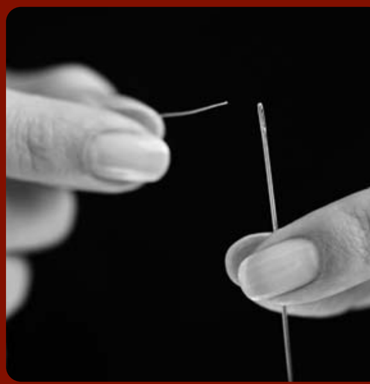
LATVIAN
REAL ESTATE MARKET OVERVIEW

JANUARY-JUNE 2006



ARCO REAL ESTATE

NEKUSTAMĀ ĪPAŠUMA BIROJS

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Latvian Real Estate Market Overview, January-June 2006

The market analysis overview prepared by „Arco Real Estate" Ltd. provides a concentrated information on the Latvian real estate market in the first half of 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 the first half of year 2006.

Sources of information used for the analysis performed are: the real estate transactions data base of „Arco Real estate" Ltd., 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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Demographic situation
Amount of inhabitants in Latvia administrative territories (data from CSB)

	01.01.2005.	01.01.2006.	Change in percents (in relation to the previous year)
Latvia	**2306434**	**2294590**	**-0,514**
Cities	1567335	1559409	-0,506
Latvian country territories	739099	735181	-0,530
Rīga	**731762**	**727578**	**-0,572**
Daugavpils	110379	109482	-0,813
Jelgava	66136	66087	-0,074
Jūrmala	55603	55602	-0,002
Liepāja	86264	85915	-0,405
Rēzekne	36798	36646	-0,413
Ventspils	44017	43806	-0,479
Aizkraukles region	41105	40568	-1,306
Alūksnes region	25086	24746	-1,355
Balvu region	28246	27753	-1,745
Bauskas region	51675	51286	-0,753
Cēsu region	57698	57228	-0,815
Daugavpils region	40588	40069	-1,279
Dobeles region	38710	38414	-0,765
Gulbenes region	26983	26681	-1,119
Jelgavas region	37054	37049	-0,013
Jēkabpils region	53473	53004	-0,877
Krāslavas region	34573	33967	-1,753
Kuldīgas region	36574	36236	-0,924
Liepājas region	44703	44297	-0,908
Limbažu region	38660	38261	-1,032
Ludzas region	**32634**	**31939**	**-2,130**
Madonas region	44141	43543	-1,355
Ogres region	63297	63536	0,378
Preiļu region	39465	38900	-1,432
Rēzeknes region	41662	41006	-1,575
Rīgas region	**153240**	**156883**	**2,377**
Saldus region	37417	37124	-0,783
Talsu region	47575	47062	-1,078
Tukuma region	55275	55088	-0,338
Valkas region	32498	32126	-1,145
Valmieras region	59020	58715	-0,517
Ventspils region	14123	13993	-0,920

Gross Domestic Product (GDP)

During the reporting period a rapid GDP growth per capita was observed, namely, by 13.92% (in the real prices of 2005) until the end of the first quarter of 2006. During the 1st quarter of 2006 the growth of the GDP per capita was 1.38%; during the 1st quarter of 2005 it was 4.27%. During the 1st quarter of 2006, the percentage of the Construction Industry (NACE F) as well as of the industry "Transactions with real estates, rental and other commercial activity" (K) in the GDP. In fact, a fall of absolute figures characterizing the percentage of the construction industry in the GDP was observed (from 7.0% in the 4th quarter of 2005 to 4.7% in the 1st quarter of 2006), however, taking into account the seasonality, a growth was observed in the period of one year - from 4.4% in the 1st quarter of 2005 to the above-mentioned 4.7%.

Construction costs

The construction cost index in the 1st quarter of 2006 grew by 7.7% in comparison with the average indicator of 2005, or approximately by 9.2% from the beginning of the 2nd quarter of 2005.According to the CSB data, the main reason of the rapid growth of construction costs is the increase of wages and salaries of persons employed in the construction industry by 18.88% during the year if the average construction costs index in the beginning of the 2nd quarter of 2005 is taken as a basis. The increase of the prices of construction materials has been relatively lesser - only 4% though the biggest part of this increase was formed just in the 1st quarter of 2006 - 2.36% within three months. The real growth of the construction material prices might more rapid, especially if the cement price in Latvia would be increased again.

Salaries and wages

No growth of the gross salaries was observed in the 1st quarter of 2006 in the country; however, also this indicator has a positive trend which is also basing on seasonality: 1st quarter of 2006: +0.1%; 1st quarter of 2005: -1.9%. Only the gross salaries of the public sector show a negative growth while a changing but, from the other side, positive growth of the average salary is being observer in the private sector. The rapid growth of salaries in the practice may be connected also with putting in order of the company accounting, i.e., a gradual refusal from the so-called "envelope salaries". The average salary in the country after taxes at the end of the 1st quarter of 2006 amounted to LVL 192.81, or 268.94 LVL before taxes. Taking into consideration dependence of the salary level from location - the average salaries before taxes in Riga and Riga Region were in average by 15-20% bigger than in the country in total.

Information collected by the CSB on average labour costs per hour by types of activity (in LVL) shows an increase by +18.32% during one year in the construction industry (till the 2nd quarter of 2006), in the result of which the level of 1.905 LVL/h was achieved. In the same time, the average man-hour costs in the financial mediation branch (NACE J) amounted to LVL 5.26. Taking into account the publicly expressed opinion of employers that there is lack of qualified workers, the average labour costs in the construction industry may rapidly advance towards the level of LVL 5.26 per hour taking into account the high demand and the workers' qualification required. The issue relating to the so-called "envelope salaries" would, however, remain. The industry chosen for comparison - financial mediation (NACE J) - is significantly more transparent in the practice, so that it is characterizing the real salary and labour costs level in the country.

Construction

The construction products expressed in real prices in the 1st quarter of 2006 achieved the amount of 147.24 million LVL (1st quarter of 2005: 110.98 million LVL). In the 1st quarter of 2006, the area of erected dwelling houses was 135.0 thousand m², from which about 60% might be build for own needs, i.e., houses built for funds of the inhabitants. Having analyzed the data collected by the CBS on construction and renovation of dwelling houses, uninhabitable buildings, engineering constructions by quarters (in LVL), it may be concluded that the biggest increase in per cent within one year (1st quarter of 2006 compared with the 1st quarter of 2005) in the segment of construction of new buildings was observed in construction of hotel buildings: +144% (it should be noted that the total work volume has been not so big , therefore, the data, probably, do not reflect the tendencies in a completely correct manner); in construction of multi-apartment houses: +26.7%, and in construction of administrative buildings: +23.06%. The total investments in the non-residential housing decreased during the 1st quarter of 2006 in comparison with the 1st quarter of 2005. The investments have been reduced mainly in construction of trading objects. Though in the case of comparison of quarters of the year there are possible certain deviations due to seasonality, changes of conditions etc., the information obtained in the result of the said data analysis should be considered conformable to the common market tendencies: construction of office buildings has become more active; rapid development of multi-apartment houses is continuing; principal investments in sales areas are intended for reconstruction (the number of new and big trading objects is not increased significantly).

The volume of construction works performed in Latvia by foreign construction companies continues to increase, and in 2005 it amounted to approximately 3.3 million LVL (840,500 LVL in the first quarter of 2006). An evidence of activity in the housing construction market is the number of construction permits issued: in the 1st quarter of 2006 there were issued 108 permissions for construction of multi-apartment houses, which, in relation to the 1st and the 4th quarter of 2005, constitutes an increase by +675% and + 42% respectively (the seasonality factor in preparation of documentation should not be considered to be very significant). A large part of the construction objects having received the permissions, probably, will never be built due to two important factors: lack of construction capacities (low work productivity) and the tendency observed in the real estate market, namely that land plots intended for construction are being sold already with construction permissions which means that the sales prices are being determined as for business projects. A comparatively similar tendency is observed in the construction of office buildings: during the period of time from April 1, 2005 till April 1, 2006, 47 construction permissions have been issued for construction of office buildings. This is not a very big number; however, it is an evidence of a significant growth in per cent.

Housing (in 2005)

The total area of the Latvian available housing was 56.4 million m² at the end of 2005 (56.05 million m² in 2004, or an increase by 0.62%). Average total area of living premises per one permanent resident in 2005 was 24.6 m² (24.3 m² in 2004, which means an increase by 1.2%); however, one should take into consideration the reduction of the number of population in Latvia per year which is significant (in average 0.3-0.7% in Latvia per year). Construction of new dwelling houses was actively continued in 2005: dwelling houses of total area 552.2 thousand m² were commissioned in this year. 3800 new apartments were built in the country in 2005 (856 apartments in the 1st quarter of 2006).

Finances and crediting

During the reporting period - the first six months of 2006 - the crediting was characterised by the same tendencies which were first observed at the end of 2005: growth of the RIGIBOR rates continued episodically exceeding even 4.75% for a 3-month rate and 4.7% for a 6-month rate. However, such a growth of credit rates has not managed to stop the speed of crediting growth because more and more credits have been taken in Euro and the Bank of Latvia is not able to influence directly the rates of such credits (also the 3- and 6-month inter-bank rates in EUR grew in 2006 in average by ~0.5%; the USD credit rates grew by 0.9-1.0%). The amount of mortgage credits granted by commercial banks during the first three months of 2006 increased by 13.2% in comparison with December of 2005. It is expected a small further increase of credit rates in 2006, and if the credits in EUR will become more expensive, it might exert a direct influence on the Latvian real estate market. This interest rate increase has arisen in despite of the widely discussed “credit tax”, and the growth of the credit interest rates has not practically reduced the activity of the Latvian real estate market yet. The amount of mortgage credits granted by Latvian commercial banks in February exceeded 3 billion LVL, and at the end of March 2006 reached LVL 3.177 billion (in average, 1385 LVL per capita). Average interest rates of new credits granted for purchase of dwellings at the end of 2006 have remained practically unchanged - within the limits of 5.5%-5.7% in average as far as credits with repayment term over ten years are concerned (data provided by the Bank of Latvia). Such interest rates mean that, in despite of the high demand of credits, competition among banks for attraction of solvent clients is being increased - banks are forced to continue reduction of the “margin” added. Since a growth of the Euribor rates is expected, the “insurance” of the credit interest rates has become popular again; in the practice it means returning back, after an approximately five years interval, to a “fixed” credit interest rate, which is higher than the “variable” rate but which is changed more seldom. In despite of the necessary changes of credit policies of credit institutions which had been discussed during the previous reporting periods and which should include determination of wider restrictions in respect to crediting of standard-type apartments, the competition has resulted in the situation when conditions offered by banks are being constantly improved (from the viewpoint of clients). The sole restrictions having been introduced by individual credit institutions additionally are mainly concerning developers of new projects. Development of new small projects of multi-apartment houses is not financed, and cooperation is developed only with existing clients who might be classified as relatively big developers.

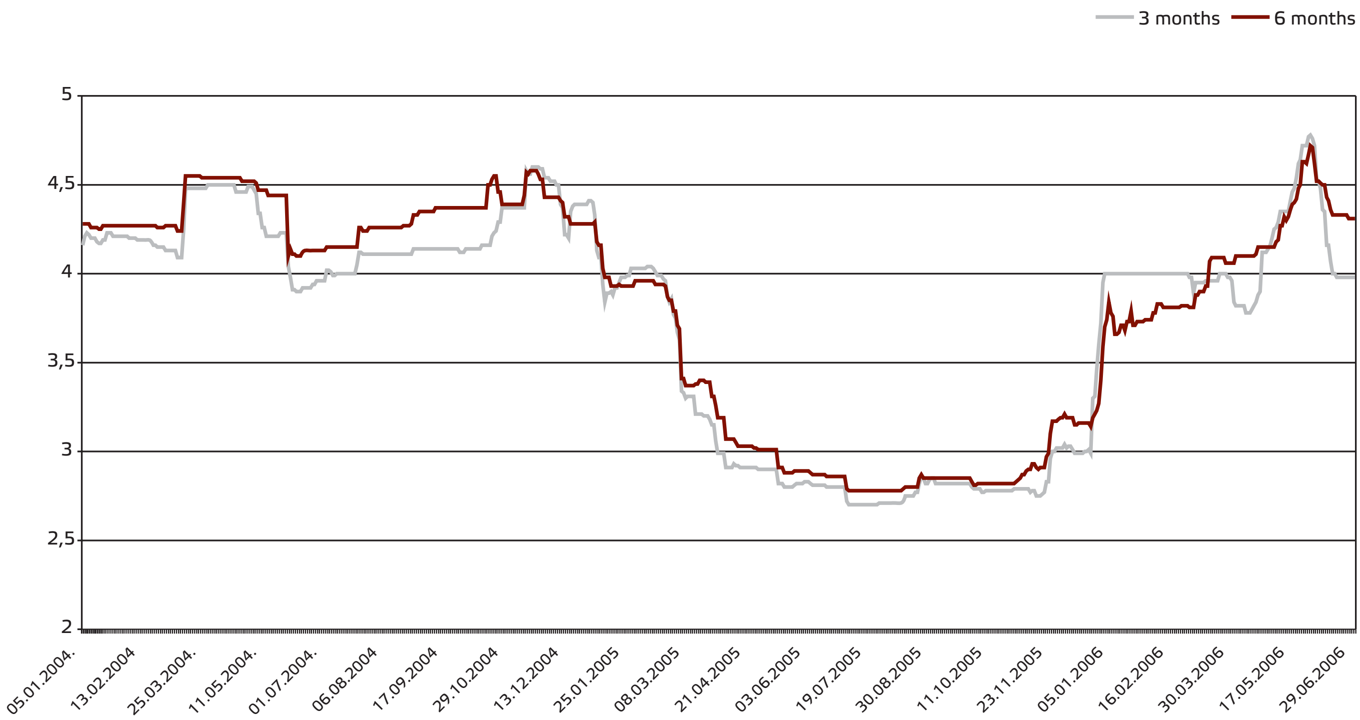
Transactions in the real estate market

Very high activity level has remained unchanged in practically all the segments of the real estate market. Number of transactions in the first six months of 2006 (35,367 transactions in total) exceeds significantly the number of respective transactions in the first six months of 2005 (28,457) and is only a little bit behind the number of respective transactions in the second half-part of 2005 (37,034). Taking into consideration also the partial seasonality of certain property categories and the trends of previous years, it may be expected that the existing records of number of transactions will be beaten in 2006. Riga District and certain other districts of Latvia are especially active as to the number of transactions. A certain growth has been observed in the Riga City; however, it is proportional to the common tendencies. The growth of the number of transactions in the Riga District is basing on two factors;

1. construction of private houses; and

2. construction of new multi-apartment houses in villages and towns in the suburb of Riga, which, as to the price level, may compete with the prices of standard-type apartments in Riga offering simultaneously a well-maintained environment to the inhabitants.

Rigibor 3 and 6 months interest ratio on loans, 2004-2006



Sale of apartments

Characteristic feature of the first six months of 2006 is a rapid and relatively inhomogeneous price growth for all kind apartments throughout the territory of Latvia. The growth of prices of certain categories of apartments situated in Riga and vicinity of Riga reached even 40% within this period of time. Prices of standard-type apartments situated in Riga grew by 23-30% in average. In absolute figures: the average price of a standard-type apartment situated in the Riga City has grown by more than 100% within a year and a half (from January 1, 2005).

The reasons of this growth are “traditional”:

- deficiency of dwellings;
- GDP, growth of purchasing capacity;
- speculative transactions (both for resale and purchasing with the purpose to keep the apartment for a certain period of time in expectation of a further growth of the price level);
- low productivity of the construction industry; limited construction capacities; lack of qualified labour force.

The approximate structure of the offer by number of rooms in the Riga City:

- 1-room apartments: 30%
- 2-room apartments: 39%
- 3-room apartments: 24%
- 4-room apartments: 5.5%
- 5-room and larger apartments: 1.5%

The volume of the apartment offer in the Riga City showed an increase at the end of the first six months of 2006 (in relation to the beginning of 2006) and consisted of 5500 apartments offered. Standard-type apartments situated in housing estates constitute 60-70% of this number; the remaining part consists of apartments located in the city centre and close to it as well as apartments in new multi-apartment houses.

Location of offered standard-type apartments in Riga's housing estates

Increase/decrease of percentage against the total offer (compared with the beginning of the year)

Purvciems – 13%	↓
Pļavnieki – 12%	↑
Ķengarags – 8%	↑
Imanta – 8%	↓
Ziepniekkalns – 6,5%	↓
Iļģuciems – 4,5%	↑
Zolitūde – 4,2%	↑
Jugla – 3,8%	↓

The number of apartments offered in new projects continued to grow during the reporting period. This number constitutes 15-25% of the total number of apartments offered (including also apartments of new projects offered in the secondary market).

The cancellation of the rent ceiling has not yet created any substantial changes in the Riga City apartment market because, in contrary to the opinion about beginning of a mass migration, the majority of lessees of denationalised houses prefer to wait for a while hoping to a new solution of the existing situation, or to accept the house owners' offers as much as possible. In the present situation, house owners have decreasingly fewer opportunities to acquire apartments at an advantageous price for relocation of lessees because even outside the Riga City the price level is high (except the cases when a smaller house is being demolished in order to vacate the land plot for erection of an office building). This problem might probably become topical once again in the beginning of 2007. Sales prices of apartments with “lifetime lessees” are for 200-350 EUR/m² in average lower than those of apartments without any encumbrances.

Price changes

Following the demand decrease in 2005, an increase of the demand was observed during the reporting period. This increase is connected with the concern about purchasing capability in the future in the case of continued price level growth also in the future. According to the previous forecasts, the demand of large-area apartments is proportionally lesser because the purchase price of such apartments corresponds in many cases to the price of medium-class private houses - so that there is an alternative. This structure of offer and demand has determined a more rapid growth of prices of one-room apartments during the reporting period; the prices of apartments of this type in Riga grew by 30% in average while the prices of apartments consisting of more rooms grew by 23-26%.

Taking into consideration the remaining tendency to purchase a new dwelling close to the location of the old one, the Vecmīlgrāvis housing estate should be considered overestimated; in this area the offer prices have grown especially rapidly, and in many cases the offer price has even reached the level of prices of a dwelling of similar quality and area located at Purvciems/Pļavnieki. Since such a price level might be caused solely by insufficient offer, it is expected that the offer prices would equalize either in the result of a slight reduction or equalizing in the course of time.

Price level of standard-type appartments depending on the housing estate:

- **High** – Pļavnieki, Purvciems, Mežciems, Teika, Zolitūde;
- **Medium** – Jugla, Ķengarags, Ziepniekkalns, Imanta, Āgenskalns, Iļģuciems, Vecmīlgrāvis;
- **Low** – Bolderāja, Kauguri (Jūrmala).

The average standard-type apartment prices in the Riga City have reached the level of 1190 EUR/m² during the reporting period.

At Dubulti (Jūrmala), the price level of standard-type apartments is still one of the highest in Latvia: up to 1800 EUR/m² for a non-renovated one-room standard-type apartment.

The highest price level of one-room apartments situated in Riga is still at Teika and Purvciems: up to 1450 and 1420 EUR/m² respectively (the average price level is higher at Teika where the offer of standard-type apartments is relatively small; most frequent are transactions with apartments located in pre-war houses). The price level of offers of apartments with high quality interior decoration starts to exceed the limit of 2000 EUR/m²; however, in the case of real transactions the price level only in few cases has reached 1800 EUR/m².

The lowest price level still is observed in the Bolderāja housing estate: the offer prices are starting from 950 EUR/m² for an apartment in a standard-type house.

The lowest prices requested for standard-type apartments are still characteristic for small settlements in the Riga District, such as Mucenieki, Tumšupe etc.; the reason of this is the poorly developed infrastructure and other factors. A significant price increase has been observed at Jelgava, Kauguri, Salaspils, Ogre and other places where the price level has been low during the previous reporting periods. The price level has begun to equalize in direct connection with the price level changes in the Riga City (at Jelgava, for instance, the prices for apartments of certain series have grown by more than 40% during the reporting period, or by 6.5% per month).

Diapason of standard-type appartments' prices in Riga

	Price	*Average*	*Average/m²*
1-room apartments	37 000-52 000 EUR	44 000EUR	1 325 EUR/m²
2-room apartments	51 000-69 000 EUR	59 000EUR	1 200 EUR/ m²
3-room apartments	59 000-85 000 EUR	71 000EUR	1 140 EUR/ m²
4-room apartments	69 500-92 000 EUR	82 000EUR	1 110 EUR/ m²

Low-rise wooden housing

During the first half-part of 2006, the prices of apartments in low-rise wooden houses and in houses with partial amenities have grown more than the average prices in Riga and Riga District, and reached the level of 650-1350 EUR/m². The apartments of this type are demanded in the central part of the city, at Grīziņkalns and in the near Pārdaugava. This is due to prestige of the location and relatively affordable prices of properties of this kind as well as due to the possibility to merge several apartments of this kind which are located side by side. In the said locations, apartments of any area are highly demanded; however, mostly one- and two-room apartments are offered. In certain cases all the apartments of a house are purchased with the purpose to demolish the old house and erect a new multi-apartment house.

The prices of dwellings in the low-rise wooden houses in Riga depend on the demand of the particular location and demand of the particular area of the particular location. Presently, the breakdown of demand of apartments in Riga is as follows:

- **Centre of Riga - wooden houses in courtyards**:
  950-1300 EUR/m²;
  (in certain cases up to 1650 EUR/m² if the apartment is situated in a house which is in good condition and equipped with all amenities)
- **Central part of Riga** (Grīziņkalns, Čiekurkalns):
  850-1250 EUR/m²
- **Wooden houses at Pārdaugava** (Āgenskalns, Torņakalns):
  800-1200 EUR/m²
- **Wooden houses at Sarkandaugava, Bolderāja, Iļģuciems:**
  750-1100 EUR/m²
- **Latgales District:**
  650-950 EUR/m²

Apartments in the centre of Riga

During the reporting period, the prices of apartments located in the city centre grew in accordance with the overall price growth reaching the level of 1500-1800 EUR/m² for apartments located in the peripheral part of the centre, which corresponds to a growth by 20-30% in the period of six months.

The growth of the price level of exclusive apartments has still been proportionally lower, and the sales prices of such apartments have in certain cases reached 800-900 thousand EUR while there have been registered offers at prices exceeding 1 million Euro (offer price for an exclusive apartment in the Quiet Centre amounted to 3 million EUR).

A relatively high and stable demand exists in relation to apartments located in the central part of the city, the outer perimeter of which is made by Kr. Valdemāra Street - Kalpaka Boulevard - Elizabetes Street - Eksporta Street - Hanzas Street - Dzirnavu Street. This part of the city has gradually been transformed into a prestigious location because a lot of reconstructed buildings, embassies and other prestigious institutions are situated in this part of the city.

The level of offer prices for apartments located in reconstructed houses in the Quiet Centre and in the area of Alberta Street exceeds 5000 EUR/m²; however, in the case of real transactions, the price level mainly does not exceed the level of 4000 EUR/m². In the case of large-area apartments (over 110 m²) the average offer price (for an apartment with interior decoration) is 3600-3800 EUR/m².

Price categories in The Old City and the city centre

The Old City

The demand is not high but stable. The price level of apartments located in the block between Grēcinieku - Audēju Streets and the railway line is gradually equalizing with the prices of apartments located in other parts the Old City. The reason of this is a relatively big (for the volumes of the Old City) construction of new multi-apartment houses in this area.

Price range of renovated apartments: 4200-5000 EUR/m²
Non-renovated apartments: 3500-4500 EUR/m²

Boulevard Ring

Apartment prices in reconstructed houses:

Prepared for interior decoration: 3200-3800 EUR/m²
Completed interior decoration: 3500-4200 EUR/m²

In non-reconstructed buildings the price level is lower approximately by 20%.

Dzirnavu-Tērbatas-Baznīcas-Skolas Street

Renovated apartments: 2500-3300 EUR/m²
Non-renovated apartments: 1700-2800 EUR/m²

Other apartments located in the central part (peripheral part of the city centre: Grīziņkalns etc.)

The prices of the apartments of this category tend to come nearer the prices of apartments located in the very centre of the city. There is registered a transaction in the area of Tallinas - Tērbatas Streets in which the price was 2650 EUR/m². The price level tends to increase due to growth of number of new multi-apartment houses under construction (“Aizkulises”, “Ziedoņdārza mājas”, “Artilērijas 33”, Vārnu Street etc.). Sales prices of the secondary market are fixed by comparison with the prices of apartments in such new projects.

Renovated apartments: 1600-2000 EUR/m²
Non-renovated apartments: 1400-1800 EUR/m²

New elegant appartment house in the Old city, on 13.janvāra Street.
Modern 7-storey building, 22 apartments with the "white" interior decoration.
Apartment areas 53,5m² - 143,9m².
Price starting from 3300 EUR/m²

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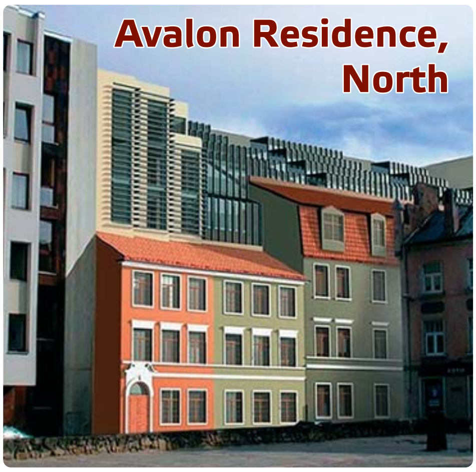
Aivars Blaumanis **26377477,7365549**



New elegant appartment house in the Old city, on Kalēju Street
Modern 7-storey building, 27 apartments with the "white" interior decoration.
Apartment areas 56,4m² to 161,8m².
Price starting from 3100 EUR/m²

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New residential houses

The most significant tendency observed in the first six months of 2006 was restriction of speculative deals from the part of project developers: the preliminary apartment purchase contracts cannot be resold any more, i.e., no "virtual speculations" can take place.

Developers of new projects still continue to delay commissioning terms - in certain cases even by more than 1.5 years; thus, the apartment purchasers play the role of "hostages": in the case of a rapid price growth a purchaser has no possibility to refuse from an apartment in the particular project and buy an apartment in another place at equivalent price but the developers have better possibilities to sell an apartment at a higher price if a purchaser terminates his contract.

In 2005, 3800 new commissioned apartments were launched in the market (according to information provided by the CSB) but in 2006 it is planned to commission approximately 4500 apartments in new multi-apartment houses (according to information published by developers).

A big part of the apartments are still offered in the so-called "white" interior decoration degree, also in relatively large building complexes, and this factor delays normal usage of the apartments because the house area has been turned into a long-term construction site.

Until now, in contrary to the row house segment, practically no one of the new multi-apartment projects may be considered unsuccessful because, in the result of the rapid price growth, almost everything which has been launched in the market is purchased. In certain new projects the developers have determined a higher price level than in comparable projects, thus diminishing interest of potential purchasers but increasing the profit margin on the account of a further price level growth.

The following new multi-apartment house complexes launched in the market should be mentioned as the largest ones: "Bišumuiža" (a low-rise multi-apartment house complex in the Bauskas Street area, Pārdaugava), "Jaunbiķeri" (a low-rise multi-apartment house complex in the Kaivas Street area, between Dreiliņi and Mežciems housing estates) as well as the houses which have been under construction in a longer period of time: "Panorama Plaza", "Metropolia", "Lauras" and some other.

At the end of the reporting period - in May and June there was published information on relatively many big-volume development projects:

- The largest of the published projects is the project of dwelling houses at Mežaparks (between Ķīšezera, Rusova and Ezermalas Street). It is planned to construct 500 000 square metres of living and office space within 5-7 years. According to the information published by the developer, it is planned to invest up to 800 million EUR in the project so that this project would become the largest multi-apartment house project realised in Latvia. In the course of implementation of a project of this volume, the developers would, most probably, confront with two problems: lack of construction capacities (in 2005 houses of area 552 thousand m² were commission in the country in total) and necessity to search for potential buyers; existence of the second problem is evidenced by the relatively slow sales tempo of the existing large-scale multi-apartment houses.

- The second largest project information on which has been published during the reporting period is the project of "Merks" Ltd. at Skanstes Street. In the framework of this project it is planned to erect four 24-storey dwelling houses as well as bank and office buildings (the block encompassed by Skanstes, Jāņa Daliņa, Grostonas and Jāņa Dikmaņa Streets). Taking into account the land plot area (56,373 m²) and the average permitted building intensity in the central building areas (according to the Riga City development plan for 2006-2018), the total construction volume might exceed 100 000 m².

- At Ādmiņu Street it is planned to construct a dwelling house complex (approximate area: 24,000 m²; 112 apartments) which is to be considered a significant project due to its location - in the city centre.

An essential circumstance affecting development of new multi-apartment house projects is the planned prohibition of building in inner blocks and courtyards. Though, according to the published information, the prohibition would concern only a small part of the territory of Riga, it is expected that the prohibition would significantly correct the sales prices of land for multi-storey buildings.

A significant tendency of 2006 to be mentioned is the geographic expansion of the new project developers: new multi-apartment house projects have been launched not only in previously "forgotten" Riga City housing estates and villages located in the vicinity of Riga but also in centres of Latvian rural districts - at Ogre, Daugavpils, Saulkrasti, Liepāja as well as in certain places not far from bigger towns, such as at Drabeši civil parish (Cēsis District), Kalnciems (Jelgava District), Ikšķile (until now, practically only row houses and individual cottages were offered). Also at Ropaži civil parish (Silakrogs) two new multi-apartment houses have been registered. These houses, according to the information available presently, are to be considered modified serial house projects - sales prices of apartments with the "grey" interior decoration degree are from 850 EUR/m².

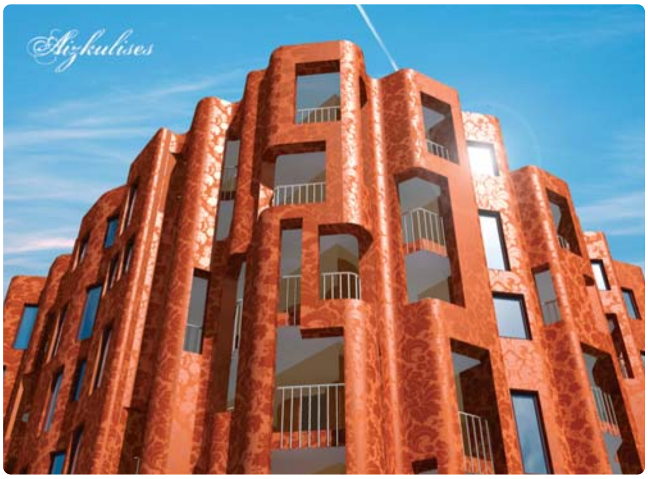
During the first six months of 2006, the prices of apartments of new multi-apartment projects in Riga and Riga District increased approximately by 10-30% (a bigger price increase has been observed in locations with high land value - in the centre and close to the centre, in the nearest housing estates) depending on the project location and the completion degree of interior decoration works, namely:

- **"Black"/"grey" interior decoration degree** (without partition walls/with some partition walls, without interior decoration): from 850 EUR/m²; 1100 EUR/m² in average.
  Houses of this category are located mainly in the vicinity of the Riga City, for example, at Silakrogs, in locations with a relatively very low value of land plots for construction of multi-apartment houses. Area of apartments of this category mainly is small or medium, and these apartments are orientated to costs economy. In certain projects located in the Riga City the price level has reached 1700 EUR/m².

- **"White" interior decoration degree** (apartments in housing estates of the Riga City): 1300-2400 EUR/m²; 1650 EUR/m² in average in the Riga City.
  The highest price level for apartments with the "white" interior decoration degree exists in respect to apartments located close to the city centre, such as "Artilērijas Street 33". Offer prices of apartments located in the vicinity of Riga (for example, at Baloži): from 1150 EUR/m².

- **Full interior decoration:** 1400-3000 EUR/m². The cheapest apartments offered with full interior decoration are located in the peripheral part of Riga - at Pļavnieki, in the vicinity of Dreiliņi, at Ziepniekkalns. Price levels of apartments of this category within one and the same project may differ significantly depending on the materials used for decoration and the quality of work. The average price level is from 1550 to 1950 EUR/m², which is characteristic for the "Bišumuiža Project" -- one of the relatively largest projects launched in the market. Price level of apartments with full interior decoration increased by 22-32% in average during the reporting period.

- **Apartments in exclusive projects:** 3000-5500 EUR/m²; a rapid increase of the highest price limit is possible when certain reconstructed historical buildings as well as large-scale projects with a very good location (Ķīpsala etc.) will be launched in the market. Relatively more expensive apartments are located in the Old City, centre of Riga and its vicinity, at Jūrmala, close to the sea. Though a price growth has been observed also in the segment of exclusive apartments, the price changes have not been as rapid as it has been in the segment of "economical" dwellings.



Apartment house with a theatrical charm in the city centre, on Alauksta Street. 7-storey building, 53 unique apartments with an individual planning.
3 apartment interior decoration versions offered.

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Prices of standard-type apartments (price in EUR on 1.07.2006.)

Jugla	103 serie	Specproj.	602 serie	119 serie	467 serie	Lithuanian	"Hrushev"	small family	average
1-room	**41 000**	**42 000**				**40 000**	**39 000**	**33 000**	**39 000**
December, 2005	*33 000*	*34 000*				*32 000*	*31 000*	*27 000*	*31 500*
2-room	**55 000**	**56 000**				**54 000**	**52 000**		**54 000**
December, 2005	*44 000*	*45 000*				*43 000*	*41 000*		*43 000*
3-room	**71 000**	**74 000**				**64 000**	**63 000**		**68 000**
December, 2005	*59 000*	*61 000*				*52 000*	*50 000*		*55 000*

Pļavnieki	103 serie	Specproj.	602 serie	119 serie	467 serie	Lithuanian	"Hrushev"	small family	average
1-room	**44 000**	**54 000**	**43 000**	**54 000**	**44 000**	**43 000**		**40 000**	**46 000**
December, 2005	*34 000*	*44 000*	*33 000*	*46 000*	*34 000*	*33 000*		*31 000*	*37 000*
2-room	**64 000**	**69 000**	**61 000**	**70 000**	**60 000**	**59 000**			**64 000**
December, 2005	*52 000*	*58 000*	*49 000*	*59 000*	*47 000*	*46 000*			*52 000*
3-room	**77 000**	**81 000**	**73 000**	**83 000**	**72 000**	**70 000**			**76 000**
December, 2005	*62 000*	*65 000*	*59 000*	*66 000*	*57 000*	*54 000*			*61 000*
4-room			**83 000**	**91 000**	**84 000**				**87 000**
December, 2005			*65 000*	*75 000*	*66 000*				*69 000*

Purvciems	103 serie	104 serie	602 serie	119 serie	467 serie	Lithuanian	"Hrushev"	small family	average
1-room	**46 000**	**55 000**	**44 000**	**55 000**	**45 000**	**44 000**	**44 000**	**41 000**	**47 000**
December, 2005	*36 000*	*45 000*	*34 000*	*47 000*	*36 000*	*34 000*	*34 000*	*31 000*	*37 000*
2-room	**68 000**	**72 000**	**63 000**	**74 000**	**65 000**	**60 000**	**58 000**		**65 000**
December, 2005	*55 000*	*60 000*	*52 000*	*63 000*	*54 000*	*47 000*	*45 000*		*54 000*
3-room	**80 000**	**84 000**	**75 000**	**86 000**	**75 000**	**71 000**	**70 000**		**77 000**
December, 2005	*65 000*	*68 000*	*61 000*	*69 000*	*62 000*	*55 000*	*53 000*		*62 000*
4-room			**87 000**	**93 000**	**88 000**				**89 000**
December, 2005			*69 000*	*77 000*	*70 000*				*72 000*

Mežciems	103 serie	104 serie	602 serie	119 serie	467 serie	Lithuanian	"Hrushev"	small family	average
1-room		**52 000**	**43 000**			**42 000**			**46 000**
December, 2005		*40 000*	*32 000*			*32 000*			*35 000*
2-room		**69 000**	**62 000**			**58 000**			**63 000**
December, 2005		*55 000*	*50 000*			*45 000*			*50 000*
3-room		**80 000**	**74 000**			**68 000**			**74 000**
December, 2005		*64 000*	*59 000*			*53 000*			*59 000*
4-room			**83 000**						**83 000**
December, 2005			*64 000*						*64 000*

Teika	103 serie	104 serie	specproj.	"Stalin"	467 serie	Lithuanian	"Hrushev"	small family	average
1-room	**51 000**		**55 000**	**56 000**			**45 000**		**52 000**
December, 2005	*41 000*		*43 000*	*44 000*			*36 000*		*41 000*
2-room	**70 000**		**72 000**	**73 000**			**61 000**		**69 000**
December, 2005	*56 000*		*58 000*	*58 000*			*47 000*		*55 000*
3-room	**85 000**		**79 000**	**100 000**			**74 000**		**85 000**
December, 2005	*70 000*		*65 000*	*80 000*			*56 000*		*68 000*

Prices of standard-type apartments (price in EUR on 1.07.2006.)

Vecmīlgrāvis	103 serie	104 serie	602 serie	"Stalin"	467 serie	Lithuanian	"Hrushev"	small family	average
1-room	**38 000**		**38 000**	**39 000**	**37 000**	**36 000**	**36 000**	**35 000**	**37 000**
December, 2005	*29 000*		*29 000*	*30 000*	*28 000*	*26 000*	*25 000*	*25 000*	*27 000*
2-room	**54 000**		**55 000**	**56 000**	**55 000**	**51 000**	**50 000**		**53 500**
December, 2005	*42 000*		*43 000*	*44 000*	*43 000*	*38 000*	*35 000*		*41 000*
3-room	**63 000**		**65 000**	**66 000**	**63 000**	**59 000**	**58 000**		**62 000**
December, 2005	*50 000*		*52 000*	*53 000*	*50 000*	*47 000*	*45 000*		*50 000*
4-room			**69 000**		**70 000**				**69 500**
December, 2005			*57 000*		*58 000*				*57 500*

Ķengarags	103 serie	104 serie	602 serie	specproj.	467 serie	Lithuanian	"Hrushev"	small family	average
1-room			**41 000**		**41 000**	**40 000**	**39 000**	**40 000**	**40 000**
December, 2005			*32 000*		*32 000*	*31 000*	*30 000*	*30 000*	*31 000*
2-room			**57 000**		**57 000**	**52 000**	**51 000**		**54 000**
December, 2005			*45 000*		*44 000*	*39 000*	*38 000*		*42 000*
3-room			**66 000**		**64 000**	**62 000**	**61 000**		**63 000**
December, 2005			*53 000*		*50 000*	*48 000*	*47 000*		*49 000*
4-room			**70 000**		**71 000**				**70 500**
December, 2005			*55 000*		*54 000*				*55 000*

Bolderāja	103 serie	104 serie	602 serie	specproj.	467 serie	Lithuanian	"Hrushev"	small family	average
1-room	**38 000**			**39 000**		**36 000**	**35 000**	**35 000**	**37 000**
December, 2005	*29 000*			*30 000*		*25 000*	*24 000*	*25 000*	*27 000*
2-room	**53 000**			**54 000**		**50 000**	**49 000**		**51 500**
December, 2005	*41 000*			*41 500*		*36 000*	*34 000*		*38 000*
3-room	**61 000**			**62 000**		**56 000**	**56 000**		**59 000**
December, 2005	*48 000*			*49 000*		*39 000*	*38 000*		*43 500*

Ziepniekkalns	103 serie	104 serie	602 serie	119 serie	467 serie	Lithuanian	"Hrushev"	small family	average
1-room	**45 000**	**54 000**	**44 000**	**47 000**		**42 000**	**41 000**	**41 000**	**45 000**
December, 2005	*35 000*	*42 000*	*34 000*	*37 000*		*32 000*	*31 000*	*31 000*	*35 000*
2-room	**61 000**	**63 000**	**60 000**	**64 000**		**55 000**	**53 000**		**59 000**
December, 2005	*49 000*	*50 000*	*48 000*	*51 000*		*42 000*	*39 000*		*46 000*
3-room	**70 000**	**76 000**	**71 000**	**77 000**		**67 000**	**66 000**		**71 000**
December, 2005	*55 000*	*59 000*	*55 000*	*60 000*		*51 000*	*50 000*		*56 000*
4-room	**78 000**		**83 000**	**86 000**					**82 000**
December, 2005	*63 000*		*65 000*	*68 000*					*65 000*

Prices of standard-type apartments (price in EUR on 1.07.2006.)

Imanta	103 serie	104 serie	602 serie	119 serie	467 serie	Lithuanian	"Hrushev"	small family	average
1-room	**45 000**	**50 000**	**44 000**		**45 000**	**41 000**	**40 000**	**41 000**	**44 000**
December, 2005	*35 000*	*38 000*	*34 000*		*35 000*	*30 000*	*28 000*	*28 000*	*33 000*
2-room	**60 000**	**62 000**	**58 000**		**60 000**	**54 000**	**52 000**		**58 000**
December, 2005	*50 000*	*51 000*	*48 000*		*50 000*	*42 000*	*40 000*		*47 000*
3-room	**71 000**	**76 000**	**68 000**		**68 000**	**66 000**	**64 000**		**69 000**
December, 2005	*58 000*	*60 000*	*55 000*		*55 000*	*52 000*	*49 000*		*55 000*
4-room		**87 000**	**83 000**		**83 000**				**84 000**
December, 2005		*70 000*	*66 000*		*67 000*				*68 000*

Zolitūde	103 serie	104 serie	602 serie	119 serie	467 serie	Lithuanian	"Hrushev"	small family	average
1-room		**51 000**		**53 000**					**52 000**
December, 2005		*39 000*		*41 000*					*40 000*
2-room		**68 000**		**70 000**					**69 000**
December, 2005		*54 000*		*55 000*					*56 000*
3-room		**82 000**		**84 000**					**83 000**
December, 2005		*68 000*		*70 000*					*69 000*
4-room				**92 000**					**92 000**
December, 2005				*78 000*					*78 000*

Āgenskalns	103 serie	104 serie	602 serie	119 serie	467 serie	Lithuanian	"Hrushev"	small family	average
1-room	**42 000**				**44 000**	**41 000**	**39 000**	**38 000**	**40 500**
December, 2005	*30 000*				*31 000*	*29 000*	*29 000*	*26 000*	*29 000*
2-room	**53 000**				**54 000**	**52 000**	**52 000**		**53 000**
December, 2005	*41 000*				*43 000*	*38 000*	*39 000*		*40 000*
3-room	**68 000**				**66 000**	**64 000**	**63 000**		**65 000**
December, 2005	*55 000*				*54 000*	*46 000*	*46 000*		*50 000*

Iļģuciems	103 serie	104 serie	602 serie	specproj.	467 serie	Lithuanian	"Hrushev"	small family	average
1-room	**44 000**			**46 000**	**44 000**	**43 000**	**42 000**	**40 000**	**43 000**
December, 2005	*33 000*			*35 000*	*31 000*	*31 000*	*30 000*	*27 000*	*31 000*
2-room	**54 000**			**63 000**	**55 000**	**53 000**	**52 000**		**55 000**
December, 2005	*43 000*			*50 000*	*44 000*	*41 000*	*40 000*		*43 000*
3-room	**68 000**			**75 000**	**67 000**	**63 000**	**62 000**		**67 000**
December, 2005	*55 000*			*60 000*	*55 000*	*50 000*	*48 000*		*54 000*
4-room					**80 000**				**80 000**
December, 2005					*64 000*				*64 000*

Prices of standard-type apartments (price in EUR on 1.07.2006.)

Ogre	103 serie	104 serie	602 serie	119 serie	467 serie	Lithuanian	"Hrushev"	small family	average
1-room	**35 000**		**34 000**				**33 000**		**34 000**
December, 2005	*24 000*		*23 000*				*20 000*		*22 000*
2-room	**48 000**		**46 000**				**44 000**		**46 000**
December, 2005	*31 000*		*30 000*				*28 000*		*30 000*
3-room	**56 000**		**55 000**				**53 000**		**55 000**
December, 2005	*39 000*		*37 000*				*38 000*		*38 000*
4-room			**59 000**						**59 000**
December, 2005			*40 000*						*40 000*

Salaspils	103 serie	104 serie	602 serie	119 serie	467 serie	Lithuanian	"Hrushev"	small family	average
1-room	**38 000**		**38 000**		**37 000**	**36 000**	**34 000**	**34 000**	**36 000**
December, 2005	*28 000*		*28 000*		*27 500*	*27 000*	*24 000*	*25 000*	*26 500*
2-room	**50 000**		**48 000**		**48 000**	**46 000**	**45 000**		**47 500**
December, 2005	*38 000*		*36 000*		*36 000*	*34 000*	*33 000*		*35 000*
3-room	**58 000**		**56 000**		**52 000**	**52 000**			**54 000**
December, 2005	*45 000*		*44 000*		*40 000*	*40 000*			*42 000*
4-room					**58 000**				**58 000**
December, 2005					*46 000*				*46 000*

Jelgava	103 serie	104 serie	602 serie	119 serie	467 serie	Lithuanian	"Hrushev"	small family	average
1-room	**27 000**		**26 500**		**26 000**		**27 000**	**27 000**	**27 000**
December, 2005	*19 000*		*18 500*		*18 000*		*19 000*	*19 000*	*19 000*
2-room	**37 000**		**36 000**		**36 000**		**35 000**		**36 000**
December, 2005	*27 000*		*26 000*		*26 000*		*25 000*		*26 000*
3-room	**42 000**		**41 000**		**42 000**		**40 000**		**41 000**
December, 2005	*30 000*		*29 500*		*30 500*		*28 000*		*29 500*
4-room			**48 000**						**48 000**
December, 2005			*35 000*						*35 000*

Jūrmala Dubulti	103 serie	104 serie	602 serie	specproj.	467 serie	Lithuanian	"Hrushev"	small family	average
1-room	**64 000**					**61 000**	**53 000**		**59 000**
December, 2005	*49 000*					*47 500*	*40 000*		*45 500*
2-room	**102 000**					**93 000**	**80 000**		**92 000**
December, 2005	*80 000*					*74 000*	*62 000*		*71 000*
3-room	**118 000**					**110 000**	**90 000**		**106 000**
December, 2005	*98 000*					*95 000*	*76 000*		*84 000*

Jūrmala Kauguri	103 serie	104 serie	602 serie	119 serie	467 serie	Lithuanian	"Hrushev"	small family	average
1-room	**36 000**		**36 000**		**36 000**		**35 000**	**36 000**	**36 000**
December, 2005	*27 000*		*27 000*		*26 000*		*25 000*	*26 000*	*26 000*
2-room	**49 000**		**46 000**		**46 000**		**44 000**		**46 000**
December, 2005	*36 000*		*34 000*		*35 000*		*30 000*		*33 500*
3-room	**59 000**		**57 000**		**54 000**		**53 000**		**56 000**
December, 2005	*45 000*		*41 000*		*39 000*		*37 000*		*40 500*
4-room	**64 000**		**65 000**		**64 000**		**61 000**		**63 500**
December, 2005	*47 000*		*46 000*		*45 000*				*46 000*

Prices of standard-type apartments (price in EUR on 1.07.2006.)

District/series	*103 serie*				*104 serie*			
	1 ist.	*2 ist.*	*3 ist.*	*4 ist.*	*1 ist.*	*2 ist.*	*3 ist.*	*4 ist.*
Jugla	41 000	55 000	59 000					
Pļavnieki	44 000	64 000	77 000		54 000	69 000	81 000	
Purvciems	46 000	68 000	80 000		55 000	72 000	84 000	
Mežciems					52 000	69 000	80 000	
Teika	51 000	70 000	85 000					
Vecmīlgrāvis	38 000	54 000	63 000					
Ķengarags								
Bolderāja	38 000	53 000	61 000					
Ziepniekkalns	45 000	61 000	70 000	78 000	54 000	63 000	76 000	
Imanta	45 000	60 000	71 000		50 000	62 000	76 000	87 000
Zolitūde					51 000	68 000	82 000	
Āgenskalns	42 000	53 000	68 000					
Iļģuciems	44 000	54 000	68 000					
Ogre	35 000	48 000	56 000					
Jūrmala Kauguri	36 000	49 000	59 000	64 000				
Jūrmala Dubulti	64 000	102 000	118 000					
Salaspils	38 000	50 000	58 000					
Jelgava	27 000	37 000	42 000					

District/series	*602 serie*				*119 serie*			
	1 ist.	*2 ist.*	*3 ist.*	*4 ist.*	*1 ist.*	*2 ist.*	*3 ist.*	*4 ist.*
Jugla								
Pļavnieki	43 000	61 000	73 000	83 000	54 000	70 000	83 000	91 000
Purvciems	44 000	63 000	75 000	87 000	55 000	74 000	86 000	93 000
Mežciems	43 000	62 000	74 000	83 000				
Teika								
Vecmīlgrāvis	38 000	55 000	65 000	69 000				
Ķengarags	41 000	57 000	66 000	70 000				
Bolderāja								
Ziepniekkalns	44 000	60 000	71 000	83 000	47 000	64 000	77 000	86 000
Imanta	44 000	58 000	68 000	83 000				
Zolitūde					53 000	70 000	84 000	92 000
Āgenskalns								
Iļģuciems								
Ogre	34 000	46 000	55 000	59 000				
Jūrmala Kauguri	36 000	46 000	57 000	65 000				
Jūrmala Dubulti								
Salaspils	38 000	48 000	56 000					
Jelgava	26 500	36 000	41 000	48 000				

Prices of standard-type apartments (price in EUR on 1.07.2006.)

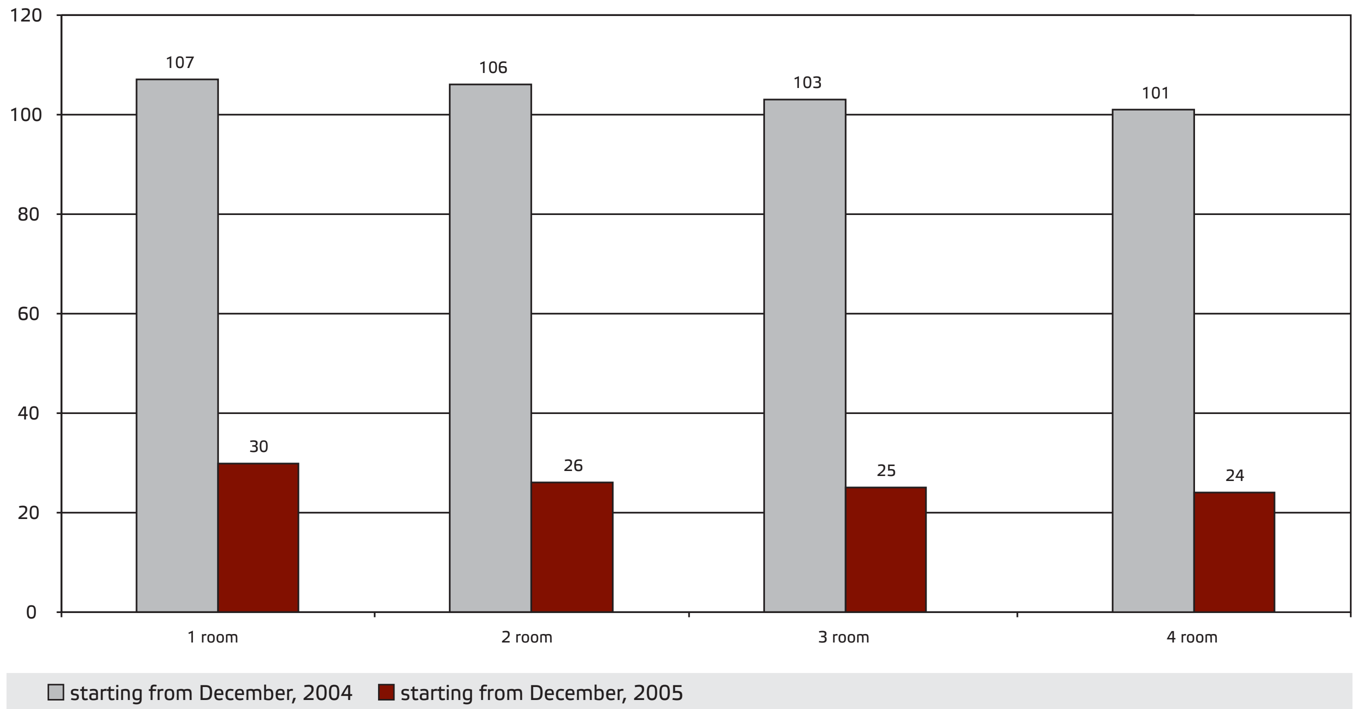
District/series	*467 serie*				*Lithuanian projects*			
	1 ist.	*2 ist.*	*3 ist.*	*4 ist.*	*1 ist.*	*2 ist.*	*3 ist.*	*4 ist.*
Jugla					40 000	54 000	64 000	
Pļavnieki	44 000	60 000	72 000	84 000	43 000	59 000	70 000	
Purvciems	45 000	65 000	75 000	88 000	44 000	60 000	71 000	
Mežciems					42 000	58 000	68 000	
Teika								
Vecmīlgrāvis	37 000	55 000	63 000	70 000	36 000	51 000	59 000	
Ķengarags	41 000	57 000	64 000	71 000	40 000	52 000	62 000	
Bolderāja					36 000	50 000	56 000	
Ziepniekkalns					42 000	55 000	67 000	
Imanta	45 000	60 000	68 000	83 000	41 000	54 000	66 000	
Zolitūde								
Āgenskalns	44 000	54 000	66 000		41 000	52 000	64 000	
Iļģuciems	44 000	55 000	67 000	80 000	43 000	53 000	63 000	
Ogre								
Jūrmala Kauguri	36 000	46 000	54 000	64 000				
Jūrmala Dubulti					61 000	93 000	110 000	
Salaspils	37 000	48 000	52 000	58 000	36 000	46 000	52 000	
Jelgava	26 000	36 000	42 000					

District/series	*Hrushev time houses*				*Stalin time houses*		
	1 ist.	*2 ist.*	*3 ist.*	*4 ist.*	*1 ist.*	*2 ist.*	*3 ist.*
Jugla	39 000	52 000	63 000				
Pļavnieki							
Purvciems	44 000	58 000	70 000				
Mežciems							
Teika	45 000	61 000	74 000		56 000	73 000	100 000
Vecmīlgrāvis	36 000	50 000	58 000		39 000	56 000	66 000
Ķengarags	39 000	51 000	61 000				
Bolderāja	35 000	49 000	56 000				
Ziepniekkalns	41 000	53 000	66 000				
Imanta							
Zolitūde							
Āgenskalns	39 000	52 000	63 000				
Iļģuciems	42 000	52 000	62 000				
Ogre	33 000	44 000	53 000				
Jūrmala Kauguri	35 000	44 000	53 000	61 000			
Jūrmala Dubulti	53 000	80 000	90 000				
Salaspils	34 000	45 000					
Jelgava	27 000	35 000	40 000				

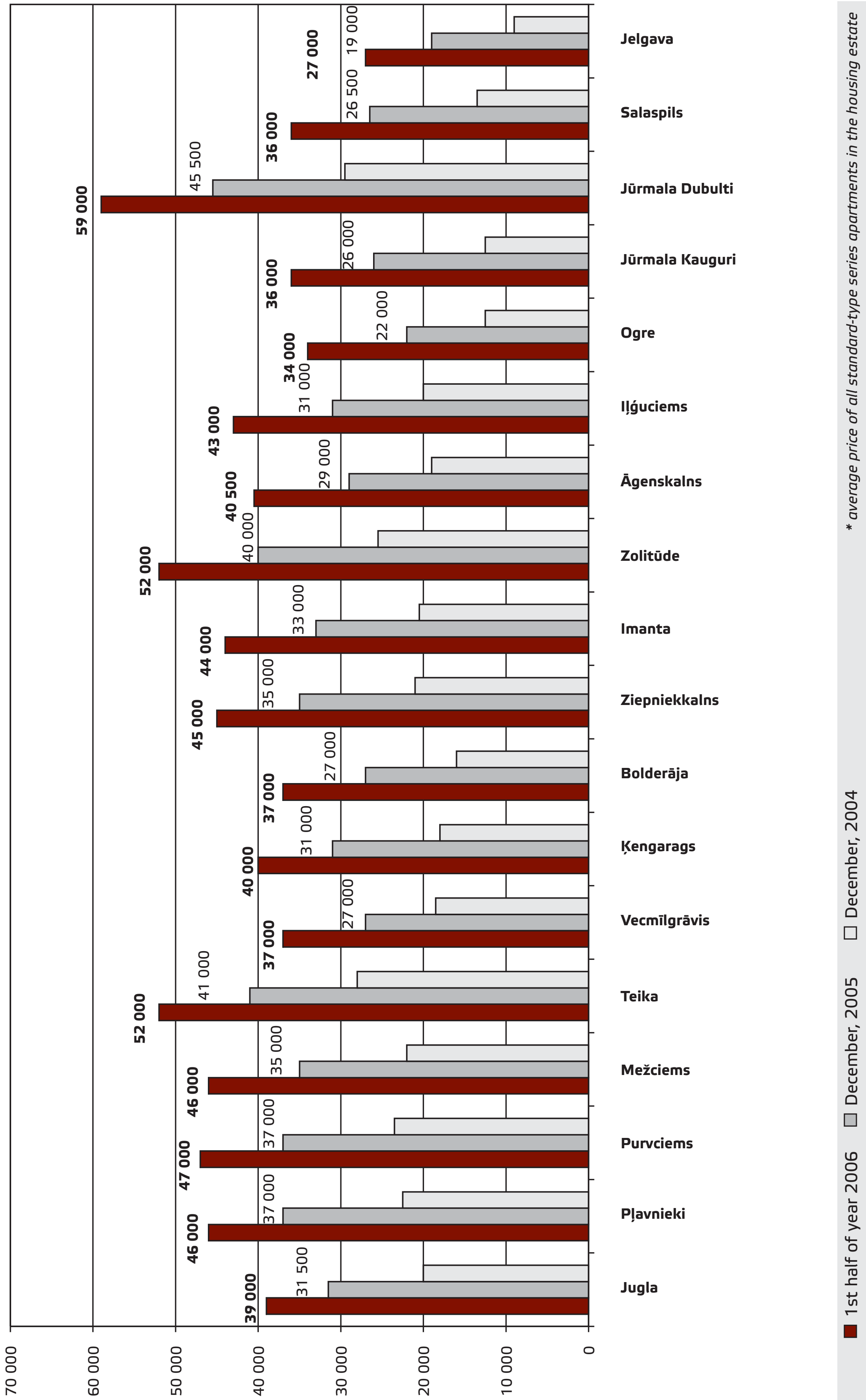
Prices of standard-type apartments (price in EUR on 1.07.2006.)

District/series	*Special project*			*Small family project*
	1 ist.	*2 ist.*	*3 ist.*	*1 ist.*
Jugla				33 000
Pļavnieki				40 000
Purvciems				41 000
Mežciems				
Teika	55 000	72 000	79 000	
Vecmīlgrāvis				35 000
Ķengarags				40 000
Bolderāja	39 000	54 000	62 000	35 000
Ziepniekkalns				41 000
Imanta				41 000
Zolitūde				
Āgenskalns				38 000
Iļģuciems	46 000	63 000	75 000	40 000
Ogre				
Jūrmala Kauguri				36 000
Jūrmala Dubulti				
Salaspils				34 000
Jelgava				27 000

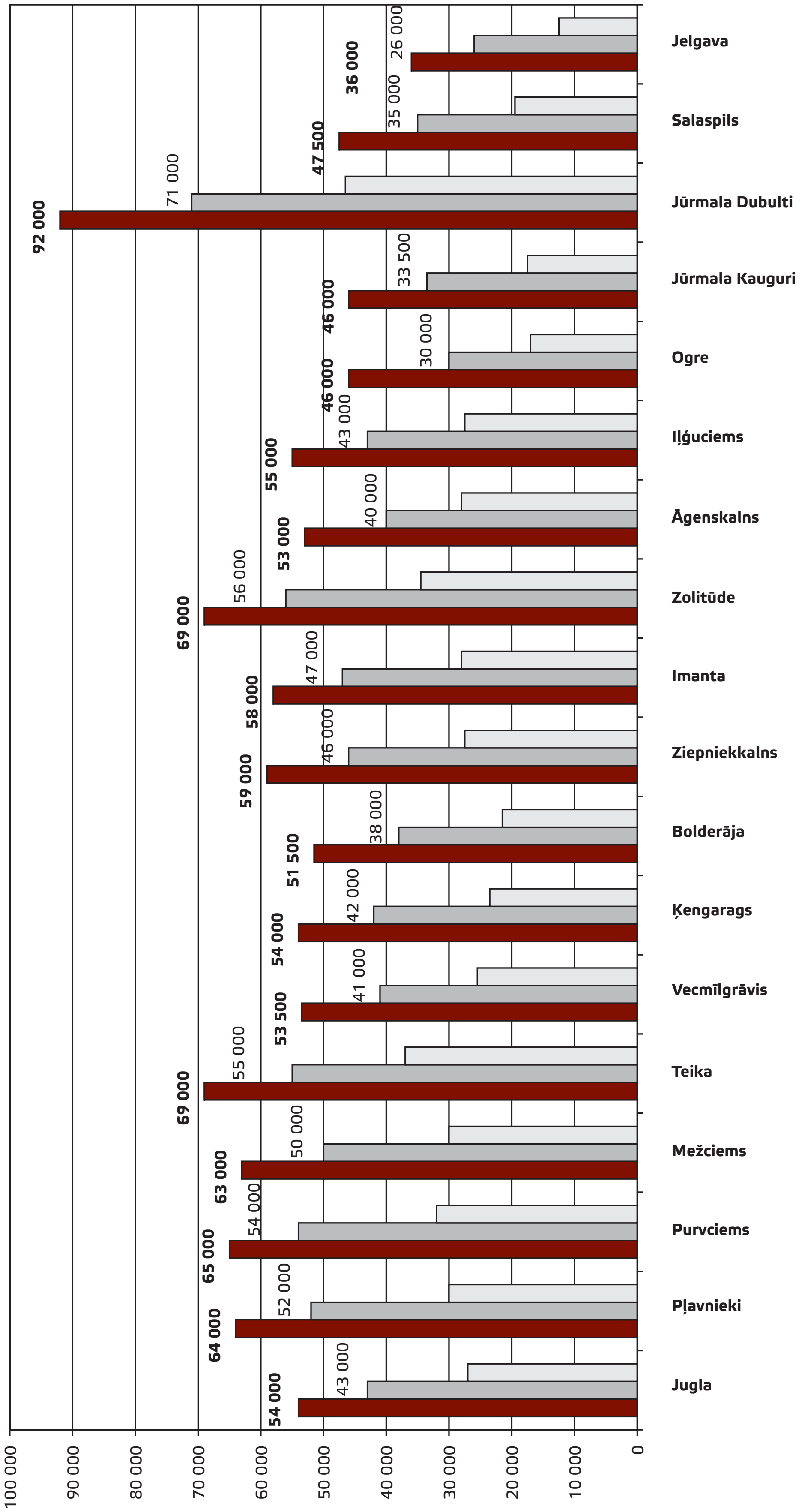
Average changes of prices of standard-type apartments (in per cent) in the Riga City from December of 2004



Average price of 1-room apartment (in EUR*)



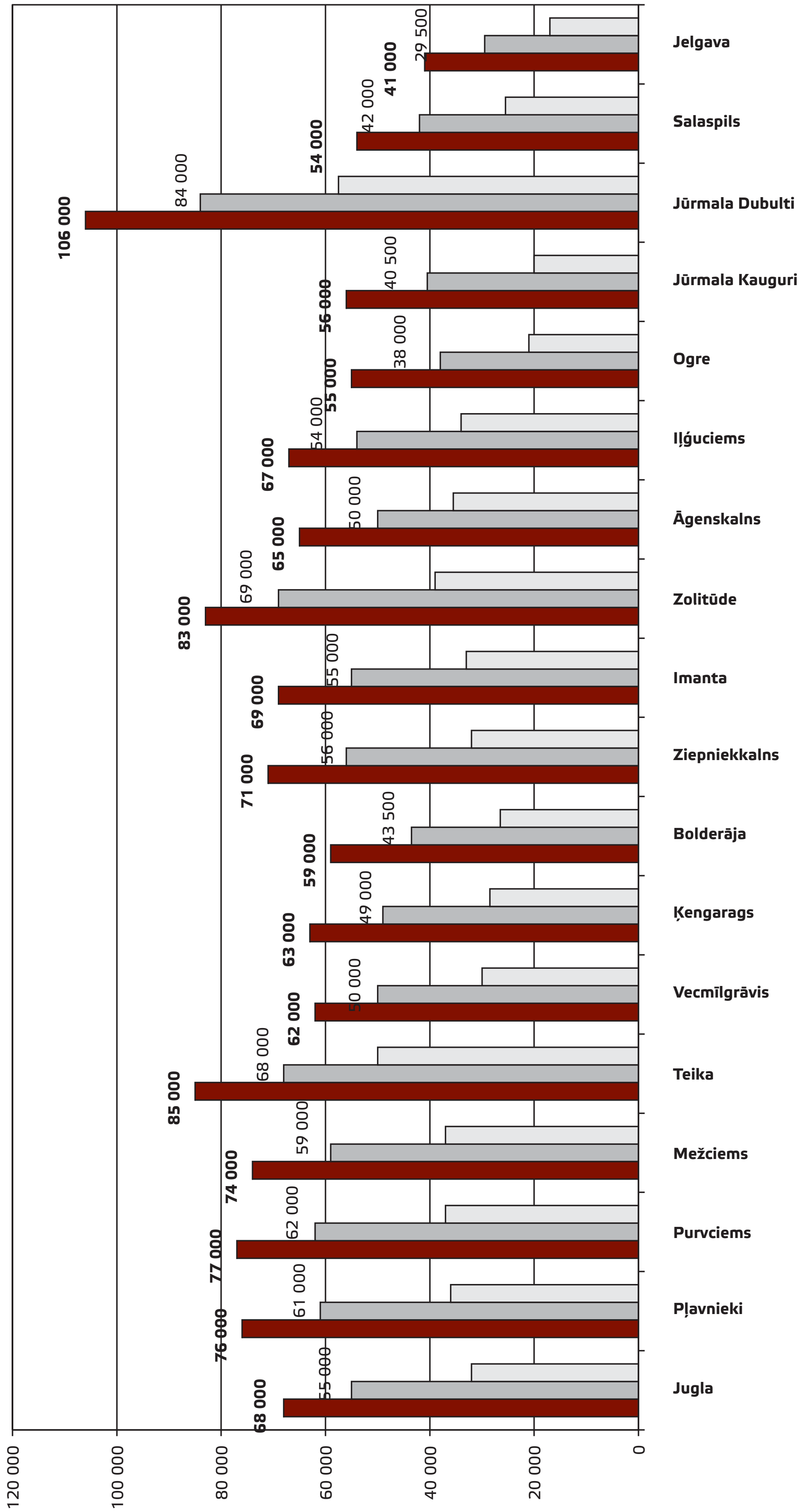
Average price of 2-room apartment (in EUR*)



■ 1st half of year 2006 ■ December, 2005 □ December, 2004

** average price of all standard-type series apartments in the housing estate*

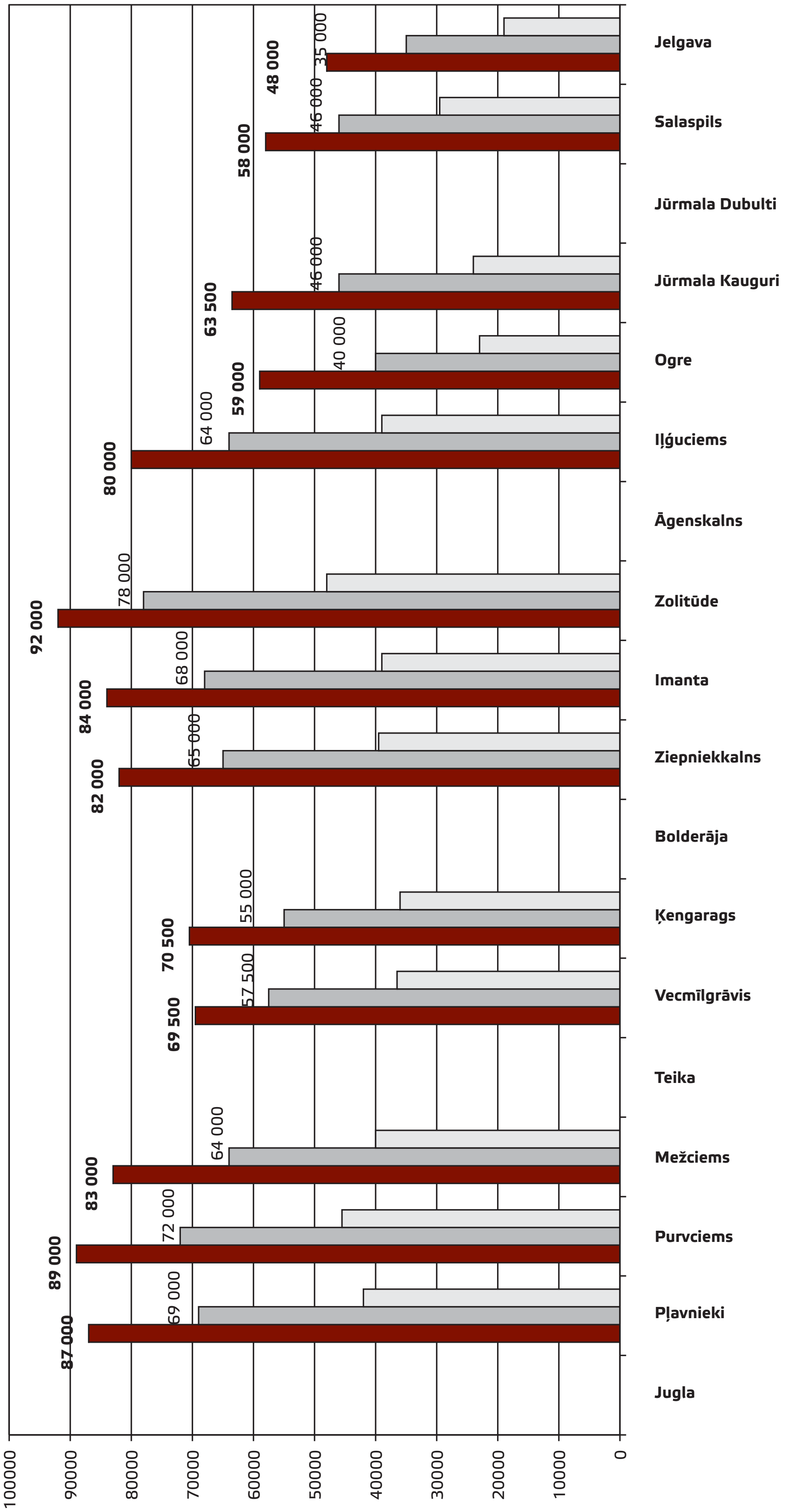
Average price of 3-room apartment (in EUR*)



■ 1st half of year 2006 □ December, 2005 □ December, 2004

** average price of all standard-type series apartments in the housing estate*

Average price of 4-room apartment (in EUR*)



■ 1st half of year 2006 ■ December, 2005 □ December, 2004

* average price of all standard-type series apartments in the housing estate

Apartment market in the Riga Region

Price growth in the villages and towns of the Riga Region has been inhomogeneous during the reporting period.
A significant price increase continued at Jūrmala, Kauguri, and the prices of certain apartment series grew almost by 40% during the reporting periods. Taking into consideration the big price difference in the Jūrmala City, a further price growth is possible when the prices of apartments located in peripheral areas would approach the price level of other parts of the Jūrmala City. The prices of standard-type apartments at Jūrmala City remained to be the highest in the country also in the first half-part of 2006.

The prices of apartments located in the Riga Region have increased in average by 20-35% during the reporting period.

Demand and price level in the Riga Region depend on the location, distance to Riga, infrastructure and availability of public transport. After commencement of construction of the Saulkrasti detour road, a relatively rapid growth of prices of apartments, private building lands and houses has been observed at Saulkrasti. This factor has been noticed also by developers of new projects: at Saulkrasti in 2006 the prices of apartments offered reached even the limit of 2650 EUR/m² (the project "Sun Republic"). At Sigulda, the prices of apartments with the "white" interior decoration degree have in certain cases exceeded 1500 EUR/m² and the total number of new projects is increased (the house at Kr. Barona Street).

Apartment market in Kurzeme, Zemgale and Vidzeme

Zemgale Region/ Jelgava District

At Ozolnieki (Jelgava District), the apartment prices have exceeded the prices existing in the Jelgava City: the prices exceed 990 EUR/m², and in the new projects - 1150 EUR/m². A relatively inactive apartment market is at Dobele town, and in the result of this the price growth has been minimal during the reporting period. The price level at Tukums has grown rapidly; the reason of this growth is the distance to Riga and availability of the sea; in the result of this the price level at Tukums has even exceeded a bit the price level of respective apartment categories located in the Jelgava City.

Liepāja

Apartment prices at Liepāja City are very different, which fact is determined by the big number of apartments at Karaosta etc., which were vacated in the beginning of the 90-ties. The most expensive housing estates at Liepāja are the Centre/Vecliepāja, Ezerkrasts, the South-Western area, but the cheapest apartments are to be found at Tosmare, Jaunliepāja, Karaosta. Though certain new projects have been launched, the renovation of a number of multi-apartment houses in the Ezerkrasts housing estate should be considered the most essential project.

Vidzeme

The price growth in Vidzeme has not been regular: as to the percentage, the lowest growth has been observed at Valmiera and the highest- at Limbaži (exceeding 50% in certain categories during the reporting period). On the basis of this price growth it may be concluded that the price levels characteristic at least for the biggest towns of the Vidzeme Region are tended to equalize. The reason of the price growth at Limbaži is the relatively very low price level that existed at Limbaži before taking into consideration also the fact that Limbaži is the district centre.

Prices of apartments in Latvia (Jelgava, Ogre, Salaspils and Jūrmala are included in Rīgas region overview tables), LVL (01.07.2006.)

Apartments	Date	Dobele	Tukums	Iecava	Limbaži
1-room	July of 2006	4500-7000	12000-16000	9000-13000	10000-13000
	January of 2006	*3500-6000*	*9000-13000*	*no data*	*5000-8000*
2-room	July of 2006	1200-16000	15000-25000	12000-22000	13000-17000
	January of 2006	*11000-16000*	*12000-22000*	*no data*	*8000-14000*
3-room	July of 2006	13000-19500	22000-32000	16000-27000	18000-24000
	January of 2006	*12000-18000*	*15000-28000*	*no data*	*12000-18000*
4-room	July of 2006	15000-22000	25000-35000	18000-29000	24000-35000
	January of 2006	*no data*	*19500-32000*	*no data*	*17000-*

Apartments	Date	Valmiera	Cēsis	Sigulda	Liepāja (karaosta)
1-room	July of 2006	15000-18000	15000-18000	15000-22000	6000-11000
	January of 2006	*12000-16000*	*8000-12000*	*no data*	*no data*
2-room	July of 2006	18000-26000	18000-25000	21000-33000	11000-14000
	January of 2006	*15000-25000*	*14000-16000*	*no data*	*no data*
3-room	July of 2006	22000-35000	20000-32000	30000-42000	14000-18000
	January of 2006	*21000-27000*	*18000-25000*	*no data*	*no data*
4-room	July of 2006	29000-40000	25000-40000	35000-50000	15000-20000
	January of 2006	*28000-36000*	*25000-43600*	*no data*	*no data*

Apartments	Date	Liepāja (centre)	Gulbene	Madona	Alūksne
1-room	July of 2006	12000-18000	6000-8000	14000-17000	6000-8000
	January of 2006	*no data*	*4500-6000*	*8000-12000*	*5500-7000*
2-room	July of 2006	17000-26000	8000-10000	17000-22000	8000-10000
	January of 2006	*no data*	*6000-8000*	*10000-15000*	*7000-8000*
3-room	July of 2006	21000-32000	10000-12000	21000-25000	10000-12000
	January of 2006	*no data*	*6000-10000*	*11000-18000*	*7000-11000*
4-room	July of 2006	24000-36000	11500-14000	24000-30000	11500-14000
	January of 2006	*no data*	*7000-12000*	*13000-24000*	*8000-13000*

(In Balvi apartment price is lower approx. in average by 20% than in Gulbene).

Summary of information on the apartment market

As to the standard-type apartments located in the Riga City, the most demanded category is the one-room apartments. This factor has contributed to the price growth of this category apartments by 30% in average during the reporting period.

After the price differentiation depending on the housing estate which was observed in 2005, the growth of prices of apartments located in relatively cheaper housing estates has contributed to an equalization of prices though, in practice, a little price difference should be present depending on the housing estate. The main reason of this equalization of prices is the fact that there are no essential differences between the housing estates: their infrastructure is relatively equal as well as the security level. The most important factor determining the high price level at Teika and Purvciems is the location close to the city centre.

The demand existing in the city centre has been regular in relation to apartments of any area in any condition except "exclusive" apartments of area exceeding 200 m². The prices of the latter category have increased in a certain degree; however, the price growth has been proportionally lesser than that of the apartments of the "economical" category. It takes a long time to sell such exclusive dwellings, and the sales prices are substantially lower than those of small-area apartments.

Average price level of apartments in the first half of year 2006:

The Old City

- renovated apartments – 4200 - 5000 EUR/m²
- non-renovated apartments – 3500 - 4500 EUR/m²

Bulvāru loks

In reconstructed buildings:

- with interior decoration – 3500 - 4200 EUR/m²
- prepared for interior decoration – 3200 - 3800 EUR/m²

In non-reconstructed buildings price level is lower approx. by 20%

Dzirnavu- Tērbatas-Baznīcas-Skolas Streets

- renovated apartments – 2500 - 3300 EUR/m²
- non-renovated apartments – 1700 - 2800 EUR/m²

Other apartments located in the city centre

- renovated apartments – 1600 - 2000 EUR/m²
- non-renovated apartments – 1400 - 1800 EUR/m²

Standard-type apartments

- 950-1450 EUR/m²

Wooden housing in the city centre

- 950-1300 EUR/m²

Newly erected apartment houses

- With "black"/"gray" decoration – from 850 EUR/m²; average 1300/m²;
- With "white" decoration – 1300-2400 EUR/m²; average 1650 EUR/m²
- With full interior decoration – 1400-3000 EUR/m²
- Buildings in the city centre and exclusive buildings – 3000-5500 EUR/m²

Forecast for the second half-part of 2006

The price growth will continue, and it might stop solely in the case if the credit resources would become much more expensive or if certain additional tax/duty laws would be adopted. (Such a situation - a rapid growth of the price level - has remained in several years because of the situation when simultaneously with the growth of living area per capita the deficiency of living area still exists; in addition, persons buying apartments for resale are still active in the market). The number of "involuntary speculators" in the market will increase because the people will purchase apartments in fear of a further rapid increase of the price level.

Though the proportion between the prices of standard-type apartments and the prices of new dwellings has remained also in the reporting period, it is expected that just the prices of apartments of new projects in the Riga City will grow more rapidly in the future. Unfortunately, it should be concluded that there is no uniform understanding of the market development tendencies in the market, and in the result of this the price levels of comparable projects in housing estates in many cases are substantially different. Thus, in many cases, apartments of the more expensive project are sold in a relatively shorter period of time because, in fear of the quality of buildings and due to other subjective reasons, such as prestige (the more expensive, the better), the buyers basing on subjective considerations frequently refuse from relatively more advantageous deals. In the result of an increase of number of new projects, dwellings of a big price difference may be offered within one and the same housing estate or even within one and the same block.

The price growth that was forecasted to the end of 2006 has been observed in certain segments already in the first six months of 2006.

It is expected that the price growth of the standard-type apartments will slow down in the second half-part of 2006, mainly due to the rapid price increase that was observed in the first six months of the year.

The forecast of 2006 on the geographic expansion of construction of new projects has come true both in the Riga City and in other cities and towns of Latvia (such as Saulkrasti). Percentage of the offer of new dwellings has reached 10% of the total apartment offer.

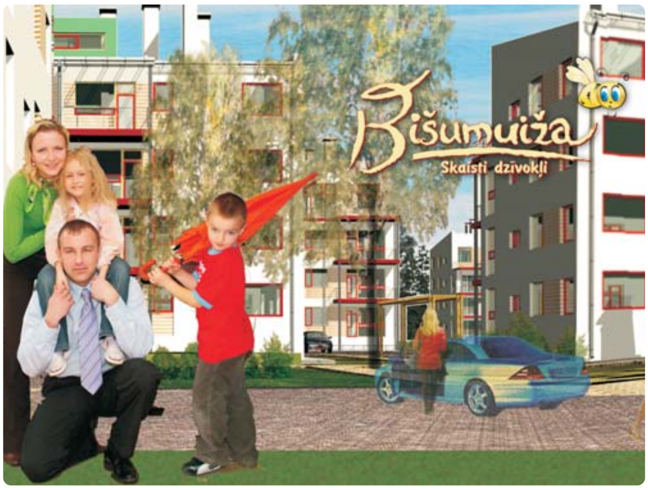
In the second half-part of the year a stable price growth of city centre apartments is expected. In addition, taking into account the proportion characteristic for the first half-part of the year (in relation to the standard-type apartment price level changes), the prices of the city centre apartments would possibly grow more rapidly than the prices of standard-type apartments.

Number of architecturally expressive new projects (such as "Aizkulises", "Sun Republic" etc.) will increase in the market, however, success of those projects will mainly depend on the construction solutions and functionality offered. A potential buyer must combine not only the ideas and concepts of the architect and the buyer's capital but also live in the particular project.

It is possible that certain exclusive dwellings in which the offer price will exceed 7000 EUR/m² will be launched in the market in the second half-part of 2006. However, the sale price of such dwellings will depend not only on functionality and architectural values of the building but also on special historical values, paintings, mosaic and other valuable historical interior elements.

Jasmuižas nams is a 9-storey apartment house
at Pļavnieki, Jasmuižas Street
95 apartments with area from 57m² to 140m².
Two interior deroration levels are offered.
Price starting from 1300 EUR/m²
(with „white" interior decoration)

Ludmila **26557655, 7079212**
Maksims **26469451, 7079208**



Residential Complex in Pārdaugava consisting of
17 four-storey buildings, 14 apartments in each.
The apartments are sold with fully completed
interior decoration.
Apartment area from 55,5m² to 139,1m²
Price starting from 1515 EUR/m²

Vija **28311711, 7079220**
Miks **26455866, 7365537**
www.bisumuiza.lv

New residental complex on the sea shore
at Saulkrasti. 7 four-storey houses, 107 apartments
with terraces. Apartment area from 65,7m² to245,7m².
„White" interior decoration.
Price starting from 1700 EUR/m²
Viktorija **28344959**, **7365550**
Jānis **29392875, 7821679**

Renovated building of series 103 in the very centre of
Kalnciems, Jaunības Street 2. 75 apartments with „white"
interior decoration.
Prices starting from 430 LVL/m².
Santa **26392248, 3028245**
santa.novicka@arcoreal.lv

6 storey newly built house on Slokas Street,
2 level apartments, balconies and terraces,
high ceilings. 1 - 4 room apartments 40 - 150 m² areas,
"white" interior decoration.
10 minutes to the city centre.
Price starting from 1000 LVL/m²

Arnolds **26495599, 7365553**
arnolds.romeiko@arcoreal.lv

New multi-apartment house in
Ulbroka, park territory. Enclosed by pine trees.
4-storey building with attic, 23 apartments in total.
2-4 - room apartments, 72,7m² – 208.2 m² with "white"
interior decoration.
Price starting from1400 EUR/m²

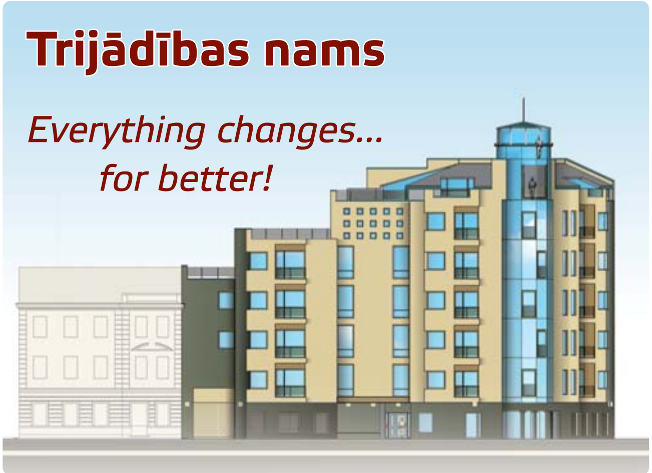
Mārcis **26393939, 7079214**
marcis.pumpurs@arcoreal.lv

Dignājas Street, 2 apartment houses
6 storeys, 87 apartments with 1-4 rooms,
area from 90,45m² to 130,69m² , full interior decoration.

Edgars Pomaskovs **28646666, 7079209**
Lolita Limbēna **26442555**

Alberta Street 1, exclusive renovated apartment building.
The building has been constructed in 1901 by the order
of Simons Felders. 20 apartments, 6 – 7 rooms.
Price starting from 4500 EUR/m²

Miks Narvils **26455866, 7365537**
miks.narvils@arcoreal.lv



New apartment house located on the corner of Trijādības and Staraja Rusas Street.
5 – 7 storey building, 13 apartments.
Each apartment will have an outdoor space in the form of a balcony or a terrace.
Price starting from 2600 EUR/m²

Arnolds **26495599, 7365553**,
arnolds.romeiko@arcoreal.lv

„Bātas muiža" is located at Ziepniekkalns, in a private green area, not far from the city centre.
26 apartments with the „white" interior decoration.
Underground parking place for 36 cars, and a guest parking place in the house territory.
Project is already commisioned.
Price starting from 1000 LVL/m²
Ints **28666684, 7079232**
ints.berzins@arcoreal.lv

Residential complex on Jelgavas street consisting of 4 multi-apartment houses: Northern House, Eastern House, Southern House, Western House. 232 apartments, with area from 72,6m² to 200,2m².
"White" or full interior decoration.
Price starting from 1400 EUR/m²
Arnolds **26495599, 7365553**,
arnolds.romeiko@arcoreal.lv

4-storey apartment house, 53 apartments, 2-4 room.
64m² - 174m². Full and "white" interior decoration.
Major asset of the house is its location – right near Šampēteris wood in Zolitūde, Jūrkalnes street.
Price starting from 1300 EUR/m²

Kristaps **26441044, 7365536**
Viktorija **28344959, 7365550**

Līvi, apartment building on Zvartas Street at Cēsis.
Quiet and green neighbourhood. Ceramic (red) brick building, 1, 2 and 3-room apartments from 53m² to 82m².
Only 4 apartments left!
Price starting from 390 LVL/m²

Liene 28341513, 4122373
liene.rjabkova@arcoreal.lv
www.vidzeme.arcoreal.lv

Sigulda, O.Kalpaka Street 13, 1-4 room apartments, in a modern 4 - 5 storey building with a penthause floor, "white" or "full" interior decoration . Building is located – close to the developed infrastructure of Sigulda downtown, but at the same time in a quiet and green environment. Price starting from 650 LVL/m²

Dace **26115530, 7973737**
dace.meija@arcoreal.lv

Avenes at Kocēni, Cēsis district is a new apartment house of modern architectural design and convenient apartment layout, with balconies and a well-developed infrastructure.
18 apartments with "white" interior decoration,
from 64,24m² to 120,68m². Price starting from 600 LVL/m²

Miks **28632200, 4122388**, miks.verners@arcoreal.lv
www.vidzeme.arcoreal.lv

Apartment house in Melluži, on Kanālu Street 9
18 apartments with „white" interior decoration,
area from 69,95m² to 147,09m².
Price starting from 3000 EUR/m²

Arturs **28303679, 7079219**
arturs.nehajenko@arcoreal.lv

Dzintaru 64

Apartment house in Dzintari, on Dzintaru pr. 64
33 apartments with „white" interior decoration,
area from 74,8m² to 234,6m².
Building is commissioned.
Price starting from 4200 EUR/m²
Arturs **28303679, 7079219**
arturs.nehajenko@arcoreal.lv

Dzintaru 39

Apartment house in Dzintari, on Dzintaru pr. 39
24 apartments with „white" interior decoration,
area from 88,4m² to 195,2m².
Price starting from 4600 EUR/m²

Arturs **28303679, 7079219**
arturs.nehajenko@arcoreal.lv

Vidus 54

Apartment house in Bulduri, Vidus pr. 54
33 apartments with „white" interior decoration,
area from 116,2m² to 349,5m².
Price starting from 3700 EUR/m²

Arturs **28303679, 7079219**
arturs.nehajenko@arcoreal.lv

Kuldīgas 9

Apartment house in Bulduri, on Kuldīgas Street 9
36 apartments with „white" interior decoration,
area from 64,8m² to 100,3m².
Price starting from 2500 EUR/m²

Arturs **28303679, 7079219**
arturs.nehajenko@arcoreal.lv

Hire of apartments

The demand of apartments for rent did not change significantly in the first six months of 2006 like as previously, seasonality played a certain roll, especially in the sector of "cheap" apartments where the biggest demand is at the end of summer and in autumn, and in respect to residential premises at Jūrmala including exclusive apartments. Neither has the cancellation of rent ceiling that took place during the reporting period has caused any substantial changes in the real estate segment.

Categories of apartments for rent in the Riga City and rent rates:

- **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 in proportion to the distance from the centre. Rent amounts from 120-180 EUR per month. Any apartments with rent amounts below 100 LVL or 140 EUR/month practically are not offered any more;

- **1-3-room furnished apartments in good condition** located in dwelling areas. The most demanded areas - Purvciems, Pļavnieki, Teika, also the near Pārdaugava, Imanta. Monthly rent from 180-500 EUR;

- **Furnished and qualitatively renovated apartments in partially renewed or renewed buildings in the centre of Riga.** Offers of apartments of this category are relatively widely different. Furnished and medium large apartments (approximately 90 m²) are demanded. Monthly rent amount 600-1600 EUR;

- **Furnished apartments in the Riga centre houses with special architectural features or of special location** (art noveau buildings, houses in the Quiet Centre). Characteristic feature of the apartments is presence of special design and historical elements. The most demanded area ~100 m². Monthly rent 800-2500 EUR.

- **Apartments in the Old City.** The prices are comparable with the one m² rent prices of the apartments located in the Quiet Centre, however, the offer mainly consists of apartments of relatively small floor areas - 50-70 m². Monthly rent 500-2500 EUR. The biggest part of the apartments of the Old City for rent still are intended for a short-term rent almost one half-part of the apartments for rent in the Old City are hired out for a term starting from 1 day thus competing with the hotel offers. The following apartment had the highest offer price at the end of the reporting period: apartment area: ~120 m²; rent amount: 120 EUR/day. The average offer price per 24 hours: 65-75 EUR>

During the summer season the rent amounts for apartments at Jūrmala are from 170 EUR/month and up to 3000 LVL/month, respectively, for a one-room apartment at Kauguri and for an exclusive 100 m² apartment in a new project house on the sea shore at Lielupe and Bulduri.

The average rent period is 1-3 years, and, in contrary to the demand, the lessors are not willing to hire out an apartment for a short (1-6 months) period of time, which is caused by equipment wear and tear during a short period of time. From the other side, the number of hotel-type rental offers - for one day - is increasing.

The main demand of apartments for rent is formed by people moving to Riga from rural areas; students as well as, naturally, persons who have dissolved marriage. In contrary to the opinion that the majority of lessees of apartments in the city centre are foreigners, the biggest interest for hire of such apartments is shown by permanent inhabitants of Riga who wish to improve their living standard.

The rent amounts to be paid for apartments in the Riga City centre have grown relatively slower than the respective amounts payable for apartments in housing estates and periphery of the centre the maximum rent amounts practically are remained unchanged during the past six months.

Hire of private houses

The private house market in Latvia is still inactive - the demand consists mainly of houses located at Jūrmala City, on the Vidzeme Sea Shore and in other locations close to the sea, and, in addition, solely for the summer season. Simultaneously with the rapid real estate price growth, also the rent amounts are increased at Saulkrasti, and this town is transforming into a certain alternative to the Jūrmala City.

The second most significant category is private houses in Riga and in the vicinity of the city (in the neighbouring civil parishes and at Sigulda). The demand is small, and in the result also the offer is small - with exception of buildings which might be adapted for office purposes.

The offer in Riga is formed by houses or parts of houses located at Teika, Mežaparks and in other areas with high real estate prices. Monthly rent of furnished private houses at the end of June of 2006:

- **Jūrmala:**
  - summer cottages (wooden houses of area up to 100 m²): from 500 to 1100 EUR/month;
  - new and reconstructed houses: from 1200 to 3500 EUR/month;
- **Riga:**
  - new and reconstructed houses: from 800 to 3000 EUR/month;
  - Soviet-time and pre-war time houses not renovated: from 400 to 900 EUR/month;
- Close to the sea:
  from 150 to 700 EUR/month (before the season start the offer prices are higher);
- **Farms, private houses in small towns:**
  rather often also houses of this category are offered at the price of 50-180 EUR/month in average; however, the owners of the houses most frequently offer the houses for permanent residence in exchange to assistance in maintenance of the house.

The rent amounts payable for private houses are not substantially increased since the end of 2004; the maximum offer price has slightly grown - by 500 EUR in average in Riga.

The private house rental market contains also relatively exclusive offers where monthly rent is from 5000 to 8000 EUR, with the average one square metre rent amount from 12 to 30 EUR; however, the demand of such houses is small.

Forecast for the second half-part of 2006

Within the segment of residential premises for rent, an increase of rent payable for "economical" dwellings will be observed; the increase will be determined by a further growth of the apartment sale prices. At the end of the year, there will, possibly, be observed a relatively rapid rent amount increase, which will be determined by solution of the issue of tenants of denationalised houses in despite the fact that a part of the apartments will be launched in the rental market repeatedly. A rapid rent amount increase will be observed in the denationalised houses in the Riga City because on January 1, 2007 the cancellation of rent ceilings will come into effect. These rent ceilings have determined the maximum rent amount limit, and this limit has been several times lower than in the market regulated by the demand and the offer. It is possible that apartments of new projects will appear also in the market of premises for rent though until now practically 100% of such new projects have been sold out as apartments or groups of premises.

Sale of one-family private houses

During the reporting period the price of private houses has depended on the rapid growth of construction costs and on the changes of land value. No significant changes have been observed in the offer volume the offer is relatively regular, and the total volume in Riga, Riga District and Jūrmala is constituted by approximately 1000 houses.

The most demanded houses are houses of value up to 200 000 EUR, which are to be regarded an alternative to apartments of area exceeding 100 m² located in the Riga City.

Price level of the most important private house categories during the first six months of 2006:

- **Existing private houses in the vicinity of Riga** (outside gardening societies): from 60 000 to 750 000 EUR (the lowest price range was observed for private houses in rural areas with partial communications);
- **New private houses outside village territories**: from 140 000 to 850 000 EUR;
- **Private houses in new villages:** from 90 000 to 650 000 EUR.

Riga District

The tendencies having been observed during previous periods continued also in the reporting period, namely, the growth of price of private houses depends to a great extent from the apartment prices in Riga, therefore also the approximate price proportion between the apartment prices and the price of private houses has remained unchanged.

In the Riga District, the main construction is carried out at Mārupe and its vicinity, and this location, in opinion of many market participants, is overestimated to a certain degree though the location of Mārupe is to be considered as relatively good. The second more active location in the private house market during the first six months of 2006 has been Rumbula and Dārziņi. More and more new village projects to be realized in these locations have been registered. Though this location should to a certain degree be considered a location of "economical" dwellings due to lack of well-developed infrastructure. Salaspils is a location characterized by new projects of row houses which indicate the development tendencies of this location. The Daugava River is the sole sufficiently big water reservoir of this area so that this circumstance would bring some corrections in the type and volume of the future offers. Also the Ikšķile Town is a place of active construction of private houses, and the price level of offers is still growing.

Ādaži and Saulkrasti has been the third location of development of the private house market during the reporting period, and the relatively biggest price level changes took place just in this location.

The most active and demanded territories in one-family private house market (offers):

Territory	*Lowest price (in EUR)*		*Highest price (in EUR)*	
	1st half of year 2005	**1st half of year 2006**	**1st half of year 2005**	**1st half of year 2006**
Mārupe	*120 000*	145 000	*350 000*	450 000
Babīte, Piņķi	*90 000*	145 000	*420 000*	500 000
Stopiņu parish	*85 000*	180 000	*350 000*	520 000
Ķekava, Baldone	*80 000*	140 000	*260 000*	445 000
Sigulda	*95 000*	120 000	*350 000*	450 000
Ogre, Ikšķile, Ķegums	*70 000*	90 000	*320 000*	430 000
Ādaži	*95 000no data*	110 000	*450 000no data*	450 000
Saulkrasti	*130 000*	100 000	*1 300 000*	300 000
Garkalne, in the vicinity of Baltezers		160 000		3 200 000

As evident from the table above, the growth of the highest and of the lowest price is approximately equal in all the areas reviewed except Garkalne and Baltezers where certain private houses have been offered at a price exceeding 3 million EUR. However, no transactions for such prices have been registered. The lowest price level is for private houses of area up to 100 m² and land plots of area from 1200 m² (house condition is satisfactory). The most expensive private houses are certain houses of total area exceeding 300 m² and large land plots (from 3000 m²), characteristic feature of which is high-quality interior decoration materials.

Gardening societies

The demand of houses located in areas of gardening societies is increased; however, it is still possible to purchase a house at a price which is lower than the construction costs of the house (in locations with a poor infrastructure and bad quality access roads). Price level depends on the location:

- Close to the sea - Saulkrasti direction, Gauja, Ādaži: from 30 000 to 145 000 EUR;
- Plakanciems, Ķekava and Ogre directions: from 15 000 to 65 000 EUR.

Riga City

The demand of private houses in Riga should be described as high. Buildings of all categories are demanded. After adoption of the Riga City development plan (for years 2006 - 2018), certain private houses in good condition are purchased for demolition in order to erect a high-rise multi-apartment house or an office building. The demand is bigger for houses situated in exclusive locations; however, the sales term is medium long. The demand is high for small and cheap private houses, up to 100 m², with land plots in ownership. The sales prices of those houses have grown most rapidly during the reporting period because such a house may be considered to be an alternative to an apartment, but the apartment prices increased even by 35% during the reporting period.

The prices have relatively rapidly grown at Rumbula, Salaspils and Dārziņi, however, the reason of such a price growth still exists - it is the affordable price of the houses of this category because the area of land plots belonging to these houses is starting already from 400 m².

The highest price level has remained at Teika, Mežaparks, Ķīpsala, Vecāķi. Construction of new private houses has been commenced at Mangaļsala which in the future might be transformed into an exclusive private house building area under one condition: the manufacturing plants must be removed from Mangaļsala. The area of Mangaļsala is also the area of interest of Riga Free Port; thus the further development directions of this area are not finally defined yet.

Taking into account the relatively rapid land price growth in the whole Riga Region as well as the circumstance that construction of a high-rise building on a land plot is permitted in relatively many cases, also the private house prices continued to grow in the Riga City during the reporting period.

Prices of one-family private houses in Riga city

depending on category, price in EUR
(in June 2006, June 2005)

- **Pre-war wooden and brick houses in bad technical condition** (to be reconstructed or demolished)

1st half of 2006	85 000 - 125 000 EUR
1st half of 2005	*60 000 - 85 000 EUR*

- **Small houses, up to 100 m²** (mainly at Purvciems, Pļavnieki, Mežciems, Zolitūde, Mārupe) (the growth is caused mainly by an increase of the land value)

1st half of 2006	95 000 - 190 000 EUR
1st half of 2005	*75 000 - 100 000 EUR*

- **Prefabricated houses** (full set of parts provided by the manufacturer)

1st half of 2006	90 000 - 230 000 EUR
1st half of 2005	*70 000 - 170 000 EUR*

- **Newly erected private houses, up to 200 m²**

1st half of 2006	190 000 - 350 000 EUR
1st half of 2005	*150 000 - 250 000 EUR*

- **Newly erected houses in private house villages**

1st half of 2006	140 000 - 520 000 EUR
1st half of 2005	*90 000 - 450 000 EUR*

- **Houses of exclusive projects (large floor space and good location)**

1st half of 2006	425 000 - 1 800 000 EUR
1st half of 2005	*300 000 - 900 000 EUR*

Jūrmala

The private house market of Jūrmala during the first six months of 2006 has the same structure as in 2005 though, simultaneously with a rapid price growth, private house market is under development also in the more distant locations of Jūrmala, namely, at Ķemeri, Kauguri and Sloka. The average growth observed in the sector of the most expensive properties during the first half-part of 2006 was 8-14% but the growth observed in the sector of cheapest private house categories has been higher, and in some locations (at Ķemeri and Kauguri) it has exceeded 25%.

The number of houses being erected for sale in Jūrmala is still increasing, and, in the result of this, in addition to the very high level of the overall prices, the price level changes have not been very rapid. In the case of a rapid development of the real estate market at Saulkrasti, price stabilisation is not excluded. Some most expensive private house estates making a part of the offer have been offered already since the beginning of the year though individual deals have been concluded at prices up to 3 000 000 EUR.

Prices of one-family private houses in Jūrmala, in EUR on 30.06.2006. (and 31.12.2005)

Location	*30.06.2006*		*31.12.2005.*	
	Lowest price	**Highest price**	**Lowest price**	**Highest price**
At the sea				
• **Lielupe-Dubulti**	350 000	3 500 000	*320 000*	*3 500 000*
• **Dubulti-Asari**	300 000	1 700 000	*275 000*	*1 500 000*
• **Vaivari-Kauguri**	210 000	740 000	*225 000*	*650 000*
On the other side of the railway line				
• **Lielupe-Majori**	280 000	1 200 000	*225 000*	*1 200 000*
• **Dubulti-Asari**	240 000	560 000	*200 000*	*500 000*
• **Vaivari**	200 00	560 000	*180 000*	*500 000*
Other locations				
• **Kauguri, Jaunķemeri**	180 000	450 000	*140 000*	*350 000*
• **Sloka**	100 000	350 000	*100 000*	*250 000*
• **Ķemeri**	90 000	225 000	*70 000*	*150 000*

Latvian regions

During the reporting period, a price growth of private houses was observed throughout the whole territory of Latvia; however, depending on the distance to Riga, the price level changes are various. In the most distant Latvian regions the private house sales prices are substantially lower than the construction costs of the houses. Only in the biggest towns and cities and in certain district centres the prices are close to the costs level.

Eastern Vidzeme

In Eastern Vidzeme (Madona, Alūksne, Gulbene, Balvi), sales prices of houses in a relatively very good condition are slightly exceeding 300 LVL/m² but the prices of houses which should be renovated are from 100 to 170 LVL/m² in average. The prices depend also on the location within the town - on the shore of a lake etc.

Zemgale

In Zemgale, the prices of private houses are more dependant on the price level in Riga, thus reaching
45 000 LVL - 75 000 LVL level at Jelgava for a house in satisfactory condition. Sales prices of new and renovated houses: 80 000 LVL - 130 000 LVL. In the Tukums District, private house prices are starting from 17 000 LVL but in locations closer to the district centre - up to
60 000 -90 000 LVL.

Vidzeme

Prices of private houses located in towns are up to 140 000 LVL (for new houses located in the town centre at Valmiera), and up to 70 000 LVL in average. Transactions concluded in respect to estates located outside towns are varying to a great extent - within the limits of a district, the difference of sales prices of estates of similar quality and volume may exceed 4 times. The average sales price of farmsteads in the market is
15 000 - 25 000 LVL.

Value of certain farm properties may exceed the limit of several hundred thousand lats, for example, in the case of manor estates with large land areas, good/satisfactory technical condition of buildings and a very good landscape (on the shore of a river or lake, with parks etc.). The offer contains a relatively big number of reconstructed farmsteads, with large land areas, ponds, close to rivers or lakes, and the price may exceed the limit of 100 000 LVL.

Forecasts for the second half-part of 2006

A rapid market development may be expected also in the second half-part of the year though the price level changes would directly depend on the prices of land plots intended for private building. While the forecasts of previous periods indicated an increase of construction of frame construction houses in the result of the increase of prices of traditional building materials, only few developers of new houses have remained active in the Latvian market of private houses. Though the traditional construction is relatively expensive, and the prices would continue to grow also in the second half of the year, houses of light concrete or, in certain cases, of brick are preferred, frequently due to subjective considerations.

A number of “economical” house villages, i.e., houses to be offered at prices below 100 000 EUR should be launched during the second half-part of 2006. It is also expected that the price level would change in Riga and Riga District, increasing by 10-20%, mainly at the account of a growth of land prices.

Land for private building

The market of land properties intended for private building has continued to grow and has increased by 20-35% in average in the Riga District. In the Riga City, the price level of land plots for private building is determined mainly by the permitted type of usage of the land: in certain places the private building land sales prices are equivalent to the prices of land plots intended for erection of multi-storey multi-apartment houses.

The cheapest land plots intended for private building and available in the market still are the plots which are obtained in the result of division of agricultural land areas; however, the number of such land plots is decreased, and land plots already connected to engineering system networks are more and more frequently launched in the market.

In the Jūrmala City, the prices of exclusive land plots reached the level of 800 EUR/m² during the reporting period. During this period of time, high activity of the private house land market was observed practically in all civil parishes of Riga District. It is evidenced also by information collected by the Central Statistical Bureau on population number changes: the tendency to move from apartments in Riga to private houses in the Riga District has existed in a longer period of time among the inhabitants of Riga.

Land plots in the Riga City

Land plots for construction of one-family houses within the Riga City were offered at the price from 35 to 300 EUR/m² (the prices of land plots located at Mežaparks reached the level of 800 EUR/m², which is equal to the prices at Jūrmala, in the dune zone). The most expensive land plots for private building are located at Teika, Mežaparks, Ķīpsala. A high level of offer prices was observed also at Vecāķi. The price growth in those locations as well as in other places of Riga was determined by the offer of free land plots - in each housing estate only few land plots have been offered simultaneously, therefore, the sellers have had the possibility to increase the prices continuously.

In contrary to acquisition of apartments, in the case of purchase of a land plot for private building, the buyers pay bigger attention to the environment and in the result of this the price level differentiation is very big. An increased activity was observed in the private building land plots in the beginning of the year. This was caused by approval of the Riga City development plan, in the result of which the permitted type of usage of a big number of land plots was changed, which, in its turn, caused a price change.

A relatively big offer is still observed at Dārziņi and Rumbula; those land plots are able to compete with the overall sales price in the land market - up to 55 000 EUR for a land plot though the average value of one square metre in such deals is approaching the limit of 100 EUR/m².

Market of land intended for private building in the Riga District

During the reporting period the price level in the Riga District has increased in respect to the land properties of any kind. The cheapest land plots for private building are large-area land plots having been separated from agricultural land as well as land plots in areas of gardening societies though the prices of the land properties of this category also increased relatively rapidly during the reporting period. The main directions of development of the private building land market are: Mārupe, Ķekava, Dreiliņi, Garkalne, Ādaži. In those civil parishes, the number of transactions with private building land plots has been the biggest due to the relatively good location which is determined by such factors as the distance to Riga, level of development of infrastructure as well as the landscape. Also two locations of the Riga District which are farther from Riga should be mentioned: Saulkrasti (proximity of the sea and construction of the detour road have contributed to a very rapid price growth during the reporting period) and Sigulda, which may attract potential inhabitants with a beautiful nature, a relatively well-maintained environment, availability of communications and a relatively good transport possibilities. If the distance to Riga was considered to be the primary factor, then the price level at Inčukalns should be higher than at Sigulda; however, taking into consideration the fact that Inčukalns is the place where a gas storage reservoir is situated and where the woodworking industry is very active, and where the infrastructure level is low, the prestige of this town in respect to acquisition of private building land is relatively low. In the result of the said factors, the prices at Inčukalns are significantly lower than at Sigulda, Garkalne and in other locations at the Pskov highway. Vangaži town should be evaluated accordingly because it has historically been developed as an industrial town.

Price level in the main categories:

- Land plots in locations where the infrastructure is well-developed, close to existing buildings and communication networks: 30-75 EUR/m²;
- Divided agricultural land areas or land plots of other usage types, in locations where the infrastructure is poorly developed and the environment is poorly maintained: 15-30 EUR/m².

Price categories depending on the location (land plots of area from 1200 to 2500 m²):

- **Mārupe** – 38 - 80 EUR/m²
- **Jaunmārupe** – 26-45 EUR/m²
- **Babīte** – 20-58 EUR/m²
- **Stopiņi** – 20-43 EUR/m²
- **direction to Jaunolaine, Olaine** – 10-25 EUR/m²
- **Rāmava** – 22-60 EUR/m²
- **Ulbroka** – 22-55 EUR/m²
- **Ādaži** – 20-44 EUR/m²
- **Ķekava** – 20-40 EUR/m²

Jūrmala City

A relatively rapid growth of land prices was observed in the Jūrmala City in locations where the land value had previously been lower, namely, at Sloka, Ķemeri, and Kauguri. The biggest offer prices exceeded 750 EUR/m²; however, a number of estates located very close to the sea are offered in average for 500-600 EUR/m². Presently the price is determined also by the possible usage type (possibility of erection of a multi-apartment house). Taking into consideration the big number of new projects in Jūrmala, in direct proximity to the sea, in a longer perspective the developers might lose interest in possibilities of development of projects in the most expensive areas of Jūrmala and, in contrary, there might arise interest about Kauguri where the apartment price growth is rapid and the present land price is relatively low. If such exclusive land plots loss interest of a part of potential buyers, a proportional correction of all the land plots is possible. However, such a correction might be rather small because the land plots would be still attractive for construction of private houses.

Price level in the main categories:

At the sea:
Lielupe-Melluži – 280-540 EUR/m²
Melluži-Asari – 210-450 EUR/m²
Asari-Kauguri – 120-320 EUR/m²

Other locations:
Kauguri – 35-85 EUR/m²
Sloka – 30-50 EUR/m²
Asari-Vaivari (between the railway line and the Lielupe river) – 45-120 EUR/m²

16 land plots with communications on the bank of the River Lielā Jugla, just 2 km from the highway A1 Riga-Tallinn. Plot areas from 1317m² to 3509m². Price starting from 40 EUR/m²

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Land in regions of Latvia

The growth of land prices in the regions depended on the overall tendencies of the real estate marked in the country.

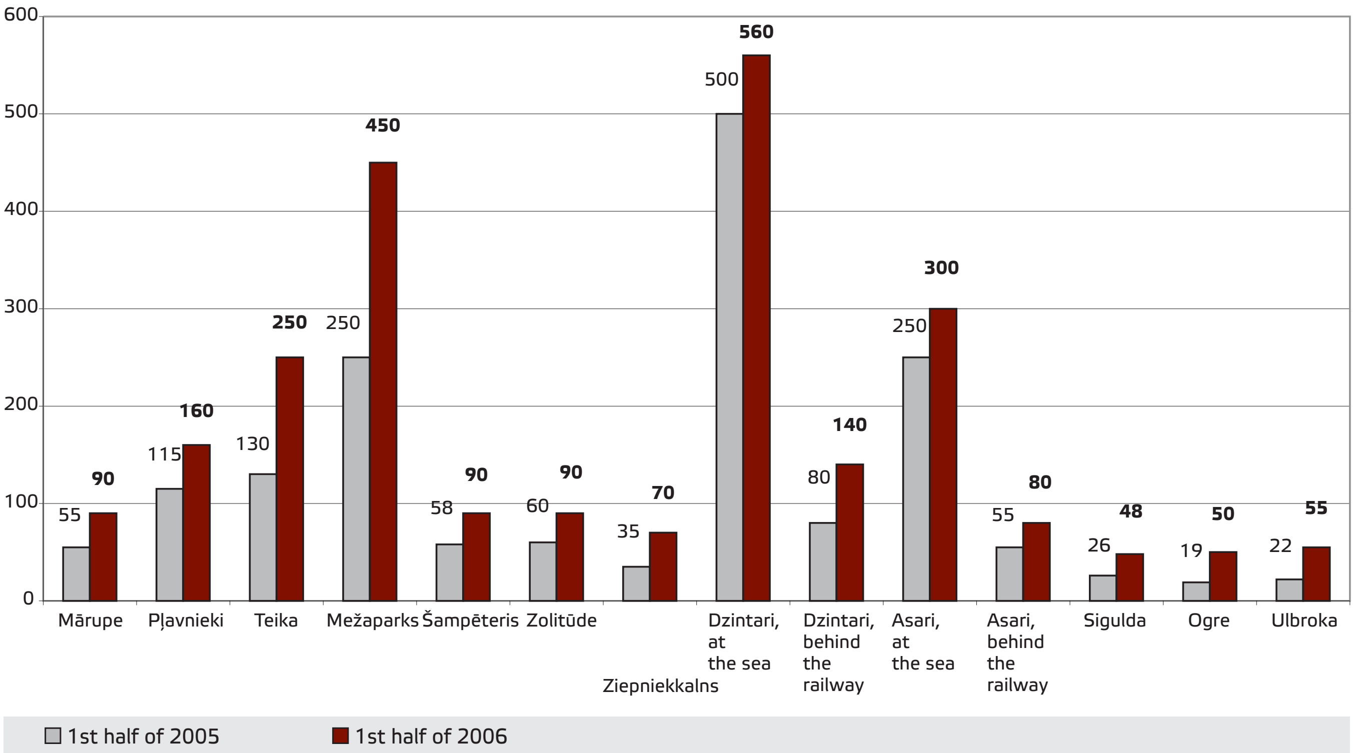
Land price range in regions of Latvia

- Bauska – 3-12 LVL/m²
- Jelgava – 17-30 LVL/m²
- Ozolnieki – 20-35 LVL/m²
- Iecava – 2-11 LVL/m²
- Limbaži – 3-5 LVL/m²
- Cēsis – 10-18 LVL/m²
- Valmiera – 5-15 LVL/m²
- Tukums – 5-17 LVL/m²
- Sigulda – 15-35 LVL/m²
- Sigulda parish – 6-25 LVL/m²
- Liepāja – 20-100 LVL/m²
- Saulkrasti – 18 -50 LVL/m²
- Madona – 3,5-14 LVL/m²
- Alūksne – 3-11 LVL/m²
- Gulbene – 3-8 LVL/m²
- Balvi – 1-10 LVL/m²
- Aizkraukle – 2,5-15 LVL/m²
- Ogre – 14-38 LVL/m²

Forecasts for the second half-part of 2006

It is expected that the prices of land plots for private building will continue to increase, mainly in locations where the price level still is relatively low. Also the sales prices of land plots situated in locations which are not very near from Riga will increase. A gradual equalization of the private building land prices is expected in a long-term perspective: the main factor determining the land price would not be the location in a particular town or village but the quality of the environment - landscape, access possibilities and other factors.

Price of lands for one-family private house building, in EUR/m² (average plot area 1500m²)



Agricultural land

The offer and the demand has been stable during the reporting period, however, it should be noted that upon commencement of discussion about closing of the next in turn sugar-refinery, just the price of agricultural land decreased slightly in the adjacent regions, for example, at Bauska, from 2000 LVL/ha to 1500 LVL/ha. This indicates that a big part of agricultural land is nevertheless used according to its designation and, in addition, such fluctuations show the real value of the land in agriculture now.

Agricultural land is still being purchased also for speculative purposes; however, the main categories of purchasers are the following two:

1. Farmers;
2. City dwellers who intend to use the land for recreation purposes.

The number of persons purchasing land for resale is being decreased when the land prices are growing; however, there are certain purchasers who take long-term investment measures when they have bought land.

Agricultural land prices:

- **Vidzeme** (Limbaži, Cēsis, Valmiera) – 500 - 1000 LVL/ha;
- **Zemgale** (Bauska, Dobele, Jelgava) – 1000 - 1500 LVL/ha;
- **Eastern Vidzeme** (Madona, Alūksne, Gulbene, Balvi) – 400-500 LVL/ha;
- **Kurzeme** (Tukums, Talsi) – 450 - 1200 LVL/ha.

Average prices and categories of agricultural land: (as per 30.06.2006):

- Land plots for agricultural use: 250 - 2000 LVL/ha;
- Land plots for recreational needs or household needs: 1200 - 4500 LVL/ha;
- Small (up to 5 ha) land plots close to a watercourse or in places with a beautiful landscape: 7000 - 12000 LVL/ha; (up to 3 ha prices up to 35000 LVL/ha);
- Agricultural land close to towns or villages, which is specified in municipal territorial development plans as lands intended for private building: 15000 - 60000 LVL/ha;
- Forest land without forest plantations: 75 - 450 LVL/ha;
- Forest land with forest plantations: 200 - 3500 LVL/ha.

Land properties for industrial and commercial building

Land intended for commercial building (shopping centres, salons, exposition halls etc.)

Land properties of this sector are characterized by a price growth and a relatively very uneven price level. The most important features of commercial land are visibility and location beside to an intensive traffic or people flow; therefore, commercial buildings are being built in the area of Krasta and Maskavas Streets, Lielirbes Street, K. Ulmaņa Gatve, Brīvības Street. Due to construction of the Southern Bridge it is expected that the price of land plots located at Dārzciema Street as well as in the proximity of the other access roads to the bridge will increase. The demand is high also in the area of Skanstes Street, in the near Pārdaugava, at Teika and Jugla, in the proximity of all the big streets because location of buildings of similar type in the particular area is considered to be an important factor. Prices of commercial building land plots intended for construction of shopping centres and salons have reached 60-200 EUR/m² in average during the reporting period. The needs of purchasers of this type land overlap to a certain extent with the needs of potential buyers who want to acquire land for office needs: commercial buildings are gradually being pressed out from the city centre because it is economically more advantageous to utilize all the building intensity permitted.

As far as this market segment is concerned, the demand is growing also in the more distant regions of Latvia - in the Eastern Vidzeme the price of certain land plots intended for commercial building has exceeded the limit of 20 LVL/m².

Land properties intended for manufacturing needs or construction of logistics or industrial parks

Mainly land plots or area from 0.5 to 1.0 ha are demanded. Locations of good access are demanded; however, a good visibility of the location is not a necessary condition. In certain cases railway branch lines are desirable. Within the territory of Riga City, only a relatively small number of industrial building areas are available; therefore, also in this land property category a relatively rapid price growth was observed. The existing manufacturers make efforts to move gradually outside Riga - this tendency has existed in several years; however, the lack of good quality and modern premises in the Riga District is hindering to this process.

The segment of logistics and industrial areas has developed relatively rapidly during the reporting period. Several logistics centres, such as DHL at Mārupe, have been commissioned. During the reporting period there was published information on commencement of construction of "Dominante Park", an industrial park which will be the largest in the Baltic countries, at Ķekava Civil Parish. Total investments in construction of this park will amount to approximately 70 million LVL. In total, it is planned to build approximately 250 000 m² of manufacturing and storage space.

Depending on the location, the existing buildings and communications, and other conditions, the prices of land properties intended for the needs of manufacturing/industrial/ logistics centres have been within the limits of 3-150 EUR/m² during the reporting period (there are registered also transactions for much higher prices; however, manufacturing buildings have mainly been purchased with the purpose of reconstruction thereof and transformation into buildings of another type, such as commercial buildings or multi-storey houses).

- Land plots with existing manufacturing buildings located in the central part of Riga and in locations of good access and high traffic intensity: 100-400 EUR/m²;
- Land plots for manufacturing needs in the Riga City: 20-65 EUR/m²;
- Land plots with manufacturing buildings in bad technical condition outside the central part of the city: from 10 EUR/m²;
- Land plots in the Riga District, connected to engineering networks: from 8 EUR/m²;
- Land plots for manufacturing needs in the Riga District,

The average rent amounts payable for manufacturing and logistics premises during the reporting period:

- New buildings: from 4 to 6.5 EUR/m², 5 EUR/m² in average (together with office space (in average 10-30% of manufacturing space) the average rent amount has been 6-7 EUR/m²) (sales prices 620-750 EUR/m² in average respectively);
- Worn out and non-renovated buildings which do not correspond to requirements of modern manufacturing/logistics companies: 1.8-3.4 EUR/m² (sales prices respectively 420 EUR/m² in average);
- Partially renovated buildings with renovated office space: 2.5-4.5 EUR/m² (average sales prices up to 500 EUR/m²).

Land properties intended for construction of multi-apartment houses and office buildings

A characteristic feature of the land property market in the Riga City is a high and dynamic activity which is determined by the constantly increasing interest in this real estate market sector. In 2005 the prices of land properties grew significantly, especially in the second half-part of the year and in the beginning of 2006, and, in despite of the relatively various price growth level in different housing estates, the average land price growth was approximately 55% in 2005. Especially high price growth was observed in the central part of the city where in certain locations the prices increased by 250%. The price growth in general and especially in the central part of the city was determined by the constantly increasing demand of land plots for the needs of construction of multi-apartment houses and office buildings, which, in its turn, was caused by the rapidly growing apartment prices and the increase of demand of office space. Since the number of land plots without any building is rapidly decreasing in the city centre and since in many cases any construction is encumbered by various restrictions, the prices of land plots offered in the market, especially of those with approved architectural and planning tasks, are high, and those land plots are usually available in the market within a relatively short period of time. The land plot prices directly depend on the location of the plot and especially on the permitted usage type of the particular plot and the maximum building intensity permitted.

According to the regulations of usage and building of the Riga City territory, the building intensity is determined by the number of floors permitted. In the housing estates located in the suburb of the city the number of floors most frequently is from 5 to 9, and the intensity is from 130 to 200% accordingly. In certain locations the intensity may reach 500-700%. In the central part of the city mainly the perimeter building is permitted, and the building intensity is determined mainly by the number of floors of the surrounding historical building.

Prices of land plots intended for multi-apartment houses in the first six months of 2006 were as follows, in accordance with the permitted usage type and intensity:

- Purvciems, Teika, Mežciems, near Pārdaugava: 220 - 380 EUR/m²;
- Pļavnieki, Zolitūde, Šampēteris, Imanta: 180 - 270 EUR/m²;
- Dreiliņi, Vecmīlgrāvis: 160 - 220 EUR/m²;
- Peripheral part of the city centre: 280 - 600 EUR/m²;
- Central part: 1200 - 2300 EUR/m².

In many cases during the reporting period the high price of a transaction has been determined by the fact that the land plot has been sold together with a developed building documentation having been approved in the sketch stage, or with an architectural and planning task, which has provided possibility to the buyer - investor to define a particular usage efficiency of the land plot and reduce the potential risks, and pay a significantly bigger amount for acquisition of the land than it should have been possible in the case of a similar land plot without the said documentation.

Forecasts for the second half-part of 2006

It is expected that the characteristic feature of the land sector in the coming six months as well as in the perspective of 2-3 years will be a stable price growth which will be determined mainly by a constantly decreasing number of offers in the central part of the city and a constantly increasing demand of apartments in the central part of the city. In the Riga City in general the price level might become more stable because, according to the Riga City development plan, new areas (Lucavsala, Andrejosta, Čiekurkalns) will be offered for the needs of construction of dwelling houses and commercial buildings.

Within the next three years, the value of land plots in the central part of the city might increase by 25 - 70% per year; however, the price growth will be differentiated and depend directly on the demand and the price level of apartments and commercial premises in the vicinity of the particular land plot.

Market of sales premises

Very significant volume changes have not been observed in this market segment during the reporting period though a number of shopping centres have been commissioned. The main activities from the part of supermarket chains are being performed outside Riga: a territorial "expansion" is taking place to such previously "forgotten" places as Madona, Gulbene etc.

The supermarket "Centrs" is being reconstructed and will be extended in the form of a closed gallery. A new shopping centre next to the "Reval Hotel Latvia" has been built in the reporting period. Closing of small shops in locations with a low pedestrian flow is continuing; a part of the shops are being moved to shopping centres. As one of the most important projects to be mentioned is the shopping centre in the beginning of Krustpils Street (at the Slāvu Bridge). A number of supermarkets have been opened; however, the general lessor is dominating in these supermarkets, and relatively insignificant sales spaces are launched in the rent market.

The demand of reconstructed and non-renovated sales spaces is remaining to be approximately equal, and in locations with a high pedestrian flow, such as the Old City and the city centre, the offer prices exceed 50 EUR/m².

Finally a lessee has been found for the premises of the 1st and 2nd floors in the office centre at the crossing of Brīvības and Ģertrūdes Streets, which premises have been vacant since the construction of the building because the rent offers having been published earlier have exceeded the average rent amounts payable for comparable premises.

Office space

During the reporting period the office space market has been one of the most active real estate market segments, mainly due to construction of new office centres and launching thereof in the market (according to the data provided by the CSB, construction permits have been issued to 47 office building complexes from April 1, 2005 till April 1, 2006) and not due to migration of lessees or changes of rent amounts (only a slight increase of the maximum rent amounts has been observed in the practice).

Average rent payments, in EUR/m²

In supermarkets

- up to 30m² – up to 75 EUR/m²
- 30-150m² – 30 - 60 EUR/m²
- above 150 m² – 12 - 35 EUR/m²

In the City centre

- central streets (Barona, Tērbatas, Čaka, Brīvības) – 20-55 EUR/m²
- side-streets – 15-35 EUR/m²
- peripherie of the centre – 7-20 EUR/m²

In Old City

- central streets (Kaļķu, Vaļņu, Audēju) – 20-55 EUR/m²
- side-streets – 15-35 EUR/m²

In housing estates

- in the centre of housing estate – 5-30 EUR/m²
- outside the centre of housing estate – 3-15 EUR/m²

Some of the most important projects registered in the market:

- S.P.I. Group is planning construction of two 25- 30-storey buildings in Pārdaugava, at Daugavgrīvas Street 9/11, beside the Zunda channel. One of the buildings will be a dwelling house and the other will be intended for offices, a hotel and service companies. The total investments planned are amounting to 130 million EUR, and the total area constructed will exceed 100 000 square metres.

- Riga City Council has supported the plans of SIA "Polystar" to build a complex of several high-rise buildings at Lucavsala for dwelling and office purposes. The company has planned to build in the first turn a 17-storey building and a 24-storey building on the land plot the total area of which is 36 821 m².

- During the reporting period, the Riga City Council has examined the plans of SIA "Reals nami" to construct a 7-storey office centre in the junction of Marijas and Satekles Streets which will have sales space in the 1st and 2nd floors of the building.
- It is planned to commission at the end of 2007 the office centre "Alojas biznesa centrs" at Valdemāra Street 62, Riga, of total area exceeding 10 000 m². The building is planned to serve as a Class A office centre.
- The office centre "Marine Business Centre" (Duntes Street 17) has been commissioned during the reporting period. This centre is completely leased out at the price 12-15 EUR/m².
- It is planned to commission an office building of total area 2600 m² located at Brīvības 171 in September of 2006.
- An office building of total approximate area 2300 m² is being built in the junction of Avotu un Ģertrūdes Streets (Ģertrūdes 66).
- In spring of 2007 it is planned to commission a six-storey Class A office centre of total area 25 000 m² located in Pārdaugava, at Vienības Gatve 109.

Rent amounts payable for office space in Riga:

- **Class A** (areas and office spaces adequate to them) in the Riga City centre: 16-26 EUR/m²;
- **Class A** (areas and office spaces adequate to them) in the peripheral part of the Riga City: 12-19 EUR/m²;
- **Class B** office space in the city centre: 8-17 EUR/m²;
- **Class C** office space in the city centre: 5-12 EUR/m²;
- **Class C** office space outside the city centre: 3-8 EUR/m².

Forecasts for the second half-part of 2006

Substantial changes of rent amounts will be observed in the office space market; however, the offer will increase, and the offer according to information published by developers, will rapidly increase during the next 2-3 years. This situation will be caused by the focusing from the part of developers on construction of multi-apartment houses which has taken place during the previous years.

Demand of relatively expensive office space in the city centre where parking of sufficient number of cars is impossible as well as in the Old City will decrease. Office premises of this category might be transformed back into apartments. In a long-term perspective a solution of the car parking problem will take the central place when selecting office space which is rented out. The office decentralisation will continue and offices will be moved to office centres located in the suburb. A constantly increasing part of employees will select the possibility to work from home thanks to the opportunities provided by the relatively high IT development level in Latvia.

Market of house properties

Apartment houses for rent as a real estate category are demanded in the market; however, the number of transactions has rapidly decreased during the last time. This situation may be explained by the rapid growth of prices of apartments and premises and the changes in the Hire Law which envisage cancellation of rent ceiling, and due to this reason the house owners prefer to wait hoping that the prices would continue to grow. Dwelling houses vacated from tenants are especially demanded. In despite of cancellation of rent ceilings, direct eviction of tenants from apartments is impossible, therefore, transaction amounts in respect to houses with valid (and extendable) hire agreements are lower and hire agreements are to be considered a relatively essential encumbrance. Presently the majority of apartment houses for rent have been purchased in order to occupy them anew and sell certain apartments or premises, and only in few cases reconstruction works are carried out and apartments and premises of the house are offered for rent.

Depending on the location, architecture, technical condition and encumbrances of the house (hire and lease agreements) and area of the land plot, the average transaction value in respect to apartment houses for rent in the Riga City broken down by city parts during the reporting period:

- Central part of the city (Old City, boulevard ring, Alberta, Skolas, Antonijas, Baznīcas Streets): 950 - 2400 EUR/m²;
- Central part (to Tallinas Street): 750 - 1600 EUR/m²;
- Near Pārdaugava: 700 - 1500 EUR/m²;
- Peripheral part of the city centre: 650 - 1100 EUR/m².

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