LATVIAN REAL ESTATE MARKET OVERVIEW

YEAR 2006

ARCO REAL ESTATE

NEKUSTAMĀ ĪPAŠUMA BIROJS

LATVIJA • IGAUNIJA • LIETUVA • UKRAINA • BULGĀRIJA • RUMĀNIJA

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LATVIAN REAL ESTATE MARKET OVERVIEW, YEAR 2006

The market analysis overview prepared by SIA „Arco Real Estate" provides a concentrated information on the Latvian real estate market in year 2006. The overview provides a brief report on the main sectors of the real estate market:

- sale and purchase of apartments;
- building of new multi-apartment houses;
- hire of residential premises;
- one-family private houses;
- land estates (for building of one-family houses);
- agricultural land;
- land estates (for construction of industrial and public buildings);
- sales space market;
- office space rental market.

The overview of the real estate market analysis shows the values of the estates of the respective market sectors at the end of the reporting year as well as provides information on the events in the sector in year 2006.

Sources of information used for the analysis performed are: the real estate transactions data base of SIA „Arco Real estate", information provided by cooperation partners and publicly available information sources as well as information aggregated by the Central Statistics Bureau, the Land Register and the Bank of Latvia.

The market analysis overview is intended for a broad target audience, whose activities or interests are connected with the Latvian real estate market, including private persons, investment funds, real estate companies, commercial banks and governmental institutions.

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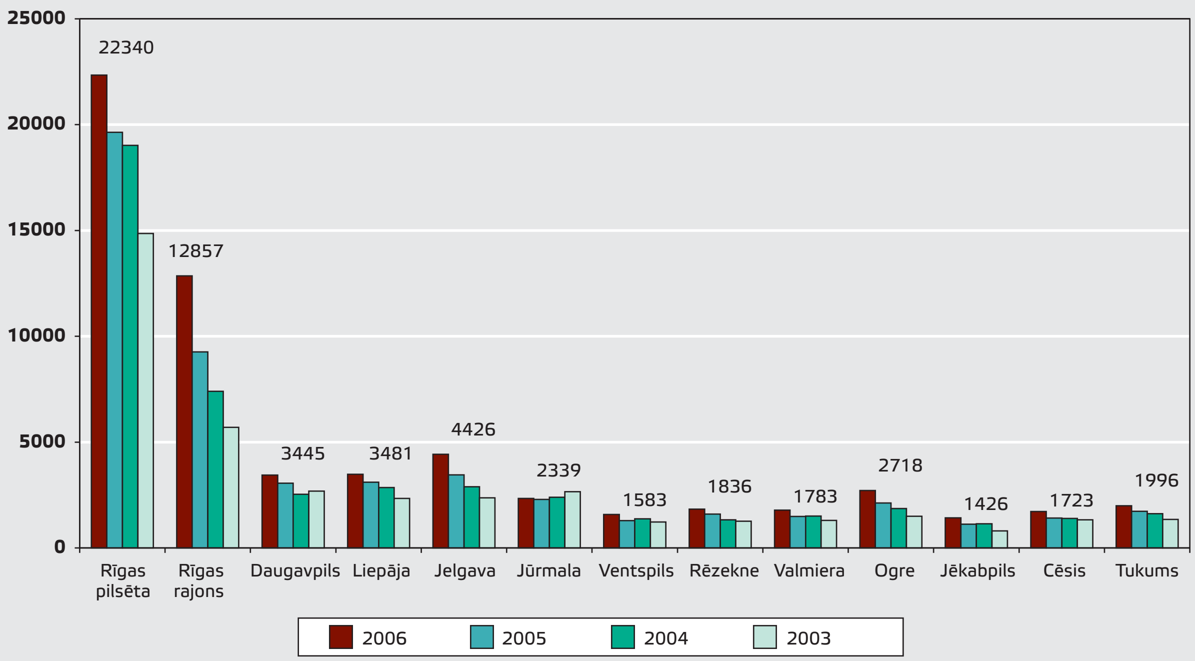
Overall economic indicators

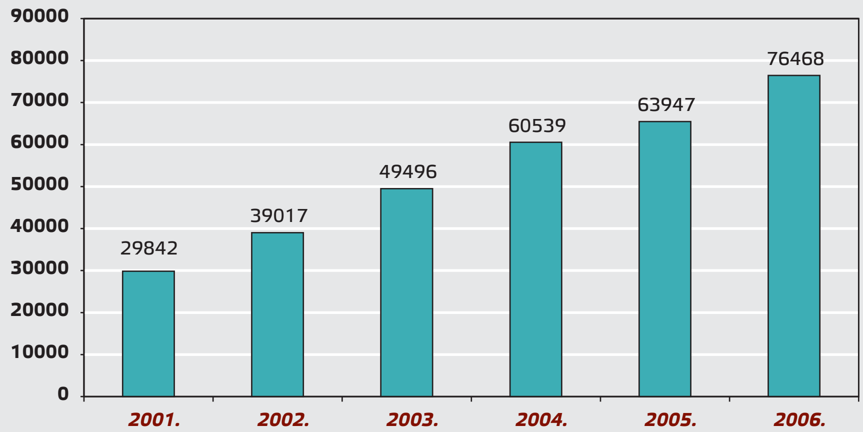
CHARACTERISTICS OF LARGEST CITIES OF LATVIA

	Rīga	*Daugavpils*	*Liepāja*	*Jelgava*	*Jūrmala*	*Ventspils*
distance from Riga		229	217	42	22	184
amount of inhabitants	728000	109000	86000	66000	56000	44000
amount of inhabitants in the city and region	884000	149000	130000	103000	56000	58000
	Rēzekne	*Valmiera*	*Ogre*	*Jēkabpils*	*Cēsis*	*Tukums*
distance from Riga	224	107	36	143	87	68
amount of inhabitants	37000	27000	26000	26000	19000	19000
amount of inhabitants in the city and region	78000	59000	63000	53000	57000	55000

NUMBER OF TRANSACTIONS IN THE CITIES OF LATVIA 2003-2006

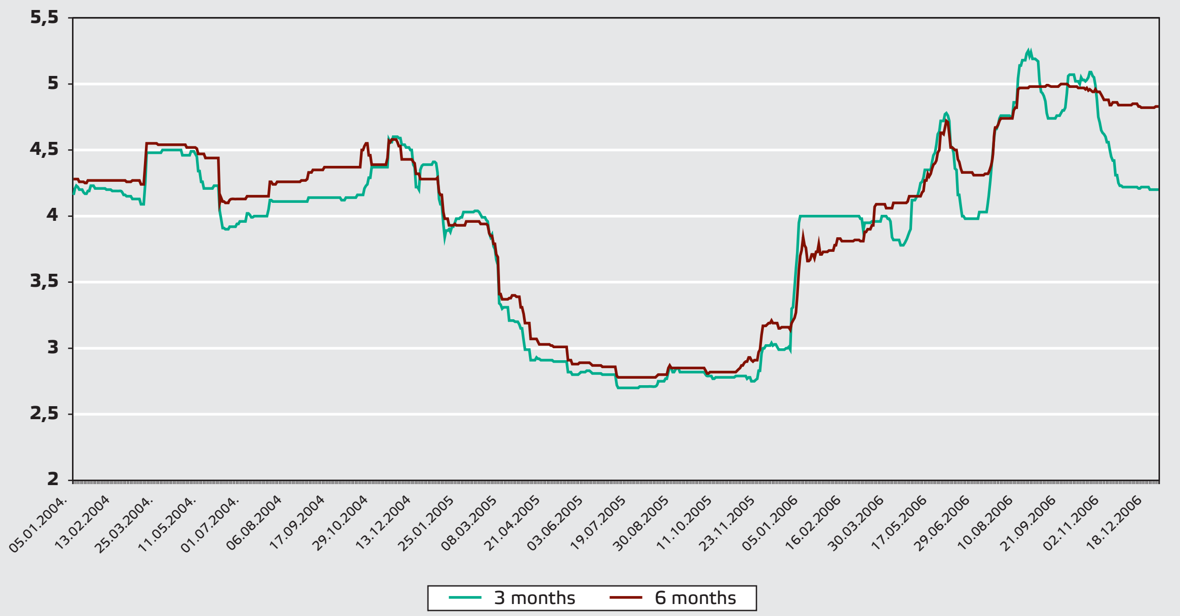


NUMBER OF TRANSACTIONS IN LATVIA (2001.- 2006.)

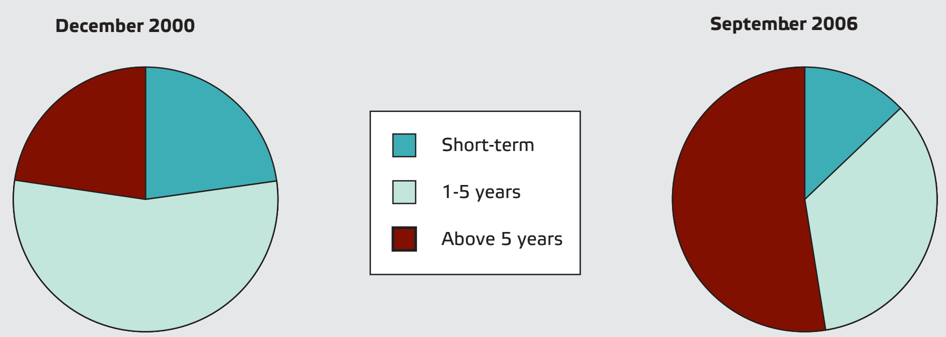


Overall economic indicators

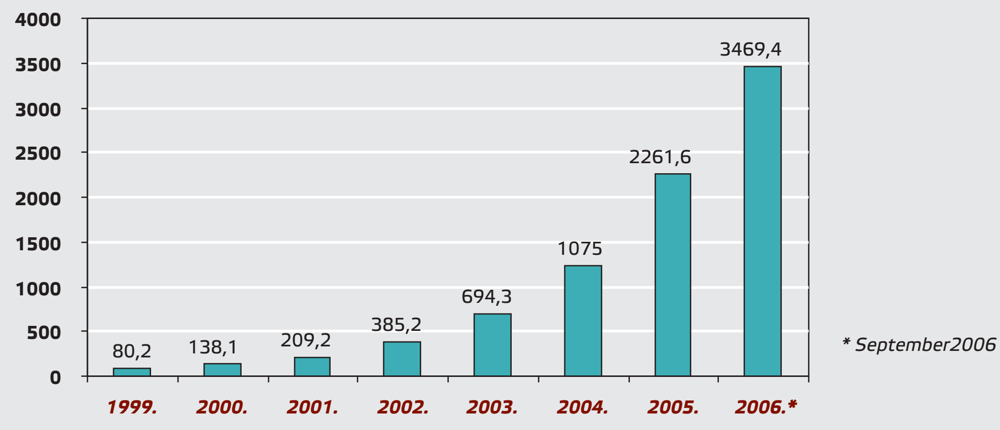
RIGIBOR 3 AND 6 MONTHS INTEREST RATE ON LOANS 2004-2006



NUMBER OF TRANSACTIONS IN LATVIA (2001- 2006)

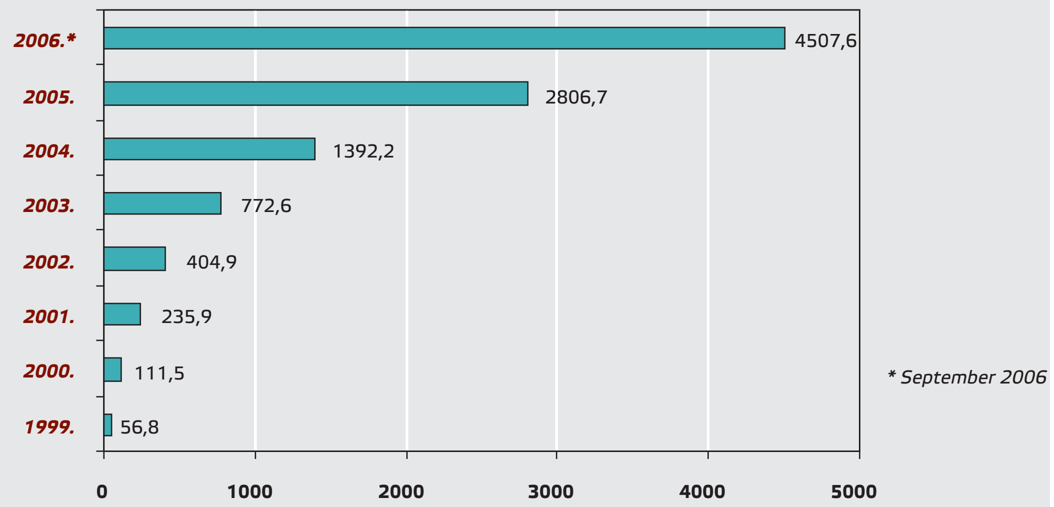


LONG TERM LOANS TO PRIVATE PERSONS (million LVL)

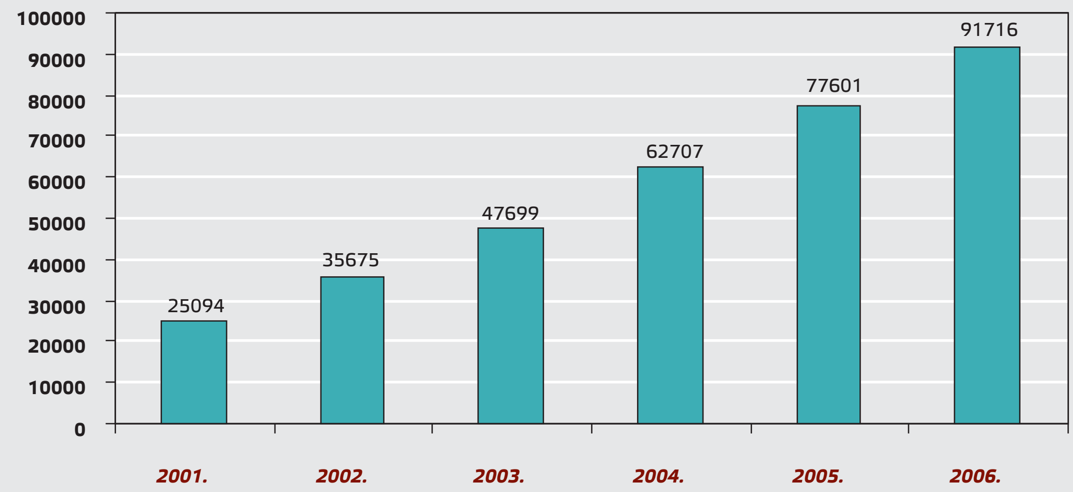


Overall economic indicators

MORTGAGE LOANS GRANTED BY LATVIAN COMMERCIAL BANKS (million LVL)



NUMBER OF SIGNED MORTGAGE CONTRACTS IN LATVIA



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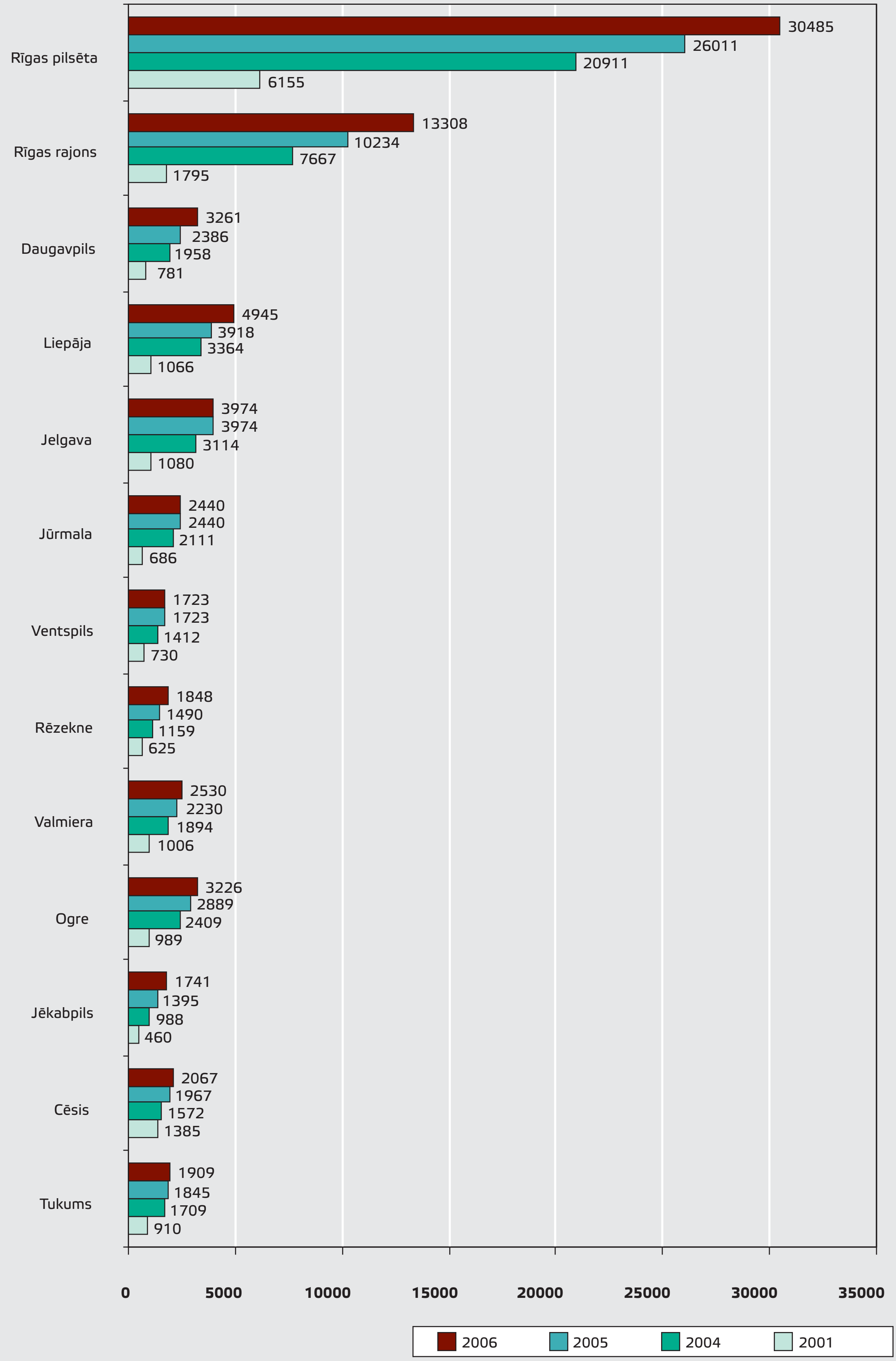
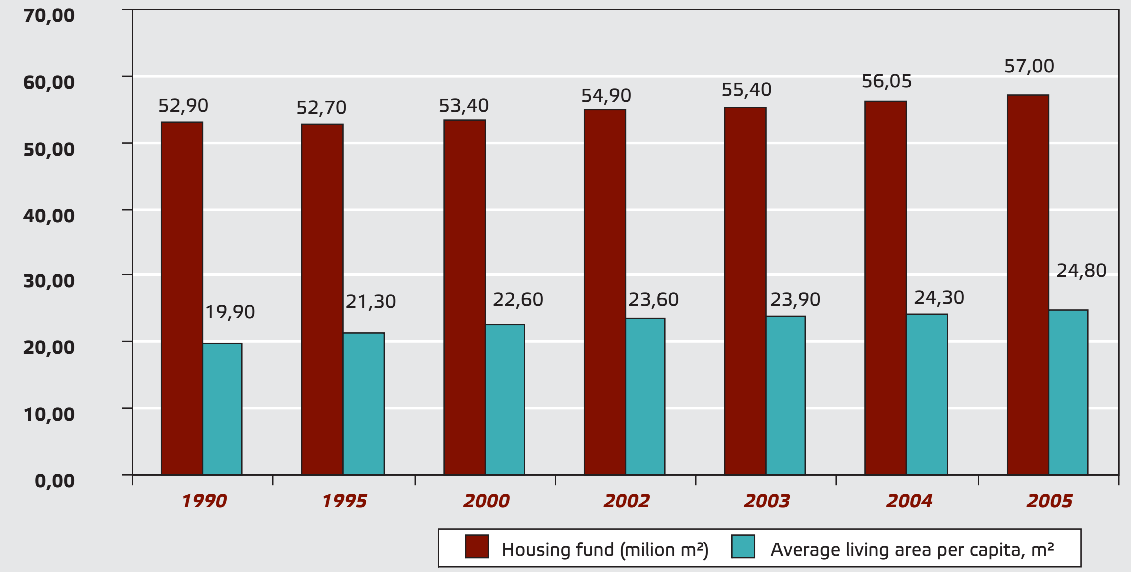
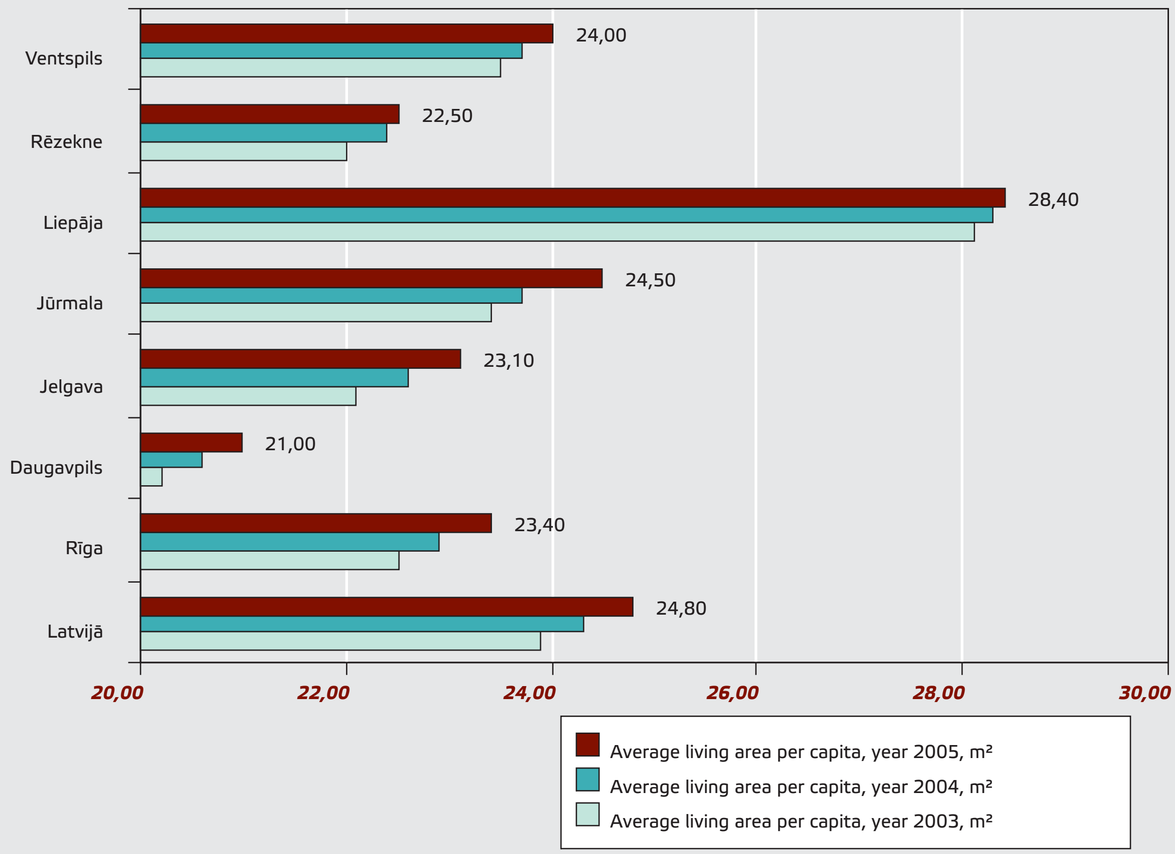


Overall economic indicators

HOUSING FUND AT THE END OF YEAR (million m²)



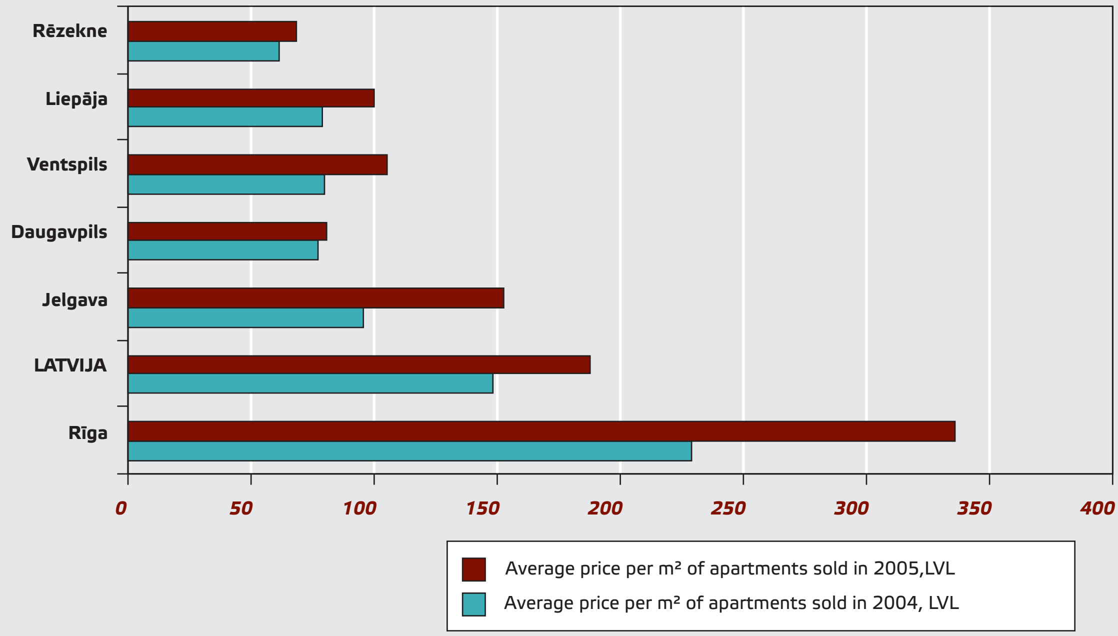
AVERAGE LIVING AREA PER ONE INHABITANT IN YEAR 2005 (m²)



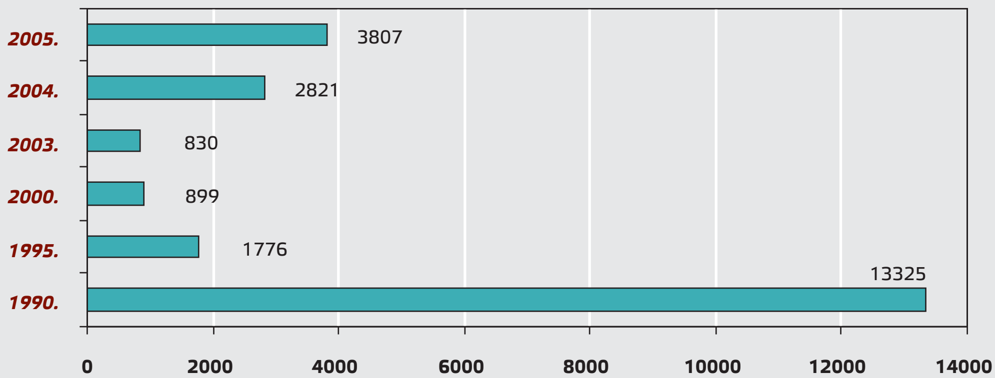
AVERAGE TRANSACTION AMOUNT OF ONE APARTMENT YEAR 2004/2005

	Average transaction amount of one apartment year 2004/2005 (LVL)							
	average		one-room		two-room		three-room	
	2004	*2005*	*2004*	*2005*	*2004*	*2005*	*2004.*	*2005*
Latvia	7700	9800	4300	6300	6700	8100	9800	12200
Rīga	12100	17900	6100	10000	10500	14700	15000	22400
Daugavpils	3900	4000	2700	2400	3600	3900	5000	5000
Jelgava	4900	8700	3300	4600	5200	7100	5600	7600
Liepāja	4100	5200	2100	2500	3800	4700	5500	7300
Rēzekne	2800	3200	2000	2000	2700	3300	3600	4100
Ventspils	4000	5200	2300	3500	4000	5000	6000	7100

AVERAGE PRICE PER M² OF APARTMENTS SOLD YEAR 2004/2005 (LVL/m²)

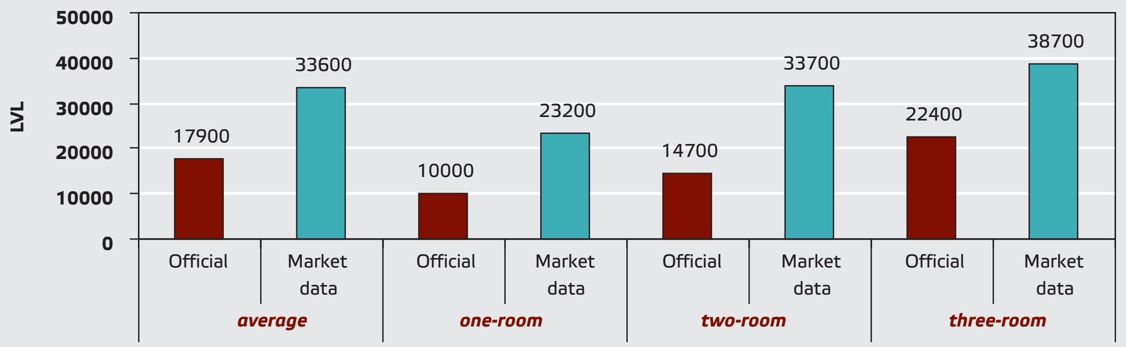


NUMBER OF THE APARTMENTS CONSTRUCTED IN LATVIA (1990-2005)

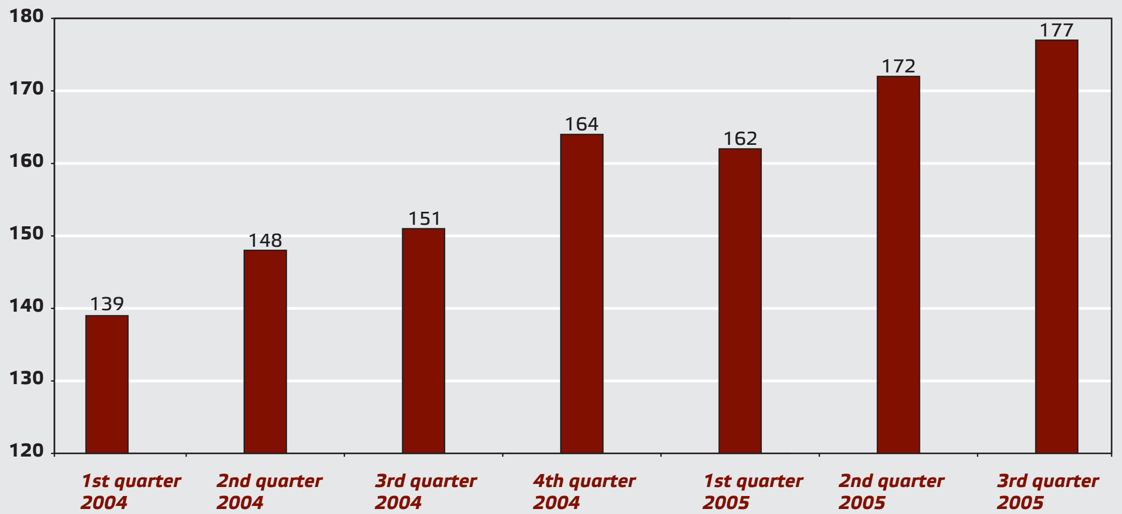


Overall economic indicators

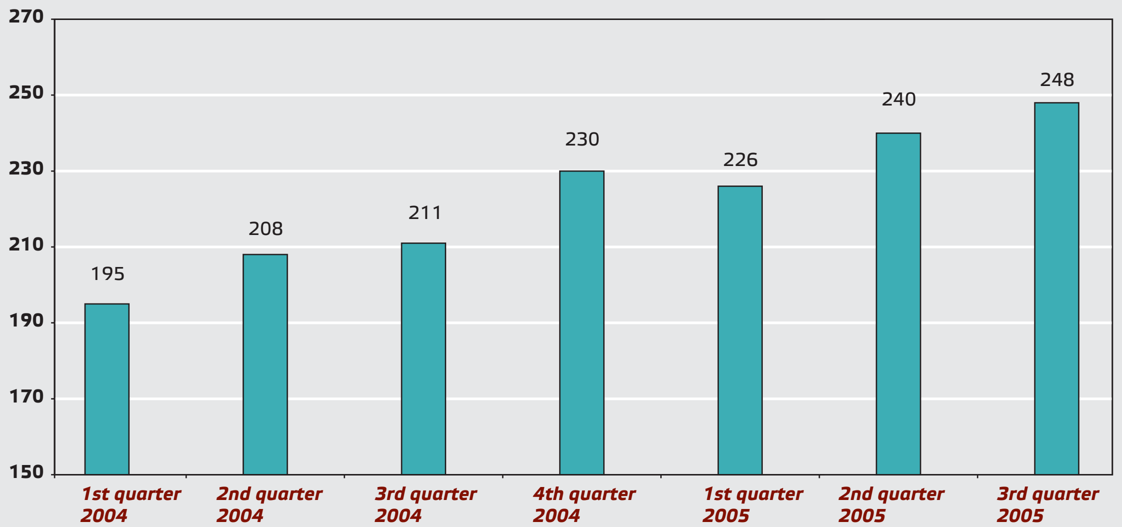
AVERAGE OFFICIAL TRANSACTION DATA IN RIGAS CITY AND MARKET DATA INFORMATION (non-renovated, standard type apartments), year 2005, LVL



AVERAGE OFFICIAL SALARY (NET) FOR EMPLOYED PERSONS, LVL



AVERAGE OFFICIAL SALARY (BRUTO) FOR EMPLOYED PERSONS, LVL



SALE AND PURCHASE OF APARTMENTS

The price growth in the market of dwellings continued also in 2006. The growth was approximately the same both in the first and the second half-year – the average growth was 20-25% in the half-year. This price growth rate with small variations depending on the month has been observed in the market already since 2002. The demand exceeded the offer during the whole year. The rate of development of the new dwellings market was relatively slow: only in relatively few cases developers were able to comply with the time limits set beforehand. The main factors that already traditionally had determined the price level growth in the real estate market in 2006 were as follows

- deficiency of projects of new dwellings which might be caused by the limited construction capacities;
- an increase of the GDP and the inflation of 2006 (Latvia is still one of the leading countries among the EU27 as to these indicators);
- reduction of the interest rate of credit resources (it should be noted that the decrease of the inter-bank rates which was observed previously, did not continue; however, the bank margin decreased by 0.5-1.2% in average and stopped at 0.8-1.1% of the added rate in average at the end of the year);
- speculative transactions (though the percentage thereof just in the market of dwellings is decreasing and repeated launching of objects of speculative transactions is not a mass phenomenon);
- concern about further changes of value of real estates, i.e., impossibility of acquisition of estates in the future.

The average apartment price increase in Riga and the biggest towns of Riga District in 2006 was practically identical to that of 2005 and varied from 45 to 65%.

A characteristic feature of 2006 was an increase of number of transactions in the market of dwellings which might be explained mainly by the growth of offers in the market of new dwellings. The growth of the number of transactions in the apartment sector of Latvia corresponded to ~5%, while in the Riga City and its neighbourhood this growth corresponded to ~10% in average. It should be noted that the tendency of the previous period when a lot of persons having purchased an apartment in a new dwelling house retained also their previous dwellings (which tendency was caused by the expectations to rapid development of the market) was not so typical at the end of 2006.

January 1, 2007 was an important date in the rental market because of expiration of the term of the “rent ceiling” established by the law. Unfortunately, it should be noted that the forecasts of final regulation of the rental market did not fulfil once again – the next expected „benchmark” will be July of 2007, which is determined by the legal requirement of a six month written notice to the tenants about an increase of the rent amount. The issue of the tenants of denationalised houses is still making a concern about development of the apartment market sector in Riga and the largest towns and cities of Latvia because the present artificial “deformations” of the market do not secure achievement of the goals set by creators thereof – it is not a normal market situation when the rent amounts to be paid for identical apartments differ many times if the rent determined by the free market and the rent to be paid for apartments rented under termless hire agreements in denationalised houses are compared. A natural regulation of the market would force insolvent tenants to look for dwellings corresponding to their financial situation – mainly outside Riga, in the result of which a stabilisation of the sales price level of apartments located in Riga could be expected. Since the start point of the denationalisation process about fifteen years ago, the number of tenants who in fact are low-income persons and pensioners has become relatively low, and the main part of the tenants of denationalised houses are made by “anti-social individuals”. The fact that people are unable to resolve issues relating to their dwellings may be considered an abnormal situation in the real estate market under free market conditions. Relatively frequently, especially in houses located in the central part of

> The slow rates of development of new dwellings are still serving as the main reason of the growth of apartment prices

Sale and Purchase of Apartments

Riga, the following situation is observed: the tenants are not forced to live in such apartments but they basing upon termless agreements try to "extort" maximum compensation from the house owners, which, in certain cases, may exceed the market price of such an apartment, especially if such a tenant is the last tenant in a large house property. The governmental and municipal compensation paid to tenants for vacation of apartments must be considered as an additional "bonus" only; and this compensation, from the viewpoint of the "social fairness" principle established by the state itself, is not commensurate either, because in this case the thinking and diligent tenants, who have found new living places by own efforts and resources, are in the role of losers.

In general, no especially rapid housing price growth rate changes were observed in the growth breakdown by months in 2006. In the result of it the average price growth during the whole year remained to be from 3 to 5% per month.

As far as the changes of the offer in 2006 in general are concerned, these changes were not very significant in relation to the first half-part of the year: if the offer in the beginning of July consisted of ~5500 apartments, then at the end of the year the offer contained ~6000 apartments, mainly thanks to the increase of the number of newly built apartments offered. The offer of standard-type apartments has remained practically unchanged, and in certain dwelling areas it is even decreased, which fact shows that the market activity is high. The total approximate offer of standard-type apartments consisted of 3500 apartments.

The biggest offer of standard-type apartments at the end of 2006 was traditionally concentrated in the following dwelling areas of Riga:

- Purvciems: 12-14% of the total number; the most offered apartments were 2-room (35% of the total offer) and 3-room apartments (30%);
- Ķengarags (number of apartments offered grew if compared with the beginning of the year); 8-10% of the total number; the most offered apartments were 2-room (38% of the total offer) and 3-room apartments (35%);
- Pļavnieki: 8-10% of the total number; the most offered apartments were 1- room (38% of the total offer); the offer of 2-room and 3-room apartments at Pļavnieki was approximately like – 30% of the number of apartments offered.

A relatively smaller offer was observed at:

- Imanta;
- Zolitūde;
- Ziepniekkalns;
- Iļģuciems;
- Āgenskalns;

If during the previous review periods there had been certain leaders (or most expensive areas) as to relation between the number of apartments offered within a certain area and the total number of apartments offered in Riga, at the end of 2006 it was observed that the number of apartments offered in various districts had become more equal irrespective of the price level. To some extent it might be connected with small demand changes – the period of time required for sale of an apartment has increased, which has resulted in an increase of the total number of apartments offered, for example, at Ķengarags.

If during the previous review periods the offer consisted mostly of two- and three-room apartments, a slight equalization of the situation was observed at the end of 2006, namely, that the number of one-room apartments offered was increased slightly; however, this fact does not serve as an indication of a substantial market load which could be evident if the number of small apartments offered was reduced.

Sale and Purchase of Apartments

In 2006 the process of apartment price level equalization between the dwelling areas continued though the difference expressed in absolute figures remained and amounted to few thousand euros. Taking into account the rapid growth of the overall price level, the price difference between the dwelling areas, expressed as a percentage, was reduced, especially in respect to the dwelling areas which previously were considered to be the "cheapest" ones, such as Bolderāja and Vecmīlgrāvis. To certain extent, this situation is in conflict with the basic principle of the real estate market, namely that estate prices depend on location; it means that a differentiation should arise; however, this situation might still be explained with the deficiency of dwellings in the Riga City. The more rapid price growth in the cheapest dwelling areas might also be explained by the fact that it is impossible to acquire any other dwelling equipped with amenities in the territory of Riga for the respective amount of money.

The high apartment prices and the low offer in the Riga City cause a rapid apartment price growth in the towns of Riga Region

A rapid price level growth of apartments located outside the Riga City remained also in 2006; as to towns of Riga District, the most rapid price growth was observed at Ogre Town where the average price of standard-type apartments grew by 75-90%, and the most rapid growth was observed just in the first half-year. A rapid growth was observed also at Jūrmala (Kauguri), Salaspils, Jelgava – by 55-75 % in average during the year. A relatively equivalent growth was observed also in other towns and settlements of Riga District.

Though the highest level of standard-type apartment prices in 2006 was observed in the most expensive part of Jūrmala City – at Dubulti and Bulduri, at the end of 2006 the price level growth practically stopped so that the total price growth during the year corresponded to 25-35%. In general, a slight market activity increase was observed at Jūrmala City in comparison with 2005; however, this increase was mainly caused by development of Kauguri and Sloka and not by any substantial changes in the most expensive areas where the main activity still is development of new multi-apartment houses and transactions with new apartments, the number of which had increased relatively rapidly.

The average standard-type apartment prices in the Riga City have reached the level of ~ 1450 EUR/m² at the end of 2006, with the following price range:

- *one-room apartments* 47 000 - 64 000 EUR (in average 54 000 EUR, 1640 EUR/m²)
- *two-room apartments* 62 000 - 82 000 EUR in average 73 000 EUR, 1500 EUR/m²);
- *three-room apartments* 76 000 - 97 000EUR (in average 86 000 EUR, 1380 EUR/m²);
- *four-room apartments* 85 000 - 109 000 EUR (in average 97 000 EUR, 1310 EUR/m²);

During the review period, the offer consisted mainly of partially or fully renovated apartments – apartments without any improvements had been offered in relatively few cases, and percentage of such apartments is continuing to decrease making 10-15% in average Also the price difference between sales prices of renovated and non-renovated apartments expressed as a percentage continued to decrease slightly, which was caused by the rapid price growth that exceeded significantly the increase of construction costs (average increase of construction costs in 2006 was ~25%). At the end of 2006 approximately 10-15% of the apartments offered in the market were fully furnished and equipped making it possible to use these apartments immediately after acquisition thereof.

The characteristic feature of the new project market of 2006 was a significant price growth which was caused mainly by the construction cost increase and the land price growth, so that profit indicators of the developers were even reduced. The existing dwelling areas still have been the main building areas in Riga; however, the interest in the undeveloped peripheral parts of Riga City – Dreiliņi and Mežciems directions – was increasing during 2006. Also the significant planned building complexes in the area of Skanstes/Hanzas Streets and at Mežaparks which were manifested in the market should be taken into consideration. There exists also a rather big interest in possibilities of building-up of peripheral part of the city centre;

however, the traditional characteristic feature of such projects is the very big price difference between the dwellings in the already existing buildings and the apartments of the new projects; this difference in certain cases may be up to 100% though, traditionally, the average difference in such locations is 20-35%. Also the implemented moratorium for construction of buildings in inner yards should be considered an important condition for development of new projects because this condition in relatively many cases has deranged plans of perspective construction.

No substantial changes have taken place in 2006 as to management of houses because the high demand provided for relatively equivalent sales prices irrespective of management. It is expected that in the result of growth of the number of new projects, the management issues would become more topical; however, one should not be too optimistic in this matter, especially as far as house properties acquired in the result of privatisation process are concerned. Management of practically all standard-type design houses is significantly burdened by the unequal solvency of the co-owners of the house as well as the big number of co-owners. From this point of view, it is simpler to manage house properties located in the city centre, which in relatively frequent cases are in a worse technical condition.

No significant changes of the demand for standard-type apartments have been observed during the review period: demand for apartments of all series is still high irrespective of the specific features of the apartments; the price has been determined mainly on the basis of area in square metres.

DIFFERENCES BETWEEN DWELLING AREAS

The apartment price level categories in the Riga City in 2006 were as follows:

- *High prices* – Pļavnieki, Purvciems, Mežciems, Teika, Zolitūde;
- *Moderate prices* – Jugla, Ķengarags, Ziepniekkalns, Imanta, Āgenskalns, Iļģuciems;
- *Low prices* – Vecmīlgrāvis, Bolderāja;

After the rapid price level growth for standard-type apartments at Jugla, the growth rate in the reporting year slowed down (though until now certain sellers are offering apartments having determined the price of such apartments on the basis of comparable apartments located at Teika). The difference between the most expensive and cheapest dwelling areas has decreased to some extent (if expressed as a percentage).

LOW-RISE WOODEN HOUSING

In 2006, a rapid growth of prices of apartments located in wooden buildings was observed which is caused by the fact that the apartments of this category have traditionally been the cheapest. It has been impossible to buy any other dwellings in the territory of Riga City for the respective amount of money. This condition has served as the main reason why the prices of apartments of this type had increased most rapidly, especially taking into account the fact that the area of most of the offered apartments located in wooden houses has been up to 30 m². The average price increase for the apartments of this category located in Riga was 40-65% during the review period.

Apartments of this type located in the central part of Riga and in the Near Pārdaugava have been highly demanded during the review period; especially if a big land plot has been attributed to the building. Reconstruction of wooden houses, which previously happened only in separate cases, also has been observed in the said areas. Factors that have influenced development of the wooden housing have been to a great extent influenced by divided ownership rights, bad technical condition of the houses and limited possibilities of usage – a part of these houses have a certain architectural or historical value. These factors, together with the complicated process of coordination of reconstruction, have delayed development of the wooden housing – reconstruction or re-building.

PRICE CATEGORIES AT THE END OF 2006 DEPENDING ON THE LOCATION IN THE RIGA CITY.

Central part of the Riga City – wooden houses in courtyards– 1200-1800 EUR/m²	Apartments located in houses situated in wide and sunny courtyards with sparse housing are highly demanded. This category includes also well-planned and architecturally expressive dwelling houses having all amenities. Prices in this category may be up to 2100 EUR/m².
Apartments in the central part of the Riga City (Grīziņkalns; Čiekurkalns)– 1000-1600 EUR/m²	The offer includes both relatively big (2-3- room) apartments and very small „kitchen-room"- type apartments, mainly with partial amenities, without central heating, hot water supply and without a separate toilet and bathroom.
Apartments in wooden housing of Pārdaugava (Āgenskalns, Torņakalns) – 950-1500 EUR/m²	The demand is determined by accessibility of the central part of Riga, comparatively good technical condition, architecture of the houses and size and number of the "green zones" in the dwelling areas.
Apartments in wooden houses at Sarkandaugava, Bolderāja, Iļģuciems – 850-1250 EUR/m²	The offer mainly contains relatively small apartments without amenities. Apartments mainly are purchased for moving of insolvent persons from houses in the central part of the city. The price depends on the level of amenities and the technical conditions.
Apartments in the Latgales suburb – 700-1200 EUR/m²	Apartments situated in the low-rise wooden housing of the Latgales suburb are characterized with very bad technical condition, small floor areas and low level of amenities as well as with a rather bad demand notwithstanding the close location to the city centre.

APARTMENTS IN THE CENTRAL PART OF RIGA

The apartment prices continued to grow relatively rapidly reaching the level of 1700-2200 EUR/m² in the peripheral part of the centre of Riga; the price of renovated apartments grew up to 1900-2400 EUR/m².

The price level in the Old City has reached 4200 EUR/m² for a renovated apartment. The offer of 2006 for the first time included also apartments located in newly erected houses in the Old City, with a partially completed interior decoration, at the price of 6000 EUR/m², so that the price of an apartment with complete interior decoration might exceed 6500 EUR/m². The offer mainly consists of small floor space apartments (up to 50 m²), sales price of which achieved up to 4500 EUR/m² at the end of 2006.

The prices of offered apartments located in the Riga centre (outside the Old City) achieved 6000 EUR/m² (exclusive, furnished apartments in architecturally valuable buildings); however, the average apartment sales prices exceeded 3700 EUR/m² in relatively few cases. Apartment sales prices in the Quiet Centre achieved 3300-4000 EUR/m².

Sale and Purchase of Apartments

During the review period, a rapid price level growth was not observed in the segment of most expensive apartments in the central part of Riga – the highest price of several 200-400 m² apartments having been offered, has still been approximately 1 000 000 EUR, and it should be pointed out that the sales term of such apartments is very long; this might be explained by an evident lack of demand in this price category– apartments at a price not exceeding 500 000 EUR are demanded because apartments are not deemed to be a profitable investment object any more; in addition, the demand for more expensive apartments (rent amount exceeding 2000 EUR/month) is low also in the rental market.

In the city centre – in the block between Brīvības-Dzirnavu-Barona-Bruņinieku Streets, small (as to the floor space) renovated apartments have been offered at 2800-3600 EUR/m²; bigger, completely renovated apartments have been offered at 3300 EUR/m².

The demand and the offer of apartments located in the central part of Riga, between Kr.Valdemāra Street – Kalpaka Boulevard – Elizabetes – Eksporta – Hanzas – Dzirnavu Streets have been relatively stable; demand for apartments of area up to 70 m² exceeded the offer. Price level of renovated apartments achieved 3500-4700 EUR/m² at the end of 2006.

A significant number of new multi-apartment houses located in the central part of Riga, including its peripheral part, especially in the Old City, in the area of Miera Street, and in the area of Čaka-Tallinas Streets, were manifested in the market during 2006. Launching of such projects in the market has more and more frequently caused a growth of offer prices in the surrounding areas, especially in the case if the initial sales prices of apartments in the new projects are relatively high. This situation has been observed especially in the peripheral part of the city centre, including the area of Katoļu-Jēkabpils Streets, which previously did not differ significantly from the other parts of Maskavas suburb; the relatively intensive development of Katoļu Street has caused a rapid price jump in this location.

PRICE CATEGORIES IN THE RIGA CITY CENTRE AND THE OLD CITY IN 2006:

Old City

A significant price growth has not been observed during the review period except the new multi-apartment house projects launched in the market at prices which significantly exceeded the average prices, for example, in Audēju Street the apartments (without complete interior decoration) located at the reconstructed Gallery Centre had been offered at a price exceeding 6000 EUR/m². The second characteristic feature of the Old City has been as follows: office premises that had been constructed specially for this purpose are being transformed into apartments; this fact has been caused by the office space rent levels that have remained practically unchanged in a long period of time, and the relatively complicated access possibilities. In general, it should be noted that no essential changes have been observed in the demand and offer volumes and that this fact had determined the small growth rate of the price level because the demand and the offer had been almost in balance. A further growth of the price level may, probably, take place only in the case if the apartment rent levels would increase rapidly because the rent levels still cannot ensure more or less adequate profitability in the case of hiring out of an apartment (except cases when an apartment is hired out for a short period of time – up to few weeks. Practically no price increase has been observed in the second half-part of 2006.

Renovated apartments: price range – 4200 - 5000 EUR/m²

Non-renovated apartments: price range –3500 - 4500 EUR/m²

PRICE CATEGORIES IN THE RIGA CITY CENTRE AND THE OLD CITY IN 2006:

Boulevard Ring	(Aspazijas, Raiņa etc.), including Elizabetes (Ausekļa-Rūpniecības-Vidus Street), Antonijas and Alberta Streets) The demand is high, especially in the category up to 100m² (previously – up to 150 m²). The demand exceeds the offer in the category of small apartments (especially up to 50 m²). The biggest registered amounts exceeded 6000 EUR/m² for apartments in Alberta Street; however, temporarily, the demand for apartments of this price category has been relatively small. One of the risk factors which might arise in the future for apartments of this category, is the possible increase of the traffic intensity, especially development of Andrejosta, but in the further perspective – also the Northern Crossing, the potential consequence of which might be loss of silence in the so-called Quiet Centre. From the other part, also nowadays, traffic jams and intensive truck traffic are characteristic features of Eksporta Street; the traffic is constantly increasing in Hanzas Street as well. Apartment prices in reconstructed buildings: • *Prepared for interior decoration*– 3500-4200 EUR/m² • *Interior decoration included* – 3800-4700 EUR/m² In individual transactions and offers the price achieved6000 EUR/m². In non-reconstructed buildings the prices are by 20% cheaper in average.
Valdemāra-Dzirnavu-Brīvības-Bruņinieku streets	The offer and the demand for apartments of this category has already traditionally remained stable, especially in respect to small apartments (up to 75 m²). In 2006 it was observed that the prices of this category apartments became equal to the prices of apartments located within the Boulevard Ring, which fact was caused by increase of the demand (the offer of apartments located in the Riga centre practically does not contain apartments of area up to 50 m², and the time of exposition of such apartments in the market is very short) and by unwillingness of customers to pay significantly bigger amounts for an apartment of equivalent quality but located a couple of blocks farther (in the Quiet Centre). The most important features of apartments of this category are the relatively small floor spaces and location close to active public transport streets. *Renovated apartments* – 2800-3600 EUR/m² *Non-renovated apartments* – 2400-3200 EUR/m²
Barona-Dzirnavu-Brīvības-Bruņinieku streets	A significant negative feature of apartments located in this city part is the high traffic intensity. The demand is stable; especially highly demanded are small floor area apartments the offer of which is small. *Renovated apartments* – 2600-3300 EUR/m² *Non-renovated apartments* – 2400-3000 EUR/m²
Separate locations at Pārdaugava (Kuģu Street, Balasta Dambis, neighbourhood of the Radisson Hotel)	*Apartment prices in new buildings* – up to 6000 EUR/m² *Non-renovated apartments* – 2300-2800 EUR/m²

PRICE CATEGORIES IN THE RIGA CITY CENTRE AND THE OLD CITY IN 2006:

Other apartments located in the city centre	Prices of apartments located in peripheral parts of the city centre have a tendency to come closer to the prices of apartments located in the very centre. From the other part, the price depends not only from location of an apartment but also from its location in the particular building, the amenities; and this situation is caused mainly by the fact that management of houses situated in the peripheral part of the city centre has in many cases been neglected. A characteristic feature of this apartment category is small and very small floor spaces (partially because these areas have historically been workers dwelling areas), and this fact has determined the present relatively high average sales of the apartments. In the review period, the prices have increased most rapidly in respect to apartments located in the area of Katoļu-Jēkabpils Streets, Miera Street, Čaka-Tallinas Streets, due to the active development of these areas. Expressed as a percentage, the growth of the average price level of this category apartments has been the most rapid one among the all apartment categories of the Riga centre and may be compared with the price changes in the dwelling areas, i.e., the average growth has been~45-60%. *Renovated apartments* – 1800-2500 EUR/m² *Non-renovated apartments* – 1600-2100 EUR/m²

NEW DWELLING HOUSES

Taking into account the fact that economical development of any country is cyclical, the issue of change of directions of this development is constantly topical in the society. Presently also in Latvia, due to the economical development and due to various economical factors (construction development, banking policy, solvency growth etc.), the real estate industry is one of those which are developing most rapidly; and this fact is making concern about the future when this situation will change.

Previously the main factor that influenced the price level growth was the lack of offer of new dwellings because a growth of solvency of customers as well as a favourable crediting policy of banks resulted in desire to improve living standards, and the people were ready to pay more for a new and better dwelling. At the same time, the prices of dwellings offered in the secondary market were equalized to those of new dwellings.

In 2006, in the result of a rapid increase of number of new apartments offered in the market, commencement of a gradual price differentiation was observed: the prices of new dwellings grew more rapidly then the prices of apartments offered in the secondary market. From the demand viewpoint, the price stabilisation has begun; however, the present factors affecting the growth are relating to the rapid growth of construction costs. Neither in this review period we have seen an essential sales price difference between the sales price of one square metre of a renovated standard-type apartment and of one square metre of a new project apartment of the white interior decoration degree. This situation is still determined by deficiency of dwellings. At the end of 2006, the average sales price of non-renovated standard-type apartments was 1550 EUR/m², but the sales prices of apartments with the white interior decoration degree started from 1300 EUR/m², having a relatively wide offer in the range of ~1600-1800 EUR/m².

The most important tendency having developed in 2006, was intensification of competition in the new project market, which would result in "crystallization" of the most powerful market participants (developers and builders), who will be capable to implement successfully new large-scale projects because they will have sufficient experience and, which is the most important thing, sufficient resources. Due to this, more and more big projects are being launched in the market, consisting of several newly erected buildings (having different usage purposes) combined in one complex. Projects consisting only of one or some more buildings have dominated during the previous period of time.

It is expected that this tendency will favourably influence the market and that less and less projects will be developed by non-professionals, who have offered objects made in a hurry and of bad quality, which, nevertheless, the customers had been forced to buy due to the insufficient offer in the market. Competition is always improving the situation in any industry because a customer gets a better choice and because a product offered must be competitive.

Taking into account the fact that the Latvian new project market has been in development in more than 5 years, a new segment which might be defined as the secondary market of new projects (secondary trading in objects of new projects that have been commissioned), has stood out more clearly in 2006. The offer of this segment consists of apartments of new projects having been purchased for resale and of apartments of new projects sold due to any other reasons and personal circumstances. Thereby customers get possibility to purchase an apartment in a new house and start usage of the apartment at once, without necessity to book an apartment in a new project and then wait for commissioning of the building. However, it should be noted that this possibility may cost a little bit more than in the case of booking an apartment in a non-commissioned building.

The "weak point" of the new projects in 2006 was the quality. Since the competition and the level of requirements of customers is increasing, more and more attention is paid to this factor.
The project developers offer complete interior decoration taking into consideration desires of the customer and selecting the best quality decoration materials but, at the same time if those decoration works are carried out by low-qualification workers employed due to lack of labour force, the overall quality of the object is deteriorated and the customers are unsatisfied because they do not receive the desirable quality. At the same time, a customer cannot select an apartment which is delivered in the white interior decoration degree because the customer is restricted by the same factor – the lack of labour force, which does not allow preparing the apartment for commencement of usage.

Too little difference between standard-type apartments with good interior decoration (approximately 1700 EUR/m²) and apartments in „new projects" with interior decoration (approximately 2000 EUR/m²) is a factor that still exists

Due to intensification of competition among the project developers, we could observe positioning and promotion of brands in the market. The most characteristic example of this process has been „Dzintara projekti", (already 6 new projects were offered in the market under this brand in 2006) and also the company „Dzimtā sēta" launched its projects under a uniform brand in 2006.

A characteristic tendency of the entire review period was that the developers of new projects tried to restrict speculative deals by applying various methods - from contract terms and conditions to increased sales prices which should provide for a situation where apartments are purchased solely by persons, who intend to live in them.

Practically all project developers offer the possibility to acquire property already in the „virtual stage" of a new house; however, a significant increase of the demand had not been observed since 2004. In the course of a constantly increasing competition, i.e., number of new projects, still less and less apartments (expressed as a percentage) are sold according to preliminary agreements. In this aspect, the reputation of a developer is playing an important role because it is easier to carry out market activities if the company is experienced and if the company brand is widely recognisable.

Lack of good quality offer was observed in the market. From the viewpoint of the demand, all kind apartments are demanded except, probably, big floor space apartments in new houses located in dwelling areas (exceeding 150 m²); such apartments located in certain new projects have been offered in more than one year. However, this market situation shows that customers become more educated and that the time when it was possible to sell almost everything is over because in the price aspect the big floor space apartments are competing with apartments in prestigious locations – in the centre, at Ķīpsala and also in Jūrmala. An important factor is the fact that the "sleeping areas" of Riga are small and medium area housing blocks as to their functions, i.e.,

Sale and Purchase of Apartments

dwelling areas inhabited by people of respective social classes, therefore, construction of a big floor area apartment house is a risky investment for a developer.

It should be taken into consideration that the average floor space of new project apartments and also private houses are decreasing, which is a common tendency for all the Baltic countries; in the result of an increase of the overall price level the purchasing capacity is (though, probably, insignificantly) decreasing, and in the result of this the demand for "economical" class dwellings is increasing. Unfortunately, there still are certain developers in the Latvian market of new projects, who, due to simplification reasons, are developing projects of big and, in many cases, inadequate areas which might be absorbed by the market solely in the case of a big deficiency of dwellings. From the viewpoint of the real estate theory, the situation when area of a row house is 250 or more m², or when the proportion between the building and the land and the areas is less than 0.15-0.2 (except locations where the land plot prices are especially high – i.e., within city borders) is unacceptable. The market of such inadequate dwellings has, in fact, been formed historically, in the past when private houses were built as big as possible (in certain cases, houses of area exceeding 1000 m² have presently been transformed into apartment houses), irrespective of the functionality of area or location of the house.

In the new dwelling market, apartments of small floor area (up to 80 m²) are still highly demanded. The reason of this is the fact that in the case of sale of an existing apartment in a standard-type building, the price difference with the new dwelling is little, also if a credit is taken so that the monthly payment is relatively insignificant. Having summarized the information on the new projects, it should be, unfortunately, concluded that the developers are still to a certain extent ignoring just the demand for dwellings of a lesser floor space – one-room/studio-type apartments are not offered though just this type apartments are especially demanded by non-residents who must stay in Latvia only for a certain period of time. It is expected that the increasing competition in the new project market will contribute to increase of development of this type dwellings.

In the segment of exclusive dwellings, new building areas have been developed, namely, Skanstes Street area, Āgenskalna Bay area. Information on large-scale building projects at Mežaparks, Lucavsala has been published as well. Also the Riga City centre, the Old City and the nearest part of Jūrmala are to be included in the market segment of exclusive dwellings. In this category, the most demanded apartments are apartments of floor space from 100 to 200 m²; however, the most important condition is an adequate number of parking places (except the Old City where it is practically impossible to fulfil this condition) – parking place for at least two cars should be available for a big floor space apartment. Conclusion is that neither the year 2006 has brought any new changes to the sector of most expensive new dwellings – under conditions of a high demand the tendency of offering additional services to apartment buyers which under conditions of a developed „high-end" market include apartment service, apartment cleaning and other "extra" services, is not widely spread.

In 2006, several hundred new living houses have been launched in the market (according to the data provided by the CSB, 4 116 new dwellings have been commissioned during the first three quarters of 2006). A part of these dwellings, naturally, have been built for individual use; however, speaking about common tendencies, it is obvious that the number of dwellings commissioned during the first three quarters of the review period, has exceeded the indicators of the respective period of 2005 by ~57%. Such a significant increase of the number of new dwellings has provided for an adequately rapid growth of construction costs (according to the official data, by 25% per annum, though it is still possible to discuss the issue about gradual withdrawal of construction companies from the "grey zone").

A uniform concept of development of housing areas of the Riga City territory is still absent though a little improvement of the situation was observed in general – price levels of separate categories of new dwellings have been differentiated as to location thereof. Previously there was observed the situation when new projects were launched chaotically in the market because buildings of diametrically opposed profile of potential customers were constructed within one and the same block. While also in 2006 certain new projects did not fit to the environment as to their parameters, developers are paying more and more attention just to preliminary research of the market in order to decrease the future risks. Though the overall price level has not significantly changed depending on location of the building, certain differentiation of projects within a couple hundred EUR/m² was observed.

During the review period, apartments completed to the so-called "black" or "grey" interior decoration stage were launched in the market only in separate cases; however, in contrary to the forecasts, the number of apartments completed to the "white" interior decoration stage has grown most rapidly. This fact, to certain extent, has been caused by the house commissioning requirements as well as the demand from the part of customers because when the final decoration of a dwelling is selected, unified solutions may be found only for dwellings of the cheapest category. An essential aspect in the new dwelling market is that, in contrary to the market tendencies of our neighbour countries, such as Estonia, the Latvian developers of new dwelling projects do not try to ensure the buyers of the dwellings with construction specialists, who would be able to finish interior decoration of apartments within a short period of time.

The number of apartments with complete interior decoration offered in the new apartment market is still low in despite of the increased demand for apartments of this segment

As to such an important parameter of new dwellings as car parking places, the developers continue "to sin" because the requirements of legal acts in many cases have been met by them only in a formal way. Taking into consideration the constantly increasing traffic intensity, the growth of the parking fees as well as other restrictions existing especially in the city centre, a direct growth of demand for parking places in the new projects was observed; the customers wish to have parking place for two cars for each apartment, at least temporary. Unfortunately, the overall high price level of dwellings, from the other part, do not stimulate customers to purchase parking place at the price of 20-30 thousand euro for one car so that customers select other temporary solutions; however, it is expected that in the future the price of parking place would influence the overall sales price of dwellings in a more direct manner.

During the review period, several high-rise (more than 9 floors) multi-apartment houses have been launched in the market; especially large-scale projects consisting of more than 100 apartments should be outlined as well. An important tendency of the new project market in 2006 was announcement of several large-scale projects (more than 3 objects within one project, or projects consisting of more than 100 units). Such large-scale projects as "Jaunbiķeri" in Kaivas Street, the village „Gadalaiki" at Berģi, „Purvciema Projekts" in Pūces Street, „Tobago" in Apūzes Street complemented the number of existing big projects such as „Bišumuiža", „Panorama plaza", „Metropolia"," Lauras" .

Basing upon the new projects, the new dwellings existing in the Riga City at the end of 2006 might be divided in the following categories

- *separate low-rise buildings* (up to 4 floors - VIVA! Imanta, Mores 18, Villa Nobile etc.)
- *low-rise building blocks* (up to 4 floors - Bišumuiža, Jaunbiķeri, Beberbeķi)
- *separate 5-7 floor buildings* (located mainly in the centre, the Old City – (Aizkulises, Boulevard Residence, Nītaures 3 etc.)
- *separate multi-storey buildings* (Hanzas Street w/n, Duntes ozoli etc.)
- *multi-storey building complexes* (Skanstes Virsotnes, Imantas pērle, Solaris, Metropolia, Panorama Plaza)

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In 2006, the prices in the new multi-apartment houses in the Riga City grew by approximately 35-55% in average in comparison with the previous period (2005), reaching the following levels in individual categories:

- "white" interior decoration stage (cosmetic renovation needed) 1300-2800 EUR/m² (1900 EUR m/² in average)
- full interior decoration (including installed plumbing devices) 1600-3300 EUR/m² (2200 EUR/m² in average)
- apartments in exclusive projects – (Old City, historical centre of Riga). The price is depending mainly on the location, project infrastructure and architectural solution, and in a lesser degree – on the interior decoration degree.
  Prices – 3200-6000 EUR/m².

Due to the stable price growth in 2006, all the new multi-apartment building projects have been financially successful; the price growth corresponded to 35-55% per year, and this growth was capable to cover not only the slight rise in credit resource prices but also the increase of the construction costs.

Though the biggest part of the new dwelling offer also in 2006 consisted of dwellings in the "sleeping areas" of Riga, a very intense construction activity was observed in the city centre and the peripheral part of the centre. Such city parts as Ķengarags, Vecmīlgrāvis, Bolderāja also in 2006 were to be considered as "forgotten" by developers (except the project of reconstruction of a former telephone exchange building). If the Čiekurkalns dwelling area previously might be considered a relatively poorly developed area, the published information about the large-scale construction project at Mežaparks (close to Čiekurkalns) might cause a rapid increase of interest in the nearest future from the part of other developers. This potential interest might be caused by the comparatively good accessibility of the infrastructure of city centre.

The highest price level of new dwellings was observed in the city centre (the peripheral part included), Mežaparks, Teika, the near Pārdaugava, Purvciems. If a significant announcement of large-scale new projects was observed at Imanta in 2004 and 2005, the situation there was relatively quiet in 2006, which fact may be explained by the implementation of the existing large-scale projects, which has created an increased risk situation due to the high competition in this area.

Taking into account the rapid growth of construction of new dwellings, the percentage of new dwellings in the overall number of dwelling transactions has grown during the review period and at the end of the year, according to approximate calculations, corresponded to ~15% of all the registered real estate purchase transactions. While a rapid growth of the number of apartments in new projects was observed, this growth did not exerted any big influence on the existing standard-type apartments during the reporting period; this fact was caused by the overall level of deficiency of dwellings.

The most rapid development of implementation of new projects during the review period was observed in the city centre including its peripheral part, and in the area of Skanstes/Hanzas Streets. A big number of apartments in new projects were offered at Imanta (thanks to separate multi-storey complexes), in the area of Mežciems/Pļavnieki, at Ziepniekkalns, Purvciems, the near Pārdaugava.

An insufficient offer was observed in such dwelling areas of Riga as Teika, Ķengarags, Vecmīlgrāvis, Bolderāja (just Bolderāja might develop rapidly in a long perspective provided that the infrastructure would be improved and the criminality level would be reduced), Dzirciems.

APARTMENT MARKET IN THE VICINITY OF RIGA

In the settlements and civil parishes located in the vicinity of Riga the price growth rate during the review period has been practically equal to the average price growth rate in Riga. Salaspils, Mārupe, Ādaži, Ķekava, Baloži should be mentioned as the most active regions of the secondary dwelling market in the vicinity of Riga.

Changes of the price level in the standard-type apartment market have depended also on the activities in the local new dwelling market – in the case of announcement of a new multi-apartment building project, the prices of the existing dwellings grew rapidly.

Prices of apartments in settlements located nearest to Riga (such as Baloži, Mārupe, Piņķi) have reached the prices of apartments located in dwelling areas of Riga

The demand is formed mainly by persons working in Riga, who, due to financial considerations, do not purchase an apartment in Riga and search for it in a location which lies farther from Riga. Taking into account this circumstance, the settlements located in the vicinity of Riga should be considered to be new dwelling areas of the Riga City, though they are administratively separated. However, there is a lack of working places in these particular administrative areas

If previously apartments located in the vicinity of Riga were relatively frequently purchased for accommodation of tenants who had lived in houses in the centre of Riga, now, taking into account the price level, which is only approximately 20-35% lower than the level of sales prices of standard-type apartments of the Riga dwelling areas, apartment for accommodation of tenants are searched in farther regions; in addition, number of such transactions has rapidly decreased.

The average sales price level of non-renovated apartments with amenities in the settlements located in the vicinity of Riga was 850-1150 EUR/m² (depending on availability of infrastructure in the particular location and on the distance from Riga).

MARKET OF NEW DWELLINGS LOCATED IN THE VICINITY OF RIGA

The main development centres of new dwellings outside the Riga city have been Ādaži Civil Parish, Baloži, Garkalne Civil Parish, in 2006 - also Ķekava. Though the offer has been relatively small (separate new projects), it has been stable. Prices of dwellings with complete interior decoration and located in the said areas have been comparable with the prices of standard-type apartments in the Riga City – from 1350 to 1850 EUR/m². The new multi-apartment houses built in the Mārupe Civil Parish may be compared in this context with the prices of the cheapest Riga dwelling areas except locations where the infrastructure is underdeveloped (the new territories).

It should be noted that along with the increase of the overall dwelling price level, construction of new multi-apartment houses outside Riga and the areas adjacent to the Riga City has become more active, especially at Saulkrasti, Daugavpils, Cēsis and Aizkraukle, where several new projects are already offered. Also Kuldīga and Saldus should be mentioned as well as such smaller regional towns as Kalnciems, Brocēni, and Aizpute. If previously the new projects implemented in the small regional towns consisted mainly of completion of unfinished buildings, the present overall price level of dwellings provides possibility to launch completely new buildings in the market. The sales price level of apartments located in regions corresponded to 780-2000 EUR/m². Also the tendency observed previously was continuing, namely that more and more new projects were offered with complete or partially complete interior decoration (without wall painting etc.). The price level of apartments located outside Riga varied in proportion to the distance from Riga; however, this level was higher in district centres and in the biggest cities and towns.

At the end of 2006, the dwelling prices in the new multi-apartment houses located in the vicinity of Riga reached the following level in separate categories:

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- *"white" interior decoration stage* (cosmetic renovation needed) 1000-1600 EUR/m² (1350 EUR m/² in average)
- *full interior decoration* (including installed plumbing devices) 1350-1850 EUR/m² (1550 EUR/m² in average)

SUMMARY OF APARTMENT MARKET

A price growth was observed also in 2006; the reasons of this growth were still the same as previously: an increase of construction costs, the low credit interest rates (though a slight increase thereof was observed) and the deficiency of dwellings. The percentage of the speculative transactions was relatively lower, especially in projects that were launched in the market in the second half-part of the year.

The biggest demand was observed for two-room apartments in standard-type houses, one-room and studio-type apartments in the Riga City centre as well as for well-equipped apartments of floor space up to 100 m² and located in well-maintained buildings in the city centre and vicinity thereof. The prices of the standard-type apartments in the Riga City in 2006 grew by up to 65% for apartments of certain series (by 40-65% in average). The price changes in the vicinity of Riga were approximately equivalent to those observed in the dwelling areas of Riga.

As far as purchasing of apartments as a speculative transaction type is concerned, the number of such transactions with apartments located in the Riga City centre has decreased in comparison with the previous periods, and this decrease, together with the reduction of number of speculative transactions in the new projects, indicates that the dwelling prices are approaching their objective level (the level determined by demand and offer); from the other part, the number of speculative transactions has slightly increased in the industrial and commercial property markets as well as in the land market – i.e., in segments where definition of the estate value is relatively more difficult; a part of actors have selected to invest the gained profit in less developed markets – in Bulgaria, Romania and Ukraine.

The offer of apartments located in new projects and the number of transactions with dwellings in new projects have increased significantly, both as to number of projects and as to number of apartments. The percentage of the new dwelling market in the total market of dwellings has achieved ~15%. If during the previous periods the small percentage of the small development projects in the market was determined by the big number of bureaucratic procedures in the process of house construction and commissioning, a characteristic feature of 2006 was strengthening of requirements to financing of such projects from the part of credit institutions.

Basing upon the analysis of transactions and demand/offer, the prices of apartments in 2006 in certain most significant categories were as follows:

Old City

Renovated apartments 4200-5000 EUR/m²

Non-renovated apartments 3500-4500 EUR/m²

Boulevard Ring (reconstructed buildings)

Prepared for interior decoration 3500-4200 EUR/m²

Interior decoration included 3700-4700 EUR/m²

Prices were lower in average by 20% in non-reconstructed buildings

Valdemāra-Dzirnavu-Brīvības-Bruņinieku Streets

Renovated apartments 2800-3600 EUR/m²

Non-renovated apartments 2400-3200 EUR/m²

Barona-Dzirnavu-Brīvības-Bruņinieku Streets

Renovated apartments 2600-3300 EUR/m²

Non-renovated apartments 2400-3000 EUR/m²

Separate locations in Pārdaugava (Kuģu Street, Balasta dambis, vicinity of Radisson SAS)

Apartment prices in new buildings up to 6000 EUR/m²

Non-renovated apartments from 2100 EUR/m²

Other part of the Riga City centre

Interior decoration included1800-2500 EUR/m²
Without interior decoration1600-2100 EUR/m²

Newly erected apartment houses

Interior decoration included 1600- 3300 EUR/m²

Without interior decoration1300- 2800 EUR/m²

Buildings of exclusive location - up to 6000 EUR/m²

Standard-type apartments – 1300-1650 EUR/m²

Wooden houses in the city centre – 1200-1800 EUR/m²

Wooden houses 700-1600 EUR/m²

PRICES OF STANDARD TYPE APARTMENTS IN RIGA AND NEAR REGIONS

(1st January, 2007. prices in EUR)

Jugla	*103. serie*	*Specproj.*	*602. serie*	*119. serie*	*467. serie*	*Lithuanian*	*Hruschev*	*small family*	*average*
1-room	**52 000**	**51 000**				**50 000**	**49 000**	**44 000**	**49 000**
December, 2005	*33 000*	*34 000*				*32 000*	*31 000*	*27 000*	*31 500*
2-room	**69 000**	**71 000**				**67 000**	**65 000**		**68 000**
December, 2005	*44 000*	*45 000*				*43 000*	*41 000*		*43 000*
3-room	**89 000**	**91 000**				**81 000**	**79 000**		**85 000**
December, 2005	*59 000*	*61 000*				*52 000*	*50 000*		*55 000*

Pļavnieki	*103. serie*	*104. serie*	*602. serie*	*119. serie*	*467. serie*	*Lithuanian*	*Hruschev*	*small family*	*average*
1-room	**56 000**	**63 000**	**55 000**	**68 000**	**55 000**	**54 000**		**53 000**	**58 000**
December, 2005	*34 000*	*44 000*	*33 000*	*46 000*	*34 000*	*33 000*		*31 000*	*37 000*
2-room	**82 000**	**86 000**	**77 000**	**88 000**	**77 000**	**73 000**			**80 500**
December, 2005	*52 000*	*58 000*	*49 000*	*59 000*	*47 000*	*46 000*			*52 000*
3-room	**94 000**	**96 000**	**88 000**	**98 000**	**88 000**	**84 000**			**91 500**
December, 2005	*62 000*	*65 000*	*59 000*	*66 000*	*57 000*	*54 000*			*61 000*
4-room			**101 000**	**108 000**	**102 000**				**104 000**
December, 2005			*65 000*	*75 000*	*66 000*				*69 000*

Purvciems	*103. serie*	*104. serie*	*602. serie*	*119. serie*	*467. serie*	*Lithuanian*	*Hruschev*	*small family*	*average*
1-room	**57 000**	**65 000**	**56 000**	**69 000**	**56 000**	**55 000**	**54 000**	**51 000**	**58 000**
December, 2005	*36 000*	*45 000*	*34 000*	*47 000*	*36 000*	*34 000*	*34 000*	*31 000*	*37 000*
2-room	**84 000**	**88 000**	**80 000**	**91 000**	**81 000**	**74 000**	**73 000**		**81 500**
December, 2005	*55 000*	*60 000*	*52 000*	*63 000*	*54 000*	*47 000*	*45 000*		*54 000*
3-room	**96 000**	**100 000**	**91 000**	**104 000**	**92 000**	**85 000**	**83 000**		**93 000**
December, 2005	*65 000*	*68 000*	*61 000*	*69 000*	*62 000*	*55 000*	*53 000*		*62 000*
4-room			**103 000**	**110 000**	**104 000**				**105 500**
December, 2005			*69 000*	*77 000*	*70 000*				*72 000*

Mežciems	*103. serie*	*104. serie*	*602. serie*	*119. serie*	*467. serie*	*Lithuanian*	*Hruschev*	*small family*	*average*
1-room		**64 000**	**55 000**			**53 000**			**57 000**
December, 2005		*40 000*	*32 000*			*32 000*			*35 000*
2-room		**86 000**	**77 000**			**73 000**			**78 500**
December, 2005		*55 000*	*50 000*			*45 000*			*50 000*
3-room		**99 000**	**89 000**			**83 000**			**90 500**
December, 2005		*64 000*	*59 000*			*53 000*			*59 000*
4-room			**101 000**						**101 000**
December, 2005			*64 000*						*64 000*

Teika	*103. serie*	*104. serie*	*specproj.*	*Stalin*	*467. serie*	*Lithuanian*	*Hruschev*	*small family*	*average*
1-room	**59 000**		**62 000**	**63 000**			**56 000**		**60 000**
December, 2005	*41 000*		*43 000*	*44 000*			*36 000*		*41 000*
2-room	**86 000**		**87 000**	**88 000**			**77 000**		**84 500**
December, 2005	*56 000*		*58 000*	*58 000*			*47 000*		*55 000*
3-room	**98 000**		**93 000**	**116 000**			**84 000**		**98 000**
December, 2005	*70 000*		*65 000*	*80 000*			*56 000*		*68 000*

Sale and Purchase of Apartments

PRICES OF STANDARD TYPE APARTMENTS IN RIGA AND NEAR REGIONS
(1st January, 2007. prices in EUR)

Vecmīlgrāvis	103. serie	104. serie	602. serie	Stalin	467. serie	Lithuanian	Hruschev	small family	average
1-room	**50 000**		**49 000**	**51 000**	**49 000**	**47 000**	**46 000**	**45 000**	**48 000**
December, 2005	*29 000*		*29 000*	*30 000*	*28 000*	*26 000*	*25 000*	*25 000*	*27 000*
2-room	**67 000**		**66 000**	**87 000**	**67 000**	**63 000**	**61 000**		**68 500**
December, 2005	*42 000*		*43 000*	*44 000*	*43 000*	*38 000*	*35 000*		*41 000*
3-room	**81 000**		**78 000**	**82 000**	**78 000**	**76 000**	**75 000**		**78 500**
December, 2005	*50 000*		*52 000*	*53 000*	*50 000*	*47 000*	*45 000*		*50 000*
4-room			**85 000**		**86 000**				**85 500**
December, 2005			*57 000*		*58 000*				*57 500*

Ķengarags	103. serie	104. serie	602. serie	specproj.	467. serie	Lithuanian	Hruschev	small family	average
1-room			**52 000**		**52 000**	**49 000**	**48 000**	**50 000**	**50 000**
December, 2005			*32 000*		*32 000*	*31 000*	*30 000*	*30 000*	*31 000*
2-room			**69 000**		**68 000**	**62 000**	**62 000**		**65 000**
December, 2005			*45 000*		*44 000*	*39 000*	*38 000*		*42 000*
3-room			**82 000**		**81 000**	**76 000**	**75 000**		**78 500**
December, 2005			*53 000*		*50 000*	*48 000*	*47 000*		*49 000*
4-room			**85 000**		**86 000**				**85 500**
December, 2005			*55 000*		*54 000*				*55 000*

Bolderāja	103. serie	104. serie	602. serie	specproj.	467. serie	Lithuanian	Hruschev	small family	average
1-room	**49 000**			**50 000**		**46 000**	**45 000**	**45 000**	**47 000**
December, 2005	*29 000*			*30 000*		*25 000*	*24 000*	*25 000*	*27 000*
2-room	**65 000**			**66 000**		**60 000**	**59 000**		**62 500**
December, 2005	*41 000*			*41 500*		*36 000*	*34 000*		*38 000*
3-room	**78 000**			**79 000**		**72 000**	**70 000**		**74 500**
December, 2005	*48 000*			*49 000*		*39 000*	*38 000*		*43 500*

Ziepniekkalns	103. serie	104. serie	602. serie	119. serie	467. serie	Lithuanian	Hruschev	small family	average
1-room	**55 000**	**63 000**	**54 000**	**66 000**		**50 000**	**49 000**	**50 000**	**55 500**
December, 2005	*35 000*	*42 000*	*34 000*	*37 000*		*32 000*	*31 000*	*31 000*	*35 000*
2-room	**75 000**	**76 000**	**73 000**	**81 000**		**66 000**	**64 000**		**72 500**
December, 2005	*49 000*	*50 000*	*48 000*	*51 000*		*42 000*	*39 000*		*46 000*
3-room	**86 000**	**88 000**	**85 000**	**96 000**		**80 000**	**78 000**		**85 500**
December, 2005	*55 000*	*59 000*	*55 000*	*60 000*		*51 000*	*50 000*		*56 000*
4-room			**96 000**	**102 000**					**99 000**
December, 2005			*65 000*	*68 000*					*65 000*

PRICES OF STANDARD TYPE APARTMENTS IN RIGA AND NEAR REGIONS

(1st January, 2007. prices in EUR)

Imanta	*103. serie*	*104. serie*	*602. serie*	*119. serie*	*467. serie*	*Lithuanian*	*Hruschev*	*small family*	*average*
1-room	**55 000**	**63 000**	**55 000**		**55 000**	**53 000**	**48 000**	**49 000**	**54 000**
December, 2005	*35 000*	*38 000*	*34 000*		*35 000*	*30 000*	*28 000*	*28 000*	*33 000*
2-room	**76 000**	**77 000**	**74 000**		**74 000**	**67 000**	**65 000**		**72 000**
December, 2005	*50 000*	*51 000*	*48 000*		*50 000*	*42 000*	*40 000*		*47 000*
3-room	**87 000**	**90 000**	**85 000**		**85 000**	**81 000**	**78 000**		**84 500**
December, 2005	*58 000*	*60 000*	*55 000*		*55 000*	*52 000*	*49 000*		*55 000*
4-room			**96 000**		**97 000**				**96 500**
December, 2005			*66 000*		*67 000*				*68 000*

Zolitūde	*103. serie*	*104. serie*	*602. serie*	*119. serie*	*467. serie*	*Lithuanian*	*Hruschev*	*small family*	*average*
1-room		**65 000**		**64 000**					**64 500**
December, 2005		*39 000*		*41 000*					*40 000*
2-room		**81 000**		**80 000**					**80 500**
December, 2005		*54 000*		*55 000*					*56 000*
3-room		**98 000**		**97 000**					**97 500**
December, 2005		*68 000*		*70 000*					*69 000*
4-room				**109 000**					**109 000**
December, 2005				*78 000*					*78 000*

Āgenskalns	*103. serie*	*104. serie*	*602. serie*	*119. serie*	*467. serie*	*Lithuanian*	*Hruschev*	*small family*	*average*
1-room	**55 000**				**54 000**	**52 000**	**51 000**	**51 000**	**52 500**
December, 2005	*30 000*				*31 000*	*29 000*	*29 000*	*26 000*	*29 000*
2-room	**71 000**				**70 000**	**64 000**	**63 000**		**67 000**
December, 2005	*41 000*				*43 000*	*38 000*	*39 000*		*40 000*
3-room	**86 000**				**82 000**	**74 000**	**75 000**		**79 000**
December, 2005	*55 000*				*54 000*	*46 000*	*46 000*		*50 000*

Iļģuciems	*103. serie*	*104. serie*	*602. serie*	*specproj.*	*467. serie*	*Lithuanian*	*Hruschev*	*small family*	*average*
1-room	**51 000**			**53 000**	**52 000**	**50 000**	**49 000**	**47 000**	**50 500**
December, 2005	*33 000*			*35 000*	*31 000*	*31 000*	*30 000*	*27 000*	*31 000*
2-room	**65 000**			**75 000**	**68 000**	**63 000**	**63 000**		**67 000**
December, 2005	*43 000*			*50 000*	*44 000*	*41 000*	*40 000*		*43 000*
3-room	**81 000**			**88 000**	**80 000**	**74 000**	**73 000**		**79 000**
December, 2005	*55 000*			*60 000*	*55 000*	*50 000*	*48 000*		*54 000*
4-room					**94 000**				**94 000**
December, 2005					*64 000*				*64 000*

Sale and Purchase of Apartments

PRICES OF STANDARD TYPE APARTMENTS IN RIGA AND NEAR REGIONS
(1st January, 2007. prices in EUR)

Ogre	*103. serie*	*104. serie*	*602. serie*	*119. serie*	*467. serie*	*Lithuanian*	*Hruschev*	*small family*	*average*
1-room	**44 000**		**43 000**				**40 000**		**42 500**
December, 2005	*24 000*		*23 000*				*20 000*		*22 000*
2-room	**58 000**		**57 000**				**54 000**		**56 500**
December, 2005	*31 000*		*30 000*				*28 000*		*30 000*
3-room	**68 000**		**66 000**				**64 000**		**66 000**
December, 2005	*39 000*		*37 000*				*38 000*		*38 000*
4-room			**71 000**						**71 000**
December, 2005			*40 000*						*40 000*

Salaspils	*103. serie*	*104. serie*	*602. serie*	*119. serie*	*467. serie*	*Lithuanian*	*Hruschev*	*small family*	*average*
1-room	**44 000**		**44 500**		**44 000**	**43 000**	**42 000**	**43 000**	**43 500**
December, 2005	*28 000*		*28 000*		*27 500*	*27 000*	*24 000*	*25 000*	*26 500*
2-room	**59 000**		**58 000**		**58 000**	**54 000**	**53 000**		**56 500**
December, 2005	*38 000*		*36 000*		*36 000*	*34 000*	*33 000*		*35 000*
3-room	**67 000**		**66 000**		**63 000**	**62 000**			**64 500**
December, 2005	*45 000*		*44 000*		*40 000*	*40 000*			*42 000*
4-room									
December, 2005									

Jelgava	*103. serie*	*104. serie*	*602. serie*	*119. serie*	*467. serie*	*Lithuanian*	*Hruschev*	*small family*	*average*
1-room	**35 000**		**34 000**		**33 000**		**32 000**	**33 000**	**33 500**
December, 2005	*19 000*		*18 500*		*18 000*		*19 000*	*19 000*	*19 000*
2-room	**49 000**		**48 000**		**48 000**		**47 000**		**48 000**
December, 2005	*27 000*		*26 000*		*26 000*		*25 000*		*26 000*
3-room	**55 000**		**54 000**		**54 000**		**53 000**		**54 000**
December, 2005	*30 000*		*29 500*		*30 500*		*28 000*		*29 500*
4-room			**62 000**						**62 000**
December, 2005			*35 000*						*35 000*

Jūrmala Kauguri	*103. serie*	*104. serie*	*602. serie*	*119. serie*	*467. serie*	*Lithuanian*	*Hruschev*	*small family*	*average*
1-room	**45 000**		**45 000**		**45 000**		**43 000**	**41 000**	**44 000**
December, 2005	*27 000*		*27 000*		*26 000*		*25 000*	*26 000*	*26 000*
2-room	**65 000**		**63 000**		**62 000**		**59 000**		**62 000**
December, 2005	*36 000*		*34 000*		*35 000*		*30 000*		*33 500*
3-room	**75 000**		**72 000**		**71 000**		**68 000**		**71 500**
December, 2005	*45 000*		*41 000*		*39 000*		*37 000*		*40 500*
4-room	**86 000**		**81 000**		**80 000**				**82 500**
December, 2005	*47 000*		*46 000*		*45 000*				*46 000*

PRICES OF STANDARD TYPE APARTMENTS

(1st January, 2007. prices in EUR)

District/serie	103serie				104serie			
	1-room	2-room	3-room	4-room	1-room	2-room	3-room	4-room
Jugla	52 000	69 000	89 000					
Pļavnieki	56 000	82 000	94 000		63 000	86 000	96 000	
Purvciems	57 000	84 000	96 000		65 000	88 000	100 000	
Mežciems					64 000	86 000	99 000	
Teika	59 000	86 000	98 000					
Vecmīlgrāvis	50 000	67 000	81 000					
Ķengarags								
Bolderāja	49 000	65 000	78 000					
Ziepniekkalns	55 000	75 000	86 000		63 000	76 000	88 000	
Imanta	55 000	76 000	87 000		63 000	77 000	90 000	
Zolitūde					65 000	81 000	98 000	
Āgenskalns	55 000	71 000	86 000					
Iļģuciems	51 000	65 000	81 000					
Ogre	44 000	58 000	68 000					
Jūrmala Kauguri	45 000	65 000	75 000	86 000				
Salaspils	44 000	59 000	67 000					
Jelgava	35 000	49 000	55 000					

PRICES OF STANDARD TYPE APARTMENTS

(1st January, 2007. prices in EUR)

District/serie	602serie				119serie			
	1-room	2-room	3-room	4-room	1-room	2-room	3-room	4-room
Jugla								
Pļavnieki	55 000	77 000	88 000	101 000	68 000	88 000	98 000	108 000
Purvciems	56 000	80 000	91 000	103 000	69 000	91 000	104 000	110 000
Mežciems	55 000	77 000	89 000	101 000				
Teika								
Vecmīlgrāvis	49 000	66 000	78 000	85 000				
Ķengarags	52 000	69 000	82 000	85 000				
Bolderāja								
Ziepniekkalns	54 000	73 000	85 000	96 000	66 000	81 000	96 000	102 000
Imanta	55 000	74 000	85 000	96 000				
Zolitūde					64 000	80 000	97 000	109 000
Āgenskalns								
Iļģuciems								
Ogre	43 000	57 000	66 000	71 000				
Jūrmala Kauguri	45 000	63 000	72 000	81 000				
Salaspils	44 500	58 000	66 000					
Jelgava	34 000	48 000	54 000	62 000				

Sale and Purchase of Apartments

PRICES OF STANDARD TYPE APARTMENTS

(1st January, 2007. prices in EUR)

District/serie	*467. serie*				*Lithuanian project*		
	1-room	*2-room*	*3-room*	*4-room*	*1-room*	*2-room*	*3-room*
Jugla					50 000	67 000	81 000
Pļavnieki	55 000	77 000	88 000	102 000	54 000	73 000	84 000
Purvciems	56 000	81 000	92 000	104 000	55 000	74 000	85 000
Mežciems					53 000	73 000	83 000
Teika							
Vecmīlgrāvis	49 000	67 000	78 000	86 000	47 000	63 000	76 000
Ķengarags	52 000	68 000	81 000	86 000	49 000	62 000	76 000
Bolderāja					46 000	60 000	72 000
Ziepniekkalns					50 000	66 000	80 000
Imanta	55 000	74 000	85 000	97 000	53 000	67 000	81 000
Zolitūde							
Āgenskalns	54 000	70 000	82 000		52 000	64 000	74 000
Iļģuciems	52 000	68 000	80 000	94 000	50 000	63 000	74 000
Ogre							
Jūrmala Kauguri	45 000	62 000	71 000	80 000			
Salaspils	44 000	58 000	63 000		43 000	54 000	62 000
Jelgava	33 000	48 000	54 000				

PRICES OF STANDARD TYPE APARTMENTS

(1st January, 2007. prices in EUR)

District/serie	*Hruschev tiem houses*				*Stalin time houses*		
	1-room	*2-room*	*3-room*	*4-room*	*1-room*	*2-room*	*3-room*
Jugla	49 000	65 000	79 000				
Pļavnieki							
Purvciems	54 000	73 000	83 000				
Mežciems							
Teika	56 000	77 000	84 000		63 000	88 000	116 000
Vecmīlgrāvis	46 000	61 000	75 000		51 000	87 000	82 000
Ķengarags	48 000	62 000	75 000				
Bolderāja	45 000	59 000	70 000				
Ziepniekkalns	49 000	64 000	78 000				
Imanta	48 000	65 000	78 000				
Zolitūde							
Āgenskalns	51 000	63 000	75 000				
Iļģuciems	49 000	63 000	73 000				
Ogre	40 000	54 000	64 000				
Jūrmala Kauguri	43 000	59 000	68 000				
Salaspils	42 000	53 000					
Jelgava	32 000	47 000	53 000				

Sale and Purchase of Apartments

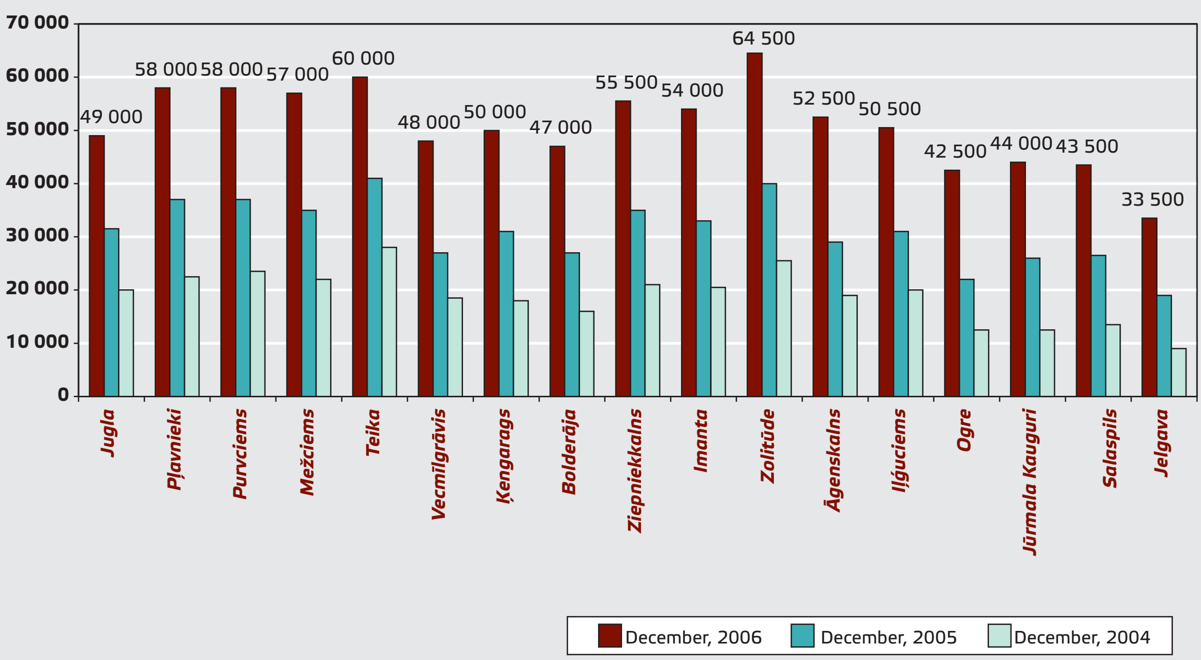
PRICES OF STANDARD TYPE APARTMENTS

(1st January, 2007. prices in EUR)

District/serie	*Specproject*			*small family project*
	1-room	*2-room*	*3-room*	*1-room*
Jugla	51 000	71 000	91 000	44 000
Pļavnieki				53 000
Purvciems				51 000
Mežciems				
Teika	62 000	87 000	93 000	
Vecmīlgrāvis				45 000
Ķengarags				50 000
Bolderāja	50 000	66 000	79 000	45 000
Ziepniekkalns				50 000
Imanta				49 000
Zolitūde				
Āgenskalns				51 000
Iļģuciems	53 000	75 000	88 000	47 000
Ogre				
Jūrmala Kauguri				41 000
Salaspils				43 000
Jelgava				33 000

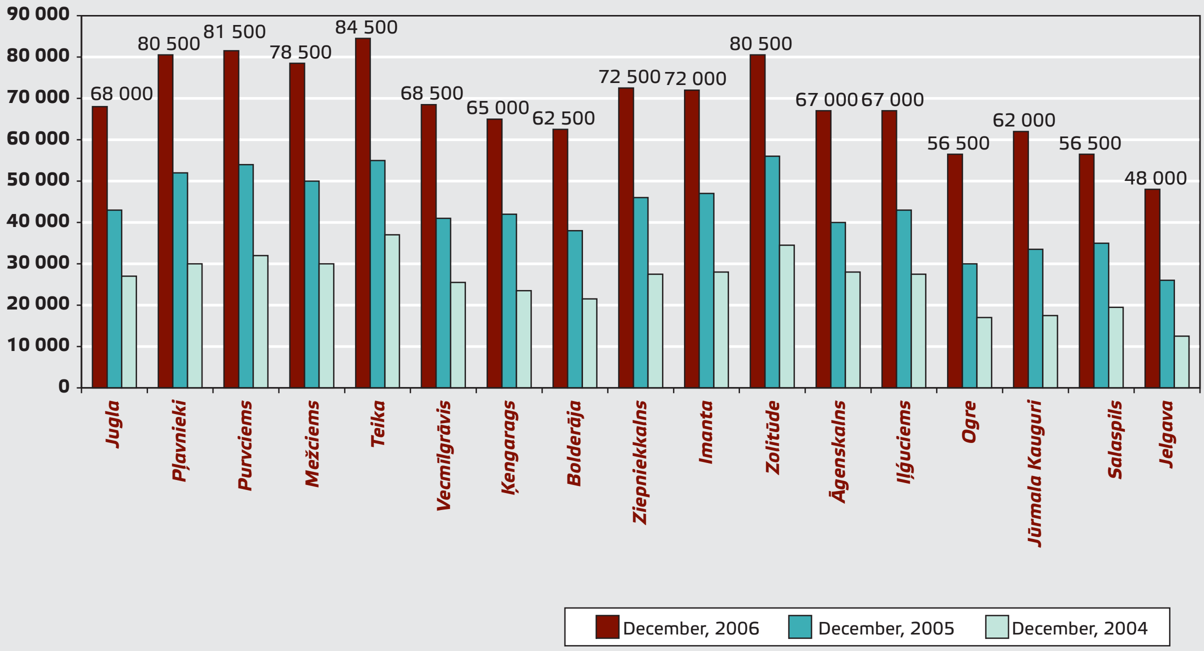
AVERAGE PRICES OF ONE-ROOM APARTMENTS, EUR*

(*prices in EUR, average price of all standrard type series in the district)

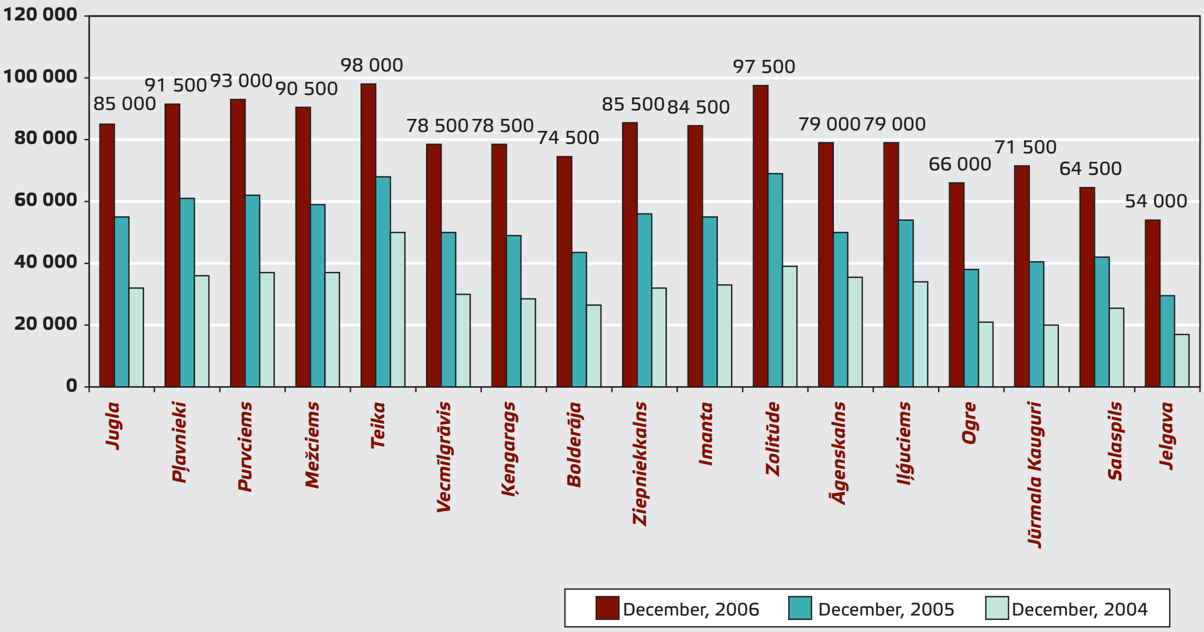


Sale and Purchase of Apartments

AVERAGE PRICES OF TWO-ROOM APARTMENTS, EUR*
(*prices in EUR, average price of all standrard type series in the district)

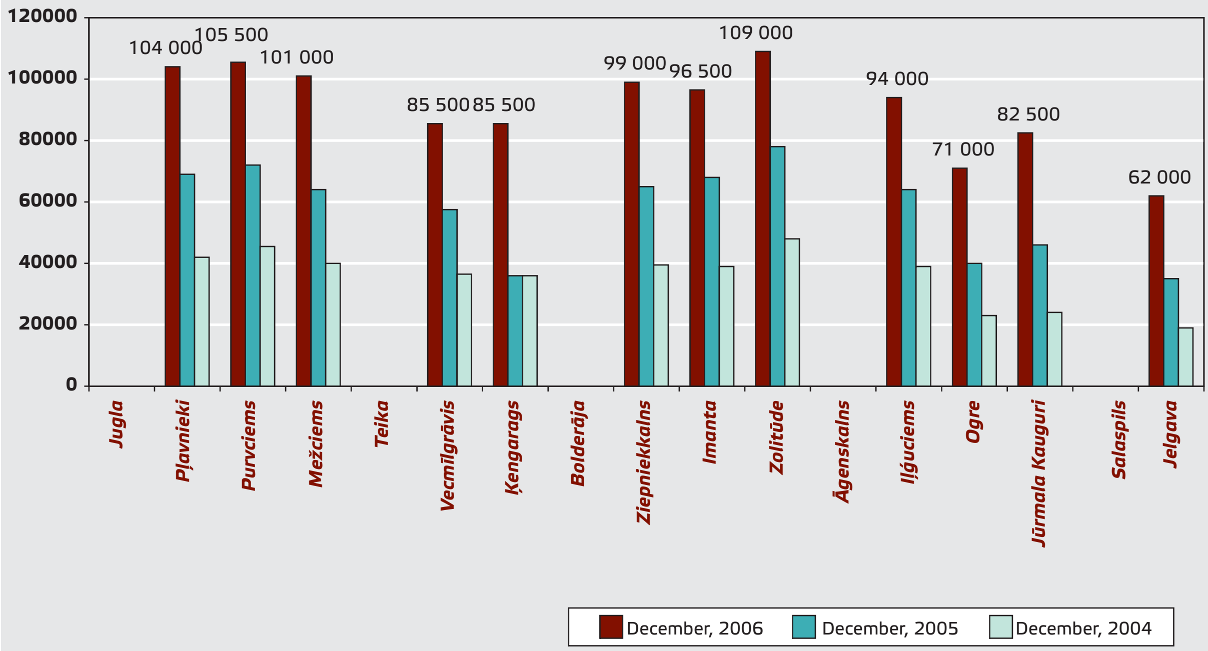


AVERAGE PRICES OF THREE-ROOM APARTMENTS, EUR*
(*prices in EUR, average price of all standrard type series in the district)



AVERAGE PRICES OF FOUR-ROOM APARTMENTS, EUR*

(*prices in EUR, average price of all standrard type series in the district)



FORECASTS FOR 2007 APARTMENT MARKET

An extract from the market overview „ Real Estate Market Overview of 2005 prepared by ARCO REAL ESTATE". Forecast for 2006.

In 2006, the apartment price growth will continue and the prices will increase by 10-20%, provided that the mortgage loan interest rates will not be materially changed (these rates both in LVL and EUR have been record-low in 2005), i.e., the real estate market in Latvia will be substantially dependant on the rates set by the Bank of Latvia and the European Central Bank. Furthermore, the prices of new projects in 2006 will be affected by a further increase of construction costs, i.e., a further price growth is expected.

At the end of the year the price level may reach the following values:

- Old City

Renovated apartments	*4100 - 5200 EUR/m²*
Non-renovated apartments	*3500 - 4500 EUR/m²*

- Boulevard Ring (reconstructed buildings)

Prepared for interior decoration	*3200 - 3800 EUR/m²*
With interior decoration	*3700 - 4500 EUR/m²*

In non-reconstructed houses the prices are lower by 20% in average

- Dzirnavu-Tērbatas-Baznīcas-Skolas Street

Renovated apartments	*2400 - 3000 EUR/m²*
Non-renovated apartments	*2000 - 2500 EUR/m²*

- Other part of the centre of Riga

With interior decoration	*1600 - 2000 EUR/m²*
without interior decoration	*1400 - 1700 EUR/m²*

- Newly erected apartment houses

With interior decoration	*1600 - 3000 EUR/m²*
without interior decoration	*1100 - 2500 EUR/m²*

- Standard-type apartments

1000 - 1300 EUR/m²

- Wooden housing in the city centre

1000 - 1400 EUR/m²

- Wooden housing

700 - 1200 EUR/m²

The prices of all kind apartments will continue to grow which is determined at first by the forecasted high inflation in 2006. The Latvian real estate market is more and more depending on the macro-economical indicators of the EU countries because the percentage of mortgage loans in EUR continues to grow in the credit portfolios of commercial banks. A material indicator which might decelerate the price growth might be the number of new dwellings per 1000 inhabitants. According to the data obtained from various sources the mean value of this indicator in the EU is 5-10 (in average 8) new dwellings per 1000 inhabitants per year. In Riga, this value cannot be reached in a short period of time because the local construction organizations are short of capacities. i.e., qualified labour force, the deficiency of which and the salary growth will continue to increase the average construction costs.

It is expected that the market share of the new dwelling houses in the market will reach approximately 15% of the total apartment market, however, neither this value may be considered sufficiently significant to affect the apartment market in total. To make further forecasts, it becomes more and more important to know the real amount of the average salary (including also other non-declared income), which would allow to determine exactly the stoppage of the price growth. However, according to various data, the average income in the country is 1.5-3 times bigger than the official average salary amount calculated by the Central Statistical Bureau.

It is expected that in 2006 there will be observed an increase not only of renovated apartments but also of completely furnished apartments. An increase of competition among the developers of new projects might cause implementation of better architectural and technical solutions but, from the other part, the lack of labour force in construction might lead to offer of low-quality apartments in the market.

Our forecast is that implementation of new projects will be commenced in farther areas where no activities have taken place before. It is also expected that construction of high-rise buildings (over 9 storeys) will be commenced in separate places at Jūrmala, for example, at Kauguri

The forecasts formulated at the end of the previous year have come true, except the forecast of construction of new multi-apartments houses in the dwelling areas in which no development of new projects had taken place; the main emphasis in 2006 has been just on development of the centre and its peripheral part, though in the case of certain projects it is possible to speak about some kind of territorial expansion (reconstruction of a multi-apartment building at Bolderāja).

The forecasts of apartment price changes are not fulfilled for one hundred per cent. The price changes in the Old City and the city centre were forecasted precisely (i.e., the price growth was relatively small). The price level growth which was greater than forecasted was observed in the peripheral part of the city centre which might be associated also with an especially active construction of new dwelling houses in the peripheral part of the city centre. Especially high growth of the average price level in 2006 was observed just in the widest apartment category (the forecasted prices were in average by 25-30% lower than those registered at the end of the year).

The changes of the price level of the new dwelling market prices practically correspond to the forecasted price level – i.e., the growth was reasoned by the forecasted growth of construction costs, the growth of land prices. Only the separate new multi-apartment building projects are "falling out" of the forecasted price level of new projects. The percentage of the new dwelling market has reached the forecasted size, namely, 15% of the total dwelling market.

As far as the forecasted influence of credit interest rates on the real estate market, in 2006 the average credit interest rates slightly increased, however, such a little increase could not influence the market development rates though, probably, this increase has served as a factor which had slightly suppressed the overall market price level growth.

At the end of 2007, apartment prices might reach the following values:

- Old City
Renovated apartments 4500-5500 EUR/m²
Non-renovated apartments 3800-4800 EUR/m²
- Boulevard Ring (reconstructed buildings)
Prepared for interior decoration
3800-4700 EUR/m²
Interior decoration included
4200-5200 EUR/m²
In non-reconstructed houses the prices are lower by 20% in average
-Valdemāra-Dzirnavu-Brīvības-Bruņinieku streets
Renovated apartments 2800-3600 EUR/m²
Non-renovated apartments 2400-3200 EUR/m²
- Barona-Dzirnavu-Brīvības-Bruņinieku streets
Renovated apartments 2600-3300 EUR/m²
Non-renovated apartments 2400-3000 EUR/m²
- Separate locations in Pārdaugava (Kuģu Street, Balasta dambis, vicinity of Radisson SAS)
Apartment prices in new buildings – up to 6000 EUR/m²
Non-renovated apartments – from 2100 EUR/m²
- Other part of the Riga City centre
-interior decoration included 2400-3000 EUR/m²
-without interior decoration 2000-2700 EUR/m²
- Newly erected apartment houses
interior decoration included
1900- 3600 EUR/m²
without interior decoration 1600- 3200 EUR/m²
buildings of exclusive location
up to 7000 EUR/m²
- Standard-type apartments
1450-1850 EUR/m²
- Wooden houses in the city centre
1500-2400 EUR/m²
- Wooden houses
800-1800 EUR/m²

In 2007, the number of apartments in new dwelling houses will still not affect significantly the total price level of the apartment market. The price growth will continue within the limits of approximately 10 -20%

A rapid growth of the apartment prices of the same type as it was observed during the previous years, is not to be expected in 2007; however, a growth of average prices of certain categories is expected, which is caused by the dwelling deficiency existing in the market. While, from the theoretical viewpoint, differences between apartments of various categories should be bigger, in the case of a high demand any direct recessive price correction cannot be expected. In the case if the tendencies of 2006 will continue and if there will not be any simultaneous additional conditions being capable to affect significantly the economics in general (financing changes), then the possible apartment price growth in 2007 might be expected to be within 10-20% in average; the growth might be higher in certain (the most cheapest) categories.

As to the new dwelling construction rate, Latvia is still significantly below the average level of ES27 (5-10 dwellings per 1000 inhabitants per year); due to this (even if the natural decrease of the number of population is taken into account) the dwelling deficiency will be still observed in 2006 ~2,25 dwellings per 1000 inhabitants were built in Latvia).

It should be noted that just the financial conditions any improvement of which cannot be expected, are to be considered the most important factors that impede the market development. Simultaneously with the possible increase of credit interest rates in 2007, also a decrease of co-financing from the part of banks may take place, from the present 85-90% of apartments to 75-85% of apartments, which might result in a gradual market slackening and a decrease of the demand.

Unfortunately, it must be concluded that a growth of construction costs is still to be expected, taking into consideration the existing deficiency of construction capacities; however, the possibility that the cost rise would achieve the level of 2006 is little.

Forecasts for 2007 Apartment market

The share of new dwellings in the total dwelling market will continue to grow it is expected that this share will make approximately 18% of the total dwelling market. Taking into account an increase of risks and a decrease of profitability of realisation of new projects, it might be, however, forecasted that in a longer perspective the developers will more and more focus on specific market niches, segmentation in dwelling areas and regions. In the short-term perspective any substantial changes in the quality of dwelling construction are not expected though the quality is essentially deteriorated in the result of the rapid growth of the construction industry.

In general, it may be forecasted that any direct change of the demand/offer volumes shall not cause any essential changes of the market in 2007; however, such changes may be caused by any external factors, such as macro-economical, financial, legislative and other factors.

Hire of residential premises

HIRE OF RESIDENTIAL PREMISES

The rapid growth of the price of apartments observed during the previous years, together with the price growth of 2006, caused also a relatively rapid growth of rent to be paid for residential premises of economical class, though the rent amounts are in average by 10-40% lower then the credit repayment amounts payable in the case of acquisition of a respective apartment. The growth of rent amounts has been especially rapid in respect to the “cheapest” and small (as to the floor space) apartments, in the result of which it is difficult to hire an apartment in Riga for a rent amount below 160 EUR. The hire agreement validity term is still an important factor: apartments hired out on a long-term basis are demanded; however, the lessors are offering hire agreements for 1-2 years, and after expiration of this period the lessors intend either to sell those apartments or hire them out but for significantly higher rent amounts, depending on the apartment price changes.

The rent amounts payable for apartments in the new dwelling areas will grow, however, these amounts will still be lower than the sums of repayment of credits obtained for purchase of new apartments

Neither has the cancellation of the “rent ceiling” from January 1, 2007 in the de-nationalised houses caused any significant changes in the rental market. The demand for rental apartments has remained stable in 2006, without any significant changes of the demand and the offer.

One of the most important novelties in the rental apartment market is the topical issue of possibility of implementation of 3P (Public-private partnership) projects to put in order the rental matters; in the situation of the Riga City this might eventually change the rental market significantly (including the issue of tenants of de-nationalised houses), especially for low-income persons. Unfortunately, the Riga City Municipality until now has not shown any special interest in realisation of such projects (Salaspils is the municipality closest to Riga, which is solving issues of this type). The basic concept of such projects is that an apartment house is built on a land plot owned by a municipality or a private person; this house is rented by the municipality and the apartments of the house are sub-leased to socially supported persons who need a residential space.

The rent amounts in the sector of residential space for rent are determined mainly by the level of amenities available in the apartment, prestige of the location, availability of the public transport. As to the Riga centre apartments, the most essential is the car parking problem, architectural and design solutions. The rent amount in all sectors is depending also on the building storey (the lowest and the upper storey (except buildings with elevator or special garret solutions) are in average by 5-15% cheaper).

THE APARTMENT RENT AMOUNT LEVELS IN THE MAIN CATEGORIES OF RENTAL APARTMENTS IN THE RIGA CITY AT THE END OF 2006

Small-size apartments in dwelling areas, 1-2-room apartments with partial amenities in pre-war period buildings, also unfurnished. Demand exists for all the areas located not far from the centre, also for more distant areas; the monthly rent levels vary proportionally to the distance from the centre.

Rent amounts from 150 to 220 EUR per month (in average 3,0-7,0 EUR/m²);

1-3-room furnished apartments in good condition located in dwelling areas. The most demanded areas were dwelling areas with relatively high estate sales prices - Purvciems, Pļavnieki, Teika, Imanta, Āgenskalns (locations with a well-developed public transport infrastructure).

Monthly rent from 215 to 550 EUR (in average 7,0-11 EUR/m²) ;

Furnished and qualitatively renovated apartments in partially renewed and renewed buildings in the centre of Riga. The demand exists for furnished apartments of area up to 100 m², for a short or medium long period of time.

Monthly rent amount from 700 to 1600 EUR (in average 9-17 EUR/m²).

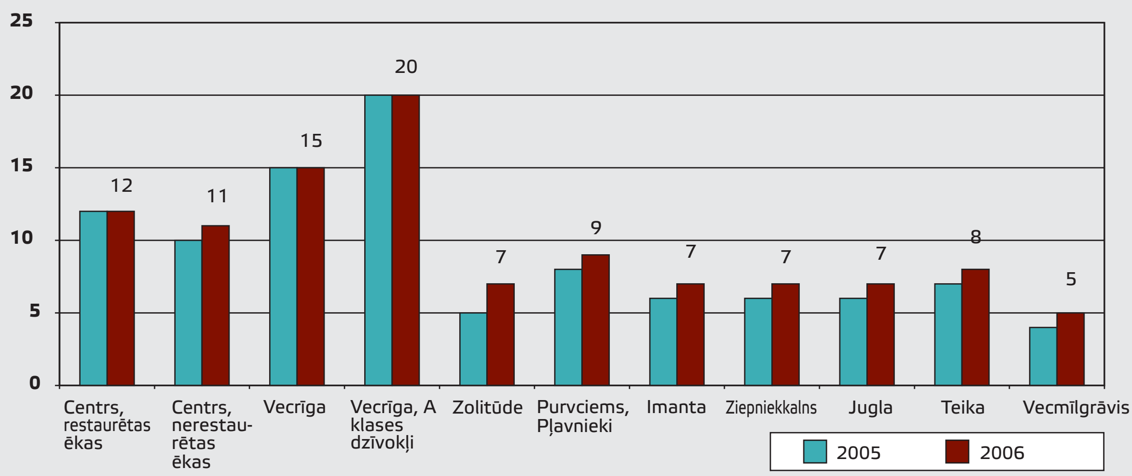
Furnished apartments in the Riga centre houses of special architectural value or special location (art nouveau buildings, houses in the Quiet Centre). Characteristic feature of the apartments is presence of special design and historical elements (stoves etc), special architectural solutions of the buildings. The most demanded area ~100 m².

Monthly rent 800-2000 EUR (in average 15-23 EUR/m²). The rent amount limits are decreased in this category; this has been caused by the relatively big offer and the high rent amounts comparing with the salary level of the local labour force; the main tenants are foreigners; local tenants only in relatively few cases.

Apartments in the Old City. The offer mainly consists of apartments of relatively small floor areas - 50-70 m². A part of the apartments for rent are not renovated but only furnished. The demand is influenced both by the limited car parking and the wide entertainment possibilities in the Old City, which are associated with noise problems in the apartments.

Monthly rent 500-2000 EUR (in average 11-20 EUR/m²). The maximum rent amounts for apartments located in the Old City has decreased in 2006 by ~500 EUR, which has been caused by lack of demand. A part of rental apartments in the Old City are hired out for short periods of time – from one day to a few weeks, mainly to tourists.

AVERAGE APARTMENT MONTHLY RENT IN 2006 (EUR/m²)



Hire of residential premises

RENT OF PRIVATE HOUSES

During the reporting period no material changes have been observed in the sector of rental of private houses (the demand and the offer was little except the seasonal demand for rental houses located close to the sea or other water bodies, during the summer months). The offer mainly consists of small private houses in satisfactory technical condition located in the Riga City as well as of private houses in new villages (in this case, the house is hired out for a short period of time in order to use the rent for repayment of the credit liabilities). The second important category consists of private houses in Jūrmala (both summer cottages and permanent and solid buildings).

The offer at the end of 2006 was relatively poor, with a big price difference. The biggest offer price at the end of 20006 exceeded 20 000EUR/month for a new private house in Jūrmala, at Bulduri, close to the sea. Though this rent amount has been determined basing upon the rent amount to be paid for one day during the summer season, it is practically unlikely that at least one hire agreement would be concluded at this or even a lesser price in 2007 – new private houses in Jūrmala are offered at 1300-3500 EUR/month in average.

Jūrmala

- *summer cottages* (wooden houses of area up to 100 m²) – 500-1300 EUR/month
- *new and reconstructed houses* – 1300-3500 EUR/ month

Riga

- new and reconstructed houses - 1300-3500 EUR/ month
- Soviet and pre-war time houses, non-renovated – 400-1100 EUR/month

close to the sea (outside towns and cities) – 150-700 EUR/month

Farms, private houses in small towns – 50-250 EUR/month

The average rent of one square metre in a reconstructed or newly erected furnished house remained practically unchanged - 6-17 EUR/m².

FORECAST FOR 2007
HIRE OF RESIDENTIAL PREMISES

An extract from the market overview „ Real Estate Market Overview of 2005 prepared by ARCO REAL ESTATE". Forecast for 2006.

Since a rapid real estate price growth was characteristic for the year 2005, in 2006 it might be expected that the rent levels for hire of apartments will increase by 20-40% which would equalize the difference between the credit repayments in the case of purchase of a property and the rent thereof. Since the rent "ceiling" in the denationalized buildings will still continue to exist also in 2006, solution of the issues of the tenants of these houses, most probably, will not affect the market level of the rent payable for encumbrance-free (without any hire agreements for an indefinite period of time) apartments.

Taking into account the significant apartment price increase in the central part in 2006, it may be forecasted that the rent amounts for apartments located in the city centre will continue to increase though those rent amounts now in certain cases are 3 times lower than the average real estate profitability. In the long-time perspective it is expected that the apartment rent levels will continue to grow securing at least 8% profitability to investments in the real estates.

In 2006, the offer of apartments for rent in new multi-apartment houses may increase which might be caused by an increase of the interest rates of mortgage loans. In the long-time perspective it is expected that the sale of house properties will gradually decrease because an adequate profitability of the rent will ensure a stable income for the business of this type. In the long-time perspective it is expected that separate new tenement houses will be erected in locations with a relatively low land value, which, due to the relatively low construction costs (below the average) of the particular projects might gradually decrease the pressure exerted upon the real estate sales prices.

It is expected that no material changes will take place in the rent apartment market in 2007 – it is expected that the rent amounts will increase by 15-25% in average. It is possible that in the result of increase of competition in the new project development market, rental house properties generating a relatively stable rent income may arise in a long-term perspective. In developed foreign real estate markets any division and sale of house properties is observed – house properties are equivalent to commercial properties having definite profitability rates.

In the long-term perspective an offer of big rental apartments located in the centre is expected. This will be caused by a rise of credit resources price as well as by a gradual increase of the rent amounts. Hiring out of individual apartments is not very reasonable taking into account the increase of

value of those properties – profitability of such objects is little (starting from 1,5% per annum in the Old City); in addition, management is a relatively time-consumable process and the wear and tear of apartments also is increasing, and, in the result the profitability of the direct rent is close to 0%.

Any significant changes in the rental market of apartments of de-nationalised houses are not expected because any important solutions as to vacation of such houses from existing tenants are not expected either.

ONE-FAMILY PRIVATE HOUSES

The market of one-family private houses has been active during the review period, especially in the vicinity of Riga, though individually built private houses located outside villages made the subject of majority of transactions. The price level of private house estates grew significantly during the review period; the reason of this growth was the increase of construction costs (according to the data of the CSB – by ~25% during the year) and the growth of land prices. The demand level remained approximately the same; it was influenced mainly by the deficiency of dwellings in Riga and the relatively high prices of apartments. The average price growth in the private house market has been slightly lower than the price growth in the apartment market.

At the end of the review period, the volume of the offer in the private house market had increased against the offer that existed in the beginning of the year: in Riga and Riga District the offer consisted of ~1200-1500 private houses, while in the beginning of the year this figure was 900-1200 respectively. The breakdown of this sector by regions has remained practically unchanged: ~50% of the offer was formed by Riga District while the Riga City and Jūrmala formed ~35% and ~15% respectively.

Under the conditions of growing dwelling prices and costs, more functional house projects are being realized; it means that functionally well-considered houses are being built and architecturally simple solutions are being used more frequently. Unfortunately, it happens rather frequently in the market that a big and an expensive house as to the costs is erected on a relatively cheap land plot. When such a house is launched in the market, it has a price which might be absorbed by the market solely within a longer period of time. However, if the price growth rate will decrease, sales price of such a house may be reduced to the extent when it will be below the total cost amount of the house. If we exclude separate villages of such new private houses where the high prices may be substantiated to some extent by the jointly developed new infrastructure, special improvement solutions, access roads, then the said practice is characteristic just for constructors of separate private houses built for sale, thus increasing unnecessarily the risk of failure of such projects.

VICINITY OF THE RIGA CITY

The offer mainly consists of private newly erected houses or houses built in the 1990-ies. A relatively big offer exists also in the territories of gardening societies where the price level in 2006 came closer to the reinstatement costs level (previously, the sales price level achieved the total reinstatement costs level only in seldom cases), and in certain transactions where good quality living houses were involved the price exceeded 200 000 EUR.

After the decrease of parcelling of agricultural lands which was observed in 2005, these activities were renewed in 2006 due to the growth of land prices. In the result of this a relatively more rapid development of previously underdeveloped areas was observed in Riga District, especially in the direction towards Ogre and Bauska, namely, erection of "economical" houses in those developing locations.

The demand in Riga region consists mainly of private houses of area up to 200 m and with land plot area up to 2000 m . The demanded average private house areas continue to decrease, which is a common characteristic tendency in the real estate markets of the Baltic Countries. This tendency is determined by the high real estate prices in comparison with the common purchasing power. In addition, also the house operational costs are increasing rapidly (heating costs, electric power and water supply charges etc.). In this market situation it is expected that the average areas of newly erected private houses will continue to decrease and that the market share of the "economical" dwellings will continue to increase – at the end of the review period the demand in Riga region was highest for private houses of the price category up to 230 000 EUR.

The average price level in the main private house categories in the vicinity of Riga (Riga region) (except Saulkrasti, Sigulda, Jūrmala) at the end of 2006:

- Existing private houses in the vicinity of Riga (outside gardening societies) – 150 000 -240 000 EUR (the lowest price range for private houses in rural areas of civil parishes, with partial communications);
- New private houses outside village territories – 185 000 - 310 000 EUR;
- Private houses in new villages – 230 000 - 450 000 EUR.

MOST ACTIVELY DEMANDED AREAS IN THE PRIVATE HOUSE MARKET (OFFER):

TeritorY	Lowest price (EUR)		Highest price (EUR)	
	1st half of 2006	*the end of 2006*	*1st half of 2006*	*the end of 2006*
Mārupe	145 000	190 000	450 000	550 000
Babīte, Piņķi	145 000	185 000	500 000	530 000
Stopiņu pagasts	180 000	185 000	520 000	525 000
Ķekava, Baldone	140 000	150 000	445 000	400 000
Ādaži	110 000	170 000	450 000	1 300 000
Rāmava, Baloži	170 000	210 000	360 000	390 000
Garkalne, Baltezera apkārtne	160 000	230 000	3 200 000	1 700 000

RIGA

The share of the land plot price of the total private house price increased even more in the Riga City during the review period thus emphasizing the slogan „Location! Location! And once again - location!". Taking into account that the house construction costs, even in the case of the best possible interior decoration and an interesting project do not exceed 1500 EUR/m , the transactions observed in the market with one-family private houses of area a little bit over 300 m but at prices exceeding 1.5 million EUR illustrate this situation in the best manner. Under conditions of this tendency, offers exceeding 2.2 million EUR have been registered at the end of the review year (i.e., except Jūrmala City).

Exclusive houses offered in Riga are located mainly at Mežaparks, Ķīpsala, Vecāķi and Berģi, Bukulti (close to Priedkalne, Garkalne Civil Parish). The very high price level at Mežaparks and Ķīpsala may be explained by the very poor offer – though the interest from the part of potential customer is high, neither land plots nor buildings located at, for example, Ķīpsala, have been offered. The offer is bigger to a certain degree at Mežaparks.

In practically all dwelling areas of Riga (except Bolderāja, Vecmīlgrāvis, Dārziņi and Bukulti, and some smaller territories) land intended for private building is acquired for construction of multi-apartment houses; thus, the prices of private houses depend directly on the permitted type of use of the land and the possible building intensity. Since the placement of private houses is not homogenous in the Riga City, the categories of private houses may, in despite of influence of location on the house value, be broken down by technical condition and main structural elements thereof (except houses located in the city centre and direct proximity to the centre):

Pre-war period wooden and brick buildings are relatively frequently launched in the market. In

One-family private houses

many cases the technical condition and the level of amenities of such buildings is bad, and the buildings of this type are bought either for demolition or full reconstruction. Prices of private houses of this type are determined mainly by encumbrances of usage rights thereof – presence of tenants and architectural/historical value of the house (i.e., being or not being in the list of monuments). The buildings of this category frequently have a strategically good placement – close to the existing urban infrastructure, in the streets with an intensive pedestrian flow etc., and are located mainly at Āgenskalns, Torņakalns, Maskavas suburb, Teika, to a lesser degree in other dwelling areas. The offer (which, in addition, is long-lasting) consists mainly of houses of this category, with tenants, who have valid hire agreements for indefinite period of time.

A new tendency: old private houses are purchased in order to use the land plots under such houses for construction of multi-apartment dwelling houses in locations where such construction is permitted according to the city development plan

The second significant category consists of private houses which have been built in 1950-ies – 1990-ies and which are spread irregularly throughout the city (located mainly at Pļavnieki, Dārzciems, Imanta, and Jugla). Area of these houses is small up to 140 m , and the land plots attributable to these houses also are small – approximately 600 m . If during the previous review periods houses of this category were purchased mainly for reconstruction, the majority of such houses now are purchased because of the land, in order to demolish the existing building and erect a multi-apartment house by using the permitted building parameters as much as possible. This situation in many cases is determined also by the fact that private houses of this category, like the pre-war period houses, presently are situated among multi-storey dwelling houses.

The private houses having been erected in the 1980-ies and early 1990-ies, are very different as to their architectural and functional solutions. The houses of this category are comparatively different as to the price level, which depends both on the materials used in construction and on the area of the attributable land plots.

The directions towards Vecāķi, Dārziņi, Mārupe should be mentioned as the main development directions in the Riga City at the end of 2006 – in these areas the private house prices have grown most rapidly during the review period. This process has been caused by the focusing to construction of private houses in the well-developed dwelling areas (Pļavnieki, Imanta etc.) as well as areas in the vicinity of Riga, which focusing was observed in the previous review periods. Special attention should be paid to the Dārziņi dwelling area, which is being gradually transformed from a summer cottage area into a dwelling area; acceleration of development of this area practically started when the Jāņogu Street village was announced in the market.

CATEGORIES OF PRIVATE HOUSES

Having carried out an analysis of market data of 2006, we have drawn conclusion that the private house price growth in the Riga city and Riga region is to a great extent correlative with the apartment market: the average private house price growth is approximately the same as the price growth of apartments (in the Riga City - up to 50% during the year).

PRIVATE HOUSE PRICES IN THE RIGA CITY DEPENDING ON STRUCTURAL TYPE AND CONDITION, (EUR)

	the end of 2006	*1st half of 2006*	*Year 2005*
Pre-war period wooden and brick houses in bad technical condition (to be reconstructed or demolished)	115 000-185 000 EUR	85 000-125 000 EUR	70 000-100 000 EUR
Small houses up to 100m² (mainly at Purvciems, Pļavnieki, Mežciems, Zolitūde, Mārupe)	125 000-250 000 EUR	95 000-190 000 EUR *(mainly due to the land value)*	80 000-115 000 EUR
Houses of prefabricated elements (sets made by manufacturers)	100 000-260 000 EUR	90 000-230 000 EUR	85 000-200 000 EUR
Newly erected private houses up to 200 m²	185 000-425 000 EUR	190 000-350 000 EUR	200 000-280 000 EUR
Newly erected houses in private house villages	185 000-425 000 EUR	190 000-350 000 EUR	200 000-280 000 EUR
Exclusive design houses, with big floor areas and of good location (most expensive dwelling areas)	500 000-2 200 000 EUR	425 000-1 800 000 EUR	300 000-900 000 EUR

PRIVATE HOUSE CONSTRUCTION COSTS AT THE END OF 2006,

by the types of building basic structures:

Structure type	*Low costs (EUR/m²)*	*High costs (EUR/m²)*
Wooden framework	550	750
Horizontal logs structure	510	900
Wooden prefabricated structures	480	800
Light concrete	640	1 100
Brick wall	750	1 300
Reinforced concrete	850	1 050

Traditionally, the type of building structures is directly depending on the value of the construction site. The cheapest houses – wooden houses and wooden framework houses – are typically being built in locations where the land price does not exceed 35-40 EUR/m². Since brick wall, light concrete and reinforced concrete houses are the relatively most expensive structures, houses of those types are being built on the land plots the market value of which is at least 80 EUR/m².

NEW LIVING HOUSE VILLAGES

Also in 2006 the private house villages were actively developed including even previously "neglected" locations, such as neighbourhood of Saulkrasti, maritime areas located more than 80 km from Riga, Ropaži civil parish. New private house villages were traditionally developed also in all civil parishes adjacent to the administrative territory of Riga, such as Garkalne, Ādaži, Ķekava, Mārupe, Babīte. Due to the growth of the overall dwelling price level, activity increased also at Baldone and Daugmale during the review period. The total number of private house villages offered has grown from ~60 villages at the end of 2005 to ~ 100 villages at the end of 2006 (in the whole territory of Latvia), including ~ 75 private house and row house villages in Riga and Riga District.

At the end of 2006 there were the following categories of house construction concepts:

- Finished houses (Padebeši, Baložu ciemats, Taureņi, Sēļi, Saulīši);
- Complete house designs (Juglas krasti, Vāverītes);
- Free design choice (Mārsili, Saliņas, Sūnupes).

The offer mainly consists of light concrete houses; however, in locations where the land value is relatively low, also the so-called "economical" class houses – wooden and wooden framework houses – are being offered (previously - the „Saulīšu" villages; during the review period - „Līvu ciems").

Though the average floor areas of new private

One-family private houses

houses in new living house villages continue to decrease, the developers still demonstrate insufficient interest in construction of small private houses (up to 130 m²) – only few developer companies, such as „Stone Development", „Forma-3" and some not so well-known companies, have actively participated in this particular category of private houses. Unfortunately, it was observed in the review period that also those companies left the market of development of cheapest private house categories and continued their activities in development of the segment of medium-expensive villages. If during the previous review periods there were observed big floor area (over 250 m²) row houses located in new villages in the vicinity of Riga, then, during this review period, the row house areas have decreased to 140-220 m²; floor areas of private houses are still more differentiated – from 80 to 470 m². Though the houses of largest floor area are built on a relatively expensive land – at Saulkrasti, Jūrmala, this situation is rather illogical: solvent customers typically select construction of a house, which complies with their specific requirements, but economy which should be obtained by purchasing a finished house in a village, is important just for persons purchasing the "economical" class houses. In addition, it should be taken into consideration that villages typically are located farther from locations with developed infrastructure than individually erected private houses.

The offer in the „cheap" private house segment is insufficient – up to 150 000 EUR

The average prices of private houses in the new villages in Riga and Riga Region at the end of 2005 exceeded 110 000-300 000 EUR, however, in certain projects the price of private houses in 2005 exceeded even the limit of 600 thousand EUR. In 2006, the average prices of private houses have been corrected (practically - increased), and reached the following level:

- *individual private houses in villages* – 130 000 - 700 000 EUR
- *row/twin houses in new private house projects* –160 000 - 435 000 EUR
- *most expensive estates* – up to 1.6 million EUR (in Jūrmala)

While in 2006 it was observed that in locations where the land price exceeded 100 EUR/m² the developers projected row houses, during the review period it was observed that spreading of row houses was irregular (from regional towns and cities where the overall price level was comparatively low, to the Jūrmala City).

The average land value in the villages of private houses, depending on their location, was 45-100 EUR/m² – at the end of 2006, while the offer in regional towns and cities where the land prices at the end of 2006 was below 10 EUR/m², has grown.

FORECAST FOR 2007
LIVING HOUSES

An extract from „ Real Estate Market Overview of 2005 prepared by ARCO REAL ESTATE":

„It is expected that in 2006 the demand for private houses will be relatively analogous; however, the offer should include a bigger number of small floor area private houses. The average price level growth should not exceed the limit of 15-25% which will be determined also by a further land price increase and a growth of construction costs.

The private house price levels might be corrected also in the event of a rise of the cost of credit resources or, vice versa, in the event of a cheapening of credit resources.

In the long-time perspective, the market might be supplemented by new relatively large private house projects consisting of several hundred private house units for sale. In these projects, simultaneously with construction of utilities systems, also public infrastructure (shops, cafes, kindergartens etc.) might be developed".

The forecast for 2006 has been fulfilled as to launching of smaller private houses in the market; however, the rapid rise of land prices and construction costs has not allowed offering such smaller private houses in the market at lower prices.

As to the credit resource price changes, a continued reduction of the rates has been observed, i.e., the added rate of the banks was reduced while the general credit resource price has not been significantly changed. Unfortunately, it should be concluded that a lot of present credit takers are not aware of the risks which may arise in the case of an increase of the credit resource price – the high demand for dwellings has provided for a private house price growth in Riga and the vicinity of Riga by up to 50% during the year; especially it is attributable to private houses area of which is not so big.

As expected, several villages covering significant areas have been launched in the market; however, it should be concluded that in the case of deficiency of construction capacities any total construction of the villages is impossible – such villages are realized in turns like before 2006. Unfortunately, in contrary to the forecast, construction of such large-scale villages has not ensured a more rapid development of infrastructure – the private houses erected as well as the villages are basing on the existing infrastructure which, in the result of a rapid growth of number of population of Riga District, may be incapable to ensure provision of services required, such as kindergartens etc.

A growth of the private house price level is expected in 2007; this growth will be caused by deficiency of dwellings, inflation, an increase of incomes and continued rise of construction costs (to a great extent in the result of construction orders placed by governmental and municipal authorities). Taking into account the foregoing, only a little increase of the offer may be expected. It is expected that the overall average price level in 2007 will increase by up to 10-20%.

In the result of aggravation of competition among developers, it is expected that both small villages and private builders will be gradually outcompeted from the market and that in the long-term perspective more well-considered and good quality private houses will be launched in the market. In the short-time perspective, the existing deficiency of dwellings will play the dominating role in the private house market.

Financing of dwellings and development thereof is still one of the most important issues. In the case of restriction of financing the price level growth may stop, and then, in order to avoid a fall of estate prices, the banks would be forced to restore the financing traditions of the end of 2005 and the beginning of 2006, namely, by increasing the amounts of credits granted against mortgages (most probably, a gradual restriction of credits will take place in the beginning of 2007). Such a policy from the part of credit institutions may reduce the rate of market price changes in the short- term perspective, possibly, even for a period of time which will be long enough to ensure an increase of the offer in the construction industry even after finishing the state-placed orders. In the result of this, the price growth could not return to the level of the previous review periods and in the future would not exceed 3-10% depending on the macro-economical situation in the country.

LAND PROPERTIES FOR ERECTION OF ONE-FAMILY HOUSES

In 2006, just the land price growth was the most rapid among all the sectors of the real estate market. The growth was caused by the limited offer – the lasting growth of construction rates in locations connected to engineering systems generated a significant land plot deficiency just for private building in the existing territories designated for building. An additional factor influencing the land price growth in the Riga City is the fact that according to the approved city development plan, erection of multi-apartment and commercial buildings is possible also on land plots primarily designated for private building. In the result of this, private building is "outcompeted" from the well-developed dwelling areas of the Riga City – the city is expanding incorporating also the adjacent civil parishes, which, in the result of a lasting private construction, have practically been transformed into distant dwelling areas of Riga. In the result of these tendencies, the prices of land plots for private building located within the borders of the Riga City have increased by 70% in average during the review period.

Taking into account the high demand, the price level of private building land plots has continued to grow rapidly also in the civil parishes in the vicinity of Riga where, due to a wider offer, the prices during the review period have grown not so rapidly as in the Riga City – by 60% in average during the year. Such a growth of the land prices may be explained also by the situation of 2005 when the apartment prices grew more rapidly, and, in the result of this, apartment owners who searched for an alternative dwelling, could afford private houses – an increased demand for land plots for private building needs was observed.

Mežaparks should be still considered the most expensive private building area in Riga, where the land prices fixed in the offers of certain properties at the end of 2006 have achieved even the level of 1000 EUR/m² (in average, from 390 to 750 EUR/m²). A higher price level has been registered at Ķīpsala – up to 2000 EUR/m², however, land plots at Ķīpsala are acquired mainly for construction of multi-apartment buildings or office buildings; in addition, due to absence of any real offer, only few deals have been registered.

In the regional centres of Latvia and in the biggest cities the land market during the review period has become more active, which has been caused by the overall price level of real estates, which, in the case of building, is approaching the total amount of building costs and land plot costs, and event exceeding this level in separate cases. Thus, developers of real estate projects get opportunity to expand their activities to regions (villages are being built; new multi-apartment houses are being erected in small towns); also potential customers who are looking for a dwelling, select construction of their dwellings by own resources. At the end of 2006, prices of land plots for private building in almost all the biggest Latvian cities exceeded 10-15LVL/m², but is individual cases, for example, at Liepāja, the price of land plots situated in the city centre approached the limit of 100 LVL/m²; thus, like in Riga, competing with the multi-storey dwellings and commercial buildings

LAND PLOTS IN THE RIGA CITY

During the review period, the directions towards Dārziņi, Vecāķi, Mārupe have become the primary directions for private building in the territory of the Riga City – just in those directions the land plot prices have grown most rapidly:

- The vicinity of Dārziņi is being transformed into a dwelling area consisting of economical class houses (starting from the second half-part of 2005), which to a great extent has been caused just by implementation of the Jāņogu Street village project – upon commencement of this project, the prices of the surrounding properties grew up (which fact is characteristic for the present situation in Latvia). Negative factors of this area are: very small areas of land plots (from 350 m²), narrow streets and the indefinite social status – the majority of estates are still used as summer cottages; in addition, the existing provision with engineering systems is still insufficient.

- Direction towards Vecāķi: following the rapid price growth in the Jūrmala City during the previous years, an equivalent rapid price growth was observed at Vecāķi during the review period. The main reason of this growth was the proximity to the sea and availability of urban infrastructure. Negative factors characteristic for this area are: complicated access and negative influence exerted by the seaport on the dwelling houses (especially at Mangaļsala, which in the long-term perspective, might develop more rapidly (like Bolderāja) than the other areas of Riga – the reason of this is the relatively high percentage of free land and proximity of water reservoirs);
- The private building market at Mārupe has developed in years, and in the result of this development Bieriņi has practically merged with Mārupe. The main favourable factors for development of this location have been as follows: price level, availability of engineering systems, access possibilities; however, along with a rapid increase of number of motor vehicles, getting to and from Mārupe will become more complicated. If the traffic flow conditions, such as access roads, flyovers, new streets etc. will not be improved in the future, then, as it is expected, the development rates of the Mārupe direction might decrease in the future.

Also outside the housing areas reviewed above, the price level has grown rapidly in 2006; however, this growth has been relatively even. The rapid price growth has been caused mainly by the poor offer – only few free and non-encumbered land plots have been offered simultaneously in separate housing areas of Riga. The offer prices of such land plots have been set mainly basing upon the prices of other offers and not basing upon transaction prices; thus, the land market of the Riga City may characterized by a certain sine curve which might be less visible under conditions of a wider offer. During the review period, no bigger land plots located in poorly developed areas or, quite in contrary, close to the centre, have been launched in the market; launching of the said land plots would have slowed down the rapid price growth of the lands which traditionally have been considered to be private building lands, and setting the prices on the basis of the permitted usage of the land specified in the city development plan – i.e., the prices of land plots designated for high-rise commercial buildings and high-rise apartment buildings, without carrying out, in many cases, an analysis of the real possibility to erect such high-rise buildings in compliance with the other requirements of the construction standards. However, it should be acknowledged that, under conditions of an insufficient offer, the market has been capable to absorb also this rate of the price growth.

> The deficiency of land in the Riga City – at Mežaparks, Ķīpsala, Teika – causes a rapid price growth

Separate free land plots located in the well-developed housing areas of the right bank of the Daugava River – Mežciems, Purvciems, Pļavnieki, Dreiliņi, Jugla – have been launched in the market. A relatively high development rate has been observed at Dreiliņi (within the Riga City borders) (between Kaivas Street and Stopiņi Civil Parish), which has been caused both by the increase of construction of multi-storey houses in this locations and by the relatively high offer. The deficiency of offer was most clearly expressed in the Teika housing area, which, due to the relatively well-developed traffic infrastructure, is demanded but where, there are no free land plots; in the result of this the price level of the offer reached 500 EUR/m² at the end of 2006.

LAND PLOTS IN THE VICINITY OF RIGA

In the result of the increase of demand for land plots for private building, parcelling of land plots is being carried out more and more actively. In this process the main place is occupied not by private house villages, number of which increased in 2006 but by division and transformation of other land plots – i.e., agricultural lands, forest lands and other places with poorly developed infrastructure. While in 2005 the number of villages without infrastructure decreased in the result of concern expressed by mass media, the rapid price increase

Land properties for erection of one-family houses

of 2006 has increased once again the offer of private building land in locations with bad access where only electric power supply is available as far as the engineering system networks are concerned.

While during the previous review periods it was possible to mention particular locations where the private building land market developed more rapidly, at the end of 2006 it was simpler to identify the locations in the vicinity of Riga where the development has been in certain stagnation, and the most characteristic in this connection are two locations – Inčukalns and Baldone. The access to these locations is relatively good (comparable, respectively, with Garkalne and Ķekava), however, during the review period the price level in these places was significantly lower than in other areas of the vicinity of Riga.

Perspective areas of dwelling house land plots – Baldone, Inčukalns and Ropaži

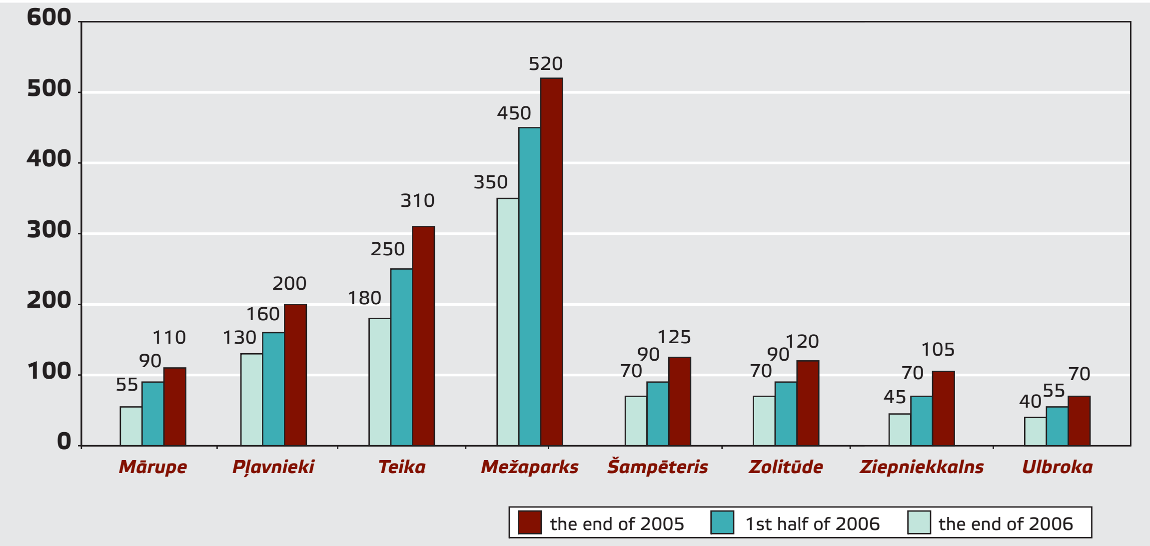
Prices of land plots of area 3.0-10.0 ha (agricultural and forest lands where parcelling is permitted or already done) in the main categories in the Riga region for development of private building villages:

- close to an existing housing and utilities networks connection place. At the end of 2006, the prices of this category were 15-75 EUR/m²; (the most expensive – on the banks of rivers or lakes, where all the engineering systems are available);
- Divided agricultural land or other usage purpose land with a poorly developed infrastructure and a badly maintained environment. Price category: 3-25 EUR/m².

In the result of an increase of the offer of land plots for private building, the following price categories may be specified depending on the location (land plots of area 1200-2500m²):

- Jaunmārupe 30 - 35 EUR/m²
- Babīte, Kleisti 40 - 65 EUR/m²
- Stopiņi 18 - 55 EUR/m²
- Olaine, Jaunolaine direction 18 - 35 EUR/m²
- Rāmava, Katlakalns 45 -80 EUR/m²
- Ulbroka 40 - 75 EUR/m²
- Ādaži 25 - 90 EUR/m²
- Garkalne civil parish 25 - 70 EUR/m²
- Lielais and Mazais Baltezers 75 - 180 EUR/m²
- Mārupe 38 -110 EUR/m²
- Ķekava 28 - 45 EUR/m²
- Piņķi 35 - 100 EUR/m²
- Salaspils 26 - 45 EUR/m²
- Baloži, Tirurga 45 - 80 EUR/m²

PRICES OF LAND PLOTS FOR CONSTRUCTION OF ONE-FAMILY HOUSES
(of area up to 1500m²), EUR/m²



FORECAST FOR 2007
LAND ESTATES FOR ERECTION OF LIVING HOUSES

An extract from „ Real Estate Market Overview of 2005 prepared by ARCO REAL ESTATE":

„It is expected that in 2006 there will be a price growth of land plots with installed utilities systems or in locations where such systems are relatively easily accessible, and in the areas of settlements.

Outside the Riga region it is expected an increase of price of land plots located within areas of bigger settlements and in places with a beautiful landscape.

It is expected that the average growth of prices of private construction land plots in 2006 will be in the limits of 15-25% provided that the macro-economical indicators and the availability of credits will remain within the present limits."

The forecast about the price growth in 2006 has come true; unfortunately, the forecast about the growth limit is not fulfilled – the growth within the limits of 25% has been observed only in separate poorly developed territories.

The forecast about an increase of price of land plots located in places with a beautiful landscape is also fulfilled – most clearly it may be observed in the case of agricultural lands where building is permitted – these lands, under conditions of rapid growth of the overall real estate price level, are considered to be lesser risk objects; thus, the prices of these lands have grown rapidly, exceeding significantly the ordinary agricultural land prices per one hectare. This has resulted in a situation where agricultural lands in Riga District and partially also in surrounding districts (Jelgava, Ogre, Limbaži, Tukums Districts) are comparable to private building land plots as to the purpose of purchase thereof.

It is expected that in 2007 development of private building villages and an active construction of private houses will continue, thus satisfying the demand for private building land plots practically throughout the territory of Latvia, especially in the Riga region. It is also expected that offer of all kind land plots where private building is permitted will grow in the whole maritime region, which is determined by the very high prices that existed in the Jūrmala City, at Saulkrasti and in other maritime areas at the end of 2006 – cheaper alternatives will be searched for, i.e., land plots which have not been used before and which might be used in the future primarily for erection of economical class summer cottages (which process has previously been carried out either by renovating farmsteads or in existing gardening societies).

It may be also expected that upon completion of construction of the Saulkrasti detour road, a temporary price increase will be observed in its proximity, though the construction of the detour road has partially influenced development of Saulkrasti town in 2006.

If the real estate tax rates, financing possibilities and the overall economical situation in the country will not change significantly in 2007, the expected growth of the private building prices may be within the limits of 10-25% (a more rapid growth is not excluded in certain locations in the vicinity of Riga where the development has not been so rapid until now).

AGRICULTURAL LAND IN LATVIA

.In 2006, the agricultural land market was active, and this activity was caused mainly by the demand for land for recreational purposes and by the acquisition of land for long-term investment purposes. In connection with the planned closing of the sugar production plants, a temporary reduction just of prices of agricultural lands may take place; however, this reduction would be corrected relatively quickly in the result of the overall real estate market development which is still influenced by deficiency of dwellings and free financial resources.

LAND FOR RECREATIONAL NEEDS

The demand for this category of land was relatively stable, especially for small-size land plots (up to 3 ha). The demand was high for plots located in places of beautiful landscape and close to water bodies. Land plots of this category were purchased for establishment of farmsteads and summer recreational places for personal needs. The demand was high for plots close to the biggest lakes and rivers irrespective of distance to Riga. The main characteristic features – a beautiful landscape, access possibilities, and electric power supply.

The lands of this category may be divided in sub-categories:

- Cheaper land plots of big area, which may be used for recreation: 2000-8000 EUR/ha;
- Price level of small-size land plots: 10 000 30 000 EUR/ha;
- Price of the most expensive land plots at water bodies (rivers, lakes, the sea) reached 3-8 EUR/m², or 30 000 80 000 EUR/ha at the end of 2006.

LAND FOR AGRICULTURAL NEEDS

The demand continued to grow in 2006 in connection with active usage of the structural funds – the demand for ameliorated big area (up to 100 ha) land plots has increased, however, the offer of just big land plots has been poor. Price level in the districts in the surroundings of Riga has achieved 1000-3500 EUR/ha, in Latgale – 700-1300 EUR/ha, in Vidzeme – 850-2800 EUR/ha, and in Kurzeme– 800-2500 EUR/ha.

A characteristic feature of this land is lack of engineering system networks – i.e., electric power supply etc. is not available, and in the result of this land plots of this type are still being used just for agricultural needs

LAND FOR TIMBER CUTTING PURPOSES

Forest land for timber cutting purposes have been acquired. The price level was determined by the forest stand volume and quality, in a lesser degree– by the location and access possibilities. The prices of the land plots of this category at the end of 2006 were similar to those in the past year– 800-3500 EUR/ha. The areas of the forest land after completion of timber cutting were sold at the end of 2006 at prices starting from 250 EUR/ha.

LAND PURCHASE FOR RESALE.

The demand consisted mainly of the cheapest category land (land plots access to which is difficult, without possibility to connect to engineering networks; land plots which are not ameliorated; or relatively small land plots which due to their small size are not very suitable just for agricultural purposes). Land plots of this category were acquired for resale purposes, therefore, such factors as location and condition were not significant. The demand existed for relatively big land plots. The price limits of transactions concluded in 2006 were from 250 to 1000 EUR/ha. Number of speculative transactions with land plots, which may be parcelled, has increased, and sales price of such plots are from 1 500 to 20 000 EUR/ha.

FORECAST FOR 2007
AGRICULTURAL LAND

An extract from „ Real Estate Market Overview of 2005 prepared by ARCO REAL ESTATE":

„In 2006 the demand for land plots for recreational purposes will remain high, which will ensure a further price growth; the growth of the average price level will be determined by a growth of the price of the cheapest land plots while the price of the most expensive land plots will increase by 15-20%.

The growth of the price of agricultural land will continue, and theses prices in the long-term perspective should reach the mean values of the EU in the field of prices of agricultural land.

Taking into account the overall average level of the land prices, the percentage of speculative transactions should decrease also in the agricultural land market in 2006; speculative transactions will more take place in the farther Latvian regions – Latgale and Kurzeme (except close to the sea), i.e., in locations where the price level presently is relatively lower."

All the agricultural land categories have been highly demanded during the review period, and due to this, the price growth, in contrary to the forecast, has been within the limits of 25-40% in average. Unfortunately, a temporary reduction of the prices of these lands is possible in 2007, which may be caused by closing of the sugar production plants and certain other factors that influence the prices to a lesser extent (for example, by changes in distribution of the structural funds etc.).

The demand for land plots for recreational purposes as well as for forest lands for timber cutting purposes will remain high. Volumes of land acquisition for short-term speculation purposes will be small, which will be caused by the increasing risk of short-term fluctuations of land prices.

The demand for land plots for building purposes will continue to decrease (except the region of Riga), especially in respect to estates with unclear development perspective (indeterminable costs of connection to engineering system networks, environment not put in order etc.).

In the long-term perspective, the prices of almost all agricultural land categories will, most probably, increase and stabilize within the limits of average indicators of the EU in the future.

LAND PROPERTIES FOR INDUSTRIAL AND COMMERCIAL BUILDINGS

LAND FOR COMMERCIAL BUILDINGS (SHOPPING CENTRES, SALONS ETC.)

A rather intensive development of this sector has been observed during the recent years; also in the review period this tendency continued. It should be noted that the offer of commercial building land in Riga and Riga District has decreased but the demand has grown:

Factors that are important for commercial building land plots are: location close to main streets and street crossings, an intensive traffic and large flow of people in the vicinity as well as convenient access to the location selected. The most important factors are: good visibility and existence of important public objects and similar buildings in the location selected.

Areas of Krasta Street, Maskavas Street, K.Ulmaņa Gatve and Brīvības Street are selected for commercial buildings. The demand for land for commercial building purposes located in the area of Skanstes Street and Ganību Dambis as well as at Jugla, Teika and the near Pārdaugava increased in 2006, which was stimulated by existing buildings of similar type.

A rapid demand and price growth was observed in the vicinity of K. Ulmaņa Gatve, Ganību Dambis, Skanstes and Maskavas Streets

The price level in this sector has still been uneven, which is closely connected with location of a land plot for commercial building purposes and the above-mentioned criteria. The prices have grown, and the prices of commercial building land plots for construction of shopping centres, salons etc. have been in average from 100 EUR/m² within the Riga City, and 950 EUR/m² in the centre of the Riga City. The price level growth may be explained by the poor offer and the still growing demand because there are only few free land plots for commercial building purposes, which meet the above-mentioned criteria. Due to this, commercial building is gradually withdrawn from the central part of the city, and this is the reason of interest in the near Pārdaugava and other areas of the Riga City, such as Teika and Jugla where a bigger building density is permitted.

As an important fact which certifies this situation it should be mentioned that the retail chains are gradually giving up their principal criteria and selecting the possibility to rent sales premises in the central part of the city or rent land areas for commercial buildings in the vicinity of the Riga City centre.

A constantly growing demand is observed also in the Latvian regions – Eastern Vidzeme, Kurzeme and also Latgale have become interesting, and in these regions the price level has increased during the review period reaching even the Riga City level in certain places (such as Liepāja). Shopping centres and retail chains are more and more interested in purchase of land for commercial building also in relatively small Latvian towns, such as Bauska, Madona etc.

- Land having commercial building status, in Riga District: 10 - 80 EUR/m² (The price level is higher at Salaspils, Mārupe, Jaunmārupe, Olaine and vicinity thereof);
- Land for commercial building in the Riga City: 100 - 950 EUR/m².

LAND PROPERTIES FOR CONSTRUCTION OF PRODUCTION AND LOGISTICS OR INDUSTRIAL PARK AREAS

The demand for medium-size land areas ~ 0.5 – 1 ha is constantly increasing. Easily accessible locations with good infrastructure are demanded. Visibility of such estates is not the decisive factor any more. One of the most important preconditions is a strategically advantageous location, features of which may vary depending on the type and purpose of business activity. Land properties situated at main roads, flyovers are demanded more and more frequently; also presence of railway branch-lines and proximity of cities are desirable.

There are not so many industrial territories within the Riga City borders (areas of Katlakalna, Granīta, Krustpils, Rencēnu Streets), and this fact has contributed to a rapid price level growth.

A big part of manufacturers have made attempts in several years to move gradually to the areas in the neighbourhood of Riga where the land for commercial building is still available and where it is possible to find land plots which meet requirements of potential buyers of this sector.

However, it should be mentioned that in most cases the customers are looking for premises which are rented out or sold; therefore, such a moving is delayed because of the lack of premises of good quality located in the Riga District and meeting the contemporary requirements.

The following tendency was observed during the review period: a land plot designated for commercial building is purchased in order to develop an investment project or a commercial object by engagement of developers as well as of a real estate company, which sells the finished premises.

Like in the previous periods, the segment of logistics and industrial parks developed relatively rapidly also in 2006. According to the data of the Central Statistical Bureau (www.csb.lv) more than 100 construction permissions have been issued only within the last six months for construction of industrial production and warehouse buildings, several logistics and industrial parks are under construction (such as Eva Business Part at Lielirbes Street, Riga; Dominante Park at Ķekava Civil Parish etc.), which fact serves as an indicator of rapid development of this real estate sector in the perspective.

The offer of qualitative premises meeting contemporary requirements and located in the Riga City and Riga District might increase upon commissioning of the new premises already starting from the spring of 2007 (for example, Dominante Park at Ķekava Civil Parish).

The present offer consists mainly of warehouse and production premises in Soviet-time buildings which do not meet contemporary requirements.

As it is indicated above, production and warehouse premises of area mainly up to 300 m² with a small-size office space alongside are highly demanded. In individual cases, big foreign corporations request areas up to 10 000 m². however, together with already developed infrastructure meeting the contemporary requirements. Such areas are not yet offered because most of the existing industrial parks are still incapable to offer a sufficiently developed infrastructure.

The tendency has continued also during this review period – managers of such objects who mainly are distributors or manufacturers, offer a part of premises for rent furnishing it according to the lessee's requirements.

- Land with existing industrial buildings in the central part of Riga and easily accessible locations with high traffic intensity: 100 - 460 EUR/m²;
- Land for industrial needs in the Riga City: 20-65 EUR/m²;
- Land for industrial needs in the Riga District (connected to engineering networks) : 12-40 EUR/m²;
- Land with industrial buildings in bad technical condition, outside the centre: 10-12 EUR/m²;
- Land for industrial needs, not connected to engineering networks, in the Riga District: from 6 EUR/m².

Average rent amounts payable for production and logistics premises during the review period:

- new buildings: from 5 to 15 EUR/m², in average 8-10 EUR/m², in the vicinity of Riga – 5.5 - 6.5 EUR/m² in average;
- worn-out, non-renovated buildings, which do not meet requirements of modern manufacturers/logistics companies: from 2.8 to 3.4 EUR/m²;
- partially renovated buildings: 3-5 EUR/m².

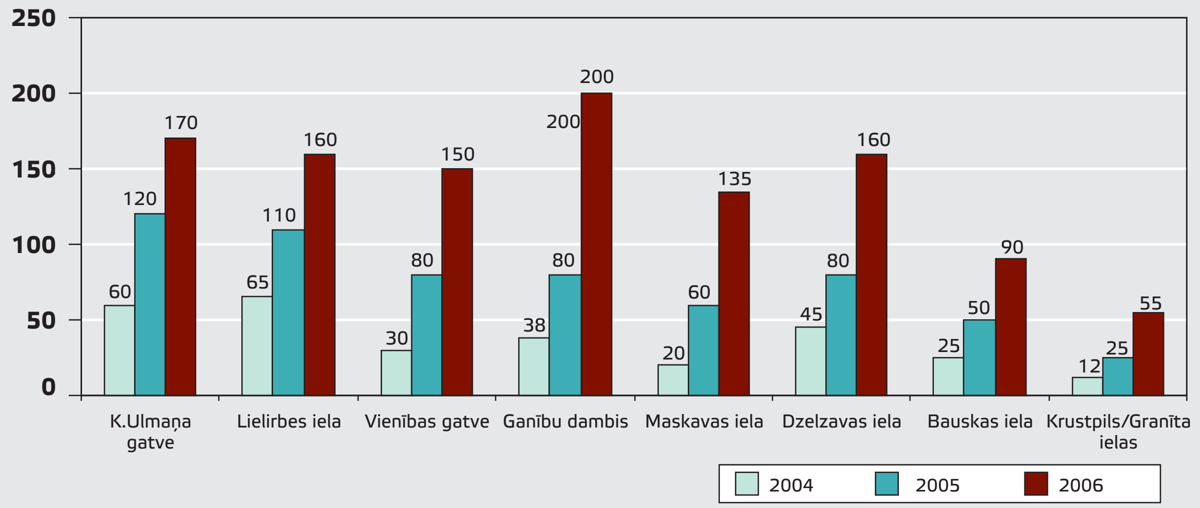
FORECAST FOR 2007 LAND PROPERTIES FOR PRODUCTION AND COMMERCIAL BUILDING PURPOSES

It is expected that in the next year as well as in the subsequent 2-3 years the price growth of commercial building lands will be stable. The constantly decreasing offer of lands which comply with the respective requirements, and growing demand will contribute to this growth. However, the demand for lands with a well-developed surrounding infrastructure will increase, and in the result of this the characteristic feature of the price growth will be an irregularity of the price level.

A rapid development will be observed in the sector of industrial park areas because the market is still capable to attract a relatively big number of qualitative areas in this sector.

The price level will directly depend on the location and the degree of development of infrastructure. Within the nearest years, the land value might increase by 20-70% per year.

PRICES OF LAND PROPERTIES FOR PRODUCTION AND COMMERCIAL BUILDING PURPOSES AT THE END OF 2006, EUR/M²



MARKET OF SALES PREMISES

Like in the previous review periods, no significant changes of this market segment have been observed in 2006, though extension of individual shopping centres and rotation of lessees of those centres has been observed.

During the review period, the shopping centre „Galerija Azur" located in the beginning of Krustpils Street at the Slāvu roundabout was opened, and the reconstruction of the shopping centre „Galerija Centrs" was completed. Extension works of the shopping centre „Spice" are continuing. Also the shopping centres „Alfa" and „Domina" have extended their sales premises. New lessees representing well-known and popular brands opened their sales premises in shopping centres.

In the result of aggravation of competition the shopping centres are searching for methods which would allow differentiation and diversification of their choice of offers – some of them are planning an extension, for example, the shopping centres „Spice" and „Alfa", who will offer new opportunities to their clients; other are revising their marketing strategies and changing also lessees (for example, the shopping centre „Domina" has changed the anchor lessee, so that now you will find „Prisma" in the premises of this centre).

The expansion of the supermarket chains continued by covering such small towns as Madona, Bauska etc.; however, after a more careful analysis and evaluation of the potential location.

Though the shopping centres and supermarket chains have been active in the market, according to observations, the sales areas launched in the market have been relatively small. It should be added that the possibility to rent these premises is not big either because shopping centres are carefully evaluating each potential lessee.

In despite to the above-mentioned, the tendency of closing of small shops located in lesser active streets where the pedestrian or the traffic flow is relatively low is continuing. A part of those shops move to shopping centres.

The demand for reconstructed and non-renovated sales premises, like in the previous review period, has remained practically the same and in locations with an intense pedestrian flow achieved even 75 EUR/m².

Premises in the large shopping centres

- Up to 30 m² – Up to 75 EUR/m²;
- 100 - 150 m² – 30-65 EUR/m²;
- 150 - 500 m² – 15-35 EUR/m²;
- 500 - 1000 m² – 8-18 EUR/m².

Central part of the city

- Central streets (Barona, Tērbatas, Čaka, Brīvības) – 20-75 EUR/m²;
- Cross-streets – 15-50 EUR/m²;
- Peripheral part of the centre – 6-25 EUR/m²;

Old City

- Central streets – 30-50 EUR/m²;
- Cross-streets – 15-35 EUR/m²;

Dwelling areas

- Dwelling area centre – 7-30 EUR/m²;
- Outside dwelling area centre – 3-15 EUR/m².

FORECASTS FOR 2007
SALES PREMISES

An extract from „ Real Estate Market Overview of 2005 prepared by ARCO REAL ESTATE":

„ In the market of sales premises there will be observed an increase of the rent levels in 2006, especially in locations with an intensive flow of pedestrians – at the shopping centres in the Old City and in the centre of Riga. It is connected with an overall increase of the real estate price levels as well as with the low profitability of the sales premises in the situation when the purchase prices are constantly growing.

The present level of profitability in separate transactions is starting from 2% per annum; however, this level only in relatively few cases exceeds the limit of 6%, which fact presently is caused solely by the increase of sales prices. Thus, purchase of separate sales premises is not presently connected with the rent levels. It is expected that the long-term rent levels will increase.

No significant changes of the levels of rent of sales premises in shopping centres are expected in 2006 because the increasing demand for sales premises will be covered with new sales areas – the most known of which will be extension of the Supermarket CENTRS and transformation thereof into GALERIJA „Centrs"."

The forecast about changes of rent amount levels is fulfilled– rent amounts have grown relatively rapidly in the central part of the city, in streets with an intense pedestrian flow but in shopping centres the rent amounts have not increased so rapidly which has been determined basically by the rent amount to be paid by the general lessee. As far as the small areas are concerned, the rent amounts have increased slightly, especially in the new shopping centres (such as Galerija Azur, Galerija Centrs).

While the rent amounts are growing, in the result of the growth of the property sales prices no significant increase of profitability of sales premises have been observed – the profitability of premises located in the Old City and in the city centre was 3-7%; profitability of shopping centres was 6-8%.

It is expected that no significant activities in the sales premises market will be observed in 2007 – the rent amounts will grow by up to 20% in average, which will be equivalent to the property price growth. Though individual shopping centres are under construction or planning, it practically will not affect the sales premises market of Latvia in 2007.

After the withdrawal of Lidl from the Latvian market it cannot be expected that the buyer who has purchased the land estates of Lidl would start active operations with these estates in 2007; though, in a longer perspective, some new shop chains may enter the Latvian market but their role in the general market of sales premises will be relatively insignificant.

OFFICE PREMISES

Also in this review period the market of office premises has been one of the most active segments of the real estate market. Development of this segment was rapid due to construction of new office buildings and announcement of it in the market. According to the CSB data, construction permissions for 23 new office buildings were issued in the 3rd quarter of 2006 alone.

It should be mentioned that one of the most characteristic tendencies in the office space market has been the constantly increasing demand for high-class good quality office space together with sufficient number of parking place both for employees and visitors. Since in the central part of the city, in most cases, the number of parking places offered per respective office area is small, most of companies select hiring of office premises in farther areas of the city, such as Teika, Jugla, Krasta area etc. The interest in hiring of office premises in the near Pārdaugava is increased as well.

The main requirements still are as follows: easy access, location with good infrastructure, and possibility to reach the city centre in a relatively short period of time, which means that also the public transport must be available.

Majority of potential clients select hiring of office premises. Some big companies have planned to construct own office buildings for own needs and lease a part of those buildings to other persons in the future.

Upon prolongation of rent contracts, owners frequently increase the rent, thus causing rotation of lessees, which is covering a part of the whole demand volume. The said rotation is caused also by the extension necessities and, as it was mentioned above, by lack of parking places etc.

The demand for relatively small office premises – up to 100 m² is high in the city centre. However, the offer of premises in this area consists mainly of premises for sale.

Some of the most important projects announced in the market are as follows:

- In the spring of 2007 it is planned to commission the class A office building of SIA „Duntes Nami" located at the crossing of Skanstes and Duntes Streets. This will be a 6-storey office building with modern equipment, well-developed environment, wide parking place and free layout of premises.
- In the spring of 2007 it is planned to commission the office building of A/S „Merko Group" located at the crossing of Skanstes and Duntes Streets. It will be a two-part seven-storey building with a glazed atrium.
- In 2007 it is planned to commission the office building „Ķīpsala" designed by the Projecting Group Arhitektonika. It will be an A class complex located not far from the city centre.
- In 2008 it is planned to commission the class A office building „Alojas Biznesa Centrs" located in the Riga City centre, in Valdemāra Street.
- In 2007 it is planned to commission a high-class office centre - „Rietumu Capital Centre" in Vesetas Street where „Rietumu banka" will be situated.
- Etc.

OFFICE PREMISES IN RIGA: RENT AMOUNTS:

Class A

- Riga city centre – 16-26 EUR/m²;
- Peripheral part of Riga – 15-20 EUR/m²;

Class B

- Riga city centre – 9-18 EUR/m²;
- Peripheral part of Riga – 6-13 EUR/m²;

Class C

- Riga (office premises outside the city centre)– 3-6 EUR/m².

FORECASTS FOR 2007 OFFICE PREMISES

An extract from „ Real Estate Market Overview of 2005 prepared by ARCO REAL ESTATE:

„We do not expect any essential change of price levels in the office space segment in 2006. The process of transformation of office premises into apartments in the city centre and in locations with a relatively high price of apartments will continue. Construction of new office centres may accelerate this process; however, it is expected that a significant increase of the offer of office premises will take place only after 2006 because the office centres having been launched in the market recently, will be commissioned, most probably, in 2006."

The forecast for 2006 is fulfilled – office buildings are being actively projected and constructed; however, at the end of the review period, a significant prevalence of demand in relation to the offer was observed in respect to good quality office premises Due to lack of appropriate offer, the rent amounts for premises in class A and B office centres increased in 2006.

During the coming 2-3 years, significant changes in the office premises market will be observed: competition among office buildings will aggravate in despite of the fact that this competition presently is not so hard; however, taking into account the number of high-class office buildings announced in the market as well as the increase of the offer, also price changes in this sector are expected.

Along with aggravation of competition among office buildings, also the level of services offered by the office buildings will increase offering better environment.

The demand for good quality office premises meeting the contemporary requirements still exists, and this demand is stimulating focusing of developers on development of high-class office centres and launching thereof in the market because the number of such centres is still insufficient.

It should be noted that the tendency of increase of demand for relatively expensive office premises in the city centre and the Old City will decrease because the requirements to modern office premises and surrounding environment are changed– the demand for convenient car parking places close to office buildings will increase, and the importance of presence of parking places when selecting premises for an office will constantly increase. This process, in its turn, will stimulate moving of offices to office centres outside the city centre.

HOUSE PROPERTIES

Presently, the house estate sector of the Riga City real estate market is sufficiently active; however, the activity is reduced, and the reason of this reduction is that both the buyers and the sellers are waiting for cancellation of the rent ceiling. Owners of houses, who want to move the tenants to other dwellings with the purpose to vacate the house and sell it for renovation/reconstruction by the potential investor, are waiting for the cancellation of the rent ceiling in order to move as many of the tenants as possible by using own resources with the purpose to increase the market value of the house. Investors are in a similar situation - they are waiting for the cancellation of the rent ceiling in order to see and evaluate the situation which will characterise the market in general and the particular houses of their interest. It is expected that in 2007 the offer of house estates will increase due to the cancellation of the rent ceiling and the following moving of tenants from the houses by house owners. On the basis of the above-mentioned it is expected that this factor might „slow down" to a certain extent the price growth just in the sector of house estates.

A rapid house property price growth is still characteristic for the central part of the Riga City

There are several tendencies characterising the plans of house owners relating to the type of further usage of their real estates after the moving of tenants:

- dwelling houses,
- hotels,
- commercial buildings (office buildings with sales premises in the lowest floors).

DWELLING HOUSES

This is the most common usage type because it requires lesser investments in the project from the part of the owner, and the profit generated by the project may be gained in a relatively short term. Some times the building is only renovated (leaving the previous construction volumes and solutions unchanged); in the course of such a renovation the house is restored and its market value grows significantly but, in contrary to reconstruction, the project development and coordination procedures are much simpler. Reconstruction is a more time- and resource-consuming process; however, transformation of the house in accordance with the modern requirements to real estates allows the owner to sell the estate at a higher price and gain higher profits. A positive factor, which should be mentioned, is that the house renovation/reconstruction costs are lower than costs of construction of a new building. Also the fact that a stable growth of prices of one square metre of living space located in the Riga City centre is still expected, decrease the possible risks, so that the popularity of this process among house owners is quite understandable.

HOTELS

In the result of the fact that the number of hotels in Riga has been insufficient in a certain period of time, some house owners have announced their projects about transformation of their real estates into hotels hoping that implementation of these projects would be successful.

The owner is not the end user because the final objective is to sell the building to a hotel operator. Practically always a building is sold already in the projecting stage because house owners do not assume the risk to commence reconstruction before finding an operator who will be the end user. There is a specific feature of this usage type: to ensure maximum profitability of a project, it

House properties

should meet the criteria of a maximally high category hotel evaluated by "stars". It means that certain standards must be fulfilled, such as number of parking places, location, number of elevators etc. but it is possible not always due to the said factors such as location or structural features. And, respectively, the lesser number of stars a hotel has, the lesser is the price of the hotel project. However, there is a demand for economical class hotels in the market, and, therefore, such a project may be sold though, possibly, with a lower profit.

OFFICE BUILDINGS

These are mainly house estates concentrated in the Riga City centre and the Old City where the premises are used for office needs and the lowest floors are usually used as sales premises. They are cash flow objects the main criterion of which is the rent for 1 m^2. Therefore, the task of the house owner is to improve the estate as much as possible in order to attract as many as possible lessees on conditions advantageous to the house owner. However, the possibilities of such house estates are limited in comparison with new office projects from the viewpoint of modern office premises. Therefore, according to the office classification, a house estate cannot achieve the Class A level even theoretically. Taking into consideration the fact that more and more new office projects are being launched in the market, the old lessees who have paid the rent at a high capitalisation rate, as well as potential lessees select those new projects where they get more modern office space and additional possibilities at the same rent amount. Thereby the cash flow object is filled with small lessees who pay a relatively low rent – within the range of 9-15 EUR/m^2, and due to this the sale of the house is rather difficult.

PRICES

It should be taken into consideration that the majority of house properties are not in the open market and that their prices are not published; the reason is that house owners do not want to have a conflict with the present inhabitants of their houses and that the price amplitude depends on several factors, the most important of which are: number of inhabitants, types of agreements entered into with the inhabitants (indefinite term – short term), condition of the house, location of the house, existence of a renovation/reconstruction project or any stage thereof. Summarizing the above-mentioned, it may be concluded that the price range of inhabited house estates in Riga is from 900 to 2200 EUR for 1 m^2 of useful floor area, depending on the said factors. Vacated house estates – 1400 - 3000 EUR. In the Old City, the price may reach also 4000 EUR for 1 m^2 of useful floor area.

FORECAST FOR 2007
HOUSE ESTATE MARKET

A stable price growth will be observed in the house estate market in 2007, which will be provided for by the demand for apartment and office spaces both for rent and acquisition. It is expected that the market of house estates which might be used for commercial purposes will become more active which will be caused by the high demand for office premises. In addition, it is expected that in the course of gradual solution of the issues relating to moving on apartment tenants to other places the house estate prices will increase at the account of this factor as well.

The share of reconstructed and renovated house estates in the offer will increase. No significant changes in the market of house estates which are suitable for hotel needs are expected: any material changes in the hotel sector of the market are not expected in 2007. The average house estate price increase might be within the limits of 15-25%, depending on the overall tendencies in the real estate market. It is expected that number of house estates being sold through sale of premises will decrease.

Real estate market in the Latvian regions

JŪRMALA CITY

APARTMENTS.

During the review period a relatively rapid price growth was observed in respect to apartments located in the farthest end of Jūrmala – at Kauguri and Sloka. At the end of the review period, the average standard-type apartment prices at Kauguri reached the following level:

- 1-room apartments - 44 000 EUR
- 3-room apartments - 71 000 EUR
- 2-room apartments - 62 000 EUR
- 4-room apartments - 82 000 EUR

The price level growth during the review period has not been even – the prices of apartments located in the most expensive areas of the city have increased by ~25-40% depending on the location.

The number of new multi-apartment project has increased significantly, and the prices of apartments with complete interior decoration have reached the level of 2 000 - 6 000 EUR/m² depending on the location. This price level was characteristic mainly for apartments located close to the sea and in the most expensive areas of Jūrmala. The demand in 2006 has been relatively stable; however, the offer has grown significantly which has resulted in a significantly extension of the average period of time during which an apartment might be sold.

The average prices of apartments in Jūrmala (at Dubulti, Bulduri) have still been the highest in Latvia though in the second half-part of 2006 in the result of a slight reduction of the price increase rate, the difference between the apartment prices in Riga and Jūrmala slightly decreased.

PRIVATE HOUSES.

The prices of private houses continued to grow in Jūrmala also in the review period. The market has developed more rapidly at Ķemeri, Kauguri, Sloka, i.e., the locations which previously have been significantly cheaper than other parts of Jūrmala. The prices grew by 20-30% in average in the review period, and this growth may be explained by the rise of construction costs (more than 20% during the year) and by the increase of the land prices. The offer of private houses in the price category exceeding 1.5 million EUR increased significantly during the review period. Several small private house and row house villages both on the sea side and the Lielupe side of Jūrmala have been developed in 2006. The prices were from 330 000 to 1 500 000 EUR.

Prices of one-family houses in Jūrmala (EUR)

Location	30.06.2006.		31.12.2006	
	Min. price	*Max. price*	*Min. price*	*Max. price*
On the sea side				
Lielupe-Dubulti	350 000	3 500 000	420 000	3 500 000
Dubulti-Asari	300 000	1 700 000	350 000	1 500 000
Vaivari-Kauguri	250 000	740 000	250 000	700 000
On the railway side				
Lielupe-Majori	280 000	1 200 000	320 000	1 300 000
Dubulti-Asari	240 000	560 000	280 000	600 000
Vaivari	23 500	560 000	270 000	600 000
Other locations				
Kauguri, Jaunķemeri	180 000	450 000	215 000	500 000
Sloka	100 000	350 000	120 000	380 000
Ķemeri	90 000	225 000	105 000	260 000

LAND PLOTS FOR PRIVATE BUILDING

The sales prices of private building land plots in the Jūrmala City grew by 20-40% in average during the review period. The highest offer price level has not grown significantly and reached ~650 EUR/m². The offer prices of land plots located close to the sea (to Melluži) were 400-500 EUR/m² in average.

Land prices in Jūrmala at the end of 2006 (including maritime areas outside Jurmala):

At the sea:

- Lielupe-Melluži 300-600 EUR/m²;
- Melluži-Asari 260-500 EUR/m²;
- Asari - Kauguri 130-350 EUR/m²;

In other places

- Kauguros 30-75 EUR/m²;
- Slokā 25-50 EUR/m²;
- Asaros-Vaivaros between the railway line and the Lielupe River – 50-100 EUR/m²;
- Bigauņciems-Ragaciems (at the sea) – 15-65 EUR/m²;
- Kolka – līdz 16 EUR/m²;

Jelgava, Zemgale Region (Dobele, Tukums and Bauska Districts)

APARTMENTS.

A relatively active real estate market was observed in Zemgale Region during the review period including the apartment sector which was characterised by a relatively rapid price growth. This price growth is determined mainly by the proximity to the Riga City and the price level in the Riga City, which is significantly higher than in the regions. A relatively small price difference between apartments in new houses and apartments in the secondary apartment market was observed in the Jelgava City during the review period. While in the beginning of the year the level of average apartment prices was from 350 LVL/m² to 500 LVL/m², at the end of the year this price level grew up to 650 LVL/m² - 800 LVL/m². The highest prices were paid for high quality furnished apartments with complete interior decoration as well as for apartments in pre-war period houses with high ceilings; in these cases the price exceeded 1000LVL/m². A big demand for apartments in qualitative new projects was observed in the Jelgava City; however, the offer was relatively poor. New projects having been developed in the vicinity of Jelgava are located also at Ozolnieki.

The price level at Tukums has grown rapidly, and this has been determined by the distance to Riga, proximity to the sea. In the result of this the price level at Tukums in certain categories has reached the Jelgava City level.

VIDĒJĀS DZĪVOKĻU CENAS ZEMGALĒ 2006.GADA DECEMBRĪ (LVL)

	Dobele	*Tukums*	*Jelgava*
1 istabas dzīvokļi	7000 - 10 000	13 000 - 21 000	20 000 - 25 000
2 istabas dzīvokļi	12 000 - 21 000	18 000 - 29 000	28 000 - 36 000
3 istabas dzīvokļi	15 000 - 26 000	20 000 - 34 000	34 000 - 40 000
4 istabas dzīvokļi	20 000 - 29 000	24 000 - 38 000	38 000 - 45 000

Real estate market in the Latvian regions

PRIVATE HOUSES

The prices of private houses located in Zemgale Region still depend to a relatively great extent on the price level changes in Riga. The overall price level increased significantly during the review period.

Jelgava:

- *Private houses in satisfactory condition in Jelgava* 55 000 LVL - 105 000 LVL;
- *new and renovated houses* – 100 000 LVL -170 000 LVL;
- *private houses in Jelgava District* – no 25 000 LVL;

Tukums:

- Private houses in satisfactory condition at Tukums 50 000 LVL - 85 000 LVL;
- new and renovated houses – 110 000 LVL - 150 000 LVL;
- private houses in Tukums District – no 40 000 LVL līdz 300 000 LVL –(most expensive houses are in the maritime area at Lapmežciems etc.)

Bauska district –

- within the limits from 26 000 LVL to 160 000 LVL.(most expensive private houses are at Iecava).

LAND PLOTS FOR PRIVATE BUILDING.

A high demand for land plots for private building has been observed during the review period. A relatively rapid price growth was observed in 2006 – while the average sales price in the Jelgava City amounted to 12-14 LVL/m² in the beginning of the year, the prices were stabilized around 20-30LVL/m² at the end of the year.

In the most active districts of Latvia, a rapid price growth both in respect to land plots and one-family private houses has been observed, especially at Jelgava, Tukums and Cēsis

At Tukums the prices have grown from 7-15 LVL/m² in average in the beginning of the year to 15-22 LVL/m² at the end of the year, but at Bauska the level of 7-18 LVL/m² was reached at the end of the year in respect to land plots of area up to 2000 m² connected to engineering system networks.

MARKET OF COMMERCIAL BUILDINGS IN JELGAVA

The offer of land plots which might be suitable for construction of new multi-apartment houses has remained relatively poor, and this fact has caused a growth of the price level which at the end of the year reached the limit of 45 LVL/m² - 130 LVL/m². Land for commercial building and production purposes in Jelgava is available at the prices from 20 LVL/m² to 70 LVL/m².

RENT AMOUNTS FOR COMMERCIAL BUILDINGS AT THE END OF THE YEAR:

Office space may be rented at 10-12 EUR/m², public utilities charges not included, in the newly erected multi-functional centre („Pilsētas Pasāža") located in the central part of the Jelgava City. Rent amounts for office space in lower quality office buildings are lower - 6-8 EUR/m². A new office building was under construction at the end of the review period; however, it was not launched in the market yet.

Administrative premises together with relatively large production premises (up to 500m²) are leased out at the price of 0,8-2,0 LVL/m², but the sales prices of such objects, depending on the location, building condition, usage possibilities and land plot area, vary from 450 LVL/m² to 850 LVL/m².

SIGULDA

APARTMENTS.

Taking into account the proximity of Riga, the dwelling market is developing relatively rapidly. The apartment offer is relatively poor at Sigulda. Taking into consideration the apartment price level, new multi-storey multi-apartment houses have been developed since 2004, and this development continued also in 2006. The average apartment sales prices in the new projects are from 900 LVL /m² to 1400 LVL/m² (complete interior decoration), for apartments delivered in the "white" interior decoration stage – from 700 LVL/m².

AVERAGE STANDARD-TYPE APARTMENT PRICES AT SIGULDA (LVL) IN JANUARY OF 2007

	January 2007	*July 2006*
1-room apartments	19 500 - 28 000	15 000 - 22 000
2-room apartments	26 000 - 41 000	21 000 - 33 000
3-room apartments	36 000 - 52 000	30 000 - 42 000
4-room apartments	41 000 - 60 000	35 000 - 50 000

PRIVATE HOUSES.

A price increase was observed in the private house market during the review period, which was caused by dwelling deficiency from the part of the demand and the poor offer, rise of construction costs and land plot prices from the part of the offer. At the end of the review period, the average prices of private houses had grown from the level of 65000 to 250 000 LVL in the beginning of the year (average price:125 000 LVL) to 100 000 -300 000 LVL (average price 160 000 LVL). The offer contains individual small-area row/twin houses starting from 75 000 LVL.

LAND PLOTS FOR PRIVATE BUILDING.

The prices of land plots for construction of private houses reached the level of 22-50 LVL/m² at the end of the review year for land plots with good access and connection to engineering system networks. The prices of land plots for private building (of area up to 2500 m²) located in the territory of Sigulda Civil Parish and places where infrastructure is poorly developed were from 8 LVL/m². The overall average price growth for private building land plots during the year corresponded to 70%.

COMMERCIAL PROPERTIES.

The rent amount level for administrative/office premises at the Sigulda town is 6-12 LVL/m² in average. It should be noted that mainly small and very small areas are demanded (20-60 m²), which serves as a reason for the relatively high rent amounts for 1 m². Transactions with commercial buildings are relatively few at Sigulda. One of the biggest transactions in 2006 was the transaction with a building located in the Sigulda centre and planned to be demolished, and the price of this transaction exceeded 110 LVL/m² if recalculated to the land plot area.

Development of commercial buildings livened up at the end of the review period: two office buildings are under projecting and a public discussion is going on about a multi-functional centre around the Sigulda railway station which will consist of a hotel, a shopping centre, office premises, a cinema, railway station and bus station. Though the demand is relatively poor, there is a lack of office premises of adequate quality, and this fact has caused favourable preconditions for further development of the commercial property sector.

Real estate market in the Latvian regions

According to the detailed planning of Sigulda and Sigulda Civil Parish, relatively big land areas are intended for industrial building. Prices of transactions with land intended for industrial building reached the level of 15-30 LVL/m² at the end of the review period. Sales prices of commercial building land plots located outside the town centre reached the level of 20-30 LVL/m², but the land plots intended for construction of multi-apartment houses reached the level of 30-50 LVL/m² at the end of the review period.

Land plots located along the Pskov highway within the territory of the Sigulda town were sold and bought relatively actively. Land plots of area from 1 ha to 3 ha were highly demanded, and these plots have been purchased for construction of sales premises, salons, warehouse buildings etc. Also land plots of area 7 ha - 10 ha were demanded for construction of logistics centres; however, this demand was concentrated mainly around the Riga detour road.

Taking into the beautiful landscapes at Sigulda, tourism industry is developing relatively rapidly – several guest houses are under construction; land plots located in beautiful locations are being purchased for tourism development purposes. Taking into account the development of tourism, the SPA centre and the hotel are under extension. The average size of tourist accommodation establishments: 20 bed places; there are in average 3-stars guest houses. Room prices: 30-50 LVL, the price of the cheapest rooms is ~20 LVL.

SAULKRASTI

APARTMENTS

The poorly maintained environment and the inadequate market price of properties located win areas of several gardening societies are factors that have stimulated the interest of customers in the secondary market apartments located close to the sea and in places with good infrastructure. In the beginning of the year the apartment prices fluctuated from 700 LVL/m² to 800 LVL/m². The high demand and the lack of the offer caused a rapid growth of market prices in this sector. At the end of the year the apartment prices grew from 1000 LVL/m² to 1100 LVL/m², i.e., by up to 40%.

As an alternative to the existing situation at Saulkrasti, apartments in three new multi-apartment houses were offered. The initial offer prices of the apartments in the multi-apartment houses were from 770 LVL/m² to 1050 LVL/m². At the end of the year the price level was from 850 LVL/m² to 1550 LVL/m². In an exclusive project the price level in the beginning of the year varied from 850 LVL/m² to 2100 LVL/m², but at the end of the year - from 1400 to 2800 LVL/m².

PRIVATE HOUSES

Territorial planning of the Saulkrasti town with the rural area was developed in 2006. This territorial planning is still in the process of development. It has stimulated a growth of prices of the secondary market of cottages. In 2006 the prices of summer cottages and private houses grew by 50%. The highest demand is for modern winter houses with all amenities and associated land of area 1000 or more square metres, good access roads and close to well-developed infrastructure. Offers meeting the said criteria are not frequent at Saulkrasti; in the case of an adequate price the property offered is sold within a short period of time. The price growth in the secondary market might be reduced and stabilised by successful development of good quality new private house village projects and improving the environment in

the existing private house areas.

RENTAL OF RESIDENTIAL PREMISES.

Also premises for rent are demanded at Saulkrasti; however, renovated dwellings with amenities intended for whole-year living are not offered. The offer of residential premises is limited with seasonal nature dwellings; summer houses of various quality are being rented out for the summer season, and the price level of such houses is varying from 250 Ls to 1500 Ls per month.

LAND PLOTS FOR PRIVATE BUILDING

The most active market in the neighbourhood of Saulkrasti and maritime areas of the surrounding civil parishes is the market of land plots intended for building. Prices of land plots intended for building in the Saulkrasti town fluctuated in 2006 from 30 LVL/m² to several hundred LVL/m², depending on the land plot size, engineering networks, infrastructure and distance from the sea. These factors do not influence the price of land plots adjacent to the beach; the price of such land plots starts from 100 EUR/m², and the price is determined by the factor of exclusivity. Land plots of areas from 600 m² to 1000 m² and more, the prices of which do not exceed 100 000 Ls, are demanded.

FORECAST FOR 2007

It is expected that the prices will grow by up to 75% for land plots intended for building, of area from 1000 to 3000 m², which are connected to engineering networks and located close to infrastructure, and market price of which did not exceed 20 LVL/m² in 2006. In connection with the zoning of the territorial planning of Saulkrasti which contains proportionally few land plots intended for construction of multi-apartment houses, a continued growth of apartment prices is expected.

Taking into consideration the present demand for real estates, it is expected that the market activities of the Saulkrasti real estate market will grow after approval of the territorial planning of the Saulkrasti town with the rural area. It will stimulate also development of the surrounding rural areas and the real estate market.

CĒSIS, VIDZEME REGION (VALMIERA, LIMBAŽI)

APARTMENTS.

Price growth in Vidzeme region has not been regular as to different towns – the highest price growth was observed at Limbaži, which in separate cases exceeded the limit of 630 LVL/m². On the basis of the said price growth it is possible to draw conclusion that at least in the biggest towns of the Vidzeme region the prices tend to become more equal – the price growth at Limbaži was caused by the fact that the price level previously has been relatively very low taking into account the fact that Limbaži is also the district centre.

At Cēsis the apartment prices were stabilised on the level of ~525 LVL/m² at the end of the review period. In 2006, two new multi-apartment houses were offered: “Remarka nams” at Cēsis and „Baltais mākonis” which contained 138 new apartments in total. The price level of apartments

delivered in the “grey” interior decoration stage has reached the limit of 550 LVL/m²; however, also at this price the demand has been relatively high – of 93 apartments having been offered in 2006, only 12 remained unsold at the end of the year. A new multi-apartment project is expected also at Priekuļi in 2007 which is being developed due to the good infrastructure and the price level.

Real estate market in the Latvian regions

APARTMENT PRICES IN VIDZEME, LVL

Price level as per 31.12.2006.	*Limbaži*	*Valmiera*	*Cēsis*
1 istabas dzīvokļi	15 000 - 20 000	20 000 - 25 000	20 000 - 25 000
2 istabas dzīvokļi	20 000 - 27 000	25 000 - 35 000	25 000 - 32 000
3 istabas dzīvokļi	27 000 - 35 000	35 000 - 45 000	32 000 - 42 000
4 istabas dzīvokļi	30 000 - 40 000	38 000 - 50 000	35 000 - 45 000

Price level as per 31.12.2005.	*Limbaži*	*Valmiera*	*Cēsis*
1 istabas dzīvokļi	5 000 - 8 000	12 000 - 16 000	8 000 - 12 000
2 istabas dzīvokļi	8 000 - 14 000	15 000 - 25 000	14 000 - 16 000
3 istabas dzīvokļi	12 000 - 18 000	21 000 - 27 000	18 000 - 25 000
4 istabas dzīvokļi	17 000 - 22 000	28 000 - 36 000	25 000 - 36 000

PRIVATE HOUSES.

A very rapid development of the private house market has not been observed in Vidzeme region though the largest transactions in the region have reached the level of 200 000 LVL (at Valmiera). A large difference has been observed in transactions in respect to properties located outside towns – sales prices of properties similar to their size and quality and located in the same district may differ more than 4 times. Farmsteads are being launched in the market at the average price of 15 000 -45 000 LVL (the demand has grown during the review period).The new houses which are under construction within the existing projects at Cēsis. may be launched in the market in 2007. The average prices of private houses located in the regional towns of Vidzeme were as follows at the end of the review period:

- Cēsis – 50 000 - 150 000 LVL;
- Valmiera – 55 000 - 170 000 LVL;
- Limbaži – 40 000 - 70 000 LVL;

LAND PLOTS FOR PRIVATE BUILDING.

Characteristic feature of the land market at Cēsis is the high offer of land plots for private building in the newly established villages. The Cīrulīšu Street area is the most demanded area at Cēsis. Also agricultural lands are offered for building purposes in Vidzeme – at the average price of 700-1000 LVL/ha, as well as land plots which might be subjected to parcelling – within the price limits of 0,5-4 LVL/m².

Prices of land plots for private building, of area up to 2500 m², located in towns of Vidzeme region, at the end of 2006:

- Cēsis – 10 - 17 LVL/m²;
- Valmiera – 10 - 25 LVL/m²;
- Limbaži – 2,5 - 5 LVL/m²;

COMMERCIAL PROPERTIES.

It is expected that the demand for commercial areas will grow in the future in the Vidzeme region, especially the demand for land plots, which is determined by the average sales prices of buildings, which in individual cases exceed the reinstatement costs of such buildings. The commercial area sector of the real estate market is not very active, in comparison with transactions with other real estate types. During the review period, mainly the following four commercial property categories were demanded:

1)Rental of sales premises in the central parts of towns;

2)purchase of house estates in town centres for office or hotel purposes; the demand was high for land plots intended for construction of multi-apartment houses;

3)purchase of relatively small land plots for industrial and commercial building purposes;

4) purchase of land plots of area up to 10 ha for construction of regional warehouses/ logistics centres;

LIEPĀJA

APARTMENTS.

Price difference of apartments in Liepāja is very big due to the big number of apartments at Karaosta etc. vacated in the beginning of the 1990-ties. The most expensive dwelling areas in Liepāja are: Centre/Vecliepāja, Ezerkrasts, South-Western district, but the cheapest apartments are to be found at Tosmare, Jaunliepāja, Karaosta. In 2006, several new multi-apartment projects where the price level was from 550 LVL/m² to 850 LVL/m² were launched in the market.

AVERAGE APARTMENT PRICES IN THE LIEPĀJA CITY IN 2006

	Karaosta area		Centre	
	First half-part of 2006	*Second half-part of 2006*	*First half-part of 2006*	*Second half-part of 2006*
1-room apartments	6 000 - 11 000	6 000 - 13 000	12 000 - 18 000	14 000 - 23 000
2-room apartments	11 000 - 14 000	11 000 - 16 000	17 000 - 26 000	20 000 - 33 000
3-room apartments	14 000 - 18 000	14 000 - 20 000	21 000 - 32 000	24 000 - 40 000
4-room apartments	15 000 - 20 000	15 000 - 22 000	24 000 - 36 000	28 000 - 45 000

PRIVATE HOUSES.

Private house sales price in the Liepāja City were very differentiated at the end of the review period - from 55 000 LVL to 175 000 LVL in average; however, the offer of private houses was relatively poor in the territory of Liepāja – most of the private houses of this region are located at Grobiņa. At the end of the review period, the offer contained only few new private houses; however, it is expected that in the result of continued price growth new private house villages will be developed also in the Liepāja City and its surroundings.

LAND PLOTS.

Characteristic features of land plots intended for building and located in the Liepāja City and its surroundings are: a large regional dispersion and a wide range of price levels. Locations of land plots which may be used for buildings are: close to water bodies, maritime lands, agricultural lands. Depending on the location of the land and possibilities if usage thereof, the engineering systems available, the sales level at the end of 2006 was as follows:

- Maritime lands – 2-15 LVL/m²;
- Land plots for building in the city: 25 LVL - 120 LVL/m² (there were no significant price difference between land plots purchased for private building and for commercial building);
- Agricultural lands which may be built up: 0,50 LVL - 2 LVL/m² (land areas up to 5 ha in this category);

COMMERCIAL PROPERTIES

Office premises.

Rent amount level of administrative premises in the Liepāja City (of area up to 500m²) is varying to a great extent (depending on the location, condition, floor space etc.) and at the end of the review period it had reached the level of 5-25 LVL/m². Higher rent amounts must be paid for premises located in the city centre, for example, the rent of premises in the office and shop centre in Kungu Street varied from 14 to 17,5 LVL/m². Lower rent amounts are to be paid for premises located farther from the centre. In non-reconstructed buildings the rent was below 4 LVL/m² even for premises located in the city centre.

Real estate market in the Latvian regions

At the end of 2006, SIA "MG Holdings", a real estate project developer, commissioned a part of the reconstructed Old Warehouse at Vecā Ostmala 40. The 1st and the 2nd floors of the new glazed extension are rented by the Hansabanka Branch. Other lessees are: Liepāja Land Register Division, Register of Enterprises, Latvian Post Office, the insurance brokerage company SIA "BMS", SIA "Interbaltija" etc. It is planned to complete the reconstruction of the Old Warehouse in April of 2007 by opening of a design hotel.

During the review period, the offer of rental premises exceeded the demand (especially in the industrial areas of the city). Occupation rate of office buildings did not exceed 70-75% and due to this the interest in development of office buildings was small – only one building is under construction. The offer of reconstructed/renovated administrative buildings was relatively big. Average sales prices of administrative buildings: ~900 LVL/m².

Sales premises.

The rent amount level of sales premises in the Liepāja City was similar to that of the office premises. Rent of renovated premises - from 4 LVL/m² to 25 LVL/m² , but of non-renovated premises - 2-3 LVL/m². Rent level in new buildings 6-25 EUR/m², depending on location and space of premises. Sales prices of sales premises: from 400 to 900 LVL/m².

Production premises.

The amplitude of rent amounts was from 0,50 LVL to 2 LVL/m². During the review period, the main subjects of sales transactions were small plants with the sales price of 200-350 thousand LVL. The offer contains a relatively big number of former industrial complexes at prices exceeding 1 million EUR; however, the interest in such objects is relatively weak.

OGRE

APARTMENTS.

An especially rapid price growth was observed at Ogre town and district during the review period, which was caused by the previous relatively low price level. The prices of standard-type apartments grew by up to 100% within the year. This growth was caused by the proximity of the Riga City as well as by development of the Ogre town itself in the capacity of the district centre. The price level was approximately the same at Ikšķile but in the rural areas and villages of this district the price level was significantly lower. Also several new multi-apartment building projects were launched in the Ogre town market during the review period, for example, the Zaķu Street building (a reconstruction project), in which the sales prices of apartments delivered with incomplete interior decoration were from 900 EUR/m².

AVERAGE APARTMENT PRICES AT OGRE, (EUR) END OF 2006

	103. serie	*602. serie*	*Hruschev*	*average*
1-room	**44 000**	**43 000**	**40 000**	**42 500**
December, 2005	*24 000*	*23 000*	*20 000*	*22 000*
2-room	**58 000**	**57 000**	**54 000**	**56 500**
December, 2005	*31 000*	*30 000*	*28 000*	*30 000*
3-room	**68 000**	**66 000**	**64 000**	**66 000**
December, 2005	*39 000*	*37 000*	*38 000*	*38 000*
4-room		**71 000**		**71 000**
December, 2005		*40 000*		*40 000*

PRIVATE HOUSES.

The private house market developed relatively rapidly in 2006, mainly due to the proximity of the Riga City. The level of prices of private houses in Ogre District is depending on the distance to Riga, the house condition, and the land plot area. Ikšķile is that place in Ogre District which has developed most rapidly already in a longer period of time.

Price level of the most significant categories of private houses at the end of 2006:

- Ikšķile - from 110 000 EUR to 450 000 EUR;
- Ogre - from 85 000 EUR to 300 000 EUR
- Ķegums - from 75 000 EUR to 240 000 EUR
- Farmsteads in the district - from 25 000 EUR to 150 000 EUR.

ILAND PLOTS FOR PRIVATE BUILDING.

The market of land plots for private building at Ogre and its vicinity, at Ikšķile, is developing relatively rapidly, and the offer and sales prices are continuing to grow relatively rapidly. At the end of the review period, the sales prices of land plots suitable for private building were as follows (land plots up to 2500 m^2):

- Ogre – 20-60 EUR/m^2;
- Ikšķile – 25-60 EUR/m^2;

It is expected that along with construction of the Moscow highway, the lands adjacent to the highway will be developed more actively. Already during the review period, an influence of the planned highway on the land plot sales prices was observed.

MARKET OF COMMERCIAL PROPERTIES

The level of office premises rent amounts in the Ogre town is from 6-8 EUR/m^2 in the dwelling areas of the town to 13 EUR for offices in the town centre. Mainly new or renovated premises are rented out; however, sales transactions of administrative premises are relatively seldom. During the review period, six administrative buildings were under projecting or construction at Ogre, and the biggest of those buildings is located in the centre and planned to be an office centre with sales premises in the 1st floor. While the demand for office premises is relatively high, the sales premises are more demanded, especially in locations of intense traffic or pedestrian flow. A lack of production and warehouse premises was observed.

There were relatively few land plots designated for commercial and high-rise buildings (in average, less than 10 objects suitable for this type of building were in the market simultaneously). Price of such land plots located in the Ogre town at the end of the review period was 70-100 EUR/m^2.

Real estate market in the Latvian regions

EASTERN VIDZEME (MADONA, GULBENE, ALŪKSNE)

APARTMENTS.

The apartment market of the Eastern Vidzeme should be considered relatively active in 2006,and due to this the apartment prices reached the level of 190 - 450 LVL/m², while the prices were clearly higher in the Madona town. A renovated multi-apartment house located at Gulbene was launched in the real estate market during the review period; prices of the apartments in this house reached the level of 300-350 LVL/m² at the end of the review period.

APARTMENT PRICES IN THE EASTERN VIDZEME

Price level (31.12.2006.)	*Gulbene*	*Madona*	*Alūksne*
1-room apartment	5 500 - 7 500	10 000 - 16 000	6 000 - 9 000
2-room apartment	8 000 - 12 000	14 000 - 25 000	8 000 - 13 500
3-room apartment	9 000 - 14 000	16 000 - 30 000	9 000 - 15 500
4-room apartment	11 000 - 16 000	18 000 - 32 000	11 000 - 17 500
Price level (31.12.2005.)	*Gulbene*	*Madona*	*Alūksne*
1-room apartment	4 500 - 6 000	8 000 - 12 000	5 500 - 7 000
2-room apartment	6 000 - 8 000	10 000 - 15 000	7 000 - 8 000
3-room apartment	6 000 - 10 000	11 000 - 18 000	7 000 - 11 000
4-room apartment	7 000 - 12 000	13 000 - 24 000	8 000 - 13 000

PRIVATE HOUSES.

The price level has grown in the private house market of the Eastern Vidzeme; however, the average sales prices of private houses have not reached the reinstatement values of the houses yet, which does not allow start of construction of new houses – the sales prices of houses, which are in relatively very good condition and located at Madona, Alūksne, Gulbene, Balvi, are a little bit over 350 LVL/m², but the prices of houses, which must be renovated, are 150-220 LVL/m² in average. The house prices depend also on the location of the particular house in the town – on the bank of a lake etc. Outside towns, farmsteads and private houses in villages are sold at the average price up to 150 LVL/m²; the price level is slightly higher only in Madona District – up to 200 LVL/m². Development of a row house village was commenced at Gulbene during the review period.

LAND PLOTS FOR PRIVATE BUILDING.

The market of land plots for private building is developing relatively rapidly in the Eastern Vidzeme – the offer and the demand prices continue to increase. At the end of the review period, the sales prices of land plots suitable for

private building were as follows (land plots up to 2500 m²):

- Gulbene – 4-12 LVL/m²;
- Madona – 2,5-15 LVL/m²;
- Alūksne – 4-15 LVL/m²;
- Balvi – 4-10 LVL/m².

Average sales prices of agricultural lands in the Eastern Vidzeme, which are partially purchased also for establishing of farms and for recreational needs (construction of summer cottages):

- Gulbene district – 400-600 LVL/ha;
- Madona district– 500-600 LVL/ha;
- Alūksne district – 300-500 LVL/ha;
- Balvi district – 300-500 LVL/ha.

MARKET OF COMMERCIAL PROPERTIES.

The office space rent level in the Eastern Vidzeme still is relatively low – mainly up to 4 LVL/m² (at Madona – up to 5 LVL/m²). Such rental properties with small rent amounts have been capable to attract customers' interest in 2006 for purchasing of premises at prices up to 350 LVL/m². However, it should be noted that even at such rent rates construction of two office buildings was commenced in the Eastern Vidzeme during the review period – one building in the centre of Madona town, and one building in the centre of Gulbene town,

Sales premises rent rates at the end of the review period were up to 7,5 LVL/m² (at Madona – up to 8 LVL/m²). Sales price level at such rent rates was up to 350 LVL/m². Construction of an entertainment/shopping centre at Gulbene was commenced during the review period.

Amplitude of prices of sale of production premises in the Eastern Vidzeme was wide – from 10 to 60 LVL/m². Technical condition of the production objects in the most cases was bad or partially bad though it should be noted that the sales price level is depending mainly just on the location of the property.

New Projects

EDEM

EDEM is a multi-functional eight-floor building containing exclusive apartments and located in the very centre of Jūrmala City – in Rembates Street.

60 apartments with "white" interior decorations, area from 75m² to 157m².

Līga Kohtanena **671463337, 26674654,**
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GRĪŠĻU IELA

A three-storey multi-apartment dwelling house located not far from the cultural centre of Jūrmala – the “Dzintari” Concert Hall.

30 apartments with complete interior decoration, from 58m² to 101m².

Arturs Ņehajenko **67146335, 28303679,**
arturs.nehajenko@arcoreal.lv

PROGRESA NAMS

A new Project at Progresa Street, Imanta. A 6-storey house, 31 apartments with complete interior decoration. Area of apartments – from 46,5m² to 132,6m². All the apartments will have balconies or terraces.

The successfully selected location ensures good transport possibilities to the city centre as well as to Jūrmala.

Miks Narvils **67365537, 26455866,**
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AVENES

The new apartment house „Avenes” will be located at Kocēni, Kocēni Parish, Valmiera District – only 5 km from Valmiera centre.

New apartment house of modern architectural design and convenient apartment layout, with balconies and a well-developed infrastructure. 18 apartments with full interior decorations, from 64m² to 175m².

Inga Krāģe **64127824, 28632244**,
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SAULES REPUBLIKA

New apartment house complex on the sea shore at Saulkrasti. 7 four-storey houses, in total 107 apartments with terraces.
Sun Republic is located on the sunniest shore of the Baltic Sea, in a bend of the Ķīšupe River where the river flows into the sea and where the hilly dunes are decorated with beautiful pine-trees.

Jānis Krūmiņš **67821679, 29392875,**
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Viktorija Leibenzone **67365550, 28344959,**
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AVALON RESIDENCE

2 new and elegant multi-apartment houses in the heart of Riga – in the Old City.

Avalon Residence, North – 7-storey building on Kalēju street. 27 apartments with „white" iinterior decoration, area of apartments from 56,4 to 161,8m².
Avalon Residence, South – 7-storey building on 13.janvāra street. 22 exclusive apartments with the „white" interior decoration, 53,5 - 143,9m².

Līva Jaunozola, **67079216, 26424119**,
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TRIJĀDĪBAS NAMS

New apartment house located on the corner of Trijādības and Staraja Rusas Street near the hotel Radisson SAS.

5 – 7 storey building, 13 apartments with "white" interior decorations. Each apartment will have an outdoor space in the form of a balcony or a terrace.

Arnolds Romeiko **67365553, 26495599,**
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AIZKULISES

The life is a stage. Your home is a place behind the scenes of this stage. A place where you can take off your masks and not to play. And to be real as you are!

An apartment house with a theatrical charm. A place to take off the mask and be real! A 7-storey building consisting of 53 unique apartments with "white" interior decorations. Riga, the Corner of Alauksta Street and A.Čaka Street, Riga.

Solveiga Stivriška **67365552, 26388677,**
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New Projects

BIŠUMUIŽA

Buy an apartment, but live like in a house!

Riga, Pārdaugava, Komētas Street.

17 four-storey buildings, 14 apartments in each. The apartments are sold with fully completed interior decoration. Quiet and green vicinity, good infrastructure.

Vija Sondore **67079220, 28311711,** vija.sondore@arcoreal.lv

Miks Narvils **67365537, 26455866,** miks.narvils@arcoreal.lv

JASMUIŽAS

Multi-apartment house at Pļavnieki, on Jasmuižas Street. A 9-storey building with 95 apartments. Car parking in the basement floor, territory – well-maintained, planted with greenery and illuminated in the night time.

Good quality, acceptable prices, excellent recreation possibilities and well-developed infrastructure.

Maksims Odincovs **67079208, 26469451,** maksims.odincovs@arcoreal.lv

Ludmila Aleksejeva **67079212, 26557655,** ludmila.aleksejeva@arcoreal.lv

TORENA NAMI

The residential complex consists of 4 multi-apartment houses: Northern House, Eastern House, Southern House, Western House. The residential complex is located in Riga, Jelgavas street.

232 apartments with „white" and full interior decorations.

Arnolds Romeiko **67365553, 26495599,** arnolds.romeiko@arcoreal.lv

DZINTARA PROJEKTI

The buildings of the "Dzintara projekti" are being erected in a location which has been selected especially thoroughly to ensure full harmony with the project. Also the design of the projects is very special like a gem in a luxurious mounting.

The project consists of exclusive multi-apartment houses in Jūrmala at Dzintari, Melluži and Bulduri, where apartments of „white" and complete interior decoration degree are being offered.

Arturs Ņehajenko **67146335, 28303679,** arturs.nehajenko@arcoreal.lv

DIGNĀJAS IELAS 2.KĀRTA

The Dignajas street apartments are located in a quite green Pardaugava hood not too far from Bauskas str. and Zasulauka str.

Dignajas Street Apartments do offer such a place--well-maintained, well-organized and offering a wide choice of services that ease every day's routine.

Edgars Pomaskovs **67079209, 28646666,** edgars.pomaskovs@arcoreal.lv

JŪRKALNES PĒRLE

4-storey apartment house in Zolitūde, Jūrkalnes street 53 apartments, with full and white interior decortation.

Unique personality of a building is created by wooden planking and beautiful green terrace forming a patio at the southern part of the house.

The house is commissioned.

Kristaps Herbsts **67365536; 26441044,** kristaps.herbsts@arcoreal.lv

Viktorija Leibenzone **67365550, 28344959,** viktorija.leibenzone@arcoreal.lv

KALPAKA STREET IN SIGULDA

The building is situated in Sigulda, O.Kalpaka iela (street) 13 – close to the developed infrastructure of Sigulda downtown, but at the same time in a quiet and green environment.

The building will be built as a modern 4 – 5 storey building with a penthause floor. Apartment areas from 38 to 150m². Apartments are offered with full interior decoration.

The house is commissioned.

Ruta Lazdiņa **67973737, 29499801,** ruta.lazdina@arcoreal.lv

MĀRTIŅA NAMS

6 storey newly built house in Slokas iela (street), 2 level apartments, balconies and terraces, high ceilings. 1 - 4 room apartments 40 - 150 m² areas, white furnishing.

10 minute walk to city downtown.

Arnolds Romeiko **67365553, 26495599,** arnolds.romeiko@arcoreal.lv

New Projects

ALBERTA IELA

A renovated Art Nouveau and Eclectism-style house, originally built in 1901.

20 exclusive apartments of restored historical heritage.

The house is located in the historical part of Riga, at the Kronvalda Park.

Līva Jaunozola **67079216, 26424119,**
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Miks Narvils **67365537, 26455866,**
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AIZPUTE

A cosy home to return after a hard working days; peace, comfort and safety...

It is the new multi-apartment residential house “Aizpute” located at Aizpute Town, Liepāja District. 32 apartments of area from 38m² to 105m²; interior decoration completion degree: white.

Mareks Dēvits **63488816, 29430504**
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SAULES PĻAVA

The new private house village „Saules Pļava” is located at Ādaži Civil Parish Riga District. It is a quiet and sunny location close to a forest and not far from the Gauja River bank. 134 land plots in total.

„Saules Pļava” is the place where you can fulfil your most cherished dreams.

Rolands Ēvele **67976964, 22014911,**
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MĀRSILI

The Mārsili 2 village consists of 53 building plots or area from 1300 to 3000 m².

The Mārsili 2 village is located at the Mazais Baltezers Lake, 2 km from the highway A1 Riga - Tallinn, in the vicinity of "Alderi", an inhabited village.

Proximity to the water, a pine-tree forest – in fact, it is a perfect place to build a private house!

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Guntars Leons **67365543, 29190958,**
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New Projects

KAMENES

The new project „Kamenes” is a place where you can find a piece of virgin nature though this place is situated nearby the modern urban infrastructure and seething life.

40 building plots at Cēsis district with area starting at 1605m² and up to 3291m².

Inga Krāģe **64127824, 28632244,**
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KATRĪNKALNS

You may acquire land for construction of your own private house in the suburb of Cēsis, just in a few minutes drive from the town centre. The new village will be located approximately 1 km from the skiing and recreation centre „Žagarkalns”, and approximately 1.5 km from the Gauja River. 23 building plots with area from 2015m² to 10299m².

Liene Rjabkova **64127826, 28341513,**
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AINAVAS 2

A new village Ainavas II is situated in the suburbs of the Riga City, in a location with a beautiful landscape, namely, in Garkalne Civil Parish. 29 land plots with one-family and twin houses; area of the plots varies from 761 m² to 2197 m².

Ints Bērziņš **67079232, 28666684,**
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CĒSU KLĒTS, COMMERCIAL PREMISES

A new and modern business centre in the central part of Cēsis town, at Pļavas Street 5. A 4- storey building, area of premises from 20m2 to 167.3m²

Ilze Rubene **64122390, 26517320**
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New Projects

DZELZAVAS STREET, COMMERCIAL PREMISES

A new office building containing sales and warehouse premises, located at Purvciems, at the crossing of Dzelzavas and Ulbrokas Streets.

The especially convenient road network ensures comfortable access to the building not only by passenger cars but also by large-dimensioned vehicles and trucks.

Jānis Plotnieks **67079205, 26674558,**
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DUNTES NAMI, OFFICE BUILDING

„Duntes Nami" is a new Class A office building in the business centre of Riga, at the intersection of Duntes and Skanstes Streets.

The building will be a 6-storey building containing both office and conference premises.

Premises are offered with a possibility to select tailored room space and layout, which is secured by the special planning, which allows free and ergonomic layout of office space both in the horizontal and the vertical plane.

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Aktuālākā informācija par jaunajiem projektiem mūsu mājas lapā – www.arcoreal.lv

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