

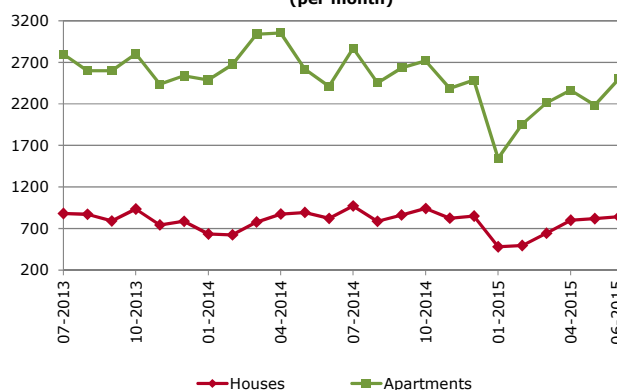
MARKET COMMENTARY



At the end of Q2 2015, the Lithuanian residential market gained momentum. Although the beginning of the year did not promise any major movement in the market, results in June injected some optimism. According to the State Enterprise Centre of Registers, in Q2 2015, **52% more** house purchase and sale transactions and **23% more** those of apartments were concluded as compared to Q1 2015 in **Lithuania**. In Q2 2015, on average 820 transactions for houses and 2,350 transactions for apartments were concluded per month. Of course, early in the year there is usually little activity in the housing market, but the results of Q2 2015 were quite good. Although compared with the same period 2014, the total number of housing transactions in Lithuania was by 12% smaller, the situation was similar to the 2013 indicators, when the market was also active. In June this year, the housing sector was unexpectedly very active – the number of purchase and sale transactions for apartments and houses in Lithuania has been so far the largest this year.

Despite geopolitical challenges, the country's overall economic situation remains positive and this continues to encourage both the construction sector and steady growth in housing demand. It is likely that such improvement in the housing market activity could also be attributed to temporary factors. This year, amendments to Responsible Lending Regulations were proposed to the public that were to take effect in July this year. Tightening of lending conditions may have prompted potential buyers to purchase homes before this date. However it was hardly the essential factor that determined a surge in housing transactions in June, because, according to the Bank of Lithuania, had the planned amendments been in force in 2014, considering possible modifications in loan characteristics, still 99 out of 100 customers would have been granted the entire sum of the loan. This is quite logical, because in recent years the vast majority of buyers do not underestimate their expectations and try to borrow after objective consideration of all risks rather than at the limit of their capabilities. For example, SEB statistics shows that in 2014 residents usually borrowed for a period of 22 years and the average loan for residential property was about EUR 39,000, that is, only by 5% higher than the average loan in 2013. It should also worth to remember that the majority of residential property in Lithuania is purchased using own funds, so these amendments to the terms of borrowing should not, in principle, change the behaviour of the

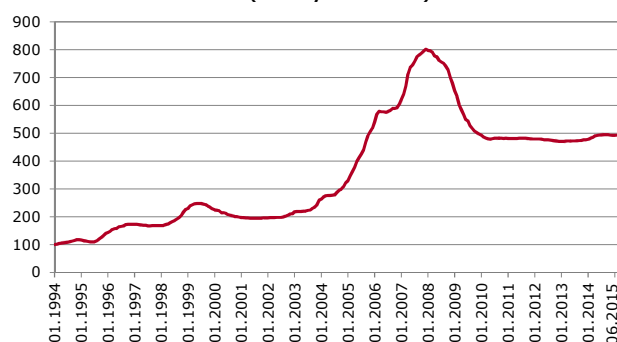
Number of transactions in Lithuania
(per month)



Source: SE Center of Registers

Data: 2013 – 2015

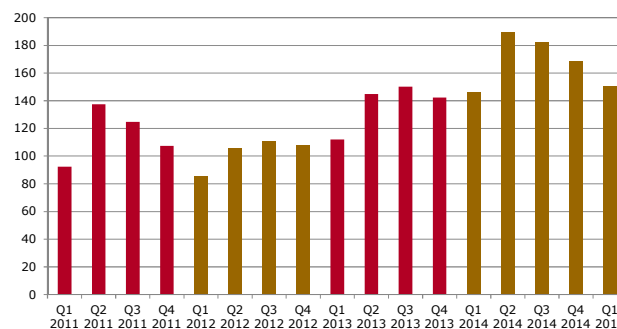
Lithuanian apartment price index (OHBI)
(January 1994 = 100)



Source: Ober-Haus

Data: 1994 – 2015

New housing loans for private persons
(million EUR)



Source: Ober-Haus

Data: 2011 – 2015

Lithuanian Residential Real Estate MARKET COMMENTARY

Q2 2015

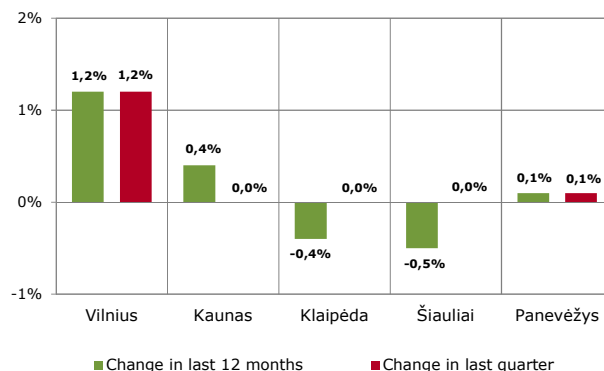
majority of potential buyers, especially where property is purchased in other than the major cities. It has been announced that the Responsible Lending Regulations will take effect in November, but not in July this year, so in summer and autumn a faster decision making regarding residential property can be expected. However, it is hardly possible to expect a more active market because these amendments to regulations will mostly motivate young people (around 25 years of age) who expect to borrow for a period of over 30 years.

Potential buyers may expect further stability in housing sales prices as there have been no significant changes recorded in the country's major cities and it is unlikely that there will be any in the nearest future. Following negative price changes recorded in the country's major cities at the end of 2014, the overall price curve is slightly climbing again only in the capital city. In Q2 2015, prices for apartments in **Vilnius** increased by **1.2%**, the average price amounting to 1,298 EUR/sqm (+15 EUR/sqm). Prices for apartments in new residential districts increased most in the first half of the year – by 2.5%. Meanwhile, in the same period in **Panevėžys** apartment prices rose by **0.1%** and the average price increased to 530 EUR/sqm (+1 EUR/sqm). No changes were recorded in **Kaunas, Klaipėda and Šiauliai** and the average price at the end of Q2 was 940 EUR/sqm, 975 EUR/sqm and 559 EUR/sqm respectively.

Since in Q2 2015 compared to Q1, an increase in the number of transactions of all types of residential property was recorded, it is not surprising that the figures of the sale of newly constructed apartments were better in Q2. According to Ober-Haus, in Q2 2015, **944** apartments in newly completed apartment buildings or buildings under construction were purchased or reserved in the five **major cities in Lithuania** directly from builders. This is 15% less than in Q2 2014, but over 12% more than there were realised in Q1 2015.

In Vilnius completion of about 3,900 new apartments is planned this year, which is 37% more than there were built in 2014. This significant rise in supply should not surprise market participants, as a fairly healthy and active housing market of the capital city encourages developers to use opportunities offered by the active market. The sales in Q2 2015 in Vilnius confirm this trend. A total of **797** new apartments in existing and newly built apartment buildings were realised in **Vilnius** in April, May and June. This is almost 5% less than last year, but 18% more than in Q1 2015. This is the highest indicator in the past three quarters (the figures were higher only in Q1-Q2 2014).

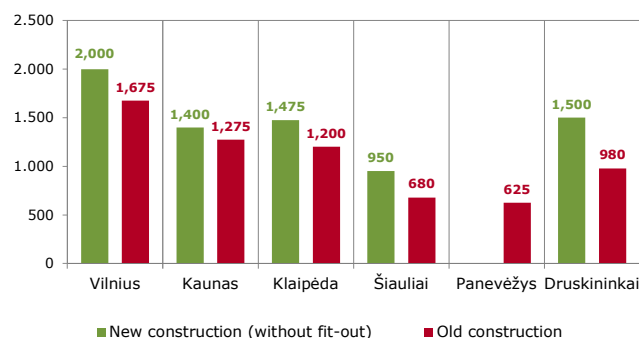
Average apartment price changes



Source: Ober-Haus

Data: Q2 2015

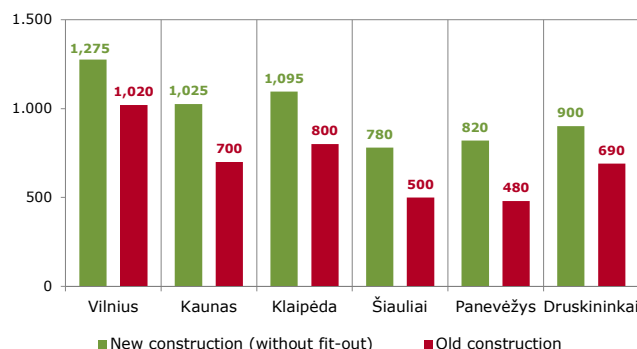
Average apartment prices in Old Town, city centre, prestigious districts (EUR/sqm)



Source: Ober-Haus

Data: Q2 2015

Average apartment prices in residential districts (EUR/sqm)



Source: Ober-Haus

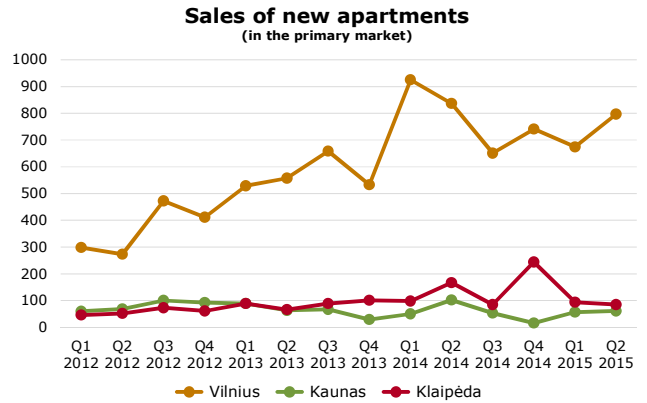
Data: Q2 2015

Lithuanian Residential Real Estate MARKET COMMENTARY

Q2 2015

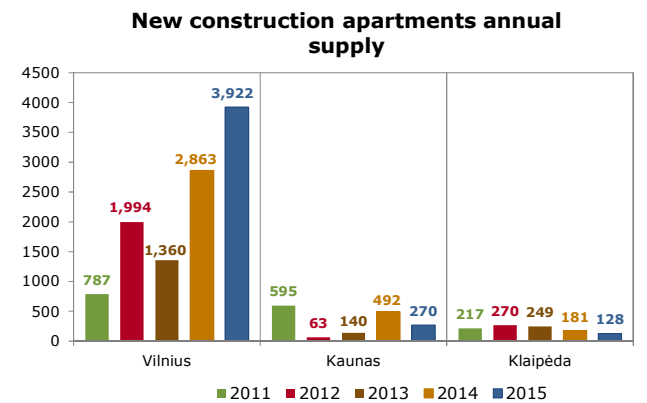
In Q2 2015, as many as **85** and **61** apartments in existing and newly built apartment buildings were sold or reserved in Q2 2015 in **Kaunas** and **Klaipėda** respectively. Compared with Q1 2015, this is 10% less in Kaunas and 7% more in Klaipėda. In fact, the volumes of newly built apartments in these cities are quite modest, therefore sales volumes directly depend on the supply of new objects. Examples of new projects show that newly built apartment buildings generally attract considerable interest from potential buyers. Inhabitants of Kaunas and Klaipėda are not particularly interested in apartments that were built some time ago, but have not been sold, so newly developed projects lure customers with new concepts, locations or attractive layout. Therefore, in Kaunas there is more noticeable activity of developers offering new residential property projects. However, the overall volume remains fairly modest (in 2015, about 270 new apartments are planned to be completed in new apartment buildings in Kaunas), because developers offer only projects of small scale apartment buildings. For example, newly constructed apartment buildings contain 30 apartments on average in Kaunas, while in Vilnius the figure is more than double – 70 apartments on average per apartment building.

Although in Q2 2015, a slight increase in the number of unsold apartments in existing apartment buildings was recorded, the trend can be observed the third quarter in a row. At the end of Q2, the total number of unsold newly constructed apartments (in completed apartment buildings) in **major cities in Lithuania** was **2,272** or 2% more than at the end of Q1 and 9% more than a year ago. The number of such unsold apartments in **Vilnius** is **1,138, 420** – in **Kaunas, 679** – in **Klaipėda** and **35** newly build apartments in **Šiauliai and Panevėžys** combined. The largest growth in the number of unsold apartments has been recorded in Vilnius (nearly 5%), but given the overall large volume of construction in the city, such growth is not really significant. There are unsold apartments in any completed project, therefore future projects will continue to increase the number of unsold apartments in the capital city. However, it should be remembered that these apartments are usually less attractive or popular (apartments of a larger floor area or irrational layout), so it is only natural that it may take a little longer to realise them. Financially strong developers can afford to take time to sell the remaining apartments without reducing their prices.



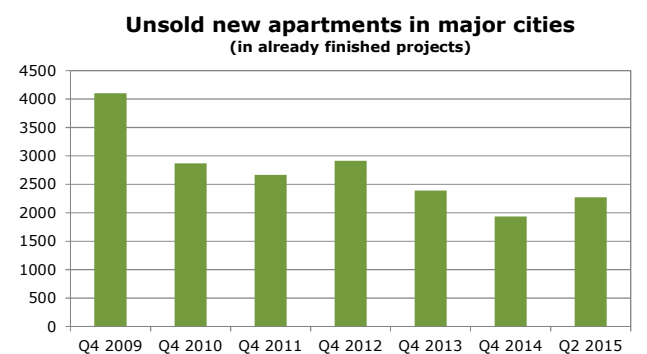
Source: Ober-Haus

Data: 2012 - 2015



Source: Ober-Haus

Data: 2011 - 2015



Source: Ober-Haus

Data: Q2 2015

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 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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