

Lithuanian Residential Real Estate

Q1 2011

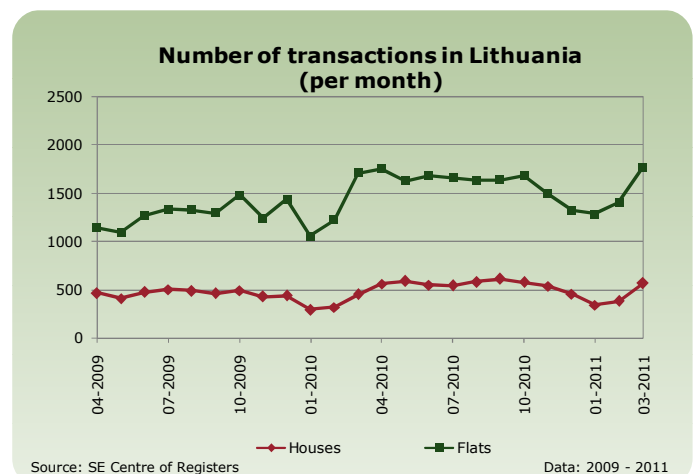
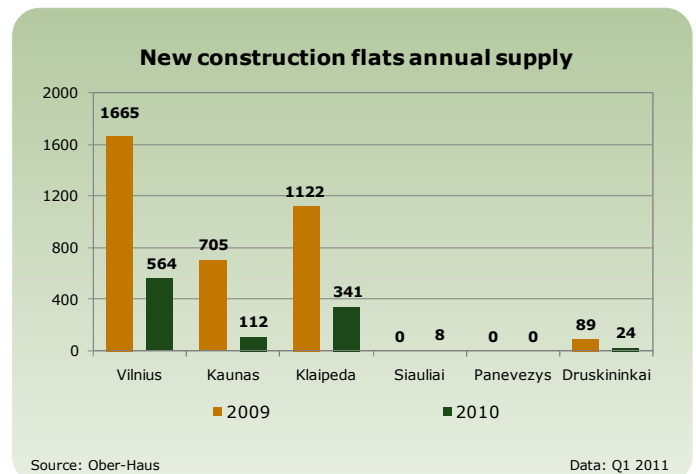
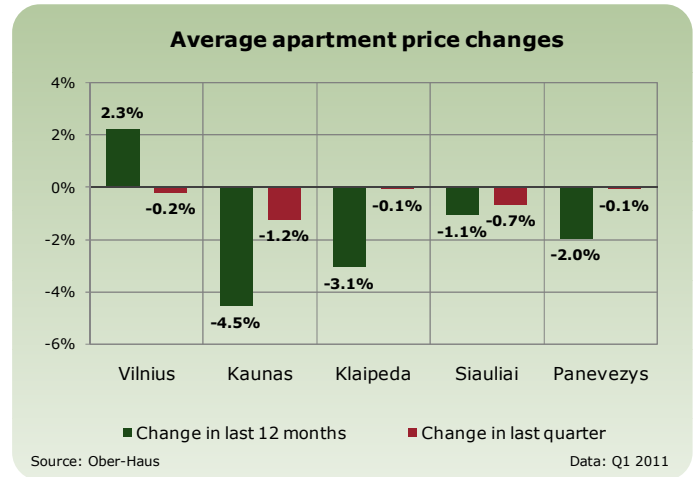
MARKET COMMENTARY

At the beginning of 2011, no major changes were observed in the Lithuanian residential property market. For the first quarter of the year there was a slight increase in the total number of residential property transactions, there are minor price fluctuations, while the development of new projects is just beginning to take off. This is a seasonal factor at this time of the year when the market is at its least active for the first few months.

For the first three months of 2011, the prices of apartments in largest Lithuanian cities showed a symbolic decrease of just **0.4%**. During this period, negative changes were seen in all Lithuanian cities: in Vilnius – 0.2%, in Kaunas – 1.2%, in Klaipėda – 0.1%, in Šiauliai – 0.7% and in Panevėžys – 0.1%. Taking into account the extent of changes in prices, we can say that the Lithuanian residential property market seems to have hit a stable price “bottom”; the statistical fluctuations that are affected by seasonality, have already been formed.

Nevertheless, the general activity of the residential property market in Lithuania continues to increase. According to the data of the State Enterprise Centre of Registers, the number of residential property (apartments and private houses) sale transactions in Lithuania, for the first quarter of this year, was **13%** greater than in the previous year. This increase is significantly lower compared to 2010, when the number of housing transactions concluded in the first quarter of 2010 was one third larger compared to the same period of 2009. However, it should be noted that in 2009 the number of housing transactions was at an unprecedented low level, therefore the relative increase in 2010 seemed to be large. While, in the first quarter of 2009, on the average about 350 private houses and 960 apartment sale transactions were concluded per month in Lithuania, the figure this year has increased to 430 private house and almost 1,500 apartment sale transactions per month.

According to Ober-Haus data, for the first quarter of 2011, the number of unsold newly-built apartments in already completed projects in largest Lithuanian cities decreased by 8%, which is a reduction from **2,850** to **2,600** apartments. Presently, the following number of apartments in projects built in 2007–2011 is offered for sale: in **Vilnius** – over **1,200**; in **Kaunas** – about **570**, in **Klaipėda** – over **760**, and in **Šiauliai** and **Panevėžys** together – over **80**. Notwithstanding the increasing activity of the residential property market, the realisation of previously constructed apartments is not happening as quickly as developers would like. The slow sales process is predetermined by the fact that the major portion of the apartments for sale is composed of apartments characterised by poor architectural solutions, which are the least attractive. In addition to this, many of the builders and developers of the apartment blocks have gone bankrupt or are under restructurisation. Therefore several thousands of unsold apartments represent the “quantitative” rather than “qualitative” expression of what is available on the market.

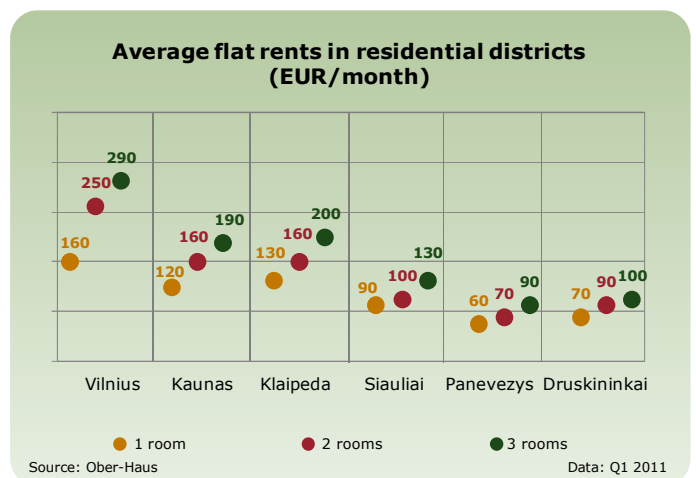
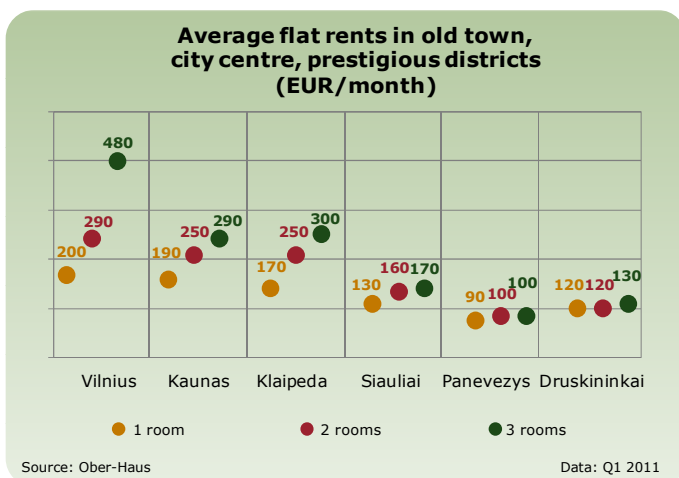
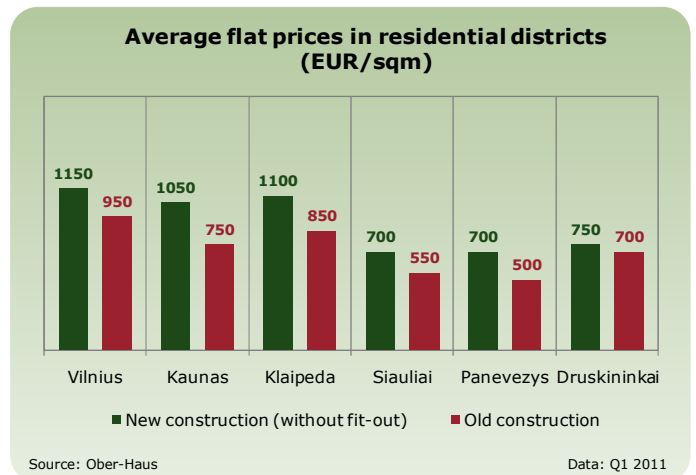
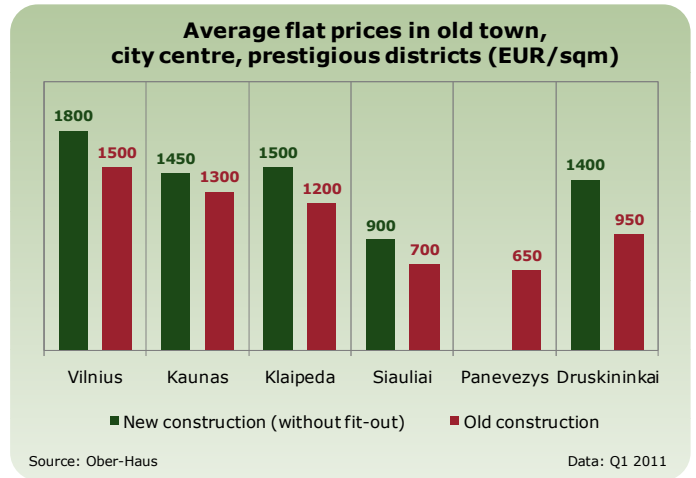


Lithuanian Residential Real Estate **MARKET COMMENTARY** **Q1 2011**

Expecting a demand for more attractive new housing, developers are already confidently proceeding with new projects. To be honest, the increasing activity of developers is observed only in the apartment sector in the capital of Lithuania. Presently there are, about 16 projects of apartment blocks, representing a total of **1,100** units under construction in the city of Vilnius. In addition to this, this year, construction of another 3 to 5 projects of apartment blocks may be resumed or initiated.

It seems as if the apprehensions that the "post-crisis" buyer would not buy unfinished housing under any circumstances have not proved to be true. At the present time buyers often have no other choice than to choose from amongst the remaining housing of finished projects (which is often not attractive) or buy a suitable option in a complex which is still under construction. Statistics indicates that about **30%** of 1,100 apartments that are under construction in Vilnius by now have been sold or reserved.

So, to summarise, we can state that the residential property market entered 2011 with significantly more optimism and better expectations compared to the three previous years. We can say with some certainty that it is not likely that there will be any further landslide of prices or doomsday forecasts. This is proved by the behaviour of the largest market players: the country's commercial banks who have once again started competing with their housing loan portfolios; and real estate developers are reviving the construction of new projects. Notwithstanding the improving figures we will only see a recovery from "the bottom", and more material and serious revival will be seen provided only that the economic situation in the country actually improves. Therefore we can reasonably expect more visible positive changes in the market not only in Vilnius but also in other larger Lithuanian cities no earlier than in the second half of this year.



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 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 Ober-Haus real estate market analysts.

Saulius Vagonis, Valuation and Market Research Group Manager
Tel.: +370 5 210 97 17, e-mail saulius.vagonis@ober-haus.lt