

APARTMENTS IN THE RIGA CITY CENTRE AUGUST

Apartments in the Riga City centre

In August 2014, the prices of apartments located in the Riga City centre increased by 1.60%. The average price of an apartment located in the Riga City centre has now reached the position of 2113 EUR/m².

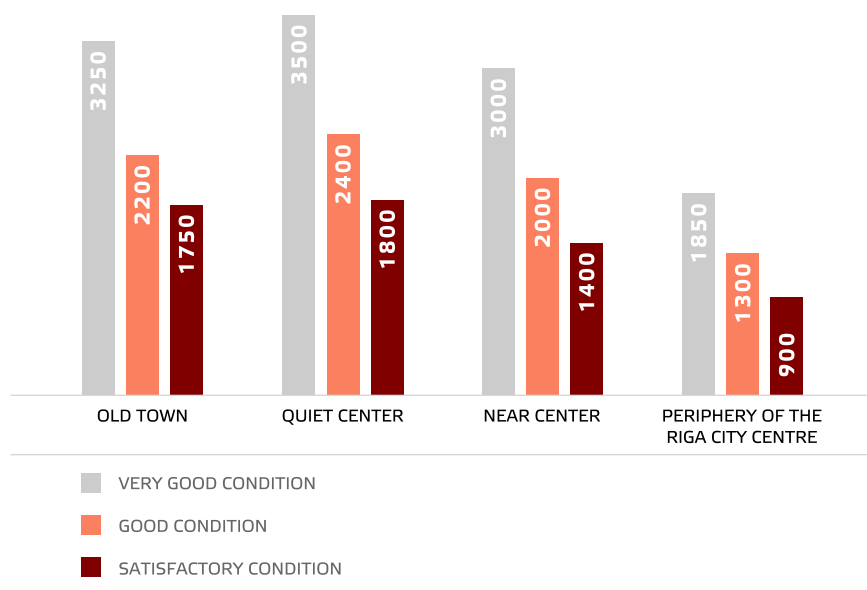
The significant increase is due to the fact that August was the last month before the date of effect of the Immigration Act amendments. Non-residents, who wanted by purchasing a real estate to secure an opportunity to obtain a temporary residence permit, could still obtain it in August by purchasing a real estate, the value of which exceeded the lower threshold of 142 300 EUR. For this reason, there was a notable rise in the demand that resulted in an increased price.

This trend was confirmed by the fact that the biggest price growth, in terms of the technical condition, was observed in respect of apartments, which were in very good condition (+2.65%). Just these residential areas were the most demanded in the non-resident sector, as most foreign nationals wish to purchase a property with a good interior decoration, ready for immediate living, without additional investment of time and finances.

As to the location, the Quiet Centre was that area of the city centre, where price increase was the biggest and which remained to be a particularly popular place among non-residents. **During the period from early August to early September, the number of apartments offered for sale in the city centre, significantly decreased, namely, by 10.7%.** This indicator was higher than the fall in the supply of apartments in the largest housing estates of Riga (-4.6%) and the overall fall in the supply of apartments in Riga (-6.5%). This can be explained both by the fact that part of the apartments disappeared from the supply as soon as they were purchased, and by the fact that in early September the owners who had offered their properties for sale in the hope that they could be purchased at an increased price by a non-resident and who did not succeed in selling the apartment at an increased price in August, removed the apartments from the supply.

Taking into account the price growth circumstances and causes, it is expected that the price growth will not last a long time, and, already from September, most likely, it is expected a gradual adjustment of prices, and the price change direction in different segments will be different. As to the apartments, which up to now met the temporary residential permit eligibility criteria, but the price of which was below EUR 200 000, it is expected that the prices will decrease, while the most expensive apartments in the future will form a new non-resident sector.

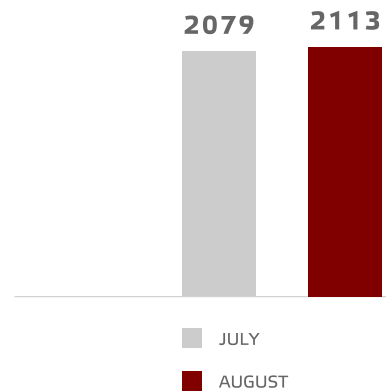
Prices of apartments located in the Riga City centre in August, EUR/m²



Source: ARCO REAL ESTATE

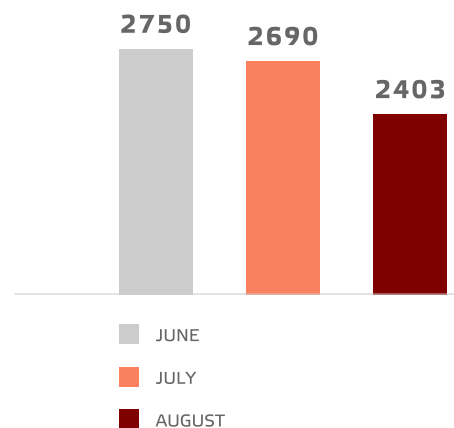


Movements of the average price of an apartment located in the Riga City centre, EUR/m²



Source: ARCO REAL ESTATE

Apartment supply changes in the Riga city center



Source: ARCO REAL ESTATE

In case of quoting or republishing, consent of ARCO REAL ESTATE is mandatory

In the periphery of the Riga city centre, which consists of such neighborhoods as Grīziņkalns, Avoti, Brasa and Pētersala, the prices increased by 1.25% in August. Average prices in August in this part of the centre was around 900 EUR/m² for apartments in satisfactory condition, and around 1350 EUR/m² for apartments in good condition, while the price of apartments in very good condition was around 1850 EUR/m². Higher prices were observed for fully renovated buildings, for example, in Ernesta Birznieka Street No. 18, Eksporta Street No. 12 and Cēsu Street No.23. In this part of the center, in August there was registered a comparatively big number of transactions at a lower price for non-renovated apartments being in poor or even critical technical condition. Lower prices were observed also for wooden buildings, which are especially common in the vicinity of Grīziņkalns.

In the Riga city centre area (the so-called Near Center) the prices increased by 1.59% in August. Average prices in August were around 1400 EUR/m² for apartments in satisfactory condition, about 2,000 EUR/m² for apartments in good condition, and around 3,000 EUR/m² for apartments in very good condition. Higher prices were characteristic for apartments with high-quality interior decoration, located close to the Old Town or to a park, for example, apartments in the buildings at Raiņa Boulevard.

In the Quiet Center prices increased by 2.67% in August. Average prices in August were around 1800 EUR/m² for apartments in satisfactory condition, around 2400 EUR/m² for apartments in good condition and around 3500 EUR/m² for apartments in very good condition. Since in this part of centre a large impact on the price is made by the building's historical and architectural value, higher prices are characteristic for restored pre-war buildings having these values. In turn, the lowest prices in this part of the centre were characteristic for buildings, which are in very poor condition, such as in the beginning of Dzirnavu Street.

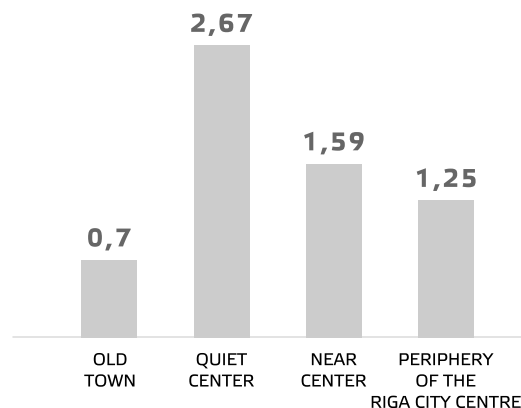
In the Old Town prices increased by 0.70% in August. Average prices in August were around 1700 EUR/m² for apartments in satisfactory condition, around 2200 EUR/m² for apartments in good condition and around 3250 EUR/m² for apartments in very good condition.

A characteristic feature of both the Old Town and the Quiet Center is that the prices of apartments being in similar condition and located in these neighborhoods can greatly differ, depending on the location specifics. Higher prices in this part of the centre are characteristic for apartments located in renovated and new buildings.

Capitalization rate* of high price level apartments located in the city centre, in August was from about 4% to 6%. A lower rate was characteristic for apartments, located in the most prestigious locations, and for apartments being in a better condition with high quality interior decoration. In turn, the capitalization rate in the periphery of the city centre exceeded 5%.

There are also several other factors that may significantly affect the capitalization rate, for example, whether the apartment meets the requirements for hiring out to foreign students.

Increase of price of 1m² of apartments in the Riga City centre in August



Source: ARCO REAL ESTATE

* 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.

ARCO REAL ESTATE is the leading real estate company of the Baltic states, founded in 1992 in Estonia, the offices are today in 19 cities in Latvia, Estonia and Bulgaria. The Group team employs approx. 250 employees. ARCO REAL ESTATE is listed in Tallinn Stock Exchange since June, 2007.

ARCO REAL ESTATE Latvia is founded in 1997 and today we are able to offer services in Riga, Saulkrasti, Jelgava, Limbazi, as well as in Liepaja and Jurmala. About 70 highly-qualified employees work in the company.

ARCO REAL ESTATE

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

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

