



Latvian Real Estate Market Overview 2003



ARCO REAL ESTATE

NEKUSTAMĀ TĪPAŠUMA BIROJS • REAL ESTATE COMPANY
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The SIA “Arco Real Estate” market analysis report provides concentrated information about the Latvian real estate market in 2003. The report presents you with a brief review of the most important sectors of the real estate market:

- Apartment sales,
- Rental of residential space,
- Single-family homes,
- Land (for single-family house construction),
- Agricultural land,
- Land plots (for construction of industrial and public buildings),
- Retail premises,
- Office space.

The real estate market sector analysis table shows the prices for the respective sector at the end of the year.

The information sources for the analysis are the SIA “Arco Real Estate” real estate transactions database, the analysis of our clients’ demand and supply, information provided by our partners, and publicly available information sources.

The market analysis report is intended for a target audience whose activities or interests revolve around the Latvian real estate market, from private individuals to investors and bankers.

The SIA “Arco Real Estate” real estate market analyses are conducted regularly by presenting a brief review every six months.

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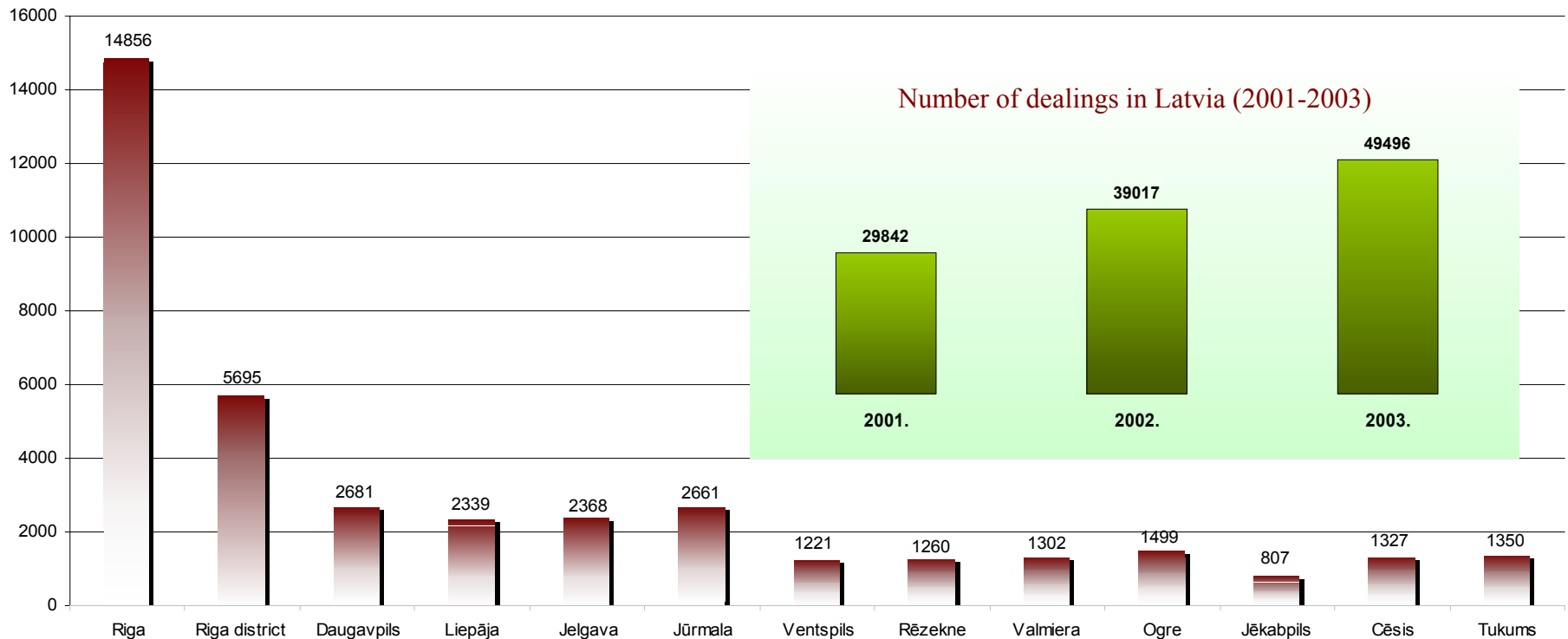
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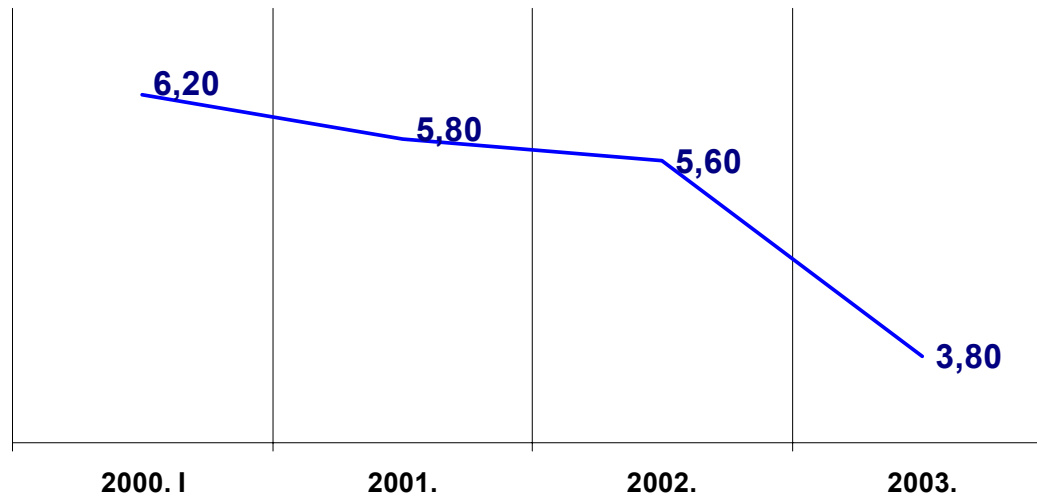
Characteristics of the largest cities in Latvia

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

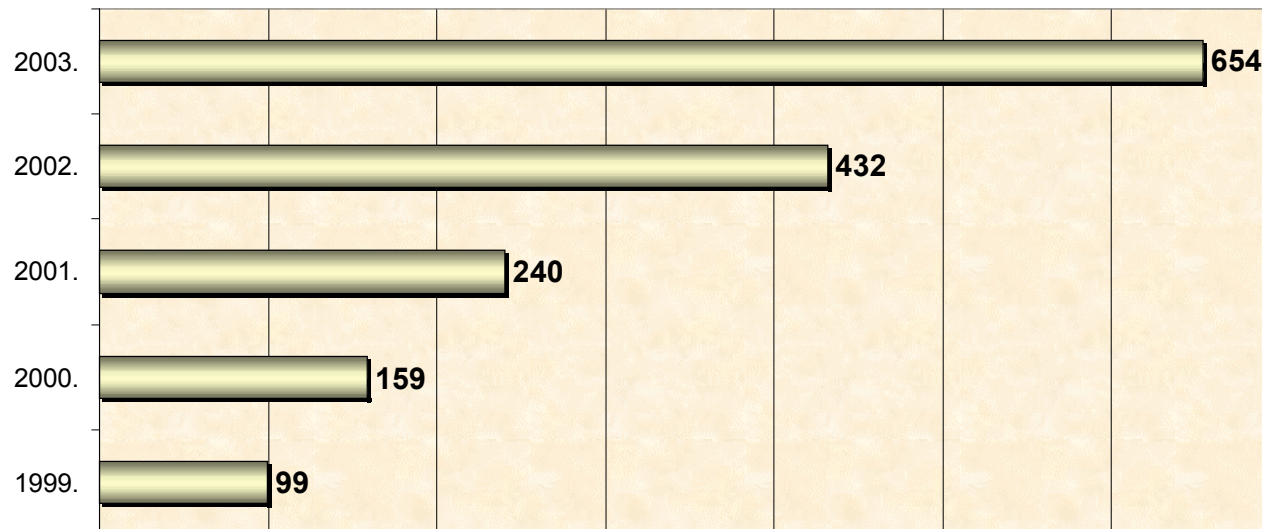
Number of dealings in the largest cities in Latvia, year 2003



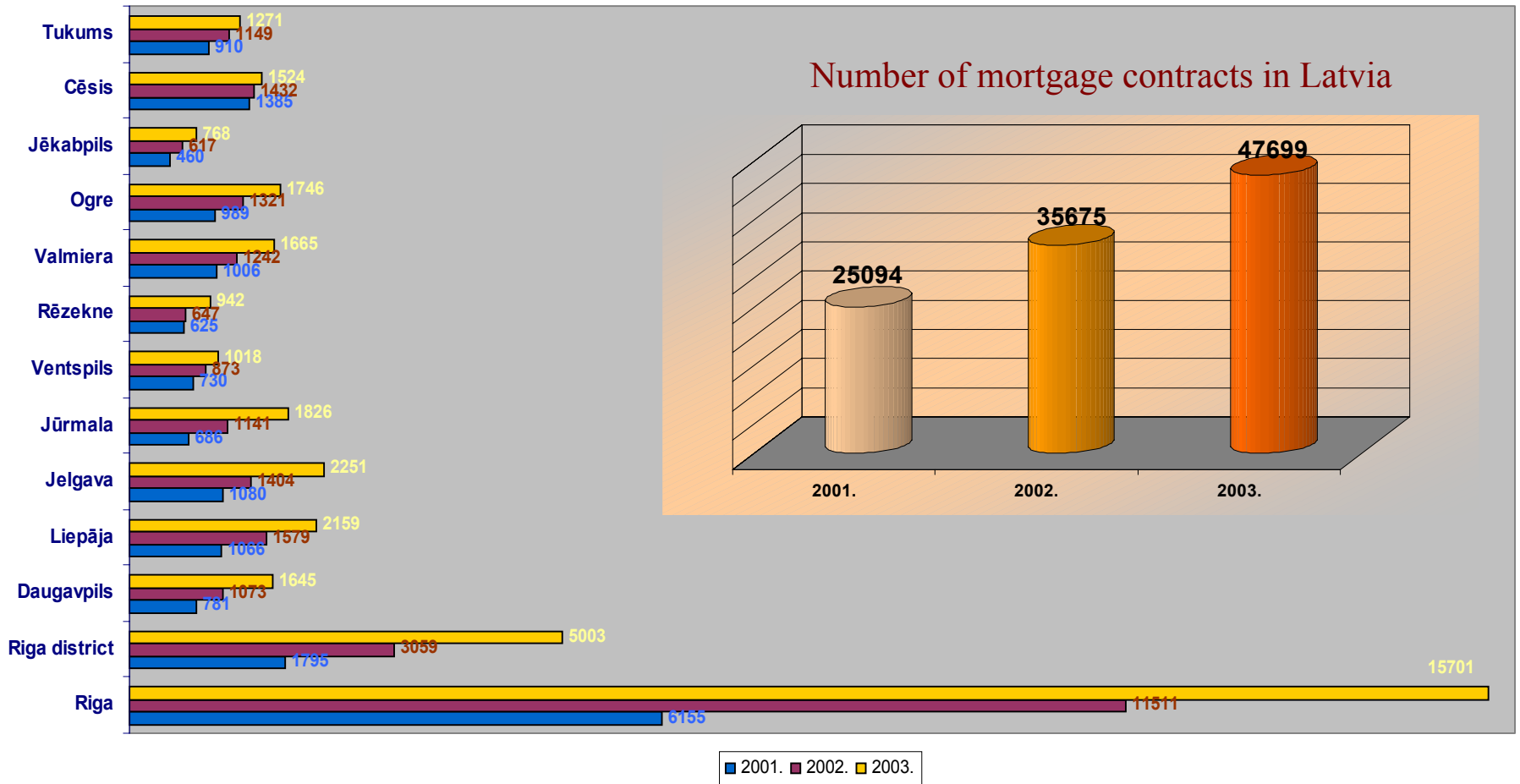
Interest rates (Rigibor, 3 months)



Loans to private persons (million LVL)



Number of mortgage contracts in cities of Latvia





Apartment sales

The increase in apartment prices that began in the second half of 2001 and continued throughout 2002 also continued at the start of 2003, despite forecasts of a possible stabilization in apartment prices. However, the first half of 2003 was characterized not only by rising prices in the first months, but by price falls in May and October. While at the start of the year apartment prices in the most popular suburbs and for the most demanded apartment series buildings grew by an average 2-3% per month, which on the whole was an average of about 15% in the first five months, in May and June prices for particular types of apartments fell by 5-8%. Price stabilization could be seen from July to October when there were price falls of up to 10% in particular suburbs, mainly in Purvciems and Ķengarags.

From September price falls could also be observed in Jūrmala (Kauguri), Jelgava, Ulbroka and Olaine. In 2003 there were stable and high prices in Sigulda and Ogre, and also in Jūrmala (Bulduri, Dubulti). The end of the year was also characterized by relatively high activity in December when the number of transactions is usually comparatively low.

Analyzing the apartment market as a whole, there was a distinct trend – at the start of the year when prices rose the total supply of apartments in Riga and its districts was 5000 to 7000 apartments, while starting from May supply strongly rose by up to 8000 – 10000 apartments. Of the total supply the biggest numbers were in:

- Purvciems – around 13%,
- Ķengarags – around 11%,
- Pļavnieki – around 10%.

However, in particular suburbs it was less, for example 2% in Mežciems and 3% in Zolitūde.

The high level of supply continued until November when it fell and stabilized at around 7000 apartments. Of the total supply in November, the biggest proportion was in:

- Purvciems – around 15%,
- Ķengarags – around 12%,
- Pļavnieki – around 11%.

However, in particular suburbs it was less, for example 3% in Mežciems and 3% in Zolitūde.

The biggest volume of supply could be observed in small family, Lithuanian and Khrushchev series buildings.

Since up to now the number of apartments in newly constructed buildings was relatively small, and bank lending regulations have not changed, the fall in apartment prices in particular suburbs and for buildings from particular series can be directly explained by supply volume changes in the suburbs.

Price rise in the first months of the half-year.
Price fall in May and October.
Price stabilization in November and December.

In 2003, apartment price falls were observed for three- and four-room apartments in buildings from all series, and also overall for Lithuanian, Khrushchev, small family and 602-series apartments.

Whereas in the first months of the year the maximum price for a one-room apartment was around 680 \$/m² or on average 560 \$/m² for all types of apartments in the most popular suburbs, at the end of the year and currently the figure is 545 \$/m². The above-mentioned prices apply to unrenovated apartments. Prices for apartments with good interior decoration (PVC-lined windows, new heating elements, refurbished internal utility networks, good plumbing, qualitative interiors) are 650 - 750 \$/m².

Isolated transaction for apartments in which qualitative interior work has been conducted and layout has been changed have been made for 800 - 850 \$/m². It is characteristic that when carrying out such renovations, the price increase does not compensate for the sum invested in the renovations – usually it amounts to 40 – 60% of the costs.

This is the price ceiling that was forecast earlier and is in line with the value of apartments in residential buildings constructed earlier compared with the prices of apartments offered in new residential buildings. Currently prices for available apartments with interior decoration in new residential buildings are 700 - 900 \$/m². Comparing standard-type apartments with those in newly constructed buildings, it can be concluded that all of the parameters that characterize an apartment (the condition of the structure and utility networks, layout, size of ancillary areas, condition of common areas, and the similarity in social status between the tenants) overwhelmingly favour apartments in newly constructed buildings. Therefore the current price for standard-type apartments of 545 \$/m² can be viewed as the highest risk-free boundary for standard-type apartments.

When evaluating apartment prices, it must be noted that prices are based not just on location in a particular suburb and a particular series building, but that the size of the apartment is also significant. For example, the value of a one-room apartment in a 119 series building in Purvciems is 640 \$/m², while that of a four-room apartment is 570 \$/m². One-room apartments with small areas in “bad” series - Lithuanian or Khrushchev – buildings reach 655 \$/m². Unfortunately, it must be concluded that buyers still have little interest in the technical condition of buildings and their management options, because there is a relatively small price gap between buildings of various series and in various technical conditions.

Differences between districts

Whereas in previous years the difference in apartment prices in different districts was relatively significant, more recently this has been reduced.

- ✓ The highest prices for standard-type apartments have been reached in Jūrmala - Bulduri and Dubulti;
- ✓ Currently the highest prices for similar apartments are in Teika, Purvciems, Pļavnieki, Mežciems and Ziepniekkalns;
- ✓ There are slightly lower prices in Imanta, Zolitūde and Āgenskalns;
- ✓ The next price category is Jugla, Ilģuciems and Vecmīlgrāvis;
- ✓ Currently the lowest prices are in the Bolderāja and Daugavgrīva suburbs.

Investments in renovations in series-type apartments are significantly higher than the market price for renovated apartments.

Low-rise wooden structures

Alongside the sharp price increase in standard-type buildings there have been significant price rises for low-rise wooden structures and buildings with partial amenities. Currently prices in such buildings are 300 - 450 \$/m². There is demand for apartments with partial amenities in wooden buildings, especially in inner Pārdaugava. Usually these are buildings with small numbers of apartments, which the buyer amalgamates to create a family home. Demand has increased for small apartments with partial amenities on the periphery of the city – in Bolderāja, Sarkandaugava, and the Latgale suburb. These apartments are being purchased primarily for housing tenants of denationalised, central buildings.

Apartments in the centre of Riga

As was forecast, prices for unrenovated apartments in city centre buildings continued to rise and by the end of the year had reached 750 - 950 \$/m². The price of renovated apartments in the city centre is 900 - 1600 \$/m² and, in contrast to the suburbs, the sums invested in renovations are in proportion to the price increases, in some cases even allowing the apartment owners to sell for a profit after the renovations.

There is relatively high demand for apartments in the city's elite district – around Elizabetes, Ausekļa and Rūpniecības streets – which is currently the only area to have numerous residential buildings that have undergone major renovations.

Apartment prices in these buildings are 1000 - 1300 \$/m² without finish, and 1300 - 1800 \$/m² with finish. Since apartments in these buildings are sold in a relatively short time, it must be concluded that there is a high demand for apartments of this quality and that their prices are attractive. A characteristic trend of 2003 was the restructuring into apartments of office premises located in apartments and even of whole office buildings being converted to residential use, driven by more attractive prices and higher demand.

New residential buildings

The supply of apartments in new residential buildings continued to grow in 2002 and the first half of 2003 and up to now sales of these apartments have been relatively successful. Since most apartments in new buildings are sold during the so-called virtual stage at a fixed price, price rises over the course of time can be ascertained only by the sale prices of the remaining apartments. Analysing price changes in this category, it can be seen that in the space of half a year prices have risen on average by 20% per annum, and that price rises in this sector have been stable without periods of falls. Until now, new residential buildings have been constructed in Purvciems, Ziepniekkalns, Mežaparks, Sarkandaugava, Jugla and Mārupe, and also in the City of Jūrmala. Several projects – “Saules dzīve” in Ūnijas Street, Bezdolīgu Street in Jūrmala and M.Jūrmalas Street in Piņķi – can be considered especially successful since apartments had been sold before the buildings were put into operation. The prices of apartments (without interior decoration) in new buildings range from 700 \$/m² to 950 \$/m². However, the total number of transactions in new projects is still relatively small - 5-7 % of total apartment transactions – and as a result the anticipated effect of reduced prices for standard-type apartments has not occurred.

Stable demand for city centre apartments. Prices for renovated apartments in central Riga reach 1800 \$/m².

Prices in new residential buildings have risen by 20%

New projects

Address	Number of storeys	Number of appartments	Area	Coverage	Stage of readiness	Planned finish of reconstruction works	Parking place	Addition profit	Price/m ²
Baloži, Baložu nams	3 - 5	42	30-110		without interior decoration	April, 2004	By the house		from 360 Ls/m ²
Baloži, Bērzu street 7	5	104	30-60		possibility to choose stage of readiness	March, 2005			370-530 Ls/m ²
Baloži, Medema street 10	3 - 4	51	33-72		possibility to choose stage of readiness	October, 2004	By the house		370-520 Ls/m ²
Rīga, Brīvības avenue 338	7	60	50-120		partial readiness	February, 2004	Basement	Fireplace (the uppermost floor)	500-600 Ls/m ²
Carnikava, Tulpju street 4	4	33	37-118	2297	partial readiness or finished	April, 2004	By the house	Fireplace (5 th and 6 th floor)	298-396 Ls/m ²
Rīga, Pērnavas - Deglava street	5	30	41-93		without interior decoration	May, 2004	By the house, basement	Terraces	535-670 Ls/m ²
Čiekurkalns, Čiekurkalna 2.šķērslīnija	4	58	35-108		partial readiness	October, 2004	By the house		386-435 Ls/m ²
Jugla, Ciempupes 1 "Vidzemes nams"	9 - 11	126	48-216	8917	without interior decoration	April, 2004	By the house, basement	Penthaus	from 415 Ls/m ²
Jugla, Mārkalnes 3	5	30-70	29-80		partial readiness	February, 2004		Fireplace (the uppermost floor)	400-450 Ls/m ²
Jūrmala, Kauguri, Raiņa 44	5	70	35-90		partial readiness	August, 2004	not provided		170-235 Ls/m ²
Rīga, Kalnciema 98	4	15	65-115	1500	without interior decoration	March, 2004	Basement	store downstairs	400-500 Ls/m ²
Jūrmala, Kauguri, Tērbatas street 31A	5	45	50-145		partial readiness	September, 2003			from 270 Ls/m ²
Mārupē, "Liepulejas"	5	80	56-100	1683	without interior decoration	August, 2004	By the house		350 Ls/m ²
Mežaparks, "Mežaparka vārti"	10	90	30- >	14000	partial readiness	March, 2005	Parking will build apart	Fireplace (the uppermost floor)	400-500 Ls/m ²
Mežaparks, Ezermalas street 13	5	96	80-191	10 000	partial readiness	2004.-2005.	By the house, basement	Fireplace	372-460 Ls/m ²
Torņakalns, Neretas 2 "Torņakalna pakavs"	6 - 8	83	44-120		partial readiness	May, 2004	By the house		395-430 Ls/m ²

Arco Real Estate data of the market research on the prices of the living accommodation in Riga and its surroundings, 2003

Address	Number of storeys	Number of appartments	Area	Coverage	Stage of readiness	Planned finish of reconstruction works	Parking place	Addition profit	Price/m ²
Mežaparks, Viestura blv. 75	4	21	45-119		without interior decoration	May, 2004	By the house		360-390 Ls/m ²
Rīga, Nometņu street 35/34	4	38	39-110		with interior decoration	August, 2004	Basement		713-779 Ls/m ²
Rīga, Ozolciema 40a	10	27	48-61			September, 2003			400 Ls/m ²
Ļaivnieki, Jasmuižas 22	3	33	40-145	3925	without interior decorations	July, 2004	under house		405-425 Ls/m ²
Ļaivnieki, Ēbeles street	4	64	50-200	6300	without interior decorations	March, 2004	Courtyard		400 Ls/m ²
Purvciems, Burtņieku 36 "Dzimtā sēta"	5	54	45-103	5032	without interior decoration	October, 2004	Ground floor, courtyard	Individual heating, fireplace (4 th , 5 th floor)	from 400 Ls/m ²
Purvciems, Nīcgales street, "Purvciema pērle"	5 - 6	53	49-159	6000	partial readiness	March, 2005	Basement	Autonomous heating, fireplace (the uppermost floor)	from 425 Ls/m ²
Purvciems, Stirnu 4, "Ziedu muiža"	12 - 13	95	57-213	6089	without interior decoration	July, 2004	Ground floor	Pool, 3 baths, banquet hall, fitness hall	450-560 Ls/m ²
Purvciems, Stirnu street 1, "Svētēja ligzda"	9	98	41-120	5395	without interior decorations	September, 2004	Basement	Possibly to build in fireplace at the 9 th floor	405 Ls/m ²
Purvciems, Ūnijas street 58a	6	47	35-81	3500	partial readiness	May, 2004	By the house		390-420 Ls/m ²
Purvciems, Ūnijas street	5	58	46-68	3272	without interior decorations	August, 2004	Ground floor	Terraces at the 4 th and 5 th floor	400 Ls/m ²
Salaspils, Lazdu street 2/2	5	24	38-97	1960	with interior decoration	February, 2004	Courtyard (pay guard)	Fireplace at the 5 th floor	380 Ls/m ²
Rīga, "Tomsona terases"	9	104	50-300		without interior decorations	January, 2004	Basement	Fireplaces, terraces	500-800 Ls/m ²
Rīga, Varavīksnes nams	2 - 4	90	42-135	1.3 ha	partial readiness	September, 2004	Courtyard (included in price)	Terraces	from 380 Ls/m ²
Rīga, Zalves street 35	3 - 4	45	57-133	1328	partial readiness	July, 2004	By the house	Fireplaces, terraces	390-430 Ls/m ²
Ziepniekkalns, Ozolciema 10	10	40	46-95		partial readiness	December, 2003	By the house		365 Ls/m ²

Arco Real Estate data of the market research on the prices of the living accommodation in Riga and its surroundings, 2003

Riga region

Examining changes in apartment prices in Riga region, it can be concluded that price rises throughout the region – in Mārupe, Salaspils, Ķekava, Ulbroka, Jūrmala (Kauguri) – prices currently standing at around 70- 80 % of the average for apartments in Riga. The suburbs of Dubulti and Bulduri in the City of Jūrmala must be treated separately, because prices there for standard-type apartments (in satisfactory condition) are currently the highest in the country - 700 – 900 \$/m² - while prices for qualitatively renovated apartments in these suburbs go up to 900 - 1300 \$/m². In the last year prices in Sigulda town and Ogre have also been high compared with average Riga prices. Demand and prices have gone up for apartments in towns near Riga, especially in places where buildings are well managed and have good utility services. Prices in these towns are 40 – 55 % of Riga prices.

Price rises throughout the Riga region. The most expensive apartments in Latvia are in the Jūrmala suburbs Dubulti and Bulduri.

Summary of the apartment market

In standard-type apartments demand is for one- and two-room apartments, while in the centre it is for three-room or larger apartments with areas of 80-150 m². The most popular and expensive residential building series are 104, 119 and 103. The popularity of these series is due to their good layout – isolated rooms, relatively large ancillary areas, and good heat insulation. Significant factors affecting apartments prices are the prestige of the district (street) and the condition of the building's common areas (stairwells, entrances, and facades). Based on the number of completed transactions and analysis of buyer demand, the prices for the most in-demand apartments are:

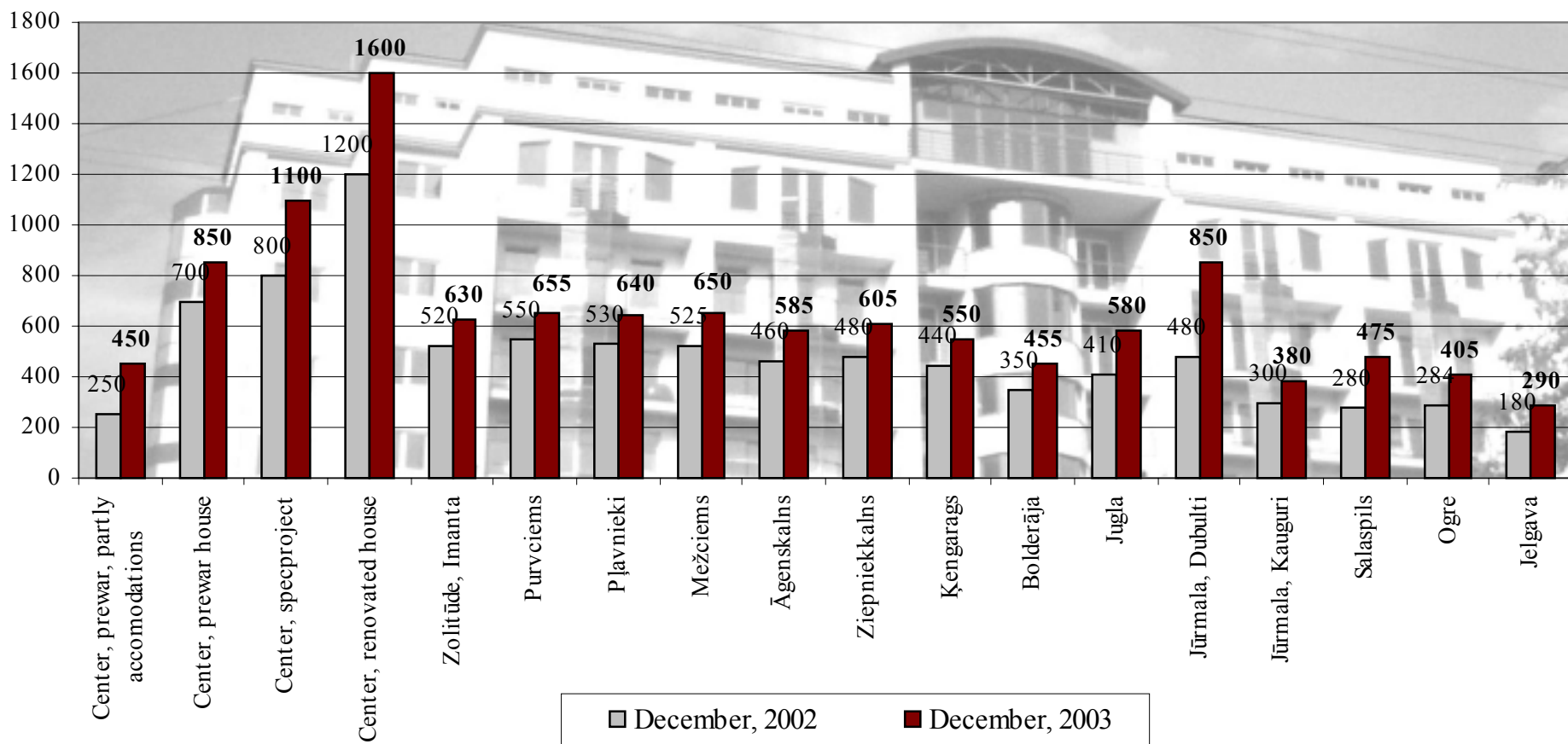
- Standard-type apartments 450 - 680 \$/m²
- Centre buildings 750 - 950 \$/m²
- Centre buildings, wooden structure 300 - 450 \$/m²
- New suburban buildings
 - Without interior decoration 700 - 950 \$/m²
 - With interior decoration 850 – 1100 \$/m²
- Reconstructed buildings in the centre
 - Without interior decoration 1000 – 1300 \$/m²
 - With interior decoration 1300 – 1800 \$/m²
- Reconstructed buildings in Old Riga
 - With interior decoration 1800 – 2300 \$/m²

Prices for all types of accomodations (prices shown in US dollars, December, 2003)

Area Type	103				104			602				119				467				lithuanian			hruscov's			Stalin's			Special project			hotel's		
	1-room	2-room	3-room	4-room	1-room	2-room	3-room	1-room	2-room	3-room	4-room	1-room	2-room	3-room	4-room	1-room	2-room	3-room	4-room	1-room	2-room	3-room	1-room	2-room	3-room	1-room	2-room	3-room	1-room	2-room	3-room	1-room		
Jugla	18 000	25 000	30 000																															19 000
Pļavnieki	23 000	33 000	38 000		25 000	35 000	42 000	20 000	28 000	35 000	38 000	25 000	35 000	43 000	48 000	21 000	28 000	33 000	39 000	19 000	26 000	30 000												18 500
Purvciems	23 500	33 000	38 000		25 500	35 500	42 000	21 000	30 000	35 000	41 000	26 000	35 000	42 000	49 000	21 000	29 000	35 000	41 000	20 000	28 000	33 000	19 000	27 000	34 000								19 000	
Mežciems					24 000	34 000	40 000	19 000	28 000	34 000	38 000									19 000	27 000	33 000												
Teika	25 000	33 000	45 000																															
Vecmīlgrāvis	19 000	25 000	31 000					19 000	24 000	29 000	34 000					19 000	25 000	30 000	35 000	18 000	22 000	26 000	16 500	20 000	25 000	18 000	21 000	30 000					14 000	
Ķengarags								20 000	26 000	30 000	38 000					19 000	27 000	32 000	39 000	19 000	24 000	30 000	18 000	23 000	28 000								18 000	
Bolderāja	17 000	22 000	27 000																	17 000	21 000	24 000	14 000	19 000	23 000	14 000	18 000	29 000					16 000	
Ziepniekkalns	22 000	29 000	33 000		23 000	35 000	37 000	21 000	31 000	36 000	41 000	25 000	36 000	38 000	43 000					19 000	25 000	30 000	18 000	23 000	28 000								20 000	
Imanta	22 000	31 000	35 000		25 000	30 000	38 000	21 000	28 000	35 000	38 000					21 000	29 000	34 000	38 000	20 000	26 000	32 000											17 000	
Zolitūde					25 000	33 000	37 000					25 500	34 000	37 000	46 000																			
Āgenskalns	22 000	30 000	36 000																	21 000	25 000	33 000	18 500	25 000	30 000					23 000	34 000	40 000	14 000	
Iļģuciems																20 000	28 000	33 000	36 000	20 000	26 000	32 000	18 000	25 000	30 000				22 000	32 000	39 000	17 000		
Ogre	14 000	21 000	25 000					14 000	19 000	24 000	29 000												12 000	18 000	22 000									
Jūrmala Kaugur	17 000	21 000	25 000	26 000				15 000	17 000	23 000	25 000					15 000	18 000	23 000	25 000				14 000	16 000	21 000								12 500	
Jūrmala Dubulti	28 000	42 000	52 000																	25 000	39 000	45 000	22 000	35 000										
Salaspils	15 000	24 000	29 000					20 000	23 000	27 000						19 000	23 000	28 000	32 000	16 000	20 000	25 000											14 000	
Jelgava	9 000	16 000	20 000					9 000	13 000	15 000	17 000												9 000	13 000	16 000								8 000	

*Arco Real Estate data of the market research on the prices of the living accommodation
in Riga and its surroundings, 2003*

2 room apartment price, \$/m²



Forecasts for 2004

The apartment market

Excerpt from the market report "The ARCO REAL ESTATE real estate market report for 2002." Forecasts for 2003.

Overall price rises for all categories of apartments is expected to be 20-30 % in 2003. In 2002 prices for standard-type apartments in Purvciems, Pļavnieki and Zolitūde have reached their highest limit at 550-600 \$/m², which from a financial investment perspective can be considered as the risk-free boundary in the apartment market for standard-type apartments, which is also backed up by data for standard-type apartment prices in Tallinn and Vilnius. Prices for standard-type apartments will rise in those suburbs where they are currently lower, and prices may also go up for small one-room apartments. Prices will rise for centre apartments (unrenovated) and for apartments with partial interior decoration on the periphery of the centre. Price rises are also forecast for towns in the greater Riga area - Jūrmala (Kauguri), Ogre, Ķekava, Vangaži.

In the event that in 2003 all planned new apartment block construction projects are implemented and the Riga municipality also begins building apartment blocks, relatively large volumes of qualitative apartment area will come on to the market, and if apartment prices in these buildings will be 650-750 \$/m² (for apartments with simple interior decoration), a slight price reduction for standard-type apartments can be expected.

The previous forecast for the highest risk-free boundary proved to be accurate, and at year's end the average apartment price is 545 \$/m². The forecast of a large number of new apartments coming onto the market, leading to a price drop for standard-type apartments, has not eventuated. The price changes noted over the year were essentially connected with an increase in supply. Actual apartment owners who have previously not been planning to sell their apartments decide to sell at the moment when prices reach their highest limit. As a result, the market becomes saturated and there follows a price drop, as a result of which many people decide not to sell their apartments. This in turn leads to a reduction in supply and price stabilisation, as happened in November-December. Forecasts of price rise for apartments in the centre and on the periphery have proved accurate.

When forecasting apartment price changes for 2004, consideration was made of the dynamics of 2003, the supply of standard-type apartments, and the volumes and prices for apartments in existing and design-stage new apartment buildings.

2004 will continue to see apartment prices rise, which by year's end could reach the following marks:

- unrenovated apartments - 800-1000\$/m²,
- renovated apartments - 1300-1800\$/m²
- reconstructed buildings - 1600-2300\$/m².

A price increase is also forecast for wooden structures in the centre and Pārdaugava with the following prices:

- unrenovated apartments with partial amenities - 500 \$/m²
- renovated apartments with all amenities and a useable, well-maintained courtyard – up to 800 \$/m².

Average prices for series-type apartments in the most expensive city suburbs – Purvciems, Pļavnieki, Mežciems, Ziepniekkalns, Zolitūde and Imanta – will stabilise at around 550-580\$/m², which does not exclude the possibility of individual periods of price rises and falls. These will mainly be connected with supply and demand relations and the entry onto the market of smaller numbers of new apartments.

The Arco Real Estate market analysis forecasts for 2003 have been proven totally correct.

Prices for one-room and small-family apartments and small two-room apartments in Lithuanian series buildings can be expected to fall to the 600\$/m² mark. Price falls are possible in Salaspils and Ķekava, because current prices in these areas are too high.

Price rises are forecast for suburbs where prices are currently lower than average ie Bolderāja, Vecmīlgrāvis, Sarkandaugava and Jūrmala (Kauguri), and also in Jelgava city.

Taking into account their structures, current technical conditions and apartment layouts, it is possible to isolate a group of apartments located in so-called risk-group buildings – Lithuanian and 602 series buildings, and especially the blocks on the “Āgenskalna Priedes” estate. Further changes in the prices of these apartments, which are currently too high, will depend on the level of buyers’ awareness and the honesty of sales agents.

Instability will also characterise the four-room apartment group, especially those that are renovated, where a price reduction could be triggered by supply of apartments in the centre and newly built apartments, and especially by the active construction of family homes.

The forecast share of apartments in new buildings in the total apartments market could be 5-8 %, which will not cause significant changes in this market sector for the time being. However, because apartment prices in this building group are currently relatively similar i.e. 400-450 Ls/m², competition will intensify between individual projects, which will increase the time it takes to sell apartments and will put pressure on the developers of new projects to offer various additional options and to make their projects architecturally distinct.



Rental of residential space

In 2002, the real estate purchasing boom affirmed the fact that when buying an apartment, monthly payments to credit institutions are almost the same as monthly credit payments. This had a hand in the fall in the price of rental apartments.

Overall demand for rental apartments has not significantly changed over the year, but there has been a price drop. At the end of the year prices have stabilised.

The residential space rental sector can be divided into the following main categories of rental apartments:

- ✓ Furnished suburban apartments in good condition. The greatest demand in this category is for one- to three-room apartments, and especially one-room apartments. The most popular suburbs are Purvciems, Pļavnieki, Teika, and inner Pārdaugava. When renting such an apartment, expect monthly rental payments of 100 – 150 Ls.

- ✓ Qualitatively renovated, furnished apartments in reconstructed buildings in the centre. This category is typified by being located in a prestigious district, superior fitting out of apartments and common areas, and security levels. Parking availability is important. The most demanded apartment area is 50 – 100 m². Demand is mostly for furnished apartments. When renting such an apartment, expect monthly rental payments of 500 – 1200 \$.

- ✓ Qualitative, furnished apartments in restored Jugendstil buildings in the centre (Riga's "quiet centre"), especially if buildings and rooms have rich decors, fireplaces and stylishly matching furnishings. The most demanded apartment area is 50- 100 m². Monthly rental payments will be 600 – 2000 \$.

- ✓ The appeal of Old Riga has fallen because the area is constantly getting louder and there are parking problems. As a result, demand for Old Riga apartments has fallen and so have prices. Only the prices of Old Riga apartments in good condition can be compared to those in the "quiet centre," which is currently the most expensive area.

Factors impacting on rental prices for all categories are the prestige of the district, condition of the apartment, convenience of public transport, parking, and what floor the apartment is on.

The average duration of rental contracts is one to two years. There is demand for short-term apartment rental (three to six months) however the supply of such apartments is small.

Apartment rental is an option chosen mostly by:

- ✓ Foreigners working in Latvia for a longer period of time;
- ✓ Residents of Latvia who have purchased an apartment in a new project or are building a house, for whom a rental apartment is a temporary home;
- ✓ Students and people who do not have deposits for purchasing an apartment.

Rental payments do not exceed monthly payments to credit institutions. Demand is unchanged, but rents have fallen.

Rental of private houses

Renting a private house near the sea for the summer season from May to September is very popular, not just in Jūrmala, but also along the Vidzeme coast and in the villages of Kurzeme.

Both local business people and foreign guests rent private houses. Prices depend on the prestige of the location, proximity to the sea, and the amenities of the house..

The rental price for a house in Jūrmala with all amenities, equipment and furnishings is 1500-3000 \$/month. Rent for a simple summer cottage is up to 1500 \$/month.

There is a supply of full private houses and sections of houses for rent all year round– not just in summer - in Teika, inner Pārdaugava, Mežaparks, and Imanta. However, demand is relatively small. Prices in these districts are 150 – 300 Ls/month.

Forecasts for 2004

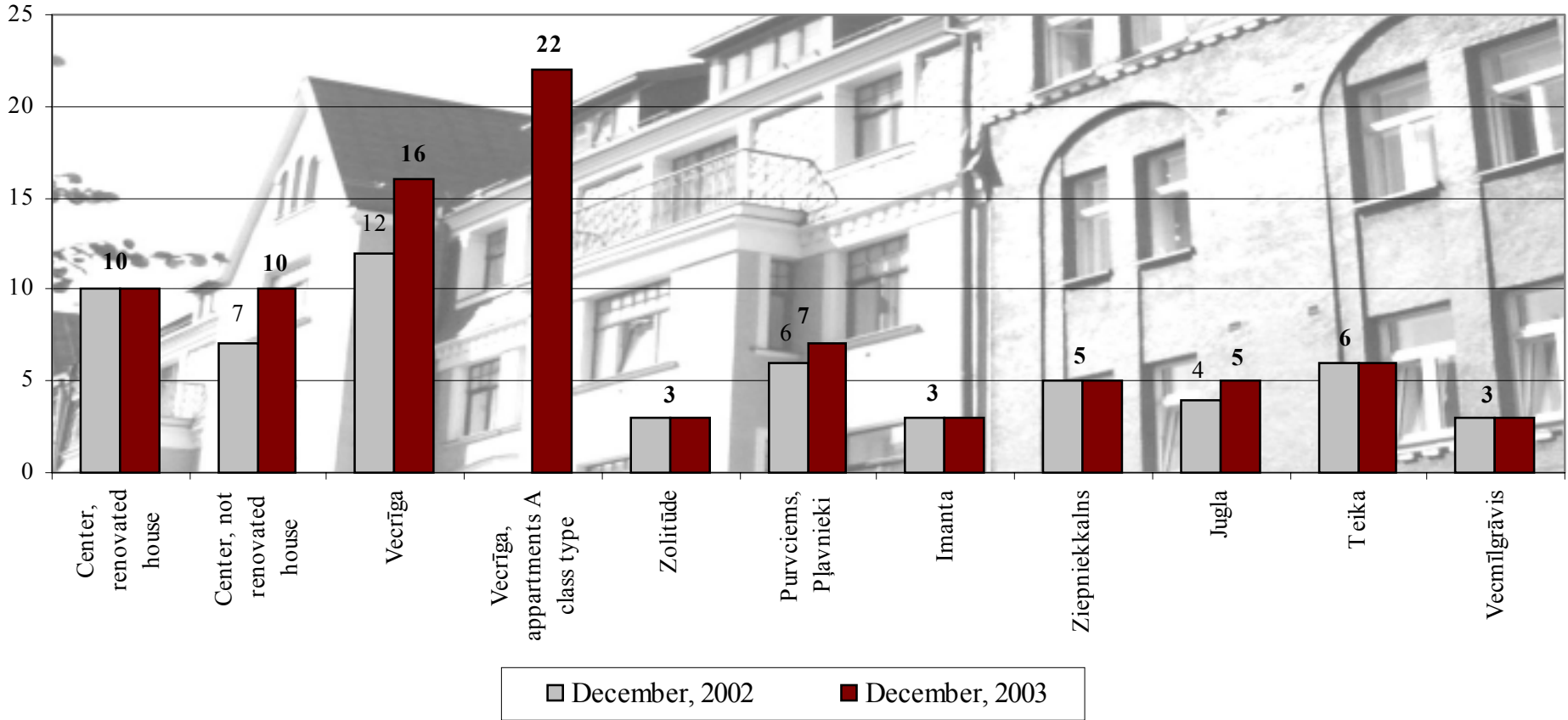
Rental of residential space

Since favourable credit conditions for the purchasing of apartments is still forecast for 2004, rents for series-type apartments will not rise.

An increase in rents for apartments in the centre is also not forecast for the start of the year, except for furnished apartments in reconstructed buildings with available parking. In this group rents could rise by 10 %.

In the second half of the year rents for central apartments could rise if prices for central apartments grow equally rapidly and reach the forecast 2000 \$/m² mark. Loan repayments for the purchase of such apartments will significantly exceed current monthly rent levels, and as a result rents could increase by 15 %.

Average apartment rent price, \$/m²





Single-family private houses

Unlike other real estate market categories, significant changes have not been observed for the individual house sector.

Over half a year, supply has increased for the relatively cheap sector ie 60 000 – 90 000 \$. What is on offer for this price are prefabricated wooden houses with areas of 90 – 140 m², manufactured in Lithuania, Estonia and in recent times in Russia. The price of the structural set without assembly and amenities is 280 – 450 \$/m². Usually these cheap buildings are put up in places where land prices are around 10 \$/m², therefore after their transfer to use the prices of such houses start from 600 \$/m², which is similar to market prices for series-type apartments. Several Latvian firms also offer wood-frame houses according to individual designs, however their price starts from 750 \$/m². Masonry houses built to individual designs are usually not cheaper than 800 \$/m². With the exception of Mežaparks and Ķīpsala in Riga and the City of Jūrmala, the costs of building houses to a first-rate standard usually exceed the market values of such houses. The high building costs are due to high prices for materials available in Latvia and for labour, and as a result Latvia still has the highest prices for equivalent houses in the Baltics.

Costs of constructing prefabricated wooden houses are similar to apartment prices in the Riga suburbs.

Costs of construction for first-rate houses exceed their market value

Private houses in Riga city

Individual residential houses within Riga city are offered at the “Kolonnas” estate in Mežaparks, “Ķīpsalas ligzda” in Ķīpsala where both freestanding and terrace houses are available, the “Šampēteris 100” village in Pārdaugava and in the vicinity of Jugla –Šmerlis. In these suburbs, the offerings are mostly ready houses or houses made to specific designs that are built on specially prepared street blocks. Construction of individual houses between already erected houses is performed in Pārdaugava in the vicinity of Mārupe and Šampēteris.

Private houses around Riga

Outside Riga the most active level of new building is in Jūrmala and around Riga – in Mārupe, Piņķi, Ķekava and around Dreilīņi. Comparatively expensive houses (150 000\$– 250 000\$) around Riga are offered in Berģi, Mārupe, Piņķi and in the vicinity of Baltezers. Cheaper buildings (90 000\$ –120 000\$) are going up in Jaunmārupe, Ulbroka, and Stopiņi counties. The following estates can be cited as especially successful: “Saulīši” in Stopiņi County, and “Ābeles” and “Lielpriedes” in Babīte County, where buyers are offered ready, standardised houses in a tidy environment for relatively low prices.

Private house categories

The following private house categories can be differentiated by analysing supply and performed transactions:

- In poor condition (requiring demolition or reconstruction). The typical characteristic of the category is location in an area of private houses with existing infrastructure. Depending on the size of the block, ease of access, and the district, the property price is mostly made up by the value of the land. Properties in this category are relatively in demand. Depending on the district, prices are 50 000\$ – 80 000\$. Over the course of the year, the price increase for this category was around 20 %, which was driven by the insignificant amount of supply.

- Small (up to 100 m²) houses with simple fittings requiring internal renovations. Built in the 1950s and 1960s. The supply of these houses is mostly in Pļavnieki, Purvciems, Mežciems, Zolitūde and around Mārupe. Average prices are 70 000\$ – 80 000\$. Supply has fallen. Prices increased over the course of the year by 10 – 15 %.

- Prefabricated single-family houses. Standard houses selected from catalogues are offered on the customer's land. The price difference in this category is 60 000\$ (made in Russia) to 180 000\$ (Finndomo). Over the half year the supply of cheaper houses has increased significantly. Price changes have not been observed.

- New houses up to 200 m², qualitative materials and interior utilities. In this category the main factor driving price differences is location. Average prices are 140 000\$ – 230 000\$.

- New houses in private housing estates. Characteristic features are a tidy environment, security level and neighbours. Location is a very significant factor for price differences. Supply is relatively high and sale of sites is mostly dependent on the location of the estate and the quality of the facilities. The price for the most-sold houses are around 160 000\$. Average prices are 150 000\$ – 270 000\$.

Forecasts for 2004

Private houses

The single-family house category will develop rapidly. Development is forecast to move in three main directions:

- The purchasing of old structures for reconstruction within the city limits – Āgenskalns, Mārupe, Mežciems, Ilģuciems and Imanta;

- The building of relatively “cheap” houses completely fitted out (price category 90 000\$ – 120 000\$) in villages with good infrastructure and facilities;

- The building of relatively expensive houses (price category 150 000\$ – 270 000\$) in villages with picturesque locations with good infrastructure and facilities.

Possible price changes are connected only with increased land prices and could be between 12- 25 % overall.



Land for building single-family houses

For several years in a row land has been the most stable sector of the real estate market. 2003 saw relatively even and stable demand in this category and corresponding price rises. Prices for land in Riga city have grown both for individual house construction plots and for commercial building plots. Prices have increased in Mežaparks, reaching the 100 \$/m² mark in places. Notwithstanding these high prices, there are still some places in Mežaparks where large areas (several hectares) are stuck in the privatisation stage, and if after privatisation this land is subdivided a certain reduction in prices can be forecast. Prices are also consistently high in Ķīpsala and there are also broad tracts of land that are not being used at present. Plots being offered for individual building are being subdivided from existing plots. Prices are currently 70 – 120 \$/m², however supply is very low.

Uniform and stable demand in the land market and corresponding price increases.

Land in Riga city

The most active land market in Riga city is in Pārdaugava, around Mārupe, Ziepniekkalns and Šampēteris District. Individual land plots offered here are obtained both by subdividing old plots and by reclaiming and parcelling land formerly used for market gardens or industrial purposes. The popularity of this area is driven by developed infrastructure (asphalted streets, communications, public transport) and a pleasant green environment with large stands of trees. Prices in these suburbs are 20-40 \$/m². There is also a supply of land and transactions in Pļavnieki and Purvciems, and here too new plots are obtained through subdivision of existing plots or by reclaiming the land of former market gardens. Land prices here are 20 - 35 \$/m². Subdivision into individual plots is also occurring in the direction of Dreiliņi – Mežciems, which in future may be a relatively active district for the construction of individual houses.

Land around Riga

The market for land in the immediate vicinity of Riga is relatively active. The most popular area is still around Mārupe, Piņķi and Ķekava. Individual building in Mārupe County is taking place between existing plots and is encroaching ever further onto agricultural land towards Jaunmārupe and Olaine. Here there are differing price levels – prices for land on streets amidst existing buildings and infrastructure are 16 - 25 \$/m², while on recently reclaimed agricultural land they are 10 - 15 \$/m².

Agricultural land around Riga is being built on and subdivided.

The supply of land for building created through the subdivision of former agricultural land went up in 2003. Prices for such land plots (with areas of 1400 – 2000 m²):

- Jaunmārupe	8 – 12 \$/m ²
- Babīte	9 – 18 \$/m ²
- Stopiņi	8 - 16 \$/m ²
- Around Jaunolaine	5 - 8 \$/m ²
- Rāmava	12 - 16 \$/m ²
- Ulbroka	6 - 12 \$/m ²
- Ādaži	8 - 15 \$/m ²
- Garkalne	8 - 16 \$/m ²

Land in Jūrmala

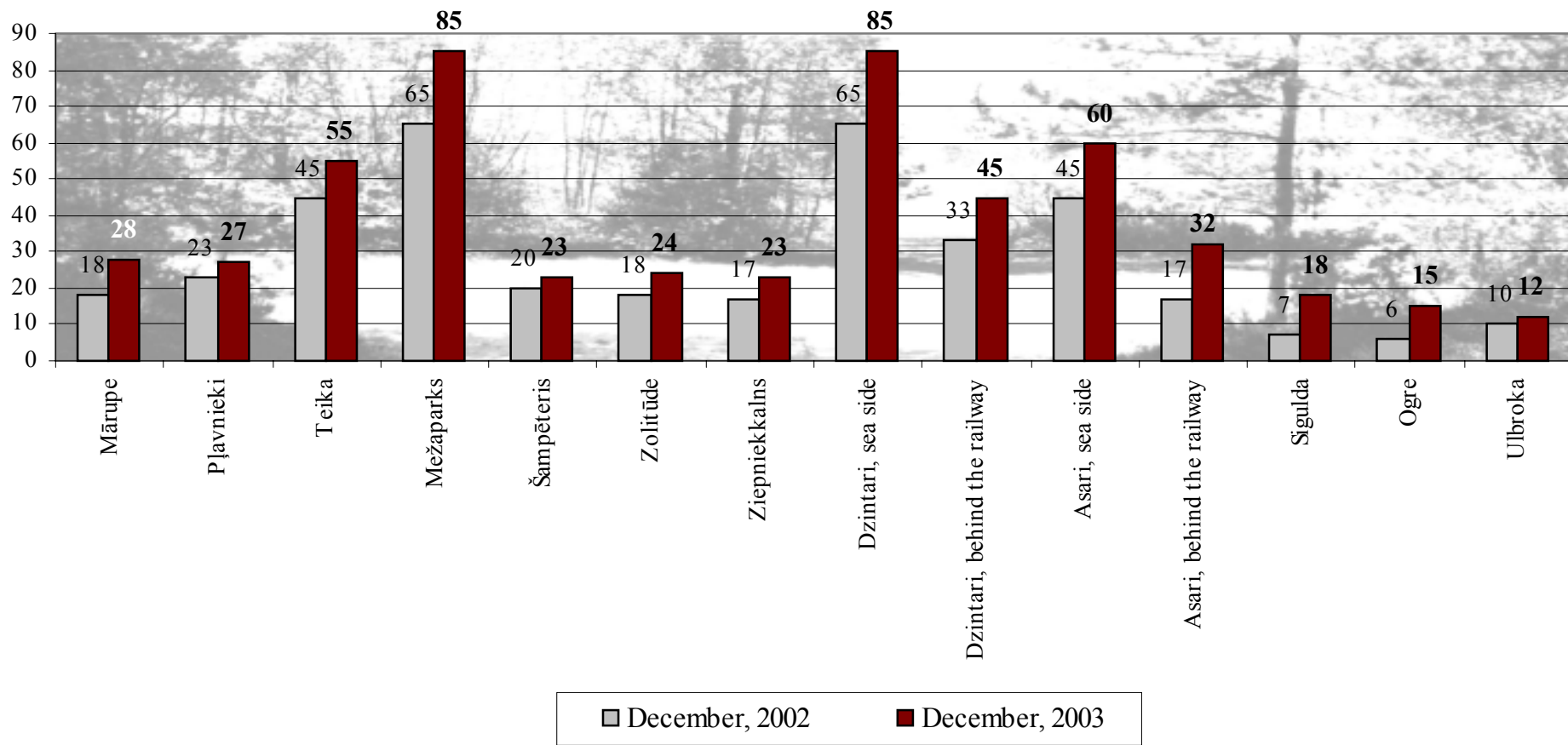
As was forecast, land prices in the City of Jūrmala continued to rise. At the end of 2003, prices for plots adjacent to the sand dunes ranged from 110 \$/m² in Asari to 180 \$/m² in Dzintari – Lielupe. Factors determining the prices are the size of the land and building regulations. Prices have appreciably risen in those Jūrmala suburbs where they were relatively low. In the area between the railway and the Lielupe River in the Asari – Vaivari district they are currently 20 - 35 \$/m² (4-12 \$/m² in 2002). Prices have also gone up in Kauguri, especially near the sea, and are currently 25 – 45 \$/m².

Forecasts for 2004

Land for the construction of residential houses

Stable growth can be forecast for the development of the land category. Land prices will grow both in the city and in village and rural areas. Price increase rates are dependent on current price levels, for example currently expensive land in Mežaparks, Ķīpsala, central Jūrmala and near lakes will grow by 15 – 20 %. Prices for individual plots where land prices are currently low (Mārupe, Katlakalns, the fringes of Jūrmala), will rise more rapidly. Here price growth could be 20 – 40 %.

Average land price for the family house building (area 1500 m²), \$/m²



Farmland

2003 was also characterised by stable price growth for farmland. Land purchasing can be divided into the following categories by further utilisation purpose:

✓ Land for recreation. This is currently the most active rural land group. Land is primarily in demand at picturesque sites near water i.e. along the whole coastline and on the banks of lakes and rivers, especially in the vicinity of Usma and Rāzna lakes and along the Abava, Venta, Ogre and Gauja rivers.

Land prices (1-10 ha) are 2000 – 12 000 \$/ha. The price depends on location, distance from Riga and the size of the plot.

✓ Land for agriculture. Demand for and transactions with this type of land are relatively small and concentrated in regions favourable to farming – Zemgale (Bauska, Dobele, and partially Jelgava, Riga and Tukums districts). Prices here are 700 – 1300 \$/ha. The biggest demand is for 20 – 70 hectare plots.

✓ Land for forestry. Land is being purchased that consists of both agricultural land and forest. The objective of the purchases is to process the forests. Prices are determined by the value of the forest stands, location and access roads. Prices are 1000 -3000 \$ per forest stand hectare.

✓ Land purchases for speculative purposes. Land is being purchased throughout Latvia. The decisive factor is that plots must not be smaller than 100 hectares. Land prices are 150 –300 \$/ha.

Forecasts for 2004

Farmland

Prices for farmland will rise in all of the above-mentioned categories. The price increase rates will depend on current prices; prices for currently cheap land will grow the fastest. The price here could increase by around 50 – 100% to reach an all-Latvia average of 300 Ls/ha.

Slower growth rates are forecast for land near the sea and other water bodies because current prices are already high; price increases in this category should be around 15 – 20 %.



Land plots (for construction of industrial and public buildings)

Compared with other sectors of the real estate market, land for the construction of industrial and commercial facilities is growing most slowly and has the least stable prices. Since there is no actual vacant land for these purposes available in the territory of the City of Riga, land transactions for these purposes are taking place at location where manufacturing has previously taken place.

Historically the main industrial sites in Riga have been concentrated at the following places:

- ✓ In the city centre, around the railway tracks at the Zemitāni and Brasa stations. This area has the oldest industrial structures, dating from the 1880s to the 1970s. Since industrial sites have been and are located here, it is characterised by quite densely concentrated industrial facilities, good infrastructure and branches of railway links. Currently this is the most active zone in terms of the real estate market.

- ✓ To the south of the city, in the direction of Ogre up to the Riga limits, near the railway around the Jāņavārti, Daugmale and Škirotava stations and around Krustpils and Rencēnu streets. This industrial area is more expansive and recent. Most of the building was completed between 1950 and 1970. Transportation and warehousing enterprises was the most common in the area and therefore density is relatively low. Transactions are mostly for land.

- ✓ In the northern part of the city in Sarkandaugava, starting in the central part of the city from Skanstes and Hanzas streets, heading in a northerly direction toward the sea; the territory between the Daugava River, Ganību dambis Street and Dunties Street. This is the second largest area that encompasses the territory of the Riga Free Port located closer to the Daugava. The territory's utilisation is connected with various cargo terminals, warehouse complexes, and the customs zone, and is historically the oldest industrial area in the city. Connected with industry and its associated historical architecture.

This area also embraces a territory that is relatively more expensive – the section closer to the city centre bordered by Skanstes Street, Ganību dambis Street and Hanzas Street. The railway line entering this zone creates a broad, branched access network. The territory is historically connected with warehouses, cargo loading and customs services.

- ✓ Other territories of this nature are located on the left bank of the Daugava at Mūkusalas Street, in Bolderāja, along the Daugava banks (these are part of the Riga Free Port territory), and small isolated areas within the centre.

Transactions in this real estate market sector can be grouped according to their by further utilisation purpose:

- ✓ Construction at existing industrial sites on their adjacent land in the central part of the city. These properties are chiefly purchased to reconstruct

the buildings and change their functions to modify them as commercial structures (retailing and service centres, sports complexes and residential buildings). Typical examples are the “Alfa” and “Elcor” shopping centres on Brīvības Street, “Domina” on Ieriķu Street, “Celtniecības pasaule” (Construction World) on Mūkusalas Street, and the “Reaktors” sports centre in the vicinity of Hanzas Street.

Individual buildings have also been reconstructed to house offices and apartments. These include the office buildings near Zemitāni Station on Dārzaugļu Street and on Mūkusalas Street in Pārdaugava. In these cases the transaction sums were mainly determined by the value of the existing structures and were on average 150 – 230 \$ per square metre of the structures.

✓ There are comparatively few transactions for which the purpose of purchasing is industrial. Such properties are relatively new reinforced concrete manufacturing buildings with large areas, modified for modern manufacturing requirements, with hangar structures. Most transactions have been around Sporta, Rencēnu and Ganību dambis streets. In these cases the transaction sums of 150 – 250 \$/m² are directly determined by the value of the buildings to be used.

✓ A group that must be treated separately are purchases of industrial properties in order to utilise their land. In these cases properties are acquired whose structures have to be demolished due to obsolescence, or they occupy a relatively small part of the land. As a result, the contribution of the structures to the property price is insignificant. Depending on the size of the land, transaction prices are from 3 to 150 \$/m².

✓ Vacant land that in accordance with the Riga city development plan is located in an area zoned for business- and commercial-use structures. Usually these are vacant plots in the central Riga area; territories newly zoned for such purposes; and isolated land plots divided off from existing built-up sites. Transaction prices vary greatly. In the central Riga area land plots with areas up to 3000 m² command prices of 120 – 600 \$/m². But divided off blocks with areas of 3000 - 10 000 m² are comparatively cheaper at 12- 25 \$/m².

Overall, when analysing this real estate market sector – land for industry and the construction of publicly oriented buildings – it can be concluded that price rises have been small compared with other sectors. This is driven by the large supply of such areas, and also by the still incomplete national and municipal privatisation process as a result of which property prices in this category do not always correlate with real estate market value criteria.

However, irrespective of the relatively slow price increase, the overall trend is stable.

Forecasts for 2004

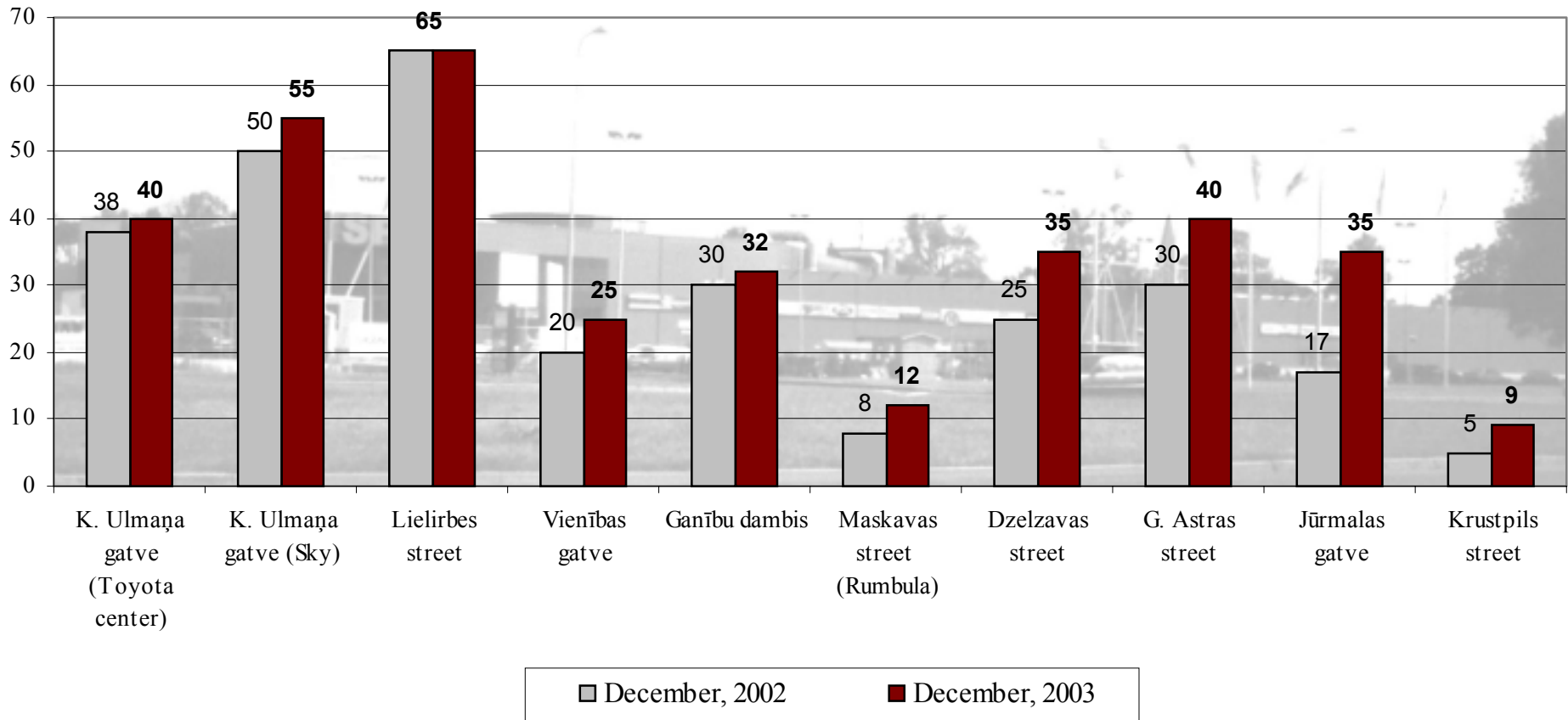
Land plots (for construction of industrial and public buildings)

Over the next few years, prices for properties near the centre of Riga will grow more rapidly. The changing of functions for such sites will continue, especially around the city's major roads. The construction of new industrial sites and the transfer of existing sites will happen to the benefit of the Riga Free Port territory and the counties around Riga.

A price increase of 10 –15 % on average is forecast for properties near main roads, and up to 30 % for properties that border the city's streets.

An insignificant price increase determined by a lot of supply and the incomplete privatisation process

Land price (for commercial buildings), \$/m²





The market for retail premises

In 2003 the market for retail premises was characterised by a significant increase in retail space, driven by the opening or expanding of shopping centres. At the end of April stage two of the “Olympia” shopping centre was opened, thereby increasing the overall area to 23500 m².

About a week later, the “Origo” shopping centre opened a new retail/office building near Riga Central Station with an area of 17600 m², which added to the existing retail space in the station building. “Origo” unveiled the third and final stage at the start of September with a total area 6435 m². The total area of this centre is 42380 m², with additional space of 4340 m² in the underground parking station.

At the end of September the firm “Pro Kapital” unveiled stage one of the “Domina Shopping” centre with a retail area of 19000 m².

After numerous difficulties in obtaining approval for the project, in October the Finnish enterprises “Stockmann” and “Rautakirja” opened the recreation and shopping complex “Stockmann centres”. Half of the building, with a retail area of 11000 m², is occupied by a four-story department store that sells mainly internationally known brands of clothing, perfume and household goods. The other part of the building is taken up by the Coca - Cola Plaza FORUM CINEMAS, the first Multiplex-type cinema in Riga.

Although retail area is growing rapidly, several companies are currently planning or have already commenced the construction of new retailing space, and are expanding existing sites.

In the spring of 2004 stage two of “Domina Shopping” will open, bringing its total retailing area to 50000 m².

The very successful “Alfa” shopping centre is awaiting a 20000-m² expansion, in which the emphasis will be on fashion retailing, thereby broadening the scope of products offered by the centre.

The Danish company “TK Development” is developing its first shopping centre project in Latvia in the vicinity of the Slāvu Bridge with an area of 23500 m².

The seven-story retail complex “Patollo Galerija” in the city centre is still at the development stage and is expected to open in spring 2005. Expansions of the “Centrs” department store and the “Spice” shopping centre are also planned.

Competition has led to changes in rents in shopping centres. These are being adjusted based on the success of specific prices and market sectors. Overall rental prices in shopping centres have fallen slightly. There is a limited number of retail firms wishing to develop their operations in shopping centres. As already mentioned, the supply of space is increasing, but due to financial considerations traders cannot open stores in all of the new centres. As a result, shopping centre operators are easing rental conditions.

Retail space is rapidly growing, new centres are being built and existing ones are expanding

The biggest tenants in all shopping centres are supermarket and hypermarket operators. Throughout 2003 there has been very tough competition in this sector. The merger in the Baltics between two big companies, “ICA Baltic” (RIMI) and “Kesko Food” (Citymarket, Super Netto), was announced at the end of 2003, allowing them to join forces for development in the region. The company “VP Market” (Maxima, T-Market) continues to strengthen its position in the Latvian market. The cut-price food store chain AREKO owned by SIA “A.R. un Skorpions” has started operating in the cities of the Vidzeme region. The German firm LIDL is also looking in the direction of Latvia.

Notwithstanding the rapidly growing volume of retail space, in 2003 there was a significant rise in demand for premises on the busy shopping streets of central Riga (Barona, Tērbatas, Kaļķu, Brīvības, Aspazijas). Both international and local companies are looking for retail premises in these locations, so that either on their own or through franchise agreements they can open stores for well-known brand names. The products offered by these stores are mostly clothing and footwear, of high quality and with prices to match. Due to increased demand, the level of rents on these streets is stable (around 30-45 EUR/m²).

There is big demand for premises on the busy central shopping streets

There is still no demand for premises some distance away from these busy shopping streets (Blaumaņa, Lāčplēša, Stabu, Valdemāra streets). There is quite a lot of free space available on these streets and there is regular turnover of tenants. As a result, rents for these premises are not stable.

Throughout 2003 there has been a gradual changeover in transactions currencies from \$ to EUR, and as a result of currency fluctuations the level of rents in relation to LVL has risen slightly.

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

- *space in large shopping centres:*

- area up to 30 m² 28 – 50 EUR/m²
- area 30 – 150 m² 16 – 38 EUR/m²
- area above 150 m² 8 – 28 EUR/m²

- *central city area:*

- central streets (Barona, Tērbatas, Čaka, Brīvības) 20 - 43 EUR/m²
- cross streets 10 – 25 EUR/m²
- centre periphery 6 – 15 EUR/m²

- *Old Rīga*

- central streets (Kaļķu, Vaļņu, Audēju, Smilšu) 20 – 45 EUR/m²
- cross streets 8 – 27 EUR/m²

- *suburbs*

- in the centre of the suburb 6 – 16 EUR/m²
- outside the suburb centre 4 – 12 EUR/m²

Forecasts for 2004

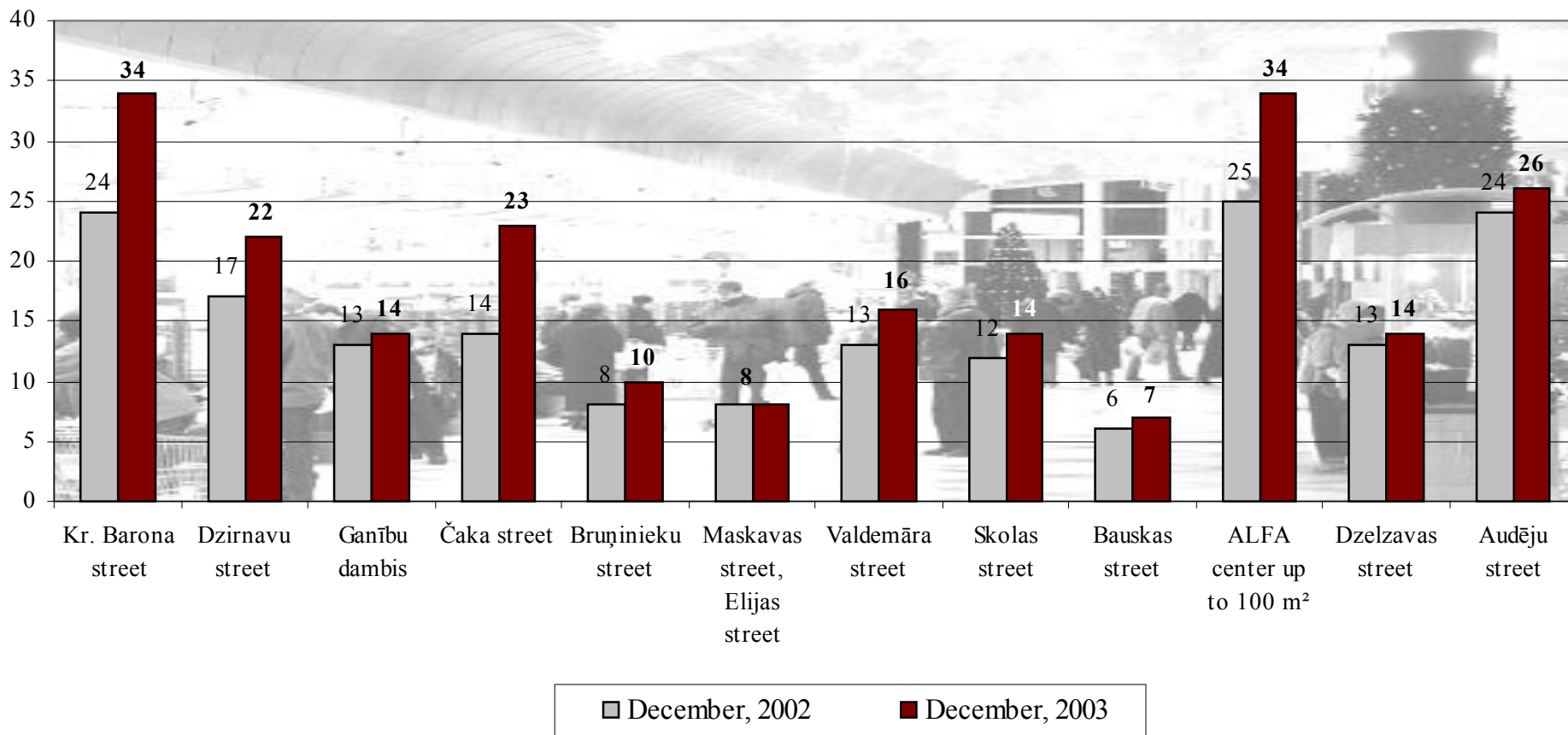
Retail premises

Rents in shopping centres will be affected by the market situation. Rents will remain stable in successfully functioning shopping centres and there may even be a minimal rise in rents. However, shopping centres with lower profitability per rented square metre and pedestrian traffic indicators should review and lower their rent levels.

Rents for retail premises on Riga's busiest shopping streets (Kr.Barona, Tērbatas, Kaļķu streets) will remain unchanged, since demand on these streets is high but unfortunately rents there have reached their highest level still permitting commercial activity to be profitable. Since demand for premises on the busy shopping streets exceeds supply, there could be minor increases in rents on Elizabetes and Dzirnavu streets (in the blocks between Marijas and Brīvības streets).

In other areas of the city rents will remain unchanged.

Rent price for commercial space, EUR/m²





Office space

In 2003 numerous international companies started working in Latvia and many already-established companies expanded their operations. This created demand for new, qualitative and expansive premises with access to all amenities and utilities (Internet, integrated computer networks, ventilation and air conditioning etc.) and parking. Several companies took the opportunity of implementing office building both for their own needs and for the office rental business. Rental office products are becoming more and more qualitative, forcing existing office buildings to catch up with market trends to survive the tough competition.

In 2003 the most demanded areas were 20-60 m², 100-150 m², and also areas exceeding 500 m². Many companies prefer premises outside of the Riga city centre.

In 2003 the supply of office space still exceeded demand, but this does not apply to offices in new buildings. The market is saturated with office space established 3-5 years ago, and tenant turnover has only led to cosmetic renovations. This does not create working conditions in line with modern possibilities.

There has been a significant drop in demand for office space in Old Riga due to parking problems. However, Old Riga has preserved its historic status as the business and financial centre, and the head offices of the biggest banks as well as legal and consultative offices are located here.

Overall rent levels were unchanged in 2003. The currency of payment for rents has changed from \$ to EUR and rent levels in relation to LVL are stable.

Business parks

There was broad discussion in 2003 about the necessity and possibilities for establishing business parks. Unfortunately, Latvia is still not used to a situation where an environment is created for companies to be able to concentrate solely on developing their businesses. By purchasing or renting office space in a business park, companies are freed of having to deal with issues relating to administering and managing buildings. This system greatly lowers costs, a situation understood by foreign firms. The development of this sector is delayed by the supply of land for building because the main factor impacting on the implementation of such projects is geographical location (advantageous logistics, and access by employees to the workplace.)

The quality of office space is increasing, the market is adapting to new demands.

The market for office premises

In 2003 interest has grown regarding the purchasing of office premises. This is linked with advantageous funding conditions offered by banks. Companies want to acquire office premises with areas of 150 – 200 m². This indicates that firms have already ascertained their future goals and strategic development and have gained stable positions in the market. Naturally, there are also risks associated with purchasing office premises. If a company is still in the growth and development stage, it is hard to believe that these premises will still be functional after one or two years.

The supply of office space for sale is limited. Mostly buildings are sold as a whole rather than as separate properties. There is a supply of office space located in national or municipal government-managed buildings that was privatised earlier. However, these premises are characterised by a poor level of management, poor building condition and low prestige.

Rentals of office space in Riga:

- Renovated A and B class offices in business centres in the city centre and Old Riga:
10-25 EUR/m² (average 14 EUR/m²)
- Renovated A and B class offices in business centres outside the city centre:
6-13 EUR/m² (average 10 EUR/m²)
- Renovated offices on the first floors of residential buildings or separate one- and two-story office buildings in the city centre:
6-12 EUR/m² (average 10 EUR/m²)
- Renovated offices on the first floors of residential buildings or separate one- and two-story office buildings outside the city centre:
4-9 EUR/m² (average 7 EUR/m²)
- Unrenovated offices in the city centre:
4-6 EUR/m² (average 5 EUR/m²)
- Unrenovated offices outside the city centre:
2-5 EUR/m² (average 3 EUR/m²)

Forecasts for 2004

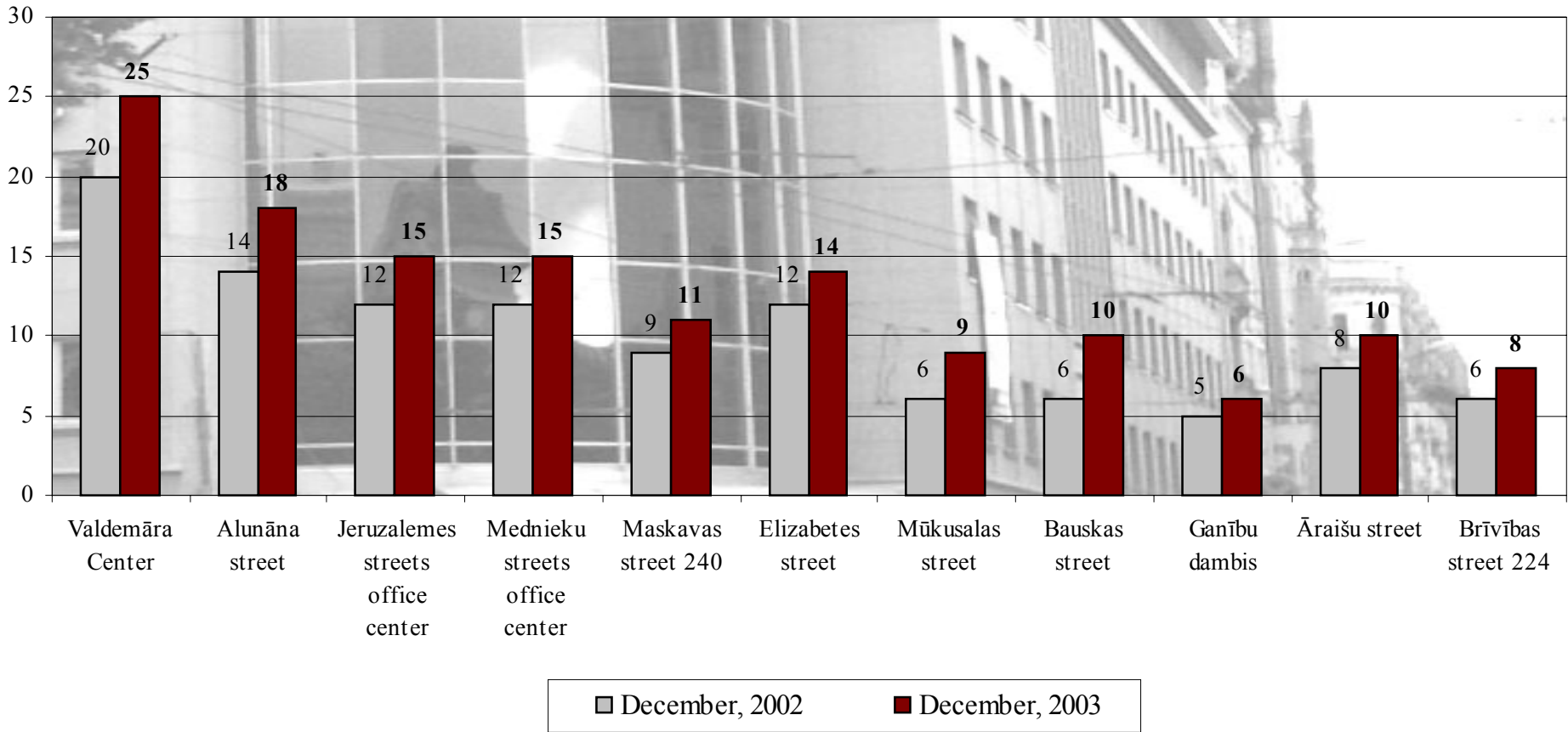
Office space

2004 will see growth in the volume of office space in the market, and quality will improve. As a result, rents could fall for office space that does not meet modern requirements unless their functionality is adapted to meet market demands. There will be demand for offices in new buildings outside the centre of Riga for acceptable rents (between 8-12 EUR/m²).

Office Buildings in Riga

Address	Class	Gross area m ²	Total area for rent m ²	Vacancy
Valdemara Centre	A	12 800	8 330	3 415
Kalpaka bulv.	A	1 500	1 000	0
Kongresu nams Office Centre	A	1 500	1 500	0
Kronvalda bulv.	A	5 750	4 000	1750
"Dominante", Dzirnavu street 57	B	6 800	6 800	800
"Citadele", Citadeles street 12	A	3 399	2 755	0
Reaton	B	540	540	
Bauskas street 58a	B	12 600	7 000	1 200
Basteja bulv.16	A	4 600	2 200	150
Lāčplēša street 13	B-	2 900	1 200	370
Baznīcas street 20/22	A	3 500	2 000	0
Mūkusalas street 41b	A-	22 000	20 000	902
Brīvības street 39	B	2 900	1 800	340
Smilšu street 18	A	1 490	620	88
Mednieku street 4	A	3 123	3 123	0
Pasaules tirdzniecības centrs	B	6 750	5 250	200
Šķūņu street 19	A	1 100	770	180
Kungu street 1	A	2 800	1 400	0
Brīvības street 186	A-	1 056	1 056	800

Rent price for office, EUR/m²



Market overview compiled by:



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