

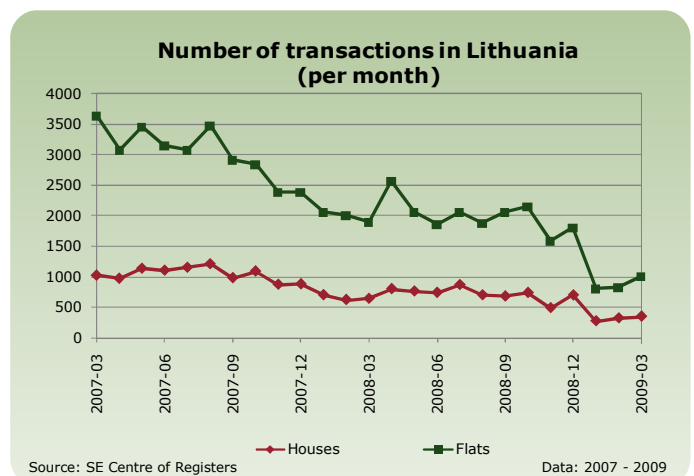
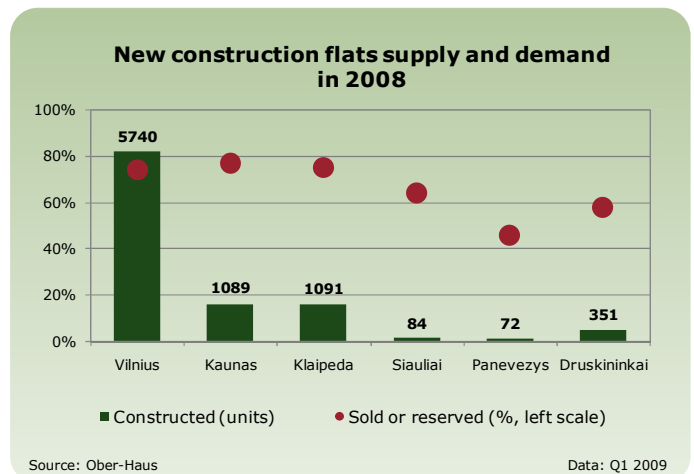
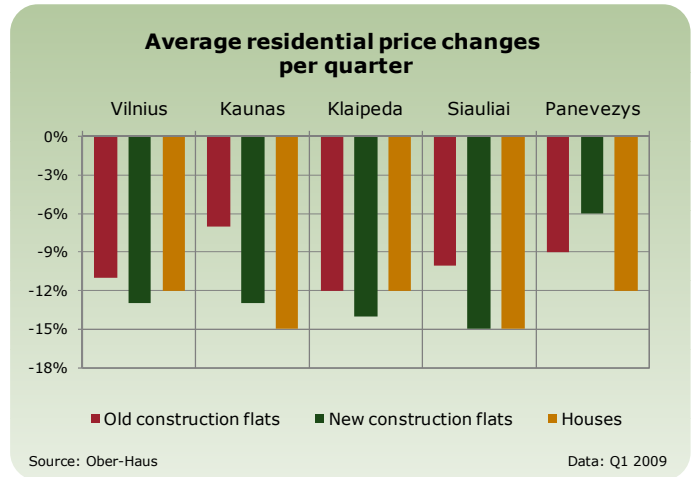
MARKET COMMENTARY

The trends prevalent in the Lithuanian housing market in 2008 remained throughout Q1 2009. Bank lending policies that are stricter than ever before, the rapidly deteriorating economic indicators of the country (reduction in GDP and salaries and increase in unemployment), and even more gloomy forecasts for the future have had a considerable effect on the expectations of the market players. Therefore, an increasing number of potential buyers financially capable of purchasing a dwelling are postponing their purchase plans for better times. A drop in essential market indicators—the sale of residential property and rental prices, the number of transactions, and supply of newly built residential property—has been recorded in all major cities of the country.

In Q1 2009, the sale prices of residential property in the major cities of Lithuania went down an average of **11%**. In **Vilnius, Kaunas, Klaipėda, Šiauliai, and Panevėžys**, similar indicators have been recorded; prices went down **12%, 11%, 13%, 14%, and 9%** respectively. The trends dominating in the market have practically dispelled any expectations regarding a rise in the prices of residential property in the near future. It is rather complicated today to sell residential property for prices similar to those of the competitors. The decision to buy today is influenced by very low prices for the residential property or the compliance of the property with all requirements. Considering that buyers have many more possibilities to wait than the sellers (many of whom are pushed by financial obligations), negotiations usually end for the benefit of the buyer, i.e. with a major discount offered.

Over the first 3 months of 2009, rental prices for apartments in the major cities of Lithuania went down an average of **10–15%**. It is expected that by the end of summer the rental market for residential property will be far more active, but it is hardly possible to expect shortages in the supply of rental property or any considerable rise in rental prices. The supply of residential property for rent is also growing because of the non-liquid sales market: some people unable to sell their property for the desired price try to lease it at least temporarily in order to partially or fully recover the cost of maintaining the property (cost of utility services, loan repayments, etc.).

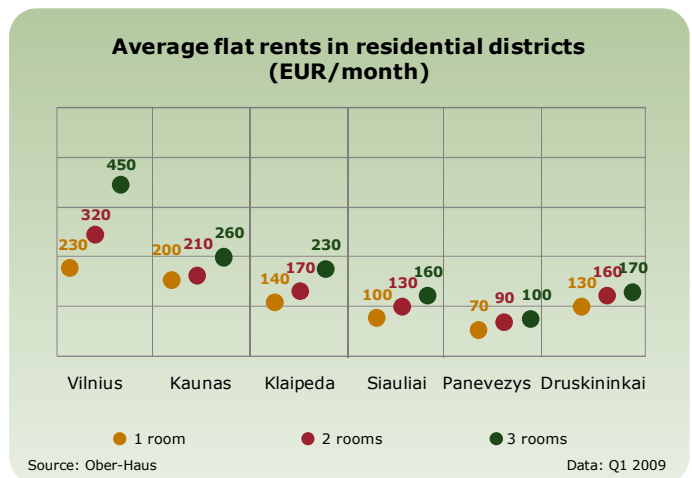
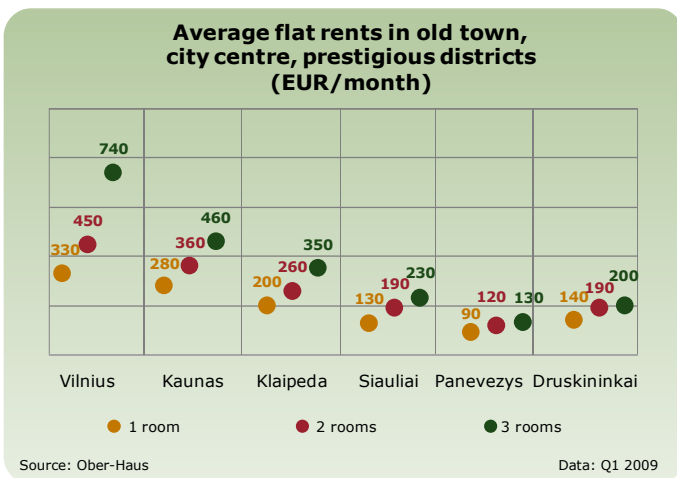
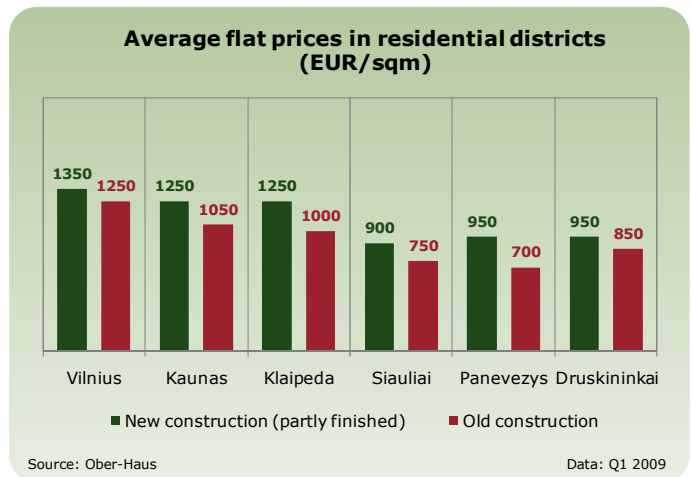
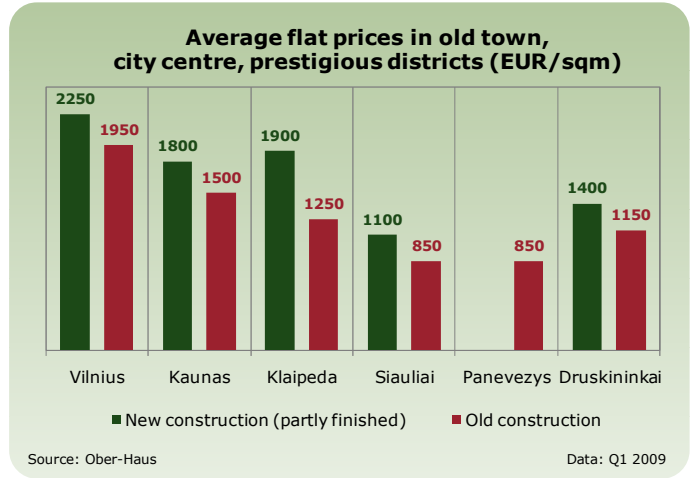
At the end of March 2009, of the newly built apartments offered on the primary market in 2008, the following amounts were sold or reserved: in **Vilnius—74% (+9% compared to the previous quarter)**, **Kaunas—77% (+6%)**, **Klaipėda—75% (+4%)**, **Šiauliai—64% (-5%)**, **Panevėžys—46% (0%)**, and **Druskininkai—58% (-1%)**.



Lithuanian Residential Real Estate **MARKET COMMENTARY** **Q1 2009**

Examining the sales indicators in the primary market, it becomes evident that the most liquid markets are those in the three largest cities in Lithuania, whereas even a small supply of new properties in other towns in Lithuania does not guarantee that the newly built apartments will be sold very rapidly.

Reacting to the major fall in demand, sellers of residential property are reducing prices and real property developers are trying to complete the projects that have been started and postpone projects for the construction of new apartment buildings and private homes for a later date. However, for some property developers even the completion of ongoing real property projects is not easy. Ober-Haus estimates that in 2008–2009, in Vilnius alone, construction of around **1,200** apartments was suspended in newly started projects. Therefore, currently, each incomplete project for an apartment building or a private home should be viewed with caution, as there have been quite a few cases when construction was suspended when it was half finished. Ober-Haus estimates that in **Vilnius** in 2009 no more than **1,500** new apartments will be completed (even though the forecast in Q4 2008 was approximately **2,000–3,000** apartments). This means that this year the capital of Lithuania will at best see **four times** fewer apartments constructed than in 2007 or 2008, when an average of **6,000** new apartments were constructed each year.



If you wish to receive any additional information about development of the real estate market in Lithuania, Latvia, Estonia and Poland; 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 UAB Ober-Haus real estate market analysts.

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