HOUSING AND PROPERTY MARKET IN LITHUANIA

Kęstutis Sabaliauskas,
Director General
State Enterprise Centre of Registers, Lithuania
Kestutis.Sabaliauskas@registrucentras.lt

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LEGAL ENVIRONMENT

Main laws regulating the management, formation and housing of real property objects are:

- Civil Code;
- Law on Territorial Planning;
- Law on Land;
- Law on Cadastre
- Law on Construction and secondary legislation.

Long, complicated and confusing processes related to the preparation, coordination of planning and construction documents, decision-making, as well as increased number of involved institutions required changes in legislation.

AMENDMENTS TO THE LAW ON CONSTRUCTION

Law on Construction (in force from 1 October 2010) implemented the following improvements:

- streamlined the procedures for completion of construction. Construction is completed when it is approved by an act or a declaration on completion of construction;
- established the procedure for legalization of illegal construction, e.g. when a construction has been started without a building permit documentation, but basically the construction in this area is permitted under the existing planning documents;
- simplified the procedure for construction of small houses.
DISCUSSED AMENDMENTS TO THE LAW ON TERRITORIAL PLANNING

Amendments to the Law on Territorial Planning discussed at the Seimas foresee:

- to reduce the number of mandatory territorial planning documents;
- to shorten the territorial planning process up to 3 months. Currently, the preparation of detailed plans varies from 9 months to 3 years;
- to specify the cases when building-up plans are not required. It is estimated that the amount of currently developed detailed plans will reduce ~ 80%.
- to replace three types of the territorial planning documents: general, special and detailed planning documents by two types of planning documents: comprehensive and special planning documents;
- to distinguish the competence of national and municipal authorities.

REAL PROPERTY MANAGEMENT AND FORMATION
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- Main institutions involved in real property management and formation: Ministry of Agriculture, Ministry of Environment, Ministry of Justice, National Land Service, State Territorial Planning and Construction Inspectorate, State Enterprise Centre of Registers and others.
- State Enterprise Centre of Registers is responsible for administration of Real Property Cadastre and Register, registration of real property and real rights thereto; it performs surveying works, real property market research, and other functions.
- Real property formation and valuation is performed by private and public surveying companies operating on a fair competitive basis.
- Lithuania has an integrated, modern, nation-wide and multi-purpose real property cadastre and register system, where all information related to real property and its ownership is stored in one database.

LAND MANAGEMENT AND ADMINISTRATION PRINCIPLES

- Publicity and transparency
- Private – public – partnership
- Multi-purpose approach
- Standardisation and concentration
- Services based on digital data: E-services
- Good institutional co-ordination
- Data sharing – no work duplication
- Promotion of system interoperability
- Availability of textual and graphical data on Internet
REGISTERED REAL PROPERTY IN LITHUANIA

Real property objects formed in the manner prescribed by laws are registered in the Real Property Register. Only registered real property is subject to transactions.

On 1 January 2012 the Real Property Register database contained over 6 million units of real properties: land parcels, buildings, flats and premises, and engineering constructions.

NEW DEVELOPMENTS IN REAL PROPERTY MANAGEMENT AND ADMINISTRATION

Efficient real property management, cadastre and register system and good services is one of the conditions for sustainable housing and property market.

Improvement of public services, use of modern technologies and expansion of e-services is the main focus in creating better business environment and customer service. New developments include:

- Web-based real property formation - web-based software for surveyors and introduced electronic signature functionality in it.
- Public electronic service for real property transactions – e-conveyance.
- Electronic self-service for the clients of the Centre of Registers.
- Regional geoinformation environment service REGIA - to create favourable conditions for geographically-based decision-making and to facilitate the exchange of information.
In 2011, a public electronic service for real property transactions was fully implemented. Real property transactions are prepared using modern electronic means and working directly in an electronic way with the Real Property Register Central Databank.

Parties can make real property transaction, including all actions related to acquisition and registration, at the notary office.

Notary himself gets all necessary data for transaction directly from Real Property Register Central Databank.

Transaction and ownership registration documents are certified by notaries using electronic authentication and e-signature system.
HOUSING DEVELOPMENT

- Construction sector was growing since 2003, experiencing high growth in 2007-2008 and drastic falls starting at the end of 2008.
- The number of constructed residential houses in 2000 amounted to 1991 buildings, while in 2008 it more than doubled to 4027 units (increased by ca. 202%).
- The most drastic changes were in the construction of multi-flat houses: in 2008, 169 multi-flat houses were constructed, while in 2010 it dropped to 19 houses.
- Supply of new flats in the largest Lithuanian cities in 2009 and 2010 (compared to 2008) went down by 2.5 - 3 times.
HOUSING DEVELOPMENT DYNAMICS

Diagram shows the stock of flats: permits issued for construction of residential houses and flats, and number of completed construction.

Completed construction
- Individual houses
- Multi-flat houses

Permits issued for construction
- Individual houses
- Multi-flat houses

HOUSING BY YEAR OF CONSTRUCTION

Registered transactions of flats by different year of construction

- Constructed or reconstructed from 2004
- Constructed or reconstructed in 1991-2003
- Constructed or reconstructed before 1991

Registered transactions of residential buildings by year of construction

- Constructed or reconstructed from 2004
- Constructed or reconstructed in 1991-2003
- Constructed or reconstructed before 1991
### HOUSING DEVELOPMENT TRENDS

- Recently, the construction of residential buildings is slightly growing. In comparison with the results of economic growth, the construction volumes are almost 1.5 times less.

- In 2011, 4824 permits were issued for construction of residential houses - it means 18% permits less than in 2010. The construction of individual houses dominates: 98% of all permits are issued for construction of individual houses.

- Construction is mostly concentrated in the capital city - Vilnius. More than 43% of all permits in 2011 were issued in Vilnius County and 18% in Kaunas county.

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### REAL PROPERTY MARKET

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REAL PROPERTY MARKET DEVELOPMENT

Real property market development phases:

- **1992-2002** - the development of property market was related to a more active commercial real property market.
- **2002-2005** period is characterised by the growth in demand in residential real property.
- At the end of 2008 prices started to decrease almost all over Lithuania and real property market experienced stagnation: the housing price growth slowed down and the number of real property transactions decreased.
- Starting from the beginning of 2010 the real property market stabilised.

ACTIVITY OF THE REAL PROPERTY MARKET

Dynamics of transactions related to flats and individual houses

- Flat transactions
- Individual houses transactions
PRICE CHANGES IN RESIDENTIAL PROPERTY

Real property prices were growing since 2004 with rapid jump in 2007-2008. At the end of 2008 they started falling with steep drop in March 2009 by 33% (compared to 2008 and 2009). The lowest price was recorded in autumn 2009. Since then the prices are stable with slight ups and downs.

CREDIT MARKET
CREDIT MARKET

- Credits to the private sector grew on average by 51% annually in the period from 2003 to 2007, then showed signs of stagnation.
- In 2006-2007 favourable crediting conditions activated the residential real property market. About 61% of all the loans taken were the loans for house purchase issued between 2006 and 2008.
- At present, housing loans issued make 70-75% of property value; while during the boom they made even up to 90% or more of property value.
- Currently, the average interest rate ranges from 2,5% to 4%.

CONCLUSIONS

- Lithuania has an established and integrated legal framework, however some improvements are required, especially related to the territorial planning.
- Modern, secure, public and efficient real property cadastre and register system guarantees registered rights to real property and creates good basis for the development of real property and credit market.
- Data and information on real properties is stored in one integrated database; data is public and accessible. Wide range of information services based on modern solutions and spatially integrated approach ensure better operation of real property sector and efficient services.
CONCLUSIONS

- Slight recovery in the real property market is noticed. In 1 Quarter 2012, the number of real property (flats, single family houses, land parcels) transactions increased by 10.8% if compared to the same period last year.
- After the crisis in real property market, banks have approved and adopted responsible lending guidelines, which would help to prevent price bubble in the future.

Thank you for your attention