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MARKET REPORT:
REAL ESTATE TRENDS
Q1 2014

Nordea 

RAIDLA LEJINS & NORCOUS

CONTENTS

SUMMARY OF LITHUANIA'S ECONOMY AND RE MARKET REPORT Q1 2014.....	3
LITHUANIA'S ECONOMY REPORT	5
HOUSING MARKET REPORT	7
Housing market in Vilnius.....	7
Housing market in Kaunas.....	10
Housing market in Klaipeda	12
Housing market in Palanga and Neringa	14
BUSINESS CENTRE MARKET REVIEW	15
SHOPPING CENTRE MARKET REVIEW	19
LOGISTIC CENTRE MARKET REVIEW.....	21
AUTHORS	26
ABOUT COMPANIES / CONTACTS	27

SUMMARY OF LITHUANIA'S ECONOMY AND RE MARKET REPORT Q1 2014

In April 2014, household expectation index was higher than in April, 2013, and, practically, at the same level as in 2004, i.e., before Lithuania's accession to the European Union. Businesses remained moderately optimistic as well: expectations of services and industry stayed virtually unchanged in the first quarter of 2014, while the ones of the construction sector – grew up and became the best ones since the beginning of economic crisis in 2008. Thus, the growing uncertainty about the prospects for Russia's economy can be stated, at least, not has had a negative impact on expectations of Lithuanian households and businesses yet.

Upon the slowing down growth of Lithuanian exports, domestic sales growth is becoming a key engine of Lithuania's economic growth. Export volumes ceased to grow in Lithuania in autumn 2013, that, however, was influenced by certain one-time factors. First, the oil exports have rapidly shrunk due to the reduced production capacity of largest Lithuanian exporter "Orlen Lietuva" (after eliminating the impact of the company, the total exports growth remains positive). Second, grain exports are significantly lower than last year due to the decreased purchase prices and poorer crop. Third, the growth of exports to Russia, which had reached approx. 25 percent in 2011 and 2012, has stopped due to the slowdown of Russia's economy, the decreasing Rouble exchange rate, as well as certain administrative and political barriers to the exports.

Russia is the largest trading partner of Lithuania, where to 19.8 percent of all goods were exported through the year of 2013 (4.9 billion of 24.5 billion Euro). The vast majority of exports (85 percent), actually, consist of re-exports of Western goods (4.2 billion Euro) to the East, i.e., to Russia and other CIS countries. Excluding the re-exports, the direct exports to Russia amount to 2.9 percent of Lithuanian goods only. Thus, the potential trade problems with Russia would not significantly affect Lithuanian manufacturers. However, the transport sector businesses would face the problems much tougher.

Housing market transaction growth rates, consumers' expectations and actions, rising prices are pointing to the new

boom in the real estate segment. During the first quarter of 2014, there were 2,620 apartment purchase and sale transactions concluded in Vilnius – by 51.2 percent more than during the same period in 2013. Developers sold about 1,060 new apartments within the capital during the quarter – as much as by 2.4 times more than during the same period in 2013. If the current transaction rates persist, more than 4,000 new construction apartments can be sold this year – by two-thirds more than in 2013 and much the same as during the previous peak period. Meanwhile, about 3,000 apartments were planned to offer this year – by one-third more than in 2013, yet, would be obviously not enough. The level of newly constructed, but still not sold apartments in Vilnius is rapidly decreasing – during the first three months of this year, it shrank from approx. 1,165 to 635, thus, the supply is dominated by drawing-based apartments. Upon the following intensification of the real estate market, the majority of transactions will be carried out drawing-based, which allows real estate prices to grow. The total rate of new construction apartment prices in Vilnius was approx. 5,373 LTL/sq. m at the end of the quarter and increased by about 8.7 percent during the year. Price growth in the new construction segment stimulates the secondary market sellers' expectations of getting 10-20 percent higher price than 6-12 months ago. If such trends persist, it is realistic to expect that the capital's real estate prices may rise, on average, by 10-15 percent during 2014, subject to a segment and a year of construction.

An increasing activity of markets has been yet observed in major cities as well as second-home markets – the number of transactions and sellers' price expectations are growing, while the overall average market price remains stable.

The commercial segment's sentiment is also improving. The business centre market in Vilnius is going through a renaissance – 6 modern business centres (73,500 sq. m of leased area) are being constructed; construction of several more ones will commence in the near future. After 5-year break, a business centre for lease was started to build in Kaunas. Vacancies in all cities continued to decline; there appear more assumptions to increase a lease price.

At the beginning of 2014, retail trade continued to grow in Lithuania. Growing domestic consumption and persistent minimum vacancies create a favourable investment environment in the supermarket segment – in all the major

cities of the country, new real estate projects are being developed or planned to (at least 6 large shopping centres, a total of about 88,200 sq. m).

Performance of Lithuanian industrial sector, that had slowed down at the end of 2013, was also observed at the beginning of 2014, nevertheless, it should be noted that the industrial sector's representatives are more and more optimistic about the business prospects for the near future. An investment in the development of domestic logistics centres, that had increased in 2013, was still observed in cities – at least 4 modern logistic centres for rent (about 52,000 sq. m) and at least 8 built-to-suit modern warehouses are being constructed or planned to.

Whereas the real estate (RE) market recovers, there grows the number of both residential and commercial premises under construction, thus, transactions on RE under construction between buyers and sellers, who conclude corresponding contracts before the completion of RE construction, are quite a relevant issue recently.

Contrary to the acquisition of completed RE, a buyer has no opportunity to inspect or evaluate a property – the one can see the future outcome in the design documentation only. So, one of the most relevant risks faced by the buyer – whether the RE under construction upon entering into the contract will meet the buyer's expectations and be high-quality after the completion of construction.

In such cases of investment, it is essential to assess the current situation, yet, also, to take into account possible longer-term modifications that may affect both the revenue and cost structure and long-term real estate value and liquidity.

Identification of the property's legal status and verification of design documentation, entry into the proper content purchase-sale contract and process control are some of the methods to manage the potential risks of investing in unfinished RE.

LITHUANIA'S ECONOMY REPORT

Expectations: Lithuanian household expectations have been dropping four months in a row, yet, are still historically high. In April 2014, household expectation index was higher than in April, 2013, and, practically, at the same level as in 2004, i.e., before the very accession of Lithuania to the European Union. Businesses remained moderately optimistic as well: expectations of services and industry stayed virtually unchanged in the first quarter of 2014, while the ones of the construction sector – grew up and became the best ones since the beginning of economic crisis in 2008. Thus, the growing uncertainty about the prospects for Russia's economy can be stated, at least, not has had a negative impact on expectations of Lithuanian households and businesses yet.

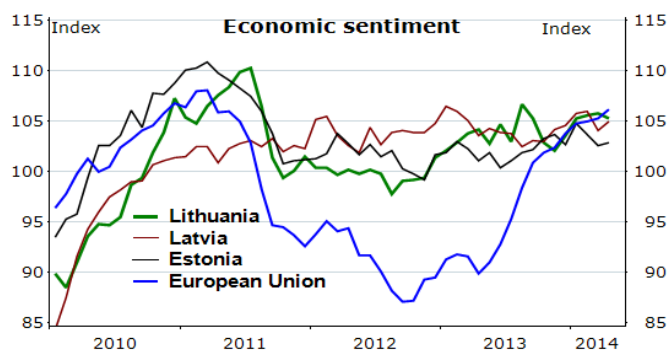
Internal and external trade: Upon the slowing down growth of Lithuanian exports, domestic sales growth is becoming a key engine of Lithuania's economic growth. In the first quarter of 2014, volume of retail trade, compared to the same quarter of 2013, increased by 5%. Sales of furniture, domestic items and other household goods were the fastest growing ones, while the growth of food sales slowed down (partly due to this year's Easter falling on April, not March). Rising wages, low inflation, declining unemployment, and growing housing market's activity will stimulate a further growth in domestic consumption; therefore, we can reasonably expect retail trade growth reaching approx. 5% in 2014.

Export volumes ceased to grow in Lithuania in autumn 2013, that, however, was influenced by certain one-time factors. First, the oil exports have rapidly shrunk due to the reduced production capacity of largest Lithuanian exporter "Orlen Lietuva" (after eliminating the impact of the company, the total exports growth remains positive). Second, grain exports are significantly lower than last year due to the decreased purchase prices and poorer crop. Third, the growth of exports to Russia, which had reached approx. 25 percent in 2011 and 2012, has stopped due to the slowdown of Russia's economy, the decreasing Rouble exchange rate, as well as certain administrative and political barriers to the exports.

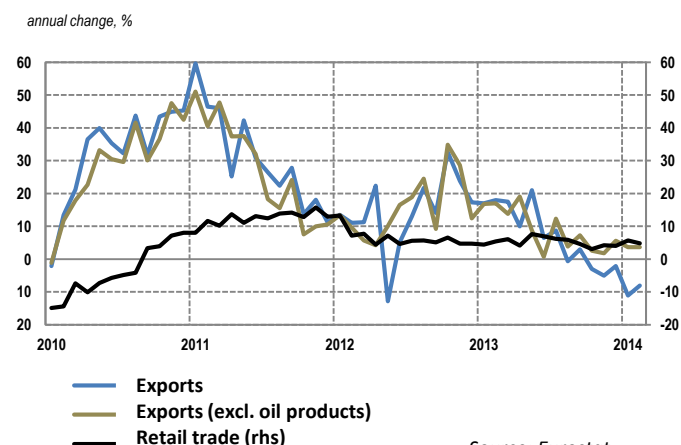
Euro: Lithuania meets all Maastricht criteria and, technically, is ready to join the Eurozone in 2015. Lithuania's state budget deficit was lower than expected in 2013 and reached 2.2 % of GDP. Considering Lithuania's efforts to implement the responsible public fiscal policy and its striving to adopt Euro in

2015, S&P credit rating agency has increased Lithuania's long-term debt rating to A- (the same rating applies to Poland which has avoided the crisis). The credit rating improvement is a sign that Lithuania is becoming one of the most stable and sustainable growing European economies. A final decision on Lithuania's accession to the Eurozone will be adopted on 22 July 2014.

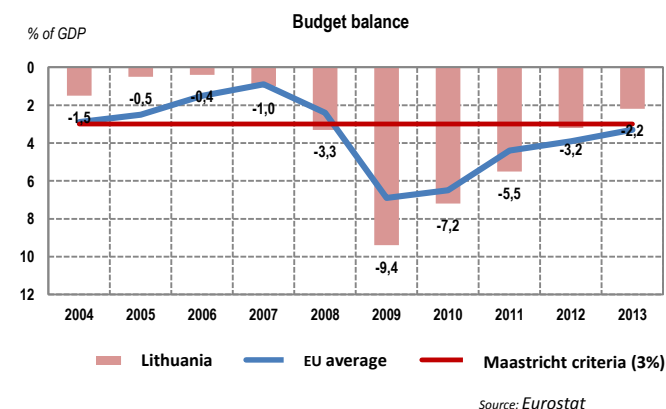
Population and business expectations are still good



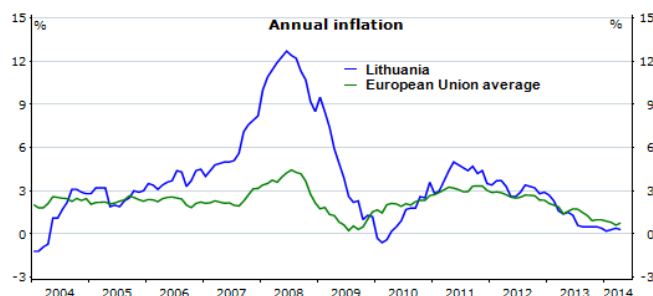
Exports are idle, but domestic consumption is moving forward



Budget deficit - less than forecasted



Inflation rate - lower than the European Union's average



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Lithuania's dependence on Russia's economy: Russia is the largest trading partner of Lithuania, where to 19.8 percent of all goods were exported through the year of 2013 (4.9 billion of 24.5 billion Euro). The vast majority of exports (85 percent), actually, consist of re-exports of Western goods (4.2 billion Euro) to the East, i.e., to Russia and other CIS countries. Excluding the re-exports, the direct exports to Russia amount to 2.9 percent of Lithuanian goods only. Thus, the potential trade problems, practically, would not affect Lithuanian manufacturers. However, the transport sector businesses would face the problems much tougher.

Lithuanian product exports: Russia is not the main direction for exports of Lithuanian manufacturers in the overall statistics, however, the food industry is one of the most dependent on the Russian market, since 25 percent of the sector's export revenue came from Russia in 2013. Nonetheless, the ban of dairy import to Russia in October-December, 2013, has demonstrated that the sector's businesses are capable of switching quickly to foreign markets, therefore, potential trade problems with Russia do not pose significant threats. Other manufacturers, with the exception of vehicle manufacturers, export to Russia just a small part of products.

Transportation service sector: The most vulnerable sector in terms of exports to Russia is transportation services, which exported 31 percent of services to the latter country in 2013. The sector's revenues are highly correlated with the re-export volumes from the West to the East. Meanwhile, rail transport is directed mainly to Russia's Kaliningrad region, thus, there should not be no impact in this respect.

Import: Russia is the major import partner of Lithuania (29 percent of overall imports). The fact is that the major part of imports consists of gas and oil (91 percent or 7 billion LTL), which will hardly be affected. The gas travels through

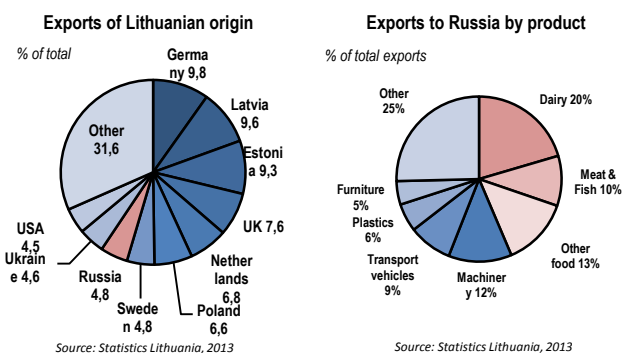
Lithuania to Kaliningrad region in Russia, while oil is imported in tankers since 2006, when "Druzhba" oil pipeline.

Re-exports accounts for 85% of total exports to Russia



Source: Statistics Lithuania

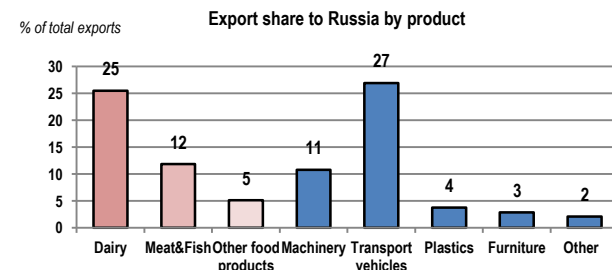
Lithuania's industry does not highly depend on Russia



Source: Statistics Lithuania, 2013

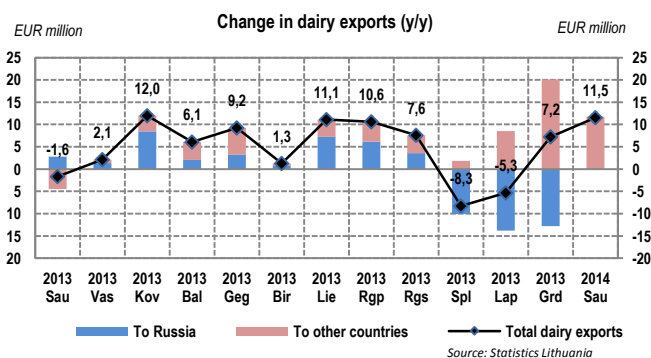
Source: Statistics Lithuania, 2013

Russia is a large market for Lithuanian food products



Source: Statistics Lithuania, 2013

"Milk War" in October-December 2013



Source: Statistics Lithuania

HOUSING MARKET REPORT

Housing market transaction growth rates, consumers' expectations and actions, gradually rising prices are pointing to the new boom in the real estate segment. Due to the fact that housing prices are about a third less than during the previous peak, there are quite much potential for further growth in the market and prices.

There were 7,854 apartment transactions made in Lithuania in the 1st quarter of 2014 – by 47 percent more than in the 1st quarter of 2013. Even a higher increase was registered in the new construction apartment segment – during the first three months of this year, 1,430 new apartments were sold in Lithuania – by 2.2 times more than during the same period in 2013. However, about 74 percent of all new construction apartments purchased in the country were located in Vilnius, meanwhile this segment represented a significantly modest part in the remaining major cities of the country.

1st quarter of 2014 was also very active for the private house segment – according to the data of SE Centre of Registers, there were 2,625 private house transactions made throughout Lithuania – by 33.7 percent more than in the 1st quarter of 2013.

The sales in 14 new projects, covering about 840 new apartments, were launched throughout Lithuania during the first quarter of 2014. Compared with the same period of 2013, the supply of new apartments in the market was higher by approx. 70 percent.

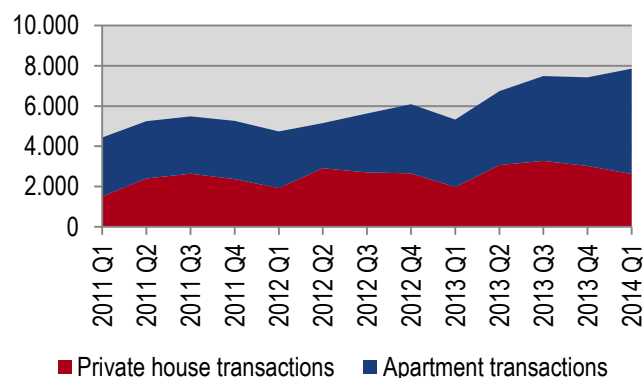
In the agricultural land market, there was a slowdown observed following a record-breaking 4th quarter of 2013. According to data of SE Centre of Registers, there were 6,047 land purchase-sale transactions registered throughout Lithuania during the first quarter of the year – by 19.8 percent less than in the corresponding quarter of 2013.

Such a slowdown in supply of the land segment may be related to the amended Law on the Acquisition of Agricultural Land, which entered into force on 1 January 2014 and particularly tightened the process of land sale and acquisition, thus

people, who wanted to acquire parcels, were hurrying to do it by the end of 2013.

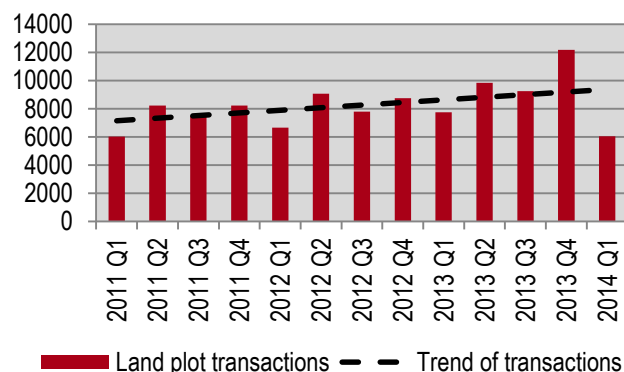
The majority of land transactions were concluded on agricultural land purchase-sale. The transactions in this segment made up 84 percent of all transactions on agricultural land. The major activity was noticed in the most productive regions of Lithuania, implying that agricultural land has been purchased for its specific purpose – the development of agriculture.

Apartment and private house transactions in Lithuania (units)



Source: SE Centre of Registers

Trends of transactions on parcels in Lithuania (units)



Source: SE Centre of Registers

Housing market in Vilnius

As usually, the highest activity was prevailing in Vilnius. According to the data of SE Centre of Registers, there were 2,620 apartment purchase-sale transactions concluded in Vilnius during the 1st quarter of 2014 (873 apartments per month, on average) – by 51.2 percent more than during the same period in 2013.

The first quarter of the year has had the record-breaking amount of transactions in the market of new apartments – there were 1,060 new apartments sold (352 apartments/month), or even by 2.4 percent more than during the same period in 2013. About 56 percent of new apartments were purchased in finished buildings, and 44 percent – in buildings under construction. Each month of 2014, there were sold an increasing number of new apartments, compared with the previous month. This is a sign of a rapidly increasing activity in the real estate market in Vilnius.

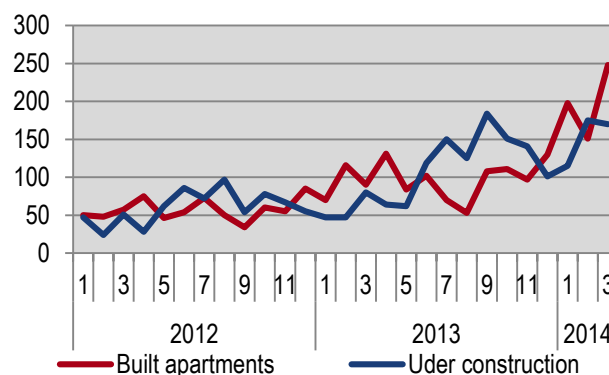
There were 7 new multi-dwelling projects launched in Vilnius during the 1st quarter of 2014, which have added 480 apartments to the market – i.e., about 67.8 percent more than during the 1st quarter in 2013. A significant increase in sales and poor supply resulted in the decreasing number of unsold apartments in Vilnius for 8 months in a row. In late March, the number of unsold apartments in Vilnius reached about 2,040 (635 in finished and 1400 in buildings under construction) apartments, that was the lowest amount of the supply of new apartments since 2011. Due to increased sales of new construction apartments, the rate of unsold apartments in finished blocks is rapidly declining, thus, more and more transactions are made “from drawings”.

The liquidity rate of new construction apartments, which was 8 percent on average in the 4th quarter of 2013, increased by up to 13.5 percent during the 1st quarter of 2014. This is the best liquidity of new apartments since 2007. Compared with the liquidity of the 1st quarter of 2013, in the liquidity of this year has increased by 2.5 times.

During the 1st quarter of 2014, the economy-class housing has still remained popular in Vilnius - 68 percent of transactions, meanwhile, middle-class apartments – 29 percent. While the premium-class apartment transactions accounted for approx. 3 percent only. Compared with the 1st quarter of 2013, the share of economy-class sales has increased by 2 percentage points, while the middle-class has not changed, and the prestigious class – has decreased by 2 percentage points.

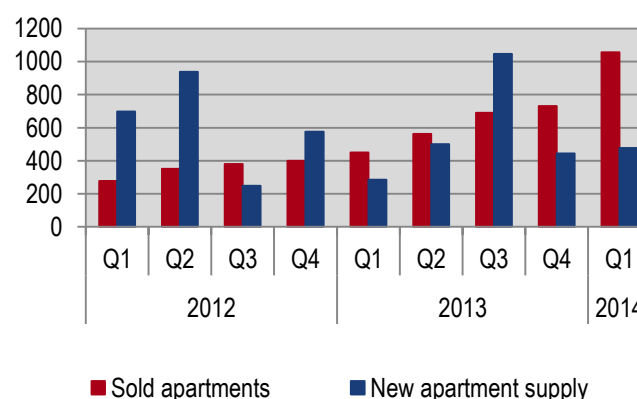
The most popular urban districts in Vilnius, where the majority of new apartments were sold in the 1st quarter of 2014 – Pašilaičiai, Pilaitė, Visoriai and Šnipiškės. More than a half of all transactions concluded in the primary market were made there.

Distribution of apartments sold under project status in Vilnius (units)



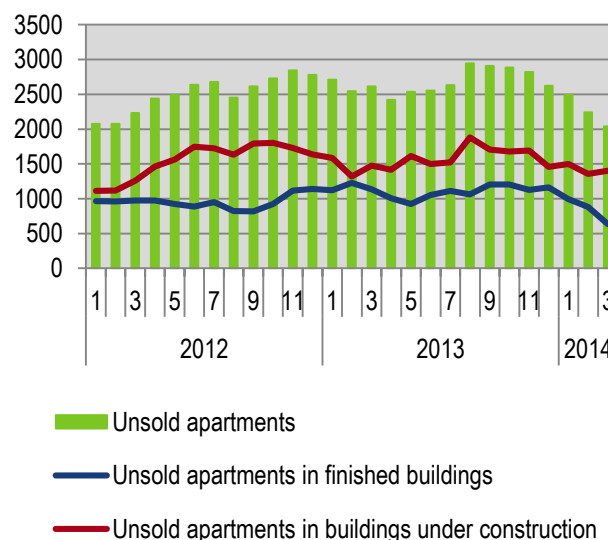
Source: Inreal

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



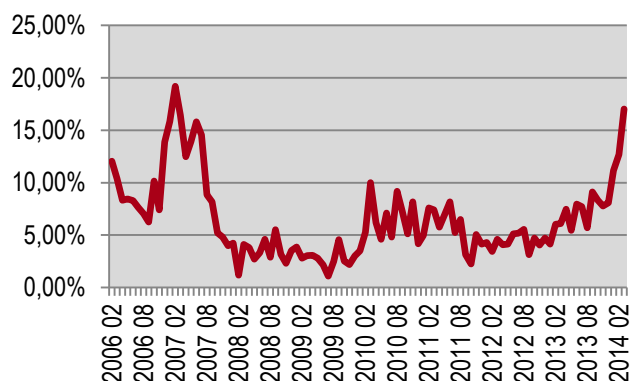
Source: Inreal

Number of apartments unsold in Vilnius (units)



Source: Inreal

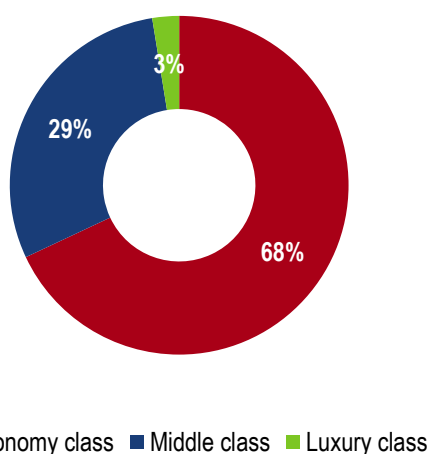
Liquidity of new apartments in Vilnius



Source: Inreal

During the 1st quarter of 2014, new construction apartment prices were gaining the trend of increase. Average price of new construction apartments at the end of the quarter was approx. 5,373 LTL/sq. m with an annual increase of approx. 8.7 percent. The analysis of apartment prices according to classes showed that, at the end of 1st quarter of 2014, the average supply price in economy-class segment reached about 4,400 LTL/sq. m with the annual increase rate of approx. 10.5 percent. Respectively, 5,560 LTL/sq. m. and an increase of 5.4 percent in the middle-class segment. The average supply price in the luxury-class segment has not changed and amounted up to 8,900 LTL/sq. m.

Apartment sales under classes

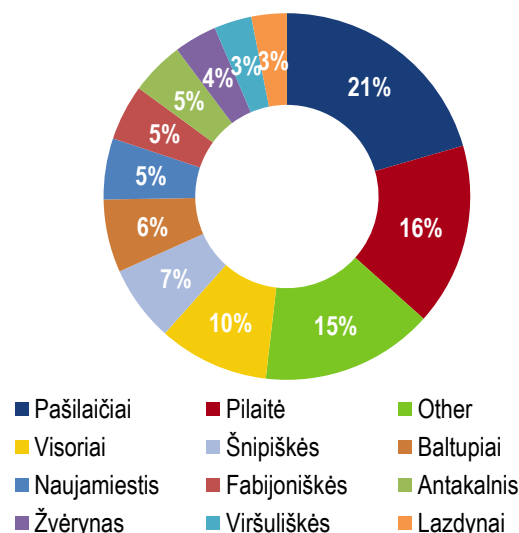


Source: Inreal

Vilnius city and Vilnius region have been the leading regions by transactions concluded in the private house segment. During the 1st quarter of 2014, in Vilnius, compared to the 1st

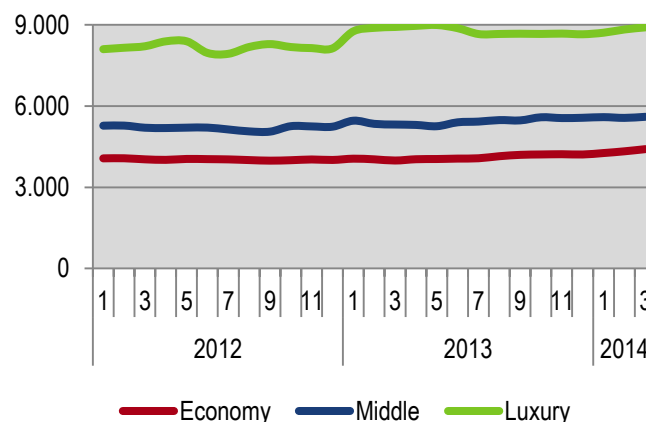
quarter of 2013, the number of concluded private house transactions increased by 58.5 percent – up to 325; in the region – as much as by 73.8 percent, up to 146. In the primary market of private houses, there were sold approx. 12 private houses and cottages during the first quarter of 2014 in Vilnius and its suburbs. Compared with the same period of 2013, it was about 3.5 times less. During the first quarter of this year, the market was supplemented by 3 new projects with 34 houses, or by about 38 percent less than in the 1st quarter of last year. At the end of the 1st quarter of 2014, there were about 130 unsold new private houses remaining in Vilnius and its suburbs, or just by 7.5 percent less than a year ago.

Apartment sales under urban districts



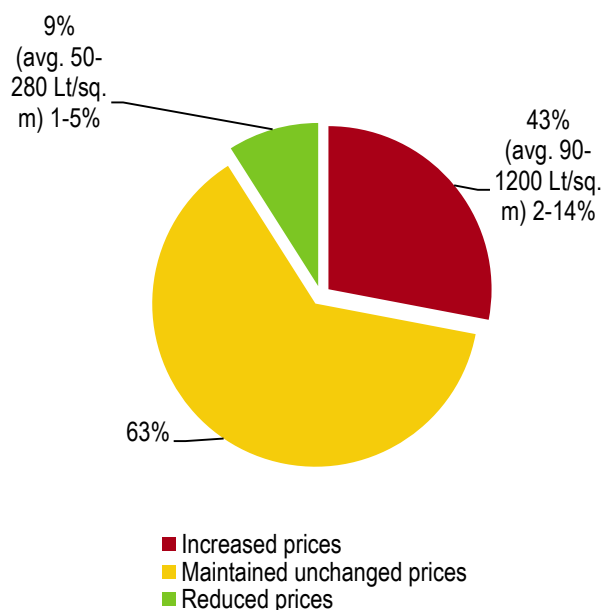
Source: Inreal

Average prices of apartments under classes in Vilnius (LTL/sq.m)



Source: Inreal

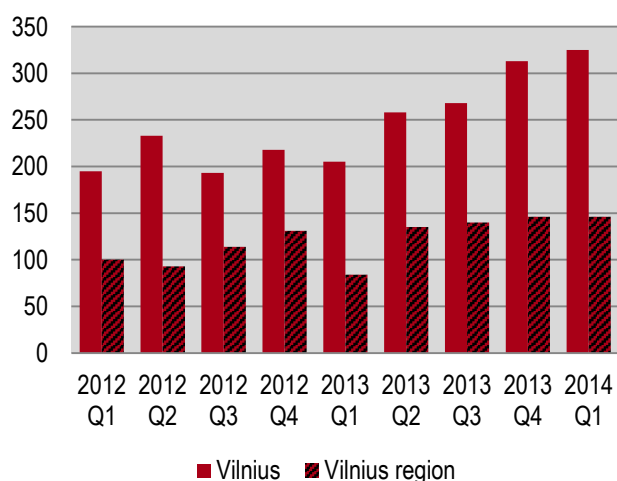
Dynamics of new construction project prices in the 1st quarter of 2014 in Vilnius (percent)



Source: Inreal

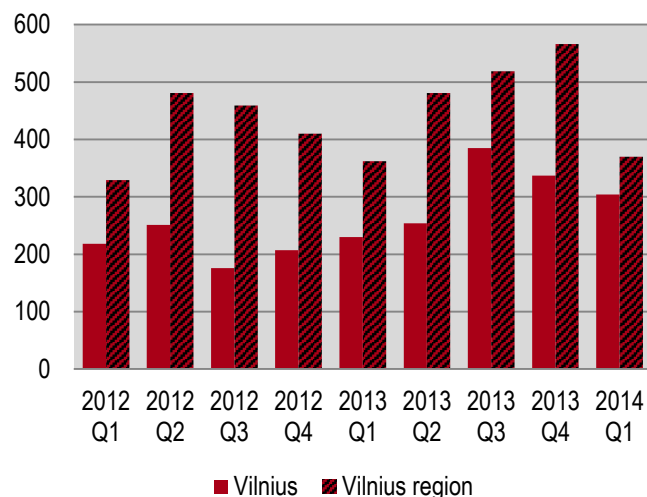
During the 1st quarter of 2014, the majority of purchase-sale contracts in the land market throughout Lithuania were concluded in Vilnius city and Vilnius region. According to the SE Centre of Registers, the total amount of land purchase-sale contracts in Vilnius was 304; in its region – 370. Compared with the same period of 2013, the increase in the amount of transactions was by 32.2 percent higher in the city, and by 2.2 percent higher – in the region.

Private house purchase-sale transactions in Vilnius and Vilnius region (units)



Source: SE Centre of Registers

Land plot purchase-sale transactions in Vilnius and Vilnius region (units)



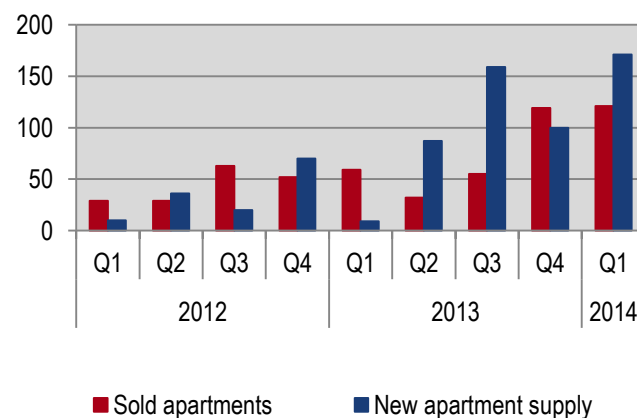
Source: SE Centre of Registers

Housing market in Kaunas

According to the data of SE Centre of Registers, during the 1st quarter of 2014, there were 1,048 apartment purchase-sale transactions concluded in Kaunas (349 apartments per month, on average) – by 46.8 percent more than during the 1st quarter of 2013.

During the 1st quarter of 2014, the increase in the primary apartment market in Kaunas was even higher – 121 new construction apartments were sold (40 apartments/month), or by 2 times more than during the 1st quarter of 2013.

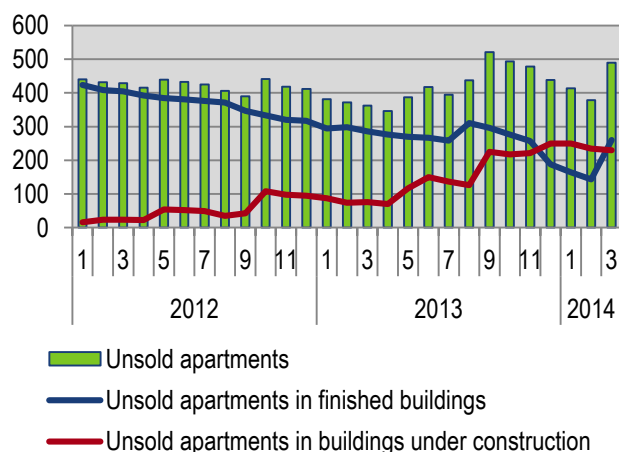
Dynamics of the new supply and sales of apartments in Kaunas (units)



Source: Inreal

During the first three months of this year, the new construction multi-dwelling market in Kaunas was supplemented by 3 new projects with 171 apartments in total. That is as much as by 19 times more than during 1st quarter of 2013. The total amount of apartments unsold in Kaunas was about 490 at the end of the 1st quarter of 2014, i.e., by 35 percent more than at the end of the 1st quarter of 2013.

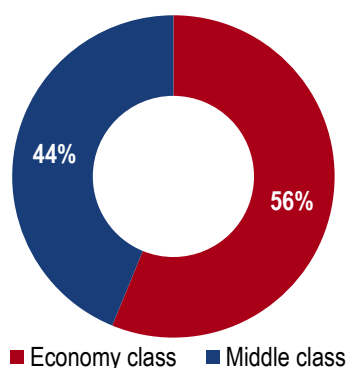
New construction apartments unsold in Kaunas (units)



Source: Inreal

Increasing apartment sales in Kaunas primary market in the first quarter resulted in the increase of average liquidity rate in the new construction apartment market from 7.8 percent, which was at the end of 2013, to 8.6 percent at the beginning of 2014.

Apartment sales under classes



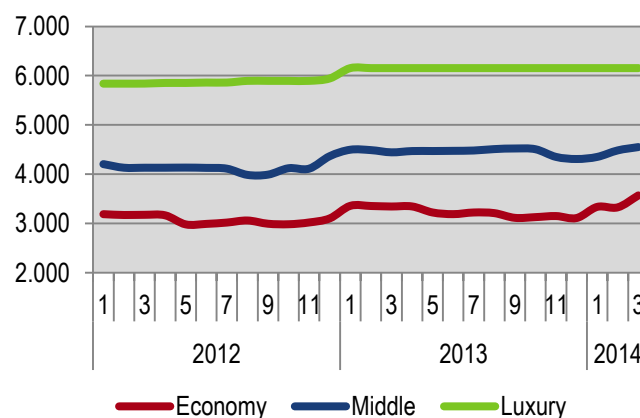
Source: Inreal

The cheapest economy-class segment has further remained the most popular in Kaunas city – more than half of sold new apartments were economy-class. Yet, it should

be noted that middle-class housing was much more popular in the first quarter of this year – while middle-class housing had accounted for about one-third of transactions in prior periods, at the beginning of this year, it amounted to about a half of all transactions. There were no luxury-class apartments sold in Kaunas.

The average price of new construction apartments in Kaunas amounted to 3,850 LTL/sq. m at the end of the 1st quarter of 2014. Compared to last year's 1st quarter prices, they have increased just by about 1 percent. However, compared with the end of 2013, the prices have increased by approx. 4.8 percent.

Average prices of apartments under classes in Kaunas (LTL/sq.m)



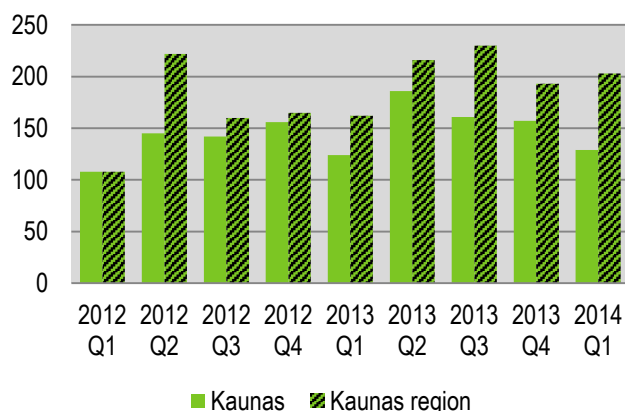
Source: Inreal

During the 1st quarter of 2014, there were 129 private houses sold in the private house market in Kaunas – by 4 percent more than at the beginning of 2013. The increase in transactions in Kaunas regions was even more active – 203 houses were sold, i.e. by 25.3 percent more than in 2013. During the first three months of 2014, about 27 objects were sold in the primary private house and cottage market in Kaunas and its region, and sales in 2 projects, which supplemented the market with 13 new housings, were launched. In comparison with the beginning of 2013, transaction rate was 8 percent lower, while the new supply was by approx. 4.5 times lower. Approx. 93 houses and cottages remained unsold in Kaunas suburbs, i.e. by one-third less than in late March of 2013.

During the 1st quarter of 2014, an increase in transactions in the land market was observed – 157 land purchase-sale transactions were registered in Kaunas city and 381 – in the region. In comparison with the same period of 2013, the

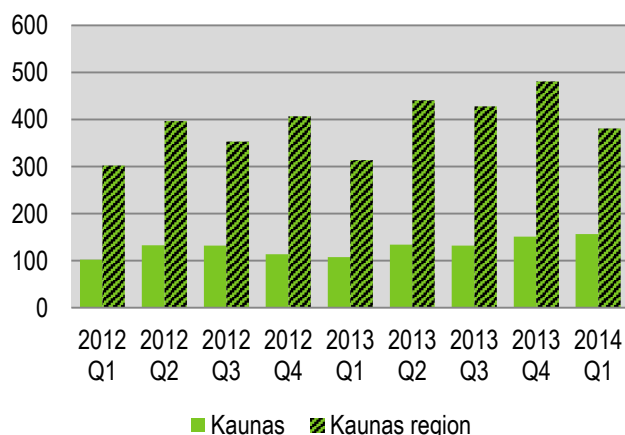
increase of 31.2 and 21.3 percent, respectively, was registered. The majority of transactions concluded in the city were the transactions on residential and agricultural land – 55 and 37 percent, respectively. Agricultural land was the most popular in the region, where the transactions made up 59 percent of all transactions. Residential land transactions have covered a significantly less share – 29 percent of all transactions.

Private house purchase-sale transactions in Kaunas and Kaunas region (units)



Source: SE Centre of Registers

Land plot purchase-sale transactions in Kaunas and Kaunas region (units)



Source: SE Centre of Registers

Housing market in Klaipeda

According to the data of SE Centre of Registers, during the 1st quarter of 2014, there were 855 apartment purchase-sale transactions concluded in Klaipeda (285 apartments per month on average) – by 66.7 percent more than during the same period of last year.

The primary apartment market has also registered sales growth – during the first months of this year, over 60 new apartments (21 apartment per month on average) were sold, as compared with the beginning of 2013, was higher by 50 percent.

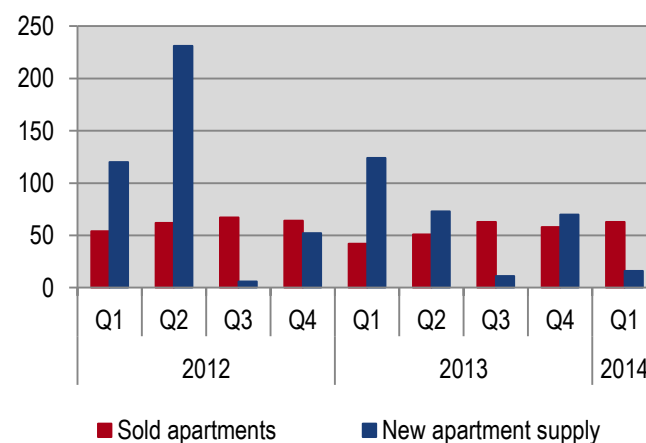
During the 1st quarter of this year, the sale of just one project with 16 apartments was launched in Klaipeda market. In comparison with the 1st quarter of 2013, the new apartment supply decreased by about 8 times.

At the end of the 1st quarter of 2014, there were about 320 apartments for sale in Klaipeda primary market – by 9 percent less than a year ago.

Liquidity of the new construction apartment market, which had been on average 2.8 percent at the end of 2013, increased to 3.2 percent at the end of the 1st quarter of 2014. Comparing to both Vilnius and Kaunas, Klaipeda's liquidity ratio is several times poorer.

The most popular apartments in Klaipeda fall within the economy-class as well as in the remaining major cities. They made up more than a half of all sales – 56 percent. The share of the middle-class segment was 41 percent, and only 3 percent – of luxury-class.

Dynamics of the new supply and sales of apartments in Klaipeda

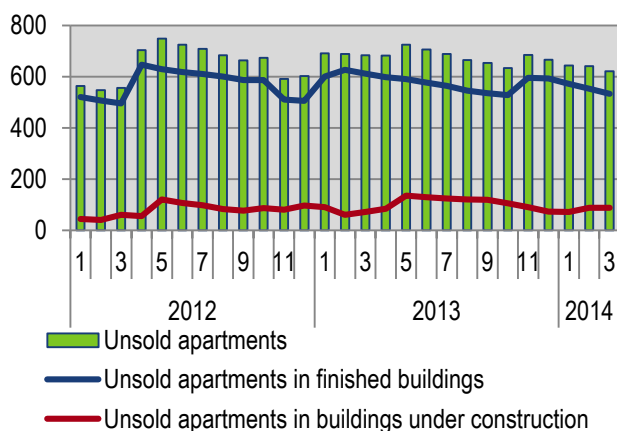


Source: Inreal

At the beginning of 2014, the average of new construction price level reached about 4,240 LTL/sq. m., i.e. the annual decrease was about 1.1 percent. The major influence was made by the decrease in apartment prices of economy-class

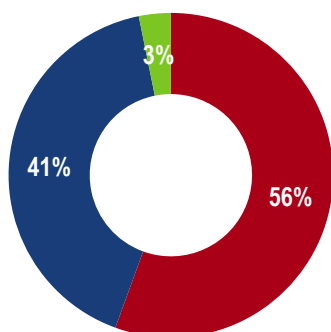
segment – the prices have decreased by about 4 percent per year and reached about 3,800 LTL/sq. m. at the end of the 1st quarter of 2014. The prices of the middle-class apartments have remained stable throughout the year – 4,470 LTL/sq. m. Meanwhile, the average asking price in the luxury-class segment has also decreased by approx. 1 percent per year – up to 6,870 LTL/sq. m.

New construction apartments unsold in Klaipeda (units)



Source: Inreal

Apartment sales under classes

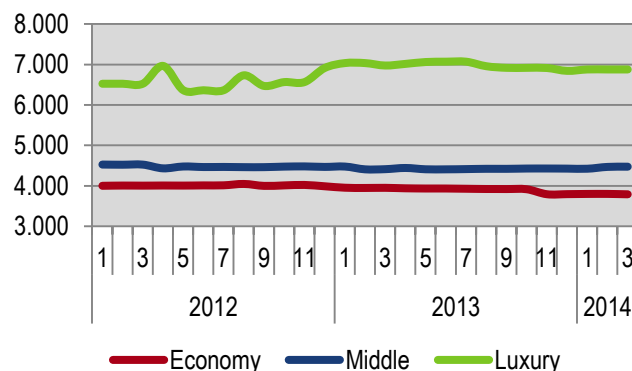


■ Economy class ■ Middle class ■ Luxury class

Source: Inreal

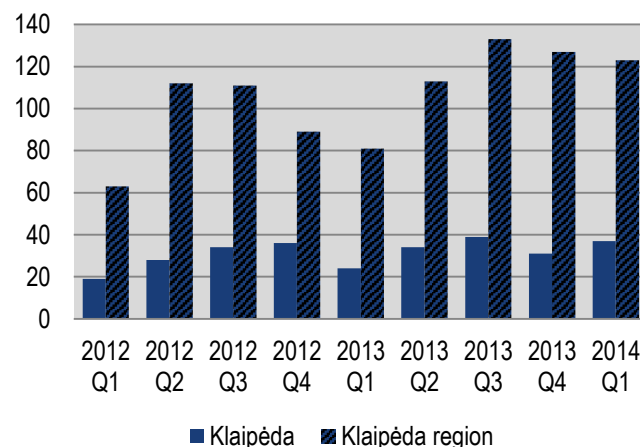
In the 1st quarter of 2014, there were 160 private houses sold in Klaipeda and Klaipeda region, i.e. the indicator was higher by 52.4 percent than the same period a year ago. During the 1st quarter of 2014, in the private house market, RE developers did not sell any private house or cottage in Klaipeda and its surroundings as well as during the 1st quarter of 2013. Also, no new project was launched. At the end of March, there were 40 new houses unsold in Klaipeda and its suburbs, i.e., the same as a year ago.

Average prices of apartments under classes in Klaipeda (LTL/sq. m)



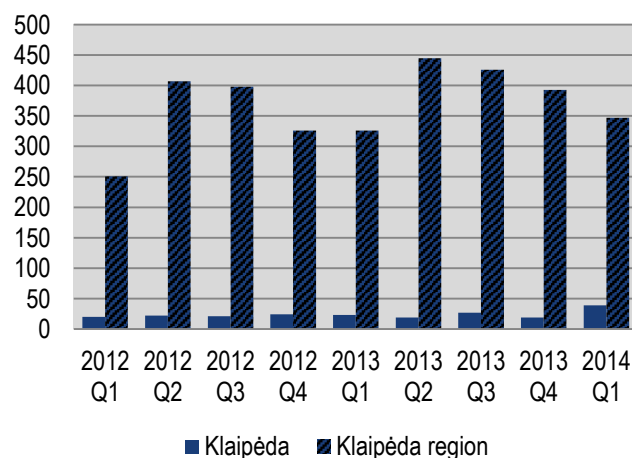
Source: Inreal

Private house purchase-sale transactions in Klaipeda and Klaipeda region (units)



Source: SE Centre of Registers

Land plot purchase-sale transactions in Klaipeda and Klaipeda region (units)



Source: SE Centre of Registers

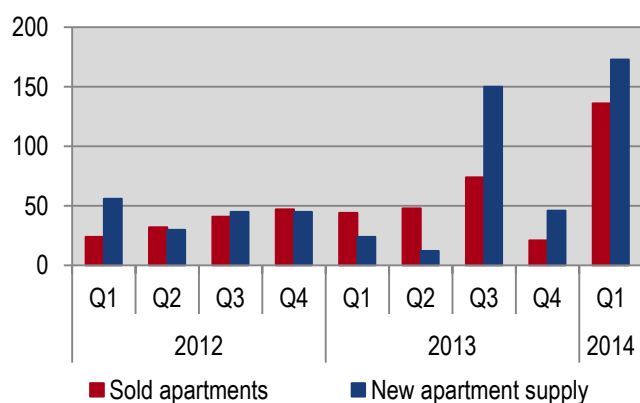
In comparison with other major cities in Lithuania, the amount of land transactions in Klaipeda is particularly low. According to the data of SE Centre of Registers, only 39 land purchase-sale transactions were concluded in Klaipeda during the 1st quarter of 2014 – by 70 percent more than during the 1st quarter of 2013. Meanwhile, there were 347 land purchase-sale transactions concluded in Klaipeda region, i.e. by 6.4 percent more than during the 1st quarter of 2013. The majority of transactions concluded in the city were the transactions on residential and agricultural land – by 35 percent each. Agricultural and residential land was the most popular in the region, where the transactions made up 66 and 20 percent of all transactions, respectively.

Housing market in Palanga and Neringa

According to the data of the SE Centre of Registers, during the 1st quarter of 2014, there were 111 and 34 apartment purchase-sale transactions concluded in Palanga and Neringa, respectively. Compared with the corresponding period in 2013, the growth of 35 percent was recorded in Palanga, and 13 percent – in Neringa. The evaluation of the 1st quarter's transaction growth trends shows an obvious recovery in the second-home market.

About 136 new construction apartments (45 units per month on average) were sold in Palanga during the 1st quarter of 2014 – 3 times more than during the same period last year. Only 1 new apartment was sold in Neringa during the 1st quarter of this year, i.e. 9 times less than during the same period last year.

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

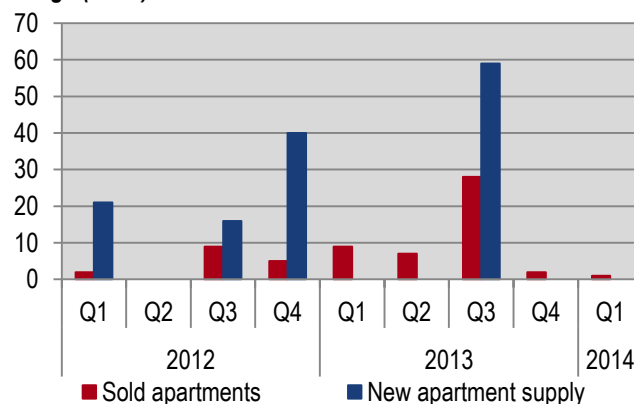


Source: Inreal

This year, 2 new projects with 173 apartments were launched in Palanga municipality, that was 7 times more than during the 1st quarter of 2013. This year, no new projects were proposed in Neringa, however, we expect at least two new projects to emerge in Neringa market later this year.

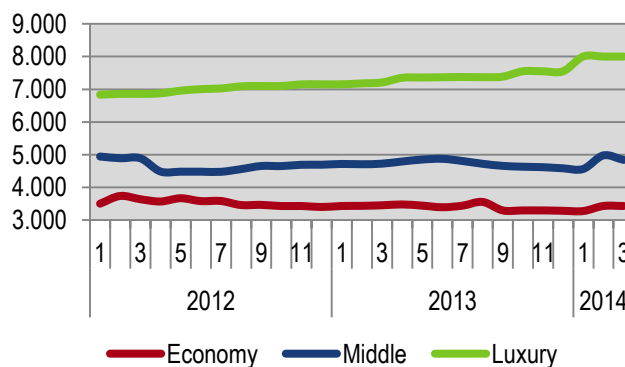
At the end of March, the primary market supply in Palanga consisted of about 490 apartments. Compared with the corresponding period of 2013, the supply has increased by about 25 percent. The new apartment market in Neringa is over 4 times lower than in Palanga – there were about 110 unsold apartments in supply at the end of the 1st quarter.

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



Source: Inreal

Average prices of apartments under classes in Palanga (LTL/sq. m)



Source: Inreal

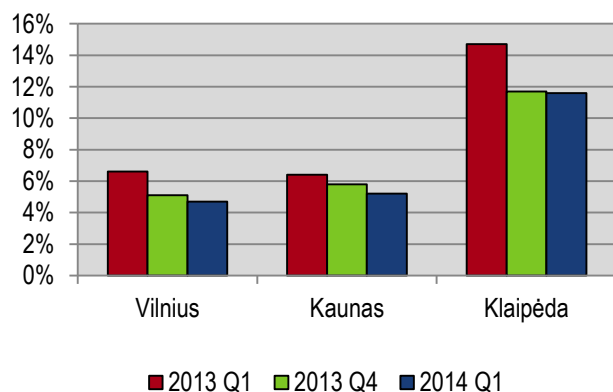
Average new construction price level at the end of the 1st quarter of 2014 amounted to 5,200 LTL/sq. m in Palanga and decreased by about 3 percent per year, mainly, due to the new economy-class projects supplementing the market. In Neringa, an average new apartment supply price was about 9,570 LTL/sq. m – by about 10 percent more than a year ago.

BUSINESS CENTRE MARKET REVIEW

The business centre market in Vilnius is going through a renaissance – 6 modern business centres (73,500 sq. m of leased area) are being constructed; construction of several more ones will commence in the near future. After 5-year break, a business centre for lease was started to build in Kaunas. Vacancies in all cities continued to decline; there appear more assumptions to increase a lease price.

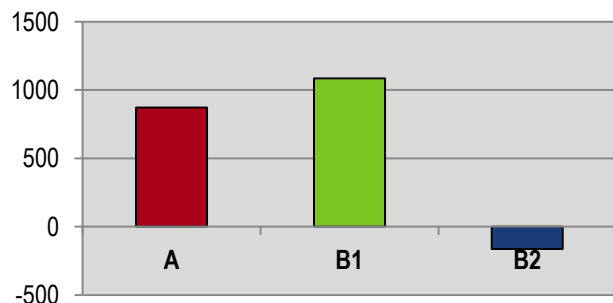
During the first quarter of 2014, none modern business centre was opened in Vilnius, yet, tenant expansion continued, so, vacancies decreased from 5.1 to 4.7 percent per quarter. Upper class business centres were most demanded: B1-class office vacancies fell by 1,080 sq. m; A-class – by 870 sq. m, while B2-class vacant office space on the market has slightly increased – by 160 sq. m. At the end of the quarter, there were in total 18,480 sq. m of vacant office space in the capital.

Vacancy trends in the largest Lithuanian cities



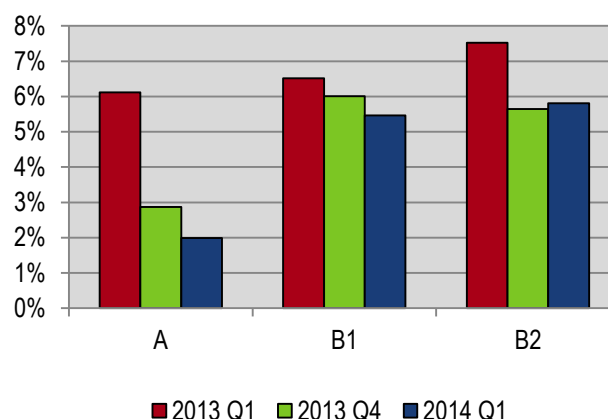
Source: Inreal

Take up of vacant office premises in Vilnius, Q1 2014



Source: Inreal

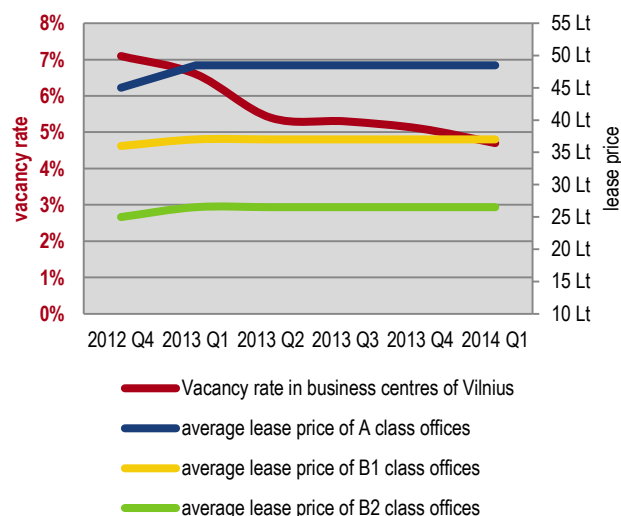
Dynamics of vacancies in Vilnius business centres under classes



Source: Inreal

At the end of the first quarter of 2014, the least of vacant rate was in A-class Vilnius business centres – 2.0 percent (1,960 sq. m). B1-class office vacancy rate reached 5.5 percent (10,930 sq. m), and the highest vacancy rate at the end of the first quarter was in B2-class business centres - 5.8 percent (5,590 sq. m).

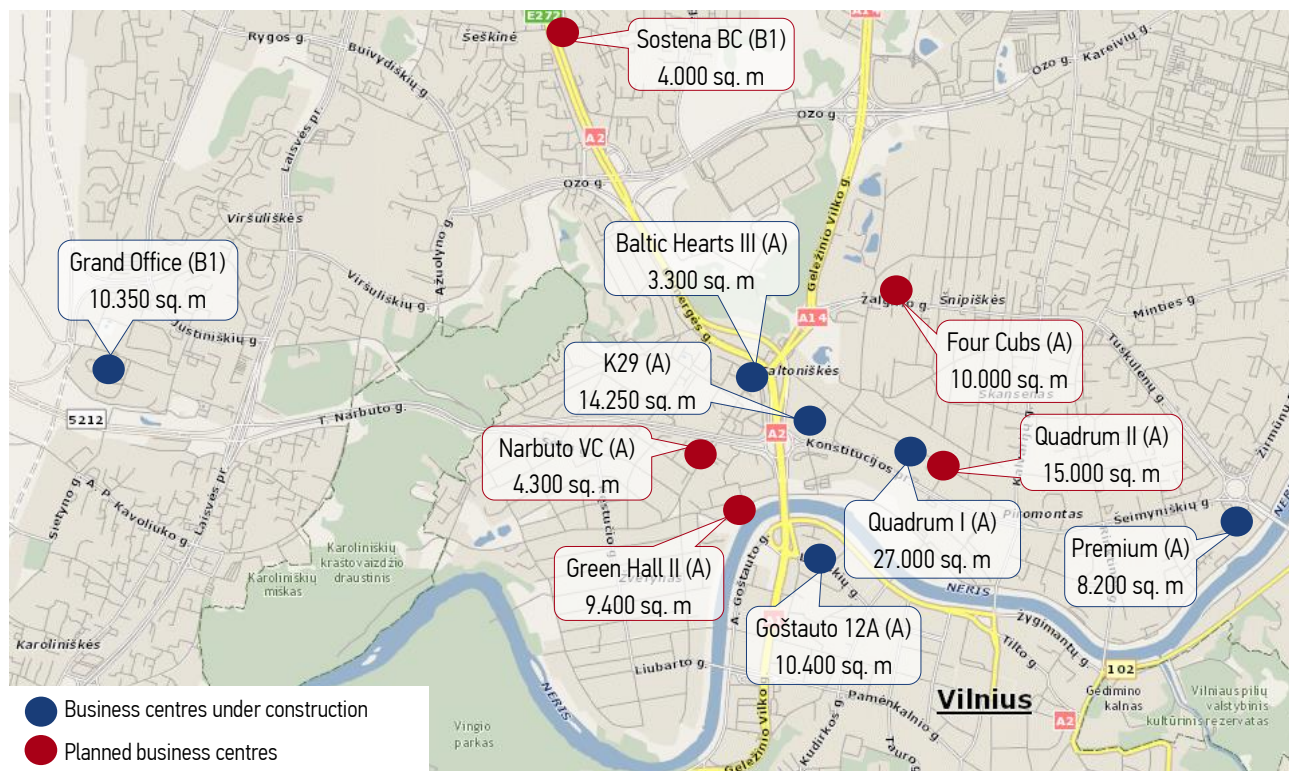
Dynamics of lease prices and vacancies in Vilnius business centres



Source: Inreal

In the first quarter of 2014, average lease prices of modern business centres remained stable: for A-class business centres, it continued to amount to 42-55 LTL/sq. m, for B1-class – 32-42 LTL/sq. m, and for B2-class - 23-30 LTL/sq. m. Currently being built business centres apply 10-15 percent higher prices than the market average.

Business centre pipeline in Vilnius in 2014



Source: Inreal

An active development of new business centres continues in Vilnius – construction of *Grand Office* and *Baltic Hearts III* business centres is already coming to the end and they should open in the second-third quarter of 2014. They will supplement Vilnius modern business centre market with 13,500 sq. m of lease space. In 2015, a further growth in supply of Vilnius business centres is forecasted – *Quadrum I*, *K29*, *Goštauto 12A* and *Premium* gained momentum; in addition, construction of *Green Hall II* and *Sostena* business centres will commence soon. In total, there should emerge up to 75,000 sq. m of lease office space by the end of 2015.

Business centres under construction in Vilnius, Q1 2014

Business centre	Class	Lease space, sq. m	Expected opening
Grand Office	B1	10,350	H1 2014
Baltic Hearts III	A	3,300	H2 2014
K29	A	14,250	H1 2015
Goštauto 12A	A	10,400	H1 2015
Premium	A	8,200	H1 2015
Quadrum I	A	27,000	H2 2015
Total:		73,500	

Source: Inreal

Currently, the being completed business centres have been already partially leased, while newly built centres will be available for moving in as early as 2015; thus, in the second half of 2014, a further decline in vacancies and a moderate growth of lease prices is forecasted in Vilnius, especially in A- and B1-classes.

The vacancy rate in Kaunas modern business centres have been decreasing in a much slowly pace than in the capital city. Compared with the end of 2013, the vacancy rate in Kaunas decreased from 5.8 to 5.2 percent. It was influenced by high take up of B1-class vacant office space - 640 sq. m, while the vacancy rate of B2-class premises has even had a slight increase – 180 sq. m. At the end of the quarter, the total area of vacant modern offices in Kaunas was about 3,940 sq. m.

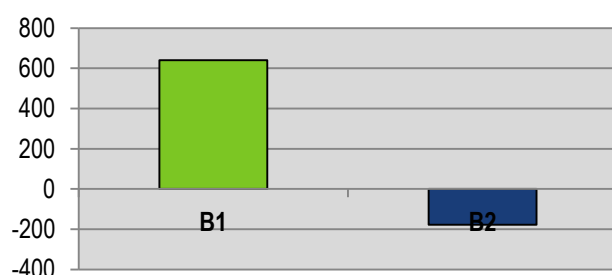
At the end of the first quarter of 2014, the lowest amount of vacant premises was in B2-class business centres – their vacancy rate reached 5.1 percent (1,950 sq. m). The vacancy rate in B1-class business centres was slightly higher - 5.3 percent (1,990 sq. m). Compared with the first quarter of 2013, the trend shows that cheaper B2-class offices in

Kaunas begin to give way to rather modern B1-class business centres.

Lease prices in Kaunas modern business centre sector did not change. At the beginning of 2014, B1-class office lease prices continued to be 25-35 LTL/sq. m, while the available lease prices in B2-class business centres were 18-25 LTL/sq. m on average.

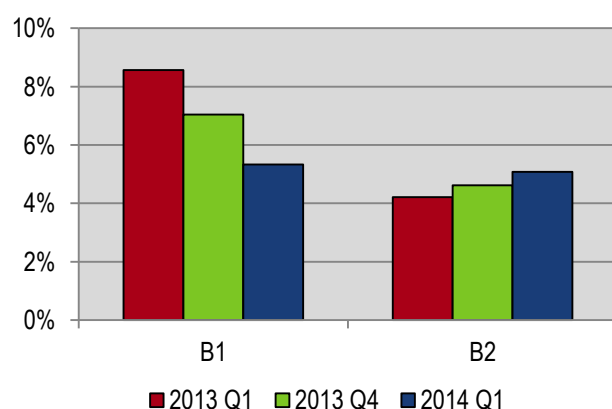
At the beginning of 2014, after the 5-year break, development of the first business centre for lease was launched in Kaunas by *Mikrovisatos valda* company (3,500 sq. m). Such intensification of investment flows in Kaunas should trigger the business centre market, which had been stagnated for the last few years; in the second half of 2014, we can expect a slight increase in lease prices in this real estate segment of Kaunas.

Take up of vacant office premises in Kaunas, Q1 2014



Source: Inreal

Dynamics of vacancies in Kaunas business centres under classes

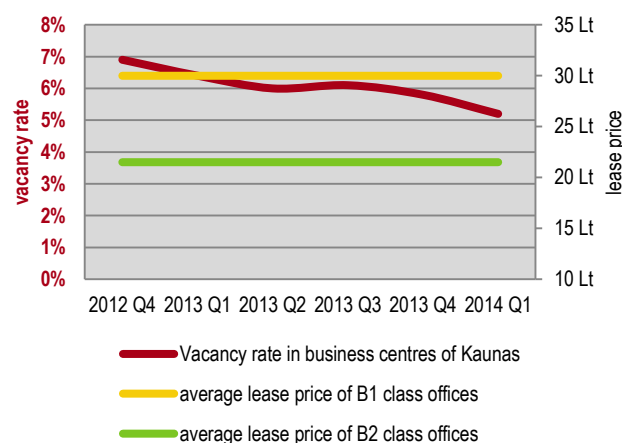


Source: Inreal

At the beginning of 2014, smallest changes were registered in Klaipeda modern business centre market. Compared with the end of 2013, the port city's vacancy rate fell by just 0.1 percent – from 11.7 to 11.6 percent. This happened, mainly,

due to the take up of less expensive B2-class offices, which reached 230 sq. m per quarter. Meanwhile, a contrary phenomenon was observed in the segment of more modern A- and B1-class business centres – an increase in vacant space in the market. During the first quarter of 2014, a number of vacant A-class office space in Klaipeda increased by 60 sq. m; B1-class – by 140 sq. m. At the end of the quarter, the total area of vacant modern offices in Klaipeda was about 7,320 sq. m.

Dynamics of lease prices and vacancies in Kaunas business centres



Source: Inreal

Business centres under construction in Kaunas, Q1 2014

Business centre	Class	Lease space, sq. m	Expected opening
Savanoriu ave. 109	B1	3,500	H1 2015
Total:		3,500	

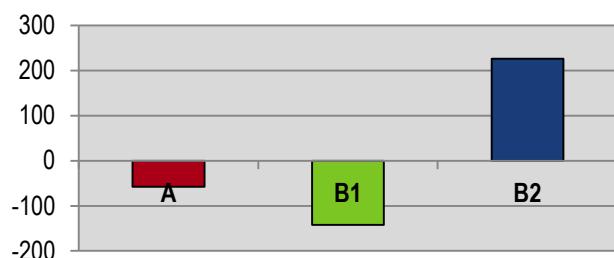
Source: Inreal

At the end of the first quarter of 2014, the lowest vacancy rate was in B2-class business centres in Klaipeda - the vacancy rate reached 7.3 percent (1,630 sq. m). The vacancy rate of B1 class business centres was slightly greater - 7.6 percent (1,870 sq. m), and the highest one – in A-class offices – 24.0 percent (3,820 sq. m).

The analysis of annual vacancy rates in Klaipeda allows to observe the trend opposite to Vilnius and Kaunas markets. The demand in the port city's business centre segment consists mainly of small local businesses, focused on small and medium-sized office space in more affordable B2-class

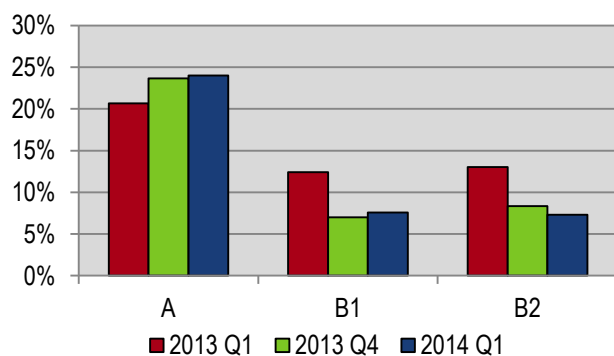
business centres, with significantly decreasing vacancies on a quarterly basis. Meanwhile, vacancy rates in more modern port city business centres continue to be high due to the lack of large companies in Klaipeda, which, based on Vilnius and Kaunas examples, are primarily focused on the office quality, spaciousness, prestige, and opportunities for expansion in the future, rather than on the price.

Take up of vacant office premises in Klaipeda, Q1 2014



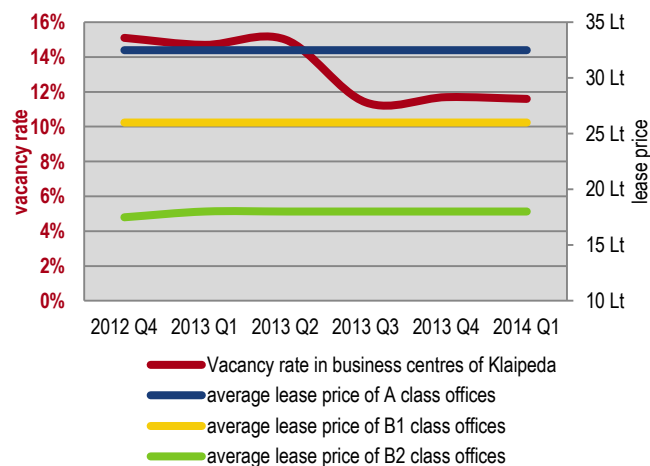
Source: Inreal

Dynamics of vacancies in Klaipeda business centres under classes



Source: Inreal

Dynamics of lease prices and vacancies in Klaipeda business centres



Source: Inreal

Business centre lease prices in the port city, compared with the end of 2013, also remained unchanged. The average lease price of A-class business centres was 30-35 LTL/sq. m, B1-class – 22-30 LTL/sq. m, and the most popular B2-class – 16-20 LTL/sq. m only.

There are no changes expected in the business centre segment of Klaipeda in the nearest future. This is influenced by continuously predominant business centre market rates that are unattractive for developers – high vacancy rates, low lease prices and a lack of large expansion-oriented companies.

SHOPPING CENTRE MARKET REVIEW

At the beginning of 2014, retail trade continued to grow in Lithuania. Growing domestic consumption and persistent minimum vacancies create a favourable investment environment in the shopping centre (SC) segment – in all the major cities of the country, new real estate projects are being developed or planned to.

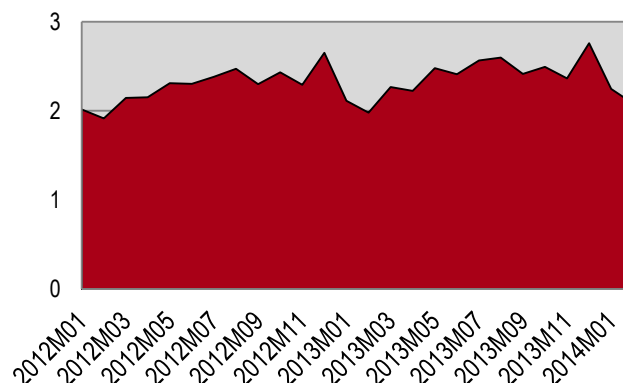
During the 1st quarter of 2014, the volumes of retail trade in Lithuania reached 6.7 billion Litass in Lithuania. Compared to the rate of same period in 2013 (6.4 billion Litass), a growth of 4.7 percent is observed. The growing rates were most influenced by improving residents' expectations for future, income growth, and declining unemployment. At the end of the first quarter of 2014, the unemployment rate in Lithuania amounted to 11.4 percent and was by 1.0 percentage point lower than a year ago.

The consistently growing retail market encourages to enter into Lithuania and, later, to actively expand more and more new popular brands. At the beginning of 2014, the greatest expansion was implemented by the clothing chain *Hennes & Mauritz* (H&M), which has opened two large shops in Vilnius (SC *Panorama* and *Go9*). Another new H&M store will be opened in Vilnius SC *Ozas* at the beginning of the second quarter of 2014.

The new powerful brands significantly enliven the market of shopping centres. As a result of the new powerful lessees, joining the market, the major SC of the country, that are completely occupied almost permanently, are forced to terminate contracts with lessees, whose trading results are weaker. The latter, in turn, are moving to more outlying shopping centres, where vacancy rates are also rapidly decreasing.

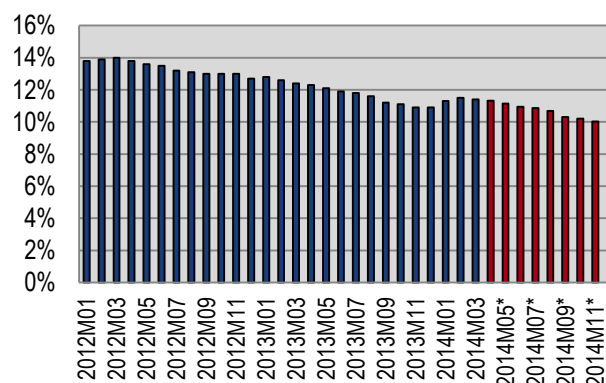
The analysis of vacancy rates of the country's SC demonstrates that they have remained practically unchanged in Kaunas and Klaipėda during the first quarter of 2014. Meanwhile, in Vilnius, the vacancy rate increased during the quarter, however, it was influenced by *Go 9* SC, closed for reconstruction in the middle of 2013 and re-opened in March 2014, as well as due to the new supermarket *Domus Pro*, which also opened its doors in March. At the end of the first quarter of 2014, vacancy rate of shopping centres in Vilnius was 1.5 percent (5,555 sq. m), in Kaunas – 0.5 percent, (1,050 sq. m), and in Klaipėda – 0.3 percent only (470 sq. m).

Retail trade volumes in Lithuania, billion Lt



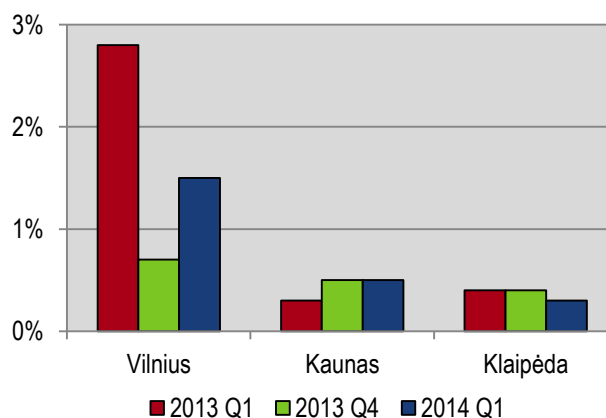
Source: Department of Statistics

Unemployment rates in Lithuania



Source: Department of Statistics

Dynamics in shopping centre vacancies in the cities



Source: Inreal

A low supply of available space in domestic SC allows managers to significantly increase lease prices for new leases. A similar trend in the country's SC should remain in the near future, as most of current or planned to be developed projects will be completed and enter the market as early as

next year. In 2014-2015, it is likely to expect in total about 88,000 sq. m of retail space in new SC of Lithuanian cities.

In 2014, developers are planning to invest in all SC segments of the country's cities. In the second quarter of 2014, *Prisma* hypermarket is opened in Vilnius (10,000 sq. m); construction of Trade Park (20,000 sq. m) will commence soon next to *IKEA* trade centre, that was opened in 2013; and, in the second half of the year, the second development stage of *Domus Pro* (5,000 sq. m) is planned. The initiating development in Kaunas has been announced by "Mega", which is intending to expand the current area of the SC by 22,000 sq. m and achieve the total area of 94,000 sq. m. In the second quarter of 2014, there should be completed construction of *Luize* trade centre (6,200 sq. m) in the port city; as well, construction of the large DIY store (25,000 sq. m) will be commenced close to Vilnius highway and Silutes highway ring.

Investment in the development of the country's two largest supermarket chains is continued, although the nature of the investment is different depending on the supermarkets' strategy. During the first quarter of 2014, *Maxima* and *Iki*, with the largest retail chains, focused their investment more on reconstruction of existing supermarkets; meanwhile, *Norfa*, *Rimi* and *Kubas* did not carry out reconstruction of existing supermarket facilities and, instead, opened by one large new supermarket in Lithuania. Nevertheless, in the beginning of 2014, the most active development was continued by the new market entrant *FreshMarket* – 8 new supermarkets were opened (total of 20). As early as in summer of 2013, the new company is planning to have 30 supermarkets throughout the country up to mid-2014 and is going to allocate a total of about 10 million Euro.

The growing development of SC and supermarket chains in the market demonstrates the segment's recovery. The improving economic situation of the country, increasing personal income and consumption suggest that the market of shopping centres should be limited to projects currently under development. The potential of the shopping centre market remains sufficient for emergence of new projects; thus, the segment should continue to develop moderately.

Shopping centres being developed and planned in Lithuania in 2014

City	Title	Area, sq. m	Start of construction	End of construction
Vilnius	PC Prisma	10,000	Q2 2013	Q2 2014
Vilnius	Prekybos parkas	20,000	Q2 2014	Q2 2015
Vilnius	PC Domus Pro II	5,000	Q3 2014	Q1 2015
Kaunas	PC Mega II	22,000	Q1 2014	Q4 2015
Klaipeda	PC Luizė	6,200	Q3 2013	Q2 2014
Klaipeda	Prekybos centras	25,000	Q2 2014	Q3 2015
Total:		88,200		

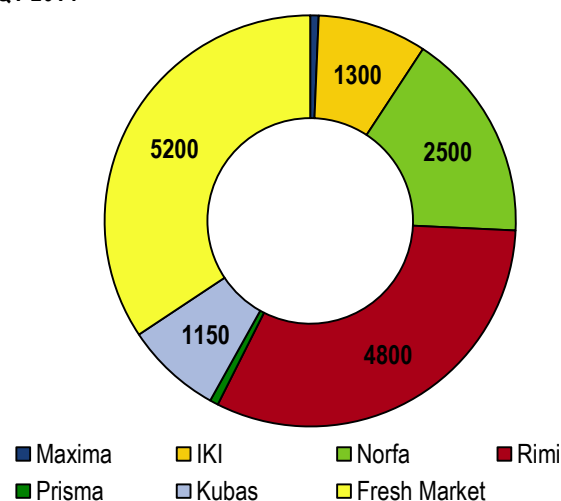
Source: Inreal

Development of supermarket chains in the country, Q1 2014

Supermarket chain	Supermarkets, opened	Supermarkets, restored
Maxima	0	3
Iki	1	2
Norfa	1	0
Rimi	1	0
Prisma	0	0
Kubas	1	0
FreshMarket	8	0
Total:	12	5

Source: Inreal

Distribution of new opened supermarkets by area, sq. m, Q1 2014



Source: Inreal

LOGISTIC CENTRE MARKET REVIEW

Performance of Lithuanian industrial sector, that had slowed down at the end of 2013, was also observed at the beginning of 2014, nevertheless, it should be noted that the industrial sector's representatives are more and more optimistic about the business prospects for the near future. Investment in the development of domestic logistics centres has continued.

During the 1st quarter of 2014, the volumes of industrial production reached 14.8 billion Litass in Lithuania. In comparison with the rate of the corresponding period in 2013 (15.9 billion Litass), the decrease of 7.4 percent is observed. Export volumes were decreasing even faster. During the first two months of 2014, export amounted to 12.1 billion Litass and, compared to the same period in 2013 (13.4 billion Litass), declined by 9.6 percent. The indicators were mostly influenced by the reduction in oil exports.

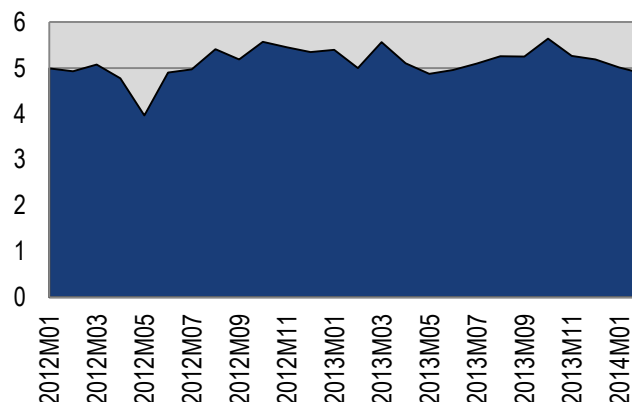
Despite the reduction in the country's industrial output and export rates, at the end of the first quarter of 2014, forecasts of multiple industry sector representatives for the future showed more optimism than at the end of 2013. Most of the industrial sector's businesses have identified the current level of output reserves as adequate and, while assessing the volume of exports in the future, have predicted its soon significant increase. This demonstrates that the industry's slowdown in the end of 2013 should not last for long.

The analysis of the vacancy rates of modern logistic centres in the major cities on the country at the end of the 1st quarter of 2014 showed that it was particularly difficult to rent up modern warehouses, larger than 1,000 sq. m, in all three major cities of the country. Vacancy rates in Vilnius, Kaunas, and Klaipeda logistics centres continued to reach approx. 99 percent.

At the beginning of 2013, lease prices, increased by 5-10 percent in the major Lithuanian cities, remained stable throughout the year. It seems that the balance, corresponding the leasers' and leasees' expectations, was achieved, therefore, it is hardly to expect any changes in the nearest future. The lease prices of modern logistic centres in capital city reached 12-17 LTL/sq. m, in Kaunas and Klaipeda

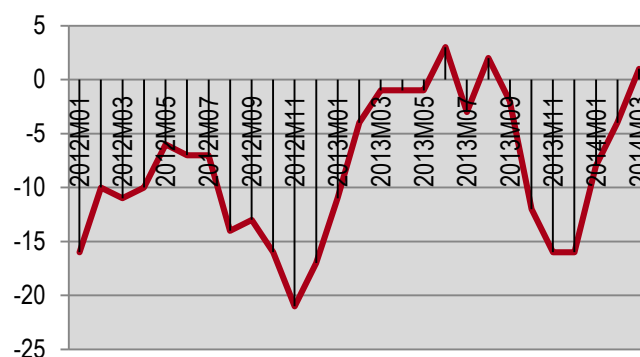
– 11-15 LTL/sq. m. The lease prices in old logistic centres in Vilnius reached 6-10/sq. m, in Kaunas and Klaipeda – 5-9 LTL/sq. m.

Industrial production in Lithuania, billion LTL



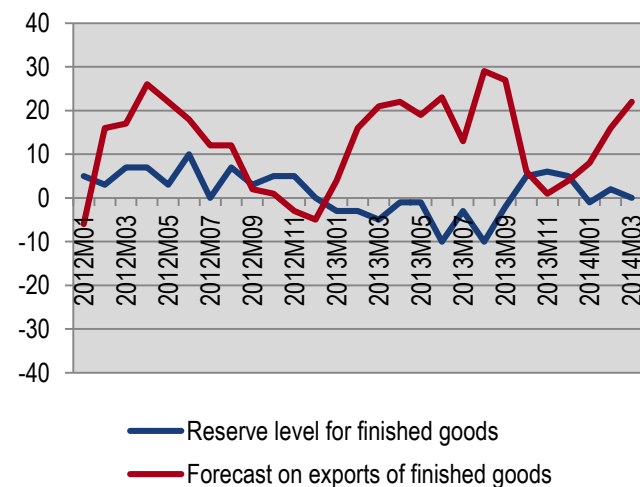
Source: Department of Statistics

Dynamics of industrial confidence indicator in Lithuania



Source: Department of Statistics

Industry representatives' forecasts on exports and reserves



Source: Department of Statistics

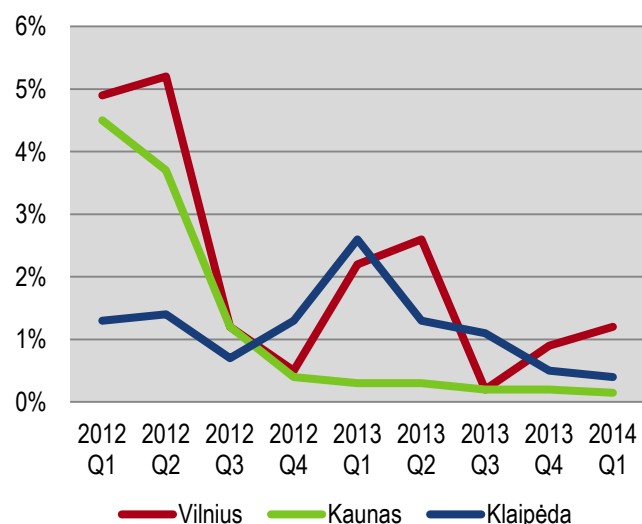
Investors, which had been observing the maximum rate of occupancy in Lithuanian modern logistics centre sector for more than two years, have revived the investment in this real estate segment at the end of 2013 and launched the expansion of the existing logistics centres. At the beginning of 2014, intense construction of logistic centres in Vilnius – *Transekspedicija II* (14,000 sq. m) and in Klaipėda – *Vlantana II* (15,000 sq. m) was continued; in the first quarter of 2014, development of *AdRemLez II* was launched in Klaipėda (14,600 sq. m.). It is also planned that construction of new logistics centre *Arvydas Services II* (8,500 sq. m) should commence in Vilnius in the second half of 2014.

Logistic centres launched in Lithuania in 2014

City	Title	Area, sq. m	Start of construction	End of construction
Vilnius	Transekspedicija II	14,000	Q2 2013	Q2 2014
Vilnius	Arvydo Paslaugos II	8,500	Q3 2014	Q2 2015
Klaipėda	Vlantana II	15,000	Q2 2013	Q2 2014
Klaipėda	AdRemLez II	14,600	Q1 2014	Q4 2014
Total:		52,100		

Source: Inreal

Dynamics of vacancy rate in modern logistic centres in Lithuania

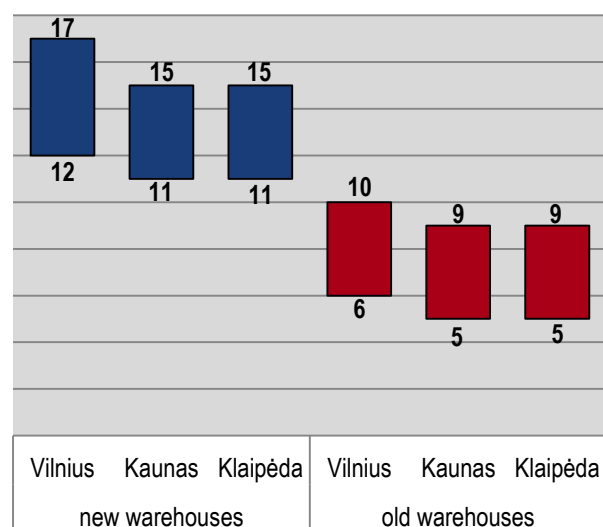


Source: Inreal

Companies in the major cities will also continue to actively invest and build new warehouses for their own use (built-to-suit) to optimize the lease cost. Intensification of this type of

investment flows is especially observed in Kaunas, where warehouse lease market, compared with Vilnius and Klaipėda, is less developed. At the beginning of 2014, construction of such type of warehouses in Kaunas was carried out by *Sanitex*, *Limedika*, *DPD*, and *Almipex*; in Vilnius - *Vilniaus duona* and *Entafarma*; in Klaipėda – *Ani Plast* and *HugaasGruppen*. Several other large Lithuanian companies have similar investment plans in the near future.

Lease prices of logistic centres in Lithuania, Q1 2014



Source: Inreal

WHAT IS WORTH TO CONSIDER BEFORE BUYING RE UNDER CONSTRUCTION?

Transactions involving real estate (RE) under construction, when purchasers and sellers enter into relevant contracts before the completion of the RE construction, is a common practice, in particular when the level of activity on the RE market increases. An attractive short-term return on investment from a change in value, however, should not override the necessity to assess the risks and consider responsibly the prevention related to such investment.

Contrary to the cases when completed RE is purchased, the purchaser has no opportunities to examine and assess the property – it is possible to see the future result only in its design documentation. Hence, one of the most relevant risks faced by the purchaser is whether the RE, which has not yet been built at the time of entry into the contract, will satisfy the purchaser's expectations once its construction is over and whether it will be of good quality.

It is highly important for investments in such cases to consider the present situation as well as take into account any potential longer-term developments, which can influence both the cost-revenue structure and the long-term RE value and liquidity.

An inspection of the legal status and of design documentation of the property being purchased, entry into a purchase-sale contract of the right content and control over the process are several of the ways to control potential risks when making investment into RE under construction.

Diligent examination of the RE being purchased as a protection against unpleasant surprises

It is necessary to make a proper examination and assessment of the property being purchased and its quality, identify the risks related to such property and the activities planned for the investment to be safe.

An examination may be both technical and legal depending on the need and it is of major relevance to the purchaser both from the legal and practical perspective. When acquiring property, the purchaser has an obligation of general nature to

assess the property thoroughly and assumes all risk regarding the item's condition when purchasing it. When the purchaser obtains sufficient information about the object he/she intends to buy, it helps decide on the most proper structure of the transaction, the final value and price of the property being purchased.

The main issues to focus on are the seller's ownership right to the real estate and the right to sell it as well as all legitimate or disputable (disputed) rights of third persons to the real estate (structures, land plot, appurtenances). Such examination also identifies the encumbrances (mortgages, attachments), shortcomings and defects of the real estate.

Preliminary contract or notarised purchase-sale contract?

In order to acquire RE under construction, the purchaser has, as in the case of completed constructions, to enter into a notarised purchase-sales contract; it may be concluded before or after construction is over and in this case there is some specifics to take into consideration.

Unrestricted purchase and sale, rent or any other disposal of RE is possible only after the moment of completion of its construction, i.e. after the competent authorities have recognised that the RE is suitable for use. Irrespective of this general rule, the Law on Construction allows transferring RE without completing its construction, if an approval has been received from the State Territorial Planning and Construction Inspectorate that it is being constructed without deviations from the design and that the RE has been registered in the public register. It should be understood that RE registration prior to completion of the construction only allows transferring the RE – the purchaser does not acquire the right to use it. Upon purchasing RE under construction, the purchaser has to finalise the construction before he/she may start using it.

Hence, the purchaser may choose one of the two potential options: to purchase the RE under construction and take over the builder's rights, i.e. to finish the construction works on his/her own or enter into such purchase contract whereby the title to the RE would be transferred to the seller (builder) upon completion of the construction works. The latter method predominates on the market – the purchaser and the seller enter into a preliminary purchase-sale contract or into a notarised purchase-sale contract with postponement clauses.

The preliminary purchase–sale contract is an agreement where under the parties undertake to conclude another – the main purchase–sale contract under the terms and conditions discussed in the preliminary contract. This contract is not subject to notarisation, therefore, there are no additional costs involved in its conclusion, however, it is not possible to compel a party to such contract to enter into the main contract, which leads to a risk that, in case the RE price changes or other circumstances come to light after the completion of the construction, one of the parties can refuse entering into the main contract.

In order to secure more extensive guarantees, the parties may enter into a purchase–sale contract with postponement clauses where under the seller undertakes to transfer the RE to the purchaser under ownership right and the purchaser undertakes to accept and pay the price for the RE, however, the obligation of the parties to do so depends on fulfilment of the conditions precedent as set out in the contract. A purchase–sale contract with postponement clauses has to be notarised and no additional agreements are made – the parties assume final obligations to pay the final purchase price and transfer the title by this contract. A purchase–sale contract with postponement clauses, however, may have only such RE as its object which has been formed as a separate RE object with a unique number conferred, thus, the seller has to carry out additional actions to register the RE as referred to above prior to the day of entry into the contract.

Anyway, none of the potential contract types can automatically protect the purchaser from potential risks. Only with careful consideration of the expectations of the parties, other circumstances of the contract and their proper reflection in the document drawn up, a successful outcome of the transaction may be expected.

Clear and detailed contract terms and conditions as a prerequisite

One of the main mistakes is signing a contract of inadequate contents. Irrespective of the form of the contract, it is very important for the parties that seek to avoid potential disputes to set out clearly and unequivocally all essential terms and conditions as well as explicit commitments of the parties in the contract text and/or other contract documents to cover: the subject-matter of the contract, i.e. a specific RE, quality, fitting out and similar requirements for this RE, obligations of

the parties during the contract performance period and the time limits to comply with such obligations, liability for failure to fulfil the obligations (improper performance), and other important matters.

There should not be any concealed, tacit and/or vague clauses, which would allow one or another party to interpret them in its own way – when it is impossible to identify the true intentions of the parties, the contract should be interpreted according to the meaning that reasonable persons would have conferred to it in the same circumstances. Whereas RE construction is a lengthy and complex process when, i.e. from the entry into the contract to the transfer of title, many circumstances relevant for the contract performance may change substantially (RE market prices, financial capacity of the purchaser and the seller, etc.), the terms with a stringent and well-defined framework help preserve the stability of the legal relations created and prevent potential disputes between the contract parties.

In terms of specific contract clauses, several major elements may be highlighted as deserving careful consideration.

As it has been mentioned, contrary to the acquisition of completed RE, the purchaser has no possibilities of examining and assessing the property. The purchaser often has to trust the level of professionalism and technical capacity of the seller (builder), however, some of this risk may be mitigated by setting out in the contract extensive representations and warranties of the seller and by providing liability for their breach. Representations and warranties confirm the existence and absence of certain circumstances – in this case, the seller's warranties as to the quality of the future RE and its compliance with contract documents after the completion of the construction. In legal terms, the wrongfulness or incompleteness of representations and warranties can mean that the contract as such does not meet the purchaser's expectations making it possible to terminate the contract and/or claim the damages sustained.

Purchasers often encounter problems with builders' delays to complete constructions works and transfer the property to the purchaser. The contract made between the purchaser and the seller does not guarantee that the construction works will go on smoothly; however, in order to reduce the negative outcomes of such risks (e.g., the purchaser has to take residential space on lease and repay loan instalments to the

bank longer than planned), the contracts signed should be structured so that there are provisions on the reduction of the purchase price and/or compensation of the expenses caused due to a delay. In such a case, the losses suffered should be defined in the contract as precisely as possible because it is complicated to prove and substantiate the amount of the losses sustained in case of a judicial dispute.

Finally, the purchaser should envisage safe “exits”. It happens often that construction works get suspended when project financing stops, when there are issues of legitimacy of the construction or due to other circumstances beyond control of the purchaser. Although, as it has been mentioned, the entry into a contract as such does not guarantee that the problems of this nature will not come up, it is possible to set out additional warranties in the contract to reduce potential negative outcomes.

A customary practice is that the purchaser should pay part of the purchase price to the seller at the time of entry into the contract; it is a risk the purchaser carries until the taking over of the title (and full payment of the price). It is advisable, therefore, to pay this amount into an escrow account of the notary, enter into a contract of pledge of the prepayment in favour of the purchaser or choose any other option to secure a safe recovery of the funds paid in case of the seller's failure to perform the contract. In case of termination of the contract, the purchaser would only have to deal with the issue of compensation of the losses incurred as the part of the price paid would be returned automatically.

It may be underlined in summary that the acquisition of future RE is a rather risky investment, which puts off some of the potential buyers because of the inherent uncertainties. However, if the parties clarify each other's expectations, consider and choose a proper contract structure, make an adequate investment into a flawless process and contract documents as well as understand that they assume obligations and their potential consequences by such contracts, this uncertainty and also imminent risks may be mitigated substantially or eliminated entirely.

AUTHORS



Arnoldas Antanavičius

The Head of Consultations and Analysis Department of JSC “Inreal valdymas”. He has been working in RE field for more than 7 years. He is responsible for feasibility studies, concept and market research preparation, as well as consultation on other RE issues. He actively participates in creation of concepts for RE development, preparation of object pricing, creation of object financial models. In 2010 he gained MA degree in Financial Economics at ISM University of Management and Economics.

Ph. +370 5 273 0944

arnoldas.antanavicius@inreal.lt



Žygimantas Mauricas

The Chief Economist of Nordea Bank in Lithuania is primarily responsible for carrying out and presenting research on Lithuanian economy, as well as providing with an in-depth knowledge on Lithuanian market for domestic and international investors. Žygimantas Mauricas holds MSc in Finance degree from the University of Lausanne and is currently pursuing doctoral studies in finance and risk management. He is also giving lectures on financial economics, international finance and risk management subjects.

Ph. +370 612 66291

zygimantas.mauricas@nordea.com



Simona Oliškevičiūtė-Cicėnienė

Head of Real Estate & Infrastructure Practice Group, Managing Associate at Raidla Lejins & Norcous. Simona Oliškevičiūtė-Cicėnienė has over 12 years of experience in advising various market leading international and local companies, as well as Lithuanian Government and its institutions on sophisticated mergers & acquisitions, joint ventures, as well as private equity transactions in real estate, energy, infrastructure, finance and other industries. Her extensive experience in representing both public and private entities also covers such fields as corporate rescue, restructuring and corporate governance

Ph. +370 5 250 0800

simona.oliskeviciute@rln.lt

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JSC "Inreal valdymas"

JSC "Inreal"

JSC "Inreal GEO"

Palangos Str. 4, 01402 Vilnius

Tel +370 5 273 0944

Fax +370 5 273 3065

www.inreal.lt

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NORDEA BANK LIETUVA

Didžioji Str. 18/2, 01128 Vilnius

www.nordea.lt

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RAIDLA LEJINS & NORCOUS

Lvovo g. 25, 09320 Vilnius

Tel. +370 5 250 0800

Faksas +370 5 250 0802

www.rln.lt