



*Latio*

Nekustamie Tīrašumi

# A BALTIC PERSPECTIVE

AGRICULTURAL AND FOREST REAL ESTATE  
VALUATION IN LATVIA

*Antons Seleznovs | Latio Real Estate*



# WHERE DO I COME FROM?





## KEY FACTS

# AGRICULTURE AND FORESTRY IN LATVIA

- ✓ Ranked as the 4th most afforested country in Europe, with approximately 52% forest cover (State Forest Service).
- ✓ Agricultural lands comprise about 30% of the total land area, totalling 1.97 million hectares.
- ✓ Approximately 65% of agricultural lands are utilized for cultivation purposes.
- ✓ Approximately 10% of agricultural lands are not utilized for their primary purpose.
- ✓ Forested areas span across the entire land area, while agricultural areas are concentrated in specific regions.



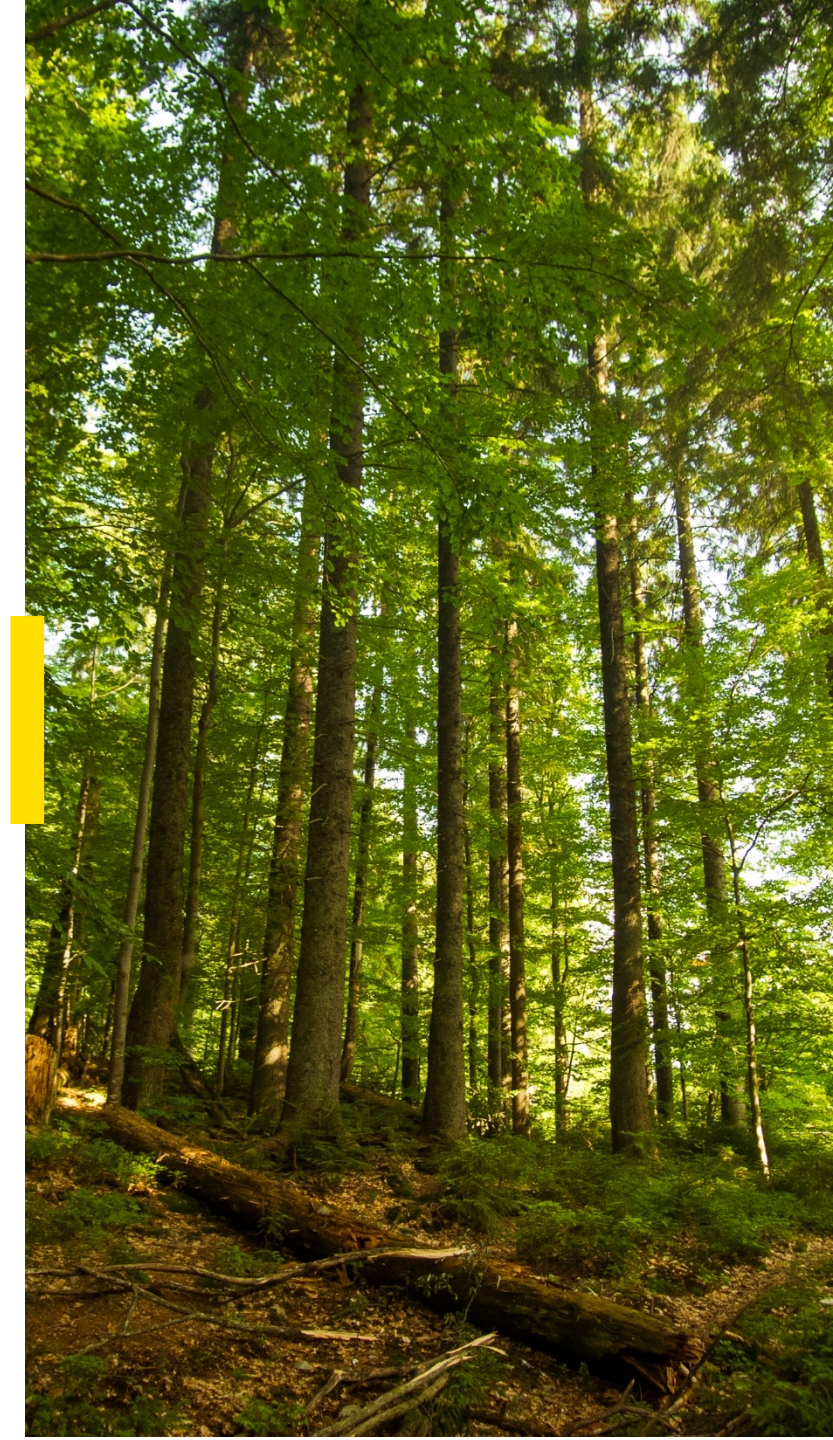
# FOREST AND AGRICULTURE AREAS IN LATVIA





# OWNERSHIP

- ✓ Nearly all agricultural areas in Latvia are privately owned, contrasting with forest ownership where approximately 48% is under the jurisdiction of the state company - **Latvian State Forests** (LVM), 2% are designated as municipal forests, and the remaining 50% are privately owned.
- ✓ Notably, state-owned forests are distributed throughout the country, lacking specific regional concentration.





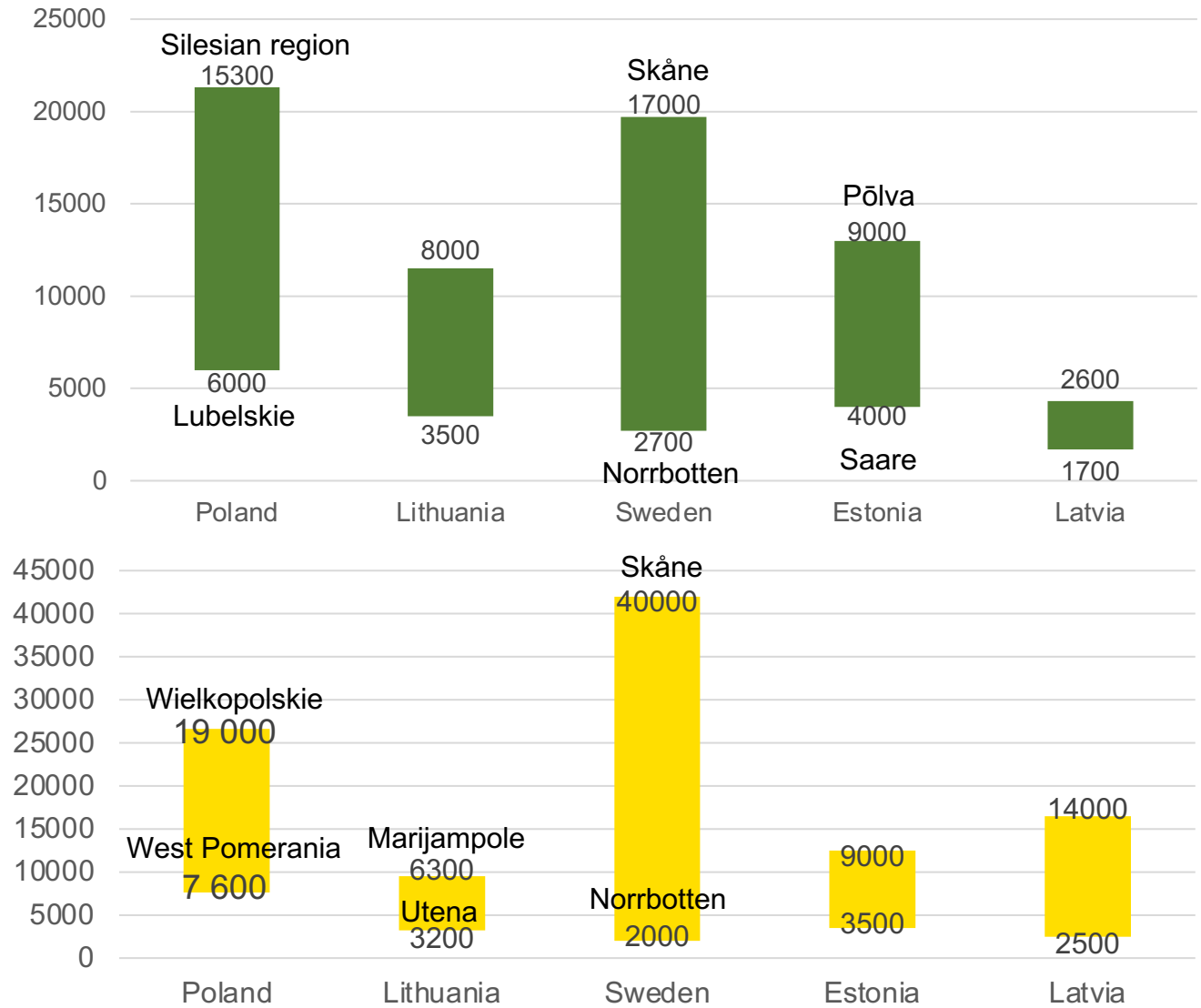
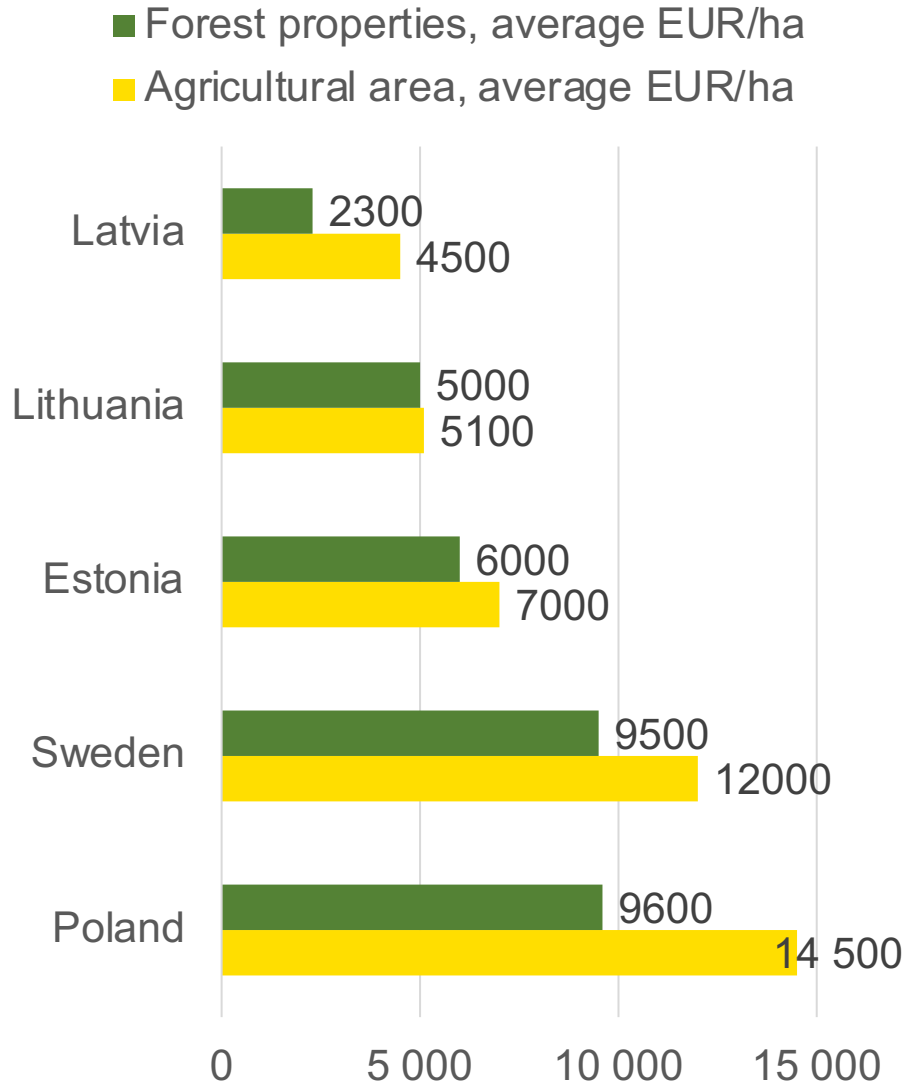
# AGRICULTURAL LAND

- ✓ Agriculture, forestry, and fishing collectively contribute approximately 5% to Latvia's Gross Domestic Product (GDP).
- ✓ Despite Latvia's small size, there exists a more than fourfold difference in the value per hectare across all Latvian regions.
- ✓ The price per hectare is subject to factors such as land quality, geographical location, and the presence of agricultural enterprises.
- ✓ Approximately 88% (1.75 million hectares) of lands in Latvia receive subsidies.
- ✓ Around 40% (0.8 million hectares) of agricultural areas are dedicated to grain cultivation.





# AGRICULTURAL LAND VALUE





# AVERAGE AGRICULTURAL LAND VALUE (EUR/HA)

DATA PERIOD: 2023



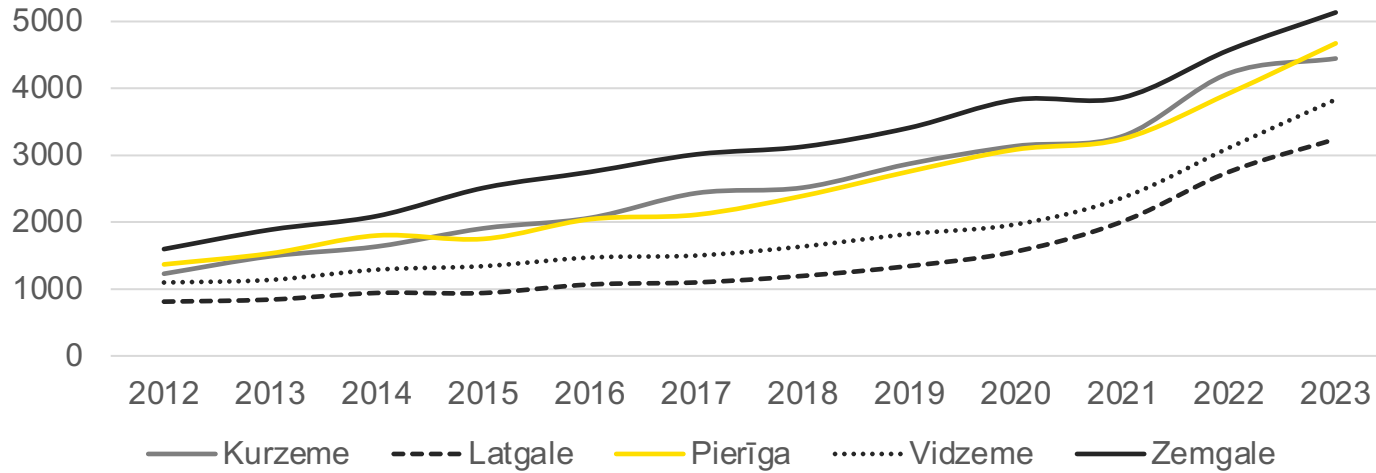


# VALUE ACROSS LATVIA

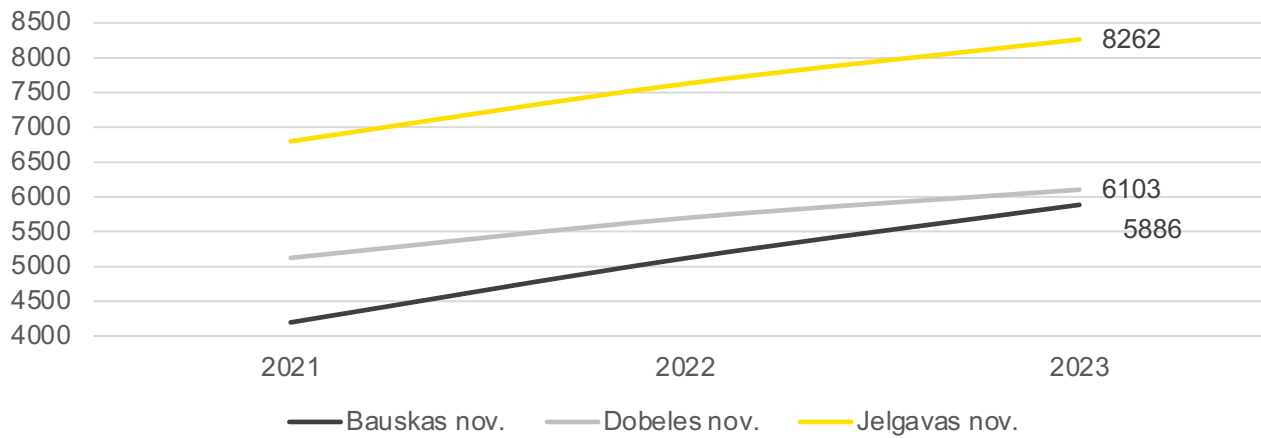




## AVERAGE PRICE OF AGRICULTURAL LAND BY REGION (EUR/HA)



## AVERAGE PRICE OF AGRICULTURAL LAND IN BAUSKA, DOBELE AND JELGAVA MUNICIPALITIES (EUR/HA)



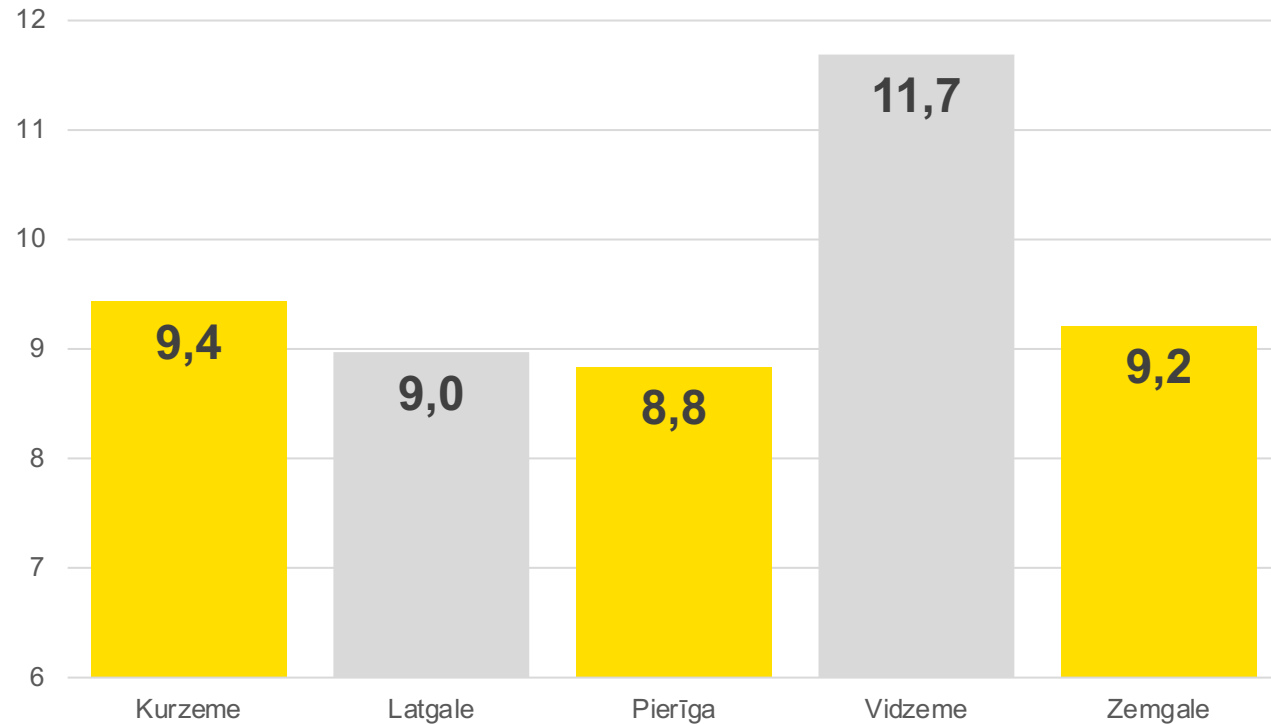
Source: State Land Service





# AVERAGE AGRICULTURAL LAND AREAS SOLD

Time period: 2023



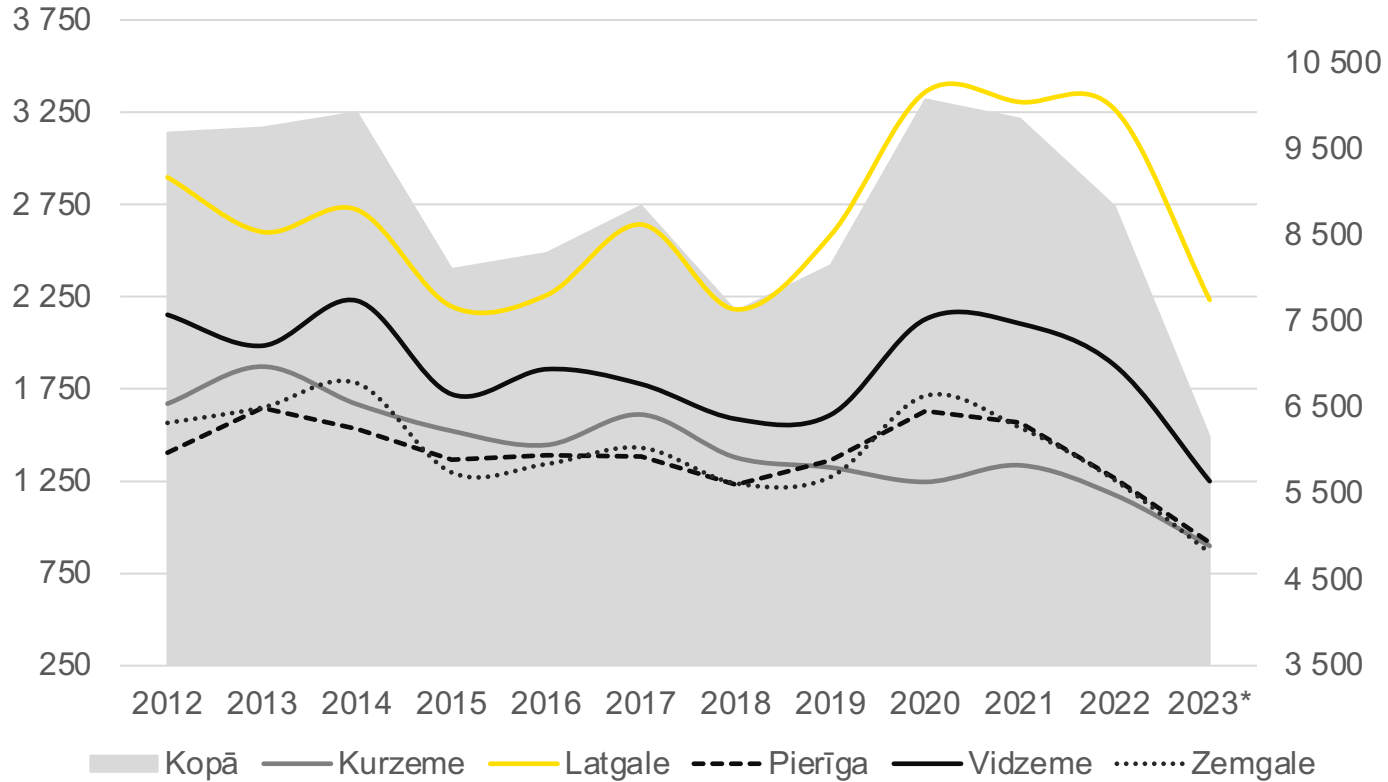
Source: State Land service





# TRANSACTIONS WITH AGRICULTURAL LAND (>1 HA)

Period: 2012-2023



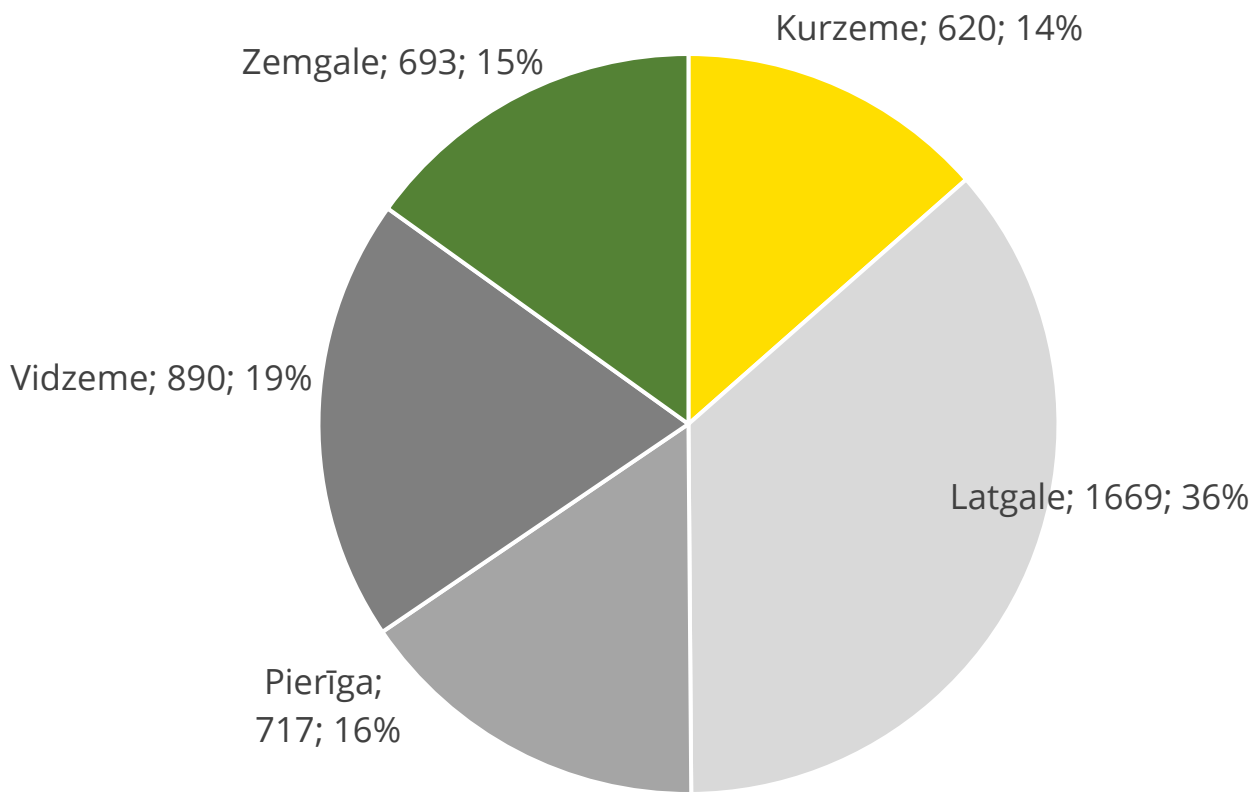
Source: State Land service





# NUMBER OF TRANSACTIONS WITH AGRICULTURAL LAND

Period: 2023



Source: State Land Service



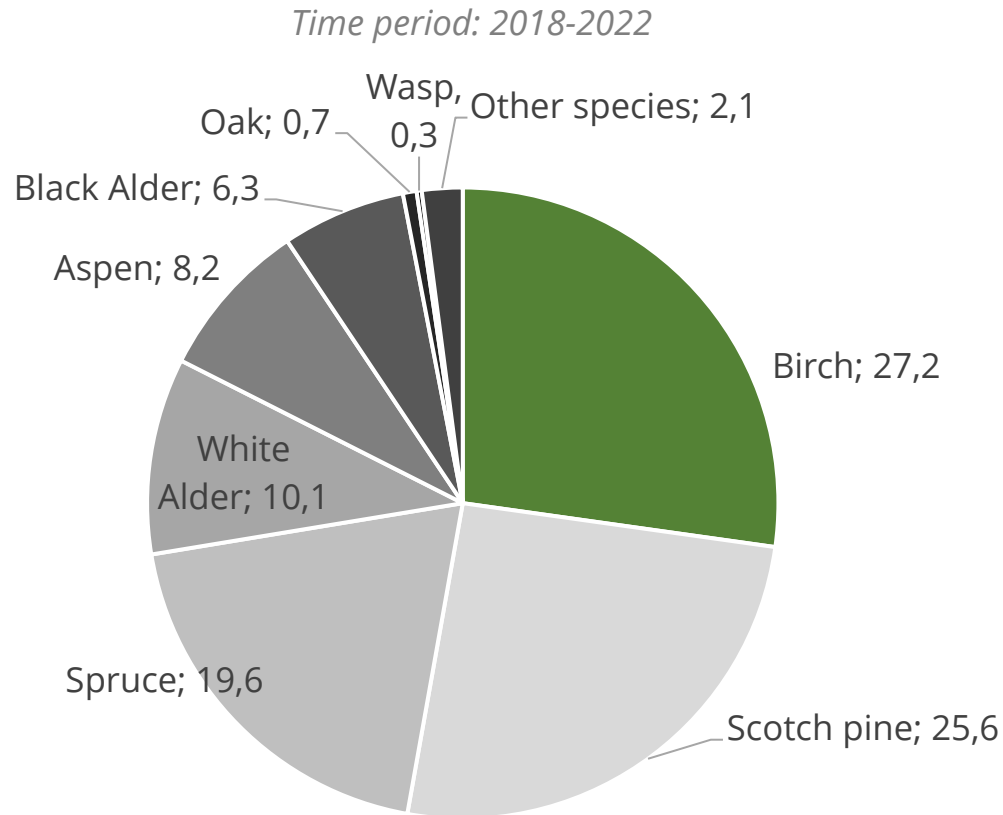
# FORESTED LAND VALUE (EUR/HA)

DATA PERIOD: 2023





# FOREST AREA BY DOMINANT SPECIES, %

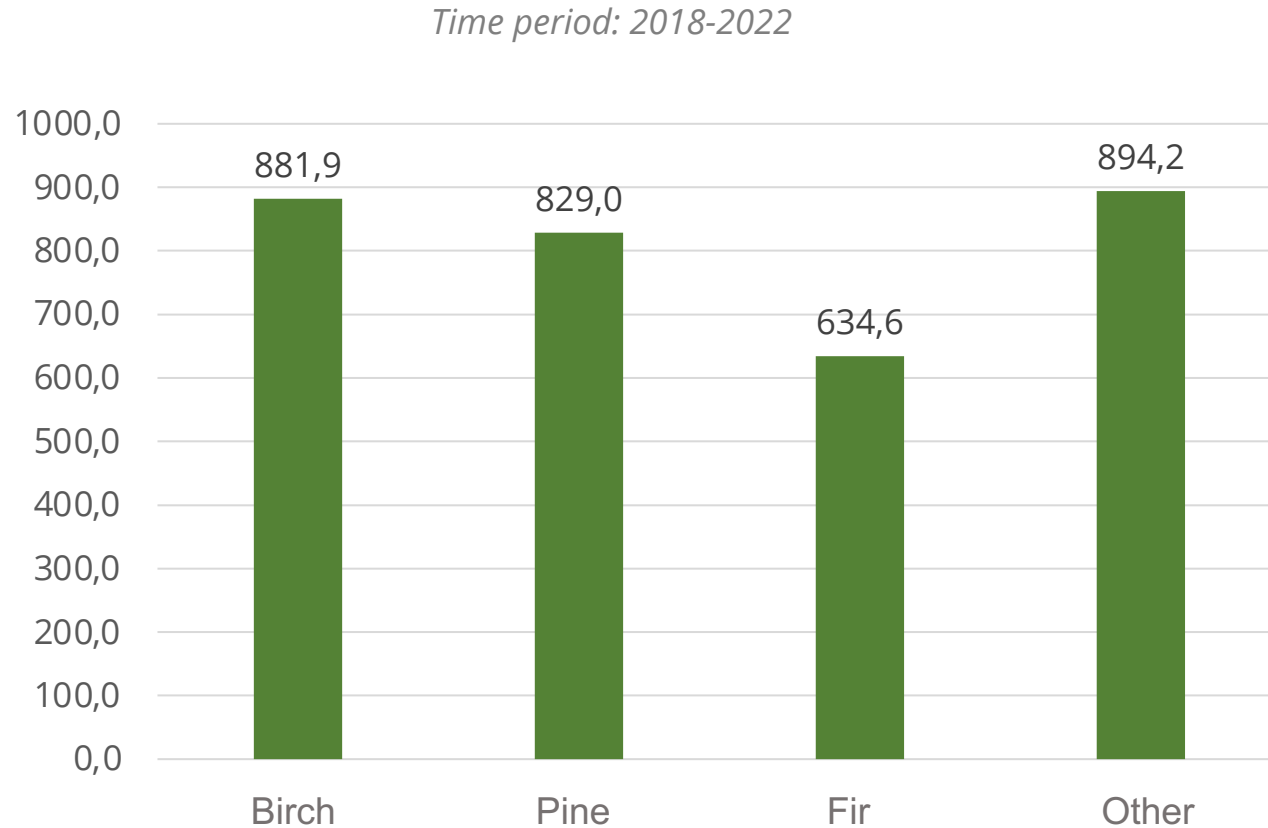


Source: National Forest Monitoring data

- Prices are falling for **mature coniferous** (pine, fir) stands; in 2022 a hectare of forest, including both stand and forest land value, cost EUR 26 000/ha, whereas **in 2023 the cost dropped to EUR 23 000/ha**. The price for a mature stand of **medium-aged conifers** has fallen by 23% or **EUR 13 000/ha**, while **the price for young conifers has remained stable, reaching EUR 5 000/ha**.

- For **deciduous** stands with birch as the main species, the price remains unchanged at **EUR 17 000/ha** for a mature stand, **EUR 10 000/ha** for a medium-aged stand and **EUR 3700/ha** for a young stand.

# FOREST AREA BY DOMINANT SPECIES (THOUS. HA)



Source: National Forest Monitoring data

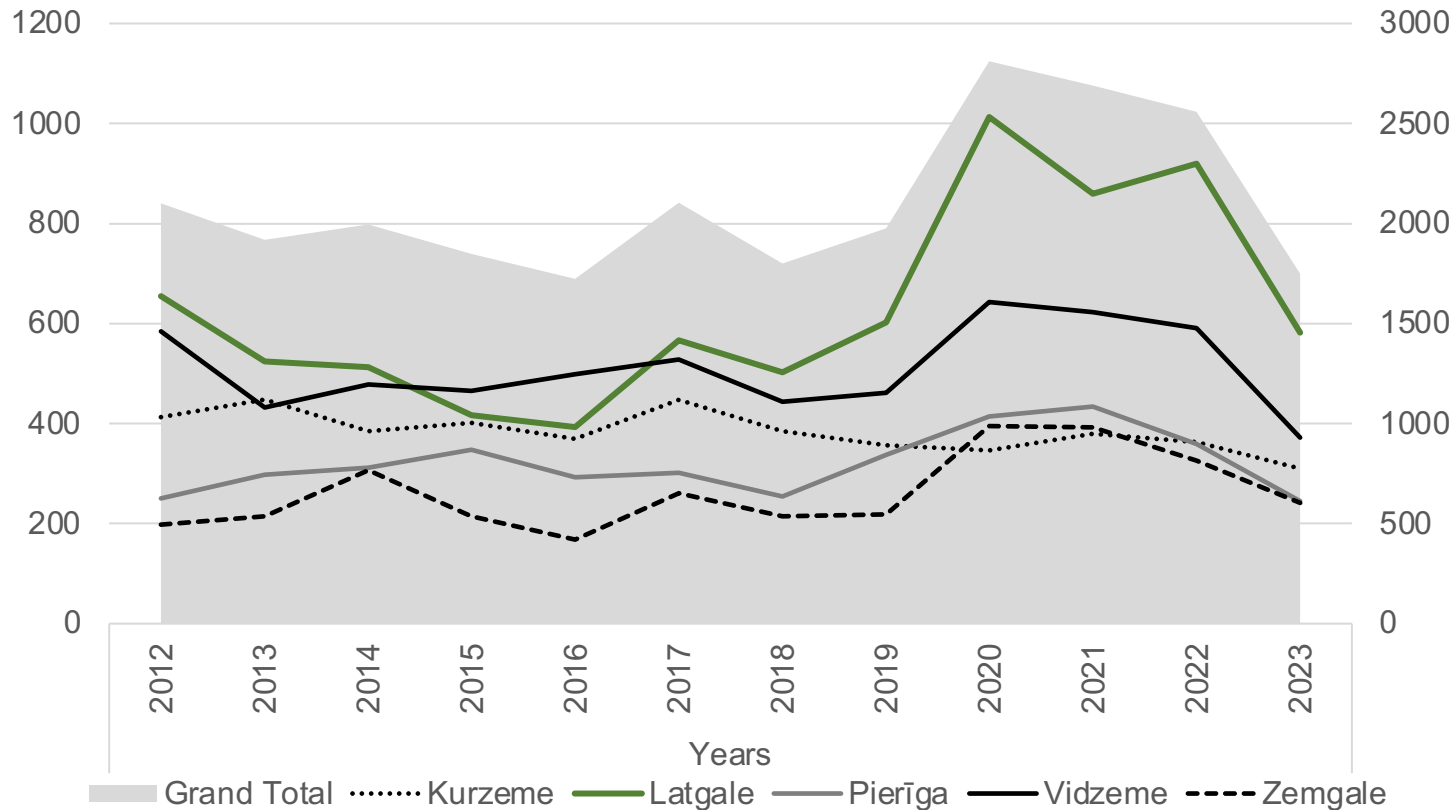
GDP figures for the agricultural sector in the third quarter of 2023 are down by **9.4%** compared to the same period in 2022. This is due to a fall of 11.2% in the crop sector estimate and an increase of 0.6% in livestock production, with a fall of 6.2% in fisheries. **Forestry and logging saw a fall of 13.8%.** (CSB)

Rates of return on the large property portfolios studied by Latio have averaged **3.75-5.5%**.



# NUMBER OF TRANSACTIONS WITH FOREST LAND (>1 HA)

Time period: 2012-2023



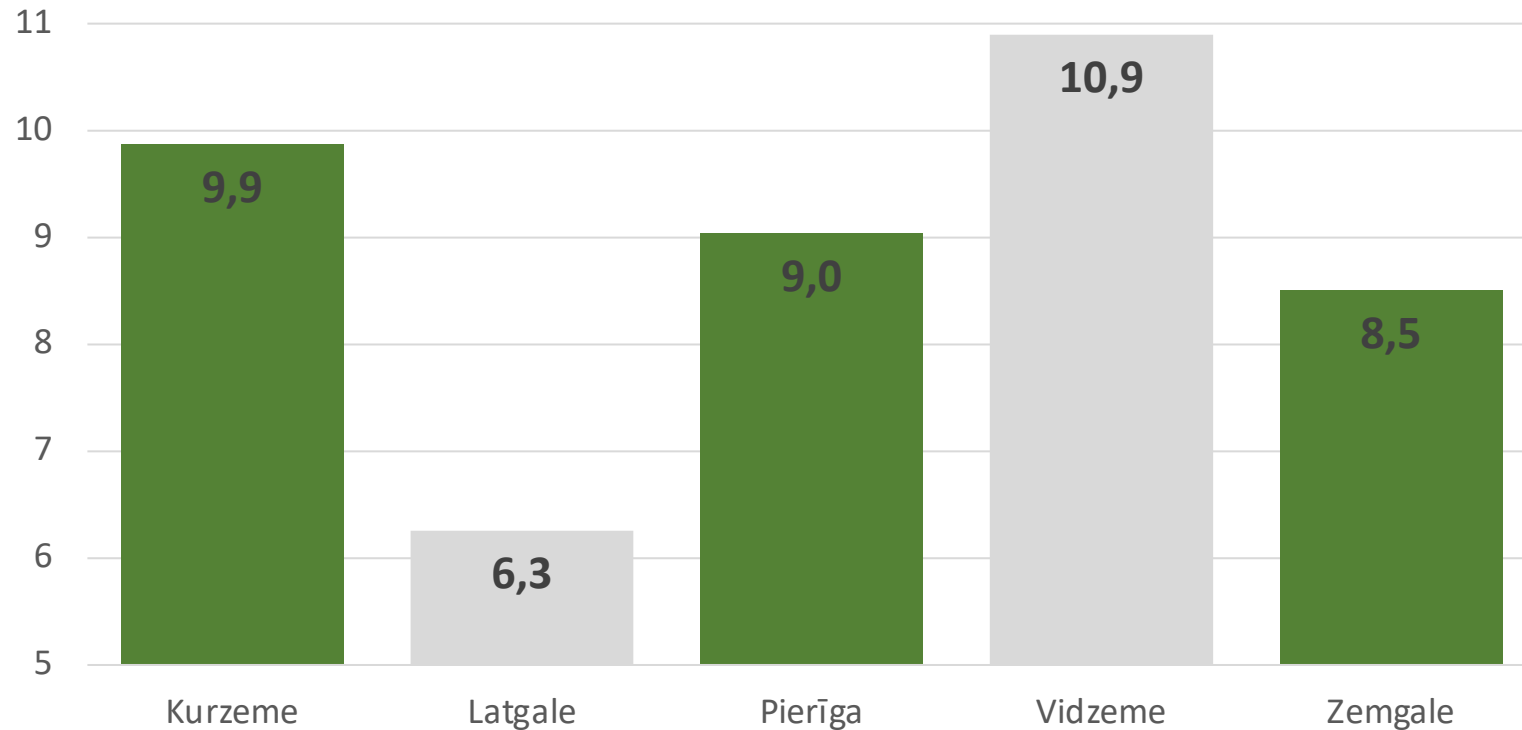
Source: State Land service

The number of transactions in forest land continues to decline.

The average area purchased has increased in some regions. In Zemgale and Latgale, a decrease in average areas can still be observed, with a slight decrease in transactions closer to Riga region, while the largest increase is observed in Kurzeme and Vidzeme for medium-sized forest land parcels sold. Looking at longer-term data, the dynamics are similar - for example, from 2020 to the beginning of 2024 there is a decrease in the average area purchased in Latgale (-1.3ha) and Zemgale (-1.6ha) but an increase in Vidzeme (+0.5ha) and Kurzeme (+0.3ha).

# AVERAGE FOREST AREA SOLD (HA)

Time period: 2023



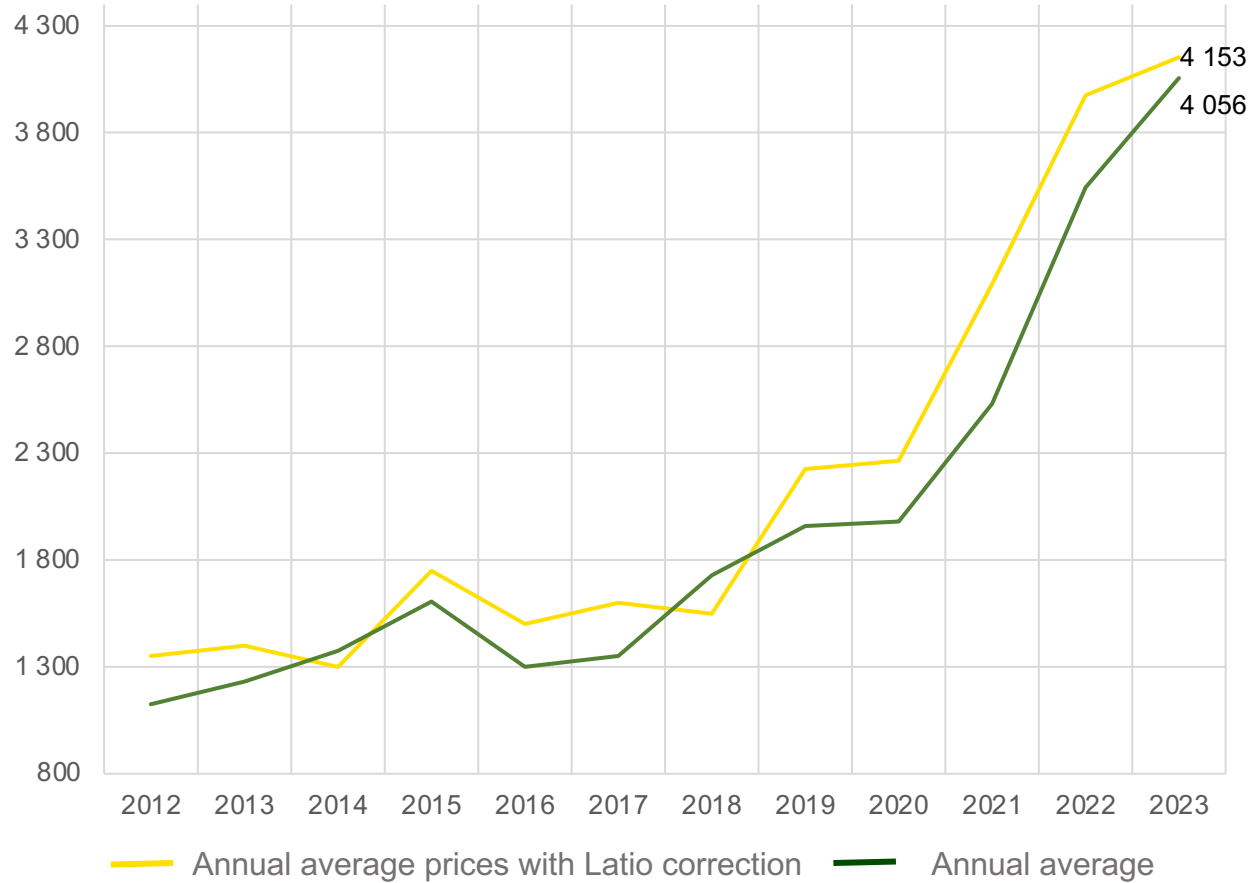
Source: State Land service

According to the Central Statistical Bureau, the average cost of reforestation in 2022 was between **792 and 931 Eur per hectare**. The average cost of forest maintenance in 2022 was **between 325 and 411 EUR** per hectare.

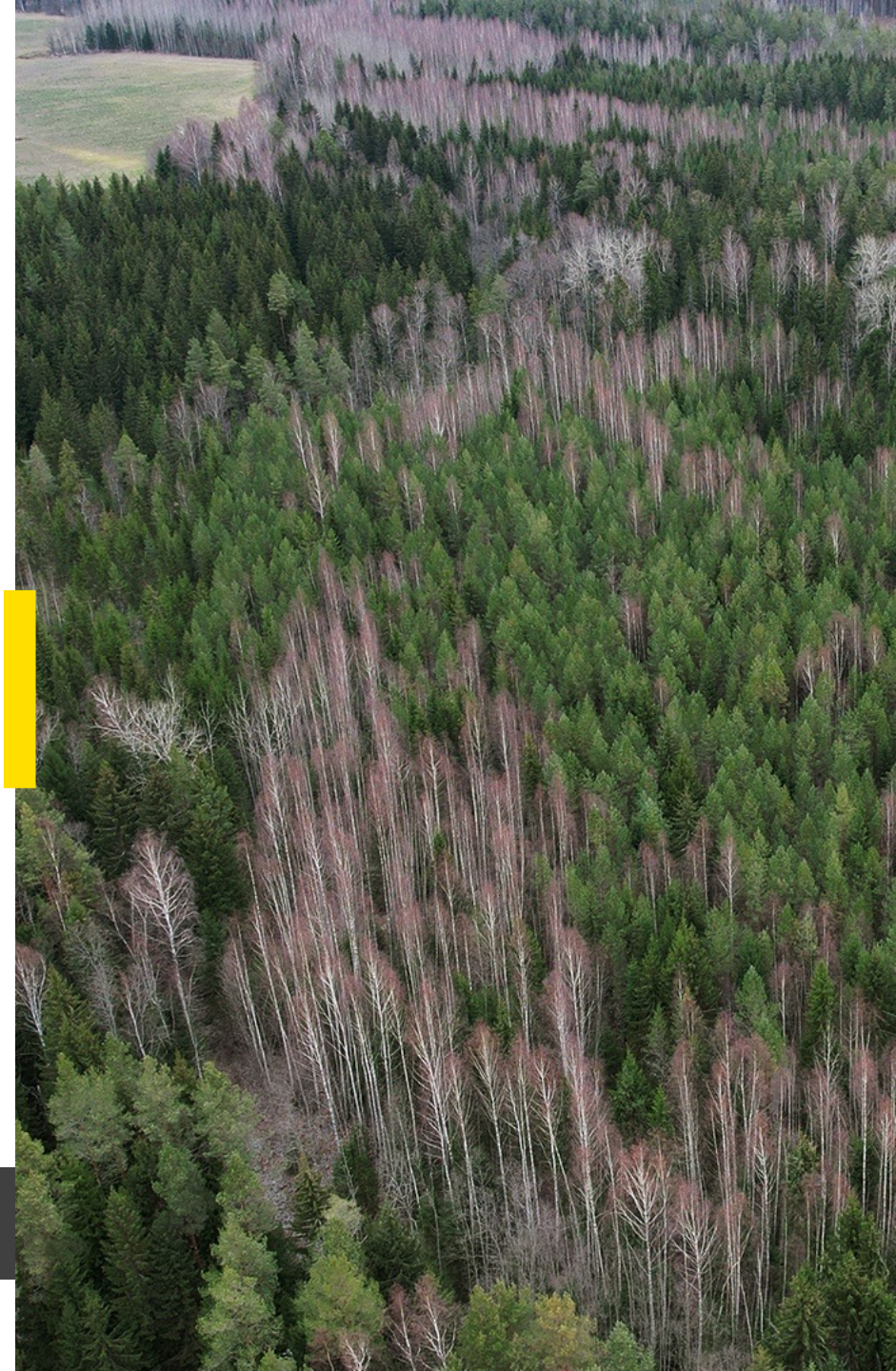
The average **price** of forest properties in **transactions by major investors decreased by 11% in Q3 last year** compared to the same period last year. The price of a hectare **ranges from EUR 3400 to EUR 4000 per hectare**, while a **clearcut**, or forest land without stands, **costs on average EUR 2300 per hectare** - a decrease of around 10% compared to last year.



# AVERAGE PRICES OF FOREST PROPERTIES (EUR/HA)



Source: State Land service and LATIO





# FOREST AND EVALUATION

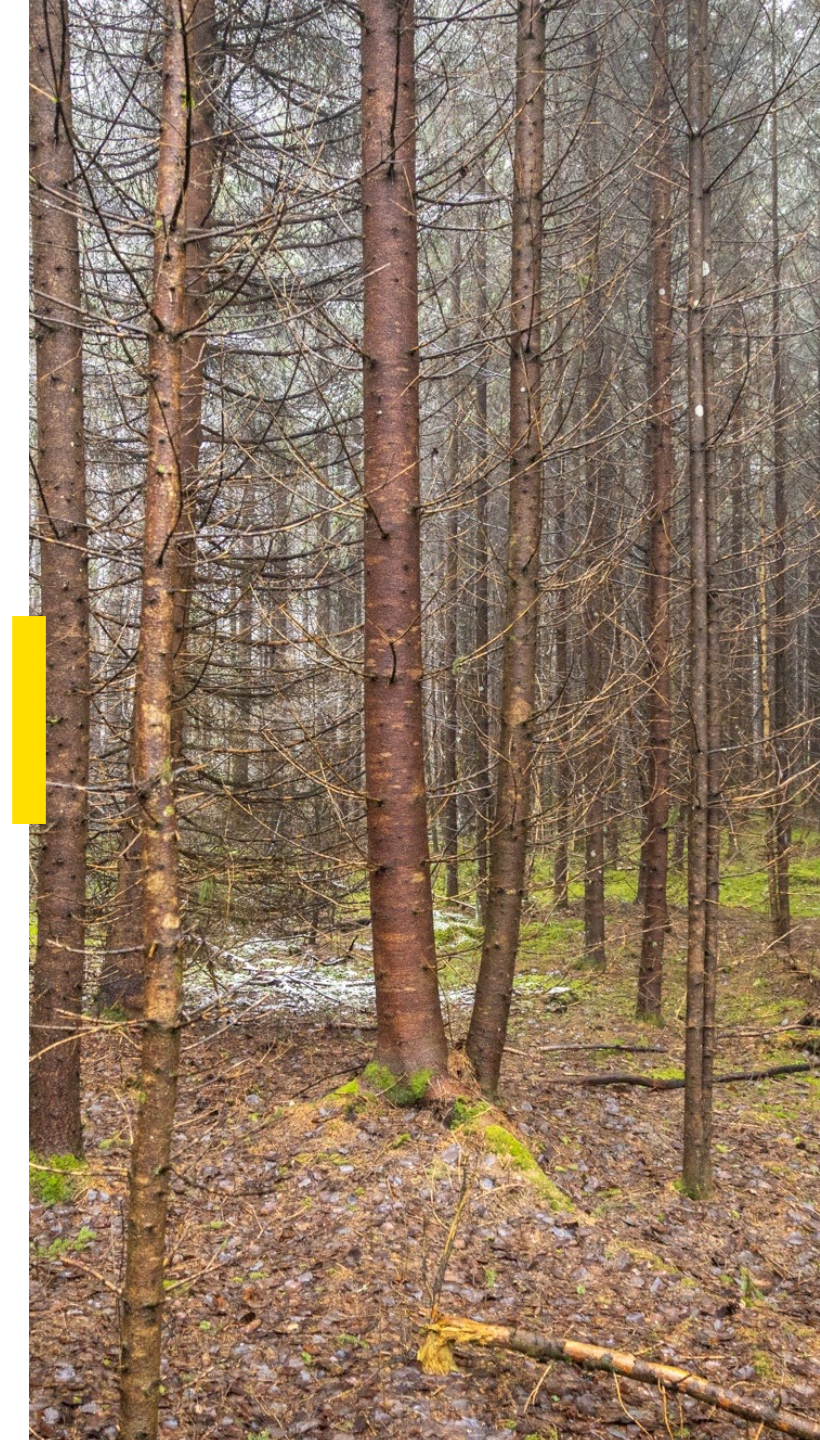
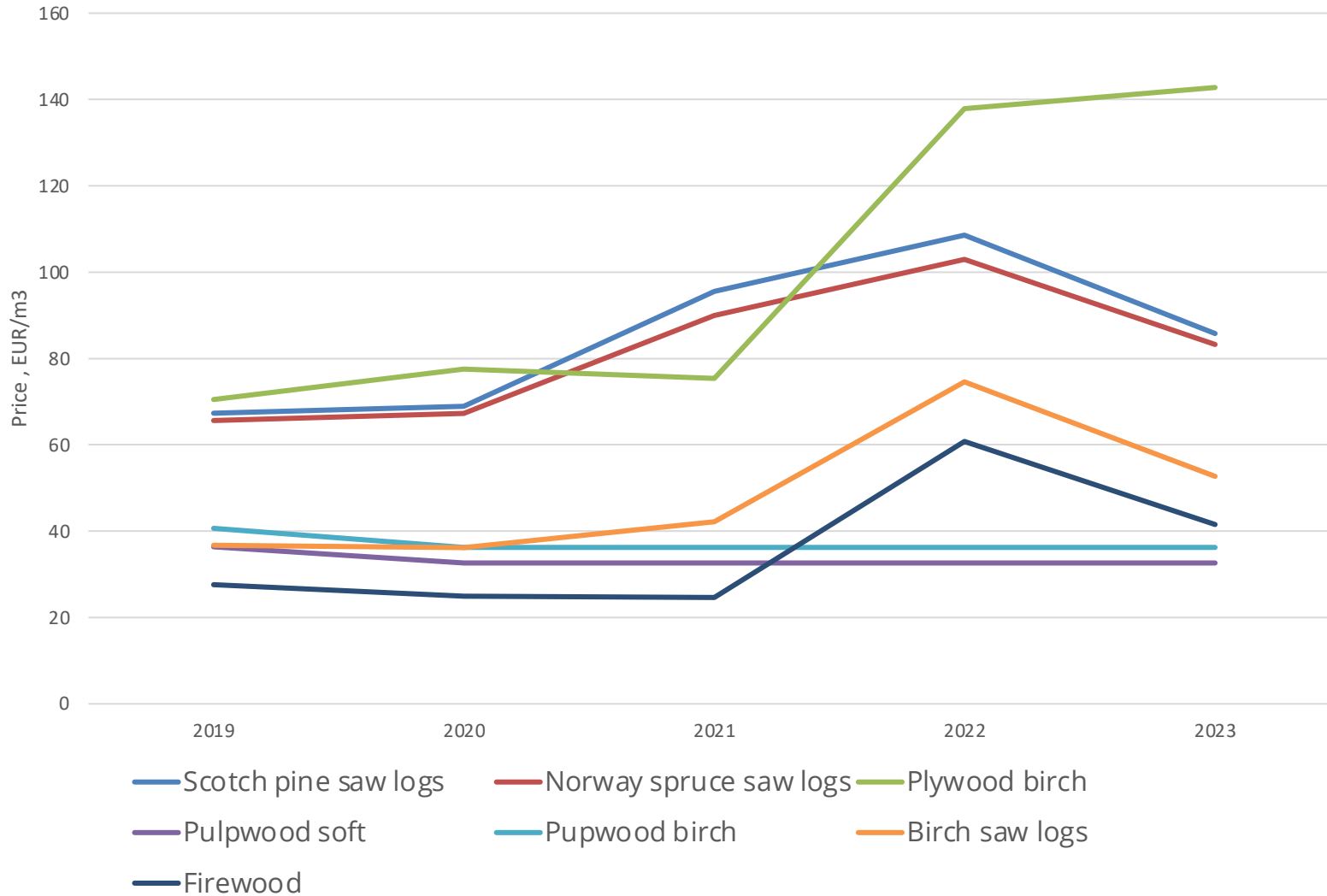
- ✓ Latvia's forests comprise various stands, predominantly consisting of Birch, Scotch pine, and Norway spruce.
- ✓ Due to the complexity of forest stands, traditional market evaluation methods can be challenging to apply effectively.
- ✓ To address this challenge, an income-based methodology is employed, projecting over a period of 120 years, which represents the maximum cutting age in Latvia.
- ✓ The value is arrived at based on 5-year average prices and discount rates.
- ✓ The discount rate is determined by several variables including area size, tree stand quality, contents, restrictions, and cash flow, typically starting at 6%.





# AVERAGE TIMBER PRICES

Time period: 2019-2023





# CONCLUSIONS

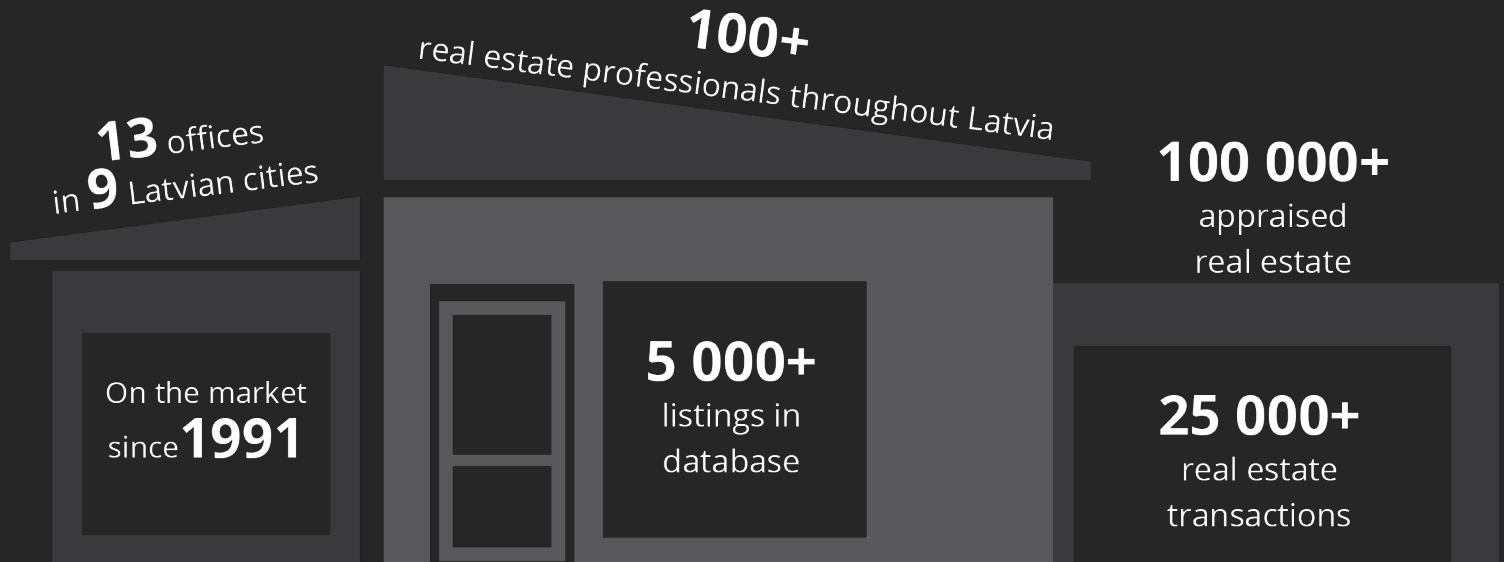
- ✓ The situation in the agricultural land segment depends upon EURIBOR and prevailing interest rates.
- ✓ No substantial decline in value is anticipated.
- ✓ Stability in the forest property market hinges on a sustained upturn in the European economy.
- ✓ Prices are expected to remain steady, with minor fluctuations of less than +/-5%.





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# DO YOU HAVE ANY QUESTIONS? HABEN SIE IRGENDWELCHE FRAGEN?

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