

## HOUSING MARKET OVERVIEW

April 2012

### New projects

In the segment of new apartment projects, the activity of buyers slightly increased in April. The average prices of new apartments in Riga continued rising in the first quarter of the year. It is explained both by the demand generated by buyers – both citizens of other countries and local residents – and by the relatively limited offer. The demand of the aforementioned groups of buyers differs – foreigners are mainly interested in Old Riga and downtown Riga, while residents of Latvia are interested in the outer neighborhoods. In recent months, some of the foreign buyers are also considering buying new apartments farther away from the center of Riga.

The activity of developers is also increasing, and a growing number of developers are considering completing projects started earlier or commencing new construction. Some of these developers connect the success of their planned projects with demand of foreign buyers.

The average price of new apartments in the residential neighborhoods of Riga in Q1 2012 was 1160 euros per square meter. Compared with the final months of last year, the average price has not changed, but it has grown rather significantly when looking at the entire year – an increase of 7.2% and 22.6% compared to Q1 2011 and Q1 2010, respectively.

The average price of new apartments (including apartments in fully renovated buildings) in downtown Riga in Q1 2012 was 2025 euros per square meter – an increase of 1.8% compared to the end of last year, and of 10.2% and 18.1% compared to Q1 2011 and Q1 2010, respectively. The price growth has been fastest for new apartments (and fully renovated buildings) in Old Riga and its vicinity. The average price of these apartments in Q1 2012 was 3529 euros – 3.3% more than in Q4 2011. The average price level of Q1 2011 and Q1 2010 has been surpassed by 29% and 46%, respectively.

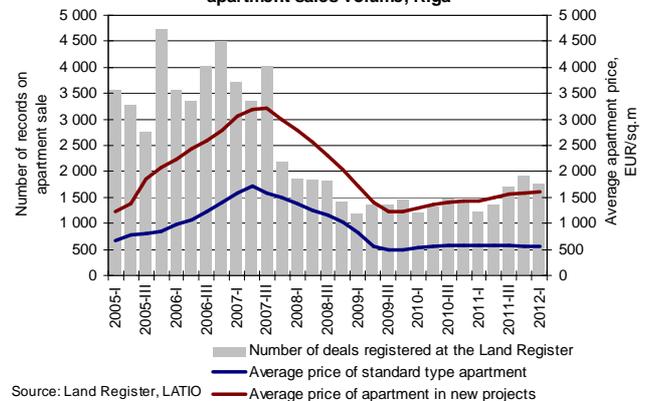
The price range in which transactions are conducted is rather wide, and depends on the apartment's location, type of finishing and other factors. The prices of new apartments in near Riga in April ranged from 700 to 850 euros per square meter; in the residential neighborhoods of Riga – 900–1400 euros; in downtown Riga – 1100–1900 euros; in good locations in the city center – 2500–5000 euros.

Out of all apartment transactions in Riga in the first months of the year, transactions involving new apartments comprised about 10%.

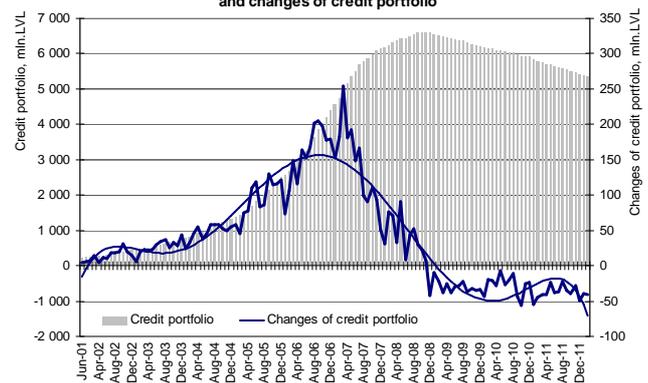
### Apartments in downtown Riga

In the apartment market of downtown Riga, the activity of buyers in April remained at the previous month's level. Foreign buyers are mainly interested in high-quality apartments in good, renovated buildings in Old Riga, as well as in the quiet and inner center. The demand of local buyers is primarily focused on the outer center, however there is also interest regarding apartments in other parts of the city center.

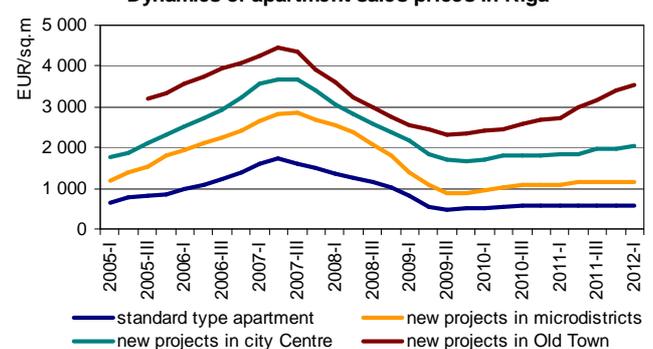
Sales price of apartments, apartment sales volume, Riga



Credits granted to private individuals by commercial banks portfolio and changes of credit portfolio



Dynamics of apartment sales prices in Riga



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Offer suiting the requirements of foreign buyers is still limited. Under circumstances of limited offer, some of the foreigners who are purchasing property in order to apply for a temporary residence permit are also considering properties in good buildings in the outer center or in new buildings outside the center. Other foreign buyers, who wish to purchase an apartment for a price close to the minimum investment level established by the Immigration Law (100,000 lats or approx. 143,000 euros), are realizing that high-quality offer in downtown Riga is limited, and are ready to consider offers in the range of 200,000–220,000 euros.

The activity of local buyers also slightly grew in April; they are interested not only in apartments in the outer center, but also elsewhere in the city's central area. Some of the local buyers wish to purchase properties at a price of 80,000–100,000 euros.

Overall, apartment prices in the center of Riga in April remained at the previous months' level. The price ranges (per square meter) in various downtown apartment segments, depending on size, in April: non-renovated brick buildings in Old Riga – 1900–2100 euros, the quiet center – 1900–2000 euros, the inner center – 1700–1900 euros, the outer center – 600–700 euros; partially-renovated brick buildings in Old Riga – 2300–2500 euros, the quiet center – 2200–2500 euros, the inner center – 2100–2300 euros, the outer center – 1000–1200 euros; majorly-renovated buildings and new projects in Old Riga – 3200–3500 euros, the quiet center – 3100–3300 euros, the inner center – 2700–3000 euros, the outer center – 1800–2200 euros. The prices of very good apartments in renovated buildings can reach and exceed 5000 euros per square meter.

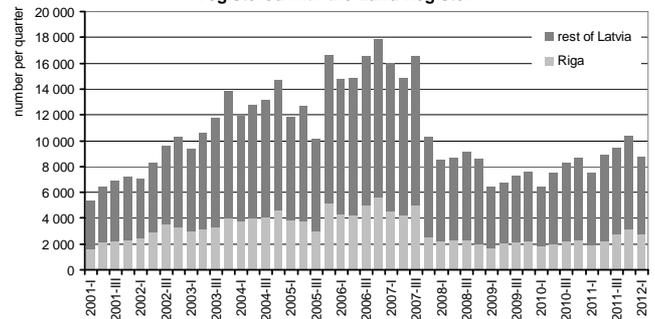
### Standard apartments

In April, the average price of standard apartments in Riga has increased by three euros from March, reaching 586 euros per square meter. In contrast with the lack of activity last year, a slight increase of the average price has been observed for the fourth month in a row this year. In the first four months of 2012, the average price of standard apartments has grown by 1.9%. Apartment prices this April were up by 0.5% and 3.2% compared to April 2011 and 2010, respectively.

The price of standard apartments in good condition in neighborhoods such as Purvciems, Pļavnieki, Zolitūde, Imanta and Ziepniekkalns in April was 22 000–29 000 euros for one-bedroom apartments, 29 000–39 000 euros for two-bedroom apartments, 34 000–46 000 euros for three-bedroom apartments, and 41 000–54 000 euros for four-bedroom apartments.

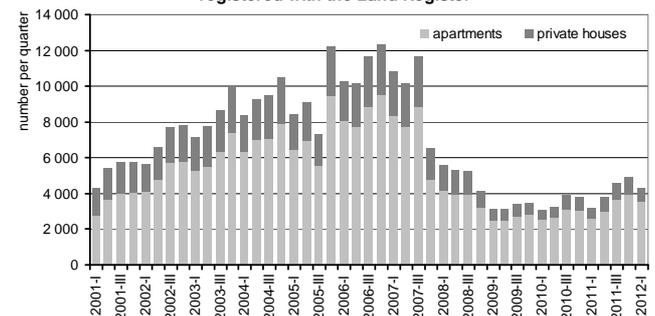
The increase of the average price of standard apartments during the past few months is mainly connected with the fact that the offer of apartments suiting buyers' requirements is falling, but the buyers' activity, which is also reflected in the increased number of transactions, is gradually growing.

Real Estate sales transactions in Latvia and Riga registered with the Land Register



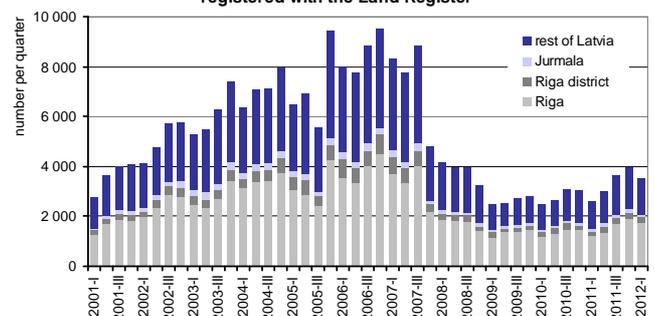
Source: Land Register, LATIO

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

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### Jūrmala

In Jūrmala, there remains demand of foreign buyers, mainly citizens of Russia and other CIS states, for new apartments. The high interest is driving prices – the prices of new apartments are usually within the range of 3500–4500 euros per square meter. However, some developers in Jūrmalā are somewhat overestimating the potential demand and activity of buyers and setting an overly high price.

There is also interest of foreign buyers in purchasing a private house at a price of up to 500,000 euros.

Some non-residents who want to spend their vacation in Jūrmala, but are not willing to spend a large amount of funds for purchase or rent of property, also purchase apartments in standard apartment buildings, for example, in Kauguri. These buyers are also not interested in a temporary residence permit.

April saw growing interest of foreigners in renting a private house in Jūrmala in the summer months. The price these tenants are willing to pay for a house is 3000–5000 euros per month.

### Transactions

Analysis of the Land Registry data gathered by Latio shows that in the first three months of this year, compared to January–March 2011, the total number of real estate purchase transactions in Latvia has increased by 16.2%, while the number of housing transactions has grown by 34.4% (incl. a 35.7% increase of transactions involving apartments and a 29.1% increase in private house transactions).

In Riga, the number of apartment purchase transactions in Q1 2012, has increased by 43.3% year-on-year, the number of private house transactions – by 34.9%. The number of apartment transactions in Riga is significantly greater than the number of transactions involving private houses – in the first quarter of this year, there have been more than 1700 apartment transactions, comprising 90% of all housing transactions in Riga.

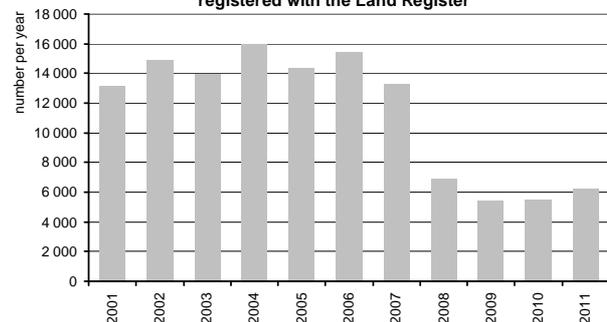
### Housing rental market

Activity in the apartment rental market in Riga in April was slightly lower than in the previous month. It is partially connected with the Easter festivities, as well as with the upcoming holidays in the beginning of May. Many people are setting aside housing matters for later.

In the city center, demand is generated by both foreigners and local residents. The offer has not significantly increased, and there is a lack of apartments in downtown Riga suiting the requirements of these tenants.

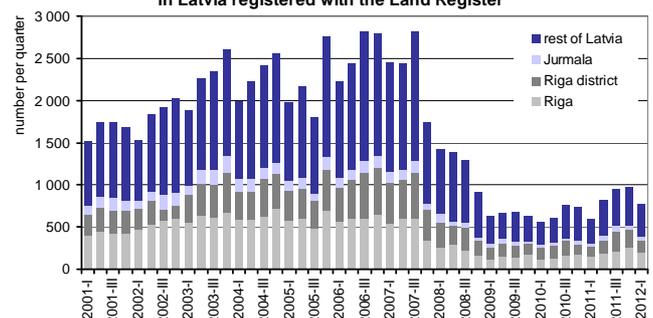
Demand in downtown Riga is greatest for high-quality, furnished one-, two- and three-bedroom apartments with an area of up to 80 square meters and monthly rent of 350–600 euros, excluding utilities.

Apartment transactions in Riga registered with the Land Register



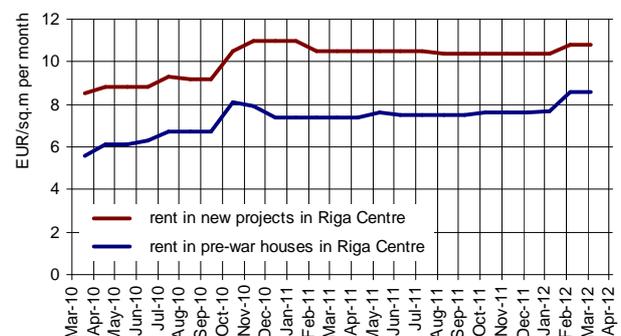
Source: Land Register, LATIO

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



Source: Land Register, LATIO

Rent of apartments in Riga centre (Old City included)



Source: LATIO

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Interest also grew in April regarding rent of new apartments with the option of buying them later. Experience shows that projects offering this option become attractive in the eyes of buyers more quickly, as the buildings are occupied.

The average monthly rent in April, depending on the apartment's size, was as follows: non-renovated brick buildings in Old Riga – 6–7 euros (per square meter), the quiet center – 5–7 euros, the inner center – 5–6 euros, the outer center – 4 euros; partially-renovated brick buildings in Old Riga and the quiet center – 8–10 euros, the inner center – 8–9 euros, the outer center – 6 euros; majorly renovated buildings and new apartments in Old Riga – 15–16 euros, the quiet center – 11–13 euros, the inner center – 11–12 euros, the outer center – 7–8 euros.

In the residential neighborhoods of Riga, the average monthly rent of standard apartments in April was 3.6 euros per square meter, excluding utilities.

The capitalization rate of rental apartments is continuing to increase, and has exceeded 7% for standard apartments. Such a trend means that, from the viewpoint of capital growth, it is currently profitable to purchase an apartment and then rent it out.

