

RESIDENTIAL REAL ESTATE MARKET COMMENTARY

LITHUANIA / Q3 2018

In Q3 2018, activity in the housing (apartment and house) market in Lithuania was at its highest in over ten years. In other words, over the third quarter of this year, the amount of housing acquired was the highest since Q3 2007. According to the data of the State Enterprise Centre of Registers, there were **4% more** apartment and **3% more** house sale and purchase transactions concluded over the third quarter compared to the third quarter in 2017. On average, 998 house and 2,988 apartment transactions were concluded per month in Lithuania in Q3 2018.

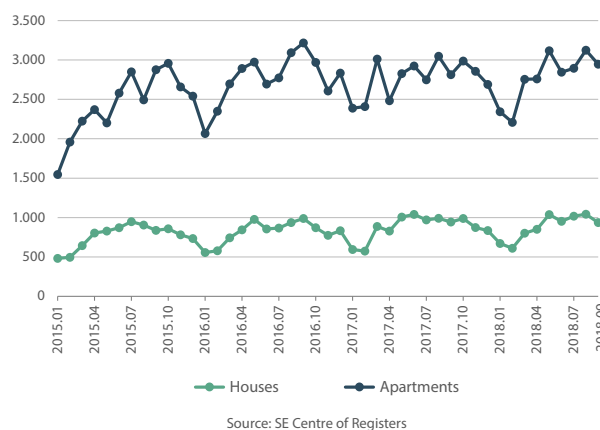
The volume of newly issued mortgages in Lithuania also remained high. Referring to the data of the Bank of Lithuania, new mortgages to the value of **EUR 339 million** were issued in Q3 2018; this figure is almost the same as in Q2 2018, however, it is **16% more** than over the same period in 2017. In the first three quarters of 2018, the average of new mortgages issued per month was EUR 106 million, compared to EUR 98 million over the same period in 2017. Also the slight but constant growth in interest rates on newly issued mortgages recorded in Lithuania. The new average annual interest rate for mortgages in July–September 2018 was **2.32%** or 0.27 percentage points more than a year ago.

In the third quarter this year apartment prices rose in all the main cities of the country; the fastest growth was observed in smaller cities. According to Ober-Haus data, the prices increased most in July, August and September in **Panevėžys**, where prices for apartments increased by **4.4%** on average. The prices in **Šiauliai** over the same period grew by **2.4%**, by **1.2%** – in **Vilnius**, by **1.1%** – in **Kaunas**, and by **0.6%** – **Klaipėda**. Over a period of one year (September 2018 compared to September 2017), apartment prices grew by 11.4% – in Panevėžys, by 6.4% – in Šiauliai, by 4.1% – in Kaunas, by 2.6% – Klaipėda, and by 2.3% – in Vilnius. Favourable economic situation and borrowing conditions create conditions for expansion of housing purchasers who continue to stimulate the capital city market as well as the housing markets of other regions. At the same, this is reflected in changes in housing prices.

The apartment rental market in the main cities remains active and rental prices have increased in line with sales prices. In the period from January to September 2018, apartment rents increased on average by **3%** – in **Vilnius**, **5%** – in **Kaunas**, and **7%** – in **Klaipėda** compared to the same period in 2017.

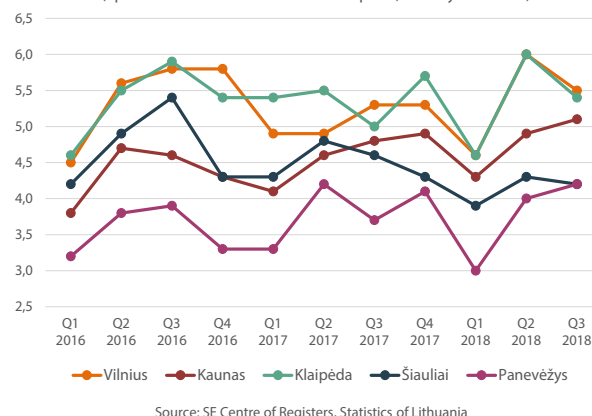
Sales of new construction apartments in Q3 2018 in the primary market were quite high in all three main cities of Lithuania. Referring to Ober-Haus data, over Q3 2018 in Vilnius, **1,195** newly constructed apartments were directly purchased or reserved in already constructed or being constructed multi-apartment buildings. This is 34% more than the number of

NUMBER OF TRANSACTIONS IN LITHUANIA



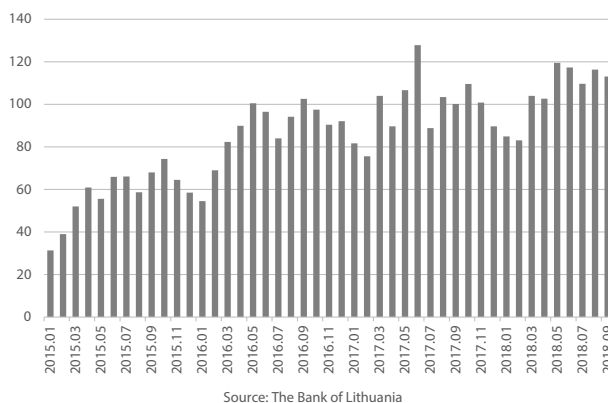
HOUSING MARKET ACTIVITY

(apartment and house transactions per 1,000 city residents)



NEW HOUSING LOANS FOR PRIVATE PERSONS

(Lithuania, million EUR)



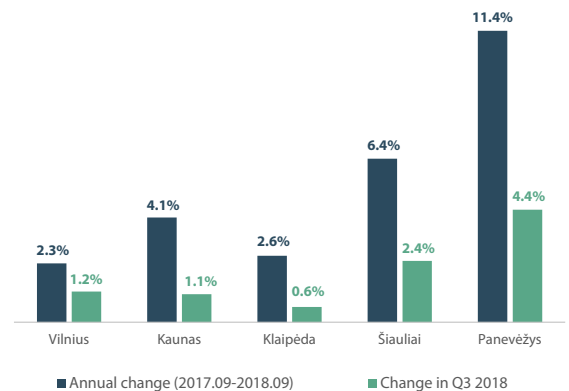
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apartments sold over Q2 2018 or even 48% more than in Q3 2017 (the number of apartments sold over three quarters of 2018 increased by 3% compared to the same period last year). At the same time, this is the best quarter result in ten years. The main reasons for the high activity are the continued growth in the volume of new apartments being constructed and the remaining high demand for new housing. Over the three quarters of this year, developers in Vilnius have already built over 3,500 apartments in multi-apartment buildings. The total estimated number of apartments to be built in 2018 in the city amounts to 4,700 (the highest number since 2008). In 2017, Vilnius developers built 4,164 apartments. In view of the high demand for new housing, developers are not slowing down and plan new projects for the years 2019–2020. However, the large number of apartments and houses intended for sale (which results in competition among apartment developers) continues to increase the number of unsold apartments in the city which has been at the highest level since the end of 2012. According to Ober-Haus calculations, the total number of unsold newly constructed apartments in Vilnius at the end of Q3 2018 was **1,545** or 43% more than a year ago. In other words, with the increase in supply of new housing, and the increasing volumes of sales and the number of vacant apartments continues to grow.

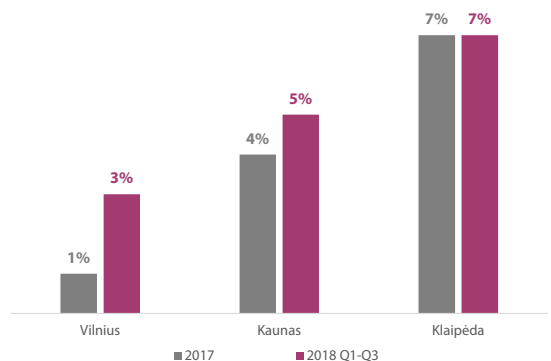
Over the last few years, Kaunas has seen rapid construction of new multi-apartment buildings, which, in turn, stimulates the rate of housing acquisition. In Q3 2018, **191** newly constructed apartments were purchased or reserved directly from developers in already constructed or being constructed multi-apartment buildings. This is 10% more than in Q2 2018 and 19% more than in Q3 2017 (in three quarters of 2018, the number of apartments sold was 1% less compared to the same period last year). In the first three quarters of this year alone, Kaunas has built over 850 apartments, whereas, for instance, in 2017, the number was 633. However, apartments in Kaunas already are being built both for sale and to rent. In September this year, Kaunas saw the official opening of a student-oriented project Solo Society, which involved the reconstruction of an old administrative building. This project offers 150 premises of various size (from 14 to 47 m²) for rent; the premises are of interest both to local Kaunas residents and to foreigners studying in Kaunas. In 2019, there are plans to expand this project by offering about 100 more premises of the same type. As in the capital, Kaunas is also seeing an increase in the number of unsold apartments. At the end of Q3 2018, there were **309** newly constructed unsold apartments in already built multi-apartment buildings or 78% more than a year ago. In the second half of 2017, Kaunas recorded the lowest number of unsold apartments in already built multi-apartment buildings over the recent decade, but since the beginning of

AVERAGE APARTMENT PRICE CHANGES



Source: Ober-Haus

AVERAGE APARTMENT RENT CHANGE
(compared to the same period last year)



Source: Ober-Haus

NUMBER OF SOLD/RESERVED NEW APARTMENTS
(in the primary market)



Source: Ober-Haus

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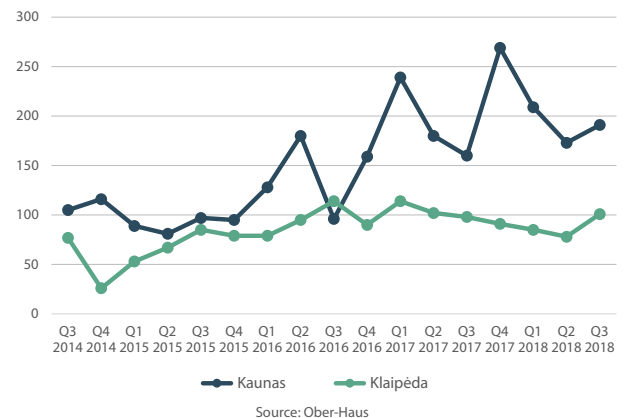
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this period (in 2018), an increase in the number of vacant apartments has been noticed in Kaunas as well.

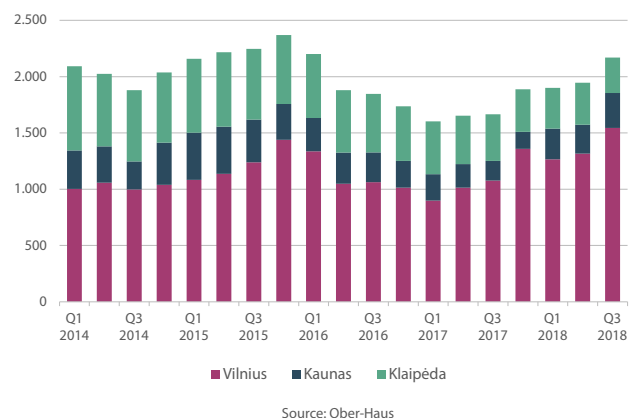
Over Q3 2018 in Klaipėda, **101** newly constructed apartments were purchased or reserved in already built or being built multi-apartment buildings. This is 29% greater than in Q2 2018 and 3% more than in Q3 2017 (over three quarters of 2018, the number of apartments sold compared to the same period last year decreased by 16%). The relatively modest number of apartments sold (compared not only to the figures in Vilnius but to those in Kaunas also) has been determined by the smaller number of new apartments being constructed. Over the first three quarters of this year, developers in Klaipėda have built almost 170 flats in multi-apartment buildings, and in 2018, it is estimated that the final figure for new apartments will be 400–450. For instance, for the full year of 2017 Klaipėda's developers built and offered for sale 186 apartments.

Increasingly courageous steps of developers allow to assume further moderate growth in the supply of new housing in the port city, however, it is unlikely to see any significant jump in the supply in the immediate future as it was recorded in Kaunas in 2017–2018. Nevertheless, it is safe to assume that the supply of new apartments will increase. The housing market in Klaipėda continues to be one of the most intensive among all the big cities of the country (according to the number of apartment transactions per 1,000 city dwellers); meanwhile, the number of unsold flats in the city continues to shrink. At the end of Q3 2018, the total number of unsold newly constructed apartments in already built multi-apartment buildings was **316** or almost 24% less than a year ago. Analysis of unsold apartments in already built multi-apartment buildings has shown that the majority of them (71%) include apartments which were built before 2015. Hence, developers who are currently constructing new housing in Klaipėda actually cause smaller competition than shown by the overall market figures. In many cases, it is not easy to attract a modern-day buyers and to persuade them to buy an apartment in projects which were built earlier even at a lower price. Modern newly constructed projects offer purchasers more energy-efficient and rationally arranged housing in projects with a more attractive concept. The growing capacity of purchasers should encourage housing developers to look ahead and compete with existing projects, and not with projects of the previous decade.

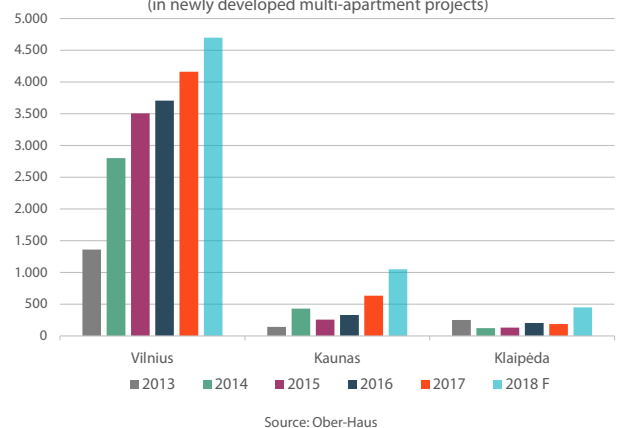
NUMBER OF SOLD/RESERVED NEW APARTMENTS
(in the primary market)



UNSOLD NEW APARTMENTS IN MAJOR CITIES
(in already finished multi-apartment projects)



COMPLETED APARTMENTS
(in newly developed multi-apartment projects)



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 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.