

Immovable Property Market Performance and Trends for 2008-2009.

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Introduction

Since 1991, were privatized 565 ha of thousand agricultural land, 300 thousands of apartments, small and medium enterprises, about 20 thousands Ha of forests and 38 thousands of pastures.

The privatization of the large scale enterprises is under process. Meanwhile, a big number of private enterprises were established and own assets i.e. the construction companies have build and sold a total of a 1 million meters square of apartments and other objects. Currently under process are 400 thousands of houses. The property restitution and compensation is undergoing too.

A system for immovable property registration have been operational and completed the registration of properties awarding owners with property titles in 83% of the cadastral areas. The process is still undergoing.

Parallel with the above developments other institutions, which advertise and keep records about properties, were created too.

The banking system has increased the loaning and as a consequence the number of properties used as collateral.

The immovable property market is functional in Albania nowadays. In this market is included Green Hours Ltd, founded by an initiative of such subject experts.

In a very short time, the Green hours has assured the collaboration with licensed experts in legislation issues, urban planning, rural development, statistics, immovable property registration and evaluation, geology, hydrogeology, agro industry, etc

Green Hours Ltd during a two years period, has been intensively employed in property evaluations, sale, environmental impact etc. In collaboration with banks and privates, the Green Hours experts has carried out 150 evaluations of immovable properties like apartments, building plots, businesses, forests etc.

Observing Land Market performance in Albania

The immovable property, market in the developed countries influences a lot the economy. Its impact is coherent nowadays when real estate market crisis in USA brought about drastic decreases in price making the giants of the world economy loosing a lot of money. The crisis has affected Europe real estate market too.

What about Albania? Is it affected by that crisis? How the land market performance going and which is are the prices trends for the near future?

During the last 10 years, in our country, it was observed a market increase followed by an increase in the value of the immovable properties.

More developed is the market segment, which has to with the sale of apartments.

Comparing to 2005, the value of apartments was increase in average by 35-40% and in special areas even doubled.

The increase in the value of apartments is more evident in the city centers. This increase is lower in suburban and industrial areas (the space between Tirana and Vora)

An increase in the market value in apartments is observed in small towns too, apart from the lower intensity and number of transactions.

The land market in the urban areas (building plots), especially in the big towns like Tirana, Durrresi, Vlora, Elbasani and Korca is developing fast.

After 2001 the increase in the value of building plots was associated with the increase in the value of apartments.

The land market according to the purpose of use is classified in two categories: for agriculture use and for constructions.

According to the sources coming from the registration office, the market for agriculture land use is not developed. The contrary should be said for the market of land use for constructions, especially developed in coastal area and for tourism development.

Which are the factors, which bring about the increase in the immovable property value?

1. The high demand for accomodation . In the big cities as Tirana, Durres, Elbasan, Vlore etc, dhe demographic flow is still big, which justify the said demand for accommodation.

POPULATION ON 1 JANUARY, 2005						
Year	Total	Male	Female	Urban	Rural	Density
1990	3196.8	1635.7	1561.1	1154	2042.7	111.2
1991	3140.7	1582.3	1558.4	1149.8	1991	109.2
1992	3110.3	1548.5	1561.8	1154.5	1955.9	108.2
1993	3095.1	1527.2	1567.9	1164.5	1930.6	107.7
1994	3033.3	1574.9	1458.4	1156.7	1876.6	105.5
1995	3037.1	1566.4	1470.7	1173.6	1863.5	105.6
1996	3062.9	1573.9	1489	1199.1	1863.8	106.5
1997	3088.2	1580.9	1507.3	1224.7	1863.5	107.4

1998	3061.5	1551.9	1509.6	1229.7	1831.8	106.5
1999	3049.2	1533.9	1515.3	1240.2	1808.9	106.1
2000	3058.5	1531.7	1526.8	1259.6	1798.9	106.4
2001	3063.3	1527.5	1535.8	1277.1	1786.2	106.6
2002	3084.1	1537.7	1546.4	1300.6	1783.6	107.3
2003	3102.8	1546.7	1556.1	1342.2	1760.6	107.9
2004	3119.5	1554.7	1564.8	1369	1750.6	108.5
2005	3135	1562	1573	1396	1739	109.1

Source of information : INSTAT

Comparing the figures of 1990 with those of 2005, could be easily noted that the rural population represents in the first case 64% of the total country population while in 2005 it represents 55% of it. It comes out than in average 20300 inhabitants has been removed from rural areas each year.

According to INSTAT, in two big cities like Tirana and Durrësi in 2006 live 25, 5% of the population or 2, 6% more than in 2001. According to forecasts made, in 2021 in those big cities will live 32, 4% of the country total population or 10% more than in 2001. About 70% of this massive removal toward big cities will come from migration.

Population projections according to Albanian regions

Total population every 5 years, and distribution according to regions

POPULLSIA GJITHSEJ (1 Janar)								
Regions	North		Center(without T-D)		South		Tirana-Durrës	
Years	Number	%	Number	%	Number	%	Number	%
2001	371396	12.10%	990641	32.30%	1001264	32.70%	700017	22.90%
2006	366759	11.30%	1040137	32.00%	1010720	31.10%	828120	25.50%
2011	360546	10.50%	1086544	31.80%	1016994	29.70%	956393	28.00%
2016	352254	9.80%	1129517	31.50%	1018386	28.40%	1083997	30.20%
2021	340564	9.20%	1163330	31.30%	1009740	27.20%	1205074	32.40%

Source of information : INSTAT

The constructions in city centers.

In Tirana i.e. it can be evidenced a vast range of selling prices in the city center. The maximum prices are registered in the area 2/1 and 5/1, 2 in which the price of a meter square varies from Euro 1500-Euro 2000

An increase in selling prices for apartments was observed in other areas like 5/4 and 2/3 coming from the improvements in areas infrastructure.

The increase in profit for unit size received from owners of the buildings plots.

In Albania is developed an original way of market regarding building plots as a result of the low purchase power. So, the value of ground is converted to building plots

In the city centers the building plots are limited. This brought about an increase up to 50% in the profit received by the ground or building plots owners when selling the plots. As a consequence the cost of apartments is increased too.

Lower increase in apartments cost (25-30%) was reflected in the suburban areas where new apartments are built. (The area of Kashar, Yzberisht, Sauk, Linza etc)

Building profile

Another increase in the investment value is that buildings are made with one or two parking places within and many of the spaces are used for stores, offices etc other than inhabitation purposes.

Cost Impact

The quality of building materials used is improved a lot and affected the cost of construction too. The cost of building is currently higher than in the previous 3-4 years.

According to INSTAT, the cost index in construction activities in 2007 reached 126, 8%. This means an increase of 2, 5% against 2006.

Comparing to 2006 the cost item direct expenses was increase 3,7% in 2007. The forecasted profit cost item decreases by 1, 6% while the cost item complementary expenses and some other cost item remained the same

Within the cost item direct expenses the biggest increase in 2007 comparing to 2006 was observed in the item expenses for machineries by 2,7%. In the other cost item group of expenses for constructions materials the biggest increase in 2007 was that of the price for construction materials by 4, 9% and electric materials by 4, 2%.

Construction licenses

There are no awarded construction licenses since the early 2007 and there will be not awarded even the next year.

Strengthening of the fiscal system

Another reason affecting the increase in prices in the sub sector is the strengthening of the fiscal system and the decrease of informality in employment, which had increase the cost item of wages by 67% comparing with 1999. The Last Ministry of Finance order for the introduction of property transfer tax will affect to the prices in this market.

CONSTRUCTION COST INDEX
1994 – 2007

(in percent)

Code	Description	Years													
		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
	Totale (I+II+III+IV)	60.5	65.7	67.8	78.3	89.1	96.8	106.3	113	114	117.1	120.7	122.3	123.7	126.8
I	Direct expenditures	58.7	64.1	66.2	79.2	87	94.1	107	115.8	115.6	119.1	123.8	126.3	128.4	133.1
	1 Materials (a+b+c)	73.7	79	80.8	88.9	100.3	101.5	110.9	114.3	112.9	115.9	120.4	122.1	124.3	130.2
	a Building materials	70.3	75.4	77.2	89.5	95.5	98.3	111.3	114.8	113.4	116.5	121.2	123	125.3	131.4
	b Electric Materials	89.4	85.1	84.1	92.3	92.7	94.2	108.5	109.8	108.9	109.4	115.1	117.3	120.5	125.5
	c Hydrosanitary Materials	72.5	85.4	86.2	106.7	100.3	102.7	105.3	107.9	106.3	107.8	107.9	108.8	108.9	110.5
	2 Basic salaries fees	24	31	35	48.3	62.9	80.8	114.4	123.1	127.9	130.7	139.9	145.6	147.3	147.7
	3 transport fees	87.6	79.1	71	62.7	127.7	104	108.6	113.1	117.3	115.6	121.9	129.4	135.5	135.8
	4 Machinery fees	75.7	80.1	78.1	83.3	99.6	99.6	101.6	101.7	101.7	103.8	101.7	102.4	102.8	105.6
II	Coplementary	53.5	58.1	60.4	69.2	79.6	93.7	109.6	121.7	132	141.7	146	148.6	149.6	149.6
III	Anticipated profit	81.8	87.1	85.6	82.4	108.1	116.3	110.9	109.5	113.9	113	115.3	112.9	111.6	109.8
IV	Set-up stock site	120.5	113.1	138.8	62.5	100.9	123.1	102.8	109	115.8	114.6	112	109.8	108.1	108.1
V	Turnover tax	30.1	35.9	35.4	69	87.1	100	100	100	100	100	100	100	100	100

Source of information : INSTAT

The process of legally recognizing of occupied properties, property restitution and compensation.

The approval by the Parliament of the laws for properties and legally recognizing of occupied properties has affected the land market too.

The approved methods of property evaluation have oriented the ground/land prices different areas of the cities, in tourism areas etc. It is very obvious that a formally owned property costs more.

The index of sales.

The following information was received from the Department of Tax and Tariffs and based on The Payment Declaration Format

According to INSTAT, in 2007, the sales indexes were increased by 219% comparing to 2001. The significant increase in the index started in 2004. Since 2004 to 2007 the proportion of increases are respectively 26, 2%, 27, 2%, 34, 4% and 21, 2%. This last tells about a still high purchase demand.

The sales indexes by economic activities

%

Code	Activity	Year						
		2001	2002	2003	2004	2005	2006	2007
	Total Economy	100	114.6	128	139.5	162.3	188.2	227
F	Construction	100	102.7	110	136.2	163.4	197.8	219

Source of information : INSTAT

The value of services sector objects (stores, offices, studios etc)

The main reason of the increase in selling price of stores, offices, studios etc built objects is the demand increase. The big cities are for several years now crossing through big demographic changes. The employment in the public sector was significantly decreased. These are the trends for the near future too.

The value of apartments, villas, and tourism grounds/land

In the last for years in the tourism areas was observed an increase in the value of immovable properties. It could be the demand increase and limited areas but still the evidenced increase is not well justified.

The increase of the land value in the tourism areas has derived mainly from the lack of urban studies and indifference shown against the illegal building. The nearest urban areas property evaluation is used for those areas too.

With the carry out and implementation of the studies the value of the immovable properties is forecasted to be different. Out of the studied tourism areas will have a decrease in prices and maybe an increase or at least a stabilization of the immovable property values in the studied ones.

Agriculture land market

In the agriculture land market we observed different tabloids. In the remote areas away from main roads and from populated areas the agriculture land is usually sold undervalue.

Close to inhabited areas with a urbanization, tourism, or industrial area prospectus, the land prices so far, are 10 times higher than the real value of the agriculture land. Main reasons? Demand increase and the convert of the agriculture land in land for constructions. As an example we can mention both sides of land of the highways Tirana Durrës, Tirana –Lezhe, Tirana Vlora etc. Demand increases the price by 5-6 times against real value of agricultural land.

Conclusions

The value of apartments will increase maybe not in proper levels evidenced so far (it deserve to be emphasized that apartments prices in certain areas are increased 10-15% since their building started)

The starting of the process of awarding construction licenses won't affect the supply because of the last of the period of constructions and increased demand.

The same reasoning could be used for services objects) stores, offices etc) the increase on the selling price of apartments, stores, etc will increase the ground/building plots price.

As for industrial objects we foresee prices increase in the next two years as a consequence of the increase of the ground/building plot value. It should be emphasized that the increase in the value of ground/building plots has been higher than the depreciation value of the objects and machineries.

Many businesses has reached the point of consolidation and become production units and their value as business will be added to their assets value.

