



HYPO

# HYPO HOUSING MARKET REVIEW

1Q2026 Publication: March 2026



PAREMPAAN ASUMISEEN. TURVALLISESTI.



## The Longest Housing Price Decline in History

■ **Housing prices continue to fall in early 2026.** January–February was weaker than expected for housing transactions as well, but buyers’ and sellers’ price expectations have converged, which has already been visible for some time as increased transaction activity. **Recent data also reflects bulk transactions made by companies and the associated volume discounts, which may mislead buyers who closely follow statistics.**

■ **Echoes of the 1990s can be heard in the housing market, but on a different scale.** Prices have now fallen continuously for 3.5 years — as long as during the steepest phase of the early-1990s downturn. Still, the current overall situation is significantly better: economic growth, interest rates and unemployment are nowhere near the extremes of that period. Households have endured the shock better, avoiding forced sales. **Nevertheless, the continuous price decline is the longest in the statistical history available since 1947.**

■ **A Return to Peak Price Levels Will Only Happen in the 2030s.** Growth centres increasingly determine the direction of national price indices. A growing share of completed transactions takes place in large cities, while in lower-demand areas deals simply do not materialize. This concentration increases the weight of growth centres in the national indices, because unrealized transactions do not affect published price levels.

■ **In the six largest cities, 35,000 more homes were built over the past decade than the number of new households formed.** Supply remains ample: although the number of newly completed homes fell to a historically low level last year, household formation also slowed unusually. The boom in living alone has reversed — immigration is increasing the number of larger households, and students returning to shared

housing and dorm-style living are boosting the supply of small rental apartments and weakening demand.

**Helsinki’s population grew by 11,500 last year – the strongest since the 1960s** – yet the number of completed new homes still exceeded the growth in households.

### Capital Region Prices

2026: -1.0%  
2027: 3.0%

■ **Extending the maximum mortgage maturity to 35 years in April will ease monthly payments and provide flexibility.** Roughly one-third of Finland’s housing loan stock already has maturities longer than 25 years, and most borrowers will likely continue choosing shorter maturities. However, the regulatory change alone will not turn the market upward, as households still weigh future interest rate developments and employment prospects.

■ **It remains a renter’s market.** The index for privately financed rents turned downward late last year, but the index mainly reflects developments in existing agreements. For new rental agreements in the Capital Region, initial rents have decreased for several years, and abundant supply and vacancy continue to strengthen tenants’ negotiation positions.

■ **Construction remains stalled, and geopolitical risks shake interest rates.** Housing starts and permits remain exceptionally low, and transaction activity is focused on the existing housing stock. Institutional sales weigh on demand for new construction, and cuts to interest-subsidized loan quotas further reduce supported production. **Escalating Iran-related risks raised energy price and inflation expectations — the 12-month Euribor recorded its steepest one-day increase in nearly 18 years in March.** Market uncertainty has grown, and expectations temporarily priced in up to two rate hikes this year, although the central bank is likely to remain in wait-and-see mode. The duration of the Iran crisis will determine much. As well as how the war in Ukraine continues to unfold.



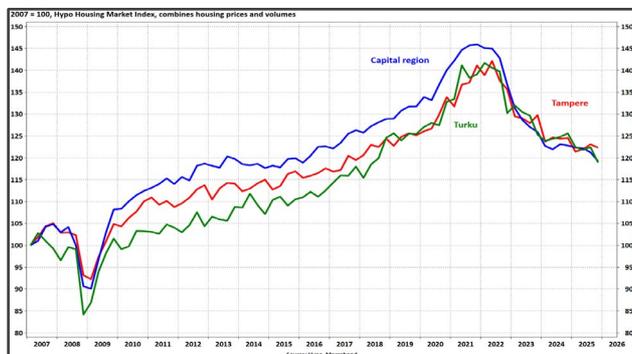
JUHO KESKINEN

## Sellers are finally coming down on their asking prices

Although the housing market remains brisk, prices will continue to decline in early 2026. Buyers and sellers have moved closer to common ground, but transaction indicators are distorted by bulk transactions made by institutional investors. While such deals do not determine the prices faced by ordinary homebuyers, they do push index values downward. At the same time, renewed investor demand signals strengthening international confidence in Finland's housing market. Middle East instability affects consumer confidence and interest rate developments, and the duration of the Iran crisis will ultimately determine the magnitude of direct economic and inflation impacts. In light of Middle East and first statistics of the year, the 2026 price forecast has been revised downward. Prices will stabilize this year, but the slight recovery expected during 2026 will still result in a negative annual change, shifting upward pressure more clearly into 2027. The maximum mortgage repayment period will be extended to 35 years in April, providing borrowers with more flexibility. The option for extra repayments remains. Increasing the maximum loan-to-value ratio from 90% to 95% has also been discussed. There are grounds for easing regulation as household indebtedness has declined and mortgage balances have decreased at a normal pace in recent years. Still, national economic sentiment will only improve when brighter economic news arrives.

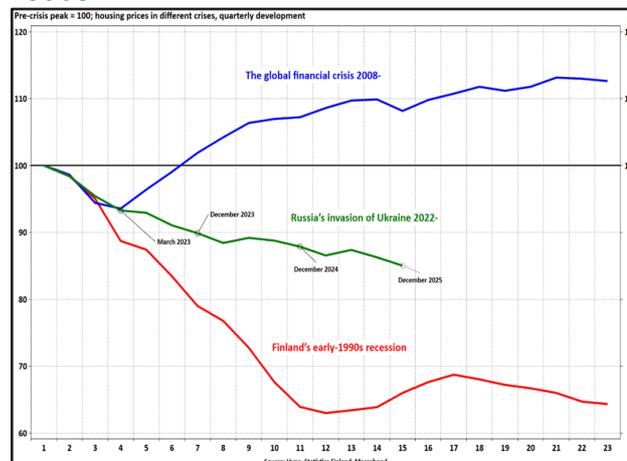
Transaction activity remains more than 10% below the 2015–2019 average in the Capital Region and about 9% below nationwide. Among major cities, Turku recorded the steepest price drop (–5.6%), while Tampere saw a milder decline (–1.8%). Housing transactions held up in Turku and Tampere, but ample supply has continued to delay a turnaround in prices despite the upward trend in transaction volumes. During 4Q2025 prices rose by more than 7% in Rovaniemi, while the steepest declines were recorded in Mikkeli (–13%), Porvoo (–11%), and Lahti (–7%). Oulu stands out for its stability, whereas prices in Vantaa have fallen nearly one-quarter from peak levels.

### Hypo Indices Remain low



At the end of 2025, Hypo Indices for the Capital Region and Turku fell to 119, while Tampere reached 122. Although transactions in the Capital Region were up about 10% year-on-year, prices still fell by 3.6%.

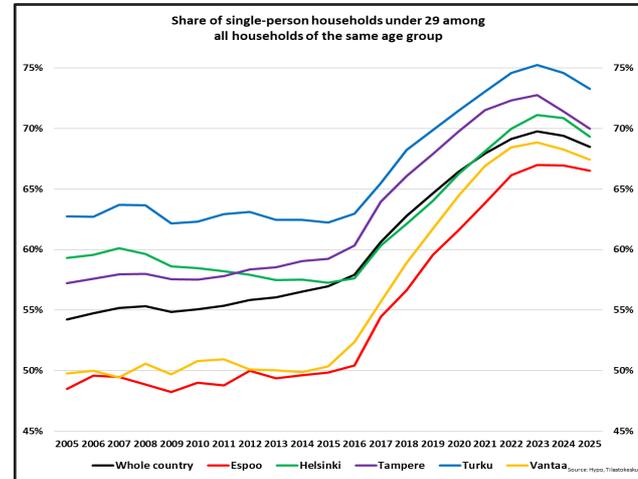
### Price Decline the Most Persistent Since the 1990s



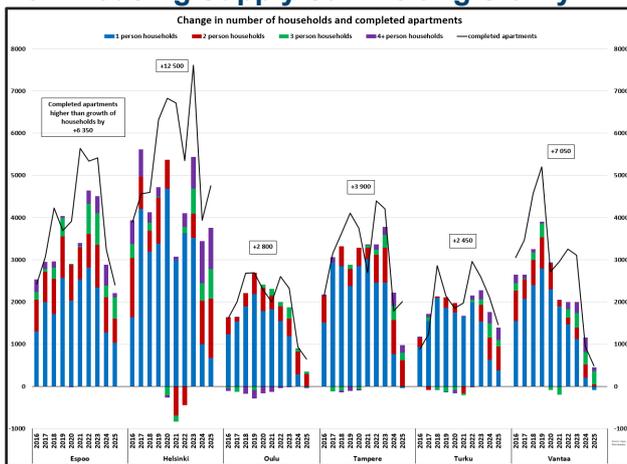
Housing prices have now fallen continuously since summer 2022 – a 3.5-year decline matching the duration of the early-1990s crash from mid-1989 to the end of 1992. The current position of the housing market is in many ways historical, yet still nowhere near as bleak as the downturn seen more than 30 years ago. The difference lies in the magnitude of the underlying factors: In the early 1990s: GDP contracted by double digits, transactions halved, prices fell 40% in total, interest rates for mortgages were 12–15%, unemployment peaked near 20%. Today economic growth is flat rather than collapsing, transactions fell by one-third from the 2021 peak to 2023, prices are down 14% from peak, interest rates

temporarily exceeded 4%, and unemployment has risen above 10%. Instead of forced sales seen in the 1990s Households have withstood the shock far better this time, which has been visible as sellers' reluctance to lower their asking prices to the true current market level. Price increases began in the latter half of the 1990s, and pre-recession levels were reached in the early 2000s. Now, nominal peak price levels can be expected to be reached in the early 2030s. In the long run, nominal prices tend to rise as inflation lifts the general price level. At the same time, the importance of growth centres to the national price index increases: a growing share of transactions takes place in large cities, while in areas with weaker demand and low or declining prices, transactions fail to materialize. Since these unrealized sales do not appear in the statistics, their potential downward effect on prices does not push the national index lower.

## Shared Housing and Larger Families Now Drive Household Growth



## New Housing Supply Still Melting Slowly

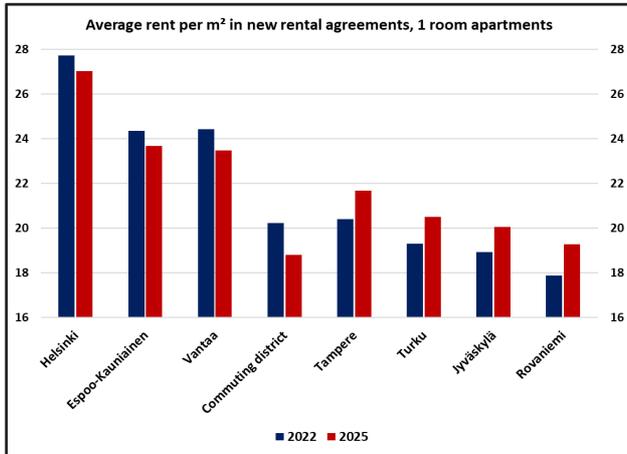


The strengthening of immigration since 2022 has increased the share of larger households. Conversely, the shift of students back to individual housing allowances appears prominently in 2025 data: the number of households nationwide increased by fewer than 4,000, which is the smallest increase since statistics start in 1985. At the same time the population grew by about 21,000, lagging the past two years but still being the third largest growth since 2013. In Oulu, Tampere, and Vantaa, the number of single-person households declined compared with a year earlier, while the number of larger households increased. In other cities as well, larger families supported the growth in the number of households. Although the supply of completed homes dropped to a record low, household formation slowed at least as much.

When students were moved to the general housing allowance system in 2017, the allowance became household-based, encouraging living alone and growing the number of single-person households. Before the reform, roughly 40% of independently living full-time students lived alone; by 2022, the share had risen above 60%. Living alone increased among young adults generally as well, but among students the growth was more than 10 percentage points higher. Between 2017 and 2023, growth in the largest cities relied heavily on the increase in single-person households. After the reform, students moving out from their parental homes ended up living alone instead of choosing shared housing more often than before. By contrast, in the early 2010s about 30% of first-year students lived in shared housing; by 2022 the share had fallen to about 10%. The return to shared and dorm housing has reduced demand and increased the supply of small rentals, contributing to muted rent and price trends. The index for privately financed rents fell at the end of the year for the first time nationwide, and in all major and medium-sized cities except Kotka, Kouvola and Rovaniemi.

## Rental Market Conditions Vary Across Regions

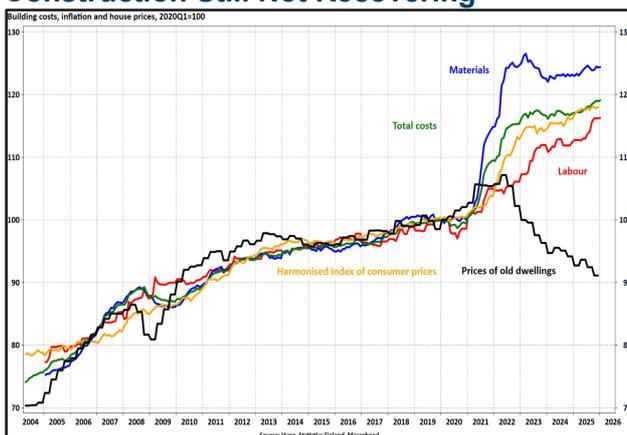
Actual market rent levels have fallen even more, and earlier, than the official index indicates, because the index is based on data from housing allowance registers and rental companies, whose occupancy rates have been exceptionally low in recent years. The index reflects most accurately changes in existing rental agreements.



New rental agreements (above) provide a more indicative picture of the market situation when looking at a selected apartment type. The initial rents of new privately financed rental agreements have, indicatively, fallen by 3–4 percent in the Capital Region over a three-year period, both for studio apartments and for three-room apartments. Vacancy rates and the abundant supply of new, higher-quality units partly mask the decline in this statistic as well. Tenants have been able to negotiate rent reductions by ‘shopping around’ for an equivalent apartment. The ample supply is reflected most strongly in rent developments in the Capital Region, while in other cities rents have, as a starting point, risen during the same period.

last year, the lowest in the entire statistical history. Building permits remain scarce, and transaction recovery is still focused on existing apartments rather than new builds. Investor demand continues to target bulk purchases of existing portfolios, while pension funds and housing funds have been reducing their holdings. Rents are expected to grow only modestly this year, and a slight price increase would not yet restore profitability for builders. Still, confidence in the sector is gradually improving, and population growth in major growth centres supports demand for both rental and owner-occupied homes. Cuts to interest-subsidized loan quotas are justified as the cycle improves but will reduce short-term production by several thousand units. Over time, the cuts make room for privately financed production, which will recover once prices begin to rise again in growth centres.

### Construction Still Not Recovering



The year will once again be weak for housing construction. Housing starts fell below 17,000 units

### War Shakes Interest Rate Expectations



The situation in Iran is reflected in interest rate markets primarily through energy prices and inflation expectations: rising oil and transport costs have increased the inflation risk priced in by the markets, which has pushed interest rates higher. At the same time, greater uncertainty has appeared in yield curves and monetary policy pricing, as investors have begun to prepare for the possibility that the ECB and the Fed may have to accept weaker growth and respond if energy-driven inflation pressures persist. The increase in uncertainty once again weakens economic growth expectations and raises volatility, but much depends on the eventual duration of the crisis. The ECB keeping its policy rate around two percent remains a possible path for the current year.

## Hypo's View on the Housing Market

1. *The housing market shock will ease with a delay – transactions recover while price bottoms are tested this year*
2. *Peak price levels will only be reached next decade – market activity concentrates on growth centres*
3. *Growth in household size and changes in student housing benefits slow growth of housing demand*
4. *Construction challenges persist – investor demand targets the existing housing stock*
5. *Interest rates remain above 2%, even as expectations fluctuate amid geopolitical instability*

### ■ Opportunities

- *Russia withdraws from Ukraine, trade wars ease, and the Iran crisis remains short-lived – confidence returns*
- *Housing prices support mobility and transactions follow life-cycle needs*
- *Energy crises end and new supply lowers housing costs – both the environment and consumers benefit*
- *Birth rate recovers and labour-based immigration remains strong – optimistic forecasts prove correct*
- *Construction recovers and housing supply supports urban home seekers also in the years to come*

### ■ Risks

- *Interest rates rise, inflation accelerates, trade wars escalate and tariffs trigger stagflation*
- *Large housing investors and construction companies fail – new housing companies face difficulties*
- *Recession deepens, unemployment continues to rise and household distress grows*
- *Population growth halts as birth rates fall and immigration dries up*
- *Construction does not recover for years and prices surge in the growth triangle*

### \* Background of Hypo Housing Market Index

Hypo Housing Market Index combines housing prices and transaction volumes into a single value. Its development reflects the state of the housing market more comprehensively than Statistics Finland's price data. When demand picks up, it first appears as an increase in transaction volumes and shorter selling times. Sellers react to changing market conditions only with a delay, so price levels adjust slowly. Conversely, when demand falls, selling times lengthen and transaction volumes shrink before sellers revise their asking prices to match buyers' purchasing power and willingness.

Hypo Housing Market Index can therefore also anticipate major turning points in housing price trends. Hypo has developed the index for the Helsinki metropolitan area, Tampere, and Turku. It has been simulated using Statistics Finland's data since 1987, covering old privately financed apartments.

## Hypo's Current Housing Market Review

- The review boldly and clearly presents an independent expert's perspective on the state and direction of the housing market
- The review includes Housing Market Index for the Helsinki metropolitan area, Tampere, and Turku
- Hypo publishes this housing market review four times a year, this is now the 96th review



**Juho Keskinen**  
chiefkonomist  
juho.keskinen@hypo.fi  
phone +358 (0)40 165 9582  
X (Twitter): @Keskinen\_Juho



# HYPO

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The Mortgage Society of Finland is Finland's oldest nationwide private credit institution, established in 1860. The Hypo Group is an independent mutual company, managed by its members and specializing in housing finance, independent of all banks and insurance companies. The group also includes the deposit bank Suomen Asuntohypopankki Oy, founded in 2002.

According to the Financial Statements Release for 1.1.–31.12.2025 the Hypo Group's balance sheet was 3.6 billion euros, core capital ratio 22.9%, loan portfolio 2.8 billion euros, deposits 1.5 billion euros, non-performing loans 0.3% and operating profit 9.0 million euros. The group has over 22,000 customers.

### The Mortgage Society of Finland • Suomen Asuntohypopankki Oy

Yrjönkatu 9 A, 00120 HELSINKI • phone +358 (0)9 228 361

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