

Latvian Real Estate Market Overview

January-June, 2004

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

The survey of market analysis prepared by "Arco Real Estate" SIA gives us concise information on the real estate market in Latvia in first half of year 2004. The survey will give you a shot report on the most essential segments of the real estate market:

- market of flats,
- rent of dwelling premises,
- single family private houses,
- land plots (for construction of a single family house),
- farmland,
- land plots (for construction of industrial and public buildings),
- market of selling space,
- rent of office premises.

Charts of segment analysis of the real estate market show the price of the corresponding segment at the beginning and middle of the year.

Sources of information for the conducted analysis are "Arco Real Estate" SIA date base of on real property transactions, date base on supply and demand of our customers, as well as information provided by our cooperation partners and publicly available sources of information.

This survey of the real estate market has been prepared for a target group, whose activities and interests are Latvian real estate market, starting from private persons to investors and bankers.

"Arco Real Estate" SIA real estate market analysis is prepared on regular basis and provides a short survey for each half a year.

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Apartment Sales

The high activity in the apartment market, that was characteristic for the second half of the year 2003, continued also in early 2004, especially in January, March and April. As regards the offer on the apartment market, a definite trend can be observed – the number of apartments offered for sale is decreasing rather fast. The total offer at the beginning of January in Riga was abt. 9000, abt. 8500 in February and March, and it started to decline rapidly beginning with April – abt. 7000 in May and only 6500 in June.

The number of apartments offered for sale diminished rapidly in the first months of the half-year period.

Of the total sales offer, most of the apartments were in:

- Purvciems – abt. 12%,
- Ķengarags – abt. 11%,
- Pļavnieki – abt. 10%,
- Imanta – abt. 7%,
- Ziepniekkalns and Vecmīlgrāvis – abt. 5 %.

In these six months, the offer has steadily increased in Bolderāja – by abt. 4%. Sales offers decreased in May and June in Pļavnieki, Purvciems and Zolitūde.

Higher number of transactions in areas where the apartment prices have been rather low or medium – in Bolderāja, Ķengarags and Vecmīlgrāvis.

If we analyze the offer and demand on the market, or transaction data, no such correlations can be seen as were typical in 2003, when prices went down as the offer went up, and vice versa. For this half year, it is most typical that the number of transactions grows in those areas where the apartment prices have been rather low or medium – in Bolderāja, Ķengarags and Vecmīlgrāvis. Steadily high demand remains in Purvciems, despite the lower offer.

Outside Riga, the sales offer is high in Jelgava - abt. 300 per month, therefore price fluctuations are rather typical for Jelgava. The sales offer has diminished in Jūrmala – Kauguri, which could cause an anticipated price rise in this area.

Looking at the division of offered apartments according to the number of rooms, the number of apartments for sale (in Purvciems) splits as follows:

- one-room apartments – abt. 29 %,
- two-room apartments – abt. 30 %,
- three-room apartments – abt. 26 %,
- four-room apartments – abt. 15 %.

One-room apartments are most often offered in the series of buildings called “Lithuanian” and “small-family”. Two-room and three-room apartments mainly – in the “Lithuanian” and 119th series buildings.

Most demanded are 1-room and 2-room apartments. Most popular still are buildings of the 119, 103 and 104, as well as the small-family series. Demand has grown for apartments in the Khrushchov-era buildings, because they have strong structures and are usually close to neighborhood centers.

The price increase continued throughout the first six months – by abt. 2-5% monthly.

The overall apartment price increase continued throughout the first six months – by abt. 2-5% monthly. The price increase slightly decreased in April, but then continued to rise in May and June.

On the whole, the average apartment price of all series and in all neighborhoods reached 620 $/m² at the beginning of July 2004.

As regards the prices of apartments by separate neighborhoods and building series, the average apartment prices are as follows:

- the highest prices are in Purvciems – the price of one-room apartments in Lithuanian buildings has reached 800 $/m², one-room apartments in the 119-series buildings – 700 $/m². The prices of the largest, the three-room, apartments in the Lithuanian buildings – 690 $/m², three-room apartments in the 119-series buildings – 590 $/m² .
- the lowest prices are in Bolderāja - the price of one-room apartments in Lithuanian buildings – 660 $/m², one-room apartments in the 103-series buildings – 600 $/m². The prices of the largest, the three-room, apartments in the Lithuanian buildings – 490 $/m², three-room apartments in the 103-series buildings – 500 $/m².

The highest prices in Riga are in Purvciems, the lowest in Bolderāja.

The price of one square meter in an apartment apparently depends mainly on the apartment space – the high price of the rather unpopular Lithuanian series, as compared with the much better apartments of the 119-series is determined by the small floor space of the Lithuanian series – 27 sq.m against 40 sq.m in the 119 series. Despite the poor technical condition of the Lithuanian series and the inefficient layout of these buildings, the high demand for one-room and two-room apartments of this series can only be explained by the restricted financial assets of a certain part of buyers.

Regrettably, the conclusion is that buyers have little interest in the technical condition of buildings and their maintenance prospects, as the price difference between different series and various technical conditions is rather small.

Differences between Areas

While the differences between apartment prices in different areas have been rather pronounced in previous years, they have lessened recently.

Price differences between areas diminish.

- ✓ The highest prices of series-type apartments have been reached in Jūrmala - in Bulduri and Dubulti.
- ✓ high prices of similar apartments are today in Teika, Purvciems, Pļavnieki, Mežciems, Ziepniekkalns, Zolitūde.
- ✓ slightly lower are prices in Imanta , Jugla and Āgenskalns
- ✓ the next price category comprises Ķengarags, Iļģuciems and Vecmīlgrāvis.
- ✓ the lowest prices today are still in Bolderāja and Daugavgrīva neighborhoods.

Low-Rise Wooden Buildings

Apartments prices in low-rise wooden buildings have increased slightly and mainly in buildings with a small number of apartments. Prices have increased in the interior yard buildings in downtown Riga. On the whole, apartment prices in low-rise wooden buildings are today 410-550 $\$/m^2$. In buildings without water closets – 310-360 $\$/m^2$. There is still demand for small apartments with partial utilities in the city periphery – in Bolderāja, Sarkandaugava, Latgale Borough. These apartments are mainly bought for relocating people from buildings in the downtown.

Apartments in center of Riga

Fast apartment price rise in center of Riga

Fast apartment price rise in center of Riga has been characteristic for these six months. The demand for apartments in the center is continuously high, while the offer, especially in the sector of non-renovated apartments, is low. Such apartments are offered for 900-1200 $\$/m^2$. Mainly renovated apartments are on offer, for the prices of 1200-1700 $\$/m^2$. Apartment prices in reconstructed buildings reach 2500 $\$/m^2$. Almost no small renovated apartments (up to 60 sq.m.) are offered.

Only a few commissioning of new reconstructed buildings in the center is expected in the near future, and apartments in buildings now under reconstruction are intended mainly for lease.

Riga Region

As regards changes in apartment prices in Riga region, the price rise has been rather uneven – prices have slightly risen in Mārupe, Jaunmārupe, Piņķi, Ulbroka, Jūrmala-Kauguri, and are today abt. 70-75% of the average apartment prices in Riga. No increase in apartment prices has occurred in Dubulti and Bulduri neighborhoods in Jūrmala, while the prices of apartments in series-type buildings (in satisfactory condition) are still the highest in the country here – 800-950 $\$/m^2$, prices of apartments after quality renovation in these neighborhoods reach 900-1400 $\$/m^2$. As compared with the average prices in Riga, prices have increased in Sigulda city and Ogre. Prices have gone down in Salaspils; there are pronounced price fluctuations in Jelgava city. There is still demand and rising prices in townships around Riga, especially at places where buildings are well maintained and utilities provided. Apartment prices in these townships are abt. 35-40 % of the prices in Riga.

Summary about the Apartment Market

One-room and two-room apartments are on demand in the series-type buildings. The most popular and most expensive today are the 104, 119 and 103 series. These series are popular because of their layout – isolated rooms, relatively wide auxiliary areas, good heating insulation. Essential factors affecting apartment prices are the prestige of the neighborhood (street) and the condition of communal areas (staircases, halls, entrances, façades). Regarding buildings in the downtown, most demanded are one- and two-room apartments, and also apartments with more rooms with the area of 80-150 m^2, as well as apartments with exclusive layout and finish.

The prices of the most often demanded apartments, calculated on the basis of the number of transactions concluded and analysis of the clients' demand:

- in series-type apartments 490 - 800 $/m^2$
- in downtown buildings 900 - 1300 $/m^2$
- in the downtown, wooden 410- 550 $/m^2$
- in new buildings n neighborhoods
  without finish 700 – 950 $/m^2$
  with finish 900 – 1200 $/m^2$
- in reconstructed buildings in the downtown
  without finish 1200 – 1500 $/m^2$
  with finish 1500 – 2300 $/m^2$
- in reconstructed buildings in the Old City
  with finish 2000 – 2700 $/m^2$

Forecasts for Changes in Apartment Prices in the Second Half of 2004

Since no new residential buildings are expected to be commissioned before the end of the year, no special price changes can be expected for series-type apartments. As the demand is high, while prices are today relatively low, a price rise can be expected in Bolderāja, Vecmīlgrāvis and Ķengarags, thus equalizing even more the price differences between neighborhoods. Considering the currently low offer in Purvciems, a slight price rise can be expected here. Further price increases can be expected for apartments in the downtown – especially for non-renovated ones and also for larger apartments which can be practically divided into several smaller ones.

Prices for all types of accomodations in Riga housing estates and its surroundings (1st of July, 2004, prices shown in US dollars)

Jugla

	103.	104.	602.	119.	467.	lithuanian	hruscov's	hotel's	average
1-istabas	**22 000**					**20 000**	**20 000**	**21 000**	**21 000**
Dec., 2003	*20 000*					*18 000*	*18 000*	*19 000*	*19 000*
2-istabu	**28 000**					**27 000**	**26 000**		**27 000**
Dec., 2003	*28 000*					*26 000*	*25 000*		*26 500*
3-istabu	**36 000**					**31 500**	**31 000**		**33 000**
Dec., 2003	*35 000*					*31 000*	*30 000*		*32 000*
4-istabu									
Dec., 2003									

Pļavnieki

	103.	104.	602.	119.	467.	lithuanian	hruscov's	hotel's	average
1-istabas	**23 000**	**26 000**	**21 500**	**27 000**	**22 000**	**22 000**		**21 000**	**23 000**
Dec., 2003	*22 000*	*35 500*	*20 000*	*25 000*	*21 000*	*19 000*		*18 500*	*21 500*
2-istabu	**33 000**	**35 000**	**31 000**	**36 000**	**31 000**	**29 000**			**32 500**
Dec., 2003	*33 000*	*35 000*	*28 000*	*35 000*	*28 000*	*26 000*			*31 000*
3-istabu	**41 000**	**42 000**	**36 000**	**42 000**	**37 000**	**36 000**			**39 000**
Dec., 2003	*38 000*	*42 000*	*32 000*	*39 000*	*33 000*	*30 000*			*35 500*
4-istabu			**41 000**	**49 000**	**41 500**				**44 000**
Dec., 2003			*38 000*	*46 000*	*39 000*				*41 000*

Purvciems

	103.	104.	602.	119.	467.	lithuanian	hruscov's	hotel's	average
1-istabas	**25 000**	**27 000**	**22 000**	**28 000**	**23 500**	**22 000**	**21 000**	**22 000**	**24 000**
Dec., 2003	*23 500*	*25 500*	*21 000*	*25 000*	*21 000*	*20 000*	*19 000*	*19 000*	*22 000*
2-istabu	**36 000**	**37 000**	**32 000**	**38 000**	**32 000**	**30 000**	**29 000**		**33 500**
Dec., 2003	*33 000*	*35 500*	*30 000*	*35 000*	*29 000*	*28 000*	*27 000*		*31 000*
3-istabu	**42 000**	**44 000**	**37 000**	**43 000**	**37 500**	**37 000**	**36 000**		**39 500**
Dec., 2003	*38 000*	*42 000*	*35 000*	*41 000*	*35 000*	*33 000*	*33 000*		*36 500*
4-istabu			**42 500**	**50 000**	**43 000**				**45 000**
Dec., 2003			*39 000*	*49 000*	*41 000*				*43 000*

Mežciems

	103.	104.	602.	119.	467.	lithuanian	hruscov's	hotel's	average
1-istabas		**26 000**	**21 000**			**22 000**			**23 000**
Dec., 2003		*24 000*	*19 000*			*19 000*			*20 500*
2-istabu		**36 000**	**30 000**			**29 000**			**31 500**
Dec., 2003		*34 000*	*28 000*			*27 000*			*29 500*
3-istabu		**42 000**	**36 000**			**36 000**			**38 000**
Dec., 2003		*38 000*	*33 000*			*33 000*			*34 500*
4-istabu			**40 000**						**40 000**
Dec., 2003			*36 000*						*36 000*

Teika

	103.	104.	stalin's	special proj	467.	lithuanian	hruscov's	hotel's	average
1-istabas	**28 000**		**29 000**	**30 000**			**22 000**		**27 500**
Dec., 2003	*25 000*		*21 000*	*30 000*			*22 000*		*24 500*
2-istabu	**36 000**		**40 000**	**39 000**			**29 000**		**36 000**
Dec., 2003	*33 000*		*30 000*	*39 000*			*28 000*		*32 500*
3-istabu	**45 000**		**55 000**	**50 000**			**41 000**		**48 000**
Dec., 2003	*45 000*		*46 000*	*50 000*			*38 000*		*45 000*
4-istabu									
Dec., 2003									

Vecmīlgrāvis

	103.	104.	602.	stalin's	467.	lithuanian	hruscov's	hotel's	average
1-istabas	19 500		19 000	19 000	20 000	18 500	18 000	18 000	19 000
Dec., 2003	19 000		19 000	18 000	19 000	18 000	16 500	14 000	17 500
2-istabu	26 500		25 000	25 500	25 500	24 000	24 000		25 000
Dec., 2003	25 000		24 000	21 000	25 000	22 000	20 000		23 000
3-istabu	32 000		30 000	33 000	31 000	27 000	26 500		30 000
Dec., 2003	31 000		29 000	30 000	30 000	26 000	25 000		28 500
4-istabu			34 000		35 000				34 500
Dec., 2003			34 000		35 000				34 500

Ķengarags

	103.	104.	602.	special proj	467.	lithuanian	hruscov's	hotel's	average
1-istabas		24 000	21 500		22 000	20 000	19 500	21 000	21 500
Dec., 2003			20 000		19 000	19 000	18 000	18 000	19 000
2-istabu		30 000	28 000		28 500	26 500	26 000		28 000
Dec., 2003			26 000		27 000	24 000	23 000		25 000
3-istabu		36 000	34 000		34 500	32 000	30 500		33 500
Dec., 2003			30 000		32 000	30 000	28 000		30 000
4-istabu			37 500		38 000				38 000
Dec., 2003			38 000		39 000				38 500

Bolderāja

	103.	104.	602.	stalin's	467.	lithuanian	hruscov's	hotel's	average
1-istabas	18 000			19 000		18 000	17 000	17 000	18 000
Dec., 2003	17 000			14 000		17 000	15 000	16 000	15 500
2-istabu	25 000			24 000		22 000	21 500		23 000
Dec., 2003	22 000			18 000		21 000	19 000		20 000
3-istabu	31 000			29 000		26 000	25 000		28 000
Dec., 2003	27 000			29 000		24 000	24 000		26 000
4-istabu									
Dec., 2003									

Ziepniekkalns

	103.	104.	602.	119.	467.	lithuanian	hruscov's	hotel's	average
1-istabas	23 000	25 000	22 000	26 000		20 000	19 500	20 000	22 000
Dec., 2003	22 000	23 000	21 000	25 000		19 000	18 000	20 000	21 000
2-istabu	32 000	36 000	30 000	37 000		25 000	25 000		31 000
Dec., 2003	26 000	35 000	31 000	33 000		25 000	23 000		29 000
3-istabu	36 000	39 000	36 000	41 000		31 000	30 000		35 500
Dec., 2003	33 000	37 000	34 000	38 000		30 000	28 000		33 500
4-istabu			41 000	45 000					43 000
Dec., 2003			40 000	43 000					41 500

Imanta

	103.	104.	602.	119.	467.	lithuanian	hruscov's	hotel's	average
1-istabas		25 000	22 500		22 000	20 000		18 500	21 500
Dec., 2003		23 000	21 000		21 000	19 000		17 000	20 000
2-istabu		34 000	29 500		30 000	28 500			30 500
Dec., 2003		29 000	28 000		29 000	26 000			28 000
3-istabu		40 000	35 000		36 500	31 000			35 500
Dec., 2003		36 000	33 000		34 000	30 000			33 500
4-istabu			40 000		41 000				40 500
Dec., 2003			37 000		38 000				37 500

Zolitūde

	103.	104.	602.	119.	467.	lithuanian	hruscov's	hotel's	average
1-istabas		25 000		28 000					26 500
Dec., 2003		*24 000*		*24 000*					*24 000*
2-istabu		35 000		35 500					35 500
Dec., 2003		*31 000*		*33 000*					*32 000*
3-istabu		41 000		40 000					40 500
Dec., 2003		*37 000*		*37 000*					*37 000*
4-istabu				45 000					45 000
Dec., 2003				*43 000*					*43 000*

Āgenskalns

	103.	104.	602.	special proj	467.	lithuanian	hruscov's	hotel's	average
1-istabas	23 000			25 000		21 000	19 000	19 000	21 500
Dec., 2003	*22 000*			*23 000*		*21 000*	*18 500*	*14 000*	*19 500*
2-istabu	32 000			35 000		27 000	26 000		30 000
Dec., 2003	*30 000*			*34 000*		*25 000*	*25 000*		*28 500*
3-istabu	38 000			40 000		33 000	32 000		36 000
Dec., 2003	*35 000*			*40 000*		*33 000*	*30 000*		*35 000*
4-istabu									
Dec., 2003									

Iļģuciems

	103.	104.	602.	special proj	467.	lithuanian	hruscov's	hotel's	average
1-istabas		24 000			21 000	21 000	20 000	18 000	21 000
Dec., 2003					*20 000*	*20 000*	*18 000*	*17 000*	*19 500*
2-istabu		33 000			28 000	27 000	26 000		28 500
Dec., 2003					*28 000*	*26 000*	*25 000*		*28 000*
3-istabu		40 000			35 000	31 000	31 000		34 500
Dec., 2003					*33 000*	*32 000*	*30 000*		*33 500*
4-istabu					38 000				38 000
Dec., 2003					*36 000*				*36 000*

Ogre

	103.	104.	602.	119.	467.	lithuanian	hruscov's	hotel's	average
1-istabas	18 000		17 000				15 500		17 000
Dec., 2003	*14 000*		*14 000*				*12 000*		*13 500*
2-istabu	24 000		22 000				20 000		22 000
Dec., 2003	*21 000*		*19 000*				*18 000*		*19 500*
3-istabu	28 000		25 000				25 000		26 000
Dec., 2003	*25 000*		*24 000*				*22 000*		*23 500*
4-istabu			31 000						31 000
Dec., 2003			*29 000*						*29 000*

Jūrmala Kauguri

	103.	104.	602.	119.	467.	lithuanian	hruscov's	hotel's	average
1-istabas	17 000		16 000		16 000		15 000	14 000	15 500
Dec., 2003	*17 000*		*15 000*		*15 000*		*14 000*	*12 500*	*14 500*
2-istabu	22 000		20 500		20 500		17 000		20 000
Dec., 2003	*21 000*		*17 000*		*18 000*		*16 000*		*18 000*
3-istabu	25 500		23 000		23 000		21 500		23 500
Dec., 2003	*25 000*		*23 000*		*23 000*		*21 000*		*23 000*
4-istabu	26 500		25 000		25 500				25 500
Dec., 2003	*26 000*		*25 000*		*25 000*				*25 500*

Jūrmala Dubulti

	103.	104.	602.	119.	467.	lithuanian	hruscov's	hotel's	average
1-istabas	30 000					26 000	25 000		27 000
Dec., 2003	*28 000*					*25 000*	*22 000*		*25 000*
2-istabu	44 000					42 000	40 000		42 000
Dec., 2003	*42 000*					*39 000*	*35 000*		*38 500*
3-istabu	58 000					47 000			52 500
Dec., 2003	*52 000*					*45 000*			*48 500*
4-istabu	68 000								68 000
Dec., 2003									

Salaspils

	103.	104.	602.	119.	467.	lithuanian	hruscov's	hotel's	average
1-istabas	17 000		16 500		16 500	16 000		15 000	16 000
Dec., 2003	*15 000*		*20 000*		*19 000*	*16 000*		*14 000*	*17 000*
2-istabu	25 000		23 000		23 000	21 000			23 000
Dec., 2003	*24 000*		*23 000*		*23 000*	*20 000*			*22 500*
3-istabu	29 000		28 000		28 000	26 500			28 000
Dec., 2003	*29 000*		*27 000*		*28 000*	*25 000*			*27 500*
4-istabu					31 500				31 500
Dec., 2003					*32 000*				*32 000*

Jelgava

	103.	104.	602.	119.	467.	lithuanian	hruscov's	hotel's	average
1-istabas	11 000		10 500		11 000		10 500	10 000	10 500
Dec., 2003	*9 000*		*9 000*		*9 000*		*9 000*	*8 000*	*9 000*
2-istabu	17 500		15 000		15 500		15 500		16 000
Dec., 2003	*16 000*		*13 000*		*13 500*		*13 000*		*14 000*
3-istabu	23 000		18 500		19 000		19 000		20 000
Dec., 2003	*20 000*		*15 000*		*16 000*		*16 000*		*17 000*
4-istabu			20 000		21 000				20 500
Dec., 2003			*17 000*		*17 500*				*17 000*

Prices for all types of accomodations

(prices shown in US dollars, July, 2004)

Area / Type	103				104			602				119				467				lithuanian			hruscov's			Stalin's			Special project			hotel's
	1-room	2-room	3-room	4-room	1-room	2-room	3-room	1-room	2-room	3-room	4-room	1-room	2-room	3-room	4-room	1-room	2-room	3-room	4-room	1-room	2-room	3-room	1-room	2-room	3-room	1-room	2-room	3-room	1-room	2-room	3-room	1-room
Jugla	22 000	28 000	36 000																	20 000	27 000	31 500	20 000	26 000	31 000							21 000
Pļavnieki	23 000	33 000	41 000		26 000	35 000	42 000	21 500	31 000	36 000	41 000	27 000	36 000	42 000	49 000	22 000	31 000	37 000	41 500	22 000	29 000	36 000										21 000
Purvciems	25 000	36 000	42 000		27 000	37 000	44 000	22 000	32 000	37 000	42 500	28 000	38 000	43 000	50 000	23 500	32 000	37 500	43 000	22 000	30 000	37 000	21 000	29 000	36 000							22 000
Mežciems					26 000	36 000	42 000	21 000	30 000	36 000	40 000									22 000	29 000	36 000										
Teika	28 000	36 000	45 000																				22 000	29 000	41 000	29 000	40 000	55 000	30 000	39 000	50 000	
Vecmīlgrāvis	19 500	26 500	32 000					19 000	25 000	30 000	34 000					20 000	25 500	31 000	35 000	18 500	24 000	27 000	18 000	24 000	26 500	19 000	25 500	33 000				18 000
Ķengarags					24 000	30 000	36 000	21 500	28 000	34 000	37 500					22 000	28 500	34 500	38 000	20 000	26 500	32 000	19 500	26 000	30 500							21 000
Bolderāja	18 000	25 000	31 000																	18 000	22 000	26 000	17 000	21 500	25 000	19 000	24 000	29 000				17 000
Ziepniekkalns	23 000	32 000	36 000		25 000	36 000	39 000	22 000	30 000	36 000	41 000	26 000	37 000	41 000	45 000					20 000	25 000	31 000	19 500	25 000	30 000							20 000
Imanta					25 000	34 000	40 000	22 500	29 500	35 000	40 000					22 000	30 000	36 500	41 000	20 000	28 500	31 000										18 500
Zolitūde					25 000	35 000	41 000					28 000	35 500	40 000	45 000																	
Āgenskalns	23 000	32 000	38 000																	21 000	27 000	33 000	19 000	26 000	32 000				25 000	35 000	40 000	19 000
Iļģuciems					24 000	33 000	40 000									21 000	28 000	35 000	38 000	21 000	27 000	31 000	20 000	26 000	31 000							18 000
Ogre	18 000	24 000	28 000					17 000	22 000	25 000	31 000												15 500	20 000	25 000							
Jūrmala Kaugur	17 000	22 000	25 500	26 500				16 000	20 500	23 000	25 000					16 000	20 500	23 000	25 500				15 000	17 000	21 500							14 000
Jūrmala Dubulti	30 000	44 000	58 000	68 000																26 000	42 000	47 000	25 000	40 000								
Salaspils	17 000	25 000	29 000					16 500	23 000	28 000						16 500	23 000	28 000	31 500	16 000	21 000	26 500										15 000
Jelgava	11 000	17 500	23 000					10 500	15 000	18 500	20 000					11 000	15 500	19 000	21 000				10 500	15 500	19 000							10 000

Lease of Residential Premises

The total demand for lease apartments has not significantly changed during the last year, prices have stabilized.

More crucial changes could be expected after the rent limits are lifted. In the initial period after the lifting, the rent could increase for all categories of apartments, including those with the so-called old lease agreements. The average rent could reach 0,8-1,5 Ls per sq.m. As a result, a part of the current large apartments would be vacated, and the number of apartments offered for lease would increase, which could then lead to overall lower rents.

Prices have stabilized. Crucial changes could be expected after the rent limits are lifted.

Within the sector of residential premises lease the following main categories of lease apartments can be singled out:

- ✓ Furnished apartments of good condition in neighborhoods. Within this category 1-3-room apartments are mostly demanded, with one-room apartments being specifically demanded. The most demanded neighborhoods are Purvciems, Pļavnieki, Teika and nearest Pārdaugava. Upon renting such an apartment the expected monthly payment would be 100 – 150 LVL.
- ✓ Qualitatively repaired, furnished apartments in the renewed (reconstructed) downtown buildings. This category is characterized by its location within a prestigious area, high-quality finish of the apartments and communal areas, level of security. The possibility to park one's car is essential. The most demanded apartments are of 50 – 100 m^2. In most cases furnished apartments are demanded. Upon renting such an apartment the expected monthly payment would be 500 – 1200 $.
- ✓ Qualitative and furnished apartments in the renovated Art Nouveau buildings (in the quiet part of downtown Riga), especially if the buildings and premises are lavishly decorated, with fireplaces and furniture of the same style. The most demanded areas are 50- 100 m^2. When renting such an apartment the monthly payment would be 600 – 2000 $.
- ✓ The influence of Old Riga has diminished since it is constantly becoming noisier and there are car-parking problems. Taking these factors into account, the demand for apartments in Old Riga has decreased, consequently, the prices have also dropped. Only the prices of Old Riga apartments in good condition can be equaled to the apartments in the quiet downtown, which are the most expensive at the moment.

The factors influencing the rent for all categories are the prestige of the district, condition of the apartment, availability of the public transport, car parking, the story on which the apartment is situated. The average term for rent agreements is one to two years.

Rent of private houses

It is especially popular to rent a private house for the summer season from May to September at the sea, not only in Jūrmala, but also on Vidzeme coast and in Kurzeme villages. The price depends on the prestige of the area, distance to the sea, furnishing of the house:

- ✓ Houses in Jūrmala with all amenities, furniture -1500-3000 $/per month.
- ✓ Simpler summer cottages – up to 1500 $/per month.

Regarding the rent of private houses not only during the summer season, there are houses or parts of houses on offer in Teika, nearest Pārdaugava, Mežaparks, Imanta. However, the demand is rather small. The prices in these districts are 150 – 300 LVL.

Private Family Houses

Similar to the dynamic development of the apartment segment, the segment of residential family houses has also been rather active for the first half of 2004. Although no construction of new villages has been commenced, the demand for family houses is growing both within the cheap category (80 000 – 100 000 $) and the middle category (up to 150 000 $).

Family Houses in Riga City

In Riga City detached family houses are offered in Mežaparks, Ķīpsala, in Pārdaugava – Zolitūde, Šampēteris, in the direction of Mārupe and in the vicinity of Jugla – Šmerlis. In these neighborhoods mainly completed houses or houses build according to concrete projects are offered and the construction is performed both within blocks and on separate parcels of land. Construction of separate detached houses between already erected houses is being actively performed in Pārdaugava – in the directions of Mārupe and Šampēteris and in Imanta, Zolitūde.

Private Houses in the Suburbs of Riga

Outside Riga the most active construction of new houses is taking place in Jūrmala and suburbs of Riga – in Mārupe, Piņķi, Ķekava and Dreiliņi direction. Comparatively more expensive houses (180 000 – 350 000 $) in Riga vicinity are offered near Baltezers, in Berģi, Piņķi, Garkalne. Cheaper houses (110 000 – 150 000 $), on the other hand, are being constructed in Jaunmārupe, Ulbroka, Stopiņi municipalities. A very successful example could be that of the already finished villages: "Saulīši" in Stopiņi Municipality, "Ābeles " and "Lielpriedes" in Babīte Municipality, where readymade houses of the same type within a facilitated environment were offered to the buyers for a comparatively low price.

More expensive houses – near Baltezers, in Berģi, Piņķi, Garkalne. Cheaper – in Jaunmārupe, Ulbroka, Stopiņi.

Land Property (for the Construction of Family Houses)

The land property has been the most stable real estate sector for several subsequent years. During the first half of 2004 a comparatively even and stable demand was seen within this segment and a respective rise in prices. In Riga City prices have risen both for the parcels of land for the construction of detached houses and for commercial construction. prices have grown for the parcels of land in Mežaparks, in some cases reaching 200 $/m². The high prices notwithstanding, there are some locations in Mežaparks where large areas (several hectares) have stuck in the stage of privatization and, provided these parcels will be divided in building plots after privatization, certain drop in prices can be forecasted. Stable high prices and currently large unused land areas are seen in Ķīpsala. Parcels offered for private construction are separated off the present land estates. Prices at the moment are 130 -200 $/m² but the offer is very small.

Even and stable demand and a corresponding rise in princes.

Land in Riga City

In Riga City the most active land market is that of Pārdaugava – in the direction of Mārupe, in Ziepniekkalns and the vicinity of Šampēteris. Individual parcels of land are offered both through dividing the old land estates and through obtaining and parceling land plots on which allotment gardens or industrial territories used to be situated. The popularity of these territories is secured by developed infrastructure (asphalted streets, utilities, public

Obtaining allotment garden and industrial territories for the construction of family houses.

transport) and the nice green environment with large growths of trees. Prices in these neighborhoods are 38 - 45 $/m². Land transactions and offers also take place in Pļavnieki and Purvciems neighborhoods, there, too, new land plots are formed through dividing the existing parcels or obtaining former allotment garden lands. Prices of the parcels of land there are 20 - 35 $/m². Parceling of individual land plots is continuing in the direction of Dreiliņi – Mežciems that in the future could become a rather active region of family house construction.

Land in Riga Vicinity

Land market in the nearest Riga vicinity is comparatively active. The most popular directions still are Garkalne, Mārupe, Piņķi, Stopiņi and Ķekava. Land estates further away from administrative centers are offered, mainly on the parceled former agricultural lands. Individual construction in Mārupe takes place among the current land estates, moving further and further away into agricultural areas in the direction of Jaunmārupe and Olaine. Prices differ greatly and are directly dependent on the planned level of infrastructure, project developer and nature factors in the new village. Thus, at the moment the following prices are witnessed in the most demanded villages with developed infrastructure:

Prices in the new villages depend directly on the planned level of infrastructure, project developer and nature factors.

- "Mārsili" near Mazais Baltezers 45 – 50 $/m²
- "Saulīši" in Stopiņi municipality 35 – 40 $/m²
- "Silarāji" in Piņķi 42 $/m²

Prices for parcels of land with various levels of infrastructure (area 1400 – 2000 m²) are, in their turn, the following:

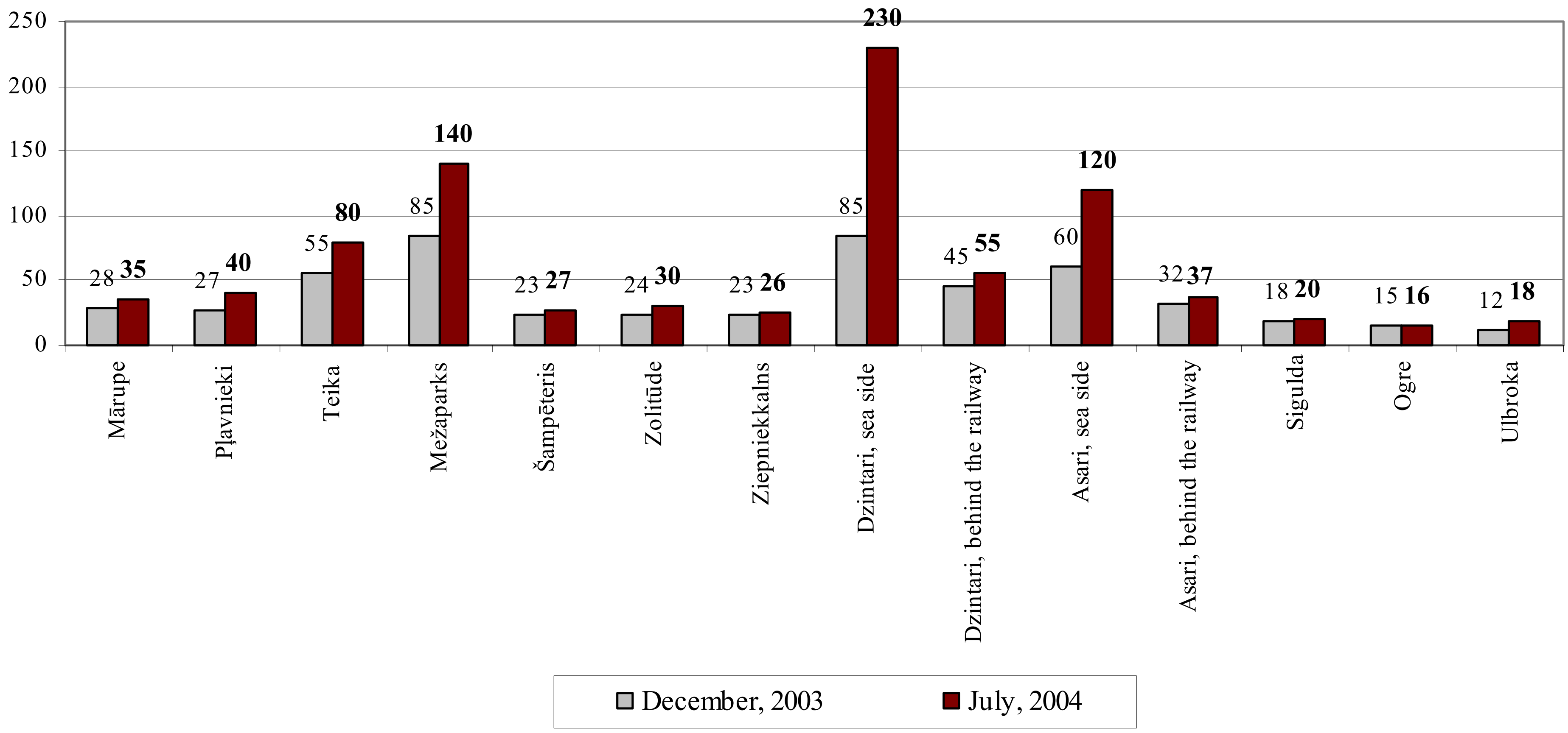
- Mārupe municipality 18 – 30 $/m²
- Jaunmārupe 14 – 23 $/m²
- Babīte 16 – 28 $/m²
- Stopiņi 12 – 20 $/m²
- Jaunolaine direction 8 – 12 $/m²
- Rāmava 18 – 25 $/m²
- Ulbroka 12 – 18 $/m²
- Ādaži 15 – 30 $/m²
- Garkalne 12 - 25 $/m²

Land in Jūrmala

As it was forecasted, the price rise for parcels of land in Jūrmala City is continuing. Prices for the parcels of land near the dunes at the beginning of July 2004 were from 160 $/m² in Asari to 250 $/m² in Dzintari – Lielupe. Within the territory between the sea and the railway, from Lielupe to Melluži prices are 70-250 $/m². In this price category the determinant factor is the area of the parcel of land and construction requirements. Prices have considerably risen for the parts of Jūrmala behind the railway. For the territory between the railway and the river in the region of Asari – Vaivari the prices currently are 25 - 45 $/m². In this neighborhood land estates are offered in places with comparatively poorly developed infrastructure (bad access roads, lack of water supply and sewerage) and quite often overgrown with trees and bushes, that would considerably rise the construction costs for the buyers of these plots (it has to be mentioned that in 2002 the prices for the parcels offered there were 4 - 12 $/m²). The prices have similarly grown in Kauguri, especially near the sea and presently are 40 – 60 $/m².

Prices continue to rise for the parcels of land in Jūrmala City.

Average land price for the family house building (area 1500 m²) USD/m²



Agricultural Lands

Aims for purchasing agricultural lands have changed.

The demand of agricultural lands is rather stable, but the aims of purchasing have changed. The demand for agricultural lands with the aim to parcel them in building plots has decreased, which could be explained both with the comparatively high sales prices and the involvement of municipalities in settling parceling issues, and the current large number of offers.

The demand for agricultural lands in places with expressive landscape, near water, with the aim to use them for recreation purposes, both personally and for establishment of guest houses has not decreased. The prices per hectare are 2500 – 30 000 $.

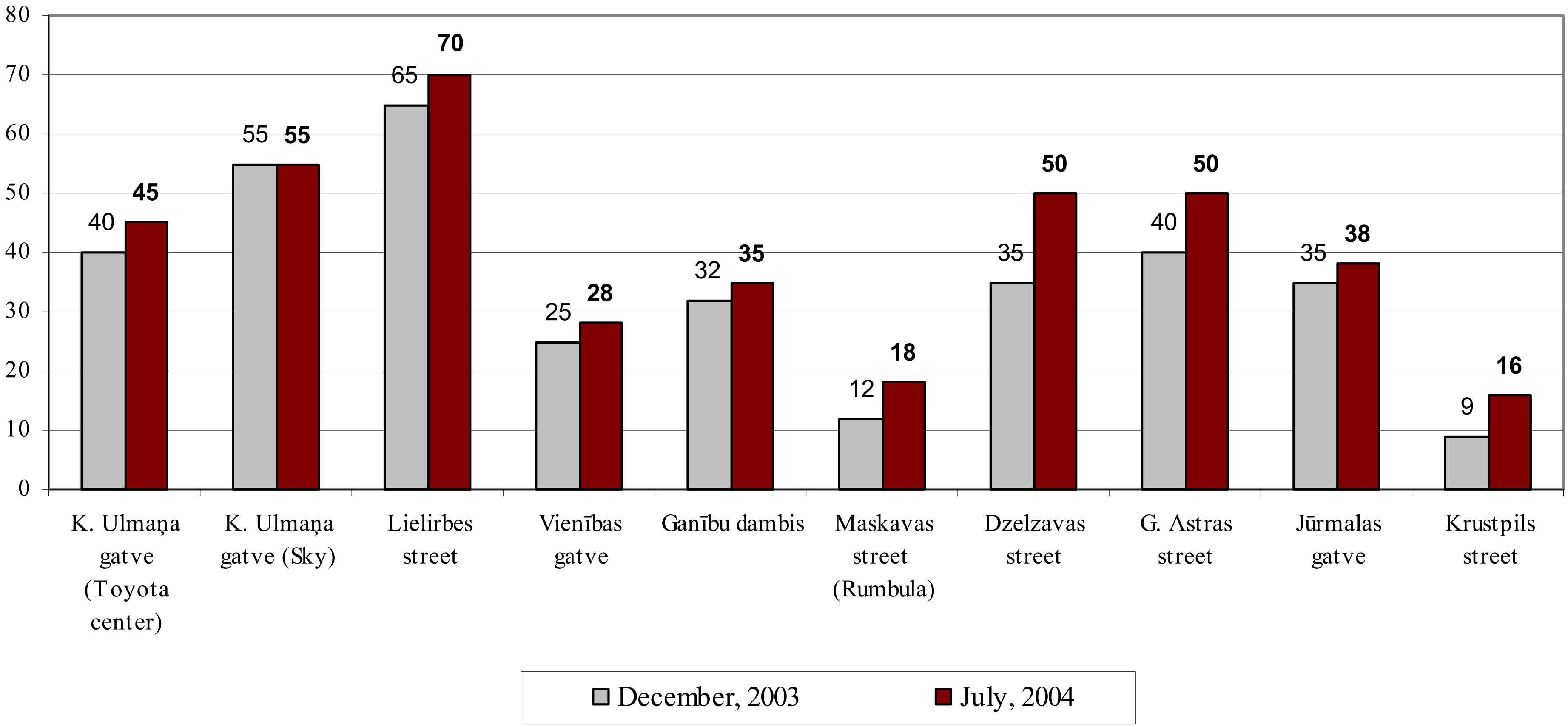
For the rest of agricultural lands there has been a minor price rise (the prices have grown more rapidly in Latgale region, where they used to be comparatively low) and presently are 350 –1200 $ per hectare.

Land Property (for Construction of Industrial and Public Buildings)

Parcels of land at street junctions and with longer sides along streets are demanded.

The prices for lands within industrial areas have risen during the half of the year and the demand has grown. The prices have risen more sharply for the vicinity of Krustpils and Granīta Streets where presently the limit of 12 - 18 $/m² has been reached, however, also in that area the price is mainly determined by the location of the parcel of land, its configuration and area. Parcels of land at the street junctions and those with longer sides along streets are demanded, while what is mostly offered are small parcels of land or parcels of land with complex configuration with various encumbrances. The demand for such parcels of land is small and they are mainly purchased due to the buildings situated on them. The demand for parcels of land in Maskavas Street, in the vicinity of Rumbula has grown. The prices there are 15 – 35 $/m². The demand for small land areas in the former industrial areas in the central part of Riga continues to be strong and the difference in prices is 80 –300 $/m². Prices for parcels of land without buildings in the central part are 200 –1500 $/ m². It can be forecasted that the prices in the central part will continue to grow for the parcels of land that are currently used as or are within industrial territories with the aim to re-profile them as office and service buildings, or to use for the purposes of building of or reconstruction as residential premises.

Land price (for commercial buildings), $/m2



Arco Real Estate Report on Real Estate Market in the First Six Months 2004

The Market of Trade Areas

The offer of trade areas grows faster with every year, which is related to opening new trade centers or the expansion of the existing centers. It has to be mentioned, though, that currently construction of new trade centers has slowed down.

The construction of new trade centers has slowed down.

On 20 May of this year the company "Pro Kapital" opened stage two of t/c "Domina Shopping". With its 2nd stage opened "Domina" attracts more and more customers. The total sales area at present is more than 40 000 m², of which 11 000 m² are occupied by hypermarket "HyperMaxima".

The 2nd stage of so far the most successful trade center "Alfa centrs" will be opened in October 2004, expanding the sales area by 20 000 m², the stress being placed on clothes sales, thus improving the offer within this segment in the trade center.

The trade and entertainment center "Patollo" is in the stage of development, the project continuing according to the plan. The total area of the trade center will be 50 000 m², of which 36 000 m² will be sales area and 12 000 m² will be a parking lot. The location – in the City downtown, in the block between Brīvības, Tērbatas, Dzirnavu and Blaumaņa Streets. The opening is scheduled for the second half of 2006.

The rent and lessee turnover in trade centers depend on the success of the particular trade center and its place on the market. In general, it can be said that the rent has stabilized and during the last half of the year frequent lessee turnover has not been witnessed. The supermarket and hypermarket operators still are the biggest lessees at trade centers, the strengthening of the company's "VP Market" (Maxima, T-Market) position is continuing. After Latvia's accession to the European Union, other foreign companies would also like to operate on the Latvian market, for example, the German company "LIDL".

The rent at trade centers has stabilized and during the last half of the year frequent lessee turnover was not witnessed.

Despite the rapid growth of the offered trade areas during the last year, the active trade streets of downtown Riga – the section from Elizabetes to Lāčplēša Street at Brīvības, Barona and Tērbatas Streets are still being demanded. For the mentioned places the demand exceeds the offer for a number of times. Also, the rent is the highest if compared to other streets suitable for trade and to trade centers. It reaches even 50 EUR/m². The premises where the flow of people is smaller – in perpendicular streets and streets that are further away from the abovementioned streets (as Čaka, Valdemāra, Blaumaņa, Lāčplēša, Matīsa Streets) are less demanded.

In the active trade streets of the center of Riga the demand exceeds the offer for a number of times.

Average rents depending on the location of the premises and the condition of the premises:

- premises in the large trade centers

The rent depends on the size and placement of the premises, it fluctuates from 15 to 60 EUR/m² for areas of 10 - 400 m², while the permanent lessees usually pay 9 to 11 EUR/m².

- central part of the city

In Brīvības, Barona, Tērbatas Streets the prices reach even 50 EUR/m². Rents in perpendicular and side-streets fluctuate from 10 to 25 EUR/m².
The rent in peripheral streets of the downtown is 6 - 15 EUR/m².

- Old Riga

The rent in the central street of Old Riga (Kaļķu, Vaļņu, Audēju, Smilšu) reaches 45 EUR/m², the rent is considerably lower in the less demanded streets of Old Riga, where the rents fluctuate from 10 to 30 EUR/m².

- neighborhoods

The rent level in neighborhoods is starting from 6 to 15 EUR/m² in the centers and from 4 to 13 EUR/m² outside the neighborhood centers.

The Market of Office Premises

The demand has grown for new, vast, qualitatively repaired premises with all amenities. Rents have dropped for middle class office premises.

In the market segment of office premises the growth in the demand is seen for new, vast premises with quality repairing, all amenities and accessible utilities, such as internet connection, ventilation and conditioning systems, furnished kitchens.

A tendency of dropping rents is noticed in the range of middle class office offer, which cannot provide workplaces corresponding to modern possibilities and requirements.

Upon Latvia's accession to the EU and many foreign companies entering the Latvian market, there is a rapidly growing demand for vast warehouse and production premises, which are sometimes wanted for purchase. However, the offer of office premises for sale is small. As the real property price rise is expected and forecasted, better opportunities are awaited for.

The issue of many companies "withdrawing" from the downtown area that is related with lower rents and offers of quality premises in the new business centers outside downtown Riga ("Valdo" business center, A/S Hansabanka project "Saules Akmens", "Domina Shopping" office building) is still topical.

The demand for premises in Old Riga has remained unchanged, it has not grown; while the demand for trade areas for establishing exclusive boutiques with the key stress on the flow of tourists has increased.

According to the statistical data for 2004 it can be concluded that the rents for office premises are falling, which is related both to the wide range of offers and to certain influence of globalization.

Rent for office premises in Riga:

- Repaired high class office premises in downtown Riga and Old Riga: 15-25 EUR/m²
- Repaired high class office premises outside downtown Riga: 8-15 EUR/m²
- Office premises without repairing in downtown Riga: 4-6 EUR/m²
- Office premises without repairing outside downtown Riga: 3-5 EUR/m²

Business Parks

At present in Latvia there are about 20 business parks, including those that are in the stage of projects, which can be divided in industrial, technological, logistics and distribution parks. The future perspective of a growing number of business parks can be envisaged, as the demand for the land to establish such parks is growing.

At present in Latvia there are about 20 business parks, the demand for land to establish such parks is growing.

The idea of the business park – provision of the environment necessary for conducting business to full extent, so that entrepreneurs would receive, upon launching their activities, fully completed working place with developed infrastructure. The project developer is in charge of the maintenance of the park, offering a vast range of services, even secretarial and legal consultancy services.

It has to be admitted, that in this respect Latvia has only reached a stage of development in comparison with other European countries, where business parks are a common thing. However, during the last years a rapid development of this sphere is seen.

An essential feature – the number of Latvian companies in business parks is currently very small. They are in most cases chosen by foreign entrepreneurs or Latvian companies with foreign share capital parts. The competition will grow with the raising requirements concerning the environment, production criteria and business activity.

Presently in most cases the land in business parks is offered for lease, but taking the demand on the market into account, those business parks where the entrepreneur could purchase a parcel of land with readymade infrastructure and utilities and construct the buildings necessary for the business will be more successful.

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