

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

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## SUMMARY

Our paper tries to describe the creation of property market in Estonia. During the Soviet occupation (1944-1991) the ownership rights of private persons were limited and entrepreneurial freedom did not exist. The rights to the land and buildings were limited to a long-term right of use. There was no land market as the right of use was not transferable.

The necessary legislation was introduced in the beginning of 1990ies and the Land Register (Title Book) was (re)-established in 1993. Since then it has been possible to speak about the ownership rights to the land and real estate.

In 1993, Estonia introduced an ad valorem property tax which was rather unusual as it was done in circumstances without well-functioning property markets. In addition to the fiscal impacts people recognized that the land could be an asset having certain value. Taxable values were also used as a basis in land reform.

Introduction of legal acts and appropriate registers can still be considered as a pre-condition for well-functioning property markets. Systematic registration is a prerequisite because otherwise there will be nothing to sell and buy. It was done step by step and the basis for a well-functioning property market was created.

Mortgages from legal point of view became available starting from 1993 when the Land Register was introduced. A few years later it was something, which allowed the number of property transfers to grow in a much more rapid way. It also contributed quite a lot to the market transparency as the sales partly financed by financial institutions were properly declared.

The sales price register was introduced in Estonia in 1996. The first steps were rather complicated due to the low coverage. In later stage the main issues have more been related to the use of sales data.

At the time of reforms a lot of criticism was addressed, but in a wider (international) context the reform process was rather successful. We expect to produce a comprehensive overview about the main features and statistics of land and ownership reform and creation of property market. Experience and lessons learned in Estonia can be useful for some other countries, which are in the beginning of development.

This abstract was submitted in consultation with the World Bank for possible featuring in the World Bank coordinated ECA Land Administration Success Story sessions/stream.

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