

Latio

Housing market

REPORT

2 0 2 3



F O R E W O R D



”

In 2023, the real estate market surprised with its stability and resilience. External factors and macroeconomic indicators predicted a market crash. We got through it with market silencing. The drop in supply was offset by limited supply and a categorical reluctance of sellers to accept a new - significantly lower - market price level. As long as unemployment rates are as stable as they are today, there is no reason to expect a significant reduction in property prices. Conversely, if we see a sharp rise in unemployment, lower market prices will be around a year away.

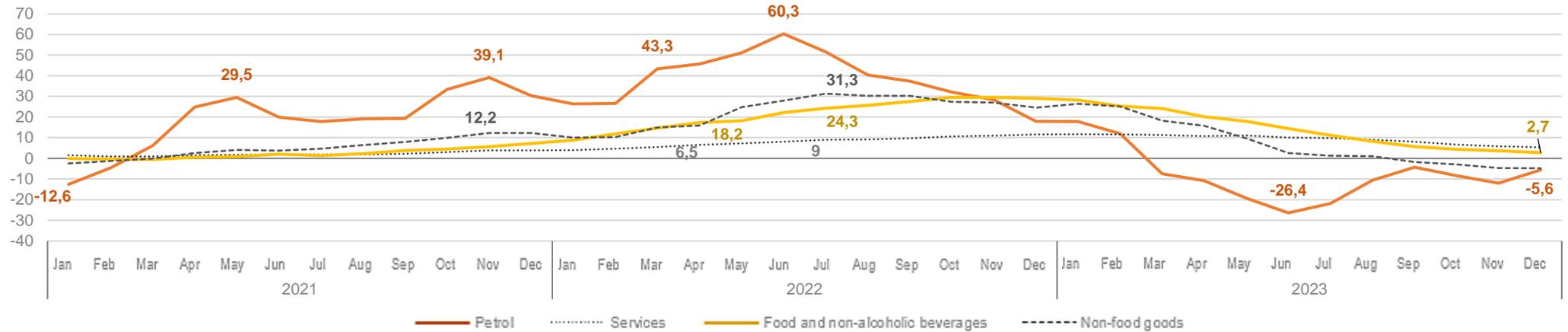
EDGARS ŠĪNS

Latio Chairman of the Board

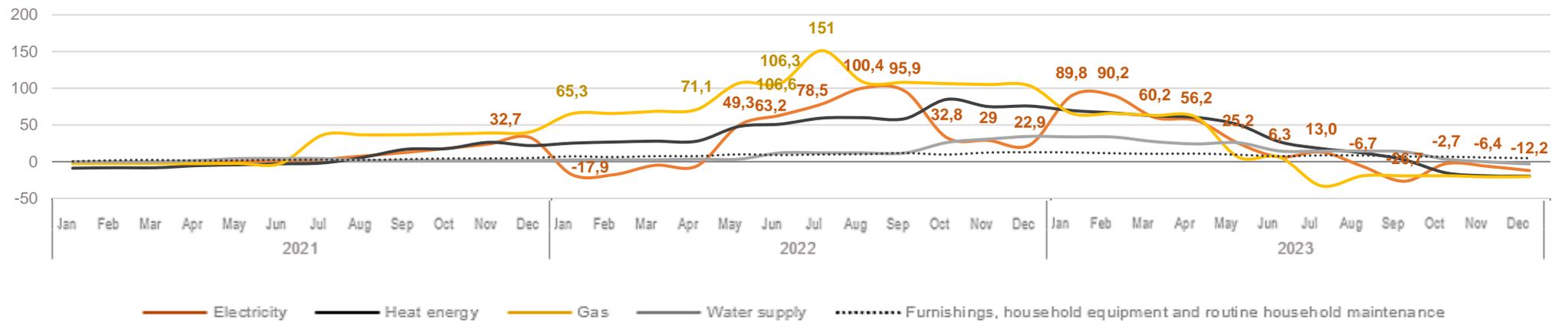
M A C R O E C O N O M I C S

PRICES

Consumer price changes in Latvia (% , year-on-year)

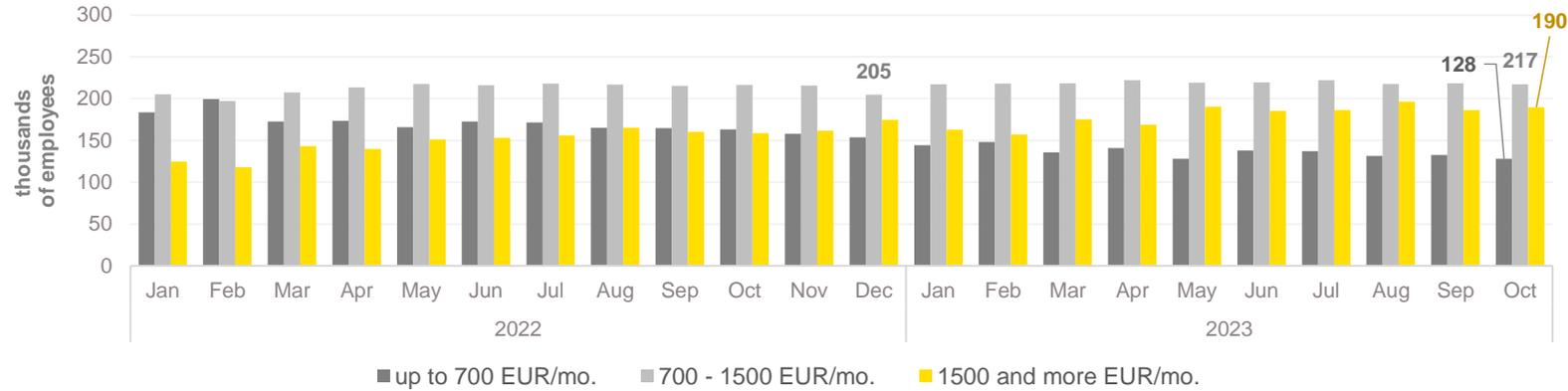


Housing maintenance price changes in Latvia (% , year-on-year)

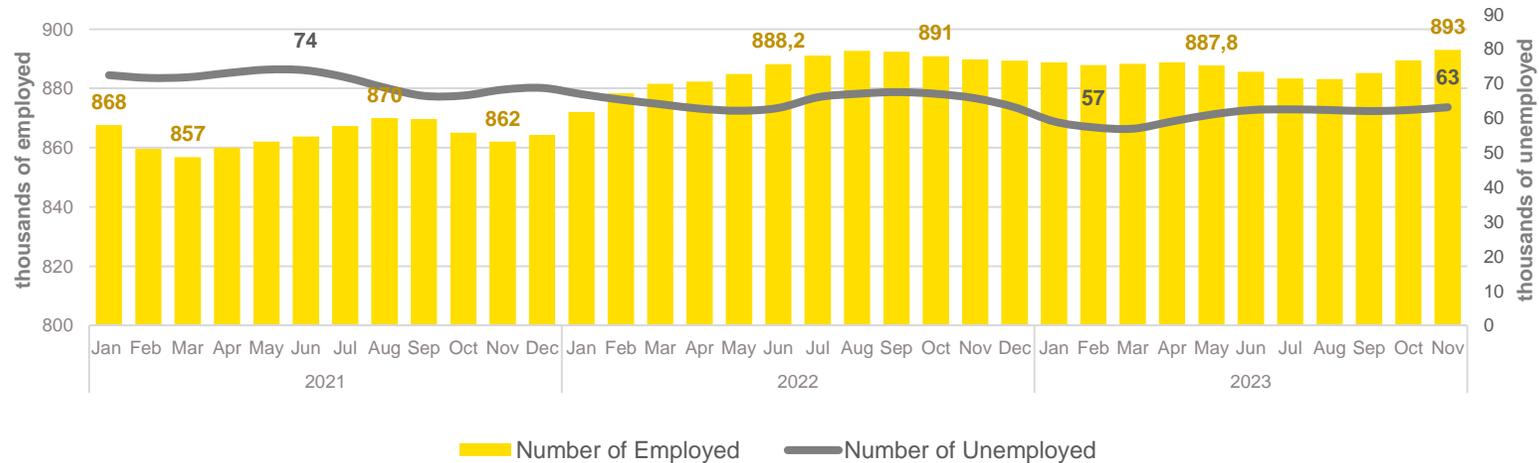


JOB MARKET

Breakdown of the number of private sector employees by gross income (by months)



Number of unemployed and employed aged 15-74



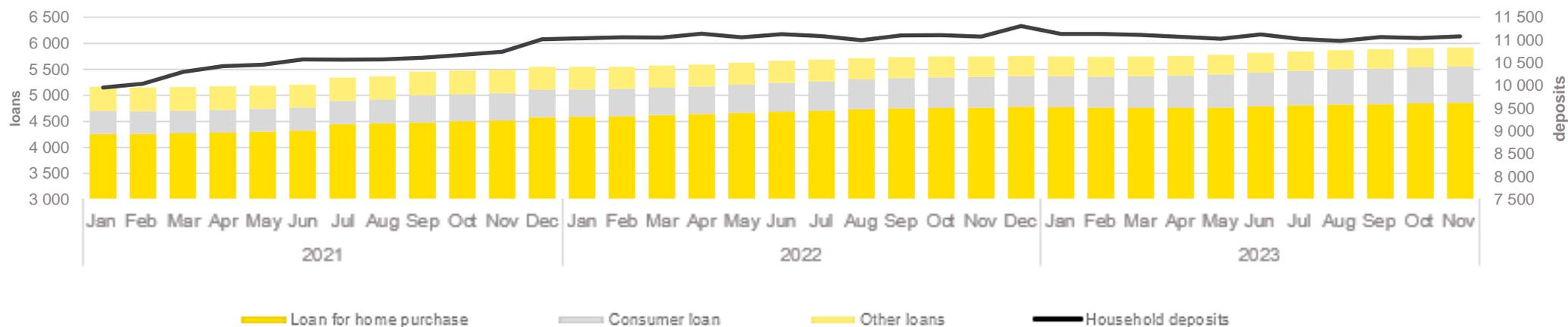
October (2023. / 2022.)		
<700 EUR/mo.	700-1500 EUR/mo.	>1500 EUR/mo.
-22%	+0,5%	+22%

LOANS, DEPOSITS AND INTEREST RATES

Newly issued loans and month-end 3- and 6-month EURIBOR

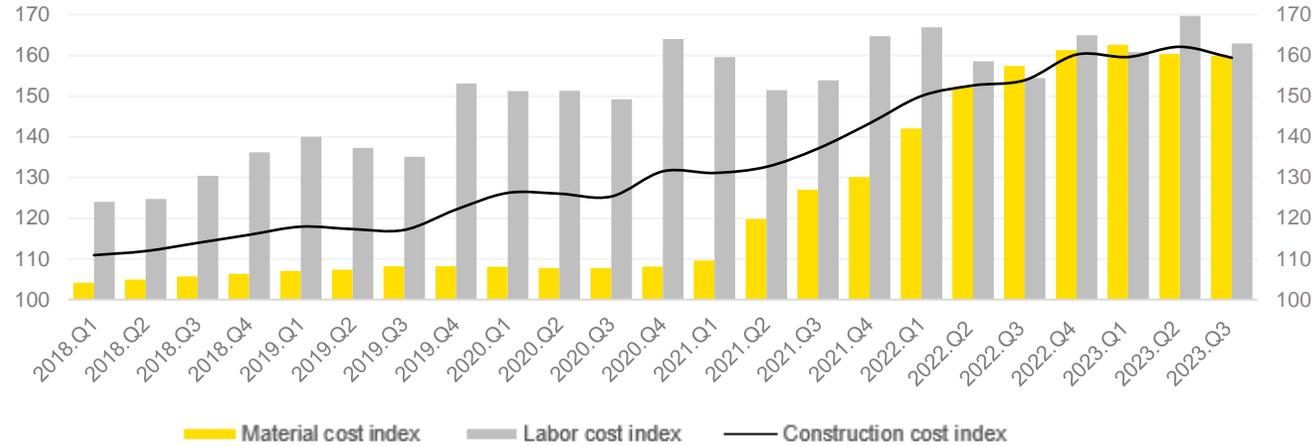


Loans raised and issued by banks (the amount of the actual balance, mil. EUR)

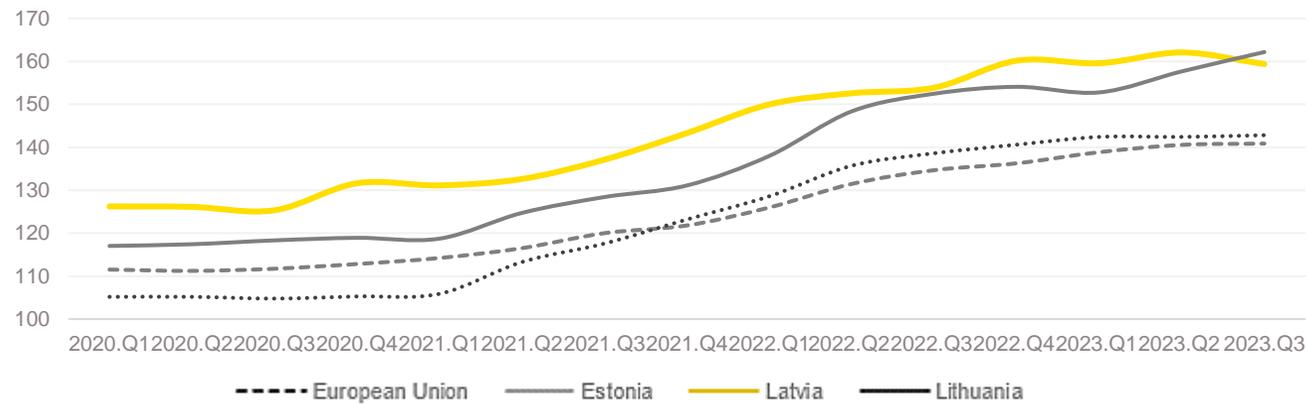


CONSTRUCTION

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



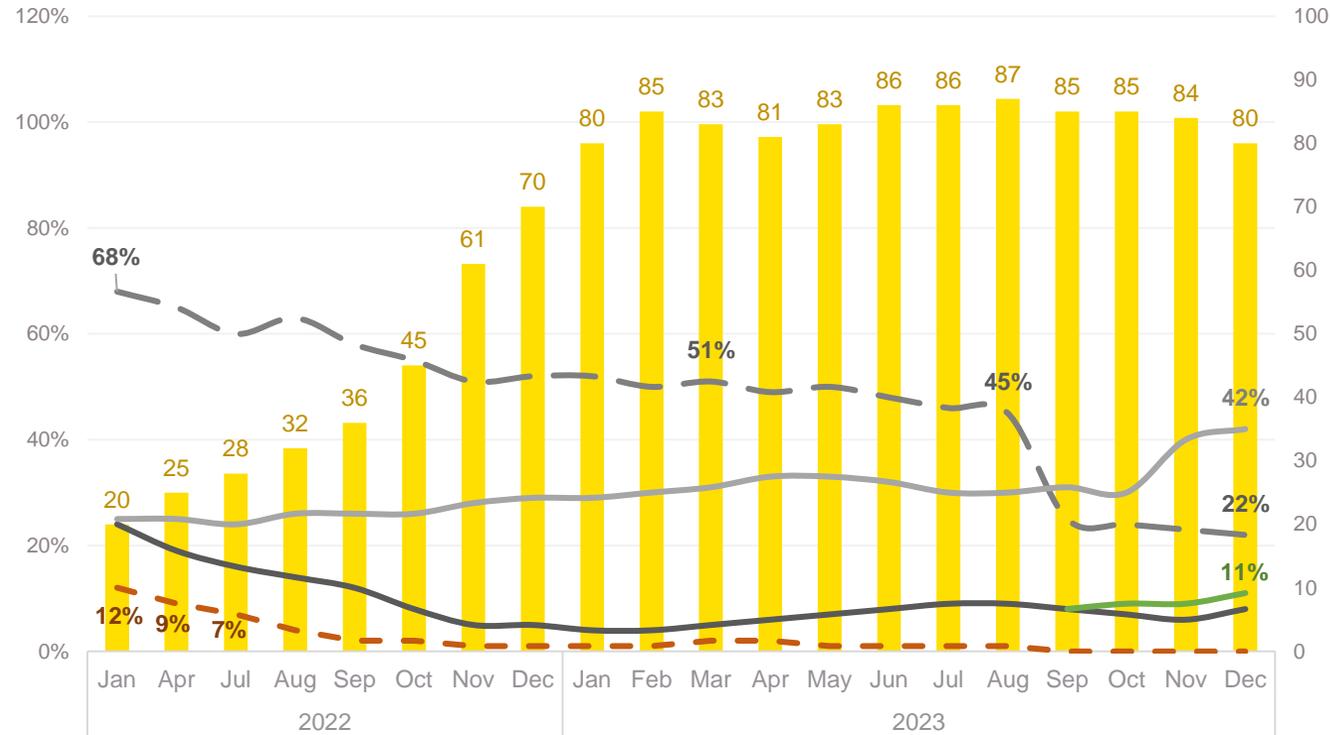
Construction costs to build new residential houses (2015 = 100)



H O U S I N G M A R K E T I N D I C A T O R S
A N D T R E N D S

A BUYERS' MARKET AND A GROWING INTEREST IN RENTAL HOUSING

Housing market confidence index



- days needed to sell at market price (right axis)
- - - buyers offer a higher price than the advertisement
- sellers asking a price disproportionate to the market situation
- homes are bought within the first month of the advertisement being published
- transactions take place without recourse to credit
- how much more affordable it is to buy than to rent

In 2023, overall housing market activity has been fairly uniform. There are strong buyers' market characteristics - increasing number of sales advertisements, longer decision-making without rushing into a transaction, and sellers being more accommodating to buyers by agreeing to reduce the sales price. Whereas 45% of sellers were asking a price out of line with the market situation in the summer, in September it was only 25%, with the share remaining in the 20-25% range until the end of the year.

Last year, buyers who were able to do the deal on their own account were in a particularly advantageous position. In the first half of the year, the high EURIBOR reduced the ability to buy a property with a mortgage, so the most active transactions were for properties priced between EUR 40 000 and EUR 60 000.

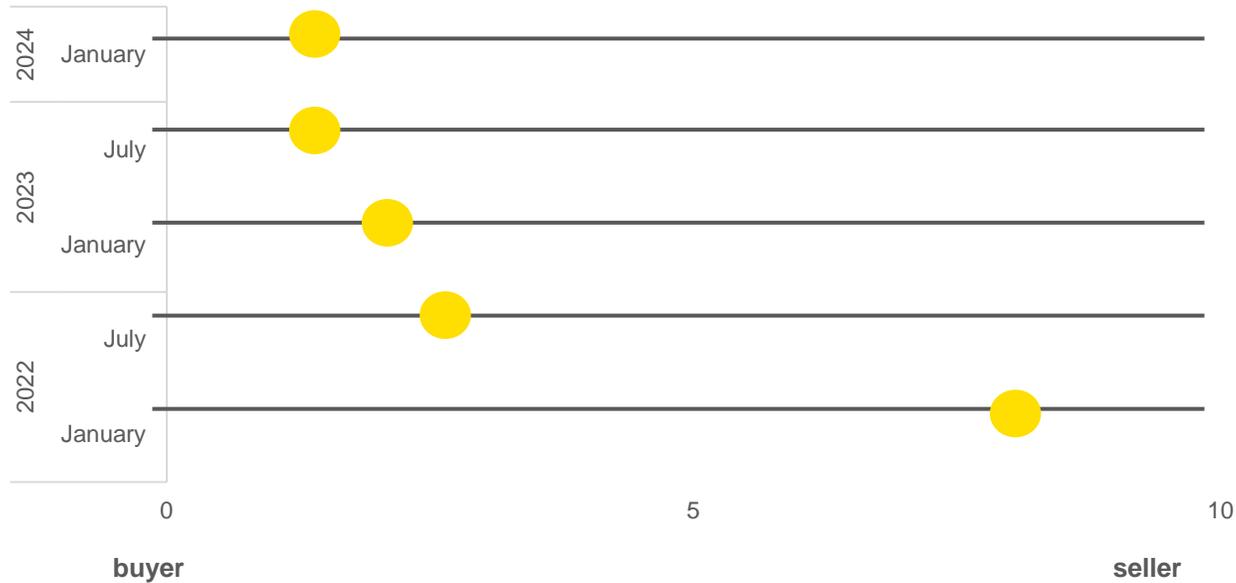
The increase in monthly loan payments also triggered another trend: the rental market activity increased significantly. In most cases, rental payments were significantly lower compared to potential loan payments. For example, in December, renting a two-bedroom apartment in a new project in the most sought-after neighbourhoods of Riga was 11% cheaper than buying.

The year ended on a positive note: EURIBOR was not increased, property can be sold slightly faster and the government has decided to support borrowers.

Source: Data provided by Latio estate agents

HOUSING MARKET CORE SUMMARY OF INDICATORS

Who feels more secure in the housing market?*



* Source: calculated on the basis of Latio's transaction managers' ratings on a scale of 1-10, where 1 is the buyers' market and 10 is the sellers' market

Total value of transactions*

1.33 bln. Y/Y ▼ - 9 %

Median of the sum of all transactions*

31 500 Y/Y ▼ - 5 %

Total number of transactions*

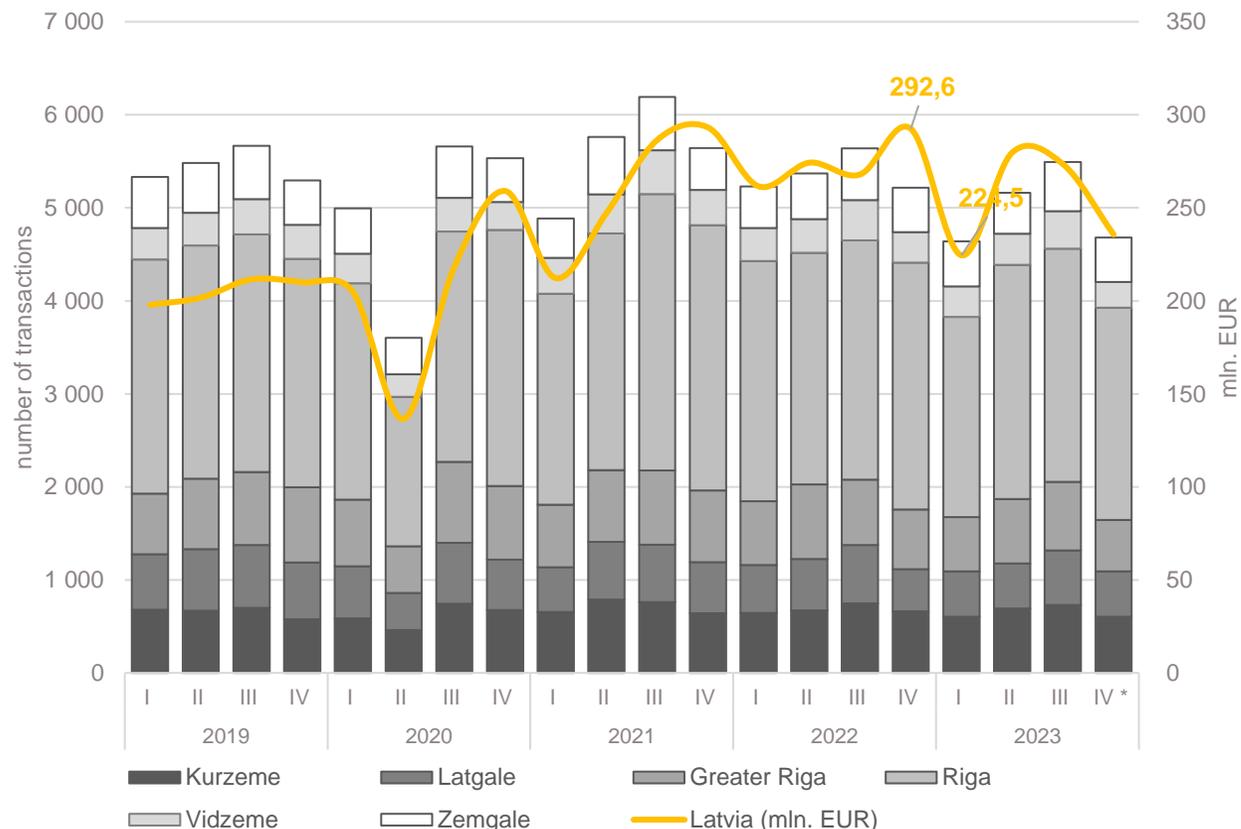
~ 24 600 Y/Y ▼ - 9 %

** All transactions in apartments and private houses from January to December 2023 (inclusive) compared to the corresponding period in 2022

H O U S I N G M A R K E T

APARTMENT MARKET IN LATVIA

Total number of transactions recorded and sum of transactions



* Data will be updated after registration of several transactions in the Land Register in the following period

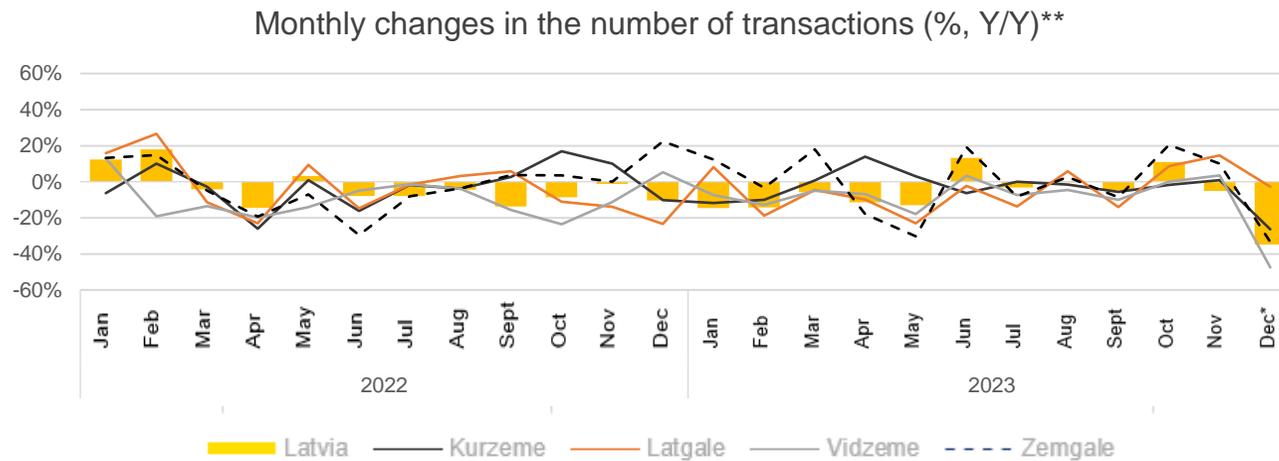
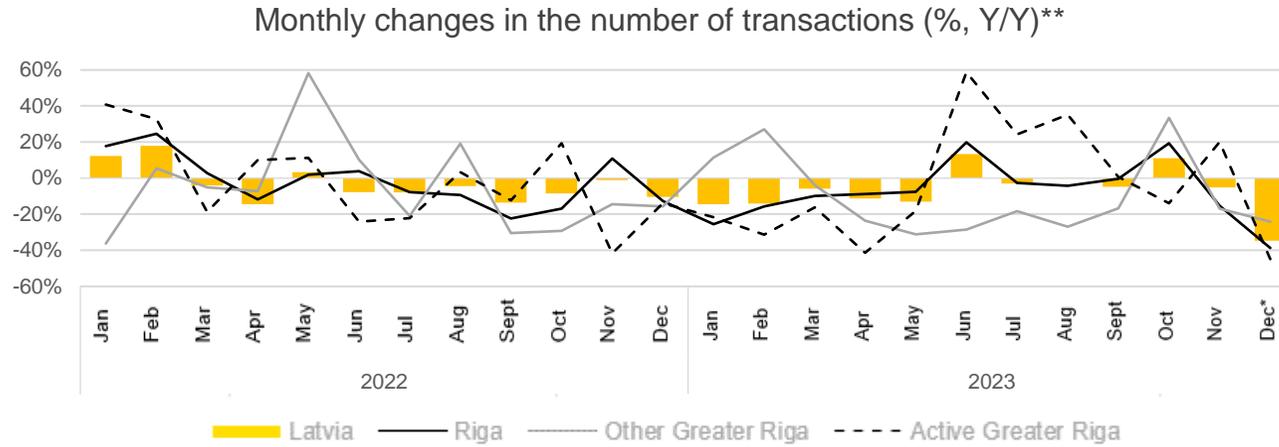
** %, Y/Y - change compared with corresponding period of the previous year, by month

The majority of apartment transactions occurred in Riga and its surrounding agglomeration, comprising over half of the total number of transactions. With market activity dampened by elevated EURIBOR rates and property prices, the number of registered transactions has also dwindled compared to 2022.

Buyers mostly prefer modern, well-maintained and ready-to-occupy dwellings in energy-efficient buildings and new projects. However, financial considerations also prompt them to explore the secondary market supply. For example, in the centre of Riga, early in the year, the average price difference between apartments in historical buildings and renovated houses was as high as 20-30%. As a result, older buildings were the most preferred ones by buyers, raising concerns about the technical condition of the houses. However, when a quality property at a fair price became available on the market, buyers were quickly found both in Riga and in the regions.

At the start of the year, about one-third of transactions were conducted using buyers' funds, with 69% of properties financed through loans. As the year drew to a close, the ratio had already tipped towards a split of 40% and 60%. With the rental market picking up speed, a large number of properties purchased without a mortgage (including low-quality ones) have been renovated and offered for rent by new owners.

APARTMENT MARKET IN LATVIA



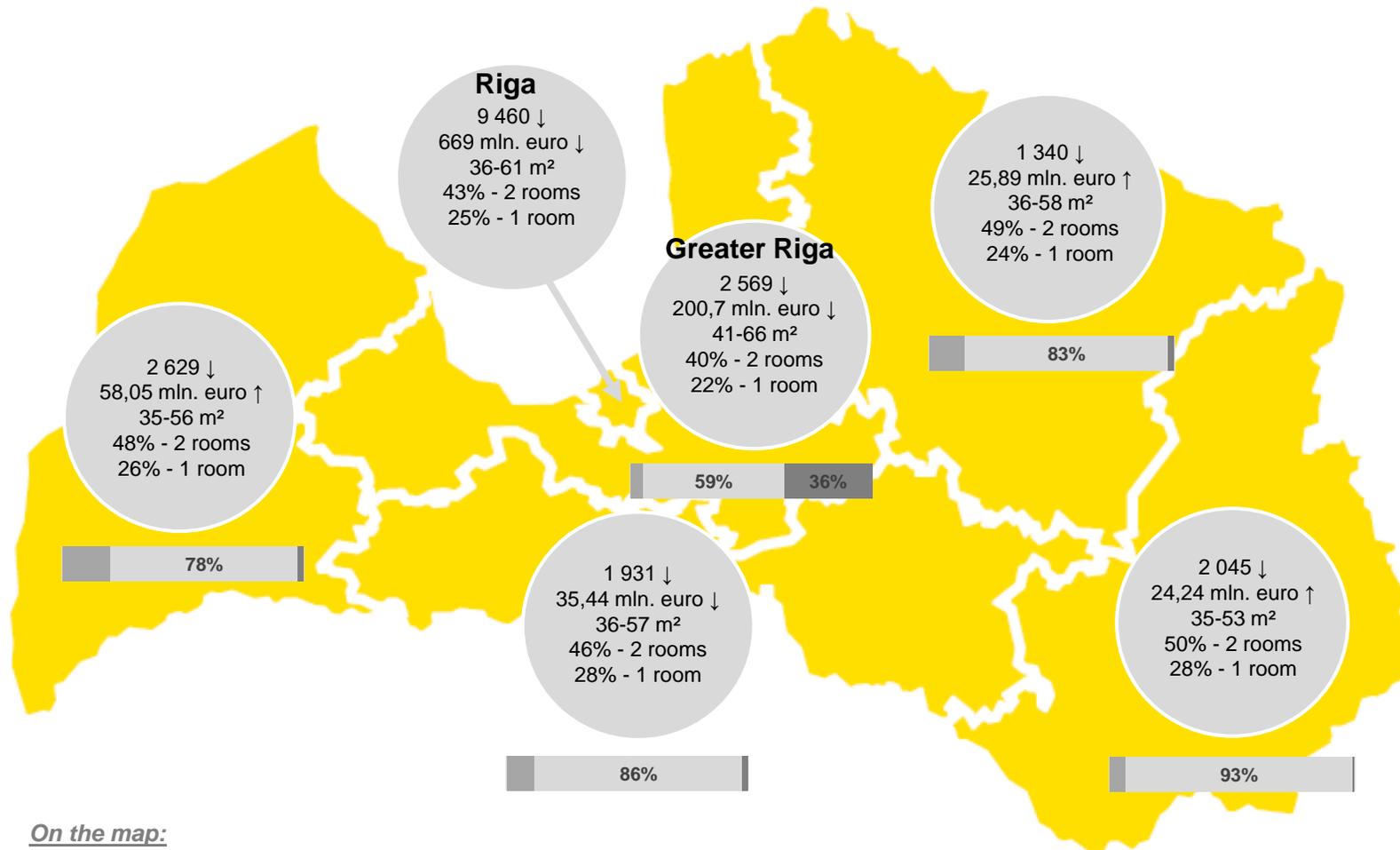
* Data will be updated after registration of several transactions in the Land Register in the following period

** %, Y/Y - change compared with corresponding period of the previous year, by month



Source: Cenu Banka and Latio

APARTMENT MARKET IN LATVIA

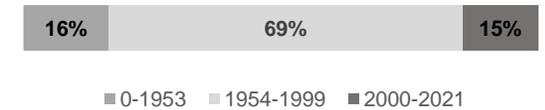


On the map:

- 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

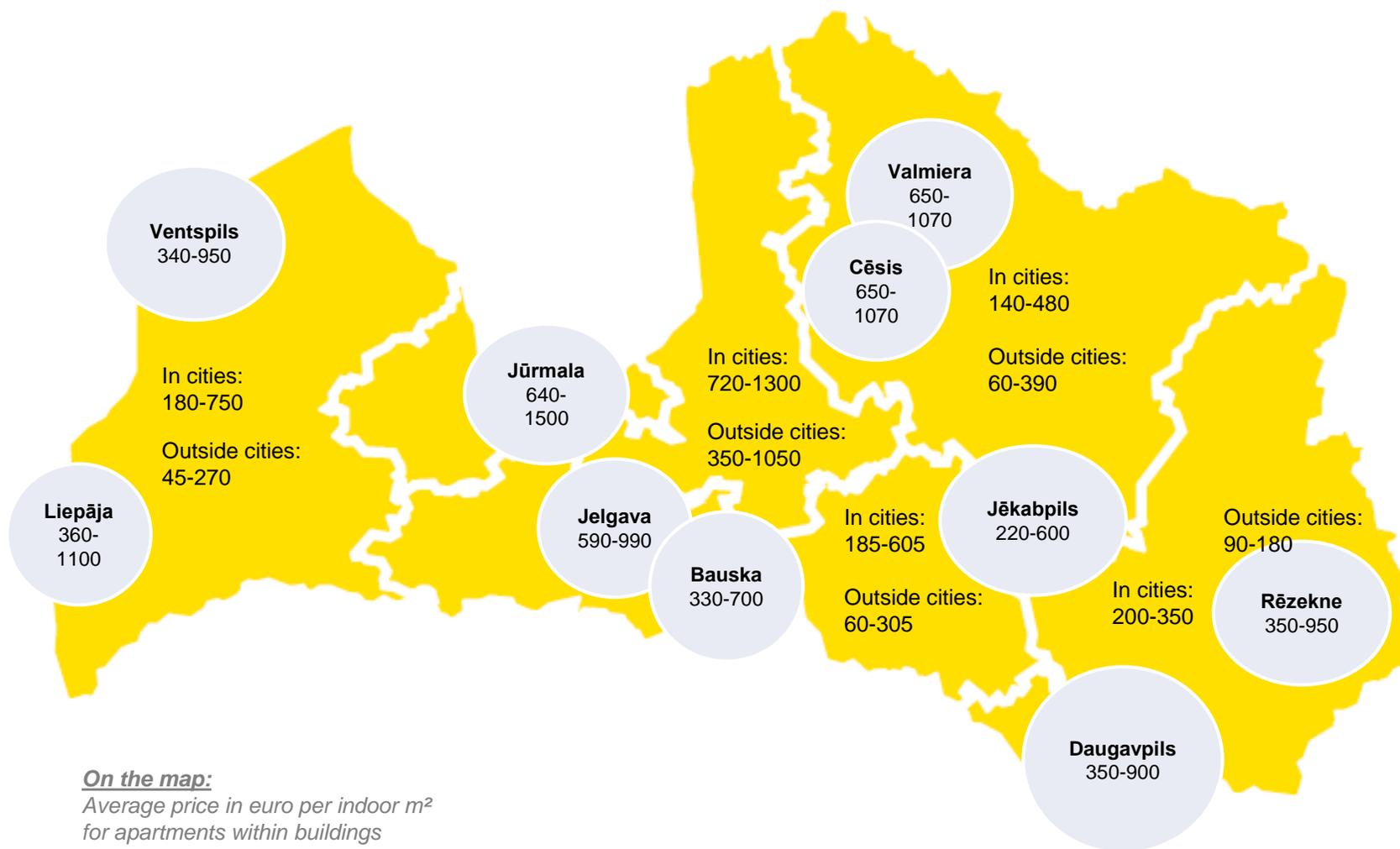
Number of transactions	19 980 ↓
Number of transactions with 1 room apartments	25%
Number of transactions with 2 room apartments	44%
Number of transactions with 3 room apartments	23%
Gross transaction value	1,013 bln. euro ↓
Average space (median)	50,4 m ² ↓ (48 m ²)

Number of transactions depending on the year the building was completed



All data and changes are calculated by comparing data for the period January to December 2023 with the corresponding period in 2022.

APARTMENT MARKET IN REGIONS OF LATVIA



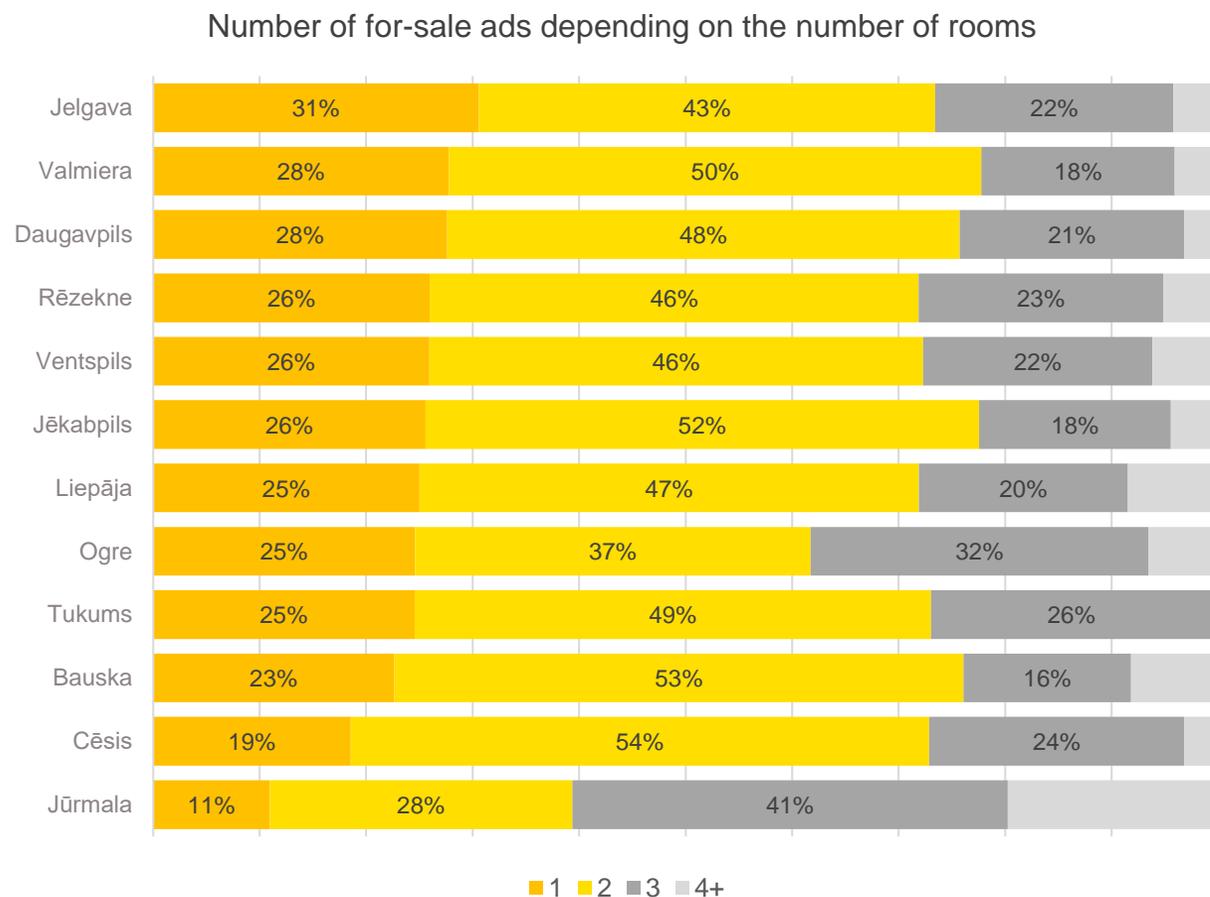
On the map:
Average price in euro per indoor m² for apartments within buildings completed between 1954 and 1999

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

Region	In cities	Outside cities
Active Greater Riga	47 000	40 000
Rest of Greater Riga	37 500	36 000
Zemgale	27 200	11 400
Kurzeme	23 300	11 200
Vidzeme	35 400	11 600
Latgale	20 000	8 000

* 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 Liepāja and Ventspils apartments, Greater Riga cities excluding Jūrmala, etc.).

FOR SALE AND LONG-TERM RENT CLASSIFIED ADS IN LATVIAN CITIES



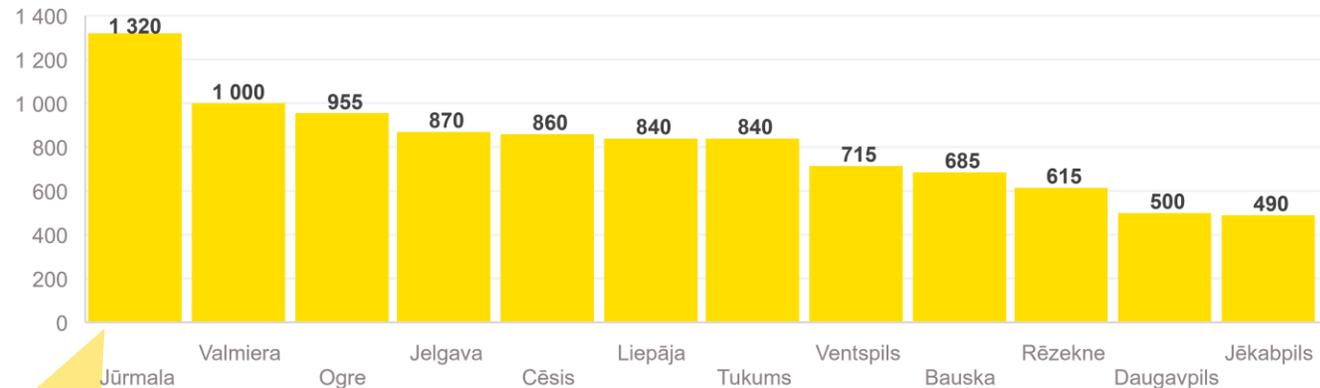
In 2023, both the number of advertisements for apartments for sale and those for rent in Latvia exhibited a consistent rise, reaching the record levels witnessed a decade ago.

The peak availability of apartments for purchase in Riga occurred in September, with a total of 4,730 listings on offer. In September, new projects comprised roughly one-third, or 1,290 apartments, while series-type buildings accounted for nearly half of the total number of listed apartments. The remainder includes new projects on the secondary market as well as housing in historical buildings.

The rental market also peaked in September with more than 3,000 apartments, of which almost 40% were in series-type buildings. The significant surge in the availability of rental apartments, skyrocketing from 1,210 in January to nearly tripling that figure by autumn, can be attributed to sellers transitioning their sales listings to the rental market. This shift is driven by a reluctance to decrease property prices and a desire to guarantee bills are covered during the winter season. A considerable portion of rental apartments were owned by families living abroad who spent only the summer months in Latvia. Towards the end of the year, the supply in both segments experienced a slight decline but continued to maintain a high level.

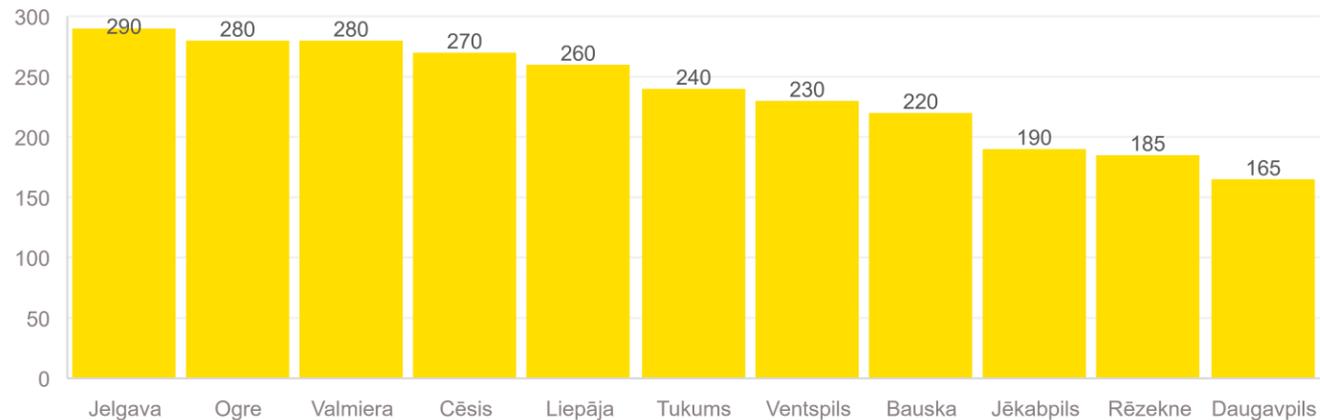
FOR SALE AND LONG-TERM RENT CLASSIFIED ADS IN LATVIAN CITIES

Asked prices of serial apartments in ads (EUR/m²)

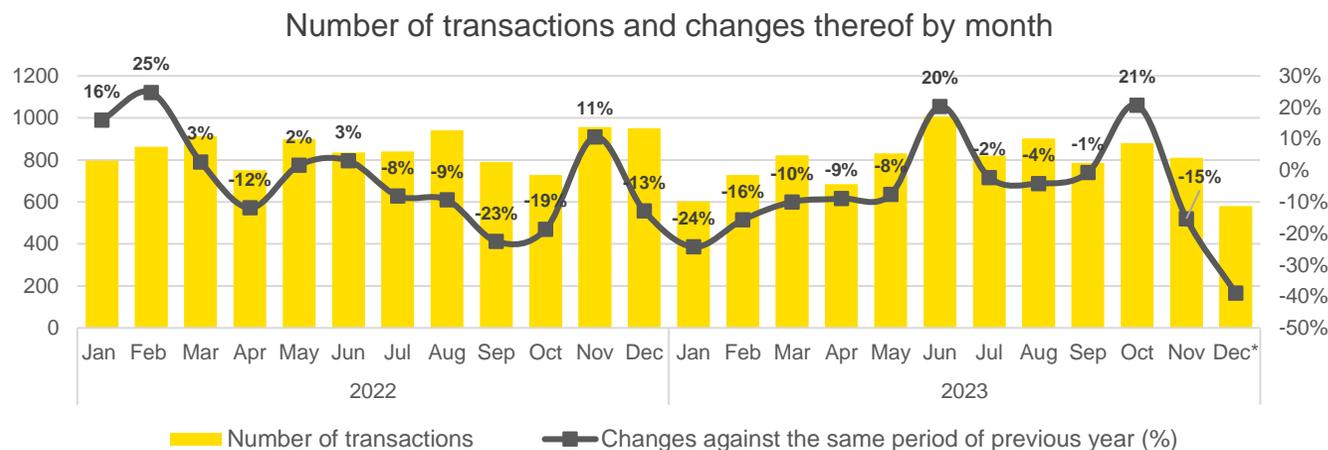


Kauguri, Ķemeri, Sloka,
Valteri: 1 330 EUR/m²
Other parts: 1 640 EUR/m²

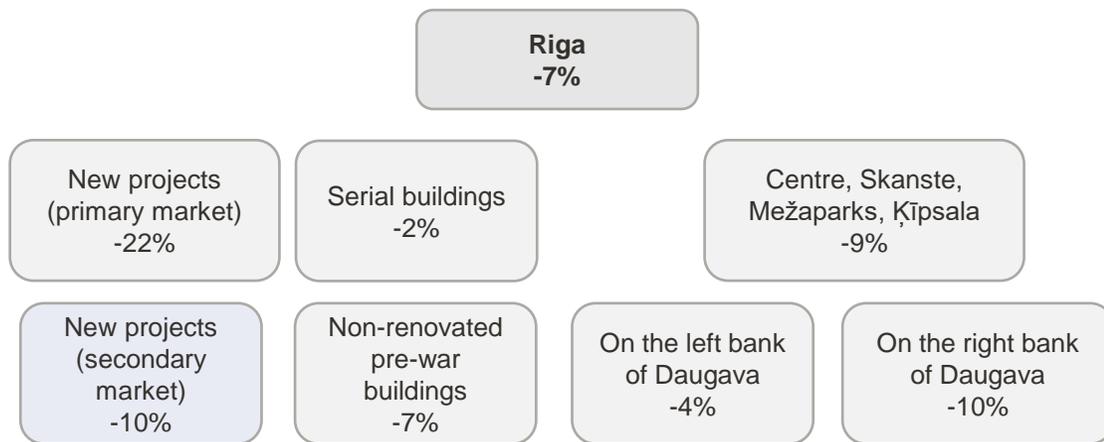
Asked rent of two-room series-type apartments in ads (EUR/mo)



NUMBER OF APARTMENT TRANSACTIONS IN RIGA



Change in the number of transactions**



* December 2023 data available partly

** January-December 2023 data compared to the corresponding period in 2022

In the apartment segment, only June and October saw a positive trend in terms of transaction numbers. The surge in autumn transactions can be attributed to the abundance of sales advertisements in September, coupled with the return to the usual pace of life following the summer holiday season.

Overall, transaction activity in Riga experienced a decline compared to 2022. On average, about 700 transactions involving apartment properties were finalized per month, reflecting a 20% decrease compared to recent years' averages. Roughly half of these transactions consist of apartments in series-type buildings in Riga's neighbourhoods, while 25-30% are attributed to housing in new projects. Despite the decrease in transaction volume, experts at Latio believe that the current situation serves to mitigate disparities compared to previous trends in the housing market's evolution.

The number of transactions also decreased due to high loan payments, which shifted activity to the rental market, as well as sellers' refusal to adjust prices. At the end of the year, however, property prices in certain segments declined slightly, encouraging transaction activity in early 2024.

A novel trend, previously unobserved, involves the sale of larger properties acquired or constructed during marriage, with individuals now opting to purchase or rent smaller residences. This phenomenon introduces a paradox: despite a declining population, the number of households continues to rise.

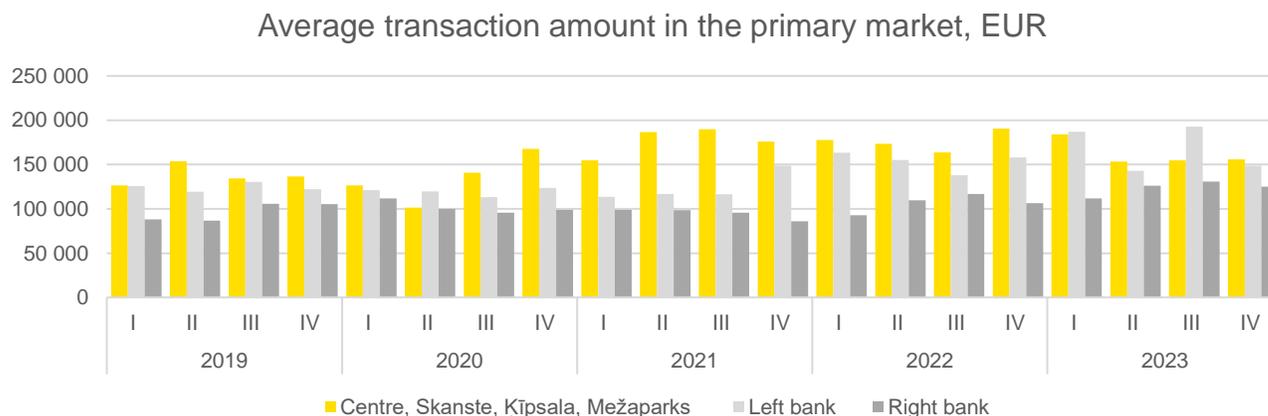
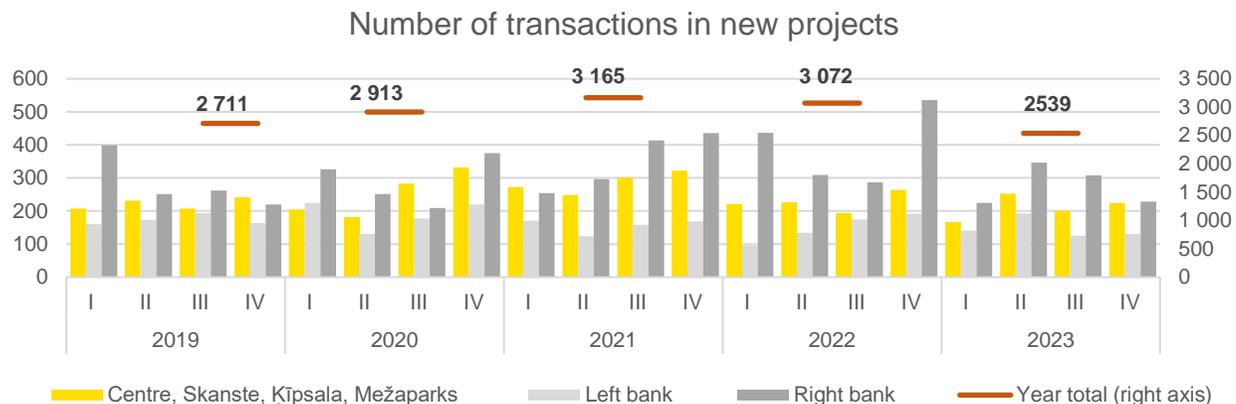
APARTMENT TRANSACTIONS IN SERIAL BUILDINGS IN NEIGHBOURHOODS OF RIGA



LEFT BANK	Number of transactions	RIGHT BANK
1 725 (-2%)		3 095 (-1%)
	Number of transactions depending on the number of rooms:	
23%	1 room	28%
48%	2 rooms	43%
24%	3 rooms	20%
79,05 mln. EUR (-9%)	Transaction value (changes)	136,95 mln. EUR (-6%)
37-55 m ²	Floorspace in the strongest demand	35-56 m ²
48 m ²	Average floorspace	46 m ²
Imanta (27%) – 1 010 EUR/m ² (↓9%) Ziepniekkalns (15%) – 1 061 EUR/m ² (↓6%) Iļģuciems (14%) – 965 EUR/m ² (↓7%)	Top areas (% of total transactions) - average price per indoor m ² (change)	Purvciems (21%) – 1 070 EUR/m ² (↓6%) Ķengarags (17%) – 965 EUR/m ² (↓7%) Pļavnieki (14%) – 1 040 EUR/m ² (↓7%)
Lithuanian project (25%) – 960 EUR/m ² (↓10%) Series 602 (19%) – 1 040 EUR/m ² (↓7%) Khrushchev project (16%) – 1 075 EUR/m ² (↓4%)	Top series (% of total transactions) - average price per indoor m ² (change)	Lithuanian project (18%) – 990 EUR/m ² (↓5%) Khrushchev project (18%) – 1 065 EUR/m ² (↓5%) Series 602 (18%) – 1 015 EUR/m ² (↓8%)
1 040 EUR/m ² (↓7%)	Average price per m ²	1 030 EUR/m ² (↓7%)

All data and changes calculated, comparing data for the period January to December 2023 with the corresponding period in 2022. Data are for December 20223.

TRANSACTIONS IN NEW PROJECTS



* At the time of the creation of the report, some of the transactions in Q4 were not available

The following projects (number of transactions, average price per indoor area) had the highest number of completed transactions in 2023:

Riga City Centre, Skanste, Mežaparks and Ķīpsala:

- *Dainas* (58; 3060 EUR/m²)
- *Moho Park* (57; 2690 EUR/m²)
- *Merks Viesturdārzs* (36; 3320 EUR/m²)
- *Stabu 2A* (22; 4060 EUR/m²)
- *Mežaparka Village* (19; 2780 EUR/m²)

On the right bank of the River Daugava:

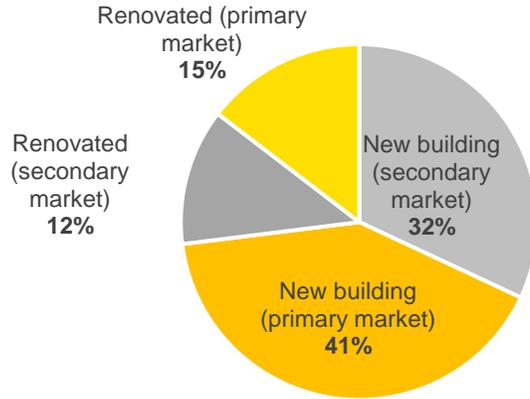
- *Silvas nami* (109; 2380 EUR/m²)
- *Ezerjugla* (97; 2090 EUR/m²)
- *Krasta kvartāls* (82; 2390 EUR/m²)
- *Ropažu 16* (71; 2810 EUR/m²)
- *Harmony Home Teika* (41; 2840 EUR/m²)
- *Elijas nami* (36; 2160 EUR/m²)
- *Blūmendāles mājas* (34; 2420 EUR/m²)
- *Raunas Rezidences* (26; 2190 EUR/m²)
- *Deglava Gleznotāju rezidence* (16; 1995 EUR/m²)
- *Harmonija* (15; 2060 EUR/m²)
- *Ezerparka Nami* (14; 2410 EUR/m²)

On the left bank of the River Daugava:

- *Kuldīgas parks* (116; 2440 EUR/m²)
- *Merks Magnolijas* (35; 2660 EUR/m²)
- *Parka kvartāls* (32; 2100 EUR/m²)
- *Vertikāles* (24; 2780 EUR/m²)

TRANSACTIONS AND PRICES IN NEW PROJECTS

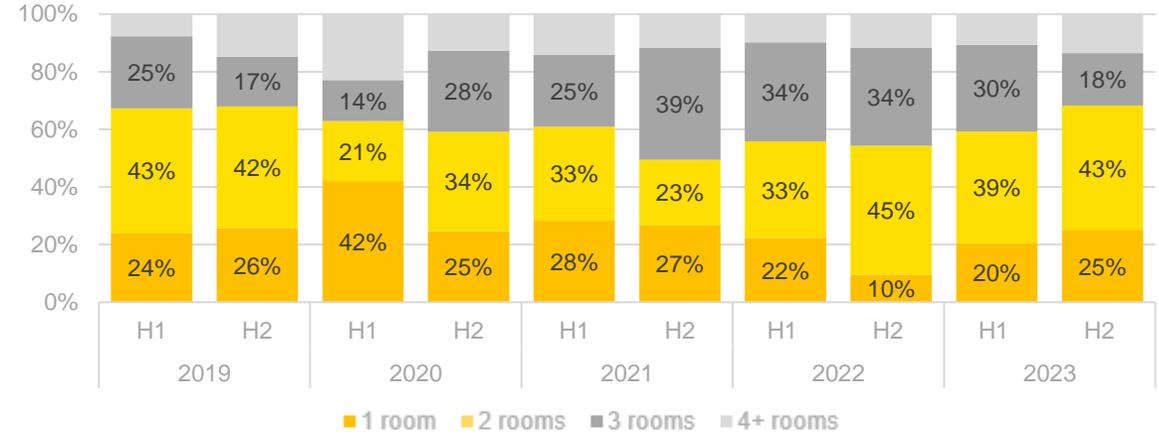
Number of transactions in new projects



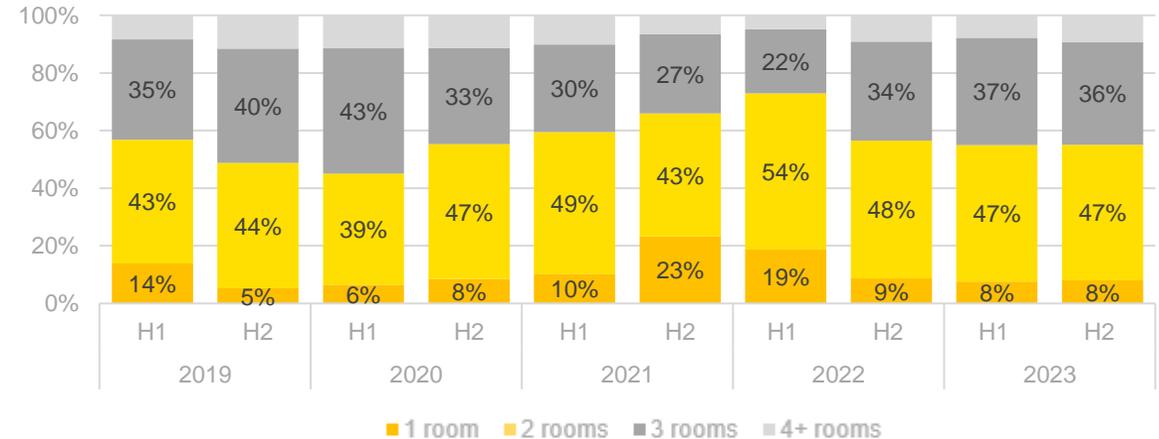
Average indoor prices on primary market for new projects in H2 2023

	New buildings	Renovated historical buildings
Centre, Skanste, Mežaparks, Ķīpsala	3 045 EUR/m ² (+1%)	2 240 EUR/m ² (+1%)
Left Bank of Daugava River	2 675 EUR/m ² (+6%)	2 740 EUR/m ² (+3%)
Right bank of Daugava River (the rest)	2 430 EUR/m ² (+17%)	1 620 EUR/m ² (+5%)
Exclusive projects, regardless of location	3 630 EUR/m ² (+9%)	

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

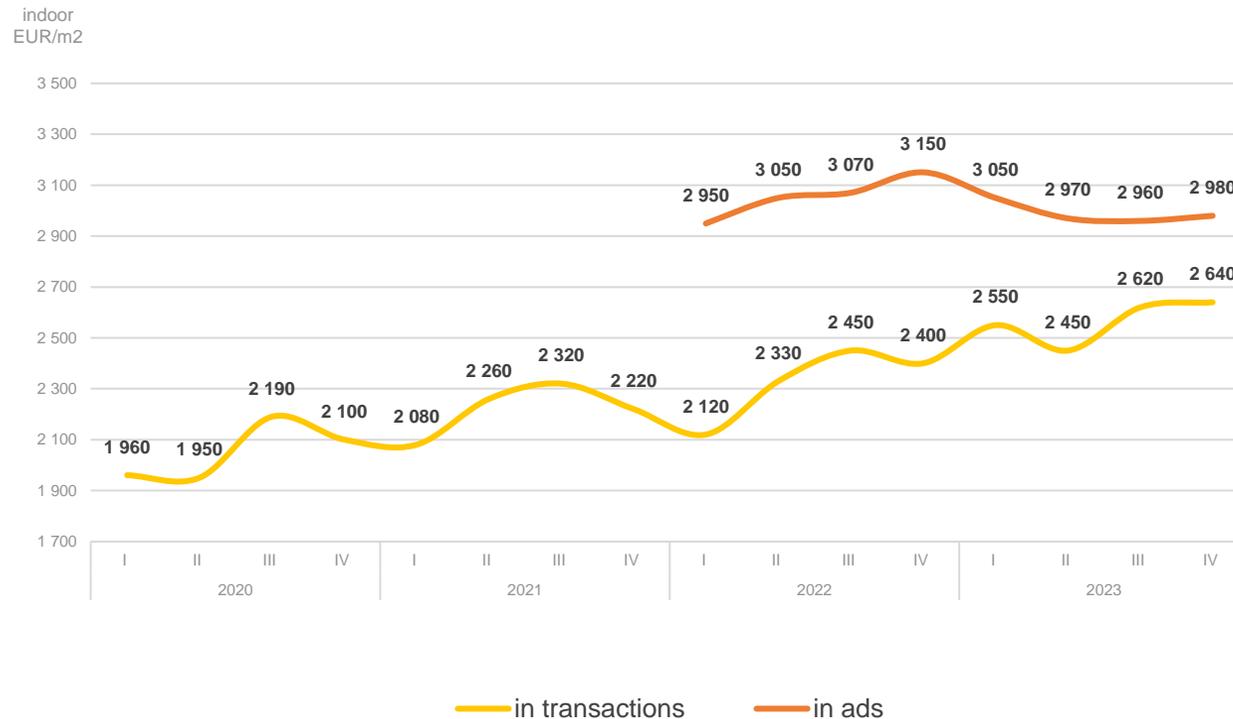


Number of first-time sales in new projects (the rest of Riga)



NEW PROJECTS SEGMENT

Average prices EUR/m2 in new projects on the primary market, Riga



In 2023, there was a steady and incremental rise in the availability of housing within new projects. In January, 1,400 apartments were on offer for purchase, while by year's end, the number had climbed to 2,095. About half, or 1,135, of the residences available in December were part of the primary market for new projects.

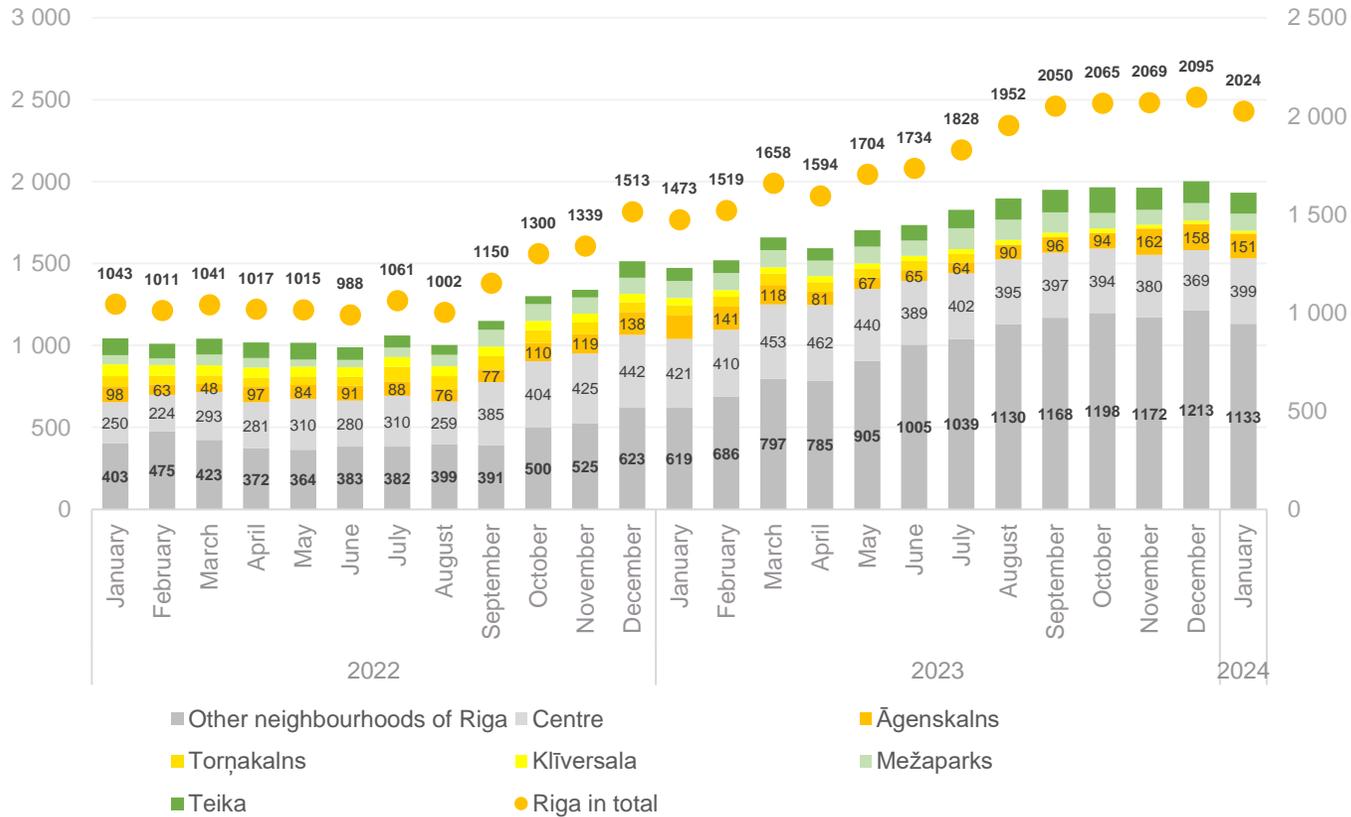
In December, the supply of brand-new apartments decreased by 14% compared to November. Developers typically launch promotions towards the year's end, enticing potential buyers with various bonuses like inclusive parking spaces or storage units, often crucial in their decision-making process when choosing among similar properties. Additionally, a notable proportion of apartments have entered the rental market.

By the year's end, the advertised price for new projects in Riga's primary market stood at 2980 EUR/ sq.m, while actual transaction prices averaged 2640 EUR/ sq.m. The disparity in prices indicates a slight increase in seller flexibility. Consequently, there has been a slight reduction in the number of days required to sell a property in December, along with a decrease in the percentage of sellers asking prices that deviate significantly from the market situation.

The majority of transactions in new projects last year involved developments that were either completed, in the occupancy approval process, or nearing completion, while reservations for apartments to be completed within 1-2 years were infrequent.

NEW PROJECT SEGMENT

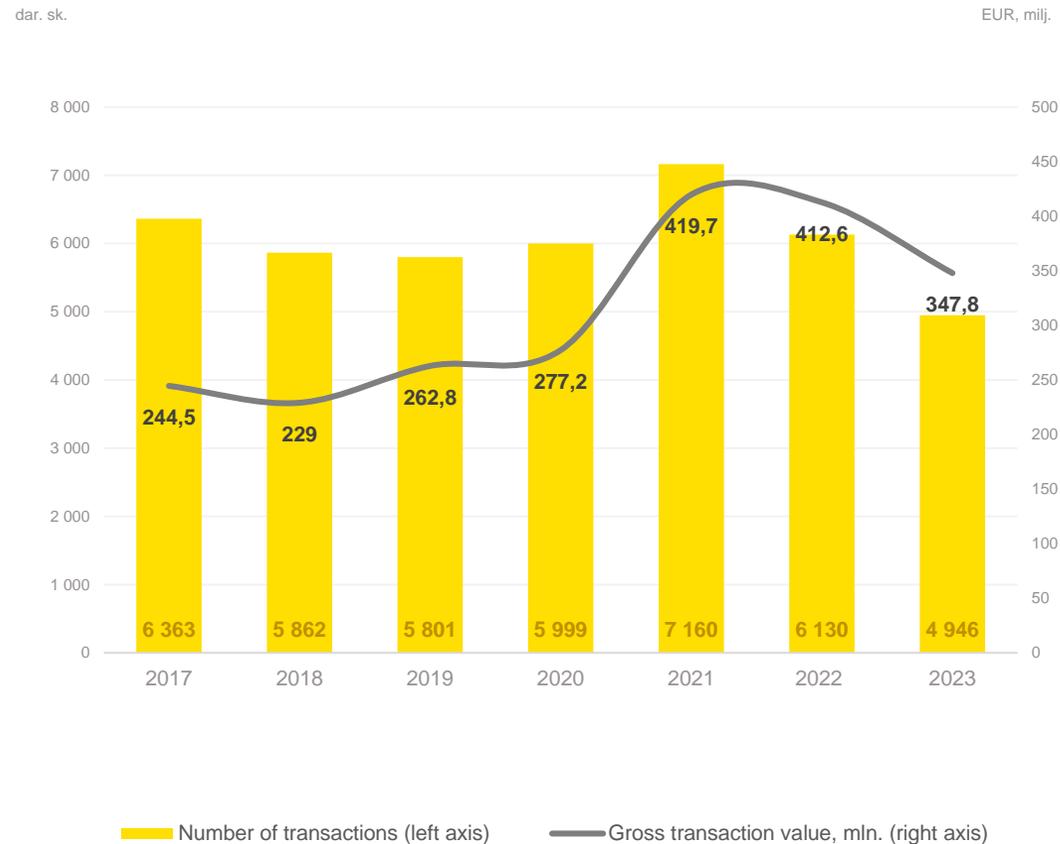
Number of available apartments in new projects at the end of the month



Source: Cenu Banka and Latio

PRIVATE HOUSES

Number of transactions and gross values



In 2023, interest in detached houses among buyers was high, but the lack of adequate supply and the change in banks' lending conditions due to the high EURIBOR have significantly reduced the overall number of transactions.

The most sought-after properties in this segment were pre-built, cost-effective detached houses spanning up to 100 sq.m, along with newly constructed homes. However, the availability of such properties was at its lowest last year. Instead, the majority of listings comprised expansive detached houses priced above EUR 200,000. In August, supply shrank to unprecedented lows and consisted mostly of large and expensive detached houses, which sellers tried to take advantage of by keeping prices unreasonably high. There is hardly any demand both in Riga and the surrounding areas, and in the regions such as Vidzeme and Zemgale. During the autumn season, the overall supply of private houses in Latvia began to rise, eventually reaching a level that was 30% higher than in the third quarter of 2022.

One of the areas with the highest supply of private houses was Jurmala; however, demand in such properties remained low primarily due to their elevated prices. Sellers in Jurmala were hesitant to reduce prices, only considering them when a genuine buyer expressed interest in a property. As the year progressed, market supply dwindled due to seasonal factors and hasty sale announcements.

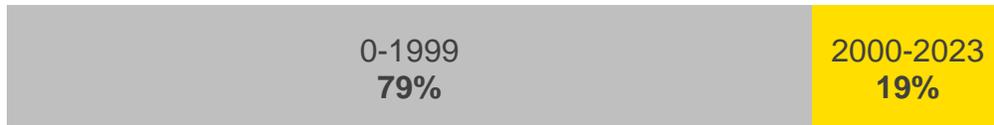
Overall, despite the short-term volatility, the residential segment hallmarks remained unchanged. The primary considerations for buyers remain cost-effectiveness, energy efficiency, and, of course, functionality.

PRIVATE HOUSES

Share of transactions by the space of the house



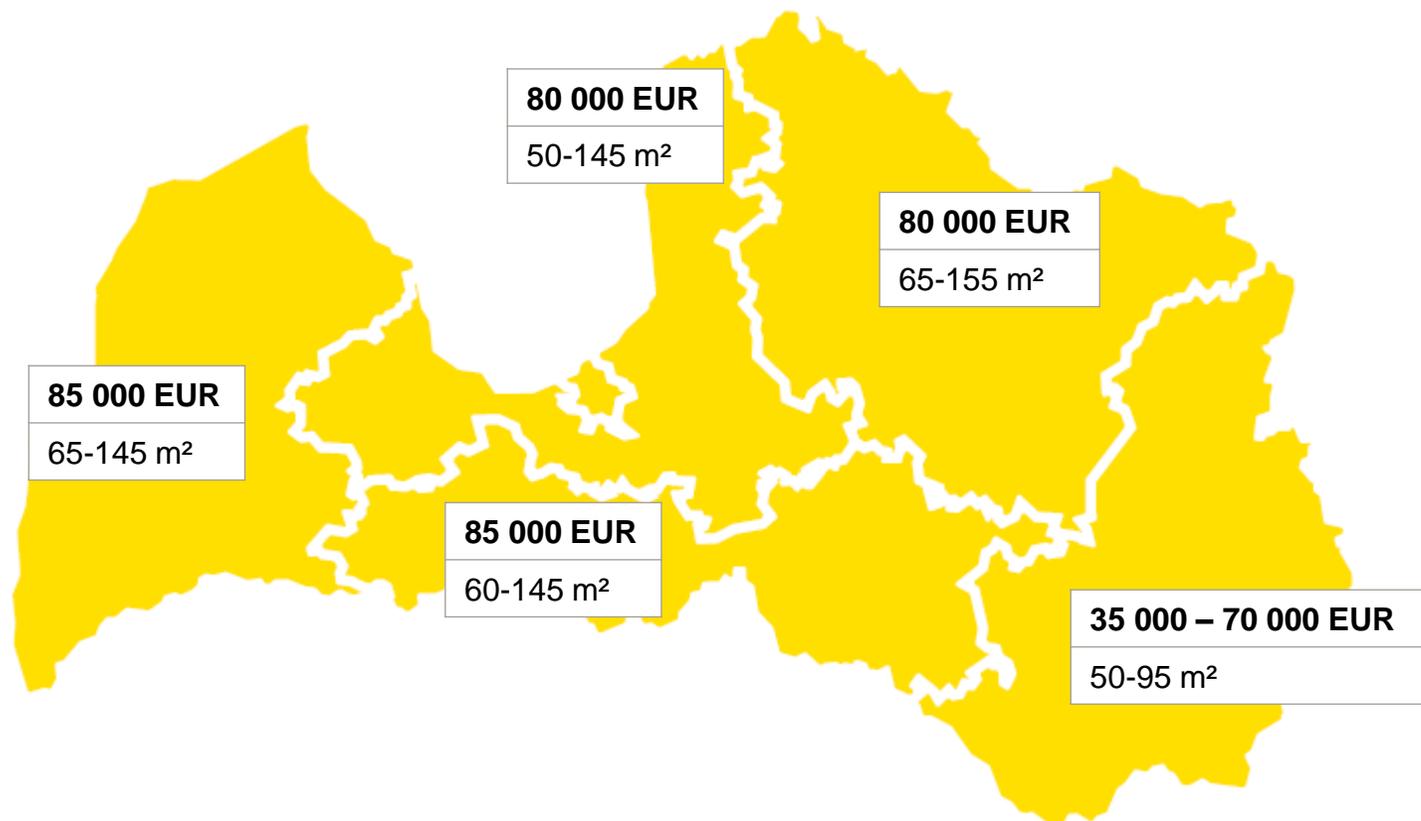
Share of transactions by the year of completion



Share of transactions by the number of house floors



PRIVATE HOUSES AND MOST SOUGHT-AFTER AREAS

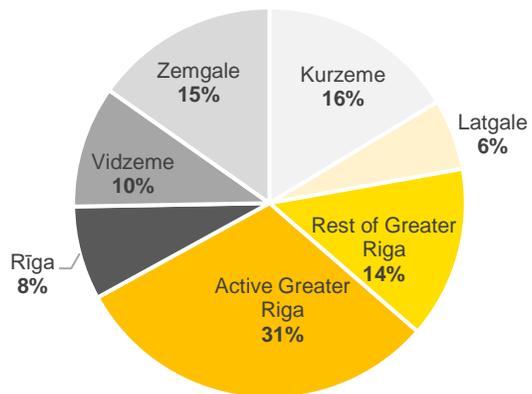


Active Riga Agglomeration	
Space in the strongest demand	75-215 m ²
up to 100 m ² , built after 2000	110 000 EUR
100-150 m ² , built after 2000	165 000 EUR
150-200 m ² , built after 2000	210 000 EUR
200-250 m ² , built after 2000	270 000 EUR

* average transaction values are presented for private houses of 50-150 m² built before 1999

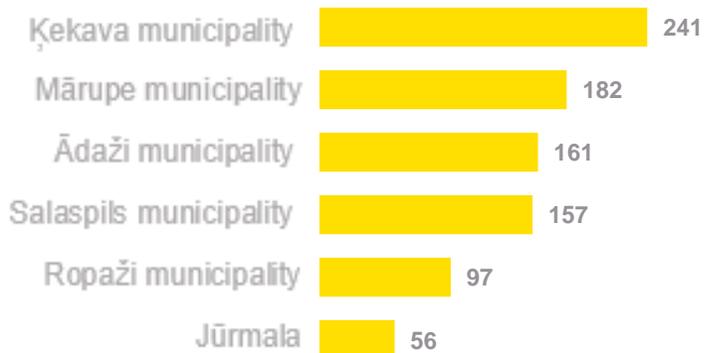
RESIDENTIAL DEVELOPMENT LAND

Breakdown of the number of transactions by region in 2022



	2023/2022
Kurzeme	-5%
Latgale	-6%
Rest of Riga Agglomeration	+2%
Active Riga Agglomeration	-29%
Rīga	+8%
Vidzeme	-21%
Zemgale	-4%

Number of transactions in Riga Agglomeration municipalities



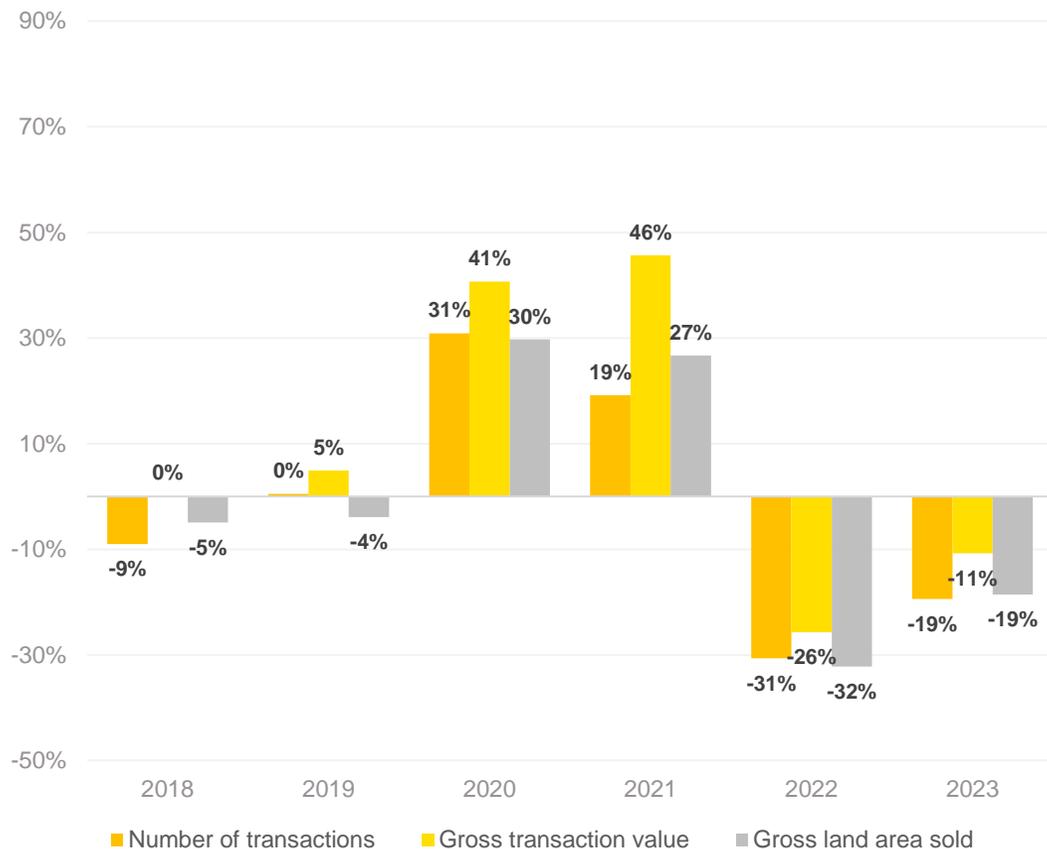
	2023/2022
Ķekava municipality	+19%
Mārupe municipality	-11%
Ropaži municipality	+2%
Ādaži municipality	-15%
Salaspils municipality	-18%
Jūrmala	-47%

* Undeveloped private land. The calculations were based on land transactions of 500-4000 m² in Riga and Jurmala and 500-11000 m² in other areas



RESIDENTIAL DEVELOPMENT LAND

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



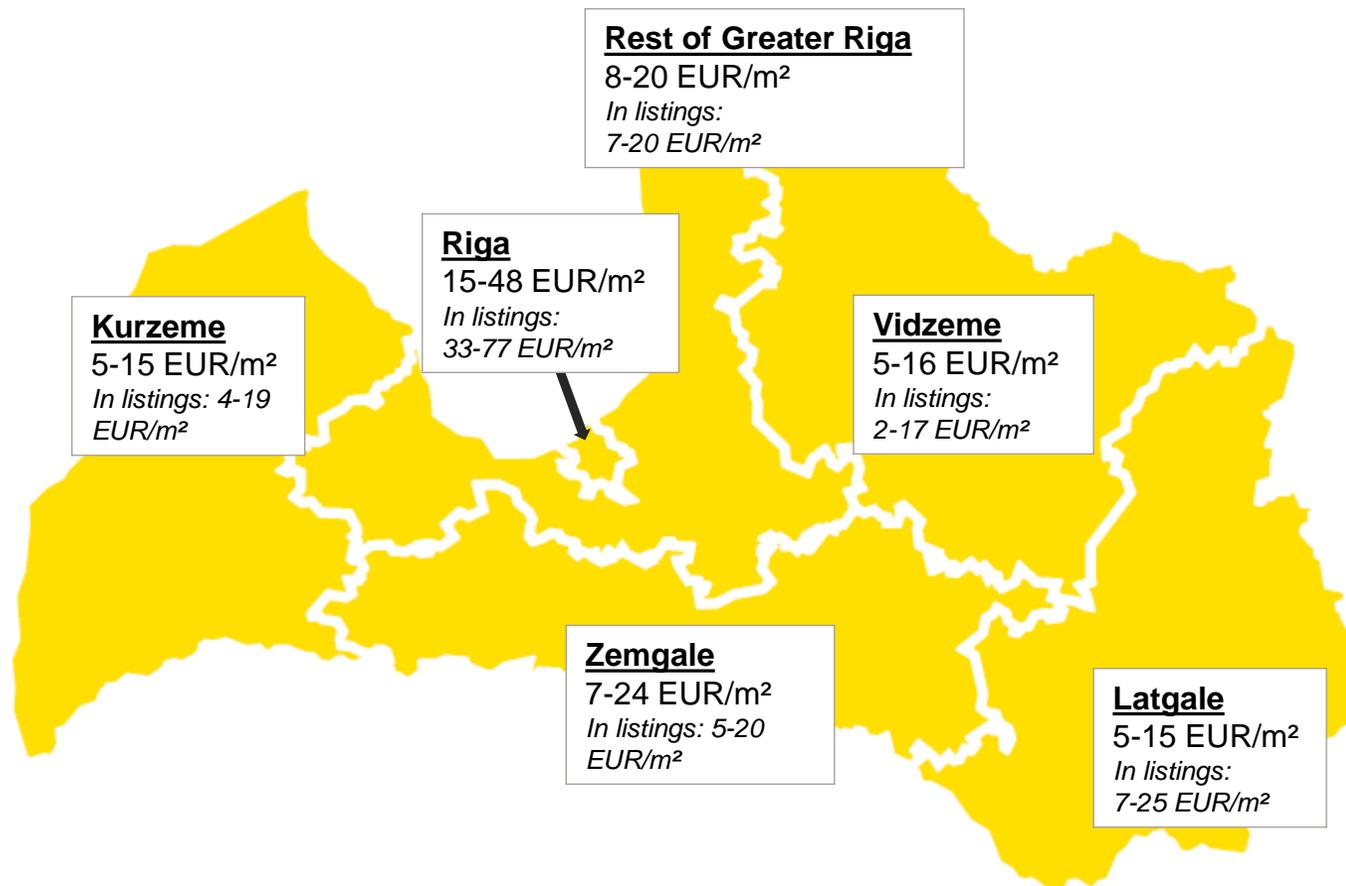
* Undeveloped private land.
The calculations were based on land transactions of 500-4000 m² in Riga and Jurmala and 500-11000 m² in other areas

The residential development land segment remained relatively quiet last year. Early in the year, the shortage of mid-range private houses prompted buyers to consider purchasing land for self-development, but the majority of quality plots with established utilities and clear title deeds in desirable locations had already been sold.

In 2023, the residential land sector saw its highest activity within the Riga Agglomeration, although transaction rates were nearly 30% lower compared to the previous year. In the realm of residential development land, one of the primary factors hindering activity was the reluctance of sellers to lower their high asking prices.

At the end of the year, both sellers and buyers, somewhat resigned to the current market situation, demonstrated some renewed interest in private houses. Sellers began advertising their properties at prices more aligned with the market trends, while buyers increasingly acknowledged the realities of pricing. The activity was mainly driven by local entrepreneurs and developers who displayed readiness to explore investment opportunities, However, foreign investors remained hesitant due to uncertainties surrounding legislation, geopolitical factors, and constraints of fund control.

AVERAGE PRICES – RESIDENTIAL DEVELOPMENT LAND



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

	Most frequently recorded sale price margins	Most frequently published asked price margins in ads
Ādaži municipality	13-32	15-39
Ķekava municipality	8-25	7-31
Mārupe municipality	19-49	12-48
Ropaži municipality	10-36	17-46
Salaspils municipality	12-24	15-26
Jūrmala	17-47	25-129

On the map:

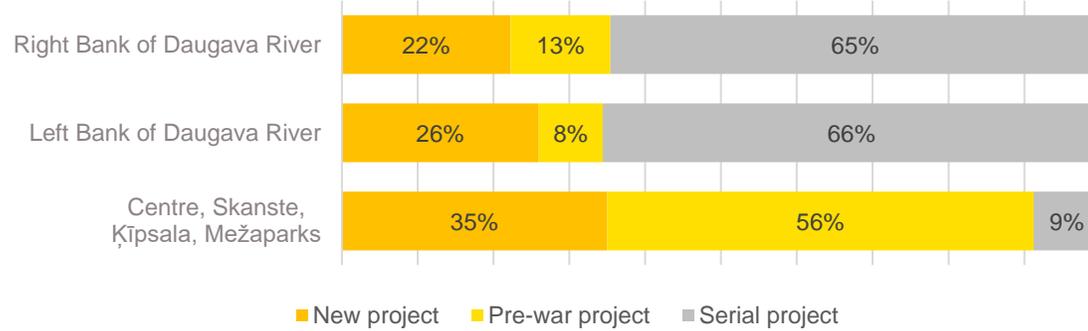
The most frequently recorded sales price margins in the region concerned.

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

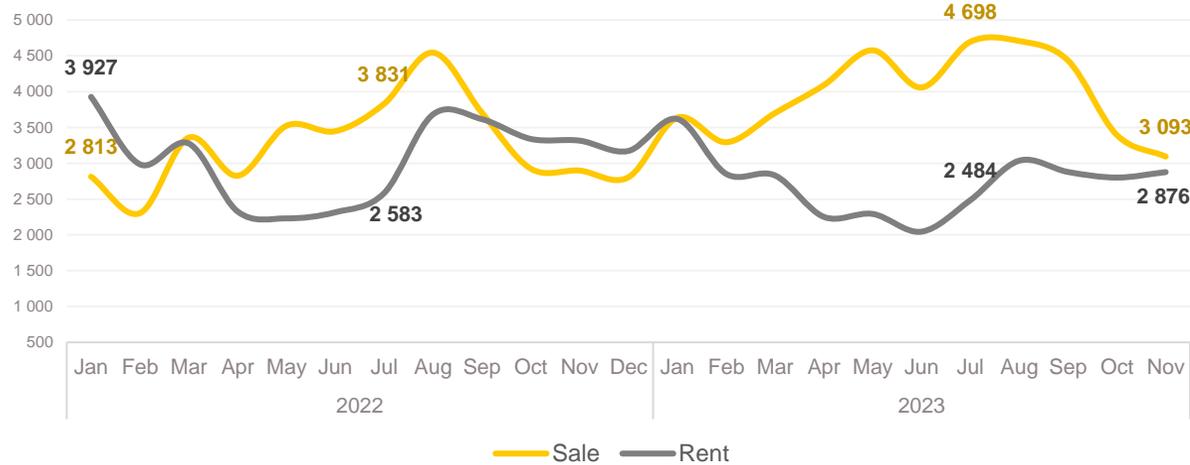
R E N T A L S E G M E N T

LONG-TERM RENTAL PROPERTIES

Long-term rental offers depending on the house project and location



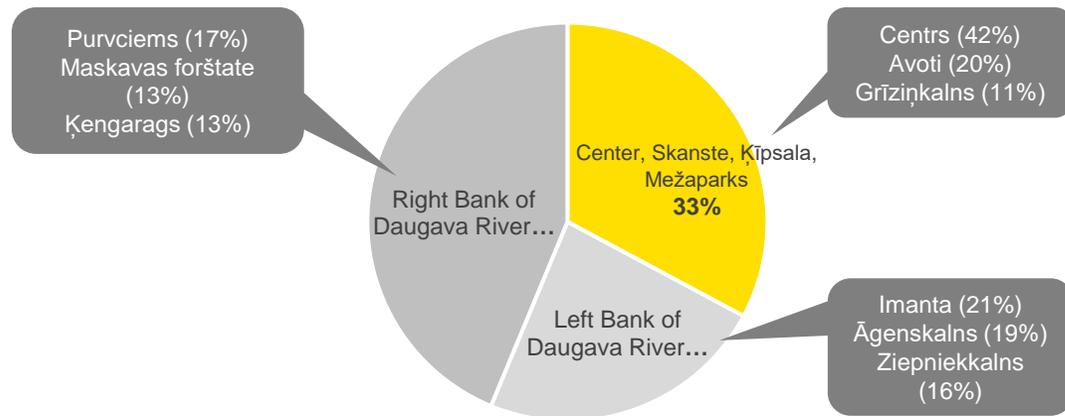
Number of advertisements for sale and rent, Riga



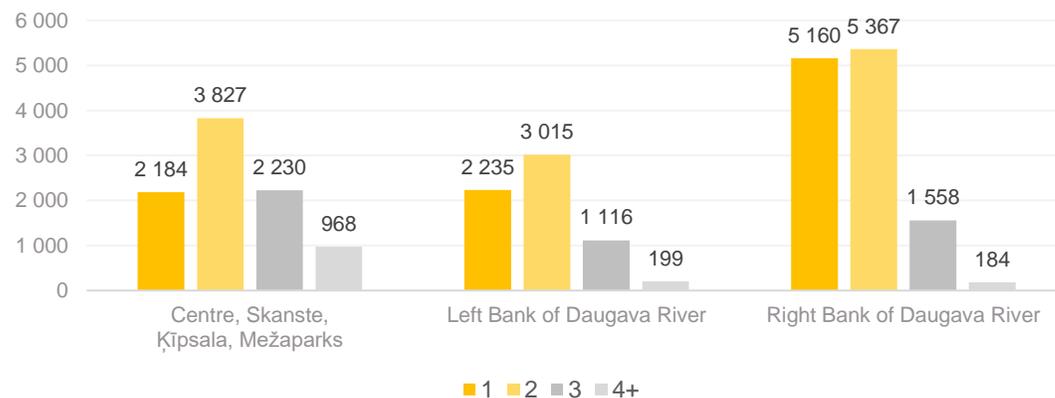
Source: Cenu Banka and Latio

LONG-TERM RENTAL PROPERTIES

Number of long-term rental ads



Number of first-time long-term ads by number of rooms



Source: Cenu Banka and Latio

LONG-TERM RENTAL OFFERS IN THE MOST POPULAR NEIGHBOURHOODS AND PROJECTS (EUR/MO.)

LEFT BANK

Neighbourhood (% of Left Bank ads)	Project (% of neighbourhood ads)	1-room apartment	2-room apartment
Imanta (21%)	Series-type project (79%)	255	300
	New project (21%)	405	520
Āgenskalns (19%)	Series-type project	280	360
	Non-renovated historical project (27%)	260	350
	New project (33%)	440	645
Ziepniekkalns (16%)	Series-type project (78%)	260	320
	New project (20%)	370	490

CENTRE, MEŽAPARKS, ĶĪPSALA

Neighbourhood (% of Centre, Mežaparks, Ķīpsala ads)	Project (% of neighbourhood ads)	1-room apartment	2-room apartment
Centre (42%)	Non-renovated historical project (58%)	350	510
	New project (36%)	470	690

RIGHT BANK

Neighbourhood (% of Right Bank ads)	Project (% of neighbourhood ads)	1-room apartment	2-room apartment
Purvciems (17%)	Series-type project (81%)	255	320
	New project (18%)	395	490
Teika (12%)	Series-type project (42%)	275	335
	New project (33%)	290	545
Kengarags (13%)	Series-type project (88%)	240	280
	New project (9%)	295	415
	Non-renovated historical project (3%)	250	315

R E G I O N S



Total value of transactions*

67.1 mln. EUR Y/Y ▼ - 9 %

Median of the sum of all transactions*

13 950 EUR Y/Y ▲ + 6 %

Total number of transactions*

~ 2 580 Y/Y ▼ - 9 %

Source: Cenu Banka

* All transactions in apartments and private houses from January to December 2023

«In Zemgale in 2023, a noticeable trend emerged with sellers initially listing properties at excessively high prices, resulting in minimal interest from potential buyers. Subsequent adjustments following market research and consultation with valuers led to price reductions, prompting immediate interest from buyers.

This year, the population of Zemgale region has shown a preference for compact dwellings featuring modern finishes and furnishing. Interest in properties with Soviet-era interiors and those priced above EUR 200 000 has sharply fallen. Like elsewhere, individuals prefer housing that necessitates minimal additional investment, such as apartments in renovated buildings. There is also a notable demand in smaller homes 50 - 120 m² large, at a maximum price of EUR 140,000.

What is notable is the decrease in demand for apartments in new projects. While they were previously highly sought after, there hasn't been a single apartment sold in the new project in Ozolnieki, despite active marketing efforts over the past four months. Although transactions still fall within a similar price range as they did a year ago, the price drop between the advertised and sale prices is not as significant. This difficulty in selling is contributing to the growth of the rental market, with many apartments being leased on an annual basis and left unfurnished.

Residential development land is also experiencing subdued demand in Zemgale. For instance, the Jelgava-based company Novaturs, specializing in this sector, is resorting to leasing land plots for up to 2 years in order to facilitate the sale of its properties. While construction activities are ongoing in various residential areas of Jelgava, the pace is not as brisk as it was approximately 2 years ago. Private houses are predominantly being constructed for personal use rather than for sale.

Overall, the market in Zemgale region shows a balance in the confidence of buyers and sellers. There is no pronounced tipping of the scales in both ways. A large part of the properties for sale in Zemgale are at relatively low prices up to around EUR 30 000-40 000, so buyers often engage in transactions using their personal funds. Most of the time, everyone who applies for a bank loan gets one. Buyers have actively started to use the small home loan for property purchases, which is granted up to EUR 20 000. Such a loan can ease the financial burden on the buyer, as there is no need to mortgage the property and there are no costs for an appraisal.

In 2024, we anticipate the market to stabilize further, with continued activity. We foresee transactions being meticulously considered and conducted at realistic market prices."

INESE ŠTORHA

Real Estate Agent
in Zemgale





Total value of transactions*

54.4 mln. EUR Y/Y ▼ - 2 %

Median of the sum of all transactions*

13 000 EUR Y/Y ▲ + 18 %

Total number of transactions*

~ 1 980 Y/Y ▼ - 13 %

Source: Cenu Banka

* All transactions in apartments and private houses from January to December 2023

«In Vidzeme in 2023, buyers preferred to purchase completed housing that did not require additional investments and expected a price decrease, which was only partially justified in some segments in the range of 3-4%. When putting a property up for sale, owners looked for a similarly priced property in Riga or the Greater Riga Area or used the proceeds as a down payment for the construction or purchase of a larger home. Due to the drop in prices expected by buyers, sellers had to be prepared to budge by around 10-12% of the original asking price.

Compared to 2022, the supply was much higher, but the number of transactions does not reflect this. It is very similar to the number of transactions in 2022, but comparing both years against 2021, there is a noticeable drop of around 15-20%, which is due to the high interest rates of the banks and the consequent reluctance of buyers to conclude transactions.

A large number of Soviet-era apartments came on the market, while there was a noticeable shortage of new projects in the region. There are only around 20 new projects and virtually no newly built houses. Due to the high construction costs, building a property requires a lot of money, but despite this, construction is active. There was a strong supply of spacious, beautiful, quality properties outside the cities. Such transactions were mostly implemented when the buyer already had most of the funds.

The seller definitely felt safer in 2023 because he/she had the property. The buyer is in a much more precarious position if bank financing is required. However, for sellers, the feeling of insecurity comes from a possible fall in prices in the future.

In 2024, we expect positive developments in the global situation, in Ukraine, in the banking sector. For the government to be active, we support the entry of new investments in the real estate sector.

Be that as it may, there has always been a movement of people - from larger to smaller homes in old age, from smaller to larger ones in young age. Someone holds on to family roots and family oaks, tries to restore and cherish them. Someone sees a huge business opportunity to live well in their land and country. May we live well!»

DAIGA BLUMBERGA

Real Estate Agent
in Vidzeme





Total value of transactions*

89.8 mln. EUR Y/Y ▼ - 1 %

Median of the sum of all transactions*

15 700 EUR Y/Y ▲ + 8 %

Total number of transactions*

~ 3 310 Y/Y ▼ - 7 %

Source: Cenu Banka

* All transactions in apartments and private houses from January to December 2023

«Sellers are charging disproportionately high above-market prices for properties, so they end up for sale repeatedly and wait a long time for a buyer.

In the apartment segment, historical buildings were in high demand thanks to their high ceilings and comfortable layouts, with unrenovated apartments reaching up to 1,000 EUR/sq.m. New projects appeared on the market less frequently and took longer to sell, as the price of 2,000 EUR/sq.m was too high for many. The demand and price for units dating back to the Soviet period varied depending on the district, as, for example, in Liepāja price categories differ greatly. There was a clear trend towards paying more for apartments in renovated buildings and with heat meters. Liepāja has a large number of wooden apartment buildings where prices range from 150 to 1,000 EUR/m² depending on the technical condition.

In the private housing segment, there was a shortage in the largest cities of Kurzeme. Their price is determined by what the buyer is willing to pay and what the seller is willing to sell for. For example, in Liepāja, a 100 square metre non-renovated house is priced at around 1,000 EUR/sq.m, while a renovated or new house costs 1,500 – 1,800 EUR/sq.m. The price is lower for houses spanning over 200 square metres. Wooden detached houses are also in demand.

Transactions with residential development land in Kurzeme are rather slow, yet when they do take place, the price is high. Sometimes the price for a 600 square metre plot reaches EUR 40 000+ depending on the location. Many choose plots near the Liepāja border because the price is lower. Agricultural land transactions were mostly carried out by large farmers with various types of support, but the location of the plot was the pivotal factor influencing the transaction value. The closer to the farmer's complex, the more the farmer was willing to pay. The seaside plots attract those who desire to build a cottage where they can get away from the hustle and bustle of the cities at weekends. Prices for such plots are also the result of cooperation between buyer and seller. There are also plots by the sea that have not yet been sold because the asking price is too ambitious.

A clear trend in Liepāja, Ventspils and Kuldīga in 2023 is short-term seasonal rentals. Airbnb and Booking offer many properties which are very actively rented in the warm season of the year. In the off-season, they are rented for 7 or 8 months or sit empty because the owner has managed to earn enough for the whole year and more during the high season.»

EDIJS SPROĢIS
Real Estate Agent
in Kurzeme





Total value of transactions*

41.3 mln. EUR Y/Y ▼ - 8 %

Median of the sum of all transactions*

7 500 EUR Y/Y ▲ + 7 %

Total number of transactions*

~ 2 980 Y/Y ▼ - 10 %

Source: Cenu Banka

* All transactions in apartments and private houses from January to December 2023

«In Latgale, in the first half of 2023, the die was cast on the side of the sellers. Demand was active, and prices were appropriate. In the second half of the year, buyers' expectations were met. A lot of properties at bargain prices appeared on the market, which is explained by the decision of Russian passport holders to leave Latvia and thus sell their property in Daugavpils as soon as possible at a cheaper price. In addition, the City Council started to dispose of illiquid properties, which led to lower prices for non-renovated properties, e.g. in residential areas a 2-room apartment could be bought for as low as EUR 13 000-15 000.

Compared to 2022, in 2023 Daugavpils saw a noticeable investor activity in the market of commercial real estate, for example, in August a building belonging to the Ministry of Finance, two industrial units were sold at auction for prices between EUR 300 000-500 000. August also saw the most expensive transaction in Daugavpils - a functioning shopping centre for EUR 3 300 000.

Like in other regions, in Latgale, especially in Rezekne, there was an increased demand for renovated properties that did not require additional investments. Accordingly, properties in poorer visual conditions experienced a decrease in prices. Apartments on the top floors of buildings without a lift but in good technical condition can only be sold for around 20-30% less, but there is no interest from buyers at market price. There is a shortage of modern private houses completed after 2000 on the market. The supply of such houses is not keeping up with demand. Prices were reduced for detached houses built in the 1960s. While a year ago, old wooden/brick houses (60-80 sqm) were selling for EUR 40 000-55 000, prices have now dropped to EUR 30 000-38 000.

In the residential development land segment, it seems that in 2023 the completion of construction started in previous years was accelerated, but new construction was slow and demand for residential development land also decreased.

In Latgale, the majority of transactions were carried out with buyers' personal funds or on the instalment basis, as loans are always considered and granted cautiously in this region. The rising interest rate also harmed buyer activity.»

NATĀLIJA MAKUŠEVA

Real Estate Agent
in Latgale



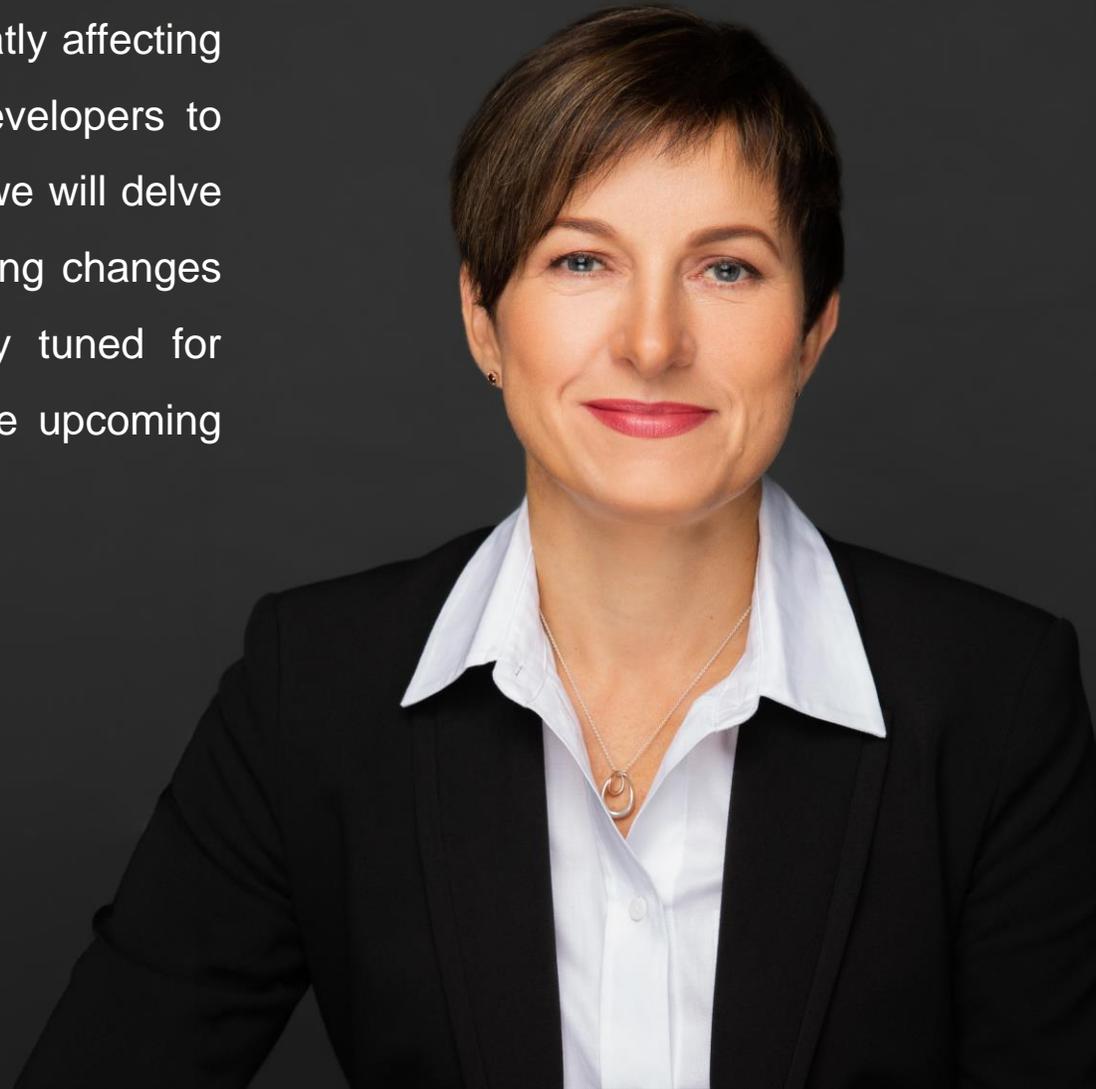
R E C E N T A M E N D M E N T S T O L A W S
A N D R E G U L A T I O N S

”

The year 2023 will go down in history for the notable surge in EURIBOR rates, greatly affecting the entire real estate sector, from developers to consumers. In this regulatory review, we will delve into the developments expected to bring changes to consumer mortgage lending. Stay tuned for insights on these developments in the upcoming 2024 Market Reports.

MĀRĪTE LIPŠA

Head of Latio Legal Department



CHANGES IN LEGISLATION RELATED TO THE REAL ESTATE SECTOR

AMENDMENTS TO CONSUMER LAW

On 1 January 2024, amendments to the Consumer Rights Protection Act enter into force, introducing a mortgage borrower protection levy.

The fee for loans granted to consumers (physical persons) secured by a mortgage on real estate in Latvia will be paid by credit institutions registered in Latvia, as well as by capital companies that have received a special licence from the Consumer Rights Protection Centre (PTAC) to provide consumer lending services (according to PTAC data as of 30.06.2023, 8 capital companies have granted 314 new mortgage loans of EUR 6 124 480 in the first half of this year).

The levy is applicable for the year 2024, will be payable quarterly and will be set quarterly at 0.5% of the levy payer's total outstanding mortgage loan balances as at 31.10.2023.

The levy payer shall submit to the State Revenue Service, for each quarter of the year, no later than 20 January, 20 April, 20 July and 20 October, a declaration indicating the number of mortgage loans granted and the amount of their balances as at 31.10.2023 on which the 0.5% levy is calculated and the total amount of the levy.

The amount of the levy shall be paid by the levy payer into the State budget by 23 January, 23 April, 23 July and 23 October 2024.

The levy will be administered by the State Revenue Service.

The levy payer shall calculate and notify to the National Revenue Service by 10 April, 10 July, 10 October and 10 January 2024 and 10 January 2025, for each eligible mortgage borrower, the interest compensation calculated on the loan at 30% of the quarterly interest payments, but not more than two percentage points of the total borrowing rate for the period (excluding fixed interest rate).

The interest rebate is applicable to mortgage borrowers if both conditions are met:

- 1) The mortgage loan contract is concluded until 31.10.2023;**
- 2) The mortgage loan balance does not exceed EUR 250'000.**

The National Revenue Service will make quarterly payments of the levy payer's interest compensation to the mortgagee's payment account until 30 April, 30 July, 30 October and 30 January 2024 and 30 January 2025.

CHANGES IN LEGISLATION RELATED TO THE REAL ESTATE SECTOR

AMENDMENTS TO CONSUMER LAW

Following the adoption of the above-mentioned amendments to the Law on Consumer Rights Protection by the Saeima, on 14 December 2023 the Cabinet of Ministers submitted to the Saeima other **amendments to the Law on Consumer Rights Protection**, which will be considered together with amendments to the Law on Notaries, the Law on Credit Institutions and the Law on Insurance Contract.

These amendments have been promoted by the Ministry of Economy and aim to simplify the process of re-crediting mortgage loans granted to consumers and to abolish the ban on advertising for mortgage loans.

The annotation to the draft law states that the draft law is designed to reduce obstacles to re-crediting and to make it easier for consumers to re-credit mortgage loans, by promoting competition between credit providers and reducing mortgage lending rates. Currently, credit institutions charge a fee not only when granting loans, but also when a borrower remortgages with another creditor, which, together with land registry and notary fees, can result in remortgaging costs of 2-5% of the outstanding amount of the loan.

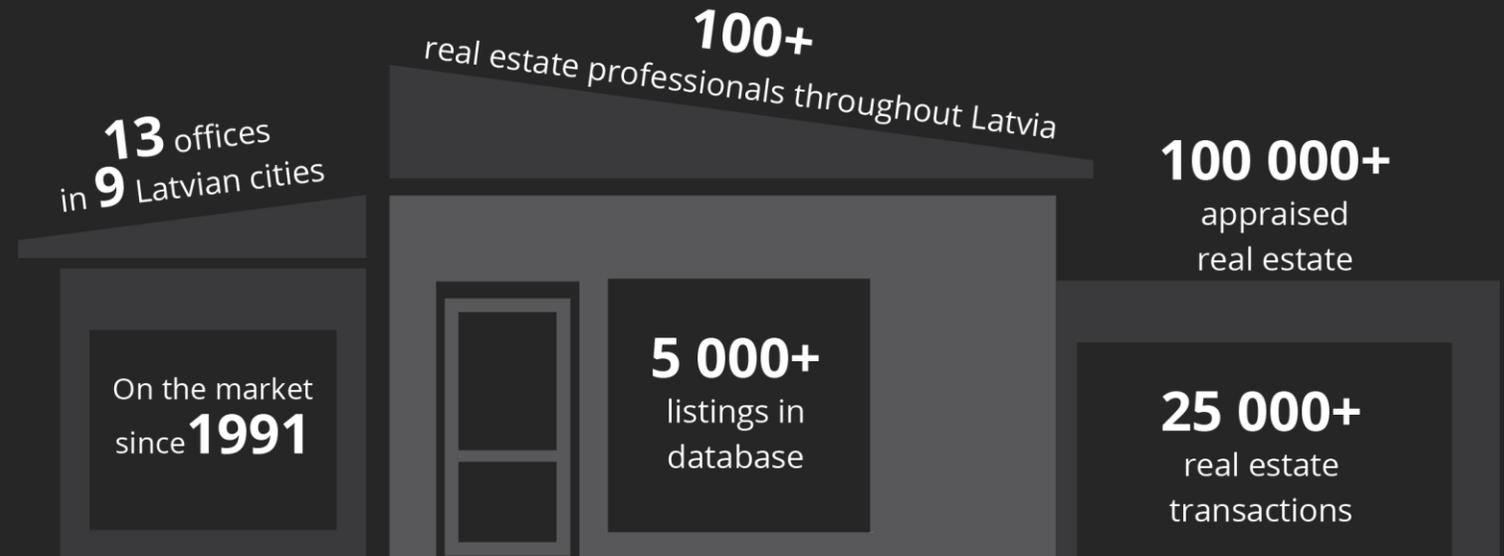
The draft law provides for a simplified transition for the consumer from the previous creditor to another, acquiring creditor, including the provision that the previous creditor is not entitled to charge a fee for the mortgage remortgage if the mortgage credit agreement or pledge agreement so provides and is not entitled to charge the consumer for any expenses incurred in connection with the mortgage remortgage, except in the case of a fixed borrowing rate.

The draft law also provides that, in the process of mortgage remortgaging, the fee for drawing up or granting a new mortgage credit agreement shall not exceed 1% of the amount of the new mortgage credit. The amount of such compensation may not be higher than the fee charged by the acquiring creditor at the time for the granting of new mortgage loans. The consumer shall have the right to divide this compensation into three instalments.

The draft law provides that in the case of mortgage remortgaging, the acquiring creditor is not obliged to comply with the ratio of the loan amount to the market value of the immovable property laid down in the Consumer Protection Act and to reassess the collateral (immovable property) relating to the mortgage loan, provided that the transaction meets the criteria defined by the acquiring creditor as regards the amount of the loan, the loan to collateral ratio and the availability of reliable information on the value of the collateral from external sources.

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- Market research



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