

LATVIA, RIGA

RESEARCH & FORECAST REPORT



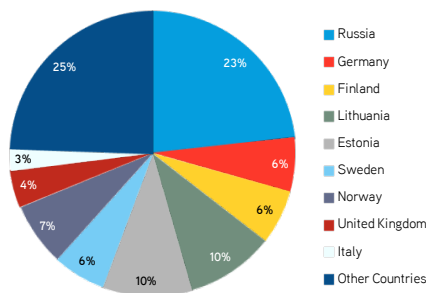
MARKET INDICATORS

ROOM RATES PER NIGHT

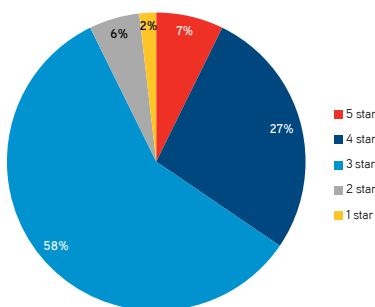
for a standard double room

number of stars	room rates, EUR		
	minimum	maximum	average
5 stars	100	250	170
4 stars	50	170	110
3 stars	25	150	88

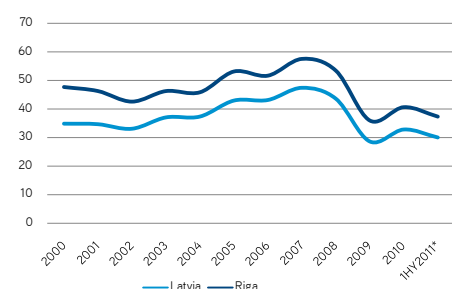
DISTRIBUTION OF VISITORS BY COUNTRY



DISTRIBUTION OF HOTELS BY STARS



DYNAMICS OF AVERAGE ROOM OCCUPANCY RATE



1HY 2011: Hotel Market Indicators are Improving

TOURISM MARKET IN LATVIA

Latvian tourism recovered faster than expected from the impact of the global financial crisis, pushed by improved confidence and economic conditions across the world. Following the exceptional 14 per cent decrease in 2009, which was the worst downturn for decades, international tourist arrivals increased by 7 per cent in 2010 and the positive trend continued in the first half of 2011 as the overall number of visitors for this period grew by 10 per cent compared to 1HY2010. The increase was boosted by a number of international events such as the 2011 FIBA U19 World Championship for Men, International Baltic Ballet Festival and Europe Day Events. Riga is gaining popularity as a port destination for large ferries and cruise liners.

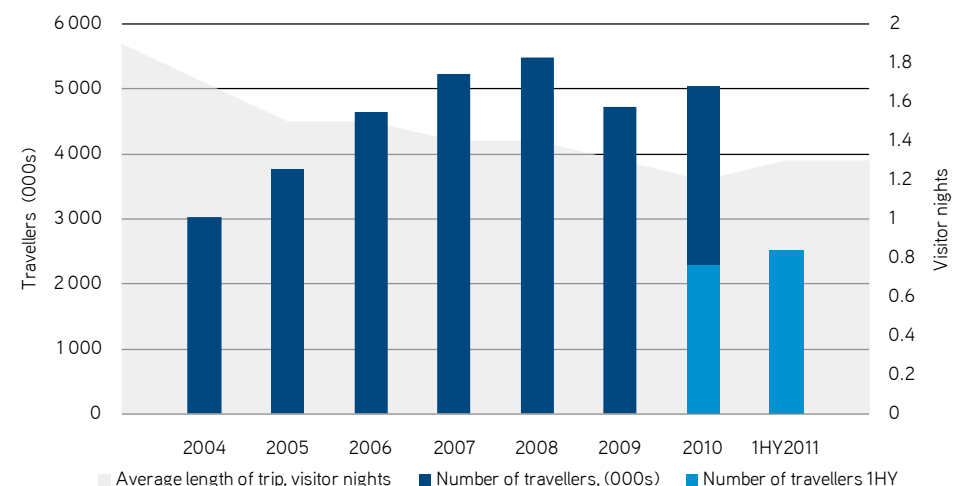
SUPPLY

Hotel supply in Latvia remained unchanged in 1HY 2011. There are 110 officially rated and certified hotels, while the total number of beds is 13,268. However, changes have occurred in distribution of stars, with the number of four-star hotels in Riga going up from 16 to 21 while the number of three - star hotels decreased from 33 to 29 due to hotels aiming to attract tourists with a higher star.

The Karavella Hotel re-opened in summer 2011 after renovation with fewer (76) rooms but bigger and improved conference and SPA facilities.

International hotel chain Wyndham Hotels Group has signed an operational agreement with the owners of three - star hotel Europa City Riga, so that the hotel's name was changed to Days Hotel Riga VEF.

INBOUND VISITORS TO LATVIA INC. TRANSIT



In terms of new supply, the Sheraton Hotel with 312 rooms in the Z Towers project is under construction and planned to commission in 2014. The Marriott Hotel in Old Town with 199 rooms is at the planning stage.

Several hotel projects in Riga are at the feasibility stage, researching possibilities for development, but without definite project implementation plans.

ROOM RATES

Room rates experience usual seasonality fluctuations, being higher during summer and lower during the winter season. The average rate for a standard double room in upscale hotels increased by 10 per cent compared to 1HY2010.

A large influence on room pricing is the very popular New Wave international contest for young pop singers in Jurmala that takes place every July. Due to large demand and tourist flow during this period, room rates go up as high as 1,800 EUR a night for a standard double room in Riga's five-star hotels.

OCCUPANCY

The total number of visitors in hotels and other accommodation establishments in 1Q2011 increased by 28% compared to 1Q2010, reaching 247 000 people.

The Room Occupancy Rate graph shows that a strong occupancy rate depends on the season, going up in the summer. The occupancy rate increased by 13 per cent in Riga (15 per cent in Latvia) compared to 1Q2010 reaching a level of 33 per cent (27 per cent), showing a positive trend and reflecting incoming tourist numbers.

Apart from Room rates and Occupancy rates, the Rev Par* also increased in 1Q2011 by 24 per cent on average.

INVESTMENTS

The Hotel Investment market was quite active as several investors were looking at hotel acquisition possibilities in Riga and a number of hotels were offered for sale. Hotel de Rome was bought by the Baltic Investment Group company in 1HY 2011 and previous operators Kolonna were dismissed by the new owners.

TRENDS AND FORECAST

› Riga remains one of the least expensive capitals for travellers in Europe. Thus potential exists for growth in room rates and occupancy.

› Riga International Airport and Air Baltic are helping considerably to attract tourists to the country, making Riga a major connection hub in the region. The number of passengers reached 2 384 909 in 1HY 2011, or 14 percent higher compared to the same period last year. The disadvantage is that most passengers are transit, thus not staying in Riga hotels. Expansion of Riga International Airport is expected to have further positive effects on Riga's hospitality industry.

› No new hotel projects are expected to come to the market in 2011. A major addition to hotel stock is anticipated in 2014 and 2015 when the Sheraton and Marriott hotels are commissioned.

DEFINITIONS

- › **Room Rate** - The rate charged daily for a hotel room
- › **ADR** - Average Daily Rate
- › **RevPar** - Revenue Per Available Room
- › **Room Occupancy** - Ratio of rooms booked to total number of rooms
- › **Vacancy** - Ratio of rooms available to total number of rooms

512 offices in 61 countries on 6 continents

› Revenues:	€1,142.5 mil.
› Professionals & Staff:	12,509
› Brokers:	4,387
› Square Meters Managed:	90,9 mil.
› Lease/Sale Transactions:	73,972
› Total Transaction Value:	€44.5 bn

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