

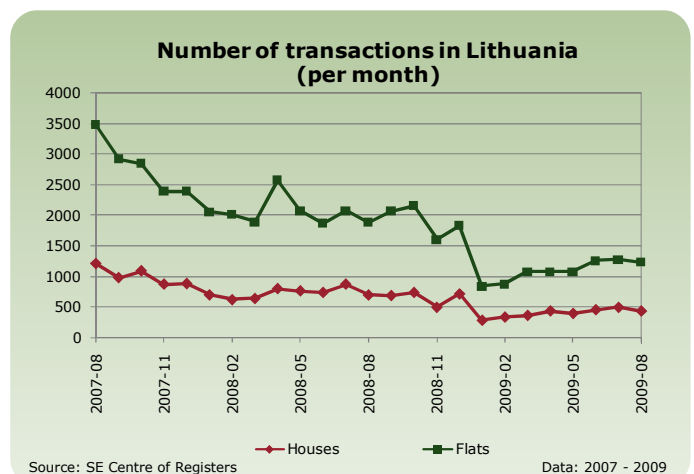
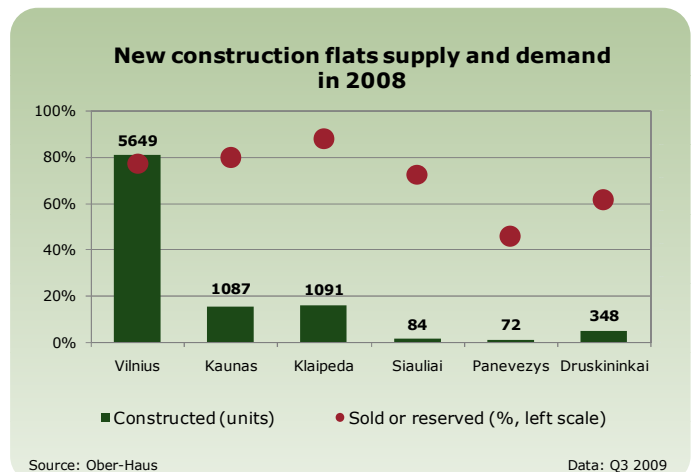
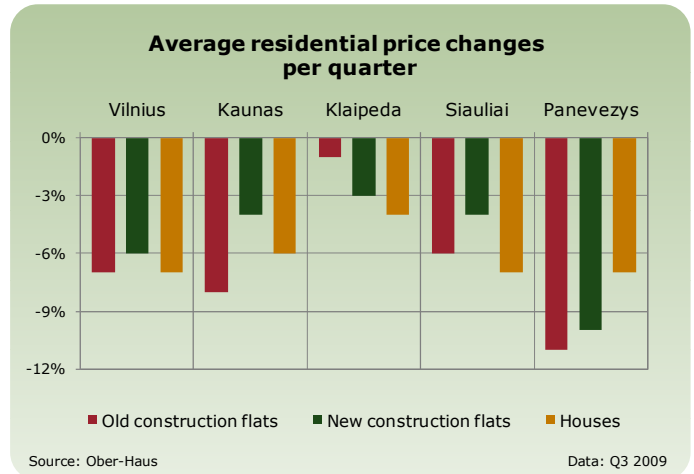
# MARKET COMMENTARY

In Q3 2009, the housing market in Lithuania demonstrated its first signs of stability. Although sales and lease prices continued to go down in all major Lithuanian cities, the decrease was not as radical as it was in the first two quarters of 2009. In Q3 flats prices decreased an average of **6%** (in Q1 drop was 11% and in Q2 it was 9%). The number of registered housing-related transactions has remained stable over the past 6 months, and some minor signs of growth are already visible. In our opinion, however, it is too early to consider these signs a revival of the market because market activity remains low compared to previous years and national economic forecasts are not very optimistic either. Yet it is obvious that housing prices, which are much lower than they were in the boom years, have started to attract an increasing number of potential buyers who were waiting for prices to go down.

In Q3 2009, apartment sales prices fell in all major Lithuanian cities: **7% in Vilnius, 6% in Kaunas, 2% in Klaipėda, 6% in Šiauliai, and 11% in Panevėžys**. Compared to the period of the price boom (end of 2007), the greatest decrease in prices was registered in **Klaipėda**, where apartment prices went down as much as **41%**, whereas the smallest decrease was registered in **Kaunas - 25%**. Over the same period, prices in **Vilnius, Šiauliai, and Panevėžys** decreased **37%, 36%, and 39%** respectively. At present, old apartments are offered for the following prices: from **€630 EUR per sqm** in **Vilnius**, from **€580 per sqm** in **Klaipėda**, from **€490 per sqm** in **Kaunas**, from **€400 per sqm** in **Šiauliai**, and from **€380 per sqm** in **Panevėžys**.

The residential lease sector was more active than it was in the first half of the year. The decreasing income of the population and growing supply continued to adjust the residential rents, however. In Q3 2009, apartment rents in major Lithuanian cities went down an average of **5-7%**. Starting from Q3 2008 (when residential rents started to go down), the decrease is approximately **30%**. In statistical terms, the decrease in rents is somewhat smaller than the decrease in sales prices. This can be explained by the fact that leasing is more affordable to the population than purchasing property. Fairly stringent competition in this sector and the worsening financial situation of many residents in the country have however forced residential property owners to cut not only sales prices but also lease prices. For example, rents for 2-rooms apartments in central part of Vilnius range **€250 - €500 per month**, and for 3-rooms apartments – **€350 - €700 per month** (see charts).

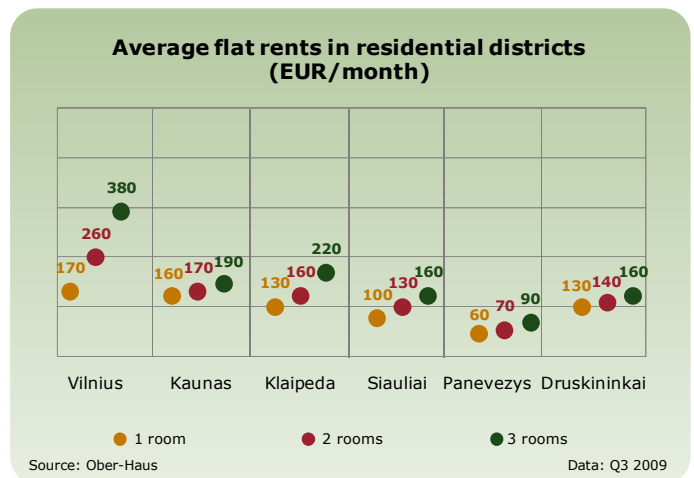
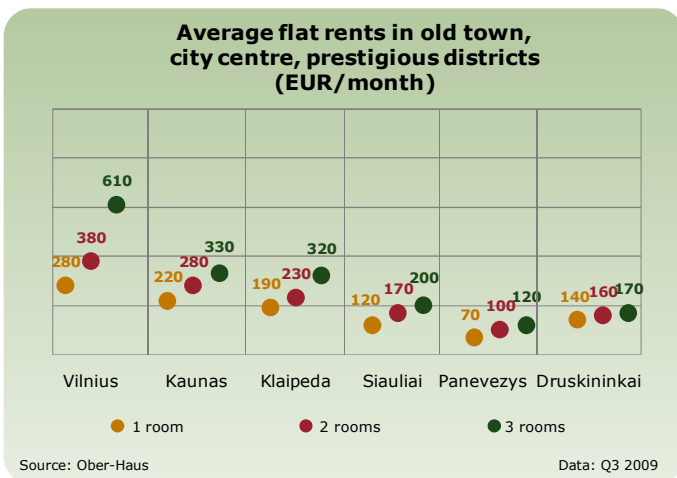
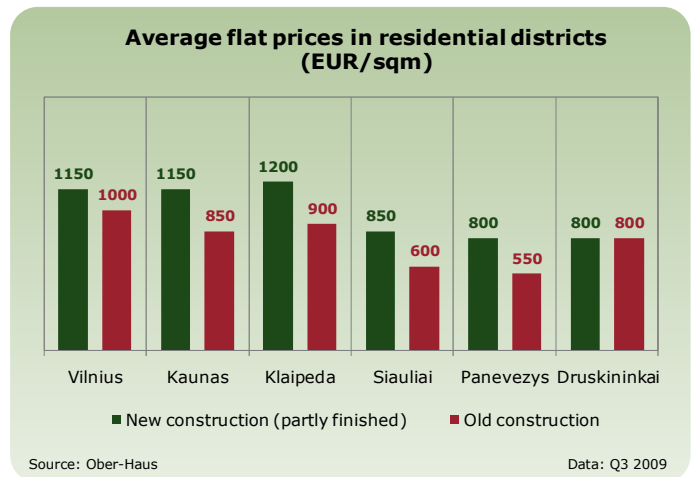
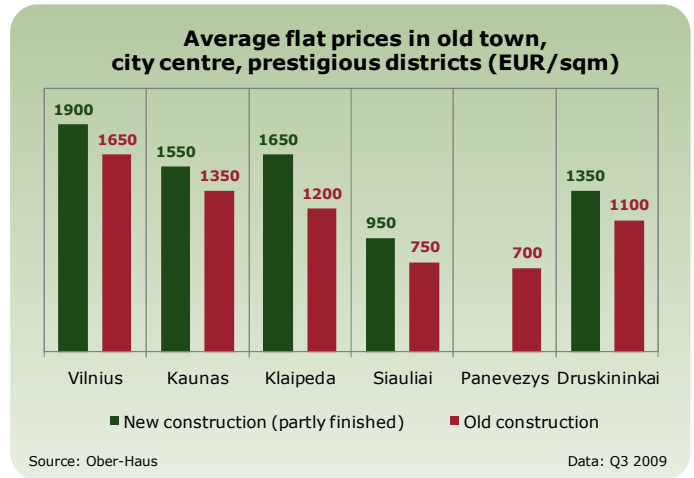
At the end of September 2009, the following percentages of new apartments offered on the primary market (from 2008 supply) were sold or booked: **77% in Vilnius, 80% in Kaunas, 88% in Klaipėda, 73% in Šiauliai, 46% in Panevėžys, and 62% in Druskininkai**. The supply and demand indicators show that the supply of new unsold apartments is decreasing fairly slowly because not all buyers are fulfilling their obligations to purchase property booked in advance, i.e. although the number of registered housing related transactions is increasing, apartments return to the market because final purchase and sales transactions are not concluded, and thus the overall supply and demand indicators do not improve considerably.



Lithuanian Residential Real Estate **MARKET COMMENTARY** **Q3 2009**

Of all Lithuanian cities, **Vilnius** is the first by the number of apartment constructed. Over the past 5 years, over **70%** of all apartments built in Lithuania were built in Vilnius. At present, the primary market in **Vilnius** offers over **2,300** new apartments in apartment buildings constructed in 2006–2009. The greatest supply is in apartment buildings constructed in **2008** (almost **1,300** apartments are for sale) and in apartment buildings constructed in **2009** (over **650** completed and to-be-completed apartments are for sale) - i.e. approximately **45%** of all supply in 2009. Approximately **400** apartments are for sale in apartment buildings constructed in **2006–2007**, a situation in which owners failed to assess the market circumstances and timely sell their property. Most of the unsold housing comprises apartments located in residential areas of Vilnius - as much as **75%** of the total unsold supply. The supply of new apartments in the central areas of the city and in the Old Town is considerably smaller and is approximately **21%**, whereas the remaining **4%** of housing is being offered in prestigious areas of Vilnius such as Antakalnis and Žvėrynas.

The supply in the primary market is unlikely to grow considerably in the near future because the construction of apartment buildings has virtually stopped compared to prior years. For example, the construction of over **6,000** new apartments in **Vilnius** began in **2007** and the construction of approximately **1,100** began in **2008**, but no new projects were started this year and only the construction of several projects was resumed, in which the total number of apartments being offered is only **200**.



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.

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