



Buffeted by economic turmoil in the world and in the region, the Baltic real estate scene has transformed itself from a fast-moving seller's paradise to a buyer's market. In short, prices are down and supply is high. To find out more about the current situation in the real estate market in the Latvian seaside resort town of Jūrmala, RigaNOW! met Alexander Basharin, not only the president of the leading real estate development company Interhaus Ltd, but also a passionate fan of the town.



JŪRMALA: REAL ESTATE UP OR DOWN?

Our country needs common vision, where government, city and people are trying to reach the same target

– Is Jūrmala a classic resort city in your opinion?

– Jūrmala has always positioned itself as a health resort, especially during the 70s and 80s when it was a popular and prestigious vacation spot for citizens of the USSR.

Jūrmala is relatively close to the Latvian capital as well as being near the airport, and there are wide options for entertainment within easy reach – let's say there are a lot of casinos in Riga, there's the chance to go for boat rides, and so on. You can take a ferry cruise from Riga to Stockholm and back. There's a long list of things to do compared to Vilnius, the capital of Lithuania, or Tallinn in Estonia. Neither of these neighboring countries have a resort with such a long beach as Jūrmala.

When tourists from Moscow come here they're surprised there are no traffic jams. When I went to the Italian resort of Terracina last year on a business trip they asked me how long the beach in Jūrmala was. I said 33 km. They were stunned and said – you are really lucky, our beach is 11 times shorter, just 3 km, and it's overcrowded with casinos.

Of course at the moment we can feel the impact of the current economic situation all around the Baltics and in Jūrmala too, but there are new projects we are working on. These shouldn't be stopped. An example is the reconstruction of a sanatorium in Jaunkemeri. For many years, Dr. Mihails Malkiels has been making detailed research into the local mud's positive impact on human health. So many tourists are going there from places like Israel or the countries of the CIS.

– What are the reasons they are coming here?

– Pensioners from Israel come because of the mild climate in summer, the fresh sea air, the good levels of iodine in the sea water. There is a wonderful concert hall and a lot of people come for concerts in the summer season. Every year the popular New Wave festival is organized in Jūrmala for young singers. Of course, there are great options for spa procedures at the resort's spa hotels and a few projects for new hotels are pending at the moment.

– Do you agree that Jūrmala stopped developing after the collapse of the Soviet Union?

– Tourism should be supported by state-financed marketing activities. I think that the process of obtaining a visa is too difficult, with too much bureaucracy involved. Those who can afford to travel often decide that they'd rather go to other countries like Turkey or Cyprus. But there have been good developments that have drawn in more tourists, like joining the European Union in 2004.

Despite the fact that the current political situation with our eastern neighbors is unfavorable, a lot of Muscovites still have wonderful memories of Jūrmala and some are happily buying up property here. Everyone wants to own a property near the sea. We have pine forests, a mild climate and a lot of places for active recreation. In the summer hotels are full and sanatoriums fill up quickly too.

– Do you think that Jūrmala has been able to reorient itself to the western customer?

– There are a lot of young people who are coming here for the first time – not just those nostalgic tourists who miss the good old days. Last year there was a beach football tournament that was part of a world tournament. A lot of



Alexander BASHARIN
PRESIDENT OF INTERHAUS LTD.

people came to Latvia for the very first time, from China, Japan and elsewhere. Our entire beach was like a big stadium.

It's important that our beach flies the Blue Flag, the symbol of a clean environment. Even though recent summers have been good for Jūrmala, we still compare them to the times back in the Soviet era when the beach was so overcrowded there was no space even to drop an apple.

My opinion is that we should open the borders. Right now, tourism is an industry that could attract money into the country. I don't see a real danger to our country if we open the borders. The government should finally understand how deeply entrenched we are in the current crisis and that we have to think about the future. If there are problems we

should solve them, not hide them in the corner.

– What is your vision on how to attract more tourists to Jūrmala?

– The best idea is to be friendlier with our closest neighbors and attract new investors to the resort. Our company consistently cooperates with Jūrmala City Council because of the projects we are developing in the town. Every new project brings new money to the city, provides new jobs, attracts tourists. It's nonsense to expect tourists to come to a place where old, half-ruined buildings stand everywhere. We want to renovate these historically charming buildings, but the council is not always as supportive as we would like them to be.

– Is it true that Interhaus Ltd was the first company to start

offering its customers apartments in buildings constructed according to European standards?

– I was working in Germany before, and I saw the level of quality of the buildings there. The first building we created with European standards was built in 2000. In the eight years since, we have developed six or seven capacious real estate projects. We cooperate with the best architects, such

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as Zane Kalinka from the company Cubs, also the company Sarma & Norde and the famous architect Andis Siliis.

The few projects we haven't yet developed are still in the planning stage due to the bureaucracy. That's the main reason why we started our transit business; I would like to say we were forced to do that. I think it's a great advantage that in Latvia we have two ice-free harbors, as well as good railway infrastructure that we can use, because we cooperate with Russia, Belarus and Kazakhstan and are developing projects in Siberia.

– What are the changes you have seen in the cost of property in Jūrmala?

– In the last years of the Soviet era, building prices dropped by 50 percent, but for those properties located on the coast changes have not been so noticeable. The explanation is simple – there are not that many projects out



there. My personal opinion is that changes in price for those luxurious estates on the seafront will not be so dramatic because the number of offers are not significant. Nobody expected such dramatic changes in the real estate market where prices would fall so dramatically. And nobody knows what kind of changes can come in the future. Absolutely anything is possible. But I think that now is the right time to buy real estate; I don't believe that prices will go any lower.

– It's no secret that many of us have a dream to live near the sea. Do you think that Jūrmala can compete in this segment with Cyprus or Croatia?

– I believe the level of prices is quite similar. I have friends who own properties in different countries, in Spain, here in Jūrmala, a flat in Moscow and in Germany – you see, it's trendy not to stay in one country. We

can reach virtually any city in one or two hours.

But I'm sure everybody would love to live near the sea. It's easy to see – the level of demand is quite high and I haven't heard a single regret from those who have bought property here. Property in Jūrmala is a great alternative to Cyprus or Croatia, France or Spain. Especially for older people, because the climate is really good. I would like to stress that we are always open to any kind of cooperation.

– Why do you think international hotel chains don't open hotels here in Jūrmala?

– It requires big capital investments to make the first steps. I think there is a lack of skilled personnel and altogether it's a big risk knowing you'll have the sheer volumes to fill a large hotel all year round. And at the current situation – why open a hotel if tourists are not coming? The situation requires that we should think

about economics not politics – the best solution would be to open the border with Russia.

– Maybe Interhaus would like to open a hotel?

– At the moment we are developing a small project in Melluži with about 20 rooms on the very coast of the sea and we are planning another project by the Lielupe riverside.

We are also working on the reconstruction of the historical Lido restaurant located in the very centre of Jūrmala. After reconstruction it will be an exclusive three-storey guest house, casino, restaurant, tea pavilion and open terrace.

– Until your casino opens, why are there no casinos in Jūrmala at the moment?

– However we are developers and we don't specialize in managing casinos. We are currently searching for partners who would like to cooperate with us on this.

– Don't you think that one of the problems facing Jūrmala is that it is so seasonal?

– First of all we should restore the concert hall so it can host events both in summer and in winter. You know, so many Russian artists love to come to perform here in Jūrmala, so we should develop our infrastructure first.

– Do you believe that Jūrmala will one day become an internationally known resort?

– Yes, I do believe that. There is such a great climate, nature, medical services of the highest caliber – all we're missing is serious investors. Russia is a significant neighbor; Moscow can be reached in one hour, and the people here in Jūrmala speak Russian. To earn together, we should work together. Our country needs common vision, where government, city and people are trying to reach the same target. The city council should respect its businessmen who, while paying our taxes, also have the power to attract money to the city.

Jūrmala, with its fine climate, unspoiled nature, medicine, good recreational possibilities, tennis and golf clubs, has truly great prospects.