

Data from Inreal's experts' survey of the real estate market for the first quarter of 2012 indicate that all segments of the market grew, and the prognoses remain positive. Industry results for the first quarter of 2012 exceeded all expectations; compared to the same quarter of 2011, industrial production rose by 3.9 per cent. Investments in this sector remain at the same level, therefore, a similar trend is likely in the long run.

The trend which emerged during the previous year has continued through the first quarter of 2012; available storage space continued to decrease, and rents started rising. In Kaunas and Klaipėda, this process is still in its initial stage; however, it should gain momentum as a result of growing demand. So far, construction of storage facilities for personal purposes dominates, however, the growing demand and rising rents are likely to draw investors' attention to this segment, therefore it is likely that in the near future we will witness investments in the development of new logistics centres.

Market recovery has also been observed in other real estate (RE) sectors. According to the data provided by the Public Enterprise *Registru centras*, during the first quarter of 2012, the number of RE (apartments, houses, land, premises, etc.) sale-purchase contracts increased by 10.8 per cent compared to the same quarter of 2011. The number of sale-purchase contracts with respect to apartments increased by 6.9 per cent, houses by 27.3 per cent, and land by 10 per cent. The most vibrant housing market was seen in the capital city. Here RE developers and sellers were especially active, starting or resuming construction of approximately 900 apartments in the first quarter of the year, more than half the number of the total housing units started during 2011, while demand remained the same: approximately 270 apartments were bought. In the near future, development rates should remain at the same level, as more and more RE developers decide to invest in building new apartment complexes; the supply of apartments is likely to exceed 3000 by the end of the year. It should be noted that new developers, and those for whom construction is not the main area of activity, are entering the market; five out of eight apartment complex projects in 2012 were started by newcomers to the sector.

In the business centre sector, a single, new project was started during the first quarter of 2012, i.e. the 17,300 sq. m. Mega Business Centre in Kaunas. No other special, new projects were noted. Rents have remained stable, and the level of vacancies has changed only minimally in all the major cities of Lithuania. Only the capital city with its active migration of tenants can be excluded from this conclusion: the number of vacancies in class A premises increased from 1 to 5.4 per cent., and from 3.6 to 17.8 per cent in B2 class premises whereas the number of vacancies in B1 class offices fell from 3.8 to 5.1 per cent. It is likely that the number of vacancies, as well as competition, will increase as a result of new projects in 2012. The highest price-pressure will be felt by the older business centres for which it is more difficult to compete with the newly developed modern office buildings; therefore, an active migration of tenants in the business centre sector is predicted for 2012. However, average prices should remain stable.

In the shopping centre sector, the number of vacancies increased slightly in the major cities. This could be related to the end of the festive period, during which some tenants were only renting premises for a short period of time. However, it should be noted that the level of vacancies in this segment remains low: in Vilnius – 3.5 per cent, in Kaunas – 0.8 per cent, in Klaipėda – 1.4 per cent. The present situation allows for renters to strengthen their positions, replace weak tenants by stronger ones, and increase rents, which were increased on average by 3-5 per cent in the more successful shopping centres. Despite the improving economic situation in the country, no new shopping centre construction projects were started in any major city.

To sum up the results for the real estate market for the first quarter of 2012, we may conclude that all the segments of the market were recovering, and prognoses remain positive. On the other hand, the economic situation in Lithuania is highly dependent on external factors which are difficult to control. The risk of Euro zone recession does remain, as well as the problem of national debt, and therefore future prospects should be assessed with cautious optimism.