

# MARKET COMMENTARY

## Economy

GDP decreased for 17,5 % during 2009. Similar tendency will continue in 2010, with GDP decline of - 2,5% and only in 2011 it might be positive, at 2-4%.

The economic crisis has slowed down inflation to 3.6% in end of 2009. It is projected to be deflation of 3.8% during 2010.

Retail turnover has dropped 28%, average gross salary decreased 3.9% and unemployment increased to 17.1% in 2009.

According to information from Latvian Central Statistical Bureau, comparing to year 2008 construction volumes has decreased by 35.3%. Construction of buildings has dropped by 55.2%, construction of engineering buildings by 27.%.

## Office

Rents for A class offices in Riga ranged from EUR 7 - 12 per sqm by the end of Q1 2010. Rents for B class offices stay close by the end of Q4 2009 and are EUR 5 - 8 per sqm, depending on location, office space and level of decorations. Rents for C class offices vary from EUR 3 to 4 per sqm.

Typical service charges in A class buildings are EUR 1 - 2 per sqm per month. The charge for B class management services is mostly EUR 0.7 - 1.5 per sqm while in C class offices it varies from EUR 0.5 to 1 per sqm.

Comparing with the previous quarter activities have increased in the office rental market. Most active are major companies taking opportunity to switch their office to new, finished according to tenants' needs, with good location and available on attractive lease conditions. International companies have intensified interest about office premises considering possibility of opening their first office in Latvia.

## Retail

According to information from Latvian Central Statistical Bureau, retail turnover has increased in January comparing with December by 4%, but decreased in February comparing with January by 0.9%.

Rents are from EUR 7 to 50 per sqm in trade centers and EUR 4 to 35 per sqm on retail streets. (For more detailed information see second table).

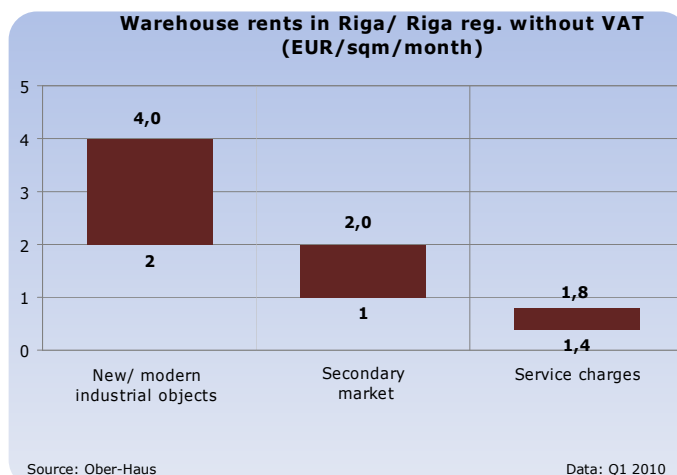
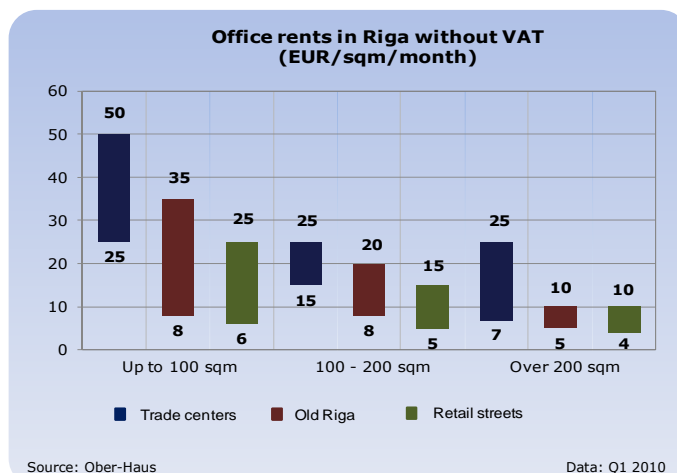
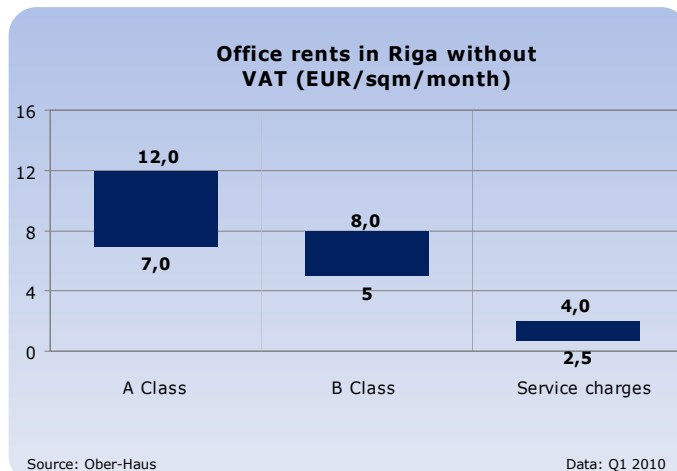
On the high streets in Riga city centre the vacancy rate is 20-25%.

Rents and vacancy rates in suburbs greatly depends on location. There are successful local suburban retail units and almost empty units in disadvantageous locations as well.

Retail market being restructuring increases activity. More expensive brands have been switched with less expensive, restaurants - with bakeries, fast food restaurants etc. Many slot

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@obe-haus.lv



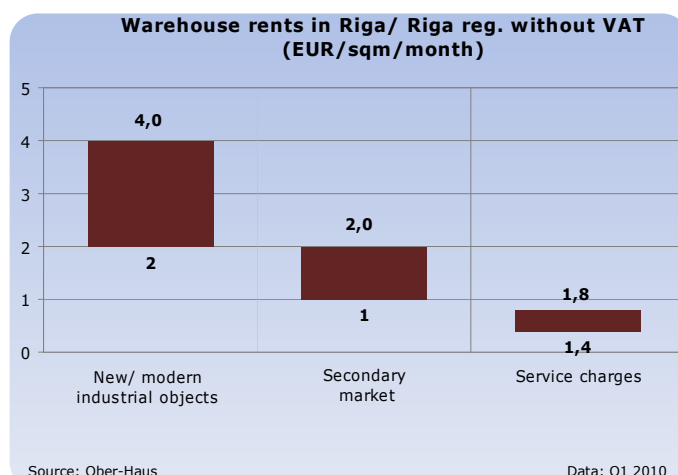
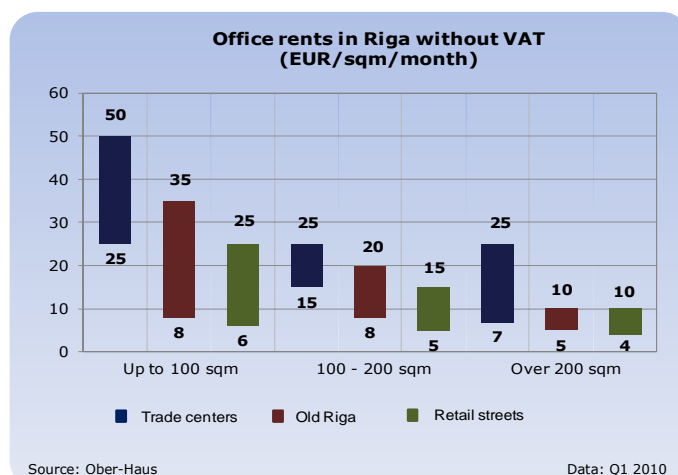
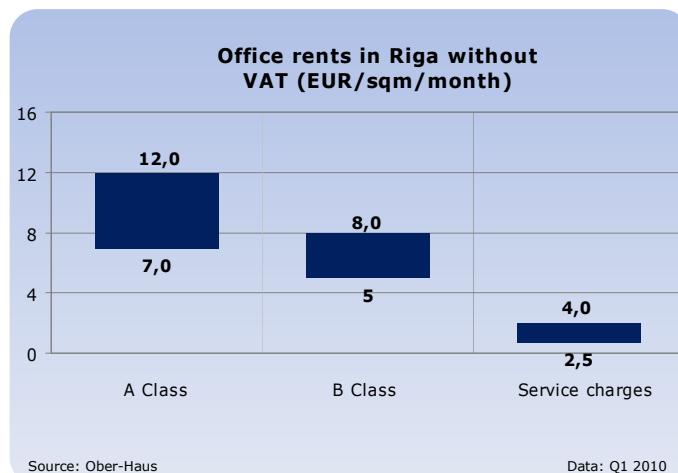
# MARKET COMMENTARY

halls and casino premises are closing. At Q1 mostly interest was for small grocery and service provision premises, also café premises with possibility of opening summer terrace.

## Warehouse and Industrial

In Riga and surrounding Riga County, rents for new and modern warehouse and production spaces range from EUR 2 to 4 per sqm. In older spaces rents are EUR 1 – 2 per sqm depending of location and condition.

At Q1 increased take up of industrial parks in city territory by tenants switching their premises from Riga district. There has been increased interest in purchase of comparatively small warehouse premises.



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@obe-haus.lv