

HOUSING MARKET OVERVIEW

April 2013

New projects

In April, the demand for new project apartments in Riga remained at the previous months' level. Foreign buyers are mostly interested in the purchase of new apartments in the city center, while local buyers are purchasing new apartments in residential neighbourhoods. As a suitable offer of new or fully renovated buildings in downtown Riga is limited, properties outside the city centre are in demand too.

During the first months of this year the prices of new apartments have increased. Through the year the prices in downtown Riga where the greatest foreign purchaser activity is demonstrated dramatic growth. In Q1 of 2013 the average price of apartments in downtown Riga (including fully renovated buildings) was 18.5% higher than in Q1 of the previous year, reaching the level of 2,400 euros per square metre, and in the Old Town and its surroundings the average price of apartments per square metre (including fully renovated buildings) was 4100 euros, i.e. 16.2% higher than the average price in Q1 of the previous year. In January – March 2013 the price of new apartments in the residential neighbourhoods of Riga was 1,294 euros, i.e. 11.6% higher than the average price in Q1 of the previous year. Compared to Q4 of 2012 the average price of new apartments both in downtown Riga and residential neighbourhoods increased by approximately 5% over these three months.

The price range of the transactions is quite wide, and depends on the location of the project, type of decoration of the apartment and other factors. In April the average price of new project apartments in the suburbs of Riga was 700–900 euros per square metre, in the residential neighbourhoods of Riga – 900–1,400 euros per square metre, and in downtown Riga (including the most distant parts of the city centre) – 1,500–3,000 euros per square metre. In downtown Riga the price of well-located high quality renovated project apartments may exceed 2,500 euro and may reach 5,000–6,000 euros per square metre.

In the residential neighbourhoods the greatest interest of purchasers was focused on finished apartments at prices of up to 1,200 euros per square metre.

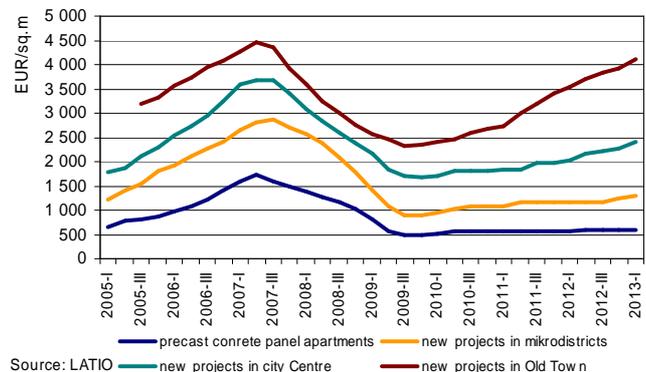
Transactions involving new apartments in Riga account for roughly 10% of all transactions with apartments.

Apartments in downtown Riga

In April, the prices of apartments in downtown Riga increased slightly, which mostly depended on the insufficient availability of high quality apartments satisfying the needs of purchasers in the corresponding category of property. The increase in prices of apartments in new and fully renovated buildings in quiet, inner and outer centre areas, as well as in the prices of partly renovated apartments in buildings in a good condition in the inner and outer centre could be seen.

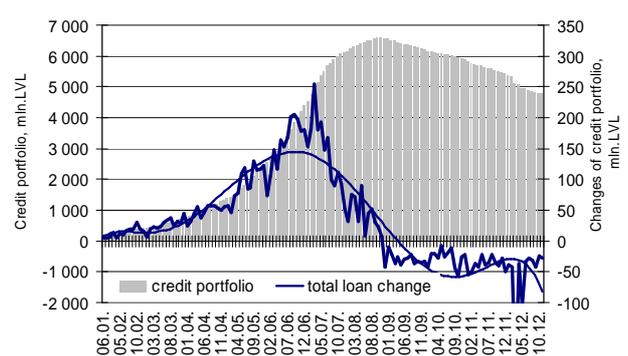
Foreigners create stable demand, and as the summer is coming soon, these purchasers become more active. Usually, purchasers from other countries wish to

Dinamics of apartment sales prices in Riga



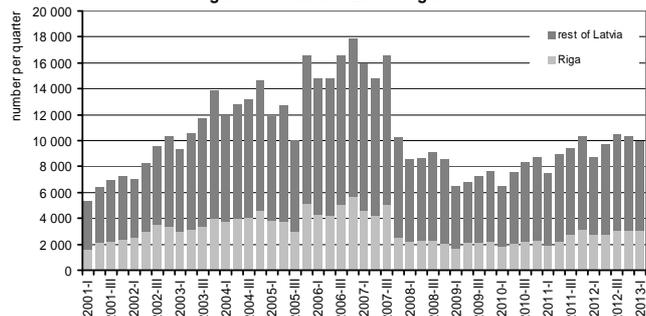
Source: LATIO

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



Source: Financial and Capital Market Commission, LATIO

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



Source: Land Register, LATIO

HOUSING MARKET OVERVIEW

April 2013

purchase high quality apartments in houses in a very good condition in the Old Town and the quiet and inner centre at prices of up to 200,000 euros; however, this offer is also too limited. The demand for this category of property is explained by the wish to obtain a temporary residence permit. Many apartments at the price of 280,000 – 300,000 euros are available, however, the demand for such property is lower. As the availability is limited, foreign purchasers start searching for adequate property outside the quiet and inner centre.

Local purchasers are for the most part interested in apartments at prices lower than 100,000 euros.

The April price ranges (per square metre) in various downtown apartment segments, depending on size: non-renovated brick buildings in Old Riga – 1,800–2,000 euros, the quiet centre – 1,600–1,700 euros, the inner centre – 1,200–1,300 euros, the outer centre – 600–700 euros; partially-renovated brick buildings in Old Riga – 2,200–2,600 euros, the quiet centre – 2,200–2,500 euros, the inner centre – 2,000–2,300 euros, the outer centre – 1,100–1,200 euros; majorly-renovated buildings and new projects in Old Riga – 3,500–3,800 euros, the quiet centre – 3,400–3,600 euros, the inner centre – 2,800–3,200 euros, the outer centre – 2,000–2,200 euros. The prices of high-quality, renovated apartments with a good layout and exclusive finishing in Old Riga, the inner centre and the quiet centre go for up to 5,000–6,000 euros per square metre.

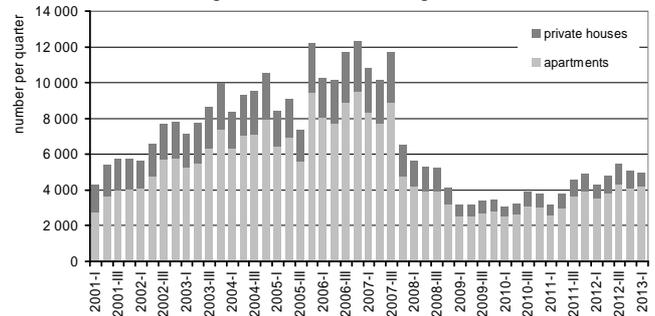
Precast apartments

In April the average price of precast concrete panel apartments in Riga per square metre is up by 1 euro from the previous month, reaching 596 euros. Compared to April 2012, the average price per square metre has increased by 1.7%. As opposed to the previous two-year period when the average price fluctuated between a decrease and increase, at the end of 2012 and in the beginning of 2013 the price of standard project apartments in Riga per square metre has risen over six consecutive months and increased by 2.8%. The number of apartment purchase transactions has also gradually increased.

The price changes of precast concrete panel apartments differ among various neighbourhoods and buildings of different projects. The price of standard apartments in a good condition in neighbourhoods such as Purvciems, Pļavnieki, Zolitūde, Imanta and Ziepniekkalna in April for one-room apartments was 23–29 thousand euros, two-room apartments – 31–40 thousand euros, three-room apartments – 35–47 thousand euros, and four-room apartments – 41–51 thousand euros.

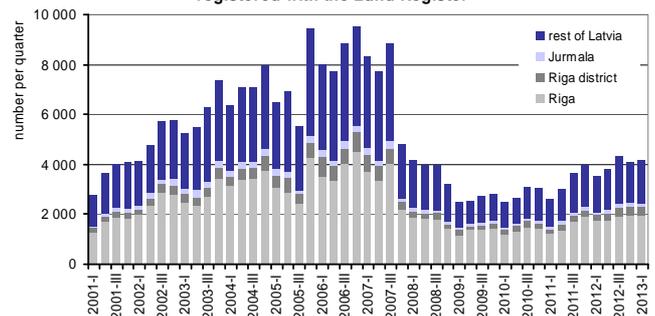
Purchasers prefer apartments in a good condition to avoid additional investment in housing repair and improvement. As the availability of such apartments is very limited, purchasers also tend to buy repairable apartments if they are well-located, the surrounding infrastructure is well-developed, and if the price corresponds to the quality of the property and market situation. The insufficiency of good standard project

Housing transactions in Latvia registered with the Land Register



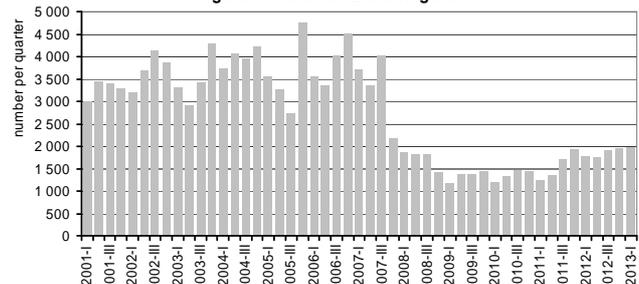
Source: Land Register, LATIO

Apartment transactions in Latvia registered with the Land Register



Source: Land Register, LATIO

Apartment transactions in Riga registered with the Land Register



HOUSING MARKET OVERVIEW

April 2013

apartments on offer is the main reason for the substantial gradual growth of the average price over the last six months.

When choosing an apartment, purchasers pay great attention to the level of expenses for the maintenance of the apartment, maintenance costs and quality, as well as to the fact of whether the land belongs to the apartment owner or is leased.

The difference in prices of precast concrete panel apartments in various micro-districts of Riga continues – the prices of apartments in a good condition, good location, with the land included as part of the property and building also managed in a good condition, are slightly increasing or remaining at the current level, while prices of apartments in a poor condition are decreasing.

Private houses

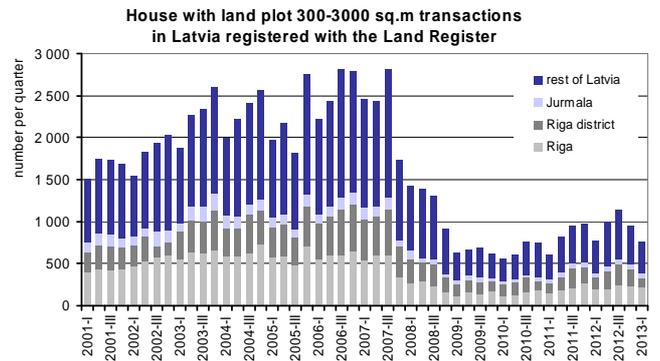
As the spring has begun and the summer is soon upon us, interest in the purchase of cottages and private building land has increased, however, there are no significant changes in demand. The most popular are houses of 200-250 square metres with a 1000-1200 square metre land plot. The average price of houses in the most demanded places, i.e. the Riga suburbs, for example, Marupe, Babite, Bergi is 1000-1100 euros per square metre, and the availability at such a price is limited. The price of houses in more distant areas, i.e. Spilve, Balozi is 800-900 euros per square metre.

Foreign purchasers who wish to obtain a temporary residence permit for the purchase of property are also interested in the purchase of cottages in the suburbs of Riga. These purchasers are mostly attracted by the houses on the left bank of the Daugava. Their choice is influenced by the proximity of the airport, downtown Riga and Jurmala.

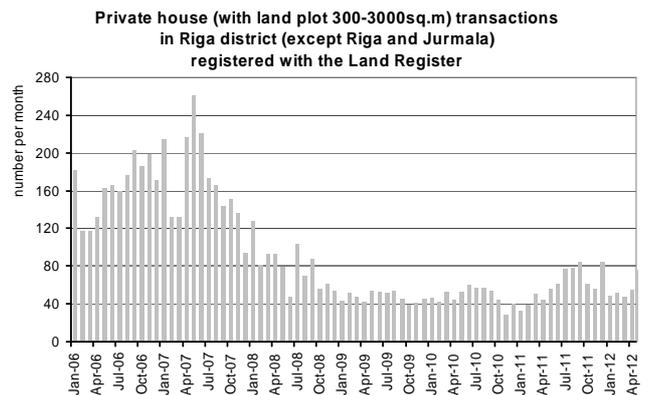
Jūrmala

As the summer is coming soon both local and foreign parties have become more interested in the rental of houses. The greatest proportion of the potential lessees from abroad are ready to rent a house at prices of up to 5,000 euros for periods of up to one month, and they are much less interested in rental over a longer period. In turn, housing owners are interested in leasing out their property to one lessee for the entire summer period. Foreigners are not ready to pay rent for all the summer months, and therefore choose a shorter period.

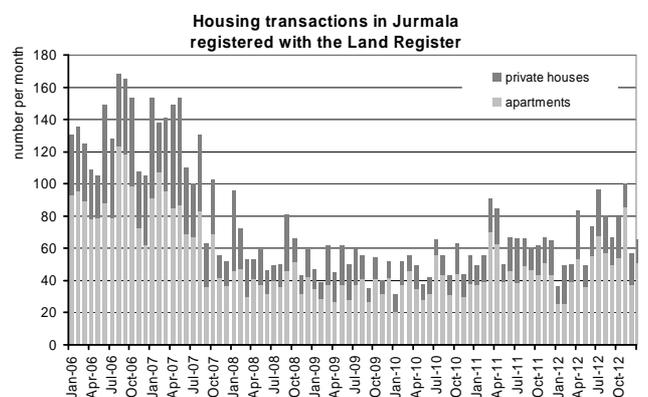
In April, compared to the first months of the year, purchasers were inactive; however, as the summer arrives, they become more and more active. Usually, foreigners wish to purchase new apartments at prices of up to 200,000 euros. This price corresponds to the amount of investment necessary to apply for a temporary residence permit. Quite often sellers are too optimistic and set an unjustifiably high price for their property, which does not encourage its sale.



Source: Land Register, LATIO



Source: Land Register, LATIO



Source: Land Register, LATIO

HOUSING MARKET OVERVIEW

April 2013

Transactions

The analysis of Land Registry data provided by „Latio” demonstrates that in Q1 of 2013 compared to Q1 of the previous year, the overall number of transactions with all types of Latvian immovable property increased by 13.8%, and the number of transactions with housing – by 14.5%, including those concerning apartments – by 18.3%. The number of transactions related to cottages decreased by 2.8% in Q1.

In Riga, in Q1 of 2013 compared to Q1 of the previous year, the number of transactions concerning apartments increased by 11.2%, and those related to cottages – by 10.2%. The number of transactions concerning apartments in Riga is much greater than that of transactions related to houses – almost two thousand apartment transactions were made in Q1, i.e. 90% of all housing transactions in Riga.

Housing rental market

Demand in April remained stable for good rental apartments both in the central part of the city and in residential neighbourhoods.

In the centre of the capital, demand for rental apartments is maintained by both locals and foreigners. Demand is greatest for high-quality, comfortable, furnished one-, two- and three-room apartments with areas of up to 80 square metres at a price of 450–600 euros per month, excl. utilities. Suitable availability remains insufficient, so such apartments are rented out quickly.

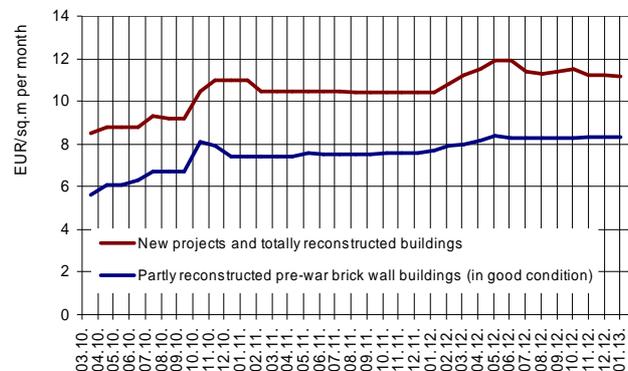
The average monthly rent in April (per square metre), depending on the apartment’s size, was as follows: non-renovated brick buildings in Old Riga – 7–8 euros, the quiet centre – 6–8 euros, the inner centre – 6–7 euros, the outer centre – 4–5 euros; partially-renovated brick buildings in Old Riga – 9–10 euros, the quiet centre – 8–10 euros, the inner centre – 8–9 euros, the outer centre – 6–7 euros; majorly renovated buildings and new apartments in Old Riga – 14 euros, the quiet centre – 12–13 euros, the inner centre – 11 euros, the outer centre – 8–9 euros.

In the residential neighbourhoods of Riga, the average monthly rent of standard apartments in April was 4 euros per square metre (excl. utilities), slightly up from the previous month.

In the standard rental apartment segment in the residential neighbourhoods of Riga, there is a lack of apartments in a good condition with modern furnishings. Such apartments, when offered at an adequate rental level find tenants quickly, so availability has become even more limited.

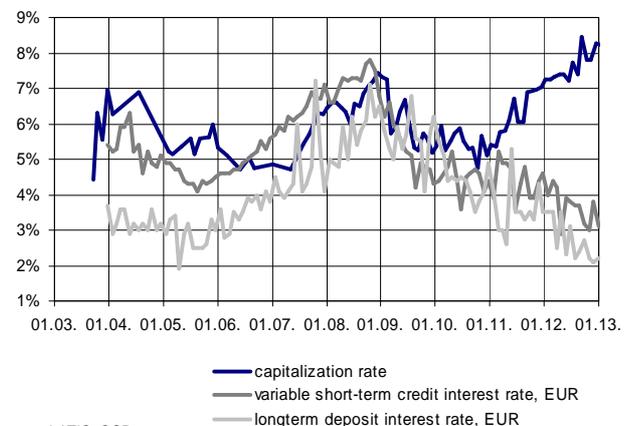
The capitalisation rate of standard rental apartments in April was approximately 8%. Such a trend means that, from the viewpoint of capital growth, it is currently profitable to purchase an apartment and then rent it out; however, in conducting such transactions, it is important to carefully assess income stability and future growth potential.

Rent of apartments in Riga centre (Old City included)



Source: LATIO

Capitalization rate and percentage rate



Source: LATIO, CSB