
REAL ESTATE MARKET OVERVIEW – RIGA AND GREATER RIGA AREA

March 2006

In March the average price of a standard type apartment has climbed by 3%, reaching 1,058 EUR/m².

For a number of months in a row in the Old Town and the near centre one and the same properties are offered in the market.

A new trend is emerging in the property market – prices of apartments in the new homes in Riga residential districts and those of budget detached houses in the Greater Riga area have become competitive. Choice of purchasers is not price-determined any more.

More and more new homes are built outside Riga – in Ogre, Salaspils, Sigulda, Adazi, Jelgava, Babite etc.

Availability of credit resources facilitates purchasing demand not only for dwellings, but also for retail and office space, land for construction of industrial objects.

In the beginning of March lease agreement of the last vacant office premises in “Valdemara centrs” was signed. Thus at the moment there is no Class A office space available in Riga any more.

In March supermarket “Sky” was opened in the premises of the former supermarket “Mego Mix” in Krasta street. In Jelgava multipurpose retail centre “Pilsētas pasāža” was launched.

On March 8, 2006 Constitutional Court of the Republic of Latvia reached a decision that beginning with January 1st, 2007 the regulated rent payment or the so called rental ceiling in the buildings that are either denationalized or returned to their lawful owners will be released. In the long run this decision will have a positive impact upon the real estate market.

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HOUSING MARKET

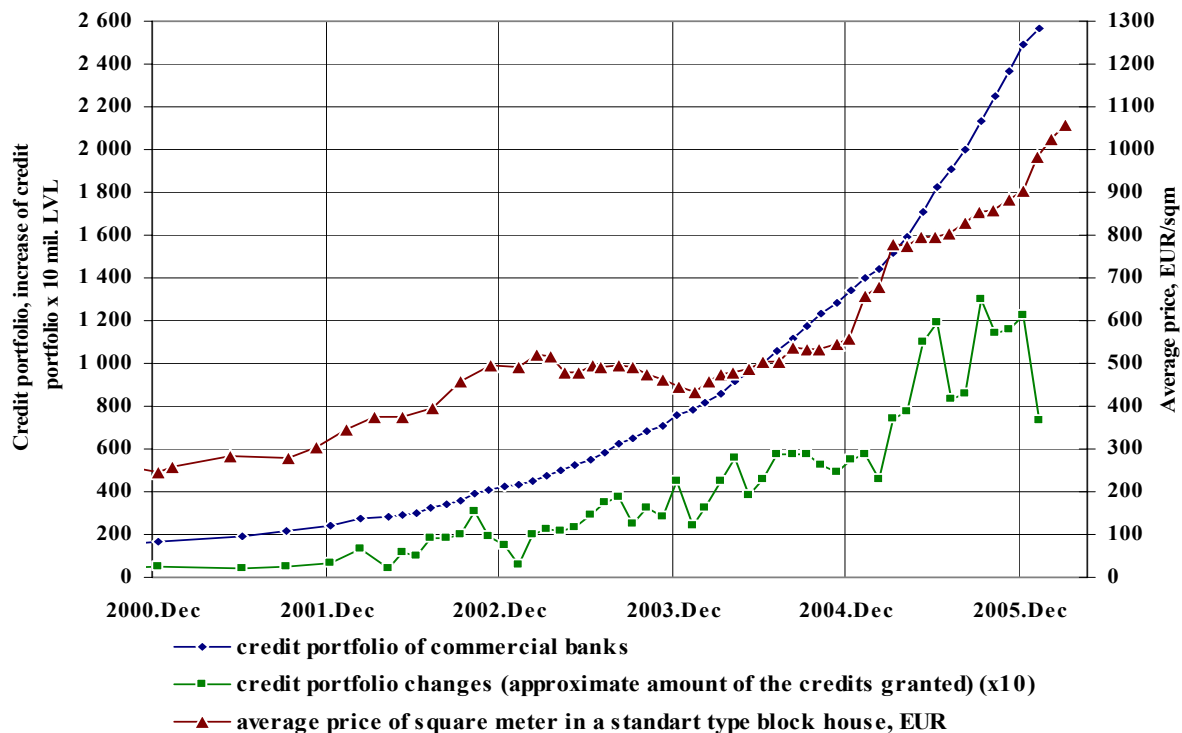
On March 8, 2006 Constitutional Court of the Republic of Latvia made a decision that beginning with January 1st, 2007 there will be released the regulated rent payment or the so called rental ceiling in the buildings that are either denationalized or returned to their lawful owners. In this respect the City Municipality has to make a decision on the means of supporting the needy residents of denationalized buildings – either by more active construction of new residential buildings or by offering financial support in rental payments. We do not expect one development scenario of the property market, a number of solutions is more likely, consequently leading to:

- More rapid rental market development;
- Capital renovation of the so far un-furnished residential buildings in the city centre;
- Expansion of borders of the nice and prestigious Riga centre.

The majority of the suppliers are willing to improve their living conditions, i.e., they are selling their old apartments in order to purchase and move to better quality dwellings. The biggest demand drivers in the housing market are family people from Riga in the age group of 30 to 45. The biggest demand so far is witnessed for apartments in standard type residential buildings.

A new trend is emerging in the market – prices of budget detached houses and apartments in the new projects have leveled out, lately these two market segments have become competitive. Thus choice of purchasers either to buy an apartment in the new home in one of the Riga residential districts or a detached house is a matter of taste and not a financial issue any more.

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



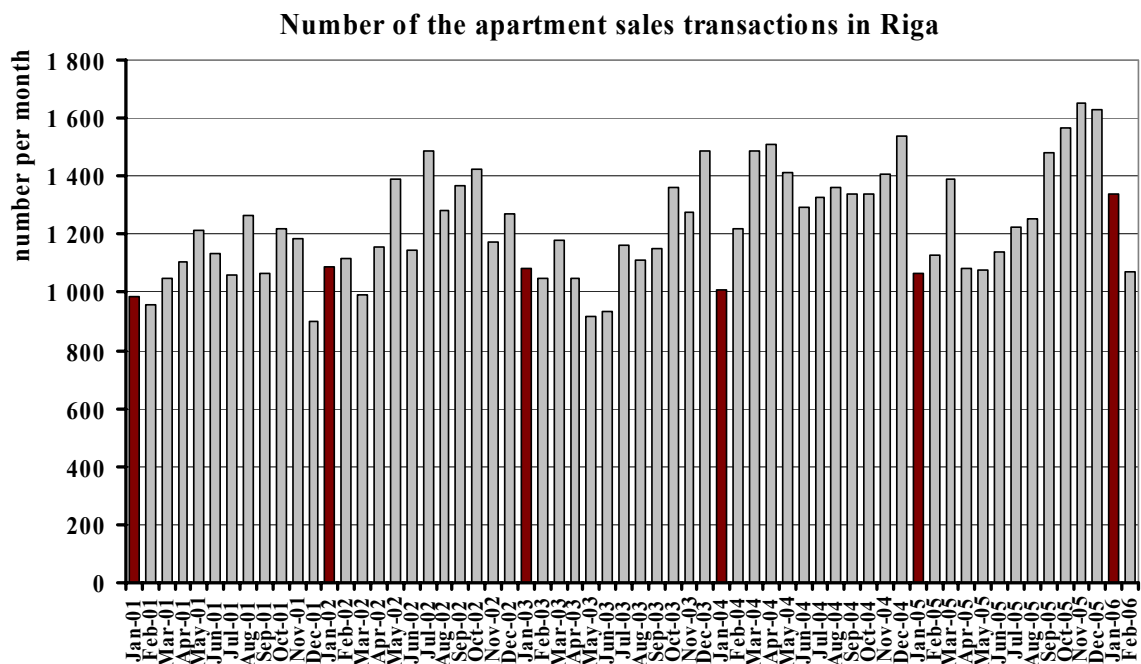
Source: LATIO, the Finance and Capital Market Commission

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STANDARD TYPE APARTMENTS

The monthly average apartment price increase is the lowest this year, the price has climbed by 3%, i.e., by 34 EUR. Thus in March the average price of a standard type apartment in residential districts has reached 1,058 EUR/m².

Having analysed data of the Land Book register and the State Land Service, we have to state that the number of apartment purchases has decreased during the past few months. However, decrease in the number of transactions is a typical trend characteristic to the beginning of the year, the main reason still being the ever increasing asking prices.



Source: Landbook register & State Land Service

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

Rajons/ sērija	Purv- ciems	Ziep- niek- kalns	Agens- kalns	Imanta	Zolitūde	Plav- nieki	Mezh- ciems	Jugla	Kenga- rags	Vecmil- gravis	Bolde- raja	
Series 119	1- room	46000 - 58000	46000 - 55000	-	-	44000 - 55000	43000 - 53000	-	-	-	-	
	2- rooms	61000 - 73000	58000 - 70000	-	-	59000 - 73000	58000 - 69000	-	-	-	-	
	3- rooms	72000 - 88000	69000 - 85000	-	-	69000 - 86000	67000 - 85000	-	-	-	-	
	4- rooms	81000 - 103000	79000 - 96000	-	-	80000 - 100000	75000 - 96000	-	-	-	-	
Series 602	1- room	39000 - 46000	38000 - 46000	-	40000 - 47000	-	39000 - 45000	35000 - 43000	-	-	35000 - 44000	
	2- rooms	56000 - 67000	53000 - 63000	-	54000 - 64000	-	55000 - 68000	47000 - 55000	-	-	48000 - 60000	
	3- rooms	64000 - 76000	61000 - 75000	-	62000 - 73000	-	62000 - 72000	57000 - 71000	-	-	53000 - 67000	
	4- rooms	76000 - 91000	77000 - 93000	-	75000 - 99000	-	74000 - 90000	73000 - 82000	-	-	73000 - 78000	
Series 103	1- room	44000 - 54000	-	40000 - 50000	-	-	41000 - 51000	-	-	-	35000 - 45000	37000 - 43000
	2- rooms	57000 - 68000	-	57000 - 64000	-	-	56000 - 64000	-	-	-	47000 - 60000	49000 - 57000
	3- rooms	67000 - 82000	-	65000 - 75000	-	-	64000 - 75000	-	-	-	55000 - 62000	58000 - 67000
Series 104	1- room	49000 - 60000	47000 - 55000	-	47000 - 53000	46000 - 53000	46000 - 56000	41000 - 51000	-	-	-	-
	2- rooms	62000 - 72000	61000 - 66000	-	60000 - 69000	57000 - 68000	57000 - 70000	49000 - 60000	-	-	-	-
	3- rooms	73000 - 101000	71000 - 81000	-	71000 - 89000	67000 - 87000	67000 - 84000	59000 - 73000	-	-	-	-
„Lithuanian” proj.	1- room	38000 - 43000	38000 - 42000	35000 - 42000	39000 - 45000	-	-	35000 - 38000	-	36000 - 45000	32000 - 41000	33000 - 40000
	2- rooms	49000 - 59000	51000 - 57000	52000 - 55000	52000 - 59000	-	-	48000 - 51000	-	42000 - 51000	42000 - 57000	44000 - 52000
	3- rooms	61000 - 73000	60000 - 66000	60000 - 64000	60000 - 67000	-	-	54000 - 59000	-	49000 - 60000	53000 - 64000	55000 - 63000
„Hruschov” type houses	1- room	37000 - 45000	37000 - 42000	36000 - 41000	-	-	-	-	33000 - 39000	28000 - 43000	34000 - 40000	-
	2- rooms	50000 - 60000	47000 - 56000	48000 - 57000	-	-	-	-	49000 - 53000	40000 - 56000	45000 - 53000	-
	3- rooms	63000 - 71000	58000 - 65000	56000 - 62000	-	-	-	-	57000 - 63000	52000 - 64000	52000 - 57000	-

source: LATIO

NEW PROJECTS

This March in Riga there were commissioned two new homes projects – residential buildings in Madonas street and Dignajas street, but construction works were completed in three new homes – projects "Vaivaru muiža" in Jurmala at the Ventspils highway, "Sauriešu nams 2" in Sauriesi and building in 386 Brivibas street. The last apartment was sold in the project „Albatross” in Katrinās dambis. More and more new homes are built outside Riga – in Ogre, Salaspils, Sigulda, Adazi, Jelgava, Babīte and other places.

The average apartment price in Riga residential districts with partial finish is about 960 LVL/m² (1,365 EUR/m²), but in Purvciems the average price is higher – 1,054 LVL/m² (1,500 EUR/m²), while in the centre of Riga it is 1,760 LVL/m² (2504 EUR/m²). The average apartment price in Riga residential districts with white finish is about 1,150 LVL/m² (1,636 EUR/m²), for apartments with partial finish in the Old Town 3,100 LVL/m² (4,410 EUR/m²). The highest price is still witnessed for apartments with partial finish in the Old Town, 5 Palasta street - 3,514 LVL/m² (5,000 EUR/m²). In Saulkrasti, project „Liepas” envisaged to be commissioned in the beginning of 2008, price of apartments with white finish is 1,265 LVL/m² (1,800 EUR/m²). In Salaspils the average apartment price in the new homes is about 586 LVL/m² (835 EUR/m²).

APARTMENTS IN THE CENTRE OF THE CITY

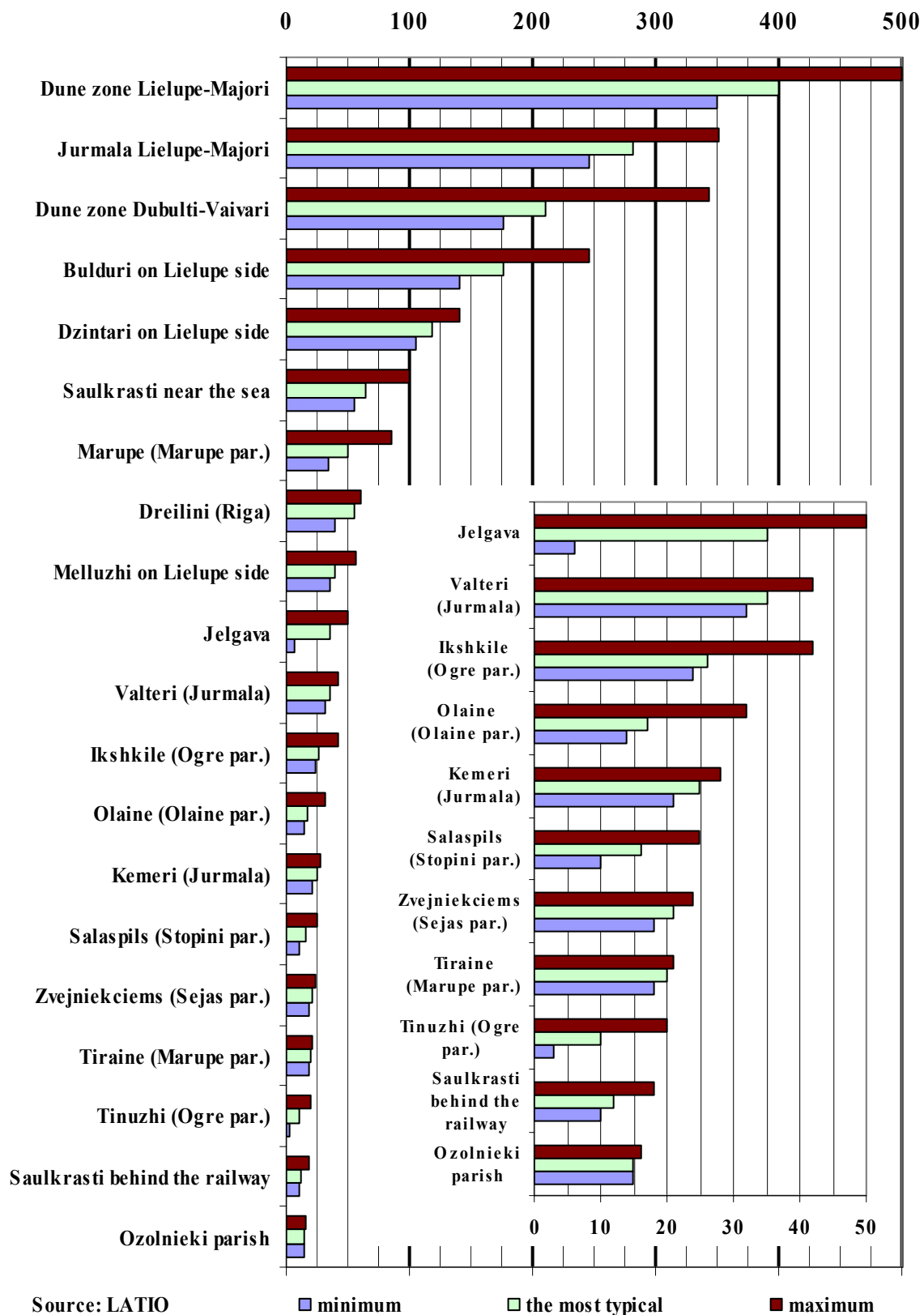
In March no changes were witnessed in the Old Town and near centre property market. Moreover, for several months one and the same properties are offered in the market. As property sellers are used to the stable price increase, the asking price is calculated by adding 20% to the current market price. However, there are not many transactions for the said prices.

DETACHED HOUSING AND RESIDENTIAL DEVELOPMENT LAND

Like every spring interest of the purchasers to buy detached houses is increasing. Rental market of the detached houses has become more active, too. The biggest demand is witnessed for detached houses located in Mezaparks for about 3,000 EUR per month, but cheaper houses in Adazi and other places are rented out as well. The main lessees of detached houses are representatives of the diplomatic corps and foreign companies.

A newly built detached house with white finish and all the communications and land plot of about 800 – 1,200 m² costs starting with 200,000 EUR.

RESIDENTIAL DEVELOPMENT LAND PRICES, EUR/m²



Source: LATIO

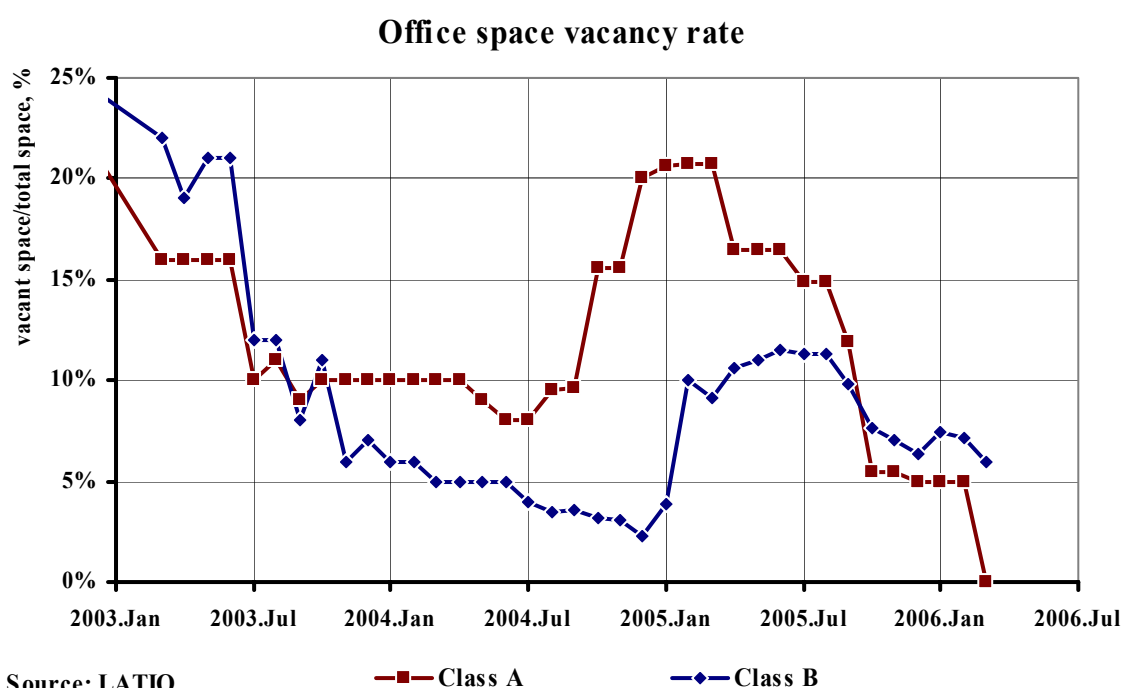
■ minimum □ the most typical ■ maximum

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

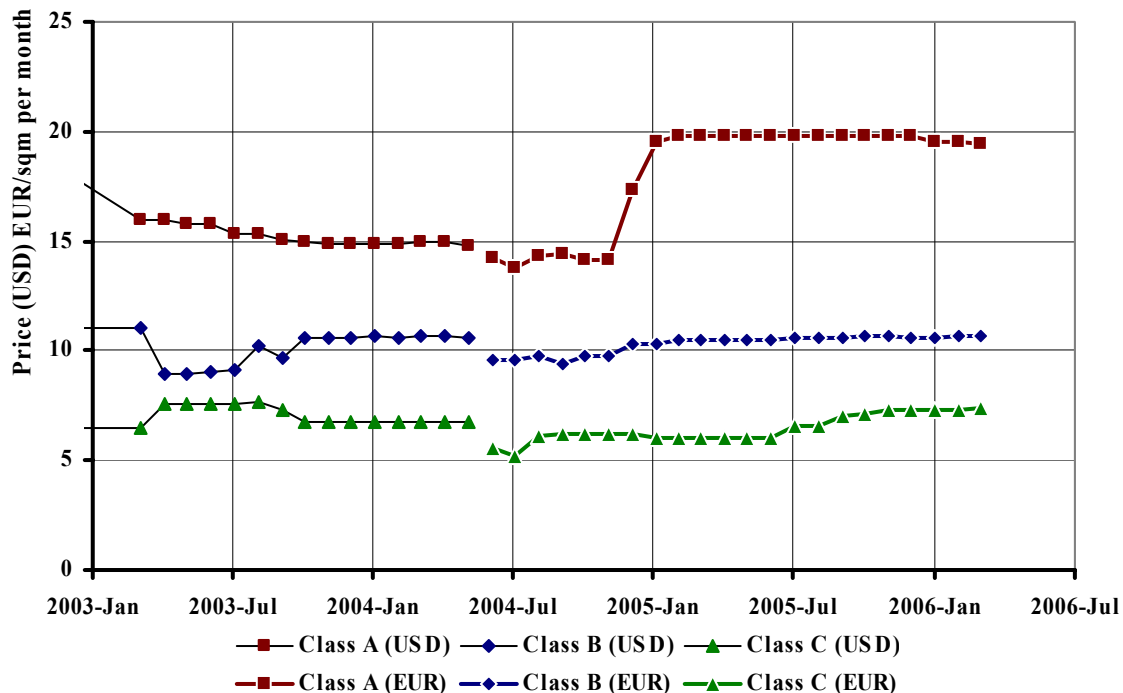
In the beginning of March there was signed lease agreement on the last vacant office space in “Valdemara centrs”. Thus there are no Class A vacancies available in Riga any more.



Up to now there are two office buildings – JSC “Hansabanka” head office and “Valdemara centrs” - belonging to Riga Class A, i.e., the most advanced and best city office centres meeting the generally accepted Class A criteria. In order to belong to Class A an office building has to be of architectural value and technically well equipped, it should be located in the CBD, have sufficient parking lots for the needs of clients and employees as well as meet many other criteria. Location and insufficient parking are the main reasons why the so far built new office buildings in Riga do not meet Class A standards. In accordance with the Riga development plan the region of Hanzas and Skanstes streets will become one of the new city centres. The new office centres built in this area most likely will belong to Class A, provided the building quality meets Class A standards.

Office rents are stable, the biggest market activity takes place in mixed type buildings. In this segment the most typical rent is about 10 EUR/m². In compliance with the world practice only specialised office centres form the lease market, therefore data for the office premises in mixed type buildings are not reflected in the diagrams prepared by LATIO.

Average office space rent



Source: LATIO

Class C – Soviet time administrative buildings

In March there were finally leased out office premises that had failed to be leased out for a long period of time, on some occasions even for several years. Generally the majority of office premises are leased out in a few weeks' time. One of the most interesting transactions in March was lease of 800 m² office space in the city centre to an IT company. It should be noted that IT as well as pharmaceutical companies, distributors of nutritional supplements including, are one of the most active demand drivers in other European countries as well. At the same time one of the banks has opened its branch in a mixed type building in Maskavas street for Class A rent – 20 EUR/m² plus management costs 2 EUR/m², plus VAT and utilities.

RETAIL SPACE

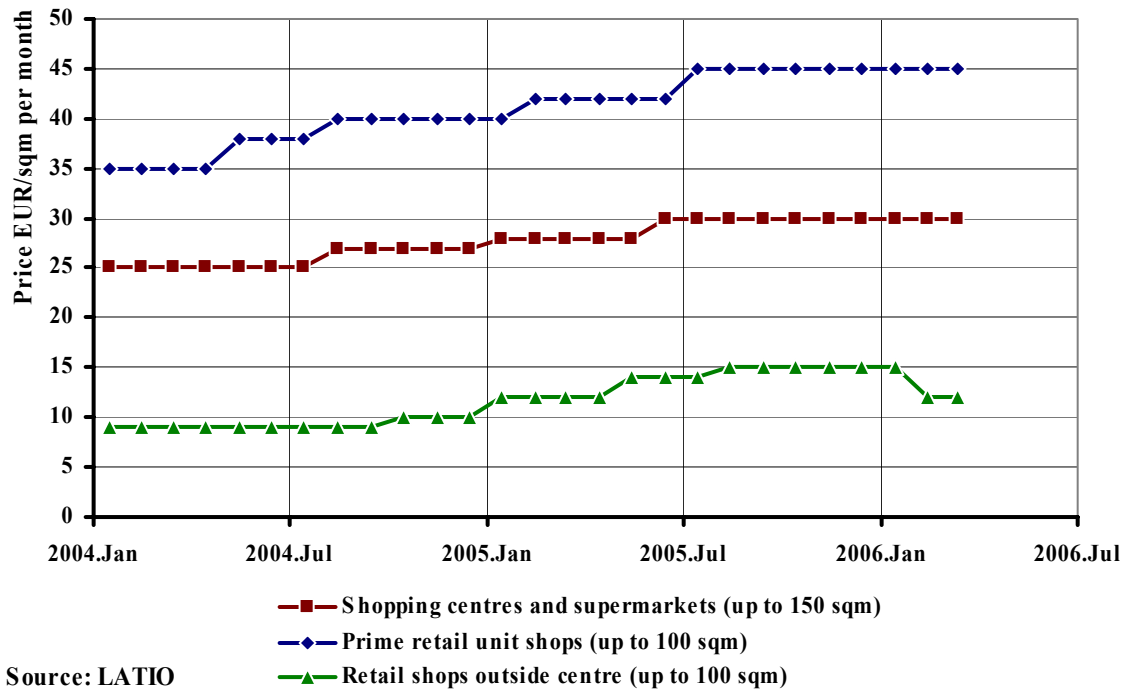
On 18th March supermarket “Sky” was opened in the premises of the former supermarket “Mego Mix” in Krasta street. In Jelagva multipurpose retail centre “Pilsētas pasāža” was launched. Premises in the retail centre “Pilsētas pasāža” were leased out long before launching the centre. It has to be noted that opening of new retail centres in Riga satellite cities is hindered by the habit of most of the citizens to make their main purchases in Riga.

With spring setting in there is witnessed a growing interest from public catering companies to lease premises in the Old Town. Besides, in the active retail streets in the city centre and in the Old Town lately there is witnessed an increased supply of premises as not all the lessees are in the position to pay the high asking prices. At the same time there are lessees who are

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ready to pay for advantageously located retail space having considerable concentration of pedestrian flow in various residential districts even 20 EUR/m² and more, additionally paying management costs, VAT and utilities. One of the gambling operators for a price higher than the above said has leased premises in Salaspils.

Typical retail space rents



Availability of credit resources is facilitating demand to purchase retail space, especially great demand is witnessed for premises in the streets of active pedestrian flow. The main demand drivers in this market segment are clothing and footwear shops.

INDUSTRIAL SPACE

Industrial space market is not experiencing any changes, the price level is stable. The asking prices in the newly built warehouses is about 6 - 8 EUR/m², deals take place for the price of 5 EUR/m². At the moment there are a number of projects under construction, for example, in Pinki, Viskalu street.

The majority of market players lease warehouses for a 2 - 3 year period planning to buy land and build warehouses meeting their requirements during this time period. The most popular locations for industrial object construction are in the direction of Olaine, Sauriesi, Jelgava. Like in the office market, industrial objects built for owner-occupation also have certain space envisaged for lease.

One of the direct selling companies “Oriflame” is searching for warehouse premises of 2000 m² in Riga or greater Riga.

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