



# Homing in on prices, affordability and financial stability in Latvia

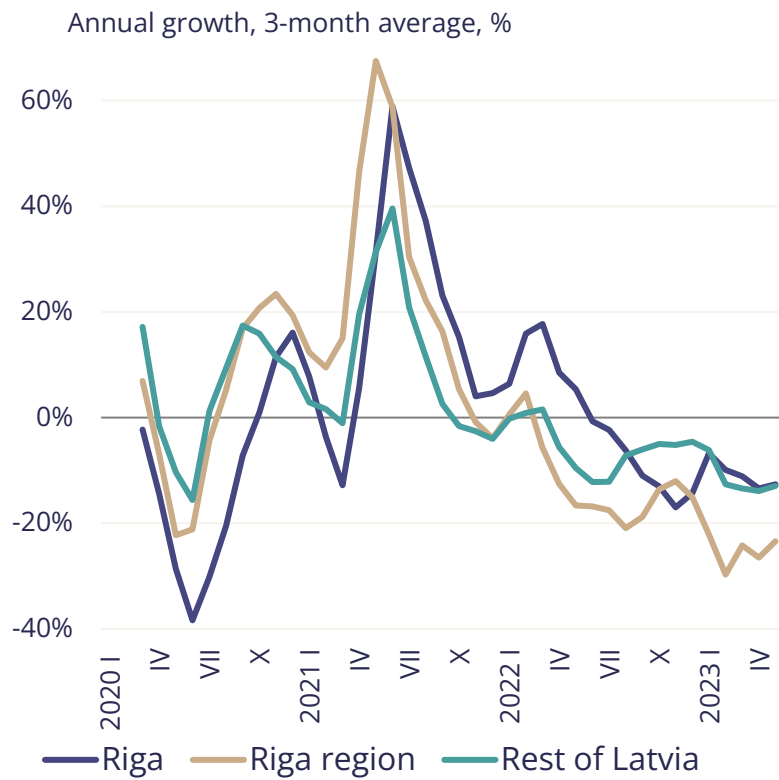
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OeNB East Jour Fixe

27.06.2023.

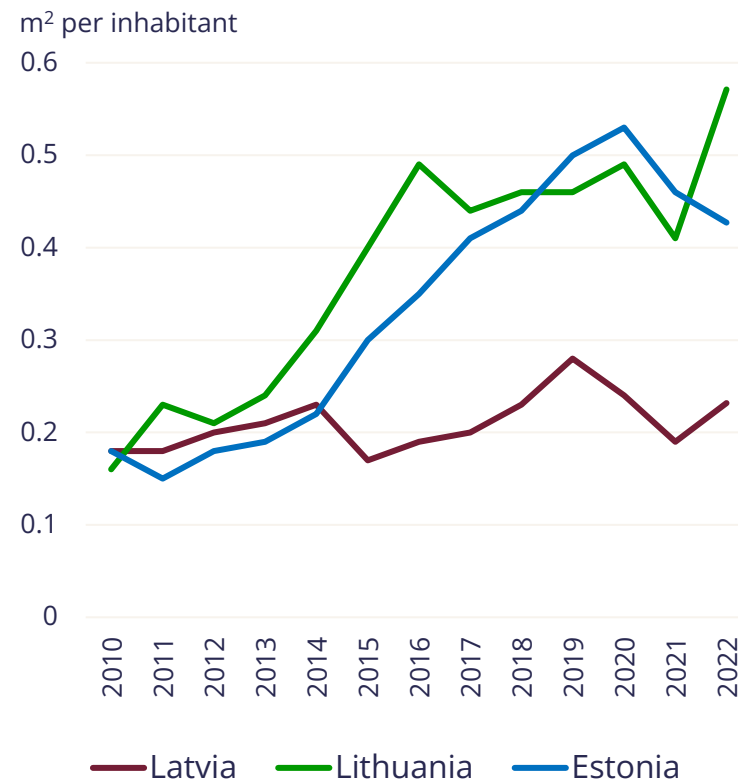
# Housing market activity decreased; new housing supply remains weak

## Number of property purchases\*



\* All types of real estate property including land.

## Area of new housing per year\*\*



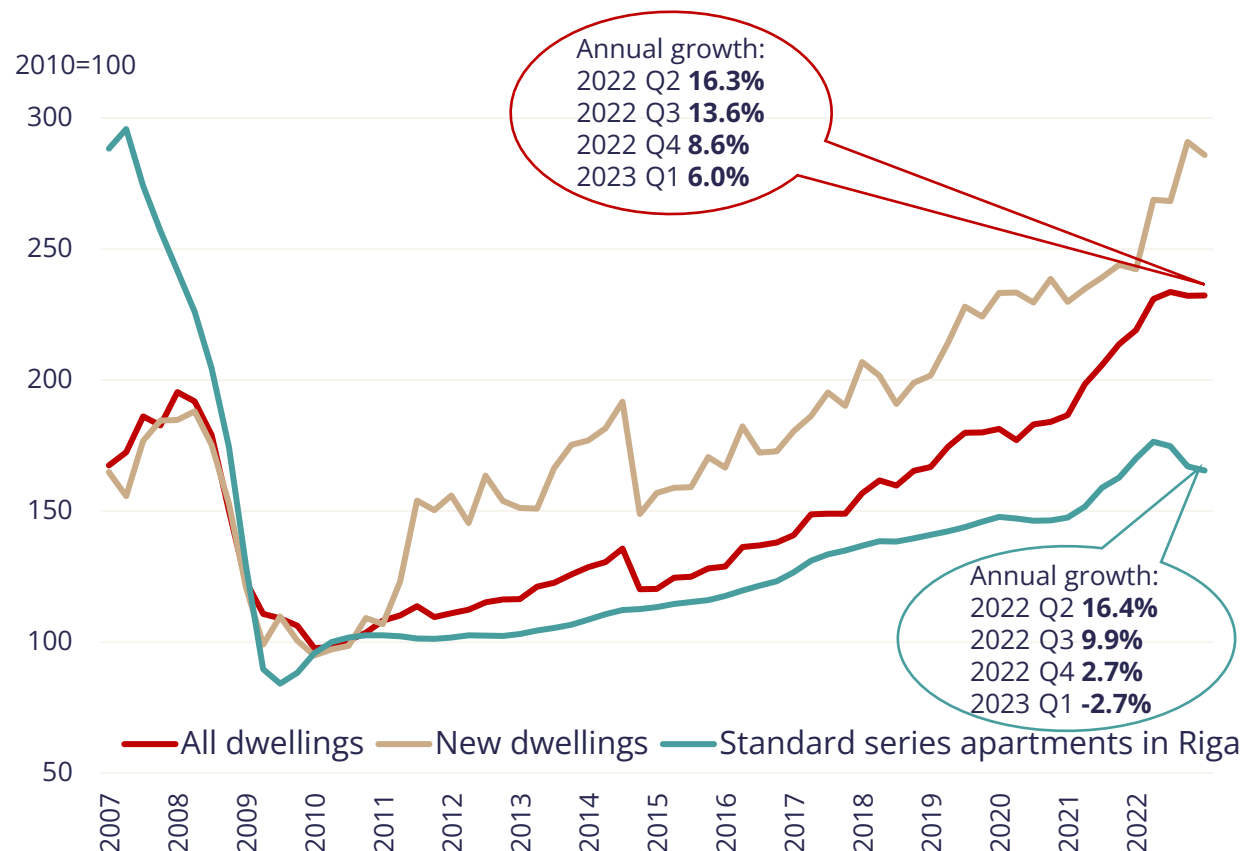
\*\* One or more apartment houses.

## Supply of standard-series apartments in the largest districts of Riga

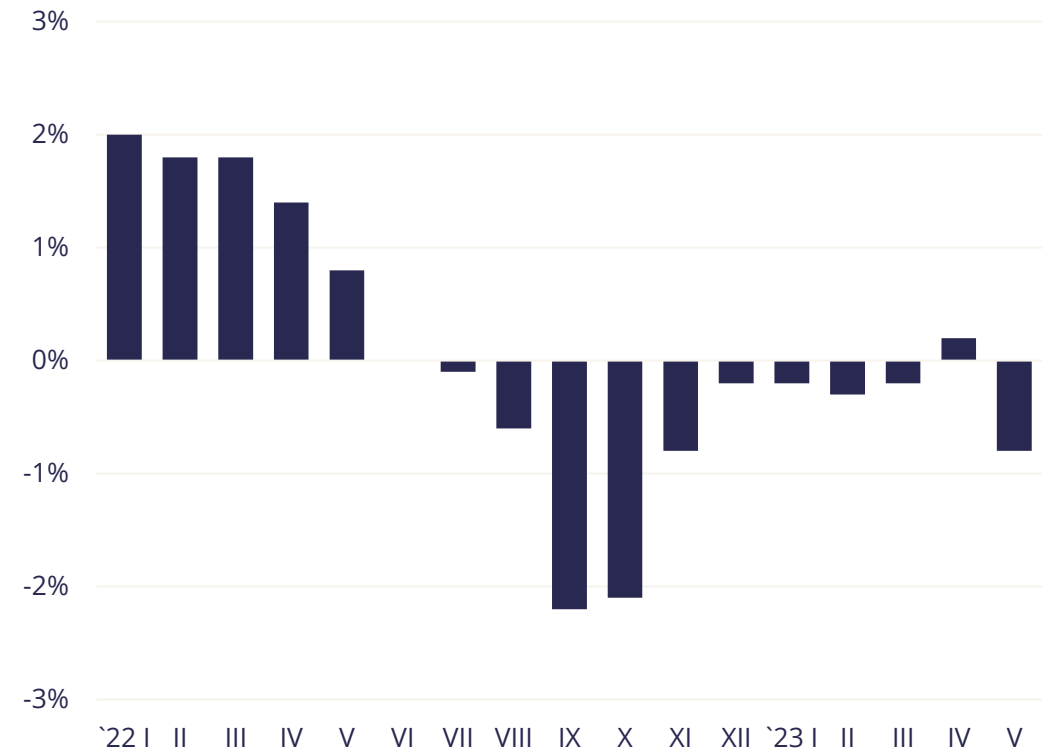


# Prices for new-energy efficient and old-energy inefficient dwellings diverge

## House price index, Latvia and Riga

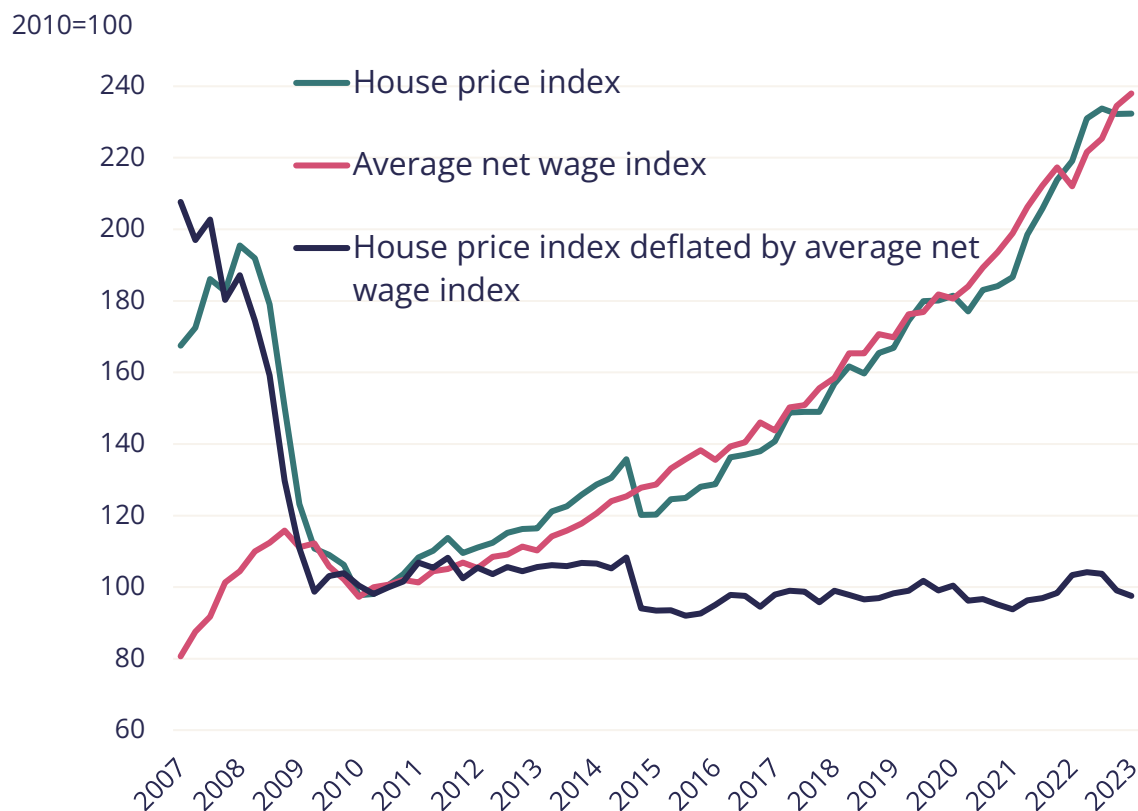


## Standard-series apartments in Riga, monthly changes in prices in 2022 and 2023

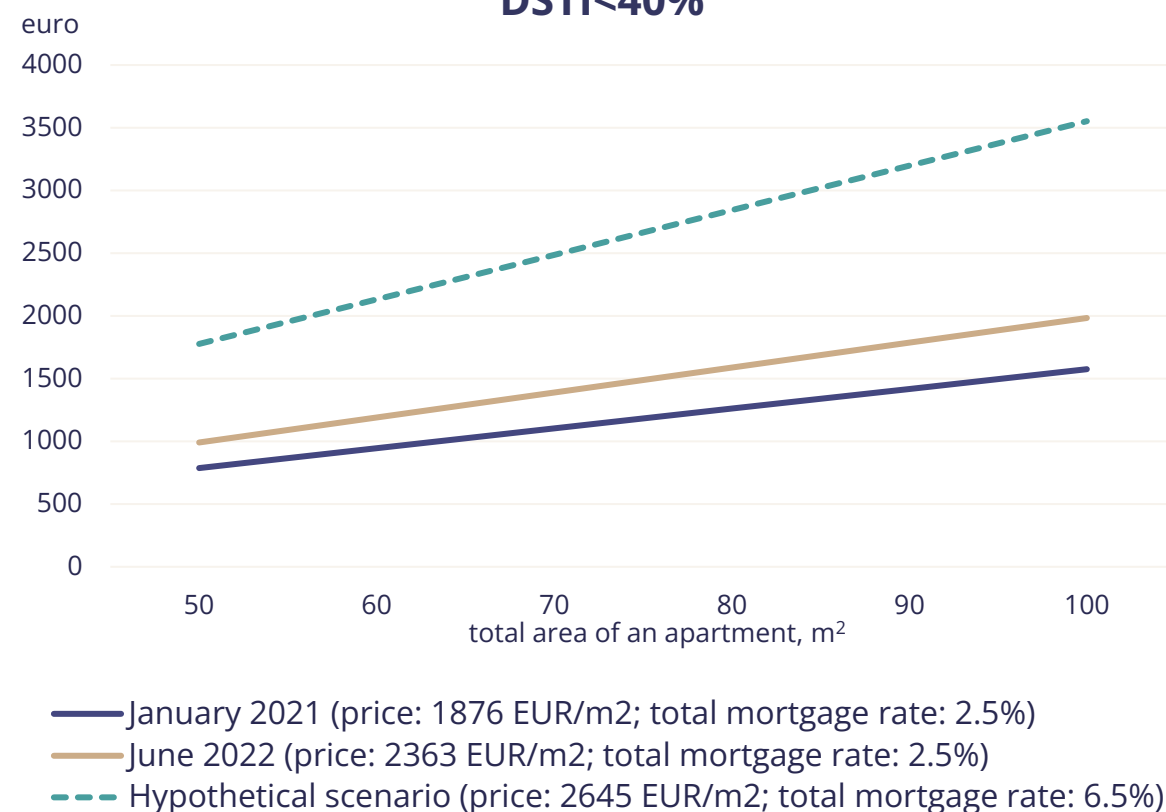


# Rising interest rates will harm housing affordability

## House price and net wage index



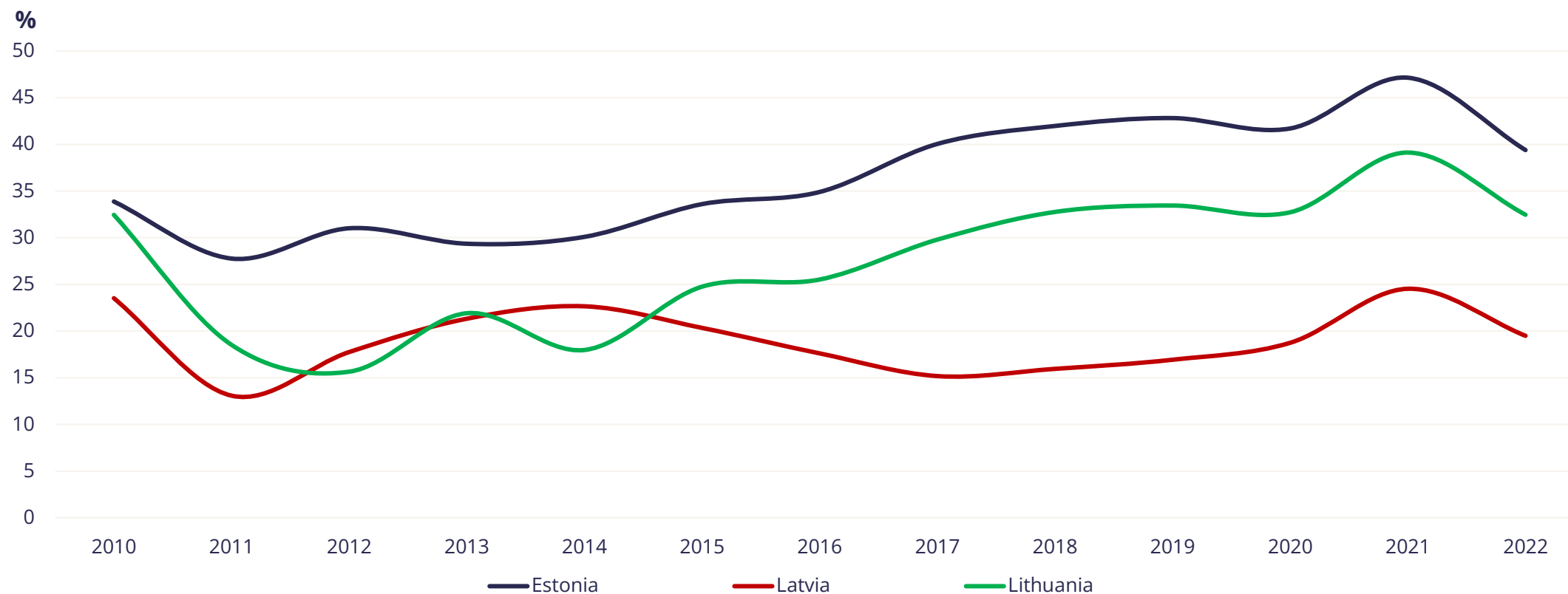
## The total monthly net income required for the purchase of a new apartment in Riga, so that DSTI<40%



The average price of new housing in Riga in the corresponding period is used in the calculation. It is assumed that a 30-year mortgage loan is taken, and the borrower makes a 15% down payment. The EURIBOR rate increases from 0 (EURIBOR with a 6-month fixation in June this year did not exceed 0%) by 3 pp. Debt is considered excessive if DSTI>40%.

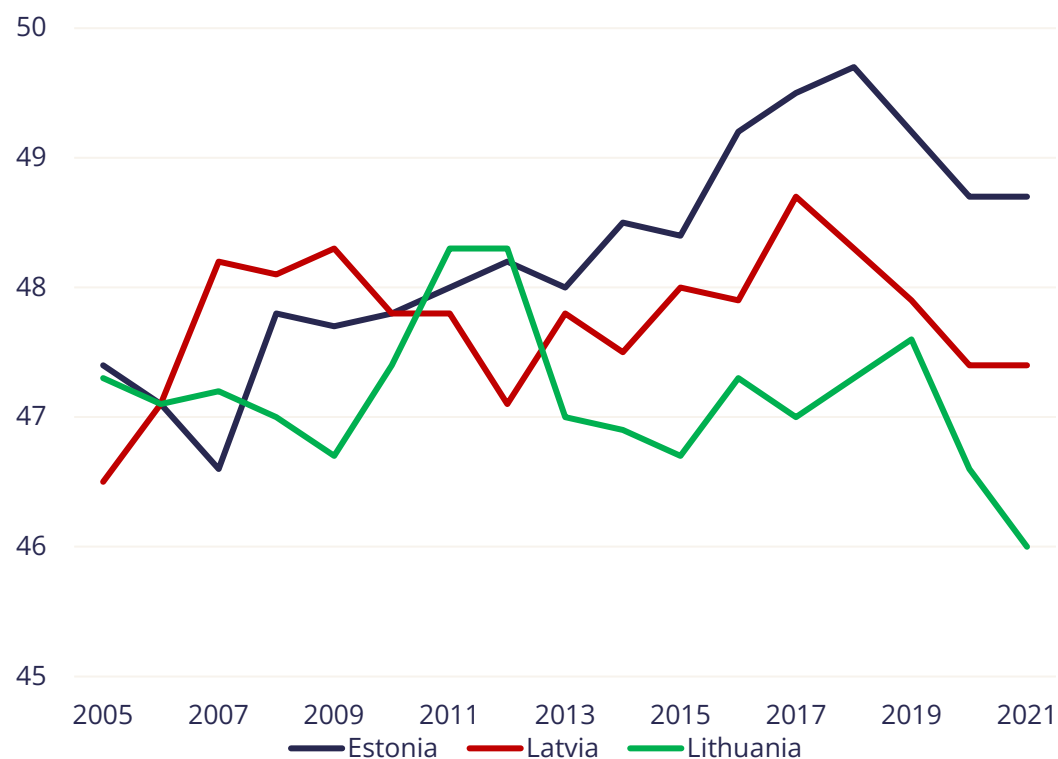
The activity in the newly built housing market in Latvia has been rather weak for a prolonged time..

### House price index weights, new dwellings



.. And income level differences is not the single culprit, as house prices are lower too

Share of income of households with income from 6th to 9th decile in total household income, %



Equivalised household disposable income

