

## HOUSING MARKET OVERVIEW

September 2012

### New projects

Demand for the new project apartments in Riga remained at the previous month's level. Foreign buyers mostly wish to purchase apartments in new and renovated buildings in the city center. As suitable offer is limited, some of the buyers also purchase apartments in the new projects outside the center.

Local buyers mostly wish to purchase new apartments in the residential neighborhoods.

The price increase trend of the new project apartments continued. The prices are growing at a faster rate in downtown Riga.

In Q3 2012, the average price of new apartments in the residential neighborhoods of Riga was 1,174 euros per square meter. Compared to the previous quarter, the price has increased by 0.3%, and compared to Q3 2011 – by 1.3%.

The average price of new apartments (and apartments in fully renovated buildings) in the capital city's center in the third quarter of this year was 2,262 euros per square meter – an increase of 5.2% from the second quarter, and up 15.1% from Q3 2011.

In Old Riga and its vicinity, the average price of apartments in the new projects and fully renovated buildings in Q3 was 3,877 euros. It is an increase of 5.1% compared to the previous three months and 21.9% compared to Q3 2011.

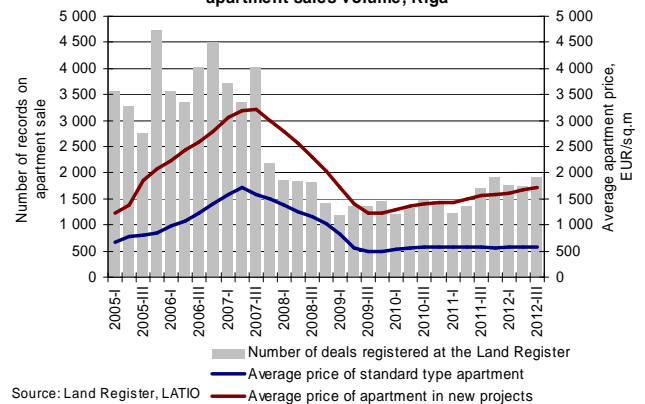
The price range of transactions is rather wide and depends on the apartment's location, type of finishing, and other factors. The prices of new apartments near Riga in September ranged from 700 to 850 euros per square meter; in the residential neighborhoods of Riga – 900–1,400 euros; in downtown Riga (also including the outer areas of the city center) – 1,400–2,000 euros. The prices of high-quality apartments in good locations in renovated buildings in downtown Riga tend to exceed 2,500 euros and occasionally reach 5,000–6,000 euros per square meter. In the past half-year, the prices of such apartments have been growing at a faster rate. It is mainly explained by the interest of foreign buyers in acquiring quality apartments in the center of Riga.

### Apartments in downtown Riga

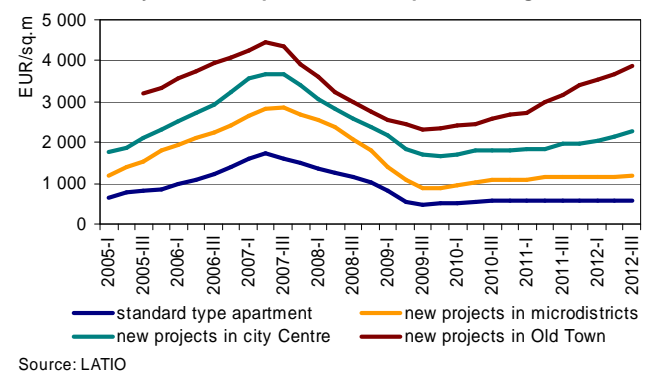
Like in the previous months, interest in purchasing apartments in downtown Riga was shown by both local and foreign buyers in September.

Nationals of other countries, many of whom wish to obtain a temporary residence permit after purchasing property, are mainly showing interest in apartments with price not exceeding 170–180 thousand euros. There is only minimal increase of suitable offer in this price range, and it remains limited. Due to the insufficient offer, foreign buyers also consider purchasing more expensive apartments in the center of Riga – up to 200 thousand euros. This category of buyers is also open to the possibility of purchasing property farther away from the city center.

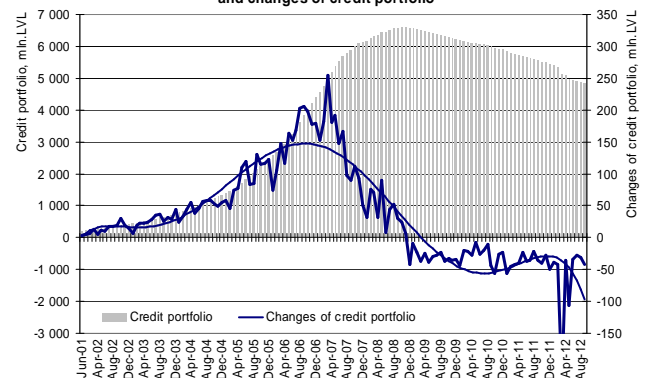
Sales price of apartments, apartment sales volume, Riga



Dynamics of apartment sales prices in Riga



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



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Foreign buyers are also interested in purchasing more expensive downtown apartments in good locations and fully renovated buildings.

The most in-demand apartments in downtown Riga on the part of foreign buyers are two-bedroom apartments with an area up to 80 square meters.

The September price ranges (per square meter) in various downtown apartment segments, depending on size: non-renovated brick buildings in Old Riga – 1,900–2,300 euros, the quiet center – 1,800–2,000 euros, the inner center – 1,500–1,700 euros, the outer center – 800–875 euros; partially-renovated brick buildings in Old Riga – 2,200–2,700 euros, the quiet center – 2,200–2,500 euros, the inner center – 2,000–2,400 euros, the outer center – 1,000–1,200 euros; majorly-renovated buildings and new projects in Old Riga – 3,400–3,950 euros, the quiet center – 3,100–3,550 euros, the inner center – 2,800–3,000 euros, the outer center – 1,500–1,750 euros. The prices of high-quality, renovated apartments with a good layout and quality finishing in Old Riga, the inner center and the quiet center go up to 5,000–6,000 euros per square meter.

### Precast apartments

In September, the average price of precast concrete panel apartments in Riga remained at the previous month's level – 582 euros per square meter. The average price is up 1.2% from the beginning of the year, and up 1% compared to September last year. The price level of precast apartments has stayed largely unchanged for around two years now.

The precast apartments price movements differ in various residential neighborhoods and buildings of different series. The price of apartments in good condition in neighborhoods such as Purvciems, Pļavnieki, Zolitūde, Imanta and Ziepniekkalns in September for one-bedroom apartments was 22–28 thousand euros, two-bedroom apartments – 28–38 thousand euros, three-bedroom apartments – 34–47 thousand euros, and four-bedroom apartments – 40–52 thousand euros.

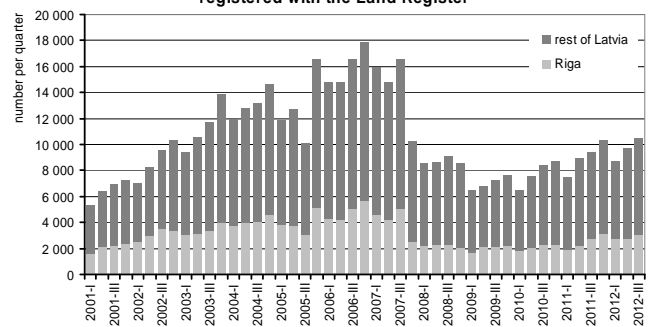
The prices of apartments in good condition, with land included as part of the property and good building management, are slightly increasing or remaining at the current level, while prices of apartments in poor condition or in buildings that are in disrepair are shrinking.

### Private houses

Activity in the private house segment has not significantly grown in September.

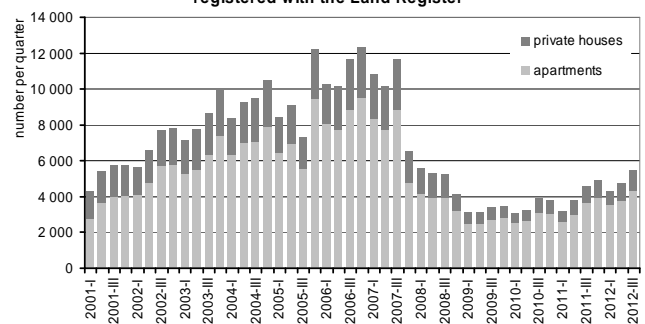
Demand is greatest for private houses with an area of 200–250 square meters and 1,000–1,200 square meters of land. The average price of such houses in the most popular areas near Riga, such as Mārupe, Babīte and Berģi, is 1,000 euros per square meter; in more distant areas like Spilve or Baloži: 800–900 euros per square meter.

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



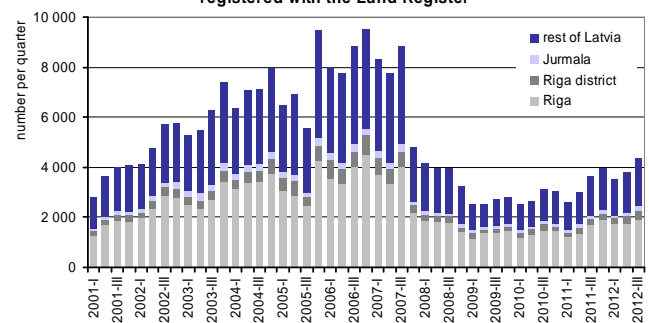
Source: Land Register, LATIO

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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There is no demand for large houses built in previous years whose prices do not correspond to the current market situation.

Interest in purchasing private houses near Riga is shown also by foreign buyers who wish to obtain a temporary residence permit after purchasing property. These buyers are most interested in houses on the left side of River Daugava. A significant factor in their selection is the proximity of the airport, downtown Riga, and Jūrmala. There is demand for rental of private houses. Houses are rented by both locals and foreigners working in Latvia. The rental for quality private houses in good areas of Riga and near Riga is 1,000–1,500 euros per month, depending on the size.

### Jūrmala

In Jūrmala, there remains interest of foreign buyers in purchasing new project apartments and private houses.

In the new apartment segment, foreign buyers are mainly looking at properties priced from 180 to 200 thousand euros, which corresponds to the investment level necessary to apply for a temporary residence permit. Interest in pricier apartments is much lower.

In the private house segment, buyers – mainly foreigners – are interested in properties priced between 300 and 350 thousand euros.

Even after the end of the summer, demand for long-term house rental remains in Jūrmala. Both local families and foreigners working in Latvia are looking for recently built private houses with an area up to 200 square meters.

### Transactions

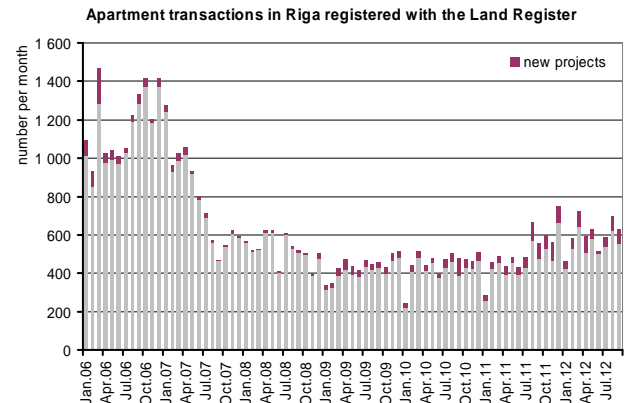
In September, compared to the previous summer months, the number of real estate transactions in various segments has declined a little, but in the context of the entire year, the growth trend continues.

Analysis of Land Registry data gathered by Latio shows that in the first nine months of 2012, compared to the same period last year, the total number of all types of real estate purchase transactions in Latvia has grown by 12%, while the number of housing transactions is up 25.6%, including 26.1% for apartments and 23.7% for private houses.

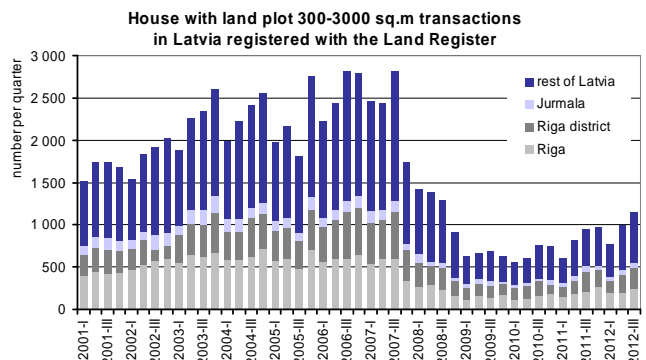
In Riga, the number of apartment purchase transactions in the first nine months of the year compared to January–September 2011 has increased by 26.2%, private house transactions – by 17.7%.

### Housing rental market

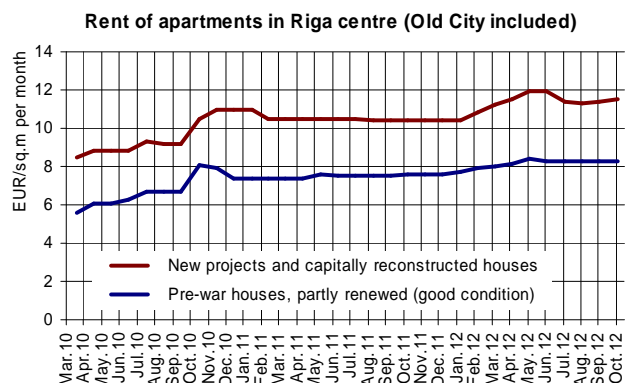
Demand in the apartment rental market in Riga remained at the same level as before, causing rent to increase in several segments due to the limited offer of quality apartments. Demand generated by foreign students declined at the end of September.



Source: Land Register, Cadaster Register, LATIO



Source: Land Register, LATIO



Source: LATIO

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In the center of Riga, demand for rental apartments is maintained by both locals and foreigners. Demand is greatest for quality, furnished one-, two- and three-bedroom apartments up to 80 square meters in size at a price of 450–600 euros per month, ex. utilities.

Offer of apartments suiting the tenants' requirements in the center of Riga remains insufficient, so such apartments are rented quickly. The apartment shortage also contributes to gradual increase of rent prices. In September, rental slightly increased for apartments with an area of 50–100 square meters in new and renovated buildings in the outer center of Riga.

The average monthly rent in September, depending on the apartment's size, was as follows: non-renovated brick buildings in Old Riga – 7–8 euros (per square meter), the quiet center – 6–8 euros, the inner center – 6–7 euros, the outer center – 4–5 euros; partially-renovated brick buildings in Old Riga and the quiet center – 8–10 euros, the inner center – 8–9 euros, the outer center – 6–7 euros; majorly renovated buildings and new apartments in Old Riga – 14–15 euros, the quiet center – 12–13 euros, the inner center – 11–12 euros, the outer center – 7–8 euros.

In the residential neighborhoods of Riga, the average monthly rent of precast apartments in September was 4.1 euro per square meter (ex. utilities), up from 3.6 euros last month.

The capitalization rate of rental apartments also grew in September, and has exceeded 8% for precast 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; however, in conducting such transactions, it is important to carefully consider the income stability and future growth potential.

