



HYPO

HYPO REGIONAL RATING

3Q2026 Publication: Regional Housing Market Risks and Outlooks



PAREMPAAN ASUMISEEN. TURVALLISESTI.

Housing Market Winners Do Not Change Easily

**Housing Price
Forecast**
2026: -3.0%
2027: 0.5%

- In Hypo Regional Rating, **a total of 10 municipalities reach the A-class**. Previously, 13 municipalities achieved an A rating. The big picture remains: a total of 247 municipal areas are rated BB or below. Only 45 municipalities reach at least a BBB rating, but they are home to 61% of the population of mainland Finland. A total of 61 municipalities fall into the red-tinted C series.

The outlook complements the rating by indicating the rating's strength and the risk of a future change. **Housing prices are expected to return to growth during 2027**, but the average annual change next year is still modest.

- The Tampere region dominates the top of the rating.** Pirkkala retained its A+ rating, and four of the ten municipalities in the A group are located in the Tampere region. The population of the current A-class municipalities has increased by more than 120,000 residents over the past five years. **Turku has recorded three consecutive years of record population growth.** The city's outlook improved from negative to stable, but its attractiveness is not reflected in the ratings of neighbouring municipalities as strongly as in the Tampere region.
- Helsinki turned migration flows from Vantaa in its favour.** Population growth in Vantaa slowed last year to its weakest relative pace since 1970. Helsinki recorded net migration from Vantaa for the first time in 30 years, while Vantaa's domestic migration loss continued for a fifth consecutive year.
- Billion-euro investments are creating growth opportunities also for small municipalities.** The expected employment effects of major data centre and green transition projects are included in Hypo Regional Rating for the first time. These investments may stimulate housing transactions and rental markets even in areas with population decline, although housing prices may not yet increase. **In the immediate vicinity of data centres, the impact on housing prices may also be negative.**

HYPO REGIONAL RATING A-CLASS

- Pirkkala (A+)
- Espoo (A)
- Kempele (A)
- Oulu (A)
- Turku (A)
- Kangasala (A-)
- Helsinki (A)
- Lempäälä (A)
- Tampere (A)
- Kauniainen (A-)

CHANGES AND OUTLOOKS

- 20 areas saw an upgare by one notch.
- 34 areas saw a downgrade by one notch (more on page 5).
- Ratings remained largely unchanged, but downgrades outnumbered upgrades.** The main drivers were population decline, challenges in municipal finances, and weak liquidity in the housing market. Strong housing demand in growth centres and major investments in individual municipalities support the housing market outlook, while assessment of flood risks highlights regional differences in risk levels.

HYPO DISTRICT RATING

- Hypo District Rating**, the postal-code-level review of the capital region, Tampere and Turku, will be published **in connection with the December Housing Market Review.**
- Housing market areas differ even within a vibrant municipality.** B-areas within the A-group growth centres are typically located on the outskirts of cities and have weaker transport connections or suffer from segregation. However, even the most remote area of a highly rated municipality benefits from a sustainable municipal economy and performs better than the average Finnish municipality.
- The themes of Hypo Regional Rating:** payment ability, liquidity, collateral values, municipal economy, safety, health, migration, future prospects and environment (*more on page 8)

**Capital Region
Prices**
2026: -3.3%
2027: 1.0%

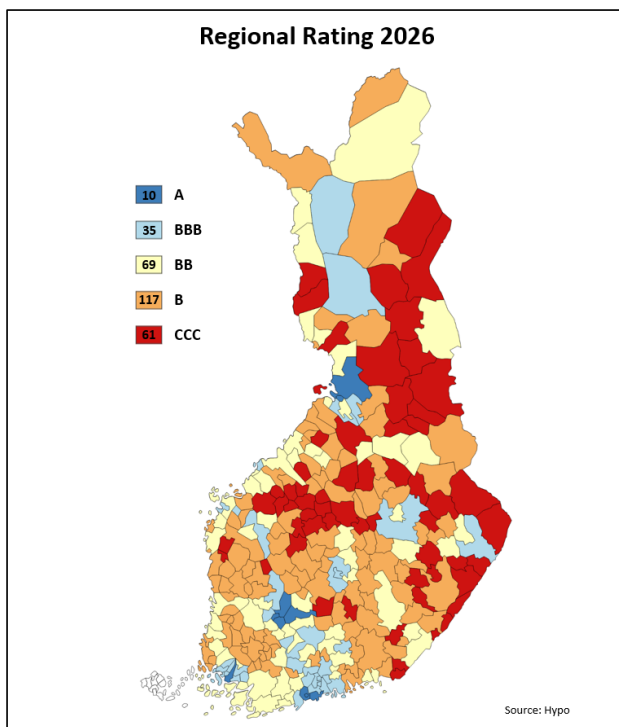


JUHO KESKINEN

Familiar Municipalities Remain at the Top

In the latest update of Hypo Regional Rating, the rating of 20 areas improved by one notch, while in 34 municipalities in mainland Finland the rating declined by one notch. The rating remained unchanged in a total of 238 municipalities. Ratings now range from the third-highest possible A-class to the fourth-lowest possible CCC-class. None of the municipalities reach the highest AAA or the second-highest AA-class, but neither do any fall into the three lowest possible classes of CC, C or D. The average rating calculated for the national housing stock remained at BBB, meaning that the rating of the average Finnish home did not change.

Pirkkala continues to achieve an A+ rating. Espoo, Helsinki, Kempele, Lempäälä, Oulu, Tampere and Turku receive a stable A rating. Vantaa remains in the BBB class. The blue growth triangle stands out, while the red-tinted higher-risk areas are concentrated in Central Finland, Eastern Finland and Kainuu. Differentiation occurs not only between municipalities but also within them.



The relatively limited changes in the ratings indicate that housing market risk outlooks have remained broadly stable overall, although differences between regions remain substantial. Public finance challenges have not eased, and the recovery of the housing market has progressed more slowly than expected. Housing transactions have picked up from the lows of recent years, but geopolitical uncertainty, elevated interest rates and a weak employment situation continue to weigh on the recovery of the housing market. However, stronger economic growth, improving household purchasing power and a lack of new construction create conditions for housing prices to stabilise, particularly in growth centres as uncertainty begins to ease.

Housing market risks continue to diverge regionally, but major data centre and green transition investments are creating new growth opportunities also outside the traditional growth centres. Nevertheless, the highest housing ratings remain concentrated in the familiar growth cities and their surrounding municipalities, where population growth, stronger purchasing power and housing market liquidity support collateral values. Nearly 3.5 million Finns live and over 1.9 million homes are located in the 45 municipalities with at least a BBB-rating. These municipalities represent only about 15% of the municipalities in mainland Finland, but 61% of its population. The population of municipalities with at least a BBB rating has increased by over 180,000 people, and the housing stock by more than 135,000 homes, since last year's update. This development is driven especially by the upgrades of Lahti and Hämeenlinna to BBB, but also by the long-term concentration of population in growth centres, which further strengthens the position of already stronger housing market areas. When viewed by municipality, the B class remained the most common rating, while among individual rating categories the largest share of the population lives in the ten municipalities in the A-group. The housing market downturn has generally increased hidden risks of market areas, but the rating looks beyond fluctuating economic cycles towards the future.

Structures, trends and directions of change are of greater interest to the rating agency than short-term

market turmoil, as a mortgage is taken out for years or decades ahead. The rating is built to measure the crisis resilience of different areas, so when a crisis hits, the ratings do not change much. From the perspective of a housing financier, in addition to the current value and marketability of the collateral, also an assessment of future demand and risk developments in the area is relevant. For this reason, the rating considers current market indicators and a broad range of factors related to population, the economy, the housing stock, the environment and future growth opportunities. The assessment of inland-water and coastal flood risks has also been updated this year. Hypo's refined geospatial analysis uses the latest inland-water and coastal flood hazard data, allocates flood exposure to residential building floor area on a building-specific basis and excludes flood-protected properties from the risk assessment. As a result, the rating captures regional flood risks based on the actual location of housing more accurately than before.

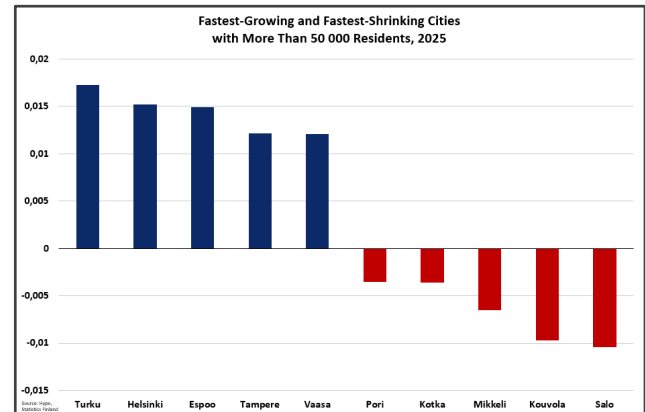
Hypo Regional Rating examines all housing market areas in mainland Finland based on their risk levels, using standard housing finance metrics. Housing market risks are known to vary across the country, and a financier must take these differences into account. The system uses a familiar ten-step scale from the credit rating world, ranging from the best AAA-class to the weakest D-class. A BBB-rating is still above average, but the C-series forms the most significant risk group in the housing market. The rating also includes the area's future outlook on a scale of positive (+), stable, and negative (–), which helps assess the risk of a rating change in the future.

Growth Cities Continue to Lead the Way

Familiar growth cities and surrounding municipalities continue to occupy the top positions in Hypo Regional Rating. The population of the ten municipalities in the A-group increased by more than 120,000 residents, or over 7%, in 2020-2025. Pirkkala retained its A+ rating, while Tampere, Lempäälä and Kangasala from the Tampere region also reach the A-class. Last year, Pirkkala, while preparing for a new tram, recorded net migration of over 350 residents from Tampere. In the Oulu region, the strong migration gains of Kempele (A-class), have eased somewhat in recent years, but the vitality of Oulu still supports housing transactions and price development in Kempele. Housing market activity relative to the number of households has increased in Oulu. The capital of Northern Ostrobothnia also stands out in housing price development: prices of existing apartments have risen this year, while prices in most other major cities have

declined. However, the Regional Rating primarily emphasises the conditions for future housing demand, which are supported by the long-term concentration of population in growing urban regions. Recent migration trends complement the picture, but fluctuations in individual years alone do not determine the long-term risk profile of an area.

Development Diverging in Large Cities

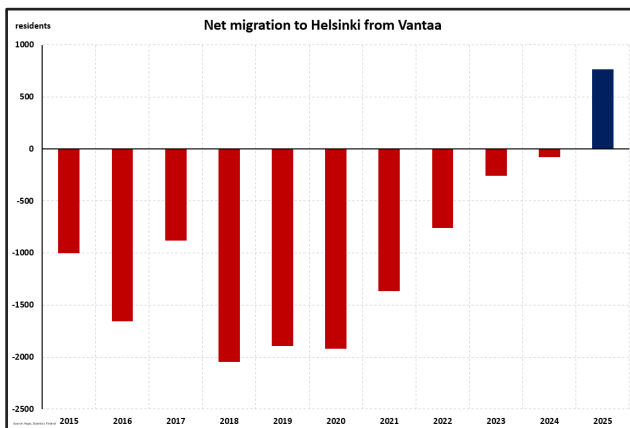


Last year, the fastest relative population growth was recorded in Pelkosenniemi (+2.4%), Pyhäntä (+2.3%) and Kittilä (+2.0%). Still the population base in these municipalities remains relatively small, as growth rate in Pelkosenniemi was achieved with an increase of 22 residents. Pirkkala (+1.6%) ranked also among the five fastest-growing municipalities in the country. In northern Finland, tourism, mining and manufacturing can create local growth centres outside the traditional growth cities. One example is Kittilä, where a strong economic base and population growth are also reflected in its high BBB-rating. Kittilä is also an example of an area with considerable flood risk: according to Hypo's updated geospatial analysis, around 16% of the floor area of residential buildings in Kittilä is located in an inland-water flood hazard area. In recent years, flood embankments have been constructed in the municipality, demonstrating how flood protection can reduce risks to housing even in a changing climate.

Among the major cities, Turku grew the fastest, with its population increasing by 1.7%, or around 3,600 residents, last year. Growth was the city's third strongest since the high-growth years of the 1960s, and over the past three years Turku has gained more than 11,700 new residents. Growth has been driven by both international and domestic migration, supported in particular by the city's attractiveness among students. The employment-based migration balance has also turned positive in recent years. Realised population growth in Turku strengthens the

foundations for long-term housing demand and supports its position in the highest A-rating category. Population declined most in relative terms in Kannonkoski (–4.1%), Rautjärvi (–4.0%) and Vesanto (–3.5%). Among cities with more than 50,000 residents, the steepest relative declines were recorded in Salo (–1.0%), Kouvola (–1.0%) and Mikkeli (–0.7%). Population also continued to decline in Kotka (–0.4%) and Pori (–0.4%).

Helsinki Is Attracting Residents from Vantaa



In the capital region, Vantaa's population development has become noticeably weaker. The city (BBB) saw its population grow by only around 1,700 residents, or 0.7%, last year. Population growth was the slowest since 2004, and relative growth the weakest since 1970. Vantaa has experienced domestic net migration loss for five consecutive years, accumulating a total migration loss of nearly 3,900 residents. At the same time, Helsinki's migration appeal has strengthened. Last year, Helsinki recorded a net migration gain of more than 750 residents from Vantaa for the first time in 30 years, whereas just five years earlier migration flows generated a net gain of 1,900 residents for Vantaa from Helsinki. The shift is visible in both Finnish-speaking and foreign-language populations: last year Vantaa lost more than 400 Finnish-speaking residents and more than 300 foreign-language residents to Helsinki. Only a year earlier, Vantaa still recorded a migration gain of foreign-language residents from Helsinki.

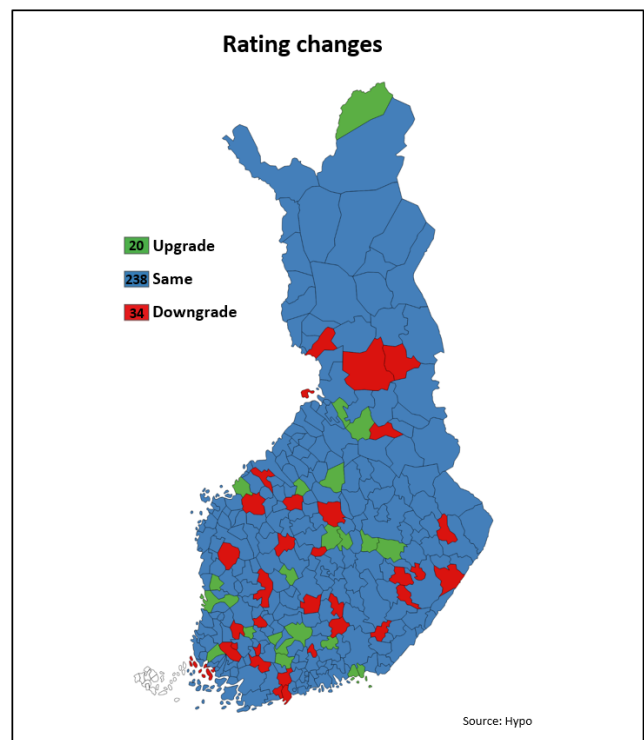
In recent years, Vantaa's population growth has been based entirely on growth in the foreign-language population, and the slowdown in net immigration has now also reduced overall growth. Falling housing prices and abundant rental supply have made living in

Helsinki more attractive, and attainable. The reversal in migration flows is not explained by a decline in moves from Helsinki to Vantaa, but by the significant increase in the number of people moving from Vantaa to Helsinki. Despite the recent slowdown, Vantaa's population has grown by around 6.6% over the past five years. Population growth continues to be supported by positive natural population growth, approximately 800 people last year, as well as international migration gains. In addition, Vantaa's location within the extensive labour and housing markets of the capital region supports its long-term demand outlook and solid BBB-rating.

The drivers of growth also differ significantly among other large and mid-sized cities. Last year, Helsinki, Espoo and Tampere recorded net domestic migration gains, whereas inter-municipal migration was negative, for example, in Jyväskylä, Oulu and Joensuu. The population growth of many cities has therefore depended primarily on international migration. From the perspective of long-term housing market prospects, what matters is not only current population growth but also its sustainability, the age structure of migrants, and how demand is distributed between core cities and surrounding municipalities.

More Downgrades Than Upgrades

20 ratings upgraded and 34 ratings downgraded.



Several factors lie behind rating upgrades, most notably increased housing market activity and improved local economic prospects. In Hämeenlinna and Lahti, for example, the number of housing transactions relative to the number of households has increased, even though housing price development has remained relatively subdued. The upgrades of both cities to BBB-class are particularly significant given their large populations and housing stocks. Meanwhile, major data centre and green transition investments are creating new growth opportunities also outside the traditional growth centres. Examples include Muhos and Vaala, where the anticipated permanent employment effects of confirmed future investments support the municipalities' future outlooks. Rating upgrades reflect diverse strengths and long-term development potential of municipalities.

The deterioration in ratings is linked to both weaker housing market activity and falling housing prices. Kirkkonummi, Naantali and Ylöjärvi dropped out of the A-class, although their long-term population outlooks remain positive. In these three municipalities, trends in both housing transactions and housing prices have weakened. In Naantali and Ylöjärvi, also the number of transactions relative to households has, despite being at an exemplary level, declined. Slower household income growth has also weakened the outlook for these areas. Several municipalities with shrinking populations and already elevated housing market risks moved into the weakest CCC-class. In Kitee, for example, apartment prices per square metre have declined sharply, while in Ähtäri, weak housing market conditions are compounded by exceptionally severe municipal finance challenges, particularly the municipality's high level of indebtedness. This already threatens the provision of basic public services and could result in a forced municipal merger with Alavus. Thus, rating downgrades reflect both weaker performance of housing markets in growing municipalities and long-term demand risks facing shrinking regions. In addition to the municipal boundary review concerning Ähtäri, the Ministry of Finance initiated a critical municipality procedure in Pyhäjärvi in 2026. The assessment procedures concerning Multia and Virolahti have been concluded, and both municipalities have been deemed capable of continuing independently, if measures to balance their finances are implemented.

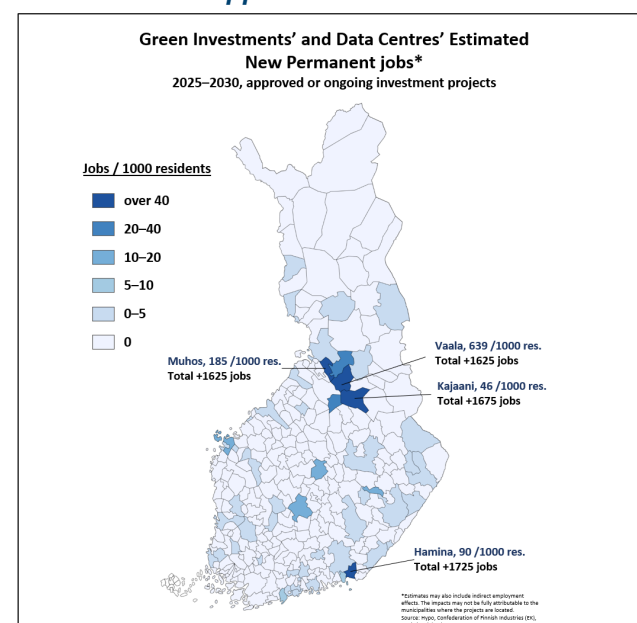
Billion-Euro Investments Are Accelerating Local Housing Markets

This year for the first time, Hypo Regional Rating includes the estimated future employment effects of

approved and ongoing investment projects, which may improve housing market prospects in individual municipalities. Green transition investments can create new growth opportunities also outside traditional growth centres, particularly in former industrial towns where clean electricity, industrial expertise and existing infrastructure provide competitive advantages. Since 2021, investment decisions exceeding EUR 35 billion have been made in green transition projects. However, alongside electricity production, it is important to attract electricity-intensive industries as well, so that as much as possible of the value added and employment created by these investments remains in Finland.

The significance of investments can be substantial for individual municipalities. The estimated permanent employment effects of projects scheduled for completion 2025-2030, already under construction or backed by final investment decisions, correspond to as many as 639 jobs per thousand residents in Vaala and 185 jobs per thousand residents in Muhos. The impact on employment relative to population is also considerable in Hamina (90 per 1,000 residents) and Kajaani (46 per 1,000 residents). However, employment estimates associated with data centres may include indirect effects that do not necessarily accrue entirely to the municipalities where the projects are located. Moreover, the construction phase of investments already creates work for construction companies, planners, installers and other service providers long before permanent jobs emerge.

Green Transition Investments and Data Centres Create Growth Opportunities



A Major Investment Can Boost Housing Transactions Without Raising Prices

From a housing market perspective, investments can generate much-needed demand in areas where the longstanding problem has been a lack of housing demand rather than a lack of supply. According to Hypo's assessment, the estimated permanent increase in employment is approximately 8% of the current housing stock in Kajaani and 15% in Hamina, but one new job does not automatically mean one new household relocating to the municipality. The relative employment effects are substantially larger in Vaala and Muhos, but housing demand there is also likely to be spread across a wider commuting area. In Vaala, approximately one in four homes is already without a permanent resident.

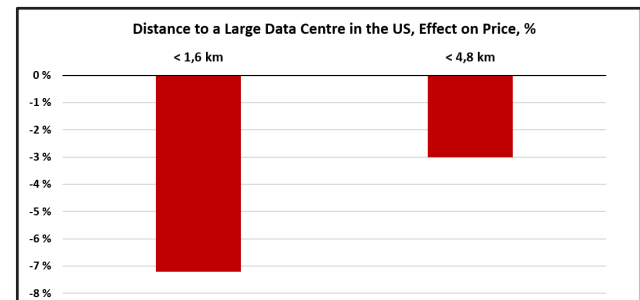
There is already evidence of investments' impact on rental housing demand during the construction phase. Eg. in Lappeenranta a data centre construction site has increased demand for rental housing, and this has also been observed in Hamina and at major industrial construction projects in Kemi and Äänekoski. Demand is often initially concentrated in temporary accommodation and rental housing. As permanent jobs emerge, demand may also spill over into the owner-occupied housing market, although the impacts on housing prices remain more uncertain.

The impact of major investments on housing prices is not straightforward. There may be economic grounds for the "not in my backyard" perspective. According to a recent U.S. study, housing prices may decline in the immediate vicinity of large data centres because of factors such as noise and landscape impacts, even if the investments support employment and economic activity across the wider region. The study estimated that within five years, housing prices were around 3% lower within 1.6 kilometres and over 7% lower within 4.8 kilometres of data centres compared with reference areas (Schlauch & Greenhill, 2026). Another recent U.S. study found that data centres strengthened employment, income levels and housing prices across a broader region (Alvarez et al., 2026). Consequently, the local benefits and drawbacks of investments may influence housing prices in different directions.

Local tax revenues generated by investments may also support housing values through improved public services and lower taxation (Fraenkel & Krumholz, 2025). In Finland, Google's data centre has generated

annual property tax revenues of millions of euros for Hamina. The municipal finance benefits nevertheless depend on the nature of the investment: due to the equalisation system for state transfers based on municipal tax revenue, municipalities hosting power plant (excl. nuclear) investments retain a larger net benefit than municipalities hosting data centres. In many areas experiencing population decline, the most significant housing market impact of investments may be increased housing transactions, shorter selling times and better utilisation of underused housing stock, rather than rising prices. From the perspective of housing credit risk, an improvement in the liquidity of collateral alone would be a significant positive effect.

A Data Centre Next Door May Put Pressure on Prices



Instead of introducing new housing support packages, the primary solution lies in making better use of the existing building stock and underutilised homes. At best, individual large-scale investments can revitalise quiet and weakened housing markets, but they will not reverse the broader trend of urbanisation and regional divergence. Population growth and new housing construction will continue to concentrate primarily in the largest urban regions. Nevertheless, Finland's economic debate could benefit from a dose of investment optimism. Public discussion often focuses on the energy consumption of data centres, environmental risks and uncertainty surrounding employment effects, all of which deserve serious attention. But at the same time, it is important to recognise the opportunity to create new production, employment and value added in Finland. Additional clean electricity generation can be built, but attracting internationally competitive industrial investments to Finland is not guaranteed. The significance of investments should not be judged solely by whether they can reverse the population trend of an entire region. Strengthening local employment, increasing housing market activity and improving utilisation rates within the existing housing stock may already represent significant achievements in areas with weaker ratings.

Hypo Regional Rating

The housing market varies greatly by region in both current conditions and outlooks – Hypo Regional Rating provides insight into local risks from the perspective of a housing financier.

Risks are of interest not only to homebuyers and banks but also to municipal decision-makers and investors – every other housing loan serves as collateral for a covered bond.

The analysis is published openly every year; this is now the 7th Hypo Regional Rating and the 98th Hypo Housing Market Review.



Juho Keskinen
chief economist
juho.keskinen@hypo.fi
phone +358 40 165 9582
X (Twitter): @Keskinen_Juho

*Background of Hypo Regional Rating

Hypo Regional Rating examines all housing market areas in mainland Finland based on their risk levels, using the familiar ten-step scale from the credit rating world. The rating is compiled from 29 variables, which form nine thematic categories: payment ability, liquidity, collateral values, municipal economy, safety, health, migration, future prospects, and environment. The rating also includes the area's future outlook on a scale of positive (+), stable, and negative (–), which is used to assess the risk of a rating change in the future. The outlook is marked separately after the rating for areas with a positive or negative outlook. No rating is calculated for white areas due to missing data. The sources for the ratings include data from Kela, the Association of Finnish Local and Regional Authorities, the National Land Survey of Finland, the University of Oulu's Department of Geoinformatics, the Finnish Environment Institute (SYKE), the Finnish Institute for Health and Welfare, Statistics Finland, Centre for State-Subsidised Housing Construction, and the Ministry of Finance. Additional sources include municipalities' own data sets and housing programs, for example, to assess the building stock and planned housing construction.

**Sources

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