

# RESIDENTIAL REAL ESTATE MARKET COMMENTARY

## LITHUANIA / Q3 2020

After the end of the lockdown, the period of uncertainty, the real estate market players felt more relaxed. In Q3 2020, the Lithuanian housing market did not hesitate and started an upward move. This largely compensated for the losses of Q2 2020.

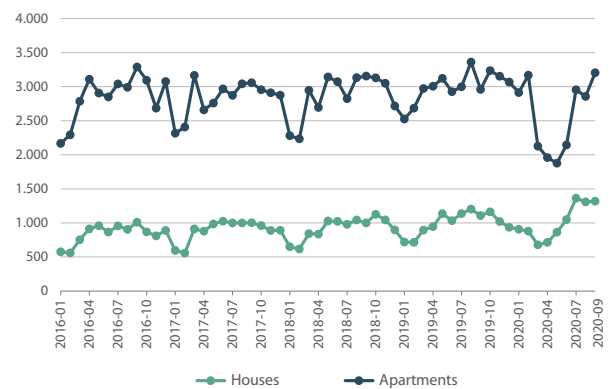
According to the state enterprise Centre of Registers, in Q3 2020, compared to Q2 2020, **51% more** purchase and sale transactions for apartments and **52% more** transactions for houses were recorded in **Lithuania**. In Vilnius, Kaunas, Klaipėda, Šiauliai and Panevėžys an upward move in the number of transactions during the same period was recorded both in the segment of apartments (by 30% in Vilnius, 53% in Kaunas, 81% in Klaipėda, 66% in Šiauliai and 95% in Panevėžys) and houses (by 48% in Vilnius, 47% in Kaunas, 0% in Klaipėda, 37% in Šiauliai and 22% in Panevėžys). Comparing the activity of the Lithuanian housing market with the previous year, the activity in Q3 2020 was almost the same or even higher. The sales of apartments were down by 3%, meanwhile the sales of houses were up by 16% in Q3 2020 compared to Q3 2019. Also, the sales of houses reached all-time highs.

The decline in the activity in the apartment market in Q2 2020 sparked much public debate about the prospects of sales and rental prices. According to Ober-Haus, the decline in the housing market activity during the lockdown in Q2 and in Q3 2020 only slowed down the increase of apartment sales prices, but no negative changes were recorded. If in Q1 2020 the apartment sales prices in the county's **major cities** increased by 1.2% on average so in Q2 **the growth** was 0.3%, and in Q3 – **0.6%**. In Q3 2020, apartment sales prices in **Vilnius, Kaunas, Klaipėda, Šiauliai and Panevėžys increased by 0.7%, 0.5%, 0.1%, 0.5% and 1.3% respectively**. In Q3, the developments in the housing market were largely positive. The bounced back expectations of the country's population regarding the country's economic and it's financial situation contributed to the overall growing activity in the housing market and helped avoid negative sales price changes

Meanwhile the apartment rental sector in the country's major cities, especially in Vilnius, felt the impact of the lockdown, yet it bounced back in Q3 2020. Due to the consequences of the pandemic, the housing rental market in Vilnius came under greatest pressure because of the largest amount of properties for long-term and short-term rent in the country located in this city. While the sudden sharp decline of tenants in the short-term rental property segment caused anxiety and problems to property owners, this had little impact on the long-term rental properties. In Q2 2020, rents in **Vilnius** decreased by around **2–3% on average**, in **Kaunas and Klaipėda** this decline stood at around 1%. The strong domestic demand was able to compensate for the increased supply resulting from diminished flows of foreign tourists in the major cities.

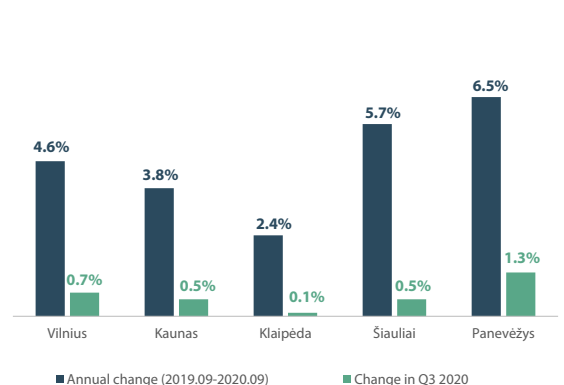
Q3 2020 was significantly more active in the residential rental property market not only due to the resumed economic activity and improved confidence, but also due to the usual seasonality in this sector. The total number of residential

**NUMBER OF TRANSACTIONS IN LITHUANIA**



Source: SE Centre of Registers

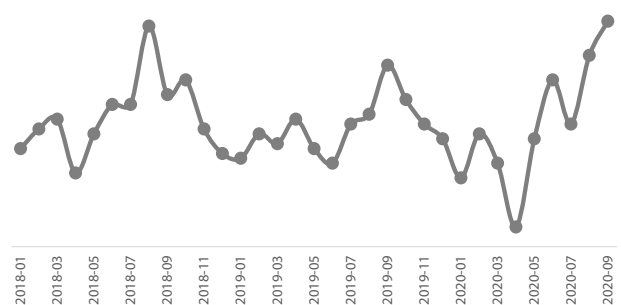
**AVERAGE APARTMENT PRICE CHANGE**



Source: Ober-Haus

**OB**-HAUS RESIDENTIAL PROPERTY RENTAL TRANSACTIONS

(Vilnius + Kaunas + Klaipėda)



Source: Ober-Haus

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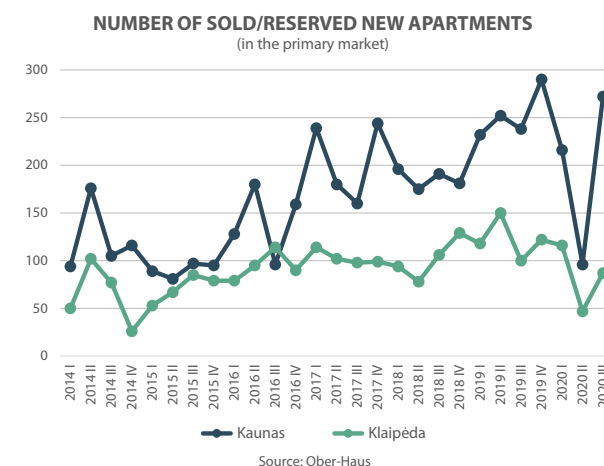
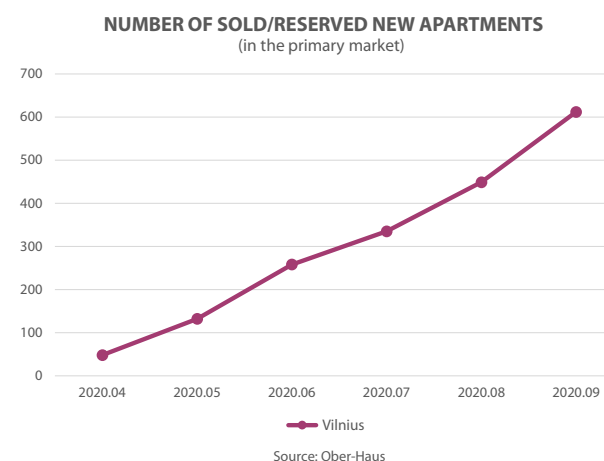
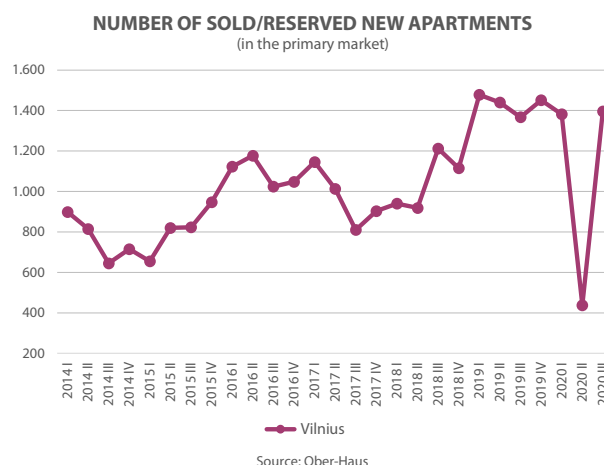
rental property transactions completed by Ober-Haus in Vilnius, Kaunas and Klaipėda in Q3 2020, compared to Q2 2020, increased by more than 80%. If compare the figure of Q3 2020 for the number of transactions with that in the same quarter in 2018–2019, it is up by 13% on average. At the same time the increased activity in the residential property rental market in the country's major cities significantly decreased the number of residential properties available for rent, which shot up during the lockdown. For example, in Q3 2020, the number of residential properties for rent in Vilnius and Kaunas offered on real estate listing portal Aruodas decreased by nearly 25%. Considerably more positive outlook in the entire real estate market and the increased activity of the residential property rental segment essentially brought back rents for apartments in the major cities to the price levels at the beginning of the year. If compare average rents for apartments in the country's major cities in Q3 2020 and in Q3 2019, rents this year are higher by 1–3%. In Q3 2020, a 1–3-room apartment rented for **450 EUR/month in Vilnius, 363 EUR/month in Kaunas, 362 EUR/month in Klaipėda, 254 EUR/month in Šiauliai and 255 EUR/month in Panevėžys.**

The apartment sales in the primary market (new construction) in the major cities showed a very rapid recovery. According to Ober-Haus, in Q3 2020 a total of **1,396** new apartments were purchased or reserved directly from developers in already completed and ongoing projects **in Vilnius**. This is **3.2 times as many as** were realized in Q2 2020 and slightly more than in Q1 2020. Since April 2020 (rock-bottom in activities), a particularly intensive growth in sales of newly built apartments has been recorded for the fifth consecutive month. The average monthly growth during this period was as high as 66%. Generally speaking, losses incurred during the lockdown were fully compensated for by October 2020 (in July 2020, 335 apartments were purchased/reserved in the primary market, in August – 449 apartments and in September – 612 apartments). Not only the activity of buyers, but also that of developers contributed to the positive performance in Q3 2020. Developers had noticed improvement in the housing market and, after the lifting of the lockdown, resumed project development thus increasing apartment supply and improving the overall market indicators.

The increasing sales and declining numbers of unsold apartments show that developers are under less pressure than they were in mid-2020. According to Ober-Haus, at the end of Q3 2020 there were **993** unsold apartments in completed apartment buildings in **Vilnius** or **29% less** than in Q2 2020. The figure for unsold apartments is the smallest since Q1 2017.

In Q3 2020, sales of new apartments were also high in Kaunas. According to Ober-Haus, in Q3 2020, a total of **272** new apartments were purchased or reserved directly from developers in already completed or ongoing projects **in Kaunas**. This is **2.8 times as many** as were realized in Q2 2020 and 26% more than those in Q1 2020. New residential projects offered to the market attract buyers and improve the overall sales indicators. But unlike in the capital city, an increase in the number of unsold apartments in completed apartment buildings was recorded in Kaunas. At the end of Q3 2020, the number of unsold new apartments in Kaunas stood at **316** or **22% more** than in Q2 2020. The number of unsold new apartments in Kaunas today is the highest since the end of 2015.

Meanwhile the sales in the primary market in Klaipėda bounced back to less impressive levels than in Vilnius or Kaunas. According to Ober-Haus, in Q3



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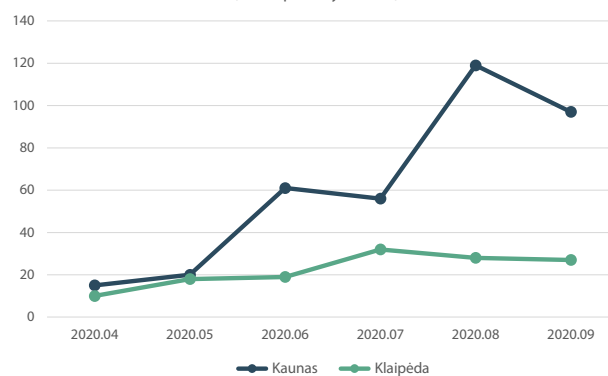
2020 a total of **87** new apartments were purchased or reserved directly from developers in already completed or ongoing projects in **Klaipėda**. This is **1.8 times as many as** were realized in Q2 2020 and 25% less than those in Q1 2020. Less intensive activity in the sales of new apartments in the city is related not to slightly sluggish residential property market in Klaipėda, but to a smaller scale of residential property construction projects. According to the number of registered apartment transactions (both old and new) per 1,000 population, Klaipėda is on a par with the capital city (the figure for Vilnius and Klaipėda was 21.9 transactions/1,000 population in 2019) and was ahead of Kaunas (18.2 transactions/1,000 population in 2019). The total number of transactions per population and declining numbers of unsold apartments show high activity in both the old and new apartment segments in Klaipėda.

At the end of Q3 2020, the number of unsold new apartments in completed apartment buildings in **Klaipėda** was **227** or **23% less** than in Q2 2020. At the same time this figure is the smallest in the past decade. This shows that developers in Klaipėda could be bolder and invest more actively in the development of apartment buildings. According to Ober-Haus, if the construction volumes of apartments in Vilnius and Kaunas in 2017–2019 were respectively 20% and 7% lower than in 2006–2008, the figure in Klaipėda is lower even by 61%. This shows that Vilnius and Kaunas are already close to the record apartment construction volumes recorded more than a decade ago, whereas the construction volumes in Klaipėda are still by 2.5 times lower. This trend will remain unchanged at least in 2020–2021, so the least competition among housing developers will unequivocally be in Klaipėda.

In Q3 2020, positive changes were also recorded in the housing financing sector in Lithuania. According to the Bank of Lithuania, the number of newly issued mortgage loans in Q2 2020 compared to Q1 2020 decreased by 24%. New mortgages in the amount of EUR 113 million per month on average were issued in July-August in Lithuania, the same amount as average per month in Q1 2020. So borrowing in Lithuania is back to the levels at the start of the year. In the first eight months of 2020, new mortgages in the amount of **EUR 824 million** were issued in **Lithuania** or **4% less** than in the same period last year. Interest rates for newly issued mortgage loans in Lithuania in 2019–2020 essentially remained stable. The annual percentage rate on mortgage loans in Q1 2020 stood at 2.39% on average, in Q2 2020 – 2.44%, and in July-August 2020 – 2.38%.

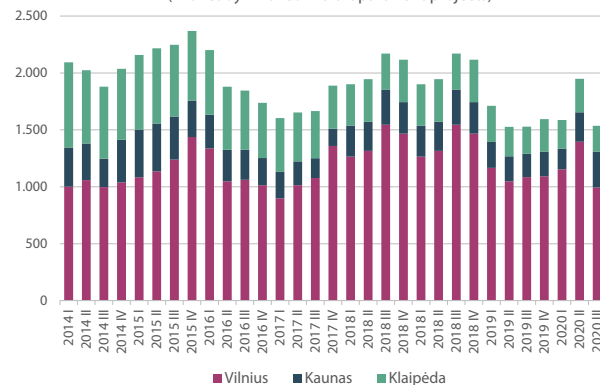
To sum up the indicators of the housing market in Lithuania in Q3 2020, it is obvious that the market successfully confronted the global pandemic and its consequences. Looking from the perspective of Q2 2020, it can be said that the housing market withstood the challenges much better than might have been expected without any major negative effects in this sector. Strong domestic demand for housing in Q3 2020 essentially compensated for the lockdown losses and restored the confidence of the market players to pre-lockdown levels. However, the real estate market players should not take it easy, because the ongoing virus threat and stricter measures of its control, at least in the short term, may have a negative impact on the general mood in the market and its indicators again.

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



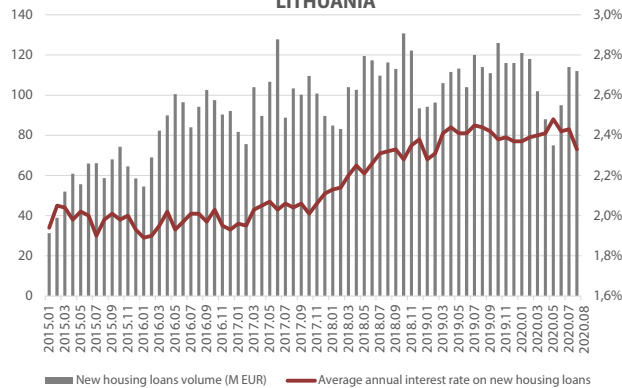
Source: Ober-Haus

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



Source: Ober-Haus

NEW HOUSING LOANS FOR PRIVATE PERSONS IN LITHUANIA



Source: The Bank of Lithuania

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.