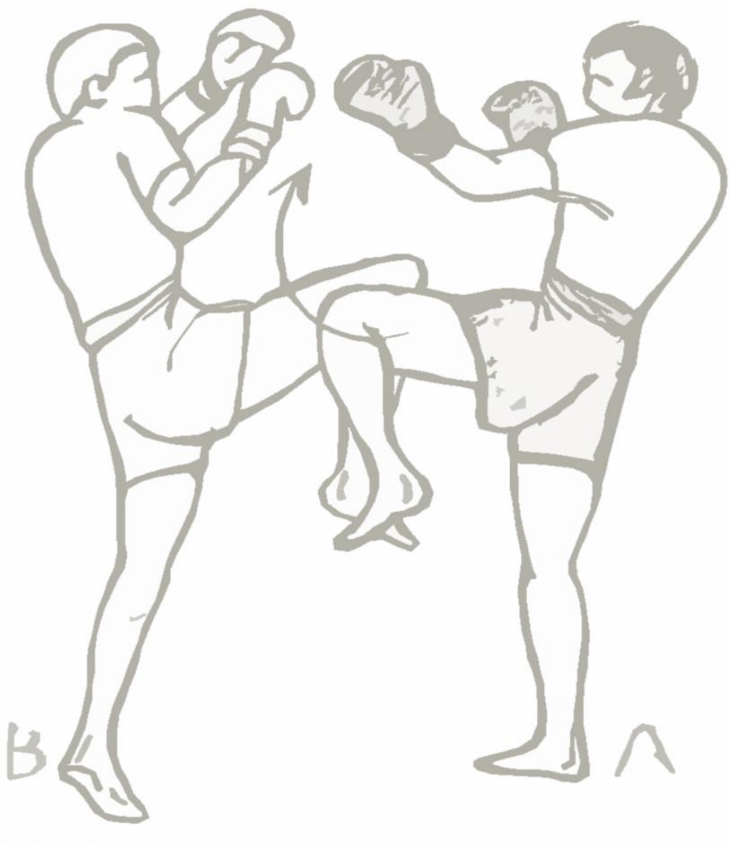
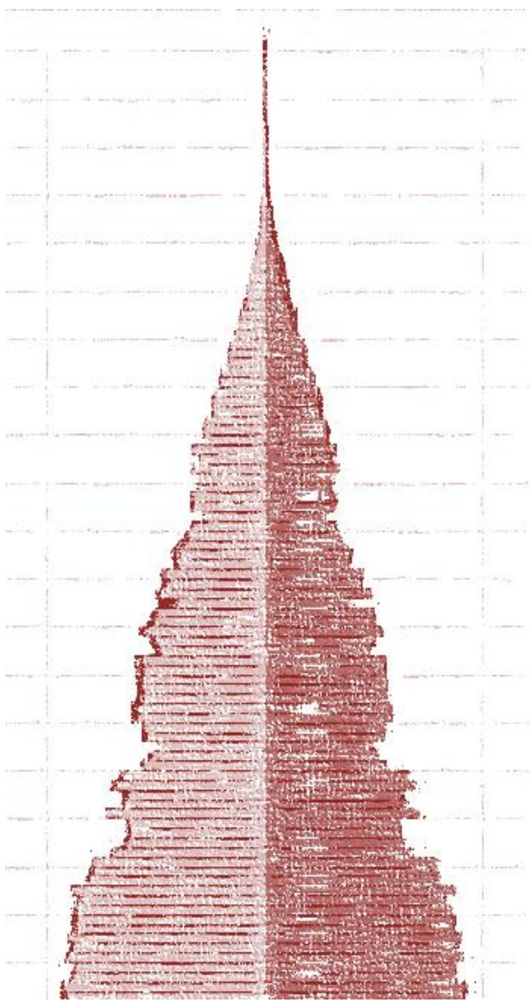
in real

APARTMENTS VS. INDIVIDUAL HOUSES

RE MARKET TRENDS
November 2014





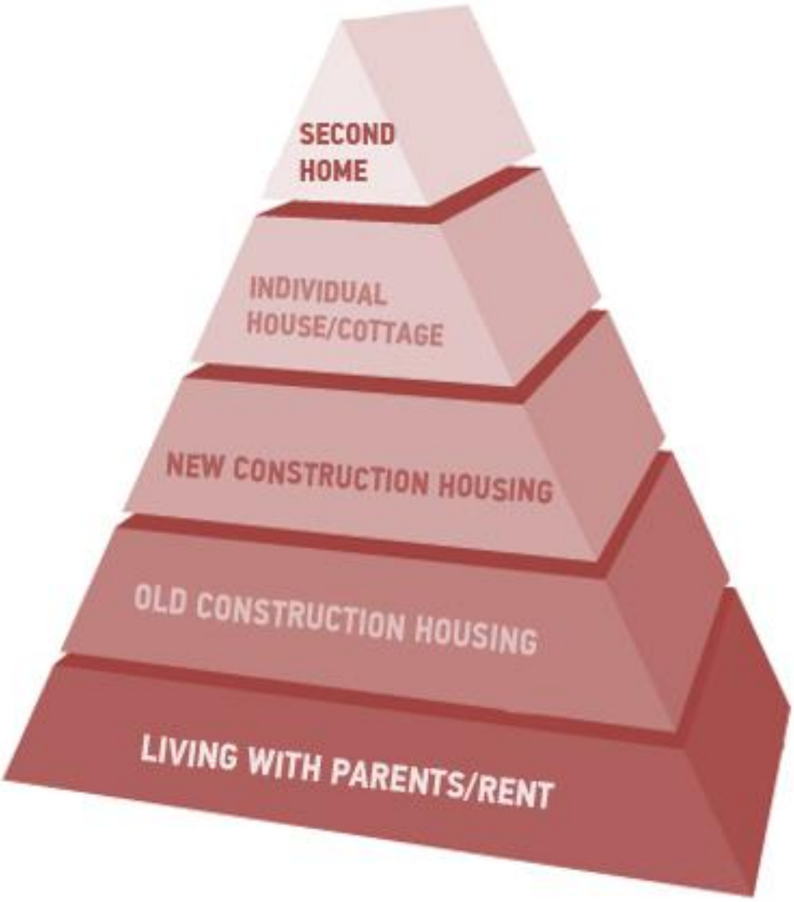
RE MARKET TRENDS: EMERGING COMPETITION BETWEEN APARTMENTS AND INDIVIDUAL HOUSES

- There is a direct relationship in Lithuania between welfare of residents and development of higher-class housing.
- Individual houses are under construction across all Lithuania. Meanwhile, apartments under active development are only in the capital. Area of individual houses constructed in Lithuania is 3.5-4 times larger compared to apartments.
- Today the most appealing are 100-130 sq. m size individual houses or cottages. The total price of partly finished objects reaches 200-300 thousand Lt. and that allows them to compete with newly built or more expensive apartments.
- Currently there is a boom of individual house constructions in Klaipėda region.

APARTMENTS VERSUS INDIVIDUAL HOUSES: COMPETITION IS INCREASING

Housing in Lithuania is considered as one of the most important and highest-priority purchase and therefore it seems natural that along with financial situation improvement of the residents and growth of their purchasing power, demand in housing segment increases as well. According to the experience of JSC “Inreal”, it can be noticed that housing segment can indicate economic situation and purchasing power of residents. Based on that, real estate Maslow pyramid can be introduced as a reflection of the majority Lithuanian housing buyers in consideration to their purchasing power.

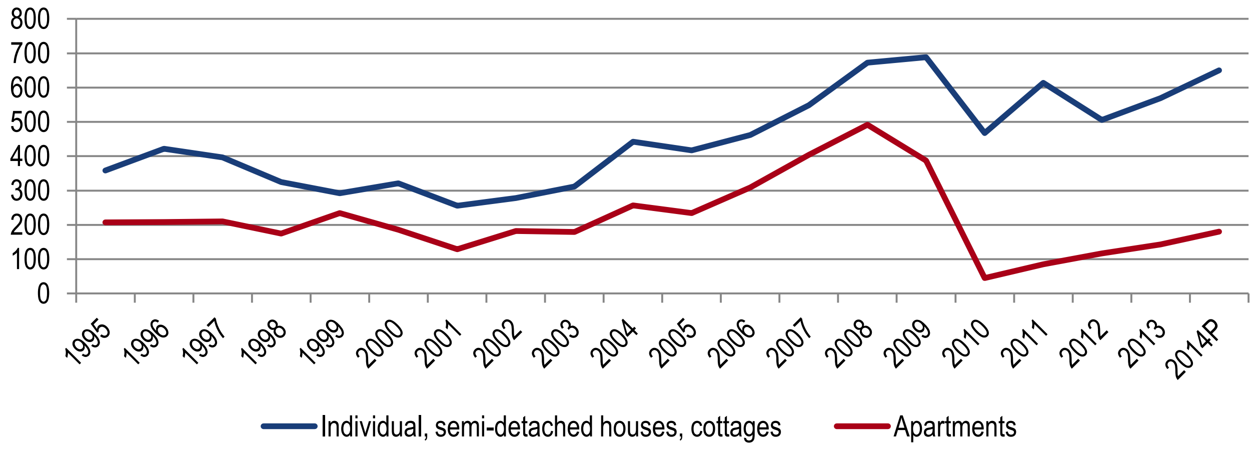
Maslow pyramid (RE version for housing segment):



Source: Inreal

Based on this hierarchy, it could be stated, that there is a direct relationship in Lithuania between welfare of economic class residents and development of higher-class housing. Extent of individual house constructions in Lithuania almost reached the pace seen during the last economic rise. Statistics show, that economic situation of residents as well as their capability to acquire higher-class housing is improving. With accordance to Lithuanian economic forecasts, it could be assumed, that the pace of individual house constructions will remain at the record-high levels.

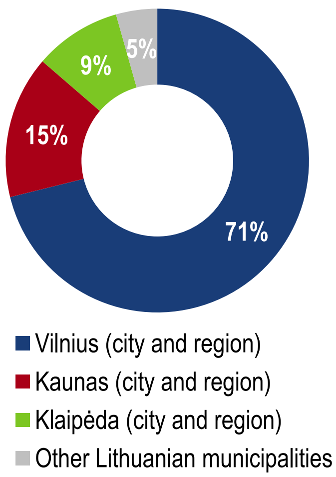
Construction of new housing in Lithuania, thousand sq. m



Source: Department of Statistics

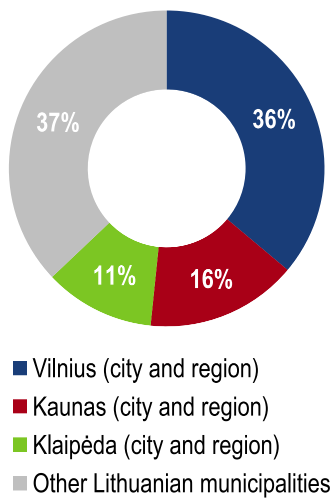
After the crisis the volume of newly constructed individual houses in Lithuania is by 3.5-4 times greater than newly constructed apartments. The main reason that led to such a significant differences in housing construction is that in general new apartments are built mainly in the capital while other largest cities of Lithuania: Kaunas, Klaipeda and cities with second housing segment (Palanga, Neringa, Durskininkai) contribute very insignificantly. Construction of apartments in other cities is under struggle. On the contrary, constructions of individual houses are implemented across all Lithuania. Statistics of new individual housing construction indicate that this segment was affected insignificantly by economic recession because of heavily fallen land plot prices and cheaper labour force which created favourable conditions for investments in the segment. Major cities and their regions dominate by area of newly built individual houses, but there are a lot of other regions where development of this segment is extensive as well.

Distribution of the area of newly built apartments, 2013



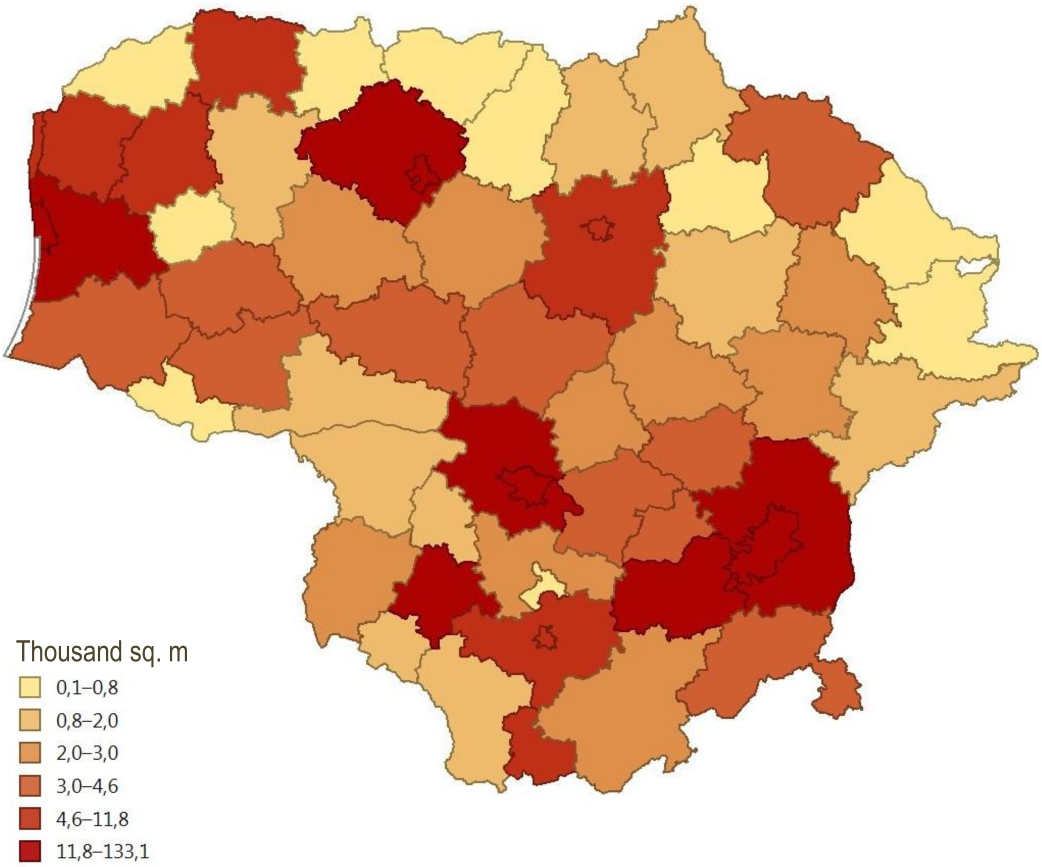
Source: Department of Statistics

Distribution of the area of newly built individual houses, 2013



Source: Department of Statistics

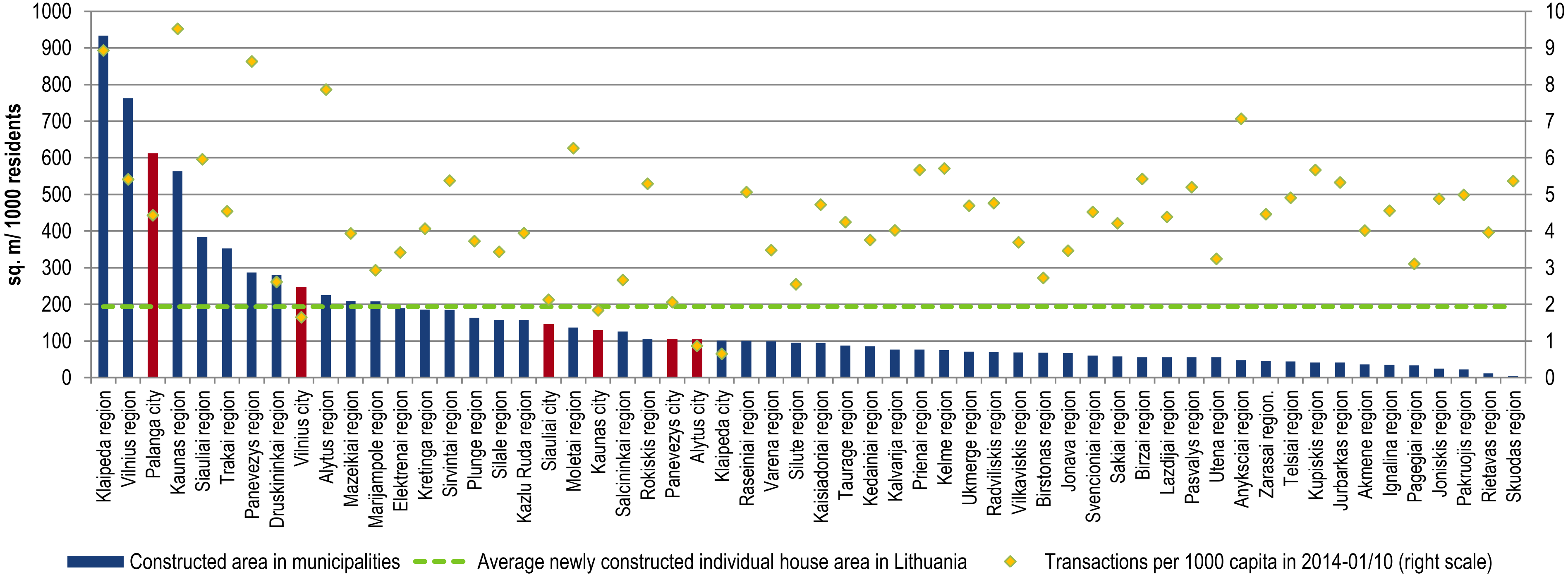
Useful area of newly built individual houses in Lithuania, 2013



Source: Department of Statistics

Map of the useful area of newly built individual houses in Lithuania shows economic situation of municipalities as well – it could be stated, that municipalities with the higher number of newly built individual houses have the best economic conditions and further development perspectives. That is because residents are willing to invest in higher-class housing, which means that they assess their financial capabilities and prospects in a more optimistic manner. In order to determine a more detailed relationship of individual houses and economic wealth in municipalities, calculations of relative ratio per one thousand residents were performed.

Useful area of individual houses built per 1,000 residents (in cities and regions)

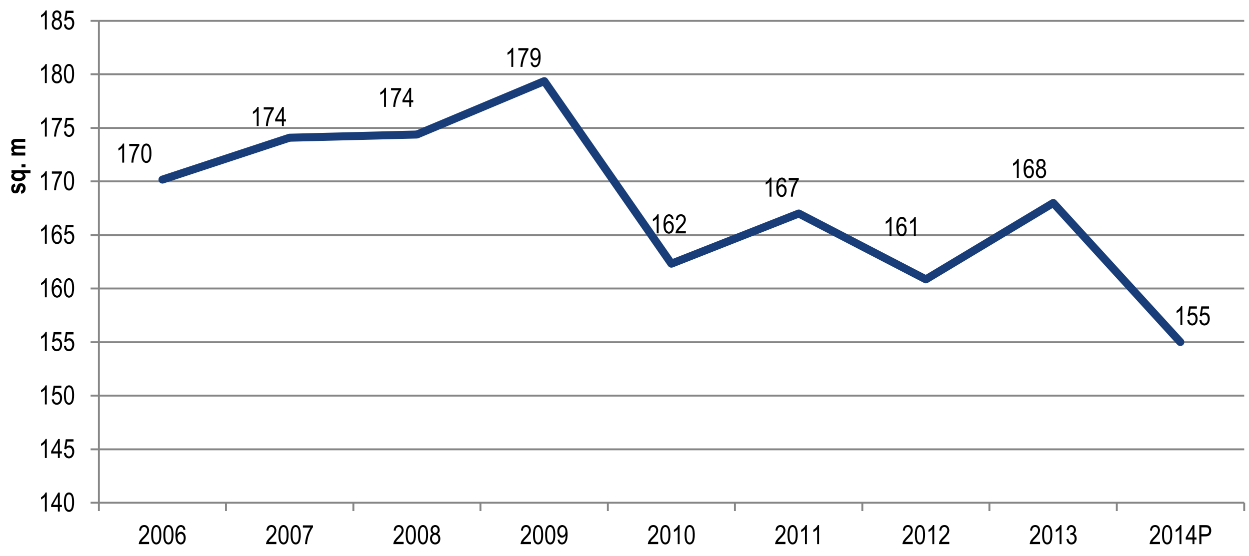


Source: Department of Statistics

Regarding the individual houses-economic wealth index, it could be stated, that in those regions, which experience individual house construction volumes above Lithuanian average, economic situation is promising and, accordingly, real estate market has growth perspectives as well. Situation is contrarian in those regions where pace of individual house constructions is lower. It could be stated, that the more evident negative gap from the average is observed, the more pessimistic perspectives of economy and real estate are, and vice versa. These assumptions could be applied solely to the regions, but not the cities because of their specifics – more expensive land and lower level of its supply naturally lead to construction volumes that are different from the ones in the regions. Klaipeda region obviously leads by the area of newly constructed individual houses per one thousand residents. It could be assumed that currently there is a boom of individual house constructions in Klaipeda region which started only few years ago. Areas under the most active development are those which are near the border of Klaipeda city. The same trends are observed in the regions of Vilnius and Kaunas where level of individual house constructions is relative high as well and development is concentrated in territories near city borders.

Analysis of the characteristics of developed individual house projects reveals that average area built has a decreasing trend. Within the last economic rise the average area of individual houses constructed grew and reached approx. 179 sq. m, while today an opposite tendency could be seen – average area of individual houses constructed is decreasing. It is forecasted, that this year it should be approx. 155 sq. m. It is noticed, that today the most attractive are 100-130 sq. m single, double-apartment houses or cottages. Smaller and more compact individual houses receive much more attention from the buyers, because the total price of these kind of partly finished objects usually amounts 200-300 thousand LTL and they can directly compete with newly built or more expensive apartments.

The average area of newly built individual houses in Lithuania



Source: Department of Statistics, Inreal

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ABOUT COMPANY / CONTACTS

INREAL GROUP

f JSC “Inreal GEO”, JSC “Inreal valdymas” and JSC “Inreal” , provides probably the widest spectrum of services in Lithuania, related to real estate. Inreal group companies belong to SC “Invalda privatus kapitalas”. About 90 employees are currently working in Inreal group; mediations in lease or sale of more than 550 thousand sq. m. of commercial premises, over 1,000 residential housing objects, and over 200 land plots. The company mediates in 40 residential housing projects, 24 investment projects, or their portfolios. More than 4,900 valuation reports and about 80 consultations (feasibility studies, investment memorandums, and market research) are being drawn up annually. The value of asset of valuation is above 2.5 milliard Litas. Company offices or representations are operating in Vilnius, Kaunas, Klaipėda, Šiauliai, Panevėžys, Mažeikiai, Alytus, Plungė and Utena. Currently JSC "Inreal Valdymas" develops two real estate projects: houses in Nida "Kopų vetrunges" ("Dunes weathervanes"; „Kopų vėtrungės“) and apartments and comercial premises in Klaipeda oldtown "Danes uzutekis" ("Danes Bay"; „Danės užutėkis“).

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