STUDY

Assoc. Prof. Dr. Adriatik Kotorri
September 2025

Money laundering in the real estate sector

Its impact on socio-economic life in Albania

Friedrich Ebert Stiftung

Imprint

Publisher
Friedrich-Ebert-Foundation Tirana
Rr. “Kajo Karafili”, Nd. 14, Hyrja 2, Kati 1
Postal Box 1418 Tirana
Albania
info.tirana@fes.de

Publishing Department
IZ/OE Department

Responsibility for content and editing
Assoc. Prof. Dr. Adriatik Kotorri, - Author
James Patterson, - Copy Editor

Contact
Katharina Hofmann, - Director, FES Tirana Office
katharina.hofmann@fes.de

Genci Lamllari, - Programme Manager | Finance
genci.lamllari@fes.de

Design/Layout
Enea Protopapa, - Office and Communications Coordinator
enea.protopapa@fes.de

September 2025

Further publications of the Friedrich-Ebert-Stiftung can be found here:
↗ www.tirana.fes.de/publications

Friedrich
Ebert
Stiftung

Assoc. Prof. Dr. Adriatik Kotorri
September 2025

Money laundering in the real estate sector

Its impact on socio-economic life in Albania

Table of Content

Abstract

For years, concerns have been growing in Albania among domestic and international actors regarding the increase in money laundering, especially through the construction sector. For the past three years, Albania has been on the grey list of countries under increased monitoring by the Financial Action Task Force (FATF). The ongoing rise in new apartment prices, as well as the overvaluation of the Albanian lek against foreign currencies – particularly the euro – indicates an increase in the flow of foreign currency into the Albanian economy.

Apartments have risen in price even though their supply has increased significantly. In the main cities, especially in Tirana and in the coastal areas, luxury construction has increased at high prices, in stark contrast to the income level of most Albanian families. However, this is not the only paradox that characterises the construction sector. Despite the continuing increase in the number of apartments, the number of homeless people is also increasing. Today, Albania has more apartments than families and, at the same time, a considerable number of homeless people.

Money laundering can be considered to be a factor that influences real estate prices in Albania, supported by financial resources from abroad, tax evasion and corruption. The market for these assets has shown cartel-like behaviour, with builders fixing prices and coordinating their rise, which has made it increasingly difficult for middle- and low-income groups to obtain affordable housing.

This paper aims to analyse the phenomenon of money laundering in the real estate sector during the period 2015–2024, as well as the impact on the economy and social life in Albania. The aim of the study is to discover traces of this phenomenon in construction, the practices that sustain it, the relevant legal flaws, and the inadequacy of the institutional reaction through an analysis of statistical and institutional data, as well as evaluations by market experts.

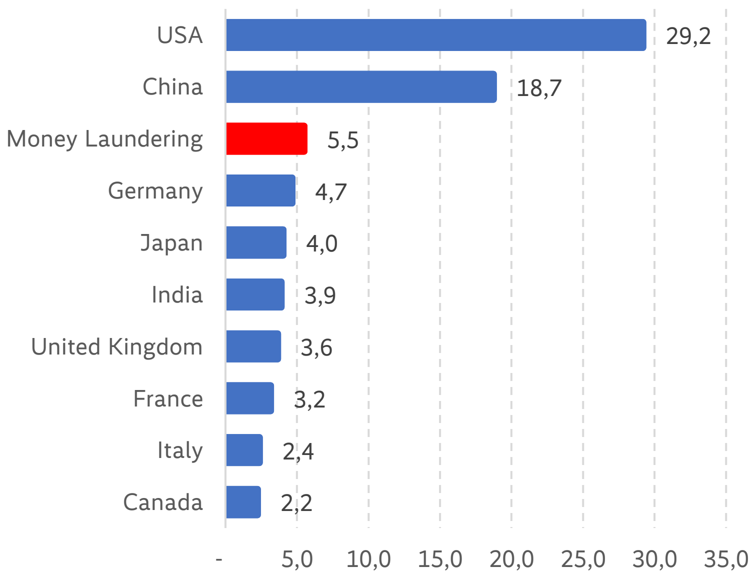
1. Introduction

More than two centuries after the publication of *An Inquiry into the Nature and Causes of the Wealth of Nations,*[1] by Adam Smith, founder of the market economy, the growth, development and sophistication of the economy have been accompanied by the growth and increasing sophistication of the informal economy. Based on the same mechanisms as the market economy, the informal economy and the illicit money it produces constitute an obstacle to sustainable economic development.

The increase in information and, especially, the sophistication of financial contracts and relevant institutions over at least the past seven decades has encouraged the expansion of the role of the financial system in the economy. This expansion and sophistication have created a more open environment for the injection of illicit funds into the economic system via the formal channels of the financial system.

Illicit money today is circulating at an increasing level. Although it is difficult to measure it accurately, international institutions and various researchers estimate that criminal income on a global scale is may be estimated to be worth trillions of dollars every year. According to the United Nations Office on Drugs and Crime (UNODC),[2] funds representing 2% to 5% of global GDP are laundered globally each year. Considering that global GDP for 2024 is estimated at around $110 trillion,[3] this would translate into a laundered amount of money worth up to $5.5 trillion per year. This amount represents approximately a fifth of US GDP and is larger than the GDP of Germany ($29.2 trillion and $4.7 trillion for 2024, respectively). If this laundered money economy were to be compared with national economies, it would rank third in the world after the USA and China.

Figure 1: GDP and money laundered data for 2024 (in trillion USD)



Data source: *Statistics 2025*[4]

Of course, these are rough estimates. Because of the secretive nature of the phenomenon, the exact figures remain unknown. What matters is its size, which is growing along with the expansion of the global economy.

In the case of Albania, concerns about money laundering have increased significantly in recent years. International institutions such as the European Union (EU), the Financial Action Task Force (FATF) and the International Monetary Fund (IMF) have identified Albania as a country with high vulnerability to financial crime, corruption and the informal economy. These concerns are based on concrete developments in the market, such as the rapid and sustained increase in real estate prices and the unusual strengthening of the local currency (lek) against foreign currencies.

Although there is a lack of complete and reliable data on the size of the informal economy as a source of money laundering, it is possible to carry out qualitative and quantitative analyses that help to identify this phenomenon and its consequences for the economy and social life in Albania.

[1] Published in 1776 and widely known by the abbreviated name *The Wealth of Nations*.

[2] United Nations Office on Drugs and Crime, »Estimating illicit financial flows resulting from drug trafficking and other transnational organized crimes«, October 2011.

[3] Aaron O'Neill, 28 May 2025, »Global gross domestic product (GDP) 2030«, Statista.com

[4] Statistics, »The 20 countries with the largest gross domestic product (GDP) in 2025«.

2.
History of money laundering

Money laundering is an ancient phenomenon, first documented around 4,000 years ago in China, where merchants hid their assets from rulers in order to avoid confiscation. They often invested in remote regions or abroad. Over the centuries, similar practices have been identified in various countries around the world as an attempt to avoid the interventions of authorities aimed at seizing illegally acquired assets.
At the beginning of the twentieth century, states began to use asset confiscation to combat criminal activities. The United States was among the first countries to implement such measures in the 1920s. During the period of alcohol prohibition (Prohibitionism) in the United States, the term »*money laundering*« was first used to describe the process by which criminals legalised their profits from the illegal alcohol trade. After World War II and, especially during the global campaign against drugs in the 1970s and 1980s, the fight against money laundering received increased attention from states and international organisations. Many states adopted specific laws to prevent the laundering of proceeds from drug trafficking and organised crime. Until 2001, efforts had focused mainly on prohibiting the legalisation of proceeds from traditional criminal activities. Following the terrorist attacks of September 11, attention shifted to the connection between money laundering and the financing of terrorism. Paradoxically, money laundering has also been used for legitimate purposes. Over the centuries, individuals and communities have applied informal techniques to relocate, preserve or protect their assets from oppressive regimes and arbitrary authorities. Ethnic, religious or cultural minorities have often been targeted by governments not only in authoritarian regimes but also in democratic states, forcing them to use alternative methods to avoid arbitrary confiscation and to preserve their assets.

3.
The process of money laundering

A portion of informal money is reintegrated into the formal economic system. This process is carried out by exploiting legal loopholes and institutional weaknesses.[5] Despite the different sources of informal money and the variety of methods used to launder it, the process itself follows a universal logic consisting of three main stages.
According to the international literature and documents published by institutions such as FATF, IMF, European Commission and European Parliament, Bank of Albania, and the Financial Intelligence Agency, the money laundering process is structured into three basic stages: (1) *placement*, (2) *layering* and (3) *integration*.

First stage: ***Placement***
At this stage, illicitly produced money *enters the formal economy for the first time*. Money is moved from its illicit source to a legal channel of value circulation in several ways, such as:

- deposit in a financial institution;
- purchase of real estate;
- gambling and casino activities;
- setting up businesses inside or outside the country, etc.

Second stage: ***Layering***
This stage aims *to hide the traces and real source of funds* through a series of complex financial transactions, making it increasingly difficult to identify the origin of the money. To legitimise transactions[6] money launderers engage in a chain of purchases and sales of real and financial assets, ongoing movement of funds through international transfers, or the creation of fictitious invoices for alleged goods or services.

Third stage: ***Integration***
In this stage, the already laundered money is *reintroduced into the economy*. The money *is given a legal appearance*, making it look like normal business profits. Some of the most commonly utilised techniques for integration include:

- selling real estate previously purchased with illicit money;
- conducting legitimate-looking bank transactions;
- overvaluation of assets beyond their real market price;
- trading of rare or unique assets, for which there is no objective market valuation, such as paintings, rare jewellery, historical documents, private collections, etc.

[5] Peter Lilley, Kogan Page Limited, London, 2000, »Dirty Dealing: The Untold Truth about Global Money Laundering«.

[6] DPPP, January 2014, »What is money laundering?«

4. Methodology

This study examines money laundering in the real estate sector during the period 2015–2024, as well as its impact on socio-economic life in Albania. It draws on existing literature from local and international authors and institutions and follows a qualitative and analytical approach, using deductive reasoning to assess the extent and impact of this phenomenon on the economy and society.
The methodology is based on two main pillars: (1) *data collection and analysis* and (2) *semi-structured interviews with experts in the field*. For the purpose of this study, quantitative and qualitative data were collected, both from institutional and non-institutional sources, as well as from contacts with professionals operating in the market.

Quantitative data were obtained from publications and reports of domestic and international institutions such as: the Financial Intelligence Agency (FIA), the Bank of Albania (BoA), INSTAT, the State Supreme Audit, the European Commission, FATF, etc. In the absence of complete information from official sources, the author relied on alternative sources with a high level of reliability, as well as his own assessments based on substantiated calculations.

Qualitative data. In order to supplement the official data, informal, semi-structured and unstructured interviews were conducted with real estate and foreign exchange market actors, such as real estate agents, foreign exchange agencies, notaries and lawyers.
These interviews were utilised to verify and enrich the acquired data, as well as to gather information and opinions from experts on what was happening in the real estate market, particularly money laundering in this sector. Respondents were selected using purposive sampling and referral procedures based on their expertise and experience in the relevant fields. It should be noted that gathering data from experts in the field, especially real estate agents and notaries, is a difficult challenge as they do not have to spend their time attending research meetings and answering questions that not only provide no benefit to them but in fact reveal the dark side of their profession. To facilitate communication, a real property sale transaction was utilised,[7] allowing for interaction and sustaining the interest of these actors in conversations focused on the information needed for this study. This method produced more accurate and real data while also fostering a more open communication climate.

Study limitations. This study was conducted in a context in which gathering reliable institutional data is challenging because money laundering occurs in informal ways that leave no traces in institutional statistics. This has required the use of alternative sources and data extracted from the author's own analysis, which have been used to help understand the scale and spread of this phenomenon.
However, the inability to provide accurate data does not compromise the analysis of the phenomenon nor the quality of the conclusions and recommendations of this study, which are qualitative and not quantitative. Although the study cannot and does not intend to reveal the exact quantitative dimensions of money laundering in the real estate sector in Albania, it can shed light on the possible dimensions of this phenomenon by analysing all of the information collected to the point at which the analysis is reasonable.

[7] The property was not put up for sale fictitiously, but the purpose of the sale was real and coincided in time with the need for this study to communicate to and gather information from real estate agents.

5.
Money laundering and the real estate sector in Albania

5.1 Real estate market in Albania

Albania has historically struggled to house its population. Until 1990, the number of dwelling units was low in comparison to the population, which meant that *many people* and *several families had to live in the same dwelling*. Albania inherited 587,508 dwelling units in 1990, inhabited by a population of 3.3 million, and an average of 5.6 inhabitants per dwelling.[8] Given that a number of dwelling units were uninhabitable, this average was even higher.

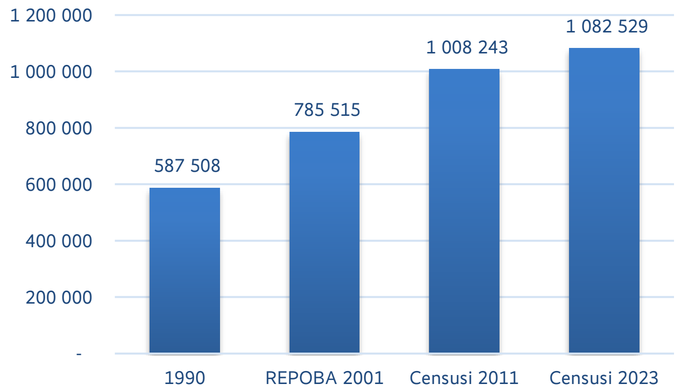
Table 1: Number of dwelling units in specific historical periods

Unit	1990	REPOBA 2001	Census 2011	Census 2023
Population	3,300,000	3,069,275	2,800,138	2,402,113
Number of dwellings	587,508	785,515	1,008,243	1,082,529
Number of families	645,000[9]	726,895	722,262	755,950
Ordinary inhabited dwellings	–	696,977	789,729	726,325
Ordinary uninhabited dwellings	–	88,538	218,514	356,204

Source: *Institute of Statistics (INSTAT).*[10]

After 1990, the construction of informal housing began, for which there are no statistical data. Construction statistics in Albania begin after 1995. From 1995 to 2010, construction permits for 20.33 million m^2 of new housing were issued in Albania, increasing the number of dwelling units by 72%. In 2011, the number of dwelling units increased to 1,008,243, with 722,262 families living in both rural and urban areas. Although the housing problem could be considered solved in 2011 as *the number of dwelling units exceeded the number of families*, the construction of new dwelling units continued to increase beyond that year, with greater intensity throughout the past decade.

Figure 2: Number of dwelling units in specific periods



Between the two censuses, 2011 and 2023, construction permits were granted in Albania for a total area of 13,969 million m^2, increasing the number of built dwellings to 1,082,529 (Census

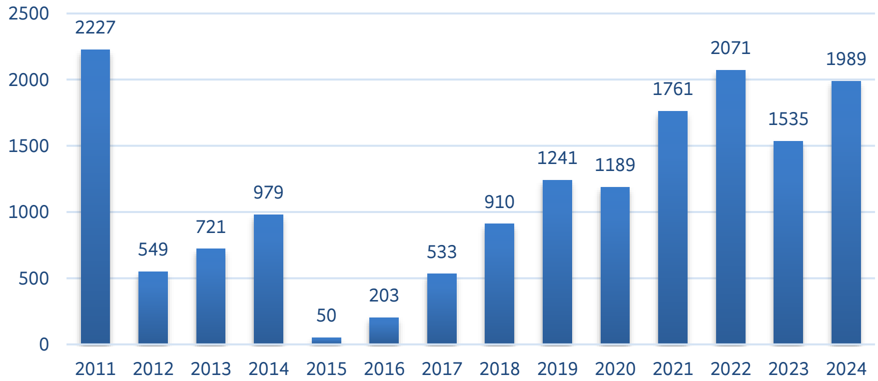
[8] The number of dwelling units was calculated using the total number of 379,334 buildings that existed in 1990, with an average of 1,548 dwelling units per building.

[9] There is no exact official data on the number of families in 1990, but this is the most widely accepted estimate based on data from INSTAT and REPOBA 2001.

[10] REPOBA 2001, Census 2011, Cens 2023

2023). This, of course, does not include those dwellings that are still under construction and have not been registered with the State Cadastre Agency (ASHK).

Figure 3: Area of approved construction permits for residential buildings 2011–2024 (thousand m²)



Source: *Institute of Statistics (INSTAT).*

As a result of the 2008 financial and banking crisis, as well as the restrictions on building permits from 2013 to 2015, construction sales and, at the same time, building permits were reduced, reaching their lowest level in 2015, the year after which the sector began to recover. After 2015, when building permits for 50,000 m^2 of dwellings were approved, the volume of approved construction peaked at 2.071 million m^2 in 2022. This increase in surface area also resulted in an increase in prices, which doubled on average, with much larger increases in specific areas.

Standard residential construction dominated and continues to dominate the Albanian real estate market. However, during the past 10 years, there has been a significant increase in luxury projects, especially in Tirana, resorts and coastal areas. The prices of these buildings have increased significantly, reaching up to 10,000 euros per square meter, particularly in new towers being built in the centre of Tirana and in some of its elite areas.

5.2 Sources of construction financing in Albania 2015–2024

For the period 2015–2024, construction permits for 11.48 million m^2 were granted with an average market value of 16.238 billion euros.[11]

Table 2: Data on the volume of real estate market and its financing (2015–2025)

Unit	***Values***
Total area of construction permits approved for new residential buildings (m^2)	***11,481,792***
Market value of new dwellings in millions (million euros)[12]	***16,238***
FDI in real estate in millions (million euros)	1,587
Bank financing (million euros)	5,521
Unsold, savings and remittances (million euros)	**9,130**
Remittances 2015–2024 (million euros)	**7,463**

Source: *Institute of Statistics (INSTAT); Bank of Albania; author's calculations.*

During this ten-year period, bank loans financed 5.521 billion euros in purchases, while foreigners (non-residents) invested approximately 1.587 billion euros. The two forms of financing amount to 7.108 billion euros, representing the legal component of financing in the construction sector through official

[11] This value was derived by multiplying the surface areas of building permits issued each year by the average prices per m^2 for each respective year. Of course, the real value is even higher than that because new apartments are not all sold in the year they are built, but rather in subsequent years when the price may be higher.

[12] This value was derived by multiplying the average price in each year by the construction area given in that year. Of course, the value is higher because sales occur in subsequent years, after the construction permit, when prices are higher.

channels of capital circulation. The remaining amount, at least 9.13 billion euros, represents the still *unsold* surface areas, as well as those financed by *savings and remittances*. This is precisely the part that raises concerns about the legitimacy of the funds, i.e., which portion is from legal sources and which is financed by money generated from criminal activities, tax evasion, corruption, etc.
It is difficult to calculate precisely, or even approximately, the remaining unsold share of new buildings by 2024, as well as the share financed with buyers' savings. *No accurate or approximate data are available for these parameters, either official or unofficial*. As a result, the precise value of real estate financed by illicit means cannot be determined. This prompts us to employ alternative data and calculations to obtain a more realistic picture of the size of this phenomenon.

5.3 Remittances, tax evasion and corruption as sources of the real estate sector

According to official data, remittances entering the Albanian economy have increased year by year, almost doubling within a decade: from 598 million euros in 2015 to 1,048 million euros in 2024.

Table 3: Remittances over the years (million euros)

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	*Total*
Remittances in million euros	598	615	636	670	702	673	761	834	929	1,045	***7,463***

Source: *Institute of Statistics (INSTAT).*

According to studies, only 10% of remittances are used for real estate investments.[13] This means that the sums received in the real estate market in Albania between 2015 and 2024 can be estimated at 746 million euros (10% x 7.463 billion euros). If we subtract this value from the total of 9.13 billion euros, we obtain ***a difference of 8.384 billion euros***, which goes to the remaining unsold surface areas and those purchased with savings. Money from illicit sources, such as ***tax evasion, corruption*** and other criminal activities, also contributes to fund this difference. Typically, this category of income, generated by businesses, individuals and groups exercising control over public finances, is channelled into structured money laundering routes to conceal its illicit origin before being integrated into the economy. According to the Financial Action Task Force (FATF)[14] reports, the real estate sector has been identified as one of the most widely used channels for laundering corruption and evasion funds because of the opportunities for large-volume transactions and the lack of full institutional monitoring.

Table 4: Estimated level of tax evasion and corruption in Albania 2015–2024 (million euros)[15]

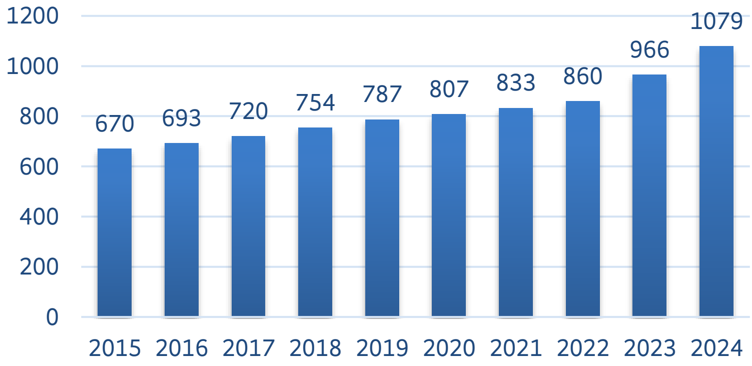
Year	*Tax evasion*	*Cost of corruption*	*Total*
2015	220	450	**670**
2016	233	460	**693**
2017	250	470	**720**
2018	274	480	**754**
2019	297	490	**787**
2020	307	500	**807**
2021	323	510	**833**
2022	345	515	**860**
2023	391	575	**966**
2024	437	642*	**1,079**
Total	**3,076**	**5,092**	**8,168**

** Calculated based on the trend of the past two years.*

[13] Luciana Koprencka, Redian Hysi, Albania Residential Prices, Acta Universitatis Danubius. Œconomica, Vol 12, No 2 (2016).
[14] FATF (2022), Guidance for a Risk-Based Approach to the Real Estate Sector, FATF, Paris.
[15] The data source is ALTAX, which uses official data sources including INSTAT, the Ministry of Finance and Economy, SPAK, the State Supreme Audit (KLSH), IMF, World Bank, and Transparency International.

Based on these figures, corruption and tax evasion in Albania generated at least 8.168 billion euros in revenues for the period 2015–2024. The revenues generated by these two illicit activities have steadily increased over the past decade, with a more pronounced increase over the past two years, coinciding with the increase in the surface areas of new construction permits.

Figure 4: Level of tax evasion and corruption, 2015–2024 (million euros)



Source: *ALTAX.*

Of course, some of this income has found shelter outside the system, either within or outside Albania, while the remainder has been absorbed into the economy through consumption. In addition, some of this income has sought ways of being absorbed as legal money into the economy. Investing in real estate has been a suitable alternative for such a process, particularly over the past ten years.
In summary, it can be said that, although official figures do not represent the informal reality, they still show traces of illicit funds infiltrating and financing the real estate sector in Albania. From the 2011 Census to the 2023 Census, the population decreased by 478,590 inhabitants, while the number of dwelling units increased by 74,286. The number of vacant dwelling units during in this period was 63,404, bringing the stock of uninhabited dwelling units to 137,690. Understandably, some of the new units remain empty due to owner migration, but one of the reasons for the existence of houses that are purchased but not sold or rented is their use as *a means of sheltering illicit money and transforming it into legitimate assets*.
According to a Global Initiative against Transnational Organized Crime[16] report, estimated money laundering in Albania for the period 2017–2019 alone is up to 1.6 billion euros. Given that construction activity increased significantly during the period 2020–2024, it can reasonably be concluded that a significant share of the amount of 8.384 billion euros was funded with illicit money, while the rest was funded with savings, or remains unsold. Along the same lines, the Financial Intelligence Agency, in its 2024 Report, found that during 2024, »*high-value investments in real estate were observed, with unclear, unknown or unjustified sources of funds*«.[17]

5.4 Paradoxes of the real estate market in Albania

Over the past decade, Albania’s real estate market has demonstrated two paradoxes in terms of quantity and market price. The number of real estate properties, prices, the number of homeless individuals, and so on, have all shown trends that cannot be explained by the normal logic of the market economy, leaving room for allusions to underground forces that may have influenced the deformation of normal relationships between market parameters.

The paradox of quantity: *more apartments – more homeless people*

Between the two censuses of 2011 and 2023, Albania experienced a quantity paradox in the real estate market: as the population decreased and the number of apartments increased, so did the number of homeless individuals. The 2023 Census resulted in 1,082,529 dwelling units, 74,286 more than the previous census in 2011. However, rather than decreasing, the number of homeless families living in other people's homes, on rent or under other housing agreements, increased. From 70,630 homeless families in 2011, in 2023 this number stood at 132,563, or 61,933 more homeless families, an increase of 88%.

[16] Tuesday Reitano, Kristina Amerhauser, August 2020, Global Initiative against Transnational Organized Crime, Political Economy Report, »Illicit Financial Flows in Albania, Kosovo and North Macedonia - Key Factors and Current Trends«.
[17] Financial Intelligence Agency, Annual Report 2024.

Table 5: Number of families by ownership of dwelling unit

Unit	*Census 2011*	*Census 2023*	*Change 2011/2023*
Number of families	722,262	755,950	33,688
Number of dwelling units	1,008,243	1,082,529	74,286
Families living in owned flats or in the process of obtaining a legal act	651632	623,387	(28,245)
Family with rental or other housing arrangements	70,630	132,563	61,933
Ordinary uninhabited dwellings	218,514	356,204	137,690

Source: *Institute of Statistics (INSTAT).*

In short, since 2011, Albania has had more apartments than families and the ratio had increased even further by 2023. Over the past 12 years, 74,286 new flats have been built, but the number of homeless families has increased. All of this has a single explanation: ***the number of flats has increased, but not the number of owners***. This is because purchases by foreigners (non-residents) have increased, as have purchases by the same resident persons and entities, which have purchased new properties for investment purposes or to transfer funds in a safer and more legal way.[18]

The paradox of price: *supply increases – prices increase*
Contrary to logic and economic theory, real estate prices have increased as the supply has also increased, a phenomenon occurring during a period of declining population. From 1995 to 2024, construction permits for 36.292 million m^2 of housing were granted in Albania, sufficient for 518,000 new flats with an average surface area of 70 m^2. This figure represents only approved permits, not counting unauthorised construction and the stock of inherited dwellings until this year.
For the period 1995–2014, 24.81 million m^2 of new construction permits for housing were granted; for the following period, 2015–2024, permits for another 11.482 million m^2 were granted. This represents a *46% increase in the supply of new housing over the past 10 years (2015–2024) compared with the previous 20 years.*

Table 6: Increase in the surface area of new construction permits, 2015–2024

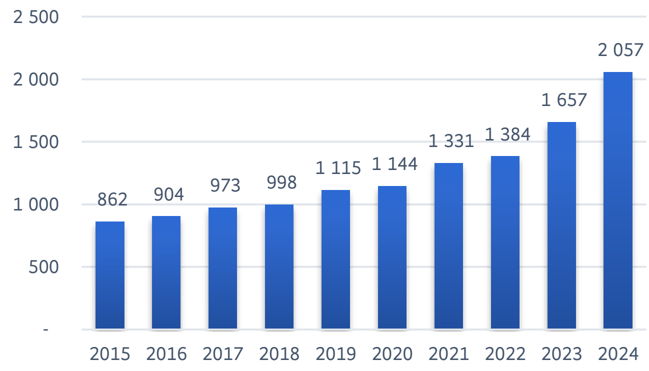
Unit	**2015**	**2024**	**Change**
Area of construction permits approved for new residential buildings *so far this year* (thousand m^2)	24,810	36,292	46%
Average price per m^2 nationwide (euro)	862	2,057	139%

Source: *Institute of Statistics (INSTAT); author's calculations.*

While the real estate market showed this significant increase in supply, real estate prices, instead of showing a downward trend or at least stabilisation, increased by 139%. From 862 euro/m^2, which was the average price nationwide in 2015, the price increased to 2,057 euro/m^2, a level that is more than double that of 2015.

[18] Of course, the effect of internal migration, which has caused families who own a home in rural areas to rent in urban areas, as well as the purchase of new apartments by foreigners for investment purposes, should also be considered.

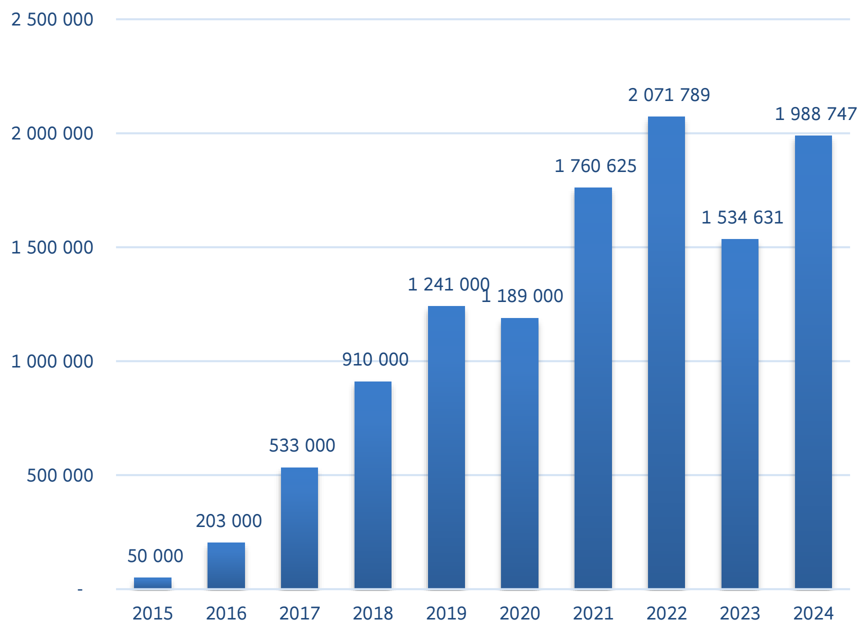
Figure 5: Apartment prices per m² 2015–2024 (euros)[19]



Source: *Numbeo; consultation with real estate agents.*

It is worth noting that the upward trend in pricing was particularly obvious between 2022 and 2024, when the surface areas of construction permits also increased at high rates. This increase in prices, combined with an increase in real estate supply, raises questions regarding forces that have dictated this opposite market movement.

Figure 6: Total area of construction permits approved for new residential buildings



5.5 Factors that have influenced real estate prices in Albania

In recent years, Albania's real estate market has produced a situation that cannot be explained by the normal mechanisms of a free and competitive market. As shown in the tables above, real estate prices have increased at a faster rate over the past 10 years, particularly between 2021 and 2024.

Theoretically and logically, such a price increase, while the supply in the market increases, occurs while the market is influenced by factors so powerful that they distort the typical relationships between demand, supply and price.

[19] Numbeo, Historical Data about Cost of Living by Year in a Country.

5.5.1 Demand-related factors

The sharp increase in real estate prices over the past 10 years must have resulted from either (**1**) *an increase in demand* at levels higher than the increase in real estate supply, or (**2**) *a low elasticity of demand* for these assets.

*(**1**) Has demand for real estate increased more than supply?*
Demand for real estate in Albania comes from both domestic and foreign buyers. The lack of detailed official data makes it difficult to accurately assess demand from domestic buyers. According to INSTAT, Albania's population decreased from 2.8 million in 2011 to 2.4 million in 2023, which limits the possibility of an increase in local demand for residential housing. However, this does not exclude an increase in demand for investment purposes, especially by high-income individuals.
Regarding foreign buyers, the data show a significant increase in their interest in real estate in Albania. Their investments increased from 24 million euros in 2015 to 379 million euros in 2024, an increase of over 17 times. During the period 2015–2024, foreigners invested a total of 1.587 billion euros in this sector, representing 9.8% of the total value of construction permits granted in that period.
Meanwhile, according to the Bank of Albania, since the second half of 2022,[20] there has been an increase in the number of unsold real estate properties compared with the historical average. This trend corresponds to a significant increase in the areas of construction permits in the period 2022–2024.
So, while the combined domestic and foreign demand for real estate cannot be accurately estimated, what can be said with certainty is that the increase in the number of unsold real estate properties indicates that *the increase in demand has not exceeded the increase in supply*.

(2) Has the elasticity of demand for real estate been low?
Simply put, have buyers »*given up*« to rising prices in the real estate sector? To answer this question, the demand for real estate can be studied in terms of two main categories:

a) Demand for ***housing***
During the period between the two censuses (2011–2023), the number of families living in their own homes[21] decreased, while the number of those living in other people's homes (rented or for free) increased. This tendency, albeit partly influenced by emigration and internal migration, plainly suggests a lack of growth in the demand for purchasing properties for housing. A more rational explanation is that the almost twofold increase in families living in other people's homes[22] indicates that demand for residential real estate has been low and declining over the past decade. Only persons with average or above average incomes have managed to purchase real estate, which, in addition to having income and savings, have also had the opportunity to benefit from bank loans. Meanwhile, buyers with below average incomes have been excluded due to rising prices and difficulties in obtaining bank financing.

b) Demand for ***investment***
This category typically purchases apartments for investment or holiday houses, or uses real estate investment as a financial haven. This category includes all those buyers looking for real estate to secure returns from their use (rental), as well as potential price increases in these assets in the future. This has been *the least elastic segment of the demand* for real estate in Albania in recent years for the following reasons:

- First, the increase in purchases by foreigners, while prices are increasing, clearly shows that their demand is increasingly driven by *expectations for an increase in the price* of real estate in the future.
- Second, domestic and foreign buyers with large amounts of informal or criminal money use real estate investment as a *financial haven* for their funds. These investors prefer to invest in properties that are still unfinished and unregistered with the State Cadastre Agency, as it is easier for illicit money to infiltrate at this stage. Their main interest is money laundering and *their sensitivity to price levels is low*.
- Third, investors in Albania choose the real estate market also because of the *lack of investment alternatives*. The lack of an active stock exchange or the inability to engage in other forms of investment makes investing in real estate more attractive to investors because of its simplicity and the continuous increase in market prices. Based also on tradition, Albanian middle-class and wealthy families purchase properties as a way to preserve value in the long term, thus driving a speculative and inelastic demand for real estate.
- Fourth, the lack of a »*luxury tax*« on second and third apartments for properties in luxury residential towers and resorts has made investment more attractive, thus encouraging the purchase of this category of real estate.

[20] Bank of Albania, Survey on "Performance of the Real Estate Market in Albania", second trimester 2022, first trimester 2023, second trimester 2023, first trimester 2024, second trimester 2022.

[21] From 651,632 families in 2011 to 623,387 families in 2023.

[22] From 70,630 families living in rental or other housing arrangements in 2011, to 132,563 such families in 2023.

In conclusion, it can be said that the demand for real estate has not increased more than the supply. Consequently, ***the price increase does not stem from the pressure of housing demand***. In fact, household demand for housing has most certainly decreased due to high and rising prices. It is the ***demand for investment*** on the part of domestic and foreign investors, financed by Albanian household savings, bank loans, foreign investments and money from illicit sources that has driven the increase in real estate prices in Albania.

5.5.2 Supply-related factors – »cartel«

Real estate supply in the Albanian market has shown signs of a controlled market. This control has become increasingly obvious over the years and has been especially emphasised in the years of significant increases in the area covered by new construction permits. At every construction site, there are multiple sellers[23]:

a) ***Construction companies***. A construction company tends not to pay entirely in cash for the land, labour and materials required for construction, but rather exchanges them for apartments or other premises via clearing-type contracts. As a result, *its need for liquidity is significantly lower than it would be if it were to operate as an entrepreneur*, funding the construction with its own resources and bearing all the risks. In such a favourable situation, builders do not face pressure to provide large funds in the early stages of a project. As a result, ***they do not put all the units they own on the market for sale***. Instead, they set high selling prices, which, through informal agreements, are also imposed on other entities selling properties in the same construction project.
b) ***Landowners*** usually exchange land for building space. They wait for the building to be completed before selling, as prices are expected to be higher at the last moment. This category has no financial needs that force them to sell. And if they happen to need funds and are forced to sell, they have no reason to sell at a significantly lower price than the builder's, which is actually considered *the market price*.
c) ***Investors*** are those who provide funds to the builder in exchange for a return on investment, a return that is usually given partly in cash and partly in building space. As such, they are *parties to the builders and behave in the same way as them*, waiting for the completion of the project to sell that part of the assets that will belong to them as a profit from the investment.
d) Companies that offer materials and services against »***clearing***« are those that carry out the project and *have real financial needs*. This category is the most active part of the market in the early stages of construction, offering lower prices than the construction company, but with the condition of prepayments that go up to 100% of the price. In this sense, they do not compete with the construction company because in the clearing stage the property is sold at a lower price, but requires full payment, so it does not offer flexible payment plans like those the construction company offers. However, *their price reduction is of a symbolic nature and does not harm the pricing scenario set by the builder*. The »clearing« companies, no matter how urgently they may need funds, reduce the price to the point at which it still does not increase competition on a construction site. There are two reasons for this:
    a. First, such unfriendly behaviour towards the builder would damage the image of the »clearing« company, *making it difficult* to carry out work for other companies in the future.
    b. Second, when selling the assets promised by the builder, the »clearing« company *is dependent on the latter for the sale*. This is because the contract for the sale of assets will *involve the construction company*, which may even refuse to sign the contract (transfer of rights or promise of sale) if the sale price from »clearing« is competitive with the »official« market price.

In practice, builders have managed to control the prices at which properties are sold in specific construction projects. In recent years, almost every construction site has posted the same warning: »**This is the price as it stands now, because prices will increase on a specific date**.« Characteristically, as promised, prices increase simultaneously and in a controlled manner from all providers (builders, investors, landowners, and clearing). This increase, which occurs everywhere in an organised manner, has made it *more accepted* by the market, causing *buyers to perceive the purchase of property more and more as a good investment alternative for which they should not wait.* On the other hand, those buyers who want property to live in rather than as an

[23] The listed information comes from unstructured interviews with real estate agents, construction company engineers and notaries.

investment are becoming increasingly discouraged as what was once merely »*difficult*« gradually becomes »*impossible*«. Of course, this is not the result of a free competitive market mechanism, but rather a clear reflection of a controlled market, typical of a cartel. Price control occurs not only on the construction site. There is also *clear coordination, whether by agreement or tacitly, between builders*. The increase in prices in elite areas and quality projects has had a knock-on effect, increasing demand in the suburbs. The increased demand in these areas has facilitated price increases by builders, who have been keen to increase them as a general trend. There are signs of a silent cartel among builders in Albania, particularly in Tirana, the largest and most dynamic market. The clearest indications are:

- *Lack of competition* not only within the same construction project, but also between projects in the same area.
- Joint price increases in *the same periods* by different builders, usually in *spring* and *autumn*.
- Same floor price for parking space with almost the same surface area in all construction projects (at least 15,000 euros).
- *Increase in common spaces*, which is added to the property surface area, from an average of 7–12% to 17–35%, a phenomenon that has affected every construction project. This additional space, for which the buyer pays, constitutes *de facto* a fictitious increase in the property price.

5.6 How is real estate sold in Albania?

Since 1995, when new construction began in Albania, the real estate market has been dominated by *builders with insufficient funds* to make investments. To make them happen, builders have found financing mainly from two sources:

a) ***investors***, who provide funds against a certain percentage of profit from the project;
b) ***prepayments*** from real estate buyers.

Builders have rarely used direct bank loans. It is the buyers who have utilised loans to partially prepay for property, thereby replacing the *loans that builders had to obtain*. In terms of real estate sales agreements, four major forms of contracting have emerged, which differ depending on the category of buyer and the time of contracting.

The first form of agreement between builders and real estate buyers is the exchange of goods for goods, or so-called »**clearing**«. This is a typical agreement between the landowner and the builder, in which the latter pays off the majority of the land value in exchange for a percentage of the completed construction area, which varies, on average, from 25–30% in the regions, to 30–40% in Tirana, and in elite and coastal areas. In recent years, the phenomenon of clearing contracts between builders and providers of construction services and materials (such as concrete, masonry, hydro-sanitary, electrical and plumbing installations, tiles, and so on) has also become widespread. This has enabled builders to overcome an important problem, that of financing projects, because they no longer need to pay directly for land, materials and services.

The second form is sale **before completion of the project**, which is the predominant method of selling real estate to clients. In this case, builders are not the only sellers; there are also all those who own the right to the still unbuilt real estate. In simple terms, the sellers in this case are the builders, investors and those who have signed clearing contracts with the builder. Depending on the seller, the payment plans also vary.

a) When the builder is the also seller, the property ***is sold with a payment plan*** until completion of construction. Typically, 30% of the contract value is required at the time of signing, while approximately 90–95% of the value is reimbursed once construction is completed and the property is registered with the ASHK. The remaining part, about 5–10%, is paid at the time of the transfer of ownership. This method represents a significant source of financing for builders.
b) When the sellers are landowners or companies that have acquired the right through clearing, the down payment requirement is much higher, up to ***100% of the value***. This is because these entities offer lower prices than builders and attract buyers who want to take advantage of this opportunity.

The third form is the ***sale once construction is completed***, which is the standard and legal form of sale. The completed property, which has a certificate of ownership from the ASHK, is sold in accordance with the legal procedures for the transfer of funds and ownership.

The fourth form is a new practice that pertains to the purchase of property but does not constitute a contract for reserving it. This is known as a sale *reserving the right to purchase*, which is carried out through an *interest reservation agreement*. In recent years, a new form has emerged in which the client pays an advance *to acquire the right to purchase a property* in a building that has not yet received a construction permit. What makes this form special is the fact that clients do not know exactly which property they are buying, but pay to obtain the right to purchase. Only at the second stage is the agreement for the specific property concluded. This new practice, and the interest it has generated in particular projects, raises concerns regarding the source of funds of the interested parties. Typically, a buyer assumes a high risk when prepaying for a property that is not yet built. But this risk is justified to some extent by the possibility of obtaining a favourable price or choosing a property with the desired characteristics. However, in this specific case, *an even higher risk is assumed because it is not known exactly which property will be purchased*. This type of risk is usually assumed by two categories of buyers:

a. *speculative* buyers, who sign such contracts with the intention of reselling at a higher price in the future;
b. buyers with *dubious sources of money*, whose funds are at risk in their current state. Engaging these funds in such contracts does not increase their risk, but rather gives them an opportunity to »legalise« the funds. Given that such contracts tend to be concluded during periods of high property supply, there is increased suspicion that the rush to get involved may be related to the need to launder money from dubious sources.

5.7. How does illicit money infiltrate the real estate sector?

During the first years of transition, the Albanian economy was characterised by a high level of informality, with a portion of the population employed informally in emigration, mainly in EU countries. The informal economy, which was dominated by cash payments, facilitated the infiltration of illicit capital derived from corruption, trafficking and tax evasion. Over the past two decades, especially after measures were taken to reduce cash payments, alternative routes for the integration of money from illicit or criminal sources into the economy began to emerge. In what follows we examine some of the potential routes used in Albania.

A) Establishing a construction company with questionable financial capacities
In 2015, Albania had 4,946 active construction companies. By the end of 2023, this number had increased to 6,955, representing an increase of 2,009 companies, or more than 40%. At first glance, this increase could be justified by growing construction activity. However, the increase in construction alone was not enough to justify so many companies entering the market. In a more reasonable scenario, such an increase in construction volume would be the outcome primarily of existing companies with consolidated experience and capacities.

Table 7: Number of construction companies 2015–2023

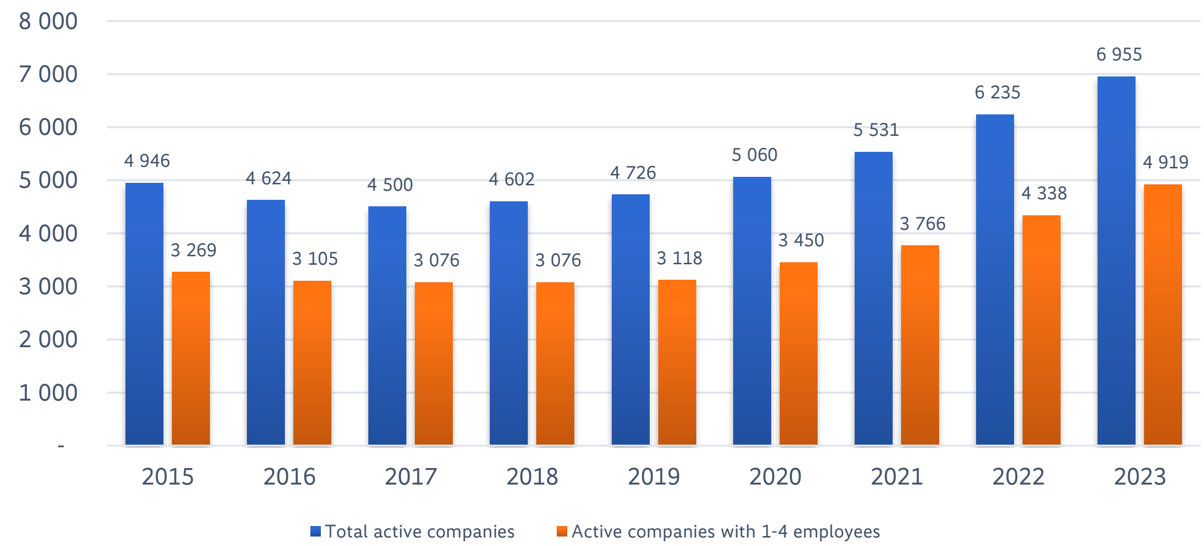
Years	*2015*	*2016*	*2017*	*2018*	*2019*	*2020*	*2021*	*2022*	*2,023*
Total number of new companies	671	609	–	–	562	861	922	1,099	1,056
New companies with 1–4 employees	–	–	–	–	437	840	754	944	893
Total number of active companies	4,946	4,624	4,500	4,602	4,726	5,060	5,531	6,235	6,955
Active companies with 1–4 employees	3,269	3,105	3,076	3,076	3,118	3,450	3,766	4,338	4,919
Percentage of new companies with 1–4 employees	66%	67%	68%	67%	66%	68%	68%	70%	71%

Source: *Institute of Statistics (INSTAT).*[24]

What raises doubts about the reality of this growth is the fact that approximately 1,650 of the 2,009 new companies registered during this period have only 1 to 4 employees. This suggests that more than 82% of new companies lack the true capacity to complete a construction project themselves. Essentially, these businesses serve as simple offices that carry out construction projects, primarily through subcontractors. So, while new construction companies were established on paper, ***construction projects have been carried out by virtually the same companies as before***. This situation raises doubts not only about the sources of financing of new construction companies that do not build themselves, but also about how they *manage to meet the legal criteria to obtain a construction permit*.

[24] INSTAT, Statistical database, Construction.

Figure 7: Number of construction companies 2015–2023



For the period 2017–2019, approximately 59% of construction companies that obtained permits for buildings with more than six floors lacked the financial capacity to complete these projects.[25] In the absence of technical capacities and legitimate financial resources, reasonable doubts arise regarding the motives that drive a company with 1–4 employees to undertake an investment worth several million euros.

B) Cash payment of part of the price
Since 1995, when the first construction permits were issued in Albania, real estate purchase transactions have been made using cash. In the early stages, this practice was common because of the high level of informality in the economy and informal sources of income, especially from emigration, which were not necessarily illegal.
The first legal intervention to limit cash payments occurred in 2008, with amendments to the Law on Tax Procedures, which set a maximum limit for cash payments by each taxpayer (natural or legal person). Initially, this limit was All 300,000, but in 2013, it was reduced to All 150,000.[26] However, this measure failed to stop the practice of cash payments in the real estate sector.

It has been common practice to declare a low value in the contract, usually close to the construction cost, to be paid through the bank, while the remaining amount was paid in cash outside the banking system. This created opportunities for buyers who did not want or could not justify the source of their income, to lawfully acquire a real estate property.
To curb this practice, in 2018, state authorities set minimum reference prices for the sale and purchase of real estate.[27] These prices set *a minimum threshold for the registration of contracts*, aiming to limit the portion of the real estate price that was paid in cash. However, because the reference prices were at average levels and significantly lower than market prices, especially in urban areas and in the luxury building segment, the possibility for cash payments remained. In suburban areas, the real price is about 50% higher than the reference price, while in elite areas or for towers and tourist resorts, the difference reaches about 100%.
In its 2024 report, the Financial Intelligence Agency found that during this year real estate purchases were made below the real market value,[28] which is precisely related to real estate sales contracts below or close to the reference price.

C) Depositing money in third countries with weak control of fund sources
Depositing funds in other countries and returning them to Albania through banks, in the form of foreign direct investment (FDI), constitutes one of the mechanisms for infiltrating illicit money into the Albanian economy. Over the past decade, an analysis of FDI flows has shown an increase in investments from countries classified as high risk by the Financial Action Task Force (FATF). In 2015, foreign direct investment from some of these countries, such as Bulgaria and the United Arab Emirates (UAE), was minimal or negligible. However, after 2019, investments from these jurisdictions increased significantly, reaching 74 million euros from Bulgaria and 33 million euros from the UAE. A significant increase in investments has also been observed from Turkey, which, like Bulgaria and the UAE, was part of the FATF[29] grey list until June 2024.

[25] These results emerged from an analysis of 141 company financial statements. The statements were obtained through an official request for information from the Municipality of Tirana in January 2020. (Source: Global Initiative against Transnational Organized Crime, August 2020).
[26] Law no. 179/2013 on some amendments and additions to Law No. 9920, dated 19/05/2008, on tax procedures in the Republic of Albania, as amended.
[27] DCM No. 132, dated 07/03/2018, on the methodology for determining the taxable value of immovable property "buildings", the tax base for specific categories, the nature and priority of information and data for determining the tax base, as well as the criteria and rules for alternative assessment of tax liability, as amended.
[28] Financial Intelligence Agency, Annual Report 2024, https://fiu.gov.al/raporte/
[29] FATF High-risk and other monitored jurisdictions.

Table 8: Investments from countries listed on the FATF grey list 2015–2024 (million euros)

Country	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Turkey	86	77	45	98	52	120	87	58	179	257
Bulgaria	0	3	4	4	12	6	2	9	29	28
United Arab Emirates	0	1	0	3	-6	2	1	5	19	6

Source: *Bank of Albania.*[30]

These investment flows from countries with weak financial controls raise questions about the true nature of such investments and the potential risk of money laundering in Albania. Of course, the possibility cannot be ruled out that part of the FDI from these countries comes from legitimate sources and businesses genuinely interested in investing (such as Turkey). However, the significant increase in these investments in recent years, particularly during the construction boom and price increases in Albania, raises doubts about funds deposited in banks in these countries and transferred through banking channels as FDI in the construction sector.

D) Fragmented bank deposits

This form of infiltration of capital of dubious origin into the Albanian financial system is facilitated by the lack of adequate responses from responsible institutions, including commercial banks, as well as state supervisory and law enforcement agencies. Although this phenomenon has been noted in these agencies' reports, no structured and effective measures have been taken to stop the ways in which illicit money is integrated into the economy.

In practice, banks require verification documentation for the source of funds when a deposit exceeds a particular amount (usually around 7,000 euros). However, to avoid these controls, a fragmentation strategy is employed: the amounts are divided into small and repeated deposits that do not trigger automatic alert mechanisms. These funds are then used to purchase real estate.

This mechanism operates with the cooperation of sellers, who agree to conclude purchase and sale contracts at or near the reference price, while the remaining part of the price that is not declared in the contract is paid in cash. In this way, *money of illicit origin enters the formal real estate market*, partly through the banking system and partly outside it, being integrated as »clean« capital into the economy.

E) Fictitious borrowing

One of the methods used for the purchase of real estate by individuals who cannot justify the source of their funds is to make a small down payment, usually ranging from 10% to 30% of the property value, with the remainder funded through a loan from banks or other credit institutions. This strategy gives the impression of a regular and legal transaction because the purchase is made from a legitimate source, such as a bank loan. The gradual repayment of the loan in small instalments, despite the fact that it is made with the same unjustified funds, does not raise suspicions among supervisory institutions because of the low values and regular nature of the payments. In this way, illicit money is gradually integrated into the formal economy with each loan instalment that is repaid.

F) Other forms

There is a wide range of methods through which money obtained from criminal activities, corruption or tax evasion is integrated into the economy through the purchase of real estate. In addition to the findings of national institutions such as the Financial Intelligence Agency (AIF), the Special Anti-Corruption Structure (SPAK) and the Bank of Albania, as well as international organisations, such as MONEYVAL and FATF, experts in the field have also identified various forms used in Albania for this purpose.

One of the best known practices is the use of *shell companies*. In this case, real estate is purchased by legal entities registered in Albania or abroad, which do not engage in any real economic activity, but are used merely to hold assets and »wash« funds of dubious origin.

Another approach is to register real estate in the names of *spouses, brothers parents,* or *close friends* in order to sever the legal and documentary link between the real owner of the funds and the purchased property.

Recently, there has been an increasing trend of using *cryptocurrency* to purchase real estate. In some cases, particularly for high-value properties in Tirana or in coastal tourist areas, the payment was made in a cryptocurrency, such as Bitcoin.[31] This approach circumvents the banking system and enables less traceable transactions. This increases the risk of money laundering via the real estate market.

[30] Bank of Albania, Quarterly flow of direct investments-liabilities, by country - M6BP.

[31] Direct purchases with cryptocurrency are not allowed in Albania, but such payment tokens can be converted into legal money with which real estate is then purchased.

5.8 How is illicit money »diluted« by construction companies in Albania?

Construction companies that accept cash payments face the need to integrate these funds into the legal economy in such a way as to avoid the attention of the authorities and not to raise doubts about their origin. In general, these companies are aware of the risks and costs associated with taking funds of dubious origin. However, because of the need for liquidity and double benefit purposes – securing clientele and reducing tax liabilities – they continue to follow this practice. Use of such funds is essential for the completion of large construction projects because it allows builders to secure more clients than they would if they simply used regular legal contracting.

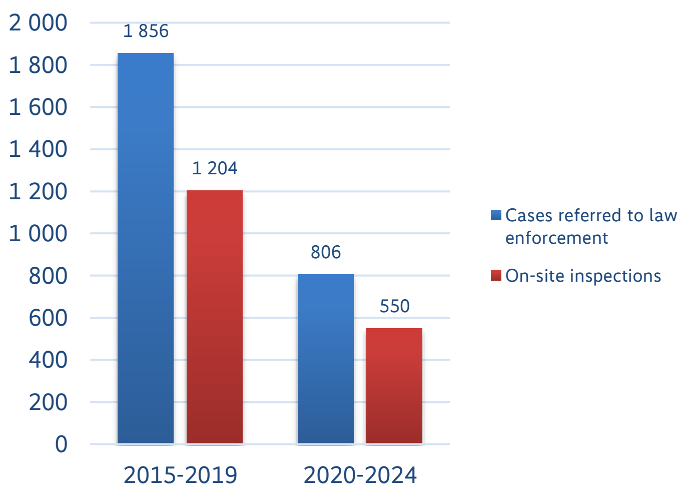
One way is ***the partial payment of employees in cash***. Companies can gradually integrate large amounts of money into the economy while avoiding social security and health insurance contributions on cash wages.

Another way is ***partial or full cash payment to third parties*** who provide various services to the company. This method benefits both parties: the construction company gradually and irregularly distributes the informal funds, while the beneficiaries reduce their declared income and so pay less tax. These cash-in-hand companies »dilute« informal capital in a similar manner, either by paying their employees in cash or by covering part of their operational costs. This process enables capital of dubious origin to circulate and enter the formal economy in an *irregular manner, making it difficult to trace*.

6.
The Financial Intelligence Agency and its role

The Financial Intelligence Agency (FIA) is the authority responsible for implementing policies to prevent money laundering and terrorist financing in Albania. Established in 2001, initially as a general directorate under the Ministry of Finance, the FIA aims *to identify, analyse and refer* suspicious financial activities, aiming to preserve the integrity and stability of the financial system and the Albanian economy as a whole. To this end, the FIA addresses issues with the potential risk for money laundering and terrorist financing. But has the FIA succeeded in fulfilling its mission of »protecting the country's interests from financial crime«? According to an analysis of the Agency's own reports on its activity during the period 2015–2024, *the FIA's activity has decreased* in several areas during the past five years compared with the previous period. *First*, there has been a decrease *in the number of cases referred to law enforcement agencies and on-site inspections* by the Agency. During the period 2015–2024, 3,060 cases[32] *were referred to law enforcement agencies*, of which 1,856 belong to the period 2015–2019 and 1,204 cases to 2020–2024. At the same time, both *on-site and remote inspections* have declined steadily. In total, 1,356 on-site and remote inspections were performed between 2015 and 2024; 806 inspections were completed during the five-year period 2015–2019, while the number of on-site inspections decreased to 550 between 2020 and 2024.

Figure 8: Cases referred to law enforcement agencies and on-site and remote inspections by period

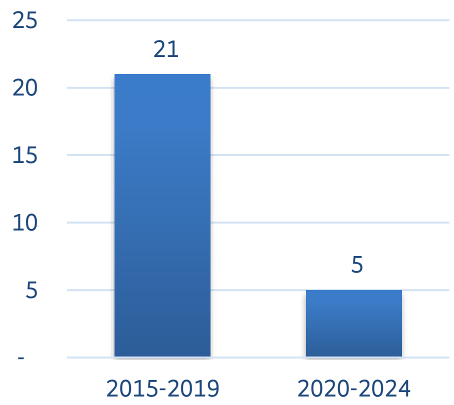


The Agency's prevention and punitive activities in recent years declined precisely at a time when the real estate sector and the risk of money laundering in it was growing. It also coincided with the *FATF placing Albania on the grey list* of countries making little or insufficient effort to prevent money laundering and financing of terrorism. This also coincided with a period of rising public voice and political debate about the questionable financing of luxury constructions in Tirana and coastal areas.

Second, even though a significant part of ***remittances*** and, particularly, illicit money enter Albania from abroad in the form of cash, the AIF reported only 26 cases of non-declaration of money at the border to law enforcement agencies ***over a 10-year period, in other words, an average of 2.6 cases per year***. This figure is not only low, but has been declining in recent years. While 21 cases were reported from 2015 to 2019, only 5 cases were reported of failure to declare money at the border between 2020 and 2024.

[32] Source: Financial Intelligence Agency, Annual Reports 2012–2024.

Figure 9: Cases reported to law enforcement agencies of a failure to declare money at the border, by time period

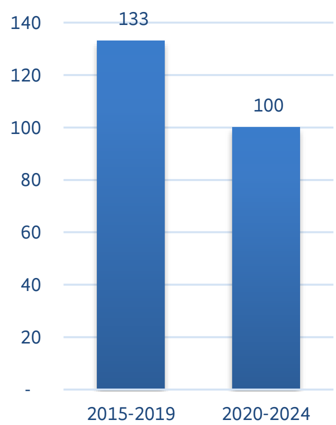


During the four years 2021–2024, when the volume of construction increased significantly and with it the risk of money laundering, the AIF referred only one case of non-declaration of money or valuables at the border to law enforcement agencies.

Third, cases of ***corruption*** and ***tax evasion*** referred to law enforcement agencies ***decreased after 2015***. This occurs as data show an increase in corruption and tax evasion from 670 million euros in 2015 to 1.079 billion euros in 2024. However, the number of cases reported by the Agency decreased from 52 cases in 2015 to just 23 cases in 2024.

For the five-year period 2015–2019, a total of 133 cases were reported to law enforcement agencies on suspicion of corruption and tax evasion. For the next five-year period, 2020–2024, 100 such cases were reported.

Figure 10: Cases reported to law enforcement agencies on suspicion of corruption and tax evasion, by time period



According to the data, up to 2015 the number of reported cases was constantly increasing – a trend that was interrupted by a decline in the following years, precisely at a time when the risk of money laundering was also increasing.

Fourth, the ***value of assets frozen*** by the Financial Intelligence Agency has been ***decreasing and merely symbolic***. From 2015 to 2019, the AIF annually froze properties worth up to 28.8 million euros per year. However, since 2020, when not only construction area but also real estate prices began to increase significantly, the value of assets frozen by the Agency has fallen significantly, dropping to symbolic levels of 0.2–24 million euros per year, with the exception of 2024, when an increase of 10.8 million euros was recorded.

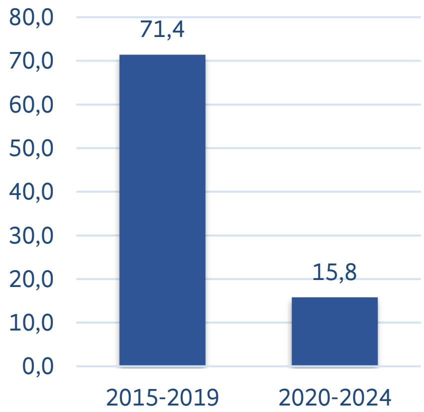
Table 9: Assets frozen and seized during the period 2015–2024 (million euros)

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
Total assets frozen (euros)	16.3	28.8	11.3	5.4	9.7	1.2	0.3	2.4	1.2	10.8	87.2
Total assets seized (euros)	11.3	8.1	9.1	4.5	7.8	1.2	0.2	2.4	1.1	10.4	56.2
Ratio seized/frozen	69%	28%	81%	84%	81%	100%	80%	100%	93%	97%	64%

Source: *Financial Intelligence Agency/*General Directorate for the Prevention of Money Laundering.

During the period 2015–2024, assets worth 87.2 million euros were frozen. Of these, in the five-year period, 2015–2019, assets worth a total of 71.4 million euros were frozen, while in the following period 2020–2024, assets worth 15.8 million euros were frozen, an amount about 4.5 times smaller than in the previous five-year period.

Figure 11: Frozen and seized assets, by time period



While the levels of corruption, evasion and money laundering fluctuate in billions of euros over a 10-year period, the value of frozen assets remains at merely symbolic levels.

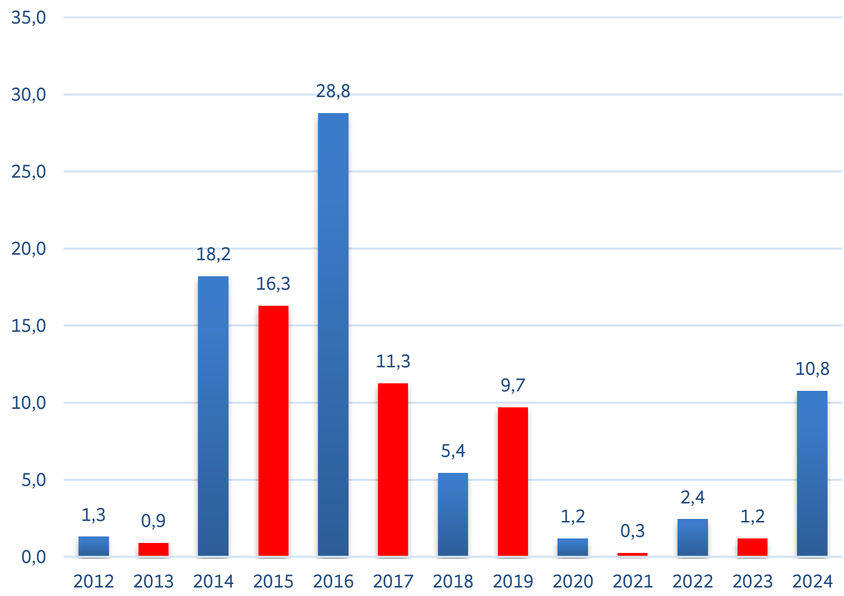
Finally, another worrying indicator is the fact that ***the activity of the Financial Intelligence Agency tends to be reduced during election years***. Specifically, the data on frozen assets over the years show that, with the exception of 2019, the Agency's imposition of asset freezes has decreased with every election year.

Table 10: Difference in frozen assets between election years and previous years

Election years	Previous year	Election year
Parliamentary elections 2013	1.3	0.9
Local elections 2015	18.2	16.3
Parliamentary elections 2017	28.8	11.3
Local elections 2019	5.4	9.7
Parliamentary elections 2021	1.2	0.3
Local elections 2023	2.4	1.2

It should be noted that while 2019 was an election year, there was no electoral competition because the Albanian opposition boycotted the elections. For this reason this year was almost like years in which no elections were held.

Figure 12: Frozen assets 2012–2024



This complete match between years of electoral competition and reduced levels of asset freezing by the Agency may be a *coincidence*, but it raises questions, as it coincides with concerns about the influence of politics on the stance of Albanian state institutions towards money laundering. In this context, the risk of *political influence on the decisions of the Financial Intelligence Agency is real, given that this institution is directly subordinate to the Ministry of Finance*.

7.
Consequences of money laundering in the Albanian economy

Money laundering is a complex phenomenon. While it is difficult to measure directly, it has a noticeable impact on the economy. Analysing data on the Albanian economy during the past decade allows us to identify some of the most evident consequences of this phenomenon, particularly in the construction sector.
The following are some of the main repercussions of money laundering in this sector.

7.1. Distortion of market prices

Money laundering of course directly affects the sector in which it occurs, but also the economy as a whole. In Albania, the construction sector is a particular channel by which funds of dubious origin are absorbed. This phenomenon causes an *artificial increase in demand*, spurring price increases and creating the risk of a speculative bubble. In Tirana alone, real estate prices have more than doubled in the past ten years, making it almost impossible for those with below-average incomes, particularly young couples, to purchase a house through the free market.

While the population in Albania has decreased by about 14.2% (2011–2023), the number of dwelling units has increased. The increase in the number of dwelling units, particularly empty flats, is not related to real housing needs, but rather to the ***speculative demand*** driven by expectations of high future profits. This speculative demand, often supported by funds of dubious origin, constitutes one of the most plausible explanations for the price increase in an unfavourable demographic and economic context.

7.2 Distortion of fiscal revenues and increased risk

Money laundering, which originates from and produces informality, has had a dual impact on the fiscal system in Albania, affecting both the level and the structure of tax revenues.

First, money laundering ***reduces the tax base, negatively affecting the revenues*** that companies and individuals must pay into the state budget. The increase in informal commercial activity and informal employment driven by money laundering impairs budget revenues as it leads to a decrease in payments for income taxes, social and health insurance, personal income tax and VAT.

Second, and on the other hand, money laundering in the construction sector has ***increased revenues for local government units*** through taxes and fees related to construction permits and property. According to official data, revenues from local taxes and fees increased from *ALL 12.9 billion in 2015* to *ALL 30.5 billion* in 2022. This increase of *ALL 17.6 billion* is related mainly to the infrastructural impact tax, which contributed *ALL 8.7 billion*, while the rest is related to 11 other local taxes. Thus, more than half of the increase in local taxes and fees stems from this tax, which is directly related to the volume of construction permits.

Table 11: Local taxes and fees related to real estate (million All)

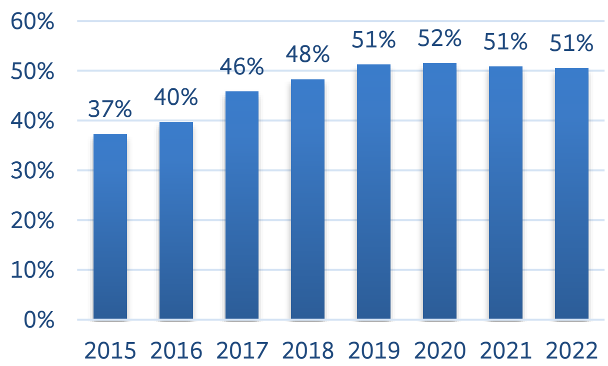
Unit	2015	2016	2017	2018	2019	2020	2021	2022	Increase 2015–2022
Transfer tax on real estate property	606	583	551	599	587	568	704	800	32%
Infrastructural impact tax	1,420	2,755	5,182	7,225	8,444	7,930	9,456	10,136	614%
Tax on building	2,796	3,253	3,553	3,797	3,925	3,804	4,581	4,506	61%

Share of total revenue from local taxes and fees	37%	40%	46%	48%	51%	52%	51%	51%

Source: *Local finances[33]; author's calculations.*

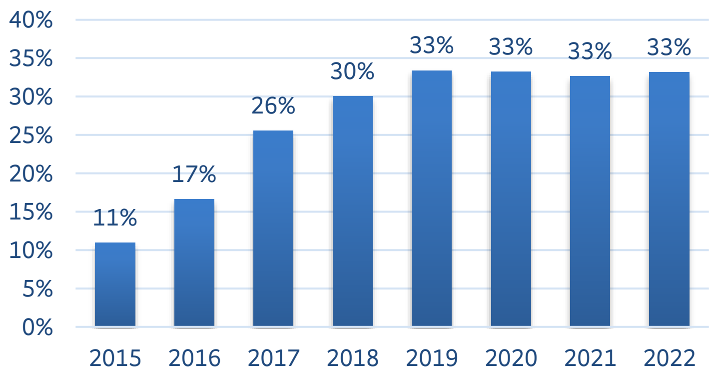
The share of real estate taxes in relation to total revenues from local taxes and fees increased from 37% in 2015 to 51% in 2022, making them a significant source of revenues for local government.

Figure 13: Share of real estate taxes in relation to total revenues from local taxes and fees



During the period 2015–2022, the infrastructural impact tax increased *sevenfold* in nominal value and *threefold* in share compared with total local revenues. This revenue shift has distorted the revenue structure of municipalities, creating *significant dependence on the construction sector*.

Figure 14: Share of infrastructural impact tax in relation to total revenues from local taxes and fees



Given that a significant part of this sector is financed by informal or potentially illicit sources, this dependence represents *a high fiscal risk for the future*. A slowdown in building activity, either because of a sectoral crisis or the stepping up of anti-money laundering measures, could *drive down local revenues*, exposing local government units to budgetary uncertainties and impairing the public functions they cover.

7.3. Distortion of foreign direct investment

In 2015, foreign investors showed little interest in the real estate sector, investing only 24 million euros, which accounted for 2.7% of the total foreign investment that year. Foreign investment in real estate has increased year after year. After 2020, this sector began a significant and sustainable growth, reaching 379 million euros in 2024, accounting for 23.9% of total foreign investment in Albania.

[33] Local finances, Total revenues, by revenues from local taxes and fees 2015-2022.

Table 12: Foreign direct investment flows (million euros)

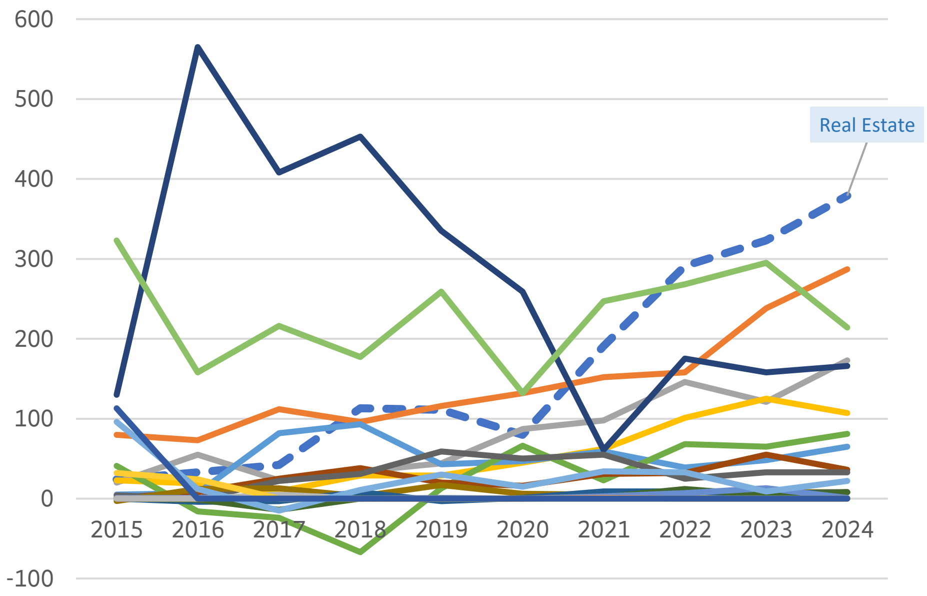
FDI	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
Real estate activities	24	33	42	113	111	80	191	291	323	379	1587
Financial and insurance activities	80	73	112	96	116	132	152	158	238	287	1444
Processing industry	20	55	23	34	44	87	98	146	121	173	801
Wholesale and retail trade; repair of motor vehicles and motorcycles	23	19	9	29	29	45	62	101	125	107	549
Professional, scientific and technical activities	5	7	82	93	43	47	59	39	48	65	488
Information and communication	41	-16	-24	-67	13	66	23	68	65	81	250
Electricity, gas, and water supply	130	565	408	453	335	259	61	175	158	166	2710
Administrative and ancillary services	1	8	25	38	20	16	31	32	55	36	262
Construction	4	0	22	31	59	50	55	25	33	33	312
Arts, entertainment and recreation	-3	12	13	3	17	6	5	8	8	8	77
Health and social work activities	0	-4	-3	8	-3	1	9	9	6	8	31
Accommodation and catering	0	-1	-14	0	0	0	2	12	4	8	11
Education	1	1	0	0	1	0	3	7	13	1	27
Other service providing activities	0	0	1	0	0	0	1	0	0	0	2
Agriculture, forestry and fishing	0	0	5	0	0	0	0	0	0	0	5
Activities of international organisations and bodies	32	24	0	0	0	0	0	0	0	0	56
Transportation and storage	96	12	-15	11	30	15	34	33	9	22	247
Extractive industry	323	158	216	177	259	132	247	268	295	214	2289
Other for reasons of confidentiality	113	0	0	0	0	0	0	0	0	0	113
Total	890	946	902	1019	1074	936	1033	1372	1501	1588	11261

Source: *Bank of Albania.*[34]

Foreign investors' interest in this sector has increased, making real estate investment the sector with the largest investment volume from 2022 onwards. From 890 million euros in 2015, FDI increased to 1.588 billion euros in 2024. More than half of the 698 million euros increase in FDI was due to foreign investment in real estate.

[34] Statistics, Bank of Albania, Foreign direct investment flows.

Figure 15: Foreign direct investment flows by sector (million euros)



The progressive shift of the Albanian economy towards the real estate sector, combined with institutional tolerance of the presence of funds of dubious origin, has increased the country's attractiveness to informal capital. This *harms the overall investment climate* and *increases uncertainty* for serious investors, particularly those who bring capital with strategic interest and added value for long-term economic development. Albania's inclusion on the Financial Action Task Force (FATF) grey list for three years harmed the country's international reputation, further deterring serious investment in the economy.

In addition, the purchase of real estate by foreigners is a form of foreign investment that *does not produce added value for the economy in the future*, as would be the case with investments in manufacturing, industry or infrastructure. This type of investment is largely static and speculative, having only a temporary impact on aggregate demand. When the real estate market hits saturation, these investments typically fall promptly, resulting not only in a slowdown in construction activity, but also in broader economic and financial *instability*.

8.
Impact of money laundering on social life in Albania: the housing challenge

In addition to the economic impact, price performance in the real estate market, driven by speculative demand and money laundering, also has an increasing impact on social life in Albania. Although the number of dwelling units now exceeds the number of families, the number of homeless individuals has also increased. Buying a house, at least in the suburbs, for Albanian families, and particularly for young people, individuals, or young couples, is becoming ***increasingly difficult***.

Between 2015 and 2024, the average price of apartments in the suburbs increased by 92%, from 73,227 All/m^2 to 140,275 All/m^2. At the same time, the average monthly net salary for an employee increased by only **56%,** from All 40,208 in 2015 to All 62,612 in 2024. This disparity between the increase in real estate prices and the increase in income has reduced the purchasing power of Albanian families.

Table 13: Data on the possibility of purchasing an apartment in the suburbs

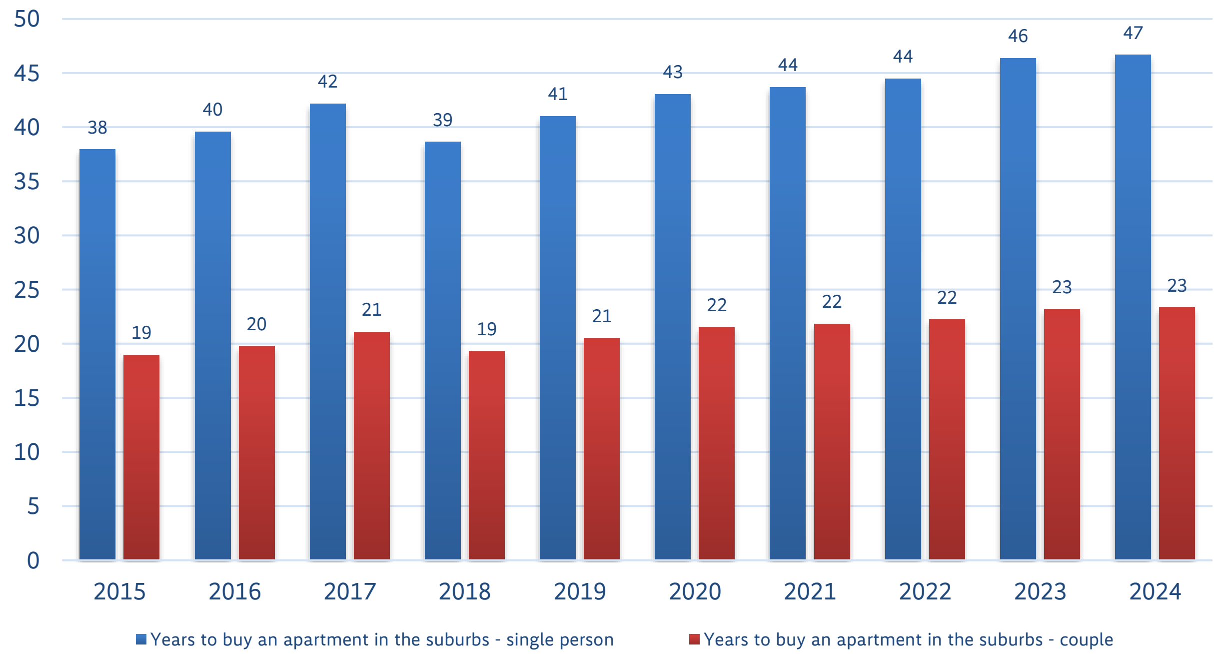
Household typology	2015	2024	Change 2015-2024
Average monthly salary for an employee, gross	47,900	77,456	62%
Average monthly salary for an employee, net	40,208	62,612	56%
Loan instalment for a single person (30% of income)	12,062	18,783	56%
Loan instalment for a couple (30% of income)	24,125	37,567	56%
Average price of an apartment in the suburbs (euros)	524	1,393	166%
Average exchange rate	139.75	100.70	-28%
Average price of an apartment in the suburbs (All)	73,227	140,275	92%
Average price of a 75 m^2 apartment in the suburbs	5,492,030	10,520,633	92%
Years required to buy an apartment in the suburbs, single person	38	47	23%
Years required to buy an apartment in the suburbs, couple	19	23	23%

Source: *General Directorate of Taxes, INSTAT, Bank of Albania, Numbeo.*

Buying a house on credit is the only option for most families, particularly young people with limited savings. According to the requirements of loan institutions, a borrower can afford a maximum monthly instalment up to 30% of his income.[35] Without counting the interest, it took an individual 38 years just to repay the loan obligation for the value of a suburban flat in 2015, while a couple required 19 years. The same calculations for 2024 reveal that the repayment period has increased to 47 years for individuals and 23 years for couples.

[35] This is also the maximum amount accepted by bank as a loan instalment for individuals with average or low incomes.

Figure 16: Number of years needed to repay the cost of an apartment in the suburbs for both individuals and couples



While also taking into account the loan interest, the repayment term would, of course, be even longer. Furthermore, the repayment period in 2024 would be much longer if the ALL–Euro exchange rate had not declined by 28%.

9.
Legal aspects of sales contracts in Albania compared with the region as a whole

9.1 Legality of contracts for the sale of non-existent assets

Albania has a one-of-a-kind real estate sale system. According to the opinions of the lawyers contacted for this study, the country stands out with regard to the manner in which contracts are drafted and the moment they are signed in relation to the physical phase of construction. In Albania, it is common for purchase contracts for apartments to be signed when the building has not yet been completed and is often only in the process of obtaining a building permit – or construction has not even started. This pre-purchase practice or pre-payment contract occurs in a legal environment in which strong protection mechanisms for the buyer are lacking, especially in circumstances of non-performance of obligations by the developer.
In practice, contracts between buyers (customers) and builders (developers) of real estate in Albania are usually drafted in one of the following three forms:

1. ***Other contracts*** (promise to sell) are used when the agreement is made between the builder and a potential buyer.
2. ***Contracts of transfer of rights*** – when an individual, who has previously been promised a property, seeks to transfer this right to another party.
3. ***Agreement for reservation of interest*** is a new form of contracting, in which the client does not reserve the property itself but the right to purchase it from a builder in the future.

The peculiarity of these practices lies in the fact that the properties are partially or almost completely prepaid before they are built or even registered with the ASHK. This process is associated with several problems, as follows:

First, ***contracts of a promise to sell and transfer of rights are not specifically based on a legal provision***. These contracts, drafted by notaries, generally refer to **Law No. 7850**, dated 29/07/1994, Civil Code of the Republic of Albania, as amended,[36] but *do not indicate which specific articles of this Code* they are based on. According to expert assessments, the alleged legal basis for these contracts is Chapter VII of the Civil Code »Entrepreneurship«. Article 850 of this chapter defines the contractual relationship between an entrepreneur and a client for the performance of a work or service. This article clearly states that the entrepreneurs must carry out the work ***with their own means and assume the risk***. Meanwhile, in practice, builders often use customers' cash and, in fact, transfer to the customer all the risks involved with construction. Thus, this is not an entrepreneurial contract, which implies that contracts that govern the sale of the vast majority of real estate in Albania ***are not based on law***. Another law to which these contracts refer is Law No. 110, dated 20/12/2018, on Notaries, as amended. Article 126 of this law »Procedures for the transfer of immovable property« stipulates that the *»notarial act for the transfer or recognition of ownership of immovable objects, or of a real right over them, is carried out by the notary,* ***after having verified the ownership*** *of the party through the electronic system of immovable properties.«* So, this is the case of properties registered with the ASHK. No other article of this law provides for the assignment of or right to a property that is legally non-existent.

Second, ***contracts are often vague and do not set clear deadlines for the fulfilment of obligations by the builder***. The builder has an obligation to register the property with the ASHK after completion of the work, at which point the sales contract can be signed with the client. Although the contract may specify a date for completion (set out in the construction permit), *no deadline is set for the initial registration of the property*. This has led in many cases to the sales contract being signed only 15–20 years after full payment and possession of the apartment by the client. The client remains unprotected as long as the builder does not have contractual deadlines for initial registration of the property. Even court decisions

[36] Contracts are also based on two other laws:
1. Law No. 111/2018 on cadastres, which establishes the procedures for property registration, requiring properties to be registered within 30 days of the completion of construction.
2. Law No. 110/2018 on Notaries, which defines the role of the notary in real estate transactions, including withholding the final payment until the completion of property registration.

recognise this risk of the client[37] by recognising *the builder's right to register the property without any contractual deadline*.

Third, ***there is no legal provision to ensure the protection of funds that the client has prepaid***. Unlike many other countries, which allow the sale of properties even before construction, Albania has no legal provision to protect funds prepaid by the buyer through blocked bank accounts (escrow) or to guarantee them through insurance contracts.

9.2 Protection of real estate purchasers in Europe – the German example

Prepayment is one of the most problematic elements of real estate purchase contracts. Albania is not the only country in Europe where a buyer prepays, partially or fully, the price of the property ordered. Table 14 lists several European countries in which real estate reservation is practiced, and legal guarantees are provided to buyers.

Table 14: Legal protection of real estate purchasers in Europe

Country	Point of sale	Guarantee deposit	Measures to protect buyers
Albania	No limitation	No	General contractual protection
Spain	After receipt of building permit	Yes	Funds held in escrow deposit until completion
Portugal	After receipt of building permit	Optional	Financial guarantee and escrow account
Italy	After receipt of building permit	No	Common practice of escrow accounts
France	After receipt of building permit	Yes	Escrow account or financial guarantee required
United Kingdom	No limitation	No	Funds must be used appropriately
Germany	After receipt of building permit	Yes	Escrow account for prepayments
Greece	After receipt of building permit	Yes	Escrow account for prepayments
Cyprus	After receipt of building permit	Yes	Deposits held in escrow account
Croatia	After receipt of	Yes	Deposits held in escrow account

[37] Anila Karanxha, Judge at the Court of First Instance of General Jurisdiction of Tirana. Cases of Judicial Practice.

	building permit		
Bulgaria	After receipt of building permit	Yes	Deposits held in safe accounts
Rumania	After receipt of building permit	Yes	Deposits in escrow until completion
Poland	After receipt of building permit	Yes	Prepayments held in secure accounts
Serbia	After receipt of building permit	Yes	Deposits secured in escrow accounts
Malta	After receipt of building permit	Yes	Deposits must be held in escrow
Kosovo	After receipt of building permit	Yes	Deposits held in safe accounts

The majority of the countries surveyed require developers to hold deposits for buyers' advance payments. This obligation is provided for in specific laws on consumer protection and buyer financial security, which provides strong protection that ensures that prepaid money is not lost in the event of project failure. Even in countries where such an obligation is not clearly sanctioned by law, such as Italy, the United Kingdom and Portugal, there are *practices* that provide guarantees in the form of bank deposits or insurance contracts to protect customers' advance payments in the event of a possible failure of the property builder (developer).

Albania is different as ***it does not have legal protection for prepaid funds***. Furthermore, the existing practice exposes these funds to considerable risk. In fact, the problem has not only not diminished over time, but has become worse. While builders were satisfied with a 20–30% initial downpayment until 2017–2018, in recent years the number of properties paid at a rate of 90–100% has increased, often even before construction begins. This has been driven by the double-digit increase in real estate prices, which has pushed many buyers to accept such downpayment rates in exchange for obtaining more favourable prices (»bargains«). The sole safeguard now available to buyers is the notary's obligation ***to register reservation of the property*** with the ASHK. This registration prevents the sale of the same property twice and also gives buyers legal rights in the event of builder bankruptcy. This right is similar to the right granted to clients under German law:

German example – payment based on construction progress

In Germany, the protection of real estate buyers is regulated by a special act: the Regulation on Real Estate Agents and Builders (Makler- und Bauträgerverordnung – MaBV). Point 3 (MaBV – § 3), Special Insurance Obligations for Builders,[38] stipulates that *a builder can demand payment only based on a defined payment scheme* ***in accordance with the progress of construction***. This means that the buyer pays only for completed phases (for example, foundations, external structure, roof, and so on). Before being entitled to demand any payment, the builder must provide one of the following three protective measures for the buyer:

a) a bank guarantee;
b) a guarantee from an insurance company to compensate the buyer in the event of the builder's failure to fulfil the contract;
c) registration of the client (»*Vormerkung*«) with the real estate register. The registration reserves buyers the right to have the property transferred to their name once construction is complete and protects them against third parties, as well as in the event of builder bankruptcy.

[38] Germany's Federal Ministry for Economic Cooperation and Development, MaBV – § 3 Regulation on the duties of real estate agents, loan brokers, property developers, construction supervisors and residential property managers (Real Estate Agent and Property Developer Regulation - MaBV). Available at: https://www.gesetze-im-internet.de/gewo_34cdv/__3.html .

10. Conclusions and recommendations

It is ***a real challenge*** – and in many cases impossible – to study Albania's real estate market based only on figures. This is because of the lack of formal reports providing adequate and detailed data. The State Cadastre Agency (ASHK) is the only official source for real estate sales and purchases, providing information on registered properties but not on those under construction, which are an important part of the contracts between sellers and buyers. The only official data available on properties under construction is INSTAT's rough estimate of the construction *cost* for approved building permits.

However, even this information is incomplete as it does not take into account the hidden costs, as well as the labour and material costs financed from informal sources. This lack of statistical transparency provides a suitable terrain for money laundering. Furthermore, there appears to be no institutional initiative to improve it.
What follows are some conclusions and recommendations based on the information gathered, the calculations made and the evaluations of real estate experts.

10.1 Conclusions

First, money laundering through the real estate market in Albania offers benefits to all actors involved:

- ***Buyers*** with illicit sources of money find a good opportunity *to shelter their money* safely, as a first step towards its »legalisation«.
- ***Builders*** ensure the *sale of more properties* and at the same time *secure funding* both in the initial steps and during the construction phase.
- ***Real estate agents*** receive a brokerage commission from this service.
- ***Local government*** benefits from the growing construction sector in terms of *more local tax revenues*, while central government benefits from more taxes, social and health contributions, VAT, and so on, although tax evasion is also rife.

The greater these benefits are, the greater the resistance to combating this state of affairs will be.

Second, one of the primary reasons for rising real estate prices is the inflow of illicit money. As a result, even though the number of apartments has increased, ***this has driven away from the market those buyers who really need housing***, and the number of homeless families has also increased.

Third, the absence of a specific legal framework for properties sold before they are finished ***directly and indirectly favours the entry of illicit money into the economy***. The need to sell in order to finance their projects motivates builders to compromise with buyers who offer cash payments. If such a legal regulation existed, builders would have to raise the money on their own to make the investment, eliminating the compromise they currently make with buyers with dubious funds. This would make money laundering more difficult.

Fourth, real estate ***buyers*** in Albania ***are the most at risk in Europe*** in terms of guarantees offered by builders (developers) for the money they have prepaid. Although the majority of countries that permit such prepayments provide legal protection through escrow accounts or contracts with insurance companies, Albania lacks both legal and practical guarantees of this kind.

Fifth, ***real estate agents are a key link*** in the money laundering process in the real estate sector. Without their mediation and advice, it would be more difficult for buyers with dubious sources of funds to find sellers themselves and for the parties to build trust to discuss the payment method.

In conclusion, it can be said that the real estate market in Albania resembles a tango between builders (providers) and buyers (seekers) of these properties. When one party pushes, the other party pulls back, following the rhythm of movements in harmony.
But who sets this rhythm?
Theoretically, this is determined by the most powerful »partner«, the one who has financial power, namely the buyer, the »king« of the market. In Albanian reality, however, the opposite has occurred, particularly in the past decade: builders have dictated the market. Buyers take individual and uncoordinated decisions, while builders (sellers) are organised not only in legal associations but also via secret and illegal agreements, such as cartels, which violate fair competition and directly cause prices to rise artificially.

Buyers, on the other hand, exhibit typical ***herd behaviour***,[39] following the most successful investors and basing their decisions more on perception than on accurate market analysis. In the period 2000–2010, it was the owners and builders themselves who reserved the best apartments for themselves. This boosted the confidence of other buyers, and artificially created the appearance of high demand. In reality, this was a speculative strategy, as those flats were in fact kept to be sold later at higher prices. This practice was further refined between 2010 and 2024, with the participation of public figures, artists, politicians and well-known personalities, who, through their public – and probably staged – purchases, encouraged buyers and speculative investors to get on board in the belief that prices would continue to rise. Moreover, during this period, herd behaviour was also associated with so-called ***fear of missing out*** (FOMO).[40] Decisions to purchase real estate have not been motivated by a genuine need for housing, but by a general perception that prices would rise and that the moment must be seized. This perception has also been significantly fostered by real estate agents.
In this situation, characterised by weak control over suspicious financial activities, illicit funds have become an important source not only for increasing construction volume, but also for driving prices to unreasonable levels given the real state of the Albanian economy. In this dance between buyers and sellers of real estate, *speculators have benefited* from price increases; *owners of illicit funds have benefited* by sheltering their capital; *builders have expanded their activity;* and *real estate agents have benefited* from commission income. ***The only party that has lost out in this process are families,*** who simply want a home to live in. Young couples and families on low or average incomes face an increasingly tough situation, as it becomes more and more difficult to acquire their own housing, even though housing supply has increased every year, and there is a substantial stock of uninhabited apartments on the market.

10.2 Recommendations

First, ***legal amendments are required*** to get unfinished property sale contracts back on track. Provisions are needed ***on the rights and obligations of consignment contracts*** in the Civil Code and/or other laws, to match with how things really are in the Albanian real estate market. This would hold notaries accountable and require builders to adhere to certain criteria before entering into such contracts. This would not only protect the rights of real estate buyers, but also minimise the negative features of the real estate market. At the same time, it would make it more difficult to use this sector for money laundering.

Second, Albanian institutions should initiate regulation of the real estate market, limiting the amounts ***prepaid by buyers***. Referring to the ***German model***, which sets the amounts that may be prepaid at each stage of construction, it would be a good starting point for such a process.
This improvement would also have a significant ***social*** impact. By regulating property sales during the construction stage, *young couples could enter the market earlier*, buying houses before they are completed. This might reduce the initial financial burden, as builders would be required to provide clear deadlines and payment plans. For young couples with limited capital, there would be an opportunity to obtain a home at a more reasonable price, particularly if safeguards such as insurance or bank guarantees were put in place.

Third, although the complex phenomenon of construction, corruption, evasion and financing from abroad is increasing, the inspection and referral for further investigation of the responsible state institutions are decreasing. The potential impact of political and electoral events on the activities of these institutions raises concerns about their actual ability to achieve their objectives. In order to ensure a more effective fight against money laundering, the Albanian government should consider transforming the ***Financial Intelligence Agency into an independent institution***, free from the influence of government and politics. The transition of the Agency into an independent institution, based on the best worldwide experience, would enhance the likelihood of achieving results in keeping with the degree of risk of money laundering in Albania.

Fourth, although average incomes have risen, buying a house today is more difficult than it was a decade ago. The housing access crisis is the product of a market deformed by financial speculation and infiltration of informal capital, rather than a scarcity of houses. This situation requires ***immediate intervention through affordable housing policies***, subsidies and increased control over the origin of funds in the real estate market.

Finally, while money laundering has led to greater local revenue from construction activity such growth is not sustainable. Relying on such an informal source could have serious consequences if the sector were to experience a shock. To achieve long-term financial sustainability, local government institutions must develop a clearer ***strategy***, strict institutional ***monitoring*** of construction activities, and ***diversification of local revenue sources***.

[39] *Herd behaviour* characterises, for example, investors who, often out of uncertainty, lack of information, or fear of missing out (FOMO), copy the actions of more visible or successful investors, assuming they know better.

[40] FOMO (fear of missing out) in this situation characterises investors who rush to buy property because everyone else is doing so, and they don't want to be left behind in pursuit of profit or other gains.

References

ALTAX (last update May 2025): Statistics https://altax.al/statistika/

Bank of Albania (2022–2024): Overview of the real estate market in Albania (second trimester 2022–first trimester 2024).

Bank of Albania (last update May 2025): Quarterly flow of direct investments–liabilities by country – M6BP. Available at: https://www.bankofalbania.org/Statistikat/Statistikat_e_Sektorit_te_Jashtem/Investimet_e_huaja_direkte/Pozicioni_i_investimeve_te_huaja_direkte.html

DCM no. 132, dated 07/03/2018, "On the methodology for determining the taxable value of immovable property 'buildings'"

DPPP (2014): What is money laundering? January. Available at: http://www1.fint.gov.al/al/tregues-te-pp-ft/cfare-eshte-pastrimi-i-parave

DPPPP (2014): Annual report on money laundering in Albania, Directorate for the Prevention of Money Laundering.

FATF (2022): Guidance for a risk-based approach to the real estate sector. Paris, FATF. Available at: https://www.fatf-gafi.org/content/dam/fatf-gafi/guidance/RBA-Real-Estate-Sector.pdf.coredownload.pdf

FATF (2023): International standards on combating money laundering and the financing of terrorism & proliferation. Financial Action Task Force. Available at: https://www.fatf-gafi.org/

FATF (last update May 2025): High-risk and other monitored jurisdictions. Available at: https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions.html

Federal Ministry for Economic Cooperation and Development of Germany (ND): MaBV – § 3: Regulation on the duties of real estate agents, loan brokers, property developers, construction supervisors and residential property managers (Real Estate Agent and Property Developer Regulation - MaBV). Available at: https://www.gesetze-im-internet.de/gewo_34cdv/__3.html

Financial Intelligence Agency/General Directorate for the Prevention of Money Laundering, Annual Reports for the years 2012–2024. Available at: https://fiu.gov.al/raporte/

Gilmore, W.C. (1992): Dirty money: The evolution of money laundering counter-measures. Council of Europe publication.

IMF (2025): Albania: 2024 Article IV Consultation–Press Release; Staff Report; and Statement by the Executive Director for Albania. January. Available at: https://www.elibrary.imf.org/view/journals/002/2025/020/article-A001-en.xml

INSTAT (last update May 2025): Statistical database: Construction. https://www.instat.gov.al/al/temat/industria-tregtia-dhe-sh%C3%ABrbimet/nd%C3%ABrtimi/#tab1

Institute of Statistics, REPOBA 2001, Census 2011, Cens 2023.

Karanxha, A. (2024): Cases of judicial practice. Court of First Instance of Tirana. Available at: https://admin.magjistratura.edu.al/uploads/Kazuse_te_trajtuara_a7e33158eb.docx

Koprencka, L./Hysi, R. (2016): Albania residential prices. Acta Universitatis Danubius, Œconomica, 12 (2).

Lilley, P. (2000): Dirty dealing: The untold truth about global money laundering, international crime and terrorism. Kogan Page.

Local Finances, Total Revenues by Revenues from Local Taxes and Fees 2015–2022 http://financatvendore.al/data/revenues

Numbeo (last update May 2025): Historical data about cost of living by year in a country: Albania. Available at: https://www.numbeo.com/cost-of-living/historical-data-country?itemId=101&itemId=100&country=Albania&currency=Euro

O'Neill, A. (2025): Global gross domestic product (GDP) 2030. Statista, 28 May. Available at: http://www.statista.com/statistics/268750/global-gross-domestic-product-gdp/

Reitano, T./Amerhauser, K. (2020): Illicit Financial Flows in Albania, Kosovo and North Macedonia – Key Factors and Current Trends. Global Initiative against Transnational Organized Crime. August. Available at: https://globalinitiative.net/wp-content/uploads/2020/08/Prurje-Financiare-Te%CC%88-Paligjshme-Ne%CC%88-Shqipe%CC%88ri-Kosove%CC%88-Dhe-Maqedonine%CC%88-E-Veriut-Faktore%CC%88t-Kryesore%CC%88-Dhe-Prirjet-Aktuale.pdf

Schroeder, W. R. (2001): Money laundering: A guide for criminal investigators. CRC Press.

Statista (2025): The 20 countries with the largest gross domestic product (GDP) in 2025. Available at: https://www.statista.com/statistics/268173/countries-with-the-largest-gross-domestic-product-gdp/

United Nations Office on Drugs and Crime (2011): Estimating illicit financial flows resulting from drug trafficking and other transnational organized crimes. October. Available at: https://www.unodc.org/documents/data-and-analysis/Studies/Illicit_financial_flows_2011_web.pdf

Legislation

Law no. 7850, dated July 29, 1994, Civil Code of the Republic of Albania. Articles 705-706 on real estate contracts. Consulted in:

https://qbz.gov.al/eli/fz/1994/11/370ff5e43d31-42c4-a568-0367cda65d71
Law no. 10431, dated 09/06/2011, on Legalization, Urbanization and Integration of Illegal Constructions. Consulted in:
https://qbz.gov.al/eli/ligj/2011/06/09/10431
Law no. 179/2013, on some changes and additions to Law no. 9920, dated 19/05/2008, on tax procedures in the Republic of Albania, as amended.
Law no. 107/2014, on Territorial Planning and Development (amended 2020). Consulted on:
https://qbz.gov.al/eli/ligj/2014/07/31/107
Law no. 110/2018, on Notaries (2018)
Law no. 111/2018, on Cadastres (2018)
Article 59 of Law no. 9920, dated 19/05/2008, on tax procedures in the Republic of Albania, as amended.

About the Author

Assoc. Prof. Dr. Adriatik Kotorri is a tenured lecturer at the Faculty of Economics, University of Tirana.

He has 20 years of experience as a lecturer and researcher. His teaching and research expertise includes monetary policy, banking management, banking and financial regulation and supervision, the labor market, and digitalization.

He has participated in several national and international projects supporting youth, entrepreneurship and agriculture, improving labor relations, and more.

He has published various studies in national and international scientific journals and has participated in conferences both inside and outside the country.

He is currently a lecturer of the courses Money and Banking, Banking Management, and Banking Techniques.

Money laundering in the real estate sector and its impact on socio-economic life in Albania

In 2015, it took an average-income individual 38 years to buy an apartment in the suburbs, while in 2024 it would take 47 years.

Albanian legislation presents shortcomings and needs to be supplemented, especially in terms of protecting real estate buyers. This legal vacuum creates conditions for the infiltration of money with dubious sources into this sector.

Construction companies with insufficient resources to realize the alleged investments have entered the real estate market.

Further information on this topic can be found here:
↗ **www.tirana.fes.de**

Friedrich Ebert Stiftung