Lithuania

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IN A NUTSHELL

→ Housing market activity began to recover in early 2025 after a very weak 2024, with Q1 sales rising strongly from a low base.

→ House price growth remained positive but moderate in early 2025, while the Bank of Lithuania still estimated some residual overvaluation.

→ Lower borrowing costs supported housing demand, while borrower-based lending requirements remained unchanged.

→ Mortgage lending continued to rely primarily on bank deposits, with limited evidence of material capital-market funding.

→ Energy-efficiency renovation remained the main green-housing funding theme, supported by EU structural funds managed by the EIB.

MACRO-ECONOMIC OVERVIEW

Lithuania's economy continued to expand in 2025, although growth moderated slightly to 2.9%, from 3.0% in 2024. Growth was mainly supported by domestic demand. Private consumption increased by 2.0%, while gross fixed capital formation rebounded by 7.3% after declining by 1.7% in 2024. Exports grew by 4.2%, but imports increased more strongly, by 8.4%, resulting in a negative contribution from net trade.

Average HICP inflation rose from 0.9% in 2024 to 3.4% in 2025. Wage growth remained strong: compensation per employee increased by 10.4%, compared with 7.4% in 2024, while real average earnings grew by approximately 3.9%. Household purchasing power therefore continued to improve, although less strongly than in the very low-inflation environment of 2024.

Labour-market conditions remained relatively tight. The average unemployment rate declined slightly, from 7.1% in 2024 to 6.9% in 2025. The general government deficit widened from 1.3% to 1.8% of GDP, while public debt increased from 38.0% to 39.6% of GDP. Financing conditions also eased, with the short-term interest-rate indicator declining from approximately 3.8% in 2024 to 2.4% in 2025.

HOUSING MARKETS

Lithuania's housing market began to recover in early 2025 after a very weak 2024. According to the Bank of Lithuania, the number of housing units sold in 2024 was 10% lower than in 2023 and the lowest since 2012. The improvement became visible in Q1 2025, when primary-market sales rose by 50% year on year and secondary-market sales increased by about one-third. These early-2025 figures should not be read as full-year 2025 results.

Lower borrowing costs were an important driver of the rebound. New housing-loan rates fell to around 4%, from a peak of 5.9% in autumn 2023, helping sales activity and loan issuance recover. Demand also shifted towards own-use buyers. In Q4 2024, first-time acquisitions accounted for 65% of purchases in Lithuania and 59% in Vilnius, while resident investment transactions accounted for 25% and 29%, respectively.

House prices continued to rise, but the pace remained moderate. In April 2025, the Bank of Lithuania residential house price index was 4.3% higher than a year earlier, while the Ober-Haus index showed annual growth of 4.9%. Both readings were below their respective 2015–2025 averages. The Bank of Lithuania nevertheless estimated that house prices could still be overvalued by around 5%, so the recovery did not remove all valuation imbalances.

Affordability improved as incomes increased and borrowing costs declined. In Q4 2024, the house-price-to-annual-net-income ratio stood at 5.8 nationally and 6.9 in Vilnius, confirming that the capital remained less affordable than the country as a whole. In 2025, the average dwelling affordable with a loan rose to around 70 sq. m; this is a point-in-time affordability measure, not a measure of the average size of homes sold.

On the supply side, primary-market stock in the major cities stood at 7,200 units in March 2025. Although this was still historically high, sales exceeded new supply in spring 2025 and the stock began to shrink. Regional pressure remained most visible in Vilnius, where 5,700 housing units started construction in 2024, 25% more than in 2023.

Broader residential investment remained weak. The Bank of Lithuania's September 2025 review indicated that investment in residential buildings was still declining and that building permits and newly started projects did not yet point to significant growth ahead.

MORTGAGE MARKETS

MARKET DYNAMICS

Lithuania's mortgage market recovered during 2024 and entered 2025 with stronger momentum. The stock of housing loans increased by approximately 9% in 2024, reaching about EUR 12.7 billion. Net mortgage lending, defined as new loans minus repayments, amounted to roughly EUR 1.1 billion. Residential mortgages represented more than half of total bank lending.

Interest rates on new housing loans eased from their 2023 peak. After reaching around 5.5–5.8% by end-2023, new housing-loan rates declined to around 4.8–4.9% by end-2024 and continued to move lower with Euribor in 2025. This supported affordability and helped revive housing demand.

Credit standards remained tight. LTV limits stayed at 85% for first housing purchases and 70% for second or investment properties. The debt-service-to-income ratio remained capped at 40% of net monthly income. In practice, average LTVs on new loans were around 70–75%, and typical mortgage terms remained close to 25 years.

Mortgage asset quality remained strong in 2024. The non-performing loan ratio on housing loans stayed around 1% or lower. In 2024, more than EUR 700 million of loans, or about 5.7% of the mortgage portfolio, were refinanced or modified, helping to contain arrears. Comparable full-year 2025 arrears and default indicators were not available in the reviewed source set and are therefore not quantified.

NON-MARKET LED INITIATIVES

Mortgage-related policy measures were largely continuations rather than new one-off interventions. Support for first-time buyers continued through the "First Home" programme and the state-backed guarantee scheme introduced in 2023. These measures supported eligible young households, particularly where down-payment constraints were binding.

The macroprudential framework remained unchanged. The 2% sectoral systemic risk buffer for housing loans continued to apply, and no new lending limits beyond the existing LTV and DSTI requirements were identified in the reviewed source set.

MORTGAGE FUNDING

Lithuania's mortgage market remains primarily funded by domestic deposits, with limited reliance on capital markets or central-bank facilities. The previous year's article reported that more than 80% of mortgage lending was funded by customer deposits and that household savings increased strongly in 2024.

Wholesale funding played only a supplementary role. Covered bonds remained unused and mortgage securitisation was virtually absent. A small number of bond issuances took place, but deposits remained the core funding source for mortgage lending.

GREEN FUNDING

Sustainable finance is gradually gaining ground in Lithuania's housing market, mainly through public programmes and EU-supported renovation finance. In December 2024, Lithuania and the European Investment Bank agreed that EUR 100 million of EU structural funds would be managed by the EIB to support the renovation of around 700 multi-apartment buildings. With private co-financing, the programme could mobilise up to EUR 625 million in total investment.

The initiative builds on Lithuania's long-running apartment-building modernisation programmes, which combine public support, subsidised lending and revolving financial instruments. By December 2024, more than 3,300 apartment buildings, covering around 83,000 households, had been renovated, with total investment of about EUR 1.4 billion.

These programmes are expected to reduce household energy costs and emissions while improving the quality of the housing stock. Public and EU-supported renovation programmes therefore remain the main channel for energy-efficiency finance in Lithuania's housing sector.

	LITHUANIA 2024	LITHUANIA 2025	EU 27 2025
MACROECONOMIC VARIABLES			
Real GDP growth (%) (1)	3.0%	2.9%	1.5
Unemployment Rate (LSF), annual average (%) (1)	7.1%	6.9%	6.0
HICP inflation (%) (1)	0.9%	3.4%	2.0
HOUSING MARKET			
Owner occupation rate (%) (1)	87.4	86.5	68.5
Gross Fixed Investment in Housing (annual change) (1)	n/a	n/a	2.8
Building Permits (2015=100) (2)	n/a	n/a	86.9
House Price Index - country (2015=100) (2)	235.02	258.11	161.92
House Price Index - capital (2015=100) (2)	218.83	238.18	n/a
Nominal house price growth (%) (2)	9.7	9.8	5.5
MORTGAGE MARKET			
Outstanding Residential Loans (mn EUR) (2)	12,700	15,160	5,617,435.11
Outstanding Residential Loans per capita over Total Population (EUR) (2)	4,390	5,248	12,472.10
Outstanding Residential Loans to disposable income ratio (%) (2)	28.59	30.28	81.39
Gross residential lending, annual growth (%) (2)	n/a	n/a	2.8
Typical mortgage rate, annual average (%) (2)	5.24	3.89	3.31

(1) Eurostat Data
(2) European Mortgage Federation – Hypostat 2026, Statistical Tables

LITHUANIA FACT TABLE

Which entities can issue mortgage loans in your country?	Mortgage credit may be issued by banks and branches of foreign banks, credit unions, and other credit providers or peer-to-peer lending platform operators authorised or registered under the Law on Credit Related to Real Estate. In practice, standard residential mortgages are provided overwhelmingly by banks and foreign-bank branches.
What is the market share of new mortgage issuances between these entities?	Public supervisory data do not provide a current lender-by-lender split specifically for new mortgage issuance. Banks and foreign-bank branches originate virtually all standard residential mortgage volume; credit unions and other registered providers are marginal. The market remains concentrated, and the Bank of Lithuania continued to describe it as dominated by four major banks, although competition is gradually increasing.
Which entities hold what proportion of outstanding mortgage loans in your country?	Outstanding residential mortgage loans are likewise held almost entirely by banks and foreign-bank branches. Housing loans on bank balance sheets amounted to €15.1 billion at the end of Q1 2026. The Bank of Lithuania states that four lenders continue to dominate the segment; current institution-level shares are not disclosed in the standard supervisory review.
What is the typical LTV ratio on residential mortgage loans in your country?	As at 15 July 2026, the regulatory maximum LTV is 85% for a standard first or only housing loan and 70% for a second or subsequent housing loan, subject to the existing exception. The average LTV on newly granted housing loans was about 74.2% in January–February 2025. From 1 August 2026, qualifying first-time buyers will be permitted a maximum LTV of 90% (a minimum 10% down payment). The 70% maximum for second and subsequent loans will remain, with a tighter exception.

How is the distinction made between loans for residential and non-residential purposes in your country?	The distinction is based primarily on the purpose of the financing, the borrower type and the nature of the collateral. Residential mortgage loans are generally granted to individuals or households to acquire, construct, complete or renovate a dwelling and are usually secured by residential real estate. Non-residential mortgage loans finance business or investment purposes, or are secured by commercial or industrial property (for example, offices, retail premises or warehouses), and are generally granted to companies or self-employed borrowers. The distinction is reflected in lenders' product classification, accounting, risk management and prudential reporting.
What is/are the most common mortgage product(s) in your country?	The dominant products are loans to purchase an apartment or house and loans for residential construction, completion or renovation. Typical features are: • Currency: euro (€). • Interest rate: usually variable, most commonly 6-month EURIBOR plus a fixed bank margin; 3- or 12-month EURIBOR may also be used. • Repayment: annuity instalments. • Contractual term: typically 25–30 years. • Security: mortgage over the financed residential property, with property insurance normally required. Since May 2025, larger housing lenders must offer both a variable-rate option and an option with the rate fixed for at least five years. Nevertheless, the Lithuanian market remains predominantly floating-rate.
What is the typical/ average maturity for a mortgage in your country?	New mortgages are commonly contracted for 25–30 years. The regulatory maximum maturity is 30 years. The average remaining maturity of the outstanding stock is naturally shorter, but a current official market-wide figure is not routinely published.
What is/are the most common ways to fund mortgage lending in your country?	Customer deposits are the principal funding source. At the end of Q4 2025, deposits accounted for around 89% of bank liabilities, while issued debt securities represented about 1%. Funding from credit institutions or parent banks and banks' own funds provide most of the remainder. Covered bonds and securitisation are not material sources of domestic mortgage funding.
What is the level of costs associated with house purchase in your country (taxes and other transaction costs)?	Lithuania does not impose a separate real-estate transfer tax or stamp duty on a standard residential purchase. The main costs are notary fees for the sale-purchase and mortgage documents, registration fees, property valuation, the lender's arrangement or administration fee and property insurance. For a financed purchase, a practical budget is commonly around 1–2% of the purchase price (often roughly €1,500–€2,500 for a typical transaction), excluding estate-agent fees and renovation. The exact amount depends on the property value, lender, notarial actions and urgency of registration.

What is the level (if any) of government subsidies for house purchases in your country?	Support is targeted and budget-limited rather than universal. The two principal schemes are: • State-partially-compensated housing loans: income- and asset-eligible households may receive a subsidy covering 15–30% of the eligible credit portion, depending on family composition and social status. The eligible loan is capped at €53,000 for a single person, €87,000 for a family and €35,000 for reconstruction. • Financial incentive for young families buying a first home in eligible regions: 10% for families with no children or one child, 12.5% with two children and 15% with three or more children. The subsidised loan amount is capped at €87,000 and the property value at €120,000. Applications are accepted through periodic calls and support is subject to available state-budget funding.