

Lithuanian Residential Real Estate

Q3 2011

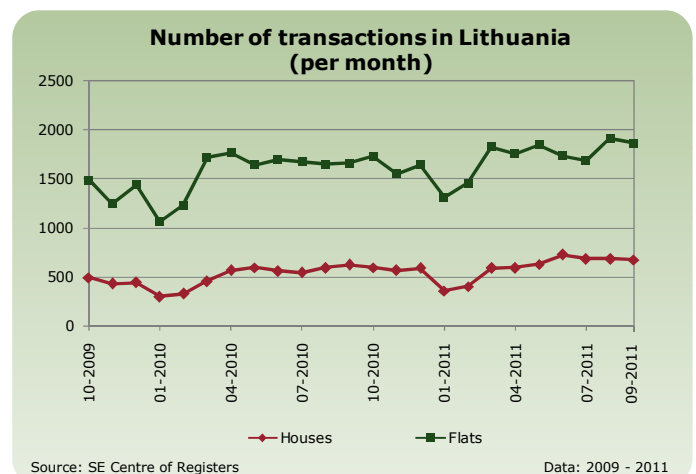
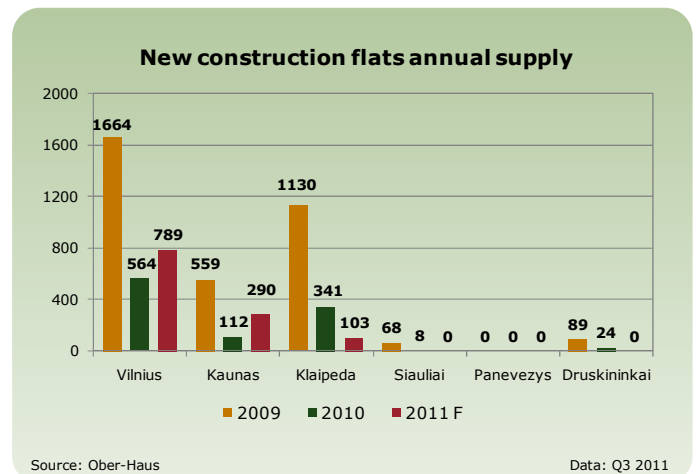
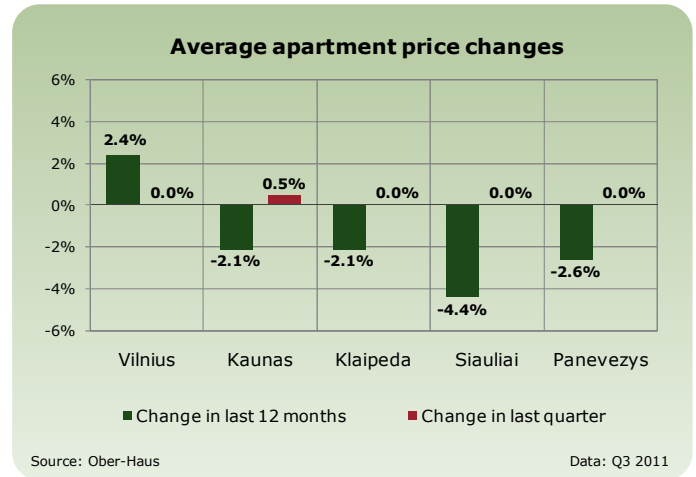
MARKET COMMENTARY

The Lithuanian housing market in Q3 2011 did not gain growth momentum and retained the stability of the year. Even though residential property prices in the major cities of Lithuania remained fairly stable, further growth in the number of transactions was recorded. According to Ober-Haus, in Q3 2011 apartment prices in major Lithuanian cities grew merely **0.1%**, but in view of the results of the first nine months of this year, a 0.1% price decrease was recorded. Analysis of price changes in individual cities shows that only in Vilnius was a rise of 1.3% in the price of apartments over the first three quarters of the year recorded. In the other major cities there was a 1–2% drop over the same period.

In the summer and early autumn period, market activity was at its highest compared to other quarters of this year. According to data provided by the State Enterprise Centre of Registers, in Q3 2011, **13%** more sale and purchase transactions of residential property (**11.3%** for apartments and **17.9%** for houses) were recorded in Lithuania than a year ago. Overall growth in residential property transactions over the first three quarters this year reached 12%. If in Q1–Q3 2010 on average more than 500 transactions for private homes and 1,570 transactions for apartments per month were concluded in Lithuania, this year the indicator over the same period increased to 600 home and 1,730 apartment transactions per month. It is likely that the improvement in Q3 results was affected by the news the Bank of Lithuania announced at the end of summer about Responsible Lending Regulations that will be introduced and will tighten lending to home buyers. It is very likely that the more active marketing of banks and the wish of buyers to take advantage of more attractive home loan conditions also contributed to the increased market activity during the period in question.

According to Ober-Haus, in Q3 2011 the number of unsold new apartments in apartment buildings in major Lithuanian cities remained the same as in Q2 and amounted to approximately **2,500** apartments. During the third quarter, approximately 260 new apartments were sold in the primary market, but after completion of a number of new projects, the same number of unsold apartments was offered to the market; therefore the number of vacant apartments remained unchanged in Q3. Today, the number of apartments available in apartment buildings built between 2007 and 2011 is **1,050 in Vilnius, 510 in Kaunas, 850 in Klaipėda, and over 90 in Šiauliai ir Panevėžys** together. It is likely that similar volumes of supply will remain in the near future since the apartments currently under construction will replace the newly purchased apartments on the market. For example, in Vilnius there are 25 apartment blocks currently being constructed, which between 2011 and 2012 will offer over 1,500 apartments. In other Lithuanian major cities, no such growth in supply is expected in the near future, since both investors and their financiers prefer the capital city, with its highest demand for residential property.

Analysis of the supply of new apartments in Vilnius allows us to conclude that builders are focusing on cheaper, economy and medium class residential property constructed in residential districts of the city or near the central part of the city, which is currently attracting the greatest interest from buyers. In many cases, a lower selling price was and has remained a key indicator in choosing homes.

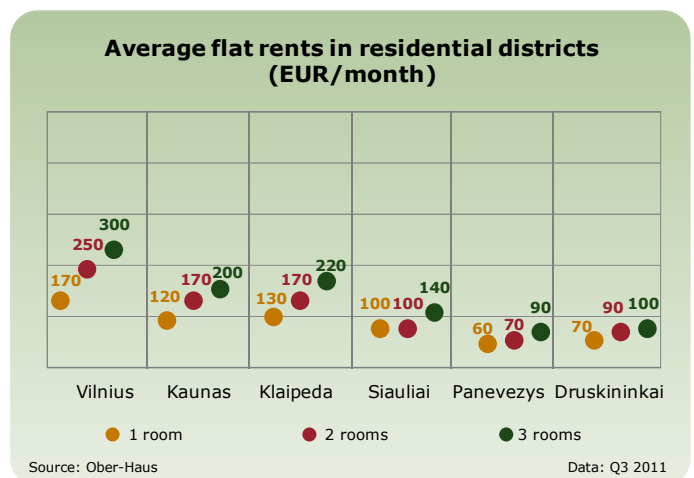
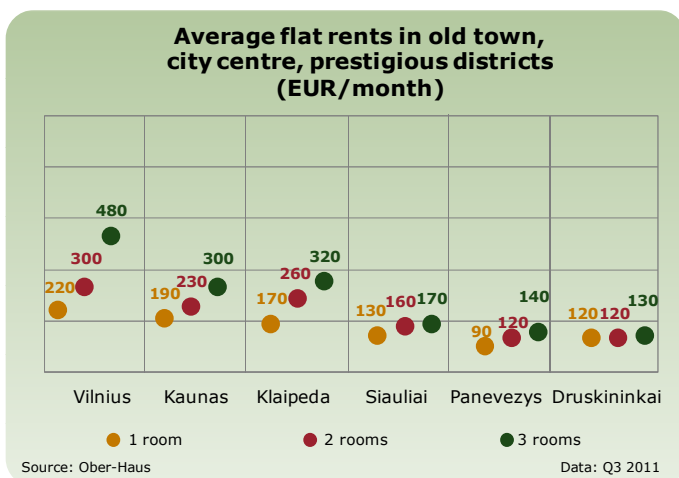
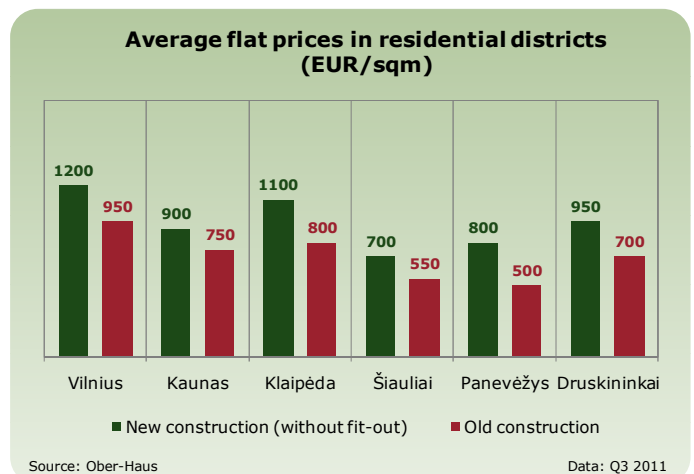
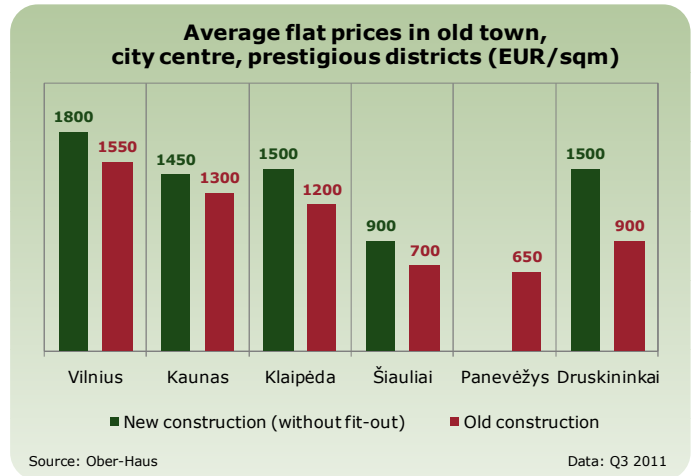


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Looking at the 25 apartment blocks being currently constructed in Vilnius, the major portion of the next supply of homes will be medium class apartments that partially finished sell at 1,300 to 1,750 EUR/sqm and account for up to 55% of the total supply of homes. The aggregate supply of economy (the cheapest) class apartments — the selling price of which (partially finished) is between 900 and 1,300 EUR/sqm — is lower and accounts for 39% of the total supply. The more expensive apartments in the central part of the city or the other prestigious districts (e.g., Valakampiai) account for the remaining 6% of supply, but the current supply of such apartments is low (about 100) and the demand is also very limited, which is not surprising because their price is in excess of 1,750 EUR/sqm.

To look at sales volumes, the market rule which was previously confirmed — that the cheapest homes sell fastest — remains in power. It takes the longest to find buyers for more expensive homes, because these buyers are the fewest and their requirements are much stricter. However, sellers of medium class apartments also face considerable challenges because the supply of such apartments is the largest and the sales volume (compared to economy class apartments) is more modest. At the end of Q3 2011, nearly half, 48%, of economy class apartments, 39% of medium class apartments, and 27% of the most expensive apartments were bought or reserved.

Traditionally, in the late summer and early autumn period, activities in the apartment rental market significantly increase in major Lithuanian cities. Taking advantage of the increased seasonal demand, owners of the properties that were most in demand raised rents EUR 15–55 per month (depending on the property and location). The cheapest one-two room apartments in Vilnius, Kaunas, Klaipėda and Šiauliai accounted for the largest portion of the rental market. However, the demand for property rentals in late September and early October began to decline because the majority of tenants had already found homes to rent and the upcoming heating season made owners review rental prices. At the end of the year the reverse trend is generally observed: a rise in supply and fall in rental prices.



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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