



# INTENSIVE CARE FOR HOUSE HUNTERS

Lidija Liegis talks to Ilze Mazurenko, CEO of Baltic Sotheby's International Realty, about selling luxury property in the Baltic states, a career change from doctor to realtor, and how to weather an economic crisis



Luxury apartment in central Riga

Ilze Mazurenko opened the first Baltic branch of Sotheby's Realty in Riga in 2010, and then another in the seaside resort Jurmala two years later. The business focuses solely on the luxury real estate sector. It opened its Estonian and Lithuanian branches in 2011 and 2012 respectively.

Before joining Sotheby's Mazurenko managed her own real estate business, but her career path has been anything but conventional. Born in Riga to parents who were both doctors, she initially decided to follow the same path. She practised medicine for eight years, including a stint working in intensive care. The job was prestigious but poorly paid. "Times were tough and wages were very low," says Mazurenko. In 1998 her sister, who was already working in real estate, suggested she take a break from medicine for a year and join local Latvian real estate company Oberhaus. She was soon closing deals for high-end properties to rent at several thousand Euros a month. "The job started going very well and I began earning ten times more than I was making in medicine," says Mazurenko. Although she never returned to clinical practice, she did take several skills, including persistence and fearlessness, from her experience as a medic. "As a doctor, especially in intensive care, you won't be successful if you say you've had enough or are tired. You

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need to be relentless. This trait definitely helps me in business." She explains that real estate is much easier than working in medicine because "if the deal doesn't go through, no one dies".

She began working in the mid-range sales market and was eventually made head of Oberhaus' Riga Old Town department. In 2004 she founded her own real estate company, Immostate, which gained a reputation for the development of prestigious projects and the sale of some of the most expensive properties in Latvia.

Mazurenko co-owns the Sotheby's franchise in the Baltic states along with two other Latvians, Vestards Rozenbergs and Leonid Kil, and two Lithuanians. Rozenbergs is responsible for marketing and ensuring all properties meet Sotheby's luxury standards. He met Mazurenko through ImmoWeb, where he remains chairman of the management

board. Kil is currently the CEO of ABLV Asset Management, a subsidiary of Latvian bank ABLV. He was a client of Mazurenko's when she worked at Immostate, and they later purchased the Sotheby's franchise together. He handles the finance and accounting side of the business. Mazurenko heads all four offices and visits Estonia and Lithuania at least once a month. The offices are streamlined in that they have the same management structure and marketing strategy. Baltic Sotheby's employs 29 staff across its four offices: six in Estonia, 15 in Latvia and eight in Lithuania.

Her ambitions, it is no surprise to learn, extend beyond the Baltic states: "Even at medical school, I always wanted to work internationally and not just for a local company. I dreamed of working for a company with a big brand name." Although she has never lived abroad, she has travelled across Europe, the U.S. and the Far East. She has >>



Suburban mansion in Mežparks, Riga

a penchant for extreme sports and practises diving, skiing, wakeboarding, kiteboarding and riding, amongst others. When asked what she likes most about her job, Mazurenko says she enjoys meeting new people: "You get to know the purchasers in both a business sense, and on a personal level." She doesn't appreciate inflexible people, and when deals don't go through. "The sellers and purchasers are ambitious, opinionated customers and they can change their minds quickly. You want to discuss a deal and close it, but that doesn't always happen. Sometimes it's the financial circumstances but at other times you don't know the reasons until the end." I ask about her most and least successful transactions. A deal she names as equally one of her most challenging and successful ones was for a Russian client moving to Latvia. The client purchased two properties at the same time, in Riga and Jurmala, worth a total of €7 million. One of the properties had

30 co-owners. Before the building could be purchased, Mazurenko had to go to a notary with each of them to ensure they wouldn't exercise their right of purchase. As many as 29 of them refused to do so initially. "If a sale usually takes one month, this one took four months," she explains with a weary smile. I ask her about the criteria for a property to be deemed as luxury. She explains this isn't determined solely by its price, but rather its location, its physical condition and its market value. "The properties don't have a price criteria; a flat can be worth €100,000 or

€5 million. The properties must, however, be renovated and in a good state." The key to Sotheby's success is its reputation, says Mazurenko. However, it has been challenging advertising the fact that Sotheby's is not solely an auction house, but a realtor dealing in truly high-end properties. In the Baltic states Sotheby's occupies a niche and is renowned for its work selling the luxury properties of longstanding clients. Customers appreciate Sotheby's discretion, as "not everyone wants the world to know they are selling." Mazurenko describes Sotheby's as

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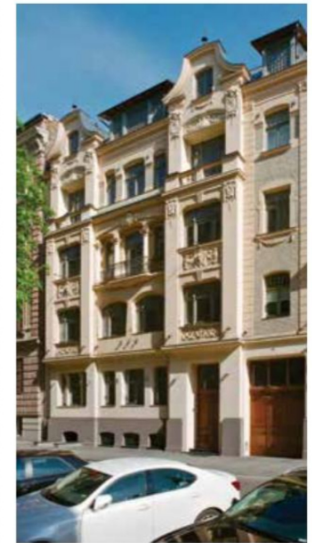
a last-stop agency for many clients. "People try to sell their properties by themselves initially, and only after they have tried multiple agencies do they come to us. We try to explain to people that they don't need to take the long road." I ask if the reason for this is because clients believe Sotheby's will be very expensive to work with. Mazurenko explains: "This was the stereotype that we had to fight against initially, that Sotheby's puts its properties on sale for 20% higher than their actual worth and then takes the profit. This isn't how it works; we sell a property for the price it's worth. We also oppose the idea that clients can put any price on a property and that Sotheby's will sell it." She says

is predominantly a local one, with a minority of foreigners. This contrasts to Latvia, where the sales market is dominated by foreigners. The largest real estate market for Baltic Sotheby's is in Latvia, both in central Riga and in the beach resort Jurmala. Estonia boasts a very active local sales market, but also attracts a large number of Finnish clients thanks to its proximity and similarities in language and culture. Mazurenko notes that there have been more and more investors coming from St. Petersburg in Russia. Similarly, the Lithuanian sales market is also dominated by local clients, with some Belarusians and Russians. In contrast to both Estonia and Lithuania, Latvia attracts many Russian

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that Sotheby's success and prestige lie in its extended client and agency networks, and first-rate safety precautions when it comes to the financial aspect of transactions. She notes that Sotheby's has a lot at stake, since it only opened its Baltic franchises four years ago. "Anything that goes wrong will reflect badly on our reputation, so it's essential to us that everything is done properly. We do occasionally turn down deals because we don't want to be involved in any bad practices." According to Mazurenko, the rental market remains stable across the three Baltic states. It was scarcely affected by the global economic crisis which hit this region particularly hard. The rental market comprises mostly of foreigners, including diplomats and other expats, and locals who have purchased properties elsewhere and want to rent out their homes. Despite sales prices tripling since 2000, rental prices remain the same at approximately 10 Euros per square metre in Riga. The sales market in Estonia and Lithuania

investors and clients; many of them have longstanding ties with Latvia. Throughout the Soviet era, citizens travelled to beach resort town Jurmala to spend summers on its white sandy shores. As well as differing trends, clients invest in the three countries for different reasons, explains Mazurenko. "Estonia can be challenging for foreign clients because of the language barrier and cultural differences. Estonians are more conservative and reserved than Latvians and Lithuanians, so clients tend to see it as a place to do business; many of them work on office or retail space projects." Lithuania and particularly Latvia are seen as more friendly in terms of attitude and language, and as places where people can come to relax, buy a holiday home and speak in their own language (Latvia has a minority of 26.9%, Estonia slightly fewer at 24.8%, and 5.8% for Lithuania.) Following the crisis, in 2010 Latvia passed a controversial law allowing foreign investors to gain temporary residence permits through the purchase of property. The residence >>



permit automatically guarantees free movement for the purchaser and any dependents within the Schengen area, currently consisting of 25 European countries. Upon expiry of the term of the residence permit, investors and their family members are eligible to apply for a renewal.

When the law was introduced, purchasers had to invest €143,000 in real estate in Riga, or €72,000 elsewhere in the country. On 1 September, 2014, the immigration law was changed to significantly limit the number of temporary residence permits given out; properties purchased must now have a minimum value of €250,000, and a taxable value of €80,000 at the time of purchase, both in Riga and elsewhere in the regions. Although Latvia already had long-lasting links with Russia, the passing of the law saw a vast increase in the number of Russians purchasing property there.

It also attracted purchasers from Ukraine, Uzbekistan, Kazakhstan, Belarus, and most recently, China. Of course, not all purchasers come solely for a residence permit – in the past year purchasers from Austria, Germany and Switzerland have also increased. According to reports published by the Latvian government, by the end of 2012 the number of real estate transactions with the goal of acquiring temporary residence permits in Latvia exceeded 3,000 – a total of €600 million. For Sotheby's, the change in law had a wholly positive impact on the real estate market because it increased foreign investor interest and drove capital back into all aspects

**Property prices across the Baltic states**

**Estonia:** between €1,500 and €3,000 per square metre.

**Latvia:** starting at €2,000 per square metre in Riga, going up to €8,000 per square metre in Jurmala average. They occasionally sell properties at €10,000 per square metre.

**Lithuania:** between €1,500 and €4,000 per square metre.



Above and below  
Kukšu Manor,  
Jaunsatu, Latvia

*I want to show people globally that there are great properties here at very reasonable prices. I want people to know that it's a beautiful region*



Luxury apartment  
block, Riga

of the market. "New clients entered the market: they wanted to buy both residential and commercial properties," she says. "The development market came back to life, new projects appeared and construction picked up again. There was money going into restaurant and retail development, and any industry related to real estate – architecture, construction, mortgages – picked up as Latvian real estate took centre stage" Since Mazurenko started working in real estate in 2000, she notes that there are many more properties which could be called 'luxury'. Nevertheless she thinks that in the Baltic states there aren't truly any properties which fit into the luxury category: "I've seen what properties look like in Dubai, Moscow and Hong Kong. There is still some way to go." The positive, she says, is that in the past 15 years many properties have been renovated and turned into flats and sold, and new projects have been constructed in other regions. "[Latvian beach resort] Jurmala has totally changed. At one time it consisted of a single, sad street with a few private houses. Where previously you sold what there was, there are now many more properties. The real estate portfolio has changed." She says that the Estonian and Lithuanian markets have followed

similar trends, with many properties being rejuvenated and sold in recent years, and more appropriate luxury sector properties appearing. When I ask about Baltic Sotheby's competitors and what sets Sotheby's apart from them, Mazurenko replies proudly: "In the Baltic states there is no comparative competitor; there are a few companies which try to copy us or do similar things. Globally our only real competitor is Christie's, because they too have auction houses and a global network." It seems much of Sotheby's success in the region is thanks to Mazurenko herself and the personal responsibility she feels towards her clients. "Our reputation is extremely important to us, as are our clients. I would never advise them to do something which

might create problems for them. We work with knowledgeable lawyers who advise our clients from start to finish so they reach their goals." Mazurenko modestly attributes the company's success to its highly-reputed brand and forward thinking management style. She is most proud of the fact that her clients are satisfied and recommend them further, and is pleased that Sotheby's handles "reasonably big and successful deals." Her aim, she says, is to show the Baltic property niche to the world: "I want to show people globally that there are great properties here at very reasonable prices. I want people to know that it's a beautiful region, a wonderful place to visit and live in. That's my ultimate goal." ■

**Real estate investments and residence permits**

In the first half of 2014 almost 1,000 people got residence permits in Latvia; the majority of them are from Russia, China, Ukraine, Uzbekistan and Kazakhstan. Their investments totalled €1 billion by June 2014, with €823 million from real estate purchases and the remainder from investments in banks and private companies. The majority of these purchasers bought properties in Riga (2,027 purchases between July 2010 and June 2014), seaside resort Jurmala (118 purchases) and the remainder in other regions including Ozolnieki, Babite municipality and Cesis.