

ELTI HYBRID WORKSHOP ON HOUSING

LV- AFFORDABLE HOUSING

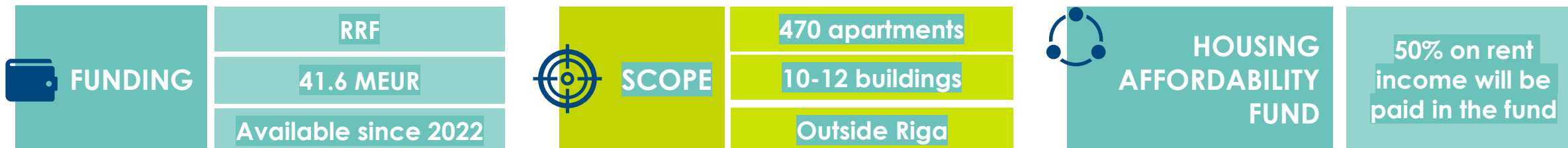
13.02.2025

AFFORDABLE HOUSING PROGRAMME IN LATVIA

Funded by the
European Union
NextGenerationEU

2027
Nacionālā
attīstības plāns

altum
Attīstības finanšu institūcija



ALTUM LOAN

Term	Interest rate	Own contribution	Capital rebate	Eligible costs
Up to 30 years	Fixed 0.69%	At least 5%	Up to 30%	89 TEUR per apartment

~1 700 EUR/m²+VAT

Actual costs **2,000+** EUR/m²

Rent	Apartment size	Max monthly income per household
Up to 6.39 EUR/m ² <small>+ other costs</small>	Approx. 52 m ²	1-room apartment 1 415 EUR, 2-room apartment 2 437EUR, 3-room apartment 3 731 EUR
Market rent 12-16EUR/m²		Average gross salary ~ 1,700 EUR

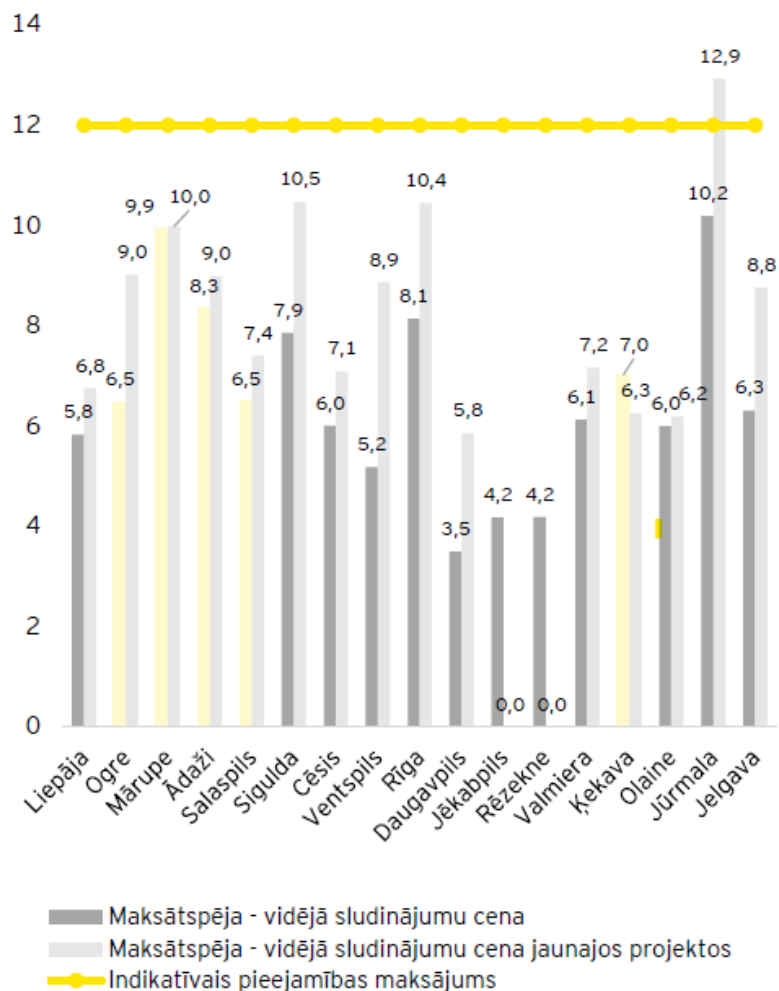
Apartments are available for individuals registered in the municipal housing queue

Main Constraints for Attracting Additional Private Financing

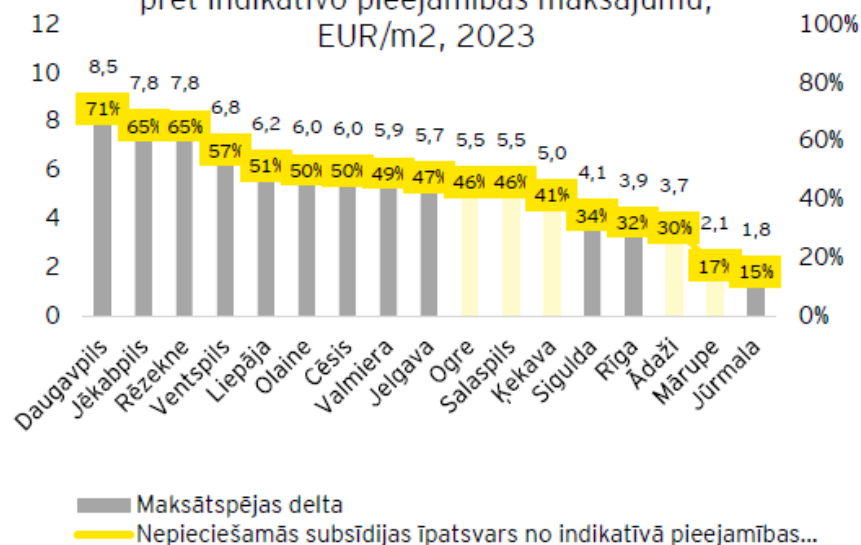
- Capped MAX rental rate **6.39 EUR/m2 in 2024***
- Limited **maximum IRR level 9,7%** at which overcompensation starts
- Construction costs higher than eligible costs
- **Debt-Service Coverage Ratio (DSCR) below market standards**
(average from 1,2; in programme - 1,1)
- **DEBT/EBITDA below market standards** - high risk projects (in approved projects even above 20. Above 9 is considered as *near to default*)
- In maintaining positive cash flow during the early years

*Could be raised every year by taking into account inflation

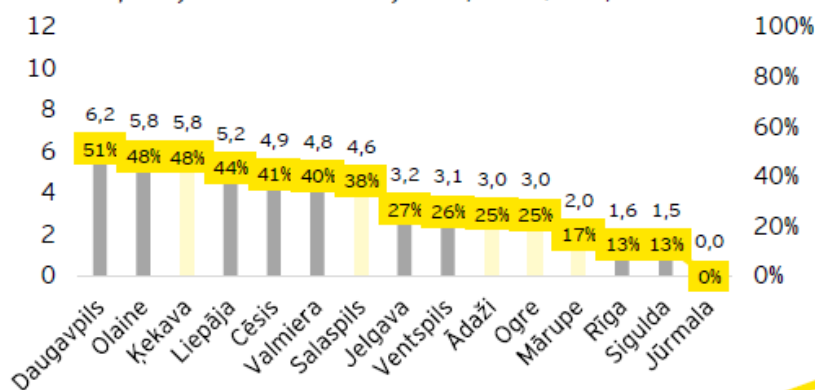
Pašvaldību iedzīvotāju maksātspēja un
indikativais pieejamības maksājums,
EUR/m2, 2023



Pašvaldības iedzīvotāju maksātspējas¹ delta
pret indikatīvo pieejamības maksājumu,
EUR/m2, 2023



Pašvaldības iedzīvotāju maksātspējas delta
jaunajos projektos pret indikatīvo
pieejamības maksājumu, EUR/m2, 2023



Main Constraints for Attracting Additional Private Financing

- **By increasing the share of the developers' own investment, the profit margin reduces** - the less interest developers have in implementing the projects
- **Limited market volume. Limited time restrictions.** From application to loan agreement ~ 6 months, design and construction period up to 2 years
- **Restrictions on actions with property and the obligation to provide the service of the general economic sector.** Monitoring (Possessor) even beyond 50 years

*Could be raised every year by taking into account inflation

The impact of private financing on feasibility and viability

- The rent at maximum limit 6.36 EUR/m²
- If Net Present Value (NPV) of a project is negative (< 0), the project is expected to result in a net loss for the company
- The lower the internal rate of return (IRR)* and as longer the payback period - the less interest developers have in implementing the project
- At higher interest rates increases inability to pay debt obligations several years (increases number of years when DSCR is lower than 1)

	base scenario	50% 6m EURIBOR	6m EURIBOR	regular situation
Interest rate	0.69%	1.33%	2.65%	unpredictable in long term
Rent (EUR/m ²)	6.39	6.39	6.39	6.5-10.6
NPV (EUR)	9	-148 055	-470 550	>0
IRR	9.70%	7.60%	4.75%	9,70%**
payback period of the investment	16 years	21 years	28 years	17 years
DSCR <1 after end of construction	1 year	4 years	9 years	Not allowed

*NPV and IRR are calculated for 50 year period

**IRR is equal to weighted average cost of capital (WACC), was determined based on the indicators of other affordable housing developers (competitors) in other European countries

Programme sustainability – HOUSING AFFORDABILITY FUND

Long term mechanism to channel investments into affordable rental housing in regions

Financial sources:

- repayment of the loan principal
- interest payments
- the contributions made by Developer after repayment of loan (50% from rental incomes)
- overcompensation payments (if any);
- EIB, CEB etc. funding