

# The Real Estate Market in the Historical Development and Contemporary Trends in Latvia

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## Abstract

In the business environment is not always possible to observe a long-term and stable development, it applies both to economic growth and real estate market development. Market participants would be able to make decisions efficiently in the field of real estate and construction, if the economic and real estate market development cycles, their characteristics, causes and consequences are analyzed. Thus, the economic theory theses become apparent and once again those prove that the real estate market is not able to regulate itself efficiently, therefore the policies implemented by the government and guidelines concerning economic regulation are of particular importance.

The historical development of the Latvian real estate market has been significantly influenced by the accession of Latvia to the European Union, which has contributed to the interaction of Latvian financial sector and real estate market, as well as resulted in better residents' views on real estate. Thus, since 2004, when Latvia joined the European Union, many foreign real estate enterprises have entered the Latvian real estate market, the number of real estate objects purchased in Latvia by non-residents has increased. A price level of real estate in Latvia is formed to a great extent in the context of the price level in other EU member states.

*Keywords:* real estate market, historical development of the Latvian real estate market, real estate enterprises

## Introduction

The analytical assessment of *the historical development of real estate market*, for purposes of visibility the author of the research has divided the historical development of real estate market into three time periods: the Agrarian Reform Period (1918-1939), the Occupation Period of Latvia (1940-1990) and the Independence Period of Latvia (since 1991): privatization, denationalization, and land reform.

The development character and tendencies of real estate market of Latvia, after regaining its independence, have proved that a majority of market participants lack knowledge and understanding of the real estate market object constituents, functional character, transaction features, factors positively and negatively affecting the market. Having conducted the research on the development of real estate market, the authors have found out various types of incompleteness and the lack of real estate market development policy.

The **aim** of the Research is to study the nature, development and economic content of real estate market, to analyze the historical development of real estate market and its contemporary development.

The Scientific **novelty** of the Research is the analytical assessment of Latvian real estate market development, national economic indicators and other relevant factors substantiates the necessity for the informative and analytical management system of real estate market development in Latvia.

## Methods of Research

The conventional qualitative and quantitative research methods in management and economics have been used: analysis and synthesis; induction and deduction; logically constructive, graphic and historical access methods; data collection and analysis, comparison and data grouping; sociological research methods – the analysis of documents and survey of experts, questionnaire, focus group method, study of regulatory documents, as well as collection and analysis of statistical data.

## Conclusions

The development of real estate market directly depends on the country's socio-economic, legal and political situation that is reflected in terms of the national economic indicators and demonstrates the overall economic growth or recession.

The development of the Latvian real estate market has been significantly influenced by the accession of Latvia to the European Union, which has contributed to the interaction of Latvian financial sector and real estate market, as well as resulted in clear residents' views on real estate.

The real estate market is characterized by variability, uncertainty and dynamism, as the changes in location conditions (environment) of real estate commodity or object lead to the changes in the value and price of real estate. As a result, the real estate market development and trends are affected by social, economic, legal, political, and environmental factors, thus influencing the demand and supply.

The proposals formulated within the framework of the research can ensure the efficient management of real estate market development, process systematization and transparency, the elaboration of policies concerning real estate market development, the cooperation among the state, entrepreneurs, institutions; the awareness of real estate market participants; the process of conducting and planning the research at the level of both public institutions and businesses.

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