The 2025 country-specific recommendation highlighted the need to 'make buildings more energy efficient to reduce energy poverty'. Despite improvements, and the targeting of EU funds towards the energy efficiency of housing, many homes still lack basic amenities and energy performance is very low. Russia's war of aggression against Ukraine and the 2022-2023 energy crisis that followed mean households are under additional strain and affordability for vulnerable households has worsened. Even though energy prices fell in 2024 and the first half of 2025, the recent VAT rate increase on heating and hot water costs, as well as the ongoing increase in gas prices due to the Iran conflict, could reverse these trends in 2026.

The 2025 country-specific recommendation emphasised the need to 'improve the access and quality of social housing'. The social housing sector remains limited, and waiting lists long and growing, such that low-income and vulnerable groups have great difficulties accessing social housing. The private rental market remains largely informal despite efforts to expand the formal market. Recent efforts and EU funding for social housing should improve the situation.

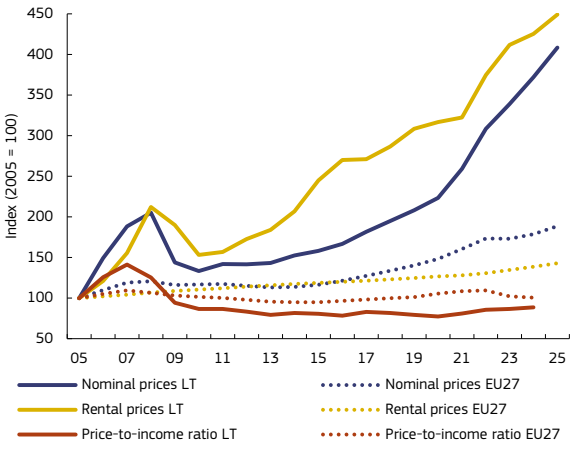
In this context, low average household expenditure on housing hides an emerging affordability crisis in Lithuania. The high rate of homeownership without a mortgage keeps average housing expenditure at low levels, but many homeowners are poor and cannot afford the necessary upgrades of their dwelling. Rising construction costs make new and quality accommodation less and less affordable for households entering the housing market through rental or purchase, or wishing to move to a higher quality home.

Housing market developments

House prices have continued to rise significantly over the past decade, supported by rising incomes and favourable financing conditions (see Graph A7.1). Nominal house price growth peaked at 19.0% year-on-year in 2022, before decelerating to 9.8% in 2023 and 9.7% in 2024, driven by a slowdown in demand due to higher interest rates. Since then, mortgage interest rates have declined, and lending volumes have expanded even though they remain below the Euro Area average. In 2025, nominal house prices grew steadily by 9.8% year-on-year, and they show signs of overvaluation of around 18% (based on the standard European Commission methodology). House prices tracked household income developments in 2009–2024, causing the price-to-income ratio to remain broadly stable with mild increase above its long-term average recorded in recent years.

Regional disparities in house price levels remain pronounced. Prices are highest in Vilnius and, despite higher-than-average incomes, the size of the dwelling that can be purchased with one third of disposable income is half of what can be bought in other regions.

Graph A16.1: **House prices, rents and price-to-income evolution in LT and EU27 since 2005**



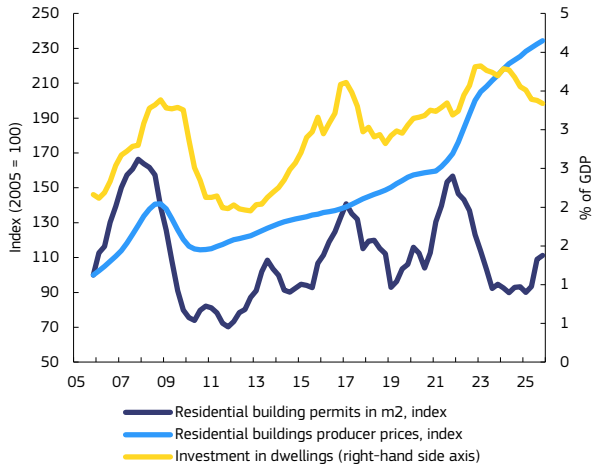
Source: Eurostat

The rental market remains thin and concentrated in Vilnius, where rising demand has pushed up rent prices. With tenants representing a mere 12.6% of the population in 2024, and only 2.9% of them paying rent at market conditions, the rental market in Lithuania is limited, particularly outside the capital region. Informal leases continue to be pervasive, especially outside the big cities. Due to limited supply, in 2010–2025, Lithuania recorded a nominal rent increase of about 191.1% (including standing and new rental contracts). The year-on-year rental price increase was especially high in 2022, reaching 16.1%, as a large inflow of Ukrainian refugees in Lithuania drove up rental demand. Overall, even though rental prices increased sharply, the increase broadly matched disposable income growth, and the rent-to-income ratio remained fairly stable.

Following a period in which the construction of new dwellings increased in response to rising house prices, it has recently declined. After falling steeply in 2009-2012, investment in dwellings grew sharply until Q12023 (Graph A7.2) in response to fast price growth, as profitability rose. The issuance of residential building permits also increased, especially in 2019-2021. However, since then, completions have been constrained by labour shortages, increased construction costs, more stringent financing conditions for developers, (see Annex 5). As a result, the investments in new dwellings and the issuance of building permits have been declining over the last few years. In the medium run, decreases in population will result in limited construction needs outside the main cities. Vacant housing, today lower than the EU average, can be expected to rise in that context.

Despite a low job vacancy rate, Lithuania faces shortages in certain skilled occupations within the construction industry. While the job vacancy rate in the construction sector was significantly lower than the EU average in 2025 (1.5% vs 2.8%), Lithuania has a shortage of workers in some occupations related to the construction sector. For example, labour shortages are reported for bricklayers, building electricians, concrete placers and finishers, crane and related plant operators ([260]).

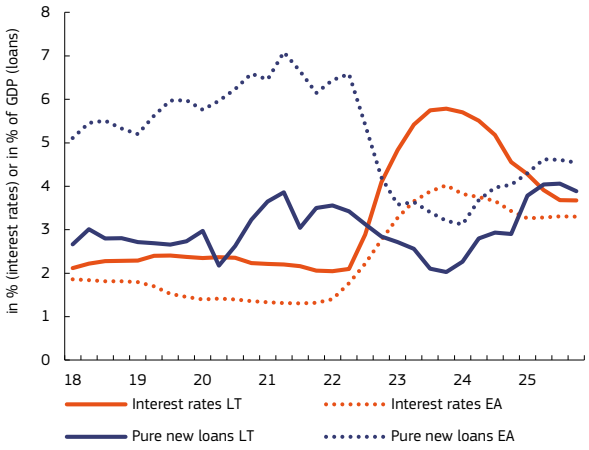
Graph A16.2: **House supply indicators in LT since 2005**



Source: Eurostat

Mortgage interest rates have remained relatively high over the past decade ([261]). In 2019–2021, mortgage interest rates fluctuated between 2.1% and 2.4%, significantly above the euro area average. Following the monetary policy tightening cycle and given the high prevalence of variable-rate loans, mortgage rates increased sharply, reaching 5.8% in 2023. The housing cost overburden rate almost doubled for owners with a mortgage, from 2% in 2022 to 3.8% in 2025, vs 5% in the EU. As a result, demand for mortgage lending in Lithuania remains subdued.

Graph A16.3: **Borrowing costs and housing loans, in LT and EA since 2018**



Source: Eurostat and ECB

Structural policies

Changes in governance and the upcoming strategy for housing could make for more ambitious housing policies and more effective implementation. In response to the fragmentation of governance pointed out in the 2023 OECD report *Policy Actions for Affordable Housing in Lithuania*, the Ministry of Environment has been assigned the role of coordinating housing policies across government. A housing affordability assessment is being carried out to provide the basis for a national housing affordability strategy which should be adopted by the end of 2026. This will replace the national housing strategy adopted in 2004 and not updated since. A law on support for housing acquisition or rental is also planned for

([260])EURES-Report on labour shortages and surpluses 2024.

([261])European Commission 2025. Taxing Bank Windfall Profits: Lessons from the Baltics - Economy and Finance.

2026 covering, among other things, purchase and rental support, quality requirements for social housing and the protection of older tenants and tenants with disabilities. In the meantime, the state budget for housing remains small compared with other EU countries. Responsibility for the implementation of housing policies has been transferred to municipalities, but their technical and financial constraints affect the scale and speed of affordable and social housing provision.

The administrative and regulatory environment is favourable to construction. The quality of the land administration was ranked one of the highest in the EU, and construction procedures are among the fastest in Europe ([262]). The 2023 Construction Law simplified and digitalised permitting by reducing the project-design stages and cases where a formal permit is required and extending the use of electronic systems. State-owned land is being transferred to municipalities to support affordable housing development, with more than 900 000 ha being transferred in 2024 and 2025.

Social housing in Lithuania remains very limited, despite recent measures to address the 2025 country-specific recommendation *to improve access to and quality of social housing*. The approximately 13 000 social housing units owned and operated by municipalities represent 0.8% of the country's housing stock. The upcoming law on support for housing acquisition or rental will set basic quality and safety requirements for social housing that do not yet exist. This step has been praised by NGOs which constantly report on the overall low quality of social housing, of which 2.5% is in emergency condition. The development of social housing stock in 2021-2027 is financed by European funds, with an initial allocation of ca EUR 85 million (including the national contribution), with a target of ca 2060 users, mainly persons with disabilities and large families. Following the mid-term review, an additional EUR 53 million from European funds were allocated (EUR 69 million together with the national contribution) for the development of the additional social housing stock for ca 1 790 users, making it ca 3850 users and ca EUR 155 million (with national contribution) in total for the development of social housing. Furthermore, additional EUR 35 million is allocated from the Social Climate Plan for the construction or purchase of 278 social housing units by Q3 2032. According to Lithuania's estimates approximately EUR 1 billion would be needed to meet the entire current demand for social housing.

With policies encouraging homeownership, the private rental market is thin and suffers from a high level of informal contracts. In 2024, 87.4% of the population lived in a home they owned. This is due to both historical reasons and policies that have traditionally favoured homeownership (see Annex 3). Several support schemes exist to encourage homeownership for: (i) low-income young families buying their main residence; and (ii) young families in rural areas. These policies could in some instances lead to an increase in housing prices by fuelling demand. The informal rental market is estimated to represent between 20% and 80% of the private rental market ([263]). This reduces tax revenues for the state but also limits tenant protection. A system of business certificates was expanded to encompass the activity of renting out housing to encourage landlords to formalise their rental contracts in exchange for reduced income taxes. Its take-up rate doubled between 2020 and 2024, and accordingly tax declarations of rental income are on the rise.

Upgrading the private housing stock is one of the major challenges facing the housing sector. 80% of the housing stock was built before 1993, when standards and quality were lower. The lack of a legal framework for managing multi-apartment buildings after their privatisation also led to significant maintenance gaps. Around three quarters of multi-apartment buildings, and 60% of single-family homes have a very low energy efficiency rating ([264]). While there have been great improvements in the last 10 years, in 2023, 5% of dwellings still did not have a flush toilet and 5.5% lacked a bath or shower; well above the EU averages of respectively 1.8% and 1.7%.

Support programmes for housing renovation and retrofitting exist but have not yet managed to fully address the 2025 country-

([262]) Housing in the European Union: Market Developments, Underlying Drivers, and Policies - Economy and Finance

([263]) OECD 2023. Full Report: Policy Actions for Affordable Housing in Lithuania | OECD

([264]) *Ibid.*

specific recommendation *make buildings more energy efficient to reduce energy poverty.* The flagship programme provides homeowners in multi-apartment buildings with grants, interest compensation, concessional loans and technical assistance for renovation (see Annex 9). These programmes are supported by cohesion policy funds and Recovery and Resilience Facility funds. Two European Regional Development Fund and Cohesion fund financial instruments of more than EUR 330 million provide loans for renovating multi-apartment buildings, supplemented by Recovery and Resilience Facility grants which cover around 30% of renovation costs and 100% of technical preparations. There have been several iterations of this programme, which started in 2005. However, despite efforts, as of 2020, only 8% of the 37 136 multi-apartment buildings built before 1993 had been renovated ([265]). Approximately 300 buildings are renovated each year, leaving many buildings waiting for improvements. Additional EUR 269 million from the Social Climate Fund is allocated for the 50-80% reimbursement of the loan for full renovation or 75-85% reimbursement of the loan for partial renovation of multi-apartment buildings. Ca EUR 100 million is also allocated for full and partial renovation of single and double-dwelling houses.

Vulnerable groups

Vulnerable groups continue to be heavily affected by the increasing housing costs, and their situation is aggravated by the poor housing quality. A sharp increase in energy prices in 2022 and 2023, when electricity and gas prices doubled, resulted in a steep rise in the housing cost overburden rate in 2023 and 2024 ([266]), despite the state's efforts to cap the energy prices and apply a zero VAT rate for gas and heating. A drop in energy prices in 2024 and the first half of 2025 provided some relief to the population at risk of poverty, resulting in the drop of housing cost overburden rate from 22.5% in 2024 to 20.2% in 2025 (29.1% in the EU), still up from the pre-pandemic level of 19.8% in 2019 and 14.2% in 2022. However, the housing cost overburden for tenants renting at market price increased in 2025 to 27.4%. The housing cost overburden rate is higher outside the capital region than in it (6.1% vs 4.8%) and in towns and rural areas (8.1% and 6.4% vs 4.3% in the cities), where income levels are generally lower and poverty levels higher. While housing quality is poor overall, it is worse for people at risk of poverty, with 31.6% of the population at risk of poverty unable to keep their home adequately warm in 2025 (EU average 19.6%). The drop in energy prices in the first half of 2025 is likely to provide some relief to the housing cost overburden rate for 2026. However, the future situation is less clear, as the increase in VAT for heating and hot water from 9% to 21% as of 2026 (see Annexes 3 and 12), together with the record cold winter months, has pushed up energy costs. The recent conflict in Iran could further exacerbate the issue. While the existing allowance scheme for low-income households will alleviate the increase in their heating and hot water bills to some extent, the situation will still differ across low-income households depending on their energy consumption, household size and income level.

The growing demand for social housing highlights the significant challenges faced in addressing the needs of vulnerable groups. The number of households waiting for social housing has been steadily rising. In 2025, 10 750 families were waiting for social housing, an increase from 10 378 families in 2024 and 9 975 families in 2023. The average waiting time varied from 2 to 13 years across municipalities in 2024, with the average of 5.63 years (down slightly from 5.74 in 2023). Furthermore, in many municipalities, social housing is not adapted to the needs of people with disabilities, nor is it suitable for families with three or more children. The possibility to rent housing on the private market and get rent compensation from the municipality is used relatively rarely, with only about 3 000 individuals benefiting from it in 2025, mostly in big cities. In the context of a large informal rental market, the requirement of having a formal lease contract could limit the uptake of these housing allowances, especially in rural areas where the rental market is particularly thin.

([265]) *Ibid.*

([266]) The income reference years for the 2023 and 2024 housing cost overburden rate are 2022 and 2023 respectively, precisely the years when the energy crisis took place.

Graph A16.4: **Housing affordability selected indicators**

		EU27				LT							
	unit	2000-25 avg.	2023	2024	2025	2000-25 avg.	2023	2024	2025	unit	2023	2024	2025
House price to income ratio	*2000-25 avg = 100*	100.0	102.0	100.2		100.0	91.9	94.0		YoY%	1.2	2.3	
Rent to income ratio	*2000-25 avg = 100*	100.0	85.1	83.5	84.5	100.0	95.0	91.5	89.5	YoY%	1.3	-3.7	-2.1
Overburden rate, total	%	9.9	8.8	8.2		6.6	5.2	6.2		PPS/y	1.7	1.0	
Overburden rate, tenant with market rent	%	23.8	20.3	19.2		31.2	27.4	21.8		PPS/y	1.4	-5.6	
Overvaluation gap	%					2.1	11.0	14.8	17.6				
Deflated construction production price	*2010 = 100*	102.2	112.2	111.8	110.5	110.7	115.8	120.6	121.2	YoY%	-1.6	4.7	0.6
Building permits	*m^2 per ths persons*	483.5	376.9	362.9	379.9	504.7	452.7	450.1	519.3	YoY%	-24.6	-0.6	15.4
Residential construction investment	*% GDP*	5.5	5.8	5.1	5.0	2.7	3.7	3.6	3.3	YoY%	-2.6	-2.7	-8.3
Share of ownership	%	70.0	69.1	68.4		90.3	88.8	87.4		PPS/y	0.2	-1.6	
Share of people living in overcrowded homes	%	17.7	16.8	16.9		31.8	26.0	26.3		PPS/y	1.4	0.3	

Source: Eurostat and European Commission calculations

Homelessness is increasing, in the absence of a national strategy addressing homelessness and housing exclusion. In 2023, more than 6 000 people stayed in a shelter or temporary housing managed by social service providers (), which was more than in 2022 ([267]). Shelter and temporary housing are provided by NGOs and municipalities, but no national strategy exists to address homelessness.

([267])OECD 2023. Full Report: Policy Actions for Affordable Housing in Lithuania | OECD