

Riga Office Update

Economy Soaring, but not Class A Demand

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 A class office space in Riga has now reached 33,600sqm, while B class office space accounts for 178,000sqm. In 2005 almost 39,000sqm of modern B class office space will be brought to the market. A further 55,000sqm of B class space is in the pipeline. The best examples of modern office buildings include Hansabank Central Building, Valdo Tower and Seesam building.

Barona Square – a new B class office centre located in the CBD on Brivibas Street. The huge 23,000sqm office space will be finished in 2007.

GMP Office Centre – a new B+ class office centre located near the Daugava River and Krasta Street. The 6,000sqm office space is due to open in summer 2006 and is up for sale at 1,600 EUR/sqm. This is the first time that new offices have been offered for sale in Riga.

Duntes Str. Office Centre – a new B class office centre located near the CBD close to Duntes Street. The 7,500sqm office space is due for completion in early 2007 and is also up for sale with a price tag of 1,600 2,500 EUR/sqm.

Astras Str. Office Centre – a new B class office centre located in the Purvciems suburb near Astras Street. The 6,700sqm office space is up for lease and will come online late 2006.

RBS Skals Office Centre – a new B class office centre located near the Daugava River in the high-rise area of Kipsala. The 9,000sqm office space will be finished in autumn 2007.

Brivibas Street 171 Office Centre – a new B class six-floor office centre located near the CBD on Brivibas Street. The 2,586sqm office space is to be completed in August 2006 and will be available for rent starting from 15 EUR/sqm.

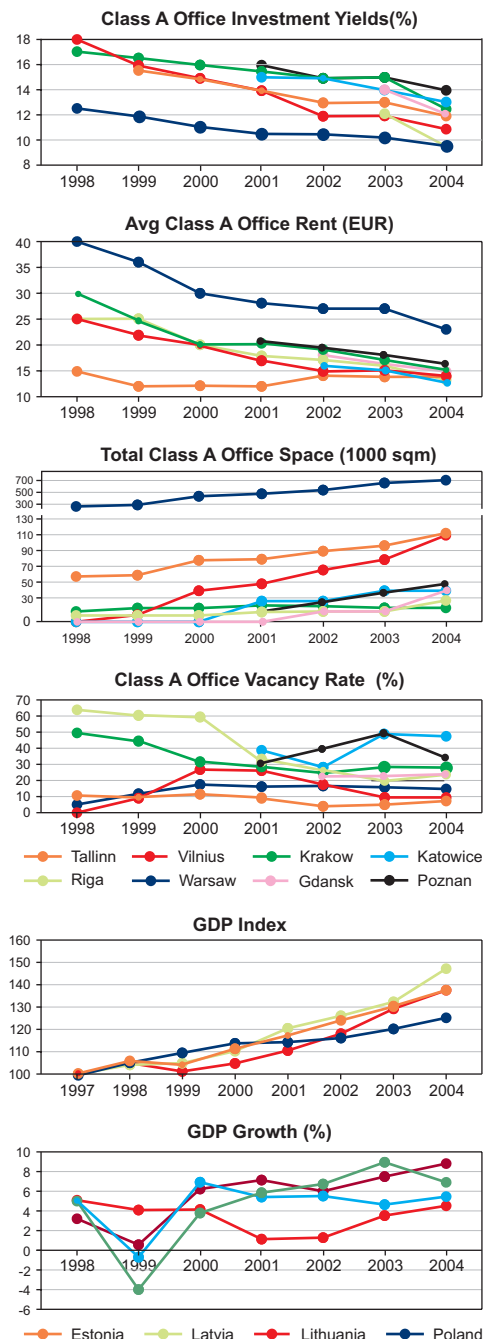
One of the best buildings offering space is **Hansabank Central Building** – a beautiful new landmark building constructed in 2004 on the Daugava River overlooking Riga's Old Town. The tower was developed by regional bank Hansabanka mostly for its own use with a total area of 18,500sqm of which 2,800sqm is offered for rent at 20-23 EUR/sqm including service charges + VAT + utilities. A class office vacancy in Riga currently stands at around 19%, with B class vacancy at 10-15%.

Demand

The Riga office market is very active. However, there is still a scarce supply of qualitative and modern office premises, easily accessible by transportation means,



Gertrudes Centre – mix of retail, office and residential space – an example of current trend in Latvian real estate development





with free parking possibilities. Major demand for B class office premises remains. Rentals and the office sales segment continue to be active. Companies are increasingly demanding high-quality premises which are well equipped with all the necessary communications and safety systems, in easily accessible locations with solid infrastructure. Renovation of offices is a secondary requirement. The majority of companies require premises to be prepared until the decoration stage, where they can then, in co-operation with the building's owner, choose colours and materials for the interior design. Rent for such office space can reach up to 15 EUR/sqm.

Rent

Property rents in Riga for B class premises have increased and can reach 15 EUR/sqm (up from a high of 11 EUR/sqm in 2004) for qualitative, modern, and easily accessible locations. A class rents remain stable, despite increasing demand, with average rents being in the range of 16-20/sqm in 2005, and rents for B class office ranging between 7-15 EUR/sqm, with C class touching 6 EUR/sqm or lower. Service charges range from 1-2 EUR/sqm for B class space up to 6 EUR/sqm for A class space. Average expected yields are in the range of 8-9%, meeting very limited offers.

Office sqm existing in Riga

Property name	sqm
1 Valdemara Centre	7 300
2 Mid Baltic Office Building	3 000
3 Saules akmens *	18 500
4 Valdo Office Centre *	12 600
5 Jekaba kazarmas	7 500
6 Kronvalda bulv.	7 000
7 RD Centre (Maskavas Str.) *	5 000
8 Jeruzalemes	4 000
9 Dominante	4 000
10 Unibanka offices (Doma sq)	4 000
11 Felix Holding Business Centre A part	4 500
12 Remarks offices (Zemitanu Str.) *	5 000
13 Unibanka HQ in Ramava *	9 500
14 Ulmana gatve office centre *	4 000
15 Nord LB bank office (Smilsu Str)	4 000
16 Parex bank offices (Smilsu Str)	3 000
17 Rietumu banka offices (Brivibas Str)	4 000
18 Krajbanka offices (Jekaba and Palasta Str)	5 000
19 World Trade Centre	6 000
20 Mukusala Business Centre *	22 000
21 Maskavas Str. (near Dole) *	3 000
Others	19 000
TOTAL	162 000

Office sqm planned in Riga

Property name	sqm
22 VEF offices (Brivibas Str.) *	4 000
23 Gertrudes nami	5 000
24 Skanstes str phase I&II, by Merks * outside	16 000
25 Hourglass offices *	3 000
TOTAL	28 000

* Outside of map area

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