

REAL ESTATE MARKET OVERVIEW – RIGA AND GREATER RIGA AREA

October 2005

In October the average price of a standard type apartment has retained the previous level - about 857 EUR/m², rising for some 4 EUR/m². In the Old Town and the city centre the average apartment price range has not changed.

A year ago price of an average more or less quality detached house was about 100 000 EUR, this autumn it has reached 100 000 LVL or about 143 000 EUR.

Parking problem is becoming more and more pressing – in the new projects each apartment is allotted 1 parking-lot whereas normally there are at least 2 cars at the disposal of a family. Moreover, parking problems have great impact upon the office market – a great number of clients are ready to leave their centrally located offices for office premises in Pardaugava where there is easier access and enough parking for the employees and the clients.

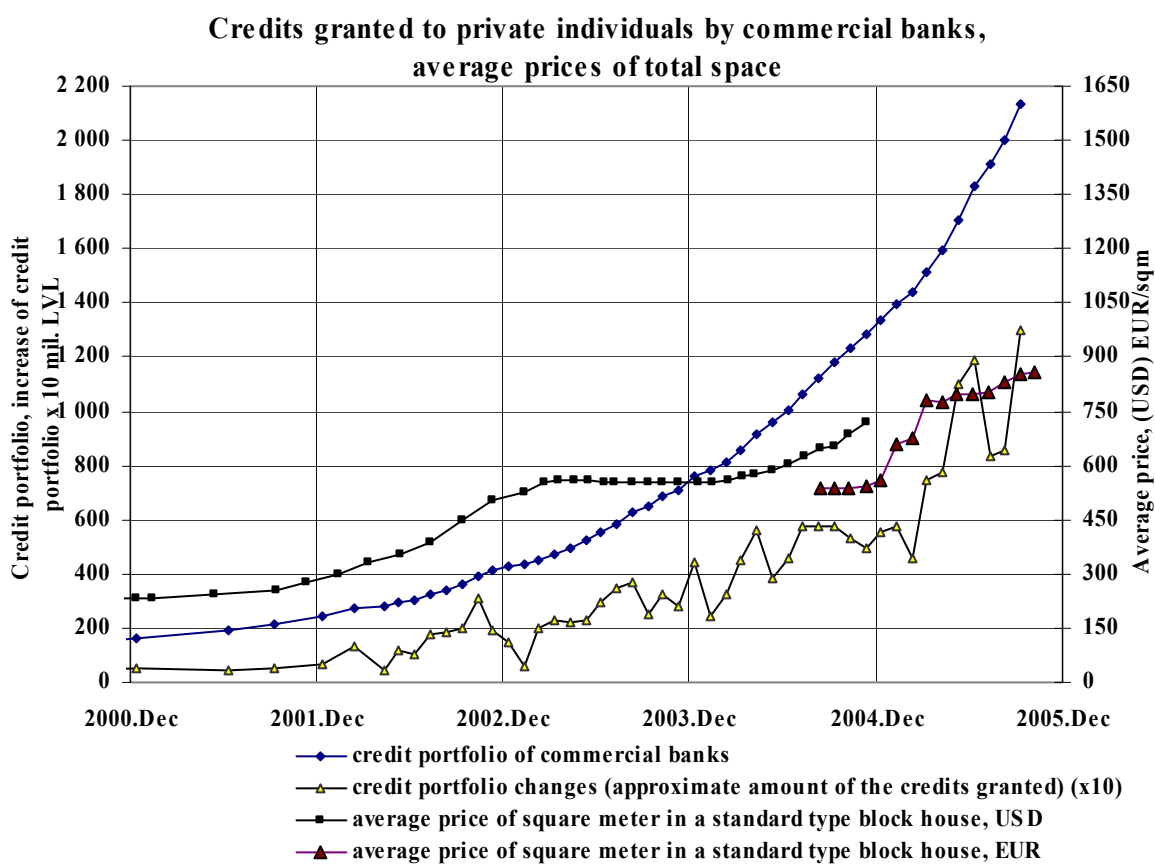
In October the remaining vacant space in the JSC “Hansabanka” head office “Sauls akmens” was leased, consequently the total Class A vacancy rate has reached the so far lowest level – 6%.

This month the office space market was supplemented by two brand new buildings with the total space of 5 100 m². One of the new office buildings was taken up within a few weeks time. The supply is not meeting the ever growing demand in the office market segment.

Data publishing without reference to the source is prohibited!

HOUSING MARKET

During this month standard type apartment market has not experienced any significant changes, the average apartment price, if compared with the previous month, has climbed by 4 EUR reaching 857 EUR/m². The demand being stable, the average standard type apartment price in residential districts continues to grow gradually.



source: Latio, the Finance and Capital Market Commission

STANDARD TYPE APARTMENTS
Prices of standard type apartments in residential districts of Riga in October, EUR

District/ series	Purv- ciems	Ziepniek- kalns	Agens- kalns	Imanta	Zolitude	Plavnieki	Mezciems	Jugla	Kenga- rags	Bolderaja
Series 119	1- room	40000 - 55000	36000 - 48000	-	-	38000 - 50000	38000 - 55000	-	-	-
	2- rooms	52000 - 69000	41000 - 61000	-	-	43000 - 64000	46000 - 65000	-	-	-
	3- rooms	57000 - 86000	55000 - 74000	-	-	55000 - 77000	54000 - 81000	-	-	-
	4- rooms	64000 - 95000	68000 - 83000	-	-	61000 - 85000	61000 - 93000	-	-	-
Series 602	1- room	30000 - 40000	31000 - 38000	-	32000 - 38000	-	30000 - 39000	30000 - 39000	-	-
	2- rooms	40000 - 58000	41000 - 57000	-	42000 - 55000	-	40000 - 55000	43000 - 60000	-	-
	3- rooms	51000 - 72000	49000 - 64000	-	49000 - 63000	-	53000 - 73000	56000 - 71000	-	-
	4- rooms	55000 - 77000	66000 - 76000	-	60000 - 75000	-	66000 - 74000	61000 - 78000	-	-
Series 103	1- room	34000 - 44000	-	31000 - 43000	-	-	33000 - 46000	-	-	25000 - 35000
	2- rooms	45000 - 65000	-	43000 - 57000	-	-	44000 - 64000	-	-	35000 - 48000
	3- rooms	54000 - 78000	-	54000 - 70000	-	-	53000 - 77000	-	-	38000 - 55000
Series 104	1- room	41000 - 55000	38000 - 45000	-	38000 - 45000	37000 - 45000	41000 - 54000	37000 - 50000	-	-
	2- rooms	50000 - 68000	45000 - 56000	-	45000 - 56000	42000 - 56000	49000 - 66000	46000 - 62000	-	-
	3- rooms	57000 - 87000	59000 - 76000	-	59000 - 76000	50000 - 77000	56000 - 86000	54000 - 71000	-	-
„Lithuanian” proj.	1- room	30000 - 35000	26000 - 35000	29000 - 35000	28000 - 35000	-	-	30000 - 39000	28000 - 36000	25000 - 30000
	2- rooms	43000 - 56000	36000 - 47000	39000 - 44000	40000 - 48000	-	-	43000 - 65000	34000 - 43000	35000 - 44000
	3- rooms	48000 - 63000	42000 - 57000	46000 - 55000	48000 - 57000	-	-	45000 - 62000	39000 - 52000	38000 - 48000
„Hruschov” type houses	1- room	31000 - 37000	28000 - 35000	29000 - 35000	-	-	-	29000 - 35000	28000 - 38000	-
	2- rooms	41000 - 47000	37000 - 45000	37000 - 45000	-	-	-	40000 - 51000	33000 - 43000	-
	3- rooms	43000 - 59000	46000 - 53000	46000 - 53000	-	-	-	45000 - 62000	40000 - 57000	-

• price increase • price decrease • price unchanged (comparing to the previous month)

source: Latio

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NEW PROJECTS

We have already mentioned in our previous market overviews that only part of the apartments in the new projects are purchased by the final users. Thus many of the apartments that have never been occupied are offered in the secondary market, but for the current prices, namely, 1,200 – 1,700 EUR/m².

When designing new residential buildings developers envisage 1 parking-lot per apartment, in some projects also a storage place. It should be noted that in Riga there are at least 2 cars at the disposal of a family. Consequently parking problem that is already quite pressing, will become more acute when all the apartments are inhabited.

APARTMENTS IN THE CENTRE OF THE CITY

In the Old Town and centre the apartment price range is stable, in the Old Town the average price range is about 3,000 to 4,000 EUR/m², in the near centre 1,600-2,200 EUR/m². The number of deals during the last half year has slightly decreased. There is demand for house properties, apartments in the new projects are bought more as investment objects. Demand drivers in this market segment are both – local and foreign people.

Rental market is stable, rent of an exclusive furnished apartments in the Old Town ranges from 11 to 12 EUR/m², in the near centre about 8 EUR/m².

DETACHED HOUSING

Number of transaction with detached houses in Riga is decreasing due to the insufficient supply, besides prices are high. There is almost no residential development land available within the Riga city borders, quite often land is offered together with a lien – old shack that is not worthy to be renovated, but to demolish it a special permit is required. Property price is determined by summing up the land and building prices. Even price of an old shack is calculated according to the number of rooms in a standard type residential building in the respective residential district.

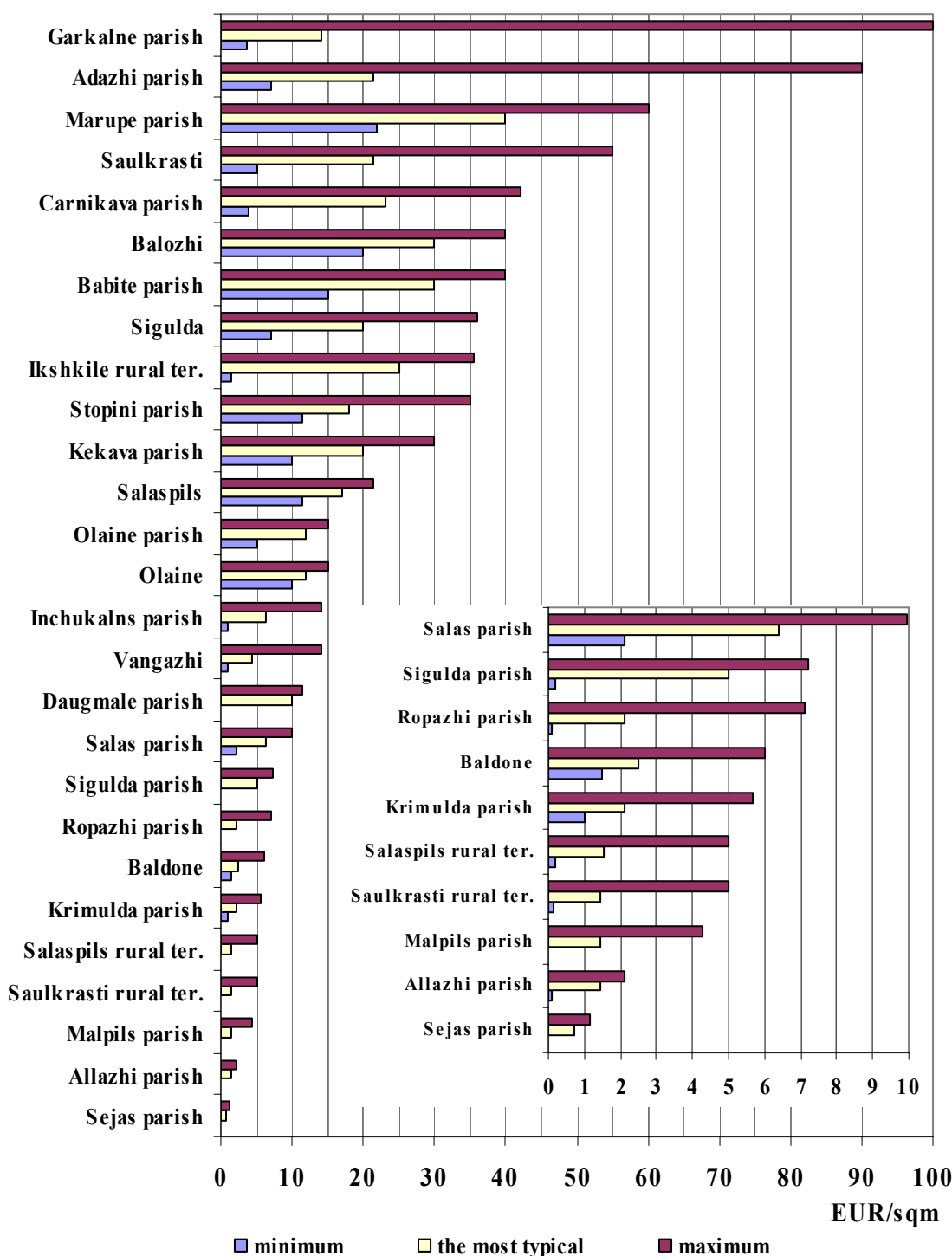
If a year ago price of an average quality house being in the market only a short while was about 100,000 EUR, this autumn detached houses for the average price of 100,000 LVL (143,000 EUR) are bought very quickly.

RESIDENTIAL DEVELOPMENT LAND

Prices of residential development land have not changed during this month. The main demand is for residential land in a good location having all the communications and good access roads, thus prices are rising in Sigulda, Ikšķile, Daugmale parish. In October residential development land in Ogre was bought for 43 EUR/m², that is more expensive than land in Sigulda where the highest price witnessed this month was 36 EUR/m².

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Land prices in Greater Riga parishes



Source: Latio

In some locations in Riga and Greater Riga, for example, Mezaparks, on the banks of the lake Baltezers, the price of residential development land has reached 200 and even 500 EUR/m². The land price is rising not only due to the insufficient supply and general upward trend in the market, but due to other factors as well. For example, in some places in Vecaki,

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Pardaugava, Marupe, city communications – water, sewerage system, are installed for the resources allotted by the EU funding, thus encouraging price rise of residential development land.

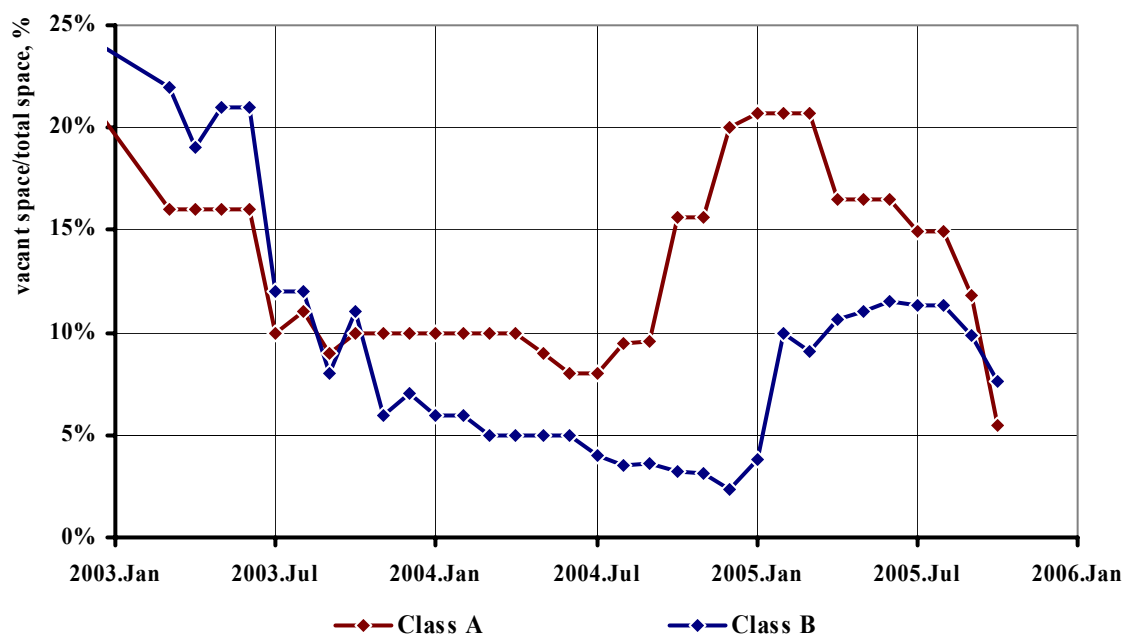
COMMERCIAL SPACE MARKET

OFFICE SPACE

The office space market is active. In October the most significant changes have taken place in Class A and B office market segments, but the greatest activity was witnessed in Class C market.

The forecast of Latio specialists has come true very quickly and after leasing the remaining office lease space in the central building of Hansabanka “Saules akmens” at the moment in Class A office space market there is left only one office building – “Valdemara centrs” with the vacancy rate of 20%. Consequently the total Class A vacancy rate has reached the so far lowest level – 6%.

Office space vacancy rate



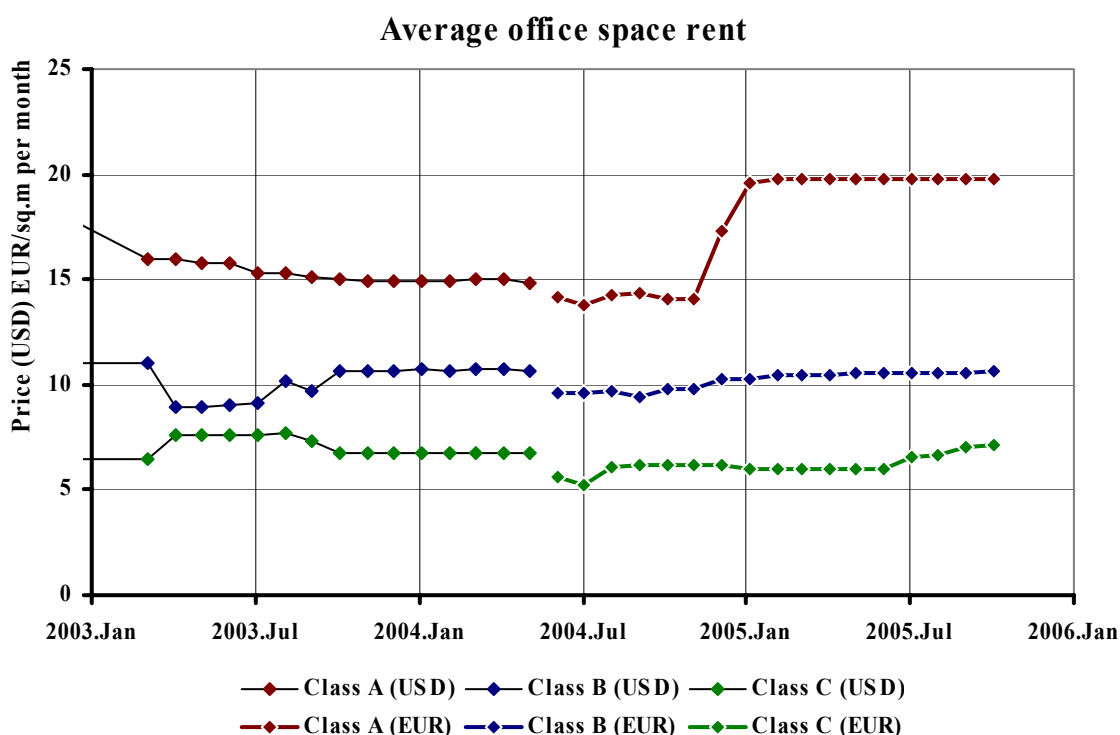
source: Latio

In Class B office space market the supply does not meet the demand, in October the vacancy rate has considerably decreased reaching about 8%, notwithstanding the fact that this month two newly built office buildings with the space total of 5 100 m² entered the market. Long before its commissioning, premises in the new Class B office centre in Ieriku street were offered for both – lease and purchase. The minimum purchase space was set 1 floor, i.e., about 300 m² for the average price of 1,000 LVL/m² (1,430 EUR/m²). In spring the lease price was stated 9 EUR/m². However, since mid October the building is fully taken up. Capitalization rate of this office building is about 6%.

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In the other newly built Class C office building in Tvaiku street the lease is set 7 EUR/m², besides 35% of the space total is already leased out.

The greatest demand as always is witnessed for quality office premises in the centre of the city with enough parking for both –the employees and the clients. There is no such offer in the centre, thus resulting in stronger demand for premises in Pardaugava.



source: Latio

In October the biggest number of deals was concluded with smaller office space – about 20 m² for the price of 7 EUR/m².

RETAIL SPACE

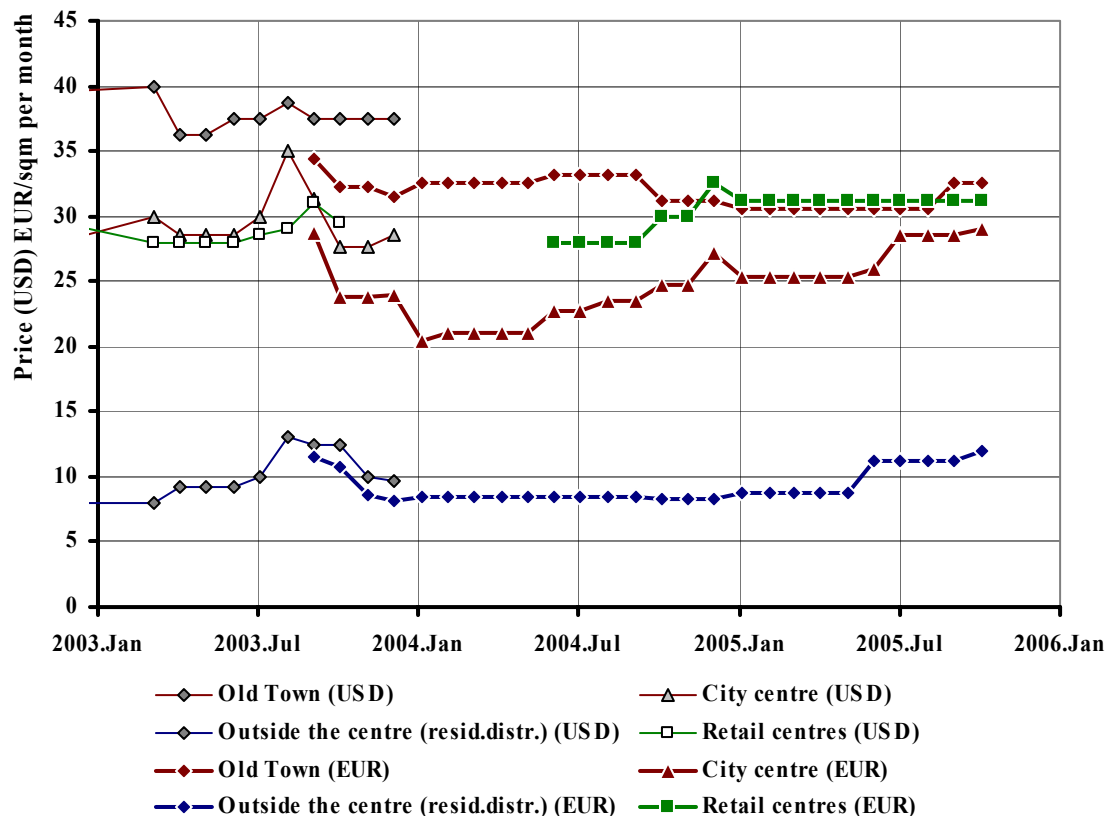
The retail space market is stable – generally prices are retaining the same level, as usually the strongest demand being witnessed for the premises in the high streets – Terbatas, Kr.Barona, for adequate prices. Besides, demand for bigger premises – 200 - 500 m² has increased. The trend to purchase retail premises is becoming stronger.

Some retailers are expanding and opening new shops. In October several retailers having long and successful experience in trade centres have started looking for retail premises in the high streets. The new mobile operator “Bite Mobile” is looking for retail space all over the territory of Latvia for the average lease of 10 - 15 EUR/m². A Finnish pharmaceutical company has entered the market by opening a chain and thus is searching for adequate retail space in various cities in Latvia.

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At the same time some retailers and chain shops fail to meet competition and go bankrupt, for example, chain of Spanish goods “Dona Jimena”.

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



Source: Latio

INDUSTRIAL SPACE

The industrial space market lately has not experienced any changes, the demand is stable, range of lease the same – 1.5 – 5.0 EUR/m². The biggest demand drivers – enterprises engaged in metal processing, woodworking and construction materials. Lately interest to buy storehouses is becoming stronger.

In October an industrial object – a two storey building with all the communications and the space total of 4 000 m², a hangar and 4 000 m² of land in Ilguciems came into the market. The former owner had envisaged to turn the premises into a food-manufacturing enterprise, but liquidity of the project proved to be low leading to the object coming into the market again.

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