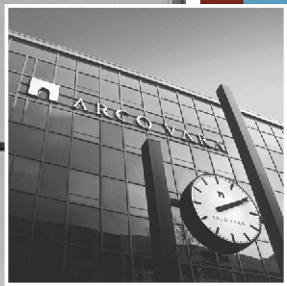
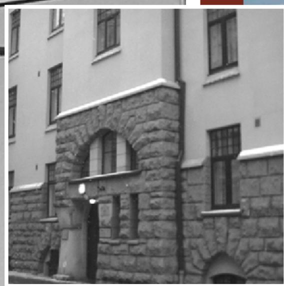
LATVIAN REAL ESTATE MARKET OVERVIEW 2004





ARCO REAL ESTATE

NEKUSTAMĀ ĪPAŠUMA BIROJS • REAL ESTATE COMPANY

LATVIJA • IGAUNIJA • LIETUVA

CONTENTS

REPORT ON THE LATVIAN REAL ESTATE MARKET YEAR 2004

INTRODUCTION

The market analysis report of SIA "Arco Real Estate" provides concise information on the Latvian real estate market in 2004. The report provides a brief report on the following main sectors of the real estate market:

- trade of apartments;
- construction of new apartment houses;
- rent of living premises;
- one-family private houses;
- land properties (for construction of one-family buildings);
- agricultural lands;
- land properties (construction of production and public nature buildings);
- market of trade areas;
- the lease market of office premises;

The report on the real estate market analysis shows the values of the respective market sector at year's -end, as well as provides information on the events in the sector in 2004.

Information sources of the performed analysis are the real estate transaction data base of SIA "Arco Real estate", information provided by the cooperation partners, and publicly available information sources, as well as information collected by the Central Statistics Office.

The report on market analysis is meant for a wide range of target readers whose operations or interests are focused on the Latvian real estate market, which includes private persons, investment funds, real estate companies, commercial banks and public authorities.

The real estate market analysis of SIA "Arco Real Estate" is prepared on a regular basis by providing a brief report every year.

Proposals, comments or questions should be addressed to SIA "Arco Real Estate", Valuation Department:

45/47-5 Dzirnavu Street, Riga
Phone: 7365556; fax: 7365557
E-mail: vertetaji@arcoreal.lv

Head of the Valuation Department Māris Laukalējs
E-mail: maris@arcoreal.lv

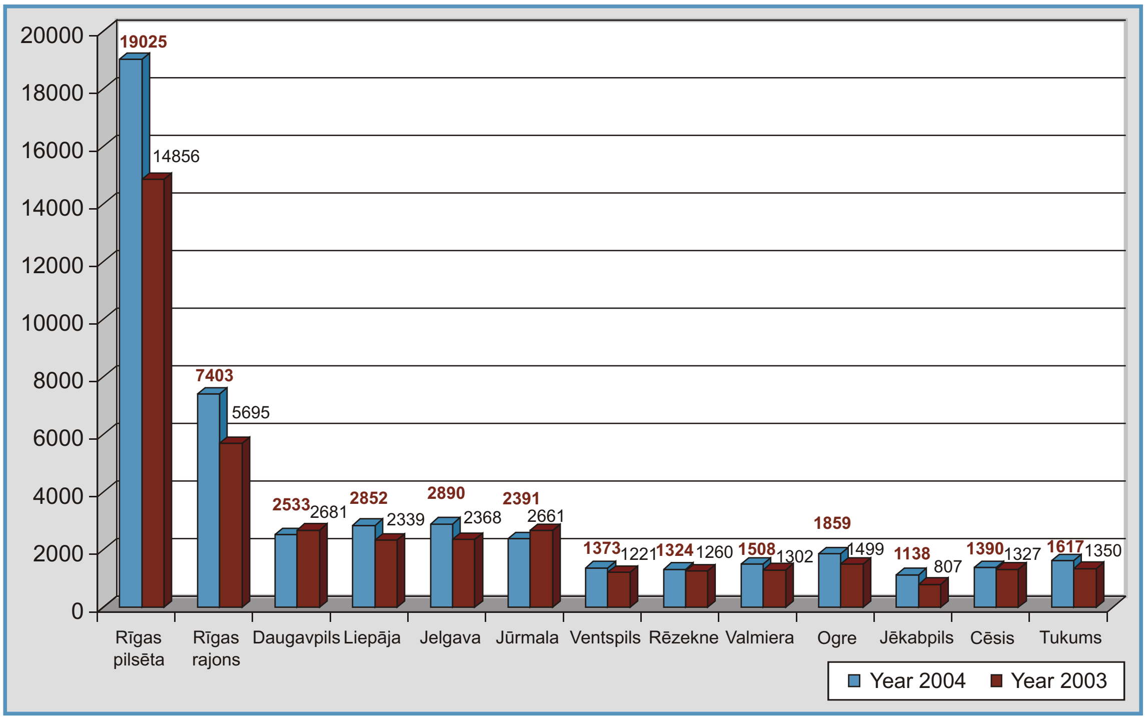
Market Analyst of the Valuation Department Edgars Bondars
E-mail: edgars.bondars@arcoreal.lv

Characteristics of Latvian major cities

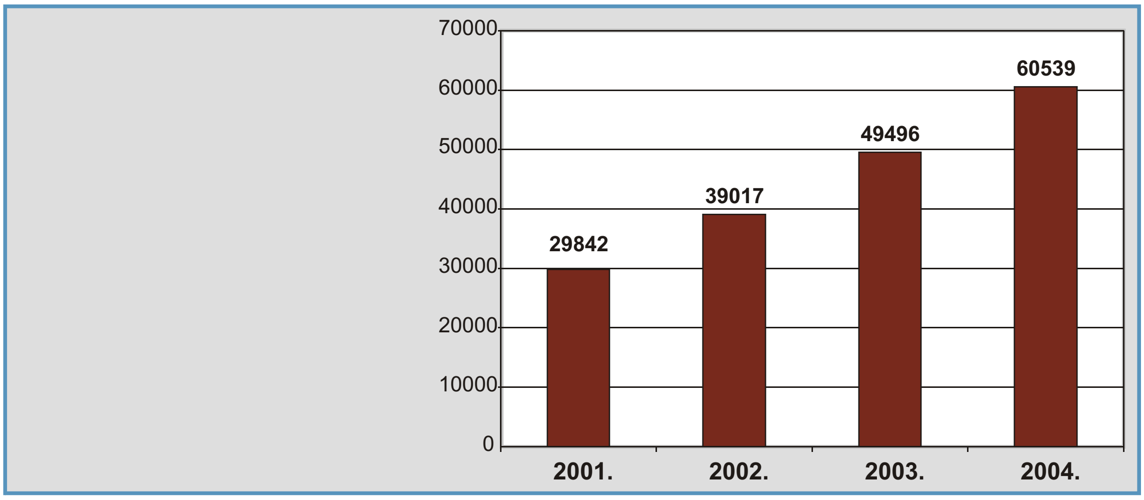
	Rīga	Daugavpils	Liepāja	Jelgava	Jūrmala	Ventspils
Distance to Riga		229	217	42	22	184
Number of inhabitants in the city	747000	113000	87000	66000	55000	44000
Number of inhabitants in the city and district	891000	158000	139000	102000	55000	60000

	Rēzekne	Valmiera	Ogre	Jēkabpils	Cēsis	Tukums
Distance to Riga	224	107	36	143	87	68
Number of inhabitants in the city	38000	27000	26000	26000	19000	19000
Number of inhabitants in the city and district	83000	61000	63000	57000	61000	55000

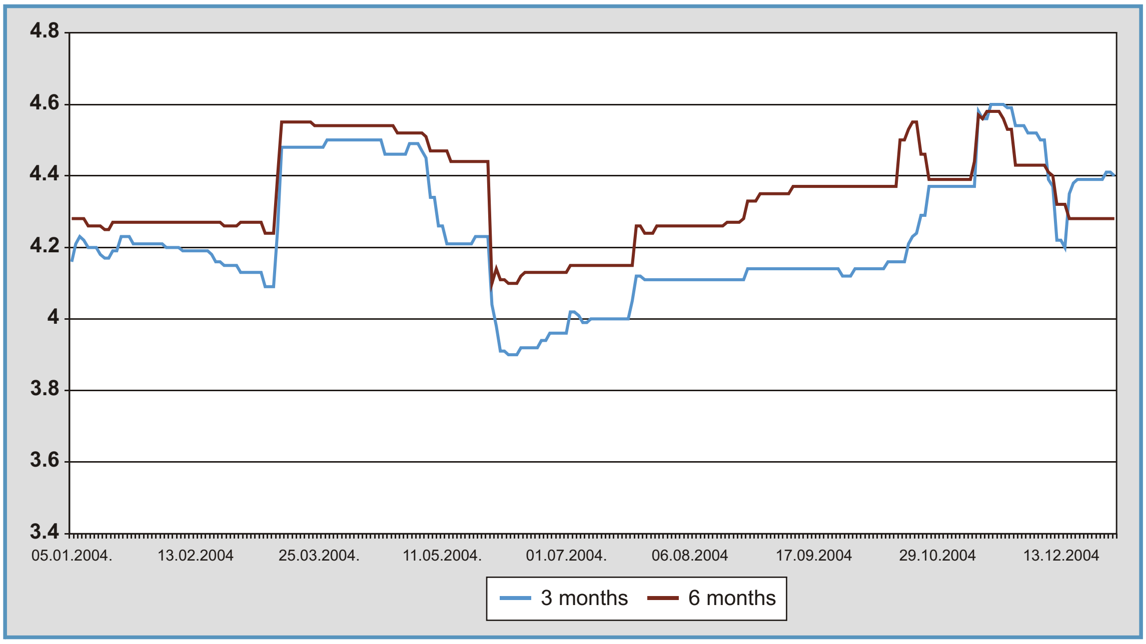
Number of transactions in Latvian cities in 2004



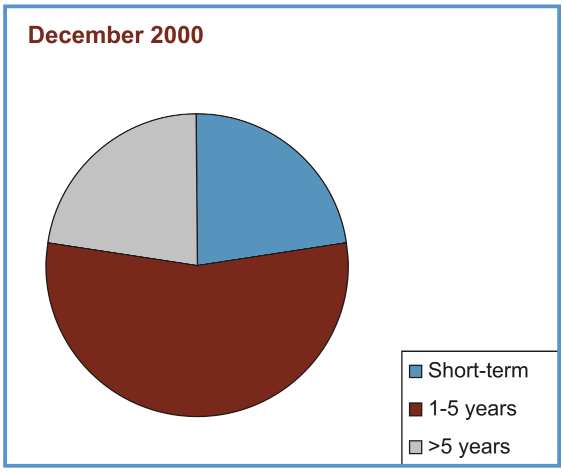
Number of transactions in Latvia (2001-2004)

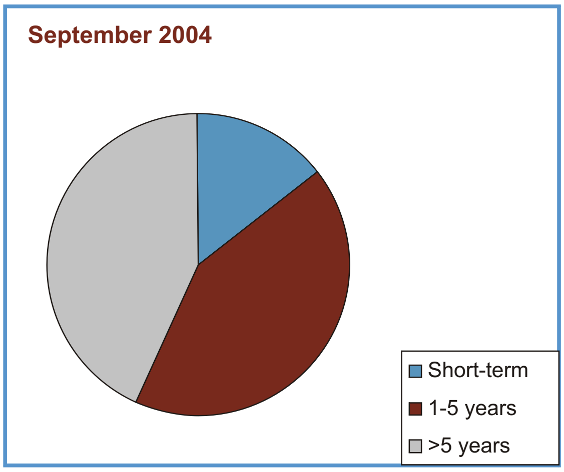


Rigibor 3 and 6 months loan interest rates in 2004

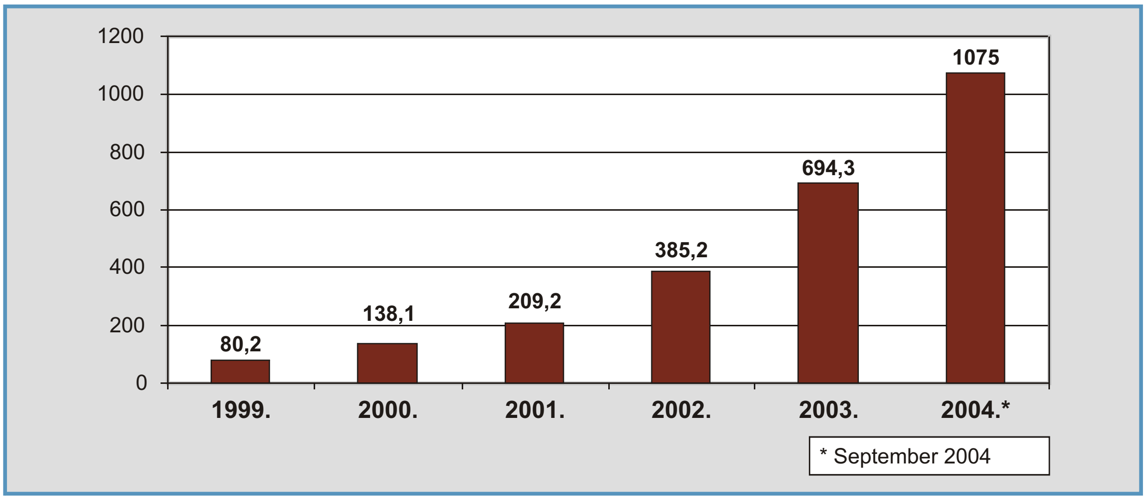


Term structure of loans issued to domestic companies and private persons

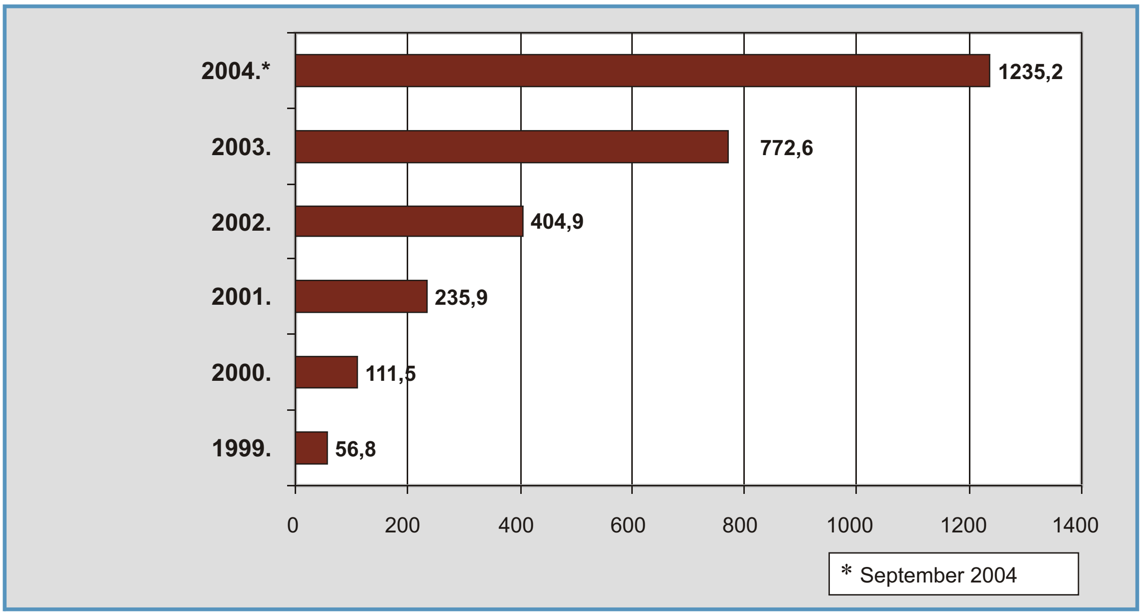




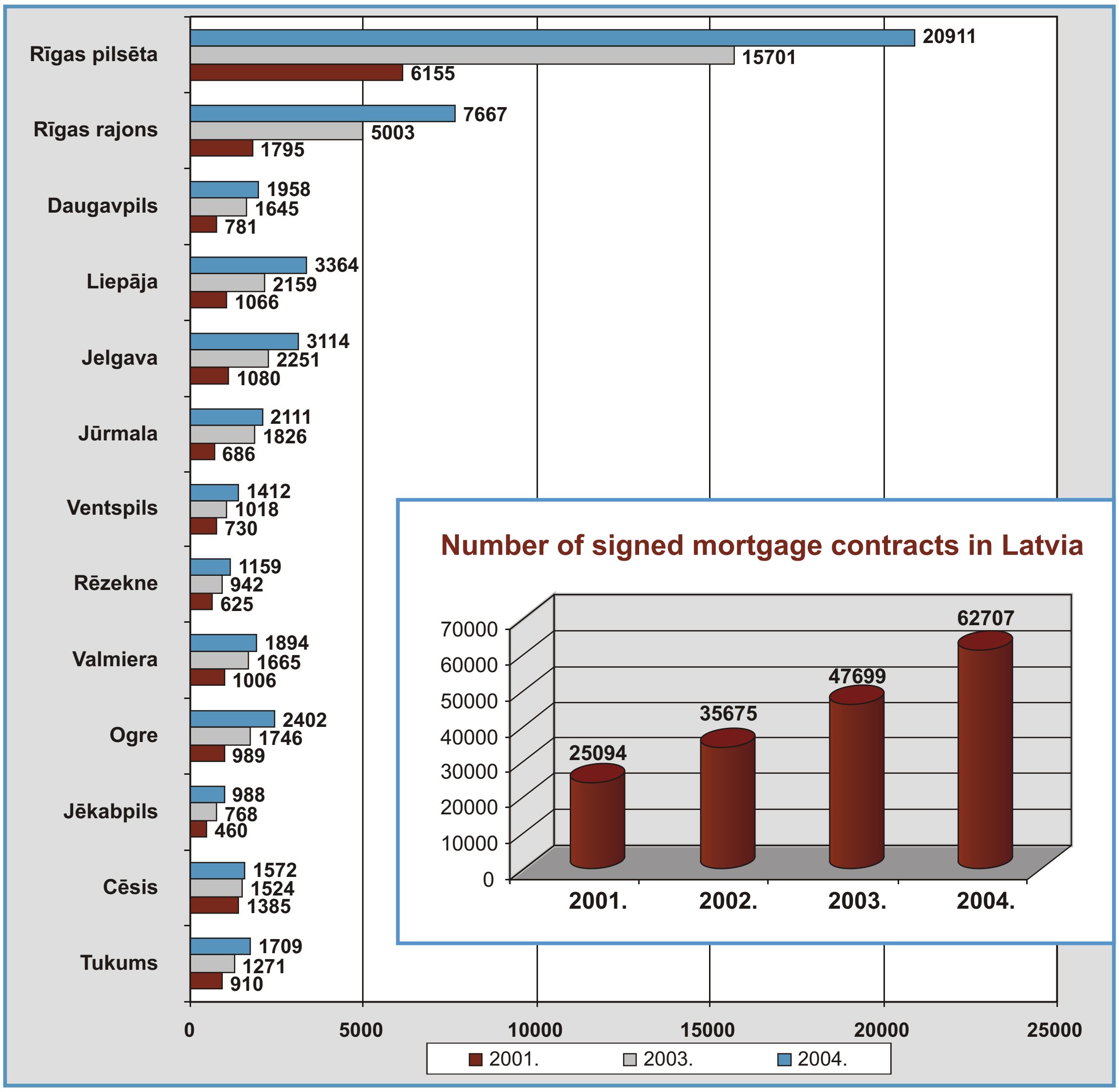
Long-term loans to private persons (million LVL)



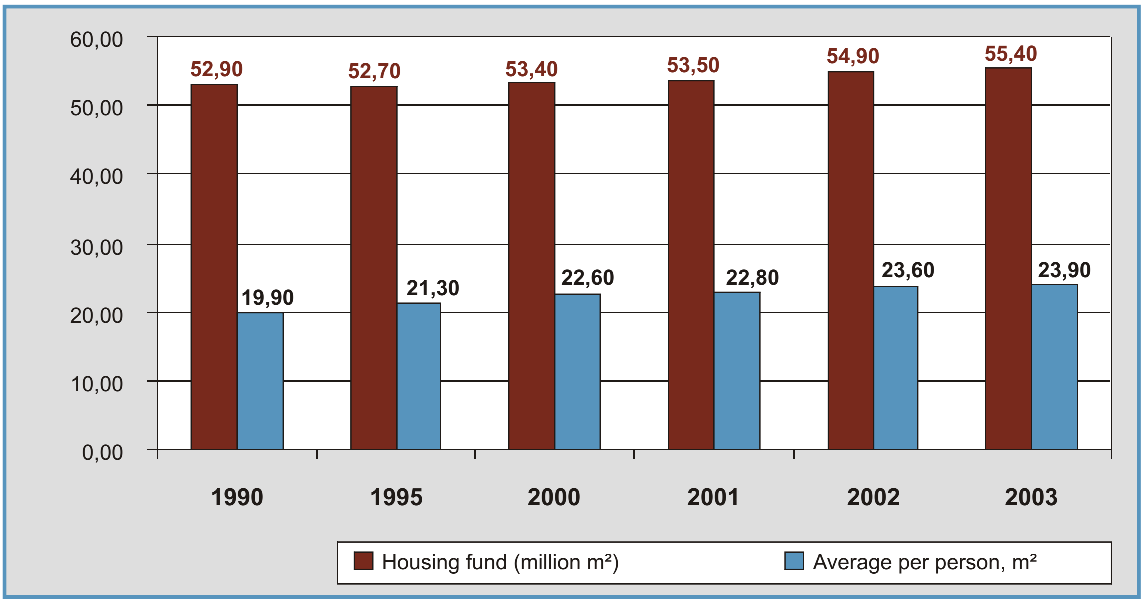
Mortgage loans granted by Latvian commercial banks (million LVL)



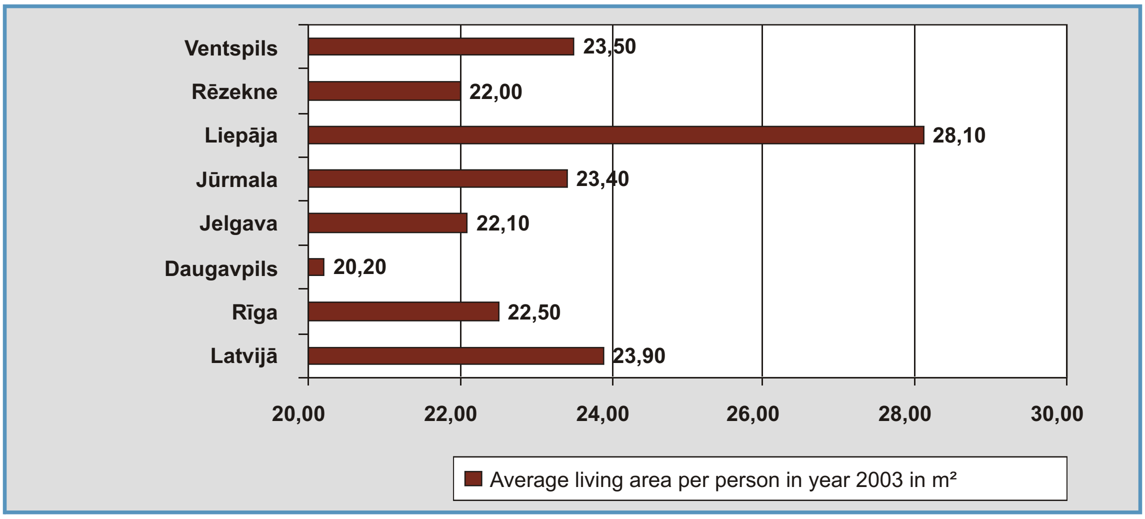
Number of signed mortgage contracts in Latvian cities



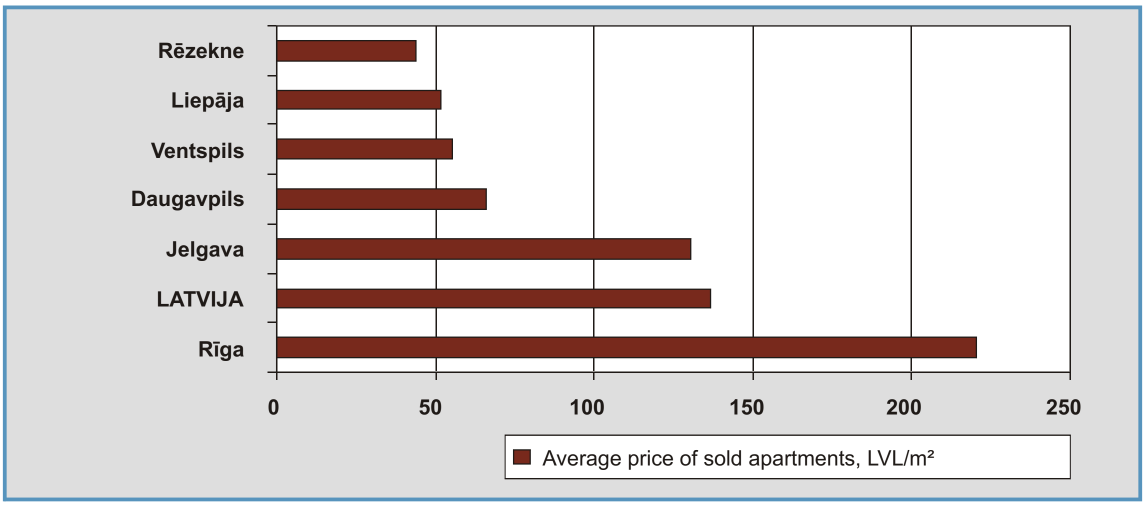
Housing fund in Latvia (million m²)



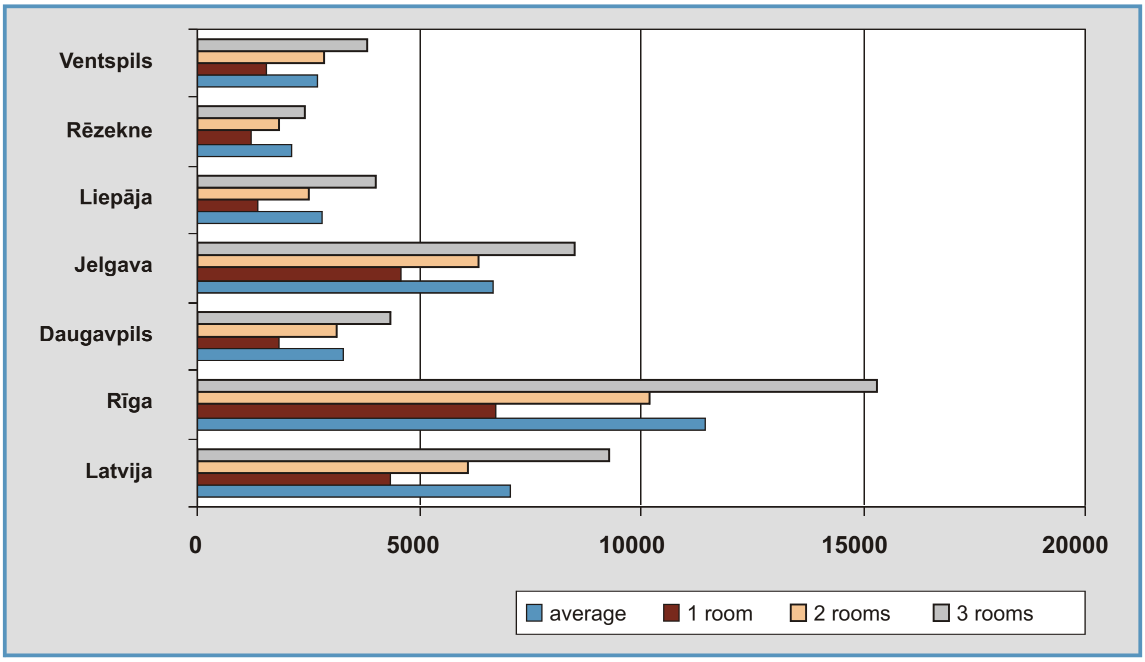
Average living area per one Latvian inhabitant in Latvian cities



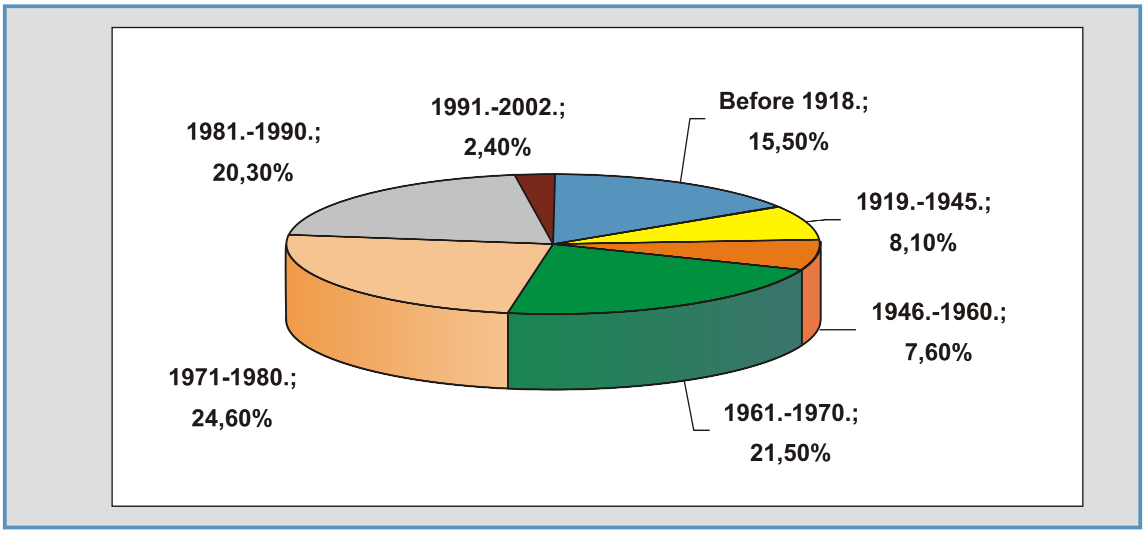
Official data on transaction amounts with apartments in 2003 (LVL/m²)



Official average transaction amount with one apartment in 2003 (LVL)



Age structure of Riga's living houses (according to the year of built of the houses)



TRADING OF APARTMENTS

In 2004 the prices of apartments continued to rise irrespective of the forecasts about stabilization of prices from 2002. The growth in prices of apartments in 2004 was mainly influenced by the following reasons:

- segregation of available resources to the population in expectations of changes in the market;
- growth of the gross domestic product and inflation in 2004;
- changes in USD/EUR exchange rate (beginning of the year/the year-end)*;
- speculative transactions.

* Considerable growth of prices in the real estate market in 2004 was experienced due to fall of the US dollar value and growth of EUR value, which at the year-end reached its maximum (10% of USD value reduction). Given the fact that a large part of prices are still fixed exactly in dollars, it has also promoted growth of prices in euro by market members fixing an invariable price in some of the currencies and continuing trade without restrictions in time. Moreover, more and more sales prices are fixed in euro. Under influence of these circumstances, the average growth for prices of the same kinds of apartments was respectively 10%, if the price is fixed in euro, or 20% if the price is fixed in dollars.

Changes in the number of transactions

In the trading of apartments, similarly as with the overall real estate market, the year 2004 was a year of growth. The total number of transactions of apartments has grown by more than 25%. This was based on:

- gradual stabilization of Latvian economics,
- impact of speculative transactions on the market,
- worry of consumers about changes in the situation after pegging of lat to EUR and cancellation of rent limits in denationalized houses.

Growth of market activity has been uneven by reaching the seasonal fall in summer months, market activity has rapidly grown in October, November and December. Rise in prices in 2004 was mainly evident in the second half of the year, which is meanwhile also connected with the growth of market activity.

Supply

In 2004, the total number of offered apartments in Riga and Riga region fluctuated in the limits from 5000 to 8000 apartments, but at the year-end the demand decreased down to less than 5000 apartments. Out of them, supply of series-type apartments in Riga was from 3000 to 4000. Changes in the number of supply at the year-end can be explained by possible unclear situation in the market after pegging of lat to euro and a possible decrease of interest rates in lats for mortgage loans, which would still increase the prices of apartments, which currently have reached probably the highest price limit upon reduction in the number of potential customers.

From the total number of supply, the highest supply was for standard design (the same type) apartments in the following Riga's housing estates:

- in Purvciems, 12-13% of the total number, from which most offered apartments were those consisting of 1 and 2 rooms each type in about 30%.
- in Ķengarags, 10-11% of the total number with the highest supply - 1 and 3 room apartments, respectively 37% and 30%.
- in Pļavnieki, 9-10% of the total number with the highest supply - 1 and 3 room apartments, respectively 31% and 32%.

Slightly lower supply at the end of 2004 was in the following housing estates (5-9% of the total supply):

- Imanta
- Iļģuciems
- Ziepniekkalns

Low supply in Pļavnieki in the sector of two-room apartments is connected with their high price and the waiting position in their sale.

In respect of supply in Purvciems it is mainly created by "move-up" owners, who, thanks to the high prices of Purvciems' apartments and their financial possibilities, choose to move to apartments in the new apartment house projects or private houses whose social prestige is higher. Such type of supply in many places also means the sale of apartments with already high-level cosmetic repairs, which has been done shortly before the sale.

Changes in prices

The least supply for standard apartments in the market at the end of last year was in Bolderāja, Zolitūde and Mežciems, which prescribed the rise in prices of apartments in these standard houses from 40% to 50% in 2004. The proportional distribution of supply at year-end 2004 shows that supply in these districts were in limits from 1.5 - 2% of the total supply of standard apartments.

Fall in prices of standard apartments in 2004 was observed in no districts, however outside Riga, in cities with higher prices of apartments, e.g., Jūrmala (Kauguri), Ogre and Jelgava, there was no growth observed for some types of apartments.

Zolitūde in 2004 has reached the highest growth in prices having moved to the side of most expensive districts, which is prescribed by the limited supply of apartments in this district. Meanwhile, a rapid growth was observed in Jugla and districts which so far were considered as the lowest price sector districts Vecmīlgrāvis and Bolderāja.

Average standard apartment prices in Riga city at the year-end have reached the limit of ~ 600 EUR/m2 with the respective price range:

- one-room apartments 18 000 26 000 EUR (on average 21 000 EUR, 660 EUR/m²)
- two-room apartments 23 000 36 000 EUR (on average 30 000 EUR, 600 EUR/m²);
- three-room apartments 28 000 47 500 EUR (on average 36 000 EUR, 560 EUR/m²);
- four-room apartments 34 000 -50 000 EUR (on average 41 000 EUR, 550 EUR/m²).

Impact of interior decorations on the price

The share of those apartments, which are sold with repairs made (electric installations changed, plumbing, windows, doors, etc.) is still continuing to rise, in some districts (Purvciems) reaching 15% of the total number of apartments being on sale. The price of such apartments in 2004 was fixed to be 150 EUR/m² (~25%) more than for non-repaired apartments, which in the circumstances of a balanced marked might reduce the demand for such type of apartments, as mainly the price of their improvements is lower than the growth of the sale price of apartment. However, the actual sales prices for such type of apartments may be less than the amounts invested in repairs.

Upon growth in supply of new apartment projects, the average price has reached 700 EUR/m² without interior decoration and 900 EUR/m² with interior decoration. The average price of a standard apartment has reached 600 EUR/m² without repairs and 750 EUR/m² with good repairs, i.e., the same price as in new projects without decorations. Given the fact that the prices of apartments in this sector are directly interrelated, it is expected that in 2005, upon change in prices in one sector the prices of apartments of another sector will also change.

Comparing both sectors, the only positive factor for Soviet-era buildings is their location in the centres of housing estates. In the market of 2004 the situation has remained the same that the purchasers, when buying an apartment property, do not take into account such significant aspects as the technical conditions of the apartment and the possibilities of building management, which is an essential precondition for buildings in order to save their value in the long term.

Apartments with equal number of rooms have different areas in different series buildings, therefore the price per square metre for apartments with equal number of rooms is different. Also, higher prices per square metre is comparatively for worse series of apartments (Lithuanian project., Hrushev time buildings, 602nd series), as their areas are less therefore apartments are generally cheaper. Apartments with a higher number of rooms are still in demand, but with less area in respect to the total area.

Differences between districts

In 2004 the price differences between districts continued to decrease as they gradually equalize..

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

Wooden construction

In 2004, prices of apartments in construction of wooden houses and buildings with partial conveniences have grown more than the average growth in the price of apartments in Riga and its district, by reaching the price of 300-450 EUR per square metre, which, compared to the year 2003, means an increase of prices by about 40%. The following type of flats in the Riga centre and the near Pārdaugava are on demand, which is connected with the prestige of location and fairly normal prices of such properties, as well as the possibility to combine several neighboring properties. In the mentioned locations, the demand is high for all areas of apartments, however the supply mainly offers only 1-2 room flats. The second group of apartments of such type is one-room apartments in the further suburbs of Riga, which are still mainly purchased for placing the population from the rented buildings in the centre (Bolderāja, Maskavas priekspilseta, also Sarkandaugava). The type of the respective demand and the increase of prices is determined by the following circumstances:

- wooden constructions in Riga are placed irregularly;
- the prices of apartments of this market segment are the lowest of the prices of apartments offered for sale;
- the number of apartments of this market segment is decreasing due to wear and tear of houses.

Wooden constructions in Riga can be characterized based on the location in the given district and the demand. Currently the highest demand and thus also the highest prices for apartments in Riga are distributed as follows:

- ***in Riga centre wooden buildings in yards – 450-600 EUR/m².***

  There is high demand for apartments, which are located in buildings with spacious, sunny yards and scarce construction. This category also includes apartments with expressive architecture, good planning and all types of conveniences. Prices in this category may reach 900 EUR/m².
- ***Apartments in the central part of Riga (Grīziņkalns, Čiekurkalns) – 400-500 EUR/m².***

  The supply includes both on average large (2-3 room) apartments, as well as absolutely small apartments of the “studio” type, mainly with partial conveniences, without central heating, hot water supply and a separate sanitary network (bathroom and toilet).
- ***Apartments of wooden construction in Pārdaugava (over the river – districts Āgenskalns, Torņakalns) – 380-600 EUR/m².***

  Apartments of these categories are most often purchased by customers in combination several apartments at once, so that the whole building could be acquired as a property. The demand is determined by access to the Riga centre, interesting architecture of buildings and the amount and number of "green belts” in housing estates.
- ***Apartments in wooden buildings in Sarkandaugava, Bolderāja, Iļģuciems – 360-400 EUR/m².***

  Mainly small "studio” type apartments without conveniences are offered. Apartments are mainly purchased for placing insolvent population from the buildings in the centre. The price is determined by the level of conveniences and technical condition.
- ***Apartments in Latgale priekspilseta – 300-380 EUR/m².***

  Apartments in wooden constructions in Latgales priekspilseta are characteristic of very bad technical condition, small areas and low level of conveniences, as well as fairly low demand, irrespective of the location close to the city centre.

Apartments in Riga centre

Last year the prices of apartments in buildings in the peripheral part of the centre grew according to the overall growth of prices by reaching 750-900 EUR/m². The prices of repaired apartments in buildings of the centre (in the peripheral part) reached 800-1400 EUR/m².

The prices in the most prestigious parts of the centre even grew up to 2500 EUR/m², which is connected with an especially large interest by foreign clients, the high prestige of layout and the presence of speculative transactions in the market, which ensures equally high demand. Supply includes large (in respect of area) and exclusive 200-300 m² apartments, whose sales price is ~ 500 000 EUR. However, the sale of such apartments requires a relatively long sales period and special marketing measures.

Fairly high and stable demand remains for apartments in the central part between Kr.Valdemāra street and Kalpaka bulvāris, Elizabetes, Eksporta, Hanzas and Dzirnavu streets, which gradually has become an elite part of the city due to the fact that this district houses many reconstructed buildings with embassies and other elite institutions and offices. Properties in this district, irrespective of the rapid growth of prices, has a scarce, however qualitative demand. Whereas, the prices of transactions, in the same way as with the Old Town, are influenced by the circumstance that sellers of these apartments may trade the properties for a longer time. In the same way as in the rest of Riga districts, also in this district a large contrast has been retained between the newly reconstructed and non-reconstructed buildings with populations of different social layers.

Distribution of the centre apartments in price categories also depends on the prestige of location, which is directly associated with the defined price in the market. Price categories in the centre are:

➢*Old Town*

Demand is stable, however, taking into account the high price level, the sale time for large apartments is fairly long. Less demanded are apartments in the direction from Grēcinieku Audēju streets to the railway line, which makes the prices 20-30% lower than in the rest of the Old Town.
The range of price for repaired apartments – 2000 - 3500 EUR/m²
Non-repaired apartments – 1700 - 2300 EUR/m²

➢*Range of Boulevards*

Aspazijas, Raiņa, etc., including Elizabetes (Ausekļa-Rūpniecības-Vidus streets), Antonijas and Alberta streets.
Demand is high, especially for the category up to 150m², the difference of transactions and supply is fairly large and depends on the architectural solution of the given building, its location and technical condition.
Prices of apartments in reconstructed buildings:
Prepared for internal decorations - 1300-1800 EUR/m²
With internal decorations - 1700-2500 EUR/m²
The amounts of individual transactions and prices of offers exceed 3000 EUR/m².
The prices of non-reconstructed buildings are on average 30% lower.

➢*Dzirnavu-Tērbatas-Baznīcas-Skolas streets*

Supply and demand is stable, especially high demand is for larger, non-repaired apartments, which may possibly be functionally divided in smaller ones. Lower prices (especially in the lowest storeys) are for Kr.Barona, Brīvības, A.Čaka and other streets with high traffic intensity, which is connected with noise caused by transport.
Non-repaired apartments – 900-1500 EUR/m²
Repaired apartments – 1300-2100 EUR/m²

➢*The rest of apartments in the centre*

These apartments are characteristic with the highest difference of prices, which is determined by very different locations. Recently the prices have increased in Grīziņkalns district (Valmieras, Lienes, Asara, Pērnavas streets).
Repaired apartments – 800-1400 EUR/m²
Non-repaired apartments – 750-900 EUR/m²

NEW APARTMENTS

In 2004, about 50 new projects with the total area of about 200,000 m² have been put into operation, from them about 30 projects are in Riga with the total area ~135,000 m² and 1400 apartments.

Overall at the end of 2004 for sale 1600 apartments in new projects were offered, but the volume of sales can be assessed as 110 apartments per month. The last year was characteristic of the situation, that upon growth of the number of new projects and their supply, the demand for apartments in the virtual stage decreased, except for projects with high expected quality features and the price respective for such, as well as the cheapest projects of new houses in Riga.

The year 2004 is characteristic with the situation that, upon growth of the level of supply, the supply gets modified and the salesmen offer apartments in three different stages of readiness, with a tendency to offer more and more projects with full interior decorations.

The new apartment projects where apartments are sold with full interior decorations can be divided into two categories:

- ***buildings in the Riga centre (including the silent centre) and other parts of Riga city with high prestige and high prices***(Ģipša fabrika, Nometņu street 32/34, P.Brieža street 11/13, etc.);
- ***buildings outside Riga borders*** (Mārupe, Baloži, Titurga etc.) and buildings with worse layout, disorderly surroundings.

Essential factors in project realization

The range of prices for apartments in new houses depends not only on the location and degree of readiness, but also on the possibility to park a car, safety degree of the building (alarm system, video surveillance, etc.), possibility to install a fireplace, existence of lift, etc. These factors become more and more essential for successful project realization, as the purchasers want not only a new flat, but also a better environment. Sometimes the architectural and functional solutions of new projects do not always comply with the peculiarities of the surrounding environment and the best model of use for the respective land plot.

More and more new buildings offer to solve the car parking problem by establishing a parking lot in the basement floor, which can be purchased together with the apartment. However, the projects located in Riga's periphery still have the parking solution being a closed territory next to the house. There are also project solutions, in which parking of a car is not ensured in the full amount (buildings, which are located in internal yards of the buildings, reconstructed buildings in the Riga centre, or buildings in areas of increased construction intensity, in which the project developers try to increase the total saleable area as far as possible).

The new apartment houses put into operation in 2004 are on average 5 storeys high (2-16 storeys), a lift is built in 40% of the buildings, but several houses with 5-6 storeys have appeared in the market without a lift being built, also in fairly prestigious places in Riga.

An important additional benefit in newly-built apartment houses is the possibility to install a fireplace in a flat (65% of the new buildings put into operation in 2004 have the possibility to build a fireplace) or a fireplace has already been installed. Mainly such possibilities are offered in the top storeys of the buildings.

A part of new housing projects is realized by improving the Soviet-time architectural solutions (series No. 103 and 119), as well as continuing construction in the construction objects started in Soviet times. The projects of such type are mainly placed in the peripheral part of Riga city.

Prices of apartments in newly-built buildings are as follows:

- with black decorations (without partition walls) on average - 650 EUR/m²;
- with white decorations (until cosmetic repairs) 750-1000 EUR/m² (on average 800 EUR/m²)
- with full decorations (also plumbing installed) 850-1200 EUR/m² (on average 900 EUR/m²)
- apartments in exclusive projects (Centre houses, Āgenskalna līča district, Mežaparks, Barona street). The price is mainly determined based on the location, surrounding infrastructure and architectural solutions, less the degree of decorations. Prices are 1800-2700 EUR/m² (on average 2200 EUR/m²)

In 2004, the prices in newly-built apartment projects have grown by 25%. The increases are for the following reasons:

- the total growth of prices for apartments and successful sales so far;
- in the 3rd quarter of 2004, compared to the 3rd quarter of the prior year, construction costs in Latvia grew on average by 8.9%, which is the largest rise in costs since the 3rd quarter of 1998 (data: www.csb.lv);
- sometimes apartments in new houses are bought on speculation to sell them later, thus the new projects almost at once after their sale appear in the second market for a more expensive price;
- exchange rate fluctuations in 2004 (the proportion of EUR/USD at the beginning of the year and at the year-end).

Geography of new projects

In 2004, the new projects were concentrated in those Riga's districts which traditionally have been considered as districts with high demand and high prices Pļavnieki, Purvciems, Teika, Jugla.

Imanta, which so far has had no activities in respect of new housing projects, in 2004 has managed to attract several project developers who in 2005-2008 are planning to build about 1000 apartments - CityZen, Solaris and Vestas Stari, from which the CityZen project could be especially emphasized as one which will be located in a large and green territory.

During the year, one project has also been realized in the Zolitūde district, however overall Pārdaugava - the territory over the river has so far been a less active investment object for the new apartment sector, except for Ziepniekkalns, Šampēteris, Āgenskalns and Mārupe.

Up to now no big projects have been realized in Vecmīlgrāvis and Bolderāja, which can be explained by the low apartment prices in these districts, also Ķengarags over recent years has not managed to get the trust of investors as a perspective district.

In 2004, the most successful projects were the projects on Kalnciema street 98, Burtnieku street 36, Viestura prospekts 75, Nometņu street 32/34, Zolitūdes street 46, P.Brieža street 11/13 and Robežu street 52, which in the best manner have managed to sell the planned apartments. However, it should be noted that practically no new project has attracted the attention of customers so that the apartments would be fully sold in the virtual stage, which is different from the situation in 2003.

Overall the number of transactions in new projects make up 6-8% of the total number of purchase transactions in the city of Riga, and although the total share has grown, currently the impact on the total apartment market is not felt.

New projects in Riga district

The growth of prices in Riga region in 2004 was adequate to the rate of rise in prices in Riga, by retaining the tendencies of year 2003. However, taking into account the comparatively high prices of Riga regions already in 2003, their speed of growth has been lower than for the prices of Riga's apartments some series buildings in Jūrmala (Kauguri) and Ogre.

Prices of apartments in Riga region are still 40-55% of the price in Riga city, except for the largest regional cities whose price range is in the limits from 70-80% of the prices of Riga's apartments (Kauguri, Salaspils, Ogre, Jelgava), however they fluctuate proportionally with the distance from Riga.

The Jūrmala city part Dubulti, which is included in Riga region, and its surroundings still retain the highest prices for standard apartments in the country by more than 10%, exceeding the most expensive prices of Riga's standard apartments.

As in the year 2003 the demand and prices of apartments grew for the apartments outside Riga, in 2004 the Riga region evidenced activities in construction of new apartment houses (Sigulda, Mārupe, Baloži, Titurga, etc.).

New projects

Address	Number of storeys	Number of apartments	Area of apartments	Area of land plot	Sales stage of apartment	Putting into operation	Car parking	Additional benefits	Sales price
Čiekurkalna 4.šķērslīnija, Čiekurkalns	6	47	32-110		white decorations	03.2005.	in the yard		from 470 Ls/m²
Hāpsalas 1/1, Sarkandaugava	7	112	41-118		white decorations	04.2005.	in the yard	lift	350-520 Ls/m²
Viestura prospekts 95, Mežaparks	10	90	31-94	4500	black decorations	07.2005.	multi-level	possibility to install a fireplace, guards	500-620 Ls/m²
Pļavnieku street, Pļavnieki	9	65	49-110		white decorations	05.2005.	underground, in the yard	guards, lift	440 Ls/m²
Āraišu 36 un 38, Teika	7	72	55-147	6300	black decorations	06.2005.	underground, in the yard	terraces, lifts, guards	550-800 Ls/m²
Vecozolu street, Mārupe	3	176	53-130		black decorations	08.2005.	in the yard	little-storey construction, fireplace possible	from 420 Ls/m²
Eksporta street 12, Centre	6	66	38-220	2700	black decorations		next to the house	lift, code key	from 950 Ls/m²
Zentenes street 21, Imanta	7	53	37-200	10000	black decorations, full decorations	05.2005.	in the yard	park, lift, guards	from 500 Ls/m²
Mārkalnes street 3, Jugla	5	70	30-50	4300	full decorations	05.2005.	next to the house		from 435 Ls/m²
Stirnu street, Purvciems	6	53	49-250	6000	white decorations	04.2005.	underground, in the yard	fireplace possible, lift	from 590 Ls/m²
Republikas laukums 3, Centre	9	219	30-209		white decorations	05.2005.	underground	lift	1085-2100 Ls/m²
Ganību dambis 13a, Centre	8	74	34-103		black decorations	2005.	next to the house	guards, fireplace possible, lift	from 450 Ls/m²
Tērbatas street 38, Centre	7	30	45-215	815	black decorations	03.2005.	next to the house	lift, fireplace possible	1200-1750 Ls/m²
Čiekurkalna 2.šķērslīnija, Čiekurkalns	4	58	35-110	5000	white decorations	02.2005.	next to the house		from 425 Ls/m²
Spilves street 21, Iļģuciems	9	72	47-78		white decorations	04.2005.	in the yard	lift	from 400 Ls/m²
Zalves street 39/45, Šampēteris	4	60	67-126	30000	until white decorations	09.2005.	in the yard	fireplace possible, guards,	no 550 Ls/m²
Dumbrāju street 31, Imanta	20	320	40-136		black decorations, full decorations	10.2005.	underground, in the yard	guards, lift, room service	~435 Ls/m²
Anniņmuižas bulvāris, Imanta	17	550	38-180	22000	white decorations, full decorations	10.2007.	underground, overground	guards, lift, parks, frame-building gym in the building and un sauna	527-702 Ls/m²

New projects (continuated)

Address	Number of storeys	Number of apartments	Area of apartments	Area of land plot	Sales stage of apartment	Putting into operation	Car parking	Additional benefits	Sales price
Uzvaras prospekts 17, Titurga	5	139	65-140	9299	until white decorations	06.2005.	in the yard, underground	park	from 400 Ls/m²
Celtnieku street 6a, Salaspils	10	40	61-78		white decorations	04.2005.	in the yard	lift	from 350 Ls/m²
Babītes pagasts, Beberi, Piņķi	3	16	76-183		full decorations	08.2005.	next to the house	fireplace possible	from 600 Ls/m²
O.Kalpaka street 13, Sigulda	4	49	38-150		white decorations, full decorations	10.2005.	underground, next to the house	lift	from 505 Ls/m²
Aizvēji, Baloži, Rīgas raj.	3	68	55-127		finished internal decorations	05.2005.	next to the house	built kitchen	from 540 Ls/m²
E.Melngaiļa street 2, Centre	6	52	70-140		finished internal decorations, until white decorations	03.2005.	underground	fireplace, conditioner, watchman	from 840 Ls/m²
Kr.Barona street 33-35, Centre		10	70-147	2700	white decorations	the end of 2005	underground	guards	from 1404 Ls/m²
Duntes street 28, Sarkandaugava	15	217	30-160		finished internal decorations	07.2006.	pazemes, virszemes	lift, guards, fireplace possible	from 667 Ls/m²
Slokas street 59, Pārdaugava	6	45	40-150		white decorations	11.2005.	pazemes, pagalmā	lift, guards	from 658 Ls/m²
Jelgavas street 63, Torņkalns	6	60	35-105		white decorations	06.2005.	pazemes, virszemes	lift, guards	500 Ls/m²
Vienības gatve 192, Ziepniekkalns	6	150	55-140		pilna iekšājā apdare	Autumn 2005	in the yard	lift	550-590 Ls/m²
Zolitūdes street, Zolitūde	3	18	85-130		black decorations	09.2005.	in the yard		500-550 Ls/m²
Anniņmuižas street 7, Zolitūde	13	71	50-400		white decorations	05.2005	in the yard	lift	from 495 Ls/m²
Zīļu street 17, Baldone	5	30	37-84	5600	white decorations	Autumn 2005	next to the house	code key	from 185 Ls/m²
Zvārtas street 5a, Cēsis	3	24	53-72		white decorations	02.2005.	in the yard		from 250 Ls/m²
Mednieku street 24, Ogre	6	90	67-144		white decorations		underground, next to the house	lift, sauna	from 400 Ls/m²

Apartment market in Zemgale

In 2004, the market activity in Zemgale was high, in places reaching 300 LVL/m². The market activity in this region was determined by the following circumstances:

- industrial and service development in Jelgava and other district centres;
- good access to Riga (for example, the data on the planned construction of a Riga-Jelgava highway);
- comparatively low prices of apartments in the previous reporting period.

The main apartment market in the Zemgale region is Jelgava and its neighboring communities (Ozolnieki). Jelgava can be especially emphasized in 2004 in the Zemgale region among the newly-built apartment houses, which evidences a high range of potential customers for apartments and other living premises.

Another district with high market activity is Tukums, which is determined by the good access both to Riga and the Riga Sea Gulf. However, in respect to construction of new houses Tukums considerably lacks behind Jelgava, so far being able to attract only one large property developer the project "Sandland", Smilšu street 38b, Tukums.

Other communities in Zemgale retain the same price level as the average level of Latvian regions, which is evidenced by small amounts of transactions with living premises, for example in Vecumnieki the transactions are on average 80 LVL/m².

Prices of apartments in Zemgale as of 31.12.2004 (LVL/m²)

	Series No. 103, rural project, special project	"Hrushev"	Pre-war time buildings	New projects
Bauska	190-230	170-210	60-120 (basically wooden buildings)	–
Jelgava	170-300	150-200	60-400	280-320
Dobele	70-135	70-120	–	–
Tukums	185-240	–	80-180	280
Iecava	120-250	120-200	–	280-320 (with decorations)
Vecumnieki	60-100	60-100	–	–
Ozolnieki	180-250	–	–	–

Apartment market in Vidzeme

Vidzeme region is characterised by very large price differences for real estate, which reaches its highest level in the largest communities of Cēsis, Valmiera and Limbaži.

Prices of apartments in district centres and places with higher than average demand are within the limits from 60-400 LVL. A comparatively high price level was evidenced in Cēsis where the prices for standard one-room apartments is within the limits from 8,000-10,000 Ls, slightly cheaper are apartments in Valmiera and Limbaži – accordingly 6500-8000 Ls and 5000-6000 Ls.

Similarly as in Riga, Vidzeme region also has a focus of market activity at the centres of communities, as prices of apartments and demand being proportionally reduced according to the distance from the centre of community.

Prices of apartments per square metre in the largest communities in Vidzeme are within the limits from 120 to 285 LVL, however outside the cities the price difference is larger, with the initial price being ~50 LVL/m².

Prices of apartments in Vidzeme as at 31.12.2004

City	One-room	Two-room	Three-room
Limbaži	5000-6000	8000-10000	10000-13000
Valmiera	6500-8000	8000-12000	12000-20000
Cēsis	8000-10000	10000-12000	15000-16000

Vidzeme region in 2004 started active work in the new apartment house sector, which resulted in the situation that Cēsis offers apartments in new or reconstructed buildings for 240-300 LVL/m². Compared to Riga region, such a price is determined by the following factors:

- small market for standard apartments;
- comparatively low costs of construction labor force in Latvian regions;
- the price of land.

In 2004, in the market of Cēsis 60 new 1-3 room apartments have appeared with "white decorations", of which 65% have been sold as of the end of 2004.

APARTMENT PROJECTS IN VIDZEME AND ZEMGALE

Jelgava, Satiksmes street 35a

96 apartments in a renovated house.
Apartment areas: 32-85 m²
Price: 265 Ls/m²
with "white" interior decorations,
300 Ls/m²
with full interior decorations.

Solveiga Stivriška, ph.: 7365553; 6388677

ARCO REAL ESTATE
NEKUSTAMĀ ĪPAŠUMA BIROJS • REAL ESTATE COMPANY
LATVIJA • IGAUNIJA • LIETUVA

"Līvi" in Cēsis

Līvi, Zvārtas street 5a
24 apartments, 56-82 m²
"White" interior decorations.
Price: from 250 Ls/m²

Liene Rjabkova, ph.: 4122373; 8341513

ARCO REAL ESTATE
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LATVIJA • IGAUNIJA • LIETUVA

Sigulda, O.Kalpaka street 13

Option to choose
the degree of interior decorations
Loggia and terraces,
parking lot in basement level
Price: from 17,040 Ls

Laura Kundziņa, ph.:7365538; 6115530

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Summary on the apartments market

In the same way as 2003, in the last year the demand was mainly for one-room and two-room apartments, however the demand for larger area apartments in housing estates is growing, which has caused a price rise in the reporting period. The demand for one-room apartments is decreasing because the purchase of an apartment is a long-term investment and the customers want to provide themselves with an optimum living area for a longer period of time, thus one-room apartments as an object of demand is mainly retained only for the needs of students and new families.

The main demand in the Centre is comprised of 3 and more room apartments with the area above 80 m², which, irrespective of the comparatively high prices, is considered as a good investment object, taking into account the limited supply.

From standard apartments, mainly the apartments of Series No. 119, 104, 103 and special projects are in demand, as well as apartments in newly-built houses (customers pay attention both to the prestige, as well as the clean and orderly environment).

Based on the analysis of transactions and the demand/supply, the prices of apartments at the end of 2004 were as follows:

Old Town	
Repaired apartments Non-repaired apartments	2000-3500 EUR/m² 1700-2300 EUR/m²
Range of boulevards (reconstructed buildings)	
Prepared for decorations With interior decorations Non-reconstructed buildings	1300-1800 EUR/m² 1700-2500 EUR/m² have on average 30% lower prices.
Dzirnavu-Tērbatas-Baznīcas-Skolas streets	
Repaired apartments Non-repaired apartments	1300-2100 EUR/m² 900-1500 EUR/m²
The rest of Riga's central part	
With interior decorations Without decorations	800-1400 EUR/m² 750-900 EUR/m²
Newly-built apartments in buildings	
With interior decorations Without decorations	700-1100 EUR/m² 550- 1000 EUR/m²
Standard apartments	500- 850 EUR/m²
Buildings with wooden construction in the centre	450-600 EUR/m²
Wooden constructions	300-500 EUR/m²

Apartment building in Mežaparks, Viestura prospekts 75

Apartment building in Pārdaugava, Nometņu iela 32/34

Summary table for prices of standard apartments (the prices are indicated in EUR as at 31.12.2004)

District/series	Series 103				Series 104			Series 602			
	1 ist.	2 ist.	3 ist.	4 ist.	1 ist.	2 ist.	3 ist.	1 ist.	2 ist.	3 ist.	4 ist.
Jugla	21 500	29 500	35 000								
Pļavnieki	22 000	31 000	39 000		26 500	33 000	41 000	20 500	28 000	32 500	38 500
Purvciems	24 500	34 000	40 500		28 000	34 500	42 500	21 500	30 000	35 000	42 000
Mežciems					26 000	34 000	42 000	21 500	28 500	35 500	40 000
Teika	29 000	38 000	51 000								
Vecmīlgrāvis	19 000	25 000	29 000					19 000	28 500	31 500	36 000
Ķengarags								19 000	25 000	29 500	36 500
Bolderāja	17 500	23 500	28 000								
Ziepniekkalns	20 500	27 000	32 000		25 000	31 000	37 000	20 000	29 000	31 500	38 000
Imanta					23 000	31 500	37 500	22 500	28 000	34 000	38 000
Zolitūde					24 500	33 000	37 000				
Āgenskalns	20 000	28 000	38 500								
Iļģuciems											
Ogre	14 000	18 000	23 000					13 000	17 500	20 500	23 000
Jūrmala Kauguri	13 500	19 000	22 000	25 000				13 500	17 500	20 000	23 500
Jūrmal Dubulti	34 000	51 500	62 000								
Salaspils	15 500	21 500	26 500					14 000	20 500	25 000	
Jelgava	9 500	13 000	17 000					9 000	12 000	17 000	19 000

District/series	Series 467				Series 119				Special project		
	1 ist.	2 ist.	3 ist.	4 ist.	1 ist.	2 ist.	3 ist.	4 ist.	1 ist.	2 ist.	3 ist.
Jugla											
Pļavnieki	21 000	27 000	30 000	39 000	27 000	34 500	42 000	48 000			
Purvciems	22 000	33 000	36 000	42 500	28 000	37 000	42 000	51 500			
Mežciems											
Teika									30 000	40 000	60 000
Vecmīlgrāvis	19 000	26 500	31 000	37 000							
Ķengarags	19 000	24 000	29 500	36 000							
Bolderāja											
Ziepniekkalns					26 500	33 000	37 500	44 000			
Imanta	21 500	30 000	35 000	39 000							
Zolitūde					26 500	36 000	41 000	48 000			
Āgenskalns									20 500	29 500	36 000
Iļģuciems	20 000	26 000	34 500	39 000					23 000	33 000	40 000
Ogre											
Jūrmala Kauguri	13 000	18 500	20 000	23 000							
Jūrmala Dubulti											
Salaspils	14 500	20 000	25 000	29 500							
Jelgava		12 000	17 500								

District/series	Lithuanian project			Hrushev time project			Stalin time project			Small family project
	1 ist.	2 ist.	3 ist.	1 ist.	2 ist.	3 ist.	1 ist.	2 ist.	3 ist.	1 ist.
Jugla	20 000	24 000	29 000	19 000	25 000	28 000				17 000
Pļavnieki	20 000	27 000	33 000							19 000
Purvciems	21 000	28 000	34 500	21 500	28 500	29 500				20 000
Mežciems	19 000	28 000	33 000							
Teika				23 000	35 000	41 000	29 000	36 000	48 000	
Vecmīlgrāvis	18 000	24 000	27 000	17 000	22 000	26 000	20 500	28 000	35 000	17 000
Ķengarags	18 000	23 000	28 000	16 000	22 000	27 500				18 000
Bolderāja	15 500	19 500	25 000	14 500	18 500	22 000	18 500	24 500	31 500	15 000
Ziepniekkalns	19 000	23 000	28 000	17 500	22 500	26 500				17 000
Imanta	20 000	26 000	29 000							17 000
Zolitūde										
Āgenskalns	20 000	26 500	33 000	19 000	27 000	33 500				15 000
Iļģuciems	20 000	26 000	30 000	18 500	24 000	28 000				16 500
Ogre				11 000	16 000	20 000				
Jūrmala Kauguri				11 000	15 500	17 500				12 000
Jūrmala,Dubulti	29 000	48 000	59 000	26 000	40 500					
Salaspils	13 500	18 500	25 000							12 500
Jelgava				9 000	12 000	15 500				9 000

Prices of standard apartments in Riga's housing estates and its surroundings (as at January 1, 2005, the prices indicated in EUR)

Jugla

	series 103		Special project		series 602		series 119		series 467		Lithuanian project		Hrushev time proj.		small family project		average	
	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR
1-room	**29 000**	**21 500**	**32 000**	**23 500**							**26 500**	**20 000**	**25 000**	**19 000**	**23 000**	**17 000**	**26 500**	**20 000**
December 2003	*20 000*	*16 000*									*18 000*	*14 500*	*18 000*	*14 500*	*19 000*	*15 000*	*19 000*	*15 000*
2-room	**40 000**	**29 500**	**40 500**	**30 000**							**32 000**	**24 000**	**34 000**	**25 000**			**36 000**	**27 000**
December 2003	*28 000*	*22 500*									*26 000*	*21 000*	*25 000*	*20 000*			*26 500*	*21 000*
3-room	**48 000**	**35 000**	**49 000**	**36 000**							**39 500**	**29 500**	**37 500**	**28 000**			**42 500**	**32 000**
December 2003	*35 000*	*28 000*									*31 000*	*24 500*	*30 000*	*24 000*			*32 000*	*25 500*
4-room																		
December 2003																		

Pļavnieki

	series 103		series 104		series 602		series 119		series 467		Lithuanian project		Hrushev time proj.		small family project		average	
	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR
1-room	**30 000**	**22 000**	**36 000**	**26 500**	**28 000**	**20 500**	**37 000**	**27 000**	**28 500**	**21 000**	**27 000**	**20 000**			**25 500**	**19 000**	**31 000**	**22 500**
December 2003	*22 000*	*17 500*	*25 000*	*20 000*	*20 000*	*16 000*	*25 000*	*20 000*	*21 000*	*16 500*	*19 000*	*15 000*			*18 500*	*15 000*	*21 500*	*17 000*
2-room	**42 000**	**31 000**	**45 000**	**33 000**	**38 000**	**28 000**	**47 000**	**34 500**	**38 500**	**27 000**	**37 000**	**27 000**					**40 000**	**30 000**
December 2003	*33 000*	*26 500*	*35 000*	*28 000*	*28 000*	*22 500*	*35 000*	*28 000*	*28 000*	*22 500*	*26 000*	*20 500*					*31 000*	*25 000*
3-room	**53 000**	**39 000**	**56 000**	**41 000**	**43 500**	**32 500**	**57 000**	**42 000**	**40 000**	**30 000**	**45 000**	**33 000**					**48 000**	**36 000**
December 2003	*38 000*	*30 500*	*42 000*	*33 500*	*32 000*	*25 500*	*39 000*	*31 000*	*33 000*	*26 500*	*30 000*	*24 000*					*35 500*	*28 500*
4-room					**50 500**	**38 000**	**65 000**	**48 000**	**52 000**	**39 000**							**56 000**	**42 000**
December 2003					*38 000*	*30 500*	*46 000*	*37 000*	*39 000*	*31 000*							*41 000*	*33 000*

Purvciems

	series 103		series 104		series 602		series 119		series 467		Lithuanian project		Hrushev time proj.		small family project		average	
	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR
1-room	**33 000**	**24 500**	**38 000**	**28 000**	**29 000**	**21 500**	**38 000**	**28 000**	**30 000**	**22 000**	**29 000**	**21 000**	**29 000**	**21 500**	**26 500**	**20 000**	**32 000**	**23 500**
December 2003	*23 500*	*19 000*	*25 500*	*20 500*	*21 000*	*16 500*	*25 000*	*20 000*	*21 000*	*16 500*	*20 000*	*16 000*	*19 000*	*15 000*	*19 000*	*15 000*	*22 000*	*17 500*
2-room	**46 000**	**34 000**	**47 000**	**34 500**	**40 000**	**30 000**	**50 000**	**37 000**	**45 000**	**33 000**	**37 500**	**28 000**	**38 000**	**28 500**			**43 500**	**32 000**
December 2003	*33 000*	*26 500*	*35 500*	*28 500*	*30 000*	*24 000*	*35 000*	*28 000*	*29 000*	*23 000*	*28 000*	*22 500*	*27 000*	*21 500*			*31 000*	*25 000*
3-room	**55 000**	**40 500**	**58 000**	**42 500**	**46 500**	**35 000**	**57 000**	**42 000**	**49 000**	**36 000**	**47 000**	**34 500**	**40 000**	**29 500**			**49 500**	**37 000**
December 2003	*38 000*	*30 500*	*42 000*	*33 500*	*35 000*	*28 000*	*41 000*	*33 000*	*35 000*	*28 000*	*33 000*	*26 500*	*33 000*	*26 500*			*36 500*	*29 000*
4-room					**57 000**	**42 000**	**70 000**	**51 500**	**58 000**	**42 500**							**61 500**	**45 500**
December 2003					*39 000*	*31 000*	*49 000*	*39 000*	*41 000*	*33 000*							*43 000*	*34 500*

Prices of standard apartments in Riga's housing estates and its surroundings (as at January 1, 2005, the prices indicated in EUR)

Mežciems

	series 103		series 104		series 602		series 119		series 467		Lithuanian project		Hrushev time proj.		small family project		average	
	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR
1-room			35 000	26 000	28 500	21 500					26 000	19 000					29 500	22 000
December 2003			24 000	19 000	19 000	15 000					19 000	15 000					20 500	16 500
2-room			45 500	34 000	39 000	28 500					38 000	28 000					40 500	30 000
December 2003			34 000	27 000	28 000	22 500					27 000	21 500					29 500	23 500
3-room			56 000	42 000	48 000	35 500					45 000	33 000					49 500	37 000
December 2003			38 000	30 500	33 000	26 500					33 000	26 500					34 500	27 500
4-room					54 000	40 000											54 000	40 000
December 2003					36 000	29 000											36 000	29 000

Teika

	series 103		series 104		Special project		Stalin time project		series 467		Lithuanian project		Hrushev time proj.		small family project		average	
	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR
1-room	38 500	29 000			38 500	29 000	40 000	30 000					30 500	23 000			37 500	28 000
December 2003	25 000	20 000			21 000	16 500	30 000	24 000					22 000	17 500			24 500	19 500
2-room	50 500	38 000			48 000	36 000	53 500	40 000					46 500	35 000			49 500	37 000
December 2003	33 000	26 500			30 000	24 000	39 000	31 000					28 000	22 500			32 500	26 000
3-room	68 000	51 000			64 000	48 000	80 000	60 000					54 500	41 000			66 500	50 000
December 2003	45 000	36 000			46 000	37 000	50 000	40 000					38 000	30 500			45 000	36 000
4-room																		
December 2003																		

Vecmīlgrāvis

	series 103		series 104		series 602		Stalin time project		series 467		Lithuanian project		Hrushev time proj.		small family project		average	
	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR
1-room	26 000	19 000			26 000	19 500	28 000	20 500	25 500	19 000	24 000	18 000	22 500	17 000	23 000	17 000	24 500	18 500
December 2003	19 000	15 000			19 000	15 000	18 000	14 500	19 000	15 000	18 000	14 500	16 500	13 000	14 000	11 000	17 500	14 000
2-room	33 500	25 000			38 000	28 500	37 500	28 000	36 000	26 500	32 000	24 000	29 500	22 000			34 000	25 500
December 2003	25 000	20 000			24 000	19 000	21 000	17 000	25 000	20 000	22 000	17 500	20 000	16 000			23 000	18 500
3-room	38 500	29 000			43 000	31 500	46 500	35 000	42 000	31 000	37 000	27 000	35 000	26 000			41 000	30 000
December 2003	31 000	24 500			29 000	23 000	30 000	24 000	30 000	24 000	26 000	21 000	25 000	20 000			28 500	23 000
4-room					49 000	36 000			50 000	37 000							49 500	36 500
December 2003					34 000	27 000			35 000	28 000							34 500	27 500

Prices of standard apartments in Riga's housing estates and its surroundings (as at January 1, 2005, the prices indicated in EUR)

Ķengarags

	series 103		series 104		series 602		series 119		series 467		Lithuanian project		Hrushev time proj.		small family project		average	
	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR
1-room					26 000	19 000			26 000	19 000	24 000	18 000	21 500	16 000	24 000	18 000	24 000	18 000
December 2003					20 000	16 000			19 000	15 000	19 000	15 000	18 000	14 500	18 000	14 500	17 500	14 000
2-room					33 500	25 000			32 000	24 000	30 500	23 000	29 500	22 000			31 500	23 500
December 2003					26 000	20 500			27 000	21 500	24 000	19 000	23 000	18 500			24 500	19 500
3-room					40 000	29 500			40 000	29 500	37 500	28 000	35 000	27 500			38 000	28 500
December 2003					30 000	24 000			32 000	25 500	30 000	24 000	28 000	22 500			29 500	23 500
4-room					50 000	36 500			48 000	36 000							48 000	36 000
December 2003					38 000	30 500			39 000	31 000							38 500	34 500

Bolderāja

	series 103		series 104		series 602		Special project		series 467		Lithuanian project		Hrushev time proj.		small family project		average	
	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR
1-room	24 000	17 500					25 000	18 500			21 000	15 500	20 000	14 500	20 000	15 000	21 500	16 000
December 2003	17 000	13 500					14 000	11 000			17 000	13 500	15 000	12 000	16 000	12 000	15 500	12 500
2-room	32 000	23 500					33 000	24 500			27 000	19 500	25 000	18 500			29 500	21 500
December 2003	22 000	17 500					18 000	14 500			21 000	16 500	19 000	15 000			20 000	16 000
3-room	38 000	28 000					43 000	31 500			34 000	25 000	30 000	22 000			36 500	26 500
December 2003	27 000	21 500					29 000	23 000			24 000	19 000	24 000	19 000			26 000	20 500
4-room	43 000	31 500															43 000	31 500
December 2003																		

Ziepniekkalns

	series 103		series 104		series 602		series 119		series 467		Lithuanian project		Hrushev time proj.		small family project		average	
	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR
1-room	28 000	20 500	33 500	25 000	26 500	20 000	36 000	26 500			25 500	19 000	24 000	17 500	22 500	17 000	28 500	21 000
December 2003	22 000	17 500	23 000	18 500	21 000	16 500	25 000	20 000			19 000	15 000	18 000	14 500	20 000	16 000	21 000	16 500
2-room	37 000	27 000	41 500	31 000	38 500	29 000	44 000	33 000			30 500	23 000	30 500	23 000			36 500	27 500
December 2003	26 000	20 500	35 000	28 000	31 000	24 500	33 000	26 500			25 000	20 000	23 000	18 500			29 000	23 000
3-room	44 000	32 000	50 000	37 000	43 000	31 500	51 000	37 500			37 500	28 000	36 000	26 500			43 500	32 000
December 2003	33 000	26 500	37 000	29 500	34 000	27 000	38 000	30 500			30 000	24 000	28 000	22 500			33 500	26 500
4-room	50 000	36 500			52 000	38 000	58 500	44 000									52 500	39 500
December 2003					40 000	32 000	43 000	34 500									41 500	33 000

Prices of standard apartments in Riga's housing estates and its surroundings
(as at January 1, 2005, the prices indicated in EUR)

Imanta

	series 103		series 104		series 602		series 119		series 467		Lithuanian project		Hrushev time proj.		small family project		average	
	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR
1-room	**29 000**	**21 500**	**31 000**	**23 000**	**30 000**	**22 500**			**29 000**	**21 500**	**26 500**	**20 000**	**24 500**	**18 000**	**23 000**	**17 000**	**27 500**	**20 500**
December 2003			*23 000*	*18 500*	*21 000*	*17 000*			*21 000*	*17 000*	*19 000*	*15 000*			*17 000*	*13 500*	*20 000*	*16 000*
2-room	**40 000**	**29 500**	**43 000**	**31 500**	**37 500**	**28 000**			**41 000**	**30 000**	**35 000**	**26 000**	**31 000**	**22 500**			**38 500**	**28 000**
December 2003			*29 000*	*23 000*	*28 000*	*22 500*			*29 000*	*23 000*	*26 000*	*21 000*					*28 000*	*22 500*
3-room	**49 000**	**36 000**	**51 000**	**37 500**	**45 500**	**34 000**			**46 500**	**35 000**	**39 000**	**29 000**	**36 000**	**26 500**			**44 000**	**33 000**
December 2003			*36 000*	*28 500*	*33 000*	*26 500*			*34 000*	*27 000*	*30 000*	*24 000*					*33 500*	*27 000*
4-room			**55 000**	**40 500**	**50 500**	**38 000**			**52 000**	**39 000**							**52 000**	**39 000**
December 2003					*37 000*	*29 500*			*38 000*	*30 500*							*37 500*	*30 000*

Zolitūde

	series 103		series 104		series 602		series 119		series 467		Lithuanian project		Hrushev time proj.		small family project		average	
	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR
1-room			**33 000**	**24 500**			**36 000**	**26 500**									**34 500**	**25 500**
December 2003			*24 000*	*19 000*			*24 000*	*19 000*									*24 000*	*19 000*
2-room			**45 000**	**33 000**			**49 000**	**36 000**									**47 000**	**34 500**
December 2003			*31 000*	*25 000*			*33 000*	*26 500*									*32 000*	*25 500*
3-room			**49 500**	**37 000**			**54 500**	**41 000**									**52 500**	**39 000**
December 2003			*37 000*	*30 000*			*37 000*	*30 000*									*37 000*	*29 500*
4-room							**64 000**	**48 000**									**64 000**	**48 000**
December 2003							*43 000*	*34 500*									*43 000*	*34 500*

Āgenskalns

	series 103		series 104		series 602		series 119		series 467		Lithuanian project		Hrushev time proj.		small family project		average	
	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR
1-room	**25 000**	**20 000**							**26 000**	**20 500**	**25 000**	**20 000**	**25 500**	**19 000**	**20 000**	**15 000**	**24 000**	**19 000**
December 2003	*22 000*	*16 000*							*23 000*	*17 000*	*21 000*	*15 500*	*18 500*	*13 500*	*14 000*	*10 500*	*19 500*	*14 500*
2-room	**35 000**	**28 000**							**37 000**	**29 500**	**33 000**	**26 500**	**36 000**	**27 000**			**37 500**	**28 000**
December 2003	*30 000*	*22 000*							*34 000*	*25 000*	*25 000*	*18 500*	*25 000*	*18 000*			*28 500*	*21 000*
3-room	**51 500**	**38 500**							**45 000**	**36 000**	**44 000**	**33 000**	**44 500**	**33 500**			**47 500**	**35 500**
December 2003	*35 000*	*25 500*							*40 000*	*29 500*	*33 000*	*24 500*	*30 000*	*22 000*			*35 000*	*25 500*
4-room																		
December 2003																		

Prices of standard apartments in Riga's housing estates and its surroundings (as at January 1, 2005, the prices indicated in EUR)

Iļģuciems

	series 103		series 104		series 602		Special project		series 467		Lithuanian project		Hrushev time proj.		small family project		average	
	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR
1-room	**30 000**	**22 000**					**31 000**	**23 000**	**27 000**	**20 000**	**26 500**	**20 000**	**25 000**	**18 500**	**22 000**	**16 500**	**27 000**	**20 000**
December 2003							*22 000*	*17 500*	*20 000*	*16 000*	*20 000*	*16 000*	*18 000*	*14 500*	*17 000*	*13 500*	*19 500*	*15 500*
2-room	**38 000**	**28 000**					**44 000**	**33 000**	**35 000**	**26 000**	**34 500**	**26 000**	**32 000**	**24 000**			**36 500**	**27 500**
December 2003							*32 000*	*25 500*	*28 000*	*22 500*	*26 000*	*21 000*	*25 000*	*20 000*			*28 000*	*22 500*
3-room	**49 500**	**37 000**					**53 500**	**40 000**	**47 000**	**34 500**	**40 000**	**30 000**	**37 500**	**28 000**			**45 500**	**34 000**
December 2003							*39 000*	*31 500*	*33 000*	*26 500*	*32 000*	*25 500*	*30 000*	*24 000*			*33 500*	*27 000*
4-room									**53 000**	**39 000**							**53 000**	**39 000**
December 2003									*36 000*	*29 000*							*36 000*	*29 000*

Ogre

	series 103		series 104		series 602		series 119		series 467		Lithuanian project		Hrushev time proj.		small family project		average	
	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR
1-room	**18 500**	**14 000**			**17 500**	**13 000**							**14 500**	**11 000**			**16 500**	**12 500**
December 2003	*14 000*	*11 000*			*14 000*	*11 000*							*12 000*	*9 500*			*13 500*	*11 000*
2-room	**24 000**	**18 000**			**24 000**	**17 500**							**22 000**	**16 000**			**22 500**	**17 000**
December 2003	*21 000*	*17 000*			*19 000*	*15 500*							*18 000*	*14 500*			*19 500*	*15 500*
3-room	**31 000**	**23 000**			**28 000**	**20 500**							**27 000**	**20 000**			**28 500**	**21 000**
December 2003	*25 000*	*20 000*			*24 000*	*19 500*							*22 000*	*17 500*			*23 500*	*19 000*
4-room					**31 000**	**23 000**											**30 500**	**23 000**
December 2003					*29 000*	*23 500*											*29 000*	*23 500*

Jūrmala Kauguri

	series 103		series 104		series 602		series 119		series 467		Lithuanian project		Hrushev time proj.		small family project		average	
	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR
1-room	**18 000**	**13 500**			**18 000**	**13 500**			**18 000**	**13 000**			**15 000**	**11 000**	**16 000**	**12 000**	**17 000**	**12 500**
December 2003	*17 000*	*13 500*			*15 000*	*12 000*			*15 000*	*12 000*			*14 000*	*11 000*	*12 500*	*10 000*	*14 500*	*11 500*
2-room	**25 500**	**19 000**			**24 000**	**17 500**			**25 000**	**18 500**			**21 000**	**15 500**			**23 500**	**17 500**
December 2003	*21 000*	*17 000*			*17 000*	*13 500*			*18 000*	*14 500*			*16 000*	*13 000*			*18 000*	*14 500*
3-room	**30 000**	**22 000**			**27 000**	**20 000**			**27 000**	**20 000**			**24 000**	**17 500**			**27 000**	**20 000**
December 2003	*25 000*	*20 000*			*23 000*	*18 500*			*23 000*	*18 500*			*21 000*	*17 000*			*23 000*	*18 500*
4-room	**33 500**	**25 000**			**31 500**	**23 500**			**30 500**	**23 000**							**32 000**	**24 000**
December 2003	*26 000*	*19 000*			*25 000*	*20 000*			*25 000*	*20 000*							*25 500*	*20 000*

Prices of standard apartments in Riga's housing estates and its surroundings (as at January 1, 2005, the prices indicated in EUR)

Jūrmala Dubulti

	series 103		series 104		series 602		series 119		series 467		Lithuanian project		Hrushev time proj.		small family project		average	
	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR
1-room	**45 000**	**34 000**									**39 000**	**29 000**	**34 500**	**26 000**			**39 500**	**29 500**
December 2003	*28 000*	*22 500*									*25 000*	*20 000*	*22 000*	*17 500*			*25 000*	*20 000*
2-room	**70 000**	**51 500**									**65 000**	**48 000**	**55 000**	**40 500**			**63 500**	**46 500**
December 2003	*42 000*	*33 500*									*39 000*	*31 500*	*35 000*	*28 000*			*38 500*	*31 000*
3-room	**84 000**	**62 000**									**80 000**	**59 000**	**69 000**	**52 000**			**78 000**	**57 500**
December 2003	*52 000*	*41 500*									*45 000*	*36 000*					*48 500*	*39 000*
4-room																		
December 2003																		

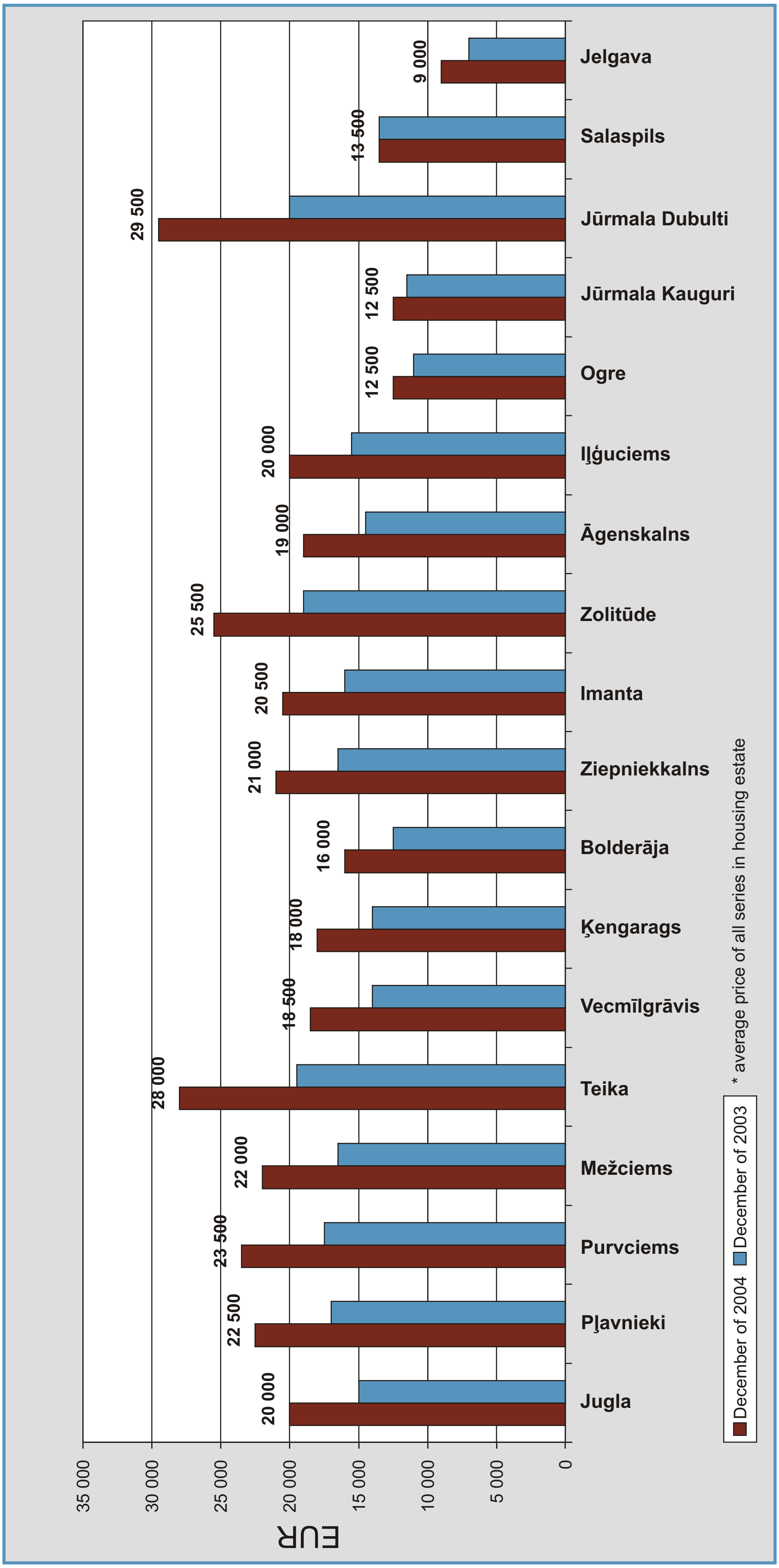
Salaspils

	series 103		series 104		series 602		series 119		series 467		Lithuanian project		Hrushev time proj.		small family project		average	
	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR
1-room	**21 000**	**15 500**			**19 000**	**14 000**			**20 000**	**14 500**	**18 000**	**13 500**	**16 000**	**12 000**	**17 000**	**12 500**	**18 000**	**13 500**
December 2003	*15 000*	*12 000*			*20 000*	*16 000*			*19 000*	*15 500*	*16 000*	*13 000*			*14 000*	*11 000*	*17 000*	*13 500*
2-room	**29 000**	**21 500**			**28 000**	**20 500**			**26 500**	**20 000**	**25 000**	**18 500**	**22 500**	**17 000**			**26 000**	**19 500**
December 2003	*24 000*	*19 500*			*23 000*	*18 500*			*23 000*	*18 500*	*20 000*	*16 000*					*22 500*	*18 000*
3-room	**36 000**	**26 500**			**34 000**	**25 000**			**33 500**	**25 000**	**33 500**	**25 000**					**35 000**	**25 500**
December 2003	*29 000*	*23 500*			*27 000*	*21 500*			*28 000*	*22 500*	*25 000*	*20 000*					*27 500*	*22 000*
4-room									**40 000**	**29 500**							**40 000**	**29 500**
December 2003									*32 000*	*25 500*							*32 000*	*25 500*

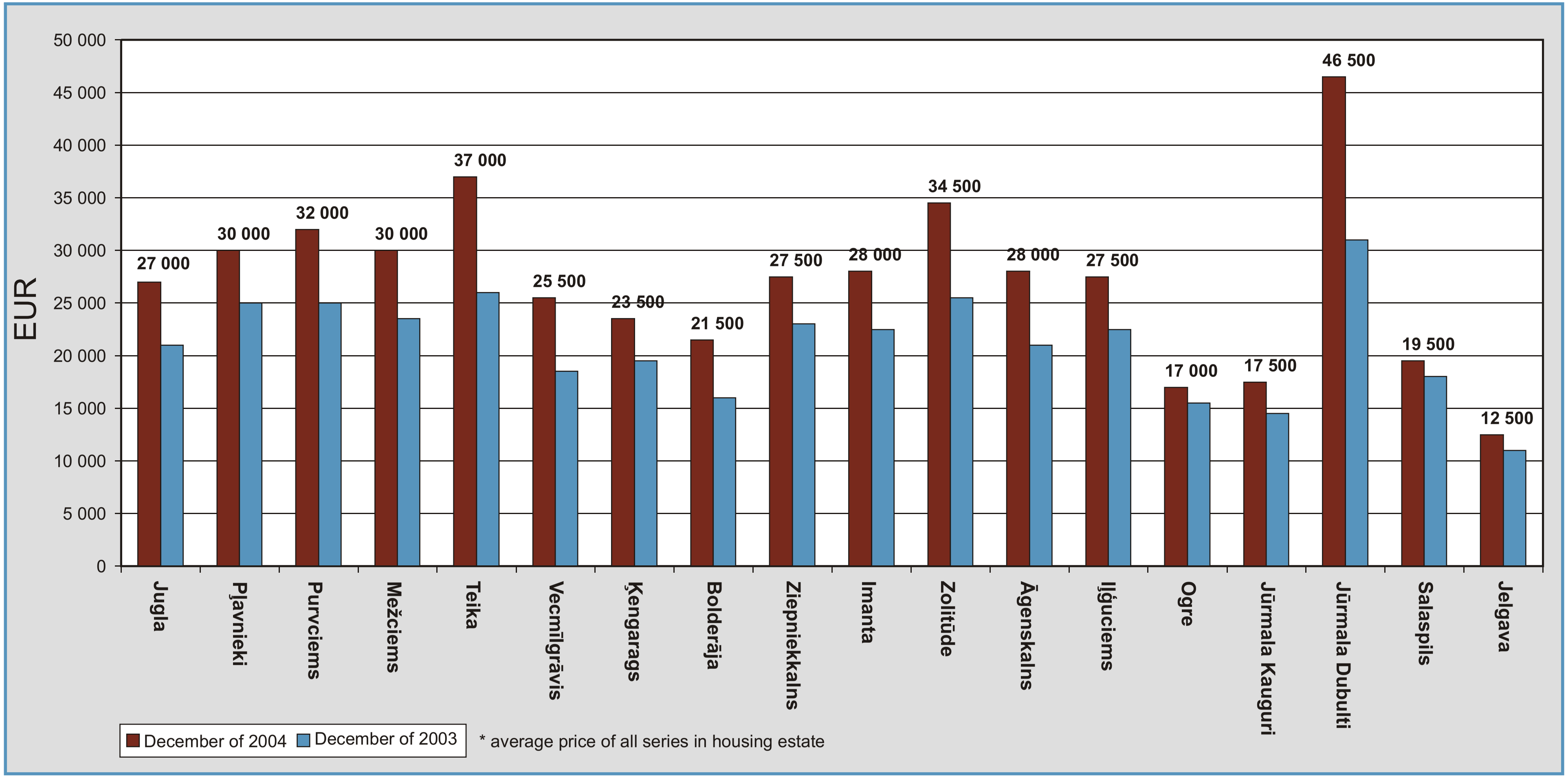
Jelgava

	series 103		series 104		series 602		series 119		series 467		Lithuanian project		Hrushev time proj.		small family project		average	
	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR
1-room	**13 000**	**9 500**			**12 000**	**9 000**			**11 500**	**8 500**			**12 000**	**9 000**	**12 000**	**9 000**	**12 000**	**9 000**
December 2003	*9 000*	*7 000*			*9 000*	*7 000*			*9 000*	*7 000*			*9 000*	*7 000*	*8 000*	*6 500*	*9 000*	*7 000*
2-room	**18 000**	**13 000**			**16 000**	**12 000**			**16 000**	**12 000**			**16 000**	**12 000**			**16 500**	**12 500**
December 2003	*16 000*	*13 000*			*13 000*	*10 500*			*13 500*	*11 000*			*13 000*	*10 500*			*14 000*	*11 000*
3-room	**23 000**	**17 000**			**23 000**	**17 000**			**24 000**	**17 500**			**21 000**	**15 500**			**23 000**	**17 000**
December 2003	*20 000*	*16 000*			*15 000*	*12 000*			*16 000*	*13 000*			*16 000*	*13 000*			*17 000*	*13 500*
4-room					**26 000**	**19 000**											**26 000**	**19 000**
December 2003					*17 000*	*13 500*											*17 000*	*13 500*

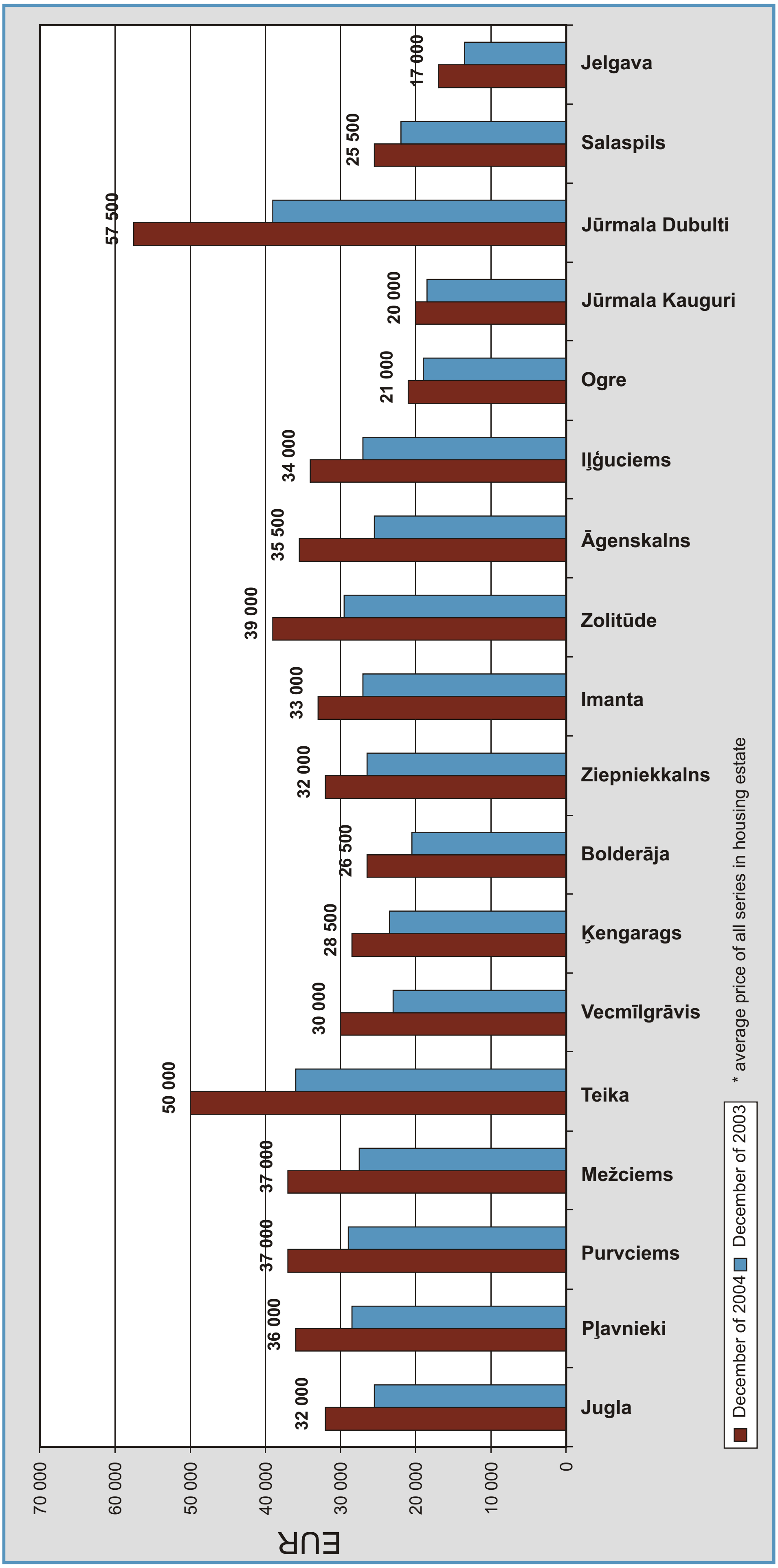
Average prices of 1-room apartments*



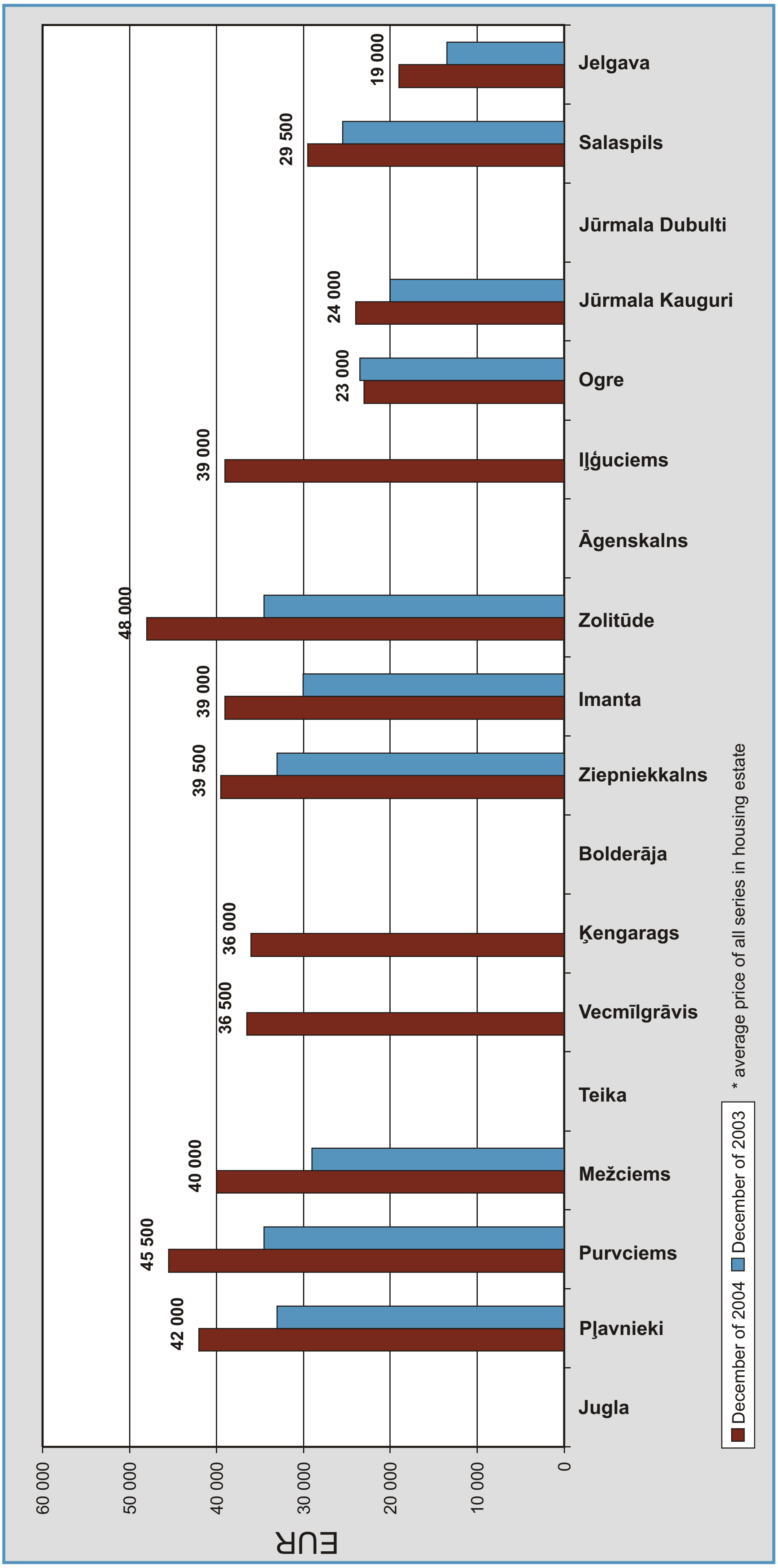
Average prices of 2-room apartments*



Average prices of 3-room apartments*



Average prices of 4-room apartments*



Forecasts for the year 2005
Apartment market

Extract from the market report ARCO REAL ESTATE Real Estate Market Report for 2003. Forecast for 2004:

In 2004 the prices of apartments in the centre will continue to grow, which at year-end could reach the following limits:

- non-repaired apartments - 800-1000$/m²,

- repaired apartments - 1300-1800$/m²

- reconstructed buildings - 1600-2300$/m².

The growth of prices is forecasted also for wooden construction buildings in the centre and Pārdaugava with the following prices:

- non-repaired apartments with partial conveniences - 500 $/m²

- repaired apartments with all conveniences and a usable, orderly yard up to 800 $/m².

The average prices of standard apartments in the most expensive housing estates of the city Purvciems, Pļavnieki, Mežciems, Ziepniekkalns, Zolitūde and Imanta will stabilize around 550-580$/m², which does not exclude growth of some prices, as well as fall of prices in some periods, which will mainly depend on the proportion of supply and demand and appearance of fewer new project apartments in the market.

It is forecasted that the price of one-room and small families' apartments, as well as small two-room Lithuanian series apartments will decrease to the limit of 600$/m². Possible decrease in prices may be seen in Salaspils and Ķekava where the current prices are unreasonably high.

The prices of apartments will grow in housing estates where currently the prices are lower than average, i.e., in Bolderāja, Vecmīlgrāvis, Sarkandaugava and in Jūrmala Kauguri, as well as Jelgava city.

Taking into account the construction solution of buildings, the current technical condition and planning of apartments, we can separate a group of apartments, which are located in the so-called risk group buildings - Lithuanian, series No.602, and especially in Āgenskalns Pines' block houses. The prices of these apartments, which are currently too high, will change and the changes will depend on the information level of possible customers and the good faith of real estate agents. The group of four-room apartments, especially repaired, will also be unstable, where a fall in prices may be caused both by supply of apartments in the centre, as well as supply of new project apartments, but especially - active construction of family houses. The forecasted share of new living house apartments in the share of total apartments in the market might be 5-8%, which in this market sector will not provisionally cause major changes. However, as the prices of apartments in this group of buildings are currently fairly similar, i.e., 400-450 Ls/m², then the competition between individual projects becomes tighter, which will extend the time of sale of apartments, as well as will force the developers of new projects to offer various additional possibilities, as well as offer architectonically more impressive projects.

The forecast from last year has come true in respect to the prices of apartments in Riga, however corrections were made by the proportion of USD/EUR exchange rate, which, having changed 10%, has also changed the prices of apartments in the respective currencies the growth of prices in dollars was higher than forecasted, but after recalculation to euro, the forecasts have been true. Construction of new apartments has not caused changes in the market, as was forecasted.

The forecast growth of apartment prices in Kauguri and Jelgava has not come true where there are features of price stagnation observed for some types of apartments, as well as forecast about the fall of prices for Salaspils and Ķekava, which in the development tendency of 2004 does not materially differ from the total market tendencies.

The forecast about changes in the sale of new houses has come true, and in 2004 the situation of 2003 was not repeated when several projects were sold before beginning their construction. Upon growth of supply, potential customers wait for a certain development stage of the project and only then buy the property, however such a purchase of "virtual projects” has involved mediators who actively work on buying such properties for speculative intentions in order to sell them after complete realization of the project.

In 2005 the prices of apartments will continue to grow 10-15% for the largest part of apartments, which at the year-end could reach the following limits:

Reconstructed buildings in the Old Town	2000-3500 EUR/m²
Reconstructed buildings in the centre and "the silent centre"	
with interior decorations without decorations	2100-3000 EUR/m² 1800-2500 EUR/m²
Riga's central part	
with interior decorations without decorations	1400-2000 EUR/m² 900-1600 EUR/m²
Apartments in newly built buildings	
with interior decorations without decorations	850-1300 EUR/m² 650- 1200 EUR/m²
Standard apartments	600- 950 EUR/m²
Buildings in the centre, of wooden construction	500-700 EUR/m²
Wooden constructions	400-550 EUR/m²

Average prices of standard apartments in the city in the most prestigious housing estates will continue to grow in 2005, however in some housing estates the prices will stabilize (Zolitūde, Pļavnieki, Purvciems and other most expensive districts), which means the growth of their prices according to the overall growth of economics.

A minor fall in prices is possible for apartments with bad planning, in buildings with disorderly co-habited premises and disorderly surroundings. It is expected that customers will engage in transactions by using more available information, which would reduce the number of transactions for unreasonably high prices. Meanwhile, it can be forecasted that the market share of those apartments for which capital repairs have been made will grow in the. In the same way, in respect of new apartment projects, when buying apartments in standard houses some customers will want to move into a new place at once, without making repairs. Whereas, the sellers, who have improved their financial situation, move to private houses, apartments in new living houses or apartments in the centre, which shows a need for prestige and orderly surroundings.

Outside Riga, the growth of prices for living premises is expected to be in direct dependence on the changes in prices for apartments in Riga and in the distance to Riga. Most customers in this apartment market segment are in financially worse situation than those working in Riga, and they cannot afford to buy the same area apartment in Riga' s housing estates.

It is expected that the focus will be on two and three room apartments in housing estates, upon decrease of demand for one room apartments. Possible one room apartment clients (students) cannot afford larger apartments, which is directly associated with rent price of apartments. Mainly small apartments are considered as a provisional place of residence whose validity term is from 2 to 10 years, with rare exceptions.

It is forecasted that new apartment building projects will be started in districts in which so far no activities have been evident, i.e., mainly in the cheap housing estates, which traditionally are Bolderāja, Vecmīlgrāvis and Mežciems, where the growth of prices has been the highest. In the same way, construction of new a project may start in Ķengarags, which, although being the first to start in the new apartment market with the building on Prūšu street 46, already in 2000 remained as an open area for new project developers.

It is forecasted that the share of new apartments in the market will be around 10% of the total apartment market, in 2005 it might impact the prices of standard apartments, especially the prices of the large 3-4 room apartments. Essential impacts on the prices of the rest apartments market segment is not forecasted. The share of those apartments may become higher, which are sold with full interior decorations, as well as architecturally and technically better in their solutions of building constructions.

APARTMENT PROJECTS IN RIGA

"Mārtiņa Nams"

6-story newly-built building
on Slokas street 59
45 apartments with "white" interior decorations. Balconies, terraces, two-level apartments.
Price: from 630 Ls/m²

ARCO REAL ESTATE
NEKUSTAMĀ ĪPAŠUMA BIROJS • REAL ESTATE COMPANY
LATVIJA • IGAUNIJA • LIETUVA

Arnolds Romeiko, ph.: 7365553; 6495599

Eksporta street 12

Reconstructed Stalin-era building.
Wonderful view of the port and the city.
Two-level apartments in the attic floor.
Apartment areas: 55-160 m².
Price: 1400-1800 EUR/m²

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LATVIJA • IGAUNIJA • LIETUVA

Ligita Freimane-Eiduka, ph.: 7365547; 9133886

"Torņakalna Pakavs" on Neretas street 2

Apartment and commercial complex at Salu Bridge.
Apartment areas: from 125 m².
Big windows, wide terraces, modern communications.
Price: from 620 Ls/m² with "white" interior decorations.

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LATVIJA • IGAUNIJA • LIETUVA

Lolita Limbēna, ph.: 7365549; 6442555

Zolitūde district, Anniņmuižas street

107 apartments with full interior decorations. 1-6 room apartments.
Underground parking lot, balconies, terraces.
Price: from 23100 Ls

ARCO REAL ESTATE
NEKUSTAMĀ ĪPAŠUMA BIROJS • REAL ESTATE COMPANY
LATVIJA • IGAUNIJA • LIETUVA

Kristaps Herbsts, ph.: 7365536; 6441044

www.arcorealestate.lv

DZĪVOKĻU PROJEKTI RĪGĀ

Solveiga Stivriška, ph.: 7365553; 6388677

"Strautu Nams"

An exclusive building
with 12 apartments.
Strautu street 52 is a silent and
green area in Dārzciema iela district.
Individual planning for each apartment.
Swimming pool,
fireplaces, guards, closed yard.
Price: from 1200 EUR/m²

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LATVIJA • IGAUNIJA • LIETUVA

Baiba Tētiņa, ph.: 7365536; 6393939

"Albatross" on Katrīnas dambis

In the silent centre,
only 15 minutes walk
from the Old Town.
36 apartments, 47-167 m².
Two-level apartments.
Price: from 1150 EUR/m²

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LATVIJA • IGAUNIJA • LIETUVA

Arnolds Romeiko, ph.: 7365553; 6495599
Viktorija Leibenzone, ph.: 7365550; 8344959

Jugla, Brīvības street 386

3 multi-apartment house complex
in Jugla district. Apartments with
full interior decorations, 32 - 115 m2.
Lift, underground parking lot.
Loggias, balconies, "penthouse"
type apartments with roof terraces.
Price: from 760 Ls/m².

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LATVIJA • IGAUNIJA • LIETUVA

Žans Launags, ph.: 7365548; 9404962

Čiekurkalna Nams

Čiekurkalns, 4.šķērslīnija
Brick building,
with "white" interior decorations.
Apartment areas: 32-100 m².
Silent and green surroundings.
Price: from 470 Ls/m²

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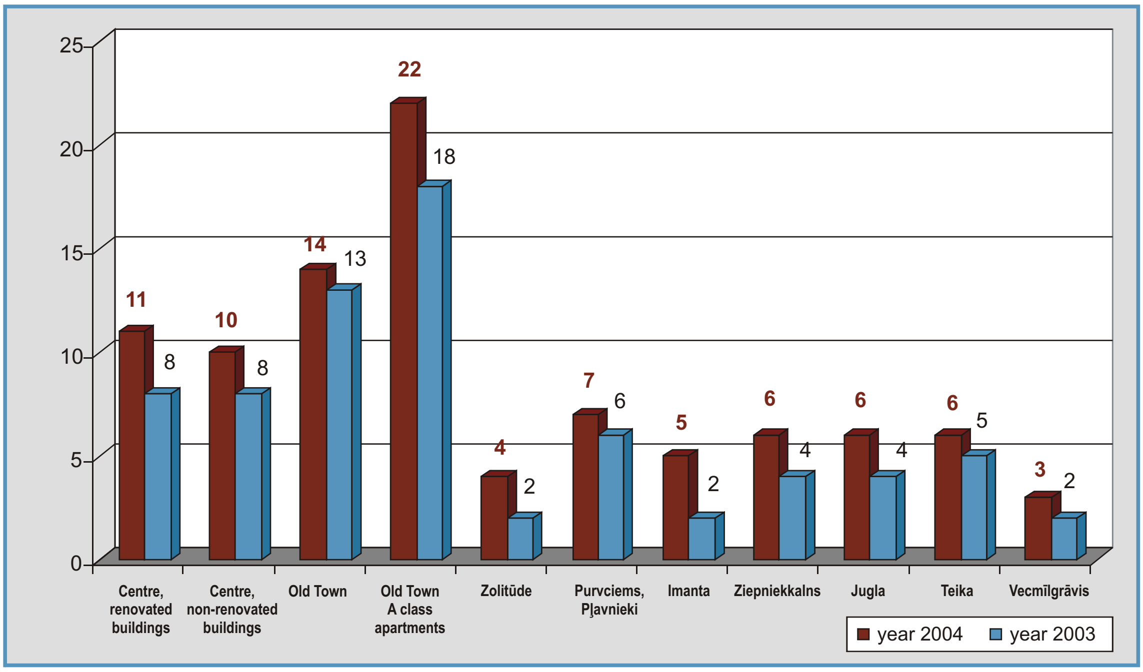
RENT OF LIVING PREMISES

As a result of growth in prices for living premises in 2004, also rent of living premises has increased and it is still at about the same level as loan payments for purchase of such an apartment. Depending on the currency of loan, the client status in the bank and the amount of loan against a mortgage, the rent charge is equal to (+/- 25%) with the monthly loan payment to the bank.

The demand for rented apartments in 2004 has not essentially changed in the same way as previously there is also a seasonal factor evident, especially in the sector of "'cheap" apartments where the largest demand is at the end of the summer and in the autumn, and for the living premises in Jūrmala, including exclusive areas. Just as last year, the main categories of rented apartments can be specified to be as follows:

- ***Small-dimension apartments in housing estates, 1-2 room apartments with partial conveniences in pre-war time houses, also without furniture.*** *All districts close to the centre are on demand, as well as further districts, the amount of the rent payment changes proportionally to the distance from centre. Demand is mainly made up by students, former inhabitants of denationalized houses and nonqualified workers. Rent payment is from 80-140 EUR per month (on average 1.5-5.5 EUR/m²);*
- ***1-3 room apartments in housing estates with furniture, in good condition.*** *The demand for one-room apartments in this category has slightly decreased upon increase of demand for two-room apartments. The most wanted districts are Purvciems, Pļavnieki, Teika and close Pārdaugava. Monthly payment is from 170-350 EUR (on average 4.0-6.5 EUR/m²) ;*
- ***Apartments with furniture with qualitative repairs in partially renovated or fully renovated buildings in the centre of Riga.*** *The demand for this category is influenced by the prestige of location of apartment, decorations of premises and the safety level. Clients look for apartments with furniture, on average large apartments in the area of ~100 m². Monthly rent payment – 500-1100 EUR (on average 7-14 EUR/m²).*
- ***Apartments with furniture in the buildings of Riga's centre with special architecture, or place of location (art nouveau style buildings, buildings in the silent centre).*** *Apartments are characteristic of their exclusivity, special design solutions, historical elements (stoves), etc. Most demanded area ~100 m². Monthly rent payment is 800-2500 EUR (on average 12-22 EUR/m²).*
- ***Apartments in the Old Town.*** *Prices can be compared with the rent prices per square metre of the previous category (silent centre), however the demand is mostly made up of apartments with comparatively small areas of 50-70 m². The demand is impacted both by restrictions in car parking, and the wide possibilities of entertainment in the Old Town, which is connected with the level of noise in apartments. Monthly rent payment is 500-2500 EUR (on average 11-20 EUR/m²).*

Average rent payment for apartments EUR/m²



The amount of rent payment is mainly determined by the degree of facilities in the apartment, prestige of location and accessibility of public transport. In respect of apartments in the Riga centre, the most essential factor is the possibility of car parking, as well as architectural and design solutions. The amount of rent payment in all sectors is determined also by the floor of the building.

The average rent period is 1-3 years, and contrary to demand lessors are not willing to rent their apartments for a short term (1-6 months), which is connected with possible depreciation of furnishings.

The main demand for rental apartments is made up by people for whom it is the first place of residence in Riga (students and workers from other Latvian regions), people who have no resources for the first installment for buying their own apartment and foreigners who come to Latvia on medium and long-term contracts.

Rent of private houses

The demand is mainly made up of houses In Jurmala, Vidzeme sea area and other places which are close to the sea. This demand has a seasonal (rented in the summer) nature, which partially defines the amount of rent payment. Another, comparatively less required category of houses is new and reconstructed houses in Riga and close vicinity of Riga (Garkalne, Ādaži and other rural parishes). The demand in this category is created by well-off local and foreign entrepreneurs and managers who are building their own houses, or are planning their operations in Latvia for a short time.

Demand in Riga is made up of houses or parts of houses in Teika, Mežaparks and other districts with high the real estate prices. There is a characteristic situation that the house is rented only for a short time, but later is sold.

The monthly rent payment of private houses with furniture in 2004 was:

- in Jūrmala (new and reconstructed houses) 1000-2500 EUR/per month
- in Riga
  - new and reconstructed houses 800-2500 EUR/per month
  - Soviet and pre-war houses without repairs: 400-550 EUR/per month
- near the sea 400-550 EUR/per month

The average rent payment per square metre for reconstructed or newly-built houses with furniture is 5-12 EUR/m².

The rent market of private houses also contains comparatively exclusive offers whose monthly rent payment is 5000-8000 EUR, with the average rent payment per square metre being 10-20 EUR/m², however the demand for such type of houses is small

Forecast for the year 2005
Rent of living premises

As the growth in prices was forecasted for practically all types of apartments, then we can also forecast that the rent payment may increase, especially for apartments in the centre whose sales prices have rapidly grown, and a similar growth has not been observed in respect of rent charges (a large part of potential customers of the centre apartments may choose to rent). A fall in demand for favorable crediting tendencies for rent apartments has ceased, as there are no commercial banks appearing in the market with more favorable mortgage crediting terms. However, the market of rented living premises may also be influenced by changes in solving the issues of tenants of denationalized buildings, growth of supply, as well as more new living house projects appearing on the market. However, the impact of these factors might influence the rental market only after the year 2005, when the market reacts at the end of the year. These possible changes would influence only the sector of cheap apartments.

The total growth of rent payments in 2005 may reach 10-12%, but it is forecasted that the growth of rent payments in all districts might be proportionally equal to the current rent prices, an exception being only the Riga centre.

ONE-FAMILY PRIVATE HOUSES

Construction of one-family private houses in 2004 was influenced by the growth of prices for construction materials, as well as costs of work, which in 2004 were the highest since the year 1998. In the 3rd quarter of 2004, compared to the 3rd quarter of 2003, construction costs according to the data of the Central Statistics Office have increased by 8.9%. The impact of this price growth on the prices of private houses market is not major, and in the private house market there is still a situation that outside Riga the value of newly-built private houses is lower than the total construction costs.

At the end of 2004, the supply Riga, Riga district and Jurmala was 900-1200 private living houses, from which ~50% are offered in Riga district, but the distribution between Jūrmala and Rigas city is about the same, with different quality of offers.

Riga district

There are mainly newly-built houses in the supply, or houses which were built in the 90-ties. Pre-war houses are rarely offered, and such houses should be treated separately, as they are offered with considerable areas of land, but their technical condition is poor. In the same way, the supply also contains various sizes of houses in former gardening cooperation territories, which have been transformed to living houses. The price differences in this category are very large - from 10,000 to 100,000 EUR. Stable demand and comparatively high prices exist for gardening cooperation territories in Baloži, Katlakalns, Kalngale and the coastal region in the direction of Saulkrasti. Low demand for such type houses is in the Plakanciems and Tīnūži direction. Prices are determined by different factors: size of related land plots 400-800 m², which is considered as too small, a very disorderly environment and poorly developed infrastructure.

A large part of the supply is made up by private houses built in the 90-ties in the rural parishes close to Riga (Stopiņi, Garkalne, Ādaži, Mārupe) whose areas on average are 160 m², however this category also includes private houses with areas above 500 m², the demand for which is scarce.

Riga

In Riga the supply in the private houses market sector is most diverse, starting from prewar wooden buildings to new and exclusive newly-built houses in Mežaparks whose price exceeds 1 million EUR. Layout of private houses in Riga is very non-uniform and they are located in almost all Riga's housing estates, therefore their classification is possible both according to the location, and the technical condition of the house. In some districts the supply is comparatively scarce, which may fail to give an objective view about the private houses sector, therefore most popular classifications of these houses is exactly according to their technical condition and type of construction.

- The market offers ***pre-war wooden and stone buildings*** whose technical condition and level of conveniences is bad, and the houses of such type are either purchased for demolishing or full reconstruction.
- ***Private houses built from the 50-90ties*** are characterized in Riga city with low prices and the large number of standard project houses. The price level for such types of houses is comparatively low, as their land areas are not large, around 600 m², and the technical solutions used in the houses are functionally and morally obsolete (although some buildings are capital stone buildings whose carrying constructions can be used for reconstruction), as well as their areas are not large - up to 140 m², which can attract only a small part of interest on part of potential customers. Exceptions in this category are private houses with good planning and good technical condition, which are located in districts with high social prestige (Mežaparks, the centre and individual buildings in the near Pārdaugava).
- ***The private houses built in 80-ties and early 90-ties*** are characteristic with large diversity in their architectural and functional planning, and, although the areas of such buildings and land plots are with very high differences, a negative factor is the quality level of the materials used in construction, which is not always proper for modern requirements of functionally and in respect to outlook. Exceptions in this category are individual houses with very good location.
- ***The houses built after the year 2000,*** are characteristic with high, modern quality. This category also includes fully reconstructed formerly built houses in practically all Riga's districts. These houses are characterised by automated management systems, orderly land plots, good quality constructions and decoration materials. Taking into account Riga's layout, the buildings of this category are concentrated in Mežaparks, Ķīpsala, Jugla and Mārupe. In the rest of Riga's districts their share in the total construction is not large. We should especially mark Mežaparks, whose price level is very high, the supply contains houses with prices up to 0.3-0.9 million EUR, for separate offers the price exceeds 1 million EUR.

Jūrmala

In the private house market, Jurmala is characteristic with high supply, stable demand and high prices. Jūrmala is the only place (except for Mežaparks) where the value of buildings in the market considerably (sometimes even several times) exceeds the value of construction costs. Offers consists of prewar buildings, mainly wooden, both reconstructed, and in bad technical condition; also new private houses with very large price differences.

The price of non-reconstructed private houses of this sector is mainly made up by the price of land and level of conveniences (available communications). Large price differences are still observed between both sides of the railway line, especially in the most expensive districts from Bulduri to Asari, where the price of land on the coastal area in the first line is even several times larger than the prices of the respective size land plots behind the railway, on the side of the river.

Jūrmala private houses sector is characteristic of large share of new and reconstructed private houses and currently this sector makes up the main part of supply. These newly-built private houses are characteristic of both Jūrmala traditional architecture, as well as applications of various modern architectural solutions, however, upon growth in supply, the price may possibly be adjusted for some individual types of private houses.

Irrespective of high prices, there is a stable demand, especially in the coastal area.

One-family private houses prices in Jurmala as at 31.12.2004 (in thousand EUR)

	Coastal area	Behind the railway
Lielupe - Majori	210 - 1000	180 - 600
Majori - Asari	250 - 700	150 - 400
Asari	130 - 450	110 - 280
Kauguri, Jaunķemeri	80 - 300	
Sloka	70 - 180	
Ķemeri	50 - 130	

Construction of private houses

Construction costs of private houses at the end of 2004, depending on the construction type were:

Construction type	Low costs (EUR/m²)	High costs (EUR/m²)
Wooden frame	405	505
Log	505	790
Wooden prefabricated constructions	320	360
Light concrete	475	605
Brick stone	590	820
Reinforced concrete	575	690

The type of building constructions is mainly dependent on the value of construction land. Wooden and wooden frame private houses are usually built in places where the price of land does not exceed 15 EUR/m². As the brick, stone, light concrete and reinforced concrete buildings construction is traditionally the most expensive type of construction, construction of such buildings is usually carried out in construction areas with the market value starting from 18-20 EUR/m².

New living house villages

In 2004, the supply of living houses in villages has grown. In such villages customers are offered the possibility to purchase an already ready building in different stages of completion of interior decorations, together with land and inbuilt communications. Construction of such villages is very diverse both in respect to the number of houses, and the size, architectural, technical and other features. In some villages there is also a mixed type of sales there have been possibilities to purchase land with communications, as well as a ready-built private house. Overall at the end of 2004 in the market there were about 30 new private houses villages offered with the total scope of offers 350-450 houses, however it should be taken into account that a part of these village construction areas are sold without houses, and the new owners have the possibility to build a house according to their individual wishes, which essentially differs from the traditional conception of ready private houses villages regarding private houses with some unifying architectonic solutions.

According to the construction conceptions of buildings, the following categories can be separates:

- ***with ready houses*** (Saulīši, Mežmalas, Saliena, Ābeles)
- ***with ready house projects*** (Oši);
- ***with free project selection*** (Ezerkrasti, Mārsili, Liepezers).

Construction of private houses in villages is mainly done using the traditional construction materials i.e., mainly stone houses are being built (mainly light concrete blocks), less wooden frame buildings and log buildings, for example, the village "Meldri" in Sigulda, Ulbroka's "Saulīši" (wooden frame buildings). The houses built in villages are mainly with the area from 100-250 m², with fairly expressive concentration in interval destinations. Also buildings in new projects with 90 and 370 m² large areas are being built and offered.

The prices of private houses in new villages in Riga and Riga region at the end of 2004 were in the range from 75,000 to 250,000 EUR, however in some projects the price of private houses exceeds the 500 thousand euro limit. It is characteristic that private houses villages are mainly built in places where the value of land with communications is 20-30 EUR/m², and respectively larger or lower value for the very building, i.e., on cheaper land plots cheaper buildings are built, and vice versa. The average price at the end of 2004 for a fully completed private building of 200 m² with the land plot of 1500 m² in a village was ~150,000 EUR.

Categories of private houses

Having analyzed the supply and the transactions made in the real estate market in the private houses sector, as at the end of 2004 it is possible to separate the following categories of private houses:

- ***Private houses with bad technical condition*** (to be reconstructed or disassembled). This category is characteristic of location in a densely built construction zone, in districts with already existing infrastructure. The main part of value for houses of this category is made up by the land with the available communications. In the same way as in 2003, also in the reporting period the demand for such types of buildings was small and changes in prices of this category of private houses is more related to changes in land prices for individual construction in the respective district. Depending on the location such building prices are within the limits from 45,000 to 75,000 EUR.

- ***Small (up to 100 m²) buildings,*** mainly built in the 50-60ties, placed in Purvciems, Pļavnieki, Mežciems, Zolitūde and Mārupe. They are characteristic with simple decorations, necessity to make some repair works and bad technical condition of communications. Supply in this category is small and average prices are within the limits from 65,000 to 80,000 EUR, irrespective of the small qualitative supply.

- ***Prefabricated construction*** (of factory components) houses. In this category supply in 2004 has developed in an even more diverse manner, and construction of such houses has also developed also within new private house villages. The buildings of this category with interior decorations and land are offered in the market for a price within the limits from 70,000 to 150,000 EUR.

- ***Newly-built private houses in the area up to 200m².*** These houses are characteristic of good quality constructions and decoration materials, up-to-date functional solutions and a very large diversity of architectural solutions. Locations are in all Riga's districts, however mainly placed in Jugla, Mārupe, Mežciems, Babīte and rural parishes close to Riga. The price level is influenced exactly by the location, at the end of 2004 this price level was from 130,000 to 200,000 EUR.

- ***Newly-built buildings in private house villages.*** The demand for such type of houses, in the same manner as previously, is determined by the search of potential customers for orderly surroundings, similar social layer of neighbors, as well as higher safety of environment. Supply in 2004 has increased and under its influence no major changes in prices have been observed. Average prices of private houses in new projects were from 120,000 to 220,000 EUR.
- ***Exclusive project houses with large areas and good location.*** Mainly located in Mežaparks and Ķīpsala, however some are also available in the Imanta direction. The prices start from 280,000 EUR.

Forecasts for 2005
Living houses

Extract from the market report ARCO REAL ESTATE Real Estate Market Report for 2003:

"The section of one-family houses in the market will rapidly develop. Three main directions of forecasted development are as follows:

- *purchase of old construction objects for the purposes of reconstruction in the limits of the city - Āgenskalns, Mārupe, Mežciems, Iļģuciems and Imanta;*
- *Sale of comparatively "cheap" houses with fully complete interior decorations (price category 90,000 $ - 120,000 $) in villages with high infrastructures and level of conveniences;*
- *Sale of comparatively expensive buildings (prices category 150,000 $ - 270,000 $) in villages with beautiful scenery in places with highly developed infrastructure and level of conveniences.*

Possible changes in prices are connected only with the growth of land prices and overall they might be in the limits of 12-25%."

The forecast for 2004 has come true and there have not been any substantial changes in prices in almost any individual sectors of living houses. An exception might be only Mežaparks and Jūrmala, where the rise in prices has been considerable, however such rise in prices is connected only with the limited supply of land in the respective part of the city. In the rest of Riga and Riga regional districts there is a tendency of price stabilization, even irrespective of the growth of high construction costs in 2004.

In 2005 a comparatively small growth of prices is forecasted (10-15%) for private houses in all categories. The main reason is the further rise of construction costs and further increase in land prices depending on the location.

In 2005, several larger, mainly cheap private house villages are forecasted in the market whose price categories would be in the limits from 70,000 to 90,000 EUR. In the same way, it is expected that villages might be sold with several uniform details in their architecture because so far in this respect several villages sold had conspicuous differences between the neighboring private houses and there was no unifying village conception.

The demand for private houses in 2005 will have a tendency to increase, which is connected with further increase of prices for apartments in Riga, which will ensure dynamic development of the private house market sector.

Living house village "Lielpriedes"

VILLAGE PROJECTS

"Cīruļu Nami" in Cēsis, Atpūtas street

4 private houses with
 "white" decorations,
Houses: 169 and 192.5 m², land: 1166-1202 m².
Price: from 305 Ls/m².

Liene Rjabkova, ph.: 4122373; 8341513

Row apartment houses in Tīraine

6 row houses. Modern and functional houses only 12 km from the centre of Rīga.
Area of houses: 194 m².
Prices: from 98760 Ls.

Lolita Limbēna, ph.: 7365549; 6442555

"Mākoņu brīvdienas"

10 modern and exclusive holiday houses in Liepāja district, Saka rural parish, 300 m distance from the Baltic Sea coast.
The houses are built in the modern style.
Meant for modern and active people who like combining all modern conveniences with the beauty and primitive character of nature, ecologically clean environment and active leisure at the sea and nature.
Houses: 100 m², land: 3700 m²
Price: from 170000 EUR

Mārtiņš Ūdris, ph.: 7365552; 8356557

www.arcorealestate.lv

VILLAGE PROJECTS

Lolita Limbēna, ph.: 7365549; 6442555

"Jaunais Baltezers" in Ādaži

42 house village
in forest surroundings,
10 minute drive from Riga.
300 m from VIA Baltica road
area between Baltezers and Ādaži.
Houses with finished
interior decorations,
warm heated floors
in the ground floor,
roof windows on the first floor.
All city communications,
street lighting, Junkers gas boiler.
Closed garage of 22 m².
Buildings: 186 m²,
land from 1200 - 1671 m².
Price: from 79000 Ls

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Edgars Lasevičs, ph.: 7365543; 6190123

"Ainavas"

Twin houses and private houses.
In a beautiful place,
in forest surroundings at the Riga road.
All city communications.
House areas: 180-250 m².
Land: 784-1600 m².
Price: from 400 Ls/m²
with "white" interior decorations.

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Edgars Lasevičs, ph.: 7365543; 6190123

"Silarāji" in Babīte rural parish near town of Piņķi

Up-to-date private house village
between Riga and Jūrmala.
Houses with full interior
decorations, 168-234 m².
Land: 1045 - 2,581 m².
Price: from 93700 Ls.

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LAND PROPERTIES FOR CONSTRUCTION OF ONE-FAMILY BUILDINGS

In 2004 there was a stable demand and supply in the land market, which ensured a respective growth in prices. This real estate market sector may be considered as the most stable, and also in the future no essential changes in prices for lands in this sector in the market are expected, i.e., the relation between supply and demand will ensure a sustainable, however small growth in prices for the largest part of properties in this sector.

In Riga city, the growth was evidenced for all types of land properties, including lands for construction of private houses. The growth of prices in almost all territories being in demand in Riga for construction of private houses was compliant with the general market tendencies ensuring stable growth. The growth of prices in many places is connected with the insufficient supply in the respective district, which is impressively manifested by Mežaparks, which, being separated on all sides, is not able to offer proper free land plots according to the demand in the market, thus in 2004 the average value of land per square metre in this district exceeded the limit of 150 EUR, and in some cases it reached even 300 EUR/m², as the supply is very scarce. In the same way as in the year 2003, several large, construction-free land areas, contrary to the forecasts, have not entered the land market, which is connected with processes of privatization, denationalization and court litigation.

Similarly as in 2003, Ķīpsala is considered to be a region with high land prices, which is determined by two main factors the scarce supply and uncertainties around future construction conception of Ķīpsala, i.e., there is no unified understanding about development of Ķīpsala and the adjustments in prices arising therefrom. Prices in this district have reached the limit of 150 EUR/m², however the price of some individual offers per square has reached also 1000 EUR/m² for land areas whose usage is meant for commercial construction (apartment houses or line houses), however, taking into account the overall market tendencies, such a price can be considered as early.

Land in Riga city

In Riga the main demand or district where demand for land of private houses is topical is in Pārdaugava, in the Mārupe direction, Šampēteris, Ziepniekkalns' direction, as well as other districts. Land plots meant for construction of individual private houses are mainly separated from larger, previously agricultural land plots in Riga districts, however in some places they are obtained by transforming production or similar territories, as it was noted already in 2003. The demand is ensured by the developed infrastructure of such land plots availability of communications, existence of streets, etc. Land prices for private construction in these places are ~ 35 EUR/m² with price differentiation from 25 to 60 EUR/m².

Supply is evident also on the right side of the river Daugavas - Mežciems, Purvciems, Pļavnieki, Jugla, as well as Ķengarags' further end at Rumbula. In these places the land plots are obtained by dividing larger land properties, as well as construction in former gardening territories, although the share of such market transactions against the total market is small. The lands planned for private house construction in these territories cost 18-40 EUR/m². Taking into account the total market tendencies, a more rapid development of land market is expected in the Mežciems-Dreiliņi direction, which, although due to the division of land into smaller parcels was already considered as active in 2003, in the reporting period was not especially in demand due to disorderly infrastructure because this district, although having high potential supply, has not gained a particularly stable place in respect to prestige in the eyes of potential customers.

Lands in Riga surroundings

An active part in this market segment traditionally may be considered the private houses construction district close to Riga in Mārupe, Piņķi and Ķekava direction. The changes in demand/supply are also observed in Garkalne and Ādaži direction, which more and more have managed to attract the attention of organized land developers by offering a large part of new village projects in these directions, including also construction parcels for construction of individual houses. Also the Olaine direction for the private houses land market is deemed to be an active area. Overall in this sector two main land categories for private house construction can be separated:

- ***Land properties in places with well developed infrastructure, close to the existing construction and communication links.*** Prices for this category at the end of 2004 were 18-35 EUR/m².
- ***Divided agricultural or other usage lands, with weak infrastructure and disorderly surroundings.*** The price category is 10-18 EUR/m².

Among divided agricultural lands in the market in 2004, there is a stable growth in prices, especially in places with better developed infrastructure. Upon growth of supply in land areas, which have been created by dividing the lands for agricultural, forest or other use, the following price categories depending on the location (1200-2500 m² for large land plots) can be divided:

- Jaunmārupe 8 - 12 EUR/m²
- Babīte 12 - 35 EUR/m²
- Stopiņi 10 - 20 EUR/m²
- Jaunolaine direction 5 - 15 EUR/m²
- Rāmava 12 - 22 EUR/m²
- Ulbroka 7 - 24 EUR/m²
- Ādaži 10 - 27 EUR/m²
- Garkalne 12 - 30 EUR/m²
- Mārupe 15 - 45 EUR/m²
- Ķekava 12 - 24 EUR/m²

Lands in Jurmala

In the same way as in the year 2003, also in the reporting period there was a growth of prices for land planned for private house construction. At the end of 2004 the price per square metre in Jurmala in most expensive places (next to dunes) was 350 EUR/m2.

The price for land planned for private house construction, in the same manner as before, was mainly determined by the possible types of usage of land, which depend on the size land plot, possible intensity of construction, communications, etc.

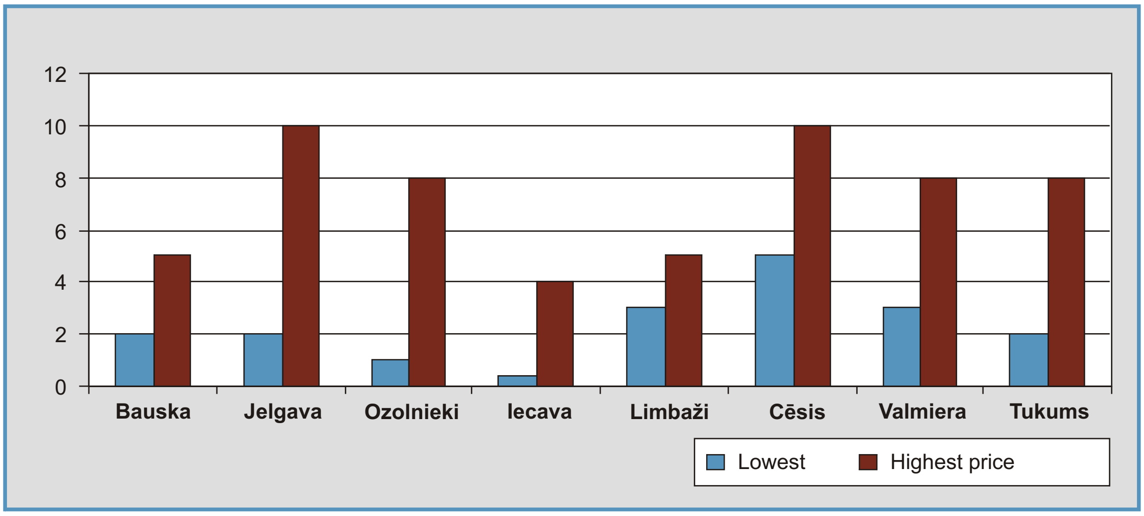
Changes in prices are also observed in those places which can be considered as comparatively cheaper, and at the end of 2004 the land prices in Jurmala were as follows:

At the sea:
Lielupe-Melluži 180-350 EUR/m²;
Melluži-Asari 150-250 EUR/m²
Asari - Kauguri 80-150 EUR/m²
Other places:
Kauguri 25-45 EUR/m²
Sloka 18-25 EUR/m²
Asari-Vaivari between the railway and the river Lielupe – 25-45 EUR/m²;

Lands in Latvian regions

Growth in land prices was evident not only in Riga and, Riga district, but also in Latvian regions, from which most active lands planned for private house construction in the market were Zemgale and Vidzeme. The price level for lands of this sector is mainly dependent on the distance from Riga, however also in the Latvian regional centres there is a growth of prices for lands planned for private house construction, which is connected with the local demand. The prices of construction areas are very different within the same community, which is connected both with the level of development of communications and infrastructure in the respective location, as well as the scenery and main types of land use in the surrounding areas.

Land property prices at the end of 2004 in Latvian regions (LVL/m²)



Forecasts for 2005
Land properties for construction of living houses

Extract from the market report ARCO REAL ESTATE Real Estate Market Report for 2003:

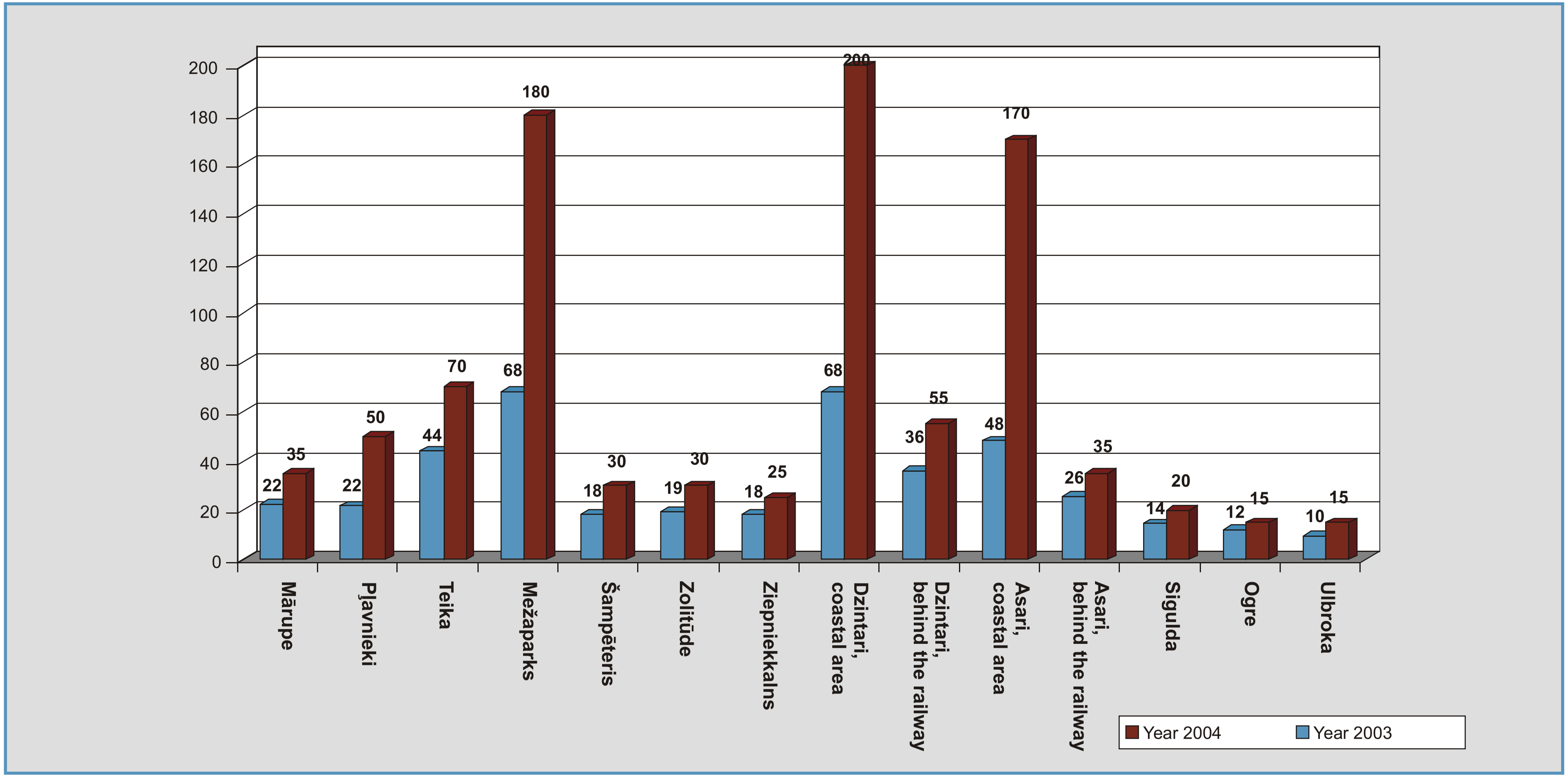
"The development of land market section is forecasted as a stable growth. The prices of land properties will grow both for land in the cities, as well as in villages and rural territories. Speed of price growth depends on the current level of prices, for example, the prices of currently expensive land plots in Mežaparks, Ķīpsala, the central part of Jūrmala and close to the lakes will grow in the limits of 15-20%. Whereas, the prices of individual land plots, which are currently low (Mārupe, Katlakalns, Jūrmala suburbs), will grow more rapidly. Here the growth of prices could be in the limits of 20-40%."

The forecast for 2004 has come true in respect to the largest part of land meant for private construction, however in some places the growth of prices has been higher than forecasted, especially in places where the prices have already been high, i.e., in Riga centre and places of high prestige.

In 2005 a small growth of prices is forecasted, but a stable growth of prices for all types of land properties for private house construction, however price corrections are possible for former agricultural lands, which currently are in the division stage, as the total number of these lands in Riga region, as well as in close vicinity of the Latvian largest communities may exceed the demand.

The total average growth of prices in 2005 for lands of this sector is forecasted to be in the limits 10-15%, however in some locations more rapid changes in prices are possible.

Average prices for land for one-family house construction (area: 1500m²), EUR/m²



VILLAGE PROJECTS

"Mārsili" on lakeside of lake Mazais Baltezers

2.5 km from
the VIA Baltic highway.
Pine forest, closeness of lake
and freedom of choice!
Land with fully installed
engineering communications
and roads.
Price: from 35-53 EUR/m².

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LATVIJA • IGAUNIJA • LIETUVA

Guntars Leons, ph.: 7365543; 9190958

"Gundegas"

A living house village in
the rural parish Babīte.
Land is sold with engineering
communications.
Area of land plots: 1400 - 2100 m².
Price: 28 EUR /m².

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Mārtiņš Ūdris, ph.: 7365552; 8356557

"Vikingi"

2 km from the main highway
A1: Riga - Tallinn.
16 construction lots, provided with
engineering communications.
Areas: 1389 - 3506 m².
Price: from 32 - 37 EUR/m².

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Mārtiņš Bērziņš, ph.: 7365546; 9336627

AGRICULTURAL LANDS

The year 2004 in Latvia was characteristic with high demand for agricultural lands in the first half of the year and a relatively lower demand in the second half, especially in the vicinity of large communities, which in the future might be transformed to lands for individual construction. The prices grew by 20% until June, but later they actually did not increase, or in some places event slightly decreased, especially in respect of divided lands. Purchase of land, in the same way as in the previous reporting year, consists of the following categories:

➢ ***Land for leisure purposes***

This category of agricultural lands has the highest demand. It is characteristic of small areas (1-10 hectares), scenery, good active leisure options (in vicinity of water basins). Lands are placed along water basins, coastal territory, next to largest lakes. Especially high demand was retained in similar directions as in 2003, i.e., in Usma and Rāzna lakes vicinity, on the banks of rivers Abava, Venta, Ogre and Gauja.

The price level for small area plots (1-10 hectares) starts from 2000 EUR/ha, for most expensive land plots reaching even 15,000 EUR/ha. The price of a land plot depends on the distance to Riga and access possibilities (road infrastructures). In Vidzeme, the price range for such type of lands is on average 3,000 - 5,000 EUR/ha.

➢ ***Land for agricultural needs***

The demand has been retained as fairly small. The largest demand is mainly for Zemgale low land (Bauska, Dobele, Jelgava, Riga and Tukums districts). Most demanded are on average large areas from 20 to 100 hectares. The price level in these districts reaches 700-2000 EUR/ha, however in some places, taking into account the small demand, the prices may also be lower. In Vidzeme the price level is on average 350-800 EUR/ha.

➢ ***Lands for forestry needs***

When purchasing agricultural land together with forest land, the purpose is felling of forest area. The price level is determined by value of forest felling unit, place of location and access possibilities. At the end of 2004 the price for lands of this category was similar to the year 2003 800-3000 EUR/ha. Forest land areas at the end of 2004 were sold for the price starting from 80 EUR/ha.

➢ ***Purchase of land for speculative purposes***

Similarly as in the year 2003, also in the reporting period the main determining factor for purchase of land was not its location, but the areas being on demand starting from 100 ha, thus also limiting the supply, which for such areas is small. The price level starts from 150 EUR/ha.

Forecast for 2005
Agricultural lands

Extract from the market report ARCO REAL ESTATE Real Estate Market Report for 2003. Forecast for 2004:

"The prices for agricultural lands will increase in all the mentioned categories, speed of rise in prices depends on the current price, more rapid growth will be experienced for the price of currently cheap land areas. Its growth might be 50-100% and can reach on average level of 300Ls/ha in Latvia.

Slower speed of growth is forecasted for lands in close vicinity of the sea and waters where the current price is high, the growth of prices in this section will be about 15-20%."

The forecast about the 300 Ls/ha level has come true. In respect of lands in the coastal areas and other waters the situation is that the growth has not been uniform, in some places exceeding the forecasted limit of 15-20%.

In 2005 it is expected that the growth of prices for some individual lands of this sector might be similar as in 2004, ensuring the rate of growth of 15-20%.

The growth of prices refers exactly to agricultural land areas of 20-100 ha. The prices of this sector in the long-term might move forward to the average market prices of this sector in Europe, which has especially become topical after Latvia's enrollment to the European Union and availability of various subsidies and other support payments and programs to farmers. Meanwhile, a development promoting factor is the low average income level; in Latvian regions, especially for those employed in agriculture, which allows agricultural companies to compete in some agricultural companies to compete in some agricultural products market sectors with the produce manufactured by other European Union member countries. Under the influence of the same motivation and long-term forecasts it is expected to also have a stable demand for large areas whose purchase has a speculative nature.

The demand is expected for lands with beautiful scenery with supplied electricity communications and roads, as well as lands with large household plots for making farms (1-2 ha).

Whereas, the demand may decrease for divided lands with small areas (1000-2000 m²) in newly-established villages.

LAND PROPERTIES FOR COMMERCIAL CONSTRUCTION
(for construction of production buildings, apartment houses and public buildings)

This land sector is characteristic of price instability, however in 2004 the demand for lands of this category was stable. Taking into account the comparatively narrow specifics of this market sector, the number of transactions has a small share against the total real estate transactions.

The main demand and supply for commercial construction lands is concentrated in Riga and close vicinity where construction of this sector is especially dense, therefore the layout of land historically is in the following territories:

- In the central part of Riga, the territory around railway at Landtāni and Brasa railway stations. It is characteristic of high market activity and dense construction for production purposes;
- The territory around the railway in Ogre direction (around Jāņavārti, Daugmale, Šķirotava railway stations, Krustpils and Rencēnu streets). It is characteristic of scarce construction and more often the land plots enter into the market without buildings;
- Sarkandaugava, the direction from the centre (Skanstes and Hanzas streets). The historical production territory. Includes also Riga Free Port territory and currently already prestigious part between Skanstes, Hanzas streets and Ganību dambis.
- Pārdaugava Mūkusalas street, Bolderāja, Free Port territory, etc.

The lands of this sector may be divided into the following categories:

- ***Lands with existing production buildings in the central part of Riga and places with good access and high traffic intensity.*** Such properties after their purchase are mainly transformed, the buildings reconstructed by adapting them to commercial construction, the largest part being exactly for trading purposes and wholesale. Characteristic examples are the largest trade centres ("Alfa", "Domina", etc.), and in these cases the largest value of transaction was determined exactly by the value of land. The price level for this category is on average 100-300 EUR/m². A part of the price is also made up by the value of buildings.
- ***Lands for production purposes.*** This sector is characteristic of very different locals, mainly in the vicinity of railway lines, however, taking into account the speed of production development in Latvia and their specific nature, the demand for such lands is small. The most characteristic location are Krustpils, Granīta, Maskavas streets and Ganību dambis. This category is characterized with large areas. The lands for production purposes are on average purchased for a price which does not exceed 20 EUR/m², in vicinity to the centre the transaction amounts in some individual cases exceed also 200 EUR/m². These transactions however can be characterized with fairly small land areas.
- ***Lands with production buildings in bad technical condition in Riga city outside the centre.*** This category lands are characteristic of technically very depreciated production buildings or buildings, which have a low constructions coefficient, and are mainly purchased for demolishing. Prices: 3-150 EUR/m².
- ***Land plots for construction of office or apartment buildings.*** This category lands have a fairly large supply in housing estates. The quality of supply is very different, which is determined by placement of such construction plots in Riga and the former type of usage. The price level: 10-500 EUR/m².
- ***Land plots between the existing apartment buildings in housing estates.*** This category lands have very high risks, which is connected with their possible usage because often the population of surrounding houses have a negative attitude which results in new purposes of use of such lands not being agreed to.

It should be concluded that the commercial construction lands sector also in 2004 was with the largest price difference, as well as with the most unstable prices. Overall the growth of prices has been observed, however, taking into account the comparatively small number of transactions, we can conclude that the level of prices was more determined by changes in prices for lands of other categories in the reporting year, rather than a considerable difference between demand and supply. Overall this market can be assessed as stable, which refers to the general tendencies, however, taking into account the supply, the growth in prices has a relatively slow rate, although some individual transactions in strategically beneficial locations might be evidence to the contrary.

Zemgale and Vidzeme

In Latvian regions, the changes in prices of land sector were mainly connected with municipal development plans and use of the EU funds money. In 2004 there was a growth in number of transactions for construction of industrial objects and apartment houses (Cēsis, Jelgava).

Most active land market for construction of production objects was in Jelgava district and neighboring districts by reaching the following price level:

– in Jelgava 2-12 Ls/m²;

– in Bauska 2-16 Ls/m²;

– in Tukums 4-10 Ls/m².

Forecast for 2005
Land properties for construction of production and public buildings

Extract from the market report ARCO REAL ESTATE Real Estate Market Report for 2003. Forecast for 2004:

"In the forthcoming years most rapid growth will be experienced for prices of properties being close to the Riga centre. The change of functions of such properties will continue, especially around the main roads of the city. Construction of new production objects and movement of the existing companies will take place to the territories of Riga Free Port and the rural parishes around Riga.

The growth of prices on average around 10-15 % is forecasted for properties around the main roads, the growth of prices up to 30% - for properties, which are bordering with the city streets."

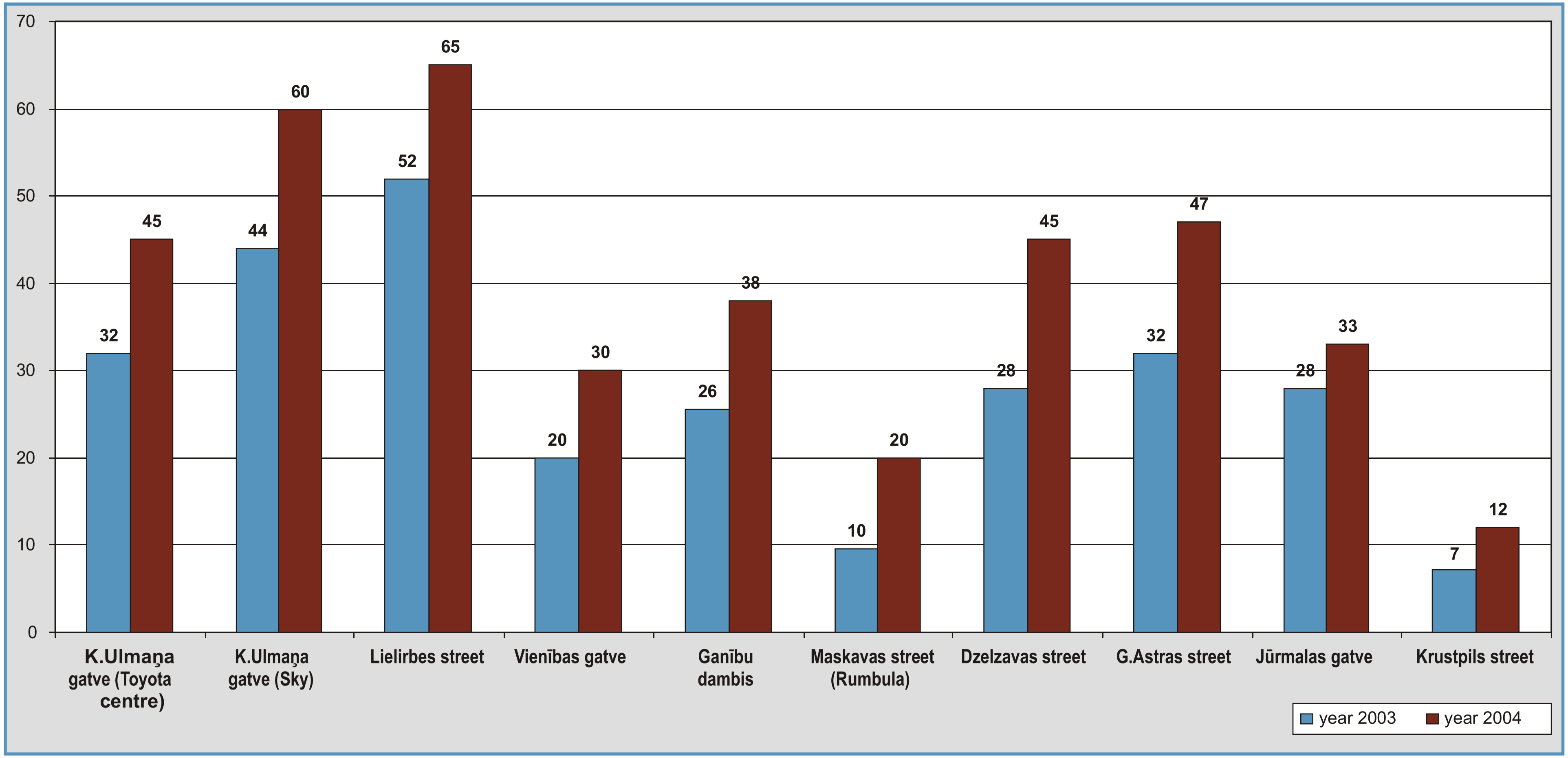
The forecast about the rise in prices around main roads of Riga and other strategically well-situated places has come true. As the market sector of these lands is not uniform, and the price level in some specific district is often determined by amounts of some individual transactions, then in 2004 there is an unstable growth in respect to prices. The largest growth is given by land areas in direct vicinity of Riga centre.

In 2005 a growth of 5-15% for commercial construction lands is forecasted. It is forecasted also that the land will continue to be transformed upon growth of A and B class office construction (for example, “Astras biroji” in the area of G.Astras and Deglava streets), construction of production and other commercial nature buildings.

In some places the rise in prices might reach the limit of 15-25%, these are places where so far the rise in prices has not been very large, but has a potential for rise (for example, lands for production and office building purposes in rural parishes close to Riga).

Changes in prices in Latvian regions will mainly depend on the access to European Union structural funds in the respective regions and realization of municipal development plans (ability to attract investments and increase the tempo of economic growth).

Land property prices (for construction of commercial objects) at the end of 2004, EUR/m²



MARKET OF RETAIL AREAS

In 2004 the interest of foreign investors and tourists in the Baltic States has increased considerably, also the optimism of local producers and consumers has grown. Obviously there is a rapid growth in prices for retail premises in Riga's most demanded “passenger” streets, such as Tērbatas, Barona, Brīvības, and Čaka. The demand for retail premises increased before the Christmas time as sellers were trying to manage opening their shops and saloons before the holiday shopping fever. The demand was mainly for ready-made, qualitative premises, where no much resource should be invested.

Due to growth of rent payments for retail areas, as well as thanks to the low interest rates offered by the banks for long-term loans, the businessmen are more willing to buy retail and production premises rather than lease.

Still most demanded are areas in the Riga centre on the ground floors of buildings for retail purposes, as well as for any other commercial activities. The price has a tendency to grow.

Currently in the main streets and their intersections, in the district from Basteja boulevard to Matīsa street, the average prices are from 20 to 45 EUR/m². The prices for streets connected by the main streets between Avotu and Kr. Valdemāra streets fluctuate from 10 to 30 EUR/m².

It is almost impossible to buy retail areas in the Riga centre, as the supply is scarce. Premises for sale are mainly located in very inconvenient places for retail and are in bad condition. Prices for such properties fluctuate from 1200 to 2500 EUR per square metre.

In respect to retail areas in the Old Town, the most demanded are the places which are most attended by visitors (Vaļņu, Kaļķu, Audēju streets) where business is mainly focused on tourist attendance. In respect of prices, they are close to prices in the central streets of Riga (20-45 EUR/m²).

It is expected that the rapid rate of construction of retail centres will continue and in the forthcoming two years there will be a growth of retail areas.

The main events in 2004 in the retail area market (newest projects) are as follows:

- opening of Domina Shopping centre, stage II, which increased the total area of the centre by 30,000 m².
- opening of Trade centre Alfa, stage II, which increased the total area of the centre by 20,000 m².
- Tērbatas trade and business centre, with the total leasable area 1,200 m².

Market of retail areas will increase also in 2005, and among the most popular planned trade centres we should mention the following ones:

- Patollo Gallery, a seven-storey trade centre is planned. Developer - the Norwegian company Balder Invest.
- LatLADA trade centre. It is planned to establish it in the place of the former production plant in the area of Slāvu Bridge. The trade centre will have a hypermarket, restaurants and shops. Opening is planned in the summer of 2005.
- Office and shopping complex on Lāčplēša street 20a. The planned opening time August of 2005. According to the project, shopping premises are planned in the area from 130 to 900 m², as well as office premises with the area from 90 to 690 m².

The increasing supply of retail areas has not reduced lease payments in retail centres, even an increase is observed. As an example, we can mentioned the year 2003 – the highest lease payments reached 45 EUR/m², whereas lease payments in 2004 have already increased up to 60 EUR/m². Regular lessees usually pay from 9 to 11 EUR/ m².

In 2004 a comparatively small demand was for retail premises which are further from passenger flow (Blaumaņa, Lāčplēša, Stabu, Valdemāra streets), where a higher share of free premises remained effective.

In the rest of the parts of Riga city the demand for retail areas was mainly determined by the presence of larger retail centres, in this case the retail areas of other objects are with relatively low demand.

Average lease payments depending on the location of premises location and their status at the end of 2004

Premises in large retail centres	area up to 30 m² area 30 - 150 m² area above 150 m²	līdz 60 EUR/m² 215 - 45 EUR/m² 29 - 30 EUR/m²
In the central part of the city	in the central streets (Barona, Tērbatas, Čaka, Brīvības) crossing streets periphery of the centre	20 - 45 EUR/m² 10 -30 EUR/m² 7 - 20 EUR/m²
Old Town	in the central streets (Kaļķu, Vaļņu. Audēju, Smilšu) crossing streets	20 - 45 EUR/m² 10 - 30 EUR/m²
Housing estates	centre of the housing estate outside the centre of the housing estate	6 - 20 EUR/m² 4 - 15 EUR/m²

Forecasts for 2005
Trade areas

Lease payments for retail areas, in the same manner as before, will mainly be influenced by the total economic activity and purchasing ability of customers. In retail centres, which will be able to attract a sufficiently large number of customers, the lease prices will most probably remain at the same level, but, upon growth of supply of retail areas, retail centres and owners of smaller retail areas will have to be forced to reduce the price of lease payments if the passenger flow in the respective place or the number of visitors of the retail centre decrease. It especially refers to the retail centres with comparatively worse access and retail areas outside the city centre.

As the demand in the Riga centre for places with considerable passenger flow continue to exceed the supply, then the lease payments of these areas might still evidence a little growth, simultaneously with growth of change in owners, as the high lease payments often cannot ensure profitability of businesses.

Larger differentiation of lease payments might be evidenced in housing estates - both in retail centres, as well as the rest of the areas, which would determine the changes in demand in the respective housing estate.

LOGISTICAL CENTRES

Babīte logistical centre

Warehouses starting from 1000 m², equipped with gas supply, water, electricity, telephone line and ramp, 24 hr guards.

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Jānis Kuzņecovs, tālr.: 7365532; 9392875

Wellman logistical centre in Salaspils

Offices and warehouse premises.
Areas from 1000 m² to 10,000 m².
Logistical services in the Baltic States.

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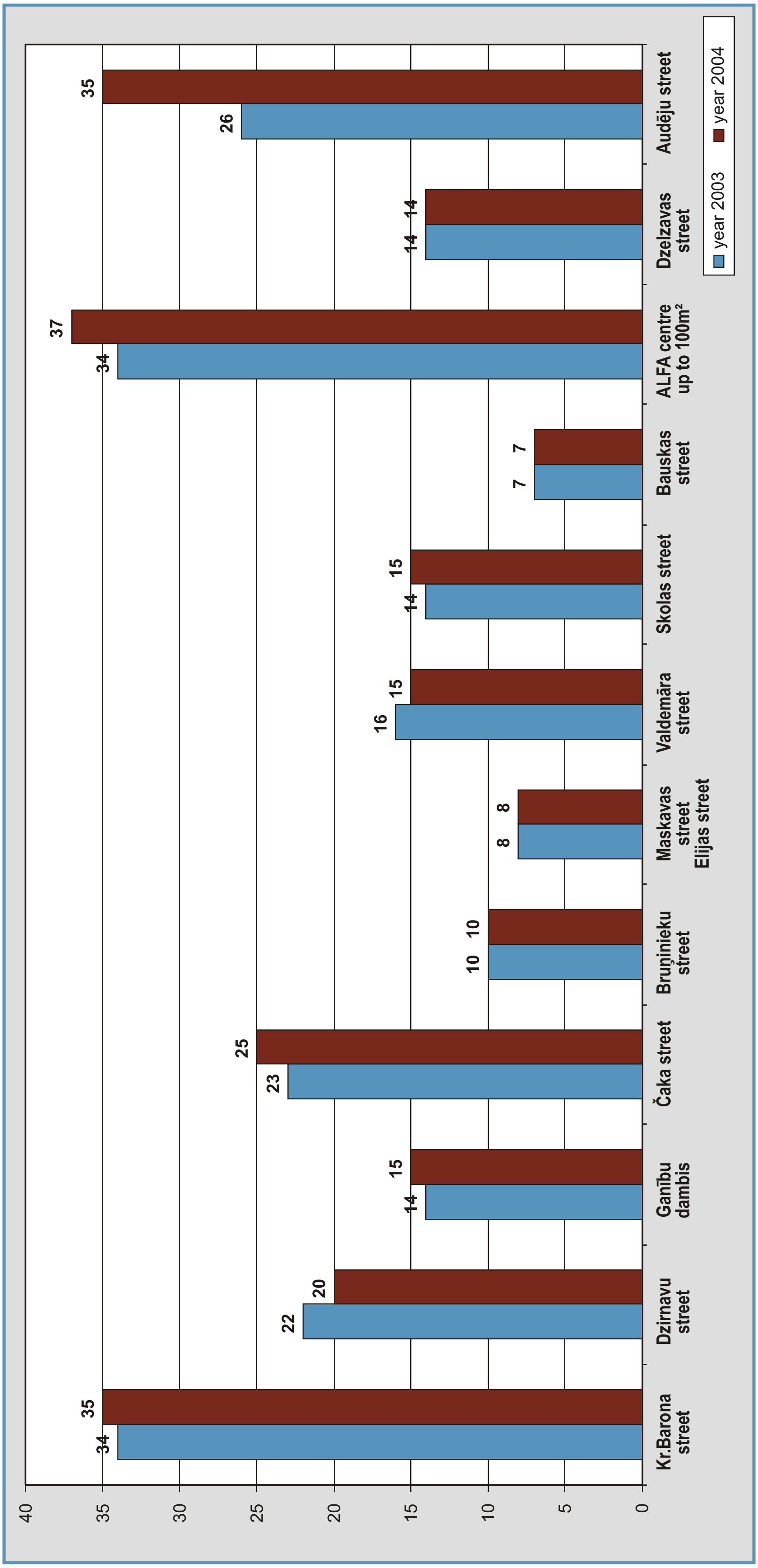
Jānis Kuzņecovs, tālr.: 7365532; 9392875

Rent payment for retail areas, EUR/m²



OFFICE PREMISES

In 2004 changes were observed in the market of office premises, which was also due to the opening of Hansabank's main building, which resulted in growth of the total available office area in the market by 6500 m² and supply of office premises increased 2 times. At the end of 2004 “A” class offices had totally about 11% free areas. For comparison - “B” class office supply has about 15% free area.

An ever increasing demand is observed for qualitative office premises, which comply with modern standards, equipped with the necessary telecommunications and safety systems, conditioners, ventilation systems and kitchens. It is still a very essential issue about the possibility to park a car in the vicinity of the office. Transport parking problems have promoted decrease in demand for office premises in the Old Town.

Together with entry of foreign companies in the market, the demand for low quality office premises has reduced. Low quality offices are unable to compete with supply of high class office premises. Prices for such offices do not exceed 4 Ls/m².

Newest office buildings in Riga, recently put into operation:

- Hansabank's central building, the total area: 18,500 m².
- Valdo office complex, which was fully leased out before its being put into operation. The total area: 12,600 m².
- SEB group's bank's Latvian Unibank building in Rāmava with the total area of 9,500 m².
- Under construction being the retail and office six-storeyed building on Tērbatas and Lāčplēša streets' intersection.
- In the spring of 2004, the Tērbata centre was opened a retail and office building, the area about 1,800 m².
- In the autumn, SIA "Remarks” renovated office building on Dārzauglu street will be put into operation. There was a possibility to buy office premises for the price 400Ls/m² without interior decorations.
- "Domina Shopping” six-storey "B” class office building whose area is from 70 to 2800 m². Lease payment: 10 EUR/m², including public utilities.

The wide office supply evidences the availability and diversity of offices. Office premises are available both in office centres, as well as repaired prewar houses. The highest demand is for on average large offices whose area would be from 70 to 100 m², or absolutely small offices from 10 to 50 m².

Rent payments for office premises in Riga

- ➢ Repaired high class office premises in the Riga centre (A class): 14-18 EUR/ m², in Tērbatas centre, as well as Hansabank's central building: 20 EUR/m²
- ➢ Repaired high class office premises outside the Riga centre (A class): 10 - 12 EUR/m²
- ➢ Office premises without renovated repairs in the Riga centre (-B; B class) – 5-10 EUR/m²
- ➢ Office premises without renovated repairs outside the Riga centre (-B; B class) – 4-8 EUR/m²
- ➢ Office premises in the Old Town – lease payments around 10-12 EUR/m²

Forecasts for 2005
Office premises

In 2005, construction of office buildings will continue, therefore the supply for A and B class offices will increase. Upon growth of supply, there might be price adjustments enforced for some office premises categories, especially in offices which do not comply with modern requirements (for example, such that are established as a result of apartments being transformed to office premises).

Taking into account the transport access and parking problems in the Riga centre, there might arise a situation that more and more office lessees will search for alternative solutions outside the centre, which, for example, might be "Astaras biroji” located on Deglava and G.Astras street area. In the Old Town, we can forecast a reduction in lease payments due to wide supply, but low demand.

MARKET OVERVIEW IS COMPILED BY:

Māris Laukalējs
Member of the board
Head of the Valuation Department
Phone: +371 7365556
E-mail: maris@arcoreal.lv

Edgars Bondars
Market Analyst of the Valuation Department
Phone: +371 7365556
e-mail: edgars.bondars@arcoreal.lv

Viktors Savins
Chairman of the Council
Phone: +371 7365551
E-mail: victors@arcoreal.lv

Aigars Šmits
Chairman of the Board
Phone: +371 7365555
E-mail: aigars@arcoreal.lv

Santa Blūma
Member of the Board
Marketing director
Phone: +371 7365534
E-mail: santa@arcoreal.lv

Ieva Jansone
Head of the Residential Department
Phone: +371 7365546
E-mail: ieva@arcoreal.lv

Iveta Mežaraupe
Head of the Commercial Department
Phone: +371 7365540
E-mail: iveta@arcoreal.lv

Proposals, comments or questions should be addressed to SIA "Arco Real Estate", Valuation Department:

45/47-5 Dzirnavu Street, Riga
Phone: 7365556; fax: 7365557
E-mail: vertetaji@arcoreal.lv

Head of the Valuation Department Māris Laukalējs
E-mail: maris@arcoreal.lv

Market Analyst of the Valuation Department Edgars Bondars
E-mail: edgars.bondars@arcoreal.lv

Arco Real Estate SIA
Skolas street 12a - 3,
Riga LV - 1010, Latvia
Phone: +371 7365555
Fax: +371 7284423
E-mail: riga@arcoreal.lv
www.arcorealestate.lv

Valuation Department
Dzirnavu street 45/47,
Riga, LV 1010, Latvia
Phone.: +371 7365556
Fax: +371 7365557
E-mail: vertetaji@arcoreal.lv

Arco Real Estate
Vidzemes branch
Rīgas street 4, Cēsis, LV-4101
Phone: 4122373; 4122388
Fax: 4122317
E-mail: cesis@arcoreal.lv
http://www.vidzeme.arcoreal.lv

ARCO REAL ESTATE

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Arco Real Estate in Latvia
Skolas street 12a - 3 Riga
LV 1010, Latvia
Tel.: +371 736 5555
Fax: +371 728 4423
E-mail: riga@arcoreal.lv
www.arcorealestate.lv

Arco Vara in Estonia
Jõe 2b, 10151 Tallinn
Tel: +372 6144 600
Fax: +372 6144 601
E-mail: tallinn@arcovara.ee
www.arcovara.ee

Arco Real Estate in Lithuania
Konstitucijos pr. 7 (3rd floor), Vilnius
Tel: +370 5 2487 232
Fax: +370 5 2487 230
E-mail: vilnius@arcoreal.lt
www.arcoreal.lt