

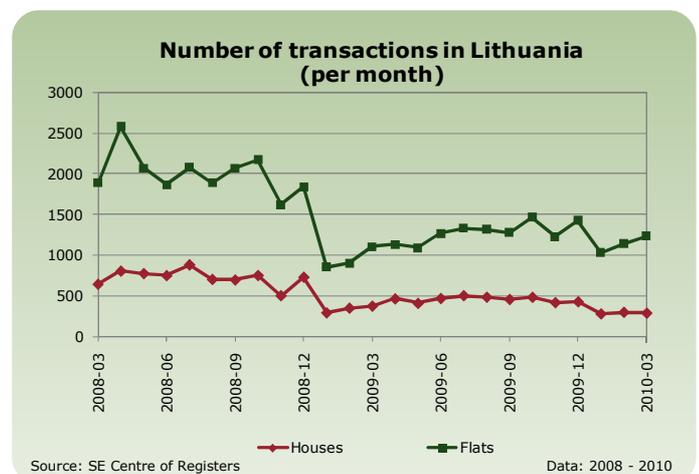
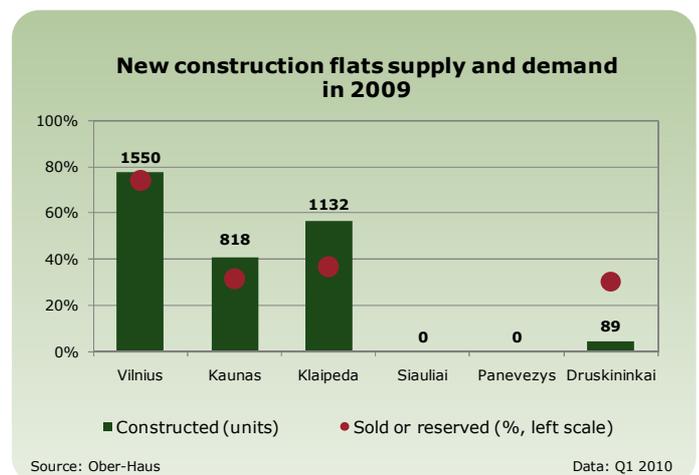
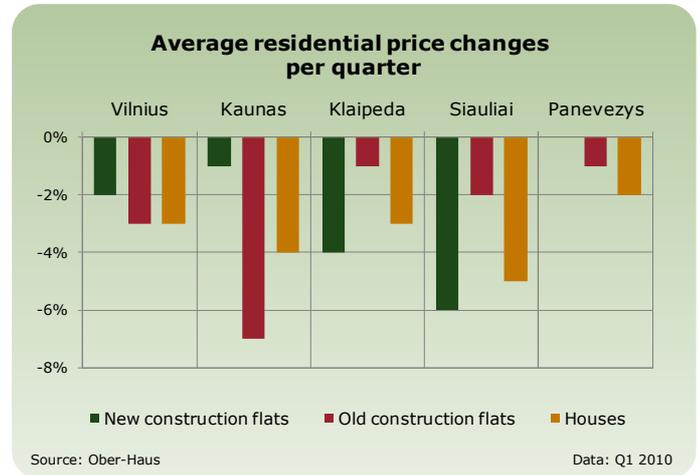
MARKET COMMENTARY

Results from the early part of 2010 of the Lithuanian housing market are encouraging. During the first three months of the year housing prices in Lithuania's large cities fell **2.8%**. It is the lowest quarterly fall in housing prices over the past year and a half. Moreover, there has been a growing increase in activity in the housing market. According to the State Enterprise Centre of Registers, the number of sale & purchase transactions closed in Lithuania over the first quarter of the current year is 10% higher than the previous year. The reasons for the housing market stabilization are as follows: improving home loan conditions since the second half of 2009 (e.g., the home loan interest rate alone is nearly twice as low as it was in 2008-2009) and attractive housing prices, which have dropped by approximately **40%** in Lithuania's major cities. Actually, in certain areas housing prices are half what they were. Seeing that housing prices are not dropping as quickly as they did in late 2008 and early 2009 and being able to buy houses and apartments easier and under better conditions, potential buyers are more ready to invest in owner-occupied property. In addition, buyers' decisions to acquire newly built housing are determined by the decreasing supply in the primary market.

Based on the country's latest basic economic and demographic indicators and forecasts, it can hardly be expected that the housing sector recovery in Lithuania will be quick. The real estate market development scenario of 2004-2007 is unlikely to recur in the near future. It is most likely that for the foreseeable future the Lithuanian housing market will be similar to that of 2001-2002 with housing prices increasing slowly as happened after the Russian crisis, when the country's economy started to recover slowly.

It should be emphasised that the housing market development in individual areas or regions will not be uniform any time soon. The worst possible prospects remain in the old construction housing market: considerable supply of such property, heavy heating expenses and less favourable home loan conditions - all of this is unlikely to contribute to the segment's faster recovery. It is likely that in the near future there will be a further fall in this sector in nearly all the major cities of Lithuania.

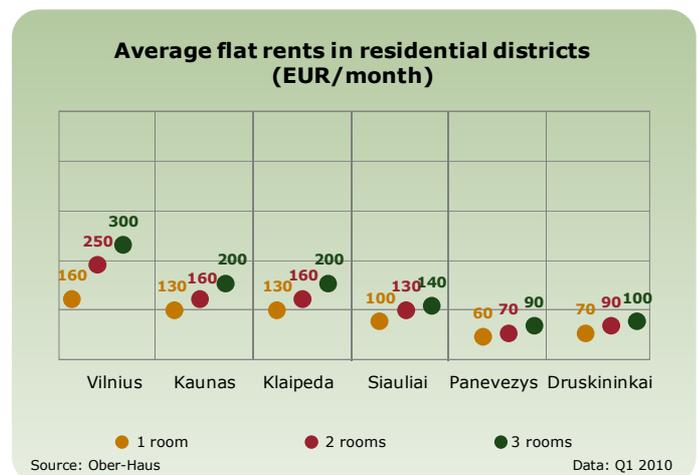
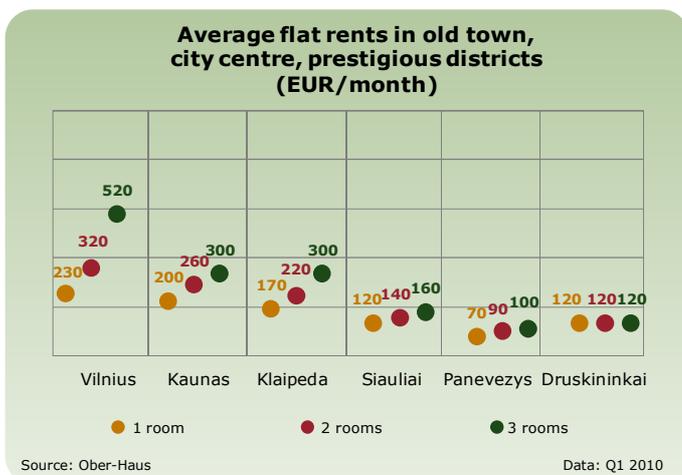
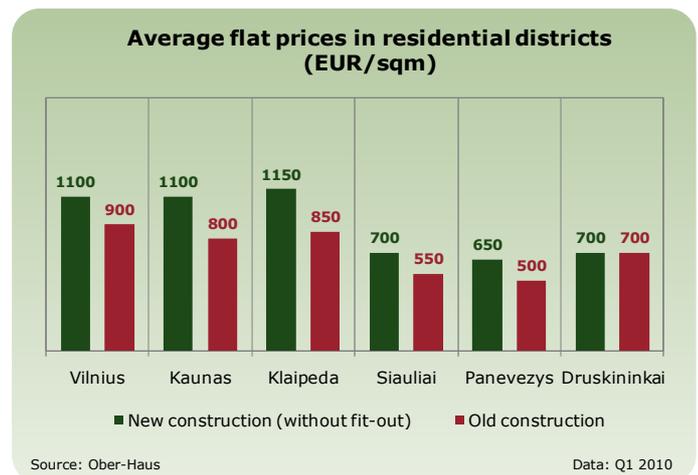
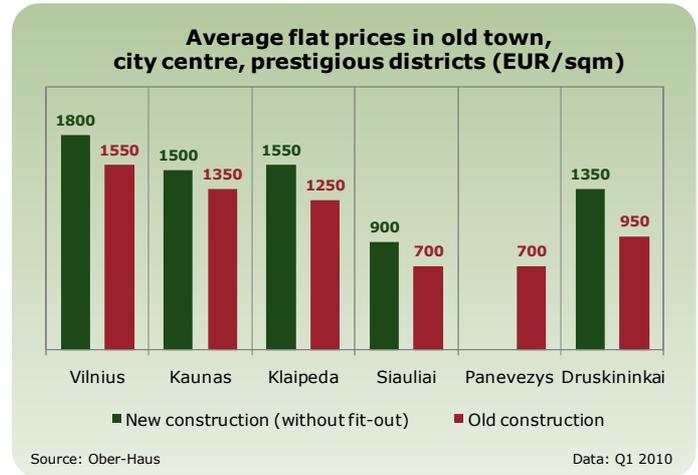
On the other hand, although the new construction price curve continues to fall, cases of increases in the prices of some new project have already been recorded during the Q1 of 2010. Although the improvement in prices is mostly symbolic (usually 30-60 EUR/sqm), the very fact suggests that the price curves of different projects can move in the opposite direction. The worst prospects are for those projects whose developers are facing solvency problems, fail to secure guarantees, or projects having only the least realisable apartments remaining (i.e. unattractive layout, orientation of windows, etc.).



Lithuanian Residential Real Estate **MARKET COMMENTARY** **Q1 2010**

With the significant supply of new construction housing (on both the primary and secondary markets), the developer unable to provide credible guarantees or offer attractive housing will be forced to compete at a lower price. Therefore, the best prospects are for those developers, who can manage to reassure customers of their financial stability both now and in the future as well as offering a new, attractive, high quality product.

During the Q1 of 2010 the supply of newly built apartments (in already constructed multi-storey buildings) in **Vilnius, Kaunas, Klaipėda, Šiauliai, and Panevėžys** decreased from **4,100** to **3,700** apartments. Approximately **1,900** apartments are currently being offered in multi-storey buildings in **Vilnius** built in 2007-2009, approximately **750** apartments in **Kaunas**, approximately **950** apartments in **Klaipėda**, and approximately **100** newly built apartments in **Šiauliai and Panevėžys** combined. So we see that the number of unsold apartments per head of population in each city can be described as follows: **Klaipėda** sets the pace with **5.2** apartments per 1.000 people, next goes **Vilnius** with **3.4** apartments per 1.000, and **Kaunas** with **2.1** apartments per 1.000 people. However, after evaluating the market activity indicators for individual cities, it can be seen that in Kaunas the number of housing transactions per capita is much lower than in Vilnius and Klaipėda. Therefore, currently the best situation and prospects are those of Vilnius in both the old and new housing market. In addition, according to the official statistics, Vilnius is the only Lithuanian city with the population increasing each year instead of decreasing. Thus, the most notable positive housing supply or price changes will be seen first in this city. This is confirmed by the latest news concerning new residential projects planned or where construction has already resumed in Vilnius. In other regions of Lithuania the housing market recovery may be slower.



If you wish to receive any additional information about development of the real estate market in Lithuania, Latvia, Estonia and Poland; 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 UAB Ober-Haus real estate market analysts.

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