### General data

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<tr>
<th>General data</th>
<th>Estonia</th>
<th>Latvia</th>
<th>Lithuania</th>
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</thead>
<tbody>
<tr>
<td>Area, '000 km</td>
<td>45.2</td>
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<td>65.3</td>
</tr>
<tr>
<td>Population, millions</td>
<td>1.315.819</td>
<td>2.160.125</td>
<td>2.943.472</td>
</tr>
<tr>
<td>In cities</td>
<td>827.020</td>
<td>1.051.614</td>
<td>1.974.580</td>
</tr>
<tr>
<td>In countryside</td>
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<td>1.108.511</td>
<td>968.892</td>
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<tr>
<td>Capital</td>
<td>TALLINN</td>
<td>RIGA</td>
<td>VILNIUS</td>
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<tr>
<td>Population, thousands</td>
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<td>698.086</td>
<td>539.707</td>
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<tr>
<td>National currency EUR</td>
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<td>EUR</td>
<td>EUR</td>
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Source: Lithuanian Statistical data department

### GDP in current prices, million EUR

<table>
<thead>
<tr>
<th>Year</th>
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<tr>
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<td>11.107</td>
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<tr>
<td>2006</td>
<td>13.518</td>
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<tr>
<td>2007</td>
<td>16.241</td>
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<tr>
<td>2008</td>
<td>16.511</td>
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<tr>
<td>2009</td>
<td>14.138</td>
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<tr>
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<tr>
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<tr>
<td>2013</td>
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<tr>
<td>2014</td>
<td>19.526</td>
<td>24.059</td>
<td>36287,873</td>
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Source: Lithuanian Statistical data department
### GDP growth, %

<table>
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<tr>
<td>2009</td>
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<td>-14,2</td>
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<td>2010</td>
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<td>2011</td>
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<td>2013</td>
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<tr>
<td>2014</td>
<td>2,1</td>
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<td>2,9</td>
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Source: Lithuanian Statistical data department

### Inflation, %

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<td>2014</td>
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<td>-0,1</td>
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Source: Lithuanian Statistical data department
### Unemployment, %

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<tr>
<td>2014</td>
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</tbody>
</table>

Source: Lithuanian Statistical data department

### Interest rates of long term commercial loans, %

<table>
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</table>

Source: Lithuanian Bank Statistical data department
# Tax rate 2015 01 01, %

<table>
<thead>
<tr>
<th>Tax name</th>
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<th>Lithuania</th>
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</thead>
<tbody>
<tr>
<td>Income tax (for natural persons)</td>
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<td>23</td>
<td>15</td>
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<tr>
<td>Profit tax (for legal person)</td>
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<td>15</td>
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<td>Value added tax</td>
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<td>21</td>
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<tr>
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<td>1,5</td>
<td>0,01 - 4</td>
</tr>
<tr>
<td>Construction taxation</td>
<td>-</td>
<td>0,2 - 0,6</td>
<td>0,3 - 3</td>
</tr>
</tbody>
</table>

Source: Lithuanian Statistical data department
http://www.finmin.lt/web/finmin/nl#mv
Since the spring of 2004, when Estonia became a member of the European Union, Estonia has demonstrated that it is an active and constructive partner and continues with these pragmatic policies in its further integration into the EU. European Union membership is an invaluable factor in raising Estonia's political and economic profile and also stimulates trade activities and free movement of capital, goods and people. Membership of the EU ensures the financial and physical security and supports member countries both financially and politically to undertake structural reforms and make investments to improve the living standards of citizens of Estonia.

Estonia has been successful in its re-integration with Europe. Estonia joined the euro zone in 2011 and this decision has had undoubtedly a positive effect to Estonian economy in terms of growth and sustainability. Estonia is well-known by its low government debt (10.6% of the GDP according to Eurostat) and exemplary balanced budget (which means that state budget has been more or less balanced or in surplus) which in turn helps to ensure stable and secure economic environment that is appealing to both domestic and foreign investors.

Estonia has to be flexible and adaptable to external influences, because we are greatly affected by world’s economic trends. Despite global financial and economic crisis which affected Estonia rather hard, the country managed to recover relatively fast and is achieved steady economic growth in subsequent years. This is possible thanks to the strong export and necessary cuts to the public finance.

Export holds such a prominent position for the Estonian economy and its growth. The volume of exported goods and services amounts to 73% of the Estonian GDP, export of services constitutes about one third thereof. The main field of export of which brings profit to Estonian enterprises are various services related to transport and Russian transit but also proceeds from tourism. More than two thirds of the Estonian industrial production is for export. (http://www.estonica.org) Due to these efforts Estonia’s GDP is grown from 9 706 million Euros in 2004 to 19 526 million Euros in 2014. Currently, Estonia is a net beneficiary – from the EU budget receives more than contributes.

During the decade of the EU membership country has reached 65 percent of the EU average standard of living, while at the beginning of the membership, it was equal to 58 percent (http://ec.europa.eu/eurostat). Although the extremely vigorous period of economic reforms is now over, the changes that Estonia is presently going through are far more extensive than those in the developed countries.
General number of purchase-sale transactions

All the figures and data that have been used in this overview that don’t have a reference come from Estonian Land Board. Other sources of information have a reference to its original source.

Real property objects in Estonia are land parcels, apartments, building leases and apartment building leases. Real property objects are land parcels which are formed by a public administration entity in accordance with laws. Such land parcels are registered in the Real Property Cadastre and proof of ownership is entered in the Title Book. Only property which is registered in Real Property Cadastre and entered to the Title Book may be subject to any transaction.

Figure 1 depicts the total number of land parcels with and without buildings and residential and non-residential apartment transactions during the past decade. The data reflects cyclical fluctuations in Estonian real estate market, but it also shows that the proportion between land parcels and apartments is quite constant. Period of 2004-2006 can be characterized as expansion where the number of land and apartment transactions increased substantially. In 2005 the number of land transactions increased by 26% and number of apartment transactions – by 49%. In 2006 the number of land transactions increased further 18%, but the increase in apartment transactions wasn’t that rapid and they increased only further 6%. 2006 was the year when Estonian real estate market reached its peak – number of land transactions were around 25 000 and for apartments around 32 000 transactions.

![Graph showing the number of transactions from 2004 to 2014]

Fig. 1. General number of transactions
Activity of real estate market has changed in 2007 due to global economic conditions and worsening situation in Estonian economy. Number of transactions for land decreased approximately 25% and for apartments around 17% in comparison to 2006. In 2009 real estate market activity reached its bottom. Number of transactions for land decreased by 52% and for apartments even by 62% from the peak in 2006. Period of 2010–2014 can be characterized as recovery of the activity in real estate market. Estonian real estate market activity is steadily recovering and is achieved its peak in 2014. Compared to the bottom both number of land and apartment transactions have increased around 40%.

The real estate market of 2014 was relatively stable. The first half of the year started better than the previous year, but overall market dynamics was quite stable and huge market activity fluctuations did not occur. Number of transactions for land parcels and apartments were quite similar throughout the year.

Number of building transactions

Figure 2 depicts number of land transactions with buildings based on the purpose of use during the period of 2004–2014 and reflects cyclical nature of Estonian real estate market in more detail. The main land transactions with buildings based on the purpose of use are made with residential apartments (flats), non-residential apartments and residential land with buildings that forms around 90% of all land transactions with buildings. It can be observed that transactions of flats dominated throughout the whole analyzed period, indeed the housing market was variable.

![Number of building transactions based on the purpose of use](image_url)
Transactions of flats which contain information about construction year

Figure 3 provides more detail statistics on transactions of flats during the period of 2004–2014 and considers buildings’ construction time: flats in new buildings and buildings which are older than two years. Figure 3 depicts only transactions that have construction data available. Data reveals that despite the growing number of construction, the residential housing stock in Estonia is rather old. Substantial increase in transactions of new apartment buildings is observed in 2006 and 2007 – the year of Estonian real estate market peak. In that time the number of new flats formed around 14% of all residential apartments. After the crises the share of new apartments is decreased and stabilized around 5% of all residential apartment transactions.

![Graph showing transactions of flats](image)

**Fig. 3. Transactions of flats**

The development of the residential real estate market in Estonia can be characterized by several stages. Market expansion started in 2004. This was a period where both the transaction activity and prices were growing quite rapidly. This situation was possible thanks to the low unemployment rate and relatively low long-term interest rates.

The signs of housing market slowdown became more evident in 2007. Although the overall annual price growth remained positive (19%), the price growth in the third and fourth quarter started to decline, and the number of transactions went down by 21%, compared to the second quarter, contrary to the usually observed end-of-year seasonal rally of market activity.

Due to declining demand and increasing supply, the housing supply started to exceed the demand at the end of 2007 and in the beginning of 2008. The decline in demand was caused by the rising interest rates which in turn meant markedly smaller numbers of loans for house purchasing. The number of transactions concluded in the fourth quarter of 2007 was lower by 40% than in the fourth quarter of 2006, whereas the number of transactions concluded in January 2008 was lower by 32% than in the same period a year ago. In 2009 changes in the supply-demand ratio led to a correction of prices for real estate and a decrease in the number of transactions.
The most drastic changes were noticed in the segment of residential land with buildings where in 2006 the number of residential land with buildings reached 6520 while in 2009 it dropped to 2327 transactions.

In 2010 and 2011, the number of residential land with buildings purchase-sale contracts were stable. However the transaction activity increased in 2012 by 12% compared with the corresponding period in 2011. The trends varied in different residential housing segments. The years 2012 and 2013 witnessed a breakthrough in the real estate market – both in terms of activity and in terms of price developments. As far as the housing segment is concerned, the activity started to expand at a faster rate as well. The number of real estate transactions increased in 2013 by 16.6% versus the previous year.

The real estate market of 2014 was relatively stable in Estonia. The beginning of the year started a little better than the previous year, but overall market dynamic was very similar to the previous year. The biggest change was observed in the segment of flats, where in the second half of the year of 2014 the amount of purchase-sale transactions had increased by 10%, in comparison with the first one. It was the smallest increase since the crises when a semi-annual increase in the amount of transactions was registered in Estonia. This indicates that demand for flats is slowing down and the number of transactions have reached pre-crisis level. Similar trends can be seen in other segments of residential property market. In the segment of residential land with buildings, where the amount of purchase-sale transactions has been growing in the second half of the year of 2014 – in comparison with the first half of the year, the change reached 5.9%.

Residential property prices

In 2005 the growth of the real estate market in Estonia had reached a record high. Average increases in the prices of flats in the country’s larger cities had grown more than 50%, and as high as 110% in certain segments in one year. Enormous increase in prices continued through period of 2006 and the beginning of 2007. Estonia entered recession by 2009 as the GDP growth rate was down to −14.7%. Unemployment rate increased sharply and reached 13.5%. Gross wages were also reportedly lower than the previous years due to weaken domestic economy. Inflation rate meanwhile fell sharply. To the end of 2009 housing prices fell from their peak by 44.4% – according to transaction statistics the highest price was registered in the second quarter of 2007.

![Flats. Weighted averages](image)

Fig. 4. Flat prices (in Euros per square meter)
Estonia’s real property price index was down in 2009 by 37.1% compared to the previous year, losing 47.7% of its value since the peak. First quarter of 2009 saw the real property price index of Estonia down by 20.2% (quarter-on-quarter % change).

Economy of Estonia made a slow recovery in 2010, as the economy clawed back from recession in 2009. Housing prices also recovered albeit at a slower rate or stagnant in major cities. Real property price index for Estonia was up by 4.9% on year-on-year basis. In the first quarter real property price index was up by 7.6% (quarter-on-quarter % change), in subsequent quarters the real property price index continued to grow though in a lower base, thus marking the recovery of real property price index. Since spring 2010, the real estate price changes were insignificant, compared to the preceding period of decent. Compared to the highest level, property prices were almost two times lower.

Real estate prices which have remained broadly unchanged since the beginning of 2011 and low interest rates had a positive impact on the housing affordability. Although prices of real estate remained broadly unchanged, the activity in the market was gradually recovering. Together with increasing incomes and diminishing long-term interest rates households were able to acquire own housing more easily. This contributed largely to the raise of activity in the real estate market.

In the first half of 2012, trends in the economic slowdown, which had been observed at the end of 2011, continued to intensify in Estonia. Contrary to general economic trends real estate market wasn’t affected as much: the first half of 2012 has started more optimistically than the previous year; though, halfway the year, the market slowed down a little, which manifested in slower growth in transactions. However, at the end of the half-year, positive trends began to recover.

Although the prices edged up by an average of just 7.6% in 2013 versus 2012, the increase was recorded in flats segment, where about 17,900 of apartments were sold – that’s 15.2% more than in 2012. The price level has increased in all housing segments within a year, especially in Tallinn.

Changes in prices were also influenced by prices of built-up residential land (see Fig. 5 for case of Tallinn). Residential land prices substantially increased during the period of 2004–2008. In 2008 residential land prices were over 2.5 times higher in comparison to 2004. In 2009 obvious correction of land prices started – prices decreased by 48.9%. Even the economy started to recover since 2010; the price level for residential land didn’t significantly increase during the period of 2010–2012. Since 2013 residential land prices have started to grow. Compared to 2012 residential land prices have risen approximately 14%. In 2014 the growth of built-up residential land prices are slowed down but still roughly 7% rise in the prices is detected. This can be partly explained by the fact that the buyers appreciate more the quality of construction and location, so they prefer to buy completely finished homes instead of pending projects.

![Residential land. Capital city. Weighted averages.](image)

Fig. 5. Residential land prices ( Euros per square meter), Tallinn city
Residential property areas

Cyclical fluctuations of Estonian economy and real estate market had influence on preferred residential property areas in segment of flats (see Fig. 6 for case of Tallinn). In Estonia the demand for apartments depending on their size has stayed relatively constant. During the whole period of 2004–2014 the highest demanded apartments were 30–50 sq. meters – share of such kind of transactions was around 40%.

![Flats in Tallinn. New building](image)

Fig. 6. New building apartments transactions according to residential area

Due to the small number of transactions that have taken place with new houses (that we have information about) we find that the data is insufficient to describe overall market situation in Estonia. That is why we can’t provide such information as Latvia and Lithuania.
Non-residential buildings over 0.5 million transactions

Period of 2004–2006 can be characterized by active commercial real estate market. In this period the real estate market was more oriented towards the construction of shopping centers, offices and multi-functional buildings. This was the period when the demand exceeded supply which reflected in fact that the vacancy in rental market was very low. Also the development of non-residential buildings had a lower risk than the residential market which made non-residential buildings segment more attractive. Since 2004 commercial market was growing in line with positive growth of Estonian economy. Number of transactions over 500,000 euro significantly increased and in 2006 reached 215. During the period of economic recession sharp decrease in such kind of transactions was observed. In 2010 number of transactions were only 53 – even less than in 2004. From 2011 the number of transactions have stabilized around 80 transactions per year and in 2014 number of transactions was equal to 80 – over 2.6 times less than in 2006 (Fig. 7).

![Graph showing the transaction amount over 500 000 Euros: total Estonia](image)

**Fig. 7.** Non-residential buildings transactions over 500 000 euro, Estonia

The number of land transactions

The activity of land market in Estonia is increased since 2004. The total number of land transactions has increased from 2004 till 2014 by 38.7% (Fig. 8). The highest increase in the number of transactions was observed among forest land and agricultural land parcels – even by 74.8% and 69.7%, respectively. Partly is higher transaction activity in agricultural and forest land connected with the state auctions. For example in years 2009-2011 state auctions formed approximately 11-18% of all land transactions. Last few years the number of state sales have been decreased significantly, forming only 3 percent in 2014. The transactions of commercial land increased by over 22% and transactions of parcels for industrial and warehousing land increased by 68.5%. However transactions of residential land instead have decreased by 26.6%. Such a decrease in number of transactions can be explained by the situation in 2000’s where there was a lot of vacant land around Tallinn, which was returned to their rightful owners, who then by themselves or with developers brought these lands to the market. In Harju County the market activity in residential land segment is still more than 2 times lower than in 2004.
Prices for all types of land have increased compared to 2004. Agricultural and forest land did not go through a big price changes in time of the crises. These two segments of land are gone up constantly in prices since then. After 2004 activity of the land market continuously increased till reached its peak in 2006: the total number of land parcel transactions in comparison to 2004 increased by 46.1%. The highest increase in the number of transactions was observed among residential land – even by almost 2 times in comparison to 2004. The number of transactions of agricultural land increased by 31.6%, commercial land – by 86.8%, and forest land decreased instead – by 10.4%.

Due to economic and real estate market crisis situation in 2007 has changed. Decrease was noticeable in all types of land transactions, except forest land, and in 2008 almost reached level of 2004. This was due to the fact that state started more actively sell land in public auctions. In 2009 the number of land transactions were all-time low. In comparison to peak period (2006) the transactions of agricultural land decreased by 43.8%, commercial and industrial/warehousing land – by almost 2 times, residential land – by 2.8 times. Only segment of land market that didn’t decrease was forest land which increased instead by 22.1%.

In 2010 land market started to recover and number of all types of land transactions slightly increased. In 2014 a record-breaking activity after the crisis has been observed. There were around 13,100 land purchase-sale transactions registered throughout Estonia in 2014 – by 16.7% percent more than in 2013. The majority of them were the transactions on agricultural land purchase-sale. The transactions in this segment made up 56% of all transactions conducted in 2014.

Number of land transactions in 2014 increased: industrial and warehousing land – by 20.5%, residential land – by 10.8% and forest land – by 20.2%. Increase in industrial and warehousing land transactions could be explained by improving situation in Estonian international trade and increase in residential land transactions shows that the residents intend to invest into private houses.

The major activity was in the most productive regions of Estonia. The capital city and surrounding municipalities were playing the major role in the land market. The majority of commercial land and residential land transactions were made in Harju county – 40% and 49% of all transactions, respectively. Number of transactions of agricultural land was distributed more evenly throughout Estonia ranging from 5 - 15% depending on the county.

![The number of land transactions](image)
Variable fluctuations of land market and bigger area of registered land reflect in statistics on purchased area of the territory of Estonia (Fig. 9). During expansion period (2004–2007) each year about 2% of territory land was purchased. This number decreased during the period of crisis and increased after recovery till it reached the highest value in 2014 when 2.7% of total area was purchased. Increase of purchased land could be explained by improving economic situation. It could be noticed that purchased area has been staying between 1.5–2.7% of the total territory.

![Purchased area % of the total area of the territory of Estonia](image)

Fig. 9. Purchased area (%) of the total area of the territory of Estonia

Though number of transactions of parcels for residential housing construction was variable during period of 2004–2014, trends on required area of land parcels remained almost the same. The most popular were residential land parcels of 0.15–0.3 ha. In 2014 the share of these parcels in residential land market transactions was 37.5%. For instance, in 2014 share of 0.07–0.3 ha parcels in total residential land transactions decreased from 43.5% to 28.7% comparing to year 2004. Demand for bigger 0.3–10 ha parcels remained moderately the same (transactions share of 17–26% through all the analyzed period) (Fig. 10).

![Residential land by the acquired area. Total in Estonia.](image)

Fig. 10. Residential land by the acquired area (ha) in Estonia
While analyzing Estonian land market more attention should be paid on agricultural and forest land as it didn’t experience significant prices corrections during the period of crisis and prices sharply increased during the period of recovery (2011–2014) (Fig. 11).

![Estonia](image)

**Fig. 11.** Agricultural land prices (Euro/ha)

In 2012 one of the increased activities in Estonian real estate market was another 10–15% increase in prices in the agricultural land market. Interest in agricultural land, which started to grow in 2011, continued through 2012. Both direct users of the land (farmers), and speculators, who hope to profit from reselling the land, were interested in agricultural land. One of the reasons for this interest is that these parcels of land were relatively inexpensive and, depending on location and size, ranged from €1,000 to €4,000 per hectare. Another reason was the European Union payment of subsidies to land owners. In 2013 prices increased by 15–20%.

From 2010 forest land prices have risen constantly although the growth is slowed down in recent years. In 2010 and 2011 forest land prices increased around 20% a year. In subsequent years the prices have been risen around 10% a year. 2014 average price of forest land increased around 5% compared to the previous year. Even greater ascent in prices occurred in agricultural land segment where average prices rise over 25%.
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Latvia
- joining the European Union – 2004
- joined the euro zone - 2014
- Presidency of the Council of the EU – 01.01.2015. – 30.06.2015

The rapid development of the real estate market began in 2001, when global financial markets sharply lower interbank rates. Latvia, as a small and open economy, it was influenced by the rapid decline in credit interest rates - it is a very significant change in lending. Also during this period, Latvia marked the path to joining the European Union. In Country launched foreign financial institution mortgage bank programs with little added rates for the purchase of real estate. These processes caused a significant increase in housing loans. Credit periods became longer. As a result, during this period (2001-2004) the price of housing in Riga doubled and in subsequent years continued to rise.

As a result of increasing prices, there was a situation where the selling price exceeded the construction costs of new housing and construction became a profitable business. For this reason, the high demand answered supply and a massive construction of new housing began. Demand for new flats was growing rapidly until economic recession in 2008. Similar situation was also in other segments of real estate. The real estate market was the driving force of the economic growth, the so called Bubble of Real Estate developed – the real estate market was overvalued. Likewise as in other countries in the world, in 2008 the correction of real estate market prices started and it went in pace with the economic recession. The price drop in different segments was diverse. The prices of series flats lowered three times. The real estate market reached its minimum in 2009 – 2010. The economic crisis has affected both new projects and standard apartments market.

Around the middle of 2009 a gradual economic growth began, which was also reflected in the real estate market. The number of transactions with apartments in new projects increased. After economic crisis, the country managed to recover relatively fast and economic growth is one of highest in EU. Latvia’s macro-economic condition archive the acceptable level for joining the euro zone in 2014.
General number of transactions

Real property objects in Latvia are land parcels, buildings (could be engineering structures as well), flats and group of premises, and land parcels with buildings (could be engineering structures as well).

Real property objects are registered in a public register – State Information system of Real property Cadastre. Property rights are registered in a separate register – State Unified Computerized Land Register.

In the figure below, the general trends of the real estate market during the last decade are illustrated. Regarding the number of transactions in practically all segments of the market, the largest transactions were in 2007 and in 2008. Later it was followed by the prices fall in 2009, which went hand in hand with the economic recession. In 2011, the market began recover, in 2013 and reached the level before the so called real estate “bubble”.

Fig. 1. General number of transactions
Number of building transactions

Regarding the number of transactions, apartments are forming the dominant real estate segment, comprising about a half of all transactions. This segment is followed by residential land and residential land with buildings segments (Figure 2).

Fig. 2: Number of land and land with building transactions based on the purpose of use
Transactions of flats

Most of the apartments have been traded by the old houses, mainly built during the Soviet Union era - or flats in the serial houses. The apartments in the new projects constitute 5-15% of all transactions in the apartments.

![Number of flats](image)

Fig. 3. Transactions of flats

The number of transactions reached its maximum in 2005, slightly less amount of transactions was in 2007, reaching the minimum likewise in other real estate segments in 2008, when the decline in GDP (Gross Domestic Product) was the largest. Despite the fall in GDP, which continued in 2010, the number of transactions increased in 2010. It should be noted that in 2009 and in 2010 real estate funds i.e. companies which were related to commercial banks, became as significant market participants and dealt with apartment purchases from owners who struggled with financial difficulties.
Residential property prices

A rapid development of the real estate market, especially in housing segment, began after 2000. In 2001, the global financial markets sharply lowered the interbank rates - LIBOR changed from 6% at the beginning to 2% at the end of the year continuing to fall in the next two years. It happened due to the stagnation of the large European and US economies, which led to a reduction in demand for money, resulting in declined LIBOR rates. Latvia, as a small and open economy was influenced by the rapid decline in credit interest rates i.e. for loans in US dollars from 10% in the beginning of 2001 to 6% at the end of 2002, amounting to 4%-5%. It is a very significant change in lending. Also during this period, Latvia marked the path to join the European Union. In Latvia many Swedish financial institution mortgage bank program were launched with little interest rates for the purchase of real estate, causing a significant increase in housing loans. Credit periods became longer. As a result, during this period the price of housing in Riga doubled, for instance for a standard apartment - from 150 EUR / m2 in 2001 to 270 EUR / m2 at the end of 2002. In subsequent years, the price continued to rise.

![Flats. Weighted averages](image)

The most significant increase in house prices was in 2005 and in 2006, attaining the maximum in 2007. In 2008 the recession began, leading to the price correction - prices fell reaching a minimum in 2010. After the recession began in 2011, there was a rise in prices of almost all segments, but the growth was different. The fastest growth rates in the segment of apartments were in Riga and Jurmala, especially within the relatively expensive object segment. This is largely attributed to the government program, which provided temporary residence permits for third-country nationals in exchange for investments in real estate. This program emerged during the crisis in order to soften the fall, which was particularly heavy for developers.

Residential land with buildings in Riga increased in 2008 (see Fig. 5 for case of Riga). During the period from 2004 to 2008 prices increased more than four times. At the start of the recession there was a fall in prices to a level of approximately 400 EUR/m2 and this level remained stable until 2014.
Residential land with buildings in Riga increased in 2008 (see Fig. 5 for case of Riga). During the period from 2004 to 2008 prices increased more than four times. At the start of the recession there was a fall in prices to a level of approximately 400 EUR/m2 and this level remained stable until 2014.

![Residential land with buildings. Capital city. Weighted averages](image)

Fig. 5. Residential land with buildings prices (Euros per square meter), Riga city

**Residential property areas**

Regarding the economic growth, which continued until 2007, it increased the demand for new housing, as well as residential areas. The new housing project developers replied to the particular demand. The image illustrates that the purchase transactions are dominated by relatively large apartments – larger than 70 m2. However, during the post-crisis there was a growth in small and medium-sized apartments due to the increase in buyer’s solvency.

![Flats in Riga. New buildings](image)

Fig. 6. New building apartments transactions according to residential area
Within Riga administrative area there are relatively few new residential construction objects, due to the fact that it is necessary to empty the plots of land intended for that purpose. New residential construction is taking place outside administrative borders of Riga. Its metropolitan area, according to the economic nature can be considered as a component of Riga. The Figure 7 illustrates the distribution of residential areas, where the area 150-250 m² dominates, applying the trend to all years of the last decade. After the recovery from the recession, a relatively large proportion of the houses is growing.

![Houses in outskirts of Riga. New construction.](image)

**Fig. 7.** New residential (one-flat) building transactions

Non-residential buildings over 0.5 million transactions

![The transaction amount over 500 000 Euros. total Latvia](image)

**Fig. 8.** Non-residential buildings transactions (number) over 500 000 euro, Latvia

The number of transactions with non-residential real estate objects, where the amount of the transaction exceeds 500 € 000 dynamics, went hand in hand with economic development. Maximum number of transactions with such objects, like other real estate segments, was in the year 2006-2007. During the crisis, it decreased about three times. Along with the economic recovery, the number of transactions is increasing.
The number of land transactions

Regarding the number of land transactions during the reported period, the largest segment is the agricultural land, followed by the residential land. The number of transactions in terms of maximum was reached in 2006. During the crisis, the minimum was in 2009. Post-crisis period land transactions increased mainly on agricultural land and forest land at the expense of 2010, in 2011.

The transaction structure from 2012 to 2014 is similar in all years and is relatively large in agricultural land segment.

![Graph showing land transactions](image)

Fig. 9. The number of land transactions

Sales area maximum turned out only in 2011, when there was an active trade in agricultural and forest land. From 2006 to 2008 in terms of sales space in this segment was not a maximum, as it was in other real estate segments.

![Purchased area graph](image)

Fig. 10. Purchased area (%) of the total area of the territory of Latvia
During the pre-recession the most of transactions were in residential land segment from 0.07 to 0.15 ha in size. During the post-crisis in roughly equal amounts parcels were traded i.e. from 0.07 to 0.15 and from 0.03 to 0.07 ha in terms of the size. The number of transactions during the post-crisis tends to increase. The number of transactions has reached the size before the bubble, but about half of the bubble period counts. The maximum of plots sold in 2011 is due to the fact that agricultural land dominated in the market, which comprises larger areas compared to the residential land.

Agricultural land is a segment which has recently shown a significant increase in prices. Prices have exceeded the pre-crisis peak level that was in 2008. It is expected that increase in prices will continue, which can be explained by several EU support payments to agriculture-related programs.
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On the 1st of May, 2004 Lithuania together with the Czech Republic, Estonia, Cyprus, Latvia, Malta, Poland, Slovakia, Slovenia, and Hungary became a full member of the European Union. It was not only a strategic achievement of Lithuania, but also commitment to be an active, solidary and contributing Member State. Lithuanian people who voted for membership of the European Union, firstly foresighted the economic benefits – a better economic situation, bigger market advantages and security guarantees.

Continuous Lithuanian integration process to the EU provides opportunities and incentives for the country to become a strong and modern, to continue to develop and achieve economic growth and social welfare. Membership of the EU ensures the security and fostering of the European values, promotes the pursuit of structural reforms those benefits are visible for every citizen of the Republic of Lithuania in various sectors of economy.

On December 31, 2013 the first Lithuanian Presidency of the EU Council was concluded. It was estimated by the international media as „a solid debut“, as the achieved results surpassed many expectations. Lithuania’s EU membership decade is an opportunity to present the results achieved during the Presidency, to discuss the vision of the future of membership of Lithuania and the EU in general as well as the introduction of the euro in Lithuania.

Lithuania was one of the fastest developing countries. Despite global financial and economic crisis, the country’s GDP in 2013 was 38 percent higher than in 2003. Currently, Lithuania is a net beneficiary – from the EU budget receives more than contributes.

During the decade of the EU membership country has reached 72 percent of the EU average standard of living, while at the beginning of the membership, it was equal to 52 percent.

On 23 July, 2014 EU General Affairs Council of Ministers adopted the final decision on Lithuania’s participation in the Economic and Monetary Union (EMU) from the 1 January, 2015. Since that date Lithuania became a full nineteenth member of the eurozone, with the single European currency – the euro.
General number of transactions

Real property objects in Lithuania are land parcels and structures. Real property object is considered to be formed when its cadastral data are identified and decision on its formation is made by a public administration entity in the manner prescribed by laws. All legally formed real property objects are subject to registration in the Real Property Cadastre and Register. Only registered property objects may be subject to any transaction.

Figure 1 depicts the total number of land and structures' transactions during the past decade. Provided data reflects cyclical fluctuations in Lithuanian real estate market. Period of 2004–2007 can be characterized as expansion, followed by substantial increase of transactions for both land parcels and structures. In 2005 the number of land transactions increased by 23%, number of transactions of structures – by 11%. In 2006 the number of land transactions remained almost unchanged; indeed there was a 10% decrease in transactions for structures. In 2007 real estate market reached its peak – number of land transactions increased by almost 8% and for structures – by almost 6% in comparison to 2006.
Activity of real estate market has changed in 2008 due to global economic crisis and worsening situation in Lithuanian economy. Number of transactions for both land and structures decreased approximately by 30% in comparison to 2007. In 2009 real estate market activity reached its bottom. Number of transactions for land decreased by 31% and for structures even by 38%.

Period of 2010–2014 can be characterized as recovery of the activity in real estate market. In 2012 number of transactions for land parcels increased by 38% and for structures by 35% in comparison to 2009. In 2013 a record-breaking activity after the crisis has been observed in the Lithuanian land market – number of transactions for land parcels increased by 19% and almost reached the level of 2007. Number of structures’ transactions increased by 12%.

The real estate market of 2014 was variable. The year started from a great optimism, but due to the military conflict between Russia and Ukraine the activity and optimism in the market started fading in the second half-year. Number of land transactions for land parcels decreased by 23%, while number of transactions for structures slightly increased by almost 9%.

Number of building transactions

Figure 2 depicts number of building transactions during the period of 2004–2014 and reflects cyclical nature of Lithuanian real estate market. It can be observed that transactions for flats dominated through whole analyzed period, indeed the housing market was variable.

Fig. 2. Number of building transactions
Transactions of flats

Figure 3 provides more detail statistics on transactions of flats during the period of 2004–2014 and considers buildings’ construction time: flats in new building and buildings which are older than two years. Data reveals that despite the growing number of construction, the residential housing stock in Lithuania is rather old. Transactions’ statistics below show that most of the flats sold had been constructed more than two years ago. Substantial increase in transactions of new flats is observed in 2007 – the year of Lithuanian real estate market peak.

![Number of flats](image)

**Fig. 3. Transactions of flats**

The development of the residential real estate market in Lithuania can be characterized by several stages. Market expansion started in 2004, indeed some variations were visible. For instance, housing market correction in Lithuania took place in 2006 as reflected by a smaller number of transactions (number of transactions concluded in 2006 was 14% lower than that in 2005).

After postponement of euro currency adoption, part of population was expecting a turnaround in the market and postponed their purchases, what, in turn, contributed to diminishing of the number of transactions and exerted negative pressure on housing prices. The signs of housing market slowdown became more evident in 2007. Although the overall annual price growth remained positive (21%), the price growth in the fourth quarter declined significantly, and the number of transactions went down by 20%, compared to the third quarter, contrary to the usually observed end-of-year seasonal rally of market activity. The number of speculative transactions, when housing is purchased for the purpose of its future sale for a higher price, fell altogether with the first-time buyer demand, which shrank significantly.

Due to declining demand and increasing supply, the housing supply started to exceed the demand at the end of 2007 and in the beginning of 2008. The decline in demand was reflected by markedly smaller numbers of loans for house purchase granted and transactions concluded. The number of transactions concluded in the fourth quarter of 2007 was lower by 17% than in the fourth quarter of 2006, whereas the number of transactions concluded in January 2008 was lower by 25% than in the same period a year ago. In 2009 changes in the supply-demand ratio led to a correction of prices for real estate and a decrease in the number of transactions.
The most drastic changes were noticed in the construction of multi-flat houses where in 2008 the number of constructed apartment buildings reached 169 while in 2010 it dropped to 19 apartment buildings. In 2011, the number of housing purchase/sale contracts increased by 8% compared with the corresponding period in 2010. The trends varied in different residential housing segments. Newly built residential housing was traded most actively as the number of contracts grew by over 15%, year on year. In 2012, the number of transactions in the real estate market, also of issued construction permits and the newly built housing units went up. However, the acquisition of own housing was to a smaller extent financed by bank loans: in 2008, more than half of housing units transferred under purchase-sale transactions were secured by pledging the property, while in 2012, this share decreased twice. Not anticipating any major changes in terms of prices in the real estate market potential buyers were rather cautious in assessing a potential acquisition of housing, and more frequently they were funding the acquisition transaction from own resources.

The year 2013 witnessed a breakthrough in the real estate market – both in terms of activity and in terms of price developments. In the middle of the year 2013, the growth in the number of transactions concluded in the market started to accelerate. As far as the housing segment is concerned, the activity started to expand at a faster rate as well. The number of real estate transactions concluded in 2013 increased by 22.5% versus the previous year to 124,000.

The real estate market of 2014 was variable in Lithuania. The year started from a great optimism, but due to the military conflict between Russia and Ukraine the activity and optimism in the market started fading in the second half-year. It affected the segment of flats the most, where in the second half-year of 2014 the amount of purchase-sale transactions has decreased by 4.8%, in comparison with the first one. It was the first time in the period of several years when a semi-annual decrease in the amount of transactions was registered in Lithuania. The highest decrease was observed in the major cities (Vilnius, Klaipeda, Siauliai and Panevezys) – from 8% to 18%. In this context, there was an exception in Kaunas, because the amount of transactions has remained stable over the second half-year. On the other hand, not all segments responded to the gloom. Opposite trends were developing in the segment of private houses, where the amount of purchase-sale transactions has been growing in the second half-year of 2014 – in comparison with the first half-year, the change reached 8.7%.
Residential property prices

In 2005 the growth of the real estate market in Lithuania had reached a record high. Average increases in the prices of flats in the country’s larger cities had grown 50%, and as high as 120% in certain segments in one year. Enormous increase in prices continued through period of 2006–2008. Lithuania entered recession by 2009 as the GDP registered fell down to –14.8%. Unemployment rate increased sharply and reached 13.8%. Gross wages were also reportedly lower than the previous years due to weaken domestic economy. Inflation rate meanwhile fell sharply. To the end of 2009 housing prices fell from their peak by 40% – according to transaction statistics the highest price was registered in the first quarter of 2008.

Lithuania house price index was down 31.1% on year over year basis, losing 37.2% of its value since the peak. First quarter saw the house price index of Lithuania down 20.0% (quarter-on-quarter % change). Vilnius, Kaunas and Klaipėda registered depreciation in housing price by 19.7%, 26.2%, and 37.0%, accordingly.

Economy of Lithuania made a slow recovery in 2010, as the economy clawed back from recession in 2008 and 2009. Housing prices also recovered albeit at a slower rate or stagnant in major cities. Official House Price Index for Lithuania up by 1.3% on year-on-year basis. Despite recording a down by 1.9% (quarter-on-quarter % change) in the first quarter, the house price index rebounded by the second quarter, thus marking the recovery of house price index.

Since spring 2010, the real estate price changes were insignificant, compared to the preceding period of decline for more than two years. Compared to the highest level, housing prices were almost two times lower.

Real estate prices which have remained broadly unchanged since the beginning of 2011 and low interest rates had a positive impact on the housing affordability. Although prices of real estate remained broadly unchanged, the activity in the market was gradually recovering. With the financial standing of households gaining strength the possibilities to acquire own housing (housing affordability index) improved materially. This contributed largely to the raise of activity in the real estate market.

![Flats. Weighted averages (in Euro)](chart)
Residential property prices

In the first half of 2012, trends in the economic slowdown, which had been observed at the end of 2011, continued to intensify in Lithuania. Similar trends were in the real estate market: the year of 2012 has started with a cautious optimism; though, halfway the year, the market took run, and many market segments recorded growth in transactions, some of them – even increase in prices. However, at the end of the half of the year, positive trends began to decline.

Although the prices edged up by an average of just 1.2% in 2013 versus 2012, the increase was recorded in new construction flats segment− about 1,400 of new apartments were sold – i.e. 48 pct. more than in the first half-year of 2012. During the first half-year the sales of 29 new projects with more than 1,200 flats were started in Lithuania. In comparison with the corresponding period of the previous year, the amount of new apartments, offered for the market, was twice less. The price level has increased in all housing segments within a year, especially in Vilnius.

In the first quarter of 2014, the fastest growth in the real estate market activity was recorded in the housing segment. The number of single-family houses and flats, which changed hands in that period, soared by 43% in year-on-year terms (seasonally adjusted; by 15% in quarter-on-quarter terms), mostly as a result of the rapid economic growth, the search for alternative investment opportunities in the prolonged environment of low interest rates (amid low yields on risk-free assets), the expected change of the national currency and, presumably, efforts to legalize some of the money circulating in the shadow economy.

Overall, the growth of housing prices was driven by all market segments, except for newly built flats in Vilnius, which, most probably, was related to an increase in the number of transactions involving the acquisition of properties at a less advanced stage of completion compared with the previous periods (e.g. with more apartments sold without any interior decoration), therefore, such statistics should be interpreted with caution.

Changes in prices were also influenced by prices of residential land (see Fig. 5 for case of Vilnius). Residential land prices substantially increased during the period of 2004–2008. In 2008 residential land prices were 2.5 times higher in comparison to 2004. In 2009 obvious correction of land prices started – prices decreased by 40%. Even the economy started to recover since 2010, the prices level for residential land didn’t significantly increased during the period of 2010–2014.

![Residential land. Capital city. Weighted averages](image)

Fig. 5. Residential land prices (Euro), Vilnius city
Residential property areas

Cyclical fluctuations of Lithuanian economy and real estate market had influence on preferred residential property areas in segment of flats (see Fig. 6 for case of Vilnius). During the period of expansion (1999–2006) demand for bigger apartments was almost equal to demand of smaller apartments. During the period of crisis and afterwards situation changed – demand for smaller apartments (30–50 sq. m) significantly increased and in 2013 reached 46.8% of transactions. This change was influenced mostly by lower purchasing power of households as well as substantial increase of heating costs. During the whole period of 2004–2014 the highest demanded apartments were 50–70 sq. meters – share of such kind of transactions was 50% and higher.

Changes in preferences for new houses’ residential area reflected cyclical fluctuations even more visible. Demand for smaller houses (50–150 sq. m.) during periods of crisis and marked adjustment considerably increased and in 2014 reached such transactions accounted 74.3% of transactions for individual houses, while during the expansion periods higher residential area (150–250 sq. m) houses were demanded (see Fig. 7 for case of Vilnius).
Non-residential buildings over 0.5 million transactions

Period of 1999–2002 can be characterized by active commercial real estate market. In this period the real estate market was more oriented towards the construction of shopping centres, offices and multi-functional buildings, with less attention given to the residential property market. This was due to more profitable and more easily predictable conditions in commercial real estate, a significant shortage in contemporary business facilities and the changed attitudes of businesses towards customer service, work and business environment conditions. Since 2004 commercial market was growing in line with positive growth of Lithuanian economy. Number of transactions over 500,000 Euro significantly increased and in 2007 reached 486. During the period of economic recession sharp decrease in such kind of transactions was observed. In 2009 number of transactions was only 80 – even less man in 1999. Slow recovery in later periods was observed and in 2014 number of transactions was equal to 188 – almost 2.6 timed less than in 2007 (Fig. 8).

Fig. 8. Non-residential buildings transactions over 500 000 Euro, Lithuania
The number of land transactions

The activity of land market in Lithuania started to increase in 2004. The total number of land transactions increased by 23% in comparison to 2013 (Fig. 9). The highest increase in the number of transactions was observed among industrial and warehousing land and agricultural land parcels – even by 56% and 48%, respectively. The transactions of commercial land increased by almost 31%, transactions of parcels for residential housing construction increased by 19%, transactions of garden plots – by 15% since they are often used for residential housing construction when prices for land are growing.

Prices for all types of land have increased compared to 2003. After 2004 activity of the land market continuously increased till reached its pick in 2007: the total number of land parcel transactions in comparison to 2004 increased by 32%. The highest increase in the number of transactions was observed among industrial and warehousing land parcels – even by 59% in comparison to 2004. The transactions of agricultural land increased by 39%, commercial land – by 29%, residential land – by 24% and garden plots – by 18%.

Due to economic and real estate market crisis situation in 2008 has changed. Decrease was noticeable in all types of land transactions and in 2009 almost reached level of 2003. In comparison to peak period (2007) the transactions of agricultural land decreased by 44%, commercial land – by almost 60%, residential land – by 55%, garden plots – by 67%, industrial and warehousing land parcels – by almost 35%.

In 2010 land market started to recover and number of all types of land transactions slightly increased. In 2013 a record-breaking activity after the crisis has been observed. There were 38,281 land purchase-sale transactions registered throughout Lithuania in 2013 – by 18.6% percent more than in 2012. The majority of them were the transactions on agricultural land purchase-sale. The transactions in this segment made up 77% of all transactions conducted in 2013.

The major activity was in the most productive regions of Lithuania. The capital city was playing the major role in the land market. The majority of agricultural and residential land transactions were made in Vilnius city – 51% and 35% of all transactions, respectively. This significant hike of agricultural land in Vilnius city may be related to the amended law on territory planning, which entered into force since 2014. The law eliminated the necessity to draw up detailed plans in many cases. As a result of the recovering real estate market in Vilnius, a relatively cheaper agricultural land has become attractive to investors.

In 2014 the activity of land market was variable. Decrease of total number of transactions by 25% was mostly caused by decrease of activity in agricultural market – number of transactions decreased by 67% in comparison to 2013. It can be related to the strengthened law on agricultural land acquisition, which made the alternative of long-term lease become much more popular. It should be noted that the number of transactions has significantly decreased in peripheries however in 2014 the increase in land plot transactions was registered in the major cities and their regions. The main reason for this was an active construction of private semi-detached houses and cottages.

Number of other types of land transactions in 2014 increased: industrial and warehousing land – by 24%, residential land – by 11% and garden plots – by 9%. Increase in industrial and warehousing land transactions could be explained by improving situation in Lithuanian international trade and increase in residential land transactions shows that the residents intend to invest into private houses.
Variable fluctuations of land market reflect in statistics on purchased area of the territory of Lithuania (Fig. 10). During expansion period (2004–2007) each year about 2% of territory land was purchased, this number decreased during period of crisis and increased after recovery till reached the highest value in 2013 when 2.56% of total area was purchased. Increase of purchased land could be explained by improving economic situation as well as the amended law on territory planning, which entered into force since 2014. It could be noticed that purchased area each year makes only 1–2.6% of the total territory. This could be explained by popularity long-term lease.

Though number of transactions of parcels for residential housing construction was variable during period of 2004–2014, trends on required area of land parcels remained almost the same. The most popular were residential land parcels of 0.07–0.15 ha. In 2014 the share of these parcels in residential land market transactions was 56%. During the period of crisis demand for bigger parcels of 0.15–0.3 ha slightly decreased. For instance, in 2014 share of these parcels in total residential land transactions decreased from 37% to 24% comparing to year 2004. Demand for bigger 0.3–10 ha parcels remained moderately the same (transactions share of 12–15% through all the analyzed period) (Fig. 11).
While analyzing Lithuanian land market more attention should be paid on agricultural land as it didn’t experienced significant prices corrections during the period of crisis and prices sharply increased during the period of recovery (2011–2014) (Fig. 12).

In 2012 the only increased activity in Lithuanian real estate market was another 5–10% increase in prices in the agricultural land market in 2012. Interest in agricultural land, which started to grow in 2011, continued through 2012. Both direct users of the land (farmers), and speculators, who hope to profit from reselling the land, were interested in agricultural land. The main reason for this interest is that these parcels of land were relatively inexpensive and, depending on location, ranged from €1,100 to €2,900 per hectare. In 2013 prices increased by 10–15%.

In 2014 the introduction of a variety of safeguards for buyers of agricultural land affected the overall trends in this sector. The prices for arable land, which in recent years had been increasing, stopped rising in mid-2014 and a decrease in prices of land was observed. However, to a greater extent this affected less fertile types of land, because they were no longer attractive to businessmen who received support from the European Union for carrying out certain activities. On average 5% decrease in prices were recorded in the agricultural land market in 2014. Depending on location (land productivity), agriculture land prices ranged from €1,000 to €3,500 per hectare.
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