

In the first half of 2012, trends in the economic slowdown, which had been observed at the end of 2011, continued to intensify in Lithuania. Similar trends are in the air of the RE market: the year of 2012 has started with a cautious optimism; though, halfway the year, the market took run, and many market segments recorded growth in transactions, some of them – even increase in prices. However, at the end of the half of the year, positive trends began to decline.

At the end of the first half of 2012, the slowdown is observed in almost all RE sectors of Lithuanian cities. In Vilnius, Kaunas, and Klaipeda, the trade centre segment has characterised by increased vacancies and stabilized rental rates. In Vilnius, vacancy increased from 3.5 to 4.4 per cent; in Kaunas – from 0.8 to 1.1 per cent; and in Klaipeda – from 1.4 to 1.5 per cent. Similar trends are observed in the logistics centre segment, which, in the second half of the year, experienced a significant decrease in potential new tenants and increase in vacancies, while rental rates have stopped rising. At the end of the half of the year, a vacancy of modern warehouse premises in Vilnius increased from 4.3 to 5.2 per cent; in Kaunas and Klaipeda, it remained the same. Growth in vacancies is also observed in the business centre segment, with the exception of Kaunas, where the vacancy rate in modern office buildings has declined by 2.2 per cent, compared to the beginning of the year.

Signs of market stabilisation are perceived in the flat segment as well. Basing on the data of the SE Centre of Registers, during the first quarter of 2012, just 2.3 per cent more flat sale and purchase agreements were concluded in Lithuania than during the same period of 2011. Meanwhile, analysis of just the 2nd quarter's data shows that a number of transactions concluded in Lithuania, decreased by 1.8 per cent, compared to the corresponding period of 2011. In the second quarter of this year, a number of flat transactions declined in all major cities: in Vilnius – by 3 per cent; in Kaunas – by 0.4 per cent; and in Klaipeda – by 6.1 per cent.

Analysts of "Inreal valdymas" interpret the declining index of demand for flats as well as an increasingly growing demand for private houses. According to the data of the SE Centre of Registers, during the first half of 2012, 23.3 per cent more private house sale and purchase agreements were concluded in Lithuania than during the same period of 2011. Unlike the flat segment, a growth in private house transactions is even higher in the second quarter. Traditionally, the land plot market remains intense. During the first half of 2012, growth in transactions was about 10 per cent, compared to the corresponding period of 2011. Agricultural and household plots stay the most popular ones.

During the first half of 2012, RE developers were especially dynamic in a new building (primary) flat market within the analysed period. In the major cities of Lithuania, sales launched in 31 new apartment projects which filled up the market with 1733 more flats. However, only about 800 flats were sold during the same period. During the first half of this year, sales launched in 21 new apartment projects in Vilnius which filled up the market with 1370 more flats. It was almost as much as was offered in the market throughout the whole year of 2011. Meanwhile, the demand remained almost the same – only 624 flats were sold within a half a year – in average, 104 flats a month. Similarly, the level of sales of about 100 flats a month was recorded in 2011.

According to authors of the overview, despite the grim moods in the Eurozone and slowing down GDP, a growth of Lithuania's economy may remain among the fastest ones in the European Union and avoid the European recession. Meanwhile, an emerging economic situation and the overflow of the primary housing market are posing new challenges as well as expertise and insight requirements for the RE developers when meeting expectations of RE customers.