

Lithuanian Residential Real Estate

Q2 2011

MARKET COMMENTARY

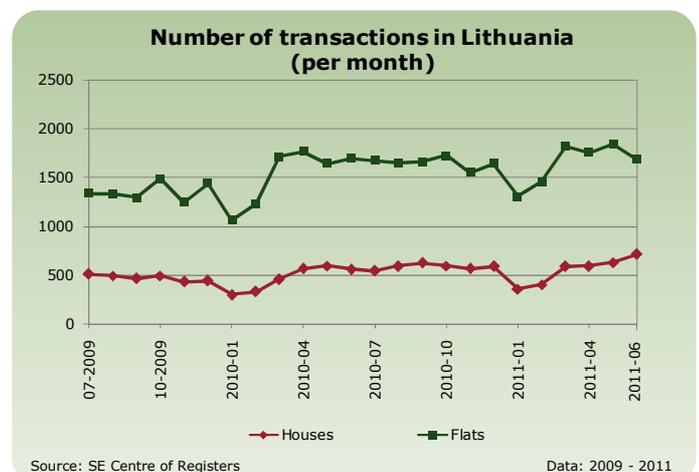
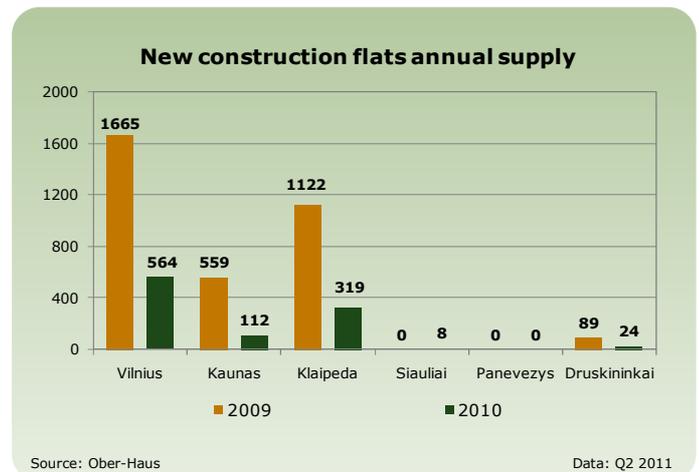
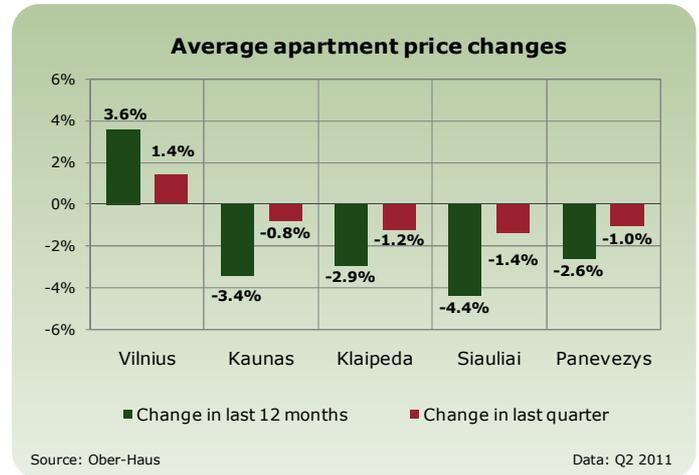
An assessment of the results for the first six months of 2011 shows that it is too early to expect any major changes in the Lithuanian housing market. The situation in the housing market can be said to be stable, without any significant signs of either revival or recession. Price changes are measured in tenths of one per cent. According to Ober-Haus data, during Q2 2011 apartment prices in the main Lithuanian cities grew by only **0.3%**, but as regards the results for the past six months, a **0.2%** decrease in prices was recorded. Trends in price changes by individual cities remain the same: a 1.2% increase was recorded in the first six months in Vilnius, while the other main cities of the country continued with previous trends of minor decreases in prices (within the limits of 1–2%). Considering the particular low fluctuations both during Q2 and during the entire past year, we can state confidently that price levels in Lithuania are not undergoing any major change.

While apartment prices in the main Lithuanian cities remain unchanged, the number of transactions continues to increase. According to data from the State Enterprise Centre of Registers, during H1 2011, the number of apartment purchase and sale contracts concluded was **8%** higher and the number of detached house purchase and sale contracts concluded was **17%** higher than a year ago. In H1 2010 almost 470 detached house and 1,520 apartment contracts were finalised, this year this parameter increased to contracts involving almost 550 detached houses and 1,640 contracts involving apartments. Stable house prices are of no interest to speculators and only encourage the purchase of housing by parties who really need it. In conditions like these, the growing market activity is a sign of a sufficiently healthy market.

According to Ober-Haus data, in Q2 2011, the number of unsold new apartments in completed apartment buildings in the main Lithuanian cities decreased by 5%, i.e. from somewhat more than **2,600** to **2,500** apartments. At present, there are almost **1,100** apartments for sale in apartment buildings built in 2007–2011 in **Vilnius**, **570** in **Kaunas**, over **770** in **Klaipėda**, and a total of up to **80** apartments are offered in **Šiauliai and Panevėžys**. Considering the results of sales in the primary housing market, it is obvious that buyers are more interested in new projects, in which the selection is wider and more attractive.

Due to the growing demand for housing and housing prices, which are only increasing slightly, any major investments in the development of apartment buildings are recorded in Vilnius. At present, there are 20 apartment building projects in progress in Vilnius, with over **1,400** apartments envisaged. More than **40%** of these apartments have been sold or reserved already. On the other hand, in the other main cities of the country, where the market is less active and house prices continue to decrease somewhat, builders are not developing any major projects. Between three and five apartment buildings, with **100–200** apartments in each city are currently being developed in Kaunas and Klaipėda.

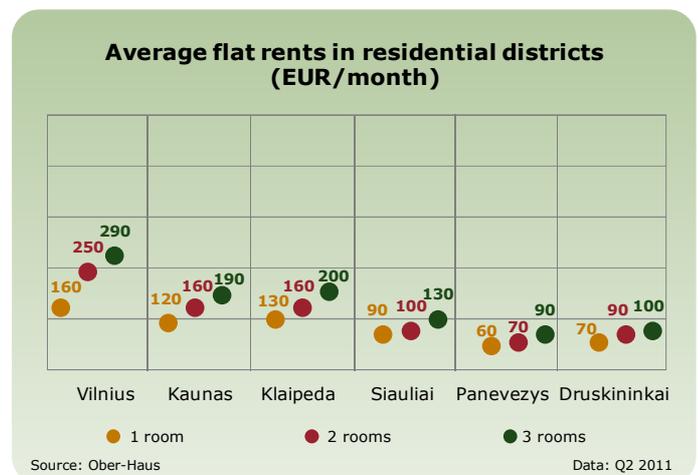
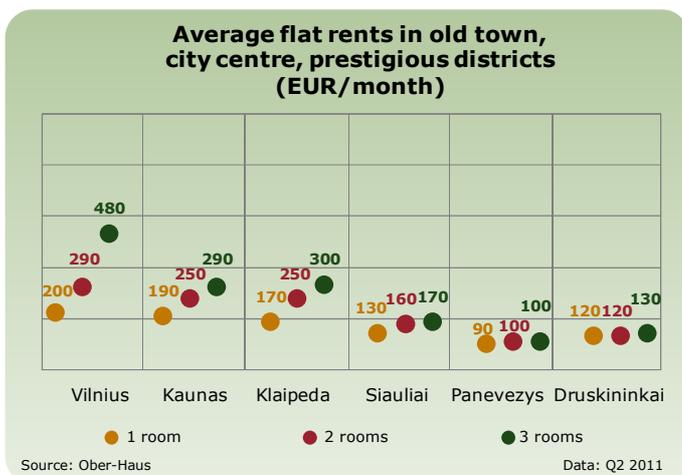
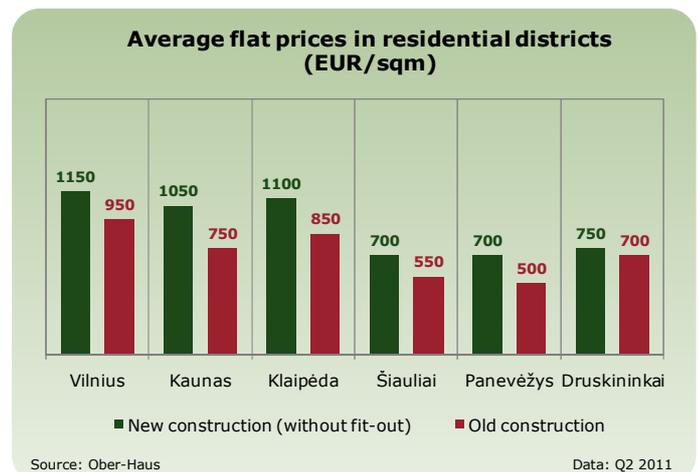
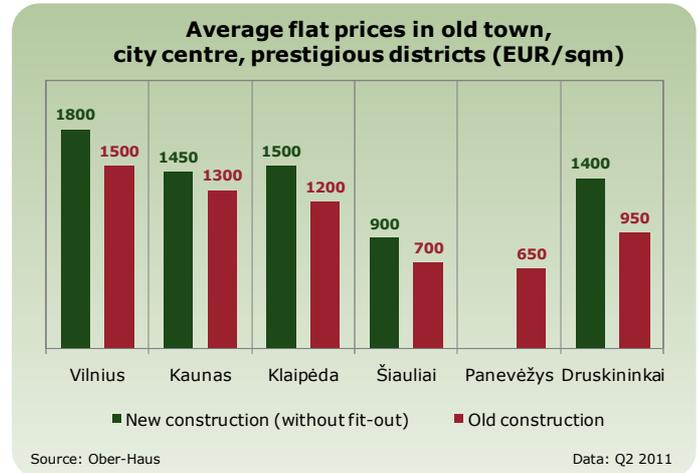
No major changes were recorded in the Lithuanian market for detached houses. However, during the past six months, overall activity in this segment has increased significantly. The drop in prices of land plots is of particular interest to buyers who want to build detached or semi-detached houses independently. This is also reflected by official statistics: in the first six months of 2011, the number of houses constructed in Lithuania was 2.2 times higher compared to a year ago.



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The greatest relative increase was recorded in Panevėžys and Šiauliai counties: 310 and 217 houses respectively, or 9.4 and 4.6 times more than a year ago, were built here. During the same period, 642, 459, and 213 detached or semi-detached houses were built in Vilnius, Kaunas, and Klaipėda counties respectively (this correlates to an increase of 51%, 93%, and 177% compared to the first six months of 2010). At present, detached houses with a total area of 150–200 m² on 6–10-are land plots on the outskirts of **Vilnius** cost **85,000–160,000 EUR**, in the vicinity of **Kaunas and Klaipėda** – **72,000–130,000 EUR**, and in **Šiauliai and Panevėžys** – **58,000–100,000 EUR**.

An assessment of the prospects of the housing market for the near future shows that the development of the market is very likely to depend on both political and economic decisions taken within the country and on the situation abroad. The main issues at the country level and which have so far not been solved are legislation regulating the bankruptcy of individuals and real estate tax for individuals. Until the details and dates of implementation of these legal and taxation instruments have been defined, it remains difficult to judge their impact on the market itself. It seems fairly likely however that these issues will not have any decisive effect on events in the housing sector, because it is unlikely that the aforementioned instruments will be aimed at any extremes such as a heavy tax burden on first homes. It seems more likely that further development of the Lithuanian housing market will be impacted by decisions and processes taken and taking place abroad, e.g. the position of the European Central Bank (ECB) on the base interest rate. Although the ECB has raised the base interest rate several times this year, its most recent decision was to temporarily stop raising the interest rate due to the resumed debt crisis in the euro zone, which in its turn may be detrimental to the reviving Lithuanian economy. Credit institutions whose loan provision policies have a major impact on raising or reducing people's abilities to acquire housing play another important role in the market. It is therefore of high relevance for the housing market to know what credit policies will be enforced by credit institutions in the context of these internal and global issues.



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.

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