

MARKET COMMENTARY

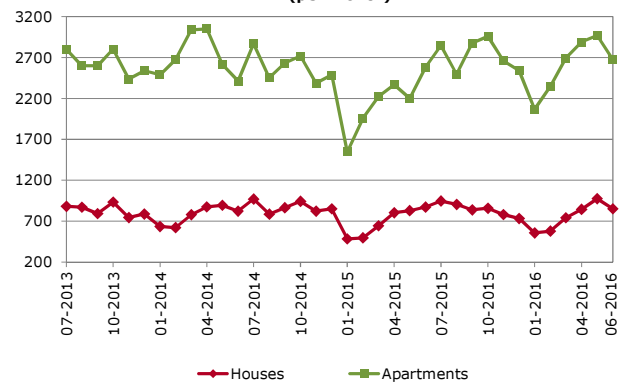


In Q2 2016, activity in the housing market retained its momentum with little likelihood of slowing down. The house and apartment purchase-sale transactions outnumbered not only those concluded in Q1 2016, but were also more numerous on a year-on-year basis. According to the data of the State Enterprise Centre of Registers, in Q2 2016, Lithuanians concluded 19% more transactions in apartments, and nearly 7% more transactions in purchase and sale of houses than in Q2 2015. During Q2 2016, on average, 890 deals in the purchase-sale of houses, and 2,840 transactions in apartments were concluded in Lithuania per month. The largest number of transactions of purchase-sale of houses and apartments were recorded last May, and house sales indicators were the highest since 2007.

Q2 2016 was also distinguished for rapidly growing apartment prices. Unlike previous periods the increasing prices were not just recorded in Vilnius but also in all major Lithuanian cities. The most rapid increase in prices during this April, May and June was recorded in **Šiauliai**, where on average prices rose by **2.5%** (up to 585 EUR/sqm). During the same period prices in **Vilnius** increased by **2.4%** (to 1,376 EUR/sqm), **Kaunas** - **2.1%** (to 970 EUR/sqm), **Panevėžys** - **1.8%** (to 547 EUR/sqm), and **Klaipėda** - **1.2%** (to 1,002 EUR/sqm) respectively. Despite the negative demographic trends in the country (according to Statistics Lithuania, during 2015 the population was increasing only in Vilnius city, Kaunas district, Klaipėda district, Palanga city and Neringa municipalities), an accelerated price increases were also outside the capital. The continuing favourable economic conditions – growth in employment rates and wages, as well as record-low interest rates boosted the housing market despite the overall decrease of the national population.

Among the five major cities the most prominent leap in the number of apartment sale transactions during Q2 was recorded in Vilnius (up by 25% as compared to Q1 2016). A major contributor to the trend was also the rapidly growing segment of newly constructed apartments. According to the data of Ober-Haus, during Q2 2016 in the five major cities of Lithuania **1,395** newly constructed apartments were purchased or booked directly from construction companies in apartment blocks under construction or those already completed. This represents an increase of 3% as compared to Q1 2016, and a leap of 45% from the data of Q2 2015.

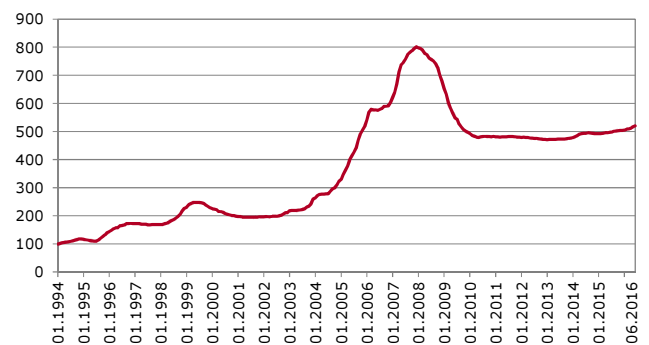
Number of transactions in Lithuania (per month)



Source: SE Center of Registers

Data: 2013 - 2016

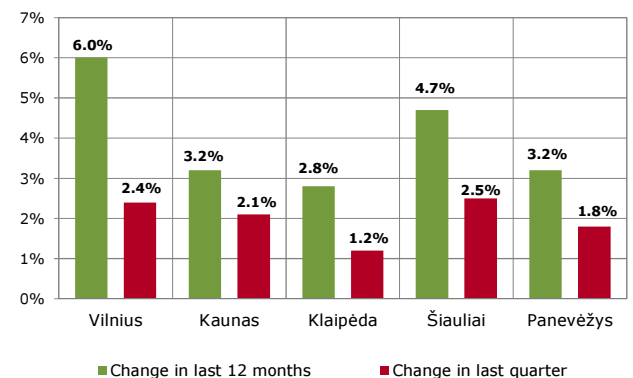
Lithuanian apartment price index (OHBI) (January 1994 = 100)



Source: Ober-Haus

Data: 1994 - 2016

Average apartment price changes



Source: Ober-Haus

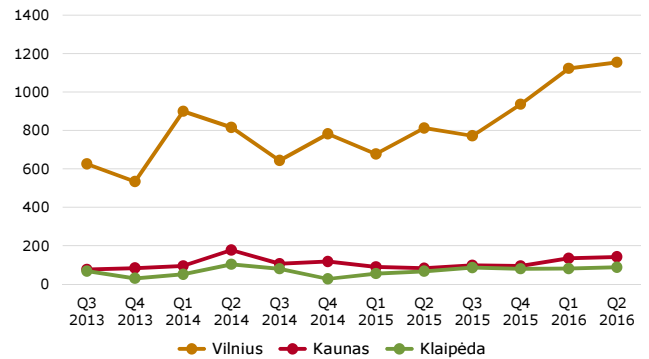
Data: Q2 2016

Record new heights were again reported in the volume of apartment sale deals in the capital. During Q2, 1,154 newly constructed apartments were sold in Vilnius in apartment blocks already completed or still under construction; this was 3% more than realised during Q1, and a jump of 42% on a year-on-year basis. The largest contributor to the new apartment sale indicators was the most recent projects – as many as 69% of all apartment sales fell within the projects complete in 2016–2017. 22% of the apartments sold during Q2 were constructed in 2015, and only 9% were sold in multi-apartment houses constructed in 2007-2014. The most recent apartment house projects provide the broadest options for purchasers, and although the number of unsold apartments in the projects of earlier years (although fully completed) is limited, they attract much less attention. The sales of middle class new apartments continue to be the dominant trends in Vilnius, and the prices of such apartments with a partial finish most often range from 1,450 to 1,900 EUR/sqm. Of all the newly constructed apartments sold during Q2 in Vilnius, 49% were middle-class apartments, while 38% and 13% of all apartments were economy and prestigious class respectively. Recent years have seen developers tending to target not only the lowest-cost housing segments, but also higher class projects. Proximity to the centre of the city, better energy efficiency solutions, and prices below 2,000 EUR/sqm – these are the prevailing attributes for the multi-apartment houses currently under construction in the capital.

Similarly, Kaunas and Klaipėda are showing slightly enhanced activity in the construction of multi-apartment houses. Although the majority of the projects being developed are of limited scope (on average, 25-35 apartments in an apartment building), increasingly different types of projects are being introduced to the market in different areas of the cities. In **Kaunas**, during Q2 2016, a total **141** apartments were sold or booked in the primary market, which is by 6% more than in Q1. Within the same period, **87** new apartments were sold or reserved in Klaipėda, i.e. an increase of 9% from Q1 2016.

The high apartment sales indicators caused a further decrease in the number of unsold newly constructed apartments in all cities throughout the country. At the end of Q2 2016, there were **1,922** unsold apartments in already completed new projects in **major Lithuanian cities**, i.e. by 14% less than at the end of Q1 2016. Despite the extremely rapid increase in the volumes of new construction in the capital, the number of unsold new apartments in completed buildings has notably decreased. In Vilnius, there were **1,063** unsold apartments in completed construction projects, i.e. 21% less than at the end of Q1 2016.

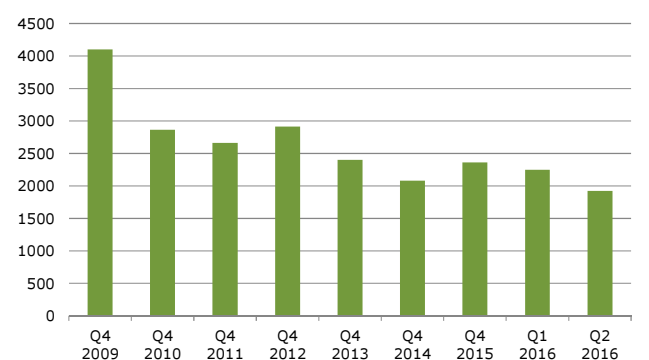
Sales of new apartments
(in the primary market)



Source: Ober-Haus

Data: Q3 2013 - Q1 2016

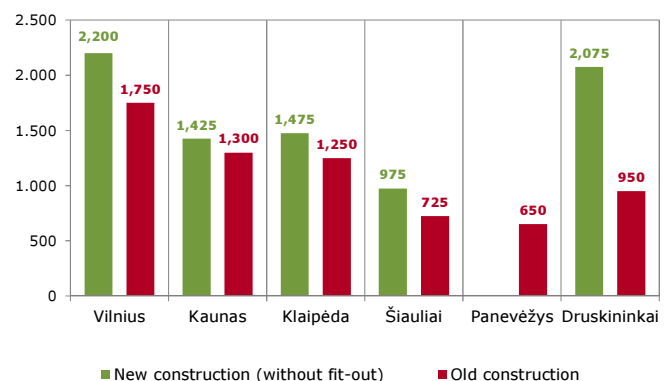
Unsold new apartments in major cities
(in already finished projects)



Source: Ober-Haus

Data: Q4 2009 - Q2 2016

Average apartment prices in Old Town, city centre, prestigious districts
(EUR/sqm)



Source: Ober-Haus

Data: Q2 2016

Lithuanian Residential Real Estate MARKET COMMENTARY

Q2 2016

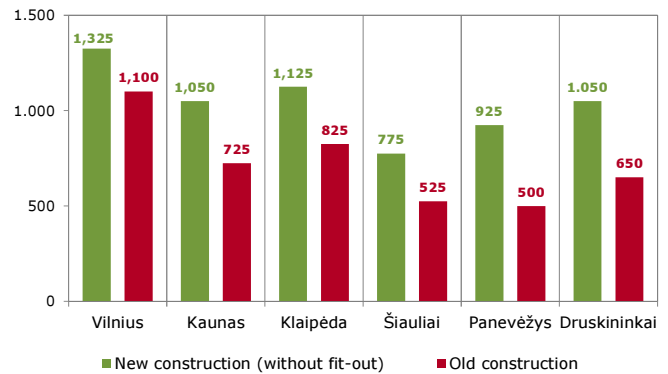
Currently the total number of unsold apartments in Vilnius is the smallest since Q3 2014, and has been decreasing for the second quarter in a row. The number of unsold apartments of the other cities is also declining, i.e. late in Q2 2016, there were **277** apartments in **Kaunas**, **554** apartments in **Klaipėda**, and **28** new construction apartments in **Šiauliai**. The improved demand for housing, and the decreasing numbers of unsold apartments have encouraged developers to launch new projects not only in Vilnius, Kaunas, Klaipėda or the health resort areas, but also in smaller cities - Šiauliai and Panevėžys.

Over the past few years, Vilnius has recorded a rapid increase in the supply of higher-class apartments. On the other hand, the share of middle and prestigious-class apartments has been growing in the overall volume of the supply of new apartments. For instance, three years ago as many as 65% of the apartments built in Vilnius in 2013 were economy class, with only 6% being more expensive prestigious class apartments. The current trends and the statistics of 2016 are showing a different picture. According to the data of Ober-Haus this year more than 700 prestigious class apartments will be built in the capital, with sales prices (without final fit-out) more than EUR 2,000 EUR/sqm; and will account for as much as 19% of the year's total supply.

Currently in Vilnius the prices of the most expensive new apartments with partial finish and fully completed old construction (in historical buildings) generally do not exceed 3,200-3,500 EUR/sqm. However, developers are fairly optimistic, and expect to sell new apartments in the capital's most attractive locations (central part of the city and the Old Town) for 4,000-5,000 EUR/sqm. The most daring housing developers in Kaunas and Klaipėda have already implemented or are developing higher class apartment projects, in which the price per square meter is 2,000 EUR. It should be noted, however, that in both Kaunas and Klaipėda prices for the most expensive apartments (of old and new construction) are generally below 1,800-1,900 EUR/sqm.

What are the data of the official statistics, and what are the apartment purchase-sale deal prices in the most expensive segment? Since the price levels in the country's major cities are different, in Vilnius the sample was made up of all apartment deals registered during the first six months of this year, and in which the square meter price exceeded 3,000 EUR (parking spaces and storage rooms were excluded). In Kaunas and Klaipėda, the selection included apartments with a price per square meter below 1,800 EUR. During the first six months 39 such apartments were sold in Vilnius, and 6 and 5 apartments, respectively, in Kaunas and Klaipėda. The share of such sales transactions in the overall sales statistics is especially small. According to the calculations of Ober-Haus, the share of the most expensive apartments in the overall number of sales transactions was 0.8% in Vilnius, and 0.3% in Kaunas and Klaipėda.

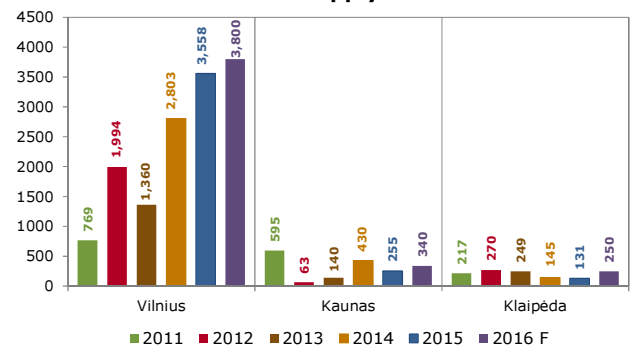
Average apartment prices in residential districts (EUR/sqm)



Source: Ober-Haus

Data: Q2 2016

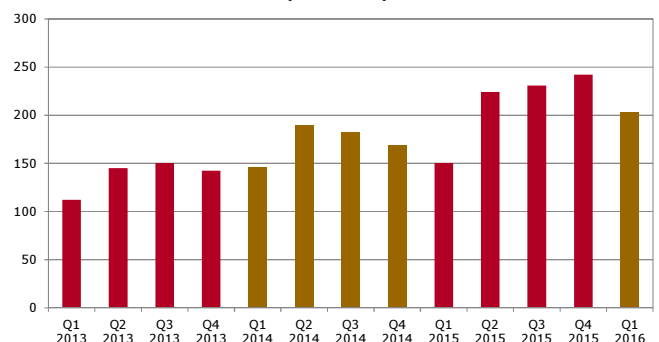
New construction apartments annual supply



Source: Ober-Haus

Data: 2011 - 2016 F

New housing loans for private persons (million EUR)



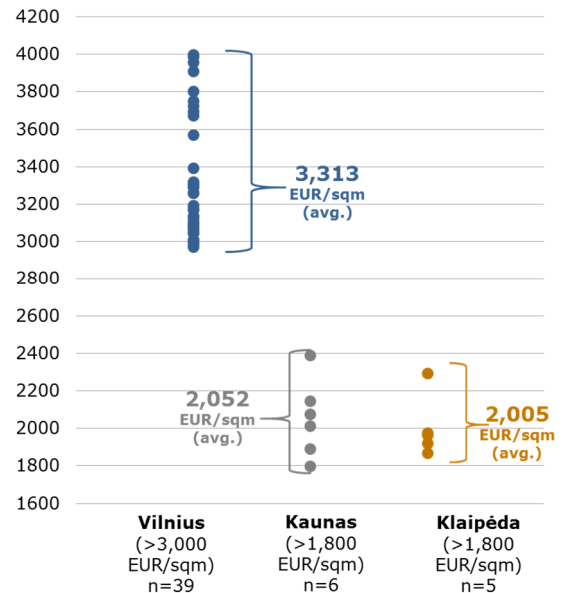
Source: Ober-Haus

Data: Q1 2013 - Q1 2016

In **Vilnius**, the average price for such apartments was **3,313 EUR/sqm** (average area – 80 sqm), in **Kaunas** – **2,052 EUR/sqm** (average area – 52.sqm), **Klaipėda** – **2,005 EUR/sqm** (average area – 73.sqm). The most expensive apartment sold in Vilnius in H1 2016 was in the newly constructed apartment building at Šiaulių St. – a 130 sqm apartment with car parking places was sold for 560,000 EUR (4,000 EUR per sqm without the parking space price). Other apartments sold for more than 3,000 EUR/sqm were sold in the central part of Vilnius, the Old Town, Užupis and Žvėrynas districts (Gedimino Ave., V. Mykoliaičio-Putino St., Šiaulių St., Polocko St., Aušros Vartų St., Olimpiečių St., Užupio St. Trakų St., Odminių St., J. Basanavičiaus St., Šaltinių St., Šv. Mykolo St., Krivių St., M. K. Čiurlionio St., Šv. Mikalojaus St., Malūnų St., Mindaugo St., A. Smetonos St., Konstitucijos Ave., A. Jakšto St., Tilto St., Blindžių St.). In Kaunas the highest price per square meter was paid for an apartment in the Old Town, Raguvos St.; a 65 sqm sized apartment in a fully refurbished old construction building was sold for 155,000 EUR (nearly 2,400 EUR per sqm). In Klaipėda the highest price per square meter was paid for an apartment in the Old Town, Danės St.; a 78 sqm apartment in an old construction building was sold for 180,000 EUR (nearly 2,300 EUR per sqm).

Such trends in the apartment sales market show that the most expensive housing segment market was a little livelier only in Vilnius, where on average 6-7 such deals are struck per month; Kaunas or Klaipėda had only one such transaction per month. The sample of such property is fairly marginal even in the capital (i.e. less than 1% from total take-up), and developers or owners of luxury class housing have to work very hard to sell such property to only a limited number of buyers. True, one of the relevant reasons for such a small number of transactions is the limited supply of luxury class housing over the past few years and especially in newly constructed buildings. However, the situation is evolving, and clearly the newly developed projects are improving the overall performance indicators of the sector. For instance, 36% of the 39 most expensive apartments sold in Vilnius during the first six months of the year were in old buildings (built before 1990), 28% were sold in buildings constructed in 2004–2015, and 36% were sold in buildings completed this year. The ongoing construction of luxury multi-apartment buildings (and especially in the capital), the process of signing preliminary purchase-sale contracts, and the sale prices as declared by the developers makes it likely that in the near future we can expect to see even more intriguing, and probably record acquisition levels, and an increased volumes in the sales of this type of housing.

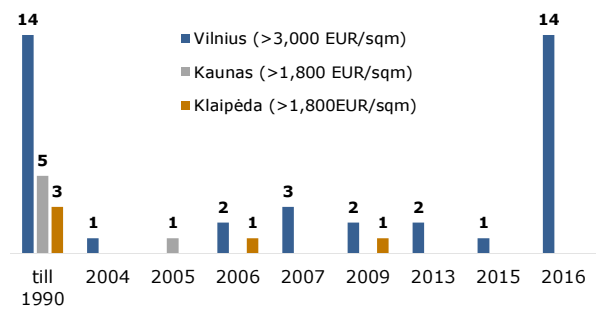
Apartment transactions in H1 2016



Source: SE Center of Registers, Ober-Haus calculations

Data: H1 2016

Apartment transactions distribution by buildings construction date in H1 2016



Source: SE Center of Registers, Ober-Haus calculations

Data: H1 2016

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.

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