

# Lithuanian Residential Real Estate

Q4 2012

# MARKET COMMENTARY



The year 2012 saw growing investment in the Lithuanian residential property sector. According to data of the Lithuanian Department of Statistics, in 2012, 12% of all material investment (EUR 500 million) was allocated to residential buildings, 2% more than in 2011. The investment growth, albeit slight, was mostly due to the revived construction of apartment buildings in Vilnius in 2011–2012. Construction in other cities is still low.

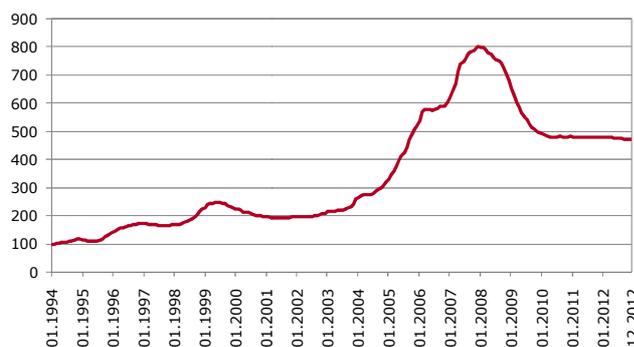
According to Ober-Haus, in 2012, **2,003 apartments** or 2.5 times more than in 2011 were built in **Vilnius**. The capital city saw 29 different residential projects being implemented with a resulting 36 apartment buildings. Most of the new apartments were built in residential districts of the capital city and accounted for 64% of total supply. The north-western part of the city – residential districts of Verkiiai, Pilaitė and Pašilaičiai – remain the most popular with developers. Construction of new apartments in the central part of the city (Naujamiestis, Old Town and Užupis) last year accounted for 22% of total supply and the least number of new projects (14%) were developed in prestigious residential districts (Antakalnis and Žvėrynas).

According to Ober-Haus estimates, only **63 apartments** were completed last year in **Kaunas**, which is 8 times less than completed in 2011. Meanwhile, the construction rate of apartment buildings in **Klaipėda** in 2012 remained very similar to that in 2010–2011. Four new apartment buildings were built in the third largest city in Lithuania offering **264 apartments** or 20% more than in 2011. Due to the very limited demand in the other major cities in Lithuania, no development of new apartments took place. The Lithuanian coastal area should be mentioned as it brings a little refreshment to the development of residential property and recreational facilities and offers new projects to the market.

According to Ober-Haus, during 2012, the number of unsold new apartments in major Lithuanian cities increased. This was determined by the increase in the supply of new apartments in the capital city. At the end of 2012, the total number of unsold new apartments in completed buildings in the **Lithuanian major cities** was **2,920** or 9% more than the year ago. At the end of 2012, **1,550** apartments were offered in **Vilnius** in buildings constructed between 2007 and 2012, **510** apartments in **Kaunas**, over **790** apartments in **Klaipėda**, and about **70** new apartments in **Šiauliai and Panevėžys** combined.

The year 2012 was a successful year for developers of new apartments, with an increase in the volume of sales.

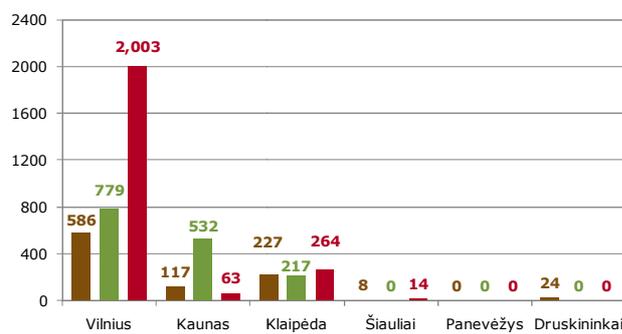
**Lithuanian apartment price index (OHBI)**  
(January 1994 = 100)



Source: Ober-Haus

Data: Q4 2012

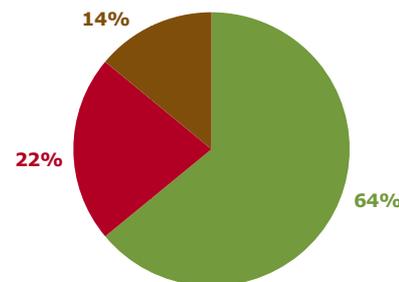
**New construction flats annual supply**



Source: Ober-Haus

Data: 2010 - 2012

**Newly built flats by districts of Vilnius in 2012**



■ Residential districts ■ Central part of the city ■ Prestigious districts

Source: Ober-Haus

Data: 2012

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Over **2,060** new apartments were purchased directly from builders or reserved in completed buildings or buildings where construction is still in progress in five major Lithuanian cities. This is 29% more than the number of apartments sold in 2011. The biggest change was recorded in Klaipėda, where nearly 340 new apartments were sold or reserved which is 77% more compared to 2011. Sales figures for the same period in Vilnius increased by 21% (about 1,460 new apartments), while in Kaunas the growth was 13% (over 230 new apartments). The rising sales volumes in the big Lithuanian cities are determined by the wide variety of apartment choices offered by new projects. The rising supply allows potential buyers identify the offers interesting to them and make a choice from the best options offered.

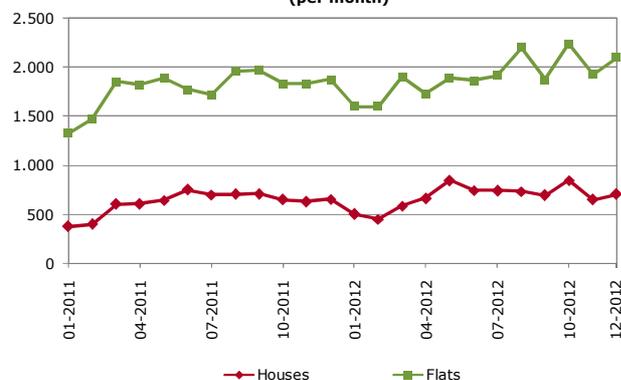
In 2012, no positive trends in the supply of private houses were noted in the market. In 2011, over 3,800 detached and semi-detached houses were built in Lithuania (27% more than in 2010), however, last year, the supply of new homes dropped to **3,350** homes. Larger developers are still very cautious about investing in new private home developments. The developments that take place are usually small – 6-12 detached and semi-detached houses. However, the portion of such projects (built for sale) of the total number of private houses built in Lithuania is small. Those who wish to live in a private house usually find their own parcel of land and take care of the construction themselves.

Residential property prices in Lithuania last year continued their previous negative trend. Even the very active Vilnius market experienced a symbolic price decline caused by a significant increase in the supply of a variety of residential property. According to Ober-Haus, in 2012, apartment prices in the five major cities of Lithuania dropped by **1.7%**. In 2012, prices in all the major cities of Lithuania fell as follows: **3.0%** – in Kaunas, **2.7%** – in Panevėžys, **1.8%** – in Šiauliai, **1.4%** – in Vilnius and **0.7%** – in Klaipėda.

Negative price changes in 2012 were recorded in all segments: prices decreased for both old and new apartments in residential districts and central parts of the cities. The exception was residential property in the more expensive urban areas in Vilnius. During the past year, prices for apartments in the central part of the city and the Old Town rose by 1.2%, while in the most prestigious districts (Naujamiestis, Žvėrynas, Antakalnis) – by 0.9%. Since the beginning of the economic crisis in 2008, positive changes in apartment prices in these areas of the city have been recorded for the first time. That is, prestigious residential property is slowly gaining in value.

In 2012, house prices in Lithuanian major cities and suburbs did not change significantly. Slight positive changes were observed in residential and suburban areas of **Vilnius**, where home prices **increased** on average **by 4%**. In **Klaipėda** and **Kaunas** prices **fell**

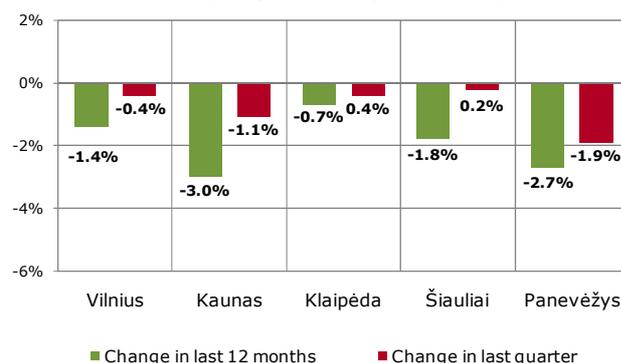
**Number of transactions in Lithuania**  
(per month)



Source: SE Centre of Registers

Data: 2011 - 2012

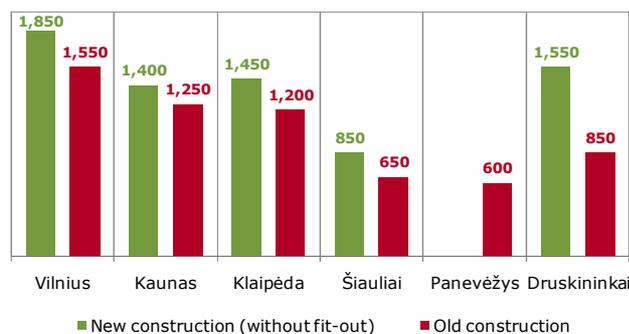
**Average apartment price changes**



Source: Ober-Haus

Data: 2012

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



Source: Ober-Haus

Data: Q4 2012

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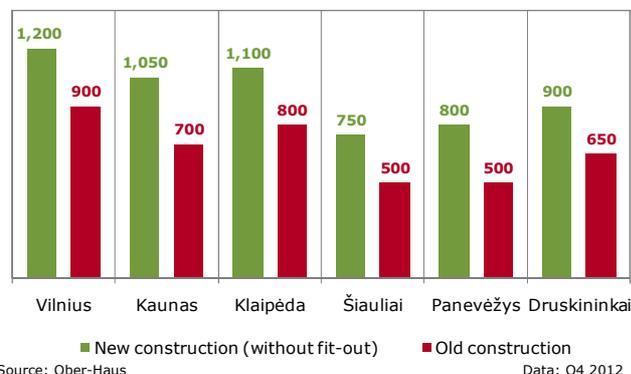
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by **2%** and **1%** respectively. No price changes over the same period were reported in Šiauliai and Panevėžys. At the beginning of the year, private houses of 150-200 sqm with a 600-1,000 sqm parcel of land and partial finish on the outskirts of **Vilnius** generally sold for **EUR 93,000-160,000**, on the outskirts of **Kaunas and Klaipėda** – **EUR 67,000-133,000**, and in **Šiauliai and Panevėžys** – for **EUR 58,000- 87,000**.

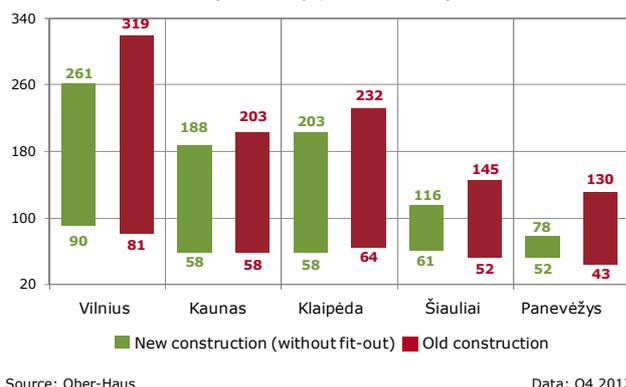
While the prices for apartments in major Lithuanian cities fell slightly, the number of transactions continued to grow, though at a slower pace than in 2010–2011. According to the data of the State Enterprise Centre of Registers, in 2012, **10% more** purchase and sale transactions for private houses and **7% more** transactions for apartments were concluded in **Lithuania** than in 2011. In 2012, about 680 transactions for private houses and 1,900 transactions for apartments were concluded, on average, per month in Lithuania. The year 2011–2012, saw a significant increase in the number of transactions for private houses, which exceeds that for apartments. In 2012, **Kaunas city and district** municipal areas with a growth of **18%** and the number of purchased private houses exceeding that in Vilnius city and district municipal areas surpassed all other areas of Lithuania. The number of transactions for private houses in Kaunas city and district municipalities during the year was nearly 930, in Vilnius – 690, and in Klaipėda – 285. So, Kaunas region remains a strong leader in the market of detached and semi-detached houses and this had a negative effect on the new-apartment market in Kaunas. Statistics show that new houses in Kaunas are built and purchased substantially faster than newly constructed apartments.

The Lithuanian residential property market is still suffering from serious price depression, but the number of transactions is growing steadily each year. Property developers invest in the regions where they see market growth potential or they are satisfied with the current demand for residential property, that is, development is virtually limited to major cities. For buyers the stable market situation and greater choice are particularly important as they can take the time to make decisions and not regret them. It is likely that in 2013, buyers will continue to take an active interest in both old and new residential property, but some people will probably decide to invest in the renovation of existing property through the new renovation programme. The volume of renovation will have an impact on the entire Lithuanian residential property market or individual regions of the country.

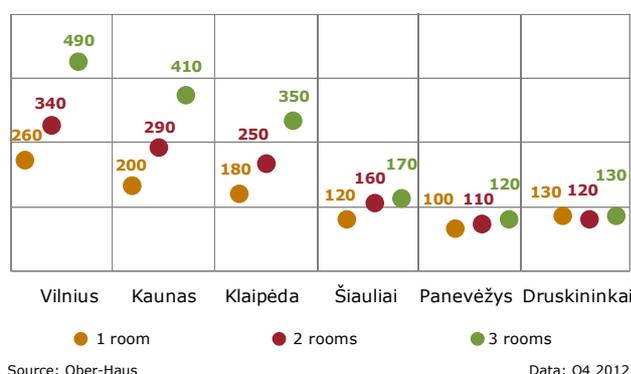
**Average flat prices in residential districts**  
(EUR/sqm)



**Individual and detached house prices in residential districts**  
(150-200 sqm, thousands EUR)



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



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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