

in real
Kuria Tvariai

**LITHUANIAN ECONOMIC AND
REAL ESTATE MARKET REPORT**

2023 H1

WITH PARTNERS: SEB, COBALT , CITYNOW

Image from Pixabay

CONTENT

ECONOMIC OUTLOOK.....	3
REAL ESTATE MARKET OVERVIEW	8
VILNIUS RESIDENTIAL MARKET	12
KAUNAS RESIDENTIAL MARKET	17
KLAIPĖDA RESIDENTIAL MARKET	21
SEASIDE RESIDENTIAL MARKET	25
RENTAL HOUSING MARKET	28
VILNIUS	28
KAUNAS	29
KLAIPĖDA.....	31
BUSINESS CENTERS IN VILNIUS	33
BUSINESS CENTERS IN KAUNAS	34
BUSINESS CENTERS IN KLAIPĖDA	35
LOGISTICS CENTRES AND WAREHOUSES.....	36
REAL ESTATE LAW REVIEW	37
CHANGES IN THE REGULATORY FRAMEWORK	38
TERRITORIAL PLANNING.....	38
CONSTRUCTION LAW	39
LAW ON LAND	42
CASE LAW	43
THE 13 LARGEST MULTI-FAMILY RESIDENTIAL BUILDING PROJECTS (OR THEIR PHASES) INITIATED IN VILNIUS, KAUNAS, KLAIPĖDA IN THE FIRST HALF OF 2023	46
VILNIUS	46
KAUNAS	50
KLAIPĖDA.....	51
THE 4 LARGEST COMMERCIAL REAL ESTATE PROJECTS INITIATED IN THE FIRST HALF OF 2023.....	52
THE 2 MOST IMPORTANT PUBLIC INFRASTRUCTURE PROJECTS INITIATED IN THE FIRST HALF OF 2023	54
ABOUT / CONTACTS.....	56



Tadas Povilauskas, SEB bank economist.

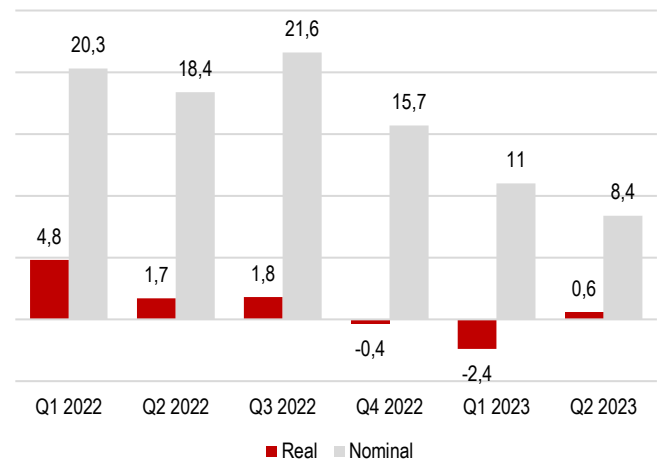
Tadas Povilauskas joined SEB Bank in 2015. With over fifteen years of experience in the finance industry, he is responsible for economic trend analysis, forecasting, and analytical insights at the bank. Through his professionalism, expertise, and deep insights, Tadas Povilauskas contributes to the development of SEB Bank and the enhancement of financial literacy of society. Prior to joining SEB Bank, he worked as an analytical expert in investment banking and grain trading business, gaining in-depth knowledge of capital and commodity markets. Tadas Povilauskas holds a master's degree in Economic Analysis and Planning from Vilnius University.

ECONOMIC OUTLOOK

Lithuania's economic performance in the first half of the year continued to be relatively strong, considering the many challenges the country has faced over the past year and a half, such as the war in Ukraine and the surge in energy prices. The country's GDP at current prices for the first half of the year was 0.9 percent lower compared to the previous year, but this was not unexpected. It should be noted that Lithuania was one of the leaders in the European Union in terms of economic growth from 2020 to 2022, so the current downturn of this magnitude

has not, at least for the time being, had a major impact on many residents and businesses.

GDP of Lithuania change, YoY (perc.)



Source: State Data Agency

In the first half of the year, the economy was most affected by the decline in several key industrial sectors, including furniture, wood, and fertilizer production. The decline in furniture and wood production was driven by reduced export orders following a significant drop in demand for these goods in the Western

world after the pandemic. Additionally, the decreased activity in the real estate market has had a negative impact on the demand for such products. It is likely that the demand and orders for these products for Lithuanian manufacturers will recover, but probably not before a year has passed.

In the first half of the year, there were also several industrial sectors where production was on the rise. For example, the production of machinery, equipment, and parts, as well as transportation vehicles, electronic equipment, and optical products, showed growth, and production orders do not indicate that the second half of the year will be significantly more challenging for such companies. Additionally, in the first half of the year, reduced expenses for electricity, heating, and fuel positively impacted profitability for industrial companies, especially those that managed to keep product selling prices stable or reduced them less than energy costs decreased.

The autumn and winter of this year do not promise an industrial recovery, as the economies of our main export partners are expected to balance between a slight decline and growth. Moreover, energy product prices are no longer expected to decrease.

A negative impact on the economy in the first half of the year was also caused by reduced real household consumption. In the first half of this year, annual inflation in Lithuania was higher than the annual change in disposable income for households. The post-pandemic trend continued, with people spending more on services but buying fewer goods. Retail turnover in Lithuania in real terms for the first half of the year was 1.7 percent lower than the previous year. The annual change in turnover in euros due to higher prices compared to the previous year was 7 percent. The biggest drop was in the sales of furniture, household appliances, and information and communication equipment, which had seen the most

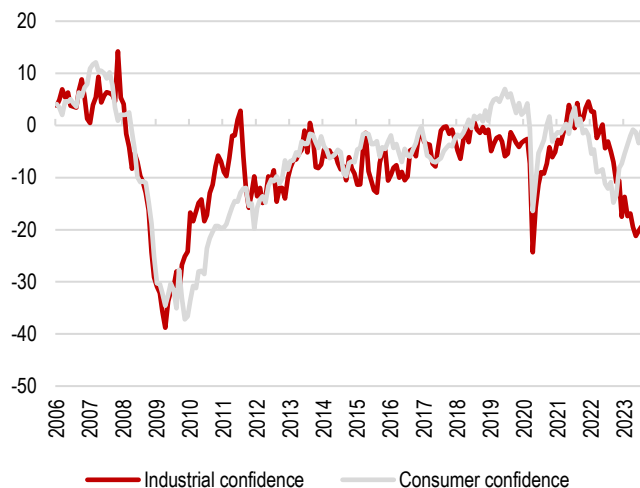
significant growth during the pandemic. Retail turnover for food still contracted in real terms.

The recent decline in retail trade in Lithuania has been less severe than the average decline in European Union countries in recent months. Therefore, it cannot be claimed that inflation had a more significant impact on retailers than in other EU countries. As we expect that annual inflation in the second half of the year will be lower than income growth, real household consumption should recover slightly, and by the end of the year, we are likely to see a positive annual change in retail trade in real terms. On the other hand, declining price inflation means that the change in retail turnover in euros will decrease as well. Much will also depend on household spending on energy products during the cold season - for now, it appears that expenses will be lower than last winter, but the situation in the energy market is quite fragile, and the previous winter was relatively mild across Europe.

Demand for catering services also increased in the first half of the year - the annual change in real terms reached 6 percent, and in nominal prices, 24 percent. People's expenses increased the most on travel. While domestic travel saw only a slight increase, international travel increased significantly. This not only indicates that people are still trying to make up for the fact that they travelled less during the pandemic but also that there are financial capabilities to travel.

Household consumption was supported by positive household sentiment regarding their financial situation. According to the consumer confidence indicator, Lithuania continued to rank first in the European Union. One of the reasons for such optimism is a stable job market, rising wages, and decreasing inflation.

Industrial and consumer confidence indices (points)



Source: DG ECFIN

The labor market has seen little change over the past six months. Employers have become slightly more cautious in hiring - data from the State Social Insurance Fund Board (Sodra) indicates that in the first half of the year, 2.5 percent fewer employees were hired than the previous year. However, the number of layoffs remained unchanged. In general, the number of employed residents in the second quarter was higher than the previous year, and unemployment increased slightly, from 5.2 to 5.9 percent. Recent labor market indicators are somewhat skewed by the inclusion of migrants from Ukraine and Belarus in the calculations. At the end of the first half of 2023, there were 50,000 more foreign residents living in Lithuania than the previous year, an increase of 35 percent.

Over the past year, the number of employees decreased the most in industrial companies, particularly in furniture and wood product manufacturing companies. We forecast that in the coming quarters, unemployment will slightly increase, reaching an average of 7.1 percent in 2024.

Although the labor market has cooled down somewhat, annual wage growth remained significant. The State Data Agency reported that in the second quarter, the annual change in average wages was 12.3 percent. Such a significant increase in wages is one of the main reasons why residents' financial situations did not deteriorate significantly, even considering the still high inflation.

Labor market variables

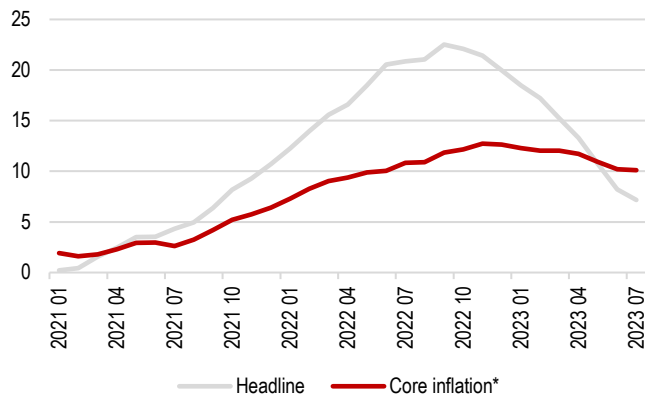


Source: State Data Agency

The positive impact on average wages was furthered by a 15 percent increase in the minimum monthly wage from the beginning of the year and a one-tenth increase in the wage fund of public sector employees. Significant changes in the average wage in the country are not expected this year, with the annual change likely to be around 11.5 percent. However, next year, the growth is expected to slow down to 8 percent. It is already known that the minimum monthly wage will increase at a slower pace next year - by 10 percent. Additionally, business abilities to sustain double-digit wage growth will be much more limited.

In June, inflation in Lithuania turned into single digits after a year and a half, reaching 7.2 percent in July. In the coming months, it should continue to decrease, and we expect that the average annual inflation according to the harmonized consumer price index this year will be 9 percent.

Annual Inflation according to HICP in Lithuania (perc.)



*Excluding changes in the prices of energy, food, tobacco products and alcoholic beverages.

Source: State Data Agency

Next year, we are forecasting an almost 3 percent average annual inflation rate if energy product prices do not exceed the levels seen in August of this year. The drop in energy prices, including fuels, electricity, and heat, over the past year has been the main reason why inflation subsided in Lithuania this year. However, service prices continued to rise historically fast. In July, service prices were still 11 percent higher than the previous year, and service inflation is expected to decrease slowly as labor costs rise. Food price inflation is decreasing this year, averaging 15 percent. We are not forecasting further food price increases next year.

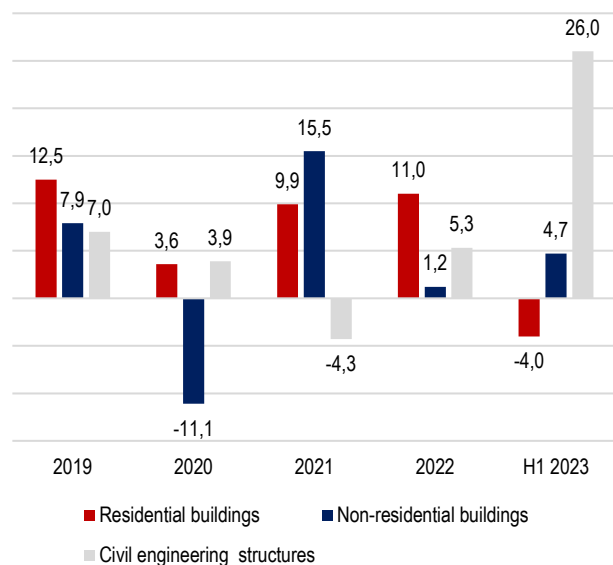
Reduced prices for energy products, a significant part of which are imported, led to a faster funds increase in accounts held by

Lithuanian residents and businesses compared to the end of last year. Working capital has decreased as energy resources and raw material prices, as well as sales revenue, have declined. In June, the annual change in household deposits was 6.4 percent, and for businesses, it was 16.9 percent. However, lower raw material prices also mean less need for short-term loans to finance working capital. Furthermore, a more cautious business outlook for the future does not allow for a surge in private sector investments. Therefore, the loan portfolio for businesses at the end of the first half of the year was only 6.5 percent larger than the previous year. Loans to residents increased by 8.4 percent over the year, but growth is also slowing down due to decreasing demand for housing loans.

This year, the European Central Bank (ECB) has been raising its base interest rates decisively - the interest rate for commercial bank deposits held at the central bank is now 3.75 percent. It's important to note that it only turned non-negative in July of last year. The consequences of such a historically rapid increase in interest rates in the eurozone are not yet fully felt, and this sudden jump in interest rates is one of the reasons why we are cautious about the economic prospects for the eurozone in 2024. In Lithuania, the impact of interest rates on the economy and the housing market is faster because variable interest rates are more common in our country. However, the share of households with a housing loan in Lithuania is one of the lowest in the eurozone, as is the ratio of housing loans to residents' income. According to SEB bank calculations, in the first half of the year, households spent about EUR 170 million more on housing loan interest than the previous year, which accounts for roughly 2 percent of wage income. On the other hand, interest rates on deposits have increased significantly. Therefore, some households' interest expenses become other households' interest income.

We believe that the peak of interest rates in the eurozone is not far off. However, the ECB will not lower its base interest rates before the summer of next year, and households and businesses need to consider that interest rates may remain at such levels for even longer.

Annual change in the volume of construction works at comparative prices (perc.)



Source: State Data Agency

The negative impact of increased interest rates on the real estate market is inevitable. Slightly later, the negative sentiment typically spills over into the construction sector. The results of the construction sector in the first half of the year significantly exceeded expectations, but this was mainly related to investments in infrastructure projects. In the first half of the year, construction of engineering structures, in real terms, increased by as much as 26 percent compared to the previous year. This is mainly related to increased state investments in the energy sector and growing construction

work in the transport sector. Such construction work is not expected to decrease in the second half of the year, which will have a positive impact on the Lithuanian economy.

With a reduced number of transactions in the primary market and a reluctance to significantly increase housing supply, the volume of residential construction work decreased by 4 percent. It is likely that the decline will be even greater in the second half of the year, as evidenced by the decreased number of newly started housing projects. The only positive aspect in the construction sector is that the prices of construction materials and products have not increased this year.

In the second half of 2023, the annual change in Lithuania's GDP is expected to be slightly positive. The overall change in GDP for the year will be negative, and the downturn will be even greater than in 2020 - the first year of the pandemic. Next year, we expect 1.8 percent economic growth, mainly driven by increased real household consumption if our expectations of nearly 3 percent inflation are confirmed. Growth would be lower than we project if, despite increased real incomes, consumers became more cautious. It is likely that the government's policies will also have at least a non-negative impact on the economy. We believe that the government will plan a budget for 2024 that will be no smaller than 2 percent of GDP to stimulate the economy and in consideration of the upcoming parliamentary elections next year. We also expect that exports of Lithuanian origin goods, unlike this year, will increase slightly if the eurozone economy grows by 0.8 percent, as we currently anticipate. Re-export, which grew by 10 percent in the first half of this year, is likely to decline in the coming quarters as the government increasingly seeks to hinder the flow of goods to Russia through neighboring countries.



Tomas Sovijus Kvainickas, *Head of Investment and Analysis at INREAL Group.*

Tomas Sovijus Kvainickas is a real estate analyst specializing in data analysis and calculation models, responsible for the search and evaluation of investment opportunities for INREAL Group, as well as providing advice to clients and commentary to the media on real estate market issues.

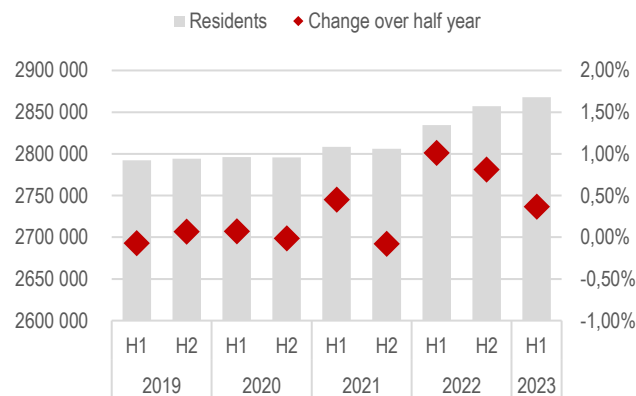
The commercial real estate components were prepared with the participation of INREAL real estate brokers: Rokas Rudys (Vilnius), Gediminas Dranginis (Kaunas), and Algimantas Švanys (Klaipėda).

REAL ESTATE MARKET OVERVIEW

Population changes determine the demand for housing. As cities grow, more apartments and houses are needed. As the population declines, the stock of vacant housing grows. The last few years have been quite favorable for Lithuania's demography. According to preliminary data from the State Data Agency, the number of permanent residents in Lithuania increased by about 0.4% in the first half of 2023, from 2 857 279 to 2 867 725 persons. This increase is unevenly distributed among Lithuanian cities and its impact on the real estate market varies. On the other hand, if the purchasing power of

the population does not become sufficient, favourable demographic changes may provide other issues.

Number of permanent residents in Lithuania

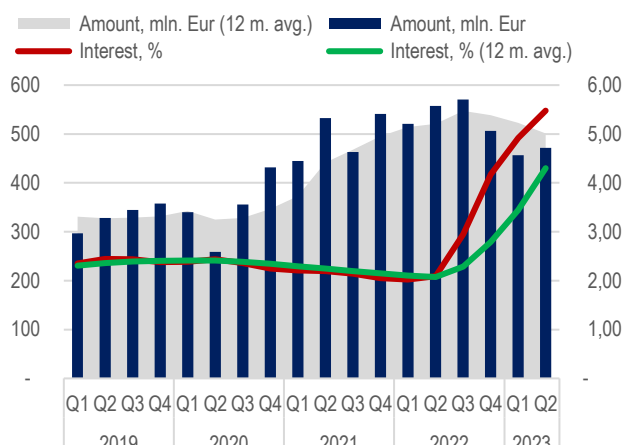


Source: State Data Agency

During the first half of 2023, the interest rates on new housing loans increased from 4.42 percent to 5.62 percent, and the moving average of monthly loans (past 12 months) decreased from 179.5 million Euros to 167 million Euros. Housing loan interest rates are perhaps the most significant challenge in the real estate sector today. While housing prices remain high, the

rate of price growth over the past year has been considerably more moderate, and people's incomes have increased. On the other hand, the pressure caused by interest rates has also risen. Responsible lending regulations determine the portion of income a homebuyer can allocate to pay the loan installment, which, in turn, dictates the loan amount. If interest rates remained below 5 percent, it wasn't a critical factor because loan issuance safeguards assumed a hypothetical 5 percent interest rate for calculating the loan amount. It wasn't significantly important whether interest rates were at 0 or 5 percent; borrowers could borrow the same amount, and with rising incomes, they could afford more expensive housing. However, when interest rates cross this threshold, income growth may not keep up with the cost of purchasing the same-priced housing.

Real new mortgages (EUR) and interest (perc.)



Source: Bank of Lithuania

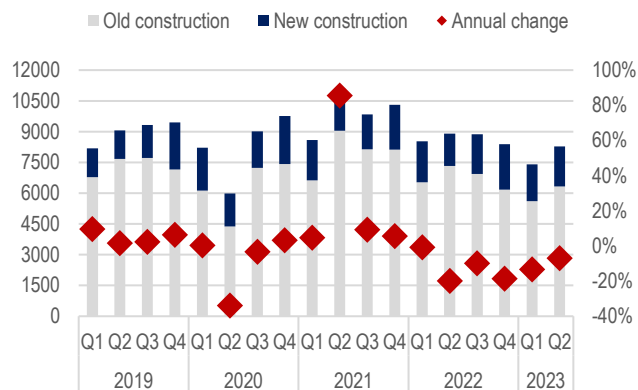
Another challenge for potential homebuyers is servicing the loan. With an interest rate of 2% and a loan of EUR 100,000, for example, a resident would pay about EUR 370 per month. At the beginning of the loan period, the payment would consist of 55% (EUR 202) repayment and 45% (EUR 167) interest.

When the interest rate rises to 5%, the monthly payment jumps to €535, and the interest component becomes 78% (€417) of the total payment. In this context, the subjective reasons for buying a home (sense of security, social habits and attitudes) do not disappear, but the objective reasons are reduced. As long as low interest rates prevailed and house prices were rising due to a lack of supply, rising energy requirements, and the taxation of development, it was particularly easy to take the decision to buy a home because 'tomorrow it will be more expensive than today', the downpayment will generate a return on capital, the servicing of the loan is inexpensive and linked to the purchase price at a fixed point in the past, and rents are rising as the property becomes more expensive and the population's purchasing power increases. As loans become more expensive, the monthly cost of the interest portion becomes close to the rent price, the value of the home does not increase as rapidly, therefore the downpayment no longer generates the previous return. In this context, there is less incentive to buy aiming to resale, whereas renting larger and more expensive homes has been a fairly strong alternative to buying in the past.

The war in Ukraine, which started in 2022, has forced many people to flee the country and tens of thousands of them have chosen Lithuania. The surge in demand for rental housing has led to rapid price growth, tempered only by the threat of high utility bills in winter. As more housing became available on the market (new projects, relocation of former tenants), the price growth stopped, and the market began to cool down. On the other hand, the rise in base rates and, and consequently Euribor rates, with a significant increase in house prices, has led to a sharp decline in the purchasing power of the population. This has encouraged many to continue living in rented accommodation and has created both a need (in the case of rented accommodation purchased with a loan) and an opportunity (in terms of rental versus purchase price

comparisons) for landlords to increase rental prices. Predicting the direction of prices in the future is quite difficult, but there are several key factors at play. The first one is migration. Although the flow of migrants has diminished, with around 80,000 Ukrainian citizens living in Lithuania as of mid-2023, it is unlikely that the war in Ukraine will end soon. Therefore, increased demand is expected to remain sustainable in the short term. Another important factor is the expectation of falling interest rates. If you sign a one-year lease today, it is likely that at the same time next year the interest rate will fall, making it attractive for current tenants to purchase their own home, especially if property developers offer more affordable housing during this period. Rental prices may also be affected by increased supply, as thousands of apartments are still under construction in the capital. However, these factors are more likely to have an impact in the medium rather than the short term, so if the economic situation remains unchanged, the cost of living for several years will remain high, regardless of whether people choose to buy or rent a home.

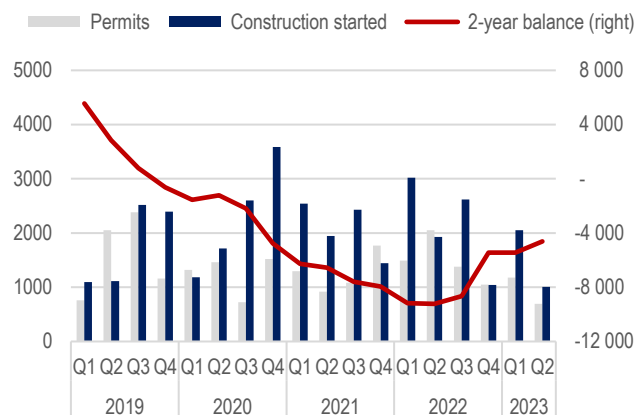
Number of sale transactions of residential premises in Lithuania



Source: SE Registrų centras

During the first half of 2023, the real estate market was relatively favorable for buyers. There was more housing supply than demand, but not all property sellers were willing or able to reduce housing prices. The demographic changes are creating a compressed spring effect, encouraging sellers to wait for an opportunity to sell their property at a higher price. Economic risks persist, but they are significant regardless the market activity.

Number of issued building permits and initiated construction of residential apartments in Lithuania (units)



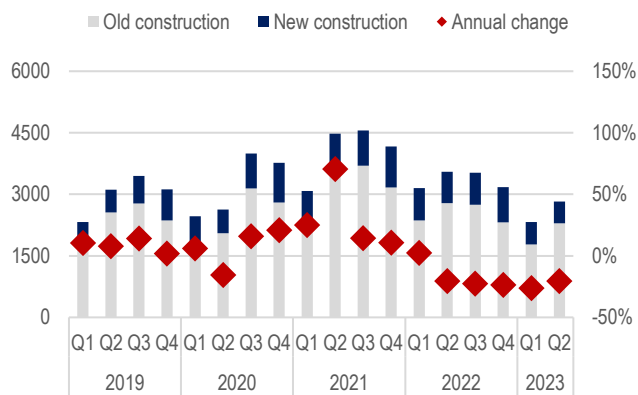
Source: State Data Agency

The decrease in loan volumes is reflected in the dynamics of residential property purchases and sales. According to data provided by the State Enterprise Center of Registers regarding notarial contracts for the purchase and sale of apartments, the slowdown in the market during the first half of 2023 was particularly pronounced. Over the six months, 15,689 apartments were sold, which is a tenth less than in the previous six months (17,260) or a year ago (17,432). The decrease in the number of transactions is observed in both the new and old construction segments. The market slowdown began much earlier, but in the second half of 2022, the statistics on apartment transactions in new construction projects reflected

preliminary contracts that had been concluded earlier. The sale of apartments in old buildings can also be partially attributed to a statistical delay in the primary market – if a resident purchased a new apartment, they often sold the old one.

The decline in apartment purchase and sale transactions was due to rising prices and interest rates, and reduced expectations among residents. It is likely that sales volumes may remain lower in the future, but for different reasons. Since 2020, there have been more new constructions in cities than building permits issued. In the short term, this is not a problem because developers use reserves and initiate projects for which building permits were obtained earlier. However, if the situation does not change, the reserve will quickly deplete. According to data from the State Data Agency, over the first half of 2023, more than 3,000 apartments were started, while fewer than 2,000 building permits were issued. Calculating the balance over two years with a one-quarter shift (assuming construction starts the quarter after receiving the building permit), over two years, more than 4,000 apartments were started beyond the number of building permits issued.

Number of sale transactions of residential buildings in Lithuania



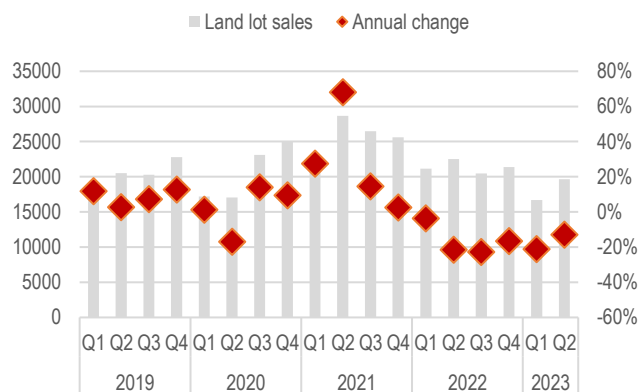
Source: SE Registrų centras

Smaller transaction volumes were also observed in the residential building segment. In the first half of 2023, 5,145 residential buildings were sold, which is 23% less than in the previous six months (6,703) or the same period last year (6,700).

Sales of land plots also declined by more than a tenth. In the first half of 2023, 36,315 land plots were sold, compared to 41,878 in the same period the previous year and 43,681 in the same period last year.

The office market exhibits various trends. Some companies are expanding their office spaces, while others sublease them. Remote and hybrid work models have become the new norm for some, while others are grappling with how to attract employees back to the office.

Number of sale transactions of land lots in Lithuania



Source: SE Registrų centras

The positive news is that in almost all segments, the lowest points of market activity were reached in the first quarter of 2023, and in the second quarter, there was already an increase in activity.

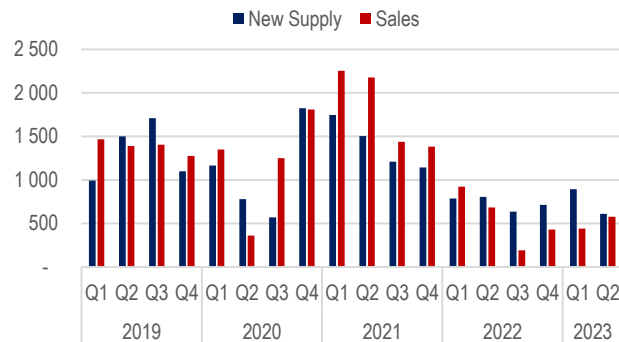
VILNIUS RESIDENTIAL MARKET

In the first half of 2023, INREAL included 1505 new properties in their monitoring of the primary housing market in Vilnius, which is an 11 percent increase compared to second half of 2022 (1352), but 6 percent less than the same period previous year (1352). Similar trends were observed in preliminary contracts. In the first half of 2023, there were 1018 preliminary contracts, which is a 63 percent increase compared to the second half of 2022 (623), but 37 percent less than the same period last year (1611). A similar increase in supply and sales activity was observed until 2015, as the market gradually recovered from the financial crisis.

In the first half of 2023, as supply increased more rapidly than developers sold properties, the number of available and reserved properties in the supply increased. By the end of the semester, the number of potentially affordable homes for buyers increased to 4466, which is 8 percent higher than a year earlier (4125) and 29 percent higher than the previous year (3462). The ratio of new supply to sales was higher than the increase in supply, as information about some properties became publicly unavailable.

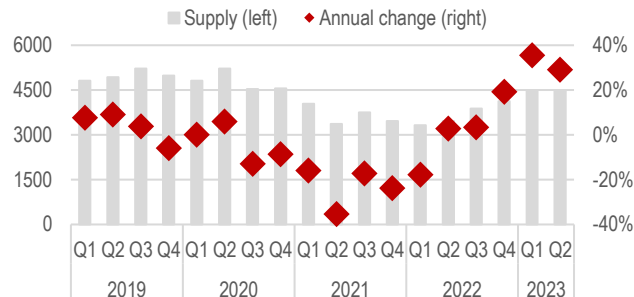
The increased supply and reduced sales volumes resulted in changes in the market balance index. At the end of the first quarter of 2023, the highest value of this indicator in a decade was reached, at 2.35. On the other hand, the lowest market activity was recorded in the second half of 2022, therefore the index should continue to approach a more balanced value. In the middle of 2023, its value was 1.93, and further inertial decline is expected. Other significant factors affecting the housing market in the first half of 2023 include sale promotions by developers (although not very significant) and the emerging compressed buyer spring, expectations of lower interest rates.

New housing supply and sales in Vilnius (units)



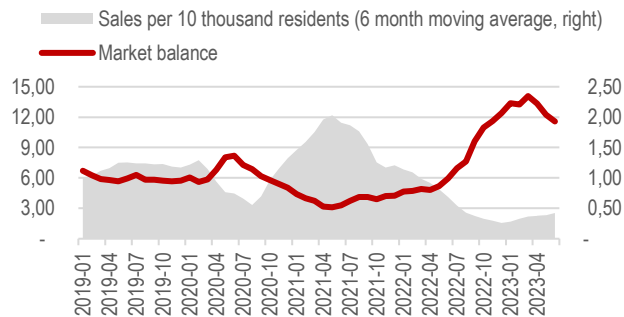
Source: INREAL

Supply in the primary housing market in Vilnius (units)



Source: INREAL

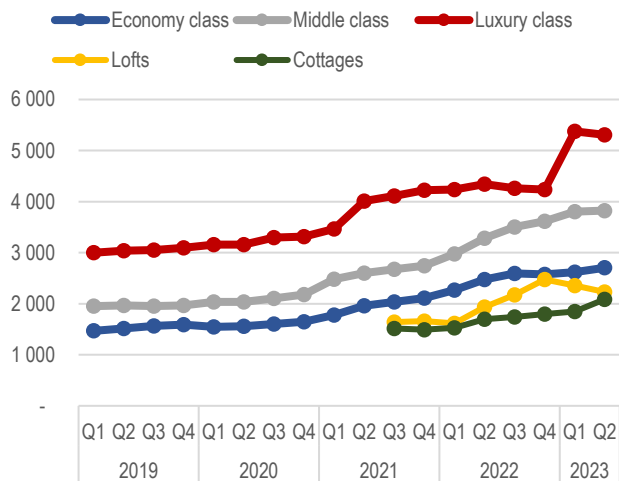
Primary housing market balance index in Vilnius



Source: INREAL

In the first half of 2023, the primary housing market in Vilnius experienced relatively modest price changes across various segments. Affordable housing increased by 5 percent, from 2,573 to 2,704 EUR/sqm. Mid-range housing prices rose by 6 percent, from 3,613 to 3,824 EUR/sqm. The luxury housing segment witnessed a significant jump of 25 percent, from 4,237 to 5,307 EUR/sqm. However, this increase was influenced by structural changes, as more projects with publicly advertised prices became available. Loft-style housing prices decreased by approximately 10 percent, from 2,475 to 2,231 EUR/sqm. Cottages saw a 16 percent price increase, from 1,796 to 2,086 EUR/sqm. These price fluctuations can also be linked to changes in supply dynamics. Over the six-month period, INREAL recorded 770 instances (compared to 760 in the previous semester and 3,318 a year ago) where prices of available properties on websites were increased and 469 cases (compared to 495 in the previous semester and 492 a year ago) where prices were reduced.

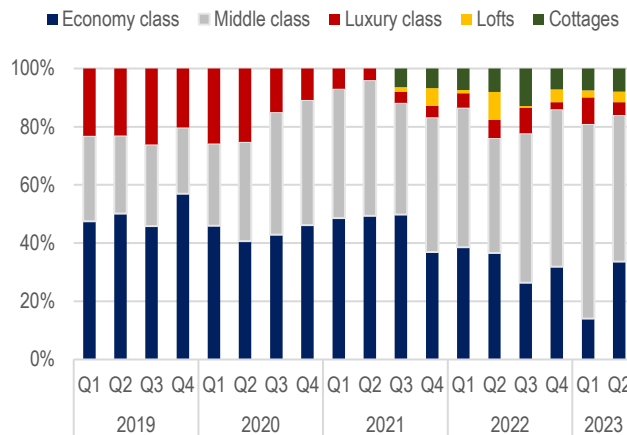
Average housing prices by class in Vilnius (EUR/sqm)



Source: INREAL

The decreased affordability of housing had the most significant impact on the affordable housing segment. While this segment accounted for approximately 50 percent of all sales at the beginning of the price increase period, buyers in the affordable housing segment are the most sensitive to price changes. This resulted in many of them withdrawing from the primary market, and over the past year and a half (except for the first quarter of 2023), sales of affordable housing made up only a third of the total. Consequently, buyers in the mid-range housing segment now occupy a larger market share, accounting for about half of all primary market agreements. Cottages represented up to 10 percent of sales, while sales of loft-style and luxury housing fluctuated depending on changes in the supply structure and the introduction of new projects.

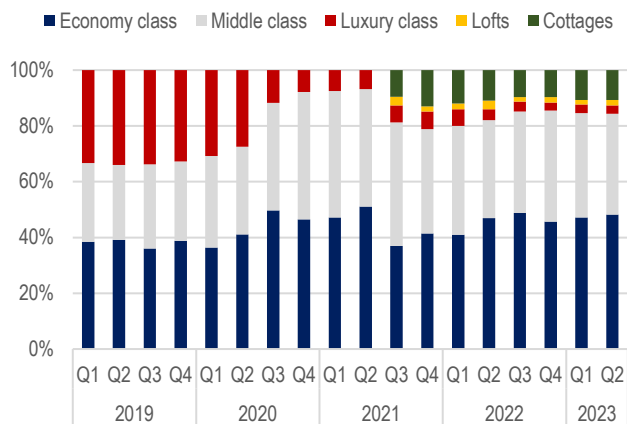
Apartment sales by class in Vilnius (perc.)



Source: INREAL

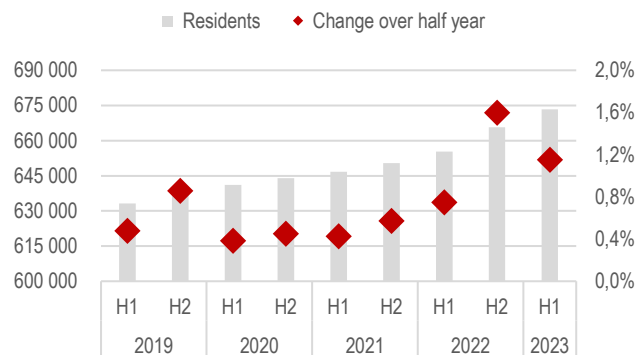
Due to the lower market activity, there were no significant changes in the supply structure by class. Approximately half of the housing supply consisted of affordable housing, a third was mid-range, and about a tenth were cottages. Loft-style and luxury housing each comprised 2-3 percent of the market.

Apartment supply by class in Vilnius (perc.)



Source: INREAL

Residents registered in healthcare facilities in Vilnius



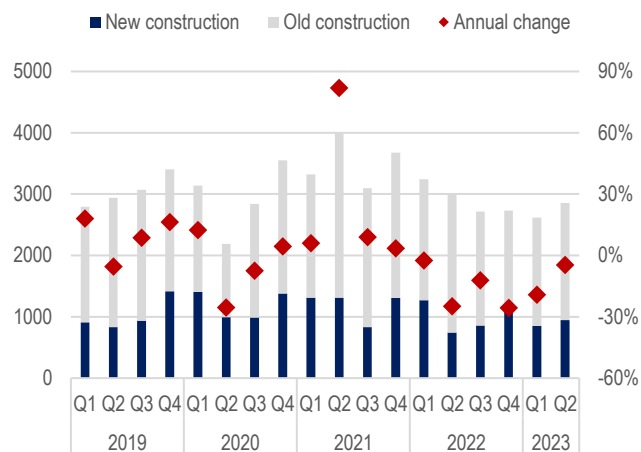
Source: Vilnius TLK

Over the course of six months, the population of Vilnius, according to TLK data, increased by approximately 1.2 percent, from 665,743 to 673,406. The long-term growth in the city's population stimulates real estate development, but the relationship between demographics and the real estate market is mutual. Poor housing affordability can prompt residents to seek alternative places to live, which would impact not only residential but also commercial real estate development.

Renting, as an alternative to buying a home, can temporarily address housing issues and may further drive the expansion of the commercial housing rental market. However, it's essential to consider the Lithuanian attitude towards homeownership, which is remarkably positive in the European context. Thus, not everyone will find renting a suitable housing solution.

In the first half of 2023, 5,474 residential properties were sold in Vilnius, which is slightly more than in the previous six months (5,449) but about 12 percent less than during the same period last year (6,236). Sales of new construction apartments have been gradually declining, with about a 100-unit decrease every six months. This trend is influenced by the housing acquired by residents during the construction period. It's hard to predict how this segment will evolve in the near future as there are still approximately 4,000 properties (apartments, condominiums, lofts) under construction, and the dynamics will depend on the pace of their completion. In the first half of 2022, there were about 1,500 more properties under construction compared to the same period in 2023.

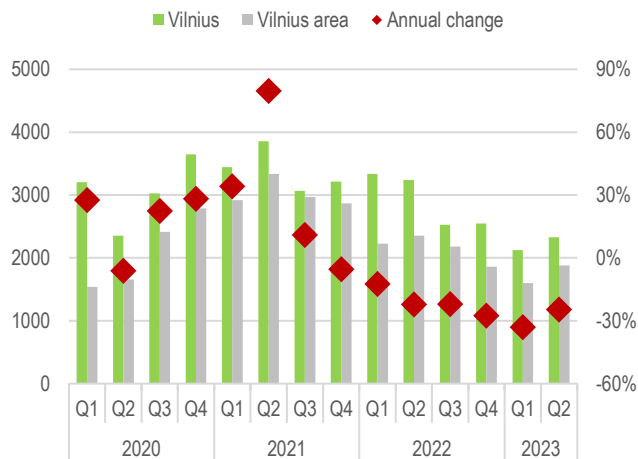
Registered apartment transactions in Vilnius (units)



Source: SE Registrų centras

The slowdown in the real estate market is also evident in the land market. The number of transactions decreased both in Vilnius city and the surrounding region. In the first half of the year, 7,936 land plots were sold in the Vilnius region, which is a 13 percent decrease compared to the previous six months (9,111) and a 29 percent decrease compared to the same period last year (11,154). This trend began in tandem with the rapid increase in prices, which started in the middle of 2021. Rising construction costs and more complex financing conditions limit people's ability to purchase land for individual home development.

Land transactions in Vilnius region (units)



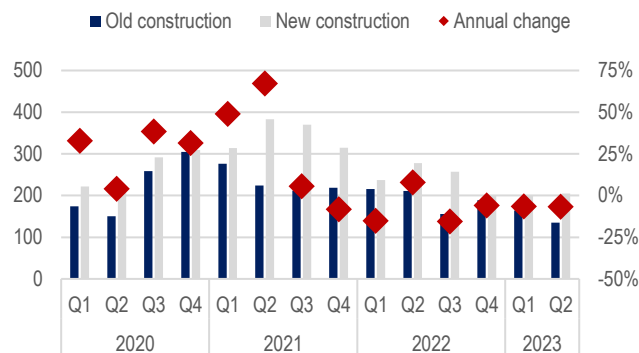
Source: SE Registrų centras

Similar changes have been recorded in the residential segment. In the first half of 2023, 704 residential houses were sold (299 new-build, 405 old-build), which is 12% less than in the first half of the previous year (802, 345, 457, respectively), and 25% less than a year ago (942, 427, 515).

Despite the significantly slower market, prices of homes available in the supply did not decrease, as sellers were not inclined to expedite property sales in this way. In some specific

segments, lower prices can be observed, but this did not significantly impact on the overall price level.

Residential buildings transactions in Vilnius region (units)



Source: SE Registrų centras

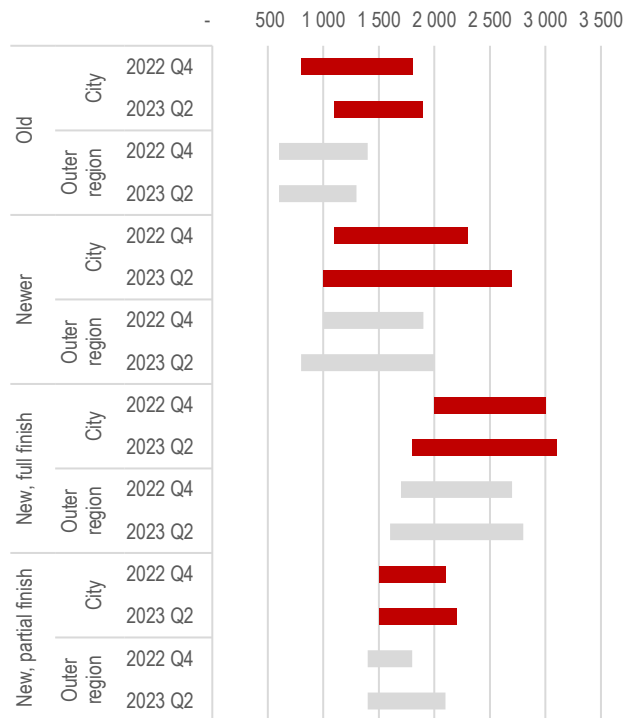
From late 2022 to mid-2023, the typical price range for older homes within the city increased from 800-1800 to 1100-1900 EUR/sqm. Outside the city boundaries, older homes experienced a slight decrease in price, as they shifted from 600-1400 to 600-1300 EUR/sqm.

The price range for newer homes in the Vilnius region expanded. Within the city limits, prices increased from 1100-2300 to 1000-2700 EUR/sqm, while in the surrounding region, they increased from 1000-1900 to 800-2000 EUR/sqm.

The same trend occurred in the segment of new homes with full finishing. Within the city, the price range increased from 2000-3000 to 1800-3100 EUR/sqm, while in the outskirts, it increased from 1700-2700 to 1600-2800 EUR/sqm.

Homes with partial finishing also saw price increases, going from 1500-2100 to 1500-2200 EUR/sqm within the city limits and from 1400-1800 to 1400-2100 EUR/sqm in the suburbs. With the slowdown in the market, the likelihood of negotiating a price discount has increased.

Residential houses asking prices in Vilnius region (Eur/sqm)



Source: INREAL

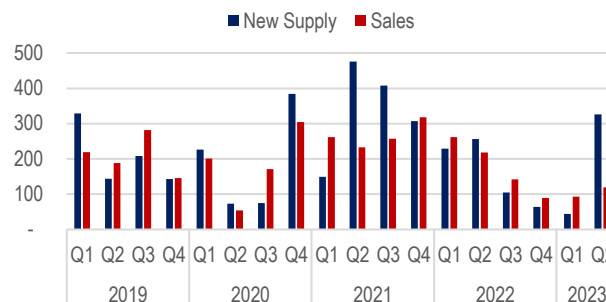
KAUNAS RESIDENTIAL MARKET

In the first half of 2023, INREAL observed 370 new properties supplied to the primary housing market in Kaunas, which is double the number from the second half of 2022 (169) but 24 percent less than in the same period last year (485). The total sales indicator for the past year reached 212, which is 8 percent less than half a year ago (231) and 56 percent lower than a year ago (480). Current sales in Kaunas primary housing market have been observed historically since the recovery from the financial crisis until the end of 2018.

Over the course of half a year, the supply of available housing increased by 9 percent, rising from 1251 to 1365. This is 4 percent more than in the same period last year (1313). The current supply volume can meet the housing needs of Kaunas for the next few years, so it is likely that new development will be somewhat slower soon. On the other hand, with the growing population, this supply volume should not become a problem if the market recovery is not significantly delayed. These properties will also help prevent potential supply shortages, which could develop in Vilnius.

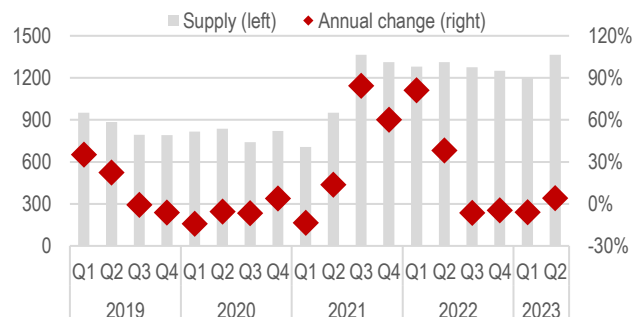
Slower sales and the continuously increasing housing supply since mid-2021 have led to the continued growth of the market balance index in Kaunas, creating an increasingly pronounced buyer's market. At the end of 2022, the indicator was at 1.67, and by mid-2023, it reached 2.24. The main challenge and opportunity lie in the relative market activity. Even during the particularly active years of 2020 to 2022, only 2-3 buyers per month purchased new homes for every 10,000 residents in Kaunas. By comparison, such market activity is still observed in Vilnius today, with 10-15 transactions recorded during the most active periods. If the population growth in Kaunas remains sustainable, there is certainly enough room for local market activity to grow.

New housing supply and sales in Kaunas (units)



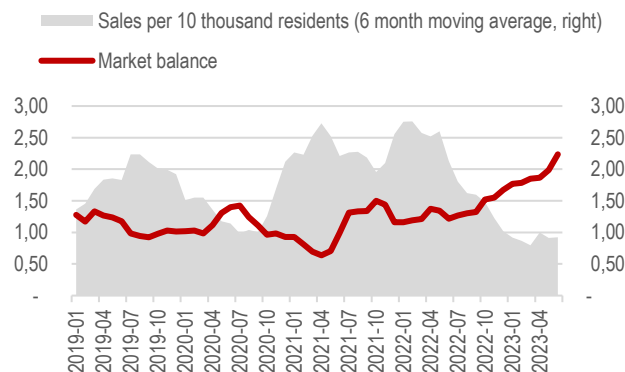
Source: INREAL

Supply in the primary housing market in Kaunas (units)



Source: INREAL

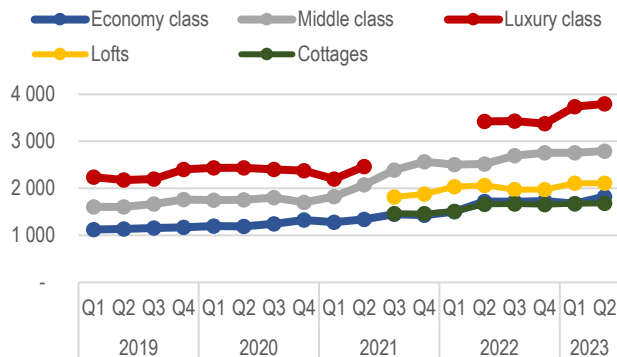
Primary housing market balance index in Kaunas



Source: INREAL

In Kaunas, like in Vilnius, the prices of new housing changed relatively little during the first half of 2023. Affordable housing saw a 5 percent increase, rising from 1732 to 1826 EUR/sqm, while mid-range housing increased by 1 percent, going from 2756 to 2794 EUR/sqm. The luxury segment experienced a larger 12 percent increase due to the increased supply of new projects, with prices going from 3375 to 3796 EUR/sqm. Lofts increased by 7 percent, from 1975 to 2109 EUR/sqm, and cottages by 2 percent, from 1653 to 1681 EUR/sqm. Over the six-month period, INREAL recorded 140 cases (compared to 244 half a year ago and 530 a year ago) where prices for available apartments were increased on websites, and 77 cases (compared to 42 half a year ago and 99 a year ago) where prices were reduced. It can be said that prices in Kaunas primary housing market are stabilizing, and pricing is adjusted based on the goals of specific developers, competitive environment, and the results of sales of different properties.

Average housing prices by class in Kaunas (EUR/sqm)

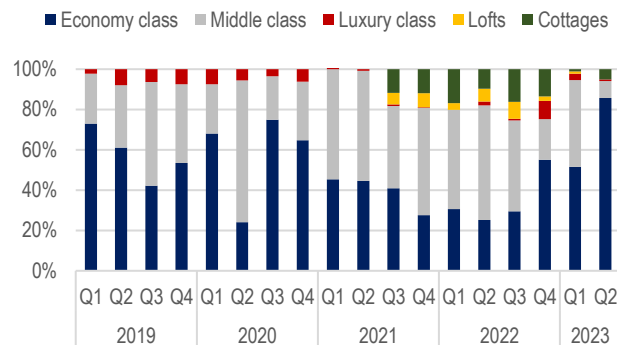


Source: INREAL

The affordability of housing in Kaunas is slightly higher than in the capital, which is why sales in the affordable housing segment did not decline as sharply. Also, during periods of market growth, buyers were able to purchase higher-quality housing at lower prices, which led to an increase in interest in

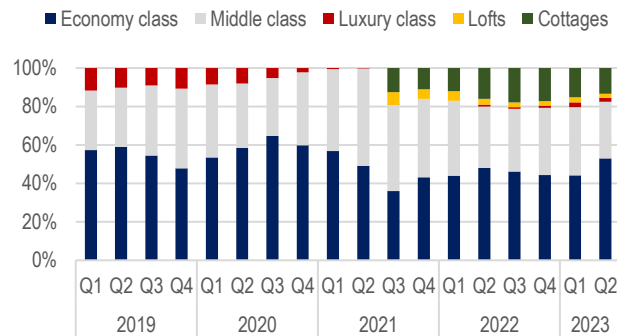
this segment, making up nearly half of all sales. As prices and interest rates increased, segments of buyers found cheaper, more affordable homes, which constituted more than half of all sales in recent quarters. Consequently, sales of mid-range housing decreased significantly. This could also have been influenced by the longer time these properties have been on the market, meaning that more expensive or less appealing apartments remained in supply.

Apartment sales by class in Kaunas (perc.)



Source: INREAL

Apartment supply by class in Kaunas (perc.)



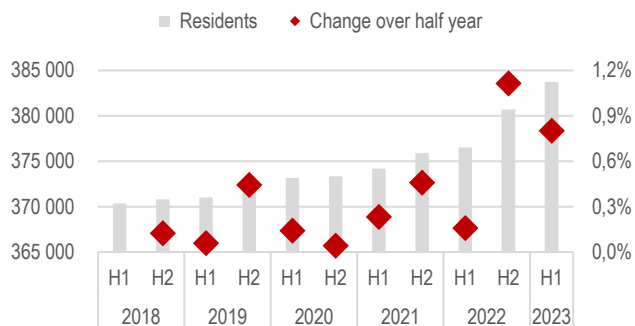
Source: INREAL

The assumptions regarding the decreased sales of the mid-range segment were supported by changes in the supply

structure. The share of new affordable housing increased, while previously started mid-range housing projects that were still available on the market remained in sales. In the first half of 2023, just over half of the homes available to buyers were in the affordable housing segment, slightly less than a third in the mid-range segment, and just over a tenth were cottages.

According to TLK data, the population in the Kaunas has been increasing since 2018. During this period, it has grown by about 3.6 percent, from 370,334 to 383,741. This trend continued in the first half of 2023, with a population increase of about 0.8 percent in Kaunas (from 380,692). However, it's worth noting that the most rapid population growth coincides with the start of the conflict in Ukraine, and TLK statistics include refugees who seek medical services. Population growth is especially significant for the demand in the new real estate market, as it is driven not only by the desire for better housing but also the necessity to find a place to live. It is likely that the number of primary real estate transactions in Kaunas has the potential to increase to the level seen in Vilnius.

Residents registered in healthcare facilities in Kaunas

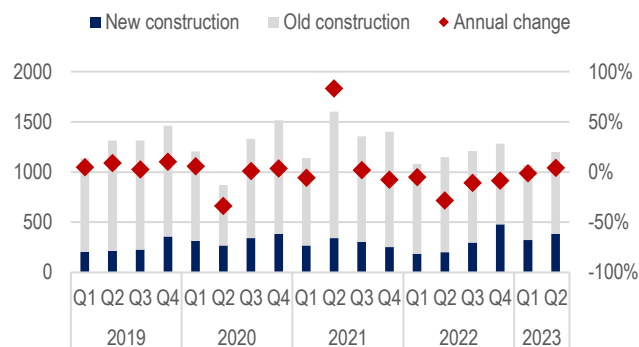


Source: Kauno TLK

During the first half of 2023, 2,271 residential premises were sold in Kaunas, which is 9 percent less than the previous year (2,491), but nearly 2 percent more than during the same period

the previous year (2,233). This indicates that market fluctuations in Kaunas were somewhat smaller than in the capital city. It's notable that over the last four quarters, the number of transactions in new construction housing had increased. This was influenced by the increased supply in the primary market in 2021 (resulting in the finalizing the preliminary agreements upon completion of construction) and a decrease in the number of sold apartments that are still under construction from nearly 1,200 in the middle of the previous year to less than 800 this year.

Registered apartment transactions in Kaunas (units)



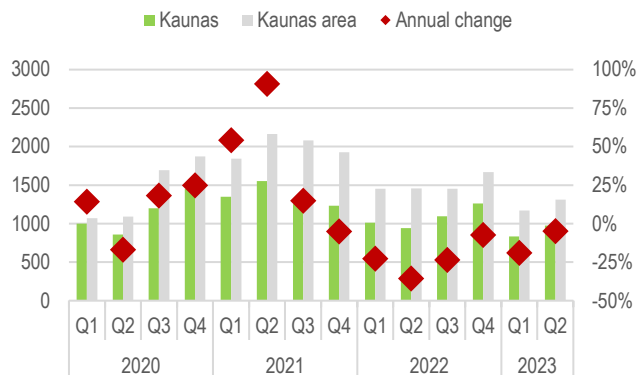
Source: SE Registrų centras

The slowdown in the land market also affected Kaunas. During the first half of 2023 in this region (municipalities of the city and the district), 4,289 land plots were sold, which is 22 percent less than the previous year (5,481) and 12 percent less than the year before (4,867). The long-term trend in this segment mirrors that of Vilnius, but in the short term, the decrease in the number of transactions in Kaunas was fluctuating as the markets attempted to recover in 2022.

Rapidly rising interest rates and the cost of living have also affected the residential segment, which as recently as 2022 was showing resistance to the general housing market trends. In the first half of 2023, 706 residential houses were sold (299

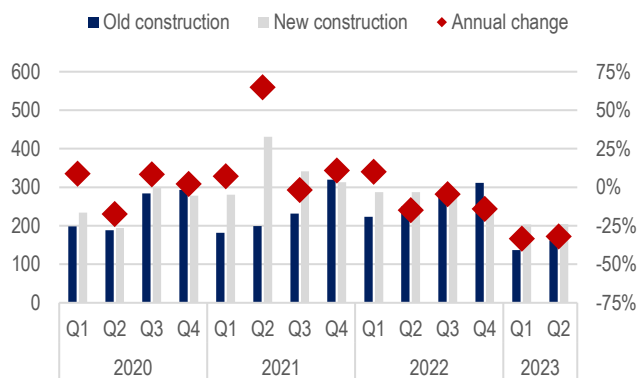
new-build, 407 old-build) - 35% less than in the second half of 2022 (1,093, 587, 506, respectively), and 33% less than a year ago (1,047, 473, 574). The market has shrunk so much that it has become smaller than that of Vilnius, which has been observed only a few times in the last decade.

Registered land transactions in Kaunas (units)



Source: SE Registrų centras

Registered residential buildings transactions in Kaunas (units)



Source: SE Registrų centras

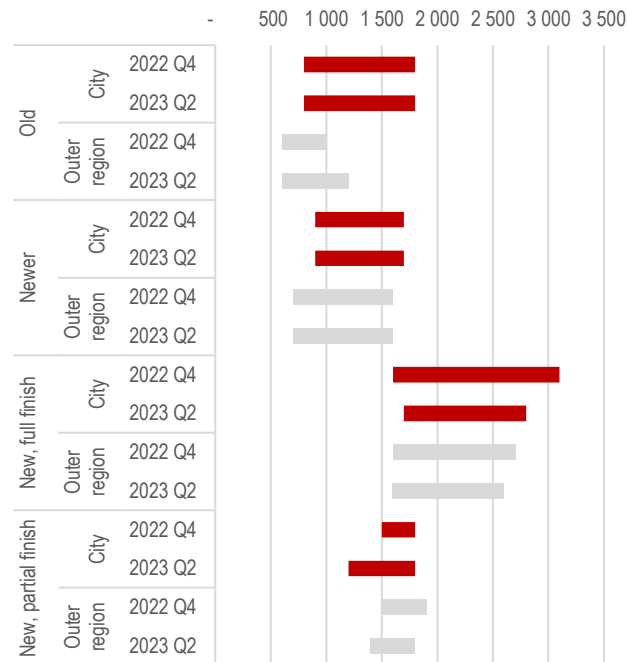
Significant price changes did not occur. From the end of 2022 to the middle of 2023, the typical price range for old construction houses within the city remained within the 800–1800 EUR/sqm range, although there was an increase in the

upper limit outside the city from 600–1000 to 600–1200 EUR/sqm. Newer construction house prices remained as follows: 900–1700 EUR/sqm and 700–1600 EUR/sqm.

Prices for newly constructed houses with full finish decreased. Within the city, the prices somewhat declined from 1600–3100 to 1700–2800 EUR/sqm, and in the suburbs, they decreased from 1600–2700 to 1600–2600 EUR/sqm.

There was also a slight decrease in prices for houses with partial finish. Within the city, their prices fell from 1500–1800 to 1200–1800 EUR/sqm, and in the suburbs, they decreased from 1500–1900 to 1400–1800 EUR/sqm. On the other hand, the home segment has a particularly loose interpretation of the concept of part-finishing, which may have contributed to the decrease in prices.

Residential houses asking prices in Kaunas region (Eur/sqm)



Source: INREAL

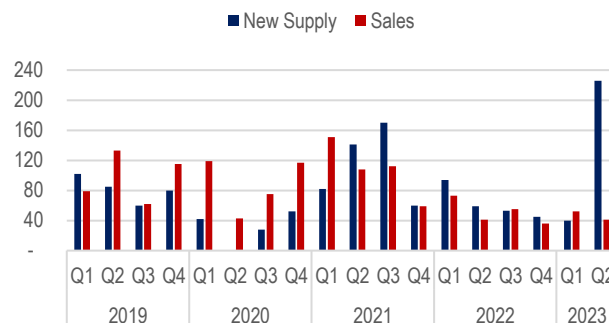
KLAIPĖDA RESIDENTIAL MARKET

During the first half of 2023, INREAL recorded 266 new properties supplied to the market in Klaipėda, which is 171 percent more than in the second half of 2022 (98) and 74 percent more than during the same period last year (153). The cumulative sales for the past semester reached 93, which is 2 percent higher than the previous semester (98) and 18 percent lower than the year before (114). The decrease in the number of residents in Klaipėda lasted the longest among all major cities. Therefore, the sales of new real estate, especially apartments, were more influenced by the desires and opportunities of buyers rather than the need for new housing. With the increase in the population (including war migrants) and the supply of new projects, Klaipėda is becoming something of an experiment to test the hypothesis that more significant changes in the new housing stock have a positive impact on both demand and the demographic situation.

New projects in the port city have led to a leap in the supply quantity. In the middle of the year, the quantity of available housing (532) compared to the previous half-year and the same period last year increased by 48 percent (from 359 and 360, respectively). In terms of market activity and population change, this supply may seem surplus, but considering relative metrics (both the supply quantity per capita and the relative population activity), the port city should be able to absorb this housing, just like Kaunas.

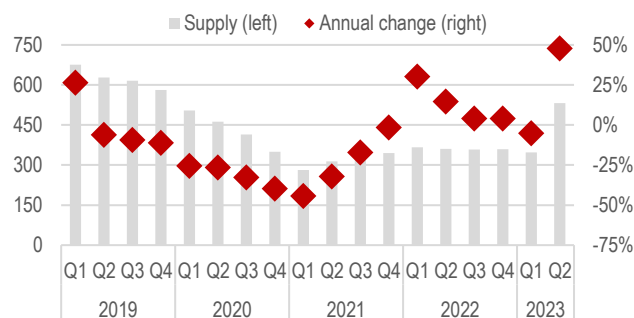
It can be assumed that sufficient supply and its potential to positively impact demographic processes in the city. Although the existing high market balance index of 2.44 indicates a strong buyer's market and may deter developers from investing in residential real estate development, the foundation for the activity growth in Klaipėda primary real estate market has already been established.

New housing supply and sales in Klaipėda (units)



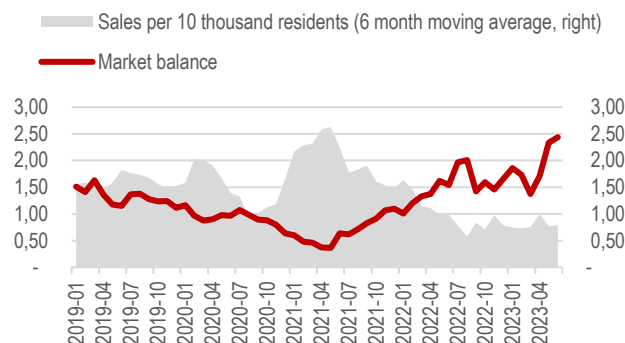
Source: INREAL

Supply in the primary housing market in Klaipėda (units)



Source: INREAL

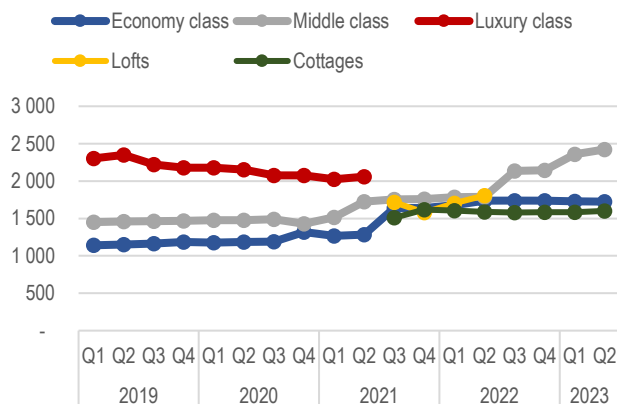
Primary housing market balance index in Klaipėda



Source: INREAL

In the primary real estate market in Klaipėda during the past year, housing prices saw relatively little change as well. Affordable housing experienced a 1 percent decrease in price, going from 1737 to 1725 EUR/sqm, while middle-class housing saw a 13 percent increase in price, rising from 2145 to 2423 EUR/sqm. The price change in this segment should be associated with new, higher-class projects. In the cottage segment, there was a 1 percent price increase from 1584 to 1600 EUR/sqm. It is likely that in 2023, prices for middle and prestigious-class housing may increase further if new coastal residential projects supplement the supply.

Average housing prices by class in Klaipėda (EUR/sqm)



Source: INREAL

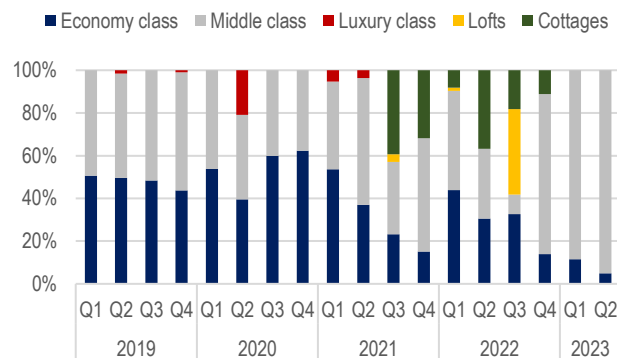
Over the past six months, INREAL recorded 22 cases (compared to 47 a year ago and 126 two years ago) where prices for available apartments were increased on websites, and 4 cases (compared to 10 a year ago and 64 two years ago) where prices were reduced.

In Klaipėda, the sales structure trends were like those in Kaunas, but there was one significant difference. As the share of middle-class projects in the supply increased, they became more interesting to buyers. Meanwhile, the popularity of

affordable housing, which had already been in the market, decreased. In the first half of 2023, the absolute majority of sales in the port city consisted of middle-class housing.

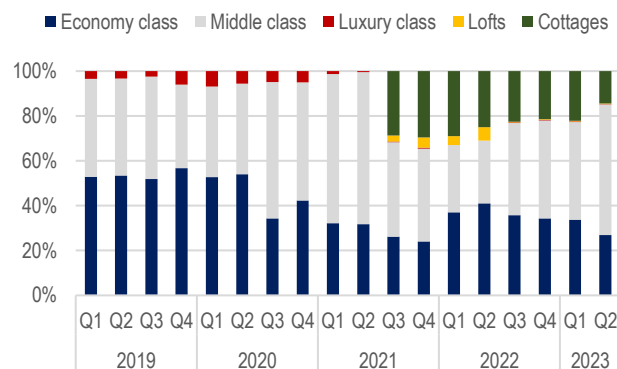
The supply structure changed as new middle-class projects were introduced to the market. Over the past six months, the share of middle-class offerings increased from 44 to 58 percent. Meanwhile, the share of economic-class housing decreased from 34 to 27 percent, and the cottage segment supply contracted from 21 to 14 percent.

Apartment sales by class in Klaipėda (perc.)



Source: INREAL

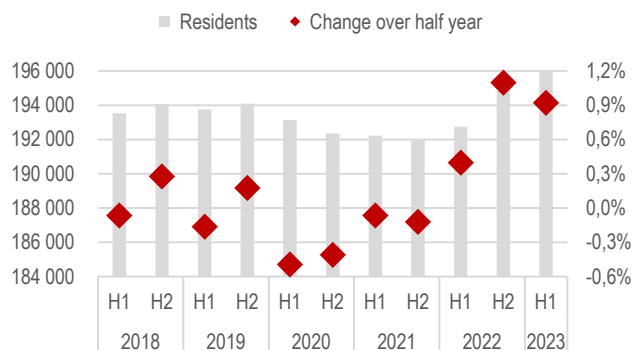
Apartment supply by class in Klaipėda (perc.)



Source: INREAL

In Klaipėda, the population changes during the first half of 2023 were more pronounced compared to Kaunas. According to TLK data, the population increased by about 0.9 percent, rising from 194,869 to 196,665. However, such population growth cannot yet be considered sustainable. This increase in population coincides with the conflict in Ukraine, and the current population numbers still only exceed those from 2017. Therefore, the demand for new housing remains limited. On the other hand, there is growing pressure to improve the quality of existing residential properties. It's important to note that in smaller cities due to the lack of population growth, new housing is relatively expensive due to development costs, while older housing units, due to low demand, can become especially cheap. In such cases, the costs associated with upgrading or changing housing can deter buyers from replacing their existing older homes with new ones.

Residents registered in healthcare facilities in Klaipėda

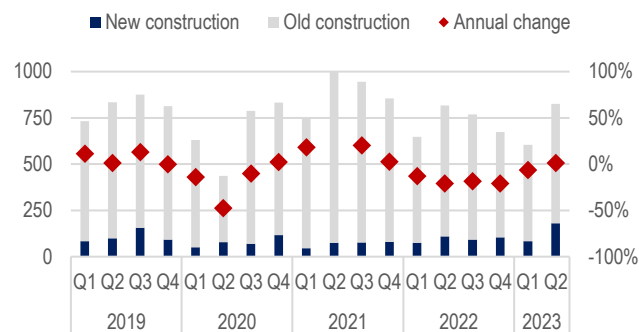


Source: Kauno TLK

During the first half of 2023, 1,430 residential premises were sold in Klaipėda, which is like the number sold during the previous half-year (1,443) or the same period last year (1,465). The market was supported by the sales of newly constructed housing units. This year, 264 newly constructed units were sold, compared to 197 units last semester and 184 units in the

first half of 2022. Additionally, the number of sold housing units that are still under construction in Klaipėda decreased from 398 to 323 over the course of a year.

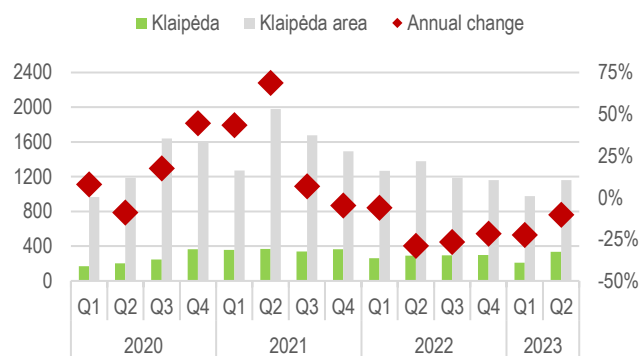
Registered residential premises transactions in Klaipėda (units)



Source: SE Registrų centras

One of the unique characteristics of the Klaipėda region is its relatively small urban area and the expansion of residential neighborhoods in the suburbs. This relationship has remained consistent even during the slowdown in the market. During the first half of 2023, 2,681 land plots were sold, which is 9% less than the number sold during the previous half-year (2,937) and 16% less than the same period a year ago (3,196).

Registered land transactions in Klaipėda (units)



Source: SE Registrų centras

In Klaipėda, as in Kaunas, the number of house sales has shrunk significantly. Sales of old-built houses decreased. The number of new house transactions, which grew in 2022, has also declined. In the first half of 2023, 417 houses were sold (242 new-build and 175 old-build) - 21% less than half a year ago (527, 323, 204) and 28% less than a year ago (581, 339, 242).

Registered residential buildings transactions in Klaipėda (units)



Source: SE Registrų centras

The Klaipėda region's real estate market is the smallest among the three major cities, so new supply doesn't always suffice for establishing price ranges accurately.

For old construction homes in the city, in 2022, they were priced between 700–1600 EUR/sqm. There wasn't enough new supply data available for the first half of 2023 to assess any changes. In Klaipėda's suburbs, a slight price increase was observed, going from 600–1400 to 600–1500 EUR/sqm.

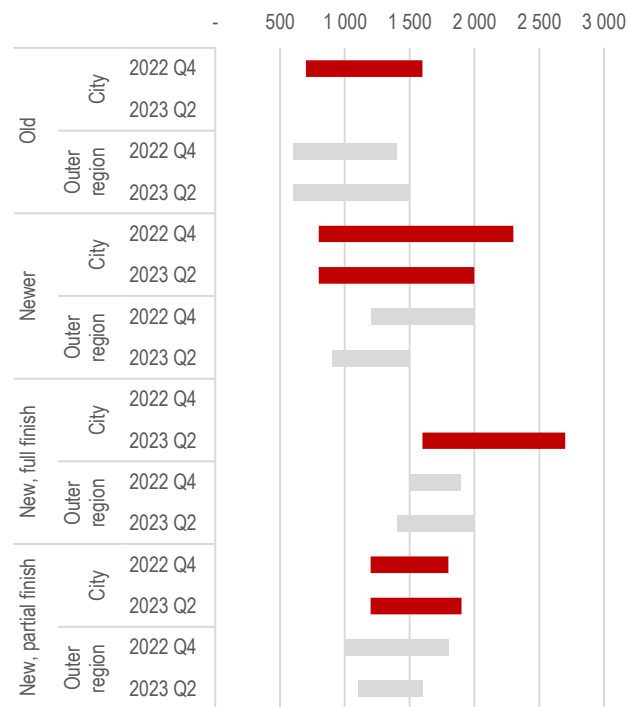
Newer construction saw a decrease in prices. In the city, the price range went from 800–2300 to 800–2000 EUR/sqm, and in the suburbs, it decreased from 1200–2000 to 900–1500 EUR/sqm. This significant price drop can be attributed to the

small market and relatively significant structural supply changes.

New construction with full finish listings in the city weren't sufficient to cover in 2022, but in the first half of 2023, prices ranged from 1600–2800 EUR/sqm. In the suburbs, the price range for this segment widened from 1500–1900 to 1400–2000 EUR/sqm.

The prices for homes with partial finish changed relatively little. In the city, they slightly increased from 1200–1800 to 1200–1900 EUR/sqm, while in the suburbs, they went from 1000–1800 to 1100–1600 EUR/sqm.

Residential houses asking prices in Klaipėda region (Eur/sqm)

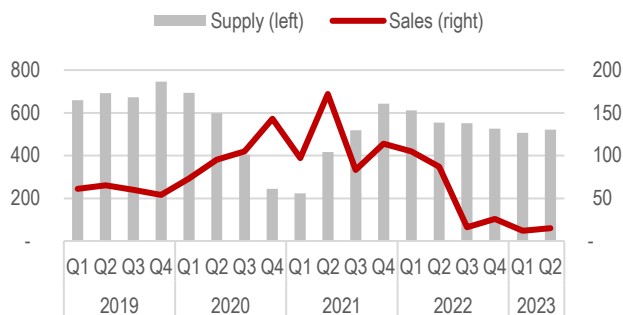


Source: INREAL

SEASIDE RESIDENTIAL MARKET

Market slowdown persists in the seaside as well. In the first half of 2023, the primary real estate market activity in Palanga was the lowest since 2012 when INREAL began tracking the dynamics of this market.

Primary market supply and demand in Palanga (units)



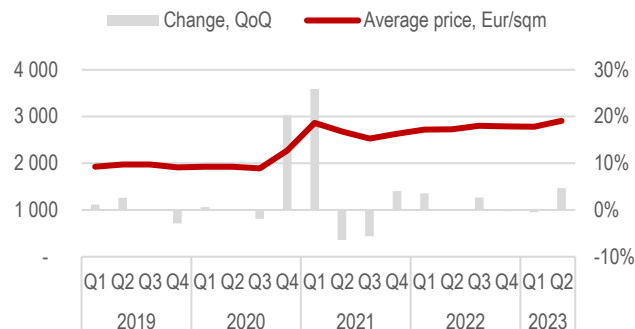
Source: INREAL

Developers marked 27 housing units as sold on project websites, which is a third less than half a year ago (42) and a staggering 86 percent less than in the same period last year (192). The main reasons for this decline include increased prices, more complex housing financing, and economic uncertainty. Another notable factor is the demand satisfaction element. Typically, housing at the seaside is bought for vacations or investment. During the period of increased activity in 2021, many who could afford to buy a second home did so as well as those looking to profit from increased value. The supply quantity changed slightly over six months, going from 526 to 522 housing units, and the distribution between available (from 300 to 304) and reserved (from 226 to 218) remained very similar.

Price changes in the Palanga primary market in the first half of 2023 were not significant. The average price increased by about 4 percent over six months, going from 2791 to 2907 EUR/sqm.

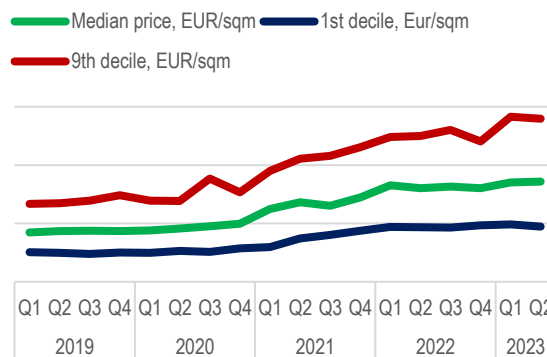
In the furnished housing segment (apartments and condos), the median supply prices increased from 3208 to 3434 EUR/sqm. during the same period, with the usual price range being 1892-5594 EUR/sqm.

Average supply prices in newly developed projects in Palanga (EUR/sqm)



Source: INREAL

The average housing prices in Palanga on real estate listings websites (EUR/sqm)

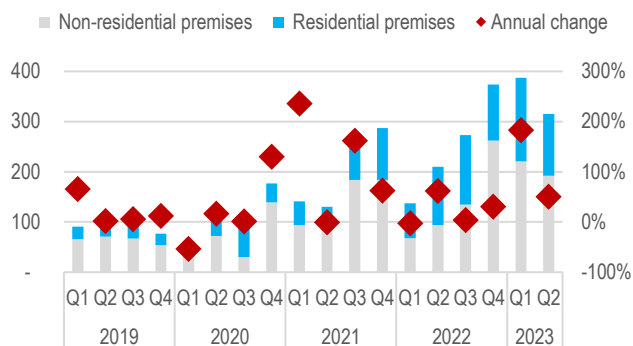


Source: INREAL

The market slowdown in 2023 is also reflected in transactions involving new construction premises (both residential and non-residential). Over the six months, there were 702 such property sales registered, which is 9 percent more than half a year ago

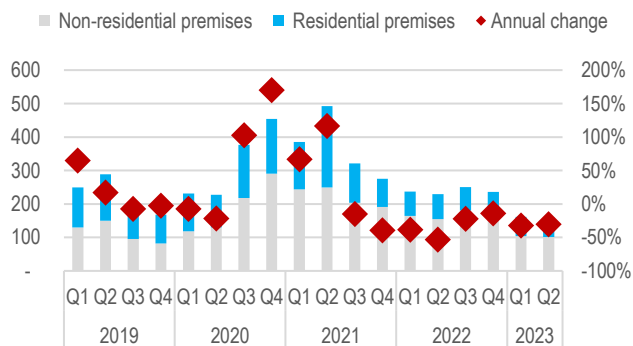
(647). However, a larger portion of these transactions took place in the first quarter (387), and a smaller portion occurred in the second quarter (315). The relatively small change in transactions over the past six months was influenced by preliminary contracts signed during the construction period. However, as these construction projects are gradually completed, there will likely be no further recovery in notarial transaction dynamics soon.

Registered transactions of newly built premises in Palanga (units)



Source: SE Registrų centras

Registered transactions of old premises in Palanga (units)



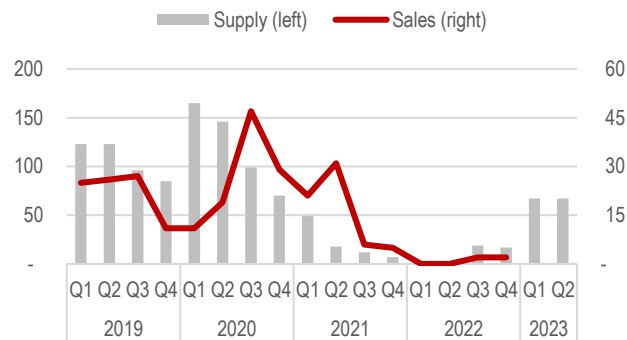
Source: SE Registrų centras

The situation in the housing market is more vividly reflected in

transactions involving old construction properties. Over the past six months, 321 properties were sold, which is a 34 percent decrease compared to half a year ago (486) and a 31 percent decrease compared to the same period last year (466). When looking at a broader time frame, a consistent market slowdown has been observed since the middle of 2021.

At first glance, it may appear that the primary housing market in Neringa has come to a complete halt – there were no preliminary sales recorded over the past six months, and there is only one real estate project in public listings, consisting of 67 properties (one-fifth of which are reserved). However, this statistic does not reflect reality accurately because most real estate projects in Neringa do not have informative websites. Over the next year or so, new projects are expected to enter the market. Therefore, it is likely that with increased supply in concentrated areas and improved expectations from residents, Neringa will once again see increased market activity.

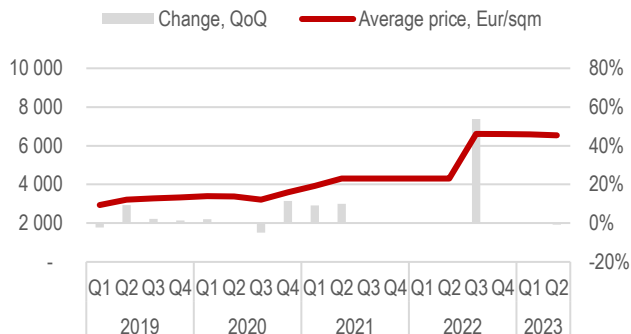
Primary market supply and demand in Neringa (units)



Source: INREAL

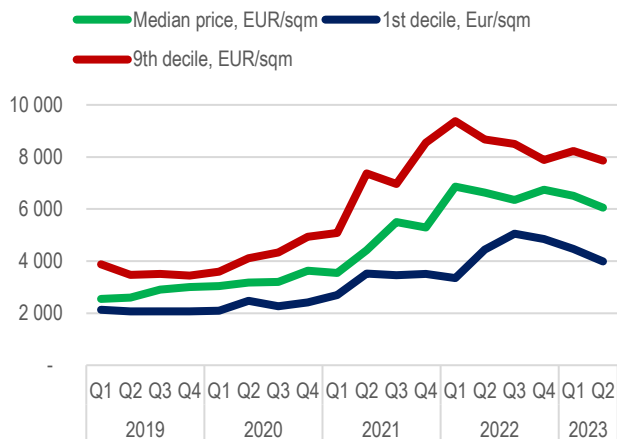
The limited supply in Neringa has resulted in the price level being predominantly determined by one project, where prices were around 6500 EUR per square meter, and these prices remained relatively stable over the past six months.

Average supply prices in newly developed projects in Neringa (EUR/sqm)



Source: INREAL

The average housing prices in Neringa on real estate listings websites (EUR/sqm)

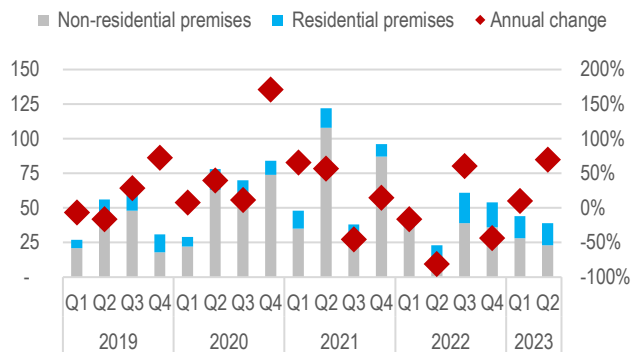


Source: INREAL

When analyzing not only developers' websites but also classified websites, a broader picture of housing supply in Neringa becomes apparent. Here, you can observe both developers who do not advertise on their websites and homeowners selling their properties in the secondary market after a significant increase in prices over the past few years.

Over the past six months, the median supply prices have significantly decreased from 6739 to 6053 EUR per square meter. One of the main reasons for this is the emergence of more affordable offerings in the market. The typical price range has widened from 4849 – 7880 EUR per square meter to 3990 – 7856 EUR per square meter.

Registered transactions of premises in Neringa (units)



Source: SE Registrų centras

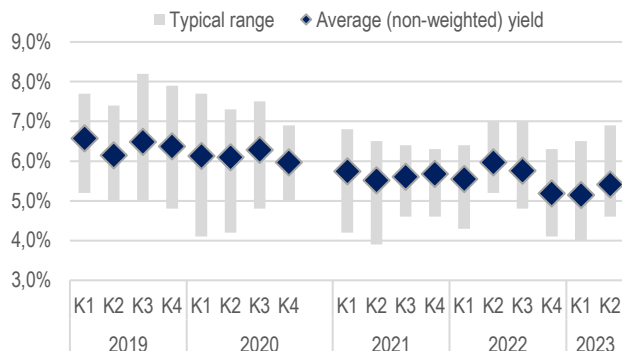
Due to legal restrictions, there are essentially no "new construction" homes in Neringa, so the sale dynamics are shaped by both new and old construction projects. Over the past six months, 83 transactions were recorded, which is 28% less than in the previous six months (115) and about 32% more than the same period last year (63).

RENTAL HOUSING MARKET

VILNIUS

In the fourth quarter of 2022, the annual average gross rental income yield was 5.2%, but it dropped to 5.1% at the beginning of 2023 and then increased to 5.4% over the next six months.

Residential gross rental income yield in Vilnius



Source: INREAL

The peak in apartment rental prices in Vilnius was observed in the second and third quarters of 2022. In the first half of 2023, these rental prices decreased by about 10%, although the changes were different in various segments. The median rental price for 1-bedroom apartments remained unchanged at 400 Euros, but the prices were not stable. In the fourth quarter of 2022, rental prices for apartments in this segment ranged from 330 to 490 Euros per month. At the beginning of 2023, they decreased to 320 to 450 Euros per month, and in the second quarter, there was an increase in prices to 350 to 490 Euros per month.

The trend is more pronounced in the 2-bedroom apartment segment. In the fourth quarter of 2022, the median rental price for 2-bedroom apartments was 600 Euros per month, at the beginning of 2023, it was 580 Euros per month, and in the

second quarter, it increased to 620 Euros per month. The third-quarter value remained unchanged over six months (700 Euros), while the first-quartile value increased from 500 to 530 Euros per month.

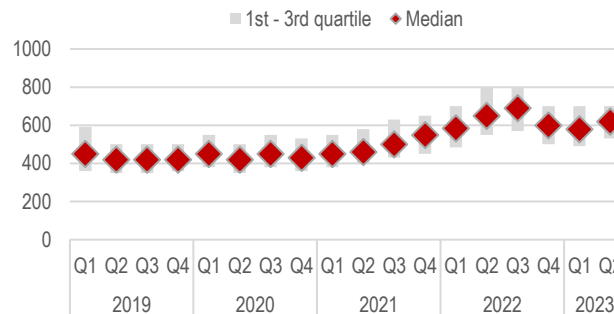
1 room apartment rental prices in Vilnius (Eur/month)



Source: INREAL

The trend is more pronounced in the 2-bedroom apartment segment. In the fourth quarter of 2022, the median rental price for 2-bedroom apartments was 600 Euros per month, at the beginning of 2023, it was 580 Euros per month, and in the second quarter, it increased to 620 Euros per month. The third-quarter value remained unchanged over six months (700 Euros), while the first-quartile value increased from 500 to 530 Euros per month.

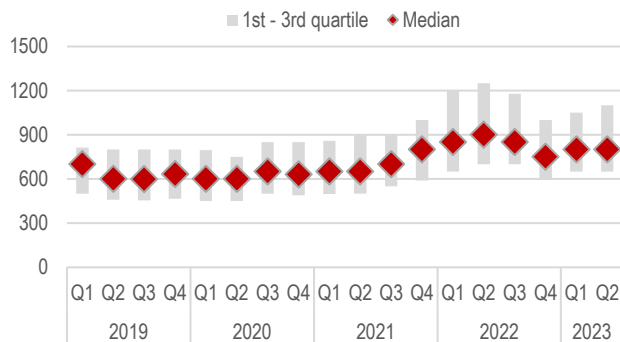
2 room apartment rental prices in Vilnius (Eur/month)



Source: INREAL

For 3-bedroom apartments, rental prices steadily increased. In the fourth quarter of 2022, the median price was 750 Euros per month, at the end of the first half of 2023, it was 800 Euros per month. Over six months, the first-quartile value increased from 600 to 650 Euros per month, and the third-quartile value increased by 50 Euros each quarter, from 1000 to 1100 Euros per month.

3 room apartment rental prices in Vilnius (Eur/month)

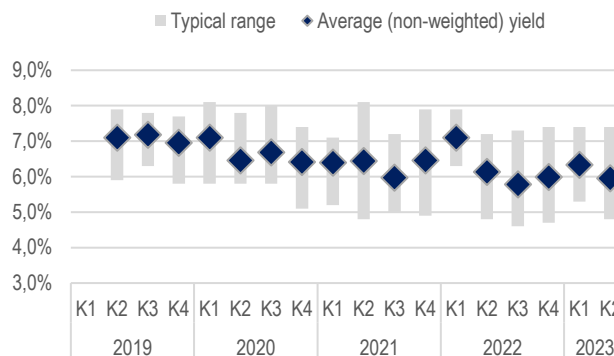


Source: INREAL

KAUNAS

The rental market in Kaunas is significantly smaller than in the capital city, which means that profitability indicators are somewhat less reliable (especially in the 1-bedroom apartment segment). The average apartment rental yield in the first quarter of 2023 increased to 6.3 percent, but in the second quarter, it returned to the level of the fourth quarter of 2022, which was 6 percent.

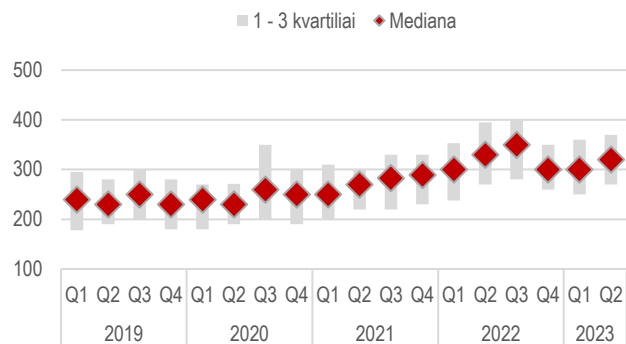
Residential gross rental income yield in Kaunas



Source: INREAL

In Kaunas, similar to Vilnius, the peak of apartment rental prices was observed in the second and third quarters of 2022. However, in the first half of 2023, prices decreased by 5-10 percent. This milder decrease can be attributed to the fact that the previous growth was also less pronounced. During the first half of 2023, rental prices for 1-bedroom apartments in Kaunas saw the following changes: the median rental price increased from 300 to 320 EUR/month, the 1st quartile price increased from 260 to 270 EUR/month, although there was a decrease to 250 EUR/month in the first quarter, the 3rd quartile price increased by 10 EUR each quarter, going from 350 to 370 EUR/month.

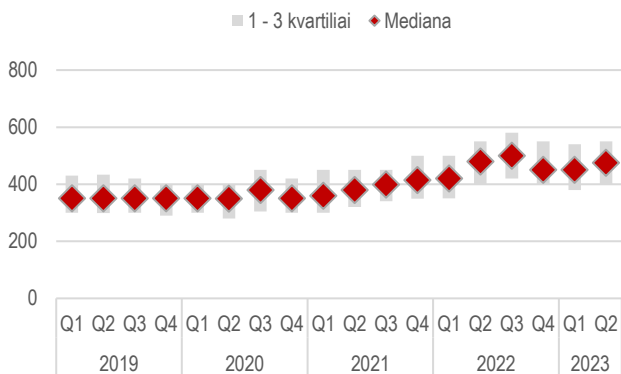
1 room apartment rental prices in Kaunas (Eur/month)



Source: INREAL

The 2-bedroom apartment rental segment in Kaunas during the first half of 2023 exhibited similar trends; the median rental price remained stable at 450 EUR/month in the first quarter and increased to 475 EUR/month by mid-year. The 1st quartile price decreased from 398 EUR/month in the first quarter to 380 EUR/month but later returned to 400 EUR/month, the 3rd quartile price experienced fluctuations from 550 to 540 EUR/month but eventually returned to the levels observed in the fourth quarter of 2022.

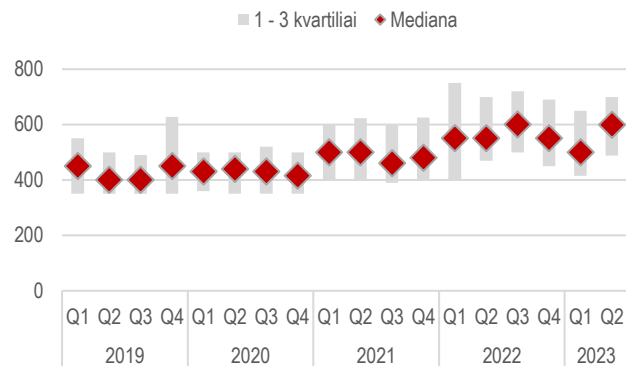
2 room apartment rental prices in Kaunas (Eur/month)



Source: INREAL

The rental prices for 3-bedroom apartments showed the highest dynamics. The median price decreased from 550 EUR/month in the fourth quarter of 2022 to 500 EUR/month in the first quarter of 2023. In the second quarter, it rapidly increased to 599 EUR/month. Similarly, the first quartile value decreased from 450 to 415 EUR/month and later increased to 488 EUR/month. The third quartile value changed from 690 to 650 EUR/month, and later to 700 EUR/month.

3 room apartment rental prices in Kaunas (Eur/month)

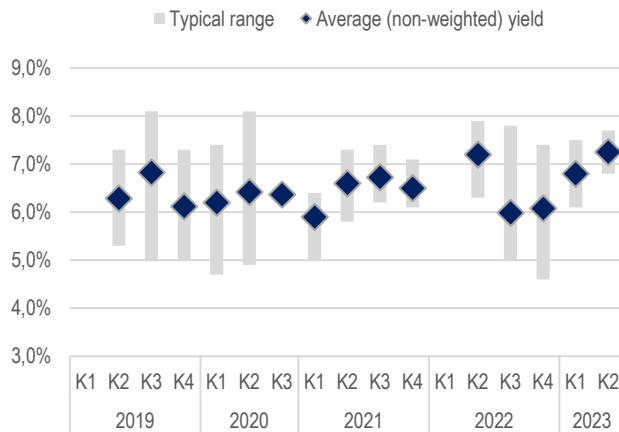


Source: INREAL

KLAIPĖDA

In Klaipėda, there were more noticeable changes in rental profitability and prices compared to Vilnius or Kaunas. This can be attributed to the smaller market size and the smaller dataset available. In the first quarter of 2023, the annual rental yield for apartments in Klaipėda increased from 6.1% to 6.8%, and in the second quarter, it even rose to 7.3%. These figures reflect the more dynamic nature of the rental market in Klaipėda during the first half of 2023.

Residential gross rental income yield in Klaipėda



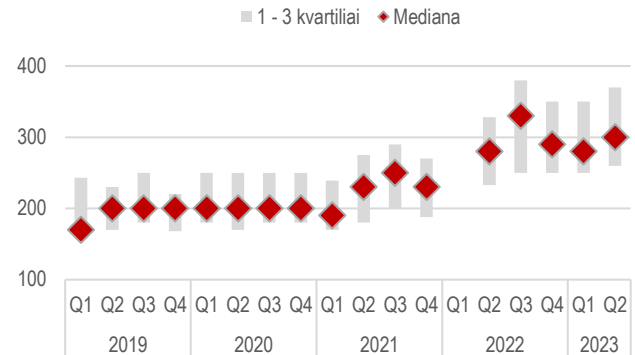
Source: INREAL

In the first quarter of 2023, the median rental price for 1-bedroom apartments in Klaipėda decreased from 290 to 280 Eur/month, but in the second quarter, it increased to 300 Eur/month. During the first quarter, the 1st quartile value remained unchanged, but in the second quarter, it increased from 250 to 260 Eur/month. The 3rd quartile also increased in the second quarter, from 350 to 370 Eur/month.

In Klaipėda, the dynamics of 2-bedroom apartment rental prices are primarily reflected in the median values. In the first

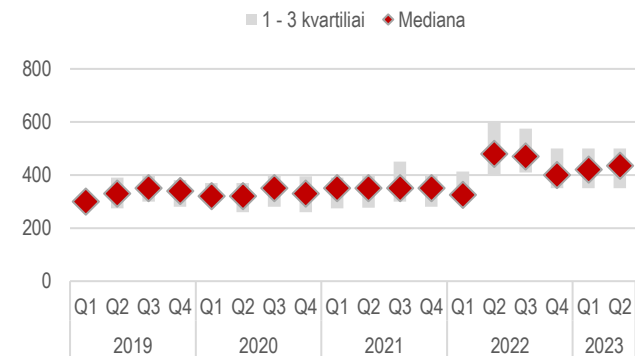
quarter, the median rental price increased from 400 to 420 Eur/month, and in the second quarter, it further increased to 435 Eur/month. The 1st quartile value remained unchanged at 350 Eur/month over the six months, while the 3rd quartile stayed around 500 Eur/month.

1 room apartment rental prices in Klaipėda (Eur/month)



Source: INREAL

2 room apartment rental prices in Klaipėda (Eur/month)

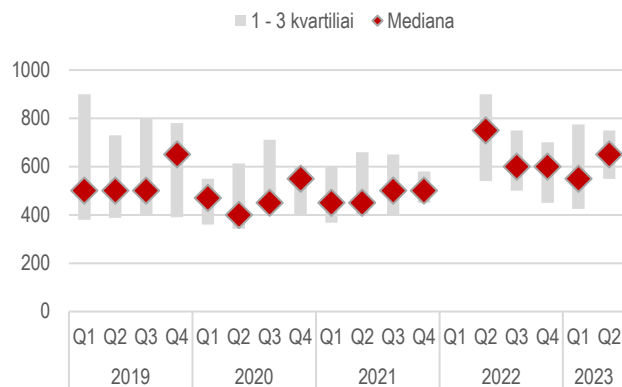


Source: INREAL

For 3-bedroom apartments in Klaipėda, the rental price dynamics resemble those in Kaunas. In the first quarter, the median price decreased from 600 to 550 Eur/month and then jumped to 650 Eur/month. The 1st quartile value decreased

from 450 to 425 Eur/month in the first quarter and later increased to 550 Eur/month. The 3rd quartile was a bit different, first it increased from 700 to 775 Eur/month in the first quarter and decreased to 750 Eur/month.

3 room apartment rental prices in Klaipeda (Eur/month)



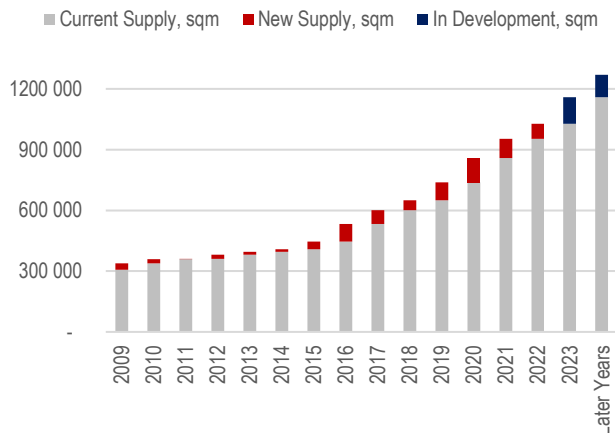
Source: INREAL

BUSINESS CENTERS IN VILNIUS

Cyber City and Kintų 11 business centers opened in the first half of 2023. By the end of the year, the construction of 8 more business centers (Artery, BH Meraki II, O2 Offices, Flow, K22, J. Basanavičiaus 10, S28, Sky Office, Sporto 16, Teltonika HQ) is expected to be completed. The total area offered to the market in 2023 is expected to reach over 130,000 sqm of leasable area.

A further 110,000 sqm is expected to be added over the next few years (this does not include projects at an early or very early stage of design).

Development of modern business centers in Vilnius (sq m)



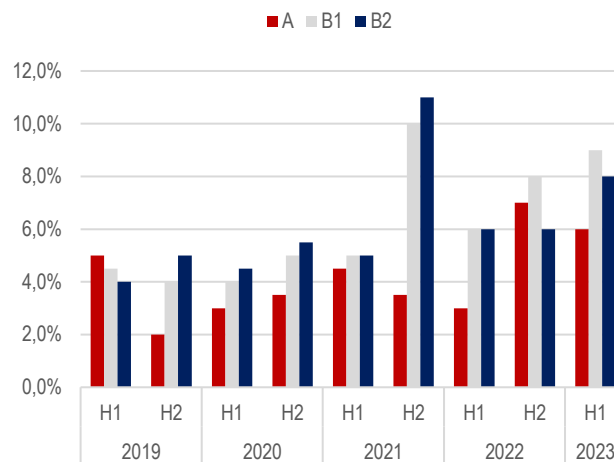
Source: INREAL

In mid-2023, the vacancy rates for A-class business centers reached approximately 6 percent, while for B1 and B2 class centers, the vacancy rates were around 9 percent and 8 percent, respectively.

During the first half of 2023, there were no significant price changes. Rental prices for A-class business centers ranged from 16 to 20 Euros per square meter, while B1 class centers

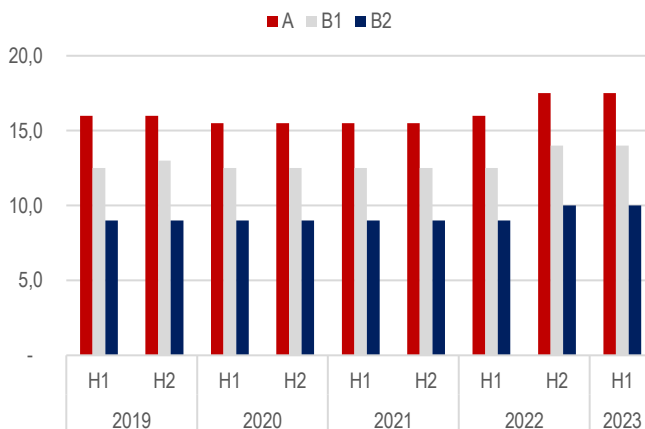
were priced between 13 and 15 Euros per square meter, and B2 class centers were approximately 10 Euros per square meter. The impact of high inflation was observed both in late 2022 and early 2023.

Vacancy of business centers by class in Vilnius



Source: INREAL

Rental prices of business centers in Vilnius

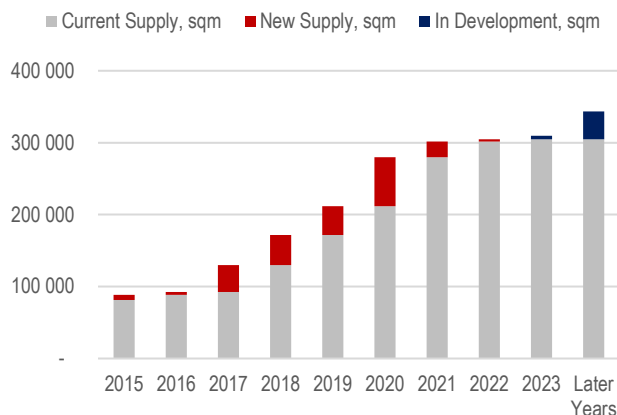


Source: INREAL

BUSINESS CENTERS IN KAUNAS

Over the past few years, there hasn't been significant expansion in office spaces in the city of Kaunas. In 2023, only one business center with an area of 5,000 square meters, intended for client's personal use, is planned for development. A larger quantity of office space, nearly 40,000 square meters, is expected to be offered to the market only in 2024 or later.

Development of modern business centers in Kaunas (sq m)



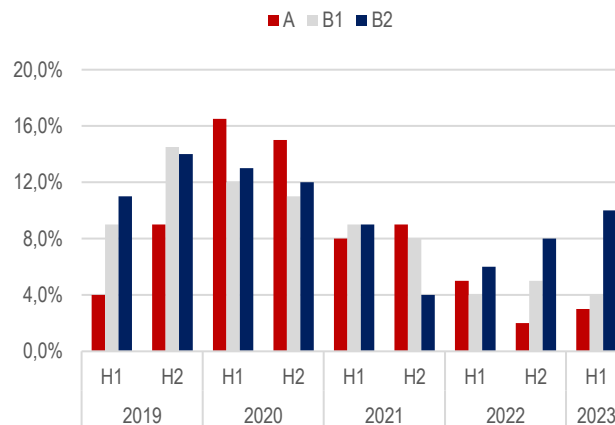
Source: INREAL

According to INREAL data, vacancy rates in Kaunas business centers were not significant in the middle of 2023. In A-class business centers, there was a vacancy rate of about 3%, while B1-class centers had approximately 4% of unoccupied space. Higher vacancy rates of about 10% were only observed in B2-class offices, which were vacated by tenants relocating to more modern premises. It is likely that most of this space will be leased out by the end of the year due to a shortage of supply, but the opening of new business centers in the future will exert the most pressure on this segment of offices.

Significant rental price changes were not observed in the first half of 2023. Like the capital city, the main correction in rental

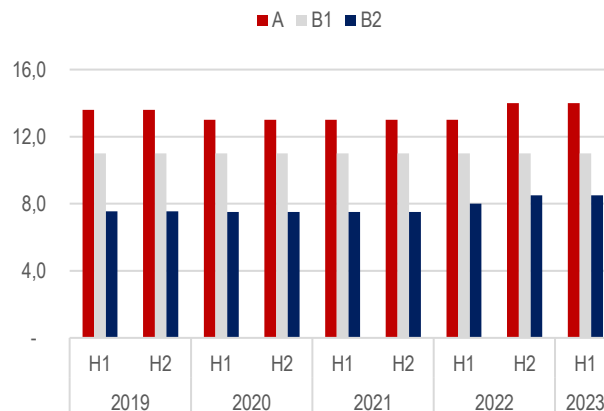
prices occurred at the end of 2022, as the annual inflation picture became evident. Rental prices in A-class business centers ranged from 12 to 15 EUR/sqm, B1-class centers from 9 to 12 EUR/sqm, and B2-class centers were around 8 to 9 EUR/sqm.

Vacancy of business centers by class in Kaunas



Source: INREAL

Rental prices of business centers in Kaunas

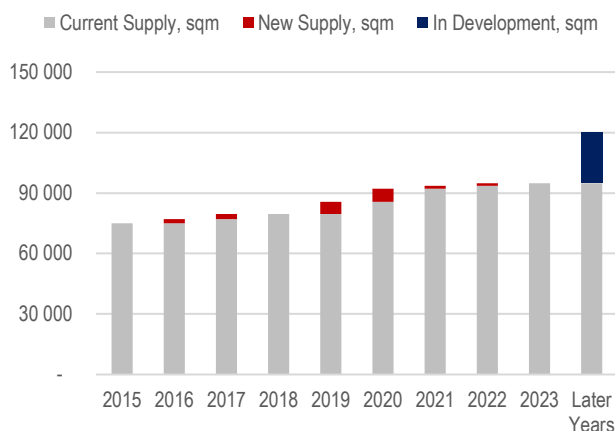


Source: INREAL

BUSINESS CENTERS IN KLAIPĖDA

In 2023, a revival in the Klaipėda real estate market is expected, not only in the residential but also in the commercial property segments. Over the next few years, there are plans to develop approximately 25,000 square meters of new office space, with a significant portion located in the "Mėmelis" Business Center and the "Tech Zity Klaipėda" buildings.

Development of modern business centers in Klaipėda (sq m)

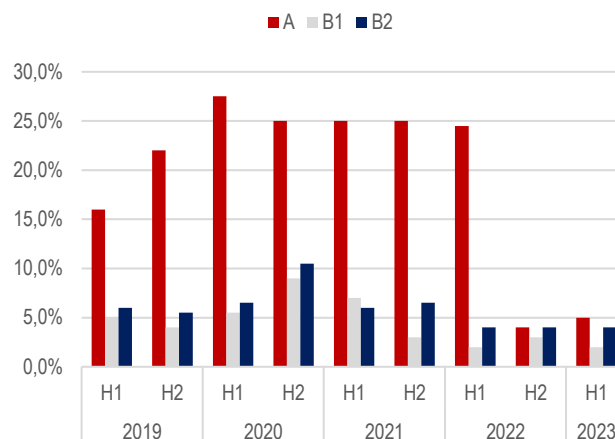


Source: INREAL

The extremely limited expansion of business centers in the Klaipėda region has been maintaining very low vacancy rates for the past six months. In mid-2023, vacancy rates were approximately 5% in A-class business centers, about 2% in B1-class centers, and around 4% in B2-class centers.

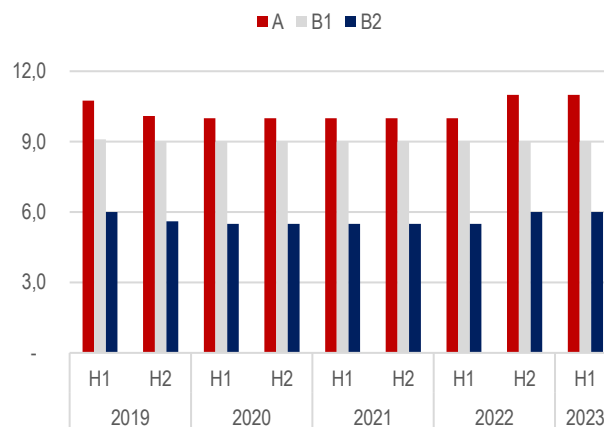
Over the past six months, significant rental price changes have not been recorded. In mid-year, A-class spaces could be leased for €10–12 per square meter, B1-class for €7–11 per square meter, and B2-class for €5–7 per square meter. Due to the low supply of available spaces and relatively low prices, there is room for them to increase. However, it is still too early to determine whether this potential will be sufficient to ensure profitability for new projects.

Vacancy of business centers by class in Klaipėda



Source: INREAL

Rental prices of business centers in Klaipėda



Source: INREAL

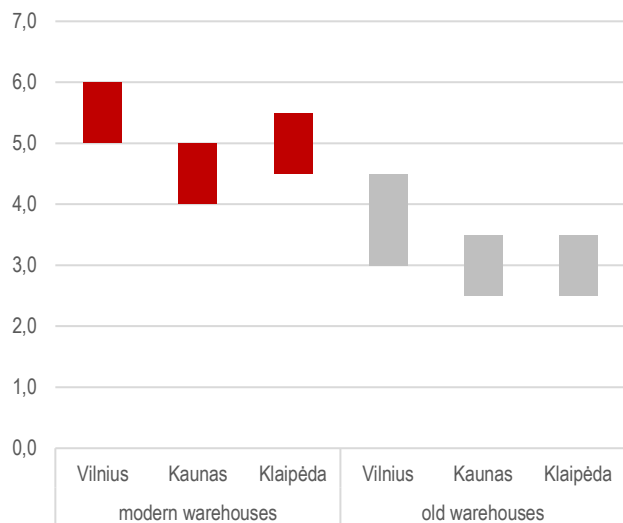
LOGISTICS CENTRES AND WAREHOUSES

The first half of 2023 was without major changes in the warehouse sector. Slow development of new projects means that logistics vacancy rates remain extremely low. In mid-2023, vacancies in the Vilnius region was less than 1%, in Kaunas - around 2%, in Klaipėda - around 3%. As the economy slows down, vacancy rates are likely to rise. In this case, new development would be even more based on rental pre-agreements.

Inflation increases in development costs and low supply have all contributed to the modest price increases. In the Vilnius region, rental prices for new and newer warehouse space increased to EUR 5.0-6.0/sqm, in Kaunas - to EUR 4.0-5.0/sqm, in Klaipėda - to EUR 4.5-5.5/sqm.

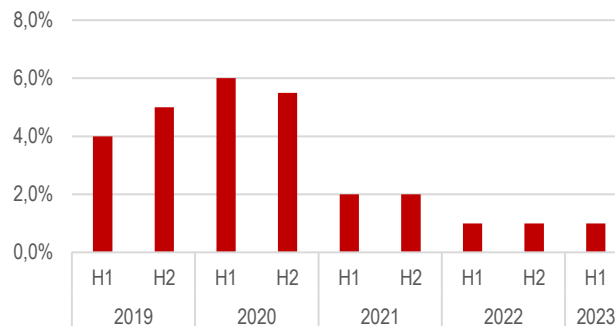
Older premises in the Vilnius region can be rented for 3-4,5 Eur/sqm, in Kaunas and Klaipėda - for 2,5-3,5 Eur/sqm.

Rental prices for warehouse space (EUR/sqm)



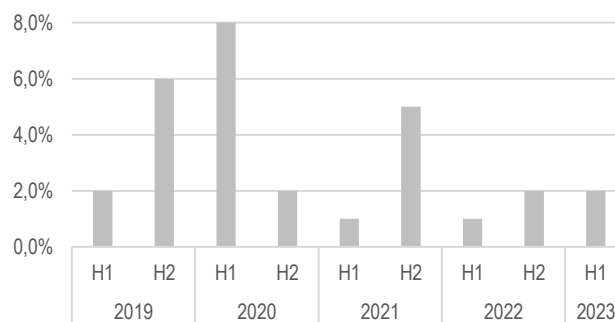
Source: INREAL

Vacancy rate for modern warehouses in Vilnius (%)



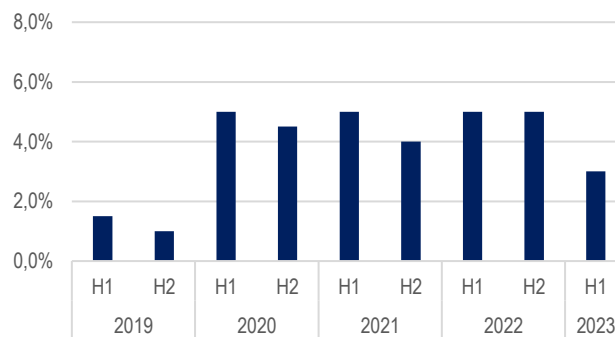
Source: INREAL

Vacancy rate for modern warehouses in Kaunas (%)



Source: INREAL

Vacancy rate for modern warehouses in Klaipėda (%)



Source: INREAL



Artūras Kojala, COBALT Partner in the Real Estate and Infrastructure Department

Artūras Kojala is a Partner in the Real Estate and Infrastructure Department. Mr Kojala brings over 14 years of experience in the areas of real estate, logistics, business development and waste management matters. Prior to joining COBALT, he practiced at one of the leading law firms in the Baltics, advising major local and international companies. Mr Kojala has also spent a number of years working for MAXIMA LT, Lithuanian retail market leader. Mr Kojala holds a Master's degree in Law from Mykolas Romeris University and Master's degree in Management from European University Business School.

Gabija Darčkutė, Assistant lawyer

Gabija Darčkutė is an assistant lawyer in the Real Estate and Infrastructure practice group. Gabija is studying at Vilnius University, Faculty of Law.

Dainius Timukas, Assistant lawyer

Dainius Timukas is an assistant lawyer in the Real Estate and Infrastructure practice group. Dainius is studying at Vilnius University, Faculty of Law.

REAL ESTATE LAW REVIEW

In lawmaking, theory and practice always go hand in hand. As we watch legislation and draft legislation being passed, we always ask ourselves how it will be implemented and how it will affect business. As usual, the past six months have not been dull in this respect. How the Mayor will cope with a not-so-small package of new administrative responsibilities is of great interest. Will there be enough time for political activity when every day will be filled with the evaluation of project proposals and other procedures? The design process, which is so important in real estate development, is gaining an additional threshold on its way. Where there is a suspicion that the essential architectural requirements of a structure may have been infringed, the municipality may ask the Regional Architecture Council to assess and provide a conclusion as to whether the design of the building complies with these requirements. A closer look at this amendment reveals a worrying lack of clear criteria under which a municipality can take such measures. If we look deeper into what these essential architectural requirements are and ask ourselves what is meant by "suspecting" (determining that there may be

an infringement), we can see that there is room for interpretations. No one disputes the right (and duty) of municipal authorities to ensure quality and sustainable development by coordinating projects. But at the same time, it is essential to establish transparent, objective rules. The disappearance of the National Land Service from the circle of state-owned land entities is an equally important change. Municipalities, which are responsible for overseeing real estate development processes (planning, design, etc.), will undoubtedly be well placed to take effective and rapid decisions on the management, use and disposal of state-owned land. Will they take advantage of these opportunities? Will the management of state-owned land become more efficient? As usual - the not-so-distant practice will answer everything.

CHANGES IN THE REGULATORY FRAMEWORK

TERRITORIAL PLANNING

As repeatedly reported, municipal mayors have taken over many of the functions of municipal administration. Territorial planning is no exception. Amendments to the [Law on Territorial Planning \(XIV-1275\)](#), were adopted on 30 June 2022, entered into force on 1 April 2023. According to the amendments, a significant part of burden of directors of municipal administration falls upon municipal mayors. Among the functions that will henceforth be carried out by municipal mayors are the following:

- **to change the manner of land use of a specific land plot or part thereof;**
- **to specify the parameters of the regulation on the use of a territory of a land plot earmarked for construction, which may also be delegated by the mayor to a municipal administrative officer;**
- where, in accordance with laws and other legal acts, the planned construction and activities require a change in the **main purpose of land use** and/or a change in, or the establishment of, the **manner of use of the land plot**, if it is not established, an authorisation for such **change or establishment;**
- **to approve land-formation and land-redevelopment projects;**
- **to take a decision on the commencement of the preparation of the comprehensive plan** and on the planning objectives;
- **to submit the comprehensive plan** of the municipality or of part of the municipality to the municipal council **for approval;**
- **to approve or refuse to approve detailed plans;**

As part of the implementation of the above-mentioned amendments to the Law on Territorial Planning, a regulatory

enactment - the [Rules for the Preparation of Documents of Complex Territorial Planning](#) - was also amended. In addition to the detailed amendments discussed above, this norm further elaborates on the following new functions of mayors:

- the function previously exercised by the organiser of planning to **amend the detailed plan**;
- the function formerly exercised by the director of the municipal administration to **decide on the preparation of a new detailed plan (replacing an old one)** for a planned area or for a larger area which includes a previously planned area;
- the authority previously vested in the director of municipal administration to **adjust** such matters as: construction zone, construction boundary and construction line of construction works, the boundaries of territories necessary for the social and engineering infrastructure and/or communications corridors; the specific layout of buildings and public spaces without altering the type of development and without reducing the area of these spaces; the layout of parking places, the part of a territory to be planted; the modes of provision of engineering and utility networks and principles of arrangement of the transport infrastructure in a planned territory and the need for servitudes necessary for the functioning thereof.

It has been repeatedly mentioned that the extensive redistribution of administrative functions from the municipal administration to an essentially political figure - the mayor - raises questions about how this will affect planning and design processes. Of course, the above-mentioned legal provisions allow mayors of municipalities to delegate these newly acquired functions to municipal administrative staff. Thus, only practice will tell how, if at all, the real estate development process will change.

CONSTRUCTION LAW

The Law on Construction has not escaped the amendments that came into force in the first half of 2023. The most noteworthy is the [amending Law No XIV-1754 of 22 December 2022](#), which entered into force on 1 May 2023 or will enter into force on 1 November 2023 and 1 January 2024, respectively. Among other amendments, we consider the following to be relevant:

- **Changes in the concept of self-dependent construction** (Lith. *statyba ūkio būdu*) to state that it is a type of organising the construction chosen **only by a natural person** and only in accordance with this Law. Thus, a legal entity will not be able to choose the way of self-dependent construction. In addition, it is stipulated that not all natural persons may choose the self-dependent or mixed type of organising the construction, but only those who carry out simple repairs to structures, construct, reconstruct, repair or demolish a single one-apartment residential house of up to 300 m² or a non-complex structure and their appurtenances on a single plot of land.
- **A new change in the process of review of the structural design.** If the municipal administration determines that "*the essential requirements in respect of architecture of a structure may be infringed*", the mayor or a civil servant authorised by the mayor may request **the Regional Architecture Council to evaluate and issue an opinion** as to whether the design of the structure complies with these requirements. The term "*may be infringed*" implies that the decision to refer the matter to the Regional Architecture Council may not be taken in the event of the existence of the infringements in question, but rather in the event of a suspicion of the infringement. The law thus creates a degree of uncertainty, allowing subjective judgement as to whether or not an infringement exists. In

our view, such decisions should be made on the basis of the most detailed/transparent criteria possible.

- **Approval of the construction completion declaration or the certificate of construction of a structure without deviations from the essential solutions of the design documentation of the structure.** The law gives the right of approval to the contractor of an expert examination of the design documentation. Designers, contractors of the expert examination of a structure (part thereof) or contractors of an expert examination of the design documentation (part thereof) are additionally liable for the approval of a construction completion declaration or a certificate of construction of a structure without deviations from the essential solutions of the design documentation of a structure, which do not comply with the requirements laid down in the legislation. On the other hand, the extension of the circle of entities that can approve the declaration will undoubtedly have a positive impact on the construction completion process.
- **Significant changes in the mechanism for calculating the fee for legalising unauthorised construction.** From now on it includes fixed elements, the amounts of which depend on the complexity of the unauthorised structure and the complexity of the construction (i.e. whether it is a simple or a major repair, a reconstruction or a new construction, and consequently the higher the complexity, the higher the elements and the higher the fee).
- **The legislator provides that if the volume of a building is increased by more than 100% in the case of reconstruction, it is subject to the requirements for the design and construction of a new structure laid down in the legislation and in the territorial planning documents.** It is an open secret that, in practice, many de facto new structures have been built using the somewhat simpler reconstruction route. With the entry into force of this

amendment (effective from 1 November 2023), this is no longer an option.

- The amendments to the Law on Construction (discussed in our previous reviews and comments), which prevent transactions for the sale of premises in multi-apartment buildings or residential premises in buildings for other purposes from being concluded unless the construction of these buildings is completed, have caused considerable controversy. The amendments to the law will enter into force on 1 January 2024. The regulatory enactments accompanying this amendment (STR 1.04.04:2017 "Building Design. Expert Examination of a Design") provide that, if the builder so wishes, the technical design of the building may be prepared with unaccomplished finishing of the building's premises, and sets out the minimum requirements for such finishing, which must be provided in the technical design. However, it is not entirely clear whether such finishing (which is essentially partial) will allow the building to be declared complete. When asked about this issue, the State Territorial Planning and Building Inspectorate commented that the technical design of a multi-apartment building can be prepared with unaccomplished finishing, and once the minimum requirements have been met, the construction completion procedure can be initiated. However, it does not answer whether such minimum finishing works will also allow the registration of 100% completion of the premises (apartments) of a multi-apartment building. Therefore, as usual, this question will be answered by practice.

Another [relevant Law Amending the Law on Construction \(No XIV-2041\)](#) was adopted on 8 June 2023 and entered into force on 23 June 2023. We would like to draw attention to and highlight the following amendments:

- **Bureaucratic burden for developers of roofless engineering structures is significantly reduced.**

According to the conclusion of the main committee for the draft law on this amendment, until the new wording came into force, developers had to go through a lengthy process of obtaining a building permit again, even when constructing a structure with smaller (more than 1 metre) external dimensions (e.g. when the scope of the designed engineering structure is changed for a variety of reasons in the course of the building design or the building construction) than those specified in the original document permitting the construction. Thanks to these amendments, **changing the dimensions of a roofless engineering structure by any amount** will not lead to the obligation to re-obtain a building permit - in many cases reducing the time and cost involved.

- From now on, the State Energy Regulatory Council will only inspect projects for new construction or reconstruction of power plants with a capacity of more than 100kW (previously 30kW). Thus, here too, the administrative burden on developers has been reduced.

There have been quite a number of changes to building technical regulations, largely as a result of the amendments to the Law on Construction referred to above. However, we would like to single out the amendments to **STR 1.02.01:2017 "Description of the procedure for certification and recognition of the right of construction participants"**, by which:

- Bureaucratic burden has been reduced by introducing that a review of qualification certificates and documents pertaining to the recognition of the right issued to construction contractors will be conducted once per five years, rather than annually. However, the certifying organisation retains the possibility of checking the documents, if necessary, after this period has elapsed.

- **Modification of the requirements for managers of key areas of technical activities in the construction of a structure of exceptional significance and a structure of non-exceptional significance.** They widen the range of people who can hold these positions and reduce the bureaucratic burden. From now on, for natural persons wishing to take up the position of managers of the main construction-related areas of technical activities of the construction of extraordinary and non-extraordinary structures, **the required professional experience will include work experience in state and municipal institutions** in the field of construction or state supervision of construction. In principle, this means that civil servants who have worked in state institutions (e.g. the State Territorial Planning and Construction Inspectorate under the Ministry Environment) and have performed the aforementioned functions will be able to more easily take up such positions. We see this change as positive because of the extensive experience of these persons.

Amendments to the Law on Territorial Planning and State Supervision of Construction, which entered into force on 1 May 2023, bring the following changes:

- If the State Territorial Planning and Construction Inspectorate under the Ministry of Environment (the **Inspectorate**) finds that a document permitting construction has been granted illegally, the law gives the right to either eliminate the detected infringements (without recourse to court) within 3 months, or to enter into a conciliation agreement with the Inspectorate. The wording in force prior to this amendment did not give the Inspectorate the option and instructed it to refer directly to court. This amendment allows, on the one hand, for the possibility to remedy the infringement within the

aforementioned 3-month period and, on the other hand, for the possibility of concluding a conciliation agreement. Thus, this gives the Inspectorate a wider range of actions, while at the same time reducing the burden on the courts and leaving the real estate developers themselves with the opportunity to make amends. It is to be hoped that the Inspectorate will actively use this opportunity in practice.

- Another rather important change also relates to the validity of a document permitting construction and the possibility of challenging it. Where an inspection report has established that a document permitting construction has been issued illegally, **construction operations that continue without rectifying the irregularities are carried out at the risk of the builder**. Thus, even if the possible illegality of the document permitting construction is established, the operations can continue. This rule is most likely to be useful when the builder either takes active steps to rectify the infringements (as mentioned above) or reaches an agreement with the Inspectorate and concludes a conciliation agreement.

LAW ON LAND

On 29 June 2023, the Seimas approved **amendments** to the Law on Land and to 16 accompanying laws proposed by the Ministry of the Environment, which will implement the objectives of the second phase of the land tenure and use reform. Many of the amendments to the Law on Land will enter into force as early as 1 January 2024. The most important amendments to the law are set out below.

- The list of cases when **the lessee of state-owned land will not be required to pay remuneration to the state or municipality for the possibility to build structures on the leased state-owned land plot** has been extended. In the first case, these are structures with a specific public purpose (objects of railway infrastructure, international airports, roads, energy facilities, municipal infrastructure, structures intended for EU institutions, diplomatic and consular missions, and projects of national importance). In the second case, persons implementing renewable energy projects are also exempt from the tax. However, the second case is also subject to certain limitations: the legal entity carrying out the renewable energy activities must be majority-owned by the municipality (51% majority). The third case is also exceptional: the obligation to pay remuneration for the possibility to build on public land does not remain in the case of the construction or reconstruction of buildings intended for the use of the residents of multi-apartment buildings built and in use before 30 June 2023. Such changes are expected to alleviate the burden on the residents of multi-apartment buildings, as they will no longer have to pay the pre-existing tax on a pro rata basis.
- The amendment to the law extends the number of cases when state-owned land plots are sold without an auction. The legislator provides for the possibility to acquire state-owned land in cases where a plot of state-owned land is a

joint partial ownership of the State and a private person and where it is not possible to divide the State's share and form an independent plot of land. In practice, it is often the case that the State owns a very small part of the land plot, and this status quo severely limits the possibilities for development on it.

- The National Land Service ceases to be an entity holding state-owned land in trust. This is perhaps the biggest change in the state-owned land management in recent times. Will the transfer of the right to manage state-owned land to other entities, primarily municipalities, make the process of leasing, selling, and building on state-owned land smoother and more efficient? **This is a rhetorical question that will again be answered in practice.** Municipalities with competence over the real estate development process (from an administrative point of view) will be in a better position to take a more in-depth look at relevant issues related to the management, use and development of state-owned land and, hopefully, to take decisions more quickly and efficiently. Will these opportunities be pursued?

CASE LAW

Liability of the parties to a construction contract. Ruling of the Supreme Court of Lithuania in civil case No e3K-3-170-403/2023

In a case before the Supreme Court of Lithuania concerning the construction of mobile phone base stations, in the course of which two anchor rods (Lith. *inkarinės templės*) of the Curonian Lagoon embankment were cut down, the Panel of Judges held that *the designer was not obliged to take measures on its own initiative to investigate the elements of a building other than the one being designed* (which had a role in causing the damage). The Supreme Court of Lithuania also ruled on the claimant's failure to properly notify the technical supervisor of the commencement of construction: *the fact that the latter provided the Inspectorate with data on the commencement of construction does not in itself confirm that those data were also provided to the respondent (the supervisor)*. As regards the contractor's rights and obligations, the Court noted that *the contractor's enhanced liability in a contractual relationship does not mean that any damage arising out of that relationship is to be regarded as damage arising out of the contractor's conduct* and, consequently, does not exclude the contractor's obligation to compensate the other party for the damage or to be liable for its own damage, where that damage is due to the contractor's actions or omissions. This interpretation of the Court's judgment is a welcome example of the equal treatment of all parties to a contractual relationship, without elevating either the client or the contractor. Particularly welcome is the Court's "democratic" stance on the contractor, who is often barricaded by the courts behind the bars of strict liability and the professional bar - all participants in the construction relationship must observe the etiquette of cooperation, behave in good faith, and none of them should be burdened with an exaggerated or unreasonable responsibility.

Distinction between construction agreement and service agreement. Ruling of the Supreme Court of Lithuania in civil case No [e3k-3-144-684/2023](#)

In a case where excavation work caused damage and resulted in the collapse of part of the applicant's garage, the question arose as to whether the excavation work should be classified as a construction agreement or a service agreement. The Court recalled that, in distinguishing between a construction agreement and a service agreements, it is important to determine whether the parties have agreed on the performance of work which will create or produce an object that is separable from the act itself and that is of independent value and capable of being transferred to the customer independently (construction agreement), or whether there was an agreement on certain activities the results of which are inseparable from the act itself (service agreement). The Court also emphasised that *the mere fact that excavation works are classified as construction operations under the Law on Construction does not automatically qualify the legal relationship as a construction contract*. This ruling once again reinforced the Court's firm position on the distinction between service and construction agreements. In addition, the example of an excavation works being recognised as a service agreement encourages us to point out that, in many cases, the name of the contract may not be decisive - it is important to look at the content of the contract, the rights and obligations of the parties, and the scope of the obligations, in order to ensure that one or other of the contracts can be interpreted in the same way, not only by the contracting parties, but by the courts as well.

Distinguishing an option contract from a preliminary contract. Ruling of the Supreme Court of Lithuania in civil case No [e3K-3-189-781/2023](#)

In this case, the Court distinguished the following features of an option contract as distinct from a preliminary contract: (i) the

object of the option contract is not a specific asset (commodity) but only the right to acquire it in the future; (ii) an option contract has an independent object - a derivative security (option); (iii) a preliminary contract establishes mutual rights and obligations of the parties, whereas an option contract does not impose obligations on both parties: the option buyer who concludes the option contract acquires the option to enter into the contract in the future or to refrain from doing so; the obligation to enter into the contract in the future binds only the option seller; (iv) the option contract creates a contractual rather than a pre-contractual relationship; therefore, *the buyer of an option, unlike in the case of a preliminary agreement, has the right to require the conclusion of a sale and purchase agreement, i.e. to require performance of the option contract in kind. In the case of a preliminary contract, damages may be claimed from the defaulting party after the expiry of the time limit set for the conclusion of the main contract*; (v) an option contract is a contract of risk and therefore has an element of consideration, whereas a preliminary contract does not. This ruling, like the previous one, shows us that it is the content of the contract, not its name, which is important for the legal characterisation of the contract. It was in this case that the Supreme Court of Lithuania held that the parties had concluded a preliminary contract and not an option contract, even though the contract was called an option contract.

Contractual relationships for consumer contracts. Ruling of the Supreme Court of Lithuania in civil case No [3K-3-164-378/2023](#)

The Panel of Judges noted in this case that *the court should ensure that separate independent remedies are not available at the same time which cannot be applied simultaneously*, e.g. a claim by the client for a reduction in the price of the works and, at the same time, a claim for the performance of the works gratuitously or for the costs of rectification of defects. As regards these two remedies, the Court stated that *the client's*

claim for a price reduction applies where the client accepts the result of the work, but the inadequate quality of the contractor's work results in an impairment of the possibility (conditions) to use the work for its intended purpose, so that the contractor's performance of the work is not worth the price that the client was obliged to pay under the construction contract for the quality of work. The other remedy, claiming compensation for the cost of rectifying the defects, is to determine the cost of rectifying the defects, which is to be awarded to the client whose rights have been infringed by the defective work. This ruling is important in the context of consumer contracts: it shows that although the consumer has more rights under the law than a normal party to a contract, he does not have unlimited power to protect his rights - the court's rulings are a bit of a "curb" on consumers. Again, this is a welcome interpretation, since, of course, all parties to a contract must be equal in one way or another, despite the fact that some are sometimes more equal than others.



Vilius Visockas, head and developer of CityNow.

At the beginning of his career, starting in 2006, he worked as a real estate market analyst in Lithuania. Later, he developed IT products for global technology companies such as Facebook and Spotify. Drawing from his experience, he has been working on the CityNow platform since 2018, which serves as both a map for new projects and a real estate analytics tool. He regularly reviews new projects and market developments in the media and is also a board member of the Proptech Lithuania association.

Based on the structure of the largest new projects, it's evident that in the first half of this year, there has been a relatively more significant expansion and scale in the commercial real estate sector, particularly in the stock office segment. This can be attributed to the long-term growth trend in e-commerce and the ongoing demand for it, along with more conservative development plans in the residential real estate sector. It's worth noting that in the residential segment in the capital city, most of the projects under development are already of A++ class. This indicates that many projects that previously received building permits with lower energy class requirements have already been developed. Therefore, this aspect will become less relevant to buyers in the future when choosing an apartment. The supply of new housing has increased

significantly in the Pilaitė microdistrict, with the start of three new projects or their stages. This can be interpreted as developers aiming to provide more affordable housing in response to rising interest rates.

THE 13 LARGEST MULTI-FAMILY RESIDENTIAL BUILDING PROJECTS (OR THEIR PHASES) INITIATED IN VILNIUS, KAUNAS, KLAIPĖDA IN THE FIRST HALF OF 2023

In this section, the most significant residential projects or their stages with construction commencing in the first half of 2023 (usually, the issuance of construction permits coincides with the start of construction), and the start of sales has been announced have been selected. The projects are ranked by scale (the number of apartments offered to the market).

VILNIUS

- **Vyšnios (2nd stage)**

The "Vyšnių" Quarter in Pilaitė is the largest residential project started in Vilnius in the first half of 2023. In the second phase "Omberg" offer 180 apartments and commercial spaces in four 4-story buildings with an A++ energy efficiency rating.

This project stands out for the size of its recreational area, covering a massive 3 hectares of land, which consists of playgrounds, walking paths, and relaxation zones, all adorned with cherry trees.



Vyšnios (2nd stage) @ Omberg

In the ground floors of residential buildings, there will be commercial spaces that will house businesses offering essential daily services to the residents.

The developer is also improving the infrastructure around the project by paving the streets, installing illuminated sidewalks, and creating bike paths to ensure convenient transportation options for the new residents.

▪ Šnipiškių solo

"Hanner" has commenced the development of its largest project in Šnipiškės – the "Šnipiškių solo." This complex will consist of four sub-blocks with 5-6 floors each, offering a total of 106 apartments.

The project stands out due to its convenient location, apartments with large windows, a spacious parking lot, and bicycle storage.



Šnipiškių solo @ Hanner

The complex's territory will also feature a 106 sqm children's playground, a sports court, and a relaxation area for seniors.

The project is being developed adjacent to the center of the upcoming Vilnius CBD.

▪ Bajorų lajos (3rd stage)

"Omberg" has started developing the final, third phase of the "Bajorų lajos" project. In two 7-story A++ energy class apartment buildings, a total of 91 apartments are being offered to the market.



Bajorų lajos (3rd stage) @ Omberg

There is a wide selection of 1-4 room apartments with large windows and spacious balconies or terraces on the ground floor.

The project stands out for its peaceful location next to the Vanaginė geomorphological reservation, a closed quarter area with a canopy trail and children's playgrounds.

Nearby, there is the "Bajorėlis" kindergarten, and the development of the New Bajorai Progymnasium is planned.

▪ **Kaip Niujorke by CITUS**

"Citrus" has begun developing the first stage of the "Kaip Niujorke by Citus" project. In the conversion of Kareivių g. 2E, a 9-story A+ energy class apartment building with 81 apartments will be built. In total, across two stages, 174 apartments and 11 commercial premises will be offered to the market.

The project stands out for its wide selection of 1-3 room apartments, convenient access to the city center and malls. It features a spacious courtyard reminiscent of Central Park in New York, preserving the structure of the previous industrial building. The building walls will be adorned with graffiti art, and from the upper floors and rooftop terraces, there will be views of the city skyline.



Kaip Niujorke by CITUS @ Citus

The total number of parking spaces in the underground lot will reach 131, with 61 in the first stage. All parking spaces will support vehicle charging, and 20% of them will have charging stations.

▪ **Kerų kerai (2nd stage – Gyvasis vanduo)**

In the Burbiškiai forest of Vilnius at Bartų Street 11, the INREAL group continues the development of the "Kerų kerai" residential complex. The construction and sales of the second stage, called "Gyvasis vanduo" (Living Water), has begun. In three low-rise buildings, 62 two to four-bedroom apartments are offered to the market.



Kerų kerai (2nd stage – Gyvasis vanduo) @ INREAL grupė

The project is designed with an A+ energy class. It includes underfloor gas heating, a facade covered with clinker tile, and a strong emphasis on security, interior design of common areas, and comfortable and rational apartment layouts.

On the 3.1-hectare site, there will be parking lots, spaces for bicycles and electric vehicles, children's playgrounds, and community gathering areas. Simultaneously, the neighborhood's infrastructure project is being developed, which includes road construction, water supply, sewage, and all necessary utilities.

- **Martyno namai (3rd stage – Building A)**

"Eriadas" has begun the development of the third stage of the "Martyno namai" quarter in Pilaitė. An 8-story multi-apartment building with 52 apartments is being constructed. The apartments in this A++ energy class building will be offered to the market with full and partial finishes, including partition walls and recuperators, underfloor heating, and electrical wiring according to the project. The apartments will have large windows, balconies, and some of them will have terraces.

There will be a children's playground, parking spaces, and the quarter's territory will be landscaped and fenced.



Martyno namai (3rd stage – Building A) @ Eriadas

- **Kernavės aveniu (3rd stage)**

"Infra" has started construction in Šnipiškės, where they are offering 44 apartments in the third stage of the "Kernavės aveniu" project. An 8-story multi-apartment building will have an A++ energy class. The project offers well-planned 1-4 room apartments with balconies or terraces.

Inner courtyards will feature training and relaxation areas as well as children's playground. The remaining space will be

landscaped with rare plants. Kernavės Aveniu projects will have a total of 5 inner courtyards, which will be accessible to all residents of the quarter without restrictions.



Kernavės aveniu (3rd stage) @ Infra

The project stands out due to its convenient location in the center of the New Town, next to Šnipiškės recreational areas (Japanese Garden and Dragon's Meadow) and the nearby Vilnius CBD.

- **Home 4City**



Home 4City @ 4City

The developer "4City" has started the development of the "Home 4City" multi-apartment building in the Pilaitė microdistrict. In this 5-story A++ energy class building, 43 apartments and 5 commercial spaces will be available to the market. The apartments come with underfloor heating and spacious balconies, glazed on the eastern side.

There will be an enclosed, landscaped, and illuminated 840 sqm inner courtyard with recreational areas for children. The project will be located in a fully developed part of Pilaitė, next to educational, leisure, and shopping facilities.

▪ Paupys (Stage X)

"Darnu Group" continues the development of the Paupys district, starting the construction and sales of the VIII and X project stages. In the larger of the two, the X stage, located at Aukštaičių g. 31, they are offering 40 apartments ranging from 1 to 5 rooms and 33 to 114 sqm. Commercial spaces of approximately 220 sqm are planned, and it's expected that up to 4 small businesses will be settled there.



Paupys (Stage X) @ Darnu Group

For the building finishes, they will be using clinker tiles, and the roofs will feature clay tiles as well. Extensive landscaping is planned, along with spacious, well-designed courtyards and

play areas tailored to residents' needs, as well as underground parking lots. The windows will offer views of the Vilnelė river panorama.

KAUNAS

▪ Juozapavičiaus 13

"Avadi" has started the construction of the last two apartment buildings in the conversion project "Juozapavičiaus 13" in the Šančiai district. In total, there are 84 apartments planned in these two buildings, ranging in size from 25 to 98 square meters. Additionally, there will be 300 square meters of commercial space on the ground floor of each building.



Juozapavičiaus 13 @ Avadi

These apartment buildings stand out with their 3 to 3.3-meter-high ceilings, 2.3-meter-high apartment doors, spacious balconies, and staircases. Each parking space will have a high-capacity electrical connection for the possibility of installing a charging station. The buildings will also feature luxurious facade elements and finishing details. There will be 84 underground parking spaces with electrical connections, 17 above-ground parking spaces, and 32 storage units planned for the project.

This development is part of the conversion of the former Šančiai barracks, which already houses a school, kindergarten, shopping center, sports club, and business offices.

- **Šilainių naujakuriai**



Šilainių naujakuriai @ Norvegijos kontaktai

"Norvegijos kontaktai" has introduced a modern architectural apartment building in the Šilainiai district, known as "Šilainių naujakuriai." This six-story apartment building is designed with A++ energy efficiency and offers 40 apartments, each featuring a separate balcony or spacious terrace. Additionally, there will be an above-ground parking area located near the building.

The project is developed in a convenient and well-developed micro-district, situated close to kindergartens, schools, a sports club, and healthcare facilities. Nearby, residents will find recreational spaces, walking paths near the VIII fort, Santarvė Park, and the Milikoniai Hill observation deck.

KLAIPĖDA

- **Saulės butai (7th and 8th stages)**

"Force Palace" continues the construction of the "Saulės butai" residential complex, one of the largest residential quarters in Klaipėda. The 7th and 8th stages of construction have commenced, during which two apartment buildings with a total of 120 apartments will be erected.

Each apartment building is planned to be 4 stories high and will have an A++ energy efficiency rating. The apartments themselves range from 1 to 4 rooms (25-83 sqm) and will feature underfloor heating and spacious balconies.



Saulės butai @ Force palace

The 'Saulės butų' quarter stands out for its wide range of housing options, convenient transportation links to the city center, and amenities designed for both active sports and peaceful relaxation near homes.

- **Klaipėdos Holivudas (2nd stage: houses J, I and H)**

"Bilukas" continues development of the "Klaipėdos Holivudas" project, offering 89 apartments in the second phase. These apartments are situated in a 5-story building with an attic and provide A+ energy efficiency class. The apartments range in

size from 35 to 105 square meters, and each building is equipped with an elevator.



Klaipėdos Holivudas (2nd stage: houses J, I and H) @ Bilukas

The project stands out due to its strategic location in the northern part of the city, featuring a large enclosed inner courtyard with children's playgrounds, walking areas, and leisure zones. Nearby, there is well-developed infrastructure and a bicycle path that leads to the sea through the Giruliu forest.

THE 4 LARGEST COMMERCIAL REAL ESTATE PROJECTS INITIATED IN THE FIRST HALF OF 2023

▪ Business Stadium Central



Business Stadium Central @ Hanner

"Hanner" has commenced construction of the "Business Stadium Central" business center on Rinktinės Street in the capital city. This is one of the most ambitious projects created in collaboration with the international teams of "Zaha Hadid Architects" and "Unitectus."

The business center will consist of two buildings, with one being 8 stories high and the other 9 stories high, connected by a bridge on the fifth floor. The total building area will be nearly 24,000 square meters. The business center and its surrounding areas will be landscaped, featuring green spaces totaling no less than 4,320 square meters. On the upper floors of the building, which offer views of Gediminas Castle and the Old Town, a sports club and two swimming pools will be installed, one of which is for children.

Tenants will have the option to choose from various sizes and layouts of office spaces with balconies and terraces. The total office area will exceed 5,000 square meters.

The business center will be of A++ energy class and meet green building standards. It will be equipped with facade louvers, highly efficient heat exchange, and ventilation systems.

▪ **Urban HUB**

"SBA Urban" has begun construction of the largest stock-office complex in the Baltic States, called "Urban HUB," strategically located at the intersection of the Vilnius-Kaunas highway on Veterinarų Street 4.

The complex will occupy over 70,000 square meters of space. In the first phase, four buildings with a total area of 22,000 square meters will be constructed. These buildings will house approximately 50 businesses looking for retail and warehouse spaces. Additionally, there will be spaces designated for cafes, offices, and 500 parking spots.



Urban HUB @ SBA Urban

The spaces in "Urban HUB" will cater to clients seeking typical stock-office types, which include office, warehouse, and commercial spaces. Specialized areas that combine office and warehouse or trade and warehouse functions will also be

available. In the first phase, spaces for cafes and offices will be built as well.

Simultaneously, a major renovation of the A6 highway is taking place, including the addition of an extra traffic lane for convenient access from the Kaunas side.

▪ **Vikingų verslo slėnis**



Vikingų verslo slėnis @ VPH

The "VPH" group of companies has initiated the development of a new stock-office project called "Vikingų verslo slėnis," situated at Vikingų Street 5 in Vilnius. This project will encompass three A++ energy class buildings with a total area of 13,200 square meters. These buildings are designed to accommodate trade, warehousing, and exhibition spaces, each with separate entrances. The surrounding area will have parking spaces for up to 230 vehicles.

The standard size of individual units will range from 290 to 390 square meters. However, depending on the needs of tenants, adjoining modules can be combined to create larger spaces, up to 1,500 square meters, suitable for exhibitions, commerce, or warehousing. Each company located in the business park will have its own separate entrance for customers and gates

for goods delivery. It is expected that up to 36 businesses operating in various sectors will establish their presence in "Vikingų verslo slėnis."

- **Vilniaus verslo parkas (2nd stage - Gariūnų g.)**

"Darnu Group" is commencing the construction of the second phase of the "Vilniaus Verslo parkas" project on Gariūnų Street in the capital. This phase is set to develop a complex of commercial stock office spaces spanning 8,200 square meters.



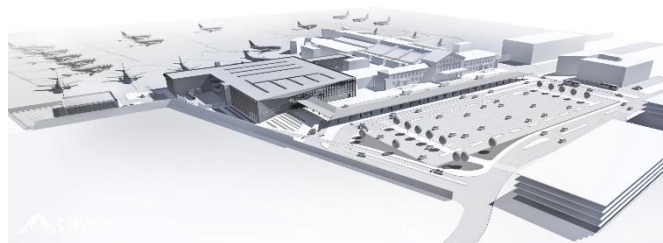
Vilniaus verslo parkas (2nd stage - Gariūnų str..) @ Darnu Group

All the spaces are divided into 28 separate blocks ranging from 190 to 370 square meters each, which can be easily combined or modified to meet the specific needs of companies. It is estimated that approximately 250 people will be able to work here. Property owners will have the opportunity to install solar panels on the roof, and energy-efficient heat pumps will be used for heating and cooling.

The project stands out due to its convenient location, situated near the A1 highway connecting Vilnius, Kaunas, and Klaipėda, as well as the Western Bypass of Vilnius, which is just a few kilometers away.

THE 2 MOST IMPORTANT PUBLIC INFRASTRUCTURE PROJECTS INITIATED IN THE FIRST HALF OF 2023

- **VNO išvykimo terminalas**



VNO departure terminal @ Lietuvos oro uostai

Construction of a new departure terminal has begun next to the existing Vilnius Airport. Ordered by "Lietuvos oro uostai" (Lithuanian Airports), the plan is to build a modern A++ energy class complex with over 14,000 square meters of space and revamp the 34,000 square meters of airport access areas.

The new terminal will be located between the VIP terminal with a conference center and the old passenger terminal, which will increase the total area of Vilnius Airport terminals by a third and passenger capacity by more than two times to 2,400 passengers per hour.

The building will consist of two floors. The first floor will house the passenger check-in area with a self-service zone. Additionally, there will be shared public spaces, cafes, and other commercial zones, as well as airline offices. The aim is for the new terminal building to achieve a "BREEAM Good" certification.

▪ Tauro hill park

The Vilnius City Municipality has initiated the reconstruction of one of the largest parks in the city center, Tauro Hill Park, covering an area of 8.6 hectares.

The plan for Tauro Hill Park includes creating a seamless green connection, providing access from Vingis Park to the Old Town. A new pedestrian viaduct will be built over Tauro Street, a children's playground will be renovated, and new areas for tranquil relaxation and sports, equipped with outdoor exercise equipment, will be established. An outdoor fitness area will be located on the upper terrace. In the central part of Tauro Hill, the winter entertainment area will be preserved, and a multifunctional space for various activities, which can be used for open-air cinema during the warm months, will be created. Three observation decks will also be installed on Tauro Hill.



Tauro hill park @ Vilnius municipality

During the project implementation, an additional 112 trees, 2,000 deciduous shrubs, 11,700 herbaceous and perennial



plants, and 2,700 bulb flowers will be planted. Shrubbery and trees will also be used to landscape the parking areas.

The revitalized and modernized Tauro Hill Park will become an attractive leisure and cultural destination, complementing the future National Concert Hall "Tautos namai."

ABOUT / CONTACTS

INREAL GROUP

INREAL is a brand of an idea, which gives spark to unique projects, basis for professional services, and added value to businesses, clients, and partners. INREAL positions creativity as a core value in the dynamic business world. INREAL Group, which consists of UAB "Inreal", UAB Inreal GEO", UAB "Inreal valdymas" and its managed companies, develops unique real estate (RE) projects and provides probably the widest range of real estate services in 11 cities in Lithuania. The company has engaged in business operations for more than 25 years and implemented more than 70 real estate projects of various purposes, which received recognition and awards at contests not only in Lithuania but on an international scale as well.

Žalgirio str. 94, 09300 Vilnius | +370 5 273 0000 | www.inreal.lt/en  

SEB BANKAS

SEB is the leading Nordic financial services group. We believe that entrepreneurial people and innovative companies are key to building a better world. We are here to help them achieve their ambitions and contribute to their success in good times and bad. In Sweden and the Baltics, SEB provides their clients financial advice and comprehensive financial services. The SEB Group's banks in Denmark, Finland, Norway, and Germany focus on corporate and investment banking services for corporate clients and institutions. SEB has branches in 20 countries worldwide. The SEB Group employs around 15 000 people.

Konstitucijos av. 24, 08105 Vilnius | +370 (5) 268 2800 | www.sebgroup.com

COBALT

COBALT is one of the largest law firms in the Baltics. More than 200 lawyers provide comprehensive services to local, regional and international corporations, funds, credit institutions and companies, as well as private individuals in all areas of business law. The firm has won the title of "BestLaw Firm in the Baltic States" seven times. The most prestigious law firm directories "Chambers Global", "Chambers Europe", "Legal 500", "IFLR 1000" and others annually include COBALT in the list of the best law firms in the region.

Lvivo str. 25, 09320, Vilnius | +370 5 250 0800 | www.cobalt.legal    

CITYNOW

CityNow is a tool for tracking new real estate projects. Upcoming and currently developed projects are displayed in the interactive map together with the most important information about the projects. Currently, a database of over 2,500 residential projects is available for projects in the major cities of Lithuania, Latvia, Estonia and Poland.

Dainavos str. 5, Vilnius | +370 623 38911 | www.citynow.org 