LATVIAN
REAL ESTATE MARKET
SEMIANNUAL OVERVIEW

2005/1

ARCO REAL ESTATE

LATVIA • ESTONIA • LITHUANIA • UKRAINE

CONTENTS

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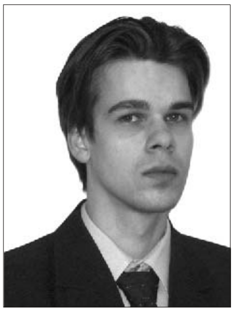

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LATVIAN REAL ESTATE MARKET SEMIANNUAL OVERVIEW, 2005/1

INTRODUCTION

The market analysis report of SIA “Arco Real Estate” provides concise information on the Latvian real estate market in first half of year 2005. The report provides a brif report on the following main sectors of the real market:

– trade of apartments,
– rent of living premises,
– one-family private houses,
– land properties (for construction of one-family buildings),
– agricultural lands,
– land properties for manufacturing and public service needs,
– retail space market,
– office rent.

Information sources of the performed analysis are the real estate transaction data base of SIA “Arco Real Estate”, information provided by the cooperation partners, and publicly available information sources.

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

SIA “Arco Real Estate” real estate market overviews are issued regularly, every half a year, giving analysis of the situation in the real estate market in Latvia.

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APARTMENT SALES

Following rapid growth in 2004, there was only a slight change in real estate market activity in the first half of 2005. The activity level is similar to that in the first half of 2004, but there has been a significant fall off after the high level of market activity reached at the end of 2004. Examining the number of transactions it can be seen that real estate market activity is the decisive factor in price increases. With the existing housing stock remaining at the existing level, and the current market activity level, a massive and rapid drop in real estate values is not forecast for the short term.

Supply

Compared with the end of 2004, the total supply of apartments on the market has risen from 5,000 to 6,000, however this growth level can be considered as negligible compared with the scale of the housing stock as a whole. There was a similar supply of apartments in the first half of 2004.

As the total supply of apartments has increased, there has not been a corresponding increase in the number of transactions. This is linked to the fact that there has been a significant rise in the supply of large-area apartments in the most expensive Riga suburbs, where prices are similar to those for free standing houses in the vicinity of Riga. 33% of apartments on offer in Purvciems and 34% in Pļavnieki are three-room.

Of the total supply, the biggest proportion was of two-room apartments, with the overall breakdown as follows:

- One-room apartments – 28%;
- Two-room apartments – 35%;
- Three-room apartments – 30%;
- Four-room apartment – 7%;
- Five-room and larger apartments – 1%.

In terms of location, the apartment market supply is traditionally concentrated chiefly in the „large" suburbs and centre of Riga. In the first half of 2005, the breakdown by suburbs of supply as a whole was as follows:

- Purvciems ~ 10%;
- Ķengarags ~ 9%;
- Pļavnieki ~ 8%;
- Imanta ~ 6%;
- Ziepniekkalns un Jugla ~ 5%.

Compared with the same period in 2004 there has been an increase in supply in the suburb of Jugla, but in the other suburbs there have been no great changes in supply. This means that the market situation in the suburbs has remained the same, including in terms of price differences.

The supply of series-type apartments is uneven in terms of the number of rooms, reflecting the particularities of the housing stock in each suburb. The bulk of supply is comprised of 119, 602, „Lithuanian" and „Khrushchev" -series apartments. Some Riga suburbs, such as Purvciems, Imanta and Pļavnieki, 119 and 602-series apartments are most offered on the market. 602-series apartments make up 23% of all three-room apartments on offer, while 12% are 119-series.

Price changes

Two- and three-room apartments remain most in demand, since people are choosing to make long-term investments in real estate. However, there is also relatively high and stable demand for one-room apartments, mainly from people purchasing real estate for the first time.

The rate of price increases in the first half of 2005 has mainly been driven b y the national inflation level and GDP growth. Excluding these factors, the growth in real estate values during the reporting period was negligible. Price growth in the first half of the year was equal on a percentile basis every month i.e. there were no especially sharp price fluctuations.

In the first half of 2005 all prices for series-type apartments in Riga had reached the average indicator of 685 EUR/m².

The price range for series-type apartments in Riga city:

- One-room apartments – 14 500 - 31 000 EUR (vidēji 23 500 EUR, 770 EUR/m²);
- Two-room apartments – 18 500 - 54 000 EUR (vidēji 31 500 EUR, 695 EUR/m²);
- Three-room apartments – 25 000 - 66 000 EUR (vidēji 38 000 EUR, 635 EUR/m²);
- Four-room apartments – 36 000 - 70 000 EUR (vidēji 47 000 EUR, 625 EUR/m²).

The highest prices for series-type apartments can still be found in Jūrmala city, in Dubulti and its vicinity, where one-room apartments cost up to 38 500 EUR, which depending on the apartment's area means from 1100 to 1250 EUR/m². There is a slightly lower value per square meter in series-type apartment buildings with a larger number of rooms per apartment.

In Riga city the highest prices are in the Purvciems suburb, where property prices reach up to 1100 EUR/m² for one-room apartments, declining proportionately for larger sized apartments.

In the reporting period the fastest price rises were in Jūrmala at Kauguri, Bolderāja and Vecmīlgrāvis, which can be explained due to the relatively low price levels in these areas at the beginning of the reporting period.

In Riga city the lowest prices are still in the Bolderāja suburb, reaching up to 600 EUR/m², although apartments with considerably lower square meter values are also on offer.

When buying property, purchasers are paying increasing attention on the technical condition and upkeep of buildings, since these are significant factors when making a long-term investment. There is a growing difference in the price level between various series-type apartments in the same suburbs, which means that increasing attention is being paid top the functional properties of the apartments.

Differences between suburbs

After a slight evening out in price levels between different suburbs at the start of 2004, in 2005 price differentiation has been observed as the price gap increases between apartments from the same series located in different suburbs.

- The highest series-type apartment prices Jūrmala, Bulduri and Dubulti;
- High series-type apartment prices Purvciems, Teika, Pļavnieki, Zolitūde, Mežciems;
- Average price level Imanta, Ziepniekkalns, Jugla;
- Below average level Ķengarags, Iļģuciems, Āgenskalns;
- Lowest price levels Bolderāja, Daugavgrīva, Vecmīlgrāvis.

Low-rise wooden buildings

In the first half of 2005 there was an increase in the price of apartments in low-rise wooden buildings in line with price increases in the overall apartments market. The biggest price increases were for apartments in low-rise wooden buildings in central Riga. In line with the overall price level there has been a rise in the number of reconstructed wooden buildings, in particular for those with good locations and access. Demand is relatively high for apartments in wooden buildings in central Riga. There has been equalization in prices between low-rise wooden structures in good condition and masonry residential buildings in the city centre.

There is great diversity between prices for properties in this segment, as determined by location, communications, the condition of the building, and placement on the block.

- Centre of Riga wooden buildings inside courtyards – 500-850 EUR/m²;
- Central Riga periphery (Grīziņkalns, Čiekurkalns) – 450-600 EUR/m²;
- Apartments in wooden buildings in Pārdaugava (Āgenskalns, Torņakalns) – 420-700 EUR/m²;
- Apartments in wooden buildings Sarkandaugava, Bolderāja, Iļģuciems – 400-500 EUR/m²;
- Apartments in wooden buildings the Latgale district – 300-420 EUR/m²;
- Small-scale apartments in wooden buildings (around 18-25m²) – prices up to 600 EUR/m².

There is demand on the periphery of Riga for small apartments with partial amenities, which are being purchased to house the tenants of denationalized city centre buildings.

There is also demand for mainly smaller apartments with partial amenities in wooden houses in the periphery of Riga, which are more and more often bought as replacements for relocation of tenants from the downtown.

Apartments in wooden buildings in the city centre, Āgenskalns, Torņakalns and Grīziņkalns are frequently purchased to attach them to another apartment in the respective building already belonging to the owner.

Apartments in Riga city centre

There was comparatively rapid growth in apartment prices in the centre of Riga in the first half of 2005. Supply and demand were both equally strong because city centre properties are both long-term and short-term investments, making them subjects of much speculative activity. The supply of reconstructed apartments in good condition with qualitative interior finishing is growing, while the supply of unreconstructed apartments might also rise with the lifting of the “rental ceiling.”

Apartment prices in the centre of Riga are highly differentiated and can be categorized by the condition of the building, location, architectonic properties and interior solutions.

Average prices for apartments in the centre in the first half of 2005 were:

Old Riga
(Some offer and transaction prices exceed 5000 EUR/m²)

- Renovated apartments – 2500 - 4000 EUR/m².
- Un-renovated apartments – 1900 - 2800 EUR/m².

Boulevard district
(Aspazijas, Raiņa, Elizabetes,
Antonijas, Ausekļa, Rūpniecības, Vidus streets)

Reconstructed buildings:

- Without interior finishing – 1800 - 2200 EUR/m².
- With interior finishing – 2200 - 3000 EUR/m².

Unreconstructed buildings:

- Un-renovated – 1400 - 1800 EUR/m².
- Renovated – 1800 - 2500 EUR/m².

Dzirnavu – Tērbatas – Baznīcas – Skolas streets

- Un-renovated apartments – 1400 - 2200 EUR/m².
- Renovated apartments – 1600 - 2500 EUR/m².

Pārējie centrā esošie dzīvokļi

- Renovated apartments – 1100 - 1700 EUR/m².
- Un-renovated apartments – 900 - 1300 EUR/m².

Riga District

Price rises in the residential areas of Riga District were uneven in the first half of 2005. There was a significant price rise in Jūrmala, at Kauguri, where some series-type apartments saw increases of over 75%. We already forecast an increase in values in Kauguri because of a disproportionately large divergence with the prices in other nearby parts of Jūrmala city. However, due to the location there will still be price differences in the future.

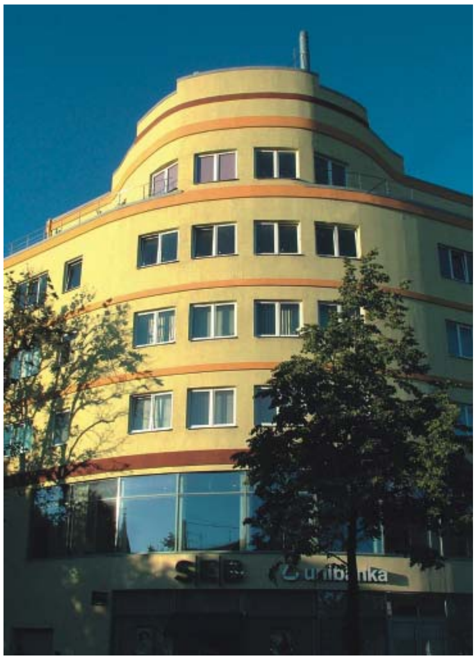
In the first half of 2005, prices for series-type apartments in Jūrmala city remained the highest in the country.

Overall, apartment prices in Riga District rose by 10%-25% on average during the reporting period.

Demand and price levels in Riga District depend on location, distance to Riga, infrastructure and access to public transport. The situation is different for towns that are regional centres, for example Jelgava, which is simultaneously a satellite city of Riga and a regional centre with separate infrastructure.

New housing stock

Although there is still insufficient new housing on the market, the supply is growing rapidly. Due to the growth in the number of new projects, from the very inception of their projects project developers must more seriously evaluate factors affecting competitiveness, including location, architecture, distribution by apartment areas, apartment layouts, offered finishing level, management concept, and land status. The main factors behind the successful realization of a project are:



- A professional project development concept;
- The market situation at the moment the project is realized;
- Anticipation, evaluation and prompt averting of possible risks.

One of the most serious negative factors in realizing new projects is delays in completion deadlines, which leads to many legal and financial problems for both the project developers and the potential apartment owners.

While in 2004, as the number of new projects rose apartments were offered with three levels of finishing, in 2005 the market is being dominated by apartments with partial (“white”) or completed finishing. Apartments with completed finishing are being offered in new projects with large numbers of apartments - over 50 - since this facilitates the more rapid tidying up of the building up to the real commencement of operability.

The white finishing level is being offered in exclusive-type projects and projects with smaller numbers of apartments. When selling apartments with white finishing project developers frequently offer the additional service of performing cosmetic renovations on apartments, subject to individual agreements.

Another negative factor in the development of new projects is the low quality of construction and finishing workmanship.

As new projects are realized and the number of apartments on offer increases, clients are being more scrupulous in analyzing the services associated with projects and their costs. This is why at the very start of project development, project developers must consult a professional management company to work out a competitive management services package.

Property buyers consider land status to be an important factor connected with management costs. The preference is for tenancy in common of the private land holding.

In the first half of 2005 prices in new multi-apartment projects rose by around 20 %

Price rises in the new projects have been driven by a number of factors:

- Inadequate supply of new housing;
- Banks' flexible loan policies;
- Increased purchasing power;
- Inflationary risk.

Average prices in new buildings at the end of June 2005 were:

- With “white” finishing – 800-1000 EUR/m²
- With completed finishing – 930-1350 EUR/m²
- Central and exclusive buildings – 1850-3000 EUR/m²

During the course of construction on a project, apartment prices rise by an average of 30 %.

The most popular suburbs for new projects in the first half of 2005 were Imanta, Purvciems, Pļavnieki and Ziepniekkalns. There was insufficient supply in several Riga suburbs Teika, Mežciems, Jugla, Ķengarags and Vecmīlgrāvis.

Due to their locations and future access possibilities, Mežaparks/Čiekurkalns, the greater Riga area up to Mārupe and Ziepniekkalns in the direction of Baloži could be potential sites for new projects in the future.

The number of new projects is increasing across Latvia in Jelgava, Sigulda and Ogre. There has been an especially large increase in new projects in Jūrmala. Many new apartment building projects are being realized in greater Riga.

Sigulda, O.Kalpaka street 13

Contemporary 4 - 5 storey house
with mansard storey.
1-4 room apartments
38 – 150m² .
White or full interior decorations.
Price starting from 18 490 Ls

Dace Meija: 7973737, 6115530

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Jelgava, Satiksmes street 35a

96 apartments
in renovated building.
Apartment areas 32-85 m².
Price 265 Ls/m² with
white interior decorations.

Santa Novicka: 3028245,6392248

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"Līvi" in Cēsis

Līvi, Zvārtas street 5a
24 apartments, 56-82m².
“white” interior decorations,
red brick building,
peaceful and green emvironment.
Price starting from 250 Ls/m².

Liene Rjabkova: 4122373, 8341513

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Kalnciems

40 km from Riga,
on the bank of river Lielupes,
in Kalnciems, Jaunības street 2.
Renovated 103.series building.
"white" interior decorations.
Price starting from 330 Ls/m².

Santa Novicka: 3028245, 6392248

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Summary of the apartment market

Two-room apartments are the most in demand types of series-type apartments, although demand is also high for one- and three-room apartments. Each segment of the apartment market has its buyers, but unlike one-room apartments, which come onto the secondary market comparatively often, two-room apartments are considered longer-term investments. The main factor driving the high price per square meter of one-room apartments is access to communications, meaning that given that communications facilities are the same, the price per square meter for apartments with a larger number of rooms will be lower, and the reduction has a correlation with the number of rooms.

There is an increasing difference in prices for the same series apartments in various suburbs of Riga. It is anticipated that this difference will increase, and there will also be an increase in the importance of the building management factor, which will stimulate apartment owners to get more actively involved in the process of managing their apartments so that the values of their properties increase.

Demand in the city centre has also been even with regard to all sizes of apartments in all conditions. The exceptions are apartments without communications and with difficulties in connecting these, however transactions with such apartments still take place.

Price level for apartments in the first half of 2005:

Old Riga

- Renovated apartments – 2500 - 4000 EUR/m².
- Un-renovated apartments – 1900 - 2800 EUR/m².

Boulevard district
(Aspazijas, Raiņa, Elizabetes,
Antonijas, Ausekļa, Rūpniecības, Vidus iela)

Reconstructed buildings:

- Without interior finishing– 1800 - 2200 EUR/m².
- With interior finishing – 2200 - 3000 EUR/m².

Un-reconstructed buildings:

- Un-renovated– 1400 - 1800 EUR/m².
- remontēti – 1800 - 2500 EUR/m².

Dzirnavu - Tērbatas - Baznīcas - Skolas streets

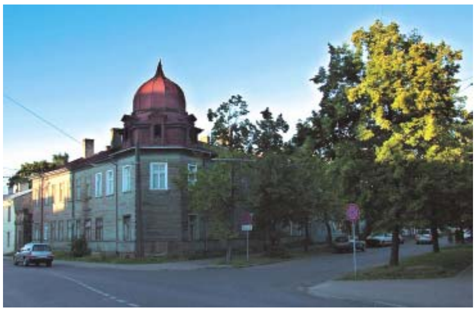
- Un-renovated – 1400 - 2200 EUR/m².
- Renovated– 1600 - 2500 EUR/m².

Other apartments in the centre

- Un-renovated – 1100 - 1700 EUR/m².
- Renovated – 900 - 1300 EUR/m².

Series-type apartments

- 500 - 1000 EUR/m².



Centre buildings, wooden

- 500 - 850 EUR/m².

New apartment buildings

- With “white” finishing – 800 - 1000 EUR/m².
- With completed finishing – 930 - 1350 EUR/m².
- Central and exclusive buildings –
1850 - 3000 EUR/m².

Forecast for the second half of 2005

Prices between different suburbs will continue to equalize. Price growth in the more expensive suburbs (Purvciems, Pļavnieki, Teika, Mežciems) is less than in the cheaper ones (Bolderāja, Vecmīlgrāvis).

The forecast price rise for 2005 as a whole has already been reached in the first half of the year in some market segments. Analyzing the database of offers, it can be seen that the forecast of increased demand in the three and four-room apartment segment has proven accurate.

There are no new projects in the new residential building segment in the “cheap” suburbs, where up to now there have been practically no new multi-apartment buildings offered on the market Ķengarags, Bolderāja, Vecmīlgrāvis, as well as the relatively “pricey” Mežciems suburb.

The forecast increase in the proportion of apartments with fully finished apartments being offered in new apartment building projects has also proven to be accurate.

Prices for one- and two-room series-type apartments will continue to grow. Due to the large supply in certain suburbs, there may for a time be stabilization in prices for three-room apartments.

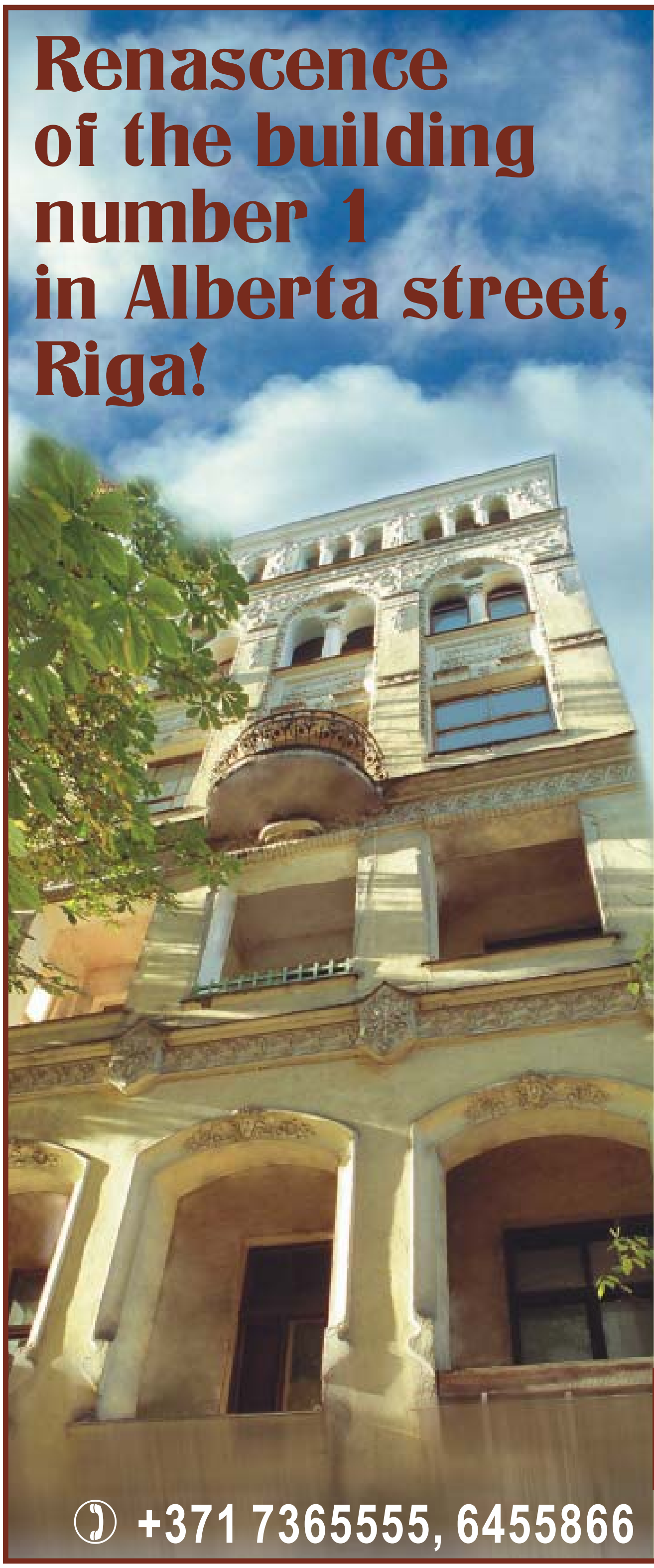
In the second half of the year there will be stable price growth for city centre apartments. No drop in price is forecast for Old Riga apartments. Increased construction costs are forecast to lead to price rises for renovated apartments.

Further price differentiation is forecast alongside the increasing number of new projects, especially in central Riga, depending on the quality of workmanship, materials used and architectural style. The entry onto the market of new large-scale projects might lead to stabilization in the prices of existing standard apartments.

Demand will grow for individually expressive buildings with interesting layouts and landscaped surrounding environments.

Further price differentiation is forecast alongside the increasing number of new projects, especially in central Riga, dependent on the quality of workmanship, materials used and architectural style.

Renascence of the building number 1 in Alberta street, Riga!



Alberta street is located in the historical centre of Riga. The apartment house in Riga, Alberta street 1 is built in 1901. This building belongs to the transitional stage of Eclecticism and Art Nouveau in architecture. This edifice has a rich, floriated ornamental design, and its interior has such decorative elements as cornices, floriated ceiling ornaments and rosettes. Fire-places and tile stoves add an important accent in this noble interior. The up-to-date apartment planning has to be marked out among the advantages of this exceptional building.

After renovation there will be 20 apartments, 6-7 rooms in each, with balconies and spacious kitchens and bath-rooms. And what is more important - we offer an opportunity to choose an individual planning for greater commodity. This renovated edifice will unite in itself all the pleasures of modern commodities (elevator, communications, etc.) and a great historical aura.

Arco Real Estate consultants will be glad to help you to purchase these exclusive apartments.

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Summary table of prices for standard apartments (prices indicated in EUR as at 01.07.2005.)

District/series	Series 103				Series 104				Lithuanian proj.		
	1 ist.	2 ist.	3 ist.	4 ist.	1 ist.	2 ist.	3 ist.	4 ist.	1 ist.	2 ist.	3 ist.
Jugla	24 000	35 000	50 000					20 500	24 000	35 000	40 000
Pļavnieki	30 000	42 000	55 000		38 000	46 000	59 000		27 000	38 000	45 000
Purvciems	31 000	49 000	57 000		39 000	52 000	64 000		28 000	40 000	50 000
Mežciems					35 000	55 000	64 000		27 000	39 000	48 000
Teika	33 000	51 000	62 000								
Vecmīlgrāvis	24 000	34 000	39 000						24 000	32 000	38 000
Ķengarags									25 000	32 000	42 000
Bolderāja	22 500	34 000	39 000						21 000	29 000	36 000
Ziepniekkalns	30 000	39 000	48 500	54 000	33 000	45 000	55 000		28 000	35 000	41 000
Imanta	30 000	42 500	53 000		32 000	46 500	54 000	59 000	29 000	37 000	44 000
Zolitūde					36 000	46 000	53 000				
Āgenskalns	28 000	37 000	47 000						28 000	34 000	44 000
Iļģuciems	25 000	39 000	44 500						27 000	36 000	42 000
Ogre	18 000	26 000	32 000								
Jūrmala Kauguri	21 500	27 500	33 000	35 500							
Jūrmala Dubulti	44 000	66 000	79 000						38 000	56 000	68 000
Salaspils	21 500	31 000	39 000						20 000	27 000	37 500
Jelgava	13 500	19 000	21 500								

District/series	Series 602				Series 119				Khrushchev time proj.		
	1 ist.	2 ist.	3 ist.	4 ist.	1 ist.	2 ist.	3 ist.	4 ist.	1 ist.	2 ist.	3 ist.
Jugla	27 000	41 000	46 000	54 000					26 000	33 000	39 000
Pļavnieki	33 000	44 000	52 000	60 000	34 000	47 000	60 000	68 000			
Purvciems	28 000	42 000	50 000	60 000	39 000	48 000	60 000	70 000	27 500	40 000	45 000
Mežciems											
Teika	23 000	36 000	42 000	45 000					27 000	42 000	49 000
Vecmīlgrāvis	26 000	38 000	43 000	52 000					20 500	29 000	35 000
Ķengarags									23 500	31 000	41 000
Bolderāja	30 500	43 500	48 000	58 500					20 500	28 000	34 000
Ziepniekkalns	31 500	41 500	48 000	55 000	34 000	46 500	55 000	63 000	26 000	33 000	39 000
Imanta									26 000	32 000	40 000
Zolitūde					37 000	47 000	54 000	63 000			
Āgenskalns									24 500	33 000	39 000
Iļģuciems									24 000	34 000	40 000
Ogre	17 500	25 000	28 000	31 000					15 000	23 000	27 000
Jūrmala Kauguri	21 500	26 500	30 500	32 000					20 000	25 000	28 500
Jūrmala Dubulti									34 000	47 000	60 000
Salaspils	20 000	30 500	37 000								
Jelgava	13 000	18 000	21 000	25 000					12 500	18 000	20 000

District/series	Series 467				Stalin time proj.			Spec. project			small family proj.
	1 ist.	2 ist.	3 ist.	4 ist.	1 ist.	2 ist.	3 ist.	1 ist.	2 ist.	3 ist.	1 ist.
Jugla								31 000	41 000	54 000	22 000
Pļavnieki	30 000	43 000	44 000	55 000							27 000
Purvciems	35 000	45 000	52 000	61 000							28 000
Mežciems											
Teika					35 000	52 000	67 000	33 000	50 000	60 000	
Vecmīlgrāvis	24 000	31 000	41 000	46 000	20 500	28 000	35 000				22 000
Ķengarags	27 000	37 000	43 000	51 000							25 000
Bolderāja								25 500	35 000	42 000	21 000
Ziepniekkalns											27 000
Imanta	30 000	43 000	51 000	57 000							24 000
Zolitūde											
Āgenskalns	27 000	38 000	45 000								21 500
Iļģuciems	28 000	36 000	43 000	49 000				31 000	40 000	51 000	23 000
Ogre											
Jūrmala Kauguri	22 000	28 000	31 000	33 000							21 000
Jūrmala,Dubulti											
Salaspils	21 000	30 000	37 000	41 000							19 000
Jelgava	13 000	18 000	22 500								13 000

Prices of standard apartments in Riga's housing estates and its surroundings

(as at 1st july of 2005, prices indicated in EUR)

Jugla

	103.	Specproj.	602.	119.	467.	Lithuanian	Khrushchev	small family	average
1-room	**24 000**	**31 000**				**24 000**	**26 000**	**22 000**	**25 500**
December 2004	21 500	23 500				20 000	19 000	17 000	20 000
2-room	**35 000**	**41 000**				**35 000**	**33 000**		**36 000**
December 2004	29 500	30 000				24 000	25 000		27 000
3-room	**50 000**	**54 000**				**40 000**	**39 000**		**46 000**
December 2004	35 000	36 000				29 000	28 000		32 000
4-room									
December 2004									

Pļavnieki

	103.	104.	602.	119.	467.	Lithuanian	Khrushchev	small family	average
1-room	**30 000**	**38 000**	**27 000**	**34 000**	**30 000**	**27 000**		**27 000**	**30 500**
December 2004	22 000	26 500	20 500	27 000	21 000	20 000		19 000	22 500
2-room	**42 000**	**46 000**	**41 000**	**47 000**	**43 000**	**38 000**			**43 000**
December 2004	31 000	33 000	28 000	34 500	27 000	27 000			30 000
3-room	**55 000**	**59 000**	**46 000**	**60 000**	**44 000**	**45 000**			**51 500**
December 2004	39 000	41 000	32 500	42 000	30 000	33 000			36 000
4-room			**54 000**	**68 000**	**55 000**				**59 000**
December 2004			38 500	48 000	39 000				42 000

Purvciems

	103.	104.	602.	119.	467.	Lithuanian	Khrushchev	small family	average
1-room	**31 000**	**39 000**	**33 000**	**39 000**	**35 000**	**28 000**	**27 500**	**28 000**	**32 500**
December 2004	24 500	28 000	21 500	28 000	22 000	21 000	21 500	20 000	23 500
2-room	**49 000**	**52 000**	**44 000**	**48 000**	**45 000**	**40 000**	**40 000**		**45 500**
December 2004	34 000	34 500	30 000	37 000	33 000	28 000	28 500		32 000
3-room	**57 000**	**64 000**	**52 000**	**60 000**	**52 000**	**50 000**	**45 000**		**54 000**
December 2004	40 500	42 500	35 000	42 000	36 000	34 500	29 500		37 000
4-room			**60 000**	**70 000**	**61 000**				**63 500**
December 2004			42 000	51 500	42 500				45 500

Mežciems

	103.	104.	602.	119.	467.	Lithuanian	Khrushchev	small family	average
1-room		**35 000**	**28 000**			**27 000**			**30 000**
December 2004		26 000	21 500			19 000			22 000
2-room		**55 000**	**42 000**			**39 000**			**45 500**
December 2004		34 000	28 500			28 000			30 000
3-room		**64 000**	**50 000**			**48 000**			**54 000**
December 2004		42 000	35 500			33 000			37 000
4-room			**60 000**						**60 000**
December 2004			40 000						40 000

Teika

	103.	Specproj.	104.	Stalin	467.	Lithuanian	Khrushchev	small family	average
1-room	**33 000**	**33 000**		**35 000**			**27 000**		**32 000**
December 2004	29 000	29 000		30 000			23 000		28 000
2-room	**51 000**	**50 000**		**52 000**			**42 000**		**49 000**
December 2004	38 000	36 000		40 000			35 000		37 000
3-room	**62 000**	**60 000**		**67 000**			**49 000**		**59 500**
December 2004	51 000	48 000		60 000			41 000		50 000
4-room									
December 2004									

Prices of standard apartments in Riga's housing estates and its surroundings

(as at 1st july of 2005, prices indicated in EUR)

Vecmīlgrāvis

	103.	104.	602.	Stalin	467.	Lithuanian	Khrushchev	small family	average
1-room	24 000		23 000	26 000	24 000	24 000	20 500	22 000	23 500
December 2004	19 000		19 000	20 500	19 000	18 000	17 000	17 000	18 500
2-room	34 000		36 000	35 500	31 000	32 000	29 000		33 000
December 2004	25 000		28 500	28 000	26 500	24 000	22 000		25 500
3-room	39 000		42 000	44 000	41 000	38 000	35 000		40 000
December 2004	29 000		31 500	35 000	31 000	27 000	26 000		30 000
4-room			45 000		46 000				45 500
December 2004			36 000		37 000				36 500

Ķengarags

	103.	104.	602.	Specproj.	467.	Lithuanian	Khrushchev	small family	average
1-room			26 000		27 000	25 000	23 500	25 000	25 500
December 2004			19 000		19 000	18 000	16 000	18 000	18 000
2-room			38 000		37 000	32 000	31 000		34 500
December 2004			25 000		24 000	23 000	22 000		23 500
3-room			43 000		43 000	42 000	41 000		42 500
December 2004			29 500		29 500	28 000	27 500		28 500
4-room			52 000		51 000				51 500
December 2004			36 500		36 000				36 000

Bolderāja

	103.	104.	602.	Specproj.	467.	Lithuanian	Khrushchev	small family	average
1-room	22 500			25 500		21 000	20 500	21 000	22 000
December 2004	17 500			18 500		15 500	14 500	15 000	16 000
2-room	34 000			35 000		29 000	28 000		31 500
December 2004	23 500			24 500		19 500	18 500		21 500
3-room	39 000			42 000		36 000	34 000		38 000
December 2004	28 000			31 500		25 000	22 000		26 500
4-room									
December 2004									

Ziepniekkalns

	103.	104.	602.	119.	467.	Lithuanian	Khrushchev	small family	average
1-room	30 000	33 000	30 500	34 000		28 000	26 000	27 000	30 000
December 2004	20 500	25 000	20 000	26 500		19 000	17 500	17 000	21 000
2-room	39 000	45 000	43 500	46 500		35 000	33 000		40 500
December 2004	27 000	31 000	29 000	33 000		23 000	22 500		27 500
3-room	48 500	55 000	48 000	55 000		41 000	39 000		48 000
December 2004	32 000	37 000	31 500	37 500		28 000	26 500		32 000
4-room	54 000		58 500	63 000					58 500
December 2004	36 500		38 000	44 000					39 500

Imanta

	103.	104.	602.	119.	467.	Lithuanian	Khrushchev	small family	average
1-room	30 000	32 000	31 500		30 000	29 000	26 000	24 000	29 000
December 2004	21 500	23 000	22 500		21 500	20 000	18 000	17 000	20 500
2-room	42 500	46 500	41 500		43 000	37 000	32 000		40 500
December 2004	29 500	31 500	28 000		30 000	26 000	22 500		28 000
3-room	53 000	54 000	48 000		51 000	44 000	40 000		48 500
December 2004	36 000	37 500	34 000		35 000	29 000	26 500		33 000
4-room		59 000	55 000		57 000				57 000
December 2004		40 500	38 000		39 000				39 000

Prices of standard apartments in Riga's housing estates and its surroundings

(as at 1st july of 2005, prices indicated in EUR)

Zolitūde

	103.	104.	602.	119.	467.	Lithuanian	Khrushchev	small family	average
1-room		**36 000**		**37 000**					**36 500**
December 2004		24 500		26 500					25 500
2-room		**46 000**		**47 000**					**46 500**
December 2004		33 000		36 000					34 500
3-room		**53 000**		**54 000**					**53 500**
December 2004		37 000		41 000					39 000
4-room				**63 000**					**63 000**
December 2004				48 000					48 000

Āgenskalns

	103.	104.	602.	119.	467.	Lithuanian	Khrushchev	small family	average
1-room	**28 000**				**27 000**	**28 000**	**24 500**	**21 500**	**26 000**
December 2004	20 000				20 500	20 000	19 000	15 000	19 000
2-room	**37 000**				**38 000**	**34 000**	**33 000**		**35 500**
December 2004	28 000				29 500	26 500	27 000		28 000
3-room	**47 000**				**45 000**	**44 000**	**39 000**		**43 500**
December 2004	38 500				36 000	33 000	33 500		35 500
4-room									
December 2004									

Iļģuciems

	103.	104.	602.	Specproj.	467.	Lithuanian	Khrushchev	small family	average
1-room	**25 000**			**31 000**	**28 000**	**27 000**	**24 000**	**23 000**	**26 500**
December 2004	22 000			23 000	20 000	20 000	18 500	16 500	20 000
2-room	**39 000**			**40 000**	**36 000**	**36 000**	**34 000**		**37 000**
December 2004	28 000			33 000	26 000	26 000	24 000		27 500
3-room	**44 500**			**51 000**	**43 000**	**42 000**	**40 000**		**44 000**
December 2004	37 000			40 000	34 500	30 000	28 000		34 000
4-room					**49 000**				**49 000**
December 2004					39 000				39 000

Ogre

	103.	104.	602.	Specproj.	467.	Lithuanian	Khrushchev	small family	average
1-room	**18 000**		**17 500**				**15 000**		**16 500**
December 2004	14 000		13 000				11 000		12 500
2-room	**26 000**		**25 000**				**23 000**		**24 500**
December 2004	18 000		17 500				16 000		17 000
3-room	**32 000**		**28 000**				**27 000**		**29 000**
December 2004	23 000		20 500				20 000		21 000
4-room			**31 000**						**31 000**
December 2004			23 000						23 000

Jūrmala Kauguri

	103.	104.	602.	119.	467.	Lithuanian	Khrushchev	small family	average
1-room	**21 500**		**21 500**		**22 000**		**20 000**	**21 000**	**21 000**
December 2004	13 500		13 500		13 000		11 000	12 000	12 500
2-room	**27 500**		**26 500**		**28 000**		**25 000**		**27 000**
December 2004	19 000		17 500		18 500		15 500		17 500
3-room	**33 000**		**30 500**		**31 000**		**28 500**		**31 000**
December 2004	22 000		20 000		20 000		17 500		20 000
4-room	**35 500**		**32 000**		**33 000**				**33 500**
December 2004	25 000		23 500		23 000				24 000

Prices of standard apartments in Riga's housing estates and its surroundings

(as at 1st july of 2005, prices indicated in EUR)

Jūrmala Dubulti

	103.	104.	602.	119.	467.	Lithuanian	Khrushchev	small family	average
1-room	**44 000**					**38 000**	**34 000**		**38 500**
December 2004	34 000					29 000	26 000		29 500
2-room	**66 000**					**56 000**	**47 000**		**56 500**
December 2004	51 500					48 000	40 500		46 500
3-room	**79 000**					**68 000**	**60 000**		**69 000**
December 2004	62 000					59 000	52 000		57 500
4-room									
December 2004									

Salaspils

	103.	104.	602.	119.	467.	Lithuanian	Khrushchev	small family	average
1-room	**21 500**		**20 000**		**21 000**	**20 000**	**18 500**	**19 000**	**20 000**
December 2004	15 500		14 000		14 500	13 500	12 000	12 500	13 500
2-room	**31 000**		**30 500**		**30 000**	**27 000**	**25 500**		**29 000**
December 2004	21 500		20 500		20 000	18 500	17 000		19 500
3-room	**39 000**		**37 000**		**37 000**	**37 500**			**37 500**
December 2004	26 500		25 000		25 000	25 000			25 500
4-room					**41 000**				**41 000**
December 2004					29 500				29 500

Jelgava

	103.	104.	602.	119.	467.	Lithuanian	Khrushchev	small family	average
1-room	**13 500**		**13 000**		**13 000**		**12 500**	**13 000**	**13 000**
December 2004	9 500		9 000		8 500		9 000	9 000	9 000
2-room	**19 000**		**18 000**		**18 000**		**18 000**		**18 500**
December 2004	13 000		12 000		*12 000*		12 000		12 500
3-room	**21 500**		**21 000**		**22 500**		**20 000**		**21 500**
December 2004	17 000		17 000		*17 500*		15 500		17 000
4-room			**25 000**						**25 000**
December 2004			19 000						19 000

RESIDENTIAL RENTALS

There was a rise in rental prices in the first half of 2005, in line with increasing property prices. Due to the extension of the term of the "rental ceiling," the tenants in this segment have not generated changes in the overall rental market. There were comparatively smaller changes in the private house rental segment.

Apartments in the suburbs, 1-2 room apartments with partial amenities

Demand is even and comparatively high, especially at the end of summer. Rent 80-180 EUR/month.

1-3 room furnished apartments in good condition in the suburbs

One- and two-room apartments are most in demand. There is less demand for larger apartments because potential tenants choose apartments with smaller areas closer to the city centre. Rental prices in the periphery of the centre and inner suburbs may rise, since rents are currently relatively low compared with property purchase loan repayments.

Prices starting from 140 EUR/month.

Furnished apartments with quality renovation in partially restored or restored buildings in the Riga city centre

Furnished two-room apartments are the most common on the market. If rent for the apartment is above 600 EUR/month, the apartment must be qualitatively renovated with new furniture. Furnished, un-renovated apartments in average condition. On offer for 400 EUR/month. Furnished, good one-room apartments often go for the same price as two-room apartments around 400 EUR/month.

Unfurnished two-room apartments in the Riga city centre cost around the same price as furnished ones starting from 500 EUR/month There is big demand for attic-level apartments with untraditional layouts, studio type or two-room apartments in restored buildings with elevators.

Prices from 500 EUR to 1400 EUR/month (average 7-18 EUR/m²).

Furnished apartments in Riga city centre buildings with individual architectural styling, Jugendstil buildings, buildings in the quiet centre

Rents for this segment of apartments are dependent not only on the building or apartment, but also on ease of access, distance to green zones, additional available services (gym, sauna etc.) and other factors. There is demand for 3-4 room apartments of roughly 100 m² in area.

The price level has not changed significantly because supply is relatively high, which not infrequently leads to a reduction in the initial offer price of up to 50%. These types of apartments are often purchased and then rented out because they are regarded as good long-term investments that retain their value.

Prices 800-2500 EUR/month. (average 12-22 EUR/m²)

Old Riga apartments

Short term apartment rental (starting from one 24-hour period) in Old Riga is becoming more and more popular, especially for small apartments (one-room, two-room, studio-type). These types of apartments are used as seasonal accommodation, and their prices are fixed flexibly depending on the rental period (the same as for hotels), from 50 EUR/24 h, to 550 EUR/month.

Apartments further away from Old Riga are rented out short term less often, however there is still supply and demand.

Larger, three- and four-room apartments are rented out for the long-term. Prices range from 750 EUR/month to 1400 EUR/month for a 100 m² apartment with qualitative renovations and quality new furniture.

There is a limited supply of small furnished apartments. Offered prices practically do not exceed 2000 EUR/month.

Prices 500 2000 EUR/month (average 10-20 EUR/m²)

Rental of private houses

In the first half of 2005, the private house market in Latvia retained its seasonal character. Demand mostly comes from Riga apartment residents who want to spend their summer vacation near the water (in Jūrmala, other seaside towns, or near smaller lakes and rivers).

A small part of demand comes from foreign visitors and locals renting for the short and medium term, mostly for the period that their own home is being fitted out. Supply and demand remain small in Riga.

Prices:

- Jūrmala city – 1000 - 2500 EUR/month;
- Seaside residential areas, in Jūrmala, unreconstructed – 200-1000 EUR/month;
- Riga:
  New and reconstructed – 900 - 3000 EUR/month;
  Soviet and pre-war – 400 - 900 EUR/month.

FAMILY HOUSES

During the reporting period there was a trend of growth in the family house market similar to the rest of the residential market. In the first half of 2005 the private house market was relatively active, as shown by an increase in the overall number of purchase transactions.

Demand is mostly for family homes in the cheapest price categories (up to 150 000 EUR). Overall demand for private houses has declined compared with the end of 2004. A high level of supply has been maintained in Ikšķile, Ogre and Ķegums. In Riga, its surroundings and Jūrmala, total supply during the reporting period was ~650 private houses.

Riga

Demand for private houses in Riga is moderately high; while it is higher than for houses in exclusive areas, the sale period is of average duration. There is high demand for private houses in the cheaper price categories, which require reconstruction, as well as for private houses up to 100 m² with comparatively small blocks of land (up to 800 m²). The smaller the block of land, the greater the sale price per m². The smaller the land, the greater the sale price per square metre (offers in one area differ by up to 300% depending on the land area (areas up to 1 hectare)).

- Pre-war wooden and masonry buildings in poor technical condition – 60 000 - 85 000 EUR;
- Small buildings up to 100m² – 75 000 - 100 000 EUR;
- Collapsible buildings – 70 000 - 170 000 EUR;
- New private houses up to 200 m² – 150 000 - 250 000 EUR;
- New buildings in private housing estates – 90 000 - 450 000 EUR;
- Exclusive project homes with large areas and good locations – 300 000 - 900 000 (some market offers exceed 2 500 000 EUR).

Jūrmala

The private house market in Jūrmala remained active in the first half of 2005, ensuring rapid price growth for the reporting period (and notwithstanding the price increases, demand has grown). Unfortunately the official statistics for the Jūrmala real estate market are not separated from the data for Riga District; however, over the reporting period the number of transactions in Riga District has increased by ~20 %.

In contrast to the trend up to now, wherein supply mostly consisted of unreconstructed wooden buildings, over the reporting period the supply of new residential buildings has increased considerably, especially in the Melluži - Asari district behind the railway line. Other types of properties are also on offer. As in previous years, the price of unreconstructed buildings is mainly determined by the price of the land; in fact the value of the house itself is often not taken into account at all due to the high price of land in Jūrmala city (access to communications is also a contributing factor).

Prices for family houses in Jūrmala city (EUR).

- Seaside:

- Lielupe – Dubulti – 300 000 -2 500 0000 EUR;
- Dubulti – Asari – 250 000 - 1 500 000 EUR;
- Vaivari – Kauguri – 200 000 - 600 000 EUR.

- Behind the railway line:

- Lielupe – Majori – 210 000 - 750 000 EUR;
- Dubulti – Asari – 180 000 - 450 000 EUR;
- Vaivari – 160 000 - 450 000 EUR.

- Elsewhere:

- Kauguri, Jaunķemeri – 120 000 - 350 000 EUR;
- Sloka – 80 000 -210 000 EUR;
- Ķemeri – 60 000 - 120 000 EUR.

Private houses in the vicinity of Riga

Outside of Riga private house construction is active in Jūrmala and in all directions from the capital. The majority of private houses are being built in newly-established housing estates, the development of which may be hampered by stipulations necessitating planning of the area and connection to communications. Such regulations may be introduced to ensure the balanced development of an area, since the development of many estates is made complex and difficult by the lack of an overall master plan. In the event that such regulations are adopted, land prices may increase in existing and new estates since not all existing developers will be financially able to organize connection to communications, which would simultaneously lead to a reduction in competition between estate projects, and a short-term inability to meet demand for housing estates.

The main price categories:

- Existing private houses in the vicinity of Riga (outside of gardening cooperatives) 30 000 -700 000 EUR (the lowest prices within the range are for private houses in rural county territories with partial communications);
- New private houses outside of estates – 100 000 - 350 000 EUR;
- Private houses in new housing estates – 90 000 - 450 000 EUR.

Private house prices in the most active and in demand areas:

Area	Lowest price (EUR)	Highest price (EUR)
Mārupe	120 000	350 000
Babīte, Piņķi	90 000	420 000
Stopiņu county	85 000	350 000
Ķekava, Baldone	80 000	260 000
Sigulda	95 000	350 000
Ogre, Ikšķile, Ķegums	70 000	320 000
Ādaži	95 000	450 000
Garkalne, Baltezera vicinity	130 000	1 300 000

Demand has grown in gardening cooperative areas, however it is still possible to purchase houses for less than construction costs. The price level depends on the location:

- Near the sea – towards Saulkrasti, Gauja, Ādaži – 25 000 - 90 000 EUR;
- Plakanciems, towards Ķekava, Ogre – 12 000 - 35 000 EUR.

Forecast for the second half of 2005

Taking into account the increase in construction costs, an increase in prices can be forecast for individual houses, especially houses built anew in recent years. The increased cost of concrete and metal products may lead to an increase in the volume of construction of light-framed houses. The forecast is for prices and demand to rise within the city territories of Riga, Jūrmala and Sigulda, and at naturally beautiful sights.

There is the possibility of a price reduction for architecturally mediocre townhouses in areas with comparatively low land values.

Cits Mežaparks

An individual and twin house village in a pine forest.
Partial white decoration, all communications.
The land – 19 EUR/m^2 , houses starting from 78456 EUR

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

Edgars Lasevičs: 7365543, 6190123

Ezerkrasts

Private houses in Garkalne parish.
2 km from VIA Baltic,
300 m from the lake Sunīšu,
200 m to the river Lielā Jugla recreation zone, beach, sports ground.
Price 107 000Ls

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

Mārtiņš Bērziņš: 7365546, 9336627

"Mākoņu brīvdienas"

10 modern and functional holiday houses in Saka parish of Liepaja district.
Houses are equipped with modern communications (water, electricity, sewerage, telephone line, internet) that allow modern people to enjoy their free time.
300 m from the sea coast.
House 100 m^2 , land 3700 m^2
Prices starting from 170000 EUR

ARCO REAL ESTATE
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Edgars Lasevičs: 7365543, 6190123

LAND FOR PRIVATE CONSTRUCTION

In the first half of 2005 the market for individual building land continued to grow. There was increased demand and a rise in the base price in practically all land market segments. The leaders in terms of prices are blocks of land for individual building in Jūrmala prices for some blocks on the seashore and in the dune zone exceed 500 EUR/m² .

The cheapest areas for individual building in Riga District are subdivided blocks on former agricultural land. This type of land typically has poor or non-existent communications, and access roads in relatively bad condition. The price amplitude in this sector is very large, from 5 EUR/m² to an undefined ceiling.

Land prices for private building within the Riga city boundaries have grown, and in some cases are at the same level as for land prices for apartment building construction. There is still an active market for individual house land in Mārupe, Garkalne and Ādaži counties, as well as in the direction of Ķekava.

The biggest sale price per square metre is for individual building land with small areas (offers in one area differ by up to 300% depending on the land area (areas up to 1 hectare)), although such a sharp difference is not observed in transactions.

With regard to exclusive properties, overall market trends show that there is no common price level since the supply of such properties is small, and purchasers follow selective factors when making such purchases (i.e. the possible resale value is not taken into account).

Land in Riga city

Land blocks on offer in Riga city for family home construction range from 10 to 300 EUR/m2 (the most expensive properties are in Mežaparks and Ķīpsala). Within the boundaries of Riga city, land market activity has increased within the territory of Dārziņi, which is connected with the entry onto the market of relatively expensive private housing estates, however the price level is also determined by the surrounding infrastructure, which means that despite its potentially good location, the Dārziņi area will not attract a great number of buyers with funds for a comparatively long time.

Existing private house building areas with good locations, communications and landscaped surroundings Mežciems, Purvciems, Teika, Šampēteris, Mārupe have retained high price levels. The realization of the "Saulīši" estate has led to demand for building blocks in the Dreiliņi area. The supply of land within the bounds of Riga city is also significantly restricted by the presence of existing built-up areas, as a result of which there are few blocks of land available for building.

Land in the vicinity of Riga

There is high demand for land blocks for individual building in all directions around Riga city. The only areas with limited demand are the territories if existing gardening cooperatives, which means a low price level for relatively small (up to 600 m²) blocks from 3 EUR/m².

Main price level categories:

- Land in areas with developed infrastructure, close to existing built up areas and communication access points – 25 - 60 EUR/m²;
- Subdivided agricultural land or land for other purposes with poorly developed infrastructure and un-landscaped surrounding environments – 10-25 EUR/m².

Land prices by location (1200-2500 m² sized blocks):

- Jaunmārupe – 10-25 EUR/m²;
- Babīte – 15-45 EUR/m²;
- Stopiņi – 15-30 EUR/m²;
- Jaunolaine, Olaine – 8-20 EUR/m²;
- Rāmava – 15-30 EUR/m²;
- Ulbroka – 10-40 EUR/m²;
- Ādaži – 10-35 EUR/m²;
- Mārupe – 20-55 EUR/m²;
- Ķekava – 12-35 EUR/m².

Land in Jurmala city

In the first half of 2005 there was a sharp rise in land prices in Jūrmala city, driven by small supply and large demand. Offer prices for the most expensive individual building blocks have reached 500 EUR/m2.

Usage form is a major factor driving the price levels (extent of the buildings and their type).

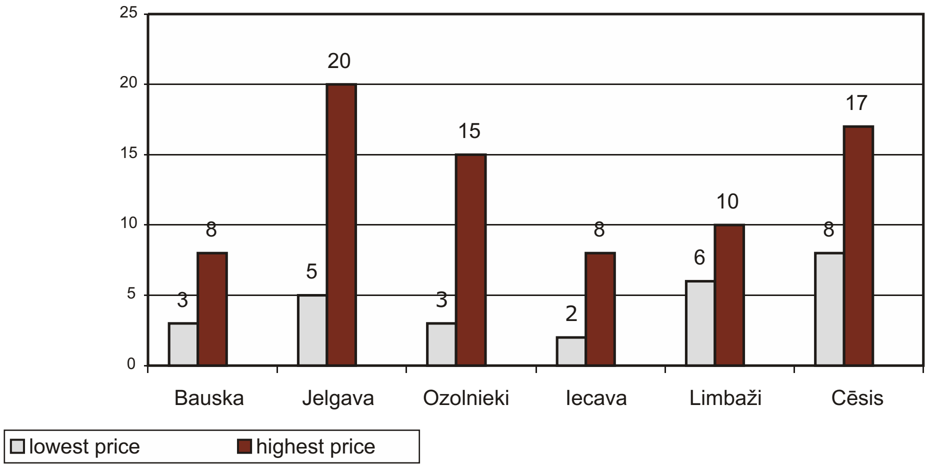
A previously un-practiced type of transaction is now being performed in Jūrmala city land is purchased, a multi-apartment building project is drawn up and processed for all required documentary approvals, and the property is then sold for a profit as a business project.

Price categories:

- Seaside:
  - Lielupe - Melluži – 250-500 EUR/m²;
  - Melluži - Asari – 200-350 EUR/m²;
  - Asari - Kauguri – 100-200 EUR/m².
- Other locations:
  - Kauguri – 30-60 EUR/m²;
  - Sloka – 25-40 EUR/m²;
  - Asari-Vaivari between the railway line and the Lielupe River – 40-80 EUR/m².

Land in regional Latvia

Growth in land prices in the regions has been dependent on overall national real estate market trends. Price range in EUR/m²:



Forecast for the second half of 2005

It is forecast that there will be an increase in land prices for individual building, especially in Mārupe, Ķekava and Babīte counties, and Jūrmala and Rīga cities. The main criteria driving the prices of land for individual building are the quality of utilities and natural factors.

“Mārsili” by lakeside of the lake Mazais Baltezers

**In pine wood,
near the lake Mazais Baltezers.
2,5 from VIA Baltic.
Parceled building plots
1220 - 1700 m².
Land with all communications
and roads.
Very good relief for building houses
and creating decorative gardens.**

Price from 49-57 EUR/m².

Guntars Leons: 7365543, 9190958

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

"Ezerlīči"

**New private house village
"Ezerlīči" in Salas parish.
50m from the Lake Babīte.
17 parceled building plots
2000-2580m².
All communications.
Price 27 EUR/m².**

Edgars Lasevičs: 7365543, 6190123

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

"Vikingi"

**Private house village
on the coast of the River Lielā Jugla,
2km from magistral Rīga-Tallina.
16 building plots,
with all communications.
Area 1389-3506m².
Price 32-37 EUR/m².**

Mârtiòð Bçrziòš: 7365546, 9336627

ARCO REAL ESTATE
NEKUSTAMĀ ĪPAŠUMA BIROJS • REAL ESTATE COMPANY
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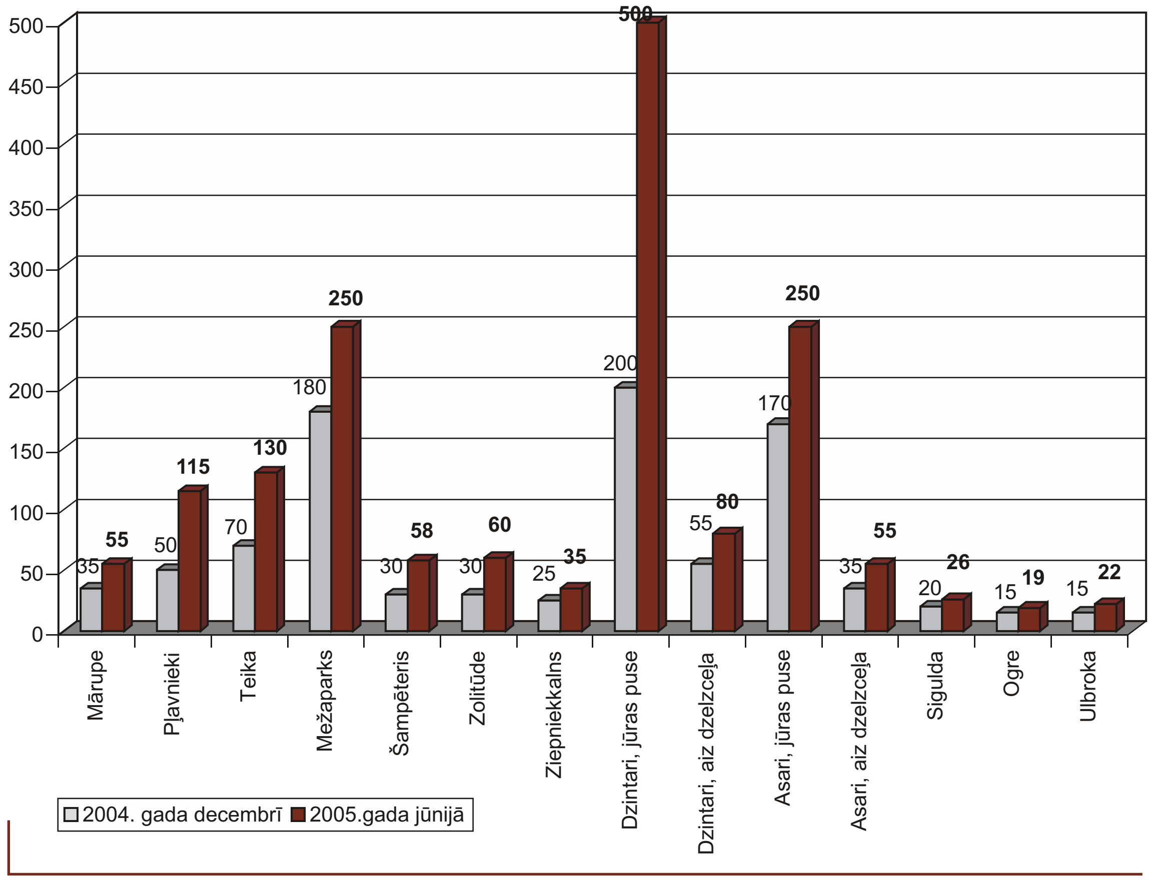
Land prices for family house construction (area 1500m²), EUR/m²

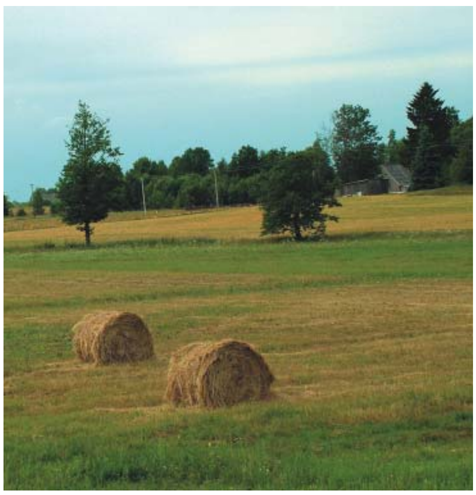


AGRICULTURAL LANDS

Supply and demand in the agricultural land sector was stable in the first half of 2005. Most of this land is being purchased with the aim of holding it as land not used for agriculture, in order to make a profit in the long-term as prices increase. Properties in this category are typified by large areas and poor infrastructure.

There are still transactions with agricultural land in order to subdivide it and modify it for individual building, however there has not been a significant increase in the number of such transactions.

- Land for agricultural usage – 250-1200 EUR/ha;
- Land for recreational purposes or household farms – 1200-3000 EUR/ha;
- Small (up to 5 ha) blocks near water in beautiful locations – 7000-14000 EUR/ha; (up to 3 ha prices up to 28500 EUR/ha);
- Agricultural land near built up areas zoned in local government plans for individual building – 20000 - 70000 EUR/ha;
- Forest land without timber stands – 120-570 EUR/ha;
- Forest land with timber stands – 250-4250 EUR/ha.



Land properties (for manufacturing and public service needs)

There has been increased demand for properties in this sector, for the construction of both office and retail and manufacturing buildings. Price levels vary greatly depending on the purpose of land usage. Demand in this sector can be divided into two categories, depending on usage purpose:

- **Land for retail and office space;**

Demand in this category is for properties with good location, close to existing infrastructure and good access. Demand comes from real estate project developers and medium and large enterprises that provide services. Demand is mostly for space near the city centre, in the Skanstes Street district, Inner Pārdaugavā, Teika, Jugla, and the K.Ulmaņa Avenue district, since the main criterion is proximity to similar types of buildings. While there has been some activity in the airport environs and the surrounding area, this territory is currently quite undeveloped compared to the great potential provided by its access and transport advantages. In the long term commercial areas can also be expected to develop near the passenger Port, which would activate the land market in this area.

- **For manufacturing and logistics/industrial park construction.**

Taking into account the rapid increase in land prices, and the rate of business development, there is a demand by manufacturers for manufacturing land (2000 10000 m2) for transferring or building factories. The development of logistics and industrial centres is still in its infancy in Latvia, and there is expected to be a rise in demand for large land tracts for developing parks providing integrated services for all types of enterprises.

Depending on location, existing structures, communications and other conditions, prices for land for commercial building during the reporting period ranged from 3 to 1000 EUR/m2.

The lower end of the price scale applies to undeveloped but large tracts of land in the Riga area for manufacturing or park development, while the upper end is for office and apartment building construction, typified by relatively small tracts, good location and all communications being accessible.

Main categories:

- Land with existing manufacturing buildings in central Riga and places with good access and high traffic intensity 100-400 EUR/m²;
- Land for manufacturing needs 3-25 EUR/m²;
- Land with manufacturing buildings in poor technical condition outside the centre 5- 200 EUR/m²;
- Land for office or apartment building construction 30-500 EUR/m² (in Old Riga up to 2500 EUR/m²);
- Land blocks between existing suburban apartment buildings – 10-200 EUR/m².

THE RETAIL SPACE MARKET

There have been no major changes in space available in the retail space market in the fist half of 2005. The development of several new shopping/ department store centres is expected in the second half of 2005/ 2006, although the plans of the shopping centre operators are unclear. Several stores in the "Mego" chain have been closed. During the reporting period the retail space market has been active, especially in regard to buying properties, which has been facilitated by favourable bank lending policies and low interest rates.

As the number of shopping centres has remained static, rents have increased in some places due to their strategic location. Rents in shopping centres for spaces up to 200m² are from 15 to 50 EUR/m², and for larger spaces from 10 EUR/m².

There is still high demand for retail space up to 100m² with a good location in central Riga. The volume of demand has led to quite rapid differentiation in rental prices depending on location. Supply is insufficient in areas with high pedestrian traffic intensity.

Demand is approximately the same for both reconstructed and un-renovated premises, reaching 50 EUR/m² for space in Old Riga and the centre, however the tenants of several retail centres in central Riga are shifting to shopping malls, since a city centre location does not always ensure sufficient pedestrian traffic, and there are parking problems.

Average rents, EUR/m²:

- Space in large shopping centres:
  - up to 30m² up to 70 EUR/m²;
  - 30-150m² – 20-50 EUR/m²;
  - above 150 m² – 10- 30 EUR/m².
- City centre:
  - central streets (Barona, Tērbatas, Čaka, Brīvības) 20-45 EUR/m²;
  - cross streets – 10-30 EUR/m²;
  - Centre periphery – 5-20 EUR/m².
- Old Riga:
  - central streets (Kaļķu, Vaļņu, Audēju) – 20-50 EUR/m²;
  - cross streets – 10-35 EUR/m².
- Suburbs:
  - Centre of suburb – 8-25 EUR/m²;
  - outside Centre of suburb – 5-15 EUR/m².

OFFICE SPACE

Fairly significant changes in the office space market could be observed in the first half of 2005. Although supply is growing, many financially capable tenants have been unable to find suitable premises to rent for a long time. There is no large, modern office space available in the city centre. There is also strong demand for small C Class offices in good locations, which is required by new companies and individually run businesses.

There is big demand for B Class space, however supply is negligible. A big increase in supply is expected in the Deglava Street and Krasta Street districts. Also, in the second half of 2005 the "Ziemeļu vārti" complex on Brīvības Street is set to open, as is other office space.

Notwithstanding changes in supply and demand, significant changes to office rent prices have not been noticed during the reporting period.

Office space rental prices in Riga:

- A Class offices	16-20 EUR/m²;
- Office space comparable to A Class or B+	12-18 EUR/m²;
- B Class office space in the centre	8-15 EUR/m²;
- C Class office space in the centre	5-9 EUR/m²;
- C Class office space outside the centre	3-7 EUR/m².

Clarification.

Article I.

Class A offices

A new or reconstructed building within the active business centre. Such a building is easily accessible by both public transport and private car. It has an adequate number of parking spaces (1 parking space for every 30-50 m2 of rented space). Modern architecture and good design, as well as high quality interior and exterior finishing materials. Open floor layout. Modern utilities, air conditioning, security and control systems, management, telecommunications services, and alternative power supply.

***B Class offices** lack one of the above mentioned criteria/ advantages. It should be noted that currently Latvia does not have very strict criteria by which offices are divided between A and B class, and B Class is also subdivided into B1 and B2 or B+ un B. Space in the centre of Riga on the 1st and 2nd floors of buildings, with good renovation and communications, are also considered as B Class.*

***C Class offices** are adapted buildings on the city fringes, often within industrial territories, with cheap finishing materials and average workmanship. The reason why an office is categorized as C Class is because it possesses one of the characteristics listed above.*

***D Class offices** are very poorly equipped offices with no modern advantages except for the space itself.*

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