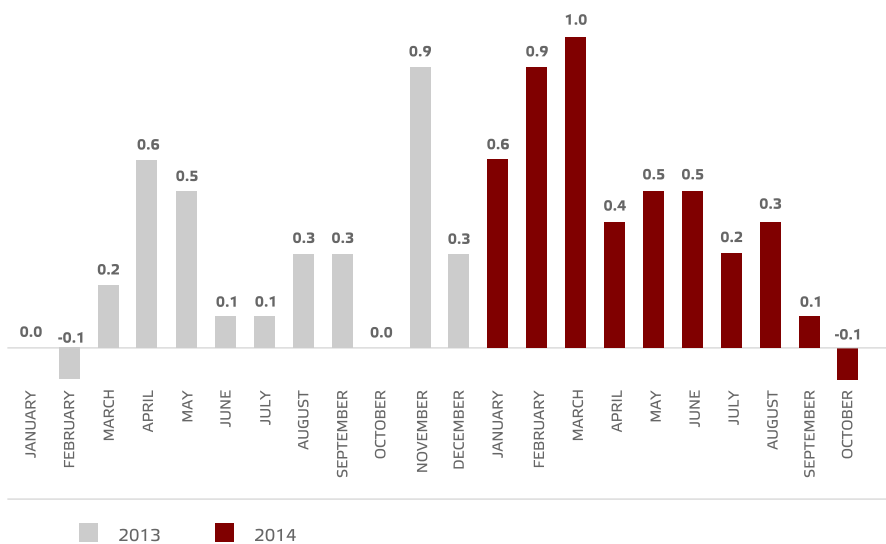


STANDART-TYPE APARTMENT MARKET OVEVIEW OCTOBER

Standard-type apartments, November 1, 2014

In October 2014, the prices of standard-type apartments located in Riga housing estates decreased by 0.1%. The average standard-type apartment price in October has decreased to 640 EUR/m². Since the beginning of 2014, standard-type apartment prices have grown by 4.4%, but since October of the last year the prices have increased by 5.6%.

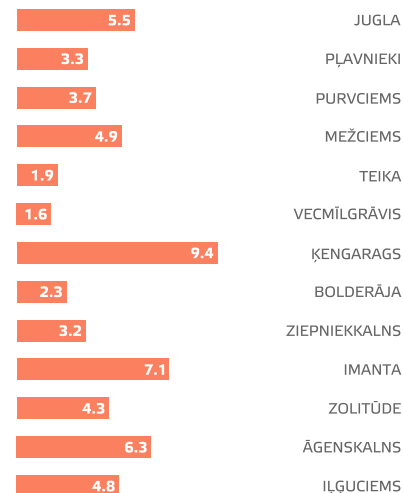
Standard-type apartment price changes since beginning of 2013, %



■ 2013 ■ 2014

Source: ARCO REAL ESTATE

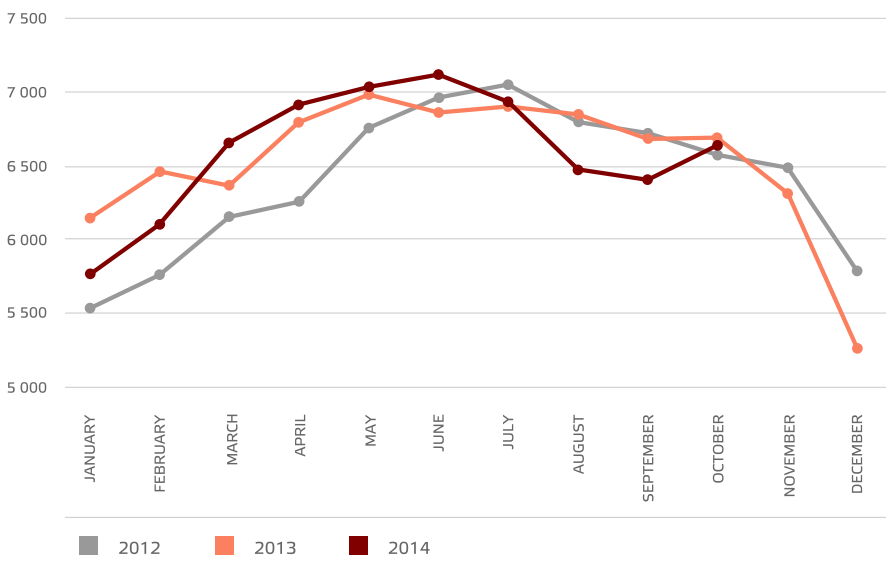
Price changes in housing estates since beginning of 2014, %



Source: ARCO REAL ESTATE

After the slowdown of the price growth, which was observed in the 3rd quarter of this year, in October for the first time since February 2013 there was observed a minimum fall in prices of standard-type apartments. Evaluating the trends of previous years, a moderate supply decrease was expected in this season; however, the minimum decrease in prices of the standard-type apartments was reflected in an atypical growth of the apartment supply, which was not observed during the autumn months of the previous years.

Dynamics of supply of apartments within a year, 2012 - 2014



■ 2012 ■ 2013 ■ 2014

Source: ARCO REAL ESTATE



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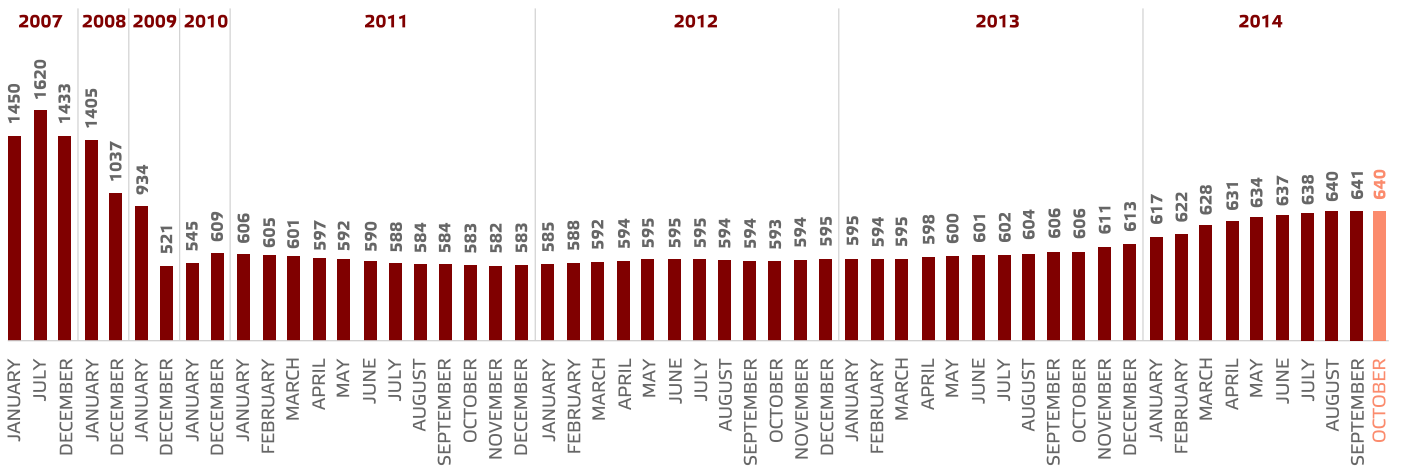
Despite the decrease in the overall price level, it has been observed that in some housing estates the prices continued to rise. For example, in October, the prices in Ķengarags rose even by 1.5% up to the position of 595 EUR/m², and the overall yearly increase was 9.4%. The price increase in Ķengarags may be explained by the fact that in this housing estate the supply still continued to decrease, in spite of the fact that the lowest number of apartments for sale proportionally to its size is just in Ķengarags. If such a price increase continues, Ķengarags, which to date is characterized with the lowest prices for the apartments offered for sale, will soon be able to get closer to and achieve the price level of Ilūciems.

The largest growth of the average 1m² price in the housing estates of Riga City since the beginning of 2014 was observed in Ķengarags (+9.4%) and Imanta (+7.1%). Also in other housing estates of Riga City the prices tend to increase this year.

In October 2014, the average price of a standard-type apartment has decreased to the position of 640 EUR/m². The prices on average are by 60.5% lower than on July 1, 2007, when the average price of a non-renovated standard-type apartment reached the highest ever value of 1620 EUR/m².

In 2008, the average prices of standard-type apartments in Riga in total decreased by 33.5%. In 2009, the average prices decreased by another 44.2%. But in 2010 the prices grew by 16.9% in total. In 2011, the prices of standard-type apartments decreased by 3.5%. In 2012, the apartment prices grew by 2%. In 2013, the apartment prices grew by 3%. In 2014, the prices continue to rise – this year the apartment prices have increased by 4.5%.

Movements of average price of standard-type apartments in the largest housing estates of Riga, EUR/m²



Source: ARCO REAL ESTATE

In October 2014, the average price of 1m² of apartments if categorized by number of rooms has **increased** for three-room apartments (+0.2%), and four-room (+0.3%) but for one-room apartments (-0.3%) and for two-room apartments (-0,5%) the price has **decreased** in October.

Average prices of standard-type apartments in Riga housing estates: breakdown by number of rooms, EUR/m²

	2013												2014											
1 room	643	643	643	643	648	648	650	651	652	654	655	664	666	671	681	689	692	697	701	699	703	704	702	
2 rooms	602	602	602	603	610	612	612	614	616	619	618	623	625	628	631	638	641	645	649	650	652	654	651	
3 rooms	574	574	574	574	576	577	578	579	582	583	583	587	588	592	596	600	602	604	609	610	611	612	613	
4 rooms	560	560	560	560	561	562	562	563	564	567	568	571	573	577	581	586	588	590	592	594	594	592	594	
	1st of JANUARY	1st of FEBRUARY	1st of MARCH	1st of APRIL	1st of MAY	1st of JUNE	1st of JULY	1st of AUGUST	1st of SEPTEMBER	1st of OCTOBER	1st of NOVEMBER	1st of DECEMBER	1st of JANUARY	1st of FEBRUARY	1st of MARCH	1st of APRIL	1st of MAY	1st of JUNE	1st of JULY	1st of AUGUST	1st of SEPTEMBER	1st of OCTOBER	1st of NOVEMBER	

Source: ARCO REAL ESTATE

In October 2014, the total supply of apartments in Riga has increased by 3,5%. The number of apartments supplied in the largest housing estates analyzed by ARCO REAL ESTATE has increased by 0.7%.



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Having summarized the number of offers, it can be concluded that the largest supply of apartments in October was in Purvciems, Teika and Āgenskalns. But the housing estates where the number of apartments offered for sale was the smallest were Bolderāja and Vecmīlgrāvis. Evaluating the number of offers in proportion to the size of the housing estate (by population), the highest number of apartments offered for sale was observed in Teika, Mežciems and Zolitūde. In contrast, in Ķengarags, Vecmīlgrāvis and Bolderāja the proportion of the number of apartments offered for sale against to the population number was the lowest.

In October, the share of those housing estates where the number of apartments offered for sale had increased and the share of those where it had decreased were approximately similar. The largest increase was in Bolderāja (+38.9%), Teika (+13.8%) and Ilģuciems (+9.6%). In turn, the largest decline in the supply of apartments in October was observed in Imanta (-11.8%) and Mežciems (-7.2%).

In October 2014, a slight decrease of standard-type apartment prices was observed in most housing estates of Riga. The largest decrease of the average price of 1m² in October was observed in Pļavnieki (-1.0%) and Teika (-0.8%). In turn, the prices grow most of all in Ķengarags (+0.9%), Jugla (+1.0%) and Zolitūde (+0.6%).

Change of average standard-type apartment prices in Riga housing estates, %

	Average 1m ² price on 1st of November	Average 1m ² price on 1st of October	Price changes, %
Jugla	643	637	1.0 ↑
Pļavnieki	673	679	-1.0 ↓
Purvciems	686	690	-0.6 ↓
Mežciems	668	666	0.4 ↑
Teika	803	809	-0.8 ↓
Vecmīlgrāvis	532	533	-0.2 ↓
Ķengarags	595	586	1.5 ↑
Bolderāja	461	459	0.4 ↑
Ziepniekkalns	646	651	-0.8 ↓
Imanta	678	681	-0.5 ↓
Zolitūde	692	687	0.6 ↑
Āgenskalns	685	689	-0.7 ↓
Ilģuciems	613	614	-0.2 ↓

Source: ARCO REAL ESTATE

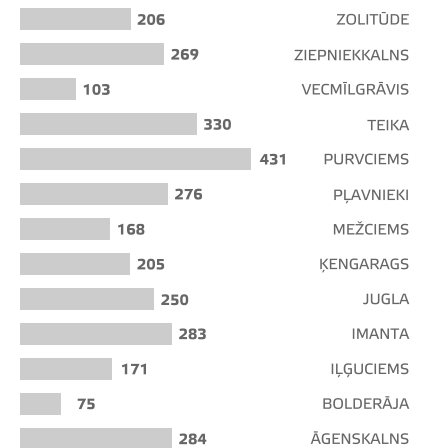
Since the beginning of 2011, prices have increased by 5.1%. Since the beginning of 2012, the prices have increased by 9.8%; since the beginning of 2013, the prices of the standard-type apartments have increased by 7.6%. Compared with the beginning of 2014, in October 2014, the standard-type apartment prices in the housing estates of Riga were by 4.4% higher.

Average standart-type apartment prices in Riga housing estate, EUR/m²

Housing estate	01.01.2011.	01.01.2012.	01.01.2013.	01.01.2014.	01.10.2014.
Bolderāja	508	477	473	450	461
Vecmīlgrāvis	534	508	514	524	532
Ķengarags	541	510	518	543	595
Ilģuciems	590	566	570	586	613
Jugla	583	556	583	610	643
Ziepniekkalns	633	602	613	626	646
Mežciems	634	612	624	637	668
Pļavnieki	630	603	622	651	673
Imanta	618	592	605	633	678
Āgenskalns	643	606	623	644	685
Purvciems	645	615	633	662	686
Zolitūde	675	640	644	663	692
Teika	725	728	757	787	803

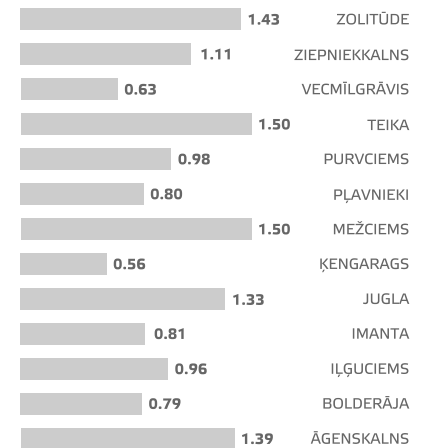
Source: ARCO REAL ESTATE

Number of apartments offered in Riga, October, 2014



Source: ARCO REAL ESTATE

Supply of apartments in proportion to the size of Riga City housing estates in October, 2014



EXPLANATION

If the coefficient is **greater than 1**, the relation of the supply of apartments in the specific housing estate to the number of population in that housing estate is higher.

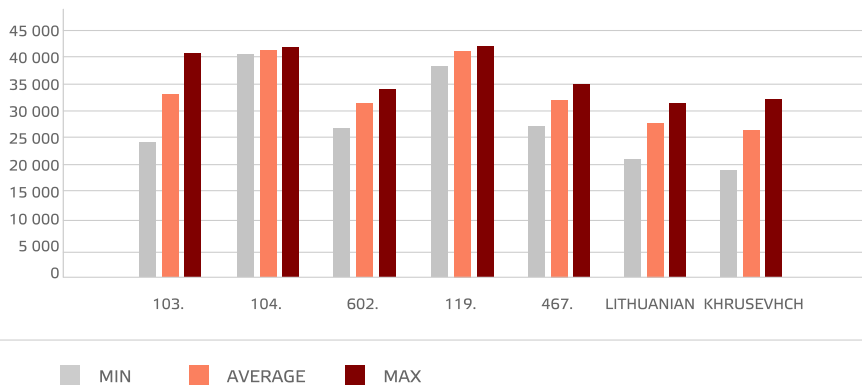
If the coefficient is **less than 1**, the relation of the supply of apartments in the specific housing estate to the number of population in that housing estate is lower.

Source: ARCO REAL ESTATE

The highest standard-type apartment prices in October 2014 still were in Teika, where the average price of 1m² has slightly decreased in October, reaching the level of 803 EUR. But the lowest average price of 1m² has remained in Bolderāja – in October it increased minimally to 461 EUR.

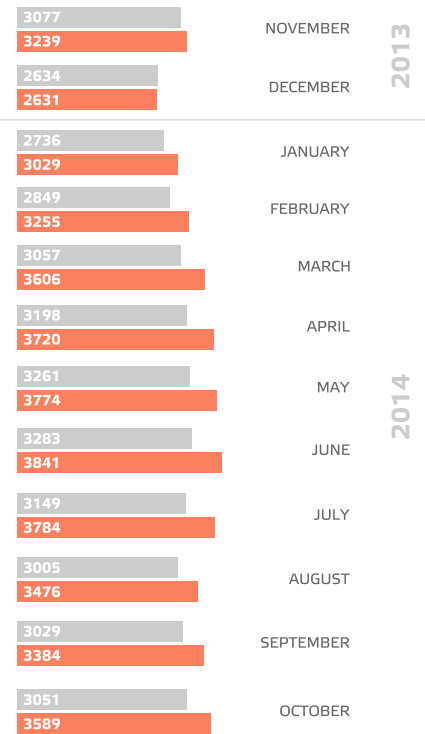
In October 2014, the most expensive apartments still were apartments in the houses of the 119th series and 104th series, where the price of 2-room apartments varied from 38 000 to 42 000 EUR, depending on the location. In turn, the so-called Lithuanian design houses have been the cheapest ones, where the price of 2-room apartments varied from 21 000 to 31 000 EUR, and the so-called Khrushchev-time houses, where the price of 2-room apartments varied from 19 000 to 32 000 EUR, depending on the housing estate.

Standart-type apartment prices by series in Riga housing estates in October 2014, EUR (2-room apartments)



Source: ARCO REAL ESTATE

Apartment supply dynamics in Riga

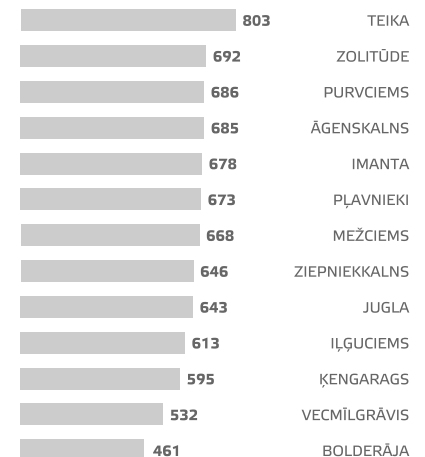


LARGER HOUSING ESTATE (Jugla, Pļavnīki, Purvciems, Mežciems, Teika, Vecmīlgrāvis, Kengarags, Bolderāja, Ziepniekkalns, Imanta, Zolitūde, Āgenskalns, Ilģuciems)

OTHER (Centre of Riga etc.)

Source: ARCO REAL ESTATE

Average standart-type apartment prices in Riga housing estates in October 2014, EUR/m²



Source: ARCO REAL ESTATE

Apartment market in the vicinity of Riga

Ogre

In October 2014, in Ogre where a reduction of prices of the standard-type apartments was not observed since October of the last year, the prices decreased by 0.7%, being at the position of 435 EUR/m². During the previous three months, in Ogre there was observed a slight price growth. In total since the beginning of 2014, the prices in Ogre have grown by 1.9%.

Kauguri, Jūrmala

In October 2014, the apartment prices in Kauguri (Jūrmala) decreased by 0.4%. The average price of an apartment in October was 401 EUR/m². In total, since the beginning of 2014, the prices of apartments have grown by 1.5% in Kauguri. In Kauguri during the previous three months the price has not changed.

Salaspils

The price level in Salaspils in October 2014 increased by 0.4%. The average price of an apartment in October has grown to 473 EUR/m². In total, during the beginning of 2014, the prices in Salaspils have increased by 2.3%. Also in Salaspils during the previous three months the price fluctuations have not been observed.

Jelgava

In October 2014, the apartment prices in Jelgava have remained in the level of the previous month. Average price of an apartment is at the position of 345 EUR/m². October in Jelgava was the second consecutive month, when the price changes were not observed after a prolonged price growth during the previous months. Since the beginning of 2014, the prices of apartments in Jelgava have already increased by 10.3 % which is to be considered as a high 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, Jūrmala, Saulkrasti, Daugavpils, Jelgava as well as in Limbazi and Liepāja. About 80 highly-qualified employees work in the company.

ARCO REAL ESTATE

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