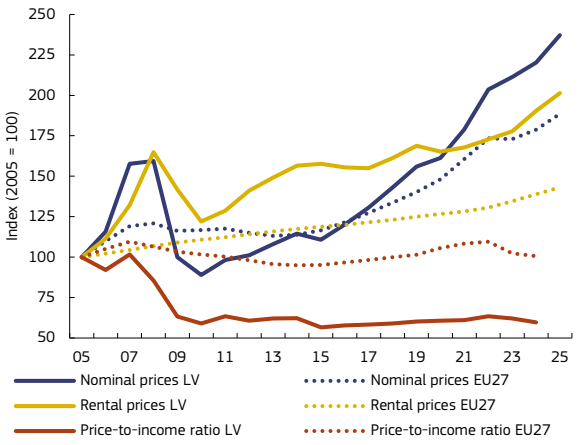
Despite ongoing investments in affordable housing, the housing stock remains outdated and inadequate. Decades of underinvestment, dating back to the Soviet-era construction of large multi-apartment blocks, combined with post-Soviet privatisation, have left many buildings in need of maintenance, renovation and energy-efficiency upgrades. Despite the high level of property ownership, many households cannot invest appropriately in renovations without additional support, given the relatively high income and wealth inequality (see Annex 12). Regional disparities exacerbate the issue: outside major economic centres housing markets are thin, which limits access to finance and deters investment, as costs cannot be recouped. The overall housing stock remains of comparatively poor quality. Steps have been taken to tackle these challenges through the recent launch of renovation and social housing programmes, supported by EU funds (European Regional Fund, Recovery and Resilience Facility) and the state finance institution ALTUM. However, their scale and pace remain insufficient to significantly improve housing availability, quality and energy efficiency, particularly for vulnerable groups, as highlighted in the 2025 country-specific recommendation on social and affordable housing ([361]) (see Annex 12).

Housing market developments

House prices continue to rise, reflecting a decade-long trend. Following the 2008-09 crisis and the bursting of the real estate bubble, house prices fell significantly, both in nominal and real terms, as well as relative to income (Graph A16.1). Rental prices (including existing and new rental contracts) also fell in that period, though more slowly. As the economy began recovering around 2010, both house and rental prices started to increase, driven by rising incomes and favourable financing conditions. Nominal price growth peaked at 13.8% year-on-year in 2022 but slowed to 3.7% in 2023 amid higher interest rates. In 2024, nominal price growth reached 4.2% and in 2025 it increased to 7.7% year-on-year. Over the last decade, house prices were broadly in line with income growth, while, adjusted for inflation, they increased by 38.8% (EU average: 21.2%). The house-price-to-income ratio was below the long-term average and the EU average in 2025.

Graph A16.1: **House prices, rents and price-to-income evolution in LV and EU27 since 2005**



Source: Eurostat

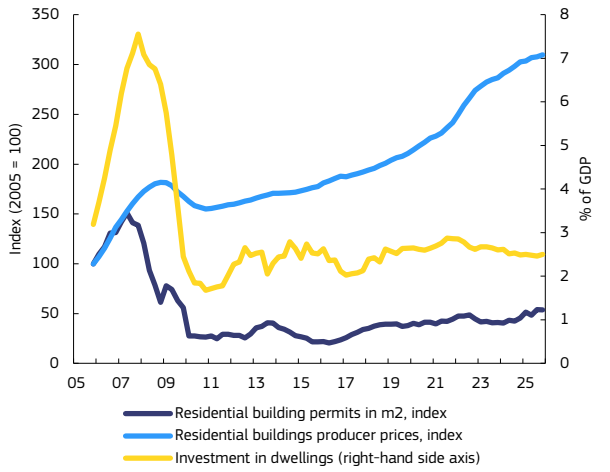
The rental market in Latvia is underdeveloped, and growth of rental prices has been muted. The small private rental market (6.1% in 2024) means that households often face very limited rental options and may have little choice but to buy. However, income is often insufficient or insecure, which can result in suboptimal housing outcomes. The supply of rental housing in the regions is even more limited than in Riga, which pushes prices up and reduces affordability. Rental prices (including existing and new rental contracts) followed the same trend as house prices until around 2015, after which house prices outpaced rent growth. As a result, over the past decade house prices have grown 70 pps faster than rent prices.

Permitting and costs have resulted in only a moderate increase in the construction of new dwellings. After a significant fall in 2008-2010, investment in dwellings has been growing moderately since 2010 (Graph A16.2) but remains lower than the EU average (2.5% of GDP vs average EU investment of 5.3% in 2024). In 2024, 2.2 new dwellings per 1 000 inhabitants were completed, up from 0.9 in 2010, but still below 4.2 in 2007. Construction has been restricted by lengthy permitting processes and rising construction costs, as reflected in an increase of 74.5% in residential building producer prices over the last decade. Although the issuance of residential building permits (Graph A16.2) has slowly increased, it is still low and remains below

([361])2025 country-specific recommendation: "Increase the availability and quality of social and affordable energy-efficient housing, including through renovations."

the level of 2005 and the EU average. In addition, 65% of the new dwellings are built in the Riga region.

Graph A16.2: **House supply indicators in LV since 2005**



Source: Eurostat

The housing stock is outdated due to decades of underinvestment. Latvia's housing stock is characterised by a high proportion of multi-apartment buildings built before 1990, with only 4% of all multi-apartment buildings having been built since 1993. These buildings represent a large proportion of the overall housing stock, with 64.4% of the population living in multi-apartment buildings in 2024 vs the EU average of 47.9%. In Riga, this number is around 85%. While property ownership is high (83.7% in 2024 vs 68.4% for the EU), overcrowding remains a significant issue (39.3% of the population was living in overcrowded dwellings in 2024 vs the EU average of 16.9%), and severe housing deprivation is one of the highest in the EU (11.6% in 2023).

The level of mortgage lending is low, reflecting cautious household behaviour. Currently, only 14.4% of households have a mortgage (compared with 24.3% in the EU). Lending growth has been constrained in the last decade, especially outside Riga ([362]), due to historically high interest rates (around 1.2 percentage points above the euro area average). In addition, the high prevalence of variable-rate loans, at 91.6% vs 15.6% in the EU in 2024, has amplified mortgage repayment volatility. In 2022, as financial conditions tightened, mortgage lending growth fell before recovering in early 2024 with falling interest rates. It has been dynamic since then, reaching 9.1% year-on-year in Q3 2025. Average mortgage amounts reached EUR 79 000 in 2024, remaining below those in Lithuania (EUR 104 000) and Estonia (EUR 122 000). The percentage of household income spent on mortgage repayments has remained stable (19.4% of GDP in 2024 vs the EU average of 49.9%).

Structural policies

Housing policy responsibilities in Latvia are shared between national authorities and municipalities, with municipalities playing a central role in delivery. Overall housing and construction policy is set at national level by the Ministry of Economics, which sets legislative frameworks, strategic objectives and incentives. Municipalities are responsible for land-use planning, zoning and local housing programmes, and they manage municipal housing stock and waiting lists. Unlike in several other EU countries, Latvia does not have a developed independent social housing association sector; social housing provision remains predominantly municipal and state-driven, with limited involvement of NGOs or non-profit landlords. Social housing accounts for less than 2% of the total housing stock, one of the lowest proportions in the OECD, underscoring the need for greater policy and investment focus.

Land-use regulation and permitting processes influence the responsiveness of housing supply. In Latvia, municipalities are responsible for zoning and local spatial planning decisions, within a national regulatory framework. OECD analysis ([363]) points to sluggish new construction and insufficient housing investment, particularly outside high-demand areas, suggesting that administrative complexity and slow permitting may be among the factors constraining supply responsiveness and raising development costs.

The rental market remains underdeveloped and concentrated in specific urban areas,

([362])Banks in Latvia remain cautious to lend outside of Riga because of challenges in collateral valuation and lack of liquidity in some local housing markets.

([363])OECD (2020), Policy Actions for Affordable Housing in Latvia.

restricting housing options. This situation stems largely from the large-scale privatization of the housing stock in the 1990s, which led to very high homeownership rates in Latvia, as in Lithuania and Estonia. As a result, the formal private rental sector is relatively small, and informal rental arrangements persist, limiting affordable rental options, particularly for younger and lower-income households.

Taxation and fiscal policy affect housing affordability but currently do not provide strong targeted incentives for the supply of affordable housing. Property taxes and the taxation of rental income apply consistently across Latvia. Municipal property tax rates are set on the basis of cadastral values, and rental income is taxed under general personal or corporate tax regimes. Broader fiscal instruments, such as housing allowances and renovation support, complement taxation. Recent changes to the cadastral valuation framework aim to align cadastral values more closely with current market conditions after a long period during which values were frozen to limit increases in property tax burdens. From 2025, two cadastral values will be recorded — a fiscal value (used for tax calculation) and a universal value (based on broader market data) — as part of a phased reform of property valuation methodology. Because cadastral values are influenced by territory-wide market price trends, sustained price increases — including in high-demand locations or new development — can lead to higher future tax bases for properties in a municipality. This may increase the property tax burden on long-standing owner-occupiers whose incomes have not kept pace with market price growth.

Investment patterns and structural bottlenecks constrain overall housing supply and quality. Latvia has low levels of investment in both building new housing and renovating existing stock compared with European peers, reflecting decades of underinvestment and an ageing housing stock. Many households live in dwellings of poor technical quality, and overcrowding rates remain high in many areas. Investment challenges are compounded by rising construction costs and skills shortages in the construction sector. OECD analysis underscores the need for sustained and well-resourced housing strategies to increase investment and improve housing quality and affordability. While the housing cost overburden rate is lower in the regions outside Riga and rural areas, development of new dwellings and renovations outside of the capital region of Riga is complicated by more limited access to finance. In the first half of 2025, only 29% of mortgages were granted outside of the Riga region, with particularly low lending levels in the Eastern border region of Latgale.

Current government strategies focus on expanding affordable and municipal housing through public investment and EU-supported programmes. The Latvian government, in partnership with municipalities and the EIB, is implementing programmes to develop modern, energy-efficient and affordable rental housing, particularly for public sector professionals and key workers. This includes initiatives such as the "rental housing for Latvian professionals" programme, which targets the construction of up to around 2,260 units through public-sector and co-financed projects. National housing guidelines for 2024-27 set a target of 10 000 new apartments per year, of which at least 6 000 should be low-rent dwellings, and aim to reduce municipal housing assistance waiting lists from 7 215 to 3 200 applicants ([364]). EU funding under the European Regional Development Fund (ERDF) supports both the renovation and construction of additional social housing units. By 2029, this will result in almost 2 000 social housing units, including 1615 units through the renovation of existing apartments.

Latvia's social housing stock remains very low, at 2% of the total housing stock (vs an OECD average of 7%), and largely outdated, highlighting the need for further action. While current initiatives represent important steps, additional efforts are needed, including developing innovative solutions for cost-effective and inclusive social housing (e.g. guarantees or incentives for private landlords to provide inclusive housing, or social housing rental checks). Improved nationwide data collection and streamlined municipal housing assistance registers could further inform policy decisions and support effective implementation.

([364])Housing Accessibility Guidelines 2023-2027.

Graph A16.3: **Housing affordability selected indicators**

		EU27				LV							
	unit	2000-25 avg.	2023	2024	2025	2000-25 avg.	2023	2024	2025	unit	2023	2024	2025
House price to income ratio	*2000-25 avg = 100*	100.0	102.0	100.2		100.0	90.4	87.0		YoY%	-2.1	-3.8	
Rent to income ratio	*2000-25 avg = 100*	100.0	85.1	83.5	84.5	100.0	71.6	70.9	69.9	YoY%	-3.0	-1.0	-1.4
Overburden rate, total	%	9.9	8.8	8.2		8.0	7.2	6.7	5.7	PPS/y	1.8	-0.5	-1.0
Overburden rate, tenant with market rent	%	23.8	20.3	19.2		14.1	19.4	16.0	18.1	PPS/y	8.1	-3.4	2.1
Overvaluation gap	%					1.2	11.6	8.6	10.2				
Deflated construction production price	*2010 = 100*	102.2	112.2	111.8	110.5	106.9	119.8	124.8	123.0	YoY%	-5.0	5.1	-1.8
Building permits	*m^2 per ths persons*	483.5	376.9	362.9	379.9	397.8	372.0	375.4	489.6	YoY%	0.2	0.9	30.4
Residential construction investment	*% GDP*	5.5	5.8	5.1	5.0	2.8	2.6	2.5	2.5	YoY%	0.0	-3.8	0.0
Share of ownership	%	70.0	69.1	68.4		82.7	82.8	83.7	82.2	PPS/y	-0.4	1.1	-1.8
Share of people living in overcrowded homes	%	17.7	16.8	16.9		45.9	40.9	39.3	38.9	PPS/y	-0.8	-1.6	-0.4

Source: Eurostat and European Commission calculations

Vulnerable groups

Strong socio-economic disparities limit housing development and renovations, with particularly low lending levels in the Eastern border region of Latgale. Poor-quality housing is especially prevalent for the lower income groups, lacking the financial resources to invest in renovations. The housing cost overburden rate at 25.7% (EU: 31.1%) is much higher for households below the at-risk-of-poverty (AROP) threshold than for those above the threshold at 1.5% (EU: 3.8%), pointing to the need for targeted housing renovation support for this group.

Specific support programmes for renovations are needed for the most vulnerable groups. Among the 39 500 multi-apartment residential buildings in Latvia, some 35 000 have an energy efficiency rating class of F and at least 26 600 require renovation ([365]). Despite considerable EU investments in recent years, support for energy-efficient renovations is insufficient, also due to increased construction costs and lack of financing.

Latvia is taking steps to address homelessness, but comprehensive support to bring those in shelters back into housing is missing. From 2025 onwards, each municipality is obliged to provide shelters for the homeless, with the number of people in municipal shelters remaining relatively stable so far at 6 000 people per year ([366]). The pilot project to promote Housing First ([367]), which ran from 2022 to 2023 with support from the European Social Funds Plus, has been successfully continued in Riga which has the highest numbers of homeless people. However, it remains to be further developed outside of the capital region. To address limited data, the government launched a study in October 2025 to conduct an in-depth analysis of the legal and substantive framework governing homelessness in Latvia and to propose specific policy recommendations for reducing it. The results of the study, once available could serve as a basis for a national strategy for homelessness.

Housing policy does not consider the needs of people with disabilities. Currently, there is a severe lack of municipal housing for people with disabilities. The regulatory framework for construction does not set accessibility standards for single-family residential houses, and in 2024, only one municipality provided a serviced apartment ([368]). Amendments to the Disability Law in 2022 excluded support for the adaptation of housing at the national level. Support for making private dwellings more accessible is thus currently limited to one Recovery and Resilience Facility-funded project, which will improve accessibility for around 250 people by 2026. Moreover, wheelchair-users usually need larger dwellings, as they need sufficient room to manoeuvre their wheelchairs. The various factors contribute to higher housing expenditures for persons with a disability and the housing cost overburden rate at 8.9% for persons with disability is consequently well above the rate for persons without (5.6%).

([365])State Audit Office of Latvia (2025), Untapped opportunities in retrofitting of housing.

([366])Central Statistical Bureau of Latvia (2024), Recipients of municipal social services in State cities and municipalities.

([367])Housing First Europe

([368])Ministry of Welfare (2025), Annual data.