

Built-to-rent forward sale of residential project
in Riga

DZ

RESIDENCE

2021





Dzelzavas iela 74C



DZ Built-to-rent intro

DZ Residence is a new residential development in Riga: a 13 storey 2 tower high-rise building with outstanding architecture is being built in the popular Purvciems area, offering a comprehensive, modern living environment with diverse optional features.

The building is mainly designed for two- and three-room apartments, but there are also a number of one- and four-room apartments. Almost half of the apartments have balconies. Emphasis has been placed on creating added value for the residents, so a shared lobby, gym, yoga room and a playroom for children's parties are planned for the project. Parking is available on the surrounding grounds or in an underground parking lot. There is a separate storage area for bicycles and tenants can buy storage rooms.

The architects of the DZ Residence development project are Alvis Zlaugotnis and Uldis Bērziņš from the architectural firm Tectum, which has more than 25 years of experience designing numerous apartment buildings, commercial premises, office buildings and private houses. The best-known example of their creation is Swedbank's main building in Riga.

Technical details of the project

- 13 storey 2 tower high rise building
- 182 one to four room apartments, with an average apartment size of 44 m²
- 92 parking spaces
- 36 storage rooms
- Land area 4 818 m²
- Central heating and services utilities; water, sewerage and electricity in the immediate vicinity of the property
- Building permit issued for the construction



DZ Transaction Summary

Perton Ehitus acts as seller and developer to find suitable partnership with potential buyer/investor Perton Ehitus owns the land plot and has the necessary experience and track record to develop a turnkey project to the buyer.

TRANSACTION OPTIONS

- 1 A built-to-rent turnkey project.** The transaction type is forward financing where equity is employed in several tranches from beginning of construction until completion.
- 2 A joint-venture with an investor.** The joint venture will be established to deliver the turnkey project to joint venture investor or third party.
- 3 Sale of the land plot with construction permit and project management.** Seller acts as developer and delivers a turnkey project to investor.

Investment highlights

- Special built to rent layout with average size of 44 sqm
- Total units of 182 with GLA 8 205 sqm
- Growing demand of built to rent apartments
- Growth opportunities as value appreciation
- Feasible amount of units in one location to scale the operational side (tenant management)
- Experienced developer with proven track record
- Estimated NOI of 880 thous p a ..(long term leasing)
- Well positioned location enjoying high density traffic flow and good access to public transport
- Investment market evidence supports built to rent transactions with growing liquidity

PERTON Residential development project
in Riga, Purvciems district

DZ Feasibility of long term rent

The growing demand of built to rent apartments gives solid assumption to a feasible and sustainable long term renting business model.

A built-to-rent turnkey acquisition feasibility

A potential NOI of 880 thous € p.a. The model foresees a market rent and vacancy assumptions combined with market standard cost division between landlord and tenant.

A net initial yield of 5.60%. The average net initial yield for new turnkey properties is below 500 bps in Riga centre. DZ turnkey project offers a yield premium over 50 bps compared to centre location.

Investor IRR starting from 12 % for holding period. Depending on the transaction model the EIRR can be enhanced. Residential valuation appreciation and yield compression gives solid assumption on capital gain for the investor.

The feasibility numbers are preliminary and shown as example as per market knowledge.

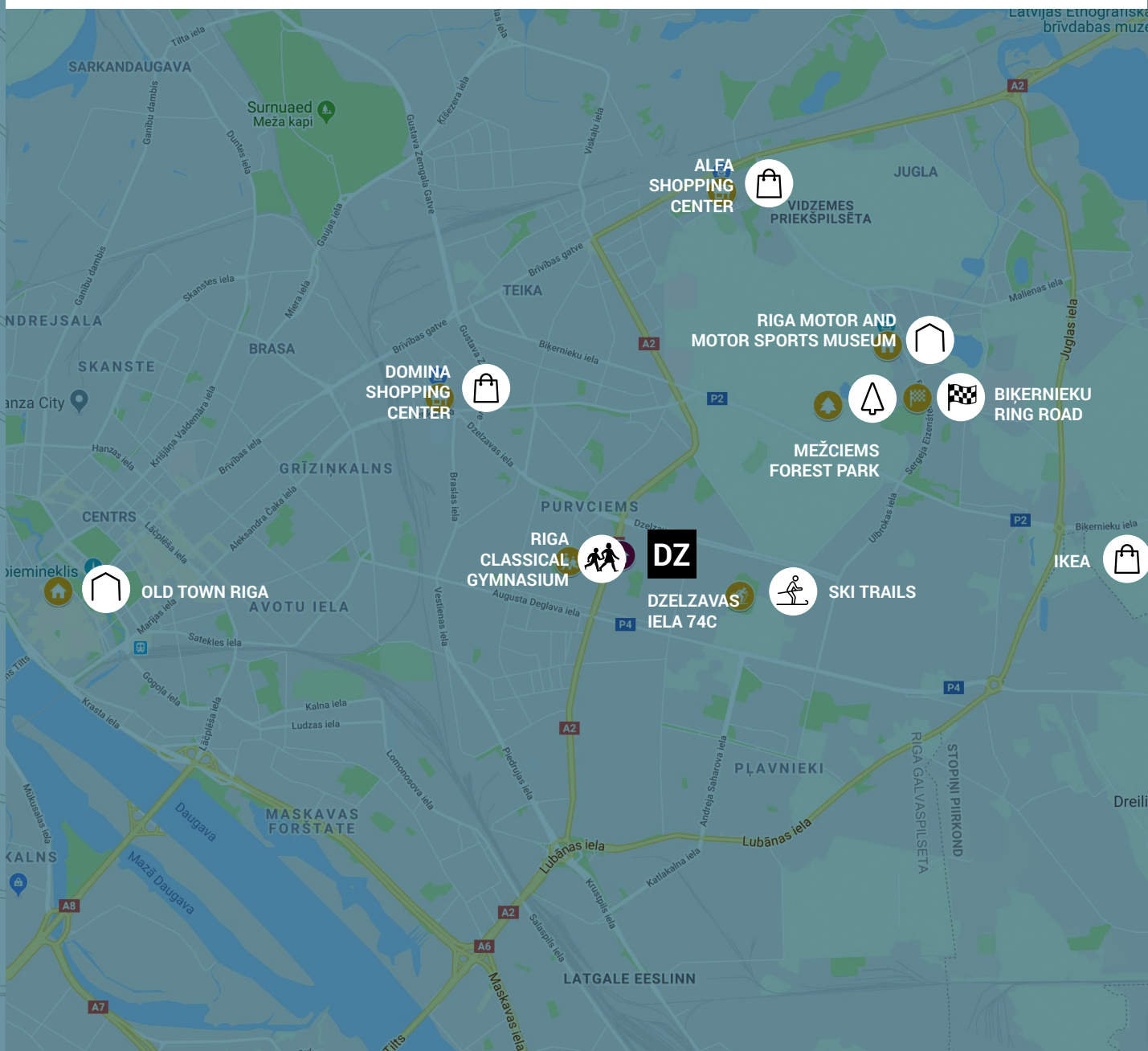
Each investor should calculate their own feasibility models.

Upside

- Strong macroeconomic background gives solid assumption on **rental rate inflation**
- **Rent vs buy paradigm change** in affordable residential sector
- **Yield convergence** towards core EU economies
- **Solid appreciation of residential real estate price**
- Short term leases (serviced apartments) as **NOI enhancement**
- **Urbanization** of capital areas and **population growth**
- **Inadequate quality** of existing stock
- **Market consolidation** with entering the market as well educated built to rent investor

PERTON Residential development project
in Riga, Purvciems district

DZ Map



RIMI > 650 m

Maxima XXX > 1100 m

Domina Shopping Center > 2300 m

IKEA > 2900 m

Riga Motor and Motor Sports Museum > 3500 m

Bīķernieki ring road > 3400 m

Daugava Stadium > 2900 m

Mežciems forest > 900 m

Riga Classical Gymnasium > 900 m

Riga Technical College > 2000 m

Lido > 700 m

Roman Catholic Church > 1300 m

PERTON Residential development project
in Riga, Purvciems district



PERTON Residential development project
in Riga, Pūrcēnu district



DZ Sales information



Please feel free to contact Marko if you need any further information

MARKO BÄÄRS

marko@perton.ee

(+372) 505 4466