

Lithuanian Residential Real Estate

Q3 2010

MARKET COMMENTARY

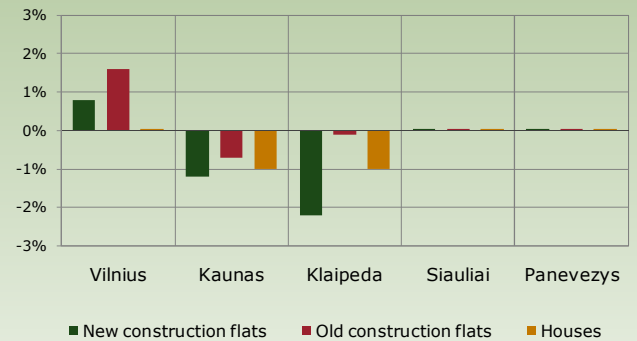
Although different changes in apartment prices were recorded in Q3 of 2010 in the main Lithuanian cities, the overall quarter result was positive for the first time since late 2007. While apartment prices in the main Lithuanian cities (Vilnius, Kaunas, Klaipėda, Šiauliai, and Panevėžys) dropped **0.5%** in Q2 of 2010, a growth of **0.3%** was recorded in Q3. It should be noted, however, that price changes in these cities were different. While apartment prices went up by 1.2% in Vilnius in Q3, prices decreased by 0.9% in Kaunas and a decrease of 0.8% was recorded in Klaipėda. Prices in Šiauliai and Panevėžys remained stable over the past three months. No changes were recorded in the detached house market in Q3 of 2010. However, there is certain stability in this segment, since prices of detached houses did not change in Q2 or Q3 or decreased by only **1–3%** depending on the city.

Greater activity in the apartments market, compared to other property segments, this year is also confirmed by data of the State Enterprise Centre of Registers. There were **34.8%** more apartment purchase and sale transactions finalised during the first eight months of this year in Lithuania compared to the same period in 2009. The growth in the number of transactions of purchase and sale of detached houses over the same period was considerably smaller and was only **12.5%**. The number of purchase and sale transactions of various-purpose land plots finalised from January to August 2010 grew even less—**9.6%**—compared to the same period in 2009. One of the reasons for the differences in changes in market activity for apartments, detached houses, and land plots is the lack of available financing, which impacts the number of potential buyers.

Cheaper apartments in residential city districts continue to be most in demand. At present, the sale prices of standard old apartments in **Vilnius**, depending on their fit-out and size, range from **600 to 1,250 EUR/sqm**. In **Kaunas** and **Klaipėda**, such apartments are offered for **430–1,150 EUR/sqm**, and in **Šiauliai** and **Panevėžys** — for **350–725 EUR/sqm**. New apartments without final fit-out partial in residential districts are offered for **780–1,500 EUR/sqm** in **Vilnius**, **850–1,350 EUR/sqm** in **Klaipėda**, **810–1,300 EUR/sqm** in **Kaunas** (and even from 580 EUR/sqm in suburban areas), and **580–810 EUR/sqm** in **Šiauliai** and **Panevėžys**.

Rental market activity for apartments in the main Lithuanian cities was traditionally higher in late summer and early autumn. The number of apartment and house rental transactions finalised by Ober-Haus during Q3 was up by as much as **75%** compared to Q2 of this year. However, most activity was recorded in the cheaper 1–2-room apartment sector in Vilnius, Kaunas, Klaipėda, and Šiauliai. Rents for such apartments, depending on the city, went up from **60–145 EUR/month** to **90–175 EUR/sqm**. This was determined not only by students arriving to study in the main cities, but also by the number of foreign students participating in various exchange programmes that increased this year. No major changes were recorded in the larger and more expensive apartment segment, since the supply of this type of apartment, which has increased considerably in recent years, does not allow their owners to raise rents, even temporarily.

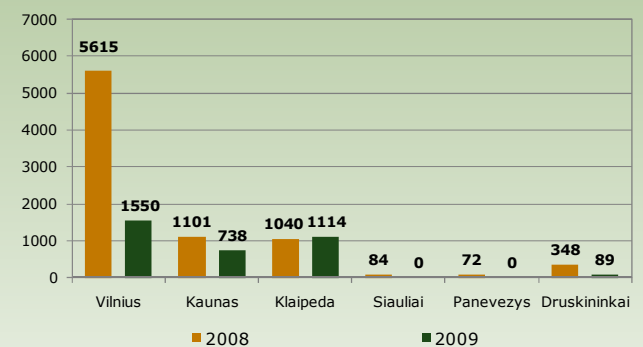
Average residential price changes per quarter



Source: Ober-Haus

Data: Q3 2010

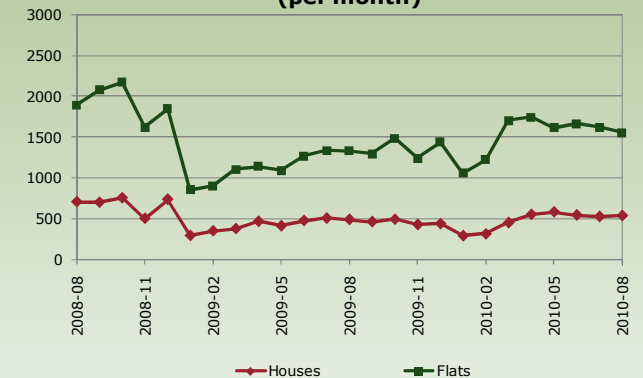
New construction flats annual supply



Source: Ober-Haus

Data: Q3 2010

Number of transactions in Lithuania (per month)



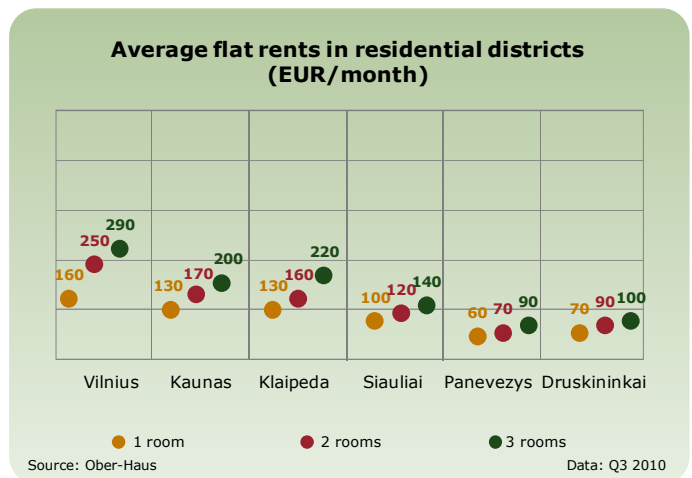
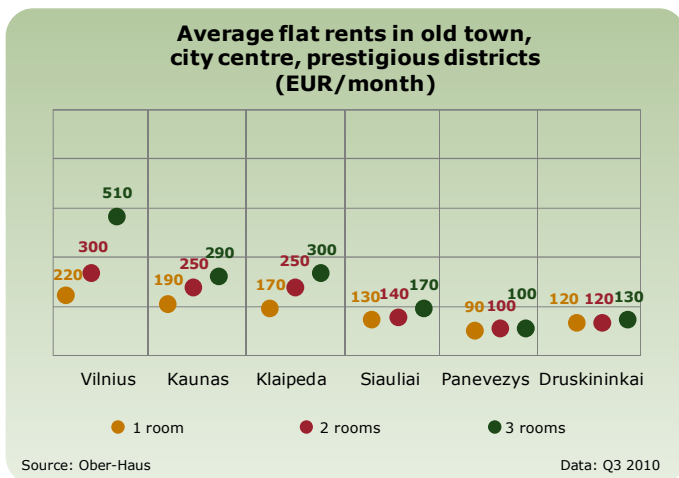
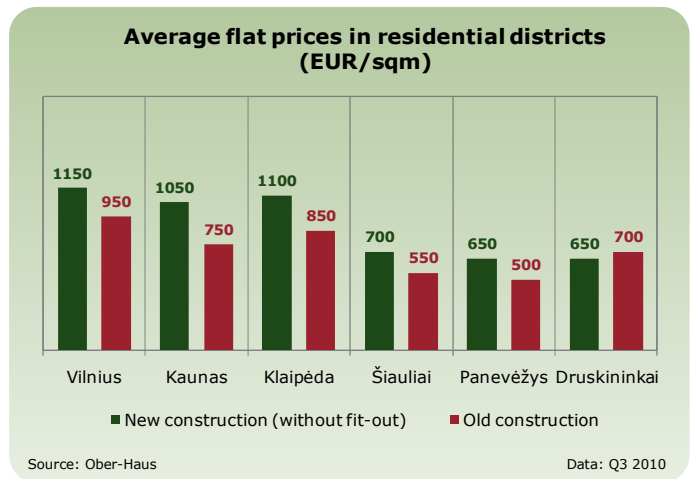
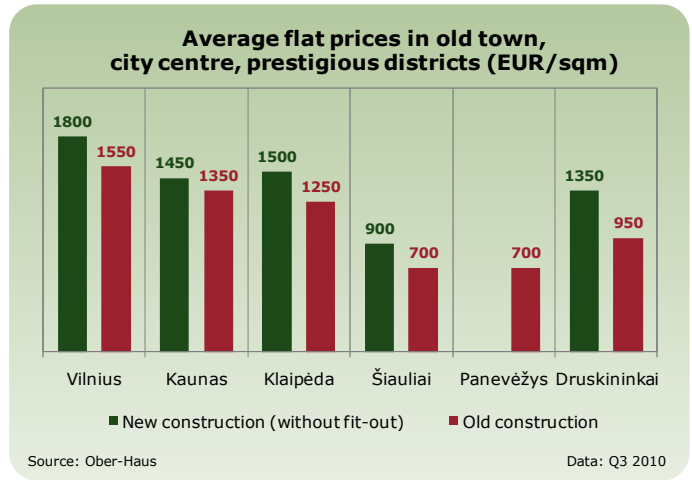
Source: SE Centre of Registers

Data: 2008 - 2010

Lithuanian Residential Real Estate **MARKET COMMENTARY** **Q3 2010**

The supply of new apartments (in completed apartment buildings) in Q3 of 2010 in **Vilnius, Kaunas, Klaipėda, Šiauliai, and Panevėžys** decreased from **3,200** to **2,750**. At present, the following numbers of apartments are offered in apartment buildings constructed in 2007–2010: **1,250** apartments in **Vilnius**, over **600** apartments in **Kaunas**, **780** apartments in **Klaipėda**, and a total of approximately **100** new apartments in **Šiauliai** and **Panevėžys**. A comparison of the activity in the new apartment market in the different cities shows that the supply is decreasing most rapidly in Vilnius, where the number of new apartments on offer decreased by approximately **20%** in Q3 of 2010 and by **43%** in Q1–Q3 of 2010. It is therefore not surprising that, with the supply of new apartments in the capital city becoming scarcer and completion of new projects not really increasing, further increases in prices in this segment are possible. Kaunas or Klaipėda, on the other hand, cannot boast such trends: the supply there of completed new apartments in Q3 of 2010 decreased by only **4%** (in 2010: 20%) and **7%** (in 2010: 27%) accordingly. Even sadder prospects were recorded in Šiauliai and Panevėžys, where, regardless of the short supply (just a few apartment buildings with vacant apartments available), sales are particularly slow.

Still, regardless of the different moods dominating in individual regions, different trends in the price changes are likely in different projects, even though these may be located in the same city. While the owners of already completed apartments are now selling the remaining, i.e. worse apartments (in terms of space, layout, or window orientation), the new apartment buildings currently under construction will offer a wider choice of apartments. This may lead to increasing price differences within individual projects, since some owners will want to sell the remaining apartments as quickly as possible, while others can afford to sell theirs for higher prices compared to the prices of their competitors. And, although it is emphasised by market players that the sale of incomplete apartments is history, a very important motive for potential buyers is their belief in the constructing company's capacity to operate in difficult market conditions. Most trust is vested in well-known companies which have managed to not only survive the past several years, but which have also managed to continue normal operations.



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