

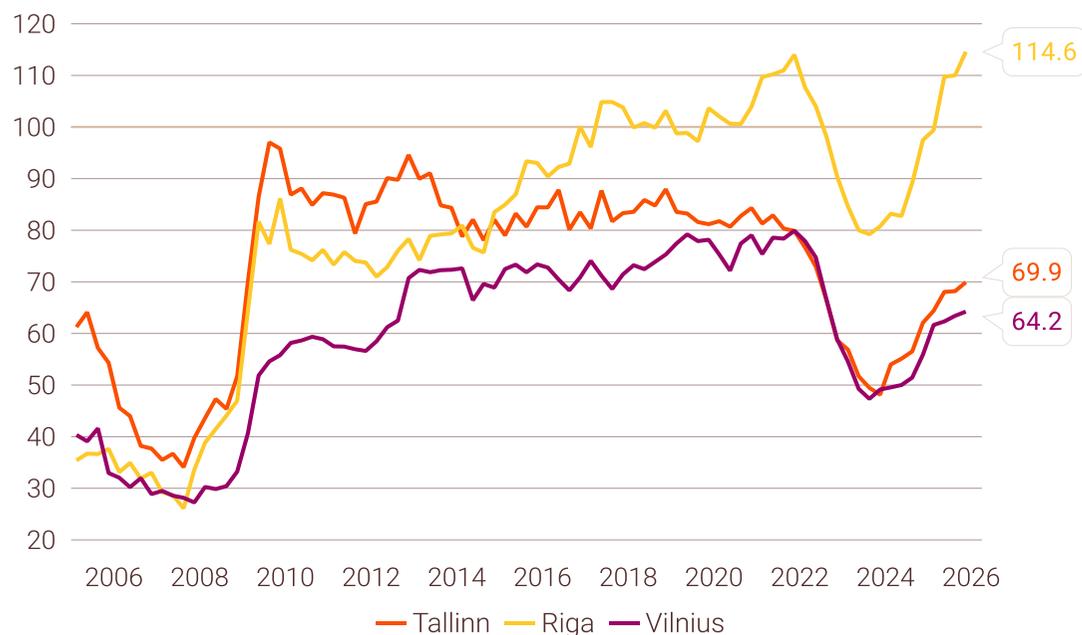
Baltic Housing Affordability: between recovery and frothiness

Market activity will be further supported by rising wages and confidence

- With the ECB's rate-cutting cycle likely over, further changes in affordability will primarily depend on wage-price dynamics
- Government policy changes in Estonia and Lithuania will provide an additional boost to market activity in 2026

Baltic Housing Affordability*

Size of an apartment that an average household can afford to purchase with a mortgage, m²



* Last quarter's value is preliminary and subject to change.
Sources: Swedbank Research & Macrobond

Example: 64.2 m² represents the apartment size that an average household in Vilnius can afford, given 1.5 times the average net monthly wage, the quarterly average apartment price, and the interest rate for new loans.

With borrowing costs remaining flat in Tallinn and Vilnius, affordability improved only marginally in the final quarter of 2025 as wage growth only slightly outpaced apartment price increases. In Riga, however, affordability climbed higher as lending margins declined further, and wage growth exceeded apartment price increases. Overall, affordability remains highest in Riga, largely reflecting structural differences – namely the large share of Soviet-era block-type apartments.

This contrast is visible in loan sizes. An average Swedbank-issued mortgage on an apartment exceeded EUR 135,000 at the end of 2025 in Vilnius and Tallinn – nearly twice the level seen in Riga.

Primary market housing affordability remains below levels seen pre-2022 in all the Baltic states. Primary market affordability has recently shown similar improvements in Riga and Vilnius, while the affordability increase has stalled in Tallinn. The market remained comparatively active in Tallinn and Riga in the fourth quarter, while accelerating further in Vilnius. In Lithuania, the option to withdraw savings from second-pillar pension funds will support strong market momentum throughout the year. It is already pushing prices up and could lead to falling housing affordability this year. Net wage growth is expected to ease in Lithuania and Latvia, while in Estonia the personal income tax reform will provide a notable boost to net incomes this year, supporting housing affordability.

Analysts

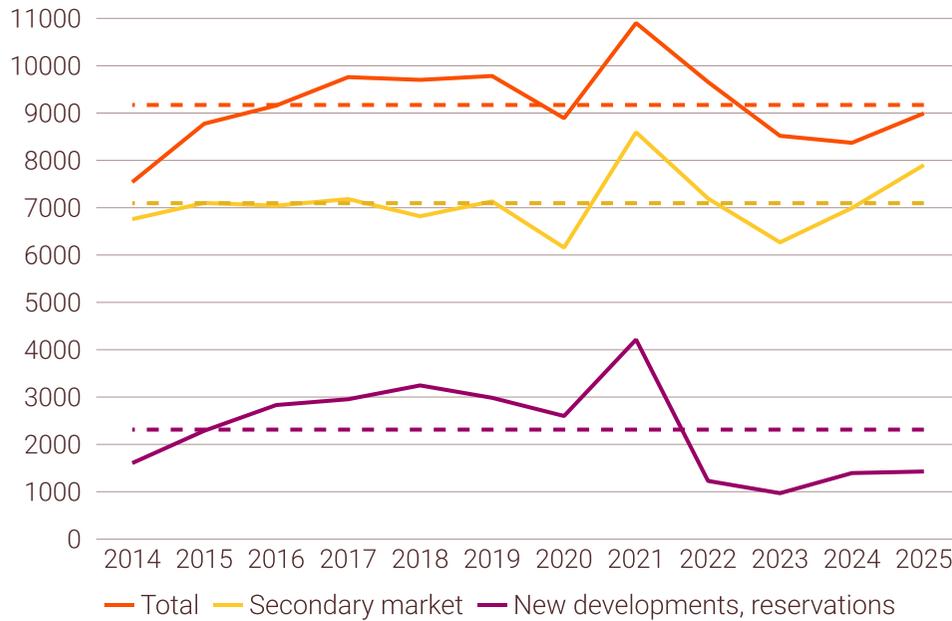
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Tallinn – housing affordability to improve markedly at the start of 2026

Personal income tax reform: the key driver of household net incomes and confidence

Market activity in Tallinn

nr of apartments, annual, dashed line 2014-2025 average

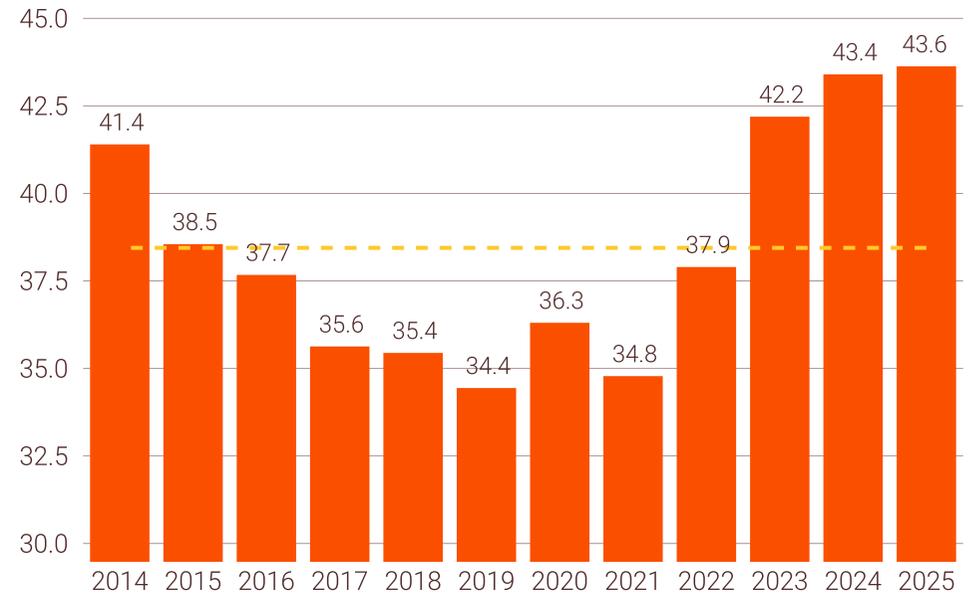


Sources: Swedbank Research & Macrobond, Land Board

- A significant divergence between the secondary and primary markets persisted throughout 2025. Demand remained concentrated in the secondary market, reflecting more attractive pricing as well as continued price sensitivity among buyers. Developers' asking prices for new developments stood at more than 40% above the secondary market's average registered price.
- In 2025, net wage growth (+3.2%) slightly outpaced price growth in the secondary market (+2.6%), but was broadly in line with price growth in the primary market (+3.0%). As a result, supported by lower interest rates, affordability improved in both segments, but more noticeably in the secondary market.
- With the ECB's cutting cycle likely over, housing affordability depends primarily on

Price gap: new developments vs secondary market

%, dashed line 2014-2025 average



Note: Developers' asking prices versus the secondary market's average registered price.

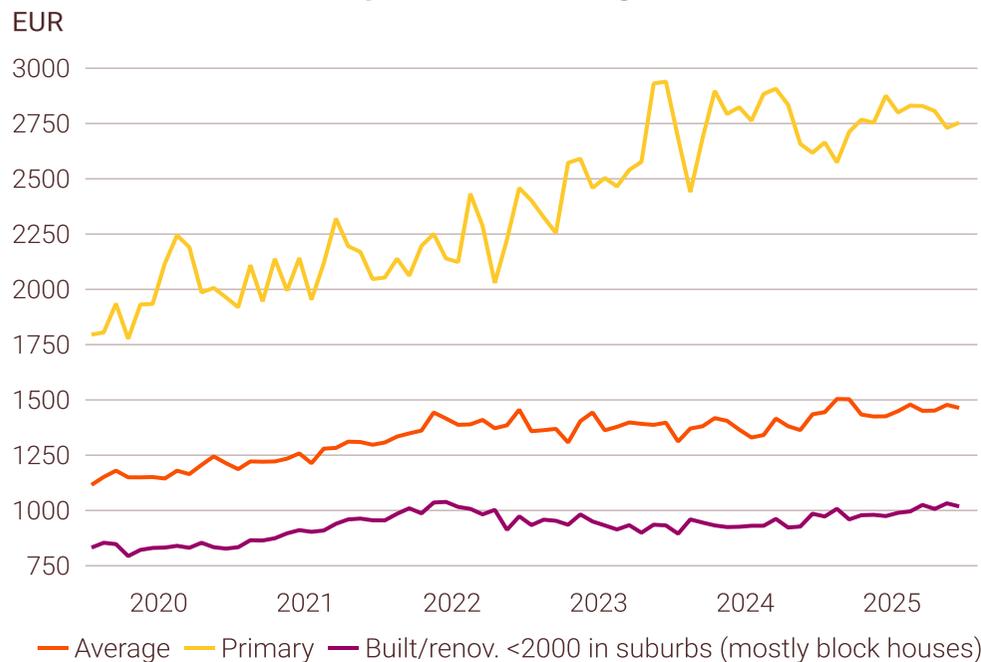
Sources: Swedbank Research & Macrobond

- price and net wage dynamics. Personal income tax reform is significantly boosting net wages but mainly benefiting above-median earners. We expect the average net wage in Estonia to rise by 15% this year.
- Robust net income growth should gradually support housing demand, which in turn is likely to accelerate price growth in the secondary market. Meanwhile, supply in the primary market has been gradually building up, approaching the previous peak levels seen in 2018 and limiting scope for price increases in new developments. This should gradually narrow the price gap between the two segments. As wage growth is set to outpace price growth, housing affordability should improve markedly in 2026.

Riga – overall housing affordability at an all-time high

Affordability in the primary market is yet to recover; market activity a tad weaker on the quarter

Prices of residential apartments in Riga

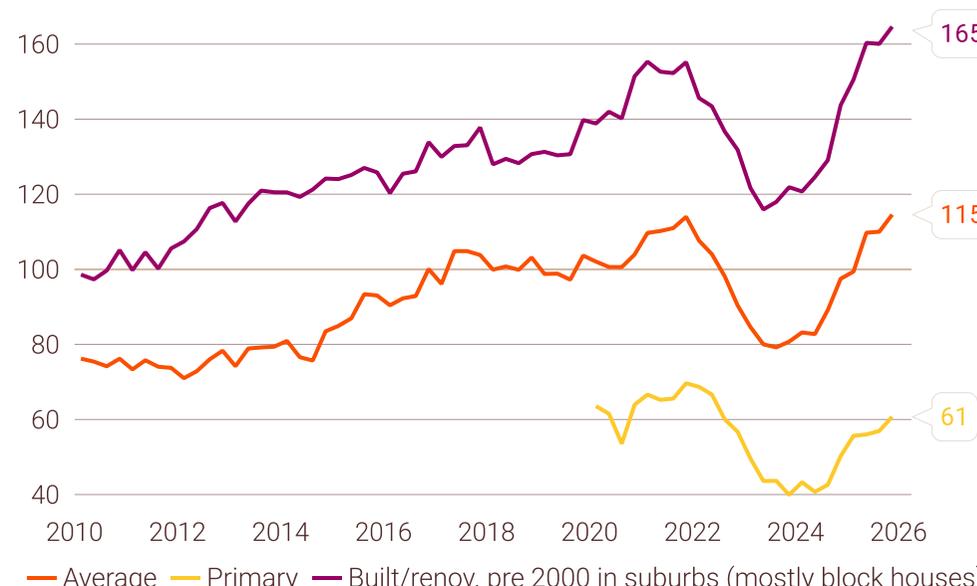


Sources: Swedbank Research & Macrobond

- In the final quarter of 2025, housing affordability exceeded its 2021 peak and reached an all-time high. Wage growth remained in double digits, outpacing apartment price growth. Despite the lack of ECB rate cuts, interest rates continued to decline in Latvia, reflecting lower margins for new mortgages.
- 2025 was a good year for buyers and sellers alike, including in the primary market, where the deal count increased by almost one-third. In the fourth quarter, market activity slowed, compared both to the third quarter and to the end of 2024. In the primary market, demand varies notably across projects. With price growth tepid, households are taking their time to find the “perfect home”.

Housing affordability in Riga

Size of an apartment that an average household can afford to purchase with a mortgage, m²



Sources: Swedbank Research & Macrobond

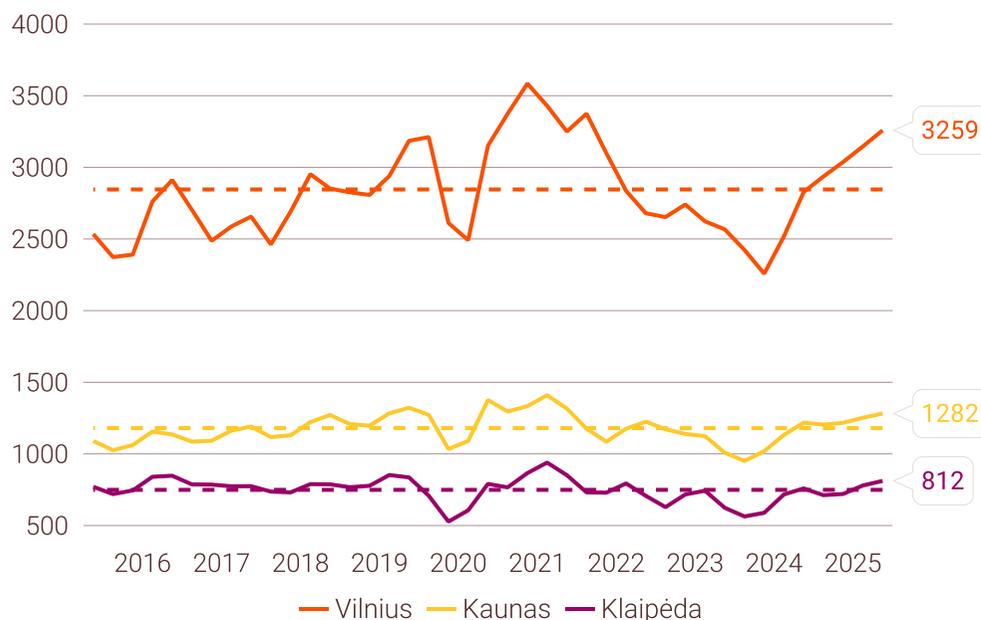
- Towards the end of 2025, prices of block-type apartments – the most affordable segment – rose and exceeded EUR 1,000 per m². At the same time, transactions in the segment were notably down, potentially indicating reluctance by some buyers to accept the higher price level. The appeal of apartments in Soviet-era buildings may have further declined at the start of this year as temperatures have hit multi-decade lows and heating bills in unrenovated, energy-inefficient apartments have skyrocketed.
- Strong expected activity in the primary market could push the average price higher. With net wage growth likely to slow, this may limit further improvements in housing affordability.

Vilnius – approaching new records

Market activity is booming, but price pressures are building

Apartment sales above long-term average

Quarterly, 2 quarter m.a.



Sources: Swedbank Research & Macrobond

Apartment prices on the rise

y/y %, 3mma, repeat sales price index



Sources: Swedbank Research & Macrobond

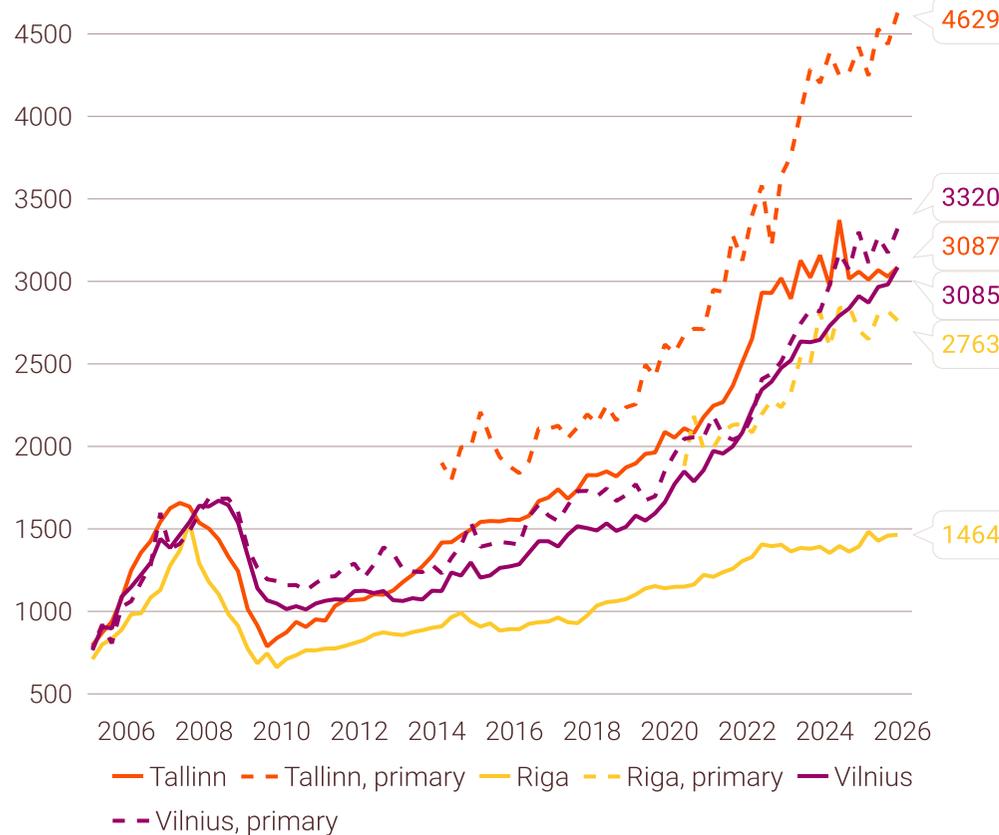
- The number of transactions remained at its highest level since the end of 2021. Growth has been driven by both the secondary and primary markets, with the number of reservations in 2025 nearly doubling compared with 2024. The apartment stock remains above its long-term average, still exceeding 5,000 units. However, despite the large supply, the stock is declining as demand continues to outpace new additions.
- With borrowing costs remaining flat, affordability has improved only marginally, as wage growth is only slightly outpacing apartment price increases. On average, buyers can afford to buy a 64.2 m²-sized apartment in Vilnius, less than 1 m² more than in the preceding quarter.
- Housing demand appears to be driven by both structural and speculative factors, including population growth, strong wage and economic growth, as well as high consumer confidence. A significant share of demand also comes from those expecting a further price appreciation – according to the Bank of Lithuania, around one-third of all housing transactions in Vilnius are not first-time purchases.
- The repeat-sales house price index shows that price growth in the capital remains elevated, reaching close to 9% in January. Expected second-pillar pension withdrawals and a lower downpayment requirement for first-time buyers (10% from August 2026) suggest that strong momentum in the housing market will persist this year as well.

Wages boost affordability slightly further

Average price growth in Tallinn is notably lower than in Riga and Vilnius

Average apartment price

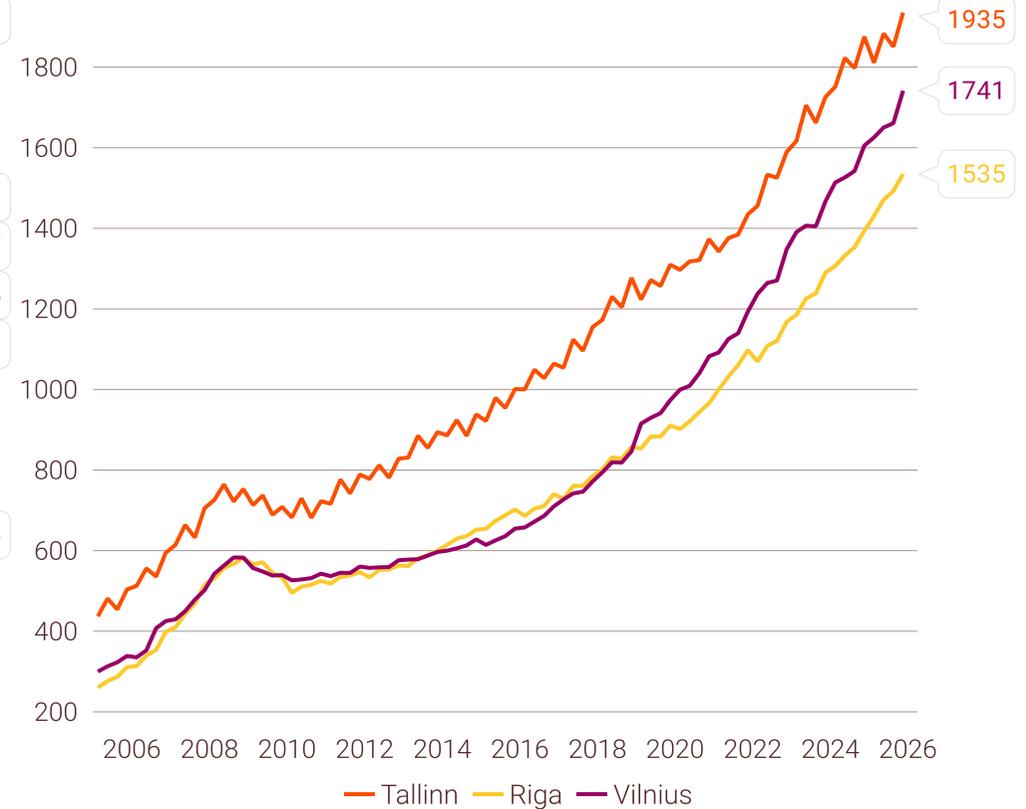
EUR/m²



Sources: Land Boards, Swedbank Research & Macrobond

Average monthly net wage*

EUR



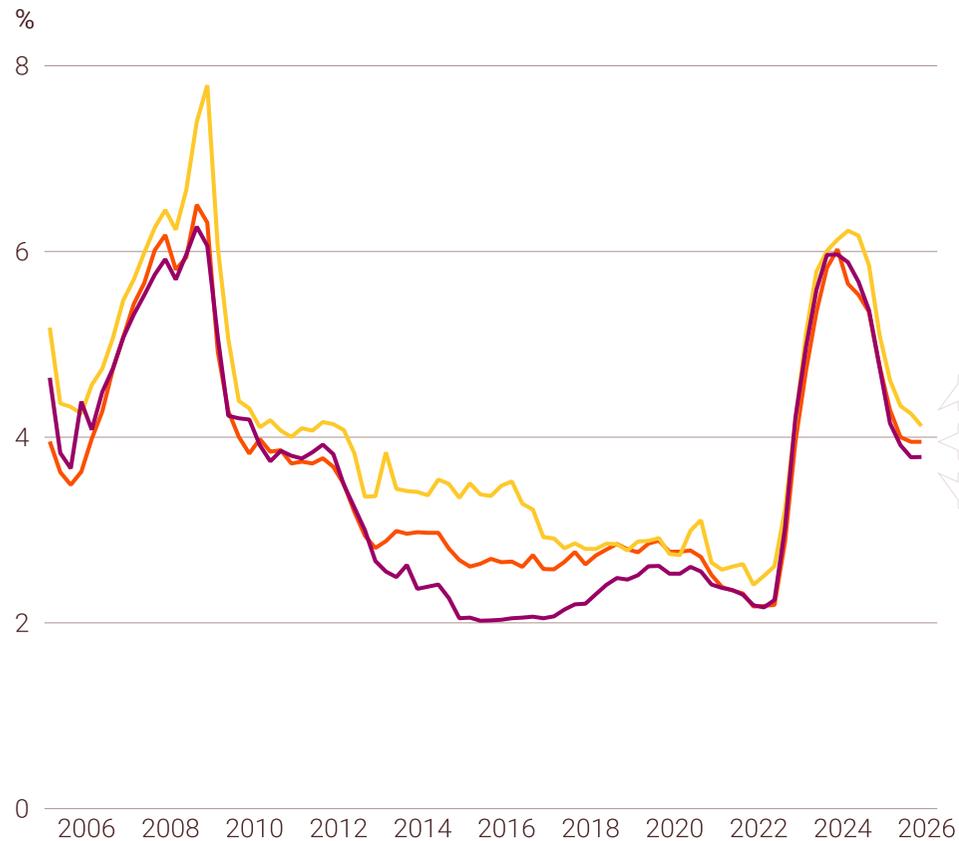
* An estimate for the last quarter

Sources: Swedbank Research & Macrobond

Interest rate difference between countries narrows

Markets expect one more rate cut by the ECB

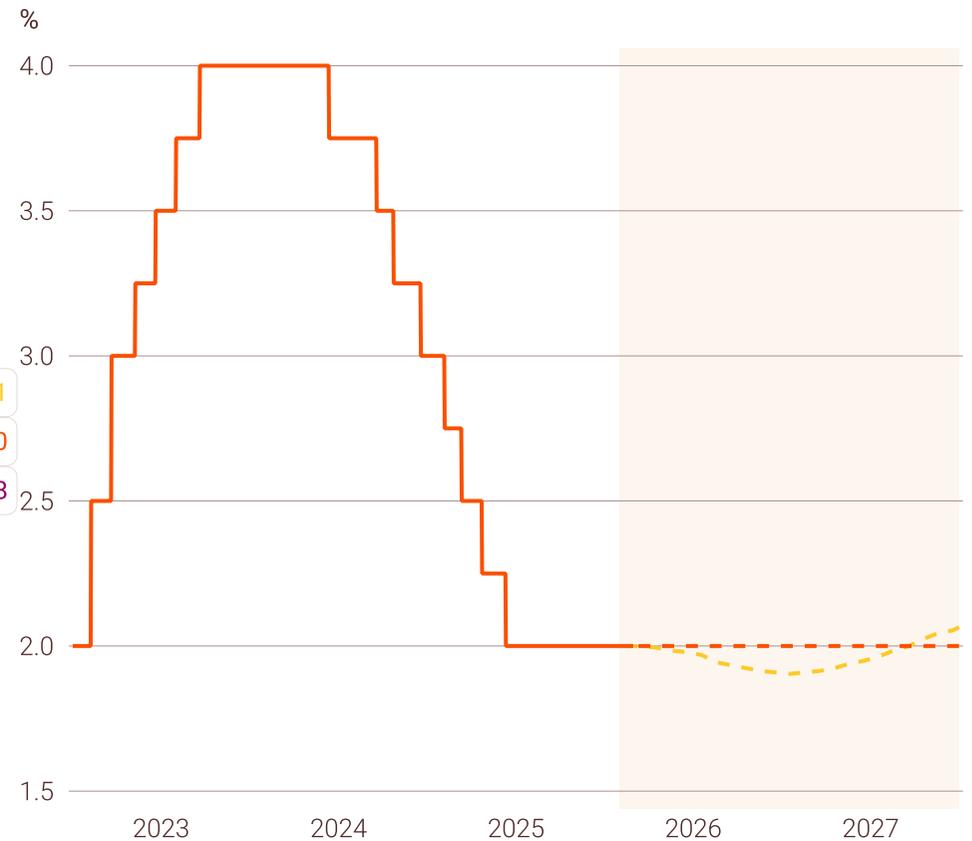
Annual % rate of charge for new mortgages to households



— Estonia — Latvia — Lithuania

Sources: Swedbank Research & Macrobond

ECB rate: market expectations and forecast



--- Market pricing (ESTR futures) — Deposit facility rate incl. Swedbank's forecast

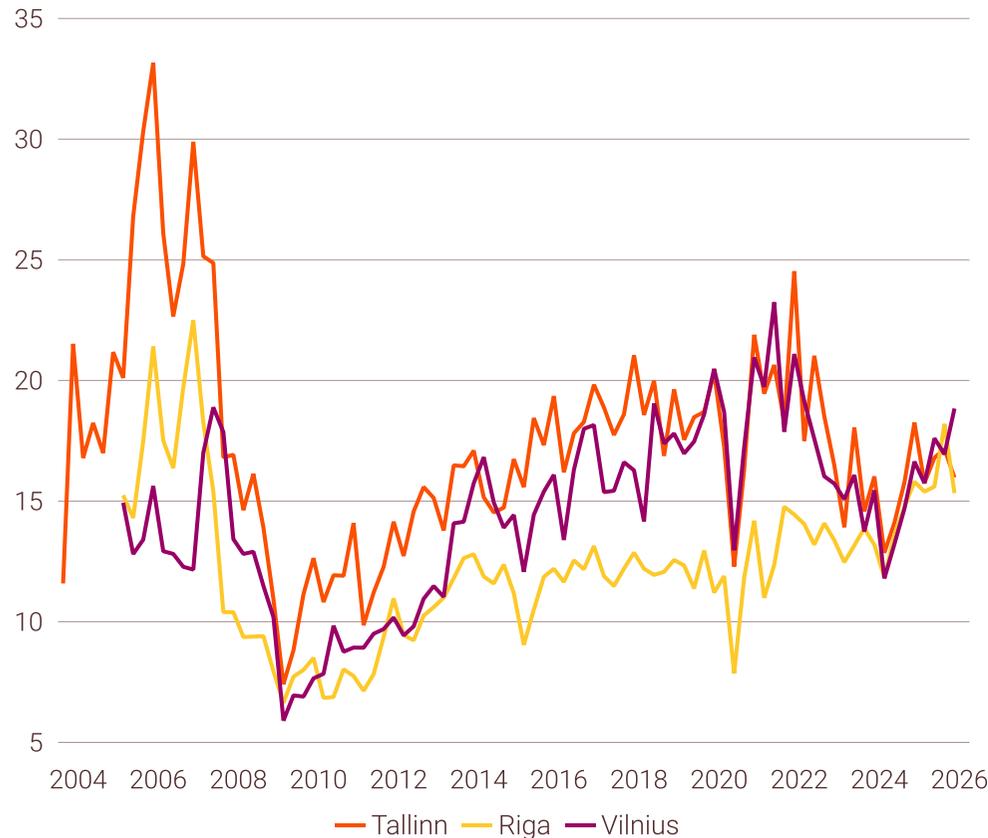
Sources: Swedbank Research & Macrobond

Market activity remains strong, albeit a tad weaker in Tallinn and Riga

Sustained wage growth paired with growing economy should improve household confidence

Market activity

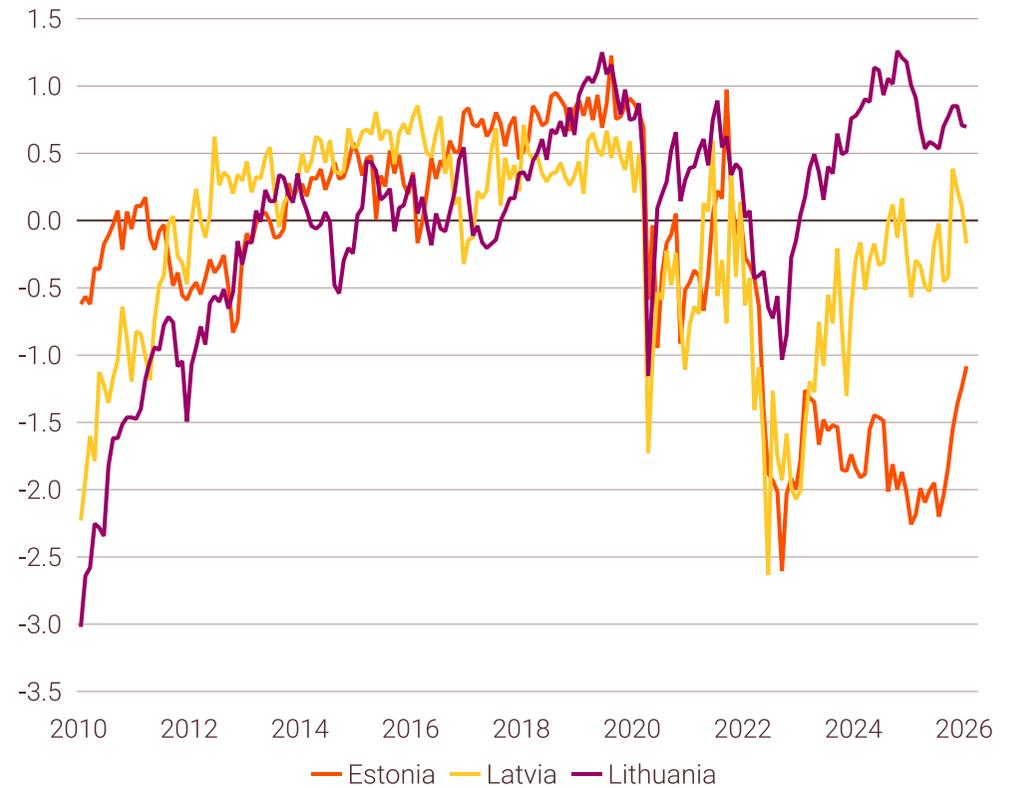
Transaction count per 10K residents, residential apartments



Sources: Swedbank Research & Macrobond

Consumer confidence

Standardised, 0 = long-term average



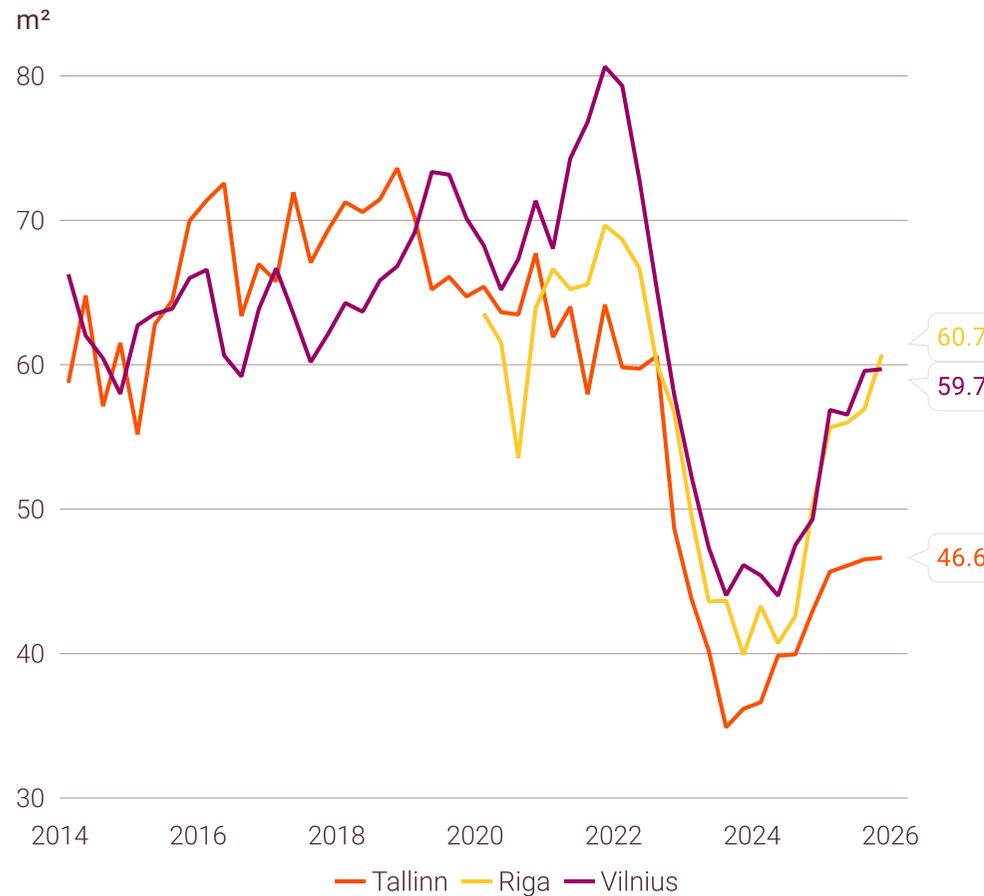
Note: In May 2022, Estonia changed its methodology – the survey is now conducted online with 1000 people interviewed.

Sources: Swedbank Research & Macrobond

A two-speed recovery in the Baltic primary market

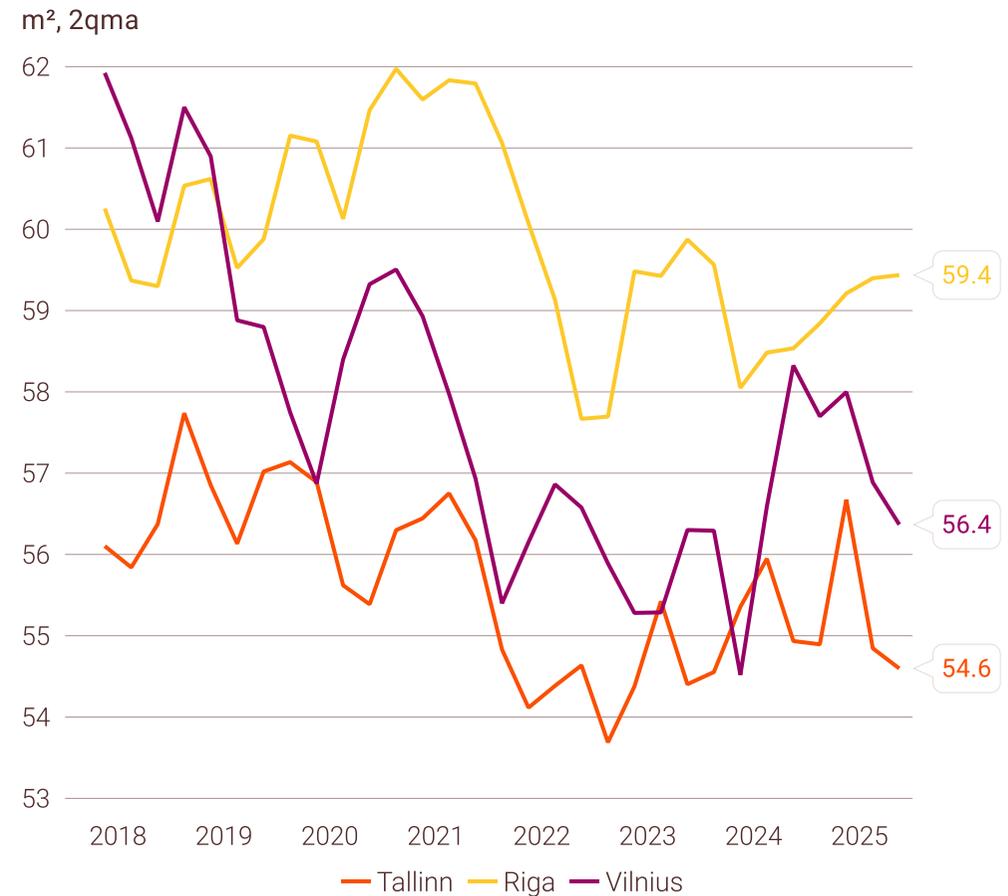
Apartment size in new mortgage contracts increasing in Riga, declining in Vilnius and Tallinn

Housing affordability in the primary market



Sources: Swedbank Research & Macrobond

Apartment size in Swedbank mortgage contracts



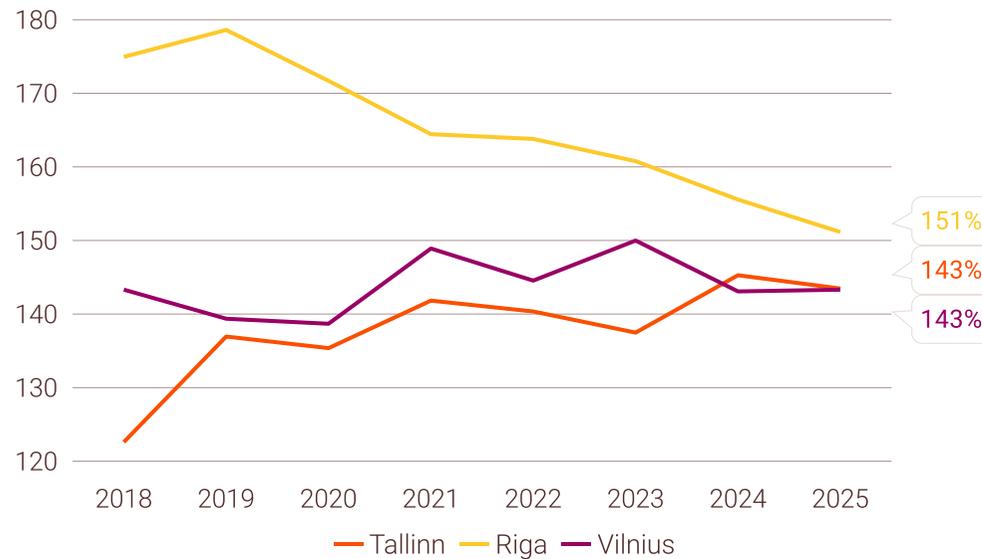
Sources: Swedbank Research & Macrobond

New mortgage-takers earn well above the capitals' average wages

Debt-servicing costs remain significantly lower in Riga

Wage of mortgage takers vs average net wage in capitals

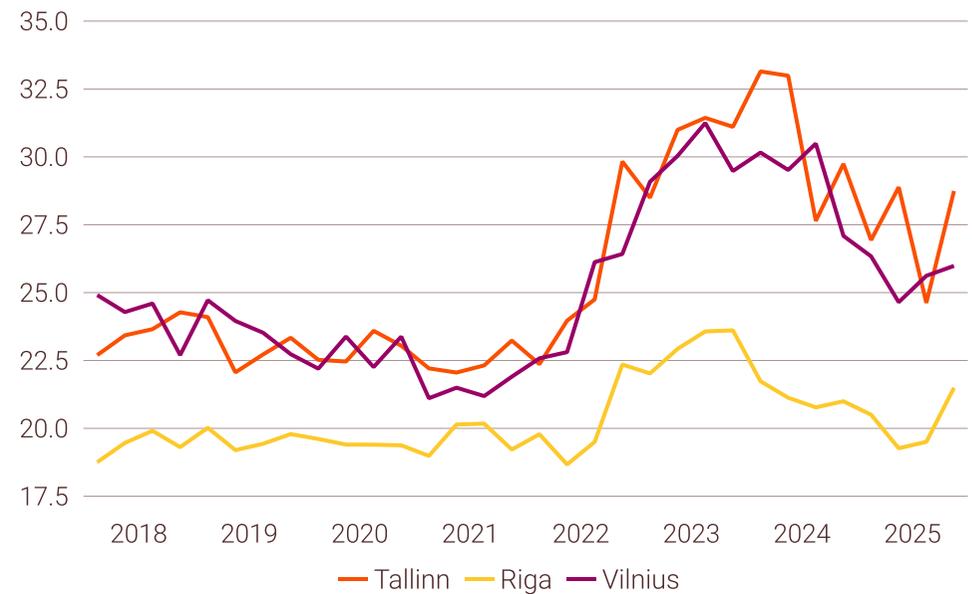
Ratio of wage of mortgage takers at the time of issuance vs average wage in the Baltic capitals, apartments only, %



Note: single-person contracts only, 6 month average wage
Sources: Swedbank client data & Macrobond

Average monthly mortgage payment to net wage ratio

For new mortgage-takers at the time of issuance, apartments only, %



Note: here both single- and multiple-person contracts are included.
Sources: Swedbank client data & Macrobond

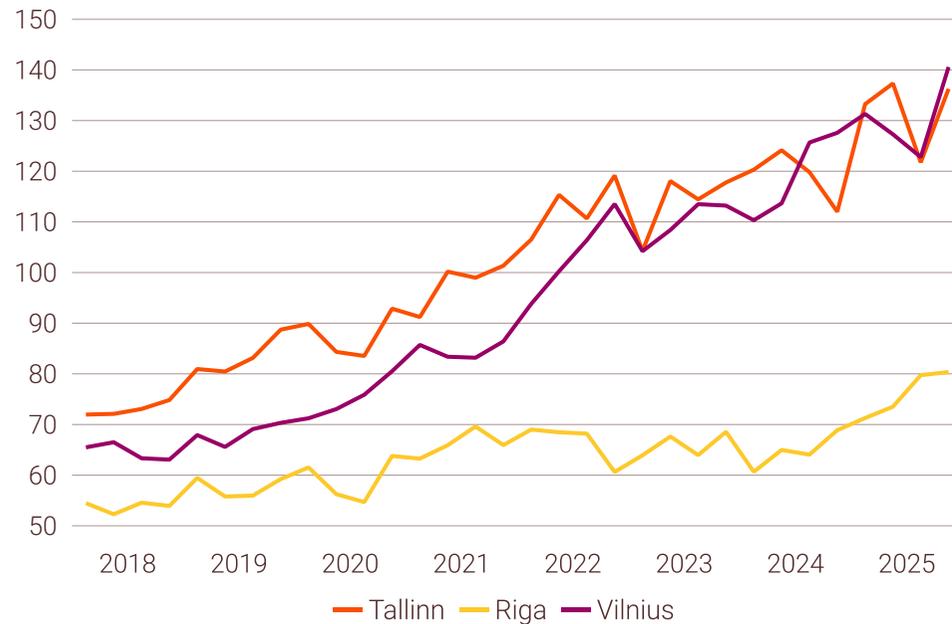
- Swedbank data on single-person mortgage contracts show that the wages of new mortgage-borrowers are notably higher than the average net wage in the capitals. Currently, their wages are around 40-50% above the average. In Riga, mortgage borrowers have historically been significantly better off than the average household. However, this gap has continued to narrow, moving closer to levels seen in the other Baltic capitals. This suggests that the financial situation for an increasing share of average-wage earners in Riga is sufficiently strong to apply for and receive mortgages.
- The graph shows the ratio of the average monthly mortgage-service payment to the borrower's net wage at the time of loan issuance. A lower ratio (preferably of 30% or less) suggests that the household can manage its monthly mortgage payments more comfortably. With rising interest rates, the ratio increased significantly in 2022-2024 – particularly in Tallinn and Vilnius. Falling Euribor has ensured that the ratio eased somewhat since 2024. Throughout the interest rate swings the initial mortgage payment has remained below one-third of household wage income.

Average mortgage size continues to rise

Joint contracts remain prevalent in Vilnius, but are becoming less common in Riga

Average issued amount

th. EUR, apartments only

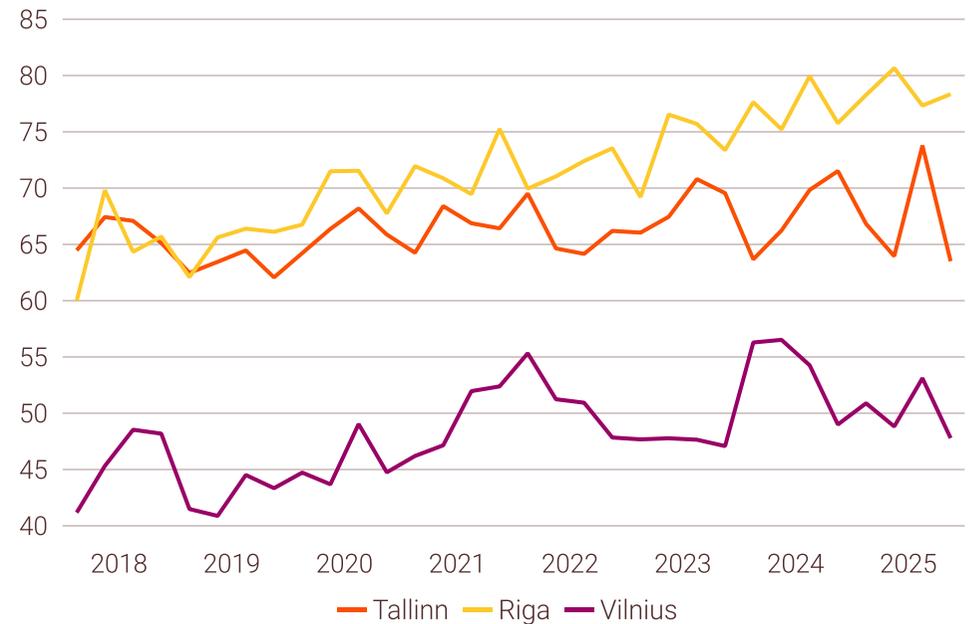


Sources: Swedbank client data & Macrobond

- In 2025, sustained price growth and – in Riga – a higher-than-previously share of primary market transactions – pushed up the average mortgage size in all three capitals. The average mortgage size in Vilnius and Tallinn has surpassed EUR 135,000. In contrast, the average amount in Riga remains nearly half that level, reflecting a significantly larger share of Soviet-era block-type apartments in total transactions compared to Vilnius and Tallinn and thus a lower average property price.

Share of mortgage contracts owned by 1 person

New mortgages, apartments only, %



Sources: Swedbank client data & Macrobond

- The share of single-person mortgage contracts has been trending upwards in Riga and is also the most common arrangement in Tallinn. Vilnius stands out, with around half of mortgages taken out by two borrowers. This reflects the younger age of mortgage takers in Vilnius, as well as the fact that married couples are generally required to take out mortgages jointly. In addition, it may point to stronger cultural preferences for homeownership and the fact that younger buyers are more likely to need a second borrower, as they often cannot afford a mortgage on their own.

Baltic Housing Affordability: Methodology

Objective

The Baltic housing affordability measure (henceforth, HA) measures the size of an apartment that an average household can afford to buy with a mortgage in the Baltic capitals.

Norm (the main assumption)

Household monthly mortgage payments do not exceed 30% of household income.

Variables

- Average apartment price per m²: three-month average apartment transaction price per m² in the Baltic capitals
- Household income: 1.5 of average monthly net wages in the Baltic capitals
- Mortgage interest rate: three-month average annual percentage rate of charge (including interest rate and other related charges) for new housing loans to households, issued in euros, in the Baltics

Other assumptions

- Downpayment: 15% of total apartment price
- Term: 30 years
- Saving rate for downpayment: 30% of household income

Calculation of HA

The HA shows how many square metres of an apartment a household can afford, given it uses 30% of its income to service mortgage payments.

$$HA = \frac{\text{AverageINC}}{\text{NINC}}, \text{ where } \text{NINC} = \frac{\text{PMT}}{30\%}$$

where AverageINC – household income,
NINC – household income that satisfies the norm,
and PMT – monthly mortgage payment.

Limitations

The HA provides an indication of the average household situation, not that of a particular household. Household income and mortgage interest rates faced by a particular household may differ from those presented in the report. The HA accounts for mortgage costs but excludes taxes and subsidies such as property tax and interest deductions. It also does not consider other household expenses that could affect the household's ability to service mortgage payments, such as rent, lifestyle, or existing liabilities. The HA does not provide any direct guidance for business decisions, including lending and interest rate decisions.

The average apartment price per m² reflects past transactions and does not necessarily indicate the potential affordability or price of apartments in the future. Differences in apartment segment structure and the physical condition of newly built apartments at the time of purchase might affect the comparability of the average apartment price per m² across the Baltic capitals.

The HA is of an informative nature and reflects macroeconomic developments, rather than banks' decisions and lending policies or the potential behaviour of individual households.

Change of methodology

Starting in 2024, instead of expressing HA as an index, the report was changed to highlight the size of apartments afforded. Otherwise, the methodology is unchanged; the switch is purely for ease of interpretation purposes.

Frequency

Quarterly.

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