The housing market is Finland is experiencing a contraction characterised by declining prices and sales, as well as declining constructions. This situation is the consequence of: (i) an increased supply of dwellings between 2016 and 2022, in particular single flats, due to temporarily high construction levels in the context of low interest rates; (ii) a decrease in demand due to the increase in inflation and interest rates; and (iii) high construction costs and low prices that reduce the profitability of projects for promoters. The construction sector is expected to start to recover gradually in 2026. Budget resources for social housing construction are being reduced in the 2025-2027 central government budget and stakeholders are concerned that this could make counter-cyclical investments more difficult.

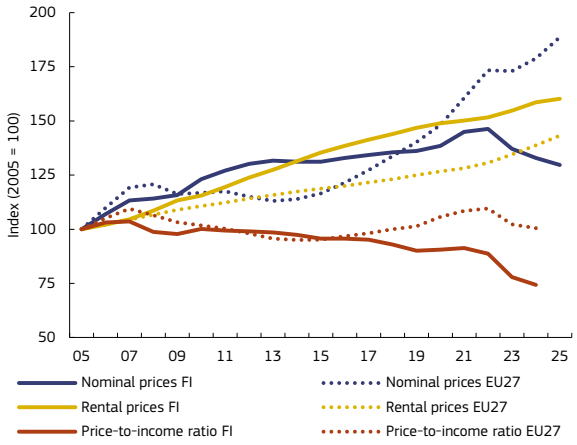
Total household expenditure on housing remains high, but the decreasing prices and rents have made housing more affordable for people entering the housing market such as first-time buyers or young people. There are significant regional disparities, with high demand for social and affordable housing in major cities and growth areas, while in rural areas or regions affected by outmigration the value of housing is low and renovation and energy costs high.

While government expenditure on social protection is being reduced, recent data suggest worsening housing access and affordability for the most vulnerable. Homelessness has increased over the past two years, with high costs of living and social protection reforms cited as contributing factors. The housing cost overburden rate, mortgage arrears, energy arrears and energy poverty follow similar trends, in particular for households at risk of poverty.

Housing market developments

Following monetary tightening, nominal house prices have been decreasing over the past three years. The economic response to the COVID-19 pandemic caused interest rates to fall below zero. Furthermore, as a large majority of Finnish household mortgages are tied to Euribor interest rates ([406]), this has resulted in an increase in construction, transactions and prices. In 2021, nominal prices increased by 4.6%, but Russia's war of aggression against Ukraine, high inflation and tighter monetary policy reversed the positive trends. As borrowing costs increased significantly in 2022-2023, fewer households took out new mortgage loans and purchased dwellings. Consequently, after the peak in 2022, nominal house prices declined by 9% in 2023-2024 and Finland has been the only country in the EU where house prices continued to decline in 2025, by 2.5% year-on-year. In 2025, house prices were roughly at the same level as in 2013. Due to high inflation, real house prices also fell significantly in 2022-2025. The price-to-income ratio fell as well in 2025, attaining around 80% of its long-term average.

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



Source: European Commission

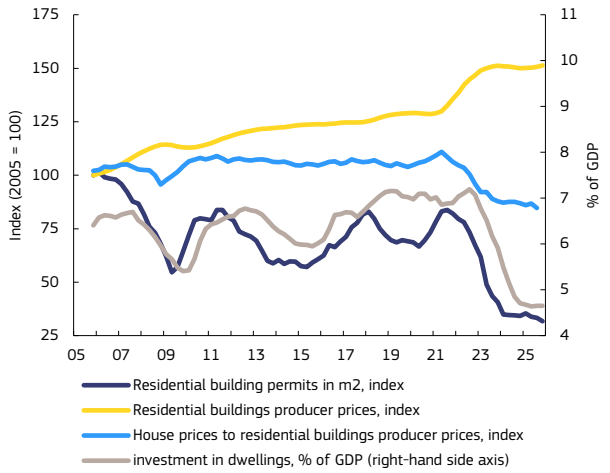
Rents have increased steadily since 2005, but the rise in aggregate income has led to more affordable housing for tenants on average. Around 30% of the population lives in rental apartments. Rents (including existing and new rental contracts) have increased by 2.5% per year between 2005 and 2024. In 2021-2024, the average increase in rents was 1.6%. Despite this, the rent-to-income ratio has declined by 10% since 2020.

While affordability has improved, household expenditure on housing remains high in Finland. Housing and related expenses

([406])With the 12-month Euribor interest being the most popular interest rate. Source: Bank of Finland.

represented 29.6% of household consumption expenditure in 2024, compared with the EU average of 23.6%. Both the price-to-income ratio and real house prices were at their lowest levels in 2005-2024. These developments imply, on the one hand, that the value of household real assets has declined significantly, which may have impacted perceived household wealth and reduced private consumption, and, on the other hand, that dwellings have become more affordable overall.

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

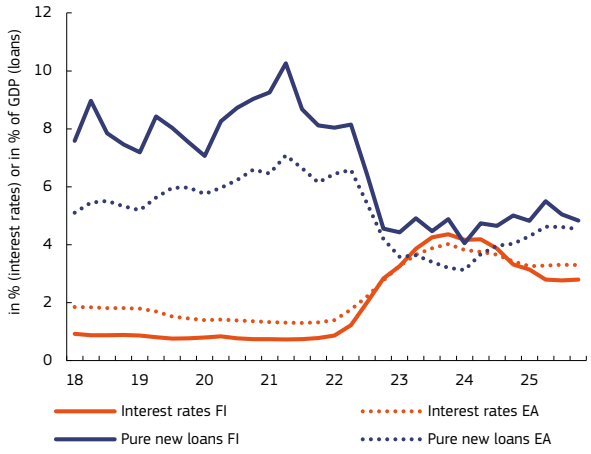


Source: European Commission

The recent contraction in residential investment appears to be driven mainly by a temporary fall in incentives for promoters to start new projects. Since 2005, investment in dwellings has seen three periods of significant decline in terms of its share of GDP (Graph A16.2). The most recent fall in residential investment started in 2023, and was preceded by a period of zero interest rates, increased construction and supply of dwellings, with the start of construction of more than 40 000 dwellings per year. While the situation may have stabilised in the course of 2025 (when the construction of around 16 400 new dwellings in total was started), construction levels are still at their lowest since 2005. The recent fall in construction appears to be driven by a rapid and significant deterioration of incentives for promoters to build new dwellings. Construction costs started to increase rapidly in 2021 due to disruptions in global supply chains and increased further in 2022 with the outbreak of Russia's war of aggression against Ukraine. Soon after, as discussed above, house prices started to fall and this has resulted in a house-price-to-construction-costs ratio that is at its lowest level since 2005. This coincides with the fall in residential building permits.

Medium-term construction needs remain significant and will drive the recovery of the construction sector once demand for new housing picks up. A medium-term forecast suggests that Finland should build approximately 31 000 to 35 000 dwellings annually to meet future demand, while between 21 000 and 46 500 dwellings are actually being built ([407]). The Commission estimates a cumulative housing construction gap of around 8,000 dwellings annually ([408])). Vacant housing rates, as calculated by Eurostat, are amongst the lowest in Europe.

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



Source: European Commission

The contraction in the housing market may hide underlying skills shortages in the construction sector, which will resurface when construction picks up again. The weak economic times led to increased unemployment in construction and supporting fields such as architecture and engineering. Although employment in construction and related services had already increased slightly in 2025, a stronger recovery in the construction sector is not expected until 2027 ([409]). In 2024, Finland reported not only surpluses in many occupations related to housing construction, but also shortages in building

([407])VTT Technology (2025) Asuntotuotantotarve 2025-2045.

([408])Balouktsi et al. (2026) Housing investment needs in the EU. JRC Technical Report 144419.

([409])Ministry of Economic Affairs and Employment (2025) Lyhyen aikavälin työmarkkinaennuste: syksy 2025.

construction labourers ([410]). In the long run, however, skills shortages and mismatches could limit growth and job creation in the construction sector ([411]).

Structural policies

The governance of the social housing sector has changed. ARA, the public agency in charge of managing applications by social housing providers for state support, was dissolved in March 2025 and has been replaced by Varke, which operates as part of the Ministry of the Environment. From 2026, the State Housing Fund will be included in the state budget to strengthen parliamentary oversight.

Finland has been lauded for its model of public land ownership and development ([412]) ([413]) as well as its efficient permitting system. Municipalities acquire, plan, service and sell or lease land, in particular to affordable housing providers. The 'MAL agreements' between the state and certain regions concern land use, housing and transportation. They can also contain targets for affordable and social housing, though in practice these targets have not always been met ([414]). The permitting process is one of the fastest in Europe ([415]). The Construction Act, which entered into force in January 2025, requires all building permit applications to be submitted in building information modelling format and sets a three-month limit for processing permits (six months for complex projects).

Finland recently abolished several tax deductions that benefited homeowners. Mortgage interest tax relief was abolished in 2023 for people buying their permanent residence (including first-time buyers). Rental investments, however, continue to benefit from a favourable tax system (see Annex 3). In January 2024, the exemption of property transfer taxes for first-time buyers was also abolished, which led to a peak in sales at the end of 2023 as first-time buyers rushed to complete their sales. At the same time, transfer taxes were lowered both for detached houses and appartements. The government still provides subsidised loans and free guarantees for first-time buyers (ASP loan).

In 2024, according to Eurostat, 11.8% of Finland's population rented a flat at a reduced price or for free down from 17.5% in 2005. Over the past few years, fiscal consolidation efforts have reduced the budget for building state-subsidised housing. In 2024 and 2025, the government allocated loans of EUR 2.25 billion and EUR 1.75 billion, respectively, for building state-subsidised housing, while investment grants for special-needs housing fell from EUR 63 million to EUR 15 million. In anticipation of a recovery in the private construction sector, this loan budget is set to decline to EUR 1.14 billion in 2026 and EUR 0.5 billion in 2027. The stock of normal social housing rental units has declined from 293 000units in 2010 (11,4% of total dwelling stock) and stood at around 240 000 dwellings in 2024 (8,4% of total dwelling stock) despite the 7 800 subsidised rental apartments built annually in 2023-2025([416])([417])([418]).

Cost-based rents have increased faster in social housing than in the private sector. As rents in social housing are determined on a cost-

([410])ELA EURES report on Labour Shortages and Surpluses 2024.

([411])Rakentamisen alho ei vähentänyt alan osaajatarvetta – Rakennusteollisuus RT Aloitusdia Avenir Next LT Pro Demi 48pt Rakennusalalta on kadonnut jopa 40 000 työntekijää – osa on lähtenyt ulkomaille siirtämään kokonaista kaupunkia | Uusimaa | Yle

([412])European Parliament (2025) Mapping the housing needs in the EU, assessing the impacts of scarcity and providing an overview of relevant EU legislation.

([413])Perspective Brussels, 2025, planningmatters_highlight_webinars_2025.pdf. More than 60% of the land within Helsinki is owned by the city.

([414])Rasinkangas, J., Sirkiä, T., Kortelainen, M., Kuronen, M. & Laine, S., 2024, *Objectives and barriers to promoting social housing policy in urban Finland*, University of Turku. Available at: https://www.utupub.fi/bitstream/handle/10024/193026/rasinkangas-et-al-2024-objectives-and-barriersto-promoting-social-housing-policy-in-urban-finland.pdf.

([415])European Commission (2005) Housing in the European Union: Market Developments, Underlying Drivers, and Policies.

([416])ARA (2021) ARA-asuntokannan ja asukkaiden kehitys 2010-luvulla.

([417])Centre for State-Subsidised Housing Construction (2025) Selvitys valtion tuella rakennetuista erityisryhmien asunnoista

([418])Centre for State-Subsidised Housing Construction (2026) PowerPoint Presentation

price basis, strong inflation, higher interest rates and an ageing property stock in need of repairs, have increased the cost of running social housing and ultimately the rents for tenants.

Reforms of the housing benefit system are underway to improve spending efficiency. The Finnish housing benefit system is among the most comprehensive in the EU, with 382 000 households (13.8% of the population under 65) receiving the general housing allowance in 2024, amounting to total expenditure of EUR 1.67 billion. The government has implemented several reforms since 2024 to target housing benefits more accurately and contain costs. In particular, it has reduced the maximum compensation amounts, strengthened asset-testing and tightened the eligibility conditions. Both the number of recipients and total payments are falling as a result of the policy ([419]). From 1 January 2025, an income limit was reintroduced for tenants of state-subsidised rental housing to target it more towards low-income tenants ([420]). The changes in housing allowances for students, in particular, have reduced demand for single-person rental apartments especially in university cities, which may have had an impact on recent housing market dynamics.

Vulnerable groups

While Finland is traditionally a front runner in addressing homelessness, after years of continuous decline, homelessness started increasing again in 2024. The country has been successfully implementing the Housing First strategy since 2008, providing unconditional housing and social support to people experiencing homelessness. The implementation of this policy has strongly contributed to Finland's long-term record with reducing homelessness, with a decline of 80% since the start of data collection in 1986. In 2024 and 2025, however, the number of homeless people increased to reach 4 579 people: a 33% increase compared with 2023 ([421]). The main contributing factors cited by municipalities were the lack of small and affordable housing, reforms to social protection, high costs of living and housing, and the increase in arrears and household indebtedness ([422]).

The affordability of housing and energy are becoming growing challenges, particularly among low-income renters and mortgage holders, whose situation regarding housing is worsening. In this context, stakeholders have raised concerns that the changes in housing allowances have made housing less affordable, especially among students, young adults ([423]) and households who are unable or unwilling to move to more affordable housing ([424]). The proportion of rent to disposable household income for households at risk of poverty was 45.1% in 2025. The housing cost overburden rate has increased in recent years for households at risk of poverty (an increase of 3.3 pps since 2020, to reach 20.7% in 2025). Given that most Finnish mortgages are variable-rate, mortgage holders were therefore exceptionally squeezed by the steep increase in interest rates in 2022-2023, with the proportion of households going into arrears on their mortgage or rent payments rising by 0.7 pps to 5.0% in 2025, considerably above the EU average of 3.0%. For households at risk of poverty, this proportion increased by 5.7 pps to 15.5%.

Energy poverty in Finland is closely linked to the cost of energy and the condition of residential buildings (see Annexes 9 and 14). From 2022 to 2025, the proportion of households reporting arrears on utility bills increased by 1.9 pps to 7.6%, with a substantive increase of 3.5 pps to 16.0% among households at risk of poverty. As of 2026, the Social Climate Fund can provide support for energy-efficiency renovations and the decarbonisation of heating in buildings occupied by vulnerable groups.

([419])Kela (2025) Yleisen asumistuen saajamäärä ja kulut kääntyivät laskuun vuonna 2024 – muutos kiihtyi tammikuussa 2025 voimaan tulleiden lakimuutosten myötä.

([420])Ministry of the Environment (2025) Valtion tukemien vuokra-asuntojen asukasvalintaan otetaan käyttöön tulorajat.

([421])ARA (2025) Asunnottomat 2024.

([422])VATT (2025) Häädöt Suomessa 2015–2024.

([423])Kela (2025) Nuorten aikuisten pienituloisuus on Suomessa verrattain yleistä, mutta ei niin syvää kuin verrokkimaissa.

([424])Kela (2025) Kuudesosa muuttamaan ohjatuista toimeentulotuen saajista muutti lakimuutoksen jälkeen.

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

		EU27				FI							
	unit	2000-25 avg.	2023	2024	2025	2000-25 avg.	2023	2024	2025	unit	2023	2024	2025
House price to income ratio	*2000-25 avg = 100*	100.0	102.0	100.2		100.0	82.8	78.9		YoY%	-12.1	-4.7	
Rent to income ratio	*2000-25 avg = 100*	100.0	85.1	83.5	84.5	100.0	90.6	91.3	91.6	YoY%	-4.3	0.8	0.4
Overburden rate, total	%	9.9	8.8	8.2		4.5	5.5	5.4	4.7	PPS/y	0.1	-0.1	-0.7
Overburden rate, tenant with market rent	%	23.8	20.3	19.2		13.6	15.3	14.1	12.3	PPS/y	-0.1	-1.2	-1.8
Overvaluation gap	%					2.0	-10.9	-15.8	-19.2				
Deflated construction production price	*2010 = 100*	102.2	112.2	111.8	110.5	98.4	101.4	99.6	98.6	YoY%	-1.3	-1.8	-1.0
Building permits	*m^2 per ths persons*	483.5	376.9	362.9	379.9	620.9	358.6	302.4	283.5	YoY%	-39.6	-15.7	-6.3
Residential construction investment	*% GDP*	5.5	5.8	5.1	5.0	6.2	5.9	4.7	4.7	YoY%	-16.9	-20.3	0.0
Share of ownership	%	70.0	69.1	68.4		71.8	69.2	68.1	66.9	PPS/y	-0.4	-1.6	-1.8
Share of people living in overcrowded homes	%	17.7	16.8	16.9		7.1	8.8	9.1	9.5	PPS/y	0.4	0.3	0.4

Source: Eurostat and European Commission calculations. The overburden rate should be read together with the tenure structure (homeowner, tenants), that may differ across country and regions.