First Steps and Further Steps: Creation of Property Market Estonia Case Study

Aivar TOMSON and Ülleke EERIK
Study question

Was the creation of property market successful?
Legal milestones

- Principles of Ownership Reform Act (1991)
  - Land Reform Act (1991)
- Land Price Act (1992)
- Land Tax Act (1993)
- Land Valuation Act (1994)
- Land Register Act (1993)
- General Part of the Civil Code Act (1994)
- Land Cadastre Act (1994)
- Land Consolidation Act (1994)
- Planning and Building Act (1995)
- Immovables Expropriation Act (1995)

Legislation related to reforms was driven by political influences and was partly complicated or impossible to implement.

The main legal acts necessary for functioning of property market were passed within a 3-year period (1993-1995).
Formation of land parcels

The process speeded up in 1994-1995 and started to decrease in the beginning of 2000s.

1997-2001 (mostly in 2000) World Bank credit was used for land reform procedures and registration of new parcels.

Currently ca 98% reformed, 100% expected in 2019.
Formation of land units started in 1993 and reached its peak in 1999.

The first apartment units were formed in 1998.

Formation of Land Register units grew more rapidly, mainly caused by the formation of apartment units.
Mortgages and new construction

The number of mortgages was limited in 1990s and started to grow rapidly in the beginning of 2000s.

Construction started to grow in the beginning of 2000s and a few years later the market was booming and reached its peak in 2007.
The property market before 2000s - low purchasing power, variation in legal rights and an non-transparent status of property market

The property market reached its typical cyclical development in the beginning of 2000s

2006-2007 - low yields, high inflation and interest rates of long term commercial loans
Sales data

Database of transactions – complete since 2005

- Sales data for private valuers
- Statistics for public
- Mass valuations
- Market data for procedures with state assets

2002 – lack of legal basis for systematic data collection
Conclusions

- Slow implementation, but the land reform in Estonia in the context of market development was rather successful
- Approx. the first 10 years of development were rather out of the classical market cycles, it was more about registration and creation of ownership
- Mortgage registration was one of the key elements of the fast development of property market
Contacts

Aivar Tomson, MRICS
DTZ Kinnisvaraekspert
Ahtri 6a
Tallinn
Estonia
Tel. +372 5178573
Email: aivar.tomson@dtz.ee
Web site: http://kinnisvaraekspert.ee/

Ülleke Eerik
Estonian Land Board
Mustamäe tee 51
Tallinn
Estonia
Tel. +372 6650626
Email: ulleke.eerik@maaamet.ee
Web site: https://www.maaamet.ee/