Construction in Lithuania – Key Trends and Opportunities to 2017

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EXECUTIVE SUMMARY

The Lithuanian construction industry recorded a CAGR of X.X% during the review period (2008–2012) and valued LTLX.X billion (US$X.X billion) in 2012. The housing market contracted in 2009 as interest rates began to rise and banks tightened their lending conditions. Deflation in the property sector was one of the key factors of a decline in domestic demand and contributed to the country’s economic contraction of X.X% in 2009. Infrastructure investment supported the construction industry during the financial crisis, recording the lowest decline of all construction markets during the review period at a CAGR of X.X%. Timetric expects the Lithuanian construction industry to record a CAGR of X.X% over the forecast period (2012–2017) to value LTLX.X billion (US$X.X billion) in 2017.

- Lithuania’s commercial construction market output recorded a review-period CAGR of X.X% and valued LTLX.X billion (US$X.X million) in 2012. The commercial construction market accounted for X.X% of the construction industry’s output in 2012. Following record lows in 2009–2010, the commercial construction market recorded X.X% growth in 2011, only to decline by X.X% in 2012. Occupancy levels and rents recorded an increasing trend, pointing towards the recovery of the commercial construction market. Timetric expects the market to record a CAGR of X.X% over the forecast period to value LTLX.X billion (US$X.X million) in 2017.

- The industrial construction market accounted for X.X% of the industry’s output, valuing LTLX.X billion (US$X.X million) in 2012 and recording a review-period CAGR of X.X%. A decline in the demand for exports, limited domestic demand and banks tightening lending due to non-performing loans affected the growth of the industrial construction market during 2008–2010. The country’s GDP growth decelerated from X.X% in 2011 to X.X% in 2012. Lithuanian exports increased by X.X% and were the key driver of economic growth in 2012. Timetric expects the industrial construction market to record a CAGR of X.X% over the forecast period and value LTLX.X billion (US$X.X million) in 2017.

- The infrastructure construction market accounted for X.X% of the industry and valued LTL6.5 billion (US$2.4 billion) in 2012. According to the World Economic Forum’s Global Competitiveness Report 2012–2013 Lithuania’s overall infrastructure was ranked X.X out of a list of 144 global economies. Due to the country’s geographical location, its transport sector, freight transport in particular, plays a key role in the development of the economy. Timetric expects the Lithuanian infrastructure market to be the fastest-growing construction market over the forecast period. It is anticipated to post a forecast-period CAGR of X.X% to value LTLX.X billion (US$X.X billion) in 2017.

- The institutional construction market accounted for X.X% of the industry’s output in 2012, valuing LTLX.X million (US$X.X million) in 2012 and recording a review-period CAGR of X.X%. The country traditionally affords high priority to education which has supported the rapid advancement of high-technology industries. While Lithuania’s declining population threatens to undermine the educational buildings category, investments in educational standards will drive its growth. The institutional construction market is projected to record a forecast-period CAGR of X.X%, to value LTLX.X billion (US$X.X million) in 2017.

- The residential construction market was the smallest in Lithuania, accounting for X.X% of the industry’s output during the review period and valuing LTLX.X million (US$X.X million) in 2012. The residential construction market recorded the largest decline of all construction markets during the review period with a CAGR of X.X%. The economic crisis and ensuing interest rate hikes led to a swift decline in the residential construction market. Property prices have been declining since 2009, although the rate slowed in 2012. Construction activity began to improve again, with an increase in the number of completions and the volume of dwellings authorized for construction during 2011–2012. Timetric projects that the residential construction market will record a CAGR of X.X% over the forecast period, to value LTLX.X million (US$X.X million) in 2017.
Figure 1: Growth Matrix for Construction Output in Lithuania

Note: Bubble size represents market output value in US$ Millions

Source: Timetric analysis

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2 APPENDIX

2.1 What is this Report About?

This report is the result of extensive market and company research covering the Lithuanian construction industry. It provides detailed analysis of both review and forecast construction industry values, at both market and category levels, and also offers project profile analyses.

‘Construction in Lithuania – Key Trends and Opportunities to 2017’ provides a top-level overview and detailed market, category and company-specific insights into the operating environment for construction contractors. It is an essential tool for companies active across the Lithuanian construction value chain, and for new competitors considering entering the industry.

2.2 Definitions

For the purposes of this report, the following timeframes apply:

- Forecast period: 2013–2017
- Base year: 2012

**Note:** The CAGR specified at different parts of the report is in nominal terms and CAGR calculation for the forecast period includes the base year, and spans 2012–2017.

The total value of construction projects can be broadly segmented into the following areas, which are related to the product and service types provided during the project:

- Land acquisition and preparation
- Planning and feasibility studies
- Architectural and engineering design
- Construction
  - Construction services
  - Labor
  - Project management
  - Materials
- Building products
- Construction materials
  - Construction equipment
- Advisory services
  - Financing
  - Inspection and testing
  - Legal
- Equipment and furnishings
  - Interior products
  - Exterior products
  - Industrial equipment
- Other
This report focuses on the total value of construction industry, represented by both construction output and value add. Construction output represents the total value of all inputs to construction work, and the value add by construction.

Construction output represents the total cost incurred on construction during a given period of time. It is the sum of receipts from domestic construction, net receipts from construction activities abroad, receipts from products sold, receipts from industrial services carried out for others, receipts from goods sold in the same condition as purchased less the cost of goods sold, the value of fixed assets produced, changes in inventories of finished products, and work in progress. Construction value add represents the cost incurred on construction services. In other words, value add equals construction output minus all costs incurred in construction projects.

All data is collected in local currency at current prices and converted into US dollars. Conversions into US dollars of current, historical and forecast data are made by taking a yearly average exchange rate. Most values in tables, with the exception of compound annual growth rates (CAGRs), are displayed to single decimal places. Growth rates may, therefore, appear inconsistent with absolute values due to this rounding method.

The key market categories featured in the report are defined below:

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<td>Construction output: The total revenue of construction services during a set period. It is the sum of receipts from domestic construction, net receipts from construction activities abroad, receipts from products sold, receipts from industrial services carried out for others, receipts from goods sold in the same condition as purchased less the cost of goods sold, the value of fixed assets produced, and changes in inventories of finished products and work-in-progress. It covers all forms of construction activity, including new builds, renovation, repair and maintenance, and demolition, as well as the three cost types: construction services, construction materials and construction equipment.</td>
</tr>
<tr>
<td>Construction value add: The net output of the construction industry. It is calculated by adding up all outputs and subtracting intermediate inputs, including equipment, material, labor and energy costs. The term covers all forms of construction activity, including new build, renovation, repair and maintenance and demolition.</td>
</tr>
<tr>
<td>New construction: Any activity relating to the erection of a new structure. This covers the infrastructure, commercial, industrial, institutional and residential markets of the construction industry.</td>
</tr>
<tr>
<td>Refurbishment: The upgrade of any existing building or structure in the infrastructure, commercial, industrial, institutional and residential markets of the construction industry.</td>
</tr>
<tr>
<td>Demolition: The planned dismantling or destruction of a building, or a part of building, or any other structure categorized under the infrastructure, commercial, industrial, institutional and residential markets of the construction industry.</td>
</tr>
<tr>
<td>Repair and maintenance: An activity carried out for the purpose of restoring a deteriorated or damaged structure or building. It applies to all types of buildings and any fittings within.</td>
</tr>
<tr>
<td>Commercial construction: The construction of projects including office buildings; sports complexes such as athletic fields, golf courses and parks; shopping centers and hotels. It excludes any kind of residential building, even if used for rental or any other commercial purpose. For reporting purposes, the market is split into five categories: leisure and hospitality buildings, office buildings, outdoor leisure facilities, retail buildings, and other commercial construction.</td>
</tr>
<tr>
<td>Leisure and hospitality buildings: Buildings used for accommodation, foodservice and indoor leisure activities. This includes hotels, motels, casinos, restaurants, leisure centers, gyms, theaters, conference facilities, exhibition centers and cinemas.</td>
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<tr>
<td>Office buildings: The construction of any building that is used by organizations or companies to conduct its office-based business operations is categorized under this. Mixed-use buildings within which more than 50% of the floor space is dedicated to offices are included under this category. It excludes all office spaces available within manufacturing plants, educational buildings or any kind of building that is not a part of commercial construction.</td>
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**Table 1: Timetric Construction Market Definitions**

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<th>Category</th>
<th>Definition</th>
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<tr>
<td>Outdoor leisure facilities</td>
<td>Any building or facility associated with outdoor leisure activities. This includes, but is not limited to, theme parks, stadiums, golf courses, athletics tracks and outdoor cinemas.</td>
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<tr>
<td>Retail buildings</td>
<td>Any building through which physical goods are sold. This includes, but is not limited to, shops, malls, department stores, supermarkets and hypermarkets. It excludes foodservice facilities, except where they are components of larger retail developments.</td>
</tr>
<tr>
<td>Other commercial construction</td>
<td>All other types of commercial construction not included within the leisure and hospitality buildings, office buildings, outdoor leisure facilities and retail buildings categories. This category includes, but is not limited to, agricultural and forestry buildings, warehouses, garages, cold stores and vehicle parks.</td>
</tr>
<tr>
<td>Infrastructure construction</td>
<td>Heavy infrastructure construction projects including, but not limited to, the construction of highways, bridges, tunnels, water lines, sewer lines, pipelines, power and communication transmission lines, dams, dikes, docks, drainage projects, harbors, reservoirs, canals, sewage treatment plants, water treatment plants, subways and other mass transit projects. For reporting purposes, the market is split into six main categories: energy and communications infrastructure, rail infrastructure, sewage infrastructure, water infrastructure and other infrastructure projects.</td>
</tr>
<tr>
<td>Energy and communications</td>
<td>Any facility that is involved in oil and gas production, transportation or refining; power generation and transmission; or domestic communications installation. This includes, but is not limited to, pipeline infrastructure, refineries, oil and gas derricks, platforms and storage tanks, power stations, electricity transmission infrastructure, transmitting towers, telephone exchanges and lines, and communication cable laying.</td>
</tr>
<tr>
<td>Rail infrastructure</td>
<td>Facilities that serve railway systems. This includes, but is not limited to, rail bridges, railway stations, terminals, rail buildings, rail tunnels and rail tracks.</td>
</tr>
<tr>
<td>Road infrastructure</td>
<td>Projects such as highways, streets, pavements, underpasses, overpasses, road bridges and road tunnels. The construction of tunnels is excluded from this category.</td>
</tr>
<tr>
<td>Sewage infrastructure</td>
<td>Facilities that collect and treat waste and sewage. This includes, but is not limited to, drainage systems, septic tanks, sewer pipes and pumping stations, disposal plants and treatment facilities.</td>
</tr>
<tr>
<td>Water infrastructure</td>
<td>Drinking and utility water treatment, storage and distribution infrastructure. This includes, but is not limited to, aqueducts, desalination plants, filtration plants, distribution lines, irrigation systems and reservoirs. Dams and hydro power plants are excluded from this category.</td>
</tr>
<tr>
<td>Other infrastructure projects</td>
<td>All other forms of infrastructure construction not included within the energy and communications, rail, road, sewage and water infrastructure categories. This category includes, but is not limited to, airports, dams, ports, land control systems and inland waterway infrastructure.</td>
</tr>
<tr>
<td>Institutional construction</td>
<td>The construction of buildings and facilities that do not fall within the definition of commercial construction, but which are not industrial by nature. This includes educational institutions, research facilities, healthcare facilities and religious buildings. For reporting purposes, the market is split into five main categories: educational buildings, healthcare buildings, institutional buildings, religious buildings and research facilities.</td>
</tr>
<tr>
<td>Educational buildings</td>
<td>Buildings used for primary, secondary and higher-education purposes. This includes, but is not limited to, classrooms, auditoriums, laboratories, libraries, facilities for eating or preparing food, gymnasiums, recreational activities and dormitories.</td>
</tr>
<tr>
<td>Healthcare buildings</td>
<td>Facilities specifically designed to house healthcare service providers. This includes, but is not limited to, hospitals, clinics, surgeries and laboratories.</td>
</tr>
<tr>
<td>Institutional buildings</td>
<td>Buildings used for government administration and public services, including, but not limited to, civil service offices, barracks, fire stations, jails, museums, police stations, public libraries and monuments.</td>
</tr>
<tr>
<td>Religious buildings</td>
<td>Buildings specifically used for worship, religious teaching, studies and seminars, including buildings used as residences by religious orders. This includes, but is not limited to, churches, cathedrals, synagogues, mosques, temples, monasteries and convents.</td>
</tr>
<tr>
<td>Research facilities</td>
<td>Any building used for the purpose of conducting non-commercial and specialist research activities.</td>
</tr>
<tr>
<td>Residential construction</td>
<td>The construction, renovation and demolition of residential buildings such as houses, townhouses, cottages, condominiums, single-unit dwellings, sub-divisions and apartments. For reporting purposes, the market is split into two main categories: new multi-family housing and single-family housing.</td>
</tr>
</tbody>
</table>
# Table 1: Timetric Construction Market Definitions

<table>
<thead>
<tr>
<th>Definition</th>
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</thead>
<tbody>
<tr>
<td><strong>Single-family housing</strong></td>
<td>Individual free-standing dwelling units designed as the residence of a single family. This includes, but is not limited to, bungalows, cabins, detached and semi-detached houses, terraced houses and townhouses.</td>
</tr>
<tr>
<td><strong>Multi-family housing</strong></td>
<td>Residential buildings where several separate housing units are contained within one building. This includes, but is not limited to, condominiums and low- and high-rise apartment blocks.</td>
</tr>
<tr>
<td><strong>Industrial construction</strong></td>
<td>The construction, including new builds, extensions and major rebuilds, of industrial buildings, and the construction of additional structures with similar production processes to industrial buildings, for example incinerators, cement plants, blast furnaces and similar non-building structures. For reporting purposes, the market is split into six main categories: chemicals and pharmaceuticals plants, manufacturing plants, metal and material processing plants, refinery buildings, storage tanks and waste-processing plants.</td>
</tr>
<tr>
<td><strong>Chemicals and pharmaceuticals plants</strong></td>
<td>Specialist facilities used in the production and processing of chemicals and pharmaceuticals products. This includes, but is not limited to, acid plants, ammonium plants, clean rooms and pharmaceutical manufacturing and packaging facilities.</td>
</tr>
<tr>
<td><strong>Manufacturing plants</strong></td>
<td>Facilities used for the production of industrial, consumer and technology products, including industrial equipment, automobiles, textiles, food and drink, plastic and paper products and semiconductors. This includes, but is not limited to, assembly plants, canneries, food processing plants, printing plants, semiconductor plants and textile mills. It excludes facilities included in the chemicals and pharmaceuticals plants, refinery buildings and metal and material processing plant categories.</td>
</tr>
<tr>
<td><strong>Metal and material processing plants</strong></td>
<td>Facilities used in the refining of ores and raw materials, the production of base and precious metals and the production of basic metal components. This includes, but is not limited to, aluminum plants, cement plants, foundries, furnaces, kilns, refineries, paper and pulp mills, smelters and steel mills.</td>
</tr>
<tr>
<td><strong>Refinery buildings</strong></td>
<td>Facilities used in the refining of agricultural, forestry and horticultural products. This includes, but is not limited to, vegetable, animal fat and fruit oil refineries, sugar refineries and salt refineries. It does not include crude oil refineries, which are covered within the energy and communications infrastructure category.</td>
</tr>
<tr>
<td><strong>Storage tanks</strong></td>
<td>Facilities and tanks for the storage of liquids and gases. This includes tanks used for large-scale storage of raw materials and finished products by manufacturing industries, but excludes storage tanks used by the oil and gas industry.</td>
</tr>
<tr>
<td><strong>Waste-processing plants</strong></td>
<td>Buildings used for the treatment of medical, industrial, nuclear and solid household waste. This includes any plant which aids the processing of waste and by-products, such as incinerators and waste disposal plants.</td>
</tr>
</tbody>
</table>

Source: Timetric analysis © Timetric
2.3 Summary Methodology

All Timetric reports are rigorously sourced and created according to a comprehensive, four-stage methodology:

1) Market Study

A) Standardization

- Market definitions are specified using recognized industry classifications. The same definition is used for every country.
- Annual average currency exchange rates are collected for the latest complete year. These are then applied across both historical and forecast data to remove exchange rate fluctuations.

B) Internal audit

- Review of in-house databases to gather existing data:
  - Historic market databases and reports
  - Company database
  - Construction magazine portfolio
  - Construction projects database

C) Trend monitoring and primary research

- Review of the latest construction company and project trends
- Biannual surveys using expert panels compiled from across the construction value chain:
  - Construction contractors
  - Equipment and material manufacturers and suppliers
  - Architects and designers
  - Project owners and financiers
  - Project advisors

2) Research

A) Sources

- Collection of the latest market-specific data from a wide variety of respected industry sources:
  - Government statistics
  - Industry associations
  - Company filings
  - Broker reports
  - International organizations

B) Expert opinion

- Collation of opinion taken from Timetric journalist interviews of leading industry figures
- Analysis of third-party opinion and forecasts:
  - Broker reports
  - Industry associations
  - Construction media
  - Official government sources
C) Data consolidation and verification

- Consolidation of data and opinion to create historical datasets
- Creation of models to benchmark data across sectors and geographies

3) Analysis

A) Market forecasts

- Feed of forecast data into market models:
  - Macroeconomic indicators
  - Industry-specific drivers
- Analysis of the Timetric Construction Projects Database to identify trends by sector:
  - Latest project announcements
  - Financing shortfalls
  - Project cancelations and postponements

B) Report writing

- Analysis of market data
- Discussion of company and industry trends and issues
- Integration of survey results
- Annual review of financial deal and construction project trends

4) Quality Control

A) Templates

- Detailed process manuals
- Standardized report templates and accompanying style guides
- Complex forecasting tools used to ensure forecast methodologies are applied consistently
- Quality control checklists

B) Quality control

- Competitor review
- Senior-level quality control
- Randomized spot checks on data integrity
- Benchmark checks across databases
- Market data cross-checked for consistency, with accumulated data from:
  - Timetric Construction Projects Database
  - Company filings
2.4 Methodology

Timetric’s dedicated research and analysis teams consist of experienced professionals, with an industry background in marketing, market research, consulting and advanced statistical expertise.

Timetric adheres to the Codes of Practice of the Market Research Society (www.mrs.org.uk) and the Society of Competitive Intelligence Professionals (www.scip.org).

All Timetric databases are continuously updated and revised.

2.5 Contact Timetric

If you have any queries about this report, or would like any further information, please contact info@timetric.com.

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Timetric helps over 1,500 financial services institutions and its partner companies around the world benefit from better, timelier decisions and improve its competitive edge. It does this by providing:

- High-quality data, including proprietary, specialized industry data, survey-based research, social media monitoring, macroeconomic data and forecasts.
- Expert analysis from experienced economists and analysts, who use robust proprietary models, indices and forecasts.
- Powerful proprietary visualization and workflow technologies developed over years of extensive investment.

Timetric has office locations in London, New York, San Francisco, Hyderabad, Seoul, Singapore and Sydney, in which it employs 500 people including 150 analysts and economists and 200 professional researchers.
2.7 Timetric’s Services

Intelligence Centers

Timetric's industry Intelligence Centers are premium web-based services that provide access to interactive tools, comprehensive research and expert analysis in key sectors. They provide invaluable decision support presented in an easily digestible format and grounded in deep research.

Timetric offers Intelligence Centers covering the following industries:
- Banking
- Insurance
- Wealth
- Construction
- Travel and Tourism

Briefing Services

Timetric offers a range of briefing services, which offer cutting-edge thought leadership and expert commentary on and for financial services industries. Driven by influential and respected editorial teams with years of experience in its respective fields, these services deliver ‘need-to-know’ insight and analysis to decision-makers across the financial services value chain.

Timetric offers briefing services covering the following financial sectors:
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- Asset Finance
- Banking
- Cards and Payments
- Insurance

Consultancy

Timetric specializes in the development and delivery of innovative research solutions that are designed to provide competitive advantage and profitability to its clients. Timetric’s dedicated industry analysts and economists provide expert advice and actionable recommendations underpinned by Timetric’s market and country knowledge, experience and proprietary databases, panels and research infrastructure.

For projects requiring quantitative data, Timetric undertakes special research projects using its in-house panels and survey technology, providing ready access to an extensive source of specialist business executives and consumers.
2.7.1 Core capabilities include:

**Economic Research and Consulting**
Timetric’s highly experienced economists provide a number of bespoke research services covering subjects ranging from economic forecasting to sector outlooks, business presentations and workshops.

**Industry Analysis and Consulting**
Whether clients are looking for information and analysis, independent expert opinion and advice, facilitated decision or strategic support, Timetric’s team will use its extensive body of proprietary data and analysis and provide expertise-based consulting to deliver the solution that best suits client requirements.

**Quantitative Research**
Timetric connects with thousands of its clients’ potential customers, every single day. Using sophisticated, interactive and highly engaging graphical surveys, it helps to speed up and reduce the cost of research, while ensuring that respondents are highly motivated to deliver the required insight.

**Qualitative Research**
Timetric’s qualitative research service helps users understand the emotional and cultural behavior of their target audience. It provides unique access through its market-leading publications and information services to decision-makers specifically brought together to discuss key topics.

**Technology Solutions**
Timetric has built a unique technological platform to collect, mine and visualize data, and employs some of the world’s leading experts on data collection and visualization. Through its technology and software consulting services, Timetric can provide solutions to gather and visualize the data users already have, or want to collect.

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