

MARKET COMMENTARY



Although in 2015 the Lithuanian housing market has somewhat slowed down, the overall demand indicators have not been far behind the figures of 2014, which was a very active year. We can state that the population's trust in the housing market has remained high for the second consecutive year.

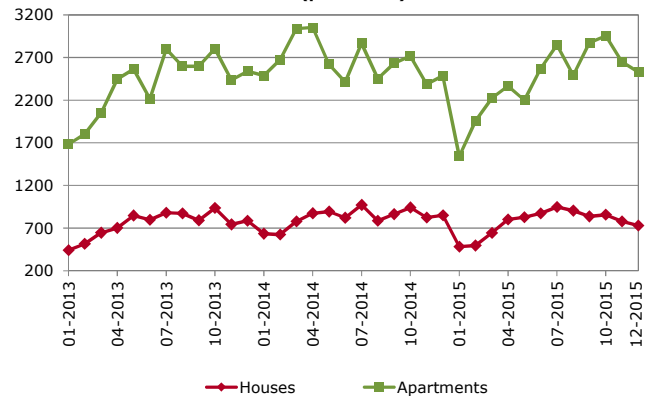
According to data from the Centre of Registers, the number of apartment transactions in 2015 in **Lithuania** was **9% lower** than in 2014 and the number of house transactions was **7% lower** than in 2014. In this context, the situation in Vilnius stands out – no major slowdown has been felt here. Compared to 2014, the number of apartment transactions in Vilnius in 2015 only dropped by 1%, while the number of house transactions increased by 16%. Somewhat different trends were recorded in the other main Lithuanian cities: the apartment sales in Kaunas decreased by 10%, in Klaipėda – by 7%, in Šiauliai – by 8%, and in Panevėžys – by 6%. Unlike Vilnius, the house sales in the other main Lithuanian cities in 2015 went down: in Kaunas and Klaipėda – by 3%, in Šiauliai – by 10%, and in Panevėžys – by as much as 24%.

It is evident that Vilnius has retained its leader's position in 2015, and the market activity here was considerably higher compared to the other main cities of the country. This is demonstrated well by the numbers of apartment and house deals per 1,000 residents. In 2015, there were 19.8 housings (apartments and houses) sold in Vilnius per 1,000 residents; this figure was 19.1 in Klaipėda, 16.5 in Šiauliai, 15.4 in Kaunas, and 13.1 in Panevėžys. This means that the other main cities of the country are behind Vilnius in terms of market activity per 1,000 residents by 5% (Klaipėda) to 50% (Panevėžys).

Despite the decreased number of apartment transactions, apartment selling prices in all main Lithuanian cities have been growing for the second consecutive year. According to data from Ober-Haus, in 2015, apartment prices in **Vilnius** on average grew by **3.6%**. Prices of new apartments in Vilnius on average increased by 3.9%, while prices of old apartments on average increased by 3.4%. An increase in apartment prices of **1.2%**, **1.1%**, **0.4%** and **0.3%** respectively was recorded in 2015 in **Šiauliai, Klaipėda, Panevėžys and Kaunas**. Similar price trends were recorded in the house market. The most rapid price growth was recorded in **Vilnius**, where in the course of the year the prices on average increased by **3%**. The prices in the other main cities of the country remained unchanged or increased only slightly (by up to 1%).

In 2015, not only an increase in the housing selling prices in the main Lithuanian cities was observed – apartment rents went up as well.

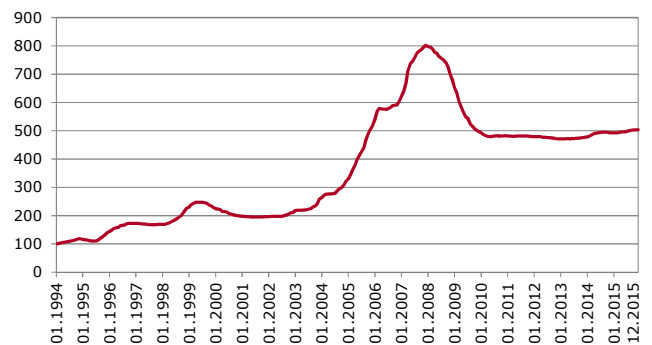
Number of transactions in Lithuania (per month)



Source: SE Center of Registers

Data: 2013 – 2015

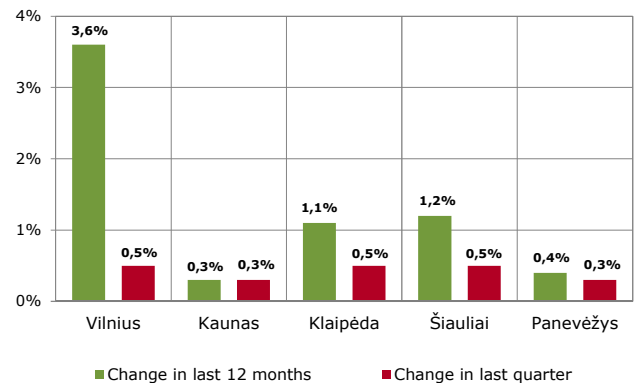
Lithuanian apartment price index (OHBI) (January 1994 = 100)



Source: Ober-Haus

Data: 1994 – 2015

Average apartment price changes



Source: Ober-Haus

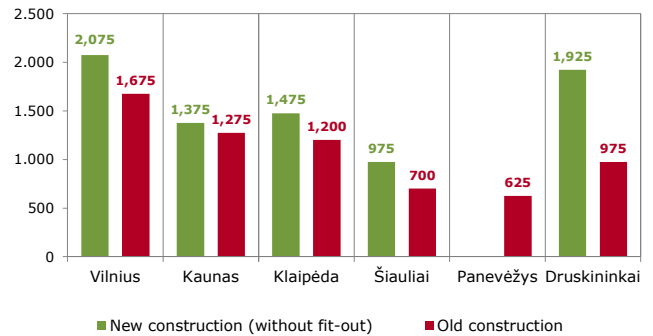
Data: Q4 2015

The growth in apartment rents was more rapid in all the main cities, although it basically correlated with the selling prices. The most rapid increase in rents was recorded in **Vilnius** (the same situation was observed with the selling prices), where rents in the course of 2015 grew by **5.3%**, with the average rent for 1–3 room apartment by the end of the year equalling **377 EUR/month**. Rents in **Kaunas, Klaipėda, Šiauliai and Panevėžys** in the course of the year increased by **1–2%**, to amount to **281 EUR/month, 269 EUR/month, 148 EUR/month and 95 EUR/month** respectively by the end of the year.

Rapidly growing investments in the Lithuanian residential premises sector were also recorded in 2015. According to data from the Lithuanian Department of Statistics, in 2015, residential premises constructions works for EUR 423 million (17% of the total completed construction works) were performed, which is a 38% increase compared to 2014. It is evident that most of these works accounted for apartment building construction in Vilnius, where record-level supply for the past seven years was recorded.

According to data from Ober-Haus, in 2015, **3,558** new apartments were constructed in **Vilnius**, which is a 27% increase compared to 2014. A total of 44 apartment building projects were implemented in the capital city. Compared to 2014, a distinct growth in the supply of new apartments in the central part and other prestigious areas of the city is visible. Compared to 2014, the share of new apartments constructed in residential districts in 2015 decreased from 75% to 60%. In the central part of the city (Naujamiestis, Old Town, and Užupis), the share of new apartments in 2015 increased from 13% to 17%, while in the other prestigious districts (Antakalnis, Žvėrynas, and Valakampiai) it increased from 12% to 23%. The sale indicators of new apartments are truly impressive for developers; it is therefore not surprising that the number of new projects in Vilnius is increasing. Once again, similarly to 7 or 8 years ago, new developers enter the market, which demonstrates that even inexperienced market participants are undertaking complex property development and selling processes. Unfortunately, not all developers are good at evaluating their opportunities and the potential of their projects; therefore, even in the currently active market, we sometimes hear sad stories about poor quality or uncompleted projects and aggrieved buyers. In any case, today buyers have very good opportunities to find a property in nearly all districts of Vilnius and can choose from a variety of developers with various types of experience. In 2016, developers will continue to attract buyers with a rich supply of properties, as plans are to construct approximately 3,600 new

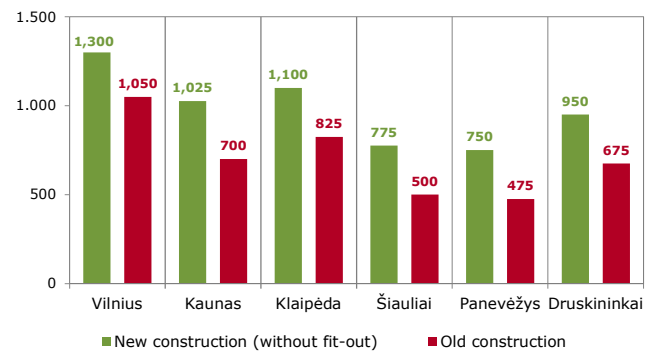
Average apartment prices in Old Town, city centre, prestigious districts (EUR/sqm)



Source: Ober-Haus

Data: Q4 2015

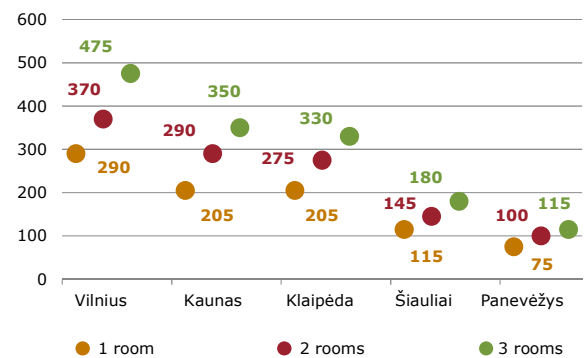
Average apartment prices in residential districts (EUR/sqm)



Source: Ober-Haus

Data: Q4 2015

Average apartments rents (EUR/month)



Source: Ober-Haus

Data: Q4 2015

apartments in Vilnius in 2016 (this figure is similar to the figure of 2015).

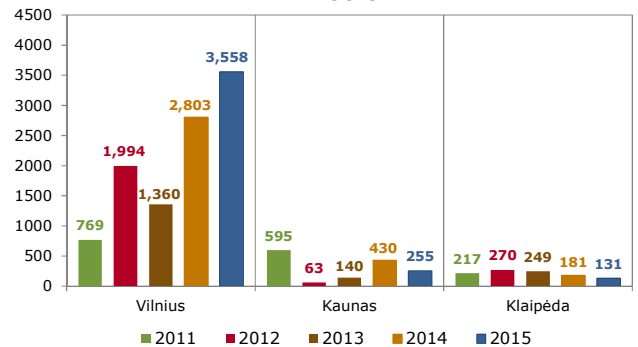
2015 did not offer much in terms of supply in the other main cities of the country. According to data from Ober-Haus, **255** apartments (9 apartment building projects) were constructed in **Kaunas** in 2015, which is a 40% decrease compared to 2014. In **Klaipėda**, developers have also remained cautious and only implemented 6 small-scale apartment building projects (with 131 apartments) in 2015, which is a 27% decrease compared to 2014. No major supply leap is expected in these cities in 2016 since developers have long ago abandoned any major projects and focus on small apartment buildings. For instance, in the period from 2006 to 2009, 600 to 1,100 new apartments per year were built in Kaunas and Klaipėda, and the current amounts therefore seem scarce. This results from the current market situation and the reluctance of developers to undertake any expensive projects. The situation in Šiauliai and Panevėžys is even worse, as only a few developers are implementing projects in these cities. In 2015, one apartment building (with **27 apartments**) was constructed in **Šiauliai** in Miglovaros Street, while in **Panevėžys**, after a 6-year break, a small apartment building project is being implemented in Molainių Street: in the course of 2015, two buildings with **12 apartments** were built here.

If we consider the scale of construction of new apartments and the overall market activity, the selling indicators are fairly good. According to data from Ober-Haus, over **3,820** new apartments were purchased or reserved directly from developers in the five main Lithuanian cities in 2015 in completed apartments buildings or buildings in progress. This is only 1% less than the number of apartments sold in 2014. In 2015, 3,178 new apartments were sold or reserved in Vilnius, which is a 3% increase compared to 2014. The selling indicators in Kaunas and Klaipėda are considerably lower since in 2015 the market was not supplemented with many projects and the apartments constructed in earlier periods were sold. In 2015, 361 new

apartments were sold in Kaunas (a 26% decrease compared to 2014), while in Klaipėda 254 new apartments were sold (a 3% increase compared to 2014). In Šiauliai and Panevėžys, 28 new apartments were sold (a 12% decrease compared to 2014).

By the end of 2015, the total number of new apartments unsold in completed apartment buildings in the **main Lithuanian cities** was approximately **2,360**, which is a 13% increase compared to 2014. The increasing number of unsold apartments in completed apartment buildings was due to the extensive construction in Vilnius, as the number of available apartments in Kaunas, Klaipėda, Šiauliai and

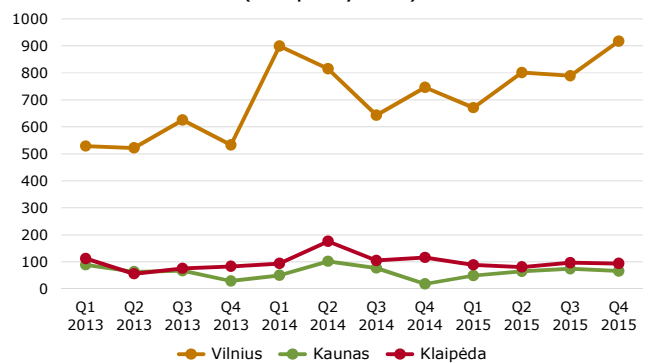
New construction apartments annual supply



Source: Ober-Haus

Data: 2011 - 2015

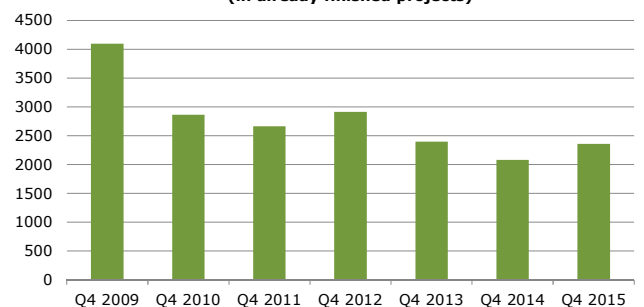
Sales of new apartments (in the primary market)



Source: Ober-Haus

Data: 2013 - 2015

Unsold new apartments in major cities (in already finished projects)



Source: Ober-Haus

Data: Q4 2009 - Q4 2015

Lithuanian Residential Real Estate MARKET COMMENTARY

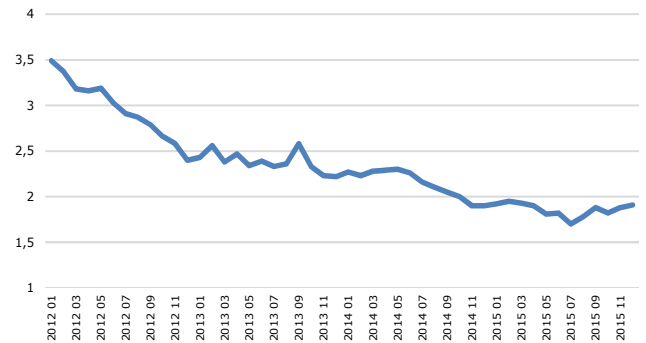
Q4 2015

Panevėžys in the course of the year has decreased. At the end of 2015, **1,464** apartments were offered in apartment buildings constructed in 2007–2015 in **Vilnius** (the number of available apartments at the end of 2014 was 1,039). This figure was **319** in **Kaunas**, **561** in **Klaipėda**, and **16** for both **Šiauliai** and **Panevėžys**.

The favourable borrowing conditions (even with consideration to the updated Regulations for Responsible Lending that came into effect in November 2015) remain an important factor in the housing market. In 2015, the interbank rate became negative, for which reason the loan burden for buyers continued to decrease. According to data from the Bank of Lithuania, the average interest rate on mortgage loans in 2015 was 1.86% and was 0.3% lower compared to 2014. According to data from the Association of Lithuanian Banks, in the first three quarters of 2015, the main credit establishments of the country provided new mortgage loans for EUR 605 million, which is a **17% increase** compared to the same period in 2014.

As we forecast a year ago, 2015 can be viewed as a very successful year for the housing market because the overall housing demand indicators have remained similar to those of 2014. The scale of construction of apartment buildings in Kaunas and Klaipėda are somewhat disappointing, but developers are becoming more active and undertake increasingly interesting projects (for instance, the Piliamiestis residential project in the centre of Kaunas implemented by YIT Kausta, where approximately 400 apartments will be built in the course of 5 years). The forecast economy growth prospects, the increase in the purchasing power, and the low interest rates are likely to continue to stimulate the real estate market in the main cities of the country and contribute to the successful implementation of projects in progress and projects that for the time being remain on paper.

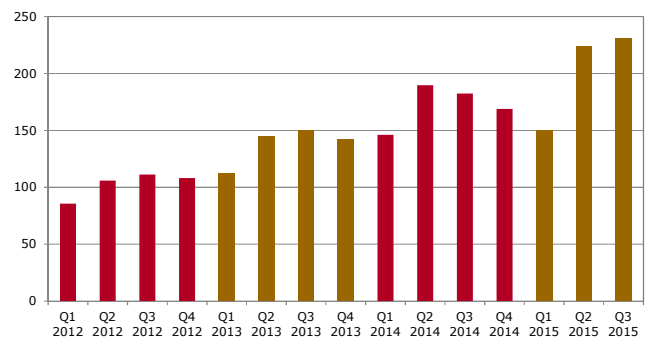
Average interest rate on mortgage loans in Lithuania (EUR, %)



Source: Central Bank of Lithuania

Data: 2012 – 2015

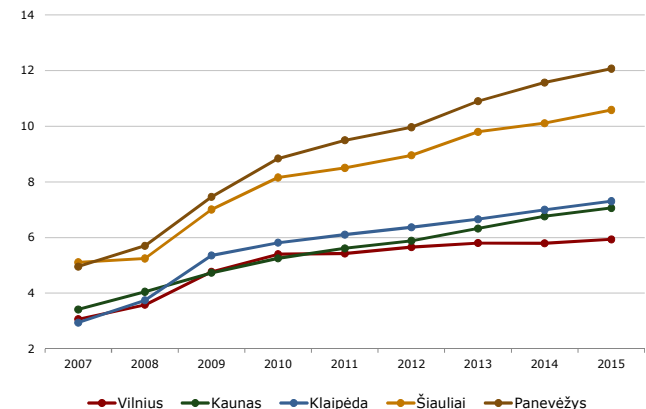
New housing loans for private persons (million EUR)



Source: Association of Lithuanian Banks

Data: Q1 2012 – Q3 2015

Apartment affordability (how many sqm can be acquired for average annual net salary)



Source: Ober-Haus, Statistics Lithuania

Data: 2007 – 2015

When using the survey data, a reference to **Ober-Haus Real Estate Advisors** is required. If you wish to receive any additional information about development of the real estate market in Lithuania, Latvia, Estonia or you would like to order a special report on the part of the market relevant to you or the market of the project in progress, please contact Ober-Haus real estate market analysts.

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