

FIG

FIG WORKING WEEK 2017

Helsinki Finland

29 May - 2 June 2017

Presented at the FIG Working Week 2017,
May 29 - June 2, 2017 in Helsinki, Finland

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

Aivar TOMSON and Ülleke EERIK

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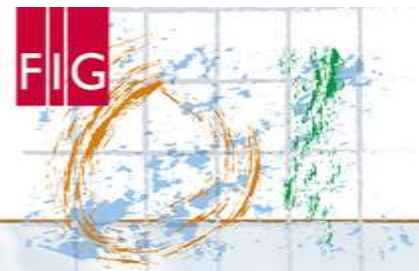


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Study question

Was the creation of property market successful?



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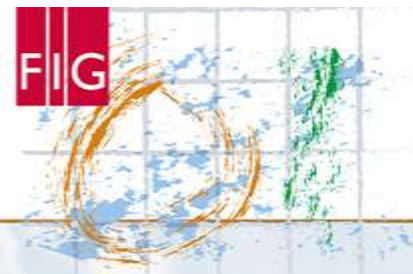


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Legal milestones

Principles of Ownership Reform Act (1991)
Land Reform Act (1991)

Land Price Act (1992)
Land Tax Act (1993)
Land Valuation Act (1994)

Law of Property Act (1993)
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)

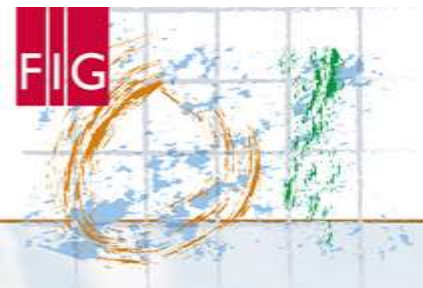


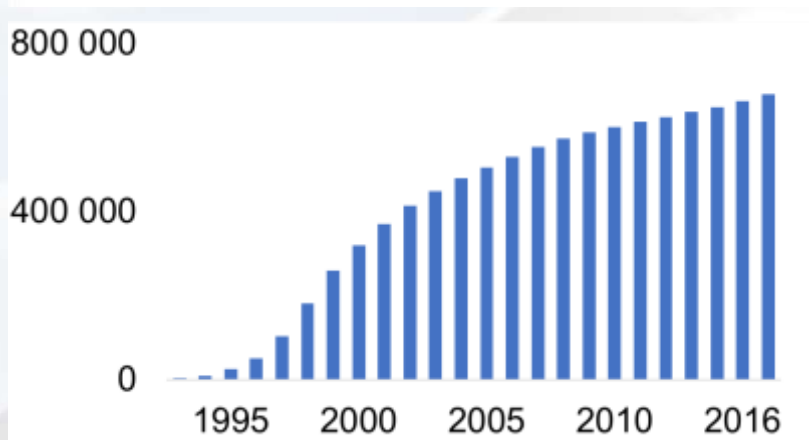
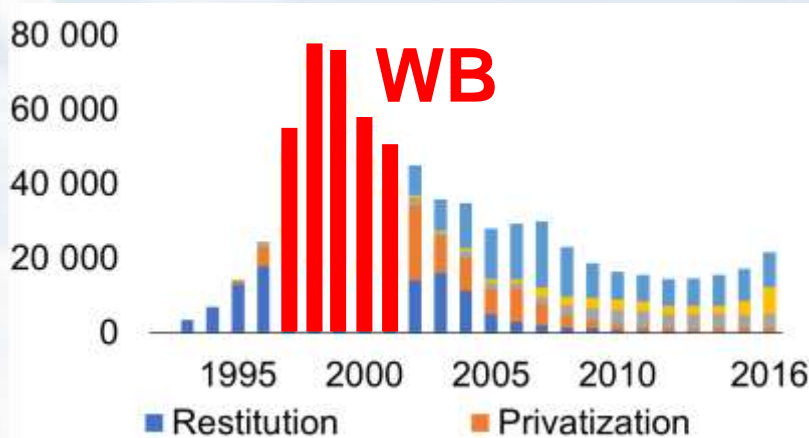
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Formation of land parcels



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





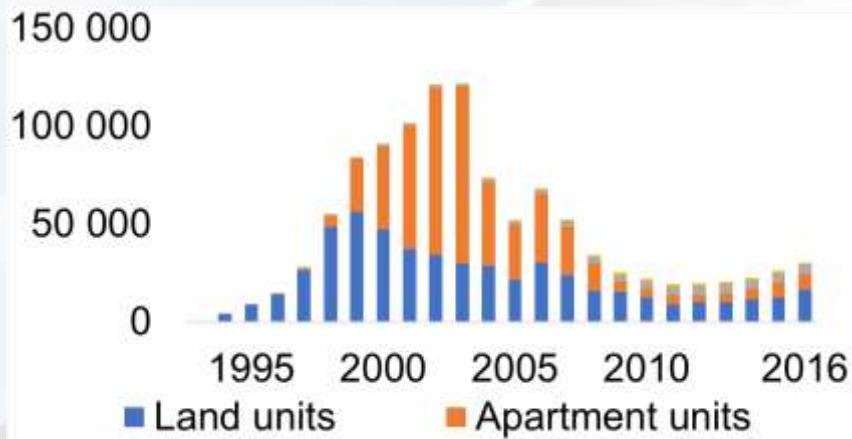
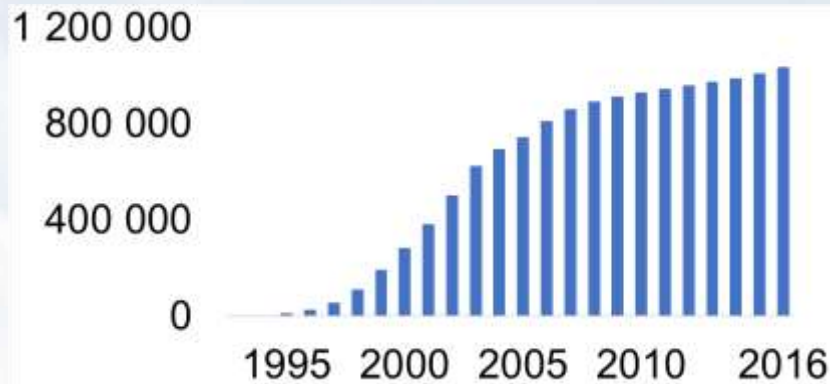
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Creation of ownership



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

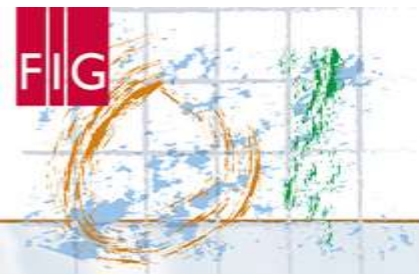


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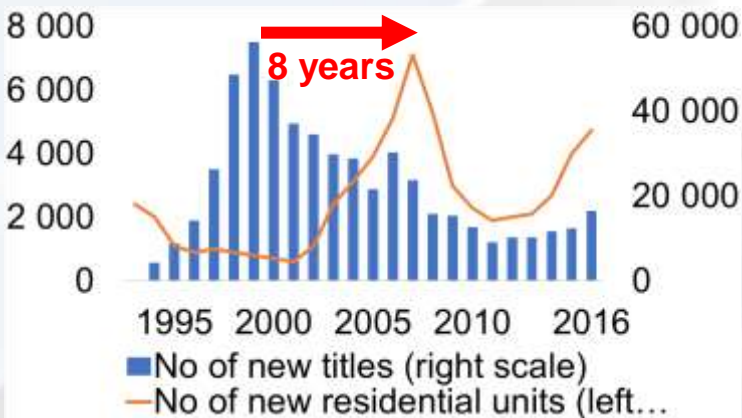
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Mortgages and new construction



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



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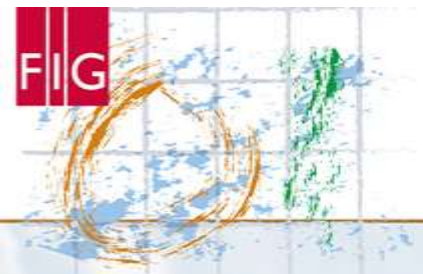


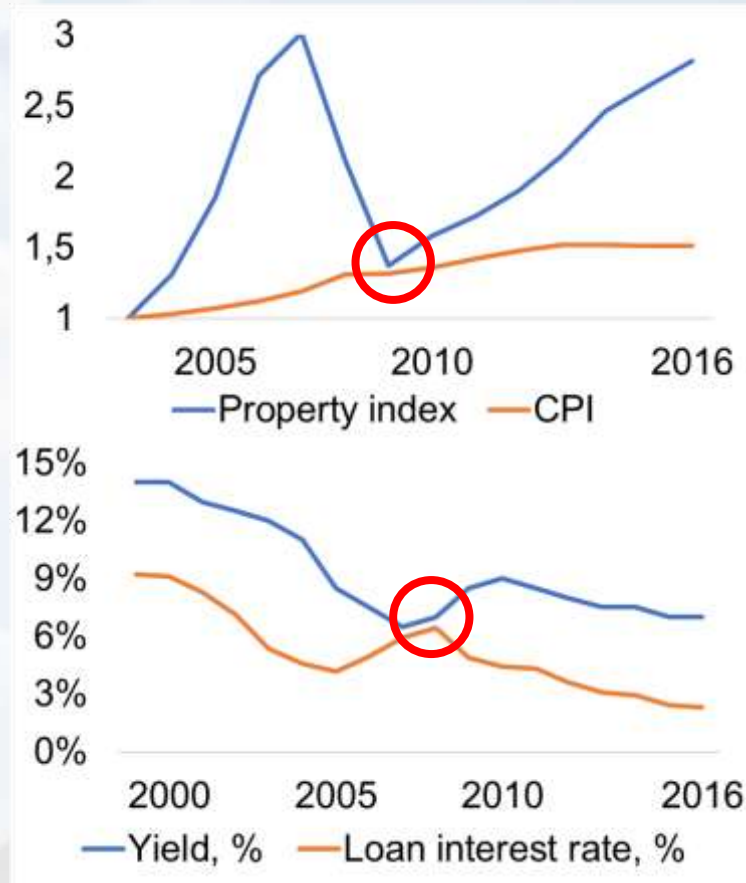
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Market cycles



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

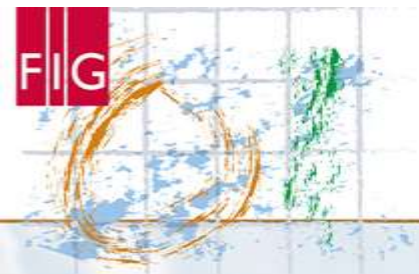


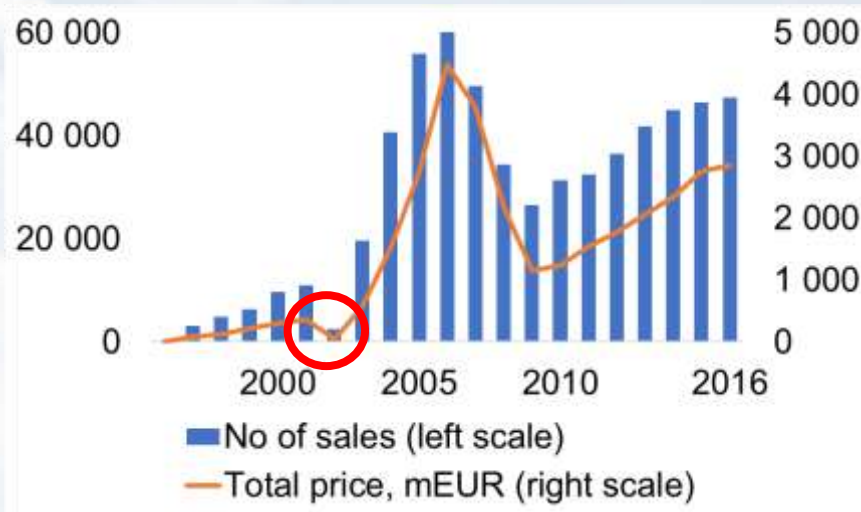
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Sales data



2002 – lack of legal basis for systematic data collection

Database of transactions – complete since 2005

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



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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



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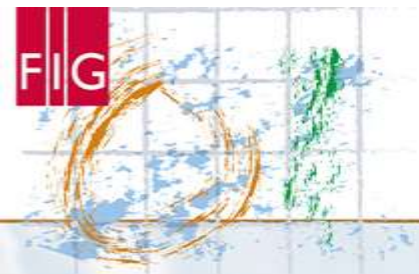


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