

REVIEW OF BALTIC STATES REAL ESTATE MARKET 2001

INTRODUCTION

The development of real estate market is an important element for the economic growth in the Baltic countries. With the overall economic recovery in three Baltic countries - Estonia, Latvia, and Lithuania, the real estate market is also growing up. In fact, the year of 2001 was relatively active in the real estate market.

It is three years when Estonia, Latvia and Lithuania are presenting their real estate markets in a single publication. This publication is not a commercial one. Its main task is to present the real estate market of Estonia, Latvia and Lithuania as a common Baltic's real estate market. The publication presents the macroeconomic, demographic and real estate market indicators in three countries. It does not seek to compare the states but to show their similarities,

common items and general trends in the real estate markets.

The Review is a result of a common project of the land services of three Baltic States: Estonian Land Board, State Land Service in Latvia and State Land Cadastre and Register in Lithuania. These agencies are not the direct real estate market participants but they register and accumulate the information about real estate and analyse the real estate markets. With the development of the real estate market in the Baltic States more and more information is available about the sales and rent transactions, the market development trends become more evident as well as their relationship with the challenges in macro-economy.



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ECONOMIC OVERVIEW

	General data		
	Estonia	Latvia	Lithuania
Area, '000 km ²	45	64.6	65
Population (millions)	1.4	2.4	3.5
In cities	69%	69%	67%
In country side	31%	31%	33%
Capitals	TALLINN	RIGA	VILNIUS
Population (thousands)	410	759	543
Currencies (on 01.01.2002)			
1 EURO=	15.646 EEK	0.561 LVL	3.5272 LTL

	GDP in current prices (million EUR)		
	Estonia	Latvia	Lithuania
1998	4700	6620	12054
1999	4878	6650	11960
2000	5461	7601	12659
2001	6089	8450	13450

	GDP growth, %		
	Estonia	Latvia	Lithuania
1998	5.0	3.6	5.1
1999	-0.7	1.1	-3.9
2000	6.9	6.8	3.8
2001	5.4	7.6	5.9

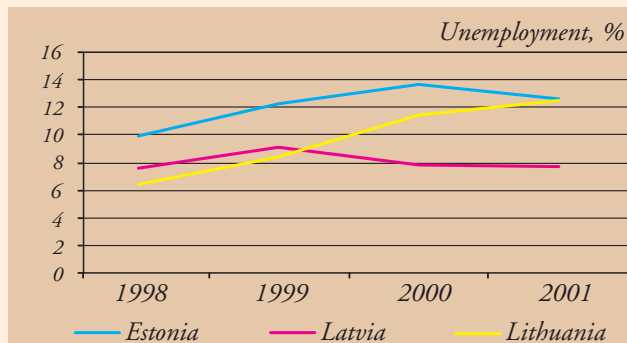
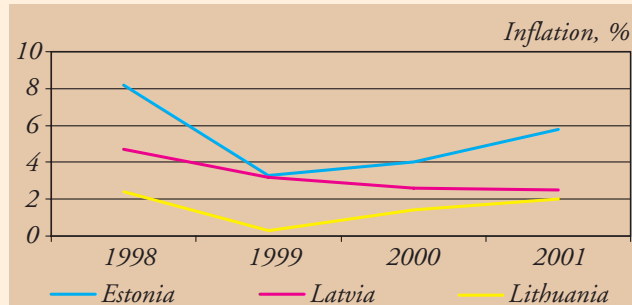
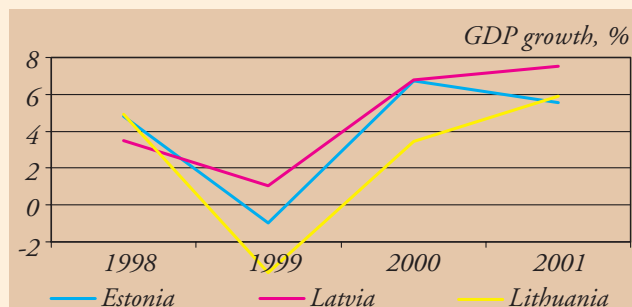
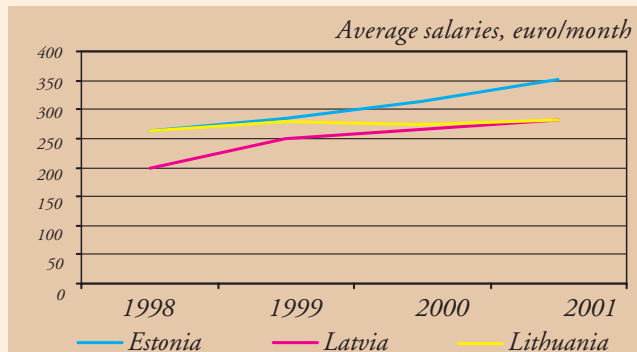
	Inflation, %		
	Estonia	Latvia	Lithuania
1998	8.2	4.7	2.4
1999	3.3	3.2	0.3
2000	4.0	2.6	1.4
2001	5.8	2.5	2.0

	Unemployment, %		
	Estonia	Latvia	Lithuania
1998	9.9	7.6	6.4
1999	12.3	9.1	8.4
2000	13.7	7.8	11.5
2001	12.6	7.7	12.5

Tax name	Tax rates, %		
	Estonia	Latvia	Lithuania
Income tax (for natural persons)	26	25	33
Profit tax (for legal person)	-	-	24
Value added tax	18	18	18
Land taxation rate, %	0.1-2.5*	1.5	1.5
Construction taxation, %		1.5	

*0,1-2,0 % for agricultural land

	Interest rates of long term commercial loans, %		
	Estonia	Latvia	Lithuania
2000	10.6	10.3	11.9
2001	10.0	10.4	9.3



Sources: Central banks, Central Statistic Bureau of Latvia, Statistical Office of Estonia, Statistic Department of Lithuania, Ministries of Finance.

ESTONIA

Regardless of the economic slowdown in the majority of Estonia's trade partners, Estonia's economic growth turned out relatively high in 2001 - 5.4% according to preliminary estimations.

The growth rate exceeded the respective indicator of the euro area by nearly 4 percentage points. The growth can be attributed to higher productivity and the fact that internal risks did not increase in the Estonian economy. The economy remained balanced. The current account deficit was unchanged at 6.5% of the GDP and a budget surplus of 0.4% was achieved. The temporary acceleration of the inflation rate to 5.8% mostly resulted from external price pressures.

The year 2001 proved that the foundations of Estonian economy are strong enough to maintain balanced development also in the conditions of weakening world economy. Due to the solid financial sector and balanced fiscal policy aimed at long-term goals, the 11 September terrorist attack against the USA and Argentina's deep economic crisis had no impact on the Estonian financial system. Due to the balanced annual average development of the Estonian

LATVIA



Late 1998 and early 1999, the economic crisis in Russia influenced also the development of the Latvian economy. Because of the crisis, the export of Latvian goods decreased, certain commercial banks were facing difficulties, the revenue of the national budget fell behind the planned amount, the unemployment rose.

In 1999, the prices rose for a short period due to the withdrawal of the money from the banks and buying of the real estate, which was caused by a financial crisis.

LITHUANIA



Year 2001 was successful for the economy of Lithuania. In comparison with the previous years the majority of macroeconomic indices improved. Almost no impact of the Russian crisis was visible. The growth of the actual GDP exceeded the most optimistic expectations. The majority of economic sectors experienced a rapid development, whereas the foreign trade deficit and deficit of the current account were on the lowest level over the recent several years. During the year the average interest rate decreased by even 3% points. On the other hand, unemployment rate was still high, and increase of the labour salaries was rather slow. In comparison with the previous year, 2001 was marked by the more active domestic market, especially in the field of investments, which was promoted not only by the increased nominal income of business

economy, the monetary policy environment of Estonia was mainly influenced by external factors, and development was expansive regarding interest rates. Throughout the year interest rates of the Estonian money market followed the movement of the rates in the euro area, with a slight time lag.

Source: Bank of Estonia

Since mid 1999, the Latvian economy has overcome the difficulties caused by the economic crisis in Russia, and the growth of all sectors of economy has resumed. The increase of the investment and the low inflation level also indicates the improvement of the economic situation. As a result, the real estate market has also stabilised and its expansion can be observed, also the prices tend to rise and are likely to begin to even up on the international level in the future.

entities and natural persons, but also by the availability of loans on favourable terms. Development of investments resulted in higher rate of constructions so that in the fourth quarter the amount of work increased by even 17% during the year, and the added value generated by the construction sector exceeded GDP growth. Last year saw decrease in the construction of residential houses, however, this year it is likely to go up because of the State support as well as lower interests on housing loans. In the real estate market, 2001 was marked by an increasing demand for newly built flats and constant improvement of the system of housing loans - decreasing interest rates of bank loans, extended loan repayment terms, which consequently caused rise in the flat prices.

Source: Vilnius Banks.

POPULATION CENSUSES IN 2000-2001

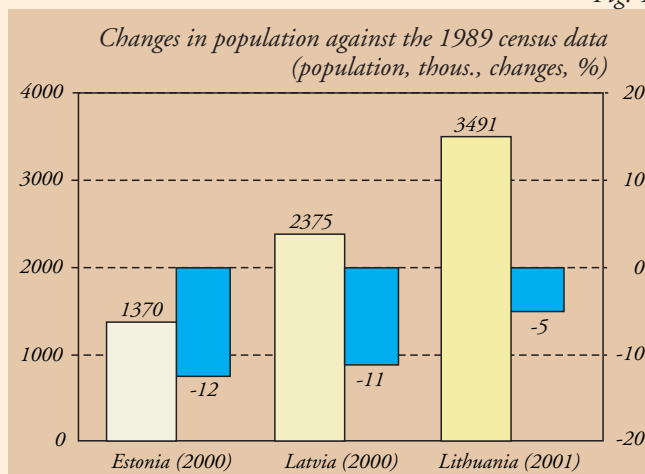
Fig. 1

Number of population in three Baltic states, in thous.			
	Estonia	Latvia	Lithuania
Data of the last census	1 370.1	2 375.3	3 490.8
1989 census data	1 565.7	2 666.6	3 674.8
Changes of population, against 1989, %	-12	-11	-5

Lithuania carried out population census in 2001, Estonia and Latvia in 2000. Provisional results state that on 6 April 2001 total Lithuania's population was 3490.8 thousand of constant residents, of whom 2344.7 thous. in urban areas and 1146.1 thous. in rural areas. As compared with the 1989 Population census data the number of population decreased by 184 thous. or 5%.

The main reasons for this decrease are as follows:

- population census provided the possibility to eliminate the number of population centrally added during the last soviet census (about 15 thous.) and soviet military and their family members who left the country after the restoration of independence without official registration (about 50 thous.);
- residents of the Republic of Lithuania, which were temporary absent abroad on tourists visas, persons who left for studies or work abroad and remained here were not enumerated (about 120 thous.). The data will still be revised and discussed with scientists interested in this issue and will be released repeatedly;
- centrally added population during previous censuses. Explanations used to be given that they were families of



Embassies' staff working abroad, proportionally distributed for the number of internal population.

Against the 1989 Population census data the number of urban population decreased by 142 thous., whereas in the rural area it fell by 42 thous. This was caused by changes in directions of migration. The basic migration flow "from village to town" altered: urban population started emigrating abroad, while certain persons moved to settle in villages. Concentration of urban population in major cities has remained almost the same: the major cities counted about 59% of total urban population.

The contraction in the number of population is characteristic to capitals of neighbouring countries, however, there it is more rapid. The 2000 census in Riga counted 764.3 thous, and in Tallinn 399.9

thous. inhabitants. Both cities showed a 16% fall against the 1989 census data, whereas Vilnius lost 6% of its population. The changes in population in Lithuania, Latvia and Estonia and differences between the data obtained during the last censuses is shown in Fig. 1.

It should be noted that Lithuania has maintained the slowest population contraction rate in comparison with Estonia and Latvia (5, and 11-12%, respectively). As stated by colleagues from these countries, reasons for the decline are similar, just scopes differ.

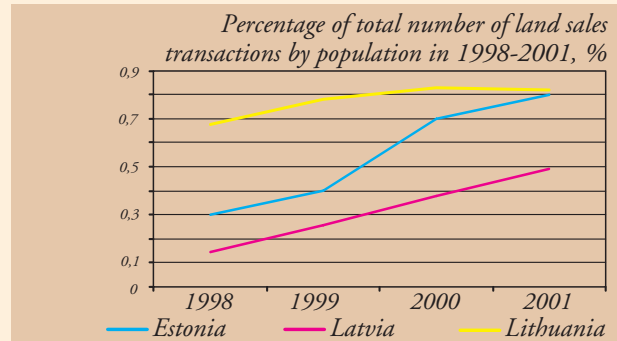
Source: Statistic Department of Lithuania

LAND MARKET ACTIVITY TRENDS 1998 - 2001

LAND REFORM AND LAND TRANSACTIONS IN 1998 - 2001

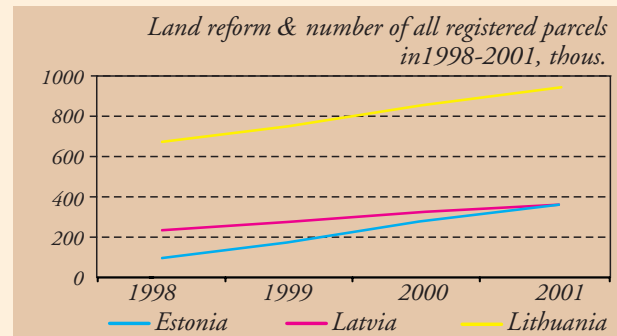
	Total number of land sales		
	Estonia	Latvia	Lithuania
1998	4892	3712	23733
1999	6310	6467	27566
2000	9565	9155	29300
2001*	10803	11506	28440

*Number of transactions is incomplete



	Total number of all registered parcels, thous.		
	Estonia	Latvia	Lithuania
1998	83.1	226.3	671.8
1999	182.6	276.4	752.8
2000	277.5	323.5	854.8
2001*	386.2	359.9	950.5

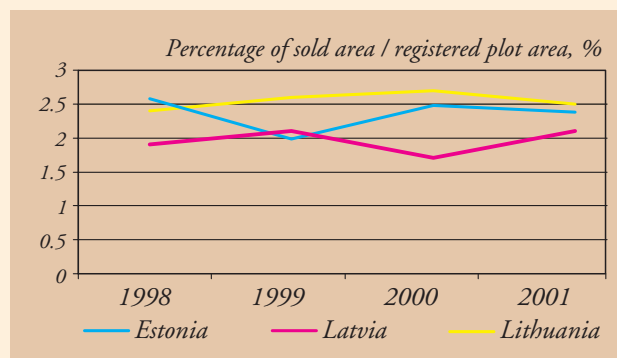
*Number of properties is incomplete



Year	Land area in sales & total registered area in 1998-2001								
	Estonia			Latvia			Lithuania		
	Total number of land sales	Area in sales, thous. ha	Total registered area, thous. ha	Total number of land sales	Area in sales, thous. ha	Total registered area, thous. ha	Total number of land sales	Area in sales, thous. ha	Total registered area, thous. ha
1998	3072	47.0	1799.2	3562	38.4	1978.3	14678	39.4	1654.1
1999	3318	45.2	2304.6	4970	46.3	2228.4	17697	51.4	1997.8
2000	4962	62.6	2583.8	5979	47.8	2834.6	20626	62.6	2298.2
2001	5651	68.4	2862.0	6709	64.2	3095.1	20519	63.7	2537.2

• The table covers data of all use types non-improved land.

Lithuania is distinguished for a large number of registered and sold land parcels. Number of population in Lithuania is more than twice as in Estonia and more than one third as in Latvia. The total sold area, however, is very similar to that in Latvia and Estonia, and the total registered area is even smaller than that in the neighboring countries. 60% of all land parcels sold in Lithuania have the area smaller than 1 ha (this number includes sales of parcels for residential purposes and land of gardening associations). The area of each sale in Lithuania amounts to approximately 3 ha, whereas in Estonia this figure makes up about 12 ha, and in Latvia about 10 ha. In Lithuania this figure increased every year— from 2.6 ha in 1998, to 3.1 ha in 2001, in Latvia it remained almost the same and decreased in Estonia— 15 ha in 1998.



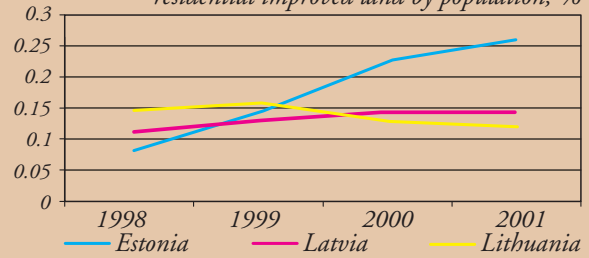
RESIDENTIAL SALES TRANSACTIONS IN 1998 - 2001

Total number of residential land sales in 1998 - 2001

	Estonia	Latvia	Lithuania
1998	1174	2773	5070
1999	2022	3204	5277
2000	3162	3401	4527
2001	3592	3379	4291

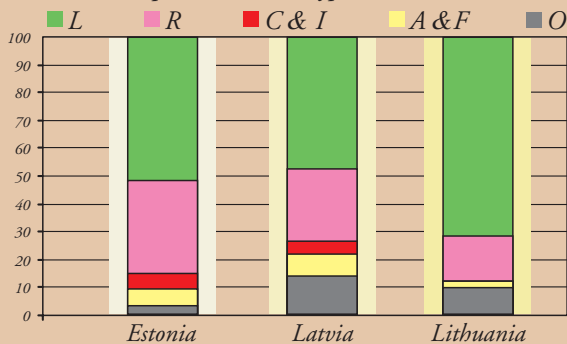
- Includes number of transactions with improved residential land.

Percentage total number of sales transactions with residential improved land by population, %



LAND SALES STRUCTURE IN 2001

Percentage of transactions with different improved & non-improved land use types based on number, %



Remark:

L - Non-improved land all use types (it includes arable land, forest land, non-improved residential land, other non-improved land);

R - Improved residential;

C & I - Improved commercial and industrial;

A & F - Improved agricultural and forest;

O - Improved other and mixture (remaining land use types and parcels having several use types. In Lithuanian case it includes gardening areas, therefore the number of sales is larger in comparison with other countries).

By comparison with Latvia and Estonia, in Lithuania sales of commercial and industrial land are very scarce, as legislation of Lithuania restricts acquisition of land for legal entities.

*Number of properties and transactions is incomplete.

Sources: Ministry of Justice Centre of Registers of Estonia, Statistical Office of Estonia, State Land Service of the Republic of Latvia Real Estate Valuation Board, State Land Cadastre and Register of Lithuania.

Use type	Estonia	Latvia	Lithuania
L	5651	6709	20519
R	3592	3379	4291
C & I	521	418	43
A & F	743	1454	768
O	296	1797	2819

SALE OF LAND

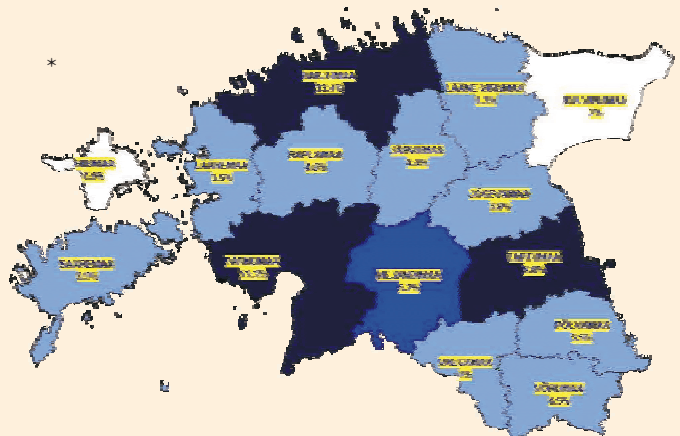
ESTONIA



Transactions with Residential, Commercial and Industrial Land in Towns

The number of sales transactions as well as the price level of all presented regions - Northern Estonia (counties of Harju, Rapla, Lääne-Viru, Ida-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 these regions - Tallinn, Pärnu and Tartu respectively.

In Tallinn and Pärnu, the prices of residential and commercial land have increased compared to last year. Also the price difference between different town districts has increased, locations at seaside have become particularly attractive.



The arithmetical mean price of 338 transactions with residential land in Tallinn was 29 and the median 20 EUR/m², in Pärnu the respective figures for 39 transactions were 25 and 12 EUR/m². In the town districts with multi-storeyed apartment houses (Mustamäe, Lasnamäe) there was only one transaction and the price was relatively low (19 EUR/m²). But in the town districts with single-family homes (Pirita, Haabersti), the average prices were high (83-185 EUR/m²) and in town's centre the maximum price exceeded even 360 EUR/m². In the remaining districts the prices were close to average values (20-30 EUR/m²).

In Pärnu the price of residential land in suburbs and less attractive areas was between 4-13 EUR/m², in town's centre 70-90 EUR/m². However, in the coastal area the price of one transaction exceeded 150 EUR/m². In the remaining areas the prices were predominantly similar to the average values (12-25 EUR/m²).

In Tartu the prices of residential and commercial land remained on the same level as last year. The arithmetical mean price of 56 transactions with residential land was 6 and the median 4 EUR/m². In Tartu there are no particularly attractive areas. There is no more vacant residential land in the central part of town at the river Emajõgi, which was preferred so far. There were considerably more transactions in suburban areas, where the town is extending already over the town border.

The number of transactions with commercial land in Pärnu and Tartu was small; therefore the price level can be occasional.

The prices of industrial land remained in Tallinn on the same level as last year. In Pärnu and Tartu there were very few transactions and they were of very different price level.

Unimproved residential land (without buildings) was bought most in the Northern region and in the satellite towns of Tallinn (Saue, Maardu, Keila), where the land price is high (5-12 EUR/m²). In the Western and Southern regions relatively more transactions were concluded in the satellite towns of Pärnu (Sindi) and Tartu (Elva), the land prices are, however, higher (5-7 EUR/m²) in towns with beautiful locations (Haapsalu, Kuressaare, Otepää).

Transactions with Residential Land in Rural Areas

In Estonia, as a rule, not much is built in rural areas (rural municipalities and small towns) and therefore residential land is bought there only in attractive locations - mostly in seaside recreational areas and in the vicinity of major towns (Tallinn, Pärnu, Tartu), where the price of buildings exceeds the construction costs. In the rural municipalities of two counties

however there were no transactions with unimproved residential land at all.

In the case of the given territorial division, the average data do not depict the situation objectively enough. The situation is better characterised by the difference of average prices of counties presented in the table, because in the above regions there are counties with very different price levels (the price levels of rural municipalities differ even more). In the Northern region residential land was bought only in the vicinity of Tallinn and in seaside areas and recreational areas at Lake Peipsi. The high price level (7-18 EUR/m²) of four municipalities bordering on Tallinn (Viimsi, Harku, Saue and Jõelähtme) is of great importance, as 72% of transactions in the region took place in these municipalities. On the other hand, in Järva County and in several rural municipalities of other counties not a single transaction was performed.

In Western and Southern regions land prices are considerably lower and their difference is smaller, whereas in the Southern region in the county of Jõgeva no land sales were made. In the Western region residential land was bought in seaside recreational areas and in the proximity of Pärnu, in the Southern region in the vicinity of Tartu and Otepää.

Sales of Arable Land and Forest Land in 2001

In 2001, the Transactions Register received information about 5046 transactions with profit yielding land. The number of sales with unimproved land in which the whole plot was sold was 3682. For the purpose of present review, the sales of basic land parcels (arable or forest) were chosen. The selection included sales of parcels over 2 ha, in which the percentage of other parcels beside the basic parcel was not more than 10%. The overview of the selection is given in the table below. There are great variations in the sales prices of arable and forest land. The price of arable land depends mostly on the demand and supply in the region and on the quality of land, the price of forest land depends on the age and quality of stand. In case of forest ready for felling, the price can fluctuate between 1900 and 3800 EUR/ha, in some cases even up to 5400 EUR/ha, the variation is even much greater for forests with different age. In Northern Estonia in the county of Ida-Viru there were no transactions with arable land.

In comparison with last year the price of arable and forest land has increased in all regions of Estonia except the price of arable land in Western Estonia.

		<i>Average prices of land in urban areas, EUR/m²</i>		
	<i>Location</i>	<i>Residential land EUR/m²</i>	<i>Commercial land EUR/m²</i>	<i>Industrial land EUR/m²</i>
<i>ESTONIA</i>	<i>Tallinn</i>	15-43 (100)	27-81	8-23
	<i>Pärnu</i>	5-45 (90)	4-12	-
	<i>Tartu</i>	2-13	9-28	-
<i>LATVIA</i>	<i>Rīga</i>	2-7 (107)	0.6 – 55.0	1.8 – 16.5
	<i>Jūrmala</i>	4.3 – 12.5(102)	7.0 – 11.5	-
	<i>Ventspils</i>	0.7 – 4.5(18)	5.0 – 10.0	-
	<i>Liepāja</i>	1.0 – 3.2(11)	2.8 – 14.2	2.3 – 4.0
<i>LITHUANIA</i>	<i>Vilnius</i>	5.7-56 (100)	28-120	17
	<i>Kaunas</i>	3-17 (42)	29	-
	<i>Klaipėda</i>	5.7-50 (85)	-	-

* Price range is given, in brackets – maximum price.

LATVIA



Transactions with the residential land for single family houses

The most active market showing the highest prices already traditionally is that of the residential land plots in Riga, Jurmala and Riga district, where most of the objects of this market segment are located. The land market both in Riga and Jurmala shows a rather broad price range, although most often the transactions are concluded for the minimal prices, and the land market is more active in the suburbs. The following data confirm the above statements:

- The average price of the residential land in Riga is 13.5 EUR/m², but the prevailing price is 4.50 EUR/m²;
- The average price of the residential land in Jurmala is 13.8 EUR/m², but the prevailing price is 8.40 EUR/m²;
- The average prices of the residential land in Jelgava, Liepaja and Ventpils are between 3.50 and 4.50 EUR/m²;
- The average price of the residential land in other district centre towns varies over the range from 0.25 to 2.40 EUR/m².

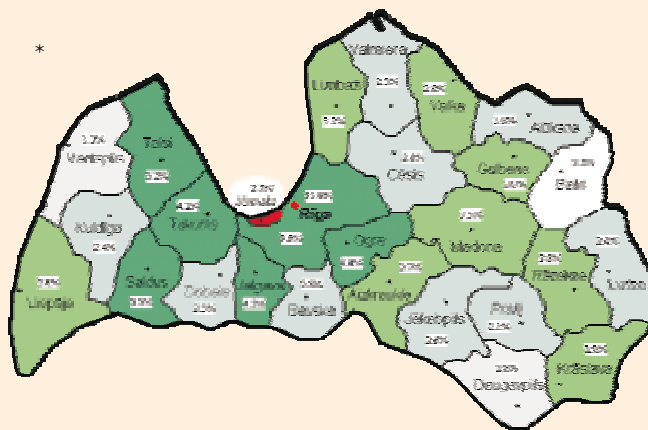
In the rural areas of the Riga district, the average prices of the residential land depend largely on the situation of the land plot in relation to the seaside, to other attractive landscapes, as well as on the distance to Riga. Taking into account the above, the average prices in Riga district varies over the range from 1.00 to 7.50 EUR/m².

During the last year, the prices of the residential land have increased in the coastal regions, in particular for those land plots directly adjacent to the seaside. For example, in Limbaži and Tukums districts the average market price for such plots is about 7 EUR/m².

In the rural areas not adjacent to the seaside, the most transactions with the residential land occur in the vicinity of the biggest towns. The average land prices vary over the range of 0.10 to 1.80 EUR/m². The lowest residential land prices prevail in the Latgale region (Eastern part of Latvia).

Last year, the purchase of land plots for residential purposes increased in the picturesque places, especially near the rivers and lakes. The volume of such transactions is nevertheless small and does not change the average market prices of the residential land in the rural regions.

The real estate market transactions with the commercial and industrial land occur mostly in the biggest towns of Latvia. The average price of the land for office buildings in Riga is 22.00 EUR/m², but the prevailing price is 15.00 EUR/m². The average price of the office land in Jurmala is 12.30 EUR/m², but the dominating price is 9.00 EUR/m². The average price of the industrial land in Riga, similar as in 2000, is 9.10 EUR/m², but the prevailing price is 4.50 EUR/m².



LITHUANIA



Sales Transactions with Residential, Commercial and Industrial Land in Towns

In 2001 the trends for housing development remained the same. Life from the soviet multi-apartment houses is moving to the suburbs where new single-family house districts are developing close to the major cities. Recent constructions are marked by decent and functional architecture and advanced construction technologies. 10 years ago built single-family house districts seems to be out-of-date.

Preliminary data evidence that about 3300 transactions of residential and commercial land were concluded in Lithuania which totally decreased by 2.6%. Most sales occurred in the largest cities Vilnius, Kaunas, Klaipėda, Šiauliai and Panevėžys.

In comparison with 2000, the number of transactions with residential land in Vilnius decreased by 26% from 452 to 333. The average price went slightly down as well and was 15.9 EUR/m², mainly because most parcels were sold in suburbs. Average price in relatively new single-family house districts - Santariškės, Visoriai, Bukčiai - was 11.3 EUR/m². Sales were also numerous in a magnificent place of Vilnius near the Nemenčinė highway, where prices were among the highest with the average of 34 EUR/m². Not so many sales occurred in the centre of Vilnius, where the residential land price sometimes amounted to 100 EUR/m². The price gap among different districts of the city has continued to grow.

Construction of new multi-apartment houses in Vilnius was on the increase. Such houses are also being built in the prestigious districts, even in the centre of Vilnius where they are squeezed among old houses. Sales of land parcels for construction of multi-apartment houses also became more numerous. In 2001, 49 land parcels for the construction of multi-apartment houses were sold in the city of Vilnius, if compared to 31 land parcels in 2000, 29 land parcels in 1999 and 27 land parcels in 1998. Such land parcels sell for the highest price, which sometimes amounts to 300 EUR/m².

Sales of commercial land were scarce. Taking into account 9 transactions, the average price for commercial land in Vilnius was estimated 83 EUR/m². Only few sales of industrial land was registered with an average price of 17 EUR/m².

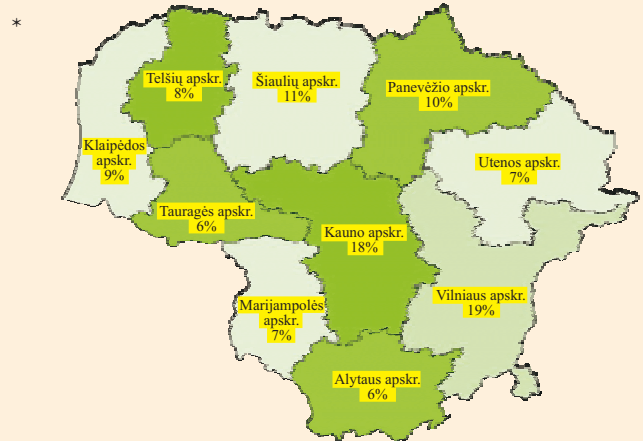
In Kaunas, the second largest city of Lithuania, the activity of residential land market is traditionally the highest one among major cities of the country. According to the preliminary data, 376 sales transactions were concluded in 2001, which increased by 3% as in 2000. The average price stood at 7.8 EUR/m² (increased by 4%). Over the recent several years the average price has been constantly increasing. The majority of non-improved land sales occurred in the suburbs. Prices indicated in purchase-sales transactions were relatively low 3-15.6 EUR/m², while closer to the city centre they amounted to 42.5 EUR/m². The sales of commercial land increased, however, the average price (29 EUR/m²) deducted from 23 transactions is much lower than that in Vilnius.

Klaipėda is a port and the third largest city of Lithuania. The number of transactions with residential land rose by 20% (83), the average price increased by 34% and according to the analysis of 43 transactions it stood at 16 EUR/m². In the most attractive districts it was 34 EUR/m² and sometimes even reached 93.5 EUR/m². Almost no sales of commercial land occurred.

In Palanga, the largest resort of Lithuania, the average price went up by 5% in comparison with 2000. According to the estimates drawn on the basis of 37 transactions it stood at 12.2 EUR/m², whereas the most expensive parcels were sold for 43.7 EUR/m².

The average price slightly increased in Šiauliai it made up 4.8 EUR/m², max price amounted to 22 EUR/m². In Panevėžys the prices of residential land went down and the average price was 3.3 EUR/m², max 9.4 EUR/m².

In other towns county centres, prices ranged between 2-10 EUR/m².



In smaller towns prices are lower, sales of land parcels without buildings are very scarce or non-existent. The majority of sales occurred in the counties of Vilnius, Kaunas, Telšiai with prices ranging 0.8-2.1 EUR/m².

Transactions with Residential Land in Rural Areas

Last year, the sales of residential land in rural areas only increased in the locations close to the major cities. The majority of sales occurred in the rural municipalities of Vilnius, Kaunas and Klaipėda, where prices went up. The land price was influenced by the distance to the city, infrastructure and development prospects of the district. In Vilnius rural municipality 445 sales were made with an average price of 3.1 EUR/m². The developing settlements of single-family houses - Zujūnai, Avizieniai, Bendoriai were marked with the highest prices amounted to 6 EUR/m² in average. The rural municipality of Trakai is a very popular place near Vilnius. This is a recreational area with plenty of lakes. In the town of Trakai no sales of non-improved residential land was registered, however the prices here should amount to 45 EUR/m². In total, 87 transactions were registered in the municipality of Trakai, average price was 1.3 EUR/m², which is higher than the average in the majority of other rural municipalities.

In rural municipality of Kaunas 181 transactions with average price of 2.8 EUR/m² were concluded, and 99 transactions with the average price of 2.6 EUR/m² - in the rural municipality of Klaipėda. In other municipalities the activity was low, scarce transactions on land parcels without buildings. The average prices reached 1.1 EUR/m².

Sales of Arable Land and Forest Land in 2001

During 2001, approximately 3520 sales of forestry land and 9564 sales of land for agricultural use occurred. The number of sales rose by 13% and 4.5%, respectively. The average area of transacted agricultural land parcel was 4.4 ha. 30% of sold land parcels had an area of up to 1 ha (this number excludes the land of gardening associations), 28% - ranging between 1 and 3 ha, and 42% - larger than 3 ha, with the average area of 10 ha.

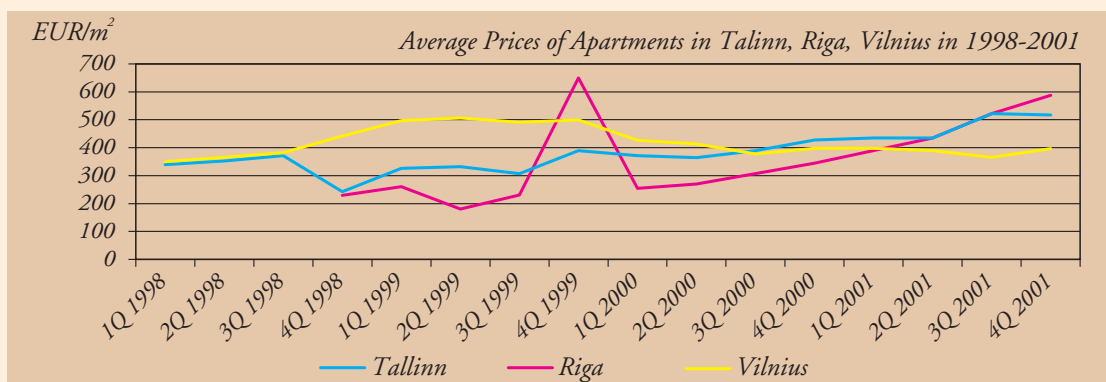
The highest prices for agricultural land, with an average of 1700 EUR/ha, were registered in the rural municipality of Vilnius. Transactions exceeding 28000 EUR/ha were rejected since they had distorted the average. Very high prices were paid for the agricultural land parcels close to the large cities with an intention to change their purpose of use into residential plots. There were 5 such transactions registered in the municipalities of Vilnius.

The majority of forestry land sales were made in the Vilnius county where the prices were the highest ones. Especially high prices were registered in the municipality of Elektrėnai, where they amounted to 3686 EUR/ha, in the municipality of Trakai - 2041 EUR/ha. Counties of Alytus and Utena were on the second and the third place in terms of the average prices for the forestry land. Although in comparison with 2000, average price decreased in these counties, it

still remained relatively high. Estimation of average prices excluded forestry parcels up to 1 ha, as their prices are much higher. In the Alytus county the largest forestry prices were in the municipality of Druskininkai with an average reaching 1304 EUR/ha.

* Country maps show percentage of total land transactions by counties.

SALES OF FAMILY HOUSES AND APARTMENTS



Price jump in Riga in 1999 was caused by the financial crisis in the country. Rise in the apartment prices in Vilnius in 1999 evidences the impact of the Russian crisis.

ESTONIA



The residential market is a selling market; renting is preferred before buying only when looking for interim solutions. New development of apartments and family houses has been most active in Tallinn and Pärnu, less active in Tartu and smaller towns.

In Tallinn the main accent has been on projects in the middle and higher price bracket (over 700 EUR/m²), where demand to a great extent has been satisfied and there is an excess supply of apartments. Projects with an optimal price/quality relation have been rapidly sold. With regard to cheaper projects (under 650 EUR/m²) in a desirable area and of good quality, supply has so far been small, but buying interest on the other hand great. Demand is highest for 2-3 room apartments costing 30 000-60 000 EUR, apartments and functional family houses costing up to 70 000 EUR.

In Pärnu development has been moderate and corresponded to market demand. Buyers of new apartments are mostly non-locals, among whom foreigners dominate (about half of them Finns). Buyers of new family houses are mostly Estonians, the most preferred family houses are cheaper and functional houses in the price bracket under 70 000 EUR.

In Tartu the number of new apartments has increased not so rapidly. There is higher demand for new apartments with moderate



Development of area of Port of Tallinn

prices (up to 400 EUR/m²), which are typical for apartment houses started already in the Soviet time and finished now.

In the smaller towns there is no development activity. Some building lots are sold; people build only for their own needs.

Credit market on residential buildings has increased rapidly. If in 1999 the average turnover was monthly ca 6 million EUR, then in 2001 it was continuously ca 16 million EUR monthly. At the same time loan interests are quite high; the interest rate for EUR-loans is ca 7-8%, for loans based on local currency correspondingly ca 2% higher.

		Average prices for apartments and family houses, EUR/m ² *		
	Location	1-2 room apartments	3-4 room apartments	Family houses
ESTONIA	Centre of Tallinn	550-1500	500-1500	-
	Tallinn	400-800	350-800	400-1000
	Tartu	200-800	160-700	270-800
	Pärnu	240-900	200-800	300-900
LATVIA	Centre of Riga	400-950	460-1100	-
	Riga	200-550	220-550	400-1200
	Jūrmala	160-900	140-1000	550-1000
	Ventspils	60-200	65-250	90-500
LITHUANIA	Centre of Vilnius	350-1200	350-1200	-
	Vilnius	300-700	300-800	300-800
	Kaunas	170-560	170-580	160-600
	Klaipėda	200-680	200-650	200-700

* The typical price is shown in the table. The highest prices characterize the top level of new construction. Anyway, there are some objects (sales), which exceed the level presented above.

LATVIA



In general terms, the apartment market of Latvia stabilised in 2001, seasonal price fluctuations were observed, but the prices remained on the level similar to that of 2000.

As an exemption, the prices of 1-room and 2-room type flats in Riga began to rise early January, and the rise in prices reached 10-25% late December.

Such increase of prices for typical flats was caused by the availability of bank loans with an acceptable interest rate around 7-9.5%, which brought about the increase in demand of rather cheap flats suited for the middle stratum of the population. Due to this trend, the prices for typical flats evened up over different areas of Riga. This concerns mostly the serial houses built in the Soviet times, where the price per square metre varies over the range from 200-350 EUR/m².

The construction of new houses is negligible, and these belong mostly to the group of exclusive offers with the prices over 500 EUR/m².

In 2001 a tendency of stratification of the Jurmala town became clearly visible. Jurmala was divided in two market regions: the eastern part, which is closer to Riga (from railway station Lielupe up to Dubulti), is deemed to be a prestigious area, whereas the western part from Jaundubulti to Kemeris is less demanded. The price level is 2-8 times higher in the first region.

The Latvian market of single family houses remained stable. The offer of family houses in villages and of row houses increased, as well as that of construction of exclusive houses by order. However, that did not affect the market price level.

Rent of the residential space

The Latvian rental market of residential space is active in the cities



Family house close to Riga

with the highest economic activity and in the recreational areas at the seaside.

The typical annual rise of activity was observed in May in the recreational areas, as well as late August and early September in the biggest towns.

In comparison with 2000, the market is stable, and the rise of price level of the rent supply is small and is caused by the rise of the rent.

The demand of flats for rent can be categorised into three groups: the highest demand stands for the 1-room and 2-room flats in typical houses with the rent ranging from 110-170 EUR/month; 2-room and 3-room flats, renovated and equipped with the furniture and the household appliances, build the second group, where the demand is medium and the prices range from 220-600 EUR/month; the third group comprises the single family houses and exclusive flats, this supply is targeted at the foreigners and the rent is over 600 EUR/month.

LITHUANIA



Sales of apartments in Lithuania make up approximately 30% of all sales of real property. This type of property is the first to respond to all economic and political changes. The Russian crisis had the most visible effect on apartments and family houses. Rise in the apartment prices in Vilnius in 1999 (c.f. diagram) evidences the impact of the crisis.

Last year the market of apartments was influenced by the long-term housing credits on favourable terms, which were started to be granted by commercial banks in the mid 2001. The State covers part of the interest and insurance contributions. These actions promoted the market of apartments and in comparison with 2000, the number of sales rose by 12%; preliminary, about 26600 purchase transactions were registered. The demand for newly built flats went up and at one moment it even exceeded the supply. In Vilnius sales increased by 21% - 6500 apartment transactions, in Kaunas sales rose by 19% (4100 transactions), in Klaipėda - 13%, 3350 transactions. Prices which were falling down from the beginning of the year, slightly rose in the 4-th quarter. Despite this, the average price in the city of Vilnius decreased by 3%, and stood at 388 EUR/m², in Kaunas decreased by 3% - 227 EUR/m², in Klaipėda - 2.7% - 287 EUR/m². The average price increased only in Neringa up to 600 EUR/m². The reason for this, is unique nature and ethnography of this region which attracts both Lithuanian and foreign investors. Prices for newly built apartments is much higher, e.g. in Vilnius 450-1000 EUR/m², apartment prices in the centre and the old town have not decreased either.

In larger towns the average prices ranged 50-170 EUR/m², in settlements the market for apartments is not active, prices are low reaching 30-80 EUR/m².

The total number of sales of family houses with and without land parcels decreased by 16.3% (7042 transactions were concluded) in



New multi-apartment constructions in Vilnius

2001. Such sales, however, increased in Vilnius by 5%, in Palanga by 20%, in Klaipėda by even 26%. The average price for family houses in Vilnius was 450 EUR/m². Prices for newly built household estate were largely dependant on the location, i.e. land price. The usual price in Baltupiai, Jeruzalė with small parcels stood at 85 000 EUR, in the area of Žaliejė Ežerai the price amounted to 56 000 EUR, and near the Nemenčinė highway they exceeded 100 000 EUR.

In countryside the market of family houses is more active only in the locations close to the major cities or in the recreational areas, where city dwellers cheaply obtain old farmsteads and renovate them. The market of family houses is in recession new houses are being built and older ones are reconstructed.

NON-RESIDENTIAL

			Rents of non-residential space, EUR/sqm/year	
	Location	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	Centre of Rīga	108-336	204-480	-
	Rīga	54-240	42-408	7-72
	Liepāja	12-240	7-120	3-6
	Ventspils	20-44	33-108	6-30
LITHUANIA	Vilnius	60-270	70-340	20-54
	Kaunas	34-84	70-160	10-34
	Klaipėda	34-136	68-272	17-30

ESTONIA



The non-residential market is predominantly a rental market; there has been no perceptible activation with regard to sales. There is a certain supply of bigger objects (buildings), but sales conditions are not in accordance with the views of potential investors. With regard to smaller objects (single space and smaller buildings) the situation is the opposite- there are willing buyers, but there is nothing on offer.

Office market is quite stable; rents are the same compared with previous year and vacancies are a little bit decreased, especially in Tallinn where they reached to the level at ca 10%. There is only some new construction in the sector.

Retail sector has been in movement. New construction was active in Tartu and Pärnu in 2001 and is very active in Tallinn with the scope as much as ca 85 000 sqm new space in 2002. This figure is comparable with 2000, but very different from 2001, when new construction was close to zero. There are no bigger changes in rents in prime location, but rental levels in shopping centres are even growing.

The development of industrial buildings and warehouses has been active during the past years. The main activities have been



Shopping centre in Tallinn

construction or renovation for the own use. The development of new space has been most active in Tallinn and its neighbourhood, where the greatest part of industrial investments is concentrated. Outside Tallinn development activities have mainly been limited to renovation of existing space.

LATVIA



No substantial changes were recorded in the rental market of non-residential space in 2001.

The supply of the office space still exceeds the demand in Riga, but that has not affected the rental price. The demand is the highest for rather cheap B category office space in the centre of Riga. Such space is mostly let out on hire by the householders, who adapt for such purposes flats on the ground floor and on the first floor. The rent can range from 9-13.50 EUR/m² per month. Rather broad is the supply of C and D category offices, the rent ranges from 3-8 EUR/m² per month and is affected by such factors as the closeness to the city centre and availability of a parking lot and telecommunications (phone, internet).

The construction of the retail space developed in Latvia in 2001. In different towns of Latvia, supermarkets and shopping malls were constructed, offering a broad choice of the retail space. Nevertheless, this market segment is not filled yet, therefore this construction has not affected the general price level of the rental.

In Riga, the development of new retail objects on the vacant land plots alongside the main roads is very active, where big shopping centres are built. This is caused by the shortage of the retail space in the city centre, where the demand still stands very high, but the



Commercial centre in Jelgava

supply is minimal.

The market of industrial space in Latvia is quite inactive, because of absence of the demand. The warehousing market is developing very slowly, because the supply of high quality warehouses is very short, mostly adapted production facilities are offered, which do not meet the contemporary requirements.

LITHUANIA



Rent prices for commercial space in Vilnius almost did not change in 2001. As a result of the increased supply for modern apartments, prices of B-class offices slightly fell down. In 2001, a few modern business centres were built - a building of *IBC Business Centre* with an area of 3500 m² close to the Žalasis bridge and 15-floor *Hanner* business centre with an area of 5200 m² in a highly convenient location. Even prior to its completion all premises had been rented 100%. Monthly rents stood at 17-19.3 EUR/m² and were lower than rents at *Business Centre* in 2000, where occupancy of premises makes up 33%. Total occupancy of modern bureaus in 2001 was 77%.

Demand for bureaus in the old town and the city centre was on the decrease, first of all due to the lack of parking space and complicated communication with other districts of the city. As a result, prices for bureaus in the old town slightly decreased.

The market of trade premises is still on the development. Over the year there were about 140 purchase-sales transactions with trade premises, which is 15% less than in 2000.

Construction of supermarkets was on the increase. The trade system RIMI launched two Hyper centres with an area of 20 000 m² and 19 000 m², respectively. Vilnius prekyba opened two Hyper trade centres in Klaipėda (24 000 m²) and Vilnius (10 000 m²).

The total area of trade premises amounts to 489 300 sqm in Vilnius, 384 490 sqm in Kaunas, and 127 340 sqm in Klaipėda.

Rent prices for the trade premises remained stable.

The most active market of industrial and warehousing premises is in



New Hanner Business Centre in Vilnius

Vilnius, Kaunas and Klaipėda. Outskirts of Vilnius is a convenient location from the geographical point of view to equip warehouses. The majority of trading companies, as well as foreign businesses, have situated their warehouses. Kaunas has lots of buildings for industrial purposes, for which, however, demand is not very high, and prices are lower than these in Vilnius or Klaipėda. The market of warehousing premises is most active in Klaipėda port, where rent prices amount to the rent prices in Vilnius.

FINAL NOTES

This year the State Land Cadastre and Register in Lithuania summarised the information in three Baltic States and took care of the technical issues to publish this brochure. So coincided, that this year the State Land Cadastre and Register commemorates its five year activity. The analysis of real estate market is one of the most important activities of the enterprise and the participation in publishing the Baltic Review is a significant international co-operation fact.

The Review includes the real estate information on the basis of the transactions made in 2001. However, only some part of the existing real estate market data is provided. The registration procedure of

real estate information in three Baltic States has their own characteristic features and peculiarities, therefore not all the data is comparable in between. The readers of this publication who have broader interest in the real estate market issues have a possibility to address the authors of the publication whose addresses are indicated on the last page. We would also appreciate the proposals and remarks regarding the contents that would be helpful for improving market researches and allow providing more comprehensive information about this important sector of economy.

The Review and additional information are available on the Internet.

MAA-AMET

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