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**Real Estate Market Survey Albania  
Political, legal, economic developments and future trends**

Masterthese zur Erlangung des akademischen Grades eines  
„Master of Science (Real Estate – Investment and Valuation)“

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## **1. Introduction**

Albania, within the last 15 years – with one interruption in 1997 (the financial breakdown of the entire state triggered by heavy involvement of population and government in pyramid games) – enjoys the longest period of peace since the end of communism. Naturally the government tries to pave the way for economic growth with numerous reforms. Some of these measures have already been put in place but compared with other (South) Eastern European countries, Albania is still far off the road to prosperity.

We are looking at a country with almost 4 million inhabitants (estimate 2007, no official data available) out of which approximately one million lives in Tirana and its surroundings. More than one third of them are living beyond the poverty line and in some regions further away from cities this percentage may reach 80 %. Of course the state itself is one of the major problems, but it is far too easy to blame corruption as the sole reason for the weakening economy. Also family links are part of the problem, as they are still very important for people's well being. Albanians have alternative sources of income, alternative sources of protection and alternative sources of everything which results in almost half of the economy operating outside the official boundaries of the state authority.<sup>1</sup>

Still, this weakness has not stopped modernization of gradually finding its way into the country. In Tirana as well as along the coastline (which in fact represents the last undeveloped coast of the Adriatic Sea) tremendous construction activity can be observed.

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<sup>1</sup> Kreisky, Eva: Albanien und die Mafia, Lecture at the Vienna University, October 2003

In the first years after the end of communism a huge amount of illegal construction took place. Nowadays these buildings tend to slowly disappear since master plans were implemented at least for Tirana and principal urbanization regulations were adopted for most of the major cities. Nonetheless the consequences of former expropriation are still reflected in heavy obstacles when purchasing land and constructing a building – which is the main reason why foreign investors are still reluctant with their investments.

## 1.1 Geography of Albania<sup>2</sup>

The South Eastern Republic of Albania is situated in the Western Balkans on the East coast of the Ionian and the Adriatic Sea. Along the North Albanian borders there are young states that until a decade ago were part of the Republic of Yugoslavia: Montenegro and Kosovo. It is linked to its western neighbor Italy by a number of ports providing regular connections, including Durres und Vlore. Almost 400 km coastline and great west-east river valleys are the main characteristics of the country and also a lot of old important trade and military routes are crossing Albania (e.g. the „Via Egnatia” which connected Rome with Byzantine Empire). Due to its strategic position in the Eastern Mediterranean Albania has repeatedly been the target of invaders but nevertheless managed to maintain cultural, ethnic and linguistic identity.



**Figure 1** Geographical position of Albania in the South of Europe

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<sup>2</sup> Demographic Atlas of Albania, Deutscher Akademischer Austauschdienst, Tirana, 2000

Almost 80 % of the Albanian territory is covered with mountains, most of them higher than 1000 m and thus sparsely inhabited. Only 20 % of the country (i.e. the coastal lowlands) is populated more densely. These great geological and tectonic structures are the explanation for regionally significant natural resources like copper, nickel, chrome, coal, petroleum and natural gas.



**Figure 2 Geography of Albania**

The climate is characterised by hot and dry summers and cool, humid winters and allows an extensive range of natural vegetation – from alpine meadows to Mediterranean pine and oak forests along the coastline.



## **1.2 History of Albania<sup>3</sup>**

### **1.2.1 Early beginnings**

The earliest existing records show that modern Albania has been populated as far back as the Stone Age. It is generally recognized though that the Albanians are the most ancient race in southeastern Europe. The Albanian's evolution can be traced back with relative certainty to the ancient Illyrians. Powerful empires have always surrounded Albania, including Greeks, Romans and Ottomans. Modern Albanians consider themselves as descendants of the aboriginal settlers of the Balkan Peninsula. The strength of these traditions explains why the people of this country consider this territory their own and why they look upon the other Balkan nationalities as mere intruders. Hence is the constant warfare, which has gone on for centuries between this country and its neighbors.

The Roman Empire was divided into east and west in 395. After this, the territories of modern Albania were included in the Byzantine Empire. There were more years of constant raids by Visigoths, Huns and Ostrogoths. Not long after these barbarian invaders, the Slavs appeared. During all these hard years of being under constant pressure from outsiders, the people still preserved their language. In the 10<sup>th</sup> century the name Shqipëria (Albania in the native language) was used all over the land (what is today central Albania) and the genesis of Albanian nationality started. Apparently, this was the time the people began to realize they all have a lot of things in common: their name, territory, language and cultural heritage.

Before this event, Christianity had become the established religion which was the greatest heritage from the Roman and Greek occupations. In 1054, because of a conflict between the Byzantine emperor and the Albanian archbishops, the Church was detached from the Roman Pope and was placed under the patriarch of Constantinople. In 1054 the church split between East and Rome. While northern Albania reverted to the jurisdiction

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<sup>3</sup> Besnik Alaiaj, Keida Lulo, Genc Myftiu: Tirana, the challenge of urban development, Tirana 2004

of Rome, southern Albania retained its tie to Constantinople. This was the first significant religious fragmentation of the country.

Albanian society reached a high point of development in the latter part of the Middle Ages. Thanks to the excellent location of the land, foreign trading flourished. Some Albanian merchants even had their own agencies in Venice, Ragusa and Thessalonica. The cities prospered, education and arts were important and developed. Greek and Latin were used in schools, churches and with matters of the government. The Byzantine Empire created military provinces, also there was a new administrative system in use. Because of one of these factors, or maybe both, the rise of feudalism in Albania started.

By the beginning of the 9<sup>th</sup> century, the Byzantine Empire weakened. Foreign powers recognized this fact and in conclusion Albania came under the domination of Bulgarians, Normans, Serbs and Venetians. By the mid-14<sup>th</sup> century the Byzantine Empire was completely defeated and the Serbs occupied the land in 1347. This led to a massive wave of migration with a large number of Albanians leaving their homeland and going to Greece.

### **1.2.2 Medieval times<sup>4</sup>**

The Albanians did not reach independence until the twentieth century, except for a short period of time in the 15<sup>th</sup> century. This period was the time of the legendary Gjergj Kastrioti, known as “Skanderbeg”. He is to this day the national hero of Albania, statues of him can be found for example in Kruje and Tirana. He kept the Ottoman army out of his land for 25 years operating out of a mountain town called Kruja. The Ottoman Turks invaded Albania in 1388 mere decades after the Serbian occupation of the land. They succeeded in 1430, bringing the country completely under their power. After Skanderbeg’s death they re-occupied the land by 1506.

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<sup>4</sup> Herrscht Iris: Albanische Identitäten in Veränderung, Mödling, 2007

Even though the Turks ruled Albania for over four centuries, once again this nation resisted the oppression. This time however not only by preserving their cultural heritage: in the highland regions, Turkish authorities were only able to establish a formal sovereignty. The highlanders refused to pay taxes or serve in the army; they never even surrendered their arms. Seeing this, the rest of Albania rose in rebellion against the Ottoman occupation.

In order to keep the Albanian resistance at bay, and to bring the country spiritually closer to Turkey, the Ottomans started to islamize the population around the end of the 16<sup>th</sup> century. This systematic drive continued for over a hundred years and resulted in two-third of the population converting to Islam.

### **1.2.3 The 19<sup>th</sup> century**

The basis of Ottoman rule was a feudal military system of landed estates. This meant that military lords were awarded for their achievements in the form of land. This system was not abolished until 1831. During this time Albania was excluded from the exchanges with Western Europe, and art, culture as well as economy were destroyed.

In 1912 resistance in Albania was growing and the neighboring countries were scared by the possibility of an autonomic Albania. Thus Greece, Serbia and Montenegro declared war on Turkey and had their armies advance into Albanian territories.

### **1.2.4 From World War I to World War II**

Finally on November 28, 1912, the national delegates met at a congress in Vlorë and the independent Albania was proclaimed.

A month after the declaration of Albania's new-found independence, a conference was held in London with the ambassadors of the Great Powers: Austria-Hungary, Britain, France, Germany, Italy, and Russia to redefine the borders of the new

state which unfortunately ignored demographic realities. The new state in the end remained with approximately one half of the Albanian lands and population. On the other hand, approximately 35,000 ethnic Greeks were included within the new borders.

WWI made Albania face new dangers, as the armies of Austria- Hungary, France, Italy, Greece, Montenegro and Serbia invaded and occupied it. As there was no political leadership or authority the country plunged into chaos. After the war the Paris Peace Conference took place. If it was not for the American President Woodrow Wilson, Albania would have been partitioned among its neighbors. In 1920 a national congress was held and the congress laid the foundations of a new government. Less than a year later, with the help of Britain Albania gained admission to the League of Nations. For the first time the country was a sovereign nation and state, it became internationally recognized and a Republican form of government was adapted. Once again, the times of relative peace did not last long.

This time the cause was an internal conflict. One side represented the conservative views of landowners who were tied to the Ottoman past. They were led by Ahmed Bey Zog. The other side was more liberal: they wanted to modernize Albania and to get closer to the Western civilizations. Their leader was Fan S. Noli, an American-educated bishop. The liberal side managed to gather strength and by 1924 a revolt forced Zog to flee to Yugoslavia. Thus, Noli became the Prime Minister of the new government. He set out to westernize his country and established radical program of land reform. However, with his inability to get international recognition for his government and with a very slim state treasury behind him, the supporters quickly abandoned him. He ended up being overthrown by Zog. Zog of Albania became President of Albania in 1925 and was crowned King of Albania in 1928. In the early years of his political career his reforms showed modern and humanistic tendencies which was exactly what this battered country would have needed at the time. Still he was a dictator in reality - even though the country was officially a constitutional monarchy - and he failed to resolve Albania's greatest problem: the need for a land reform. Zog's main ally was Italy. Due to the fact that the fascist government of Mussolini was supported by Zog since the early days of

his presidency, the Italian influence in Albanian affairs increased more and more. During the 1930's the Albanian government became completely dependent on Mussolini. Mussolini invaded in 1939 aiming to compete with Hitler's territorial gains, and as he considered Albania a historical part of the Roman Empire as well as an excellent base for attacking Greece. Albania was declared a protectorate under Italy's King on April 7th. The forced Italianization at that time led to the forming of Albanian nationalist troops, who fought against the Italians and later on also the Germans during WWII. They were the only nation who managed to get rid of them without the help of Soviet troops.

### **1.2.5 Albanian Communism**

In 1941, the Communist Party was created, and in 1945 Enver Hoxha became the leader of the country. The country became officially the People's Republic of Albania first, then in 1976 the People's Socialist Republic of Albania. During Hoxha's leadership, which lasted for forty years, Albania allied and broke with the USSR and consorted with China. He was a ruthless leader and instead of freedom he believed in the isolation of Albania. As a result, foreign technology and advancements were kept away from the Albanian workers and the economy declined.

### **1.2.5 The period after Communism**

After the death of Hoxha the new regime introduced some new liberal measures. Though Hoxha's successor Ramiz Alia wanted to preserve the communist system it was clear to him that since the cessation of aid from former communist countries the economy was declining fast. To turn this around he legalized investments by foreign companies. The intentions of forming new connections with other countries became clear as in 1990 traveling abroad became legal. Priests who have been imprisoned were set free and religion was legalized.

The first non-communist leader since WWII was elected in 1992. Sali Berisha was Alia's successor the latter had resigned as President. The progress toward democratic reform prevailed, for example efforts to establish a free market society. These measures enabled Albania to gain membership in the Conference of Security and Cooperation of Europe. Thus, the isolation of the country was formally over. The 1997 rebellion of Albania occurred because government officials endorsed a series of pyramid investment funds. Approximately two-third of the country's population invested in them. When the people have realized they have been cheated the rage and the disappointment of a whole nation led to riots on the streets, the toppling of the government and to a near civil war. 3 million people lost 1.2 billion dollars and 2000 people were killed. Finally, the United Nations sent troops to restore order.

The constitution of the country was renewed in 1998. Today, the Albanian Republic is a parliamentary democracy..

### **1.2.6 History of Tirana<sup>5</sup>**

Tirana is a relatively new city, even though evidence suggests that the territory it occupies has been populated since Neolithic times, about 7000 BC. The first records mentioning Tirana as a village are by Marin Barleti, a catholic priest and scholar. He was the first to write a history of Albania, and he mentions a small place called “Plenum Tyrenare”.

In 1431-1432, under the Ottoman regime the first land registrations took place. Sulejman Pasha, the successful military leader decided to develop a fertile plain into a main city. Sulejman Pasha has in fact built - besides a mosque - also an inn, a bakery and a hamam or Turkish bath, thus creating the center for a future town. At the end of the 16<sup>th</sup> century, the low lands of coastal Albania started to grow and develop economically.

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<sup>5</sup>Besnik Alaijaj, Keida Lulo, Genc Myftiu: Tirana, the challenge of urban development, Tirana, 2004

Gradually, with the growth of the population and the development of the economy, Tirana secured a role in the political life of Albania.

In the middle of the 18<sup>th</sup> century, Tirana was ruled by the descendants of Sulejman Pasha. But as the area started to bloom, it attracted the attention - and envy - of the neighboring feudals which led to an armed uprising that later spread to anarchy. Sulejman Pasha Bargjini, predecessor of the founder of the city and ruler of it at the time was forced to flee. The Toptani family occupied Tirana during the uprising. Ibrahim Pasha managed to capture Tirana overnight with the support of the Pasha of Shkoder and the Pasha of Kavaje. In response to that, the Toptanis<sup>6</sup> allied with several powerful families and a number of local beys.

These two opposing alignments represented two political tendencies. Ibrahim Bey and his associates represented the Albanian feudal forces in opposition to the Ottoman imperialist centralism. Their rivals, including the Toptanis represented the feudal forces which felt economically too weak to rule without the Ottoman central power's support. The Toptani family kept trying to gain back the power over Tirana they have lost overnight. In the Russian-Turkish war Bey Bargjini has refused to obey the Sultan's order, and the Toptanis - making use of this circumstance - occupied Tirana yet again in 1770. However, as one year later Bargjini was pardoned, they had to flee the city. In 1774, following a dispute about Durres, a war between Pasha Bushatli and Kurt Pasha broke out. One year later Ahmet Kurt Pasha entered and took over Tirana. The Toptani family continued to terrorize and assault the people of the city to seize control. They have succeeded more than one time but always just for a brief period of months. Finally in 1812, after seventy years of ceaseless efforts they have realized their aspiration to become the lords of Tirana.

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<sup>6</sup> Toptani, Azmi, interview about the influence of the Toptani family in Tirana, Tirana, 10.09.2008

In 1831 the state administration was established in the city. After that, the conflicts and the feudal fights came to an end in this territory. In 1912 during the Balkan Wars the town was temporarily occupied by the Serbian army and in 1915 took part in the uprising of the villages.

Tirana was chosen as the temporary capital of Albania in 1920. This decision was made permanent in 1925. In September 1928 Zogu was crowned King, and Tirana became the Albanian Kingdom's capital. The city was occupied until 1944, first by the Italians, then by the Germans. As we have seen in the history of Albania, the Nazis eventually withdrew and the Communists seized power.

In 1989, as the Berlin wall fell, powerful movements began against the dictatorship. These movements have built up and finally hit Tirana in 1999, known as “the storming of the embassies”. Over 10.000 citizens rushed to the Western embassies, demanding political asylum and permission to leave the “communist prison”. The government was incapable to cope with the indignant inhabitants of the capital and gave in. Some months later the students and professors of the Tirana University backed up by the industrial workers forced the communist regime to allow party pluralism in Albania.



### **1.3 The political situation in 2008<sup>7</sup>**

This chapter describes the recent political developments in Albania:

Today the government structure in Albania comprises the following three competent bodies:

The Executive Branch, the Legislative Branch and the Judicial Branch. The Executive Branch features the President of the Republic, chief of the state (currently Professor Doctor Bamir Topi), the Prime Minister who is head of the state and the Council of Ministers who are appointed by the President.

The Legislative Branch includes the People's Assembly, the Parliament. The Parliament of Albania consists of 140 deputies, 100 of who are directly elected from single electoral zones.

The Supreme Court represents the Judicial Branch. The structure of the Supreme Court is established in accordance with the duties that this court has and is approved based on article 7 para (e) Law no. 8588, dated 15.03.2000, "On the organization and functioning of the Supreme Court of the Albanian Republic", with an order by the Chief Justice.

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<sup>7</sup> Wirtschaftskammer Österreich: Ländersteckbrief Albanien, Vienna, 2008

### 1.3.1 Albania and the European Union<sup>8</sup>

Albania's way into the European Union is still a long one but a lot of necessary steps have already been taken within the past 17 years:

- **1992** Trade and Cooperation Agreement between the EU and Albania.  
Albania becomes member of the PHARE program (financing program of the EU)
- **1999** The EU announces a Stabilization and Association Process (SAP) for five South-East European countries including Albania
- **2000** Extension of the duty-free access to EU market for products from Albania
- **2000** The European Council in Feira (June 2000) states that all SAP countries are "potential candidates" for EU membership
- **2001** CARDS becomes operative:

The CARDS program of "Community Assistance for Reconstruction, Development and Stabilisation" is the EU's main instrument of financial assistance to the Western Balkans, covering specifically the countries of Croatia, Bosnia and Herzegovina, Serbia, Montenegro the former Yugoslav Republic of Macedonia and Albania. It was created in 2000 by Council Regulation 2666/2000. However, it was only in 2001 that the program became operative.

The main aim of the program as its name implies is to support reconstruction, development and stabilization. However, after an early focus on post-war and post-communist reconstruction much of the program's attention has shifted to institution building projects. Its specified objectives are:

- reconstruction, democratic stabilisation, reconciliation and the return of refugees

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<sup>8</sup> European Commission: Association and Stabilization Report 2004

- institutional and legislative development, including harmonisation with European Union norms and approaches, to underpin democracy and the rule of law, human rights, civil society and the media, and the operation of a free market economy
- sustainable economic and social development, including structural reform
- promotion of closer relations and regional cooperation among countries and between them, the EU and the candidate countries of central Europe.

- **2002** Negotiating directives for the negotiations of SAA with Albania are adopted in October<sup>9</sup>
- **2003** Official negotiations for the SAA between EU and Albania start. The EU commission confirms that countries participating in the SAP are eligible for EU accession and may join the EU at a later stage.
  
- **2004** The EU Council decides on a European Partnership for Albania
- **2006** Signing of the SAA between EU and Albania in Luxembourg
- **2007** Free movement of Albanian citizens in the EU - visa facilitation agreement is signed
- **2008** The visa facilitation agreement is entered into force

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<sup>9</sup> Delegation der Europäischen Kommission in Albanien: Report Albania and the EU, Tirana 2008

## **1.4 Economy<sup>10</sup>**

Albania has one of the lowest standards of living in Europe due to long lasting isolation and the economic collapse of 1997. Albania was the last of the central and Eastern European countries to establish free and democratic market reforms. By 1992 most of the agricultural land has been privatized. Approximately 60 % of the work force in the country is still employed in this field and agriculture also accounts for about 50% of the country's GDP. However, it is held back because of frequent draught, the need to modernize equipment, to consolidate small plots of land and to clarify property rights.

Led by the agricultural sector, real GDP grew and Albania's currency, the Lek, stabilized. The private entrepreneurial response to Albania's opening and liberalizing was faster and more enthusiastic than anyone could have expected. However, in the beginning of 1995 progress slowed down dramatically. The pyramid schemes of 1997 and the instability that followed were more than the economy could deal with and recovery from the effects of this setback last up to the present days.

Today government is still struggling to solve the problems of rationalizing and uniformly applying business laws, improving transparency in business procedures, restructuring the tax systems, reducing corruption in the bureaucracy and resolving property ownership disputes.

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<sup>10</sup> Bundesministerium für auswärtige Angelegenheiten, Sektion Entwicklungs- und Ostzusammenarbeit: Landesprogramm Albanien 2007-2009, Vienna, 2007

## **2. Legal overview<sup>11</sup>**

This chapter shall provide an overview about the legal framework of real estate transactions as well as the most important construction regulations in Albania.

Purchasing a building in Albania requires on one hand a legal act, as for example a purchase contract and on the other hand the registration into the Real Estate Cadastre. The registration is regulated by Law No 7843 “On Registration of Real Estate”, July 1994.

Land and buildings in Albania are considered as independent immovable properties, which means on the contrary to the principle “superficies solo cedit”, buildings are not part of plots and can bear rights or obligations independently from the land plot underneath<sup>12</sup>. Accordingly owners of plots and buildings (or parts of buildings) are registered separately in the Real Estate Register.

The data of properties is filed in a property folio system which means that all information on ownership is connected to the land.

### **2.1 The Real Estate Register<sup>13</sup>**

The Real Estate Register is divided into three parts:

1. The Register itself, files of information on owners of plots, mortgages, easements etc.
2. Maps of properties of the respective administrative area
3. Contracts of ownership transfers, documents about all legal action concerning the property (e.g. inheritance deeds, mortgage deeds).

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<sup>11</sup> Wolf Theiss Albania, Legal guide for doing business in Albania, Tirana 2006

<sup>12</sup> Eder, Stefan: “Osteuroparecht”, Lecture at the Technical University of Vienna, May 2008

<sup>13</sup> Global Legal Group, Drakopolous Law Firm, Annual Report 2008

### **2.1.1 Registration of real property**

If a real property has to be registered for the first time the following steps have to be taken:

- Ownership documents and documents evidencing the boundaries of the plot have to be delivered (Purchase contracts, restitution decisions, plans etc.).
- If natural persons or legal entities do not possess the property documents they have to submit a request for property registration containing a notarised ownership declaration, a plan with detailed description of the property as well as notarised declaration of the owners of the neighbouring plots.
- If within 90 days after the first registration of a property no claim arises the registration becomes effective and an ownership certificate will be issued.
- Registration of unregistered property is mandatory, but there are no deadlines for registration and some owners will only take care of registration once they intend to execute a property transfer.

It is obvious that this regulation invites abuse and it is certainly one of the biggest issues in real estate law reform in Albania.

All documents evidencing ownership data have to be registered with the Real Estate Cadastre within thirty days after execution otherwise a penalty of 10 % of the registration fee is due. Legal and natural persons whose ownership rights are affected by the registration are entitled to this fee. Third parties cannot obtain copies of the documents filed but they may obtain a summary of all relevant data filed.

This summary with data concerning title and location of property will be provided upon request to an “interested party” (egg. lawyer) against payment of a fee.

The Albania Real Estate stipulates that claims for indemnification may be filed against the Real Estate Registration Office if a party had to bear damages within a property transaction due to incorrect information provided.

#### Property Registration Steps<sup>14</sup>

1. Seller obtains an ownership title certificate from the Real Estate Registry Office after filing all documents evidencing his ownership status
2. Verification of property certificate and respective maps at the Real Estate property Register
3. Verification of the borders of the property with the real situation and position of the land (by a licensed topographer, paid by the buyer)
4. Certificate from local authorities that the seller is the sole owner of a property. This certificate is required only in suburban areas as a consequence of ongoing disputes between owners and former expropriated owners.
5. Notarization of sale and purchase contract  
Sale and purchase contract must be signed before a public notary. The notary will be held responsible for the content even if he is not the author.

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<sup>14</sup> Boga Associates, Investment in Albania, Guide 2008

<b>Value of real estate property</b>	<b>Notary fees</b>
(1 EUR = 130 ALL, as of 28.2.2009)	
3,000,000 ALL	3,500 to 7,000 ALL
4,000,000ALL	7,000ALL to 8,500ALL
6,000,000ALL	8,500ALL to 10,000ALL
8,000,000ALL	10,000ALL to 15,000ALL
10,000,000ALL	15,000ALL to 18,000ALL
15,000,000ALL	18,000ALL to 23,000ALL
25,000,000ALL	23,000ALL to 30,000ALL
40,000,000ALL	30,000ALL to 35,000ALL
50,000,000ALL	35,000ALL to 40,000ALL
70,000,000ALL	40,000ALL to 50,000ALL
100,000,000ALL	50,000ALL to 100.000ALL
Over 100,000,000ALL	Up to 150,000 ALL

#### 6. Payment of income tax

The seller is subject to income tax which is due upon transfer of ownership of the property. The tax has to be paid to a second-tier bank with which the Real Estate Registry Office maintains a banking account. If the property is transferred between two legal entities the selling entity is subject to capital gain tax in the amount of 20 % of the transaction value.

#### 7. Application for the registration of the real estate property with the Real Estate Registry Office

The application has to be filed together with sale and purchase contract as well as the banking certificate evidencing that the purchase price has been paid.



## **2.2 Purchase Contract – formal requirements**

Real Estate transactions have to be concluded before a public notary, the purchase deed will be registered in the Real Estate Cadastre. A Certificate of the Real Estate Registration Office evidencing that the ownership title of the property in question is clear must be attached to the purchase contract. The minimum requirements of a Purchase Contract are the purchase price and a sufficiently determined object of purchase. The handover of the property immediately takes place upon signing of the purchase contract and payment of the complete purchase price but in practice the parties very often agree on different conditions (e.g. fulfilment of conditions precedent).

### Claims for defects

According to the Albanian Civil Code a purchaser may file claims for defects regarding a property within 5 years from handover date but unfortunately Albanian Law does not foresee any regulations for hidden defects.

## **2.3 Necessary permits**

Albanian citizens do not need special approval for a real estate transaction, according to Art. 2 of the “Law on Acquisition of Construction Land”.

Foreigners are only allowed to purchase construction land if the purchase price triples the value of the land plot.

The authorities have to approve the transaction if the following requirements are fulfilled:

- the foreign investment is of economic interest for Albania
- the value of the investment is verified by certified experts
- construction complies with the relevant building permit

In practice foreign investors are bypassing the above mentioned regulations by founding a legal entity in Albania.

## **2.4 Claims for Restitution**

According to the Albanian „Restitution and Compensation Law“ (Law No. 9235) former owners and their heirs who have been expropriated during the communist dictatorship may file claims for restitution and/or compensation. However, the deadline for applications has already expired and distribution of indemnifications will end in 2015.

On top of that it has to be stated that in the first years after the end of the communist dictatorship numerous Albanians tried to make good use of the unsettled legal situation. They registered rights related to plots of lands and/or buildings might therefore be justified or not. Nowadays this often appears to be a hurdle in real estate transactions since verifying the claimant who is lawfully entitled might turn out to be a time consuming issue.

## **2.5 Taxes<sup>15</sup>**

### **2.5.1 Real estate transfer tax of buildings and other real estate**

#### **Buildings**

The real estate transfer tax is due at the Real Estate Registration office prior to the registration of the building with the purchaser. The basis of the tax is the area of the building and it is multiplied by a “tax rate” which may vary according to building category and location between LEK 200 and LEK 2000/m<sup>2</sup>.

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<sup>15</sup> Schmidt Niklas, Wolf Theiss: Steuerliche Rahmenbedingungen für Geschäftstätigkeiten in Albanien, lecture at the Länderforum der Raiffeisen Landesbank Niederösterreich Wien, Vienna., 2 June 2008

Other real estate

The tax basis for other real estate is the market value of the property; the current tax rate is 2 % of the indicated purchase price.

Persons (i.e. the Seller) subject to Income Tax are exempted from real estate transfer tax.

### **2.5.2 Personal Income Tax**

Individuals selling a property are subject to Personal Income Tax:

ALL	Tax payable (% of purchase price)
0- 2.000.000	0,5 %
2.000.000-4.000.000	1 %
4.000.000-6.000.000	2 %
more than 6.000.000	3 %

**Figure 3 Personal Income Tax in real estate transactions**

Property registration will not take place unless the tax has been paid. The collecting authority is the Real Estate Registration Office which has to forward the amount to the tax office within ten working days.

At the moment there is no regulation for gift tax but for donations. Hence a donated property will be appraised by an expert to define the tax base.

### **2.5.3 Tax on Immovable Property**

Tax on Immovable Property is imposed on all natural and legal persons, Albanian and foreigners equally and regardless of the use of the property.

Types of Taxes on Immovable Property:

**Tax on Buildings**

The tax is calculated by multiplying the tax basis (useable surface of the building in square meters) with the tax rate (ALL 5-200/m<sup>2</sup>), which depends on the category and location of the building.

**Tax on Agricultural Land**

Surface area in hectares is multiplied with tax rate (ALL 700 – ALL 5600). The tax has to be paid by the owner of the land on an annual basis.

**Tax on New Construction**

New constructed buildings are subject to this special tax which is calculated by multiplying the investment value with the tax rate. The tax rate varies from 1-3 % (outside Tirana) to 2-4 % (within the municipality of Tirana) and is collected by the authority issuing the permit for the construction.

## **2.6 Financing real estate transactions<sup>16</sup>**

### **2.6.1 Loan Agreements**

Purchasers who wish to finance a real estate transaction via bank loan have to sign a loan agreement with the bank. The agreement has to be established in the form of a notarial deed or at least the signatures have to be certified by a public notary. Loan agreements may be concluded for a definite or an indefinite period. Definite agreements may be terminated by the bank only for justified reasons (i.e. default of payment); indefinite agreements may be terminated by the parties within the agreed time limit by presenting a termination notice.

The financing bank usually secures the loan agreement by registering a mortgage deed in the Real Estate Cadastre. The funds therefore are released only upon registration of the mortgage agreement.

### **2.6.2 Mortgage Agreements**

Establishing a mortgage on a property requires the following steps:

- the mortgage deed has to be signed before a notary public
- and the mortgage has to be registered in the Real Estate Cadastre in order to have full legal effect.

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<sup>16</sup> Mayr Felix, Götsch, Alfred: Lecture at the Länderforum Kroatien Albanien Serbien at the Raiffeisen Landesbank NÖ Wien, 2.6.2008

### **2.6.3 Easements**

Easements on real properties can be established by law, decisions of the competent authorities, agreements and inheritances and include for example the right of water flow, the rights of way, the rights to install pipes, wires and cables. Easements have to be established before a notary public and registered in the Real Estate Register.

## **2.7 Construction of a building<sup>17</sup>**

Construction Activity in Tirana is regulated by Law No 8405 “on City Planning” and comprises construction of a building, modifications of existing buildings and demolition.

In principal, two permissions have to be obtained before the start of construction of a building:

- Site Construction Permission:  
defines the borders of the land plot in question and the approved volume of construction (designated use of the building, height of the building above ground and below ground, number of floors, distance to adjacent buildings). For this permission only preliminary designs are necessary with a description of the future designation.

The application for the Site Construction Permission is filed with the competent authority KRRT (Keshilli i Rregullimit te Territorit), the commission for territory regulations. A working group within this commission will set up recommendations which are then elaborated into the final resolution. The timeline between application and issuance of the Site Construction Permission shall not exceed 2 months.

- A similar procedure is applied for the Construction Permission which requires the filing of detailed designs and documentation (including feasibility study of a licensed engineer) of the planned building. If the filed data is incomplete the commission will call for additional documents needed for evaluation. In general it should take not more than 45 days between application and issuance of the Construction Permission but in practice - depending on the importance of the land plot in question this procedure can

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<sup>17</sup> GLEEDS, International Management and Construction Consultants, Interview with Mr. Richard Steer; Senior Partner, Tirana, 16.6.2008

take a lot longer.

The construction permission itself is generally issued by the Major, in some cases by Territory Regulation Commission itself. The building permission is issued to the applicant (usually the construction company) and not to the owner of the land plot.

- As soon as construction is completed and has been investigated by the authorities, the minutes of the building (Notice of Completion) confirm that the constructions has been executed in accordance with the permission. After this step the permit of use is issued followed by the issuance of the blueprint (indicating the exact location of the building). Only if these requirements are fulfilled is an ownership certificate of the building (indicating one or more owners) is issued.

Figure 10-1: Procedural steps

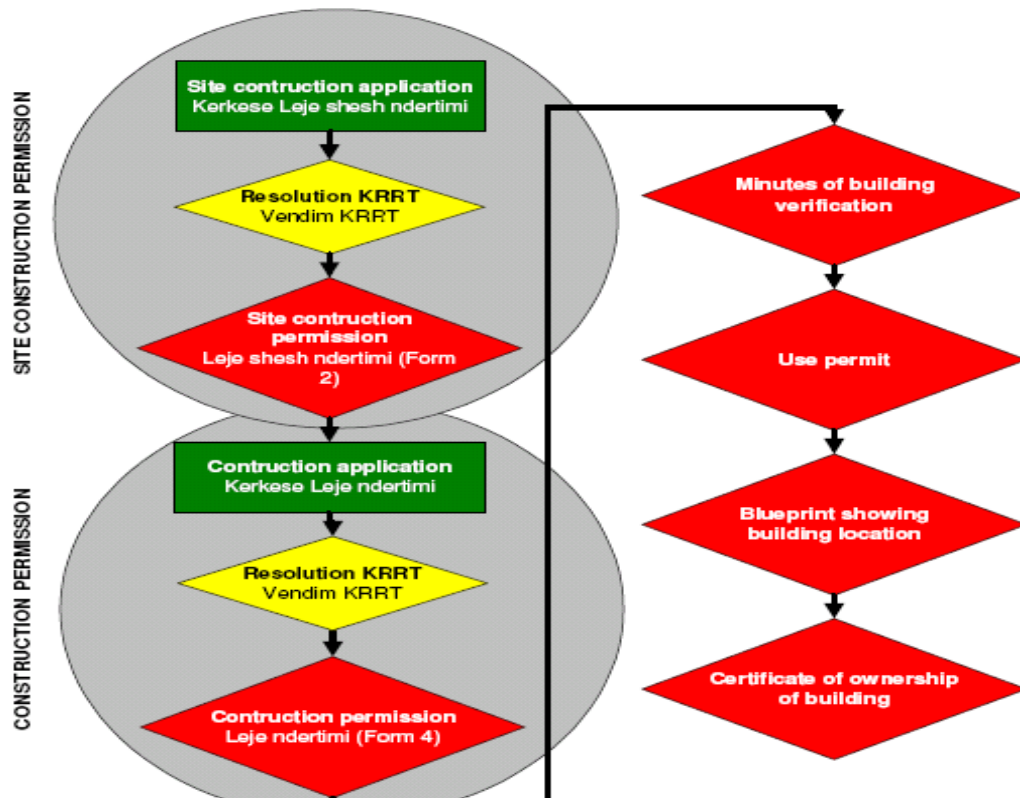


Figure 4 Construction Permission – procedural steps



### **3. Architecture and Urban Development in Tirana<sup>18</sup>**

This chapter provides a summary of the urban development in Tirana from its early beginnings up to the present days. For 2008 a real estate market overview describes major trends in the residential, office, retail and hotel construction sector in Tirana City Center.

#### **3.1 From Foundation to 1920**

Tirana may not be such an old city with ancient history as its neighbors, like Berat or Elbasan for example. It does, however, feature a very special microclimate. This is due to the impact of the Adriatic Sea, which is some 30 kilometers west, the rich water sources, the presence of both lowland and hills and the protection of the winds by the Dajti Mountain. All these factors made Tirana a rich and fertile land for thousands of years. There are archeological findings from the 3<sup>rd</sup> and the 4<sup>th</sup> centuries AD, which suggest that there were already protective fortresses built around the area at that time.

We have the first records of land registrations from 1431- 1432, the beginning of the Ottoman Conquest. The Ottoman Turks perceived the area of Tirana as an important crossing point for transportation roads for both the Balkan regions and the country itself. This led to the town being considered merely as a sort of crossing point between Christian Europe and Oriental Turkey. As a result, most constructions or developments completed during this period were not meant to last. An interesting exception to this was cult objects: they were supposed to encourage the native population to convert from Christians to Muslims.

The above-mentioned records show that in the 15<sup>th</sup> century Tirana consisted of 60

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<sup>18</sup> Co-Plan, Institute for Habitat Development (Instituti per Zhivilimin e Habitatit): Plani rregullues I Tiranës, Annual Report 2008

inhabited areas and approximately 7300 inhabitants. From the 16<sup>th</sup> century onward mosques became the defining objects of the city. They were built in the busiest parts of town, mostly next to markets and other public buildings. They were also often included into the complexes built to contain the above mentioned cult objects. These mosques proved to be very important for the development of the area: they were the inspiration for urban “isles”. As these isles started to grow, they also drifted and with time merged. In combination with local traditions, they came to create a new urban profile and identity: Tirana. Let us look at the land registration records of 1538: 110 areas inhabited by 20.000 people; meaning that in one century the growth of the city has reached –based on the number of inhabitants- almost 300%.

The expansion of the first nucleus or center of the town can be dated as far back as the 17<sup>th</sup> century. It emerged as the old Mosque of Sulejman Pasha was constructed. Let us look at this significant building in some detail.

“...the old mosque had a rectangular plan with sides measuring 16 m x 13 m. The greater part of its space was taken by the prayers’ hall and the rest by the portico that represented the eastern and northern facades of the town. The volume of the mosque appeared in the form of a parallelepiped that was more extended longitudinally than it was vertically and its height measured nearly 9 m. The whole façade of the mosque was decorated with multicolored frescoes of floral and fruit motifs and images of Istanbul.”

The Mosque of Sulejman Pasha and its minaret –the latter built by the Pasha’s son- were reconstructed by the Toptani feudal lords. As this remarkable building was erected, other constructions appeared in the area (for example those of the feudal lords on the right side of the Lana River). As mentioned earlier, the Pasha has also built a bakery, a bath and an inn. These service facilities were centered on the Mosque, starting with the bakery being some 50 meters west of it. Interestingly, the other constructions were put up in the same manner: barns, courtyards, houses, wells, green groves, lanes, squares and graveyards all centered on the building of the Mosque. The aim was to form a unit of connections with close bonds on both sociologic and economic levels.

The second nucleus of the town emerged in the beginning of the 18<sup>th</sup> century. This center was created around the Mosque of Fire, located approximately 600 meters northwest of the first one. Today this place is marked by the intersection of Rruga e Barrikadave with Rruga Fortuzi. The building was reconstructed in 1859 and renamed Mosque of Beshiri (after the name of the trader who built it).

The third nucleus was built northeast of the first center at the intersection of Rruga e Dibres with Rruga Thanas Ziko in 1775. It was constructed around the Mosque of Zajmi in 1775, but was destroyed later because of urban planning needs.

Following the same pattern – near to the first nucleus, with a mosque at their center – other nuclei were formed, all moving from downtown to the suburbs and back towards downtown. In time these independent units came to intersect each other, thus creating an urban planning landscape of irregular layout. Due to the private land ownership at the time, this landscape was anything but crowded. The absence of a central administration capable of enforcing laws led to the construction of irregular and scattered buildings without any technical arrangement.

The service facilities erected by Sulejman Pasha (the public baths, the inn, the bakery and of course the Mosque), together with the later built Shrine of Kapllan Pasha represent the birth of a town, both from historical and architectural perspective. Sadly, except for the Shrine, these buildings –and many others- have been destroyed over time, especially during and after the Second World War.

The Mosque of Ethem Beu is luckily not among those buildings. It is the only mosque situated at the historical center of the town that had survived the destructions of wars and time. So it came to represent the historical visual memory of the present day city. It was constructed together with the Clock Tower between 1794- 1822. They have been built in a mixed style. However, the influence of traditional Albanian culture can be clearly seen in both examples.

“...this mosque is made up of the prayers’ hall, which has a cubic form, and the porch. On the east and north sides, the cubic volume of the prayers’ hall is surrounded by the portico, which is made of arcades resting on columns. The central setting is covered by a dome resting on parabolic abacuses at the corners. This hall is constructed

of plastered river stones and its inside is painted with floral ornaments, whose design abides by the rules of symmetry, while the outer part of the prayers' hall that is included within the portico, is decorated with floral motifs and a series of paintings with images from Istanbul.”

The Clock Tower has been finished in 1830. It occupies a special place in Tirana's downtown: about 20 meters from the east wing of the Mosque, the walls oriented just about in the direction of the four cardinal points. Its construction was both an economic and social achievement; moreover, a new object of the contemporary architecture. The outstanding architectonic character of the building became an essential part of the city's landscape.

The town continued to spread around the center up until the beginning of the 19<sup>th</sup> century. Most of the population was connected to farming, stock raising or handicrafts. This factor had the effect of urbanization on this hub, especially in its marginal quarters.

The structural layout of Tirana –especially compared to towns built based on a pre- arranged plan- is irregular and fragmented. This is because of the feudal anarchism and the economic and cultural confusion in the area. There are two areas connected to each other by streets and lanes: the dwelling one and the economic one. These two parts have been in some level of dependence of one another during the growth of the city, but have always kept their principal features.

The inhabited area, as mentioned above, was extended and scattered without any defined limits. The only dwelling houses at the center belonged to the dominant feudal aristocracy, protected by high walls. However, as they grew in numbers, they were forced to build houses outside these walls. The rest of the population lived in all corners of the town, divided by the above-mentioned large spaces that were caused by private land ownership. These spaces are one of the main reasons for the groundless extension of the city. Hence the Adobe House (a typical Albanian dwelling house), which generally does not border the street. The wide spaces are also the cause of the dwelling

houses playing a passive role in the urban planning, simply due to the houses' distance from the main street. Only in the mid 18th century did townspeople start to erect dwelling houses facing the street. This led to the shops' detachment from the center, as the merchants began to open their businesses by the side of the streets.

The commercial and economic area was represented by the bazaar. It was basically a big shopping mall located in the central part of the city. It stretched between Rruga e Barrikadave, Rruga e Dibres, the present day Rruga Luigj Gurakuqi and partly the square of Tirana downtown. It was approximately 2- 3 hectares big, but has been demolished in 1905 to be rebuilt at the same place. In the 1960's it was torn down once again, to make way for the Great Palace of Culture.



**Figure 5 Tirana Bazaar around 1900**

The system of the streets allows the main streets to come together in the center even though the clear low terrain is the ideal characteristic for rectangular street arrangement. Due to property interest and family separations over the years, many roads converged or were built without connection to any other road. Some streets of Tirana are broken and most of them curved, in general they would measure 2 to 12 meters in width. Green gardens have been a natural part of every house in the city, regardless of economical or social status.

The above-mentioned Adobe House deserves a closer look, as it represents the history of rural architecture in Tirana. It is built on a large plot and is surrounded by walls. Regarding the compositional plan, the house features a solution unlike any other dwelling types in Albania. According to this plan, there is a hearth house at the center of the building, where the social life was carried out. Since this room was built to reach impressive heights (even up to 5 meters) it was possible to erect two floors around this space. It is made of mud- bricks and kneaded clay and is reinforced with wooden slashes. The roof is covered with concave red tiles: this is the reason why the old Tirana was called the Red Tirana, as opposed to the communist ideology after the Second World War.

On November 1912 Albania has reached independence after over four centuries of Ottoman occupation. At this time the first important period regarding the urban structure development has ended. During the Turkish regime, the natives chose to focus on architecture rather than urban planning as they found it was a way of rebellion against the invaders. Now, the clear Ottoman character and influence on buildings and constructions were over.

### **3.2 From Independence to World War II**

Tirana was declared the capital of Albania on January 20, 1920. This was a significant event from both political and administrative point of view. However, the city had to be prepared for the position. Even though it enjoys a favorable climate and fertile lands, it was necessary to take actions towards turning it into a political and administrative center. This realization was the beginning of turning this spontaneous and somewhat chaotic urban structure into a modern one, based on studies and regulatory plans.

The year Tirana was declared the capital it occupied about 305 ha, out of which 98.2% was residential area. The population reached 15,000 with a density of approximately 50 inhabitants per ha. The residential section and the economic section were still closely connected through a network of streets, even though most of these

streets were too narrow, bumpy or blind. The interregional roads were prominent and they all met in the center, which was still the bazaar. Consequently, all the commercial or business activities took place there.

In 1923 the first town regulatory plan was developed by Austrian architects. They proposed to create a rectangular street system south and west of the bazaar and in other parts of town the street network would have to be rearranged in consideration of the main streets and lanes. Even though this plan was never fully adapted, it led to the widening of the main streets, such as Rruga e Kavajes and Rruga e Barrikadave.

The government at that time was led by Ahmet Zogu. As mentioned in the historical overview of this thesis, his main ally was Italy. This association was not only a great influence on the country's history later, but also on the urban and architectural structure of Tirana. The authorities decided to invite well-known professionals -such as the Italian architect Brasini - to work on the landscape of the city. Brasini developed the first master plan about the rearrangement of the new center of Tirana. It included six buildings for the ministries and a central eclectic boulevard. The basic idea was to create a Roman isle that would serve as a connection between the old and the modern town. He intended to cut off the Oriental parts of the city, thus ignoring the Ottoman heritage of the old town.

The second regulatory plan of Tirana was developed in 1926. It was basically a revision of the first. However, it also succeeded in materializing Brasini's idea of a wide boulevard in the middle of the town. Three other authors worked on this plan: the Albanian Frasheri, the Italian Castellani and the Austrian Weiss. Their joined efforts resulted in a plan that included an administrative center to be erected, the basis of the Skanderbeg Square and the systemization of the Lana.

The third regulatory plan is from 1928 and was developed by the Austrian Kohler. This plan features a quadratic road system, it was drawn to a scale of 1:5000 and all the plots in the New Tirana area had their owners' name on it. Even though some changes were made to this plan, the area of private plots was observed. Based on this plan gorgeous villas were erected in Tirana, breathtaking examples of contemporary architecture varying from neoclassicism to modernism.

The fourth regulatory plan is dated 1929, under the regime of King Zogu. It differs from the previous plan regarding the boulevard: now it was meant to start from the future stadium as opposed to the bazaar. It also defines the boundaries of the city and outlines the city center that was to include the boulevard and the main streets. These streets were to be fully reconstructed: paved, widened and lined with buildings of contemporary architecture. The northern half of the boulevard was to be named “Zogu I”.

The works started early in 1930; the two parts of the boulevard were to be turned into a single central one -under the name “Zogu I”- and Rruga e Durrësit widened. At this time Tirana was blooming and the opening of the new boulevard was to be the perfect demonstration of that. It was 2 km long and minimum 35 m wide. As for the layout, it was a two-way straight-line highway of four lanes in each way with broad sidewalks.

In the 1930s the new boundaries of the city were defined. The extension was a shape of a circle with the Sulejman Pasha Square at the center with a radius of 2.2 km, an expansion of 12 km<sup>2</sup>. According to the census in 1930, the city had 30,000 inhabitants. That means the density of the extended city would have been approximately 2,500 inhabitants per km<sup>2</sup>. This variant was replaced a year later by a plan that relied on a broken line that circumscribed a space of 6 km<sup>2</sup>.

Regarding the blueprints of the planned center of Tirana, there are four variants definitely worth mentioning. While all of them used the position of the boulevard as a point of reference and had the same compositional design, there are different remarkable ideas included in all four.

The first (and earliest) variant provided three squares, the greatest in front of the administration building, the second placed south of the first and much smaller. The third one was surrounded by the existing buildings, occupied the whole space of the former Skanderbeg Square and had an undefined form. This variant was rejected because of an inappropriate composition scheme.

The second variant was by the above-mentioned Brasini. He designed the center in the shape of a circle, much like the Square of St. Peter in Rome. The presidential Palace would be built south of the city, at the end of the boulevard. This variant was not



approved because it did not include such historical objects as the Mosque or the Clock Tower.

The third variant, while relied on the compositional solution of the second one, it included only the project of a single square in a longitudinal shape, surrounded by eight objects placed symmetrically. It was approved due to its simple and harmonious solutions.

The fourth variant was by Florestano di Fausto. It included six ministries' complex, the City Hall of Tirana, the National Bank, the flower garden and the central square with a fountain. Thanks to King Zogu's ambitions, this variant was almost entirely carried out.

On April 7, 1939, Albania was officially occupied by Italy. Regarding the urban development this proved to be important because as part of the Italian Kingdom, a special policy was adapted. A new regulatory plan of Tirana was drafted and implemented during 1939- 1942. It provided a developed urban center that would be populated with Italian colonists. The Italian architects predicted the growth of population, especially after many Italian administrators and citizens moved to Tirana permanently. This plan provided the development of the city for a period of 60 years. The city is projected as an overly landscaped city- park with a busy section at the center. According to this plan the Turkish influence was to be preserved through the maximal evaluation of existing buildings. The urban conditions were given in great detail, including the size of streets and sidewalks, lighting and the height of buildings.

There were some changes introduced regarding the center. The building located in the northern part of Skanderbeg Square was to be torn down (the former building of the Executive Committee) and a new one was to be erected, namely the City Hall. The latter was planned to be of a quadrangular shape, thus correcting a flaw in the previous plan that caused traffic issues.

The former "Zogu I" boulevard was renamed; the plans called for the extension of the "Vittorio Emanuele" boulevard. This was the most significant measure for the urban development of the city. To validate the magnificence of this boulevard, it was necessary to construct buildings which would later house offices, banks, social and commercial activities. These building were to be built within an appropriate distance

from each other and they were to be designed fairly decent.

There was a new political and sports center to be developed in the southern end of “Viva del Imperio” boulevard. The creator of this great complex is architect Gherardo Bosio. It features typical rational fascist architecture and includes the Offices of the top officers (present-day building of the Council of Ministers), the Military Headquarters (present-day Maternity Hospital) and the Hotel (Hotel Dajti). All of the above are located along the sides of the boulevard. At the head of the boulevard is the “Dopolavoro” (the present-day Academy of Fine Arts), the “Gioventu Littorio Albanese” (present-day University Library) and the House of Fascio, which is today the University of Tirana.

Tirana experienced great prosperity during the period of Fascism. The above-mentioned urban operation introduced the influence of Italian architecture and the rational style of the fascist architecture. Between 1939 and 1944, Tirana assumed the appearance of a modern city with a powerful economic influence. The plan had a strong influence on the road network through the creation of a ring-radial street system, and the urban and architectonic transformation of this period was obvious.

1943 marked the fall of Mussolini and the end of urban and architecture developments in Tirana. The Nazi armies entered the country, and the struggle against their forces led to the battle for the liberation of Tirana in October and November of 1944. This battle caused great damages to the cultural and historical monuments of the city. The day Tirana was liberated (17<sup>th</sup> of November, 1944), the urban developments came to a halt.

### **3.3 Centralized Economy (1945-1990)**

The end of World War II meant the commencement of a communist government in Albania. The communist system ignored private ownership and intended to launch urban operations without any concern to personal possessions. While architects and town planners thus had the opportunity to transform everything and anything in the city, they had strict regulations from the Party of Labor of Albania.

After 1945, the principle of collectivization replaced private property through

forced expropriations. Economy was shifting towards centralization and Albanian professionals were educated in schools after the Russian model. The country had to repair the damages of the war in these conditions.

The new regulatory plan of Tirana was developed in 1957. It included plans to create new peripheral areas (to provide the labor force for the new local industry) and to renew the existing areas. The redevelopment of the existing areas turned into a destroying craze. The aim included the elimination of private estate, and this led to the tearing down of entire blocks of traditional buildings of historical and environmental values. The only positive effect of this plan was that it put a stop to unplanned constructing.

Basically, the efforts (or promises) of the plan can be summed up shortly. It called for growth of habitation density in the existing Tirana, thus eliminating private estate. It included the plan to re-adjust the zoning functions and to enlarge the road network, to preserve some zones as examples of culture, and to rationally exploit the land.

The road system was drawn up based on the existing situation of the road network. The plan was to expand the city limit eastward and provide paving for 73.5 km of streets. Two avenues parallel with the Lana were built, the main streets improved and the ring road was almost finished in 1965, but one part was not completed due to financial difficulties.

The government declared intentions of preserving the historical zone. However, in practice the aim was to make anything that bore Oriental influence disappear. This led to the elimination of the old bazaar and the development of the area where today the Palace of Culture stands. The new residential areas created during this period were of low quality and poorly executed in the name of cost reductions. And of course because of the lack of connection with other European countries and without the possibility to turn to tradition, the specialists were forced to settle for the monotone replication of the housing blocks.



**Figure 6 View of Tirana in 1970**

The efforts to deny everything that is connected to the past are clearly shown in the organization of the city center. It was pictured as a monumental place that would represent the “force and rebirth” of Albania. So besides the old bazaar, also the City Hall, the Orthodox Cathedral and various old shops, hotels, bars and houses were torn down. They were substituted by the Palace of Culture, Hotel Tirana and the National Historical Museum. By the end of the 1980’s, the center assumed an official character and inhuman proportions. This naturally had a negative psychological effect on most of the inhabitants. The only historical buildings preserved were the Mosque of Ethem Bey, the Clock Tower and some typical Tirana houses.

The center’s new layout was in sharp contrast with the rest of the city. The traditional quarters, such as the “Red Tirana” became isolated and hidden from the city. The quality of the interventions was much lower in these parts of the city. Old and relatively new buildings were torn down to enhance the elimination of private estate. They were replaced by apartment complexes of inferior quality.

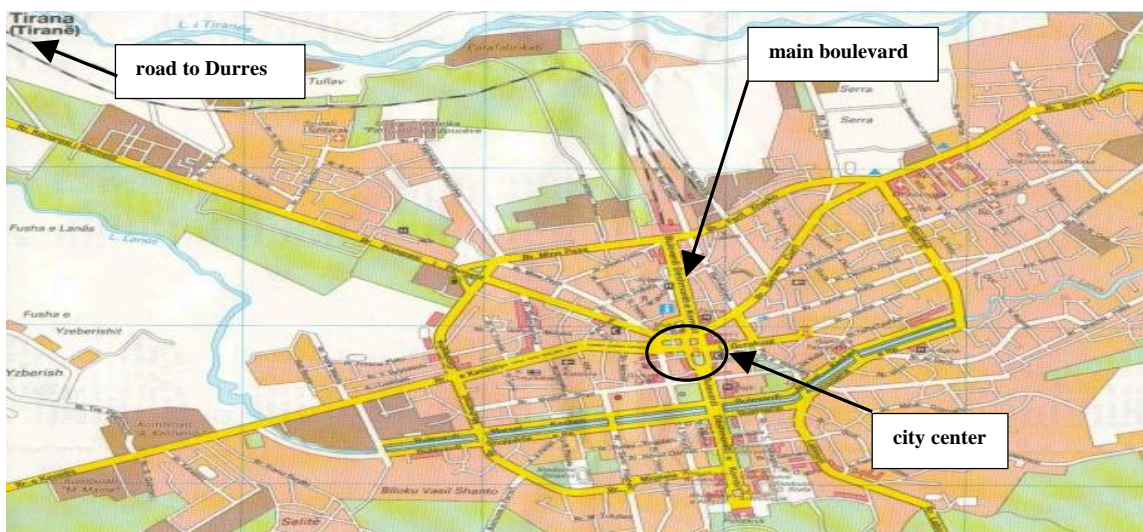
In 1985, the National Planning & Architecture Institute initiated a new regulatory plan which was adopted by the government in 1989. This plan was much needed at the time, as the old one became outdated and the housing needs together with the industrial area have grown beyond expectations.

This plan featured three main objectives. First, to satisfy the housing needs by 2005; to improve the road network and to define new spaces for industrial development

by attempting to settle the pollution problems. Second, to reassess a big part of the residential area that was marked as inappropriate settlement region. And third, to settle the immigration problem, which became difficult to handle after 1990.

The number of inhabitants in Tirana was 60,000 in the year 1945. By 1992, it increased to 300,000. The new plan provided for the population's growth to reach 317,000 by 2005, meanwhile reducing the residential density through enlargement of the housing space.

The plan was designed to make use of the existing road network and modify it to fit the increased needs of the city. The main focus was on the northward elongation of the “Martyrs of Nation” boulevard, thus creating a main entrance to the city. The plan also included the task of creating a new outer ring road, which besides channeling the heavy traffic would serve as a boundary for other developments. However, in the end only a small part of this road was built (one that links the avenue road of Durres with the road of Kavaja). Other objectives included the elongation of all the radial streets (to their intersections with the new ring road) and of the avenues parallel with river Lana, creation of two new radial roads and the building of half a ring road between the existing and the new one.



**Figure 7 Tirana City Map**

### 3.4 Post Communist Era (1991-2008)



**Figure 8 Tirana around 1990**

After 1990, democratic changes began in Albania. The new experience of urban development that came with these changes led to one of the most singular cases of architectural and urban development models in Europe. On one hand, they were characterized by irregularity and dynamism; on the other hand they lacked any plans or policies. The patterns of this period reflect a difficult political, economic and social transition from a centralized economy to a free-market society.

The achieved freedom of the country was misused to such extent, that it violated the public interest. 70% of constructions made after 1990 have been without building permissions. The situation was made worse by the lack of reimbursement process regarding the expropriated private estates. Also, in this new social situation there were deficiencies in legislation and failure to enforce the law. The unemployment and poverty level was high; the conflicts between the political powers had a negative effect on the free society. There were two main points of urban disorder, the first being the illegal constructions for housing purposes mostly in the outskirts of the city. The second was

the problem of illegal constructions for business purposes, mostly around the center of the city.

Ignoring the law came in different forms: common was for example informality (where land ownership is respected, but town planning norms are violated) and illicitness (where neither land ownership nor town planning norms are respected). By the mid-1990's there were about 2000 kiosks in Tirana; 500 of these with provisional permits. Most of the rest were constructed in an amateurish way due to the lack of experience or financial resources. Because of the free movement of people from places where the economic situation was even worse, whole quarters of illicit buildings were erected. These illegal buildings were proof of the public administration's incompetence and the failure to ensure legal alternatives. They also demonstrate a lack of vision of development policies by the local authorities over the years of transition.

But the concept of illegal construction does not include illicit buildings only. There are a lot of buildings which –from the official urban planning view- are legal; however, they do not respect even the most elementary rules of urban development. Some examples are buildings that are erected on a green space between two existing building, or without room for car parking or emergency exits. These constructions were built solely for the purpose of profit and without any consideration of human existence.

A year after the civil unrest of 1997, the authorities finally began to exercise control. Before that, virtually all buildings were put up without planning permission; tearing them down was unimaginable. But the demolition works started, and even though the first destructions were only meant to demonstrate the state authorities' power, they were welcomed by the population. After this expression of support, the authorities started to deal with strategic areas of illegal constructions, such as the banks of Lana River, where the green spaces were destroyed by illegal business enterprises. About 550 of these were completely destroyed in a relatively short time and with little resistance. In the following years the Municipality of Tirana in cooperation with the Construction Police has cleared most of the illegal buildings in the City Center, including 10 storied buildings which damage the urban plan. Naturally, in the demolition process there were considerable economic losses involved. But these radical steps have put a stop to the movement of breaking the urban rules.

In the case of the Bathore neighborhood the authorities did not introduce radical measures. Here most of the unlawful buildings are private homes, thus they hesitated to demolish them. The solution to this problem is quite recent: during the local elections of 2003, the issue of legalization was brought up. The Municipality of Tirana created a special unit to study the possibility of legalization of buildings, one by one. The final aim is to improve and integrate the areas in question.

The area where this quarter is located is called Kamza. It used to be a rural area with about 7,000 inhabitants. The rapid growth of illegal buildings started after the launch of land privatization reforms and the decree for freedom of movement, issued in 1990. Nearly all the unlawful residents are from the northeastern regions, which are isolated by mountains and therefore facing economic challenges. The people from this area, encouraged by the lack of law enforcement and the political confusion took the opportunity to settle near big cities, particularly Tirana. Today this area represents the highest rate of urban growth in the country, while in the Bathore quarter all squatters are either illicit or have an unofficial status. The local authorities are collaborating with the World Bank and other NGOs to complete some development projects and to improve the situation. The most strategic partner has been Co- PLAN, the Institute for Habitant Development.

Co-PLAN has started its activities in illegal settlements in 1995 and has been working on the Kamza situation since 1997. They proposed a three- year project: “Empowering Local Government and Community Based Initiatives in Kamza Municipality”. This plan included three basic objectives. The first one was to design the Strategic Urban Development Plan of the Municipality, the second to train the Municipality staff, and the third to launch on pilot investments on basic social and physical infrastructure.

During the transition period the construction industry became one of the most powerful and successful businesses. Due to the migration from rural areas to main cities and the demands by representatives of a rich social section for more than one house, there was an unexpected thrive of residential housing market. Beside that, there were



also schools, health centers and most of all, factories to be built. At the beginning of the period there were a lot of buildings constructed rather poorly concerning the facades and finishing touches. However, with the introduction of new building materials and techniques higher demands started to appear. As a result, the competition became tougher and building quality has gone gradually towards excellence.

During the communism, architects were held under tight control and denied any freedom for a creative process. The spirit of the kind of architecture expected from them had only two points: it should be as simple and as economic as possible.

Architects in Albania were unprepared for the political and economical changes that started at the beginning of the 1990's. For years to come, most of the buildings erected were still rigid and standardized. From 1991 to 1993, architecture experienced a deep crisis of identity. On top of that, the difficult economical situation of the country did not make it possible to construct new major objects or to pay for the serious work of a creative architect. This led to anonymous people handling the matter at the lowest cost possible and without referring to any professionals. Consequently, many architects emigrated abroad and many others had to change professions to survive. The National Institute of Architecture and the Public Bureaus of Architectural design failed. Architects proved to be too self-absorbed to organize and protect themselves, even though their Association was the first NGO created in the country.

Between 1993 and 1995 there was a growing trend in Tirana: private workshops organizing themselves in small consulting firms. The capital accounts for 70% of the country's architects and the opportunities in such a business were greater than anywhere else in Albania. In addition, many of them gained experience abroad during their exposure. During 1996, the profession experienced a comeback right before the pyramid scheme collapsed. The people who invested in this scheme thought it wise to make investment projects, and for that they needed architectonic designs and ideas. Although most of the plans were exaggerated and never actually realized, they influenced the employment of architecture professional.

Even though this investment boom showed the progressed state of architecture regarding both style and technique, Albanian architecture is still far from creating an identity or style typical of its own. A sort of rigidity is still felt about the objects, but

there are promising creative attempts, for example the Infosoft Tower, the Sky Tower or the two Twin Towers.

There are debates concerning the desired height of the new buildings as well as the values of the traditional dwelling house. Due to the absence of basic infrastructure in the newly developed areas vertical architecture has been encouraged. However, many of these buildings do not have emergency staircases or the necessary planning for natural disasters. Even more importantly, no one today can estimate the seismic strength of the new developments.

In spite of the recent economic and social problems, a new architecture is being cultivated in Tirana, which promises this city to be soon considered one of European architectonic breakthroughs. This theory is supported by some recently built objects of architectural values, like the Catholic Complex, the reconstructed schools as part of the project Tirana 2000 or the cinemas Millennium 1 and 2.

In this decade the refurbishing- related interventions proved to represent a special place in architecture, as is the case for example with the Complex of the Ministries, the Hotel Tirana and the Parliament. The rehabilitation of facades and architecture of the buildings located on main streets provided the city with a new image. Even though there was a lot of debate regarding the colors and copyright issues, this modernist and surrealistic architecture is becoming the symbol of Tirana: merging the informal style with formal architecture.



**Figure 9 Tirana around 2006**

Informal architecture is characterized by shapes of spontaneous architecture which stand out in the form of annexes to existing buildings or as additions of floors to them. It is generally applied in case of illegal buildings: around the center for business purposes and on the outskirts for housing purposes. The typical informal dwelling house is known as the “Elbasani model”. It consists of a single storey building with the prospect to be raised higher and annexes to be attached; because of the low economic level this model is very popular as it costs around 10-15,000 dollars in total. However - depending on financial resources, business demands and the characteristics of the ground-, there are examples of informal architecture as high as four stories. The building materials include wood, bricks, concrete pilasters and beams, the usual red- tiled roofs and occasionally reinforced concrete slabs.

Formal architecture includes legal developments for housing, business or industry functions. The housing branch is represented by multistoried towers in the downtown area made by domestic investors and by apartment building complexes made by foreign investors. The buildings designed for business purposes mainly function as objects of victual service, recreation, tourism, accommodation or other services. These constructions are of highly improved quality and in many cases feature contemporary innovative elements. An excellent example of the progress of industrial architecture is the expressway that connects Tirana with Durres and the airport. Moreover, some buildings which bear industrial or administrative functions feature interesting architectonic values. These are mainly located along the segment Tirana - Vlora, and include objects such as car exhibition halls, premises of light and food processing industry, shops of building materials and interior decoration workshops.

### 3.5.1 Urbanistic planning development in Tirana<sup>19</sup>

The following map shows the forecasted development of Tirana city center. The red colour symbolizes high construction activity:

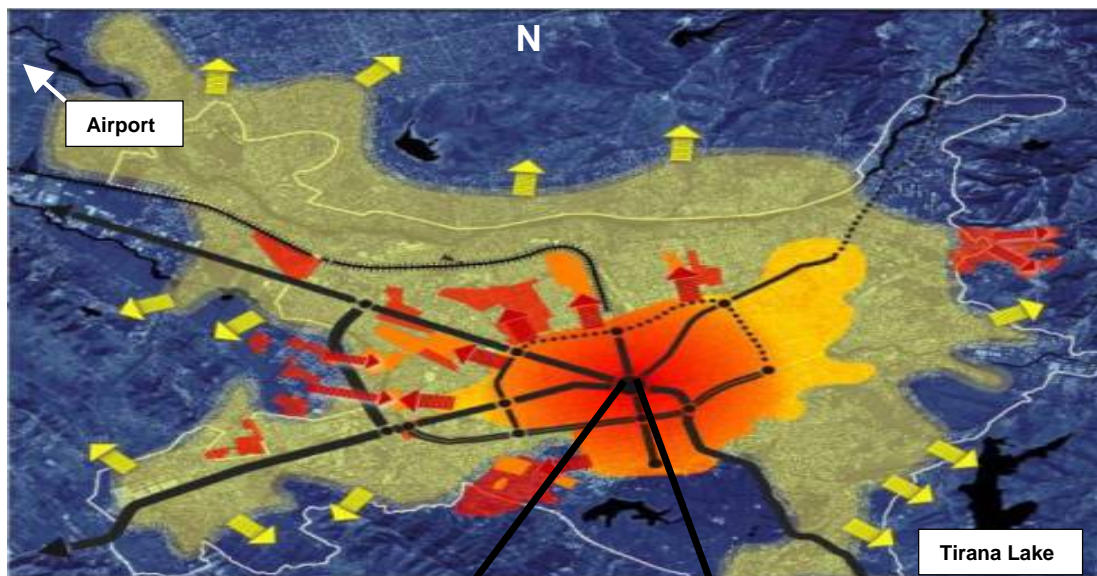


Figure 10 Expansion of Tirana City Center



Figure 11 The French Master Plan for Tirana City Center<sup>20</sup>

<sup>19</sup> Colliers International, Report First Half 2008, Tirana 2008

<sup>20</sup> Co-Plan, Institute for Habitat Development (Instituti per Zhivilimin e Habitatit): Plani rregullues I Tiranes, Annual Report 2008

As the Airport is situated in the North-West of the city, next to the motorway leading from Tirana to its most important port at the Mediterranean Sea, the City of Durres, the main construction activity in the industrial and retail sector can be observed there. The preferred residential areas are situated in the City Center as well as in the South-East of the city around the Tirana Lake.

The French Master Plan was set up 1998 after the old regulatory plan of 1989 became obsolete as the population of Tirana exploded from 300.000 (1989) to nearly 1.000.000 within a few years. As a result of this almost every public space was occupied and turned into bazaars or just into spaces used to set up tents to spend the night. The master plan is evaluated with approx. \$ 200 bn and is intended to be carried out in steps. Firstly, primary and secondary roads as well as parks will be reconstructed. In a second step the main boulevard will be lengthened to become a major axis through the City Center. The third step will be the construction of an outer city ring aiming to deviate the enormous traffic from the inner city to the suburbs.



**Figure 12 The lengthened main boulevard and the new ring road in Tirana**



### **3.5.2 Tirana office market**

During the last few years, the office sector in Tirana started to go through a phase of rapid progress. In 2005 the market was significantly transformed mainly because of the development of newly constructed Class A office space. In 2005, the total Class A leasable area accounted for slightly over 50,000 square meters. Office projects under construction total over 60,000 square meters and announced projects will bring an additional 100,000 square meters by 2010. Most of these constructions are located in the city center, where the investment boom is going to take place in the following years, supported by the recently adopted French master plan. This plan supports the construction of 10 multistoried towers in the downtown area.

Present office stock in Tirana, including pipeline projects are owned and developed by local developers, and this is not likely to change in the close future. Due to the absence of a consolidated banking system, many domestic businesspeople invested in real estate and construction. About 3,000 development firms are operating throughout the country and their number is increasing. The lack of liquidity in the market leads to vast implementation of concession agreements between the land owners and the developers. The terms of these agreements include the construction of a project by the developer, and delegating a pre-arranged proportion to the land-owner. Investment activities by foreign companies have been primarily recorded in the suburban area of Tirana.

The existing Class A stock is concentrated along the main boulevards. Thus, at this stage only the very center of the city can be recognized as CBD (Central Business District). The most important Class A buildings are the European Trade Center, the Twin Towers and the Sky Tower. Design and construction quality are reaching the European average, just like the provided services. Existing Class A buildings are high-rise with 16 to 17 floors and each of them includes a retail area on the lower floors. Twin Towers and European Trade Center (ETC) feature 4 levels of retail place, where the

latter is considered as a popular shopping mall. All three above mentioned buildings have good stand alone visibility located in the city center and an estimate of 85% of the stock has curb appeal with great exterior finishes. The standard amenities include underground garages, neighborhood serving retail, cleaning service and non-stop security service. However, conference and meeting rooms, landscaped gardens, recreational areas and professional on-site management are not included as amenities.



**Figure 13 European Trade Center Tirana**

Prime rents in Class A office buildings range from 18-28 EUR/m<sup>2</sup> (excluding service charges); Class B office buildings are available from 8 EUR/m<sup>2</sup> upwards. Yields in prime locations of buildings have a tendency to fall beyond 8%, eventual effects of the late 2008 financial crisis not included.

The vacancy rate cannot be easily estimated as only few rental agreements are publicly announced. It appears that in high quality office buildings the vacancy rate is limited; it ranges approximately between 5.5 and 7.5%. The level of vacancy in the future will depend on the construction speed of several new projects and the country's political, economic and financial situation; however, it is expected to increase in the long run. The new developments have reached full occupancy very quickly due to the state-of-the-art amenities combined with suitable prices. An exception to this is the Twin Towers, where the price average is higher and the parking charges are extremely expensive (250 EUR/space/month).

The market segment of Class B office buildings in Tirana is undersupplied at the moment. Relatively new office buildings in the Central Business District with average to good maintenance, management and services qualify as Class B office buildings. In addition, several small- size buildings have been restructured in nice locations, but these buildings cannot satisfy high quality demands. Class B office buildings offer a reception service, guarding, Internet, emergency generators and sporadic parking areas. They do not compete with Class A buildings in terms of amenities; this is the reason for the difference in rental price.

The Albanian macroeconomic picture is very fragile as its development according to market principles only commenced 10 years ago. It did not take advantage of the extensive coastline yet that is the last undeveloped one on the Adriatic Sea. It also did not raise manufacture companies that can successfully compete on a regional level. The development of the country's economy is heavily attributed to the progress of the private sector, particularly the growth of construction, trade, services and transport.

Increasing prosperity and raising economy base have attracted numerous international companies. They are mainly concentrated in the service sector and the next phase is expected in coastline property developments. Due to the lack of contemporary Grade A and Grade B office space, these companies have occupied properties that do not correspond with international standards. Even brand new developments do not include sufficient parking space, raised floors or emergency exists. Once developments featuring these scarce factors are constructed, they can account to attract blue- chip tenants from existing buildings.

The real estate market in Tirana is a component of the National Economy. The country is undergoing drastic reforms in many parts of the economic and social structure. The leasing period is shorter than in the Western countries (about 3 years), which gives the opportunity to relocate to new and higher quality buildings. The great price difference between Class A developments and converted space is discouraging a number of



businesses on the market from pursuing new space. But as the prices will start to normalize around regional averages, a large number of businesses are expected to relocate to more sophisticated developments.

Rates for Class B office space has slightly decreased in the past and is currently stable. This is mainly a consequence of the limited number of new Class B developments as new investments are mainly focused on Class A office tenants.

### **3.5.3 Tirana retail market**

Albania has probably the smallest retail market in Europe. It is largely dominated by domestically- owned enterprise chains and small private retail outlets. After the political changes, investment flows into the retail segment started. The characteristics of Albanian retailing slowly started to change all over the country.

The retail market in Tirana consists typically of many small shops along major road axes. The only large-scale shopping center is “Quendra Tregtare Univers”, it was opened in September 2005 and it is located along the Tirana- Durrës Highway, some 8 kilometers from the city center. Net leasing area of the project is around 19,000 square meters, featuring ground level only. Among the many large and international tenants are for example Mango, Vodafone and Raiffeisen bank.

There is considerable space assigned to retail in the new office developments. Thus, the opening of the above mentioned Class A office buildings has brought to the market a large amount of retail space. An excellent example is the European Trade Center, which – as it was mentioned- turned out to be a very successful shopping mall with a high number of visitors and low vacancy. The Sky Tower is also known as Vodafone tower because of the significant retail area occupied by this company. Car dealerships have opened luxurious exhibitions in Tirana, similar to every other European country. On the other hand, the Twin Towers were operating with a high vacancy rate even after a year since its opening. In general, the market lacks good retail concepts within the city center, which include the supermarket/hypermarket area as well as the internationally recognized brands and services.

The success of the QTU shopping center which is located at the motorway between Tirana and the airport indicates the demand for this kind of projects:



**Figure 14 QTU shopping center at the Western motorway into the city of Tirana**

Further market expansion is expected to boom as Greek, Italian and central European companies enter the market. Several pipeline projects such as the City Park Tirana (realized by Colliers International and the AM group) are located outside the borders of the City since only there is sufficient space for international scale shopping centers available.

The potential of Albania's economy will attract international and global retailers and franchisers. Many foreign banks have already established offices in the local market. The entrance of international participants is expected to shift traditional retailing from diverse small stores on streets to wholesale retail stores and shopping centers. It is crucial to satisfy the more sophisticated customers' need for a more interactive and attractive environment.

The macroeconomic restriction facing the retail property market (and other retail segments as well) is limited opportunities for a stable, paid employment. Wages remain low compared to prices; levels of unemployment and underemployment remain high. The boom within Tirana is fueled by commercial activities, remittances from relatives working abroad and informal and illegal activities. This is not a stable movement towards the higher incomes and standard of living which would drive the retail segment of the market. A shortage of sources of income will be reflected in the amount of modern retail projects that the market will be able to absorb.

### **3.5.4 Tirana residential market**

Presently there is an amazing amount of construction and renovation taking place in Tirana. Due to the fact that most of the transactions are taking place outside a formal mechanism, it is hard to estimate the exact level of this real estate activity. Numerous new apartment buildings and dwelling houses are being completed every month; even though many of these are self-built, construction companies are busy as well.



**Figure 15 Typical example of 2008 residential construction in Tirana**

Sales and rental prices are recorded to be at least two times higher in Tirana and Durres than anywhere else in Albania. These prices are actually comparable with the ones in capital cities elsewhere in the region: Tirana and Durres are clearly the most active markets for real property. The strongest prices in Tirana are recorded for the following streets: Myslim Shry, Sami Frasheri, Abdyl Frasheri and Ismail Qemali.

Demand and competition for residential and commercial properties are expected to increase, thus prices are expected to continue rising for both rental and sales. The construction costs are also likely to go up because of the increasing cost of energy, labor and materials. Another significant factor affecting the increased supply of housing units are migrants from the north and Kosovo. They will most likely put pressure on prices for moderately priced apartments.

### **3.5.5 Tirana hotel market**

Even today there are only a few hotels in Tirana that would fit into an international classification and in fact only one which is member of an international hotel chain:

#### **Hotel Sheraton**

Hotel Sheraton is classified as a five star hotel and is located in the South of Tirana, at the end of the main boulevard by the border of the park of Lake Tirana. It provides its services within 151 rooms of different sizes, it also features a typical restaurant and wellness amenities and space for congress and event activities.

The building has several office floors which are rented to international companies. On the ground floor small retail units (boutiques) are situated. The glass façade has not been insulated according to EU construction standards, which leads to heavy energy consuming for cooling in the summer and heating in the winter.



**Figure 16 Hotel Sheraton located at the very end of the main boulevard**

## **Hotel Tirana International**

Hotel Tirana International already existed in the Communist period and is owned by a private limited company with numerous Albanian shareholders.

The classification as a four star hotel is not internationally approved, the hotel management is Albanian. The hotel provides 140 rooms with congress and restaurant facilities. Electricity failures in summer due to overloaded wire system are frequent.



**Figure17 Hotel Tirana International at Skanderbeg square**

## **Hotel Rogner**

The five star hotel is located at the main boulevard near the main square “Skanderbeg. It was constructed by the Austrian Hotel entrepreneur Robert Rogner already in the Communist Era with the land plot being leased from the municipality. The hotel consists of 140 rooms, congress, wellness and restaurant facilities as well as a retail area on the ground floor.



**Figure 18 Hotel Rogner Europapark, at the main boulevard near Skanderbeg square**

Beside the three mentioned hotels there are numerous small hotels in Tirana, all of them family run and mostly of poor construction quality. They generally are located in modified residential buildings with 5-20 rooms.

It is apparent that in Tirana there is a huge demand for medium class and/or budget hotels providing stable and solid services for medium class business travelers. At the moment business travelers represent the major clientele for the three high class hotels. In the past also the medium class client chose these hotels due to their security services. As in fact the security situation at least in Tirana City Center has remarkably improved, the medium business client would definitely choose a cheaper alternative.

#### 4. Conclusions<sup>21</sup>

Albanias progress within a widespread transformation process into a sustainable market economy, democracy, rule of law and the meta target of full integration into the European Union can not be denied, yet there have been many drawbacks within the past 15 years. Certainly one important milestone was the signature of the Stabilization and Association Act in June 2006.

Albania records an average economic growth of almost 6 % and thus represents one of the countries in the region with the highest growth rates. However, Albania is last in terms of Foreign Direct Investment, private investments and exports due to weak administration structures, corruption, poor infrastructure and unsolved land ownership issues. In a lot cases of Albanian laws have been adapted to European standard though their implementation is improving only gradually.

It is obvious that Albania still needs external support to develop its potential. There are enormous natural resources and the tourism sector at the Adriatic coast once fully developed will help substantially lowering unemployment rates.

These tourist areas along the Mediterranean coast currently become more and more attractive for foreign investors as they begin to realize that this coastline represents one of the last unspoiled beach areas along the Adriatic Sea. Still investors have to be prepared for drawbacks such as struggling for clean property titles. The government is still returning properties to pre-communist owners and disputes about ownership rights are frequent.

In the past in Albania no mortgage debt financing was available and the credit crunch thus did not hit the country so far. The currency has remained remarkably stable within

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<sup>21</sup> **Commission of the European Communities**, Albania 2008 Progress Report, Brussels, 5.11.2008



the past two years and the economic structure is shifting from agriculture and industry to services and construction, which significantly lowered the absolute poverty rate from 25 % in 2002 to 12 % in 2007.

The fact that Albania is not fully integrated into world markets and lacks a capital market will shelter the economy against the bigger influences of the global financial crisis. Still, there will be some effect, since especially in the real estate market, foreign investors from the neighboring countries (especially Italy and Greece) but also from the rest of Europe will drop in more slowly.

Seen as whole the real estate market as major sector of the Albanian economy will continue to grow, as the demand for office and residential buildings (in Tirana) remains high. Buildings under construction show good quality in concrete and steel works, while finishings are mostly of poor quality which shows the need for qualified workers in the construction industry. On top of that the tourism sector can be classified as the one with the highest growth potential in the undeveloped coastal regions. In view of this Albanias attractiveness in the real estate sector will stay unbroken and will be a promising investment alternative once the legal framework has been stabilized.

## **Abstract**

This thesis analyzes the real estate market in Albania in 2008. The real estate sector in Albania is a booming sector of this emerging economy yet with a lot of pitfalls for foreign investors.

To understand Albanias real estate market of today it is necessary to explore the political past which is outlined in the first part of this treatise in a detailed historical analysis tracing the origins of Albania back to the ancient Illyrians. Over centuries Albania has been an embattled country but despite of this fact the Albanians managed to preserve their ethnic individuality even throughout the period of strictest communism. But not only history and politics made this country develop in a very special way also the unique geography with almost 400 km<sup>2</sup> Mediterranean (not yet developed) coastline and land which is arable to only twenty percent of its entire surface. High mountains characterize the heart of the country, sparsely populated, hardly accessible due to poor infrastructure but rich in natural resources. On the contrary the capital city Tirana is crowded with almost one million inhabitants, at least 10 % of them without permanent shelter. Economic status of the country as well as the influence of the gradual approach to EU membership is described at the end of part one.

The second part of the thesis concentrates on the existing legal framework related to real estate in Albania and analyzes the most important steps within real estate transactions. In addition an overview about the current regulations for the construction of a building provides information about the procedural steps within a construction process (starting with the preliminary designs until the issuance of the permission of use).

The third part of this thesis concentrates on the real estate market of the capital city Tirana. A description of the urban development of the city leads to information about current trends in urban planning and the forecasted city expansion. An overview about the office market, the residential market and the hotel and retail market outlines the major trends in these sectors in Tirana City Center.

## **Deutsche Kurzfassung**

Diese Arbeit analysiert die Situation des Immobilienmarktes in Albanien im Jahr 2008. Der Immobilienmarkt in Albanien repräsentiert einen stark wachsenden Wirtschaftssektor, der für ausländische Investoren jedoch noch viele Hürden bereithält.

Um diese Besonderheiten des albanischen Immobilienmarktes zu verstehen, ist ein fundiertes Wissen der politischen Vergangenheit notwendig. Dies wird im ersten Teil der Arbeit im Rahmen eines historischen Überblicks vermittelt; der von den Ursprüngen Albaniens in Illyrien über die Zeit der extremen Ausprägung des Kommunismus bis hin zu aktuellen Entwicklungen führt. Der albanische Immobilienmarkt wird jedoch nicht nur von der historischen Entwicklung massgeblich beeinflusst, auch die sehr speziellen geographischen Bedingungen begründen die Attraktivität und Besonderheit:

Das Land verfügt über fast 400 km kaum entwickelte Mittelmeerküste, welche für Tourismus- und Immobilienwirtschaft in den kommenden Jahren eine bedeutende Rollen spielen werden. Dem gegenüber steht das wenig besiedelte, an Rohstoffvorkommen reiche, gebirgige Hinterland und die Hauptstadt Tirana, deren Einwohnerzahl durch massive Landflucht in den letzten Jahren auf fast eine Million angestiegen ist. Ein Überblick über die Gesamtwirtschaftslage sowie über die Schritte Albaniens auf dem Weg in die Europäische Union schliessen den ersten Teil ab.

Der zweite Teil der Arbeit fokussiert auf die existierenden Rahmenbedingungen im albanischen Immobilienrecht und beschreibt die wesentlichen Schritte von Immobilientransaktionen. Weiters werden die aktuellen Regelungen für (Bau-) Projektentwicklungen sowie die notwendigen Genehmigungsstufen (von Vorentwurf bis zur Benützungsbewilligung) diskutiert.

Der dritte Teil der Arbeit konzentriert sich auf den Immobilienmarkt der Hauptstadt Tirana. Die urbane historische Entwicklung der Hauptstadt wird den aktuellen Trends in

der Stadtentwicklung sowie den Expansionsprognosen der Stadtplaner gegenübergestellt. Ein Überblick über die wichtigsten Entwicklungen im Büro-, Wohn-, Hotel- und Gewerbeimmobilienbereich im Stadtzentrum Tiranas vervollständigt diesen Teil der Arbeit.

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