

Lithuanian Residential Real Estate

Q2 2014

MARKET COMMENTARY



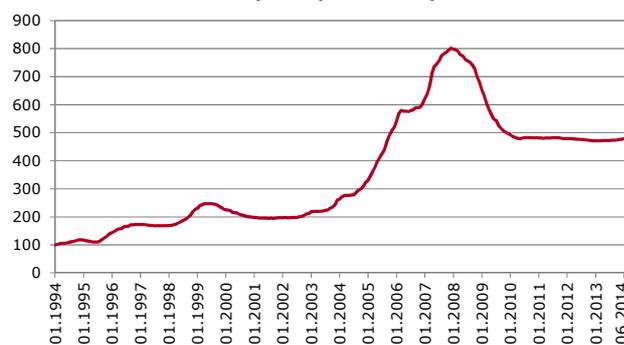
The Lithuanian residential market continues on the track of strong recovery after the last crisis. Greater market developments were felt in March-April 2014, when very high market activity and noticeable growth in residential property prices were recorded. During the first half of 2014, the highest price change was observed in Vilnius, where apartment prices increased by **5.4%**, the average price going up to 1,283 EUR/sqm. The most prominent, around 10%, increase in prices during the first half of the year was observed in the residential districts of old apartment buildings. This can be explained by the prevailing lower prices in such districts and particularly broad choice. In addition, unlike newly constructed apartments, apartments in old apartment blocks are sold fully finished (usually furnished), so the buyer does not have to invest in fitting out the apartment at once. Despite the relatively high increase in prices in recent months, the level of prices for apartments in Vilnius, compared with the highest price level reached at the end of 2007, is still 35.3% lower than that six and a half years ago. The increase in prices in other major cities in the country was not as fast, but the trend remained positive. Over the past six months, apartment prices in Panevėžys increased by **2.3%**, in Klaipėda – **1.9%**, in Šiauliai – **1.8%**, and in Kaunas – **0.6%**.

It is evident that the growth in residential property prices was prompted by an increase in demand, which was reflected in the overall sales figures. According to the information of the State Enterprise Centre of Registers, during the first half of the year, **17%** more house purchase and sale transactions were concluded in **Lithuania**, compared to the same period last year and **27%** more apartment purchase and sale transactions than a year ago. In the first half of 2014, on average 770 transactions for houses and 2,710 transactions for apartments were concluded per month in Lithuania. The largest hike in the number of apartment transactions over this period was recorded in Kaunas (36%), followed by Panevėžys (29%), Klaipėda (28%), Vilnius (24%) and Šiauliai (13%).

The sales of new apartments in Q2 2014 remained at a high level not only in Vilnius. Sales volumes jumped in Kaunas and Klaipėda. According to Ober-Haus, over the said period, **1,075** new apartments in already completed apartment buildings or buildings under construction were either purchased or reserved directly from developers in the five **largest cities of Lithuania**. This is **56% more** than in Q2 2013 and almost as many as were sold in Q1 this year.

In Q2 2014, **801** newly built apartments or 44% more than in the same period last year were sold in **Vilnius**.

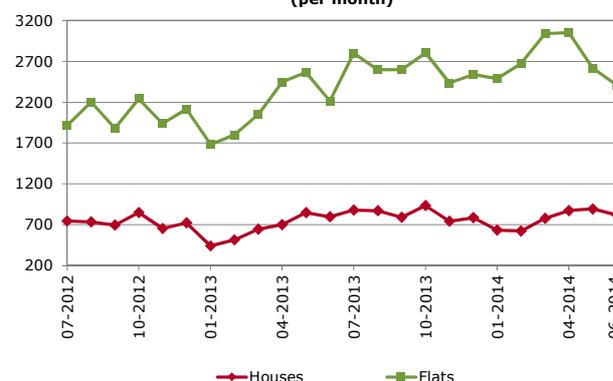
Lithuanian apartment price index (OHBI)
(January 1994 = 100)



Source: Ober-Haus

Data: 1994 - 2014

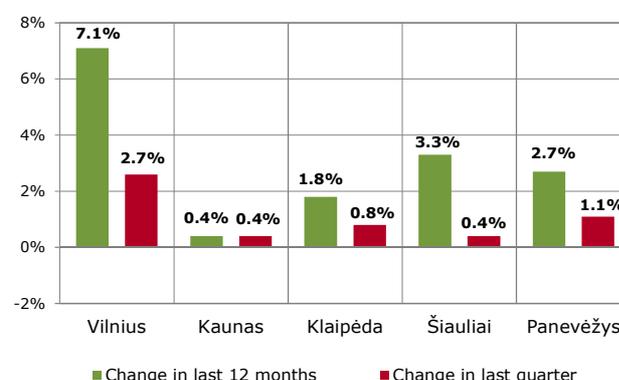
Number of transactions in Lithuania
(per month)



Source: Ober-Haus

Data: 2012 - 2014

Average apartment price changes



Source: Ober-Haus

Data: Q2 2014

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In Kaunas and Klaipėda, **166** and **102** new apartments were sold or reserved respectively; this is 1.5–2.5 times more than in Q2 2013. Since Kaunas and Klaipėda cannot boast of an abundance of new residential projects, one or several new projects on the market can considerably improve the statistical indicators.

During Q2 2014, 14 new apartment buildings with 1,150 apartments were completed in Vilnius. Indicators for the first half of the year show that the volumes of construction of new apartments are equivalent to the volume of sales. Namely, the same number of apartments was bought and built in Vilnius this year (over 1,700 new apartments). The recovery is also felt in the housing market in Kaunas, as developers resume and starts the construction of new apartment buildings in the city. It is likely that up to 10 new projects with more than 350 apartments will be implemented in Kaunas this year. Meanwhile in Klaipėda, only about half as many projects will be completed, because developers can still offer quite a few apartments in previously constructed projects.

At the end of Q2 2014, the number of unsold apartments in newly constructed apartment buildings in the **major cities of Lithuania** totalled around **2,060** or 15% fewer than last year. The number of unsold apartments in such buildings is **1,060**, in **Kaunas – 320** apartments, in **Klaipėda – nearly 650** apartments, and in **Šiauliai and Panevėžys** together – about **35** new apartments.

Examining both the supply of new apartments and their sales figures, it can be reasonably stated that at the moment there are no obvious signs of overheating or baseless development in the Lithuanian housing market. An increase in prices of residential property is in line with both the expectations of market participants and the pace of economic development of the country. The much-talked about concern that there is possibly too much housing development in the capital city has no valid grounds. Current construction volumes are 2–3 times lower than those in 2006–2008 (at the time 5,000–6,000 apartments were built per year) and are adequately proportionate to the needs of today's market. It can be argued that the current market is very favourable for both developers and buyers, because there is neither oversupply nor high demand. Developers can operate profitably in the market and buyers can enjoy quite a plentiful supply and housing prices which are not growing rapidly. The market is expected to continue maintaining this beneficial balance to all parties.

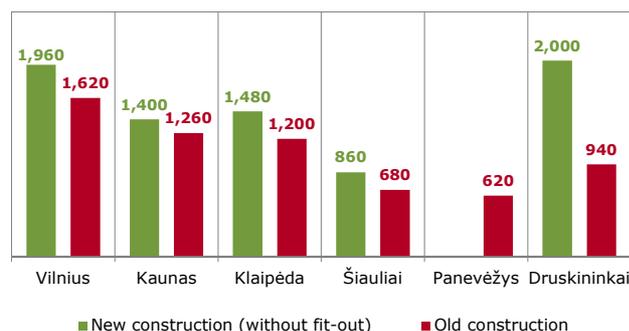
Unsold newly built apartments
(primary market)



Source: Ober-Haus

Data: Q4 2012 – Q2 2014

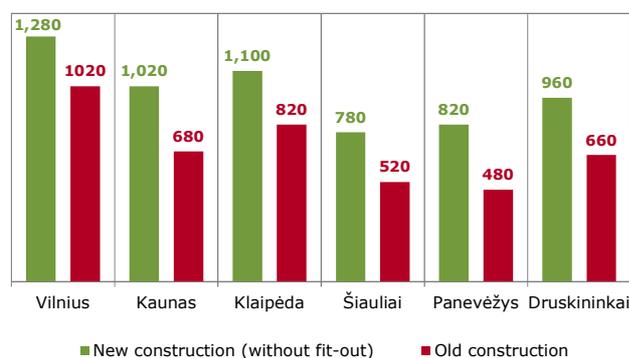
Average flat prices in old town, city centre, prestigious districts
(EUR/sqm)



Source: Ober-Haus

Data: Q2 2014

Average flat prices in residential districts
(EUR/sqm)



Source: Ober-Haus

Data: Q2 2014

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.

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