

FINLAND

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Table 1: Finnish housing stock, by tenure (primary residences)

Tenure	# of Dwellings	% of total
Social rental housing	497,000	15.0
Right of occupancy housing	53,000	1.6
Other rental	722,000	21.8
Owner-occupier	2,044,000	61.6
Total	3,316,000	

KOVA estimates, based on Statistics Finland and the Finnish Environment Institute data for 2022. Notes: 'Right of occupancy' housing is a hybrid of typical cost-based social rental and shared equity schemes. A tenant purchases a portion of their home (usually at least 15%), and then pays a cost-based social rent on the balance. Thus, it is a form of social housing. All figures presented in the table above include also vacant dwellings. However, 'summer cottages' and other homes not intended for permanent long-term residence are excluded.

Origins and brief historical overview

Any discussion of a concerted public effort to support the development of social housing in Finland begins in the immediate aftermath of WWII. Rapid internal migration and urbanisation of Finns towards the main cities like Helsinki, combined with the reduction in the number of residential buildings as a result of the damage caused by the war, quickly led to a situation in which many low-income households found themselves in overcrowded or unsanitary housing.¹ The obligations to pay war reparations to the Soviet Union, whom Finland had fought against in the 'Continuation War' of the early 1940s, also placed a huge constraint on the national budget.

Despite this, the state still managed to establish the Housing Output Commission (Arava) in 1949. It provided for the construction of housing with the support of low-interest state loans, and thus was the first major step in the rapid development of a modern social housing sector in Finland. However, it is important to note that these public loans also supported the construction of affordable owner-occupier housing. Under the Arava legislation, 22 billion Finmarks was allocated for the period 1949-53² (around €1.2bn in 2024 prices³). The scheme was upscaled over the following decades. Between 1949 and 1970, around 840,000 new homes were built in Finland. Of these, almost one-third were built with state loan supports, providing housing options for those on lower incomes. The ratio of state supported affordable owner-occupier housing to state supported rental housing (i.e., social housing) in this period was 2:1.⁴

In 1966, Arava's functions were transferred to a new public body; the 'Finnish Housing Board'. Continued rapid urbanisation in the 1970s saw a boom in construction activity in Finland. For example, in 1974 the size of the residential housing stock grew by five percent in a single year.⁵ State loan supports remained an important part of supporting construction for low-income households. However, there was a change in the 'profile' of state supports, with social housing and affordable ownership built in roughly equal proportion. The rapid construction also meant that in 1980, half of the Finnish housing stock of the time had been built in the previous two decades.⁶ Looking at the social housing stock in this period, Municipal Housing Companies (MHCs) were—as is still the case today—the predominant providers. Non-profit foundations owned a smaller part of the social stock. There were also other

¹ Eskelä, E., and Ronkainen, M. (2022). Helsinki's housing policy: A historical overview and the current situation. Helsinki: Publications of the Central Administration

² MERL. (1950). Finnish Outlook. *The World Today*, 165-175. London: The Royal Institute of International Affairs.

³ Based on: https://stat.fi/tup/laskurit/rahanarvonmuunnin_en.html

⁴ This is the author's estimate based on analysis of historical investment data provided by Ara.

⁵ Doling, J. (1990). Housing finance in Finland. *Urban Studies*, 27(6), 951-969.

⁶ *Ibid.*

providers of social rental housing, including private companies and trade unions.⁷ As will be explained later, social housing in Finland is similar to in Germany, where controls on rent setting are only obliged for as long as public supports are being repaid. This explains why for-profit providers sometimes avail of public supports to build rental housing.

In 1993, the Finnish Housing Board was abolished, and the tradition of Arava construction was moved to the 'State Housing Fund'. A deep recession hit Finland in the 1990s. Despite the impact on public finances, the Housing Fund became more important than ever in supporting new construction. During the worst years of the recession, about three quarters of construction was supported by the state.⁸ It is also at this time that the pattern of state supports changed, overwhelmingly supporting social rental housing; as opposed to affordable purchase. This included the first 'right-of-occupancy' housing, a new shared-equity social rental scheme. Overall, 150,000 new social rental homes (including right-of-occupancy) were built during the 1990s. This shows the important counter-cyclical role of the state's financing support for social and affordable housing, which helped to keep construction workers employed during the economic downturn.⁹

In 2008, the Finnish Housing Board became the 'Housing Finance and Development Centre' (Ara¹⁰), the central agency for housing administration in Finland. Ara had an important role in supporting the financing of new social housing. It was also an important oversight body, supervising the activities of the MHCs and non-profit foundations that provide social housing. Social providers were obliged to make an annual declaration on their activities to Ara, with the Centre also conducting inspections.¹¹ However, at the end of 2024, the Finnish Government passed legislation to abolish Ara, ending over seven decades of the provision of public financial supports by an independent state agency. At the time of writing, there are still many unanswered questions regarding the future of the social housing sector in Finland, with many additional reforms suggested, but not yet officially clarified.

The role of government and other actors in the provision of social housing

In Finland, the most important governmental body with regard to housing is the Ministry for the Environment. As will be outlined below, its role has become even more important, as it will assume the responsibilities that were previously carried out by Ara. This will be carried out via the new *Varke* agency that will sit within the Ministry. In addition, the Ministry already had responsibility for national legislation on social housing, building regulations, and land use and zoning. It has also been the national coordinator of policies to tackle homelessness and provide housing for groups with special needs, such as those with disabilities.

CASE STUDY / KEY POLICY FEATURE

The abolition of Ara and the re-centralisation of public financial supports

KOAG is a public agency committed to the strategic management and development of public land in Cyprus. Established to transform underutilised state property, KOAG plays an important role in addressing the nation's housing and urban renewal challenges. Its mandate includes acquiring, planning, and developing land to support the development of housing options for those on low and

⁷ *Ibid.*

⁸ See: <https://www.ara.fi/fi/tietoa-meista/ara/miten-valtio-tukenut-asuntorakentamista>

⁹ *Ibid.*

¹⁰ Short for *Asumisen rahoitus- ja kehittämiskeskus*

¹¹ For a more complete overview of the roles and responsibilities of Ara, see: Housing Europe (2025). *Unlocking Potential - A Comparative Analysis of Approved Housing Body Models in the European Union*.

In December 2024, the Finnish President officially approved legislation on the abolition of Ara. The legislation confirmed that Ara's operations as an independent public agency were to be terminated, and its duties transferred to a new agency located directly inside the Ministry of the Environment. The new centre, which began life officially on the 1st of March 2025, is called the 'Centre for State-Supported Housing Construction' (*Valtion tukeman asuntorakentamisen keskus*), or simply *Varke*.¹²

The primary justification for the abolition was that the role of Ara would be better handled within the Ministry, and also because the Ara's main source of funds, the repayment of historic state loan supports, would be severally depleted over the medium-term, as outstanding loans are repaid.¹³ This left the Government with two options, in its view. It could either re-capitalise the fund or merge it into the general state budget. The final decision was to go with the latter option. Additional justification for this was the fact that existing subsidies managed by Ara "*are currently also subject to the budget procedure and central government financial framework planning*".¹⁴ In other words, they are already subject to the type of oversight typical of funds released by central government, and thus outsourcing to an independent public agency may be inefficient.

On the 15th of January 2025, a working group established by the Ministry of the Environment to review the future functioning and role of *Varke* reported its findings.¹⁵ Amongst its main conclusions were four primary recommendations:

1. **Shortening the long-term interest subsidy model to 30 years, and facilitating exemption from restrictions:** At present, the average loan to support new social housing construction is 40 years. It is proposed to reduce this to 30 years, which will mean that the annual cost of debt servicing will be higher. The recommendations do state that a review of the loan repayment conditions should also be reviewed to take account of this, without being specific. However, the concern is that higher annual debt servicing costs will have to be passed on to social tenants. The recommendations also suggest that restrictions on state-subsidised housing, such as around rent setting and tenant allocations, could be lifted after 30 years.

The justification for moving to a 30-year financing model is essentially that it will mean that social providers will increase their stock of unencumbered assets more quickly, which boosts their collateral for new lending, and also means that they can better finance renovations. While not explicitly stated by the working group, this presumably means that social providers will be better able to make use of the equalisation mechanism, and thus spread the cost of renovations over more homes.

2. **Developing a short-term interest subsidy model to enable a path to home ownership:** The working group foresees that there are parts of the population that may need public supports for a short period of time, which would allow them to gradually become homeowners; "creating a housing path from rental to ownership".

¹² See: <https://www.varke.fi/fi>

¹³ Ministry of the Environment (2024, June 4). Talouspoliittinen ministerivaliokunta linjasi Aran ja Valtion asuntorahaston tulevaisuudesta [*The Cabinet Committee on Economic Policy outlined the future of Ara and the State Housing Fund*].

¹⁴ *Ibid.*

¹⁵ For a brief overview of the findings, see: Ministry of the Environment (2025, January 1). Työryhmältä suositukset valtion tukeman asuntotuotannon kehittämiseen [*Recommendations from the working group for the development of state-subsidized housing production*].

This is essentially a rent-to-buy model, where the rent paid over a given period (up to 10 years) would help to form the basis for a down-payment to purchase the home. Under the model, a participating low-income household would benefit from a state loan-subsidy or guarantee for up to 10 years, with the homes being built either by a developer or by “the city”. It is not specified, but presumably this implies that MHCs would have a role in developing and managing (at least in the short-term) such housing schemes.

3. **Targeting investment grants to the most vulnerable groups:** Available grants for housing for “vulnerable groups” (e.g., the elderly or those with need for specially adapted housing) will be reformed going forward, and the public spending will be reduced. As the report notes: “Since the state pays for both state-supported housing construction support and the costs of welfare, it is necessary to find the most economically and cost-effective subsidised or market-based solutions for social and health care service housing”. As such, the reduced level of grant funding available will be allocated only to the “most vulnerable groups”, which will include specifically those with disabilities and the homeless. The recommendations do not offer a lot of clarity on the exact real-world implications of this. However, they do suggest that conversion of existing social housing for the general population into specially adapted housing could be a more cost-effective option going forward, compared to new construction of such housing for vulnerable groups.
4. **Developing lending for student housing:** It is noted that reform proposals may adversely impact on students, as they would typically not be the most “in need” of public supports. However, students also have low incomes and are important parts of the community in many municipalities (i.e., in university towns). Thus, new special supports for their housing are needed. The recommendations are that the Finnish state should look at the possibility of a new 100% long-term interest rate subsidy loan, as well as seeing how regulations on rent equalisation can be amended to help reduce rents for student-specific housing.

The working group also supported state funding for housing becoming more of a counter-cyclical instrument. In other words, “the amount of state-subsidised housing production during construction booms should be reduced, and the amount of state-subsidised housing production could be increased in a downturn”. While there is some acknowledgment that the need for social housing may not follow economic cycles, it is not clear how a move towards a more “counter-cyclical” model of public subsidisation will actually impact on the capacity of social housing providers in Finland to develop new projects.

One part of the report from the working group that has been embraced by KOVA—the Finnish Affordable Housing Companies’ Federation—is the proposal to reduce the existing “regulatory burden” associated with accessing public supports.¹⁶ Indeed, the Working Group noted in its recommendations that: “The primary goal of state-subsidised housing production is to achieve housing costs that are more affordable than market-based production, which additional requirements can make difficult to achieve”. Thus, such requirements for accessing state supports and associated regulations will be reviewed “to simplify and streamline” them.

¹⁶ KOVA (2025, January 15). Tiedote: Työryhmältä mielenkiintoisia ehdotuksia valtion tukeman asuntotuotannon kehittämiseksi [Press release: Interesting proposals from the working group for the development of state-subsidised housing production].

Overall, at the time of writing in early 2025, Ara has only just ceased to exist, transferring its functions to the Ministry of the Environment. At the same time, the official Working Group established to review the role and functions of Varke has made a number of recommendations, without being overly concrete on how they can be executed in practice. For its part, KOVA has summarised the recent recommendations: “KOVA believes that some of the working group's recommendations are positive, but some are unfortunately negative for the industry”.¹⁷ Overall, there are many unknowns and question marks still hanging over the future functioning of the social housing sector in Finland, at least with regard to how it will be supported by the state. Therefore, this is a situation which must be monitored by policy officials outside of Finland. It is also a limitation and a constraint of the present research.

The Ministry for the Environment also currently directly owns one social housing provider; A-Kruunu. It is set up as a special purpose vehicle to build social rental housing in areas of Finland with high population growth, and need for additional social housing. Established in 2015, A-Kruunu has built around 3,000 homes to date;¹⁸ with a goal to build an additional 400 homes each year. In addition to adding extra development capacity to areas with an unmet need for housing, A-Kruunu also has to develop and test innovations in new design and construction, for example promoting use of circular economy and carbon neutrality approaches. However, the current Government has announced its preference to sell its stake in A-Kruunu, meaning its future is uncertain.

At the sub-national level, municipal governments also have a crucial role to play in social housing policy. This is because they are the owners and overseers of the Municipal Housing Companies (MHCs) that provide the vast majority of social rental housing in Finland.¹⁹ They are typically legally established as ‘Limited Companies’ (LCs); ‘*osakeyhtiö-Oy*’. In practice, the MHCs are ‘arms-length’ public entities, which are charged with the provision and management of social housing, usually within a specific geographic area. Typically 100% of the shares are owned by the municipalities, and the boards of management are nominated by the elected members of the municipal governments. By sitting just outside of the municipal authorities, the MHCs are not bound to the same extent by public sector practices in Finland—such as practices around hiring—and can therefore more easily build up silos of expertise on housing, pioneer new methods of delivery, and generally behave in a more ‘business’ type manner than the main public sector. MHCs currently provide 75-80% of the social housing in Finland.²⁰

In terms of the involvement of the private sector. It has been possible for many decades for private housing providers to develop ‘social’ housing in Finland. However, as is also the case in Austria, it is important that we make a clear distinction between these homes and those provided by MHCs and non-profit foundations. As in the case of Austria, if a Finnish private developer accepts public loans or financial supports (e.g., from what was previously called Ara) then it must offer the subsequent rental housing in broadly the same manner as the social providers. This is most evident in the requirement for them to set rents in line with the cost-recovery level (i.e., cost-rental), which will be explained in greater detail later. However, once the public loans are repaid, the private developers can then demand a market-based rent. In contrast, while social housing providers also have the option to charge

¹⁷ *Ibid.*

¹⁸ See: <https://www.a-kruunu.fi/yleista>

¹⁹ See: Sutela, E. (2023) The role of municipalities in promoting housing affordability: an analysis of three Finnish cities, Urban Research & Practice, DOI: [10.1080/17535069.2023.2206793](https://doi.org/10.1080/17535069.2023.2206793)

²⁰ Housing Europe (2025). *Unlocking Potential - A Comparative Analysis of Approved Housing Body Models in the European Union*.

a market rent after public loans are repaid, the reality is that in the overwhelming majority of cases they are still offered on a non-market social housing basis.²¹

Historically speaking, non-social housing entities did deliver rental housing with public subsidies,²² though it is far less common today, as the MHCs and foundations are larger than in the past, and have better capacity to meet the needs of low-income households. For example, some large employers would have historically built subsidised rental housing for their workers, but this practice is no longer common. Furthermore, the large difference between cost-based rents and market rents in places like Helsinki²³ can mean that the availability of public loans is not sufficiently enticing for for-profit providers to take up such public supports. Thus, in the rest of this chapter, our discussion of the provision of social housing will be a discussion of provision by MHCs and non-profit foundations.

The financing of social housing, and public housing supports

Table 2: Typical financing structure for new social housing developments in Finland

Type of funding	% of total	General comments
Private loan	95%	<ul style="list-style-type: none"> The state provides an interest rate subsidy; a public guarantee can also be provided
Own equity	5%	<ul style="list-style-type: none"> Reinvestments of surpluses by social providers
Other	Undefined	<ul style="list-style-type: none"> In certain, mostly urban, areas so-called ‘start-up grants’, which provides €3,000–€10,000 per new social dwelling built can be provided. Bonus grants are also available for meeting certain extra criteria, such as using more sustainable forms of construction²⁴

Source: KOVA. Notes: The above figures are for ‘standard’ social housing projects. As outlined below, grants are available for the development of homes for people with specialised needs, such as those with disabilities or other on-site care needs.

At the time of writing in early 2025, the system of financing social housing in Finland has not changed,²⁵ despite the transfer of functions from Ara to Varke. However, the Government is considering some potentially important reforms; as were outlined in the previous section. Thus, for the purposes of this country chapter, it is assumed that, in the near-term at least, the finance system that held prior to the dissolution of Ara will be maintained by Varke. However, some reforms are likely over the coming years as Varke beds-in and develops its own funding practices.

At present, about 95% of the funding required for a new social housing project is derived from a private loan.²⁶ These loans are then guaranteed by the state, de-risking them, and affording lower interest rates to Finnish social providers. In practice, though, there is only one financial institution in Finland

²¹ Housing Europe (2021). Cost-based social rental housing in Europe – The cases of Austria, Denmark, and Finland.

²² Doling, J. (1990). Housing finance in Finland. *Urban Studies*, 27(6), 951-969.

²³ The average rent in new subsidised apartments in Helsinki in 2024 was €14.70 per m², versus €21.40 for private market apartments; a 31% difference. Source: Ara (2025). Valtion tukema asuntotuotanto 2024 [*State-subsidised housing production 2024*].

²⁴ Due to the COVID-19 pandemic and the government’s recovery measures for the economy, the grant was available for social housing providers no matter the location of the dwellings in 2020 and 2021 in order to help stimulate economic activity in the construction sector.

²⁵ For an overview of all existing public grants and financing assistance available for social housing, see: <https://ym.fi/asumisen-tukimuotojen-tuotekortit>

²⁶ The content of this section describing the use of private loans by social providers is a summary of the more detailed description included in: Housing Europe (2025). *Unlocking Potential - A Comparative Analysis of Approved Housing Body Models in the European Union*.

that provides loans for new social housing; a publicly-owned ‘private’ bank called MuniFin.²⁷ It raises capital for investment in social housing and other municipal projects by issuing bonds on financial markets. These bonds are given a guarantee by another organisation called the ‘Municipal Guarantee Board’ (Kuntien takauskeskus, KT), which means that MuniFin can borrow at very low rates. The KT uses the loans from MuniFin as collateral and can only guarantee loans issued by MuniFin. It has as a backstop the ability of local municipalities to raise tax revenue, meaning the KT has an AA+ credit rating. According to a 2023 review by the National Audit Office, the probability of the loan guarantee being invoked is low overall.²⁸

MuniFin does not regularly publish figures on its annual lending for the purpose of developing social housing, though *ad hoc* data for 2020 showed that it lent €827m for new social housing during that year, plus €195m in financing for new housing for people with special needs.²⁹ While we cannot be sure how much MuniFin has invested in subsequent years, new social housing completions have held broadly stable since 2020, averaging around 8,000-9,000 units. This would imply that MuniFin’s annual lending each year could also have remained close to the €1 billion mark. However, construction prices have also increased in the intervening years.

In terms of the interest rate subsidy, in the event that the interest rate on borrowing exceeds 2.3%,³⁰ Ara also provided a subsidy in order to reduce repayment costs.³¹ Ara managed the dispersal of funds, though they in fact originated from a separate state institution – *Valtion asuntorahasto* (VAR) – which was established in the 1990s to ensure that social providers could borrow at affordable rates of interest. It should be noted that at the time of writing, VAR still exists. However, it is due to be dissolved at the end of 2025, after which interest subsidies will be paid directly from the state budget. This is part of the re-centralisation process that led to the closure of Ara in March 2025.

In any case, the public interest subsidy decreases over time. For example, if the 2.3% threshold is breached in the first year of the loan, the interest subsidy is 90 per cent of the interest repayment in excess of this. This subsidy reduces by 2.25 percentage points each year. For example, in year five the subsidy is paid at 81 per cent of the excess, at 47.25 per cent in the twentieth year, and just 2.25 per cent in the fortieth year; at the end of which the loan tends to be fully repaid. Around 68% of the loans that are eligible for an interest rate subsidy have a variable interest rate, which is linked to Euribor.³² The state interest rate subsidy actually provided was just €1.8 million in 2022, rising to €87

²⁷ The bank is majority owned by the Finnish municipalities, with minority stakes for central government and the national pension fund. For further information: <https://www.kuntarahoitus.fi/en/news/finnish-system-for-affordable-social-housing-supports-social-mixing-and-brings-down-homelessness>

²⁸ Lahtinen, M., Eerola, E., Kuronen, M., and Ruonavaara, H. (2024). *Julkisesti tuetun asuntotuotannon merkitys ja kehittäminen 2020-luvulla [Role and Development of State-subsidized Housing Production in the 2020s]*. Publications of the Ministry of the Environment 2024:8.

²⁹ Information provided to the authors for the purposes of this research also reveal that at the end of 2023 MuniFin’s total outstanding loan stock was €31 billion and housing companies (which largely includes social housing providers, but could also include some other entities) constituted 48% of their total loans, while ‘municipal companies’ (which may also include some social housing related activities, but also many other actors) formed 11% of their loan stock.

³⁰ MuniFin lending rates are tied to 12 or 6 month Euribor rates, plus the company-specific margin set by MuniFin. On aggregate, their margin is around 0.8%. In 2023, the aggregate interest rate offered by MuniFin to MHCs was around 3.8%. In other words, 2.3 percentage points was paid by the social housing provider, and 1.5 percentage points was covered by the Finnish state in the form of its interest rate subsidy, the dispersal of which was managed by Ara.

³¹ Until the 1st January, 2024 the threshold above which the subsidy was paid was 1.7%. However, the increase in rates as a result of the ECB meant that the threshold also had to increase. As a practical example, if the interest rate on a loan was 3%, then from the point of view of the social housing provider the interest rate is only 2.3%, with the excess 0.7 percentage points of the interest being covered by Ara, via the VAR fund.

³² Lahtinen, M., Eerola, E., Kuronen, M., and Ruonavaara, H. (2024). *Julkisesti tuetun asuntotuotannon merkitys ja kehittäminen 2020-luvulla [Role and Development of State-subsidized Housing Production in the 2020s]*. Publications of the Ministry of the Environment 2024:8.

million in 2023, as a result of the impact of higher ECB rates.³³ However, the Central Bank has been cutting rates since June 2024. As a result, an upward spiral in interest rate subsidy costs for the Finnish state can be avoided.

The use of 'own equity' by social housing providers is also required to develop new projects. This is an important difference with the non-social housing providers who can theoretically build rental housing with government supports. Social providers are legally required to reinvest any surpluses in the sector, while private providers are not. The own equity contribution of the social providers is 5% in a typical project. Social housing providers are allowed to charge interest of up to 4% per annum on their own equity, though many chose not to do so, in order to keep rents lower.

As already outlined, while the vast majority of social housing in Finland is provided by MHCs, this is complemented by non-profit foundations. These foundations operate under the same legislation and rent-setting practices as MHCs. The main difference between the two is that the foundations that supply social housing tend to be more 'specialised', targeting specific population cohorts such as the elderly, students, those experiencing homelessness, or those with disabilities. When such specialised housing is provided, it can be more expensive than the 'general' social housing typically provided by the MHCs. This may reflect the need for specially adapted fixtures or on-site care facilities. At the same time, the ability of these tenants to pay their rent may be more limited. As such, investment aid from the government, which comes in the form of a grant covering 15-50 per cent of the total development costs, can be provided for such projects.³⁴

According to Ara, it allocated €63 million in such grants in 2024.³⁵ Of this, 81% of the funding was allocated to housing for the elderly, 12% to student housing, and 4% to housing for people with intellectual disabilities. The average subsidy per apartment was €90,000 for people with intellectual disabilities, €39,000 for the elderly, and €3,400 for students.

Table 3: Annual investment by members of KOVA

	Repairs and renovations (Mln €)	New production (Mln €)	Total investments (Mln €)
2016	190	760	950
2017	180	970	1150
2018	240	730	970
2019	240	870	1,110
2020	230	930	1,160
2021	360	1,160	1,520
2022	420	1,380	1,800
2023	440	1,310	1,750
2024	520	1,390	1,910

Source: KOVA. Notes: KOVA does not represent 100% of social housing providers in Finland. Some, primarily small and rural, providers are outside of their membership

³³ *Ibid.*

³⁴ The investment aid (<https://www.ara.fi/fi/yhteisot-ja-yhtioid/avustukset-yhteisoille-ja-yhtiaille/erityisryhmien-investointiavustus>) decreases the need for debt, which originally sits at 95 per cent of development costs (see [Section 4.5](#)). The largest aid (50 per cent) is targeted towards projects with very specialised needs. These projects are typically small in size. Essentially, the more costly it is to provide housing that is adequate for the needs of the specialised group in question, the greater the aid provided by the state. See (in Finnish): <https://www.finlex.fi/fi/laki/ajantasa/2004/20041281>

³⁵ See: <https://www.ara.fi/fi/document/valtion-tukema-asuntotuotanto-2024>

Based on figures provided by KOVA (The Finnish Affordable Housing Companies' Federation), which represents the MHCs and housing foundations of Finland, their members have invested close to €2 billion per year since 2022. Around €1.3-1.4 billion of this is related to new construction. In terms of renovations and upkeep, around €520 million was spent by KOVA members in 2024. One very important thing to note is that, since a ruling by Eurostat in 2022, Ara loans³⁶ (and, thus, future loans supported by Varke) have been recorded in the general government accounts. According to the Finnish Ministry of Finance, this revision affects general government debt back to 2000 and raises the debt/GDP ratio (by 5.9 percentage points in 2021), but it has no impact on net borrowing or the deficit, since the change is purely a statistical rerouting of existing liabilities.³⁷ In detail, central government debt rose by the amount of loans granted by the State, and local government debt rose by the loans taken by municipalities. For 2023, for instance, €10.1 billion of Ara loan debt was allocated to central government and €7.0 billion to local government.³⁸

Ara has also provided an interest rate subsidy and guarantee system to support renovations that is very similar to the model used to support the delivery of new social housing. One difference is that the loans for renovations are typically for 30 years, rather than 40 years.³⁹ At the same time, the fact that any surpluses generated by social housing providers must be reinvested means that they should also use their own equity to finance renovations, limiting the risk of social tenants having to pay higher rents.

Looking at the issue of land, there is no automatic mechanism for providers of social housing to access this vital input more cheaply. However, many municipalities do lease public land to social housing providers, and in many instances the land rent paid to the municipalities is below market rates.⁴⁰ This land rent reduction can be up to 20-30%. In the biggest cities, public land can also be sold directly to providers of social housing. Although, some municipalities have policies of never selling public land, preferring to only use leasing options (e.g., Helsinki).

At the same time, Ara has also worked with municipalities and other public actors in the largest urban areas to define maximum lot prices for land upon which social housing is to be built. The objective is to define an area-specific, cohesive and consistent upper limit for a reasonable price level.⁴¹ The maximum price of a particular lot depends on the type and quantity of housing that is to be built upon it, as well as its location. If a social provider is renting a lot, then the annual amount paid for its use cannot exceed a fixed percentage of its market value. For example, in Helsinki this figure is currently 4%. By attempting to control the amount that social providers spend on land in this way, Ara has tried to ensure that the final rents charged to tenants are affordable.

While we have outlined some of the main capital expenditures above, we must also consider current spending on housing in Finland. The primary expenditure line of which is the various allowances and income supports administered by *Kela* (Social Insurance Institution of Finland). If it happens that a household (either social and private tenants) is unable to afford their rent, then there are a number of different rental allowances and financial supports available. The main support is the “general” housing allowance, or “*yleinen asumistuki*”.⁴² The allowance is based on the income, composition, and area of residence of the recipient household, and can cover up to 70% of the associated eligible housing costs (e.g., rent, heating and electricity, water). However, there are also fixed upper limits, or so-called

³⁶ See: <https://stat.fi/en/revisionrelease/cl9fkqyudbcpr0bw0cfny7eqj>

³⁷ See: <https://vm.fi/-/tilastojen-ja-tunnuslukujen-laskentatavoista>

³⁸ See: <https://stat.fi/en/publication/cln34lv266yi0bvz1omlic2v>

³⁹ Based on: <https://ym.fi/asumisen-tukimuotojen-tuotekortit>

⁴⁰ Housing Europe (2021). Cost-based social rental housing in Europe – The cases of Austria, Denmark, and Finland.

⁴¹ See: <https://www.hsy.fi/en/air-quality-and-climate/ara-lot-prices/>

⁴² See (in Finnish): <https://www.kela.fi/yleinen-asumistuki>

'maximum housing expenses'. Thus, even if the real cost of housing is more, only expenses up to the fixed limit will be considered when calculating the allowance.⁴³ There are also additional rental allowances targeted at pensioners, students, and conscripted members of the armed forces.

Table 4: Annual spending on housing allowances (in Mln €)

Year	Total	General housing allowance	Pensioners' housing allowance	Students' housing supplement	Conscripts' housing assistance
2010	1,214.5	530.1	393.3	274.4	16.8
2011	1,257.3	552.4	420.2	267.2	17.5
2012	1,325.9	606.0	441.5	259.7	18.7
2013	1,414.4	669.5	468.0	259.2	17.7
2014	1,522.7	742.3	497.9	266.0	16.5
2015	1,731.8	917.6	532.2	266.5	15.5
2016	1,919.4	1,081.0	559.0	264.6	14.9
2017	2,003.0	1,260.8	581.0	145.6	15.5
2018	2,112.3	1,488.9	600.1	9.2	14.0
2019	2,135.5	1,491.0	616.2	13.5	14.8
2020	2,232.6	1,566.5	636.2	13.9	16.0
2021	2,266.9	1,590.8	646.9	12.5	16.7
2022	2,249.2	1,565.0	650.2	15.7	18.3
2023	2,398.5	1,684.2	679.2	15.6	19.5

Source: Kela⁴⁴

Notes: Most students were transferred to the general housing allowance scheme on 1 August 2017. This was to unify the benefits system, and also overcome previous issues around students being penalised if they had higher income housemates. However, students will be transferred back to the student-specific scheme starting from August 2025, resulting in expected lower annual allowances for many students and lower costs for the state.⁴⁵

Accessing social housing

When someone needs social housing, they must directly apply for it. This process is most commonly handled online, via a digital application form. Social housing providers then allocate the housing based on the assessed degree of need or urgency (divided into three categories: *extremely urgent*; *urgent*; and *in need of housing*), as outlined below.⁴⁶ It is important to note that applications are company-specific. This means, for example, if there are two social housing providers active in a given area, then potential social tenants would have to apply for social housing twice. Those who are already living in social housing can also apply for a transfer, using the same application form.

- **Urgency of need** (priority given to homeless people and others in desperate situations). Urgency of need is defined by three categories:

⁴³ See (in Finnish): <https://www.kela.fi/yleinen-asumistuki-kuka-voi-saada>

⁴⁴ Kela (2024). Kela Statistical Yearbook 2023.

⁴⁵ See: <https://www.kela.fi/news/students-will-be-transferred-from-the-general-housing-allowance-scheme-to-the-student-housing-supplement-scheme-on-1-august-2025>

⁴⁶ Each applicant's situation is assessed, and based on that, it is determined how quickly they can get an apartment. However, as the social housing providers do not have waiting lists or use a queueing system, it can be the case that a household might have to apply for social housing a number of times before eventually being allocated a home. Due to high levels of demand in some areas, it also means that those in Category 3 are quite unlikely to be allocated housing in certain parts of Finland.

- **Extremely urgent (Category 1)**⁴⁷:
 - Homeless individuals or people still living with relatives or friends (e.g., ‘couch-surfing’)
 - Renters with a fixed-term or terminated lease agreement
 - Adults still living with their parents
 - People subletting a home
 - Workers moving to a new region who have a job, but are unable to find a home can also be defined as extremely urgent
- **Urgent (Category 2)**:
 - Current apartment is too small (more than 1 person per room)
 - Excessive housing costs (more than 40 per cent of a household’s income is currently being spent on housing, as defined in EU statistics on income and living conditions)
- **In need of housing (Category 3)**:
 - Desire to move is due to the current apartment’s equipment level, location, etc.
- **Income** is taken into consideration in order to allocate social dwellings, but there are currently no fixed income limits for applicants;
- **Wealth** is taken into consideration, but no legally defined limit exists. However, the Housing Finance and Development Centre of Finland (Ara) recommended that municipalities define wealth limits for tenant selection. In practice, most of the areas with strong population growth have now defined local wealth limits.

As already discussed, social housing providers may also develop housing schemes targeted at specific population cohorts, such as the elderly, students, or those with disabilities. This can also include the delivery of ‘Housing First’ for those experiencing homelessness. Such specialist delivery schemes must also use the same cost-based approach to rent setting. However, the aforementioned investments grants for such schemes, combined with the housing related allowances available help to keep rents affordable.

With regard to the cost-based rent setting mechanism, this is similar to the cases of Austria and Denmark. However, the Finnish model has one important difference. In the Austrian and Danish cases, the cost-recovery principle must be applied at the level of an individual social housing development (e.g., a block of apartments or a housing estate), with no ‘cross subsidisation’. One of the reasons for this is that it avoids ‘contamination’, where the financial difficulties in one social development impacts on others. However, in the Finnish model cross-subsidisation, or what they refer to as “equalisation”, is the standard practice.

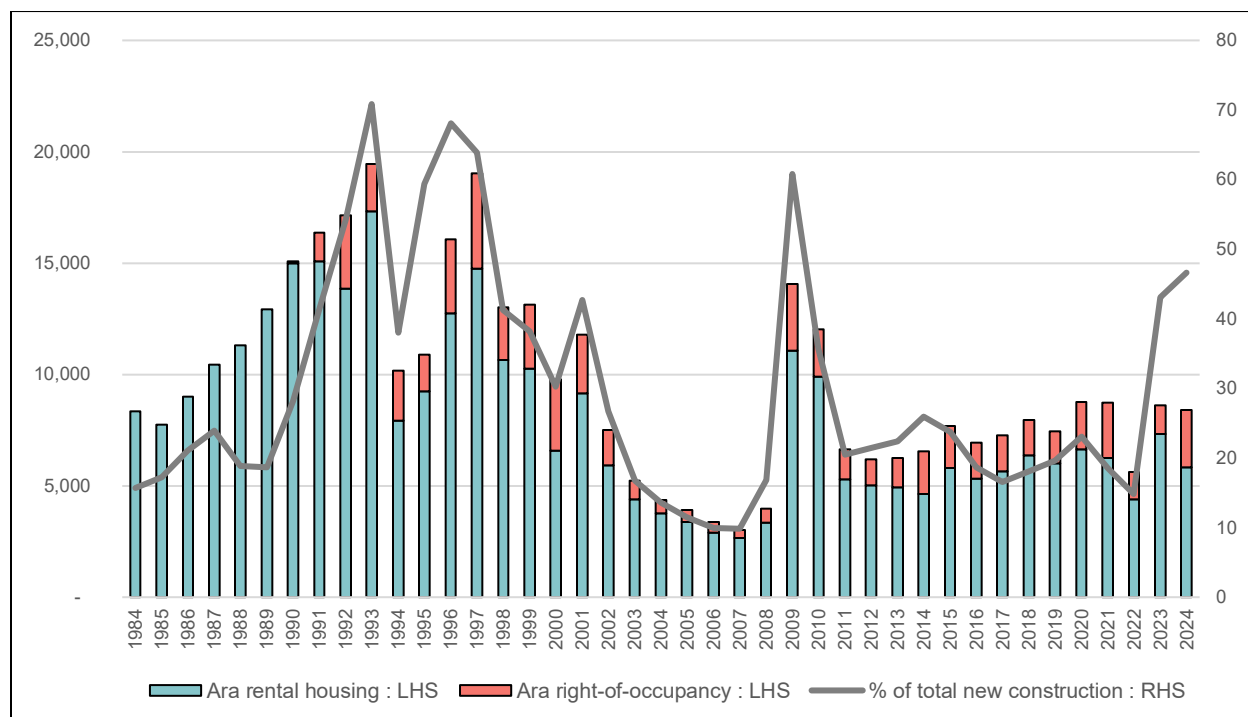
This means that the cost-based rents are not set at the level of the individual development, but rather at the level of the individual social housing provider.⁴⁸ One of the main benefits of this is that older debt-free parts of the social housing stock can effectively ‘subsidise’ newer developments. This means that, in theory at least, Finnish providers are less adversely impacted by sudden increases in construction costs than their Austrian or Danish counterparts.

⁴⁷ In practice, in a strong population growth area—like Helsinki—if the applicant is not in the category of “extremely urgent”, their chances of being allocated a social dwelling are currently low, because there is a high volume of applicants. Helsinki has also introduced ‘wealth’ limits for applicants. In 2024, the wealth limit in Helsinki was from €93k–€226k, depending on the household size and composition. See: <https://www.hel.fi/en/housing/rental-housing/heka-rental-apartments/selection-criteria-in-heka-rental-apartments>

⁴⁸ For a more detailed overview of the rent setting model, see : Housing Europe (2021). Cost-based social rental housing in Europe – The cases of Austria, Denmark, and Finland.

Developing new social housing and meeting targets

Figure 1: New production of Ara subsidised rental housing



Source: Ara

As illustrated above, social rental housing in Finland has seen peaks and troughs in recent decades, though has always managed to deliver several thousand additional homes per year. What is interesting is the social housing sector's relationship to the broader residential construction sector. For example, in 2023 and 2024 residential construction in Finland has seen a sharp decline overall.⁴⁹ However, the output of social housing has held solid at around 8,500 homes per year. As a result, social housing has increased to over 40 per cent of all new residential construction, from an average rate of around 20% during the previous 10 years.

This can be partly explained by the rent equalisation principle, where social providers can effectively absorb shocks like higher construction costs. It is further explained by the fact that the Government has consciously pushed social housing providers to increase production, in order to alleviate some of the stress on the wider construction sector.⁵⁰

In terms of the type of social housing being delivered. As mentioned earlier, from a historical perspective, public subsidisation also supported the delivery of affordable homes for owner-occupiers. However, such subsidies were slowly phased out during the late 1990s and 2000s, and no new homeowner subsidies had been granted by Ara (now Varke) in over a decade.⁵¹ This has meant that development subsidies have been for many years confined to the delivery of 'traditional' cost-based social rental housing, as well as so-called 'right-of-occupancy' (*asumisoikeus-asuminen*) housing.

⁴⁹ According to Statistics Finland, the annualised completions total fell from 45,245 in August 2023 to 22,862 in November 2024. Historical data available from: <https://stat.fi/en/statistics/ras#cubes>

⁵⁰ Ministry of the Environment (2024, February 29). Vuoden 2024 käyttösunnitelma kannustaa Araa priorisoimaan nopeasti käynnistyviä asuntorakentamishankkeita [Press Release: The 2024 operating plan encourages Ara to prioritise quickly starting housing construction projects].

⁵¹ Based on figures supplied to the author's by Ara

The latter of these two social housing types is effectively a hybrid model, using elements of cost-rental housing and shared-equity schemes. A ‘right-of-occupancy’ tenant purchases an equity stake in their home (usually around 15%), and pays a cost-rent on the balance.⁵² The rest of the equity is retained by the social housing provider. When the home is vacated, the equity stake can be sold for the original price paid, adjusted for the change in the construction price index. While over 60,000 right-of-occupancy homes have been built since 1990, public financial supports for this housing tenure are due to come to an end at the end of 2025. However, existing homes will continue to be available based on the same hybrid cost-rental approach.⁵³

CASE STUDY / KEY POLICY FEATURE

Hitas housing – long-term affordable ownership

In addition to ‘traditional’ cost-based social rental and right-of-occupancy housing, there is another more niche form of housing in Finland that ought to be discussed in this analysis. “*Hitas*” housing is owner-occupier housing, but which is subject to certain controls regarding the price, both for the first purchasers and also on the resale market. Hitas housing is currently only found in Helsinki. It is designed to offer an affordable purchase option for low- and middle-income households,⁵⁴ though the system is currently being revised in order to better reinforce this objective.⁵⁵

Hitas buildings are always built on a plot leased from the municipal authorities in Helsinki, usually at a low below-market price. The land rent is linked to the city’s Cost of Living Index.⁵⁶ By leasing the land on which Hitas homes are built, rather than selling it, the City manages to retain a strategic asset, generate guaranteed revenues for the coming decades, and keep the overall development costs of the homes down (i.e., land is excluded from construction costs).

The sales price of Hitas dwellings has a maximum limit, and the City monitors Hitas dwelling sales and sales prices. The sales price can increase over time, and is indexed to inputs like the change in consumer price inflation and construction costs. The current permissible sale price of a Hitas home can be verified with the City’s ‘Housing Office’ in the event that the current homeowner wishes to sell. Home upgrades can be taken into account, provided the homeowner can show receipts for these works. For newer buildings, the price regulation is in force for 30 years from the completion of the building. In older Hitas buildings, the regulation ends either with a notice from the City or upon the approval of a request from the building owner. Recent analysis has concluded that the existence of Hitas apartments actually has some market-shaping impact, helping to slightly dampen the price of non-Hitas owner-occupier homes.⁵⁷

Interestingly, Hitas apartments are primarily developed by the City of Helsinki’s own construction company, *Asuntotuotanto*. The company is responsible for developing Hitas homes, but also various other forms of non-market housing, including cost-rental social housing. Roughly 25,000 Hitas dwellings have been built in Helsinki, approximately 14,000 of which are

⁵² For a more detailed overview, see: <https://ym.fi/asumisoikeusasuminen>

⁵³ There are some housing providers who completely specialise in the provision of right-of-occupancy housing. For example, Helsinki has established its own municipal housing company to manage such developments called HASO. See: <https://haso.fi/en/welcome-home/>

⁵⁴ Ronainen, M., and Eskelä, E. (2022) Helsinki’s housing policy – A historical overview and the current situation. Helsinki: Publications Office of the City Administration.

⁵⁵ For an overview of Hitas in Helsinki, see: <https://www.hel.fi/fi/asuminen/omistusasunnot/hitas-asunnon-ostaminen>

⁵⁶ See: <https://www.hel.fi/static/kv/asunto-osasto/hitas-tietopaketti.pdf>

⁵⁷ Kähkönen, J. (2022). Kohtuuhintaista asumista – Helsingin asuntopoliittikan vaikutus asuntojen hintoihin: Helsingin kaupungin asunto-ohjelmat 1971–2016 [Affordable housing–The impact of Helsinki’s housing policy on housing prices: Helsinki city’s housing programs 1971–2016]. Helsinki: University of Helsinki.

still subject to the price regulation. During the past decade, new Hitas homes have been around 10% of the total new construction in the City each year.

Hitas homes can only be purchased by 'natural persons'. In other words, companies are not allowed to purchase them. In addition, a household can only own one Hitas home at a time. This means that if two Hitas owners form a new household, at least one of them is obliged to sell. However, this does not mean that Hitas homes cannot be rented out. Indeed, the increased prevalence of rented Hitas properties is one of the reasons that the system is currently under review,⁵⁸ and this rental option will likely be stopped in the near future.

At present, as demand is greater than supply, allocations for new homes are based on a lottery system, though families are given priority for access to larger family-type dwellings. This lottery system is also likely to be reformed in the near future, as it may not be the best way of targeting supports for access to publicly supported housing.

In Finland, social providers always develop their own housing projects, and thus do not lease properties or acquire homes (e.g., turnkey developments) from the private sector.⁵⁹ When it comes to the actual labour required to develop new stock or renovate the existing stock, the degree to which this can be handled in-house depends to a great extent on the size of the social housing provider involved. For smaller providers, directly employed staff will likely only handle small renovations and maintenance, with bigger projects being contracted out to private companies. Larger social housing providers would typically have their own staff for the direct management and control of projects. However, they might not necessarily have the capability for actual development projects, meaning they mainly handle conventional construction management tasks⁶⁰ or at most minor development projects. These companies purchase services from outside to support their own staff. The absolute largest few housing providers may have some resources for development as well, employing architects, engineers and other high-skilled professionals directly.⁶¹

Looking at the question of the need for housing in Finland. At present, there are no official government estimates or targets. However, there are some privately produced estimates that we can consider. For example, the Confederation of Finnish Construction Industries (CFCI) has produced estimates for the period 2020-2040.⁶² Their central forecast is that 35,000 homes should be built in Finland annually, i.e., a total of 700,000 additional homes by 2040. This is based on several demographic trends, such as "population growth in cities, immigration, the increasing prevalence of single-person households, and the earlier independence of young people".⁶³

⁵⁸ Ronainen, M., and Eskelä, E. (2022) Helsinki's housing policy – A historical overview and the current situation. Helsinki: Publications Office of the City Administration.

⁵⁹ Housing Europe (2025). *Unlocking Potential - A Comparative Analysis of Approved Housing Body Models in the European Union*.

⁶⁰ For example, renewal or repair of building parts (balconies, windows, bathrooms, kitchens, plumbing); i.e., repairs due to wear and tear or aging.

⁶¹ One interesting case is Helsinki, which has its own public developer organisation *Asuntotuotantotoimisto* (ATT), or the 'Housing Production Office'. However, it is a project planner, developer, and tender management organisation, rather than a construction company. ATT develops right-of-occupancy apartments for HASO (a social provider specialised in right-of-occupancy housing) and rental apartments for HEKA (the Helsinki MHC). In addition, ATT implements the city's public construction projects and carries out renovation projects for HASO and HEKA. See: <https://asuntotuotanto.hel.fi/fi/laadukkaita-koteja-kasvavaan-kaupunkiin>

⁶² Available at : <https://rt.fi/tietoa-alasta/tilastot-ja-suhdanteet/asuntotuotantarve-2024-tutkimus/>

⁶³ *Ibid.*

Additional analysis by MDI, a private research centre, estimates the need for housing in the period 2022–2040. It forecasts a wide range of 140,000-500,000 additional homes needed over the period.⁶⁴ Thus, even in the scenario with the highest need, it comes in noticeably below the ‘baseline’ CFCI projection. This speaks to the inherent difficulties that can be involved in making such projections, which are highly dependent on the underlying assumptions being made (i.e., population growth rates, average household size, or urbanisation). The MDI report notes that around half of all additional housing will be required in the Helsinki metropolitan area.

Integration with social policy and community development initiatives

As already outlined, social housing providers in Finland play an integral role in housing for the elderly and those with disabilities or additional needs. This is especially the case when it comes to the specialist non-profit foundations who exist primarily to provide housing to these population cohorts. In addition, the housing of many students in special housing developments is also an important part of the sector. As discussed earlier, the current Government is particularly concerned with the need for additional efforts to support student housing, as well as the ageing Finnish population and the need to convert existing social dwellings to meet their needs. However, exactly what reforms will take place in this regard remain to be seen.

Table 5: Personal situation of social tenants in Finland (%)

	Social rental	Right-of-occupancy
Student	9	2
Pensioner	27	38
Unemployed	13	4
Working (full-time)	37	45
Working (part-time)	8	6
Self-employed	2	3
Other	4	2

Source: KOVA Tenant Satisfaction Survey, 2024

Note: The figures are related to the individual survey respondents; i.e., what is commonly referred to in the household survey literature as the “head of household”.

In addition to providing social housing, MHCs and foundations provide so-called “counselling” services. The goal of housing counselling is to reduce rent arrears, housing disturbances, and evictions, as well as to ensure the continuity of housing. A housing counsellor can help, for example, in situations where there is a risk of eviction, resolving rent arrears, or applying for social housing. Housing counselling services are managed by social housing companies directly, while Kela (the Finnish social insurance agency⁶⁵) provides social security (including housing allowances) for social tenants. In addition, some of the social housing foundations may offer jobs for people who have some difficulty in accessing the labour market, e.g., because of their health.

Finland is well-known in Europe as driving forward the development of the ‘Housing First’ model.⁶⁶ This puts access to a stable and affordable home as being the key foundation of tackling homelessness, with other social and care services being folded into the provision of housing. Within

⁶⁴ MDI (2024). Suomi 2040 Asunto-, sivistys- ja hoivakiinteistökönnän tulevaisuus [Finland 2040 The future of the housing, education and care stock]. Helsinki: MDI Research.

⁶⁵ <https://www.kela.fi/main-page>

⁶⁶ See: Leni, E. (2024). Finnish Homelessness Deinstitutionalization Policy: Housing First and Frontline Perspectives. European Journal of Homelessness, Volume 18(1). Available at: https://www.feantsa.org/public/user/Observatory/2024/EJH_18-1_A07.pdf

Finland, the most well-known provider of Housing First solutions is the ‘Y-Säätiö’, sometimes called the ‘Y-Foundation’ in English.⁶⁷ It has grown substantially in recent years, and now provides close to 20,000 homes for the most vulnerable Finnish households. This makes it the fourth largest housing provider in all of Finland. It also has a staff of nearly 200, providing both housing and related social services.

Not all the homes provided by the Foundation are directly owned by them. Several homes are provided through partnerships with MHCs and others. The homes are primarily studios or smaller units, suitable for single people, which are disproportionately represented amongst the homeless population in Finland.

Returning to the work of the MHCs and foundations, community and place are integral parts of their work. Housing providers are obliged to follow the ‘*Joint administration in state-subsidised rental houses act, 2022*’,⁶⁸ which means their tenants have a legal right to participate in the decision-making regarding their building. The tenants have the right to receive information on the building’s maintenance and general management, oversee renovations, comment on the budget of the social housing company, decide on the code of conduct for shared spaces, and elect representatives to the board of directors of their social housing provider. There is also a residents’ committee in each building (or a small cluster of buildings). While this does not go as far as the ‘tenant democracy’ found in the Danish non-profit housing sector, it does still mark Finland out as a country in which social housing tenants are empowered by legislation to a greater than average extent.

In terms of ‘social mixing’ and the avoidance of an overconcentration of one particular type of housing in any given area, such considerations are the devolved competence of individual municipalities in Finland. However, numerous studies have shown that rates of social segregation, based on factors like household income or ethnicity, are low in Finnish cities.⁶⁹ However, some researchers have indicated that there is potential for it to increase in the future.

One interesting case study on avoiding segregation is the city of Helsinki. Under its 2024-2027 ‘Programme on Housing and Related Land Use’ there is an ambition to build 7,000 new homes each year.⁷⁰ At present, the City has a number of significant urban redevelopment projects, which include large brownfield sites. In these areas, and more generally across Helsinki, the ambition is that new construction roughly aligns with Helsinki’s tenure type target of 45-50% privately funded owner-occupied dwellings and 40-45% rental dwellings. ‘Traditional’ social rental housing should reach a target level of 25% of homes in the City, from a current level below 20%. In addition, “intermediate” housing (i.e., Hitas and right-of-occupancy) should account for 10-15% of homes in the City.

Helsinki believes that “a mix of tenures is also important in preventing segregation and ensuring the social sustainability of residential areas”.⁷¹ Indeed, “[f]or a long time now, the key principle of Helsinki’s housing policy has been to ensure a diverse population and housing structure in all residential areas”.⁷² This means that rather than allowing one tenure to become too dominant in any area, which would

⁶⁷ For a more detailed discussion of the activities of the Y-Foundation, see: Housing Europe (2025). *Unlocking Potential - A Comparative Analysis of Approved Housing Body Models in the European Union*.

⁶⁸ See: <https://www.finlex.fi/fi/laki/alkup/2022/20221169>

⁶⁹ For a review of these studies, see: Lahtinen, M., Eerola, E., Kuronen, M., and Ruonavaara, H. (2024). *Julkisesti tuetun asuntotuotannon merkitys ja kehittäminen 2020-luvulla [Role and Development of State-subsidized Housing Production in the 2020s]*. Publications of the Ministry of the Environment 2024:8.

⁷⁰ City of Helsinki. (2024, June 14). Press Release - Helsinki aims for socially sustainable growth and a wide variety of housing options.

⁷¹ City of Helsinki (2024). *Implementation Programme on Housing and Related Land Use* (Brochure).

⁷² Ronainen, M., and Eskelä, E. (2022) *Helsinki’s housing policy – A historical overview and the current situation*. Helsinki: Publications Office of the City Administration.

require potentially costly or controversial government interventions to correct, the City has had a long-term policy of controlling and overseeing the housing supply, in order to deliver mixed neighbourhoods.

Figure 2: Spatial tenure planning map of the Jätkäsaari district, Helsinki



Source: Ronainen, M., and Eskelä, E. (2022)

Notes: The map shows how the City of Helsinki was able to plan each individual block of housing, and what tenure it would have as part of an urban regeneration plan to promote a mixed neighbourhood.

It is important to note that Helsinki has real capacity to deliver on this policy of socially diverse neighbourhoods, as it is also a very significant land owner. Indeed, the City owns around two-thirds of the land within its area. This harks back to the previous point about the City having a strict policy of not selling public land, but rather offering it to housing providers and others on a long-term lease basis. This generates revenues for the City (through land rents), and also means that it can retain control of a strategically important asset.

For social housing providers, these leases are offered at below market rates,⁷³ and also mean that land acquisition costs are not included in the calculation of the cost-based rents. A recent report estimated that in the period 2020-2023, the value of the implicit subsidy paid by Helsinki to social providers was €38 million per year. This is calculated on the basis of the aggregate difference in the land rent paid and what would have to be paid if market prices were demanded.⁷⁴ In addition, the City is actively acquiring additional land through the market. While this is primarily done through agreement with the land-owner, the City can also make use of its legal right of pre-emption and expropriation.⁷⁵

⁷³ *Ibid.*

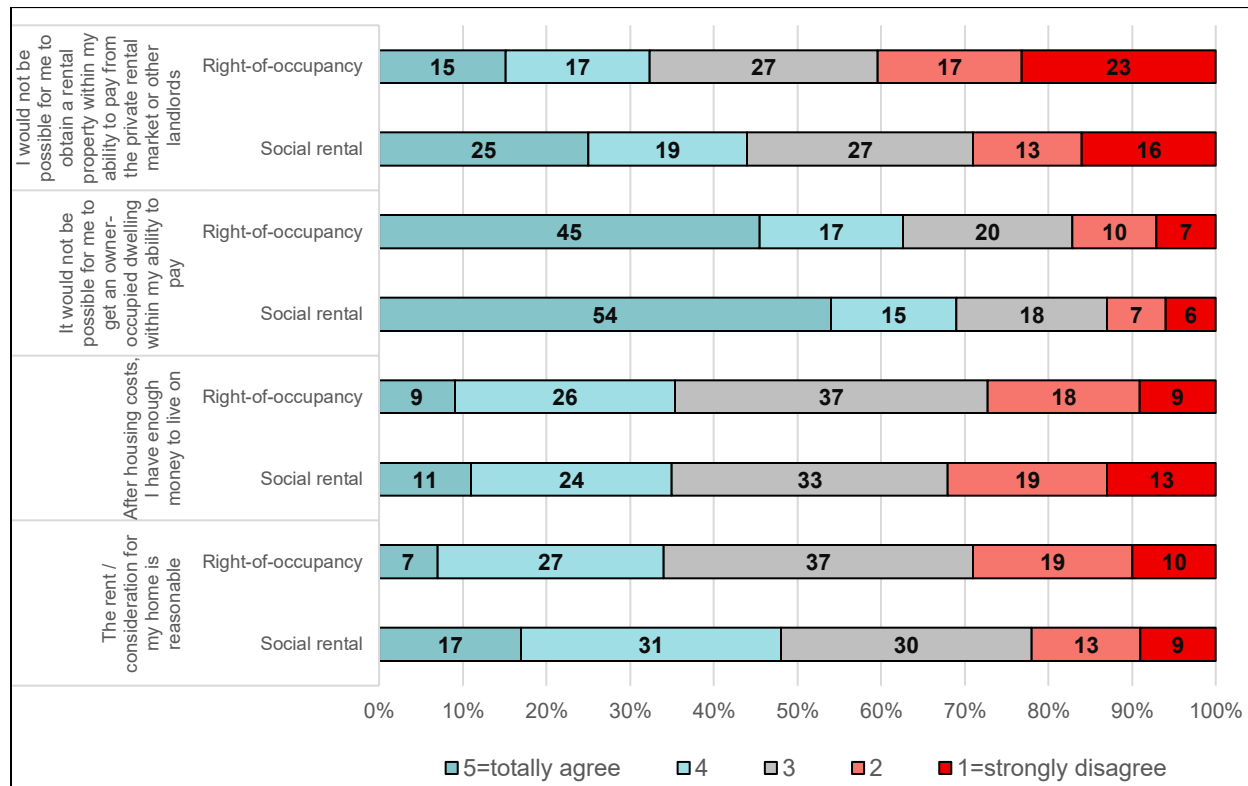
⁷⁴ Lahtinen, M., Eerola, E., Kuronen, M., and Ruonavaara, H. (2024). Julkisesti tuetun asuntotuotannon merkitys ja kehittäminen 2020-luvulla [*Role and Development of State-subsidized Housing Production in the 2020s*]. Publications of the Ministry of the Environment 2024:8.

⁷⁵ Ronainen, M., and Eskelä, E. (2022) Helsinki's housing policy – A historical overview and the current situation. Helsinki: Publications Office of the City Administration.

Additional local context, and conclusions

As discussed at the beginning of this chapter, at the time of writing there are many important question marks hanging over the future of state supported housing in Finland. The current Government has upended much of the system that has prevailed for the last number of decades, and is re-centralising and seeking to re-defining many of the functions of state housing policy. This is important to take into consideration when reading this chapter, as it means that, unfortunately, some of the contents could soon become dated.

Figure 3: KOVA tenants views of their housing situation



Source: KOVA Tenant Satisfaction Survey, 2024

In terms of an assessment of the context in which the current reforms are taking place, recent survey data suggest that social housing in Finland is reasonably well-targeted, with the overwhelming majority of tenants stating that they do not have the financial means to become owner-occupiers. At the same time, the housing being provided by the Finnish equalised cost-based rental model seems to be broadly affordable, with only around one-in-ten social tenants “strongly” disagreeing with the idea that their rent is fair and reasonable. Interestingly, assessment of the affordability of social housing, and a lack of means to access ownership are both higher in large cities than compared to more rural areas.⁷⁶ Overall, satisfaction with social housing is quite high; measured at 3.9 on a scale where 5 is the maximum level of satisfaction. Satisfaction has also increased in recent years.

Looking ahead, though, there are risks to the capacity of the social housing providers to deliver. For example, the national budget for 2025 outlines a number of cuts to public funding for the sector. This

⁷⁶ The KOVA Tenant Satisfaction Survey is now on its third edition (2024), following on from previous surveys in 2021 and 2019. The 2024 survey is available (in Finnish only) at: https://www.kovary.fi/wp-content/uploads/2025/01/KOVA_Asukastytyvaisuus-2024_Keskeiset-tulokset5F14.1.2025.pdf

includes an anticipated sharp reduction in the grants provided to support the development of housing for specific target groups, such as the elderly. According to KOVA the reduction in grant financing “will mean that practically no new affordable rental housing production for special groups will be launched in the coming years”.⁷⁷

This is not coherent when viewed in the context of the recent recommendations of the Working Group examining the role and functions of Varke.⁷⁸ The Working Group specifically outlined the need to support housing for students and to better cope with the challenges of an ageing population. Added to the cuts for specialised housing is the cessation of the development of new right-of-occupancy housing at the end of 2025. This tenure had been particularly popular with pensioners (c.40% of right-of-occupancy tenants).

In early 2024, the Government also announced revisions to the system of housing allowances, reducing the maximum allowance that can be given to rent a home. While quite recent, this has already led to a marked increase in demands for social housing; up 14% since before the reforms.⁷⁹ In many areas, the increase in demand is around 40%.

It is, however, also important to understand better the current context of government spending. In its June 2024 assessment of EU Member State compliance with the fiscal rules, the European Commission warned Finland about its fiscal discipline, as the country noted that it planned for public spending to exceed income by more than 3% in 2024. The Commission also noted that debt-to-GDP was above 60% and expected to rise in the next few years, in part due to higher levels of public investment. The EC noted “high risks” related to public debt.⁸⁰

⁷⁷ KOVA. (2024,). Tiedote: Hallituksen talousarvioesitys heikentää erityisryhmien asuntotuotannon toteuttamista ja hyvinvointialueiden mahdollisuuksia hillitä kustannuksia [*Press release: The government's budget proposal weakens the implementation of housing production for special groups and the possibilities of welfare areas to control costs*]

⁷⁸ Ministry of the Environment (2025, January 1). Työryhmältä suositukset valtion tukeman asuntotuotannon kehittämiseen [*Recommendations from the working group for the development of state-subsidized housing production*].

⁷⁹ KOVA (2024, October 31). Tiedote: Sosiaaliturvamuutokset nostavat kohtuuhintaisten asuntojen kysyntää [*Press release: Social security changes increase demand for affordable housing*].

⁸⁰ European Commission (2024, June 19). [Report prepared in accordance with Article 126\(3\) of the Treaty on the Functioning of the European Union](#).