

# Residential Market in Finland

Rakli-Taaleri joint paper

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## January 2026

### Executive summary

- **The long-term outlook of the Finnish residential market is positive.** Population growth is forecasted to continue stronger than in many other European cities over the next 15 years. Similarly to other Nordic countries, Finland saw considerable growth in residential construction during the zero-interest rate period and a considerable reduction following the start of the conflict in Ukraine. Simultaneously, housing demand will continue to grow in larger cities and new residential housing construction will remain significantly under the estimated demand for new housing over the next few years. As a result of immigration, population growth and the expected decrease in household size, the need for housing will grow significantly by 2045. Approx. 31 000–35 800 new apartments and properties will need to be built annually over the next 20 years.
- **The rental market is at a turning point and is already showing signs of recovery.** Supply constraints and solid demand outlook are starting to show in rents and occupancy rates. The oversupply of rental homes has slowly started to unfold. Population growth has been strong in large cities and we are expecting a reduction in supply over the next few years. Strong population growth combined with very little free-market construction will support a pick-up in rents and occupancy rates.
- **The Finnish residential investment market has outperformed Europe in the long-term.** According to our analysis, the Finnish residential market has produced higher returns compared to the European average. If we compare a 5-year and a 10-year average of total returns, measured by the INREV Quarterly Residential Index for Europe and KTI Property Index for Finland, we find that the Finnish residential market has outperformed Europe. Over a 5- and 10-year period, Finland has stronger performance in terms of both capital growth and income return compared to Europe.
- **The current market conditions and liberal rent regulation provide opportunities for international investors.** Following a few slower years, the Finnish institutional real estate investment market has seen strong growth in 2025, driven by a significant pick-up in foreign investor demand. Total institutional real estate transaction volume increased by approx. 86 percent in 2025 compared to 2024, whereas residential transaction volume has increased from 590 million euros in 2024 to approx. 890 million euros in 2025. The Helsinki Metropolitan Area and growing cities of Tampere and Turku provide the most promising prospects for international investors, with sound fundamentals and attractive going-in valuations. Furthermore, the rent regulation framework in Finland is one of the most liberal in Europe, which provides a favourable operating environment.

# 1) Current market conditions

With steady population growth and promising housing demand prospects, three of the largest cities in Finland offer promising opportunities for institutional investors. The population of the Greater Helsinki area is approx 1,3 million. Population growth in the Helsinki Metropolitan Area is forecasted to be stronger than in many other European cities over the next 15 years (chart 1). Furthermore, population growth is steady in the top three largest cities in Finland (chart 2). While population growth plateaued during the COVID-epidemy, it has picked up again due to high immigration and is expected to meet the long-term trend in the forthcoming years.

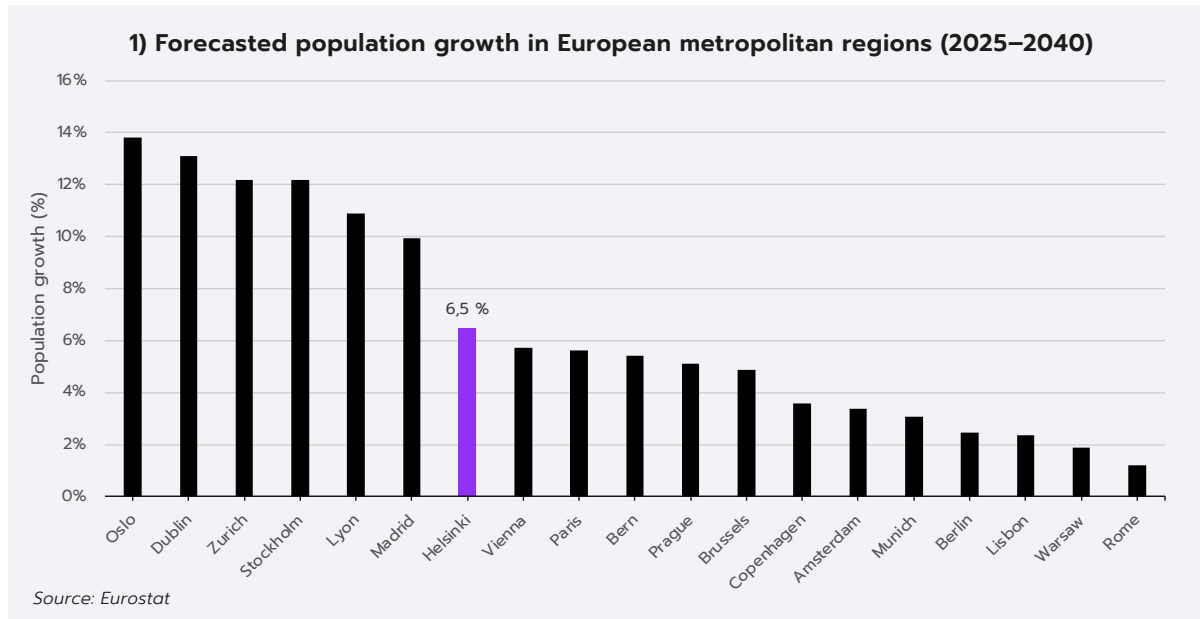


Chart 3 illustrates the changes in residential construction in three of the largest cities in Finland over the past 15 years. Similarly to other Nordic countries, Finland saw a significant increase in residential construction during the zero-interest rate period. In the Helsinki-Uusimaa region (of which Greater Helsinki is 2/3 in terms of population), new construction

increased from approx. 11 000 (2014) to over 20 000 (2023). Similarly, housing construction doubled in Tampere-Pirkanmaa and Turku-Varsinais-Suomi regions.

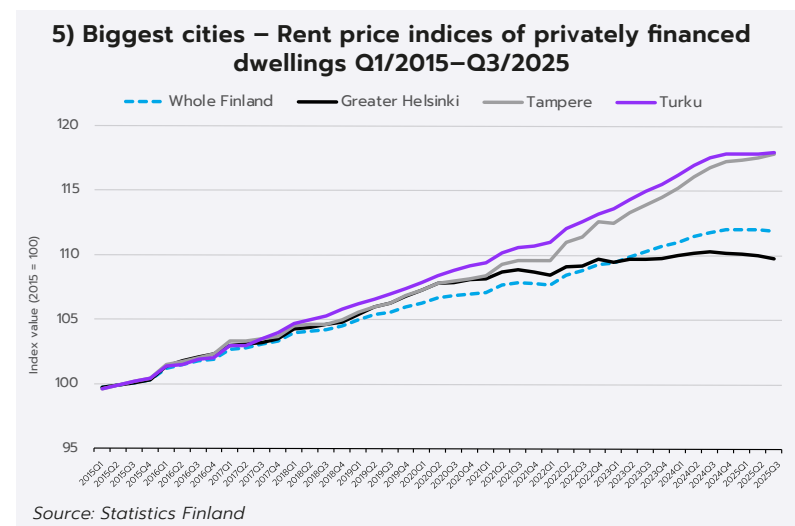
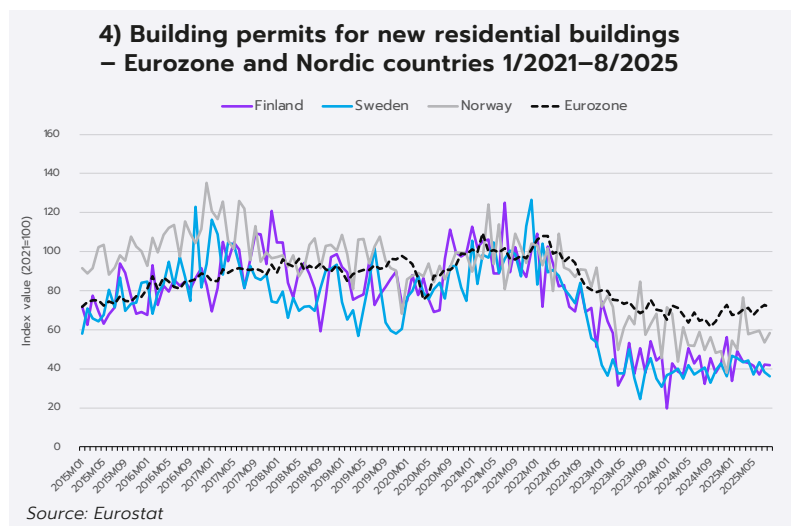
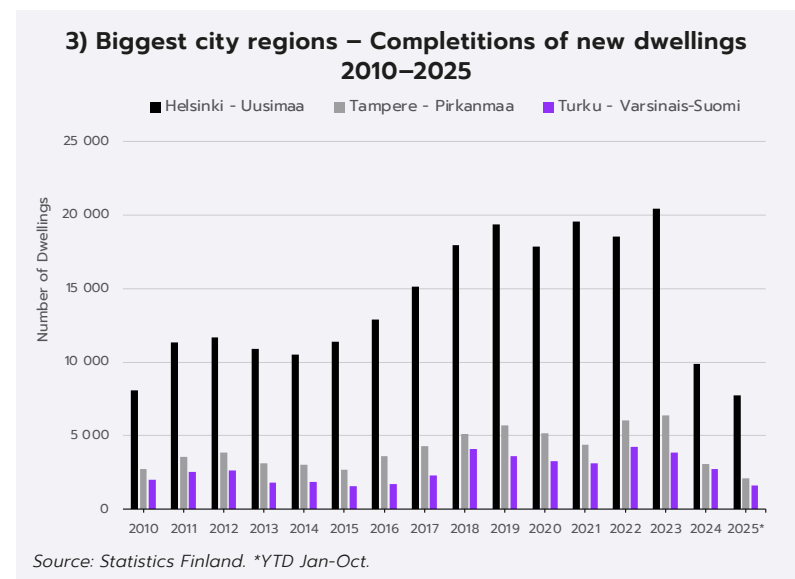
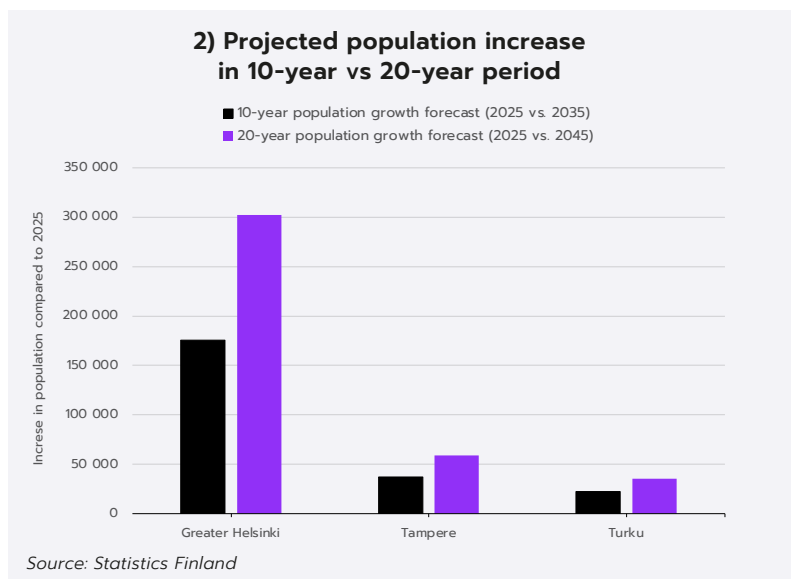
Residential construction plummeted after the rapid rise in construction costs and interest rates, following the start of the conflict in Ukraine

(chart 4). Residential construction took a deeper dive in Finland compared to our Nordic peers or the eurozone average. Housing completions are expected to slowly return to growth, with housing starts expected to rise to approx. 20 000 in 2026 from approx. 16 500-17 500 expected for 2025. Overall, new residential

housing construction will remain significantly under the estimated demand for new housing over the next few years.<sup>1</sup>

Housing market recovery has been slow so far. However, transaction volumes are slowly picking up in the owner-occupied

<sup>1</sup>Rakli, VM Raksu, Rakennusteollisuus, VTT.



market and we are expecting residential construction to return to growth from 2026 onwards. The temporary supply bulge of free-market rental homes, that is now unwinding, has weighed on rents and occupancy rates over the last few years (chart 5). Most of the oversupply is located in the Greater Helsinki region, whereas the rental market is already much more balanced in other large cities such as Tampere and Turku, where free-market rental growth has been much stronger.

## Rental market

The Finnish rental market is at a turning point. Supply constraints and solid demand outlook are starting to show in rents and occupancy rates. The oversupply of rental homes has slowly started to unfold, as shown in chart 6. Looking at the whole country, the highest peak in the total number of listings appears to be behind us. The number of listings is already decreasing in the Greater Helsinki region and in Tampere. There is a small increase in the Turku region, which is partially driven by seasonal factors.

Population growth has been strong in large cities and we are expecting a significant reduction in oversupply over the next few years. According to the Oxford Economics Global Cities Index, both Helsinki and Tampere are amongst the top 150 cities in the world<sup>2</sup>. Strong population growth combined with very little free-market construction will support a pick-up in rents and occupancy rates. The rental market in the Greater Helsinki area is already showing signs of recovery.

Despite continued weak growth in rents, occupancy rates in the Helsinki Metropolitan Area increased to 93,8 percent in the third quarter of 2025, compared to 91,3 percent a year ago<sup>3</sup>. In contrast, the city of Tampere stands out with the highest occupancy rate out of all the larger cities (nearly 97 percent) and with much stronger rental growth over the past four years. Compared to the capital area, Turku is also showing stronger growth in rents over the past four years and a higher occupancy rate in the third quarter of 2025 (nearly 95 percent).

<sup>2</sup> Oxford Economics. Cities are assessed based on various criteria related to economics, human capital, quality of life, environment and governance.

<sup>3</sup> KTI.

Rental growth has been very modest compared to real income growth in Finland, whereas other major European markets have seen much higher increases in recent years. The rent-to-disposable income ratio in Helsinki is significantly lower than in most European and other Nordic cities (chart 7). In other Finnish cities, the ratios are even lower. The gap between income and rent levels suggests resilience in rent collection and supports long-term income stability for residential investors.

## Capital markets

Private investment into residential real estate has supported the growth in construction: During the last 10 years, roughly 16 billion euros has been invested in Finnish residential assets (chart 8). The Land use, Housing and Transport Agreements have been instrumental in ensuring the sufficient share of land for residential construction.

The share of foreign investors has grown significantly in the Finnish institutional real estate investment market. Over the past 10 years, foreign investors have accounted for more than half of annual transactions on average, making Finland one of the most international property investment markets in the world. Finland's country risk is considered low and foreign investor demand has continued to strengthen over time.<sup>4</sup>

Following a few slower years, the Finnish institutional real estate investment market has seen growth in 2025, driven by a significant pick-up in foreign investor demand. Total transaction volume increased by nearly 95 percent in 2025 compared to 2024. Residential transaction volume has increased to approx. 950 million euros in 2025, with a significant increase from 2024 (590 million).<sup>5</sup>

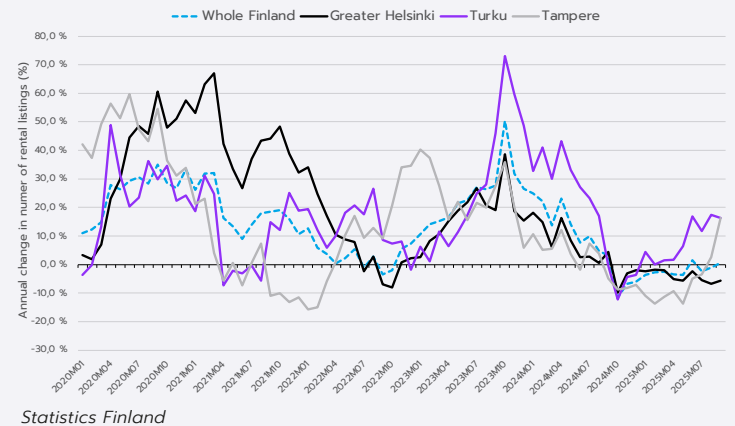
The decline in house prices (chart 9) over the past few years offers reasonably priced opportunities for investors. Residential prime yields have decreased slightly to 4,3 percent in the Helsinki Metropolitan Area in the third quarter of 2025. Residential prime yields were slightly higher in the Helsinki Metropolitan Area compared to Nordic peers such as Stockholm (2,75%) and Copenhagen (4,15%).<sup>6</sup>

<sup>4</sup> Rakli, Retta, KTI.

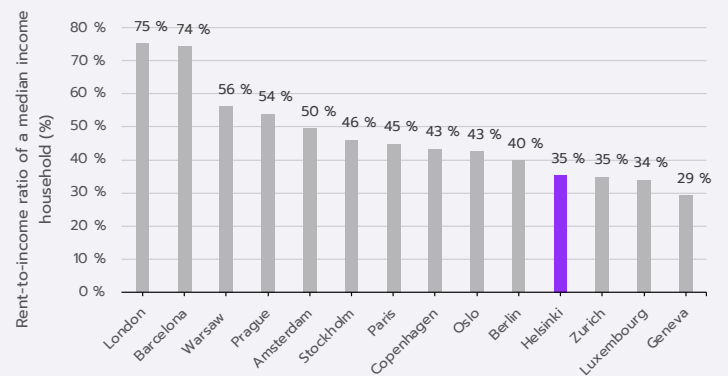
<sup>5</sup> KTI. Transaction data has been updated on the 15<sup>th</sup> of January 2026.

<sup>6</sup> Catella.

### 6) Number of rental listings – Year-on-year change 1/2020–9/2025

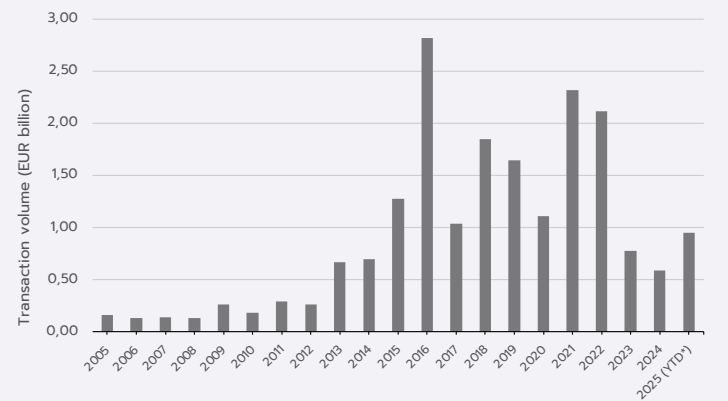


### 7) Renting costs' share of median disposable income per household\*



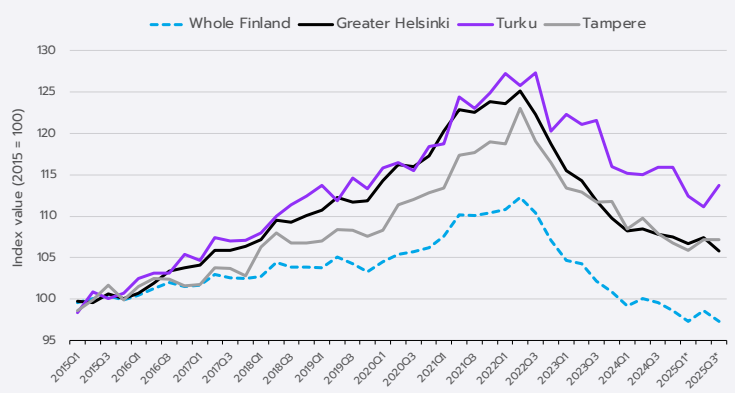
Source: Deutsche Bank Research Institute. \*Average rent for a one-bedroom apartment in the city centre vs. average net salary (2025).

### 8) Institutional real estate market – Residential transaction volume 2005–2025\*



Source: KTI. \*Transaction data has been updated on the 15th of January 2026.

### 9) Price indices of old dwellings in housing companies Q1/2015–Q3/2025



Source: Statistics Finland

## 2) Long-term outlook

Despite short-term headwinds, the long-term demand outlook is very strong in Finland. Population growth is forecasted to be strong over the next 20 years, especially in the Helsinki Metropolitan Area, Tampere and Turku (chart 10). Immigration and urbanization are driving population growth (chart 11). Net immigration was strong in the first half of 2025, albeit slower than record levels seen in early 2024. The Greater Helsinki area accounts for more than half of forecasted total population growth between 2025 and 2045. The population is expected to exceed 1,5 million by 2045, with the population growing by more than 23 percent compared to 2025.<sup>7</sup> The long-term growth outlook in the Helsinki Metropolitan Area is high and comparable to the

<sup>7</sup> Rakli, Statistics Finland.

	Whole country	Espoo	Helsinki	Jyväskylä	Oulu	Tampere	Turku	Vantaa	Kuopio	Lahti	Pori
Population forecast 2025	5 670 224	329 135	697 135	150 839	219 918	264 721	208 059	257 560	127 119	121 590	82 821
Population forecast 2045	6 090 802	426 115	836 250	166 299	252 023	323 629	243 698	321 240	144 769	123 985	79 083
Percentage change in population from 2025 to 2045	7,4 %	29,5 %	20,0 %	10,2 %	14,6 %	22,3 %	17,1 %	24,7 %	13,9 %	2,0 %	-4,5 %

Source: Statistics Finland

growth of Vienna, Budapest, Prague, Munich, Bologna and London<sup>8</sup>.

As a result of immigration, population growth and the expected decrease in household size, the need for housing will

<sup>8</sup> The Joint Research Centre: EU Science Hub.

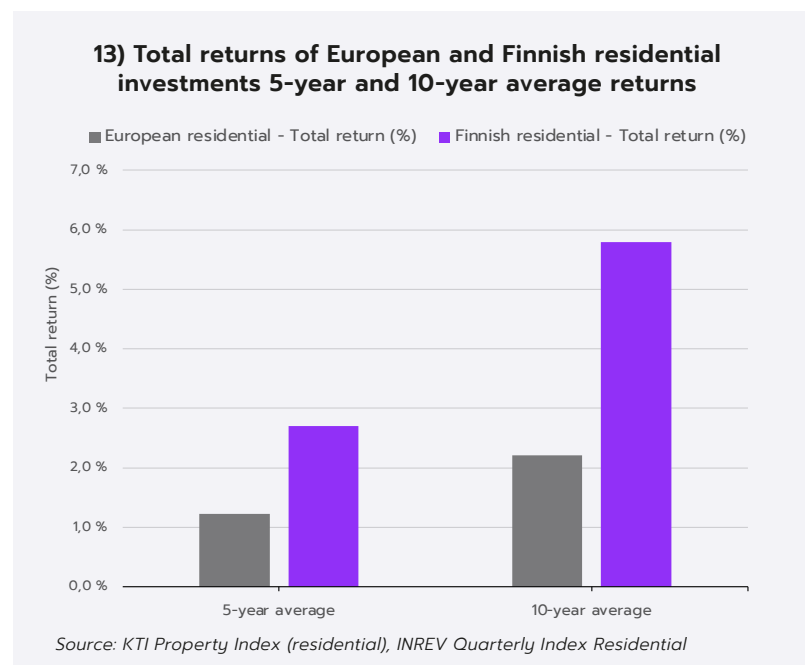
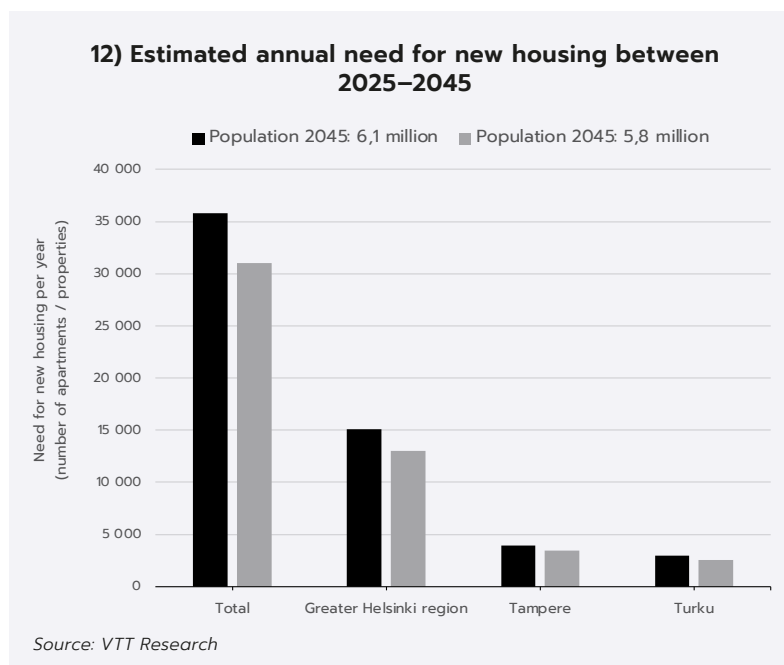
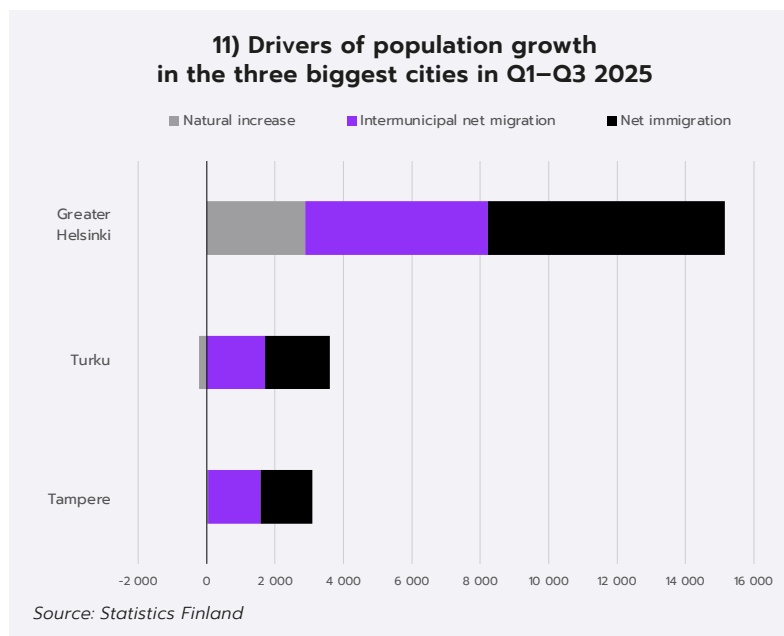
grow significantly by 2045. Approx. 31 000–35 800 new apartments and properties will need to be built annually over the next 20 years, depending on the assumptions made on population growth<sup>9</sup>. The diversion among forecasters results from differing opinion regarding the future path of immigration in Finland. However, all forecasts assume that immigration is expected to remain at least moderately strong and higher than in past few decades. There are also significant regional differences in population growth and housing demand. As a result of demographic factors, future housing demand will be concentrated around major cities, whereas population and housing demand are declining in many areas. Nearly half of total housing demand will focus on the Greater Helsinki area (chart 12).<sup>10</sup>

<sup>9</sup> The housing forecast has been made based on two scenarios - the higher population forecast by Statistics Finland and a more conservative population forecast by the Ministry of Finance.

<sup>10</sup> Rakli, Tilastokeskus, VTT.

The Finnish residential investment market has outperformed Europe in the long-term. According to our analysis, the Finnish residential market has produced higher returns compared to the European average. If we compare a 5-year and a 10-year average of total returns, measured by the INREV Quarterly Residential Index for Europe and KTI Property Index for Finland, we find that the Finnish residential market has outperformed Europe (chart 13). Over a 5- and 10-year period, Finland has shown stronger performance in terms of both capital growth and income return compared to Europe. Finnish market returns have taken a slightly deeper dive over the past two years compared to the European average. This is mostly due to negative capital growth, whereas income return has remained positive.<sup>11</sup>

<sup>11</sup> KTI, INREV.



### 3) Overview of the Finnish Residential Market

Residential real estate has been a cornerstone of Finnish institutional real estate portfolios since the inception of the market in 1990's. From investor's perspective, the Finnish market provides a stable operating environment with transparent, liberal regulation and promising long-term demand prospects. From consumer perspective, the Finnish residential markets stand out with reasonable pricing and availability even in larger cities, both for rental and owner-occupied dwellers.

The overall number of dwellings in use in Finland is 2,8 million,

out of which approx. 1 million are rental apartments and the rest mainly owner-occupied dwellings. Two-thirds of the rental apartments are privately financed. It is estimated that 285 000 of these are owned by institutional investors and 385 000 by private individuals.

Approx. 347 000 rental apartments are rent-controlled social housing that have been built in with state-subsidized financing. Majority of these are affordable housing for low-income households, but 106 000 apartments have been built

for special vulnerable groups, including the elderly, students, individuals with disabilities, those recovering from mental health or substance abuse challenges, and people at risk of homelessness.

For international investors, the Helsinki Metropolitan Area and growing cities of Tampere and Turku provide the most promising prospects. The urban area we refer to here as Greater Helsinki is comprised of four municipalities that form the capital region of Finland, namely Helsinki, Espoo, Kauniainen and Vantaa. The number of apartments in Greater

Helsinki is approximately 660 000, of which 350 000 are owner-occupied (53 %) and 290 000 (44 %) are rental apartments. Roughly 100 000 rental apartments are rent-controlled social housing.

Privately financed rental apartments are the main investment product for institutional investors. The invested stock stands currently at 33,6 billion euros. Since 2019, the stock has grown by approx. 37 per cent. The average annual residential transaction volume has been 1,6 billion euros during the last ten years, having varied between 0,6 billion (2024) and 2,8 billion (2016).

#### FACTS about the Finnish Residential Market: Typical holding structures and building types

- The most typical holding structure for Finnish residential is by owning (typically all) the shares of a mutual residential real estate company (MREC). The MREC owns (or leases) the land and buildings on it. The shares in MREC are linked to the ownership of the individual apartments, and as an owner, the investor is directly the counterparty in most agreements concerning the apartment, including the lease. Thus, there's no need to transfer lease payment or maintenance cost through the MREC structure. The stamp duty for MREC transactions is 1,5 percent. MREC structure easily allows for an exit through the sale of individual apartments.
- Typical rental buildings are 4-6 stories high, with 4-6 apartments per floor per stairwell. In private rental buildings, most apartments are small studios or one-bedroom apartments. A studio is typically 23-28 square meters, one bedroom 35-45 square meters, two bedroom 55-70 square meters and three bedrooms 70-100 square meters. All apartments are equipped with kitchen and bedroom closets. In apartments built after 2000, ensuite saunas are common adjacent to the main bathroom. Most apartments have access to a private balcony or terrace, with retractable glazings.
- Parking spaces can be typically rented against a monthly fee. Parking space includes typically an electricity outlet for engine block heater and in newer buildings, a charger for electric car. Communal facilities in the building typically include bike garage, small storage facilities for each apartment and a sauna, which tenants can rent on a one-hour-per-week basis.

#### Rent regulation

The rent regulation framework in Finland is one of the most liberal in Europe. From an investor's perspective, the liberal rent regulation in Finland provides a favourable operating environment. In Finland, renting an apartment is based on laws and market practices<sup>12</sup> that define the rights and responsibilities of landlords and tenants. Rental agreements can be either fixed-term or non-fixed and should include details like rent amount, payment terms, lease duration, and any rent increase conditions. Rent is typically paid monthly, and landlords may

require a security deposit, usually equivalent to 1-3 months' rent (3 months' rent is the maximum).

Tenants have the right to receive the apartment in the agreed-upon condition and are responsible for its upkeep. They are only liable for damage caused by their own negligence, while major repairs are the landlord's responsibility. The landlord has the right to inspect the apartment periodically to ensure it is well-maintained and safe.

Lease termination terms vary by agreement type. Open-ended leases require a one-month notice period from tenants, while landlords must provide 3-6 months' notice. Fixed-term leases cannot be terminated before the end date without a valid reason. Rental demand varies by location, with higher rental prices typically seen in the Helsinki metropolitan area.

The Act on Residential Leases regulates all rental agreements, and in cases of dispute, tenants

and landlords may seek assistance from consumer advisors or legal aid. Rental apartments are listed on various rental portals, and

low-income renters may qualify for housing benefits through the Social Insurance Institution of Finland (Kela).

#### FACTS about the Finnish Residential Market: General housing allowance

- General housing allowance is a benefit paid by Kela (the Social Insurance Institution of Finland) to individuals who need financial support to cover their housing costs. The purpose of the allowance is to alleviate the financial burden caused by housing expenses.
- General housing allowance can be granted to individuals whose income is low in relation to their (reasonable) housing costs. The benefit is intended for people who permanently reside in Finland. General housing allowance can be used for covering various housing costs, such as rent paid for a rented apartment and related water and heating costs.
- The amount of housing allowance is calculated individually based on the applicant's income and expenses. The amount of the allowance may vary depending on factors such as income, family situation, and housing costs.

<sup>12</sup> Key landlord and tenant associations have agreed on recommended rental practices, called Fair Rental Practices. Fair rental practices are recommended for residential leases especially if the parties have not agreed anything on possible upcoming issues and the law does not state anything specific on a certain issue. However, if the parties have agreed on practices regarding the lease, they are followed according to the agreement. Source: Finnish Landlord Association.