

MARKET COMMENTARY



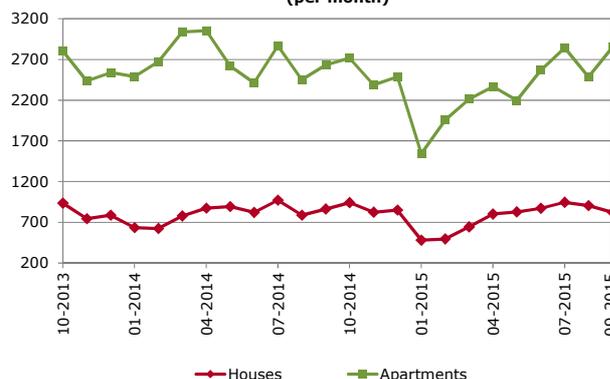
Q3 2015 was particularly active in the Lithuanian housing market. According to data from the Centre of Registers (State Enterprise), in Q3 2015, the number of transactions of individual houses in **Lithuania** was **7% higher** than in Q2 2015 and **2% higher** than in Q3 2014. The number of transactions of apartments in Q3 2015 was **14% higher** than in Q2 2015 and **3% higher** than in Q3 2014. In Q3 2015, an average of 890 deals for individual houses and 2,725 deals for apartments were finalised in Lithuania per month. This year is likely to be one of the most active years in the Lithuanian housing market, although it will hardly surpass the 2014 housing market activity indicators.

A rapid growth in the number of people wishing to borrow funds to purchase housing has also been observed recently. According to data from the Association of Lithuanian Banks, in Q2 2015, the main credit establishments of the country granted mortgage loans for **EUR 224 million**, which is a **49% increase** compared to Q1 2015. The total value of the loans granted in Q2 2015 is the highest since 2008. And, considering the overall activity in the housing market, it is likely that in Q3 2015 similar indicators will be recorded in the loan market.

No major changes in prices were recorded in the first half of this year (a certain growth in prices that is worth mentioning was recorded in Vilnius only), but the more active trade in real property has somewhat boosted the prices of housing in Q3 2015. In Q3 2015, apartment prices in **Vilnius** grew by **1.7%**, with the average apartment price growing to 1,320 EUR/sqm (+22 EUR/sqm). Over the same period, apartment prices in **Klaipėda, Šiauliai and Kaunas** increased by **0.6%, 0.4% and 0.1%** respectively. No changes were recorded in **Panevėžys** in the period in consideration. In Q3 2015, prices of individual houses in **Vilnius, Kaunas and Panevėžys** increased by **1–2%**, while no changes were recorded in Klaipėda and Šiauliai. Currently, individual houses with a total area of 150–200 sqm and with plots of land of 6–10 ares and partial finish in the outskirts of **Vilnius** are sold for **EUR 100,000–160,000**, in the outskirts of **Kaunas and Klaipėda** – for **EUR 65,000–130,000**, and in **Šiauliai and Panevėžys** – for **EUR 50,000–115,000**.

Developers can hardly complain about a lack of interest on the part of buyers in the apartments under construction – a stable considerable interest in new apartments is recorded and buyers not only send inquiries but also book and subsequently purchase the apartments. According to data from Ober-Haus, in Q3 2015, **1,055** new apartments were either directly purchased from constructors or

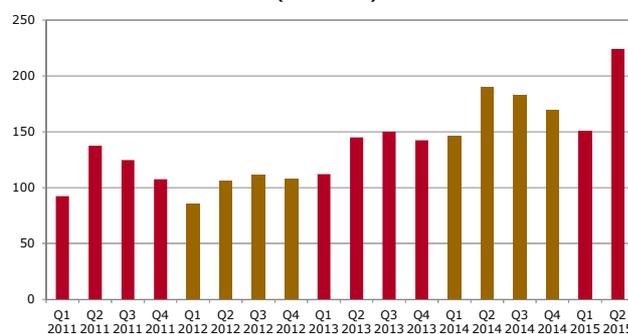
Number of transactions in Lithuania (per month)



Source: SE Center of Registers

Data: 2013 – 2015

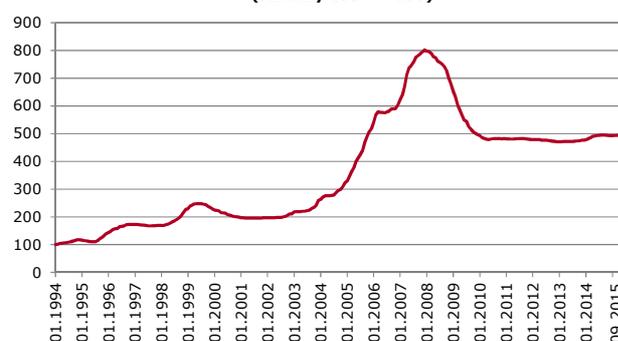
New housing loans for private persons (million EUR)



Source: Association of Lithuanian Banks

Data: 2011 – 2015

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



Source: Ober-Haus

Data: 1994 – 2015

Lithuanian Residential Real Estate MARKET COMMENTARY

Q3 2015

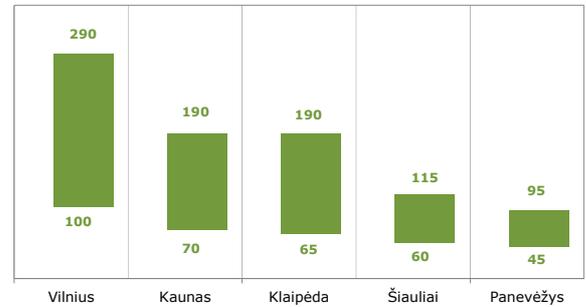
booked in the five **main Lithuanian cities** in completed apartment buildings and apartment buildings under construction. This is 33% more than the figure for Q3 2014 and 12% more than the figure for Q2 2015.

In the first three quarters of 2015, the construction of nearly 1,900 new apartments was completed in Vilnius, and the same number of new apartments is expected to be completed by the end of the year. If the current apartment building projects are completed on time, then this year the Vilnius market will receive 38% more new apartments compared to 2014 (an increase of 1,100 apartments). The new apartment selling indicators recorded in Vilnius in Q3 2015 are the highest since Q1 2014. In **Vilnius, 879** new apartments in completed apartment buildings and apartments buildings under construction were sold or booked in July, August and September, which is 35% more than a year ago and 10% more than in Q2 2015. In **Kaunas and Klaipėda, 97** and **74** apartments respectively were sold or booked in Q3 2015 in completed apartment buildings and apartment buildings under construction. Compared to Q2 2015, the figure in Kaunas demonstrated a 14% increase, and the figure in Klaipėda demonstrated a 21% increase.

At the end of Q3 2015, the total number of new apartments (in completed apartment buildings) that remained unsold in the **main Lithuanian cities** was **2,268**, which is the same as at the end of Q2 2015. Although the total number of unsold apartments in the main Lithuanian cities remained unchanged, individual cities demonstrated different trends. Due to the scarcity of new apartment building projects in Kaunas and Klaipėda, potential buyers do not have much choice, for which reason they caused the "pool" of completed but unsold apartments to decrease. On the other hand, the number of completed but unsold apartments in Vilnius grew for the fourth quarter in a row. At the end of Q3 2015, the number of unsold new apartments in completed apartment buildings in **Vilnius** was **1,241**; this figure was **379** for **Kaunas**, **612** for **Klaipėda**, and **36** for **Šiauliai and Panevėžys** taken together.

The slowly growing number of unsold apartments in Vilnius in essence coincides with forecasts since the experience of the previous years also showed that not all apartments in new projects are sold within the time periods envisaged by developers. Some of the apartments do not seem attractive to buyers due to their layout, size, legal status, or other characteristics, but some developers, seeing the activity in the market, do not tend to provide any considerable discounts, i.e. they are ready to offer less attractive properties for longer time periods rather than reduce the prices of such properties.

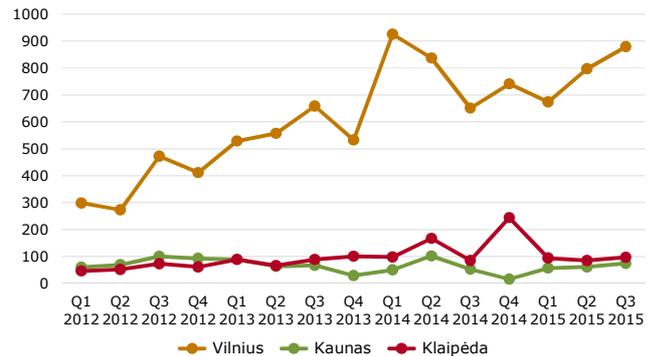
Detached house prices in residential districts
(150-200 sqm, thousand EUR)



Source: Ober-Haus

Data: Q3 2015

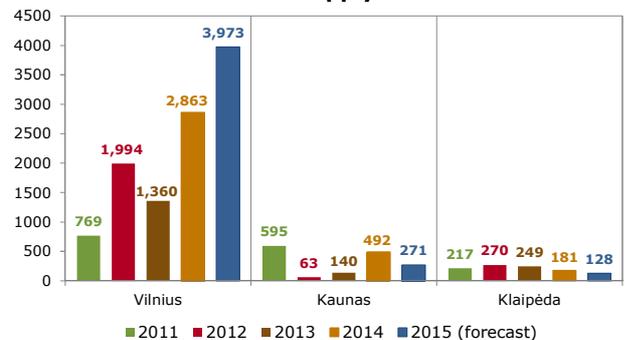
Sales of new apartments
(in the primary market)



Source: Ober-Haus

Data: 2012 - 2015

New construction apartments annual supply



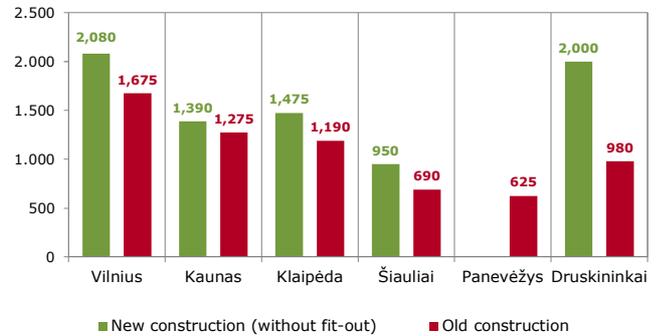
Source: Ober-Haus

Data: 2011 - 2015

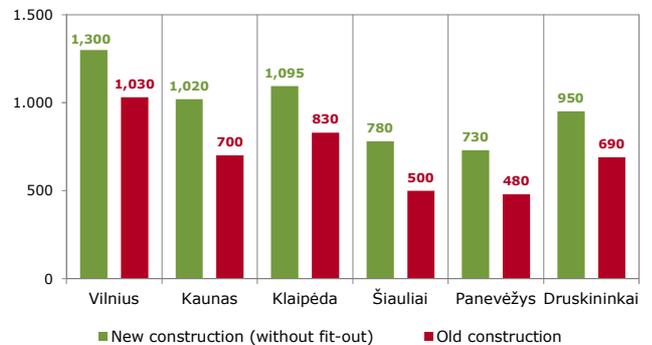
Therefore, the consistent increase in the number of unsold apartments in Vilnius has been programmed and for the time being it cannot be viewed as overheating of the market. If we consider only the most recent apartment building projects (i.e. the projects constructed in 2015), we can see that as many as 73% of the apartments within these projects have been already sold/booked. For instance, in 2005–2007 (the years of the most activity in the market), of the new apartments constructed in that time period, 85–90% were sold within one year, which means that the selling/booking pace recorded this year is sufficient to ensure that there is no excess of unsold apartments in the market to encourage developers to provide considerable discounts.

If we consider the number of construction cranes operating in Vilnius and the number of future projects presented to the public, we can state that the supply in 2016 will also be rich. However, if we consider further prospects of development of apartment buildings and of the supply of new housing (in 2017 and 2018), we should not forget that the requirement to design and construct buildings with at least class A energy efficiency enters into force in 2016. Thus, the cost price of apartment buildings to be constructed in the future is bound to increase, which may result in lower profits for developers, a decreasing activity of builders, and a less active establishment of new real estate development companies.

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



Average apartment prices in residential districts (EUR/sqm)



Source: Ober-Haus

Data: Q3 2015

Q1-Q3 2015

COMPLETED APARTMENTS IN VILNIUS
1,887
SOLD/BOOKED IN THE
PRIMARY MARKET
2,350

Source: Ober-Haus

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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