Nordea

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Finland: Housing Market Review Spring 2026 – A long road to recovery

Marketing communication

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Despite the slowdown in construction, oversupply continues to weigh on house prices. The fall in prices prevent people from changing homes, reduces consumption and keeps construction sluggish. Data centers are a rare growth driver in construction.

Themes:

- The situation in the housing market has continued to be subdued. The sales volumes of old apartments have increased, but sales times have continued to lengthen and prices have continued to decline.
- The decline in house prices is expected to come to an end during this year. We expect prices to start rising first for larger apartments. For next year, we predict that prices will rise by 1.5% at the national level. The rise in prices is driven by the better price development in growth centres, as the decline in housing prices that has been going on for 15 years is expected to continue in many areas with declining population.
- The prolonged decline in house prices has had many effects on the economy. The fall in prices slows down people from changing homes, reduces consumption and keeps construction sluggish.
- There is still plenty of supply in the rental market, and rents are mainly declining. Demand for rents has been reduced by last year's housing allowance cuts, which have been reflected in a decrease in young people living alone. There is still plenty of supply, especially for small rental apartments.

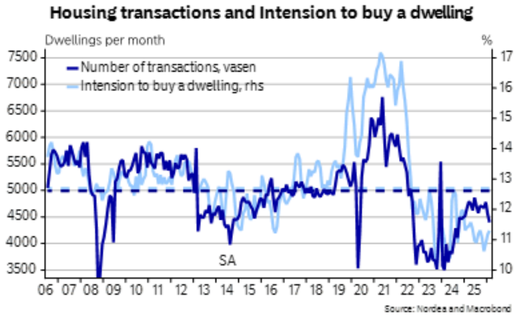
- Despite the slowdown in construction, the number of completed apartments continues to exceed the growth in housing demand, so the oversupply situation in the housing market has not yet started to unwind. Subsidised construction has sustained housing production, and at the same time, subsidy cuts and the weak economic situation have made households live more densely, reducing demand for housing.
- The decrease in government interest subsidy loans this year and next year will reduce subsidised housing construction. On the other hand, private production has not yet taken off, as sales of new apartments are still weak and declining rents do not enable private rental construction. We expect residential construction to decline further this year and next.
- Data centres already cover more than 13 per cent of all building permit cubic metres last year. Data centers are one of the few growth sectors in construction.
- House prices have started to rise sharply elsewhere in Europe. In the EU area, prices have risen by an average of 9% per year. Finland is the only EU country where housing prices continue to fall.

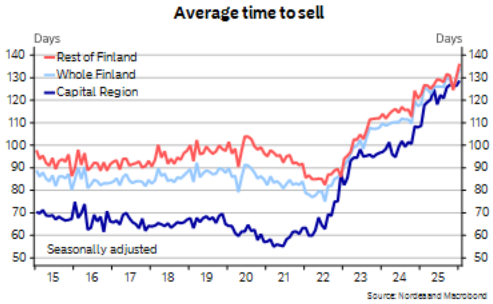
Housing sales still on the brakes

The situation in the housing market has remained subdued. The sales volumes of old apartments increased by 13% last year, but are still somewhat lower than normal. The increase in sales times has continued despite the pick-up in sales, with the average sales time being just over four months.

The housing market continues to be weighed down by Finland's weak economic situation, which has raised the unemployment rate to the highest in the EU area. Consumer confidence has also remained at a low level, which is reflected in low intentions to buy a home. Consumers' purchasing power has continued to improve, as inflation has remained clearly lower than wage increases. Despite the increase in unemployment, the number of employed people has remained relatively high.

Euribor rates stabilised at around two per cent last year , while inflation in the euro area remained at two per cent, i.e. the central bank's target. The war in the middle east has been reflected in the rise in oil prices, which has increased inflation expectations and thus also interest rates have risen over the past two weeks. If the conflict is prolonged and the rise in prices begins to become broad-based, it may have an upward effect on interest rates. Our baseline forecast is that the situation will calm down reasonably quickly and thus the effects on interest rates will be temporary. The average interest rate on housing loans in Finland is stabilising slightly below three per cent in the near future. On the other hand, things can happen quickly in the fixed income market if the economic outlook for Europe changes.





House prices continue to fall

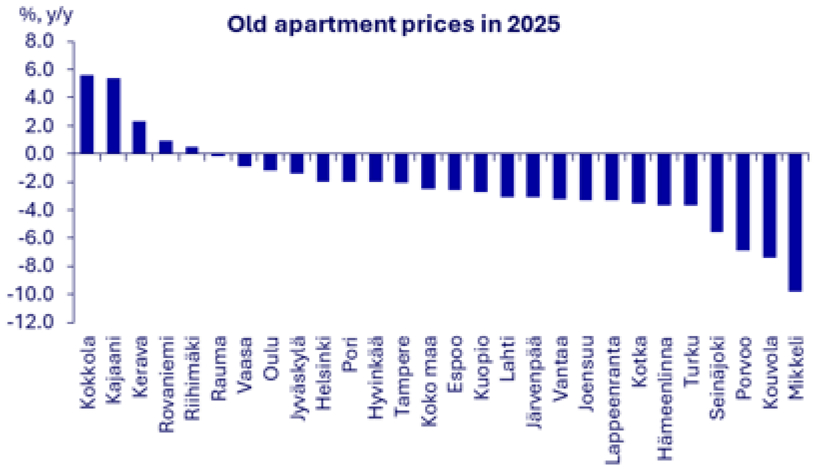
Housing prices have mainly remained falling. At the level of the whole country, prices of old apartments fell by 2.8 per cent in January compared to the previous year and by an average of 2.5 per cent for the whole of last year. However, there are also cities where prices have already started to rise. Last year, prices rose most in Kokkola, Kajaani and Kerava. Prices also rose in Rovaniemi and Riihimäki. In these cities, the rise in prices is due to normal market dynamics. Not much new production has been built in these cities in recent years, but at the same time, the business community has been in good shape, which has brought new residents and thus demand to the market. This indicates that the housing market continues to function normally, as growing demand and limited supply are reflected in rising prices.

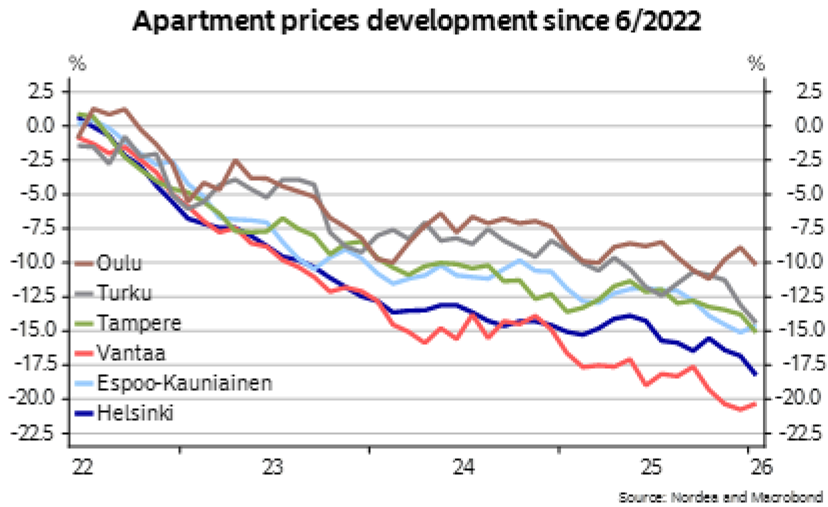
The biggest drop in prices has been seen in Mikkeli and Kouvola, which suffer from chronic population decline and prices have been falling for a long time. In Eastern Finland, the exit of Russian buyers from the market has also reduced demand.

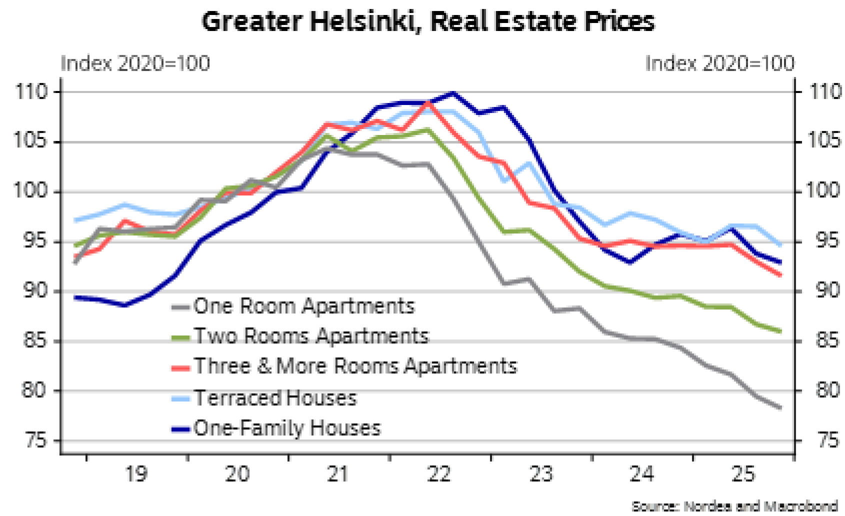
In larger cities, prices have also continued to fall. Prices have fallen the most over the past three and a half years in Vantaa and Helsinki. Price development has been the most stable in Oulu, and last year it saw the smallest price decrease of any large city.

In the Helsinki Metropolitan Area, the price development of larger apartments has levelled off, but the prices of smaller apartments continue to fall. The prices of small apartments are weighed down by both the high production in recent years and the low investor demand, while the rental market remains weak. The production of larger apartments has been lower in recent years, and own-occupied demand has returned gradually.

However, the factors driving the decline in housing prices are mainly easing. The decline in house prices was triggered by the rise in interest rates in mid-2022. At the same time, other housing costs, such as energy prices and maintenance charges, increased. In addition, weak general economic development has weighed on consumer confidence and increased unemployment, and at the same time, the rapid housing production of the past years created oversupply, especially in the market for small apartments. Residential construction has now moderated, interest rates have stabilised and consumers' purchasing power has returned. For the time being, however, the still weak labour market and subdued confidence will continue to keep prices in check.


Old apartment prices in 2025
%, y/y
8.0
6.0
4.0
2.0
0.0
-2.0
-4.0
-6.0
-8.0
-10.0
-12.0
Kokkola
Kajaani
Kerava
Rovaniemi
Riihimäki
Rauma
Vaasa
Oulu
Jyväskylä
Helsinki
Pori
Hyvinkää
Tampere
Koko maa
Espoo
Kuopio
Lahti
Järvenpää
Vantaa
Joensuu
Lappeenranta
Kotka
Hämeenlinna
Turku
Seinäjoki
Porvoo
Kouvola
Mikkeli


Apartment prices development since 6/2022
%
2.5
0.0
-2.5
-5.0
-7.5
-10.0
-12.5
-15.0
-17.5
-20.0
-22.5
Oulu
Turku
Tampere
Vantaa
Espoo-Kauniainen
Helsinki
22
23
24
25
26
Source: Nordea and Macrobond


Greater Helsinki, Real Estate Prices
Index 2020=100
110
105
100
95
90
85
80
75
One Room Apartments
Two Rooms Apartments
Three & More Rooms Apartments
Terraced Houses
One-Family Houses
19
20
21
22
23
24
25
Source: Nordea and Macrobond

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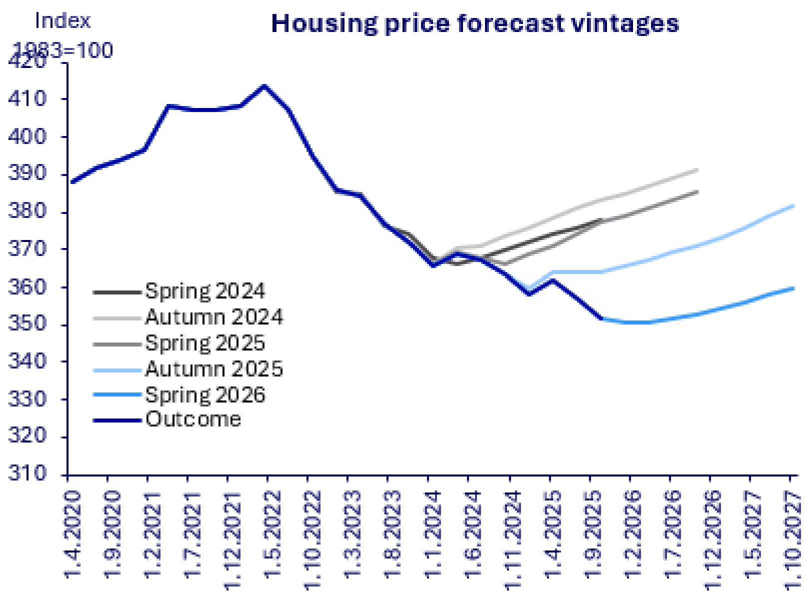
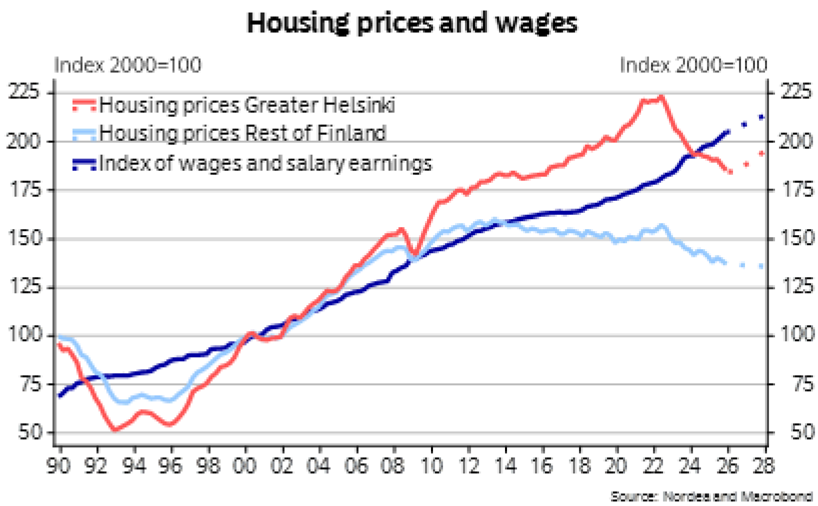
Price rise starts with larger apartments

In recent years, housing price forecasts have been too optimistic. The fall in prices has been longer and deeper than expected. The larger-than-expected fall in prices has been due to weaker-than-expected developments in the Finnish economy and, in particular, a rise in unemployment to very high levels. On the other hand, the oversupply of the housing market has been unravelled more slowly than previously thought in growth centres, despite the continued strong population growth. **House prices are expected to fall in the early part of the year, but towards the end of the year** The pick-up in the economy is expected to gradually be reflected in positive employment development and thus also in improved consumer confidence, which will also boost house prices. **We expect house prices to be at the end of this year at the same level as at the end of last year. At the level of the whole year, however, house prices will fall by 1.5% from the previous year.** Prices are expected to turn first in larger dwellings in housing companies, as the oversupply of small dwellings is relieved more slowly and price development is thus more subdued. The prolongation of the war in Iran and its possible impact on interest rates create a downside risk to the forecast.

Next year, we expect prices to finally start to rise by 1.5% on an annual basis. The rise in prices is driven by the gradual thawing of oversupply and the continuation of good income development. In growing cities, housing prices are expected to follow the income development in the future, as the current oversupply situation begins to unravel through low construction and population growth. Outside growing urban centres, however, the oversupply of housing is structural, due to population decline, and there is no return in sight to house prices in these areas, but a moderate decline in prices is expected to continue in the coming years. For next year, we expect prices to rise by 3.5 per cent in the Helsinki Metropolitan Area, while outside growth centres we expect prices to continue to decline by 0.5 per cent.





The many effects of the fall in house prices

The decline in house prices has a wide range of effects on the economy and the housing market. In this section, we examine the impact of the decline in housing prices on housing sales, household consumption and construction.

Housing prices and the number of housing transactions typically go hand in hand. When sales are good, it indicates good demand, which typically leads to higher prices. On the other hand, when sales are not going well and the selling times are long, we usually see falling prices. However, causality can also go in the other direction. When housing prices fall, sales are poor. The VATT study shows that avoiding the expected loss on the sale of an apartment reduces moving in by up to 50% compared to those who make a capital gain, i.e. a decrease in prices reduces housing sales. In previous studies, avoiding a sales loss has also been seen to lead to excessively high asking prices, which contributes to slowing down trading.

There may be psychological factors behind avoiding a sales loss, but also practical factors. In principle, the capital loss caused by the general decrease in housing prices should not have any financial significance for the person changing apartments, especially if they move to another owner-occupied home. In this case, the decrease in market prices can be seen in both the new and the old apartment, in which case the interim payment may even be reduced as prices fall and the sale may be financially profitable. Are people acting irrationally then? Partly yes, but on the other hand, there may be real credit constraints in the background.

A decrease in house prices reduces the net worth of the homeowner, as the amount of debt does not decrease with house prices. As prices have fallen, the amount of equity has decreased in the situation of housing exchange, even if the amount of the interim payment has remained the same or decreased. For example, the equity of those who have bought a home with a 90 per cent loan-to-value ratio has practically been zeroed if the home was bought in 2021–2022, when housing sales were hot. The melting of equity means that it may be impossible to change homes if no other savings have been accumulated, because the person changing homes is required to have 10% equity and transfer tax costs (1.5–3%). For these people, the change of home can only take place when the mortgage has been repaid sufficiently or housing prices start to rise in order to collect the self-financing share. VATT's study suggests that the fall in prices has the greatest impact on moving for those who have a large housing loan relative to the value of their home.

In the longer term, the decline in housing prices in growth centres can be seen as a positive thing for labour mobility, as more and more people moving for work have the opportunity to buy a home. **On the other hand, a decrease in prices may create lock-in for the current owners in their current apartment and thus reduce the possibility of moving into an apartment that is optimal for them in terms of work or family situation.** The decline in housing prices is a positive thing, especially for first-time homebuyers, but the prolonged decline in prices may make many people wait for an even better time to buy.

Housing sales could be accelerated by temporarily lowering the self-financing rate required of home changers to the level of first-time homebuyers at 5 per cent.

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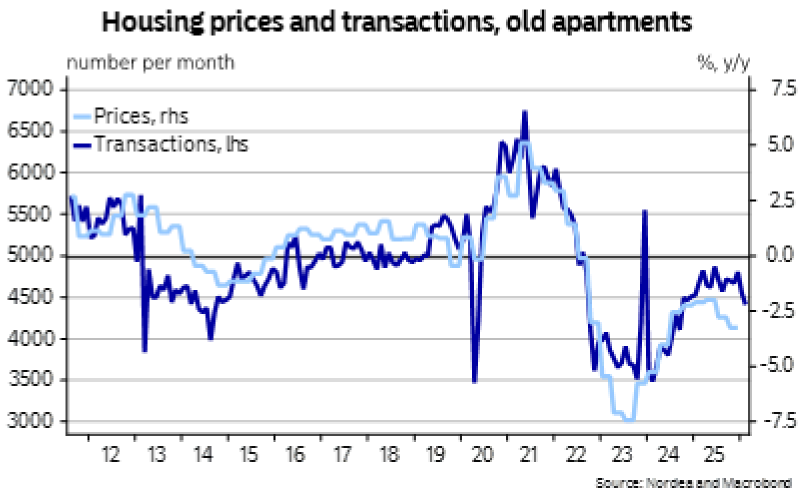
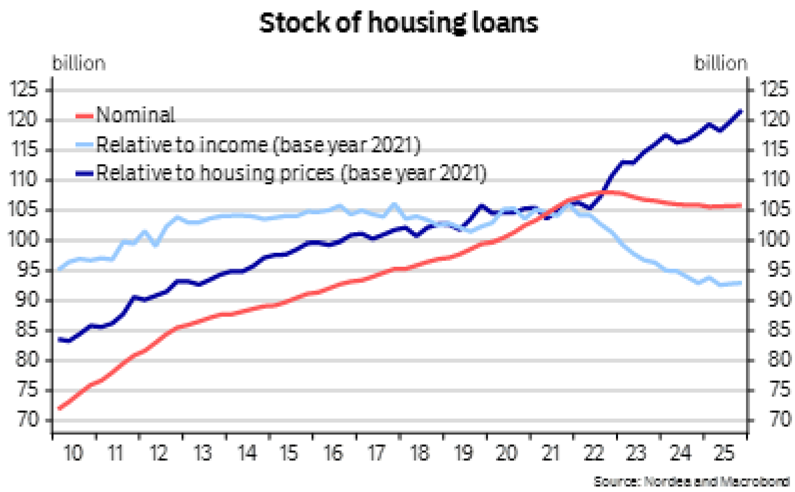




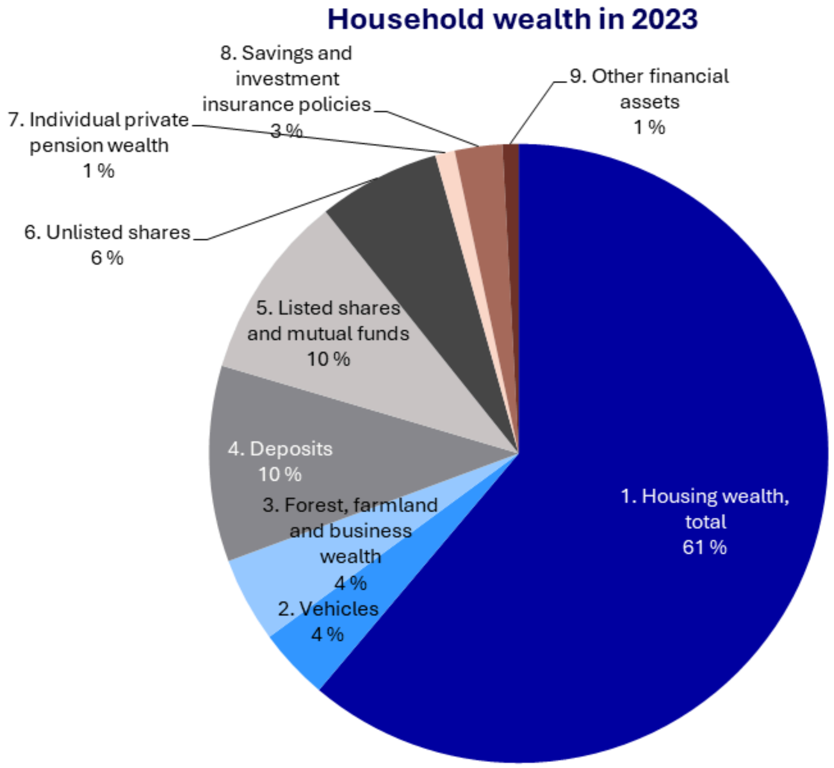
Falling house prices often also have an impact on households' saving and consumption decisions. A fall in house prices can lead to a rise in the savings rate and thus a decrease in consumption. This has also been evident in Finland in recent years. On a theoretical level, the wealth effect comes from the fact that when wealth decreases, the household must reduce its life-cycle consumption, if the previous consumption was set in such a way that a certain wealth is sufficient for the rest of one's life's consumption/inheritance. Thus, the decrease in wealth creates pressure to increase saving and reduce consumption so that the wealth is enough to consume for the rest of one's life. The decline in housing wealth may also partly create credit constraints for households, for example in terms of secured renovation loans, which is likely to keep this type of consumption subdued.

The decline in housing prices is not the only reason for stagnant consumption. The rapid inflation and rising interest rates of the past years have contributed to the amount of money available to householders for other consumption. In Finland, housing loans are mainly pegged to short-term reference rates, which has highlighted the importance of interest rate fluctuations for the economy. The rise in interest rates has made it necessary for households to reduce their indebtedness by increasing their savings if interest expenses have been seen to take up too large a share of total income.

Hedging more from interest rate risk could bring stability to households' spending and consumption, as rising interest rates and falling house prices typically go hand in hand, in which case the downward impact of both comes simultaneously. At the same time, Finns would be closer to the rest of the euro area, at the level at which interest rates are decided. The rise in unemployment in recent years and the global political situation have increased households' contingency savings, so interest rates and house prices do not fully explain weak consumption and the high savings rate.

Investments by Finns in addition to housing loans have increased in recent years, but housing assets still accounted for 61% of total wealth in 2023. This has been led to, among other things, the limitation of the maximum duration of housing loans. Financial investments have yielded good returns in recent years and have contributed to offsetting the impact of the fall in house prices on household wealth.

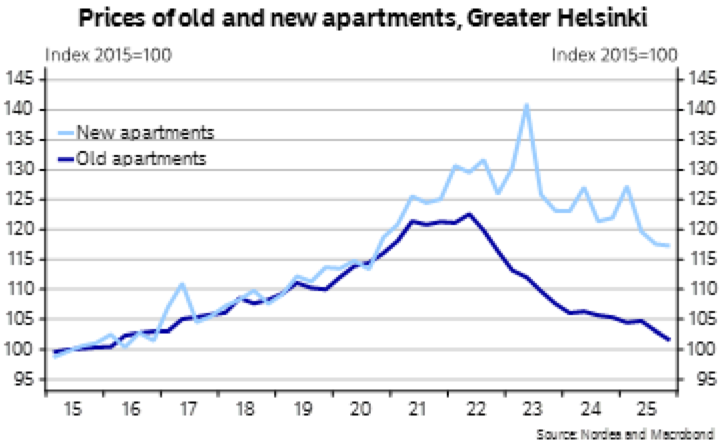
If the repayment periods of housing loans could be longer than at present, households with housing loans would have better opportunities to accumulate other financial assets better than at present, which would make their assets better diversified.



The decline in housing prices is also weighing on construction, while construction costs have also remained high, which has led to a divergence between the costs of new construction and the prices of old apartments. In this case, it would be natural for plot prices to fall, but this has not happened to such an extent that new construction would be widely competitive with old apartments. There are many rigidities associated with plot prices. Firstly, private landowners, construction companies or plot funds can pledge plots if they expect to get better prices for them in the future. On the other hand, cities may have a certain lower limit for plot transfer prices in order to cover infrastructure investments in plots, in which case prices may not be fully flexible downwards. In addition, some plot plans may be such that their obligations are too expensive in relation to the current price level and construction costs, in which case the plots are not attractive to builders.

Launching market-based construction would require flexibility from the planners in terms of both the content of the plans and the transfer prices of the plots.

Housing production has been maintained through housing construction supported by the state and municipalities. This can be seen as justified in order to maintain employment in the construction sector. On the other hand, additional construction in a market that suffers from oversupply creates even more pressure for housing prices to fall. This, in turn, will have the aforementioned effects on the economy and, on the other hand, postpone the day when private construction can recover. It is not unambiguously clear whether the stimulus of housing construction supported by tax money has been positive or negative from the point of view of the economy, taking into account the negative effects of the fall in prices elsewhere in the economy.



The rental market continues to suffer from oversupply

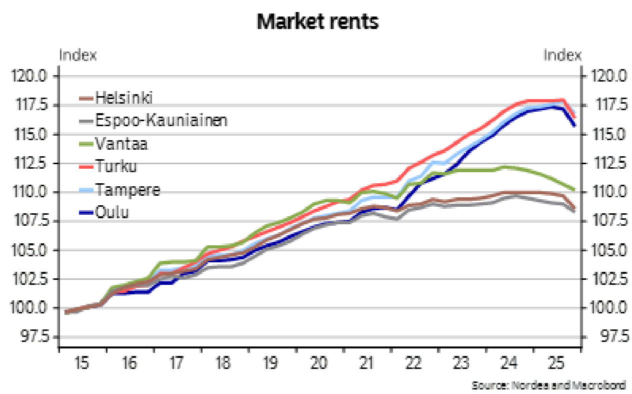
In the rental market, the oversupply situation continues in all large cities. At the end of last year, Statistics Finland's rent index fell by 0.9 per cent year-on-year at the level of the whole country. The rent index is mainly calculated on the basis of the rents of those who have received Kela's housing allowance, which have been subject to significant cuts over the past year. Therefore, the index may slightly underestimate rent development. For example, KTI's rent index did not see a corresponding decrease in rents at the end of the year. On the other hand, in KTI's index, rent development has also been moderate in all large cities. In recent years, large institutional investors have introduced more dynamic rental pricing to reduce the vacancy rate, which may be reflected in lower rents in the current market situation. On the one hand, rent-free months at the beginning of the lease period have become market practice, which, however, are not reflected in the rent index, but on the other hand, reduce the economic utilisation rate of landlords.

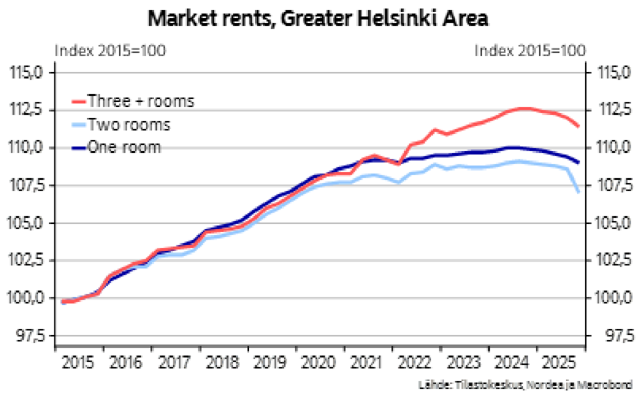
The vacancy rates of rental apartments decreased slightly last year, but there is still plenty of supply, even though construction has declined sharply in recent years. The continued high level of subsidized rent apartment production has further increased the number of new rental apartments. About 2/3 of last year's new rental property start-ups have been tax-subsidised housing.

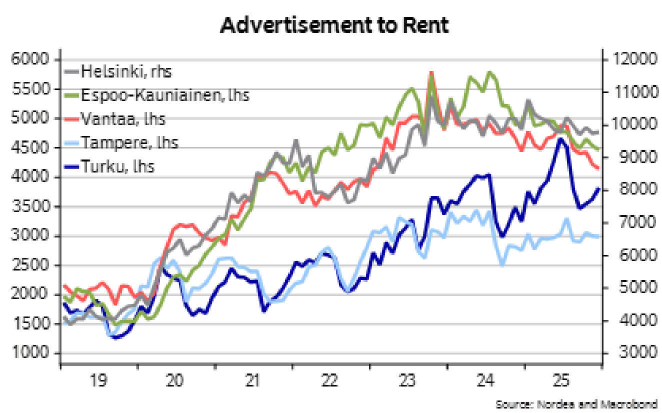
In Vantaa and Espoo, the rental supply has decreased slightly over the past year, while Turku and Tampere see an increase in supply measured by the number of rental advertisements.

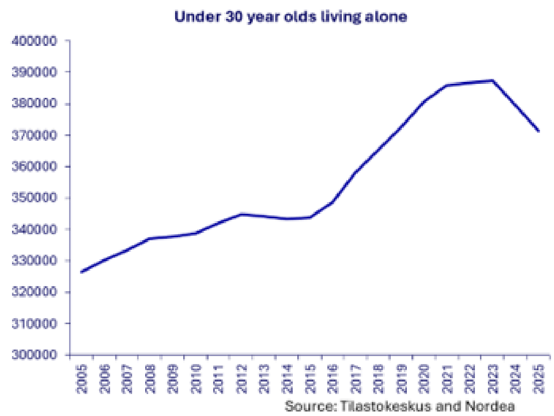
Indeed, the rental market is now clearly experiencing the most oversupply of small apartments, which were built a lot in the past and the demand for which has now decreased due to changes in housing allowances. The rent development of small apartments has been clearly weaker than that of larger apartments

Cuts in housing allowances have contributed to keeping rental demand more subdued, even though population growth has remained good in growth centres, although it has slowed down from the previous year. In 2017, the transfer of students to the general housing allowance significantly increased the number of young people living alone. Last year, the number of people under the age of 30 living alone began to decline when students were transferred back to the housing supplement of student financial aid, which significantly reduced the housing allowance received by students.





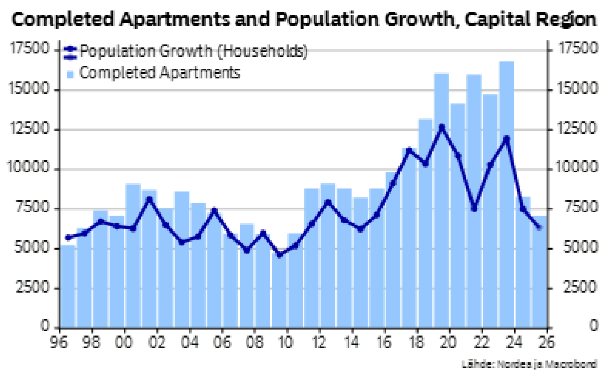


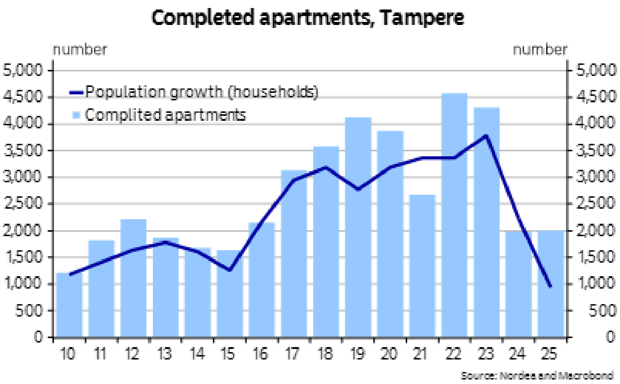


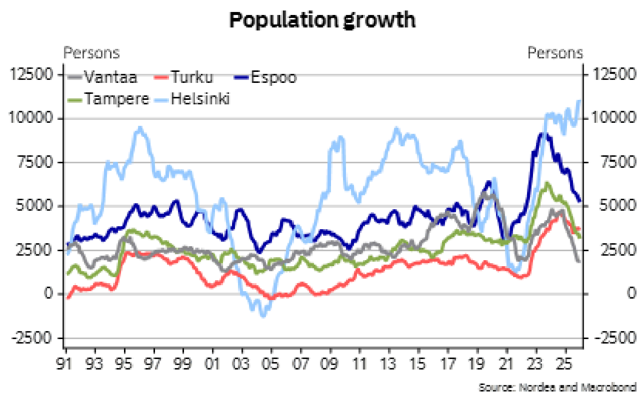
Changes in the housing of young people in particular and the increase in the share of immigrants living more densely than the native population have changed the structure of housing demand in recent years. Housing demand does not correlate with population growth as before. Over the past two years, the average size of household-dwelling units has started to rise after the contraction that has continued since

2017. Last year, population growth in Greater Helsinki was 2.8 times higher than the growth in the number of household-dwelling units, as the number of young people living alone decreased clearly and the number of household-dwelling units of three or more persons has continued. This has contributed to supporting the demand for larger apartments, both in the rental and owner-occupied housing markets.

The number of completed dwellings continues to exceed the growth in the number of household-dwelling units in Greater Helsinki, Tampere and Turku. As a result, the oversupply of housing has not been able to unravel despite the significant contraction in construction. It is still difficult to estimate how long-term the housing allowance changes will have on the average size of household-dwelling units, but it is now known that a lot of subsidised housing production was started last year, which will keep the number of completions still high this year and at the same time maintain the oversupply situation. For 2027, the oversupply can already be expected to unwind, insofar as the migration gain remains close to current levels and there are no significant changes in the size of the average household-dwelling unit.







Construction outlook

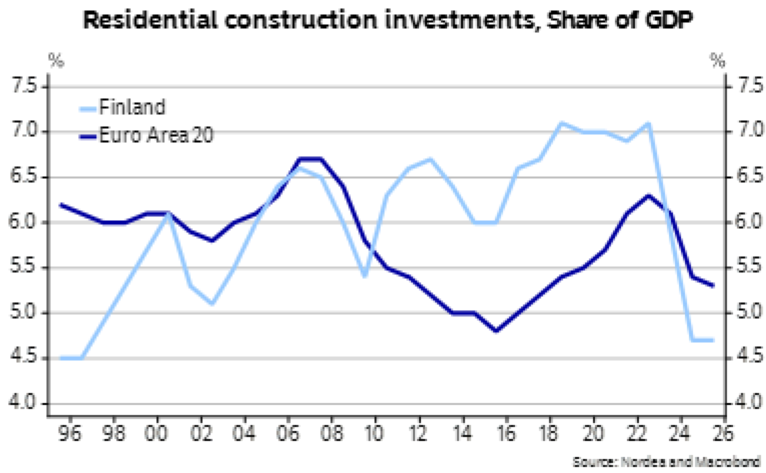
The gloom of construction has continued for three years now. The weak construction cycle applies especially to residential construction. The share of residential investment in GDP has fallen from 7 per cent to 4.6 per cent in three years. The situation has not been so poor in other building construction, and infrastructure construction has also held its own quite well.

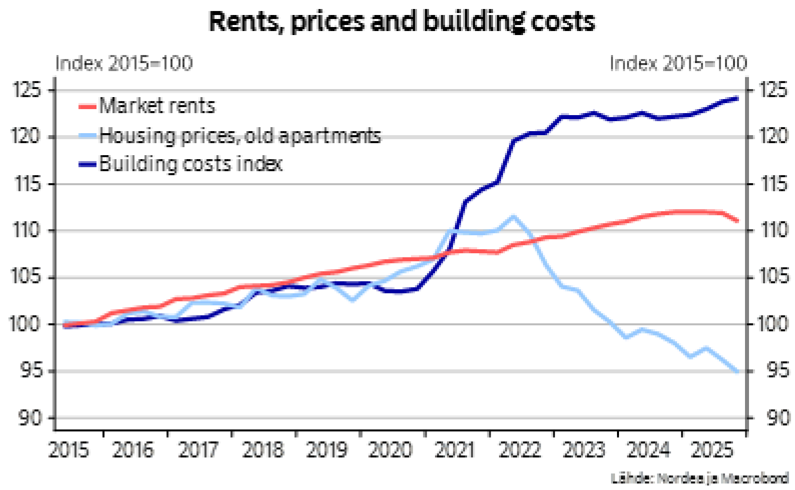
In Finland, residential construction has been brisk by European standards until recent years. Now, the halt in construction has pushed Finland's construction share of GDP to a clearly lower level than in the rest of the euro area, which partly explains Finland's weaker economic development than in many of its peer countries.

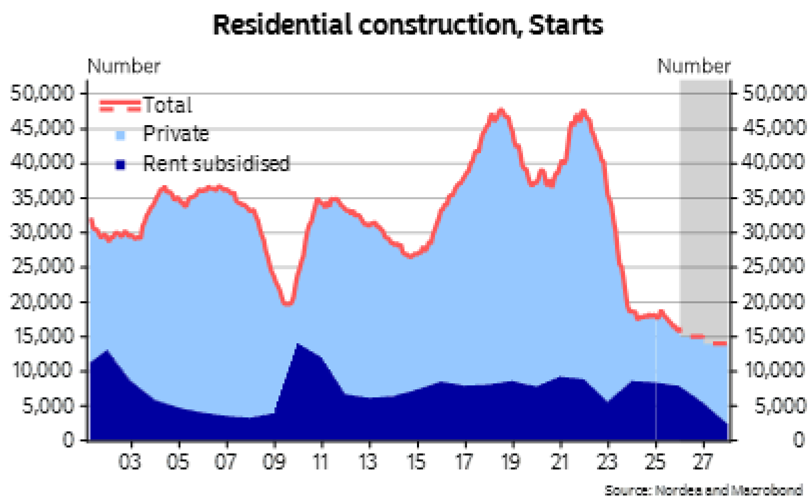
The outlook for residential construction is still rather subdued. As stated above, the housing market continues to suffer from significant oversupply as well as falling prices and market rents. At the same time, construction costs have remained high. With these parameters, the private construction equation only works in individual cases, keeping the overall outlook for private construction weak.

Overall, residential construction is likely to decline further this year and next, as the start-up of private construction is still hampered and rent subsidised construction clearly decreases. The reduction in ARA authorisations this year and next year will significantly reduce the production of subsidised rental housing. Last year, about half of the volume of residential building construction was ARA construction. While last year there were 1.75 billion ARA authorisations, which were used to start 7,900 apartments, this year's number of authorisations is 1.135 billion, which is estimated to be enough to build about 5,000 apartments. For next year, the authorisation will drop to 0.5 billion, which would mean around 2,000 apartments.

However, we expect private construction to start gradually in 2027, which will partly offset the impact of the decline in ARA construction on total construction.

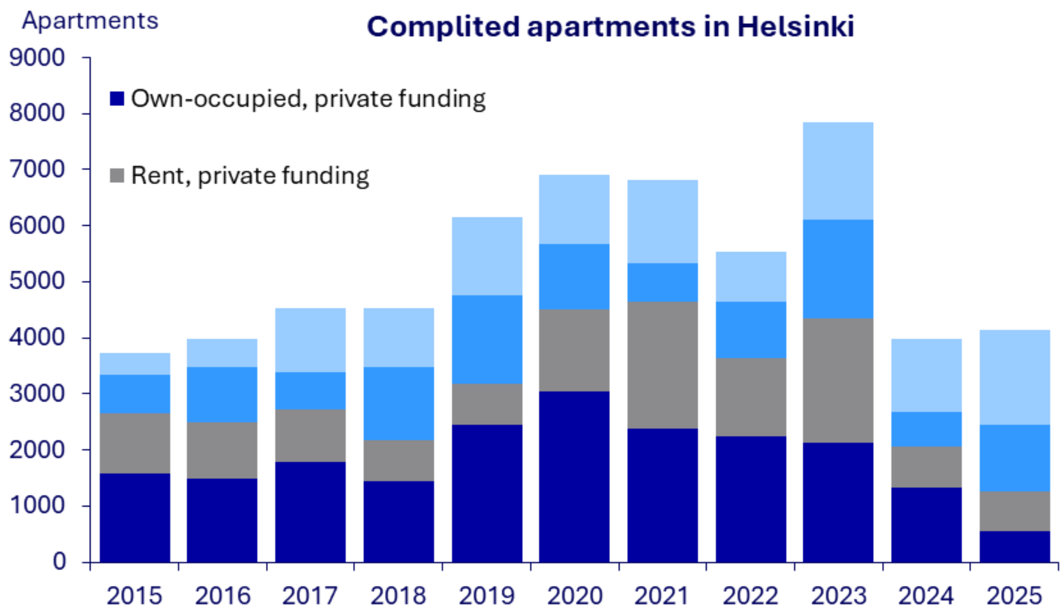






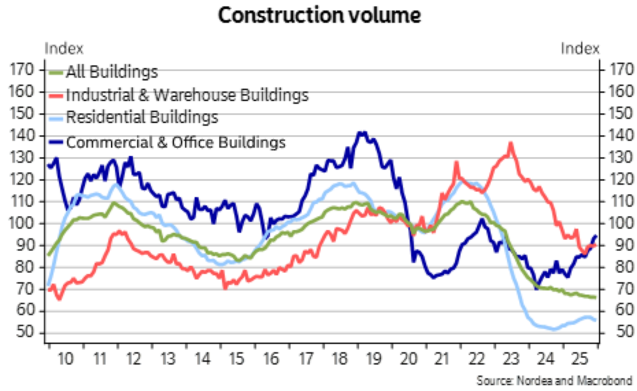
The volume of subsidised housing production in Helsinki rose to as much as 70 per cent last year. In addition to subsidised rental production, a large number of subsidised HITAS owner-occupied apartments and right-of-occupancy apartments are still being built in Helsinki. The fact that subsidised production has remained at a high level has slowed down the stabilisation of the housing market, as supply continues to increase in both the ownership and rental markets while demand is weak. Of course, the decrease in housing prices and rents can also be seen as a positive thing if the goal is to reduce housing costs. However, we are now in a situation where HITAS apartments are not selling and the rents of ARA properties are starting to approach market rents. At the same time, the occupancy rates of ARA properties have also decreased and, according to press reports, several state-guaranteed rental housing companies have run into difficulties when the cash flows of the properties have not been sufficient to service loans. The decline in the value of apartments may also have led to situations where the equity of ARA properties operating with a high debt ratio has turned negative. Indeed, more central government guarantee liabilities may begin to materialise than previously seen.

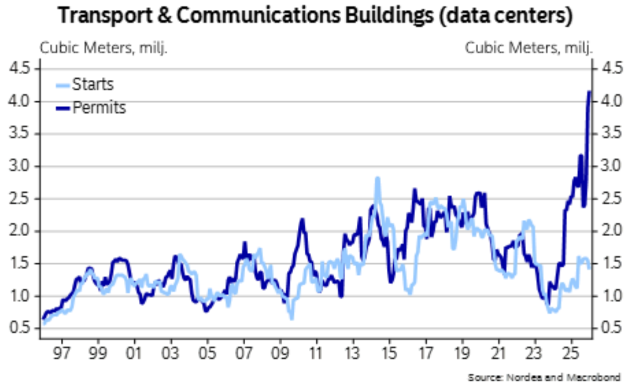
However, the significant reduction in ARA authorisations this year and next year and the end of the HITAS and right-of-occupancy subsidy will clearly reduce subsidised construction in the coming years, which will contribute to the opening of private construction.



The economic cycle has also been declining in non-residential construction, although not as steeply. The volumes of both industrial and public construction continue to decline. Only office and commercial building construction is seeing growth. There is still a lot of vacancy in offices, so construction has been quiet on that side. However, the volume of construction in this category is increased by transport and communications and data centres in particular.

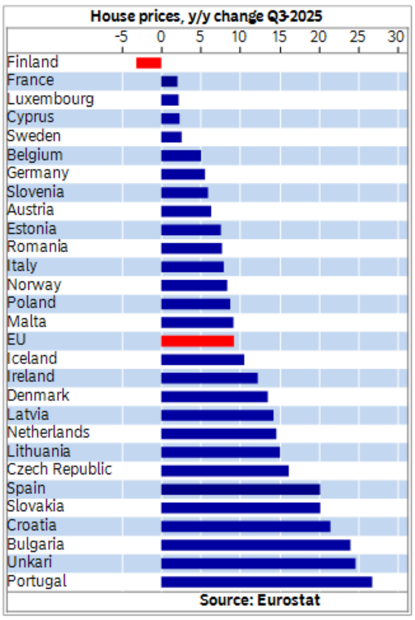
Permits for transport and communications (incl. data centres) covered 13.6 per cent of all building permits last year, while one year earlier their share was 3.7 per cent. The number of starts is still relatively low, but the number of permits indicates that there are many projects in the pipeline. The construction of data centres is one of the few boosts to the construction of Finland. About half of the total cost of data centers comes from the building and its technology, and the other half from the servers.

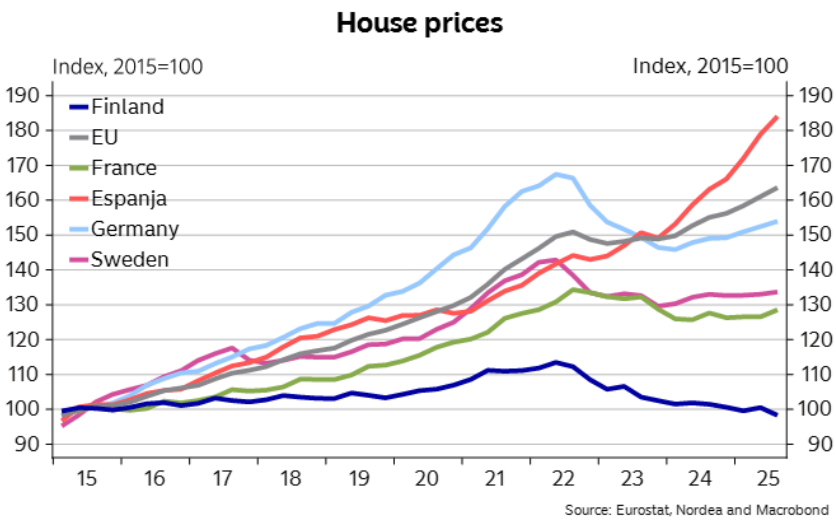




Housing market EU and Nordic countries

The European housing market has already recovered well from the inflation and interest rate shock that hit in 2022. Average house prices began to decline momentarily in 2023, but in the third quarter of 2025, for example, the average annual increase had accelerated again to over nine per cent. Although developments have been variable and the steeper rise in house prices has mainly been concentrated in Eastern and Southern European countries, Finland was the only EU country where house prices continued to decline last year compared to the previous year. Overall, the development of housing prices in Finland has been subdued over the past 10 years relative to other EU countries. This has been due to Finland's dispersed housing market, where prices have been falling in areas with population losses for the past 15 years. In growth centres, on the other hand, strong construction in 2017–2023 has dammed price pressures. On the other hand, Finland's relatively weak economic development and thus slow income growth have also kept prices in check.





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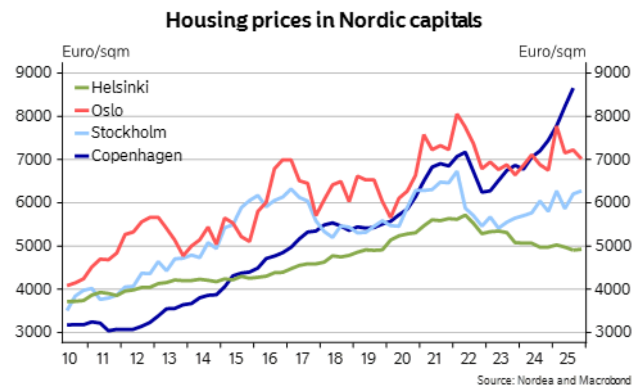
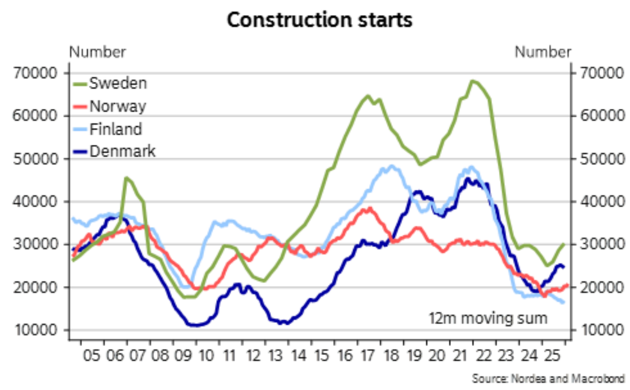
Also in Nordic price comparisons, Finland has lagged behind its peers. In Norway, the development of the past two years has been fairly steady and the rise in prices has remained at around five per cent, while in Denmark, the rapid rise in house prices has continued steadily since 2023. Employment growth and the low supply of housing have increased housing prices in Copenhagen, for example, by almost 20 per cent per year, while in Norway the housing market has been supported by strong household income development. In Helsinki, house prices continued to fall by more than one per cent in 2025.

Residential construction has also started to recover in the other Nordic countries, as house prices have started to rise. Housing construction has also started to pick up in the euro area as interest rates have fallen, despite the fact that construction costs remain clearly higher in most countries compared to the levels of previous years. Although Finland is the only Nordic country where residential construction is still declining, the number of residential construction projects started in the other Nordic countries is still at remarkably low levels.





Historically, it has taken a relatively long time to recover from housing market crises. In the wake of the financial crisis, house prices fell sharply in Spain, Ireland and Denmark. It took 15 to 17 years for house prices to recover to pre-crisis levels in Spain and Ireland. These crises were also linked to the banking crisis, which contributed to prolonging the recovery of the markets. In Denmark, house prices returned to their previous peak after 9 years as the banking system remained strong. During the recession in Finland in the 1990s, prices fell by about 30%, but they returned to peak prices after only 9 years, when economic growth was strong in the second half of the 1990s.

The current development of housing prices in Finland corresponds in depth to the Danish financial crisis, and banks in Finland are also solvent, which means that lending does not limit the functioning of the housing market. The recovery of the Finnish housing market depends largely on economic development.

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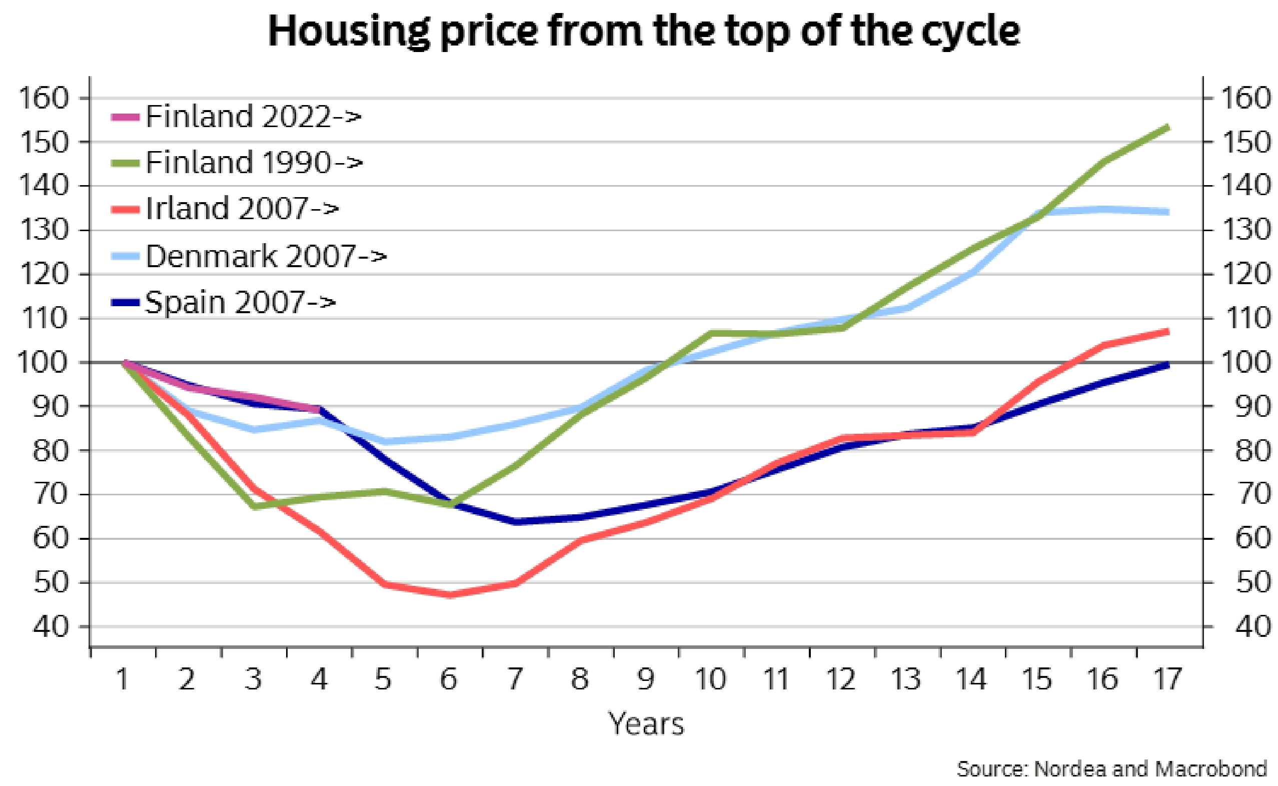

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