

Evaluation of Policy Options for Improving Housing Affordability in Lithuania

Summary in English

To: Ministry of Environment of the Republic of Lithuania
Vilnius, 2026

EVALUATION OVERVIEW. Over the past twenty years, the high level of economic development achieved in Lithuania has enabled the country's households to freely establish independent lives in homes of their own. Nevertheless, the upward trend in real estate prices, which at times has outpaced the growth in residents' wages, creates pressure for residents seeking to own their housing. Housing cost burdens as well as opportunities to purchase housing are unevenly distributed in society, as their impact on different household groups varies by their age, size and income level. In addition, the high concentration of the country's real estate market activity in the major cities or resort settlements does not provide for residents across the country, as housing supply and affordability issues are experienced by regions in Lithuania. Finally, the condition of existing Lithuania's residential building stock requires substantial investment for renovation; its pace has been moderate, and homeowners are bearing considerable financial burden.

The Evaluation identifies a structural mismatch between housing supply, price levels, quality and needs of different households in various parts of the country. In the major cities and resort municipalities, affordability is primarily constrained by high housing purchase and rental prices, investment-driven demand and limited supply, while smaller regional and industrial-town municipalities are lacking in supply of new and good-quality housing. Rental tenants, particularly those in private tenancies, find it difficult to save for a deposit and have limited access to state support. Households receiving support for housing-related costs generally have lower incomes and fewer savings and thus are more likely to live in poor-quality housing. Some homeowners also face a substantial housing-cost burden, while the need to improve the energy efficiency of homes built 1990 places additional pressure on a much wider range of households.

This study, *Evaluation of Policy Options for Improving Housing Affordability in Lithuania*, has identified the mechanisms and measures that are most relevant to improving housing affordability in the country. As affordability pressures intensify across Europe, housing policy is receiving greater attention from the European Union as well as national and local governments. The Evaluation highlights the need for broader, specialised monitoring of Lithuania's housing situation and a paradigm on housing policy which addresses social, environmental and economic objectives as a cross-sectoral policy area in its own right, rather than a subsidiary element of separate sectors. The proposed measures respond both to residents' needs and to those of housing providers and envisage a stronger involvement of national and local government in cooperation with the private sector and the non-governmental sector. Implementation of housing policy shall not rely solely on governmental grants, but combination public funding with concessional loans, guarantees, revolving financial instruments and private investment.

OBJECTIVES AND METHODS OF THE EVALUATION. In this Evaluation, housing affordability not only in terms of households' financial commitments and their ability to buy, maintain or rent a home, but also by applying clear criteria for determining when housing costs become excessive. The Evaluation also applies housing quality and safety standards as well as the individual accessibility needs of different population groups and the availability of housing adapted to those needs. The analysis distinguishes between the economic, social and sustainability-related dimensions of housing affordability.

The evaluation of housing affordability in Lithuania comprised the following strands of analysis:

- housing sector in Lithuania was evaluated at its current state as well as its progression from 2004 to 2024, considering the scale of construction, dynamics and indicators of housing financing through bank loans, as well as socioeconomic situation of the target groups; key trends and projections were identified for different regions of the country;
- the impact of existing housing-policy interventions was evaluated, including state support available to residents and regulatory measures that facilitate housing development; the model of inter-institutional cooperation and the allocation of responsibilities were also examined, and directions for improving effectiveness were proposed;
- relevant housing-policy measures used in other countries were reviewed and their applicability in Lithuania was analysed;
- strategic directions for housing policy were formulated, together with the need for housing-market interventions to improve affordability and their expected short- and long-term effects.

MAIN FINDINGS. The analysis of housing-policy target groups shows substantial differences in their demographic characteristics, financial capacity, place of residence and housing needs. A uniform set of housing-policy measures therefore cannot be equally effective for every group.

For analytical purposes, the country's households were divided into three target groups: rental market tenants who do not receive state assistance (Group A); rental tenants with state assistance (Group B); and owners-occupiers (Group C).

- Group A households—rental market tenants who do not receive state housing support—find it difficult to save for a deposit as housing purchase prices and rent levels are high. A substantial share of private tenancies remains undeclared, limiting access to secure, long-term tenancies as well as legal protection available to tenants. Group A households are concentrated mainly in urban areas. They generally fall outside the eligibility criteria for state support for their expenses, while support for home purchase is limited. The proportion of households living in rented housing rose from 6 to 12 per cent between 2010 and 2024, meaning that a growing share of the population is exposed to the difficulties experienced by tenants.
- Group B households—tenants who receive state support—face housing insecurity due to insufficiency of the social and municipal housing stock, resulting in long waiting lists. Households in this group is more likely to live in smaller towns and rural settlements and bears a high burden of utility bills and other housing-related costs. At the same time, the limited supply of rented housing and the low proportion of registered tenancy agreements mean that some lower-income households cannot access state support, despite the shortage of social housing.
- Group C households—those living in owner-occupied housing—are generally adequately housed and have the lowest ongoing housing costs. However, they are affected by an ageing, technically inadequate and energy-inefficient housing stock that requires further investment. Much of the existing stock is also poorly adapted to the needs of older people and people with individual accessibility needs.

Among different household types, one-person households and single parents or guardians raising children face the greatest difficulties. They experience steep challenges in buying and maintaining a home, while their existing accommodation may be unsuitable, too small or otherwise fail to meet their needs; this is especially common among older people. Two-person households and families with children generally experience fewer difficulties in comparison to single-member households.

Over the long term, housing needs will be shaped most strongly by population ageing, the increasing number of one-person households, urbanisation, internal migration towards the major cities and their suburbs, regional labour-market requirements and changes in the house-price-to-income ratio. The evaluation also demonstrates that target-group needs vary not only by income, but also by location, household composition, age and stage of life.

Table 1. Primary housing affordability issues by target group and household type

Housing affordability issue	Target group			Household type			
	Group A	Group B	Group C	Single member	Two-person	Household with children	Single parent/guardian with children
Limited opportunities to purchase housing; gap between social and market housing	Highly relevant issue	Relevant issue	Less relevant issue	Highly relevant issue	Relevant issue	Relevant issue	Highly relevant issue
Uncertainty in the private rental sector	Highly relevant issue	Highly relevant issue	Less relevant issue	Highly relevant issue	Highly relevant issue	Relevant issue	Highly relevant issue
Difficulties meeting housing costs; excessive housing-cost burden	Relevant issue	Highly relevant issue	Relevant issue	Highly relevant issue	Relevant issue	Less relevant issue	Highly relevant issue
Inadequate living conditions in part of the housing stock	Highly relevant issue	Highly relevant issue	Relevant issue	Highly relevant issue	Relevant issue	Relevant issue	Highly relevant issue
Inefficient use of the existing housing stock	Highly relevant issue	Relevant issue	Less relevant issue	Highly relevant issue	Less relevant issue	Relevant issue	Highly relevant issue

Source: based on the analysis by the Consultant

The **analysis of Lithuanian municipalities** shows that Lithuania's housing market is uneven both geographically and by housing type. The housing situation was examined in all 60 municipalities, which were divided into six groups based on selected criteria and shared characteristics. The analysis of construction activity and household circumstances across the regions identified the following trends:

- Highest levels of market activity, new construction, purchase and sale transactions, mortgage lending and the supply of rented housing are concentrated in the major cities, suburban commuter belt municipalities and resort municipalities. Meanwhile, industrial, surrounding and small municipalities are more likely to experience a low level of supply of new housing, as the construction of multi-unit apartment buildings is either missing or consists of individual projects.
- Housing affordability problem manifests itself differently based on geography. In the major cities, affordability is constrained mainly by high prices and rents, investment demand and competition for good-quality homes. In suburban commuter belt municipalities, expansion of housing is prevalent, yet is shaped by the construction of individual family housing and sprawling settlements, which increases the need for appropriate infrastructure, public services and transport connections. In resort towns, housing affordability for local residents is constrained by high prices, the expansion of short-term renting and demand for housing not intended as a principal residence.
- In industrial town, outer commuter belt and peripheral municipalities, the issue of housing supply is often not simply the existing amount of housing, but rather a shortage of new, good-quality and energy-efficient homes that meet local labour-market needs. Part of the existing stock in these areas is old, energy inefficient, technically inadequate or vacant. A nominally sufficient number of dwellings therefore does not necessarily provide genuine access to suitable housing.
- The social housing stock remains insufficient, with the greatest shortage identified in municipalities surrounding the major cities. Fragmented data also make it difficult to establish the true size of the municipal housing stock.
- The evaluation of the private rented sector—including the supply and cost of long-term tenancies, the effectiveness of rent compensation and the impact of short-term lettings—is constrained by a lack of data. Nevertheless, smaller municipalities show a clear shortage of rented housing, restricting labour mobility. A viable rented sector across Lithuania is necessary if housing supply is to support job creation and the attraction of skilled workers.

The principal housing-market problem in Lithuania is not simply the overall number of dwellings, but the shortage of suitable, affordable and good-quality homes that meet the needs of local areas and target groups. Additional good-quality, affordable housing may therefore be necessary even in municipalities with declining populations.

Table 2. Summary of the housing-market situation and trends in Lithuania

Assessment aspect	Assessment aspect	Assessment aspect
Housing supply and demand by territorial unit	The housing market is highly uneven: it is most active in the major cities, surrounding and resort municipalities, while new housing development is limited in many peripheral, industrial and outer commuter belt municipalities.	In major cities and resorts, demand exceeds the supply of affordable housing. Regions often lack new, good-quality housing corresponding to market needs.
Supply of and demand for affordable and suitable housing	The supply of affordable and suitable housing is insufficient. Demand for social housing remains unmet, the municipal housing segment is undefined and the supply of affordable long-term tenancies is limited.	The number of people waiting for social housing remains significant; the municipal housing stock is small; the private rented sector is fragmented and insufficiently transparent.
Housing concentration, segregation and stigmatisation	The concentration of certain housing types is influenced by market activity, residents' incomes, investment attractiveness, tourism demand and the structure of the municipal housing stock.	Concentration of social housing may increase the risk of segregation and stigmatisation if housing is concentrated in separate territories. In resorts and major cities, housing purchased for investment purposes and short-term lets reduce long-term housing supply.
Alignment of the housing market with the needs of target groups	The market only partly meets the needs of target groups. Group A lacks affordable tenancies and access to a first home, Group B lacks social and municipal housing, and Group C lacks good-quality, energy-efficient and adapted housing.	The current market supply is primarily oriented towards buyers with sufficient purchasing power and the most active markets, leaving lower-income and groups with specific accessibility needs insufficiently served.
Factors facilitating or constraining purchase, renting or provision with housing	Purchasing is constrained by rising prices, the deposit, interest rates and the territorial concentration of supply. Renting is constrained by high prices in the major cities, the informal market and low supply in the regions.	Housing prices have increased significantly since 2017, while new-build supply is concentrated in limited territories. Data on the private rented sector are fragmented and part of the sector remains undeclared.
Factors facilitating or constraining housing maintenance	The ability to meet housing costs is constrained mainly by the age of the housing stock, poor energy efficiency, the need for renovation and rising housing-related expenditure.	A large part of the housing stock was constructed before 1990, increasing the need for renovation, repair and energy expenditure. In the regions, additional problems arise from surplus, deteriorated or unsuitable housing stock.

Source: based on the analysis by the Consultant

HOUSING AFFORDABILITY INDEX. Using the data collected and the indicators selected to evaluate housing affordability, a Housing Affordability Index was developed to support monitoring across Lithuanian municipalities. The index comprises three sub-indices: housing adequacy, housing affordability and housing provision.

Each sub-index was calculated using a set of criteria to which specific weights were assigned

Table 3. Criteria of Housing Affordability Index

Indicator	Criteria assessed	Weight in the index
Housing supply	Assesses the conditions of housing stock in each municipality using floor area per resident, the volume of supply, the	35%

	proportion of renovated buildings and adaptation for disabled people	
Housing affordability	Evaluates residents' ability to buy a home and save for a deposit, changes in the house-price index and housing-market activity	45%
Housing provision	Evaluates the size of the social and municipal housing stock and the proportion of residents receiving support	20%

Source: based on the analysis by the Consultant

The Housing Affordability Index reveals a clear geographical pattern: affordability is highest in small municipalities and some industrial municipalities, and lowest in the major cities and their surrounding municipalities. Although the major cities and their districts score less favourably because of high prices and strong demand, smaller municipalities face population decline and inefficient use of the housing stock.

Overall, housing affordability in Lithuania is characterised by substantial geographical disparities. Uniform national measures are therefore insufficient: municipalities across the country require housing-policy solutions tailored to their particular market and social challenges.

EVALUATION OF CURRENT HOUSING POLICY. The analysis of current state housing-policy interventions covered the support measures available to the population groups defined in legislation, the arrangements for institutional coordination and the level of funding.

Housing is not currently treated as an independent policy area. Instead, it is addressed through separate measures across several sectors, including social protection, spatial planning and construction.

The following gaps in the existing housing policy can be identified:

- social housing is an essential support measure, but the municipally owned stock is insufficient. Expansion has not kept pace with rising demand and often relies on expensive new construction projects rather than lower-cost adaptive reuse or purchase of existing dwellings;
- rent compensation can provide interim support, but its effectiveness is limited by undeclared lettings, the lack of registered tenancy agreements and the restricted supply of rented homes;
- home-purchase subsidies assist individual beneficiaries, but existing measures do not support households who are unable to save for a deposit;
- energy renovation reduces long-term running costs, but in areas with low property values the investment may be financially unattractive. A broader approach and stronger public-sector involvement in building transformation are therefore required;
- adaptive reuse of public real estate can be effective where the location, technical condition, reconstruction costs and actual demand are carefully evaluated.

Current measures mainly compensate housing costs or support specific groups, including people at risk of poverty and young or large families. However, they do not adequately address the difficulties faced by households whose financial position or existing commitments prevent them from meeting mortgage-eligibility requirements—for example, because they cannot save for a deposit or do not satisfy the criteria set out in the Responsible Lending Regulations. On the other hand, demand-side measures may only have an indirect impact on housing supply. A sustainable long-term supply of affordable housing therefore requires expansion of social and municipal housing, alongside increased market-based construction in both the major cities and the regions.

Municipalities need a stronger role, extending beyond the delivery of state-delegated functions such as administering social housing. They should also monitor local housing conditions, set objectives and deploy administrative, financial and physical assets to support housing supply. Greater municipal financial autonomy

would make local affordability objectives easier to implement. Successful projects will also require a wider range of funding sources, more effective use of public assets and new affordable municipal housing instruments.

At national level, addressing housing affordability requires a cross-sectoral cooperation model that integrates land-use planning, social support and fiscal measures. Given the cross-cutting nature of housing-affordability policy, an inter-institutional coordination mechanism should be established. It should involve the Ministry of Environment, the Ministry of Social Security and Labour, the Ministry of Finance, the Ministry of the Interior, national development bank ILTE, the Association of Municipalities in Lithuania, municipalities and other institutions within their respective areas of competence. The mechanism could coordinate implementation of the National Housing Affordability Strategy, the evaluation of municipal housing needs, the use of financial instruments, the selection of pilot projects and the monitoring of housing affordability.

RECOMMENDED HOUSING POLICY MODEL. The analysis of current affordability conditions and international housing-policy measures provides a basis for a Lithuanian model in which market supply is complemented by an affordable municipal housing mechanism and targeted support for households whose needs are not met by the market. This model would comprise a coordinated package of measures to increase housing supply, improve financial affordability, provide social protection, strengthen regulation, enhance housing quality and adapt homes to residents' needs.

The model provides for municipalities and non-governmental organisations to play a direct role in securing housing supply. Active municipal involvement should ensure that a sufficient share of newly delivered housing remains affordable to local residents. This would create an intermediate segment for low- and middle-income households that are not eligible for social housing but cannot secure suitable housing on market terms, as well as for key workers and other specialists. A sufficient supply of social housing must be maintained for the most vulnerable groups. To meet diverse social needs, non-governmental housing authorities or organisations should also be enabled to provide housing and related support services.

At national level, a clear legal, financial and institutional framework should define the purpose of affordable housing, its target groups, rent-setting arrangements, resident-selection principles, support conditions and requirements for retaining and maintaining the stock over the long term. Municipalities should nevertheless retain sufficient discretion to assess local needs periodically and choose the most economically appropriate method of increasing supply: purchasing homes on the market, commissioning new construction, reconstructing or converting existing buildings, bringing public land into use, or cooperating with private and not-for-profit housing providers. Public land, unused real estate and infrastructure investment should be used to leverage additional capital.

Funding should be diversified through a combination of state and municipal grants, EU funding, long-term concessional loans, guarantees, revolving financial instruments and private capital. ILTE would play an important role and could administer long-term affordable-housing finance for municipalities and other eligible providers.

Over the long term, the model must also incorporate requirements relating to housing quality, energy efficiency, adaptability and sustainability, ensuring that affordable housing is lower-cost, but also is safe and suitable for sustainable living. Finally, implementation requires a housing-affordability monitoring system, measures to improve transparency in the private rented sector and administrative mechanisms that encourage supply through the appropriate use of spatial-planning and regulatory tools.

Table 4 . Impact of housing affordability measures to the impact groups

Target group	Group A	Group B	Group C
Priority measures	Creation of an affordable municipal housing instrument; concessional loans and partial compensation of interest or loan instalments; indexation of first-home price and credit limits; rental subsidies; increasing the transparency of the	Expansion of the social and municipal housing stock through purchase, new construction and conversion; public-private partnership models; involvement of NGOs and limited-profit housing providers; subletting of private housing for social	Renovation of apartment buildings and individual houses; improvement of energy efficiency; adaptation of housing to individual needs; targeted support for low-income owners; models for exchanging housing for smaller or more suitable

Priority housing model	long-term rental market; alternative youth accommodation models.	purposes; support for improving vacant or unsuitable private housing; rental and housing-maintenance compensation; adaptation of housing to individual needs.	housing; shared housing for senior citizens; compensation for housing maintenance; annuity or lifelong-maintenance models.
	Private long-term rental housing; affordable municipal housing; first owner-occupied housing; student and youth housing; in the regions, housing provided by the municipality or employer.	Social housing; municipal housing; subsidised private renting; private housing sublet for social purposes; adapted housing.	Renovated owner-occupied housing; housing adapted to individual needs; smaller or more suitable housing; community housing for senior citizens; energy-efficient housing.

Source: based on the analysis by the Consultant

Housing-affordability problems also vary substantially between municipalities.

In major cities and resort towns, priority should be given to regulation and increasing the supply of affordable housing. Municipalities surrounding the major cities shall promote compact spatial planning and development, while industrial-city and peripheral municipalities shall seek to engage with public-sector involvement in delivering new housing and bringing the existing stock back into use.

In outer commuter belt municipalities, the scale of intervention should reflect local housing-market activity, population change and prospects for economic development.

Optimisation of spatial planning, expansion of municipal affordable housing, reservation of a proportion of homes in private developments, public–private partnerships (PPPs), greater transparency in the rental market, and more effective use of municipal land.

Table 5. Impact of housing affordability measures to municipalities

Municipality type	Primary issue of housing affordability	Priority interventions
Major cities	High housing prices, high rental burden, limited supply of affordable housing, demand for investment housing, shortage of social housing	Optimisation of spatial planning, expansion of municipal affordable housing, reservation of affordable units in private developments, public–private partnerships (PPPs), greater transparency in the rental market, and more effective use of municipal land.
Suburban commuter belt	Rapid growth in individual housing construction and housing transaction prices, urban sprawl, shortage of social housing	Promotion of compact urban development, coordination of spatial planning with major cities, development of mixed-use neighbourhoods, and infrastructure planning.
Resort towns	High housing prices, investment housing, expansion of short-term renting, limited opportunities for local residents and seasonal workers to obtain housing	Monitoring of short-term rentals, regulation of housing purchased for investment purposes, municipal affordable housing models for local residents and workers, and expansion of service accommodation
Industrial town	Shortage of new, good-quality housing, difficulties attracting specialists, unused or outdated housing stock	Municipal housing stock, adaptive reuse projects, PPPs, incentives for investors to develop housing, and housing programmes for key workers.
Peripheral regions	Population decline, old and inefficient housing stock, limited supply of new housing, low investor activity	Bringing vacant and derelict homes back into use, municipal affordable housing, renovation, adaptive reuse of existing real estate for housing, financial incentives for investors, and housing for key workers.

Outer commuter belt	Different situations depending on proximity to the major cities, concentration of jobs and transport accessibility	Measures tailored to local needs, including spatial planning, municipal affordable housing, investment incentives, and expansion of the rental market.
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Source: based on the analysis by the Consultant

EVALUATION RECOMMENDATIONS, OBJECTIVES, TASKS AND MEASURES. The evaluation shows that an effective long-term housing-affordability policy for Lithuania must be based not on isolated interventions, but on a consistent and coordinated system of measures.

Implementation of these measures up to 2050 should follow this order of priority:

- In the short term, priority should be given to establishing the legal and institutional framework and a housing-affordability monitoring system.
- In the medium term, the focus should be on expanding the social and affordable municipal housing stock, bringing public property into use and applying financial instruments and public-private partnership models.
- In the long term, the objective should be a mature, data-driven housing-affordability system that reflects geographical differences and integrates measures relating to supply, financial support, regulation of the private rented sector, energy efficiency and social policy.

The following strategic housing policy objectives were identified in the assessment:

1. Ensure a sufficient supply of affordable and suitable housing.

2. Increase housing affordability.

3. Ensure the provision of housing for socially vulnerable groups

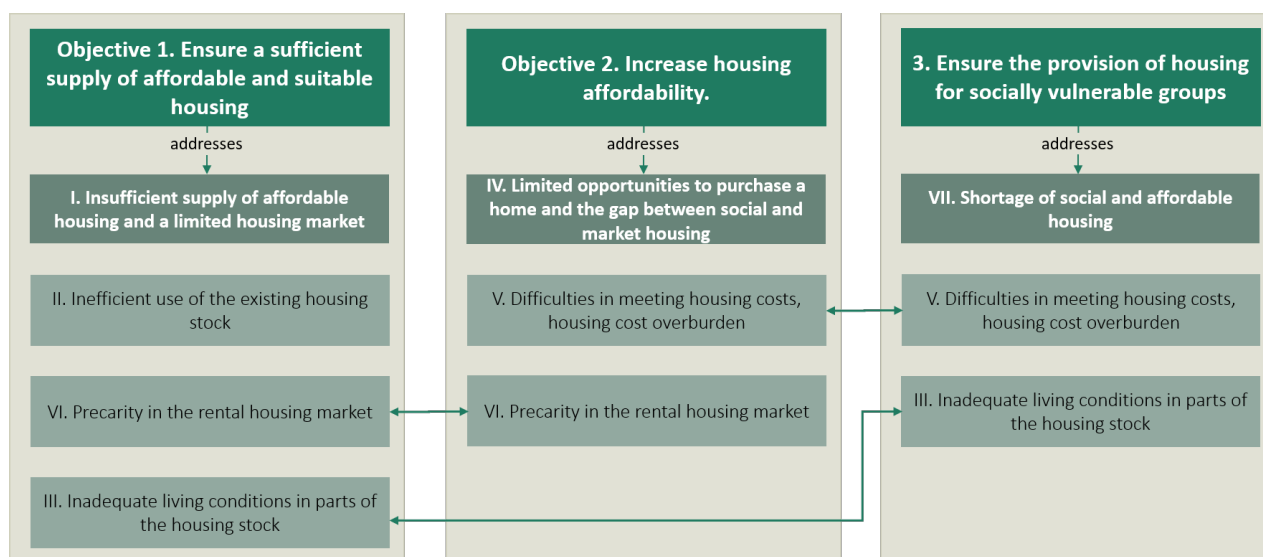


Table 6. Links between housing policy objectives and identified problems

To achieve the housing policy objectives, a set of housing policy tasks has been defined, to be implemented through a combination of investment and regulatory measures.

1.1. Accelerate new housing development processes. This task seeks to create more favourable legal, administrative and financial conditions for new housing construction, particularly in areas where supply does not meet the needs of residents or the local labour market.

The proposed approach is to shorten and simplify spatial-planning, project-approval and building-permit procedures; reduce the infrastructure-development burden and other costs borne by developers; and give municipalities greater scope to use state-owned land for housing development.

In regions where low property values make new construction commercially unattractive, tax incentives, financing models and risk-sharing arrangements between municipalities and private developers should be introduced.

Where municipalities contribute land, infrastructure, guarantees or other instruments to private projects, a proportion of the homes delivered should be reserved for the affordable housing stock.

New construction in the regions should also be linked to major investment projects and to the housing needs of employees and workers in shortage occupations.

Measures:

1.1.1. Optimisation of the spatial-planning and building-permit process.

1.1.2. Development of a tax-incentive model for investment in regional housing construction.

1.1.3. Development of a financing model for municipal participation in new housing projects, with a proportion of the homes reserved as affordable housing

1.1.4. Extension of major-project status to investments that include new residential construction in regional municipalities

1.2. Make more efficient use of the existing housing stock. This task seeks to reduce the proportion of homes that remain vacant for long periods, are abandoned or fail to meet residents' needs, and to bring more of the existing stock back into active use. Municipalities should be able to apply higher taxes to abandoned homes or homes left vacant for long periods, encouraging owners to maintain, let, sell or otherwise bring them back into use. The process for taking over ownerless property and adapting it for housing-policy purposes should also be simplified.

More efficient use of the stock should also be encouraged by giving older people living alone the option of moving voluntarily from homes that are too large or difficult to maintain into smaller, adapted accommodation that incorporates social services or elements of community living. This would reduce the housing-cost and maintenance burden on older residents, improve access to necessary social services and release larger dwellings for other households.

Measures:

1.2.1. Enable municipalities to impose additional taxes on vacant or abandoned housing

1.2.2. Establishment of a programme supporting older one-person households to move into shared housing with access to social services

1.3. Improve housing quality and adaptability for people with individual accessibility needs. This task seeks to improve consistently the technical condition, energy efficiency, functionality and accessibility of the existing housing stock for people with different needs. Implementing the measures set out in the National Building Renovation Plan would reduce energy consumption, heating costs and energy poverty, while supporting the transition to an energy-efficient building stock independent of fossil fuels by 2050.

The transformation of multi-apartment buildings and neighbourhood-level renovation would enable the comprehensive renewal of mass-built residential districts, improvements to the surrounding environment and, where feasible, the creation of additional homes for the affordable municipal housing stock. At the same time, housing adaptation for disabled people, older people and others with individual accessibility needs should be continued and expanded through universal-design solutions that enable independent living in their own homes for as long as possible.

Measures:

- 1.3.1. Implementation of energy-efficiency measures in accordance with the National Building Renovation Plan
- 1.3.2. Implementation of a multi-apartment-building transformation model
- 1.3.3. Adaptation of housing for people with individual accessibility needs

2.1. Establish an affordable municipal housing instrument. This task seeks to establish a distinct affordable municipal housing instrument for households whose incomes are too high to qualify for social housing or rent compensation, but too low to buy or rent a good-quality home on market terms. The legal framework for municipal housing should therefore be expanded to define its target groups, tenancy and rent-setting principles, municipal rights and obligations, and the conditions required to preserve long-term affordability.

The model requires a consistent methodology for assessing municipal housing needs and planning stock expansion, based on demographic projections, an inventory of the existing stock, waiting-list trends and an assessment of investment requirements. Depending on local conditions, municipalities should be able to choose the most economically appropriate way to expand the stock: purchasing homes, commissioning new construction, converting unused buildings, reserving a proportion of homes in private developments, or leasing privately owned housing for onward letting.

Measures:

- 2.1.1. Amendment of the Law on Support for the Acquisition or Rental of Housing to establish affordable municipal housing as a distinct instrument and regulate the municipal housing stock accordingly.
- 2.1.2. Development of a model for assessing municipal housing needs and expanding the housing stock

2.2. Reduce barriers relating to deposits and access to mortgage finance. This task seeks to assist households with sufficient income to meet long-term mortgage repayments, yet who are unable to buy a home because they lack savings, are considered higher-risk borrowers or cannot access existing support measures. State guarantees could cover the deposit, interest payments or temporary repayment difficulties, thereby reducing the risk borne by financial institutions.

Support for young households buying their first home should also be revised. It could include assistance with the deposit or interest costs and personal income tax relief, addressing shortcomings in the current system. Financial literacy among socially vulnerable groups should also be strengthened by providing clearer information on mortgages, tenancies, housing maintenance and the use of property.

Measures:

- 2.2.1. Provision of state financial guarantees for deposits and/or interest payments for groups considered to present a higher credit risk.
- 2.2.2. Provision of support to young households buying their first home, including assistance with interest costs and deposits and personal income tax relief
- 2.2.3. Improvement of the financial literacy of socially vulnerable groups

2.3. Legalizuoti ir stabilizuoti nuomos rinką. This task seeks to increase transparency, stability and legal certainty for both tenants and landlords, while expanding the range of affordable rented-housing options. Communal living, housing-sharing and intergenerational-living models should be developed and piloted for students and young people, alongside an expanded supply of student residences and other types of affordable accommodation. The scale of informal rent should be reduced through economic incentives, including preferential tax treatment for landlords who declare rental income and register tenancy agreements.

This would give tenants clearer rights and enable them to access state support that requires a formally registered tenancy agreement. The State Consumer Rights Protection Authority should also be given powers to monitor the private rented sector and resolve disputes. This would allow tenants and landlords to address disputes concerning contractual terms, rents, eviction and other potential infringements more quickly and at lower cost.

Measures:

- 2.3.1. Pilot projects for new accommodation models for students and young people, including community living, co-living and intergenerational living
- 2.3.2. Encourage the formalisation of tenancies by providing tax incentives to landlords who declare rental income and register tenancy agreements
- 2.3.3. Grant the State Consumer Rights Protection Authority powers to monitor the private rented sector and protect the rights of tenants and landlords

2.4. Reduce the attractiveness of speculative use and demand for housing units. This task seeks to reduce the impact of investment and speculative demand on house prices and the supply of long-term tenancies in the major cities and resort areas. Options should include an additional property-acquisition tax on homes other than a first home and higher recurrent property-tax rates for investment properties or homes that are not used as a principal residence. Such measures would increase the cost of purchasing and holding additional properties, while the revenue raised could be directed towards affordable-housing development.

Tax interventions should be informed by systematically collected data on short-term lettings and long-term tenancies. This would make it possible to assess how many dwellings are withdrawn from the long-term private rented sector and how this affects house prices and rents in particular areas. Before implementation, the legal proportionality of these measures and their likely effects on housing supply, investment, the private rented sector and household behaviour should be evaluated.

Measures:

- 2.4.1. Application of higher property-tax rates and stamp duty (transaction-based tax) on homes other than a first home in resort areas and major cities
- 2.4.2. Collection and monitoring of data on short-term lettings and long-term tenancies, and evaluation of their impact on housing affordability

3.1. Increase the social and municipal housing stock. This task seeks to expand the supply of social and municipal housing substantially through both direct municipal investment and alternative development and management models. Non-profit and limited-profit organisations, housing cooperatives, public institutions and non-governmental organisations should be involved in providing affordable housing. More favourable legal, tax and financial conditions should enable them to obtain land or finance and to manage part of the municipal housing stock.

A public–private partnership model for affordable-housing development should clearly protect the public interest and ensure that the homes delivered remain within the municipal stock. The stock should be expanded using the most economically appropriate local method: purchasing dwellings on the market, constructing new buildings, converting unused properties, transforming multi-apartment buildings or delivering partnership projects.

Measures:

- 3.1.1. Enable non-profit and limited-profit housing providers to deliver affordable housing
- 3.1.2. Development and application of a public–private partnership model for affordable housing

3.1.3. Expansion of the municipal housing stock through the purchase of dwellings, new construction or the conversion of existing buildings

3.2. Encourage subrenting privately-owned housing for social purposes. This task seeks to increase the supply of social and municipal housing by bringing privately owned homes into the system. Municipalities could lease privately owned homes and sublet them to households eligible for social or affordable housing, guaranteeing payment of rent, appropriate use of the property and its return to the owner.

This would address the principal barriers to participation by private owners: uncertainty about the tenant's ability to pay and the risk of damage to the property. Owners of homes that are unfit for occupation or have remained vacant for a long period could also receive concessional loans or other financial incentives, provided that the renovated property is let for social purposes at an affordable rent for a specified period.

Measures:

3.2.1 Support for the subletting of privately owned housing for social or municipal purposes, with the municipality guaranteeing the tenant's obligations.

3.2.2 Support for improving unfit or vacant privately owned housing in order to increase the supply of social housing.

3.3. Reduce the financial burden of housing costs. This task seeks to protect low-income and other vulnerable households from excessive housing costs and energy poverty. Compensation for home-heating costs should continue and be adjusted periodically to reflect changes in energy prices, household income and building energy efficiency. The compensation system could also be linked more closely to renovation, encouraging lasting reductions in energy use and expenditure.

An annuity mechanism could support older homeowners who own property but lack the income needed for its upkeep, care or other everyday expenses. They could mortgage or transfer their home to the municipal housing stock in exchange for regular payments, social or care services and the right to remain in the property. The model should be introduced only after clear safeguards for residents' property and social rights have been established and its financial, legal and social effects have been evaluated.

Measures:

3.3.1 Compensation for home-heating costs

3.3.2 Creation of an annuity system under which a home is mortgaged or transferred to the municipal housing stock

MEASURE RATIONALE. The recommendations presented in the Evaluation are based on a range of analyses undertaken to assess the economic, social and sustainability impacts of the measures. All measures were assessed in terms of their impact on target groups and municipalities and through a multi-criteria decision analysis (MCDA), while an economic assessment was carried out only for investment measures.

The Evaluation also established links between the results of the economic assessment and the indicators associated with the strategic housing policy objectives. The economic assessment indicates that the greatest relative economic benefits may be generated by measures that address specific barriers to home ownership while requiring comparatively limited public investment. Examples include guarantees for housing loans and deposits, as well as support for improving unfit or vacant housing. By contrast, although measures relating to municipal or social housing produce a lower relative economic return, they provide housing for households whose needs cannot be met either by the market or by measures designed to improve access to mortgage finance.

The results of the economic assessment further confirm that the objectives of housing affordability policy are closely interrelated and require a coordinated package of investment and regulatory measures. Increasing the supply of housing can help to moderate growth in house prices and rents, while improved affordability can reduce reliance on social support. Expanding the affordable municipal housing stock can, at the same time, increase housing supply, improve affordability and help meet the housing needs of vulnerable groups and households that are unable to secure suitable housing on market terms.

Table 7. Overview of the economic assessment

Objective / Task	Result indicator	2024	2030	2040	2050
Objective 1. Ensure a sufficient supply of affordable and suitable housing	Number of dwellings per household, units	0,95	0,96	0,98	1,0
1.1. Accelerate new housing development processes	Share of new dwellings built over 10 years in the total housing stock, per cent	8,22	10	12	15
1.2. Make more efficient use of the existing housing stock	Share of people living in overcrowded housing, per cent	26,3	24	22	20
1.3. Improve housing quality and adaptability for people with individual accessibility needs	Share of new and renovated dwellings (over 5 years) in the total housing stock, per cent	9,7	15	15	15
Annual benefit from increased housing affordability, EUR thousand			11 609	37 507	66 976
NPV, EUR thousand					37 758
Objective 2. Increase housing affordability	House-price-to-income ratio	94,17	94	92	90
2.1. Establish an affordable municipal housing instrument	Share of municipal housing in the total housing stock, per cent	1,45	1,7	2,3	3
2.2. Reduce barriers relating to deposits and access to mortgage finance for specific target groups of households	Share of dwellings purchased with a mortgage, per cent	60,33	65	70	75
2.3. Legalise and stabilise the rental market	Registered long-term tenancy agreements as a share of all dwellings, per cent	1,04	3	6	10
2.4. Reduce the attractiveness of speculative use and demand for housing units	Share of investment-housing transactions, per cent	32,3	30	25	20
Annual benefit from increased housing affordability, EUR thousand			4 068	55 642	114 055
NPV, EUR thousand					64 299
Objective 3. Ensure the provision of housing for socially vulnerable groups	Recipients of social housing and households on waiting lists as a share of all households, per cent	1,4	1,3	1,1	1,0
3.1. Increase the social and municipal housing stock	Share of municipal housing in the total housing stock, per cent	1,45	1,7	2,3	3
3.2. Encourage subrenting privately-owned housing for social purposes	Share of social-housing need met, per cent	53,3	60	70	80
3.3. Reduce the financial burden of housing costs	Share of households experiencing a housing-cost burden, per cent	6,2	6	5,5	5
	Housing costs as a share of household income, per cent	11,8	11,5	11	10

Objective / Task	Result indicator	2024	2030	2040	2050
Annual benefit from increased housing affordability, EUR thousand			6 429	16 025	25 620
NPV, EUR thousand					14 443

Source: based on the analysis by the Consultant

To determine the relative importance and impact of the measures aimed at improving housing affordability, the measures were ranked using the results of the assessments undertaken:

- an economic benefit assessment, where applicable – 20 per cent of the total score;
- an assessment of impacts on target groups and groups of municipalities – 40 per cent of the total score;
- a multi-criteria decision analysis (MCDA), assessing the impact of each measure on housing affordability, housing supply, market stability and other relevant factors, together with the associated implementation risks.

The distribution of the measures across the priority groups is presented in the table below.

Table 8. Priority ranking of measures for improving housing affordability

Rank	No.	Measure	Overall score	B/C score	Target-group score	MCDA score	MCDA risk	Priority group
1	2.1.1.	Amendment of the Law on Support for the Acquisition or Rental of Housing to establish affordable municipal housing as a distinct instrument and regulate the municipal housing stock accordingly.	47,6		62,5	32,7	12,5	II - high
2	2.2.1.	Provision of state financial guarantees for deposits and/or interest payments for groups considered to present a higher credit risk.	47,4	100,0	55,0	13,5	62,5	II - high
3	2.4.1.	Application of higher property-tax rates and stamp duty (transaction-based tax) on homes other than a first home in resort areas and major cities	47,0		57,0	37,0	32,5	II - high
4	3.2.1.	Support for the subletting of privately owned housing for social or municipal purposes, with the municipality guaranteeing the tenant's obligations.	45,8		62,5	29,1	46,3	II - high
5	1.2.1.	Enable municipalities to impose additional taxes on vacant or abandoned housing	45,3		50,0	40,6	20,0	II - high
6	3.1.2.	Development and application of a public-private partnership model for affordable housing	43,5		60,5	26,5	32,5	II - high
7	1.1.3.	Development of a financing model for municipal participation in new housing projects, with a proportion of the homes reserved as affordable housing	41,1		56,0	26,2	55,0	II - high
8	1.3.3.	Adaptation of housing for people with individual accessibility needs (existing measure)	39,2		53,0	25,3	27,5	III - medium

9	3.3.1.	Compensation for home-heating costs (existing measure)	38,9		50,0	27,8	27,5	III - medium
10	3.1.1.	Enable non-profit and limited-profit housing providers to deliver affordable housing	38,8		41,0	36,7	26,3	III - medium
11	1.1.1.	Optimisation of the spatial-planning and building-permit process.	38,6		50,5	26,7	28,8	III - medium
12	1.1.2.	Development of a tax-incentive model for investment in regional housing construction.	38,4		48,5	28,3	37,5	III - medium
13	2.3.2.	Encourage the formalisation of tenancies by providing tax incentives to landlords who declare rental income and register tenancy agreements	38,1		50,0	26,2	51,3	III - medium
14	3.3.2.	Creation of an annuity system under which a home is mortgaged or transferred to the municipal housing stock	38,0		50,0	26,0	37,5	III - medium
15	1.2.2.	Establishment of a programme supporting older one-person households to move into shared housing with access to social services	37,1		50,0	24,3	35,0	III - medium
16	2.1.2.	Development of a model for assessing municipal housing needs and expanding the housing stock	37,0		50,0	24,0	17,5	III - medium
17	1.1.4.	Extension of major-project status to investments that include new residential construction in regional municipalities	35,2		48,5	22,0	31,3	III - medium
18	2.3.1.	Pilot projects for new accommodation models for students and young people, including community living, co-living and intergenerational living	35,2		49,0	21,4	43,8	III - medium
19	1.3.1.	Implementation of energy-efficiency measures in accordance with the National Building Renovation Plan	35,1		50,0	20,2	58,8	III - medium
20	2.3.3.	Grant the State Consumer Rights Protection Authority powers to monitor the private rented sector and protect the rights of tenants and landlords	34,6		50,0	19,2	47,5	III - medium
21	3.1.3.	Expansion of the municipal housing stock through the purchase of dwellings, new construction or the conversion of existing buildings	33,0	0,0	50,0	32,4	38,8	III - medium
22	2.4.2.	Collection and monitoring of data on short-term lettings and long-term tenancies, and evaluation of their impact on housing affordability	31,4		45,5	17,3	38,8	III - medium
23	3.2.2.	Support for improving unfit or vacant privately owned housing in order to increase the supply of social housing.	31,1	21,9	37,5	29,4	47,5	III - medium

24	1.3.2.	Implementation of a multi-apartment-building transformation model	29,7		50,0	9,4	60,0	IV - low
25	2.2.2.	Provision of support to young households buying their first home, including assistance with interest costs and deposits and personal income tax relief	28,8	0,0	51,5	20,5	57,5	IV - low
26	2.2.3.	Improvement of the financial literacy of socially vulnerable groups	24,6		37,5	11,7	20,0	IV - low

Source: based on the analysis by the Consultant

Based on the scores obtained, the measures for improving housing affordability were grouped into priority categories. The difference in scores between the high- and medium-priority measures is relatively small, indicating that their expected impacts are broadly comparable and that implementation could therefore proceed in parallel.

The highest-ranked measures are those that combine a strong impact on target groups with relatively low implementation risk and limited fiscal implications. Among the regulatory measures, particularly notable are the establishment of a legal framework for affordable municipal housing, which received the highest overall ranking, and the development of public–private partnership models for affordable housing development. The second highest-ranked measure is an investment measure providing state financial guarantees for deposits and/or interest payments for groups considered to present a higher credit risk. Tax-based measures, including the taxation of investment properties and vacant or abandoned housing, also received comparatively high scores.

RECOMMENDATIONS. Overall, the most effective long-term approach to improving housing affordability in Lithuania should be based on a coherent and coordinated system of policy interventions.

In the short term, up to 2030, the priority should be to establish a robust legal, institutional and data framework. This should include adopting a housing affordability strategy, establishing a legal framework for affordable municipal housing, introducing a housing affordability monitoring system, compiling an inventory of municipal property and land, developing a public–private partnership model, and strengthening regulation of the rental market.

In the medium term, up to 2040, priority should be given to expanding the social and affordable municipal housing stock. Building on the experience gained from pilot projects, this period should see the implementation of a range of measures designed to increase housing supply. Attention should also be given to the use of public–private partnership models, promotional financing instruments, the involvement of private-sector and non-profit housing providers, bringing public property and land into productive use, and renewing and adapting the housing stock to meet residents' needs.

In the long term, up to 2050, the objective should be to establish a mature, data-driven housing affordability system that reflects geographical differences. Within such a system, social housing, affordable municipal housing, a transparent long-term rental market, financial support measures and housing stock modernisation should operate as a coherent and mutually reinforcing set of policy instruments.

Consistent public information and education should also form an important part of long-term housing policy. Residents should be provided with clearer information on housing affordability measures, the benefits of renovation and energy efficiency, community-living models and other emerging housing policy instruments. Good practice from Lithuania and other countries should be disseminated systematically, public understanding of different housing provision models should be strengthened, and more positive attitudes towards community-based initiatives should be encouraged.

It is also important to emphasise that improvements in energy efficiency need not depend solely on comprehensive renovation. Smaller-scale measures, such as window replacement, upgrades to heating systems and the renewal of internal utility networks, can also make a significant contribution to reducing housing maintenance costs and improving quality of life.

Table 9. Stages of measure implementation

Implementation stage	Main objectives	Priority measures
Up to 2030	Addressing the most pressing housing affordability challenges and adapting the legal and administrative framework	Establishing the model of affordable municipal housing as well as assessment and consideration of housing needs in the local area; introducing measures to stimulate housing supply in the regions; taxing investment properties and vacant or abandoned housing; expanding the social housing stock; deploying financial instruments; monitoring the rental market and improving its transparency; and streamlining spatial planning and building-permit procedures.
Up to 2040	Systemic development of the housing market	Implementation of the public-private partnership model; involvement of the non-profit sector; provision of financial guarantees for mortgage deposits; instruments addressing the housing needs of older people; community-living projects; utilising municipal land and property for housing uses; involvement of non-profit housing providers; improvement of energy efficiency; adaptation of housing to individual accessibility needs
Up to 2050	Sustainable housing affordability	An established system of measures is expanded as large scale comprehensive modernisation of the housing stock and neighbourhood-level renovation is taking place. An integrated housing-affordability monitoring system is in operation. The supply of municipal housing is expanded through the implementation of different models.

Source: based on the analysis by the Consultant

IMPACT OF THE EVALUATION. The evaluation provides a common evidence base for the development of Lithuania's housing-affordability policy. The analysis brings together the financial and social circumstances of the target groups, geographical differences in the housing market, the effectiveness of existing support measures, municipal capacity and international practice.

The Housing Affordability Index also makes it possible to compare municipalities and differentiate interventions according to local needs. The evaluation findings make it possible to target public funding more accurately, avoid applying identical measures to different areas and population groups, and improve coordination between social-protection, spatial-planning, renovation, regional-development and financing measures.

The proposed monitoring and institutional framework would enable regular evaluation of outcomes, adjustment of funding and more effective state and municipal investment. In the long term, the evaluation enables institutions responsible for housing policy to move away from fragmented interventions based mainly on compensating individual costs and towards a coherent housing-affordability policy that increases the supply of suitable homes, improves affordability and secures access to housing for vulnerable residents.