

## Chapter 3

### The Baltic States

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#### 3.1 Introduction

In the early 1990s, ownership reforms commenced in all three Baltic States (Estonia, Latvia and Lithuania), following the rebirth of their independence and the foundation of a new democracy.

During the ownership reforms large numbers of ownership rights were restored, and properties were returned to their former owners. In addition, many people became property owners for the first time as a result of the privatisation of dwellings and state property. These processes all added to

the growing need for qualified, specialised real estate professionals, of whom there were none in the market.

This overview describes real estate education, past and present, in the Baltic States. It is based mainly on experiences in Estonia but also makes comparisons with Latvia and Lithuania.

### 3.2 Economic and legal framework

The independence process in all three Baltic States (Estonia, Latvia and Lithuania) began in the mid-1980s as a result of the new Soviet policies of *Perestroika* (reconstruction) and *Glasnost* (openness) led by Mikhail Gorbachov, the former general secretary of the Soviet Communist Party. These two policies liberalised almost all aspects of life throughout the Soviet Union.

The independence movement in the Baltic States started in August 1991, after the August putsch in Moscow and the shock of the collapse that followed. Immediately after their independence and return to statehood, the Baltic States began the process of restitution of the rights of former owners whose land, buildings and other property had been nationalised, as a result of the incorporation of the Baltic States into the Soviet Union, in 1940. The systems of ownership reform decided on by the Baltic parliaments in the early 1990s will play the most important role in the structure and modelling of real estate education. The system will include the following aspects, which substantially change the local legal environment (Appendix 1):

- The concept of land reform;
- The concept of restitution of real property;
- The concept of privatisation, containing also the two named main ideas;

The restitution of real properties is based on the land reform laws and involves three separate stages, which follow each other, each having different legal influences:

- The legitimisation of former owners or their lawful heirs;
- The restitution of buildings and facilities;
- The restitution of the land on which buildings are situated;

The second, and no less important, part of the ownership reform is the privatisation of properties and real estate that are still in state ownership. There are four constituent parts of the privatisation process:

- The privatisation of dwellings. (Appendix 2);
- The privatisation of state property;

- The transfer of properties (land and buildings) from the state into the ownership of local authorities (municipalities);
- The registration of property which is or will be required for government purposes and which will remain in government ownership.

In addition to ownership reform processes and restoration of possessions in the Baltic States, the status of property owners as a social group was also restored. The spectrum of property owners includes a distinct subgroup, the “forced owners”. These are persons who become property owners as a result of the privatisation of dwellings but who are unable, for whatever reason, to assume the responsibilities of ownership. There is also a subgroup of “forced tenants”, living in apartments or houses which have been returned to their former owners and who, as a result of the restitution procedures, have not been able to take part in the ownership reform.

Property owners in general, including these two special groups, are exerting major influence on the present situation as well as on the development of real estate education and its future trends.

In addition, the government sectors of all three countries have a continuing shortage of qualified real estate specialists at both levels, i.e. national government and local authorities. During the Soviet period, there was no mechanism for the education or training of property specialists to higher-education standards. As a result, there is neither a historical tradition nor a fund of real estate experience.

The circumstances mentioned, coupled with social and political pressures from the whole of society to complete the reforms, mean that the current difficulties can hardly be exaggerated.

The second important influence on real estate education is the legal and economic environment of the real estate market and its players, together with the gradually growing role and impact of local and international professional bodies on the real estate environment. The Estonian real estate market (Appendix 3) may be regarded as typical of the situation in all the Baltic States at the local level. All legal and governmental bodies concerned in the real estate market are currently considering the content and the restrictions of the package of laws that came into force at the time of independence, together with subsequent amendments. All the procedures involved in real estate transactions, including construction of buildings, must be certified by government bodies (the Ministry of Economic Affairs and the Ministry of Environment) and are controlled and registered by local authorities. A number of bodies are, however, able to work without special legal restrictions and are subject to supervision only at governmental level. Examples of these bodies are:

- The Chamber of Real Estate Brokers;
- The Chamber of Real Estate Managers;
- The Real Estate Appraisers Society;

The effect of the geographical location of the three states is important. They have Finland, Sweden and Russia on one side and continental Europe on the other. This location affects first of all the real estate market and legislative procedures and, through them, the basic requirements and curricula for real estate education. The planning of real estate education and the design of courses must have regard to existing market trends in countries neighbouring the Baltic States, i.e. both the educational and real estate markets. The developing trends of the Baltic market, long-term Scandinavian traditions and the fast-developing Russian emerging market, with its special national eccentricities, all need to be considered. In the near future Baltic real estate education will certainly also have to take into account trends in the development of real estate education in the European Union and must harmonise with international standards and methods.

### **3.3 Real estate education and professional bodies**

The three institutions of real estate professionals mentioned in chapter 1 have the main influence on real estate education and on the organisation of courses. The leader in this field is the Estonian Society of Real Estate Appraisers (EKHÜ) (8), established in 1995, which was the first society of professionals in the real estate market to standardise the operations of the market and to establish educational requirements. In 1998, the Estonian Society of Real Estate Appraisers established the requirement for basic education, in accordance with the TEGoVA regulations, for certified appraisers. The Society also compiled a list of the universities whose courses and curricula it would accredit.

Up to 1998 the requirement was for technical or economical applied higher education only, but since then a Bachelor's degree has been required before a certificate of basic education can be granted to an attested (certified) appraiser. The Estonian Banking Association has had considerable influence: commercial banks are only prepared to accept appraisers attested by the Estonian Society of Real Estate Appraisers. Currently 40 members of the Appraisers' society are attested, out of a total membership of 87. The Estonian Chamber of Commerce and Industry has also had considerable impact since it is, at present, accredited and authorised by the Government to lead the attestation process. In the future the Chamber of Commerce will act under the Statute of Professional Law as an accrediting body for vocational certification.

The Chamber of Real Estate Brokers, established in 1997, has made similar preparations. The first accreditation according to the standards and curricula of this institution took place in January 2001. Its standards also set fixed requirements for education and list acceptable universities.

The third and the youngest institution in the local real estate market, the Union of Real Estate Managers and Administrators, established in 1998, has also made progress in this area. Its first accreditation is planned for May 2001.

The educational activities of the last two mentioned institutions are carried out in connection with two organisations of the Third Sector<sup>1</sup>: the Apartment Ownership Societies, established in 1996, and the Estonian Union of Real Estate Firms, established in 1994, as well as the Estonian Housing Agency, which undertakes the Government's housing policy.

An overview of the programmes prepared by these professional societies for appraisers, brokers and managers shows that there is no suitable undergraduate course in Estonia or in the Baltic States generally. The closest to these generalised standards is the programme of the Estonian Agricultural University.

### **3.4 Trends in the development of higher education**

The former state universities, academies and institutes are active in the field of higher education, in accordance with legal requirements and their own revised regulations. Laws passed by the respective governments control the higher education systems in all three Baltic States.

- In Estonia, the Statute of University Law (1996) (5);
- In Latvia, the Law of Higher Education Establishments (1995)(6);
- In Lithuania, the Law of Research and Higher Education (1991) (7);

However, some higher education establishments may operate subject to separate, special acts of parliament (e.g. Tartu University).

The Ministry of Education has ordered the constitution of a special governmental institution (council), which will work under its auspices. According to the law, the Council for the Evaluation of Higher Education is responsible for the accreditation of the following areas of higher education:

- The universities
- The universities' courses
- Programmes of Master's studies
- Programmes of Doctorate studies

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