LATVIAN REAL ESTATE MARKET OVERVIEW
2005

ARCO REAL ESTATE

LATVIA • ESTONIA • LITHUANIA • UKRAINE

Contents

LATVIAN REAL ESTATE MARKET OVERVIEW 2005

Introduction

The market analysis overview prepared by SIA „Arco Real Estate" provides a concentrated information on the Latvian real estate market in 2005. The overview provides a brief report on the main sectors of the real estate market:

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

The overview of the real estate market analysis shows the values of the estates of the respective market sectors at the end of the reporting year as well as provides information on the events in the sector in 2005.

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

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

SIA „Arco Real Estate" is preparing real estate market analyses on a regular basis providing brief reports once in six months.

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

Riga, Lāčplēša Street 20a
Tel. 7365556; fax 7365557
E-mail: vertetaji@arcoreal.lv

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

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

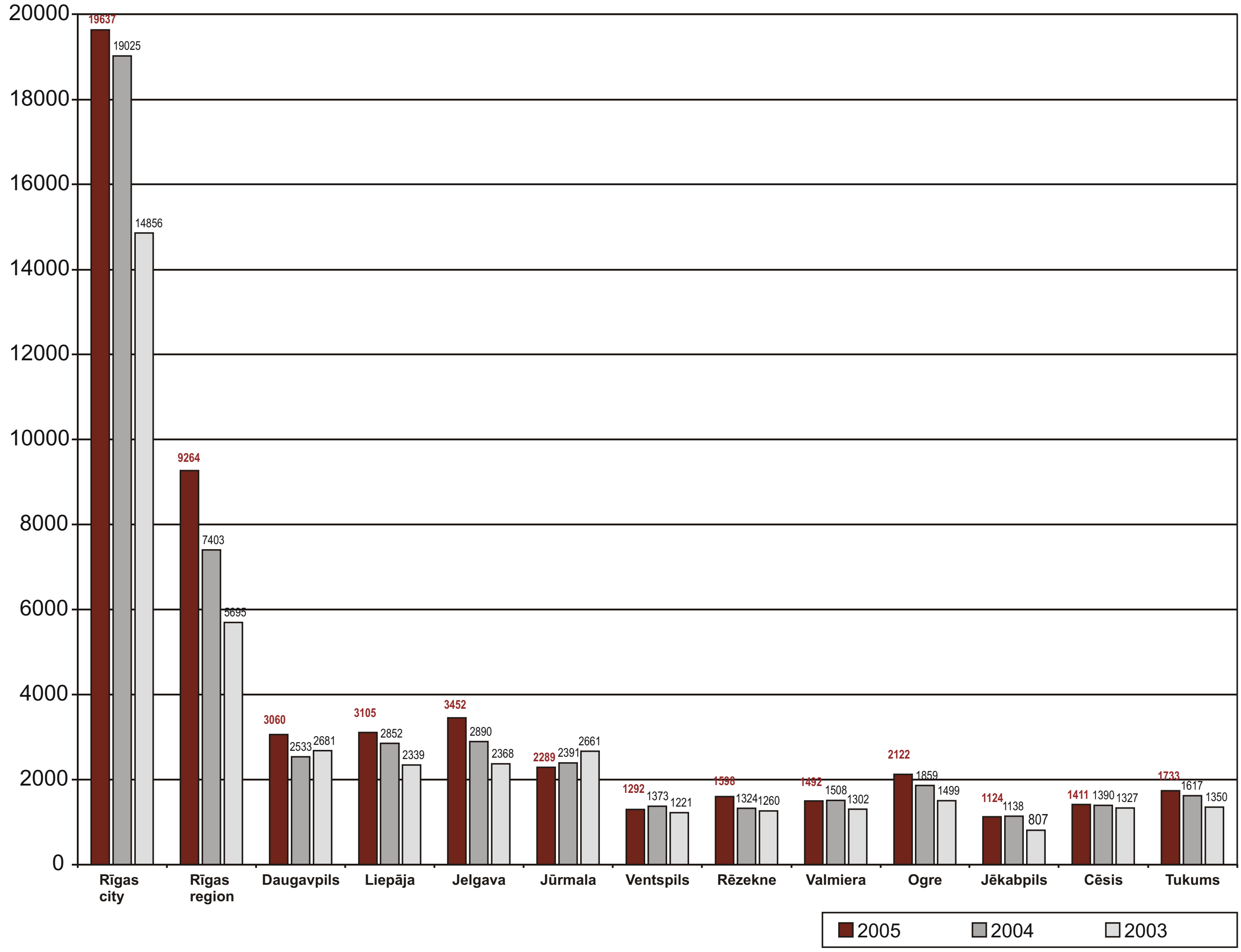
© SIA "Arco Real Estate", 2006.
In case of quoting or publication agreement of
SIA "Arco Real Estate" is obligatory.

Overall economical indicators

Characteristics of the largest cities of Latvia

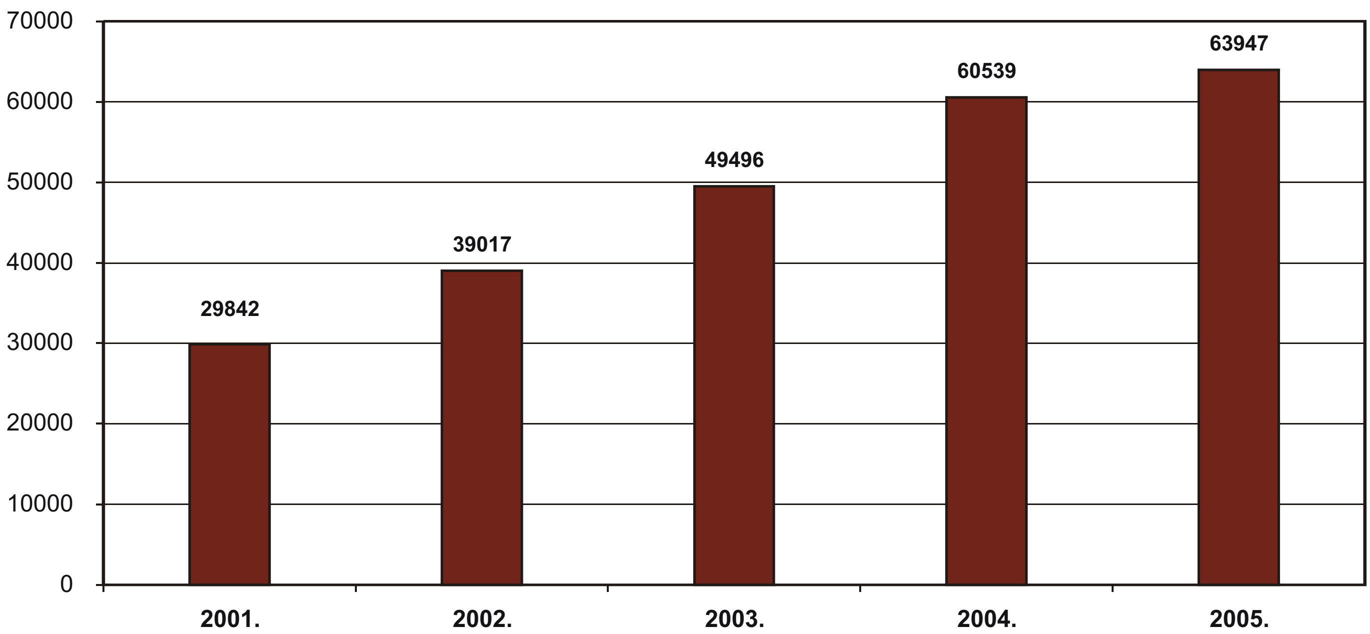
	Rīga	Daugavpils	Liepāja	Jelgava	Jūrmala	Ventspils
Distance from Riga (km)		229	217	42	22	184
Amount of inhabitants	732000	110000	86000	66000	55000	44000
Amount of inhabitants inthe ciy and region	867000	151000	131000	103000	55000	58000
	Rēzekne	**Valmiera**	**Ogre**	**Jēkabpils**	**Cēsis**	**Tukums**
Distance from Riga (km)	224	107	36	143	87	68
Amount of inhabitants	37000	27000	26000	26000	19000	19000
Amount of inhabitants inthe ciy and region	78000	59000	63000	53000	58000	55000

Number of transactions in Latvia, year 2003-2005

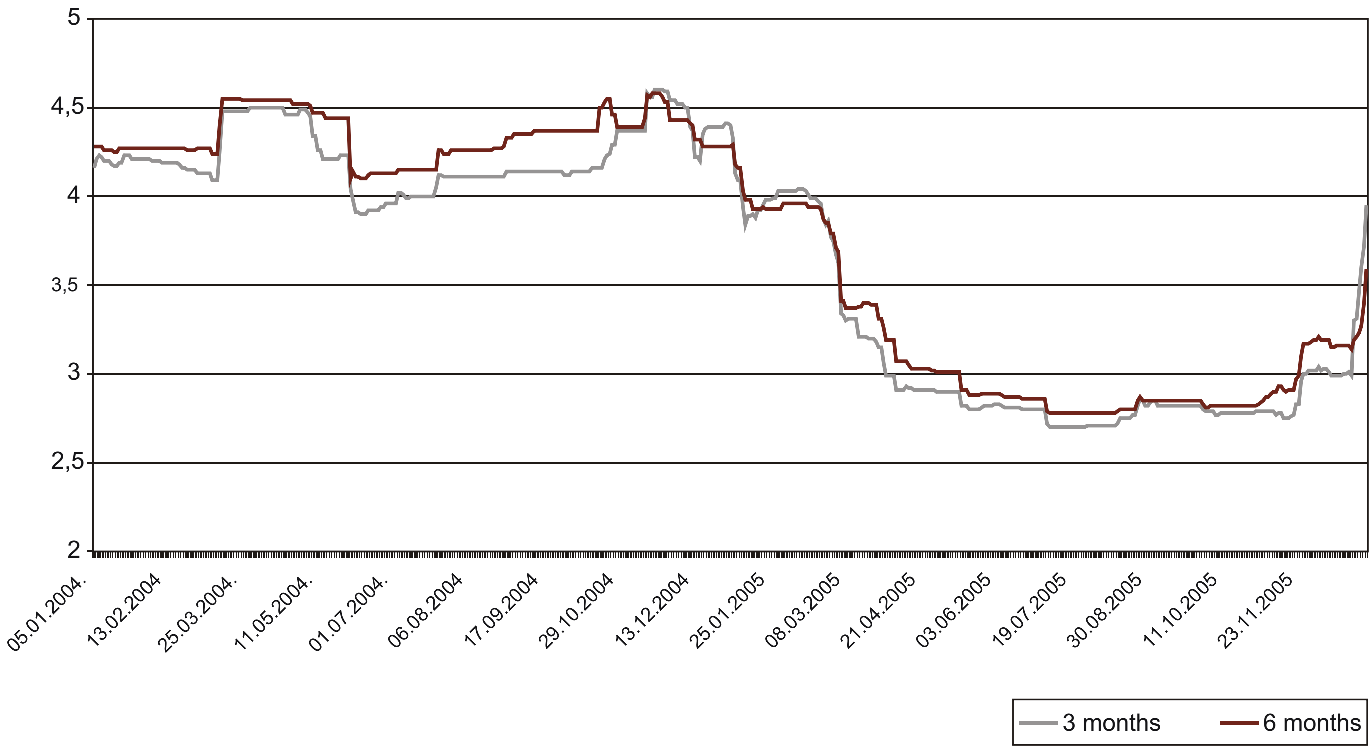


Overall Economical Indicators

Number of transactions in Latvia (2001-2005)

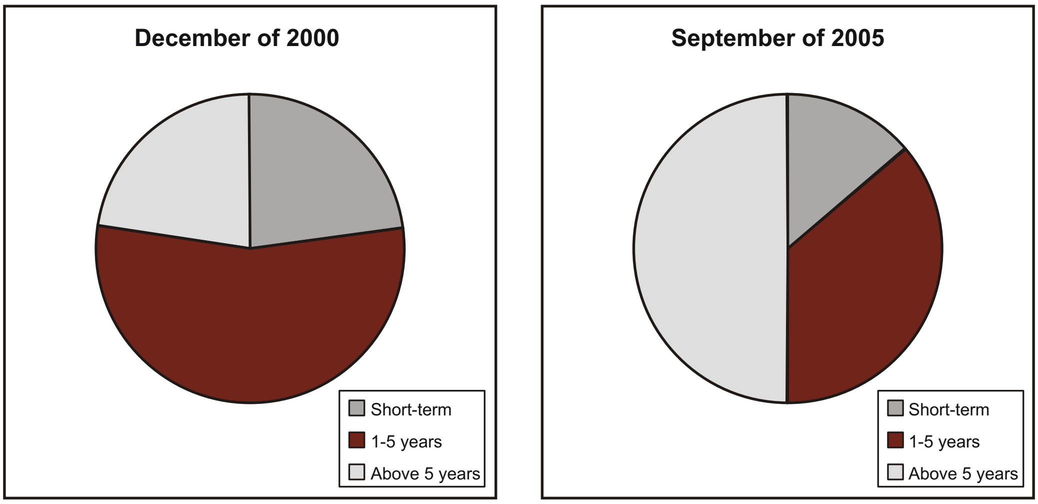


Rigibor 3 and 6 months interest rate on loans 2004.-2006.

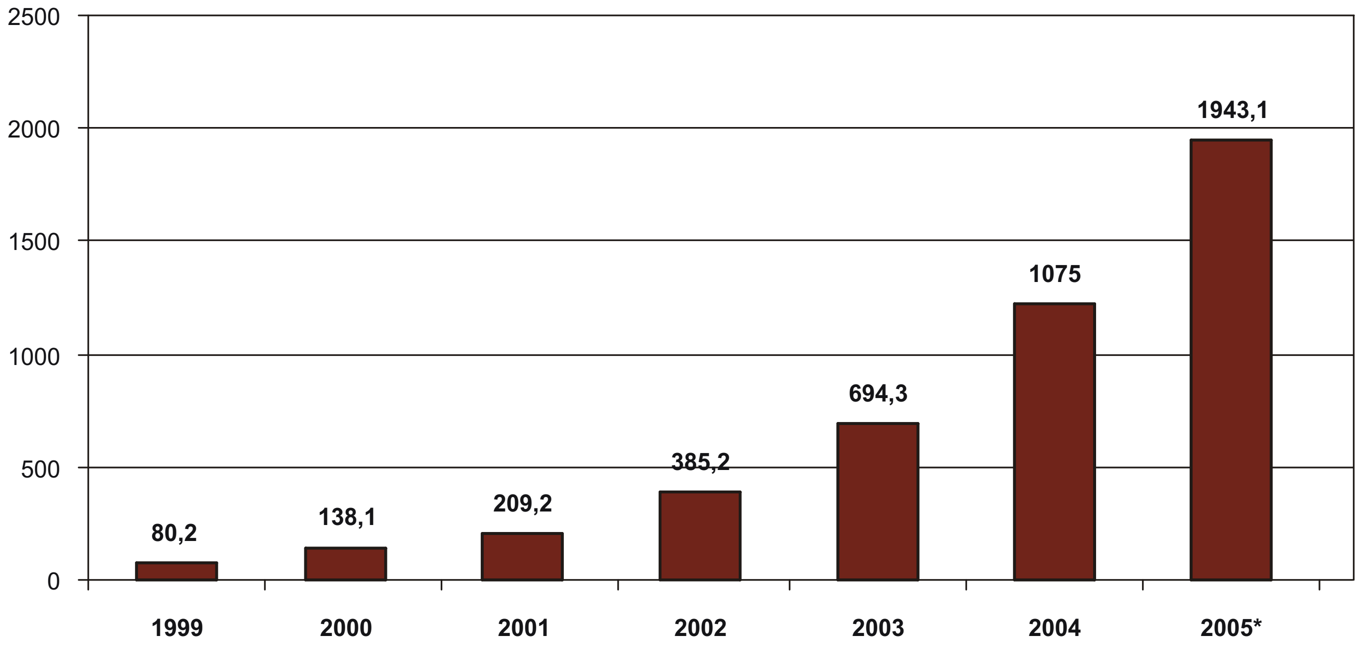


Overall Economical Indicators

Term structure of loans issued to domestic companies and private persons



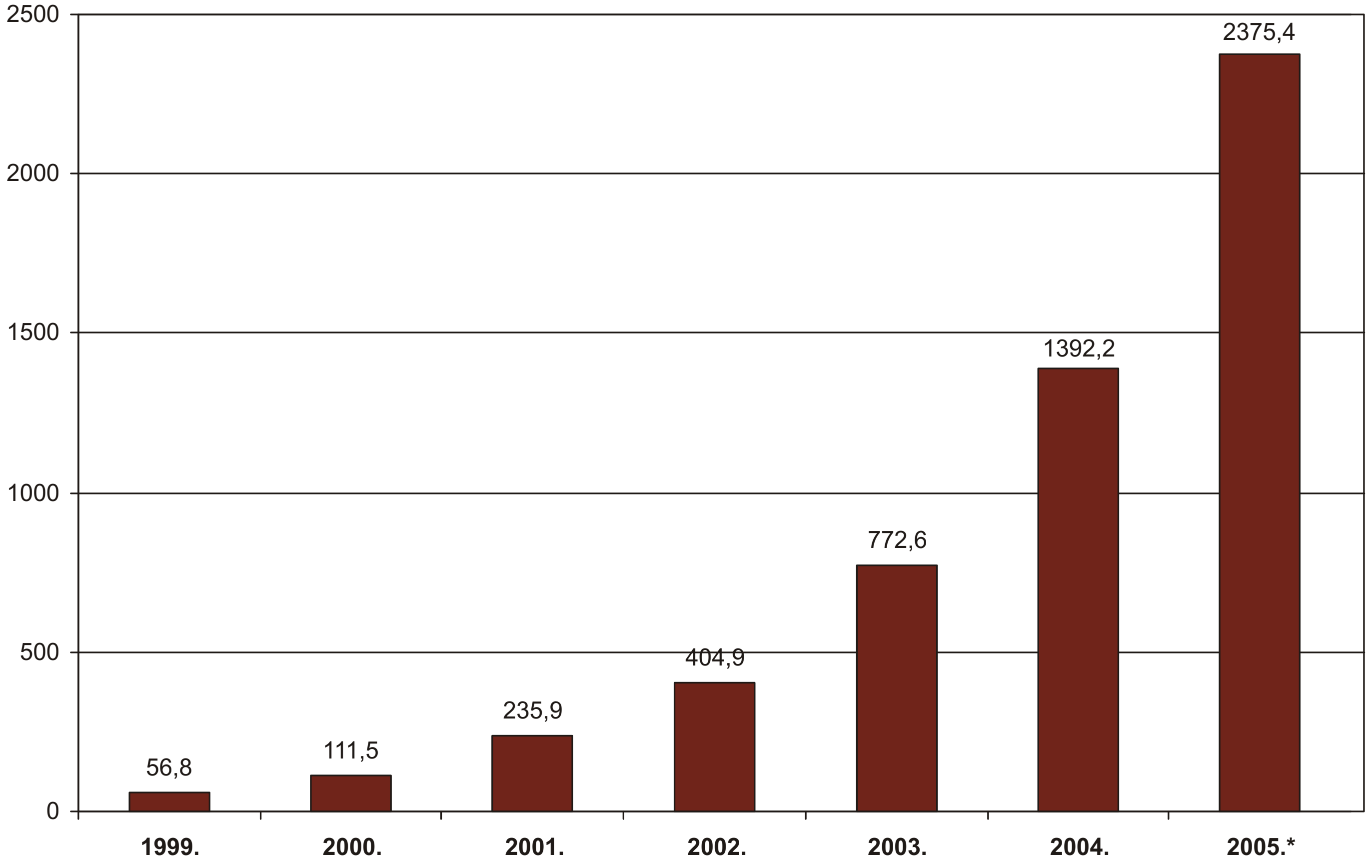
Long term loans to private persons (million LVL)



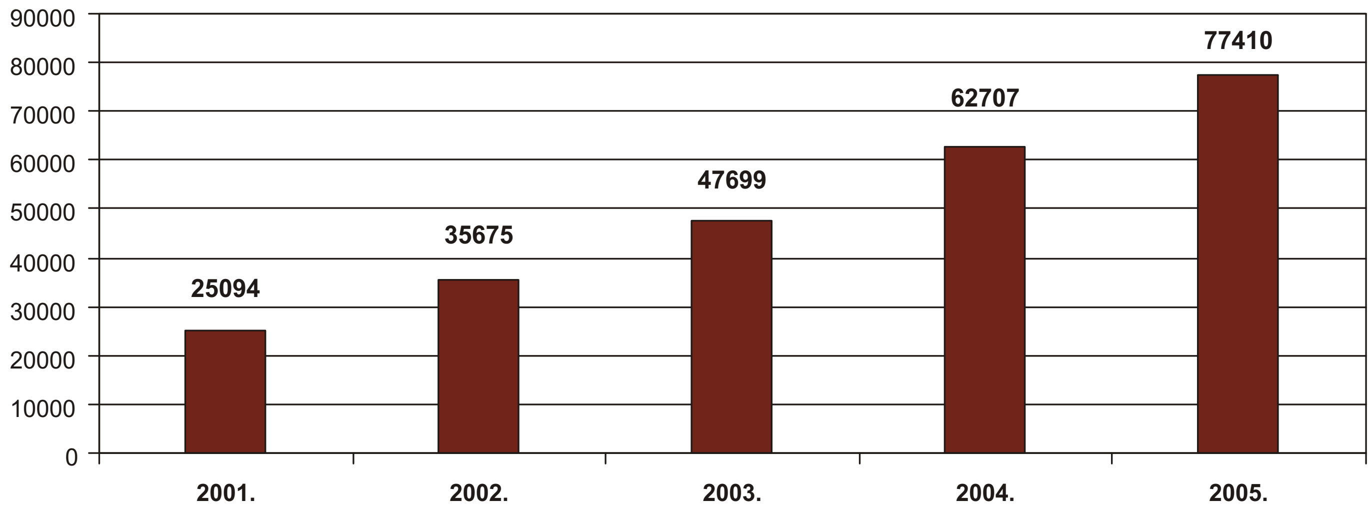
* in September 2005

Overall Economical Indicators

Mortgage loans granted by Latvian commercial banks (million LVL)

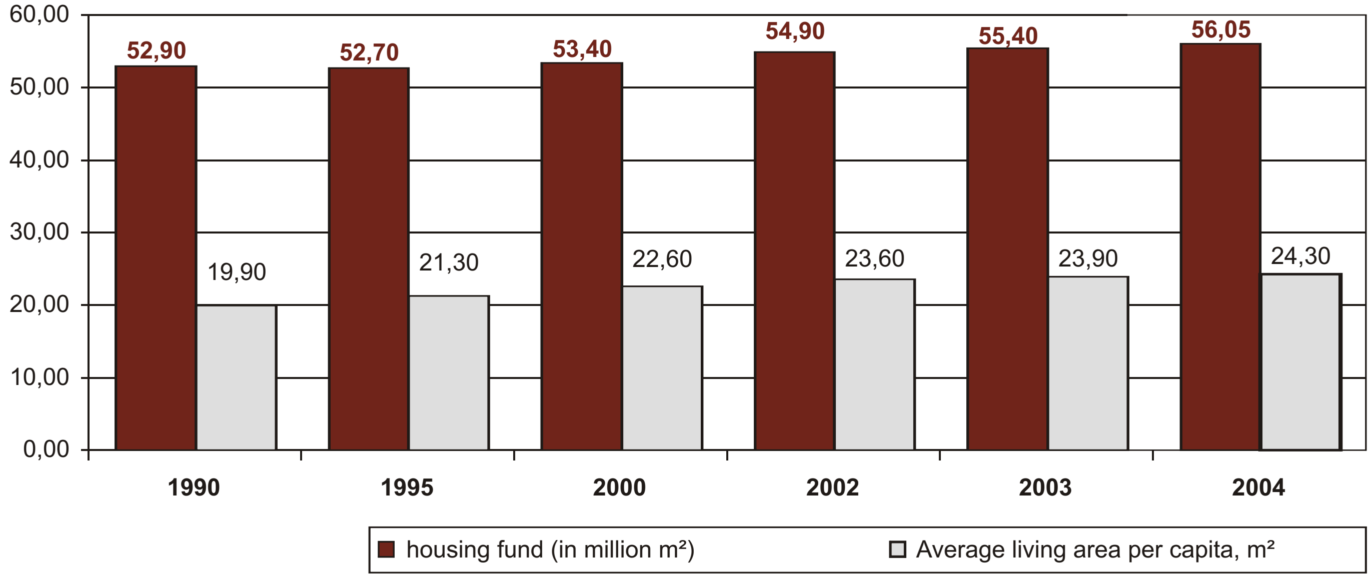


Number of signed mortgage contracts in Latvia

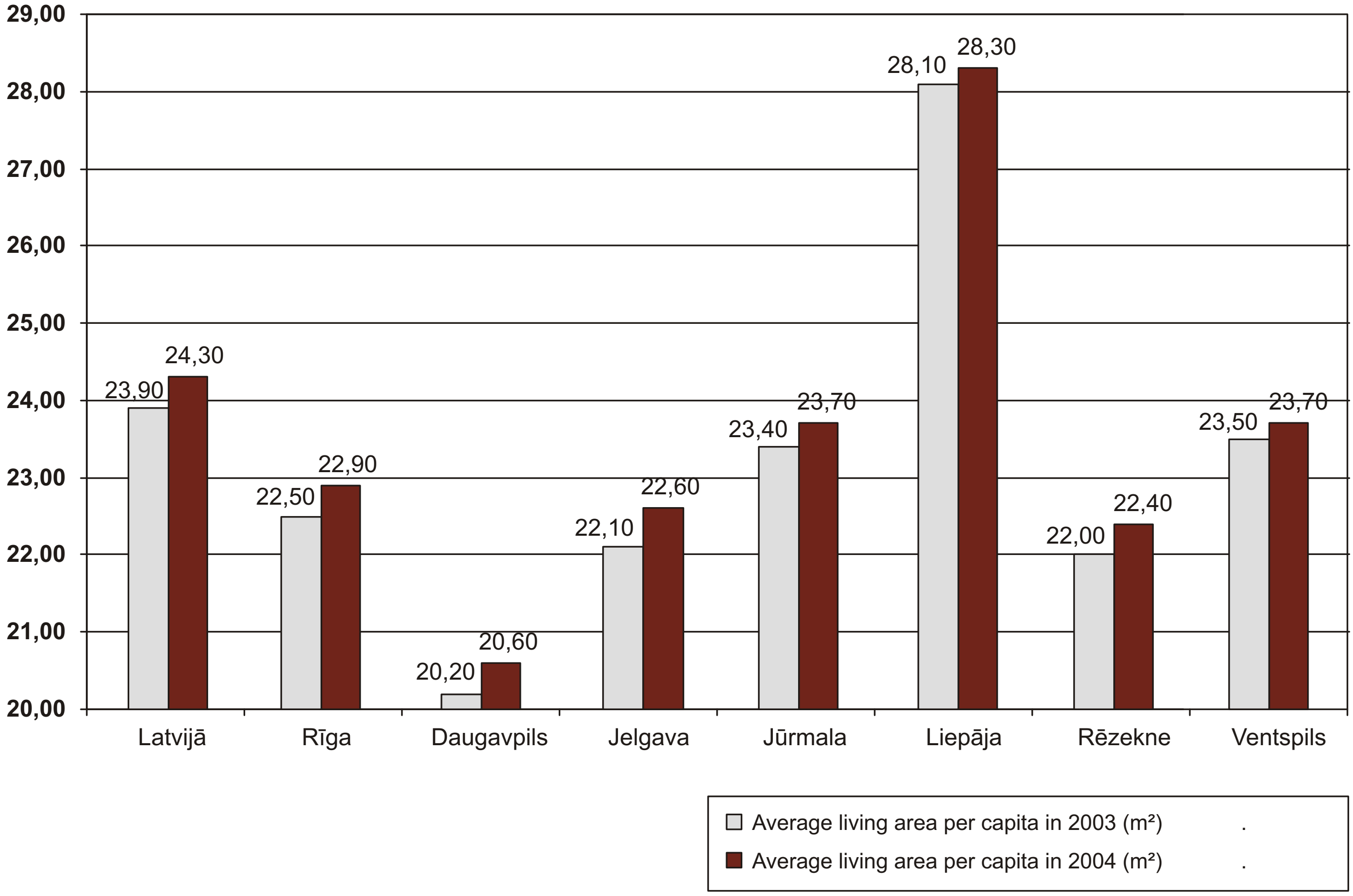


Overall Economical Indicators

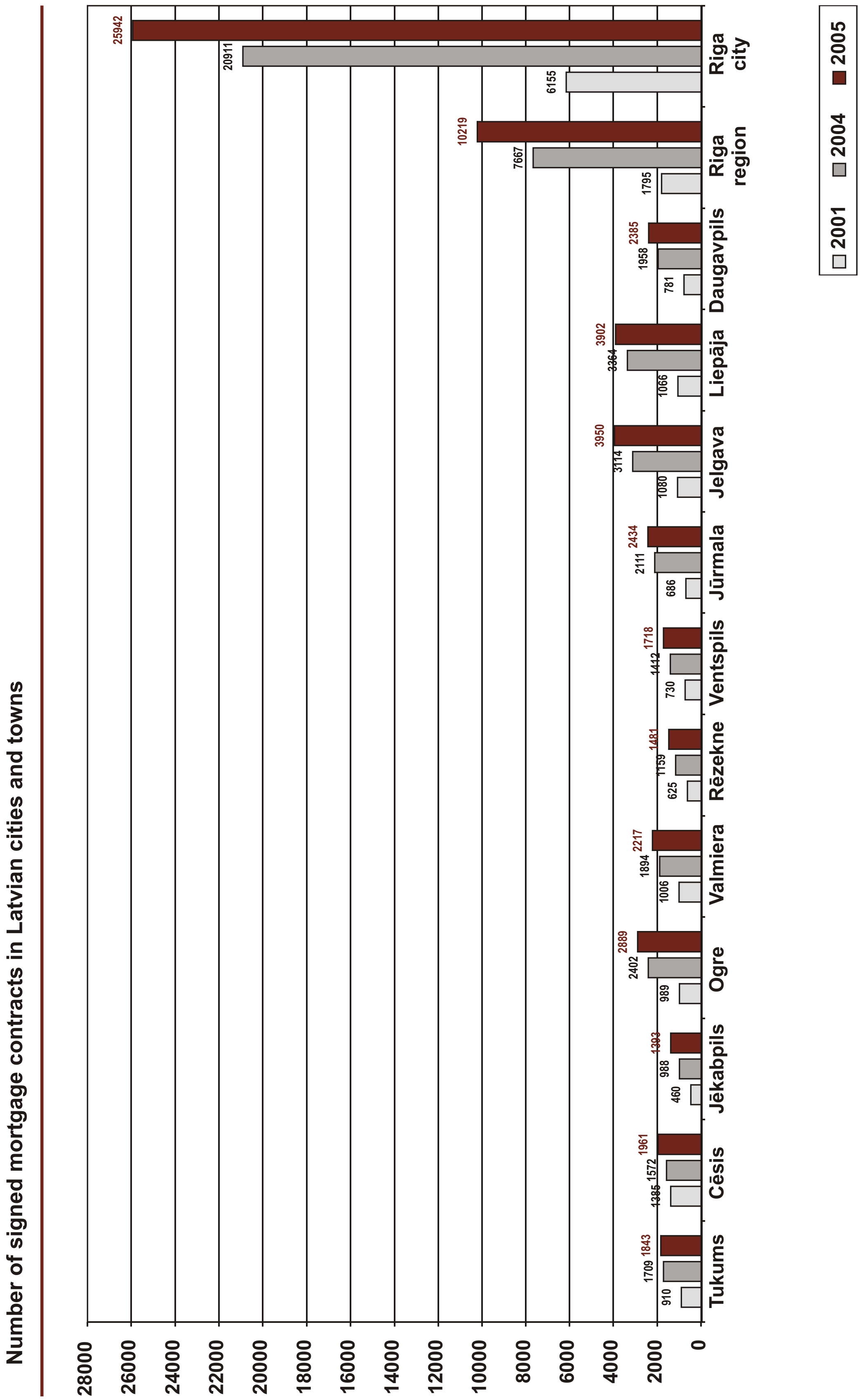
Latvian housing fund (million m²)



Average living area per one inhabitant of Latvia in Latvian cities (m²)



Overall Economical Indicators



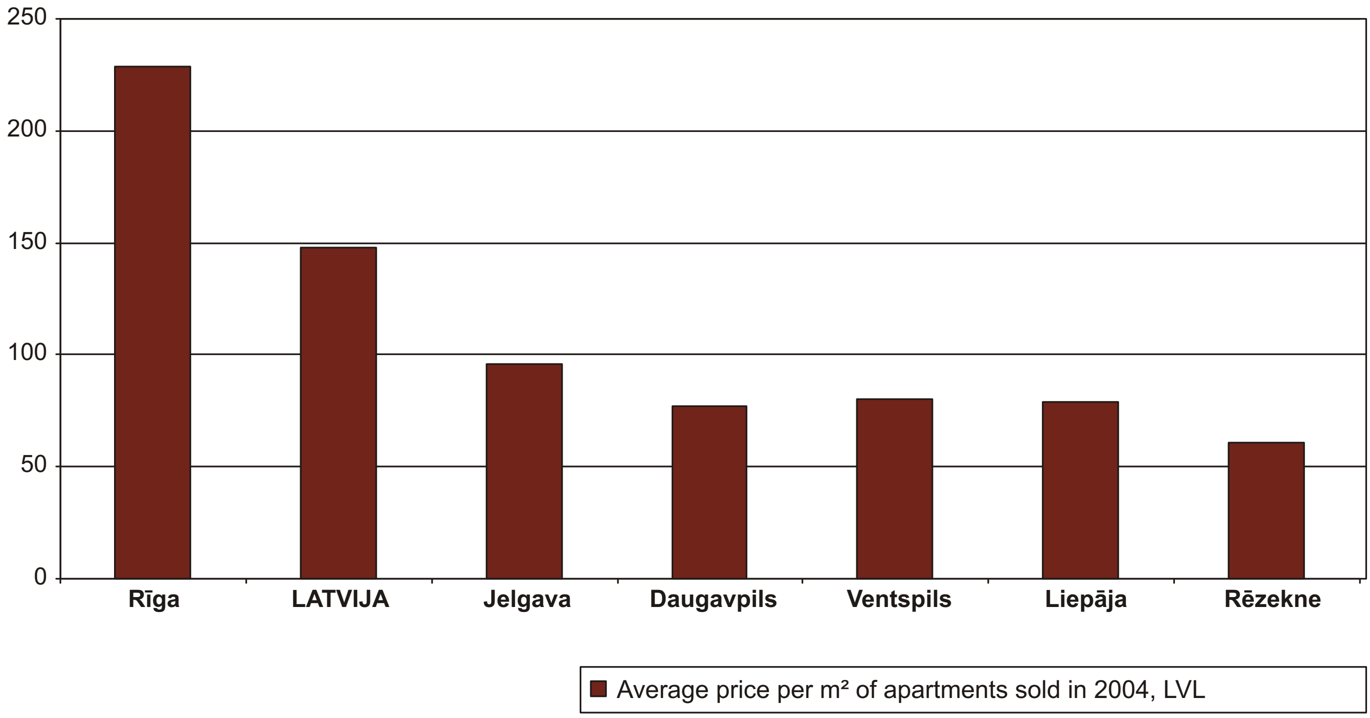
Overall Economical Indicators

Official data on amounts of apartment transactions

Average transaction amount of one apartment in 2003 and 2004 (LVL)

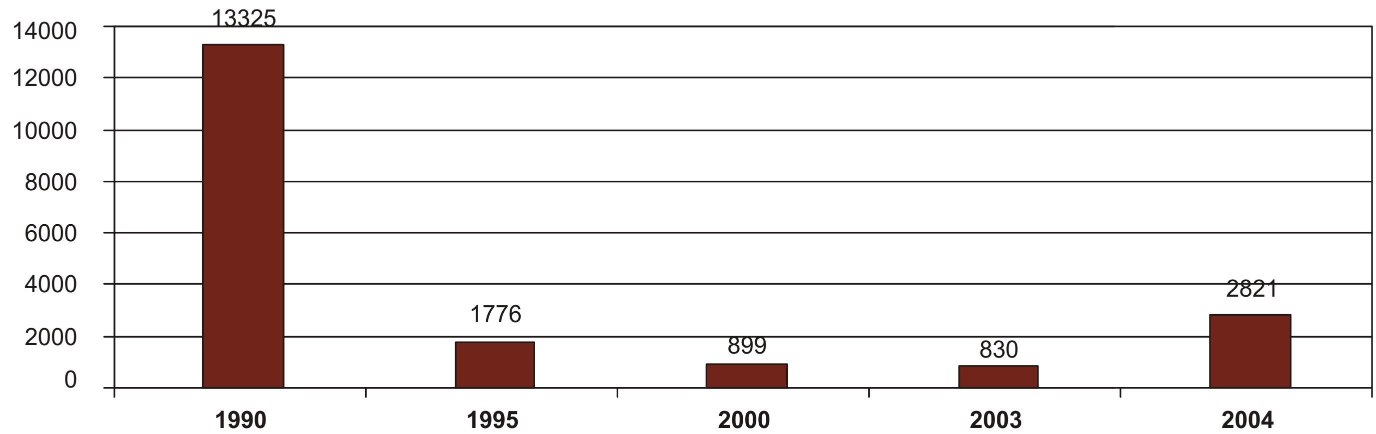
	Average		1-room		2-room		3-room	
Year	**2003**	**2004**	**2003**	**2004**	**2003**	**2004**	**2003**	**2004**
Latvija	7044	7700	4347	4300	6081	6700	9284	9800
Rīga	11455	12100	6694	6100	10196	10500	15311	15000
Daugavpils	3298	3900	1851	2700	3159	3600	4337	5000
Jelgava	6646	4900	4611	3300	6310	5200	8485	5600
Liepāja	2778	4100	1376	2100	2512	3800	4010	5500
Rēzekne	2102	2800	1224	2000	1849	2700	2431	3600
Ventspils	2698	4000	1551	2300	2836	4000	3795	6000

Average price per m² of apartments sold in 2004, LVL



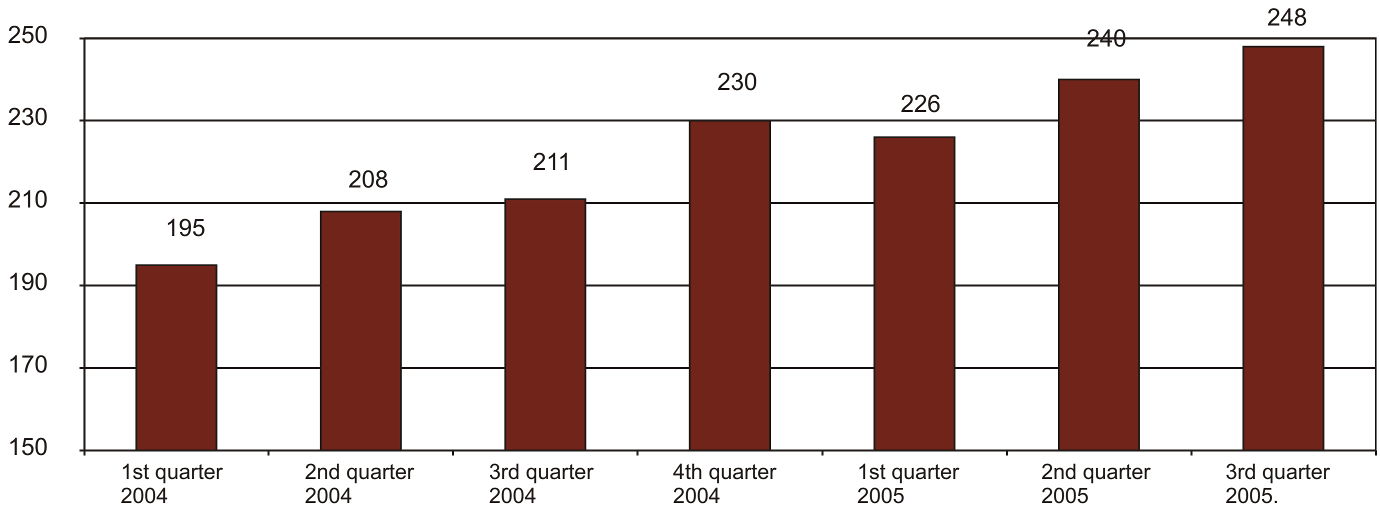
Overall Economical Indicators

Number of apartments constructed in the country (1990 - 2004)

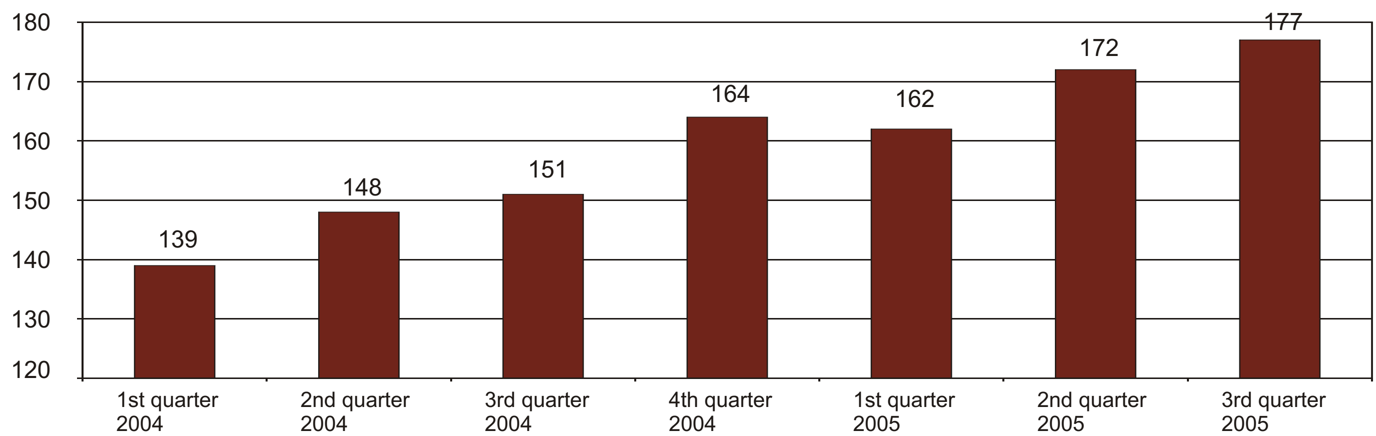


Official data on average salaries in Latvia

Average official salary (bruto) for employed persons, LVL



Average official salary (net) for employed persons, LVL



Sales and Purchases of Apartments

Overall tendencies in sale and purchase of apartments

A stable price growth was observed in the dwelling market in 2005 continuing the growth tendency that has been observed in the market already since 2002. A more expressive price growth was observed just in the first six months of 2005; however, both in the beginning and at the end of the year the price growth tendency was still observable while in individual segments the price growth achieved even 15%. The main reasons of such a rapid price growth in 2005 were as follows:

- deficiency of projects of new dwellings which might be caused by the limited construction capacities;
- an increase of the GDP and the inflation of 2005 (together with the continuously high inflation level);
- reduction of the interest rate of credit resources (both the bank margin and the inter-bank rates);
- speculative transactions ;
- concern about possible changes of value of real estates and about possibility of acquisition of estates after transfer to Euro.

The average apartment price increase in Riga and in the biggest towns of Riga District in 2005 varied from 45% to 65%. Also the number of transactions with apartments increased in 2005, which may be caused by placement of a number of big multi-apartment houses in the market; however, under the conditions of the continuous deficiency of apartments, a relatively high activity was observed also in the secondary market. The changes of number of transactions in the apartment sector expressed in the form of a percentage might correspond to 5-10%. The expected increase could be bigger, however, the characteristic tendency of 2005 was that a lot of persons having purchased an apartment in a new dwelling house retained also their previous dwellings which have been mortgaged and after the moving to the new apartments have been hired out.

In contrary to 2004 when the biggest market activity was observed in the autumn months, the biggest activity in the apartment market in 2005 was observed in spring and summer which resulted in the price increase of 25-35% during the first six months of the year.

As far as the changes of the offer in 2005 are concerned, the number of apartments offered decreased a little and at the end of the year this number was 4500 (in Riga and Riga District), from which almost 3000 were standard-type (mass-produced) apartments. The offer of newly built apartments in the market has been increased significantly due to completion of large multi-apartment house complexes.

The biggest offer of standard-type apartments at the end of 2005 was traditionally concentrated in the following dwelling areas of Riga:

- Purvciems: 14-15% of the total number; the most offered apartments were 2-room (40% of the total offer) and 3-room apartments (30%);
- Pļavnieki: 9-10% of the total number; the most offered apartments were 1-room (25% of the total offer) and 3-room apartments (35%);
- Imanta: 9-10% of the total number; the most offered apartments were 2-room (35% of the total number) and 3-room apartments (40%).

A relatively smaller offer was observed at:

- Ķengarags;
- Ziepniekkalns;
- Jugla.

The biggest part of the offer at the end of 2005 consisted of apartments located in the comparatively „more expensive" dwelling areas and owned by persons who, after mortgage of the existing real estate, were financially capable to purchase apartments in new projects, or small private houses in the vicinity of Riga. As to the number of offers, the Imanta dwelling area has left behind the Ķengarags dwelling area, which fact also confirms the above-mentioned tendency because at Imanta, simultaneously with realization of many projects of new dwelling houses, the average price of standard-type apartments has been comparatively high, in comparison with Ķengarags, which until now has not been able to attract wide attention of developers of new projects.

The fact that the offer of larger apartments (of larger area and consisting of more rooms) is bigger may be explained also with the total price level, which means that in order to sell an apartment of a bigger area it is necessary to advertise the sale in a longer period of time. From the other part, many of the potential buyers are relatively expectant because the majority of buyers of such real estates, unlike the buyers of one-room apartments, are persons who already are owners of some kind dwellings.

A percentually big price growth of standard-type apartments has been observed in the "cheapest" dwelling areas which, while not being financially grounded in many cases (taking into account spending of money and time for trips to and from these areas), is yet indicative of two significant aspects:

- a part of the buyers chose a new residence not basing upon its location, condition of the house and other traditionally important factors but basing upon only area of the apartment, which means that in the case of wish to purchase a two-room apartment, it will be bought in a comparatively "cheapest" dwelling area;
- buyers frequently select a new residence close to the previous one, which fact is also connected with more or less individual and subjective considerations, thus increasing the price level of the standard-type apartments;

A comparatively small offer has been observed also in the "cheapest" dwelling areas (Bolderāja, Vecmīlgrāvis) where the average price level has increased rapidly in the result of the above-mentioned considerations. The following conditions may be mentioned as additional factors having caused the said situation:

- lack of new multi-apartment houses;
- the proceeds obtained in the result of sale of a standard-type apartment located in one of those areas are not sufficient to purchase another apartment equipped with all amenities and located within the territory of the Riga City.

The price level changes observed outside the Riga City in 2005 i.e., in the largest towns in the vicinity of Riga, have been proportional to those characteristic for the Riga City. The most rapid (comparatively) price growth has been observed in the Jelgava City where the growth of prices of small-area apartments reached even ~100% during the year. This price growth might be explained mainly by the hope of the buyers to construction of a new high-speed highway which would allow daily trips to Riga and back.

The highest standard-type apartment price level has still been observed at Dubulti (Jūrmala City). This is due to the average dwelling prices existing at Jūrmala; however, the real estate market activities at Jūrmala have constantly decreased already since 2003.

The average standard-type apartment prices in the Riga City have reached the level of ~ 900 EUR/m² at the end of 2005, with the following price range:

The percentage of partially renovated or completely reconstructed apartments continued to grow in 2005 both as to the number of apartments offered and as to the number of transactions. Presently, only about 20% of the apartments are offered in the market without any improvements (i.e., without replacement of electrical wiring, bathroom and toilet equipment, windows, doors etc.). The market price of renovated apartments exceeds the market price of non-renovated apartments approximately by 15-25%. The number of apartments having been equipped not only with built-in kitchen furniture and appliances but also with all the necessary furniture before the sale, is continuously increasing; this aspect allows the new owner to avoid any problems connected with the moving into the new apartment (purchase of furniture etc.).

A rapid price growth of apartments in the new projects has been observed in the reporting year, which growth was caused by the rise in the prices of construction costs and the rapid increase of the total price level caused by the long-lasting deficiency in the market of dwellings. At the same time, the price difference relation between the new projects and the standard-type apartments has remained approximately the same. In comparison with the standard-type multi-apartment houses, the new projects are frequently located in relatively worse places, i.e., the houses are being built on free land plots in inner yards of the blocks but the developers frequently encounter with opposition of inhabitants of the neighbouring houses against development of new projects though such objections in majority of the cases are groundless and based upon subjective considerations.

The buyers of apartments continued to ignore the necessity of evaluation of the conditions of management of the houses and the technical situation of the buildings so that the attitude of the buyers in the reporting year may be characterized with the phrase "buy everything which could be bought"; such an attitude has been caused by the fact that many of the buyers did not actually need a new dwelling but wanted to ensure good purchasing power for the future when after the sale of the property purchased they would search for a long-term dwelling.

Also in 2005, the following situation was characteristic for the apartment market: the demand was higher for apartments with a bigger number of rooms but a lesser total floor area; this situation secured a demand for the so-called "Lithuanian " and "Khrushchev-time" standard-type apartments, i.e., comparatively worse standard-type apartments located in buildings of bad technical condition.

Differences Between Districts

The apartment price level categories in 2005 were as follows:

Highest prices	
	Jūrmala (Dubulti, Bulduri)
High prices	
	Pļavnieki, Purvciems, Mežciems, Teika, Zolitūde, Jugla
Medium prices	
	Ķengarags, Ziepniekkalns, Imanta, Āgenskalns, Iļģuciems
Low prices	
	Vecmīlgrāvis, Bolderāja, Jūrmala (Kauguri)

The most significant changes in 2005: rapid price level growth for standard-type apartments at Jugla, which has been caused by the dwelling area infrastructure development degree and the relatively comfortable access possibilities. The average price level of standard-type apartments located at Jugla has rapidly moved towards the price level of standard-type apartments located at Pļavnieki.

Average standard-type apartment prices in the Riga City at the end of 2005

Type of flat	Price	in average
one-room apartments	24 000 - 47 000 EUR	33 000 EUR, 1000 EUR/m²
two-room apartments:	34 000 - 63 000 EUR	48 000 EUR, 950 EUR/m²
three-room apartments:	38 000 - 80 000 EUR	55 000 EUR, 870 EUR/m²
four-room apartments:	45 000 - 85 000 EUR	60 000 EUR, 820 EUR/m²

Low-Rise Wooden Housing

A characteristic feature of the wooden housing of Riga is its irregular place-ment. Until now the wooden houses had been “underestimated” in comparison with panel and brick buildings though the technical condition of wooden houses is even comparatively better. In 2005 the prices of apartments located in low-rise wooden houses have rapidly increased up to 550-800 EUR/m², which in comparison with the prices of the past year corresponds to a growth by ~85%.

Apartments of two categories are mainly demanded, namely, apartments which are comparatively advantageously located in the nearest Pārdaugava and in the central part of the city as well as apartments located in the “cheapest” dwelling areas. Characteristic features of the central part of the city and the nearest Pārdaugava are that wooden houses are often reconstructed; garrets are being built up; apartments are merged; and houses are connected to utilities systems networks. Mainly the apartments acquired in the result of privatization are offered; apartments located in denationalized wooden houses are hired out; or upon sale of the whole house property the land plot is vacated for construction of a new multi-apartment house, which is possible because the area of wooden houses in majority of cases is relatively small.

Price categories depending on the location.

Central part of the Riga City wooden houses in courtyards – 800-1000 EUR/m²

Apartments located in houses situated in wide and sunny courtyards with sparse housing are highly demanded. This category includes also well-planned and architecturally expressive dwelling houses having all amenities. Prices in this category may be up to 1400 EUR/m².

Apartments in the central part of the Riga City (Grīziņkalns, Čiekurkalns) – 700-900 EUR/m²

The offer includes both relatively big (2-3- room) apartments and very small „kitchen-room”- type apartments, mainly with partial amenities, without central heating, hot water supply and without a separate toilet and bathroom.

Apartments in wooden housing of Pārdaugava (Āgenskalns, Torņkalns) – 650-850 EUR/m²

The demand is determined by accessibility of the central part of Riga, comparatively good technical condition, architecture of the houses and size and number of the “green zones” in the dwelling areas.

Apartment in wooden houses at Sarkandaugavā, Bolderājā, Iļģuciemā – 600-750 EUR/m²

The offer mainly contains relatively small apartments without amenities. Apartments mainly are purchased for moving of insolvent persons from houses in the central part of the city. The price depends on the level of amenities and the technical condition.

Dzīvokļi Latgales priekšpilsētā – 500-700 EUR/m²

Apartments situated in the low-rise wooden housing of the Latgales suburb are characterized with very bad technical condition, small floor areas and low level of amenities as well as with a rather bad demand notwithstanding the close location to the city centre.

Torena nami

Come and live already today!

Torņakalns, Jelgavas Street 63
4 mult-apartment houses
5-6 storeys
apartments 45-170 m²
with “white” interior decoration
Price from 56 000 LVL

ARCO REAL ESTATE
Arnolds 7365553, 6495599
arnolds.romeiko@arcoreal.lv
www.arcorealestate.lv

Apartments in the Central Part of Riga

During the reporting period the apartment prices continued to grow rapidly reaching the level of 1200-1300 EUR/m² in the peripheral part of the centre; the price of renovated apartments grew up to 1300-1500 EUR/m².

The price level in the most expensive and prestigious blocks has reached 3500 EUR/m² for a renovated apartment. The offer contains a relatively small number of apartments which floor space is not big; the offer price of such apartments rather frequently exceeds 4000 EUR/m² at the end of the year, though trans-actions at these prices are being concluded not so frequently.

Several apartments of area 200-500 m² have been offered for sale in a long period of time, and the offer price in separate cases has reached 1 000 000 EUR; however, in the event of a real transaction a price reduction has been observed.

In the central part of the city – in Ģertrūdes, Brīvības, Barona streets, renovated apartments of small floor area are offered for 2000-2500 EUR/m²; bigger apartments - for 1800-2200 EUR/m².

In the central part of the city, among Kr.Valdemāra Street - Kalpaka Boulevard - Elizabetes - Eksporta Hanzas - Dzirnavu Street, the offer and the demand are relatively stable. The prices may be described as high but with a relatively big difference – 2200-3000 EUR/m².

A number of new multi-apartment house projects to be implemented in the central part of Riga and in the Old City were launched in the market in 2005, especially in the area of Eksporta Street, areas of Valdemāra, Senču, Miera Streets, in the Old City. Due to this, more rapid price growth was observed in regard to apartments located in the area of 13.janvāra Street, Kalēju Street. A relatively big price difference between reconstructed and not reconstructed buildings is still characteristic for the central part of the city. It often means also living of representatives of different social classes in two neighbouring houses. Up to 15-20 years might be necessary to change this situation because in the result of the privatization process persons who under other circumstances could not afford such apartments due to the expensiveness thereof have become co-owners even of the buildings which are very valuable both in respect to architectural features and the price level of the buildings. A correction of this situation might be caused by implementation of a real estate tax which would correspond to the real market prices.

Price categories in the central part of Riga and in the Old City in 2005:

Old City

Due to construction and reconstruction of several new apartment houses the average price level and the demand has grown in respect to apartments located in the direction from Grēcinieku Street Audēju Street towards the railway line; however, also presently the price difference between this area and the remaining part of the Old City is remaining to be within the limits of 15-25%. At the end of 2005 there have been registered several deals in the Old City where the price was 4500 EUR/m²; in some offers the price exceeds 5500 EUR/m².

Renovated apartments: price range – 3500 - 4500 EUR/m²
Non-renovated apartments: price range – 3000 - 4000 EUR/m²

Boulevard Ring

((Aspazijas, Raiņa etc.), including Elizabetes (Ausekļa-Rūpniecības-Vidus Street), Antonijas and Alberta Streets)

The demand is high, especially in the category up to 150m², transaction and offer variations are rather big depending on the architectonic solution of the particular building, its placement and technical condition. At the end of 2005 a renovated apartment of area 180 m² and located in Ausekļa Street was sold at the price 3700 EUR/m².

Apartment prices in reconstructed buildings:
Prepared for interior decoration - 2700-3200 EUR/m²
Interior decoration included - 3000-3700 EUR/m²
In individual transactions and offers the price exceeds 4000EUR/m².
In non-reconstructed buildings the prices are by 20% cheaper in average.

Dzirnavu-Tērbatas-Baznīcas-Skolas Streets

The offer and the demand were stable in 2005. The prices are lower (especially in lower floors) for apartments in Kr. Barona, Brīvības, A.Čaka (especially!) and other streets where the traffic intensity is high and the traffic noise level is high. An important issue when purchasing an apartment is the car parking possibility; in the streets where the traffic is intensive it is impossible to park the car. In some offers the price has reached almost 3000 EUR/m² for small-size renovated apartments.

Renovated apartments – 1700-2400 EUR/m²
Non-renovated apartments – 1400-1800 EUR/m²

Other apartments located in the city centre

Characteristic feature of those apartments is the very big price difference depending on the location. The price level has grown very significantly in 2005 (by up to 50%). The price of the offer of apartments located in a new multi-apartment house in Vārnu Street exceeds 2200 EUR/m², which may be considered high. Characteristic features of other secondary market apartments located in the centre of Riga are absence of certain amenities and relatively bad technical condition. In some transactions the price of renovated apartments exceeds 1500 EUR/m². The offer consists mainly of small-size apartments.

Renovated apartments – 1300-1600 EUR/m²
Non-renovated apartments – 1100-1400 EUR/m²

Nams Alberta ielā

New dwelling houses

Development of new projects in Latvia has already turned into a separate branch of the real estate marked, which fact is confirmed by the extension activities of this marked and interest of investors and private entrepreneurs in development of this branch. The Association of Developers of Real Estate Projects was founded in 2005.

The essential features of the new multi-apartment dwelling houses market in 2005 were as follows: in the result of increase of number of new projects launched in the market the potential buyers more and more seriously evaluated and compared such conditions as location of the project, planning of dwellings, interior decoration degree and materials offered, house management concept, land plot status when making apartment reservation during the virtual stage. Special attention was paid to economical factors relating to object running costs. (Utilities systems, building structures, heat insulation, running costs, land plot status ownership or leasehold).

The clients require a higher comfort level in the new dwellings, therefore the projects functional solutions of which stipulate such a level are more competitive. For example, elevators are installed not only in multi-storeyed buildings but also in low-rise (4 storeys) buildings, underground car parking, autonomous heating, functional and comfortable apartment planning, modern utilities systems, computerised meter reading collection systems etc.

Taking into consideration that the highest demand is for 2-3-room apartments (50-70 m²) the small-size 1-room apartment offer is limited or excluded from projects because, though the demand for such apartments is high, the target audience who need such apartments is not ready to pay the price offered.

But in the new projects which are positioned as exclusive, clients examine carefully the factors determining exclusivity of the object, which, first of all, is the location of the object (for example, the so-called "Quiet Centre", Old City, Mežaparks, Jūrmala) (frequently the objects are called "exclusive" though it is not true due to the location), as well as planning of the dwelling, additional amenities, comfort level, management services etc. The highest demand in this segment is for apartments of area 100 - 150 m².

A rather topical problem connected with the new projects is the low quality of construction works, which is an important factor and a reason why the clients refrain from purchasing apartments until they have ascertained themselves that the quality is good. Therefore, taking into account that the quality level may be evaluated only after completion of an object, more competitive are projects which are developed and built by already known project developers and construction companies the experience of which may be examined and evaluated by potential clients.

A characteristic feature of 2005 was a very big growth of the offer in this dwelling category. Unfortunately, we have still observed the tendency that the sale is taking place in the "virtual" stage but the developers delay the terms of commissioning of buildings.

More than one hundred new multi-apartment house projects were launched in the market in 2005, most of them just in the territory of Riga City. Apart from Riga, the Riga District should be considered to be a perspective area from the viewpoint of the market of new dwellings. Several projects of new multi-apartment houses were launched also in district centres in 2005; however, most frequently those projects stipulated completion of unfinished multi-apartment houses, which means that the market was complemented with new standard-type buildings in construction of which some contemporary technical and structural solutions had been used. Outside Riga and Riga District the amounts of apartment sale in the new projects only insignificantly exceeded the average construction costs in the country, in some cases being even below these costs; this fact might be caused by three reasons:

- the construction works having been performed earlier are being completed;
- quality level of the buildings may be relatively low;
- the construction costs may be somewhat lower because of lower labour costs in the districts.

Outside Riga and Riga District, apartments offered in the marked consist mainly of apartments delivered in the condition of the so-called "black" and "white" degrees of interior decoration. While the main part of new multi-apartment houses offered in the reporting period were located in the territory of civil parishes adjacent to the Riga City, in the future also Saulkrasti, Sigulda, Ogre, and even Jelgava, i.e., places outside the Riga City with relatively high average real estate prices would have relatively good perspectives.

An important condition for development of new projects in the Riga City is the urban development plan which is defining the possible housing height, intensity, number of storeys. The approval of this document, probably, will finally terminate the speculations in the new project market, which presently is to be considered relatively chaotic.

In many cases we have observed the tendency in the Riga City when the price, quality and location of new apartments is in disproportion, i.e., architecturally expressive buildings are built of high-quality materials and in locations where the land value is relatively low, and vice versa, which shows that there is no uniform concept of the market structure of new projects. In the result of this prices of apartments located in rather bad places have in some cases exceeded 1800 EUR/m².

The demand for new apartments has been stable in the reporting period, and this has been caused by the same reasons as before the deficiency of apartments and the influence of middlemen on the prices of new apartments. While at the end of 2004 there was considered that the sale of apartments in the "virtual stage" was coming to the end, the processes of 2005 proved the contrary. In separate cases the buyers entered into apartment reservation agreements in the situation when neither the final sales price was known, nor was the construction design of the project developed and agreed.

The project developers in 2005, basing on the rapid price growth and the increase of construction costs as well as in order to exclude middlemen from the market, either reserved the right to adjust the price after completion of the house, or fixed a sales price which significantly exceeded the apartment market value on the sale date. This means that an apartment will be acquired only by an end user, who is basing upon his/her individual considerations.

During the reporting period there was observed that the tendency to offer apartments with full interior decoration is continuing. Previously, the apartment owners who first completed the interior decoration works were playing the role of "hostages" because they had to tolerate constant construction works in the house in several years. Another important reason to sell apartments with full interior decoration in new projects is the construction cost, which might be significantly reduced in the case of performance of large volume of works. In this case it is important for the developers to offer really well-considered solutions of interior decoration, which in most cases can be modified if an apartment is purchased in a stage when the construction works are not yet completed in the building.

If during the previous reporting periods it was possible to classify apartments of new projects in different categories by completeness degree of the interior decoration, an even wider offer spectrum was observed in 2005. It should be noted that even relatively comic properties have been offered in the market, for instance, an apartment with levelled walls, floors and ceilings but without electrical wiring, which means that a big part of the work is to be done once again.

Price levels of apartments in new projects are very different, and frequently this difference has been caused by subjective considerations. Though the competition among developers has increased in 2005, this condition is ignored in solutions of certain projects. We have not observed any offer of separate additional "extra features" in the market of new apartments either, such as swimming pools, training apparatus halls etc. In fact, in certain projects there are some distinctions from the other projects, for example, the purchasers of apartments located in the house in 13.janvāra Street are offered the possibility to enjoy services of personnel of the hotel located by the side of this house.

The issue of car parking is still one of the most central issues in the Riga City, especially in the most expensive dwelling areas and the central part of the city. Only few project developers have been able to ensure car parking in accordance with standards, i.e., at least 1.5 parking places per one apartment. This problem is very significant, especially in the event of purchase of a large area apartment. Majority of project developers offer the possibility to acquire simultaneously with the apartment also a car parking place in an underground parking or in the house area; however, most of those offers are not well-considered in some cases the parking place for one car has been offered for 15000-20000 EUR, which almost corresponds to the price of a one-room apartment in the "cheapest" dwelling areas. Outside the territory of Riga and in the peripheral part of the city, car parking places are arranged in the house area because also the dwelling houses themselves mainly are low-rise houses.

During the reporting period, relatively many new multi-apartment houses with number of storeys over 10 have been introduced in the market. The market of 2005 contained also a number of projects where the total number of apartments exceeded 200 (such projects are to be considered relatively big projects), for example, Panorama Plaza, Podnieki, Bišumuiža, Tobago, Duntes Ozoli, Metropolia. Practically no projects based upon a modified standard-type series are being launched now in the City of Riga.

The development of new projects in 2005 may be classified in certain categories of new projects:

- separate buildings (Zunda Passage, Vīlipa Street House, Vārnu Street etc.);
- low-rise block housing (Mežaciems, Bišumuiža, Tobago, Podnieki etc.);
- high-rise buildings (Panorama Plaza, Metropolia, Imantas Pērle etc.).

In 2005, the apartment prices in the new multi-apartment houses grew by approximately 60% in comparison with the previous period (2004), reaching the following levels in individual categories:

"black" interior decoration degree
(without partition walls)

from 850 EUR/m²
in average - 1100 EURm/²

"white" interior decoration degree
(till cosmetic renovation)

1100-2000 EUR/m²
in average 1350 EUR/m²

full interior decoration
(including installed plumbing devices)

1300-2500 EUR/m²
in average 1700 EUR/m²

apartments in exclusive projects
(Old City, historical centre of Riga)

The price is depending mainly on the location, project infrastructure and architectural solution, and in a lesser degree on the interior decoration degree.

2500-5000 EUR/m².

Taking into account the price changes the implementation of the new projects in 2005 was successful, though the risks of the developers who had fixed the prices before the construction of the buildings increased a characteristic feature of the year 2005 was also a significant growth of construction costs. During the year the prices of the new projects increased in average by 35-60%. Though the inflation was significant, the main price growth reason was the deficiency of apartments and the speculations in the market, which has made the year 2005 to be one of the most successful years for developers.

During the reporting period we observed once again the situation of absence of a definable price difference between apartments in new projects and standard-type apartments in dwelling areas. For example, at Bišumuiža apartments with full interior decoration are offered at the price 1300-1400 EUR/m², but in the dwelling areas the average price of standard-type apartments exceeds 1000-1200 EUR/m² for apartments of certain series.

It has already become a tradition that the new multi-apartment house projects are being concentrated in certain dwelling areas in locations with a high price level; however, it should be necessary for the developers to consider also projects of new multi-apartment houses in locations where such projects have never existed; in addition, the land purchase costs in such locations are lower. Locations that are to be considered forgotten by the developers are, for example, Ķengarags, Vecmīlgrāvis, Bolderāja. From the location viewpoint, also Čiekurkalns should be considered a perspective area; this location until now has been considered to be a "cheap" dwelling area, also by developers of new projects, which fact is confirmed by the house architecture and other indicators.

The highest price level was observed at Teika, Purvciems, Pļavnieki. Perspectives of future development of Imanta have been widely discussed in the press. Visual appearance of the perspectives is improved by the existing large concentration of new projects in the Imanta dwelling area

The year 2005 has clearly marked the following situation: if a big number of apartments contained in one project is launched in the market, the term of sale of those apartments is in a mutual correlation with the number of apartments the bigger is the number of apartments, the longer is the term of sale thereof (Panorama Plaza, Metropolia, Brīvības Street 386 etc.). The achievements of the developers of the

Varavīksne Houses may be considered successful (according to their information), namely, that a part of the apartments were reserved without specification of their sales price.

Though we have observed a rapid annual increase of the number of apartments in new projects offered in the market, in total the percentage of these transactions does not exceed 10% of the real estate purchase transactions registered in the country during the year. Any expressive influence of the new project dwellings on the existing standard-type apartments was not observed during the reporting period because a relatively big deficiency is still observable in certain dwelling categories.

Pārdaugava was the most popular area of development of new projects in 2005. A lot of apartments were offered in new projects implemented at Imanta, Zolitūde, Ziepniekkalns. A big number of apartments were offered also at Purvciems, Pļavnieki, Jugla.

The offer was insufficient in such Riga dwelling areas as Teika, Mežciems, Jugla, Iļģuciems, Vecmīlgrāvis, Bolderāja.

Areas potentially perspective for development of projects are: Mežaparks/Čiekurkalns district, Riga City neighbouring area till Mārupe, Ziepniekkalns till Baloži, as well as the biggest towns close to Riga.

Outside Riga, the volume of projects increased at Jelgava, Sigulda, Ogre, also at Liepāja. Especially rapid growth of the offer of new projects in 2005 was observed at Jūrmala.

Riga Region

In Riga Region in 2005 the price growth corresponded to the price growth rate observed in Riga, and, simultaneously, the tendencies of the previous years remained unchanged. In addition if in 2004 price stabilization in respect to certain apartment categories was observed at Ogre and Kauguri, at the end of 2005 the market prices were adjusted, and the apartment price growth in Riga region proportionally exceeded even the price growth rate observed in the Riga City

The highest apartment price level was still observed at Jūrmala Dubulti, Bulduri and the neighbouring inhabited city parts, which continue to attract interest both of project developers and potential buyers. The price of apartments in some projects exceeded 3500 EUR/m².

A significant number of new multi-apartment house projects launched in the market in 2005 are located in the vicinity of Riga at Titurga, Mārupe, Baloži, Sigulda (by the number of apartments offered- also at Ādaži (Podnieki)). Outside Riga, the apartment price level is fluctuating in proportion to the distance from Riga; this level is higher at the district centres and bigger towns.

Ezermalas Nams in Ulbroka

3 storey building
with mansard,
on the bank of the river Piķurga,
in the park area.
18 apartments,
2-4 rooms,
72,7-209,9 m²
flats with "white"
interior decoration

ARCO REAL ESTATE
Mārtiņš 7365538, 6393939
martins.jirgens@arcoreal.lv
www.arcorealestate.lv

Apartment market in Zemgale and Vidzeme

The real estate market of Zemgale was much more active in 2005. The main reason of this activation was the publicly widely discussed Riga Jelgava highway, which would ensure a significant time consumption reduction for the population of Zemgale travelling to Riga.

Both Zemgale and Vidzeme regions are still characterized by very large variations of apartment prices depending on the distance to Riga or to a district centre. In 2005 the highest registered apartment price limit at Zemgale (Jelgava) reached 550 LVL/m^2 (~785 EUR m^2) for an apartment in a new house with full interior decoration, or a renovated apartment in a reconstructed house with a very good location. Due to the price difference between the Riga City and the existing new multi-apartment house projects at Jelgava, a migration to Jelgava was observed. Though only a couple of new multi-apartment house projects have been launched in the market, there is a rather high interest about this market segment.

Apartment prices in district centres and locations where the demand is above the average, varied from 100 till 400 LVL/m^2.

Also in Vidzeme a relatively rapid growth of real estate prices was observed in 2005. Development of new projects at Sigulda and Cēsis is to be considered a positive tendency which shows that the price level at certain places of Vidzeme region has exceeded the average possible construction costs in this region.

Especially at Cēsis an activation of the real estate marked was observed. Like in Zemgale region, also in Vidzeme region it was observed that the price level was increased in the vicinity of the largest towns, for example, the price level at Valmiera is even higher than at Cēsis.

Also in the eastern part of Vidzeme the apartment market was to be considered rather active in 2005, and in the result of this activation the apartment prices reached the level of 130 400 LVL/m^2, and the highest price level was at Madona.

Apartment prices in Zemgale 31.12.2005. (LVL)

Price/LVL	Dobele	Tukums	Bauska	Jelgava
1-room apartmentsi	3500 - 6000	9000-13000	3500 - 8000	13000-20000
2-room apartments	11000 - 15000	12000 - 22000	8000 - 15000	17500-24000
3-room apartments	12000 - 18000	15000 - 28000	11000 - 17000	19500-27000
4-room apartments	n.a.	19500 - 32000	16000 - 35000	24500-36000

Apartment prices in Vidzeme 31.12.2005. (LVL)

Price/LVL	Limbaži	Valmiera	Cēsis
1-room apartmentsi	5000 - 8000	12000 - 16000	8000 - 12000
2-room apartments	8000 -14000	15 000 - 25000	14000 - 16000
3-room apartments	12000 -18000	21000 - 27000	18000 - 25000
4-room apartments	17000 - 22000	28000 - 36000	25000 - 36000

Apartment prices in the eastern part of Vidzeme 31.12.2005 (LVL)

Price/LVL	Gulbene	Madona	Alūksne
1-room apartmentsi	4 500-6 000	8 000-12 000	5 500-7 000
2-room apartments	6 000-8 000	10 000-15 000	7 000-8 000
3-room apartments	6 000-10 000	11 000-18 000	7 000-11 000
4-room apartments	7 000-12 000	13 000-24 000	8 000-13 000

**5 storey building with mansard,
in Sigulda, Nurmižu street
90 apartments, 1-4 rooms,
72,7-209,9 m^2,
with "white" interior decoration**

ARCO REAL ESTATE
**Dace 7973737, 6115530
dace.meija@arcoreal.lv
www.arcorealestate.lv**

Summary of Apartment Market

A relatively rapid price growth was observed in the market in 2005. The reasons of this growth were the same as previously, namely, the increase of construction costs, the reduction of credit interest rates, the deficiency of dwellings, and a comparatively high percentage of speculative transactions.

The demand was bigger for smaller size apartments; however, an equalization of the demand was observed in certain apartment market segments. In the Riga city the growth of prices of standard-type apartments in 2005 reached 50% for certain property types. Outside Riga the price changes were bigger in some places (for example, at Jelgava the prices grew even by 100% during the year).

Apartments located in the central part of Riga have not so frequently been subjects of speculative transactions; however, also now buyers consider a purchase of an apartment located in the city centre to be a successful long-term investment.

The offer of apartments situated in new projects increased significantly, and this assertion is true both as to the number of projects offer and the total number of apartments offered. New small dwelling house projects are seldom launched in the market because of the big number of bureaucratic procedures relating to house construction and commissioning processes.

Basing upon the analysis of transactions and demand/offer, the prices of apartments in 2005v were as follows:

The apartment prices at the end of year 2005:

Old City	
Renovated apartments	3500 - 4500 EUR/m²
Non-renovated apartments	3000 - 4000 EUR/m²
Boulevard Ring (reconstructed houses)	
Prepared for interior decoration	2700-3200 EUR/m²
With interior decoration	3000-3700 EUR/m²
In non-reconstructed houses the prices were lower by 20% in average	
Dzirnavu-Tērbatas-Baznīcas-Skolas Streets	
Renovated apartments	1700-2400 EUR/m²
Non-renovated apartments	1400-1800 EUR/m²
Other apartments located in the city centre	
Renovated apartments	1300-1600 EUR/m²
Non-renovated apartments	1100-1400 EUR/m²
Newly erected apartment houses	
with interior decoration	1300-2500 EUR/m²
without interior decoration	850- 2000 EUR/m²
houses of exclusive location (Centra House, Kuģu Street)	līdz 3500 EUR/m²
Standard-type apartments	820- 1000 EUR/m²
Wooden housing in the city centre	800-1000 EUR/m²
Wooden housing	500-900 EUR/m²

Remarka māja in Cēsis

4 storey house in Cēsis, Vilku street
63 new apartments
in a green and quiet part of the town, 10 minutes' walk to the town centre.
1-4 rooms
area from 57,17-94,2 m²
flats with "white" interior decoration

ARCO REAL ESTATE
Liene 4122373, 8341513
liene.rjabkova@arcoreal.lv
www.arcorealestate.lv

Prices of Standard-type Apartments (price in EUR on 31.12.2005.)

District/series	103 series				104 series				602 series			
	1-room	2-room	3-room	4-room	1-room	2-room	3-room	4-room	1-room	2-room	3-room	4-room
Jugla	33 000	44 000	59 000									
Pļavnieki	34 000	52 000	62 000		44 000	58 000	65 000		33 000	49 000	59 000	65 000
Purvciems	36 000	55 000	65 000		45 000	60 000	68 000		34 000	52 000	61 000	69 000
Mežciems					40 000	55 000	64 000		32 000	50 000	59 000	64 000
Teika	41 000	56 000	70 000									
Vecmīlgrāvis	29 000	42 000	50 000						29 000	43 000	52 000	57 000
Ķengarags									32 000	45 000	53 000	55 000
Bolderāja	29 000	41 000	48 000									
Ziepniekkalns	35 000	49 000	55 000	63 000	42 000	50 000	59 000		34 000	48 000	55 000	65 000
Imanta	35 000	50 000	58 000		38 000	51 000	60 000	70 000	34 000	48 000	55 000	66 000
Zolitūde					39 000	54 000	68 000					
Āgenskalns	30 000	41 000	55 000									
Iļģuciems	33 000	43 000	55 000									
Ogre	24 000	31 000	39 000						23 000	30 000	37 000	40 000
Jūrmala Kauguri	27 000	36 000	45 000	47 000					27 000	34 000	41 000	46 000
Jūrmala Dubulti	49 000	80 000	98 000									
Salaspils	28 000	38 000	45 000						28 000	36 000	44 000	
Jelgava	19 000	27 000	30 000						18 500	26 000	29 500	35 000

District/series	119 series				467 series				Lithuanian project		
	1-room	2-room	3-room	4-room	1-room	2-room	3-room	4-room	1-room	2-room	3-room
Jugla									32 000	43 000	52 000
Pļavnieki	46 000	59 000	66 000	75 000	34 000	47 000	57 000	66 000	33 000	46 000	54 000
Purvciems	47 000	63 000	69 000	77 000	36 000	54 000	62 000	70 000	34 000	45 000	55 000
Mežciems									32 000	45 000	53 000
Teika											
Vecmīlgrāvis					28 000	43 000	50 000	58 000	26 000	38 000	47 000
Ķengarags					32 000	44 000	50 000	54 000	31 000	39 000	48 000
Bolderāja									25 000	36 000	39 000
Ziepniekkalns	37 000	51 000	60 000	68 000					32 000	42 000	51 000
Imanta					35 000	50 000	55 000	67 000	30 000	42 000	52 000
Zolitūde	41 000	55 000	70 000	78 000							
Āgenskalns					31 000	43 000	54 000		29 000	38 000	46 000
Iļģuciems					31 000	44 000	55 000	64 000	31 000	41 000	50 000
Ogre											
Jūrmala Kauguri					26 000	35 000	39 000	45 000			
Jūrmala Dubulti									47 500	74 000	95 000
Salaspils					27 500	36 000	40 000	46 000	27 000	34 000	40 000
Jelgava					18 000	26 000	30 500				

District/series	Hrushev time houses			Stalin time houses			Special projects			Small family
	1-room	2-room	3-room	1-room	2-room	3-room	1-room	2-room	3-room	1-room
Jugla	31 000	41 000	50 000				34 000	45 000	61 000	27 000
Pļavnieki										31 000
Purvciems	34 000	45 000	53 000							31 000
Mežciems										
Teika	36 000	47 000	56 000	44 000	58 000	80 000	43 000	58 000	65 000	
Vecmīlgrāvis	25 000	35 000	45 000	30 000	44 000	53 000				25 000
Ķengarags	30 000	38 000	47 000							30 000
Bolderāja	24 000	34 000	38 000				30 000	41 500	49 000	25 000
Ziepniekkalns	31 000	39 000	50 000							31 000
Imanta	28 000	40 000	49 000							28 000
Zolitūde										
Āgenskalns	29 000	39 000	46 000							26 000
Iļģuciems	30 000	40 000	48 000				35 000	50 000	60 000	27 000
Ogre	20 000	28 000	38 000							
Jūrmala Kauguri	25 000	30 000	37 000							26 000
Jūrmala Dubulti	40 000	62 000	76 000							
Salaspils	24 000	33 000								25 000
Jelgava	19 000	25 000	28 000							19 000

Prices of Standard-type Apartments (price in EUR on 31.12.2005.)

Jugla	103 series	Specproj.	602 series	119 series	467 series	Lithuanian	Hrushev	small family	average
1-room	33 000	34 000				32 000	31 000	27 000	31 500
December, 2004	21 500	23 500				20 000	19 000	17 000	20 000
2-room	44 000	45 000				43 000	41 000		43 000
December, 2004	29 500	30 000				24 000	25 000		27 000
3-room	59 000	61 000				52 000	50 000		55 000
December, 2004	35 000	36 000				29 000	28 000		32 000
4-room									
December, 2004									

Pļavnieki	103 series	104 series	602 series	119 series	467 series	Lithuanian	Hrushev	small family	average
1-room	34 000	44 000	33 000	46 000	34 000	33 000		31 000	37 000
December, 2004	22 000	26 500	20 500	27 000	21 000	20 000		19 000	22 500
2-room	52 000	58 000	49 000	59 000	47 000	46 000			52 000
December, 2004	31 000	33 000	28 000	34 500	27 000	27 000			30 000
3-room	62 000	65 000	59 000	66 000	57 000	54 000			61 000
December, 2004	39 000	41 000	32 500	42 000	30 000	33 000			36 000
4-room			65 000	75 000	66 000				69 000
December, 2004			38 500	48 000	39 000				42 000

Purvciems	103 series	104 series	602 series	119 series	467 series	Lithuanian	Hrushev	small family	average
1-room	36 000	45 000	34 000	47 000	36 000	34 000	34 000	31 000	37 000
December, 2004	24 500	28 000	21 500	28 000	22 000	21 000	21 500	20 000	23 500
2-room	55 000	60 000	52 000	63 000	54 000	47 000	45 000		54 000
December, 2004	34 000	34 500	30 000	37 000	33 000	28 000	28 500		32 000
3-room	65 000	68 000	61 000	69 000	62 000	55 000	53 000		62 000
December, 2004	40 500	42 500	35 000	42 000	36 000	34 500	29 500		37 000
4-room			69 000	77 000	70 000				72 000
December, 2004			42 000	51 500	42 500				45 500

Mežciems	103 series	104 series	602 series	119 series	467 series	Lithuanian	Hrushev	small family	average
1-room		40 000	32 000			32 000			35 000
December, 2004		26 000	21 500			19 000			22 000
2-room		55 000	50 000			45 000			50 000
December, 2004		34 000	28 500			28 000			30 000
3-room		64 000	59 000			53 000			59 000
December, 2004		42 000	35 500			33 000			37 000
4-room			64 000						64 000
December, 2004			40 000						40 000

Teika	103 series	104 series	Specproj.	Staļina	467 series	Lithuanian	Hrushev	small family	average
1-room	41 000		43 000	44 000			36 000		41 000
December, 2004	29 000		29 000	30 000			23 000		28 000
2-room	56 000		58 000	58 000			47 000		55 000
December, 2004	38 000		36 000	40 000			35 000		37 000
3-room	70 000		65 000	80 000			56 000		68 000
December, 2004	51 000		48 000	60 000			41 000		50 000
4-room									
December, 2004									

Prices of Standard-type Apartments (price in EUR on 31.12.2005.)

Vecmīlgrāvis	103 series	104 series	602 series	Staļina	467 series	Lithuanian	Hrushev	small family	average
1-room	29 000		29 000	30 000	28 000	26 000	25 000	25 000	27 000
December, 2004	19 000		19 000	20 500	19 000	18 000	17 000	17 000	18 500
2-room	42 000		43 000	44 000	43 000	38 000	35 000		41 000
December, 2004	25 000		28 500	28 000	26 500	24 000	22 000		25 500
3-room	50 000		52 000	53 000	50 000	47 000	45 000		50 000
December, 2004	29 000		31 500	35 000	31 000	27 000	26 000		30 000
4-room			57 000		58 000				57 500
December, 2004			36 000		37 000				36 500

Ķengarags	103 series	104 series	602 series	Specproj.	467 series	Lithuanian	Hrushev	small family	average
1-room			32 000		32 000	31 000	30 000	30 000	31 000
December, 2004			19 000		19 000	18 000	16 000	18 000	18 000
2-room			45 000		44 000	39 000	38 000		42 000
December, 2004			25 000		24 000	23 000	22 000		23 500
3-room			53 000		50 000	48 000	47 000		49 000
December, 2004			29 500		29 500	28 000	27 500		28 500
4-room			55 000		54 000				55 000
December, 2004			36 500		36 000				36 000

Bolderāja	103 series	104 series	602 series	Specproj.	467 series	Lithuanian	Hrushev	small family	average
1-room	29 000			30 000		25 000	24 000	25 000	27 000
December, 2004	17 500			18 500		15 500	14 500	15 000	16 000
2-room	41 000			41 500		36 000	34 000		38 000
December, 2004	23 500			24 500		19 500	18 500		21 500
3-room	48 000			49 000		39 000	38 000		43 500
December, 2004	28 000			31 500		25 000	22 000		26 500
4-room									
December, 2004									

Ziepniekkalns	103 series	104 series	602 series	119 series	467 series	Lithuanian	Hrushev	small family	average
1-room	35 000	42 000	34 000	37 000		32 000	31 000	31 000	35 000
December, 2004	20 500	25 000	20 000	26 500		19 000	17 500	17 000	21 000
2-room	49 000	50 000	48 000	51 000		42 000	39 000		46 000
December, 2004	27 000	31 000	29 000	33 000		23 000	22 500		27 500
3-room	55 000	59 000	55 000	60 000		51 000	50 000		56 000
December, 2004	32 000	37 000	31 500	37 500		28 000	26 500		32 000
4-room	63 000		65 000	68 000					65 000
December, 2004	36 500		38 000	44 000					39 500

Imanta	103 series	104 series	602 series	119 series	467 series	Lithuanian	Hrushev	small family	average
1-room	35 000	38 000	34 000		35 000	30 000	28 000	28 000	33 000
December, 2004	21 500	23 000	22 500		21 500	20 000	18 000	17 000	20 500
2-room	50 000	51 000	48 000		50 000	42 000	40 000		47 000
December, 2004	29 500	31 500	28 000		30 000	26 000	22 500		28 000
3-room	58 000	60 000	55 000		55 000	52 000	49 000		55 000
December, 2004	36 000	37 500	34 000		35 000	29 000	26 500		33 000
4-room		70 000	66 000		67 000				68 000
December, 2004		40 500	38 000		39 000				39 000

Prices of Standard-type Apartments (price in EUR on 31.12.2005.)

Zolitūde	103 series	104 series	602 series	119 series	467 series	Lithuanian	Hrushev	small family	average
1-room		39 000		41 000					40 000
December, 2004		24 500		26 500					25 500
2-room		54 000		55 000					56 000
December, 2004		33 000		36 000					34 500
3-room		68 000		70 000					69 000
December, 2004		37 000		41 000					39 000
4-room				78 000					78 000
December, 2004				48 000					48 000

Āgenskalns	103 series	104 series	602 series	119 series	467 series	Lithuanian	Hrushev	small family	average
1-room	30 000			31 000	29 000	29 000	26 000		29 000
December, 2004	20 000			20 500	20 000	19 000	15 000		19 000
2-room	41 000			43 000	38 000	39 000			40 000
December, 2004	28 000			29 500	26 500	27 000			28 000
3-room	55 000			54 000	46 000	46 000			50 000
December, 2004	38 500			36 000	33 000	33 500			35 500
4-room									
December, 2004									

Iļģuciems	103 series	104 series	602 series	Specproj.	467 series	Lithuanian	Hrushev	small family	average
1-room	33 000			35 000	31 000	31 000	30 000	27 000	31 000
December, 2004	22 000			23 000	20 000	20 000	18 500	16 500	20 000
2-room	43 000			50 000	44 000	41 000	40 000		43 000
December, 2004	28 000			33 000	26 000	26 000	24 000		27 500
3-room	55 000			60 000	55 000	50 000	48 000		54 000
December, 2004	37 000			40 000	34 500	30 000	28 000		34 000
4-room					64 000				64 000
December, 2004					39 000				39 000

Jūrmala Kauguri	103 series	104 series	602 series	119 series	467 series	Lithuanian	Hrushev	small family	average
1-room	27 000		27 000		26 000		25 000	26 000	26 000
December, 2004	13 500		13 500		13 000		11 000	12 000	12 500
2-room	36 000		34 000		35 000		30 000		33 500
December, 2004	19 000		17 500		18 500		15 500		17 500
3-room	45 000		41 000		39 000		37 000		40 500
December, 2004	22 000		20 000		20 000		17 500		20 000
4-room	47 000		46 000		45 000				46 000
December, 2004	25 000		23 500		23 000				24 000

Jūrmala Dubulti	103 series	104 series	602 series	119 series	467 series	Lithuanian	Hrushev	small family	average
1-room	49 000					47 500	40 000		45 500
December, 2004	34 000					29 000	26 000		29 500
2-room	80 000					74 000	62 000		71 000
December, 2004	51 500					48 000	40 500		46 500
3-room	98 000					95 000	76 000		84 000
December, 2004	62 000					59 000	52 000		57 500
4-room									
December, 2004									

Prices of Standard-type Apartments (price in EUR on 31.12.2005.)

Ogre	103 series	104 series	602 series	119 series	467 series	Lithuanian	Hrushev	small family	average
1-room	24 000		23 000				20 000		22 000
December, 2004	14 000		13 000				11 000		12 500
2-room	31 000		30 000				28 000		30 000
December, 2004	18 000		17 500				16 000		17 000
3-room	39 000		37 000				38 000		38 000
December, 2004	23 000		20 500				20 000		21 000
4-room			40 000						40 000
December, 2004			23 000						23 000

Salaspils	103 series	104 series	602 series	119 series	467 series	Lithuanian	Hrushev	small family	average
1-room	28 000		28 000		27 500	27 000	24 000	25 000	26 500
December, 2004	15 500		14 000		14 500	13 500	12 000	12 500	13 500
2-room	38 000		36 000		36 000	34 000	33 000		35 000
December, 2004	21 500		20 500		20 000	18 500	17 000		19 500
3-room	45 000		44 000		40 000	40 000			42 000
December, 2004	26 500		25 000		25 000	25 000			25 500
4-room					46 000				46 000
December, 2004					29 500				29 500

Jelgava	103 series	104 series	602 series	119 series	467 series	Lithuanian	Hrushev	small family	average
1-room	19 000		18 500		18 000		19 000	19 000	19 000
December, 2004	9 500		9 000		8 500		9 000	9 000	9 000
2-room	27 000		26 000		26 000		25 000		26 000
December, 2004	13 000		12 000		12 000		12 000		12 500
3-room	30 000		29 500		30 500		28 000		29 500
December, 2004	17 000		17 000		17 500		15 500		17 000
4-room			35 000						35 000
December, 2004			19 000						19 000

Bišumuiža

17 four-storey buildings, 14 apartments in each. The apartments are sold with fully completed interior decoration. 55-138m². The project will be realized gradually, step-by-step. Construction of the four first buildings was commenced in October 2005, and the buildings will be commissioned in December 2006.

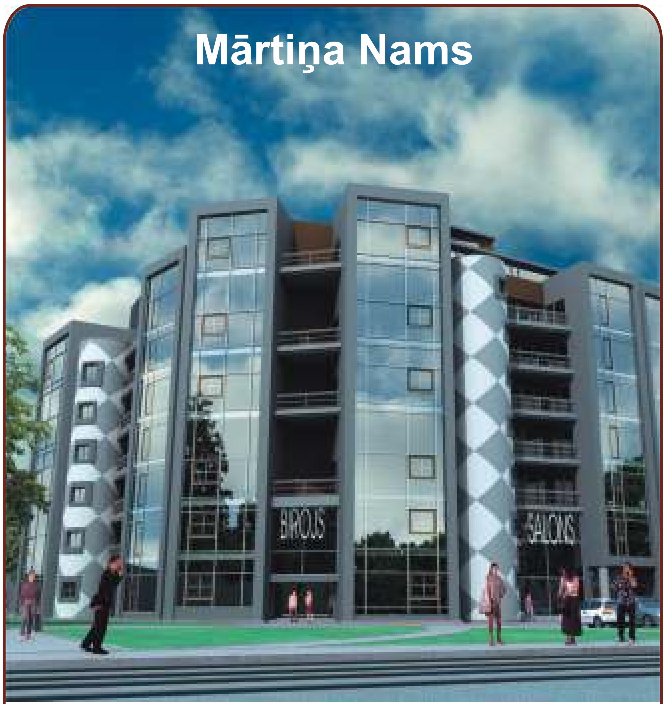
ARCO REAL ESTATE
Vija 7079220, 8311711
vija.sondore@arcoreal.lv
Miks 7365537, 6455866
miks.narvils@arcoreal.lv
www.arcorealestate.lv

Podnieki

600 new apartments in Ādaži,
on the bank of the river Vejupe.
A complex of 7 newly constructed 4 storey houses.
45 – 100 m². Price 450 Ls/m²
with partial interior decoration.

ARCO REAL ESTATE
Solveiga: 7365552, 6388677
Edgars: 7365555; 8646666

Mārtiņa Nams



Newly constructed 6 storey house on Slokas Street 59,
2 level apartments, with balconies and terraces,
high ceilings.
1 - 4 room apartments 40 - 150 m² areas, white furnishing.
Price from 1000 LVL/m²

ARCO REAL ESTATE
Arnolds: 7365553, 6495599
arnolds.romeiko@arcoreal.lv

Jūrkalnes Pērle

Riga, Jūrkalnes street
4-storey apartment house,
53 apartments, 2-4 room.
38 - 124 m².
Full and white
interior decortation.
Major asset of the house is its
location – right near
Šampēteris wood.
Price from 41 000 LVL

ARCO REAL ESTATE
Viktorija 7365550, 8344959
Kristaps 7365536, 6441044
www.arcorealestate.lv

Multi-apartment houses in Riga, Zolitūde
on Anniņmuižas and Priedaines streets.
Near the houses recreation area, a playground
for children. Well developed infrastructure.

ARCO REAL ESTATE

Viktorija 7365550, 8344959
viktorija.leibenzone@arcoreal.lv
Kristaps 7365536, 6441044
kristaps.herbsts@arcoreal.lv
www.arcorealestate.lv

Jasmuižas Nams

Multi-apartment house at Pļavnieki, on Jasmuižas Street.
Good quality, acceptable prices,
excellent recreation possibilities
and well-developed infrastructure.
A 9-storey building with 87 apartments.
Apartments of 2 – 5 rooms, area: from 50 to 157 m².

ARCO REAL ESTATE

Ludmila 7079212, 6557655
Maksims 7079208, 6469451
www.arcorealestate.lv

Kalnciems

Renovated building of series 103
in the centre of Kalnciems
on the bank of the river Lielupe.
Quiet and green surroundings,
in a close proximity to daycare
centre, school and shop.
75 apartments
with "white" interior decoration,
36,5-71,1 m².

ARCO REAL ESTATE

Santa 3028245, 6392248
santa.novicka@arcoreal.lv
www.arcorealestate.lv

Baložu Ēkas

The project consists of 2 five-storey multi-apartment houses; one house will consist of 3 sections and the other house – of 2 sections.
Rigas region, Baloži, Bērzu Street 9
45 apartments, area: from 33,1 up to 68 m²
Price from 28 300 LVL

ARCO REAL ESTATE
Edgars: 7365555; 8646666
edgars.pomaskovs@arcoreal.lv
www.arcoreal.lv

Sigulda, O.Kalpaka street

Sigulda, O.Kalpaka street 13, 1-4 room apartments, in a modern 4 - 5 storey building with a penthause floor, "white" or full interior decoration.

ARCO REAL ESTATE
Dace 7973737, 6115530
dace.meija@arcoreal.lv
www.arcorealestate.lv

Dzintara Projekti

Exclusive apartments in Jūrmala

Kanālu Street 9, Melluži
Vidus pr. 54, Bulduri
Kuldīgas Street 9, Bulduri
Dzintaru 64, Dzintari
Dzintaru 39, Dzintari

ARCO REAL ESTATE
Žans 7365548, 9404962
zans.launags@arcoreal.lv
www.arcorealestate.lv

Forecasts for 2006

Apartment market

An extract from the market overview „ Real Estate Market Overview of 2004 prepared by ARCO REAL ESTATE". Forecast for 2005.

In 2005 the apartment prices will continue to grow within the limits of 10-15% in respect to the majority of apartments, and the prices may reach the following values at the end of the year:

Reconstructed buildings in the Old City	2000-3500 EUR/m²
Reconstructed buildings in the centre and the 'Quiet Centre"	
with interior decoration	2100-3000 EUR/m²
without interior decoration	1800-2500 EUR/m²
Central part of Riga	
with interior decoration	1400-2000 EUR/m²
without interior decoration	900-1600 EUR/m²
Newly erected apartment houses	
with interior decoration	850-1300 EUR/m²
without interior decoration	650- 1200 EUR/m²
Standard-type apartments	600- 950 EUR/m²
Wooden housing in the city centre	500-700 EUR/m²
Wooden housing	400-550 EUR/m²

The average prices of standard-type apartments located in the most prestigious dwelling areas will continue to grow also in 2005, however, the prices will become stable in certain dwelling areas (Zolitūde, Pļavnieki, Purvciems and other more expensive areas), which means a growth of prices according to the economical growth in general.

A little price lowering is possible for apartments which are badly planned, located in buildings with badly maintained common use premises and environment. It is expected that buyers will more often enter into deals basing on the available information, which may decrease the number of deals entered into at inadequately high prices. Furthermore, it is expected that the percentage of capitally renovated apartments will increase because a part of buyers of standard-type apartments, just as in the case of purchase of apartments in a new project house, would like to move into their new apartments immediately but, from the other part, the sellers whose financial situation is improved, leave their recently renovated standard-type apartments in order to move to private houses or apartments in new residential houses or apartments in the city centre. These aspects show the necessity to have a prestigious and well-maintained environment.

It is expected that the increase of prices of apartments outside Riga will depend directly on the apartment price changes in Riga and on the distance from Riga because the majority of buyers of apartments of this segment are people employed in Riga whose financial situation is not so good and who cannot afford to buy an apartment of similar size in a dwelling area of the Riga City.

It is expected that the demand will concentrate on two-three room apartments in the dwelling areas and that the demand for one-room apartments will decrease, because the potential clients (students) cannot afford more expensive apartments any more, and this fact is directly connected with apartment rent levels because those apartments are, in general, considered to be temporary dwellings, with "shelf-life" from 2 to 10 years, with seldom exceptions.

Our forecast is that implementation of new apartment house projects will be commenced in areas where no activities have taken place before – i.e., mainly in the "cheap" dwelling areas, which traditionally include Bolderāja, Vecmīlgrāvis, also Mežciems (in the latter area the price increase has been the biggest). A new project might be started also at Ķengarags, which was one of the first places where a new dwelling house was built – it was at No. 46 Prūšu Street as early as in 2000; however, since that time the project developers have not carried out any activities there.

It is expected that the market share of the new dwelling houses in the market will be approximately 10% of the total apartment market, and in 2005 it might be already able to affect the standard-type apartment prices, especially prices of bigger – 3-4-room apartments. Any essential influence of the new projects upon the prices of other market segments is not expected. It is expected that the percentage of apartments sold with full interior decoration will increase significantly; it is also expected that better architectural and technical solutions will be used for design of those houses.

The forecast of the past year has come true only partially as to apartment price changes in the Riga City the price growth has continued, however, it has been impossible to forecast the growth rate because it has been partially depending on the "psychology of masses", i.e., the mass purchase and sale of real estates. Main reasons of this have been as follows: favourable crediting conditions, rapid inflation growth, increase of construction costs, speculative transactions.

The forecast of an increase of market share of renovated apartments is fulfilled. Also the forecast of the apartment price corrections in Riga region where it was stated in particular that the apartment prices in Riga region would directly depend on the apartment price changes in the Riga City and the mutual difference of the prices would depend on the distance to Riga, is fulfilled.

The forecast of start of implementation of new multi-apartment house projects in areas where no or practically no activities have taken place before - Bolderāja, Vecmīlgrāvis, Mežciems un Ķengarags is not fulfilled. The trend of construction of new buildings in places with already existing high price level continued also in 2005.

According to the forecast made in the past year, the market share of the new dwelling houses in the market has reached 10% of the total apartment market, however, due to the existing deficiency of dwellings, this market share increase has not corrected the standard-type apartment price level.

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

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

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

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

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

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

Forecasted apartment prices at the end of 2006:

Old City	
Renovated apartments	4100-5200 EUR/m²
Non-renovated apartments	3500-4500 EUR/m²
Boulevard Ring (reconstructed houses)	
Prepared for interior decoration	3200-3800 EUR/m²
With interior decoration	3700-4500 EUR/m²
In non-reconstructed houses the prices were lower by 20% in average	
Dzirnavu-Tērbatas-Baznīcas-Skolas Streets	
Renovated apartments	2400-3000 EUR/m²
Non-renovated apartments	2000-2500 EUR/m²
Other apartments located in the city centre	
Renovated apartments	1600-2000 EUR/m²
Non-renovated apartments	1400-1700 EUR/m²
Newly erected apartment houses	
with interior decoration	1600-3000 EUR/m²
without interior decoration	1100- 2500 EUR/m²
Standard-type apartments	1000 -1300 EUR/m²
Wooden housing in the city centre	1000-1400 EUR/m²
Wooden housing	700 - 1200 EUR/m²

Dignājas Street

Two 6-storey buildings, 87 apartments 1-4 rooms, 34-131m², full interior decorations, Dignajas Street houses will be in a green area with a nice yard.

ARCO REAL ESTATE
Māra 8378333, 7079214
www.arcorealestate.lv

Rīga, Antonijas street

Rent of Residential Premises

Rent of apartments

The rapid growth of the price of residential premises in 2005 created the situation when at the end of the year the rent level was in average by 10-40% lower then the credit repayment amounts payable in the case of acquisition of a respective apartment. In this situation a lot of people started to consider the possibility of hire of an apartment instead of purchase; however, an important shortcoming is the term of hire contracts the lessors are not ready to enter into long-term hire agreements because the apartments for rent are either planned for sale after the stoppage of the rapid real estate price growth, or the lessors assume that the rent levels will be significantly higher in the future.

The demand for apartments for rent was stable in 2005 but in certain segments it partially changed depending on the season.

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

The average rent period is 1-3 years, and, in contrary to the demand, the lessors are not willing to hire out an apartment for a short or a relatively long period of time, which is caused both by equipment wear and tear during a short period of time and by material changes of possible financial conditions in a long-time perspective.

The apartment rent amount levels in the main categories of apartments for rent:

Small-size apartments in districts, 1-2-room apartments with partial amenities in pre-war period buildings, also unfurnished.

Demand exists for all the areas located not far from the center, also for more distant areas; the monthly rent levels vary in proportion to the distance from the centre. Rent amounts from 100-160 EUR per month. (in average 2,0-7,0 EUR/m²);

1-3-room furnished apartments in good condition located in dwelling areas.

No material changes in the demand/offer relation were established in 2005. The most demanded areas were dwelling areas with relatively high estate sales prices - Purvciems, Pļavnieki, Teika, Jugla, also Pārdaugava (locations with a well-developed public transport infrastructure). Monthly rent from 180-450 EUR (in average 6,0-10 EUR/m²)

Furnished and qualitatively renovated apartments in partially renewed and renewed buildings in the centre of Riga.

The demand exists for furnished apartments, which are hired by foreigners, who has come to Latvia for a short or medium long period of time. Monthly rent amount 500-1500 EUR (in average 9-15 EUR/m²).

Furnished apartments in the Riga centre houses with special architecture or location (art noveau buildings, houses in the Quiet Centre).

Characteristic feature of the apartments is presence of special design and historical elements (stoves etc), special architectural solutions of the buildings. The most demanded area ~100 m². Monthly rent 1000-2500 EUR (in average 15-23 EUR/m²).

Apartments in the Old City.

The offer mainly consists of apartments of relatively small floor areas - 50-70 m². A part of the apartments for rent are not renovated but only furnished. The demand is influenced both by the limited car parking. and the wide entertainment possibilities in the Old City, which are associated with noise problems in the apartments. Monthly rent 500-2500 EUR (in average 11-20 EUR/m²)

Bātas muiža

A nice three-storey house located in Riga at Ziepniekkalns on Bātas Street 3a. 26 apartments with the „white" interior decoration. 70 - 180 m². Price from 88 000 EUR.

ARCO REAL ESTATE
Ints 7079232, 8666684
ints.berzins@arcoreal.lv
www.arcorealestate.lv

Rent of Private Houses

During the reporting period no material changes have been observed in the sector of hire of private houses; the demand at Jūrmala depended on the season; the demand for private houses in the Riga City and the towns and settlements in the vicinity of Riga was even and stable though relatively low.

Similarly as in the previous years private houses were hired out for a short period of time (absence of owners, seasonality (in summer time) etc.). A part of private house owners hire out their houses to sell them later when the market value will be higher.

The offer at the end of 2005 was relatively poor, with a big price difference; however, the most expensive monthly rent amounts in the private house sector did not exceed 5000 EUR, in contrast to the end of 2004, when certain private houses were offered even for 8000 EUR/month.

Monthly rent levels of furnished private houses at the end of 2005 were:

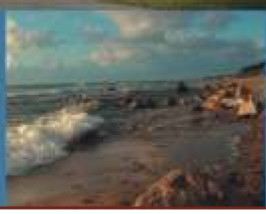
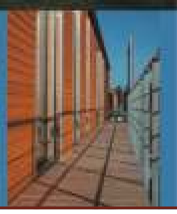
at Jūrmala (new and reconstructed)	
	1000-3500 EUR/month
in Riga	
new and reconstructed houses	900-3500 EUR/month
Soviet and pre-war time houses, non-renovated	400-700 EUR/month
close to the sea (not in Jūrmala City)	
	150-750 EUR/month
The average rent of one square metre	
The average rent of one square metre in a reconstructed or newly erected furnished house was 6-17 EUR/m².	

Mākoņu brīvdienas

Feel the breath of modern art in the reality!

10 exclusive houses 350 m from the coast of the Baltic sea in Liepāja region, near Jūrkalne and its famous steap coast. Houses with full interior decoration, area 107 m².



ARCO REAL ESTATE
Edgars 7079218, 6190123
edgars.lasevics@arcoreal.lv
www.arcorealestate.lv

Forecasts for 2006

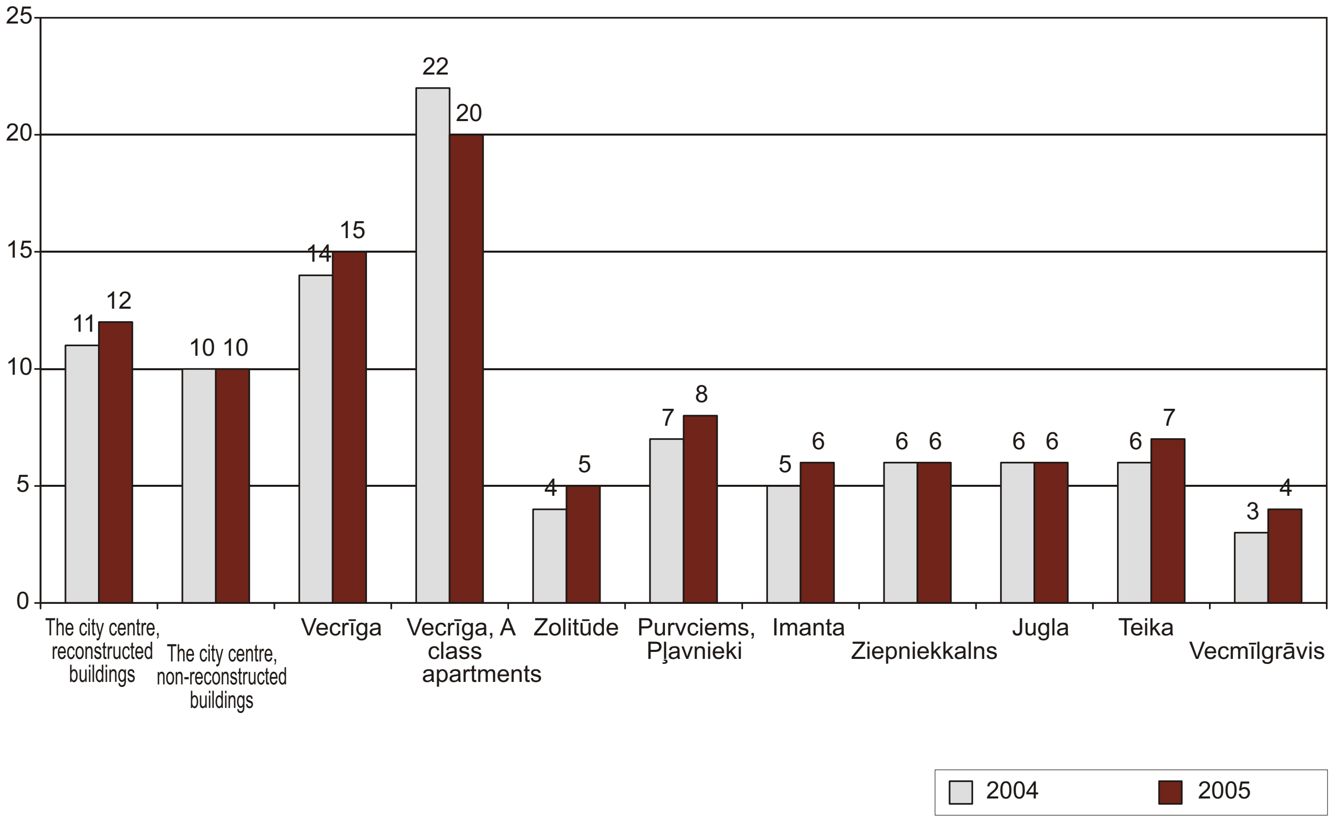
Rent of Residential Premises

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

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

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

Average rent payment for apartments in 2005 (EUR/m²)



One-Family Private Houses

The rapid increase of construction costs influenced significantly the prices and construction volumes of one-family private houses in the reporting period. During the period also the overall deficiency of dwellings influenced significantly the private house prices; this deficiency, in addition to the rapid growth of apartment prices, has ensured also almost adequate growth of prices of one-family private houses.

At the end of 2005, no material numeric changes of the offer have been observed in comparison with the previous reporting period in Riga and Riga District, and in Jūrmala the offer consisted of 900-1200 private dwelling houses, ~50% of which are offered in Riga District. The offer in the Jūrmala City decreased a little, which may serve as an explanation for the rapid real estate prise growth resulting from the decrease of the total number of transactions in the Jūrmala City.

Riga District

The offer mainly consists of private newly erected houses or houses built in the 1990-ies. The former farm houses pre-war time buildings together with large land areas have become a seldom phenomenon in the market. The free land plots in majority of cases are separated and divided or sold for parcellation and further development in the form of individual building plots. During the reporting period a stable demand for small and medium floor area private houses (up to 250 m²) located in Riga District was observed. The price of such houses if they are located in places with a well developed infrastructure and convenient access, reached 200,000 EUR.

A relatively large offer was observed in the territories of gardening cooperatives in which the price level was varying significantly depending on the distance to Riga, the local infrastructure and the access possibilities. The price level in the relatively most expensive gardening cooperatives might reach the limit of 150,000 EUR (the cheapest private houses of this category small floor area houses of satisfactory technical condition, with complicated access did not exceed the limit of 20 000 EUR).

The share of private houses erected in the 1990-ies was decreasing these houses either founded their “real” owner or were launched in the market after reconstruction, though with some exceptions.

Riga

The price level of private houses in the Riga city, in the dwelling houses located closer to the centre, is depending not so much on the technical condition and area of the house but on the area of the land plot and the location. In locations where the land price for private buildings exceeds 100 EUR/m² these considerations play even a bigger role. If at the end of 2004 1 million EUR might be considered to be the biggest offer price, at the end of 2005, a private house located at Mežaparks was offered for the price of 2 million EUR.

Since the placement of private houses is not equable in the Riga City, then, notwithstanding the essential influence of the location on the value of the building, the private houses may be classified in categories according to their technical condition and main structural elements.

Pre-war period wooden and brick buildings are frequently launched in the market. In many cases the technical condition and the level of amenities of such buildings is bad, and the buildings of this type are bought either for demolition or full reconstruction. The buildings of this category in many cases have an essential encumbrance tenants having tenancy agreements for an indefinite period of time. However, in 2005 the percentage of such estates decreased because the buildings were launched in the market already after reconstruction or the estates were launched in the private housing/

commercial construction market with partially or fully demolished buildings. The buildings of this category frequently have a strategically good placement close to the existing urban infrastructure, in the streets with an intensive pedestrian flow etc.

A relatively big number of the private houses which make a part of the market offer and which were built in the 1950-1990-ies have been built according to standard-type projects. The price level of the houses of this type is relatively low because the land plot areas of these houses are small, approximately 600 m², and the technical solutions having been used in these houses are functionally and morally outdated (though separate houses are solid brick buildings the existing structures of which might be used in reconstruction). Floor areas of such houses are small up to 140m². Such houses are purchased mainly for private needs, though more and more frequently they are reconstructed and used as offices of small companies. In the central part of the city such buildings have been purchased mainly due to their land plots, which may be used for construction of multi-storey buildings in places where it is permitted in accordance with the city development plan.

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

Relatively new private houses as well as fully reconstructed houses in the Riga City are located mainly at Mežaparks, Ķīpsala, Jugla un Mārupe. In those dwelling areas the concentration of private houses is relatively high, which to a certain extent determine attractiveness of these areas in the eyes of potential buyers, and, hence, also the price of the private houses A special attention should be paid to Ķīpsala where, according to the city development plan, building of multi-storey houses is planned in the future. Due to this fact the value of the private houses located at Ķīpsala is significantly higher just because of the value of the land plots. Presently, the offer practically does not contain any private houses located at Ķīpsala, however, the value of certain private houses having larger land plots in this place (in the beginning of Balasta Dambis) may exceed even 5 million EUR if launched in the market.

JŪRMALA

Despite the annual decrease of number of transactions in the Jūrmala City, the private house price level in 2005 grew in average by 50% during the year. In addition to the overall price growth aspects, this growth rate has been caused by the decrease of the offer in the private house sector of Jūrmala.

The present private house market of Jūrmala practically does not contain any private houses of bad technical condition located in places with a high land value towards the sea. The offer mainly consists of fully reconstructed or newly erected private houses. Separate houses of bad condition are demolished, and a free land plot is launched in the market, the value of which in the Jūrmala City to a great extent is depending on the type and size of the possible construction because the construction in the Jūrmala City is significantly burdened by the large number of various restrictions.

Also in the reporting period the characteristic feature of the Jūrmala City was the fact that a big part of the demand was formed by foreigners, who selected Jūrmala with the purpose to spend holidays.

Construction of Private Houses

Traditionally, the type of building structures is directly depending on the value of the construction site. The cheapest houses wooden houses and wooden framework houses are typically being built in locations where the land price does not exceed 25 EUR/m². Since brick wall, light concrete and reinforced concrete houses are the relatively most expensive structures, houses of those types are being built on the land plots the market value of which is at least 30 EUR/m². However, rather frequently this principle is not taken into account in the Latvian market and houses of wooden prefabricated elements are being built on the land the value of which exceeds the limit of 60 EUR/m².

One-family private house prices in Jūrmala, on 31.12.2005. (thousands of EUR)

	Location	Min. price	Max. price
towards the sea			
	Lielupe – Dubulti	320 000	3 500 000
	Dubulti – Asari	275 000	1 500 000
	Vaivari – Kauguri	225 000	650 000
on the other side from the railway line			
	Lielupe – Majori	225 000	1 200 000
	Dubulti – Asari	200 000	500 000
	Vaivari	180 000	500 000
other places			
	Kauguri, Jaunķemeri	140 000	350 000
	Sloka	100 000	250 000
	Ķemeri	70 000	150 000

Vikingi

16 land plots 1389 - 3506 m².
supplied with all necessary engineering connections.
Located in Vikingi, just 2 km from A1 Rīga – Tallinn highway,
Prices range from 37 EUR/m²

ARCO REAL ESTATE
Mārtiņš 7079204, 9336627
martins.berzins@arcoreal.lv
www.arcorealestate.lv

Private house construction costs at the end of 2005, by the types of building basic structures

Structure type	Low costs (EUR/m²)	High costs (EUR/m²)
Wooden framework	470	600
Horizontal logs structure	600	875
Wooden prefabricated structures	400	470
Light concrete	570	720
Brick wall	710	950
Reinforced concrete	690	820

Private House Market in Vidzeme and Zemgale

During the reporting period, the private house market activation (including the new living house villages, for example at Valmiera) was observed in Vidzeme and Zemgale regions including

The price level of private houses also in the real estate sector depends on the distance to Riga, the location within the district, and the landscape of the location. The private house prices outside Riga may be divided in two main categories:

country estates

Characteristic features of the estates of this kind are big land plots and relatively bad technical condition of buildings; as to utilities systems, these estates in the majority of cases are connected only to electric power supply. A big part of those real estates have been sold solely at the price of the land plot. Value of certain estates, which have big land plots, good technical condition of buildings and which location is very advantageous as to the landscape (at the rivers or lakes) may exceed 100 000 LVL. In the majority of cases the value of the estates of this category outside Riga District vary from 12000 to 50000 LVL.

-private houses in towns and district centres;

Characteristic features of the estates of this category are small land areas and a relatively good provision of utilities systems. Technical condition of a big part of the private houses of this category is satisfactory or partially satisfactory. A relatively seldom phenomenon is launching in the market of newly erected or reconstructed estates, the sales price of which are still in average lower than the substitution prices thereof. The price level vary from 20 000 till 85 000 LVL, though relatively more expensive offers have been observed as well. Newly erected private houses are typically launched in the market not in the result of commercial interests (built for sale) but in the result of personal considerations of the end users (moving to other residence etc.). Relatively active markets of this estate category exist:

- in Vidzeme – at Cēsis, Valmiera, Limbaži;
- in Zemgale – atJelgava, in its vicinity, at Tukums;
- in eastern Vidzeme – in Madona city, at Alūksne – around the lake.

Private House Market in Saulkrasti

The market of private houses at Saulkrasti might be considered active in 2005, and the most significant reason of this was just the proximity to the sea. Depending on the distance to the sea, the railway line, the available infrastructure, the price difference of private houses which are relatively identical as to the technical parameters, may be extremely large.

The demand is high for private houses situated close to the sea, in locations with beautiful landscape; and in such locations transaction amounts may exceed 200 000 EUR. Summer cottage type houses with small land plots are demanded.

The offer contains mainly two basic categories:

- summer cottages of a satisfactory technical condition. Such cottages have small land plots and partial utilities. The cottages are located mainly to the right from the highway Riga-Tallinn (not on the sea side). The demand is relatively high, however, the marketing period for sale of capital construction reconstructed buildings is relatively long, which is caused by the relatively small size of land plots and the characteristic features of the environment (usage of neighbouring buildings). Price level: 30 000 130 000 EUR;
- private houses in the territory of the town have bigger land plots and a more developed infrastructure. The demand exists for houses which may serve as a permanent residence, therefore availability of all utilities is an essential factor. Price level of new private houses with a well-organised land plot may exceed 250 000 EUR, though the demand for private houses of this category is relatively low because the price level is almost equivalent to that existing in the Jūrmala City.

New Living House Villages

The offer of living houses in new private house villages increased in 2005. As previously, opportunities are provided to buyers to purchase already finished houses of various stages of completeness of interior decoration in separate villages. At the end of 2005 the buyers had opportunity to select a private house or a land plot with connected utilities systems for construction of a private house in more than 60 various village projects.

In 2005 there were the following categories broken down by house construction concepts:

Finished houses	Jāņogu street village, Taureņi, Sēļi, Saulīši
Finished house projects	Saliņas
Free choice of a project	Cits Mežaparks, Mārsili II

During the reporting period, the majority of the houses being constructed in the private house villages, were built of light concrete blocks. Wooden structures were used to a lesser extent (the most typical example is the „Saulīšu" village). In the nearest future, more and more villages will, probably, offer wooden framework houses and houses of prefabricated elements, which are relatively cheaper as to the construction costs and taking into account that the prices of the traditional building materials are growing rapidly.

The main part of the offer is still occupied by private houses of a relatively big floor area though at the end of 2005 it was observed that the demand is bigger just for houses of a lesser floor area up to 130 m². The developers have until now frequently based on development of relatively simpler projects, i.e., they have built bigger houses and earned profits from the square metres constructed and not from expressive and well-considered solutions. It should be considered illogical that row houses or blocked houses of total floor area over 300 m² are launched in the market especially if such houses are located in places where the land value is relatively low.

The average prices of private houses in the new villages in Riga and Riga Region at the end of 2005 exceeded 110 000-300 000 EUR, however, in certain projects the price of private houses in 2005 exceeded even the limit of 600 thousand EUR.

As to the land price level, it was observed in 2005 that in locations where the land price exceeded the limit of 100 EUR/m², the developers more and more frequently decided to build villages of row houses. The average land value in the villages of private houses, depending on their location, was 30-60 EUR/m² at the end of 2005.

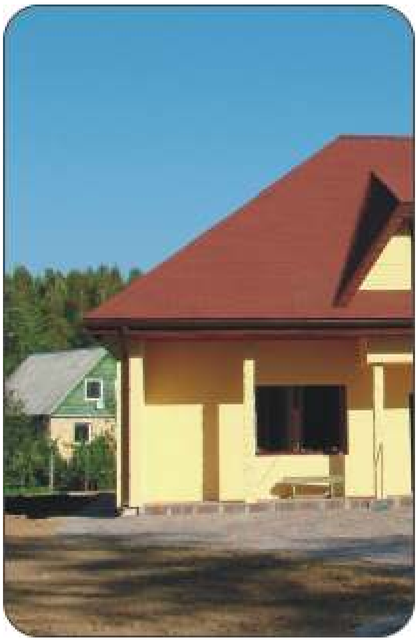
Līvi

The last four apartments!
Līvi, apartment building on Zvārtas Str., Cēsis.
Quiet and green neighbourhood.
Red ceramic brick building, 1-, 2- and 3-room apartments from 53 to 82 m².

ARCO REAL ESTATE
Liene 4122373, 8341513
liene.rjabkova@arcoreal.lv
www.arcorealestate.lv

Categories of Private Houses

In the result of the market data analysis of 2005 we have drawn conclusion that the private house price growth in the Riga City and in Riga Region is in a very high degree correlating with the apartment market the average price growth for private houses is approximately equivalent to the apartment price change level, i.e. up to 50% in the Riga City within the year.



Prices of main categories of private houses at the end of 2005:

Private houses in bad technical condition (to be reconstructed or demolished).

Price changes of private houses of this category are more relating to the price changes of the land of identical purpose of use located in the vicinity. Depending on the location and the land plot area the price of such houses vary from 70 000 to 100 000 EUR.

Small houses erected in the 1950-ies 1960-ies, of area up to 100 m²
(Purvciems, Pļavnieki, Mežciems, Zolitūde, Mārupe).

The offer in this category is poor, the prices vary from 80 000 to 115 000 EUR

Houses of prefabricated elements.

Market price of houses with full interior decoration and an attributed land plot is from 85 000 to 200 000 EUR.

Newly erected private houses, floor area up to 200 m².

The houses of this type are mainly located at Jugla, Mārupe, Mežciems, Babīte and the civil parishes closest to Riga. The price level depends mainly on the location. Prices from 150 000 to 280 000 EUR.

Newly erected buildings in private house villages.

The average prices in the new villages are from 110 000 to 300 000 EUR.

Houses of exclusive projects, with large area and good location.

Houses of exclusive projects, with large area and good location. (located mainly at Mežaparks, Ķīpsala, also at Imanta). Price limits - 380 000 - 1 500 000 EUR.

Forecasts for 2006

Living Houses

An extract from the market overview „Real Estate Market Overview of 2004 prepared by ARCO REAL ESTATE".

„„It is expected that in 2005 there will be a relatively low price increase (10-15%) for private houses of all categories; the main reason of this will be a further rise of construction costs and a further growth of the land prices depending on the location.

It is expected that several bigger villages consisting mainly of cheap private houses within the price limits from 70 000 to 90 000 EUR will be launched in the market in 2005. Furthermore, it is expected that the architecture of the villages will have more common details because in a number of villages that have been built previously there are big differences between private houses standing beside each other, which fact does not allow to consider the village to be built according to a uniform concept .

The demand for private houses will have the trend to increase in 2005, which will be connected with a further apartment price growth in Riga and which will ensure a dynamic development of the private house market sector."

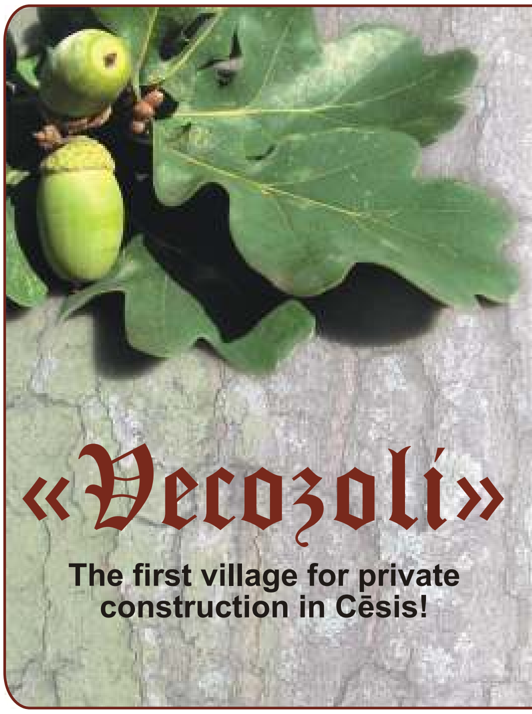
The forecast for 2005 has been fulfilled the private house price level was directly influenced by the land price growth and the increase of construction costs. In contrast to the forecast, the private house price growth has significantly exceeded the expected 15%. Since the average price level increased significantly in the market, it should be considered that the forecast of launching of the relatively cheap private house villages in the market is fulfilled; the prices of these houses, taking into account the price correction for 2005, are within the limits of 90 000 - 120000 EUR.

In 2005 the growth of the private house sector was slowed down a little due to lack of capacities of construction companies, which together with the inflation has ensured a rapid growth of the average construction costs.

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

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

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



Vecozoli

31 land plots,
from 1800m² till 3000m²
at Priekuļi, near Cēsis.
The land plots are located in a beautiful landscape and surrounded by forests, which creates a special aura.
All communications.

Average price 9,2 LVL/m²

ARCO REAL ESTATE
Liene 4122373, 8341513
liene.rjabkova@arcoreal.lv
www.arcorealestate.lv

Mārsili on the bank of the lake Mazais Baltezers

Pine forest,
the proximity of the lake and the freedom of hoice.
Just 2 km from A1 highway Riga-Tallinn.
Land plots- 1220-1700m².
Price 49-57 EUR/m²

ARCO REAL ESTATE
Guntars 7365543, 9190958
guntars.leons@arcoreal.lv
www.arcorealestate.lv

Land Properties for Construction of One-Family Houses

Changes in the individual construction land plot market

In 2005 the land market was subjected to significant changes including the growth of the prices of individual construction land plots. It may be considered that this growth was caused by the common tendencies existing in the real estate market cheapening of credit resources, deficiency of dwellings etc. Though the estate value growth in per cent during the year also in the private construction land sector was relatively high (in certain territories it reached even 35% during the year), the land market should be considered the most stable segment of the real estate market in the reporting period. A bigger growth (over 35%) may be established in certain district towns where the land market has not been active until now.

Within the Riga City, the private construction land offer has remained on a low level, and it contains land plots located mainly in the suburbs. The price growth of this type property in all dwelling areas have been relatively proportional against the prices of the previous reporting period.

Mežaparks should be still considered the most expensive area in Riga, where the land prices fixed in the offers of certain properties at the end of 2005 have achieved even the level of 750 EUR/m² (in average, from 275 to 550 EUR/m²). A relatively higher price level might be found for private construction land plots at Ķīpsala, however, the real usage of these plots would not be private construction but multi-apartment buildings or office buildings (any offer practically does not exist at Ķīpsala).

Outside the Riga City, a relatively high demand and offer level during the reporting period was observed in Riga District. In the district centres and biggest towns the land market has become more active, and the price of certain land plots exceeded the limit of 30 EUR/m² (Valmiera, Jelgava etc.). In locations with a more beautiful landscape the price level may be comparatively much higher.

Land Plots in the Riga City

Ņ̧Taking into consideration the placement of free land plots, Pārdaugava in the direction of Mārupe should be considered to be the main direction of land plots in the private house land category. On the left bank of the Daugava river, market activities were observed also in the Imanta dwelling area, at Ziepniekkalns, in the area of Bauskas Street. At Buļļusala the price level should be considered high, which is determined by the closeness to the sea the offer price level of certain land plots exceeded 100 EUR/m². Significant changes of the private house construction land market of the Riga City might be caused if the Riga development plan envisaged housing construction at Spilve; however, the last version of this plan does not envisage such changes. Several large land plots were not launched in the market in 2005 either it is already a tradition that we mention Mežaparks, where the high level of land prices has caused a big interest in any land plots for construction. In the result of this, several lawsuits have been initiated. These lawsuits, probably, will end in 2006 so that the offer in the market will become relatively more diversified.

In 2005, there was observed an activation of the land market in the direction of Dārziņi and Rumbula, which is connected with the launching of a new, relatively big private house village the Jāņogu Street Village in the market. In fact, it should be noted that in comparison with other dwelling areas of Riga the characteristic feature of Dārziņi is the very small land plots starting from 300 m², which would be enough for urban construction but is not enough for private house construction; however, taking into account the presently imperfect infrastructure (access roads etc.) any urban construction cannot be really grounded by existing of a demand. The level of private construction land plots vary from 20 to 50 EUR/m² depending on the location, surrounding housing and utilities systems.

Also a number of separate free land plots located in the most developed dwelling areas on the right bank of the Daugava river - Mežciems, Purvciems, Jugla have been launched in the market. Though the demand level is high, there is practically no offer at Teika, the reason of which is the density of the existing housing there are no free land plots intended for construction, and in the result of this the offer price level frequently achieves the limit of 250 EUR/m². On the right bank of the Daugava river, outside the Rumbula direction, and dwelling areas of Teika and Mežaparks, the price level of private construction land plots at the end of 2005 was 50 - 140 EUR/m².

Land Plots in the Vicinity of Riga

The offer of land plots without utilities systems and located in the vicinity of Riga is relatively decreased. The same may be said also in respect to launching of new villages of this type in the market. An important role in the process of a further arrangement of the market situation has played the wide interest of mass media about the sale of land plots for private construction by parcelling agricultural land. In the result of this, governmental and municipal authorities intensified implementation of various restrictive procedures in 2005 in order to prevent the situation when land plots on which no real private construction may be performed, are launched in the market as land plots for private construction.

The main directions in the Riga suburb areas where the demand and offer levels should be considered to be relatively higher Garkalne, Ādaži, Ķekava, Mārupe and Babīte. As far as relatively farther places are concerned, Sigulda, Jelgava, Olaine should be mentioned. A big interest in those towns was observed also from the part of developers of new villages. As to sale of large land plots (3-10 ha) for further development of private construction villages, two separate categories should be mentioned:

close to an existing housing and a utilities networks connection place.

At the end of 2005, the prices of this category were 8-35 EUR/m²;

Divided agricultural land or other usage purpose land with a poorly developed infrastructure and a badly maintained environment.

Price category: 1,5-3 EUR/m².

In the market of divided agricultural land a stable but relatively small price growth in comparison with the overall changes of the real estate price level was observed in 2005. A relatively more rapid growth was observed in locations with a better developed infrastructure. In the result of an increase of the offer of land areas which have been formed by dividing agricultural, forest or other usage purpose land, the following price categories may be specified depending on the location (land plots or area 1200-2500m²):

Jaunmārupe	18 - 25 EUR/m²
Babīte	15 - 50 EUR/m²
Stopiņi	15 - 35 EUR/m²
Jaunolaines virzienā	8 - 20 EUR/m²
Rāmava	18 - 35 EUR/m²
Ulbroka	12 - 40 EUR/m²
Ādaži	10 - 35 EUR/m²
Garkalne	15 - 50 EUR/m²
Mārupe	22 - 50 EUR/m²
Ķekava	15 - 35 EUR/m²

Land Plots in Jūrmala

At the end of 2005, the price of one square metre in the most expensive locations (by the side of the dunes) reached the limit of 525 EUR/m². The offer price level in certain cases has been significantly higher and exceeded 650 EUR/m².

In the Jūrmala City, the price of the land for private construction depends directly on the possible usage type of the land, which, in its turn, depends on the land plot size, possible construction intensity, utilities systems etc. In 2005, a part of the existing land plots for private housing were acquired for construction of multi-apartment buildings, especially in the proximity of the sea, which affected accordingly also the total housing land price level.

Private construction land market at Saulkrasti

A big price difference exists in the private construction land market at Saulkrasti and vicinity of the town. The lowest price level of land plots located in territories of gardening societies at the end of 2005 was 8 EUR/m² and this level was characteristic for gardening societies located a couple of kilometres from the territory of Saulkrasti town.

The highest price level observed was the level of prices of private construction land plots located immediately at the sea; the existing requirements to construction and its technical parameters (construction density, intensity, number of floors etc.) made a very important aspect in this connection. The price level of such land plots if they are offered may exceed 80 EUR/m² but the demand should be considered poor.

The prices of transactions concluded in respect to land plots usually have been within the limits of 15-30 EUR/m² and availability of utilities has been a significant factor.

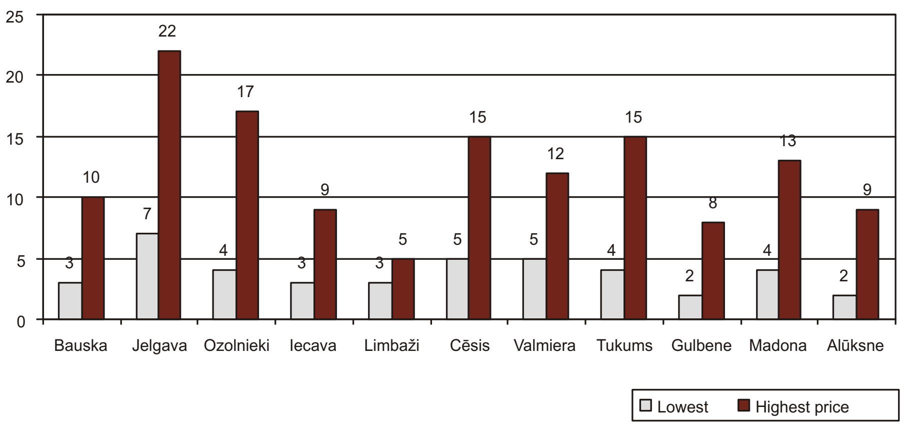
Until now Saulkrasti has not attracted wide interest from the part of developers of new projects; however, in the result of a continuous price growth it is expected that in 2006 development of new private house villages will be commenced also at Saulkrasti and in the vicinity of the town. It should be noted that the main precondition of a successful development of the said projects is the location of the land plots, and it is doubtful whether it might be profitable to locate such new villages in a close proximity to the gardening societies because the issues of prestige are important to potential buyers of houses in such villages.

Land Plots in the Regions of Latvia

The Latvian regional markets of land plots for private construction has been relatively active almost in all territories of the biggest settlements. If during the previous reporting periods only the vicinity of Riga in Zemgale and Vidzeme might be considered active, in the year 2005 there was observed a relatively rapid price growth also in the Eastern Vidzeme at Madona, Gulbene, Alūksne. During the reporting period the real estate market has been relatively active also in Liepāja and Ventspils districts where the maximum price level has been reached in respect to land plots for construction in the areas at the sea, on the banks of rivers and lakes and in other places with a beautiful landscape.

The demand in the Latvian regions is formed not only by the demand of inhabitants of Riga but also by the demand of local population, especially in locations with a high level of development of infrastructure and economical activity. Prices of certain land plots for private construction in district centres may exceed the limit of 35 EUR/m², however, the price level of land plots of area up to 2000 m² vary from 8 - 20 EUR/m².

Land Property prices in Latvian regions at the end of 2005 (LVL/m²)



Land prices in Jūrmala at the end of 2005:

At the sea	Other places:
Lielupe - Melluži 275-500 EUR/m²	Kauguros 30-75 EUR/m²
Melluži - Asari 225-400 EUR/m²	Sloka 25-50 EUR/m²
Asari - Kauguri 100-275 EUR/m²	Asaros-Vaivaros between the railway line and the Lielupe river 50-100 EUR/m²

Forecasts for 2006

Land properties for construction of living houses

An extract from the market overview „ Real Estate Market Overview of 2004 prepared by ARCO REAL ESTATE":

'It is expected that in 2005 there will be a little but stable growth of prices of all kind land properties for construction of private houses; however, price corrections will be possible in respect to former agricultural lands which are under parcellation because the total area of such land both in Riga region and in the vicinity of the biggest cities and towns of Latvia may exceed the demand.

The total average growth of prices of the land of this sector in 2005 might be within the limits of 10-15%; however, in separate places the prices may change more rapidly."

The forecast for 2005 has been fulfilled in respect to the majority of the land plots envisaged for private construction; however, in separate places the price increase has been bigger than forecasted.

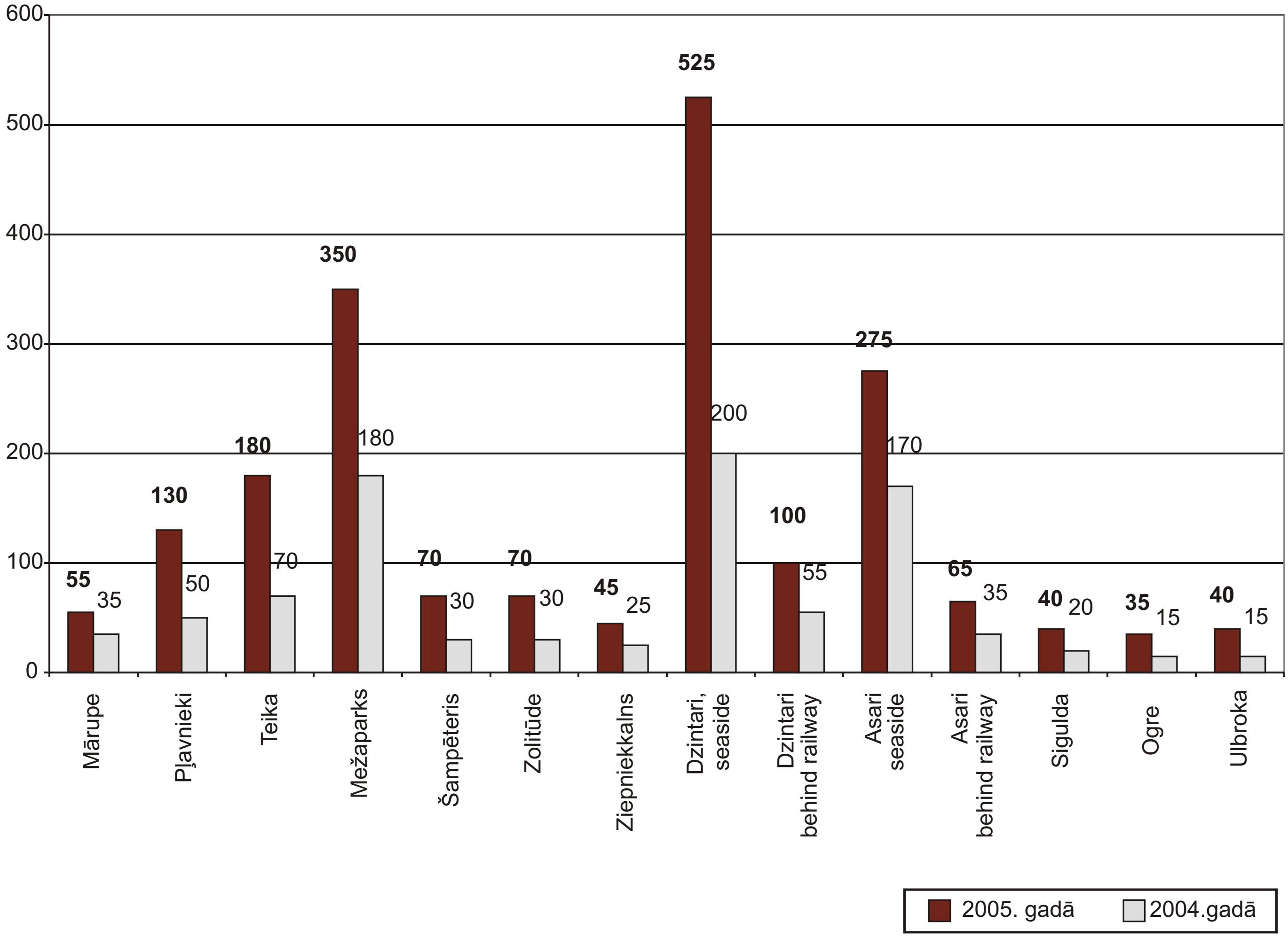
Significant changes have been observed in the sector of agricultural land envisaged for construction since 2005 the parcellation and private construction is more restricted, which has been caused by the so-called "meadow market" observed in the previous years. Those restrictions, in their turn, affected the land plot prices price level of available plots increased.

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

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

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

Prices of Land Plots for Construction of One-Family Houses (area 1500m²), EUR/m²



Agricultural Land

Both a high demand for agricultural land throughout Latvia and a stable price growth were characteristic features of 2005. In comparison with the previous reporting periods, a relatively rapid price growth was observed just in the sector of agricultural land.

Land for recreational needs

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

The price level of small-size plots (1-5 ha) was starting from 2000 EUR/ha, for the most expensive land plots the price level reached 25 000 EUR/ha.

Land for agricultural needs

The demand has increased, especially in plains, in locations which are suitable just for agricultural purposes; also the demand for ameliorated land. The demand exists for moderately big land plots - 20-100 ha. The price level in the vicinity of Riga has grown up to 750-3000 EUR/ha, however, in certain locations, taking into account the poor demand, the prices may be lower. The price level in Vidzeme was 550-1350 EUR/ha in average, in the Eastern Vidzeme from 400 EUR/ha.

Land for timber cutting purposes

Agricultural land plots together with forest land for timber cutting purposes have been acquired. The price level was determined by the forest stand volume and quality, in a lesser degree by the location and access possibilities. The prices of the land plots of this category at the end of 2005 were similar to those in the past year 800-3500 EUR/ha. The areas of the forest land after completion of timber cutting were sold at the end of 2005 at prices starting from 100 EUR/ha.

Land purchase for resale

The demand prices for this category of land were starting from 80 EUR/ha. Land plots of this category were acquired for resale purposes, therefore, such factors as location and condition were not significant. The demand existed for relatively big land plots. The price limits of transactions concluded in 2005 were from 80 to 450 EUR/ha.

Forecasts for 2006

Agricultural Land

An extract from the market overview „ Real Estate Market Overview of 2004 prepared by ARCO REAL ESTATE":

'It is expected that in 2005 the growth of certain land plots of this category might be similar to that of 2004 ensuring the growth rate within the limits of 15-20%.

This assumption will concern especially the land plots of area 20-100 ha, because the prices of this sector in the long-term perspective might move towards the level of the average market prices of this sector in Europe, which has become especially topical taking into account the accession of Latvia to the European Union and the availability of various subsidies and other support payments and programmes to the farmers. It should be also mentioned that the low average income level in Latvian regions, especially among the persons employed in agriculture, is a factor contributing to the development and allowing agricultural enterprises to compete in certain agricultural product market sectors with the products manufactured in other countries of the European Union. Taking into account the said motivation and long-term forecasts it is expected that a stable demand will exist for big areas to be purchase mainly for resale purposes.

It is expected that the demand will exist for land plots in beautiful locations connected to electric power supply networks and having access roads for establishment of bigger holdings of area 1-2 ha.

From the other part, it is possible that the demand for parcellated land plots of smaller areas (1000-2000 m²) in new private construction villages will decrease."

The average price growth in 2005 of the land plots of this category exceeded 15-20%, reaching 25-35% in certain locations. The forecast fulfilled in that part that a stable growth of prices of agricultural land was observed, which was caused both by the growth of prices of agricultural products and by the availability of the EU financing to farmers.

As far as the parcellated agricultural land for construction purposes is concerned, the demand decreased in location with a non-developed infrastructure, without utilities systems; however, the existing demand was sufficient to ensure an increase of the price level also in the sector of parcellated agricultural land.

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

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

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

Land Properties for Commercial Construction (construction of production and public buildings, multi-apartment houses)

A characteristic feature of the real estate market sector is instability; however, in certain strategically important locations the prices grew rapidly in 2005. In contrast to the previous year, just this market sector increased significantly, and the percentage of transactions concluded in this sector grew in comparison with the total number of real estate transactions. This is directly connected with the approval of the new Riga City urban development plan, which already in its initial version envisaged transformation of usage purpose of large areas from really unusable to mixed or commercial construction zones with differenced restrictions as to number of storeys.

Thus, basing upon the foregoing, any concentration of commercial construction in the most dense areas of construction of this type, as it was in the past year, is not observed any more; the main factor was strategic placement depending on the commercial activity sphere of each particular buyer. The demand was rather high in the first line along the main traffic flow where it was possible to make an access way.

The land plots of the commercial sector may be divided in the following segments:

Land plots in the central part of Riga and locations of good accessibility and a border line with the main traffic flow.

Following examples can be mentioned: MOLS and ALFA, SKY, DOMINA, K-RAUTA, etc. It is quite clear that the main value of transactions in those cases was just the value of the land; the price level in this category was 100 600 EUR/m^2.

Land plots for production purposes.

A characteristic feature of this segment is a diversified location because of the fact that a location which is well-visible from main highways is not a factor of priority. But a strategic location as to the Riga ring roads and the trunk roads connecting the city and the ring roads. One of the most important factors influencing selection of a location is the possibility of access by heavy trucks and in certain cases also proximity of a railway line with possibilities to construct a railway branch. The most popular locations were Maskavas, Granīta, Krustpils Streets, as well as Ganību dambis, Sarkandaugava, Mangaļsala. The price of 1 square metre in such transactions was from 15 to 60 EUR/m^2, but in separate cases the price of a plot located in the industrial zone of the centre and having appropriate access possibilities may be up to 250 EUR/m^2. As in the past year, the demand exists for not so big areas; however, in separate cases there may be a demand for plots of area up to 6-10 ha.

Land plots for construction of office buildings and multi-apartment houses.

In the past year this segment was the most demanded one, and it should be recognized that also the offer has increased rapidly. Unfortunately, it must be noted that also the price level of the land plots of this kind usually is the highest and exceeds in certain cases the real market value. There is a very poor offer of the remaining free land plots located in the centre of the city, and the prices of these plots were high: from 600 to 2000 EUR/m^2. The offer is much bigger in the dwelling areas and in the peripheral part of the city where the level of land plot prices is varying from 80 to 400 EUR/m^2. The most demanded areas in the territory of Riga City are the Near Pārdaugava, the centre of Riga, Purvciems, Ziepniekkalns, Imanta and Zolitūde. The cheapest land plots are free land plots located in the inner yards of the Soviet-time multi-apartment houses; however just the transactions of these plots are very often subjected to a risk, for example in the case of a categorically negative attitude from the part of inhabitants of the existing houses to a potential construction; in this case there is a risk not to obtain all the permissions required.

It should be concluded that just the market of land plots anticipated for commercial construction is one of the most rapidly growing market sectors; in the same time, a very rapid growth of prices, which not always has been reasonable has been observed in certain segments. The intention of resale is one of the most obvious reasons of this phenomenon. Just speculations have served as reason of these rapid price changes and the instability. Another reason, which might be mentioned, is the so-called false developers, the purpose of activity of whom is to purchase land plots, carry out in the best case a preliminary project, make an attractive computer visualization or obtain an architectural planning task for a potential project , to commence agreement procedure of a sketch project and position the sale object in the offer market as a project being sold in the planning stage, for example, as a project of a multi-apartment house or an office building, thus artificially “blowing up” the price of a land plot. And it should be noted that such deals are being concluded thus affecting significantly the price level. The third reason which might be mentioned, is the flow of foreign investments because the purchase capability level of foreign investors is high. In 2005 there were concluded several really large-scale transactions of transfer of commercial construction and mixed zoning land plots which might potentially increase the existing office, retail and living areas.

Zemgale and Vidzeme

The changes of prices of land plots of this sector in the Latvian regions are mainly connected with the municipal development plans and the use of money from the EU funds; though also the interest in construction of multi-apartment houses is growing at Cēsis, Jelgava, Liepāja, Daugavpils.

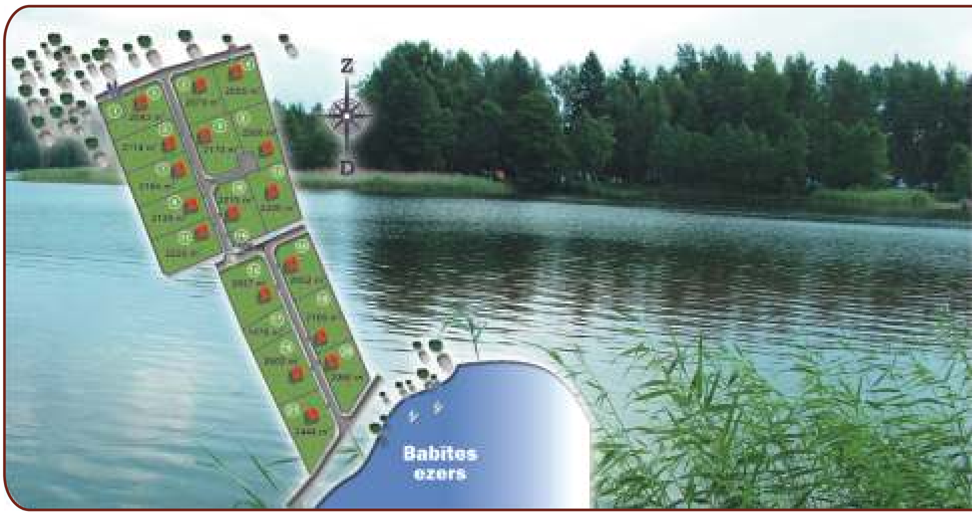
Price level in the regions of Vidzeme and Zemgale:

- Jelgava – 5 - 35 EUR/m²;
- Bauska – 8 - 27 EUR/m²;
- Tukums – 8 - 22 EUR/m²;
- Limbaži – 1,5 - 14 EUR/m²;
- Cēsis – 4,5 - 21 EUR/m²;
- Valmiera – 8 - 50 EUR/m².

Zemeņu Village

Valmiera region,
parish Kocēni
5 km from Valmiera.
Houses with
white interior decorations,
area 152 m².

ARCO REAL ESTATE
Liene 4122373, 8341513
liene.rjabkova@arcoreal.lv
www.arcoreal.vidzeme.lv



Ezerlīči

17 land plots
in new village Ezerlīči,
Salas parish,
50m from the Babīte Lake
2000 - 2580 m²
All engineering
communications,
Price from 34 EUR/m²

ARCO REAL ESTATE
Edgars 7079218, 6190123
edgars.lasevics@arcoreal.lv
www.arcorealestate.lv

Cits Mežaparks

Land plots in
Kadaga, Ādaži parish
area from 3300 m²
All communications.
Price from 27 EUR/m²

ARCO REAL ESTATE
Edgars 7079218, 6190123
edgars.lasevics@arcoreal.lv
www.arcorealestate.lv

Forecasts for 2006
Land Properties for Commercial Construction
(construction of production and public buildings, multi-apartment houses)

An extract from the market overview „ Real Estate Market Overview of 2004 prepared by ARCO REAL ESTATE":

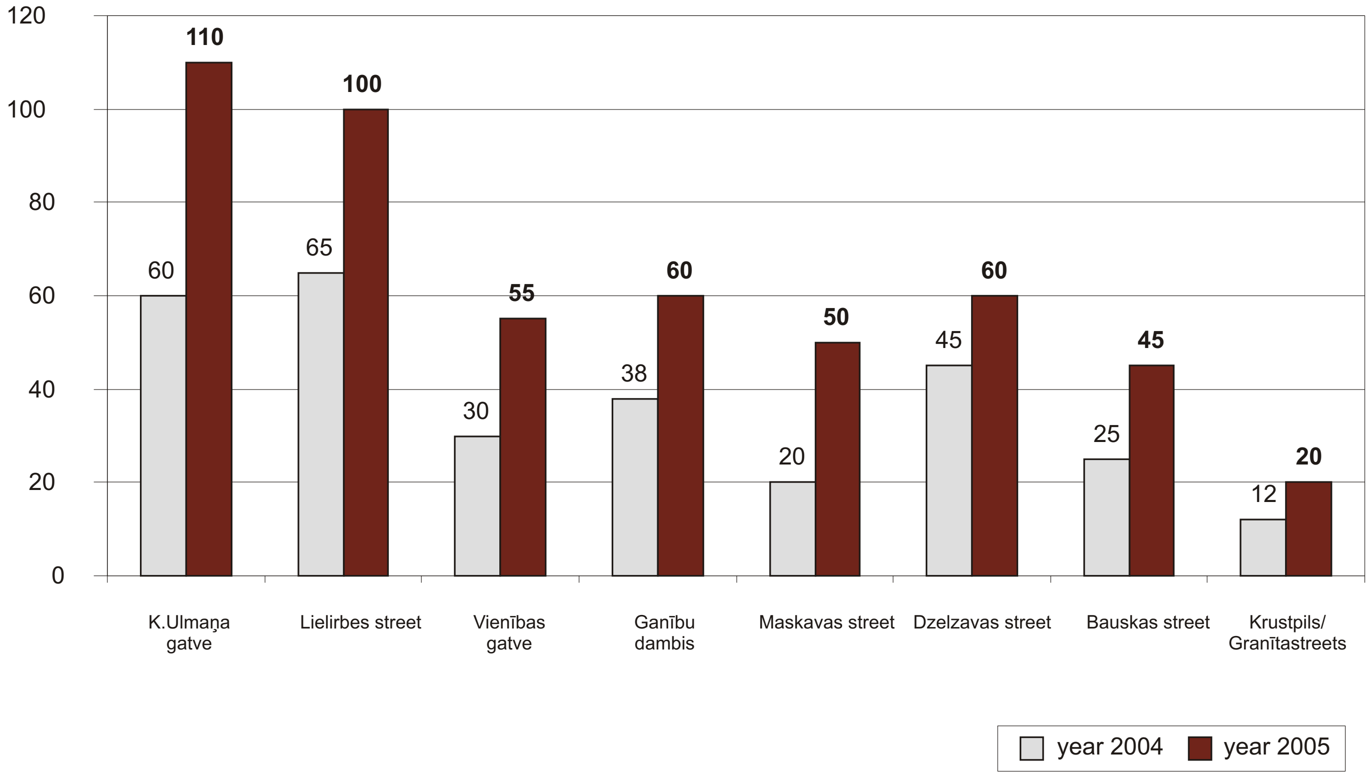
„It is expected that the prices of the commercial construction land plots will increase by 5-15% in 2005. It is also expected the transformation process of land plots for construction of production and commercial buildings will continue in the result of construction of class A and class B offices (such as, for example, "Astras biroji" in the area of G.Astras un Deglava Streets).

In certain locations the prices might grow by 15-25%, i.e., in locations where until now the price growth has not been so big but where there is potential for such growth (for example, land plots for office and production needs in the civil parishes closest to Riga).

Price changes in the Latvian regions will mainly depend on the availability of the structural funds of the European Union in the respective regions and of realization of municipal development plans (i.e., the ability to attract investments and increase the economical growth rates)."

Also in this case the forecast about an increase of prices of land plots located along the main traffic flows in 2005 is fulfilled; however, in certain cases the present market situation exceeds the forecasted values. We expect that in 2006 the price of all commercial nature land plots will increase by 5-15%; in certain cases the growth of the prices of plots located strategically advantageously along the perimeter of big main streets might reach 25-30%. As mentioned before, the market is seriously influenced by sellers whose transactions have been bases on speculative intentions as well as by amounts of certain transactions, which all has caused an uneven differenced price growth in 2005. In 2005, there were certain transactions in which the price growth exceeded even 100%; however, it cannot be attributed to the whole market sector in general. It serves as an evidence of the heterogeneous structure of this sector, and we expect that in the next year none significant changes will be observed. However, it is expected that the overall tendency will be a gradual stabilization of the commercial construction land market in connection with an increase of the offer, which increase would be directly positively influenced by the urban development plan approved by the City Council.

Price of commercial construction land at the end of 2005, EUR/m².



Market of Retail Premises

Like in the past year, also in this year a significant flow of foreign investments and tourists to Latvia and the Baltic Countries was observed. The city centre unequivocally is the most demanded retail sales area in the Riga City, which might be defined as follows:

- Brīvības Street - from Raiņa Boulevard till Artilērijas Street;
- Tērbatas Street from Merķeļa Street till Matīsa Street;
- Kr. Barona Street from Merķeļa Street till Matīsa Street;
- A.Čaka Street from Elizabetes Street till Stabu Street.

The flow of pedestrians and internal city traffic is the most intensive just in this area, however, it should be noted that there are no pure "pedestrian streets" in Riga. Historically, we are accustomed to consider Tērbatas un Kr.Barona Streets to be pedestrian streets but really Audēju Street and Kaļķu Street in the Old City more correspond to the status of such streets. In these streets also the sales areas are more concentrated and the rent levels are similar.

The biggest demand is for premises in the Riga City centre, in the first floor of buildings, with wide shop windows; however, also finished premises where it is possible to commence sales activities immediately, are highly demanded though the offer of such premises is poor. The biggest part of premises in the centre of the city are located in old buildings which are not reconstructed; therefore, the premises might need renovation.

The present rent level for sales premises located in the area among the above-mentioned streets is from 16 to 50 EUR/m².

The rent level for sales premises located in the outskirts of the centre is

6 - 15 EUR/m² (depending on the location and the quality of premises).

In the Old City, premises located in the mentioned Kaļķu, Audēju and Vaļņu Streets are highly demanded, where the sphere of potential commercial activity is orientated to entertainment of foreign tourists or sale of exclusive articles. The rent level in the Old City is 20 - 50 EUR/m².

The overall growth of rent levels of sales premises has not been strongly pronounced in 2005 in comparison with the past year, while the rent payable for just small sales areas in the Riga City centre, in the most prestigious area (Tērbatas, K.Barona, Blaumaņa, Dzirnavu, Elizabetes Street), has been materially increased from the previous 35 EUR/m² up to 50 EUR/m², and, in addition to this, the previous lease agreements have been terminated rather frequently and a new rent amount has been fixed to the next lessee.

The demand for sales premises in the centre of Riga to be purchased in ownership is still high but the offer is very poor and, practically, it is impossible to purchase in ownership any sales premises located in the Riga City centre. The sales premises are being offered for 1300 to 2500 EUR/m². In the Old City the prices of such real estates may reach 4000 7000 EUR/m².

Another segment of this market sector, which is not less important than the above-mentioned segment, is the segment of the large shopping centres such as ALFA, MOLS, ORIGO, GALERIJA CENTRS, SPICE, DOMINA etc. No significant rent level change has been observed in this year in comparison with the past year. The sales premises located in these centers may be broken down by rent levels as follows:

Premises up to 100 m² and premises exceeding 100 m², because the rent is directly depending on the area of the premises the bigger area is leased the lower is the rent for one square metre. The average rent amounts in the shopping centers are as follows:

- Premises up to 100 m²: from 37 to 60 EUR/m²
- Premises exceeding 100 m²: from 18 to 30 EUR/m²

Among the trends of increase of sales premises during this year and the next year, it is necessary to mention the following: completion of the second turn of the supermarket SPICE, extension of the former Supermarket CENTRS and transformation thereof into GALERIJU CENTRS; construction of the shopping center LatLADA in the area of the Slāvu Bridge; construction of a SKY supermarket "Sky & More" in Duntes Street; change of ownership of the "Krasta Centrs" in this year (we are sure that ELKOR shall positively influence further use of this site which has been standing idle until now). In the next year we will definitely have at least two more supermarkets, and during the next couple of years a number of large-scale shopping center projects will be implemented in the centre of Riga and at Ķīpsala where the GALERIA PATOLLO located in the inner block of Dzirnavu and Lāčplēša Streets should be, naturally, mentioned. The supermarket chain was supplemented also by K-Rauta and Depo chains in 2005.

The average rent amounts depending on the location of premises and the condition thereof at the end of 2005 were as follows:

premises in the large shopping centers	
up to 30m² –	līdz 60 EUR/m²
30 - 150 m² –	30- 55 EUR/m²
exceeding 150 m² –	18 - 30 EUR/m²
central part of the city	
central streets (Barona, Tērbatas, Čaka, Brīvības) –	20-45 EUR/m²
side-streets –	15-35 EUR/m²
peripheral part of the centre –	7-20 EUR/m²
Vecrīgā	
central streets (Kaļķu, Vaļņu. Audēju, Smilšu) –	25-50 EUR/m²
side-streets –	15-35 EUR/m²
mikrorajonos	
dwelling area centre –	6-25 EUR/m²
outside a dwelling area centre –	4-15 EUR/m²

Forecasts for 2006

Rental Premises

An extract from the market overview „ Real Estate Market Overview of 2004 prepared by ARCO REAL ESTATE":

„.Just as before, the rent levels of sales premises will be influenced mainly by the overall economical activity and the purchasing capacity of consumers. Rent levels in shopping centers, which will be able to attract a sufficient number of buyers, will, most probably, remain unchanged but in the result of an increase of the offer of sales premises, the shopping centers and the owners of smaller sales premises should be forced to reduce the rent amounts if the flow of pedestrians in the respective location and the number of visitors of the shopping center would decrease. Especially it might be topical for shopping centers with a relatively worse access and sales premises outside the city centre.

Since the demand continues to exceed the offer in the Riga centre in locations with a significant flow of pedestrians, the rent levels of these premises still might increase a little bit; however, the instability of lessees will increase because a high rent in many cases cannot ensure profitability of business activities of a lessee.

Variations of rent levels of premises located in dwelling areas both in shopping centers and in other places - might be bigger depending on the demand changes in the particular dwelling area."

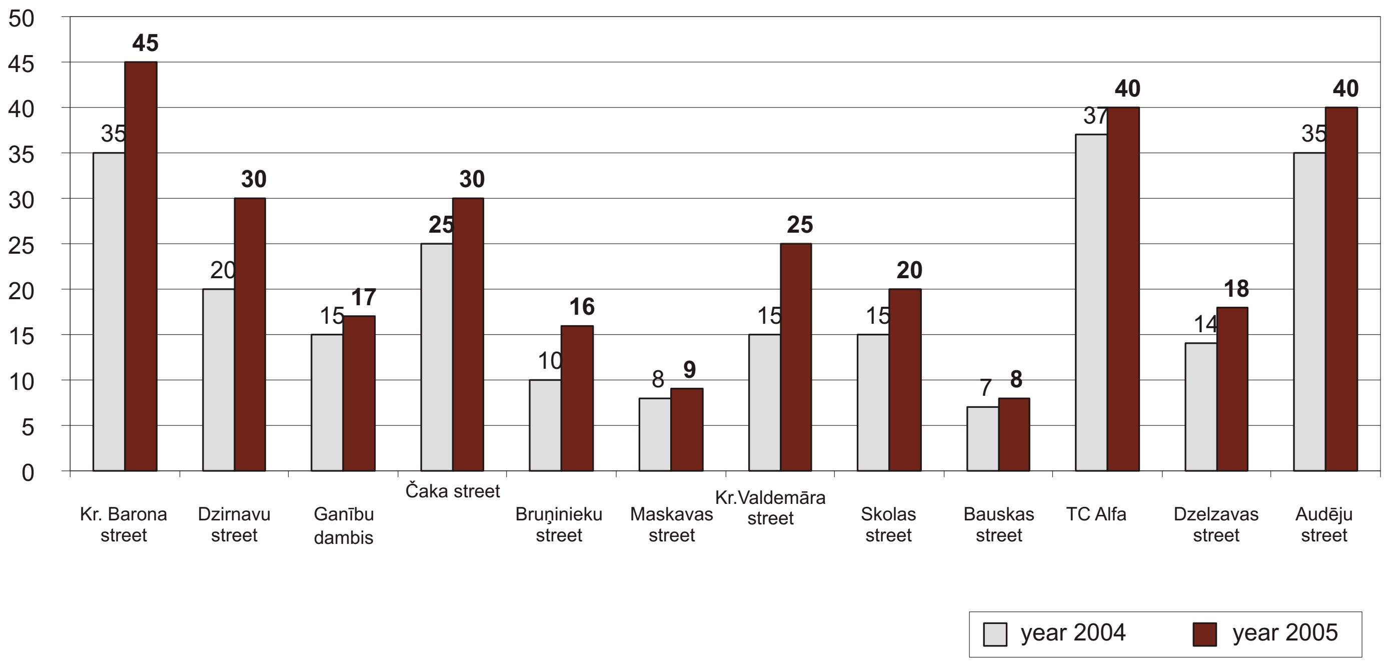
The forecast for 2006 is fulfilled an increase of the rent levels of sales premises located in the Riga City centre and in the big shopping centers has been observed. The instability of lessees of sales premises in dwelling areas has increased significantly, which is caused by a reduction of demand, which is in its turn caused by a further increase of the number and area of supermarkets and shopping centers shops in dwelling areas are being established mainly as sales outlets of specialized goods or haberdashery, and a bigger number of shops are concentrated in the centres of dwelling areas in order to be able to ensure at least a partial competition with the volumes of goods offered at shopping centers and supermarkets

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

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

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

Rent payment for retail premises, EUR/m²



Office Premises

In 2005, especially during the second half-part of the year, launching of new office buildings in the market was observed. It has been connected with the insufficient offer of office premises of good quality, in the result of which the sale prices and rent levels of office premises have increased in 2005. Paying an increasing attention to possibilities of car parking, new office centers are planned mainly in the area of Hanzas/Skanstes Streets, in the peripheral part of the city centre (Brīvības Street at the VEF Bridge) and in dwelling areas. Also the public transport infrastructure necessity, especially in dwelling areas, should be mentioned as an essential factor for establishment of office centers.

The demand for non-renovated office space (for rent), for premises in non-reconstructed buildings including the city centre, is constantly decreasing,. The rent level in this category did not change substantially in 2005 the average rent levels have remained to be within the limits of ~7-8,5 EUR/m².

The new office buildings which are launched in the market, are constructed mainly for the needs of certain principal lessees, or certain excessive premises which in the future will also be occupied by the owner or the principal lessee (for example, the „Hansabanka" building), are presently being leased out. In the same manner some parts of the new office buildings of Rietumu Bank, "Latvijas Krājbanka" and "Merks" might be offered in the market.

The increase of the offer of office premises (also the increase of construction of new buildings) is connected also with the living space market such a focusing on the office space market at the existing price levels and the expected marked tendencies indicates the relatively low degree of development of this segment and greater opportunities for gaining profits than it is possible in the living space market.

Rent payments for office premises in Riga

Renovated high class office premises in the centre of Riga (Class A)	
	14-25 EUR/m²
Renovated high class office premises outside the centre of Riga (Class A)	
	10-18 EUR/m²
Office premises without a new renovation in the centre of Riga (Class -B; B)	
	5-15 EUR/m²
Office premises without a new renovation outside the centre of Riga (Class -B; B)	
	4-10 EUR/m²
Office premises in the Old City (the demand is affected by the complicated car parking and access).	
	10-15 EUR/m²

Forecast for 2006

Office Premises

An extract from the market overview „ Real Estate Market Overview of 2004 prepared by ARCO REAL ESTATE":

„Also in 2005 the construction of office buildings will continue and the offer of Class A and Class B offices will increase. In the result of the increase of the offer the prices might be corrected for certain categories of office premises especially of premises which do not meet the modern requirements (i.e., for example, office premises made by transforming apartments into office premises).

Taking into account the problems of transport access and parking in the centre of Riga, more and more office space lessees might be forced to look for alternative solutions outside the centre, and one of such solutions might be, for example, the "Astras biroji", which will be located in the area of Deglava un G.Astras Streets."

The forecast for 2005 is fulfilled, and a number of new office buildings have been launched in the market. We have observed the tendency that office space lessees are leaving the city centre.

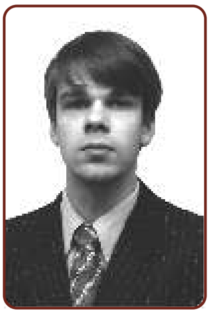
We do not expect any essential change of price levels in the office space segment in 2006. The process of transformation of office premises into apartments in the city centre and in locations with a relatively high price of apartments will continue. Construction of new office centers may accelerate this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

Contacts

Māris Laukalējs
Valuation Section Head

Sertified Valuator
LĪVA sertificate Nr. 30

Tel. +371 7365556
E-mail: maris.laukalejs@arcoreal.lv



Edgars Bondars
Valuation Section Market Analyzer

Tel. +371 7504625
E-mail: edgars.bondars@arcoreal.lv

Ieva Jansone
Head of New Project Department

Tel. +371 7365546
E-mail: ieva.jansone@arcoreal.lv

Iveta Mežaraupe
Head of Residental Department

Tel. +371 7365540
E-mail: iveta.mezaraupe@arcoreal.lv

Edgars Lasēvičs
Coordinator of the branches

Tel. +371 7079218
E-mail: edgars.lasevics@arcoreal.lv

www.arcoreal.lv