

A growing importance of rental housing

The Finns love their cottages, together with a sauna, by one of the '1000' lakes. They also like to tango and they used to invest in Nokia, and still invest in housing. Like Australia, 70% of the dwellings in the private rental market are owned by private individuals, who let one or two properties each.

Yet, one third of the Finnish housing stock consists of rentals, of which half are state-subsidised and rent-regulated 'social' homes, and half are private rentals let at market rents. In Helsinki, the capital of Finland, every second home is rented.

– Rental housing is becoming more popular in Finland, and demand is now greater than supply. But rents need to be kept affordable, says Anne Viita, Director of Finnish Tenants.



Anne Viita.

Between homeownership and rentals, there is a small stock of so-called housing-companies (1,5%) which are co-ops constructed with government subsidies, and which are controlled by the state housing fund, ARA, the Housing Finance and Development Centre of Finland.

Another Finnish housing product is the part-ownership dwelling (2,5%) where the resident initially only owns part of the dwelling and rents the other part, usually for 5–12 years – and then becomes the full owner by paying the remaining amount.

State-subsidised rental dwellings, or council housing, are known in Finland as "ARAVA dwellings". These dwellings are built with government housing loans from the ARA fund. Rent is determined on the cost coverage principle for the duration of the loan – usually 35 years. Then rents become in principle deregulated. In 2012 ARAVA-rents varied between 9 and 13 euro/m²/month.

The 320 municipalities own 60% of the ARAVA dwellings. The remaining 40% are equally owned and managed by non-profit housing organisations and housing trusts.

Tenants for ARAVA rental dwellings are selected on the basis of social expediency and need. Criteria for selection are specified annually by the Government, and include urgency of the applicant's housing need, and level of income and assets. Priority is given to homeless applicants and others in dire need of housing.

Rents in the Finnish private sector were regulated until 1991, when new leases could be freely negotiated. In 1995 rents were deregulated also for old leases. So what happened after the deregulation? After 1991 nothing really happened; rents did not increase significantly, mainly because there was an oversupply of rentals due to much construction in the 1980s. After 1995, the oversupply was history, and between 1995 and 2000 rents increased by 26% in Finland, and 42% in Helsinki. And did the market function – was there increased construction? The answer is 'no'. The private rental sector did increase slightly, but mainly as a result of conversion of ownership flats to rental flats, as rentals became more profitable.

Leases in the private rental sector are signed for usually one to two years. If the lease has lasted one year or more, the landlord must give six months' notice, or three months if the lease has lasted less than a year. When the tenant gives notice, the notice period is always one month.

A deposit may not exceed three months' rent, but usually they are set at one or two months' rent.

There is a shortage of housing in metropolitan areas of Finland, even though the Finns built twice as much as the Swedes in 2012. The Finnish government has recognised that the lack of affordable rental housing counteracts economic growth, and has promised additional state funding.

– The state must support the construction of affordable rental housing as no one else seems to do it, said the Finnish housing minister Krista Kiuru in a radio interview in May.

The Finnish Tenants, Voukralaiset ry,



PHOTO: MAGNUS HAMMAR / IUT

The entrance to the Pohjola-House in Helsinki from 1901. The Finnish style Art Nouveau found a special expression in the national romantic style, which was perceived as fundamentally Finnish. The rough granite façade became a symbol for Finnishness, and is filled with references to Finland's medieval history.

is a nationwide organisation which serves tenants who has problems with tenancies, and provides members with legal counselling. Voukralaiset is also a lobby organisation, and well known in the corridors of the Finnish housing ministry.

Text Magnus Hammar / IUT



EU Housing ministers meet in Brussels December 9–10

The European Housing Forum (EHF) is IUT's housing network in Brussels. In preparing for the EU housing ministers meeting in December the members of the EHF have met to discuss and prepare