

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

**September 2006**

- **In September, the average price of a standard type apartment in Riga was 1380 EUR per sq.m thus becoming higher for 7% than in August.**
- **In September, 10 new housing projects entered the market of new homes.**
- **On the market, offer of a large-scale project ever seen in Jelgava – “Gulbju ezers” (*Swan Lake*) was begun.**
- **In Jurmala, two new housing projects are offered on Jomas street.**
- **In September, making reservations of premises were started in 4 new office projects on the market of commercial properties.**
- **An office building has been commissioned on 4 Mārupes street.**
- **The greatest part of retail space has been leased out in the project “Panorama Plaza”.**
- **Supply of commercial premises has increased in new housing projects.**
- **Against the end of the year, an increased demand is witnessed for short-term rent of additional warehouses by trading enterprises.**

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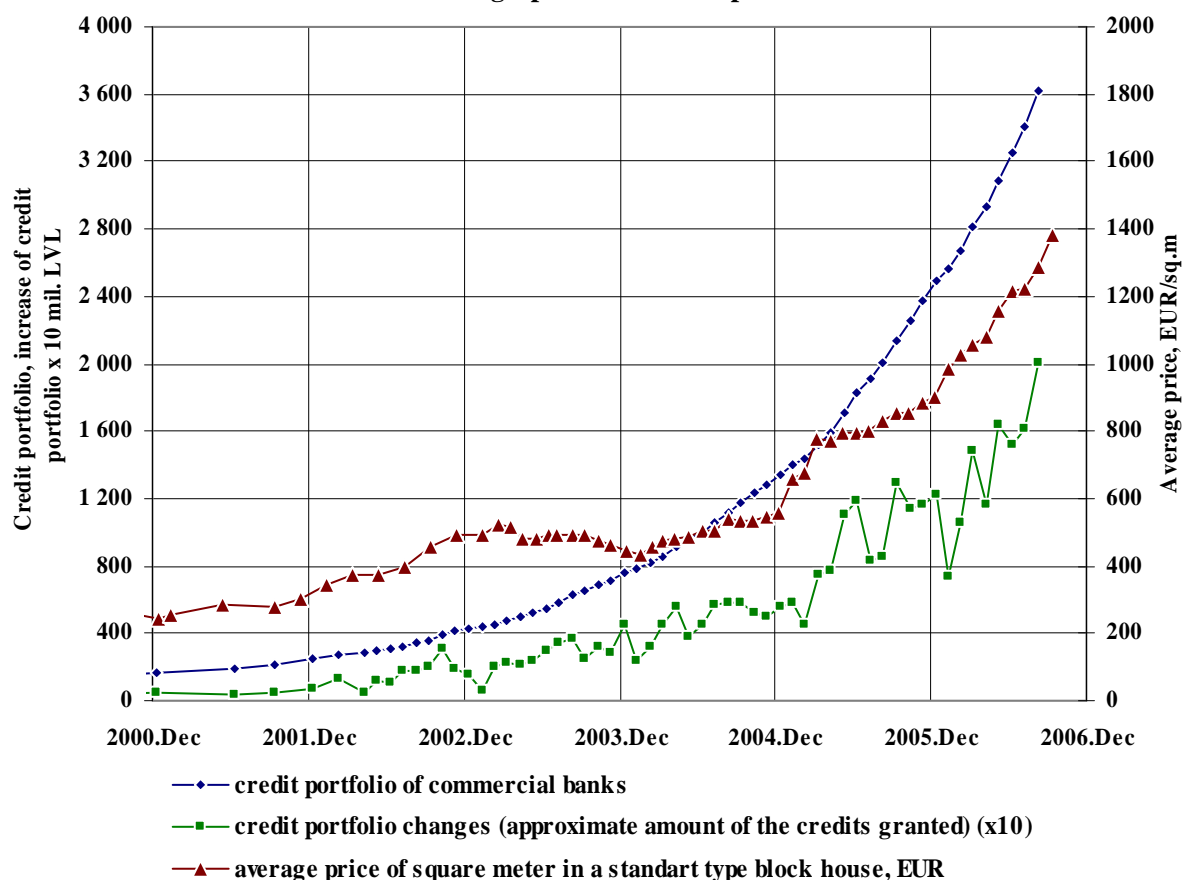
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# HOUSING MARKET

## GENERAL ECONOMIC SITUATION

Rapid growth of Latvian economy continues – according to the last data published by CSA in September, the rapid economic growth as it was at the end of the year 2005 was in progress also this year. Increase in GDP was 10% by comparative prices in 2005, in the last two quarters of 2005 – 11%, in the first two quarters of this year – 13% and 11% thus being higher than that at the end of the last year. Increase in GDP by actual prices was 24% and 22% in the first two quarters of this year compared to the respective period of the last year. This is the main factor determining the recent price rise on the market of apartments, especially in the segment that is generally consumer market in a purchaser's opinion.

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



Source: The Finance and Capital Market Commission, LATIO

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According to the current data published by FCMC, volume of loans granted to private persons by commercial banks has increased significantly. Credit portfolio increased for 200 millions LVL in July that remarkably differed from the average increase of the previous months, i.e. 150 millions LVL a month.

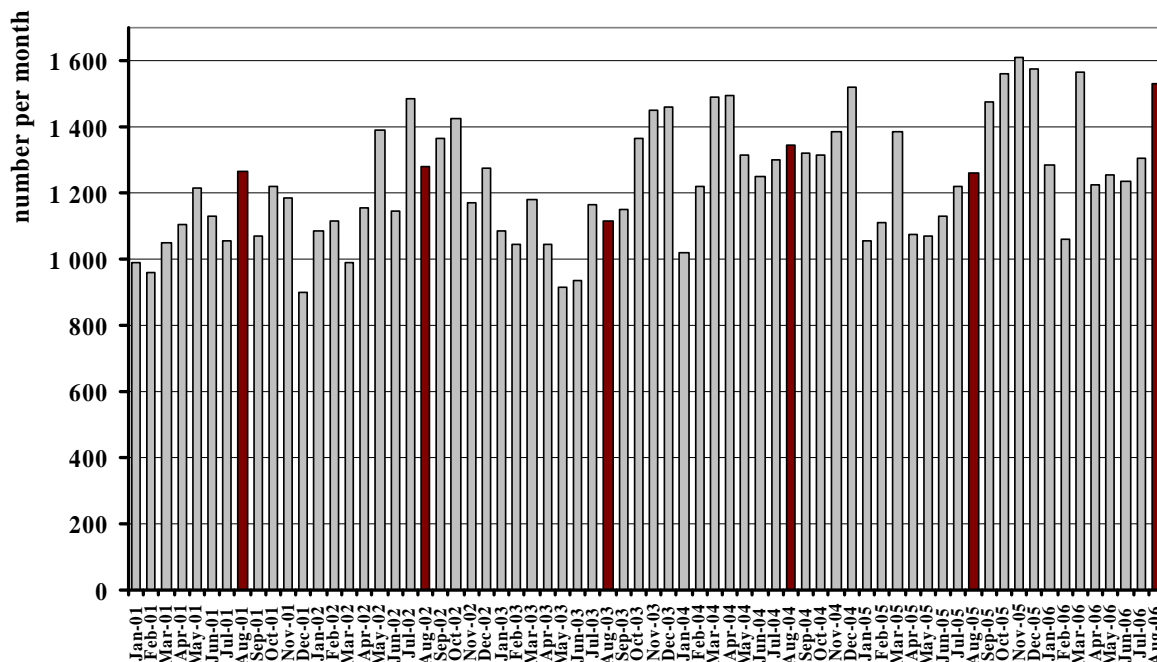
### STANDARD TYPE APARTMENTS

- **In September, the average price of a standard type apartment in Riga was 1380 EUR per sq.m thus becoming higher for 7% than in August.**

The rapid economic growth is the main reason for price rise in the segment of standard type apartments. Standard type apartments generally are consumer goods – purchasers buy them for residence not as investment objects. Therefore prices increased in this segment more rapidly than in the segment of apartments in the Centre.

Purchasers consider asked prices of standard type apartments high, but sellers often keep at the asked prices set by them since sellers often can wait and do not hasten to sell. Without regard to the consideration that the prices are high, purchasers are afraid of increase in prices during the next months and therefore buy apartments today. It should be taken into account that a transaction from advertisement to registration in the Land Book takes around two months. Where a transaction has been concluded at the asked price of the respective moment, price of a new offer would be higher at the course of transaction processing. Many sellers do not hasten to sell – they ask inadequately high price deliberately with a view to find a special buyer for whom the respective offer is essential and he/she is willing to pay more.

### Number of the apartment sales transactions in Riga

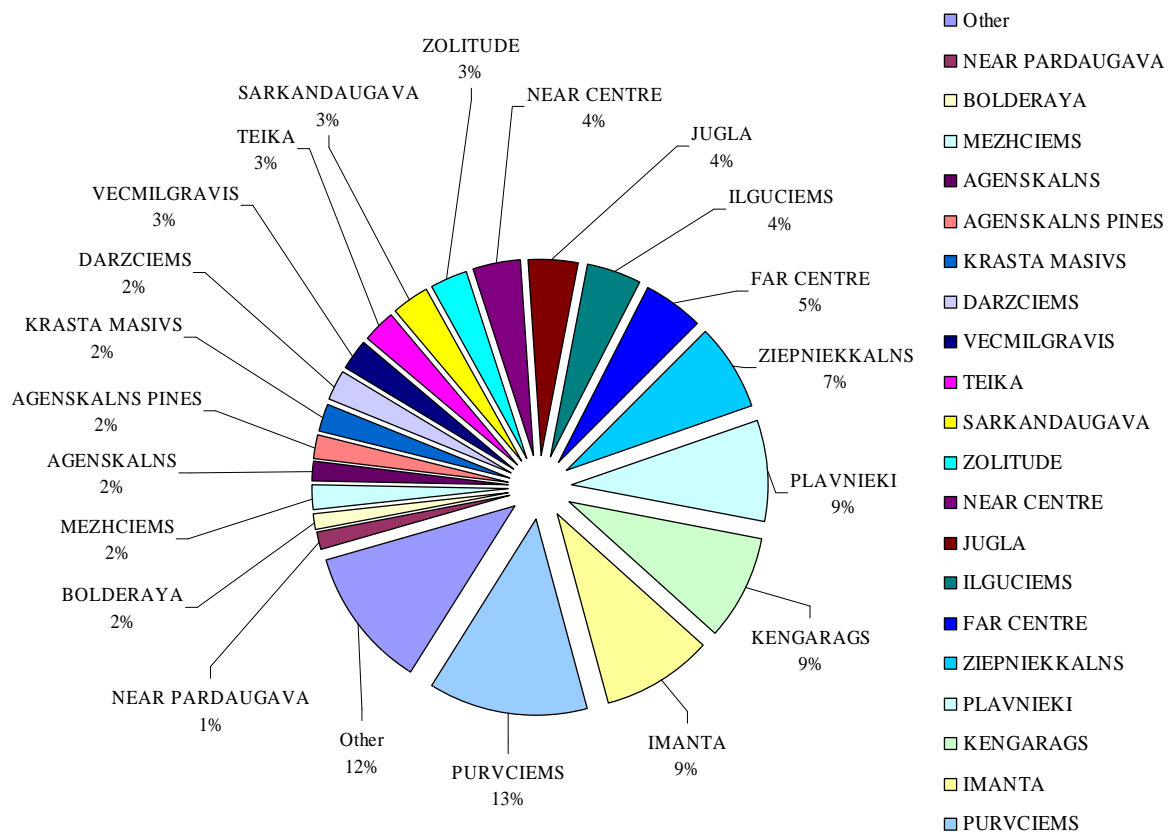


Source: Land Book Register & State Land Service

In August, number of transactions with apartments was great in Riga compared to the previous months – ca. 1500 transactions. Volume in August could be compared to that of the beginning of the year when market of apartments was very active. Growing activity could be attributed to the closure of vocational period.

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## Apartment purchase transactions ratio among residential districts in Riga, August 2006



**Source:** Land Book Register, State Address Register

Compared to July, number of transactions with apartments increased in August that was determined by increase in transaction number in Purvciems, Imanta, Ziepniekkalns, Kengarags and Plavnieki. Compared to the previous month, number of transactions in the Far centre decreased.

In the segment of standard type apartments the greatest number of transactions was with 2-room apartments traditionally, and the most increased number of transactions in August was with 2-room apartments, too.

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**Typical prices of standard type apartments in Riga residential districts in September, EUR**

| Rajons/<br>sērija    | Purv-<br>ciems | Ļav-<br>nieki | Mež-<br>ciems | Āgens-<br>kalns | Zolitūde | Imanta  | Jugla  | Ziep-<br>niek-<br>kalns | Ķenga-<br>rags | Sar-<br>kan-<br>dau-<br>gava | Vec-<br>mīl-<br>grāvis | Bolde-<br>rāja |
|----------------------|----------------|---------------|---------------|-----------------|----------|---------|--------|-------------------------|----------------|------------------------------|------------------------|----------------|
| 119. sēr.            | 1-<br>ist.     | 68 000        | 67 000        |                 |          | 68 000  |        | 66 000                  |                |                              |                        |                |
|                      | 2-<br>ist.     | 89 000        | 85 000        |                 |          | 84 000  |        | 82 000                  |                |                              |                        |                |
|                      | 3-<br>ist.     | 98 000        | 98 000        |                 |          | 98 000  |        | 96 000                  |                |                              |                        |                |
|                      | 4-<br>ist.     | 111 000       | 105 000       |                 |          | 110 000 |        | 106 000                 |                |                              |                        |                |
| 602. sēr.            | 1-<br>ist.     | 54 000        | 52 000        | 52 000          |          |         | 53 000 | 53 000                  |                | 45 000                       | 44 000                 |                |
|                      | 2-<br>ist.     | 74 000        | 73 000        | 72 000          |          |         | 70 000 | 70 000                  |                | 63 000                       | 62 000                 |                |
|                      | 3-<br>ist.     | 86 000        | 85 000        | 83 000          |          |         | 81 000 | 81 000                  |                | 76 000                       | 75 000                 |                |
|                      | 4-<br>ist.     | 94 000        | 94 000        | 93 000          |          |         | 93 000 | 91 000                  |                | 86 000                       | 85 000                 |                |
| 103. sēr.            | 1-<br>ist.     | 57 000        | 52 000        |                 | 52 000   |         |        |                         |                | 49 000                       | 48 000                 | 46 000         |
|                      | 2-<br>ist.     | 82 000        | 80 000        |                 | 73 000   |         |        |                         |                | 68 000                       | 66 000                 | 64 000         |
|                      | 3-<br>ist.     | 97 000        | 95 000        |                 | 90 000   |         |        |                         |                | 84 000                       | 82 000                 | 79 000         |
| 104. sēr.            | 1-<br>ist.     | 70 000        | 70 000        | 65 000          |          | 65 000  | 64 000 | 62 000                  |                |                              |                        |                |
|                      | 2-<br>ist.     | 86 000        | 90 000        | 81 000          |          | 80 000  | 79 000 | 79 000                  |                |                              |                        |                |
|                      | 3-<br>ist.     | 108 000       | 102 000       | 100 000         |          | 93 000  | 92 000 | 91 000                  |                |                              |                        |                |
| Lietuviešu proj.     | 1-<br>ist.     | 53 000        |               | 49 000          | 47 000   |         | 49 000 | 49 000                  | 47 000         |                              | 44 000                 | 42 000         |
|                      | 2-<br>ist.     | 71 000        |               | 67 000          | 66 000   |         | 67 000 | 64 000                  | 64 000         |                              | 59 000                 | 62 000         |
|                      | 3-<br>ist.     | 80 000        |               | 78 000          | 75 000   |         | 78 000 | 78 000                  | 72 000         |                              | 73 000                 | 71 000         |
| Hruščova laika mājas | 1-<br>ist.     | 52 000        |               |                 | 46 000   |         |        | 50 000                  | 48 000         | 47 000                       | 45 000                 | 44 000         |
|                      | 2-<br>ist.     | 71 000        |               |                 | 65 000   |         |        | 64 000                  | 63 000         | 61 000                       | 62 000                 | 60 000         |
|                      | 3-<br>ist.     | 81 000        |               |                 | 73 000   |         |        | 74 000                  | 74 000         | 71 000                       | 74 000                 | 72 000         |

Source: LATIO data

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## NEW HOMES

- **In September 10 housing projects entered the market of new homes**
- **On the market, offer of a large-scale project ever seen in Jelgava – “Gulbju ezers” (*Swan Lake*) was begun.**
- **In Jurmala, two new projects are offered on Jomas street.**

| Address/Name  | Type | Developer                            | Price LVL per sqm | Finish  | Planned No. of dwellings | Planned No. of buildings |
|---|------|--------------------------------------|-------------------|---------|--------------------------|--------------------------|
| <b>Riga</b>   |      |                                      |                   |         |                          |                          |
| Riga, 14 Keldiša street                             | A    | SIA "Pilsētmaņu institūts Urban Art" | from 1200         | full    | 26                       | 1                        |
| "Orange", Riga, 18 Zaļenieku street                 | A    | SIA "Savibalts"                      |                   | partial | 43                       | 1                        |
| Riga, Graudu street                                 | T    | SIA "Balt Faktors"                   | 1500              | full    | 6                        | 2                        |
| Riga, the Old Town, 11 Vecpilsētas                  | A    | SIA "Inteco Asset Management"        | 3280              | full    | 5                        | 1                        |
| <b>Riga district</b>                                |      |                                      |                   |         |                          |                          |
| "Silakroga Ausmas", Silakrogs, Ausmas street        | A    | SIA „Ropažu Ausmas”                  | 700               | partial | 72                       | 1                        |
| "Silarāji 3", Riga district, Piņķi, Silarāju street | A    | SIA "Saliena Real"                   | 1220              | partial | 19                       | 19                       |
| <b>Jurmala</b>                                      |      |                                      |                   |         |                          |                          |
| Jurmala, 15 Jomas street                            | A    | SIA "Gales"                          | 4500              | partial | 20                       | 1                        |
| Jurmala, 65/67 Jomas street                         | A    | A/S "Krustmalas nams"                | 2815              | full    | 11                       | 1                        |
| <b>Others</b>                                       |      |                                      |                   |         |                          |                          |
| Ogre district, Ikšķīle, 4 Raudu street              | T    | SIA "Pils-sēta"                      | 520               | partial | 5                        | 1                        |
| "Gulbju ezers", Jelgava, Zvejnieku street           | A    | SIA "Alija M"                        | 780               | partial | 268                      | 4                        |

**Source:** LATIO data

In September, offer of the largest new project in Jelgava ever seen in this town was begun. In the framework of the project it is planned to erect four multi-family houses located in a semicircle around a central building. There are 268 apartments with partial finish planned in total for the project. The starting price of these apartments is 700 LVL per sq.m. Apartments are 41 to 134 sq.m. large. The project is developed by the company “Alija M” Ltd.

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In Jurmala, two new projects are offered for sale on Jomas street – 15 Jomas street and 65/67 Jomas street. The projects differ much between each other.. 15 Jomas street (developed by "Gales" Ltd.) is a building under construction that will be commissioned this November. The project comprises 20 apartments that are sold with partial finish and their average price is 4,500 LVL per sq.m. In its turn, 65/67 Jomas street (developed by JSC "Krastmalas nams") is a renovated house. The project comprises 11 apartments in total, they are offered with full finish. The apartments are sold beginning with 2,800 LVL per sq.m. There are commercial premises intended on the ground floor.

Offering of the first building under construction in Silakrogs was begun on the market of new homes in September. This month, the 3<sup>rd</sup> round of "Silarāji" will be offered for sale. Within this project, it is planned to construct 19 detached houses with partial finish. Price for a detached house is 1,220 LVL per sq.m. The project "Silakroga Ausmas" is a project with 72 planned apartments and partial finish. Price of the apartments - 700 LVL per sq.m. This project is developed by "Ropažu Ausmas" Ltd.

The most demanded space still is 50-60 sq.m, 2 room apartments of economic class projects with full finish in residential districts. The most demanded residential districts: Purvciems, Pardaugava, Marupe, Riga district (Baloži, Titurģa). The most demanded price by a purchaser is 80,000 EUR for an apartment with full finish; the apartment has to be located in an area with a developed infrastructure – in the vicinity of public transport, schools, and kinder gardens.

There is still a great interest in new housing projects, but purchasers – end customers - are willing to conclude transactions 2-3 months before commissioning of the house when it can be observed what the house will look like. Thus purchasers minimize construction risk.

New projects are still being bought at the stage of construction; a profiteer takes the risk of construction and acquires capital gains by selling an apartment in a building that is close to its completion.

An essential category of purchasers of new housing projects in Riga centre are foreign citizens which buy them as investment – desirable space 80-100 sq.m, in good areas, with full finish; the great part of purchasers come from CIS countries, and their main goal is not capital gains but capital retention.

Lack of human resources in building industry influences also purchasers of new housing projects. If many purchasers preferred individual finish or purchased apartments with partial finish and decorated them on their own some time ago, today interest of customers in dwellings with full finish in the Centre becomes stronger.

## MARKET OF COMMERCIAL SPACE

### OFFICE SPACE

- **In September, making reservations of premises were started in 4 new office projects on the market of commercial properties.**
- **An office building has been commissioned on 4 Mārupes street.**

In September 4 new office projects entered the market, and making reservations of office premises and warehouses were begun:

| Name  | Address                                  | Commissioning | Office rental |
|---|--|---------------|---------------|
| Agatex  | Daugavas street, Mārupes parish.         | Early 2007    | EUR 13-14     |
| Helio II  | Territory of Riga Airport, Riga district | Spring 2008   | EUR 15        |
| Multifunctional public and engineering building | 196 Vienības gatve                       | Early 2008    | EUR12         |
| SWH business centre                             | 13 Skanstes street                       | December 2007 | EUR 14        |

In September, a renovated building in Pardaugava, in 4 Mārupes street, was commissioned.

A tendency is witnessed that at renewing lease agreements in existing office centers the owners revise rentals by increasing them therefore rotation of lessees takes place. Transactions on new office projects are concluded actively.

With the beginning of autumn, market of commercial space becomes more active: Class B offices are still at very high rentals; even non-marketable premises are leased out. There is a great demand for Class B and C offices for EUR 10-12 per sq.m.

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## RETAIL SPACE

- **The greatest part of retail space has been leased out in the project "Panorama Plaza".**
- **Supply of commercial premises has increased in new housing projects.**

The greatest part of retail space has been leased out in the project "Panorama Plaza": premises to a restaurant that would provide also "room service" (food supply according to the restaurant menu to apartments in all the four buildings of the project); to a seller of exclusive TV facilities, and to a laundering and dry-cleaning shop.

Offers of commercial space on the ground floors of new housing projects enter the market. There is a great interest in such premises but transactions are concluded seldom; those are mainly profiteers who are interested in the premises.

With the beginning of autumn, demand in retail space, 100 to 300 sq.m large, increased. The biggest demand is made by enterprises working or desiring to work in the field of public catering as well as premises for opening stores of readymade clothes and lingerie or automobile showrooms are searched for. Riga is chosen as the first place for a representing agency in the Baltic States. Interest of several Lithuanian entrepreneurs increases, too, intending to enlarge their market share by opening their stores in Riga, for example, carpet factory's, furniture shops.

### *Precision of information:*

*In the market overview of August, "Latio" mentioned that premises in the space of 1,000 sq.m. taken on lease by the store "Elkor" became available for rent in the shopping centre "Mols".*

*Since there was incorrect information furnished by mass media, "Latio" makes it more precise - "Elkor" has not stopped trading in the shopping centre Mols, but a possibility of finding a new lessee of premises taken on lease by Elkor is revised.*

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## INDUSTRIAL SPACE

- **Against the end of the year, an increased demand is witnessed for short-term rent of additional warehouses by trading enterprises.**

In September, increased demand for additional warehouses by trading enterprises was witnessed that had bought enlarged volume of goods against the end of the year and wished to take on lease warehouses for a short term. However, supply of such warehouses is poor since the owners do not want short-term lessees.

In September, the greatest interest in industrial objects was expressed by car service stations. Most demanded premises for both lease and sale were those with heating and being up to 500 sq.m large but supply of such premises was poor.

A great interest is observed in premises in new projects but the clients are inhibited by comparatively long waiting period till commissioning of the objects.