

Riga Retail Update

Mall Space Passes Half Million sqm Mark, 300,000 More to Come

Economy

Latvia's economy is strong with 8.5% GDP growth in 2004 and an all time high of 11.6% in 2Q 2005. Inflation (CPI) grew 6.2% in 2004 and is predicted to reach 6.0% in 2005. Interest rates are at an all time low and the unemployment rate is predicted to settle at around 9% by year end.

Supply

Total rental space in retail centres reached 592,000sqm in Autumn 2005. The main developments in 2005 are in auto, multifunctional and the hardware & building supplies sectors. New projects include:

ALFA phase IV – Started in June 2001, ALFA Retail Park was the first of its kind in Riga. In recent years ALFA has expanded substantially with the last enlargement phase opening to customers in Autumn 2004, extending the size of ALFA from 39,000sqm to 51,700sqm with a four-storey parking building. The next expansion phase will see the opening of a large-scale DIY centre covering a further 20,000sqm.

Galeria Centrs phase II – An additional 10,000sqm for Galeria Centrs shopping centre will be finished in Spring 2006 with a planned investment of 30 million EUR. It will substantially extend the total area to 30,000sqm including an incorporated glass-covered passage.

SPICE phase III – Spice is located on the airport route Ulmana Avenue and will complete phase III in Autumn 2005, increasing space to 50,000sqm.

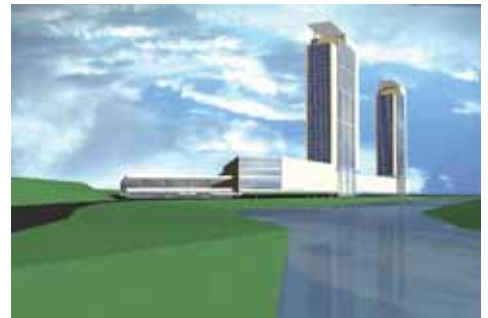
K-rauta Centre – In 2005 Finnish developer AS Rautakesko finished two large hardware & builders' shopping centres on Ulmana gatve (17,780sqm) and Lucavsala (21,606sqm).

Over the coming years several more retail centres, covering a total area of 305,000sqm, plan to enter the market:

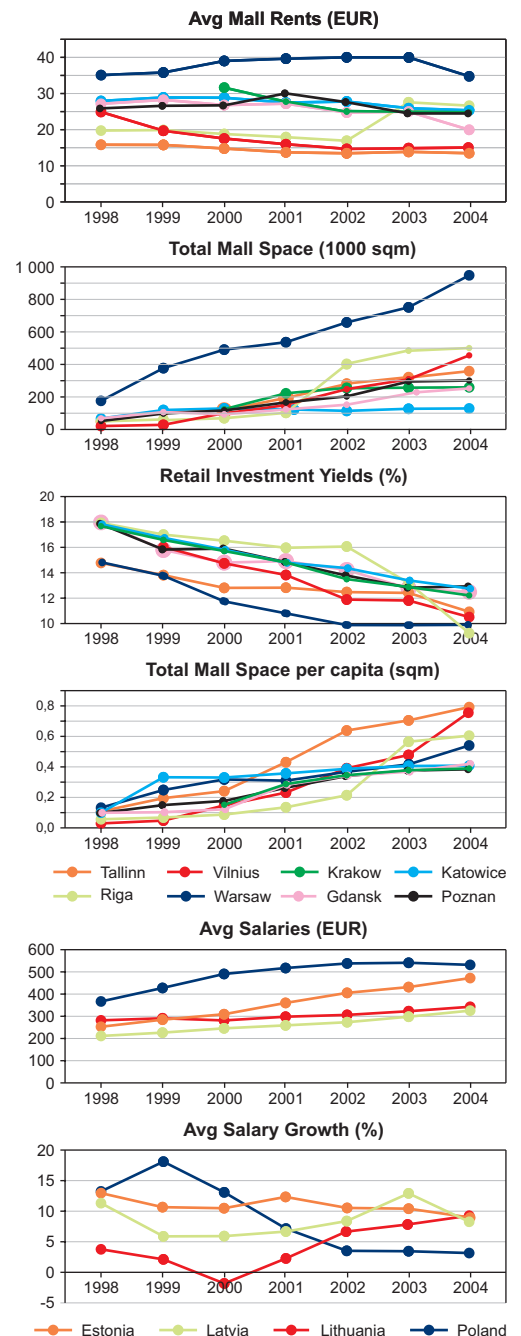
Aplis – Latlada has started construction on a 25,000sqm shopping centre in the Plavnieki suburb of Riga. The project will be finished in Autumn 2006.

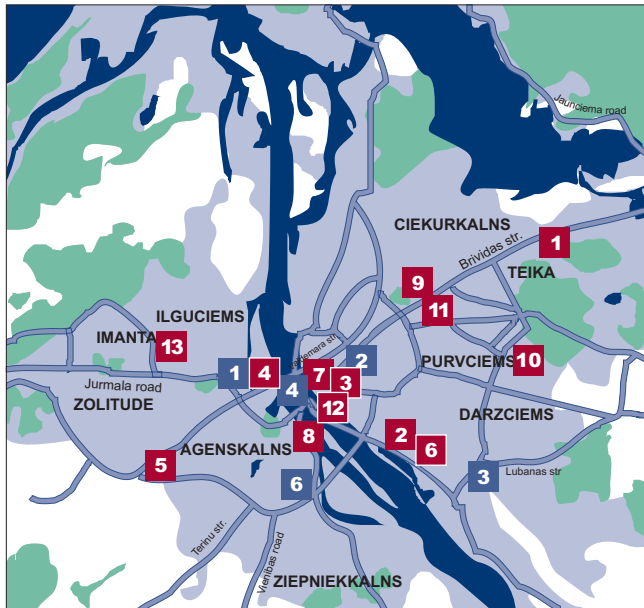
Riga Plaza – Latvian developer Domuss, in a joint venture with Plaza Centers Europe, is building the Riga Plaza Shopping and Entertainment Centre, a 41,000sqm complex with 31,000 sqm of gross leasable area and parking provision for 1,500 cars. The facility will contain over 150 stores, a supermarket, a cinema complex, and a family entertainment area. The centre is located beside Riga's busy Salu Bridge on the left bank of the Daugava River, approximately 3km from the city centre.

Akropole – Lithuanian developer Vilniaus Prekybas Group is to build one of the largest retail and entertainment centres in the Baltics. Akropole will house the largest variety of shops in the region and the most entertainment options in the one location.



Akropole – developed by VP group, Akropole will be the largest retail centre in Latvia at its opening in 2-3 years.





The site is located 2km north east of the centre of Riga and will account for more than 110,000sqm of gross retail space after completion of the first phase, including a "Hyper-Maxima" hypermarket. Total investment is expected to reach 135 million EUR.

Patollo Gallery – Norwegian developer Balder Invest is building Patollo Gallery, a 7-floor 40,000sqm shopping centre with 230 stores. The centre is a downtown scheme located in the heart of the city with 240 car parking spots.

Demand

The Riga retail market is very active in 2005 with rising demand in the commercial space purchasing segment, led by even lower interest rates and increasing purchasing power despite rising property prices.

Rents

Rents are generally stable. In the city centre rents are normally 3050 EUR/sqm. In the Old Town retail space goes for around 2050 EUR/sqm. In shopping centres rents start from 15 EUR/sqm for large units and up to 40 EUR/sqm for smaller units. Anchor tenants such as supermarkets typically pay 811 EUR/sqm. In the suburbs rents are 720 EUR/sqm for premises up to 100sqm.

Average yields in the segment are buyer driven and correspond to 9.12% in suburbs and 8.59.5% for close to centre locations. Prime downtown retail spots are the most expensive, with some local investors even offering as low as 6% yields in anticipation of great capital value increases. In some cases if the buyer is an end user, yields can reach 56% for smaller shops.

Retail sqm existing in Riga

Property name	sqm
1 Alfa	60 000
2 Mols I and II	32 000
3 Central Railway "Origo"	21 000
4 Olympia	22 000
5 SPICE Kesko-Lielirbes	18 800
6 Krasta Centrs	24 000
7 Centrs	10 200
8 Celtniecibas pasaule	65 000
9 Elkor centrs (Brivibas 201)	12 000
10 Mebelu nams	13 000
11 DOMINA (VEF)	67 000
12 Stockmann	14 000
13 Vilnius Prekybo Maxima (Imanta)	11 000
14 K-Rauta Maskavas str *	10 000
Others	142 160
TOTAL	536 000

* Outside of map area

Retail sqm planned in Riga

Property name	sqm
1 VP Akropole	90 000
2 Galeria Patollo	40 000
3 Aprils	25 000
4 Centrs (Phase II)	10 000
5 Spice II *	21 700
6 Riga Plaza	41 000
TOTAL	228 000

* Outside of map area

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