

*Latio*

RESIDENTIAL MARKET

# REPORT

2021.H1



”

As the demand for housing increases, their prices also grow.

Prices of housing and development plots increase in regions and the major cities in Latvia.

The building costs of development of new buildings continue growing in Latvia in 2021.

The rent market is recovering, tenants choose high quality rent apartments.

This is how the first 6 months look like on the Latvian housing market.



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# MACRO ECONOMICS

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## Latvia

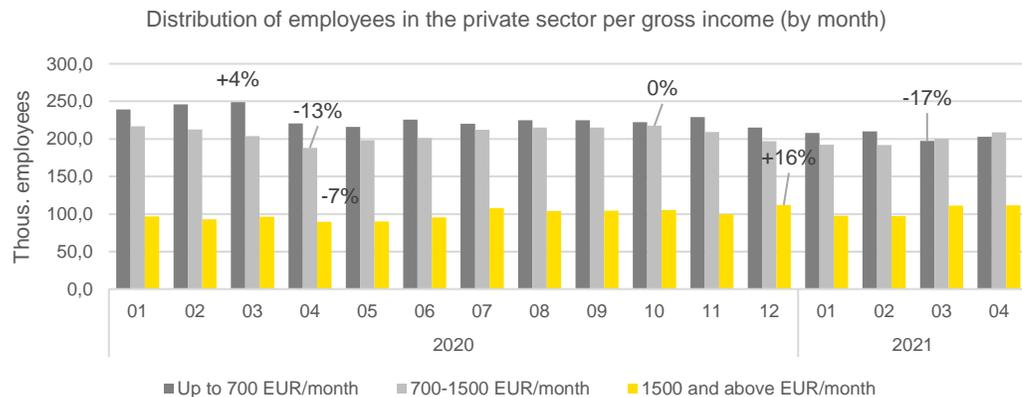
- Year 2021 started with high COVID-19 infection rate and the first vaccinated people. During the first 6 months the number of vaccinated persons increased and the infection rate started decreasing. Both these indices affected the scope of COVID-19 related restrictions, which were lifted, and the economic activity.
- Up to 15 June more than 149 million EUR were paid as idle time aid and wage subsidies. More than 365 million EUR were allocated as grants for compensating the decrease of the current assets.
- The decrease of activity in the service industry as seen in the beginning of the year promoted demand for products and growth of the manufacturing accordingly.
- The share of the transit industry in the Latvian economy is decreasing.

## Global

- As the number of COVID-19 vaccinated people increased, governments of other countries also started lifting restrictions.
- Lifting of restrictions contributed to consumers spending more for services. Nevertheless, the USA retail volumes increased in June and the demand for products is stable.
- Countries continued providing aid to economics also in the first 6 months of 2021, using large scale fiscal stimulus; interest rates stayed low.
- According to the information provided by OECD, the unemployment rate in OECD countries is high and a rapid increase of employment cannot be expected. The pandemic has affected the social and economic gaps on the labour market. The number of people who do not search for a new job after losing their job has increased.
- UK and other countries are planning restrictions of the monetary policy ahead of the original schedule, as the inflation growth is unexpectedly fast. This is not being considered in the Euro zone.

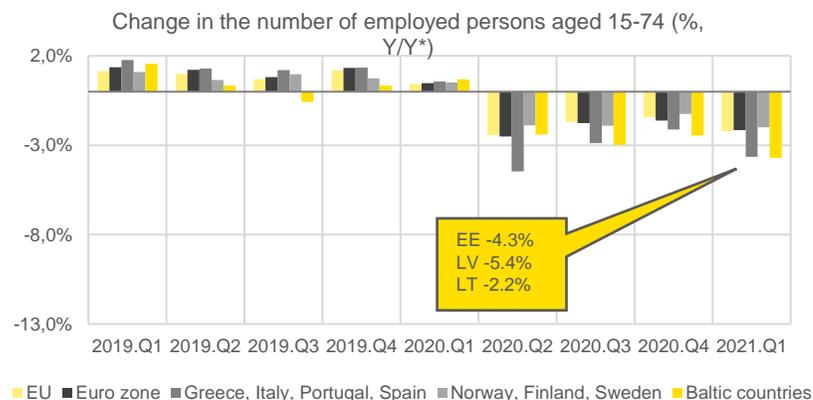
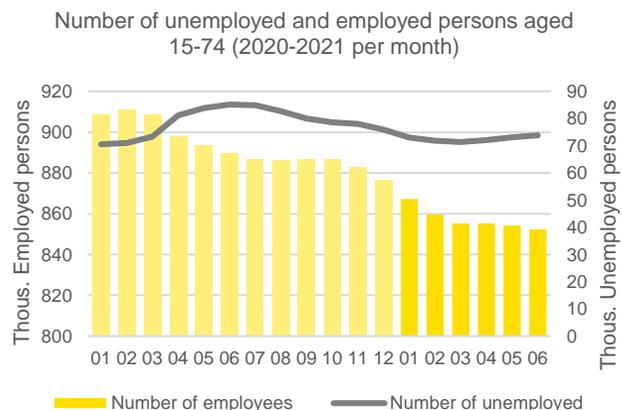


## Labour market



March (2021/2020)		
<700 EUR/month	700-1500 EUR/month	>1500 EUR/month
-8%	+11%	+25%

\*The graph shows the biggest percentage change in each group vs January 2020



\*%, Y/Y - change vs the relevant period of the preceding year  
 \*\* The most recent available data

The trend of increase of the number of people receiving high wages (above 1500 EUR/month) continues in 2021 and the number of receivers of low wages (up to 700 EUR/month) decreases. Thus, the mean wages are increasing both in the private and also the public sector.

The number of employees continues decreasing. The number of employed people aged from 15 to 74 years was 909 thousand in January 2020 before the emergency situation was announced, and in June 2021 the number of employed people was by 56 thousand (6%) lower. At the same time, the number of unemployed persons is lower this year than a year ago when it was above 80 thousand.

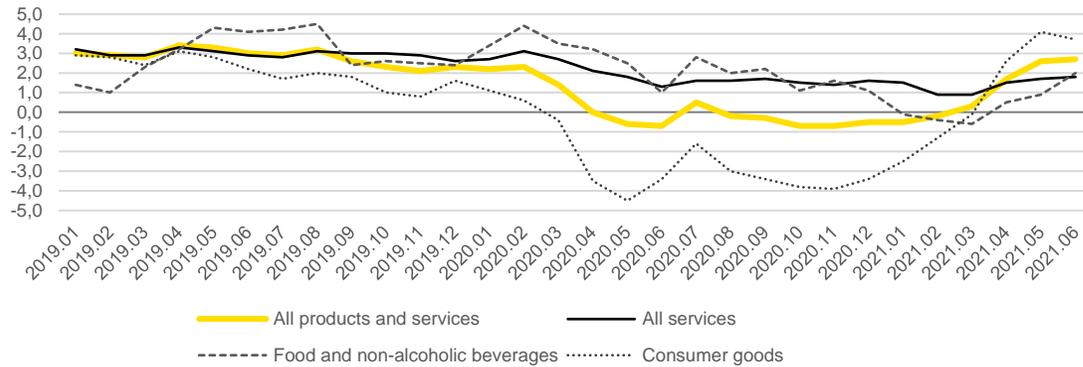
The decrease of the number of employed people can be seen throughout the European Union in the first quarter this year (except Luxembourg, Hungary, the Netherlands and Poland). The number of employed persons decreased by 2.2% in the first quarter on average in the EU (in Romania - 10.5%, in Greece - -5.9 % and in Slovenia - 5,5%).

### Wage in Latvia in March 2021

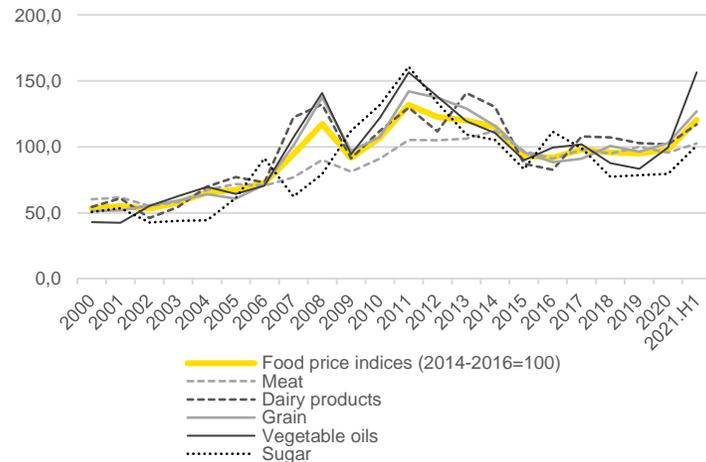
	Gross	Net	2021./2020.
Public sector	1,243	915	+3.7%
Private sector	1,275	943	+8.8%

## Prices

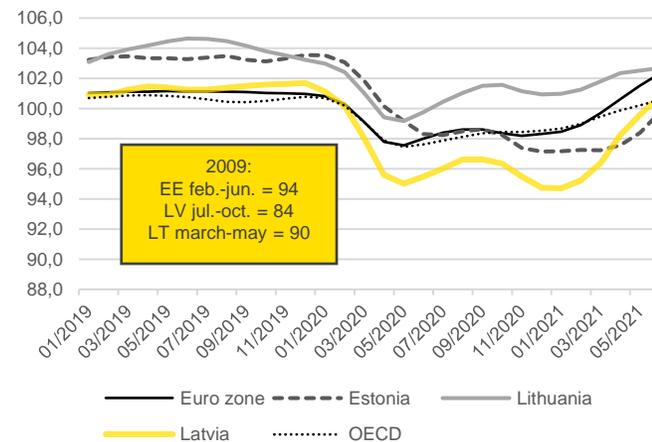
Consumption price change in Latvia (% vs the relevant period of the preceding year)



Global changes of food prices



Consumer confidence index

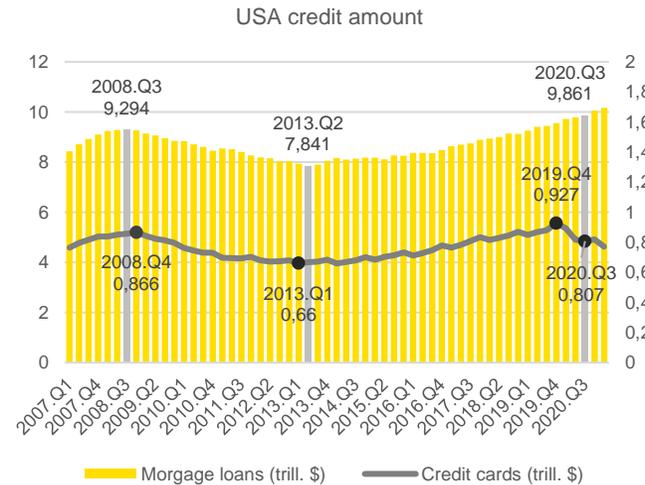
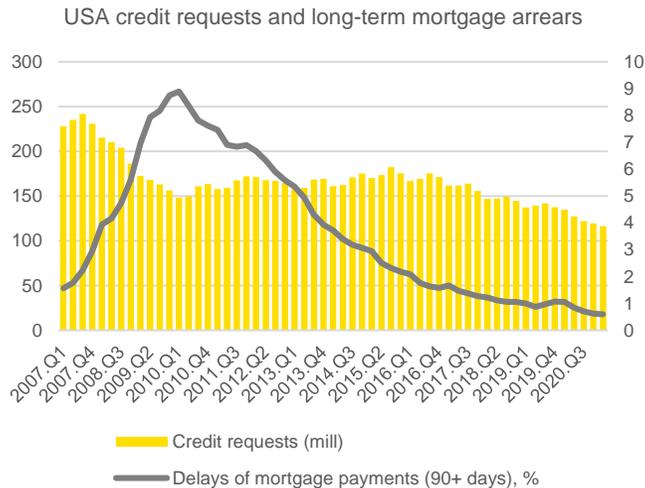
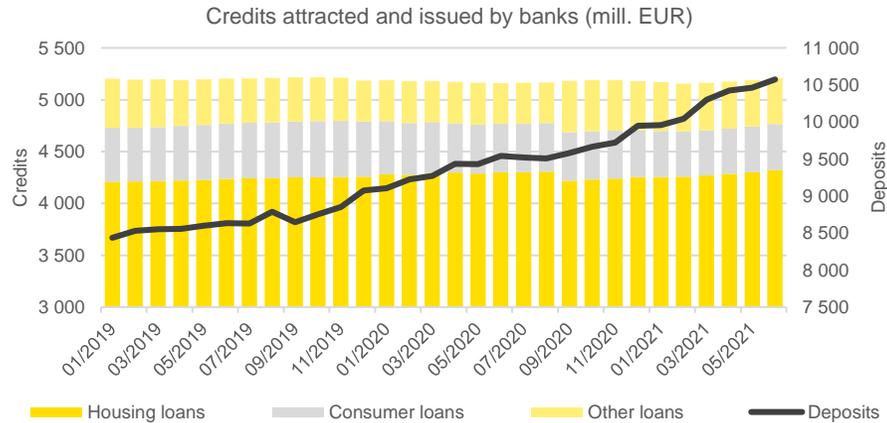


The consumer price index demonstrates growth again following its decrease during the last year. In June 2021 the inflation rate was 2.7%, including: services +1.8%, food and non-alcoholic beverages +2%, consumer goods +3.7%.

FAO (*Food and Agriculture Organization*) food price index (FFPFI) monitors development of prices of five product groups on the global scale. In June 2021, the average food price index was 124.6 points (following a stable growth over 12 months, decreased by 3.2 points compared to May). In June last year the index was 93.1 point, and in June 2019 it was 95.3 points, indicating that the food prices have increased considerably.

The survey conducted by the Organisation for Economic Cooperation and Development (OECD) in order to find out the consumer opinion regarding the spending of households and savings for future reveal that consumers feel more secure about the situation in economics than in 2020. In Latvia, this index was 100.8 points in June (101.1 in January 2021), and the mean index in the OECD countries was 100.6 points (100.7 in January 2021). The confidence index is still comparatively low in Estonia amounting to 99.8 points (103.5 points in January 2021).

# Credits, deposits, housing



The restrictions against the spread of COVID-19 pandemic reduced the possibilities to spend income, and the concern regarding future encouraged to save. Like elsewhere in the world, the amount of deposits attracted by the banks of Latvia increased in 2020. This increase continues also in 2021. In June 2021 the amount of deposits increased by 11% in comparison to June 2020 (by 22% compared to June 2019). At the same time, the amount of issued housing loans increased by 0.5% in June 2020 compared to the relevant period a year ago, and by 2% compared to June 2019.

The credit demand in the USA has decreased in the 1st quarter of 2021 (from 134.67 mill. USD to 116.31 mill. USD), also delays of mortgage payments (above 90 days) have decreased and amounted to only 0,59% in the beginning of the year.

The amount of mortgage loans continues increasing and the spendings of credit cards continue decreasing.

The overall situation on the credit market in USA still differs from the situation during the financial crisis in 2008.

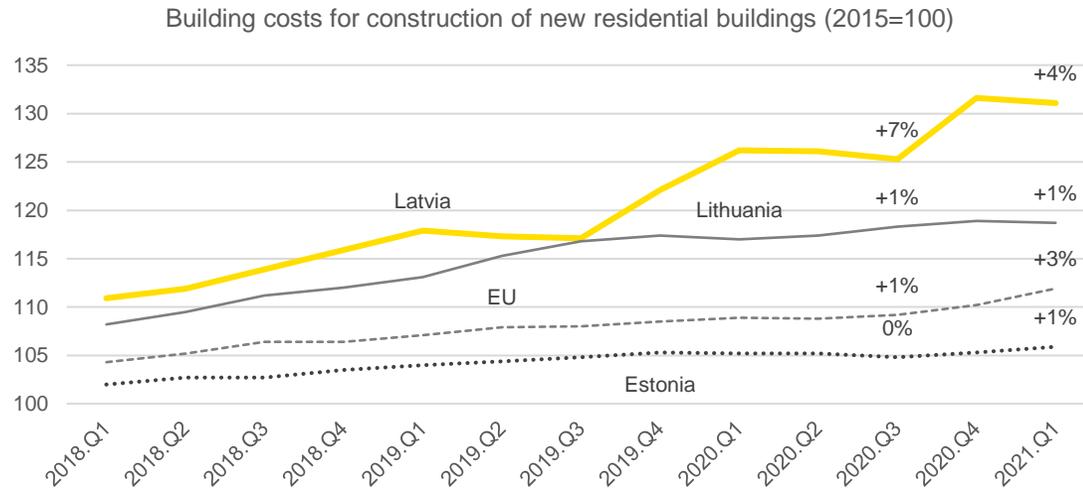
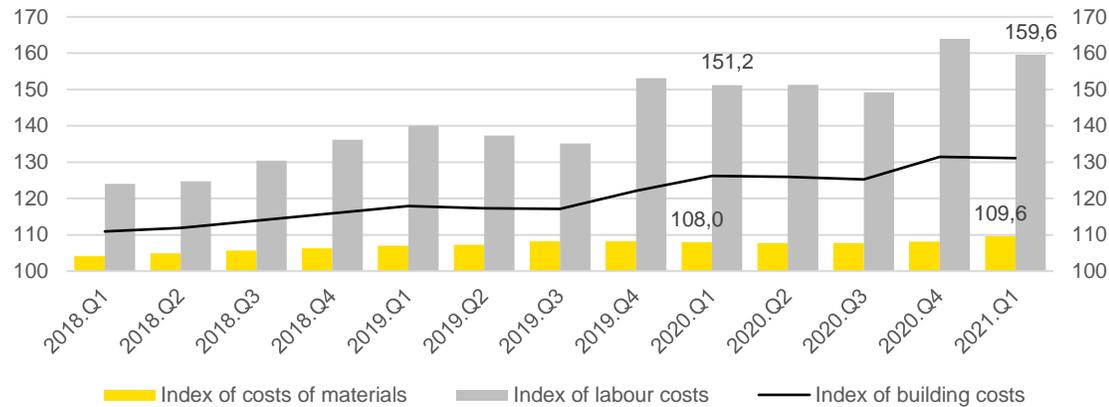
As the demand for housing increases, their prices also grow. For instance, according to *Halifax* data, the monthly price increase in UK has been above 5% since August last year (see the annual price change), during the months of the 2nd quarter this year: 8.4%, 9.6% and 8.8%. According to *S&P Corelogic Case-Shiller U.S. National Home Price NSA Index*, on the USA housing market prices increased by 16.61% in May.

The development of the Latvian housing prices is analysed in the following section about the housing market.

\* %, Y/Y - change vs the relevant period of the preceding year

# Building

The building costs index for construction of new residential buildings in Latvia (2015=100)



The building costs of construction of new houses continue growing in Latvia in 2021, mainly due to labour costs. The index of costs of materials was 108.0 in the 1st quarter of 2020 and had increased to 109.6 points in a year. The index of labour costs increased by 6% during a year, at the same time, it has decreased by 3% in comparison to the preceding quarter.

Building costs grow also elsewhere in Europe. The mean increase in the EU countries was 3% in the 1st quarter of 2021. In Latvia the increase was above the EU mean increase (+4%). However, the highest increase was in Hungary (+17%).

	Year 2019 the 1st quarter	Year 2020 the 1st quarter	Year 2021 the 1st quarter	Change 2021/ 19	Change 2021/20
Spain	104.5	104.7	107.5	3%	3%
Norway	110.6	112.8	115.3	4%	2%
Slovenia	109.0	111.1	117.3	8%	6%
Hungary	119.4	131.6	153.8	29%	17%

# RESIDENTIAL MARKET



## Latvia

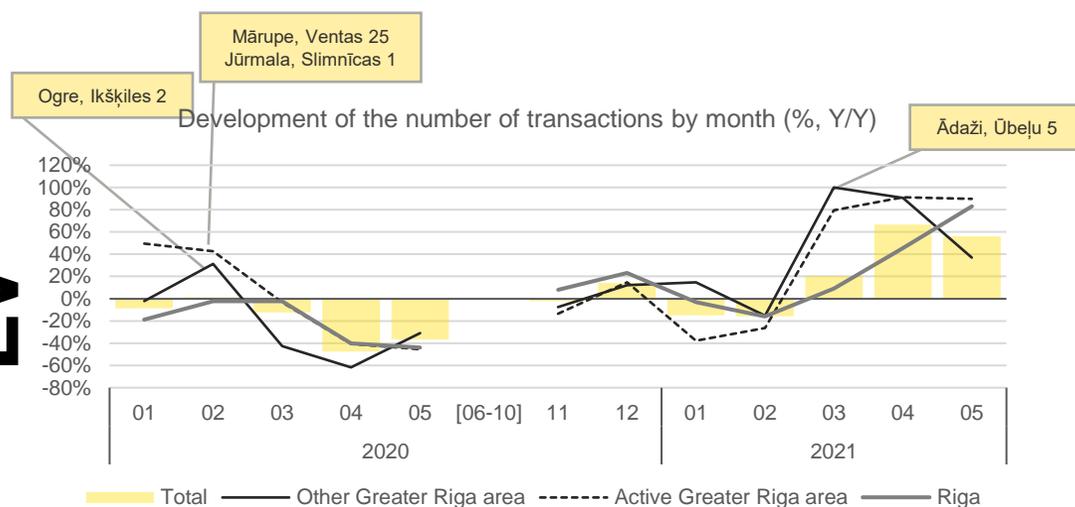
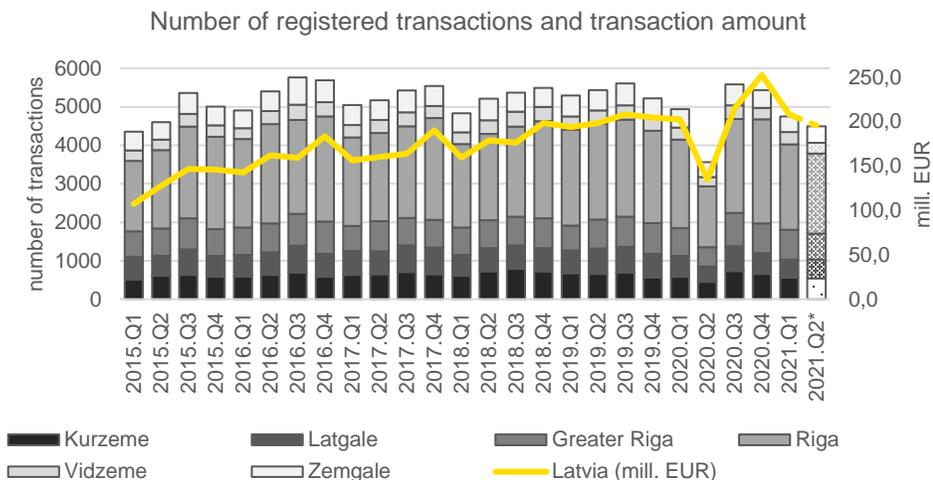
- All the market segments, except rural regions, are growing as regards prices, while the number of transactions fluctuates depending on the strictness of restrictions.
- There is insufficient supply in major cities outside Riga and Greater Riga for both apartments and houses, as well as residential development plots.
- Transactions in the major regional cities are increasingly often closed without involving advertisement portals. Properties are increasingly often purchased at prices above the market prices at the time of purchase. This aspect makes it more difficult to buy a property for those who do not have sufficient savings and who seek to buy a property by using a bank loan.
- In Latvia, there are no metropolises, however, the situation is similar to that elsewhere in the world, i.e. people are moving from the capital to the Greater Riga area and major regional cities. Due to the sudden increase of the demand, moreover, in the circumstances of existing insufficient supply, prices climb up.
- Despite this situation, buyers all over Latvia consider their possibilities prior to buying a property.
- In early 2021, the number of sales transactions on the primary market decreased. This fact can be explained by a lower number of completed buildings during this time compared to the relevant period a year ago.
- Due to increase of building prices, also prices of apartments in new developments grow.
- The rent market in Riga city centre has recovered after the pandemic and the demand is particularly high. Tenants choose high quality apartments and landlords have to invest in improving their properties.

## Global

- The prices of brand-new family houses continue growing in the USA as the prices of materials increase. Due to this, the number of transactions is decreasing.
- By supporting the victims of the pandemic, states helped tenants and borrowers of housing loans, for example, by automatically extending rent contracts or suspending eviction from housing.
- Thanks to the moratoriums of loan repayments, state measures for preserving jobs, restricted spending allowing households to make savings, the prices of housing have not rapidly dropped, instead they have increased by 5-20% on average.
- According to the OECD survey, housing is the main asset for people with low and average income. On average, 60% of the residents of the OECD countries own their housing (the number of owners is highest in Slovakia - 70% and lowest in Germany - 25%). Therefore, as the prices of housing increase, families with low or average income experience difficulties in accumulating wealth and transferring it to the next generations.
- The prices of housing increase most in less populated areas with easy access. If working from home continues, this will have an irreversible effect on the prices of housing at places not far from the urban centre.
- People appreciate space in choosing housing, as many white collars plan to continue working from home fully or partially.
- Agents of luxury housing in London predict that the market they represent will not recover during the next five years, as buyers prefer houses outside London.



## Residential market in Latvia

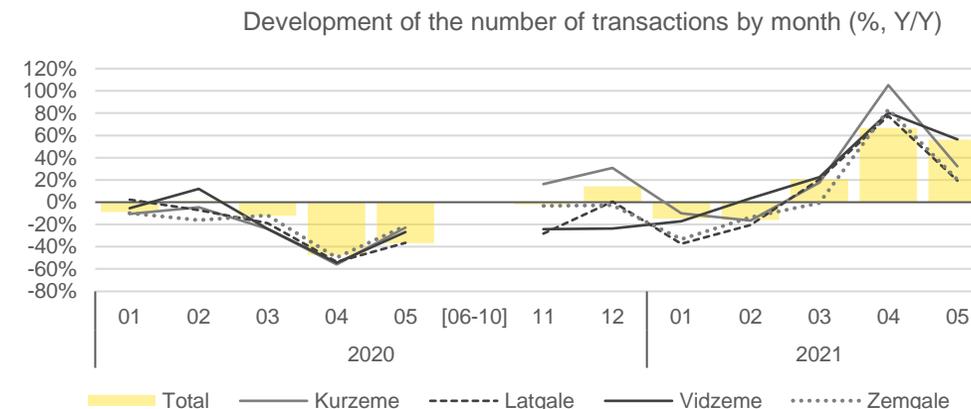


### The market activity is increasing outside Riga

By comparing the data of transactions in January to May in 2021 to the relevant period last year, the number of transactions has increased by 16%. This can be mainly explained by the rapid decrease caused by the pandemic a year ago. A high percentage increase could be seen outside the active Greater Riga Area, as there was a large decrease a year ago. Observations indicate that there is significant excess demand in cities and their close vicinity. The situation is comparatively more calm in Riga. Situation in remote rural regions has not changed.

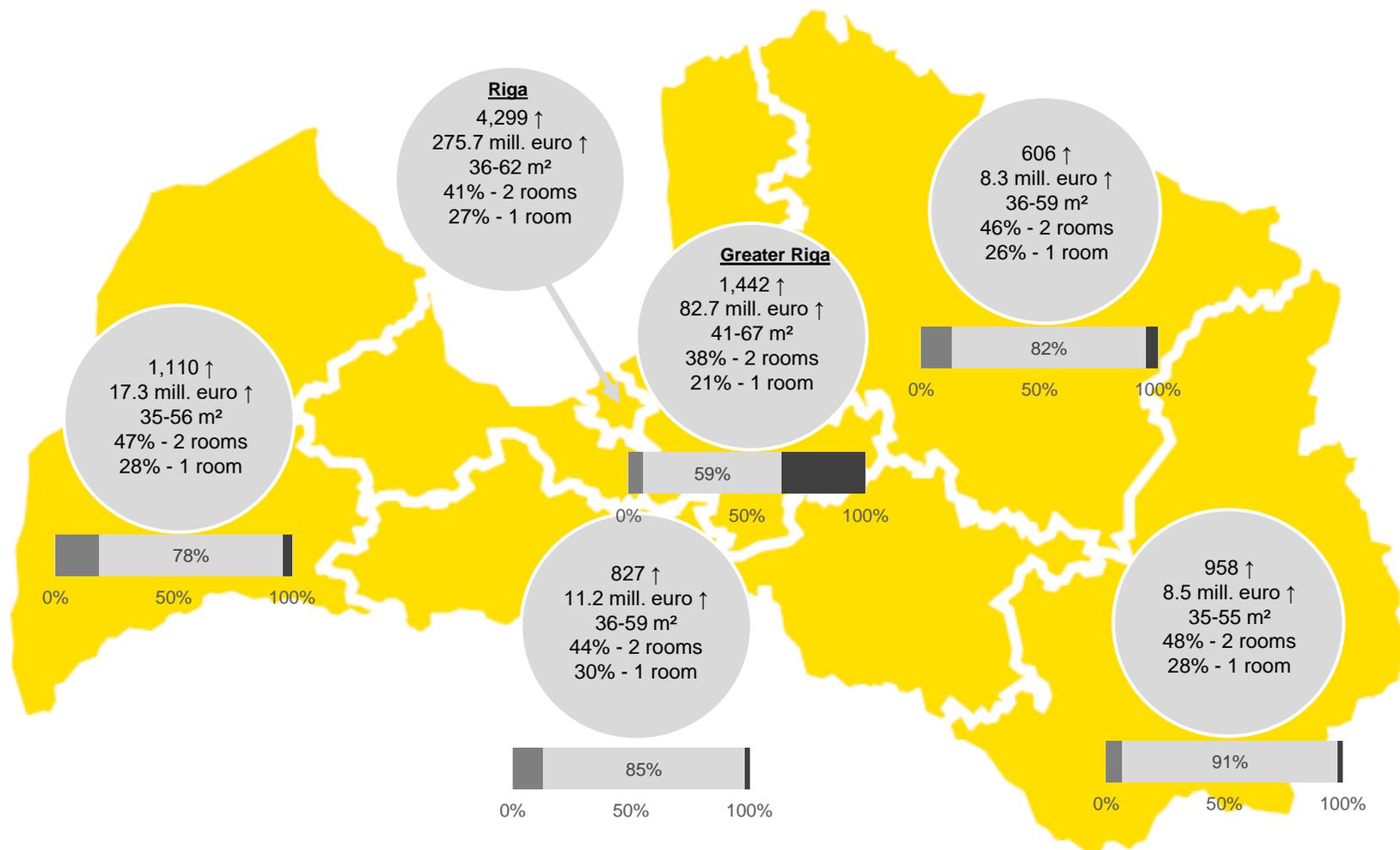
According to the data, the average prices of apartments built in 1954-1999 have increased considerably in Riga and Vidzeme, a price increase can be seen also in the rest of Latvia. Expert observations indicate that prices increased on the advertisement portals in the beginning of the year, however, also actual concluded transactions at higher prices could be seen later on. At present, high quality apartments outside Riga are sold in auctions increasingly often. This results in selling a property above the current market price and it is purchased either with a partial bank loan (because the appraised housing value corresponds to the current market situation) by covering the difference from savings, or without a bank loan. This situation makes it difficult to buy housing for people who have enough savings only for the first down payment.

At present, the demand allows successful implementation of new developments not only in Riga and nearby Greater Riga, but also in Valmiera, Cēsis, Liepāja and other cities. Several projects are in the stage of designing or building.



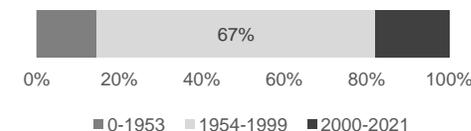
\* During drawing up the report, a part of transactions concluded in June was not registered with the Land Register  
 \*\* %, Y/Y – changes in 2020 and 2021 compared to the relevant period of the preceding year, by month

## Residential market in Latvia



<b>Number of transactions</b>	<b>9,242 ↑</b>
Number of transactions 1 room apartments	26% ↓
Number of transactions 2 room apartments	42%
Number of transactions 3 room apartments	24%
<b>Total value of transactions</b>	<b>EUR 403.7 mill.</b>
Mean floor space (median)	52 m <sup>2</sup> (48 m <sup>2</sup> )

Number of transactions depending on the year of building (in the country)

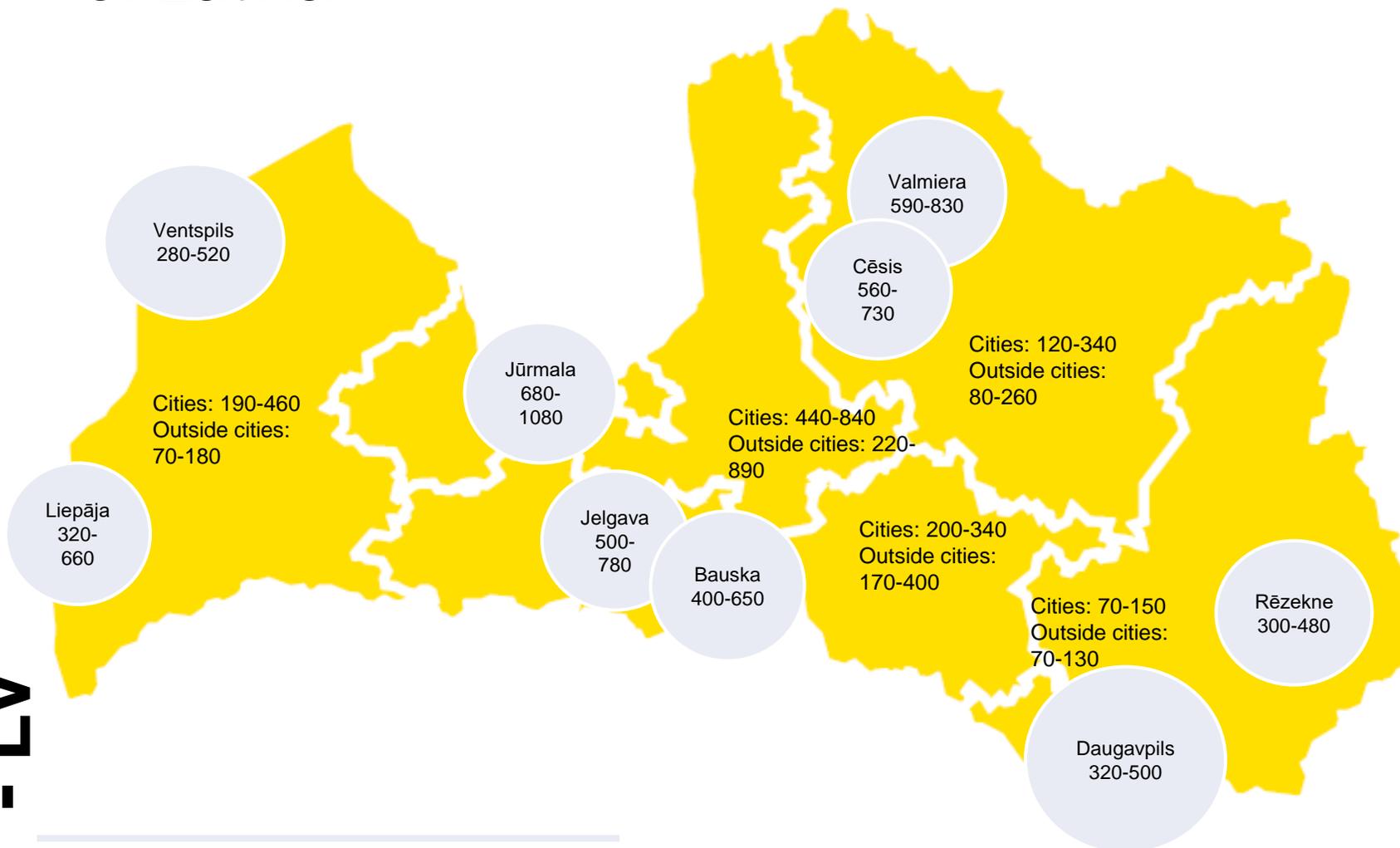


**On the map:**

- Number of transactions and change in the region
- Total value of transactions and change
- Most demanded floor spaces
- Transactions in 1- and 2-room apartments
- Number of transactions depending on the year of building

\* All the changes are presented by comparing the data about January-May 2021 with the relevant period in 2020. The other data refer to 6 months of 2021.

## Apartment prices in the regions of Latvia



Mean price of a 2-room apartment in houses built in 1954-1999 (euro)

Region	Cities	Outside cities
Active Greater Riga area	43,600	44,600
Other Greater Riga area	28,400	16,300
Zemgale	23,500	12,500
Kurzeme	20,400	6,600
Vidzeme	21,700	8,900
Latgale	11,400	5,000

**On the map:**

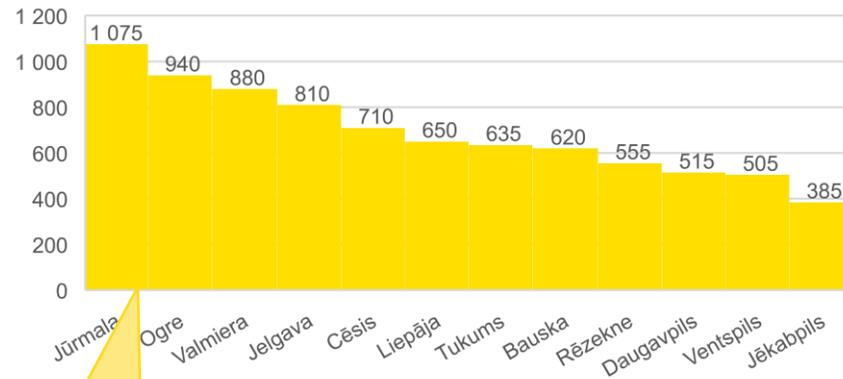
The mean price per 1 m<sup>2</sup> of floor space for apartments in houses built during the period from 1954 to 1999.

\* The quality of houses has a major impact on the apartment price.

\*\* The mean prices in the cities are presented not considering the cities marked separately (for instance, the mean price in cities in Kurzeme is estimated without taking into account prices of apartments in Liepāja and Ventspils).

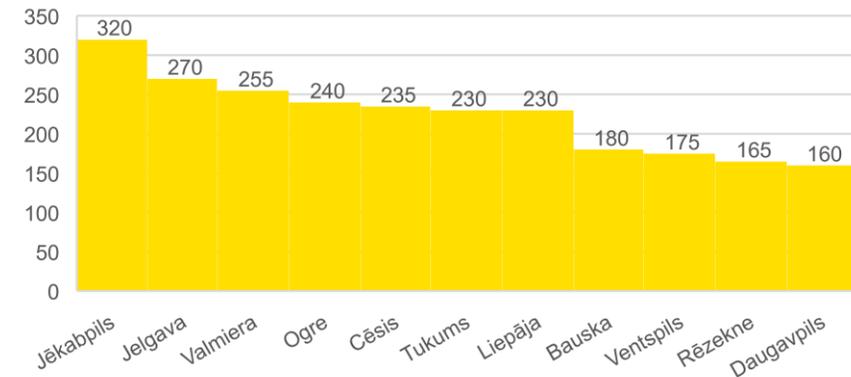
# Sale and long-term rent advertisements in the cities of Latvia

Sērijveida dzīvokļu sludinājumu cenas (EUR/m<sup>2</sup>)

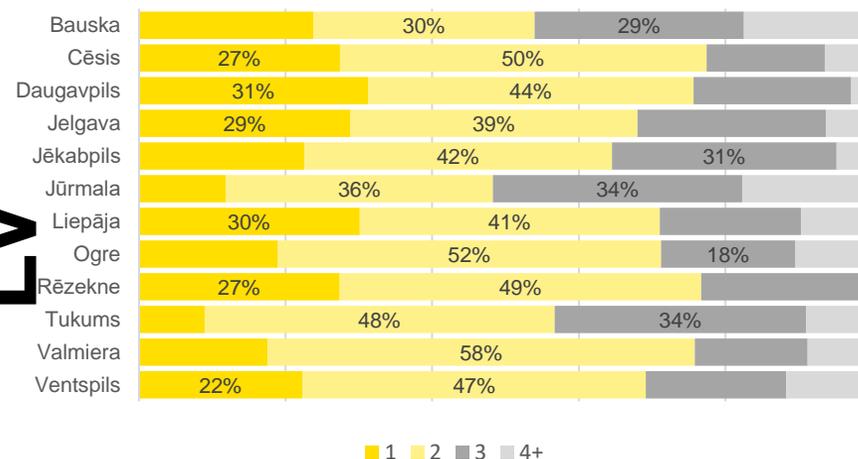


Kauguri, Ķemeri, Sloka,  
Valteri: 920 EUR/m<sup>2</sup>  
Elsewhere: 1,320  
EUR/m<sup>2</sup>

Sērijveida dzīvokļu īres sludinājumu cenas (EUR/mēn.)



Number of advertisements depending on the number of rooms



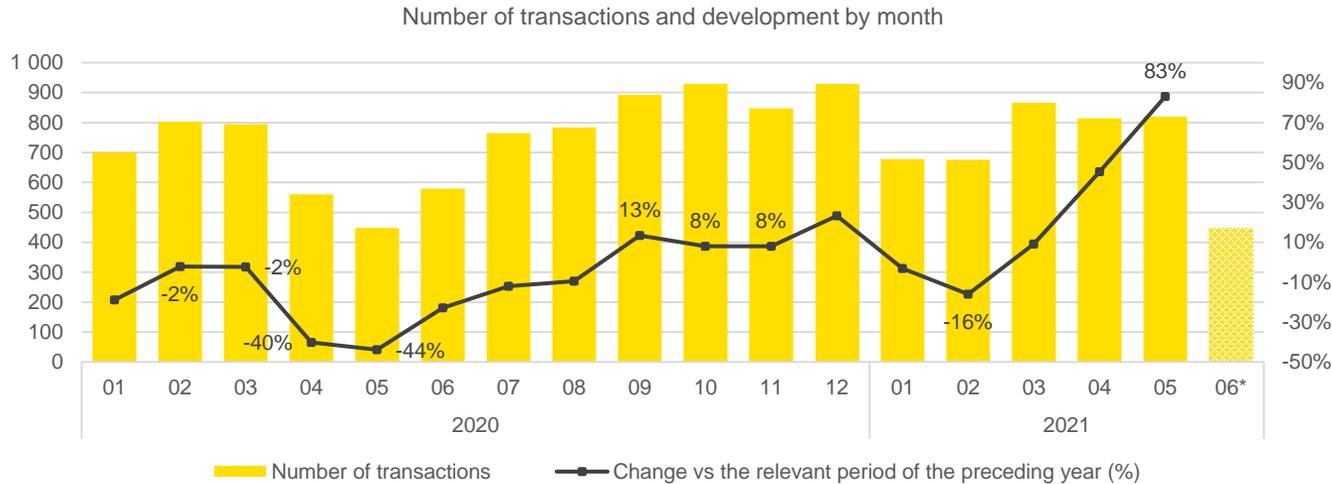
## Rent prices are increasing in advertisements

The mean price per square meter in standard apartments is by 10-20% higher than the mean price per square meter in 2020 in advertisements published during the first 6 months. From among reviewed cities prices have not changed considerably in Tukums and Ventspils. In Jūrmala the mean offer prices in 2020 in Kauguri, Ķemeri, Sloka and Valteri equaled 775 EUR/m<sup>2</sup>, and in the first 6 months of 2021 the mean prices amount to 920 EUR/m<sup>2</sup>.

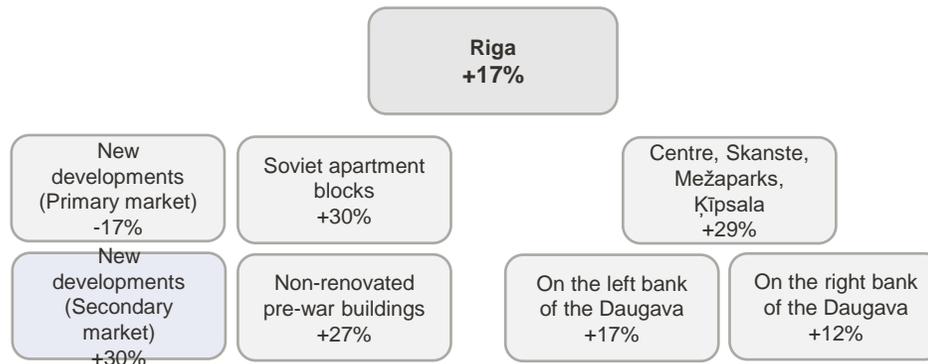
In the big cities the offer of rent apartments is insufficient, therefore rent prices increase. At present students are returning to cities, several companies resume operations after release of restrictions and their employees look for apartments close to their jobs. High quality rent apartments are also demanded in cities outside Riga.

In Liepāja and Jūrmala the short-term rent market got more active in spring, and irrespective of the concerns of the last year, tourists are still willing to have accommodation in apartments for short-term rent.

## Number of transactions with apartments



Changes of the number of transactions\*\*



### Increase of the number of transactions on the account of a decrease

Following the rapid decrease of the number of transactions caused by the pandemic last year in Riga, the percentage increase of the indices of this year compared to the last year is quite high (the number of transactions in 2021 is almost twice as high as in April 2020). At the same time, the number of transactions in April 2021 is by 1% higher than in February 2021 (a month before declaration of the emergency situation). A decrease of the number of transactions was seen during the first two months of this year.

### Apartments in soviet block buildings

Apartments in soviet block buildings are demanded and their time of sale is comparatively short. As the demand increases, the prices of apartments also increase (approximately 3-4%). At the same time it should be noted that there are still neighbourhoods where the demand is lower and the activity level has not changed.

### Buyer's profile

Buyers are purchasing apartments mainly for own needs, however, there are also buyers who look for apartments to rent them. Transaction managers in Latio have observed that clients are less frequently trying to negotiate prices, explaining this by being afraid of a rapid price increase. Clients no longer expect a price decrease, therefore they purchase what is offered.

Buyers are mainly young families and young professionals who use Altum. Young professionals are carefully choosing their first property and prefer apartments in new developments.

Buyers are mainly interested in apartments in a good condition ready to move in. They are mostly not willing to make major investment in repairs of an apartment. Thus, the floor and the layout have become less important aspects in choosing an apartment.

\* Data about June 2021 are partially available.

\*\* Comparison of the data of January-May 2021 to the date of January-May 2020.

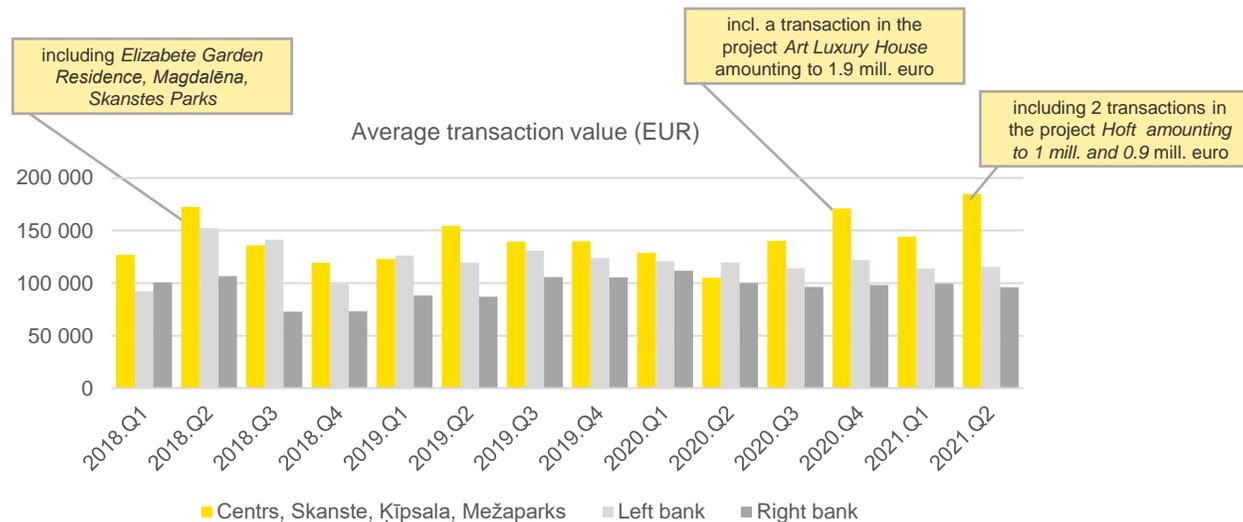
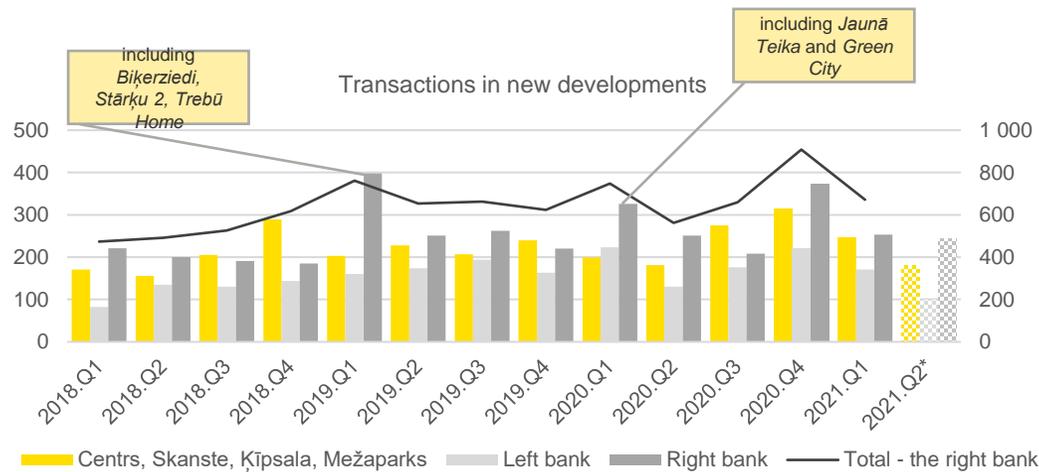
## Transactions with apartments in soviet block buildings in neighbourhoods of Riga



LEFT BANK	Number of transactions	RIGHT BANK
<b>784</b> (↑39%)	<b>Number of transactions</b>	<b>1 348</b> (↑26%)
	Number of transactions depending on the number of rooms	
26%	1 room	28%
44%	2 rooms	44%
25%	3 rooms	22%
32.9 mill. EUR (↑51%)	Value of transactions (change)	54.1 mill. EUR (↑37%)
<b>38-55 m<sup>2</sup></b>	Most demanded floor spaces	<b>36-56 m<sup>2</sup></b>
<b>49 m<sup>2</sup></b>	Mean floor spaces	<b>47 m<sup>2</sup></b>
<b>Imanta</b> (26%) – 980 EUR/m <sup>2</sup> (↑4%)	Most popular territories	<b>Purvciems</b> (21%) – 1,000 EUR/m <sup>2</sup> (↑3%)
<b>Ziepniekkalns</b> (18%) – 990 EUR/m <sup>2</sup> (↑1%)	(% of the total number of transactions) - average price per 1 m <sup>2</sup> (change)	<b>Kengarags</b> (19%) – 890 EUR/m <sup>2</sup> (↑3%)
<b>Iļģuciems</b> (15%) – 940 EUR/m <sup>2</sup> (↑6%)		<b>Pļavnieki</b> (14%) – 990 EUR/m <sup>2</sup> (↑4%)
Lithuanian New Series (21%) – 930 EUR/m <sup>2</sup> (↑8%)	Most popular series	Series - <b>602</b> (17%) – 980 EUR/m <sup>2</sup> (↑3%)
Series - <b>602</b> (19%) – 980 EUR/m <sup>2</sup> (↑1%)	(% of the total number of transactions) - average price per 1 m <sup>2</sup> (change)	Lithuanian Old Series (12%) – 940 EUR/m <sup>2</sup> (6%)
Series - <b>119</b> (16%) – 1,010 EUR/m <sup>2</sup> (↑5%)		Khrushchev Series (brick buildings) (11%) – 960 EUR/m <sup>2</sup> (↑5%)
<b>980 EUR/m<sup>2</sup></b> (↑3%)	Average price per 1 m <sup>2</sup>	<b>960 EUR/m<sup>2</sup></b> (↑4%)

\* All the changes in the number of transactions are presented by comparing the data about the beginning of 2021 with the relevant period in 2020. The other data refer to available data of 2021.

## Transactions in new developments



\*During drawing up the report, a part of transactions concluded in June was not available

In 2021 the highest number of transactions in the neighbourhoods of Riga took place in the below listed projects (the number of transactions and the mean price of the indoor space in brackets):

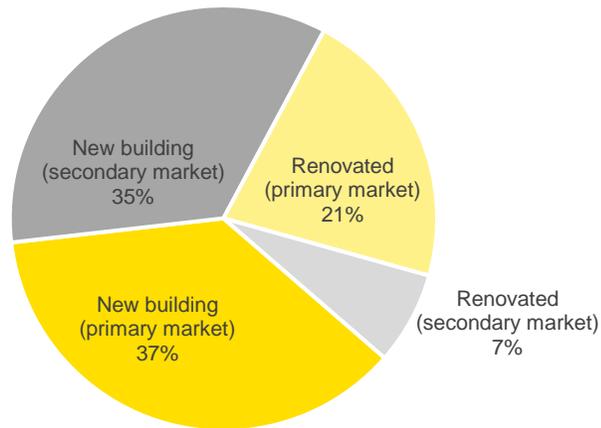
- The neighbourhood of Riga Centre, Skanste, Mežaparks and Ķīpsala:
  - Avotu 4 (41; 1730 EUR/m<sup>2</sup>);
  - Schoolhouse Loft (28; 2130 EUR/m<sup>2</sup>);
  - Blaumaņa 9A (22; 1870 EUR/m<sup>2</sup>);
  - Fjordi (20; 2200 EUR/m<sup>2</sup>);
- On the right bank of the Daugava
  - Krasta kvartāls (79; 1850 EUR/m<sup>2</sup>);
  - Divi krasti (39; 1930 EUR/m<sup>2</sup>);
  - Jaunā Teika (26; 2070 EUR/m<sup>2</sup>);
- On the left bank of the Daugava
  - Akācijās (32; 1920 EUR/m<sup>2</sup>);
  - Dignājas dārzi (23; 1700 EUR/m<sup>2</sup>).

### Developers of new developments continue building

- *Baltic Investment Group* has informed about the construction of the project *Ieriķu spāres* which they plan to complete in summer 2022.
- *Bonava Latvija* started construction of the new development *Vertikāles* in Imanta, as well as a residential complex in Teika, Ropažu street.
- *YIT* has several projects under development: *Riverstone Residence*, *Safrāns*, *Green City*, *Annas parks* and *Silvas nami*.
- *Pro Kapital Grupp* company *SIA Klīversala* plans to complete construction of the apartment house *Blue Marine* in *Klīversalas kvartāls* in 2022-2023.
- *Merks* has started construction of the project *Merka Duntēs zīles* and plans to complete it in 2022 along with the second stage of the project *Merks Viesturdārzs*, as well as the project *Mežpilsēta*, where the first stage is scheduled to be completed by the end of this year;
- In 2022 it is planned to complete the construction of the project *Ezerjuglas* in Jugla.
- *Kaamos* has informed about its plans in Mežaparks to build two buildings *Moho Park* by 2024.
- *Hepsor* has informed about the plan to build two buildings in the new residential quarters in Āgenskalns *Kuldīgas parks* by 2023.

# Sale of apartments in new developments

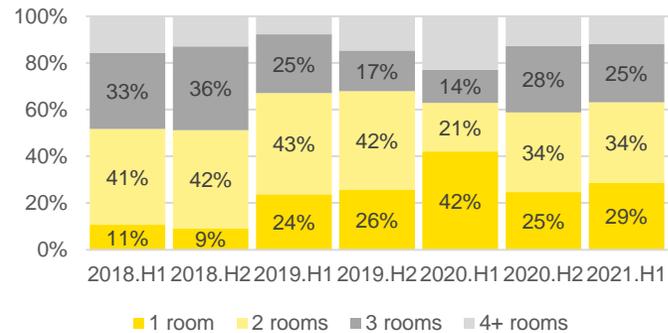
Transactions in new developments



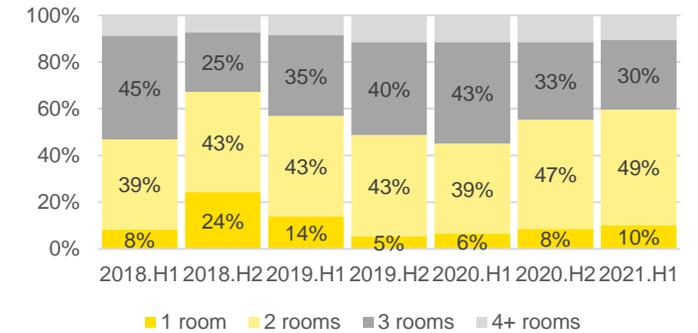
Average prices of the indoor space on the primary market of new developments

	New constructions	Renovated pre-war buildings
Centre, Skanste, Mežaparks, Ķīpsala	2,810 EUR/m <sup>2</sup> (+9%)	2,020 EUR/m <sup>2</sup> (0%)
On the left bank of the Daugava	2,020 EUR/m <sup>2</sup> (+4%)	1,850 EUR/m <sup>2</sup> (-1%)
On the right bank of the Daugava	1,900 EUR/m <sup>2</sup> (+3%)	1,670 EUR/m <sup>2</sup> (+4%)
Luxury projects on any location		3,500 EUR/m <sup>2</sup> (-2%)

Number of primary sales in new developments (Centrs, Skanste, Mežaparks, Ķīpsala)



Number of primary sales in new developments (the rest of Riga)



## The primary market has decreased in the beginning of the year

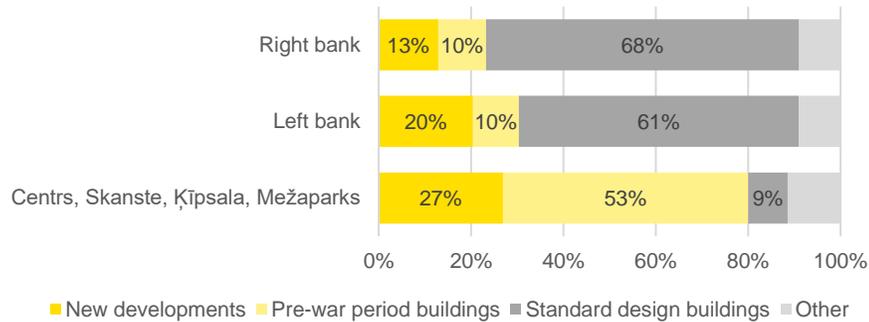
Review of changes in the number of transactions by projects during a year reveals the effect of the pandemic. A comparatively high number of new developments launched prior to recording the first disease case in the world were completed a year ago. Therefore a high number of transactions on the primary market was observed. A downturn was fixed on the primary market this year.

From the proportional share point of view, in 2021 there were more transactions in new buildings on the secondary market. 48% of apartments were sold on the primary market of new developments in 2020, and these transactions amounted to 37% of the total number of transactions in new developments in 2021. The amount on the secondary market increased from 26% to 35%. The distribution and share of renovated buildings on the primary/ secondary market has not changed considerably.

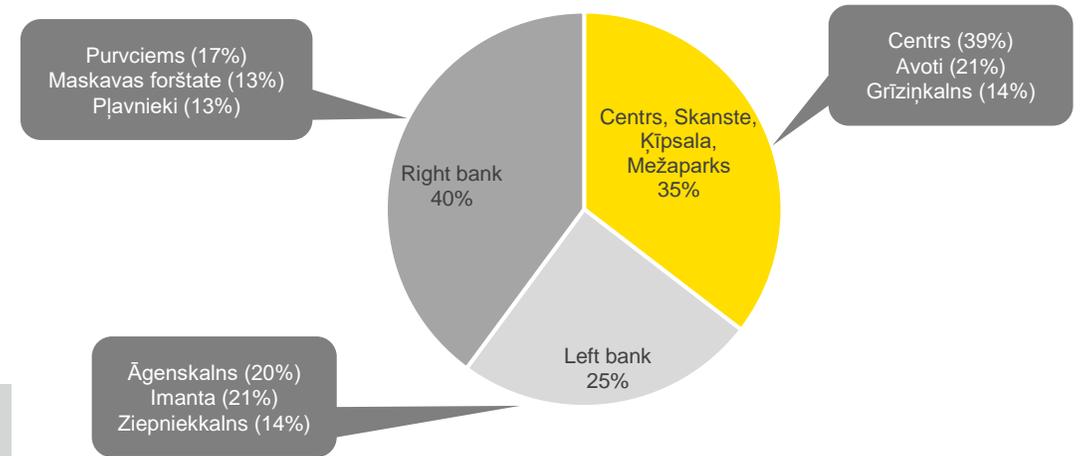
As regards increase of construction costs, the developers of new developments increase their prices. Despite the price rise, buyers do not buy less. Apartments are reserved during the construction process in medium-class new developments developed by the major companies. Several renovated properties will be put on the market in the near future.

## Long-term rent offers in advertisements

Long-term rent offers depending on the house design and location



Number of long-term rent advertisements

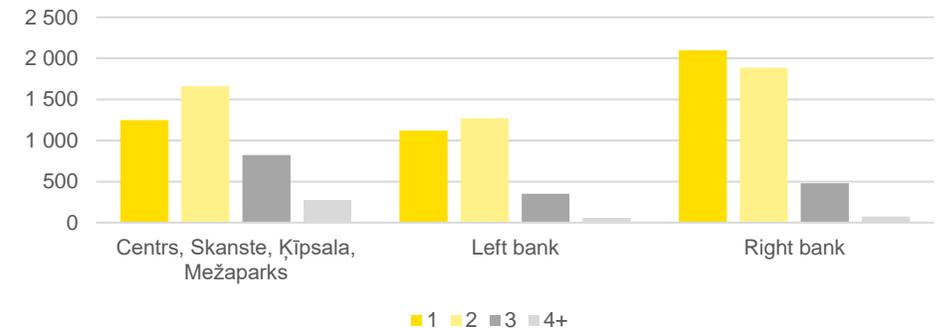


### The rent market has recovered

As restrictions have been eased, both long-term and short-term rent market has recovered. Foreign students come and students from other regions return to the city. White collars look for apartments closer to their jobs as they return to their work places. Therefore there is a high demand for rent apartments in Riga centre. Students mainly choose small apartments, however, lately they have also shown interest in bigger apartments to be shared by several students.

There is a high demand for rent apartments in new developments. In some cases a rent agreement is signed even without seeing the apartment. The quality of an apartment is becoming an increasingly important aspect in choosing a rent apartment. According to expert observations, landlords have to invest in repair and arrangement of their apartments prior to offering them on the market to ensure demand for them. Although the current demand is high, a low quality apartment can only be rented at a low price.

Number of primary long-term advertisements depending on the number of rooms



# Long-term rent offers in the most popular neighbourhoods and buildings (EUR/month)

Neighbourhood (% of the Left bank advertisements)	Project (% of the Left bank advertisements)	1 room apartments	2 room apartments
Āgenskalns (20%)	Standard design buildings (36%)	255	335
	Not renovated pre-war period buildings (32%)	245	325
Imanta (21%)	Standard design buildings (73%)	235	290
	New developments (24%)	360	450
Ziepniekkalns (14%)	Standard design buildings (83%)	230	295
	New developments (8%)	300	415

LEFT BANK



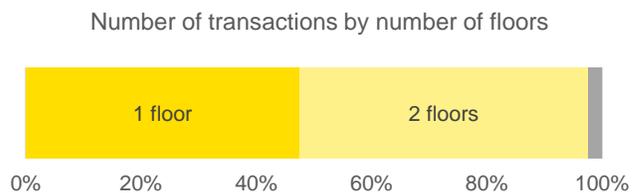
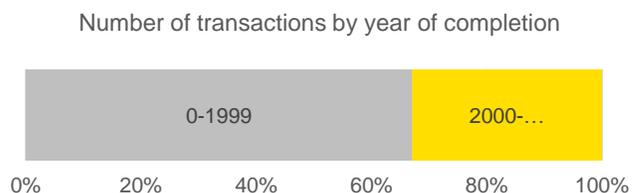
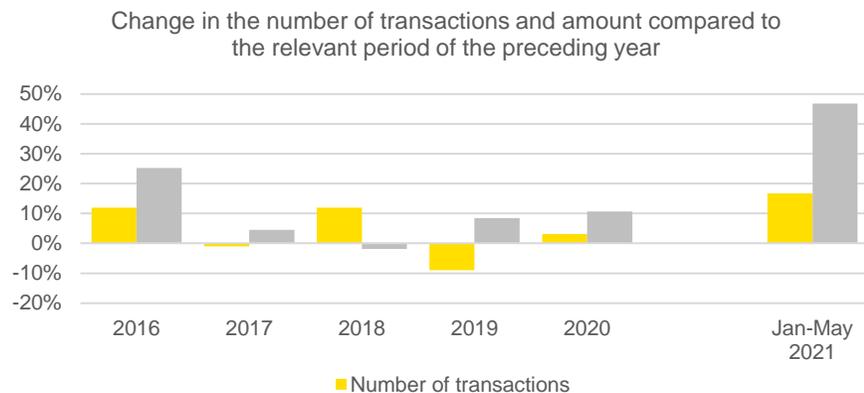
RIGHT BANK

## CENTRE, MEŽAPARKS, ĶĪPSALA

Neighbourhood (% of advertisements of Centrs, Mežaparks, Ķīpsala)	Project (% of the Centre advertisements)	1 room apartments	2 room apartments
Centre (39%)	Not renovated pre-war period buildings (55%)	270	410
	New developments (28%)	370	580

Neighbourhood (% of the Right bank advertisements)	Project (% of the Right bank advertisements)	1 room apartments	2 room apartments
Purvciems (17%)	Standard design buildings (82%)	235	300
	New developments (16%)	335	420
Maskavas forštatē (13%)	Not renovated pre-war period buildings (39%)	215	305
	Standard design buildings (28%)	230	285
Pļavnieki (13%)	Standard design buildings (90%)	235	300
	New developments (9%)	315	375

## Private houses



### Shortage of family houses

The number of transactions in family houses increased in 2020, however, this did not happen during the first five months when the world faced the pandemic, therefore the number of the first months of 2021 reveal a rapid increase. It should be noted that in comparison to the number of transactions in the first five months of 2019 and 2018, the number increased during the relevant period of 2021 (+9% and +6% accordingly). Looking at the average prices of family homes completed before 1999 in Kurzeme, Zemgale and outside the active Greater Riga, an increase can be seen.

Expert observations indicate that the supply of family homes is insufficient. In Jelgava, there is a shortage of both high quality and renovated houses, as well as houses requiring renovation. The high demand is also supported by the fact that there are more frequent transactions in family homes built during soviet times and redeveloped without the approval by the building authority.

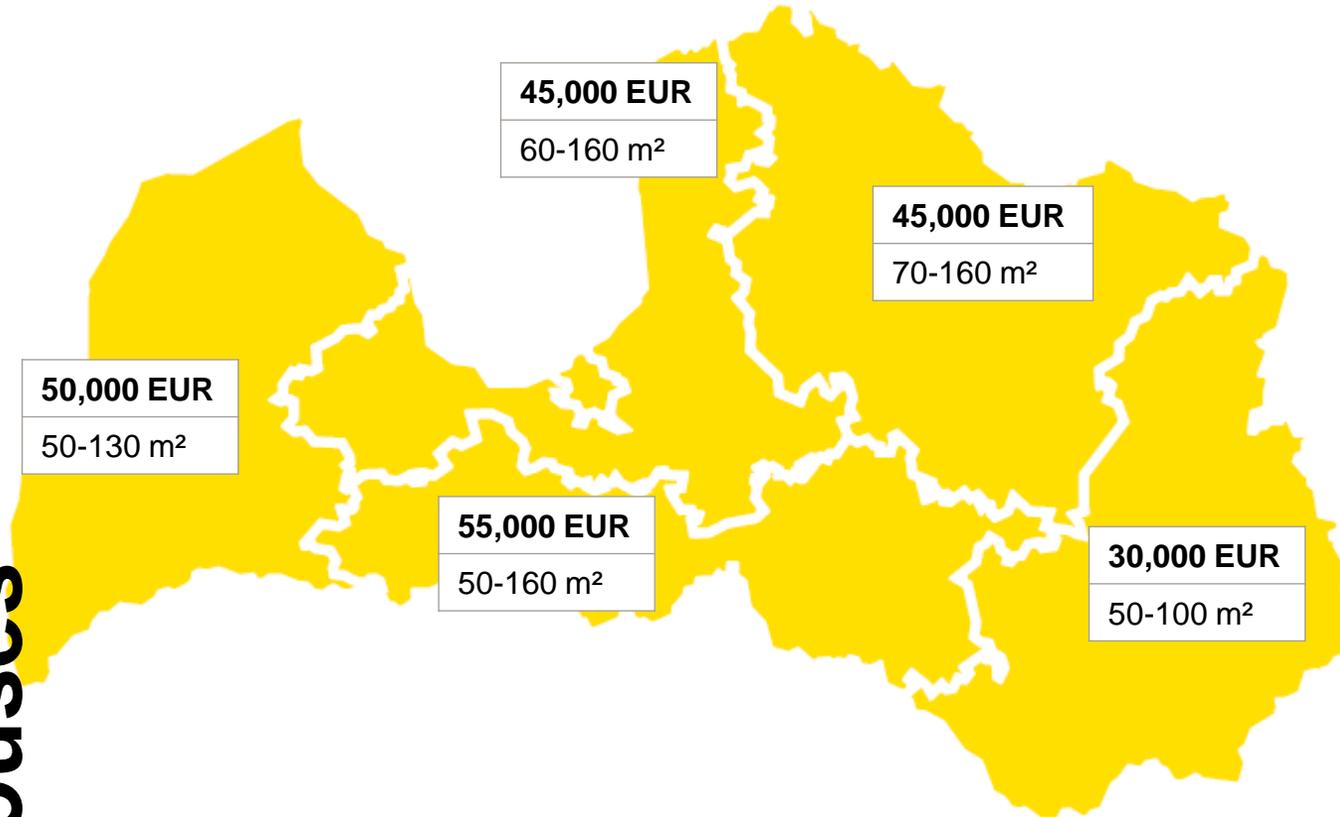
There are few buyers willing to buy properties where major investments in renovation or reconstruction are required. Interested buyers in most cases refuse to buy a house to be renovated after they start estimating costs.

The activity level of developers of family home villages is increasing on the real estate market. The popularity of wooden houses is growing, allowing developers to build a new village within a comparatively short term. At present, there are villages at various stages of development - construction, designs or plans (searching for suitable land plots).

Although the number of persons interested in buying a property in a rural area far away from neighbours has decreased, there are still such prospective buyers. Usually such people are looking for a house nearby water bodies, and required investment in renovation of a house or refusal of a bank loan hinders their intention.

# Prices of private houses and the most demanded floor spaces

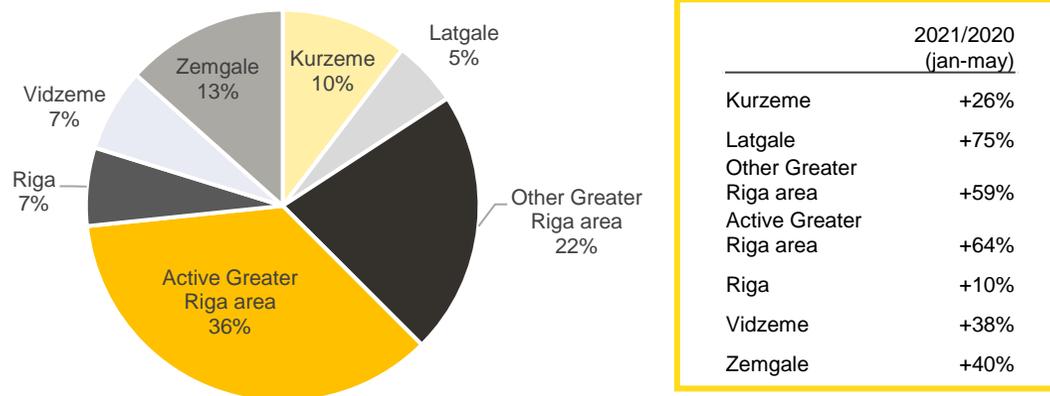
*\* The mean transaction values are specified for private houses with the floor space of 50-150 m<sup>2</sup> and constructed until 1999.*



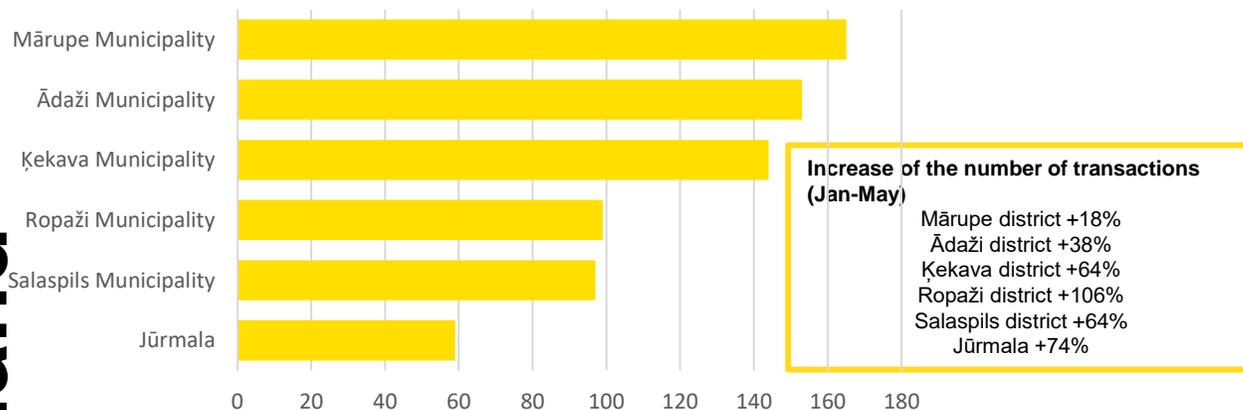
Active Greater Riga area	
Most demanded floor spaces	110-270 m <sup>2</sup>
100-150 m <sup>2</sup> , constructed after 2000	145,000 EUR
150-200 m <sup>2</sup> , constructed after 2000	200,000 EUR
200-250 m <sup>2</sup> , constructed after 2000	210,000 EUR

## Private development land

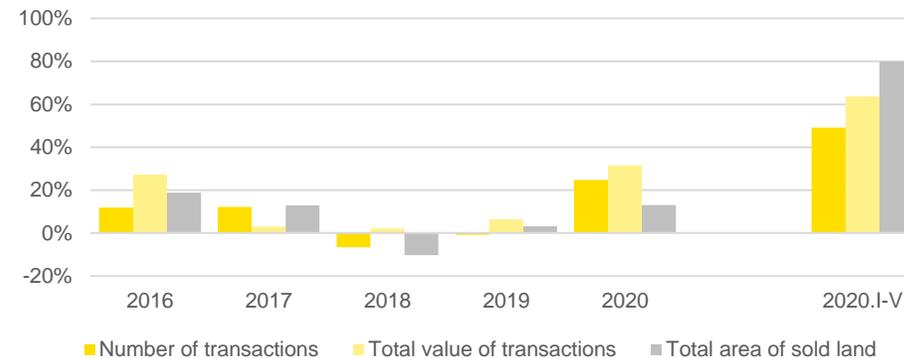
Distribution of the number of transactions per region



Number of transactions in active Greater Riga



Change in the number of transactions, value and floor space compared to the relevant period of the preceding year



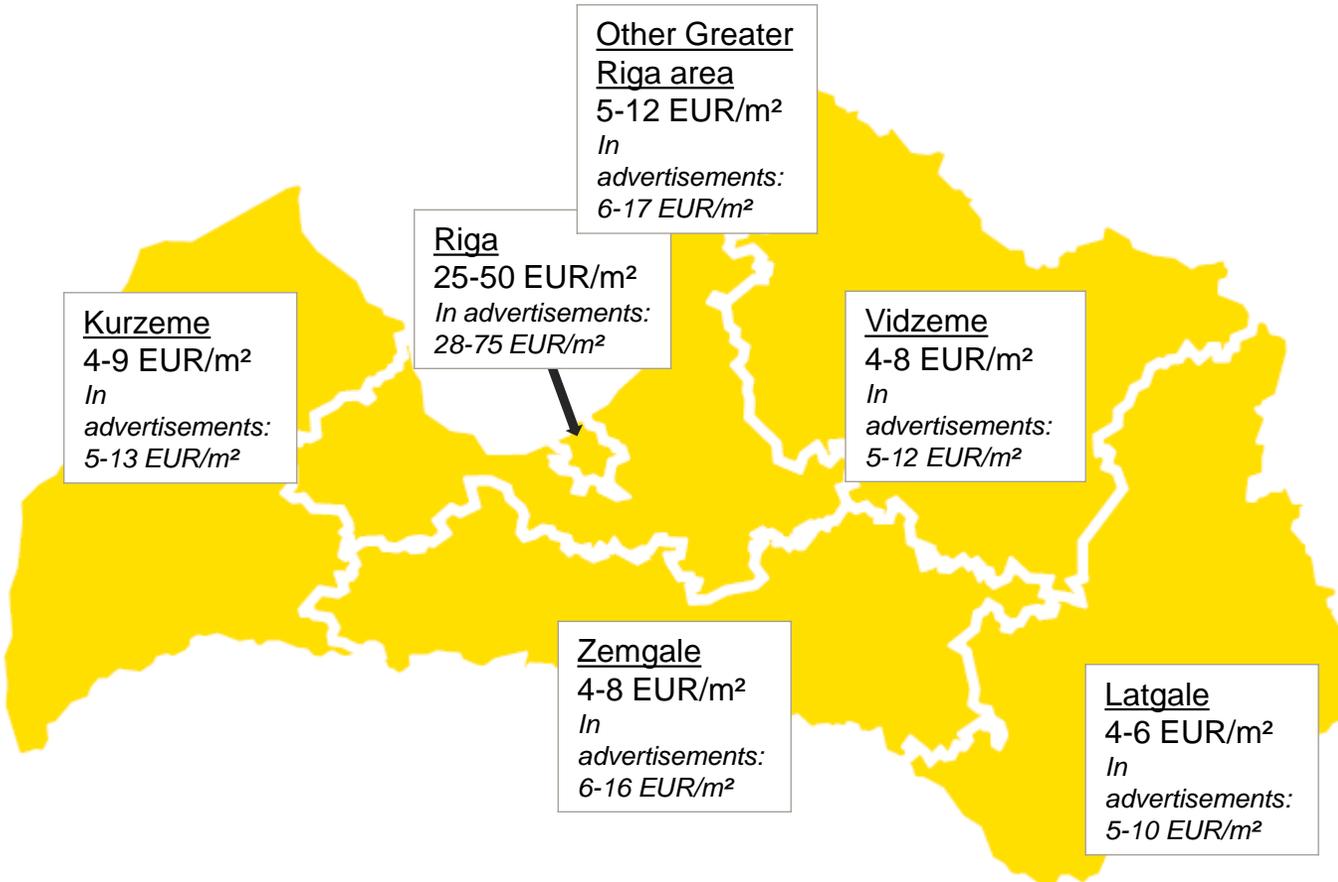
### Demand in land continues growing

When buyers cannot find a family home meeting their needs, they choose to buy a land plot and build their own house. Increase of construction costs is not an obstacle for the willingness to buy a land plot and build their own property. Therefore, it can be seen in figures that the number of transactions continues growing this year, too.

The most liquid land plots are rarely offered for sale, although the number of buyers willing to buy immediately has not decreased. There is still low interest in land plots without utility systems and infrastructure. Still, in cases when the costs of connection of utility systems are reasonable or the land is in a particularly nice landscape, buyers can be found also for these land plots.

Experts have observed that good land plots on good locations can be sold at a higher price than initially asked because, as there is an excess demand, auctioning is possible.

## Prices of private development land



### Average prices in active Greater Riga (EUR/m<sup>2</sup>)

Municipalities following the reform of 1.07.2021

	The most frequently recorded price range	The most frequently published price range
Ādaži Municipality	10-29	14-29
Ķekava Municipality	8-17	10-25
Mārupe Municipality	16-34	14-42
Ropaži Municipality	9-25	19-40
Salaspils Municipality	8-20	13-21
Jūrmala	9-42	25-79

#### **On the map:**

*The most frequently recorded price range in the relevant region.  
The most frequently published price range in advertisements in the relevant region.*

# **CURRENT AMENDMENTS OF LAWS AND REGULATIONS**



## Current amendments of laws and regulations related to the real estate sector

On 1 May 2021 the new Law on Rent of Residential Premises entered into force replacing the law on rent of residential premises adopted in 1993.

The new rent law and related amendments in the Notaries Law and the Civil Procedure Law provide for a more simple and faster resolution of disputes if a tenant does not pay the rent or does not vacate the rented premises within the set term.

However, in order to benefit from the rights provided by the laws and regulations, the rent agreement should be correctly drafted and executed.

Attention should be paid to the requirements defined by the law regarding the data to be mandatory included in the rent agreement, and the parties should also agree on whether the agreement will be registered with the Land Register.

The new law on rent of residential premises stipulates that rent agreements may only be concluded for a restricted term.

It should be taken into account that if the rented residential premises are alienated during the validity term of the rent agreement, the rent agreement of the residential premises signed with the preceding landlord is only binding for the entity acquiring the premises if it is registered with the Land Register.

The landlord has the right to apply to the court for undisputed enforcement of obligations according to the procedure defined by the Civil Procedure Law if the tenant has not paid the rent according to the amount defined by the rent agreement or does not vacate the rented residential premises due to expiring of the rent term, only if the rent agreement is attested by the notary (a notarial deed) or registered with the Land Register, and this condition is included in the rent agreement.

A rent agreement may be registered with the Land Register by using the online system of the State Uniform Computerised Land Register at [www.zemesgramata.lv/manidati](http://www.zemesgramata.lv/manidati).

In this case the rent agreement and the corroboration request should be signed by both parties with a secure electronic signature and the e-application form for registration of the rent right should be completed online.

[See more details about submission of e-applications here.](#)

There is no stamp duty for registration of the rent rights with the Land Register.

## **Current amendments of laws and regulations related to the real estate sector II**

On 6 July 2021 Saeima [the Parliament of the Republic of Latvia] adopted amendments to the Notaries Law related to the new Law on Rent of Residential Premises and entering into force on 5 August 2021.

Thus, Article 107<sup>1</sup> of the Notaries Law now stipulates that terminated lease, rent or lending agreements executed in the form of a notarial deed, providing for expiration of the obligations of the tenant or lending beneficiary or the obligation to vacate the leased, rented or borrowed property due to a failure to pay the lease or rent fee, as well as the obligation to pay the lease or rent fee, should be enforced in compliance with the procedure of enforcement of court judgements provided by the Civil Procedure Law.

Article 107<sup>3</sup> of the Notaries Law stipulates that the above referred notarial deed may be submitted for forced enforcement if the debtor has directly and clearly agreed to forced enforcement of obligations in the deed, including eviction of the debtor and his/ her belongings from the leased, rented or borrowed property, if the terminated lease, rent or lending agreement provided for the lessees, tenants or lending beneficiary's obligation to vacate the leased, rented or borrowed property in case of expiration of the term or due to a failure to pay the lease or rent fee, as well as the obligation to pay the lease or rent fee. An authorised representative may only agree to this on the debtor's behalf if he/ she has been particularly authorised to do this.

If a rent agreement is executed as a notarial deed and it includes the above referred conditions, this notarial deed can be submitted for forced enforcement without applying to the court, as the notary issues a notarial enforcement writ upon receipt of the creditor's application.

A sworn notary prepares a notarial enforcement writ as a notarial deed within three business days following receipt of the creditor's application and includes a note regarding the term of two months for voluntary performance of the obligation and submission of the notarial enforcement writ to a sworn bailiff following expiring of the above term if the notarial enforcement writ provides for a person's obligation to vacate the leased, rented or borrowed property prior to the end of the term defined by the agreement.

## Current amendments of laws and regulations related to the real estate sector III

On 1 July 2021 amendments to Cabinet Regulations No. 1250 (27 October 2009) "Regulation Regarding State Fee for Registering Ownership rights and Pledge Rights in the Land Register" entered into force providing that the state fee for registration of the ownership rights with the Land Register is determined as follows for every property:

- 1) alienation of property according to an agreement or a court resolution on approving the auction deed or the court resolution on registration of the ownership right to the auction winner, co-owner or creditor - 1.5% of the value of the property (eur) if the ownership right is acquired by a natural entity;
- 2) alienation of property according to an agreement or a court resolution on approving the auction deed or the court resolution on registration of the ownership right to the auction winner, co-owner or creditor - 2% of the value of the property (eur) if the ownership right is acquired by a legal entity;

Thus, the state duty has been reduced for natural entities from 2% to 1.5% and the state duty of 6% which was applicable to legal entities upon acquiring the ownership right to an apartment property was abolished.

IV On 6 July 2021 Saeima [the Parliament of the Republic of Latvia] adopted amendments to the Law on Apartment Property (entering into force on 5 August 2021) allowing again to construct several residential houses on a single land plot and to divide them in apartment properties.

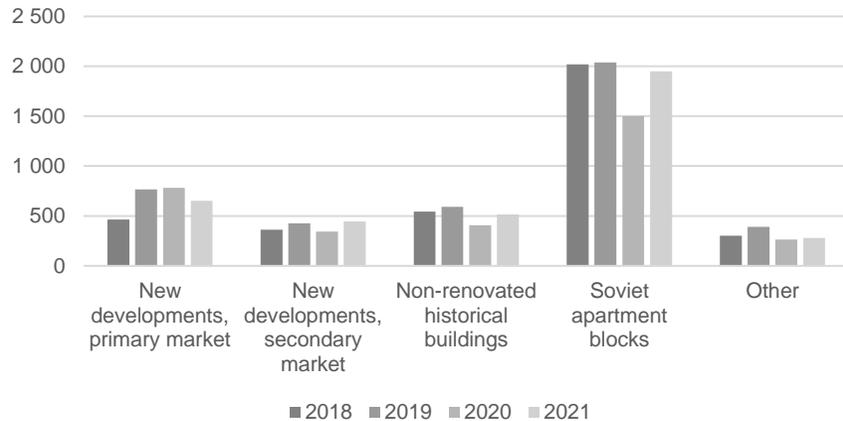
At the same time, the law amendments provide that a decision on performing repair works or construction works in a separate residential house is adopted by the apartment owners whose separate properties are located in this residential house, and money contributions to the savings account for performing administration of the separate residential house are made, as well as administration expenses related to construction or repair costs in a separate residential house are covered by the apartment owners whose separate properties are located in this residential house.

# TRENDS

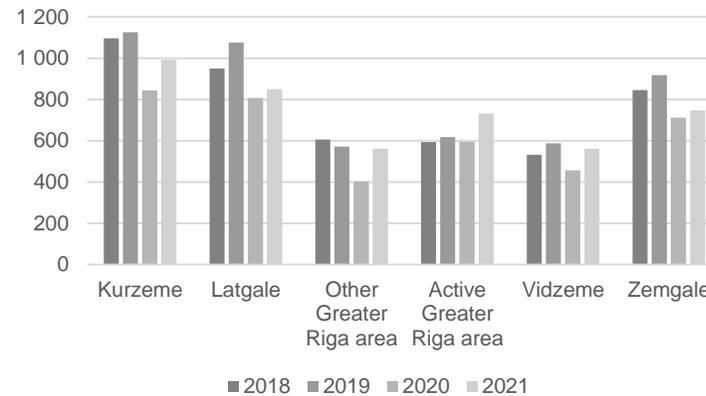


# Number of transactions by year\*

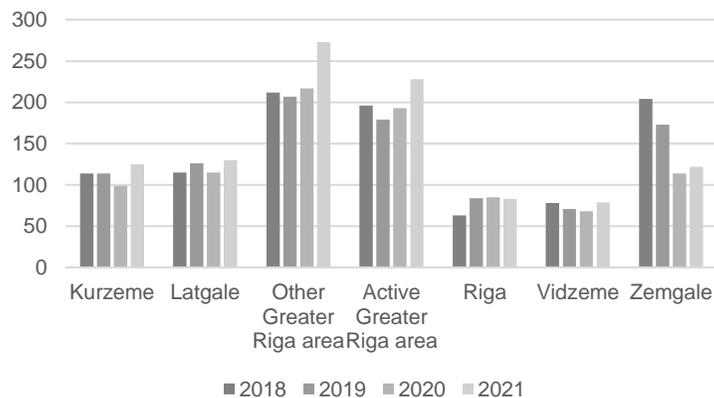
Apartments in Riga



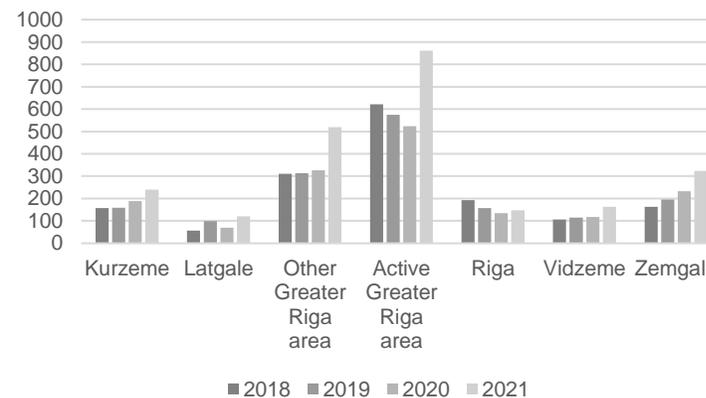
Apartments, the rest of Latvia



Private houses



Residential development land



## People are moving to Greater Riga

The emergency situation was announced in Latvia on 13 March 2020 due to Covid-19 pandemic. There was general uncertainty about the future, many processes slowed down or stopped. The number of transactions on the real estate market started decreasing and the number of transactions shrank rapidly in April and May.

At the end of the last year, the number of transactions rapidly increased, most probably thanks to the beginning of the year. Either due to this reason or because the pandemic reached its highest point and another emergency situation had to be announced in this country, the number of transactions decreased again in the beginning of 2021, however, not as fast as in the spring of 2020.

These reasons make it difficult to correctly assess the increase of the number of transactions, therefore the data of the first five months of the last 4 years are presented in figures.

It follows from there that the number of transactions with apartments in Riga has decreased this year. The number of transactions with apartments has decreased also in the rest of Latvia. The Greater Riga presents an exception, as the number of transactions has increased considerably there.

Also the number of transactions with land and family houses has increased in the Greater Riga.

The number of transactions with residential development land continues growing this year.

\* Data about the period from January to May

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