

# Vilnius Residential Update

## Residential property supply does not overtake the demand

### Economy

Lithuania maintains rapid GDP growth with 6.7% growth in 2004. This follows 8.9% in 2003, and 6.7% in 2002. Construction works were up 9.4% in 2004. National unemployment is less than 10%, and less than 5% in the capital, Vilnius.

### Prices

The especially sharp increase in prices, which began in the second half of 2003 continued up to today. Beginning in the summer of 2003 prices of newly constructed apartments grew 15-30% on average, though currently they have stabilised and do not possess potential for high growth. New apartments located in the city centre and in the Old Town cost between 1,100 and 2,300 EUR/sqm. Prices of newly constructed apartments located in the prestigious districts of the city (Antakalnis, Pvėrynas) range between 870 and 1,300 EUR/sqm. Prices of new, partially decorated apartments outside the city centre range between 600 and 870 EUR/sqm. The average price of decorating one square metre is 150-200 EUR.

### Demand

The demand for newly constructed apartments presently remains high and the existing supply still cannot meet the increased demand. On the other hand, there is not an apartment-buying boom like there was in late 2003 and early 2004. It should be acknowledged that elation over accession to the EU had a strong impact on the market and that buyer behaviour was less rational before May 1 2004 than it is at the present time.

The highest demand is still for cheaper one or two room apartments with a starting price of 700-800 EUR/sqm before decorating. There is also high demand and price increase potential for apartments in low-rise residential buildings, as well as terraces in not too densely populated areas or in locations with natural scenery (vegetation, water) which are oriented not so much to maximum use of the area but to the buyers' quality of life.

### Supply

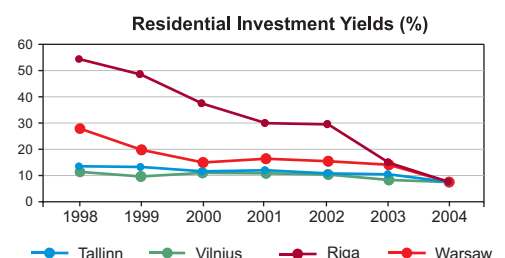
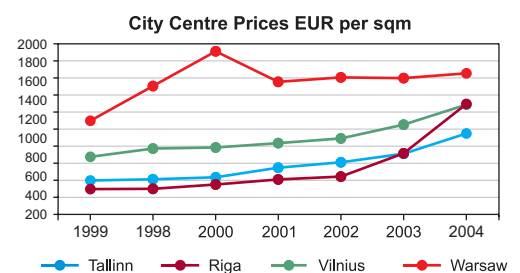
2,900 newly constructed apartments came on the market by the end of 2004, and about 95% of them have already been sold or reserved. The largest parts of the apartments (almost 60%) are being built in the so-called "dormitory districts": Īirmūnai, Paðilaièiai, Fabijoniðkës, Karoliniðkës and others. Significantly less construction is taking place in the prestigious districts, and especially in Pvėrynas, where the number of apartments constructed this year will not exceed 100. Slightly more than 300 apartments will be built in Antakalnis by the end of the year. Plans are to build at least 3,000 apartments in 2005. The number of new apartments in 2005



In Real – presents a new residential complex **Nida** which will be terminated in 2006



90 % of flats reserved though the construction of **Aisva**, one of the two 16-storey apartment buildings, have just started.



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SPRING 2005

could be greater; however, zoning rules for land were considerably tightened as new amendments to the Law on Territorial Planning came into effect on May 1. Because of this, the prices of land parcels with prepared detailed plans have substantially increased. The share of parcels for apartment houses soared from 30 to 50% in half a year.

## The mortgage market

Mortgage loan rates varied from 3.7% depending on currency, term, and other conditions. The maximum term is 40 years. Clients can borrow up to 95% of a property's value using guarantees from the state home loan insurance company.

Liquidity is fuelled by growing mortgage loans. Still, outstanding mortgage loans in Lithuania total only 4% of annual GDP. Compared to the EU average of 38% of GDP, mortgage lending has a long way to grow, bringing more liquidity to the market.

## Rents

In 2004 remained the same tendencies in the residential rents sector. The supply of properties, which exceed 290 EUR per month distinctly, overtakes demand. Therefore the rents of 2-3 room apartments have dropped 10 % in the Old Town and City Center. The biggest demand has been for the 1-2 room apartments which rents do not exceed 350 EUR per month located in the Center, Old Town and Zverynas. The rents of cottages and houses have remained unchanged since the demand does not exceed supply. The most popular districts remain the prestigious districts Zverynas and Antakalnis.

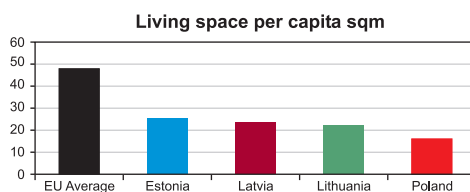
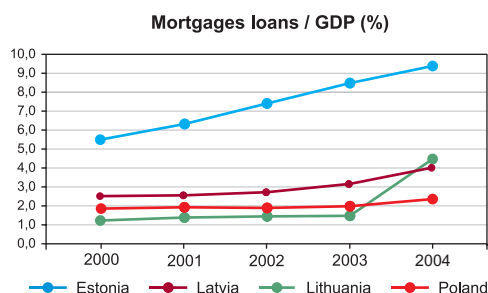
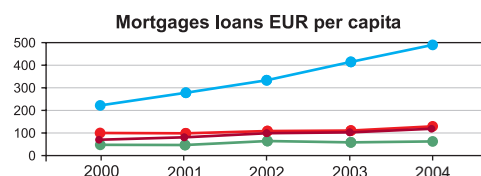
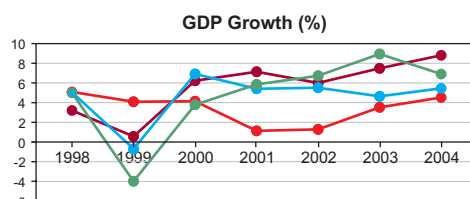
## Property taxes

At present, property tax for private persons is calculated only for land and comprises 1.5 % of the nominal property value. According to the new property taxation rules, this tax will soon depend on the market value of the property, and therefore land tax in Vilnius will increase. It will likely be equal to the taxes paid by companies, i.e. 1 % of the property's market value. However, there will be various exemptions and a certain share of property will be non-taxable.

Foreigners can freely buy and sell residential property in Lithuania. A foreigner can also buy land but must get approval from the local municipality.



Construction of prestigious 7-storey **Vingio** apartments on Ciurlionio st. will be terminated in January 2005.



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