

Lithuanian Residential Real Estate

Q3 2012

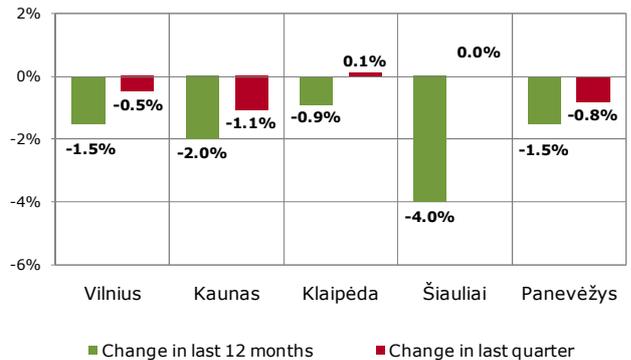
MARKET COMMENTARY

Developers of new apartment buildings in Vilnius are successfully implementing their projects. According to Ober-Haus data, in Q3 2012, over **570** new apartments were completed which is the largest quarterly growth in supply since 2009. The capital, however, is the only major city of Lithuania where the number of new apartments has significantly increased. In the previous quarter, only one multi-storey apartment building was completed in Kaunas and Klaipėda. Despite the record-high supply of new apartments in Vilnius, the total number of unsold apartments in newly built apartment buildings in major Lithuanian cities increased by only 1% and amounted to **2,850** at the end of September. In the multi-storey apartment buildings built in the period between 2007 and 2012, 1,325 apartments were offered in Vilnius, 560 apartments in Kaunas, 886 apartments in Klaipėda, and 77 in Šiauliai and Panevėžys combined. Increase in sales volumes determined only minor growth of the overall supply, i. e. essentially almost as many apartments were sold as were offered on the market.

Q3 2012 was really successful for developers of new apartment properties. Nearly **650** newly built apartments in the completed multi-storey buildings and buildings still in progress were purchased or reserved in the Lithuanian cities directly from the builders. This is 35% more than the number of apartments realised in Q2 2012. The biggest change was recorded in Vilnius where in July, August and September 470 new apartments were sold or reserved. This is 49% more compared to Q2 2012. In Kaunas, sales figures for the same period increased by 40% (73 new apartments were sold or reserved), while sales in Klaipėda fell by 4% (100 new apartments). No significant changes were recorded in Šiauliai and Panevėžys – one or two apartments are sold in the new multi-storey buildings per month. It is likely that equally good sales indicators will be recorded at the end of the year, because a number of new projects, especially in Vilnius, will be completed (about 10 new projects with a total of 600 apartments).

In recent years, no major price changes in the Lithuanian housing market have been recorded: prices remain stable with slight positive or negative changes. Stable moods and growing activity in the market are favourable factors for developers of new housing and lead developers to expect planned, stable earnings on the new projects. Statistics shows that this year, the smallest apartment price changes (positive and negative) have been recorded in the capital. According to Ober-Haus, in **Vilnius**, prices for apartments in old buildings fell by **0.1%**, meanwhile those in newly constructed buildings increased by **0.3%**. In **Kaunas** and **Klaipėda**, prices for apartments in old buildings fell by **1.5%** and **0.8%** respectively and prices for apartments in new buildings fell by **3.1%** and **0.4%** respectively.

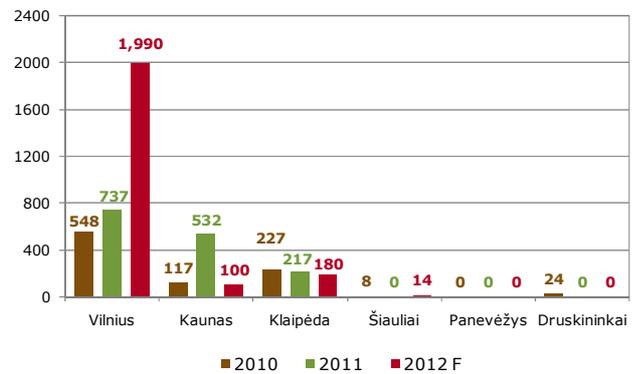
Average apartment price changes



Source: Ober-Haus

Data: Q3 2012

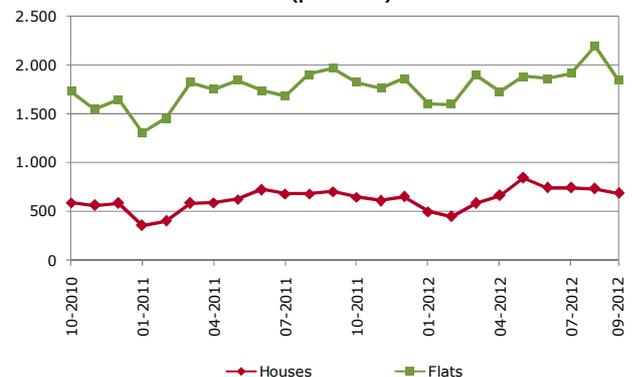
New construction flats annual supply



Source: Ober-Haus

Data: Q3 2012

Number of transactions in Lithuania (per month)



Source: SE Centre of Registers

Data: 2010 - 2012

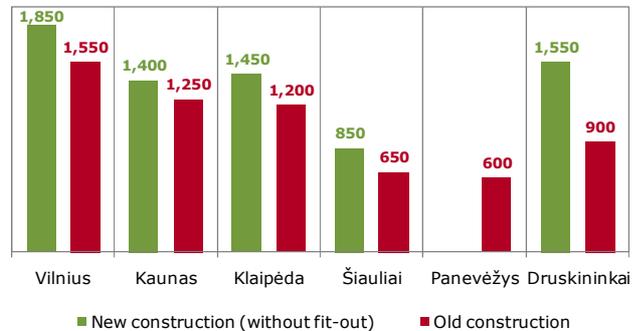
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The increased market activity in Q3 2012, particularly in Vilnius, was one of the factors that led to the smallest price changes of residential property in the capital. According to the information of the State Enterprise Centre of Registers, during the said period in Vilnius, **13.8%** more apartment purchase and sale transactions were concluded than at the same time last year. Meanwhile, in **Kaunas** and **Klaipėda**, respectively **4.5%** and **7.3%** fewer apartment purchase and sale transactions were concluded this year than a year ago. It is likely that significantly lower construction volumes that cannot match the scale of the construction in Vilnius determine the decreasing market activity in Kaunas and Klaipėda. Over nine months of 2012, in **Lithuania**, on average 660 transactions for houses and 1,835 transactions for apartments per month were concluded and this is respectively **8.5%** and **4.6%** more than the number of transactions at the same time last year.

Borrowing opportunities and price continue to be one of the major factors determining buying a home. As can be seen from the data of credit institutions, borrowing volumes this year have decreased. The Association of Lithuanian Banks states that during the first eight months of this year, the country's major lending institutions issued mortgage loans in the amount EUR 268 million, i.e. **14.5%** less compared to the same period in 2011. It is likely that some of this decline occurred due to the increase in the amount of own funds required to buy a home, i.e. residents borrow a smaller amount against the value of the acquired property (currently it is not more than 85% of the value of the collateral). However, in view of the fact that in the past credit institutions also demanded a contribution of the buyer and very rarely lent 100% of the value of the residential property, it can be observed that the real borrowing volumes have decreased by at least a tenth.

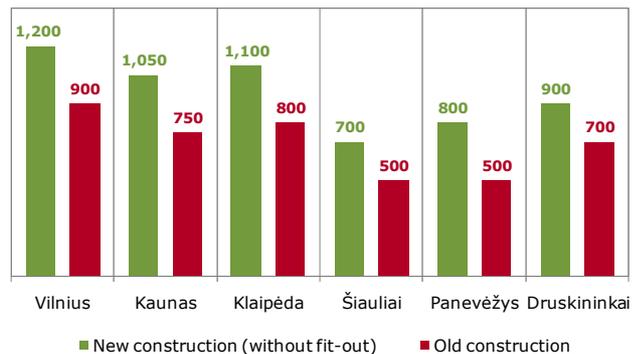
Average flat prices in old town, city centre, prestigious districts (EUR/sqm)



Source: Ober-Haus

Data: Q3 2012

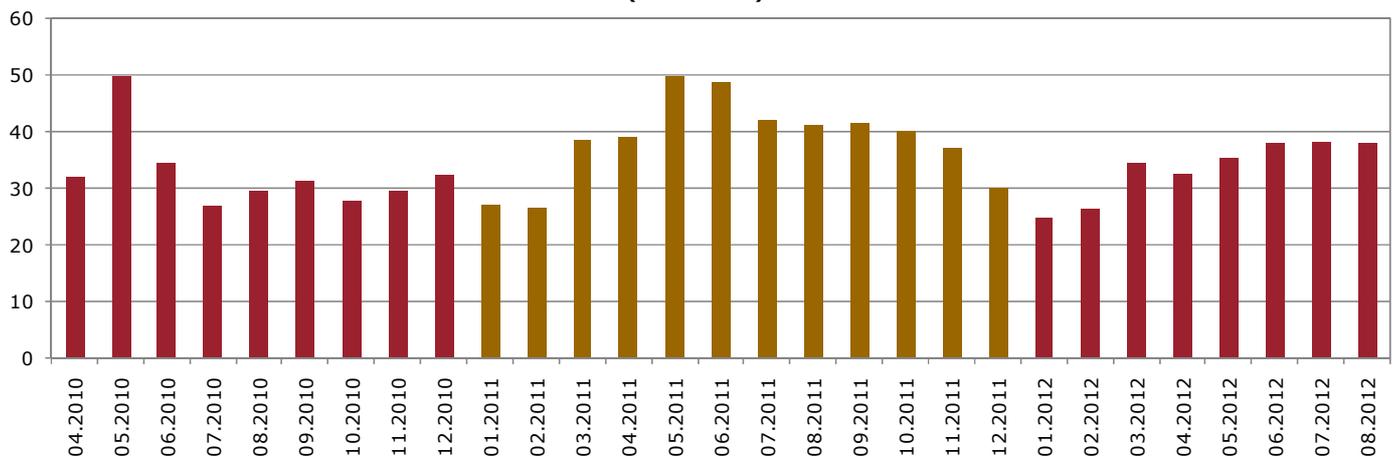
Average flat prices in residential districts (EUR/sqm)



Source: Ober-Haus

Data: Q3 2012

New housing loans for private persons (million EUR)



Source: Association of Lithuanian Banks

Data: 2010-2012

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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