

A close-up photograph of a dog's head, likely a Weimaraner, peering through vertical metal bars. The dog's brown fur and dark nose are visible as it looks out from behind the bars.

*-30metu*  
**in real**

**LITHUANIAN ECONOMIC  
AND REAL ESTATE  
MARKET REPORT  
2024 H 1**

**WITH PARTNERS: SEB, COBALT, CITYNOW**

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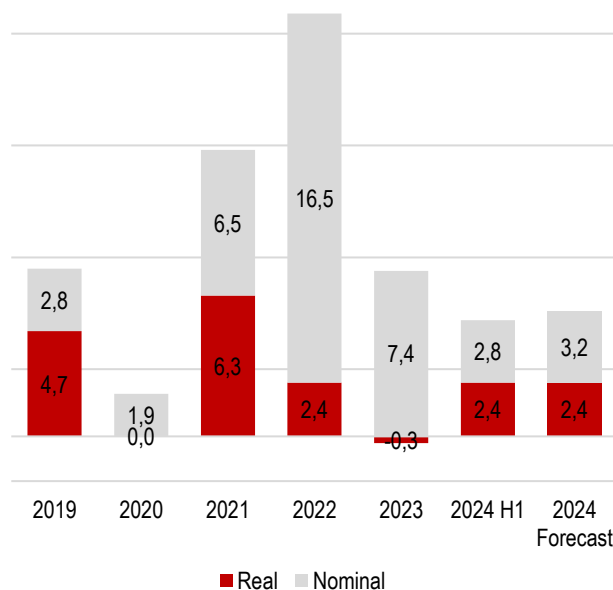
### Tadas Povilauskas, SEB bank economist

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

In the first half of the year, Lithuania's economy surprised with faster growth than expected. The country's GDP at constant prices was 2.4% higher than it was exactly a year ago. Nominal GDP increased by 5.3%. The economic expansion was positively influenced by rapidly growing household consumption and better results in the industrial sector. Lithuania's economic activity indicators remained the highest among the Baltic countries. We forecast that in the second half of the year, the annual economic change will be similar, and the real GDP will increase by 2.4% throughout 2024.

GDP of Lithuania change, YoY (perc.)



Source: State Data Agency

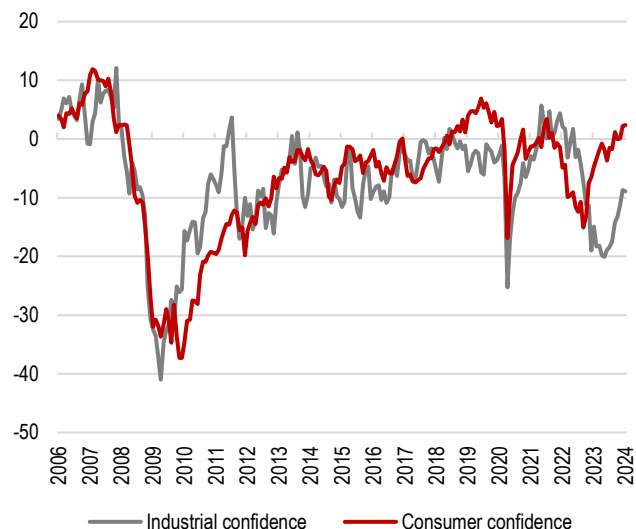
Last year, industrial production decreased, and it was the industrial sector that had the greatest impact on the economic downturn in 2023. This year, industrial companies produced more, and their results improved, which had a positive impact

on the economy. The value of output from manufacturing companies at constant prices increased by 2.4% in the first half of 2024, while last year it had decreased by 4.5%. This result was one of the best in the European Union (EU) and significantly exceeded expectations. In Latvia and Estonia, the annual change in industrial production remained negative.

Lithuanian manufacturers of chemicals, plastics, electronics, metal products, and vehicle parts were able to celebrate higher production volumes compared to last year. Exports of electrical machinery and equipment grew rapidly by about 20% over the year. Most of the companies in this sector are located in the Kaunas and Panevėžys regions. The weakest performance was seen in clothing manufacturers, furniture makers, paper, and machinery equipment producers. Sales volumes for wood product manufacturers remained almost unchanged. In many EU countries, construction volumes this year are lower than last year, so the demand for construction-related goods in export markets remains low. Food industry production has remained stable as in previous years.

Industrial confidence indicators in recent months are better than they were a year ago, but compared to previous months, they are stable. More company representatives than a year ago indicate that they will increase their workforce. In addition, inventories held by industrial companies are decreasing. All this indicates that industrial production in the coming months should not change significantly and will be slightly higher than a year ago. However, faster growth will have to wait, as the economic situation in export markets remains sluggish. Industrial confidence indicators in the euro area warn of a continued industrial decline in the region in the coming months. On the other hand, falling interest rates and recovering purchasing power should have a positive impact on the consumption of goods in Western countries.

**Industrial and consumer confidence indices (points)**



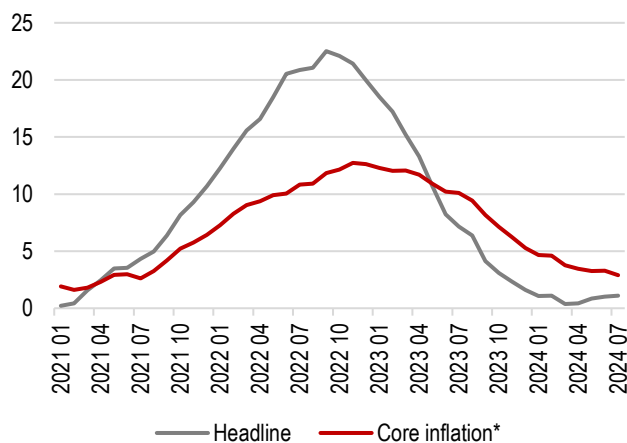
Source: DG ECFIN

In the first half of this year, industrial companies benefited from stable energy product prices. The average price of natural gas on the "GET Baltic" exchange in the first half of the year was 29% lower than at the same time last year, while the price of biofuel on the "Baltpool" exchange shrank by 24% over the year. The price of electricity in the Lithuanian price zone of the "Nord Pool" exchange decreased by 11% over the year. The difference between electricity prices during sunny daytime hours and at night increased significantly. This was driven by the still-rapid development of solar power plants – the total capacity of solar plants for prosumers alone increased from 290 MW to 1,240 MW in just half a year. However, electricity prices in Northern and Western European countries fell more sharply, which was unfavorable for Lithuanian industrial companies.

Inflation in Lithuania has so far been stable and historically low this year. In July, the annual inflation rate, according to the

Harmonized Index of Consumer Prices (HICP), was 1.1%. The most significant downward pressure on inflation at the beginning of the year came from energy and food products, which were cheaper than a year ago. However, the influence of falling energy prices on inflation, after peaking in 2022, is diminishing, so annual inflation is expected to rise in the coming quarters. Additionally, service prices continue to rise at a historically rapid pace due to increasing labor costs and the ability to pass these costs onto the final price of services. We forecast that by December, the annual inflation rate will be slightly above 2%, with the average annual inflation rate standing at 1.2%. Next year, we expect the average annual inflation rate to be around 3%. It is important to note that next year, excise duties will increase sharply, along with an additional CO2 component for fuels. Furthermore, excise duties on alcohol and tobacco products will also rise.

**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

Retail sales in Lithuania at constant prices increased by 3.2% in the first half of the year, which is higher than the average

decline seen in the European Union. Turnover in euros grew by 6.4% over the year. This result was not unexpected. Since last year, purchasing power has increased, as incomes have risen more than the prices of goods and services. The fastest-growing sales in the first half were in pharmacies, cosmetics, electric household appliances, and telecommunications equipment. Furniture and lighting equipment retailers faced the most difficulties, with their sales volumes shrinking. On the other hand, despite the downturn in housing construction, retail sales of construction materials at constant prices remained very similar to last year. Retail sales of food, beverages, and tobacco at constant prices grew by 3.7% in the first half of the year.

In the second half of 2024, retail sales at constant prices are expected to remain about 4% higher than the previous year. The change in turnover at current prices is estimated to be around 7%. The gap between the annual change in household incomes and inflation in the fall will no longer be as large as it was at the beginning of the year, but it will still remain positive. If household expectations do not deteriorate significantly, this should support consumption. Consumer expectations in Lithuania remain historically high. In July, they were the most optimistic among all European Union countries.

Due to falling interest rates, households with loans will be able to spend or save more. It is worth noting that in the first half of the year, at least the 8.1% increase in household deposits indicates that households are saving more this year than last. Government policies have a significant impact on household expectations. For example, decisions made at the end of last year to significantly increase the average old-age pension and the non-taxable income threshold this year have helped improve the financial situation of the lowest-income individuals. In the fall, the government will present next year's budget, which will heavily influence how consumer expectations evolve

by the end of the year. It is likely that next year the government will not be as generous as this year, despite the parliamentary elections in the fall.

The service sector did not follow a uniform trend in the first half of the year. The catering and beverage supply businesses struggled the most, as they were unable to raise prices enough to offset the increased VAT rate and rising wage costs. It is worth noting that on January 1, the VAT rate for catering services was returned to 21% from the previous reduced rate of 9%.

The performance of accommodation service providers was slightly better in the first half of the year compared to the previous year. The number of overnight stays increased by only 1.4%, with similar growth among both Lithuanian and foreign visitors. Lithuania, along with other Baltic countries, remains one of the few EU states where the number of foreign tourists has not returned to pre-pandemic levels. It is unlikely that the end of this year will bring significant positive changes for the accommodation sector. However, as geopolitical risks decrease, Lithuania and the entire Baltic region have many opportunities to successfully attract more foreign tourists.

The labor market weakened slightly in the first half of the year, but the changes were not surprising. According to the State Data Agency, the unemployment rate in Lithuania in the second quarter was 6.9%, which is 1 percentage point higher than the previous year. Short-term unemployment increased, while long-term unemployment actually decreased over the year. The number of foreign workers from third countries continued to grow, increasing by 23,000 over the year. The latest data from "Sodra" shows that the number of employees has remained almost unchanged over the year. There are no longer sectors where the number of employees is growing significantly. However, the number of job vacancies in many

sectors remains higher than a year ago. We forecast that the average unemployment rate will be 7.3% this year and will decrease to 7% next year.

#### Labor market variables



Source: State Data Agency

The State Data Agency has not yet released second-quarter average wage data for the country, but the annual change was likely only slightly lower than in the first quarter when the annual change was 10.3%. After taxes, the average wage was 9.3% higher than a year ago. This year, wages in the public sector are growing faster than in the private sector. Although wage growth this year is slower than in the previous two years, it remains historically rapid, especially considering that nominal GDP is only growing by a little more than 5%. The share of wages in GDP is now not only at a historical record, but Lithuania is approaching the leaders in the EU in this regard. This trend, where wages grow significantly faster than the value added per employee, is unsustainable and suggests that wage growth forecasts for the coming years should be more

cautious. We forecast that this year the average wage before taxes will increase by 9.4%, and next year by 8.1%. The change next year will largely depend on government decisions regarding wage increases for public sector employees, which we will learn about in October when the next year's budget is presented. It is more certain to predict that next year the minimum monthly wage in Lithuania will likely increase by 12.3%, or faster than this year.

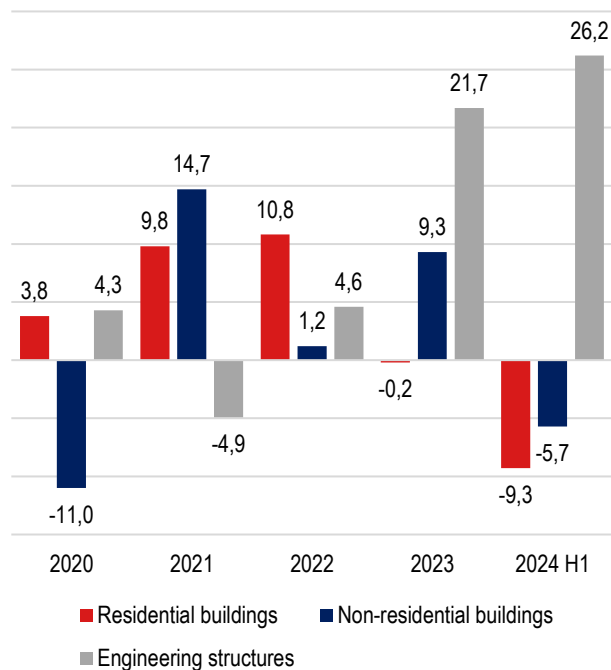
Since we forecast that the average annual inflation in Lithuania this year will be 1.2%, the real wage increase will be about 8%, which is historically significant. Next year, real wages are expected to grow by approximately 5-6%, a rate similar to pre-pandemic levels in the country.

In June of this year, the European Central Bank (ECB) reduced base interest rates by 0.25 percentage points for the first time in this interest rate cycle. Since then, the interest rate on deposits held by commercial banks at the Central Bank has been 3.75%. We forecast that the ECB will reduce the interest rate twice more this year, bringing it to 3.25% by the end of the year. If actual inflation and updated forecasts are lower than currently expected, we may see three rate cuts this year. Next year, we anticipate four rate cuts, with the base rate potentially reaching 2.25% by the end of 2025.

The construction sector's impact on the country's economy remained positive in the first half of this year. Construction work at constant prices increased by 6.2% compared to the previous year. The most significant positive influence came from a 26% increase in the volume of civil engineering construction, driven by greater investment in transport and electricity network infrastructure. However, building construction work fell by 7% this year, with declines in both residential and non-residential construction. These trends were not surprising, as data on building permits and construction starts from last year already

indicated possible changes. These trends are expected to continue in the second half of this year, with civil engineering construction remaining positive, while building construction will remain negative. However, next year, the direction of change may shift – it is unlikely that civil engineering construction volumes will continue to grow, but it is realistic to expect a recovery in residential construction if expectations for greater housing demand in the primary market are met.

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



Source: State Data Agency

Next year, we expect slightly faster economic growth in Lithuania compared to this year, primarily driven by increasing household consumption, recovering investments, and exports. The biggest threat to this growth forecast will continue to be geopolitical events.





**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**

In recent years, the main topics in the real estate market have been the decreased affordability of housing and the passivity of the sales market, which has led to an increase in the share of rental housing. However, this share remains relatively small in Lithuania compared to other European countries. In a market dominated by rentals, sales activity may fluctuate independently of affordability, but the choice to rent should not be forced. Both renting and ownership can be suitable at different stages of a person's life. There are many reasons why renting might be more advantageous than ownership: planned changes in family status, financial or employment changes,

mobility, or alternative ways to use funds for investments. When housing is frequently changed, the transactions costs may outweigh the appreciation in housing value, and choosing to invest or start a business might provide a better financial return.

In an environment of relatively high interest rates and relatively stable housing prices, there can be many individual options to consider. Owning a home can only be considered an investment to a certain extent, unless the homeowner is willing to sell the property at a favorable time and enter the rental market. On the other hand, the sense of security that comes with property ownership, the ability to manage the property as desired, protection from rising rent prices, and other factors are strong incentives for purchasing a home.

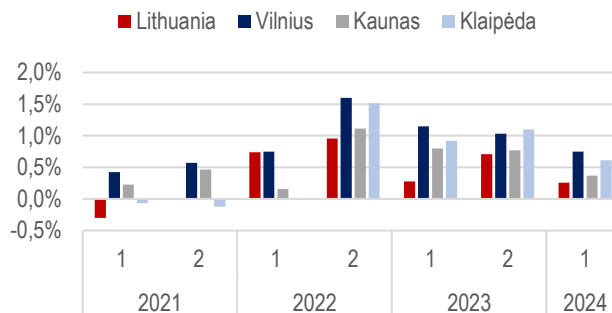
The population in Lithuania's major cities and the country as a whole continued to grow. According to the State Data Agency, in the first half of 2024, the permanent population in Lithuania increased by 0.3%, from 2,883,821 to 2,891,215. Based on data from the Territorial Health Insurance Funds, the number of residents registered in healthcare institutions in Vilnius City Municipality increased by 0.8%, from 680,358 to 685,465; in Kaunas by 0.4%, from 386,692 to 388,125; and in Klaipėda by 0.6%, from 198,822 to 200,037. As the population grows, so does the demand for new housing. Although it is likely that not

all of the population growth will remain in Lithuania after the war in Ukraine ends, the current trend is positively affecting not only housing sales but also the rental market and the expansion of this segment.

Housing prices are determined by a combination of factors: construction costs, market activity, financing conditions, demographic trends, and buyers' financial capabilities. In recent years, housing construction costs have been driven up by inflation and new development requirements. Although these new requirements were not inherently bad, they did not provide direct, tangible benefits to the buyers. New housing became more expensive, though not always better than homes built earlier. The rise in prices in the primary market also drove up prices in the secondary market, including older apartments. The impact of the new regulations is gradually decreasing, but their effects are still being felt. Prices are no longer rising sharply with noticeable month-to-month surges, they continue to grow gradually. According to the Lithuanian Central Bank's recurring housing price index, housing prices outside of Vilnius, Kaunas, and Klaipėda rose by 8% this year, while prices increased by 2% in Vilnius, 5% in Kaunas, and 10% in Klaipėda. The supply of more affordable housing has decreased, contributing to the issue of affordability in the economic housing segment, even as prices stabilize.

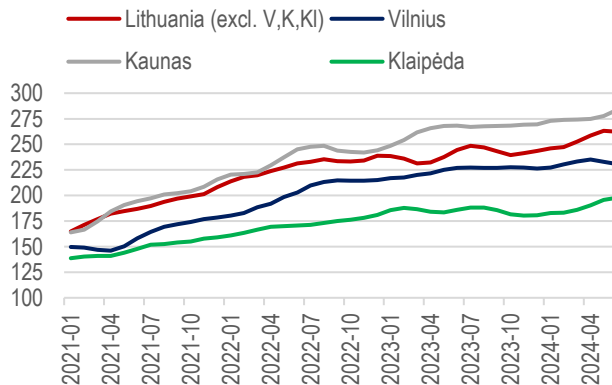
In terms of housing affordability trends, the decline in interest rates is encouraging. This was influenced by the European Central Bank's first base rate cut, which was anticipated in June. By mid-2024, the average mortgage interest rate was 5.35%, and it is expected to drop below the 5% threshold set by responsible lending guidelines in the coming months. This means that households will experience a formal increase in purchasing power. It's important to note that lower interest rates are crucial not only for individuals but also for businesses, both in financing new real estate projects and servicing loans issued for properties under management.

### Population changes HoH



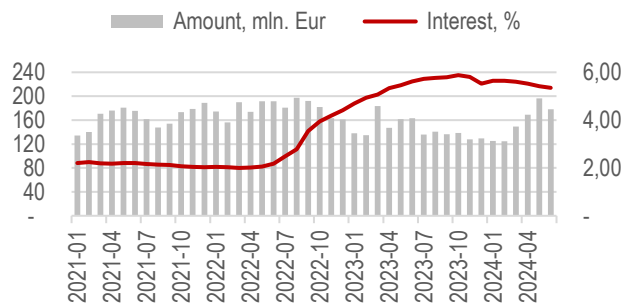
Source: State Data Agency and THIF data

### Repeat sales house price index (2015 = 100)



Source: Bank of Lithuania

### Mortgage volumes and interest rates



Source: Bank of Lithuania

Relatively stable housing prices, rising wages, and more favorable borrowing conditions could encourage market activity, but the risk of a supply shortage remains. At first glance, Vilnius' primary market alone offers over 4,000 available apartments (excluding townhouses and individual houses). A similar level of housing supply was seen in 2019. At that time, with greater market activity than we see now, there were even concerns about an oversupply. However, within just one year (the second half of 2020 and the first half of 2021), the supply was quickly exhausted by high buyer demand, triggering a sharp rise in prices.

Such a scenario is less likely today, as another significant price surge would deepen the affordability issue, naturally reducing market activity. On the other hand, a supply shortage now would mean that many people simply would not have the opportunity to purchase their own homes.

According to data from the State Data Agency, this year, building permits were issued for the construction of 2,339 housing units in apartment buildings (excluding single-family and two-family homes). Construction began on 3,183 housing units, 844 more than the number of permits issued, meaning that previously issued permits were utilized. In the short term, such fluctuations are not particularly significant, but in 2019, the backlog of unused building permits (accumulated since the beginning of 2014) allowed the market to offer more than 10,000 new apartments. The majority of these (8,000) were in Vilnius.

As of mid-2024, the number of unused or outstanding building permits in Lithuania (measured in housing units) had turned negative, with a deficit of 586 units, and in Vilnius, this shortage reached 1,273 units. On one hand, this indicates that the market has been quite active in recent years, but developers are not willing to tie up their funds in projects that would "gather

dust" — why start new projects if the existing ones haven't sold yet? On the other hand, it can be argued that the building permit issuance process is too slow and complicated.

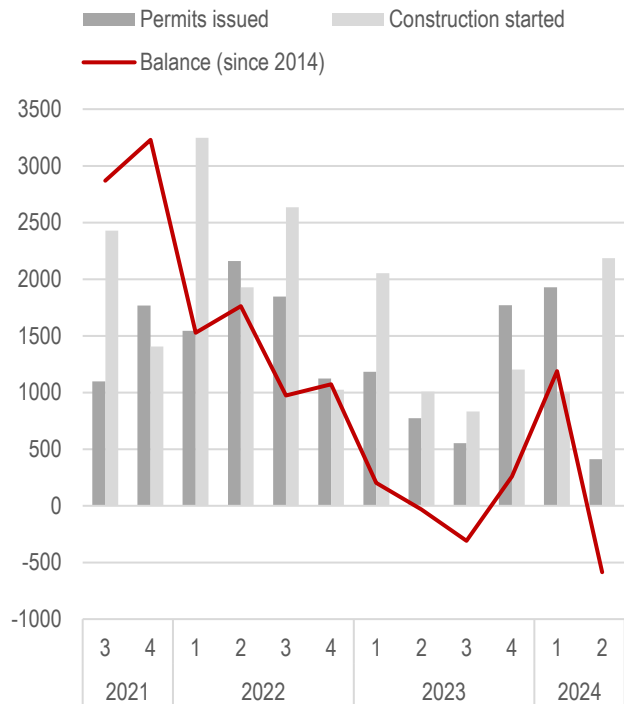
On average, around 6,000 permits are issued annually in Lithuania, with about 4,000 in Vilnius. Meanwhile, during the most active 12 months, up to 8,000 apartments were sold in the capital. This means that both the existing and potentially available supply in the primary market could be sold within a year. One potential solution to the supply shortage could come from investment properties owned by residents, as some investors might sell their properties, perhaps even to their current tenants, if supply remains limited. However, over the past few years, the rise of "co-living" projects has moved thousands of residents out of the traditional housing market and into commercial rental housing. These units are not as easily sold as individual property units on the open market. Paradoxically, the relatively calming factor in the face of a housing supply shortage is the current passivity of the market.

This year, 4,850 residential building transactions were made (825 for new construction, 4,025 for older buildings), which is 13.6% less than in the previous half-year (5,615 total: 1,038 new, 4,577 old) and 5.7% less than the same period last year (5,143 total: 1,071 new, 4,072 old).

In terms of land transactions, 31,142 deals have been completed so far this year, 16.2% fewer than in the second half of 2023 (37,141) and 14.2% fewer than in the same period in 2023 (36,294).

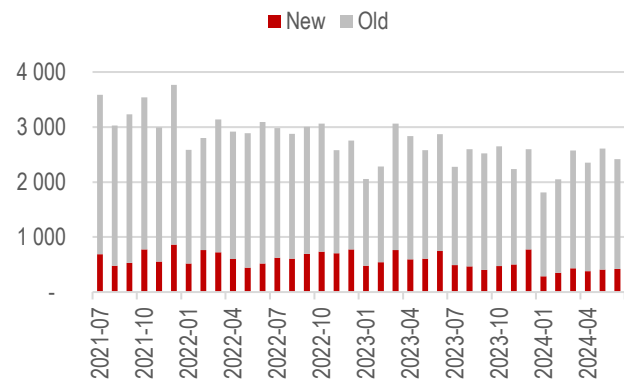
For other types of properties (non-residential premises, non-residential buildings, mixed-use buildings, garden houses), 9,206 transactions were recorded this year, 14% fewer than in the previous half-year (10,702) and 14.5% fewer than in the same period last year (10,769).

**The number of issued construction permits and started constructions in Lithuania (apartments in multi-dwelling residential buildings)**



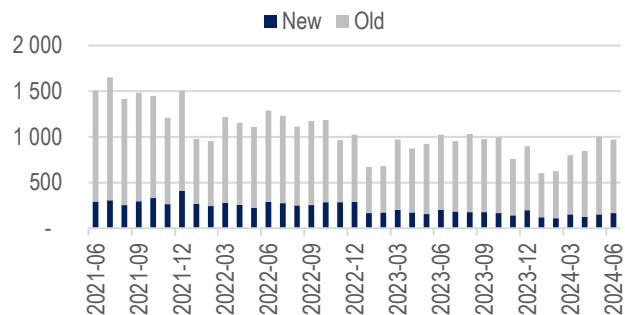
Source: State Data Agency

**The number of residential premises transactions in Lithuania**



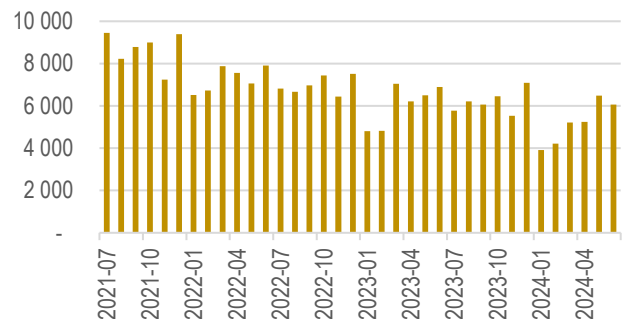
Source: SE Centre of Registers

**The number of residential buildings transactions in Lithuania**



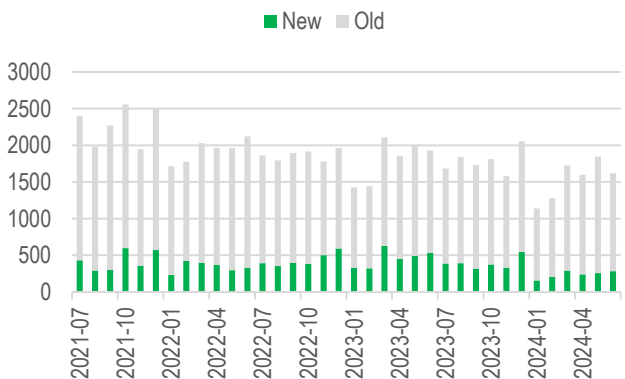
Source: SE Centre of Registers

**The number of land plot transactions in Lithuania**



Source: SE Centre of Registers

**The number of other real estate properties transactions in Lithuania**



Source: SE Centre of Registers

## RESIDENTIAL MARKET

### APARTMENTS<sup>1</sup> IN VILNIUS

The first half of 2024 saw a notable increase in apartment supply. The number of apartments labeled as available by developers increased by 33.6% over six months (from 3,109 to 4,153) and by 32.8% year-over-year (from 3,128). Additionally, 966 apartments were marked as reserved by developers by mid-year, which is a 9.5% increase from the previous half-year (882) and a 13.6% increase from the previous year (850). This rise in supply was driven by the rapid introduction of new projects to the market. Over the half-year period, "Inreal" added 2,447 new apartments to its observations—double the number compared to the previous half-year (1,189) and the prior year (1,364). Real estate development is a long-term process, so this increase in supply is linked to the very limited housing options available in mid-2022. After the drop in buyer activity post-2021, the share of completed apartments has grown, now accounting for 28% of the market. In the first half of 2024, the share of completed apartments rose by 42.1% (from 817 to 1,161) and by 57.1% year-over-year (from 739).

In the first half of 2024, there were 1,328 apartment sales and reservations (accounting for returns) — a 22.2% increase compared to the previous half-year (1,087) and a 45.5% increase compared to the prior year (913). Of these transactions, 67.5% were in projects on the right bank of the Neris river, in areas further from the city center, where supply was higher as well. More sales of the central areas occurred on the left bank of the river. It is likely that this dynamic may shift when developers will provide more supply in the New Town Center.

The median price of partially finished apartments in the primary market remained relatively stable, increasing by 1.6% over six months (from 3,191 to 3,242 Eur/sqm) and decreasing by 1.2% over the year (from 3,280 Eur/sqm). This shift is due to

structural changes in supply, as the 1st price decile stayed at 2,584 Eur/sqm in mid-2024, while the 9th decile rose 3.9% over six months (from 4,625 to 4,450 Eur/sqm).

The State Enterprise Center of Registers recorded 1,241 new residential premises transactions in the first half of 2024, 31.9% fewer than the second half of 2023 (1,822) and 38.8% fewer than the same period last year (2,028). The share of transactions within city limits this year reached 83.8%, which is 3.7% lower than in the previous half-year (87.0%) and 5.6% lower than a year ago (88.8%). It is uncommon to build multi-apartment buildings outside the city boundaries in Vilnius, so most of the district transactions involve townhouses.

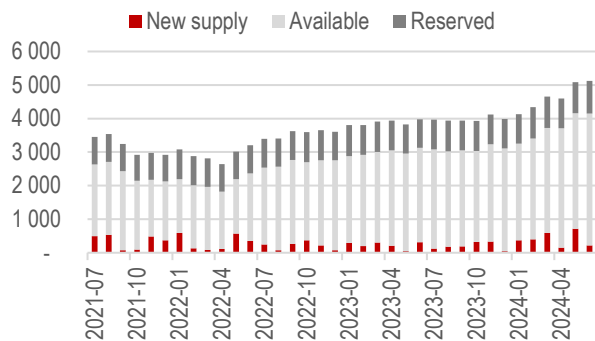
The dynamics of the secondary market (older construction) apartment transactions remained nearly unchanged. This year, 3,689 transactions were recorded in Vilnius, which is 2.1% less than in the previous half-year (3,767) and 4.4% less than a year ago (3,858). The proportion of transactions taking place within the city remained stable, at around 95.1%.

The prices for fully finished apartments increased across all segments, though unevenly. The median price for apartments built before 1940 rose by 5.5% over six months (from 4,032 to 4,253 Eur/sqm) and by about 6.4% over the year (from 3,999 Eur/sqm). This change is related to the small and highly varied supply, ranging from luxury properties to neglected ones. In the more homogeneous occupation-era housing segment (built before 1990), a more significant price increase was recorded: 8.1% over six months (from 2,246 to 2,427 Eur/sqm) and 8.4% over the year (from 2,240 Eur/sqm). Prices for housing developed before financial crisis (construction year up to 2010) also grew: by about 4.7% over six months (from 2,763 to 2,893 Eur/sqm) and about 5.5% over the year (from 2,741 Eur/sqm). The smallest increase was seen in apartments built after 2010, with prices rising by 2.7% over six months (from 3,814 to 3,918 Eur/sqm) and by 2.4% over the year (from 3,825 Eur/sqm).

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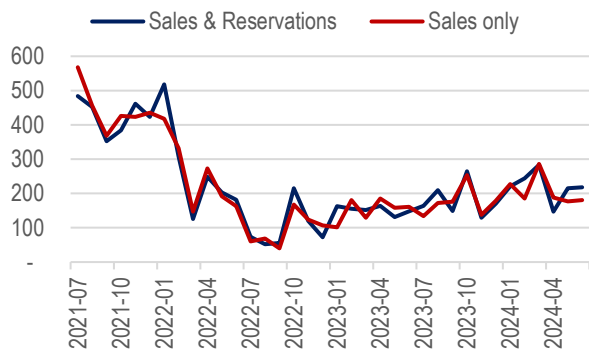
<sup>1</sup> Flats and non-residential apartments (hotels, holiday homes, creative workshops) in the primary market

### Dynamics of new apartment supply in Vilnius (units)



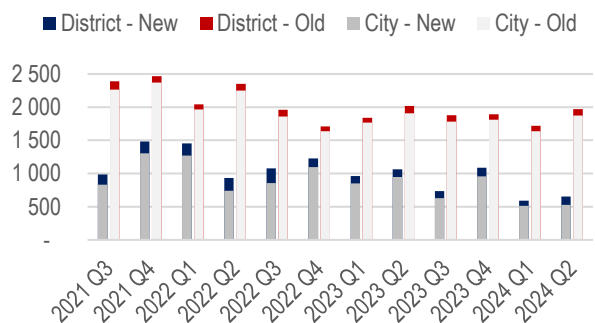
Source: INREAL

### Primary apartment market activity in Vilnius (units)



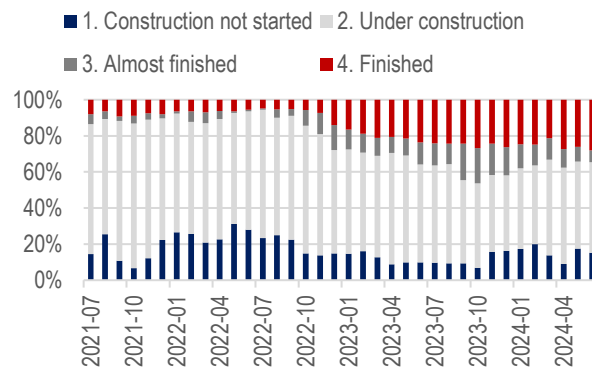
Source: INREAL

### Dynamics of residential real estate transactions in Vilnius (units)



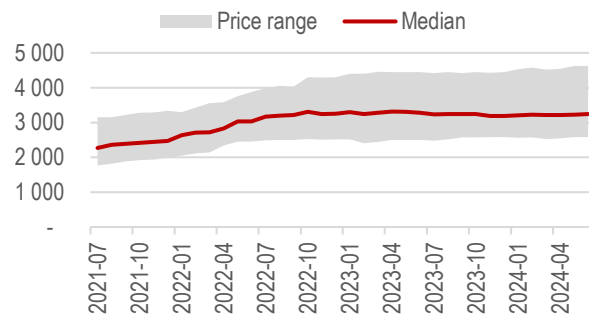
Source: SE Centre of Registers

### Progress of new apartment construction in Vilnius



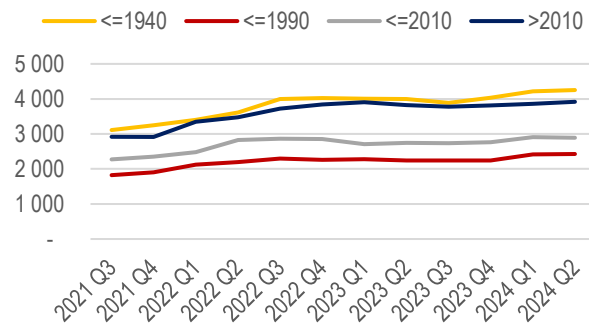
Source: INREAL

### Supply prices of partially finished apartments in Vilnius (EUR/sq. m)



Source: INREAL

### Median supply prices of finished apartments in Vilnius (EUR/sq. m)



Source: INREAL

## TOWNHOUSES AND HOUSES IN VILNIUS

In the first half of 2024, the supply of available townhouses and houses in the primary market tracked by "Inreal" decreased by 16.6%, from 596 units (450 townhouses and 146 houses) to 497 units (356 townhouses and 141 houses), and was 5.7% lower than the same period last year (527 total: 387 townhouses, 140 houses). Among the tracked properties, 356 were offered in Vilnius city and 141 in the Vilnius district. Additionally 157 units were marked as reserved by developers, up slightly from 155 six months ago, but down from 174 a year ago. This year, 96 new units were added to the monitoring pool—two-thirds fewer than six months ago (283) and almost half the number compared to last year (180). The share of already constructed townhouses and houses in the supply increased, though not as dramatically as in the apartment segment. By mid-year, one in five houses or townhouses on the market was completed, and an equal number were nearing completion (landscaping work in progress).

In the first half of 2024, 121 sales and reservations of houses and townhouses were recorded (accounting for returns), which is 20.9% less than in the second half of 2023 (153) but 13.1% more than a year ago (107). Townhouse sales (98) outpaced house sales (23). Most of the individual houses are sold without dedicated marketing websites, and about half of all houses are built for personal use and do not enter the primary market at all. The more popular projects were in Vilnius city, with 82 sales and reservations, while 39 were in Vilnius district. The size of Vilnius municipality allows for lower-density developments, which influences this ratio.

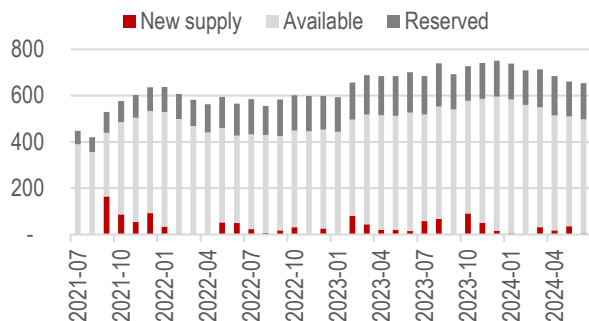
The median price of developer-labeled available houses and townhouses with partial finishing in the primary market

changed slightly, rising by 1.4% over six months (from 2,070 to 2,100 Eur/sqm) and by 2.2% over the year (from 2,054 Eur/sqm). The most significant change was observed in the 1st decile, which grew by 7.6% over six months (from 1,506 to 1,620 Eur/sqm) and by a third over the year (from 1,208 Eur/sqm). The 9th decile increased by 1.9% over six months (fr The State Enterprise Center of Registers reported a decline in new residential building sales. In Vilnius city and district, 217 residential buildings were sold, 17.8% fewer than in the second half of 2023 (264) and 27.4% fewer than a year ago (299). More than half of these transactions—53.9%—occurred within city limits. This share was 61.0% in the previous half-year and 66.9% a year ago. om 3,572 to 3,639 Eur/sqm) and remained similar to mid-2023 levels (3,638 Eur/sqm).

The secondary market for residential building sales showed increased activity. In the first half of 2024, 444 houses were sold in Vilnius city and district, 12.1% more than in the previous half-year (396) and 9.6% more than a year ago (405). It's likely that lower prices for older homes attracted buyers looking for larger properties, particularly in the second half of the period, when the appeal of spacious private yards became more attractive during the summer months.

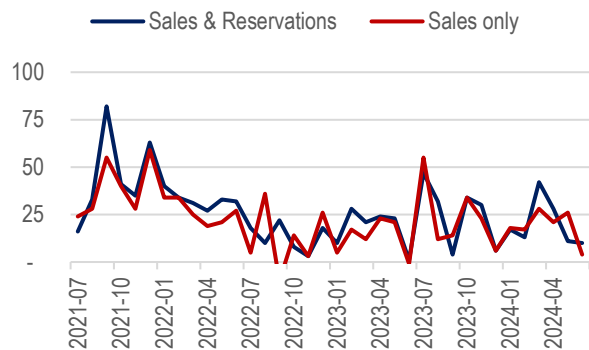
In the first half of this year, the observed prices for finished houses and townhouses built before 1990 rose by 9.2% over six months (from 1,150 to 1,256 Eur/sqm) and by around 3.1% over the year (from 1,219 Eur/sqm). Prices for homes built before 2010 increased by 3.6% over six months (from 1,718 to 1,779 Eur/sqm) and by 5.9% over the year (from 1,679 Eur/sqm). Prices for newer properties built after 2010 also rose, increasing by 5.5% over six months (from 2,333 to 2,461 Eur/sqm) and by 3.1% over the year (from 2,387 Eur/sqm).

### Dynamics of townhouses and houses supply in Vilnius (units)



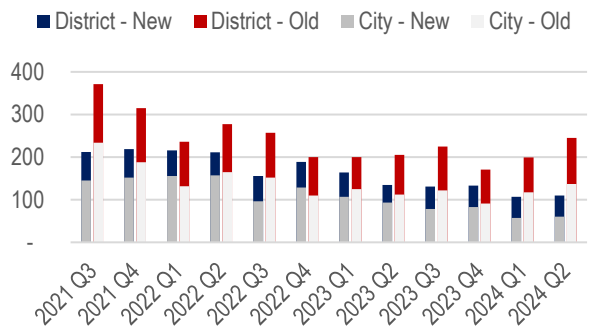
Source: INREAL

### Primary market of townhouses and houses activity in Vilnius (units)



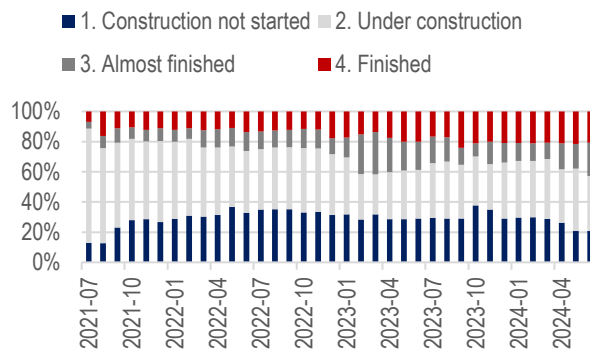
Source: INREAL

### Dynamics of residential buildings transactions in Vilnius (units)



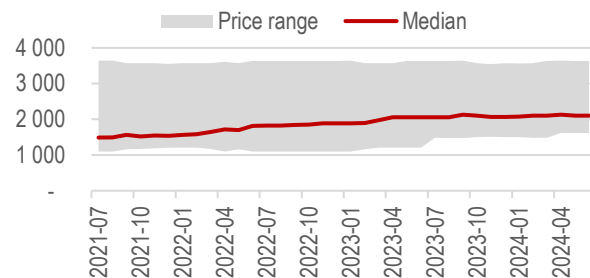
Source: SE Centre of Registers

### Progress of townhouses and houses construction in Vilnius



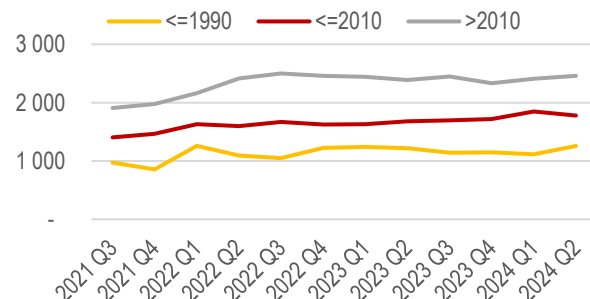
Source: INREAL

### Supply price of partially finished townhouses and houses in Vilnius (EUR/sq. m)



Šaltinis: INREAL

### Median supply prices of finished townhouses and houses in Vilnius (EUR/sq. m)



Source: INREAL



## APARTMENTS<sup>2</sup> IN KAUNAS

In the first half of 2024, Kaunas saw a 3.4% increase in housing supply. The number of available apartments rose from 614 to 635, which is 12.2% lower than in mid-2023 (723). Additionally, the number of reserved apartments remained unchanged at 440, 1.8% lower than a year ago (448). Over the half-year, "Inreal" added 264 new apartments to its monitoring — 18.4% more than in the second half of 2023 (223) but a quarter fewer than in the first half of 2023 (354). As in Vilnius, Kaunas residents are increasingly able to choose from completed apartments, which make up 30–40% of the publicly offered primary market supply.

In the first half of 2024, 240 total apartment sales and reservations (accounting for returns) were recorded—12.1% fewer than in the previous half-year (273) and 7.7% fewer than a year ago (260). The most popular area for apartment purchases was the region between the Nemunas and Neris rivers (178 transactions). In Kaunas, sales data on project websites is updated less frequently than in the capital, with more focus on reservations, leading to sales "spikes" in the statistics, even though sales likely occur steadily throughout the development period.

The median price for new-build apartments with partial finishing increased by 6.6% in the first half of 2024 (from 2,500 to 2,666 Eur/sqm) and was 11% higher than a year ago (2,402 Eur/sqm). The price increase was largely driven by the reduced share of cheaper housing, influenced by new development requirements introduced in recent years. This is reflected in the 1st decile, which grew by 13.8% in the first half of the year (from 1,934 to 2,200 Eur/sqm) and by 25.5% year-over-year (from 1,753 Eur/sqm). In contrast, the 9th decile showed

minimal change, with a 0.8% decrease over the half-year (from 3,124 to 3,100 Eur/sqm).

In the first half of 2024, the State Enterprise Center of Registers recorded 672 new-build apartment transactions in Kaunas city and district—10.3% fewer than in the previous half-year (749) and a third fewer than a year ago (963). The unique interaction between Kaunas city and district municipalities leads to a relatively large number of apartment buildings being constructed in the district. In the first half of 2024, more than a quarter of all new apartment transactions in Kaunas city and district were in the district, and this share is growing.

The number of transactions for older residential properties increased by 6% over the half-year (from 1,742 to 1,847) and was 5.5% higher than a year ago (1,751).

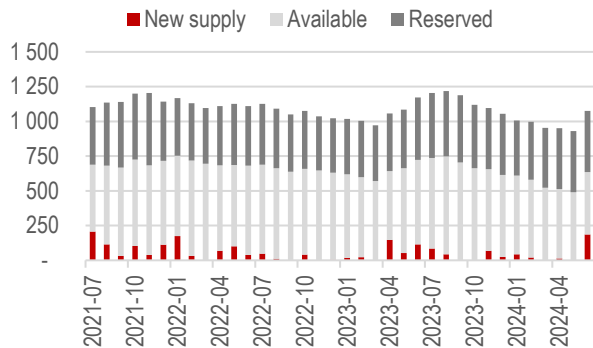
The supply prices of fully finished apartments built before 1940 increased by 1.1% over the half-year (from 2,423 to 2,449 Eur/sqm) and by 11% year-over-year (from 2,205 Eur/sqm). Soviet-era housing prices rose by 5.4% over the half-year (from 1,580 to 1,666 Eur/sqm) and by 3.6% year-over-year (from 1,608 Eur/sqm). Slight changes were observed in the segment of apartments built before 2010, with a 1.4% increase over the half-year (from 1,944 to 1,971 Eur/sqm) and a 7% year-over-year increase (from 1,842 Eur/sqm). Prices for apartments built after 2010 rose by 3.4% over the half-year (from 2,674 to 2,765 Eur/sqm) and by 13.4% year-over-year (from 2,439 Eur/sqm).

Kaunas' housing market is significantly smaller than that of Vilnius, making prices more sensitive to structural changes. However, the primary reasons for price increases are not the market structure but the previously rising prices of new-build apartments and the shortage of cheaper housing options.

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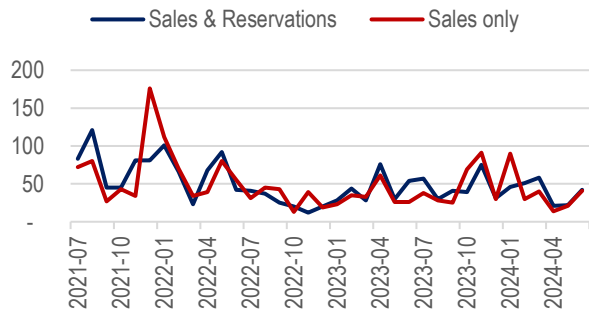
<sup>2</sup> Flats and non-residential apartments (hotels, holiday homes, creative workshops) in the primary market

### Dynamics of new apartment supply in Kaunas (units)



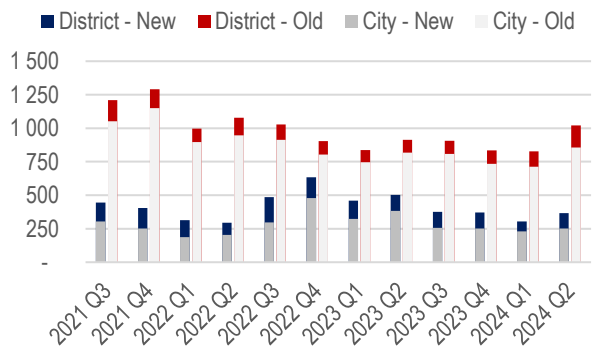
Source: INREAL

### Primary apartment market activity in Kaunas (units)



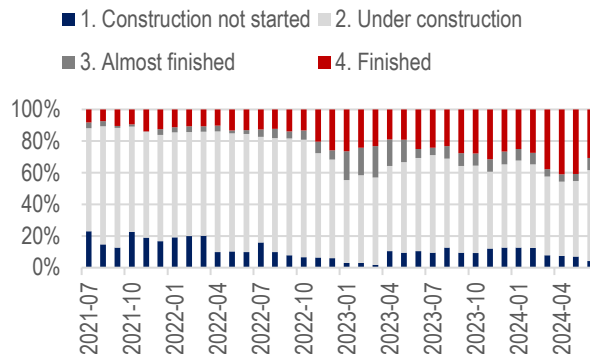
Source: INREAL

### Dynamics of residential real estate transactions in Kaunas (units)



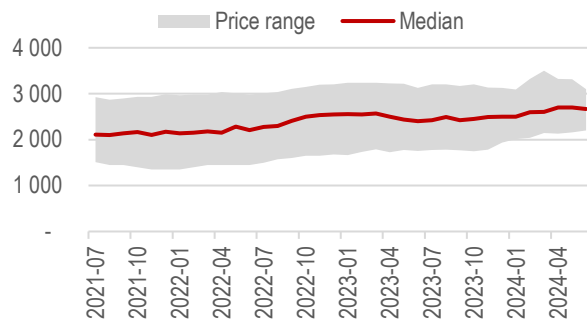
Source: SE Centre of Registers

### Progress of new apartment construction in Kaunas



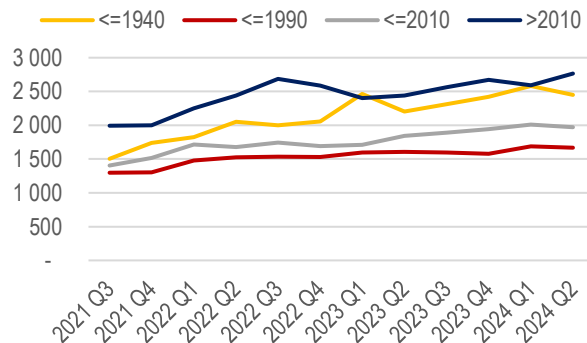
Source: INREAL

### Supply prices of partially finished apartments in Kaunas (EUR/sq. m)



Source: INREAL

### Median supply prices of finished apartments in Kaunas (EUR/sq. m)



Source: INREAL

## TOWNHOUSES AND HOUSES IN KAUNAS

Kaunas is undeniably Lithuania's "capital of houses", but the size of the primary market for townhouses and houses monitored by "Inreal" is somewhat smaller than that of Vilnius. The number of developer-labeled available houses and townhouses in Kaunas more than halved in the first half of 2024, dropping to just 54 units by mid-year. In comparison, this figure was more than double at the end of 2023 (120) and nearly triple at mid-2023 (149). The number of reserved houses and townhouses (44) in mid-2024 was one-third lower than at the end of 2023 (70) and a year earlier (67). The number of newly monitored houses and townhouses also halved compared to the second half of 2023 (48), reaching just 22 units. While a few hundred new homes and townhouses were listed on real estate platforms mid-year, many of these properties did not have dedicated project websites. This shrinking supply led to most developer websites primarily offering homes and townhouses that had not yet begun construction. However, the diversity of individual listings was much higher.

Based on project websites, 84 house and townhouse sales and reservations were recorded in the first half of 2024—12% more than in the second half of 2023 (75) and several times more than the especially low activity seen in the first half of 2023 (6).

Structural changes due to the small sample size pushed up the median price for new-build houses and townhouses with partial finishing, resulting in a 6.1% half-year increase (from 1,697 to 1,800 Eur/sqm) and a 5.3% year-over-year rise (from 1,710 Eur/sqm). Even more significant changes occurred in the deciles. The 1st decile saw an 11% increase over six months (from 1,430 to 1,587 Eur/sqm) and a 5.4% year-over-year rise

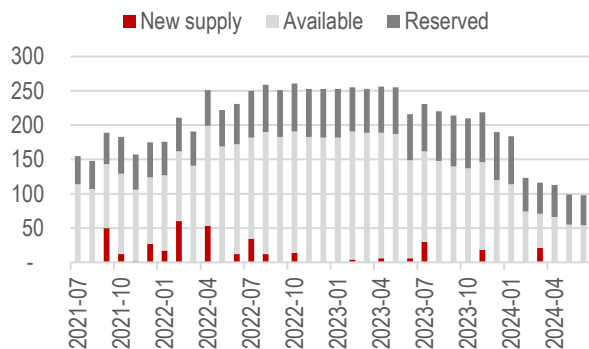
(from 1,506 Eur/sqm). The 9th decile jumped by 25.8% over six months (from 1,946 to 2,449 Eur/sqm) and by 25.6% year-over-year (from 1,950 Eur/sqm).

Notarial transaction data shows that Kaunas records the most residential house sales in Lithuania, both in new and older construction segments. According to data from the State Enterprise Center of Registers, 257 new-build residential house transactions were recorded in the first half of 2024, 15.5% fewer than in the second half of 2023 (304) and 14.0% fewer than a year earlier (299). Only about one-fifth of these transactions took place within city limits, and this share continues to decline.

The number of transactions for older residential buildings increased by 5.2% over the half-year (from 459 to 483) and was 18.7% higher than in the same period last year (407). In this segment, the activity difference between the city and the district is much smaller. About 48.7% of transactions took place within the city, but this proportion decreased compared to both the previous half-year and the same period last year.

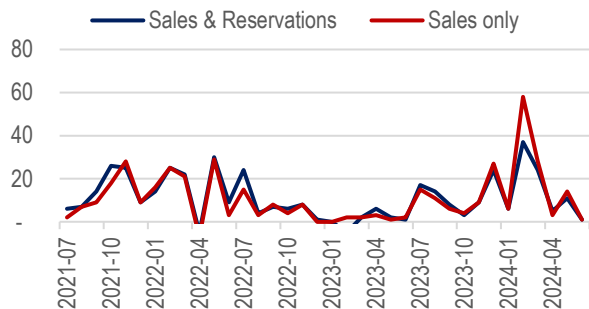
In the first half of 2024, prices for fully finished houses and townhouses built before 1990 increased by 9.9% over six months (from 842 to 925 Eur/sqm), but structural supply changes caused a 6% year-over-year price decrease (from 984 Eur/sqm). Prices for houses and townhouses built before 2010 decreased by 3.8% over six months (from 1,324 to 1,273 Eur/sqm), while a 4.0% year-over-year increase was recorded (from 1,224 Eur/sqm). Prices for newer properties built after 2010 rose by 2.5% during first half of the year (from 2,133 to 2,187 Eur/sqm) and by 0.5% year-over-year (from 2,176 Eur/sqm).

### Dynamics of townhouses and houses supply in Kaunas (units)



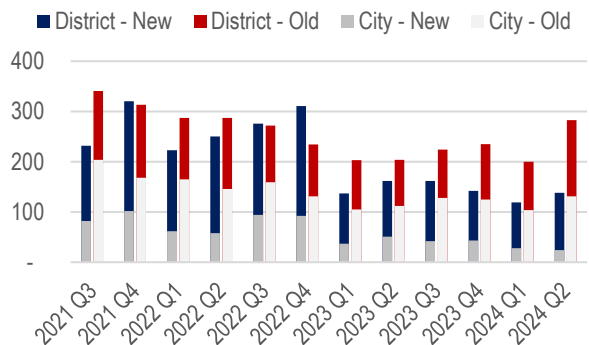
Source: INREAL

### Primary market of townhouses and houses activity in Kaunas (units)



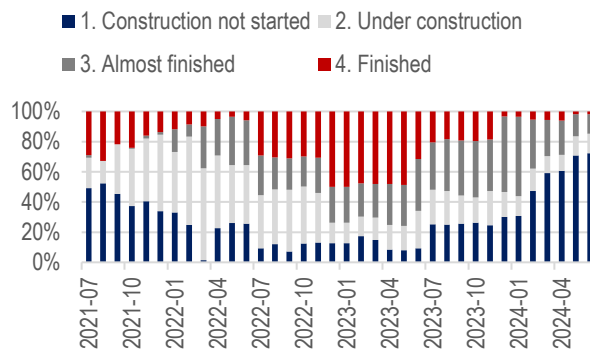
Source: INREAL

### Dynamics of residential buildings transactions in Kaunas (units)



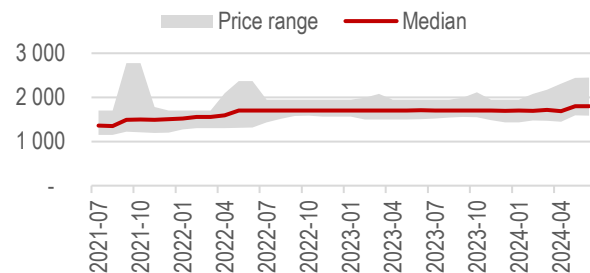
Source: SE Centre of Registers

### Progress of townhouses and houses construction in Kaunas



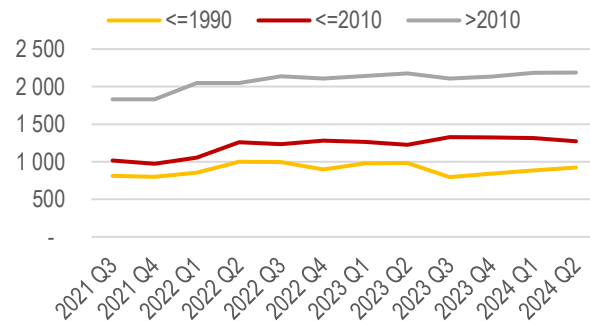
Source: INREAL

### Supply price of partially finished townhouses and houses in Kaunas (EUR/sq. m)



Šaltinis: INREAL

### Median supply prices of finished townhouses and houses in Kaunas (EUR/sq. m)



Source: INREAL

## APARTMENTS<sup>3</sup> IN KLAIPĖDA

In the first half of 2024, the supply of available apartments in Klaipėda decreased by 15% (from 333 to 283) and was 1% lower than during the same period last year (286). The number of reserved apartments also fell, declining by 10.6% over the half-year (from 199 to 178) and by 6.3% year-over-year (from 190). Only 12 new apartments were added to the monitored supply in the first half of 2024, compared to 169 in the previous half-year and 266 during the same period last year.

Most of the available apartments in the first half of 2024 were in projects still under construction. However, as the market moves at a slower pace, it is likely that some of the current supply will be completed before being sold, giving buyers the opportunity to visit the finished apartments.

During this period, 62 apartment sales and reservations (accounting for returns) were recorded in Klaipėda—almost half the number recorded in the second half of 2023 (122) and the first half of 2023 (113).

The prices of apartments with partial finishing rose slightly over the half-year. The median price increased by 3.3% (from 2,390 to 2,469 Eur/sqm), and the 1st decile increased by 4.6% (from 1,998 to 2,090 Eur/sqm). The 9th decile remained unchanged at 3,600 Eur/sqm but was a third higher than a year ago (2,659 Eur/sqm). The relatively small size of Klaipėda's housing market makes prices particularly sensitive to new supply. Long-awaited development projects in the port area are expected to significantly boost prices in Klaipėda, providing buyers with a more diverse range of higher-quality properties.

In the first half of 2024, the State Enterprise Center of Registers recorded 142 new-build residential property transactions in Klaipėda city and district municipalities, reflecting a twofold decrease compared to the previous half-year (259) and an even larger decline from a year ago (304). Of these transactions, 70.4% took place within city limits, and, as in Kaunas, this share decreased.

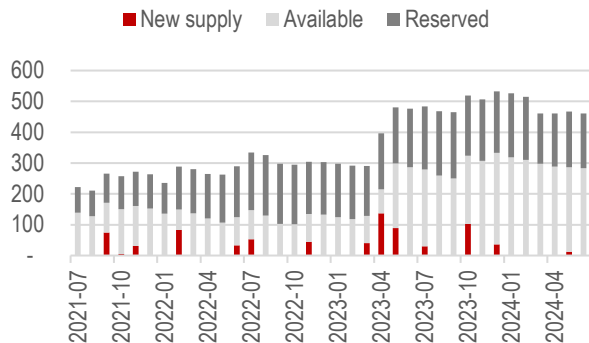
There were 1,186 transactions for older residential properties in the first half of 2024, a 0.3% increase from the previous half-year (1,183) but 7% fewer than in the same period last year (1,275). Most transactions (91.2%) were completed within city limits, and this share changed only slightly.

The median price for fully finished apartments built before 1940 increased by 9.9% over the half-year (from 1,985 to 2,182 Eur/sqm) and by about 16.9% over the year (from 1,866 Eur/sqm). In the more homogeneous Soviet-era housing segment (built before 1990), prices grew more moderately, increasing by 5.4% over the half-year (from 1,513 to 1,595 Eur/sqm) and by 7% over the year (from 1,491 Eur/sqm). Prices for housing developed before 2010 remained stable, with a 1.1% increase over the half-year (from 2,031 to 2,054 Eur/sqm) and a slight 0.4% year-over-year decrease (from 2,063 Eur/sqm). Prices for properties built after 2010 increased by 9% over the half-year (from 2,667 to 2,906 Eur/sqm) and by 3.7% year-over-year (from 2,801 Eur/sqm).

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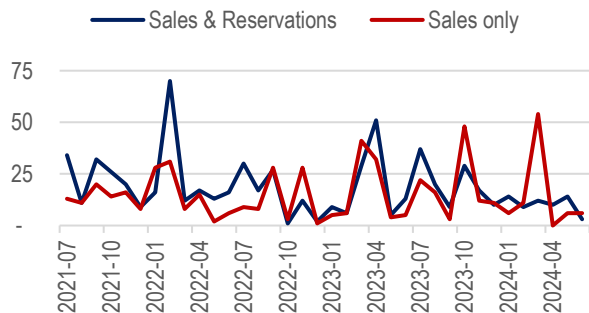
<sup>3</sup> Flats and non-residential apartments (hotels, holiday homes, creative workshops) in the primary market

### Dynamics of new apartment supply in Klaipėda (units)



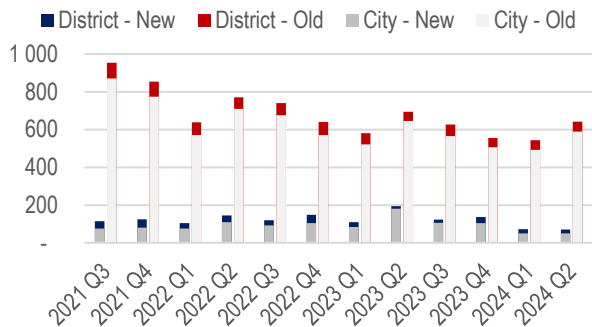
Source: INREAL

### Primary apartment market activity in Klaipėda (units)



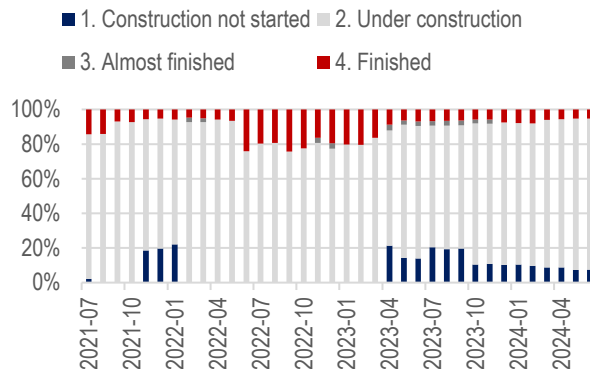
Source: INREAL

### Dynamics of residential real estate transactions in Klaipėda (units)



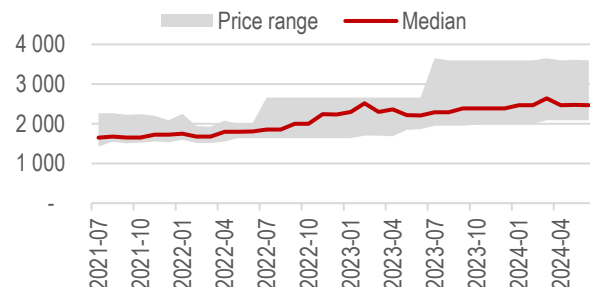
Source: SE Centre of Registers

### Progress of new apartment construction in Klaipėda



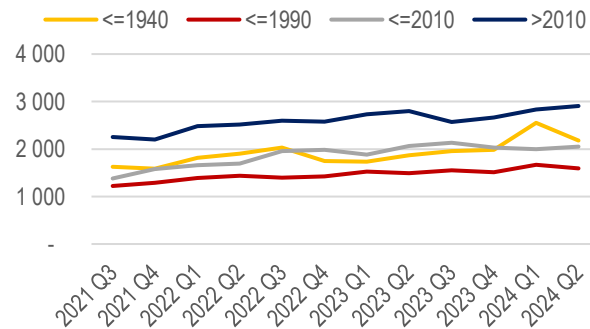
Source: INREAL

### Supply prices of partially finished apartments in Klaipėda (EUR/sq. m)



Source: INREAL

### Median supply prices of finished apartments in Klaipėda (EUR/sq. m)



Source: INREAL

## TOWNHOUSES AND HOUSES IN KLAIPĖDA

In the first half of 2024, the number of developer-labeled available townhouses and houses in Klaipėda's primary housing market increased by 15.9% (from 44 to 51) and was 18.6% higher than the same period last year (43). The number of reserved houses and townhouses listed on project websites also rose significantly, from 40 at the beginning of 2024 to 78 by mid-year, marking a 39.3% increase compared to mid-2023 (56). During this period, 46 new houses and townhouses were added to the market—31.4% more than in the second half of 2023 (35).

By mid-2024, nearly half of the available houses and townhouses were either completed or nearing completion, while the new supply provided opportunities for buyers who preferred to purchase early-stage properties and customize them according to their needs.

In the townhouse and house segment, 39 sales and reservations were recorded in the first half of the year—two-thirds more than in the second half of 2023 (24) and several times more than in the first half of 2023 (7).

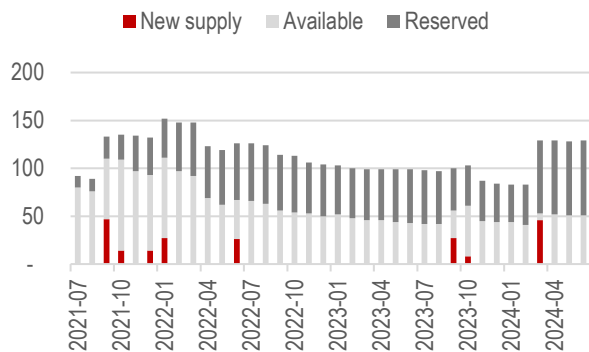
Changes in the supply structure led to a more noticeable increase in prices. The median price for townhouses and houses in the primary market increased by 29.2% over six months (from 1,452 to 1,876 Eur/sqm) and was 29.4% higher than a year ago (1,450 Eur/sqm). The 1st decile grew by 16.3% over six months (from 1,038 to 1,207 Eur/sqm) and by the same percentage year-over-year. The 9th decile rose by 3.8% over six months (from 2,801 to 2,908 Eur/sqm) and by a striking 61% over the year (from 1,806 Eur/sqm). This trend mirrors other cities, where the main factors driving price increases are the reduction in the supply of cheaper housing and the introduction of more expensive new projects to the market.

In the first half of 2024, 168 new-build residential property transactions were recorded—18% fewer than in the second half of 2023 (205) and a third fewer than in the same period of 2023 (242). A minority of transactions (19%) took place within city limits.

The number of transactions for older residential buildings decreased by 3.1% over six months (from 194 to 188) but was 7.4% higher than in the first half of 2023 (175). About one-fifth of these transactions occurred within the city, a slight decrease compared to previous periods, when the share of older house transactions within the city was around 25%.

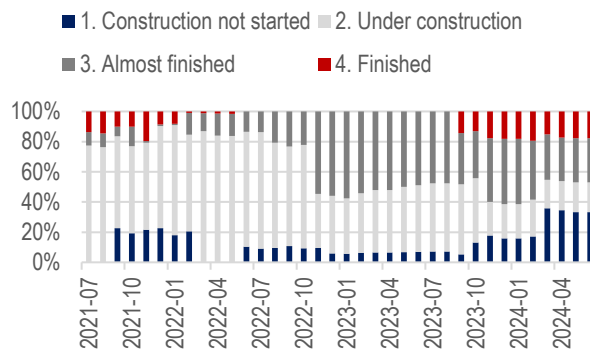
Prices for houses and townhouses built during the Soviet era fell slightly by 2.5% over the half-year (from 984 to 959 Eur/sqm), but year-over-year, they increased by 22.9% (from 781 Eur/sqm). Prices for houses developed before the 2010 financial crisis rose by 14.1% over six months (from 1,174 to 1,340 Eur/sqm) and by around 14.6% year-over-year (from 1,169 Eur/sqm). Prices for houses built after 2010 remained almost unchanged, with a 0.8% increase over six months (from 1,764 to 1,778 Eur/sqm) and a 1.6% increase year-over-year (from 1,750 Eur/sqm).

### Dynamics of townhouses and houses supply in Klaipėda (units)



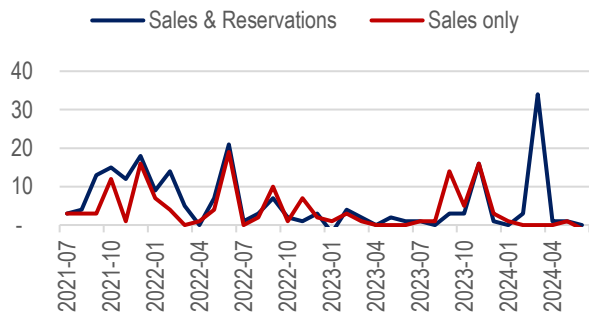
Source: INREAL

### Progress of townhouses and houses construction in Klaipėda



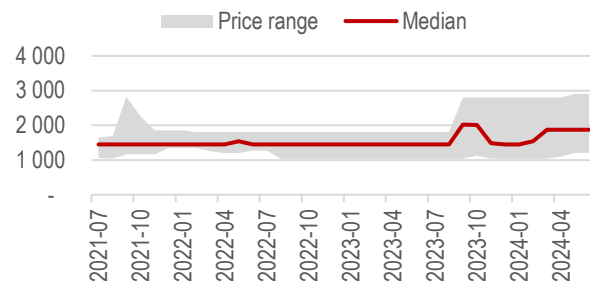
Source: INREAL

### Primary market of townhouses and houses activity in Klaipėda (units)



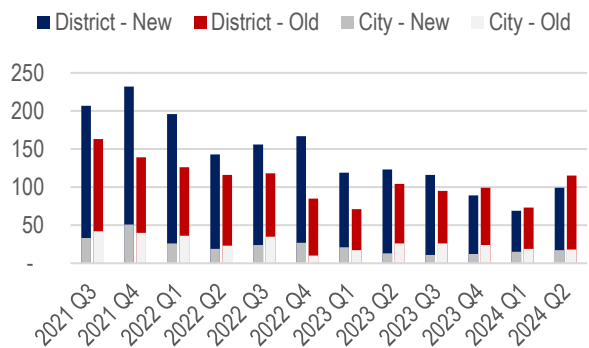
Source: INREAL

### Supply price of partially finished townhouses and houses in Klaipėda (EUR/sq. m)



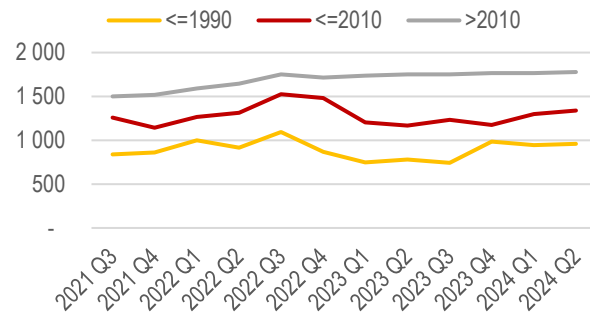
Šaltinis: INREAL

### Dynamics of residential buildings transactions in Klaipėda (units)



Source: SE Centre of Registers

### Median supply prices of finished townhouses and houses in Klaipėda (EUR/sq. m)



Source: INREAL



## RESIDENTIAL MARKET IN PALANGA

In mid-2024, "Inreal" monitored 313 apartments marked as available by developers in the primary market in Palanga – a 27.9% decrease compared to six months earlier (434) and a 31.8% decrease year-over-year (459). A total of 102 new units were added to the monitoring, similar to the second half of 2023 (101).

During the first half of 2024, 167 apartment sales and reservations were recorded, 54.6% more than the previous half-year (108) and almost 2.5 times more than the same period last year (70). Palanga continues to see significant differences between sales with and without reservations.

By the end of the half-year, about 39% of available apartments had already been completed, bringing the market back to the pre-pandemic norm. During the market activity peak (2020–2021), apartments were primarily sold while under construction.

New projects and changes in supply structure led to a significant price increase. The median price jumped by 21.2% over six months (from 3,000 to 3,635 Eur/sqm) and 20.2% over the year (from 3,025 Eur/sqm). Projects located farther from Palanga's central area still offer relatively affordable vacation homes. The 1st decile stood at 1,965 Eur/sqm by mid-2024, 1.8% lower than a year ago (2,000 Eur/sqm). However, new projects and other structural changes pushed the 9th decile up by 17.1% over six months (from 4,662 to 5,461 Eur/sqm) and 19.7% year-over-year (from 4,564 Eur/sqm).

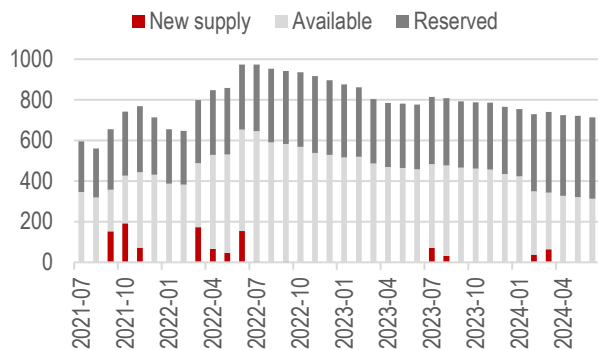
In Palanga, as in other resort areas, new projects are often developed as hotel or leisure-oriented buildings, making non-residential property transactions significant. In the first half of 2024, the State Enterprise Center of Registers recorded 258 new-build premises transactions (107 residential, 151 non-

residential)—a 47.5% drop compared to the previous half-year (491 total: 133 residential, 358 non-residential) and a 63.2% decline year-over-year (702 total: 289 residential, 413 non-residential). This indicates a slowdown in the primary market. However, there were 451 secondary market transactions (148 residential, 303 non-residential), a 28.9% increase compared to the second half of 2023 (350 total: 127 residential, 223 non-residential) and 47.8% more than the same period last year (320 total: 115 residential, 205 non-residential). It seems that second-home buyers who were previously hesitant or delayed their purchase turned to older, slightly cheaper properties.

Prices for fully finished apartments built before 1990 remained almost unchanged, with a slight decrease over six months (from 2,692 to 2,681 Eur/sqm) and a 1.7% increase year-over-year (from 2,637 Eur/sqm). Changes in the supply structure led to a 12.8% decline in the prices of apartments built before 2010 over six months (from 3,508 to 3,060 Eur/sqm), bringing prices back to mid-2023 levels (3,045 Eur/sqm). The prices of newer apartments (built after 2010) increased by 3.4% over six months (from 3,849 to 3,980 Eur/sqm) and 6.2% year-over-year (from 3,747 Eur/sqm).

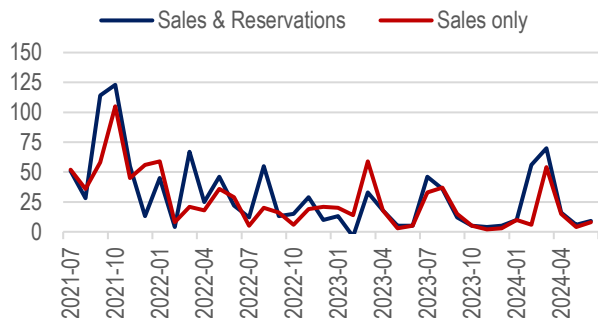
Palanga's townhouse and house segment offers fewer than 100 available units (with another 50 reserved), but activity in this segment is particularly low, so it is not covered in detail. The State Enterprise Center of Registers recorded 77 residential house transactions in the first half of 2024, similar to the second half of 2023 (76) and the first half of 2023 (70). In both the primary and secondary markets, prices in this segment range between 2,000 and 3,500 Eur/sqm.

### Dynamics of new apartment supply in Palanga (units)



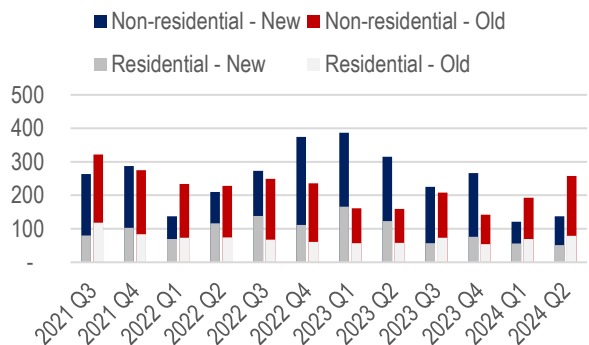
Source: INREAL

### Primary apartment market activity in Palanga (units)



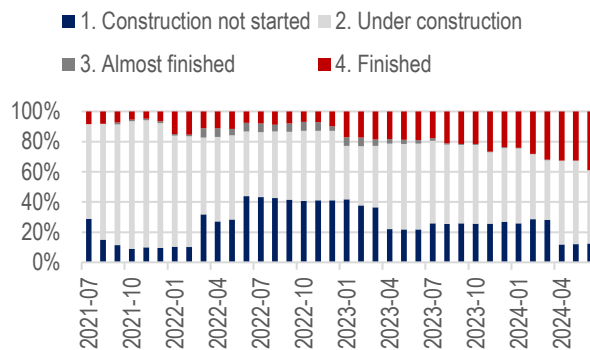
Source: INREAL

### Dynamics of premises transactions in Palanga (units)



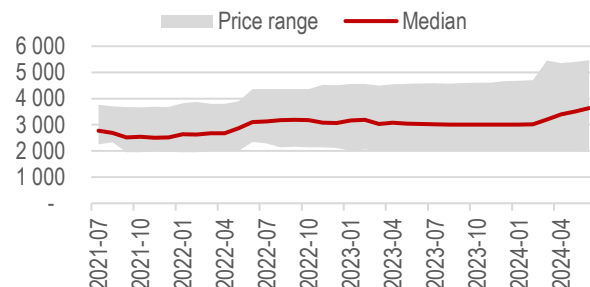
Source: SE Centre of Registers

### Progress of new apartment construction in Palanga



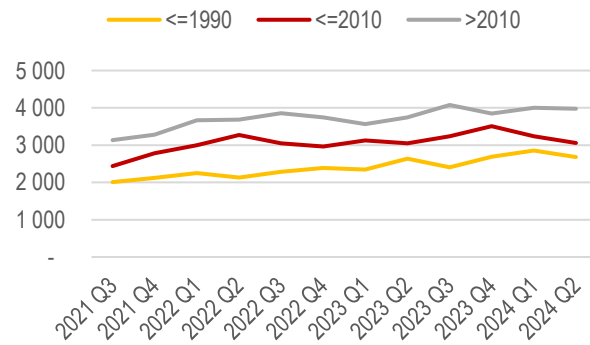
Source: INREAL

### Supply price of partially finished townhouses and houses in Palanga (EUR/sq. m)



Source: INREAL

### Median supply prices of finished apartments in Klaipėda (EUR/sq. m)



Source: INREAL

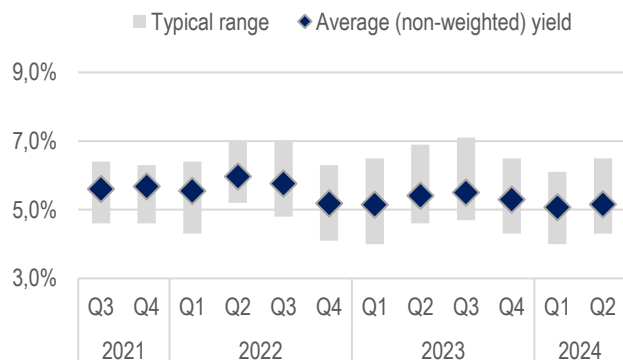
## RENTAL HOUSING MARKET

### VILNIUS

In the first half of 2024, due to seasonality, rental yields in Vilnius decreased from 5.3% to 5.2%. While it is expected that the yield may rise slightly as the rental season begins, it is doubtful that the long-term annual rent-to-price ratio will exceed the 6% mark in the near future. Lower housing loan margins and the start of a base interest rate reduction cycle are likely to encourage residents to decide on purchasing their own homes.

Significant price changes were observed only in the one-room apartment segment, with a 5% increase in the median rent (from 400 to 420 Eur/month). The median rent for two-room apartments decreased slightly (from 613 to 600 Eur/month), while the rent for three-room apartments remained unchanged at 800 Eur/month. There were no notable changes in the structure of supply either. Around 40% of the rental supply consists of Soviet-era housing, just over 30% are apartments built after 2010, about 20% were built between 1990 and 2010, and less than 10% are apartments built before 1940.

#### Residential gross rental income yield in Vilnius



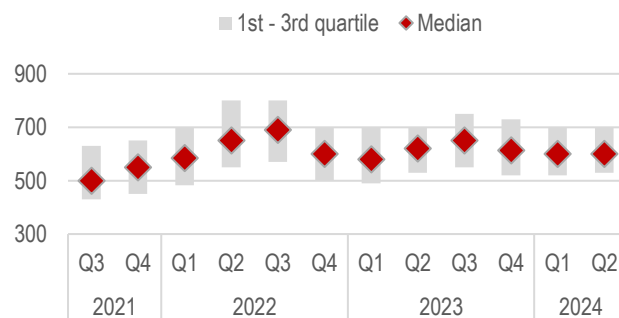
Source: INREAL

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



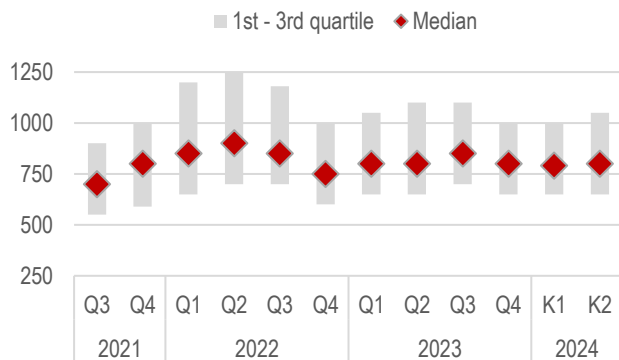
Source: INREAL

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



Source: INREAL

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



Source: INREAL

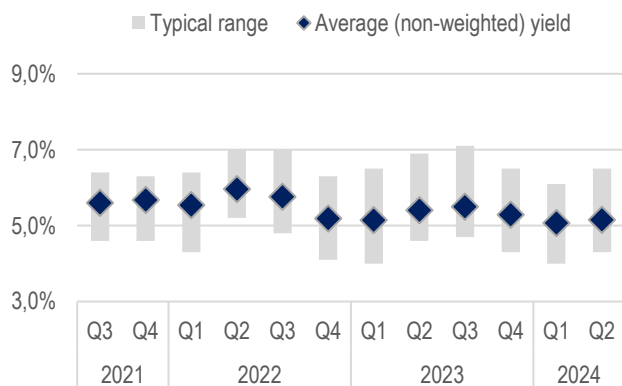
## KAUNAS

Although the long-term trend shows a decrease in rental yields not only in Vilnius but also in Kaunas, the smaller market can lead to short-term fluctuations. The development of the rental market has created a more favorable rent-to-sale price ratio for tenants.

In the first half of 2024, the annual rental yield increased from 5.5% to 5.9%. This change was influenced by a slight rise in rental prices as well as the size of certain rental segments, where larger fluctuations are possible in smaller segments. relatively better housing affordability in Kaunas results in a smaller rental market (with data sample sizes being 3–4 times smaller than in the capital), which limits supply competitiveness and leads to higher yields, encouraging residents to purchase their own homes.

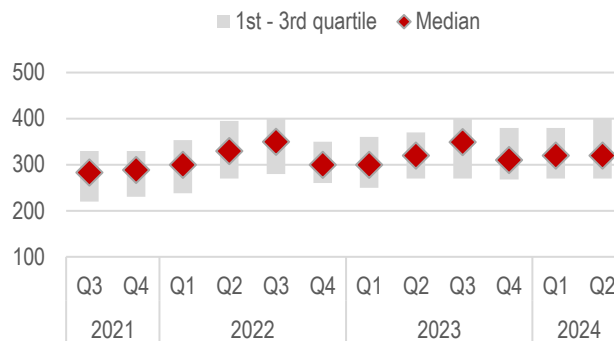
Over the six-month period, Kaunas saw a 3.2% increase in the median rent price for one-room apartments (from 310 to 320 Eur/month). Two-room apartment rents grew by about 4.2% (from 480 to 500 Eur/month), while three-room apartment rents increased by 6.8% (from 590 to 630 Eur/month).

### Residential gross rental income yield in Kaunas



Source: INREAL

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



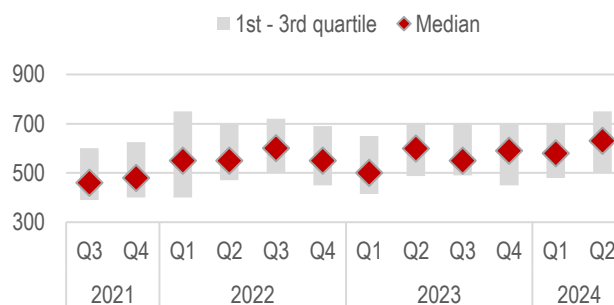
Source: INREAL

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



Source: INREAL

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



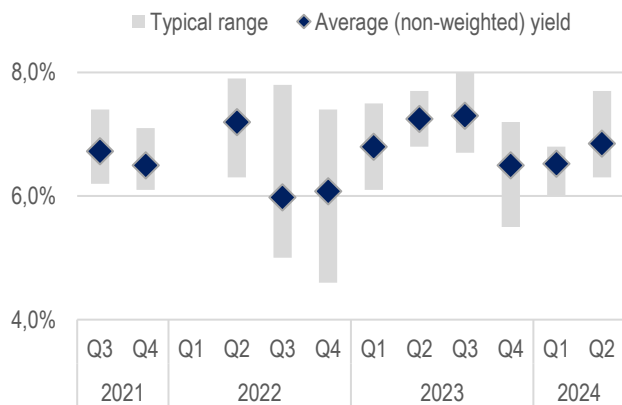
Source: INREAL

## KLAIPĖDA

Relatively stable sale prices and rising rental prices led to an increase in the yield rate in Klaipėda. Over the past six months, the yield rose from 6.5% at the end of 2023 to 6.9% by mid-2024. The reasons for the higher yield are similar to those in Kaunas, but in Klaipėda, less favorable demographic factors also play a role. The long-term decline in population has not created a significant housing shortage, and more affordable housing discourages residents from renting, resulting in a smaller rental segment compared to other major cities, with higher returns (and risks).

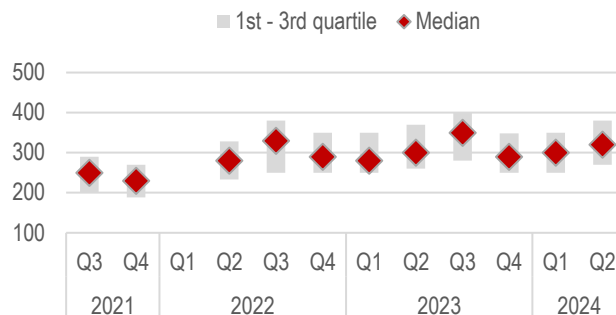
Rental price growth was observed across all segments over the six-month period. One-room apartments saw a 10.3% increase (from 290 to 320 Eur/month), two-room apartments rose by 9.3% (from 430 to 470 Eur/month), and three-room apartments experienced a 16% increase (from 550 to 638 Eur/month). The faster price growth was driven by a sharp drop in rental prices at the end of 2023. The smaller housing market in the port city is characterized by not only seasonal but also monthly fluctuations.

### Residential gross rental income yield in Klaipėda



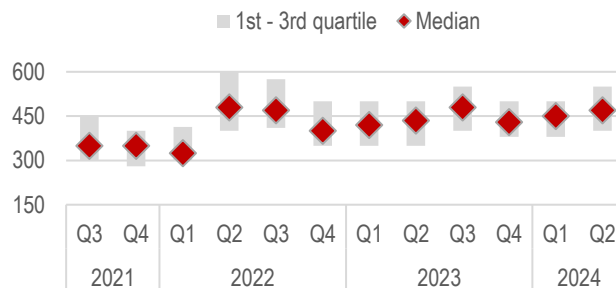
Source: INREAL

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



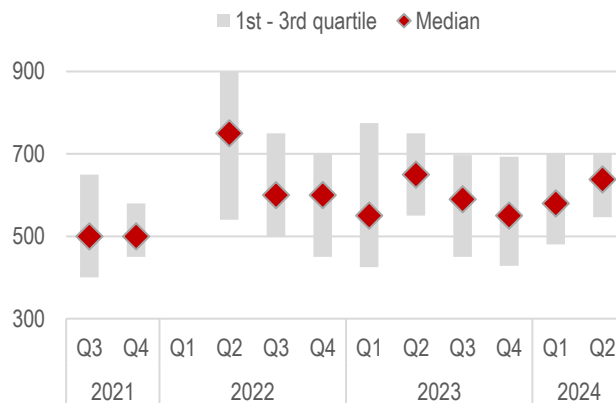
Source: INREAL

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



Source: INREAL

### 3 room apartment rental prices in Klaipėda (Eur/month)



Source: INREAL

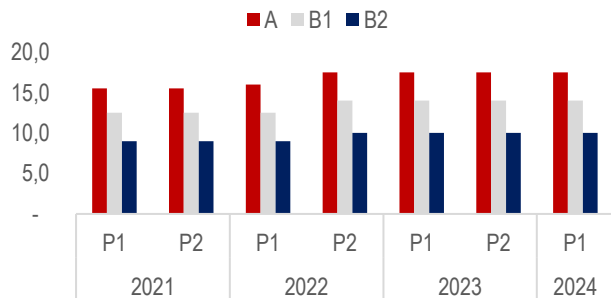
## BUSINESS CENTERS

### VILNIUS BUSINESS CENTERS

In the first half of 2024, Vilnius' office market expanded by approximately 20,000 sqm with the addition of three business centers: "Teltonika," "Vestum," and "Sporto 16 / Premium." Over the next six months, a similar amount of office space is expected to be added with the completion of "Yellowstone" and "Sand Offices" business centers. Additionally, construction began on five new business centers: "Konstitucijos 14A," "Jasinskio 2," "TechZity," "Uptown Park," and new phases of "Business Garden." These developments will bring around 80,000 sqm of new office space to the market. Combined with "Hero" and "Business Garden Central," about 130,000 sqm of new office space will be available in 2025. Another 150,000 sqm is in early development stages and is expected to enter the market in 2026 or later. A significant portion of these planned commercial real estate projects is located in Vilnius' central business district (CBD).

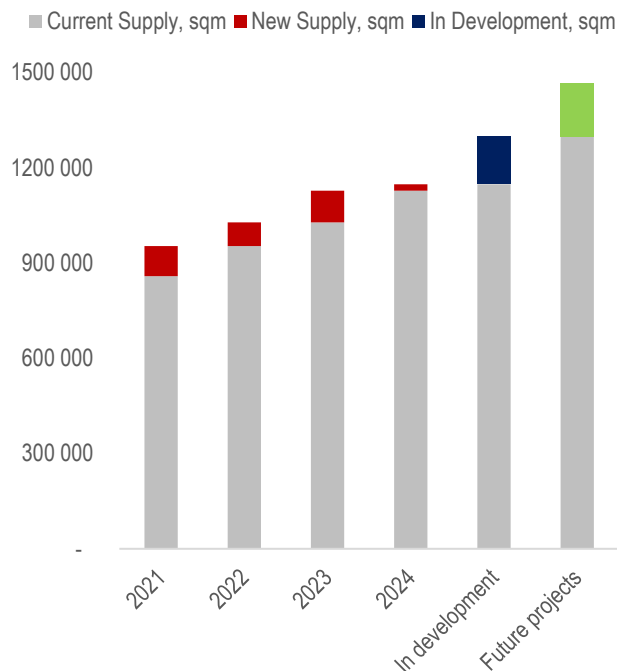
By mid-2024, the vacancy rate in A-class business centers stood at around 6.5%, while B-class centers had a vacancy rate of about 9%. Office rental prices remained relatively stable, with A-class offices ranging from 16 to 20 Eur/sqm, B1-class from 12 to 16 Eur/sqm, and B2-class around 10 Eur/sqm. In a tenant-driven market, renters could expect discounts or other favorable terms during negotiations.

#### Rental prices of business centers in Vilnius



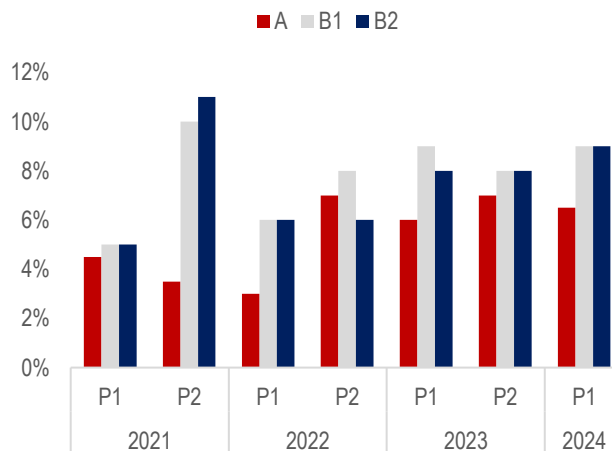
Source: INREAL

#### Development of modern business centers in Vilnius (sq m)



Source: INREAL

#### Vacancy of business centers by class in Vilnius



Source: INREAL

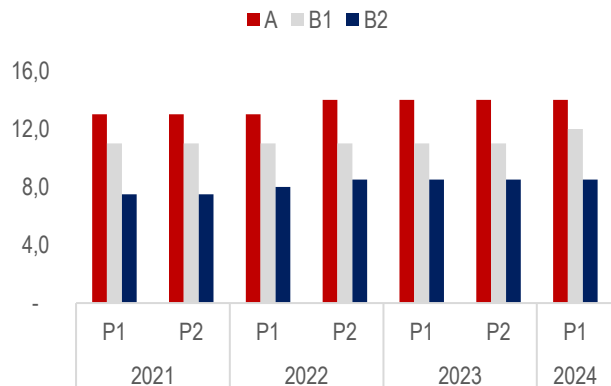
## KAUNAS BUSINESS CENTERS

In recent years, there has been no significant office space development in Kaunas. However, in the first half of 2024, construction began on the "Hermanas" business center in the "Nemunaičiai" district, which will offer over 10,000 sqm of office space. A larger office supply of nearly 40,000 sqm is expected to enter the market only in 2025 or later.

By mid-2024, vacancy rates had decreased in newer, more attractive business centers, while older business centers still offer a slightly larger amount of office space. Vacancy rates in A-class business centers stood at around 3%, in B1-class at around 5%, and in B2-class at about 10%. The low vacancy rates in more modern buildings create opportunities for new office developments and encourage owners of older buildings to consider renovation options.

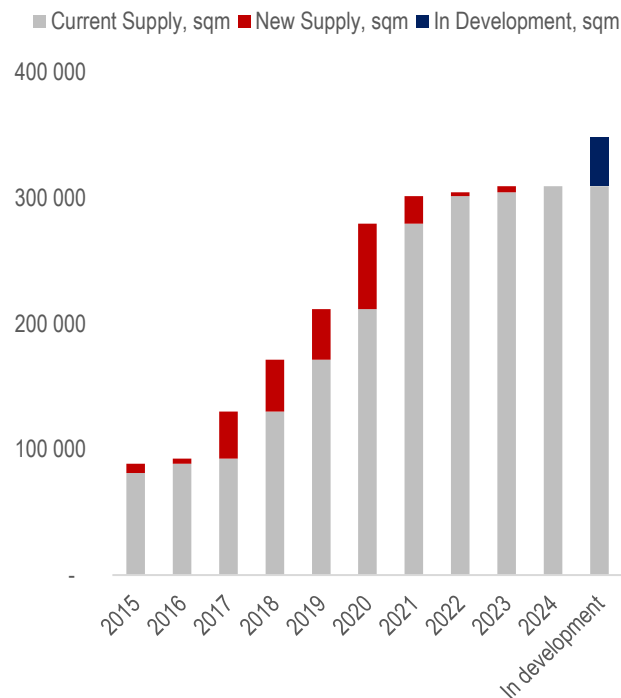
Rental prices in A-class business centers range between 13–17 Eur/sqm, B1-class between 10–14 Eur/sqm, and B2-class around 8–9 Eur/sqm. However, tenants, similar to those in the capital, maintain somewhat more negotiating power.

### Rental prices of business centers in Kaunas



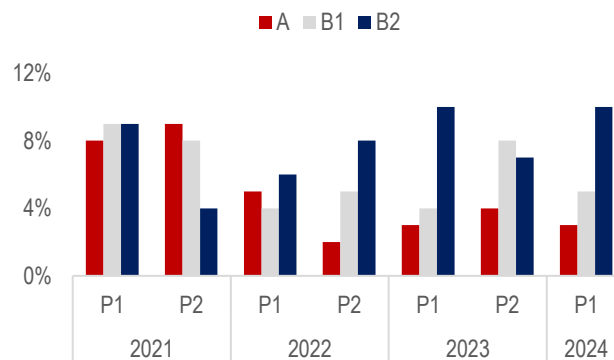
Source: INREAL

### Development of modern business centers in Kaunas (sq m)



Source: INREAL

### Vacancy of business centers by class in Kaunas



Source: INREAL

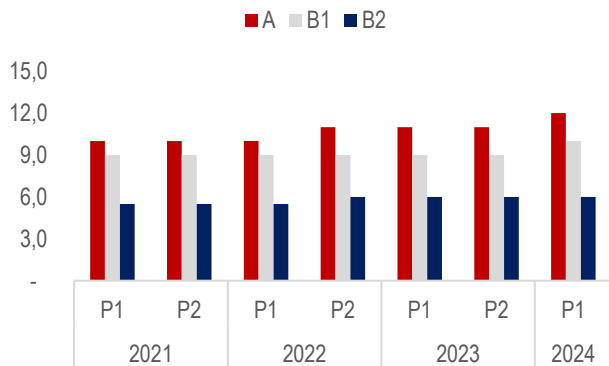
## KLAIPĖDA BUSINESS CENTERS

The development of new business center projects in Klaipėda remains sluggish, though the upcoming openings of the "Memelio Miestas" business center and the "2BYSA" business park are anticipated in the coming years. The "Memelio Miestas" project is one of the most important new developments in the port city, and together with other projects closer to the city center, it is expected to attract more attention from residents and investors, supporting further growth of business spaces in the city.

The slow pace of business center development has contributed to lower vacancy rates, which by mid-2024 stood at about 4% in A-class business centers, 1% in the B1 segment, and around 10% in B2-class buildings. The currently developing projects will serve as a test for the business community's demand for new office spaces in Klaipėda.

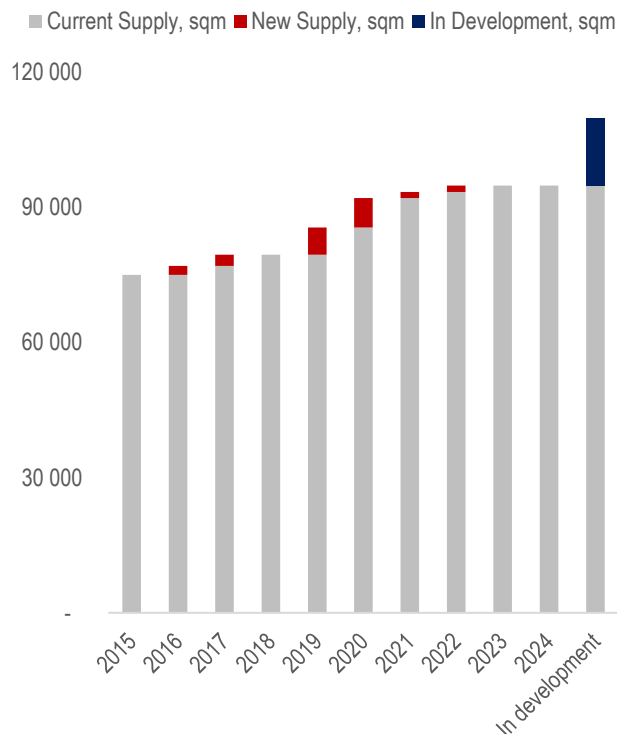
Due to the limited supply of office spaces, prices have slightly increased. By mid-2024, the rental price for A-class offices was around 12 Eur/sqm, B1-class ranged from 9 to 11 Eur/sqm, and B2-class was up to 8 Eur/sqm.

### Rental prices of business centers in Klaipėda



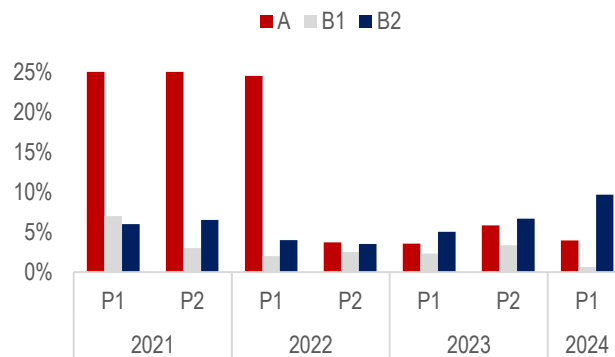
Source: INREAL

### Development of modern business centers in Klaipėda (sq m)



Source: INREAL

### Vacancy of business centers by class in Klaipėda



Source: INREAL



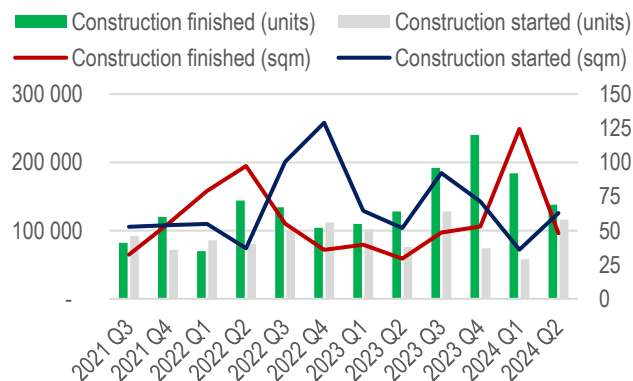
## LOGISTICS CENTRES AND WAREHOUSES

According to data from the State Data Agency, in the first half of 2024, 161 industrial and warehouse buildings were completed, providing 345,300 sqm of space—70.4% more than in the previous half-year (202,700 sqm) and 150% more than a year ago (138,200 sqm). Construction began on 87 buildings, offering 197,500 sqm of space, which is 39.6% less than in the previous half-year (327,000 sqm) and 15% less than in the first half of 2023 (232,400 sqm).

In the first half of 2024, vacancies for industrial and warehouse spaces slightly increased in the major cities and their surrounding areas. By mid-year, the vacancy rate for warehouse spaces in the Vilnius region was 3.5% (compared to 3% six months earlier), around 6% in the Kaunas region (previously 4%), and about 5% in the Klaipėda region (previously 4%).

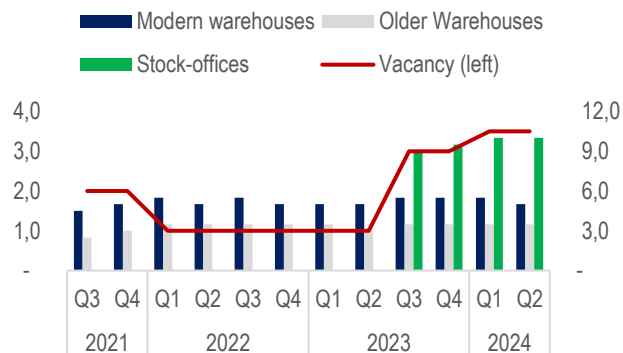
Rental prices for older warehouses ranged from 2.5 to 3.5 Eur/sqm, while in modern logistics centers, rents were 5 to 6 Eur/sqm. The rental prices for retail warehouses ranged from 8 to 12 Eur/sqm.

### Construction of warehouses

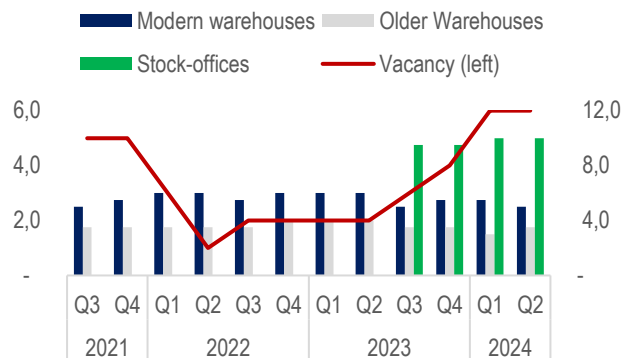


Source: State Data Agency

### Vacancy rate (%) and price (Eur/sqm) for warehouses in Vilnius



### Vacancy rate (%) and price (Eur/sqm) for warehouses in Kaunas



### Vacancy rate (%) and price (Eur/sqm) for 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 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 an assistant lawyer in the Real Estate and Infrastructure practice group. Dainius is studying at Vilnius University, Faculty of Law.*

## **OVERVIEW OF REAL ESTATE LAW CHANGES TO THE LEGAL FRAMEWORK**

In our most recent Annual Overview for 2023, we discussed the amendments that have already been adopted, as well as those that are planned, concerning the Law on Construction and related legal provisions. Could this be considered another reform of construction law? Most likely, yes, as the amendments to the Law on Construction are quite substantial and also impact the design and pre-construction phase of the real estate development process itself. As is often the case with any major change, there are widespread concerns about how this will affect the real estate market.

The first half of 2024 has seen significant legislative focus on construction law, particularly the Law on Construction. Here, we highlight the key changes to the Law on Construction, as well as other related laws or sub-legislative provisions, which we believe are noteworthy and will have an impact on the design and construction process:

## LAW ON CONSTRUCTION AND RELATED LEGAL PROVISIONS

- The amendments to the Law on Construction, introduced in March 2024 and effective as of 1 May 2024, mandate that in order to exercise one's right to build a person must use the land plot not only for the construction of a new building but also for the reconstruction of a building, either on the basis of ownership or on any other basis established by law. Thus, the list of types of construction that require possession of the land plot has been expanded. The legislator has also specified that other construction operations (e.g. renovation, repair, demolition, or changes in the purpose of a structure (or part of it), etc.) will now require the consent of the owner of the land plot (territory) or the trustee of the state land. These changes will significantly increase the involvement of the owners of the land plot (particularly when the owners of the land plot and the structure are different) in the construction process. Given that a considerable portion of land is managed by trustees of the state land, this will undoubtedly lead to an increase in bureaucratic burden;
- The Seimas has returned to the design process, which has undergone significant changes due to the amendments to the Law on Construction and related legal norms that we discussed in our Annual Overview. As a reminder, these amendments divided the design process into two stages: the design proposals stage (involving the detailed composition of design proposals and obtaining a document permitting the construction after their approval) and the technical work design, a rule that applied in all cases. The legislator seems to have reviewed the process once again and introduced further innovations. The amendments to the Law on Construction, set to take effect on 1 November

2024, stipulate that the above mentioned two-stage design process applies only to the design documentation of new construction, reconstruction, overhaul, simple repairs and modernisation of buildings of the appropriate complexity (category), where a document permitting the construction is required. In other cases provided for in the Law on Construction, including cases where the document permitting the construction is not mandatory, the legislator allows for the possibility of a single-stage design process, thereby eliminating the need to prepare design proposals and preliminary draft designs in two stages. This change is expected to streamline the design process for certain structures.

- The amendments to the Law on Construction, set to take effect on 1 November 2024, eliminate the obligation to obtain a document permitting the construction when the purpose of a building or a part of a building (premises) is changed, but the category of purposes for the building or part of the building (premises) remains the same. In other words, if the planned activities after such changes are similar to the previous ones, no document permitting the construction is necessary. The grouping of buildings or parts of buildings is discussed in further detail later in this Overview;
- Failure to conclude a municipal infrastructure development agreement before the issuance of the document permitting the construction (the end of the deadline for checking design proposals), when the builder is obliged to conclude such an agreement in the cases set out in the Law on Development of Municipal Infrastructure, will be an obstacle to obtaining a document permitting the construction. In other words, without concluding a

municipal infrastructure development agreement, a document permitting the construction will not be granted;

We have already mentioned in our 2023 Annual Overview that in order to effectively implement all the amendments to the Law on Construction that will enter into force on 1 November 2024, or earlier this year, corresponding amendments to the relevant sub-legislative provisions are necessary. In this context, we would like to highlight the following amendments, which we believe are of practical relevance to the real estate market:

- The amendments to the Law on Architecture, effective from 1 May this year, have refined the list of criteria for architectural quality, retaining 9 out of 10 (with the criterion for evaluating the *"quality and durability of the construction and the developed environment"* being removed). Nevertheless, many of the remaining quality criteria outlined in Article 11 of the Law on Architecture are still subject to subjective interpretation. In order to standardise such application practices and to enhance their objectivity, it was necessary to develop methods for assessing architectural quality;
- To address this, the Methodology for the Assessment of the Architectural Quality (hereinafter – the **Methodology**), approved by the Minister of the Environment, entered into force on 1 May 2024. The Methodology contains a questionnaire for the assessment of each of the quality criteria provided for in the Law on Architecture. The answers to these questions will be used to determine the extent to which the quality requirements for a given criterion are met. This approach aims to eliminate or at least minimise the potential for subjective assessments of compliance with these criteria;
- The quality of architectural objects is assessed both by regional architectural councils and through architectural tenders. In practice, the criteria outlined in the Law on Architecture are applied inconsistently, causing challenges for market participants and the architects they engage. The Ministry of the Environment believes that the Methodology will establish a clearer and more transparent system for assessing architectural quality, which will be known in advance to everyone involved in the design of structures or in the territorial planning processes. We, along with market participants, hope that this expectation from the Ministry of the Environment will be realised, at least to some extent;
- The Ministry of the Environment has prepared amendments to the description of Special Requirements, including special architectural requirements, and special requirements for the management and protection of protected areas, as well as the description of the procedure for issuing them. [These amendments are set to come into effect on 1 November 2024.](#)
- The amendments to the aforementioned description clarify the cases in which the special requirements are binding, eliminate the need for direct requests for their issuance, and allow requests to be submitted exclusively through electronic means; additionally, the amendments provide detailed guidelines for conducting public consultations, including specific deadlines, and remove the obligation to submit design proposals, as the special requirements will now be issued prior to the preparation of such proposals. With the procedure for approving design proposals being discontinued, the disapproval of design proposals will no longer serve as a basis for not issuing specific requirements;

- Please note that from now on, the special requirements will be mandatory whenever a document permitting the construction is required, construction operations are planned, and one of the following circumstances is met: (i) the structure is included in the list of buildings of public importance; (ii) in situations outlined in Article 20 of the Law on Territorial Planning, where no documents of local-level territorial planning have been prepared and the construction is permitted on the specific land plot; (iii) upon the builder's request. Thus, in the two cases mentioned, the specific requirements will be binding regardless of the builder's preferences.

#### Other innovations

- **The Minister for the Environment adopts a new [Technical Construction Regulation](#) on the requirements for the construction of covers and shelters.**
  - The new Technical Construction Regulation, titled "Requirements for the Design and Installation of Shelters, Collective Protection Structures and Covers", lays down rules defining the buildings in which shelters must be installed, specifying the required shelter area and the level of security to be provided, and also outlines the construction and engineering criteria for shelters and collective protection structures.
  - The Technical Construction Regulation stipulates that a shelter room must be included in any public-use building (excluding religious buildings) that can accommodate more than 100 people at a time, as well as in high-rise residential buildings with more than 5 storeys.
  - Where no shelter space is provided in the underground parts of these structures or in the structures

themselves, the shelter must be designed as a structure, engineering installation or other object adjacent to the said structures.

- **[Amendments to the regulations of the Real Estate Register](#)**, approved by a Government Decree and effective as of 3 June 2024. The key change introduced by this amendment is that, following the registration of a territory, entries in the Real Estate Register in respect of the land plots within that territory are only made if the area of the land plot within that territory is equal to or greater than 1 square metre.
- The Government also approved [amendments to the regulations of the Cadastre of Real Estate](#), expanding the scope of natural and legal persons authorised to initiate cadastral measurements of land plots, as well as the revision of and amendments to cadastral data. From now on, cadastral measurements of a land plot and the revision of cadastral data may be initiated by the builder in whose name the document permitting the construction has been issued. Please note that, until now, only the owner of the land plot had the right to initiate these actions. This can be seen as a significant change as it eliminates the need for additional formalities, such as obtaining the landowner's authorisations and signatures. The interests of the landowner or land manager remain protected, as their consent is still required for the approval of design documentation and for obtaining the document permitting the construction.
- **A new version of Technical Construction Regulation STR 1.01.03:2017, titled "Classification of Structures and Premises" has been approved by order of the Minister of the Environment, with minor exceptions,**

**with effect from 15 June 2024.** Several significant changes have been introduced: limitations on the division of property into separate units, a requirement for the land purpose to align with the building's purpose, an increase in the main purpose of use, and the introduction of a definition for mixed-use buildings. The new version of the Regulation has been adopted, incorporating these substantive changes and innovations:

- A long-standing practical problem is the mismatch between the purpose of buildings and parts of buildings (premises) and the purpose of the land plot. With the adoption of the new version of the Regulation, the list of buildings and parts of buildings (premises) has been clarified / a substantially new list has been proposed to ensure that it aligns with the method of use of the land as provided for in the territorial planning documents.
- Buildings will be categorised into types (residential and non-residential buildings), with each building type further divided into building purpose groups (e.g. non-residential buildings into commercial, administrative, etc.), and these building purpose groups into purposes of buildings. The same classification system will apply to premises. The classification of buildings into exceptional, non-exceptional, or simple structures is referred to as building categories. Engineering structures will also be classified into groups and sub-groups based on their intended use.
- In response to certain market practices, the Ministry of the Environment has introduced a ban on subdividing buildings designated for public recreation, as well as ancillary farm buildings, detached or semi-detached houses, and other similar buildings. This measure aims to prevent the relatively common misuse of such properties.
- The distinction between mixed-use and single-use buildings is another innovation introduced in the Regulation. Then, if multiple methods of use are identified for a land plot, the building on that plot may be classified as a mixed-use building, with the requirement that the purposes of the premises contained therein align with the existing or potential land use purposes.
- Please note that where a building comprises premises with more than one purpose of use, which are either already formed or intended to be formed separately as Real Estate Cadastral Objects, the building type will first be determined by the maximum aggregate gross floor area of the individual room types. After establishing the building type through this method, the primary purpose of use for the building will then be determined by the maximum gross floor area corresponding to the specific purposes of use assigned to that building type.
- According to the current legislation, the purpose of a building is determined by the purpose of use of 51% of its premises. However, with the amendments coming into effect on 1 November 2024, this threshold will be raised to 80%. Thus, if, for example, a multi-apartment building is designed to include commercial premises on the ground floor, there is a strong likelihood that the building will have to be designed and constructed as a mixed-use building. A mixed-use building on a plot of land is only feasible if multiple purposes of use (appropriate for such a building) are designated for the land plot.
- The Ministry of the Environment continues its efforts to prevent the development of so-called horizontal multi-apartment houses. The said Regulation clarifies the concept of semi-detached buildings by requiring that such buildings must have a dedicated land plot or a

portion of a land plot for their use and that they must possess all the elements necessary for each unit to function independently. It should be noted that, in practice, it is not uncommon to encounter situations where buildings, although de jure separate, are in fact highly interdependent and lack the essential elements needed for independent operation.

## CASE LAW

### Concerning the legal rules governing the lease of state-owned land without an auction procedure. Ruling of the Supreme Court of Lithuania in civil case No [e3K-3-83-701/2024](#)

- It should be noted that the mere theoretical possibility of operating a structure is not sufficient to qualify for a preferential lease of the state-owned land plot on which the structure is located. A person's right to lease or purchase a state-owned land plot is contingent upon its actual use for the intended purpose—specifically, for the operation of existing permanent structures or installations. It is obvious that the objectives of the existing legal regulation would not be met by a situation where a state-owned land plot would be leased on preferential terms not for the purpose of operating the structures located on the state-owned land in accordance with their direct purpose as recorded in the Real Estate Cadastre, but rather for the purpose of constructing new structures on the site of these structures or for carrying out other activities permitted on the land plot, which are unrelated to the operation of the existing structures.
- The court of cassation, interpreting the provisions of the Law on Construction and the sub-legislative legal acts governing construction, has clarified that if a building has not been completely collapsed, destroyed, or demolished, it can be restored either in whole or in part through one of two construction methods: (1) reconstruction or (2) overhaul. Therefore, when a structure is dilapidated, only repair and reconstruction activities, rather than new construction, are considered as using the structure for its intended purpose under Article 9(6)(1) of the Law on Land.

- The court of cassation has noted that the court should not formally rely on the data of the Real Estate Register regarding the condition of buildings but should evaluate the accuracy and validity of this data (the data of the Register) when resolving disputes concerning the right to use the preferential lease regime for state-owned land. In assessing whether the disputed structures are dilapidated, the case law of the court of cassation should be taken into account, according to which a structure is deemed extinct—and thus subject to deregistration, along with any associated rights in rem—only after it has been established that the structure has completely collapsed, been destroyed, or demolished, i.e. meaning that no parts of the structure are left or that only the load-bearing elements below ground level (the underground structure, i.e. in the case of a structure where all or most of the parts of the structure were located below the surface of the ground, where all of the load-bearing structures of the structure have disappeared) are left, except where the demolition of the structure or parts of it occurs as part of its reconstruction or overhaul.

**Concerning the legal consequences of unlawful construction, acquisitive prescription. Ruling of the Supreme Court of Lithuania in civil case No [e3K-3-106-701/2024](#)**

- If a structure was built or is being constructed without complying with the requirements established by legal norms, it cannot be an object of civil circulation, and consequently it cannot be an object of property right, and the builder does not have the right to use, dispose of such a structure (to sell it, donate it, lease it, etc.) (Civil Code, Art. 4.103(1)). As a result, a building can only qualify as an object of property law if it has been lawfully constructed.

The court of cassation has held that a building can only become the object of a right of ownership or possession if its construction has been carried out in accordance with the procedure laid down by law; the unlawful creation of an object cannot give rise to any property rights. When seeking to establish the fact of acquisition of ownership rights through acquisitive prescription for an immovable object that has been created through construction, the rules of acquisitive prescription for acquiring ownership of an immovable object can only be applied if it is determined that the object was created in compliance with the procedures outlined in the construction legislation.

**Concerning the necessity of establishing a compulsory easement. Ruling of the Supreme Court of Lithuania in civil case No [e3K-3-105-701/2024](#)**

- The fact of perimeter housing development shall not in itself be regarded as justifying the necessity of establishing a land easement for the maintenance/operation of a building and, in the case of such development, the claimant requesting the establishment of a land easement for the maintenance/operation of a building shall bear the burden of proving that there are no other alternative means of satisfying the needs for normal use of its property or that this is impossible without disproportionate costs. The conclusion that the mere fact that Building 1, acquired by the claimants, is built on the boundary of the plot, in accordance with the principle of perimeter housing development, does not relieve the claimants of the burden of proving that the easement which they seek to establish is objectively necessary.
- The claimants are seeking the establishment of an easement not due to the need to service the façade of the



Buildings, but specifically for the repair works they intend to carry out. The works planned by the claimants (overhaul and other maintenance operations on the Buildings) are short-term, and easements are not established for short-term, one-off operations, the establishment of an easement is a last resort and can only be granted by a court decision when it is deemed objectively necessary, which has not been demonstrated in this case. Furthermore, the fact that the portion of the land plot for which the easement is sought is deserted, unmaintained, and littered with tree branches and other debris is irrelevant to the decision on establishing an easement.

**Concerning the transfer of rights and obligations of a buyer of agricultural land. Ruling of the Supreme Court of Lithuania in civil case No [e3K-3-98-403/2024](#)**

- The court of cassation has stated that an entity seeking to have the rights and obligations of the buyer under a sale and purchase transaction transferred to it (in a case where its right of first refusal to acquire a plot of agricultural land plot has been infringed) may not at the same time seek to modify the terms and conditions of the sale and purchase transaction, e.g. by seeking to reduce the purchase price. A person's request to transfer to him the rights and obligations of the buyer of an object is a request to be recognised as the owner of the object and to be charged (agree to pay) the price of that object. Therefore, in the absence of a request from a person to be recognised as the owner of the object to which the transfer of the rights and obligations of the buyer is sought or in the absence of a request to be charged (or to agree to pay) the price of that object, the request for the transfer of the rights and obligations of the buyer cannot be granted.

**Concerning compensation for damages arising from pre-contractual relations. Ruling of the Supreme Court of Lithuania in civil case No [e3K-117-781/2024](#)**

- In the light of the findings of the courts which heard the case, it must be concluded that the courts were justified in finding that the defendant had acted in bad faith in not concluding the main contract of sale and purchase, considering that the defendant had committed a material breach of the preliminary contract, since the obligation to sell to the buyer (the plaintiff) the apartment, which was 85% complete, was to be sold to the buyer (the plaintiff), while, on the date of the preliminary contract of 30 June 2022, it had a completion rate of only 56%, and that, therefore, the main contract could not be concluded. In the present case, therefore, there is a legal basis for the defendant's civil liability on the basis of Article 6.165(4) of the Civil Code, since there was an unjustified avoidance or refusal by a party to the preliminary agreement (the defendant) to conclude the main contract.
- The court of cassation has recalled its interpretation that in the event of non-performance of a preliminary contract, the injured party acting in good faith may be compensated for the direct costs of the negotiations and, taking into account all the facts, for the monetary value of the lost opportunity. The monetary value of the lost opportunity due to the non-performance of the preliminary contract can only be compensated on the basis of the principle of price differential if all the following circumstances are established: (1) the guilty party unreasonably refused (avoided) to conclude the main contract; (2) there is a causal link between the unlawful conduct of the guilty party and the loss suffered by the injured party; (3) the injured party, because of its reliance on the dishonest party, has given up a realistic opportunity to conclude the contract with

the third party; (4) the failure of negotiations within a reasonable period, caused due to the fault of the dishonest party, has led to the conclusion of the replacement main contract.

**Concerning the obligation of a person to pay state land tax in the absence of a state-owned land lease agreement. Ruling of the Supreme Court of Lithuania in civil case No [e3K-3-14-403/2024](#)**

- The court of cassation ruled that the fact that the plot of state-owned land, which is essential for the proper operation of the defendant's buildings, had not been formed and registered in the Real Estate Register did not affect the obligation of the defendant, as the user of the state-owned land, to pay the state land lease fee, nor did it nullify this obligation.
- It is also pointed out that the fact that unfinished buildings are not used for their intended purpose does not relieve the user of the obligation to pay rent for the land occupied by his buildings. Whether or not the defendant actually operated the buildings in question for their intended purpose during the period at issue is irrelevant, since, in any event, the defendant, being the owner of those buildings, is to be regarded as the user of the state-owned land required for their operation.
- The Panel of Judges, having regard to the factual findings of the courts that heard the case and based on the presented arguments, held that the defendant, as a user of state-owned land, is obligated to pay rent for state land, even in the absence of a lease contract for state-owned land.

**Concerning the termination of a fixed-term land lease contract without the parties agreeing on a change in the amount of land rent. Ruling of the Supreme Court of Lithuania in civil case No [e3K-3-7-684/2024](#)**

- The Panel of Judges held that where the parties to a private land lease contract have agreed on a specific amount of rent (*with provisions allowing for recalculation of rent every two years*), and the lessor seeks to change this rent amount but the parties do not agree on a change of this condition in the lease contract, and in the absence of any other material breaches of the contract, the lessor does not have any justification for resorting to the *ultima ratio (last resort measure)* of terminating the lease contract unilaterally.
- The Panel of Judges held that, first, the amount of the land rent is not an essential term of a private land lease contract. Second, the courts of first and appellate instance did not identify any other circumstances that would constitute a material breach of the lease contract, which could justify its termination. Therefore, the Panel of Judges found that, in the absence of a (material) breach of the lease contract, the courts of first and appellate instance had no lawful basis to terminate the lease contract and that, by doing so, they violated the principle of *favor contractus* (prioritising the validity of the contract).



**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.*

The dawn of 2024 unfolded as a time when developers, driven by boldness, creativity, and ambition, set out on a quest for daring new solutions.

With the residential real estate market still sluggish, buyers may be drawn to unique prestigious properties, extraordinary locations, such as in Nida, or large-scale projects with significant growth potential. In the capital, we continue to see the "post-pandemic fruits" in the form of hotel conversions. It appears that, even during times of high deposit interest rates, the demand for investment property remains.

## **RESIDENTIAL BUILDING PROJECTS (OR THEIR PHASES) INITIATED IN THE FIRST HALF OF 2024**

### **VILNIUS**

- **Jorai**

The project by "Rewo" – a 4-story, 129-apartment building located at the intersection of the Visoriai and Bajorai neighborhoods, on Mokslininkų Street, near a forest park. The apartments range in size from 22 to 91 sqm, with a long-lasting exterior finish of clinker tiles and structural plaster.



*Jorai @ Rewo*

The building will be A++ energy efficiency rated, with completion expected by the end of 2025.

- **Forest gate**



Forest gate @ Bonava

The project by "Bonava" includes two A++ energy efficiency apartment buildings in the Fabijoniškės neighborhood, near a forest park. Currently, 101 apartments (ranging from 1.5 to 3 rooms, with sizes between 29.81 and 65.58 sqm) are under construction. The average price is 3,450 Eur/sqm. The development will include 77 underground parking spaces and storage rooms, along with a bicycle storage facility. Completion is planned for the end of 2025.

- **Corner**



Corner @ Reefo

The "Reefo" developer offers a hybrid accommodation model in Naujamiestis. Formerly the "Corner Hotel," the property on T. Ševčenkos Street has been repurposed and now offers 150 residences, starting at 58,300 Eur for units as small as 15 sqm.

According to the developer, the projected annual return on investment is 10.4%, after management and utility costs.

- **OFF!**

The 250-apartment and loft project on Smolensko Street 5 in Naujamiestis, developed by KAITA group, began in Q2 2024. The offering includes lofts ranging from 25 to 108 sqm and 1- to 5-room apartments ranging from 22 to 79 sqm, with ceiling heights of 4.75 meters. Prices range from 1,700 to 2,500 Eur/sqm.



OFF @ KAITA Group

The "OFF!" project is a closed A+ energy efficiency complex featuring clinker tiles and green facades. Two floors are dedicated to private parking spaces and bicycle storage. A rooftop terrace with relaxation and community zones will be created for residents.

## Žygimantų 12

In early 2024, "RE Excellence" began developing a 9,100 sqm residential building at Žygimantų Street 12 in central Vilnius. This modern architectural A+ energy efficiency building is located in a unique spot along the Neris River, near the Žalasis Bridge. The planned investment for the project is 28 million euros.



Žygimantų 12 @ RE Excellence

The "Žygimantų 12" project includes 54 apartments ranging from 3 to 5 rooms, with sizes between 39 and 250 sqm. The developer offers the possibility of combining units. The apartments will feature high ceilings of 4.2 meters, and private courtyards, terraces, and balconies are also planned. The average price is 8,750 Eur/sqm. Designed by the "AKG" architectural team, the project aims for BREEAM certification and is expected to be completed by the end of 2025.

### ▪ Monopolio namai

The "Ka29" residential project, developed in the rapidly expanding Naujininkai district at Kaminkelio Street 29, consists of a six-story building with 105 apartments. The units range from 2 to 3 rooms, with sizes between 29 and 65 sqm. Each

apartment will be equipped with a ventilation (recuperation) system and fireplaces. The average price is 3,150 Eur/sqm. The building's sections are named after "Monopoly" game properties: "Park Place," "Pennsylvania Ave.," and "Indiana Ave." The project is expected to be completed by the end of 2024.



Monopolio namai @ Ka29

### ▪ Kerų kerai (III stage)



Kerų kerai (III stage– Paparčio žiedas) @ INREAL group

The "Kerų kerai" (Phase III – "Paparčio žiedas") project in Vilnius' Burbiškės Forest, located at Bartų Street 2 (formerly Bartų Street 11), is being developed by INREAL group as part

of the continued expansion of the "Kerų kerai" residential complex. The development consists of 71 two- to five-room apartments across four low-rise buildings. The project features an A+ energy efficiency rating, underfloor gas heating and clinker tiles facades. Emphasis is placed on safety, well-designed shared spaces, and practical and comfortable apartment layouts.

The 3.1-hectare area includes parking spaces, facilities for bicycles and electric vehicles, children's playgrounds, and a community gathering area. The development also features a newly constructed road, water supply, sewage, and all necessary infrastructure connections.

## KAUNAS

### ▪ Šancai

In Q2 2024, the developer "Ažuolo projektai" began a new project in Šančiai, at A. Juozapavičiaus Avenue 17B, on the site of a demolished, abandoned swimming pool. The project consists of two 5-story buildings with 63 apartments, ranging from 2 to 4 rooms and 33 to 89 sqm in size. Prices range from 100,350 to 258,071 euros.



Šancai @ Ažuolo Projektai

The project's architects and co-authors are Neringa Sobeščukaitė, Gabrielė Ibėnaitė, and Tomas Kuleša. The

developers of the "Šančiai" project have completed several other projects in Kaunas. The construction is scheduled to be completed by Q3-Q4 2025.

### ▪ Batumis

The Kaunas real estate developer "Norvegijos kontaktai" is developing a project at V. Krėvės Avenue 20B. The 9-story, A++ energy-efficient residential building will feature 87 apartments, ranging from 2 to 4 rooms and 32 to 74 sqm in size. Each apartment will have its own private balcony-loggia and a designated parking space. Buyers can choose between full or partial finishing options. The project is scheduled for completion in Q1 2025.



Batumis @ Norvegijos kontaktai

## KLAIPĖDA

### ▪ Kolibris by GV House

The real estate development company "GV House" has started developing the "Kolibris" A+ energy-efficient apartment building in Klaipėda's central area, in the Žvejybos Uostas district, at Sulupės Street 3A. The 3-story building will contain 12 identical 3-room apartments. Parking spaces and storage

rooms are also included. Apartment prices range from 115,000 to 120,000 euros.



*Kolibris by GVHouse @ GV House*

The building will feature a solar power plant for shared needs and lighting, along with facilities for electric vehicle charging. The facade will be covered in clinker tiles, and the territory will be fenced. The construction is scheduled to be completed by Q2 2025.

## **NIDA**

### **▪ Nidos bangos by Citus (I etapas)**

The leisure-oriented project near the Curonian Lagoon is being developed by "Citus," offering 40 one- and two-room apartments in the first construction phase. The apartments are sold fully furnished, with kitchens equipped with a refrigerator, sink, and stovetop. The average price is 8,300 Eur/sqm, and the total project area is 3,659 sqm. The project will include a smart heating and cooling system with individual meters. Buyers will also have the option to rent out their apartments during vacant periods through professional rental management

services. The complex will feature a spa center and a restaurant. The first phase of construction is scheduled to be completed in 2025.



*Nidos bangos by Citus (I etapas) @ Citus*

## LARGE VOLUME DEVELOPMENT OF TERRITORIES STARTED FOR IMPLEMENTATION IN THE FIRST HALF OF 2024

### SVENCELĖ (KLAIPĖDOS RAJ.)

#### ▪ Vėjo miestelis (I etapas)

The unique real estate project "Vėjo miestelis" is being developed by "SBA Urban" in Svencelė, Klaipėda district, on a 36-hectare site near the Curonian Lagoon. Designed for living and active leisure, it is one of the largest investments in the coastal region, amounting to over 80 million euros. In the first phase, 25 individual A++ energy class two-story homes will be built, ranging from 53 to 94 sqm. Buyers will have the option of purchasing homes with partial or full finishes, with prices starting at 4,600 Eur/sqm. Alongside the residential area, public infrastructure will be developed, including parks, green spaces, tennis and basketball courts, and sailing and kitesurfing schools. Commercial spaces will host cafes, shops, and stores specializing in wind and water sports equipment. The project will be developed in five phases, with completion expected by 2031. The second phase will offer 36 more homes, and later stages will fulfill the "city within a city" concept. The first phase is expected to be completed by Q2 2025.



Vėjo miestelis @ SBA Urban

### VILNIUS

#### ▪ Launagai

The "Launagai" real estate project by "Darnu Group" is planned for the southern part of Vilnius, between Eišiškių Road and P. Joniko Street. The project covers a 71-hectare area and will include around 5,500 homes, accommodating 13,000–15,000 residents and 7,000 workers. Investments in the project are expected to exceed 1 billion euros, making it the largest real estate project since Lithuania's independence. The first phase is scheduled to begin in 2026, during which more than 70,000 sqm of residential buildings (about 1,200 homes) and 17,000 sqm of commercial and public buildings, including two kindergartens, will be constructed.

In "Launagai," public and green spaces accessible to everyone will cover 50% of the total area. These will include parks, water features, green alleys, plazas, and children's playgrounds. The educational infrastructure will feature a public school, kindergartens, and after-school activities. The project will also include shops, cafes, restaurants, pharmacies, beauty salons, healthcare facilities, a cinema, fitness clubs, a veterinary clinic, and SPA centers. The transportation infrastructure will encompass 8.25 km of new roads, 4.2 km of pedestrian paths, and 2.2 km of bicycle paths.



Launagai @ Darnu Group



## PUBLIC INFRASTRUCTURE PROJECTS INITIATED IN THE FIRST HALF OF 2024

### ▪ Marina Nida

A construction permit has been issued for the "Marina Nida" multifunctional hotel complex project in the center of Nida. The investment in the complex and the renovation of the surrounding city infrastructure is estimated to reach around 35 million euros.

The "Marina Nida" hotel complex will feature up to 50 hotel rooms and leisure apartments, ranging in size from 35 to 150 square meters. A shopping passage is planned to connect the town center with the lagoon. The ground floors will house more than 2,000 square meters of space for restaurants, cafes, shops, bakeries, and various medical, wellness, and other services. A nearly fully underground parking garage is planned, offering facilities for servicing, bicycle storage, electric vehicle charging, and other amenities.





*Marina Nida @ Marina Nida*

The project also includes the renovation of the Nida marina, adding over 100 berths for sailboats, yachts, passenger, historical, and fishing boats, as well as necessary marina infrastructure, and upgrading the quays and piers. The developers have committed to building a street segment and a square for public events, recreation, and outdoor exhibitions adjacent to the complex. The project is expected to be completed by early 2027.

## 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.

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### 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 "Best Law 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.

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### 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.

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