

HOUSING MARKET OVERVIEW

February 2012

New projects

In the market of new apartments, the activity of buyers in February remained at the previous months' level. The biggest demand in the center of Riga was generated by foreign buyers interested in fully finished apartments in new or completely renovated buildings.

Most of the foreign buyers who purchase an apartment use it for only a short time during the year, so some of these properties enter the rental market. Developers who focus their projects on foreign buyers must take this factor into consideration when planning the size, finishing and other characteristics of apartments.

The earlier trend of some local buyers reserving apartments still under construction in existing projects also continued in February.

In Riga, the prices of new apartments remained at the previous month's level.

The average price of new apartments in the residential neighborhoods of Riga at the end of 2011 was 1160 euros per square meter. The average price of new apartments (including apartments in renovated buildings) in the city center was 1965 euros, and in Old Riga and its vicinity – 3415 euros per square meter.

The price range within which transactions are conducted is quite wide and depends on factors such as the type of finishing, design, location, etc. The price of new apartments near Riga in February was 700–850 euros per square meter; in the residential neighborhoods of Riga – 900–1400 euros; in the center of Riga – 1100–1600 euros; in good locations in existing projects in the city center – 2500–5000 euros.

Apartments in downtown Riga

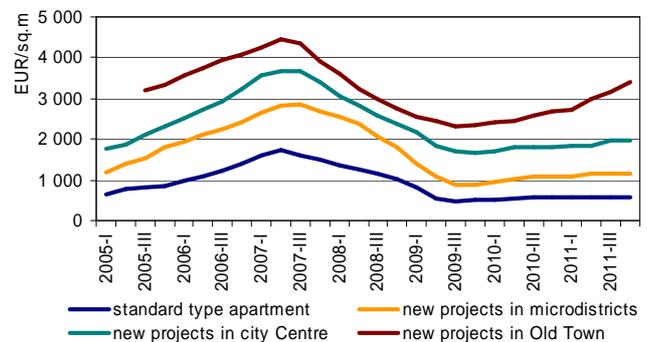
In February, the demand of foreign buyers for apartments in the city center and Old Riga remained at the previous month's level; the activity and interest of local buyers has slightly increased.

Foreign buyers are interested in high-quality apartments in renovated buildings. Some prefer furnished or partially furnished apartments. Foreigners who purchase property in order to receive a temporary residence permit are interested in apartments at prices slightly exceeding the minimum required amount of investments – LVL 100,000 (EUR 143,000).

Offer satisfying the requirements of foreign buyers is still limited; some of the offered apartments have various shortcomings.

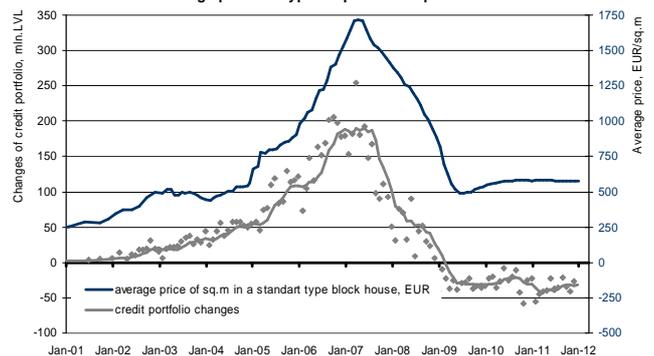
The demand of local buyers for apartments in downtown Riga has slightly increased in February. Local buyers are also mostly interested in renovated apartments and are unwilling to purchase top-floor apartments, fearing moisture and damaged caused by snow during the winter. Interest is greatest in apartments priced at around 1000 euros per square meter.

Dynamics of apartment sales prices in Riga



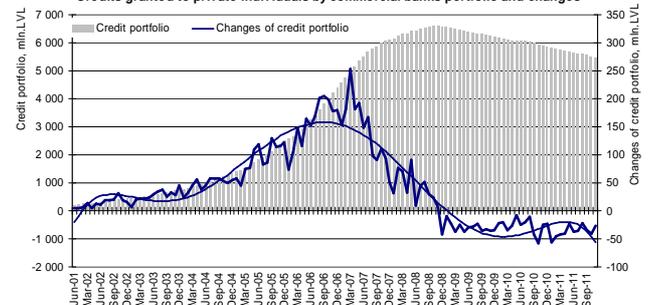
Source: LATIO

Credits granted to private individuals by commercial banks changes, average prices of typical apartment square meter



Source: the Finance and Capital Market Commission, LATIO

Credits granted to private individuals by commercial banks portfolio and changes



Source: the Finance and Capital Market Commission, LATIO

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Apartment prices in downtown Riga in February stayed at the level of the past months. Price ranges in various apartment segments: apartments in average condition in the inner center – 900–1200 euros per square meter (renovated apartments – 1200–1500 euros); apartments in average condition in the quiet center – 1200–1400 euros (renovated apartments – 1600–1800 euros). The prices of very good apartments in renovated buildings in the city center start at 2000 euros per square meter, reaching as much as 5000 euros in some buildings. The prices of apartments in average condition in pre-war buildings in the outer center ranged from 600 to 900 euros (renovated apartments – 900–1200 euros) in February.

Standard apartments

The average price of standard apartments in Riga in February increased by one euro, reaching 579 euros per square meter. Compared with February 2011, the average price has dropped by 0.5%.

The price of standard apartments in good condition in neighborhoods such as Purvciems, Pļavnieki, Zolitūde, Imanta and Ziepniekkalns in February was 21 000–29 000 euros for one-bedroom apartments, 29 000–38 000 euros for two-bedroom apartments, 34 000–45 000 euros for three-bedroom apartments, and 39 000–54 000 euros for four-bedroom apartments.

Demand for standard apartments in February remained at the previous months' level and was not high. One- and two-bedroom apartments are the most demanded. Most buyers are interested in apartments that do not require significant additional investments for renovation and improvements.

Offer

The offer of standard apartments in February increased slightly from January, however the offer of apartments meeting the buyers' requirements in terms of quality and price is still limited. In recent months, there are a lower number of good standard apartments entering the market.

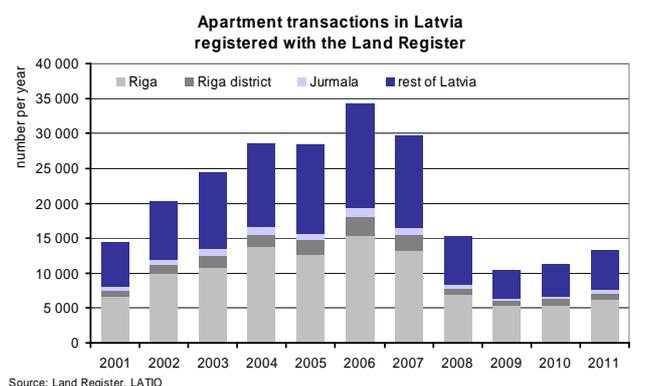
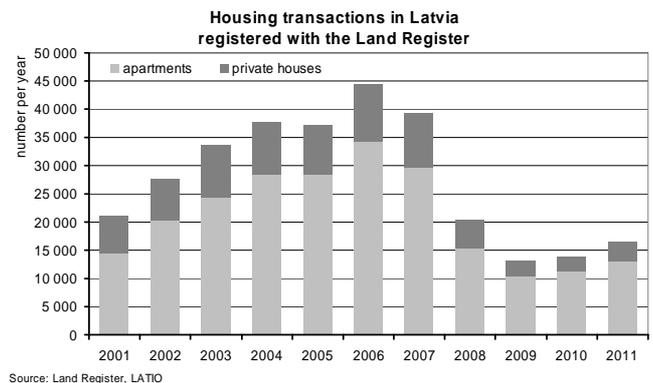
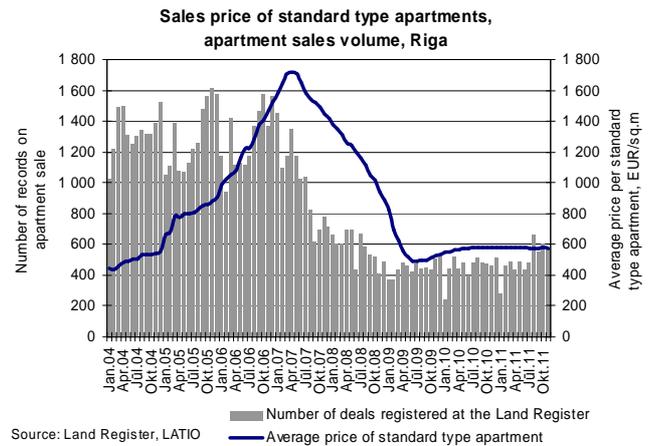
The offer is also being supplemented by properties foreclosed by banks and their subsidiaries. If the price matches the quality, a buyer is found quickly.

Apartments whose buyers are unable to cover the lease or utility payments also become available on the market.

Most of the apartments made available for sale in the center of Riga are being rented out.

Housing rental market

Apartment rent rates in February increased in the center of Riga, but remained at the level of January in the standard apartment segment in residential neighborhoods. The increase of rent in the city center was mainly caused by the high demand for good rental apartments, as well as by the limited offer of apartments corresponding to the requirements. The turnover of



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tenants is low, and existing tenants are trying to negotiate long rental periods; the offer of rental apartments in downtown Riga is not increasing.

Significant changes are not expected in the coming months in the apartment rental market of Riga, and the level of rent rates will not decrease. The rental offer could increase along with growing activity of apartment buyers. With some tenants purchasing their own property, their previous apartment would become vacant, increasing the rental offer.

The rental demand in the capital city's center is generated by both locals and foreigners. In the beginning of February, the demand for good rental apartments was also increased by foreign students starting their second semester.

Demand in downtown Riga is greatest for high-quality, furnished one-, two- or three-bedroom apartments with area up to 80 square meters, at a price of EUR 350–600 per month, excluding utilities. The offer of such apartments is limited, and available apartments are rented out quickly.

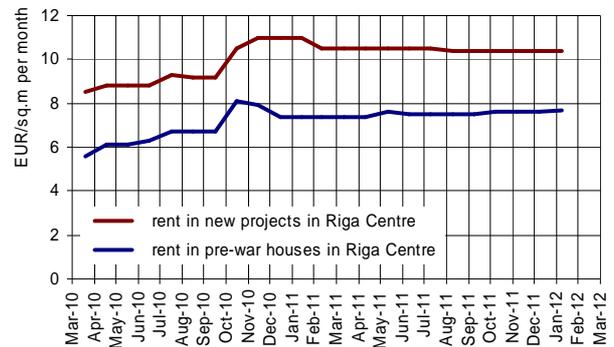
The average monthly rent of new apartments in Old Riga in February, depending on the apartment's size, was 11–14 euros per square meter; in the inner center of Riga – 11 euros; in the outer center – 8 euros; in the quiet center – 10–12 euros.

The average monthly rent in February for apartments in pre-war brick buildings in Old Riga was 9 euros per square meter; in the inner center – 8–10 euros; in the outer center – 6–7 euros; in the quiet center – 9–10 euros.

The average monthly rent of standard apartments in average condition in the residential neighborhoods of Riga stayed unchanged in February, at 3.5 euros per square meter (excluding utilities).

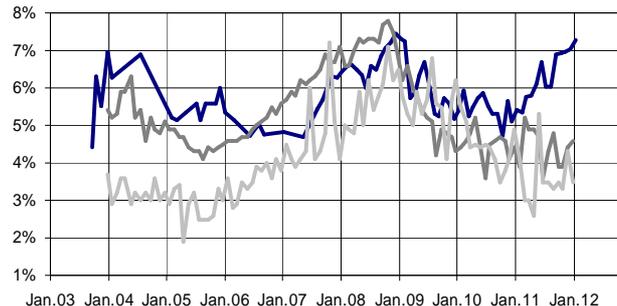
In recent months, the average rent has been increasing for standard apartments with more than one bedroom. Such apartments are mainly demanded by families that are unwilling or unable to purchase their own property or have had to leave their previous home.

Rent of apartments in Riga centre (Old City included)



Source: LATIO

Capitalization rate and percentage rate



Source: LATIO, CSB