



ARCO REAL ESTATE



NEW RESIDENTIAL PROJECTS
3rd quarter

RIGA | 2014

Apartments in the new projects

The average price of apartments located in the existing new projects in the housing estates of Riga in the 3rd quarter was in the position of 1480 EUR/m² that is by 5% higher 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 3rd quarter amounted to 2600 EUR/m².

In September – along with the date of effect of the Immigration Act amendments - the number of transactions with apartments in the new projects decreased dramatically. Only 51 transactions took place in Riga, which is the lowest indicator during the last 2 years since September 2012. A similar tendency was also observed in Jūrmala, where the number of transactions with apartments in new projects was 56 transactions in July and 51 in August, respectively, but in September only 12 such transactions took place. Also, the number of transactions with apartments, the price of which exceeded 250 000 EUR, which is the new minimum threshold for obtaining temporary residence permits, was reduced.

Riga housing estates

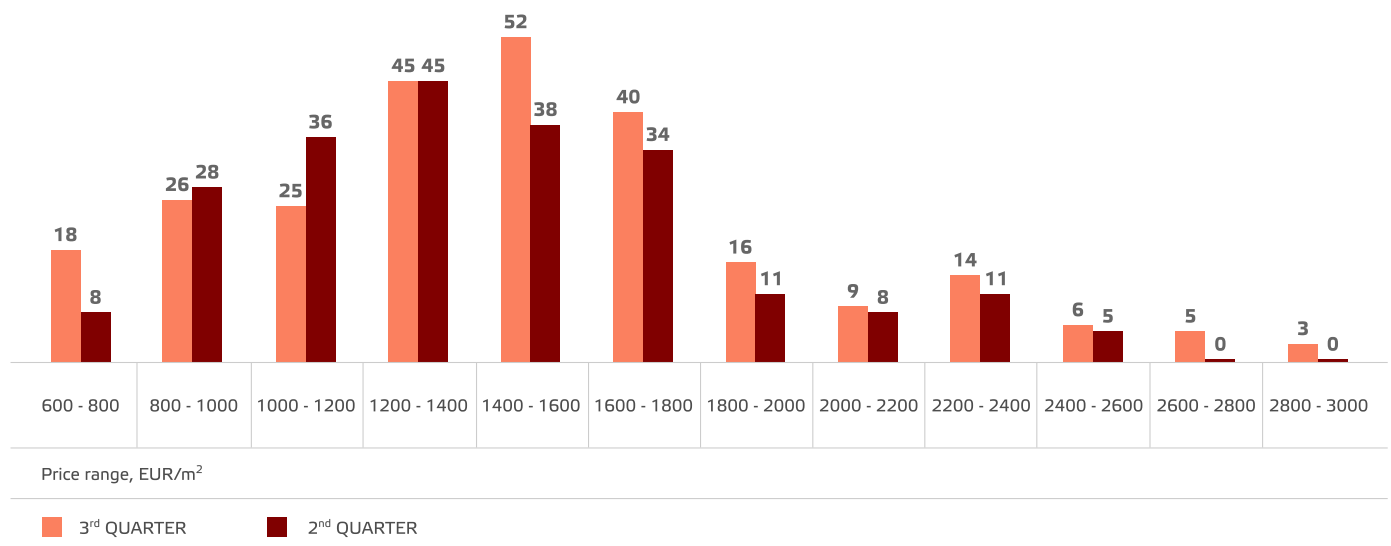
It is observed that the average price range of the new projects in the housing estates of Riga was from 800 to 1800 EUR/m². According to the data of the State Land Service (SLS), this price range covered more than 69% of the transactions that took place in this segment in the third quarter and that is less than in the 2nd quarter of 2014, when this indicator was 81%.

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 the Āgenskalns new projects.

In the 3rd quarter of 2014, the one square metre price range in which most transactions took place changed. In the 2nd quarter, the price range in which 45 transactions took place was from 1200 to 1400 EUR/m²; the same number of transactions took place in this range in the 3rd quarter. In turn, in the third quarter of 2014, the largest number of transactions with the new projects in the housing estates of Riga took place in the range from 1400 to 1600 EUR/m², where the number of transactions increased from 38 to 52. Having reviewed the transaction data it is evident that in the price range of up to 1400 EUR/m² the number of transactions both increased and decreased, while in the price ranges above 1400 EUR/m², only increase of the number of transactions was observed.

Following the development of the overall economic situation in the country, also the local buyer's 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. Due to this, it is also observed that selling results of originally seemingly similar new projects may be very different.

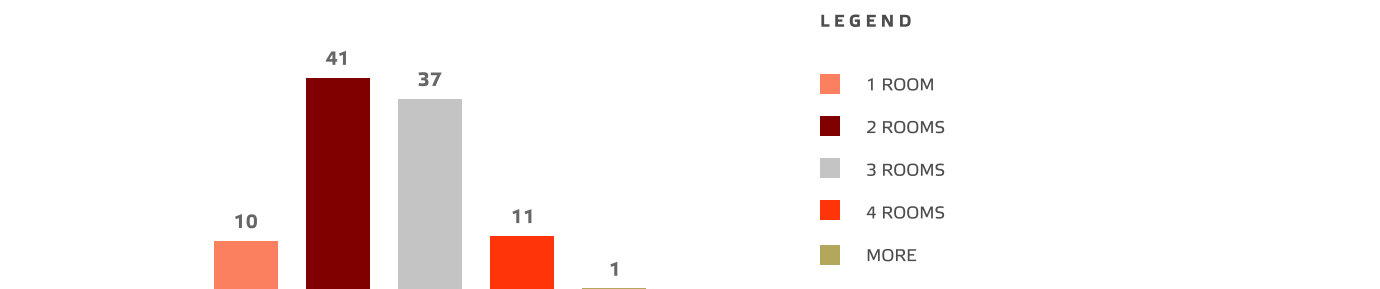
Breakdown of number of transactions by 1m² price ranges in new projects located in Riga housing estates



Source: SLS data

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: SLS data

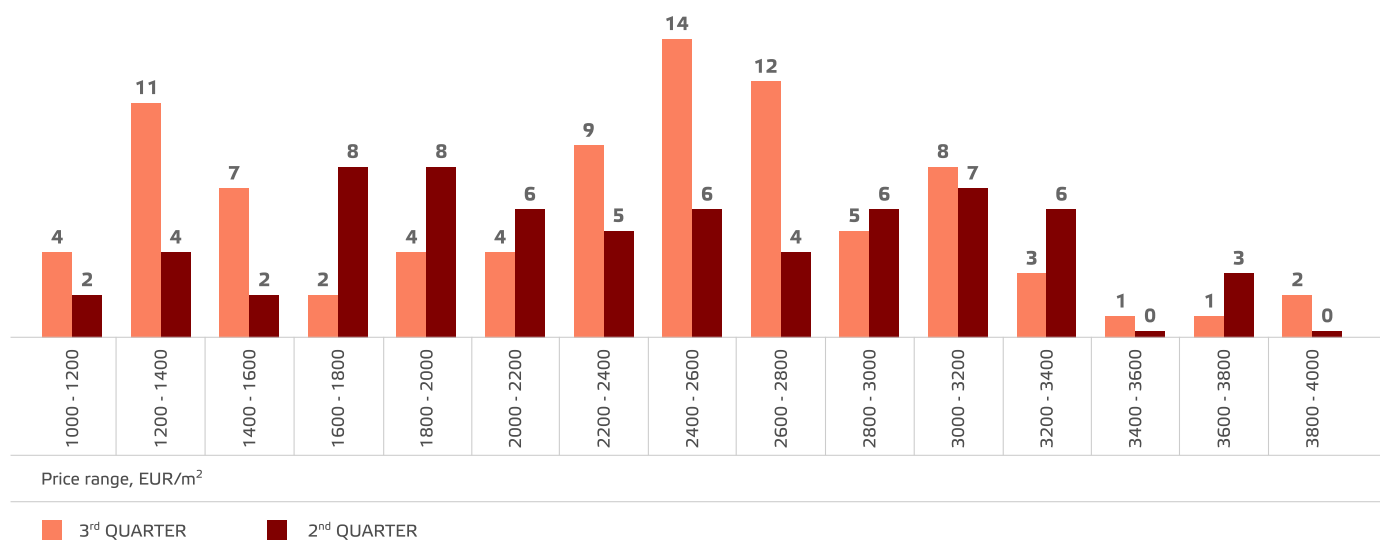
Riga City centre

The typical price range for new projects in the 3rd quarter of 2014 was from 1600 to 3400 EUR/m². According to the data of the State Land Service, this price range covered 69% of the transactions that took place in this segment in the third quarter and that is less than in the 2nd quarter of 2014, when this indicator was 82%. 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.

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 at Rūpniecības street 21, with picturesque views to Viesturdārzs situated nearby, exceeded even 4000 EUR/m², and in some cases reached even 5000 EUR/m².

Unlike the 2nd quarter, when the prices for apartments in new projects in the city centre were distributed relatively evenly by narrower ranges, in the 3rd quarter there was observed a more distinctive concentration of transactions in the square metre price range of 2400 to 2600 EUR/m².

Breakdown of number of transactions by 1m² price ranges in new projects located in Riga housing estates, 2014



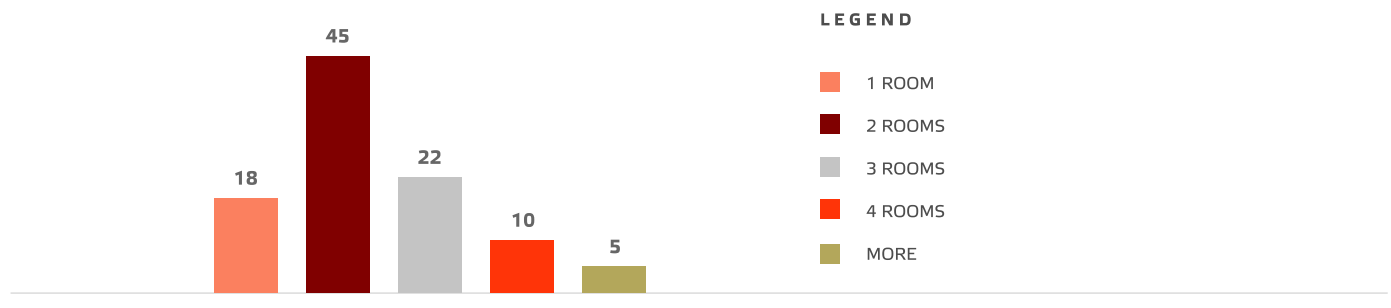
Source: SLS data



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Viewing at the proportion of transactions by the number of rooms in the apartment, it is evident that in the Riga city centre smaller apartments (one and two room) dominated. It was also observed that in the city centre the proportion of apartments with 4 rooms or more was larger than in the housing estates.

Breakdown of number of transactions by number of rooms in the new projects in the Riga housing estates, %



Source: SLS data

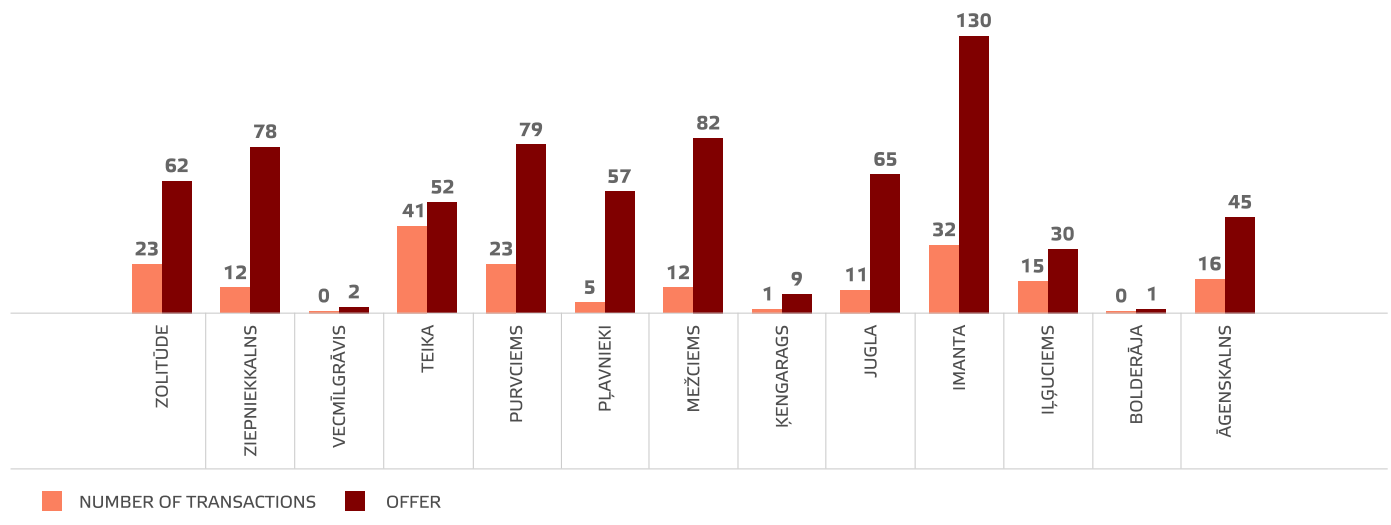
Analysis of the supply and transactions

Summing up the number of offers, the highest number of offers in new projects apartments in housing estates was seen in Imanta, Mežciems, Purvciems and Ziepniekkalns. In contrast, the smallest number of offers was observed in Bolderāja and Vecmīlgrāvis where only 1 and 2 new project apartments, respectively, were offered. In general, the supply in the biggest Riga housing estates has decreased by 24%.

In total, in the 3rd quarter of 2014, there were registered 294 transactions with new project apartments in Riga housing estates, and this is by 24% more than it was in the 2nd quarter. The highest number of transactions was recorded in such Riga housing estates as Teika, Imanta, Purvciems and, Zolitūde. While the lowest number of transactions was registered in Bolderāja, Vecmīlgrāvis and Ķengarags.

In the Riga city centre, as well as in areas close to it, like Ķīpsala and Klīversala, the supply of apartments in new projects decreased by 14% and in total consisted of 320 apartments. The number of transactions with the new project apartments in the 3rd quarter of 2014 in this area was 93, which is more than in the 2nd quarter when 68 transactions were concluded.

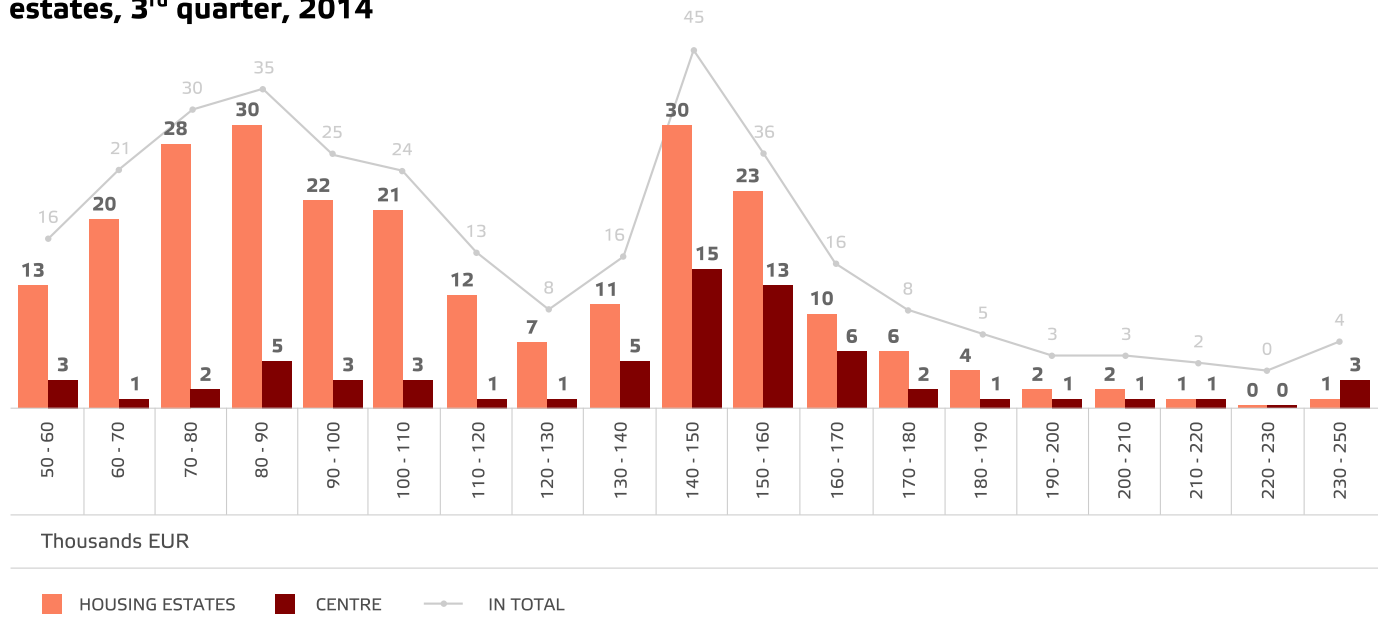
Number of new project apartment offers and transactions in Riga, 3rd quarter, 2014



Source: ARCO REAL ESTATE

A substantial part of the demand of new project apartments in the 3rd quarter was formed by non-residents, who wanted with the purchase of a real estate to secure possibility to obtain a temporary residence permit. Taking into consideration that amendments to the Immigration Law, which foresee increasing the minimum amount of investment in real estate from 142 300 EUR (100 000 LVL) to 250 000 EUR, came into effect on September 1, 2014, there was observed an increasing interest from the part of non-residents in July and especially in August. Due to this, there was observed an atypically large number of transactions in the price range of 140 000 – 150 000 EUR, which included the minimal threshold for obtaining the temporary residence permit before the date of effect of the amendments to the Immigration Law.

Breakdown of number of transactions by price ranges in new projects located in Riga housing estates, 3rd quarter, 2014

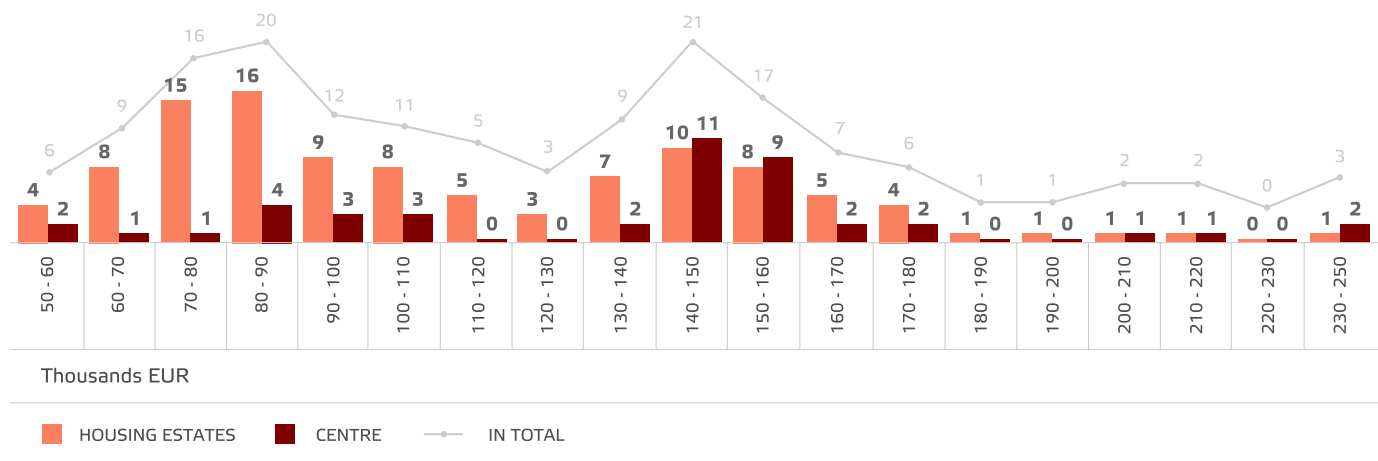


Source: SLS data

Viewing how the situation has changed by months, we can see that in July, the share of the range of prices from 140 000 to 160 000 EUR was 22% of the total number of transactions with the new project apartments. This tendency was even more typical in August, when the mentioned price range occupied 29% of the number of transactions in this segment. But in September, along with coming into effect of the Immigration Law amendments, the number of transactions decreased dramatically. Only 51 transactions with the new project apartments were concluded in Riga, which is the lowest indicator during the last 2 years, since September 2012. It is by 62% lower than in average in the previous months of this year (134 transactions). In comparison with the previous year's September when 81 transactions were concluded, the fall is 37%.

In September, the number of transactions with more expensive apartments, the price of which exceeded 120 000 EUR, decreased as only 12 transactions with such apartments took place. Also the number of transactions with apartments, the price of which exceeded 250 000 EUR or the new minimum threshold for temporary residence permit was lower. In September, only 4 such transactions took place, while in July and August there were 10 and 13 transactions, respectively.

Breakdown of number of transactions by price ranges in new projects located in Riga, July, 2014

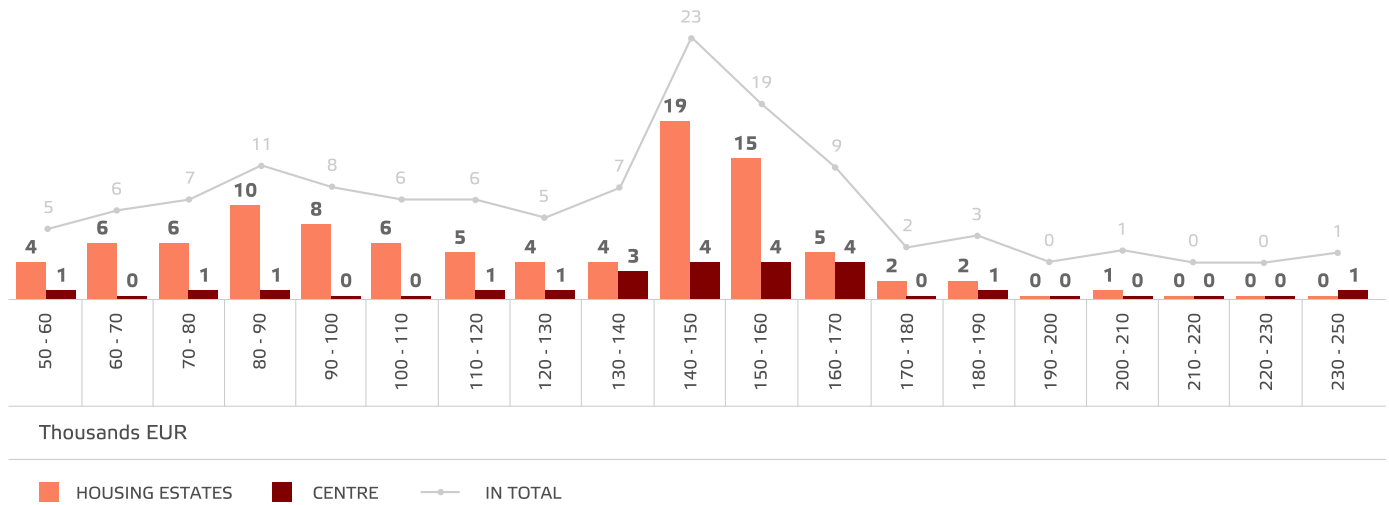


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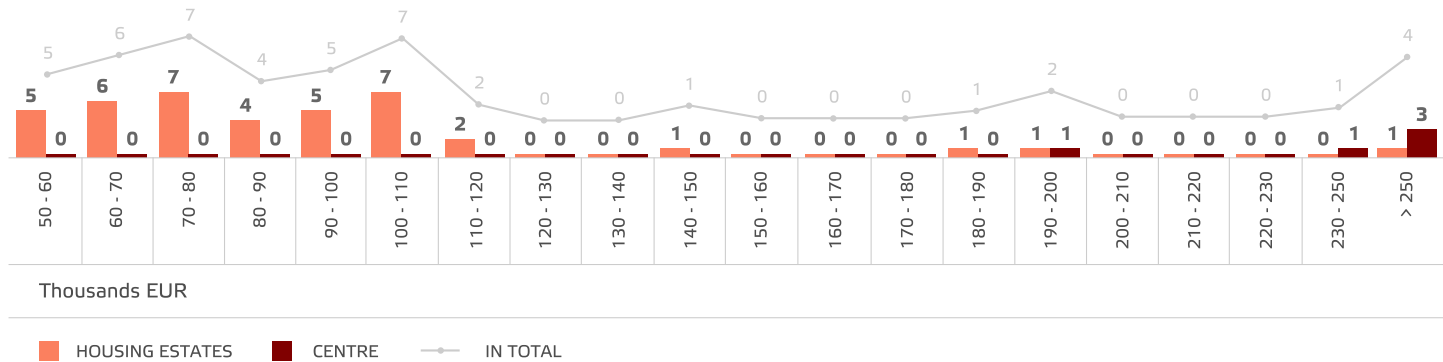
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Breakdown of number of transactions by price ranges in new projects located in Riga, August, 2014

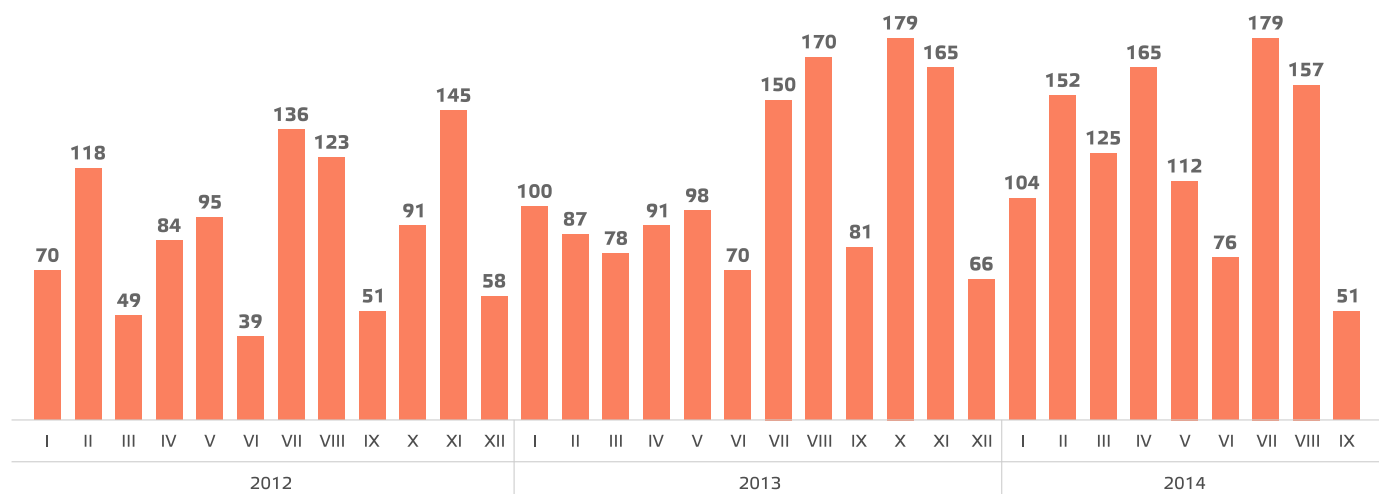


Source: SLS data

Breakdown of number of transactions by price ranges in new projects located in Riga, September, 2014



Source: SLS data

Dynamics of transactions with apartments in new projects located in Riga, 2012 - 2014


Source: SLS data

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, Jurmala, Saulkrasti, Daugavpils, Jelgava as well as in Limbazi and Liepaja. About 80 highly-qualified employees work in the company.

ARCO REAL ESTATE

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