

# REVIEW OF BALTIC STATES REAL ESTATE MARKET

## INTRODUCTION

During the last year, international economic co-operation was increasing with the ongoing globalisation, thus constantly diminishing the importance of state borders. The negotiation concerning EU-enlargement has gained momentum together with anxiety and concern about the possible effects of that enlargement.

The threshold of the new century has put forward many questions concerning maintaining of national identity of a country and its population, on one hand, and creation and control of supranational organisations, on the other.

Similar processes take place also in the Baltic's region. Notwithstanding certain dissimilar political features and with due respect to the national identity, the advisability of unity of the Baltic states is recognised in Estonia, Latvia and Lithuania throughout various spheres of political and economic life.

The Baltic real estate market review (hereinafter – Review) does not concern each of the Baltic States individually. From the geopolitical point of view, each of them counts a small population (ca. 1 to 3 millions), small area for the European or world scale (ca. 50 000 to 65 000 sq. km), which does not make an impression of a real estate market worth serious analysis.

For the purpose of avoiding this problem and following the globalisation trend mentioned above, it is important to look at the common real estate market of these three countries, which comprises significant territory by the Baltic Sea and neighbours with Finland, Sweden, Russia, Byelorussia and Poland.

Therefore unitary view towards the real estate market in Baltic's allows to make a broader comparison of the fiscal and regional policies in these countries, of results of different economical and political developments. Estonia, Latvia and Lithuania are easy to compare not only

as neighbouring countries, but also they have much in common from the historical point of view.

The aim of this publication is not to provide a detailed analysis of mutual economical and legal relation of Baltic States. It provides an overview of general trends of Baltic's real estate market, which are easy reducible to the every individual Baltic state.

The Review is based on transactions made in 2000.

This Review concentrates mainly on similar estates and their prices in all Baltic States, and less consideration is paid to each country.

**The purpose of the Review is to compare the real estate market in Baltic States and to recognize it as a single Baltic's real estate market.**



## FORMATION OF THE RE MARKET /COUNTRY PRESENTATION

GENERAL DATA	Estonia	Latvia	Lithuania
Area, '000 km <sup>2</sup>	45	64.6	65
Population (millions)	1.4	2.4	3.5
In cities	69%	69%	68%
In countryside	31%	31%	32%
Capital	Tallinn	Riga	Vilnius
Population (thousands)	410	797	578
Currencies (on 01.01.2001)	EEK	LVL	LTL
1 EURO =	15.65	0.57	3.72

Estonia, Latvia and Lithuania were constituted as independent countries after World War I, and already at that time the idea of unification and closer co-operation was present, unfortunately the World War II destroyed both this idea and the independence of the three Baltic States.

The soviet regime existed until 1991, when the peoples of the Baltic countries managed to regain their independence, much to the surprise for the supporters of Soviet Union. From this moment on, a transition period has begun with seemingly endless and painful reforms for transforming economical, legal and social system as well as the way of thinking.

Because of the rapid change of legal system, it is difficult to establish the exact points when the increase or sweep of the real estate is the effect of a state economy crisis or changes in the fiscal policy. Therefore it is impossible to justify exactly and in a logical way that at a given period of time the real estate market has shown

a substantial increase in activity as a result of modification of a certain legal enactment.

A free market can exist only in a free country. However, we can talk about a free real estate market, according to the meaning of market economy, from the moment of restoration of independence, when a possibility to buy and sell land, not only buildings, emerged.

Essential amendments to the legislation of land reform were made in middle of 1990's, when new chapters were incorporated in the legal acts, regulating the procedure of purchase and sell of land during the land reform and allowing the legal entities, under certain conditions, to acquire land property.

Restrictions for the foreigners' right to acquire land in Baltic states have been in force for several years already, however there are only isolated transactions of foreign purchasers, not massive buying off of land which could possibly create a serious threat for the political and economical independence of these countries. In order to reduce the amount of such factors having adverse effect on real estate market, it is advisable to repeal rules of a restrictive nature existing in the legislation of Baltic States. However certain provisions restricting the use of specified land should be maintained in the interests of public safety and environment protection.

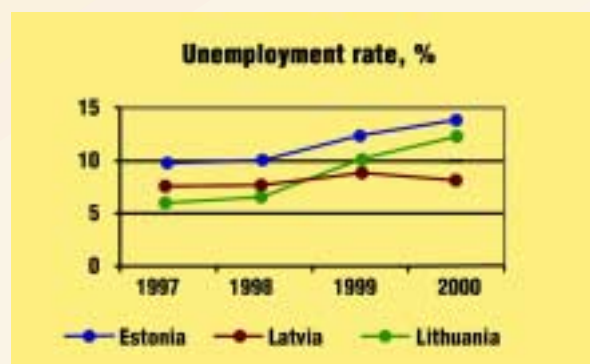
The real estate market in Baltic's shaped with the beginning of land reform. The creation of a legal system made a basis for its rapid development. For further growth of the market, however, a development of a long-term state economy policy and progressive implementation of such policy is necessary.

### GDP (millions EURO at current prices, annual growth compared to previous year)

	Estonia		Latvia		Lithuania	
1997	4288	10.6%	5552	8.6%	9585	7.3%
1998	4880	4.0%	6620	3.6%	10736	5.1%
1999	4844	1.1%	6650	-0.5%	10511	-3.9%
*2000	5156	6.4%	7601	6.6%	12070	3.3%

### Unemployment rate

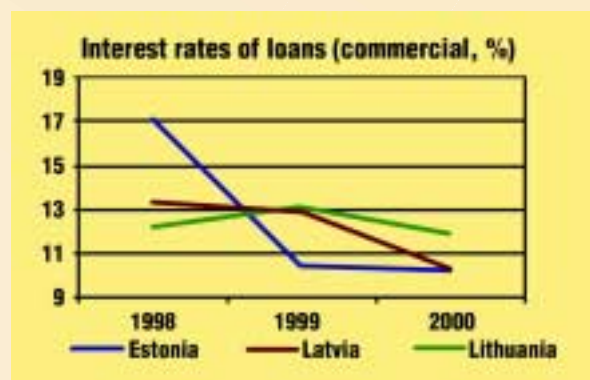
	Estonia	Latvia	Lithuania
1997	9.7%	7.5%	5.9%
1998	9.9%	7.6%	6.4%
1999	12.3%	9.1%	10.0%
*2000	13.7%	8.4%	12.1%



Inflation			
	Estonia	Latvia	Lithuania
1997	11.2%	8.4%	8.0%
1998	8.2%	4.7%	2.0%
1999	3.3%	3.2%	0.3%
*2000	4.0%	2.6%	1.4%



Interest rates of loans (for commercial)			
	Estonia	Latvia	Lithuania
1998	17.0%	13.3%	12.2%
1999	10.5%	12.9%	13.1%
*2000	10.2%	10.3%	11.9%



GDP per capita			
	Estonia	Latvia	Lithuania
1998	3367	2700	2900
1999	3359	2250	2590
2000	3576	3167	3454



Tax rates			
	Estonia	Latvia	Lithuania
Income tax (for physical persons)	26%	25%	33%
Profit tax (for legal person)	**	25%	24%
Value Added Tax	18%	18%	18%

- 1) Source: National Statistic Departments, Central Bank, Ministry of Finance;
- 2) \* Forecast, not approved;
- 3) \*\* From January 1, 2001 tax rate is 0% with some exceptions.

## REAL ESTATE TAX

### Estonia

Estonian land tax is based on market value of the land; buildings, improvements and forest stands are not included. Tax revenues from land tax are continuing to increase, the main reasons are higher tax rates, which are set annually by the local governments and vary between 0.5–2.0 per cent (0.3–1.0 per cent for agricultural land). The first general assessment was carried out in 1993, the second one was completed in 1996. At present, the Estonian Land Board is making preparations for general assessment in 2001.

### Latvia

Currently, in real estate tax in Latvia valuation is applied only to land. The government intends to introduce cadastral valuation for buildings by January 1, 2002. Once the cadastral valuation of both land and buildings is introduced, there will be a comprehensive cadastral value of real estate in Latvia, from which the

applicable real estate tax will be derived. The current rate of real estate tax is 1.5%, what will be decreased to 1% starting from January 1, 2002.

	Estonia	Latvia	Lithuania	
Rate for land taxation, %	0.5 – 2.0	1.5	1.5	
Rate for construction taxation, %	-	1.0 (01.01.2002)	1.0	
<b>Income, mlns., EUR</b>				
1998	18.9	36.6	L*	C*
1999	19.8	38.8	5.1	48.1
*2000	23.9		5.6	51.6

From land – L\*  
From constructions – C\*

The statutory division of real estate into physical objects – buildings and units of land, subject to cadastral valuation, is linked to the graduated taxation of real estate depending on its cadastral value:

- as of January 1, 1998 – the land (or any land unit(s) included in the real estate);
- as of January 1, 2002 – in addition to land, non-residential buildings, individual residential buildings and apartments in multi-apartment houses, if these are used for commercial activities;
- as of January 1, 2004 – land and all buildings.

In order to determine the real estate tax to be applied a given real estate object, the government uses the cadastral valuation system. “Cadastral” is simply a historical term meaning “mass” or “general”. Cadastral (or general) valuation is based on a consistent, neutral and predictable valuation system applied to real estate throughout the country. A general valuation is cheaper to administer than individually valuing each parcel of prop-

erty. The information is centralized in the computerized database of the National Real Estate Cadastre. Latvia as well as other Northern European countries.

#### Lithuania

Real property tax in Lithuania is calculated separately for land and for buildings or premises. The tax rate is 1.5% for land and 1% for buildings and premises. Due to exemption, the tax rate for agricultural land equals 0.5%. Forest land is exempt from taxes. As for buildings, only buildings owned by enterprises are taxed so far. The possibility to levy taxes on buildings and premises owned by private people is under discussion in Seimas (the Parliament).

The total revenues from real property taxes have been increasing over the recent years. This is mostly related to the increase in the total value of the whole real property stock and to the increase in the number of private land parcels due to the land reform.

## STRUCTURE OF REAL ESTATE REGISTERS

### Real Property Cadastre and Registration of Rights

	Estonia	Latvia	Lithuania
• Development and maintenance of land cadastre and GIS	✓	✓	✓
• Development and maintenance of buildings cadastre	✓ *	✓	✓
• Real property cadastre integrated with the register of ownership			✓
• A separate real property cadastre system linked to the register of ownership	✓	✓	

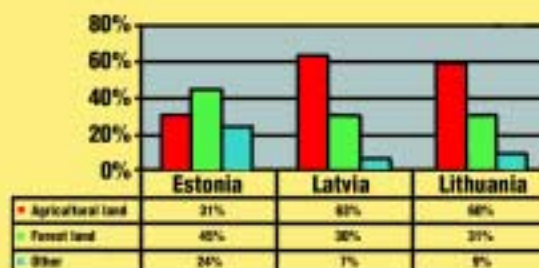
\* Separate register from cadastre.

### Institutions Responsible for Real Property Cadastre and Register

	Estonia	Latvia	Lithuania
Real property cadastre	National Land Board	State Land Service	State Land Cadastre and Register
Real property rights registration	Title Book Office	Title Book Office	State Land Cadastre and Register
Mortgage	Title Book Office	Title Book Office	Mortgage institution

The use of land in all Baltic countries is affected by the main purpose of use approved by municipalities. The most part of area of Baltic countries counts as agricultural land (esp. in Latvia and Lithuania), also the area of forestland is considerable, and it comprises bigger percentage, if compared to other European countries. The above factors are very important for determination of economic development trends, and therefore they seriously affect the market value of real estates.

Structure of Land %



## SALE OF LAND

### ESTONIA



#### Agricultural and forest land

In 2000, approximately 4500 transactions with forest and agricultural land were performed in Estonia with the total value of 50 millions euro. 41 000 ha of forest land, 22 000 ha of arable land and 5000 ha of natural grassland changed owners in these transactions.

The average price of forest land together with growing stock was 690 EUR/ha and that of arable land 240 EUR/ha. Forest land with stands ready for cutting was sold at the price of 2000–4400 EUR/ha.

43% of transactions with forest and agricultural land took place in Southern Estonia, whereas 58% of agricultural land and 47% of forest land that stood for sale were sold. In this region the average price level for forest land was 590–910 EUR/ha and for agricultural land 180–320 EUR/ha.

Northern Estonia covered 29% of transactions, the average price of forest land being 570–910 EUR/ha and that of agricultural land 200–450 EUR/ha.

28% of transactions were performed in Western Estonia at the average prices of 400–620 EUR/ha for forest land and 130–200 EUR/ha for agricultural land.

#### Transactions with residential land in rural areas

As a rule, not much is built in rural areas of Estonia, therefore residential land is bought only in attractive areas, mainly in coastal recreational areas and in the vicinity of major towns (Tallinn, Pärnu, Tartu). For example in three counties (Järva, Ida-Viru, Viljandi) no transactions at all with residential land were performed last year. Therefore, in case of the above territorial division the average data do not provide an objective depiction of the situation. The three regions contain smaller areas with very different price levels. E.g. in Northern Estonia the high price level, 11 EUR/m<sup>2</sup>, of



Landscape of Saaremaa island

municipalities bordering to Tallinn is of major importance, because 64% of transactions took place there. Excluding the transactions of municipalities bordering to Tallinn, the average price of this area would be 2 EUR/m<sup>2</sup> and the average price of all Estonia 2 EUR/m<sup>2</sup>.

#### Transactions with residential, commercial and industrial land in towns

The number of sales and the price level of all three land use types (residential, commercial and industrial land without buildings) of the three presented regions: Northern Estonia (counties of Harju, Ida-Viru, Rapla, Lääne-Viru and Järva), Western Estonia (counties of Lääne, Pärnu, Saare and Hiiu) and Southern Estonia (counties of Jõgeva, Tartu, Viljandi, Põlva, Valga and Võru) are determined by the major towns of the regions: Tallinn, Pärnu and Tartu respectively. In county towns there have been some few transactions with residential and commercial land, sales of industrial land have taken place only in regional centres. An exception to the above is a relatively big number of transactions with non-built residential land the satellite towns of Tallinn (Keila, Saue, Maardu), whereas the price level of 1 m<sup>2</sup> remains between Tallinn and other regions of Estonia.

### LATVIA



According the information of State Land Service, in 2000 in Latvia approximately 3300 transactions (purchase and lease) with real estate main purpose of use of which is agricultural land were recorded and approximately 1400 real estate transactions purpose of use of which is forest land. Among them purchases of agricultural land accounted ca. 500 and of forestland ca. 600.

The average market price of agricultural land in Latvia in 2000 was 245 EUR/ha, which is by 10% lower than the average price of previous year, namely 265 EUR/ha. The average land plot in agricultural land market

transactions is 20 ha. The rent of agricultural land varies from 3.5 up to 35 EUR/ha for a year.

The average price of forestland (together with the forest stand) was 615 EUR/ha in 2000, and it has kept the level of previous year. The average area of these plots constitutes 15 ha.

The prices of agricultural land are affected by low purchase prices of agricultural products and difficulties in sales of finished products, therefore the agricultural land market is to be recognised less dynamic in comparison to other segments of real estate market. Bigger demand

for agricultural land and, accordingly, bigger activity of the respective market is observed in the regions with fertile soil and, at the same time, with big agricultural land masses, which considerably improves the soil humidity conditions. The most typical of such regions is Zemgale – the south part of Central Latvia, where the highest market prices of land in Latvia are observed (440–500 EUR/ha).

The prices of forestland are closely connected with the forest stand (woods) on it, as well as with the quality of access roads, the distance to woodworking enterprises and purchase places of wood materials for export.

The purchase/sales prices of agricultural and forest land, and the rent prices of agricultural land are shown in the following tables.



A pasture in Latvia



The total amount of land sales in Lithuania in 2000 remained almost the same as that in 1999 (decreased by 1 percent). The structure of sales, however, changed. The number of household land sales decreased by almost 25% while agricultural and forest land sales were on the increase.



A lake in Lithuania

Almost 50% of all land sales occurred in the Kaunas and Vilnius counties. If compared to the last year, sales activity in active regions increased up to 2–4.25% of all the registered parcels. The highest percentage of sales occurred in the counties of Telšiai, Klaipėda and Kaunas. In Šiauliai and Panevėžys counties the number of sales was lower than that in Vilnius, but nevertheless stood high (about 2%).

#### Agricultural and forest land

Agricultural land sales increased on average by 12%. Land prices remained very similar to those in 1999, on average amounting to 510 EUR/ha of land in Vilnius county (with maximum of 730 EUR/ha in several cases). There are many agricultural land plots that are sold

for households or summerhouses especially near cities or lakes or other picturesque places. In such cases prices for agricultural land may vary between 1500 and 8500 EUR/ha or even more.

In comparison with 1999, sales of forestland in 2000 increased even more than agricultural sales – by approximately 45%. Telšiai county was the leader with almost 80% increase in forest sales. Forest prices depend mainly on the type, age and quality of wood. The most expensive forests are in the Southern Lithuania with 1800 EUR/ha on average. In other places average prices vary between 480–1340 EUR/ha. Woodlands are mainly located in the Eastern and Southern Lithuania, and the average price is about 800 EUR/ha there. However, mature forests are more expensive, therefore prices reach up to 3000 EUR/ha for pine trees or even 6000 EUR/ha for oak trees.

#### Urban land sales

Land sales in cities and towns were mainly decreasing in 2000. Only in Vilnius and Palanga household land sales increased. Household and agricultural land is mainly sold in cities. Agricultural land plots of size usually less than 1 ha, are bought with the intention for building it up.

The highest prices for household land exceed 50–120 EUR/m<sup>2</sup> in the best places of Vilnius. The most popular sales, however, vary between 5.5–40 EUR/m<sup>2</sup> giving the average of 14 EUR/m<sup>2</sup>. The average price in Klaipėda is 8.5 EUR/m<sup>2</sup>, while in Kaunas price stands at 6 EUR/m<sup>2</sup>, although it can reach 25–40 EUR/m<sup>2</sup> in both cities. In other places household land may cost as little as 1.5 EUR/m<sup>2</sup>.

Commercial and industrial land sales were increasing in Klaipėda and Kaunas. The total number of such sales, however, did not exceed 200. Prices for such land are usually higher than for household land. They range from 7 to 40.5 EUR/m<sup>2</sup> for commercial land and from 10 to 37.5 EUR/m<sup>2</sup> for industrial land. The average prices in major cities are as follows: 30 EUR/m<sup>2</sup> in Vilnius, 26 EUR/m<sup>2</sup> in Klaipėda and 16.5 EUR/m<sup>2</sup> in Kaunas.

### Average prices of land in urban areas (EUR/m<sup>2</sup>)

	Location	Residential land	Commercial land	Industrial land
Estonia	Tallinn	13-32	13-45	6-20
	Pärnu	5-13	4-30	1-4
	Tartu	2-13	2-6	1-3
Latvia	Riga	1.5-54	3.5-143	3-90
	Ventspils	1-14	3-20	
	Liepāja	0.5-9	2-27	2-9
Lithuania	Vilnius	5.5-37.5	13.5-40.5	10-37.5
	Klaipėda	4-19.5	11-35	
	Kaunas	3-12	8-35	
	Other towns	1.5-6.5	7-23	

### Average prices for land in rural areas (EUR/ha)

	Country	Agricultural	Forest land	Residential land (EUR/m <sup>2</sup> )
Estonia	North	267	772	10
	West	169	548	1
	South	223	741	1
Latvia	Kurzeme (West)	268	536	1
	Zemgale (Central)	464	696	0.6
	Vidzeme (North)	357	786	1.4
	Latgale (East)	143	625	0.3
Lithuania	Vilnius county	510	780	-
	Kaunas county*	400	810	-
	Other counties	280	670	-

\*Klaipėda, Alytus, Kaunas and Utena counties

## SALES OF FAMILY HOUSES AND APARTMENTS

### ESTONIA



The total number of apartments and single family houses in Estonia is ca. 623 000 with the total residential space of 33.5 millions m<sup>2</sup>. The average space per resident is 23.1 m<sup>2</sup>. About 90% of the whole stock is in private ownership.

About ¾ of all residential units are situated in apartment houses and only ¼ are single family houses. The share of single family houses in new construction is about 60%.

Almost half of apartments (42%) are 2-room apartments, the share of 1-room apartments is 24%, 3-room apartments – 27% and with 4 or more rooms – 7%.



The Old town of Tallin

Most common size of residential units:

1-room apartment	30–40 m <sup>2</sup>
2-room apartment	45–55 m <sup>2</sup>
3-room apartment	55–70 m <sup>2</sup>
4-room apartment	70–90 m <sup>2</sup>
Family houses	100–200 m <sup>2</sup>

The construction activity of residential space has been very low within the last decade, especially in the past 5 years, when the yearly construction volume has been 70 000–100 000 m<sup>2</sup>. Thus, new residential space (built in 1996–2000) comprises only 1.5% of the total residential stock. However, the renovation activity is very high today. In 1992 the share of renovation works made about 12% of all residential construction, it has grown to 53% in 1995 and remained between 50–60% in the following years.

#### Used residential space

The demand for used residential space grew again in

2000 and marketing periods have become shorter. The prices are generally increasing, occasionally past the inflation rate (in more lively areas of standard apartments, for example). In some market sectors, where the top prices for the near future have been achieved and supply is most likely higher than demand, prices have been stable or have even fallen a little (large non-renovated apartments in the centre of Tallinn).

#### New projects

The development of new housing projects in Tallinn, Tartu and Pärnu started in 1997–1998 and is rather active today. Supply of new apartments and houses exceeds demand.

The price range of new space on average is 640–960 EUR/m<sup>2</sup>, in Tallinn city centre up to 1600 EUR/m<sup>2</sup>. The price of renovated apartments in the Old Town is 960–1300 EUR/m<sup>2</sup>, of a small number of more attractive apartments 1300–1900 EUR/m<sup>2</sup>.

## LATVIA



Art-nouveau in Riga

At present, 68.2% of residents of Latvia live in apartments, 26.3% live in single-family houses, 2.7% inhabit personally owned parts of single houses, and the rest 4.8% live in shared apartments (so called communal flats), other flats and office apartments.

The volume of construction has decreased in

2000 in comparison to previous year. Residential buildings with total space of 193.1 thousands m<sup>2</sup> were put into use, which is by 3.7% less than during previous year.

In general, the Latvian market of residential space was stable in 2000, although seasonal price fluctuations were observed, which did not, however, exceed 10–15%.

The interest rates of mortgage credit offered by domestic banks have been lowered to 12–13% per year, and this is encouraging condition for the increase of volume of construction and renovation works. The increase in demand for houses and apartments gives rise to an opinion that also the future development trends will contribute to the renewal of housing fund and to the improvement of its quality.

The highest prices of residential space have lasted in Riga. The most part of construction projects in 2000 was building of new villages of single family houses, which start to gain appraisal gradually and begin to receive returns from investments.

## LITHUANIA



Year 2000 was not the best year for residential property market. The total number of sales decreased by 18% in comparison to 1999.

Sales of flats make almost 75% of residential property transactions. The most active market for flats is in big cities where 6–9 sales for 1000 inhabitants occur. In 2000, flat sales decreased by 8–40% in cities. Only in Klaipėda there was a significant increase (by 34%) in the sales of apartments. As a result, prices went down almost everywhere by 6–22%.

The highest average prices are in the Neringa resort (450 EUR/m<sup>2</sup>). In Vilnius an average price for a flat decreased



A summerhouse in Nida

to 400 EUR/m<sup>2</sup>. Luxurious apartments retained their price level of 800–1200 EUR/m<sup>2</sup>. Average prices in

Klaipėda were about 295 EUR/m<sup>2</sup>, while in Kaunas they stood at only 235 EUR/m<sup>2</sup>. Prices for luxurious apartments did not change either. In bigger towns and region centres prices range between 50–165 EUR/m<sup>2</sup>, giving the average of 120 EUR/m<sup>2</sup>. In small towns the prices are as low as 25–80 EUR/m<sup>2</sup>.

The number of sales of family houses has also experienced decline in 2000, on average by 9% though not everywhere. This decline affected mostly rural areas and to the smaller extent (5–7%) cities like Klaipėda, Alytus and Kaunas. On the other hand, family houses sales increased in Vilnius (20%), Šiauliai (15%) and

Panevėžys (27%). The highest number of such sales is in Vilnius and Kaunas (250–280 sales).

As a rule, price per square meter of a family house is a little lower than that of a flat. The prices are highest in Vilnius and in Klaipėda, reaching 800 EUR/m<sup>2</sup> for houses of good quality and in a good location. An average price, however, is 360–380 EUR/m<sup>2</sup>. Prices in Kaunas are a little bit lower reaching 670 EUR/m<sup>2</sup>. Due to the large number of sales of poor quality houses, an average price is only 205 EUR/m<sup>2</sup> there. Everywhere else prices vary between 40–225 EUR/m<sup>2</sup> giving the average of 105 EUR/m<sup>2</sup>.

Average prices for 1 m <sup>2</sup> in 1-2 Family Houses and Apartments with land (EUR/m <sup>2</sup> )				
	City	1-2 room apartment	3-4 room apartment	Family houses
Estonia	Tallinn	190-510	190-450	190-510
	Centre of Tallinn	320-900	320-770	
	Tartu	180-320	140-320	140-320
	Pärnu	190-380	160-320	190-380
Latvia	Riga	200-540	180-450	430-1290
	Centre of Riga	360-1720	410-1720	
	Jurmala	160-630	140-710	540-1340
	Ventspils	60-290	60-290	90-360
	Liepāja	50-360	50-360	70-450
Lithuania	Vilnius	270-760	270-780	270-800
	Centre of Vilnius	320-1000	320-1000	
	Klaipėda	220-620	220-600	220-800
	Kaunas	160-480	160-490	160-670
	Other towns	30-190	30-150	40-230

## RENT OF RESIDENTIAL SPACE

### ESTONIA



Actually, rental apartments are not very common in Estonia and people prefer own apartments and houses.

In Tallinn many lessees in a central location are foreigners and foreign companies who are looking for new apartments, whereas local people are looking more for residences in suburbs. In most residential market segments the supply exceeds demand regarding rental apartments, and prices have fallen over the past years. The only price group in which demand exceeds supply is the one less than 200 euro per apartment/month. The demand is highest for 2-room apartments and lowest for 4-room apartments (almost lacking). The price and quality differences are very big; the apartments in city centre are usually in better condition and with a more original layout of rooms than apartments in suburban

areas, particularly in the Old Town. Thus, the prices given in the table are for average quality, except in the centre of Tallinn where the prices are for good quality apartments.

In Pärnu, being a resort, the demand for rental apartments exceeds the supply in summer and therefore the price level is much higher than usual. Therefore the higher price level in the table is valid only in June, July and August. In Tartu that is a student town, the rental market is most active from August till November.

The costs for public utilities (electricity, heating, water, garbage removal) are approximately 1.5–2 EUR/m<sup>2</sup>/month and are often paid by tenant (should be added to the prices given in the table).

## LATVIA



The highest demand in rental market of apartments and houses is still observed in Riga and Jurmala.

In Jurmala, the apartments are rented mainly during the recreational season, and the rental market is guided by needs of both Latvian residents and foreigners. The activity of rental market begins in the springtime and lasts until mid-autumn. The demand for 1-room and 1.5-room apartments was the biggest in 2000, with the rent for such apartments amounting around 270 EUR/month. The highest rent, naturally, was requested for the apartments close to the sea-side, and the rent for such apartments rose up to 800 EUR/month.

As for Riga, the apartments adapted for the needs of foreigners are situated mostly in the central part of the city. These are new or fundamentally renovated houses with completely furnished apartments. The rent of such apartments varies accordingly around 1100 EUR/month.

The residents of Latvia also rent readily apartments in Riga. These mostly are young families, as well as students who cannot afford to rent single-room apartment by themselves, therefore they share several room apartments with their schoolmates. Young families prefer 1-room or 2-room apartments with every convenience or with partial convenience, and the rent for such apartments does not exceed 220 EUR/month.

## LITHUANIA



Rent of residential apartments is characteristic only to the largest cities with migrating people, mostly students and young specialists. Maintenance costs are not included in rent payments. Rents decreased a little bit in comparison to year 1999. Depending on a number of rooms and location, monthly rent payments in Vilnius range from 60 to 260 EUR/month. Rents for well-equipped and fully furnished luxurious apartments in the centre of Vilnius and the Old Town are 2–3 times higher reaching even 1000 EUR/month. Such apartments are usually rented by foreigners. The most popular, however, are 1–2 room apartments. They are rented for 130–320 EUR/month near the city centre and for 60–130 EUR/month elsewhere. Family houses avail-

able for renting are usually of good quality and are intended for foreigners or senior managers temporary living in Vilnius. Supply of such houses for rent is limited and prices vary in range of 540–2100 EUR/month.

Rents in Klaipėda and Kaunas are lower. Average rents for ordinary apartments in Klaipėda vary between 60–150 EUR/month and 320–830 EUR/month for luxurious apartments. Family houses are rented for 700–1200 EUR/month. In Kaunas, ordinary apartments are rented for 30–100 EUR/month and luxurious ones amount to 110–700 EUR/month. Family houses are rented for 350–700 EUR/month. Everywhere else renting is not popular and rents are very low.

### Rent of residential space (EUR/month)

	Cities	1-room apartment	2-room apartment	3-room apartment	4-room apartment	Family houses
Estonia	Tallinn	160-220	190-320	260-380	260-450	480-1600
	Centre of Tallinn	220-510	320-640	380-770	450-960	
	Tartu	60-150	60-170	80-180	100-190	190-800
	Pärnu	50-150	60-170	80-180	100-190	190-800
Latvia	Riga	50-180	70-250	110-450	110-890	540-1790
	Centre of Riga	180-450	180-540	270-710	270-1070	
	Jurmala	90-430	130-640	180-750	180-750	2680-3210
	Ventspils	50-180	70-220	100-300	100-300	500-1500
Lithuania	Vilnius	60-110	80-190	110-240	160-260	540-2100
	Centre of Vilnius	130-270	210-320	320-800	430-1000	
	Klaipėda	60-100	70-140	80-260	80-830	700-1200
	Kaunas	30-110	50-210	60-220	60-700	350-700

## RENT OF NON-RESIDENTIAL SPACE

### ESTONIA



Non-residential space is divided into three groups according to their type of use: office space, commercial space and industrial space. A considerable rental market is functioning in three major towns of Estonia: Tallinn (Northern Estonia), Tartu (Southern Estonia) and Pärnu (Western Estonia), which are also regional centres.

The rental market has remained stable and it is differentiated according to the location and quality.

The office space market of Tallinn has not witnessed a rise in prices, as a small amount of new space is entering the market constantly and the competition is high. The vacancy rate in new offices in Tallinn's centre is about 10–15%, in renovated offices 5–10%, oversupply in offices bigger than 100 m<sup>2</sup>. The prices have risen rather due to the increase in operating costs.

The office space market of Tartu is characterised by oversupply, therefore the prices have not risen. The vacancy rate in the big office building in town's centre (Emajõe Ärikeskus) has fallen to 20%, which in its turn has in-

creased the vacancy rates in suburban office buildings.

The same tendency can be observed in Pärnu, where the vacancy rate of new office space is still 25–30% and no major movement of tenants has taken place.

As to commercial space, a lot of new retail space has entered the market in the past year in the form of new shopping centres. Market may become overheated. A great increase in retail space has created vacancies in less attractive locations. Due to the smallness of market, new large shops in Tartu and Pärnu affect also rents. The market of retail space is characterised by dominating of new super markets in outskirts and a decreasing number of small shops, by a stabilisation of rents and by an increase in vacancies in less appealing areas.

The market of industrial space and warehouses has become more active.

New space has been built and renovated for owner occupation. No new development projects are initiated in this market segment without prior rental agreements. Demand for the space exists and therefore constant refurbishing is ongoing, particularly in Tallinn and its vicinity. There is an oversupply of old and poor-quality space.

### LATVIA



The volume of construction and renovation works has increased significantly in 2000 in comparison to 1999. The volume of construction of administrative buildings has increased by 87%, that of buildings of wholesale and retail sale – by 63%, and that of industrial buildings – by 54%.

The major construction works were concentrated in Riga and Ventspils. The volume of construction works in certain districts of Latvia is negligible; therefore it can be assumed that analogical trends dominate also the rental market of non-residential space in these districts.

In the office space rental market oversupply was observed in 2000, which allowed the potential tenants to achieve beneficial rent conditions easier and to reduce the rent.

Against this background, the demand of foreign companies for high-end quality office space corresponding to European standards and comprising large area situated in renovated buildings in the city centre of Riga increased early 2000. Such rise in demand can be justified by European Bank for Reconstruction and Development Board of Governors' Annual Meeting held in Riga in May 2000, as well as by the fact that many big foreign companies choose Riga for the seat of their central or even the only office in the Baltic states. The average rent for the above offices ranges from ca. 13 to 22 EUR/m<sup>2</sup>, but at the Valdemars centre adequate facilities are offered for the rent from 27–30 EUR/m<sup>2</sup> (price exclusive taxes and payments for public utilities).

The biggest activity in 2000 was observed in the retail space market. The number of shopping centres situated outside the city centre by the main motor roads increased significantly. Nevertheless the demand for the retail space at the city centre also is high, and the prices maintain the previous level.

### LITHUANIA



In 2000 the whole Lithuanian economy started to grow again after a small recession in 1999. However, office prices and rents decreased in the main economic centres – Vilnius, Klaipėda and Kaunas. That is mostly related to the lower yields and to the total decrease in value of commercial and industrial property. Many companies

switched from owning offices to renting them.

Monthly office rents in Vilnius and Klaipėda depending on equipment, location and number of floors vary from 3.5 to 25 EUR/m<sup>2</sup>. The best offices are rented for 20–25 EUR/m<sup>2</sup> but the usual prices are in range 6.7–16.5 EUR/m<sup>2</sup> in Vilnius and about 10.8 EUR/m<sup>2</sup> in Klaipėda. Average office rents in Kaunas are between 2.7–6.5 EUR/m<sup>2</sup>.

Retail rents are usually 1.5–2 higher than office rents

since such property usually has better accessibility by customers and is more profitable. Monthly rates for re-tails are 4.5–7.5 EUR/m<sup>2</sup> in Kaunas, 5.4–8.5 EUR/m<sup>2</sup> in Klaipėda and 8.5–13.5 EUR/m<sup>2</sup> in Vilnius. The best places of Vilnius centre and Old Town are already occupied and their rent prices stand at 35–45 EUR/m<sup>2</sup>.

Industrial property rents are very low in comparison with the commercial property rents. Mainly warehouses are rented, and such property rents are the highest among all industrial property. Monthly rents range from 0.6–3 EUR/m<sup>2</sup> in various cities. The highest rents are in Vilnius and Klaipėda (1.1–3.0 EUR/m<sup>2</sup>). In Kaunas industrial property rents are about 2 times lower.

Rents of Non-Residential Space (EUR/m <sup>2</sup> /year)				
	Cities	Office	Retail	Industrial, warehouses
Estonia	Tallinn	60-170	155-380	23-60
	Tartu	45-135	75-210	12-30
	Pärnu	45-95	75-200	12-30
Latvia	Riga	20-270	26-330	6-90
	Centre of Riga	40-380	70-590	
	Jurmala	10-210	10-320	
	Ventspils	20-60	40-130	10-30
Lithuania	Vilnius	40-100	100-200	13-80
	Centre of Vilnius	80-260	200-480	
	Klaipėda	55-130	65-260	15-50
	Kaunas	30-100	60-200	7-40

## CONCLUSIONS

The Review is a co-operation project. The comments received and interest shown was an encouragement to continue the work. The Review is unique in terms of the information covered at present.

The Review is developed in close co-operation between the land services of three Baltic States: Estonian Land Board, State Land Service in Latvia and State Land Cadastre in Lithuania. None from the developers is market participant. The main tasks of the above institutions are the accounting of real estate, keeping track of its changes, tracing the development of real estate market and fixing of the real estate cadastral values for the taxation purposes, as well as performing ongoing analysis of main market indicators.

The Review is an actual proof of endeavour of Baltic States to represent themselves in a united form, without losing cultural and social peculiarities at the same time. Without doubt, it is impossible to show every detail in such review, however it is not actually necessary. As it was stated in the beginning, the aim of the Review is to look at the common Baltic's real estate market, which could be more advantageous than real estate markets of individual countries.

The last year reviews are available in Internet home pages of land services of all Baltic States.

If you have deeper interest about some specific topic or if you need more detailed review of real estate market in all Baltic States or in an individual state, you are welcome to contact the authors of the Review.

### Estonian National Land Board

**Bureau of Real Estate Valuation**  
**Mustamäe tee 51**  
**10602 Tallinn ESTONIA**

Tel: +372-6650 622  
 Fax: +372-6650 604  
 www.maaamet.ee  
**Rein Lehtveer**  
 e-mail: rein.lehtveer@maaamet.ee  
**Andres Juss**  
 e-mail: andres.juss@maaamet.ee  
 AS Kinnisvaraekspert www.kve.ee

### Latvian State Land Service Real Estate Valuation Board

**11. Novembra krastmala 31**  
**LV-1050 Riga**  
**LATVIA**

Tel: +371-7038 660, 7038 656  
 Fax: +371-7221 049  
 www.vzd.gov.lv  
**Juris Valainis**  
 e-mail: juris.valainis@vzd.gov.lv  
**Guntis Lauskis**  
**Jānis Skaris**  
 e-mail: janis.skaris@vzd.gov.lv

### State Land Cadastre and Register in Lithuania

**18 V. Kudirkos**  
**2600 Vilnius**  
**LITHUANIA**

Tel: +370-2688 205, 2688 309  
 Fax: +370-2688 311  
 www.kada.lt  
**Arvydas Bagdonavicius**  
 e-mail: aba@kada.lt  
**Algimantas Mikenas**  
 e-mail: algmik@kada.lt

