

# Lithuanian Residential Real Estate

Q1 2012

# MARKET COMMENTARY

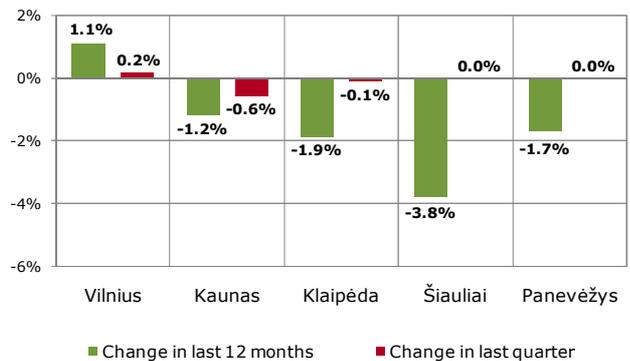
In Q1 2012, apartment prices in the main Lithuanian cities remained stable. If we consider the situation in each of the cities individually, only minor changes in prices were recorded. In **Vilnius**, prices increased **0.2%**, the increase in **Kaunas** and **Klaipėda** was **0.6%** and **0.1%** respectively, and no changes were recorded in Šiauliai or Panevėžys. The market has not acquired any clear direction, and such minor fluctuations in apartment prices have continued for almost two years now. Over the past 24 months, apartment prices have dropped 0.8%. Considering the current situation and the prospects for the near future (the economic situation in the country, housing financing policies, and supply parameters), we can state that similar apartment price trends are likely to be observed in the foreseeable future.

The overall activity of the housing market in Lithuania continues to grow. According to data from the Centre of Registers, in Q1 2012 the number of housing transactions (apartments and houses) finalised in Lithuania was almost **10%** higher than a year ago. The pace of growth in the number of deals concerning apartments and in the number of houses was similar: the number of transactions for houses during this period increased over 11%, while that for apartments increased approximately 9%. While in Q1 2011 the number of sales of houses was 460 and that number of apartments was 1,550 per month, this year this parameter grew to 510 of houses and almost 1,700 sales of apartments per month.

The beginning of the year was once again marked with a somewhat unexpected rapid growth in the number of land transactions. According to data from the Centre of Registers, in Q1 2012 the number of deals for the purchase and sale of land finalised in Lithuania was **25%** higher than a year ago. It should be noted that the same relative growth in the number of contracts (25%) was recorded in Q1 2011, which means that this year the nominal growth in sales was even greater. While the average number of deals finalised in Lithuania in Q1 2010 and Q1 2011 was 2,500 and 3,100 per month respectively, almost 3,900 deals per month were finalised during the same period this year. This considerable growth to a large extent resulted from the sale of agricultural plots of land in the most fertile regions of Lithuania—that is, the land that was purchased is used for agricultural activity rather than construction.

Having noticed the growing demand after the crisis, developers have resumed projects that were started earlier and started construction of new apartment buildings. The active construction of housing in Vilnius, which started in 2011, means that the number of unsold apartments is not going down and is even slowly increasing. According to data from Ober-Haus, in Q1 2012 the number of unsold new apartments in completed apartment buildings in the main Lithuanian cities grew 3%—i.e. from **2,650** to **2,750**. Currently, the number of apartments on offer in apartment buildings built in 2007–2012 in individual cities is as follows: **1,120** apartments in **Vilnius**, approximately **600** apartments in **Kaunas**, over **960** apartments in **Klaipėda**, and the aggregate number for **Šiauliai** and **Panevėžys** is over **70** apartments.

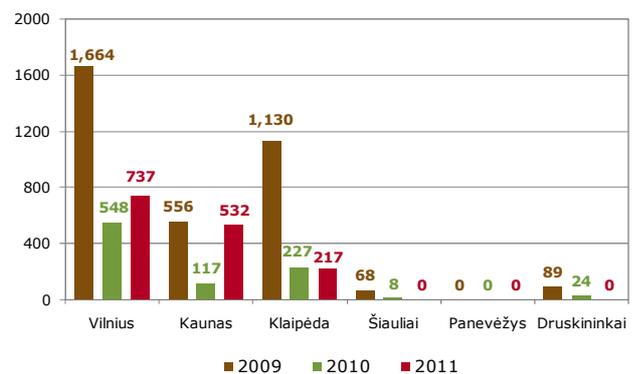
Average apartment price changes



Source: Ober-Haus

Data: Q1 2012

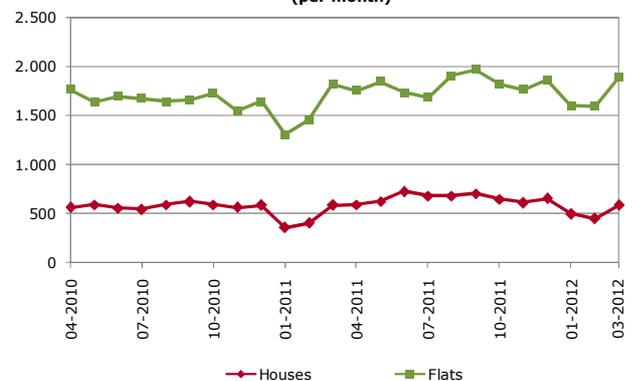
New construction flats annual supply



Source: Ober-Haus

Data: Q1 2012

Number of transactions in Lithuania (per month)



Source: SE Centre of Registers

Data: 2010 - 2012

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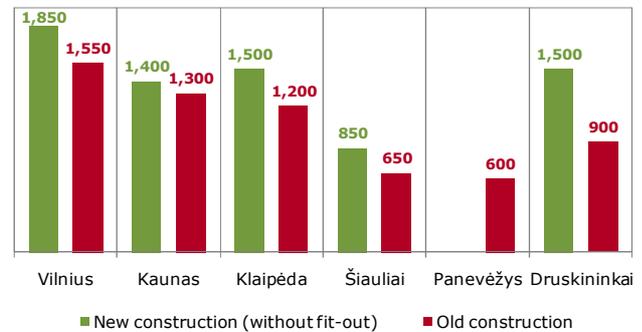
Q1 2012

Any significant growth in supply is currently observed in Vilnius only. Six apartment buildings (within 5 different projects) with 250 apartments were completed in the capital city in Q1 2012. Only one apartment building was completed in Kaunas and one in Klaipėda in the same period. The completion of a further 20 apartment buildings with 1,350 apartments in Vilnius is expected by the end of 2012. On successful completion of all these projects, the total number of apartments constructed in the capital city this year will be double the number constructed in 2011. No similar growth in supply is expected in the other main Lithuanian cities because the planned scope of new construction is considerably smaller.

At present, most construction projects feature economy and medium class apartments in residential districts of cities. These apartments are also the most in demand. In residential districts of **Vilnius**, new apartments without final fit-out are offered for **840–1,600 EUR/sqm**. The prices are **840–1,300 EUR/sqm** in **Klaipėda**, **800–1,300 EUR/sqm** in **Kaunas** (from 580 EUR/sqm in suburbs), and **600–800 EUR/sqm** in **Šiauliai** and **Panevėžys**.

If we consider the prospects of the market in new apartments in Vilnius, we can state that the pace of new constructions is beginning to exceed the speed of growth in demand. For this reason, the increasing competition among developers can only be outweighed by two-digit pace of growth in the number of transactions. If the number of potential buyers remains stable or grows insignificantly, it is very likely that by the end of this year the number of unsold apartments in the capital city may increase once again. In a situation like this, developers and their financiers are likely to postpone the start of new projects and the recent miniboom of new construction in Vilnius is likely to slow down next year.

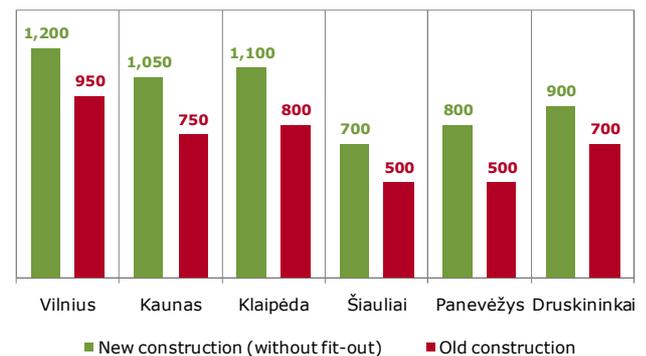
**Average flat prices in old town, city centre, prestigious districts (EUR/sqm)**



Source: Ober-Haus

Data: Q1 2012

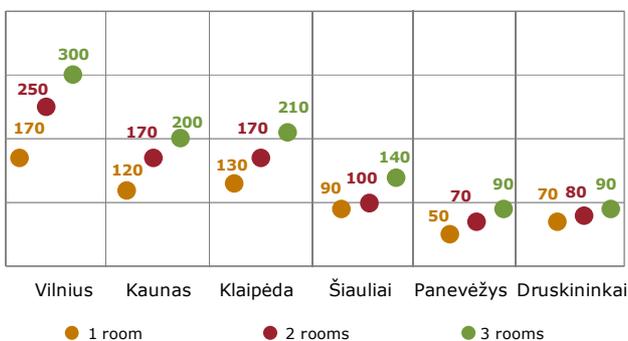
**Average flat prices in residential districts (EUR/sqm)**



Source: Ober-Haus

Data: Q1 2012

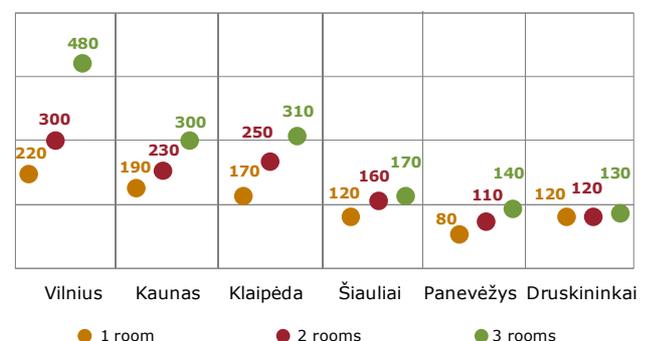
**Average flat rents in residential districts (EUR/month)**



Source: Ober-Haus

Data: Q1 2012

**Average flat rents in old town, city centre, prestigious districts (EUR/month)**



Source: Ober-Haus

Data: Q1 2012

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 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 Ober-Haus real estate market analysts.

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