

*Latio*

HOUSING MARKET

# REPORT

2021



”

In early 2022, the question “will a new bubble develop in the real estate market?” wafted in the air, which foresees a simple binary-shaped answer - yes or no. Despite the seemingly simple question, no one had a clear and convincing answer to it. On the one hand, the pronounced trends throughout 2021 - high demand for housing, price increase and conditional availability of funding – made impression of a bubble formation. On the other hand, the limited supply, the scrupulous examination of borrowers’ solvency by the banks and absence of obvious speculation nevertheless put a brake on market growth.

While experts speculated on market developments in 2022, global events reintroduced new changes to the external and internal economic scenario. And today, all the talks are going on again on one issue: what happens next with the world? And no one can find an unequivocal answer to that question either. As they say, we are all currently “living in the history textbook” but hope for the best. In feeling the threat of war, the main human values - life, family and security - are at the forefront.



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# MACRO- ECONOMICS



## Latvia

As in many social areas, everything in the economy is intertwined with everything. The real estate market as an economic sector is also affected by a whole set of factors.

The two previous years spent in the face of spontaneous pandemic restrictions reinforced real estate market trends that arose and developed in Latvia throughout the last decade:

- a strong desire to expand dwelling space
- a desire for increased comfort
- a desire for landscaped environment and customized space

The pandemic and the associated restrictions stimulated those preferences with increased intensity. Moreover, the high inflation not only played a certain role in Latvia, but throughout the Western world as well. People are rushing to invest their money into things that won't lose their value as quickly as their savings in an account. By the way, this is the main difference from the previous housing boom: until the crisis in 2008, much of the transactions were closed for speculative purposes, while currently the real estate is mostly purchased for one's own use, and a small number of homes are acquired as buy-to-let but not for resale. There are further concerns here that it may not be possible to manage buying at the original prices. This explains the record-breaking rush in reservations of new project flats under construction in 2021 and early 2022.

### 2021 and a cautious forecast for 2022

Just a few would recall this fact now, but Latvian residents marched in 2021 very unhappy about the restrictions imposed to reduce the spread of coronavirus disease. During the winter festivities and early January, a curfew had been set.

Announcements later emerged about the discovery of new types of the virus, and again Latvia restricted arrivals and departures from several countries.

The highlights of 2021 included vaccination and anti-vaccination campaigns. Overall, Western Europeans vaccinated with optimism and hoped to achieve a faster elimination of the pandemic. At the same time, the majority of Eastern and Northeast Europeans questioned the necessity of vaccination, and we observed the consequences of this in autumn 2021 – a rapid increase in the incidence in Baltic States against the backdrop of moderate growth in Western countries demonstrated the effectiveness of vaccination against the dangerous type of Delta.

Positive trends were also observed – entrepreneurs were able to adapt their business to the conditions of the pandemic to a greater or lesser extent, and the unemployment rate decreased in the second half-year, while the average wage increased. Nevertheless, the inflation rate also soared consequently, and it is already evident that it will continue to rise in 2022 and reach double digits in many areas. In their turn, projections of people's employment and wages for 2022 do not trigger optimism.

In late 2021, the most painful and hence the reason why the most urgent topic was bills for heating. While the main factors in choosing a home were its location, area and price as recent as in 2020, the heating and property management costs factor came to the fore in early 2022. It is not the right time to make forecasts at present, yet there is an obvious tendency – energy efficiency of the dwelling will become more topical in 2022 than ever.

There is a view that the economy is like a bike -- either driving or falling. March-April 2022 appears to be the period of a bike riding in fog along an obstacle course.





## World

Humanity survived the pandemic - huge investments contributed to a breakthrough in medicine. If we look back at the time exactly two years ago, we will recall certain apocalyptic sensations – fear of civilisation collapse, economic decline, unrest. The same feelings and emotions we're experiencing right now. But they are more worrying at the moment.

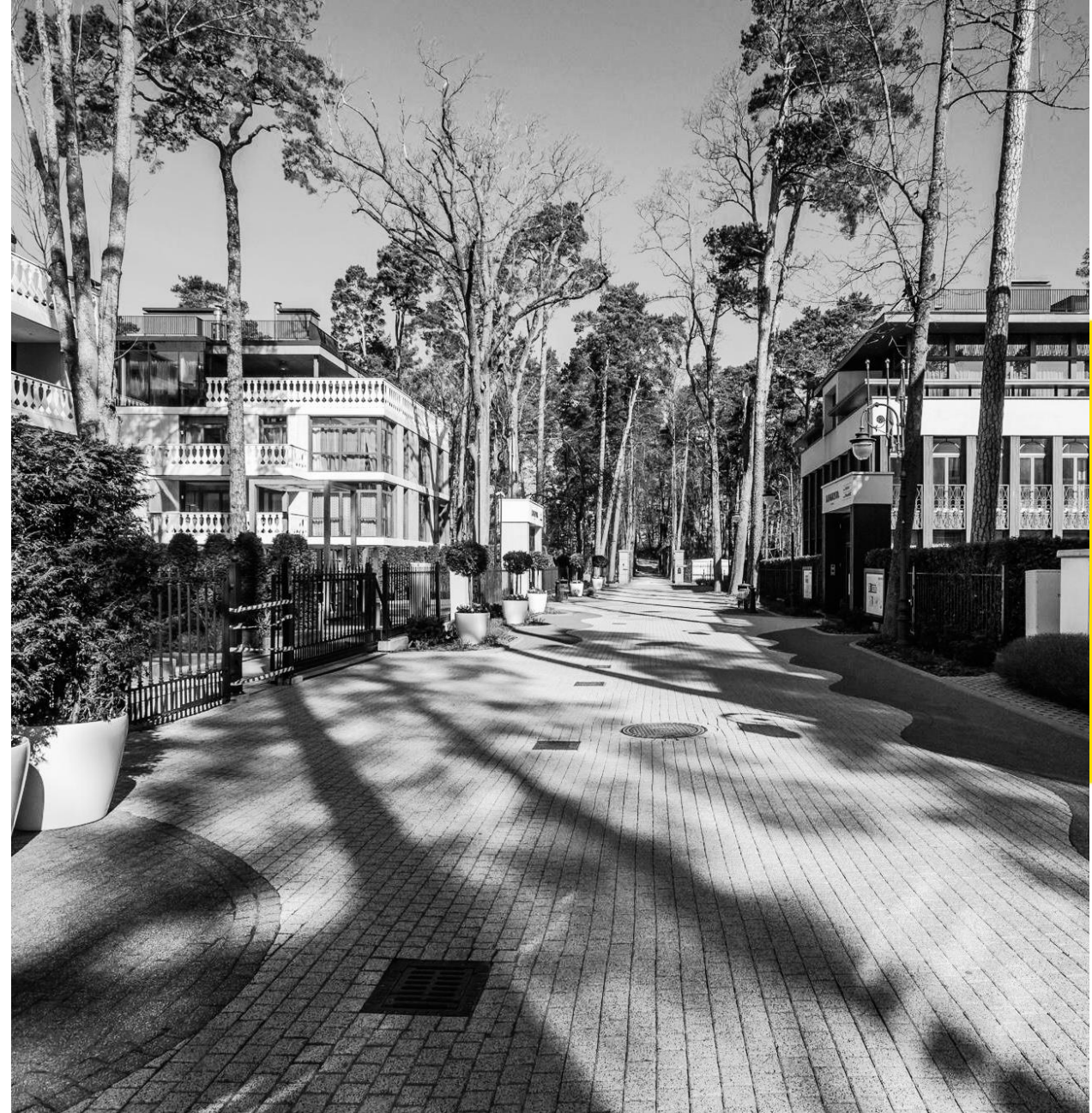
In spite of this fact, it was figured out that the global economic stability reserves were large enough and it withstood the turbulence of the coronavirus. In addition, we observed in late 2021 that economies started to recover. Despite each next wave of the pandemic throwing us back a little, growth rates remained at 4%-5% in both Europe and the US.

If the pandemic rocked the pattern of globalization, then the war in Ukraine pointed very vividly to all the risks of global division of labour between countries. Previously established transport and production chains are torn apart as soon as a single link or even more so some of its links fall out of this chain.

The first waves of the pandemic halted mobility, but hostilities at the heart of Europe will make it harder to produce raw materials and industrial activity in many key sectors. Delivery is being hampered in each of these categories.

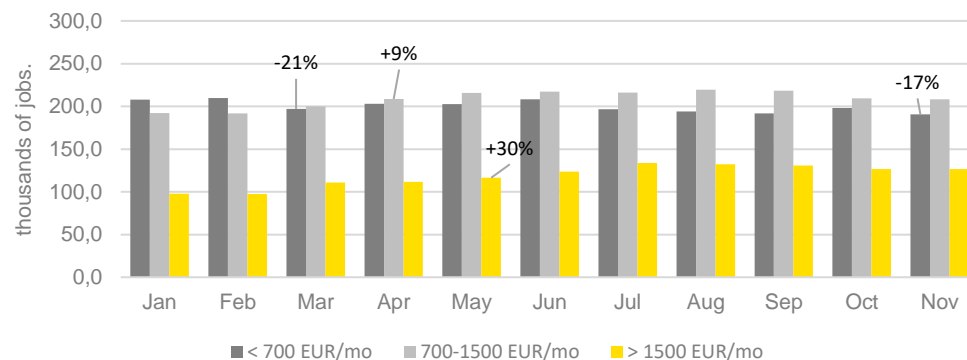
Companies have already faced increased raw material prices - for liquid fuels, metals, and food products. This raises concerns that rising prices for vital goods will significantly reduce household savings. The basic human need for housing has not vanished yet anywhere in the world. Housing markets in the world are demonstrating resilience and steady growth.

The events of the last two years will certainly transform the global economy. The focus is on security of energy and supply chains.



# Labour market

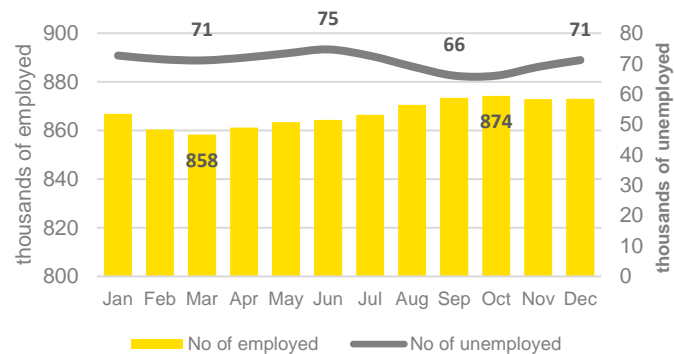
Breakdown of the number of private sector employees by gross income (2021, monthly)



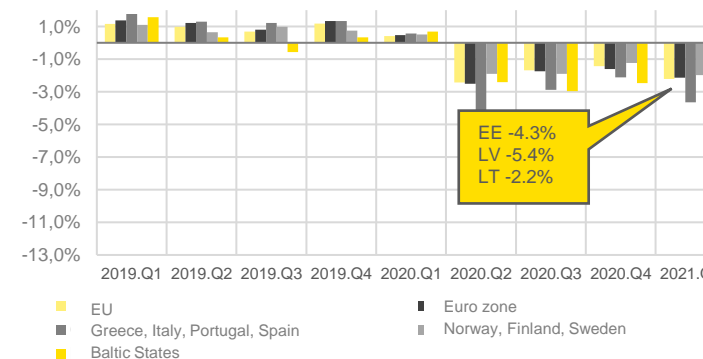
November (2021/2020)		
< 700 EUR/mo	700-1500 EUR/mo	> 1500 EUR/mo
-17%	0%	+27%

\* the chart shows the largest pro rata change per group against the corresponding month of 2020

Number of unemployed and employed aged 15-74 (in 2021 by month)



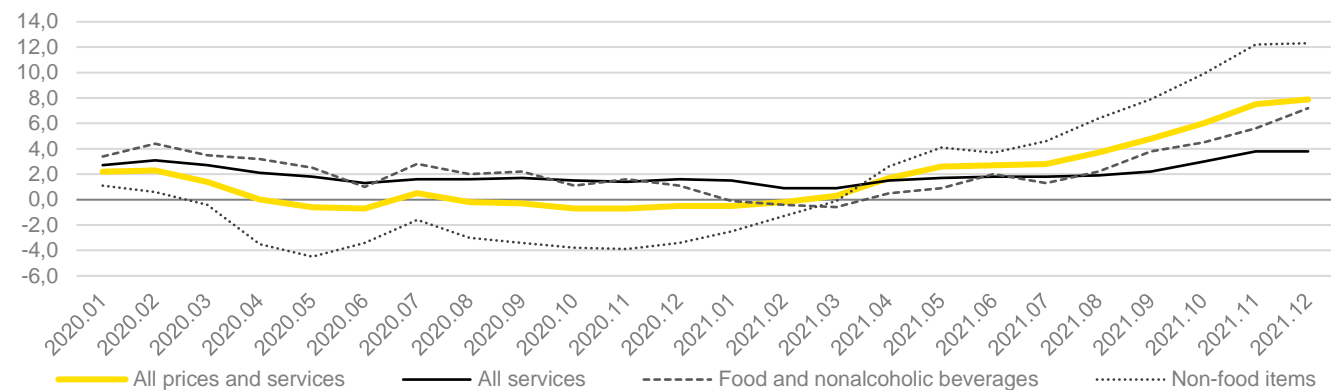
Change in number of employees aged 15-74 (% , Y/Y \*)



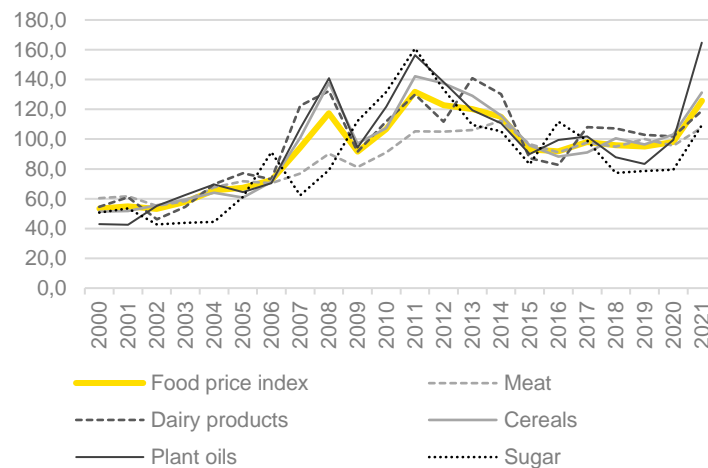
\*, G/L - changes against the corresponding period of the previous year.  
 \*\* the latest available data has been used.

## Prices

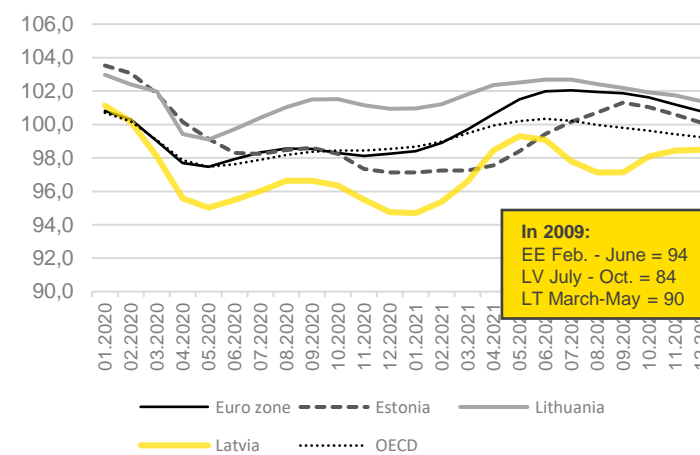
Changes in consumer prices in Latvia (% vs. corresponding period of previous year)



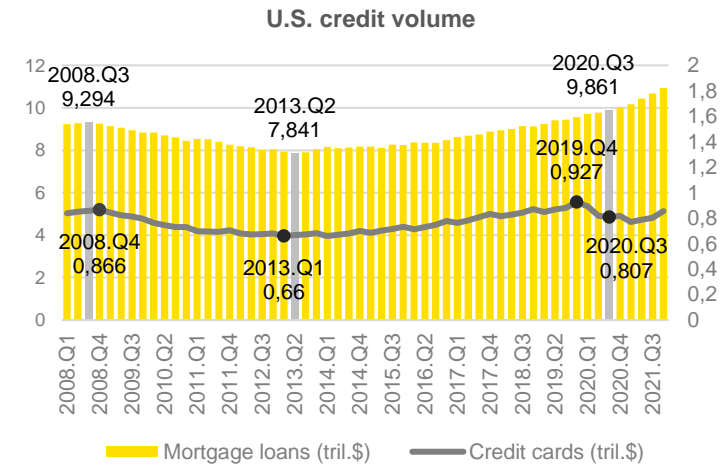
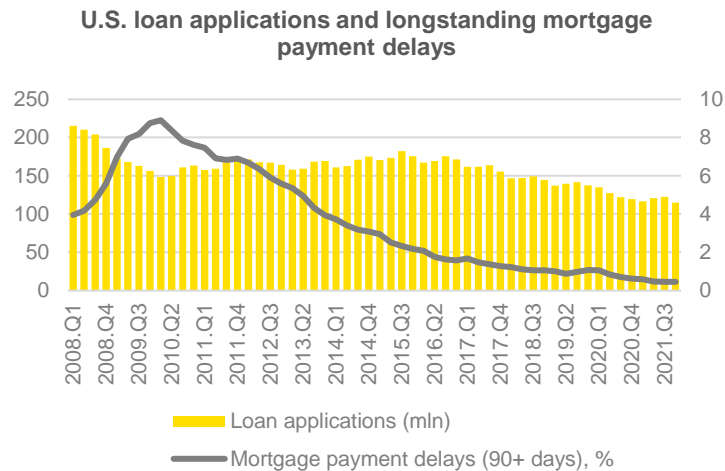
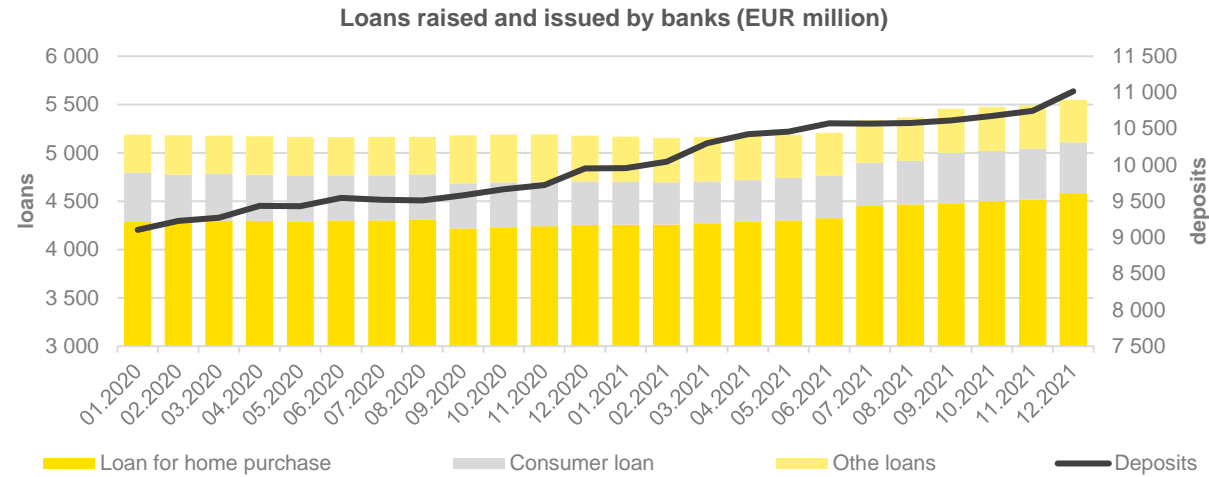
Global food price changes



Consumer confidence Index



# Loans, deposits, housing

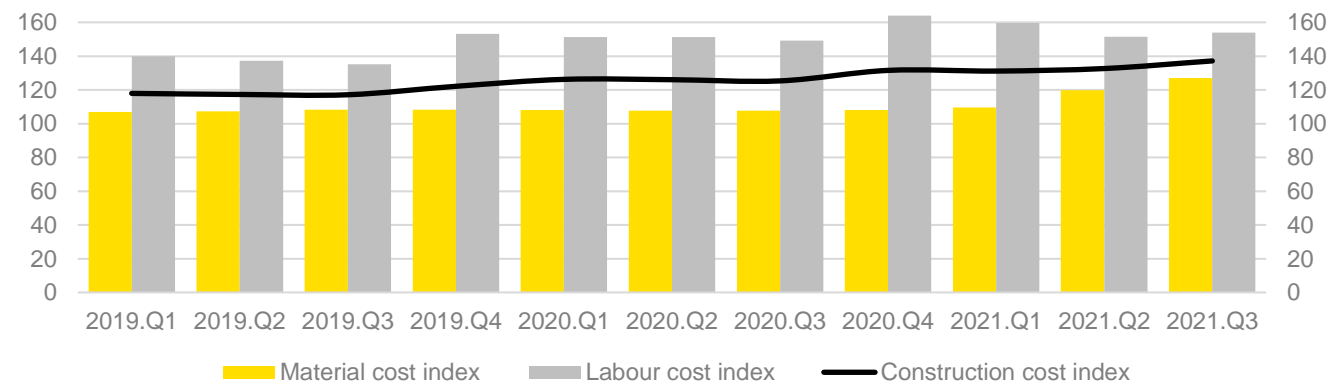


\*, Y/Y - changes against the corresponding period of the previous year

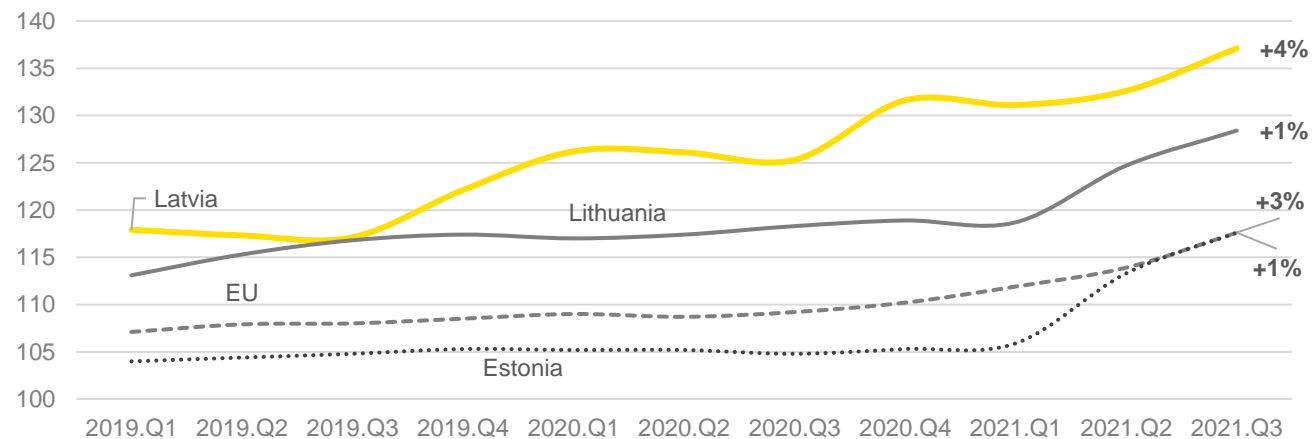


# Construction

Construction cost index  
for the construction of new residential houses in Latvia (2015 = 100)



Construction costs to build new residential houses (2015 = 100)

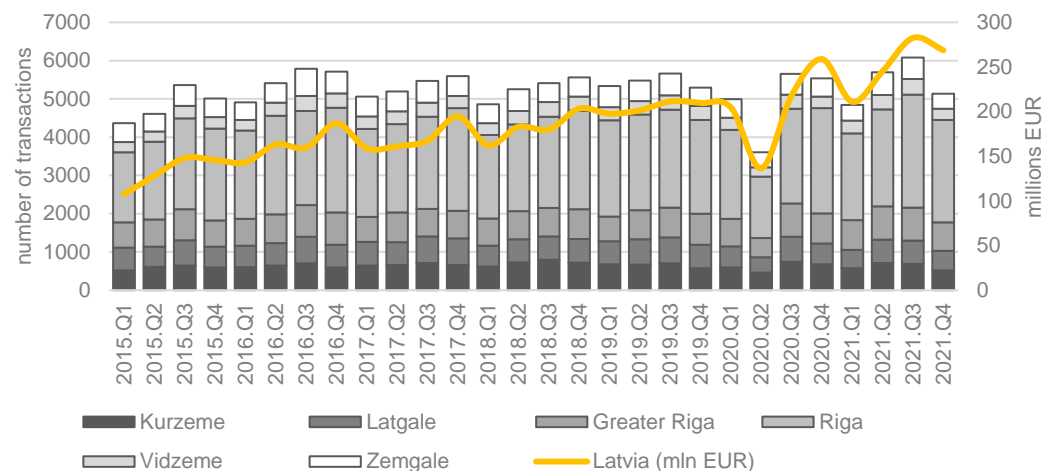


# HOUSING MARKET

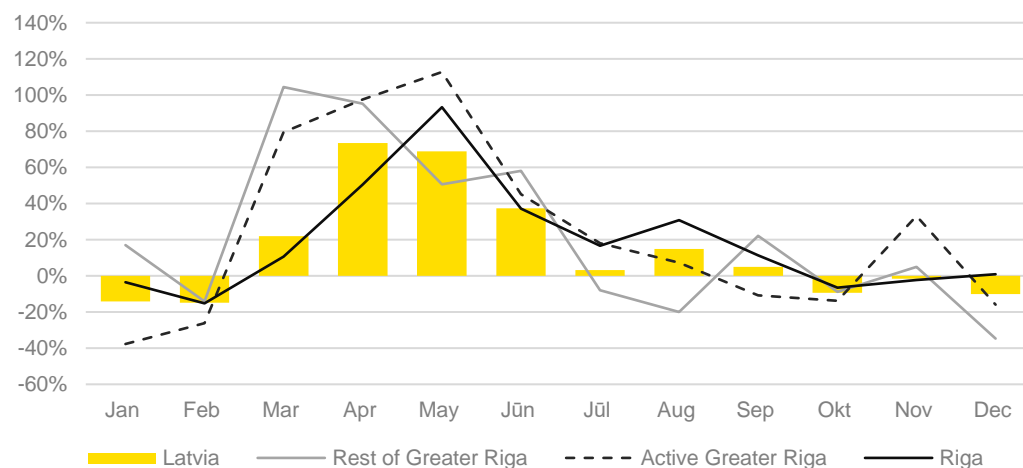


# Apartment market in Latvia

Total number of transactions recorded and amount of transactions



Monthly changes in the number of transactions (% , Y/Y)



\* %, Y/Y - 2021 changes against the corresponding period of the previous year, by month

## Most pronounced early 2021 and 2022 trend: strong demand, scarce supply

Compared to 2020, the number of transactions in the apartment market increased by 16%. Moreover, Latio experts estimate that reservations of new apartments increased by nearly 15% in late 2021 compared to the beginning of the year.

The increase is due to several factors, including:

- a pandemic-induced decline in the previous year;
- the inclination of residents started last year to improve and expand the housing area;
- citizens' worries that money is losing its value;
- fear that the previous increase in construction costs will affect property prices in the future.

The gross value of transactions in 2021, according to the State Land Service data:

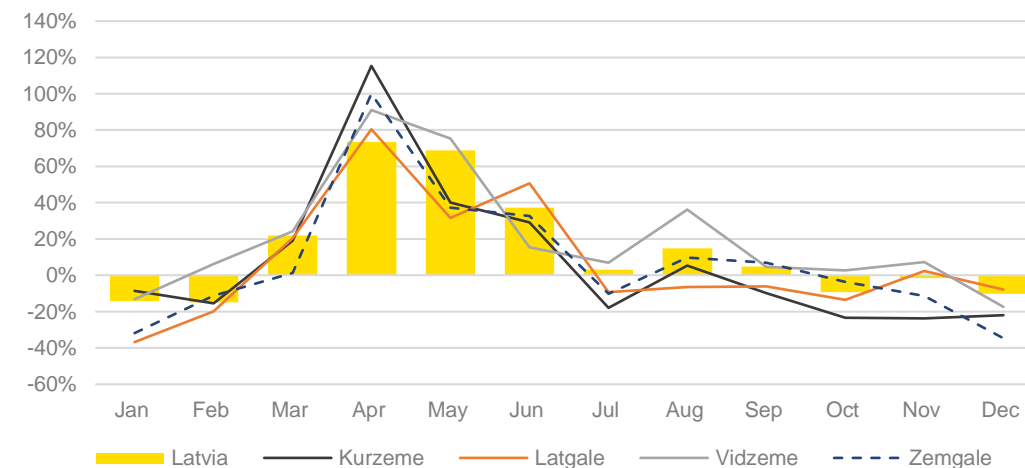
- over EUR 1 billion in transactions where one or several apartments, or a share of apartment was sold;
- EUR 996.8 million in transactions selling one separate apartment as a whole group of premises.

Throughout Latvia, apartment prices have increased in all segments, especially average prices have increased significantly for apartments built in 1954-1999 in Greater Riga Area and Vidzeme. Supply prices also increased in advertisements, yet deals at higher prices began to emerge over time.

The observations also show that demand in and near the cities of Latvia significantly exceeds supply. Competitive bidding is increasingly observed for quality apartments outside Riga. As a result, the property is sold above the market price at the time and is purchased either with a partial bank loan (because the appraised value of the home corresponds to the market situation at the time), while the rest is paid from own funds, or without any loan.

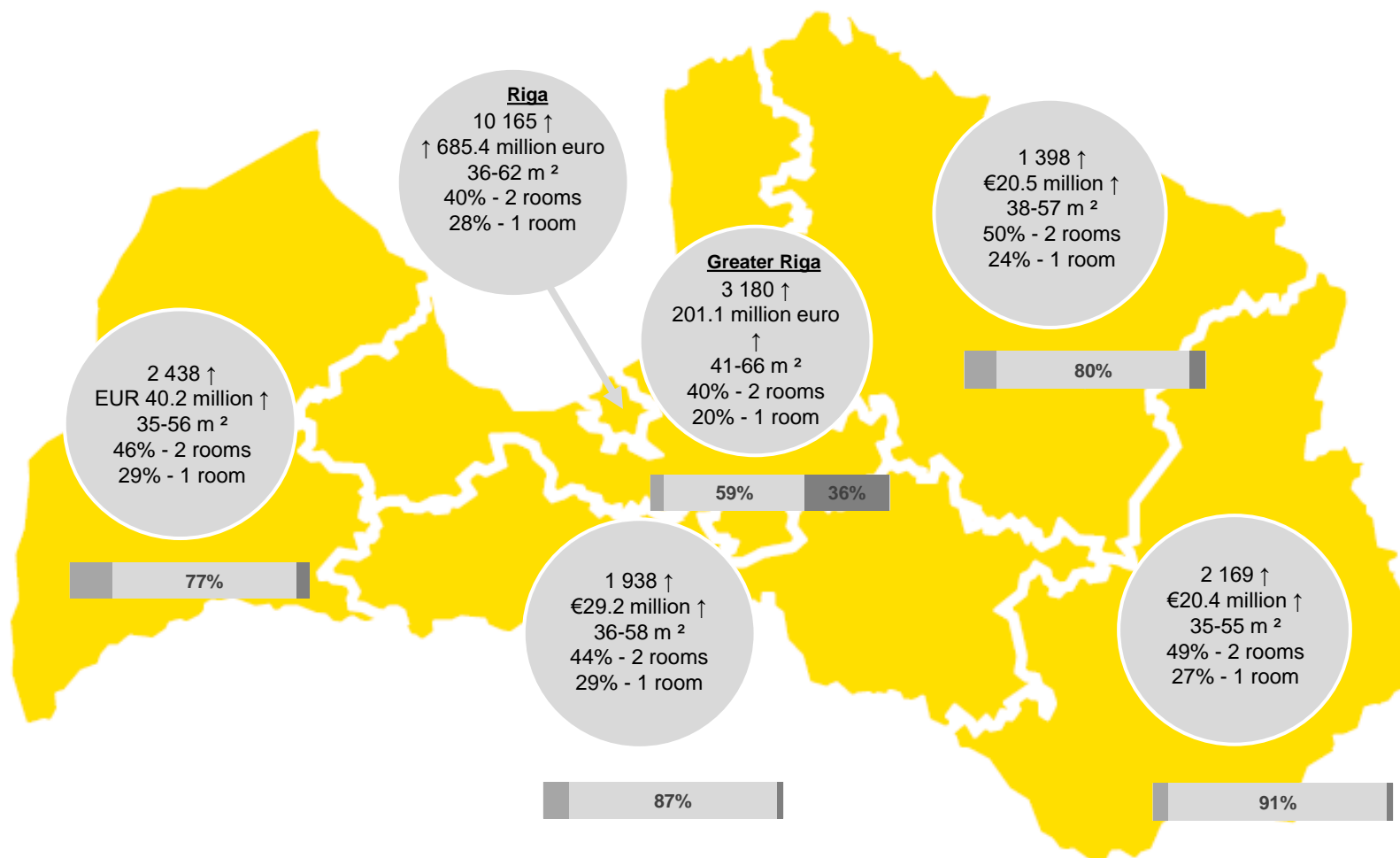
According to preliminary projections, the housing market will not grow so rapidly in 2022 because, firstly, there is still a pronounced shortage of supply and, secondly, buyers will take a wait-and-see position similar to the one in the first half of 2020.

Monthly changes in the number of transactions (% , Y/Y)

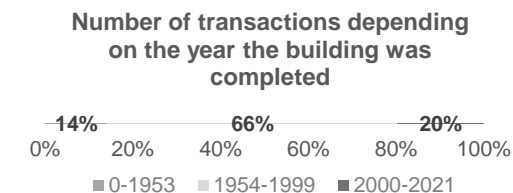


Source: SLS data, Latio calculations

# Apartment market in Latvia



<b>Number of transactions</b>	<b>21 288 ↑</b>
Number of transactions with 1 room apartments	27%
Number of transactions with 2-room apartments	43%
Number of transactions with 3-room apartments	24%
<b>Gross transaction value</b>	<b>EUR 996.8 million</b>
Average space (median)	52 m <sup>2</sup> (49 m <sup>2</sup> )



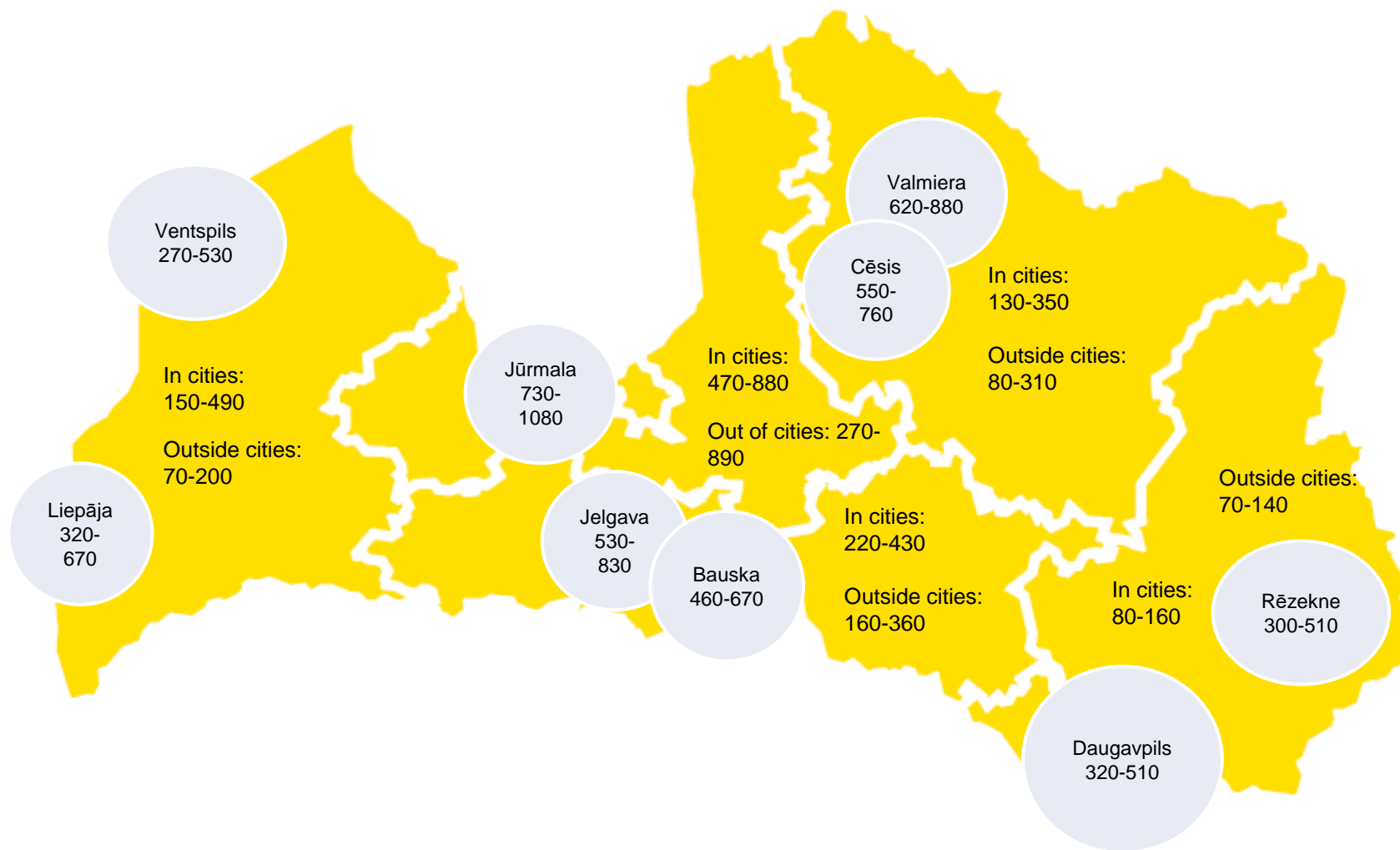
## On the map:

Number of transactions and changes in the region  
Total transaction amount and changes  
Most requested areas  
Number of transactions with 1 - and 2-room apartments  
Number of transactions depending on the year the building was completed

\* all changes are presented by comparing data for January-December 2021 with the corresponding period of 2020. Data are only provided for transactions where one whole apartment has been sold as one group of premises



# Apartment prices in regions of Latvia



Average price of two-room apartments built in 1954-1999 (euro)

Region	In cities	Out of cities
Active Greater Riga	44 600	44 900
Rest of Greater Riga	29 000	17 800
Zemgale	24 200	13 100
Kurzeme	20 800	7 400
Vidzeme	22 200	10 300
Latgale	12 700	5 300

**On the map:**

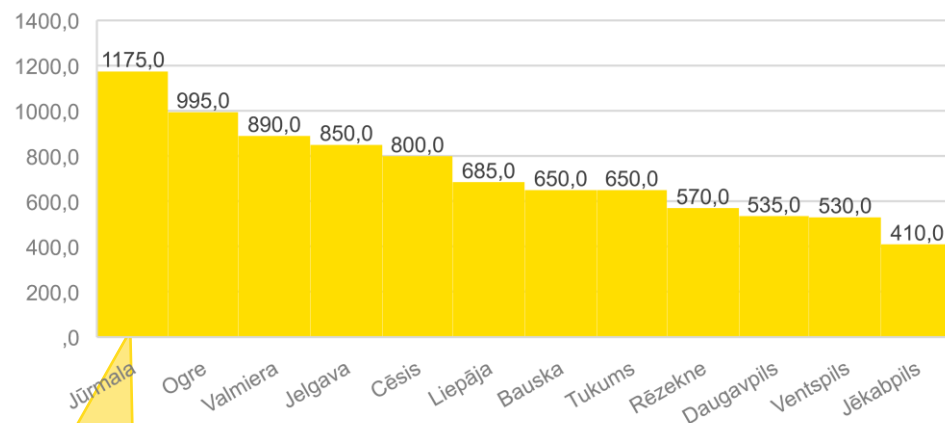
Average price in euro per indoor m<sup>2</sup> for apartments within buildings completed between 1954 and 1999

\* the price of the apartment is significantly influenced by the quality of the buildings.

\*\* average prices in cities are presented without considering individually marked cities (for example, the average price of Kurzeme cities has been calculated excluding the prices of Liepaja and Ventspils apartments).

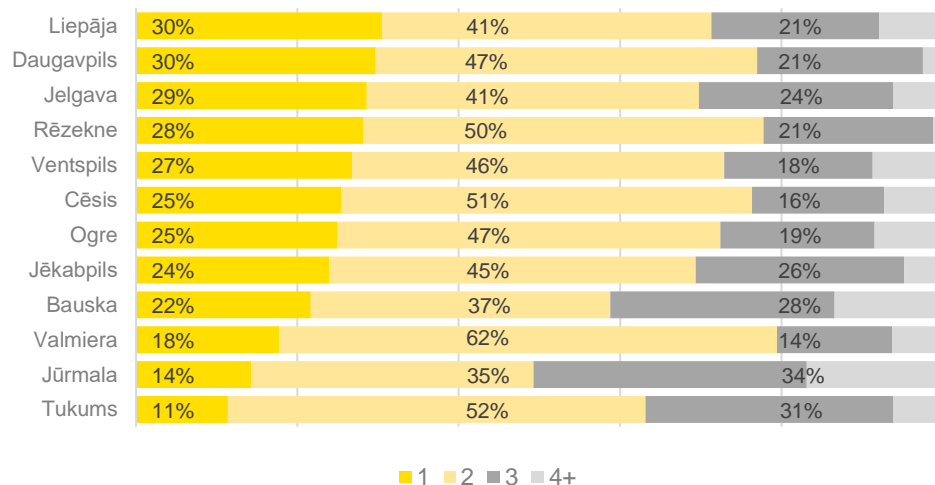
# For-sale and long-term rent classified ads in Latvian cities

Asked prices of serial apartments in ads (EUR/m<sup>2</sup>)

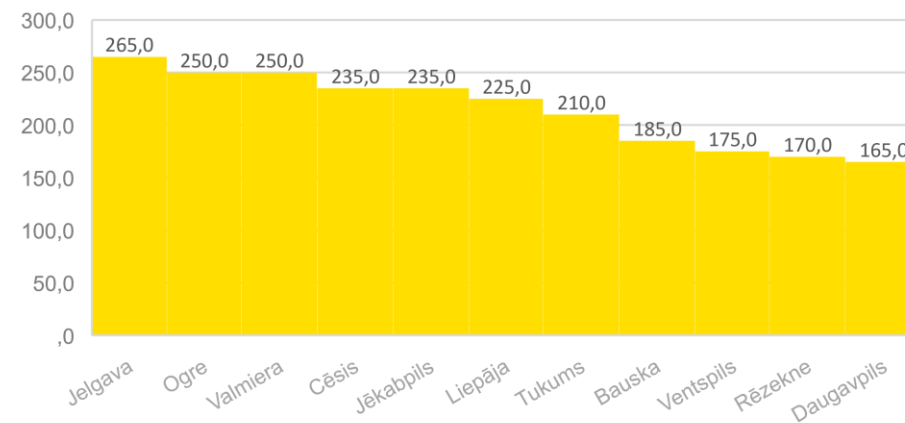


Kauguri, Ķemeri, Sloka,  
Valteri: 930 EUR/m<sup>2</sup>  
Others: 1 550 EUR/m<sup>2</sup>

Number of for-sale ads depending on the number of rooms



Asked rent of serial apartments in ads (EUR/mo)



## In ads, asked prices and rent to rise

In the first half-year, the average square meter prices of serial apartments were ca. 10% higher than the average square meter prices of the registered transactions. This equilibrium began to change in the second half-year, and just in the autumn the asked prices in some ads were lower than the transactions actually closed.

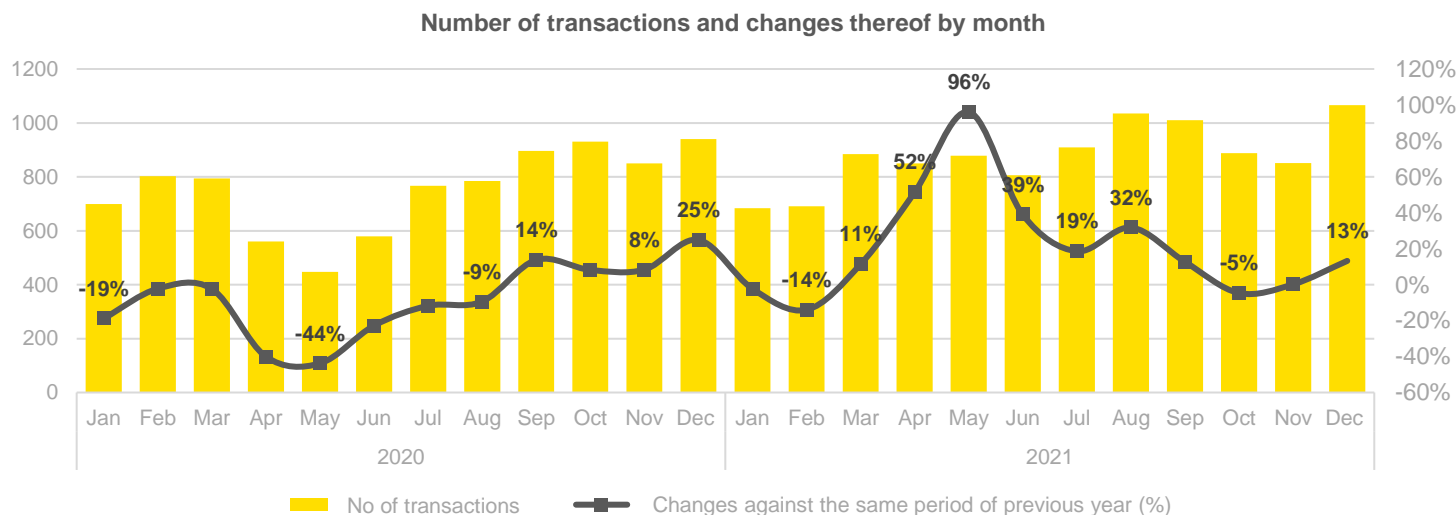
Average asked prices in ads have significantly changed in Liepāja (+34%) due to the increase in the proportion of renovated serial houses (for example, at 132 and 134 Klaipēdas Str. 32, and 25 Siguldas Str.), as well as in Daugavpils, Jēkabpils (+29%) and Jūrmala (+23%). In Jūrmala, the average prices of serial apartments exceeded 1000 EUR/m<sup>2</sup>.

Supply of both flats for sale and rentals is dominated by one-bedroom and two-bedroom apartments in several cities in Latvia, although demand, according to Latio's observations, has shifted focus to larger space.

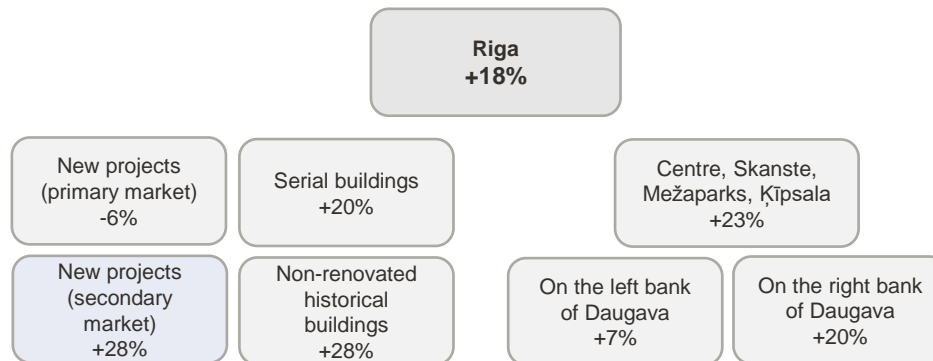
There was still a tendency in the regions for housing to be rent out and sold without the intermediation of advertisements or real estate agencies, so the most popular advertising portals do not show the true volume of supply and, especially, the demand.

This means that the buyer is successfully found in the circle of acquaintances. It is therefore naturally that it is in the advertising portals that residents show ever increasing interest in purchasing property in renovated buildings or new projects, as there are no such properties among acquaintances.

# Number of apartment transactions



## Change in the number of transactions \*\*



\*\* comparing January-December 2021 data against January-December 2020 data.

The beginning of 2021 was very much like 2020 - in January and February, dynamics of transactions was slower as usual in winter, regardless of pandemic restrictions. In spring, however, the number of transactions traditionally started to grow as people aspired for revival and positive changes. The sharp increase in transactions in March-May 2021 against the previous year is also explained by the previous drop thereof.

Unlike preceding years, the number of transactions in December was higher than over other months of the 2<sup>nd</sup> half-year. According to Latio observations, the main distinctive feature of 2021 was the fact that properties that were previously considered nonmarketable and even got no showings, such as the ones having irrational layout or placed on the ground floor, were also demanded in 2021. This is due not to buyers buying the «wrong» properties because of their irrationality, but to many being concerned about inflation and looking for opportunities to invest money so it doesn't «melt down.»

There is also a segment of more knowledgeable buyers who are able to assess quality, so agree to pay a higher price for energy efficient housing in a decent neighborhood offering well-maintained environment.

There was a higher rate of buyers acquiring apartments without bank funding, or the borrowed share of money in the transaction amount is proportionally lower compared to previous years. Most buyers purchase homes for themselves or as an investment property (e.g. buy-to-let).

Serial apartments are still in a stronger demand on the market, though they account for increasingly smaller share in the gross sales. Thus, they accounted for 66% of the gross sales in 2021, while new developments accounted for 20% in the primary and secondary market.

The shrinking number of closed transactions on the primary market of new developments is not due to lower demand, but rather to an increase in the number of reservations made. In 2021, a range of new projects entered the market and were opened for reservations, with the transactions expected to be closed in 2022. A growing number of new project deals is likely to be seen in the late half of 2022.

# Apartment transactions in serial buildings in Riga neighbourhoods

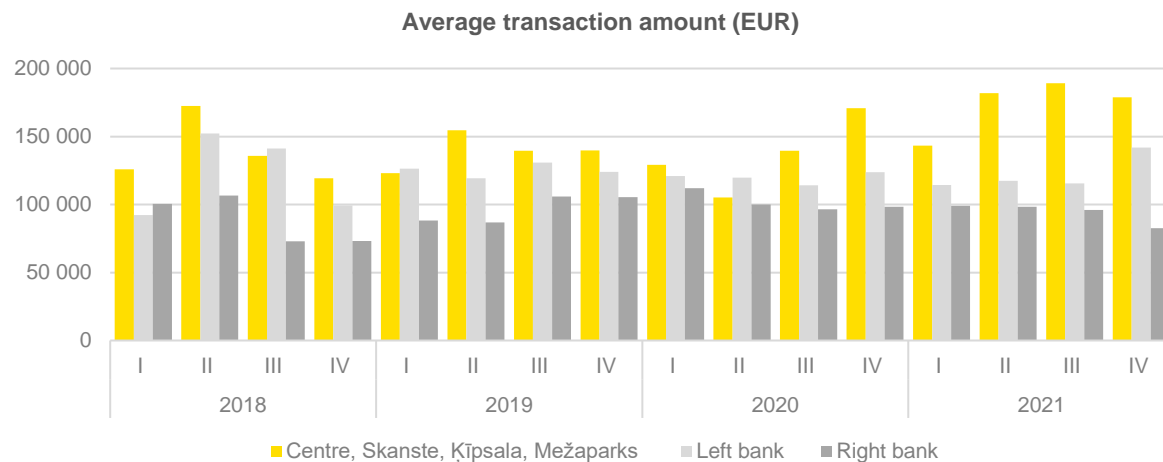
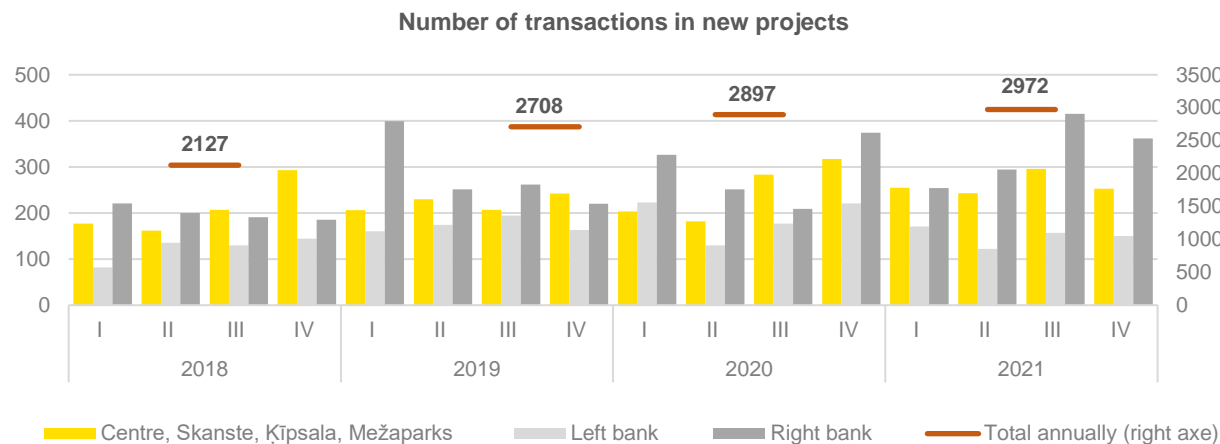
LEFT  
BANKRIGHT  
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<b>1 681</b> (↑ 14%)	<b>Number of transactions</b>	<b>3 032</b> (↑ 19%)
24%	Number of transactions depending on the number of rooms:	29%
47%	1 room	43%
24%	2 rooms	22%
	3 rooms	
<b>75 million EUR</b> (↑ 27%)	<b>Transaction value (changes)</b>	<b>128.2 million EUR</b> (↑ 32%)
<b>38-56 m<sup>2</sup></b>	<b>Floorspace in the strongest demand</b>	<b>36-56 m<sup>2</sup></b>
<b>49 m<sup>2</sup></b>	<b>Average floorspace</b>	<b>47 m<sup>2</sup></b>
<b>Imanta</b> (26%) – 1,010 EUR/m <sup>2</sup> (↑ 7%)	<b>Top areas</b>	<b>Purvciems</b> (20%) – 1,050 EUR/m <sup>2</sup> (↑ 7%)
<b>Ziepniekkalns</b> (19%) – 1 040 EUR/m <sup>2</sup> (↑ 6%)	(% of total transactions) - average price per indoor m <sup>2</sup> (change)	<b>Kengarags</b> (19%) – 930 EUR/m <sup>2</sup> (↑ 9%)
<b>Iļģuciems</b> (15%) – 930 EUR/m <sup>2</sup> (↑ 4%)		<b>Pļavieki</b> (14%) – 1 030 EUR/m <sup>2</sup> (↑ 8%)
<b>Lithuanian new project</b> (21%) – 950 EUR/m <sup>2</sup> (↑ 10%)	<b>Top series</b>	<b>Series 602</b> (17%) – 1,020 EUR/m <sup>2</sup> (↑ 7%)
<b>Series 602</b> (19%) – 1,020 EUR/m <sup>2</sup> (↑ 6%)	(% of total transactions) - average price per indoor m <sup>2</sup> (change)	<b>Khrushchev brick-wall project</b> (12%) – 990 EUR/m <sup>2</sup> (↑ 8%)
<b>Khrushchev project</b> (15%) – 1,040 EUR/m <sup>2</sup> (↑ 6%)		<b>Lithuanian old project</b> (11%) – 970 EUR/m <sup>2</sup> (↑ 13%)
<b>1 000 EUR/m<sup>2</sup></b> (↑ 5%)	<b>Average price per m<sup>2</sup></b>	<b>920 EUR/m<sup>2</sup></b> (↑ 7%)

\* changes in the number of transactions are presented by comparing data for January-November 2021 with the corresponding period of 2020. Other data are provided for the data available for 2021.  
Data only to be reported for transactions where one whole apartment has been sold as one group of premises



# Transactions in new projects



\* at the time of the report, some of the transactions in June were not available.

Data include only transactions where one whole apartment has been sold as one group of premises

## New project apartments offer a further foundation for reservation while under construction

In 2021, a significant part of the apartments were actively reserved during the construction of the new projects, while signature of a sale contract and the title registration will not be possible until the building is put into service. Some of the developers are opening reservations early in construction. This raises fears that in 2022, with construction costs soaring rapidly, these developers will no longer be able to close the deal at the agreed price on the reservation.

Most of the transactions were closed for the following projects (the number of transactions and the average price for indoor space are presented in brackets):

In the neighbourhood of Riga Centre, Skanste, Mežaparks and Ķīpsala:

- Avotu 4 (73; 1,800 EUR/m<sup>2</sup>)
- Fjordi (54; 2,150 EUR/m<sup>2</sup>)
- Lāčplēša 24 (42; 2 400 EUR/m<sup>2</sup>)
- Schoolhouse Loft (40; 2,170 EUR/m<sup>2</sup>)
- Blaumaņa 9A (35; 1,850 EUR/m<sup>2</sup>)

On the right bank of Daugava River:

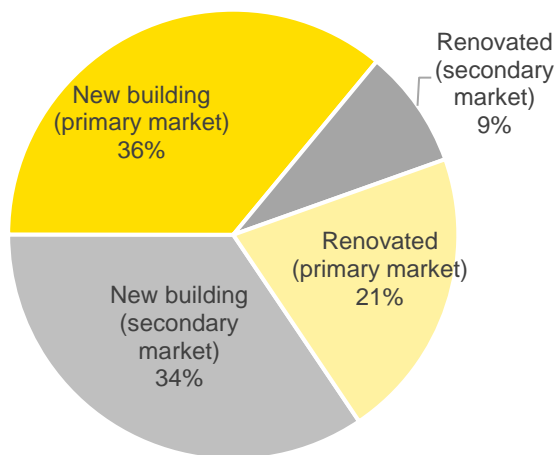
- Liepziedi (105; 1,590 EUR/m<sup>2</sup>)
- Krasta kvartāls (102; 1,880 EUR/m<sup>2</sup>)
- Trebū Home (100; 1,840 EUR/m<sup>2</sup>)
- Pagalms 2.0 (74; 2,040 EUR/m<sup>2</sup>)
- Divi krasti (61; 1,930 EUR/m<sup>2</sup>)

On the left bank of Daugava River:

- Annas parks (65; 2 110 EUR/m<sup>2</sup>)
- Akācījas (41; 1,940 EUR/m<sup>2</sup>)
- Zaslauka 28 (36; 2 100 EUR/m<sup>2</sup>)
- Dignājas dārzi (28; 1,730 EUR/m<sup>2</sup>)
- Filozofu Rezidence (16; 3 300 EUR/m<sup>2</sup>)

# Sale of apartments in new projects

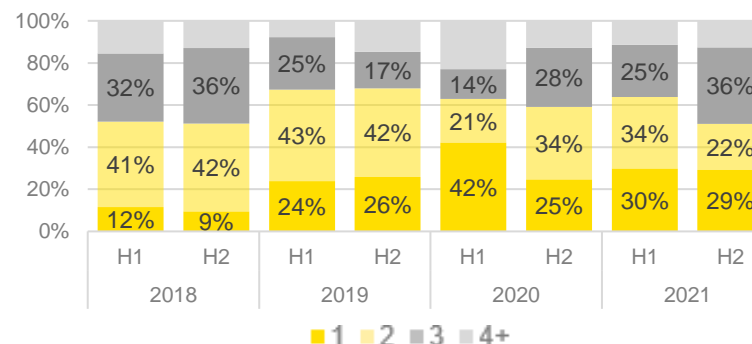
Number of transactions in new projects



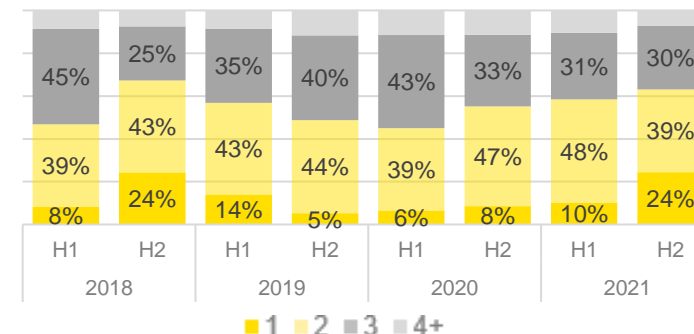
Average indoor prices on primary market for new projects

	New buildings	Renovated historical buildings
Centre, Skanste, Mežaparks, Ķīpsala	2 720 EUR/m <sup>2</sup> (+6%)	2 090 EUR/m <sup>2</sup> (4%)
Left Bank of Daugava River	2 100 EUR/m <sup>2</sup> (+8%)	2 080 EUR/m <sup>2</sup> (+11%)
Right bank of Daugava River (the rest)	1 870 EUR/m <sup>2</sup> (+1%)	1 640 EUR/m <sup>2</sup> (+3%)
Luxury projects, regardless of location	3 683 EUR/m <sup>2</sup> (+1%)	

Number of first-time sales in new projects  
(Centre, Skanste, Mežaparks, Ķīpsala)  
(breakdown by number of rooms)



Number of first-time sales in new projects  
(the rest of Riga)  
(breakdown by number of rooms)



## Some developers revised their prices twice over 2021

As construction materials and construction costs soared, developers of the new projects continued to increase prices in 2021. According to expert observations, some developers revised their prices twice over 2021 (adding 4-7% each time), still the buying interest did not fade as a result.

In 2021, there were more transactions with new builds on the primary market, although the share thereof in the total number of transactions decreased by 13 percentage points against the preceding year. This drop is due to the completion of a relatively large-scale new projects in 2020. On the secondary market, the specific weight of the transactions increased from 26% to 34%. The division and ratio of renovated homes a first-time/secondary market has not changed significantly.

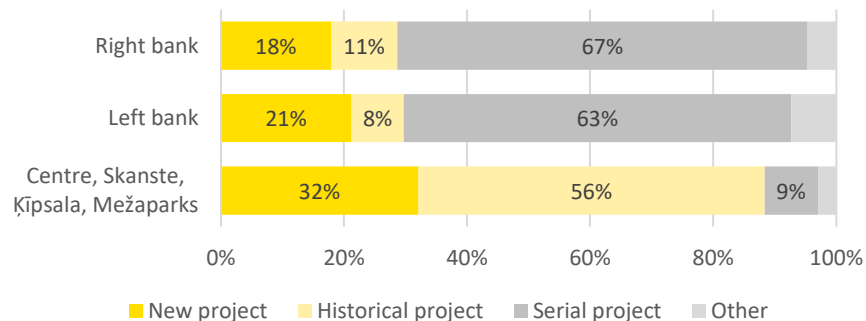
## Experts spot high activity in luxury apartment segment

The sale of the most expensive apartment of 2021 was registered in the new project *Art Luxury House*, Strēlnieku Street 7, Riga (1.25 million euro, 213 m<sup>2</sup>, 5 880 EUR/m<sup>2</sup>), which was implemented through Latio. In their turn, a record high price per square metre was fixed in the transaction at the new project *Tal Residence*, Elizabetes Street 39 (1.25 million euro, 158 m<sup>2</sup>, 7 940 EUR/m<sup>2</sup>). Another three of the top five deals were concluded in the *Hoft* development, Strēlnieku Street 5, where the price per square metre fluctuated between 4 330 EUR/m<sup>2</sup> and 5 600 EUR/m<sup>2</sup>. Many apartments in the *Hoft* and *Rose Gold* projects were only reserved in 2021, so a surge in deals in those projects is expected in 2022.

Despite the high activity in the luxury segment in 2021, Riga still lacks customer-friendly luxury housing. Jurmala, in its turn, faces the opposite situation – several luxury apartments in the new projects are supplied, yet there is no strong demand in them because of the price.

# Long-term rental supply in ads

Long-term rental supply depending on building project and location



## The rental market was more active in 2021 than the previous year

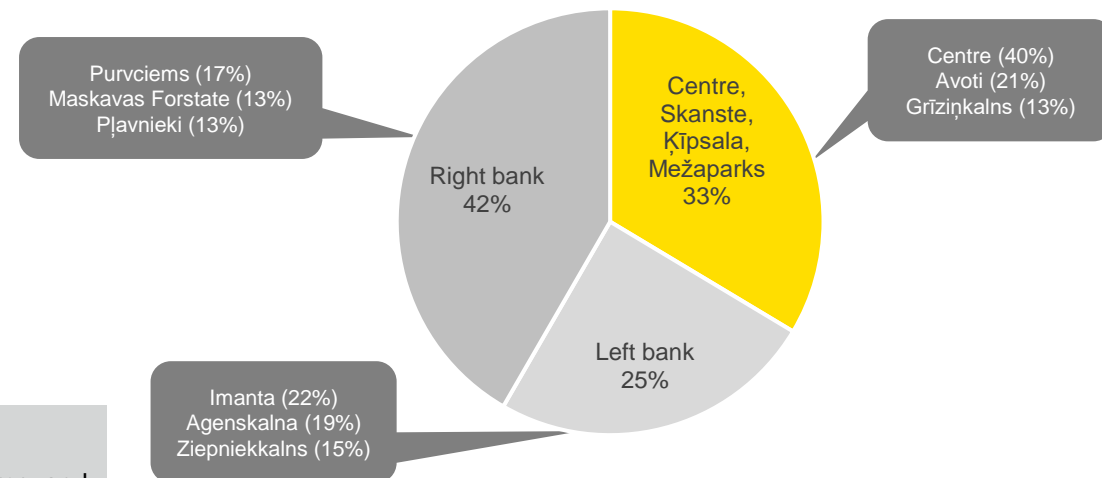
The rental market began to revive in 2021, thanks to a partial return of labour force and students. According to expert observations, there is a relatively high demand in rental apartment in brand-new and renovated projects. So this interest encounters a supply as Build-to-Rent projects began to emerge in Riga and Greater Riga Area. For example, the brand-new project *Lindenholm* offers 60% of apartments for rent. In the renovated building at Miera Street 23, all the apartments are available for rent. The opportunity to rent from a company (such as the developer itself), rather than individual landlords, proved to be attractive to many young specialists who appreciate highly professional attitudes and predictable behaviour.

According to *Eurostat* data, around 1/5 of Latvian residents have been living in a rental home during the recent decade, indicating the future growth potential of the rental market. As rental homes grow in number and quality, so will people's loyalty to them.

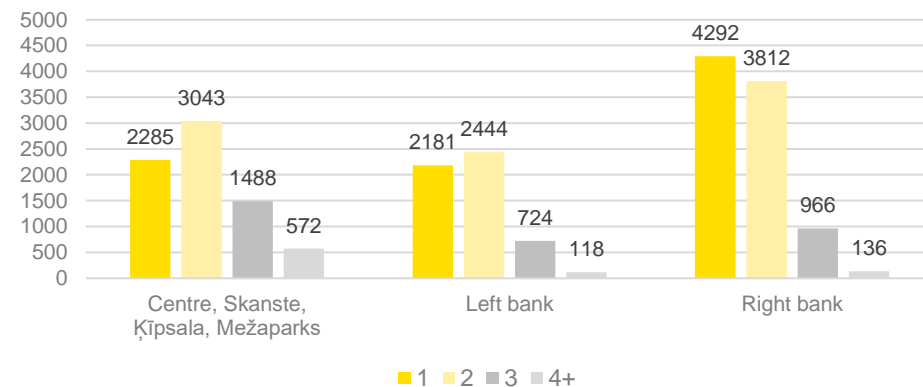
Another new but small niche has been noticed on the market - some local and international employers are looking for apartments to house their employees (expats), including from Ukraine. So there's a slight specific rental demand in small apartments on the outskirts of the city. The trend is likely to continue into 2022.

After receiving the first heating bills in the autumn, many tenants expressed interest in moving to more energy efficient housing, yet supply thereof is very scarce in Latvia. These are mostly brand-new and renovated projects, so the asked rents thereof increased a little by the end of the year, while serial apartment rents decreased accordingly.

Number of long-term rental ads



Number of first-time long-term rental ads depending on the number of rooms



# Long-term rental supply in top neighbourhoods and projects (EUR/month)

Neighborhood (% of Left bank ads)	Project (% of neighborhood ads)	1-room apartment	2-room apartment
Āgenskalns (19%)	Serial project (35%)	260	330
	Unrenovated historical project (28%)	250	325
	New project (20%)	300	545
Imanta (22%)	Serial project (75%)	240	295
	New project (23%)	360	460
Ziepniekkalns (15%)	Serial project (82%)	235	300
	New project (12%)	325	430

LEFT  
BANKRIGHT  
BANK

CENTRE, MEŽAPARKS, ĶĪPSALA

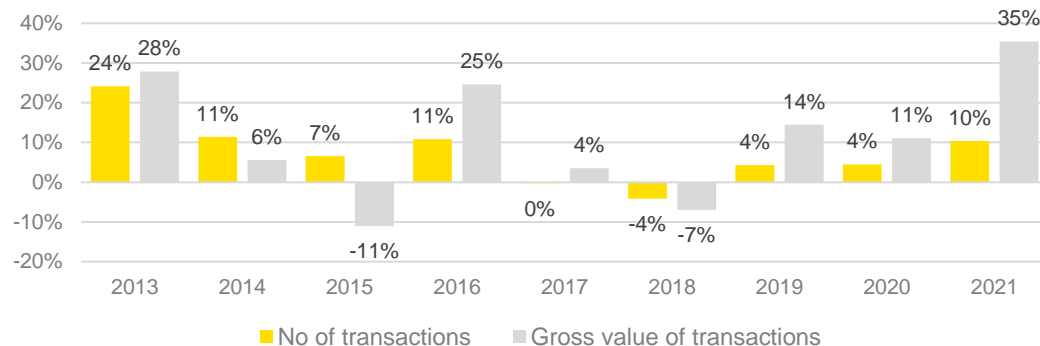
Neighborhood (% of Right bank ads)	Project (% of neighborhood ads)	1-room apartment	2-room apartment
Purvciems (17%)	Serial project (82%)	240	305
	New project (16%)	335	430
Maskavas Forstate (13%)	Unrenovated historical project (42%)	215	305
	Serial project (26%)	230	285
	New project (23%)	255	370
Pļavnieki (13%)	Serial project (90%)	240	305
	New project (10%)	335	430

Neighborhood (% of Centre, Mežaparks, Ķīpsala ads)	Project (% of neighborhood ads)	1-room apartment	2-room apartment
Centre (40%)	Unrenovated pre-war time project (61%)	290	430
	New project (32%)	365	605

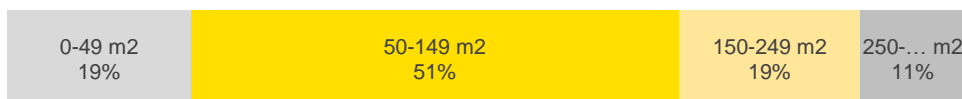


## Private houses

Changes in the number and value of transactions by year



Share of transactions depending on the area of the house



Share of transactions depending on the year the house was built



Share of transactions depending on number of house floors



### Demand in private houses is strong while supply is scarce

Expert observations show that the supply of private houses on the Latvian market has not been able to meet the high demand in 2021. For example, Jelgava lacks both quality built and renovated houses, and even properties requiring renovation. The high demand was also evidenced by the fact that transactions for private houses built during the Soviet period were more frequent. In most such properties, the building was about 150 square metres large and more. In Jelgava and Jelgava district, there were also frequent transactions for summer cottages that were planned to be redeveloped so that to adapt them for living throughout the year by investing additionally in heating, reconstruction and installing appropriate utility systems. In Jēkabpils, however, compared to other years, there was a significant increase in the number of transactions for houses in satisfactory technical condition (partly repaired or with end-of-life repairs, or under reconstruction), that were sold at a price range between EUR 43 000 and EUR 66 000. There were very few or no transactions in that price range in previous years.

On Vidzeme market, there were supplied private houses built during the Soviet period and being in different technical condition predominantly and, less often, houses built in recent years. Private house transactions were typically closed for plots of land between 600 m<sup>2</sup> and around 2 000 m<sup>2</sup>, with residential buildings of 80 m<sup>2</sup> and 160 m<sup>2</sup>.

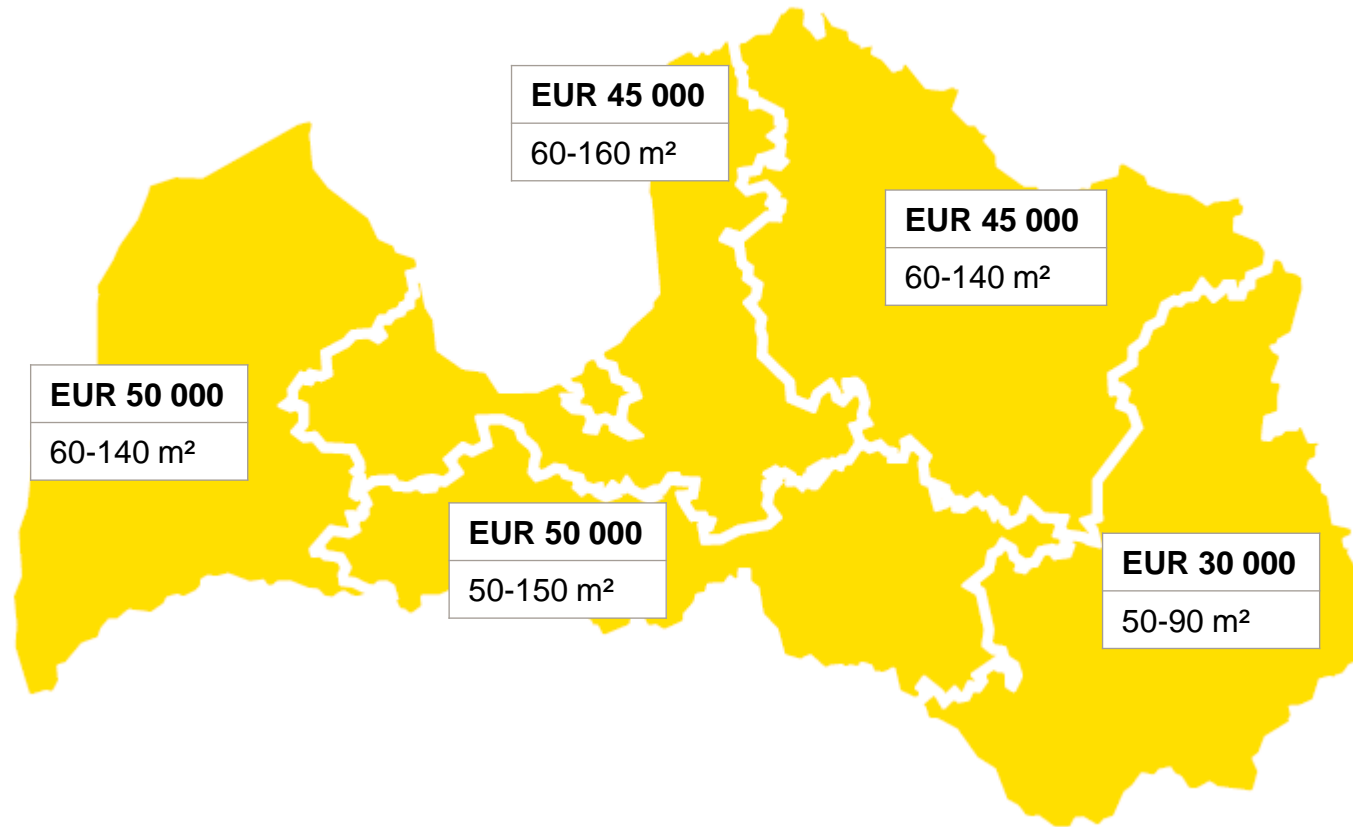
There is a relatively strong interest in Jūrmala private houses. This is due to the fact that private house prices in Greater Riga Area have soared and nearly reached the price level of Jūrmala houses. So the market of Jūrmala adjusted further to local buyers. Although a large number of buyers work abroad, they have a strong connection with Latvia, for example, a permanently resident family who already own one dwelling seek to buy something more spacious and located closer to the sea.

In 2021, transaction prices for private houses in Riga and Greater Riga Area were mainly influenced by the strong demand and the factors such as total maintenance cost, type of heating, floorspace, layout, and land betterments. According to Latio, many private house owners raised prices by an average of 50,000 euros year-on-year and planned to increase them further in 2022.

Those owners who intended to complete the construction in 2022 already started to assess the possibilities of renting out the new build for one or two years and then selling it, including rent with redemption rights. This behaviour is not limited to VAT evasion, but also to the inability of prospective buyers to pay a high price at once.

# Private house prices and most sought-after areas

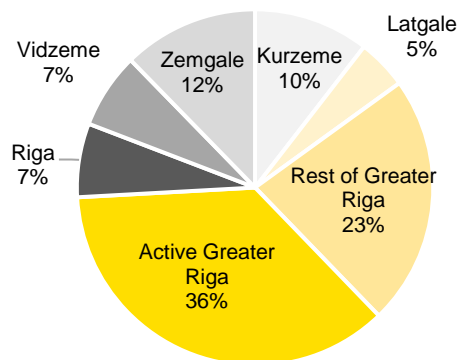
*\* average transaction values are presented for private houses of 50-150 m<sup>2</sup> built before 1999*



Active Greater Riga Area	
Space in the strongest demand	110-260 m²
100-150 m² built after 2000	EUR 165 000
150-200 m² built after 2000	EUR 200 000
200-250 m² built after 2000	EUR 220 000

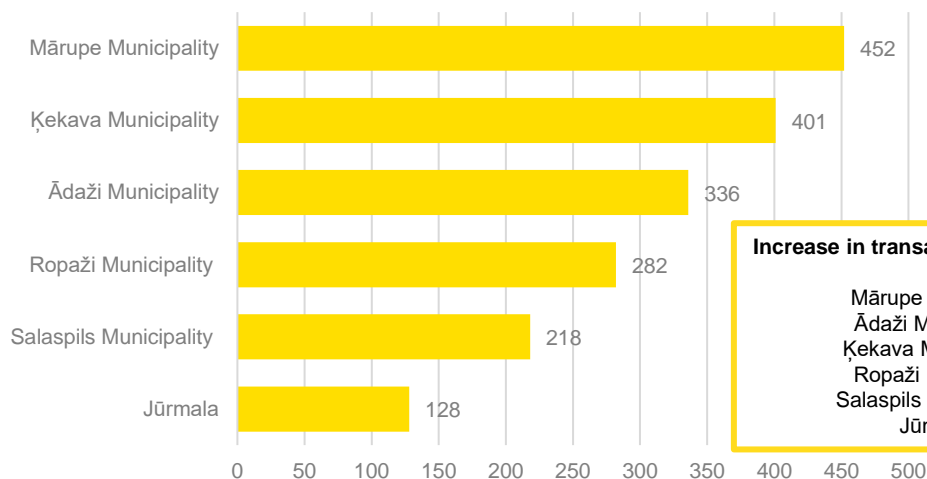
# Residential development land

Breakdown of the number of transactions by region



	2021/2020
Kurzeme	+10%
Latgale	+40%
Rest of Greater Riga	+26%
Active Greater Riga	+8%
Riga	+5%
Vidzeme	+8%
Zemgale	+13%

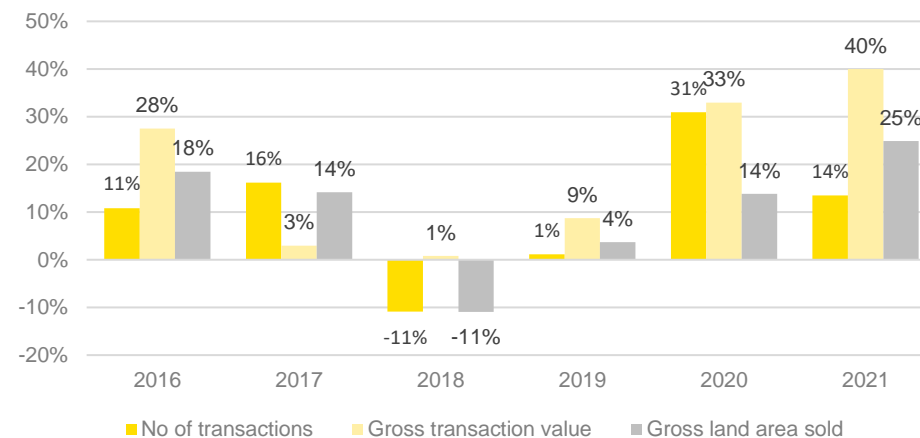
Number of transactions in Greater Riga Area municipalities



Increase in transactions (Jan - May):

Mārupe Municipality -2%  
 Ādaži Municipality -11%  
 Ķekava Municipality +24%  
 Ropaži Municipality -7%  
 Salaspils Municipality +56%  
 Jūrmala +16%

Changes in the number, value and area of transactions against previous year



## The construction cost increase did not diminish residents' interest in building themselves

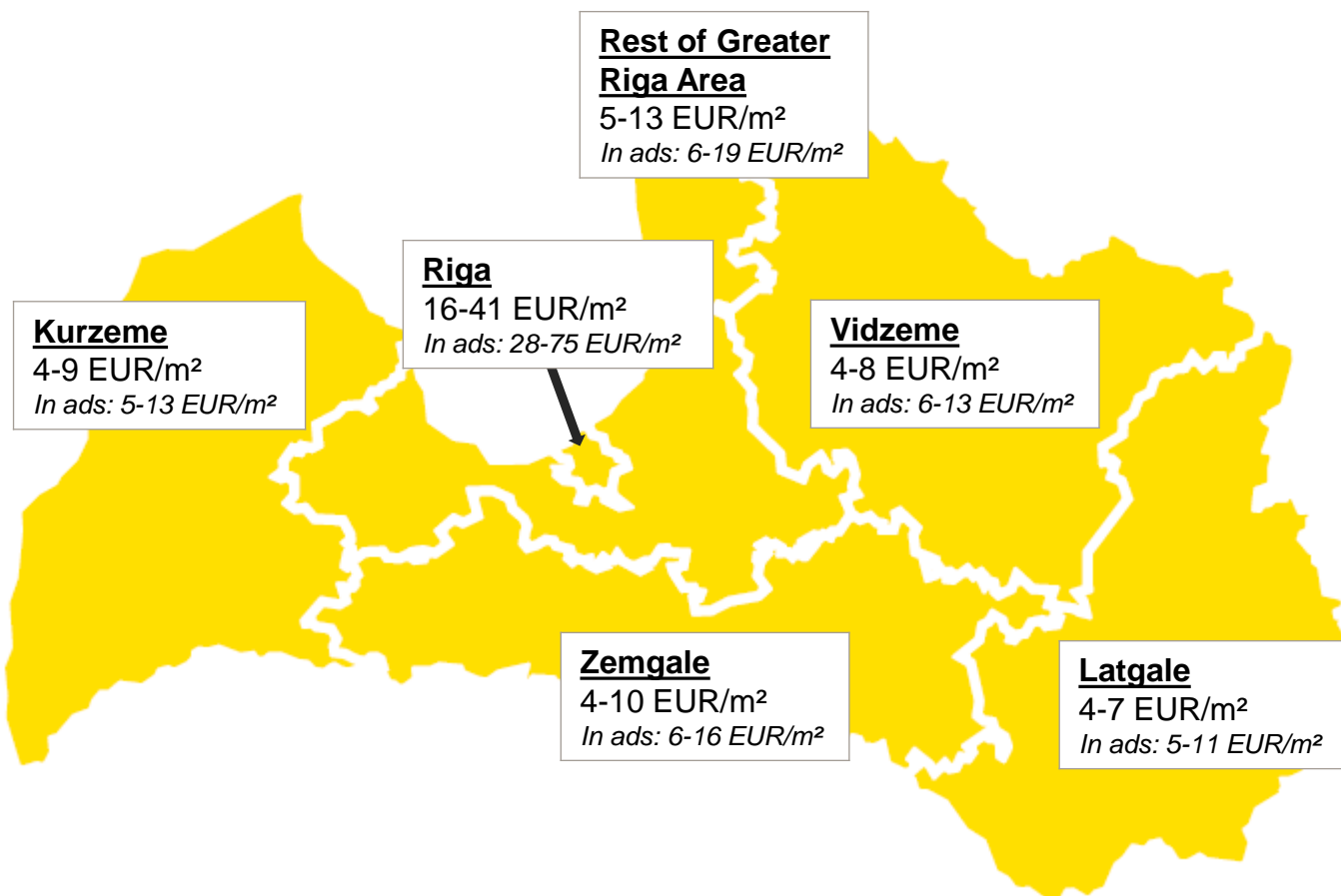
Until now, the trend originated in 2020 still continues – unable to find a private house that meets their requirements, buyers express interest in building themselves, starting with the search and purchase of suitable land. Despite soaring construction costs, this seems a rational solution against the backdrop of shortages of private housing and price increase.

There is also a small proportion of the population that sells their old house and buys development land to build a new, energy-efficient home provided that estimates show that investment in improving energy efficiency of an old house will outweigh the cost of building a brand-new home.

The sharpest increase in transactions was observed in Latgale (+40%), Greater Riga Area outside the active Greater Riga Area (+26%), as well as Zemgale (+13%). In the active Greater Riga Area, the largest increase in the number of transactions was fixed in Salaspils (+56%) and Ķekava municipalities (+24%).

Although Mārupe experienced the biggest increase in transactions in 2020, the number of transactions has fallen by 2% over 2021 due to the lack of vacant development land rather than the fading interest of buyers. The phenomenon will also mark future trends: plots in remote areas will increasingly be put up for sale, possibly without utilities and infrastructure.

# Residential development land prices



## Average prices in active Greater Riga Area (EUR/m²)

Municipalities as of 01.07.2021 reform

	Margins of most frequently recorded sales prices	Limits of the most frequently advertised prices
Ādaži Municipality	9-25	15-32
Ķekava Municipality	7-16	8-24
Mārupe Municipality	16-30	14-46
Ropaži Municipality	9-29	19-41
Salaspils Municipality	7-20	13-23
Jūrmala	11-35	24-91

### On the map:

The most frequently recorded sales price margins in the region concerned.

The most frequently published asked price margins in ads in the region concerned.



# **RECENT AMENDMENTS TO LAWS AND REGULATIONS**



## Recent amendments to laws and regulations applicable to the real estate sector I

On 30 September 2021 amendments were adopted to the Law On The Time Of Coming Into Force And Application Procedures Of The Introduction, Inheritance And Rights In Rem Section Of The Revitalized Civil Law Of The Republic Of Latvia Of 1937, hereinafter - "the Law", terminating forced lease legal relations and, instead thereof the relations of a divided ownership between owners of land and independent structures thereupon will be governed by a new legal institution entitled "lawful land use rights".

The transitional provisions of the Law stipulate that lawful land use rights shall come into force on 3 different dates of effect, observing the following:

- As of 1 January 2022, applicable to all cases of a divided ownership, if a lease agreement has **not been signed between the owner of the land and the owner of the structure** and **there is no valid court decision regarding forced lease relations**.
- As of 1 January 2023, applicable to all cases of divided ownership where the forced lease relationship **is governed on 1 January 2022 by a valid lease agreement** or court decision. In the aforementioned cases, the lease charge specified in the agreement or court decision shall not be in effect as of 1 January 2023.
- As of 1 January 2024, applicable to cases of a divided ownership where the structures owned by a private person are situated on the land of a public person (the State, local government or other alienated public person).

Taking into account the effective dates and regulations referred to above, the owner of the structure is bound by law to pay a use-fee to the land owner for the land use rights.

The amount of the lawful use-fee is fixed at **4%** of the cadastral value of the land being used per year, yet not less than EUR 50 per year.

The owner of the structure and the owner of the land may agree in writing on some other use-fee.

Claims for payment of the legal land use fee and ancillary claims related thereto expire within three years (as of 1 January 2022).

The lawful land use rights shall terminate only in the following cases:

1. if the structure and the land are merged into a single real estate;
2. if the structure, which is an independent object of real estate, is demolished.

## Recent amendments to laws and regulations applicable to the real estate sector II

**II Amendments to the Law On Value Added Tax** stipulate that remuneration for lawful land use rights is not subject to value added tax. It shall also be applicable to land rent fixed by an agreement or court decision regarding the legal relations between owners of land and structure between 1 January 2022 and 31 December 2023.

**III Amendments to the Land Registry Law** stipulate that, as of 1 January 2022, the office fees for the actions performed by courts have been amended:

- opening of a new Land Registry folio – EUR 30
- registration of a new title – EUR 15
- re-amendment of the corroboration and entering of a mark – EUR 8
- mortgage registration - €15
- the issuance of a Land Registry Certificate – EUR 8
- the issuance of a certified hard copy of a decision of a Land Registry judge – EUR 5

**IV In their turn, amendments to 27.09.2009 Cabinet Regulations No. 1250 for the Stamp Duties For Corroboration Of Proprietary Rights And Pledge Rights In The Land Registry**, state that, as of 1 January 2022, the stamp duties for the corroboration of proprietary rights in the Land Registry may not exceed EUR 50'000.

**V In order to apply the personal income tax exemption in transactions for agricultural land**, a valuation report produced by a certified real estate valuer will be necessary in certain cases. As of 1 January 2022, amendments to the Law On Personal Income Tax are in force applying to determination of income upon alienating farmland in cases when the buyer complies with the provisions of Article 11.7, Paragraph 3 of the Law. They provide for the following: upon alienating of a real estate comprising farmland and other types of real estate, the exemption shall be applied in proportion to the share of the market value of the farmland in the total value of the real estate estimated on the basis of the valuation carried out by a certified real estate valuer.

Previously, the Law provided for exemption of the seller of farmland from payment of capital gains tax provided that the buyer of such land complied with the provisions of Section 11.7, Paragraph 3 of the Law. However, if one real estate consisted of both farmland and other types of real estate (forests, shrubs, buildings, etc.), this made it difficult to calculate the PIT.

## Recent amendments to laws and regulations applicable to the real estate sector III

VI On May 1, 2021, a new Residential Tenancy Law came into force, replacing the Residential Tenancy Law adopted in 1993.

The new Tenancy Law, as well as the related amendments to the Notarial Law and the Civil Procedure Law provide for the possibility to resolve disputes more easily and rapidly, in the event that the tenant does not pay rent or does not move out of the rented space by the agreed deadline. However, in order to exercise the right provided for in the laws and regulations, a tenancy contract must be drawn up and made properly. Attention must be paid to the requirements of the law which must be included in the tenancy contract, and the **parties should agree whether the tenancy contract will be registered in the Land Registry.**

The new Residential Tenancy Law provides:

- tenancy contracts may be signed **only for a fixed period** of time;
- in the event that the residential space rented is alienated while the tenancy contract is valid, the acquirer thereof shall be bound by the tenancy contract entered into with the previous landlord only provided that the tenancy contract has been registered in the Land Registry;
- In their turn, the landlord has the right to apply to the court for non-contentious enforcement of the obligation under the procedures set forth in the Civil Procedure Law, in the event that the tenant fails to pay the rent in the amount specified in the tenancy contract or does not leave the rented residential space upon expiry of the term of tenancy only provided that the tenancy contract has been witnessed by a notary (notarial deed) or is registered in the Land Registry, and such a provision is incorporated in the tenancy contract;

A tenancy contract may be registered in the Land Registry via the online system [www.zemesgramata.lv](http://www.zemesgramata.lv) of the State Unified Computerised Land Registry.

In such event, the tenancy contract and the application for registration shall be signed by both parties by secure electronic signatures and the form of the application for registration of the tenancy right shall be completed in the online system.

[You can find more details about submitting e-applications here.](#)

Registration of tenancy right in the Land Registry is not subject to an office fee.

## Recent amendments to laws and regulations applicable to the real estate sector IV

**VII On July 6, 2021, amendments to the Notarial Law were adopted in the Saeima**, which are related to the new Residential Tenancy Law and came into force on August 5, 2021.

Section 107 <sup>1</sup> of the Notarial Law now states that fixed term lease, tenancy or lending contracts issued in the form of a notarial deed, which provide for the obligation of the lessee, tenant or borrower to leave the leased, rented or lent property upon expiration of the term of tenancy or due to outstanding payments of lease or rent, as well as the obligation to pay lease or rent shall be enforced (assigned to be enforced) under the procedures for enforcement of court judgements stipulated by the Civil Procedure Law.

Section 107 <sup>3</sup> of the Notarial Law provides that the abovementioned notarial deed may be assigned for enforcement when the debtor has expressly and unequivocally agreed to enforcement of the obligation in the deed, including eviction of the debtor and his or her property from the leased, rented or lent property, if the fixed term lease, tenancy or lending contract provides for the obligation of the lessee, tenant or borrower to leave the leased, rented or lent property due to expiry of the tenancy term or failure to pay the rent, as well as the obligation to pay lease or rent. An authorized representative may give such consent on behalf of the debtor only provided that he or she is specifically authorised to do so.

If the tenancy contract is entered into as a notarial deed and the abovementioned provisions are included therein, such a notarial deed may be assigned for enforcement without applying to the court, because a notary issues a notarial enforcement order following receipt of the creditor's application.

A notary public shall issue a notarial enforcement order in the form of a notarial deed within three working days following receipt of the creditor's application and shall indicate therein a notation regarding the time period of two months for voluntary fulfilment of the obligation and submission of the notarial enforcement order to a sworn bailiff upon expiry of the said term, provided that the notarial enforcement order states the duty of a person to lease the leased, rented or lent property before the end of the term specified in the contract.



## Recent amendments to laws and regulations applicable to the real estate sector V

**VIII On 1 July 2021, amendments to Cabinet Regulations No. 1250 of 27 October 2009, for the Stamp Duties For Corroboration Of Proprietary Rights And Pledge Rights In The Land Registry**, came into force, which stipulates that the amount of the stamp duty for corroboration of proprietary rights in the Land Registry per each real estate shall be fixed as follows:

- 1) alienation of property on the basis of a contract or court decision regarding approval of an auction deed or on the basis of a court decision regarding corroboration of real estate in the name of a winning bidder, a co-owner or a creditor - 1.5% of the value of the real estate for the title acquisition by a natural person;
- 2) alienation of property on the basis of a contract or court decision regarding approval of an auction deed or on the basis of a court decision regarding corroboration of real estate in the name of a winning bidder, a co-owner or a creditor - 2% of the real estate for the title acquisition by a legal entity.

Thus the stamp duty for natural persons has been reduced from 2% to 1.5% and the stamp duty of 6% applied earlier to legal entities upon acquisition of title to an apartment property has been cancelled.

**On July 6, 2021, amendments to the Apartment Property Law (coming into force on August 5, 2021) were adopted by the Saeima**, which again allows the construction of several residential houses on one plot of land and the division thereof into separate apartment properties.

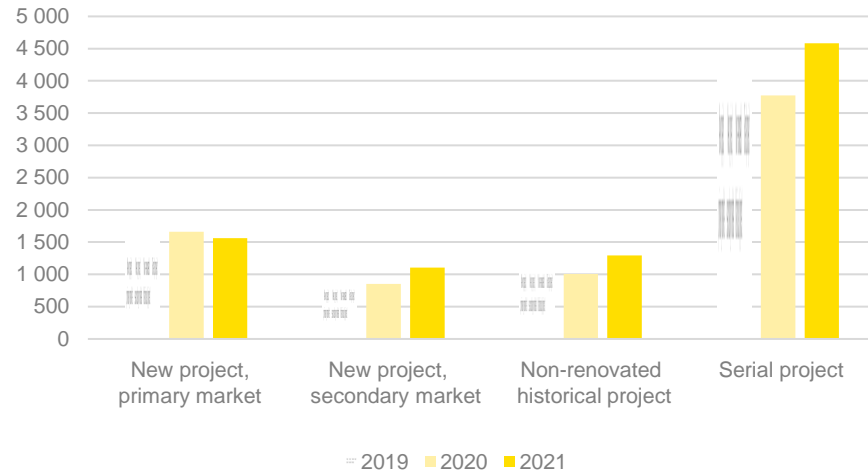
At the same time, amendments to the Law stipulate that the decision to carry out redecoration or construction works in a separate residential house shall be made by those apartment owners whose separate properties are located in such a residential house, as well as contributions to the savings fund for maintenance purposes of a separate residential house, as well as management expenses, which are related to the construction or repair costs in a separate residential house, shall be covered by those apartment owners whose separate properties are located in such a residential house.

# TRENDS

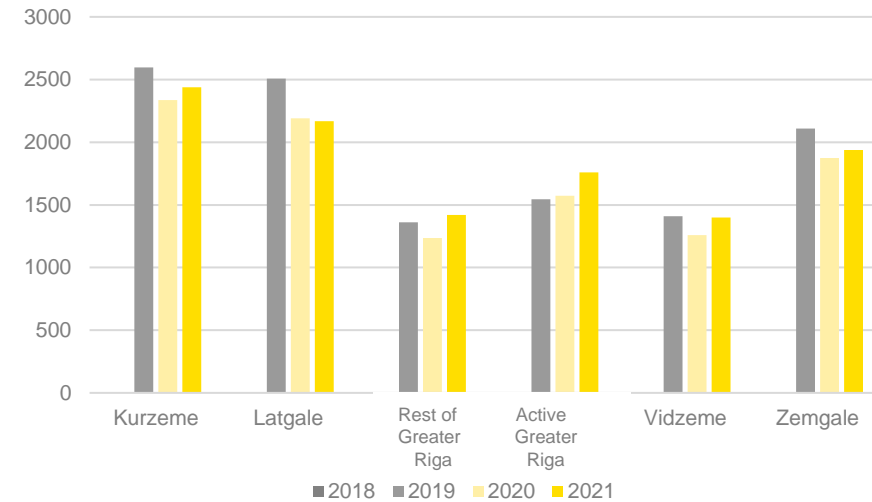


# Number of transactions per year

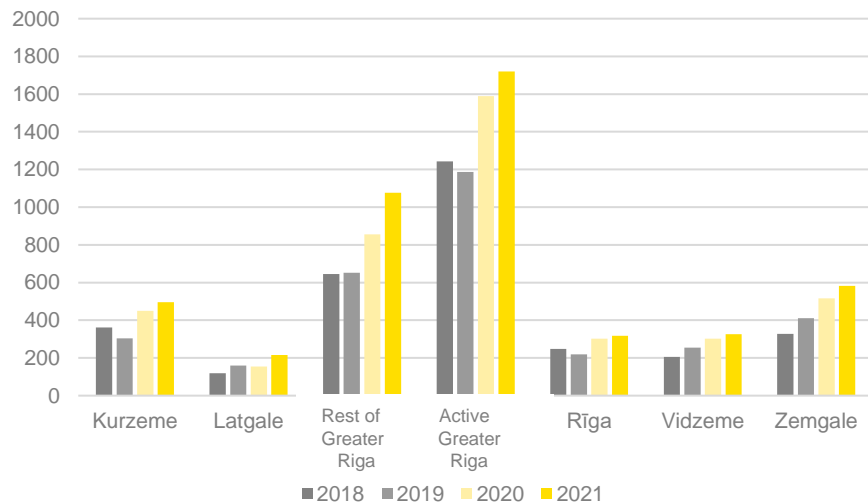
Apartments in Riga



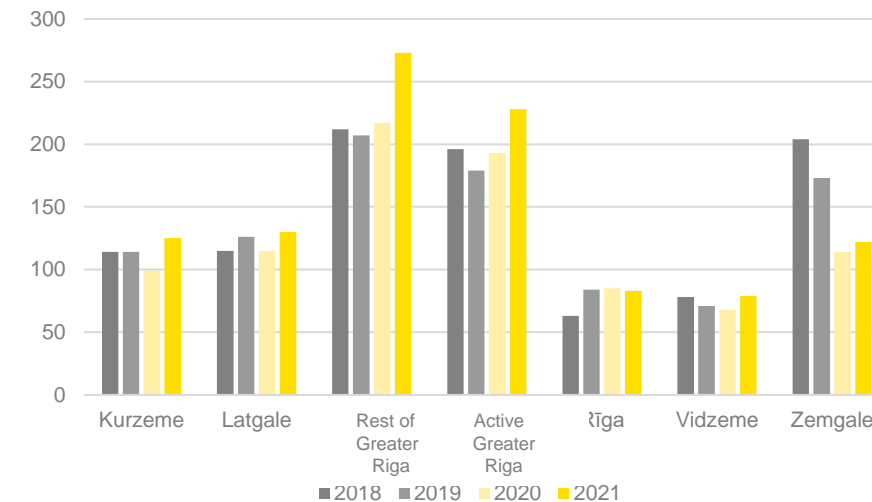
Apartments, rest of Latvia



Land for the building of private houses (unbuilt)



Private houses





## The flagman in the real estate sector since 1991

- Real estate transaction
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- Legal consulting
- Land survey
- Investor attraction and consulting
- Market research



EXPERIENCE IN NUMBERS





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