



STUDY VISIT **RIGA 2019**



EFL EUROPEAN FEDERATION
FOR LIVING



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1. INTRODUCTION

On September 12 and 13, the EFL Study visit took a group of 13 housing professionals from five countries to the Latvian capital of Riga. The participants showed a high interest in the housing system in Latvia and were particularly focussed on learning more about energy efficient refurbishments. This is increasingly a topic which generates wide interest. How can the housing sector efficiently reduce the energy consumption of buildings, responsible for 40% of CO2 emissions in Europe. Can we also learn from this Baltic state? Also Latvia signed the Paris Climate Agreement and agreed on European legislation to reduce its energy consumption in the housing sector dramatically. From 2020 on, new housing should be “nearly zero energy consumption homes”... But what is actually happening in Latvia? Are these ambitions realistic? Does the country effectively work on reducing fossil energy consumption and promote and use renewable energy like solar power and wind energy?

During the two-day tour, the participants received a detailed overview about the housing market, housing system and the challenges faced for the future housing stock. Latvia was part of the Warsaw pact until 1990, and up till today, Soviet history still plays a major role in the current housing situation. Like most previous Soviet states, mass production of standardized multi-family housing was the common way of housing production in the post war period. Tens of thousands flat buildings have been erected in that period (1950-1990). State and public authorities owned most of the buildings. Small public service agencies, more or less comparable to nowadays facility management companies, cared about the management and maintenance. This was financed by the small rents the residents had to pay to the public authorities.

After the Soviet era, almost all homes have been privatized due to advices from the West. The residents became from one day to the other, owner of an apartment. In many cases the apartment was delivered for free. But contrary to the prior status of managed property, no system of property management or owners organisations, like in most Western European countries, was installed. This situation led ultimately to a complete lack of maintenance of the buildings itself; and this situation didn't change so quickly. In the beginning only a very small proportion of buildings had a contracted service company. But now, in 2019, it's by law obligatory to engage an existing or create an own owners association in case a new building is delivered. In 2010 every building was forced to reorganize itself, so that nowadays all of the buildings have to have a contract with a maintenance company.





2. HOUSING IN EASTERN EUROPE

Knut Höller, general director of IWO- Housing Initiative of Eastern Europe, provided a comprehensive report of the housing situation in Eastern Europe. IWO is a non-profit NGO founded in 2001, mainly funded by the German government, to support formerly Eastern European countries to overcome their challenges with formerly public housing. IWO manages European funded projects that target not only the renovation of existing housing blocks but much more the knowledge exchange and the improvement of structures in all relevant fields that housing touches.

Although since 1990 Latvia is independent, the influence of Russia is still significant. Russia provides the country with cheap gas as main energy source. But also coal is imported from Russia. Almost the whole energy system of Latvia is based on fossil energy (gas, coal). The production of renewable energy is hardly an item since fossil energy is so much cheaper and the energy grid is fully equipped for fossil sources. Solar power as renewable energy source, although present in enough quantity, is hardly seen in Latvia. And for

coming years, this is probably not going to change a lot. Economic development has a higher priority in a country where the average income is 1000 € per month.

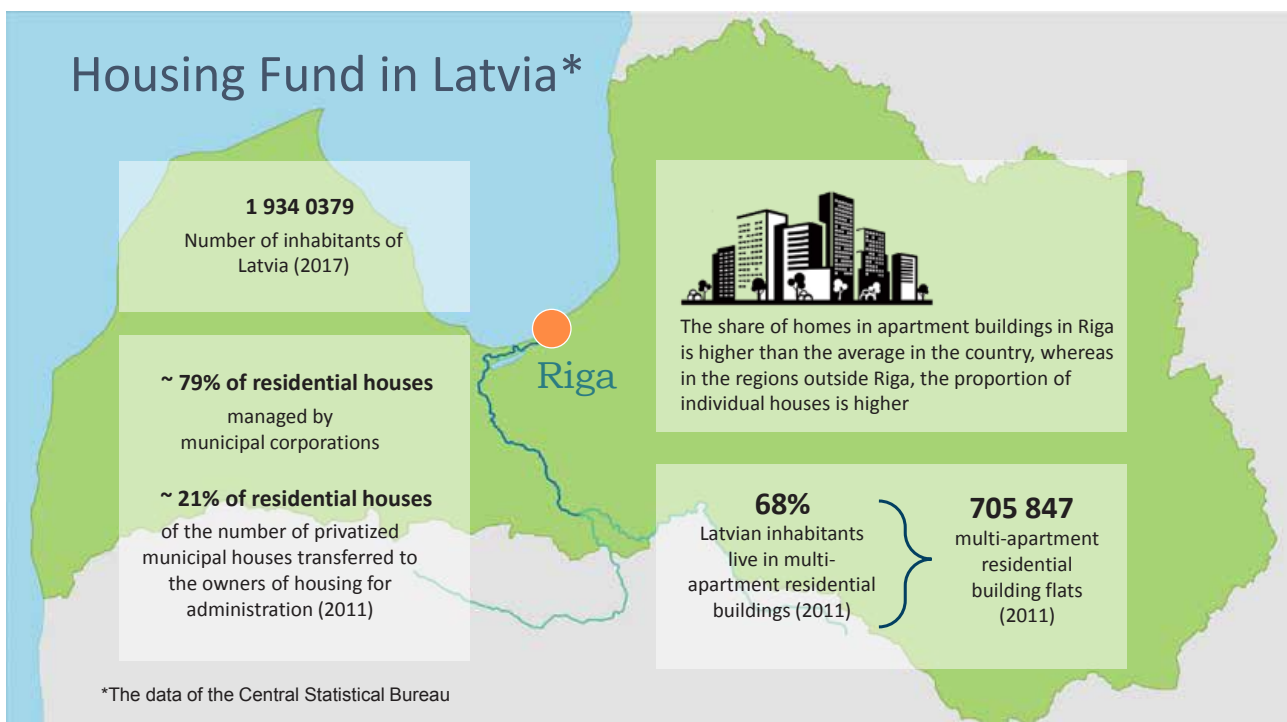
Furthermore the Baltic states are strategically positioned between Russia and Western Europe, which leads to a strong interest of Russia in the country. Latvia in particular has a population of 1,9 million people, of which 27% of Russian origins. In the capital Riga almost the half of the people are ethnic Russians.

Demography

The population of Latvia is decreasing since the independence. The country's population in 1990 was still 2,6 million, now reduced to 1,9 million. And this trend hasn't halted today. Particularly young, talented people left the country, causing a brain wave. Many of these young Latvians moved to Western European countries. For the whole of Eastern Europe, about 5 million people moved, e.g., to Germany. Among other factors, this led to the housing shortage problems Germany nowadays faces.

3. HOUSING STOCK AND ENERGY EFFICIENT RETROFITTING IN LATVIA (INFO FROM WWW.BALTIC-COURSE.COM)

New housing construction lags behind due to low demand. While consumer purchasing power in Latvia is low, many local dwellers cannot afford purchasing of the newly built apartments. Foreign demand for newly built apartments is almost lacking. Despite the increase in construction volumes in Latvia, we still go behind the neighbouring Estonia and Lithuania, where twice more new apartments have been built during the last 3 years. Low mortgage lending as well as high administrative load are the main obstacles. The secondary housing market in Latvia is in a rather bad condition. 93.8% of the Latvian housing stock needs renovation. That's the conclusion of the Housing Agency. 68% of the Latvian population or 1.4 mln of people, living in traditional housing, reside in 50-year-old buildings constructed from 1946 to 1990. The proportion of such buildings makes 67% of all housing units (674 614) in the Latvian market. Only 3-4% of the population reside in new buildings constructed from 2006 to 2014. Construction specialists point out that operational cycle of standard apartment buildings will end in 2020-2040 and an almost national safety issue will emerge.



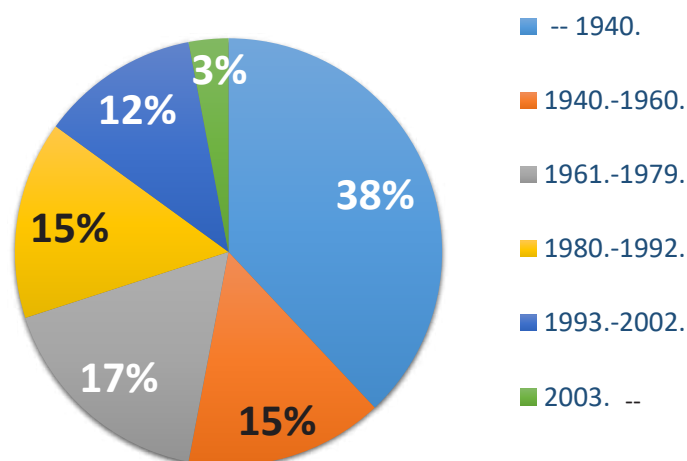
Renovation is a solution for all

There are many construction companies registered in Latvia, which also provide the services on renovation. A large variety of construction materials in wide price range is also available in the Latvian market. Residents of apartment buildings as well want to live in nice repaired buildings that are safe for living. There is only one issue – the source of financing of residential buildings renovation. Residents themselves are unable to provide full financing of building renovation due to

their low income. Another solution is to draw financing from the EU and other international investment funds. The level of state co-financing varies from state to state. What is the cause of such low financing of Latvia from the EU funds– bureaucracy or short-term vision of the politicians, weak interest of residents or that of construction companies? It is important that self-administrations as well as all the participants of the renovation process should work throughly in order to develop the construction industry and

3. HOUSING STOCK AND ENERGY EFFICIENT RETROFITTING IN LATVIA (INFO FROM WWW.BALTIC-COURSE.COM)

Housing stock in Latvia, built by year



Average energy consumption for heating – **152 kWh/m²**

manufacture of construction materials, create new jobs, decrease energy consumption of the state and make the Latvian secondary housing stock safe and high-quality. Large-scale renovations always include hard complex works that demand active participation and cooperation from all parties! Programmes on energy performance improvement demand close cooperation of residents, self-administrations, heat suppliers, construction engineers and specialists, local and state politicians. Everyone will benefit from such renovations as the price of re-developed housing will increase, heating bills will decrease as well as the level of environmental contamination and necessity of natural gas import that currently is highly important for the Latvian budget. Latvia needs a massive information campaign for residents of apartment buildings, seminars with participation of the members of local self-administrations, specialists on renovation and energy audit, and residents of buildings that have already been re-developed. Such seminars are already being organized and interest of the residents is increasing. Every apartment building should be subject to an energy audit. Its results are to be reported to all the residents and self-administrations' representatives. Quite often residents

are not aware of the state of their building. As it is only up to the decision of apartment building' residents that the building will be re-developed and become safe for further residence!"

Source: Lisa, Inara. (2015). Renovation of the housing stock in Latvia is one of the top priorities. www.baltic-course.com.

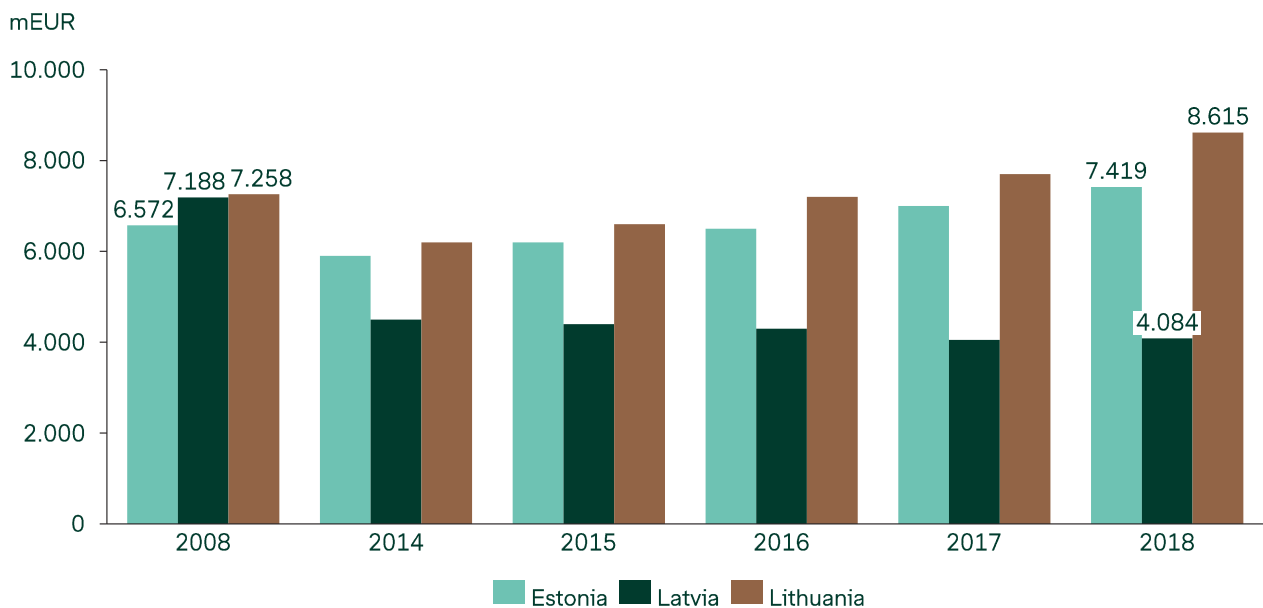
Quantatively speaking: There are still 25.000 apartment buildings to be renovated; only 1.000 buildings are so far refurbished. In Latvia there is a need of 75% of the residents to agree on a renovation. The EU funding is decreasing; partly caused by Brexit (lower income at EU level); partly by reduced political interest by Western Europe in Eastern Europe.

Another obstacle is lack of construction companies able and willing to carry out the renovations. Due to demographic development, high skilled people left the country. Furthermore there is poor regulation about energy efficiency measures and politicians are so far not very interested in the housing stock.

4. HOUSING MARKET LATVIA

The financial crisis in 2009 and further on, had deep impact on the housing market in Latvia. The transactions dropped and the number of mortgages is still far below 2018. Of all Baltic countries, Latvia is performing worst in this respect.

Baltic countries mortgage loans portfolio



Bonava AB (publ)



1 June 2019

Also the provision of new mortgages is in 2018 of a level of one fifth of pre-crisis level. The interest loans for mortgages are in Latvia about 1,1% higher than in Europe in average (2,8% versus 1,7%).

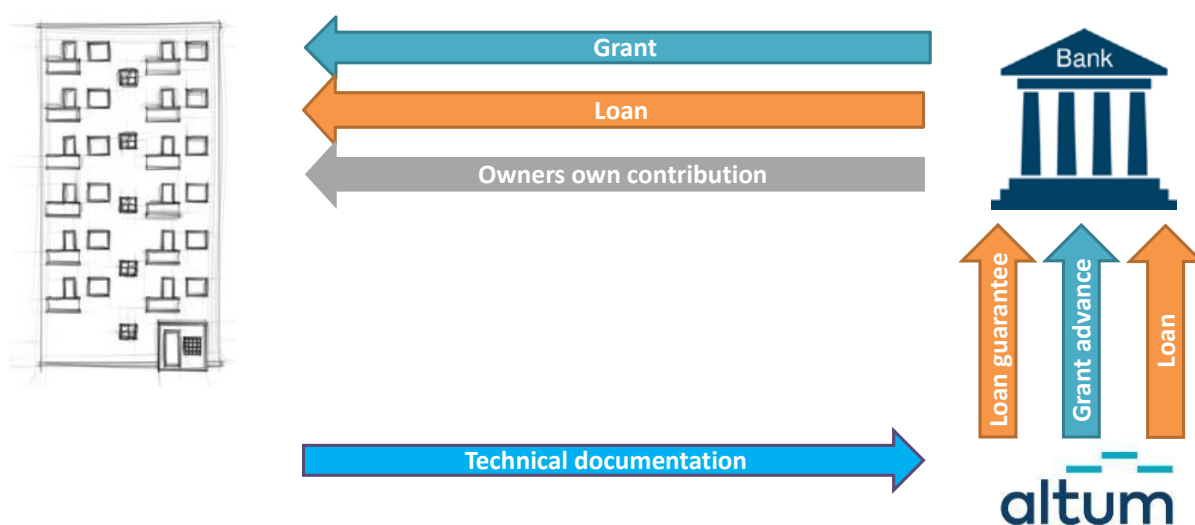
The real estate prices in Riga are to Western European standard very moderate, but for most households higher prices are unaffordable. In 2019, the following price range for unrenovated, renovated and new apartments are shown:

- Between € 800- 900 per sq meter for an unrenovated flat
- Between € 900-1.200 for a renovated flat
- > € 1.300 – 1.800 per sq meter for a new flat

5. ALTUM- ENERGY EFFICIENCY COMPETENCE CENTER

The head of the Energy Efficiency Center of Altum, Mr Martin Upitis, introduced the group in the methodology and financial system to make the housing stock more energy efficient. Altum is a 100% state-owned financial institution acting as National Finance Development Institution. They implement the state policy in the national economy. Altum offers state aid for various target groups with the help of financial tools and technical support. Shareholders of Altum are three ministries.

Implementation model



The scheme consists of

- 2 financial instrument operations (guarantee or loan)

Altum provides loans and credit guarantees, offers insurance for business export deals and investment to venture capital funds, and offers non-financial support in the form of consultations, education, mentoring, and more. The company has a vital role in supporting investments in energy efficiency, particularly in the privatized housing sector.

The need for energy efficiency renovations is enormous and Altum plans to channel a total of 156. Million Euro for the renovation of 1030 projects (buildings). Of this amount, 85% will be European ERDF money and 15% state money.

Buildings which are renovated are usually highly energy consuming. The average consumption is 150 kw/h m2 for

heating only. After renovation, this use is reduced to 50 kwh/m2. The loans and public grants are provided to so called 'management companies', which are hired by the apartment owners and take care for maintenance and repair works. The apartment owners pay a monthly fee to these companies for their services.

The loans for renovations are paid back via the fees to the management companies. But a part of the funding is a gift, a subsidy without obligations for repayment.

A last presentation on the second day was given by **Viktors Valainis**, Member of the Latvian Parliament (Saeima) / Public Administration and Local Government Committee.

Works (complex renovation):

- Repaired roof
- Ventilated facade
- Changed heating system
- Changed windows/doors
- Restored cold/hot water system
- Renovated staircase



Sigulda, Instituta Street 10
103.type, Year 1979
66 flats, 4618,4 kvm

Total cost of project: **EUR 778 480**
Consumption before: **159 kWh/m²**
Planned consumption after: **52 kWh/m²**

He stated that government and parliament are working on new housing legislation that favours foreign investments in residential real estate. The lack of investments, contrary to Estonia and Lithuania, is one of the problems of the housing shortage. At the moment there is only a very small rental market in Latvia; partly due to lacking legislation and very old legislation (1990) after the independence from the

Soviet Union. Currently the tenants have full right to reduce rents to levels under 50€ per month, which does not create any interest from foreign investors. According to Mr. Valainis, the situation will change in the next two years and favourable conditions for foreign investors in housing will be developed and accepted. Clearly, the political support for housing is increasing.

6. FIELD VISIT

During the field visit in the afternoon of 12th September the group travelled through the outskirts of Riga under supervision of architect Aleksandrs Feltins. Examples of after war apartment buildings were shown which clearly lacked needed renovations and insulation. According to the information received, the temperature in these buildings can go quite low during cold winter months, causing residents to heat their homes as best as possible. Even a monumental building of architectural beauty has been visited, but also here a complete lack of renovations.



6. FIELD VISIT



Unrenovated apartment buildings



Renovated buildings



New apartment buildings



New constructed property, multi functional (housing, sports center)

After the visit to older and newer properties, the group went to **Koka Rīga** – a Renovation Centre for Wooden Architecture. Here we got insight information about the culture of construction in wood in Riga; which is still very clearly present in the street pattern. During the visit of Koka Rīga, the participants got also an impression at old interiors of wooden homes of the last century.





The last part of the city excursion went to the so called 'art nouveau' / Jugendstil district close to the old city. Rich ornamented buildings from the late 1880, beginning 1900 have been renovated to beautiful objects. Very comparable with other middle European countries and cities like Vienna and Budapest, this district showed the former wealth of the city and its history.

September 16,2019

Joost Nieuwenhuijzen

For further information on housing in the Baltics or in general in Eastern Europe, please contact Knut Höller, Housing Initiative for Eastern Europe (IWO), via hoeller@iwov.org .



PARTICIPANTS

Woonzorg Nederland	Wim Bakker
Clarion Housing Group	Mhairi Duck
EFL Expertise	Ad Hereijgers
Tafkoo Architects	Otto Höller
Vilogia	Fabien Lasserre
Habitare+	Guido Lenaert
Berliner Bau- und Wohnungsgenossenschaft von 1892 eG	Dirk Lönnecker
Inter-Vilvoordse	Olivier Moelaert
BBT Gruppe	Kay Schulte
Woonzorg Nederland	Judith Tillie
European Federation for Living (EFL)	Joost Nieuwenhuijzen
Housing Initiative for Eastern Europe (IWO)	Knut Höller
Housing Initiative for Eastern Europe (IWO)	Franziska Reute



**EUROPEAN FEDERATION
FOR LIVING**

CONTACT INFO

European Federation for Living

Official Postal address / P.O. Box 67065 / NL-1060 JB Amsterdam

E: info@ef-l.eu / W: www.ef-l.eu

