

## **REAL ESTATE MARKET OVERVIEW - RIGA AND GREATER RIGA AREA**

**May 2005**

**In May the average standard type apartment price has reached 797 EUR/m<sup>2</sup>. If compared with April, prices have climbed by 2,6%.**

**Apartments in the new homes partly have come to the secondary market, besides, there is a new trend to offer them for rent.**

**Lately project development and construction sphere is experiencing changes. Due to the ever increasing demand and shortage of qualified constructors, construction start of a number of the new homes projects planned for this spring has been delayed.**

**The latest noteworthy deal in Jurmala was a land plot of around 2000 m<sup>2</sup> in Dzintari sold in an auction held by the Jurmala city municipality for the construction of row houses for 600 EUR/m<sup>2</sup>.**

**Summer cottage and apartment rents in Jurmala have almost doubled.**

**Commercial space market is stabilizing – demand for office space in specially built or renovated office buildings is growing, retail centres located in unsuitable places go bankrupt or search for more adequate locations, due to the development of manufacturing an increased demand to purchase plants is witnessed.**

**Lately agricultural production capacity is increasing. In Zemgale prices of agricultural land have reached 2 300 EUR/ha.**

**Due to the formation of new residential villages, more and more attention is paid to the territory planning and infrastructure ensuring. On May 23 there was held a conference “Territory planning – precondition for long-term development” where the role of local authorities in the settlement of the said issues was emphasized.**

**The government has approved for review by Saeima, Latvian parliament, the new law on apartment properties aimed at promoting investments in the renovation of residential apartment buildings.**

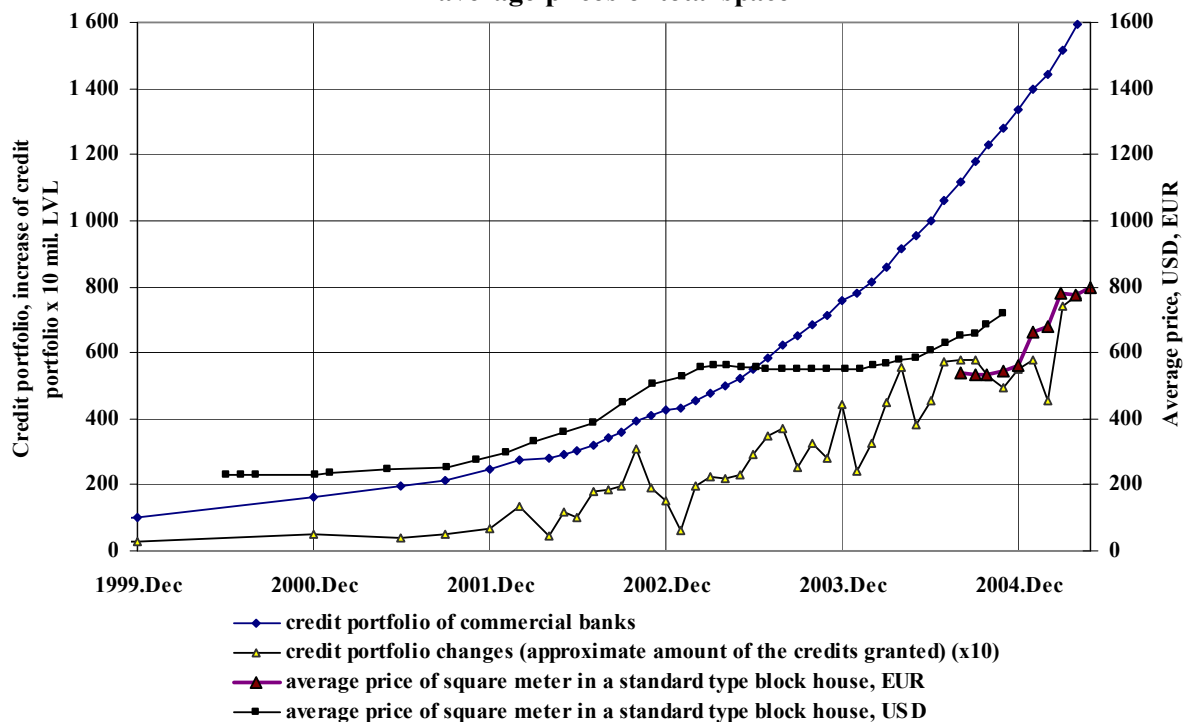
N.B. This will be a brief summary of our monthly property market report. In case you are interested in details, please contact Ms. Diana Zobena, tel.: + 371 7 03 23 29, e-mail: [diana.zobena@latio.lv](mailto:diana.zobena@latio.lv)

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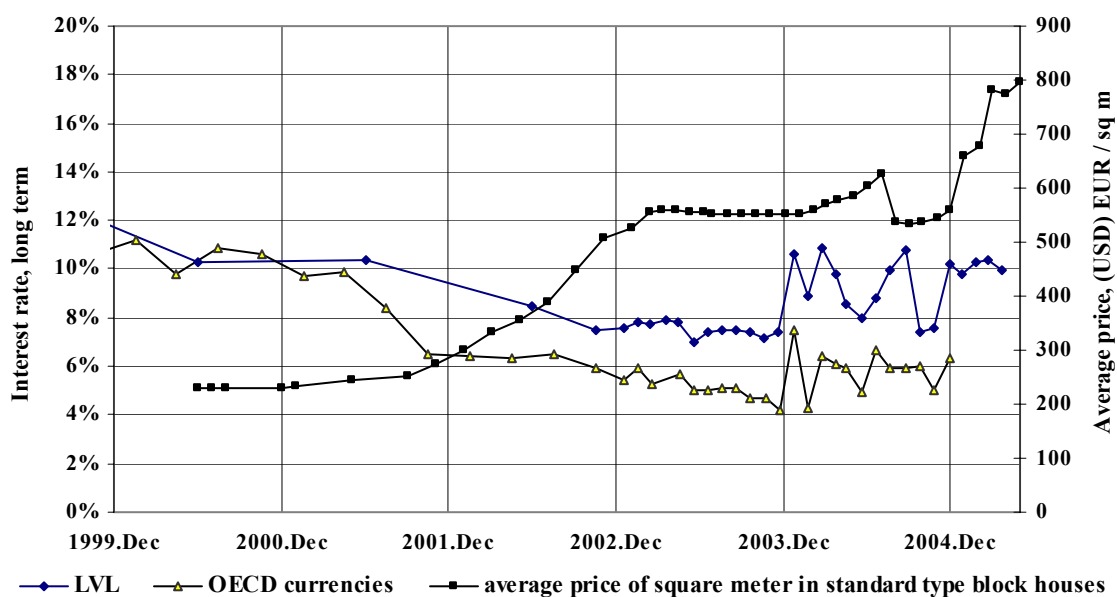
## RESIDENTIAL MARKET

With summer season setting in, this market overview is mainly focused on the residential market trends in Jurmala.

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



**Interest rate, average prices of total space**

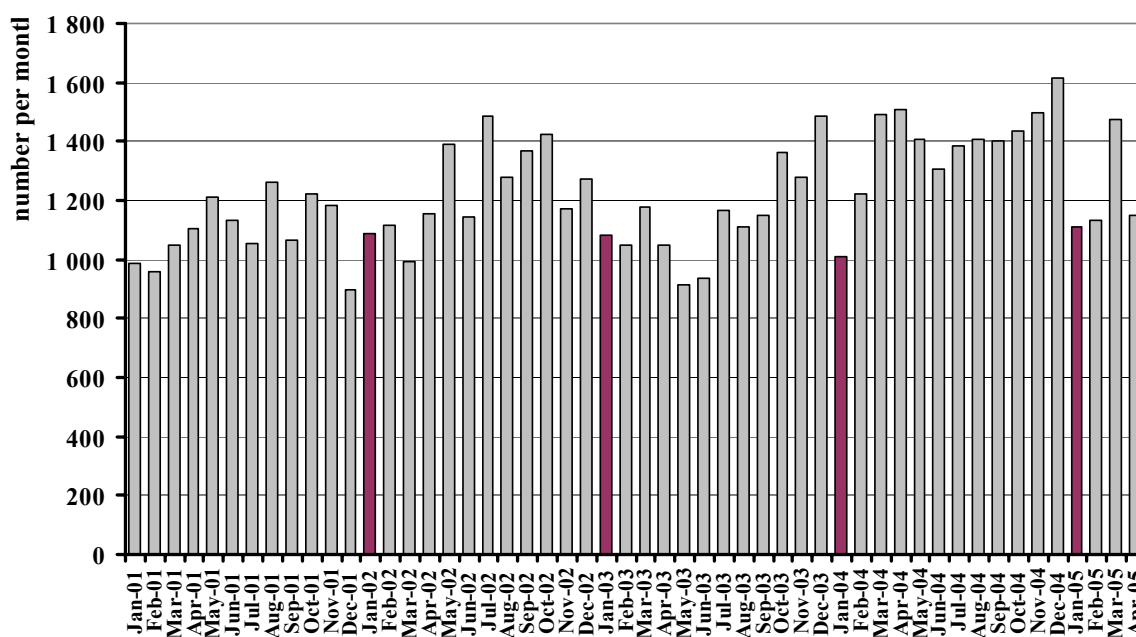


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## STANDARD TYPE APARTMENTS

In May the average standard type apartment price has reached 797 EUR/m<sup>2</sup>, i.e., increase by 2,6% or 17 EUR/m<sup>2</sup>, if compared with April. A new category of purchasers are entering the market, they prefer cheaper apartments, for example, in Sarkandaugava apartments in the old wooden buildings are in demand. The biggest demand was witnessed for apartments in Bolderaja, Sarkandaugava. In May the biggest apartment price polarization was witnessed in Bolderaja.

### Dynamics of apartment transactions in Riga



In Jurmala the biggest offer of standard type apartments is in Kauguri. Market activity is stable all the year round, prices are growing. Greatest demand is for one room and two room apartments. In Kauguri their average price is 450 EUR/m<sup>2</sup>, but in Lielupe and Bulduri where there is shortage of such apartments, price for a non-renovated apartment has reached 1200 EUR/m<sup>2</sup>.

The government has approved for review by Saeima, Latvian parliament, the new law on apartment properties aimed at promoting investments in the renovation of residential apartment buildings. On the one hand this law may lead to the eventual improvement of the technical condition of the buildings, on the other hand it will result in compulsory payments when part of the residents will not be able to keep their present homes.

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**Prices of standard type apartments in residential districts of Riga in May, EUR**

District/ series	Purv- ciems	Ziepniek- kalns	Agens- kalns	Imanta	Zolitude	Plavnieki	Mezciems	Jugla	Kenga- rags	Bolderaja
Series 119	1- room	35000 - 50000	31000 - 45000	-	-	31000 - 50000	37500 - 50000	-	-	-
	2- rooms	48000 - 65000	38000 - 58000	-	-	40000 - 75000	47500 - 65000	-	-	-
	3- rooms	56000 - 85000	47000 - 61000	-	-	47000 - 73000	58000 - 85000	-	-	-
	4- rooms	65000 - 95000	55000 - 65000	-	-	55000 - 95000	65000 - 95000	-	-	-
Series 602	1- room	28000 - 37000	25000 - 38000	-	25000 - 38000	-	27500 - 37000	28000 - 36000	-	-
	2- rooms	27000 - 57000	34000 - 47000	-	34000 - 50000	-	40000 - 57000	41000 - 56000	-	-
	3- rooms	53000 - 72000	40000 - 54000	-	40000 - 60000	-	46000 - 72000	53000 - 71000	-	-
	4- rooms	58000 - 80000	45000 - 60000	-	45000 - 85000	-	55000 - 80000	58000 - 80000	-	-
Series 103	1- room	29000 - 45000	-	26000 - 38000	-	-	32000 - 45000	-	-	20000 - 35000
	2- rooms	45000 - 55000	-	38000 - 45000	-	-	45000 - 55000	-	-	28000 - 43000
	3- rooms	58000 - 75000	-	46000 - 60000	-	-	58000 - 75000	-	-	36000 - 50000
Series 104	1- room	38000 - 50000	31000 - 45000	-	32000 - 45000	36000 - 45000	38000 - 50000	38000 - 53000	-	-
	2- rooms	48000 - 65000	43000 - 52000	-	38000 - 52000	40000 - 52000	48000 - 65000	48000 - 67000	-	-
	3- rooms	59000 - 86000	50000 - 63000	-	44000 - 65000	48000 - 70000	59000 - 86000	59000 - 90000	-	-
„Lithuanian” proj.	1- room	28000 - 35000	23000 - 31000	24000 - 31000	24000 - 35000	-	-	28000 - 35000	22000 - 31000	18000 - 32000
	2- rooms	35000 - 47000	34000 - 43000	35000 - 44000	33000 - 46500	-	-	38000 - 45500	28000 - 48000	26000 - 40000
	3- rooms	48000 - 60000	40000 - 50000	42000 - 52000	39000 - 57000	-	-	48000 - 59000	35000 - 54000	32000 - 47000
„Hruschov” type houses	1- room	25000 - 35000	23000 - 32000	23000 - 32000	-	-	-	27000 - 36000	23000 - 31000	-
	2- rooms	37000 - 45000	30000 - 41000	30000 - 42000	-	-	-	32000 - 44000	29000 - 43000	-
	3- rooms	45000 - 59000	38000 - 50000	38000 - 52000	-	-	-	42000 - 50000	36000 - 51000	-

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## THE NEW HOMES MARKET

The new homes projects are gradually sold out and part of the apartments come to the secondary market. A new trend has appeared – the recently bought apartments are offered for rent. However, it is difficult to rent out these apartments as the new homes apartments have high management costs.

Year 2005 has introduced changes in the project development and construction sphere. If previously developers were holding tenders and choosing the most appropriate construction company, now constructors are the ones that choose what project to construct. Thus construction start of a number of new homes planned this spring has been delayed.

During the last decade the biggest growth of investments in the residential market has been witnessed in Jurmala. Demand for residential development land, especially for the construction of multi-apartment buildings, is great.

The average apartment prices with white finish in the new homes in Jurmala fluctuate between 1200 – 3500 EUR/m<sup>2</sup>. Apartment prices are determined by location of the building, especially vicinity of the sea, as well as exclusiveness of the project.

## APARTMENTS IN THE CENTRE OF THE CITY

Market activity in the segment of the expensive Old Town apartments has slowed down, the number of purchase deals is little, although supply is sufficient. Lately there has appeared a trend for foreign citizens to sell their previously purchased apartments in the near centre. One of the reasons is termination of their work contracts, another – having already made enough profit – about 80% in a few years' time.

Apartment rents remain stable for a number of years – 11 EUR/m<sup>2</sup> in the old Town, 9 EUR/m<sup>2</sup> in the near centre.

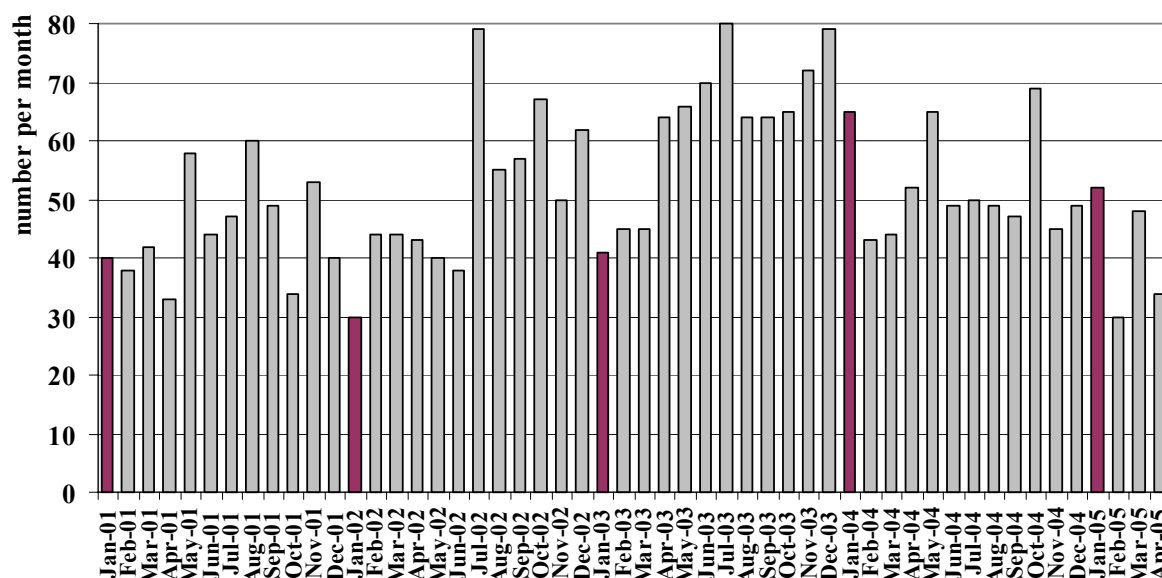
## DETACHED HOUSING

In Jurmala there are offered for sales various types of detached houses – for 100 000 EUR and for 1 mio EUR. The highest demand is for detached houses located not far from the sea, whereas on the other side of the railroad in Asari, Vaivari houses are in the market more than for half a year. Latvian residents are purchasing properties more carefully, whereas for foreign people the main point in buying is to have a liking for the property.

Rental prices in Jurmala have doubled if compared with the previous year – what was last summer rented out for 350 EUR (250 LVL), this year in average for 570 EUR (400 LVL).

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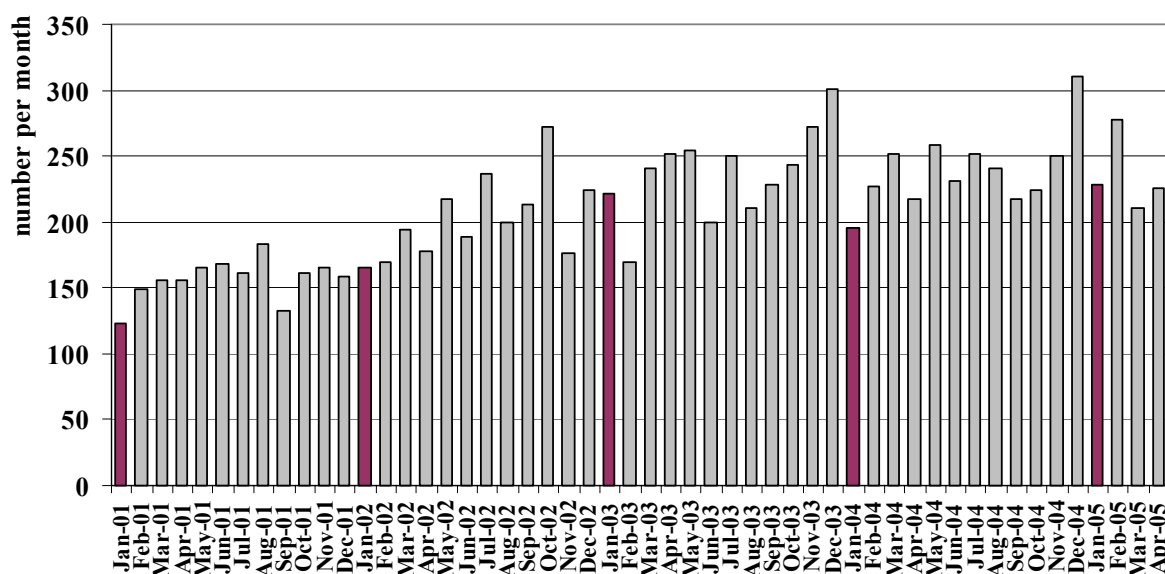
### Number of transactions with detached houses in Jurmala



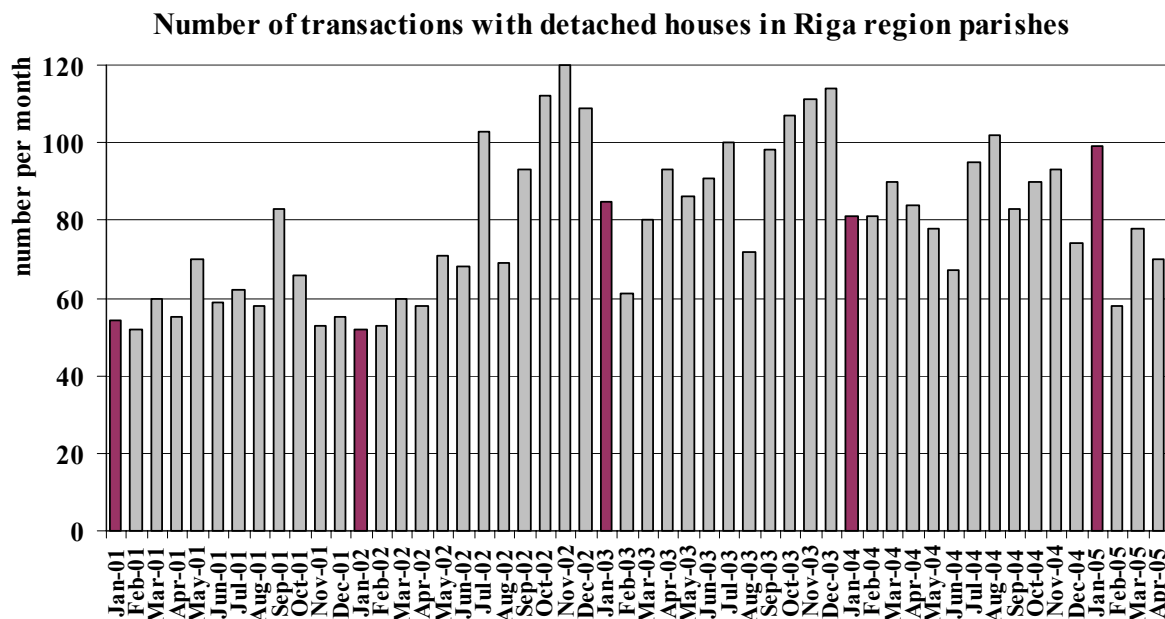
One of the most important events in May was the decision of Jurmala city municipality to harmonize the market correction coefficients applicable in the calculations of the property cadastral values for the next year. Now the real estate tax constitutes 1,5% of the land cadastral value and building inventory value. It is envisaged to establish by year 2007 cadastral value of the buildings as well, and calculate the tax basing on this value.

This increasing tax will mainly have impact upon the indigent part of the Jurmala population. Besides, many properties are for summer season use only, many inherited properties have a lot of owners who find it difficult to reach an agreement among themselves on the common use of the property etc. Increase of the tax might lead to an increasing property offer in the market. At the same time some of the shacks located on expensive land in the dune zone might come to the market and get renovated after the change of ownership.

### Number of transactions with detached houses in Riga



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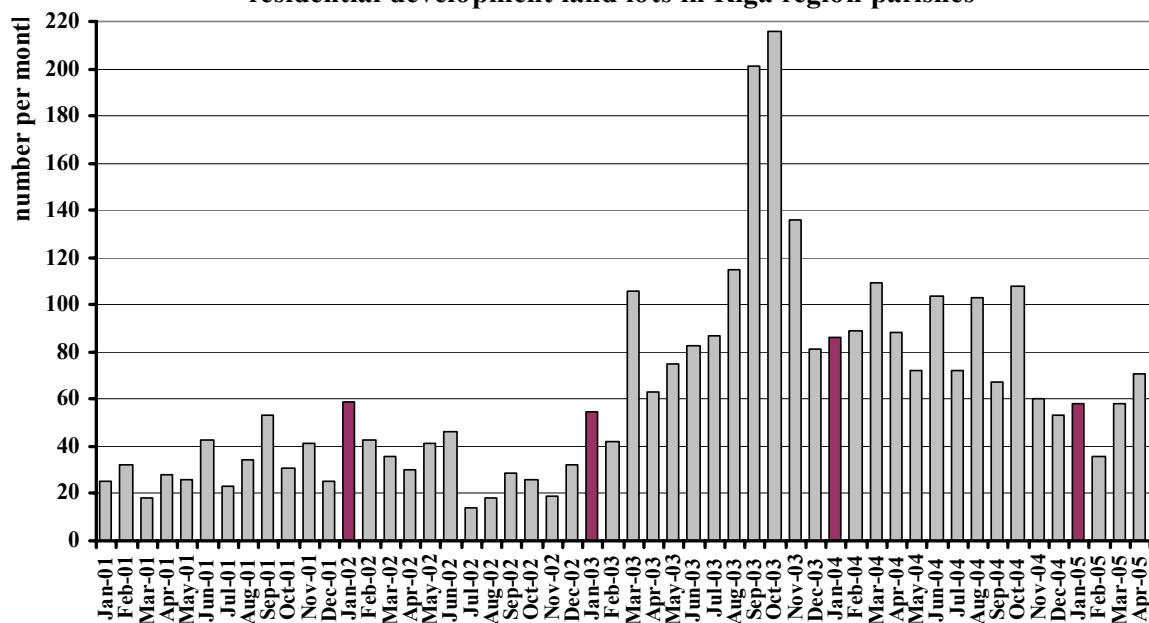
## RESIDENTIAL DEVELOPMENT LAND MARKET

Residential development land market activity is increasing in Latvia, formation of new residential land areas and villages is facilitated. Due to the formation of new residential villages, more and more attention is paid to the territory planning and infrastructure ensuring. On May 23 there was held a conference “Territory planning – precondition for long-term development” where role of the local authorities in facilitating formation of new residential villages in pleasant environment and having the necessary infrastructure – roads, electricity and the rest communications, was emphasized.

The latest noteworthy deal in Jurmala was a land plot of around 2000 m<sup>2</sup> in Dzintari sold in an auction held by the Jurmala city municipality for the construction of row houses for 600 EUR/m<sup>2</sup>. The biggest demand in Jurmala is witnessed for residential development land for the construction of multi-family apartment buildings located in the zone with the maximum permitted building density.

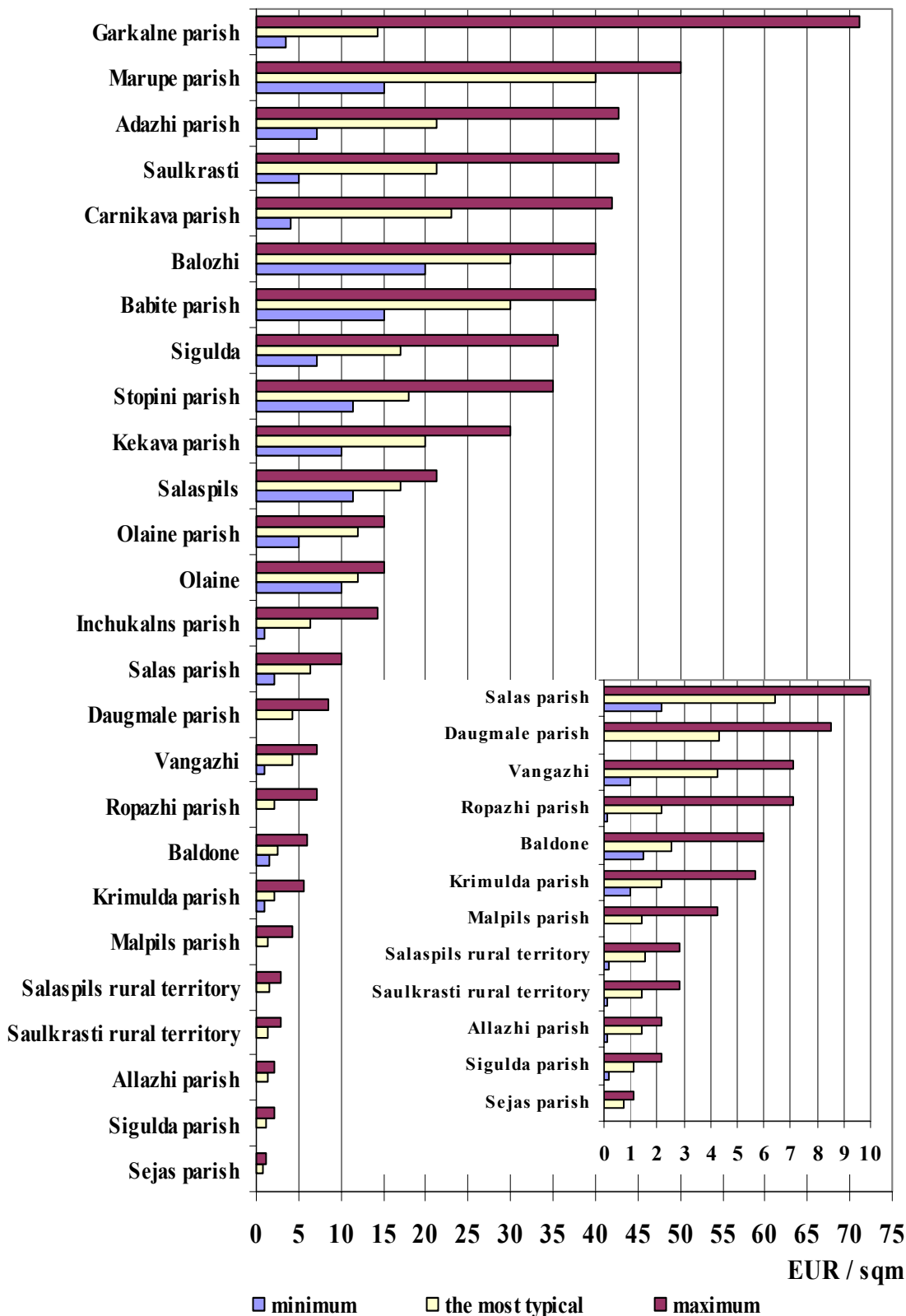
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**Parceled and sold (registered with the Land book register)  
residential development land lots in Riga region parishes**



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### Land prices in Greater Riga parishes



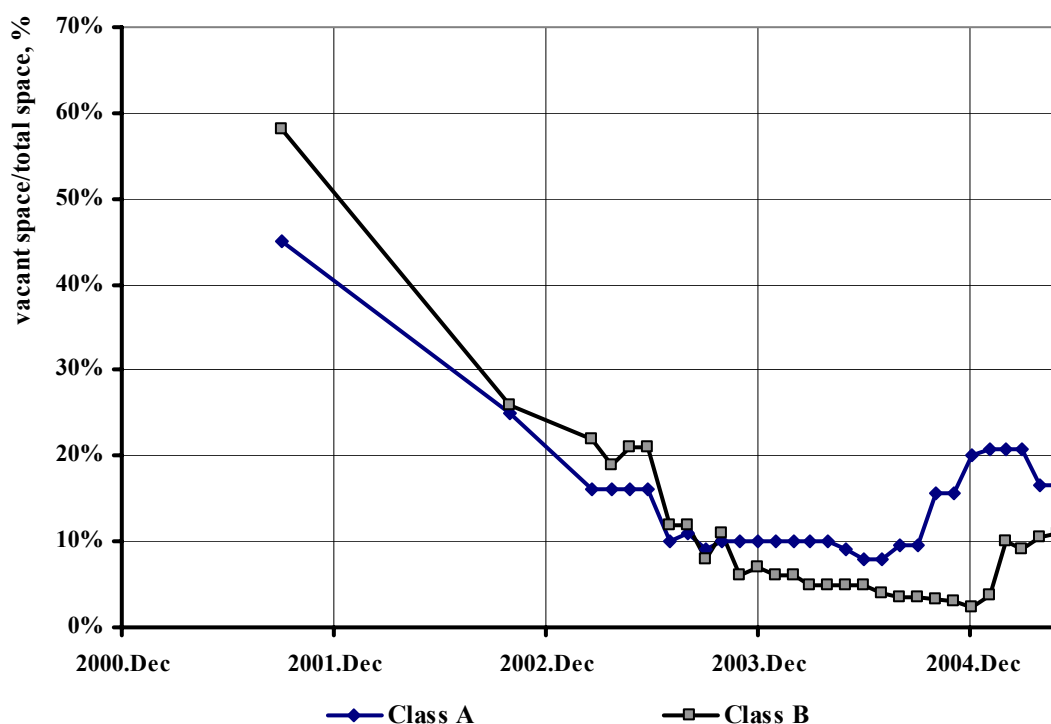
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## COMMERCIAL SPACE

### OFFICE SPACE

Lately there is witnessed an increased demand for office space in specially built or renovated and professionally managed office buildings. Tenants are interested in flexibility of the lease space, i.e., the possibility to vary the space leased still retaining the same legal address. However, the Riga Class A office buildings do not satisfy requirements of the customers, thus Class B take-up rate is increasing, in May some 11% of the total Class B space was vacant.

#### Office space vacancy rate



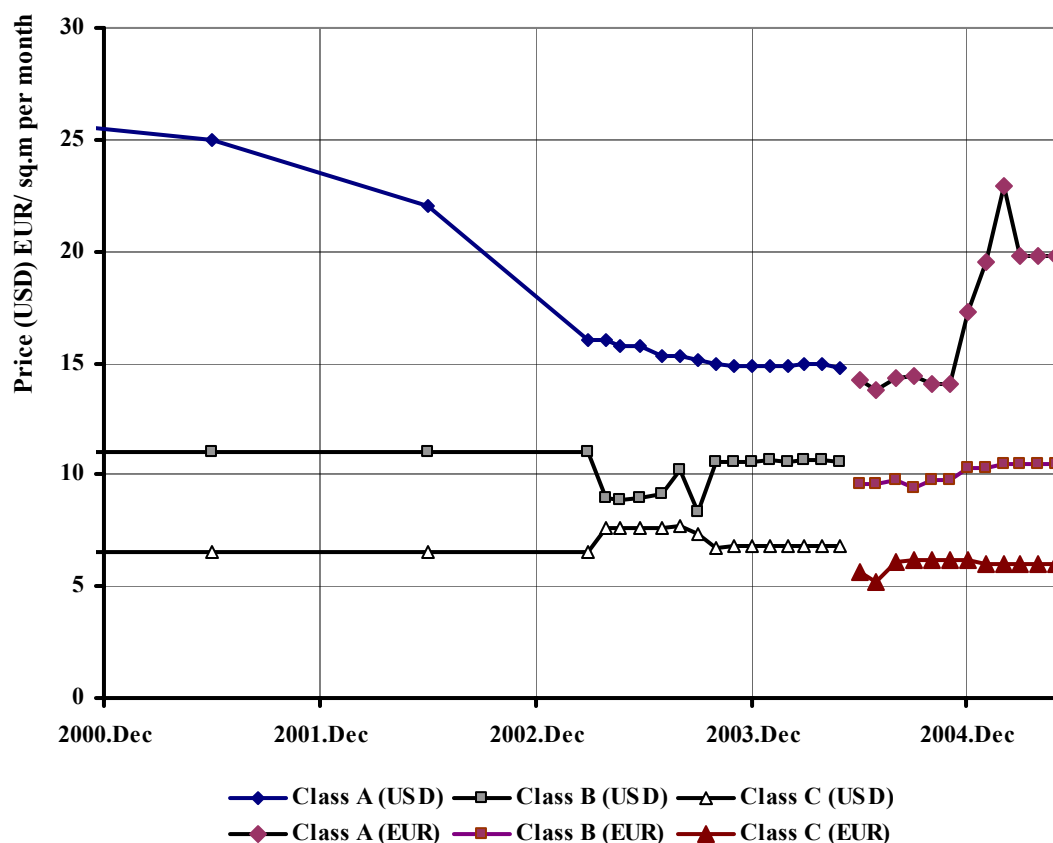
The main demand drivers are state institutions.

A new market trend are developers who search for lease space of about 200 – 400 m<sup>2</sup> on the ground floors of nicely renovated façade buildings in the centre of the city, needed for the presentation – sales of their projects. Lease agreements are concluded for a two to three year terms, quite often in mixed use or Class B buildings for Class A office prices – 20 EUR/m<sup>2</sup>.

As the main target audience of internet cafes are foreign visitors, there is a great demand for lease premises in the Old Town, but on the first and second floors where the lease prices are not so high.

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## Average office space rent



## RETAIL SPACE

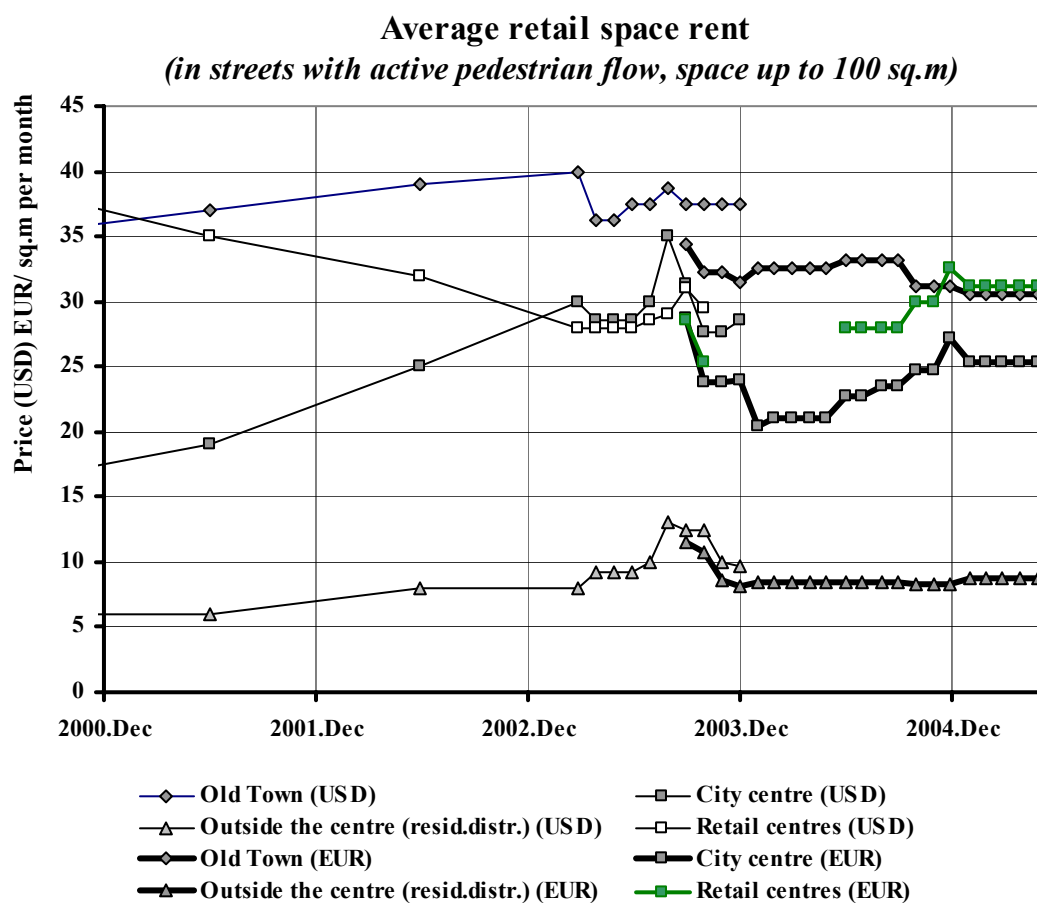
Prices in the retail space market remain stable. The main demand is witnessed for small and renovated retail space in the centre, lessees do not wish to make any investments in refurbishing the premises. This month the main demand drivers are retailers of medical products. Besides, in accordance with the requirements of the EU, these retailers demand premises with 2 entrances and entering possibilities for disabled people in wheel-chairs.

Market is gradually stabilizing, along with the growing competition, inadequately located retail centres are going bankrupt. In Krasta street, where it is possible to travel only by car, a number of supermarkets have closed during the last few years – “Citymarket”, “Krasta centres”, this May “Mego Mix”. “Rimi” chain shops are reducing their retail space from the formerly standard of 15 000 square meters to 5000 m<sup>2</sup>, the vacated space is leased out to other lessees. At the same time several smaller chain shops, like “Dona Jimena”, are moving out of their previous retail premises located in the centre of the city and making inquiries about retail space lease in retail centres.

A new trend is the interest of fashion retailers in cheaper retail space on the first floors of façade buildings where the lease is half (10 EUR/m<sup>2</sup>) of the ground floor lease (20 EUR/m<sup>2</sup>). Tourist agencies are expanding and searching for 50 -100 m<sup>2</sup> premises on the ground floors of façade buildings. At the same time small retail space of 20 – 30 m<sup>2</sup> are vacated in locations

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with low pedestrian flow, for example, on Brivibas street beginning with the crossing with Tallinas street.

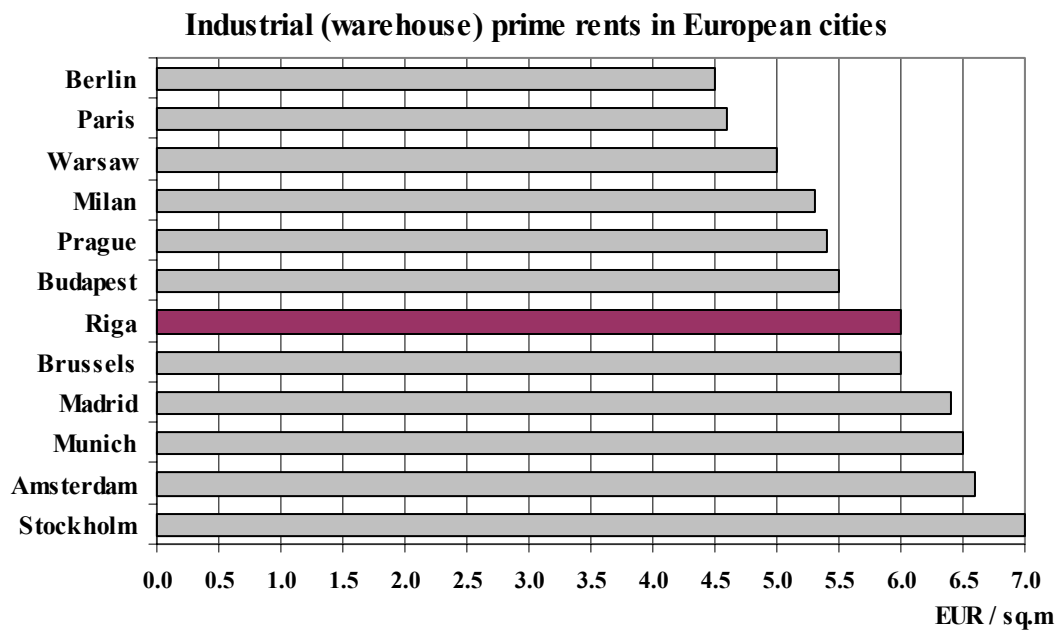


## INDUSTRIAL MARKET

In May the biggest demand was to purchase big warehouse premises as well as commercial land for warehouse construction. Un-renovated warehouse lease fluctuates between 1,5 – 5 EUR/m<sup>2</sup>, whereas, the lease of quality warehouses is about 4 – 6 EUR/m<sup>2</sup>. The main problem in this market segment is non-conformity of the existing warehouses with the requirements of the EU, while the price level even exceeds the average quality warehouse leases in Europe, i.e., 4 EUR/m<sup>2</sup>, and corresponds to the highest European leases. After Latvia's accession to the EU demand for customs warehouses has decreased radically, now they are mainly used by Russian and American importers. At the same time the biggest demand is witnessed for warehouses in the special economic zone with tax incentives.

Lately the biggest industrial demand drivers are producers wishing to buy production premises. Price is determined by the object use – sales price of a food manufacturing plant conforming to the EU standards reaches some 280 EUR/m<sup>2</sup>, whereas price of a metal processing plant is half of the said price.

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Lately agricultural production capacity is increasing. In Zemgale prices of agricultural land have reached 2 300 EUR/ha.

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