
Review of Affordable Housing in Finland

May 2025

Finnish Affordable Housing Companies'
Federation – KOVA



SUMMARY

With the support of the Finnish State, affordable housing has been produced in Finland for 75 years. During this time, over 36 percent of the annual new housing production has been state-subsidized housing. However, since the financial crisis, this share has dropped to 23 percent. In 2024, the cost of the state-subsidized production to society was slightly over €290 million. However, compared to the housing subsidy system, the costs of the state-subsidized housing production are low, as the state paid over eleven times the cost of the state-subsidized production in housing subsidies last year. Real housing subsidy expenses have almost doubled since the financial crisis.

Around 25 percent of Finns have unreasonable housing costs – in the lowest income bracket, this is the case for almost 40 percent. It is predicted that the population will decrease in nearly four out of five Finnish municipalities during the 2020s, and the total population of the country is expected to begin declining around 2035. At the same time, in many municipalities, rents for state-subsidized rental apartments are even higher than private market rents. These municipalities are often the same ones where the population is decreasing. On the other hand, in virtually all major urban areas, the population is predicted to grow significantly during this decade, and state-subsidized rents are about 15–45 percent lower than private market rents.

The demand for housing production in Finland is expected to remain similar to previous years, although it is anticipated to focus more on larger cities. However, the future of affordable housing in Finland is threatened by several factors. In addition to the expected increase in the regional divergence of housing demand, challenges to affordable housing include an aging housing stock, concentrated financial markets, and unpredictable cost fluctuations. The biggest barrier to the development of affordable housing, however, is the rapid changes in housing policy.

The construction industry is still struggling, possibly facing the biggest crisis in its history. In 2025, affordable housing production will account for over 30 percent of all new housing construction in Finland, as the interest subsidy loan authorization has been reduced from last year's €2.25 billion to €1.75 billion. Last

year, state-subsidised housing construction accounted for nearly 50 percent of new production. In 2026–2027, the interest subsidy loan authorization will decrease further to €1 billion per year. However, this reduction is based on a highly uncertain assumption that market-financed housing production will truly take off in 2025. It is essential to reassess the level of interest subsidy loan authorization for 2025–2027 and increase it if necessary. In addition to its positive employment effects on the construction sector and the Finnish economy in general, this would also improve access to affordable housing.

The decision has been made to stop producing new right-of-occupancy housing after 2026. Right-of-occupancy housing, a popular and proven intermediate form between renting and owning, currently accommodates about 100,000 Finns, especially in major urban areas. These homes provide diverse and affordable living options for low- and middle-income people.

The distress in the construction industry is further exacerbated by the cut in investment aid authorization for special-needs groups. In 2023, the authorization level was still €120 million. It was halved for 2024 and will drop even further to just a quarter of that in 2025. This €15 million is entirely insufficient to meet the demand for housing projects targeted at special-needs groups. The authorization enables affordable housing for those in the most vulnerable positions.

On the other hand, the construction industry is also struggling due to the low level of renovation construction, which further increases the maintenance backlog of residential buildings. Additionally, rising energy efficiency requirements are driving up the costs of maintaining and renovating residential buildings.

1. The interest subsidy loan authorization should be increased to €2.25 billion in 2025, €1.75 billion in 2026 and €1.25 billion in 2027.
2. The production of new right-of-occupancy housing should continue also beyond 2026.
3. The investment aid authorization for special-needs groups for 2026 should be raised to at least the previous year's level of €65 million. The authorization amount should also be €65 million in 2026.

4. A temporary €50 million renovation grant should be allocated for the repair of residential buildings, with €20 million directed to state-subsidized housing and €30 million to housing companies and detached houses.

5. Designate housing structural change areas, where the operations of state-subsidized housing stock and its providers will be adjusted and stabilized with €10 million per year over the next decade.

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1. ABOUT THE AUTHOR

Finnish Affordable Housing Companies' Federation – KOVA is the industry association for nonprofit rental and right-of-occupancy housing organizations that operate on a cost price basis. It acts as an advocacy, service, and cooperation organization for its members. KOVA's members own normal rental apartments, rental apartments for special groups, or right-of-occupancy apartments

KOVA has 133 member organizations. Together, they permanently own over 330,000 rental and right-of-occupancy apartments, housing more than 500,000 people. KOVA's members operate in approximately 150 municipalities. KOVA's members own about 85% of the restricted normal state-subsidized rental apartments, around 70% of all restricted state-subsidized rental apartments, and approximately 85% of right-of-occupancy apartments in Finland. In 2025, KOVA's members will begin the construction of approximately 4,700 affordable rental and right-of-occupancy apartments.

KOVA represents long-term, stable, and secure owners and landlords of rental and right-of-occupancy apartments. It improves the operating conditions for rental and right-of-occupancy housing organizations by providing the best advocacy in Finland. KOVA's members ensure that even people with low incomes can afford quality and affordable housing.

2. INTRODUCTION

The purpose of this review is to broadly examine the affordable housing sector in Finland.

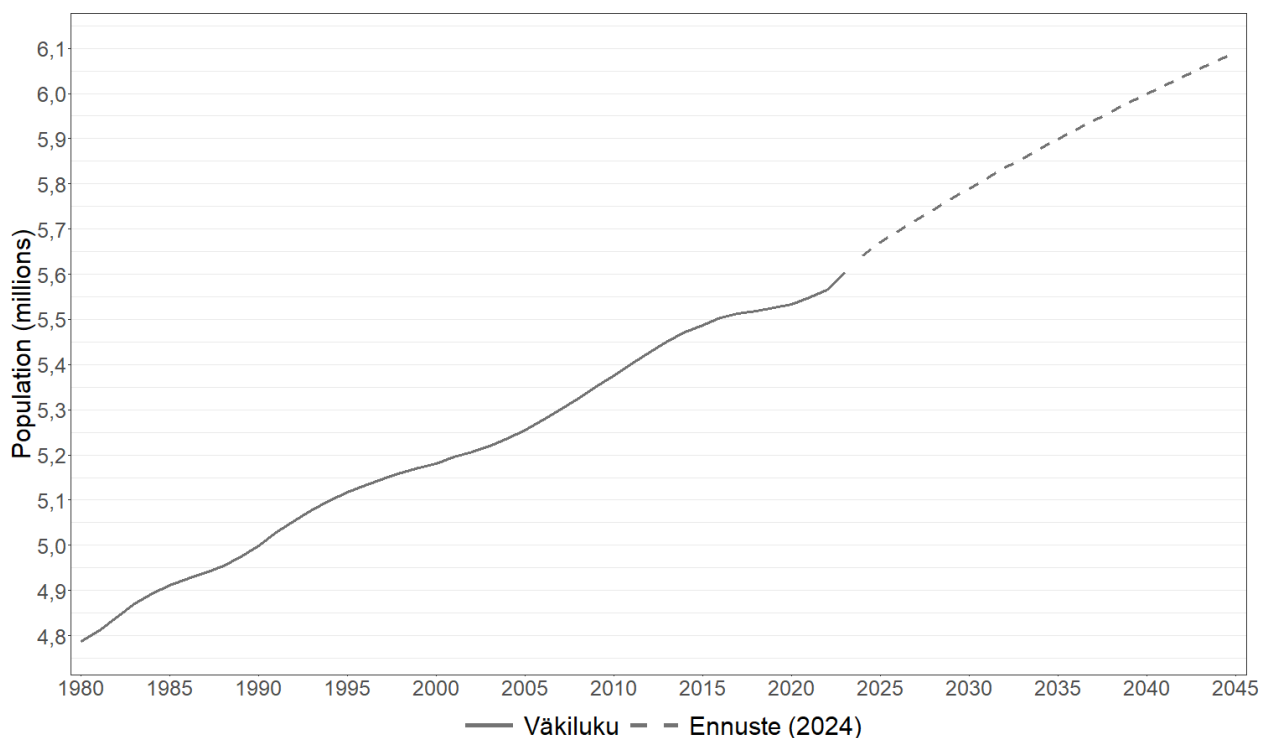
The biggest factor influencing housing demand, and consequently housing production, is the population size and its growth. This section discusses population development and the progress of housing production.

2.1 Population growth

Finland's population exceeded 5.6 million in 2023 (see Figure 1). According to Statistics Finland's 2024 population projection, the country is expected to have approximately 6.1 million inhabitants by 2045 and around 6.5 million by 2070. However, it is important to note that Statistics Finland's population projection is not a forecast in the strict sense of the word, but rather a calculation showing what the population would be if demographic trends continued at the level observed in the base year. In other words, birth rate, mortality, and migration are assumed to remain constant. The projection assumes that Finland will experience a net migration gain of 40,000 people annually from 2026 onwards.

In 2024, the total fertility rate of Finnish women was 1.25.¹ This is the lowest figure in the entire recorded history of fertility measurement in Finland, which began in 1776. The total fertility rate refers to the number of children a woman would give birth to over her lifetime if the fertility rates of that particular year remained constant throughout her life. Among the regions, the highest total fertility rate was in Central Ostrobothnia (1.72), and the lowest was in Kymenlaakso (1.06). On average, total fertility rates in large cities are lower than the national average. In 2024, 18% of children born were to women whose mother tongue was a language other than the national languages.

¹ Statistics Finland, births (2024).



Source: Statistics Finland, population structure (2023) and Statistics Finland, population projection (2024)

Figure 1: Finland's population and population estimate (1980–2045)

In 2024, there were 3.49 million people of working age (15–64 years old) in Finland, representing 62% of the population.² According to the population projection, the number of people of working age is expected to peak at 3.84 million in the early 2050s. The economic dependency ratio of Finland was 132 in 2023.³ The figure means that for every 100 employed people, there were 132 non-employed individuals—this includes the unemployed as well as those outside the labour force (such as children and pensioners). The dependency ratio has slightly improved, as it was 143 in 2015 and 142 in 2020. In 2022, the lowest economic dependency ratios were recorded in Åland and Uusimaa (112), while the highest was in South Savo (166).

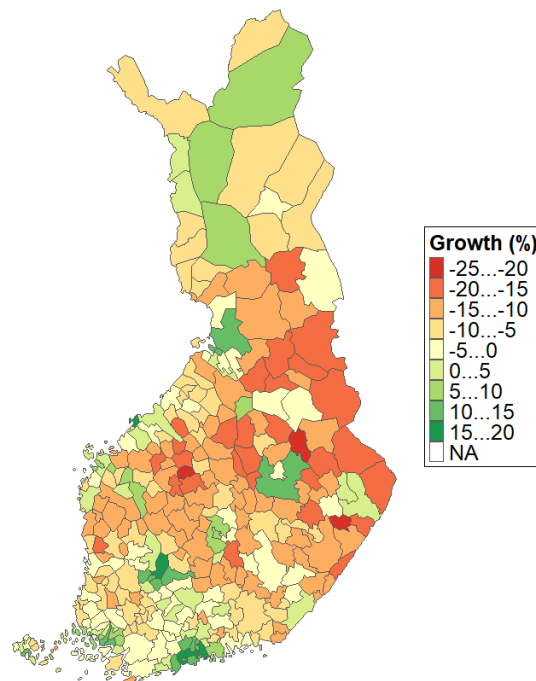
When examining population growth by municipality, it is observed that between 2024 and 2035, the population is expected to decline in most municipalities (see Figure 2). A population decrease is projected in 240 municipalities, while 69 are expected to **grow**. The median population change among municipalities—the middle value in the data series—is -7.8%. In particular, many localities in eastern and central Finland are forecast to experience a population decline of 10–20% over just over a decade. However, in

² Statistics Finland, population structure (2024).

³ Statistics Finland, employment (2023).

large cities, coastal areas, and the north, population growth is expected in some areas. For example, the population is projected to grow significantly in Espoo (19.5%), Vantaa (16.4%), Tampere (16.0%), Helsinki (13.5%), Turku (12.5%), Oulu (10.3%), and Kuopio (10.3%).

The municipal-level population forecast for 2024–2045 reflects a similar picture to the projection up to 2035, although the regional disparities become even more pronounced. Over this longer period, the median population change across municipalities is projected to be -10.5% (see Appendix Figure 27).



Source: Statistics Finland, population projection (2024)

Figure 2: Population growth 2024–2035

2.2 Housing production

In Finland, annual housing production ranged between approximately 30,000 and 35,000 dwellings from the late 1990s to the mid-2010s. However, during the years of the financial and euro crises, production dropped to between 20,000 and 25,000 units. Between 2017 and 2021, new housing construction accelerated to over 40,000 dwellings annually. This growth came to an end in 2022, when the combined effects of the COVID-19 pandemic and the war in Ukraine led to a rapid increase in inflation and interest rates.

In 2023 and 2024, the number of housing starts had declined to under 20 000 units. Building permits are the best predictor of future housing starts, as illustrated in Figure 3: the number of housing starts and completed dwellings tends to follow the volume of issued permits. On average, the time from the granting of a building permit to the completion of a residential building is roughly 1.5 years. In 2024, permits were granted for fewer than 17,000 dwellings—the lowest figure since building permit statistics began in 1995.

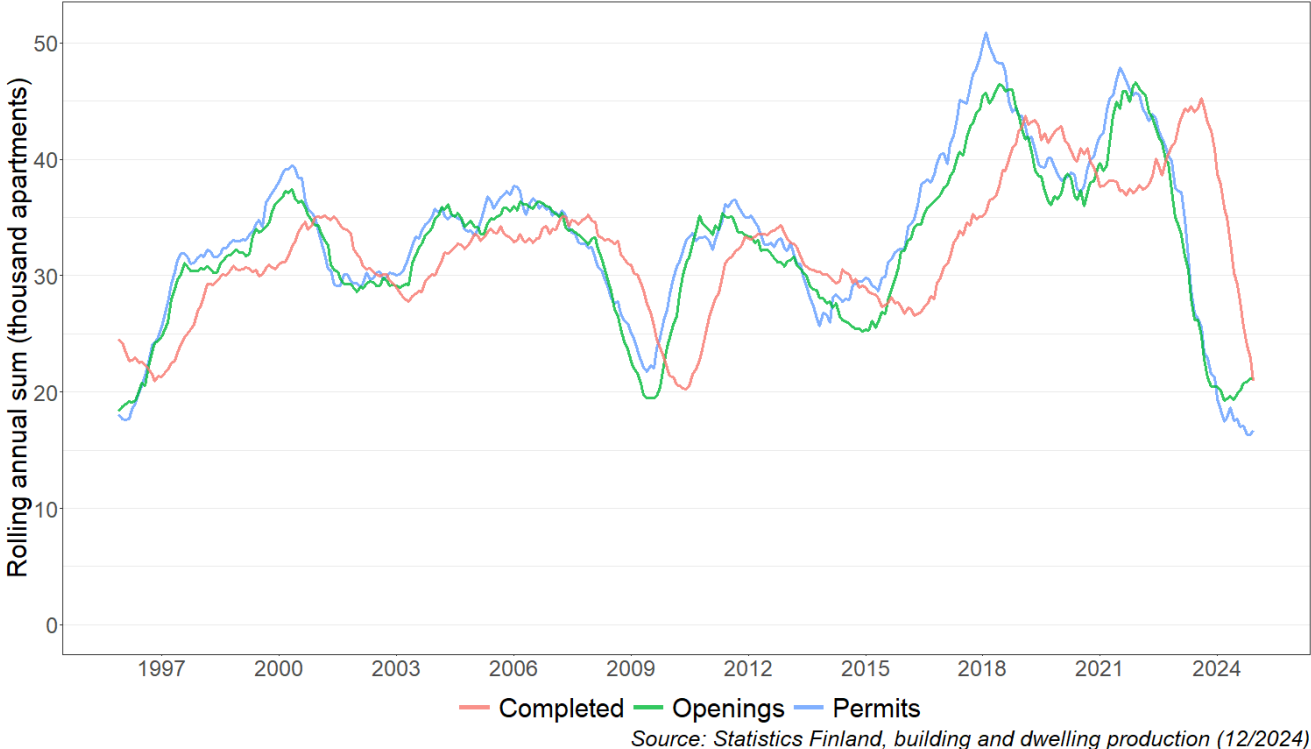


Figure 3: Granted building permits, construction openings and completed residential buildings by month (1995–2024)

3. CURRENT SITUATION IN FINLAND'S HOUSING MARKET

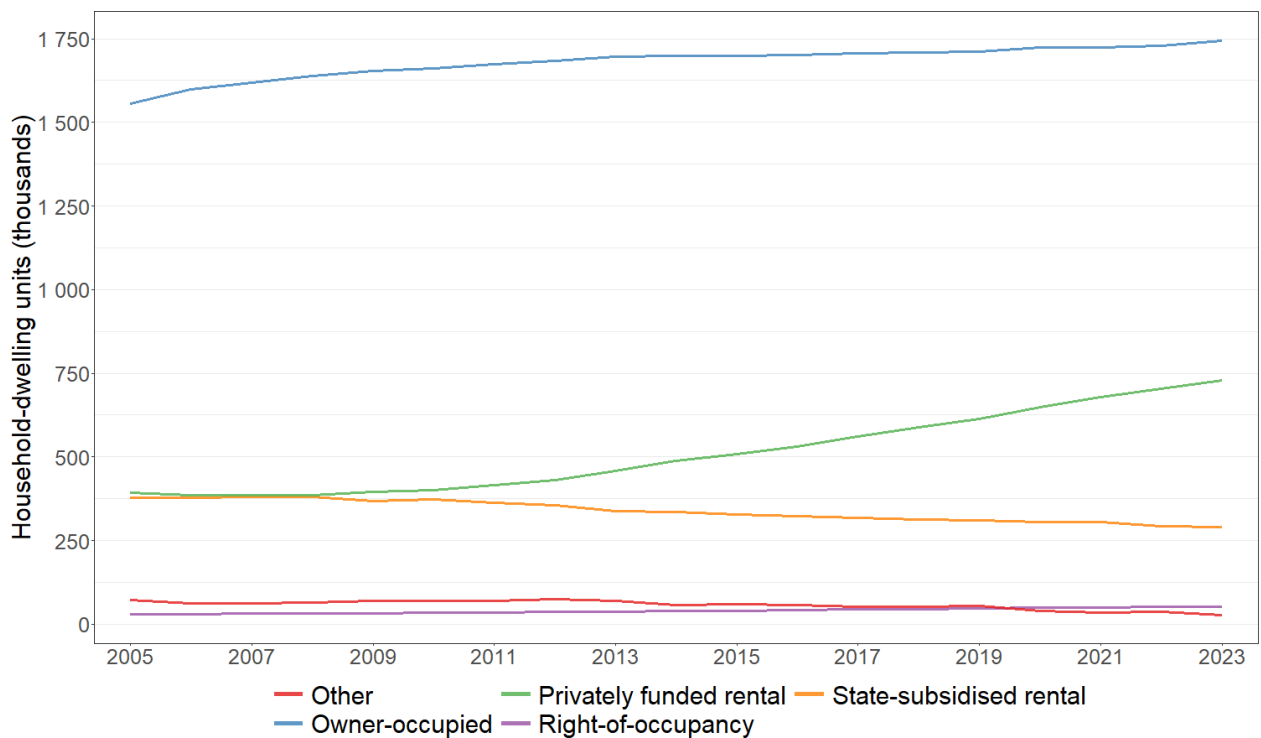
Next, we will examine the housing structure, housing costs, and the development of housing prices and rents. A summary comparing different forms of housing tenure at the national level can be found in Appendix Table 1. The table shows the household size, number of rooms, type of building, as well as the average price and floor area of dwellings across various tenure types.

3.1 Overview of the housing market

The most significant change in Finland's housing structure over the past two decades has been the shift in rental housing towards the private market, as illustrated in Figure 4. In 2007, there were approximately the same number of households—about 380,000—living in both privately financed and state-subsidised rental dwellings. Since then, the number of households living in privately financed rental housing has increased by 90%, while the number living in state-subsidised rental housing has declined by 23%.

In 2023, there were around 2.84 million households in Finland. Of these, 1.74 million—or 61%—lived in owner-occupied dwellings. A total of 290,000 households, or 10%, lived in state-subsidised rental dwellings subject to usage and transfer restrictions.⁴ A total of 730,000 households, or 26%, lived in privately financed rental dwellings or in former state-subsidised rental homes that had been released from usage and transfer restrictions. Just over 50,000 households—around 2%—lived in right-of-occupancy dwellings. For under 30,000 households (1%), the form of tenure was either something else or unknown. When measured by the dwelling population rather than by household count, the relative shares of different tenure types remain broadly the same. However, the proportion of owner-occupiers is somewhat higher, while the share of those living in privately financed rental dwellings is correspondingly lower.

⁴ Of this figure, approximately 70% were normal state-subsidised rental apartments and 30% state-subsidised rental apartments for special-needs groups.



Source: Statistics Finland, dwellings and housing conditions (2023)

Figure 4: Annual household-dwelling units by tenure status (2005–2023)

Using the figures from Appendix Table 1, a rough estimate of the theoretical size of Finland’s rental market can be calculated. A total of approximately €8.93 billion is paid in rent each year, of which €6.65 billion (74%) comes from the private rental market, and €2.28 billion (26%) comes from the state-subsidised sector. Additionally, the annual fees for right-of-occupancy dwellings amount to about €580 million.

For a long time, there has been a dramatic decrease in the average household size, as shown in Figure 5. In 1960, the average household size was 3.34 people. It was 2.99 in 1970, 2.64 in 1980, 2.42 in 1990, 2.21 in 2000, 2.07 in 2010, and 1.96 in 2020. In 2023, the average household size had dropped to just 1.93 people, which is 1.41 fewer than in 1960 (a decrease of -42%) and 0.59 fewer than in 1990 (a decrease of -15%). As shown in Appendix Figure 29, the reduction in household size has been primarily driven by the strong growth in the share of one-person households and the corresponding decline in the share of households with four or more people. This has naturally led to an increased demand for smaller homes at the expense of larger ones.

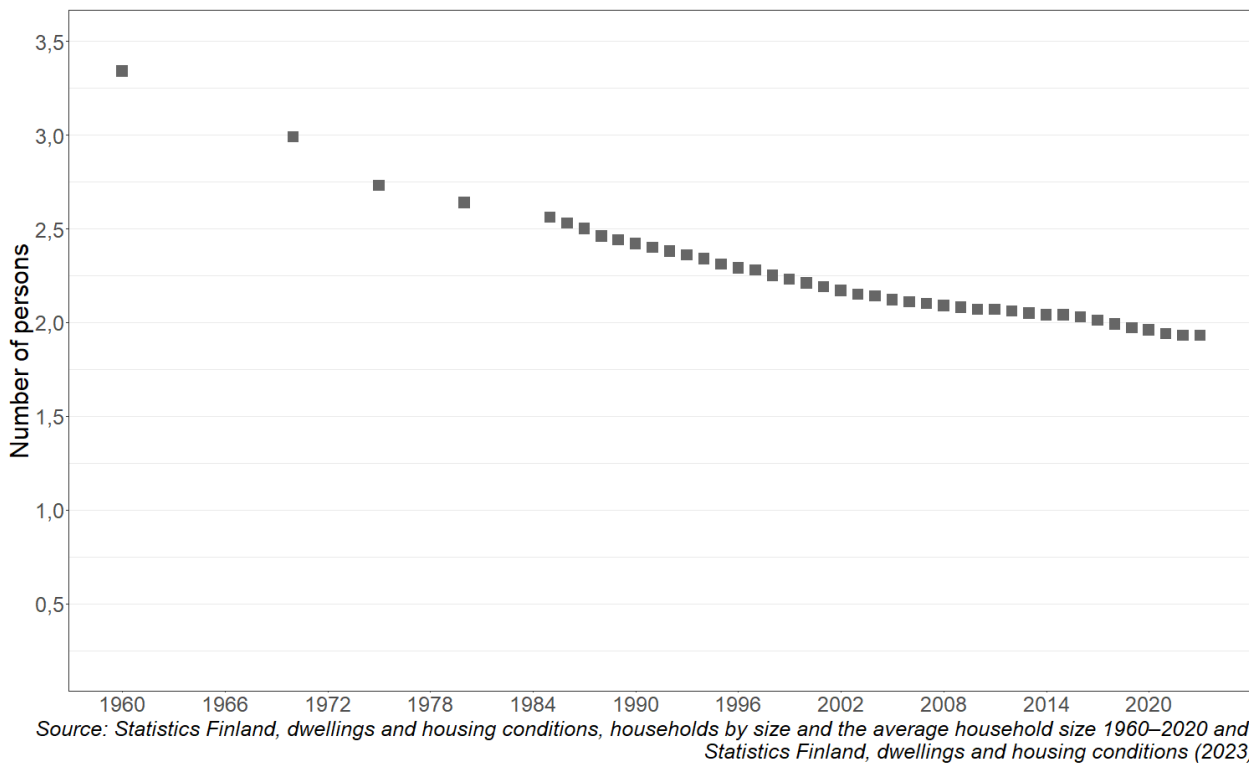
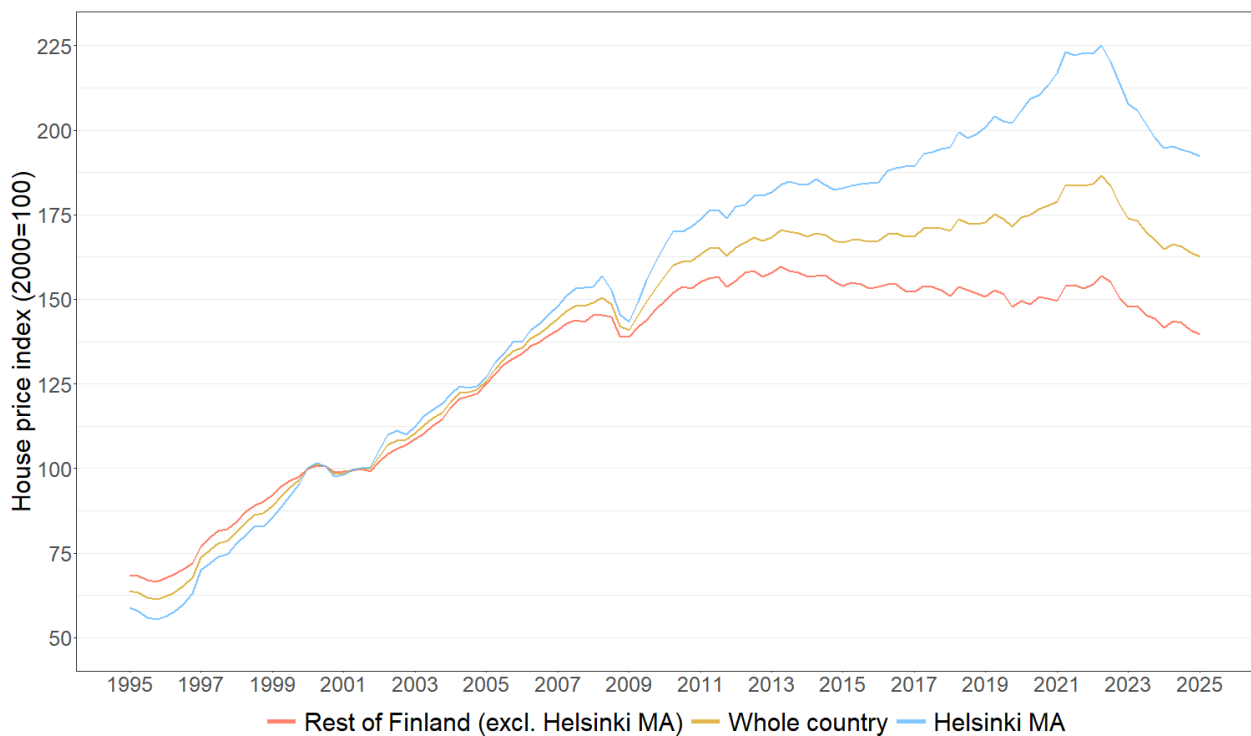


Figure 5: Average household size in Finland (1960–2023)

3.2 Housing price trends

There is a significant regional divergence in the prices of old (secondary market) condominium apartments, especially when examining the situation after the financial crisis (see Figure 6). Before the recent price crash, the real prices of older condominiums had risen by an average of 125% in the Helsinki metropolitan area (Helsinki MA) since 2000, while elsewhere in the country, the increase was just over 50%. However, recent price trends have somewhat balanced this situation, as taking into account the entire development of the 2000s, the prices of older condominiums are expected to be around 90% higher in 2025 than in 2000. In contrast, elsewhere in the country, prices have risen by about 40% from 2000 to the beginning of 2025.

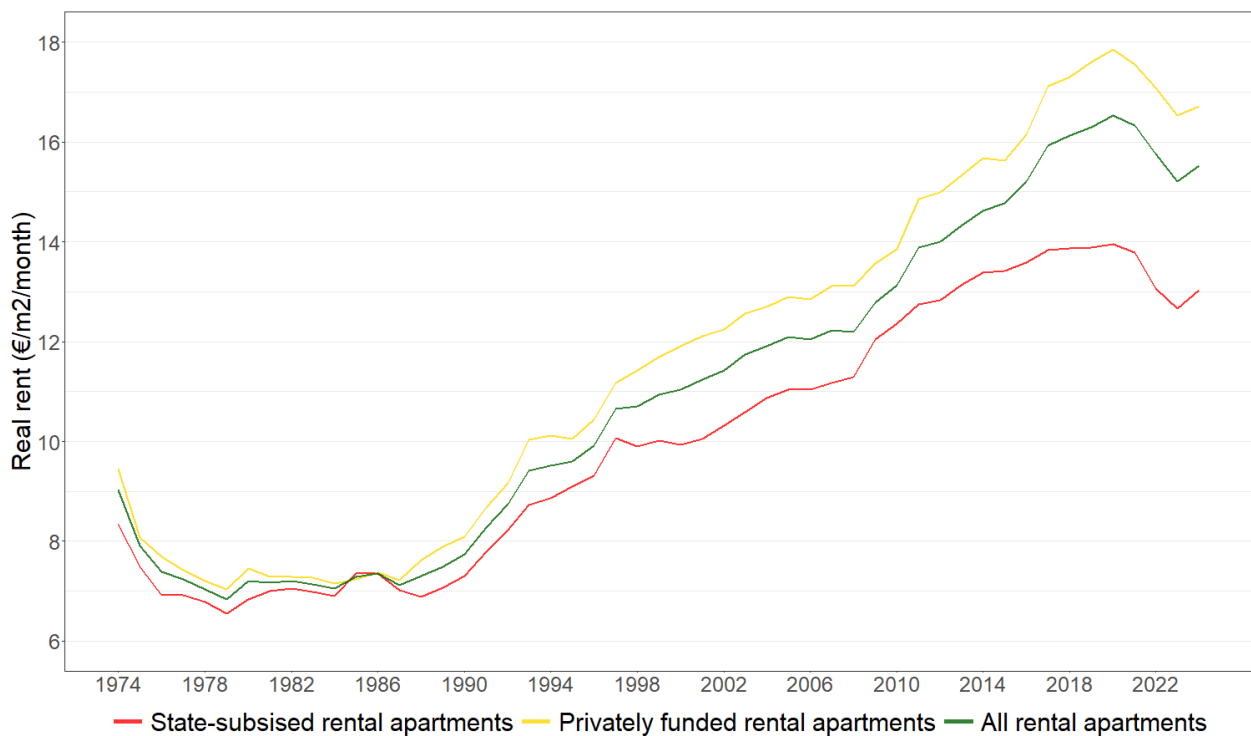


Source: Statistics Finland, prices of dwellings in housing companies (Q1/2025)

Figure 6: Quarterly price indices of old residential apartments (1995–2025)

3.3 Rental trends

A similar divergence between regions can also be observed in the rental market. However, Figure 7 examines the rental market according to the financing model of the dwellings. The difference in real rents between privately financed and state-subsidised rental apartments was €1.47 per square metre in 2010, but this gap has grown to €3.81 per square metre by 2023. This represents an increase of 159%, and this figure also takes into account the recent price trends, which have caused rents for state-subsidised apartments to rise significantly faster than those for privately financed rental apartments.



Source: Statistics Finland, rents of dwellings (2024) and Statistics Finland, CPI (2024)

Figure 7: Annual average rent in 2024's money (1974–2024)

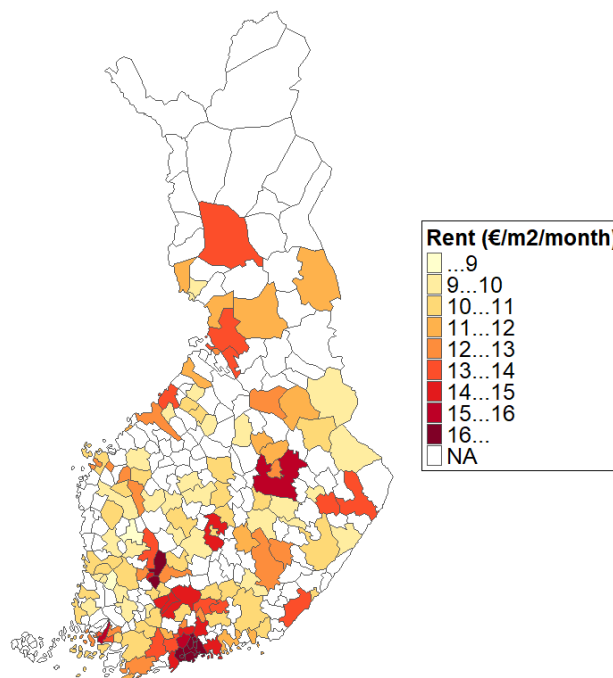
The rise in rents for state-subsidised rental apartments in recent years is evident in Appendix Figure 30. In privately financed rental apartments, rent increases have been more moderate. This development is primarily due to the fact that while privately financed rents are determined by market forces based on supply and demand, the recent strong inflation and interest rate developments have been directly reflected in the rents for state-subsidised apartments.

The increase in rents for state-subsidised apartments has been particularly rapid in the Helsinki metropolitan area, where, for instance, loan amounts are higher than in other parts of the country, meaning that interest costs account for a larger portion of expenses. Additionally, the equalisation mechanism of the state-subsidised housing production system pushes rents higher in the metropolitan area, as more new construction and renovation investments are made there compared to other regions. On the other hand, in the privately financed sector, there has been considerable oversupply of rental apartments in the Helsinki metropolitan area recently, which has slowed the pace of rent increases.

Figure 8 shows that, according to Statistics Finland's rental statistics for the first quarter of 2025, the average rent per square metre is highest in large cities. The highest average rent per square metre for privately financed rental apartments is in Espoo

(€22.3) and Helsinki (€21.4).⁵ In addition to the major cities, rents are also higher than the median municipal rent of €11.0 per square metre in municipalities such as Vantaa (€19.4), Tampere (€16.0), Turku (€15.2), Kuopio (€15.1), Jyväskylä (€14.3), as well as Oulu and Lahti (€13.6).

However, outside of this group, there are many municipalities where the average rent is even half as low. Additionally, nearly half of the municipalities in Finland are excluded from the analysis, mainly due to a small number of observations, i.e., rental agreements. In these excluded municipalities, rental levels are likely below the median.



Source: Statistics Finland, rents of dwellings (Q1/2025) and own calculations

Figure 8: Average rent of privately funded apartments (2025)

Figure 9 presents the municipal square metre rents for state-subsidised rental apartments. According to the statistics from the Housing Finance and Development Centre (Varke) for February 2025, the median municipal rent is €10.7 per square

⁵ Statistics Finland publishes rental data at the postal code area level, categorized by the number of rooms. The data is based on rental rates reported by rental housing companies and the housing allowance register of the Finnish social insurance institution (Kela). However, if there are fewer than 20 observations in a specific postal code area, rental information is not published. The average rent level by municipality is calculated using the number of rental apartments in each postal code area as a weight. Primarily, the rents for two-room apartments are used, followed by one-room apartments, and thirdly, apartments with three rooms or more.

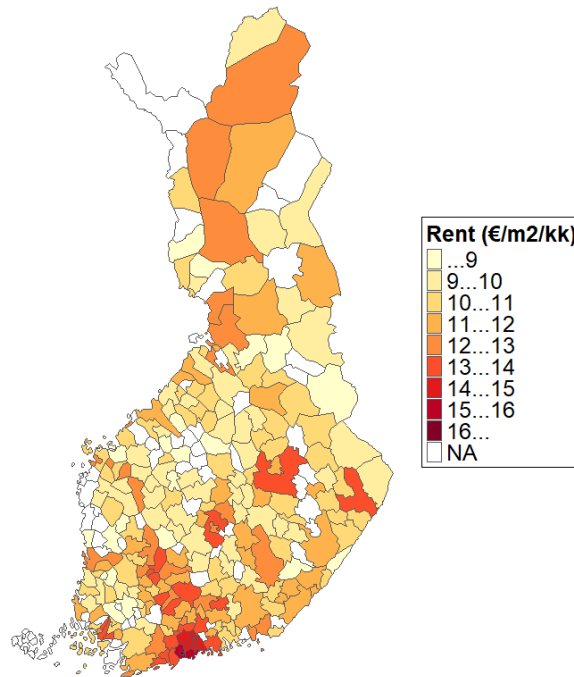
metre.⁶ The highest rent per square metre in the large cities is found in Espoo and Helsinki (€15.2). Other large cities also have the highest average rents for state-subsidised apartments: Vantaa (€14.8), Tampere and Jyväskylä (€13.8), Kuopio (€13.3), Lahti (€13.2), Turku (€13.1), and Oulu (€12.1).

On the other hand, in places like Kankaanpää and Ylitornio, where the average rent for a state-subsidised apartment is €7.9 per square metre, the rent is significantly below the median. Especially in eastern and central Finland, there are large areas outside major cities where rents for state-subsidised apartments are below the median.

The residence charge for right-of-occupancy apartments is, on average, €13.69 per square metre nationwide in 2025.⁷ The residence charges have increased by 3.8% from 2024 and 18.5% since 2022. However, it is important to note that right-of-occupancy apartments are primarily found in the largest cities, where rents are also higher than the national average. In 2025, the average rent for state-subsidised rental apartments for special-needs groups is €14.29 per square metre. The relatively high average rent is due to the different housing needs of these special groups.

⁶ Centre for State-Subsidised Housing Construction's rental statistics are based on rental data from those receiving general housing allowances from Kela. Municipal rental data are published if there are at least 10 observations from a municipality. This report examines the rents of all types of ARA rental apartments (by room number) in total.

⁷ KOVA's statistical survey (2025).



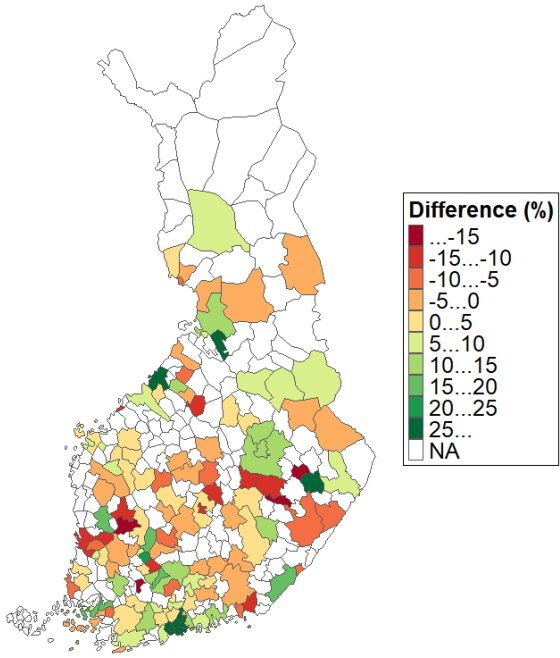
Lähde: Source: Varke, rents of households receiving general housing allowance (02/2025)

Figure 9: Average rent of state-subsidised apartments (2025)

Next, let's combine the two previous analyses and examine the rent differences between market-based and state-subsidised rental apartments by municipality in Figure 10. The median difference is 1.6%. The largest rent differences between the two types of rental housing are found in large cities, notably in Espoo (47%) and Helsinki (41%). Significant differences are also observed in Vantaa (31%), Turku (17%), Tampere (16%), Kuopio (14%), and Oulu (13%). On the other hand, the rent difference between the funding models is slightly smaller in large cities like Lahti and Jyväskylä (3%).

However, outside the large cities, there are several municipalities where the average rent for state-subsidised apartments is higher than the average rent for market-based apartments. It is important to note that while Statistics Finland's rent statistics also include rental data from those who do not receive housing benefits from the Social Insurance Institution of Finland (Kela), such findings may not be as prevalent in smaller municipalities, and in any case, rental data from smaller municipalities may be based on a small number of observations. Furthermore, the comparison can only be made for less than half of Finland's municipalities, leaving large parts of the country entirely outside the scope of this comparison.

It is interesting to observe these differences. On the one hand, rents in the market-based sector are pushed down in growth centres due to the imbalance of supply and demand, effectively due to the lack of demand. At the same time, high repair and maintenance costs, which burden the large and ageing property stock, prevent rents for state-subsidised apartments from decreasing.



Source: Statistics Finland, rents of dwellings (Q3/2024), Varke, rents of households receiving general housing allowance (02/2025) and own calculations

Figure 10: Difference in rent of privately funded and state-subsidised rental apartments (2025)

4. AFFORDABLE HOUSING AND ITS CHALLENGES

This chapter examines the concept of affordable housing and challenges in achieving it.

4.1 What is meant by affordable housing?

In 2023, housing costs accounted for an average of 24.8% of households' disposable income. Figure 11 shows that the corresponding share in 2004 was 20.2%. The trend has been similar across all income brackets, but the increase in the proportion of income spent on housing has been particularly pronounced at the lower end of the income scale. In 2023, 39.5% of the disposable income of households in the lowest income quintile was spent on housing—nearly 10 percentage points more than two decades earlier. Among all households, the share of disposable income spent on housing was highest in 2022 for those living in rented accommodation (34.8%) and lowest for owner-occupiers (18.8%).

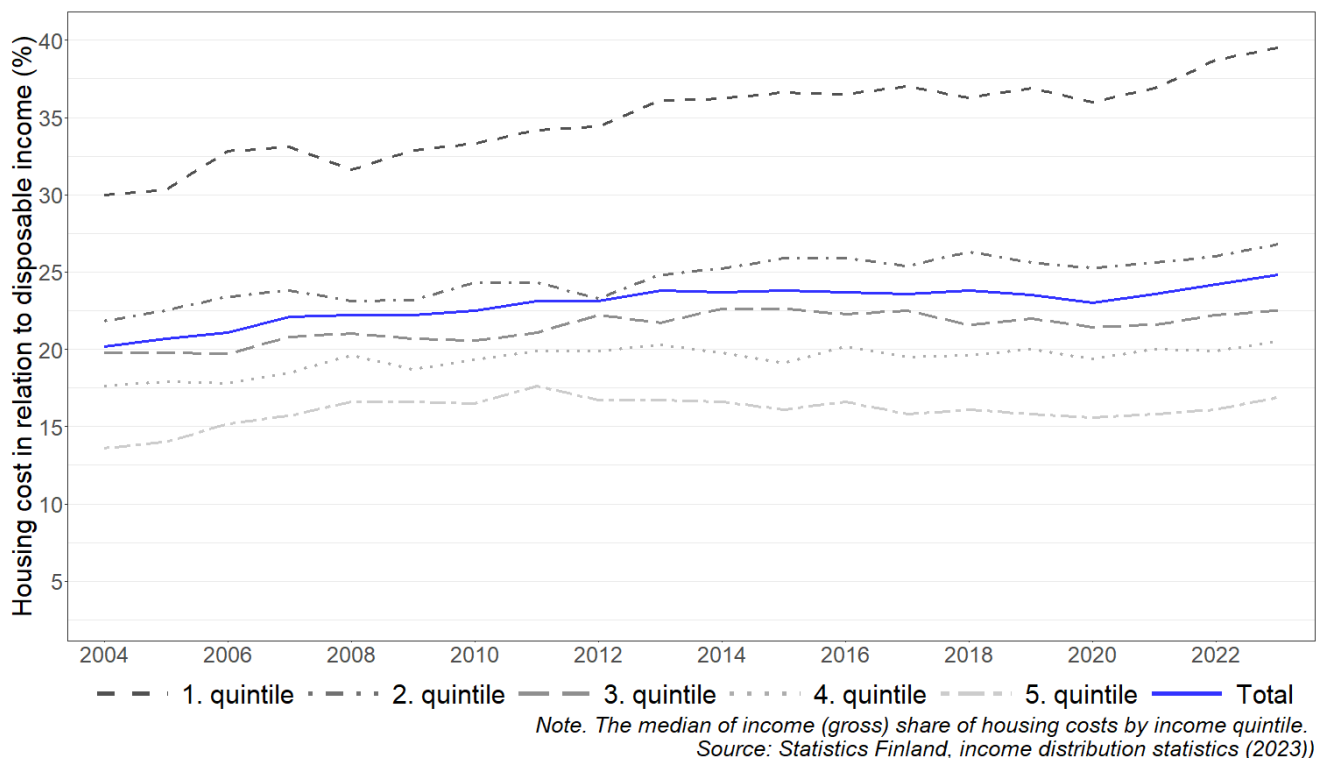


Figure 11: Annual share of housing costs as a percentage of disposable income by income quintile (2004–2023)

Eurostat and the OECD define housing as affordable when it accounts for no more than 40% of a household's disposable income.⁸ On the other hand, for example, the United

⁸ Eurostat's definition can be found at https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Housing_cost_overburden_rate&lang=en.

States Department of Housing and Urban Development (HUD) defines housing as affordable when it costs no more than 30% of a household's disposable income.⁹

According to Eurostat's definition, 5.5% of Finns face excessive housing costs.¹⁰ However, there are significant differences between types of housing. Among owner-occupiers, only 2% face excessive housing costs. In contrast, 15.3% of those living in privately rented dwellings have housing costs considered excessive. Among residents of state-subsidised rental housing, the proportion is slightly lower, at 11.7%.

The concepts of affordable and social housing are often confused. In general, *affordable housing* refers to housing priced reasonably in relation to income—especially for low- and middle-income earners—and is typically below market rates.¹¹ Producers of affordable housing can be either private or public sector organisations.

Social housing, on the other hand, typically refers to publicly supported housing specifically targeted at low-income individuals and special groups. The cost of such housing is clearly below market levels, and the model often includes income and asset thresholds as well as elements of social welfare. However, similar criteria may also be present in affordable housing schemes. Social housing is usually provided by non-profit organisations, municipalities, or the state.

In Finland, state-subsidised housing production is generally referred to as affordable housing. However, it includes aspects of social housing as well—such as housing for special groups, municipality-specific asset limits, and as of 2025, the reintroduction of income limits. The income limits were removed last time in 2018. Furthermore, municipally owned entities are among the largest providers of affordable housing. Finland's state-subsidised housing system is also characterised by specific use and transfer restrictions.

⁹ HUD's definition of affordability:

https://www.hud.gov/program_offices/comm_planning/affordable_housing_barriers.

¹⁰ Eurostat (Housing cost burden, 2023) deducts any housing allowances from both housing costs and disposable income when calculating the housing cost burden. After these deductions, the adjusted housing costs are compared to the adjusted disposable income to determine the burden.

¹¹ For example, see the definitions of affordable and social housing of New South Wales, Australia:

<https://www.facs.nsw.gov.au/providers/housing/affordable/about/chapters/how-is-affordable-housing-different-to-social-housing>.

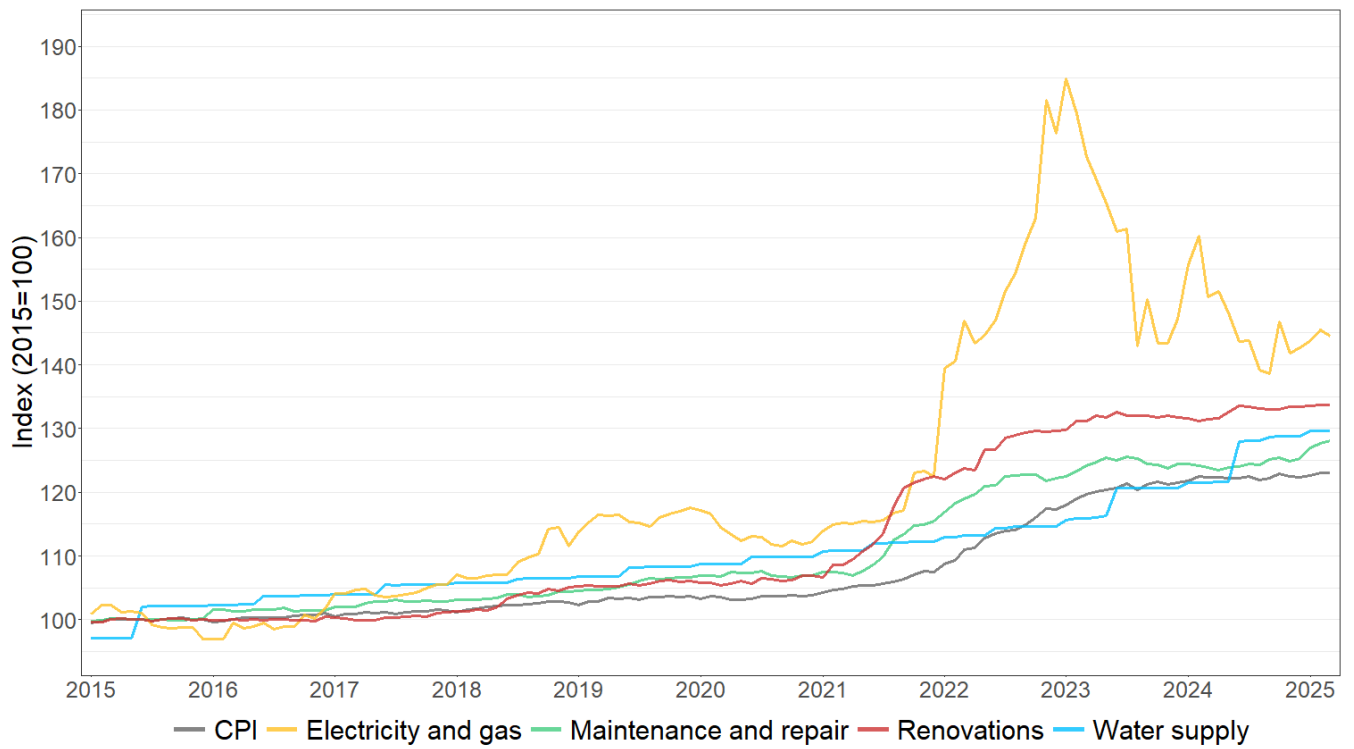
4.2 Challenges in achieving affordable housing

Currently, one of the biggest challenges in the affordable housing sector is the recent inflation and price developments. In the government-supported affordable housing system, rents for rental apartments and service charges for right-of-occupancy apartments are determined based on the cost-covering principle. This means that changes in capital and maintenance costs for rental and right-of-occupancy housing communities are directly reflected in the rents and residence charges.

Figure 12 shows the rise in the overall consumer price index from 2022 to 2025. However, the changes of the overall index have been modest in comparison with many housing-related expenses. For example, while the overall index has increased by about 23% from 2015 to the beginning of 2025, the change in maintenance and repairs has been 28%, in water utilities 30%, in major renovations 34%, and in electricity and gas prices 44%.

A significant factor has also been the large price fluctuations observed in electricity and gas. Especially after the start of the war in Ukraine, prices have surged sharply during the winter months, mainly due to nuclear power plant production outages and the variability of wind power generation. The rise in property maintenance costs and housing company operating expenses is also clearly visible in Figure 31 in the Appendix.

An essential feature of the government-supported housing production is the equalization system, which means that rents and service charges can be adjusted within a rental or right-of-occupancy community. The purpose of this is to prevent unreasonable increases in housing costs, for example due to repairs, as the equalization allows the repair costs of individual properties to be spread across all properties within the community. On the other hand, this means that increased construction costs affect the entire housing stock, regardless of whether one's own residential property is being renovated.



Source: Statistics Finland, CPI (03/2025)

Figure 12: Monthly consumer price index and some of its components (2015–2025)

5. AFFORDABLE HOUSING IN FINLAND

This sector examines the actors involved in affordable housing in Finland and their housing stock.¹²

5.1 Actors in affordable housing

State-subsidised affordable housing in Finland can be considered to have begun in 1949 with the establishment of the housing construction delegation called Arava. Its aim was to provide low-interest loans for housing production. The primary reasons for founding Arava were post-World War II reconstruction, the resettlement of populations displaced from areas ceded in the war, and the early stages of urbanisation. A more detailed history of affordable housing production is provided in Section 6.1.

Since 2008, the Centre for State-Subsidised Housing Construction (Varke), in its current form, has been responsible for state-subsidised housing production and the development of the housing stock. Until February 2025, it operated under the name Housing Finance and Development Centre of Finland (ARA). State-subsidised housing is typically constructed with government-backed interest subsidies and guarantees. In 2024, the basic interest rate liability for the borrower is 2.3%, with the state covering 90% of the interest costs exceeding this rate in the first year of the loan. The compensation decreases in subsequent years. Loans may cover up to 95% of construction and acquisition costs. The interest subsidies for loans granted by the Centre for State-Subsidised Housing Construction are paid from the state housing fund called VAR.¹³ However, the VAR will be dissolved at the end of 2025, after which subsidies and grants will be paid directly from the state budget.

There are currently both long-term (40 years) and short-term (10 years) interest-subsidised loans. A small proportion of state-subsidised rental housing is constructed with only a state guarantee. In addition, investment grants covering 15–50% of

¹² A comprehensive review commissioned by the Ministry of the Environment on households living in affordable housing in 2022 can be found at <https://valtioneuvosto.fi/-/1410903/valtion-tukeman-asuntokannan-asukasrakennetta-selvitetty>.

¹³ Since 2022, Statistics Finland has included the interest-subsidised loan stock granted by the Centre for State-Subsidised Housing Construction as part of public debt.

approved investment costs are available for rental housing targeted at special groups.¹⁴ These grants are intended to reduce housing costs for groups with potentially very expensive special housing needs.

The state-subsidised housing production system operates on a cost-price principle, meaning that the rents of rental dwellings and the maintenance charges for right-of-occupancy dwellings must not exceed the actual operating and capital costs of the housing. The rents of standard rental dwellings owned by the same landlord may be balanced across the entire housing stock to ensure stable and fair rent development. In addition, landlords may prepare for future, necessary renovations by adding €1–2 per square metre to the monthly rent. For right-of-occupancy dwellings, a one-off right-of-occupancy fee is also paid to the owning organisation, amounting to 15% of the acquisition cost of the dwelling.

Rental and right-of-occupancy dwellings built or renovated with state support are subject to statutory use and transfer restrictions. These restrictions are time-limited for rental dwellings but permanent for right-of-occupancy dwellings. The restrictions apply to aspects such as the use of the dwellings, tenant selection, and the determination of rents and maintenance charges. A total of approximately 406,000 state-subsidised dwellings are currently subject to these use and transfer restrictions.¹⁵ Of these, 235,000 are standard rental dwellings, 116,000 are rental dwellings for special groups, and 56,000 are right-of-occupancy dwellings.¹⁶

Depending on the method of calculation, there are approximately 800 entities that own dwellings built with state support. A few hundred of these own more than one hundred dwellings. The majority of the largest actors in state-subsidised housing production are municipally owned companies, although some non-profit foundations also own and develop state-subsidised housing projects. The largest actor is Helsingin kaupungin

¹⁴ Investment grants for special-needs groups can support the housing of the elderly, people with intellectual disabilities, individuals with severe disabilities, mental health rehabilitees, substance abuse rehabilitees, the homeless, individuals on the autism spectrum, youth requiring special support, and students.

¹⁵ The figures presented here on dwellings and housing providers are based on data from the Centre for State-Subsidised Housing Construction.

¹⁶ If we take into account all state-subsidised dwellings, including those that have been released from use and transfer restrictions, there are nearly 600,000. Of these, approximately 409,000 are standard rental dwellings, around 146,000 are rental dwellings for special groups, and about 56,000 are right-of-occupancy dwellings.

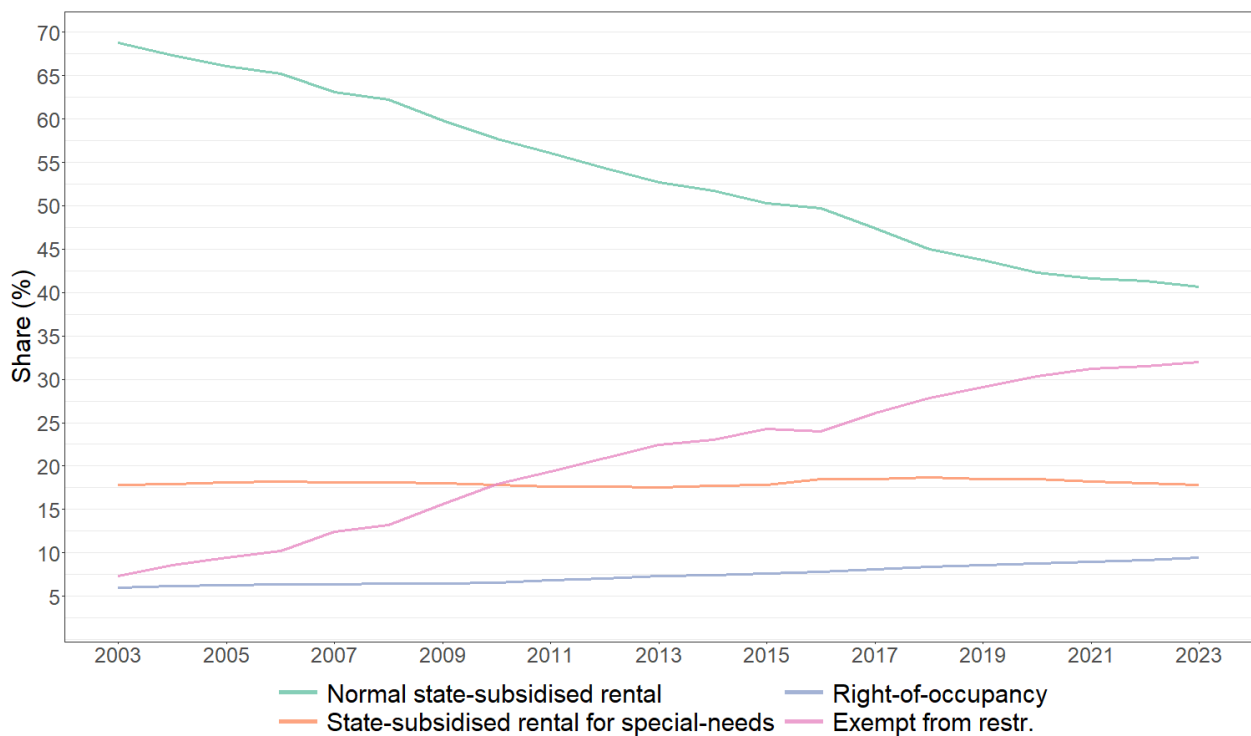
asunnot Oy, which owns around 49,000 state-subsidised affordable dwellings subject to use and transfer restrictions—more than 12% of the total.

The majority of Finland’s state-subsidised housing providers are members of the Finnish Affordable Housing Companies’ Federation – KOVA. KOVA’s members own about 85% of the restricted normal state-subsidised rental apartments, around 70% of all restricted state-subsidised rental apartments, and approximately 85% of right-of-occupancy apartments in Finland.

5.2 Distribution of affordable housing

Dwellings built with state support can be divided into four categories. Standard state-subsidised rental housing includes rental properties constructed under either the long- or short-term interest subsidy schemes, which are not intended for any specific target group. In contrast, rental housing for special groups is built for particular populations, such as students or the elderly. Right-of-occupancy housing is considered a hybrid form of housing, falling between renting and ownership. Both rental housing for special groups and right-of-occupancy dwellings are built under the long-term interest subsidy scheme. All of the aforementioned categories are subject to usage and transfer restrictions. In addition to the apartments under these restrictions, some state-subsidised dwellings are no longer subject to these (or have been exempted from them).

The proportion of standard rental dwellings under restrictions within the stock of state-subsidised housing has been clearly declining since the early 2000s, as shown in Figure 13. In 2003, the proportion was nearly 70%, but by 2023 it had fallen to around 40%. At the same time, the share of dwellings released from restrictions has increased from just under 10% to over 30%. This is explained by the fact that the majority of the state-subsidised housing stock was built in the 1970s to 1990s, and the restrictions on these have now expired. On the other hand, the proportion of right-of-occupancy dwellings has also seen a slight increase and now accounts for nearly 10% of state-subsidised housing.

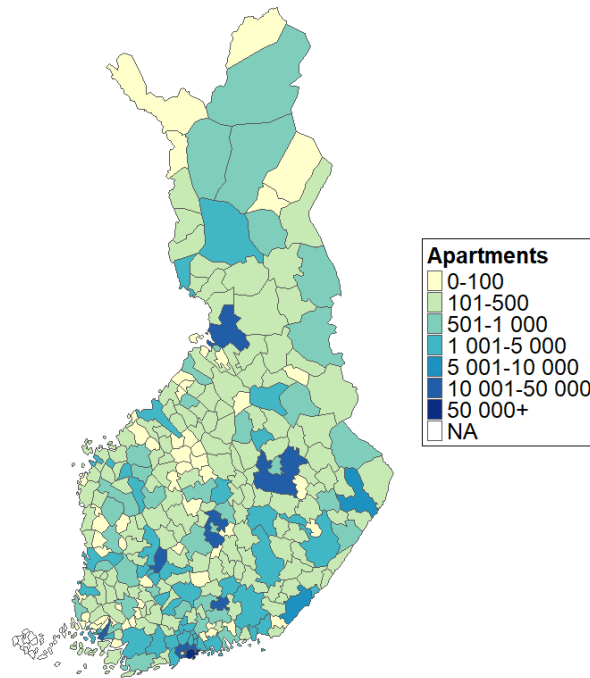


Source: Living environment information service Liiteri and Varke (2023) and own calculations

Figure 13: Annual distribution of state-subsidised apartments by their intended purpose (2003–2023)

In 2024, dwellings built with state support and still subject to restrictions exist in over 290 municipalities, meaning they are present in nearly every municipality in mainland Finland. The highest numbers of state-subsidised dwellings are found in the largest cities: 81,000 in Helsinki, 29,000 in Espoo, 22,000 in Tampere, 23,000 in Vantaa, 17,000 in Jyväskylä, 16,000 in Oulu, 12,000 in Kuopio, and 11,000 in Lahti. The proportion of state-subsidised dwellings relative to the total housing stock in these major cities is as follows: 21% in Helsinki, 18% in Espoo, 14% in Tampere, 18% in Vantaa, 19% in Jyväskylä, 13% in Oulu, 16% in Kuopio, and 15% in Lahti.¹⁷ Figure 14 presents the number of state-subsidised dwellings subject to restrictions by municipality.

¹⁷ The total number of dwellings in the mentioned cities is as follows: 394,000 in Helsinki, 157,000 in Espoo, 156,000 in Tampere, 131,000 in Vantaa, 128,000 in Turku, 120,000 in Oulu, 88,000 in Jyväskylä, and 73,000 in both Kuopio and Lahti (Statistics Finland, dwellings and housing conditions 2023).



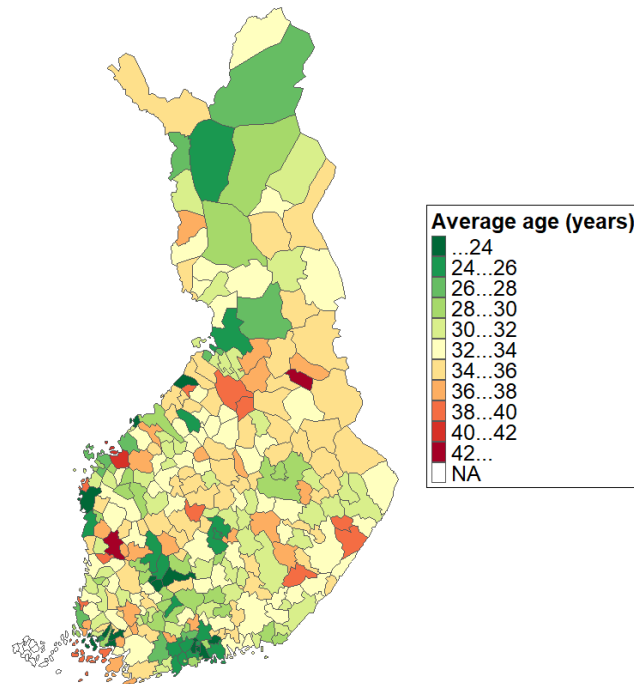
Source: Varke and DVV

Figure 14: Number of state-subsidised apartments by municipality (2024)

In the annual rental market review by the Centre for State-Subsidised Housing Construction municipalities are categorised according to an index that reflects the tightness of the local rental market.¹⁸ The faster the population growth, the higher the occupancy rate of state-subsidised dwellings, the lower the tenant turnover in these dwellings, and the greater the rent gap between private and state-subsidised rental housing, the tighter the rental market is in a municipality.

In 2024, the average age of state-subsidised residential buildings is 32.1 years (median 32.8). Figure 15 presents the average age of these buildings by municipality. The lowest average age—10.0 years—is found in Luoto, while the highest—45.1 years—is in Kankaanpää. On average, smaller municipalities tend to have older buildings. However, it is important to note that the overall number of buildings in these areas is significantly lower, meaning that a single building can have a relatively large impact on the average age. Among the larger cities, the newest state-subsidised residential buildings are in Espoo (24.9 years), while the oldest are in Lahti (29.6 years).

¹⁸ The 2024 rental market review by the Centre for State-Subsidised Housing Construction can be found at the following address <https://www.varke.fi/fi/tilastot-ja-julkaisut/asuntomarkkinat/vuokra-asuntojen-markkinakatsaukset/vuokra-asuntomarkkinat-2024>.



Source: Varke and DVV

Figure 15: Average age of state-subsidised apartments by municipality (2024)

State support is also used to construct affordable housing for special-needs groups. The main target groups include older people, individuals with intellectual or developmental disabilities, mental health rehabilitees, young people, and students. Figure 16 illustrates the annual number of new housing units built for special groups. Over the past twenty years, approximately 1,000 to 2,000 units per year have been built for the elderly. The number of dwellings constructed for students has fluctuated between 500 and nearly 3,000 units annually.

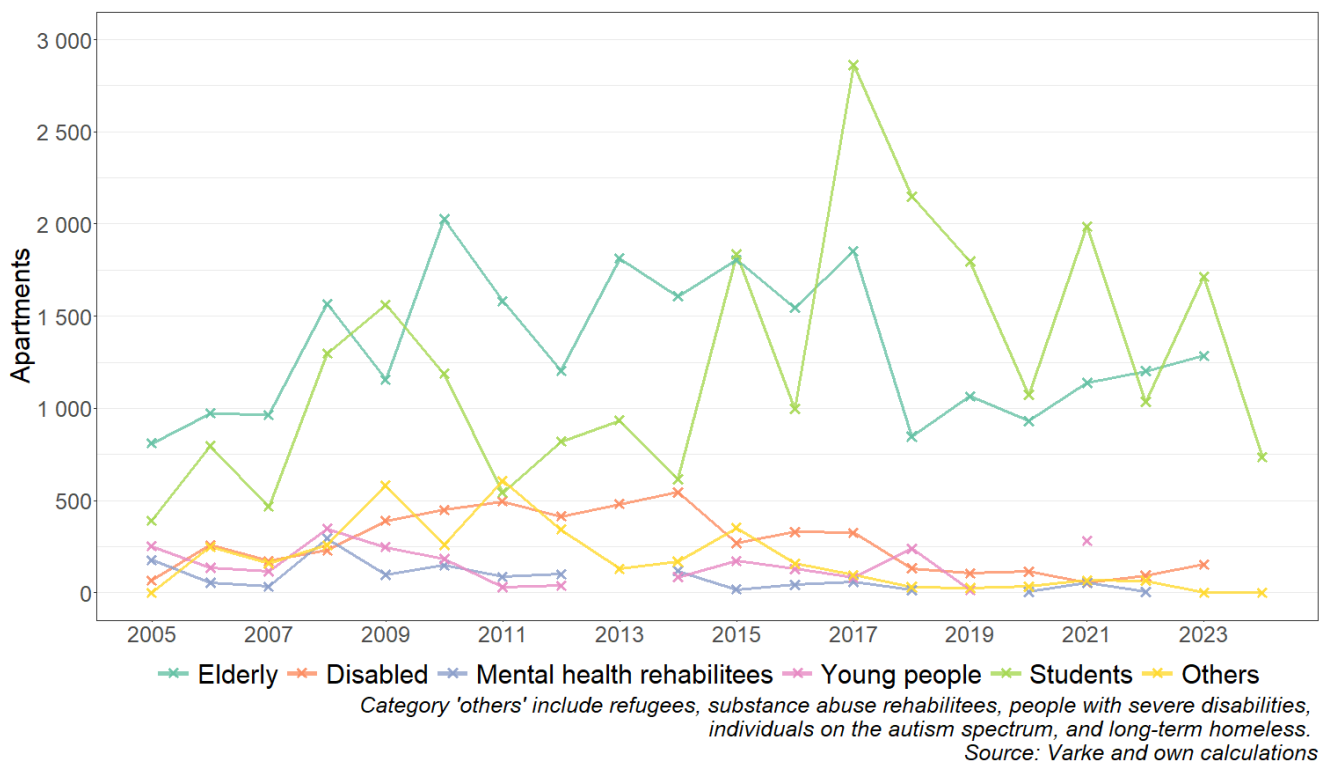


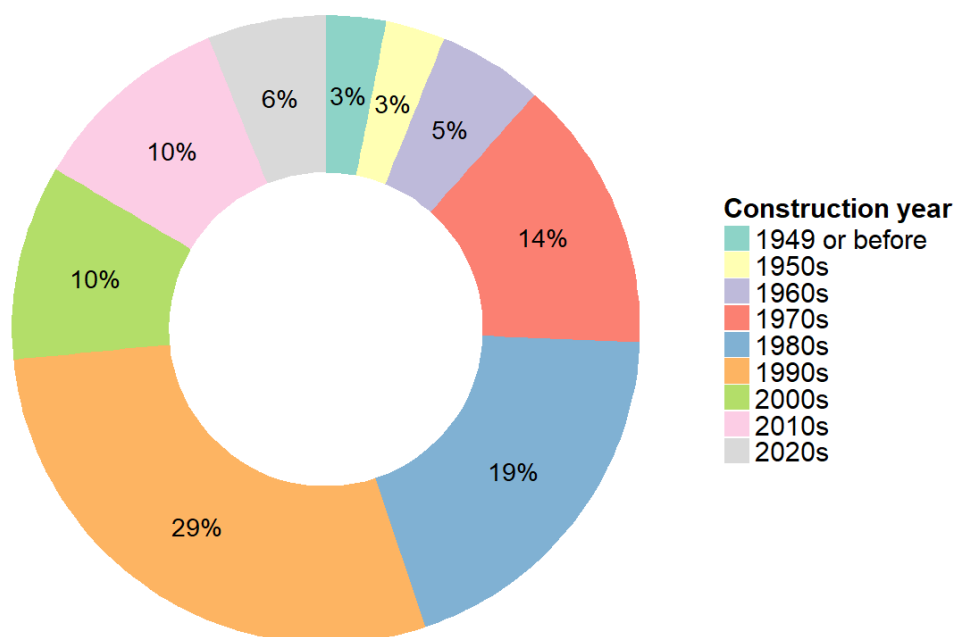
Figure 16: Annual construction openings for the special-needs groups (2005–2024)

5.3 Affordable housing stock

The majority of state-subsidised housing stock was built in the 1980s and 1990s. Figure 17 illustrates the distribution of the construction years for state-subsidised affordable housing. This includes standard rental housing, rental housing for special groups, right-of-occupancy housing, and dwellings released from restrictions. Of these dwellings, 29% were built in the 1990s and 17% in the 1980s. A significant portion was also built in the 1970s, 2000s, and 2010s, accounting for 12–14% of the housing stock. Only 10% of the state-subsidised housing stock was built before the 1970s.

30% of Finland's entire housing stock was built before 1970, with the largest share being from the 1960s, accounting for 11%.¹⁹ 18% of the housing stock was built in the 1970s, and 16% in the 1980s. In the 1990s through the 2010s, about 10% was built each decade, with half of this in the 2020s. Therefore, the state-subsidised housing stock is clearly newer than the overall housing stock. On the other hand, a significant portion of the state-subsidised housing stock was built in the 1990s.

¹⁹ Statistics Finland, dwellings and housing conditions (2023).



Source: KOVA's statistical survey (2025)

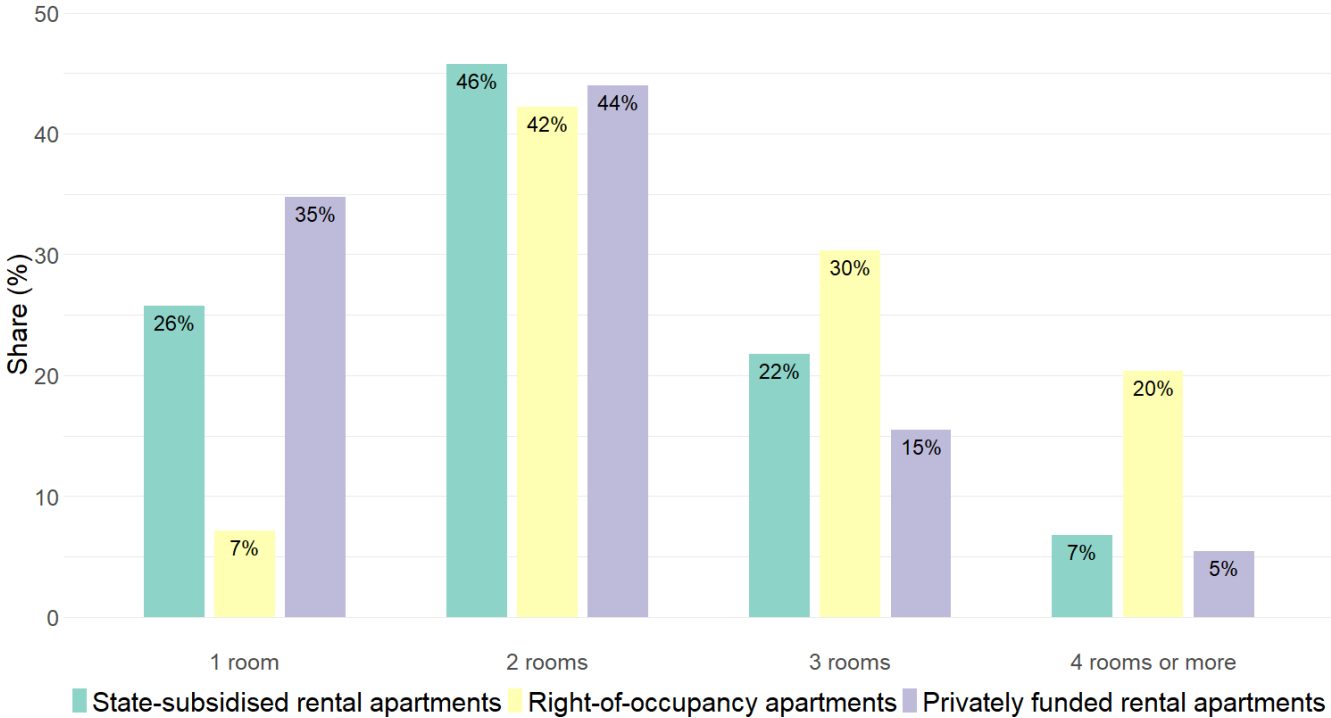
Figure 17: The construction years of state-subsidised apartments (2025)

Figure 32 in the Appendix illustrates the financial occupancy rate of state-subsidised housing. The financial occupancy rate is high, averaging 95.5% in 2025. However, it has slightly decreased since 2018, when the occupancy rate was 97.7%.

The distribution of room types in the state-subsidised housing stock is shown in Figure 18. The majority of rental apartments, 46%, are one-bedroom apartments. The next largest groups are studio apartments (26%) and two-bedroom apartments (22%). Right-of-occupancy apartments tend to be larger. Of these, 42% are one-bedroom apartments and 30% are two-bedroom apartments. However, 21% of the right-of-occupancy housing stock consists of four or more room apartments. The average size of state-subsidised dwellings is 56.1 square metres (see Appendix Figure 33). In 2024, the average living area of a privately rented apartment receiving general housing allowance from the Social Insurance Institution of Finland was 45.1 square metres.²⁰

²⁰ The Social Insurance Institution of Finland, statistical database, general housing allowance (2024). According to the same data, the average size of state-subsidised rental apartments was 49.3 square metres, while right-of-occupancy apartments had an average size of 66.1 square metres.

For comparison, in Finland's privately rented housing stock, 35% are studio apartments, 44% are one-bedroom apartments, 15% are two-bedroom apartments, and 5% are larger. Therefore, state-subsidised rental apartments are generally significantly larger in terms of the number of rooms compared to privately rented apartments. On the other hand, in the overall housing stock, 14% are studio apartments, 29% are one-bedroom apartments, 22% are two-bedroom apartments, and 34% are apartments with four or more rooms.²¹



Lähde: KOVA's statistical survey (2025) and Statistics Finland, dwellings and housing conditions (2023)

Figure 18: The distribution of rental and right-of-occupancy apartments by the number of rooms (2025)

Table 1 in the Appendix provides a summary of different types of housing tenure. The proportion of single-person households is highest in privately rented apartments (45%). Among households living in state-subsidised rental housing, 38% live alone, while 26% of those in right-of-occupancy housing and 16% of those in owner-occupied housing live alone. Conversely, 48% of households in owner-occupied housing consist of at least three people. The corresponding proportions are 42% in right-of-occupancy housing, 37% in state-subsidised rental housing, and 27% in privately rented housing.

²¹ Statistics Finland, dwellings and housing conditions (2023).

6. THE SIGNIFICANCE OF AFFORDABLE HOUSING TO THE NATIONAL ECONOMY

This section discusses the importance of affordable housing for the national economy through housing production, the costs related to housing for society, financial markets, and the construction sector. The construction industry is one of the largest sectors of the economy. Figure 19 shows that in Finland, building construction accounts for just over 4% of the gross value added of the entire national economy. This share has declined significantly since the 1990s, as it was still over 9% in 1990. On the other hand, the number of working hours spent on building construction is currently at the same level—about 300 million hours annually—as it was in the late 1980s. It should be noted that although Finland’s population has increased by more than half a million over the same period, the working-age population (aged 18–64) has only grown by 80,000.²²

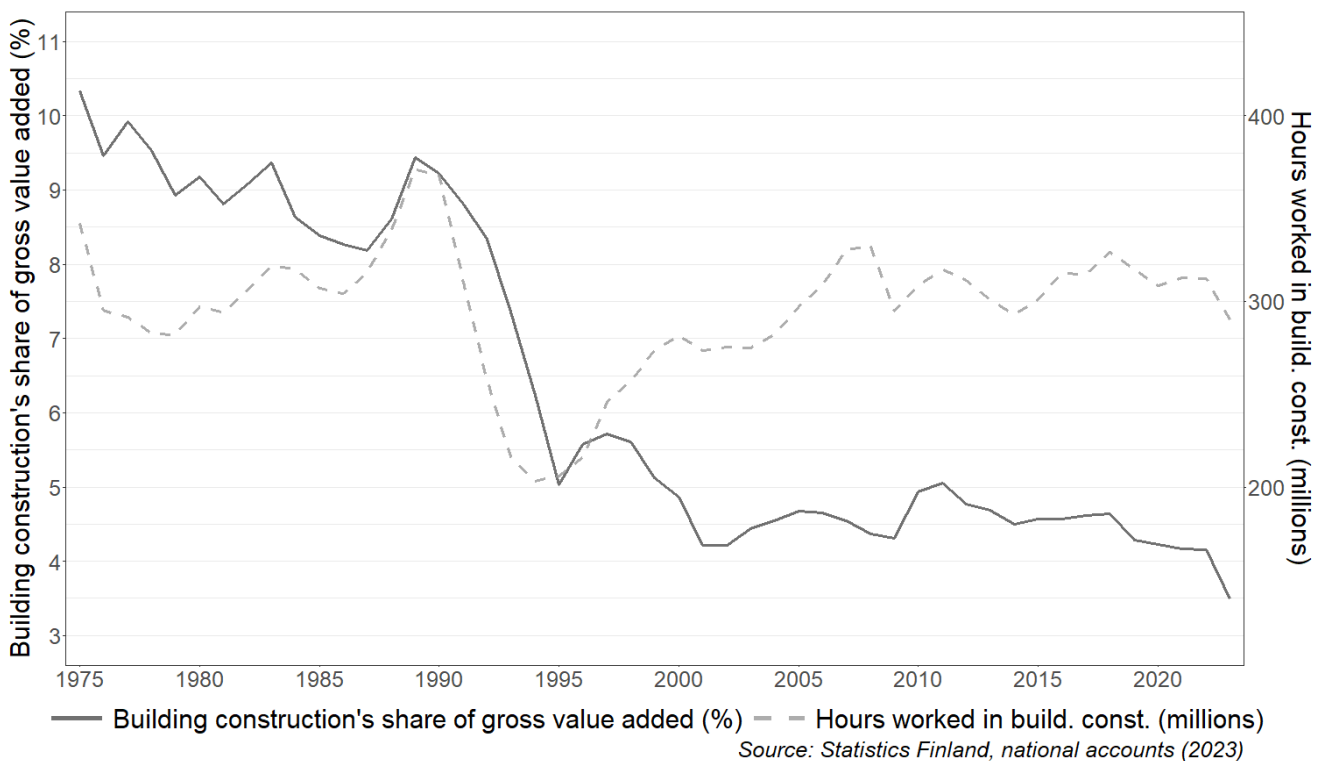


Figure 19: Annual building construction’s share of gross value added and hours worked (1975–2023)

²² Statistics Finland, employment (2023).

6.1 Why and how to attain affordable housing?

The objective of state-subsidised housing production is to provide affordable housing for people on low and middle incomes, as well as to reduce regional segregation. Through state-subsidised housing production, people on lower and middle incomes also have the opportunity to move to growth centres for work, which increases economic efficiency by reducing labour market mismatches and improving employment rates.

Segregation is addressed by ensuring a diverse range of housing is built in residential areas. In addition, the resident selection process within the state-subsidised housing system aims to ensure that housing is allocated to those most in need, while also avoiding an overly uniform resident population. Providing affordable housing for low- and middle-income earners is also a matter of equality, as everyone should have the right to a high-quality home.

The share of state-subsidised housing production out of all housing starts has varied between 10.0% (in 2006) and 82.1% (in 1995) during the period 1949–2023 (see Figure 20). Over the entire period, the average share has been 36.2%. Since the 2000s, the proportion of state-subsidised housing production out of all housing starts has declined, with an average share of 21.7%.

6.2. The role of the public sector

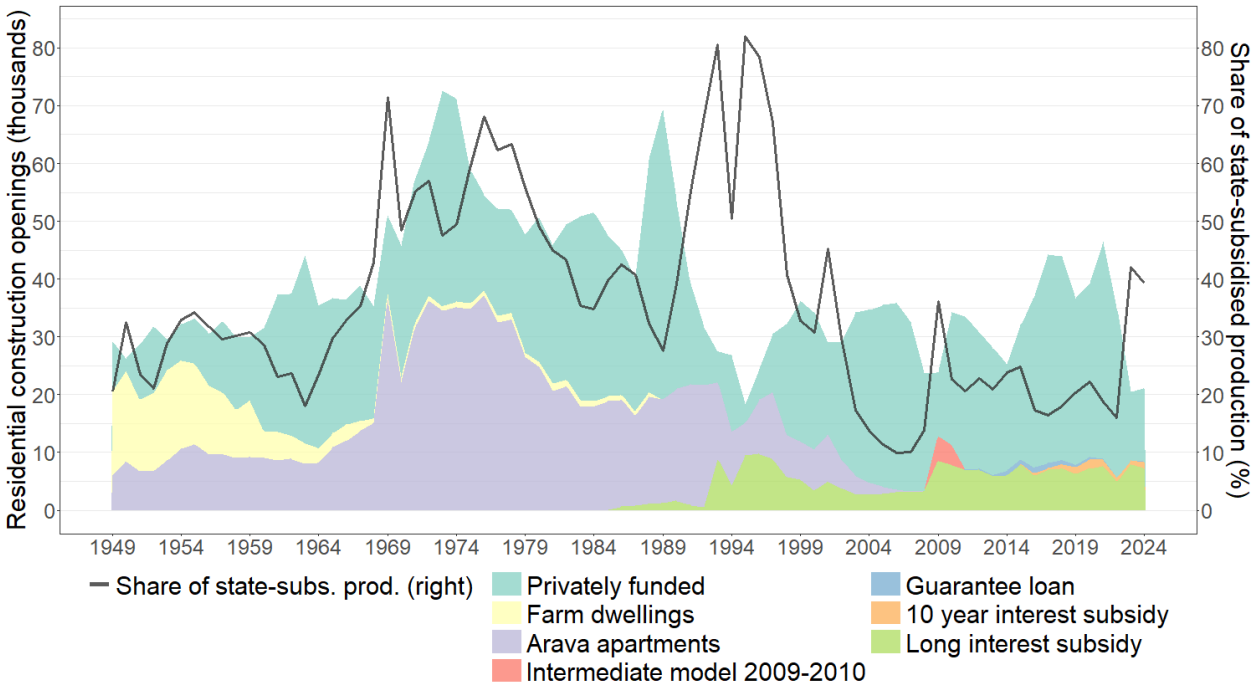
Housing production in Finland can be divided into seven categories based on the form of financing. These categories are privately financed dwellings, residential buildings on farms, arava dwellings, transitional model dwellings from 2009–2010, dwellings financed with government loan guarantees, and dwellings with short-term (10 years) or long-term (40 years) interest subsidies. Of these, arava dwellings and dwellings with short- or long-term interest subsidies are classified as state-subsidised housing.

The peak years of housing production in Finland were 1973, 1974, and 1989, when annual housing starts reached around 70,000 units. As shown in Figure 20, privately financed housing production is particularly cyclical, fluctuating strongly in line with economic conditions. In 1989, housing starts reached around 70,000 but collapsed to 18,000 in 1995. State-subsidised housing production compensated for this drop: over

82% of new housing production in 1995 was state-subsidised. By contrast, in 1989, the share of state-subsidised housing was under 28%.

A similar, though somewhat milder, phenomenon occurred during the financial crisis. In 2006, state-subsidised housing production reached its historical low, accounting for 10% of housing starts, but rose to over 36% by 2009. A similar trend can be observed in 2023–2024, as the share of state-subsidised housing climbed to around 40% following a decline in privately financed production.

The intermediate model of 2009–2010 was created alongside traditional state-subsidised housing production as a counter-cyclical tool, but it lasted no more than two years. In its wake, new instruments were developed: dwellings financed with government loan guarantees—where the state does not provide interest subsidies but instead offers a supplementary guarantee—and the current short-term interest subsidy model. Around 23% of state-subsidised rental dwellings built between 2016 and 2025 were constructed using this 10-year interest subsidy, accounting for approximately 11% of all state-subsidised dwellings during the same period.



Note. State-subsidised production includes arava-apartments as well as long and short interest subsidy loan apartments.
 Source: Varke, Statistics Finland, construction and housing yearbook (2013),
 Statistics Finland, building and dwelling production (2024) and own calculations

Figure 20: Annual construction openings by the form of financing (1949–2024)

In 2024, total government expenditure amounted to €87.6 billion.²³ Society provides substantial support for housing through both demand-side and supply-side subsidies. Demand-side subsidies refer to financial support given directly to residents to help cover housing costs, while supply-side subsidies are forms of support provided to housing producers. Examples of demand-side housing subsidies include the general housing allowance, the housing allowance for pensioners, housing costs covered through basic social assistance, the students' housing supplement, the housing assistance for conscripts, and mortgage interest tax deductions²⁴. The most significant of the supply-side subsidies are the interest subsidy of the interest-subsidy loans and the investment grant for special-needs groups.

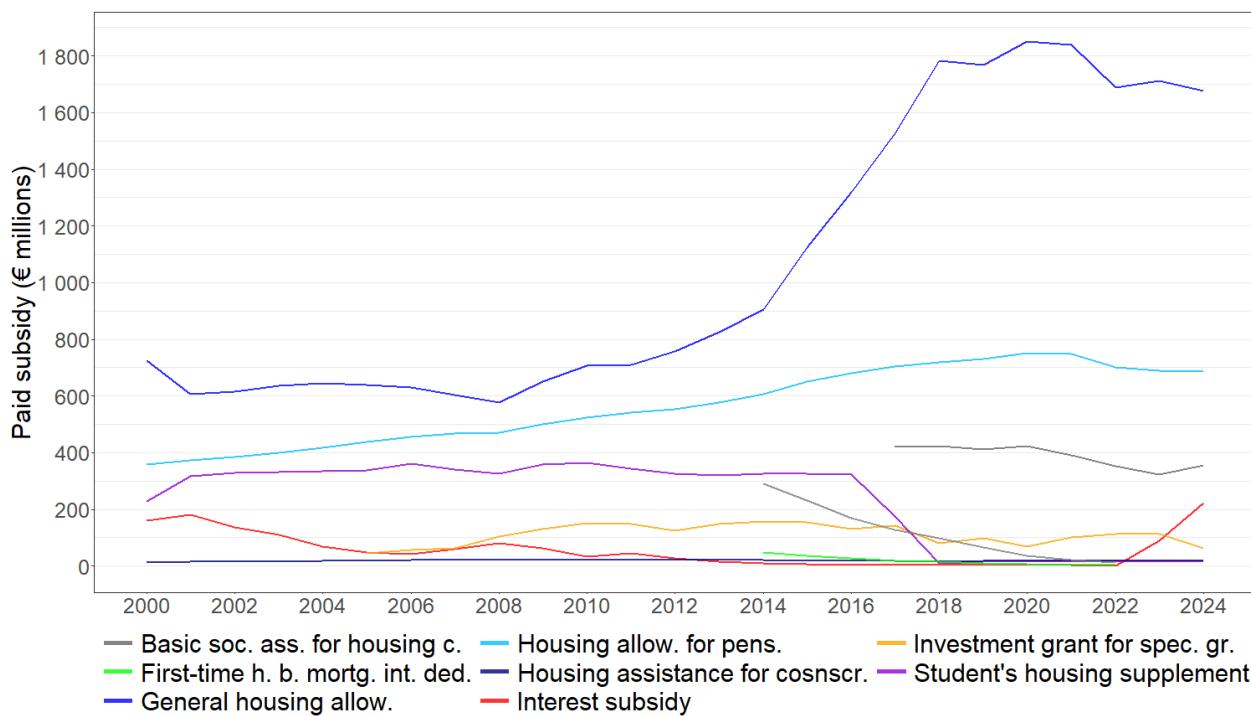
Figure 21 illustrates the development of the most significant housing subsidies in the 21st century, presented in 2024 euros. One of the most notable changes during this period has been the substantial increase in expenditure on the general housing allowance, rising from approximately €730 million in 2000 to around €1.68 billion in 2024. It is important to note that a substantial part of this growth—about €300 million—is due to the 2017 transfer of the majority of students from the student housing supplement to the general housing allowance. This change, which will be reversed in 2025, contributed to an increase in students living alone, at the expense of shared accommodation.²⁵ On the other hand, the housing allowance for pensioners has also increased, rising from €360 million in 2000 to approximately €690 million in 2024. In total, demand-side housing subsidies amounted to €2.75 billion in 2024.²⁶ This accounted for over 3.1% of all government expenditures.

²³ The Ministry of Finance's annual budget tables can be accessed at: <https://vm.fi/budjetin-taulukot#tulotjamenot2015>.

²⁴ Here, in calculating the mortgage interest deduction and the first-time homebuyer mortgage interest deduction, it has been assumed that all deductible mortgage interest expenses have been fully offset against capital income in taxation, and that the capital income tax rate for all individuals is 30%..

²⁵ Kylliäinen, O., Lyytikäinen, T., Toikka, M., & Tuomala, J. (2024). Vuoden 2017 asumistukiudistuksen vaikutukset opiskelijoiden asumiseen ja opintoihin. VATT Institute for Economic Research. VATT Research 194. ISSN 1795-3340. URL: <https://www.doria.fi/handle/10024/189882>.

²⁶ This does not take into account, for example, the exemption from transfer tax for first-time homebuyers, which has been estimated—based on 2023 tax rates—to amount to approximately €100 million per year (see <https://vm.fi/-/varainsiirtovero>), or the capital gains tax exemption for individuals who have lived in their owned dwelling for at least two years.



Source: Kela, statistical yearbook (2019, 2022), Kela, statistical database, Varke, Tax Administration (2022), Statistics Finland, CPI (2024) and own calculations

Figure 21: Annual housing subsidies in 2024's money (2000–2024)

In 2024, interest subsidies for interest-subsidised loans amounted to approximately €220 million, and investment grants for special groups totalled around €63 million. Interest expenses for interest-subsidised loans have increased over the past couple of years due to rising reference rates, whereas during the 2010s they were close to zero. Investment grants have typically ranged between €100 and €200 million annually, although in 2024 they fell to just over €60 million and will decline further to €15 million in 2025.

Municipalities can support affordable housing providers, for example, by leasing municipal land at below-market rates or by granting rent subsidies for land leases. They may also ease planning regulations, such as reducing parking space requirements for state-subsidised residential buildings. The parking requirements specified in local detailed plans are based on actual parking needs, which tend to be lower in state-subsidised housing due to, among other things, the lower average income levels of residents compared to those in privately financed housing.

So-called indirect subsidies that municipalities may provide to state-subsidised housing operators include capitalising municipally owned companies, granting low-interest loans or loan guarantees, or assuming the lease obligations of commercial premises

located within affordable housing developments. However, there are no statistics available on the scale of these potential indirect subsidies.

From 2012 to 2024, demolition grants under supply-side subsidies amounted to approximately €35 million, averaging €2.9 million annually. The total sum of demolition and restriction accords between 2006 and 2023 was approximately €26 million, equating to an annual average of €1.4 million. State-subsidised housing providers in financial difficulty received an average of €0.6 million in recovery grants between 2022 and 2024. Additionally, with the state's supplementary guarantee, guarantee compensation has been paid to organisations owning state-subsidised housing, averaging €2.5 million per year from 2020 to 2024.²⁷ In total, housing supply-side subsidies amounted to just over €290 million in 2024, which is about 8.7% of the total demand-side housing subsidies and less than 0.3% of state expenditure.

However, demand-side and supply-side subsidies are not mutually exclusive, as a resident in a state-subsidised interest-subsidised home can also receive, for example, the general housing allowance. As previously stated, in 2024, the Social Insurance Institution of Finland paid out a total of €1.68 billion in general housing allowances and €690 million in housing allowances for pensioners. Of this general housing allowance, approximately 69% was paid to households living in privately financed rental housing, while about 27% went to households living in state-subsidised rental housing.²⁸ Similarly, about 42% of housing allowances for pensioners were paid to households living in privately financed rental housing, and approximately 28% to households living in state-subsidised rental housing.²⁹

According to the statistics of the Social Insurance Institution of Finland, in 2024, 102,000 households living in state-subsidised rental or right-of-occupancy housing and 265,000 households living in privately financed rental housing received the general housing allowance. By combining data from Statistics Finland and the living environment information service Liiteri, the number of permanently inhabited state-subsidised rental and right-of-occupancy dwellings in 2023 is estimated to be 343,000. The number of permanently inhabited privately financed rental homes is 730,000.

²⁷ The outstanding loan balance for rental and right-of-occupancy housing guarantees was €19.7 billion at the end of 2024, meaning that the proportion of credit losses relative to the loan portfolio is approximately 0.013% per year (Valtion asuntorahasto, annual report 2024).

²⁸ The Social Insurance Institution of Finland, statistical database, general housing allowance (2024).

²⁹ The Social Insurance Institution of Finland, statistical database, housing allowance for pensioners (2024).

Therefore, approximately 30% of households living in state-subsidised housing and about 36% of households living in privately financed rental housing nationwide received the general housing allowance.³⁰

6.3 Financial markets

State-subsidised dwellings are primarily built with state interest subsidies and supplementary guarantees. However, the actual financing must be obtained from an external source. The largest single financier of new state-subsidised housing production and major renovations is MuniFin (also known as Municipality Finance Plc). In 2023, over 80% of the interest-subsidised loan portfolio of housing organisations came from MuniFin.³¹ Since the financial crisis, MuniFin's share of new interest-subsidised loans has varied annually between 73% and 96%. On the other hand, housing organisations are also clearly MuniFin's largest customer segment, accounting for 48% of its portfolio. Smaller financiers of state-subsidised housing projects have included Svenska Handelsbanken Plc, the OP Financial Group, the Savings Bank Group, and pension funds, although the most significant of these—Svenska Handelsbanken—is in the process of exiting the Finnish market entirely.

From the beginning of 2024, the self-financed interest rate on new interest-subsidised loans for long-term subsidised rental housing and right-of-occupancy projects has been 2.3%. For short-term subsidised rental housing projects, the self-financed interest rate is 2.5%. Approximately 68% of the interest-subsidised loan portfolio is tied to Euribor rates.³² The six-month Euribor is the most commonly used reference rate, to which 38.1% of loans are tied. The twelve-month Euribor accounts for 28.6%, and the three-month Euribor for 1.5% of loans.

Figure 22 illustrates the monthly average development of the six-month Euribor from the financial crisis to the current year. It also includes the three-month Euribor futures curve extending to the end of next year, which is typically regarded as the best indicator of market expectations for future interest rate developments. The average total interest

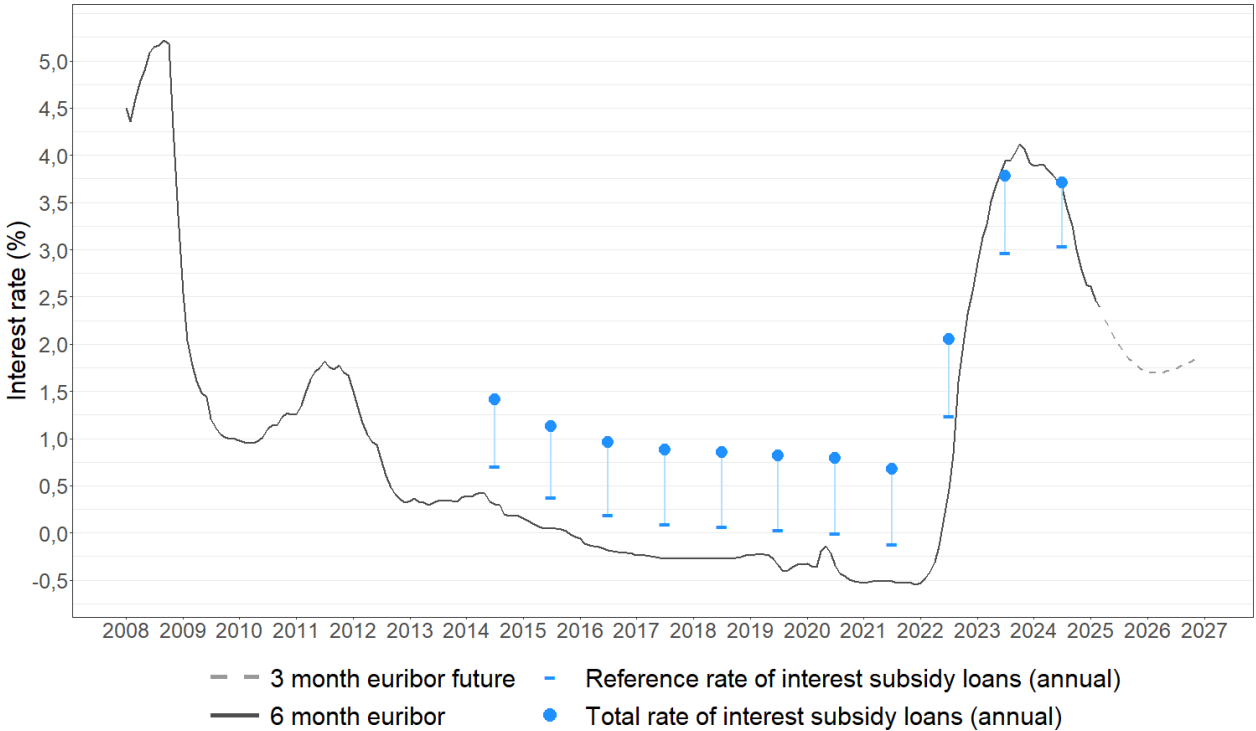
³⁰ If the same crude calculation is made using a more detailed division, approximately 33% of households living in state-subsidised rental housing and around 8% of households living in right-of-occupancy housing received the general housing allowance.

³¹ Market shares are based on statistics from the State Treasury and MuniFin.

³² Ministry of Finance. (2023). Overview of central government risks and liabilities, Autumn 2023. Publications of the Ministry of Finance 2023:94. ISSN: 1797-9714. URL: <https://julkaisut.valtioneuvosto.fi/handle/10024/165341>.

rate and reference rate for interest-subsidised loans to housing organisations are shown on an annual basis.

The figure clearly shows the rise in interest rates from below zero at the beginning of 2022 to over 4% by the end of 2023. However, by the end of 2024 and into early 2025, rates had declined to around 2%, and they are expected to fall below 2% by the end of the year and remain at that level throughout 2026. It is important to note, however, that current market forecasts are subject to an unusually high degree of uncertainty. The figure also reveals how, during the period of zero and negative interest rates, the reference rate for interest-subsidised loans to housing organisations remained clearly above the six-month Euribor. In contrast, in 2023 and 2024 the situation reversed, with the average reference rate for these loans falling below the six-month Euribor. This is mainly due to the lag between market rate changes and loan interest rate adjustments, meaning these loans also benefit from falling interest rates with some delay. It should also be noted that the interest rates for housing organisation loans are presented on an annual basis, whereas Euribor observations are monthly.



Source: Bank of Finland (03/2025), Chatham Financial (04/2025) and State Treasury

Figure 22: Monthly average interest rates (2008–2026)

6.4 Construction industry

As shown in Figure 19, the construction sector is a highly significant part of the national economy. However, construction demand is strongly influenced by building costs, which have risen sharply in recent years. Figure 23 presents the overall construction cost index and its sub-indices. The sharpest increase has been in material inputs, although this rise appeared to level off, at least temporarily, in 2023. On the other hand, the overall index, which increased by around 52% from its 2005 level by early 2025, has not correspondingly declined from its peak. This is mainly due to higher labour costs, as rising expenses have gradually been reflected in wage demands in recent years, despite the prevailing downturn in the construction sector. A similar trend in price development can also be observed in renovation construction (see Figure 34 in the Appendix).

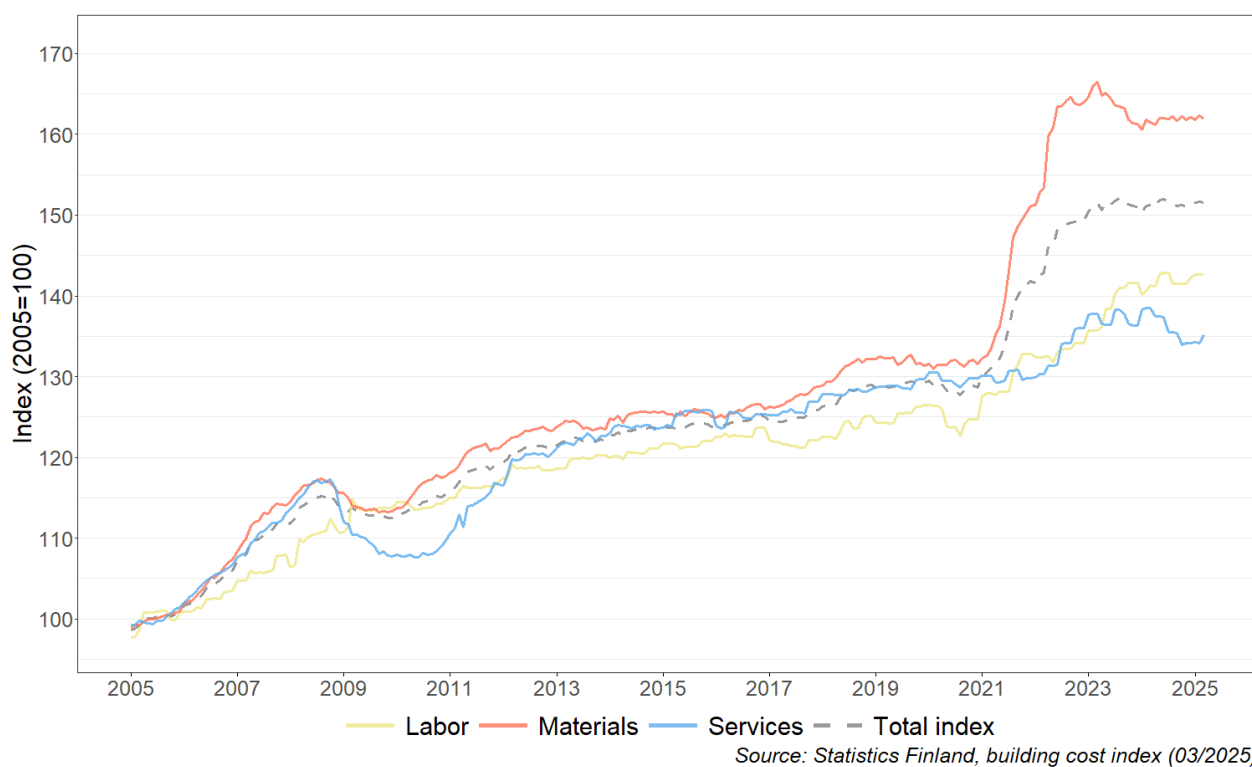


Figure 23: Monthly building cost index and its components (2005–2025)

A similar pattern emerges when examining the real price of state-subsidised new housing production in Figure 24. The acquisition costs include both construction costs and either the purchase of the plot (own plot) or rent during the construction period (leased plot). In 2024, the average construction cost of state-subsidised new housing production is just over €3,700 per residential square metre. The price has declined for two consecutive years. Land acquisition costs have also decreased, and in 2024 the acquisition cost of a state-subsidised project located on an owned plot is approximately

€4,200 per residential square metre, including the plot. Between 2005 and 2024, 49% of state-subsidised housing projects have been built on owned plots and 51% on leased plots. In the Helsinki metropolitan area, leased plots are more common, with 38% of state-subsidised projects built on owned plots and 62% on leased plots.

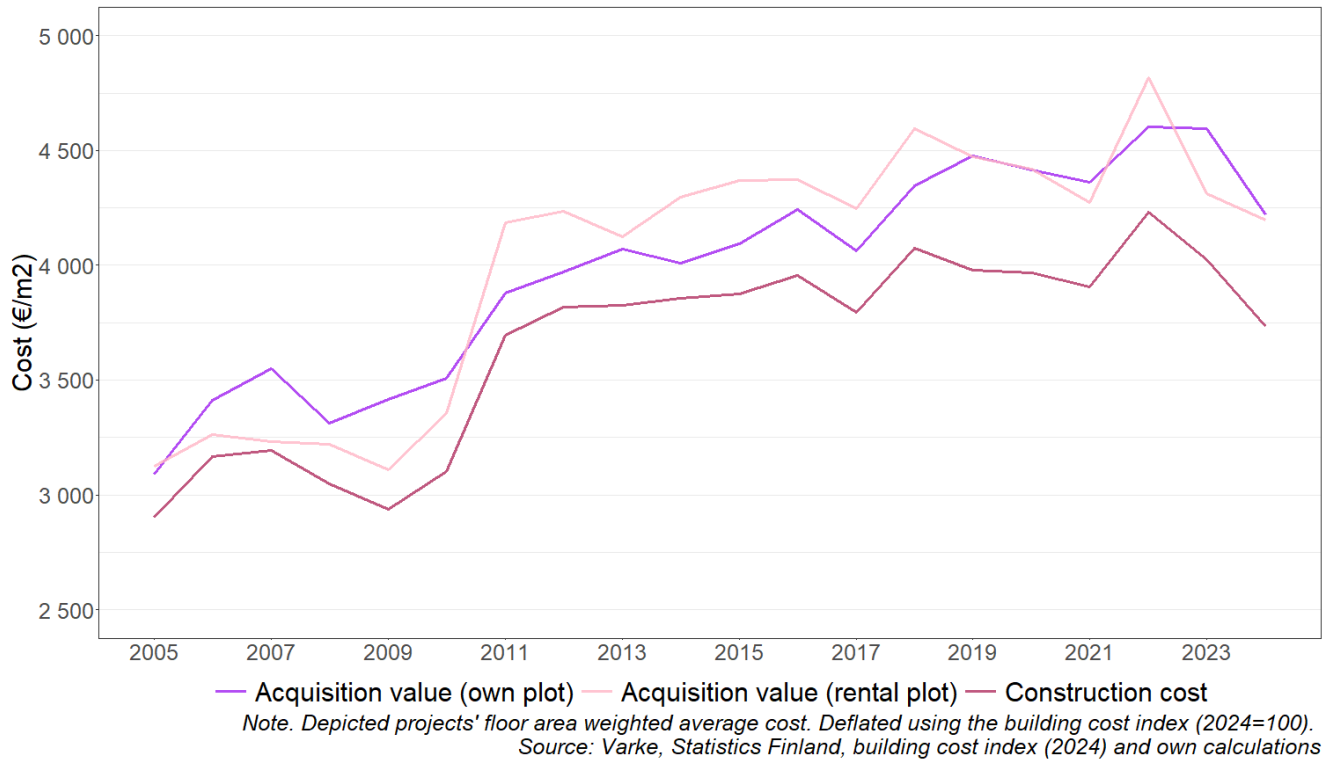
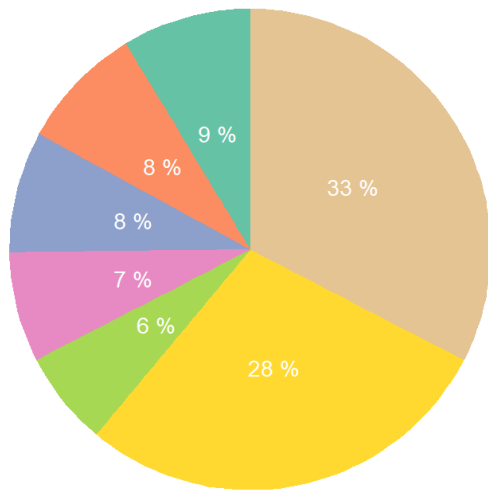


Figure 24: Annual construction cost of new state-subsidised developments in Finland (2005–2024)

In the case of financial markets, it was noted that market is concentrated, which could pose a challenge for new construction and renovation projects. However, in the construction market, state-subsidised housing production is not quite as concentrated, as illustrated in Figure 25. Of the approximately 120,000 state-subsidised dwellings started between 2005 and 2025, just under 40% were built by five construction groups: Skanska, Lujatalo, NCC, YIT, and Hartela. Skanska's share was nearly 9%. The 15 largest groups acted as main contractors in about 67% of the state-subsidised housing units built during that period. In total, more than 300 different main contractors have been involved in state-subsidised housing projects. Just over three-quarters of the projects were carried out as competitive tenders, while just under one-quarter were negotiated contracts.

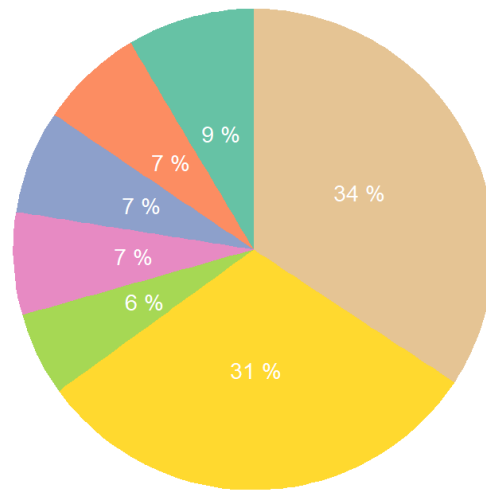
Years 2005-2025



Skanska NCC Hartela Others
Lujatalo YIT Ranks 6-15

Note. Ranks 6-15 include the following groups: Jatke, Pohjola Rakennus, Peab, Varte, SRV, Lemminkäinen, Arkta, Lapti, Fira, Rakennuspetäjä.
Source: Varke

Years 2015-2025



Lujatalo Hartela Pohjola Rakennus Others
YIT Jatke Ranks 6-15

Note. Ranks 6-15 include the following groups: Skanska, NCC, Peab, Varte, Lapti, Fira, SRV, Pajala, Tencon, Arkta.
Source: Varke

Figure 25: The market shares of main contractors of state-subsidised developments

However, the concentration has slightly decreased in recent years. Between 2015 and 2025, the five largest groups were responsible for 35% of the state-subsidised new housing production, which totalled over 70,000 dwellings. During this period, the Jatke and Pohjola groups emerged among the top five main contractors in state-subsidised housing construction, and Lujatalo’s share rose to nearly 9%. Over the past ten years, the 15 largest main contractors accounted for 65% of production. In total, more than 150 different main contractors have built state-subsidised housing during this time.

7. INTERNATIONAL COMPARISONS

Next, Finland's housing system is briefly compared to international peer countries, focusing on public spending on housing and, on the other hand, housing costs. A more comprehensive overview of housing policies and systems across European countries can be found, for example, in reports published by Housing Europe.³³

7.1 Housing cost in Europe

According to OECD statistics, Finland's housing allowance expenditure relative to GDP is among the highest in Europe. In a European comparison, only the United Kingdom has higher expenditure (1.38% of GDP) than Finland (0.88%). Figure 26 shows the share of housing allowance expenditure as a percentage of GDP on the horizontal axis, and the share of social housing in the total housing stock on the vertical axis.³⁴ Measured by the share of social housing, Finland ranks in the middle among OECD countries, with social housing accounting for 10.5% of the total housing stock. However, it should be noted that regional disparities within countries can be just as significant as differences between countries, as demonstrated in this review of Finland.

In countries with the highest shares of social housing—such as Austria and the Netherlands—housing allowance expenditures relative to GDP are relatively low. Conversely, in the United Kingdom, the share of social housing is fairly large, but housing allowance spending is also high in relation to the size of the economy. Ireland and Iceland have social housing shares similar to Finland's, yet their housing allowance expenditures represent only a fraction of Finland's share of GDP. Denmark, with a clearly higher share of social housing than Finland, spends less of its GDP on housing allowances. France and Germany spend roughly as much as Finland on housing benefits

³³ A press release and the link to the 2023 State of Housing in Europe report can be found at: <https://www.housingeurope.eu/resource-1811/the-state-of-the-housing-in-europe-2023>.

³⁴ Figures 26 and 27 present the situation for those European OECD countries for which data is available for both indicators used in the respective figures. Some countries may be excluded due to differences in statistical methodologies.

in relative terms; however, France has a larger share of social housing than Finland, while Germany's share is smaller.

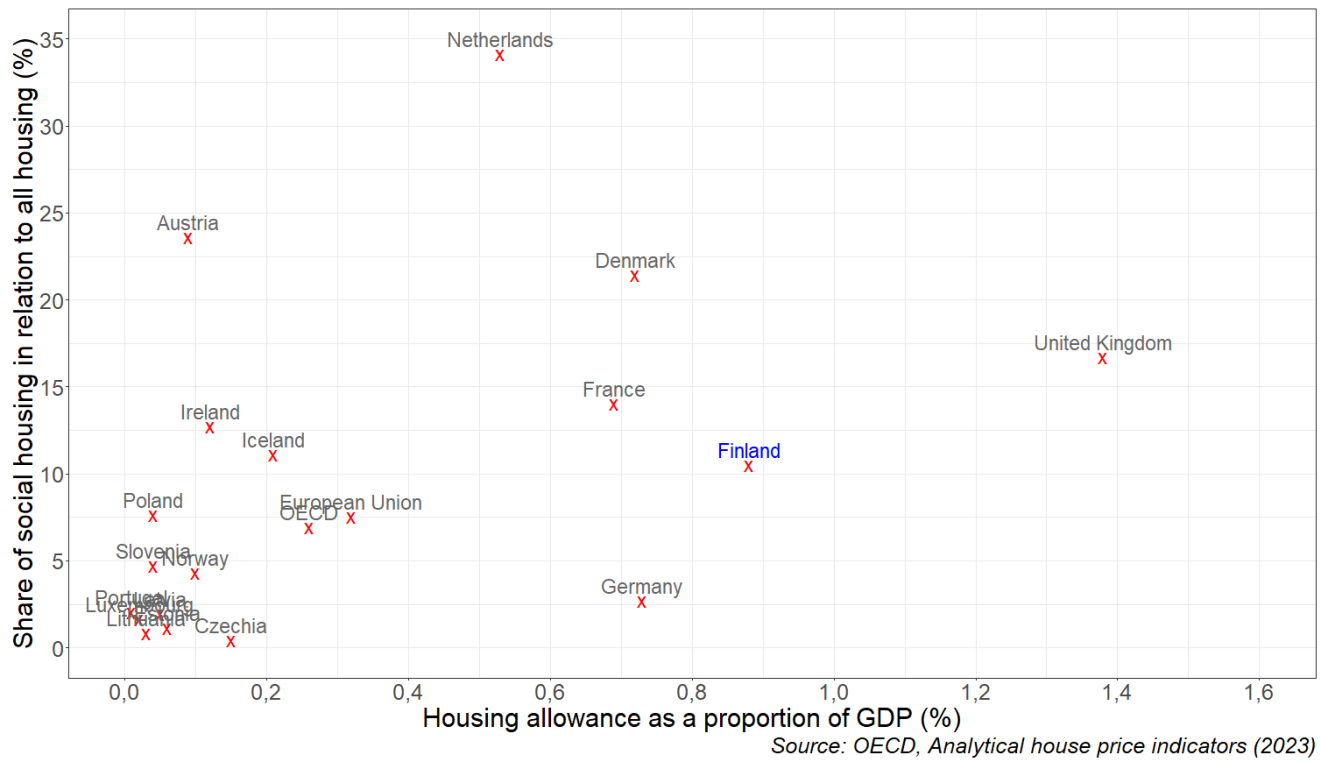


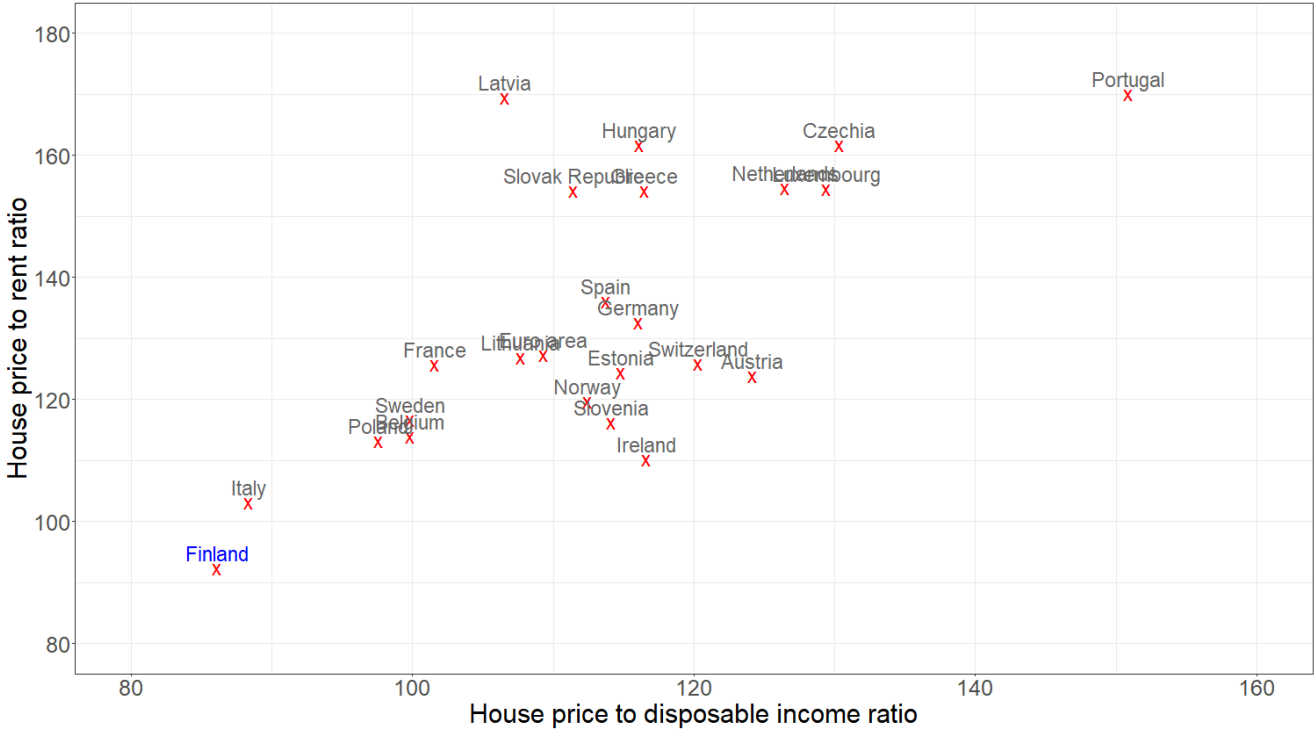
Figure 26: The proportion of housing allowance expenses relative to GDP and the share of social housing in European countries (2023)

Figure 27 presents the ratio of house prices to disposable household income on the horizontal axis, and the ratio of house prices to rents on the vertical axis for European OECD countries.³⁵ Across all countries, there is a fairly strong positive correlation between these two indicators: the higher (or lower) the house prices are relative to disposable income, the higher (or lower) the house price-to-rent ratio tends to be.

In Finland, the ratio of house prices to disposable household income is the lowest among the countries compared, meaning that housing is the most affordable in relative terms. On the other hand, Finland also has the lowest house price-to-rent ratio, indicating that rents are relatively high compared to house prices. Conversely, this implies that in Finland, rental prices are significantly high in relation to property values. Moreover, house price development in Finland has been the weakest among European OECD countries, while rents increased between 2015 and 2023 at a faster rate than in 11 other countries and the euro area on average.

³⁵ Both mentioned variables are indexed so that year 2015 is given the value 100.

In Italy, the ratio of house prices to income and to rents is similar to that in Finland. In countries such as Ireland and Austria, house prices are slightly lower in relation to rents, but especially when compared to Finland, house prices relative to disposable income are clearly higher. In contrast, Portugal – where, according to Figure 26, both the share of social housing and the share of housing benefits paid are low – has the highest ratio of house prices to disposable household income as well as to rent levels among the countries included. The situation in the Netherlands is somewhat similar to Portugal’s, although house prices there are not quite as high relative to income and rents.



Source: OECD, Analytical house price indicators (2023)

8. FUTURE OUTLOOK AND RECOMMENDATIONS

Finally, future prospects are assessed. The outlook for affordable housing and the phenomena influencing it are examined first. This is followed by an evaluation of the means through which the future of affordable housing in Finland can be secured.

The population forecast by the regional development consultancy MDI presents a similar picture of Finland's demographic trends—with strengthening urban growth centres and declining rural municipalities—as that of Statistics Finland. However, MDI's scenarios also take into account changes in immigration.³⁶ According to MDI's forecast, immigration can have a significant impact on the size of the working-age population and regional demographic trends, although even immigration will not have a major effect by 2040 on the declining number of school-age children or the considerably increasing number of elderly people. However, the forecast suggests that medium-sized cities in particular should focus on improving their ability to retain residents, as immigrants tend to continue relocating within the country to the largest cities. According to the report, one of the most important factors influencing retention is the availability of suitable housing solutions.

The Technical Research Centre of Finland (VTT) has studied the need for housing construction between 2025 and 2045.³⁷ Between 2000 and 2024, approximately 32,600 houses were built annually in Finland, although the number has varied significantly over the years. According to VTT's trend forecast, the housing production requirement between 2025 and 2045 will be 31,000 houses annually. This trend forecast uses the Ministry of Finance's population growth forecast, which is more moderate than the forecast presented in this report by Statistics Finland. If the latter forecast is used, VTT estimates that the housing production requirement would be 35,800 houses annually.

The growth in housing production requirements, according to VTT's forecasts, is based on natural population growth, immigration, the further rise of single-person

³⁶ MDI's Population Forecast 2024. The announcement and link to the forecast can be found at: <https://www.mdi.fi/vilkastuva-maahanmuutto-painottuu-tyoikaisiin-ja-kiihdyttaa-suurien-kaupunkiseutujen-kasvua/>.

³⁷ Vainio, T. (2025). Asuntotuotantotarve 2025–2045. Teknologian tutkimuskeskus VTT Oy. VTT Technology No. 435. ISSN 2242-122X. DOI: 10.32040/2242-122X.2025.T435. URL: <https://doi.org/10.32040/2242-122X.2025.T435>.

households, the reduction in the preference for institutional care for the elderly, and the earlier move of young people into their own homes. In the forecasts, the 14 largest cities account for approximately 85-86% of the housing production needs. Additionally, the forecasts show that the highest demand for housing production will occur between 2030 and 2035, after which it will decline.

8.1 The future of affordable housing

The future of affordable housing is challenged by several factors. The segmentation of demand between regions makes it difficult to respond to the demand, particularly when considering that many areas with declining populations have a significant, yet aging, state-subsidised housing stock. Inflation, along with changes in the prices of building materials and energy, complicates the planning of affordable housing providers and increases pressure to raise rents and service charges. Additionally, the cost and availability of financing may become problematic, especially in a highly concentrated market. There are particular challenges in availability, especially in smaller towns, which also have significant repair backlogs.

Moreover, the investment grant authorisation for special-needs groups is reduced to just 15 million euros in 2025, a significant cut from the already low 63 million euros level in 2024. In 2023, the investment grant authorisation was 120 million euros. Since housing projects for disabled people are promised to be secured, the reduction in authorisation means that, for instance, there will be no investment grants available in 2025 for housing projects for students and the elderly.

Energy efficiency requirements for residential buildings will tighten in the coming years. The revised Directive on the Energy Performance of Buildings (EPBD) mandates the construction of even lower-emission and more energy-efficient residential buildings, starting at the end of this decade. National building regulations are also undergoing reform. The new construction law came into force at the beginning of 2025, and carbon footprint limits for new buildings will apply from the start of 2026. Due to housing costs and environmental targets, construction projects and properties will need to be evaluated more comprehensively in terms of their entire lifecycle costs and emissions. On the other hand, the European Commission's Omnibus package, which aims to reduce regulations, would delay the reporting requirements under the Corporate Sustainability Reporting Directive (CSRD) and looks set to exempt state-subsidised housing providers from reporting obligations under the directive in the future.

Particularly, cuts in the interest-subsidised loan authorisation levels are often justified by counter-cyclical housing production policy: when private housing construction has been at a standstill in 2023 and 2024, state-subsidised housing construction has been increased, and conversely, private housing construction is expected to significantly pick up in 2026–2027, allowing for a reduction in state-supported production. The state housing fund called VAR will be incorporated into the state budget from 2026. This may make it more difficult to implement counter-cyclical housing policies in the future, as if state-subsidised housing production needs to be increased during the next economic downturn, the funds for this would have to come either from cutting other state expenditures or increasing taxes. However, this problem could be avoided by establishing a new fund outside the state budget.

8.2 Recommendations

At the time of writing, it is estimated that housing production in Finland in 2025 will remain at a historically low level, around 21,000 homes. Affordable housing production continues to compensate for the significant gap left by private sector construction this year, although its share has dropped to just over 30% compared to the previous year. On the other hand, there is currently a shortage of suitable land for affordable housing, which is slowing down production.

Privately funded housing construction is not expected to pick up significantly until the end of next year. The state-subsidised housing production loan authorisation for 2025 is €1.75 billion, €500 million less than the previous year, and the annual authorisation is expected to be reduced to about €1 billion in 2026 and 2027, which will naturally cut the volume of state-supported housing production accordingly.

1. It would be crucial for the construction sector that the interest subsidy loan authorisation level be maintained at €2.25 billion in 2025, as a prolonged downturn could lead to more long-term problems. If construction companies go bankrupt, it would slow down the initiation of new production, even if the market conditions would allow it. Unfortunately, bankruptcies have already been

observed in the construction sector.³⁸ Similarly, it would be important to reconsider the interest subsidy loan authorisation levels for 2026 and 2027, as a €2 billion loan authorisation for two years is based on a very uncertain assumption that private housing production will be operating at full capacity by the beginning of 2026. On this basis, increasing the interest-subsidy loan authorization to €1.75 billion in 2026 and €1.25 billion in 2027 would be advisable.

The investment grant for special-needs groups' housing production was €63 million in 2024, which was half of the previous year's authorisation. For 2025, the investment subsidy authorisation is being further reduced to just €15 million. Housing projects for people with disabilities are promised to be secured, so in practice, there will be no investment subsidies available for other special groups. For example, in March 2025, investment subsidy applications amounted to over €110 million, which is more than seven times the amount of the authorisation. The reduction in the investment authorisation further complicates the already challenging situation in the construction sector and makes it more difficult to meet the housing needs of the most vulnerable individuals.

2. The investment grant authorisation for special-needs groups should be increased by €50 million for the years 2025 and 2026 (to €65 million per year) in order to enable the initiation of housing production aimed, for example, at older people and students.

No new interest subsidy loans will be granted for right-of-occupancy housing production after 2025, meaning that, in practice, the construction of the last right-of-occupancy dwellings will begin in 2025. However, the Ministry of the Environment's 2024 report failed to identify a viable model to serve as an intermediate form between rental and owner-occupied housing.³⁹ This suggests that the right-of-occupancy housing

³⁸ Rakentaminen 2025–2026. Kevät 2025. Ministry of Finance, Construction sector's business cycle group. Publications of the Ministry of Finance 2025:8. ISSN: 1797-9714. URL: <https://julkaisut.valtioneuvosto.fi/handle/10024/166207>.

³⁹ Brotherus, J., & Kuronen, M. (2024). Study of an Interim Housing Model in the Largest Urban Districts. Publications of the Ministry of the Environment 2024:33. ISSN: 2490-1024. URL: <https://julkaisut.valtioneuvosto.fi/handle/10024/165836>.

system is the best available option between rental and owner-occupied housing. Around 100,000 Finns currently live in right-of-occupancy dwellings.

3. The production of right-of-occupancy housing should continue beyond 2025 to ensure diverse housing options for people of all income levels.

In addition to new construction, major and other renovations make up a significant part of activity in the construction sector. While the sector is currently struggling, the repair backlog in residential buildings continues to grow, and environmental and energy efficiency requirements are increasing the renovation burden on property owners. Renovation efforts are being held back not only by household uncertainty but also by the still significantly higher cost levels compared to a few years ago.

4. A temporary €50 million renovation grant should be introduced, with €20 million allocated to operators owning state-subsidised housing and €30 million to housing companies and detached houses. The grant should be awarded based on the energy efficiency impact of the proposed renovation.

Finland's housing market is deeply divided, particularly when looking at future prospects between regions experiencing population growth and those facing decline. This division is also reflected among operators owning state-subsidised housing. In areas with a shrinking population, the existing rental housing stock—mostly built between the 1970s and 1990s—may no longer match current demand. This can lead to low occupancy rates, resulting in financial challenges and pressure to increase rents.

5. It would be appropriate for the Ministry of the Environment to designate housing structure transition areas, where special measures would be targeted to stabilise the housing market and support the restructuring efforts of operators owning state-subsidised housing. This would require an annual allocation of €10 million over the next decade.

GLOSSARY

Arava – Authority, which organized low-interest loan funding for affordable, state-subsidised housing production.

Cost price principle – The rents and residence charges for state-subsidised apartments may be a maximum of what is necessary to cover the maintenance and financing costs of the apartment and its associated facilities, although a small portion may also be included for future repairs and a tiny profit for owner's equity.

CSRD – The Corporate Sustainability Reporting Directive came into effect in 2023 and requires organizations to report on the sustainability of their operations.

DVV – The Digital and Population Data Services Agency is a government agency responsible for maintaining the register of Finland's population and buildings.

EPBD – The Energy Performance of Buildings Directive, which latest version came into effect in 2024, aims to reduce emissions and energy consumption.

Guarantee loan – A loan with a state guarantee for the construction of normal rental apartments, which requires a guarantee fee of 0.5%. This type of housing is comparable to privately funded housing production.

Investment grant – A grant that can be applied for the implementation of specific housing solutions for special groups, ensuring that housing costs remain reasonable.

Interest subsidy loan – The government can cover part of the interest costs of a loan granted by a financial institution for the construction or renovation of an affordable housing project. This also includes a state guarantee. The maximum loan-to-value ratio is 95%. The duration of a long-term interest subsidy loan is 40 years, while a short-term interest subsidy loan lasts for 10 years. The interest subsidy decreases over time.

Intermediate model of 2009–2010 – A model created during the financial crisis to increase state supported housing production. Production was based on short-term interest subsidies, did not include rent or tenant selection restrictions and was comparable to privately financed housing.

KOVA ry – Finnish Affordable Housing Companies' Federation. Organization for rental and right-of-occupancy housing companies.

MuniFin – A credit institution owned by Finnish municipalities and the state, aimed at securing financing for the municipal sector and ARA housing operators. Also known as Municipality Finance Plc.

MDI – A consulting agency for regional development, specializing in the development of municipalities and regions, as well as regional population forecasts.

Normal state-subsidised rental apartment – A state-subsidised rental apartment not designated for special-needs groups.

OECD - Organisation for Economic Co-operation and Development is an organization established in 1961 with the aim of promoting economic growth and free trade among its 37 member countries.

Rental apartment for special-needs groups – Affordable state-subsidised rental apartments intended for special groups, such as students or the elderly, which may include specific housing solutions required by these groups.

Residence charge – A monthly fee determined on a cost price principle for right-of-occupancy apartments.

Right-of-occupancy apartment – An intermediate of ownership and rental housing, where the resident acquires the right of occupancy by paying a 15% right-of-occupancy fee and pays a monthly residence charge.

Self-financing interest rate – The interest rate on which the government agency, State Treasury, pays up to 90% of the excess portion to the borrower.

State Treasury – An agency that is part of the Ministry of Finance, responsible for managing the interest-subsidized loans granted by Varke.

Supplementary guarantee – A secondary security for apartments built or renovated with state interest subsidies, which is activated and payable by the government if the primary securities, namely the residential building and its land, are insufficient to cover the outstanding loan.

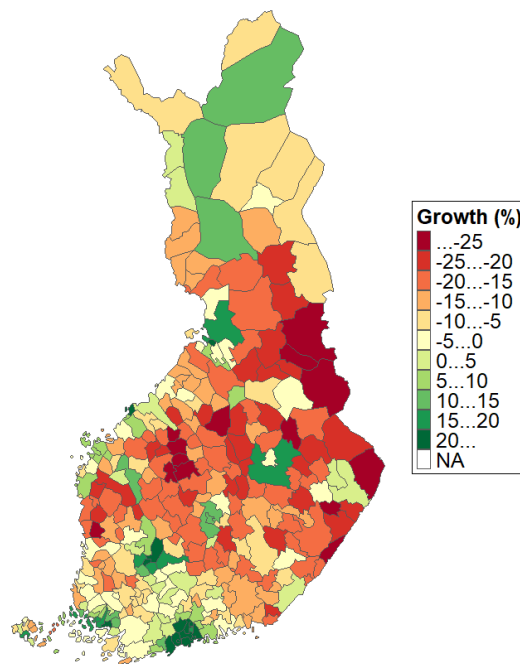
Usage and transfer restrictions – Housing built with government support is subject to usage and transfer restrictions, which pertain to aspects such as the use of the apartments, the transfer of the apartments, tenant selection, and the determination of rents and residence charges. The restrictions on rental apartments are temporary, while the restrictions on right-of-occupancy apartments are permanent.

VAR – An off-budget state housing fund called Valtion asuntorahasto whose resources are used for housing and its development. It will end at the end of 2025, after which the funding for housing development will be incorporated into the state budget.

Varke – Centre for State-Subsidised Housing Construction (formerly The Housing Finance and Development Centre of Finland, ARA) is an agency under the Ministry of the Environment responsible for implementing the government’s housing policy, including granting subsidies for the production of affordable rental and right-of-occupancy housing.

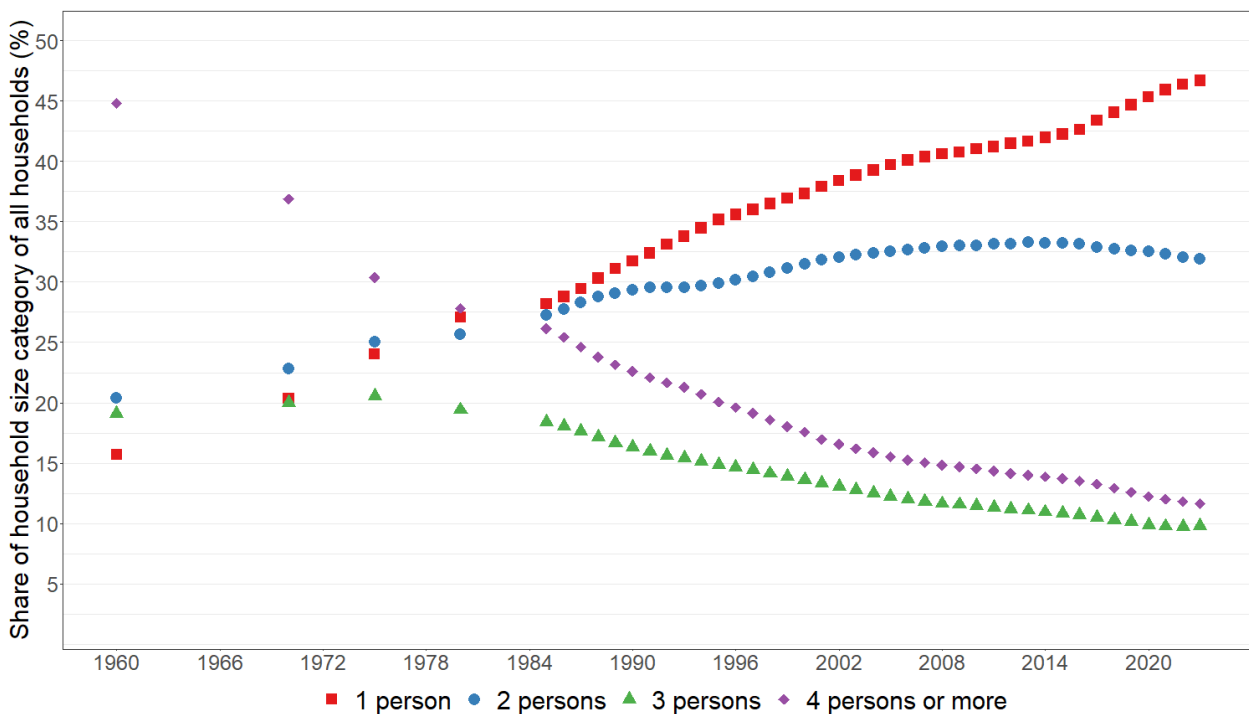
VTT – Technical Research Centre of Finland is an applied research institute under the Ministry of Employment and the Economy

APPENDIX



Source: Statistics Finland, population projection (2024)

Figure 28: Population growth 2024–2045



Source: Statistics Finland, dwellings and housing conditions, households by size and the average household size 1960–2020 and Statistics Finland, dwellings and housing conditions (2023)

Figure 29: Annual share of household size categories of all households (1960–2023)

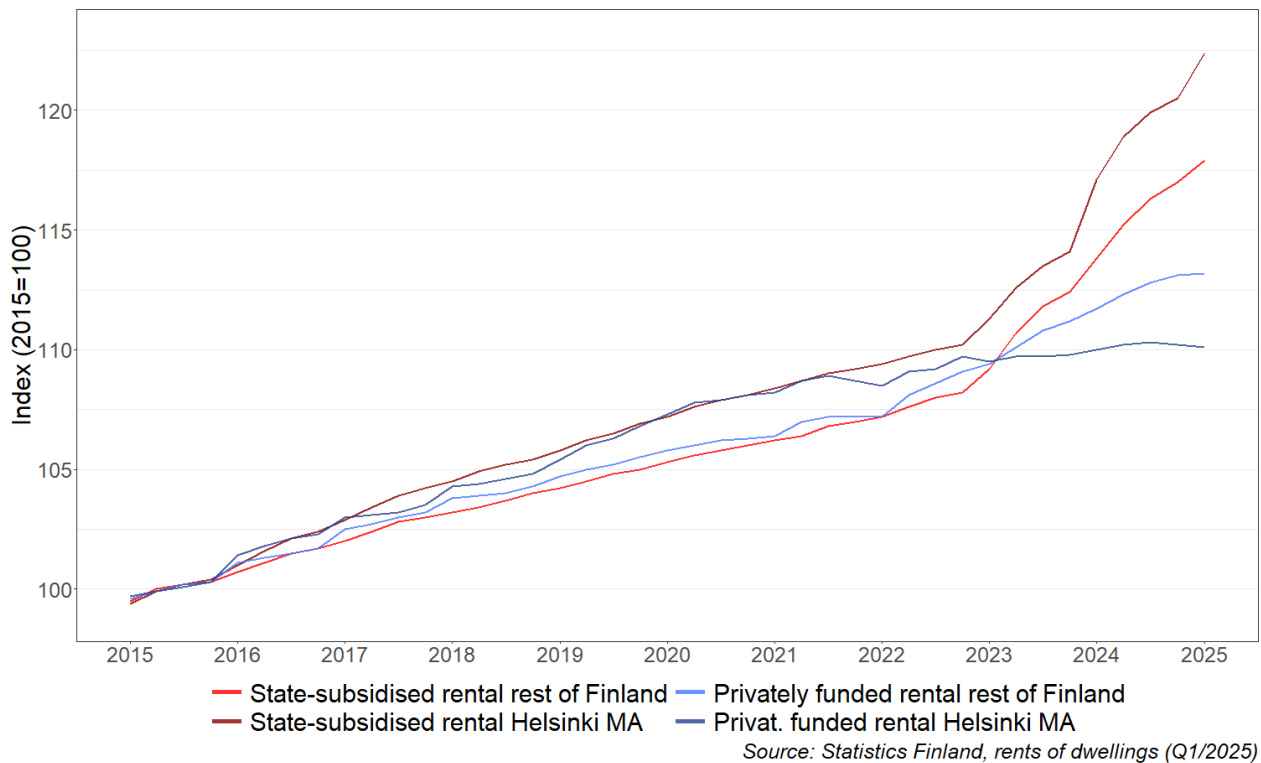
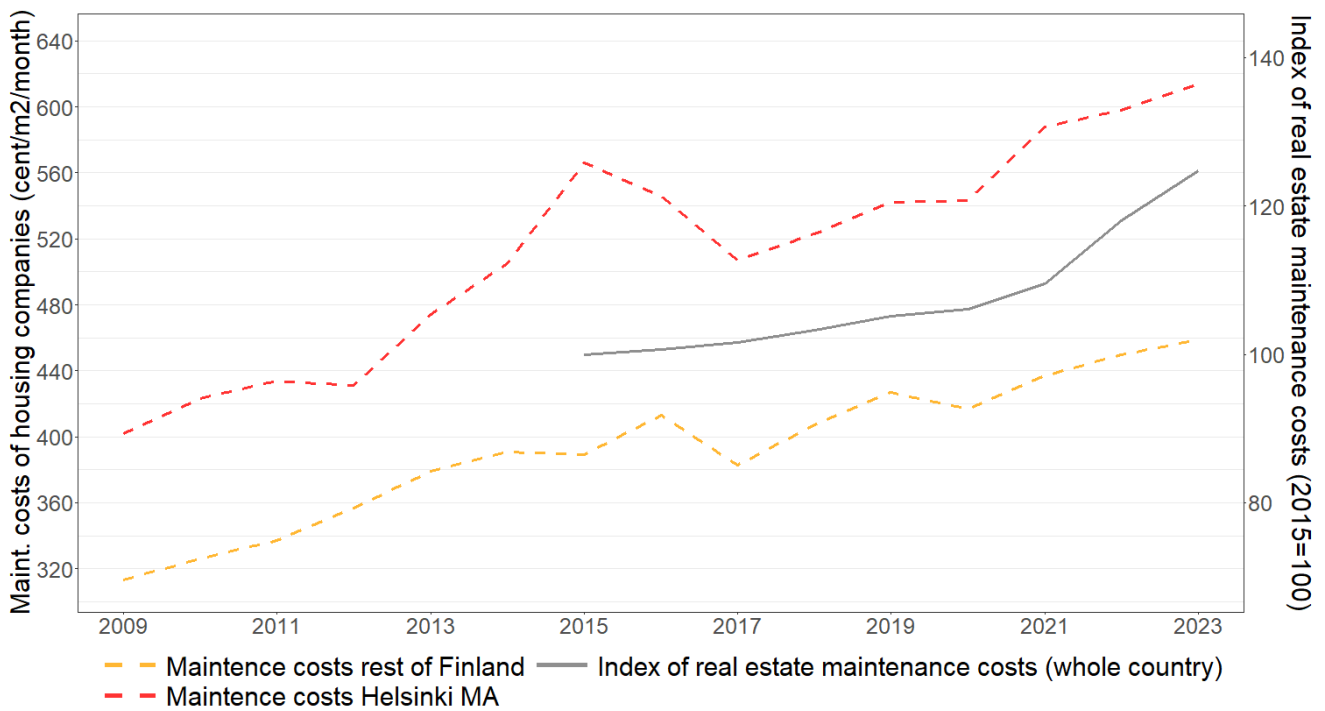


Figure 30: Rental index by quarter (2015–2025)

Table 1: Comparison of housing tenure types in Finland

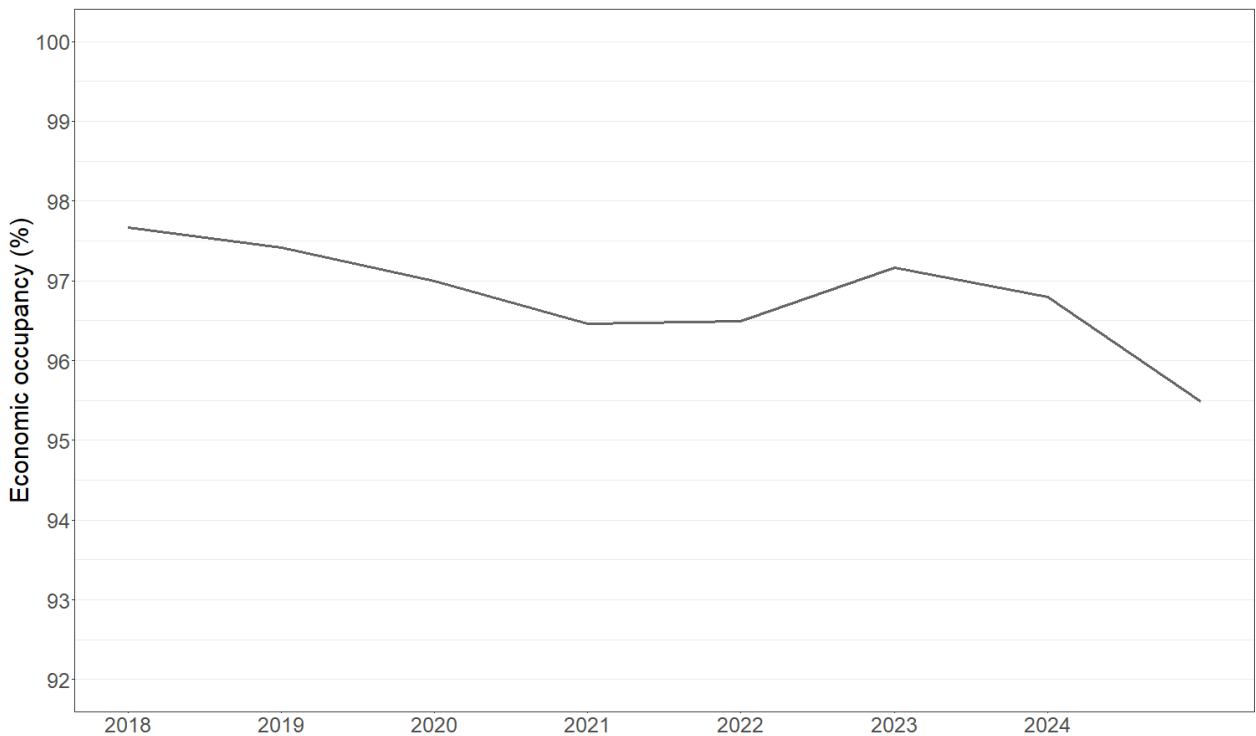
	Owner-occupied dwellings	Share	Privately funded rental dwellings	Share	State-subsidised rental dwellings	Share	Right-of-occupancy dwellings	Share
Number of residents	3754000		1 010 000		481 000		100 000	
Household size								
- 1 person	609000	16 %	494 000	45 %	183 000	38 %	26 000	26 %
- 2 persons	1329000	35 %	318 000	29 %	120 000	25 %	32 000	32 %
- 3 persons	612000	16 %	127 000	12 %	72 000	15 %	17 000	17 %
- 4+ persons	1203000	32 %	161 000	15 %	106 000	22 %	25 000	25 %
Number of apartments	1745000		730 000		290 000		53 000	
Number of rooms								
- 1 room	76000	4 %	256 000	35 %	78 000	27 %	4 000	8 %
- 2 rooms	345000	20 %	321 000	44 %	139 000	48 %	22 000	42 %
- 3 rooms	443000	25 %	112 000	15 %	56 000	19 %	16 000	30 %
- 4+ rooms	877000	50 %	39 000	5 %	16 000	5 %	11 000	20 %
- Unknown	3000	0 %	2 000	0 %	1 000	0 %	0	0 %
Building type								
- Detached or semi-detached house	1003000	57 %	34 000	5 %	2 000	1 %	3 000	5 %
- Row house	242000	14 %	76 000	10 %	47 000	16 %	12 000	22 %
- Block of flats	489000	28 %	599 000	82 %	232 000	80 %	39 000	73 %
- Others	11000	1 %	20 000	3 %	9 000	3 %	0	0 %
Average size of apartment (m²)	81		45,1		49,3		66,1	
Average price								
- Acquisition value (€/m ²)	2548							
- Rent (€/m ² /month)			16,84		13,30			
- Residence charge (€/m ² /month)							13,69	

Note. The figures are presented with a precision of thousands. Here, the space (" ") is used as the thousand separator and the comma (",") as the decimal separator.
Source: Statistics Finland, dwellings and housing conditions (2023), Statistics Finland, rents of dwellings (Q1/2025), Statistics Finland, prices of dwellings in housing companies (Q1/2025), The Social Insurance Institution of Finland, statistical database, general housing allowance (2024) and KOVA's statistical survey (2025)



Source: Statistics Finland, finance of housing companies (2023) and Statistics Finland, index of real estate maintenance costs (2023)

Figure 31: Annual maintenance costs for housing companies and the cost index for property maintenance in residential apartment buildings (2009–2023)



Source: KOVA's statistical survey (2018-2025)

Figure 32: Annual economic occupancy rate of the state-subsidised housing stock (2018–2025)

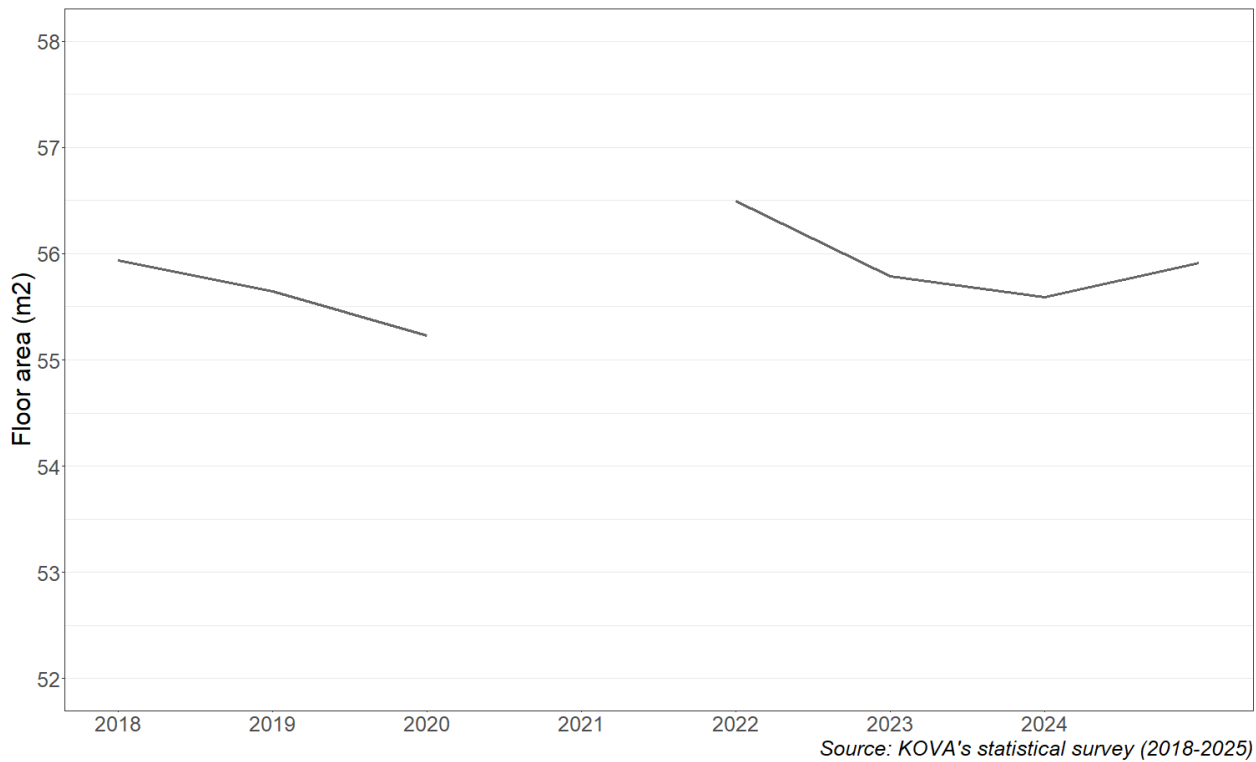


Figure 33: Annual average floor area of state-subsidised housing stock (2018–2025)

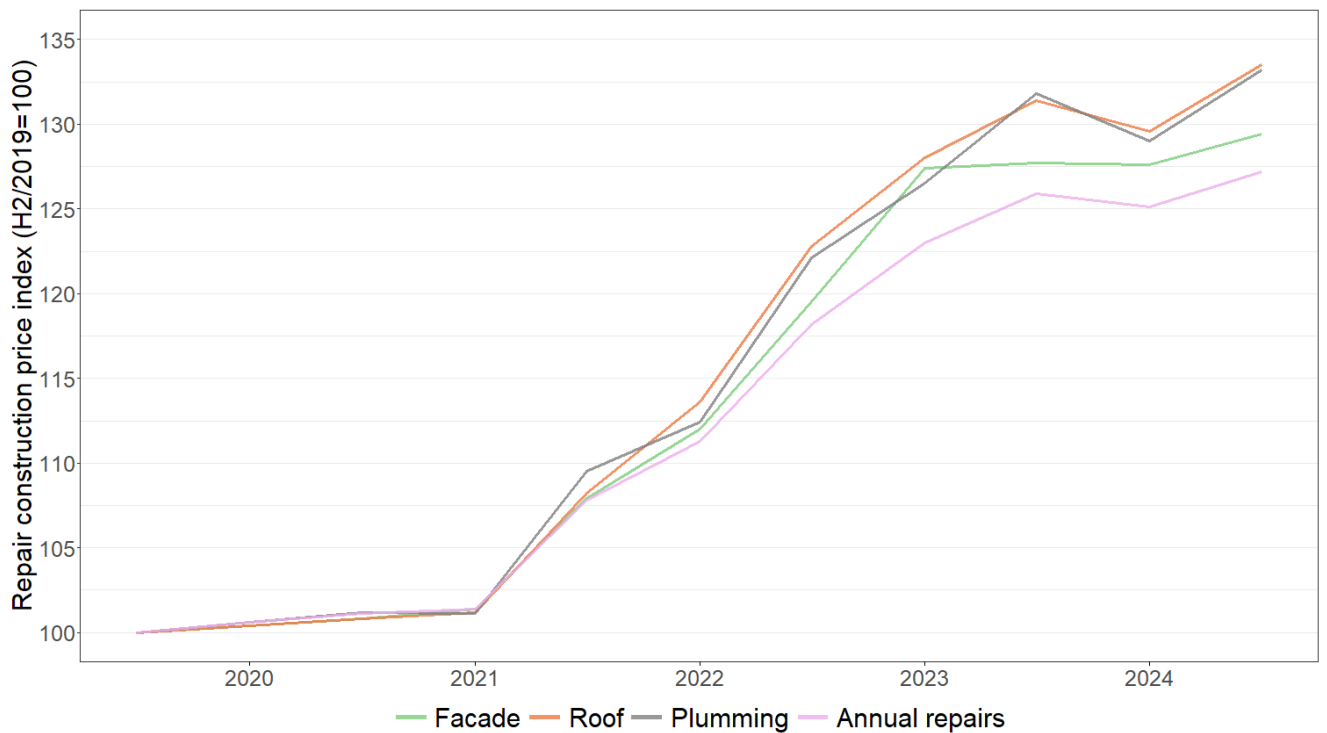


Figure 34: Semi-annual price indicators for renovation construction in residential buildings (2019–2024)