

Lithuania

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IN A NUTSHELL

- GDP grew by 2.6% amid near-zero inflation (0.9%), unemployment increased to 7.1%.
- Apartment prices rose by 3–4%, from the double-digit growth of previous years.
- Housing market activity picked up towards year-end – for example, by October up 20% y-o-y.
- Mortgage interest rates peaked in 2023 and began easing; the average new rate dropped from 5.8% to 4.9%.
- The government's "First Home" interest subsidy continued supporting young buyers.
- Banks raised minimum down payments to 20% amid higher risk perceptions.

MACROECONOMIC OVERVIEW

Despite geopolitical headwinds, real GDP grew by 2.6% in 2024 (after near-zero growth in 2023). Growth became broad-based, driven by strengthening domestic demand and recovering production. High-value service sectors (IT, finance, business services) expanded alongside manufacturing output, which rose 6.1% (9% year-on-year in Q4) as industrial activity rebounded from the previous year's downturn. Massive public investments – particularly in energy infrastructure, civil engineering and defence projects – further underpinned growth. Export performance remained mixed due to external weakness, but resilient services exports helped offset declines in goods trade.

Crucially, inflation plunged in 2024 after the prior year's price spike. Average HICP inflation was only 0.9% – the lowest in the EU – due to falling energy prices and base effects. Meanwhile, nominal wages surged over 10%, resulting in a significant rise in real incomes. This boosted consumer confidence and spending: retail sales (especially non-food) jumped by double digits as households benefited from near zero inflation and robust pay growth. Higher incomes and accumulated savings helped households weather the preceding period of record-high interest rates and maintain consumption.

The labour market remained tight, albeit with some lagging effects from the 2023 slowdown. Employment hit a historic high of 1.5 million, aided by positive net migration, even as average unemployment rose to 7.1%. Labour supply was augmented by inflows of workers (including Ukrainians and returning emigrants), which kept unemployment from falling despite strong job creation. Fiscal policy was moderately expansionary – public sector wage and pension hikes and investment continued – resulting in a slightly higher deficit of 1.3%

GDP (after 0.8% in 2023). Overall, Lithuania demonstrated economic resilience in 2024, outperforming many regional peers. However, the outlook is tempered by remaining external risks and uncertainty in the geopolitical environment.

LOOKING AHEAD

Leading indicators suggest that 2025 will build on the positive momentum, though new challenges are emerging. The Bank of Lithuania projects economic growth of around 2.9% in 2025, with a more balanced contribution from domestic consumption and exports. Cooling inflationary pressures in 2024 greatly improved housing affordability and consumer sentiment; by the end of 2025, housing affordability is expected to return to the high levels of 2020, with an average buyer able to afford 77 m² of housing (up from recent years). This optimistic view is underpinned by continued wage growth, stabilizing prices, and the prospect of declining interest rates, which together should further improve household purchasing power. Mortgage rates are already declining and markets anticipate modest ECB rate cuts in 2025, easing financing costs for new borrowers.

There are clear signs of a housing market recovery. By early 2025, home sales were surging from a low base – the number of apartments sold in January–February 2025 was about 40% higher than a year earlier, reflecting both an improving market and the very weak activity in early 2024. Price growth, however, is expected to remain moderate. Market observers note that the past two years' slowdown led mostly to longer selling times rather than price corrections, and most sellers have been willing to wait rather than cut prices. As demand picks up, prices are likely to rise only gradually, given the still-high stock of listings and cautious buyer sentiment. On the supply side, developers are slowly resuming projects postponed during the downturn, which should prevent excessive price acceleration.

Key risks could yet cloud the outlook. Domestic inflation is set to rise in 2025, driven by policy changes like higher excise taxes, a new CO₂ levy, and substantial minimum wage and public-sector pay increases. These will squeeze real incomes and could temper consumer spending growth. Geopolitical uncertainties – notably the war in Ukraine and regional security concerns – remain a concern for investor confidence. Additionally, political changes at home (with a new coalition government formed after the 2024 elections) may lead to shifts in economic policy or sentiment. Nonetheless, the baseline scenario is cautiously optimistic: solid economic fundamentals, improving affordability, and easing financing conditions point to a continued recovery in Lithuania's housing and mortgage markets in 2025.

HOUSING MARKETS

After years of rapid growth, the housing market cooled, with price increases moderating amid high borrowing costs and weaker demand. The Ober-Haus Apartment Price Index rose by about 3.4% y-o-y—well below the double-digit gains of 2021–2022. In Vilnius, prices increased by roughly 3%, while smaller cities like Klaipėda, Šiauliai, and Panevėžys posted slightly higher gains (~6%) off lower bases.



Despite a sharp drop in transactions during 2022–2023, prices largely held steady. Most sellers opted to wait rather than offer major discounts. This cautious approach prevented a broader correction. In real (inflation-adjusted) terms, prices were roughly flat in 2024, improving affordability slightly.

Housing demand picked up in H2 after a weak start. In early 2024, transaction volumes fell to their lowest in a decade, as high interest rates and economic uncertainty weighed on buyers. According to the Centre of Registers, deals in H1 2024 were down significantly year-on-year. Specifically, around 18,500 residential properties were sold in H1 2024 – approximately 10% fewer than in the same period of 2023. However, by Q4, monthly sales were surpassing 2023 levels—October sales rose approximately 20% year-on-year. Full-year transaction volumes ended just 3% below 2023, with around 40,000 deals—close to the historical average.

The rebound was strongest in the new-build segment and in Vilnius. Sales of newly built flats in the capital rose by 37% year-on-year (around 3,160 units), driven by incentives and revived demand. These incentives included government support measures such as the First Home interest subsidy and a state-backed down-payment guarantee for young families, as well as promotional offers from developers and banks, especially for energy-efficient ‘green’ housing. Nationally, new home sales rose 32%, while the resale market remained weak.

On the supply side, residential construction slowed after peaking in 2022. Completions fell by 10–15% in 2023, and developers launched fewer new projects. However, improved demand helped clear unsold inventory by late 2024. Some owners switched their properties to the rental market: rental listings rose 27%, while sale listings increased only 12%. This helped ease pressure on prices.

Population trends also supported demand. Lithuania recorded approximately 0.4% population growth for a second year, driven by net migration—including returning Lithuanians and Ukrainian refugees. Urban centres, especially Vilnius and Kaunas, saw the strongest demand and most new construction.

Regional variation persisted. Smaller cities like Klaipėda and Šiauliai saw sharper declines in 2023 but rebounded more strongly in 2024, with price gains of 6%, outpacing Vilnius. However, absolute prices remained much lower (e.g. ~€1,800/m² in Kaunas vs. €2,670/m² in Vilnius). Rural markets remained flat, constrained by depopulation.

Overall, while high interest rates and inflation dampened activity in 2022–2023, housing fundamentals remained sound. The Bank of Lithuania estimated only mild (5–10%) overvaluation, which eased as incomes rose. With supply adjusting and demand recovering, the market is moving toward a more stable phase of modest, sustainable growth.

MORTGAGE MARKETS

The mortgage market experienced both contraction then recovery in 2023–2024. The first half of 2024 had weak activity due to high interest rates and economic uncertainty, as many borrowers delayed purchases and banks maintained cautious lending practices. However, as inflation receded and macroeconomic conditions improved, mortgage lending picked up notably in H2. By year-end, loan volumes were growing again, and new loan issuance had accelerated.

The total stock of housing loans increased by approximately 9% to €12.7 bn. This growth exceeded that in 2023 and was among the highest in the euro area. Mortgage lending to households now accounts for more than half of all bank lending in Lithuania. Net mortgage lending (new loans minus repayments) totalled roughly €1.1 billion in 2024, driven by pent-up demand and renewed confidence. Most of this growth occurred in Q3–Q4, as consumer sentiment improved and interest rates began to stabilize.

Interest rates, which had risen sharply during 2022–2023, peaked at around 5.5–5.8% by the end of 2023. In 2024, rates eased slightly, and by year-end, new housing loan rates had declined to around 4.8–4.9%. This reduction supported borrower affordability and helped revive demand. Lithuanian banks maintained relatively stable lending margins, with rate fluctuations largely reflecting changes in the external benchmark (EURIBOR). Since nearly all mortgages in Lithuania are tied to variable rates indexed to EURIBOR, borrowers directly felt the impact of these benchmark shifts. By early 2025, borrowers showed renewed confidence that mortgage costs would not rise further.

In early 2024, demand for mortgages hit multi-year lows. However, by mid-year it began to recover, supported by rising real incomes and easing inflation. By late 2024, some institutions began offering longer loan maturities or temporary discounts, especially for energy-efficient “green” housing.

Overall credit standards remained tight, with loan-to-value (LTV) and debt-service requirements unchanged. LTV is capped at 85% for first-time buyers and 70% for second or investment properties, while the debt service-to-income (DSTI) ratio is limited to 40% of net monthly income. Mortgages typically require significant down payments, first-time buyers must provide at least 15%, while second or investment properties require 30%. In practice, many banks raised the effective down payment for first homes to 20% during the high-rate environment. As a result, average LTVs on new loans hovered around 70–75%, with few high-LTV loans issued. Average loan terms remained near 25 years, with many borrowers opting for the maximum to keep monthly payments manageable. Some borrowers extended their loan terms during the rate spike to reduce instalments.

Despite higher rates, mortgage asset quality remained strong. Households entered this cycle with low debt levels and substantial savings buffers. The non-performing loan (NPL) ratio stayed around 1% or less in 2023–2024. A small rise in late payments was mostly among variable-rate borrowers with high leverage, but these cases were generally addressed through renegotiation. In 2024 alone, over €700 million in loans (about 5.7% of the mortgage portfolio) were refinanced or modified—double the previous year’s level. These adjustments helped contain arrears and avoided broader distress. A resilient labour market also supported repayment, with low unemployment and rising wages keeping default risks low.

There were several policy and regulatory measures. The government continued to support first-time buyers through the “First Home” program, offering interest subsidies or grants for young families, particularly in the regions. A complementary state-backed guarantee scheme introduced in 2023 also helped young families meet down payment requirements. Together, these initiatives improved affordability and supported demand in the most constrained segments of the market.

The Bank of Lithuania maintained macroprudential policies aimed at ensuring stability. A sectoral systemic risk buffer of 2% remained in place for housing loans, discouraging aggressive credit expansion. In addition, from mid-2022, the

minimum down payment for second and investment properties was raised to 30%, cooling speculative activity. These measures contributed to the slowdown in price growth and a decline in second-home mortgage issuance. No major new rules were introduced in 2024, reflecting a view that existing measures were sufficient. Policymakers also continued to debate the potential introduction of a more robust property tax regime to reduce speculation, though no concrete steps were taken during the year.

MORTGAGE FUNDING

Lithuania's mortgage market remains primarily funded through domestic deposits, with minimal reliance on capital markets or central bank facilities. In 2024, strong deposit growth—driven by high interest rates—boosted household savings by nearly 12%, outpacing credit growth and improving banks' loan-to-deposit ratios. Over 80% of mortgage lending is funded by customer deposits, enabling banks to reduce reliance on costlier funding sources and avoid extensive use of ECB refinancing tools.

Wholesale funding was used sparingly, with only a few bond issuances in 2024. Covered bonds remain unused and mortgage securitisation is virtually absent.

An emerging development was the rapid expansion of Revolut Bank, which briefly became Lithuania's largest bank by assets, intensifying competition for deposits and pushing incumbents to raise savings rates.

Overall, Lithuanian banks are well-positioned to support mortgage growth internally, thanks to ample liquidity and conservative lending practices. Unless credit demand rises sharply, external funding will likely remain a supplementary source.

GREEN FUNDING

Sustainable finance is gradually gaining ground in Lithuania's housing market through a mix of public programs and emerging private sector initiatives. The government remains the primary driver, particularly in improving buildings' energy efficiency. In late 2024, Lithuania and the European Investment Bank launched a €100 million fund to support the renovation of up to 700 multi-apartment buildings. Leveraging private co-financing, the program aims to mobilize around €625 million in total investment, expanding on previous efforts that have already modernized over 3,300 buildings. This initiative provides residents with low-interest loans for insulation, heating upgrades, and renewable installations—cutting energy costs and supporting national climate and energy goals.

On the private side, green mortgages are beginning to appear. Some banks now offer incentives such as waived fees or lower interest rates for energy-efficient homes, typically rated A+ or A++. While still limited in scale, these products reflect growing interest in sustainable finance, spurred by EU regulations and rising customer awareness.

Mandatory building standards are also pushing change. Since 2021, all new buildings must meet the A++ energy class. Developers initially faced challenges, but by 2023, over 22% of new apartments in Vilnius met this standard, with another 57% certified as A+.

Financing these higher-efficiency buildings requires more capital. While green bonds and dedicated lending instruments are not yet widespread in housing, early steps have been taken—such as sustainability-linked bonds issued by Šiaulių Bankas.

Looking ahead, a blend of public subsidies, EU funds, and private green finance is expected to support the ongoing modernization of Lithuania's housing stock and align the sector with Europe's broader sustainability goals.

	LITHUANIA 2023	LITHUANIA 2024	EU 27 2024
MACROECONOMIC VARIABLES			
Real GDP growth (%) (1)*	0.3	2.8	1.0
Unemployment Rate (LSF), annual average (%) (1)	6.9	7.1	5.9
HICP inflation (%) (1)	8.7	6.4	2.6
HOUSING MARKET			
Owner occupation rate (%) (1)	88.8	87.4	68.4
Gross Fixed Investment in Housing (annual change) (1)	1.2	-4.2	-4.3
Building Permits (2015=100) (2)	95.1	79.7	136.9
House Price Index - country (2015=100) (2)	214.2	235.0	179.8
House Price Index - capital (2015=100) (2)	n/a	n/a	171.5
Nominal house price growth (%) (2)	9.8	9.7	4.9
MORTGAGE MARKET			
Outstanding Residential Loans (mn EUR) (2)	12,174	12,670	6,879,667
Outstanding Residential Loans per capita over Total Population (EUR) (2)	4,261	4,390	15,311
Outstanding Residential Loans to disposable income ratio (%) (2)	27.3	46.4	71.3
Gross residential lending, annual growth (%) (2)	-11.0	51.7	3.9
Typical mortgage rate, annual average (%) (2)	5.5	5.2	4.34

(1) Eurostat Data

(2) European Mortgage Federation – Hypostat 2024, Statistical Tables

* Eurostat Reviewed

** EU 2024 to be confirmed

LITHUANIA FACT TABLE

Which entities can issue mortgage loans in your country?	Commercial banks only	What is the typical/ average maturity for a mortgage in your country?	Average maturity is about 20+ years
What is the market share of new mortgage issuances between these entities?	The entire market for new mortgage issuances is served by banks (100%). It is roughly divided among four major players with market shares of approximately 30%, 30%, 15%, and 10%, with the remaining share held by smaller institutions.	What is/are the most common ways to fund mortgage lending in your country?	Bank deposits
Which entities hold what proportion of outstanding mortgage loans in your country?	See answer to item 2	What is the level of costs associated with house purchase in your country (taxes and other transaction costs)?	
What is the typical LTV ratio on residential mortgage loans in your country?	The LTV typically converges toward the regulatory maximum threshold of 80%.	What is the level (if any) of government subsidies for house purchases in your country?	None, government does not subsidise house purchases
How is the distinction made between loans for residential and non-residential purposes in your country?	<p>The distinction between residential and non-residential mortgage loans is primarily based on the intended use and type of collateral.</p> <p>Residential mortgage loans are secured by property intended for housing purposes, such as single-family homes or apartments, and are typically granted to individuals or households.</p> <p>Non-residential mortgage loans are secured by commercial or industrial properties (e.g., office buildings, retail space, warehouses) and are usually granted to legal entities or self-employed individuals for business use.</p> <p>This distinction is reflected both in internal bank classification systems and regulatory reporting, such as in the asset class definitions under the Capital Requirements Regulation (CRR) and national supervisory frameworks.</p>		
What is/are the most common mortgage product(s) in your country?	<p>The most common mortgage products are loans for the purchase of an apartment or a house, as well as loans for the construction of residential property.</p> <p>In Lithuania, the most common mortgage products are loans for the purchase of an apartment or a house, as well as loans for the construction of residential property.</p> <p>These are typically:</p> <ul style="list-style-type: none"> • Interest rate basis: 6-month EURIBOR plus a fixed bank margin. • Amortisation method: Annuity repayments. • Typical term: Approximately 25–30 years. • Currency: Euro (€). • Security: Mortgage over the purchased or constructed residential property. 		