National Report by Lithuanian Association of Property Valuers

Steponas DEVEIKIS, Lithuania

Key words:

ABSTRACT

Lithuania is a country in Central Europe with an economy in transition from planned to open market economy. On 11 March 1990, Lithuania reconstructed its independence and decidedly began political and economical Reforms. In September 1991, Lithuania became the member of United Nations. In 2001 Lithuania was admitted to World Trade Organisation. Country is trying to become member of European Union.

The profession of Surveyors, Valuers or Experts is growing in the private sector and professionalism is quickly rising. Surveyors and Valuers had and will continue to have a particularly important role in the market economy particularly in real property sector, implementing the concept of sustainable development. The modern practice of an Expert profession involves a broad range of activities such as real property cadastre, real property management and land administration, territorial planning, assessment, estimation and valuation of risk on investment and others work areas.

Lithuanian Association of Property Valuers was created in 1994. Association is a member of FIG and others international NGO since 1995. Our Association is interesting in activities of the FIG Commissions 2,7,8 and 9, and best of all in activities of Commission 9.

National Report for FIG Congress from our Association is preparing for first time. It isn’t perfect. But this report will help to make opinion about our country, our profession and our Association.

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1. LITHUANIA IN GENERAL

<table>
<thead>
<tr>
<th>Population</th>
<th>3.7 millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Area</td>
<td>65,300 sq. km</td>
</tr>
<tr>
<td>Agricultural land</td>
<td>60.1%</td>
</tr>
<tr>
<td>Forest land</td>
<td>30.3%</td>
</tr>
<tr>
<td>Roads, built-up territory, other</td>
<td>5.5%</td>
</tr>
<tr>
<td>Waters/state Fund</td>
<td>2.4%</td>
</tr>
<tr>
<td>Land state – owned land</td>
<td>0.6%</td>
</tr>
<tr>
<td>Vacant state – owned land</td>
<td>1.4%</td>
</tr>
</tbody>
</table>

Gross national product (GNP), about 50 milliard. Litas or 12.5 milliard. USD
Investment (01 01 2001) 2,334 million. USD or 632 USD/for inhabitant

1.1 Main Investors from Abroad

<table>
<thead>
<tr>
<th>Country</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denmark</td>
<td>18.2%</td>
</tr>
<tr>
<td>Sweden</td>
<td>17.3%</td>
</tr>
<tr>
<td>Germany</td>
<td>7.4%</td>
</tr>
<tr>
<td>Great Britain</td>
<td>6.7%</td>
</tr>
<tr>
<td>Finland, USA and others</td>
<td></td>
</tr>
</tbody>
</table>

1.2 Administration

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Counties</td>
<td>10</td>
</tr>
<tr>
<td>Municipalities</td>
<td>44 districts</td>
</tr>
<tr>
<td></td>
<td>12 cities/towns</td>
</tr>
<tr>
<td>Local administration union</td>
<td>426</td>
</tr>
<tr>
<td>Cadastral space units</td>
<td>1397</td>
</tr>
</tbody>
</table>

1.3 Legal Framework

- Constitution of the Republic of Lithuania. 1992
- Law on Restitution of Ownership
- Right of the Real Property 919910 1997
− Land law, 1994
− Law on the Register of the Real Property, 1996
− Law on the Real Property Cadastre, 2000
− Civil Code (new, 2000).

1.4 Professionals bodies of the Surveyors

− Lithuanian Association of Property Valuers
− Lithuanian Association of Surveyors
− Lithuanian Union of Land and Water Management Engineers

1.5 Education of Surveyors

− Vilnius Gediminas Technical University (FIG Academic member)
− Lithuanian University of Agriculture (FIG Academic member)

2. OUR ASSOCIATION OF PROPERTY VALUERS AND US ACTIVITIES

Memberships in International NGO:

TEGoVA, The European group of Valuers Associations, since 1995
FIG, International Federation of Surveyors, since 1995
IVSC, International Valuation Standards Committee, since 1995
CEPI, European Real Estate Council; application for membership from 2002.

Professional body represented on TEGoVA; FIG and IVSC
Lithuanian Association of Property Valuers/ Lietuvos turto vertintojų asociacija

2.1 History

Non-governmental professional organisation - Lithuanian Association of Property
Valuers/Lietuvos turto vertintojų asociacija was established on 22 March 1994.

The starting position of the valuation system development (1993 - 1994):

− Rapid pace of privatization, development of private sector and market relations;
− Growing demand for market-based property valuation;
− No officially recognized property valuers, i.e. no experts having relevant university
  education or holding valuer’s qualification certificate;
− Efforts of private companies to render services of property valuation based on
  internationally recognized principles and methods;
− Growing motivation of private companies and single specialists to develop their
  professional skills.
The establishment of valuers' professional body stipulated:

− Valuers' professional training development;
− The development of methodological and legal basis for valuers' profession (*The Valuation Guidance (1996) together with the General Principles of Assessment of Value of Property (1995), approved by Government Decisions*) were the national instruments that made the greatest impact on the evolution of the Lithuania’s valuation network);
− The introduction of valuation approaches and procedures based on the principles of market economy;
− Establishment of the network of different institutions involved in property valuers training and certification;
− Establishment of academic education of valuers (the middle of decade).
− Development of extensive international relations.

3. ACHIEVEMENTS

− Property valuation became the field of activity, which is regulated by national legal acts and international standards;
− Market based valuation methods are used in practice;
− Well developed valuation practice (property transactions, mortgage; taxes, insurance, financial accountancy, bankruptcy, courts of justice, etc.);
− Mandatory certification system (since 1996) based on education and professional experience criteria;
− Mandatory professional indemnity insurance;
− Recognition of valuer’s profession in society.

4. RELEVANT NATIONAL LEGISLATION:

− Law on the Basics of the Property and Business Valuation, 25 05 1999,
− No VIII-1202)
− Property Valuation Guidance Notes (Government Resolution No 244, 14 02 1996)
− *Terms and Conditions of Granting of the Qualification of Valuer* (Government Resolution No 1157, 28 09 1998)
− *The Code of Professional Ethics of Valuers* approved by The Board of the Lithuanian Institute for Audit, Accounting and Valuation, Resolution No. 27-7, 14 09 2000; The General Meeting of Lithuanian Association of Property Valuers, Protocol No.7-7, 14 04, 2000.

5. NATIONAL STANDARDS AND/OR GUIDANCE:

Property Valuation Guidance Notes (Government Resolution No 244, 14 02 1996), based on internationally accepted property valuation methods and principles and transferring the
achievements of the valuation practice of the developed nations to the Lithuanian environment.

The updated version of Property Valuation Guidance Notes was approved by Government Resolution on 1999.

6. STATUS OF STANDARDS/GUIDANCE

Mandatory to all certified/practicing valuers.

7. REGULATORY REQUIREMENTS

The mandatory certification of valuers has been introduced in 1996.

The Government Resolution On Terms and Conditions of Granting of the Qualification of Valuer (No 1157, 28 09 1998) legitimated a four-tier scheme of certification of valuers. The four-tier qualification scheme legitimated four levels of qualification based on the two main criteria: education and professional experience. The four qualification levels are as follows: assistant valuer, valuer, senior valuer and expert valuer.

A new qualification scheme also includes the certification of the property valuation companies, their professional indemnity insurance and the state's supervision over property valuing activity.

Further evolution of the network of property valuation will also be influenced by the issues of valuers' certification debated by the European Group of Valuers Associations (TEGoVA).

8. METHODOLOGY:

− The sales comparison approach;
− The income approach: the investment method and the profits method could be employed with the use of either the direct capitalisation or the discounted cash flow technique;
− The cost approach: the replacement cost method, the substitute cost method and the liquidation cost method.
− The mixed approach: the residual method, the estimated land rate method, etc.

9. CODE OF MEASURING PRACTICE

− Law on the Real Property Cadastre, 27 June 2000 No. VIII-1764;

10. NOTE ON KEY PURPOSES OF VALUATION

12 cases are included into the Law on the Basics of the Property and Business Valuation The most important are as following:
− Valuations for property transactions
− Valuations for property insurance
− Valuations for property taxation, declaration
− Valuations for loan security purposes
− Valuation for bankruptcy
− Valuation for accountancy purposes
− Valuation in cases of compulsory purchase of land, etc

### 11. TAXATION

Legal background:

#### 11.1 Land

− Law on Land Tax, 25 06 1992, No I-2675

#### 11.2 Buildings

− Law on Real Property Tax of Companies and Organisations, 20 07 1994, No. I-565
− Procedure approved by the Resolution of the Government No. 1400, 27 11 1996

Valuation for real estate taxation is still based not on the market value, but on state defined formulas. Tax system is currently undergoing changes. The newly implemented property tax will be based on market values.

### 12. MAIN DIFFERENCES BETWEEN NATIONAL STANDARDS AND EVS OR IVS:

There are some small differences that arise from the impact of transition from centrally planned to market economy.

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