

RESIDENTIAL MARKET REPORT Riga City and other regions

Q4 2017

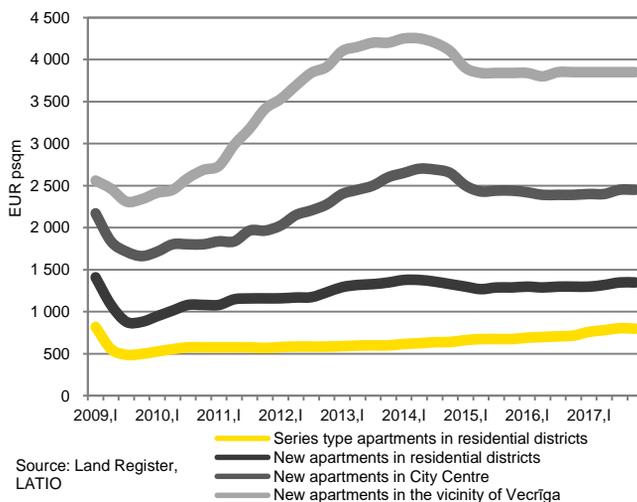
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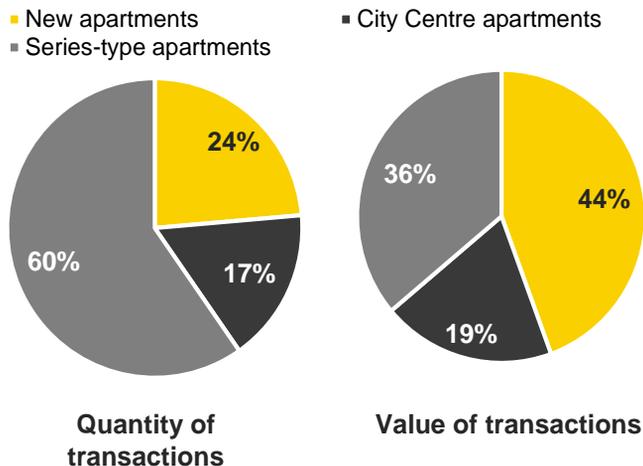
RESIDENTIAL MARKET TRENDS

- The apartment market activity (the number of concluded transactions) in Riga increased by 6% in 2017. The increase in new apartments segment was 19%, in city centre apartments - 20%, while the series-type apartment market activity did not change.
- There was an upsurge of activity in the new apartments segment in the second half-year, as an increasing number of domestic-demand-oriented projects appeared on the market.
- In the first half of the year, the series-type apartment prices rose by more than 10%, although the rise came to a halt in the second half-year and steadied at an average of 800 EUR/m². No significant price rise is expected in this segment in 2018.
- Prices in other segments are stable. Market supply has shifted its focus on the domestic customer.
- Economy-class new apartment prices in sleeping areas are on average 1,300 – 1,400 EUR/m², while the mid-range apartment prices in projects close to the city centre and more prestigious neighbourhoods are 1,600 – 2,000 EUR/m². These are the prices that a local customer would purchase dwellings at.
- Series-type apartments account for 60% of deals concluded on Riga apartment market, although this proportion keeps dropping (2016: 64%), and it was 56% during the last quarter of the year.

Price dynamics for apartments in Riga

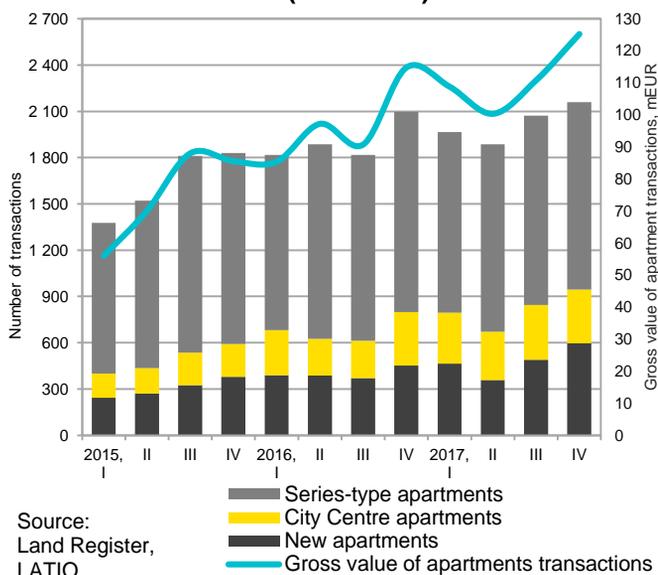


Riga residential market profile by segments, 2017

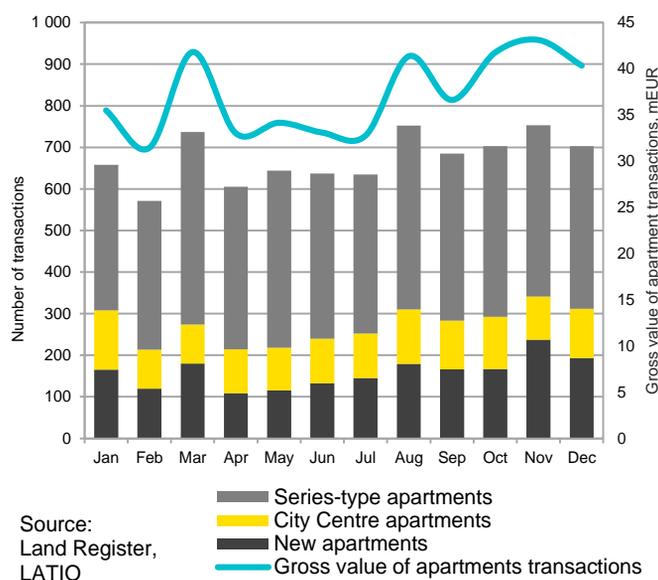


- Private housing market in 2017, especially the second half-year, had a considerable leap in activity in terms of the quantity of transactions (by 21%) and the total value registered in the Land Register (by 11%).
- Residential market activity has been quite high in Riga in Q4 2017 and overall for the year. The demand has been stronger in the economy-class segment. Tenants are primarily interested in series-type flats in a good state of repair in the popular neighbourhoods.
- Residential market activity in Jūrmala has been fluctuating throughout the year – a highly dynamic Q2 was followed by a sleepy Q3, but the transaction quantity rose again towards the year-end, and in all segments.
- The residential market in regions other than Riga has remained stable with a slight rise in activity. The major problems include the lack of supply meeting customer needs and the outdated housing stock.

Riga apartments: dynamics of deal quantity and gross value by quarters (2015-2017)



Riga apartments: dynamics of deal quantity and gross value in 2017



Number of transactions and transaction value of the residential market of Riga

	2017, IV	Change vs. 2016, IV
New apartments	597	+ 32%
City Centre apartments	348	+ 0.3%
Series type apartments	1,214	- 6.5%
Total number of transactions	2,159	+ 3.0%
New apartments	60.2	+ 15%
City Centre apartments	24.4	+ 9.1%
Series type apartments	40.6	+ 1.1%
Gross transactions value (million EUR)	125.5	+ 9.0%

Number of transactions and transaction value of the residential market of Riga

	2017	Change vs. 2016
New apartments	1,910	+ 19%
City Centre apartments	1,347	+ 21%
Series type apartments	4,826	- 1.5%
Total number of transactions	8,083	+6.1%
New apartments	197.7	+ 13%
City Centre apartments	86.5	+ 26%
Series type apartments	160.9	+ 12%
Gross transactions value (million EUR)	445.0	+ 15%



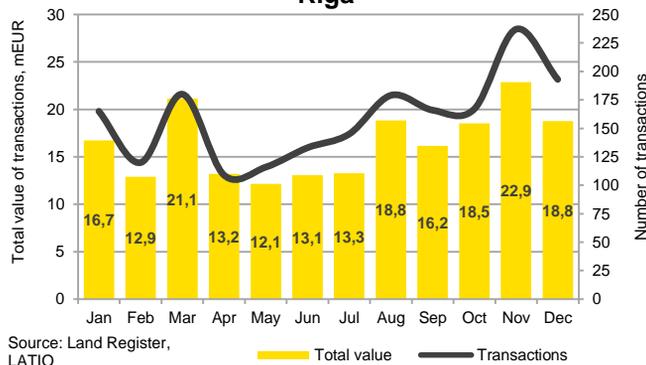
Economy class apartments in the new project at 4 Prūšu street

NEW APARTMENTS

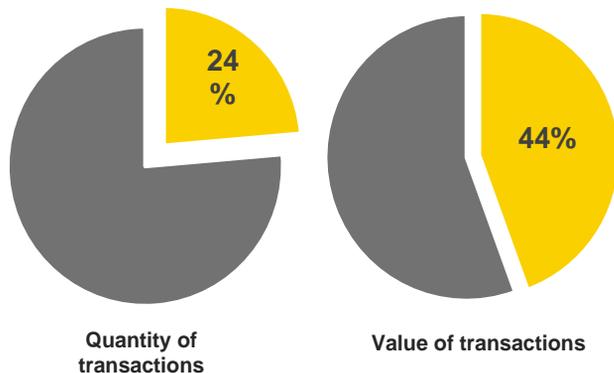
MARKET ACTIVITY

- According to the Land Register data, the activity in the new housing market of Riga, after an idle Q2 revived in H2 2017 and especially Q4 peaked at historical high for the past four years.
- In Q4, an average of 200 transactions per month were concluded for apartments in new developments, while the average monthly activity resulted in 160 deals in 2017 in general.
- The year-on-year increase in the quantity of transactions for new housing was 19% in 2017, and 13% in the gross value of the transactions registered with the Land Register.
- Transactions for new apartments account for 24% of the total number of transactions of the residential market of Riga in 2017, this share was 21% a year ago.
- Despite the relatively small proportion of transactions, the gross value thereof took a significant share of the total quantity of Riga residential market transactions – it was 44% in 2017 (2016: 45%).

Number of transactions and transactions value of the new apartments market of Riga

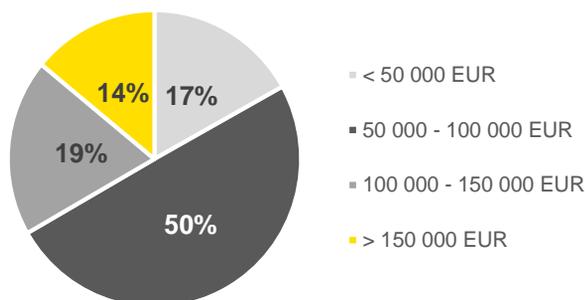


Proportion of new apartments of Riga residential market in 2017

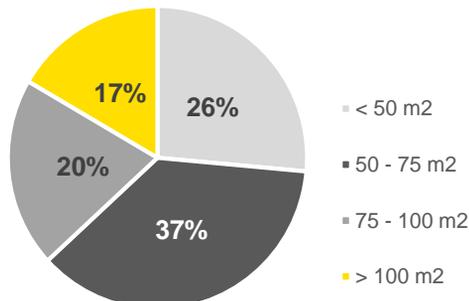


The number of new apartment transactions in Riga by price range and floorspace in 2017

By transaction amount



By floorspace



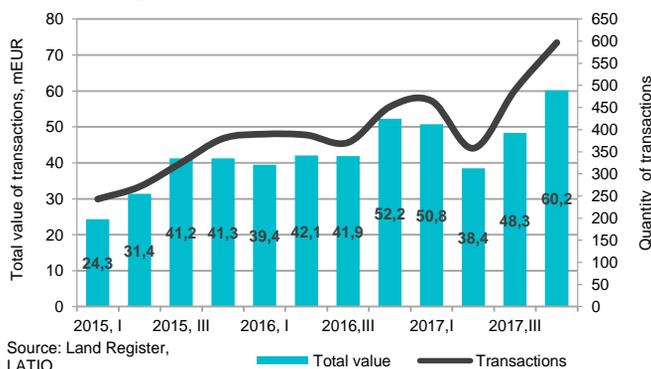
The new housing market of Riga

	2017	Change vs. 2016
Quantity of transactions	1,910	+19%
Gross value of transactions, mEUR	197.7	+13%
Primary market, quantity of transactions	1,149	+18%
Secondary market, quantity of transactions	761	+22%
Number of non-resident transactions	301	+8%
Number of resident transactions	1,609	+22%
Gross value of non-resident transactions, mEUR	44.3	+1.3%
Gross value of resident transactions, mEUR	153.4	+16%

- The transaction quantity growth in the new developments segment was driven by a general increase in well-being of the population. New families make an extensive use of the Development Finance Institution ALTUM's state aid programme for acquisition of first home. Banks as well are inventive in finding ways to acquire customers - by means of various additional services and integrated offer packages.
- An essential factor for the increased market activity is the growth of supply in the primary new housing segment, where the market stock is replenished by projects focused on the domestic demand – in economy and mid-class segments.
- The rise in price level on the series-type apartments market and the shortage in good quality apartment supply in popular neighbourhoods is a driver for a part of apartment seekers to consider purchasing a dwelling in a new building.
- According to the Land Register data, the primary market activity in 2017 grew by 18%, while the secondary market of new apartments added 22%.
- It was the primary market that was particularly active in the last quarter of the year, recording a peak number of deals for the past four years, while it was just the other way round in the secondary market of new apartments in Q4 – the market calmed.

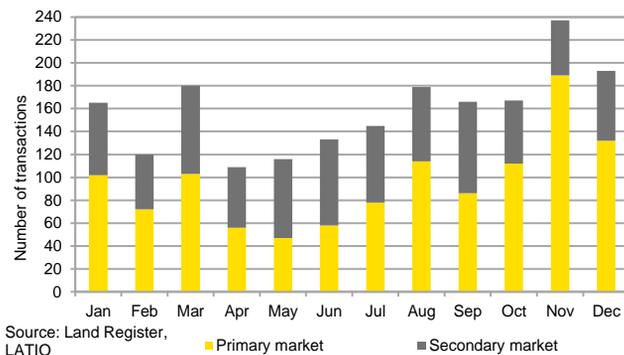
* the primary market of new apartments: property sold by the housing project developers

New apartments in Riga: quantity and gross value of deals 2015-2017



- The quantity of transactions with non-residents grew by 8% and the gross transactions value added 13% in general for the year 2017 in new apartments segment, nevertheless the proportion of such transactions on the market has been keeping shrinking for the fourth year in a row.
- The proportion of non-resident transactions in new apartments segment in 2017 was 16% (2016: 17%), while the share of gross transactions value shrunk from 25% in 2016 to 22% in 2017. To compare, nearly 1 in 2 transactions or 44%, was concluded with non-residents in the new apartments market of Riga in 2014.

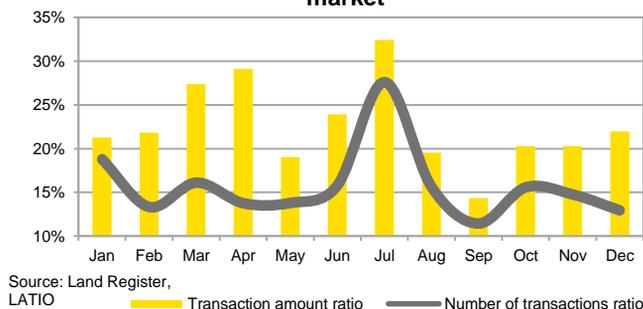
Riga's new apartments: quantity of deals on primary and secondary market



PRICES

- According to the sales data at Latio's disposal, the average prices in new apartment market segments in Riga in Q4 2017 have steadily remained on the previous level.
- The average economy-class apartment prices are at 1,300 – 1,400 EUR/m² in new housing developments in sleeping areas, while the mid-range apartment prices fluctuate between 1,600 and 2,000 EUR/m² in developments close to the city centre and more prestigious neighbourhoods. This is the level of prices that the domestic customer is willing to pay.

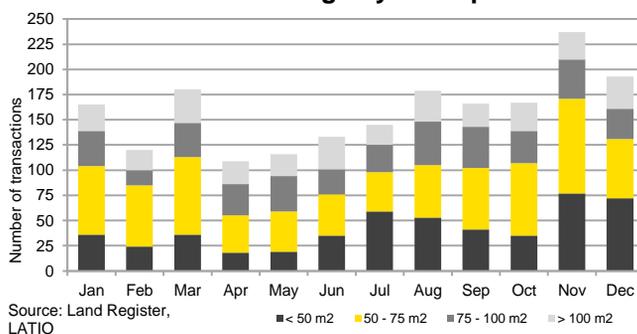
Proportion of quantity and value of non-resident transactions in new apartments market



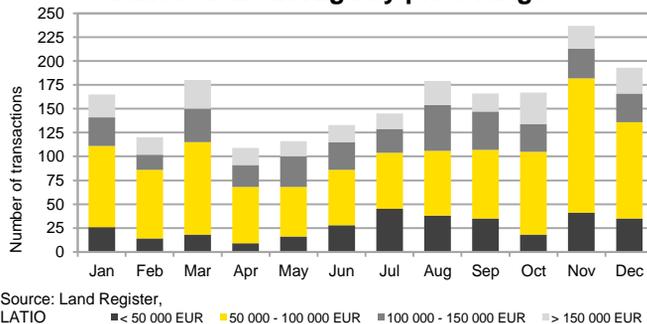
SUPPLY

- An increase in the new housing supply segment that is focused on the domestic customer was observed in 2017, and growth in the number of concluded transactions took place at the year-end.
- The supply in economy-class and mid-class segment is expected to get considerable replenishment in 2018 as well, thus reducing the deficit of supply designed for the domestic customer.
- Meanwhile, the prices are expected to remain stable, probably, with a very slight climb in the most vigorous segment, although it is not likely to have any significant impact on the market activity.

The number of new apartment transactions in Riga by floorspace



The number of new apartment transactions in Riga by price range



What does the buyer focus on?

- The key factor of choice is the price, the buyer makes very well-considered and rational decisions.
- In a case of similar choices, the buyer will select a project constructed by a well-known developer having good reputation.
- 1- and 2-bedroom flats dominate the demand.

Information at Latio's disposal about new apartment buildings to be completed or constructed

<i>Address</i>	<i>Title</i>	<i>Developer</i>	<i>Neighbourhood</i>	<i>Expected time of completion</i>
2 Roberta Feldmaņa	2 Roberta Feldmaņa	Capital Mill	Mežparks	2019
72 Tērbatas	Tērbata Apartments	Tērbata Apartments	City Centre	2019
17 Eižēnijas	Dzirciema nams	YIT Celtniecība	Dzirciems	2019
7 Baložu street	7 Baložu street	Hepsor	Āgenskalns	-
24 Āgenskalna	24 Āgenskalna	Hepsor	Āgenskalns	-
2A Saules alley	2A Saules alley	Hepsor	Āgenskalns	-
38A Stirnu	38A Stirnu	YIT Celtniecība	Purvciems	2018
26 Vesetas	26 Vesetas	Hanner	Skante	2018
134 Aleksandra Čaka	Aizkulisēs	R.Evolution City	City Centre (remote)	2018
19 Anniņmuižas boulevard	19 Anniņmuižas boulevard	YIT Celtniecība	Imanta	2018
11 Anniņmuižas boulevard	11 Anniņmuižas boulevard	Art Terra	Imanta	2018
20 Antonijas	20 Antonijas	LNK Properties	City Centre (quiet)	2018
4 Aristida Briāna	4 Aristida Briāna	MP finance	City centre (remote)	2018
1 Iecavas	Baltzoli	Jaunsaules Nams	Dzirciems	2018
24/26 Krišjāņa Barona	Barona Rezidence	Latio	City Centre (close)	2018
16A Biķernieku	Biķerziedi	YIT Celtniecība	Teika	2018
Komētas street	Bišumuiža, Round 2	ARCO DEVELOPMENT	Bišumuiža	2018
293 Brīvības avenue	293 Brīvības	BALTMAN MANAGEMENT	Teika	2018
7/9 Cēsu	City Star Terraces	9 Cēsu	City Centre (remote)	2018
Lāčplēša 11	Club Central Residence, House 2	Axi Invest	City Centre (close)	2018
7 Rusova	Ezerparka Nami, Round 2	New Europe	Čiekurkalns	2018
34 Raņķa dam	Filozofu Rezidence	R.Evolution City	Āgenskalns	2018
11 Gaiļezera	Gaiļezera nami, Round 1	ELNIKO	Mežciems	2018
24A Strautu	Gardenika	LNK Properties	Dārzciems	2018
20 Stirnu	Hausmaņa terases	Bonava	Purvciems	2018
14 Ropažu	Jaunā Teika	Hanner	Teika	2018
16 Klijānu	2F Klijānu	KL2	City Centre (remote)	2018
11 Krāsotāju	11 Krāsotāju	-	City Centre (remote)	2018
45B Kuldīgas	45B Kuldīgas	-	Āgenskalns	2018
17A Antonijas	Magdelēna, Round 1	Vastint Latvia	City Centre (quiet)	2018
14 Melsila	Melsila Qurater, House 2	MIA 14	Āgenskalns	2018
1A Kokneses avenue	Mežaparka Rezidences	Domuss	Mežaparks	2018
105 Miera	Miera Residence	-	City Centre (remote)	2018
41/43 Valdemāra	Parkers	LOFT Group	City Centre	2018
5 Pupuķu	Priedes	YIT Celtniecība	Bišumuiža	2018
28 Kuģu	River Breeze Residence	Pro Kapital	Klīversala	2018
51 Rīgas	51 Rīgas	-	Dzintari	2018
7 Žagatu	Safrāns	YIT Celtniecība	Purvciems	2018
45 Bauskas	Saules lāse	TERASES	Ziepniekkalns	2018
14 Sermuliņu	14 Sermuliņu	Bonava	Pētersala-Andrejsala	2018
17 Skolas	17 Skolas	Dekarta Property	City Centre (remote)	2018
8 Staraja Rusas	8 Staraja Rusas	ANVA CAPITAL	Klīversala	2018
2 Stārķu	2 Stārķu	Bonava	Teika	2018
86 Tallinas	86 Tallinas	51 Rīgas	City Centre (remote)	2018
19 Dzintaru avenue	The Key	STATS Group	Dzintari	2018
Lubānas, Salnas, Kupriču	Trebū Home, Houses 1 and 2	AFI Europe Latvia	Plavnieki	2018
30 Raņķa dam	Z-TOWERS	Towers Construction Management	Āgenskalns	2018

Information at Latio's disposal about new apartment buildings in Riga and Jūrmala completed recently, in 2016 and 2017

<i>Address</i>	<i>Title</i>	<i>Developer</i>	<i>Residential area</i>
25 Āgenskalna	Āgenskalna priedes	Tepatgrupa	Āgenskalns
161 Brīvības	161 Brīvības	BI-161	City Centre (remote)
2 Bultu	Doles mājas	Bonava	Ķengarags
53 Dzirnavu	53 Dzirnavu street	Private	City Centre (close)
18 Elizabetes	Elizabetes Apartamenti	SIA Transit Tandem	City Centre (close)
82 K -2 Jūrmalas alley	Imantas Ozoli	KBO	Imanta
18B Stabu	Intriga	Stabu projects	City Centre (close)
5 Jeruzalemes	J5 Apartments	J5	Quiet Centre
10 Jasmīnu	Jasmine Garden	LNK Properties	Bulduri
16 Valentīna	Kalnciema kvartāla rezidences	Kalnciema kvartāla rezidences	Āgenskalns
6 Cīdabes	Kern Residences	CASTOR CONSTRUCTION	City Centre (quiet)
67 Ūnijas	Kvartāls 67	AFC	Purvciems
7 Briežu	Liepziēdi	Estera Development	Mīlgrāvis
33 Kristapa	Melnās Kurāter, House 1	MIA 14	Āgenskalns
22 Mēness	22 Mēness	M22	City Centre (remote)
19 K-1 Muižas	Muižas nami	Inbalans Group	Bulduri
3B Sapiēru	P17/Sapiēru 3B	URBAN ENTERPRISES LATVIA	City Centre (remote)
7 Pupuķu	Priedes	YIT Celtniecība	Bišumuiža
29 Mūkusalas	Promenāde	-	Close Pārdaugava
4B, 4C Prūšu	4B Prūšu	Bonava	Ķengarags
4 Valkas	Quadrus	CCDU Baltic	City Centre (quiet)
Ogļu	Riverside Residence	BIIG	Ķīpsala
49 Ķīpsalas	Riverstone Residence	YIT Celtniecība	Ķīpsala
1/12 Līvu	Saliēna Park Apartments, Round 1	Saliēna	Piņķi
4 Jāņa Dikmaņa, 15 Vesetas	Skanstes Parks	Merks	City Centre (remote)
31 Slokas	31 Slokas street	31 Slokas	Āgenskalns
20 Tērbatas	Tērbatas 20	Baltic Apartments	City Centre (close)
24 Zvejnieku	Zundas Dārzi	BIIG	Ķīpsala
33 Aleksandra Čaka	33 Aleksandra Čaka	-	City Centre
6 Alfrēda Kalniņa	Alfrēda	LHB	City Centre (close)
24A Biķernieku	24A Biķernieku	Tepatgrupa	Teika
6 Bitēra	6 Bitēra	Art Terra	Imanta
6 Dzirnavu 6A	6 Dzirnavu	DZ 6	City Centre (close)
4 Elizabetes	Elizabete Garden Residence	Dekarta Property	City Centre (quiet)
22 Elizabetes	Elizabetes Residence	Enkom Capital	City Centre (quiet)
25 Laboratorijas	Grīziņš	Dzintarkrasti	City Centre (remote)
82 K -1 Jūrmalas alley	Imantas Ozoli	KBO	Imanta
37 Krišjāņa Barona	37 Krišjāņa Barona	AD Development	City Centre (close)
12 Lapsu	12 Lapsu	Bonava	Dārziems
7 Mednieku	7 Mednieku	LLA INVEST	City Centre (close)
19 K-2 Muižas	Muižas nami	Inbalans Group	Bulduri
9, 11 Pupuķu	Priedes	YIT Celtniecība	Bišumuiža
41 Raunas	41 Raunas	Riga Estate	Purvciems
8 Sabīles	8 Sabīles	MIGRA	Āgenskalns
1 Silmaču	Silmaču Nami	Silmaču UB	City Centre (remote)
12 Grostonas	Skanstes Parks	Merks	City Centre (remote)
7 Šarlotes	7 Šarlotes	W.e.p.9	City Centre

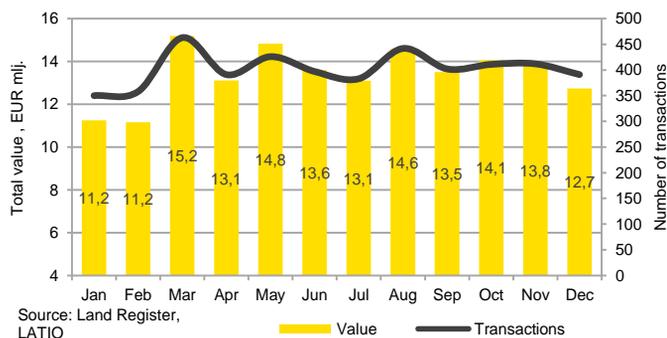


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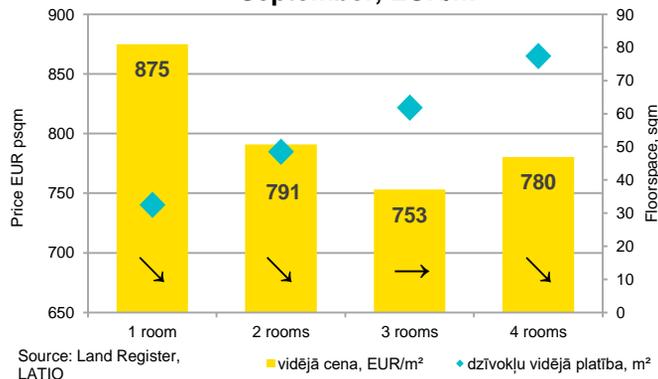
SERIES -TYPE APARTMENTS

- The activity in Q4 2017 in the series-type apartments market of Riga remained on the level of previous two quarters – on average, slightly more than 400 deals per month. Also the gross value of deals registered with the Land Register over the recent three months did not change materially and was more than 13 million EUR per month on average .
- According to the Land Register data, 4,826 deals at the gross value of 161 million EUR were registered in 2017.
- Compared to 2016, the quantity of deals has not changed materially, yet the gross value of the deals registered with the Land Register was 12% higher. It was primarily due to the rise in prices for series-type apartments in 2017.
- Along with the rising Latvian macroeconomic indices and welfare of the population, the deficit in the supply of good quality most demanded series-type apartments in the most popular neighbourhoods was increasingly felt. This has lead to a steeper-than-anticipated rise in prices of series-type apartments in 2017, H1 especially .

Series-type apartments in Riga: quantity and gross value of deals in 2017

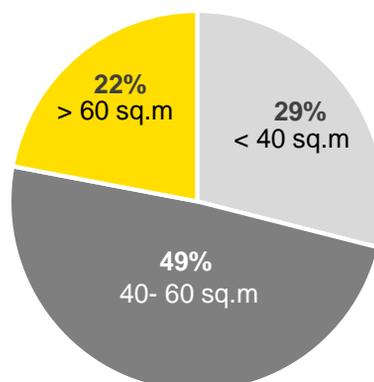


Average price of series type apartments in Riga in December 2017 with a trend vs. September, EUR/m²



- The average price in a series-type sales deal, according to estimates of Latio experts, grew over the year from 719 EUR/m² in December 2016 to 798 EUR/m² in the last month of 2017, comprising an 11% rise in price. Despite of the sharp rise, the pressure on prices eased off in the second half-year, and they became stable.
- As the supply of economy-class apartments in new buildings of Riga residential areas keeps growing, no significant leap of prices on the market is expected in 2018. Another aspect to take into account - reaching a certain price level, customers start considering alternatives of purchasing a better quality dwelling in new housing developments.
- In 2017, 60% of deals were closed for series-type apartments on the apartment market of Riga, the proportion of such deals in Q4 dropped to 56%. In 2016, 64% of all apartment transactions were concluded in this segment. The proportion of the gross deal value also shrunk from 37% in 2016 to 36% in 2017.
- The distribution of the number of deals by apartment floorspace in 2017 remained the same as in 2016. Approximately a half of the deals are concluded on apartments sized 40 to 60 m². Although, this is also due to the fact that the largest housing stock of apartments among series- type multi-apartment buildings is available just in this particular category.
- In 2017, 22% of deals in the series-type apartment market of Riga were concluded for flats in Lithuanian series-type buildings, 20% in Series-602 buildings, while 18% - in Khrushchev era series-type buildings.
- Invariably, there are four neighbourhoods in the strongest demand in the series-type apartment segment: Purvciems (13%), Ķengarags (12%), Imanta (10%) and Pļavnieki (10%). 45% of the total number of transactions are concluded in these four urban districts together. In terms of the number of transactions, Ziepniekkalns, Jugla, Iļģuciems and Vecmīlgrāvis rank among the more active neighbourhoods .

The number of series-type apartment transactions in Riga by floorspace in 2017



Series-type apartment market of Riga: quantity and gross value of deals

	Y2017	vs. Y2016
Quantity of transactions	4,826	-1%
Gross value of transactions, mln. EUR	160.9	+12%

Number of transactions by apartment floorspace

Floorspace Category	Quantity	% Change
< 40 m ²	1,395	0%
40- 60 m ²	2,367	-3%
> 60 m ²	1,064	0%

	Q4 2017	vs. Q3 2017
Quantity of transactions	1,214	-1%
Gross value of transactions, mln. EUR	40.6	-1%

Number of transactions by apartment floorspace

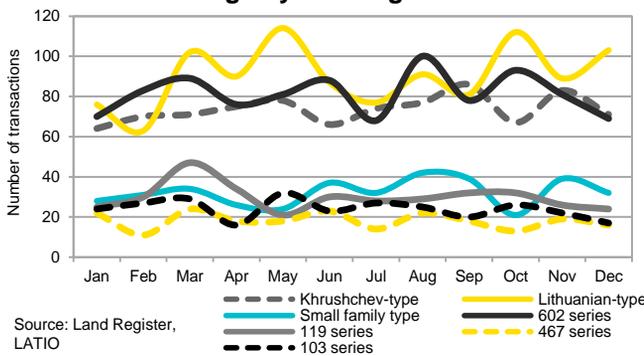
Floorspace Category	Quantity	% Change
< 40 m ²	385	+10%
40- 60 m ²	570	-9%
> 60 m ²	259	+3%

- Buyers in series-type apartment market pay much attention to quality of the apartments, and fully renovated apartments are at the top of demand.
- There is a certain category of buyers, who, making use of a relatively higher return on investment, purchase small-size series-type apartments to let as means of investment, primarily in the vicinity of universities, for instance, in neighbourhoods of Dzirciems, Jugla.

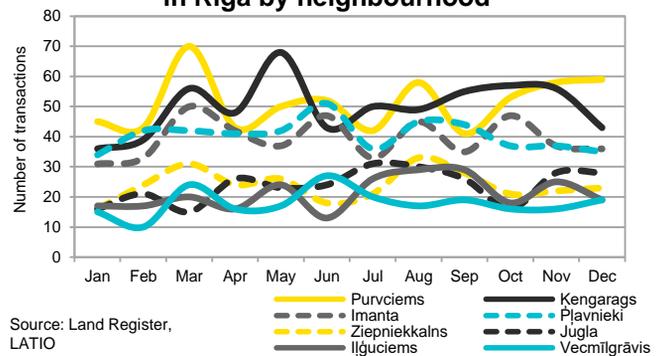
What does the buyer focus on?

- quality of management;
- level of utility costs;
- overall technical condition of the apartment and the building;
- land plot ownership status (whether the land plot underneath the building is leasehold or freehold);
- whether the prior reconstruction of the apartment has been legalized.

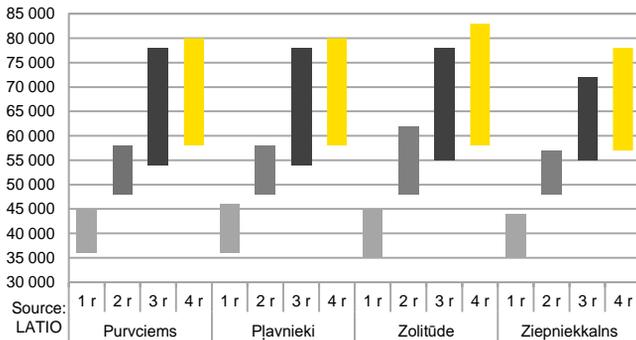
Quantity of series-type apartment deals in Riga by building series



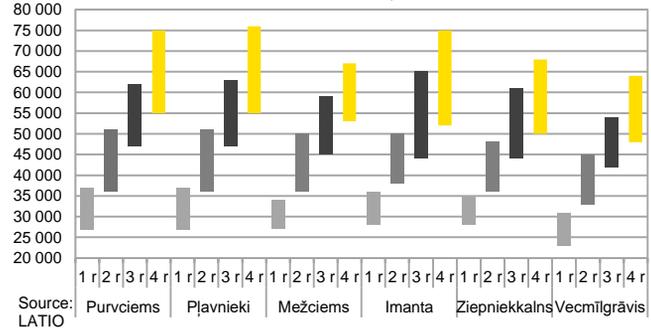
Quantity of series-type apartment deals in Riga by neighbourhood



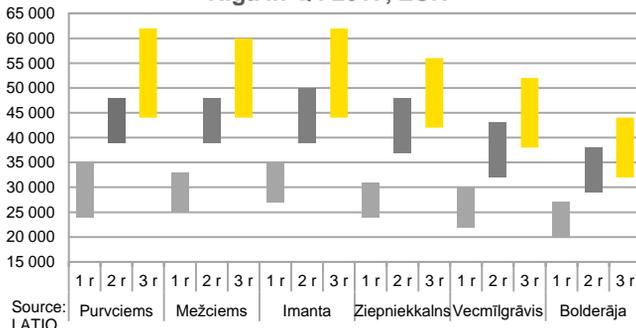
Series -119 apartment price range in Riga in Q4 2017, EUR



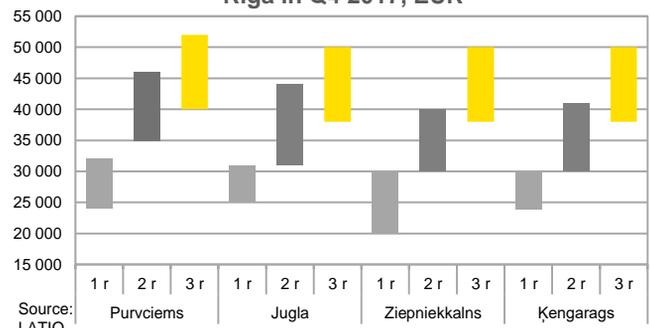
Series-602 apartment price range in Riga in Q4 2017, EUR



Lithuanian Series apartment price range in Riga in Q4 2017, EUR



Khrushchev Series apartment price range in Riga in Q4 2017, EUR



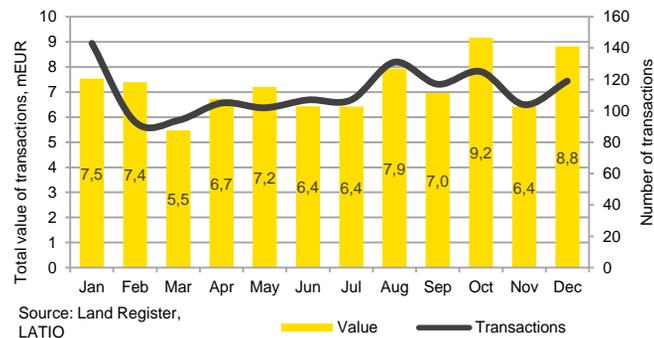


Apartment at Tērbatas street

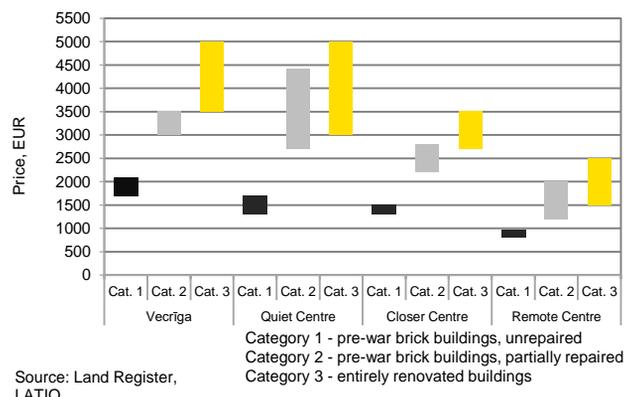
RIGA CITY-CENTRE APARTMENTS

- The activity in Q4 2017 in Riga City Centre apartments market remained on the level of the previous quarter with an average of 110 - 120 deals per month. The gross value of deals registered with the Land Register increased by 15% and reached 24 million EUR, a historical high for the past four years.
- In 2017 on the whole, the activity in this segment increased by 21%, while the gross value of the deals - by 26%.
- Transactions for city centre apartments comprised 17% of all deals on Riga residential market in 2017 (2016: 15%), while the gross value thereof – 19% (2016: 18%).
- A considerable boost of activity, up by 32%, was observed in the Silent Centre, where 37 deals were concluded in 2017. The activity in the Old Town, compared to 2016, remained the same with 45 deals during the year. There is a higher demand of non-residents in these segments – 33% of the deals in the Old Town and the Silent Centre for the year in total were concluded with non-residents, and in the last quarter of the year – even 44%.

Riga City Centre apartments: quantity and gross value of deals in 2017



Riga city-centre apartments: price range in Q4 2017

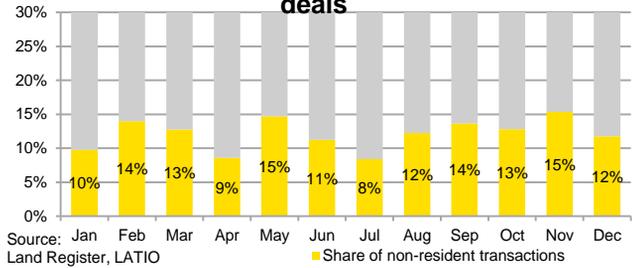


- The Closer City Centre of Riga saw a bit fewer deals concluded in Q4, compared to the preceding quarter, still more than at the beginning of the year and also more than in previous years. The market activity in the Closer City Centre grew by 44% over the year.
- Undoubtedly, the Remote City Centre was the most dynamic one on the City Centre apartment market – the year 2017 was very steady by quarters with an average of nearly 250 deals a month, while the year-on-year increase in the quantity of deals was 16% for the entire year.
- The presence of steady domestic demand in the Closer City Centre was observed in 2017, as well as a steadily high domestic buyer activity in the Remote City Centre.
- Non-resident deals conclude in the Closer and Remote City Centre as well, 10-12 per month on average, although the proportion of these deals is small – just 11%, as compared to the prestigious Silent Centre and the Old Town.
- 47% of deals in 2017 concluded on apartments of up to 50 m², and 39% of floorspace between 50 and 100 m². Larger apartments account only for 14% of the total quantity of deals.
- Buyers – residents and non-residents alike – pay much attention to the amount of the real estate tax, which in some more luxurious neighbourhoods constitutes a considerable portion of property use expenses.
- Similar to the situation in the series-type apartments market, the supply of good quality apartments at a price that is adequate to the market level is scarce in this segment as well.

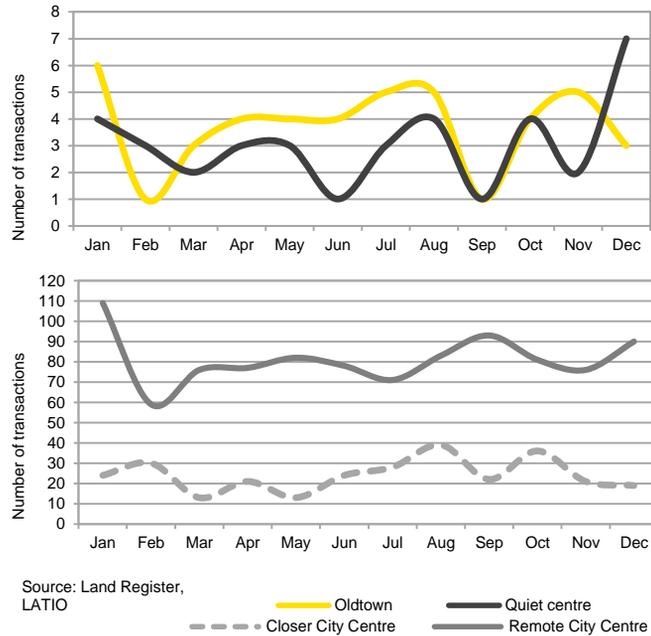
What does the buyer focus on?

- good and prestigious location;
- visual and technical condition of the house;
- courtyard and surroundings neat and in order;
- management costs, service provider and building provisions;
- car parking facilities.

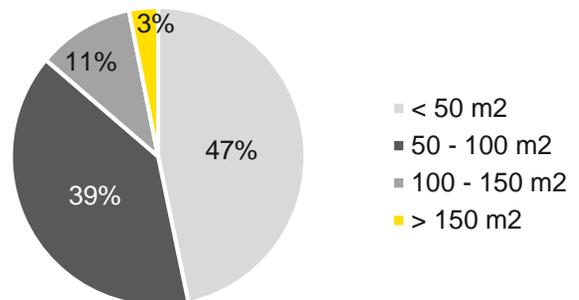
Non-resident ratio in City Centre apartment market by the quantity of deals



Riga City Centre apartments: quantity by location area profile



Riga City Centre apartment deals by floorspace in 2017



Territorial division of Riga City Centre

Closer City Centre	Silent Centre	Remote City Centre
confined by K.Valdemāra street, Marijas street, A.Čaka street, Vecrīga and Maļiņa street, Šarlotes street, A.Briāna street	confined by K.Valdemāra street, Kalpaka boulevard, Elizabetes street, Eksporta street, Hanzas street	confined by the Closer City Centre, Quiet Centre, Valmieras street, Pērnavas street, Senču street (along the railway line)

The report analysis includes transactions with Riga City Centre apartments, excluding transactions with deemed shares of multi-apartment buildings

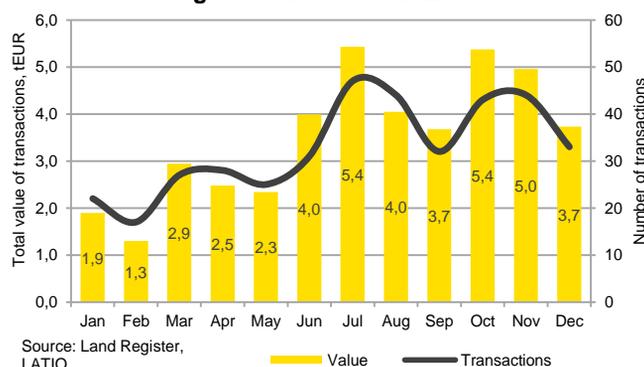


A private house in Līči

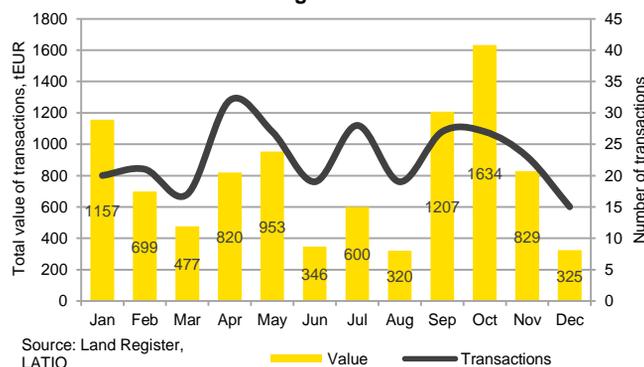
PRIVATE HOUSES, RESIDENTIAL DEVELOPMENT LAND

- Private housing market segment in 2017, H2 especially, had a considerable leap in activity – the quantity of deals climbed by 21%, while the gross value of deals registered in the Land Register increased by 11%.
- The activity rose considerably in Q3 and remained on the same level in last three months of the year as well with an average of 40 deals per month. In H2 2017, the private house market segment in Riga was the most active within the last three years.
- Customers increasingly often opt for acquiring houses that are already fit for dwelling, but, when they fail in finding an appropriate estate, then shift their focus on residential development land procurement options, to build a house by themselves.
- Such a tendency is also confirmed by the drop in residential development land market segment activity in 2017 by 4%, although it had risen by 11% a year ago.

Private houses in Riga: number of sales and gross sales value in 2017



Residential development land plots in Riga: number of sales and gross sales value in 2017

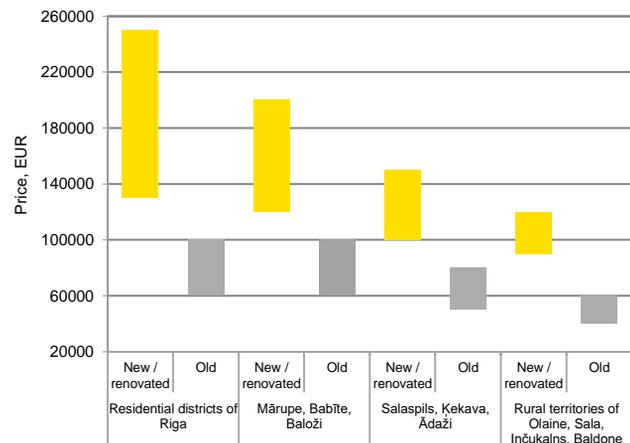


- Construction land plot market shrunk in both Q3 and Q4, and the number of transactions registered in Q4 was 15% smaller than the year ago.
- Currently, the prices of new or renovated private houses in residential areas of Riga and most-in-demand territories adjacent to Riga range from EUR 130,000 to 250,000, prices of old houses are up to EUR 100,000. The prices are lower elsewhere in the vicinity of Riga.
- Most in demand are private houses of 150 to 250 m² within a price range between 200 – 220 thousand EUR.
- Popularity top of neighbourhoods is the same as by now – Mārupe, Berģi, as well as the nearest populated areas in the agglomeration of Riga.
- Interest is shrinking in obtaining large private houses sized 300 m² and larger. The main underlying reason for that is the rise in real estate tax, which makes the choosing of house size and its location a very rational selection process.
- When making choices upon a house purchase, its construction technologies and materials are of lesser importance to the prospective buyer. What is important for a house to have - good quality, energy efficiency and no need to make significant investments in its repair in near future. Another aspect that matters - the type of heating, with a preference given to natural gas.

What does the buyer focus on?

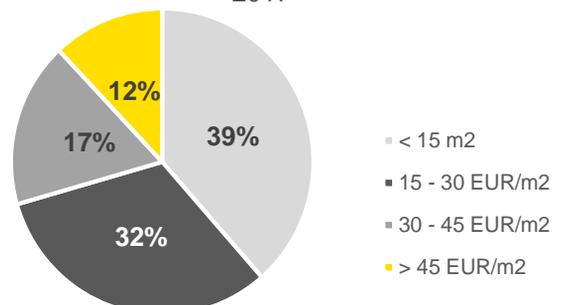
- quality of the building
- surrounding infrastructure
- availability of schools and kindergartens
- availability of public transport
- availability of utility mains required for the land plot

Private houses in Riga and its vicinity: range of characteristic prices in Q4 2017



Source: Land Register, LATIO

Number of transactions for residential development land in Riga by price category, 2017



Number of deals and gross deal value of private houses and residential development land plots in Riga

	Y2017	vs. Y2016
Private houses		
Quantity of transactions	393	+21%
Gross value of transactions, mln. EUR	42.2	+11%
Residential development land		
Quantity of transactions	275	-4%
Gross value of transactions, mln. EUR	9.4	+5%
	Q4 2017	vs. Q3 2017
Private houses		
Quantity of transactions	120	-2%
Gross value of transactions, mln. EUR	14.1	+7%
Residential development land		
Quantity of transactions	65	-12%
Gross value of transactions, mln. EUR	2.8	+31%



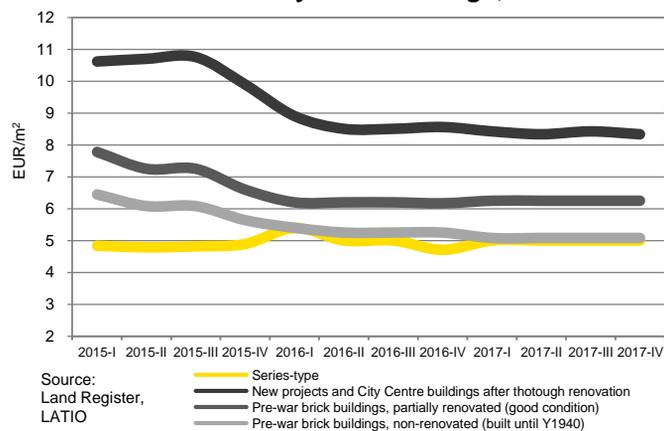
Apartment to let in the Old Town

RESIDENTIAL RENTAL MARKET

GENERAL DESCRIPTION

- Rental market activity in Riga in Q4 2017, as well as during the entire year, was quite high. The demand is stronger in the economy-class segment, predominantly the interest is in series-type apartments in a good state of repair in popular neighbourhoods.
- Rental prices generally remain quite stable, although it should be considered that the supply of good quality series-type apartments is relatively small, therefore a slight rise in rental fees can be observed in this segment, most in demand. Typical rental fees for most popular series-type apartments are 200-300 EUR/month, and in some segments they may be a bit higher. Rental fees are at 350-600 EUR/month in new multi-apartment building development projects in residential districts depending on the location and floorspace.
- When the ask price is relevant to the market situation, such apartments can be let within an average of 3 weeks. At present, customers often prefer a better quality, although smaller apartment, rather than more spacious one of a poorer repair.
- Customer demands for higher quality mean that more time is allowed for making choices and decision, a number of alternatives are considered. Landlords have to rack their brain - how to make their offer more attractive in terms of price, as well as quality.

Rental fee dynamics in Riga, EUR/m²



- Offerings in rental apartment buildings become increasingly popular – 20 to 30 m² large, fully equipped apartments at a rental fee of 220 to 350 EUR/month.
- Rental prices and demand in the premium segment are stable. The demand in this category is for 2- or 3-bedroom apartments at a rental fee up to 2,000 EUR a month. It is worth mentioning that deficit of such good quality dwellings can be observed.
- The steepest climb in real estate tax (RET) rates has been exactly for those apartments falling into the premium segment, therefore landlords increasingly often include the RET as a complementary payment to be made by the tenant. This is one of the reasons, which slows down the rise in rental fees, despite of a steady demand and economic growth.

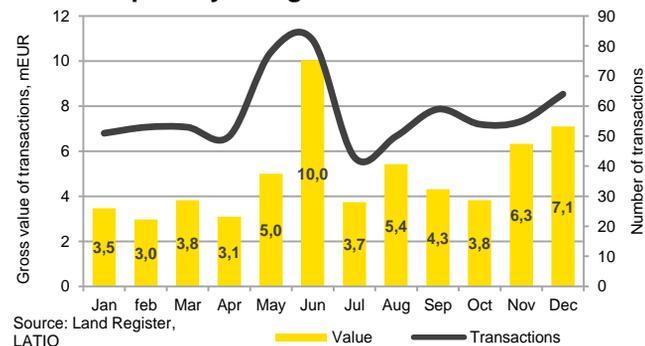


Apartments in Jūrmala

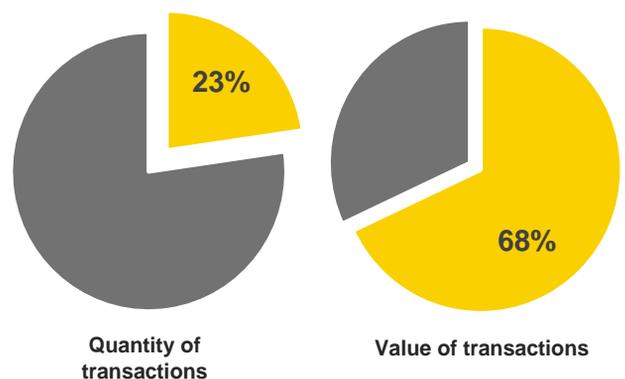
RESIDENTIAL MARKET IN JŪRMALA

- An average of 55-60 deals per month concluded on the apartment market of Jūrmala in 2017, by 3% less than in 2016. The market was very busy at the beginning of summer – May and June, with 70 and even 80 deals per month.
- Residential market activity in Jūrmala has been fluctuating throughout the year – a highly dynamic Q2 was followed by an idle Q3, but the transaction quantity rose again towards the year-end, and in all segments.
- The gross value of deals with apartments in Jūrmala registered in the Land Register in 2017 reached 59 million EUR, which is a record high in the past three years and exceeds the amount of 2016 by 10%.
- The year 2017 was a year of growth in Jūrmala's new apartments market, with market activity peak for the past three years. The year-on-year increase in the number of deals with apartments in new developments was 14%. A considerable increase was also observed in terms of the gross value of deals registered in the Land Register – it grew 33%, compared to year 2016.
- Q4 with 43 registered deals on the new apartments market has been one of the busiest for the past three years and, due to a number of deals in the luxury segment development projects, the gross transaction value has been quite impressive – over 13 million EUR within a single quarter.

Series type apartment market of Jūrmala: quantity and gross value of deals

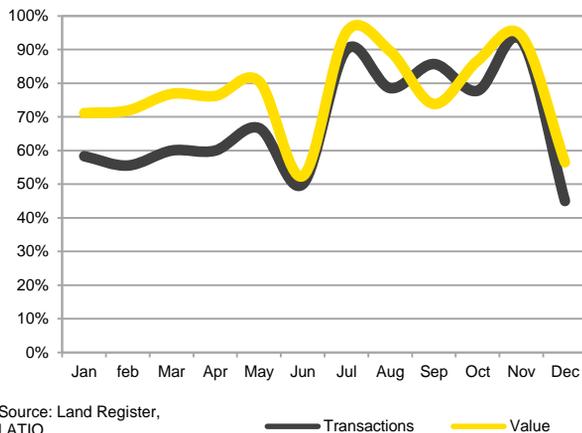


Proportion of new apartments of Jūrmala residential market in 2017

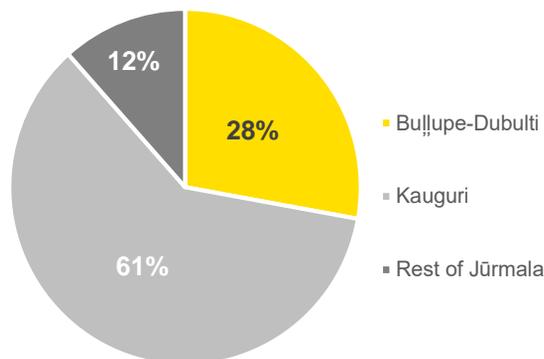


- The proportion of new developments on Jūrmala apartments market in 2017 increased from 19 to 23%, and the share of gross value of deals grew from 57 to 68%.
- 65% in the new development segment are non-resident deals, accounting for 75% of the gross value of the deals. Non-residents clearly dominate the luxury segment, while the domestic buyer demonstrates great interest in cheaper new projects at a price up to 2,000 – 2,200 EUR/m².
- Apartments in new projects in Jūrmala is an object of interest for new families, who seek funding of banks to obtain property, as well as use the Development Finance Institution Altum programme for first home acquisition. Still, the supply in this price range is limited and the buyer considers alternatives of purchasing property in Riga or its vicinity for a more attractive price. The lack of supply encourages developers to pay more attention on the local mid-range segment buyer.
- In 2017, the number of deals in series-type and pre-war multi-apartments buildings shrunk by 7.6%. The market remained busy only in Kauguri, although, it is this location, where 61% of all deals in this segment conclude.
- The market activity in private house sales in Jūrmala increased by 18% in 2017, while the total value of deals registered with the Land Register remained on the same level as in 2016.
- The most significant rise was in the segment of sales values up to EUR 150,000, while deals involving more expensive properties conclude less frequently. An average of 15 private houses sales per month conclude in Jūrmala.
- Residential development land market activity in 2017 grew by a total of 26%, while the total value of deals registered with the Land Register - even by 71% compared to 2016.

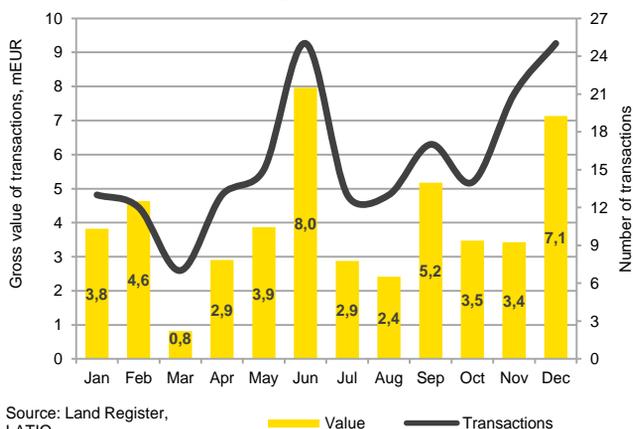
Proportion of quantity and gross value of non-resident transactions in new apartments market of Jūrmala



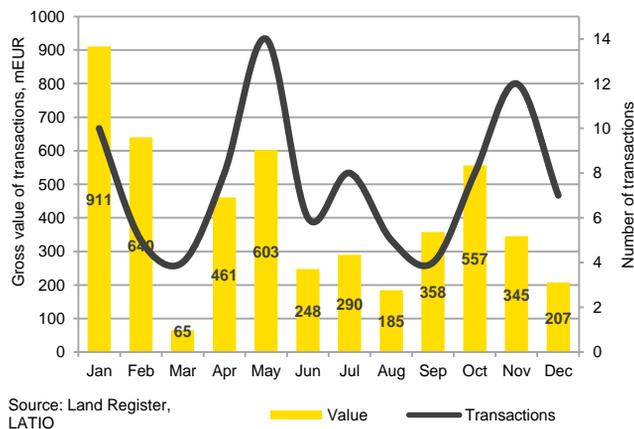
Number of transactions with pre-war and series type apartments in Jūrmala by geographic location in 2017



Private housing market of Jūrmala: quantity and gross value of deals



Land plot market of Jūrmala: quantity and gross value of deals





RESIDENTIAL MARKET IN REGIONS

Daugavpils

- No significant changes in Daugavpils apartment market activity were observed in Q4 2017. The demand is predominantly in 1-bedroom apartments on middle floors of a building, as well as in renovated 2-bedroom apartments, which do not require extra financial investments. Transaction primarily include apartments within the price range of EUR 6,000 to EUR 15,000, although buyers are willing to pay even up to EUR 20,000 – 25,000 for quality-renovated 2-bedroom apartments.
- The prices of series-type apartments in the city centre range between 250 and 450 EUR/m², 200-350 per square metre in suburban areas.
- In 2017, market activity increased regarding apartments in renovated buildings, with 21 registered deal, 16 of which in the in-demand building at 11 Arodu Street, where fully finished apartments were sold at 150 to 400 EUR/m² and were sold out completely .
- Private house market trends have also remained on the previous level. Buyers are more interested in quality-renovated properties, which do not require significant additional investments.
- Mainly old and renovated residential buildings are observed to be in demand and sold. Prices for small buildings up to 150 m² in Daugavpils suburban areas range from 250 EUR/m² to 400 EUR/m².
- The demand in residential development land plots is small. The primary criteria defining the choice of buyers are location and availability of utility mains. The sales price ranges from 3 to 7 EUR/m².

Jelgava

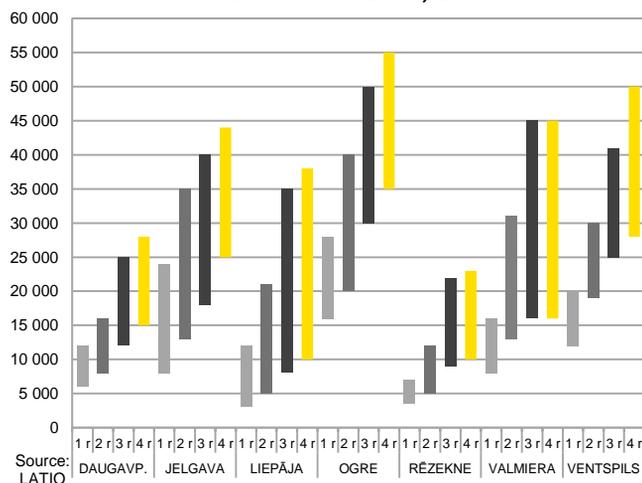
- The market has become busier in Jelgava in 2017 – stronger demand, although a minor drop in supply can also be sensed. The demand is primarily in one-bedroom apartments at a price of up to EUR 30,000.
- Buyers' interest in apartments in new developments and renovated projects is scarce, there are apartments on the supply side at prices from 700 to 900 EUR/m².
- The average ask price for apartments in the city centre is 650 - 700 EUR/m². Currently, the average series-type apartment price is approximately 500 EUR/m², and the price range – 350 to 950 EUR/m².
- The number of transactions for private houses is similar to previous periods, no significant changes. There is some interest in new buildings of the last decade, as well as ones erected in the soviet era.
- In the segment of new private houses, the interest is in small, good quality houses of floorspace up to 150 m². The sales value in such deals usually does not exceed EUR 190,000. In the segment of the soviet era buildings, the demand is in houses up to 80 m² large, provided that they are in good or satisfactory technical condition and the price is around EUR 60,000. There are but a few such offers on the market, therefore the major part of deals involve houses at a price of up to EUR 80,000.

- There is demand for residential construction land plots, but the supply does not meet the customer's expectations. The main criteria of choice are the location and the presence of utility mains, with the price ranging from 3 to 19 EUR/m².

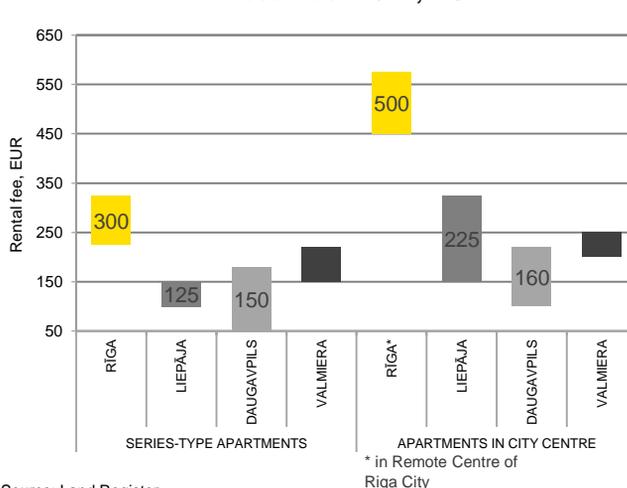
Liepāja

- The residential market activity in Liepāja in Q4 2017 remained stable with an average of 110 deals per month. Lots of inquiries were for 2-bedroom apartments in Ezerkrasts, Southwestern and Central neighbourhoods, but the supply of such apartments is limited.
- Stable interest remains also in one-bedroom apartments. Neighbourhoods most enquired about include the South - Western neighbourhood, the Centre, Ezerkrasts and Lauma neighbourhoods. Less demanded are apartments in the neighbourhoods of Karosta, Zaļā birzs and Tosmare.

Range of prices for series type apartments in largest cities of Latvia, December 2017, EUR



Rental fee for a typical furnished 60 m² apartment in largest cities of Latvia December 2017, EUR



RĒZEKNE

- The price range for apartments in Lauma neighbourhood fluctuates from 200 to 450 EUR/m², in Ezerkrasts - from 350 to 600 EUR/m², in Southwestern area – 400 to 650 EUR/m², in the centre – 400 to 950 EUR/m².
- In Liepāja, there is a sustained foreign demand, primarily from Lithuanian citizens, in apartments of good repair that do not require large financial investments. The purpose of such apartment purchase usually is letting them to tourists in the summer season.
- All apartments in the new developed projects Dzintara Nams, Avotu Nams and Alejas Nams are sold out. The sales price, depending on the project, ranges between 700 and 1,050 EUR/m².
- Sales of apartments has been started in a renovated pre-war building at 4 Lielā Street (Torņa Nams), where the apartment price is 1,064 – 1,295 EUR/m². No new multi-apartment development has been launched in Liepāja now.
- An average of 2-3 deals per month are concluded on the private house market of Liepāja. The demand mostly is for houses that are already fit for dwelling, where repairs can be carried out gradually.
- Private houses that are most in demand are ones up to 150 m² in areas of individual residential houses in Vecliepāja, the Old Town.
- Sales of residential houses that need repair are concluded within the price range from 35,000 to 70,000 EUR, renovated and new are sold for 90,000 to 180,000 EUR.
- A positive trend is the increased interest in private houses and land plots for construction in Liepāja City neighbourhoods Karosta and Zaļā birzs.
- Sales of residential development land plots in these city quarters conclude at an average price of around EUR 5,000. The average prices of private houses range between 30,000 and 50,000 EUR, for good quality residential houses – up to 90,000 EUR.
- The apartment market activity in Rēzekne in Q4 2017 has not been high – an average of 35-40 deals per month. The market activity has been higher in the centre and northern area for small single room and one bedroom apartments.
- In Rēzekne, apartments decently maintained yet requiring renovation cost from 100 to 150 EUR/m², ones having been redecorated and replaced doors and windows - 150 – 300 EUR/m², while those having been refurbished and having modern thorough renovation cost up to 450 EUR/m².
- The rental market is dominated by demand for small floorspace single-room and one-bedroom apartments in the city centre and Northern district, a common rental fee is 30-40 EUR a month.
- Sales of land plots for private house construction are rare, but construction of private houses in Rēzekne has not stopped – construction takes place on land plots already owned.
- In the last three months of 2017, the activity was low in the private house market segment, - five deals were concluded for houses dating back to the soviet era, in a decent condition yet requiring additional investment to fit them to the latest demands.
- The supply mainly offers residential houses built in the 1950's – 60's with an average floorspace house of 60 – 70 m², and optimal size land plot of ca.600 m², with no renovation and even without water supply and sewer lines.
- The prices of such houses range between 10,000 and 15,000 EUR, while prices for decently kept and improved houses are from 15,000 to 40,000 EUR, but, when they are fully renovated, the price can reach EUR 60,000. Typical prices of new private houses are from 70,000 to 100,000 EUR.

OGRE

- Activity was stable on the residential market of Ogre in H2 2017. A moderate price growth on the market could be observed due to insufficient supply.
- The price of a medium sized apartment in series-type buildings in Ogre is 500 – 700 EUR/m² on average. Prices of good quality renovated apartments fluctuate between 650 and 850 EUR/m², while non-renovated apartments sell at 450 to 600 EUR/m².
- Deals in new housing developments were concluded at a price ranging between 700 – 1000 EUR/m². The supply of apartments in new development projects is relatively small, as there are but a few new development apartment projects in Ogre and renovated buildings.
- The supply of private houses in Ogre Town is sufficient. The bulk of the estates sold are residential houses built in the previous century of an average floorspace of 100 – 150 m², with prices ranging between EUR 40,000 and 80,000, depending on the technical condition of buildings.
- Renovated single-family residential houses of an average floorspace of 130 to 200 m² in good technical condition are offered at EUR 80,000 – 120,000. Interest in expensive and spacious houses is low.
- Also available on the market are buildings in the urban gardening community and summer cottage villages that are reconstructed and adapted for permanent residence. Such houses are offered at prices, starting at EUR 30,000 to as much as EUR 70,000.
- Activity is low on the residential development land plot market. The price for a land plot of 1,200 – 1,500 m² ranges from 7 to 20 EUR/m².

VALMIERA

- The demand in Valmiera is strongest for good apartments in renovated houses close to the centre, customers also take into account the amount of utility payments.
- The ask price for series-type apartments greatly varies, starting from 300 EUR/m² up to 750 EUR/m², while in a new project or fully refurbished apartments – up to as much as 850 EUR/m² and more.
- The price level depends on the location of multi-apartment building and the quality of the apartment.
- Series-type apartments' price range in Q4 2017:
 - 1-room apartments - 12,000 to 20,000 EUR,
 - 1-bedroom apartments - 22,000 to 45,000 EUR,
 - 2- and 3-bedroom apartments - 35,000 to 58,000 EUR.
- Private houses in Valmiera and its vicinity are offered at prices ranging between 28,000 and even 300,000 EUR.
- Residential houses with no repair come cheaper, the prices are higher for estates with new buildings or in good repair.
- Residential houses were sold at an average of 300 – 700 EUR/m² during the last year.
- Residential development land plots most in demand measure 1,200 to 2,000 m².
- The prices have slightly risen, although the market activity has remained on the current level. Prices for land plots of 600 to 2,500 m² range between 3 and 25 EUR/m².
- The price of land depends on the plot location, availability of utilities and options of construction.

VENTSPILS

- No significant changes in residential market activity have been observed in H2 2017.
- A higher demand and number of sales still is in the central area and the part of the city on the left bank of the River Venta, lower – on Pārventa side and Krievlauki (the right side of the River Venta). Estates are primarily purchased to use them for own needs.
- The prices for series type apartments in the city-centre locations have remained the same, within 400 – 600 EUR/m². Apartments in excellent technical conditions are sold for up to 800 EUR/m².
- The highest demand is for 1-bedroom and 2-bedroom apartments in good and excellent condition, but the supply is limited. There is also interest in non-renovated and uninhabitable apartments with repairs in progress.
- There are no new development projects in Ventspils, and the municipality is going to erect a new multi-apartment house in the Old Town, the land plot for this purpose has already been obtained and construction design developed. No construction works have been started.
- Observations are that renovation works have started in some smaller multi-apartment houses in the Old Town and central area and the apartment rental market in near future could see an addition of a number of modern refurbished apartments.
- A part of clients inquire about renovated or recently built private houses, the purchase price of which would cut under construction costs of a new building, but the choice of such estates is scarce.
- Residential houses are primarily built for own use rather than to be further sold on the market. Typical prices of old private houses are 35,000 – 60,000 EUR; brand-new houses cost 100,000 – 130,000 EUR.
- There are lots of vacant land plots for private construction in Ventspils, the market activity is low. Transactions are primarily concluded in the southern part of the city, where new streets have been created having the necessary utility mains. The prices range from 8 to 12 EUR/m².

Addresses of Latio offices

Riga region

Central office
8 K. Valdemāra street,
Riga, LV-1010
telephone +371 67032300
e-mail latio@latio.lv

Ogre branch
22 Brīvības street,
Ogre, LV-5001
telephone +371 65035733
e-mail ogre@latio.lv

Riga Imanta branch
88 Anniņmuižas boulevard,
Riga, LV-1029
telephone +371 67440000
e-mail imanta@latio.lv

Tukums branch
1 Katrīnas square,
Tukums, LV-3101
telephone +371 63125319
e-mail tukums@latio.lv

Riga Purvciems branch
27 Madonas street,
Riga, LV-1035
telephone +371 67549355
e-mail purvciems@latio.lv

Limbaži branch
**SIA Latio vērtētāji &
konsultanti Vidzemē**
7 Rīgas street,
Limbaži, LV-4001
telephone +371 26334584
e-mail limbazi@lvkv.sia.lv

Kurzeme region

Liepāja office
27/29 Graudu street,
Liepāja, LV-3401
telephone +371 63422190
e-mail liepaja@latio.lv

Talsi branch
17 K. Valdemāra iela street,
Talsi, LV-3201
telephone +371 63221922
e-mail talsi@latio.lv

Ventspils branch
11 Kuldīgas street,
Ventspils, LV-3601
telephone +371 63629566
e-mail ventspils@latio.lv

Latgale region

Daugavpils branch
34/36-13 Ģimnāzijas street,
Daugavpils, LV-5400
telephone +371 65429515
e-mail daugavpils@latio.lv

Preiļi branch
24 Raiņa boulevard,
Preiļi, LV-5301
telephone +371 65307407
e-mail latio@latio.lv

Rēzekne branch
16 18. novembra street,
Rēzekne, LV-4600
telephone +371 64628276
e-mail rezekne@latio.lv

Vidzeme region

Alūksne branch
**SIA Latio vērtētāji &
konsultanti Vidzemē**
27 Pils street,
Alūksne, LV-4301
telephone +371 64322452
e-mail ita@lvkv.sia.lv

Cēsis branch
**SIA Latio vērtētāji &
konsultanti Vidzemē**
15 Raunas street,
Cēsis, LV-4101
telephone +371 64127447
e-mail cesis@lvkv.sia.lv

Gulbene branch
**SIA Latio vērtētāji &
konsultanti Vidzemē**
62 O.Kalpaka street,
Gulbene, LV-4401
telephone +371 26544881
e-mail ita@lvkv.sia.lv

Valka branch
**SIA Latio vērtētāji &
konsultanti Vidzemē**
11 Rīgas street,
Valka, LV-4701
telephone +371 64725346
e-mail valka@lvkv.sia.lv

Valmiera branch
**SIA Latio vērtētāji &
konsultanti Vidzemē**
39 Rīgas street,
Valmiera, LV-4201
telephone +371 64207022
e-mail lvkv@lvkv.sia.lv

Zemgale region

Jelgava branch
15 Lielā street,
Jelgava, LV-3001
telephone +371 63046480
e-mail jelgava@latio.lv

Jēkabpils branch
6 Katoļu street,
Jēkabpils, LV-5202
telephone +371 65237177
e-mail jekabpils@latio.lv

Latio

Real estate trade,
rent/lease, valuation,
consultations, corporate
services, market analysis
Central office
8 K. Valdemāra street,
Riga, LV-1010
telephone +371 67032300
fax +371 67032302
e-mail latio@latio.lv
www.latio.lv

Metrum

Land surveying, territorial
development planning,
geospatial services
47 Ģertrūdes street,
Rīga LV-1011
info +371 80008100
telephone +371 67860311
fax +371 67609044
e-mail metrum@metrum.lv
www.metrum.lv