

MARKET COMMENTARY

In Q1 2010, residential real estate prices in suburbs of Riga increased 6% compared to the Q4 2009 when was reached the lowest recorded price.

During January, prices increased by 5% against December 2009, February and March also experienced price increase by 1.6% and 1.5 respectively.

The price increases are not significant however it shows a positive sign of recovery and stabilization in the residential market.

Property owners also have a positive view toward the price stabilization during 2010 therefore they are now less flexible to drop their price or accept large discount offers.

Total supply of apartment is not decreasing however there are fewer quality apartments available. Most customers now wish to purchase renovated apartments including tidy and renewed stairs, they also take into consideration the property location and surrounding infrastructure. Clients are also willing to pay higher than the average price for such requirements.

Current property acquisition shows that the Russia and other CIS countries are still the main buyers. In 2009, buyers were interested mainly in city centre apartments however during the Q1 this year we have noticed an increase for smaller high-quality apartments in the surrounding neighbourhoods.

In March, the trend to purchase a property using bank financing intensified. Several bank initiated active advertising campaign in order to stimulate interest, pointing to the willingness to lend. Given the current low property prices, buyers have the benefit of buying a new home at a bargain.

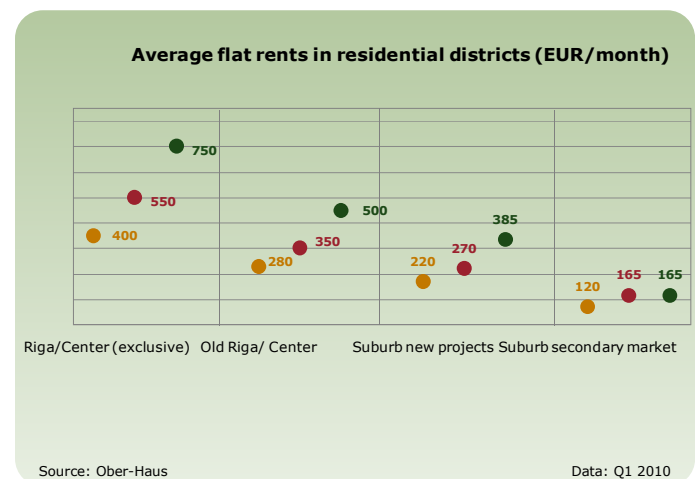
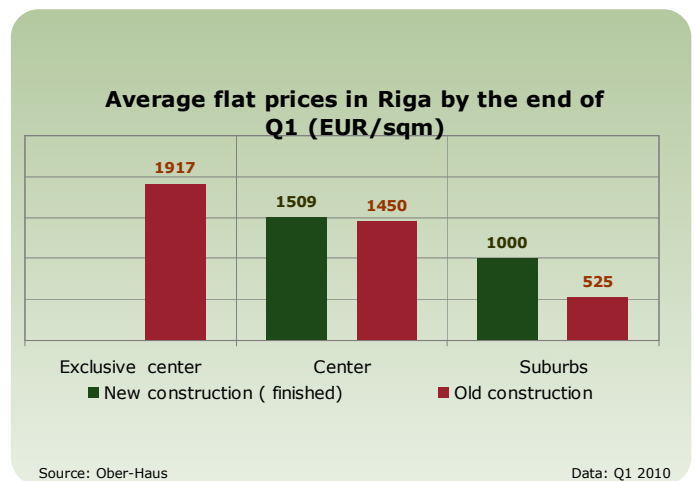
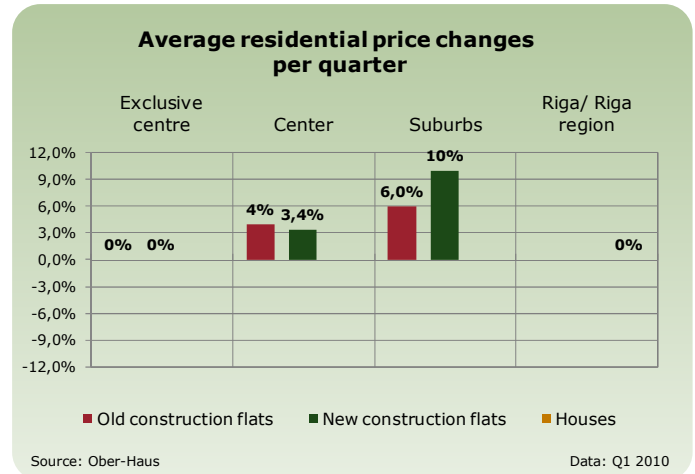
Unlike previous years, when loans were taken for 20 or more years, now buyers choose a short-term 5-10 year loan period.

City Centre flats

Apartment prices in the periphery of the city center start from 800 EUR per sq. m., renovated apartments in the Quiet center and Old Town from 1500 EUR per sqm.

During Q1, city center periphery apartment price range remained the same as in Q4 2009, prices 800 – 1200 EUR per sqm, renovated apartment prices in the Quiet center were between 1500 and 2500 EUR per sqm. and exclusive apartment prices reach as high as 3000 EUR per sqm.

We noticed high interest in the more expensive properties at 2000 - 2700 EUR per m² however there are less availability at this level of quality. Offers have decreased in the city centre and quieter parts plus less availability. Therefore, buyers often choose properties within the periphery of the city which are located in less prestigious district however they prefer renovated apartments.



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Still, majority of the enquiries for residential properties are the Russians clients.

New Project flats

In Q1, new project apartments prices were stable. Apartments in the heart of the city can be purchased from 1200 - 2000 EUR per sq.m, residential districts will be available at 800 - 1200 EUR per sq. m.

Recent buyers are mainly interested in fully decorated apartments however most of these apartments have now been sold. Clients are now less willing to spend extra cash, resources and time for housing renovations.

The new-build housing segment is severely limited. According to our data, the market is currently about 3,465 new apartments with limited numbers expected within the next two years.

In March, several developers became active in offering their developments for sale with 'Open Days' and 'Hot Prices' and in some projects, the best houses have experienced a price increase by 2 - 4%. Developers are also offering the option to redeem the rental price against the purchase price within 2- 5 years apartments with the option to buy between 2-5 years.

Suburb flats

During Q1 this, apartment prices in the suburban neighbourhoods continued to grow slightly. In January, the average non-renovated apartment price was at 520 EUR per sqm, by March this amount increased 3% to 535 EUR per sqm.

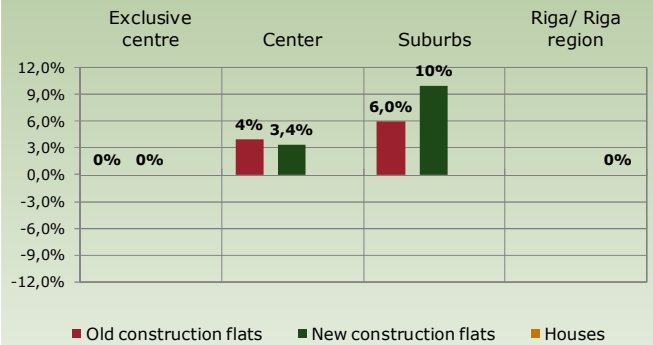
At the beginning of Q1, the average one-room apartment price was about 579 EUR sqm and increased to 598 EUR sqm towards the end of the quarter, two-room apartments at an average of 529 EUR per sqm also increased to 549 EUR sqm, three-room started at 486 EUR per sqm and reached 503 EUR per sqm and finally, 4 room apartments started at 479 EUR per sqm, this also increased to 487 EUR sqm.

The more expensive apartments were Teika, reaching about 638 EUR sqm and cheapest was Bolderaja - 406 EUR per sqm.

The end of Q1 noticed price increases in all size apartments however the demanded is still for smaller apartments featuring 1 and 2 rooms plus customers now wish to purchase the apartments fully renovated and repaired. Areas for the highest bid - Purvciems, Plavnieki, Imanta, Ķengarags while the lowest price bid where in the Zolitude area.

The vendors have noticed that the prices have risen slightly hence they are reluctant to reduce their price. In the most wanted regions and better style homes, the vendors have increased or maintained their prices above the current market value hoping for even higher price increase. Such apartments have generated very little interest.

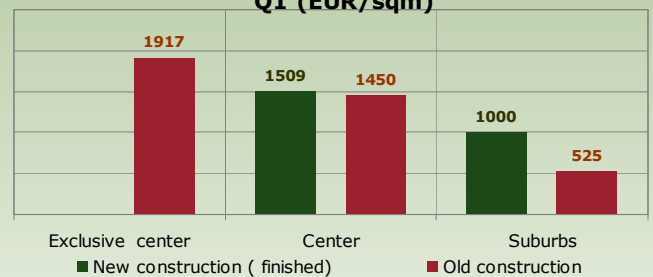
Average residential price changes per quarter



Source: Ober-Haus

Data: Q1 2010

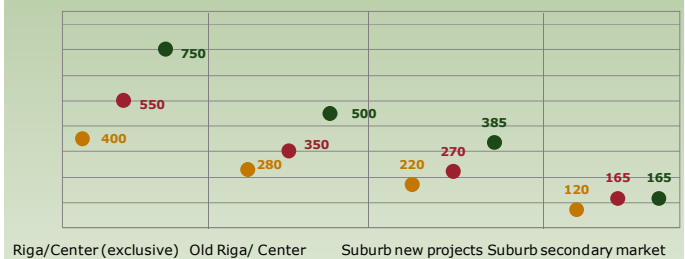
Average flat prices in Riga by the end of Q1 (EUR/sqm)



Source: Ober-Haus

Data: Q1 2010

Average flat rents in residential districts (EUR/month)



Source: Ober-Haus

Data: Q1 2010

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Flat rentals

Rental prices for apartments in Riga as compared to Q4 of 2009 have seen a slight 5% increase in prices. This is due to decline of the high-quality rental properties. Currently, the Riga city center studio apartment prices ranging from 100 LVL to 180 LVL (143-257 EUR) per month, two bedroom apartment prices from 120 LVL to 250 LVL (171-357 EUR) per month and two-bedroom apartment prices from 200 LVL to 350 LVL (286 - 500 EUR) per month.

Rental prices are relatively higher in the new projects. Noted - by 160 LVL to 220 LVL (228-314 EUR) per month for the one - room apartment, 200 LVL to 350 LVL (286-500 EUR) per month for two bedroom flats and 230 LVL to 500 LVL (328 - 714 EUR) per month for two-bedroom apartment. Location of the projects has an influence on the price, for example, prices are higher closer to the Old Town and the "quiet center". Prices do not include utilities. Currently, most of the rented apartments are 2 to 3 bedroom in sizes from 50 to 80 m².

The rental price of the districts of Riga, compared to last quarter remained relatively stable over the previous level. Studio apartment prices are indicative at 50 - 120 LVL (71-171 EUR), two bedroom apartment price will be between 80 - 150 LVL (114-214 EUR) and two-bedroom apartment prices available from 80 - 150 LVL per month (114-214 EUR).

Properties for rent within the new projects are as follows: Studio apartments from 90 to 220 LVL (128-314 EUR), two-room apartment - 150-230 EUR (343-428 EUR), and two-bedroom apartment - 240 - 300 LVL (343-428 EUR) per month.

Communities with the highest request have been in the Pardaugava, Plavnieki, Purvciems, Teika, Jugla. This is due to the fact that these areas are fully developed in infrastructure and located in green zones.

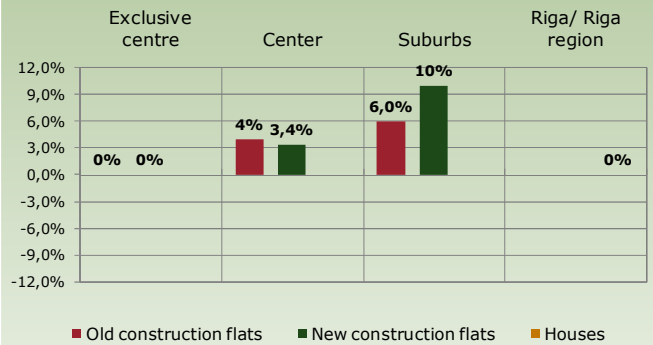
Private houses for Sale and Rent

The greatest interest in the private housing property are in the locality of Ķekava, Upesciems and Langstini, here the price average at 600 EUR per sq.m. (Ķekava and Salaspils) to 1100 euro per sq.m. (Bergi) with full finish.

Demand is also high for properties are in Marupe, Katlakalns, Ķekava, Langstini and Upesciems. Price range up to 200 000 EUR for the complete finish of the areas of 200-220 sq. m.

In certain regions such as Ķekava, Garkalne, Langstini, house prices have increased slightly for the private market, taking stock price from 170,000 to 200,000 EUR. Customers are expressing interest for one-storey houses and semi-detached houses from 120-150 sq. m.

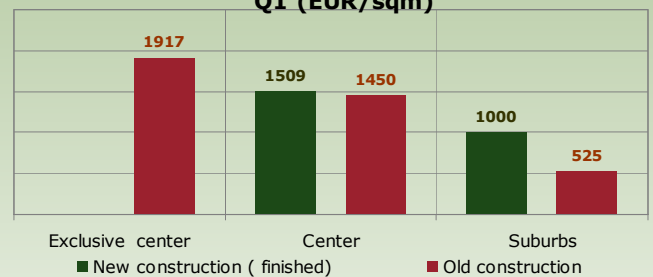
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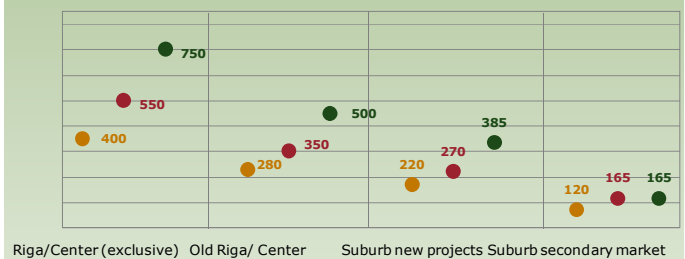
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Data: Q1 2010

Average flat rents in residential districts (EUR/month)



Source: Ober-Haus

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In Q1 we notice high activity in the private rental market, a normal trend as we shift from the spring to the summer season.

The significant increase are from clients looking for long term rental homes (starting with 1-year) and short term rentals within the summer season. Highest number of properties purchased for the sole purpose of long term rentals are usually in the Mezaparks, Mārupe and Ķīpsala however, short term rentals are usually in Jurmala.

Land

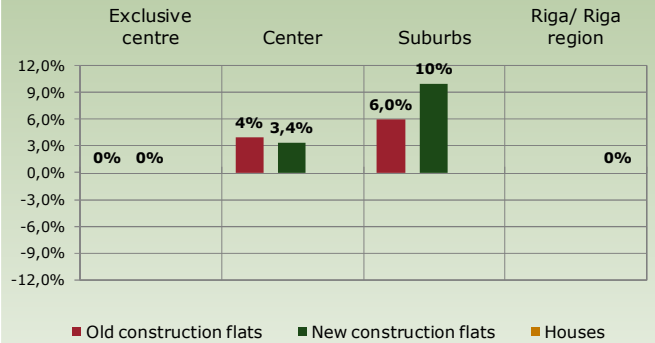
We have not observed a price drop in Land. Interested in land area from 1200 - 3000 sq.m. Most important for the customers is location before price. No interest for low budget priced land anywhere. There has been high interest for exclusive land close to the river or sea (Daugava, Baltezers and Saulkrasti). Land in Marupe, Babite, Katlakalns and Ramava price range 25 - 35 EUR sqm. Ķekava contrast, Garkalne and Adazi 25 - EUR 30 per sqm.

Prices depend on the access road and supply to communications.

Clients are looking for private land with permission to build in Marupe, Bierini and Bergi, the price of the 50 - 80 EUR for sq.m.

The main request for during the acquisition of property is the electricity supply to private homes and buildings. Clients are also looking for smaller parcels ~ 1200 sq. m. or large land area of ~ 3000 sq.

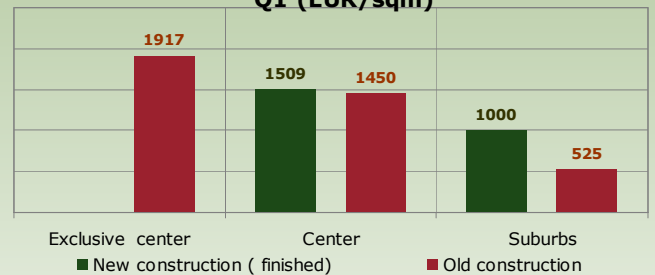
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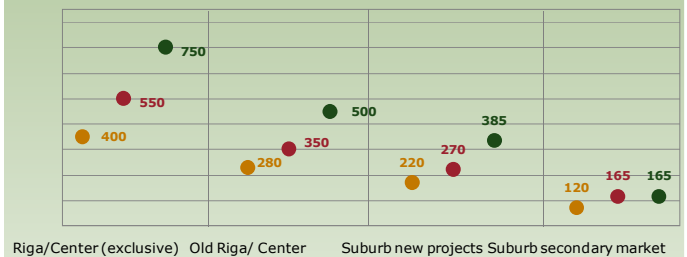
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