



MARKET OVERVIEW

Apartments in new housing projects

The first half of 2019

Apartments in new housing projects

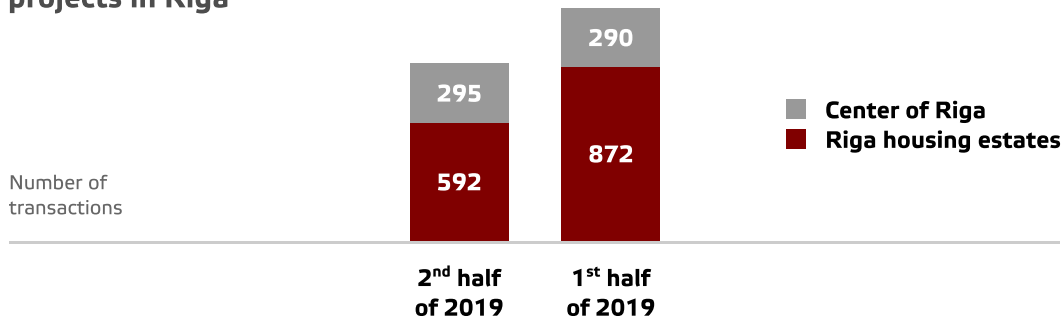
The first half of 2019

Analysis of apartment transactions in the new housing projects in Riga

In the new housing projects segment, activity increased in the first half of 2019. The number of transactions increased by 31 % compared to the first half of 2018. The increase in the number of transactions is mainly explained by the increase in activity in the Riga housing estates (+ 47 %), while the number of transactions in the centre of Riga decreased slightly (- 2 %).

+ 31 %

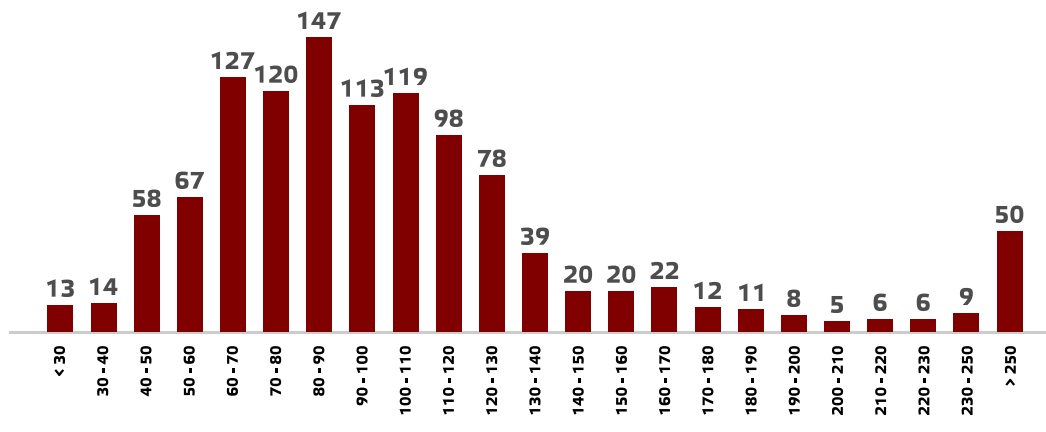
Breakdown of number of apartment transactions in the new housing projects in Riga



Source: STATE LAND SERVICE, ARCO REAL ESTATE

Analyzing the number of apartment transactions in the new housing projects in Riga in the first half of 2019, it can be concluded that most of the transactions (83 %) were in the price range from 40,000 to 130,000 euro. But the lowest number of transactions was found in the price range from 200,000 to 250,000 euro. The largest number of transactions this year was in the price range from 80,000 to 90,000 euro (in 2018, most transactions were in the range from 70,000 to 80,000 euro, but in 2017 - from 60,000 to 70,000 euro). These were mainly two or three room apartments in Riga housing estates as well as in the periphery of the centre of Riga.

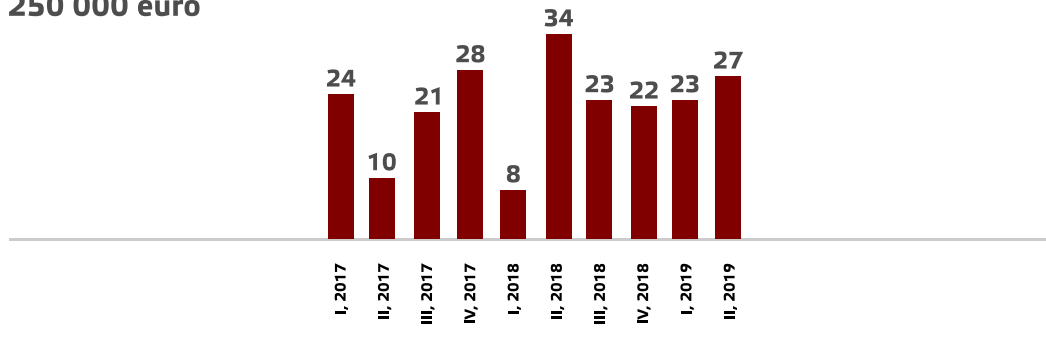
Breakdown of number of apartment transactions in the new housing projects in Riga in 2019 by price ranges



Source: STATE LAND SERVICE

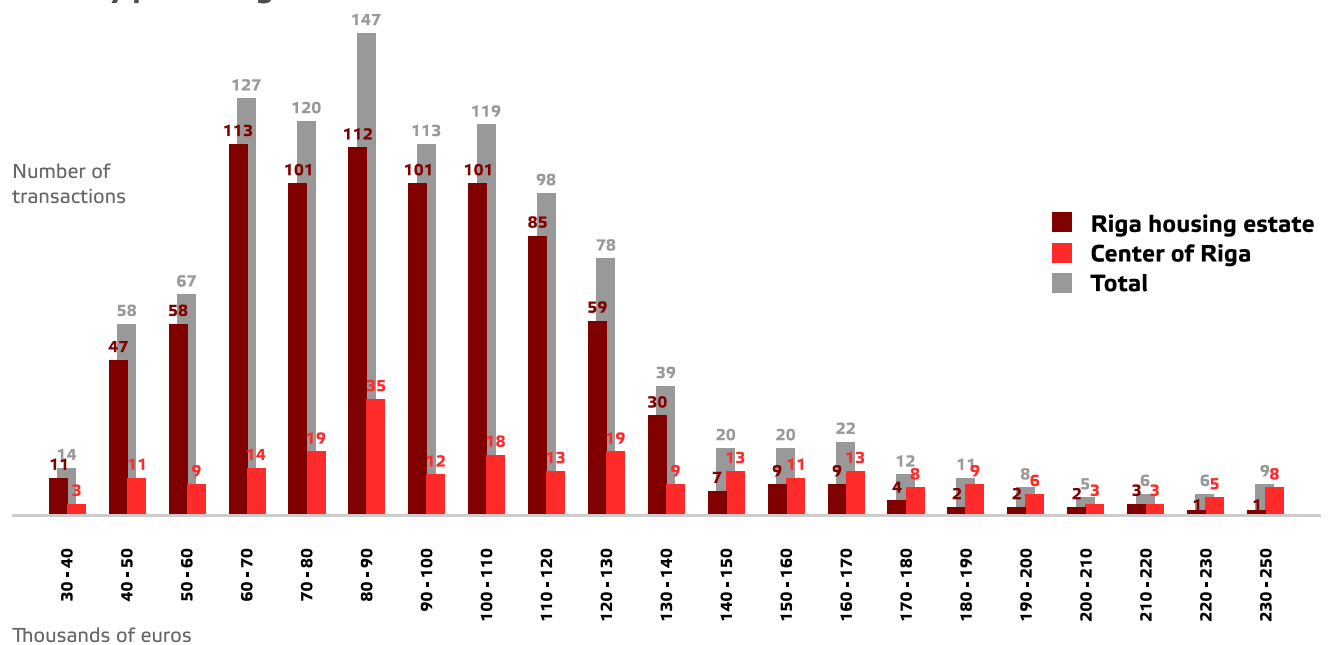
In the first half of 2019, in the new housing projects in Riga there were recorded 50 apartment transactions in total at a price that exceeded the minimum threshold for obtaining a temporary residence permit (EUR 250,000). This was by 19 % more than in 2018, when 42 transactions were recorded in total, and by 47 % more than in the first half of 2017, when 34 transactions were recorded. In this price category, more transactions were concluded in the second quarter of 2019, when 27 apartment transactions were recorded, but overall, the number of transactions has been fairly steady since mid-2018.

Number of apartment transactions in the new housing projects exceeding the amount of 250 000 euro



Source: STATE LAND SERVICE

Breakdown of number of apartment transactions in the new housing projects in Riga in 2019 by price ranges



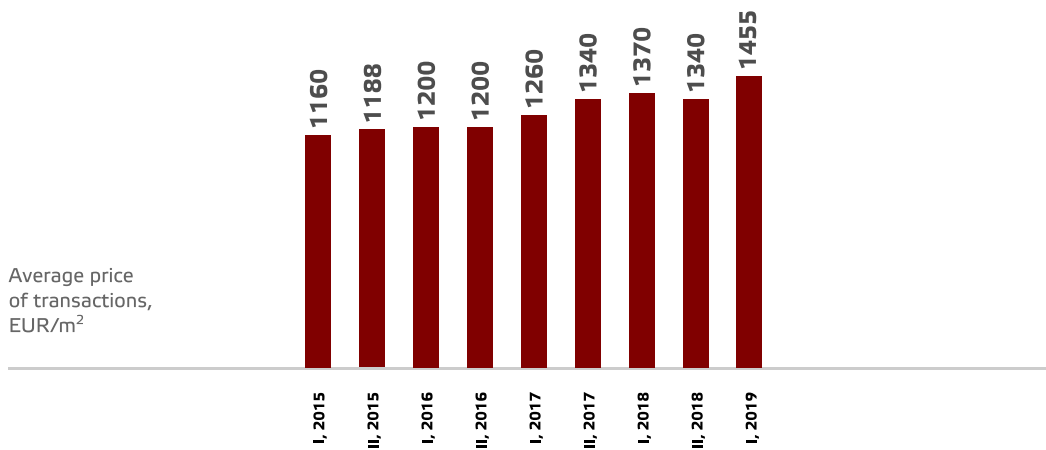
Source: STATE LAND SERVICE

New housing project apartment market in Riga housing estates

There were observed price changes in the new housing project segment of Riga housing estates in 2019. The average price of new project apartments in Riga housing estates in the first half of 2019 reached 1,455 EUR/m², thus the apartment prices in the first half of the year increased by 8.6 % compared to the second half of last year. Rapid price increases were expected after price stabilization in 2018, when they remained unchanged during the year (the average transaction price at the beginning and end of 2018 was 1,340 EUR/m²). For comparison, apartment prices in 2017 increased by 12 % in overall. A completely different situation was observed this year in the market of standard-type apartments, where the rate of increase in prices slowed down, as a result of which the prices of apartments in this segment increased only by 2 % in the first half of 2019.

**1 455
EUR/m²**

Dynamics of apartment prices in new housing projects, EUR/m²

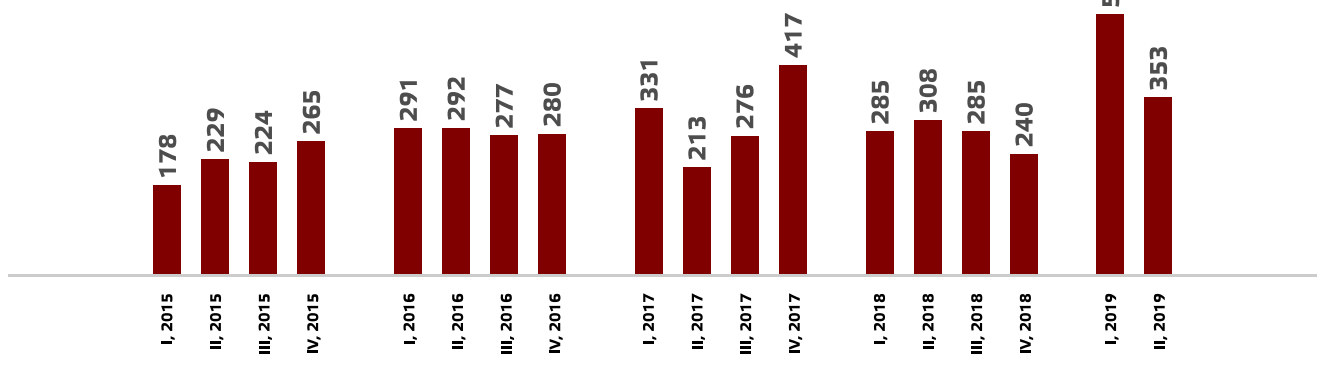


Source: ARCO REAL ESTATE

An increase in activity was observed in the new housing project market of Riga housing estates in 2019: compared to the first half of 2018, the number of apartment transactions increased by 47 % in the first half of this year. If 593 transactions were registered in the first half of 2018, then this year the total number of apartment transactions in the respective period reached 872. Of these, the highest activity was observed in the first quarter, when a total of 519 transactions were recorded, which was the highest level in the past five years. Consequently, the number of transactions in the first half of 2019 was the highest in recent years.

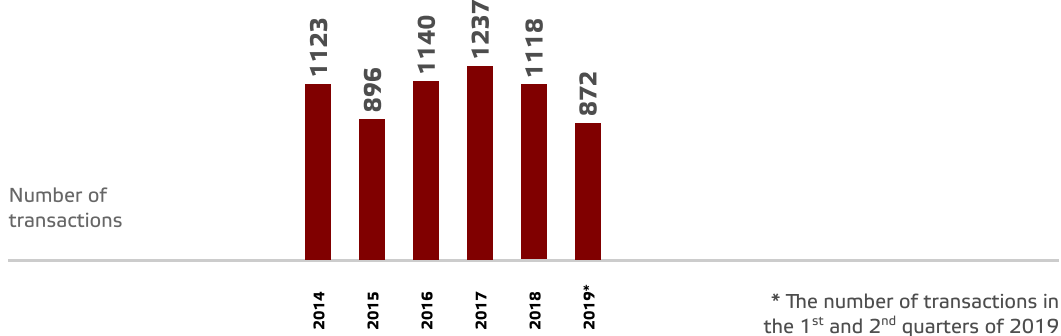
+ 66 %

Dynamics of number of apartment transactions in the Riga new housing projects in 2019 (breakdown by quarters)



Source: STATE LAND SERVICE

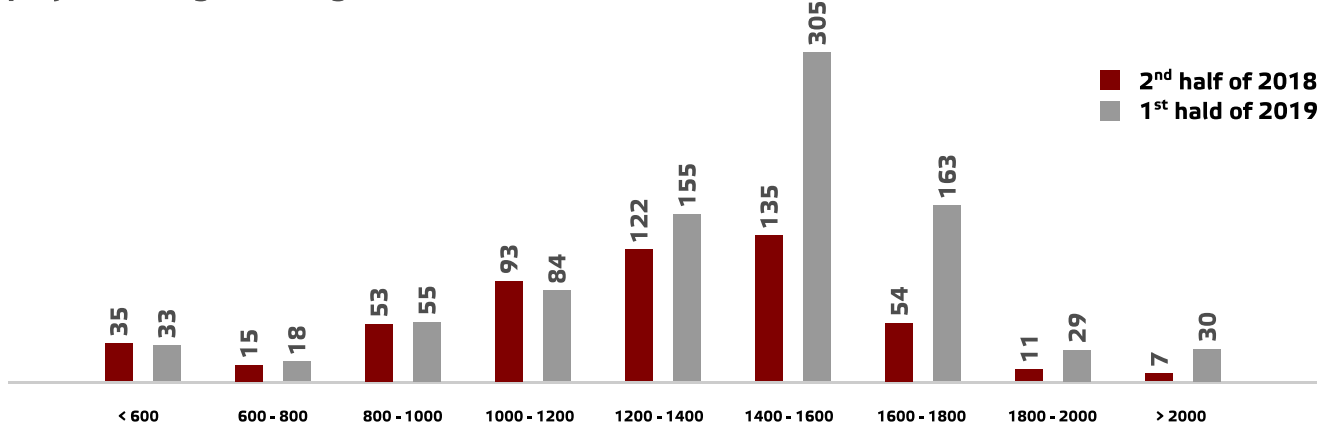
Dynamics of number of apartment transactions in new housing projects in Riga housing estates



Source: STATE LAND SERVICE

The typical price range for new projects in Riga housing estates in 2019 was 1,200 - 1,800 EUR/m². According to the State Land Service, 71 % of apartment transactions in this segment were within this range this year.

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



Source: STATE LAND SERVICE

Most deals with new project apartments in Riga housing estates in the first half of 2019 took place in the price range from 1,400 to 1,600 EUR/m². In this price category, in the first half of the year there was registered a significant increase in the number of transactions compared to the first half of last year. The share of such deals accounted for 35 % of the total number of new project apartments. In this price category, most transactions took place in the new project at 2 and 4 Stārķu Street, Riga. Compared to previous years, the price range where most transactions took place tended to increase. In 2017 and in the first half of 2018, most transactions took place at prices ranging from 1,200 to 1,400 EUR/m².

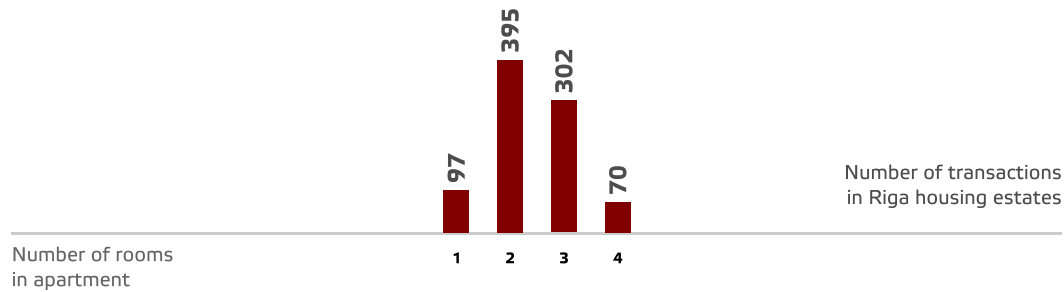
In 2019, prices of many new housing project apartment transactions in Riga housing estates exceeded 2,000 EUR/m². One of the highest apartment prices was observed in the Promenāde project at 25 and 29 Mūkusalas Street, Riga. The transaction prices there exceeded 2,000 EUR/m². In the first half of 2019, a total of 30 transactions were registered at a price above 2,000 EUR/m² and compared to 2018, the number of such transactions had increased (13 transactions). The most expensive transaction this year took place in Imanta, at 41 Anniņmuižas Boulevard, where the Solaris project is located. The price per square meter in the transaction reached 4,200 euro.

Transactions within the price range up to 800 EUR/m² were carried out with apartments without complete finishing (additional investments were required), or the prices fixed in the transactions were unlikely to fully reflect the total transaction amount. The share of such transactions accounted for 6 % of the total number of new project apartment transactions in Riga housing estates, and it tends to decrease (11 % in 2017 and 8 % in 2018). It should be noted that transactions below 800 EUR/m² were not taken into account in the average price per square meter. Apartments in new buildings at prices below 800 EUR/m² were no longer available.

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

Analyzing the ratio of the number of transactions by number of rooms in the apartment, it can be concluded that in 2019 in Riga housing districts most transactions were with two-room (45 %) and three-room (35 %) apartments. Significantly fewer transactions were made with one-room apartments (11 %) and four-room apartments (8 %). In 2018, the proportion of transactions was similar.

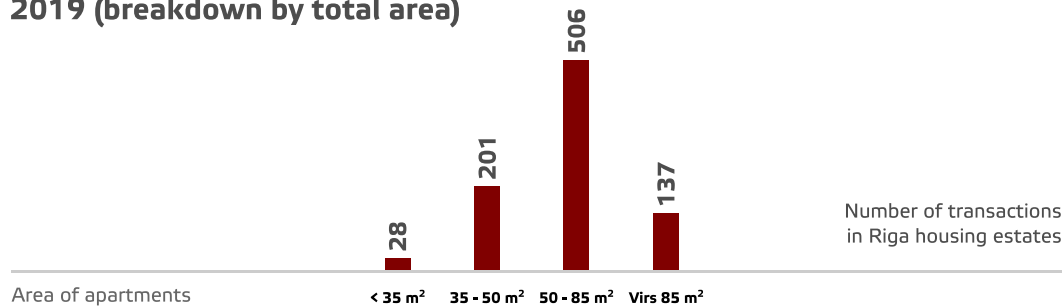
Number of transactions with apartments in new housing projects in Riga housing estates in 2019 (breakdown by number of rooms in apartment)



Source: STATE LAND SERVICE

Analyzing the apartment transactions in the new projects in Riga centre by total area, it can be concluded that, as in previous years, most transactions were with medium-sized apartments. In the first half of 2019, the most sold apartments were apartments with the area from 50 to 85 m² (506 transactions, or 58 % of the transactions in new projects in Riga housing estates). Significantly fewer transactions were with small apartments with the area from 35 to 50 m² and with large apartments over 85 m². In turn, the least sold apartments were apartments with the area of less than 35 m² (28 transactions).

Number of transactions with apartments in new housing projects in Riga housing estates in 2019 (breakdown by total area)

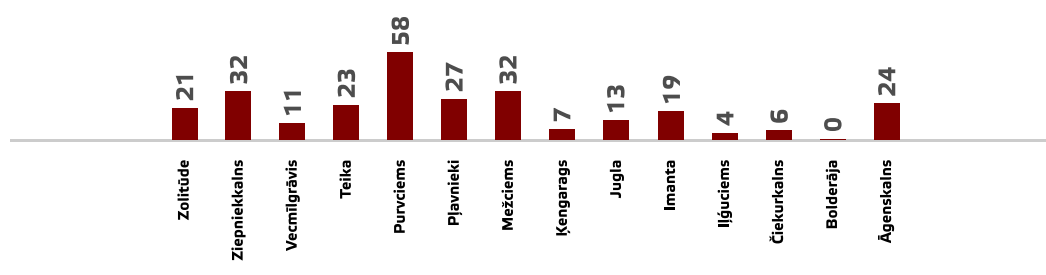


Source: STATE LAND SERVICE

Supply of apartments of new housing projects in Riga housing estates

Summing up the number of apartments offered for sale, it can be concluded that the highest supply in the new project apartment segment in mid-2019 was in Purvciems (in 2018 - in Purvciems and Imanta). There were also comparatively many apartments offered for sale in Mežciems and Ziepniekkalns. However, no new project apartment offer was found in Bolderāja.

Supply of apartments of new housing projects in Riga housing estates in mid- 2019



Source: ARCO REAL ESTATE

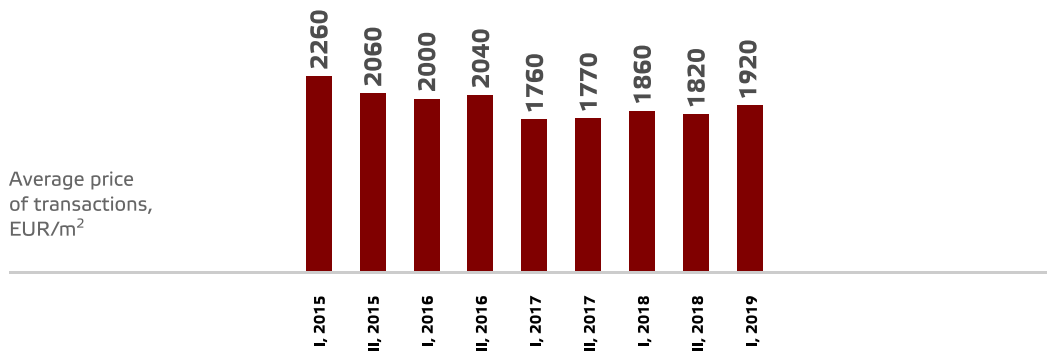
In case of quoting or republishing, consent of ARCO REAL ESTATE is mandatory.

New housing project apartment market in the centre of Riga

In the first half of 2019, the average price of new housing project transactions in the centre of Riga and in areas close to the centre, such as Ķīpsala and Klīversala, was 1,920 EUR/m². Compared to the second half of 2018, the average price of apartments in new housing projects this year increased by 5 %, reaching its highest level in the last two years.

**1 920
EUR/m²**

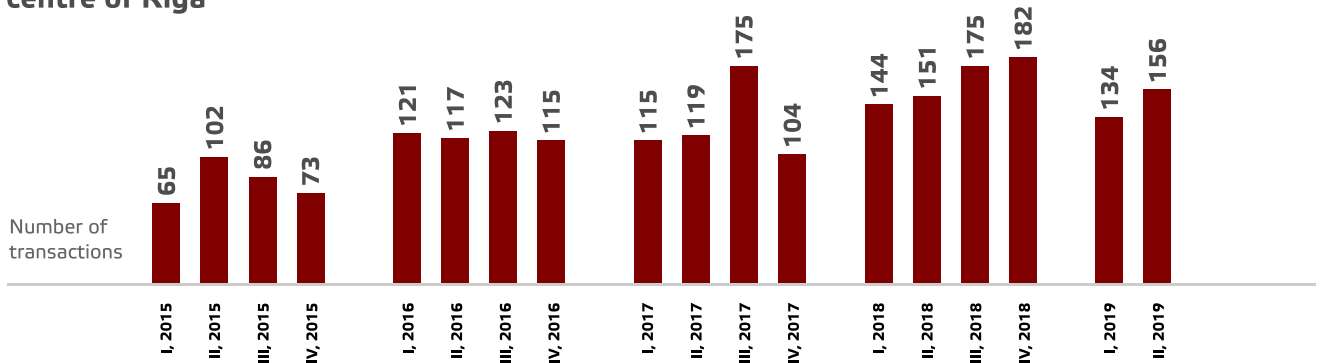
Dynamics of new housing project apartment prices, EUR/m²



Source: ARCO REAL ESTATE

In the centre of Riga and in areas close to the centre such as Ķīpsala and Klīversala, negative fluctuations were observed in the market activities of the segment of new housing projects in 2019. In the first half of 2019, there were a total of 290 apartment transactions in new projects, a decrease of 2 % compared to the first half of 2018. The richest in terms of transactions this year was the second quarter with 156 transactions, which was equivalent to the statistics for the second quarter of 2018. Compared to the second half of 2018, the number of transactions in the first half of this year was by 19 % lower.

Dynamics of the number of transactions with apartments in new housing projects in the centre of Riga



Source: STATE LAND SERVICE

Many transactions were still recorded at prices below 1000 EUR/m² (11% of the total), which is not a price specific to the centre of Riga and most likely does not reflect the fair value of the transactions. The typical price range for new projects in the centre of Riga in 2019 was from 1,400 to 2,200 EUR/m². 56% of transactions were concluded in this most typical price range of Riga centre. The most popular in this price range was the project at 86 Tallinas Street, Riga, where relatively more transactions were registered in a fully renovated building, and at 14 and 16 Sermuļņu Street, Riga (Pētersala, close to Riga Quiet Centre), where 21 transactions took place in 2019, mostly with two and three room apartments (average area of an apartment – 56 m²).

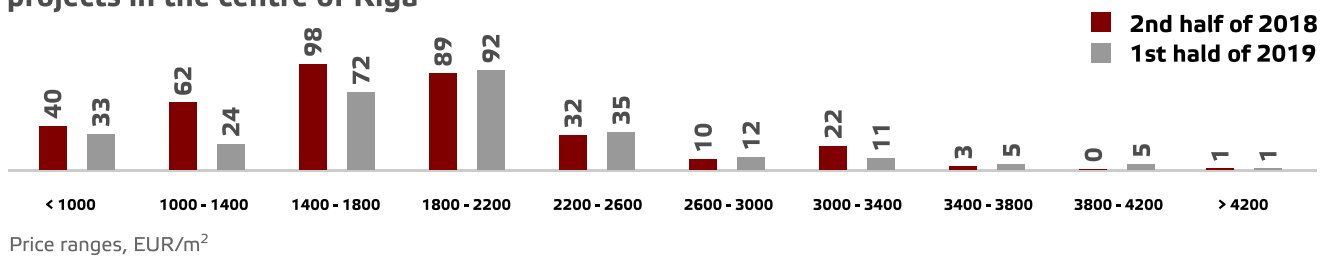
A relatively large number of transactions took place in the price range from 2,200 to 2,600 EUR/m². In this price category most transactions took place in a completely renovated building at 13 Lāčplēša Street, Riga.

In the price category above 2 600 EUR/m², the number of transactions decreased significantly.

In the first half of 2019, a relatively large number of transactions took place also in the price range from 1,000 to 1,400 EUR/m²: in this price category, apartments were sold in lesser-known new or fully renovated buildings in the outskirts of Riga city centre. This price range included 8% of all downtown apartment deals. Most transactions took place in the new apartment building Miera Park House at 57a Miera Street, Riga, where several large-area apartments were sold.

At a price above 4,000 EUR/m², five transactions were registered in the first half of 2019. The most expensive transaction was registered at Klīversala, 28 Kuģu Street, for almost 4,200 EUR/m². For comparison: in 2018, six transactions were concluded in new or reconstructed buildings in the centre of Riga at a price above 4,000 EUR/m², while in 2017 - only three transactions.

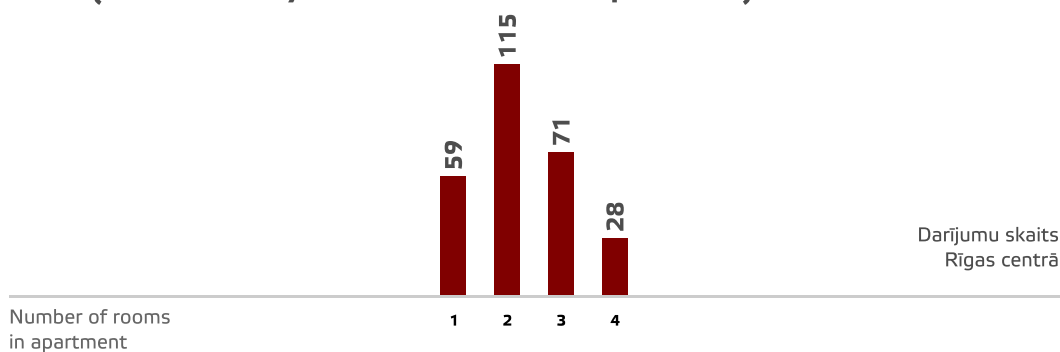
Breakdown of number of transactions by square metre price ranges in the new housing projects in the centre of Riga



Source: STATE LAND SERVICE

Analyzing the proportion of transactions by number of rooms, one can see that in the centre of Riga in the first half of 2019 two-room apartments dominated (40 %). Quite a lot of transactions were done with three-room (24 %) and one-room (20 %) apartments. Four-room apartments were sold the least (10 %). For comparison: in 2018, the highest number of transactions was with two-room apartments (41 %).

Number of transactions with apartments in new housing projects in the centre of Riga in 2019 (breakdown by number of rooms in apartment)

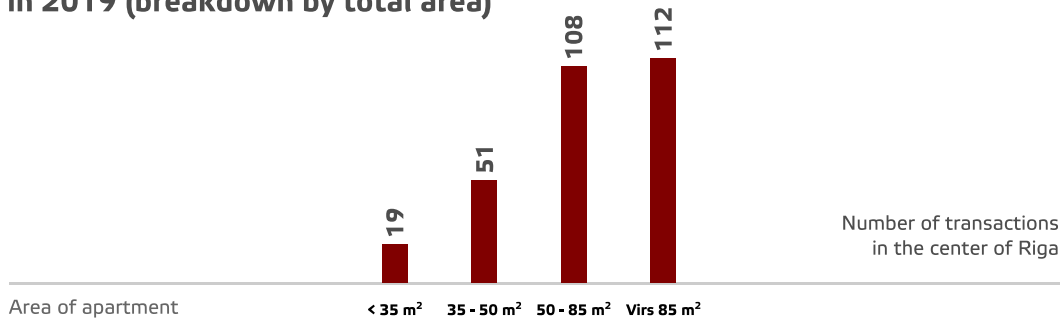


Source: STATE LAND SERVICE

Analyzing the apartment transactions in the new projects in the centre of Riga by the total floor area, it can be concluded that, unlike the housing estates, in 2019 the largest number of transactions was with large-area apartments. In the first half of this year, apartments with the area of more than 85 m² were sold the most (112 transactions or 39 % of the total number of new project apartments in the centre of Riga). A proportionally large number of transactions took place with apartments with an area of 50 - 85 m² (108 transactions or 37 % of the total number of transactions in new projects in the centre of Riga).

In the first half of the year, there were significantly fewer transactions with small-sized apartments, i. e., between 35 and 50 m² (51 transactions or 18 % of the total number of new project apartments in the centre of Riga). Apartments with the area of less than 35 m² were sold the least (6 % of the number of new project apartment transactions in the centre of Riga). The number of deals with exclusive large-area apartments of more than 200 m² continued to grow. A total of six apartments were sold in 2017, 16 in 2018, and 17 in the first half of 2019.

Number of transactions with apartments in new housing projects in the centre of Riga in 2019 (breakdown by total area)



Source: STATE LAND SERVICE

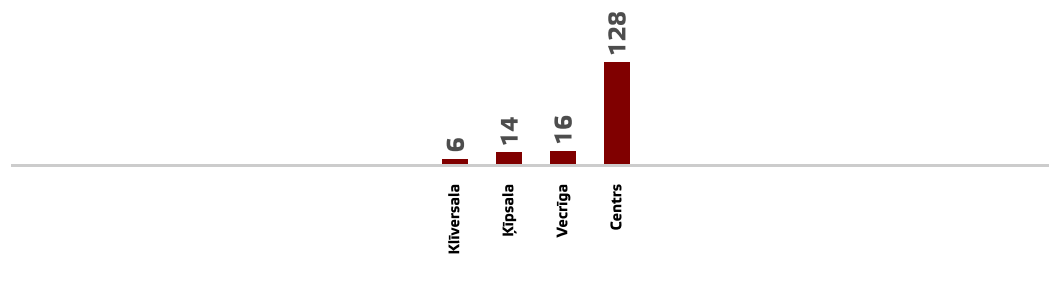
Supply of apartments of new housing projects in the centre of Riga

By mid-2019, there were around 164 new project apartment offerings in the centre of Riga and its neighbourhoods such as Ķīpsala and Klīversala. The volume of supply decreased by 6% compared to the end of 2018. In mid-2019, the lowest supply was observed in Klīversala. The number of offers in the Old Town was also significantly lower compared to previous years.



- 6 %

Supply of apartments of new housing projects in the centre of Riga in mid- 2019



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. ARCO REAL ESTATE Latvia is founded in 1997 and today we are able to offer services in Rīga, Jūrmala, Saulkrasti, Daugavpils, Jelgava as well as in Limbaži and Liepāja. More than 80 highly-qualified employees work in the company.

Māris Laukalējs | Member of the Board
 Head of Valuation Department No. 1

maris.laukalejs@arcoreal.lv
 5a Blaumaņa Street, Rīga
 LV-1011, Latvia
 Phone +371 6736 5555
 www.arcoreal.lv



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