



ARCO REAL ESTATE



NEW RESIDENTIAL PROJECTS
2nd quarter

RIGA | 2014

Apartments in the new projects

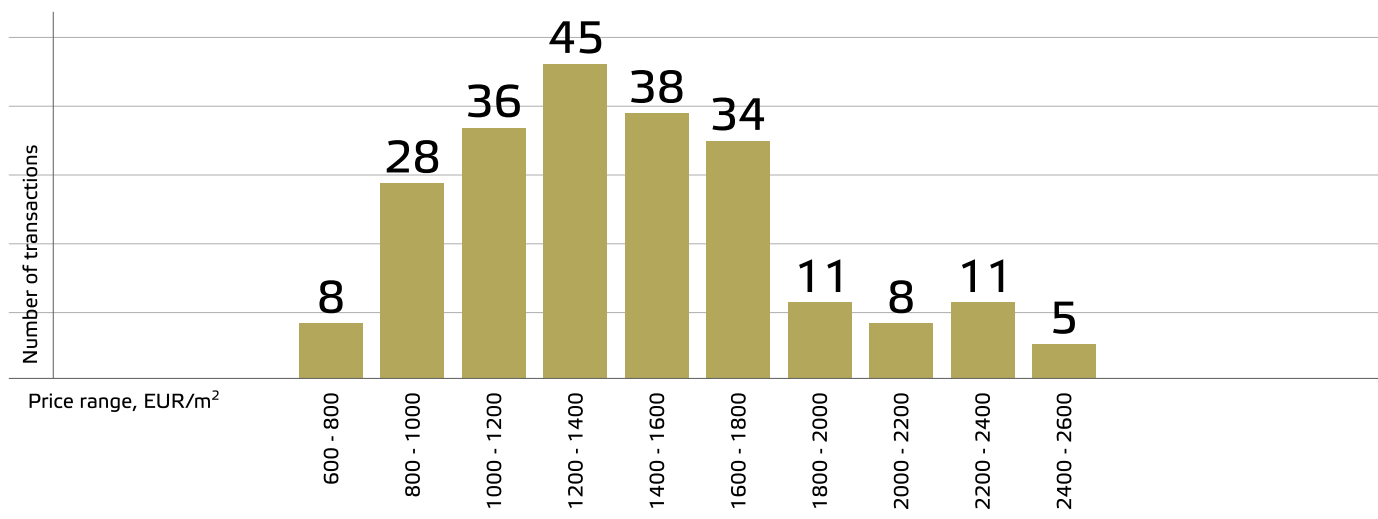
The average price of the new projects in the housing estates of Riga in July has reached 1410 EUR/m², while the typical price range varied from 800 to 1800 EUR/m². According to the data of the State Land Service, this price range contained more than 80% of the transactions that took place in the second quarter of 2014. The highest number of transactions was registered in the price range from 1200 to 1400 EUR/m².

It is observed that higher prices are typical for new housing projects with a full interior decoration, in which high-quality materials are used, as well as for apartments in higher floors of the buildings, offering picturesque views, such as upper floors of the *Panorama Plaza* project. In turn, lower purchase amounts were in transactions with apartments, which were offered with incomplete interior decoration.

Following the development of the overall economic situation in the country, also the local buyer's interest in new apartments 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 similar new projects may be very different.

Although the highest number of offers and transactions are observed in the two-room apartment segment, now there is increasing demand for existing new project apartments in the housing estates with a larger number of rooms that is more suited to the needs of families.

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



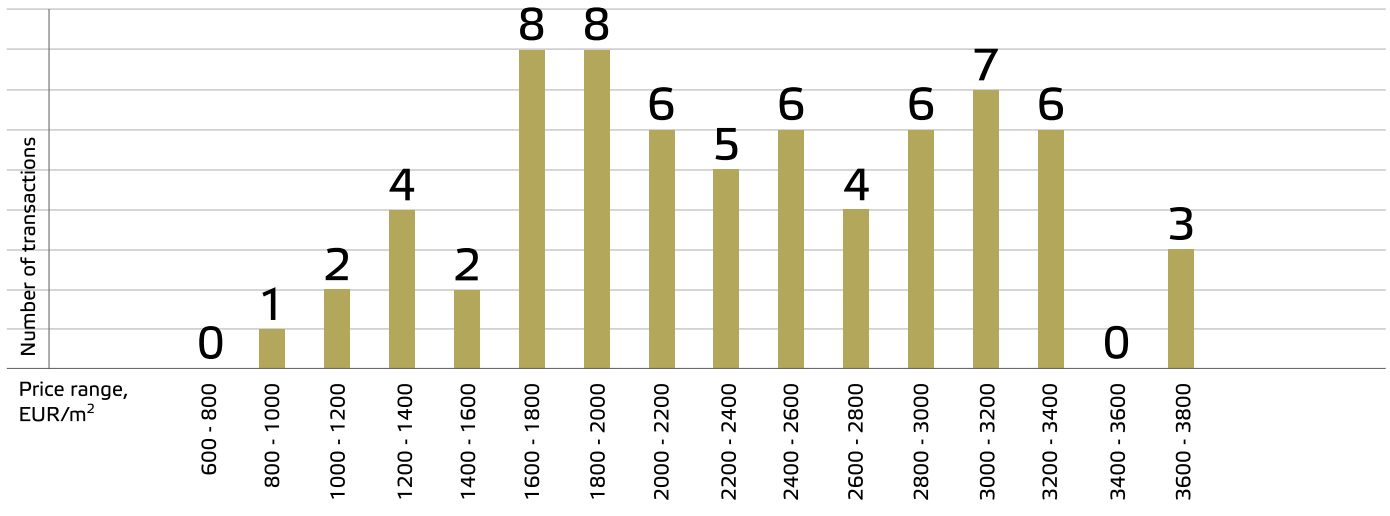
Source: State Land Service data

In the center of Riga, as well as in areas close to it, like Ķīpsala and Klīversala, the average price of apartments in the new projects in July reached the position of 2600 EUR/m². In turn, the typical price range was from 1600 to 3400 EUR/m². According to the data of the State Land Service, this range covers more than 80% of the transactions that happened during the second quarter of 2014 in this segment of the apartments. As evident, this range is much wider than the range of new project apartments in Riga housing estates; this is due to the fact that the city center 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 entered into with apartments located in distant parts of the Riga city center, 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 center, with picturesque views, exceeded 4000 EUR/m², for example, in the *Centra Nams* project, advantage of which is an attractive view of the river Daugava. In some cases, the price of a new apartment project square meter reached 6000 EUR.

Comparing transactions with apartments in the new projects located in the Riga housing estates and those located in the city center, a significant difference is observed: prices for apartments, located in the Riga city center, are relatively evenly distributed among different price ranges, and in terms of the number of transactions, they are not characterized by dominance of a price range over others, as it is characteristic in transactions with apartments in new projects located in housing estates.

Breakdown of transactions by square meter price ranges in new projects located in the Riga city center



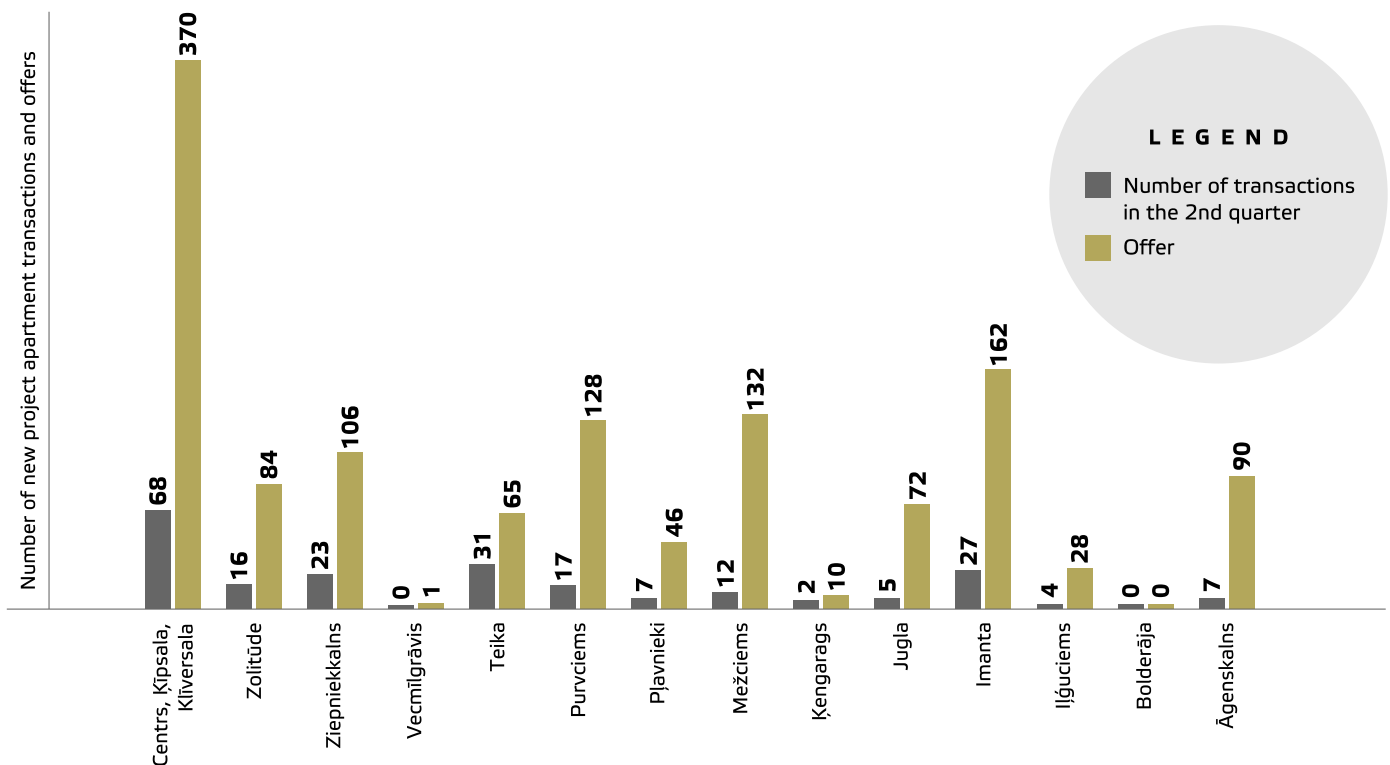
Source: State Land Service data

Summing up the number of offers, it can be concluded that the highest number of offers in new projects apartments in housing estates in July were in Imanta, Mežciems and Purvciems. In contrast, the smallest number of offers was observed in Bolderāja where no apartments of this type were offered, and Vecmīlgrāvis, where only one apartment was offered.

In total, in the second quarter of 2014, there were registered 237 transactions with new project apartments in Riga housing estates. The highest number of transactions was recorded in such Riga housing estates as Teika, Imanta and Ziepniekkalns, while the lowest number of transactions was registered in Bolderāja, Vecmīlgrāvis and Ķengarags.

In the center of Riga, as well as in areas close to it, like Ķīpsala and Klīversala, the offer of apartments in new projects in total consisted of 370 apartments. The number of transactions with the new project apartments in the second quarter of 2014 in this area was 68.

Number of new project apartment offers and transactions in Riga



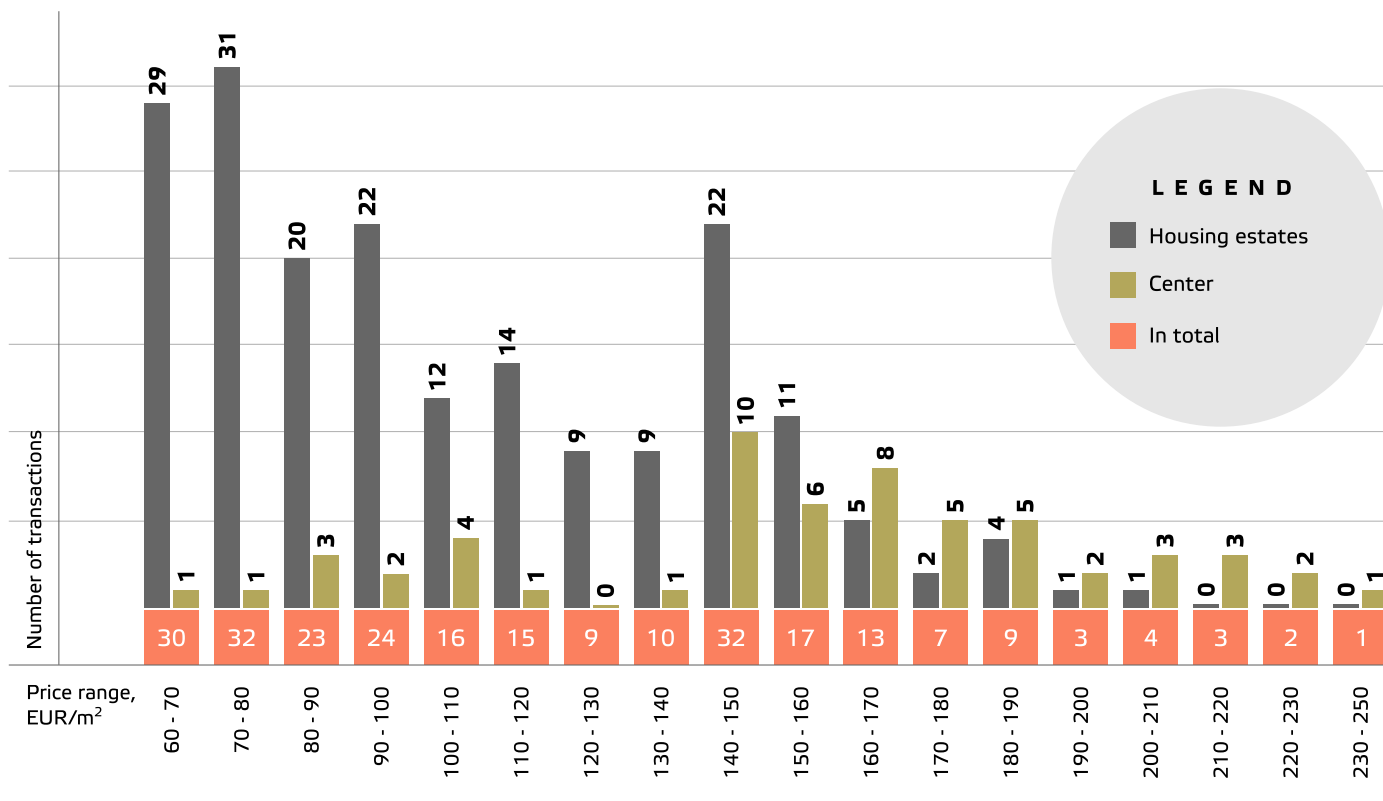
Source: ARCO REAL ESTATE



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A substantial part of the apartment demand in the new projects 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 to 250 000 EUR, will come into effect on September 1, 2014, this segment is expected to change.

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



Source: State Land Service data

As it is shown in the diagram reflecting number of transactions in the 2nd quarter of 2014, the range of prices from 140 000 to 150 000 EUR, which includes the minimum threshold for obtaining a temporary residence permit, contains an unnaturally high number of transactions.

From all the transactions registered in the 2nd quarter of 2014 with apartments located in the Riga city center new projects, 78% exceeded the current minimum threshold for obtaining a temporary residence permit, while only 13% reached the threshold of 250 000 EUR foreseen in the amendments to the Immigration Act. But in the apartments of new projects in the Riga housing estates, these indicators were as follows: 19% and 0%. From this it can be concluded that the segment of new projects will in the future more rely on local buyers, so most likely there will be a period, during which the supply will adapt to the new market situation.

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