

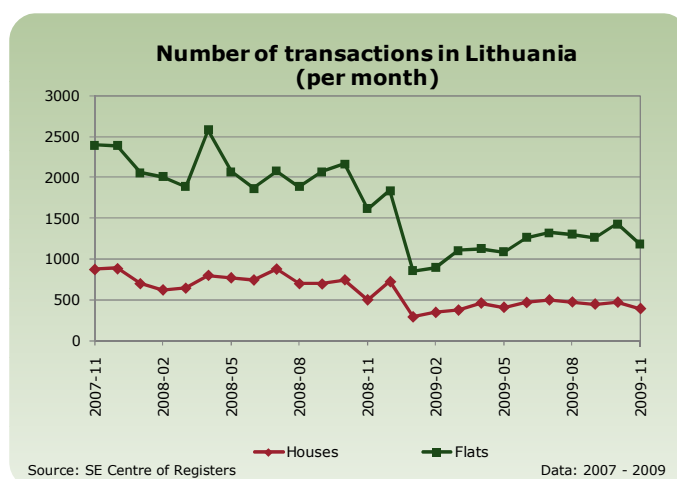
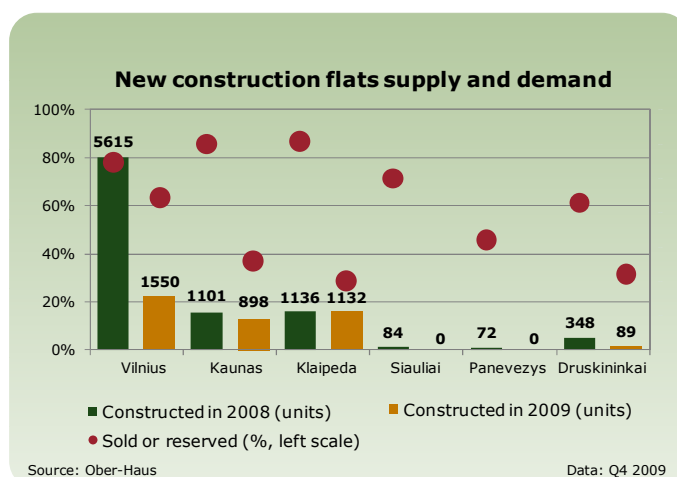
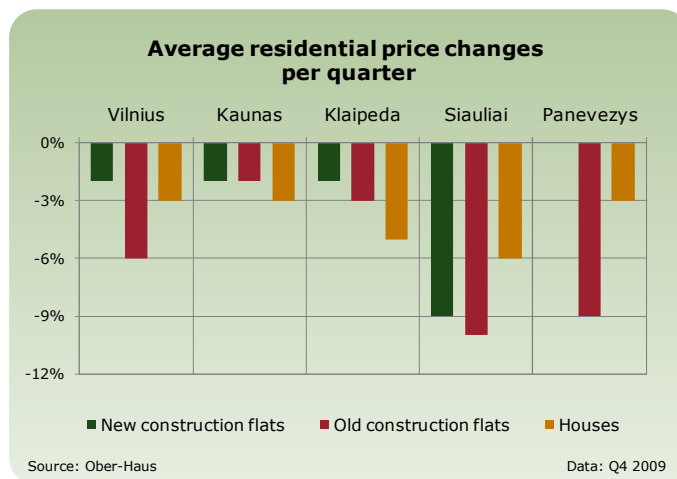
# MARKET COMMENTARY

In the history of the Lithuanian residential market, the year 2009 was really exceptional; the period of 1994-2008 has not seen such an annual drop in the value of residential property and the activity of the market was the lowest in the past 6 years. In 2008, apartment prices in the major cities fell **15%** and in 2009 the rate of the fall was nearly double that—**27%**. The number of sale/purchase transactions in the residential property market in Q1 of 2009 was the smallest in the past 6 years (2.5 times smaller than the average Q1 of 2004-2008). The particularly dire Q1 was followed by the first signs of stability, however. The drop in the sale prices of apartments in the major cities of Lithuania in Q4 was lower than other quarters and amounted to **4%** (there was an 11% drop in Q1, 9% in Q2, and 6% in Q3). Even though the total amount of residential property transactions remains small, it is at least 20-30% higher than it was at the beginning of 2009.

Compared to the peak price time (the end of 2007), the most significant decrease in prices was recorded in **Klaipėda and Panevėžys**: the prices of apartments fell **43% and 44%** respectively. The lowest drop was recorded in **Kaunas - 27%**. During the same period, prices in **Vilnius and Šiauliai** decreased **40% and 42%**. To sum up the results of 2008 and 2009, prices for newly built apartments in the central parts of major cities and old apartments in residential areas saw the biggest drop, i.e. in the segment of the highest price level (centre, the old town) and the segment of the highest supply (residential areas). For instance, prices for old apartments in residential areas of Vilnius and Klaipėda over the past 2 years decreased nearly 50%. Today the lowest sale prices for newly built apartments (without fit-out) in **Vilnius, Kaunas and Klaipėda** starts from **700-900 EUR/sqm**, and from **600-700 EUR/sqm** in other cities.

Prices for houses in the major cities of Lithuania and their suburbs over the past few years have also dropped considerably. The average drop was around **45%** in **Klaipėda and Šiauliai**, **40%** in **Vilnius and Kaunas**, and **30%** in **Panevėžys**. It is obvious that the significant drop in the price of land and building costs allowed for the reduction in the price of such property.

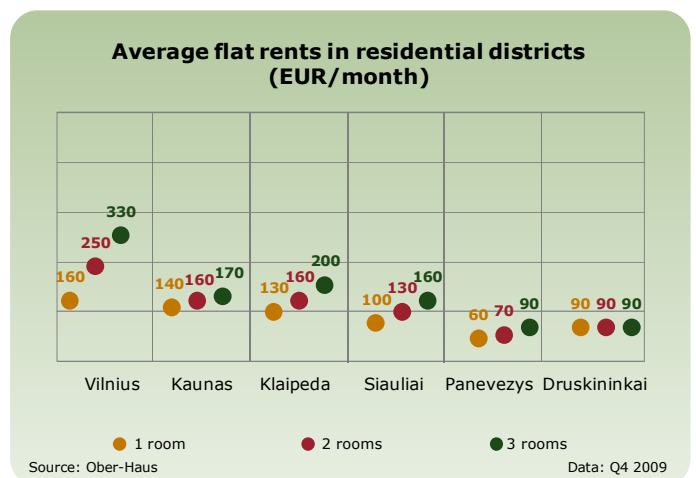
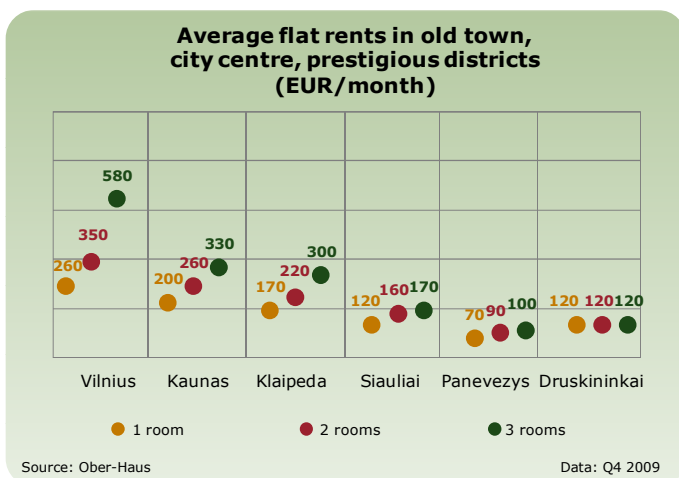
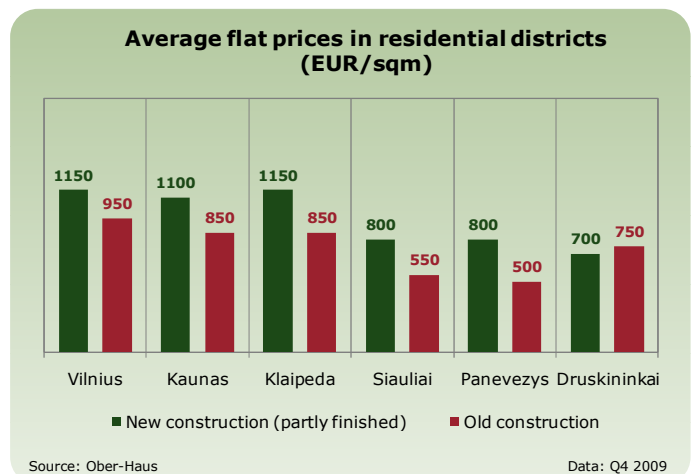
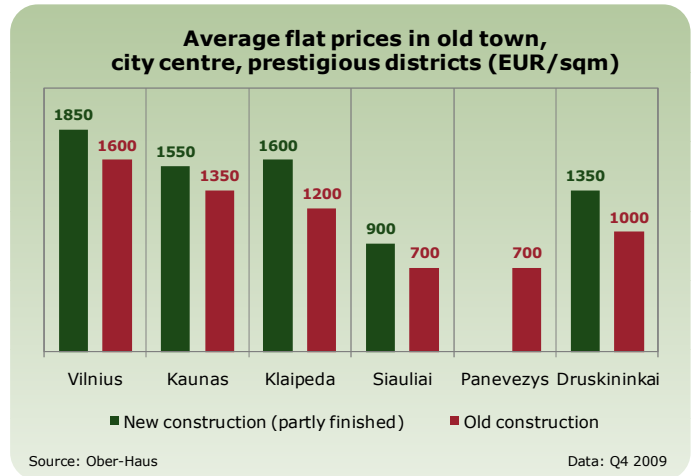
Even though the drop in the rental sector of the residential property began slightly later than that of the sales market, rental prices have already decreased as much as sale prices, i.e. around **35-40%**. The end of 2009 and the beginning of 2010 is one of the most difficult periods for lessors; the heating season and high supply of rental property provide advantages to the lessees in negotiating the price. It would be unrealistic, however, to expect to find an attractive residential property in **Vilnius, Kaunas or Klaipėda** for a symbolic rent or only for payment of utility services.



Lithuanian Residential Real Estate **MARKET COMMENTARY** **Q4 2009**

Even though the number of newly built apartments in the primary market is going down, the speed of their sale is far from gratifying. Today there are nearly **2,200** unsold apartments in Vilnius in newly built apartment buildings, in Klaipėda the figure exceeds **1,050**, and in Kaunas the number is over **750**. Estimations of the number of unsold apartments per inhabitant in a particular city shows that Klaipėda is in the lead with **5.7** unsold apartments per 1,000 inhabitants, the number in Vilnius is **3.9**, and in Kaunas it is **2.2**. On the basis of this supply and demand indicator, we may assume that the market for newly built residential property will come back to life in Klaipėda later than it will in Vilnius or Kaunas.

Considering supply indicators for the past few years, the supply of new apartments in 2009 most considerably fell in Vilnius. According to the latest data available to *Ober-Haus*, over **5,600** apartments were built in Vilnius in 2008 and only **1,550** were constructed in 2009, i.e. the drop in supply was 3.5 times. In Kaunas, nearly **900** apartments were built in 2009, 200 apartments fewer than in 2008. In Klaipėda, the same number of apartments was built in 2009 as in 2008—a little over **1,100**. Even though there are considerations of building renewable residential property, this will depend on the overall economic situation in the country and the residential property market in separate regions. Currently, it is very complicated to forecast any specific figures in the new residential property market for the year 2010. Yet considering the number of construction projects currently in progress in **Vilnius**, it is likely that only **200–300** new apartments will be built in 2010 unless some suspended construction projects are resumed.



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 UAB Ober-Haus real estate market analysts.

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