

RESIDENTIAL REAL ESTATE MARKET COMMENTARY

LITHUANIA / Q1 2017

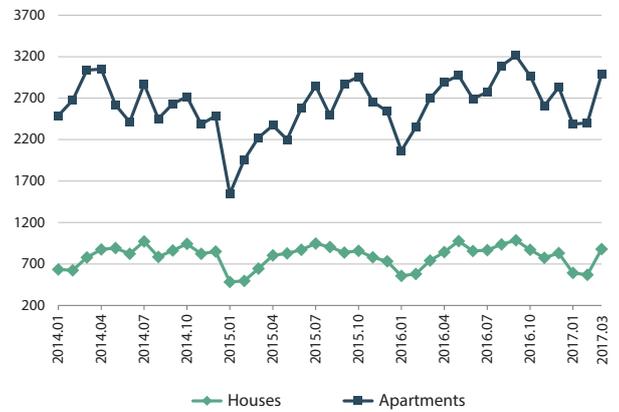
The start of 2017 in the Lithuanian residential market can be characterised by a steady growth. Nearly all the main indicators show that the market in the major cities of the country remains particularly active. In addition to the most active market of Vilnius region, after a longer break, the market in Kaunas is showing high activity levels. The volume of sales and supply of new apartments in Kaunas has finally reached the stage of faster growth.

According to the State Enterprise Centre of Registers, in Q1 2017, **9% more** purchase and sale transactions of houses and apartments were concluded in **Lithuania** than in the same period in 2016. In Q1 2017, an average of 680 transactions for houses and 2,590 transactions for apartments were concluded per month in Lithuania. Since 2007, only Q1 2014 saw better results. The number of transactions of apartments was 5% smaller than in the same period in 2014, but the number of transactions of houses was the same as in 2014. In Q1 2017, different activity trends were recorded in the residential market of major cities of the country. The largest change in the number of transactions of apartments was recorded in Klaipėda (the number of transactions increased by 15% compared to Q1 2016) and the smallest change was recorded in Panevėžys (the same number of apartments was purchased as in 2016). The number of transactions of houses grew fastest in Klaipėda and Klaipėda District (57% compared to Q1 2016), while in Šiauliai and Panevėžys cities and districts a drop of 4% and 6% respectively in the number of transactions of houses was recorded.

The continuing construction of new apartments in the country's capital and the recovering market of new apartments in the city of Kaunas offer new options for customers. It is therefore not surprising that under favourable purchase conditions and liberal supply, **in the five major cities of Lithuania** ever increasing overall sales volumes of new apartments have been recorded. According to Ober-Haus, in Q1 2017, **1,462** apartments in completed apartment buildings and apartment buildings in progress were sold or reserved directly from developers in the major cities. It is 13% more than in Q4 2016 and 9% more than the number of apartments realised in Q1 2016.

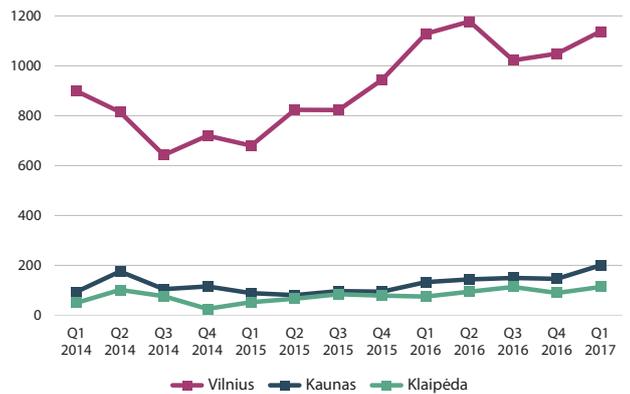
The sales volumes of new apartments in Kaunas have seen new heights this year. In the first three months of 2017, **201** apartments in completed apartment buildings and apartment buildings in progress were sold or reserved in **Kaunas** (38% more than the number of apartments realised in Q4 2016 and 51% more than the number of apartments realised in Q1 2016). This is the largest sales volume of new apartments in the post-crisis period in the city of Kaunas and its environs. The growing activity of home buyers throughout the country, including Kaunas (the number of new and old apartments sold in the city of Kaunas in 2016-2017 was only 5–10% smaller than that in 2005–2007) and the increasing price levels encourage developers not to miss the opportunity and offer modern housing to sufficiently active market in Kaunas.

NUMBER OF TRANSACTIONS IN LITHUANIA



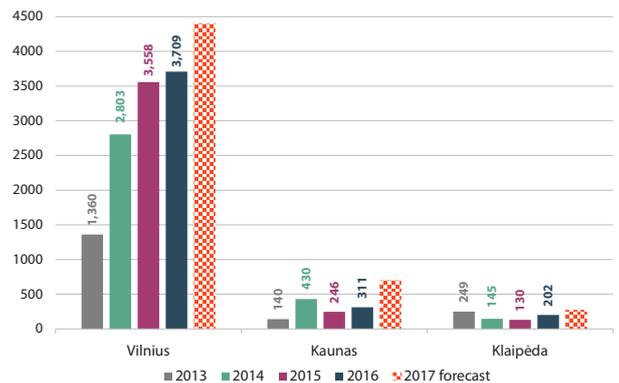
Source: SE Centre of Registers / 2014 - 2017

NUMBER OF SOLD/RESERVED NEW APARTMENTS (in the primary market)



Source: Ober-Haus / 2014 - 2017

COMPLETED APARTMENTS



Source: Ober-Haus / 2013 - 2017 F

RESIDENTIAL REAL ESTATE MARKET COMMENTARY

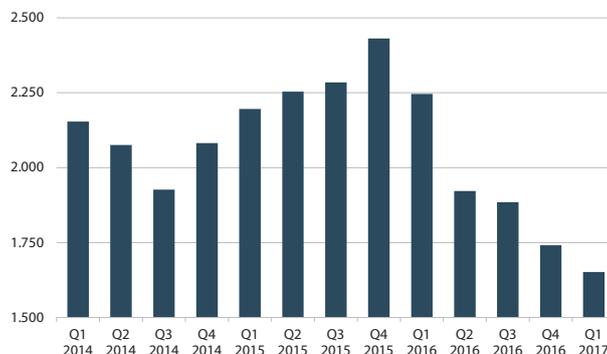
LITHUANIA / Q1 2017

As a result, a leap in the supply of new apartments in Kaunas and its environs is expected in 2017. In total, 15–20 projects (or their stages) could be completed this year offering 600–800 new apartments. This is 2–2.5 times more than the number of apartments built in 2016 (311 new apartments). The sales results of 2016 and in particular of Q1 2017 show that new projects, it seems, will have no greater problems in finding buyers.

Although more modest performance was recorded in the new apartment market in Klaipėda than in Vilnius or Kaunas, considering the size of the population the situation may be described as moderately optimistic. Even though the port city cannot boast of the amount of the projects, this is the second consecutive year that the projected number of apartments is on the rise. In total, 8–9 projects (or their stages) could be completed this year offering 250–300 new apartments. This is 25–50% more than the number of apartments built in 2016 (over 200 new apartments). While developers are still cautious about the more vigorous development of new apartments (in particular the larger scale projects, when a larger number of apartments is offered), the current market situation creates sufficient premises for the implementation of small- or medium-scale projects. The overall activity of buyers in Klaipėda (both for old and new apartments) is an indication of the existing internal potential and opportunities for new investment in the city. The apartment market in the city of Klaipėda has always been most active among the major cities of the country in terms of the relative number of apartment transactions per citizen leaving the city of Vilnius behind. In Q1 2017, **117** apartments in completed apartment buildings and apartment buildings in progress were purchased or reserved in **Klaipėda** (30% more than the number of apartments realised in Q4 2016 and 56% more than the number of apartments realised in Q1 2016).

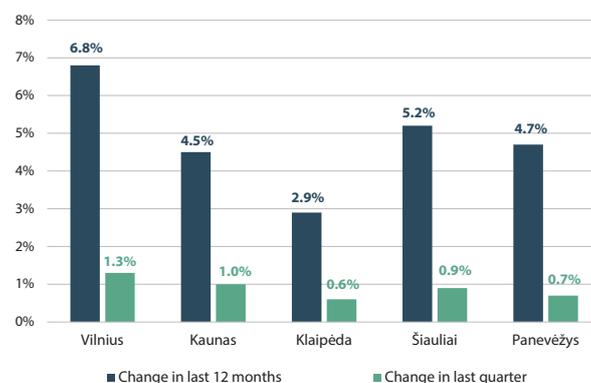
Meanwhile in Vilnius, the figure for the sale of new apartments is ten times higher than that in Klaipėda - during the first three months of this year **1,138** apartments in completed apartment buildings and apartment buildings in progress were sold or reserved. This is 8% more than the number of apartments realised in Q4 2016 and 1% more than the number of apartments realised in Q1 2016. Such results were anticipated, because each year the scale of construction noticeably increases and the growth in supply contributes to the growth of demand. Ober-Haus forecasts 20% growth in supply of new apartments in the capital city in 2017, i.e. up to 4,500 new apartments will be built. The figure for the new apartments for sale was higher only in 2006–2008 (4,800–5,800 new apartments per year). A total of 75% of the apartments sold/reserved in Q1 2017 were in newly developed projects (i.e. projects or their stages due to be completed in 2017–2018).

UNSOLD NEW APARTMENTS IN MAJOR CITIES
(In already finished projects)



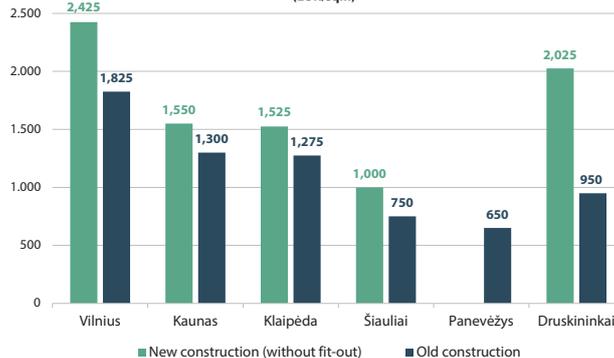
Source: Ober-Haus / 2014 - 2017

AVERAGE APARTMENT PRICE CHANGES



Source: Ober-Haus / Q1 2017

AVERAGE APARTMENT PRICES IN OLD TOWN, CITY CENTRE, PRESTIGIOUS DISTRICTS
(EUR/sqm)



Source: Ober-Haus / Q1 2017

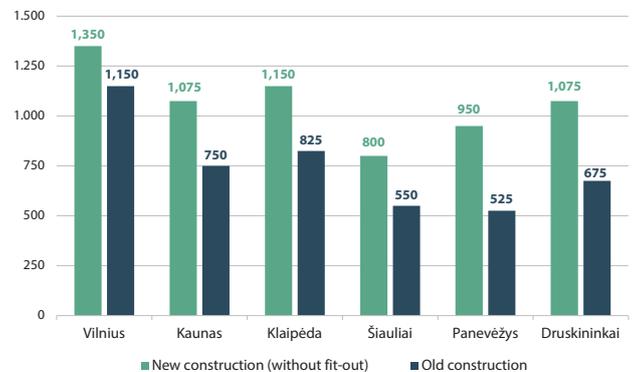
RESIDENTIAL REAL ESTATE MARKET COMMENTARY

LITHUANIA / Q1 2017

High levels of apartment realisation in Vilnius, Kaunas and Klaipėda determined a decline in the number of unsold apartments in these cities. This is the fifth consecutive quarter that this trends has been recorded. At the end of Q1 2017, the number of unsold new apartments in the major cities of Lithuania totalled **1,652** or 6% less than at the end of 2016 and 27% less than a year ago. The number of unsold apartments **in Vilnius totals 929, in Kaunas – 236, in Klaipėda – 469, and 18 new apartments in Šiauliai and Panevėžys together.**

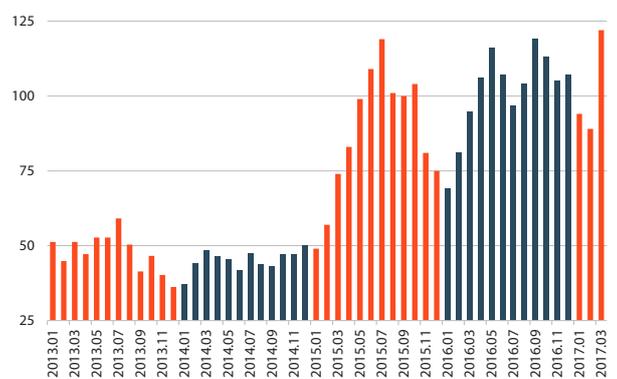
The trends in the holding prices remain sufficiently clear and should not change at least in the short term. Despite the demographic challenges in the country's regions, positive economic indicators of the country have been recorded. Favourable conditions for the purchase of homes further stimulate the markets of major cities where a moderate increase in prices was recorded. In Q1 2017, prices of apartments in Vilnius increased on average 1.3%, in Kaunas – 1.0%, in Klaipėda – 0.6%, in Šiauliai – 0.9% and in Panevėžys – 0.7%. Rising prices should not come as a surprise because of the continuing rapid increase in the role of the mortgage lending market, which reflects the growing confidence of the population in their financial wellbeing and in the general economic prospects of the country. According to the data of the Bank of Lithuania, in Q1 2017 new mortgage loans totalling **EUR 261 million** were provided, which is **27% more** than during the same period in 2016. Thus, in view of the positive immediate outlook of the country's economic development, the residential market looks optimistic at least in three of the largest cities of the country.

AVERAGE APARTMENT PRICES IN RESIDENTIAL DISTRICTS
(EUR/sqm)



Source: Ober-Haus / Q1 2017

NEW HOUSING LOANS FOR PRIVATE PERSONS
(Lithuania, million EUR)



Source: The Bank of Lithuania, ECB / 2013 - 2017

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.

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