



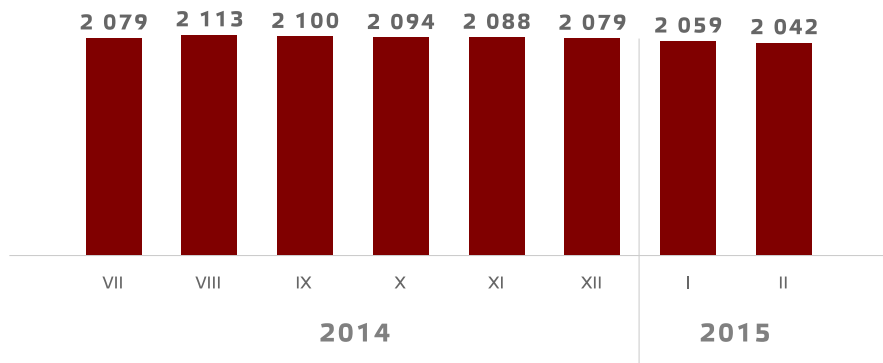
APARTMENTS IN RIGA CENTER FEBRUARY



Apartments in Rīga center

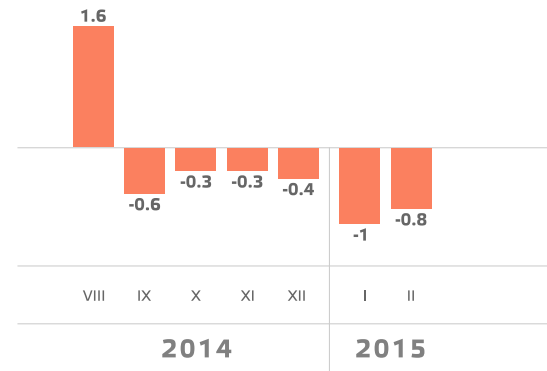
The prices of apartments located in Rīga center decreased by 0,8 % in February 2015, but the total price decrease in winter months were in amount of 2,2 %. The average price of an apartment in Rīga center decreased up to the position of 2 042 EUR/m².

Rīga center apartment average price dynamics, EUR/m²



Source: ARCO REAL ESTATE

Rīga center apartment price changes, %



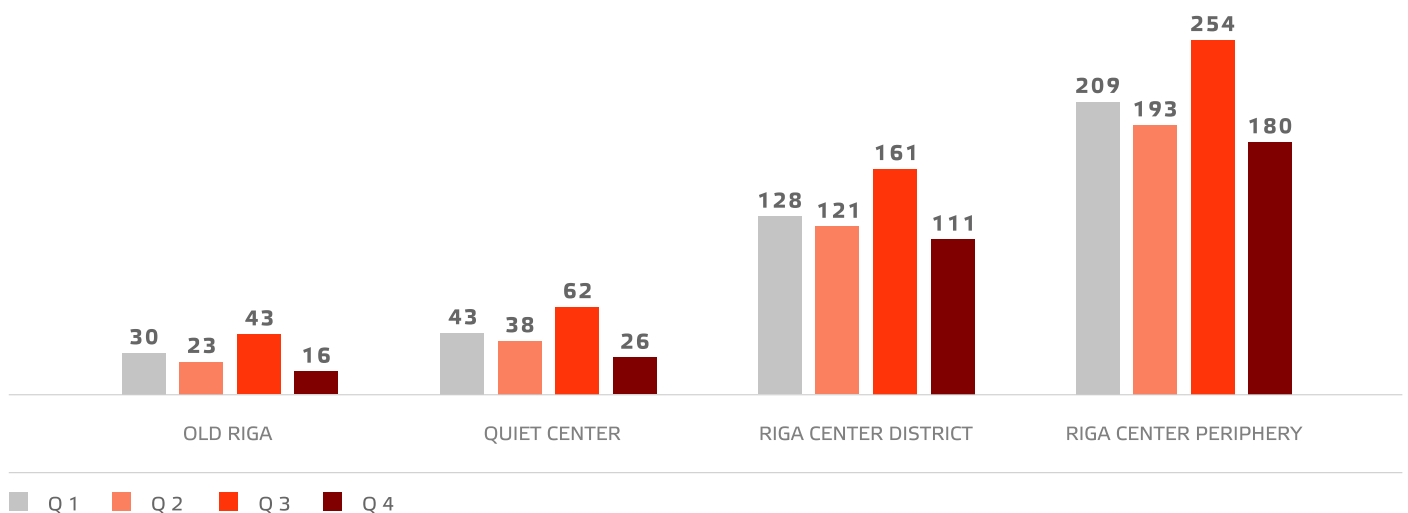
Source: ARCO REAL ESTATE

The prices of Rīga center apartments kept declining during the winter months since last September. During January and February the price drop was faster due to the offer reaction to present changes in the market, therefore more and more apartments were available on decreased prices. At the same time the biggest part of apartments kept their prices at the level of summer 2014. As a result, it was concluded that the prices varied considerably in offer for apartments of similar quality and location. Taking into account the conditions and causes for price decrease, a gradual price correction continuation is anticipated.

The reason for difference in similar apartment prices per 1 m² may be the fact that the offer amount for apartments of price 250 000 EUR increased. Accordingly, in the offers for smaller apartments that didn't reach the mentioned border, the price per 1 m² was lower than for larger apartments.

The price level decrease can be mainly explained with decrease in demand, which took place after the Immigration law amendments came into effect. As a result, the amount of those non-residents who wanted to ensure themselves with an opportunity to receive a temporary residence permission decreased, but the new 250 000 EUR minimal price level turned out to be too high.

Rīga center apartment transaction amount changes, 2014



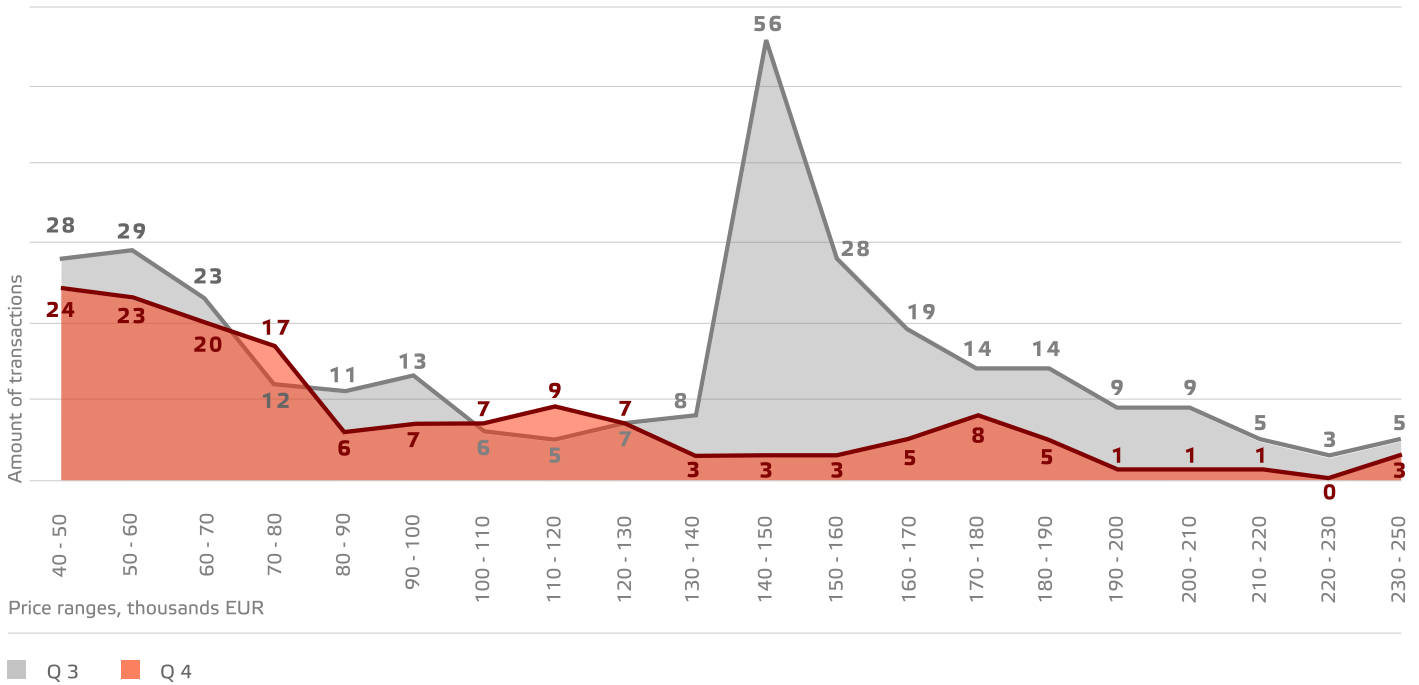
Source: STATE LAND SERVICE



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This connection is also approved by the fact that in the 4th quarter, which was the first full quarter since the Immigration law amendments came into effect, transaction amount decreased dramatically in the range from 140 000 EUR to 150 000 EUR. In this range no indistinctive amount of transactions was observed. In the 4th quarter of last year the amount of transactions for sum up to 140 000 EUR decreased just a little, i. e., per 13 %, while regarding the sum from 140 000 EUR to 250 000 EUR it decreased per 81 %.

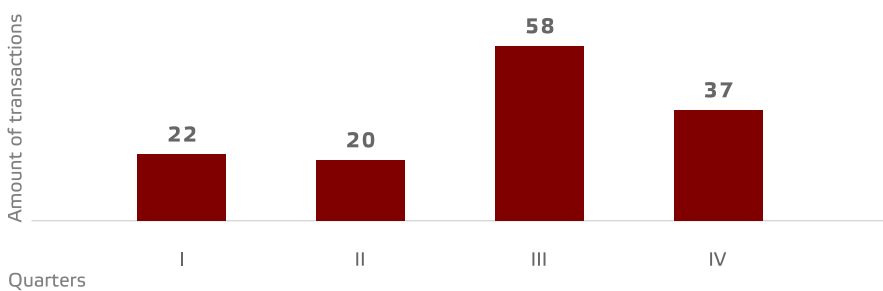
Transaction amount division per price ranges, 2014



Source: STATE LAND SERVICE

Taking into account the changes in transactions that exceeded 250 000 EUR, which is the limit for receiving a temporary residence permit since September, it can be seen that in the 4th quarter it was per 36 % lower than in the 3rd quarter. On the contrary, in comparison with the first two quarters in 2014 a transaction amount increase is found in this price segment.

Amount changes in transactions of Riga center apartments of sum above 250 000 EUR, 2014

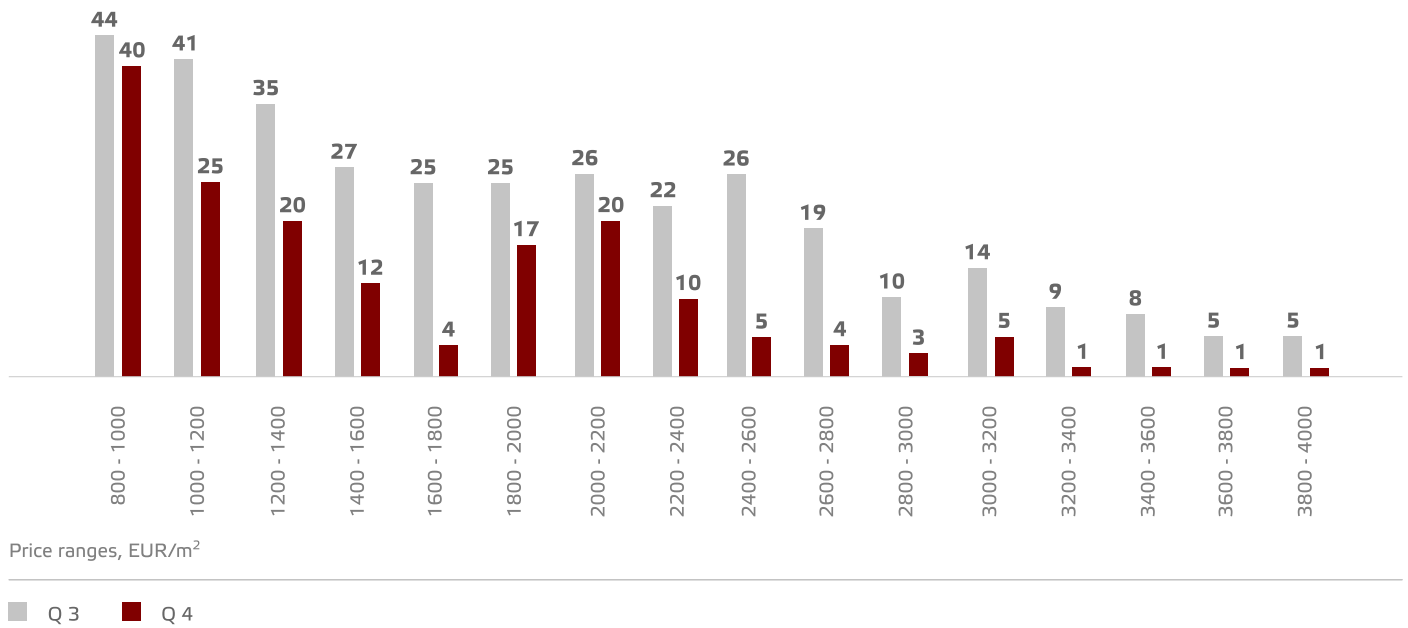


Source: STATE LAND SERVICE

A similar situation is observed taking a look at transaction changes in division of price per 1 m²: for more expensive apartments a more essential transaction amount decrease is found. In the price range from 800 to 1 800 EUR/m² the amount of transactions decreased per 41 %, in the price range from 1 800 to 3 000 EUR/m² - per 54 %, but in the price range from 3 000 to 4 000 EUR/m² - per 78 %. However, the transaction amount with Riga apartments of their price exceeding 4 000 EUR/m² was per 81 % lower, decreasing from 26 transactions up to 5 transactions in the 4th quarter.



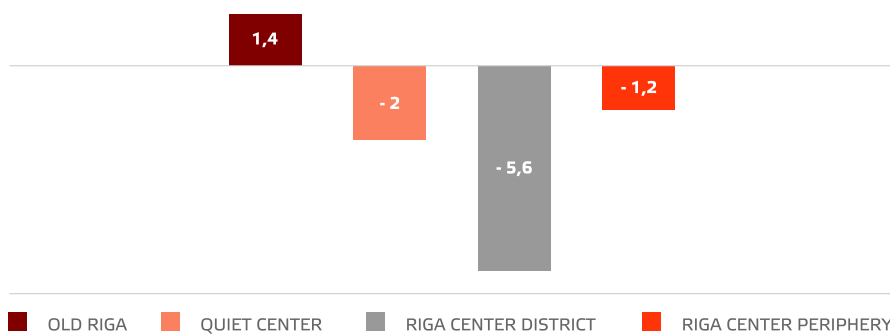
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Transaction amount division per 1 m² price ranges, 2014


Source: STATE LAND SERVICE

Comparing the price level in February with the one in July 2014, the biggest price decrease is found in the center district, as it was already anticipated, because exactly in this center part there was the biggest transaction proportion of sum that exceeded 142 300 EUR, but didn't reach 250 000 EUR. before the amendments in Immigration law came into effect.

The Old Rīga was the only center part where a price increase is observed (+1,4 %). It can be explained with the fact that a more stable demand is historically observed in this center part. Taking into account the fact that the amount of dwellings endowed with historical value was limited, the prices in Old Rīga were less subject to influence of various market conditions. As an explanation for the price increase can be mentioned the fact that a big part of Old Rīga properties reached the level of 250 000 EUR, thus Old Rīga was less subject to the influence of Immigration law amendments.

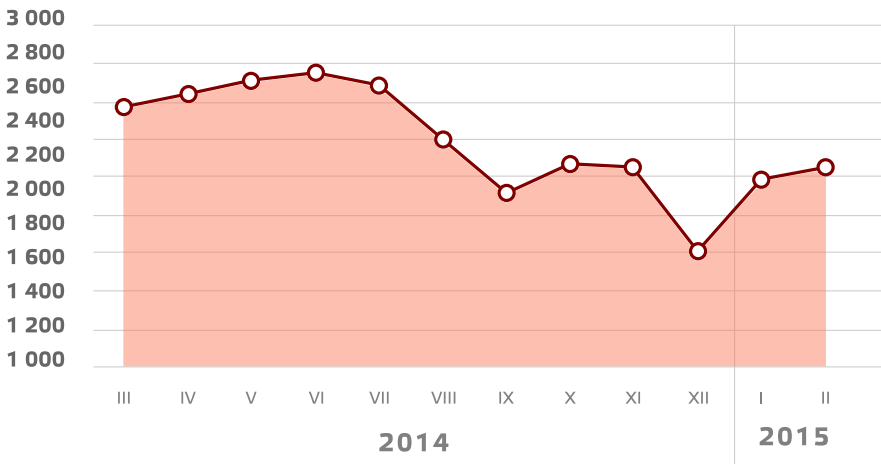
Rīga center apartment total price changes since July 2014 in accordance with location, %


Source: ARCO REAL ESTATE

Residential districts of Riga on the map


Observing the Rīga center apartment offer changes, it can be seen that after the low activity in January and February, which is a characteristics of the end of the year, the offer came back to the level of autumn months. At the beginning of 2014 also apartment offer increased regardless the non-resident interest, but as a result of the big amount of transactions taking place in this segment in July and August, it was followed by an amount decrease in August and September.

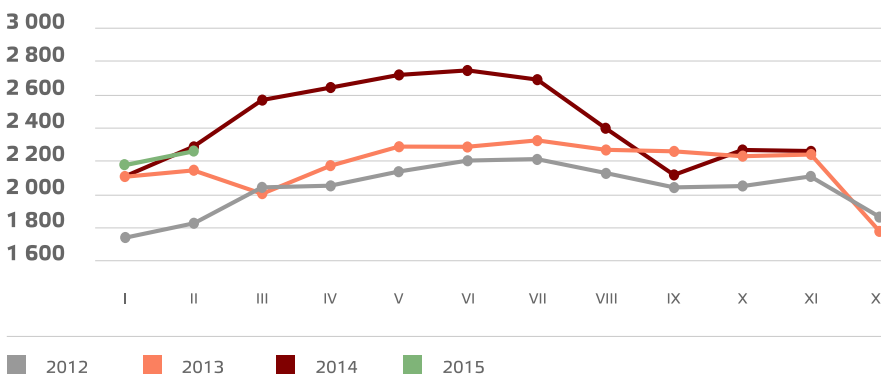
Rīga center apartment offer dynamics, 2014 - 2015



Source: ARCO REAL ESTATE

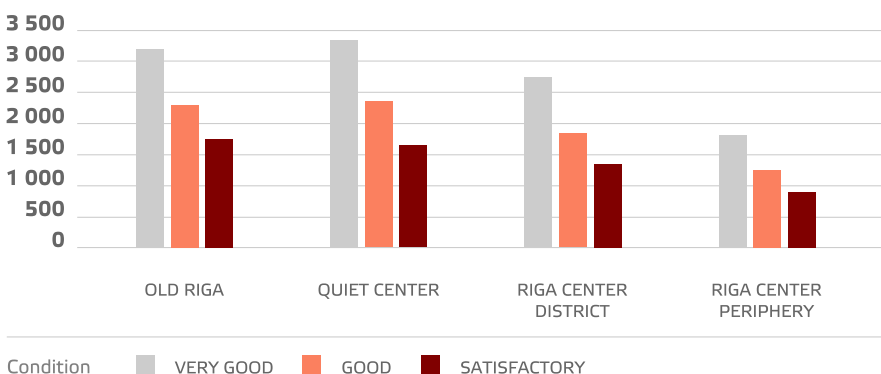
Comparing Rīga center apartment offer with the corresponding period last year, thus taking into account the seasonality, it can be seen that the offer of the first two months in 2015 in total was close to the level of previous years. In comparison with 2013, a small offer increase was observed in amount of 4 %. It is anticipated that the offer dynamics in 2015 could develop more similarly to the one observed in 2013, because the ascertained big offer in the period from March till August 2014 was largely related to the remarkable non-resident interest in Rīga center apartments.

Rīga center apartment offer dynamics, 2012 - 2015



Source: ARCO REAL ESTATE

Rīga center apartment prices per 1 m² in February, EUR/m²



Source: ARCO REAL ESTATE



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The prices in Riga center peripheries that are composed of such neighborhoods as Grīziņkalns, Avoti, Brasa and Pētersala, decreased per 1,25 % during the winter months. The average prices in February were approximately 900 EUR/m² for satisfactory condition apartments, about 1 250 EUR/m² for good condition apartments, and about 1 800 EUR/m² for apartments in a very good condition. Higher prices were typical to completely renovated buildings, e. g., 18 Ernesta Birznieka-Upīša Street, 12 Eksporta Street, and 23 Cēsu Street. The observations by ARCO REAL ESTATE show that in this center part still many transactions for lower prices for unrepaired apartments that were in a bad or critical technical condition took place. Lower prices were also observed for wooden buildings that can be often found in the neighborhood of Grīziņkalns.

In the Rīga center district (near center) apartment prices in winter months decreased per 4 %. The average prices in February were approximately 1 350 EUR/m² for satisfactory condition apartments, about 1 850 EUR/m² for good condition apartments, and about 2 750 EUR/m² for apartments in a very good condition. Higher prices were a characteristics of apartments with a high-quality decoration, which are located in Old Rīga or near parks, e. g., in the apartments in Raiņa Boulevard buildings.

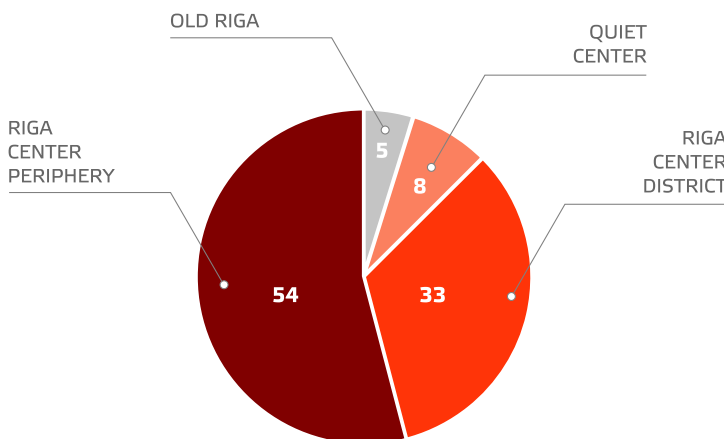
The prices for apartments in the Quiet center decreased per 3,3 % during the winter months. The average prices in February were approximately 1 650 EUR/m² for satisfactory condition apartments, about 2 350 EUR/m² for good condition apartments, and about 3 350 EUR/m² for apartments in a very good condition. As long as the price were highly influenced by the historical and architectural value, higher prices in this part were found for buildings that were in a very bad condition, e. g., at the beginning of Dzirnavu Street.

The price level of Old Rīga hadn't change during the winter months. The average prices in February were approximately 1 750 EUR/m² for satisfactory condition apartments, about 2 300 EUR/m² for good condition apartments, and about 3 200 EUR/m² for apartments in a very good condition.

Both, Quiet center and Old Rīga were characterized by the fact that the price even for similar condition apartments could differ depending on location specifics. Higher prices in this center part were typical to apartments in renovated and new buildings. Also, it must be emphasized that in Old Rīga offer there were no apartments with a simple room condition. Apartment market, based on demand, was oriented exactly to high quality apartments.

Comparing the 3rd and 4th quarter of 2014, the transaction amount proportion of total transaction amount with Riga center apartments increased in center peripheries (from 49 % to 54 %), as well as in center district (from 31 % to 33 %). The transaction amount proportion in the 4th quarter of last year decreased in Quiet center (from 12 % to 8 %) and in Old Rīga (from 8 % to 5 %).

Division of Riga center apartment transaction amount, %



Source: STATE LAND SERVICE

The capitalization rates for Riga center apartments in February 2014 in average varied from 4,1 % up to 6,7 %. A lower rate was a characteristics of apartments that are located in more prestige locations, as well as for apartments with a qualitative interior, whereas in the center periphery the capitalization rate exceeded the mark of 5 %. Several other factors are present that can essentially influence the amount of capitalization rate, e. g., either the apartment corresponds to requirements to be offered for rent to foreign students.

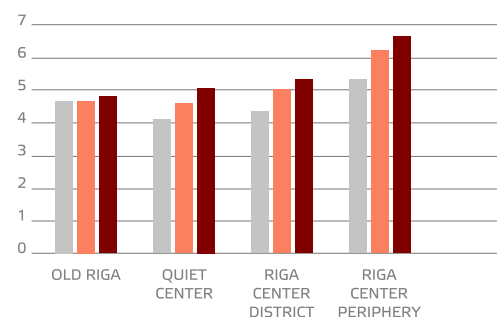
The capitalization rate

The capitalization rate shows recovery options of invested finances in a specified period of time and gaining profit for the use of property.

The capitalization rate generally includes the following factors:

- risk-free investment rate;
- compensation for risk;
- compensation for the lower liquidity compared to deposits in a credit institution or securities;
- compensation for the additional costs associated with real estate;
- corrections due to possible decrease or increase of the property value.

Approximate Riga center apartment capitalization rates in February 2014, %



Source: ARCO REAL ESTATE

ARCO REAL ESTATE is the leading real estate company of the Baltic states, founded in 1992 in Estonia, the offices are today in cities in Latvia, Estonia and Bulgaria. ARCO REAL ESTATE is listed in Tallinn Stock Exchange since June, 2007.

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ARCO REAL ESTATE

Māris Laukalējs | Member of the Board
Head of Valuation Department No. 1
maris.laukalejs@arcoreal.lv

39 Brivibas Street, Riga
LV-1010, Latvia
Phone +371 6736 5555
Fax +371 6728 4423
www.arcoreal.lv