

# RESIDENTIAL REAL ESTATE MARKET COMMENTARY

## LITHUANIA / Q3 2016

Lithuanians increasingly take out mortgage loans, and loan volumes continue to grow. According to data from the European Central Bank, mortgage loans for **EUR 775 million** were provided in Lithuania in the first eight months of 2016, which is a **12% increase** compared to the same period last year. In 2015–2016, mortgage loans for an average of over EUR 90 million were provided per month, which is nearly double compared to this figure in the time period from 2010 to 2014.

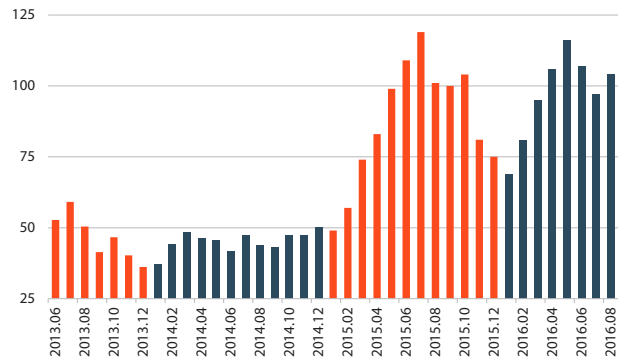
The volumes of sale of apartments and houses in Lithuania have also reached new heights, with this year's figures being the highest since 2007. According to data from the State Enterprise Centre of Registers, in Q3 2016, the number of transactions of apartments in Lithuania was **10% higher** and the number of transactions for houses was nearly **4% higher** compared to Q3 2015. In Q1–Q3 2016, an average of 2,745 transactions for apartments and 815 transactions for houses were concluded in Lithuania. Figures exceeding these ones were for last time recorded in 2007, when an average of 3,006 apartments and 1,009 houses were purchased in Lithuania per month.

The growing activity in the housing market has resulted in further growth of housing prices in the main Lithuanian cities. According to data from Ober-Haus, in Q3 2016, the overall growth of apartment prices in the five main Lithuanian cities was 1.1%. The fastest growth in prices in Q3 2016 was recorded in **Vilnius**, where apartment prices grew on average by **1.7%** (to 1,399 EUR/sqm). The following figures were recorded for the other cities: **0.5%** in **Kaunas** (to 975 EUR/sqm), **0.2%** in **Klaipėda** (to 1,004 EUR/sqm), **0.8%** in **Šiauliai** (to 590 EUR/sqm), and **0.9%** in **Panevėžys** (to 552 EUR/sqm). Over the year, apartment prices increased by 6.0% in Vilnius, 3.6% in Kaunas, 2.4% in Klaipėda, 5.1% in Šiauliai, and 4.1% in Panevėžys. Similar trends were recorded in the apartment rental market. In Q3 2016, rents increased on average by **4.6%** in **Vilnius**, **1.8%** in **Kaunas**, and **2.7%** in **Klaipėda** compared to Q3 2015.

The volumes of sales of new apartments in Vilnius, Kaunas and Klaipėda remain stable, while the development of new apartment buildings in Šiauliai and Panevėžys has virtually stopped (new apartments in just a few projects are currently being sold). According to data from Ober-Haus, in Q3 2016, **1,267** newly constructed apartments were purchased or booked directly from developers in apartment blocks under construction or those already completed in the five main Lithuanian cities. This figure is 11% lower than in Q2 2016 and 27% higher than in Q3 2015.

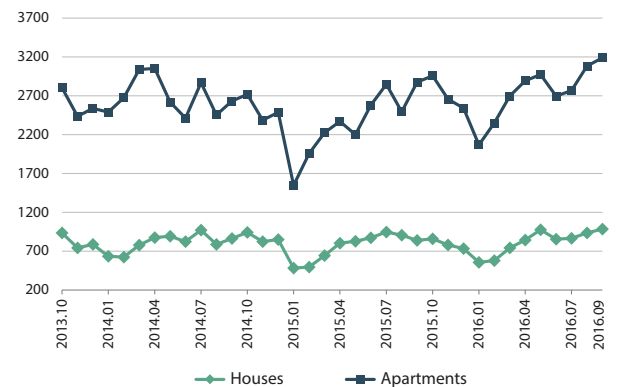
After the very active Q2 2016 in Vilnius, in Q3 2016, sales of new apartments have slightly dropped but nevertheless were again above 1,000. In Q3 2016, **1,022** new apartments were sold in apartment blocks already completed or still under construction in **Vilnius**, which is a 14% decrease compared to Q2 2016 but a 26% increase compared to one year ago. The sales statistics were once again dominated by the most recent projects, which offer the richest choice of apartments for sale.

**NEW HOUSING LOANS FOR PRIVATE PERSONS**  
(million EUR)



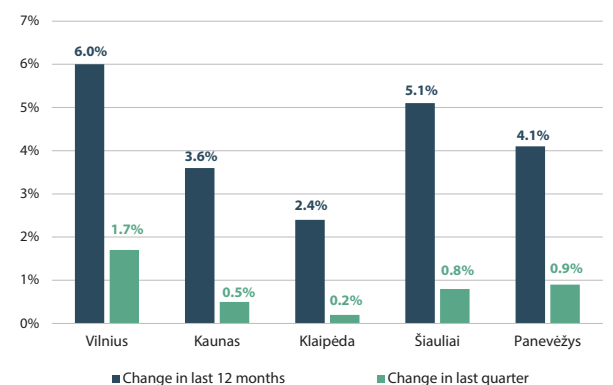
Source: ECB / 2013 - 2016

**NUMBER OF TRANSACTIONS IN LITHUANIA**



Source: SE Centre of Registers / 2013 - 2016

**AVERAGE APARTMENT PRICE CHANGES**



Source: Ober-Haus / Q3 2016

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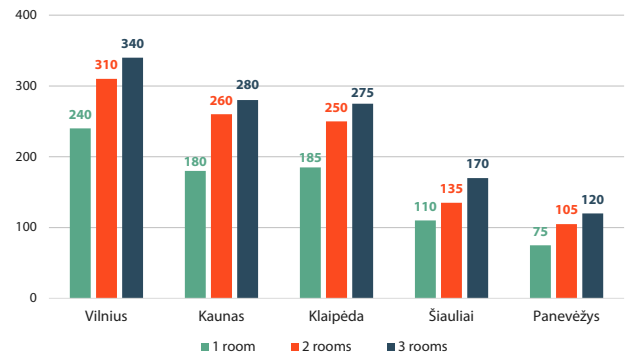
As many as 79% of new apartments sold belong to projects from the years 2016 and 2017. Of the apartments sold in Q3 2016, 14% accounted for apartments in projects completed in 2015, and only 7% accounted for apartments in projects built in 2007–2014. Despite the stable volume of construction of apartment buildings, the activity in the market ensures that the number of unsold apartments in completed projects does not grow. Over Q3 2016, the number of unsold apartments in completed projects in **Vilnius** grew by 1% and, by the end of the quarter, was **1,074**. Over the year, the number of unsold apartments in Vilnius dropped by nearly 14%.

In Q3 2016, **129** apartments were either sold or booked in the primary market in **Kaunas**, which is a 10% decrease compared to Q2 2016 and a 33% increase compared to Q3 2015. The number of unsold apartments in completed projects in **Kaunas** has been decreasing for the fifth consecutive quarter and totalled **265** by the end of Q3 2016. In **Klaipėda**, **114** new apartments were either sold or booked in Q3 2016, which is a 31% increase compared to Q2 2016 and a 34% increase compared to Q3 2015. The number of unsold apartments in **Klaipėda** has been decreasing for the fifth consecutive month; despite that, the total number of unsold apartments in completed projects is nearly double the figure of Kaunas and was **519** by the end of Q3 2016. Compared to Vilnius, no major construction breakthrough is observed either in Kaunas or Klaipėda. It is estimated that 10 apartment projects/new stages of earlier projects will be implemented this year in Kaunas, which will offer 320 new apartments. Completion of 8 projects (stages) is planned in Klaipėda by the end of this year, which will offer over 250 new apartments. Yet Kaunas and Klaipėda remain far behind Vilnius, where the supply is very rich. Developers plan to implement over 50 apartment building projects (stages) with approximately 3,900 apartments (a 10% increase compared to 2015) in Vilnius this year.

Changes in the supply of new housing are also observed in the market for detached and semi-detached houses: the increasing income of the population and the growing need for larger living area have recently encouraged developers to direct some of their investment into the development of houses. The most distinct changes are recorded in Vilnius. While 2012 and 2013 can be viewed as the start of the period of revival of construction of apartment buildings, activity in the market for houses has increased in 2014 and 2015. In **2016**, developers plans to built approximately **360** new houses in Vilnius and its suburbs, which is a **67% increase** compared to 2015. This is the best annual supply indicator since 2007, when nearly 490 new houses were supplied.

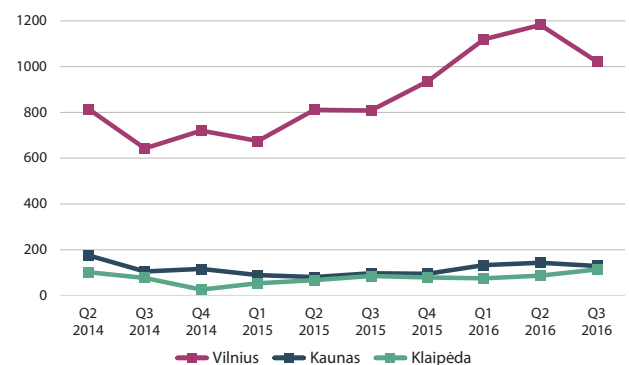
If compared the development of house projects with the most active time period in 2007, we can see certain distinct differences. Today, developers present to the market a completely different product that reflects the current realities: a smaller living area for a lower final price. While in 2007 the average total area of houses built in Vilnius region was 186 sqm, this year the average area is **111 sqm**, which is the lowest indicator for the past 15 years that will hardly change in the foreseeable future.

**AVERAGE APARTMENTS RENTS IN RESIDENTIAL DISTRICTS (Eur/month)**



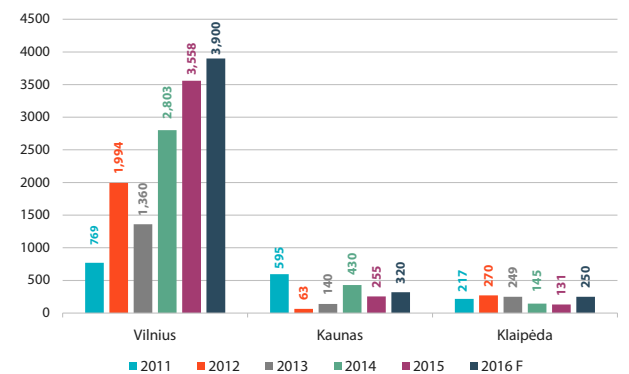
Source: Ober-Haus / Q3 2016

**SALES OF NEW APARTMENTS (in the primary market)**



Source: Ober-Haus / 2014 - 2016

**NEW CONSTRUCTION APARTMENTS ANNUAL SUPPLY**



Source: Ober-Haus / 2011 - 2016

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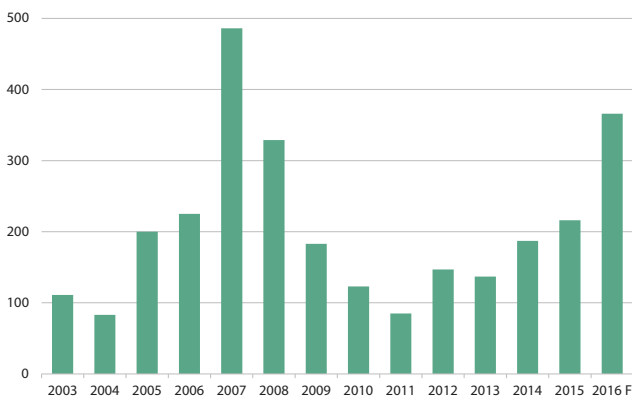
Developers currently invest in the house projects of various size; the projects are dominated by row houses, i.e. attached houses with relatively small areas. While earlier a typical project consisted of detached houses and semi-detached houses connected by means of garages, today developers normally offer long aisles of attached row houses, which normally do not have indoor parking facilities. Parking spaces are normally provided outside or under sheds of houses. Yet the total area of houses decreases not only on the account of garages but also in terms of living area: it is now normal to design houses with a living area of approximately 80–100 sqm, and sometimes you can even find row houses with an area under 60 sqm.

Developers want to satisfy buyers who wish to have their own home away from the city noise and closer to nature, with a minimum number of neighbours, a separate entrance and a plot of land. Attached houses with a smaller area enable satisfying these wishes at least to some extent and, what is most important, to provide housing for a considerably lower price. Buyers who prefer this type of houses are normally bound to not only accept a smaller living area but also a fairly small plot of land. Analysis of projects of Vilnius developers of 2016 shows that in most cases houses are built on plots of land with an area of 200 to 400 sqm.

In projects with a high construction density dominated by row houses, the area of plots of land can be 150–180 sqm, which means that the ownership and use of an own plot of land is implemented only formally if these projects do not create areas for common use (children playgrounds, sports grounds, etc.). The supply of detached or semi-detached houses with plots of land exceeding 600 sqm is very limited. Of the 19 house projects or stages to be completed in Vilnius this year, only 4 projects will offer houses with plots of land of a larger area (over 600 sqm).

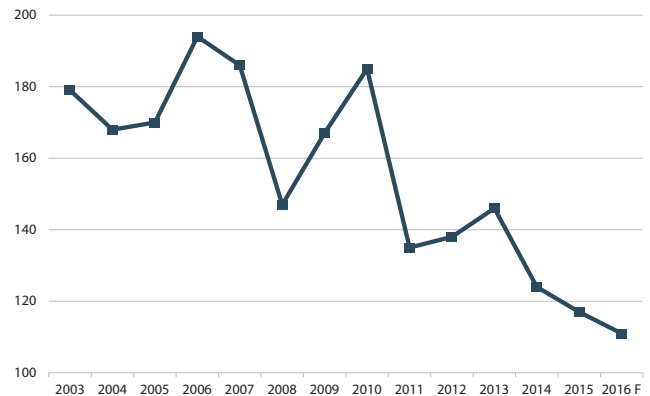
Current housing development trends enable developers to offer their product to an increasingly large number of buyers. A smaller area of houses and plots of land means a lower acquisition price – a factor that remains an important criterion for buyers. Small (up to 100–120 sqm) houses without fit-out in Vilnius and its suburbs currently sell for **EUR 80,000–120,000**. Larger houses with an attractive location and partial finish are normally offered for **EUR 140,000–170,000**. If the pace of implementation of projects is considered, it becomes evident that developers have managed to adapt to the market needs and supply liquid products. To date, **two thirds (66%)** of the houses completed this year or to be completed by the end of the year in Vilnius and its suburbs have been either **sold or booked**.

**SUPPLY OF NEW HOUSES IN VILNIUS CITY AND DISTRICT**  
(in newly developed house quarters)



Source: Ober-Haus / 2003 - 2016

**AVERAGE AREA OF NEW HOUSES IN VILNIUS CITY AND DISTRICT**  
(in newly developed house quarters, sqm)



Source: Ober-Haus / 2003 - 2016

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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