

MARKET COMMENTARY

Economy

Latvian GDP will contract by 18.9% in 2009, according to most analysts and this is one of the biggest drops in EU. The drop in construction business if we compare with previous year reached level of 78%. Also in this year decrease in construction business in Q1 to Q2 is 9.1%. This situation affects real estate developers and other companies which are postponed their payments in 39.3% occasions. Ministry of Finance in 2010 prognoses GDP decline of 4%, retail turnover drop for 3.5%, and decrease in average gross salary of 8%. At the same time unemployment already jumped to 18.3% by Q3 2009 and have a bad tendency to increase.

Office

Office vacancy rates in Q3 still are the same 25% as in Q2 2009, even though many office projects slated for delivery over the next two years have been halted.

Rents for A class offices in Riga fell to 9 - 13 EUR per sqm by the end of Q3 2009. Landlords also offer other incentives, like lease payment holidays, covering of movement costs and other specific needs of clients. Typical service charges in A class buildings are 1.5 - 2.5 EUR per sqm per month.

Rents for B class in secondary market offices stay the same as by the end of Q2 and are 4 - 8 EUR per sqm. In renovated pre-war buildings prices have a lit bit moved down and are 6 - 10 EUR per sqm. The charge for B class management services is mostly 0.7 to 2 EUR per sqm.

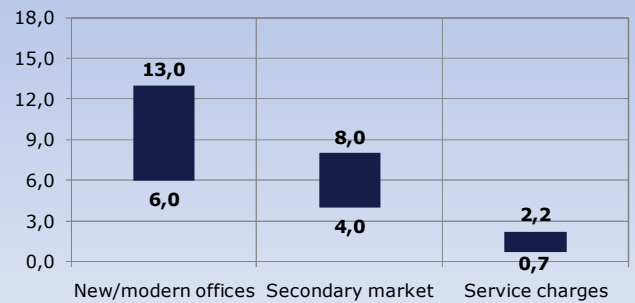
Retail

Retail turnover still fell through Q3 2009. Rents are from 10 to 50 EUR per sqm in trade centers and 5 to 40 EUR per sqm on retail streets. (For more detailed information see second table). On the high streets in Riga city centre, over 25% of the retail units are vacant. If we look on rent prices in small/local Riga district shopping centers then there the price could start from 5 EUR per sqm.

Warehouse and Industrial

In Riga and surrounding Riga County, rents for new and modern warehouse and production spaces range from 2.5 to 4.5 EUR per sqm which shows as a small decrease. In older spaces rent are 1.5 to 3.00 EUR per sqm.

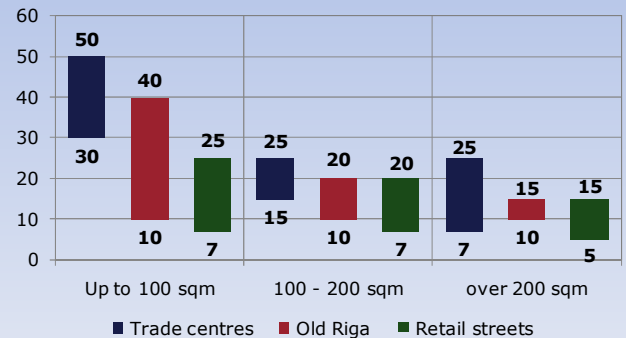
Office rents in Riga without VAT (EUR/sqm/month)



Source: Ober-Haus

Data: Q3 2009

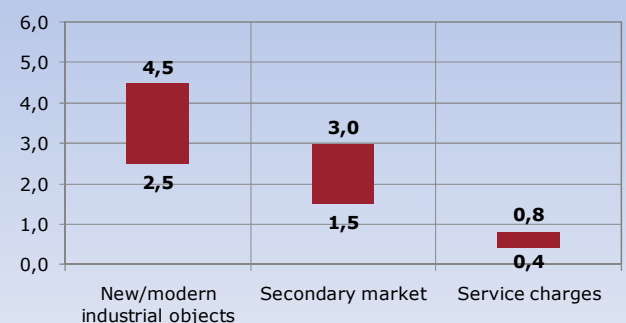
Retail object rents in Riga without VAT (EUR/sqm/month)



Source: Ober-Haus

Data: Q3 2009

Warehouse rents in Riga without VAT (EUR/sqm/month)



Source: Ober-Haus

Data: Q3 2009

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