

RESIDENTIAL MARKET REPORT Riga City and other regions

H1 2017

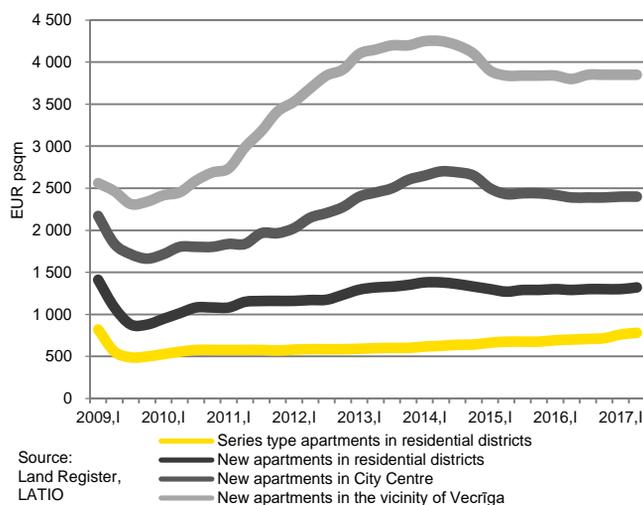
latia



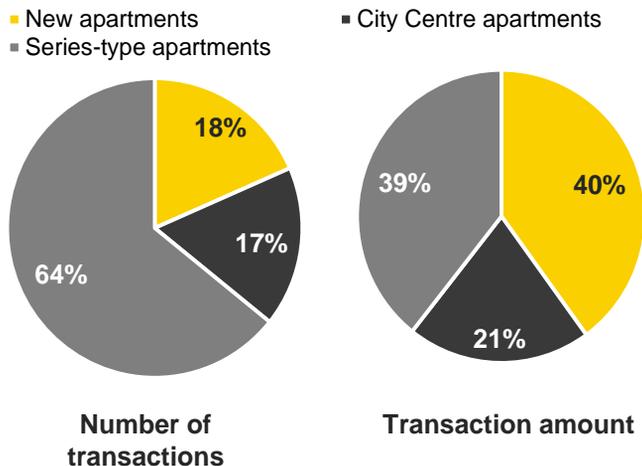
RESIDENTIAL MARKET TRENDS

- In the first six months of 2017, the residential market of Riga in terms of activity and the total transaction amount remained at the level of 2016.
- In the first months of the year, with the demand being higher and the supply limited, the rise in prices for series-type apartments was faster than expected. This rise in prices stabilized in the second quarter, while price fluctuations were less distinct in other segments and regional centres of the country.
- The total number of transactions on the residential market of Riga was more than 600 transactions a month on average, while the total amount registered for apartment transactions in the Land Register was 8% larger than a year ago, exceeding 33 million euros per month.
- Out of all transactions on the residential market, nearly two thirds or 64% were concluded with series-type apartments, 18% - with new apartments, and 17% with city centre apartments.
- Out of the total transaction amount, 40% were accounted by transactions with new apartments segment, 39% with series-type apartments, and 21% with city centre apartments segment.
- At the beginning of 2017, the market activity and the total transaction amount increased in the series-type and city centre apartments segment, although there was a drop in activity in the primary market of new apartments segment.

Price dynamics of apartments in Riga



Riga residential market profile by segments, January – May 2017



- The number of apartments sold by developers during the first five months of 2017, compared to the beginning of 2016, according to information of the Land Register, has decreased by 39%.

- One of the reasons for the decrease of the number of transactions is completion of sales of apartments in the project at 21 Salnas street. Transactions in this 600-apartment project comprised a considerable part of the total number of transactions for more than a year.

- Now the supply of similar economy-class new development project apartments is limited, therefore, obviously, the buyer prefers to purchase apartment elsewhere, not from developers.

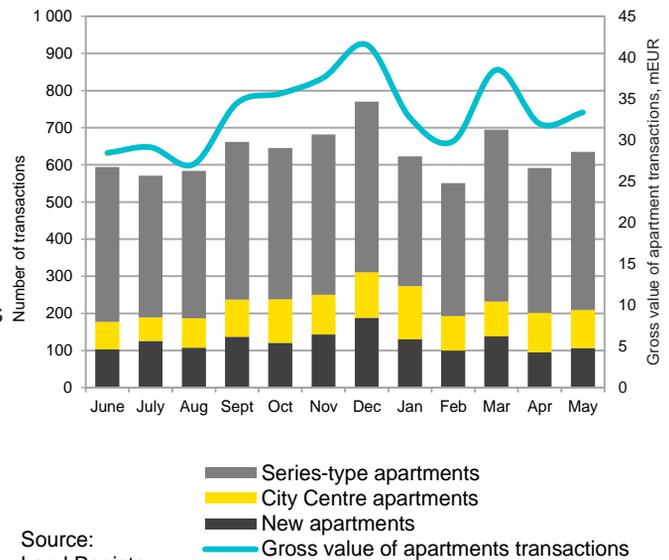
- Presence of such a trend is sustained by a number of market observations:
 - activity of the secondary market of new projects has grown by 32%;
 - decrease of activity in the new projects segment has affected the economy class apartments;
 - the activity in the Remote City Centre apartment segment has grown, as well as the number of transactions with more expensive and better quality series-type apartments.

- Out of all transactions on the residential market, private houses account for 4% in terms of the number of transactions and 7% in terms of the total transaction amount. In the private housing segment, during the first five months of 2017, an average of 24 transactions took place, which is around the same compared year-on-year. The activity is low in the winter period, which is typical of this segment.

- The situation on the rental market at the beginning of the year, in terms of supply, demand and price, can be regarded as stable, without considerable and discernible fluctuations. An increasing number of developers opt for construction of rental apartment buildings, although the current volume is not yet sufficient to make a significant difference to affect the balance of demand and supply, or prices on the rental market.

- The residential market activity in Jūrmala and regional areas has remained on the level of previous year, a very slight rise in prices has been spotted in some busier cities, which is traditionally an effect of the limited supply of good quality apartments. Some municipalities, such as Valmiera and Ventspils, are looking for ways for the municipality to support replenishment of the housing stock by new apartments.

Dynamics of Riga apartments' number of transactions and total value by quarters



Source:
Land Register,
LATIO

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

| | 2017, I-V | Change vs. 2016, I-V |
|---|--------------|----------------------|
| <i>New apartments</i> | 571 | - 15% |
| <i>City Centre apartments</i> | 537 | + 18% |
| <i>Series-type apartments</i> | 1,988 | + 0.5% |
| Total number of transactions | 3,096 | - 0.4% |
| <i>New apartments</i> | 66.6 | - 7% |
| <i>City Centre apartments</i> | 34.3 | + 30% |
| <i>Series-type apartments</i> | 65.5 | + 17% |
| Gross transactions value (million EUR) | 166.4 | + 8% |



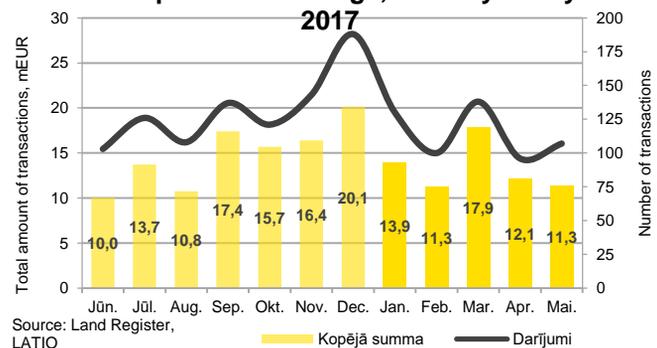
Economy class apartments in the new project at 4 Prūšu street

NEW APARTMENTS

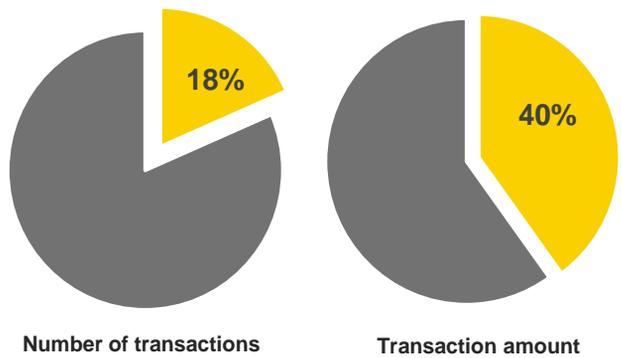
MARKET ACTIVITY

- The new apartment market of Riga during the first five months of 2017, has seen 571 sales and purchase transaction gross value registered in the Land Register of 66.6 million euros.
- An average of 110-120 transactions per month were concluded with apartments in new projects this year, which is by 15% less than in this period in 2016.
- The gross value of transactions, compared to 2016, has decreased by nearly 5 million EUR or 7%.
- Transactions with new apartments account for 18% of the total number of transactions of the residential market of Riga, this share was 22% a year ago.
- Despite the relatively small proportion of transactions, their gross value comprises a significant share of the gross value of Riga residential market transaction. Although, in this aspect as well, there has been a decrease from 46% to 40% during the first five months of 2017.

Number of transactions and total value of new apartments of Riga, January – May

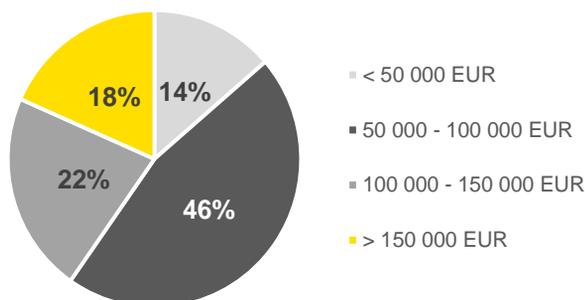


Proportion of new apartments on the residential market of Riga, January - May, 2017

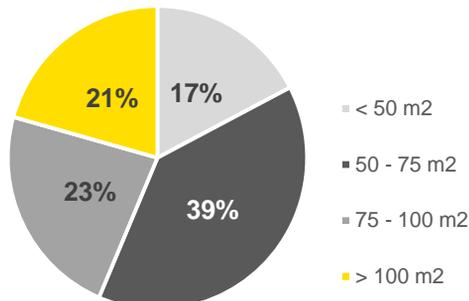


The number of new apartment transactions in Riga by price range and floorspace 2017, January - May

By transaction amount



By floorspace



The new apartment market of Riga

| | 2017, I-V | Change vs. 2016, I-V |
|--|-----------|----------------------|
| Number of transactions | 571 | -15% |
| Gross value of transactions, mEUR | 66.6 | -7% |
| Primary market, number of transactions | 277 | -39% |
| Secondary market, number of transactions | 294 | +32% |
| Number of non-resident transactions | 101 | -22% |
| Number of resident transactions | 470 | -14% |
| Gross value of non-resident transactions, mEUR | 17.9 | -6% |
| Gross value of resident transactions, mEUR | 48.7 | -7% |

- One of the reasons for the reduction of the number of transactions was the sold out project at 21 Salnas street, which comprised a significant part of transaction volume in this segment. Besides, as there is shortage of supply of economy-class new development project apartments on the market, part of buyers purchase a newly developed apartment not from the developer, but on the secondary market, while part instead of a new project rather prefer a good quality series-type apartment or an apartment in a pre-war building in the Remote City Centre.

- Presence of such a trend is sustained by a number of market observations:

(a) activity on the primary market of new development projects, compared to 2016, has decreased by 39%, while on the secondary market just on the contrary – it has increased by 32%;

(b) the number of transactions with cheaper and smaller new apartments has decreased, while no change in activity has been spotted in the more expensive segment;

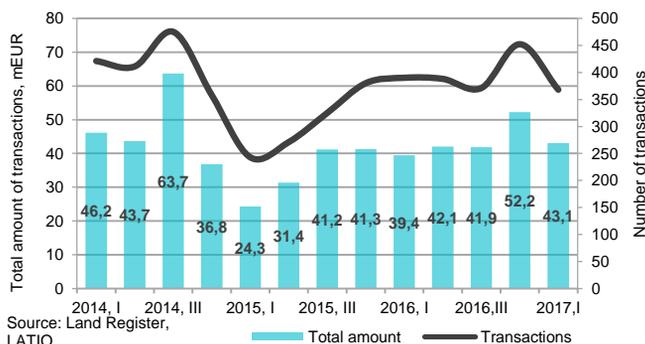
(c) activity has increased in the city centre apartment segment, as well as the number of transactions with more expensive and better quality series-type apartments.

- In the first months of the year, the activity of non-residents decreased on the new apartment residential market by 22%.

- During this period, 101 transaction for the total amount of 18 million EUR was concluded with non-residents, which is by 6% less than during the first five months of 2016.

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

New apartments of Riga: number of transactions and total amount 2014-2017



PRICES

- According to the sales data at *Latio's* disposal, the average prices in the new apartment residential market segments in Riga steadily flatlined in the 4th quarter of 2016, thus indicating a stabilization of prices after a two-year moderately downward curve.

SUPPLY

- Fresh blood is going to pour in the new apartment residential market of Riga in 2017 by approximately 15 new housing development projects emerging in various segments.
- In the active market segments, there are no distinct demand or supply imbalances, although the shortage of supply of economy-class new development project apartments on the market is felt.

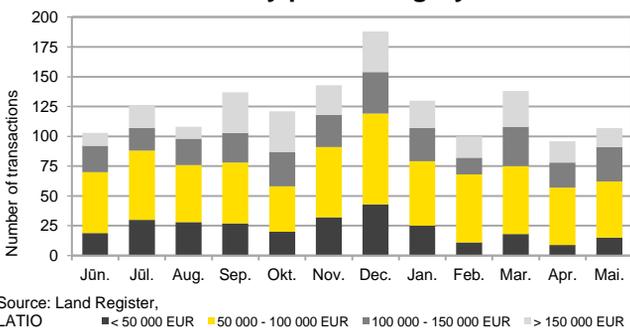
FORECASTS

- Although the primary market had an activity drop at the beginning of the year, the demand is sufficiently high, and, with prices for series-type apartments growing and the supply in the economy class new apartments segment increasing, we expect the new apartments market to regain the activity, observed in 2016, in the second half of the year.
- There are no preconditions at the moment for any considerable price changes.

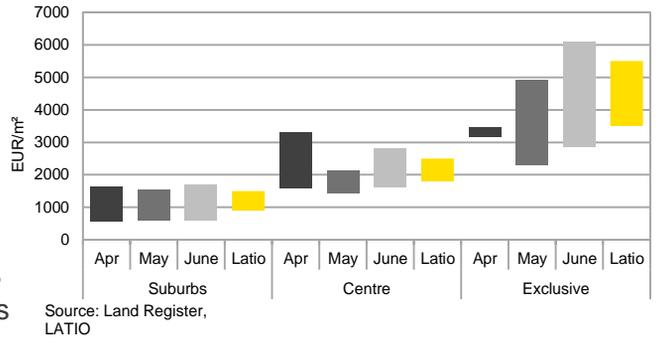
What does the buyer focus on?

- 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, built by a well-known developer having good reputation
- 2 and 3 room apartments dominate the demand.

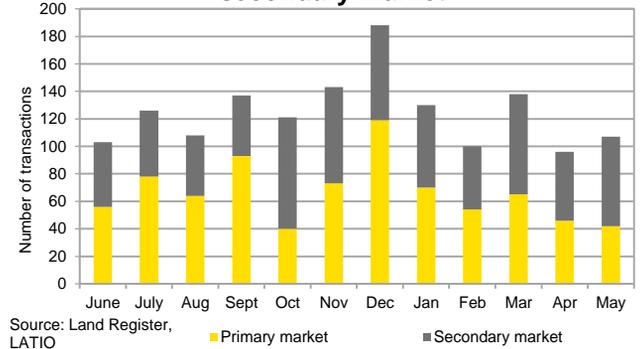
Number of Riga new apartment transactions by price category



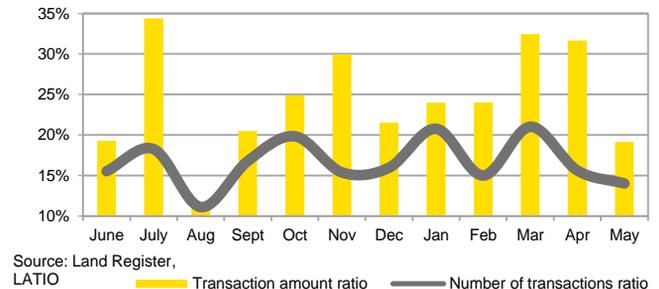
Price range for a square metre in apartments of common new projects of Riga



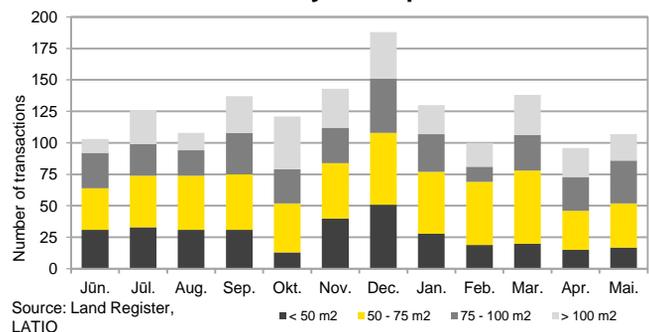
Number of transactions with new apartments in Riga on primary and secondary market



Share of transactions with non-residents on the market, by number and value of transactions



Number of Riga new apartment transactions by floorspace





Economy class apartments in the new project at 4 Prūšu street

Information at Latio's disposal about new apartment buildings to be released for operation or built

| Address | Title | Developer | Residential area | Expected release for operation date |
|---|-----------------------------|----------------------|-------------------------|--|
| 7 Cēsu street | Cēsu iela 7 | SIA Cēsu 7 | Remote City Centre | 2017 |
| 3 Narvas street | Narvas 3 | Narvas Investment | Remote City Centre | |
| 2f Klijānu street | | SIA KL2 | Remote City Centre | 2017 |
| 12 Grostonas street | Skanstes Parks | SIA Merks | Skanstē | 2017 (1st building) |
| 30 Ogļu street | Riverside Residence | SIA BIIG | Ķīpsala | 2017 |
| 31 Slokas street | Slokas iela 31 | SIA Slokas 31 | Close Pārdaugava | 2017 |
| 82 Jūrmalas alley | Imantas Ozoli, 2nb building | SIA KBO | Imanta | |
| 17A Antonijas street | Magdelēna | Vastint Latvia | City Centre | |
| 49 Ķīpsalas street | Riverstone Residence | YIT Celtniecība | Ķīpsala | 2017 |
| Between Lubānas, Salnas and Kupriču streets | Trebū Home | AFI Europe | Pļavnieki | spring 2018 |
| 1a Kokneses pr. | Mežaparka Rezidences | NCH Capital | Mežaparks | 2017 (1st stage) |
| 5k Jeruzalemes | J5 Apartments | SIA J5 | Quiet Centre | 2018 |
| 6 Citadeles street | Kern Residences | | | Q4 2017 |
| 28 Kuģu street | River Breeze Residence | SIA Klīversala | Klīversala | end of 2017 |
| 2 Stārķu street | Stārķu 2 | Bonava | Teika | Q4 2018 |
| Dreiliņi | | Bonava | Dreiliņi | Q4 2018 |
| 2 Bultu street | Doles mājas | Bonava | Ķengarags | Q4 2017 |
| 14 Sermuliņu street | | Bonava | Pētersala-Andrejsala | Q4 2018 |
| 11 Lāčplēša street | Lāčplēša 11 | LNK Industries Group | City Centre | August 2018 |
| 5 Bezdēliģu street | Filozofu Rezidence | R.Evolution City | Āgenskalns | |
| 26 Vesetas street | 26Vesetas | Hanner | Skanstē | 2018 |
| 67 Ūnijas street | Kvartāls 67 | AFC | Purvciems | 2017 |
| 161 Brīvības street | Brīvības 161 | Private investors | City Centre | summer 2017 |

Information at *Latvio's* disposal about new apartment buildings in Riga and Jūrmala recently released for operation

| Address | Title | Developer | Residential area |
|--------------------------|-------------------------------|----------------------------|----------------------------|
| 18 Elizabetes street | Elizabetes Apartamenti | SIA Transit Tandem | City Centre |
| Pupuķu street | Priedes, houses 1 and 2 | YIT Celtniecība | Valdlauči |
| 6 Bitera street | Bitera 6 | Art Terra | Imanta |
| 82 Jūrmalas alley | Imantas Ozoli | SIA KBO | Imanta |
| 7 Ilģuciema street | Nordeka Park Haus | | Ilģuciems |
| 4 Elizabetes street | Elizabete Garden Residence | Dekarta Properties | City Centre |
| 12 Ropažu street | Jaunā Teika | SIA Jaunā Teika | Teika |
| 5 Stendes street | Domino | SIA YIT Celtniecība | Šampēteris |
| 13 A.Birznieka-Upīša | Felicity Apartments | SIA Domuss | City Centre |
| 16 Biķernieku iela | Biķerziedi (5th house) | SIA YIT Celtniecība | Teika |
| 57a Miera street | Miera Park House | Pillar Holding Company, KS | City Centre |
| 18a Baznīcas street | Club Central Residence | SIA Kappa Capital | City Centre |
| 26 Dzintaru avenue | Park Apartments | | Dzintari, Jūrmala |
| 17 Turaidas street | Turaidas kvartāls | SIA MC Turaida Property | Dzintari, Jūrmala |
| 39 Elizabetes street | Tal Residence | SIA E-39 | City Centre |
| 22 Elizabetes street | Elizabetes Residence | SIA Enkom Capital | City Centre |
| 8 Rembates street | R8 Apartments | SIA VITRUM MT | Pļavnieki |
| 3 Kazarmu street | Solea Residence | SIA Aura Estates | City Centre |
| 31 Putnu street | Putnu iela 31 | SIA Bonava Latvija | Ziepniekkalns |
| 21 Grostonas street | Skanstes mājas | SIA Merks | Skanste |
| 20 Blaumaņa street | Centrus | Centrus Real One | City Centre |
| 7 Strēlnieku street | Art Luxury House | Alfa Property Group | City Centre |
| 26 Antonijas street | La Melodie | | City Centre |
| 3 Ceriņu street | Ceriņu 3 | Ash Property | Jūrmala |
| 20 Skolas street | Skolas iela 20 | Ash Property | City Centre |
| 46 Brīvības street | Brīvības apartamenti | SIA Brīvības 46 | City Centre |
| 4 Ikšķīles street | Kado Karim | Dzintaru parks | Jūrmala |
| 43 Vienības avenue | Admirāļu Osta | DP fonds | Jūrmala |
| 40 Kāpu street | | | Jūrmala |
| 27 Teātra street | | | Jūrmala |
| 20 Tērbatas street | Terbatas 20 | | Quiet Centre |
| 6 Alfrēda Kalniņa street | Alfreda | | City Centre |
| 14 Krāslavas street | Krāslavas 14 | | Maskavas suburban district |
| 3b Sapiņu street | Sapiņu 3b | | Grīziņkalns |
| 16 Valentīna street | Kalnciema kvartāla rezidences | | Āgenskalns |
| 7 Pupuķu street | Priedes, 4th house | YIT Celtniecība | Valdlauči |

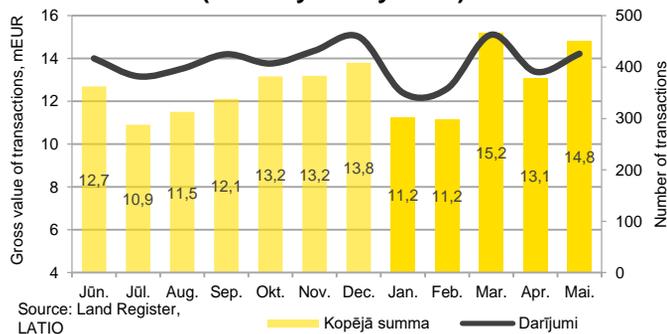


www.latio.lv - thousands of apartment listings

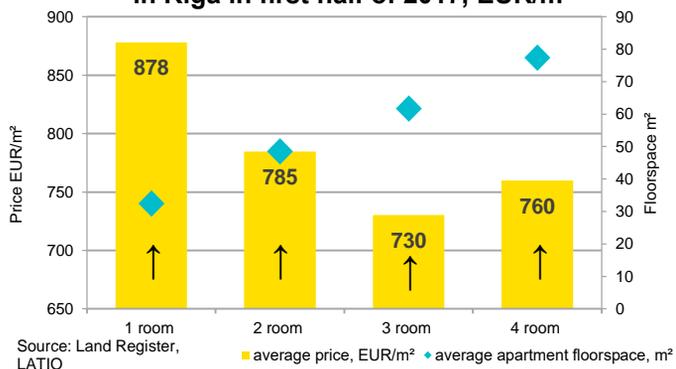
SERIES-TYPE APARTMENTS

- In the series-type apartments market of Riga, during the first five months of 2017, 1988 transactions were registered in the Land Register totalling a value of 65.5 million euros.
- An average of 400 transactions per month take place with series-type apartments, which in terms of activity, is around the same amount as compared year-on-year.
- However, in terms of the gross value registered there is an increase by more than 9 million EUR or 17%.
- Transactions with series-type apartments comprise 64% of all transactions of Riga residential market, while the gross value – 39%.
- Compared to the first five months of 2016, the proportion of transactions remained on the same level, while the gross value increased from 36% to 39%.

Number of transactions and total value of series-type apartments of Riga (January – May 2017)

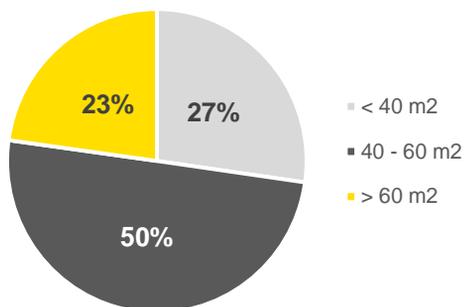


Average price of series-type apartments in Riga in first half of 2017, EUR/m²



- The most active month was March with 463 transactions and the gross value 15.2 million EUR, which also makes it one of the most active months in the series-type apartment market since the beginning of 2014.
- In the first months of 2017, the average price per square metre leapt by around 10%, it was particularly seen in segments most in demand, where good quality supply is deficit. The price rise stabilized in the second quarter.
- The observed rise in the average price per square metre was a significant factor to push the total transactions value up during the first five months of 2017.
- During the first five months of 2017, the number of transactions with larger apartments with floorspace 60 square metres and above has grown by 5%, while the number of transactions with medium and small series-type apartments has remained almost the same compared to the first five months of 2016.
- The demand for medium-sized apartments with floorspace from 40 to 60 square metres is still very high - transactions with such apartments are half of all transactions. Although, this is also due to the fact that the largest apartment pool among multi-apartment series-type buildings is available just in this particular category.
- With prices for series-type apartments going up along with the demand for larger apartments, the number of transactions with more expensive series-type apartments has grown at the beginning of the year.
- During the first five months of 2017 in the series-type apartments market of Riga, 22% transactions concluded on apartments in buildings of Lithuanian type series, 20% in 602 series buildings, while 18% in Khrushchev era series-type apartments.
- Invariably, there are four neighbourhoods being in the highest 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 neighbourhoods together. Among the more active neighbourhoods in terms of the number of transactions are Ziepniekkalns, Jugla, Iļģuciems and Vecmīlgrāvis.

Number of transactions with series-type apartments in Riga by floorspace (2017, January – May)



Number of transactions and transaction amount of the series-type apartment market of Riga

| | 2017, I-V | Change vs. 2016, I-V |
|---------------------------|-----------|----------------------|
| Number of transactions | 1,988 | + 0.5% |
| Gross value (million EUR) | 65.5 | + 17% |

Number of transactions by floorspace

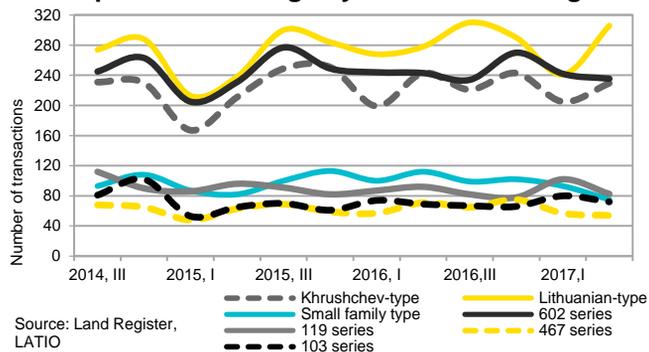
| | | |
|------------------------|-----|--------|
| < 40 m ² | 547 | - 0.4% |
| 40 - 60 m ² | 989 | - 0.9% |
| > 60 m ² | 452 | + 4.6% |

- The average price of series-type apartments reached EUR 780 per square metre in accordance to information summarized by Latio specialists at the end of May 2017. Approximately 5-7% of transactions involving small and good quality apartments in the most demanded neighbourhoods have been concluded at prices of EUR 1,000 and above per square metre.
- Price growth is driven by the protractedly rising demand and the limited supply of good quality apartments in the most demanded neighbourhoods. The prices are also pushed up due to the lack of supply in the economy class segment of new apartments that would be equal to the sold out apartments at 21 Salnas street.

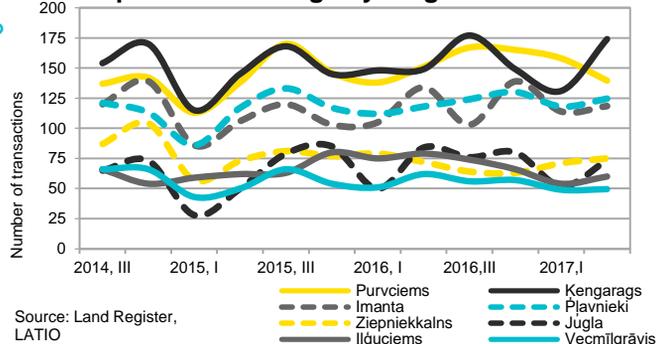
What does the buyer focus on?

- quality of management and building maintenance;
- amount of utility costs;
- overall technical condition of the apartment and the building;
- land plot ownership status (wether the land plot underneath the building is leased or owned);
- whether the prior reconstruction of the apartment is legalized.

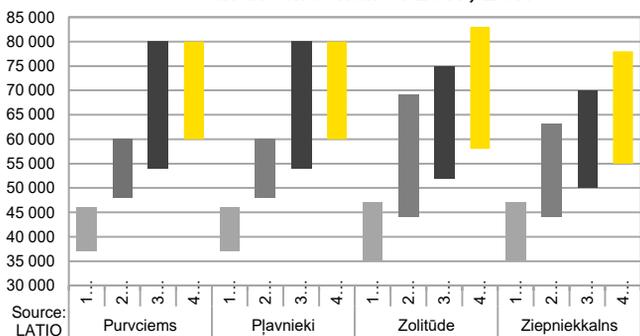
Number of transactions with series-type apartments in Riga by series of buildings



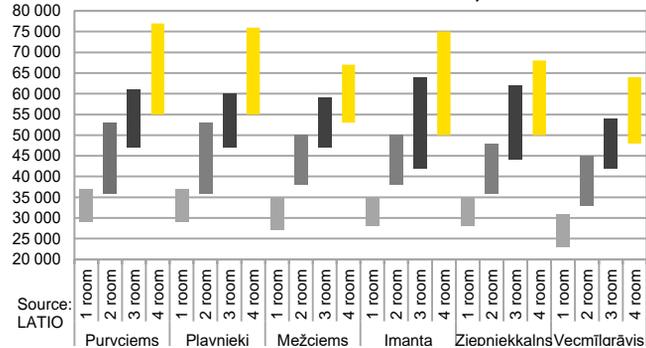
Number of transactions with series-type apartments in Riga by neighborhood



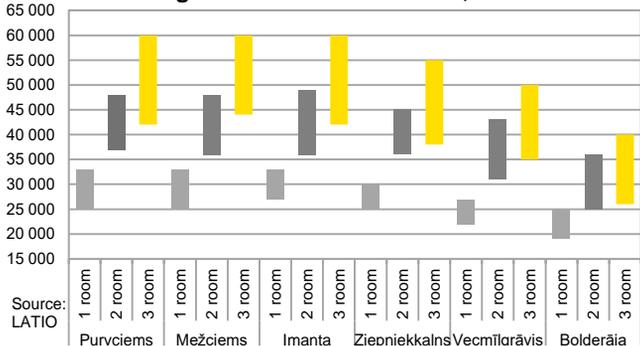
Price range of 119 series apartments in Riga in the first half of 2017, EUR



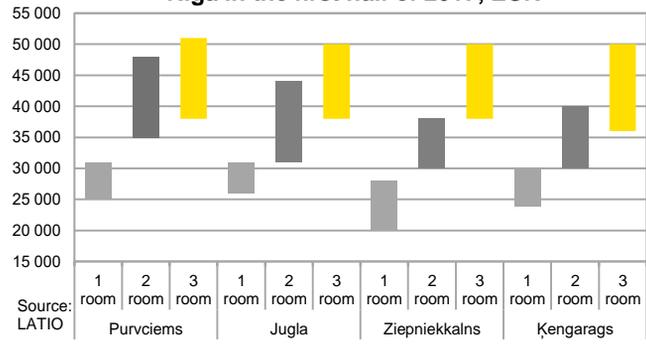
Price range of 602 series apartments in Riga in the first half of 2017, EUR



Price range of Lithuanian type apartments in Riga in the first half of 2017, EUR



Price range of Khrushchev-type apartments in Riga in the first half of 2017, EUR



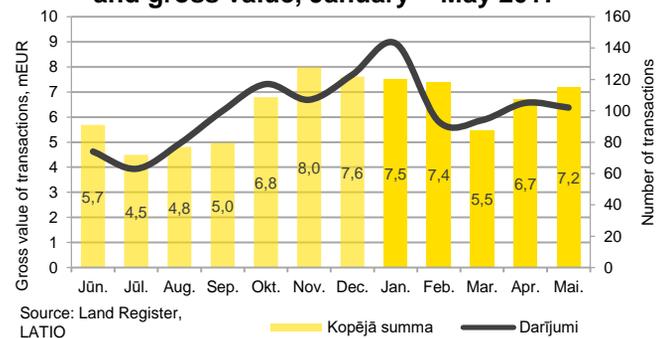


Apartment at Tērbatas street

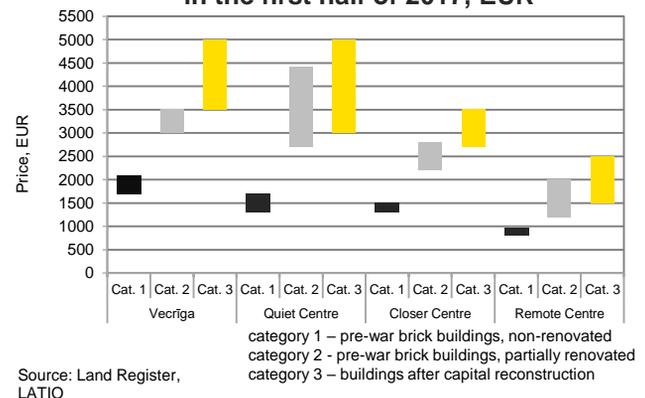
RIGA CITY-CENTRE APARTMENTS

- In the first five months of 2017, 537 transactions totalling 34.3 million EUR in the Riga City Centre segment were registered in the Land Register.
- An average of 110 transactions per month take place with city centre apartments, which in terms of activity is by 19% more than the amount a year ago.
- In terms of the total registered value there is an increase by nearly more than 8 million EUR or 30%.
- Transactions with city centre apartments account for 17% of all transactions of Riga residential market this year, while the total value – 21%.
- Compared to the first five months of 2016, the share of transactions with city centre apartments has grown from 15% to 17%, while the total value from 17% to 21%.
- The most active month was January with 143 transactions, which is historical high in this apartment segment in the post-recession period.

Number of transactions with Riga City Centre apartments and gross value, January – May 2017

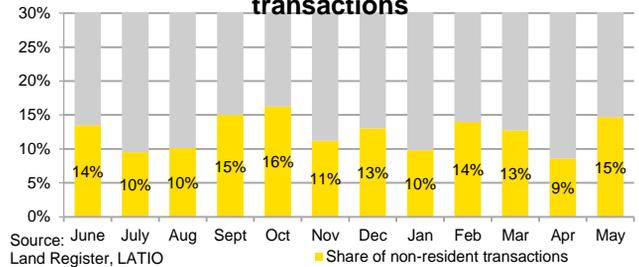


Price range of Riga City Centre apartments in the first half of 2017, EUR

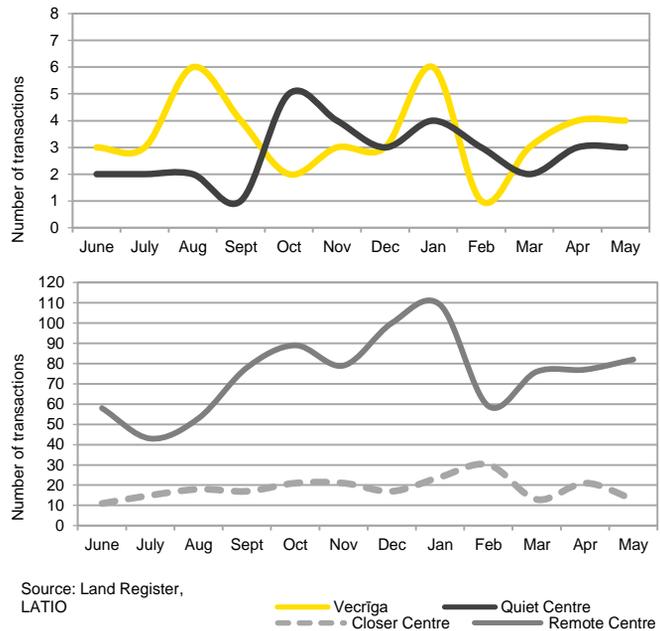


- The rise in the Riga City Centre apartment segment market activity is mainly due to higher demand for apartments in the Remote City Centre, as well as in the Closer City Centre, where the number of concluded transactions increased by 25% at the beginning of the year.
- In the first months of the year, the number of transactions has increased involving apartments in the exclusive neighbourhoods of Old Riga and the Silent City Centre. Where only 30 transactions were concluded a year ago, then during the first five months of 2017 this number was 33.
- The number of transactions in the segment of the Closer and Remote City Centre, focused on the domestic client, has grown by more than 20%, thus confirming the increasing domestic appetite for such apartments.
- The number of transactions concluded by non-residents was 22% less than a year ago in the first five months of this year .
- The proportion of transactions by floorspace profile is similar – 47% involve small apartments up to 50m², while 13% involve apartments over 100 m².
- Buyers – residents and non-residents alike – pay much attention to the amount of real estate tax, which in some more exclusive neighbourhoods starts to constitute a considerable portion of property operational 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.

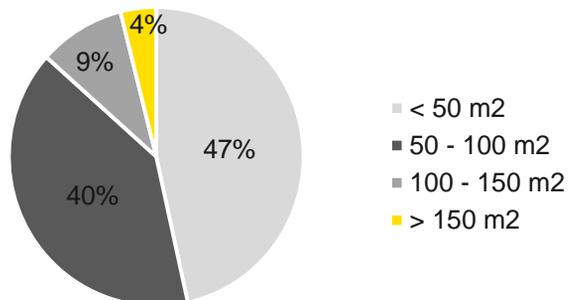
Share of non-residents on City Centre apartment market by number of transactions



Number of Riga City Centre apartment transactions by locations profile



Number of Riga City Centre apartment transactions by floorspace profile



What does the buyer focus on?

- good and prestigious location;
- visual and technical condition of the building;
- courtyard and vicinity neat and in order;
- maintenance costs, service provider and fund-raising;
- car parking facilities.

Territorial division of Riga City Centre

| Closer City Centre | Quiet 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 undivided shares of multi-apartment buildings

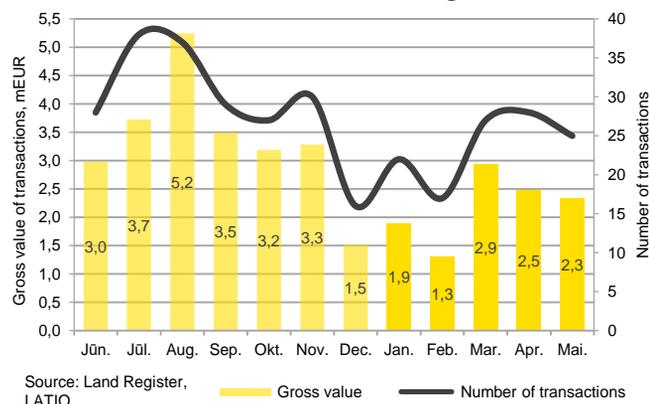


A private house in Līči

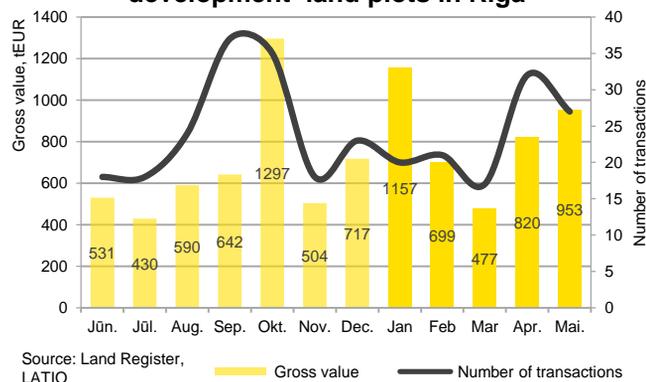
PRIVATE HOUSES, RESIDENTIAL DEVELOPMENT LAND

- In the first five months of 2017, 119 transactions were registered in the Land Register in the private housing segment for the total value of 11 million euros. Of all transactions on the residential market, private houses account for 4% in terms of the number of transactions and 7% in terms of the total transaction value.
- An average of 24 transactions a month take place, which is around the same compared year-on-year. In terms of the total value of registered transactions, it has dropped from 14.7 million euros in the first five months of 2016 to 11 million this year.
- The activity is low in the winter time, which is typical of this segment. This year was the same again with just 17 transactions in January, while this number reached nearly 30 in April.
- During the first five months of 2017, compared to the beginning of the year, the buyers tend to choose cheaper estates, while the number of more expensive private house sales, just on the contrary, decreased by 20%.

Number and gross value of private house transactions in Riga



Number and gross value of transactions with residential development land plots in Riga

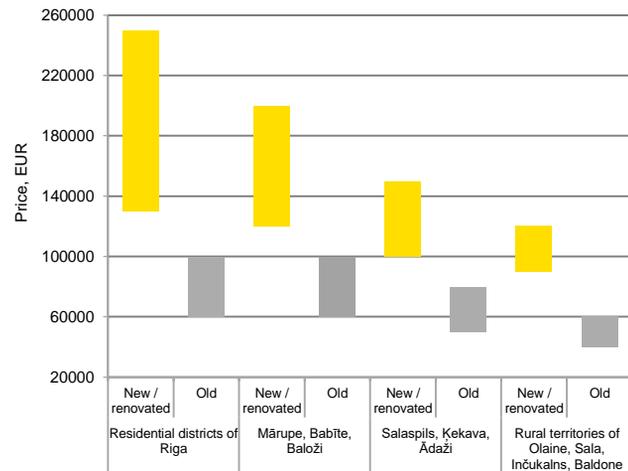


- The prices of new or renovated private houses in neighbourhoods of Riga and most-in-demand territories adjacent to Riga range from EUR 130,000 to 250,000, prices of old houses are up to EUR 100,000. The prices are lower elsewhere in the vicinity of Riga.
- The appetite for large floorspace is low when considering houses for purchase, as the buyer keeps becoming more pragmatic in making home purchase decisions.
- Sellers make reductive price adjustments for expensive estates in the luxury segment, although no considerable effect of these activities on the rise in the number of transactions in this segment can be spotted by now.
- The activity in residential development land plot market is very similar - in the first five months of 2017, 117 transactions were registered in the Land Register for the gross value of 4.1 million euros.
- Both in terms of the number and the gross value of transactions, the first five months of 2017 demonstrate the same level of activity as in 2016, with an average of 23-24 transactions a month.
- The most active month was April with 32 registered transactions, which is the highest peak since the autumn of 2016.
- The total area of residential development land sold in May 2017 was 9.6 hectares, a historical high since the beginning of 2014.
- The beginning of the year has seen a rise in transactions with residential development land within the range of 15 to 45 EUR/m².

What does the buyer focus on?

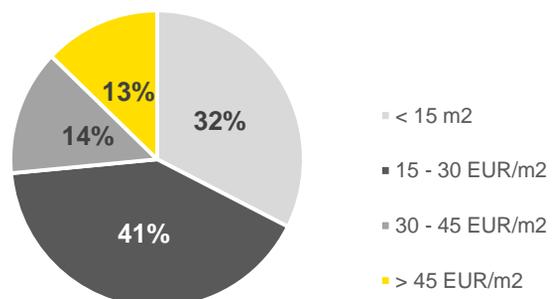
- quality of the building
- surrounding infrastructure
- availability of schools and kindergartens
- availability of public transport
- availability of utility mains required for the land plot

Range of typical prices of private houses in Riga and its vicinity in H1 2017



Source: Land Register, LATIО

The number of transactions of residential development land plots in Riga by price category (January - May 2017)



Number of transactions and gross value of the private housing, residential development land plot market of Riga

| | 2017, I-V | Change vs. 2016, I-V |
|---------------------------------------|-----------|----------------------|
| Private houses | | |
| Number of transactions | 119 | 0% |
| Gross value of transactions, mln. EUR | 11.0 | -25% |
| Residential development land | | |
| Number of transactions | 117 | +2.6% |
| Gross value of transactions, mln. EUR | 4.1 | +0.5% |



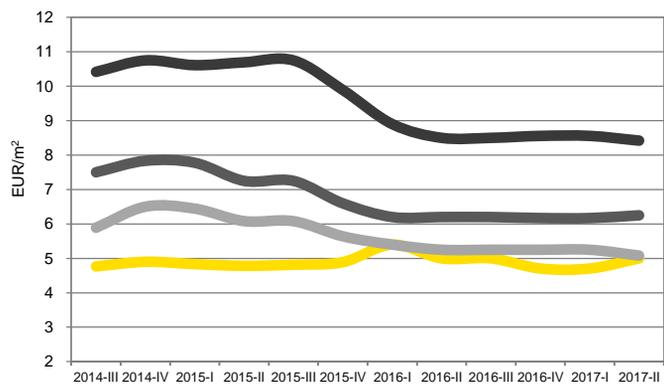
Apartment in Vecrīga to let

RESIDENTIAL RENTAL MARKET

GENERAL DESCRIPTION

- The situation on the rental market at the beginning of the year in terms of supply, demand and price can be regarded as stable, without considerable and discernible fluctuations.
- An increasing number of developers opt for construction of rental apartment buildings, although the current volume is not yet sufficient to make a significant difference to affect the situation on the rental market, including the level of prices.
- Although, it should be noted that the construction of the new Riga Stradins University hostel in Pārdaugava featuring 130 rooms considerably reduced the interest of Latvian students in renting apartments in Pārdaugava and the City Centre, while the activity of foreign students on the City Centre apartment rental market has retained the level of previous years.
- The demand in Riga is for good quality renovated two and three room apartments, as well as for apartments in new development projects. One-room apartments in the city centre are also in quite a demand.
- The strongest demand is for cheaper rental apartments in Riga City Centre at a rent of 300 to 500 euros or suburban areas at a rent of 200 to 400 euros per month. Marketing period of a typical one bedroom series-type apartment in suburban areas at a rent adequate to the market is usually 1 to 2 weeks or even less.

Rental fee dynamics in Riga, EUR/m²



Source: Land Register, LATIO

- Series-type
- New projects and City Centre buildings after thorough renovation
- Pre-war brick buildings, partially renovated (good condition)
- Pre-war brick buildings, non-renovated (built until Y1940)

- The demand exists in the more expensive segment in Rīga City Centre and in new development projects of prestigious neighbourhoods with a rental fee from 600 to 1000 EUR per month, and the tenant may choose a place of residence to their needs and liking.
- Among non-residents the demand is still high for large apartments in the diplomatic area of Riga City centre, at the beginning of the year, demand for 4-5 bedroom apartments from Canadian nationals was especially strong.
- We may also observe an influx of IT industry guest workers from countries like Ukraine. This segment prefers more economy class apartments in new development projects in sleeping areas of the city.

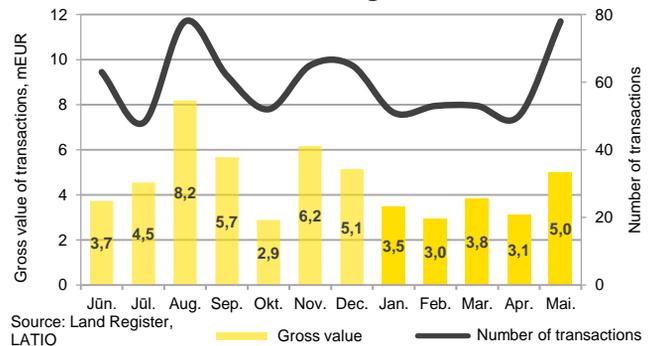


Apartments in Jūrmala

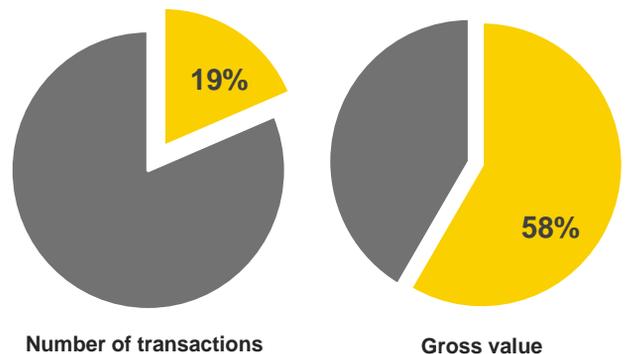
RESIDENTIAL MARKET IN JŪRMALA

- The total number of transactions in the first five months of 2017 with apartments in Jūrmala remained on the level of the respective period of 2016, with an average of 50-60 transactions per month.
- This May was more active with 78 transactions, which is one of the market activity peaks since the beginning of 2015.
- The gross value of transactions registered in the Land Register during the first five months of 2017 was 18.4 million euros, which is by 1 million euros or 6% more than a year ago within the respective period.
- Market activity in all Jūrmala apartment market segments in the first half of 2017 has remained on the same level, compared to the respective period of 2016.
- The new development project apartment market with an average of 11-12 transactions a month remains stable for the third year in a row, although the total value of transactions has decreased during this period, which indicates the domestic market demand for mid-priced apartments up to 200 thousand EUR.

Jūrmala apartments market: number of transactions and gross value

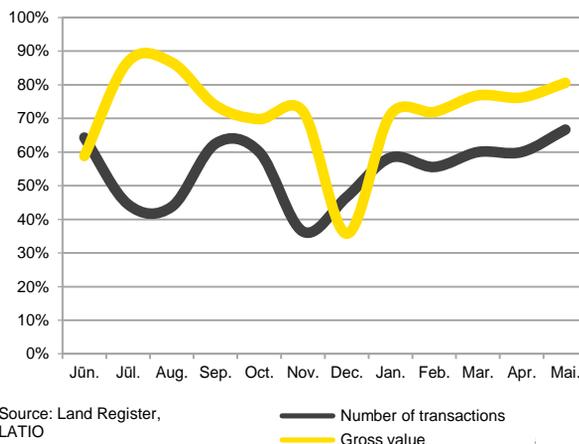


Proportion of new apartments on the residential market of Jūrmala (January - May, 2017)

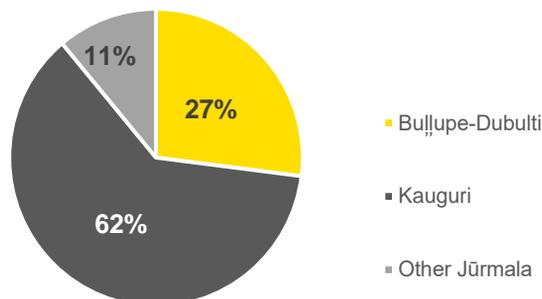


- Considerable interest in apartments in new development projects in Jūrmala comes from local clients, especially new families. Most of them use bank financing for property purchase purposes, as well as Altum's programme for first home acquisition. Nevertheless, despite the strong interest, the supply in this price category is limited, therefore the client makes the final decision in favour of purchasing an estate in Riga or its vicinity at a better price.
- The residential market activity in Jūrmala might increase, as developers increasingly focus on medium level segment prospective buyer, and on construction of new multi-apartment buildings with the end-user price of 2000 – 2200 EUR per square metre.
- A legacy from the prior years, Jūrmala still has a broad supply in the premium class new apartment projects, but transactions with apartments at price above EUR 300,000 is a rarity – 2 times a month on average.
- Despite the increase in the domestic demand, the new development projects segment is still dominated by non-residents, the proportion of which in terms of the transactions quantity was 60% at the start of the year, while in terms of the total worth of transactions 75%.
- Although the number of transactions in the series-type and pre-war multi-apartment housing has remained on the level of 2016 for the respective period with an average of 40-50 transactions per month, total value of registered transactions increased by more than one third, which indicates that the buyer prefers to purchase more expensive apartments in prestigious urban neighbourhoods.
- The number of transactions with private houses in Jūrmala has remained on the level of 2016 for the respective period with an average of 12 transactions per month, the total transaction value was 16.1 million EUR in the first five months. The activity of transactions with residential development land plots increased at the beginning of the year, although it still can be considered as low.

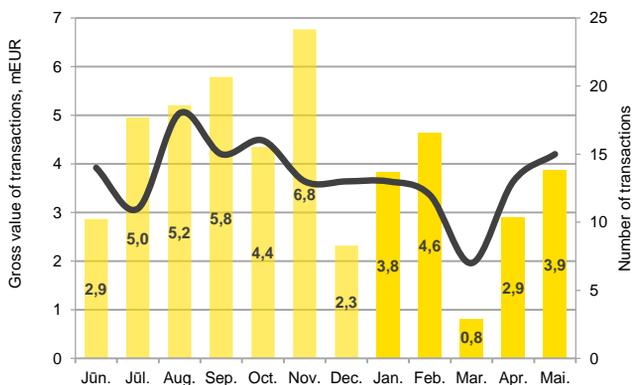
Share of non-resident transactions and value on Jūrmala new apartment market



Number of transactions with pre-war and series-type apartments in Jūrmala by geographic location (2017, January - May)

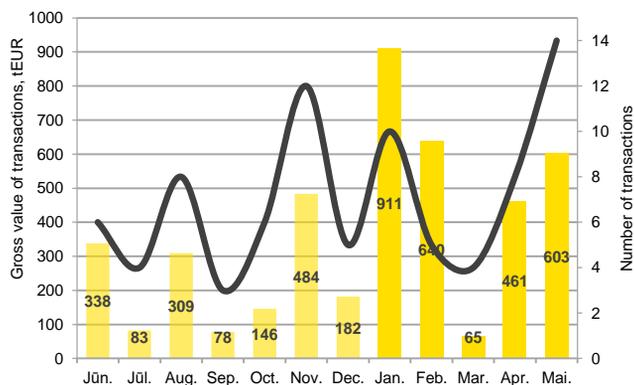


Jūrmala private house market: number of transactions and gross value



Source: Land Register, LATIO

Jūrmala land market: transactions and gross value



Source: Land Register, LATIO



A house in Ēdoles pagasts



RESIDENTIAL MARKET IN REGIONS

DAUGAVPILS

- In the first half of 2017, no significant changes were observed in the residential market activity of Daugavpils, and it remained on the level of the previous quarter.
- The demand, as previously, is predominantly for 2 room apartments on middle floors of a building, as well as for renovated 3 room apartments, which do not require extra financial investments.
- Transaction objects primarily are apartments within the price range from EUR 6,000 to EUR 15,000, although buyers are willing to pay even up to EUR 20,000 – 25,000 for well renovated 3 room apartments.
- The prices of series-type apartments in the city centre range between 200 and 400 euros per square metre, EUR 200-250 per square metre in suburban areas.
- Another ten transactions were concluded in 2017 with apartments having fully completed interior decoration in a renovated building at 11 Arodu Street. The price of such transactions is 400 EUR/m² on average. The demand exceeded the supply and all apartments were sold.
- Private housing market tendencies have also remained on the previous level. Buyers are more interested in well renovated properties, which do not require significant additional investments.

JELGAVA

- The market activity in Jelgava in the first half of 2017 remained on the level of the previous year, still there was a slight decrease in supply, while the demand increased.
- The demand is primarily for two-room apartments at a price up to EUR 26,000.
- Buyers' interest in apartments in new developments is low, 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 EUR/m².
- The average price for a square metre in series-type apartment was approximately 440 EUR/m².
- The number of transactions with private houses is similar to previous periods, there are no significant changes. There is interest in good quality houses built in the recent decade. Also, the demand for private houses in Jelgava has not materially changed, the largest interest is in smaller houses with floor area up to 150 m².

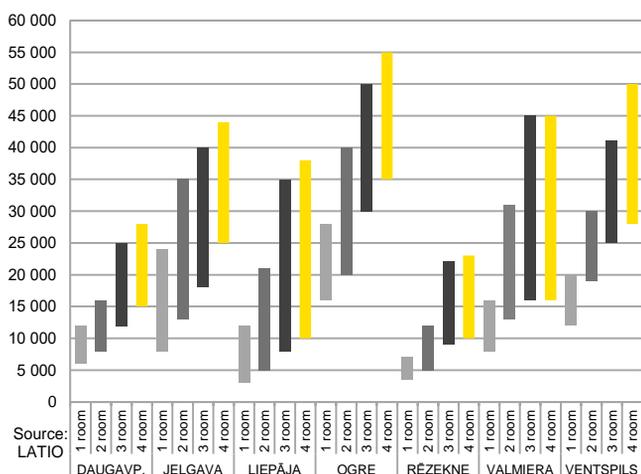
- Strong demand in Jelgava is observed for houses built in the soviet era, an area of up to 80 sq. m, which are in satisfactory or good technical condition and the price of which is approximately EUR 60,000. However, this supply on the market is scarce.
- For the major part, deals involve houses at a price up to EUR 80,000.
- There is hardly any demand in residential development land plots. The primary criteria defining the choice of buyers are location and availability of utility mains. The price ranges from 3 to 12 EUR/m².
- As customary in Zemgale, the interest in farming land plots is high, but the supply is limited.

LIEPĀJA

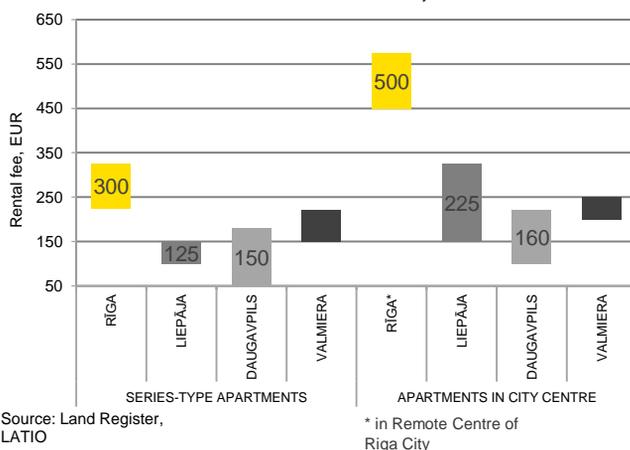
- The residential market activity in Liepāja in the first half of 2017 remained stable with an average of more than 110 transactions per month.
- The largest interest of buyers is in 2 and 3 room apartments, traditionally. Neighbourhoods most enquired about – the - South - Western District, Ezerkrasts and Lauma District.
- There is much interest also in the Central district of Liepāja City. Buyers are increasingly interested in ready-to-move-in apartments in a good state of repair, which do not require large financial investments.
- Interest in buying an estate in Liepāja, especially an apartment, is increasingly stronger on foreigners' side.

- Apartment prices in Lauma District range within 200-450 EUR/m², Ezerkrasts District - 350-550 EUR/m², SW District - 350-600 EUR/m², city-centre area 400 to 800 EUR/m²(depending on the building's design or series).
- Less demanded are apartments in districts of Karosta, Zaļā birzs and Tosmare. Transactions with loft apartments occur very rarely in Liepāja.
- All 27 apartments at the Dzintara Nams development project are sold out now, their sales begun in summer of 2016. Apartments are also available in the Avotu Nams development project, their price ranging between 950 – 1,050 EUR/m², and Alejas Nams between 700 – 850 EUR/m² - with 4 apartments left. No construction of new development projects has been launched in Liepāja City.
- The market of private houses is stable with an average of 2-3 transactions per month. The demand mostly is for houses that are ready for living, where repairs can be carried out gradually. A positive trend is the increased interest in private housing and land plots for construction in Karosta district of Liepāja City.
- The average prices of such estates range between EUR 30,000 to 50,000. The strong interest is in private houses situated in Vecliepāja – the old town, and Lauma District.
- The demand for residential development land plots in Liepāja is relatively low. There is more demand for land plots in Vecliepāja.
- The number of transactions with farmsteads is relatively small. The interest of buyers is in estates within 25 kilometre reach from Liepāja.

Range of series-type apartments in the largest cities of Latvia in June 2017, EUR



Rental fee of a typical furnished 60 m² large apartment in the largest cities of Latvia in H1 2017, EUR



OGRE

- Activity was stable on the residential market of Ogre in the first half of 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 800 EUR/m², while non-renovated apartments sell at 450 to 600 EUR/m².
- Apartment prices in new development projects fluctuate between 700 to 1,200 EUR/m². Transactions were concluded at a price ranging between 700 – 900 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. We can see activity returning to the residential market in recent months, and the prices have climbed as well. The bulk of the estates sold are residential houses, built earlier with 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 city's gardening plot 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 on the residential development land plot market is low. The price for a land plot of 1,200 – 1,500 m² ranges from 7 to 20 EUR/m².
- The activity on the rural property market in Ogre region is low. Primarily, the deals are concluded for residential houses built at the beginning of the previous century, without utility improvements, with a small appurtenant land plot of area from 2 to 10 ha.
- On the agricultural land market, land plots over 10 ha are in the strongest demand. The average prices range between 1,200 and 2,800 EUR/ha.

RĒZEKNE

- The first half of 2017 on the residential market of Rēzekne was less active than the end of 2016 with approximately 40 transactions per month on average, the most active month was March with 57 transactions.
- The market is busier in the City Centre, the demand is for duly maintained one and two room apartments of small floorspace. A few transactions have been concluded for thoroughly renovated apartments.
- Apartment prices in general have remained on the level of previous periods. Prices of duly maintained apartments in the City Centre are from 100 to 150 EUR/m², of apartments having undergone minor refurbishment - up to 250 EUR/m², whereas thoroughly renovated ones - up to 350 EUR/m².
- On the apartment rental market, information is usually spread among friends, acquaintances and neighbours, making a deal on the amount of rental fee orally. Smaller one-room and two-room apartments are offered and demanded on the rental market in the City Centre and Ziemeļu District. A typical rental fee, without utility payments included, is 30-40 EUR per month.
- Transactions with residential development land plots have been registered very few, although construction of residential buildings has not stopped in Rēzekne - their construction is carried out on land plots already owned.
- Price of an unrepaired residential house with just some utilities provided ranges from 10,000 to 15,000 EUR. The prices of decently maintained and improved houses fluctuate between 15,000 and 40,000 euros. Transactions with newly built private houses have not been registered in the first half of 2017.
- Sales prices of agricultural land plots up to 10 ha large range from 700 to 1000 EUR/ha on average . The price for cultivated and tended land may reach as much as EUR 2,000 for 1 ha.
- The number of transactions with farmsteads is small.

VALMIERA

- The real estate market in Valmiera is stable. The price for a two-room apartment ranges between 23,000 – 32,000 EUR.
- Rental fee for a typical 60 square metre large apartment ranges between 180 – 250 EUR.
- A considerable event to be mentioned is development of construction projects in Valmiera City, close to the city centre – Šķesteri, which have a rational arrangement of land plots and their areas (starting with 1000 square metres), good access roads, with all utilities available.
- Construction of rental apartment buildings has been started, which will pour in 150 new apartments into the rental apartment market pool of the city.
- Some transactions have been concluded with buildings at the Valmiera City Centre. In response to the existing demand, there is also a slight rise in prices of some objects, provided that the property is in good condition and the location is in demand.
- The demand for apartments is within the price range from 25,000 to 35,000 EUR, for houses from 65,000 to 105,000 EUR.
- There is a tendency of many apartments appearing on the market at a price inadequate to the market situation and the estate's quality.
- The private housing market is active. The buyer is interested in houses of approximately 150 m² at a price within the limits of 55,000 to 100,000 EUR.
- Prices of newly erected houses range from 100,000 to 125,000 EUR of floorspace up to 200 m². Clients are interested in well maintained estates with all utility mains available.
- Interest is the strongest in farmsteads approximately within 10 kilometre radius around Valmiera with a land plot of 1 to 3 ha. The price for such estates is around EUR 50,000.

VENTSPILS

- There are no significant changes in the residential market activity in the first half of 2017. The demand and the number of transactions are higher in the City Centre, lower in the Pārventa part of the city, on the other bank of the river.
- The price for series-type apartments in the city-centre locations has remained the same, within 450 – 600 EUR/m².
- The highest demand is for 2 and 3 room apartments in excellent condition, but the supply is limited. There is also interest in non-renovated and uninhabitable apartments with repairs in progress.
- 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.
- 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.
- Typical prices of old private houses are 35,000 – 55,000 euros; brand-new houses cost 100,000 – 140,000 euros.
- There are lots of vacant land plots for private construction in Ventspils, the market activity is moderate. 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.
- The number of transactions with farmsteads is low, and the supply is limited, and they often are in a very poor condition, which requires significant extra investments on the buyer's part.
- The interest in farming land plots is high, especially in places of high economic activity, where the prices range from 3000 up to 4000 EUR/ha, and the supply is limited. Prices are up to 3000 EUR/ha elsewhere.

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