



LITHUANIAN ECONOMIC  
AND RE MARKET REPORT

2021 H1

WITH PARTNERS: ŠIAULIŲ BANKU, COBALT, CITYNOW

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## Tomas Kipišas, Šiaulių bankas Savings and Investment Products Manager

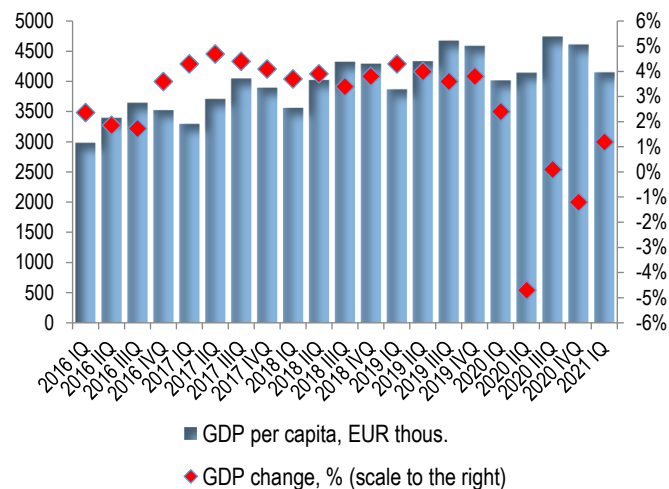
Tomas has many years of experience in mediation in financial markets, management of investment portfolios, market analysis and administration of investment products. He advises clients on market investment issues, prepares articles and provides market comments to the media.

### ECONOMY OVERVIEW

The Lithuanian economy continues to surprise with its enviable resilience to crisis situations. Last year's economic downturn was one of the mildest in the EU, and this year our country is one of the first in the world to return to pre-pandemic levels, despite long and fairly strict quarantine. After shrinking by 0.8 per cent last year due to the pandemic, Lithuania's GDP grew by 1.2 per cent in the first quarter of this year. Such an achievement exceeded the forecasts of many analysts. Even more, compared to the last quarter of 2020, the country's economy grew by as much as 1.8 per cent and surpassed the world's strongest economies – the United States, Sweden, etc. Strong domestic investment and growth in domestic consumption contributed most to these results. A positive impetus was provided by the improving epidemiological

situation both in Lithuania and in the main Lithuanian export markets.

### Lithuania's GDP



Source: Statistics Lithuania, calculations of Šiaulių Bankas

Exports of chemical products have doubled as demand for these products has risen significantly as a result of the pandemic. Industry made the largest contribution to GDP growth by sector. Growth was observed in almost all

industrial sectors, and the largest development was demonstrated by manufacturers of transport and equipment, furniture, and pharmaceutical products. In the first quarter of this year, the Lithuanian manufacturing industry exceeded the level of the previous year by almost 13 per cent. Production of vehicles and their parts almost doubled (42 per cent), while the other sectors mentioned expanded at a rate of 20–25 per cent.

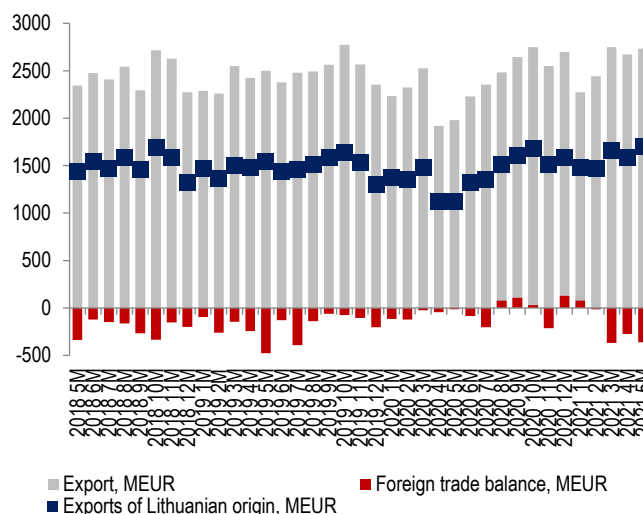
The country's financial system has also successfully weathered the challenges of the pandemic, and the "cushion" available to banks remains solid enough. According to the Bank of Lithuania, the country's banks could withstand a hypothetical economic downturn of over 7%. Nevertheless, it is definitely not the right time to relax. A significant deterioration in the financial situation of companies affected by the pandemic and its consequences could have a negative impact on the stability of the country's financial system.

After slower growth at the beginning of the year, global economic growth is beginning to recover. Support for citizens and businesses from various governments also contributes to greater economic activity. While the pandemic remains a major critical factor affecting economic processes in countries around the world, the declining number of outbreaks of the virus and accelerating vaccination are reducing the pressure on businesses and households. These processes will lead to greater activity in international trade in Lithuania as well.

Exports of goods grew by more than a quarter (17.1 per cent) during the first five months of 2021, while exports of goods of Lithuanian origin grew even more – by 22.3 per cent (excluding mineral products – by 24.1 per cent). This historically significant change was due to the last year's low base and high growth in export prices. The largest growth was in the sectors of chemical products (2.2 times), furniture

(31.1 per cent), and land vehicles (42.7 per cent). The jump in sales of chemical products was due to Thermo Fisher Scientific Baltics UAB, which produces reagents for vaccines against COVID-19. At the beginning of this year, the export of furniture, one of the main export sectors of Lithuania, stood out with a particularly big breakthrough – in March of this year, the export volume reached a record-high EUR 181 million. Still, the later months are already showing a slowdown in growth due to a shortage of raw materials for furniture makers. The main export destinations were Russia (10.7%), Latvia (9.0%), Germany (8.3%) and Poland (7.0%). Goods of Lithuanian origin were shipped to Germany, the United States, Poland, the Netherlands and Sweden. Exports to EU Member States accounted for 63% of the value of exports of goods of Lithuanian origin (excluding oil products).

### Foreign trade



Source: Statistics Lithuania

The growth of exports of high-tech goods of Lithuanian origin in the first quarter of this year was significantly higher than the total exports and amounted to 15.2 per cent (compared to the same period last year). Sales of computer, electronic and

optical products, electrical equipment products in foreign countries stood out with the fastest growth. The share of high technologies in the country's exports is about 7%, the share of higher value-added high-tech products is increasing.

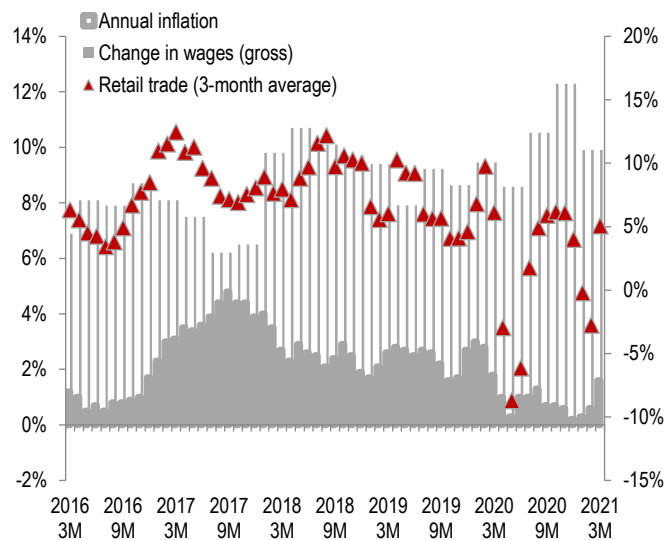
The future of exports remains bright due to the rapid recovery of foreign demand and the flexibility of Lithuanian exporters in the conditions of the pandemic. This year, Lithuanian exports of goods and services are expected to grow as much as last year (about 8 per cent), and in later periods – on average about 7 per cent annually.

The recovering economy and strong growth in business and household expectations have pushed up prices of goods and services significantly. Although at the beginning of the year the inflation rate did not reach 1 per cent, already in May and June inflation in Lithuania jumped to an unprecedented 3.5 per cent. The biggest contributor to higher inflation was an increase of a quarter in the price of oil due to restrictions on the supply of this raw material. The impact of energy product prices may be weakening, and prices will be affected more by domestic demand. However, if economic growth is faster in the medium term, it will also mean higher inflation.

The IMF forecasts as much as 3.5 per cent for Lithuania this year. The country's analysts predict price growth in the country at the level of 2–2.5 percent. However, in the short term, with economic growth accelerating and quarantine restrictions easing, the risk of higher prices remains. Wage growth continues to outpace price growth. After growing by a tenth last year, this year the average wage growth is maintaining a similar pace. Wages have risen in both the public and private sectors. These trends have been driven by the good financial position of companies and their efforts to increase labour productivity, as well as the shortage of skilled labour, which may be exacerbated in the long run by negative natural demographic trends. The Ministry of Finance forecasts that this year wages will rise by an average of 7–8 per cent, next year

– by 6 per cent. This means that the purchasing power of the population will continue to grow.

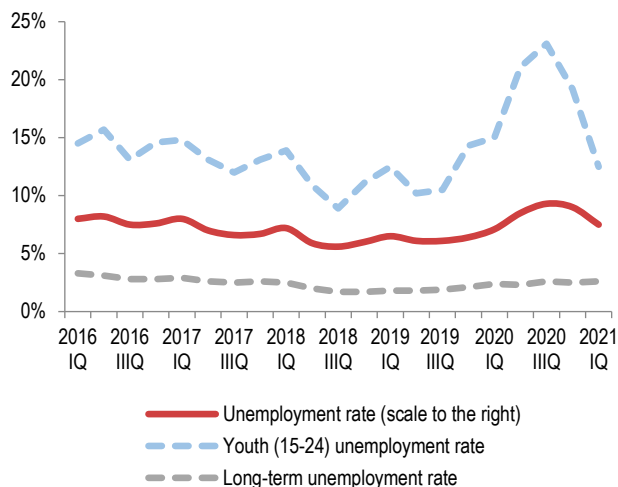
### ***Inflation, wages and retail trade***



Source: Statistics Lithuania, calculations of Šiaulių Bankas

Fewer restrictions on economic activity and rising household incomes have improved consumption trends. After a temporary slump at the beginning of the year, retail sales grew at an average rate of over 30 per cent in March–May. The factors that helped the traders were the growing consumer and industry confidence, which has almost reached pre-pandemic levels, as well as the rapidly recovering service sectors that have suffered the most severe consequences of the pandemic restrictions. Improving employment and unemployment rates have also had a positive impact on population expectations. During the second wave of the pandemic, the number of people working in Lithuania did not change much, and in the first months of this year it increased slightly. The unemployment rate fell to 7.5 per cent in the first quarter of this year. The IMF experts believe that the unemployment rate should fall to 6.7 per cent this year.

## Unemployment rate

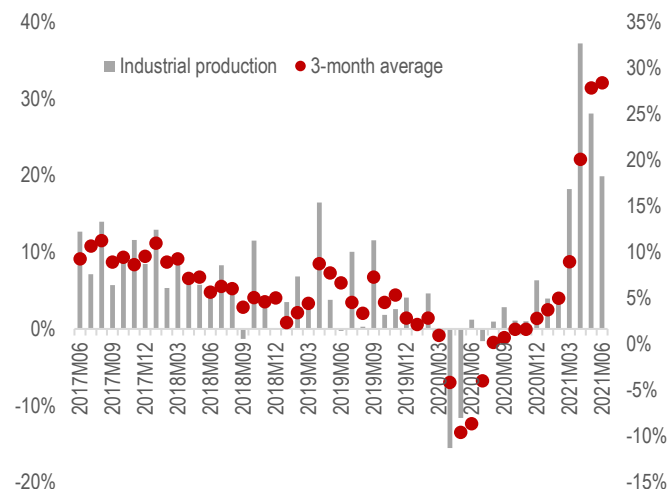


Source: Statistics Lithuania

The growth of the country's industrial production in the first half of this year, as compared to the same period of 2020, amounted to as much as 17.8 per cent. Manufacturing excluding refined petroleum products grew by 20%. At the beginning of the year, the industry's performance was boosted by a record-breaking increase in the production of chemicals, where the production of reagents for the COVID-19 vaccine stood out most. It grew 29 per cent in the first quarter. Growth in other segments was not significant or even negative. However, already in the second quarter, the growth of production volumes took on a larger scale, i.e., the number of industry segments that showed significant annual growth was significantly higher. The production of furniture and other wood products, the production of vehicles and their parts, and the production of metal products grew significantly. Against the background of the country's rapid economic recovery, the residential real estate market is already sounding the alarm of the risk of overheating. This could have dire consequences for the stability of the country's financial system. Housing prices increased by 12 per cent.

Although the rise in real estate prices has coincided with rising household wages, savings and expectations, this pace of development and its nature is not sustainable, so if it lasts longer, we can expect significant adverse effects of market overheating. Lending volumes for housing loans have remained fairly stable, but the risk of unsustainability is fuelled by intense speculation in the primary developer market to profit from the resale of reservation contracts, which distorts the actual situation in the housing market.

## Industrial production (annual change)



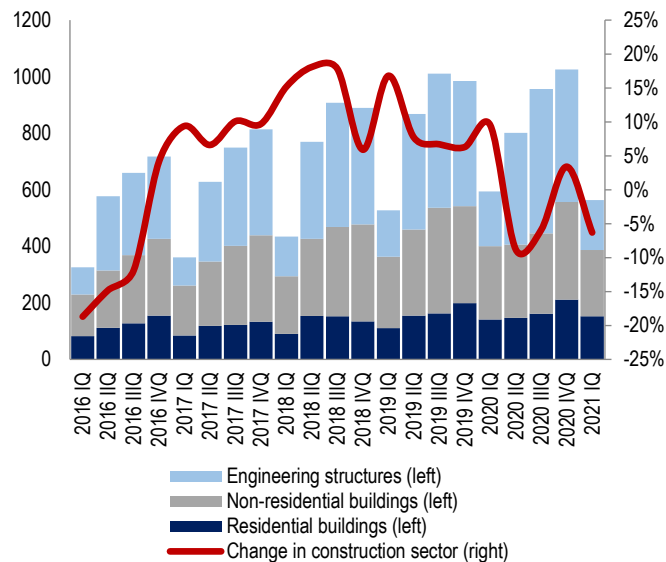
Source: Statistics Lithuania, calculations of Šiaulių Bankas

The prices of both construction and repair cost items have been rising recently. In April, compared to the same month last year, prices for construction materials and products went up by 5 per cent, and for repairs – by 3.6 per cent. Prices of metal products (5.4 per cent), windows and doors (4.8 per cent), wood products (3.8 per cent) grew particularly fast. Affirmative actions taken by China, which recovered very quickly after the pandemic and did not wait long to buy up to 40 per cent of structural steel on the commodity exchanges, contributed the most to the rise in prices. As a result of the

chain reaction, the prices of other building materials were also affected.

The growth of the construction sector after the pandemic does not show good results. In the first quarter of this year, compared to the same period last year, investment in residential construction grew by 8 per cent, while non-residential and civil engineering segment contracted by 10 and 9 per cent, respectively.

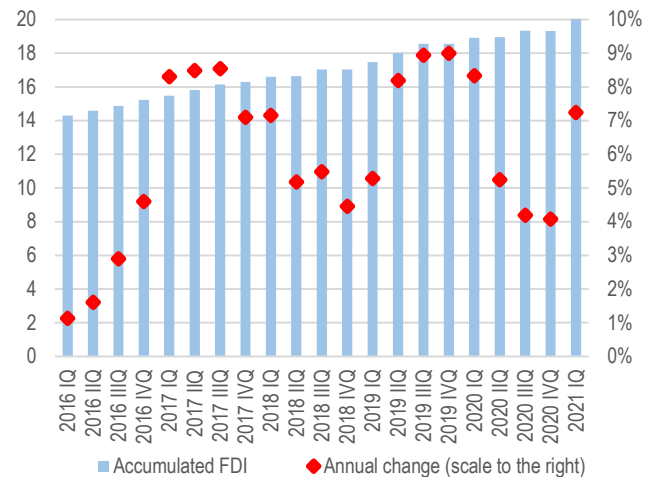
### Construction activity in Lithuania



Source: Statistics Lithuania

Foreign direct investment (FDI), an important component of the country's export potential, is maintaining a good pace. Accumulated FDI in Lithuania increased by 7.2 per cent to EUR 20.3 billion over the year and accounted for 41.2 per cent of the country's GDP. Sweden, Estonia and the Netherlands remain the largest investors. The leaders by segments are financial and insurance companies, manufacturing companies and real estate companies.

### Foreign direct investment in Lithuania, EUR billion



Source: Statistics Lithuania, calculations of Šiaulių Bankas

The country's economy, which has recovered at an impressive pace, is setting a good example for other countries. While there is no shortage of risks related to the management of the pandemic and possible variants of the virus, it is likely that the darkest phase of the pandemic is over and our country will be able to focus on strengthening its economy. Improving pandemic situation in the country, more favourable external environment and billions poured into the economic transformation allow us to expect much faster growth of the Lithuanian economy this and next year. The Ministry of Finance's Stability Program for 2021 states that this year an additional EUR 150 million will be injected into the Lithuanian economy from the European Economic Recovery and Resilience Facility, and EUR 450 million next year. The Bank of Lithuania forecasts that a good start to the year will provide a good impetus, and the country's economy will grow by 5.1 per cent this year and by 4.4 per cent next year. The Ministry of Finance expects 4.1 per cent growth this year and 4.4 per cent growth next year.



**Tomas Sovijus Kvainickas**, *Chief Investment and Analytics Officer at INREAL Group*

*Tomas Sovijus has been working as a real estate (RE) analyst for over 10 years, specializing in data analytics and development of calculation models. He is responsible for finding and evaluating investment opportunities for the INREAL Group, as well as providing consultations to clients and comments to the media on matters related to the real estate market.*

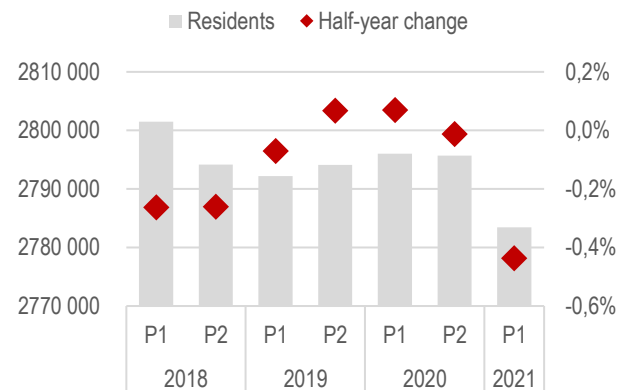
## REAL ESTATE MARKET OVERVIEW

The impact of the pandemic has created a real "roller coaster" in the real estate market – a sharp fall, a relatively short period of stabilization, and a rise to unprecedented heights, all of which took place within just a year and a half.

During the pandemic, people were forced to accept a number of restrictions, get used to new forms of work as well as rethink their housing needs. It is currently difficult to answer which changes will be short-term and which will outline new directions for the development and use of real estate in the long run, however it is obvious that some of the changes will remain. Another period of change is possible in the near future as the citizens of our neighbouring country are increasingly

considering the possibilities of emigration and are choosing Lithuania as one of their destinations. Belarusians who are historically close to our country can help solve some of the demographic problems of the real estate market by not only reducing the vacancy of business centres, but also by encouraging their further development.

### Population in Lithuania



Source: *Lithuanian Department of Statistics*

Demographics is one of the most important factors in the real estate market and probably the most important in the housing segment. The year 2020 was distinguished by the fact that the



country's population at the end of the year was higher than a year ago, which led to expect higher market activity in the near future. On the other hand, preliminary results for mid-2021 show a significant decline in the population by 12,000 people, which was also affected by more than 4,000 deaths from COVID-19.

The housing fund in Lithuania continues to grow, and although there were difficulties in the construction sector during the pandemic, this did not have a significant impact on real estate development. The housing fund has increased by 1.0% (8,953 units), which is slightly less than in the corresponding period of 2020 (1.1%, 9,907 units), but more than in the previous year (2019 – 0.9%, 8,127 units, 2018 – 1.0%, 8,436 units).

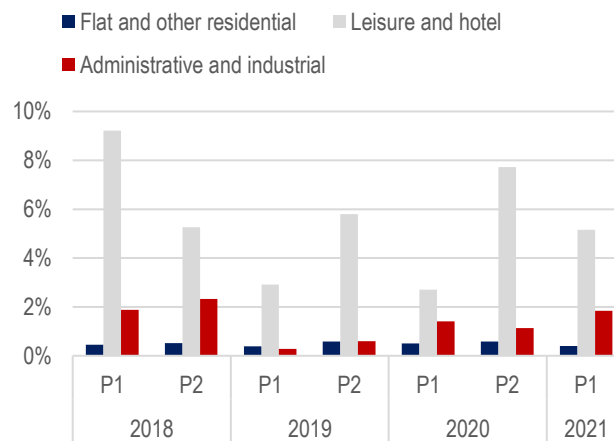
In absolute terms, the number of residential real estate on the market is much higher than of other types of real estate (recreational real estate, hotels, administrative and production facilities), however the growth rates of the latter are much higher. The number of administrative and production facilities is growing by about 2 – 3% (217–331 units) annually. Not all of these facilities are used for accommodation, but a significant increase in the number of facilities indicates that developers continue to offer non-residential facilities as residential housing. This statement is illustrated by the change in the number of leisure and hotel facilities. Over the last 12 months, the number of such facilities has increased by 13% (1,078 units). By comparison, there was a 9% increase (647 units) during the same period in 2020, and 8% (575 units) in 2019.

The development of these facilities is significantly influenced by the development of projects on land leased from the state, where developers avoid changing the purpose of the land, and the purpose itself provides certain advantages. For example, in the previous general plan of Vilnius, different development indicators were valid, depending on the purpose of the

developed buildings. Buyers should be aware that the main disadvantages of these facilities are: more difficult financing of the acquisition and, as a result, lower liquidity of the property. In terms of technical parameters, these facilities are essentially identical to residential facilities. On the other hand, due to the lower purchase price and more favourable real estate tax rates in terms of higher value property, these facilities are much more attractive for property rental business.

According to the new general plan of Vilnius, the development indicators, regardless of the purpose of the buildings, are levelling off. The procedure for construction on state land is currently being considered, thus it is likely that significantly fewer of these types of facilities will be built in the future, although there are currently valid building permits that were issued in the past which will not be affected by these changes.

#### Number of premises in Lithuania

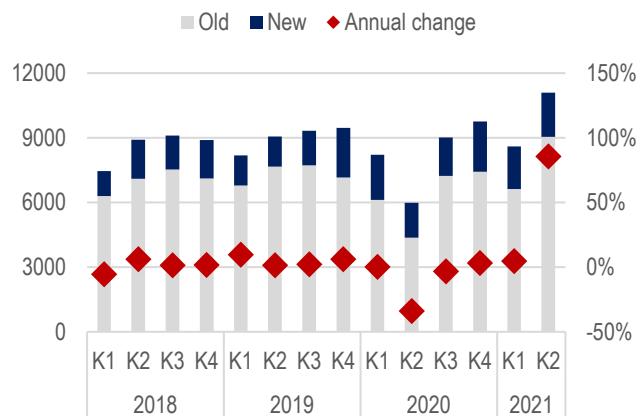


Source: SE Centre of Registers

The short-term impact of the pandemic on residential housing and the rapid recovery of both primary and secondary markets were already discussed in the second half of 2020. 18,775 residential real estate sales transactions were concluded in the

second half of 2020, which is a similar number to that of the second half of 2019. Meanwhile, the number of transactions concluded in the first half of 2021 significantly exceeded the previous results with 19,696 notarial sales transactions. A particularly significant jump in activity was observed in the old construction housing segment in the second quarter of the year with 9,045 transactions, which basically corresponds to the number of transactions in the entire housing market (primary and secondary) of previous periods. The increase in the activity of old and older construction housing transactions can be attributed both to the particularly active primary market (housing change) and to the resulting shortage of supply, which also contributed to the rise in older construction housing prices, and allowed sellers to sell their property at a higher price and possibly buy or start building an individual residential house.

#### Number of purchase and sale transactions of residential premises in Lithuania



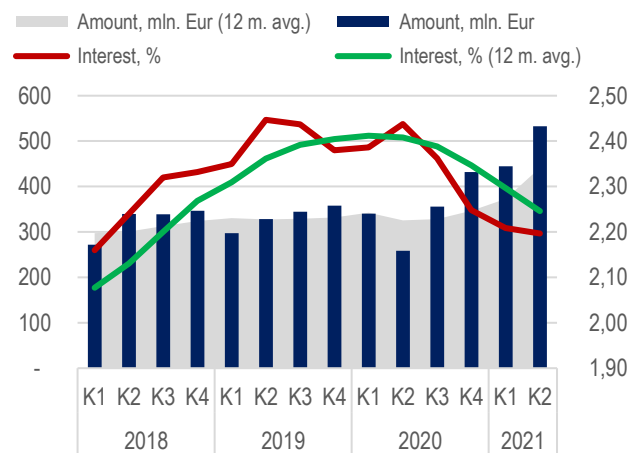
Source: SE Centre of Registers

The number of new construction housing transactions that grew before the pandemic fell up to 19% in the second quarter of this year (in Q1 of 2020, new construction housing transactions

accounted for 25% of the market). This was due to a slowdown (or inability to catch up to the demand) in the supply of new construction housing.

Market activity was also positively affected by changes in borrowing opportunities. A year ago, the margin of mortgage loans, which had jumped slightly at the beginning of the pandemic, started to decrease in June-July, and at the end of the year returned to the level of 2018, which is even lower than in 2019. In the middle of this year, the interest rate on loans (and respectively the margin, due to the negative Euribor) amounted to 2.2%. By comparison, the pre-pandemic margin was about 2.4% in early 2020. Both the interest of buyers in real estate and lower borrowing costs also led to an increase in granted loans – from pre-pandemic €110 million to €160 million per month this year. It is also important to take into account that some of these loans cover not only the current market activity, but also the record pre-pandemic primary market agreements concluded for the purchase of housing "from drawings".

#### Real new housing loans (EUR million) and interest rates (percent)



Source: Bank of Lithuania

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Market activity is particularly visible in the residential housing and land plot segment. During the pandemic, a number of people felt imprisoned in their own homes, which were both their places of residence as well as their workplaces and recreational premises. Under such circumstances, the larger areas of townhouses and individual residential houses with private yards have become a particularly enticing advantage.

The uncertainty of the 2020 market resulted in the start of some of the commercial projects being postponed to future periods. A significant number of lease transactions are concluded during the development period, therefore this additional time may allow to reduce vacancies during the opening.

We can talk about the future of business centres from several perspectives – an increased popularity of working remotely and the development of companies. The opportunity to attract Belarusian IT companies and searching for unicorns in Lithuania can ensure high occupancy and further development

of business centres, growth of the services sector in the country, and improvement of the demographic situation. Multipliers of positive factors can create even more opportunities for business development, however the risks of the pandemic have not yet disappeared, and the problematic political situation in Belarus is difficult to predict.

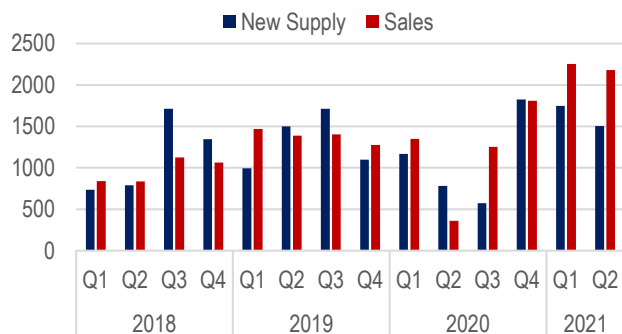
The same goes for shopping centres. The availability and volumes of e-commerce have been growing for several years in a row, however a steady flow of shoppers in shopping centres shows that not all habits can be changed as effectively as in the case of remote work.

Not all hotels have withstood the tests of the pandemic, nevertheless co-living projects are entering the market, and renting housing in the country is becoming a target not only for individuals but also for large-scale businesses.

## APARTMENT MARKET IN VILNIUS

The results of the last six months were especially favourable for the developers of the capital's real estate with the sale of 4,432 apartments (including suites and lofts), which is 2.5 times more than in the same period last year (1,711) and 1.5 times more than in 2019 (2,858). Such market activity is comparable not only with analogous periods, but also with the results of the entire year. For example, in 2020, only 8% more housing units were sold over a twice longer period (4,773), and only 25% more were sold in 2019 (5,540). It is obvious that if the activity in sales does not decline, the annual result will exceed the previous record by 1.5 times, and the spring effect will no longer be just a speculation. On the other hand, declining housing supply, the caution of some developers, and uncertainty regarding the sustainability of buyer behaviour limit the growth of supply, and the intentions of buyers are affected by rising housing prices and the possible intervention of the Bank of Lithuania to protect the market from overheating.

### Dynamics of the new supply and sales of apartments in Vilnius



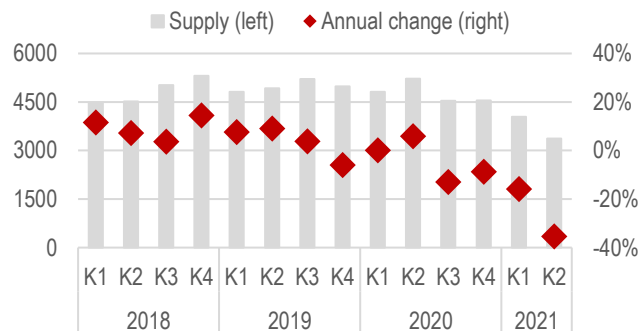
Source: INREAL

In mid-2020, developers somewhat slowed down the development of new projects, therefore, even the spurt at the end of the year did not change the fact that the housing supply offered to the market – 4,344 units – was 18% lower than in

2019 (5,305) and 5% lower than in 2018 (4,584). The growing activity of buyers created particularly favourable conditions for the introduction of new projects to the market. In the first half of this year, developers offered 3,251 new homes – 1.5-2.5 times more than in any previous half-year since 2012.

However, even such record-breaking developer activity was not enough to protect the market from a shortage of supply. In 2018 – 2019, seeing the growing housing market in the capital, developers undertook rapid housing development and, in the second half of the year alone, offered almost 1,000 more apartments than buyers have bought during that time. The rapid growth of supply may have posed a risk to the liquidity of the primary market, therefore new development subsided at the turn of 2019-2020, and almost stopped entirely in the middle of 2020. On the other hand, the increase in buyer activity that started in Q3 of 2020 resulted in the fact that the activity of buyers of apartments was higher than that of developers during 11 out of 12 months. In the last 6 months alone, buyers have bought 1,181 more apartments than were offered by developers.

### Supply volume in the primary housing market in Vilnius



Source: INREAL

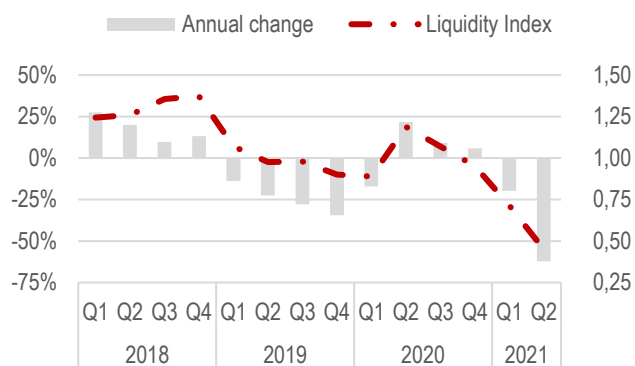
An imbalance in the market led to a decrease in the supply to 3,370 apartments, compared to the supply of 2019-2020 which

exceeded the symbolic threshold of 5,000 apartments. This is 35% less than in 2020 (5,216) over the same period and 32% less than in 2019 (4,925).

A lower supply was recorded only in mid-2014, when buyers were offered a total of 3,077 housing units. The problem of shortage of supply is especially acute considering that the activity of supply of the first half of this year surpasses 2014 by as much as 2.5 times.

INREAL's housing liquidity ratio fell to 0.45 in the middle of this year, meaning that the supply can be realized in less than 6 months. This is the greatest shortage of new housing supply that we have seen over the past decade.

#### Liquidity rate of new apartments in Vilnius



Source: INREAL

With the decreasing supply of apartments and the pandemic adjusting the habits of people, it is likely that some of them will move to the segment of individual houses and townhouses, which would reduce pressure on the apartment segment.

The sharp jump in market activity can be partly explained by the “spring effect” and the desire to protect one's money from inflation, thus it is likely that increased buyer activity is not very sustainable. It can be reasonably assumed that the market has also an increased number of speculative transactions when the

aim is to resell the purchased housing reservations and preliminary contracts. On the other hand, these apartments, although sold at a slightly higher price than they were purchased, compete with the primary market, so they will not be more expensive than when buying them from developers.

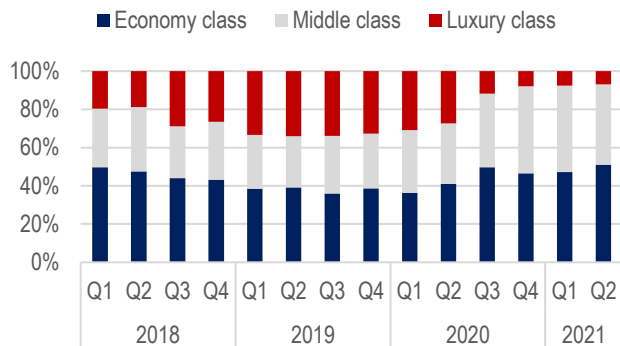
When looking at individual segments, it can be seen that the supply of prestigious housing is declining quite rapidly. The market is dominated exclusively by economy class and middle class housing, and the boundaries between classes are becoming increasingly blurred. This is due not only to the declining amount of vacant land in the central part of the city, but also to the increasing requirements for construction work. Currently, the main distinguishing feature between property classes is location. Other important factors are architecture, exterior and interior finishing materials, room layouts, and exceptional project features. While the overall level of projects has undoubtedly increased over the past few years, the market has seen a decline in truly exclusive housing in recent months, which currently accounts for just under 10% of supply. About half of the total primary housing market supply is comprised of the economy class segment and slightly more than 40% is comprised of the middle class segment.

With a decrease in both general and prestigious housing options, economy and middle-class housing sales have increased. The most expensive housing this year accounted for about 5% of total sales, economy class – about 50%, and the rest were middle class housing.

Although housing has become more expensive in the last few months, its affordability remains high. Therefore, when analysing the dynamics of sales, we should take into account that the supply of middle-class housing built since the beginning of the year has decreased from 40 to 30% of the total number of built housing units, while the supply of economy-class housing has increased from 50 to 60% of the total number of

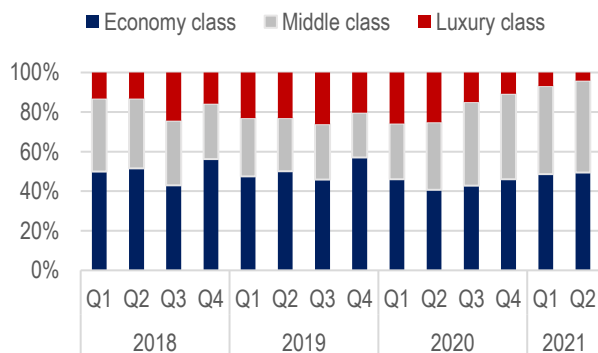
built housing units. When buying housing that is still under construction, especially from less experienced developers, such housing may not only fail to meet your expectations or the promises of the developer in the future, but the deadline for moving in may also be moved forward, resulting in additional costs (e.g., property lease) or more expensive interior finish due to higher prices of work and materials.

#### Apartments supply under class in Vilnius (percent)



Source: INREAL

#### Apartment sales under class in Vilnius (percent)

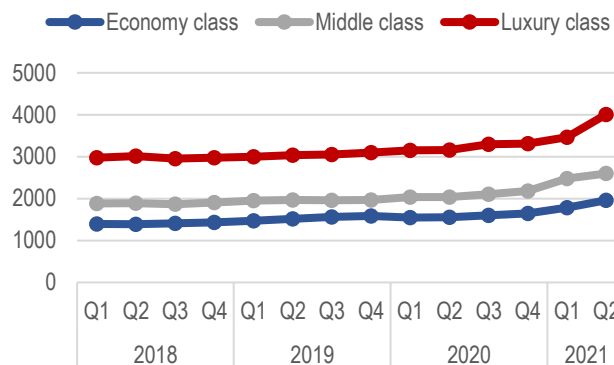


Source: INREAL

As already mentioned, one of the main differences between the said classes is location, so it is likely that in the future the percentage of the economic housing segment may increase in

both supply and sales. On the other hand, the trend of working from home can lead to the development of relatively recreational housing close to water bodies and forests. In the past, such housing was more often built as a second home targeted at people with flexible work schedules. Such housing typically had a larger area, however with the increasing popularity of working from home, it is likely that smaller homes will become more attractive in the second-home segment.

#### Average prices of apartments under class in Vilnius (EUR/sq. m)



Source: INREAL

The activity of buyers, the formation of a shortage of supply, the rising prices of construction works and materials, new infrastructure taxes, and new state land taxation procedures – all of these factors are unequivocally unfavourable to buyers. But, in certain cases, they were also unfavourable to developers. In the early project development stage, apartments sold "from drawings" at lower prices, especially in the economy class, had the risk of becoming unprofitable for developers. On the other hand, some developers have significantly raised the prices of apartments that have already been built.

This year the price of prestigious-class housing in the capital has already reached 4,000 EUR/sq. m, the price of middle-class housing has exceeded the 2,500 EUR/sq. m, and the

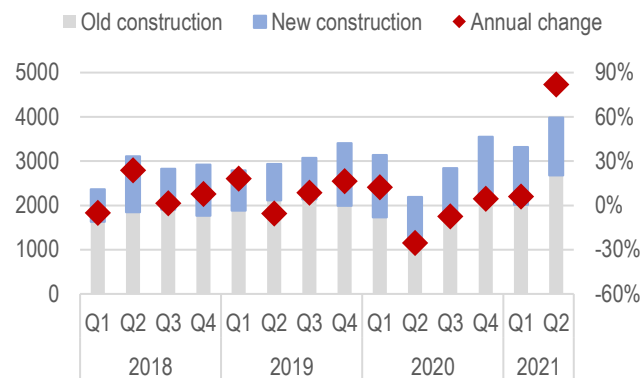
price of economy-class housing has already reached 2,000 EUR/sq. m. At the end of 2020, the price of a standard prestigious-class home was slightly over 3,300 EUR/sq. m, middle-class home – about 2,200 EUR/sq. m, and the price of an economy-class home ranged between 1,600 – 1,700 EUR/sq. m. Thus, prices have risen by about 20% in the first half of the year. It is important to note that this is a change in the averages. The prices of individual apartments have changed unevenly. They have changed only slightly in some projects, and changed by 5 to 20% in others. New projects introduced to the market had the largest impact on the jump in averages.

Market activity is also clearly evidenced by the data published by the SE Centre of Registers. INREAL focuses on the analysis of the primary housing market and relies on data published by developers. One to two years elapse between the conclusion of preliminary agreements and the transfer of housing to buyers, therefore notarial transactions of new construction housing show a somewhat delayed situation in the market. On the other hand, they perfectly reflect the situation in the secondary market as well as the continuity of decisions of buyers (whether a preliminary contract turns into a notarial one).

The first quarter of this year was relatively calm – 6% more residential housing units have been sold compared to the same period last year, which was before and during the quarantine. Older construction housing transactions accounted for about 61% of all contracts. The second quarter has truly "exploded" with the conclusion of 82% more contracts than in the same period last year. The comparative period is not the most representative one, however the results of Q2 of 2021 significantly exceed the earlier market activity. It seems that in the second quarter buyers have wiped out everything not only in the primary but also in the secondary housing market by

purchasing 2,677 older construction residential housing units. By comparison, the average for the quarters of 2018 – 2019 was 1,907 transactions. It is important to note that in the second quarter there was a significant shift in the ratio between old and new construction housing. The existing fund accounted for as much as 67% of all transactions, while in 2020 it had up to 60%.

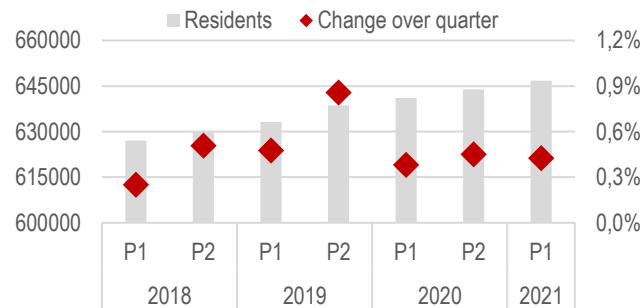
### SE Center of Registers registered apartment transactions in Vilnius (units)



Source: SE Centre of Registers

The population of Vilnius continues to grow, which is the main condition for maintaining the activity of the primary housing market. During this year, the population of the capital has increased by almost 3,000 people or by 0.4%.

### Number of persons registered in Vilnius medical institutions

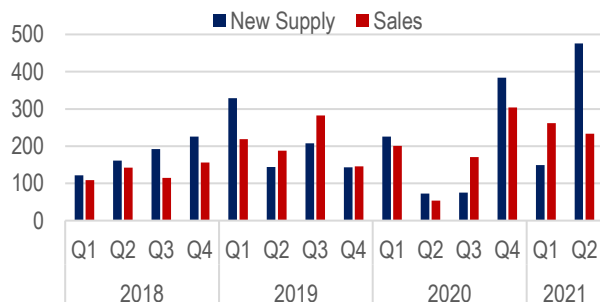


Source: Vilnius Territorial Health Insurance Fund

## APARTMENT MARKET IN KAUNAS

The primary housing market of Kaunas has experienced the most significant short-term decrease in activity at the beginning of the pandemic, when compared to other major cities of the country. It is the only city that was close to a negative monthly sales result during the pandemic (when the number of cancelled agreements exceeds the number of new agreements). In the second half of 2020, the city showed signs of a steady recovery, but was unable to maintain steady growth in market activity in the first half of 2021. In Q1 of this year, agreements were made for 262 apartments in the primary housing market of Kaunas, and for 233 apartments in the second quarter. On the other hand, the overall half-year result (495) is 94% better than in the first half of 2020 (255), 22% better than in the same period in 2019 (407), and 4% better than in the second half of 2020 (475).

### Dynamics of the new supply and sales of apartments in Kaunas



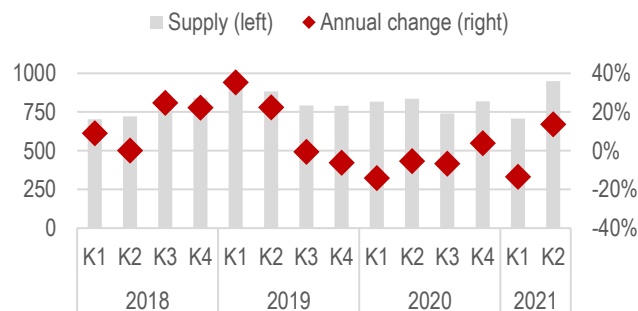
Source: INREAL

Unlike in Vilnius, this year there were 26% more new construction housing units offered in Kaunas compared to the number that was bought (625). Compared to the corresponding periods of the previous year, this is twice as much as in 2020 (299) and a third more than in 2019 (473). A number of interesting projects have appeared in the supply market, many of which are being developed on the banks of the Neris and the Nemunas rivers, which shows not only a quantitative but also a

qualitative jump in the supply of housing in the city.

Housing supply was also affected by rapid development and buyers who were unable to keep up with it. In the last few years, the supply of Kaunas primary housing market has been about 700–850 new construction apartments. In mid-2021, this number jumped to 950 and was only symbolically lower than the record high number at the end of Q1 of 2019, when buyers could choose from 952 apartments.

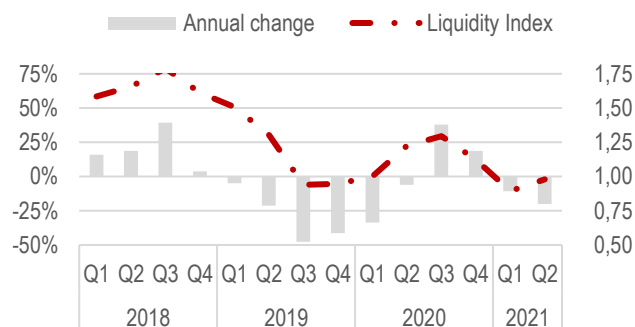
### Supply volume in the primary housing market in Kaunas



Source: INREAL

Changes in the supply are also reflected in the calculation of the Kaunas housing liquidity ratio, which cannot be described as stable. In the middle of the year, the value of the liquidity index in Kaunas has reached 0.98.

### Liquidity rate of new apartments in Kaunas

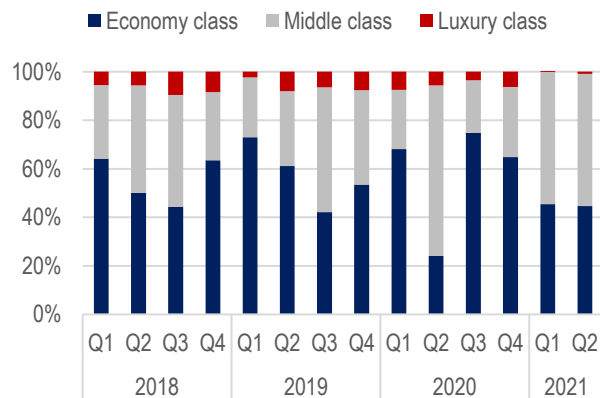


Source: INREAL



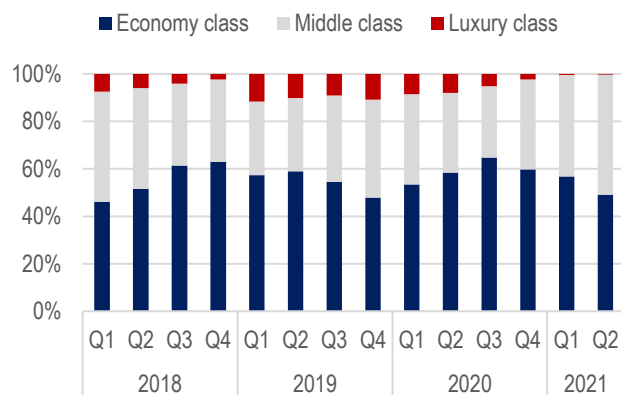
The structure of transactions in different segments shows an increase in the percentage of middle-class housing in both supply and demand. Over the past 12 months, economy-class housing sales have fallen from 75% to just under half of all deals, and this year the middle-class segment accounted for more than 50% of market activity.

#### Apartment sales under class in Kaunas (percent)



Source: INREAL

#### Apartments supply under class in Kaunas (percent)



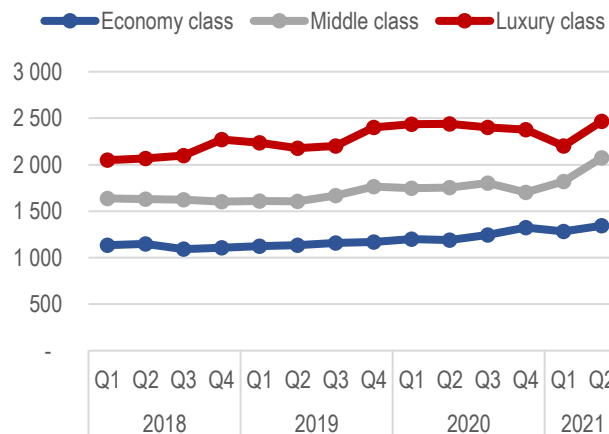
Source: INREAL

New middle-class housing projects also contributed

significantly to the changes in the sales structure, which, together with previously launched projects, currently account for about 51% of the total primary apartment market supply in Kaunas. There is still a lot of room for the development of new projects on the banks of the Neris and Nemunas rivers, and lower housing prices compared to those of the capital allow a wider circle of buyers to purchase higher-class housing.

Qualitative changes in supply are namely reflected in the prices of the middle-class segment. Since the beginning of the year, the prices of economy-class housing have increased by only 1% – from 1,325 to 1,343 EUR/sq. m. The prices of prestigious housing have increased from 2,200 to 2,467 EUR/sq. m. Meanwhile, the prices of middle-class housing have increased by as much as 22% – from 1,704 to 2,075 EUR/sq. m.

#### Average prices of apartments under class in Kaunas (EUR/sq. m)



Source: INREAL

Market activity is also clearly evidenced by the data published by the SE Centre of Registers.

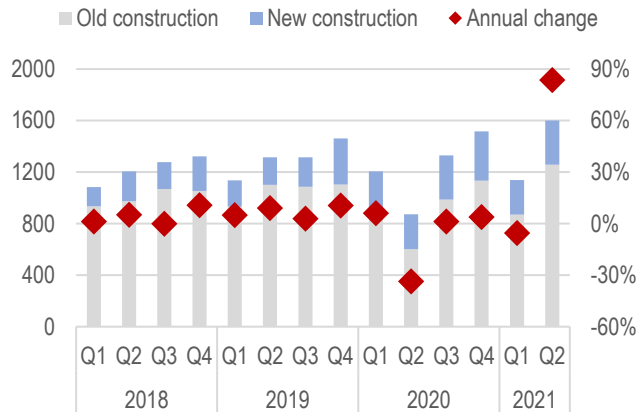
As in Vilnius, the first quarter of this year in Kaunas was relatively calm with 1,138 concluded transactions, which is 6%

less than in the same period last year (1,205), before and during the quarantine. Older construction housing transactions accounted for about 76% of all contracts.

The second quarter has truly "exploded" with the conclusion of 83% more contracts (1,600) than in the same period last year (872). As in the capital, the comparative period of Kaunas is not the most representative one, however the results of Q2 of 2021 also significantly exceed earlier market activity. The biggest leap was also made by old construction apartments with a total of 1,259 transactions. The threshold of 1,200 transactions has not yet been exceeded in the last five years.

The new construction apartment market was unable to maintain its positions acquired after the pandemic, when it accounted for over 25% of notarial transactions. This year their percentage fell from 24% in Q1 to 21% in Q2.

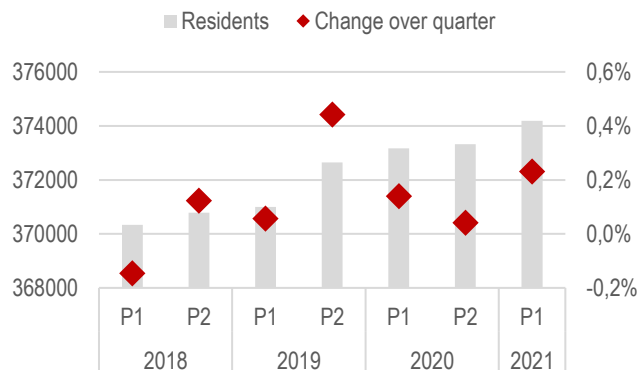
#### SE Center of Registers registered apartment transactions in Kaunas (units)



Source: SE Centre of Registers

Demographic changes in Kaunas show a positive trend – this year the city's population has increased by 866 residents, with an average monthly increase of 0.02% in the last 12 months.

#### Number of persons registered in Kaunas medical institutions

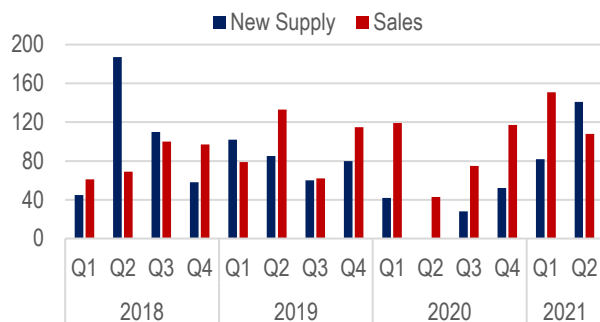


Source: Kaunas Territorial Health Insurance Fund

## APARTMENT MARKET IN KLAIPĖDA

Among the three major cities of Lithuania, the primary apartment market of Klaipėda is the smallest, characterized by monthly changes, which somewhat level off over longer periods of time. Until the beginning of 2019, about 60-70 apartments per quarter were being sold in this city, however the activity of the market has jumped in 2019 by one and a half times to about 100 apartments per quarter. During the pandemic, just like the markets of other cities, the market of the port city suffered a decline, but managed to recover as early as in the second half of 2020.

### Dynamics of the new supply and sales of apartments in Klaipėda

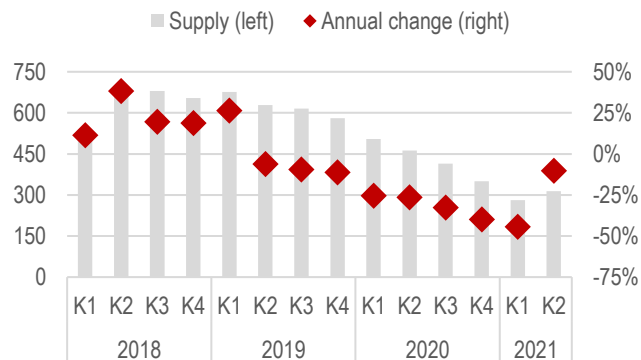


Source: INREAL

In contrast to Vilnius or Kaunas, the primary housing market of the port city did not show a rapid growth of activity, but this could have been significantly influenced by the extremely limited supply of apartments. In Klaipėda, the supply of new housing was greater than the number of sales only in three quarters out of the twelve of the last three years. The situation has somewhat changed since the beginning of the pandemic – the last four quarters have seen an increase in new supply, which is likely to also boost the activity of buyers. This year, 259 apartments were sold in Klaipėda – 35% more than in the second half of 2020 (192) and 22% more than in the same

period last year (212). In the first six months of this year, 223 new apartments were offered to the market which is five times more than in the second half of 2020 (42) and 19% more than in the same period last year (187).

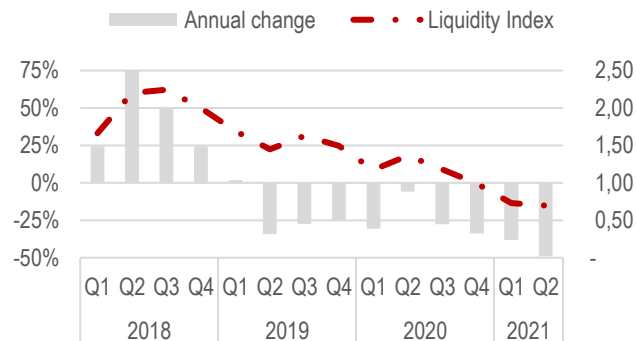
### Supply volume in the primary housing market in Klaipėda



Source: INREAL

The inactivity of real estate developers also affected the dynamics of demand. Only in the second quarter of 2021 did the supply increase compared to the previous period. In the middle of the year, buyers were able to choose from 314 apartments which is 32% less than a year ago (462) and 10% less than at the end of 2020 (350).

### Liquidity rate of new apartments in Klaipėda



Source: INREAL

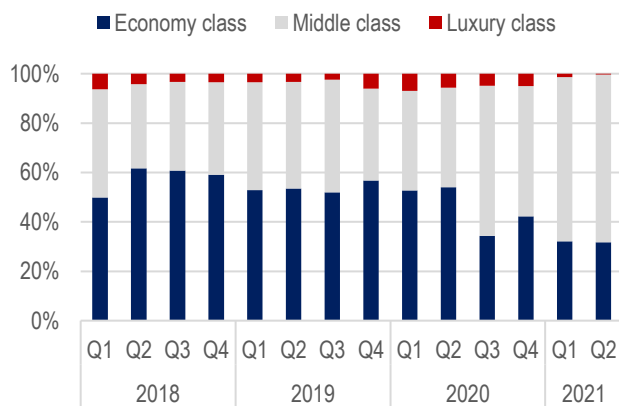
The slowly growing demand for housing and the steadily declining supply led to a drop in the value of the housing liquidity index to 0.70 (the supply could be realized in just over 8 months). This is the lowest value that was recorded since the beginning of the value observations in 2012. In the middle of 2020, the value of this indicator was almost twice as high (1.36), and at the beginning of the year it was one and a half times higher (0.99).

#### Apartment sales under class in Klaipėda (percent)



Source: INREAL

#### Apartments supply under class in Klaipėda (percent)



Source: INREAL

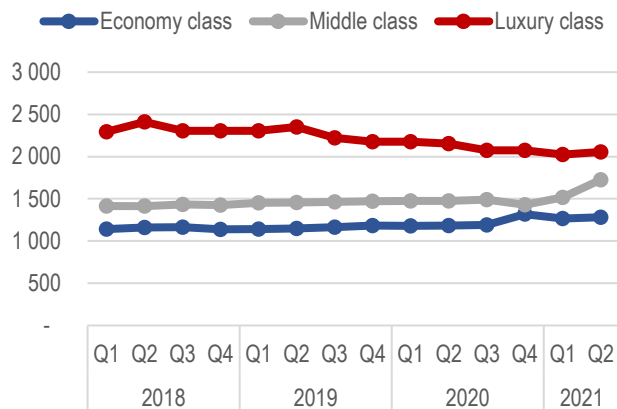
Although a small but relatively steady increase in buyer activity could be attributed to the change in the structure of the primary apartment market. An increasing percentage of sales consists of middle-class apartments. In the first quarter, middle-class apartments accounted for 41% of sales, and in the second quarter the percentage increased to 59%. This year, middle-class housing accounted for 49% of all sales. Economy-class housing sales fell from 54% in the first quarter to 37% in the second quarter.

Changes between classes are also observed in the structure of supply. An increasing percentage of housing consists of middle-class projects which increased to 68% in the middle of the year. This supply and demand ratio can be assessed in two ways. On the one hand, middle-class housing units account for about half of sales, although they comprise about two-thirds of the supply, and this imbalance may reflect a mismatch between the requirements of buyers and the housing offered to them. On the other hand, with the increase in the supply of middle-class housing, the general indicators of housing sales are growing. We will have a clearer view of the situation after the projects developed along the Danė River and the Curonian Lagoon are presented to the market. A sharper jump in activity would indicate that supply has not been overly attractive in the last few years. On the other hand, a weak start to sales could sink Klaipėda back to the fringes of the development plans of real estate developers, since the port city has already had problems in absorbing new supply within deadlines acceptable to developers.

Rising construction costs and energy efficiency requirements, and increased interest in housing in Klaipėda have also formed changes in prices observed in other cities as well. The prices of economy-class housing have increased at the end of last year and have not changed too much this year. The prestigious-class housing segment offered only a few individual objects

which did not receive much interest from buyers. Meanwhile, in the middle-class segment, prices jumped by 21% – from 1,429 EUR/sq. m at the end of 2020 to 1,726 EUR/sq. m in the middle of this year.

#### Average prices of apartments under class in Klaipėda (EUR/sq. m)

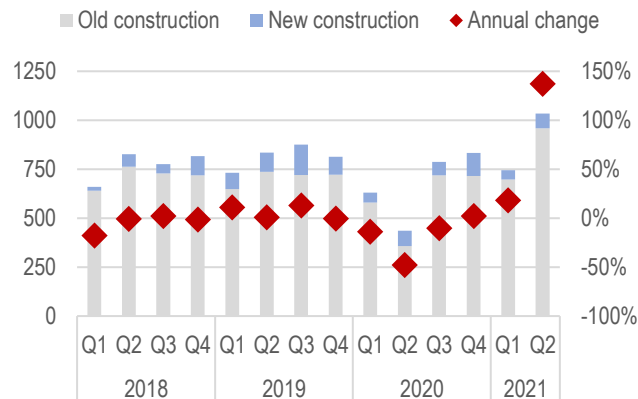


Source: INREAL

The recovery of the market is also reflected in the data of the State Enterprise Centre of Registers in terms of registered notarial transactions. 1,034 residential housing purchase and sale transactions were registered in Q2 of this year, which is 137% more than in the same period last year (436). A total of 1,778 housing units were sold this year – 10% more than in the second half of 2020 (1,620) and two-thirds more than in the same period last year (1,066). New construction housing accounted for 7% of all transactions this year, and 12% last year.

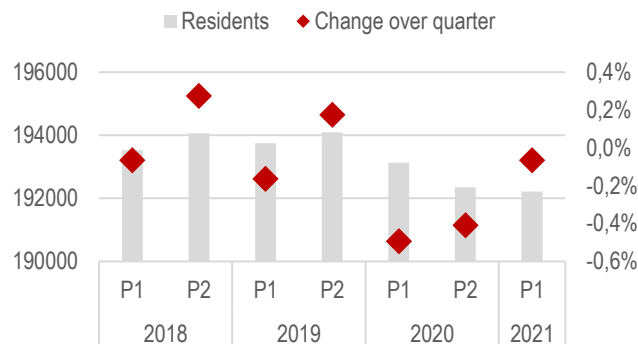
The population of Klaipėda is steadily stabilizing. Last year, it decreased by 1,746 residents, however this was mostly due to the re-registration of a certain health care institution (from city area to district area). During the first half of 2021, the population of Klaipėda has decreased by 125 residents.

#### SE Center of Registers registered apartment transactions in Klaipėda (units)



Source: SE Centre of Registers

#### Number of persons registered in Klaipėda medical institutions



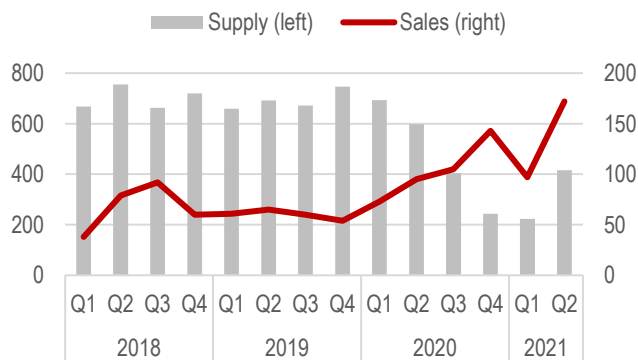
Source: Klaipėda Territorial Health Insurance Fund

## HOUSING MARKET IN PALANGA AND ŠVENTOJI

In the first half of 2021, Palanga and Šventoji maintained and even strengthened their positions in the second home market. A slight decline in activity was observed in Q1 with the sale of 97 apartments – 32% less than in the last quarter of 2020 (143), but 33% more than during the same period last year (73). In Q2, with the addition of new projects, activity has significantly increased with 172 agreements, which is 77% more than in Q1, and 81% more than in the same period last year (95).

The supply of housing in Palanga, which has been decreasing for some time now, has received an increasing interest from buyers, thus also attracting more developers. 244 apartments were offered to buyers at the end of 2020. In Q1 of 2021, this number had slightly dropped to 223, however in the middle of the year the number of vacant and reserved housing units has jumped to 416 and was the highest since mid-2020.

### Supply and demand of the primary housing market in Palanga and Šventoji (units)

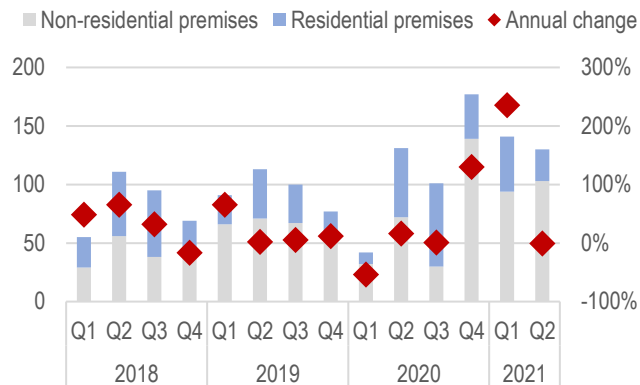


Source: INREAL

Transaction activity surpassed all previous historical records based on the data of the SE Centre of Registers. The number of new housing transactions in the first quarter of 2021 amounted to 141 units (94 non-residential and 47 residential),

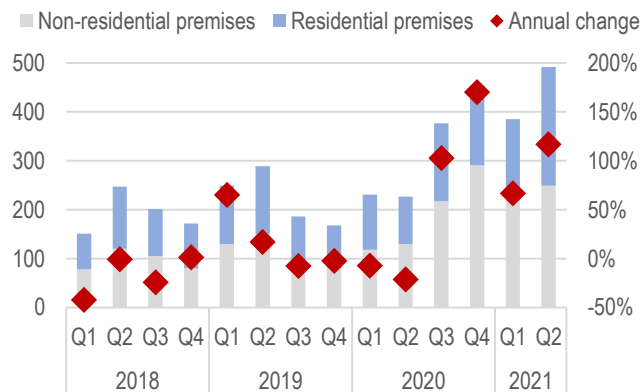
which is almost three and a half times more than in the same period last year (42). Q2 was slightly less active, however the number of 130 agreements still exceeded the average of the last 10 years (71) by almost a double.

### SE Center of Registers registered sales transactions of new construction premises in Palanga municipality (units)



Source: SE Centre of Registers

### SE Center of Registers registered sales transactions of old construction premises in Palanga municipality (units)



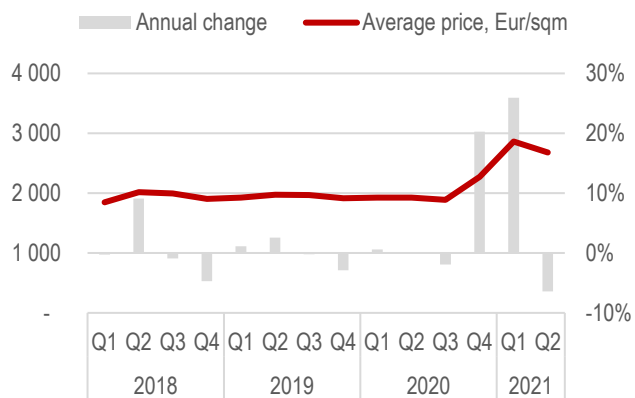
Source: SE Centre of Registers

he greater interest of buyers in buying second homes and inability of developers to meet this demand has also led to an increase in the sales of older construction homes. 1,708 old

construction housing units have been sold in the last 12 months. By comparison, 1,723 old construction housing units were sold within 24 months before the pandemic (Q3 of 2018 – Q2 of 2020). This number may have also included some projects whose legal status was reconstruction, but there is no doubt that the interest of buyers in Palanga is not limited to new construction projects.

As buyers showed tremendous interest in buying a second home, the prices of such homes began to rise. In the middle of last year, the average price of apartments in the primary market of Palanga and Šventoji has reached 1,927 EUR/sq. m, and at the beginning of this year – 2,273 EUR/sq. m. In the middle of this year, the prices have reach about 2678 EUR/sq. m. This was mainly due to the pricing of newly launched, more expensive projects.

**Average prices of apartments in primary housing market Palanga (EUR/ sq. m)**

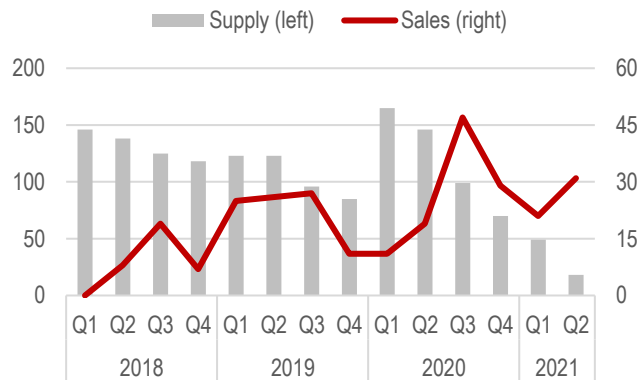


Source: INREAL

**HOUSING MARKET IN NERINGA**

The market of Neringa has always been exceptional, characterized by a limited supply. It is one of only a few places in Lithuania where supply has a special impact on housing demand. New projects are welcomed in various ways – sometimes they are realized instantly, sometimes their sale takes time. With a record increase in the interest of buyers in buying a second home, housing units in Neringa are sold publicly only in a few projects. Other sellers secure the flow of buyers without any mass marketing measures by informing potential buyers directly or passing on information about homes for sale by word of mouth.

**Dynamics of the new supply and sales of apartments in Neringa (units)**



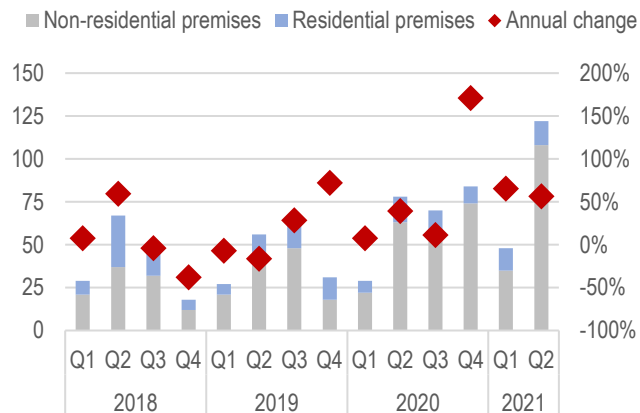
Source: INREAL

In Q1 of this year, 21 housing units were sold publicly in Neringa, which is 11% more than at the same time last year (19). Agreements were made on the sale of 31 housing units in Q2, which is one third less than in Q2 of 2020 (47). No new projects were presented to the public this year. The number of new projects is expected to increase in the second half of the year – intensive preparations are already underway, but it is not

yet clear whether the sales of these projects will be made public.

Market activity is evidenced by the data published by the SE Centre of Registers. In Q1 of 2021, 48 housing units were sold, which is 66% more than in the same period last year (29), and in Q2 – 122, which is 56% more than last year (78).

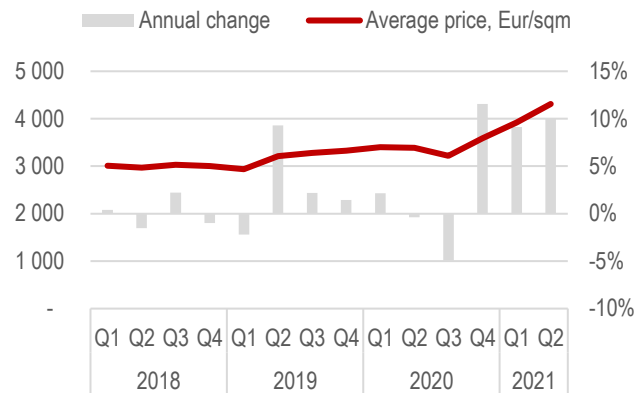
**SE Center of Registers registered sales transactions of premises in Neringa municipality**



Source: SE Centre of Registers

The growth in prices in Neringa was slightly more moderate than in Palanga. At the end of 2020, the price of fully finished housing units was about 3,590 EUR/sq. m, while in the middle of the year prices have reached 4,311 EUR/sq. m in terms of housing with partial finish. It is also worth noting that these figures represent only part of the supply, as they only cover projects that are sold publicly, while the prices of unannounced projects vary in both directions. The public supply is currently concentrated in Nida, although last year housing options were also available in other towns of Neringa.

**Average prices of apartments in primary housing market Neringa (EUR/ sq. m)**



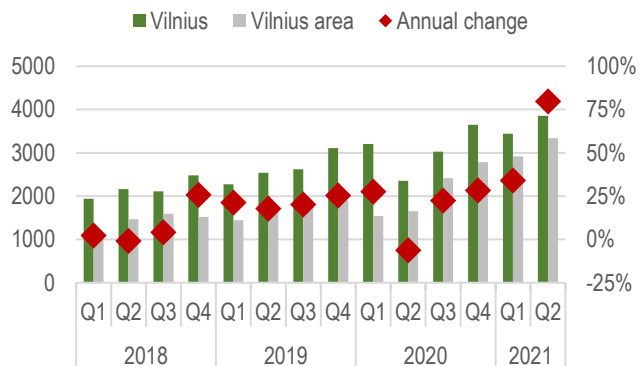


## LAND PLOT MARKET

The land plot market remains extremely active. The consistent growth in activity since mid-2019 has been slowed only by the first months of the pandemic, however this growth trend has returned in the second half of 2020. The activity of this market continues to increase in 2021. In relative terms, Q2 of this year has been standing out in all three regions (Vilnius, Kaunas, Klaipėda) with a 70-90% increase in activity, however this results from the comparison with the market stagnation at the beginning of the pandemic.

During the first half of this year, 13,553 land plots were acquired in the Vilnius region, which is 55% more than in the first half of 2020 (8,749) and 70% more than in the same period of 2019 (7,989). As it is typical, due to the size of Vilnius City Municipality, slightly more than half (54%) of all transactions are concluded there, however activity is growing at a similar pace both in the city and in the district.

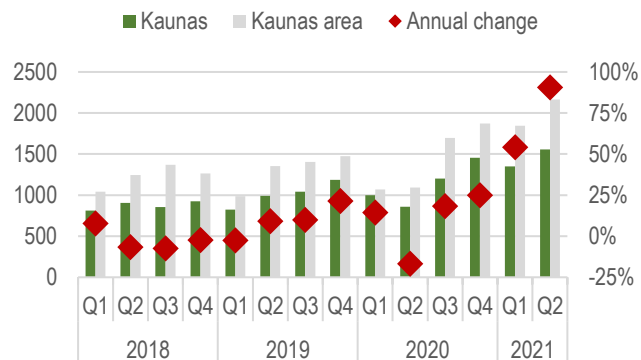
### Land transactions in Vilnius city and district municipalities (units) Source: SE Centre of Registers



Kaunas City Municipality is relatively smaller, therefore the ratio between the city and the district is more favourable for the latter. 42% of all transactions were concluded within the limits of the city in the first half of this year. A total of 6,912 land plots

were sold in Kaunas region during the first half of 2021, which is 72% more than in the first half of 2020 (4,021), and 66% that in the same period of 2019 (4,155).

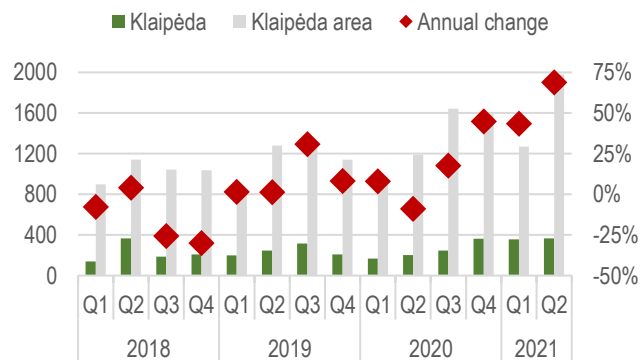
### Land transactions in Kaunas city and district municipalities (units)



Source: SE Centre of Registers

In the Klaipėda region, most transactions (as much as 82%) were concluded in its ring municipality, as usual. This year, a total of 3,975 land plots were sold in Klaipėda city and district, which is 57% more than in the same period last year (2,525) and 54% more than in the first half of 2019 (2,579).

### Land transactions in Klaipėda city and district municipalities (units)



Source: SE Centre of Registers

## RESIDENTIAL BUILDING MARKET

The potential of individual houses and townhouses has been intensively discussed during the pandemic. This group of housing is characterized by both a lower cost per area unit as well as proximity to nature. Greater distance to the city centre is becoming less important with the increased popularity of working from home.

According to the data provided by the SE Centre of Registers, the segment of individual residential houses did not undergo a significant transformation in the first half of 2021, and it may take some time for the current forecasts to come true. Although the construction of an individual house is simpler than that of an apartment building, it still takes time. It is necessary not only to build the building itself, but also to prepare a technical project beforehand and obtain a building permit.

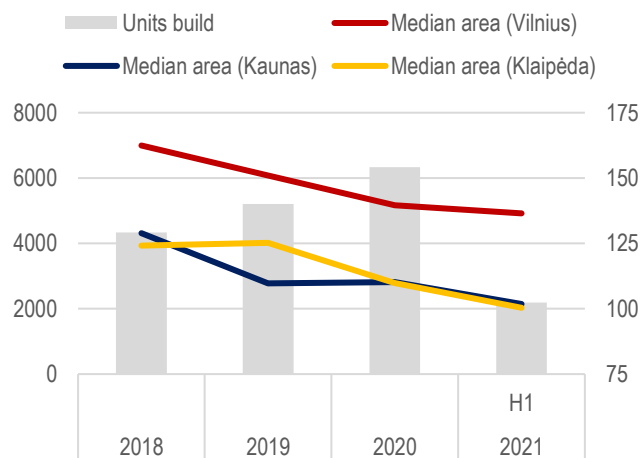
Buildings that were registered earlier this year, the construction of which began before the pandemic, show a typical trend of decreasing total area. Compared to 2020, the median area of single apartment buildings in Vilnius (city and district) has decreased from 140 sq. m to 136 sq. m, in Kaunas – from 110 sq. m to 102 sq. m, and in Klaipėda – from 110 sq. m to 100 sq. m. A negative change is also observed in the typical area sections. In all three regions, the 1st decile has decreased from 78 sq. m to 77 sq. m, and the 9th decile has decreased from 211 sq. m to 204 sq. m.

On the other hand, even if the area of individual houses has decreased, it is still double the size of apartments. This correlates with the fact that the prices of individual houses are about twice lower than of apartments, so buyers have a real opportunity to choose between different classes of housing.

It is likely that the segment of individual houses will experience another jump in popularity, especially considering the rapidly growing land plot market.

Vilnius region is experiencing a decline in the transactions of newly built individual residential houses, however this segment is strongly dependent on the season, with the second half of the year typically being more active. In the first half of 2021, 500 newly built individual residential houses were sold, which is one and a half times more than in the first half of 2020, and twice as many as in the first half of 2019. This seasonality is less pronounced in the segment of old construction houses, thus it did not suppress the obviously growing activity in the market. 697 transactions were a record result of the half-year in the segment of old construction individual houses. This activity is two-thirds higher than in 2019 or in 2020 over the same period.

### ***Newly built individual residential houses (units) and space (sq.m) dynamics***



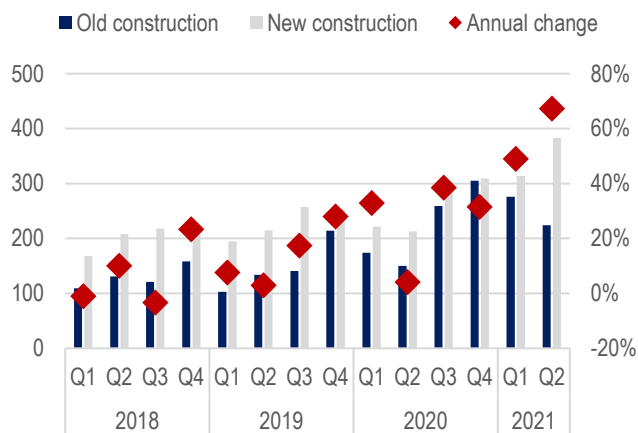
Source: SE Centre of Registers

Over 60% of all houses were sold within the city limits. Territorial differences are more pronounced in new construction houses (70% in the city, 30% in the district) than in old construction ones (~ 56 and 44%, respectively).

The prices of typical fully built old construction houses in Vilnius range from 650 to 2,000 EUR/sq. m. Newer-construction houses with full finish cost from 1,200 to 2,300 EUR/sq. m. New construction houses with partial finish cost from 1,000 to 1,400 EUR/sq. m.

The prices in **Vilnius** district are slightly lower. Old construction houses cost 500–1,100 EUR/sq. m, fully finished newer construction houses 1,000–1,800 EUR/sq. m, and houses with partial finish 900–1,300 EUR/sq. m.

**Residential buildings transactions in Vilnius city and district municipalities (units)**



Source: SE Centre of Registers

Less new construction residential houses were sold this year in **Kaunas** – 381. There was a symbolic decrease in activity compared to both the first half of 2020 (-1%) and of 2019 (-2%). On the other hand, as in the capital, an increase in activity is observed in the segment of old construction houses with the

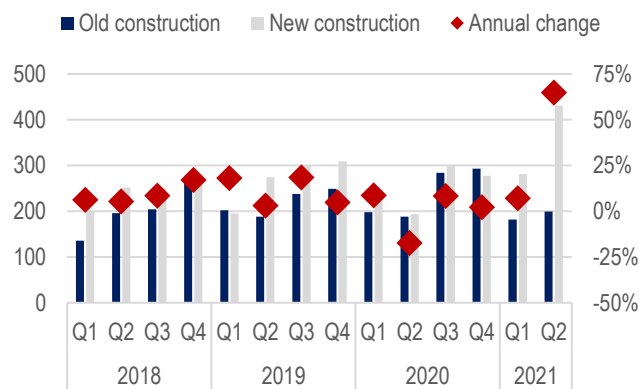
sale of 712 homes. Compared to the same period in 2019, activity has increased by 50%, and compared to 2020 – by as much as 60%

The distribution between the city and the district is somewhat more even in Kaunas. 49% of all houses were sold in the city, however it is observed that there are more older-construction buildings here (with 67% of the segment's transactions being in the city). Meanwhile, there are more new construction houses in the district with over 65% of new homes being sold here.

The prices of typical fully finished old construction houses in Kaunas city vary from 500 to 1,100 EUR/sq. m, fully finished newer construction houses – from 900 to 1,900 EUR/sq. m, and of new construction houses with partial finish – from 1,000 to 1,400 EUR/sq. m.

The prices in Kaunas district are slightly lower. Old construction houses cost 500–900 EUR/sq. m, fully finished newer construction houses 900–1,600 EUR/sq. m, and houses with partial finish 900–1,250 EUR/sq. m.

**Residential buildings transactions in Kaunas city and district municipalities (units)**



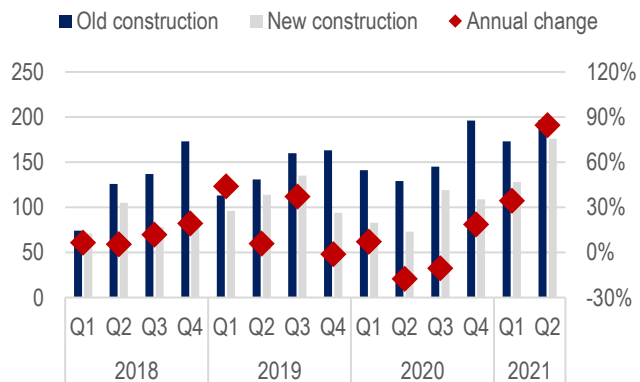
Source: SE Centre of Registers

An increase in the activity of the residential building market can also be observed in the **Klaipėda** region. In Q1 of 2021, market growth has reached 34% compared to the same period of 2020, and in Q2 – as much as 85%, thus being the highest among all the three major cities. A distinctive feature of the port city is its relative share of new construction houses in the market. In this particular city the number of sold new construction buildings was higher than that of old construction buildings over the last few years.

The creation of a new housing fund verifies the need for modern housing, which may be met in the future with the development of new, high-class housing projects in the central part of Klaipėda. On the other hand, the primary apartment market in this city has never been particularly active, so the still rather cautious attitude of developers towards the port city is understandable.

674 residential buildings were sold in Klaipėda during the first half of this year, which is 58% more than in the same period last year (426).

**Residential buildings transactions in Klaipėda city and district municipalities (units)**



Source: SE Centre of Registers

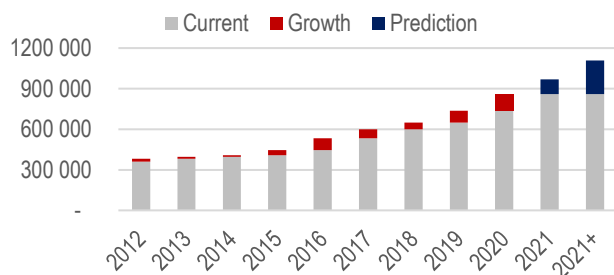
The prices of typical fully finished old construction houses in Klaipėda city vary from 600 to 1,600 EUR/sq. m, fully finished newer construction houses – from 900 to 1,800 EUR/sq. m, and of new construction houses with partial finish – from 1,000 to 1,450 EUR/sq. m.

The prices in Klaipėda district are slightly lower. Old construction houses cost 400–850 EUR/sq. m, fully finished newer construction houses 1000–1,450 EUR/sq. m, and houses with partial finish 850–1,200 EUR/sq. m.

## VILNIUS BUSINESS CENTRES

11 business centres were opened in Vilnius in 2020, with a total area of over 120 thousand sq. m. This year development will remain similar, with approximately 110 thousand sq. m being added to the current supply. Further development also has no intention of slowing down with new offices of around 100 thousand sq. m to be opened in the new centre of Vilnius in the next few years. This is excluding the new projects that are currently being developed on Krokuvos and Lvovo streets. The development of offices is not limited to Šnipiškės, new projects are also being planned in Naujamiestis, Pilaitė, Pašilaičiai and Lazdynai. The pandemic is likely to eliminate the need for some of the area leased by businesses, although it is too early to see what the future business model will look like, since new strains of the virus and relatively slow vaccination are continuing to deter businesses from returning back to offices.

### Development of modern business centres in Vilnius (sq. m)

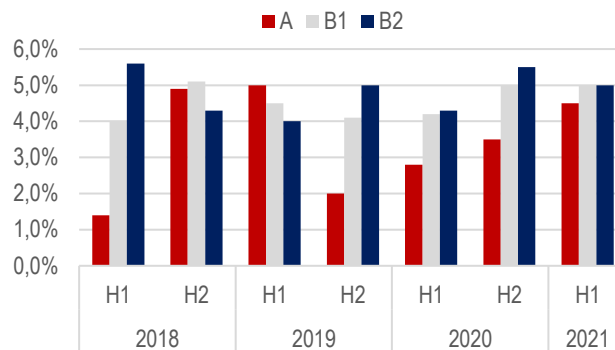


Source: INREAL

Despite the pandemic, major changes have been avoided in the occupancy of business centres. A number of sublease transactions took place in the second half of 2020, and this year many tenants have addressed the issues of leased area development. A relatively small price difference between Class B and Class A business centres means that older, non-modernized offices are experiencing the greatest pressure. On the other hand, migration between different classes of business centres is also limited by lease conditions, since not all vacant

areas meet the needs of tenants. Currently, the vacancy rate is about 4.5% in Class A business centres and about 5% in Class B1 and B2 business centres.

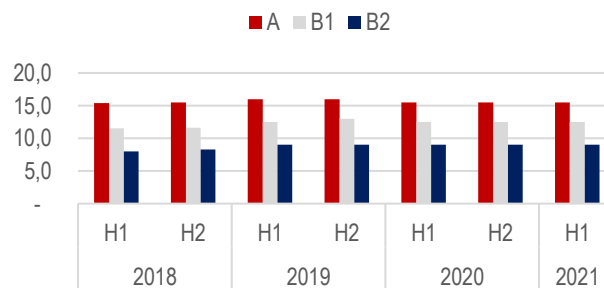
### Dynamics of vacancies in Vilnius business centres under classes



Source: INREAL

Office lease prices in Vilnius can be considered quite stable. Their changes are mainly influenced by the indexation indicators related to the already concluded contracts. Long-term discounts have a much greater impact on the annual flows of revenue, thus short-term discounts are preferred by exempting tenants from lease payments for the first months of lease, which enables to secure higher flows of revenue in the future. The price of Class A office premises reaches 14–17 EUR/sq. m, Class B1 – 11–14 EUR/sq. m, and Class B2 – 7–10 EUR/sq. m.

### Dynamics of lease prices in Vilnius business centres



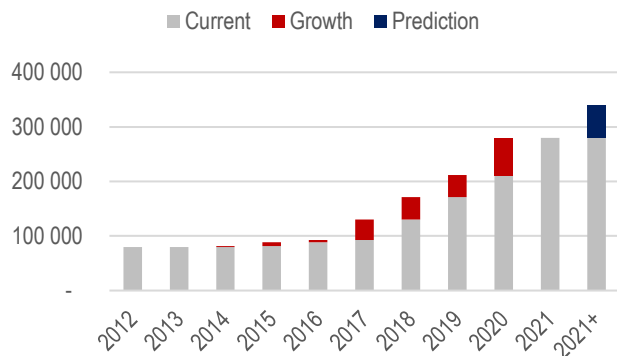
Source: INREAL

## KAUNAS BUSINESS CENTRES

Kaunas has been truly transforming its supply of both commercial and residential real estate over the past few years and will continue to do so in the next few years. Situated in the very heart of the country, at the confluence of two rivers, Kaunas is in a truly unique and attractive geographical location and has the potential to become one of the regional centres. The new Rail Baltica section connecting Lithuania with Western Europe also contributes to the attractiveness of this city.

Due to the pandemic, it is likely that significant development of new business centres will not take place in Kaunas this year, and any project openings will be postponed to 2022 or 2023.

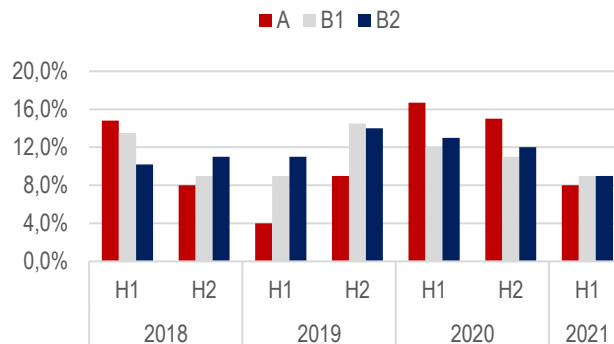
### Development of modern business centres in Kaunas (sq. m)



Source: INREAL

According to the data of INREAL, this year the vacancy rate of business centres in Kaunas has slightly decreased. The most significant changes were seen in Class A with a vacancy rate of about 8%. In classes B1 and B2, the vacancy rate has dropped to 9%. Although these rates are higher than those currently in the capital, they are sufficient to ensure the willingness of developers to develop their projects further.

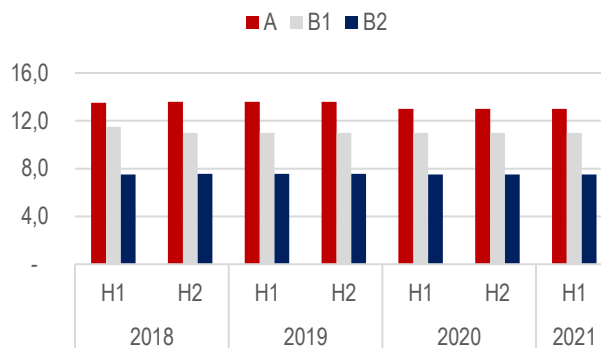
### Dynamics of vacancies in Kaunas business centres under classes



Source: INREAL

As in the case of Vilnius, office lease prices can be considered stable in Kaunas, with offices in Class A centres costing 12–13 EUR/sq. m, Class B1 – 9–11 EUR/sq. m, and Class B2 – 6–9 EUR/sq. m.

### Dynamics of lease prices in Kaunas business centres



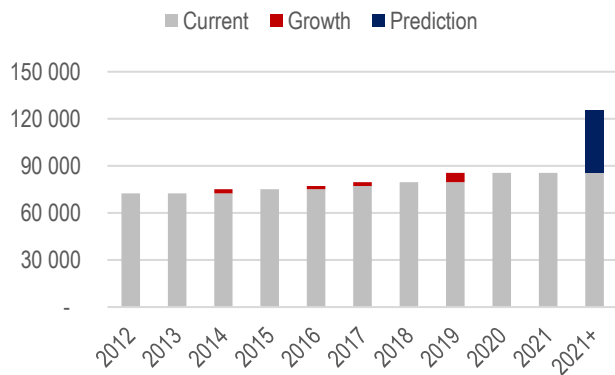
Source: INREAL

## KLAIPĖDA BUSINESS CENTRES

The development of Klaipėda business centres is being kept alive with silent promises. There are many projects in the drawers of developers, and some of them are definitely likely to be implemented. A new supply would enable to answer the question of whether the port city really has no need for the development of business centres, or whether the existing supply simply does not meet the needs of the market. Among the three major cities, the demographic situation in Klaipėda is the worst, thus it is possible that the first version may be true. On the other hand, even in this case, new development could accelerate the city's recovery.

The most significant future projects are a business centre in the Mémelio Miestas complex, Tech Zity, and reconstruction of PC Mega with the construction of a business centre.

### Development of modern business centres in Klaipėda (sq. m)

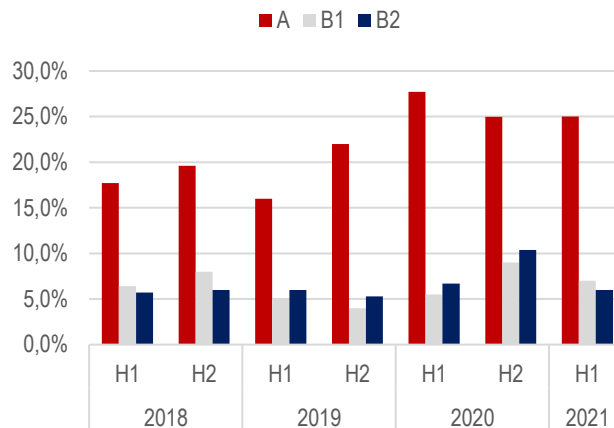


Source: INREAL

The number of vacant premises in Klaipėda is gradually decreasing and currently reaches about 25% in the Class A segment, 7% in B1, and 6% in B2 business centres. Given the relatively small total area of business centres, new projects can significantly increase the vacancy rate, or modern offices can

attract more activity to the port city.

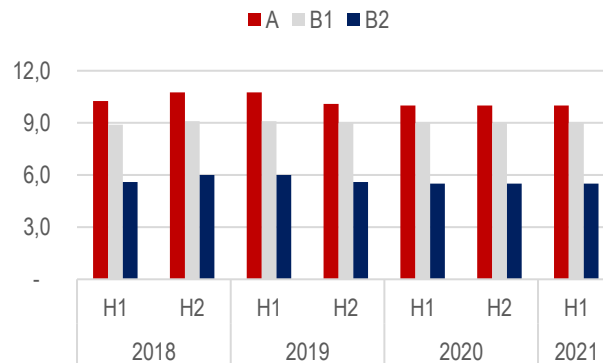
### Dynamics of vacancies in Klaipėda business centres under classes



Source: INREAL

This year any changes in prices have been avoided. Class A premises are currently still available for lease for 9-12 EUR/sq. m, Class B1 premises – for 7-11 EUR/sq. m, and Class B2 premises – for 5-7 EUR/sq. m.

### Dynamics of lease prices in Klaipėda business centres

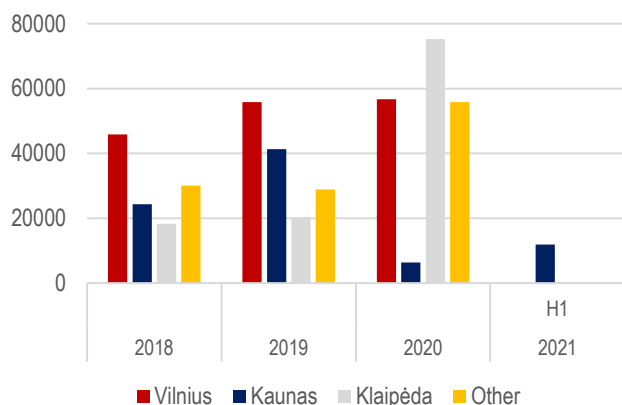


Source: INREAL

## INDUSTRIAL AND STORAGE FACILITIES

According to the data of the SE Centre of Registers, only 11 thousand sq. m of storage facilities have been registered in the Real Property Register during this year. This number is expected to increase significantly in the second half of the year, especially given the limited supply of modern logistics centres.

### *Didesnių nei 2000 kv.m sandėliavimo pastatų statyba (kv.m)*

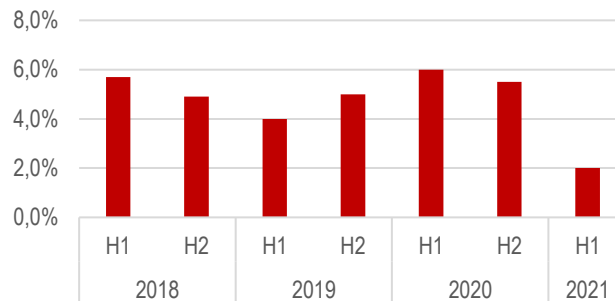


Source: SE Centre of Registers

The Real Property Register is particularly important for understanding the storage facility segment, as a relatively large share of storage facilities are built for personal use and are therefore not always included in the supply analysis, which examines the percentage of logistics centres available to the market.

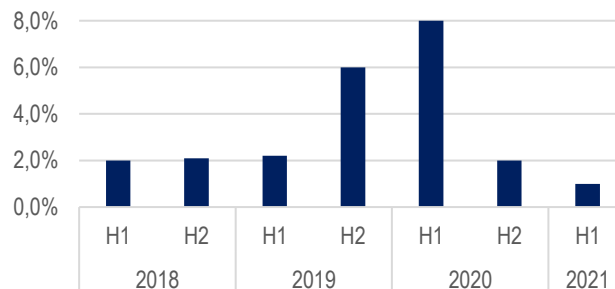
Based on the data of INREAL, there are currently virtually no larger vacant areas in modern logistics facilities. The vacancy rate in Vilnius region is about 2%, in Kaunas – about 1%, and in Klaipėda – a little over 5%. It consists mainly of newly built objects. In Vilnius and Kaunas, the main part of the supply consists of built-to-suit objects.

### *Dynamics of vacancies in modern logistics centres in Vilnius (percent)*



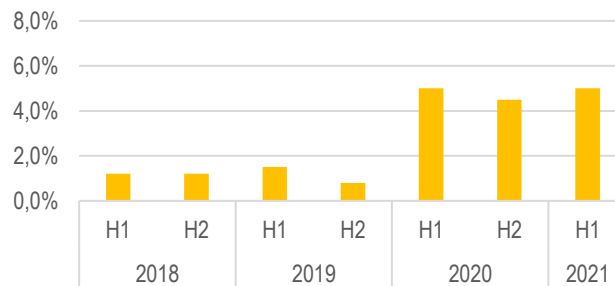
Source: INREAL

### *Dynamics of vacancies in modern logistics centres in Kaunas (percent)*



Source: INREAL

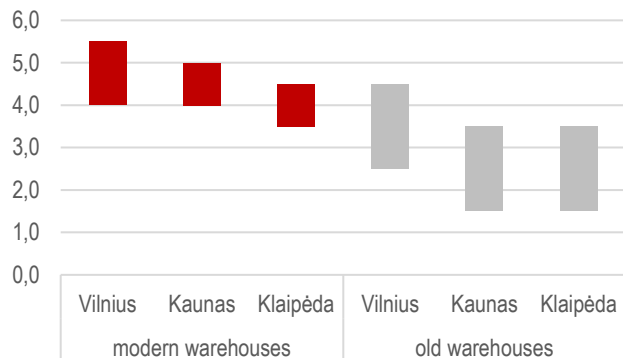
### *Dynamics of vacancies in modern logistics centres in Klaipėda (percent)*



Source: INREAL



**Lease prices of modern logistics centres in Lithuania (EUR/ sq. m)**



Source: INREAL

Currently, the lease prices of modern logistics centres reach 4.0–5.5 EUR/sq. m in Vilnius region, 4.0–5.0 EUR/sq. m in Kaunas, and 3.5–4.5 EUR/sq. m in Klaipėda. It is also possible to find older facilities for a lease price of 2.5–4.5 EUR/sq. m, 1.5–3.5 EUR/sq. m and 1.5–3.5 EUR/sq. m, respectively.



**Artūras Kojala**, Partner at COBALT law firm, Real Estate and Infrastructure practice group

**Andrius Kazlauskas**, Expert at COBALT law firm, Real Estate and Infrastructure practice group

## REAL ESTATE LAW AND TAXATION OVERVIEW

The first half of 2021 showed that both the real estate market and the legislative process, and the court's practice try to live an everyday life under new conditions created by the pandemic and its aftermath.

As the statistics of concluded transactions illustrates, the real estate market continued to live in a dance rhythm. The total number of real estate transactions in the first half of 2021 amounted to 78.7 thousand, while 75.4 thousand transactions were concluded in the second half of the year 2020. Thus, the trend to grow, albeit less significant, persists. It is noteworthy that during the same period of 2020 (i.e. the first half of the year), 53.6 thousand transactions were concluded.

Rent, acquisition and development of state-owned land remain a relevant issues in the legislative field. Related changes in the

Law on Land, which make their way into the Seimas and cause many discussions between market participants and institutions, show how important this issue is. The court's practice also confirms the relevance of the problem above as it is left to the courts to decide how and to what extent the state land can be used. The expectation of the real estate market that this issue will finally be solved remains an expectation. All we can do is hope that, after listening to the arguments of all interested parties, the most rational decision will be made. Anyway, as mentioned above, following the process in the Seimas, a shadow of anxiety about a sensible and reasonable solution remains.

The development of the municipal infrastructure and the application of its regulation is another relevant topic. Examples of Vilnius and other cities have shown that applying this law, left to municipal councils, may not necessarily positively affect real estate development. After putting an infrastructure tax on car parks, some real estate developers turned to other districts. Such examples show that the application of this law which is really needed for the market, has yet to be developed, and changes to the law can be made.

It has already become customary to supplement and change the Construction Law constantly. The review highlights the most important recent changes that we believe are relevant and important for real estate market participants.

Amendments to the Territorial Planning and Construction State Supervision Law are worrying because they allow the Territorial Planning and Building Inspection to initiate verification of approval of Project Proposals procedure based on a complaint received by it. In our opinion, the control mechanism shall be there. Nevertheless, one cannot ignore the fact that such a newly proposed control instrument cannot necessarily be used to monitor compliance with the law.

Vilnius ended the first half of 2021 with a new General Plan. The approval of this document did not bring a remarkable revolution for the real estate market because market participants, and the municipality itself, planned the development by looking more closely at this complex territorial planning document than to the General Plan in force before that date. In any case, the approval of this document completed the phase of discussions, disputes over its solutions, and publicity, which did not necessarily make a positive contribution to the sustainable development of the city.

The amendments to the Law on Territorial Planning mentioned in the 2020 Review, which provides for the preparation of detailed plans when the existing or designed engineering or social infrastructure of the municipality is insufficient for the solutions to be implemented, and in other cases, came into force on 1 July 2021. We are waiting for how this norm will be applied, as municipalities have a significant role to play. The emerging practice is essential for the market, and we will see how it will affect real estate development.

## REAL ESTATE LAW NEWS

**The following legal acts adopted or entered into force in the first half of 2021 and their amendments are significant in the real estate market:**

- **Law on Land.** Law amending Articles 45, 46, 47 and 48 of the Land Law of the Republic of Lithuania No. I - 446 (22 April 2021 No XIV-273). It will take effect on 1 November 2021.

In addition to such changes as the change from the term “detailed plan” to “site-level integrated territorial planning document”, Art. 45 (1) (5) added a new case of land acquisition for public needs, where land for public needs can be taken “for the creation and management of public individual green areas in cities, towns and resorts in order to meet the norms of public individual green areas”. The amendment of Art. 45 (1) (5) extends the cases where land can be taken for public needs. For real estate developers, this amendment means that when planning the development of a land plot or its acquisition, in addition to other usual inspection objects, it is necessary to check the spatial planning documents in another additional aspect - i.e., whether the land plot does not fall within the area where it is planned to create and manage individual public greenery in cities, towns and resorts in order to meet the norms of individual public greenery.

- **Construction Law.** Law Amending Articles 2, 3, 8, 10, 12, 19, 22, 24, 27, 28, 33, 34, 39, 42, 46, 49, 53 and Annex 1 of the Construction Law of the Republic of Lithuania No. I-1240 and Supplementing the Law with Articles 27-1, 52-1 (20 May 2021 No XIV-340). It will take effect on 1 November 2021.

In our opinion, the following amendments to this law are the most significant:

- The definitions of Article 2 of the Law have been clarified - “Essential solutions of a building project” indicating that the location of a building in the project may be determined not only in the land plot but also in the territory. The term “Builder (customer)” has been clarified to indicate that the builder may be several natural/legal persons or several foreign organizations. In this way, it is formalized what often happens in practice, when the builder is not one person, but several persons (co-owners, partners operating under a joint activity agreement, etc.);

- Article 24 (21) provides that the following subjects are responsible for the conformity of the construction design requirements:

1) the persons who have signed the construction project and the act of expertise of the construction project (part thereof) (when the expertise of the construction project (part thereof) is mandatory) following the legal procedures laid down;

2) entities inspecting the construction project, referred to in Paragraphs 9 and 10 of Article 27 of the Law, when in accordance with the competence specified in Article 271 of this Law, were obliged to inspect the construction project. In this case, the entities inspecting the construction project are responsible for the compliance of the structure design with the requirements as far as Article 271 of this law specifies their competence.

This change is particularly significant because it is different from before when only the signatories signing the construction project were responsible for its compliance. Now project inspectors, together with these persons, are responsible for the compliance of the project. In our opinion, this logically

formalized the responsibilities of these individuals, which will be reflected in the relevant project expertise contracts.

- **Law of the Republic of Lithuania on Territorial Planning and State Supervision of Construction.** Law Amending Articles 4, 6, 8, 9, 10, 23 of the Law of the Republic of Lithuania on Territorial Planning and Construction State Supervision No. XII-459 and Supplementing the Law with Article 81 (20 May 2021 No XIV-341). It will take effect on 1 November 2021.

We want to draw attention to the fact that the Law expands the functions of the State Territorial Planning and Construction Inspectorate (hereinafter - the Inspectorate) by adding a new function to check the legality of project proposals (hereinafter - PP).

The law has also been supplemented by a new Article 81, which describes in detail the process for verifying the legality of PP approvals. The Inspectorate, having received a complaint regarding the legitimacy of the approval of the PP before the issuance of the construction permit, must examine the complaint within 20 working days from the date of receipt of all information necessary for the examination of the complaint. The entity that has submitted the complaint, the institutions inspecting the design of the structure and other entities (their subdivisions) specified in the Law on Construction must submit the information mentioned above (documents) to the Inspectorate not later than within 10 working days after the inspection.

It should be noted that the Inspectorate may extend the said term for an additional period of 10 working days. Thus, the sum of the above-mentioned deadlines shows that the inspection of the legality of the PP by the Inspectorate can take up to 40 working days.

Following the inspection, an inspection report is drawn up, and a decision is made, which may be: (i) submission of a mandatory removal order to the offenders, or (ii) submission of a mandatory order to withdraw approval of project proposals to the municipal administration (accordingly, a building permit would not be issued after performing this step).

This is a questionable amendment to the Law. Entrepreneurs working in the field of real estate development and their advisors are undoubtedly confronted with interested groups or other entities who take measures to stop one or another project under development. There is no doubt about the benefits of public participation in the real estate development process. However, it is also worth noting that it is not uncommon for such protection of the public interest or the cover of a good and responsible neighbourhood to hide completely different interests. This amendment to the law provides such initiatives with an additional instrument that allows the project to be stopped at an early stage of the PP with the help of the Inspectorate, which is not necessarily in conflict with the applicable legal norms.

When planning the development of real estate objects and (or) when signing contracts with contractors and designers, we would recommend assessing this circumstance as well as a new initiative permitted by law.

- Order No 1P-118-(1.3 E.) of the Director of the National Land Service under the Ministry of Agriculture of 26 May 2021 on the Approval of the Rules for Issuing Consents to Transfer the Lease Right to a State Land Plot (Part thereof). Necessary for the Operation of the Transferable Structure or Facility (Parts thereof) (TAR, 2021-05-26, No 11624).

The use of state-owned land, the context of development opportunities in it and its transfer is a particularly sensitive and unresolved issue. In this context, the legal act of the National Land Service under the Ministry of Agriculture (hereinafter - NLS) regulating the procedure of consents to transfer the right to lease a state land plot is relevant. To what extent this norm will help in regulating the granting of such consents is a rhetorical question, but so far, there have been no such rules. We would like to draw attention to the cases when the NLS refuses to issue consent to transfer the lease right to a state land plot, which, in accordance with the above-mentioned rules, are as follows:

- 1) the transfer of temporary structures, engineering networks or structures without a clear functional dependence or definite use or nature of the economic activity, which serves the main structure or installation or its affiliation;
- 2) the lessee of the state land plot improperly performs the lease agreement - does not use the land plot for its intended purpose, does not allow the use of the easement established for the land plot, does not pay the land rent fee or does not fulfil other obligations assumed under the lease agreement;
- 3) it is determined that the transferred buildings or equipment are not suitable for use in accordance with the main purpose of use entered in the Real Estate Cadastre;
- 4) the building on the state land plot was newly built, reconstructed, overhauled or otherwise reorganized and the data of the building cadastre have not been changed;
- 5) it is established that the owner of the structures and equipment and the lessee of the state land carries out or has completed the reconstruction of the buildings, has built or is

constructing a new structure, which according to the state land lease agreement could not be built or under construction;

6) the inspection reveals that the building cannot be used for its intended purpose, and its construction or reconstruction is not carried out.

The peculiarities of the application of these rules will undoubtedly be demonstrated by practice. However, the provision in the rules, which leaves open the possibility of a number of interpretations under which public authority will not necessarily rely on clearly defined criteria when deciding whether or not to authorize the transfer of public land cannot be ruled out.

The rules for issuing permits to transfer the lease right to the state land plot required for the operation of the transferred building or facility consistently detail the procedure for issuing such consents, procedures, their sequence, clearly describing what to do, what building owners have to carry out and what they have to pay attention to (*Source*).

- **ARTICLE 2.06.04: 2014 “Streets and local roads. General requirements”**. Order No. 3 of the Minister of Environment of the Republic of Lithuania of 22 February 2021 on “On the Approval of the Article 2.06.04: 2014 of the Construction Technical Regulation “Streets and local roads. General requirements” replaced the above article.

Among other changes, attention should be paid to the minimum number of parking spaces set out in Table 30 of the Article, which after such a change are as follows:

- For a residential building (one-apartment and two-apartment) with a useful floor area of more than 140 sq. m, 2 places are provided, and an additional 1 place for each up to 50 sq. m (the previous version of the regulation

provided for 35 sq. m for a useful area of more than 140 sq. m).

For this type of buildings with an area of more than 140 sq. m, the required number of parking spaces, determined by the total floor space, decreased slightly;

- For residential buildings of various social groups (children’s homes, shelters, care homes, family houses, monasteries), 0.4 places per apartment or room are provided depending on the type of accommodation (the previous version of the regulation did not specifically exclude this type of building).

This amendment allows fewer parking spaces for this type of building than would be required under the previous version of the regulation (these buildings were classified as residential (for various social groups) with 0.8 spaces per apartment or room depending on the type of accommodation);

- There is one parking space for 60 sq. m of retail space for specialized stores of one product group (this type of building was not specifically singled out in the previous version of the regulation).

The amendment makes it possible to provide significantly fewer parking spaces for this type of shop than would be required under the previous version of the regulation (which would make it compulsory to install 1 place in a 20 or 30 sq. m shopping area).

We would like to draw particular attention to the amendment to point 112.1.2 of the Regulation, which stipulates that up to 30% of compulsory parking spaces (excluding spaces for special transport and people with disabilities) may be located outside the building or group of buildings, **except on roads of national**

**importance** (in the previous version of the regulation, roads of national importance were not singled out).

- Decision of the Vilnius City Municipality Council on the approval of the scheme for the division of the territory of Vilnius City Municipality into zones according to the coefficients of the number of parking spaces (14 July 2021 No 1-1083).

With this decision, the Vilnius City Municipal Council specified the zones where different coefficients determining the minimum and maximum number of parking spaces will apply. The following zones have been identified:

- Old town;
- City centre (including separate coefficients valid on the right bank of the Neris in the city centre);
- Priority compact area around the city centre;
- The rest of the city.

The scheme mentioned above expands the second zone of the old scheme (in the new scheme - the city centre area) to include Rasos, Naujininkai, Naujamiestis, Zverynas, Snipiskes and Antakalnis districts. The third zone of the old scheme (in the new scheme - Priority compact area around the city centre) has also been expanded, taking into account the existing transport routes of the territories where Vilnius City Municipality will develop the infrastructure and the Vilnius General Plan. In practice, this will mean that a larger area in and around the central part of the city will be allowed to have fewer parking spaces than was allowed under the old scheme.

- **Vilnius City General Plan (hereinafter – GP)**

On 2 June 2021, by decision No. 1-972 Vilnius City Municipal Council approved the amendment to the GP prepared in the

State Supervision Information System for the Preparation of Territorial Planning Documents of the Republic of Lithuania and the Territorial Planning Process (TPDRIS) No. K-RJ-13-16-209.

“Over the last few years, we have been planning the city in a difficult situation with the old General Plan, which only set out strategic guidelines for urban development, and had new plan solutions that are much more people-specific and require a higher standard of urban solutions, so we tried to apply them looking to the future,” said Mindaugas Pakalnis, the city’s chief architect.

The preparation of the GP started in 2016. The process took about 5 years before it was approved. The approval of the GP is a significant event for real estate developers, as this document provides long-awaited clarity and eliminates the extremely unfavourable practice for developers when the decisions made by the municipality were influenced by the decisions of the unapproved GP.

On the one hand, the new GP has finally put an end to the planning process, and this is very important and significant for real estate developers. Development in the city is becoming clearer. On the other hand, application of GP solutions, concepts related to this document and similar documents, as well as the solution of cross-compliance issues, will be demonstrated by practice.

- **Draft Law Amending Article 4.84 of the Civil Code. Registered.**

The amendment to the legislation proposes to establish that the decision on the choice of the method of administration of common use objects or the choice of common use administrator is made by the owners of apartments and other

premises by a majority of votes when the first meeting is attended by half of the votes of all owners of apartments and other premises, and the second meeting by a majority of votes of the owners of apartments and other premises, but not less than ¼ the votes of all owners of apartments and other premises. Thus, the proposed amendment details the decision-making process itself, which is not described in detail in the current version.

The proposed wording also describes in detail the role of the municipality - if the owners of flats and other premises do not elect an administrator within the term set by the municipal executive body, the decision on the appointment of the administrator is made by the municipal executive body. Thus, the municipality must set a deadline for the selection of the administrator and, only if the owners do not select an administrator within the set deadline can make a decision on the appointment of the administrator. For comparison, the current wording of the article does not contain such a requirement - it stipulates that if the owners do not elect an administrator, the decision on the appointment of an administrator is simply made by the municipal executive body.

It should also be noted that the proposed changes would reduce the period for which an administrator is appointed to 3 years (instead of 5 years).

**This law has not been adopted** - the Board of the Seimas has decided to request the Government to submit to the Seimas a conclusion on this draft law (No. SV-S-135 of 23 June 2021):

- **Draft Law Amending Articles 2, 4, 6, 7, 8, 11, 12, 14, 15 and 16 of the Law on Municipal Infrastructure Development No. XIII-2895 (Draft Law). Included in the package.**

The proposed clarification of the legal regulation in the draft law is directly related to the aim to correct the existing inaccuracies in the legal regulation of the municipal infrastructure of the LMID.

The positive consequences of this change are that it aims to comprehensively plan the development of municipal infrastructure by creating new municipal infrastructure and (or) increasing (restoring) the capacity of the existing municipal infrastructure.

It was only after adopting this Law that it became clear that its application would not be easy. Therefore, it is natural that sometime after the adoption of this Law, there was a need to amend and supplement it.

**This Law has not been passed.** On 24 May 2021, the Government registered a draft resolution approving the amendment.

- **Draft law amending Articles 9 and 24 of the Land Law No I-446 and supplementing the Law with Article 9 (1)**

The purpose of this amendment is (i) to change the procedure for terminating state land lease agreements, (ii) to change the procedure for changing the main purpose and/or method of use of leased state land plots, (iii) to determine the remuneration for the change of land use and/or method, and

construction of new buildings and (or) reconstruction of existing buildings on state land plots.

The latter attempt to set a fee for changing the purpose and / or method of land use and the construction of new buildings and/or the reconstruction of existing buildings on state land



plots received the most attention and criticism. The amendment to the law seeks and proposes:

- To set a fee of 5% for the change of purpose and/or use, which would be calculated based on the average market value of the land plot, calculated during the mass valuation of the land plot in accordance with the procedure established by the Government.

It should be noted that there is a certain ambiguity in the proposed wording, as, on the one hand, it is stated that “the decision to change the main land use and/or method is made only after the main land use and/or mode change fee has been paid to the state budget”; on the other hand, it is clarified that “the remuneration for the main land use and/or method change is calculated according to the main land use and/or method established for the land plot after the main land use and / or method change.”

Thus, the decision is made only after the remuneration has been paid, but this remuneration must be determined by mass valuation for a plot of land whose purpose and/or use has already been changed. Therefore, it remains unclear how the remuneration to be determined will be calculated on the basis of the mass valuation of the land with the changed use and / or the value determined by the use before the decision to change the use and/or use of the land is made. In other words, the value determined by mass assessment of a specific plot of land with a changed purpose and/or method will not be determined at the time of the decision.

- To establish a variable remuneration for the right to build on state land. This remuneration would be determined on the basis of two criteria: the building area of the building and the total area of the building. The amendment sets salaries of 5, 10, 20, 30, 40 and 50%, calculated on the basis of the average market value of the state land plot or its part, calculated by

mass assessment of the building area and the total area of the building (for example, 50 % tax would be applied when the area built up by a new and/or reconstructed building increases by more than 40 percent compared to the area built up by the existing building registered in the Real Estate Register before construction and/or reconstruction, and / or after the total area of a building under construction and/or reconstruction increases by more than 40 percent compared to the total area of a building registered in the Register of Existing Real Estate prior to construction and/or reconstruction). It should be noted that after estimating the maximum salaries, the salary paid by the developer may amount to as much as 105% of the average market value of the state land plot or its part, calculated by carrying out a mass valuation in accordance with the procedure established by the Government.

By Government Resolution No. 420 of 9 June, it substantially approved this draft law, but proposed to the Seimas to revise the draft in accordance with the Government’s remarks and proposals.

We note that the Government has proposed to link the amount of salary not to buildings (as proposed in the bill) but to structures or facilities. The Government also offers to adjust the salary amounts and to set the salary ceiling of 75% of the average market value of the state land plot or its part,

calculated during the mass valuation in accordance with the procedure established by the Government.

The above-mentioned draft law has not been approved to date, but the above-mentioned Government Resolution sends a serious signal to real estate developers that this draft law is likely to be revised and approved in the near future.

## CURRENT CASE LAW

Order of the Civil Cases Division of the Supreme Court of Lithuania of 6 January 2021 in civil case No. e3K-3-166-969 / 2021

Tenants of state land, when they are leased one common plot of land in certain parts, do not have the right to determine the procedure for using the state land plot leased to them by mutual agreement, nor can they decide for themselves which part and configuration of a part of a state land plot is attributable to a building (part thereof) owned by them on the basis of ownership or lease, as only the lessor of state land has such a right, the disposal and management and use of state property shall be limited to what is directly permitted by law.

The lease agreement of state land may be amended in accordance with the general procedure, that is, by the agreement of the parties to the lease agreement, or in the absence thereof, by a court decision at the request of one of the parties.

Order of the Civil Cases Division of the Supreme Court of Lithuania of 13 January 2021 in civil case No. e3K-3-176-823 / 2021

The Client is obliged to pay for the performed design works in accordance with Item 1 of Article 6.704 of the CC for the works specified and performed in the contract, when the works are transferred in parts under the contract, if it is determined which parts of the works and their values are completed and transferred to the client. **If the contract stipulates that the execution of design works and their transfer is for the purpose of obtaining a building permit, then late design works performed after the issuance of such a building permit, related to the need to obtain a building permit,**

shall not be assessed as performed properly and the contractor cannot expect to obtain the established (upon timely performance) remuneration, if those late works lose their meaning to the client.

Order of the Civil Cases Division of the Supreme Court of Lithuania of 13 January 2021 in civil case No. e3K-3-180-611 / 2021

**When deciding on the establishment of an easement on a land plot for which decisions have been made in accordance with the spatial planning procedure, such as the approved detailed plan determining the size of land plots, the layout of houses and other structures on the plots, the court must take into account valid spatial planning documents.**

The panel of judges concludes that **in the present case the claim to establish an easement was made without submitting a plan (scheme) of the part of the land plot that would reasonably be requested to be bound by an easement, i.e. without specifying the exact data on the size, configuration and location of the claim. The panel of judges, therefore, concludes that the courts have correctly interpreted and applied the rules of substantive law without identifying the circumstances justifying the establishment of a 9-meter-wide easement and correctly interpreted and applied the substantive legal norms regulating the determination of easements by a court decision without violating the procedural legal norms regulating the assessment of the evidence.**

**The panel of judges, taking into account that in the case of the statutory minimum distance of 3 meters from the building to the plot boundary for a 1-2 storey residential house, as well as a public building not exceeding 8.5 meters in height, decides that the same minimum distance**

of 3 meters up to the plot boundary requirement should also apply to an apartment building.

**Order of the Civil Cases Division of the Supreme Court of Lithuania of 14 January 2021 in civil case No. e3K-3-177-421 / 2021**

Not every owner of a building on a state land plot has the right to lease a state land plot without an auction, but only one whose building has a defined use or nature of economic activity, and the use of this building requires the right to lease the land plot.

The presence on state land of such buildings, which have a clear functional dependence, a defined use or the nature of economic activity, satisfies the condition of non-auction leasing of state land discussed in this paragraph of the Order. However, the fact that a building is on state land *per se* (in itself) is not sufficient to acquire the right to lease the built-up state land on a preferential basis, even if it meets the requirements specified above in this paragraph of the order. State land may be leased outside the auction if it is built up by a building owned (leased) by a natural or legal person, which has a clear functional dependence, defined use or nature of economic activity, and is necessary for this person as owner (tenant), to exercise the existing rights to the structure.

**Order of the Civil Cases Division of the Supreme Court of Lithuania of 17 March 2021 in civil case No. e3K-3-57-421 / 2021**

The detailed plan also includes all documents describing the course of public consultation, achieved results, their summary, therefore they are binding on all natural and legal persons or other organizations operating in the planned area until the preparation and approval of spatial

planning documents replacing the above mentioned ones at the same level. During the public hearing procedures, the agreement between the developer of the plan and the owners of the adjacent land plots (the specific result of the public hearing achieved) regarding the construction of a parallel road to the servitude road is binding and enforceable on the defendant.

**Order of the Civil Cases Division of the Supreme Court of Lithuania of 17 March 2021 in civil case No. e3K-3-55-313 / 2021**

It should be noted that the technological card must be compatible with the technical design: when certain preparatory works, the performance of which is arranged as cumulative conditions in the technical project prepared by the customer, the same works may not be recorded as alternatives in the technological card prepared by the contractor, if the technical design states that all preparatory works are required for proper performance, and the content of the technical design does not imply cumulative conditions; otherwise the technology card would negate one of the essential provisions of the technical design.



**Vilius Visockas**, *Product Developer and Manager at CityNow.*

*At the beginning of his career, Vilius has worked as a real estate market analyst in Lithuania since 2006. Later on he began developing IT products for global technology companies Facebook and Spotify. Since 2018, he has been regularly reviewing new projects and market novelties in the press, as well as developing tools for real estate professionals.*

## 15 BIGGEST APARTMENT BUILDING PROJECTS (OR THEIR STAGES) LAUNCHED IN THE FIRST HALF OF 2021

### VILNIUS

- **GO Life**

GO Life was the biggest project launched in Vilnius over the past half a year. Realco has added to the market 275 apartments situated on a 1.08 ha land plot between Ozo and Gerulaičio streets.

A total of 4 blocks will be built, each being 5-8 storeys high, with A+ energy efficiency class. The project includes an inner

courtyard with a children's playground and a space for residents to relax.

The project focuses on the needs of young people and young families who want to live next to a 9 ha park (Ozo Park) as well as near large shopping and business centres.



*GoLife @Realco*

- **Ozo gama**

A conversion project currently developed by Hanner on Kalvariju str. 204B, next to Ozo Park and "Avia solutions group" arena.

It will include three 5-6-storey residential building blocks with 151 apartments and one hotel block with 95 housing units. The energy efficiency class of these buildings will be A+.



*Ozo gama @Hanner*

The project stands out with its attractive location in the city, excellent accessibility to other areas of the city, and a large number of supermarkets as well as recreational areas nearby.

- **Riverland**



*Riverland @Rinvest*

Riverland is the biggest apartment building project of the developer launched in the first half of 2021 in Lazdynėliai. In stage II of its development process, Rinvest plans to build 7 apartment buildings on 3.9 ha of land at Lazdynėlių str. 57.

The apartment buildings will be 4 storeys high with a total of 232 apartments offered to the market. The energy efficiency class of all the buildings will be A+.

The project is distinguished by its location – it borders with the Bukčiai forest, with the Neris River flowing just several hundred metres away. Significant investments will be made in the development of recreational infrastructure for the residents.

- **Prie Vilnelės**

Realco has already started its demolition works in Markučiai, on the land plot located at Pakraščio str. 10, where the project Prie Vilnelės will be developed. 5 apartment buildings will be built, supplying the market with 220 new apartments.

The buildings will be 2-7 storeys high, with A+ energy efficiency class.



*Prie Vilnelės @Realco*

The project will stand out with its large enclosed courtyard, terraces on the building roofs and recreation areas nearby.

- **7 vakarai (Stage II)**

Realco has launched the development of stage II of its project 7 Vakarai on Buivydiškių Street in Pašilaičiai, which includes C and D blocks with 172 apartments offered to the market.

The buildings will be 6 storeys high, with A+ energy efficiency class.



7 vakarai (stage I) @Realco

The project is aimed at young families and will include children's playgrounds next to the buildings, as well as recreational areas for the residents. Nearly a third of the area around the buildings will be planted with greenery.

- **Vilnelės skverai (Stage I) – blocks D, E and F**



Vilnelės skverai @Merko

Merko is continuing the development of Vilnelės Skverai, its largest project in Markučiai. The development of the last blocks of the project – D, E and F has been launched in the first half

of 2021. The first stage will include a total of 250 apartments, and the new blocks will offer 133 new apartments to the market.

This stage will include the development of 6-storey apartment buildings with A+ energy efficiency class.

The project is distinguished by its large courtyards, which will include green spaces, children's playgrounds and recreational areas for the residents. The city's transport infrastructure: streets, pedestrian and bicycle paths will also be renewed nearby.

- **Mėlyni vilkai (Stage I)**

An ambitious conversion project has been launched in Vilkpėdė, Skroblų str. 14, where Eika began the development of its biggest project in this part of the city in the first half of 2021. 2 apartment buildings will be built during stage I of the project.



Mėlyni vilkai @Eika

Plans are made to develop 5-6 and 6-7 storey buildings with A+ energy efficiency class, which will include 122 apartments and commercial facilities.

After the implementation of this project, the inner Skroblų str. will be completely reconstructed and will connect Žemaitės str. with Naugarduko str.

- **SkyHome**

SkyHome is the biggest project launched in the Viršuliškės district. Infra Group has launched the development of a 16-storey apartment building at J. Rutkausko Street. The project will include a total of 115 apartments.



*SkyHome @Infra group*

A solar power plant has been designed on the roof of the apartment building, which will meet the energy needs of up to 70 percent of the common areas and the courtyard of the building. The energy efficiency class of the building will be A.

Infra Group will also build part of the J. Rutkausko Street and finance the preparation of a project for the park situated in front of the building.

- **Link ten**

Citus has launched the construction of the Link Ten project in Šnipiškės, which is currently a very rapidly developing neighbourhood.

These A+ class, 5 and 6-storey apartments building offer the market a total of 114 apartments.



*Link ten @Citus*

The project is distinguished by its convenient location in the city and a 500 sq. m courtyard with recreational areas for the residents. The renovated Neris Valley Park is situated next to the project, where residents will find many walking trails and leisure areas.

- **Gilužio rivjera (stage VI)**



*Gilužio rivjera (stage VI) @Homa*

Homa has launched the development of the final 6th stage of its Gilužio Rivjera project in Pilaitė. The three blocks of the project: O, P and R offer 78 apartments to the market.

As in the entire block, the developed apartment buildings will be 3 storeys high, with A+ energy efficiency class.

The developer paid particular attention to the recreation of residents – 30 percent of the area in the project will have green spaces with areas for recreation and leisure aimed at residents of all ages. Lake Gilužis is also nearby, with pedestrian and bicycle paths built along its shores.

#### ▪ **Karoliniškių namai**

Karoliniškių Namai is the largest project launched in this neighbourhood under which 2 hotel apartment buildings will be developed on a land plot at Sausio 13-osios str. 31.



*Karoliniškių namai @Hanner*

The project developed by Hanner will include two 5-storey, A+ energy efficiency class buildings with apartments and offices on its lower floors. 67 apartments were offered to the market during the first stage.

The project is distinguished by its fully developed infrastructure and location right next to the Karoliniškės nature reserve.

## KAUNAS

#### ▪ **Nemunaičiai**

The largest conversion project of this year was launched in Kaunas, on H. ir O. Minkovskių street, on a 2.5 ha land plot situated on the left bank of Nemunas River. During the first two stages, 5 residential buildings will be built in the block developed by SBA Urban.



*Nemunaičiai @SBA Urban*

155 new apartments will be offered to the market. The buildings will be 6-8 storeys high, with A+ energy efficiency class.

The developed block is distinguished by its high level of architecture and large recreational areas. The river embankment next to which the project is being developed will be fully renovated by installing footpaths and leisure spaces.

#### ▪ **Kaunorama**

UAB Juozapavičiaus 139A has launched the development of its high-rise building project Kaunorama in Šančiai, next to the Nemunas River. Three 16-storey (56 m) apartment buildings with A+ energy efficiency class will be developed here.





*Kaunorama @Juozapavičiaus 139A*

The construction of blocks A and B has already begun. Each of them offers 71-72 apartments, while the upper floors will include penthouses of over 300 sq. m with private terraces.

- **Piliamiestis (XI etapas)**

YIT Lietuva has already launched the 11th development stage of Piliamiestis on the right bank of the Neris River. A total of 3 apartment buildings will be built during this stage, offering the market 74 new apartments. There will be two 6-storey buildings and one 7-storey building with A+ energy efficiency class.



*Piliamiestis (XI etapas) @YIT Lietuva*

This stage is situated right next to the river and offers only 3-4 room apartments, some of which are spread over two storeys. The development has started with the building named Merkys, offering 23 premium apartments to the market.

## **KLAIPĖDA**

- **Klaipėdos Holivudas**

UAB Bilukas has launched the development of the largest project in the port city in the past half a year, which will be situated on a 2.1 ha land plot at Kretingos str. 100, in place of the former Lithuanian film studio building complex.

A block of 14 apartment buildings will be developed, which will comprise of a total of 324 apartments by 2027. The A+ energy efficiency class buildings will be 5 storeys high with mansards. During the first stage, 53 apartments are offered to the market in M and L building blocks, built along Kretingos str.



*Klaipėdos Holivudas @Bilukas*

The project stands out with its strategic location in the northern part of the city, and will have a large enclosed courtyard with children's playgrounds, promenades and recreational areas. Nearby, residents will find a well-developed infrastructure and a bicycle path leading to the beach via Giruliai forest.

## 5 BIGGEST COMMERCIAL REAL ESTATE PROJECTS LAUNCHED IN THE FIRST HALF OF 2021

### ▪ St. Jacobs kompleksas

The development of St. Jacobs project has been launched in the centre of Vilnius. The four buildings of the abandoned former hospital at Vasario 16-osios str. 1 will be reconstructed into an educational institution and one new building will be built next to it – a 4-star Clarion Hotel with a conference centre. The total above-ground area of all the buildings will reach 15.9 thousand sq. m.



*St. Jacobs @Lords LB Special Fund IV, Lords LB Asset management*

A new two-way bicycle path will be built along J. Tumo-Vaižganto str., which will connect the White Bridge with Lukiškės Square. A new public pedestrian path will be installed in the southern part of the land plot. The block renovation concept provides that the nearby church and monastery spaces will remain protected and untouched.

A quarter of the total land plot area and surrounding area will be planted with greenery. Carillon music concerts will be played in the renovated historic courtyard.

### ▪ Vilnius Business Park

Darnu Group were the first in the market to launch the currently largest stock office project in both Vilnius and Lithuania. Vilnius Business Park is being developed on Ukmergės str. 362, near the western bypass of Vilnius, next to the headquarters of Apranga.



*Vilnius Business Park@Darnu group*

The complex will consist of 24 thousand sq. m of multifunctional premises divided into 42 separate blocks, easily interconnected according to the Lego principle, and modifiable according to the needs of specific companies. The area of one block ranges from 460 to 650 sq. m and provides premises with office-trade-production-warehousing functions. A parking lot with 540 parking spaces will also be installed nearby.

### ▪ Co-livin Santaros

The development of the largest co-living project of the past half a year has been launched in Santariškės, near Santaros Klinikos and the currently developed Research Centre of VU Faculty of Medicine.

The complex will be comprised of 4-storey, A+ energy class buildings with 200 rooms.



Co-Livin Santaros @Indie Finance, IAM European Student Housing

It will also include a gym, laundry facilities, lounge area, kitchen, and a study room. An open-air amphitheatre will be built in the courtyard, as well as a terrace under part of the roof area of the building. There will also be a modern sports ground. The project is aimed at VU Faculty of Medicine students and other young professionals working in Vilnius.

- **Toyota Auto Centre**

The construction of Toyota auto salon and maintenance and repair base, which will be one of the largest in the Baltic States and the largest in Lithuania, has been launched on Savanorių Ave. 274, next to the the Vilnius – Kaunas – Klaipėda highway.



Toyota Auto Centre @Tokvila

The 11 thousand sq. m complex, which is being built under the commission of UAB Tokvila, will include a used car sales salon, bodywork repair shop, offices and technical facilities, as well as trade and storage facilities available for rent.

There will be an indoor exposition of over 250 used cars with a customer service area and a café.

The building will be 2 storeys high with A+ energy efficiency class. Geothermal energy will be used for heating and cooling, and the building will also have next-generation painting equipment with heat recuperation.

- **New American International School**

The construction of a new private school has been launched on Srovės str. 19, right next to the Pavilniai Regional Park.

The 3-storey high, A++ energy efficiency class, 3400 sq. m building will be used to meet the needs of up to 300 kindergarteners and primary school students of the American International School of Vilnius.

The city's transport infrastructure will be renovated and expanded next to the school.



New American International School Srovės str. @American International School of Vilnius. AISV RE

## 2 MOST SIGNIFICANT PUBLIC INFRASTRUCTURE PROJECTS LAUNCHED IN THE FIRST HALF OF 2021

### ▪ **KTU M-Lab Laboratory Complex**

The development of M-Lab, a unique project of the Kaunas University of Technology, has been launched in Kaunas, on Studentų str. 63A. This will be a new interdisciplinary prototyping laboratory centre – a 3-storey complex with A++ energy efficiency class and a total area of 3,350 sq. m. The roof of the centre will be planted with greenery and will include solar power plants.



*KTU M-Lab Laboratory Complex @Kaunas University of Technology*

The laboratories operating in the centre will combine different R & D & I (research, experimental development and innovation) competencies for joint activities, focused on solutions for improving the quality of human life and strengthening research through artificial intelligence.

The project will expand the existing university infrastructure and enable not only to use the current scientific potential, but also to attract researchers from the international market.

### ▪ **Tolminkiemio Gymnasium**

Vilnius Municipality has launched the development of a new school in Pilaitė, on Tolminkiemio str. 2D, which will be one of the most modern schools in Lithuania.

The new school will be 4 storeys high with A+ energy efficiency class and an area of 12,000 sq. m. Its premises will be distinguished by a spatial structure – the school's classrooms will circle around its hall, auditorium and gym. Inside the circle, a core will be formed from the gym and the auditorium, which will be a central square where the school community will be able to meet up, work, talk and eat.

The school will have 88 classrooms to meet the needs of approximately 1,000 students.





*Tolminkiemio Gymnasium @Vilnius Municipality*

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