

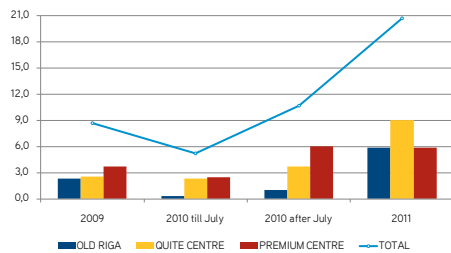
LATVIA, RIGA

RESEARCH & FORECAST REPORT



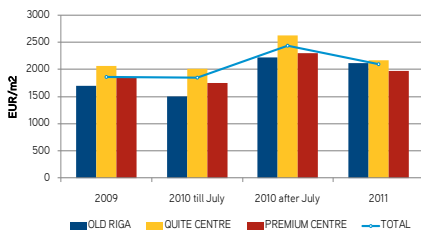
MARKET INDICATORS

AVERAGE MONTHLY NUMBER OF DEALS IN RIGA UPSCALE RESIDENTIAL MARKET



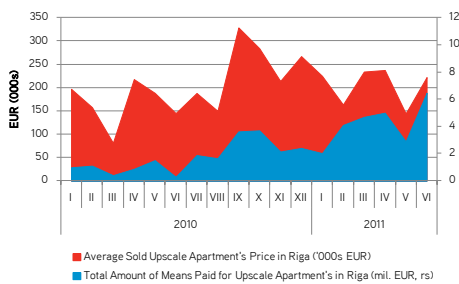
Source: State Land Book

AVERAGE PRICE PER SQM IN RIGA*



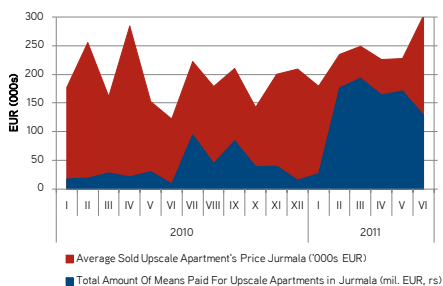
Source: State Land Book

AVERAGE APARTMENT PRICE RIGA*



Source: State Land Book

AVERAGE APARTMENT PRICE JURMALA*



Source: State Land Book

* - sold apartments

1HY 2011: Demand for Upscale Residential Market Driven by New Law

OVERVIEW

As of July 1, 2010, new rules provide additional opportunities for foreigners to obtain a temporary residence permit in Latvia without the need to reside in the country for a specific period. Under newly adopted provisions, one way for a foreigner to obtain a temporary residence permit is by acquiring real estate worth EUR 142, 300 in Riga or the larger Latvian cities or EUR 71, 200 in other areas in Latvia. The new rules have spurred demand for apartments in Riga centre and Jurmala, the resort town on the shores of the Gulf of Riga, mainly from Russia and other countries in the Confederation of Independent States.

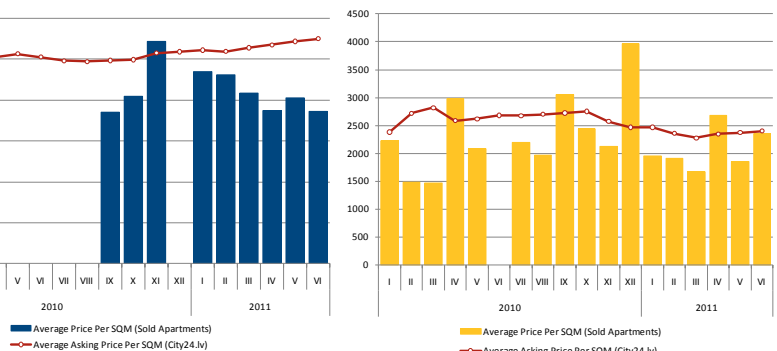
FOREIGN INVESTORS

As at September 1st, 2011, 1118 individuals had received residence permits, 40 per cent or 480 of these through real estate investment. Foreign buyers are mainly interested in luxury, renovated or new build apartments with developed infrastructure, located in Jurmala close to the Gulf of Riga or in Riga centre and prestigious areas such as the Quiet Centre, Riga Premium Centre and Old Riga. They demand apartments with full interior decoration, 3-4 rooms with a total area of 80 - 120 m2 and parking space. However, as a number of such apartments were already acquired in 2HY2010 and supply is limited, there is a shortage of qualitative products on the market. This has spurred activity in development of luxury residential projects, mainly in Jurmala, and it is expected that several residential projects will be commissioned there in 2012.

DEMAND AND PRICES IN RIGA

According to the State Land Book (SLB), during 2HY2010-1HY2011 growing trends appeared in total prices paid for apartments, average apartment price and price per square metre. The number of registered transactions for upscale apartments during 1HY2011 reached a figure of 126, a 31 per cent increase in comparison with 96 in 2010. All these factors indicate that the upscale residential market is experiencing continuous growth. One of the influencing factors is banks taking over properties from distressed owners. Another factor is foreign demand, as foreign investors are acquiring expensive apartments, improving publicised statistical data and putting upward pressure on prices.

AVERAGE PRICES PER SQM IN OLD RIGA AND QUITE CENTRE (EUR/SQM)



Since 1HY2010 average recorded SLB prices of sold apartments per m² in Riga moved up by 40 percentage points in Old Riga, reaching a level of 2100 EUR/m², by 25 percentage points in the Quiet Centre, reaching a level of 2160 EUR/m², and by 30 percentage points in the premium centre, reaching a level of 1900 EUR/m². This growth is partly explained by the fact that more expensive projects were acquired during the period. It is worth noting that asking prices announced in internet-based resources are higher than prices recorded in SLB by 30 percentage points on average for Old Riga and by 15 percentage points on average for the Quiet Centre.

DEMAND AND PRICES IN JURMALA

Jurmala is a leading Real Estate market in Latvia. The number of deals recorded in SLB in the prestigious central part on the coast doubled to 54 during 1HY2011 in comparison with 2010. The number of acquisitions of apartments worth more than 4000 EUR/m² increased to 14 in 1HY2011 from 2 in 2010. Average price per m² moved up from 2150 EUR/m² in 2010 to 2600 EUR/m² in 1HY2011. The average monthly amount spent on apartments has tripled to 5.4 million EUR since 2010. This considerable increase is driven mostly by foreign investors acquiring luxury apartments to obtain a residence permit.

SUPPLY IN RIGA

The number of luxury apartments ready for sale is a very small proportion of total apartment supply. After changes in legislation in July 2010 and the consequent inflow of foreign investors, the number of upscale apartments ready for sale dropped virtually to zero. The construction completion pipeline for 2011-2012 is improving with a small number of upmarket projects under construction at the moment. In Riga only one building was completed during 1HY2011 – the 3rd phase building of the “Skanstes Virsošnes” project comprising 116 apartments.

SUPPLY IN JURMALA

Supply of upmarket apartments is quite short in Jurmala amounting to less than 100 apartments offered for sale. Several projects are at the planning stage or under construction in Jurmala, where foreign investors are interested in acquiring properties.

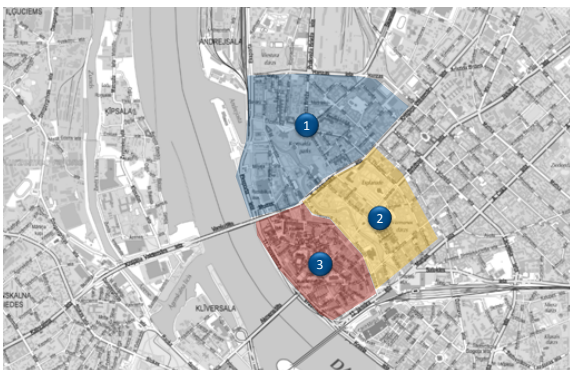
TRENDS AND FORECASTS

- › The upscale residential market has grown due to purchase of luxury apartments by foreign investors.
- › According to SLB, a total of 50 million euro was spent on upscale apartments in Jurmala since July 2010 and 37 million euro since Dec 2010. As for Riga, 40 million euro was spent during the last 12 months and 25 million euro since the beginning of 2010.
- › Total investment in the residential market is expected to grow, resulting in development of new projects.

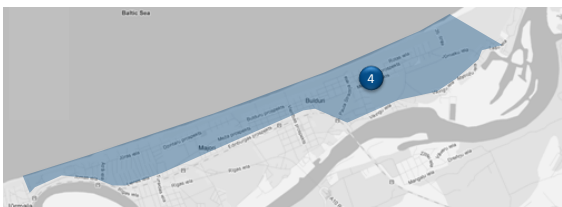
DEFINITIONS

- › **Average Price Per SQM**- Ratio of total means paid per total sqm sold during the period.

RIGA MAP



JURMALA MAP



Notations

- 1 Quiet Centre
(Region between Eksporta, Hanzas and Krisjana Valdemara streets)
- 2 Premium Centre
(Region between Raina avenue, Krisjana Valdemara, Dzirnava and Marijas streets)
- 3 Old Riga
(Region between 11th November, Krisjana Valdemara streets, Basteja avenue and 13th January street)
- 4 Jurmala Upscale (Central region along the coast of Gulf of Riga)

512 offices in 61 countries on 6 continents

› Revenues:	€1.14 Billion
› Professionals & Staff:	12,509
› Brokers:	4,387
› Square Meters Managed:	90.9 Million
› Lease/Sale Transactions:	73,972
› Total Transaction Value:	€44.5 Billion

COLLIERS INTERNATIONAL ADVISORS LATVIA

J. Alunana St. 2, Riga
TEL +371 6 778 3333
FAX +371 6 778 3334

CONTACT US:

MARIJA KAPELKA
Partner
Director, Research & Advisory Department
MOB +371 2632 1615
Marija.Kapelka@colliers.com

INGA VOITIKA
Corporate Client Consultant
Corporate Solutions Department
MOB +371 29976277
Inga.Voitika@colliers.com

The information contained in this research report is for general information purposes only. The information is provided by Colliers International and while we endeavour to keep the information up to date and correct, we make no representations or warranties of any kind, express or implied, about the completeness, accuracy, reliability, suitability or availability with respect to the information, products, services, or related graphics contained in this brochure for any purpose. Any reliance you place on such information is therefore strictly at your own risk. In no event will we be liable for any loss or damage including without limitation, indirect or consequential loss or damage, or any loss or damage whatsoever arising from loss of data or profits arising out of, or in connection with, the use of this brochure.



Accelerating success.