

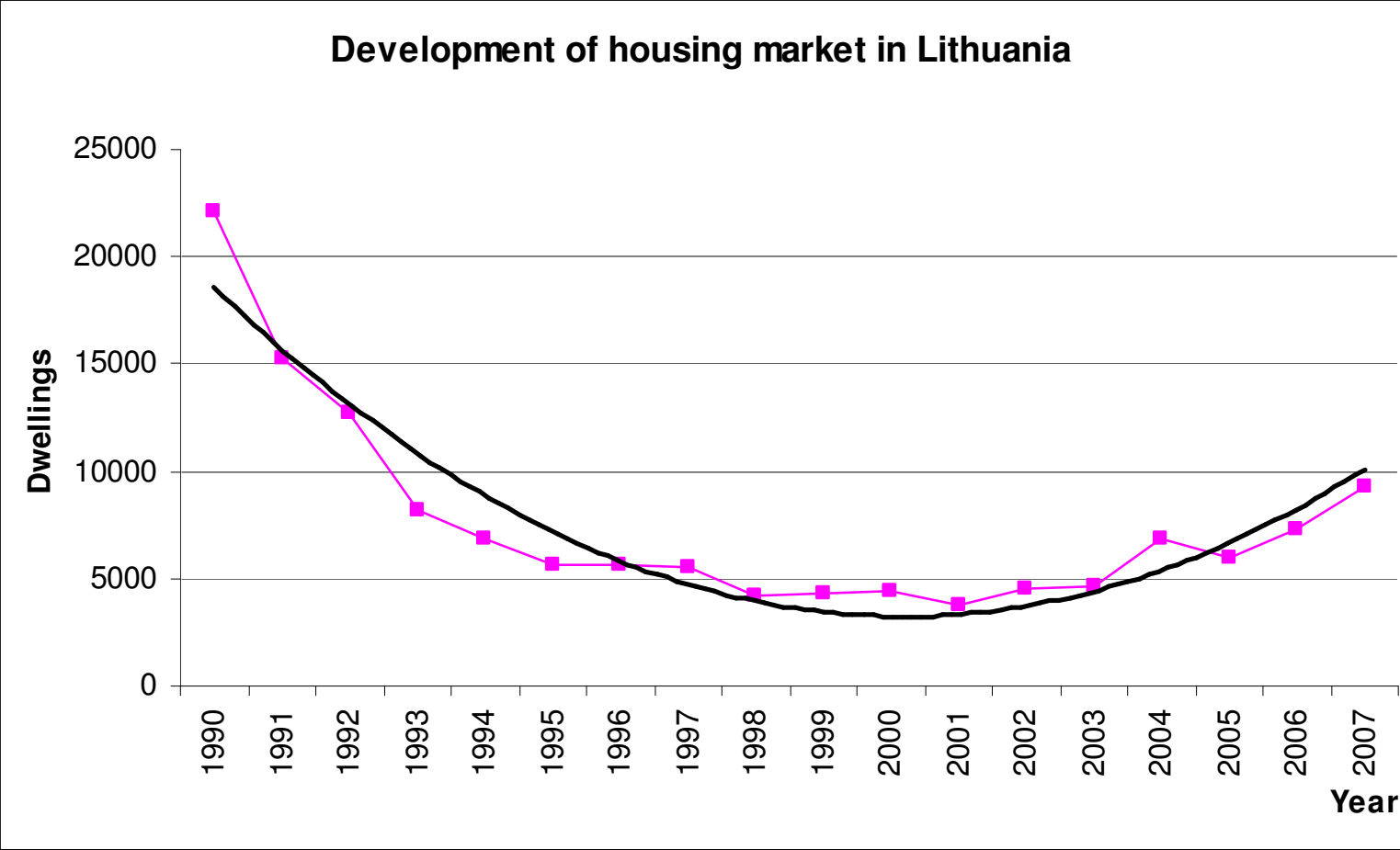
Development of housing market and main instruments for promoting energy performance of buildings in Lithuania

June 11-12, 2008
Jurmala, Latvia



Mr. Sergej Suzdalev, Baltic Environmental Forum Lithuania

Development of housing market in Lithuania



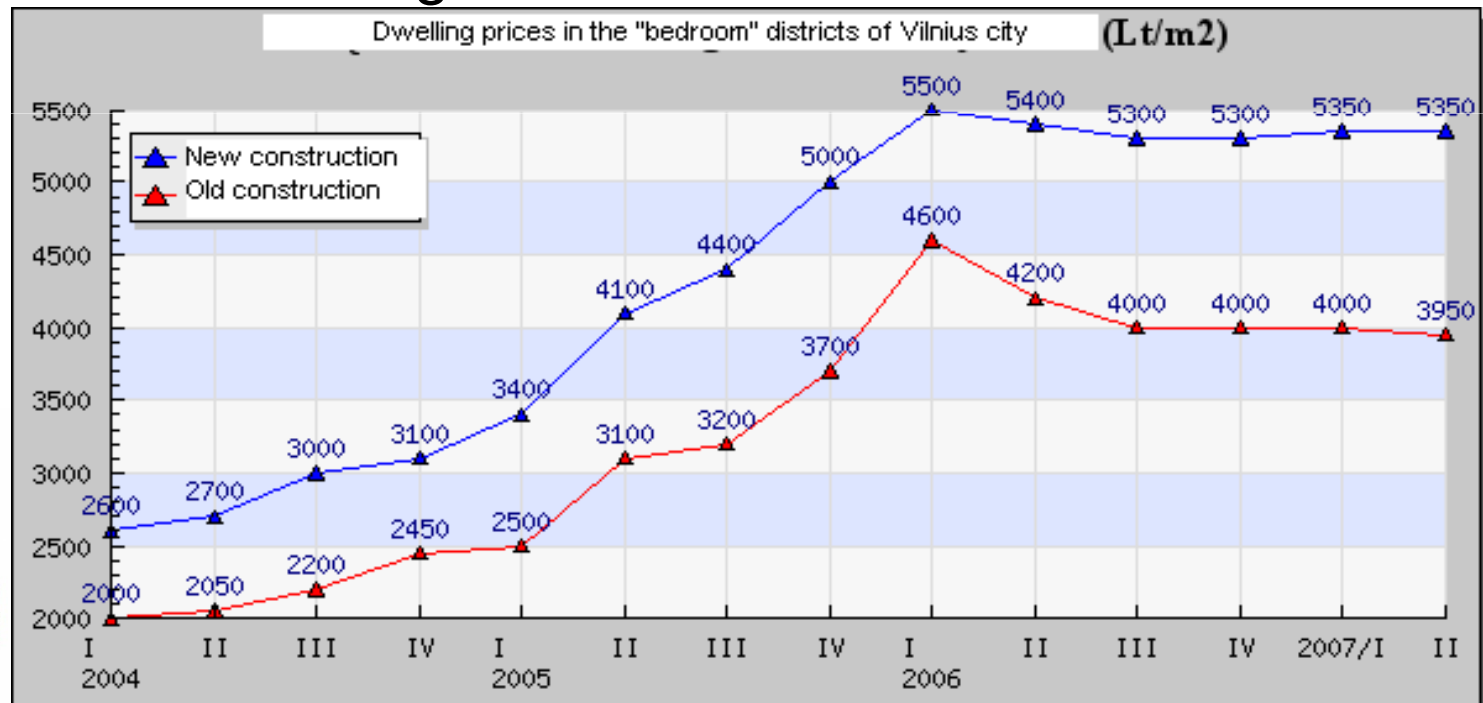
Development of housing market in Lithuania

- 3 development stages:
 1. 1990 - 1995 suspension of construction of multi-storey buildings due to Lithuania separation from the Soviet Union
 2. 1996 – 1998 very slow construction of new multi-storey residential houses
 3. From 1999 new stage of dwelling market development resulting in increase of demand for housing and constant growth of the new dwellings offer

In Lithuania houses built in 1996 and later are considered to be new

The main factors of growing demand for new houses since 1999

- A great progress of a crediting system in Lithuania
- Fast increasing of the difference between prices of old and new housing units



The main factors of growing demand for new houses since 1999

- Desire for better living conditions (poor thermal and sound insulation of old large-panel houses, poor state of engineering equipment, higher heating expenses of old dwellings)
- The fear of possible failure of the financial system in Lithuania and the consequent loss of money kept in banks
- Purchasing boom at the end of 2003, caused by anticipated rise in real estate prices due to Lithuania integration into the European Union

Assessment of the current situation in the real estate market

Strengths:

- Increase of the real estate due to economic growth of the country
- Favourable conditions of dwelling purchasing using bank loans
- Wide choice of building materials for customers
- Safe and reliable investment in real estate

Assessment of the current situation in the real estate market

Weaknesses

- Inconsistent taxation policy
- **No clear vision of urban development**
- Lack of by-pass highways around the cities resulting in traffic jams on urban motorways
- Lack of labour force for building, renovation and repairs due to emigration of qualified construction workers

Assessment of the current situation in the real estate market

- **Opportunities**
- Floor space per head in Lithuania is much lower than in other EU member states (23 sq. m in Lithuania and ~ 57.5 sq. m in EU), therefore it can be increased
- More residents will move to suburbs because of improving transport system and need for healthier environment
- Old dwelling houses are being renovated which can reduce their maintenance costs and ensure energy saving

Assessment of the current situation in the real estate market

- **Threats**
- Cities are being built up too densely which leads to disappearance of green zones and causes more traffic jams
- Continuous price rise can cause “overheating” of the real estate market
- High prices do not allow people to buy dwellings
- The tax for real property of physical persons is foreseen to be introduced

Construction perspectives

- The construction of single-family houses is likely to grow because banks are crediting not only the purchasing of houses under construction or already completed buildings but also support purchasing of the plot
- Increasing demand for semi-detached houses in the less noisy suburbs (good solution for people with more than average income)
- Great changes (sharp decrease of prices) in dwelling market can hardly be expected in the near future
- Growing prices of newly-built dwellings makes the renovation of old dwelling blocks an attractive alternative

Review of implemented measures to increase energy performance of buildings

- All policy instruments applied in Lithuania can be grouped into the following 6 categories:
 1. Legal and institutional instruments
 2. State support programmes (incl. wide range technical regulations, standards and codes, awareness raising measures, financial support measures)
 3. Funding or financial mechanisms
 4. Fiscal instruments
 5. Flexible market based instruments
 6. Support mechanisms

Legal and institutional instruments

- **Law on Construction**

Minimum energy performance requirements and an energy performance certificate of a building

- **Law on Energy**

Prescribed efficiency requirements for hot-water boilers, heat generators for heating premises and/or water in the new or existing buildings



**Institutional responsibilities are divided between
Ministry of Economy and Ministry of Environment**



State support programs

- **The National Energy Efficiency Programme 2006-2010**
 - one of the principal targets to reduce heat consumption in buildings by 7% up to 2010
- **Special Programme for Implementation of Energy Saving measures**
 - Financing of the preparation and implementation of projects dealing with energy efficiency in buildings: renovation of sealing constructions by improving their thermal characteristics, renovation of engineering systems

State support programs

- **Programme for the financing of Modernization of Multi-flat Buildings**
 - Its principal aim is to help the owners of multi-flat houses modernize multi-flat buildings, increase efficiency of energy use, reduce heating expenses and ensure favourable conditions for low income population to modernize their apartments

Funding and financial instruments

- EU Structural Funds
- Lithuanian Environmental Investment Fund

The Lithuanian single programming document is being implemented by the specific strategies described in 5 Operational Programmes:

1.2 priority of Operational Programme 2 relating to energy efficiency in buildings:

Renovation of buildings and heating installations, maintenance and control of energy use in renovated buildings, energy audits of buildings and infrastructure

Fiscal measures

- **Taxes exemptions:**

The rate of VAT for the construction of the housing, insulation and renovation of buildings is 9% (standard rate of VAT is 18%)

Energy audits

- The requirements for the content of energy audits in Lithuania are adopted in “The methodic of comprehensive energy audit performing in public buildings” (The Order of the Minister of Economy,4-184):
 1. Steps of energy audits performing in buildings
 2. Data about the object collection
 3. Measurement of engineering parameters
 4. The estimation of heat consumption
 5. Preparation of audit report

Thank you for your attention!

