

MARKET COMMENTARY

In Q3 2009, residential real estate prices at least stopped their relentless fall. In Q3 prices were stable for three months, after falling 8.8% in Q2, and plummeting 29.3% in Q1.

The average price by the end of Q1 was 763 EUR/sqm, in Q2 was 478 EUR/sqm, then fell to 460 EUR/sqm in July and stayed there through the whole Q3. This could be the break point where owners are not ready to sell their property cheaper.

In the suburbs of Riga, in Q2 2009 the price for flats was 37% lower than in Q1 and 47% lower than by the end of 2008.

In last month supply declined. New properties for sale tend to be only the properties where owner are forced to sell property fast because they cannot pay their loans. Owners who are not forced to sell choose not to sell today, and that's why it's hard for buyer to find property which suits all needs and have relatively low price.

Speculators – both foreign and local – look through a large amount of offers, but because of the continuously declining economy and lack of bank loans they don't make any decisions.

All things considered above there is also no reason for price increase. Transaction level in 3Q was approximately the same as in 2Q – 400 transactions per month in Riga.

City centre flats

Prices remained flat in the city centre in Q3. Prices in the old city and city centre apartments start from 1500 EUR/sqm. Towards the periphery of the centre (after roughly 1km from the Brivibas monument) the sales price starts from 800 EUR/sqm.

The most active segment is new or renovated 2-3 room flats (50-70 sqm) in the centre. Supply in this segment is very small.

Whereas in Q1 and Q2 sellers were ready to give discounts, now they feel the bottom has been reached and are less willing to decrease further.

There is still interest from Post Soviet countries buyers, but they are ready to pay relatively low price and that's why transactions are not so many as could be.

Suburb flats

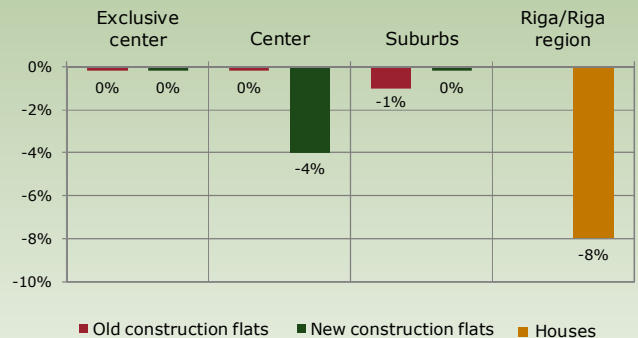
In suburbs of Riga prices were stable in the Q3 at 460 EUR/sqm. The biggest demand in Riga suburbs is in Teika, where prices are 600 EUR/sqm. Next most demanded are Agenskalns, Purvciems, and Ziepniekkalns. The supply level in most popular series Soviet-era flats (103 and 104) is very low, but demand is still in the market, actually pushing the prices of these flats up slightly.

In September was strong demand for flats in Imanta where prices are lower than in Ziepniekkalns and Zolitude.

The cheapest flats still are in Bolderāja (350 EUR/sqm) and Vecmilgrāvis (402 EUR/sqm).

Some owners who can't sell their properties are looking for exchange option. But it is very difficult to find solution between all involved parties.

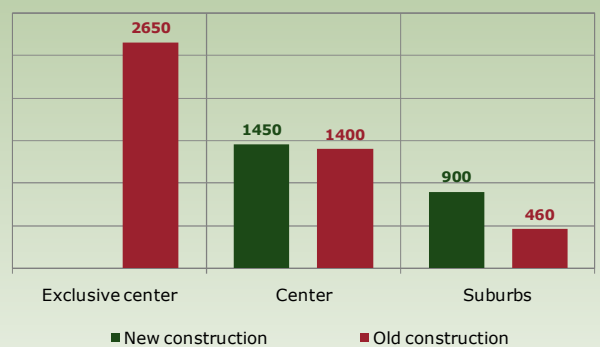
Average residential price changes in Riga per quarter



Source: Ober-Haus

Data: Q3 2009

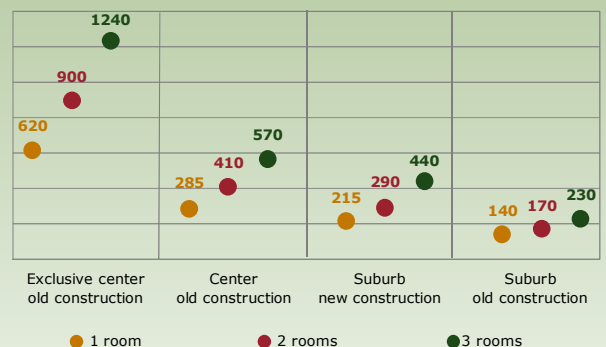
Average flat prices in Riga at the end of Q2 (EUR/sqm)



Source: Ober-Haus

Data: Q3 2009

Average flat rents in Riga (EUR/month)



Source: Ober-Haus

Data: Q3 2009

New project flats

Also in this segment we can see the stabilization of prices. In centre you can buy apartment for 1100-1800 EUR/sqm, in suburbs 800-1100 EUR/sqm. There is demand in this segment and deals happened.

Frequently people who were searching for flat in suburbs choose centre because of good location and good price. The biggest demand is for fully finished flats in buildings where most flats have already sold. Mostly deals are financed from private reserves without bank loans. Some developers offer rent with redemption rights after 2-5 years.

Flat rent

In Q3 rents were unchanged for suburban and exclusive flats. Other city centre flats saw a moderate 3% decrease in rent.

As always, the greatest demand is for 2 or 3 rooms apartments with total space from 50-80 sqm and rent from 200-285 EUR. The most popular areas are city centre, Āgenskalns, and Andrejsalā.

Rents for new flats in the centre are 300 EUR for a 1 room flat, 350-500 EUR for 2 rooms, and 570 EUR for 3 rooms.

Exclusive furnished apartments in Riga centre are rented for 570 EUR for a 1 room flat, 850 EUR for 2 rooms, and 1,000 EUR for 3 rooms.

Rents in older suburban flats are 85-175 EUR for 1 room flat, 110-220 EUR for 2 rooms, and 140-300 EUR for 3 rooms.

Rents in new suburban developments are 170-260 EUR for 1 room flat, 230-360 EUR for 2 rooms, and 260-600 EUR for 3 rooms.

Private houses

The biggest demand is in Upesciems, Babīte, Mārupe, Ādaži where prices are not more than 200,000 EUR and total space up to 250 sqm. Twin houses with total space 150-170 sqm around the Riga could be bought for 130,000 EUR.

Rents are low. Considering that house segment is very slow these times many owners who wanted to sell choose now to rent instead, so rents for houses start from 700 EUR.

Land

Clients are not interested of buying big land plots. The biggest demand is in Mārupe for small land plots (not more than 2000 sqm), but with communications. The market value of such land plots are from 20-25 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.

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