



ARCO REAL ESTATE



APARTMENTS IN THE NEW PROJECTS
4th quarter | 2014

RIGA | 2015

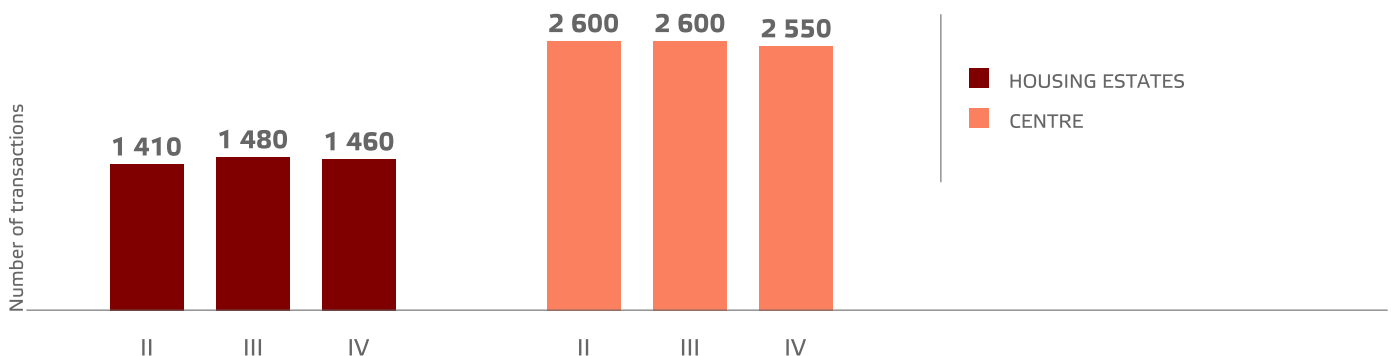
Apartments in the new projects

The average price of apartments located in the existing new projects in the housing estates of Riga in the 4th quarter of 2014 was in the position of 1 460 EUR/m² that is by 1,4 % lower than in the previous quarter. In turn, in the Riga city centre and also in such areas as Ķīpsala and Klīversala that are situated close to the city centre, the average price in the 4th quarter decreased to 2 550 EUR/m², that is by 1,9 % lower than in the previous quarter.

Together with the decrease of non-residents' interest in the purchase of real estates in Latvia that took place in the result of the amendments to the Immigration Act and the Russian rouble value reduction, the activity in the segment of new projects, which was targeted to non-residents, decreased significantly at the end of 2014. A downward price adjustment is expected in this segment, but it is currently difficult to predict the extent of such adjustment due to the rapid decline in the number of transactions.

In the segment of new projects which is targeted to local residents, the activity even increased at the end of 2014. They were apartments of the average price per square metre from 800 to 1 400 EUR/m² and the total transaction price of up to 100 000 EUR.

Price dynamics in the new projects, EUR



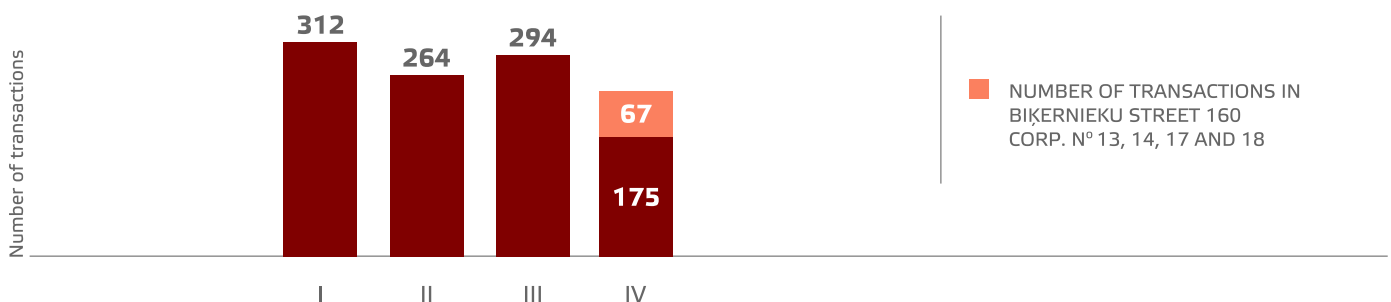
Source: ARCO REAL ESTATE

Riga housing estates

Activity in the segment of new projects located in Riga housing estates decreased at the end of 2014. Number of transactions compared to the 3rd quarter decreased by 17,7 %.

In the 4th quarter of 2014, there were registered 67 transactions with apartments in four buildings of the new project located at Biķernieku Street 160, which were commissioned in the autumn. Those transactions, most probably, took place in the form of preliminary agreements already in previous periods, however, the transactions could be finalised only in the 4th quarter after the commissioning of the buildings, registration of the apartments in the land registry and allocation of the cadastral numbers. If we do not take into account the registered transactions regarding the four commissioned buildings at Biķernieku Street 160, the number of transactions decreased by 40,5 % in the 4th quarter.

Dynamics of number of transactions with apartments in new projects located in Riga housing estates



Source: STATE LAND SERVICE

In the first three quarters of 2014, the typical price range of the new projects located in housing estates was from 800 to 1 800 EUR/m², but in the 4th quarter the number of transactions in the price range from 1 400 to 1 800 EUR/m² decreased significantly (by 59 %). In the result of this, the price range typical for the new projects located in housing estates narrowed, and in the 4th quarter it was from 800 – 1 400 EUR/m². According to the State Land Service data, this range included 75 % of the transactions with apartments of this segment that were concluded in the 4th quarter of 2014. Only 5 transactions for a price that exceeded 1 800 EUR/m² were concluded, and this was by 91 % less than in the 3rd quarter when 54 transactions were concluded in this price range.

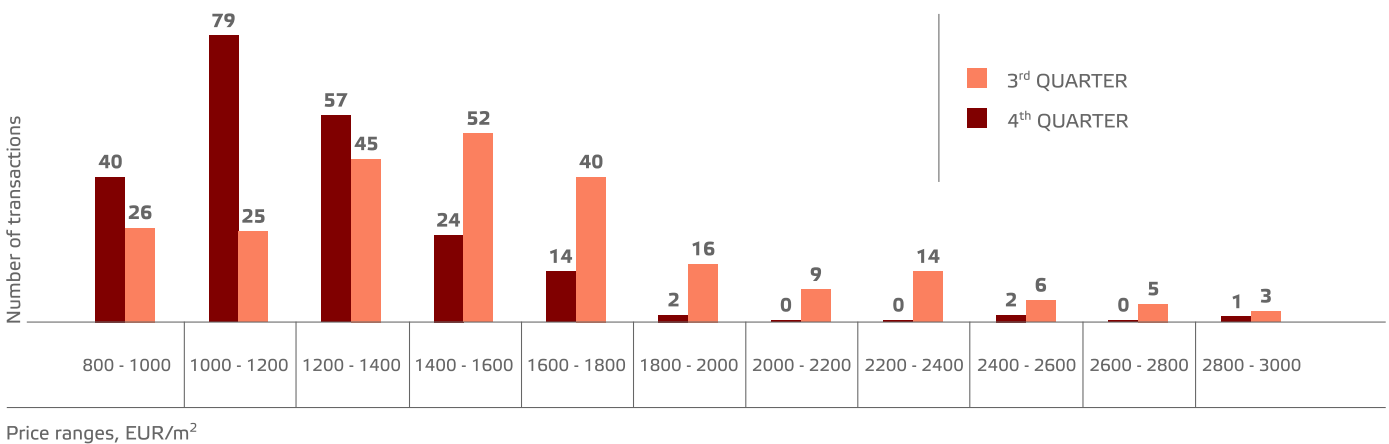
Number of transactions in the price range from 800 to 1 400 EUR/m² increased by 83 % in the 4th quarter. Last year's fourth quarter was the first full quarter since coming into effect of the amendments to the Immigration Act, when the interest of non-residents in the purchase of real estates in Latvia decreased, which led to the conclusion that just this price range is the most demand among the local population. The transaction number growth in this segment has been also caused by the already mentioned and recorded 67 transactions at Bīķernieku Street 160, where the average price was around 1 200 EUR/m².

Lower purchase amounts were observed in transactions with apartments offered with incomplete interior decoration, which needed additional investments. But higher prices were typical for new housing projects with apartments where high quality interior decoration had been used, and for apartments located in top floors of the buildings, offering picturesque views. Higher prices were also observed for apartments located in a convenient location from which it is possible to quickly and easily reach the city centre, such as apartments in the Āgenskalns new projects.

In the 4th quarter of 2014, the one square metre price range in which most transactions took place changed. In the 3rd quarter, the price range, in which most transactions with apartments in new projects located in housing estates took place, was from 1 400 to 1 600 EUR/m², but in this price range the number of transactions decreased from 52 to 24. In turn, at the end of 2014, the largest number of transactions took place in the range from 1 000 to 1 200 EUR/m².

Following the development of the overall economic situation in the country, also the local buyers' interest in apartments of new projects in Riga housing estates is growing at a moderate speed. Despite this, before making a decision, the local buyers carefully evaluate each project's technical, financial and household aspects.

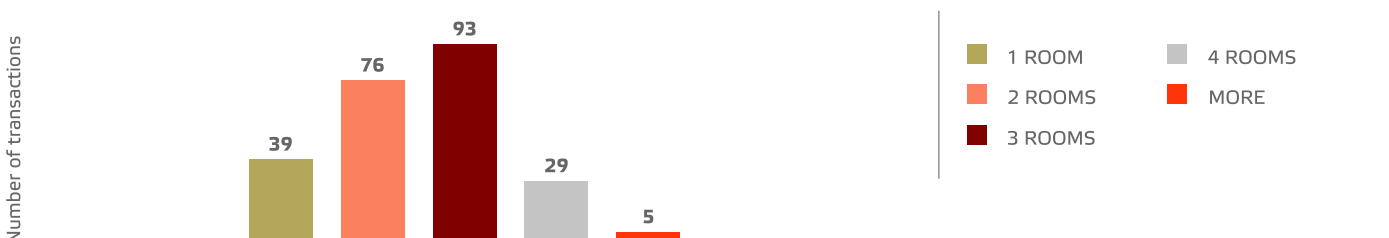
Breakdown of number of transactions by square metre price ranges in new projects located in Riga housing estates



Source: STATE LAND SERVICE

Viewing at the proportion of transactions by the number of rooms in the apartment, it is evident that the share of smaller apartments (one and two-room) and the share of larger apartments (three or more rooms) which better suit the needs of families are approximately similar.

Breakdown of number of transactions by number of rooms in an apartment in the new projects located in Riga housing estates



Source: STATE LAND SERVICE

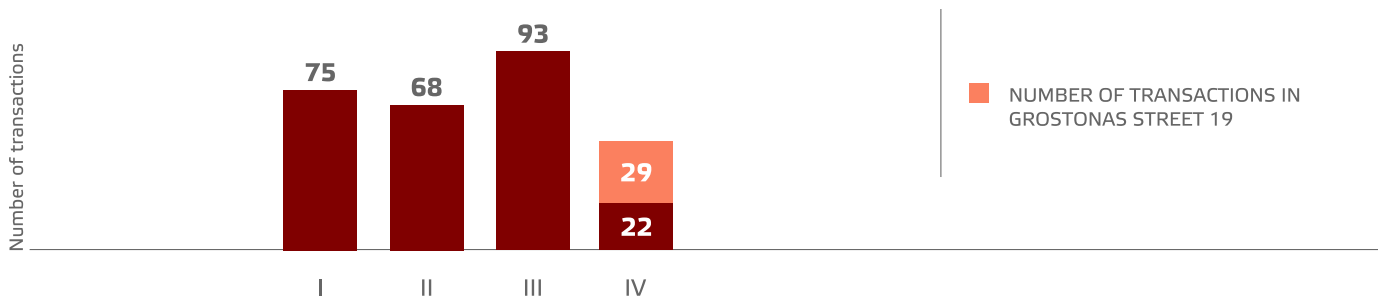


Riga City centre

Activity in the segment of new projects located in Riga City centre decreased significantly at the end of 2014. Number of transactions compared to the 3rd quarter decreased by 45,2 %.

In the 4th quarter of 2014, there were registered 29 transactions with apartments of the new project located at Grostonas Street 19, which were commissioned in the autumn. Those transactions, most probably, took place in the form of preliminary agreements already in previous periods, however, the transactions could be finalised only in the 4th quarter after the commissioning of the buildings, registration of the apartments in the land registry and allocation of the cadastral numbers. If we do not take into account the registered transactions regarding apartments at Grostonas Street 19, the number of transactions decreased by 76,3 % in the 4th quarter.

Dynamics of number of transactions with apartments in new projects located in Riga City centre



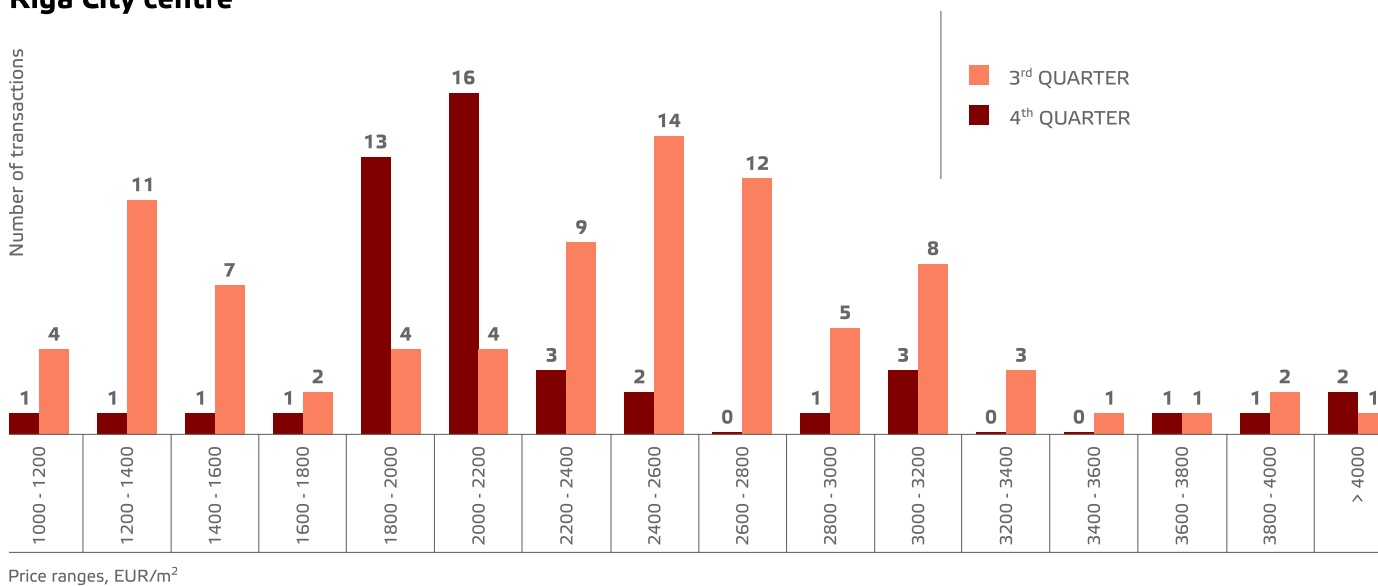
Source: STATE LAND SERVICE

The typical price range for new projects in the previous quarters was from 1 600 to 3 400 EUR/m². As evident, this range is much wider than the range of new project apartments in Riga housing estates. That can be explained by the fact that the city centre apartments have a greater difference in the quality of interior decoration materials, also, the location has a relatively greater impact on the price, as it is with the projects in the city housing estates.

Due to the small number of transactions, the previously typical price range was not typical in the 4th quarter. The big number of transaction within the price range of 1 800 – 2 200 EUR/m² can be explained by the above-mentioned situation with the apartments at Grostonas Street 19.

Transactions at lower prices were concluded with apartments located in distant parts of the Riga city centre, such as Grīziņkalns, and which were sold without full interior decoration. In contrast, the prices of new apartment projects located in exclusive places of the Riga city centre, for example, the apartments in the Ķīpsala project *Ģipša fabrika* with a view of the Daugava River, exceeded even 4 000 EUR/m², and in some cases reached even 5 000 EUR/m².

Breakdown of number of transactions by square metre price ranges in new projects located in Riga City centre

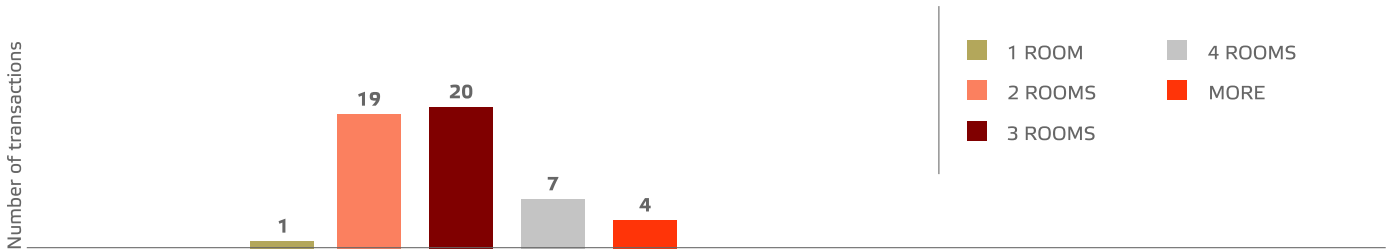


Source: STATE LAND SERVICE



Viewing at the proportion of transactions by the number of rooms in the apartment, it is evident that in the Riga city centre, in contrast to the previous quarters when smaller apartments (one and two room) were most popular, larger apartments (three or more rooms) dominated in the 4th quarter.

Breakdown of number of transactions by number of rooms in the new projects in the Riga City centre



Source: STATE LAND SERVICE

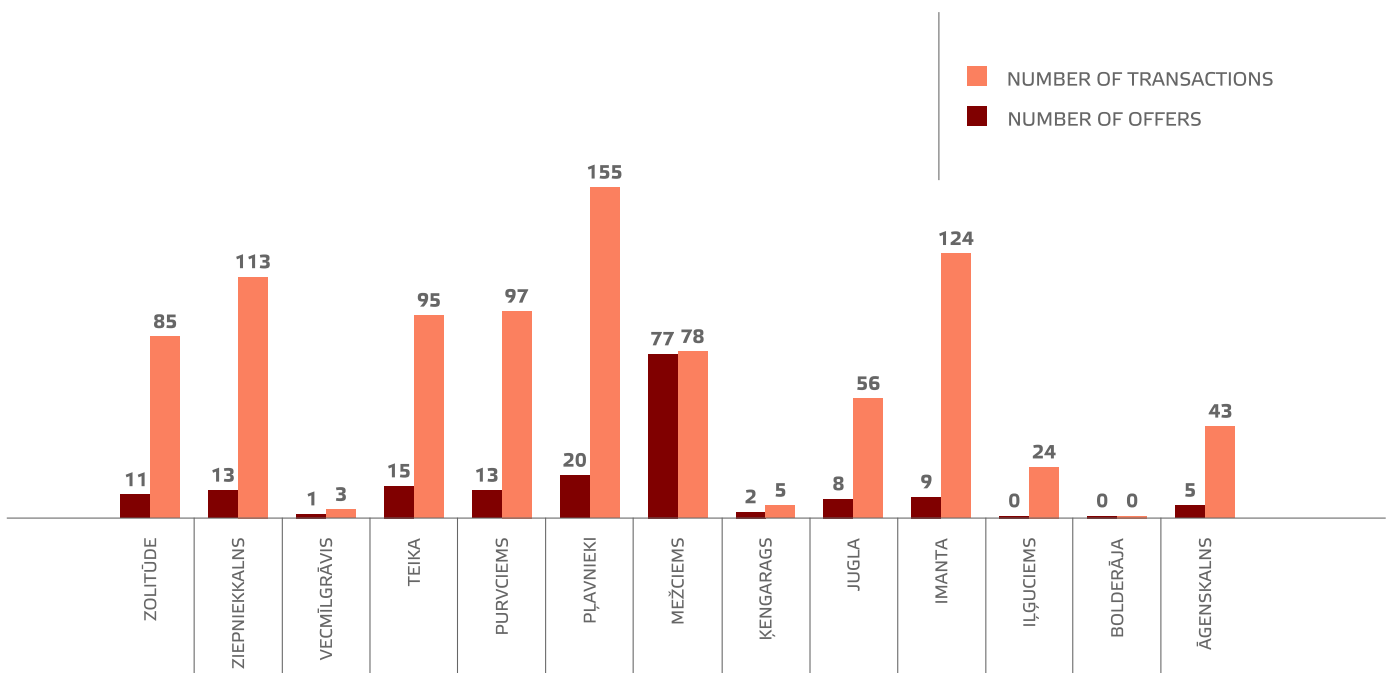
Analysis of the supply and transactions

Summing up the number of offers, the highest number of offers in new projects apartments in housing estates was seen in Pļavnieki, Imanta and Ziepniekkalns. In contrast, the smallest number of offers was observed in Ķengarags Vecmīlgrāvis, and Bolderāja. In Ķengarags and Vecmīlgrāvis, only 5 and 3 new project apartments, respectively, were offered, but in Bolderāja no such apartments were offered at all the beginning of the year.

The highest number of transactions in the 4th quarter of 2014 was recorded in such Riga housing estates as Mežciems, Teika, Purvciems and Ziepniekkalns. But the lowest number of transactions was registered in Bolderāja, Vecmīlgrāvis and Ilģuciems.

In the Riga City centre and in such areas close to the city centre as Ķīpsala and Klīversala, the whole supply of apartments in new projects accounted for around 589 apartments, of which 189 were offered on the secondary market, but around 400 free apartments were offered for sale in buildings still under construction or in newly completed buildings.

Number of new project apartments offered for sale and of transactions in Riga City



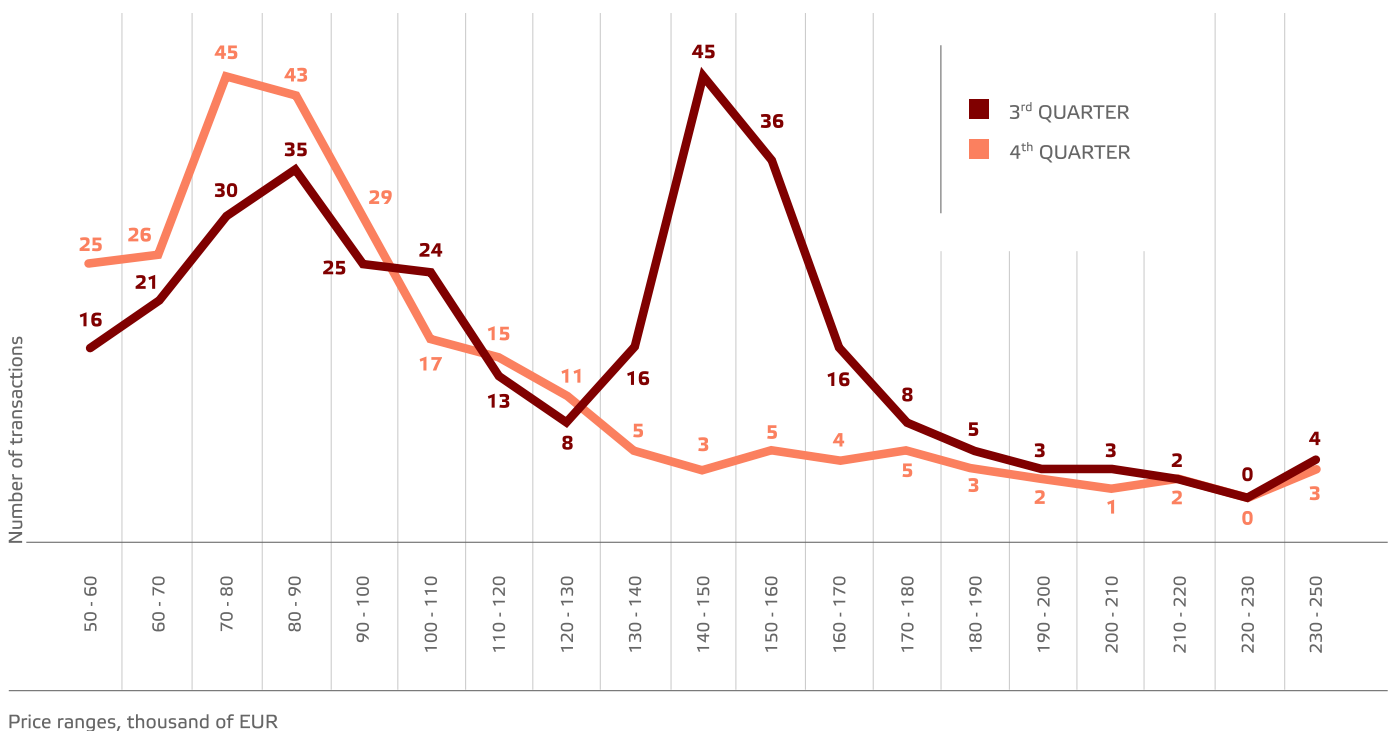
Riga housing estate

Source: STATE LAND SERVICE

As mentioned above, the fourth quarter was the first full quarter since coming into effect of the amendments to the Immigration Act. The increase of the minimum real property value required for obtaining a temporary residence permit significantly reduced the interest of non-residents in buying a property in Latvia. It is clearly seen by looking at the price range from 140 000 to 150 000 EUR, which included the minimum threshold for obtaining a temporary residence permit, before the Immigration Act amendments came into force. In this range in the 4th quarter there was no longer observed an unnaturally large number of transactions. In the price range from 140 000 to 250 000 EUR the number of transactions decreased by 77 % in 4th quarter.

The number of transactions with apartments in new projects for the price of up to 100 000 EUR, which were the most demanded among the local residents, even increased by 27 % in the 4th quarter. This amount is often referred to as a boundary beyond which the locals are rapidly losing interest in the purchase of an apartment in a new project, because they consider purchase or construction of a private house as a better alternative.

Breakdown of number of transactions by price ranges in new projects located in Riga



Source: STATE LAND SERVICE

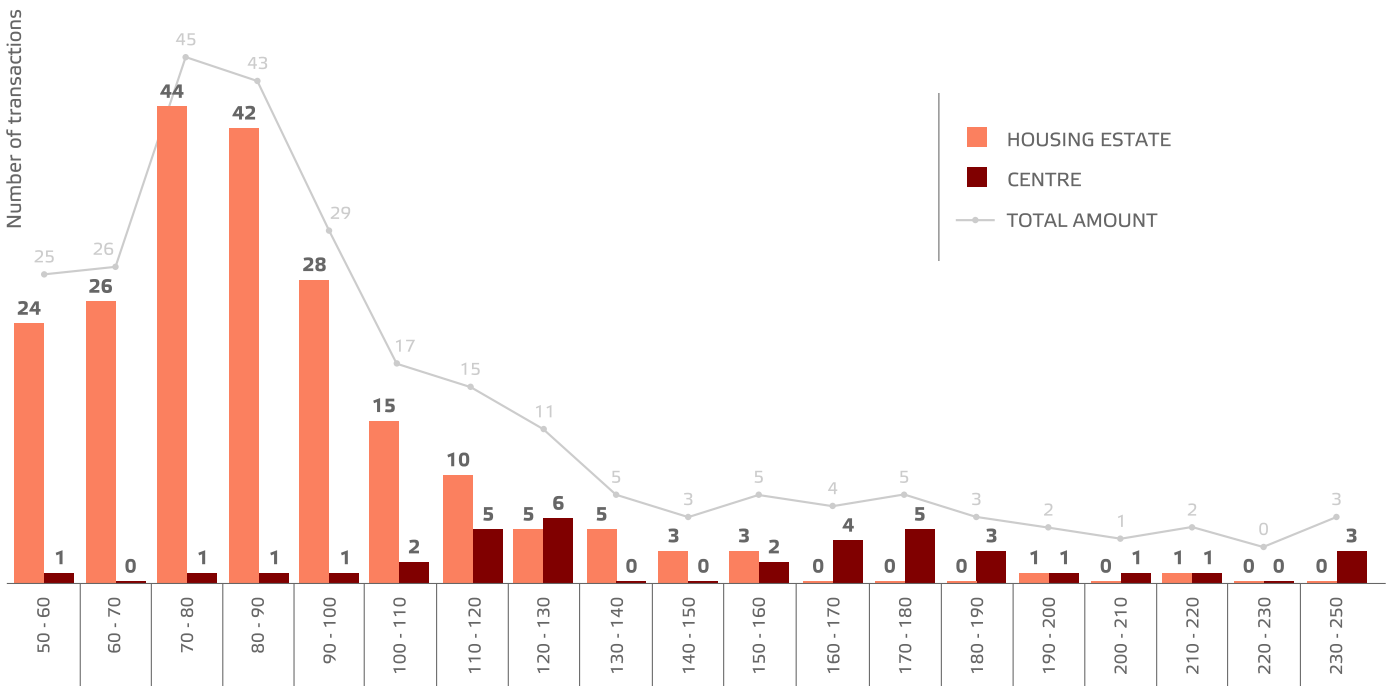
Also the number of transactions with apartments, the price of which exceeded the new minimum threshold of 250 000 EUR required for obtaining a temporary residence permit, decreases. Only 16 such transactions took place in the 4th quarter of 2014, which was by 41 % lesser than in the 3rd quarter when 27 such transactions were registered.

Number of transactions with apartments in new projects for the price exceeding 250 000 EUR



Source: STATE LAND SERVICE

**Breakdown of number of transactions by price ranges in new projects located in Riga,
4th quarter of 2014**



Price ranges, thousand of EUR

Source: STATE LAND SERVICE

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ARCO REAL ESTATE

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