

HOUSING MARKET OVERVIEW

September 2011

Apartments in downtown Riga

In comparison with summer months, foreign buyers have become less active, though on the whole the activity is relatively high, and the strongest demand in the segment of apartments in downtown Riga was formed right by foreign buyers focussing on good apartments in renovated buildings in the Old Town or in the tranquil and proximate area of downtown Riga.

Foreign buyers aiming at acquisition of temporary residence permit, seek to purchase quality renovated apartments in decent buildings with elevators, proper shared area and parking possibility, at a price between EUR 150,000–200,000. Nevertheless, supply meeting these demands is still limited as a part of the apartments offered for sale within this price range are found in non-renovated, shabby houses or in back-yard buildings. Moreover, the asked price of such a home is often inadequately high.

In September, prices in the closest center were 900-1,200 euros per square meter for medium condition apartments, and 1,200-1,500 euros per square meter for renovated apartments. Prices in the tranquil center were 1,200-1,400 euros per square meter for medium condition apartments and 1,600-1,800 euros per square meter for renovated apartments. Prices of very good apartments in renovated buildings in the center are 2,000 euros per square meter, reaching up to 5,000 euros per square meter in separate houses.

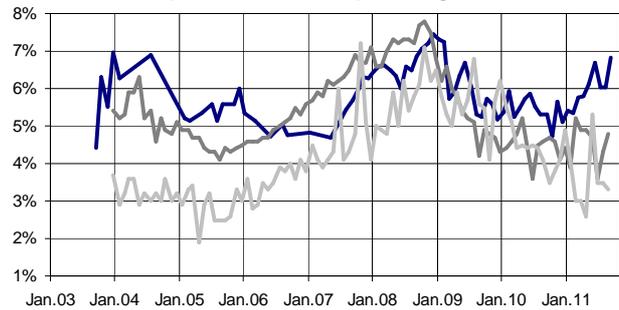
New developments

In September, demand and prices of apartments in new developments did not change significantly. The strongest interest in downtown brand-new apartments was expressed by foreign buyers, while local people focussed on other parts of Riga.

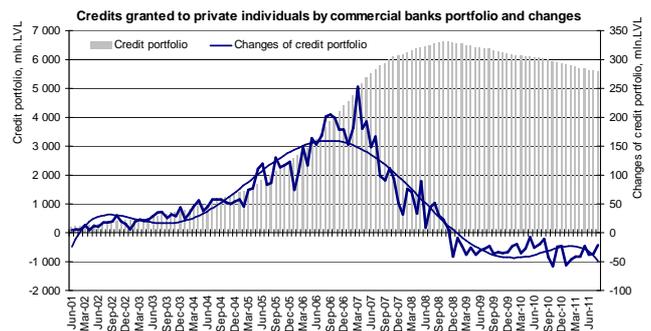
Recently, there is growing number of transactions for brand-new apartments with rent-to-buy option. This type of transactions are concluded by local buyers, a part thereof having failed to get a bank-loan for real estate purchase for different reasons. Unlike previous years, buyers have become more confident in transactions for brand-new apartments with rent-to-buy option. Several developers of new housing projects offer this option currently.

In September, the prices in new project apartments depending on decoration, project and location were 700-850 euros per square meter in Riga suburbs, 900-1,400 euros per square meter in Riga neighborhoods, 1,100-1,600 euros per square meter in Riga center and 2,500-3,500 euros in developments on good location in downtown Riga.

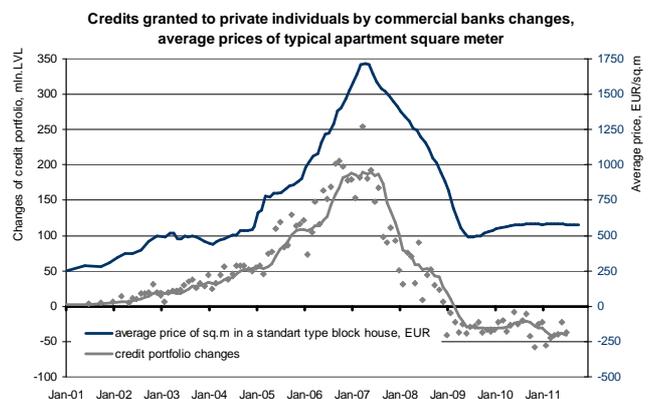
Capitalization rate and percentage rate



Source: LATIO, CSB
 — capitalization rate (annual rent vs price)
 — variable short-term credit interest rate EUR
 — longterm deposit interest rate, EUR



Source: the Finance and Capital Market Commission, LATIO



Source: the Finance and Capital Market Commission, LATIO

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Standard type apartments

In September, the average price per square metre of standard type apartments in Riga remained unchanged for the third consecutive month, and it was 576 euros. The average price of standard type apartments in Riga decreased 1% since January this year, and 0.7% over the recent 12 months.

The prices of standard type apartments in good technical condition in neighborhoods like Purvciems, Plavnieki, Zolitude, Imanta and Ziepniekkalns in September were 21,000–30,000 euros for one-room apartments, 28,000–38,000 euros for two-room apartments, 35,000–45,000 euros for three room apartments, 40,000–50,000 euros for four-room apartments.

There is growing number of people wishing to use bank loan for purchase of a home. However, banks do not grant the loans in all cases as the prospective borrower does not meet certain criteria. The banks are more lenient in granting loans and in formulating conditions thereof if a home owned by the credit institution or a company related thereto is purchased. Having failed to get a loan from a bank, housing buyers often postpone the intention of real estate purchase; just a small part of such buyers seek to borrow from the so called non-banking sector.

Transactions

Amount of housing transactions keeps growing in Riga and Latvia.

Analysis of gathered Land Registry data conducted by „Latio” indicates that over eight months of 2011 amount of nation-wide housing transactions has grown 13%, in Riga – 8.4%, including apartments – 6%, private houses – 32%, as compared to the same period last year.

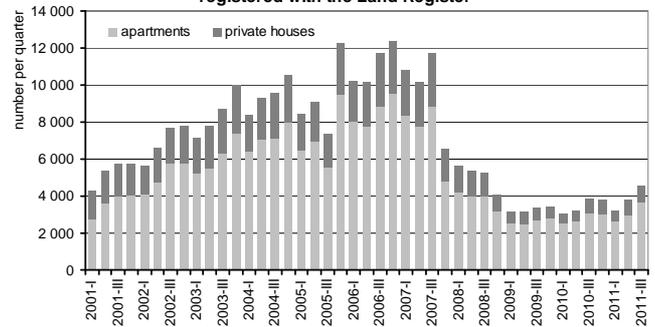
In Riga, amount of apartment transactions was remarkably higher than that of houses – there were over 3,700 apartment transactions whereas there were ca.470 transactions for houses.

Rental market

In September, demand formed by local and foreign students lessened slightly on the rental market of apartments in Riga, while the demand formed by other local and foreign people that was not associated with the beginning of study year, remained on the previous months' level, and it is considered strong in downtown Riga.

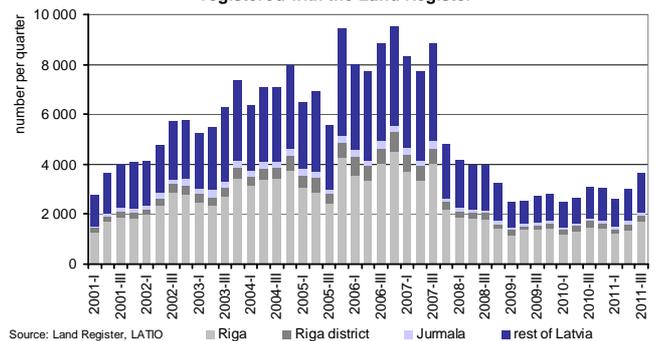
Foreign students draw their attention to large 4-5 room apartments in the centre, though supply of such apartments does not meet solvency of these tenants.

Housing transactions in Latvia registered with the Land Register



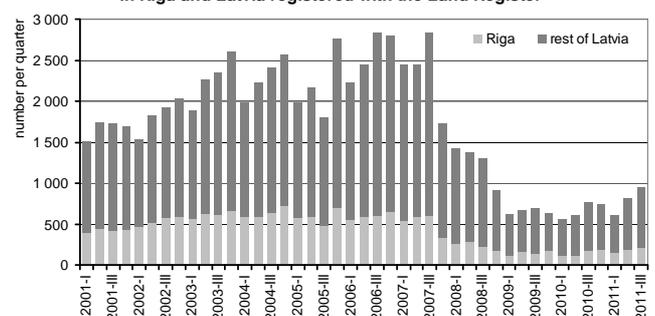
Source: Land Register, LATIO

Apartment transactions in Latvia registered with the Land Register



Source: Land Register, LATIO

Private house (with land plot 300-3000sq.m) transactions in Riga and Latvia registered with the Land Register



Source: Land Register, LATIO

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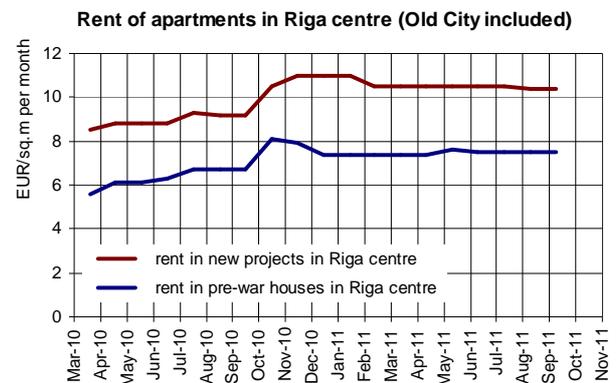
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Demand in apartments of downtown Riga is sustained by foreign citizens working in Latvia and local people like families requiring 3-4 room apartments. There is insufficient supply of such rentals in downtown Riga; a great part of properties in supply feature some essential drawback such as lack of quality renovation, there is no parking provided, or inadequately high rent charge is asked.

In downtown Riga, the strongest demand is in quality apartments with full amenities, furniture, 2 or 3 rooms, total space up to 80 sq.m., at rent charge up to 380–600 euros a month plus bills for public utilities. Supply of such apartments is still limited, and appropriate apartments becoming vacant are taken at a short notice.

The average rent price for apartments in new project buildings at the closest center of Riga was 10-11 euros per square meter, 6-7 euros per square meter in the remote center and 10-12 euros per square meter in the tranquil center.

The average rent price in September for apartments in pre-war stone buildings depending on their area were 7-8 euros in the Old Riga and closest center, 6-7 euros in the remote center and 7-9 euros in the tranquil center. The average rent charge for medium condition standard type apartments excluding public utility costs decreased, and it was 3 euros per square meter.



Source: LATIO