

Lithuanian Residential Real Estate

Q2 2012

MARKET COMMENTARY

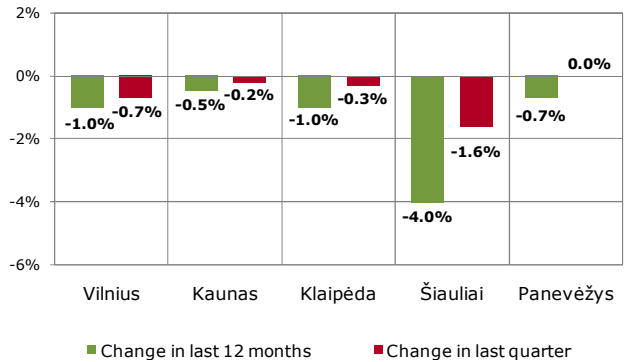
According to Ober-Haus data, in the first half of 2012, apartment prices in the main Lithuanian cities dropped **0.5%**, while the annual rate of decrease was 1.0%. Vilnius, which is the country's most important and most active housing market also experienced some minor negative changes in prices: in the past three months, apartment prices in the capital dropped **0.7%**. Similar trends are seen in Kaunas, Klaipėda and Šiauliai, where apartment prices decreased by **0.2%**, **0.3%** and **1.6%** accordingly. No changes were recorded in Panevėžys in the period in question. The most likely explanation for this is the fact that property prices in Panevėžys are still the lowest of all the main Lithuanian cities. Although the recorded negative changes in prices are only minor, it seems clear that the residential market is fairly sensitive to activities taking place both inside and outside the country. The ongoing speculations about the continuing debt crisis in the eurozone, the economic slowdown of major countries, and our country's internal economic challenges (which include basically static incomes and borrowing conditions that became more stringent last year) have all had a certain detrimental impact on housing prices.

Despite the decrease in apartment prices in the main Lithuanian cities, the number of transactions continues to show signs of growth. According to the data of the State Enterprise Centre of Registers, in the first half of this year, the number of deals of apartments in Lithuania was **4%** higher and the number of deals of detached houses was **12%** higher than a year ago. In the first half of 2012, an average of 630 deals for detached houses per month and 1,760 deals for apartments per month were finalised in Lithuania. Compared to 2010 and 2011, the pace of growth in the number of transactions in statistical terms is decreasing, but we should not forget that this, among other things, is determined by the comparative base that is increasing on a yearly basis.

The rate of borrowing for housing that has begun to rise again and has shown considerable growth recently is now steadier. According to the data of the Association of Lithuanian Banks, in the first half of this year, the key credit institutions of the country provided home loans worth over EUR 191 million, which is **17% less** than in the same period of last year. This decrease has most likely resulted by approved Regulations for Responsible Lending by the Bank of Lithuania at the end of 2011. The guidelines for lending obligate credit institutions to evaluate borrowers in a much more stringent manner and to raise the requirement for the size of own capital available (no more than 85% of the value of property being pledged) when taking out home loans.

According to the data of Ober-Haus, a slight increase in the number of unsold apartments in the main Lithuanian cities is recorded for the third consecutive quarter. This increase results from the construction of new apartment buildings in the capital. In the first half of 2012, the number of unsold new apartments in completed apartment buildings in the main Lithuanian cities increased by 6%—from **2,660** to **2,820** apartments. According to the data of Ober-Haus, at present **1,240 apartments** are on offer in apartment buildings constructed in 2007–2012 in **Vilnius**. This figure is approximately **580** for **Kaunas**, over **920** for **Klaipėda**, and over **80** for both **Šiauliai** and **Panevėžys**.

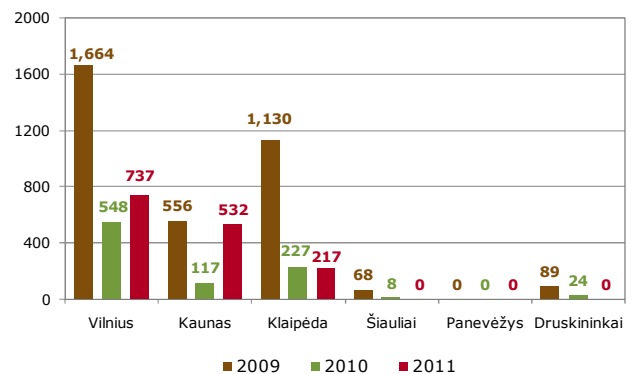
Average apartment price changes



Source: Ober-Haus

Data: Q2 2012

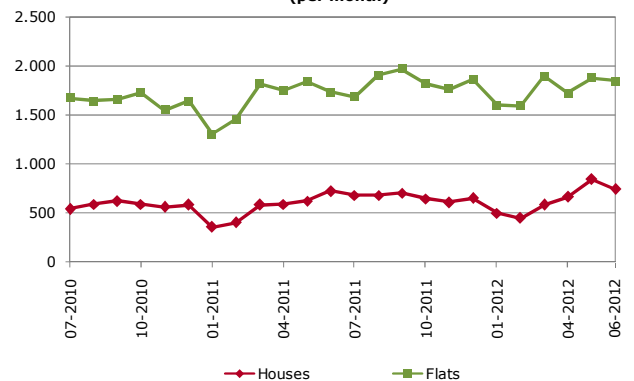
New construction flats annual supply



Source: Ober-Haus

Data: Q2 2012

Number of transactions in Lithuania (per month)



Source: SE Centre of Registers

Data: 2010 - 2012

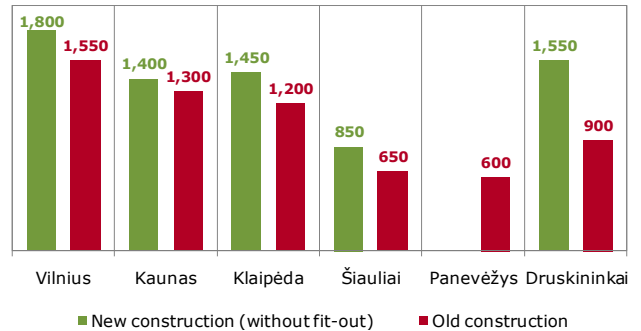
Lithuanian Residential Real Estate MARKET COMMENTARY

Q2 2012

As other main Lithuanian cities continue to sell some unsold apartments in completed new buildings, the Vilnius market is being supplemented with new projects. According to Ober-Haus estimates, **760 apartments** (within 12 different apartment building projects) were constructed in the capital in the first half of this year, which is a little more than the number of apartments constructed for the whole of 2011. Plans are that a further **1,000 new apartments** will be completed in Vilnius by the end of this year. This jump in supply is expected at the end of this year and at the beginning of next year, when most of the projects will be completed. This will undoubtedly raise the total number of unsold apartments. If we consider the time period currently needed to sell an apartment, however (approximately 640 new apartments were purchased in Vilnius in the first six months of this year), we can forecast that most of these apartments are likely to be sold in the course of this year.

Ober-Haus also notes that the so-called loft projects are also expanding their market share fairly rapidly of late and attract buyers with their non-standard spaces and lower prices. According to Ober-Haus estimates, in 2012–2013 the market will be supplemented with a total of approximately various-purpose **400** premises in projects of this type. Although lofts normally do not have the status of residential premises and do not always meet technical and legal requirements set for apartments constructed in apartment buildings, they are becoming a fairly attractive alternative (normally for younger buyers) to standard homes and in a certain way will compete with the standard homes segment. Several of the loft projects that have been completed recently and properly launched have found potential buyers and have a chance of being sold successfully.

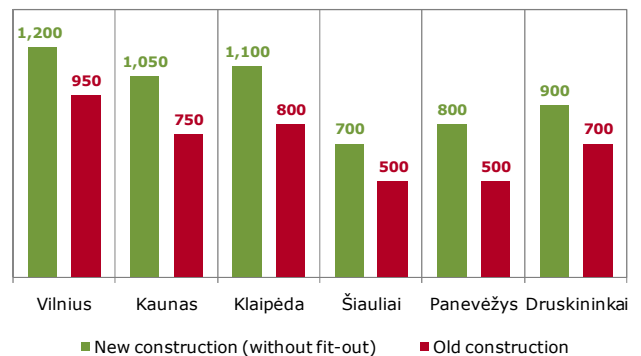
Average flat prices in old town, city centre, prestigious districts (EUR/sqm)



Source: Ober-Haus

Data: Q2 2012

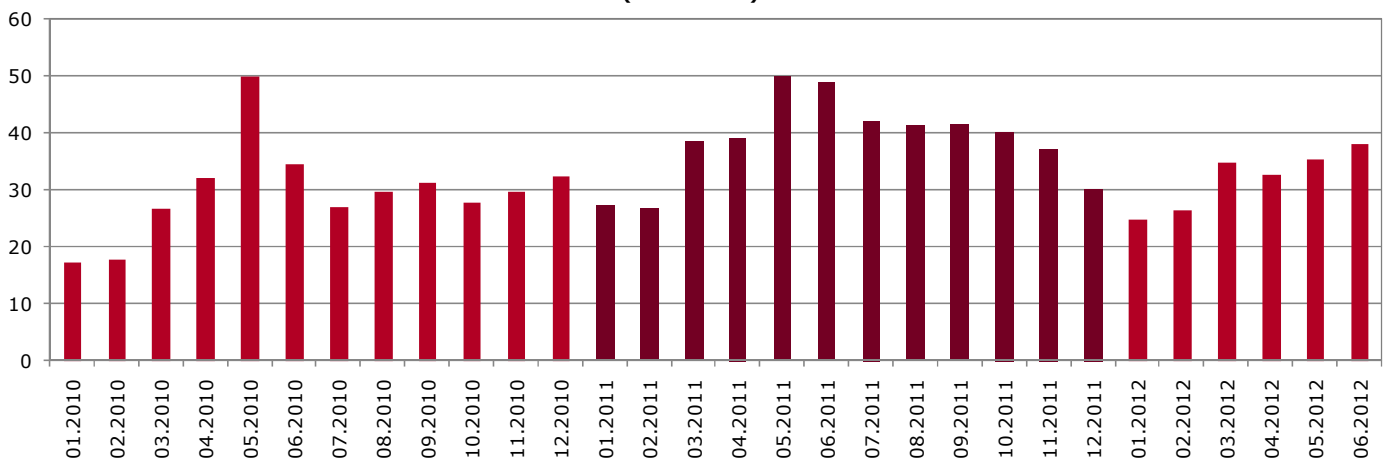
Average flat prices in residential districts (EUR/sqm)



Source: Ober-Haus

Data: Q2 2012

New housing loans for private persons (million EUR)



Source: Association of Lithuanian Banks

Data: 2010-2012

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