



NEWS FROM ESTONIA, LATVIA AND LITHUANIA

Friday, October 01, 2004

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ARTICLE

22.09.2004

Is it easy to buy real estate in the Baltics?

Interview with Agris Repss, attorney at law and associate partner at Sorainen Law Offices in Riga, and Gints Vilgerts, attorney at law and partner at Sorainen Law Offices in Riga.

What is the basic procedure for acquiring the title deed to real estate in the Baltic states?

In all three Baltic states for all rights to real estate to be valid vis-a-vis third parties, they shall be registered within the respective public register: the Land Register in Estonia, the Land Book in Latvia and the Register of Real Estate in Lithuania. The term within which the rights are registered differs among the countries: in Estonia it takes around one - four months, in Latvia and Lithuania it occurs faster – within 15-30 days in Latvia and within 10 working days in Lithuania.

Are there any special requirements regarding the form of real estate transactions?

According to Baltic states' legislation, transactions related to the acquisition of real estate shall be concluded in a written form. Moreover, in Estonia and Lithuania agreements on real estate acquisition shall be confirmed by a notary (in Latvia only the parties' signatures on the application to the Land Book should be notarized); in practice, this slows down the acquisition procedure. For instance, it is rather common to wait approximately a month for an appointment with a notary in Estonia.

What are the typical arrangements for payment of the purchase price?

In Estonia, the purchase price is usually transferred to a notary deposit account prior to conclusion of the real-estate purchase agreement. The notary transfers the purchase price to the seller after conclusion of the agreement or upon registration of the title with the Land Register.

Although in theory deposits held by a notary are provided for by Latvian legislation, in practice they are rarely used. In contrast, it is common for parties in Latvia to agree on usage of an escrow account with a bank. Until the registration procedure is completed, neither the seller nor the buyer has access to the funds transferred to the escrow account.

In regards to Lithuania, the purchase price payment is usually divided into two parts: a partial prepayment and payment of the remaining purchase price, the latter being paid after certain precedents have taken place – e.g. signing the transfer-acceptance deed.

What are the costs involved in the procedure of a real-estate acquisition and registration of the title deed?

There are certain payments that are obligatory to the parties: state duties and notary fees, as well as VAT for newly constructed or reconstructed buildings. The size of these fees vary among the three Baltic states. In Latvia, where the role of a notary in the real estate transactions is quite limited, notary fees are comparatively low – e.g. 23 lats (34.3 euros) for testifying signatures for the application to the Land Book, 15 lats for signing the agreement in the presence of the notary, etc. However, the state duty for the transfer of the real estate is respectively higher: 2 percent either of the real estate purchase price or the cadastral value of the real estate, whichever is higher. In contrast, in Estonia and Lithuania, where the powers of a notary are more extensive, the notary fees depend on the value of the real estate and are therefore higher than in Latvia. Nevertheless, the state fees in Estonia and Lithuania are lower than in Latvia.

In addition to mandatory fees, parties usually choose to use legal services for due diligence, preparation or review of a purchase agreement and/or assistance in negotiations, for which they will be charged as well. Other fees that parties may face

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include: real-estate brokerage fees (if parties use a broker), bank fees (if parties open and use an escrow account), etc.

Since the accession of the Baltic states to the European Union, the number of foreign investors who are interested in acquiring real estate in the Baltics has increased. Are there any special requirements, restrictions or prohibitions addressed toward foreigners?

In general, the legal framework for foreign ownership of real estate is rather similar in all three Baltic states. Foreigners face practically no special requirements or restriction regarding purchase of apartments. However, the situation is different concerning purchase of agricultural and forest land. All three Baltic states have adopted a seven-year transition period as of the date of joining the European Union, during which the acquisition of agricultural and forest land by foreigners is restricted. A foreigner shall satisfy numerous conditions in order to acquire the land. For instance, in all three Baltic states a foreigner should have lived in the respective state permanently and should have been involved in agricultural activities there for the last three years. In Estonia, no restrictions apply to foreigners willing to purchase the plot of agricultural and forest land not exceeding 10 hectares. In addition to the restriction on agricultural and forest land, several stringent restrictions apply to seaside property.

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