

Latio

Nekustamie Tpašumi

Housing Market Overview Riga

May 2014

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New apartments

Demand for new apartments in May remained at the previous month's level. Interest in purchasing new apartments was showed by both foreign and local buyers.

In response to the increasing demand over the past years, the offer of new apartments is also gradually continuing to increase.

According to the information aggregated by Latio, in the period from 2014 to 2016, in Riga and its near vicinity more than 40 new apartment building, private house village and row house projects will be completed, which, according to current estimates, could increase the offer by over 1,000 units.

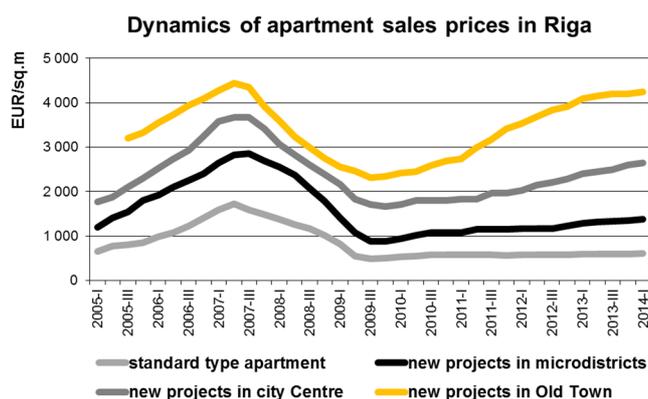
There is a trend observed of completing or developing new private house village projects targeted at local buyers.

In the new apartment segment, buyers mainly wish to purchase apartments at a price up to 100,000 euros.

The demand of foreign buyers is mainly focused on the center of Riga, however, since the offer suiting the buyers' requirements in that part of the city is increasing only gradually, foreigners are also purchasing apartments in new buildings in the residential districts outside the center. The demand of non-residents is mainly aimed at new apartments at a price from 150,000 to 180,000 euros, which is close to the investment level required for obtaining a temporary residence permit. From September 1, amendments to the Immigration Law will come into effect, and the minimum investment amount for obtaining a temporary residence permit will be increased to 250,000 euros.

Significant factors for both local and foreign buyers in selection of the property are the location, quality, interior finishing, built-in kitchen appliances, energy efficiency, and management expenses.

In the first months of the year, in the new apartment segment of Riga, a moderate price increase continued. The smallest increase in new apartment prices was recorded in Old Riga, where housing prices have approached the pre-crisis level. In Q1 2014, the average price of new projects (also fully renovated buildings) in Old Riga and its vicinity was 4,250 euros per square meter. Compared to the last quarter of the previous year, it has increased by 1.2%; the increase from Q1 2013 is 3.7%.



Source: LATIO

The average price of new apartments in the center of Riga (including apartments in fully renovated buildings) in the first quarter of the year, compared to the previous quarter, has increased by 1.9%, reaching 2,650 euros per square meter. Compared to Q1 2013, the average price has grown by 10.4%. The average price of new apartments in the residential districts of Riga in the first quarter of the year was 1,380 euros per square meter – an increase of 2.2% from the end of last year, and an increase of 6.6% from Q1 2013.

The price range of transactions is rather wide and depends on the project's location, the apartment finishing type and other factors. The average price of new project apartments near Riga in May was 700–900 euros per square meter, in the residential districts of Riga: 900–1,850 euros per square meter, in the center of Riga (including the outer parts of the center): 1,500–3,500 euros per square meter. The price of high-quality apartments in renovated buildings in good locations in the city center can reach 4,000–6,000 euros per square meter.

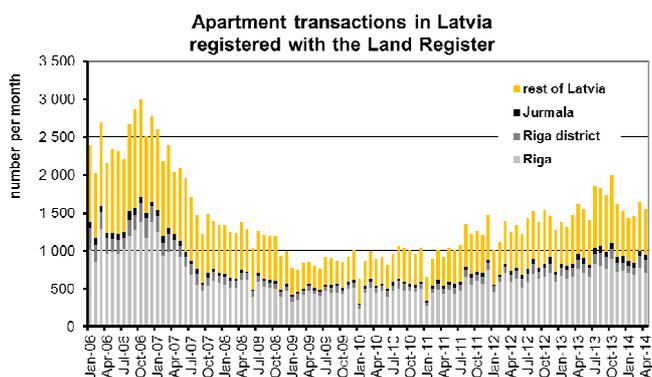
Apartments in the center of Riga

In the segment of apartments in downtown Riga in May, like in several previous months, the demand of foreign buyers was moderate. The caution of foreign nationals was connected with the changes in the conditions for obtaining a temporary residence permit.

Foreign buyers are interested in high-quality apartments in buildings in very good condition in Old Riga, the silent center and the inner center. Factors important to buyers are the availability of an elevator, parking possibilities, and a neat surrounding environment.

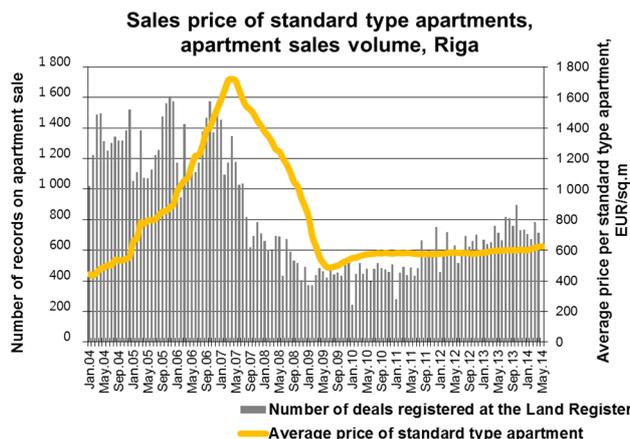
In May, the interest was greatest in apartments priced up to 150,000–160,000 euros.

The demand of local residents in the center of Riga is focused on apartments not exceeding a price of 1,000–1300 euros per square meter. Buyers are interested in both small two-room apartments and larger three- and four-room apartments.



Source: Land Register, LATIO

The offer of good apartments at a price corresponding to the purchasing ability of buyers, as before, was limited, so buyers spend a long time looking for a suitable property. Often, the interest of buyers is tempered by an inadequately high price.



Source: Land Register, LATIO

The characteristic price range of various apartment segments in the center of Riga in May: non-renovated brick buildings in Old Riga: 1,750–1,900 euros per square meter, the silent center: 1,850–2,000 euros, the inner center: 1,200–1,550 euros, the outer center: 925–1,125 euros; partially renovated brick buildings in Old Riga: 2,050–2,250 euros, the silent center: 2,100–2,500 euros, the inner center: 1,850–2,300 euros, the outer center: 1,300–1,500 euros; majorly renovated buildings and new projects in Old Riga: 3,000–3,500 euros, the silent center: 3,250–3,500 euros, the inner center: 2,800–2,900 euros, the outer center: 1,600–1,800 euros. The price of high-quality, renovated apartments with a good layout and exclusive interior finishing in Old Riga, the inner center and the silent center can reach 5,000–6,000 euros per square meter.

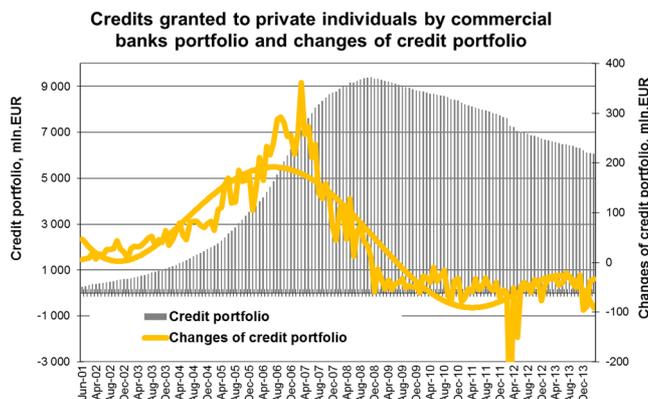
Changes of apartment prices differ in various residential districts of the capital city and buildings of various series. Prefabricated apartments in good technical condition in residential districts such as Purvciems, Pļavnieki, Zolitūde, Imanta and Ziepniekkalns in May were priced at 25,000–32,000 euros for one-room apartments, 32,000–42,000 euros for two-room apartments, 37,000–49,000 euros for three-room apartments, and 43,000–55,000 euros for four-room apartments.

When selecting the apartment, buyers pay attention to the maintenance expenses, the technical condition of the building, completed or planned building improvements; an important factor is the management expenses and quality, as well as whether the land belongs to the apartment owners or is leased.

Prefabricated apartments

The average price of prefabricated apartments in Riga in May compared to the previous month increased by one euro and reached 625 euros per square meter. Compared to May 2013, the average price of prefabricated apartments has increased by 4.5%, while the increase over the course of this year is 3.1%.

The activity of buyers in the prefabricated apartment segment in May was lower compared to the first months of the year.



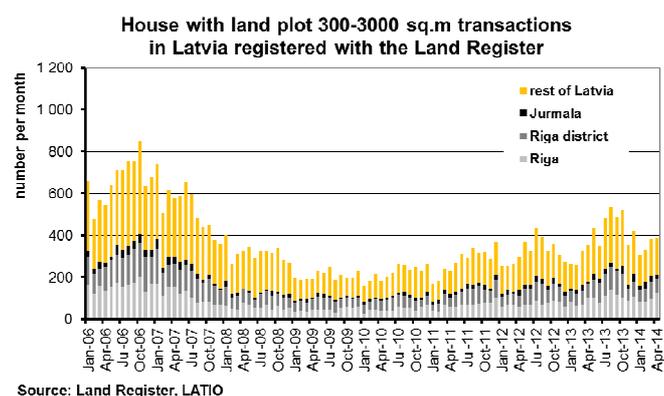
Source: the Finance and Capital Market Commission, LATIO

Private houses

In May, the interest of buyers in purchasing private houses and land for private construction was relatively high.

Buyers are interested in modern, high-quality private houses in locations with good surrounding infrastructure. The offer at prices corresponding to the market situation is limited. The interest of buyers is greatest in houses with an area up to 200–250 square meters with land up to 1,000–1,200 square meters. Generally, offers priced up to 200,000 euros are considered. Interests in buildings with an inadequately high price, as well as unfinished buildings or buildings in poor condition, is low.

In May, demand was greater for land for private construction near the sea, for example, in the section from Vecāķi to Carnikava, also in Saulkrasti and its vicinity.



The offer at a price corresponding to the market situation is small. Buyers are willing to purchase a 1,500–2,000 square meter plot of land near the sea at a price of 30,000–50,000 euros.

Buyers are interested in plots of land in locations with well-developed surrounding infrastructure.

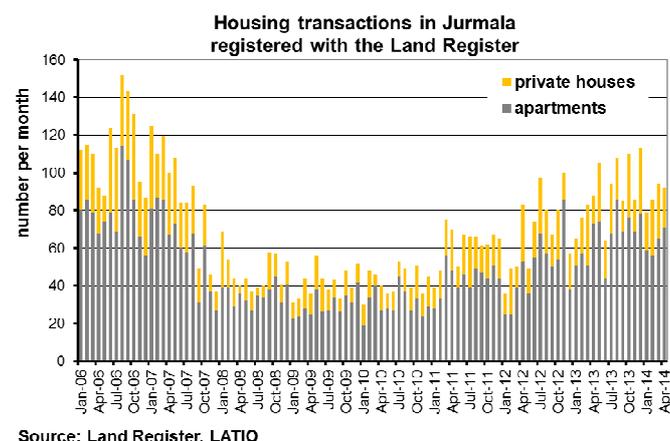
Jūrmala

In the first five months of the year, compared to the respective period in 2013, the number of housing transactions in Jūrmala has increased by 6.5%, including a 3.3% increase of apartment transactions and a 15.3% increase of private house transactions, according to the analysis of Land Register data performed by Latio. During the five months, over 440 housing transactions have taken place in Jūrmala, and apartment transactions comprised more than two thirds of those.

The demand for properties is generated by both local and foreign buyers. The demand of local residents is mainly focused on standard apartments, also new project apartments on the secondary market, and private houses priced up to 200,000 euros.

The demand of foreign buyers in the new apartment segment is greatest for properties priced up to 300,000 euros. In this price category, foreigners wish to purchase apartments with complete finishing, while apartments priced over 300,000 euros are generally purchased with partial finishing. In Jūrmala, apartments with a good layout and location are still often reserved already during their construction.

According to the information aggregated by Latio, in the next few years, over 20 new apartment building and row house projects will be completed in Jūrmala, and the construction of several new residential buildings will be commenced. Latio estimates that 350–400 new apartments could be added to the offer in Jūrmala over the next two years.



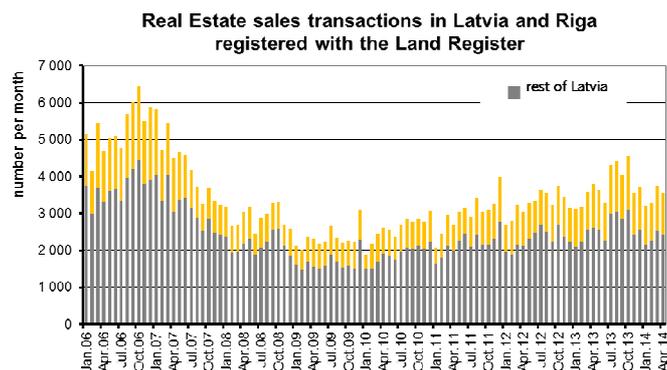
In the private house segment, foreigners are mainly interested in houses with an area up to 300 square meters, land up to 2,000 square meters, and priced up to 500,000 euros.

Transactions

Analysis of the Land Register data aggregated by Latio shows that the total number of all types of real estate purchase transactions in Latvia in May was lower than in April or March, but greater than in the first two months of the year. In the first five months of 2014, more than 17,300 real estate transactions have been recorded,

which is a 0.2% decrease from the respective period in 2013. The number of housing transactions in the first five months of the year, however, has increased by 5.2%, including a 3.2% increase of apartment transactions and a 13.8% increase of private house transactions.

In Riga, the total number of all types of real estate purchase transactions in the first five months of 2014 compared to last year's January–May has increased by 4.7%.



Source: Land Register, LATIO

The number of housing purchase transactions in the capital city has increased by 6.2%, including a 5.2% increase of apartment transactions and a 14.1% increase of private house transactions.

In the first five months of the year, over 4,000 housing purchase transactions have taken place in Riga, and apartment transactions comprise nearly 90% of those.

Housing rental market

The activity did not significantly increase in the housing rental market of Riga in May.

The demand in the center of Riga is greatest for apartments with a rent up to 450 euros per month. Renters choose high-quality, furnished apartments with an area up to 80 square meters at a monthly rent of 450–600 euros.

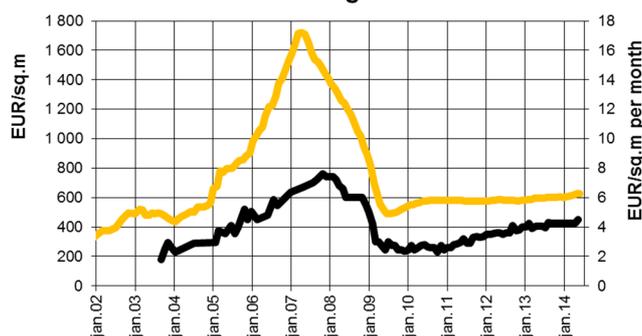
The high demand for rental apartments has facilitated the development of new rental buildings. The offer of rental apartments has been supplemented by several renovated buildings in the center of Riga, for example, the building in 109 Krišjāņa Barona Street.

In the near future, renovation of several additional rental buildings and expansion of the apartment offer is expected. Investors are interested in building properties with a price up to one million euros.

In May, depending on the apartment size, the average monthly rent in non-renovated brick buildings in Old Riga was 5–6 euros per square meter, in the silent center: 5–7 euros, in the inner center: 5–6 euros, in the outer center: 5 euros; in partially renovated brick buildings in Old Riga: 7–8 euros, in the silent center: 7–9 euros, in the inner center: 7–8 euros, in the outer center: 6 euros; in majorly renovated buildings and new projects in Old Riga: 12–13 euros, in the silent center: 10–12 euros, in the inner center: 10–11 euros, in the outer center: 6–8 euros.

There is a stable demand for renting private houses. The demand is greatest for houses priced at 1000–1500 euros per month.

Rent and price of standart type apartments in Riga



Source: LATIO price per sq.m rent per sq.m per month

In the residential districts of Riga, the average rent of prefabricated standard apartments, excluding utilities, has slightly increased, reaching 4.5 euros per square meter. The average monthly rent had previously stayed unchanged for several months at 4.3 euros per square meter.

The average capitalization rate of standard apartments exceeds 8%. It means that from the viewpoint of capital return it can be profitable to purchase an apartment and then offer it for rent; however, in conducting such transactions, it is necessary to carefully assess the stability and future growth prospects of the income.