



# Latvian Real Estate Market Overview

2002



January, 2003



ARCO REAL ESTATE

NEKUSTAMĀ ĪPAŠUMA BIROJS • REAL ESTATE COMPANY  
RĪGA

This Market Research Analytical Report is prepared by SIA “Arko Nekustamais Īpašums Latvija” LLC [Arco Real Estate Latvia], and provides a concentrated information on real estate market of Latvia of the year 2002. This Report contains a brief account regarding the most essential segments of real estate market, such as:

- trade in apartments;
- lease of tenanted premises;
- one-family private houses;
- property in land (for construction of one-family houses);
- property in land (for construction of industrial and public buildings);
- sales areas market;
- lease of office premises.

The tables, in which the results of analysis of a real estate market segment are summarized, display the price within appropriate segment in the beginning and end of the year 2002, and also provide a forecast on changes in prices for the nearest three months.

The sources of information used in performing the said analysis is the database of real estate transactions of SIA “Arko Nekustamais Īpašums Latvija” LLC, our clients’ demands and offerings database, and also information provided by our co-operation partners, and sources of publicly available information, too.

This Market Research Analytical Report is intended for target users operating or interested in Latvia’s real estate market, starting from individuals through investors and bankers.

SIA “Arko Nekustamais Īpašums Latvija” LLC performs such analyses of real estate market on a regular basis, providing a brief review every six months.

You are kindly requested to address your proposals, comments or questions to Assessment Department of SIA “Arko Nekustamais Īpašums Latvija” LLC at the address as follows below:

12a Skolas Street, Suite 3, Riga

Tel.: 7284421

E-mail: [riga@arcoreal.lv](mailto:riga@arcoreal.lv)

Attn.: Mr. Māris Laukalējs, Head of Assessment Department,

E-mail: [Maris.Laukalejs@arcoreal.lv](mailto:Maris.Laukalejs@arcoreal.lv)

***Explanations for graphs:***

Foreseen changes in prices during the 2nd six months 2002:

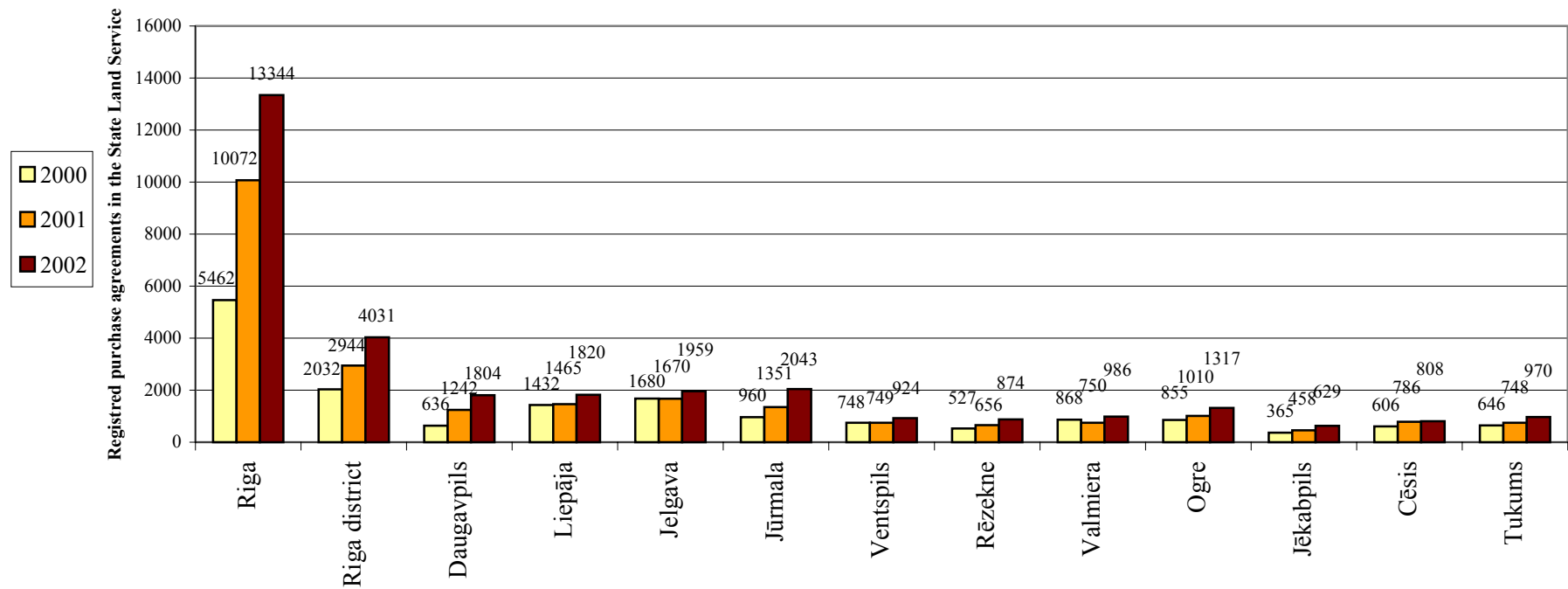
⇒ prices will not change;

↑ prices will increase.

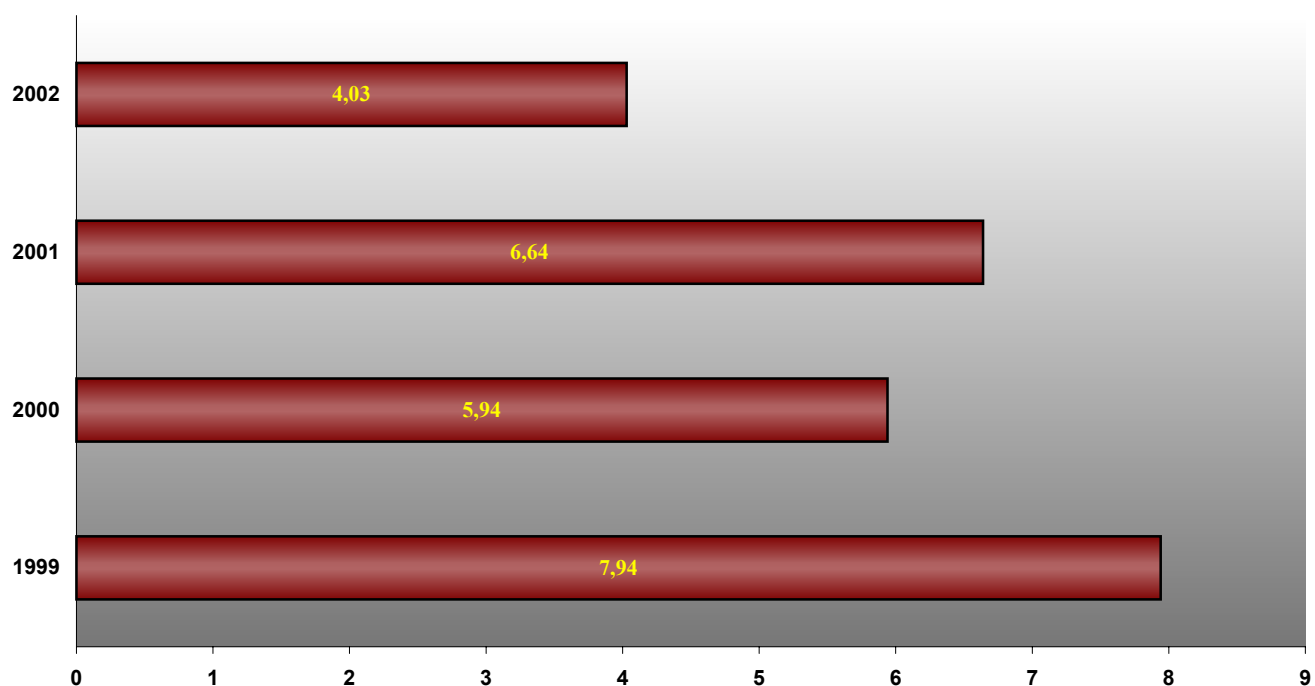
## Characteristics of the largest cities in Latvia

	Rīga	Daugavpils	Liepāja	Jelgava	Jūrmala	Ventspils	Rēzekne	Valmiera	Ogre	Jēkabpils	Cēsis	Tukums
Distance from Riga (km)		229	217	42	22	184	224	107	36	143	87	68
Number of population	747 000	113 000	87 000	66 000	55 000	44 000	38 000	27 000	26 000	26 000	19 000	19 000
Number of population in city and region	891 000	158 000	139 000	102 000	55 000	60 000	83 000	61 000	63 000	57 000	61 000	55 000

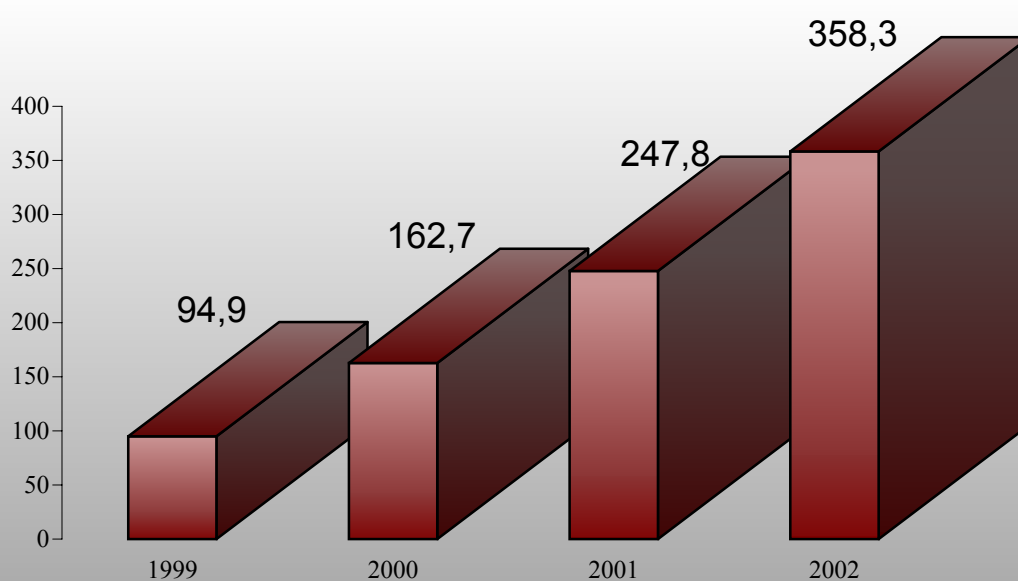
## Dynamics of dealings in the largest cities of Latvia



### Changes of interest rates (% , RIGIBOR , 6 month, end of year)\*



### Loans to private persons (million LVL, end of year)\*



\*Data of the Bank of Latvia



## **Trade in Apartments**

Following a sharp rise in prices in the second half of 2001, which continued even more strongly at the start of 2002, stabilization was expected in the prices of standard-type apartments. However, the increase continued throughout 2002 – apartment prices have gone up 20% - 45% in one year, depending on the suburb. The increase was not uniform for all suburbs; in fact, prices rose most rapidly in those suburbs where there was just a minor rise in the previous year, for example in Kengarags, Bolderaja, Zolitude, Imanta and Vecmilgravis. The price rises in Riga sparked rises in some towns in Riga District: Jurmala, Kauguri, Salaspils, Ulbroka, Kekava. However, the prices in these towns are currently relatively low, about 40-60% of prices for apartments in Riga.

Analyzing data for apartments on the market (sellers' offered prices), it can be seen that there are very large differences in the prices between similar apartments in particular suburbs; for example, two-room apartments in a 602 series building in Plavnieki are offered for USD 22,000 – 29,000.

The price difference is even greater in suburbs where the price rise had started only recently, 40-70% in places.

Currently, the values per square metre of a standard-type apartment have reached their peak i.e. USD 550 – 600, and are approaching the prices for apartments in new residential buildings, which are currently USD 650 – 900 per square metre. Comparing the price of a standard-type apartment with one in a just-built residential building, it can be concluded that all of the parameters characteristic of apartments (condition of the structure and utilities, layout, size of ancillary rooms, condition of common areas, and uniformity in the social status of the tenants) are entirely more favourable for apartments in newly-built buildings. Therefore, the current price of USD 550 per square metre for standard-type apartments can be considered the upper risk-free boundary. An exception to this could be for one-room apartments with areas up to 35 m<sup>2</sup>, because apartments of this size are not offered in newly built blocks.

Compared with the rapid price rises for standard-type apartments, apartment prices in buildings in central Riga have risen only slightly. Prices have gone up mostly for unrenovated apartments on the periphery of central Riga, while prices for reconstructed apartments in the centre haven't changed much.

Thanks to the rapid rise in the price of standard-type apartments, a situation has arisen where sometimes the price of these apartments is similar or even higher than for apartments in central Riga.

Demand has risen and prices have gone up for apartments in wooden buildings on the periphery of central Riga and in Pardaugava.

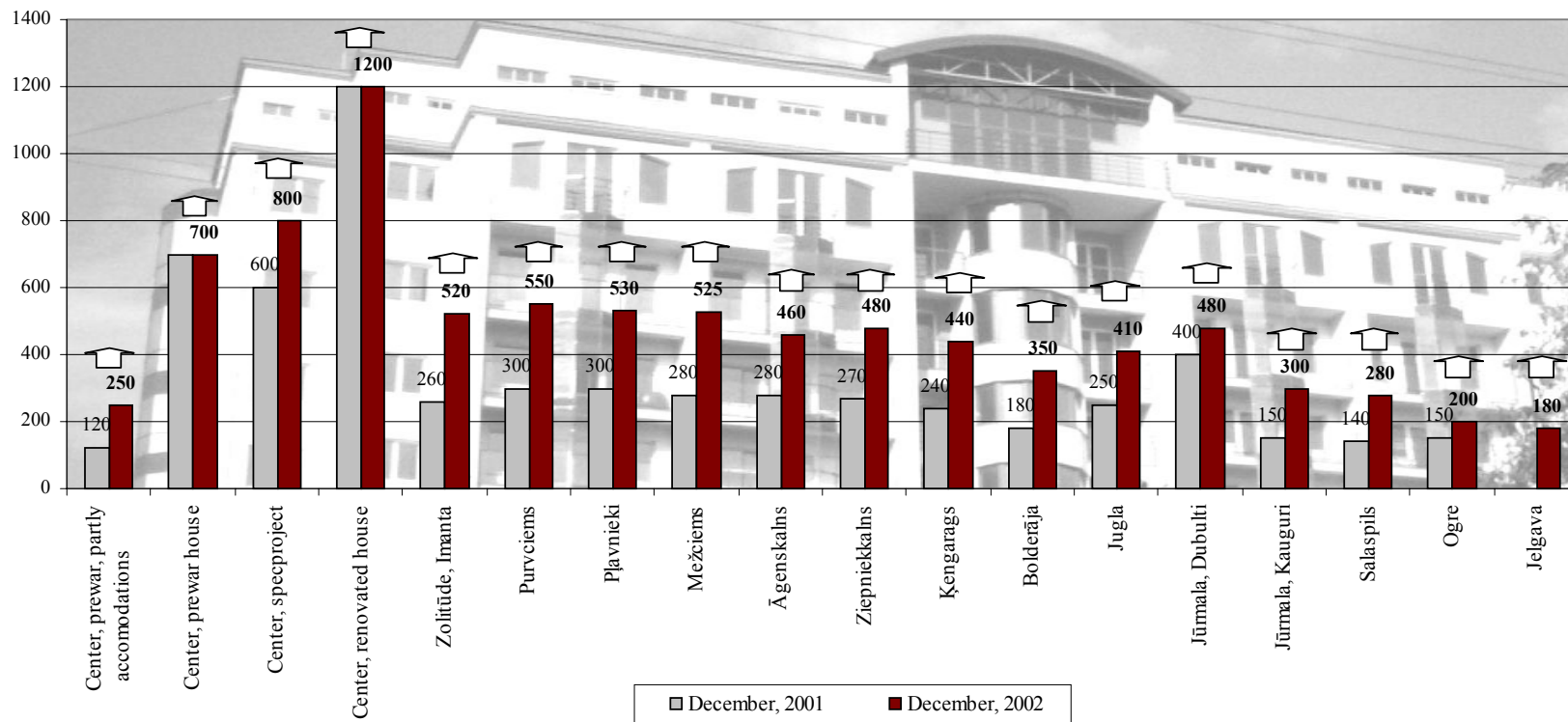
Demand has gone up again for apartments in Old Riga; small, unrenovated apartments and renovated apartments with good views are in demand.

One and two-room apartments are in demand in standard-type buildings, while in the centre demand is for four-room apartments with areas of 80-120 m<sup>2</sup>. The most popular and most expensive residential building series are currently 104, 119 and 103. The main factor governing their popularity is good layout – separate rooms, relatively large ancillary rooms, and good heat insulation. Other important factors in determining apartment prices are the prestige of the suburb (street) and the condition of the common areas (stairwells, entrances, and facades.)

On the basis of the performed transactions and analysis of the customers demand – the most demanded prices of the flats are following:

- Series apartments 340 – 550 USD/m<sup>2</sup>
- Center buildings 550 - 700 USD/m<sup>2</sup>
- Center, wooden buildings 250 - 350 USD/m<sup>2</sup>
- Newly built houses in the residential areas
  - Without interior decoration 450 - 600 USD/m<sup>2</sup>
  - With interior decoration 750 – 950 USD/m<sup>2</sup>
- Reconstructed buildings, center
  - Without interior decoration 700 – 1100 USD/m<sup>2</sup>
  - With interior decoration 900 – 1300 USD/m<sup>2</sup>
- Reconstructed buildings, Old Town
  - With interior decoration 1300 – 1600 USD/m<sup>2</sup>

## 2 room apartment price (50 m<sup>2</sup>) USD/m<sup>2</sup>



## The Apartments Market in the Baltic Countries

Based on data from real estate companies in Estonia (the Tallinn office of Arco Vara) and Lithuania (the Vilnius office of Arco Vara), apartment prices in the Baltic countries in 2002 were as follows (indicated in US dollars per square metre):

	<b>Riga</b>	<b>Tallinn</b>	<b>Vilnius</b>
Standard-type residential districts			455-588
- unrenovated	340-550	390-518	
- renovated	450-650	580-650	
Buildings in the central, historical zone			
- unrenovated	550-700	580-720	588-882
- renovated	750-950	720-750	705-1029
Reconstructed or newly-built residential buildings in the center			
- Without interior decoration	700-1100		617-885
- With interior decoration	900-1300	770-905	705-1170
Historical old city		1100-1300	
- unrenovated	700-900		735-940
- renovated	950-1600		760-1200

## Forecasts for changes in apartment prices in 2003

Price increases of 20-30% for apartments in all categories are forecast for 2003 as a whole. In 2002, the prices of standard-type apartments in Purvciems, Plavnieki and Zolitude reached their peak of USD 550 – 600/ m<sup>2</sup>, which from a financial investment point of view is considered to be the risk-free boundary for standard-type apartments. This is confirmed by data for standard-type apartments in Tallinn and Vilnius. The main price increases for standard-type apartments will come in suburbs where prices are currently lower, while there could also be increases for small, one-room apartments. There will also be price increases for apartments in the centre (unrenovated) and for apartments with partial amenities on the periphery of the centre. Price increases are also expected in some towns in Riga District – Jurmala, Kauguri, Ogre, Kekava, and Vangazi.

In the event that 2003 sees the implementation of all construction projects for new residential buildings, and the Riga local government starts constructing residential properties, a relatively large number of qualitative apartments will come onto the market. If the prices of apartments in these buildings will be USD 650-750/ m<sup>2</sup> (for apartments with simple fittings), a small drop in the price of standard-type apartments can be forecast.





## **Rental of residential premises.**

Overall demand for renting residential premises has not changed significantly over the last year, while at the start of the year there was a drop in rental prices for some apartment categories, especially renovated apartments in buildings in the centre on which reconstruction work has not been performed. Residential rents can be divided according to the main categories of residential apartments:

- Furnished apartments in good condition in the new suburbs. The most demanded properties in this category are 1-3 room apartments. The most demanded suburbs are Purvciems, Pļavnieki, Teika, and inner Pārdaugava.

- Quality, renovated, furnished apartments in restored (reconstructed) buildings in the centre. This category is characterised by location in a prestigious district, high quality finishing of apartments and common areas, and the level of security. The biggest demand is for apartments with areas of 80-100 m<sup>2</sup>. Demand is mostly for furnished apartments.

- Quality, furnished apartments in Old Riga or in restored art nouveau buildings in the centre, especially if the buildings and rooms have rich decors, fireplaces and stylishly matching furniture. The biggest demand is for areas of 50-100 m<sup>2</sup>.

- Furnished apartments in good condition in buildings in the centre. The characteristic feature of this category is placement in buildings for which the technical condition and that of the common areas is relatively poor and with a low level of security. There was a significant drop in rental prices for apartments in this category last year and at the beginning of this year, but rental prices have currently stabilised.

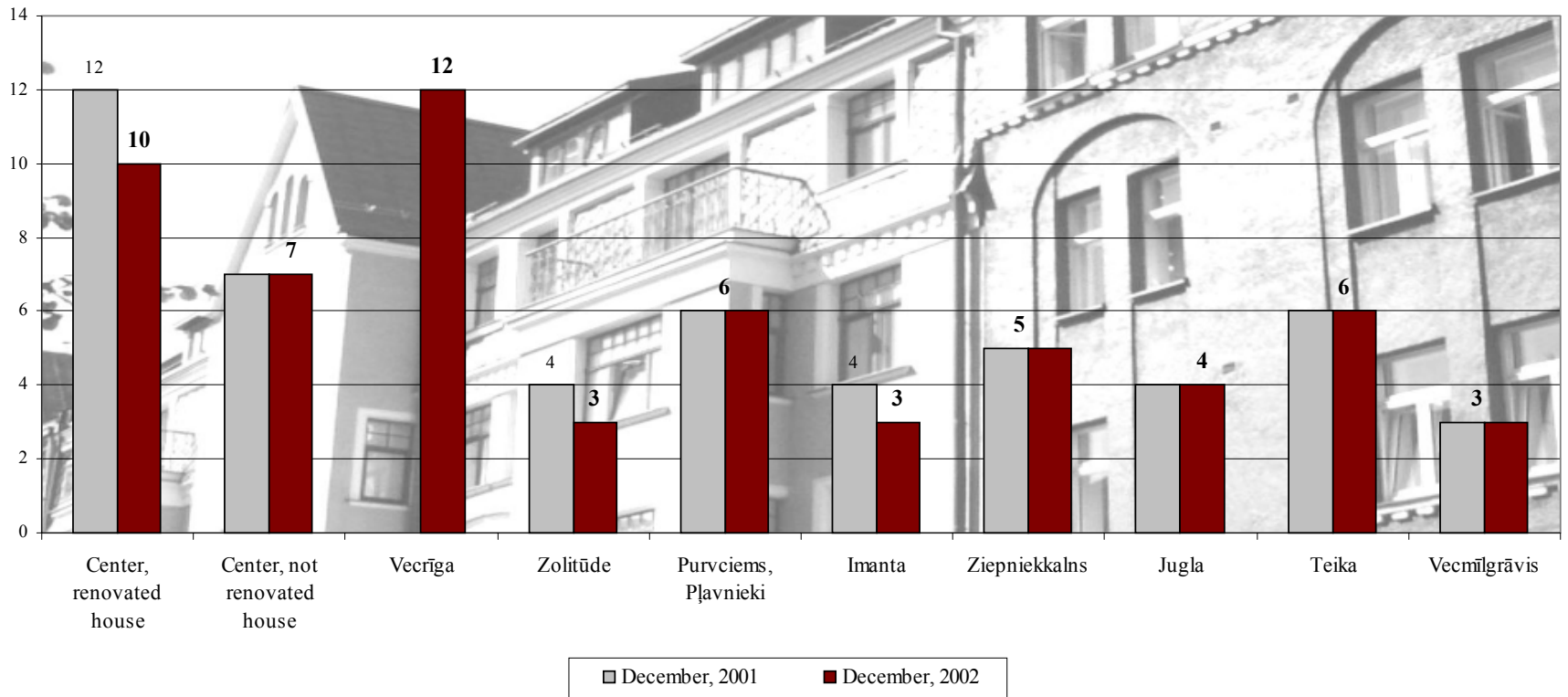
Factors affecting rental prices for all categories are the prestige of the district where they are located, public transport availability, parking, and the floor of the building on which they are located.

There has been increased demand for small studio-type apartments in Old Riga. There has been an increase in the number of long-term rental agreements for terms of 10-15 years, where in return for relatively low rents of 2-3 USD the tenant carries out major renovations at their own expense.

The average term of rental agreements is one to two years. There is demand for apartments for short-term rental, three to six months, but the supply of such apartments is small.

Overall, it must be concluded that the apartment rental sector has stabilised, and in buildings in some categories, especially in Old Riga and the centre, many apartments that had been converted for use as offices are currently being again offered as apartment rental properties due to the fall in office rental prices and a significant fall in demand.

## Average apartment rent price, USD/m<sup>2</sup>





### **Private family houses.**

Overall there have not been changes in the market for private houses, however new private house estate projects have appeared on the market: The “Mākoņkalns” estate near Rāmava, “Mārasciems” in Mārupe, – “Mežmalas” in Babīte. In addition to the Latio estate “Beberi,” the new projects “Lielpriedes” and the Deičmaņa-Oša estate have been started in Piņķi. In the last two years the accent has been on location, and so “Lielpriedes” is sited in a grove of pines and the Deičmaņa-Oša estate in a beautiful apple orchard.

Compared with the rapid rise in apartment prices, which is linked to favourable changes to credit conditions, changes in the prices of individual houses have not been observed. Rather, there have been changes in what is offered on the estates: there is an increasing supply of houses with relatively low construction costs.

In almost all of the above-mentioned new projects, it is mainly planned to build houses of medium cost: 100 000 – 150 000 USD.

In the city of Riga, individual residential houses are being offered in the “Kolonna” estate in Mežaparks, the “Ķīpsalas ligzda” in Ķīpsala where both separate and terrace houses are offered, the “Šampēteris 100” estate in Pārdaugava, and in the vicinity of Jugla –Šmerlis. Prices in the parts of Riga city are relatively high, especially in Mežaparks and Ķīpsala: 180 000 – 250 000 USD.

The category of buildings priced 60 000 – 80 000 USD is in demand. The individual housing estate “Bebrupļavas” in the vicinity of Piņķi, which is in the planning stage, will offer clients simple individual houses at the lowest price currently available, at a sale price of around USD 50-60,000 for a building up to 100 m<sup>2</sup> on land of 1,400 m<sup>2</sup>. With relatively low demand for individual houses on estates where the average house price is around 150 000 USD, this offer could be attractive to families whose incomes only permit credits for buying apartments, since the price of 50,000 USD is similar to that for a renovated four-room apartment in the new suburbs. Houses are also being offered on estates near Stopiņi in a similar price group but with slightly higher prices. Here, timber beam houses from the firm “Superbebris” are on offer. Pre-assembled houses from the Finnish firm “Finndomo” and from Lithuanian firms that are offered through catalogues can also be included in this price category.

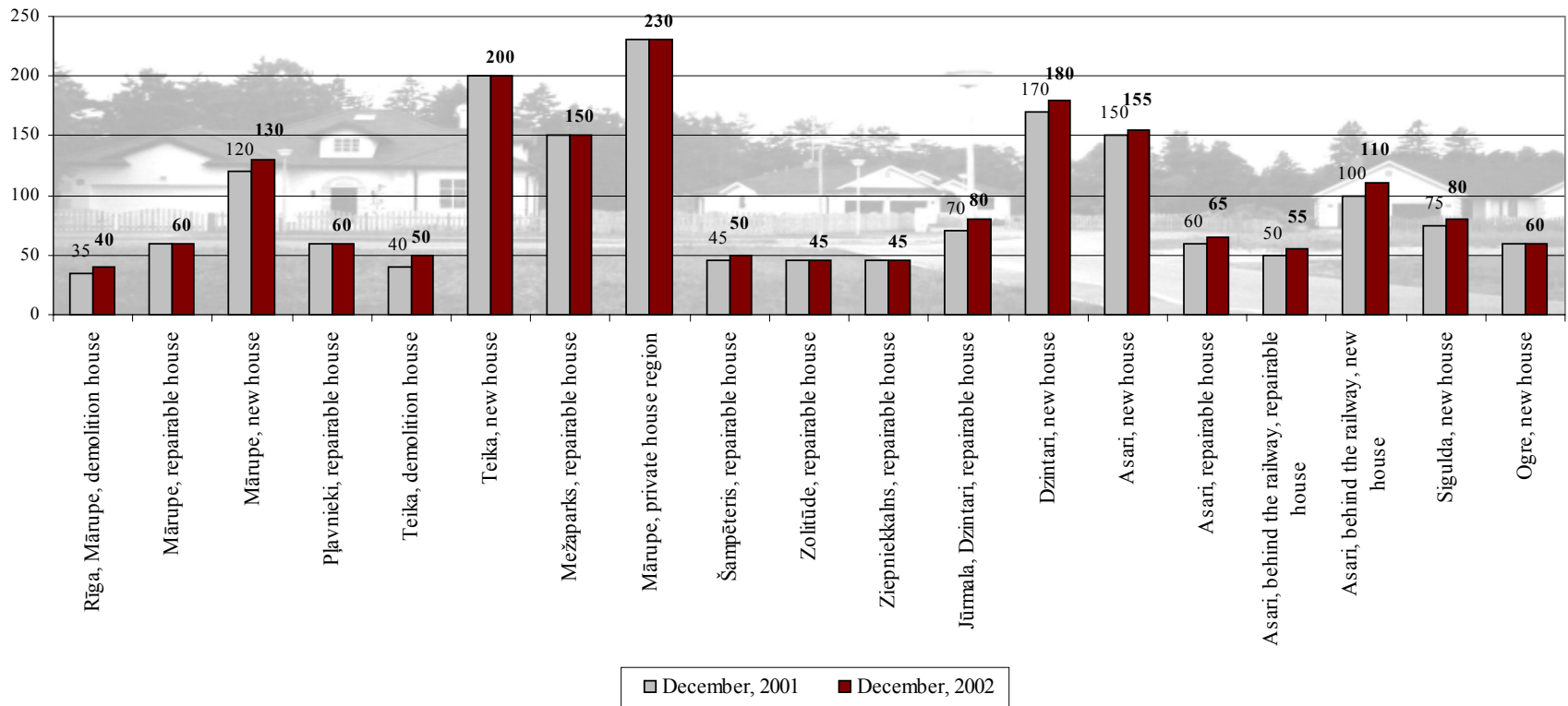
Interest has been aroused and the number of transactions has increased for individual land parcels in territories in the direction of Ķekava – in Rāmava, Mākoņkalns, and also Ķekava and Baloži.

Analysing supply and transactions made, the following private house categories can be set out:

- Buildings in bad condition (requiring demolition or reconstruction.) The main characteristic of the group is location in private house districts with existing infrastructure. Depending on the land area, ease of access and district, the prices of the properties are mainly determined by the land values. Properties in these categories are relatively in demand, and their prices are rising. Depending on the district, they are priced at 40 000 – 60 000 USD. Prices for this category have risen 20-30 % in one year.
- Smaller (up to 100 m<sup>2</sup>) buildings with simple finishing and requiring internal renovations. Construction took place in the 1950s and 1960s. The main supply of these types of houses is in the direction of Pļavnieki, Purvciems, Mežciems, Zolitūde and Mārupe. Average prices are 50 000 – 75 000 USD.
- Pre-assembled houses for one family (Finndomo or Lithuanian) are of a standard type and are offered through catalogues for erection on the buyer's land. The average price for a house of around 140 m<sup>2</sup> is 65 000-80 000 USD.
- New buildings with areas up to 200 m<sup>2</sup>, with qualitative materials and internal utilities. Price differences within this category are mostly due to location. Average prices 100 000 – 180 000 USD.
- New buildings in private house estates. The characteristic features are well-tended surroundings, their security level, and the type of neighbours. Location is a very important price differentiator. Supply is relatively large. Average prices 150 000 – 250 000 USD.

The total number of houses in private house estates that have been started or are planned is almost 1,500. Analysing the progress of sales and comparing this with the plans of the project initiators reported in the press, it has to be concluded that the sale of many projects has been delayed by two to three years. Since an increasing number of new projects are coming into this sector which plan on offering houses for lower prices, the bankrupting of some projects can be forecast, bringing certain changes to the buildings currently on offer in expensive projects.

## Average price of the private house (land area till 1500 m<sup>2</sup>) thousands USD





### **Land properties (for the construction of family houses).**

Demand for land for the construction of individual houses is firm and has a tendency toward growth. Demand is especially large for land within the territory of the city, and in low-rise districts with developed infrastructure. In the most demanded districts (Teika, Mežaparks, Pļavnieki) prices are growing since supply is small. In one year, prices and demand have risen in Pļavnieki and Purvciems, where prices are currently 20-27 USD/m<sup>2</sup>, in Vecāķi district on streets adjacent to the sea (up to 30–45 USD/m<sup>2</sup>,) and in Buļļusala near the Buļļupe River (20–30 USD/m<sup>2</sup>.) There is stable demand for building blocks in Pārdaugava, in the Mārupīte district, where land is being divided from existing building blocks. Prices in this district are 18-25 USD/m<sup>2</sup>. The increasing demand for land blocks is the result of the opportunity to build houses according to the owner's wishes and financial capacity, and the possibility of carrying out construction in various stages and thereby allowing for gradual costs for investment into the property.

In the last year, a new form of land distribution has emerged – the formation of blocks of land within or adjacent to the city's territory through the division of larger blocks, and the creation of access roads. Unlike for the building of private houses, in these cases there are no offers of ready utilities, the territories do not have designated managers, and the total number of available blocks does not usually exceed 10 blocks in one location. The price per block is comparatively lower than for blocks within estates. These types of blocks are being offered in Bergī, Langstiņi, and in the direction of Mārupe and Ķekava.

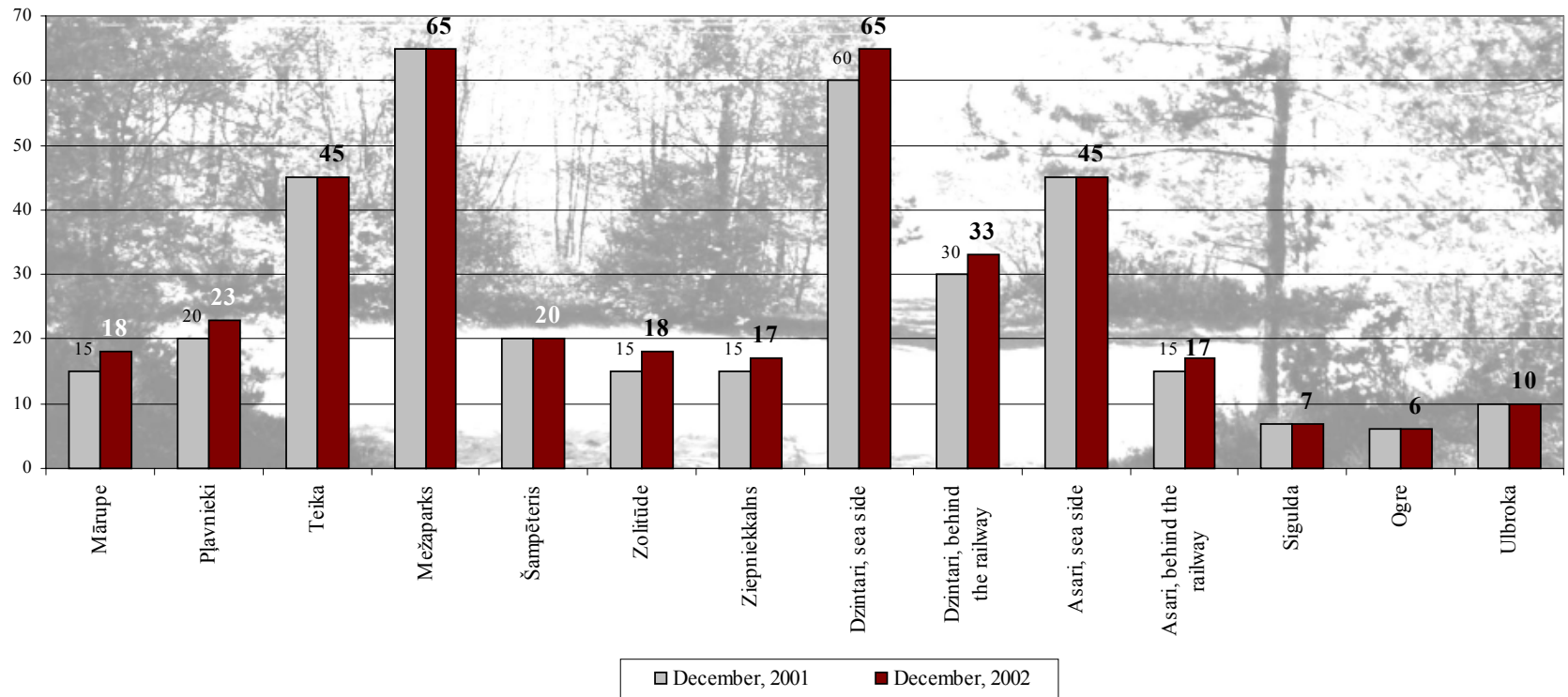
Demand for parcels of land in the individual housing estates outside of Riga is unstable. On some estates, land prices have fallen by 15 – 20%. This year, new projects have been started in addition to existing ones. For example, next to the "Ezerkrasti" estate, until now the most popular and dearest estate, blocks are being offered in the new estate "Ezerpriedes". Although the prices of the offered blocks are lower than in "Ezerkrasti" (they are around 15 USD/m<sup>2</sup>), taking into account the fact that the estate is not right by the lake, it can be forecast that the sale of this estate will not be as rapid as it was for the neighbouring project. Land is also being offered in the new "Mežāres" estate next to the "Ošu" estate in Babītes County, with block prices of 11 USD/m<sup>2</sup>. Analysing price changes for land on housing estates, it can be concluded that the decisive factors influencing price are the level of amenities on the estates, waterside location (river, lakeshore), landscape, and the presence of trees.

Demand is still increasing for land in Jurmala, especially for blocks adjacent to the dunes. Prices here have reached 120 USD/m<sup>2</sup>. Prices have risen in the Melluži – Asari district behind the railway tracks, where large sized blocks are available - 3000-7000 m<sup>2</sup> and more for a comparatively low price: currently 4 – 12 USD/m<sup>2</sup>. Since there are no special restrictions on construction in this part of the city of Jurmala, it can be forecast that prices in this district will continue to rise.

A lot of land is being offered in the dune zone with areas 3000 – 6000 m<sup>2</sup> and sale prices around 80 USD/m<sup>2</sup>, but demand is small because often subdivision of the blocks is small, it takes a long time, and building is restricted.



## Average land price for the family house building (area 1500 m<sup>2</sup>) USD/m<sup>2</sup>





## **Land properties (for the construction of manufacturing and public-type buildings)**

Demand is stable for blocks for commercial-type building. While in previous years there was special interest in land near major traffic arteries, the most prominent characteristic of this year has been high demand for land in the city centre, and especially in suburban centres, for the construction of new apartment blocks. The most demanded blocks are at K.Ulmaņa Street, Lielirbes Street, Krasta Street, Ganību dambja Street and Brīvības Street, and on the central streets of Purvciems, Imanta, Teika, and in central Riga.

The purchased blocks are mainly used for the construction of shopping centres, sports centres and auto servicing complexes. The average areas of the purchased blocks are 5000 – 20 000 m<sup>2</sup>. A trend noted in the previous year has strengthened, wherein land prices are rapidly rising in the immediate vicinity of new, commercial-type sites. For example, in the vicinity of the “Alfa Centre“ hypermarket on Brīvības Street the price of a block of land rose from 50 USD to 100 USD/m<sup>2</sup> and in the vicinity of the “SPICE“ shopping centre on Lielirbes Street from 25 to 60 USD/m<sup>2</sup>. Land prices have risen 15 –20 % in Pļavnieki at Deglava, G.Astras and Dārziema Streets and are currently 25 – 40 USD/m<sup>2</sup>. Taking into account the high demand for land in the central part of Riga, prices here are stable and high, especially at major crossings in central Riga:

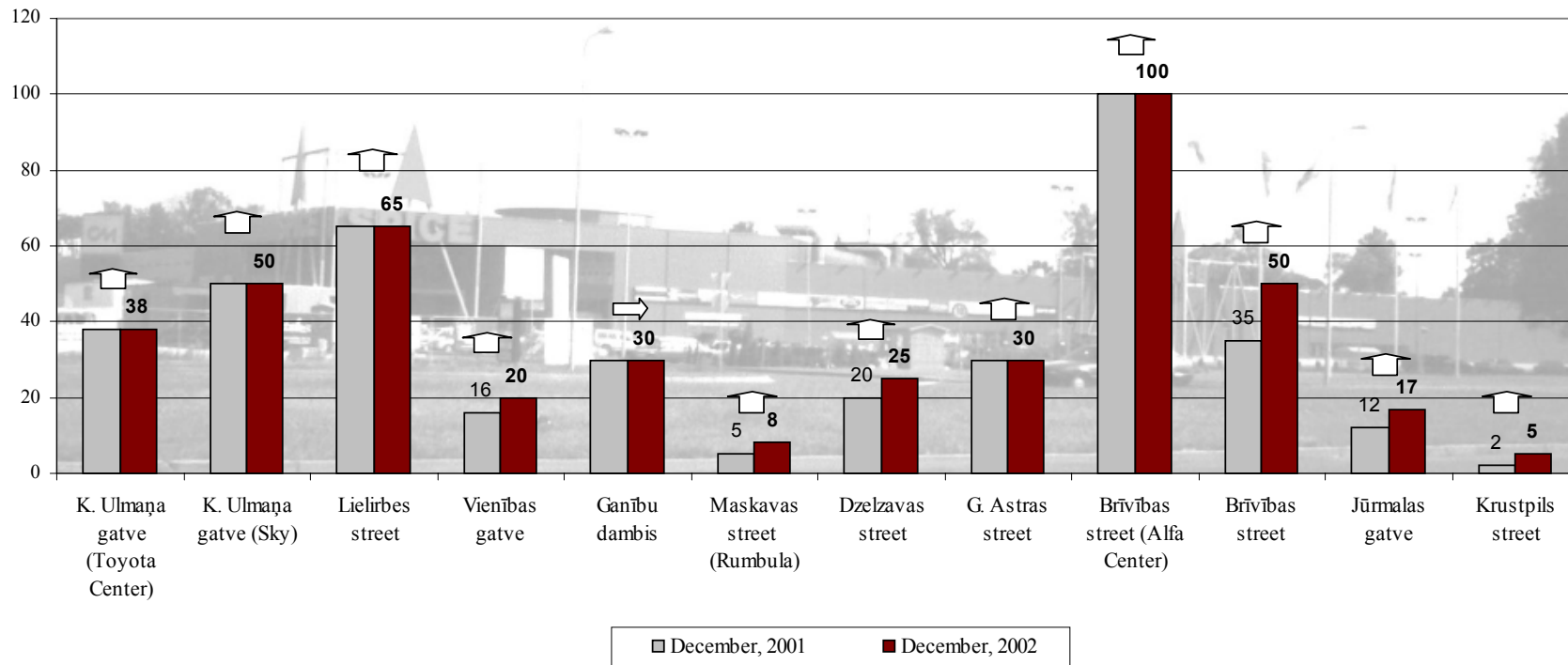
- Satekles and Dzirnavu streets near the central railway station: 250 – 450 USD/m<sup>2</sup>;
- Skolas, Dzirnavu, Baznīcas streets district: 400 – 550 USD/m<sup>2</sup>;
- Land on K.Barona Street under shopping centres: 380 – 650 USD/m<sup>2</sup>.

In accordance with city-imposed building restrictions, the centre of Riga currently poses problems for the construction of new sites, which has in turn caused a relatively large difference between offered prices and prices acceptable to buyers. The price difference is linked to particular land blocks' usage opportunities and set building restrictions (building density, height), which often makes a block of land uneconomic for investors. Uncertainty about the future of building regulations in central Riga have led to sharp price rises for sites already under way, or land with documentation for already approved projects.

The aim of transactions for land purchases is actually the construction of new retail sites and multi storey apartment blocks.



## Land price (for commercial buildings) USD/m<sup>2</sup>





## **The market for retail space.**

On the whole, 2002 was characterised by relatively large growth in new retailing space. The Finnish enterprise “Kesko” commenced operating with the opening of the large “Spice” shopping centre. This spring, the second stage of the “Alfa Centre” was unveiled, bringing its total area to 37,000 m<sup>2</sup>; the construction of a third stage is planned, which will bring “Alfa Centre” to 67,000 m<sup>2</sup>. In the second half of the year, the expanded shopping centre “Mols” – currently the biggest retail centre – started operating following reconstruction. Also, at the end of the year the first stage of the “Olympia” shopping centre was opened; the second big “City Market” store on Ganību dambis Street was opened; and the retailing centre “mc<sup>2</sup>” was opened on Krasta Street.

Large retail centres are playing an increasing role in the market. The market leaders have emerged, and the first victims of competition have fallen, but regardless of this the market still cannot be described as saturated and new projects are appearing. There is still room in Riga for new retailing companies, for the entry of new “names.” Currently the biggest weaknesses in new shopping centres are the relatively uniform types of firms represented and the small selection of some categories of goods (children’s and teenagers’ goods, toys.) Therefore, existing and future operators of shopping centres should work to introduce retail chains popular in European countries, and new brands that our people are attracted to overseas.

Currently sharing the leading place in the shopping centre field are the Norwegian company “Linstow Varner,” which owns the biggest retailing park “Alfa,” the expanded “Mols” shopping centre, the department store “Centrs,” and others. The big supermarkets or hypermarkets in the suburbs are serious players in the market (for example the “Maxima” stores run by “Vilniaus Prekyba”) and the “Mego” chain. Also important are the “Spice” shopping centre and smaller retailing areas in particular suburbs, for example the “Jugla Centre” and the “Barona Centre.”

Alongside «Linstow Varner», which has experience in this market and which can expand from its established base (for example an ambitious reconstruction of the “Centrs” department store and expansion on the existing block are planned), in my opinion another very significant player in the market will be “Hakon Invest Latvia,” the subsidiary of “ICA Ahold” in Latvia. It has already implemented its first project, the “Olympia” shopping centre. This company has international experience in managing shopping centres.

An important market player will be “Pro Kapital” with its forthcoming “Domina Shopping” complex. This company will offer a relatively large number of firms and new brands not yet represented in the market.

The multi functional complex “Stockmann Centre” will have its niche; the Finnish firms “Stockmann” and “Rautakirja” are developing it.

In 2003, the “Triangula Bastions” shopping and office complex will start operations on the Daugava embankment near Old Riga.

A project not seen before in Latvia is being implemented at Ķīpsala, near one of Riga's main bridges and not far from the old city – the “Olympia” shopping centre. It is interesting for reasons besides its convenient location. The project's initiators, “Hakon Invest Latvia”, have planned to create a visually attractive complex where a “classic” shopping centre will be married to a wide range of recreational options. In the wider world, this concept of shopping plus recreation has long since proven itself. “Olympia” has two floors, underground parking and a recreation park on the roof. Currently the biggest tenant, the “Rimi” hypermarket, has started operating. “Olympia” is oriented toward people who feel young at heart. Since these people will have a liking for fashion and style, the second floor will house many clothing retailers, many of them very well known in the Baltics and Europe. There will also be a broad hospitality sector (five different enterprises.) On the roof will be a garden, a fitness club and a restaurant.

The increasing role of shopping centres is also shown by the fact that while last year there was a considerable demand for premises in central Riga, currently interest is negligible. As a result, rents have fallen – in some places by 25%, especially for retail premises with the largest floor areas. The reason is simple: a considerable amount of new retail space is being offered in shopping centres. Furthermore, demand for space within them is sufficiently large. Therefore, falls in rental prices cannot be expected in the near future.

However, there will also undoubtedly be those who favour central Riga and the more active streets of the old city.

The increase in floor space occupied by the new, large food supermarkets will be accompanied by a decline in the number of small food stores in the city centre and the new suburbs. The freed-up premises are later occupied by enterprises in the services sector (cafes, bars, hairdressing and beauty salons.)

Currently the most demanded locations for shopping centres in the city of Riga are Krasta Street and Maskavas Street, Kalnciema, Lielirbes and K. Ulmana Streets in the direction of Jūrmala, Brīvības Street, and the centres of the new suburbs - Purvciems, Pļavnieki, Mežciems.

Analysis of the number of transactions proves that a large majority of retail space on the market (around 70%) is rented retail space, which is mainly concentrated in large shopping centre. On the other hand, the 30% of sold retail space have mostly been sold in the central part of the city.

The average rentals, depending on location of premises and their condition, are as follow:

- *premises in large shopping centers, depending on their area:*

- area up to 30 m<sup>2</sup> 30 – 50 USD/m<sup>2</sup>
- area 30 up to 150 m<sup>2</sup> 20 – 40 USD/m<sup>2</sup>
- area over 150 m<sup>2</sup> 8 – 30 USD/m<sup>2</sup>

- *premises in central part of the city:*

- in main streets (Barona, Tērbatas, Čaka, Brīvības) 20 – 38 USD/m<sup>2</sup>
- in cross-streets 13 – 25 USD/m<sup>2</sup>
- in periphery of the central part 6 – 10 USD/m<sup>2</sup>

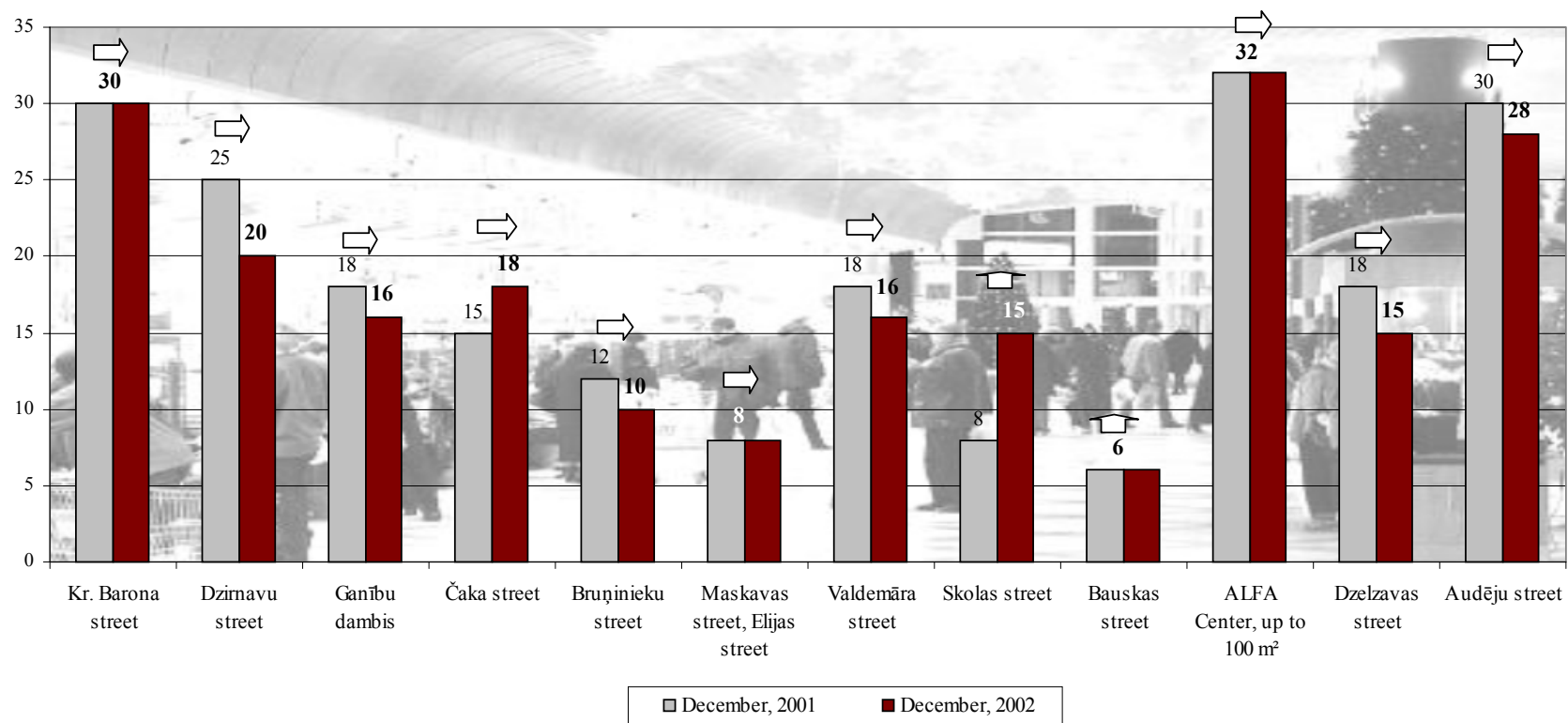
- *premises in Old Riga:*

- in main streets (Kaļķu, Vaļņu, Audēju, Smilšu) 20 – 40 USD/m<sup>2</sup>
- in cross-streets 8 – 25 USD/m<sup>2</sup>

- *premises in housing areas*

- in the center of housing area 6 - 18 USD/m<sup>2</sup>
- outside the center 4 -10 USD/ m<sup>2</sup>

## Rent price for commercial space, USD/m<sup>2</sup>





## **Rental of office premises.**

Office rental as a sector of the real estate market is still unstable.

The supply of office premises continues to grow. New, modern office buildings are being built and separate business centres are starting to develop outside the centre of Riga, which significantly affect both demand and supply. Companies much prefer to be located in such business centres because:

- The common areas are usually renovated up to the required standard;
- Parking is provided;
- The company can plan its premises in accordance with its own requirements;
- Because they themselves are implementing sizeable projects, the building owners can be flexible when setting rents, assessing the capacities of the potential tenants;
- They are located in a business-like environment with respectable neighbours.

Recent trends demonstrate that these are the main criteria which influence the final decisions of people looking for premises. Accordingly, offices located on the first floors of separate buildings and in existing office buildings in central and Old Riga are becoming less competitive. The main problems with these premises are the limited number of parking spaces and limited possibilities for planning the space. Offices outside of central Riga are mostly selected by big companies that require space of 300 m<sup>2</sup> and more. They are usually trading firms and manufacturing enterprises, as well as representative offices of foreign companies.

The most important centres outside central Riga are:

- RD Centre - Maskavas 240
- Brīvības 224
- Skanstes 13 - SWH Centre
- Bauskas 58a –Valdo Centre (being expanded with another 12000 m<sup>2</sup> multifunctional A-class office building)
- Mūkusalas Business Centre - Mūkusalas 41b
- “Saules akmens” (Sun Stone) – A-class office building under construction in Ķīpsala
- Zemitānu street 2b - Remarks
- Preses nams (Press House)
- Mūkusalas street 72b

Offices in central and Old Riga are mainly selected by companies in the legal, consulting, financial or services sectors, because Old Riga is the historical business centre and people can do important work in the same place. Demand here is usually for offices with smaller areas of 80-150 m<sup>2</sup>. There has been a significant drop in the rental price level in this part of Riga recently, caused by the fact that many firms are planning their futures in larger offices outside the centre for lower rents. Accordingly, space is being freed up and owners are being forced to reduce rents either to keep existing tenants for a longer period or to find new tenants. It has been observed that in Old Riga apartments that had been converted into offices are being reconverted back into apartments, since rental prices for office space in Old Riga are equal to or even lower than apartment rental prices, and demand for apartments in Old

Riga is greater than for office space. Overall, it can be concluded that rents for offices in Old Riga compared with offices in buildings outside of central Riga are evening out.

Currently, the most important business centres in the central part of Riga are:

- Valdemāra Centre
- Felix Holding building - Alunāna 2
- Mednieku 4
- Jeruzālemes 1
- Neiburgu properties - Brīvības 40
- World Trade Centre Riga - Elizabetes 2
- Basteja Passage
- Valters un Rapa office building - Aspazijas bulvāris 24
- Baznīcas iela 20/22 - SIA Domuss office building
- Dominante - Dzirnāvu 57.

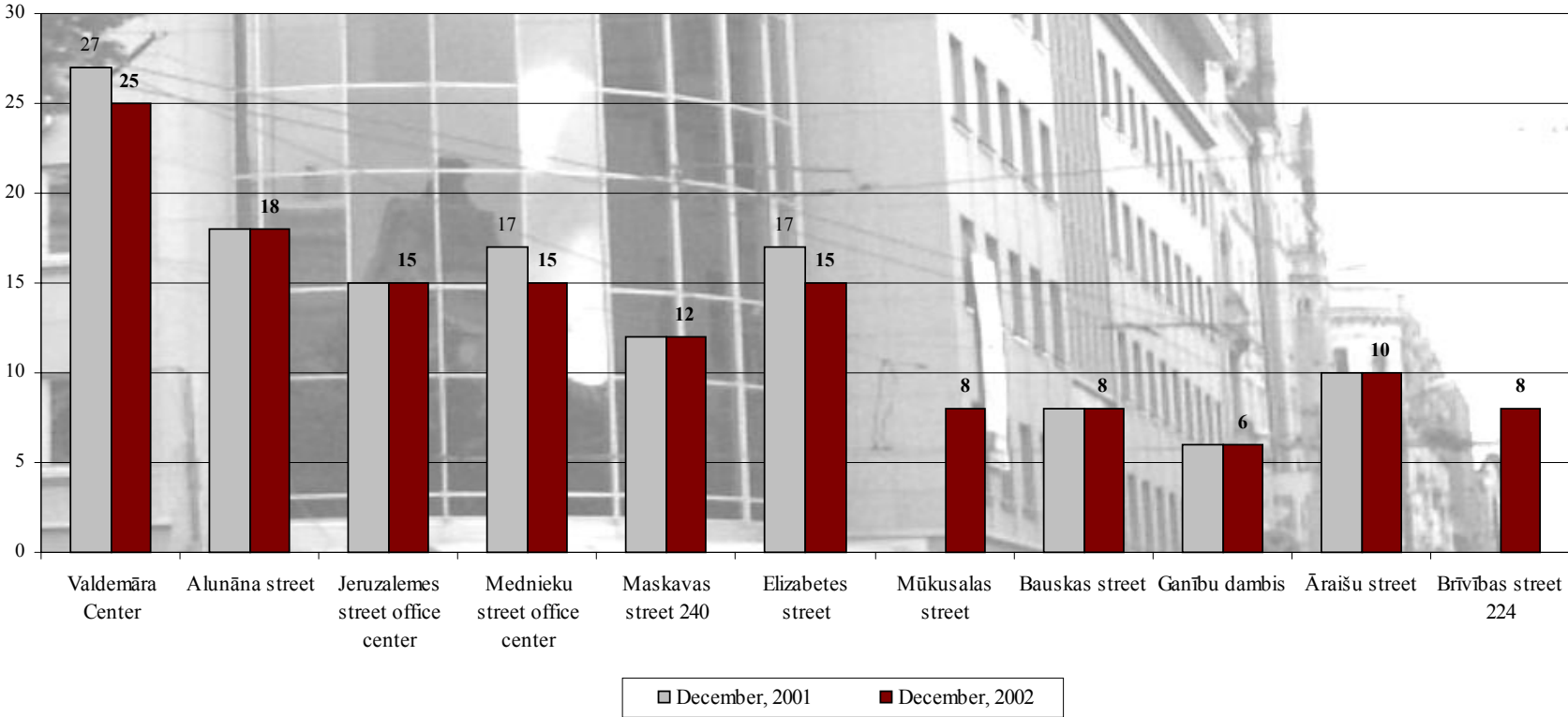
In recent times, many large companies (eg RIMI, Valdo etc.) have started building separate office blocks for their own needs further from the centre. This is a very good solution for large companies whose business is various types of wholesaling, because by purchasing or leasing land of sufficient area they can plan buildings that suit them, and specialised building functions greatly ease the operations of the firms. These types of separate office buildings are advantageous to build if the volume of office space exceeds 500 m<sup>2</sup>, however when implementing such projects it is essential to conduct a careful economic analysis, especially in places where land values are high. It can be considered that as these trends develop there could be increased demand for land intended for such purposes, and the business park sector could develop (eg Skanska Business Park.)

The gradual price drop in the office market is in many ways being facilitated by reconstruction projects for former factory buildings. Increasingly inexpensive credits are also affecting the cost of renovating such buildings, which later has an echo in rental prices, with which the sector of offices already on the market has to take into account. Since several projects of this type are currently developing in Riga, a gradual, slow drop in office prices can also be forecasted for the future.

### **Rentals for office premises in Riga:**

- Repaired “A” and “B” Class premises in business centers in downtown Riga:  
12-25 USD/m<sup>2</sup> (on the average 15 USD/m<sup>2</sup>);
- Repaired “A” and “B” Class premises in business centers outside downtown Riga:  
8-16 USD/m<sup>2</sup> (on the average 12 USD/m<sup>2</sup>);
- Repaired premises in ground floors of dwelling houses, or in separate one-storey or two-storey buildings in central part of the city:  
7 – 15 USD/m<sup>2</sup> (on the average 10 USD/m<sup>2</sup>);
- Repaired premises in ground floors of dwelling houses, or in separate one-storey or two-storey buildings outside central part of the city:  
4 – 8 USD/m<sup>2</sup> (on the average 7 USD/m<sup>2</sup>);
- Unrepaired premises in central part of the city:  
4 – 6 USD/m<sup>2</sup> (on the average 5 USD/m<sup>2</sup>);
- Unrepaired premises outside central part of the city:  
2 -5 USD/m<sup>2</sup> (on the average 3 USD/m<sup>2</sup>).

### Rent price for office, USD/m<sup>2</sup>



Market overview compiled by:



**Māris Laukalējs**  
Head of Valuation  
Department

Mob. tālr.: +371 9230073  
E-pasts: [maris@arcoreal.lv](mailto:maris@arcoreal.lv)



**Gints Priedītis**  
Head of Residential  
Property

Mob.tālr.: +371 9114811  
E-pasts: [gints@arcoreal.lv](mailto:gints@arcoreal.lv)



**Viktors Savins**  
Director

Mob.tālr.: +371 9242455  
E-pasts: [viktors@arcoreal.lv](mailto:viktors@arcoreal.lv)



**Guntars Cauna**  
Head of Commercial  
Department

Mob.tālr.: +371 9113033  
E-pasts: [guntars@arcoreal.lv](mailto:guntars@arcoreal.lv)

**Arko Nekustamais Īpašums Latvija SIA**

Skolas iela 12a – 3, Rīga LV 1010, Latvija  
Tālr.: +371 7284421, +371 7284113  
Fakss: +371 7284423  
E-pasts: [riga@arcoreal.lv](mailto:riga@arcoreal.lv)  
[www.arcoreal.lv](http://www.arcoreal.lv)

AS Arco Vara Tallinna Büroo  
Jõe 2b, 10151 Tallinn  
Tel. +372 614 4600  
Faks. +372 614 4601  
e-mail: [tallinn@arcovara.ee](mailto:tallinn@arcovara.ee)  
[www.arcovara.ee](http://www.arcovara.ee)

AS Arco Vara Pärnu Büroo  
Aia 8, 80011 Pärnu  
Tel. +372 44 71 430  
Faks. +372 44 71 431  
e-mail: [parnu@arcovara.ee](mailto:parnu@arcovara.ee)

AS Arco Vara Saare Büroo  
Kauba 5, 93812 Kuressaare  
Tel. +372 45 33 424  
Faks. +372 45 33 434  
e-mail: [saare@arcovara.ee](mailto:saare@arcovara.ee)

AS Arco Vara Tartu Büroo  
Vabaduse pst 3, 51004 Tartu  
Tel. +372 7442 218  
Faks. +372 7442 222  
e-mail: [tartu@arcovara.ee](mailto:tartu@arcovara.ee)

UAB Arcovara  
Gedimino Av. 28/2-513, LT-2001 Vilnius, Lietuva  
tel/faks +370 2 621 063  
e-mail: [arcovara@lithill.lt](mailto:arcovara@lithill.lt)