
REAL ESTATE MARKET OVERVIEW – RIGA AND GREATER RIGA AREA

November 2005

Forecasts of Latio specialists come true and the prices of standard type apartment continue to climb. In November, the average price of a standard type apartment has increased by about 25 EUR/m², reaching 882 EUR/m².

A new trend is defined: change in the concept in the final use of newly erected or renovated buildings or individual space thereof. Apartments in some not highly demanded new multi-apartment blocks are offered also as office space. But originally planned office buildings are developed into apartment or hotel buildings.

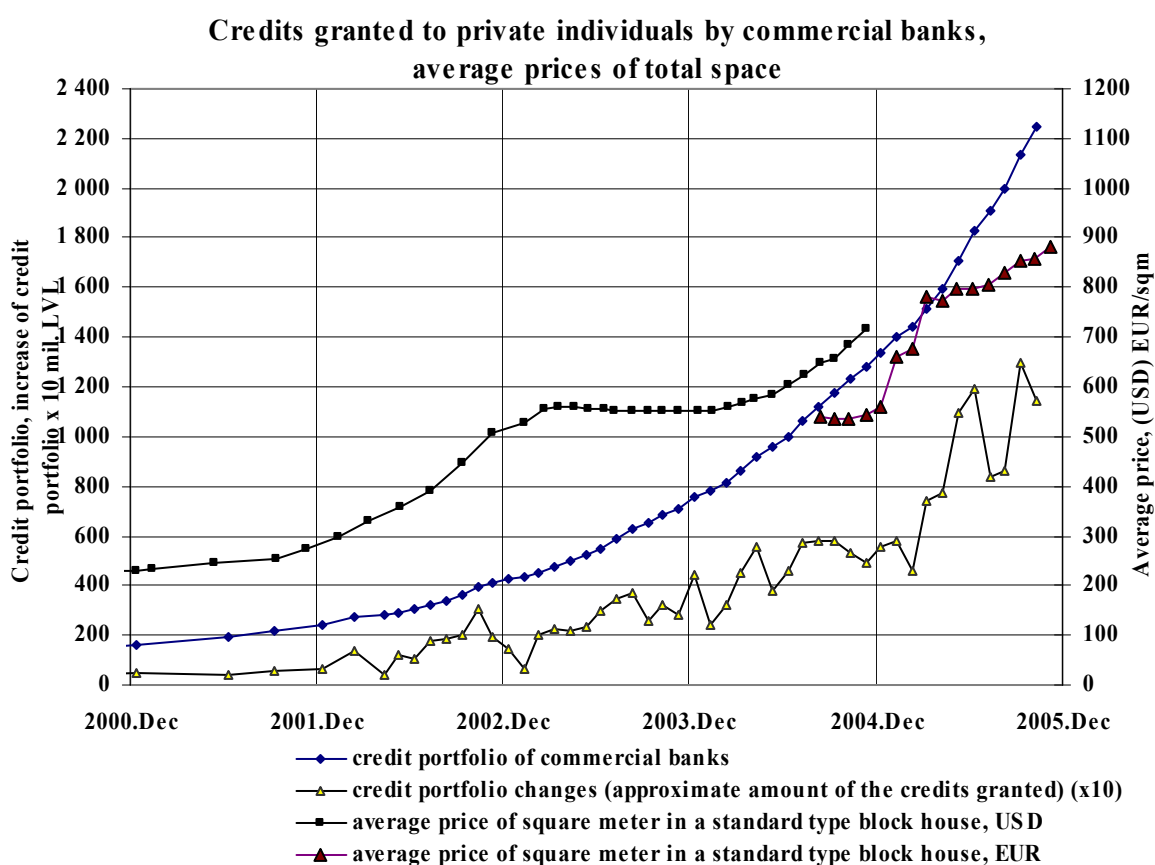
Regardless of the three new office buildings of the space total of 9,640 m² that entered in the market in November, the average rent of Class B space continuously rises however vacancy rate is decreasing. Due to the limited supply, rent of individual Class B office space reaches and even exceeds the rent of Class A offices. Rent of exclusive furnished office space in the centre of Riga City has amounted to 25 EUR/m².

Recently a new trend has been defined in the warehouse space market - lease payment has increased by approximately 1 EUR/m² or 12 – 20% in almost all segments of the warehouse space market, except for warehouses in a very bad condition.

HOUSING MARKET

According to the FCMC data, amount of the credits issued to private individuals for buying dwelling has increased by LVL 572 million (EUR 785 million) in the first three quarters of 2005 and thus has reached LVL 1,500 million (EUR 2,059 million) or has doubled within a year.

The constant increase in the credits issued can be explained by the fact that credit interest rates for credits in euros have decreased, credit maturity term has increased, and income of a part of the population has increased rapidly as well. As a result, credits have become more accessible to a bigger number of customers.



Source: Finance and Capital Market Commission, Latio

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STANDARD TYPE APARTMENTS

Forecasts of Latio experts come true, and the prices of standard type apartments continue to rise gradually. Average prices of standard type apartments in November increased by approximately 25 EUR/m², thus amounting to 882 EUR/m².

Still the highest demand is for one- and two-room apartments of any series that in general are cheaper than apartments of a larger space, even if they cost at least 1000 EUR/m². Besides, due to the limited resources, small apartments are most often bought by families willing to acquire larger space, however not being able to afford it. In order a bank would grant a credit without a co-financing buying a standard type apartment, net monthly income of a borrower must exceed LVL 300 LVL (almost EUR 430) but net income of a buyer of a new apartment in the new project must be at least LVL 800 (EUR 1,100).

There is a significant price difference between a repaired and a non-repaired analogous standard type apartment: from EUR 10,000 to 15,000. Thus, repaired apartments in general are bought out within six months while non-repaired but also cheaper apartments are bought within two or three months.

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

District/ series	Purv- ciems	Ziepniek- kalns	Agens- kalns	Imanta	Zolitude	Plavnieki	Mezciems	Jugla	Kenga- rags	Bolderaja
Series 119	1- room	41000 - 53000	35000 - 48000	-	-	39000 - 50000	40000 - 54000	-	-	-
	2- rooms	53000 - 69000	40000 - 61000	-	-	46000 - 64000	50000 - 67000	-	-	-
	3- rooms	61000 - 84000	55000 - 75000	-	-	60000 - 77000	57000 - 81000	-	-	-
	4- rooms	66000 - 92000	68000 - 83000	-	-	66000 - 85000	59000 - 93000	-	-	-
Series 602	1- room	32000 - 39000	30000 - 38000	-	33000 - 38000	-	32000 - 42000	32000 - 39000	-	-
	2- rooms	45000 - 59000	41000 - 57000	-	43000 - 55000	-	45000 - 57000	45000 - 60000	-	-
	3- rooms	55000 - 72000	53000 - 62000	-	49000 - 63000	-	53000 - 71000	56000 - 71000	-	-
	4- rooms	58000 - 77000	66000 - 76000	-	60000 - 75000	-	63000 - 75000	60000 - 77000	-	-
Series 103	1- room	35000 - 44000	-	31000 - 41000	-	-	33000 - 46000	-	-	25000 - 35000
	2- rooms	47000 - 65000	-	45000 - 59000	-	-	46000 - 64000	-	-	35000 - 48000
	3- rooms	56000 - 74000	-	57000 - 70000	-	-	57000 - 77000	-	-	38000 - 55000
Series 104	1- room	42000 - 53000	38000 - 45000	-	38000 - 45000	37000 - 45000	43000 - 54000	37000 - 50000	-	-
	2- rooms	53000 - 67000	45000 - 56000	-	45000 - 56000	42000 - 56000	51000 - 66000	46000 - 62000	-	-
	3- rooms	60000 - 82000	59000 - 76000	-	59000 - 76000	50000 - 77000	59000 - 86000	54000 - 71000	-	-
„Lithuanian” proj.	1- room	31000 - 37000	27000 - 35000	29000 - 35000	29000 - 35000	-	-	31000 - 39000	-	28000 - 34000
	2- rooms	43000 - 54000	38000 - 47000	41000 - 46000	41000 - 49000	-	-	44000 - 65000	-	33000 - 40000
	3- rooms	50000 - 62000	44000 - 57000	47000 - 55000	49000 - 58000	-	-	49000 - 62000	-	37000 - 49000
„Hruschov” type houses	1- room	32000 - 38000	28000 - 35000	30000 - 35000	-	-	-	-	29000 - 35000	28000 - 38000
	2- rooms	42000 - 54000	37000 - 45000	37000 - 45000	-	-	-	-	39000 - 49000	32000 - 41000
	3- rooms	48000 - 61000	46000 - 53000	46000 - 53000	-	-	-	-	45000 - 59000	40000 - 56000

Source: Latio

NEW PROJECTS

Prices of apartments in the new projects continue to climb. Sometimes price of a square meter of an apartment can rise considerably even during processing of a deal. Price range of apartments with the white finishing in a commissioned new project in residential districts is LVL 800 to 1,100 (EUR 1,100 to 1,500).

New trend is defined: change in the use of a whole building or individual space thereof. Apartments in separate, not highly demanded new multi-apartment blocks are offered as office space. Simultaneously, development concept has been altered in several buildings that have been planned originally as office centres, for example, a building at Gertrudes iela 39 is developed as a multi-apartment building and a new hotel is under construction at Graudu iela 49. Due to the location of the above-mentioned buildings, the new concept is the most profitable way of using such buildings.

APARTMENTS IN THE CENTRE OF THE CITY

No changes have occurred in this market segment, and the average prices of apartments in the Old Town are from 3,000 to 4,000 EUR/m², but in the near centre – from 1,600 to 2,200 EUR/m². Rents of exclusive apartments have remained without any changes within the limits from 11 to 12 EUR/m².

There is quite sufficient supply of apartments in the new projects in the centre of Riga, with the average price of 3,500 EUR/m². A great share of the supply is formed by the secondary market.

DETACHED HOUSING

As every year, the interest in buying detached houses in November has slightly decreased. Greater activity can be witnessed in Saulkrasti where at the moment in gardening co-operatives summer cottages of space from 80 to 100 m² are bought to reconstruct them into winter houses. Average price of such houses together with a typical land plot of about 600 m² is LVL 60,000 to 70,000 (EUR 82,000 to 96,000). Properties that have been sold this month for the said price are located on average within 3 km distance from the centre of Saulkrasti and are not close to the sea. Such properties are marketable, and the average sale period is 2 to 3 months, sometimes even one month.

At the moment there are two winter houses offered for sale in the centre of Saulkrasti within some 250 m from the sea. Space of the houses is 204 m² and 247 m² respectively, the average price is 640 LVL/m² (880 EUR/m²). Land plot is 1199 m² and 1530 m² respectively, the average price is 105 LVL/m² (144 EUR/m²).

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RESIDENTIAL DEVELOPMENT LAND

Market of residential development land is subject to seasonality to a certain extent, and the interest among buyers usually decreases slightly during the autumn and winter periods.

Several new village territories have been developed recently, and the greatest share of residential development land in those villages has been sold out with approximately 5 to 10% left in supply. Project developers have set very high prices for the remaining residential development land plots. For example, land plots in project *Marsili* at Mazais Baltezers lake were sold on average for 45 - 55 EUR/m², but the price of a couple of yet unsold residential development land plots has been raised as high as to 50 - 65 EUR/m². There are no buyers for such a price for the time being, however the remaining residential development land will be definitely bought in spring for a price not lower than the above mentioned.

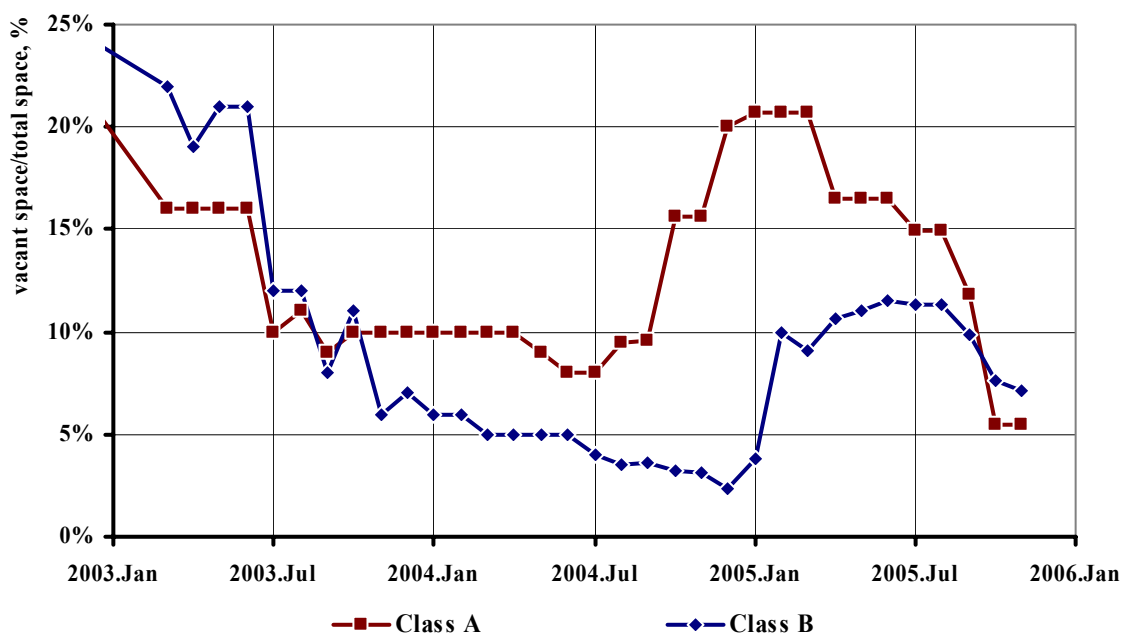
At the moment, the land market is comparatively active in Ikšķile where people are buying out small residential development land plots for 20 - 25 EUR/m².

COMMERCIAL SPACE MARKET

OFFICE SPACE

Regardless of the three new office buildings of total space 9,640 m² that have entered in the market in November, the average rent of Class B space continuously rises however the vacancy rate is decreasing. All the three new office building projects are located in the centre of Riga: in Stabu, Lacplesa and Brīvības streets. All the office space was fully leased out long before commissioning of the buildings.

Office space vacancy rate

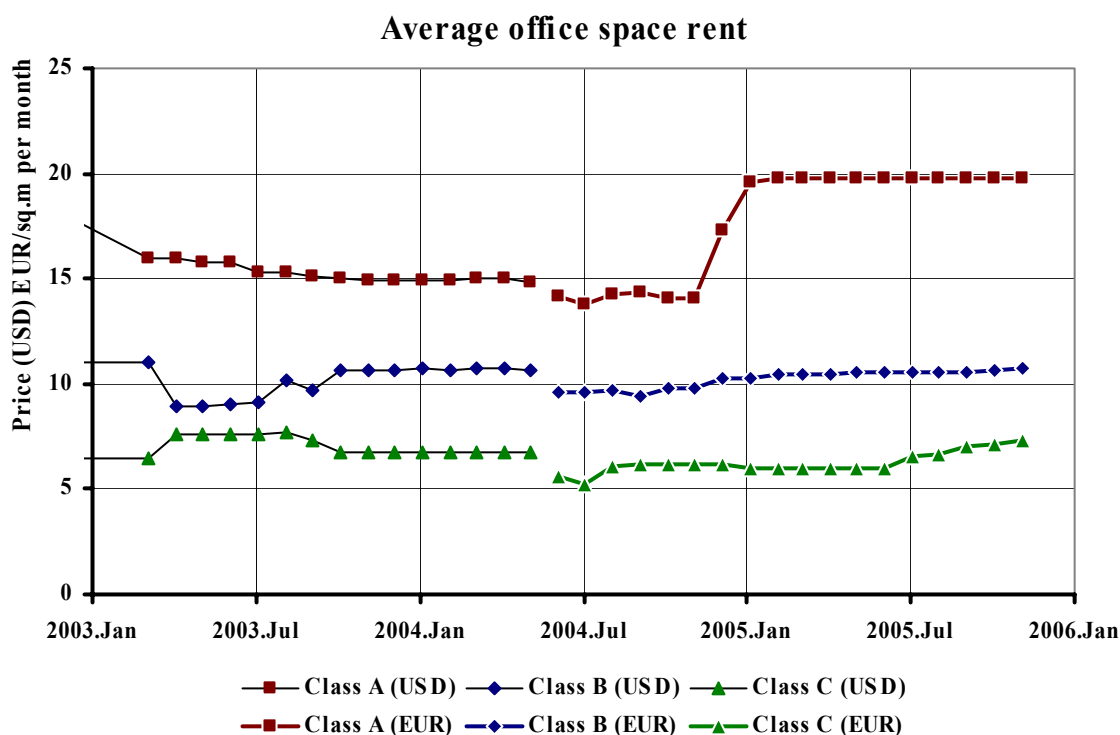


Source: Latio

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However, no changes are witnessed in the Class A office space market in November. Forecasts of Latio experts have come true: due to the limited supply, lease for individual exclusive and furnished Class B office space reach and even exceed Class A office space lease, i.e., have amounted to 25 EUR/m². There is a general trend witnessed that lease prices of Class B office space are increasing. To compare, the highest Class A office space lease in the office centre CITY PLAZA in Tallinn is 16 - 19 EUR/m².

Still the largest proportion of the deals this month is formed by office space in the city centre and in Pardaugava within the space segment from 20 to 40 m². Office space of 400 m² in the city centre, Dzirnavu iela, and 900 m² in Pardaugava, Vienibas gatve, shall be noted among the largest office space let out in November.



Source: Latio

RETAIL SPACE

Retail space market is stable, and the price level has not witnessed any changes. The seasonality trend in this market segment has proven true: several clients are looking for retail space wishing to open their stores until the Christmas shopping fever.

One of the main issues in November is a regulation adopted by the majority of Saeima (the Parliament) to disable the municipalities to determine any territories where distribution of gambling halls shall be prohibited. As a result, gambling operators are looking for new retail space in the centre of Riga.

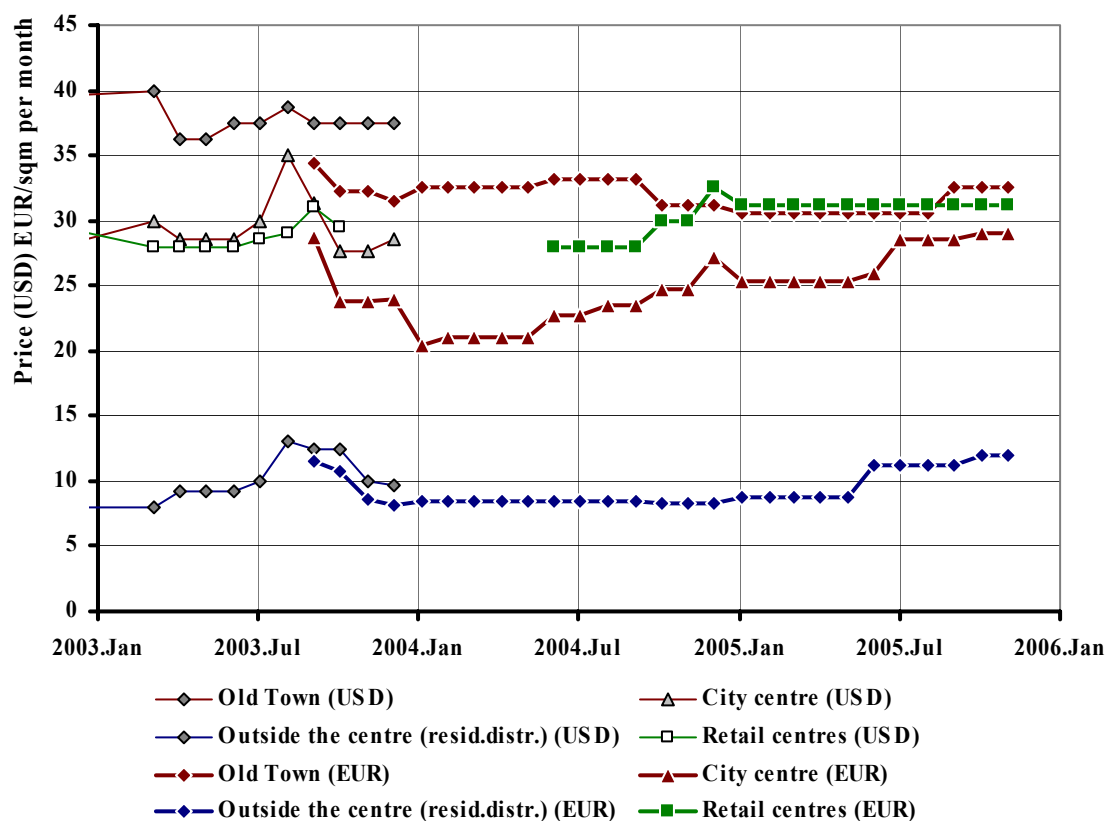
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According to Latio experts, one of the most significant deals in the retail space market in November shall be deemed sales of the retail space for an approximate amount of EUR 460,000. The retail space was sold in a multipurpose building together with a recently concluded long-term rent agreement with the gambling operator Fenikss.

Telecommunication company BITE Latvija continue their rapid network development in Latvia. The new mobile communication operator BITE Latvija has launched 10 points of sale in the territory of Latvia this month, by covering 11 cities including Riga, Daugavpils, Jelgava, Jurmala, Liepaja, Ventspils, Valmiera, Sigulda, Tukums, Salaspils and Ogre. The company has succeeded in expanding their network in Riga and Daugavpils.

There are totally 20 *Maxima* and *MiniMaxima* stores operating under VP Market, Ltd. in Latvia, and three new supermarkets are under construction at the present moment, from which one will be situated in Riga, Karla Ulmana gatve, and the other two in Jelgava and Valmiera.

Average retail space rent
(in streets with active pedestrian flow, space up to 100 sqm)



Source: Latio

INDUSTRIAL SPACE

Trend has emerged in the warehouse space market during the last months that lease payments are increasing. The increase by approximately 1 EUR/m² or 12 – 20 % is witnessed in almost all segments of the warehouse space market, except for warehouses in a very bad condition. Average price of warehouse lease agreements is 5 EUR/m², but the maximum asking price exceeds 8 EUR/m² in some cases. The price increase is mainly determined by the increasing construction costs. According to the data of the Central Statistical Bureau, construction costs have increased on average by 9.9% in the first nine months of this year in Latvia if compared with the analogous period of the previous year. Customers demand already repaired warehouse premises with communications, and the previous market practice to repair such premises by themselves thus receiving short-term lease holidays is not satisfying customers anymore.