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INTRODUCTION

Baltic Review is a report of real estate markets in Estonia, Latvia and Lithuania. The three Baltic States have been reviewed in the previous years, as well, however this time the review attempts to compare the common indicators of different countries and compare them.

The review has been prepared as a collaboration between the three countries. Each Baltic country have been provided the data and have been written a brief comment. The review of the Baltic States’ real estate markets has been prepared by Estonian Land Board, State Land Service of the Republic of Latvia and State Enterprise Centre of Registers in Lithuania. The figures have been prepared, the photos have been taken and the review has been arranged by Estonian Land Board.

In each country, the data is found in a different way and therefore the results can not be interpreted as an absolute truth, however an overview about the real estate markets in the Baltic States could be reviewed.

Baltic Review starts with numbers of economic overview, to then continue with land transactions and transactions with buildings.
ECONOMIC OVERVIEW

General data (01.01.2016)

<table>
<thead>
<tr>
<th></th>
<th>Estonia</th>
<th>Latvia</th>
<th>Lithuania</th>
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</thead>
<tbody>
<tr>
<td>Area, km²</td>
<td>45 339</td>
<td>64 573</td>
<td>65 302</td>
</tr>
<tr>
<td>Capital</td>
<td>Tallinn</td>
<td>Riga</td>
<td>Vilnius</td>
</tr>
<tr>
<td>Population</td>
<td>1 315 944</td>
<td>1 968 957</td>
<td>2 888 558</td>
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<tr>
<td>National currency</td>
<td>EUR</td>
<td>EUR</td>
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</tbody>
</table>

Source: Eurostat

GDP in current prices, million EUR

<table>
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<tbody>
<tr>
<td>2012</td>
<td>17 935</td>
<td>22 058</td>
<td>33 348</td>
</tr>
<tr>
<td>2013</td>
<td>18 890</td>
<td>22 829</td>
<td>35 002</td>
</tr>
<tr>
<td>2014</td>
<td>19 758</td>
<td>23 631</td>
<td>36 590</td>
</tr>
<tr>
<td>2015</td>
<td>20 252</td>
<td>24 368</td>
<td>37 331</td>
</tr>
<tr>
<td>2016</td>
<td>20 916</td>
<td>25 021</td>
<td>38 631</td>
</tr>
</tbody>
</table>

Source: Eurostat

Average monthly gross wages, EUR

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<td>2012</td>
<td>887</td>
<td>685</td>
<td>653</td>
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<td>2013</td>
<td>949</td>
<td>716</td>
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<tr>
<td>2014</td>
<td>1 005</td>
<td>765</td>
<td>698</td>
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<tr>
<td>2015</td>
<td>1 065</td>
<td>818</td>
<td>722</td>
</tr>
<tr>
<td>2016</td>
<td>1 146</td>
<td>859</td>
<td>774</td>
</tr>
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Sources: Statistics Estonia, Central Statistical Bureau of Latvia, Statistics Lithuania

GDP growth, %

<table>
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<tr>
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<tr>
<td>2012</td>
<td>4.3</td>
<td>4.0</td>
<td>3.8</td>
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<tr>
<td>2013</td>
<td>1.4</td>
<td>2.6</td>
<td>3.5</td>
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<td>2014</td>
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<td>2.1</td>
<td>3.5</td>
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<td>2015</td>
<td>1.4</td>
<td>2.7</td>
<td>1.8</td>
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<tr>
<td>2016</td>
<td>1.6</td>
<td>2.0</td>
<td>2.3</td>
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</table>

Source: Eurostat

Inflation, %

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<tr>
<td>2012</td>
<td>4.2</td>
<td>2.3</td>
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<tr>
<td>2013</td>
<td>3.2</td>
<td>0.0</td>
<td>1.2</td>
</tr>
<tr>
<td>2014</td>
<td>0.5</td>
<td>0.7</td>
<td>0.2</td>
</tr>
<tr>
<td>2015</td>
<td>0.1</td>
<td>0.2</td>
<td>-0.7</td>
</tr>
<tr>
<td>2016</td>
<td>0.8</td>
<td>0.1</td>
<td>0.7</td>
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Source: Eurostat
### Unemployment, %

<table>
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<tr>
<td>2012</td>
<td>10.0</td>
<td>15.0</td>
<td>13.4</td>
</tr>
<tr>
<td>2013</td>
<td>8.6</td>
<td>11.9</td>
<td>11.8</td>
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<tr>
<td>2014</td>
<td>7.4</td>
<td>10.8</td>
<td>10.7</td>
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<tr>
<td>2015</td>
<td>6.2</td>
<td>9.9</td>
<td>9.1</td>
</tr>
<tr>
<td>2016</td>
<td>6.8</td>
<td>9.6</td>
<td>7.9</td>
</tr>
</tbody>
</table>

Source: Eurostat

### Interest rates of long term commercial loans, %

<table>
<thead>
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<th>Year</th>
<th>Estonia</th>
<th>Latvia</th>
<th>Lithuania</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>3.6</td>
<td>2.9</td>
<td>5.2</td>
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<tr>
<td>2013</td>
<td>3.1</td>
<td>2.8</td>
<td>4.8</td>
</tr>
<tr>
<td>2014</td>
<td>2.9</td>
<td>2.6</td>
<td>4.8</td>
</tr>
<tr>
<td>2015</td>
<td>2.4</td>
<td>3.2</td>
<td>7.3</td>
</tr>
<tr>
<td>2016</td>
<td>2.3</td>
<td>2.7</td>
<td>2.8</td>
</tr>
</tbody>
</table>

Sources: Bank of Estonia, Bank of Latvia, Bank of Lithuania

### Tax rate (01.01.2016), %

<table>
<thead>
<tr>
<th>Tax Type</th>
<th>Estonia</th>
<th>Latvia</th>
<th>Lithuania</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income tax (for natural persons)</td>
<td>20</td>
<td>23</td>
<td>15</td>
</tr>
<tr>
<td>Profit tax (for legal person)</td>
<td>20</td>
<td>15</td>
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</tr>
<tr>
<td>Value added tax</td>
<td>20</td>
<td>21</td>
<td>21</td>
</tr>
<tr>
<td>Land taxation rate</td>
<td>0.1 – 2.5</td>
<td>1.5</td>
<td>0.01 - 4</td>
</tr>
<tr>
<td>Construction taxation</td>
<td>–</td>
<td>0.2 – 1.5</td>
<td>–</td>
</tr>
</tbody>
</table>

Sources: Estonian Tax and Customs Board, Bank of Latvia, Lithuanian Tax and Customs Board
1. MARKET OF LAND WITHOUT BUILDING

ESTONIA

Variable fluctuations of land market and a larger area of registered land are reflected in the statistics on purchased area in the territory of Estonia. During the expansion period (2012 – 2016) more than 2% of territorial land was purchased each year. This number increased over the years till it reached its highest value in 2014 when 2.7% of the total area was purchased. The increase of purchased land could be explained by the improving economic situation. In 2015, 2.2% and in 2016 2.1% of territorial land was purchased. In the last two years, the purchased area decreased because the proportion of profit yield land transactions increased and, in turn, the proportion of residential land transactions increased.

LATVIA

The dominant area of land traded is agricultural land. A decrease in the total traded area in 2015 and in 2016 is due to the fact that smaller land plots are traded more frequently than the larger ones in comparison to previous years. The demand for agricultural land is high.
LITHUANIA

Percentage of purchased area in Lithuania significantly increased in 2013 – by 2.6%. This significant increase was mostly influenced by higher number of agricultural land transactions, related to the amended Law on the Acquisition of Agricultural Land, which came into force on 1 January 2014. Afterwards, situation returned to previous trends – purchased area each year made up approximately 1.5% of the total territory. This could be explained by increasing popularity of long-term lease\(^1\).

BALTIC STATES

During the period 2012 – 2016, the highest purchased area level was in Latvia (2.5 – 3.3%) and the lowest purchased level was in Lithuania (1.5 – 2.6%). In the last two years, in all three Baltic States, the purchased area was lower than earlier.

![Fig.2. The number of land transactions](image)

ESTONIA

The number of land transactions was increased by 12% in 2013 and by 17% in 2014. In 2015 the number of transactions fell slightly and stayed at 12 489. In 2016, the number of land transactions was the same as in 2015.

LATVIA

In real estate property market most transactions that take place are with vacant land. The average transaction count of vacant land in years 2015 and 2016 was roughly 12 000. In the same period the average transaction count for land with buildings was around 9 000.

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\(^1\) Land purchases made by state and municipalities excluded.
LITHUANIA

In 2013 total number of land transactions in Lithuania increased by 17% and in 2014 the total number of land transactions decreased by 17%. Afterwards the activity in the land market in Lithuania, in general, remained almost at the same level and compared to 2015, in 2016 the total number of land transactions increased by 5%.

BALTIC STATES

The highest number of land transactions were made in Lithuania, ranging between 22,839 – 28,755, which was almost two times higher than in other Baltic countries. In Estonia and in Latvia, the number of transactions remained between 10,585 – 13,829. In 2012 – 2013 and in 2016, there were more transactions in Latvia than in Estonia, but in 2014 – 2015, the situation was vice versa. In 2016, the number of land transactions increased in Latvia and Lithuania, but stayed at the same level in Estonia.

The number of land transactions and changes

<table>
<thead>
<tr>
<th></th>
<th>Estonia</th>
<th>Latvia</th>
<th>Lithuania</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential land</td>
<td>2,481</td>
<td>2,314</td>
<td>-6.7</td>
</tr>
<tr>
<td>Commercial land</td>
<td>120</td>
<td>113</td>
<td>-5.8</td>
</tr>
<tr>
<td>Industrial and warehousing land</td>
<td>162</td>
<td>224</td>
<td>38.3</td>
</tr>
<tr>
<td>Agricultural land</td>
<td>1,463</td>
<td>1,551</td>
<td>6.0</td>
</tr>
<tr>
<td>Forest land</td>
<td>2,618</td>
<td>2,647</td>
<td>1.1</td>
</tr>
<tr>
<td>Amateur gardens land</td>
<td>0</td>
<td>0</td>
<td>-0.1</td>
</tr>
<tr>
<td>Other and mixture land</td>
<td>5,645</td>
<td>5,640</td>
<td>-0.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>12,489</td>
<td>12,489</td>
<td>0.0</td>
</tr>
</tbody>
</table>

ESTONIA

During the period 2012 – 2016, most of the transactions were made with forest land, ranging between 21 – 25%. Since 2012, the proportion of forest land transactions decreased and, in turn, the proportion of residential land transactions increased. In 2016, 21% of transactions were made with forest land, 19% with residential land and 12% with agricultural land. The transactions with commercial and industrial land made up for only few percent of all transactions.

LATVIA

As we can see from the graph, when split into groups by land use type, the majority of land transactions that have taken place are the ones with agricultural land (20 – 25%) and with residential land (20 – 25%). We can also observe that the least amount of transactions that have taken place are with commercial land and industrial land.
In 2013 the total number of land transactions in Lithuania increased by 17%, the highest increase (24%) was observed in agricultural land segment. The majority of agricultural transactions were made in Vilnius district. This significant increase of agricultural land transactions was related to the amended Law on the Acquisition of Agricultural Land, which came into force on 1 January 2014, that restricted purchases of agricultural land. In 2016, 40% of transactions were made with residential land, 37% with agricultural land and 16% with forest land. The transactions with commercial, industrial and amateur gardens land made up for only few percent of all transactions. Compared to 2015, in 2016 the number of transactions increased in all segments, except for forest and amateur gardens land.

BALTIC STATES

The proportions of land transactions in three Baltic States were different. In Estonia and Latvia, the proportions of transactions were more similar compared to Lithuania. During the period 2012 – 2016, in Estonia most of the transactions were made with forest land (21 – 25%), next with residential land (12 – 20%) and then with agricultural land (12 – 16%). In Latvia, most transactions were made with the same land types, but with different proportions: 23 – 25% with agricultural land, 14 – 23% with residential land and 8 – 9% with forest land. At the same time, in Lithuania the most popular were the transactions with agricultural land (36 – 53%), with residential land (26 – 40%) and with forest land (13 – 18%).
1.1. Residential land

ESTONIA

During the period 2012 – 2016, most of the transactions performed involved an area of 1 500 to 2 999 m². The share of these parcels in residential land market transactions remained between 38 – 41% and the share of 700 – 1 499 m² parcels remained between 27 – 30%. The demand for bigger, 3 000 – 9 999 m² parcels in residential land increased a little, from 26% in 2012 to 28% in 2016.

LATVIA

Residential lands which are placed on the market typically range up to 1 500 m². Out of all transactions more than 20% are with land which measures less than 700 m². Usually these parcels are located in historic city centers and they are Soviet allotment plots. In cities and rural areas the typical parcels are mostly up to 1 200 m². However, since the year 2013 there is a tendency that the buyer chooses bigger parcels.

Fig. 4. Residential land by acquired area (m²) in Baltic States
LITHUANIA

Though the number of transactions of parcels for residential housing construction was variable during period of 2012 – 2016, trends on required area of land parcels remained almost the same. The most popular were residential land parcels of 700 – 1,499 m². In 2016 the share of these parcels in residential land market transactions was 50%. During the period of crisis and afterwards the demand for bigger parcels of 1,500 – 2,999 m² slightly decreased. For instance, in 2016 the proportion of these parcels in total residential land transactions was equal to 30%. The demand for bigger 3,000 – 9,999 m² parcels remained moderately the same (proportion of such transactions was 10 – 15% through all the reported period).

BALTIC STATES

While in Estonia, the most popular were the residential land parcels of 1,500 – 2,999 m² (38 – 41%), then in other Baltic countries most of the transactions were made with the parcels of 700 – 1,499 m², ranging between 35 – 37% in Latvia and between 43 – 50% in Lithuania. The least of transactions were also made with different residential land size groups in different Baltic countries. In Estonia, the least of transactions were made with parcels of the smallest area (300 – 699 m²), ranging between 4 – 8%, but in Latvia and in Lithuania, the least transactions were made with parcels of the biggest area (3,000 – 9,999 m²), ranging between 11 – 16%.

Fig.5. The weighted average prices of residential land in Baltic States (€/m²)

ESTONIA

The average price of residential land decreased by 3% in 2013 compared to 2012. Since 2014, the average price started to grow and increased by 10% in 2015 and by 5% in 2016. The average price reached 21 €/m², which was 13% higher than in 2012.

LATVIA

We can observe that prices started to fall in year 2012, but from 2015 onwards the prices stabilized. The decrease in prices was influenced by macroeconomic factors such as a fall in overall oil prices
worldwide as well as changes in the Immigration Act, therefore non-residents were not as interested in Latvian real estate market as much as before. Hence the market became more domestic demand based. The year 2015 for residential land market segment can be described as complete reorientation and adaption to local market demands.

LITHUANIA

The prices of residential land were almost stable till 2014 and after that slightly decreased. Compared to 2012, the average prices in 2016 decreased by 13% (from 16 €/m² to 14 €/m²).

BALTIC STATES

Since 2012, the highest average prices of residential land were in Estonia (18 – 21 €/m²), where the prices grew by 13% throughout the 5 years. During the period 2012 – 2016, in contrast to Estonia, the average prices of residential land decreased by 13% in Lithuania and by 43% in Latvia. In 2016, in Estonia, the average price was 21 €/m², which was more than 1.5 times higher than in Lithuania (14 €/m²) and more than 2 times higher than in Latvia (9 €/m²).

ESTONIA

In 2012 – 2016, the highest price level and also the highest growth were in the capital city Tallinn. Compared to 2012, the average price grew by 21% in 2013, but then the average price slightly decreased (2%) in 2014. Since 2015, the average price of Tallinn’s residential land started to grow and reached 139 €/m² in 2016, which was 1.7 times higher than in 2012. In Tartu, the average price increased also throughout the 5 years, but slightly less. In 2016, the average price of Tartu’s residential land was 57 €/m², which was 1.3 times higher than in 2012. In Pärnu, the average price was quite stable (30 – 37 €/m²) during the period 2012 – 2016, except for in 2015, when the price fell as low level as 21 €/m².

Fig.6. The weighted average prices of residential land in major cities in Estonia (€/m²)
During the period 2012 – 2016, the highest average prices of residential land with buildings were in Northern Estonia. The higher prices in Northern Estonia were mostly due to the capital Tallinn. In Northern Estonia, the average price increased and decreased as well in 2012 – 2016, but reached 36 €/m² in 2016, which was 8% higher than in 2012. In the last year, the average price of residential land was 13 €/m² in Southern Estonia, 8 €/m² in Western Estonia 6 €/m² in North-eastern Estonia and 5 €/m² in Middle Estonia. While in most land regions, the average prices grew throughout the 5 years (8 – 20%), then in North-eastern Estonia, the average price decreased by 26%.

LATVIA

In 2015 Riga and Jurmala has the steepest drop in price of residential building land, which is linked to politic and economic situation in Russia. Due to the occurrences in Russia, non-resident
transaction count fell sharply. Already in 2016 we can see a stabilization in prices and even a slight growth. In Jūrmala a fall in prices can be observed in 2016, which is due to the location of the object – there is a low number of transactions with land that is located in expensive territories and higher activity in less “attractive” territories (Melluži, Asari). The market is dominated by local buyers.

Fig.9. The weighted average prices of residential land in regions in Latvia (€/m²)

Vidzeme region includes Rīga and Jūrmala. Significant changes here are directly related to the amendments in Immigration law as mentioned previously. The structure of the market has changed – transactions with more expensive objects are carried out relatively less frequently. Other regions experience no significant price changes in residential building market. In 2014 there is a slight rise in prices in Kurzeme and Zemgale in contrast to Vidzeme, which shows us that the local buyer dominates residential land market segment.

LITHUANIA

The highest residential land prices were in capital Vilnius. The highest average price were observed in 2015 (101 €/m²), afterwards the prices decreased by 23% reaching 78 €/m² in 2016. In Kaunas the average prices were decreasing since 2012 till 2014, and afterwards started to increase due to the recovery of the residential market and in 2016 they almost reached their previous level (54 €/m²). In Klaipeda the average prices were increasing during the whole the period – in 2016 the prices were 64% higher than in 2012 having reached 68 €/m². Residential land prices in Panevėžys were not subjected to high fluctuations; in 2016 the average price was 11 €/m². The lowest prices were observed in Šiauliai (the smallest town compared to others): the average price decreased by 27% from 11 €/m² in 2012 to 8 €/m² in 2016. In bigger cities (Vilnius, Klaipeda and Kaunas) land parcels suitable for the construction of individual houses are offered both by private persons and developers who prepare entire packages of land parcels for sale (communications are installed, access roads are built and any other services is ensured). For this reason, purchasers have fairly good options both in terms of choice and negotiation.
In the Vilnius region the highest average prices were observed in 2014 (94 €/m²), afterwards the prices decreased significantly, by 67%, and reached 31€/m² in 2016. In the Kaunas region the prices started to increase slightly after the year 2015 due to the recovery of the residential market; however, in 2016 the average prices were 19% lower than in 2012. The residential market in Klaipėda was variable during all the observed period. The prices increased significantly in 2014 (by 68% compared to 2013), while in 2015 they decreased by 24%, and in 2016 decreased yet by another 47%. The prices in other regions remained almost stable due to low activity in the real estate market.

Fig.10. The weighted average prices of residential land in major cities in Lithuania (€/m²)

Fig.11. The weighted average prices of residential land in regions in Lithuania (€/m²)
1.2. Commercial land

ESTONIA

During the period 2012 – 2016, most of the transactions performed involved an area of 3 000 to 9 999 m². The share of these parcels in commercial land market transactions was between 39 – 56%. The least of the transactions were made with parcels of the smallest area (300 – 699 m²), ranging between 9 – 14%.

LATVIA

In commercial land segment the activity depends on the area of parcel. There is a higher number of transactions with parcels that are bigger.

![Fig.12.Commercial land by acquired area (m²) in Baltic States](image)

LITHUANIA

During the period of 2012 – 2016, in contrast to residential land market, the bigger land plots of 3 000 to 9 999 m² were mostly demanded for commercial purposes. These transactions made up for approximately 35% of all the transactions. Bigger land plots were usually acquired by real estate developers for various mixed-use regeneration projects. For instance, at the beginning of 2016, a
land parcel with an area of 3.1 ha in Drujos Street in Markuciai district (former site of Audejas Textile Company), Vilnius, was sold. One of the investors – real estate projects development and property management company VPH – was planning to invest around 60 million in this territory by the year 2018 and to build a big shopping center there. In the middle of 2016, Panevezio keliai sold its subsidiary which managed the territory of the former Skateks factory in Vilnius' Uzupis district with an area of 5 ha. The shares of the company were acquired and all obligations were taken over by the real estate development company MG Valda. MG Valda plans to implement the concept of the former owner in the territory, namely, to establish an exceptional residential area with well-arranged infrastructure, interesting working places, cultural life and active community. Smaller land plots were also demanded – transactions for 700 – 1 499 m² plots made up for, in average, 25% of all the transactions. Most of these transactions were accomplished in Vilnius.

BALTIC STATES

Though the number of transactions of parcels for commercial land was variable during the period of 2012 – 2016, the trends on required area of land parcels remained almost the same in all Baltic States. Most of the transactions with commercial land were made with the biggest land area (3 000 – 9 999 m²). In Latvia and Lithuania the parcels in commercial land market transactions remained between 32 – 38%, but in Estonia they were a little bit higher (39 – 56%). The least transactions were made with the smallest parcels (300 – 699 m²) and the transactions for the smallest commercial land parcels ranged between 9 – 18%.

![Fig.13. The weighted average prices of commercial land in Baltic States (€/m²)](image)

ESTONIA

The number of transactions with commercial land in Estonia was quite small and because of that the changes in average prices were quite remarkable. The price of commercial land depended mostly on the location. The most expensive parcels corresponded to the center of Tallinn. The more transactions were made in the center of Tallinn, the higher was the average price, and vice versa. During the period 2012 – 2015, the average prices remained between 34 – 55 €/m². Compared to
2015, in 2016 the average prices of commercial land rose approximately over 50% (78 €/m²) because more expensive transactions made in the center of Tallinn.

LATVIA

Fluctuations in prices are dependent on the location of transaction. For example, in 2014, a number of great-scale transactions took place in the center of Rīga (parking place near Olympic Hall “Skonto”, parcels next to Avalon hotel and Old Riga hotel). Certain exclusive and expensive object placement in market results in a rise for the average price level. The largest proportion of such properties came into market in 2014. Commercial land segment market in year 2015 can be described as complete reorientation and adaption to local market requirements. Market participants have temporizing tactic.

LITHUANIA

Fluctuations of the prices in commercial land market depended on the year and the location. The most expensive were the land plots in capital Vilnius. The average prices increased in 2013 and remained almost stable till 2015. There was a slight prices’ decrease in 2016, however, the prices remained almost 30% higher than in 2012.

BALTIC STATES

During the period 2012 – 2016, the average prices of commercial land rose and fell as well in Baltic States. The biggest changes were seen in Estonia, as less transactions were made there. The average prices of commercial land were more stable in Latvia and Lithuania. In all three Baltic States the more expensive transactions were made in capitals. The highest average prices of commercial land were in Estonia, ranging between 34 – 78 €/m². In Latvia, the prices ranged from 21 to 40 €/m² and in Lithuania from 14 to 26 €/m². In 2016, the average prices of commercial land were: 78 €/m² in Estonia, 27 €/m² in Latvia and 19 €/m² in Lithuania.
1.3. Industrial and warehousing land

ESTONIA

During the period 2012 – 2016, most of the transactions performed involved an area of 3 000 to 9 999 m². The share of these parcels in industrial land market transactions was between 48 – 62%. The least transactions were made with the smallest areas (300 – 699 m²), ranging between 5 – 15%.

LATVIA

The industrial and warehouse land market segment shows us stability in terms of transaction count as well as prices. The market mostly consists of large plots (3 000 – 9 999 m²) of industrial land.

LITHUANIA

The industrial and warehouse land segment was dominated by bigger transactions, 3 000 – 9 999 m² plots were mostly demanded.
BALTIC STATES

Similarly to the commercial land, the most popular were the industrial and warehousing land parcels of 3,000 – 9,999 m². In Latvia and Lithuania the parcels were between 34 – 50% and in Estonia 48 – 62%. While in Estonia and in Latvia, the least transactions were made with the smallest parcels (300 – 699 m²), then in Lithuania it corresponded to the parcels of 700 – 1,499 m². The transactions for the smallest land parcels ranged between 5 – 15% in Estonia and 15 – 19% in Latvia.

Fig.15 The weighted average prices of industrial and warehousing land in Baltic States (€/m²)

ESTONIA

The price of industrial land was more stable than the price of commercial land. Compared to commercial land, more transactions were made with industrial land and they took place outside the center of Tallinn. In spite of that, the prices were also much lower. The average price of industrial land remained between 9 – 17 €/m². In 2016, the average price of industrial land was 14 €/m².

LATVIA

Price fluctuations over the years in this segment are short. The fluctuations in price of the underlying transactions depend on the location – city or rural area. The average price of industrial land in city was 12 €/m², rural area 3 €/m². For example, multiple large scale transactions have taken place in 2015 outside Riga, when the land was purchased for the existing production facilities.

LITHUANIA

The average price was constantly increasing since 2012 and in 2015 it reached 60 €/m². However, in 2016 the average price slightly decreased by 9% and was equal to 54 €/m². These trends can be explained by lower demand for warehousing premises, specific requirements of tenants (location and technical parameters of the building) as well as the slowdown in the growth of rents. Still, it cannot be said that the development of warehousing buildings has stopped altogether. Financially stronger companies implement projects that meet their needs themselves or develop smaller projects intended for lease, especially in Vilnius. Five small-scale projects with total warehousing
area of 12 800 m² were completed in Vilnius in 2016. In 2017, at least three warehousing projects with a total area of 34 000 m² should be implemented in Vilnius. These projects are being developed by Baltic Sea Properties, Ad Rem and Sirin Development.

BALTIC STATES

In all three Baltic States, the prices of industrial land were more stable than prices of commercial land. The highest average prices were in Lithuania (38 – 60 €/m²), where the prices were more than three times higher than in other Baltic States. In Estonia and in Latvia the average prices remained between 9 – 17 €/m². While in Lithuania there were several transactions in Vilnius, then in the same time in Estonia and in Latvia, the transactions took place outside the center of capitals. In 2016, the highest average price was in Lithuania – 54 €/m², which was about 4 times higher than in Estonia (14 €/m²) and about 7 times higher than in Latvia (8 €/m²).
1.4. Agricultural land

ESTONIA

Since 2012, most of the transactions with agricultural land were made with the smallest land area (2 – 4.9 ha) and the transactions for the smallest agricultural land parcels ranged between 33 – 41%. Only 6 – 11% of transactions were made with the biggest land area (20 – 49.9 ha).

LATVIA

During the reported period, the market activity in transactions with agricultural land remained steady. Slightly higher activity can be observed in 2013 and 2014, after the crisis. The rising prices increased the offer, which can be seen in the increase in the number of transactions. Small and fragmented land plots have been established due to the most recent land reform in Latvia, therefore the transaction count is mostly made up of these small plots. On average, around 40% of transactions each year are made out of agricultural land properties that are less than 5 ha and only 10% of transactions are made out of plots between 20 and 50 ha.
LITHUANIA

Through all the analyzed period smaller land parcels (2 – 4.9 ha) were mostly demanded. These transactions made up for almost 60% of all the agricultural land transactions, more than 20% of the transactions were for land plots of 5 – 9.9 ha, and the proportion of bigger transactions (10 ha and more) was very insignificant.

BALTIC STATES

Though the number of transactions for parcels of agricultural land was variable during the period of 2012 – 2016, the trends on required area of land parcels remained almost the same in all Baltic States. The most popular were agricultural land parcels of 2 – 4.9 ha. In Latvia and in Estonia, the transactions with the smallest parcels remained between 33 – 41%, but in Lithuania even between 58 – 61%. The least transactions were made with the biggest parcels (20 – 49.9 ha) and the transactions for the biggest agricultural land parcels ranged between 3 – 4% in Lithuania, 6 – 11% in Estonia and 9 – 13% in Latvia.

Fig.17. The weighted average prices of agricultural land in Baltic States (€/ha)

ESTONIA

In 2012, after several years, the prices of agricultural land in Estonia started to grow faster than before. Both direct users of the land (farmers) and speculators, who hope to profit from reselling the land, were interested in agricultural land. One of the reasons for this interest is that these parcels of land were relatively inexpensive and, depending on location and size, ranged from 1 000 €/ha to 4 000 €/ha. Another reason was the European Union payments of subsidies to land owners. The prices of agricultural land continued to grow by 24% in 2013 and by 31% in 2014. Since 2015, the price growth slowed down and in last two years the prices of agricultural land grew only 6% in both years. The average price of agricultural land has reached its highest level (2 568 €/ha) since the beginning of 2004.
LATVIA

However, by looking at transaction prices we can observe a constant growth. Prices are rising in every agricultural land quality group. Accordingly, the rise in prices is also reflected in each region separately. Value levels differ. Most expensive purchases are made in Zemgale region, which is characterized by solid large and good quality agricultural land plots. The cheapest prices are in Latgale region which is influenced by both distance Riga/ports and relief with discontinuous lower quality agricultural land areas.

LITHUANIA

In 2013 a record-breaking activity in agricultural land segment after the crisis has been observed. There were 38 281 land purchase-sale transactions registered throughout Lithuania in 2013 – 19% percent more than in 2012. The transactions in agricultural land segment made up 77% of all transactions conducted in 2013. The largest activity was in the most productive regions of Lithuania. The capital city was playing a major role in the land market. The majority of agricultural land was made in Vilnius city – 35% of all transactions. This significant hike of agricultural land in Vilnius city may be related to the amended Law on territory planning, which entered into force since 2014. The law eliminated the necessity to draw up detailed plans in many cases. As a result, in the recovering real estate market in Vilnius, a relatively cheaper agricultural land has become attractive to investors. In 2014 the activity of land market was variable. Activity in agricultural market decreased – the number of transactions decreased by 67% in comparison to 2013. It can be related to the strengthened law on agricultural land acquisition, which made the alternative of long-term lease become much more popular. Since 2015 the agricultural land market recovered and the number of transactions as well as the prices increased rapidly. High market activity increased prices for agricultural land by 5 – 10% in Lithuania in 2016. In 2016 the average price reached 3 290 €/ha and was the highest through all the reported period.

BALTIC STATES

Since 2012, the trend on prices of agricultural land remained almost the same in all three Baltic States. The average prices increased every year, but in different countries and different years, the growth was also different. The most stable growth was in Latvia, where it remained between 13 – 18%. In Estonia and in Lithuania the average prices increased 5 – 33% yearly. In 2016, the highest average price was in Lithuania – 3 290 €/ha, which was 1.9 times higher than in 2012. In Latvia and in Estonia, the last year’s average prices of agricultural land (2 817 €/ha and 2 568 €/ha) were 1.8 times higher than in 2012.
1.5. Forest land (growing timber)

ESTONIA

While in 2013, 2015 and 2016 most of the transactions with forest land were made with the smallest land area (2 – 4.9 ha), then in 2012 and 2014 it corresponded to the area of 5 – 9.9 ha. The transactions for the smallest land parcels ranged between 33 – 41% and the transactions for the next land parcels (5 – 9.9 ha) ranged between 35 – 37%. These numbers show that there is no clear division between these two land size groups. During the period of 2012 – 2016, only 6 – 8% of transactions were made with the biggest land area (20 – 49.9 ha).

LATVIA

Forest land market activity during the reported period is quite even. Referring to the data used, we can observe that there is a drop in 2016, but it is due to the fact that not all of the transactions carried out in 2016 are included in the analysis. Similarly as in the agricultural land transactions, forest land transactions are mostly made with small area properties. In the last few years proportion of large forest land transactions has decreased. More transactions are carried out in Latgale and Vidzeme regions.

![Fig.18.Forest land by acquired area (ha) in Baltic States](image)
LITHUANIA

The number of forest land transactions was constantly changing since 2012, with highest increases in 2013 and 2015. Smaller land plots (2 – 4.9 ha) were demanded through all the period, these transactions made up more than 50% of all forest land transactions.

BALTIC STATES

Similarly to the agricultural land, the least popular were the forest land parcels of 20 – 49.9 ha. In Latvia the parcels corresponded to 10 – 14%, in Estonia to 6 – 8% and in Lithuania only to 3% each year. In Lithuania, the most popular were the smallest land parcels (2 – 4.9 ha), ranging between 54 – 59%. In other Baltic countries, there is no clear division, in which land size group more transactions were made. The transactions for the smallest land parcels ranged between 33 – 41% in Estonia and 28 – 35% in Latvia and the transactions for the next land parcels (5 – 9.9 ha) ranged between 35 – 37% in Estonia and 31 – 34% in Latvia.

Fig.19. The weighted average prices of forest land in Baltic States (€/ha)

ESTONIA

Starting from 2010 forest land prices rose constantly. The prices of forest land continued to grow by 26% in 2013. The growth then slowed down and in 2014 the average price of forest land increased around 7% compared to the previous year. In 2015 the prices fell slightly (3%), but in 2016, the prices started to grow again (4%), which show that the prices have remained stable in the last few years. In 2016, the average forest land price was 2 894 €/ha.

LATVIA

Transaction price fluctuations over the years are minimal. Forest land value is linked to the purchase price of timber, harvesting costs and forest regeneration and maintenance costs. Statistical data of these indicators in recent years show minimal variations of 2 – 3% limits. So small changes practically do not affect forest land price level, which can also be seen in the graph. The average
transaction prices do not differ significantly by region besides Latgale. The average price for forest land transactions in Latgale is about 10% less than in the rest of the country.

**LITHUANIA**

Market fluctuations reflected in average prices of forest land plots. Prices were increasing till the year 2014, then, after a slight decrease, recovered in 2016. The average price reached the highest level since 2012 – 2 633 €/ha.

**BALTIC STATES**

During the period 2012 – 2016, the highest average prices of forest land were in Estonia. In 2016, the average price was 2 894 €/ha, which was 1.4 times higher than in 2012. The trends of average prices remained almost the same in Estonia and Lithuania. In Lithuania, the average price last year was 2 633 €/ha and it was 1.5 times higher than in 2012. Since 2012, in Latvia, the average prices of forest land have been lower than in the other Baltic countries. Also, the growth of price throughout 5 years was marginal – 1.1 times. In 2016, the average price in Latvia was 1 575 €/ha.
2. MARKET OF LAND WITH BUILDINGS

ESTONIA

The number of land transactions with buildings increased by 18% in 2013 compared to the previous year. The growth then slowed down and in 2014 the number of transactions increased only 5%. Since 2015, the number of transactions decreased slightly staying at 6,690 in 2016, which was still 23% higher than in 2012.

LATVIA

During the reported period, changes in transaction count for land with buildings range +/-5%.

![Graph of land transactions with buildings]

Fig. 20. The number of land transactions with buildings

LITHUANIA

The number of land transactions with buildings mostly increased from 2012 till 2013 – from 11,684 to 13,178 transactions per year (13%). Afterwards the number of transactions was constantly increasing till 2015 when slight decrease to 12,369 transactions was observed. However, in 2016 the number of transactions reached 13,458 and was the highest throughout all the reported period.
BALTIC STATES

In all three Baltic States, the number of transactions mostly increased in 2013 compared to the previous year, the growth ranging between 12 – 18%. Then, the growth slowed down in all three Baltic States, ranging between 1 – 6% in 2014. In the next year, the number of transactions decreased by 5% in Latvia and by 7% in Lithuania. In 2016, the number of transactions continued to fall in Estonia, but in Latvia and in Lithuania started to grow again.

The number of land transactions with buildings and changes

<table>
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<td>5 357</td>
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<td>-8.5</td>
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<td>642</td>
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<td>306</td>
<td>8.1</td>
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<tr>
<td>Other and mixture land</td>
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<td>1 281</td>
<td>-6.0</td>
<td>2 692</td>
<td>2 835</td>
<td>5.3</td>
<td>4 799</td>
<td>5 187</td>
<td>8.1</td>
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<td><strong>6 690</strong></td>
<td>-1.2</td>
<td><strong>9 288</strong></td>
<td><strong>9 417</strong></td>
<td>1.4</td>
<td><strong>12 369</strong></td>
<td><strong>13 458</strong></td>
<td><strong>8.8</strong></td>
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</tbody>
</table>

ESTONIA

During the period 2012 – 2016, most of the transactions (63 – 67%) were made with residential land. Several times less transactions were made with industrial land (8 – 10%) and commercial land (4 – 6%). In 2016 compared to 2015, the number of transactions with residential land and industrial land increased a little bit but at the same time the number of transactions with industrial land decreased much more.

![Fig.21. The proportions of transactions with different land types with buildings in Baltic States](image)

LATVIA

One exception is commercial property group – the transaction count in 2016 decreased by 10% in comparison to 2015.
LITHUANIA

Most of the transactions were accomplished in the segment of residential land (45 – 50%) and other and mixture land.

BALTIC STATES

In all three Baltic States, most of the transactions were made with residential land. In Latvia and in Lithuania the number on transactions remained between 51 – 57%, but in Estonia they were a little bit higher (63 – 67%). The proportions of transactions with residential land rather increased year by year. The proportion of commercial land and industrial and warehousing land were more stable and changed only by a few percent.
2.1. Residential land with buildings

ESTONIA

The number of residential land transactions with buildings grew by 17% in 2013 and by 11% in 2014. Compared to 2014, in 2015 the number of transactions decreased by 1%. In 2016, the number of transactions started to grow again and reached 4,507.

LATVIA

For family houses segment of the market the number of transactions is with an upward trend. There is still a demand for extra new housing, also potential customers are rising some uproar about upcoming price increases, which is amplified by favorable lending policies of commercial banks and state support for young families.

Fig. 22. The number of residential land transactions with buildings

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2 In Estonia, different types of buildings are not distinguished in residential land.
LITHUANIA

The residential market in Lithuania was growing since 2012; consequently family houses segment was active as well. The number of residential land transactions with buildings increased from 6 021 in 2012 to 7 682 in 2016.

BALTIC STATES

Year by year, the number of transactions with residential land in Latvia grew and reached 5 357 in 2016. In Estonia and in Lithuania, the number of transactions decreased slightly in 2015, but started to grow again in 2016 and reached 4 507 in Estonia and 7 682 in Lithuania. Compared to 2012, by 2016 the number of transactions had grown by 27% in Latvia, by 28% in Lithuania and by 30% in Estonia.

![Fig.23.Family houses by the size (m²) in Baltic States](image)

ESTONIA

The figure depicts only transactions that have data available. Since 2012, most of the transactions (ranging between 65 – 66%) were made with the smallest family houses (50 – 149 m²). The least transactions were made with the biggest houses (250 – 499 m²), only 9% each year.

LATVIA

Latvian buyers have mostly purchased small residential buildings with a total area up to 150 m². More pre-war and Soviet-era housing enters the market because they are affordable for the local buyer.

LITHUANIA

Smaller area (up to 150 m²) family houses were mostly demanded. The transactions of these houses made up for approximately 70% of all the transactions. Smaller houses are affordable for young families and other buyers who purchase house with a mortgage.
BALTIC STATES

The trends on required area of family houses remained almost the same in all three Baltic States. Most of the transactions were made with the smallest family houses (50 – 149 m$^2$). The transactions remained between 51 – 55% in Latvia, 65 – 66% in Estonia and 73 – 77% in Lithuania. The least transactions were made with the biggest houses (250 – 499 m$^2$), ranging from 5 – 7% in Lithuania to 15 – 17% in Latvia.

![Figure 24. The weighted average prices of residential buildings in Baltic States (€/m$^2$)](image)

ESTONIA

Since 2012, the average prices of residential land with buildings increased every year. The average price grew by 7% in 2013, by 5% in 2014, by 19% in 2015 and by 3% in 2016. Last year, the average price was 737 €/m$^2$, which was 1.4 times higher than in 2012.

LATVIA

Average m$^2$ price for houses fluctuates slightly from year to year and similarly to residential land there was a decline in value in 2015, which was impacted by the changes in legislation.

LITHUANIA

In Lithuania the average prices of residential buildings were growing since 2012. The average price grew by 8% in 2013, by 7% in 2014, by 9% in 2015 and by 4% in 2016. In 2016 the average price reached 411 €/m$^2$.

BALTIC STATES

Since 2012, the highest average prices of residential buildings were in Estonia (532 – 737 €/m$^2$), where the prices grew by 39% throughout the 5 years. Like in Estonia, the average prices also grew

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$^3$ In Lithuania, further information about residential buildings' transactions is provided, regardless if these buildings are sold with land or not.
every year in Lithuania where in 2016 the average price was 737 €/m$^2$, which was 31% higher than in 2012. Unlike in other Baltic countries, in Latvia, the average prices of residential buildings fell by 14% throughout the 5 years and in last two years the average prices were lowest in Baltic States.

ESTONIA

During the period of 2012 – 2016, the prices of residential land with buildings grew in all major Estonian cities. The highest price level and also the highest growth was in the capital city Tallinn, where the average price grew 1.6 times throughout 5 years. In 2016, the average price reached 1 448 €/m$^2$, which was 1.7 times higher than in the next city Tartu. In Tartu and in Pärnu, the highest growth was in 2013, when the prices grew by 18 – 24%. Then, the growth slowed down, but in 2016, the average prices increased by 16%. Therefore, the average price of Tartu's residential land with buildings reached 861 €/m$^2$ and the average price of Pärnu's residential land with buildings reached 784 €/m$^2$. 

Fig.25. The weighted average prices of residential buildings in major cities in Estonia (€/m$^2$)
Fig. 26. The weighted average prices of residential buildings in regions in Estonia (€/m²)

Since 2012, the highest average prices of residential land with buildings were in Northern Estonia. The higher prices in Northern Estonia were mostly due to the capital Tallinn. The average price increased every year and reached 1,273 €/m² in 2016, which was 1.6 times higher than in 2012. Compared to other regions, the average price of Northern Estonia’s residential land was more than 2 times higher. In the other regions, the average prices grew and fell as well. Also, the total growth of average prices was not so high as in Northern Estonia. In 2016, the average prices of residential land with buildings were: 551 €/m² in Southern Estonia, 525 €/m² in Western Estonia, 365 €/m² in Middle Estonia and 275 €/m² in North-eastern Estonia.

LATVIA

Fig. 27. The weighted average prices of residential buildings in major cities in Latvia (€/m²)
The highest prices for residential land with buildings are in the resort town Jūrmala. The largest price variety (900 €/m² up to 1 200 €/m²) is also found here. In 2015 the average prices declined similarly to residential land, this was related to structural changes in market (participants). The average price drop in 2016 is linked to a location – there are less transactions in expensive areas than there were before. A rise in prices can be observed in Rīga in 2016 because a demand after good quality houses appears – potential buyers are interested in new housing.

The highest transaction prices are in Vidzemes region because it includes Rīga, Jūrmala and near-Rīga territories with the highest level of value and demand. No significant changes in residential building market can be seen elsewhere. Changes in prices are dependent on the location and quality of the property. Immigration Law amendments influenced the prices in Zemgale and Vidzeme – the number of residential property purchases to gain temporary residence permits decreased. It was particularly noticeable in Jūrmala, Rīga, Cēsis and few other areas.

![Graph of weighted average prices of residential buildings in regions in Latvia (€/m²)](image)
The highest prices of the residential buildings are observed in capital Vilnius. Since 2012 the average price increased by almost 13% and reached 907 €/m². In Kaunas the average prices increased by 16% and reached 585 €/m². In Klaipeda prices started decreasing in 2015, this trend continued in 2016 as well. In other cities of Lithuania the prices were almost stable due to low activity of the residential market; only slight decrease in average prices was observed.

The same trends are reflected in regional market. The highest number of houses transactions was concluded in Vilnius district, consequently the average prices in 2016 increased by 5% compared to 2012 and reached 669 €/m². In Klaipeda district the prices increased by 8%, in Kaunas district – by almost 9% compared to 2012. In other districts the market remained stable.
2.2. Apartments

ESTONIA

During the period 2012 – 2016, the number of transactions with residential apartments increased every year. The biggest change was observed in the year of 2013, when the amount of purchase-sale transactions increased by 15%, in comparison with the previous year. The number of transactions continued to grow by 3% in 2014 and by 9% in 2015. Compared to 2015, in 2016 the number of flats' transactions grew by 3%. In 2016, the number of transactions with apartments was 20,772, which was 33% higher than in 2012.

LATVIA

Flat market transaction count is experiencing fluctuations with an upward trend. A decrease in the number of transactions occurred only in 2015, attributed to changes in the external and internal conditions. Russian ruble depreciation and the changes to the Immigration Law changed numerous temporal residence permit issuance conditions, including an increased minimum investment thresholding real estate (250 000 EUR throughout the country). As a result, there was a sharp decline in non-residents’ interest in Latvian real estate market. This resulted in the market shift towards
domestic demand. However, local market housing purchase was slowed down by “prescribed key”\(^4\) principle application that in early 2015 put breaks on mortgage lending. 2016 data show that the housing market is gradually recovering after the shock that it experienced during the end of 2014 and beginning of 2015, reaching the highest activity level in recent years. However, participants are conservative and cautious, because often times they lack the first deposit in order to purchase an apartment.

**LITHUANIA**

The number of transactions with residential apartments was constantly increasing, except for a small decline in 2015 after the introduction of Euro. In 2016 there were 30,585 transactions concluded – 12.3% more than in 2015. In 2016, Vilnius witnessed record-breaking activity – the number of apartment transactions registered in a year was the highest yet and exceeded the indicators of 2007 by 2%. Indeed, the particularly high and even record demand influenced the increase in apartment prices. Good indicators of housing sales and the favourable economic situation attract real estate developers to the housing development industry. The growing number of new projects and apartments creates good conditions for rapid development of the housing market.

**BALTIC STATES**

During the period 2012 – 2016, the trend on number of transactions with residential apartments remained almost the same in all three Baltic States. Year by year, the number of transactions grew. Compared to 2012, in 2016 the number of residential apartments’ transactions grew by 24% in Latvia, by 33% in Estonia and by 46% in Lithuania. Since 2012, the most transactions were made in Lithuania each year. In 2016, in Lithuania 30,585 transactions with residential apartments were made, which was 1.5 times higher than in Estonia (20,722) and in Latvia (20,688).

![Fig.32. The proportions of transactions with residential apartments in Baltic States](image)

\(^4\) “prescribed key” principle – required by law that borrower’s mortgage loan can be deleted in exchange for mortgaged property.
ESTONIA

Figure 32 depicts only transactions that have construction data available. The residential housing stock in Estonia is rather old. From 2012 to 2016 the proportion of new residential apartments out of all residential apartments was only 3 – 7%. Most of the new flats were sold in capital, Tallinn.

LATVIA

Most of transactions with flats are in Soviet Union era apartment blocks or pre-war buildings. Apartments in new projects account for only 3 – 5% of all flat transactions.

LITHUANIA

Due to large number of new projects, especially in Vilnius, the number of new apartments’ transactions is constantly increasing. In 2016 there were 5 030 new apartments’ transactions accomplished, proportionally 16% of all transactions.

BALTIC STATES

In Estonia and in Latvia, the number of new residential apartments was quite low in the years 2012 – 2016. Only 3 – 7% of transactions were made with apartments in new buildings. Compared to Estonia and Latvia, much more transactions (9 – 16%) were made with new residential apartments in Lithuania.

![Fig.33.Residential apartments by the size (m²) in Baltic States](chart)

ESTONIA

Since 2012, most of the transactions with residential apartments were made with the smallest flats (30 – 49.9 m²) and the least transactions were made with the biggest flats (70 – 149.9 m²). Annually, the proportion of smallest flats decreased and, in turn, the proportion of biggest flats increased. In 2016, transactions with the smallest flats added up 46% and the ones with the largest flats 20%.
LATVIA

Traditionally, the greatest amount of transactions is with 2 and 3-bedroom apartments with an area of up to 70 m² in serial type residential buildings. This is due mainly to the fact that in this category the largest apartment property lies and it is expected that these apartments will continue to dominate the market in the near future.

LITHUANIA

In Lithuania the most demanded apartments were of smaller area – up to 50 m². During the period of 2012 – 2014 the proportion of these transactions was 45%, and since 2015 – 43%. It also can be observed that flats of 50 – 70 m², usually purchased by families with children, are popular. Transactions of such flats made up for approximately 38% of all the apartments’ transactions. Proportion of bigger flats' transactions was not high, however, in 2015 and 2016 increased to 15% and 19%, respectively.

BALTIC STATES

The proportions of transactions with residential apartments by size were quite same in all three Baltic States in 2012 – 2016. Most of the transactions were made with the smallest apartments (30 – 49.9m²), ranging between 43 – 50%. At the same time the number of transactions with these apartments decreased year by year in Estonia and in Lithuania. The least transactions were made with the largest apartments (70 – 149.9 m²). The share of these flats’ transactions was between 16 – 21% and in Estonia and in Lithuania, the number of transactions grew each year.

![Graph showing weighted average prices of residential apartments in Baltic States (€/m²)](image)

**Fig.34.** The weighted average prices of residential apartments in Baltic States (€/m²)

ESTONIA

Since 2012, the average prices of residential apartments grew every year. Until 2015 the prices rose by 10 – 11% each year. Then the growth slowed down and in 2016 the average price (1 087 €/m²) was 6% higher than in previous year.
LATVIA

In comparison to 2012, the average prices for apartments in 2013 show growth of 10%, however in 2014 the growth in prices is slowing down (average growth of 3,3%) which is followed by a steep drop in prices in 2015 (-17%). This can be explained with all the changes in legislation, banking credit policies and uncertainty with “prescribed keys” as mentioned above. In 2015 the average apartment average prices are lower due to the structural changes in transactions – proportionally less expensive flats were sold. Overall, apartment market does not experience a drop in prices. The increases in average prices in 2016 are due to a shift towards domestic demand and market adaptation to new circumstances.

LITHUANIA

The prices of apartments in Lithuania were constantly increasing since 2012. In 2016 the average prices of residential apartments were almost 24% higher than in 2012, the price reached 869 €/m². The increase of the prices was mostly influenced by favourable economic conditions, growing income of the population and credit market opportunities, particularly low loan interest rates. Moreover, population surveys show that the biggest regions of the country continue to demonstrate the growing expectations of people concerning changes in the prices of housing in the nearest future. SEB bank Housing Price Indicator illustrates that by the end of 2016 as many as 55% of Lithuania’s respondents hoped that housing prices would increase in the next 12 months.

BALTIC STATES

Since 2012, in all three Baltic countries, the average prices of residential apartments increased. In Estonia and in Lithuania, the prices grew annually. In Estonia, the growth of prices was more stable and remained between 6 – 11%. Also, the highest average prices of residential apartments were in Estonia. In 2016, the average price was 1 087 €/m², which was 1.4 times higher than in 2012. In Lithuania, the average price grew by 1 – 11% yearly and reached 869 €/m² in 2016. Unlike in other Baltic countries, in Latvia, the average price of residential apartments fell by 17% due to several reasons in 2015 and since 2012, the growth of average price was marginal – just 3%. In 2016, in Latvia, the average price of residential apartments was 560 €/m².
Since 2012, the prices of flats grew in all major Estonian cities. The highest price level was in the capital city Tallinn, where the average price was 1.2 – 1.3 times higher than in the next city. The average price increased by 14% in 2013 and by 15% in 2014. Since 2015, the price growth slowed down and increased by 7% in 2015 and by 5% in 2016. Tallinn's average price of residential apartments increased in 2016 by 47% compared to 2012 and reached 1 627 €/m². Similarly to Tallinn, the average price in Tartu increased. In 2013 and 2014, the average price grew 13% in both year and in the last two years 3 – 5% annually. In 2016, the average price of Tartu's residential apartments was 1 254 €/m², which was 38% higher than in 2012. In Pärnu, the average price grew by 4 – 11% yearly and reached to 984 €/m² in 2016.
In 2012 – 2016, the highest average prices of residential apartments were in Northern Estonia. The higher prices in Northern Estonia were mostly due to the capital Tallinn. The average price increased by 6 – 13% yearly and in 2016 was 1 519 €/m². Similarly to Northern Estonia, the average price in Southern, Western and Middle Estonia increased every year, the growth ranging between 1 – 11%. In 2016, the average price in Southern Estonia was 785 €/m², in Western Estonia 674 €/m² and in Middle Estonia 257 €/m². The lowest average price of residential apartments in 2016, was in North-eastern Estonia – 253 €/m². While in 2012 – 2015, the average prices in North-eastern Estonia were higher than in Middle Estonia, in last two years, the average prices of residential apartments in North-eastern Estonia decreased 3 – 8% yearly.

LATVIA

Fig.37. The weighted average prices of residential apartments in major cities in Latvia (€/m²)

In non-resident oriented market segments the average prices experienced a decline because the demand decreased. Out of all cities, Jūrmala was affected the most – the average prices dropped from 1 400 EUR/m² down to 950 EUR/m². This is because of participant structural changes – relatively expensive flats were purchased less frequently. Non-resident influence on prices in regions is low, therefore the regions were not as affected by the decline in market activity. The leader in price growth between important national cities is Valmiera (2016 shows 56% increase in comparison to 2012). This is due to the success of urban industrial development in Valmiera because some of the largest production and marketing companies of Vidzeme and overall state are located in Valmiera. In Liepāja, once unfinished new projects are now sold by the banks to new developers who finish them and place them into market. The developers of these projects have found adequate and affordable price that meets the needs of those who do not want to purchase housing on the secondary market. There can be observed a slightly stagnant growth in apartment market in Daugavpils. In recent years, there has been a significant decline in demand for flats. Changes in demand were primarily affected by mass emigration, low purchasing power and lack of access to credit, as well as a great amount of relatively inexpensive flat supply.
The highest prices for flats overall are in Vidzeme, which includes Rīga, Jūrmala and the vicinity of Rīga territory, which significantly affects region’s average price level. Regional real estate market prices are significantly lower. Although the real estate price level is determined by a number of factors, the main factor is price and buyers take very well-considered and rational decisions. A decline in apartment segment average prices in Zemgale was influenced by a significant transaction count decline for flats in new projects in Jelgava. Besides that, in the past two years relatively many flats with forced sale value were placed on the market, which were sold by bailiffs as well as companies that are associated with banks. In Latgale, market activity remains relatively unchanged. The banks are mainly crediting properties in Rīga and its vicinity, thus contributing to monocentric development. Apartment owners often want to get unreasonably high payment for an apartment and often misunderstand the importance of high-quality repairs.

LITHUANIA

Fig. 38. The weighted average prices of residential apartments in regions in Latvia (€/m²)

Fig. 39. The weighted average prices of residential apartments in major cities in Lithuania (€/m²)
The year 2016 saw record growth in apartment prices in all five largest cities of Lithuania (Vilnius, Kaunas, Klaipeda, Panevezys and Siauliai) since 2008. It should be noted that following a longer break, more rapid increase of prices was observed not only in the capital city of the country but also in other cities. Still, the biggest price increase was recorded in capital Vilnius. Vilnius continues to be noticeably ahead of other regions of the country and remains an obvious leader in the country both in terms of the market activity indicators and positive price changes. Apartment prices in Vilnius increased by 9.9% in 2016, after increase of 3.6% in 2015. In 2016 the average apartment prices were 25% higher than in 2012, as a result, the average price at the end of 2016 rose to 1 458 €/m². In Klaipeda average apartment price in 2016, comparing to 2012, increased by 12.5% and reached 893 €/m², in Kaunas – increased by 20.5% and reached 739 €/m², in Panevezys – increased by 18.7% and reached 497 €/m², in Siauliai – increased by 26% and reached 555 €/m².

Fig. 40. The weighted average prices of residential apartments in regions in Lithuania (€/m²)

The same trends reflect in regional data. The highest increase of the prices is observed in Vilnius region. In 2016 the average apartment prices were 22.5% higher, in Klaipeda 12.5% higher and in Kaunas 20.5% higher than in 2012.
2.3. Non-residential land with buildings

ESTONIA

The figure depicts the annually data of numbers of non-residential buildings’ transactions of over 500,000 euros. During the period 2012 – 2015, the number of transactions was quite stable, ranging between 80 – 88. The number of transactions in 2016, compared to 2015, increased by 25% and reached 110, which was the highest number since 2004.

LATVIA

Nearly 70% of large transactions (above 500,000 euros) have taken place in Rīga. Among the objects sold are shopping centers (Rīga Plaza, Domina Shopping), business parks (Nordic Technology Park), sport halls (Olimpiskā "Skonto" Halle) etc. In addition, the increase of transaction count in 2014 is also related to numerous industrial enterprises realization in real estate market. For example, “Liepājas metalurgs” in Liepāja and “Jelgavas cukurfabrika” in Jelgava.
LITHUANIA

At non-residential sector number of transactions amounting over 500 000 euros significantly increased since 2012. In 2016 there were 7.7% more such transactions than in 2015. Most of the transactions took place in capital Vilnius. In total 39 properties (modern office, retail and industrial property worth over 1.5 million euros) were sold in Lithuania, with a total value of 253 million euros.

BALTIC STATES

Most of the transactions with non-residential buildings of over 500 000 euros were made in Lithuania. While in 2012, just 1.3 times more transactions were made in Lithuania than in Estonia and 1.7 times more than in Latvia, from then onwards the difference increased. Since 2013, the number of transactions in Lithuania started to grow faster than in the other Baltic States and in 2015 the number of transactions was 2.3 times higher compared to Estonia and 2.5 times higher compared to Latvia. In last two years, the number of transactions in Lithuania was over 200. In Estonia and in Latvia, the changes in the numbers of transactions were smaller. The number of transactions in 2016, compared to 2015, increased by 25% and reached 110 in Estonia. At the same time in Latvia, the number of transactions decreased by 20% and stayed at 66 in 2016.
SUMMARY

Baltic Review has been prepared as a collaboration between the three countries. Each Baltic country has provided the data and written a brief comment. In each country, the data is found in a different way and therefore the results can not be interpreted as an absolute truth, however an overview about the real estate markets in the Baltic States could be reviewed.

In 2016, the highest number of land transactions (23 973) was made in Lithuania, which was almost two times higher than in other Baltic countries. In Estonia and in Latvia, the number of transactions remained between 12 489 – 12 657. In Estonia most of the transactions were made with forest land (21%), in Latvia with agricultural land (24%) and in Lithuania with residential land (40%).

The highest average prices of residential land and commercial land were in Estonia and the lowest average prices were in Lithuania. In all three Baltic States the more expensive transactions were made in capitals.

While in Lithuania there were several transactions with industrial land in Vilnius, then in the same time in Estonia and in Latvia the transactions took place outside the center of capitals. In 2016, the highest average price was in Lithuania and the lowest average price was in Latvia.

The average prices of agricultural land increased every year, but in different countries and different years, the growth was also different. The most stable growth was in Latvia. In 2016, the highest average price was in Lithuania and the lowest average price was in Estonia.

In 2016, the highest average price of forest land was in Estonia. At the same time, in Latvia the average price was lower than in the other Baltic countries. Also, in Latvia the growth of prices throughout 5 years was marginal – 1.1 times.

The highest number of transactions with buildings (13 458) was made in Lithuania. In Latvia, the number of transactions was 1.4 times lower (9 417). The least transactions (6 690) were made in Estonia. In all three Baltic States, most of the transactions were made with residential land. In Latvia and in Lithuania 57% transactions were made with residential land, but in Estonia even more – 67%. The proportions of transactions with residential land rather increased year by year.

The highest average prices of residential buildings and residential apartments were in Estonia and the lowest average prices were in Latvia.
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