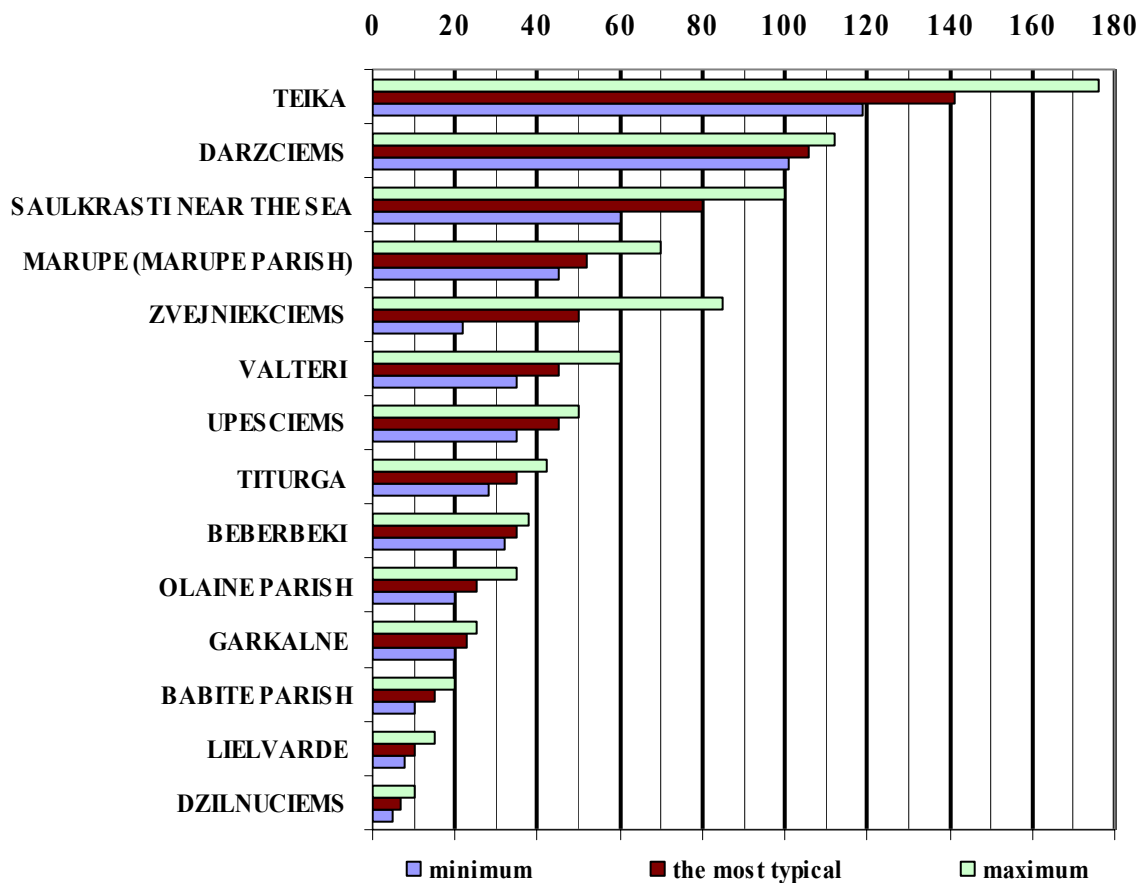
In Jurmala residential development land prices increased in overall from 20 to 30 % due to ever decreasing offer taking into account the active building of new detached houses. Nevertheless there emerges a current trend of a comparatively large offer of exclusive land plots in the area from Lielupe to Melluzi on the sea side. The asking price fluctuates from 500 EUR/sqm up to 800 EUR/sqm.

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It is typical that last year in this period such exclusive land plots on Jurmala real estate market were significantly less, and potential purchasers could come to an opinion that such land plots would not be available any more.

On the whole potential purchasers and sellers on Jurmala land market in May sit on the fence because Jurmala Council has not approved amendments to the town development plan yet.

Prices of residential development land in Riga and Greater Riga Area, LVL/sqm



Avots: LATIO

COMMERCIAL SPACE MARKET

OFFICE SPACE

- **In May tourist agencies frantically hunt for premises for clients service centres, offices in the Old Town and the city centre.**
- **„Unimarine Business Centre” in 17 Dunties street was commissioned.**

In May the load on office space in Riga retained the level of the previous month; it means that vacancy indexes for the most demanded category of office premises, i.e. Class B offices – still are very low.

Typical rent prices in newly built office projects that have not been commissioned yet:

- Class A – 20 EUR/sqm;
- Class B in the centre – 15 EUR/sqm , Class B out of the centre – 13 EUR/sqm.

One of the typical trends on the office space market in May – several tourist agencies such as „Express Travel”, „Kolumbs”, „Atlas tours”, „Travel Baltija”, „Putņiks”, simultaneously hunt for office premises in the Old Town and city centre. Some of them move to other location, the rest, in turn, enlarge. There are different criteria of choosing office premises – separate agencies search for premises to establish clients service centres, others – for needs of their administrative staff.

The most demanded space for establishing clients service centres by tourist agencies is 50 square metres in the Old Town on the streets with long surge of people, for example, Valnu and Torna streets. Office premises necessary for tourist agencies’ administrative staff mainly are chosen 100-200 sqm large in the city centre.

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In May there was commissioned one of the architecturally and conceptually most successful new office projects – „Unimarine Business Centre” accomplished by the company „Unimars” in 17 Dunties street.

A consummate style that is typical of a modern six-storey house and it meets all the international criteria of Class B office buildings. Premises in the business centre are rented by the third largest mobile operator in Latvia – „Bite GSM” which moved from „Valdo Business Centre”, as well as a real estate developer which can be recognized by unusual concept of its projects – „Revolution”. Lease agreements were signed approximately half a year before commissioning of the centre. Lease space price is 13 EUR/sqm.

RETAIL SPACE

- **Retail space lease price increased for 40% in the area of Reval Hotel Latvija.**

In May there was a new trade gallery opened in the recently built part of Reval Hotel Latvija. In the near future the area enclosed by Brivibas street, as well as Baznīcas, Elizabetes and Lacplesa streets could develop into a new shopping mall.

In relation to this retail space prices in this area increased by 40% on average. Lessees that paid 15 EUR/sqm lately, will have to pay already 25 EUR/sqm for retail spaces after extending their lease agreements. Premises of 20 – 30 sqm, that were leased for 25 EUR/sqm lately, now are leased for 40 EUR/sqm.

Up to now Barona and Terbatas streets were traditionally considered as shopping streets of Riga that lessees focused their interest on, but number of shopping streets could increase.

Previously potential lessees did not consider retail space in Brivibas street so attractive as that in the beginning of Terbatas and Barona streets.

INDUSTRIAL SPACE

- **In May the biggest demand was made by woodworking enterprises, car services and metal-fabricating enterprises.**

In May trend of previous months preserves – enterprises search mainly for premises to buy. But supply on the market is relatively poor and prices are high. There is an interest also in objects in the vicinity of Riga since prices in these areas are lower.

The greatest interest in industrial objects in May were shown by woodworking enterprises, car services, and metal-fabricating enterprises. Thus the most demanded spaces of warehouses and production premises were up to 800 sqm., there was demand also for offices (about 100 sqm) near industrial premises; an essential factor – comfortable driving-up by trucks.

Lease prices of warehouse and production premises are at the previous level – for newly built objects about 6 EUR/sqm, for older objects – ca. 2,5 to 3 EUR/sqm.

Industrial objects under construction are in poor demand – they will be commissioned only in autumn or even later. One must take into account also the prices that are much higher than those of old warehouses and production premises.