

Lithuania

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IN A NUTSHELL

- GDP decreased by 0.3%, unemployment increased by 0.9% to 6.9%.
- The annual growth of apartment prices was 8.2% y-o-y.
- Loans for house purchase granted by credit institutions to Lithuanian households increased by EUR 48.7 mn (0.4%), month on month.
- Interest rates on new housing loans went up from 4.42% to 5.6%.

MACROECONOMIC OVERVIEW

The economy faced a challenging year. Real GDP shrank by 0.3% due to inflation, a decline in real goods exports and a decline in private spending for two quarters as a result of low real wage growth. The decline was limited by service exports and investment growth.

The general government deficit grew slightly to 0.8% of GDP as a result of rising public pay, growing public investments and increases in social spending. A total of 0.9 pps of GDP was saved by partially eliminating the energy price mitigation measures (which reduced GDP by 1.2% and 0.3% in 2023). Despite a notable increase in total expenditure (1.9 pps of GDP) compared to 2022, this was offset by rising revenue from improved labour tax collection and a temporary bank solidarity contribution.

Following the conflict in Ukraine, tens of thousands of people emigrated to Lithuania. The war increased business uncertainty, growing labour costs hurt competitiveness, and the shock of energy prices, record inflation, and rising interest rates negatively impacted consumer sentiment. Growing household savings, a robust employment market, and rising earnings were the main drivers of domestic consumption's resistance in the first half of the year.

Rigidities in the labour market result in slow changes in response to an economic downturn. In the last quarter of 2023, the unemployment rate was 6.4%, of which only 2.4% were long-term (over 1 year) unemployed.

HOUSING MARKETS

The housing market, once a scene of rapid growth, is slowing as a result of rising interest rates, inflation and a weak economy. The OHBI (Ober-Haus Apartment Price Index) of apartment prices in five major Lithuanian cities (Vilnius, Kaunas, Klaipėda, Šiauliai and Panevėžys), increased by 0.5% in December and by 1.7% over the entire year.

Preliminary data from the State Data Agency indicates that in the first half of 2023, there was an increase of almost 0.4% inhabitants in Lithuania. The impact of this growth on the real estate market varies and is not uniformly dispersed between Lithuanian cities.

MORTGAGE MARKETS

Volumes of transactions have been steady since 2017, never falling below 44,000 per year with only a 5% fall in 2020 pandemic. There were 24,000 real estate transactions in the first seven months of 2023, a 15% decrease from the same time in 2022.

The government introduced the "First Home" program ("Pirma Būstas") for young families entering the housing market. This program provides subsidies of mortgage interest rates. In 2021, it received a significant boost with an increase in subsidy amounts and expanded eligibility. This expansion significantly stimulated demand for homes in Lithuania.

While the impact of the "First Home" program in 2024 remains to be seen, the residential real estate market in Lithuania is projected to reach a value of EUR 370 mn, showcasing the overall strength of the sector.

MORTGAGE FUNDING

As in previous years, deposits remained the primary source of mortgage funding. In 2023, deposits of Lithuanian residents with credit institutions increased by 4.4% y-o-y. According to the Bank of Lithuania, three banks held 68% of Lithuania's banking market in 2023. The three banks are Scandinavian: Swedbank, SEB Group and Luminor.

GREEN FUNDING

The government provides aid for houses that needed energy-efficient upgrades to allow homeowners to lower their energy consumption and enhance the appeal of their properties to potential purchasers.

Even though new construction has had to meet the A++ energy efficiency class since January 1, 2021, in order to receive a building permit, Vilnius saw a comparatively low number of these apartment complexes constructed in 2023.

According to data gathered by Ober-Haus, just 22.4% of all flats built in Vilnius in 2023 had an A++ rating (5.3% in 2022), 56.9% had an A+ (70.4% in 2022) 12.3% an A (17.4% in 2022) and 8.4% B or lower (6.9% in 2022).

	LITHUANIA 2022	LITHUANIA 2023	EU 27 2023
MACROECONOMIC VARIABLES			
Real GDP growth (%) (1)	2.4	-0.3	0.4
Unemployment Rate (LSF), annual average (%) (1)	6.0	6.9	6.1
HICP inflation (%) (1)	18.9	8.7	6.4
HOUSING MARKET			
Owner occupation rate (%) (1)	88.6	88.8	69.2
Gross Fixed Investment in Housing (annual change) (1)	19.3	1.2	-3.1
Building Permits (2015=100) (2)	119.9	95.0	94.0
House Price Index - country (2015=100) (2)	195.0	214.2	170.2*
House Price Index - capital (2015=100) (2)	n/a	n/a	165.1*
Nominal house price growth (%) (2)	19.0	9.8	3*
MORTGAGE MARKET			
Outstanding Residential Loans (mn EUR) (2)	11,471	12,174	6,782,375
Outstanding Residential Loans per capita over Total Population (EUR) (2)	4,088	4,261	15,114
Outstanding Residential Loans to disposable income ratio (%) (1) (2)	28.1	27.3	71.3
Gross residential lending, annual growth (%) (2)	11.2	-11.0	-26.6
Typical mortgage rate, annual average (%) (2)	2.8	5.5	4.7

* Please note that this value is a simple average of the available values in 2023.

Sources:

(1) Eurostat.

(2) European Mortgage Federation - Hypostat 2024, Statistical Tables.

LITHUANIA FACT TABLE

Which entities can issue mortgage loans in your country?	Banks and bank' branches.
What is the market share of new mortgage issuances between these entities?	100% banks
Which entities hold what proportion of outstanding mortgage loans in your country?	100% banks
What is the typical LTV ratio on residential mortgage loans in your country?	No statistical data on average LTV is available. New buyers tend to max out with their LTVs, getting close to 80%.
How is the distinction made between loans for residential and non-residential purposes in your country?	Based on type of property and whether this is the first or second mortgage. Second mortgage tends to be treated as an investment with rental purpose.
What is/are the most common mortgage product(s) in your country?	30-year, 6 month EURIBOR mortgages.
What is the typical/average maturity for a mortgage in your country?	30 years
What is/are the most common ways to fund mortgage lending in your country?	Deposits
What is the level of costs associated with house purchase in your country (taxes and other transaction costs)?	Low to medium level associated
What is the level (if any) of government subsidies for house purchases in your country?	Not available