



RE MARKET TRENDS: DEMOGRAPHY WARRANTIES FOR THE CAPITAL HOUSING MARKET – FOR A DECADE

- Vilnius is home to 94 thousand residents of 25-35 years old – more than in Kaunas, Klaipėda, Šiauliai and Panevėžys put together.
- Today the number of 25-35-year-old residents in Lithuania is the highest throughout the entire period of independence. Only 27.5 percent of residents of this age possess their own dwelling.
- In 2013, Vilnius apartment market was dominated by the customers of cheap, economy-class housing (up to 325,000 LTL) – mostly young families. They receive more than a half of all housing loans.

Together with the partner „NordeaBank Lietuva“



DEMOGRAPHIC SITUATION: BRAKE OR ACCELERATOR OF THE HOUSING MARKET?

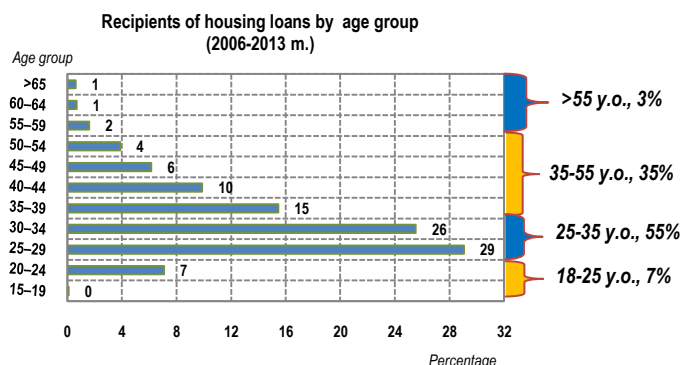
Housing market participants. The most active participants in the housing market are the residents of 25-35 years old. According to the Centre of Registers, only 27.5 percent of this age group possess its own housing (compared with 55-65 year-old age group - 70.4 percent), therefore naturally these residents comprise the majority of potential housing purchasers. In addition, according to the State Social Insurance Fund Board, nearly one in four residents of 25-35 years old earns more than 3000 LTL per month (the average in Lithuania is only 16 percent), thus a considerable part of the population not only wishes but also affords to purchase a dwelling.

Demographic significance. Demography is one of the main factors determining the dynamics of the housing market. The experience of other countries (such as Germany, Japan, Sweden) shows that the changes in the number of active population have a significant impact on the volume of housing construction and the number of housing transactions.

Lithuanian demographic situation. Demographically, there are two types of Lithuania: Vilnius and the rest of Lithuania. In Vilnius, from 2003 to 2013 the 25-35-year-old population increased from 88 to 94 thousand, meanwhile in other four major cities of Lithuania (Kaunas, Klaipėda, Šiauliai and Panevėžys) it decreased from 109 to 82 thousand during the period in question. Thus currently the 25-35-year-old population in Vilnius exceeds the population in Kaunas, Klaipėda, Šiauliai and Panevėžys put together. The trends in the rest of Lithuania are not joyful - within 10 years the 25-35-year-old population decreased by 30 percent.

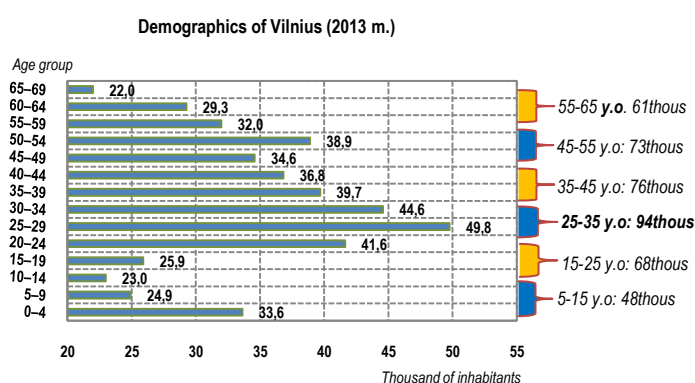
Demographic forecasts. International and internal migration trends, rather than declining birth rate, have the greatest impact on population changes in Lithuania. For example, at the growth of the number of internal migrants and returning expatriates in Vilnius, the amount of 25-35-year-old population has begun to moderately increase since 2012 (only in 2013, it increased by 3.3 thousand). Thus, positive demographic trends are expected to continue to stimulate the activeness of the housing market and construction sector in the capital city (but not necessarily the price). Nevertheless, the demographic trends in the rest of Lithuania in the nearest future will not be favourable to the development of the housing market.

The most active participants in the housing market are the young people



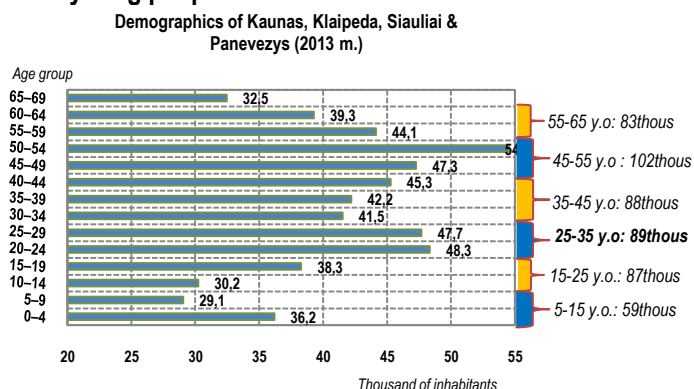
Source: Nordea

Vilnius is inhabited by a considerable number of 25-35-year-old residents



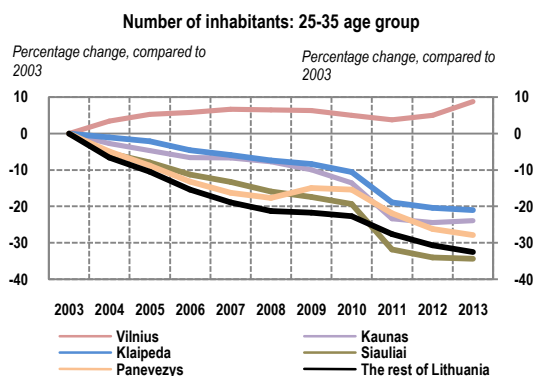
Source: Statistics Lithuania

Fewer young people live in other Lithuanian cities



Source: Department of Statistics

Two types of Lithuania: Vilnius and the rest of Lithuania



Source: Department of Statistics

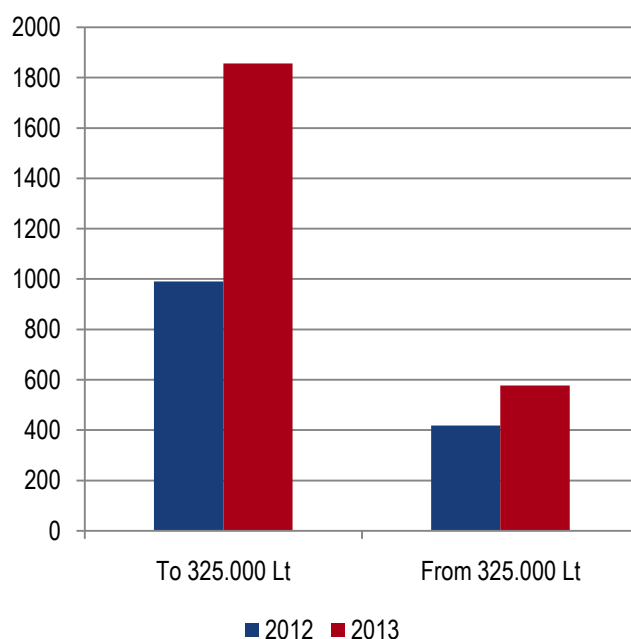
YOUNG FAMILIES – THE GREATEST REAL ESTATE MARKET POTENTIAL FOR THE NEXT DECADE

In 2013, about 2430 apartments were sold in Vilnius market of new construction multi-storey apartment buildings, which comprises by 73 percent more than in 2012. This trend signals a rapidly recovering housing market in the capital city. A more detailed analysis has showed that the greatest impact on the increase of transactions was made by a more active economy-class segment and by a nearly doubled number of purchasers of cheaper housing (up to 325,000 LTL). In 2013, the purchasers of housing exceeding 325,000 LTL increased more moderately, i. e. by 38 percent. The existing market conjuncture speaks about the dominance of the economy-class purchasers in Vilnius housing market. These are mostly young families, whose current number across Lithuania including the capital city is the highest throughout the entire period of independence, thus the potential in the housing market is high. Nevertheless, it should be borne in mind that the latter category of purchasers is the most sensitive to potential external influences, therefore the market prospects should be viewed with cautious optimism.

In 2013, the majority of new construction apartments in Vilnius market of multi-storey buildings were sold for up to 325,000 LTL. The latter comprises about 75 percent of all new construction apartments sold in the capital city. To

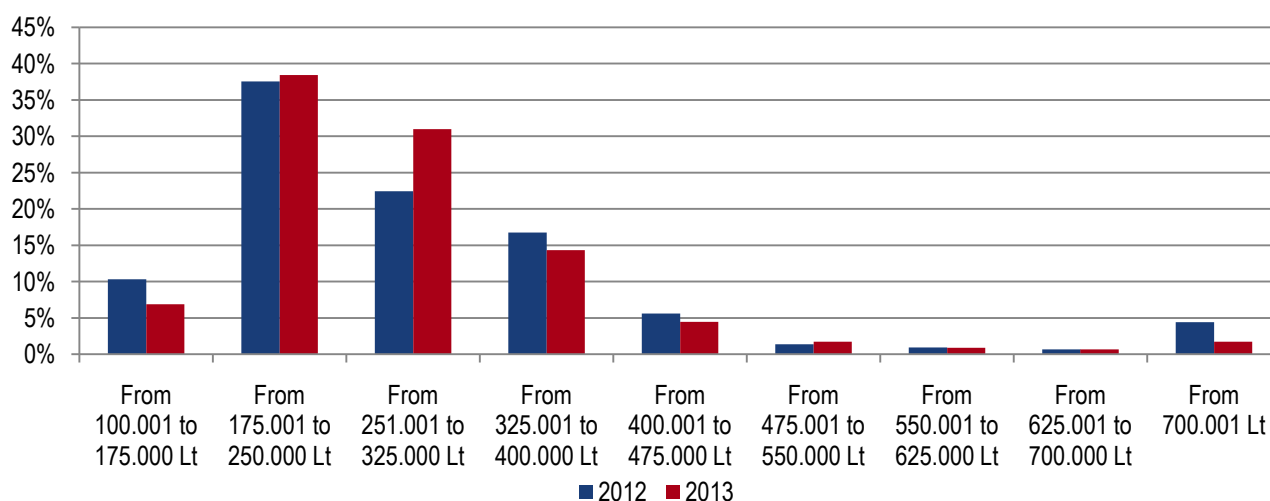
compare, in 2012 the transactions of similar apartments comprised about 70 percent of all transactions of new construction apartments. In 2013 the greatest increase was noticed in the sales of new construction apartments from 250 to 325 thousand LTL. Mostly these were 2-3 rooms economy-class apartments basically purchased by young families, or 1-1,5 room higher-class apartments situated closer to the centre commonly purchased for the investment.

Transactions of new construction apartments in Vilnius by the price, units



Source: Inreal

Transactions of new construction apartments in Vilnius by the price, %



Source: Inreal

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"Nordea Bank Lithuania" belongs to the largest financial services group in Northern Europe. In 2012 "Nordea" was awarded the best bank in Western Europe (The Banker, Financial Times). "Nordea" ranks 20th in the World's 50 Safest Banks ranking. "Standard & Poor's" rating agency has affirmed Nordea's AA- rating.

"Nordea" started its operations in Lithuania in 2000. Currently, "Nordea" ranks number four among Lithuanian banks in terms of assets under management and is one of the fastest growing banks providing all main banking services to private and corporate customers. In the corporate customer segment, "Nordea Bank Lithuania" is known as a financial supporter of large projects providing a wide range of individual services for corporate customers.

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