



Ympäristöministeriö
Miljöministeriet
Ministry of the Environment

Finnish Housing Policy and Housing Finance System

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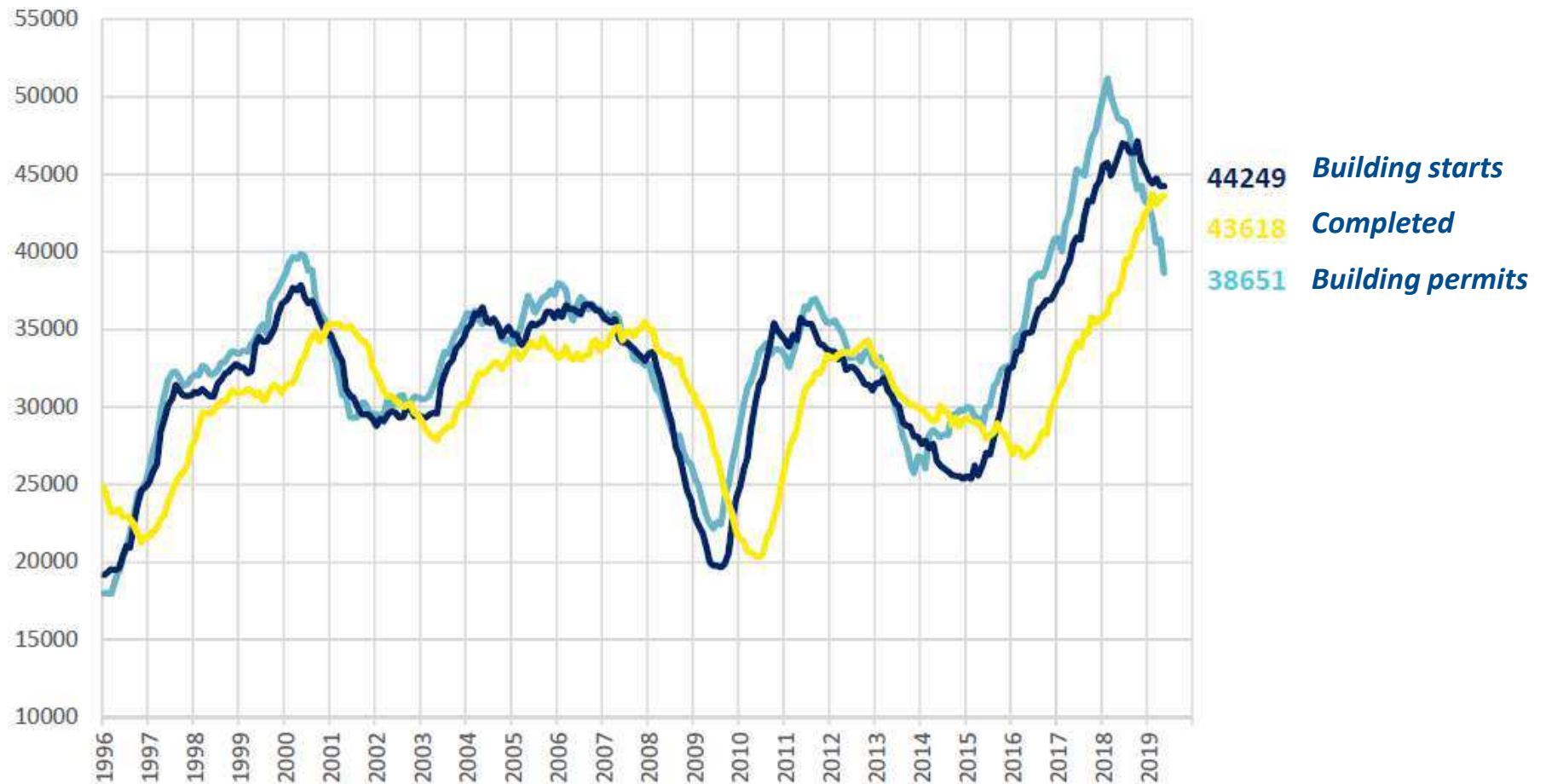
Government Program on Housing Policy

- Building a carbon neutral society and improving the quality of construction, making the existing building stock more energy-efficient
- Supporting sustainable urban development and increasing housing construction in growing urban areas, especially the affordable state-subsidised housing production
- Strengthening the position of tenants (measures to prevent disproportionate rent increases)
- Eradicating homelessness within two government terms

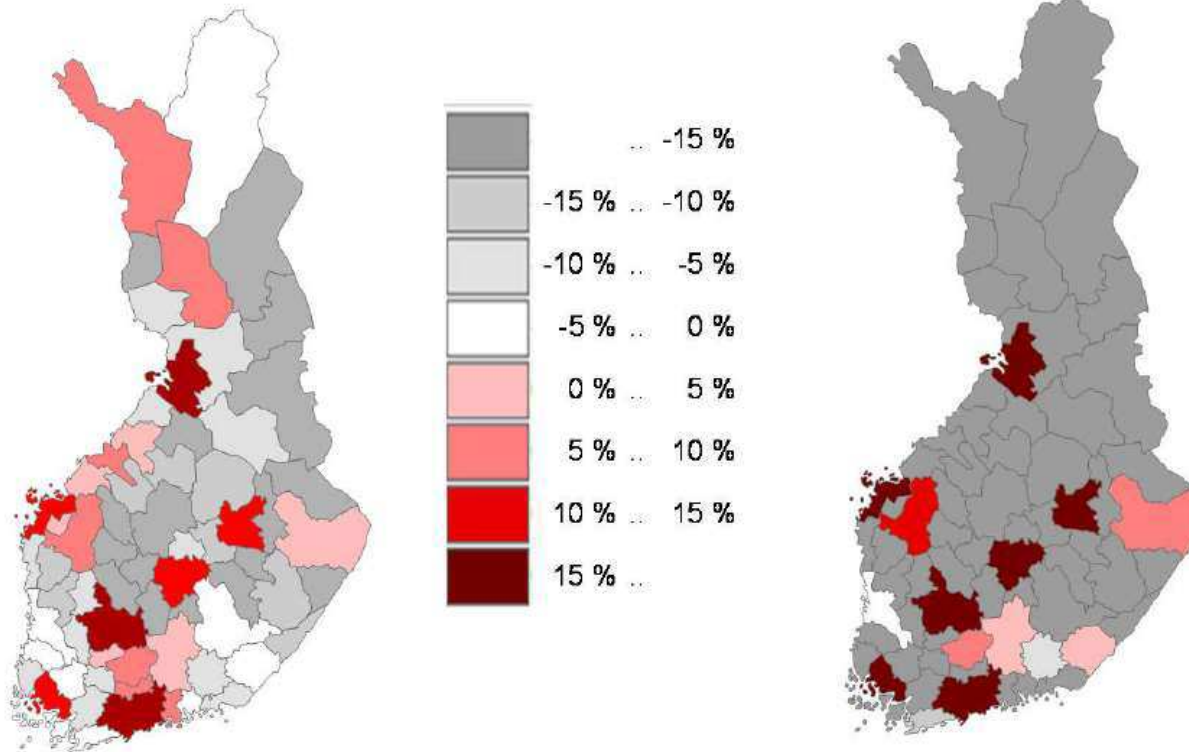
Current Trends in Housing

- High level of Housing production
- Polarisation in housing market
 - Housing shortages and high housing costs in growth centers
 - Oversupply of housing in regions with shrinking population
- Interest in rented housing rising, rental prices have increased
- Municipalities have a key role in housing
 - Agreements between State and municipalities on land use, housing and transport (MAL-agreements)

Housing production at record high but declining



Urbanisation continues, estimate 2040



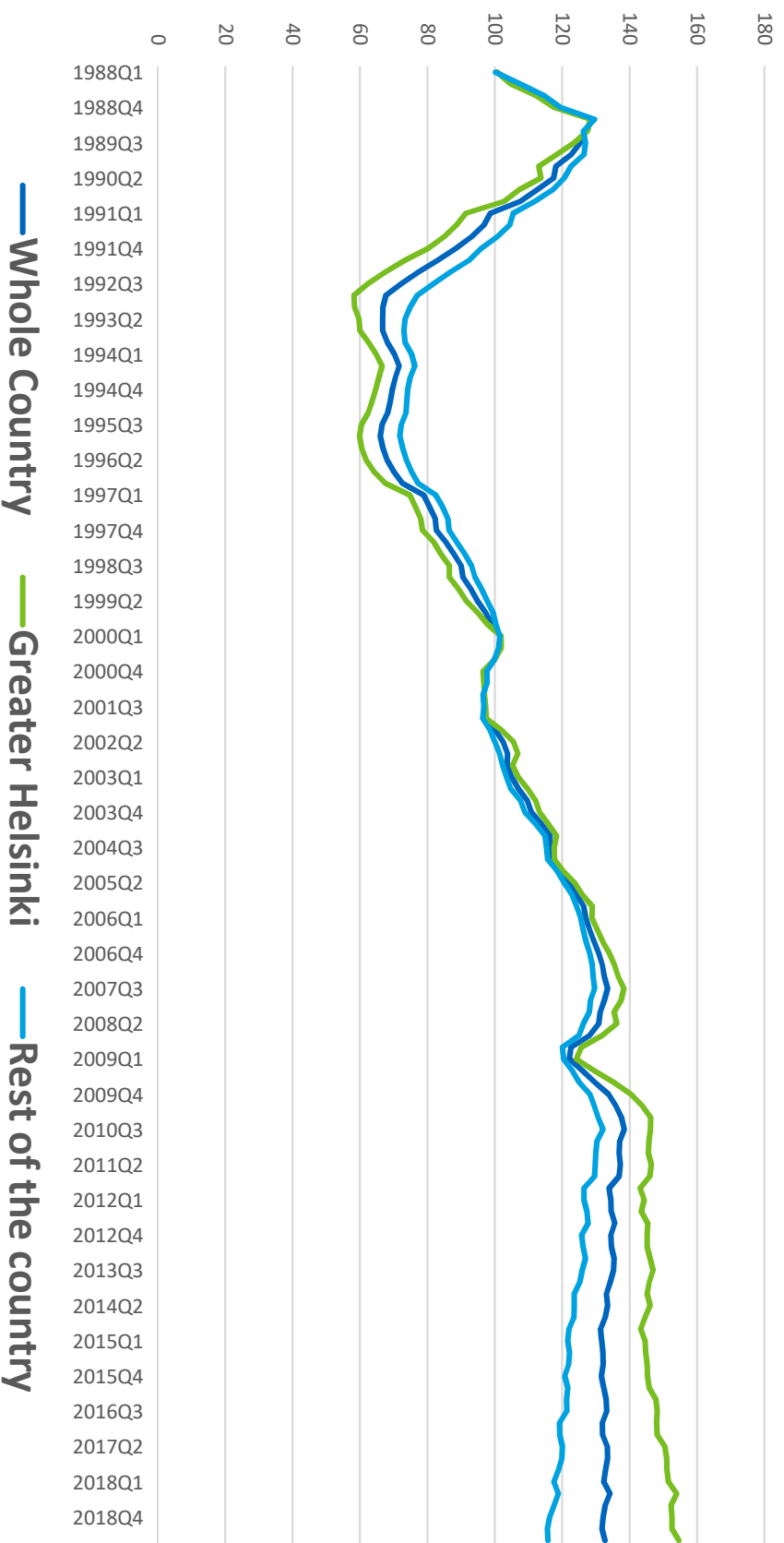
konservatiivinen väestöennuste

kaupungistuminen

Source: Statistics Finland, VTT

Prices of dwellings in housing companies

(real price index 2000=100)

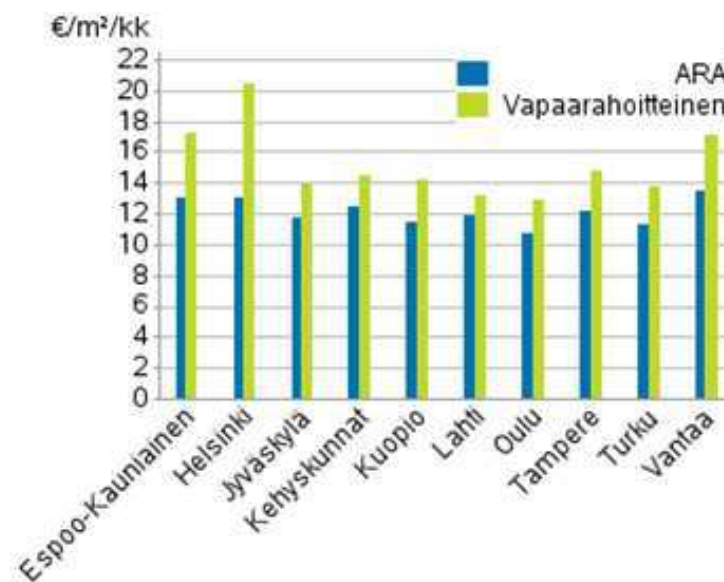
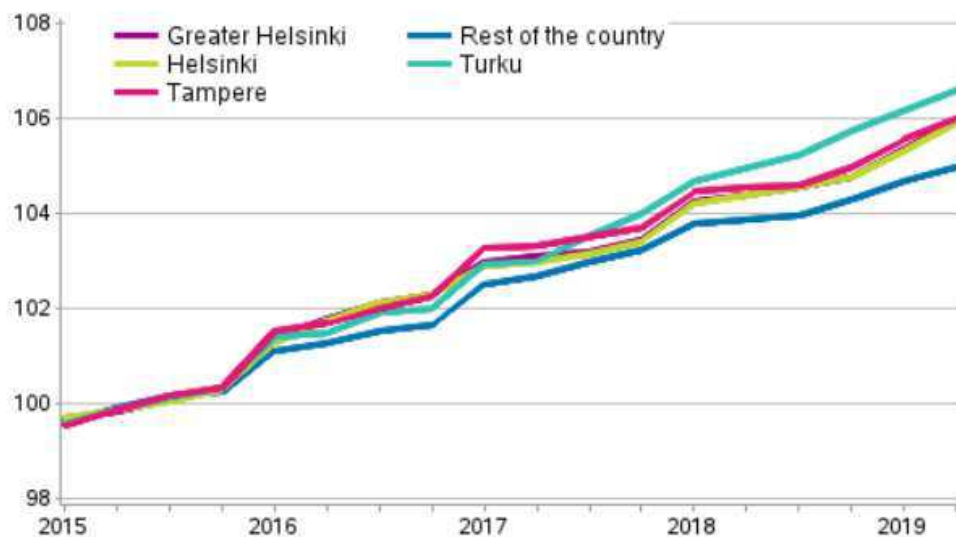


Statistics Finland

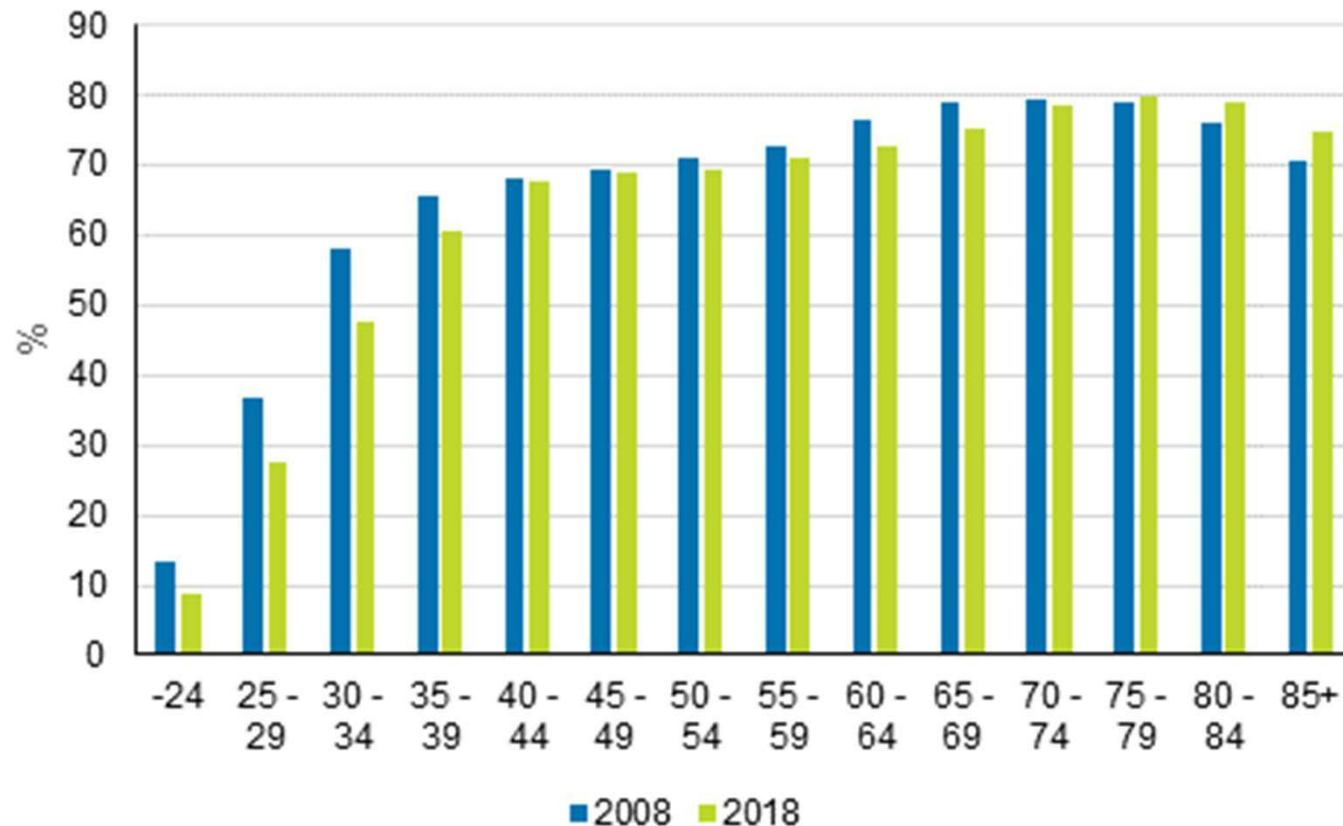
Estäjä:n nimi alumnisteeseen

Non-subsidised rents increased 5-6% 2015-2019, subsidized rents well below the non-subsidized level

The development of rents in non-subsidised rental dwellings, index 2015=100



Owner-occupancy living decreases among young age groups



Role of the State in Housing Market (I)

- Housing in the Constitution of Finland:
 - “The public authorities shall promote the right of everyone to housing and the opportunity to arrange their own housing.”
- Role of the State complimentary
 - Only compliments the market operation when the market-based mechanisms don't work in a sufficient way and provide adequate housing solutions to satisfy different housing needs

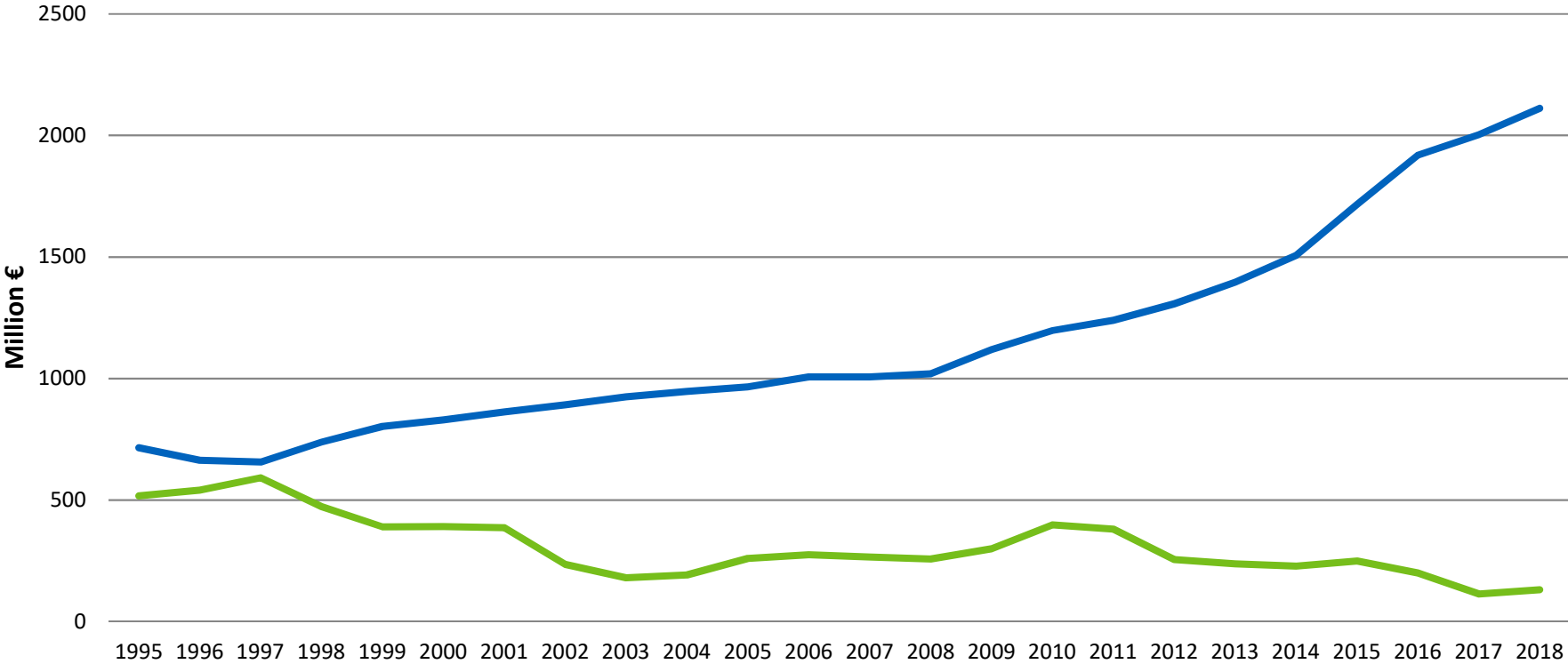


Role of the State in Housing Market (II)

- Legislation
- Strategic planning of housing policy, incl. various programs
- Subsidies
 - Housing production
 - Social housing, housing allowances for low income groups
 - Tax subsidies
 - Sale of own home is tax free (after 2 years)
 - 7,5 % of the interest payments on housing loans are deductible for income tax (limits on maximum) in 2019, deductibility has been reduced since 2012, will end this government period
 - No property transfer tax for young first-time home-buyers
- Provision of information



Housing allowances and support for production



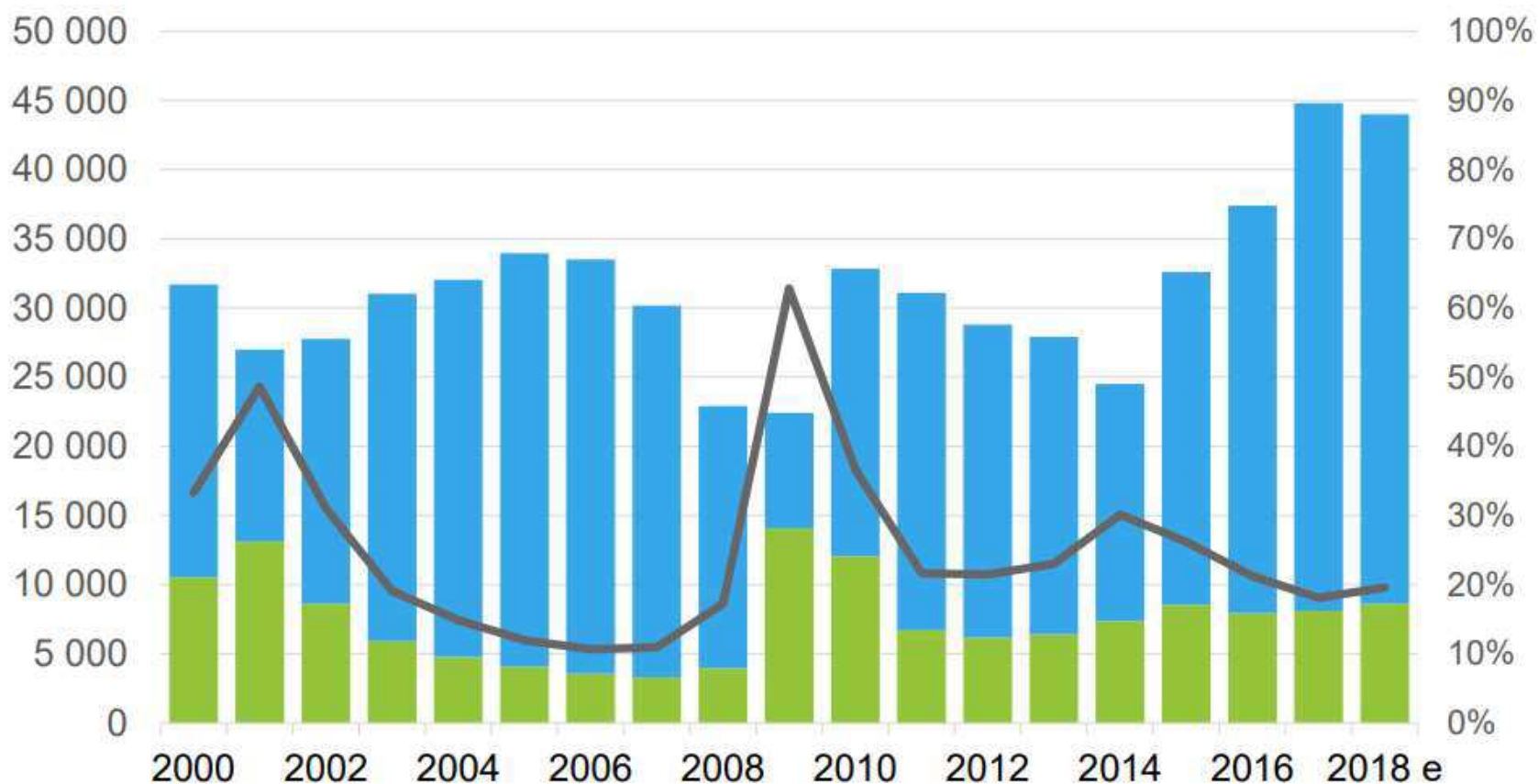
— Housing allowances

— Production support



The Role of State-Subsidised Housing Production

State-subsidised and free market production (amount and ratio)



Social Housing production in Finland

- Reasonably priced rented housing for households with low income level
- Aims to:
 - prevent exclusion from the housing market (homelessness)
 - support the mobility and availability of work force
 - reduce negative segregation
- 40 % of all rented flats state-subsidised (12 % of households)
- Directed for growth centers (housing for special groups also for other areas)
- For municipality companies and non-profit companies



Support of the Social Housing Production

- Interest subsidies for loans from financial institutions
 - Interest subsidies cover certain proportion of interest payments over 1,7 %
 - Are paid for 10-30 years, highest at the beginning
- State guarantees for interest subsidy loans
 - Loan covers up to 95 % of the building or renovation costs
 - Compensate the eventual losses of the lending institution after realisation of the securities
- Grants for special groups (with interest subsidy loan)
 - Elderly in poor condition, persons with disabilities, homeless, students, young people
 - Grant varies from 10 to 50 % of the investment



Housing Finance

- Housing finance comes from the capital markets
 - Earlier from the State (ARAVA loans)
- Housing Fund of Finland
 - Operates outside the State budget under the Ministry of the Environment
 - Derives income from interest and repayments on old ARAVA loans
 - Responsible for the most of the State subsidies for housing construction (grants, interest subsidies and state guarantees)
 - Last year 131 M€ of grants and interest subsidies, 1 383 M€ approved for new interest subsidy loans
- Majority of financing for the social housing comes from Municipality Finance (credit institution owned by Finnish public sector)



Restrictions on Social Housing Production

- Building unit based restrictions
 - 10-40 years
 - Buildings for rental use only
 - Cannot be sold to open markets
- Tenant selection based on housing need
 - Priority is given to homeless applicants and other applicants in urgent need of housing, as well as applicant households with the least means and lowest income
- Cost recovery rent
 - Subsidies of construction are directed to tenants
 - Rents are adjustable between housing units
- Limited profit to owners (limited-profit companies)
 - Yield of 4 % to original investment in company only



Other support for Housing Production

- Support measures for owners of state-subsidised dwellings facing financial difficulties (in areas with shrinking population)
- Grants for repairs on housing for people with disabilities or aged 65 or older (limited wealth and income)
- Grants for lift installation and accessibility renovation in order to promote older people's ability to live at home
- Municipal infrastructure subsidies (for municipalities that have entered into a land use, housing and transport contract)



The image features a large, abstract graphic composed of overlapping shapes. A large, light blue shape with a curved top edge dominates the left and center. To its right, a green shape overlaps it, and a darker blue shape overlaps both. The bottom of the image has a thin, horizontal strip with a green-to-blue gradient. The text 'Thank You!' is centered within the light blue area, underlined.

Thank You!