

# MARKET COMMENTARY

In Q4 2009, residential real estate prices increased compared to the first three quarters. In Q1 and Q2 prices were falling and became stable in Q3, however the prices experience small increase in Q4.

The average price for old construction flats in suburbs of Riga by the end of Q1 was 763 EUR/sqm, in Q2 was 478 EUR/sqm, in Q3 was 460 EUR/sqm and finally in Q4 increased to 494 EUR/sqm.

In the suburbs of Riga, in Q4 2009 the price for flats was 35% lower than in Q1 and more than 3% higher than in Q2 2009.

In the first month October of Q4 the prices stayed in level of previous four month 459 EUR/sqm, but in further month experienced increase, in November 5.5% and in December 2%.

In this case we can speak about price increase in short term or stabilization in long term.

Supply continues to decline. There are difficulties to find a suitable property for customer's requirements. Customers become more active in Q4 and make their decisions faster. Owners are not willing to reduce the prices due to decreasing supply. The activity in residential market in Q4 where higher comparing with previous quarters of 2009.

Activity in buying residential properties shows customers from Russia. They were waiting for continues price reduction in Q4, but market experienced decrease of supply. Therefore decisions are made faster. Scandinavian buyers comparing to Russians make their choice and decisions slower.

## City centre flats

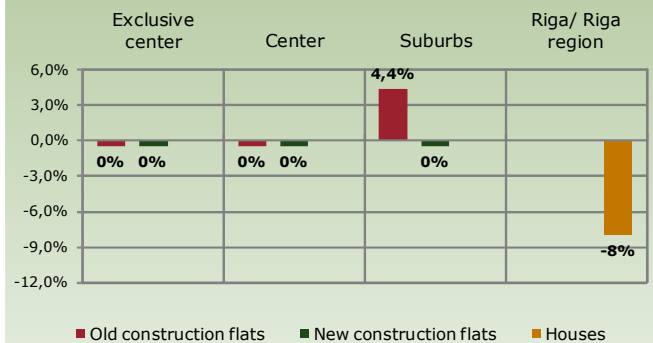
Prices remained flat in the city centre in Q4. Prices in the old city and city centre apartments start from 1,500 EUR/sqm. Towards the periphery of the centre (after roughly 1 km from the Brivibas monument) the sales price starts from 800 EUR/sqm. There was an increase of supply for undecorated apartments in periphery of city centre.

The most interest is for apartments in historical centre. Customers are looking for new or renovated 2-3 room flats (50-70 sqm) in price category from 1,200 EUR/sqm till 1,700 EUR/sqm unfortunately there are not suitable supply. Comparing to last few years supply reached the lowest point in Q4. There was possible to find an apartment in price category till 70,000 EUR in the beginning of 2009 but there were not similar offers in Q4.

There was increasing interest from local customers in Q4. The interest is for small apartments till 70 sqm (1 - 2 rooms) and for larger three till four room flats in price category till 200,000 EUR.

The indicator to choosing apartment is sqm price not total apartment price. That's why customers often chose the larger apartments instead of smaller.

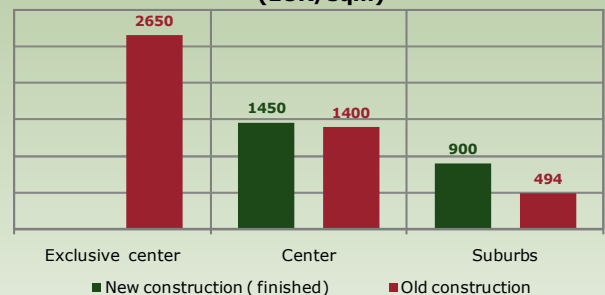
**Average residential price changes per quarter**



Source: Ober-Haus

Data: Q4 2009

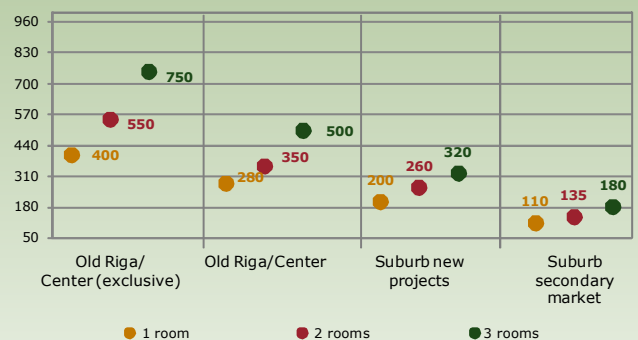
**Average flat prices in Riga by the end of Q4 (EUR/sqm)**



Source: Ober-Haus

Data: Q4 2009

**Average flat rents in Riga (EUR/month)**



Source: Ober-Haus

Data: Q4 2009

# Latvian Residential Real Estate

**Q4 2009**

## Suburb flats

In suburbs of Riga prices increased in the Q4 to 494 EUR/sqm. The most expensive apartments are in Teika where prices are almost 600 EUR/sqm and Purvciems with average price 520 EUR/sqm.

Interest of purchasing apartments increased in Q4. The most demanded were two and three room apartments. Supply experienced a rapid decrease in several suburbs, therefore the offered price there was even 25% higher comparing with average price. There was rapid decrease of supply options for customers who were looking for apartments since summer believing in price reduction at end of year. Demand for small apartments with appropriate price exceeded supply. Lack of supply has stimulated the increase of price. However this applies only to several segments and suburbs.

The price of apartments in good locations can reach 650 EUR/sqm. The price of new objects varies from 600 till 700 EUR/sqm although the interest is low. If the selling time is limited, sellers are forced to reduce the price to 500 – 550 EUR/sqm after few weeks. If the seller can wait and there is not similar offers in suburb price may not change and stay in the same level (600 – 700 EUR/sqm).

## New project flats

Prices in this segment stayed in previous level. In centre you can buy fully decorated apartment without furniture for 1,100-1,800 EUR/sqm, in suburbs 800-1,200 EUR/sqm. The purchases in city centre exclusive segment were even till 2,500 EUR/sqm. The most interest is for fully decorated apartments located in almost completely sold out dwelling houses. Like in previous periods high interest stays for small apartments (45 till 60 sqm). Supply in this segment experienced rapid decrease. Often developers increase price for last remaining apartments. Mostly deals are financed from private reserves without bank loans. Some developers offer rent with redemption rights after 2-5 years.

## Flat rent

In Q4 comparing with Q3 rents mostly were decreased for suburban about 10 -15 % and centre flats about 10%. As always, the greatest demand is for 2 or 3 rooms apartments with total space from 50-80 sqm and rent from 215-360 EUR to locals and rent from 400-600 EUR to foreigners. The greatest activity in rental market has observed in city centre and new suburban projects.

Rents for new flats in the centre are 285 EUR for a 1 room flat, 360 EUR for 2 rooms, and 430 EUR for 3 rooms. Prices do not include charges.

Exclusive furnished apartments in Riga centre are rented for 360 EUR for a 1 room flat, 430 – 500 EUR for 2 rooms, and 750 - 800 EUR for 3 rooms.

Rents in older suburban flats are 70-170 EUR for 1 room flat, 115 - 285 EUR for 2 rooms, and 130-360 EUR for 3 rooms.

Rents in new suburban developments are 240 EUR for 1 room flat, 360 EUR for 2 rooms, and 460 EUR for 3 rooms.

## Private houses

The greatest demand is for fully decorated private houses in Berģi, Babīte, Mārupe and Langstiņi with average price till 500 EUR/sqm. Supply stayed in previous level as in Q3. Interest of private houses rental market has decreased.

Also the greatest interest is for fully decorated houses with spaces till 250 sqm in Berģi, Mārupe and Katlakalns with price level till 200,000 EUR.

Prices stayed in level of Q3 in Ķekava, Garkalne, Langstiņi and are varying 150,000 – 180,000 EUR.

Price level for private houses is the same as for semidetached houses; therefore there is low interest for twin houses.

Twin houses around the Riga might be bought for price starting at 100,000 EUR.

## Land

The greatest decrease of price has experienced land market in the last quarter of the year. There is interest for relatively cheap land plots till 30,000 EUR or exclusive land plots located near waters like river Daugava or Lake Baltezers with total area till 5,000 sqm.

Asking prices for land plots vary from 50 to 70 EUR/sqm, however actual transaction prices are less than half of asking price and are from 20 to 25 EUR/sqm.

The most important factors are good accessibility, good location and communications.

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.

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