

Latvian Commercial Real Estate

Q4 2009

MARKET COMMENTARY

Economy

GDP growth by the end of 2009 is expected to be negative, at -18%. Similar tendency will continue in 2010, with GDP decline of -4% and only in 2011 it might be positive, at 2%.

The economic crisis has slowed down inflation to 3.5% in end of 2009. We expect deflation in coming few years.

Retail turnover has dropped 26%, average gross salary decreased 8% and unemployment increased to 17% in 2009.

According to information from Latvian Central Statistical Bureau, comparing to previous year construction volumes for the first nine months of 2009 has decreased by 34%. Construction of buildings has dropped by 48%, construction of engineering buildings by 17%.

Office

An office vacancy rate in Q4 is 27%, which is 2% more than in Q3.

Rents for A class offices in Riga ranged from EUR 9 - 12 per sqm by the end of Q4 2009. Rents for B class offices stay the same as by the end of Q3 and are EUR 6 - 8 per sqm, depending on location, office space and level of decorations. Rents for C class offices vary from EUR 4 to 6 per sqm.

Typical service charges in A class buildings are EUR 1 - 2 per sqm per month. The charge for B class management services is mostly EUR 0.7 - 1.5 per sqm while in C class offices it varies from EUR 0.5 to 1.5 per sqm.

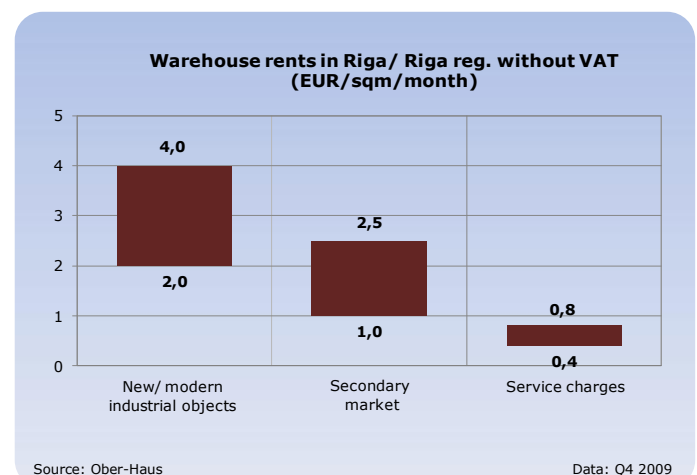
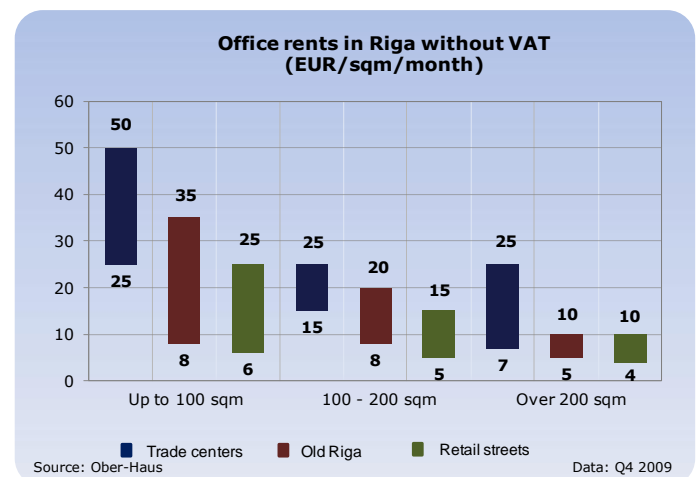
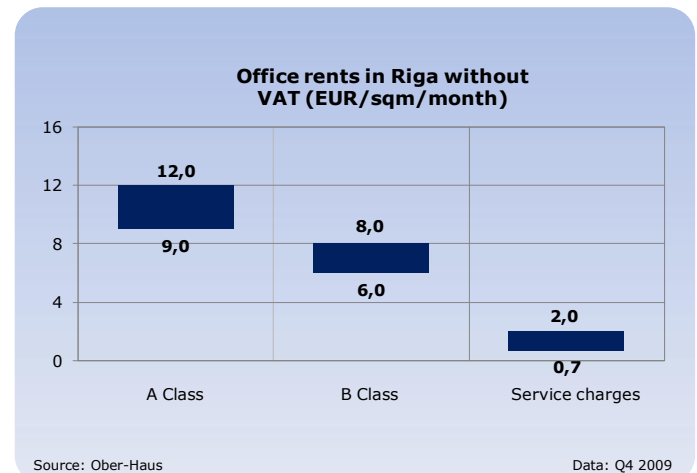
Several companies are looking for opportunity to buy small office buildings for their own purposes according to advantageous prices.

Retail

Retail turnover still fell through Q4 2009. Rents are from EUR 7 to 50 per sqm in trade centers and EUR 4 to 35 per sqm on retail streets. (For more detailed information see second table). On the high streets in Riga city centre the vacancy rate is 20%. Rents and vacancy rates in suburbs greatly depends on location. There are successful local suburban retail units and almost empty units in disadvantageous locations as well.

Warehouse and Industrial

In Riga and surrounding Riga County, rents for new and modern warehouse and production spaces range from EUR 2 to 4 per sqm which shows a decrease 20%. In older spaces rent are EUR 1 - 2.5 per sqm. Rental market activity has stayed at low level in Q4.



If you wish to receive any additional information about development of the real estate market in Lithuania, Latvia, Estonia and Poland; or you would like to order a special report on the part of the market relevant to you or the market of the project in progress, please contact Ober-Haus Latvia.

Aija Abolina, Country Manager of Ober Haus Latvia Real Estate Advisors
Tel.: +371 6 728 4544, e-mail aija.abolina@obe-haus.lv