

**Housing**  
Need is growing

**Premises**  
Room for an upturn

**Renovation**  
In a debt crisis

**Infrastructure**  
Pulling for the team

# On the way to growth

The forecast for all types of construction is positive. However, there are still many obstacles to real growth. The economy remains politicised, and growth remains slow and uncertain. Intensifying of the trade war may leave the recovery of construction very short. On the other hand, the interest rate is already becoming an enabler. We should now prepare for slower and faster growth than anticipated.



# On the way to growth

We are now choosing the path of growth. Our forecast for all types of construction is positive. The choice could be different as well. There are still many obstacles to real growth. Production is historically low and still only staying at a level. The economy remains thoroughly politicised, and growth remains uncertain. The trade war could kill the budding economic growth and the revival of construction. The reconstruction of Ukraine may increase the costs of construction in Finland from an already high level skywards.

The prolonged recession has done a lot of damage in the construction sector. The sector's ability to respond to demand has deteriorated. However, the need to build something new has not been eliminated. In its recent assessment, VTT noted that the mismatch of need and supply could lead to a rapid rise in prices and strong fluctuations in housing production.

Uncertainties and cyclical fluctuations are commonplace for construction. However, the most insurmountable obstacles are elsewhere. The regulation of financing has become more stringent to a level that threatens economic growth. For Finland, which is poor in capital, regulation of financing that supports growth is vital.

In Europe, deregulation is already in full swing. Now is the right time to do the same for the whole of construction in Finland. Would it be realistic to ease the regulation of financing in Finland? In practice, the financing of housing construction and mortgages in Finland are only examined from the perspective of macro-prudential stability. However, there is no lack of stability in the Finnish housing market. The problem lies in understanding and trust.

In Finland, the price development of housing has been moderate, and the condition of our apartments is at top European level. Compared to the other Nordic countries, households have little debt, and the loan payment culture is strict. Banks are financially sound and have no credit losses from housing. Competition in the construction sector functions well. Studies have shown that customer satisfaction in new construction is high.

In other words, Finland could afford to lighten regulation and free up capital from a stable housing market for the use of the entire economy. Nevertheless, the legislator does not trust the banks, the mortgage taker or the builder. It is believed that the bank will fold if it can finance as it wishes. The mortgage taker is suspected to oversize housing needs. The builder is thought to be making excessive profits or building bad quality without detailed regulation.

The bottlenecks in supply are not due to construction companies, and the price of housing is not explained by construction companies' margins. A three-point growth programme is therefore needed to boost the housing market. The degree of freedom in housing lending and construction financing must be increased. Stability must still be fostered by developing new instruments with the help of the state. Easing financing must not increase the price of housing either. This can be avoided by dismantling supply constraints, i.e. detailed regulation of construction.

Construction is never only about the current economic cycle. In Finland, economic growth must inevitably be sought from the productivity generated in cities. Urbanisation depends on housing and labour mobility. Without new housing, there will be no labour for the 2025 growth centres. Without labour, the construction industry will not invest. Without investments, there will be no economic growth. A country that is built well is a country that does well. There's no other way to happiness.

"Construction is never only about the current economic cycle."



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**A country that is built well is a country that does well.**

# GROWTH

+

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# OBSTACLES

- + Cyclical recovery
- + Expectations of easing of financial policy
- + Population growth
- + Blocked demand
- + Recovery of economic buffers
- + Increase in willingness to take risks
- + Return of small investors
- + Green projects
- + Geopolitics
- + Energy transition
- + Discourse on and desire for growth
- + Labour market reforms
- + Municipalities' willingness to invest



ECONOMY

MARKET

POLICY

- Household interest payments
- Unemployment and purchasing power ~ poor trust
- Lack of domestic capital
- Competitiveness of Finland and Europe
- Government debt crises
- Oversupply of housing
- Cost level of new production
- Increasing construction costs
- Decrease in ARA production
- Poor state of companies and supply constraints
- Smaller capitals in the real estate market
- Trade war
- Intensifying geopolitics
- Elimination of the tax credit for household expenses
- More stringent regulation of financing

**The economy remains politicised, and growth remains uncertain and slow.  
We should now prepare for slower and faster demand than anticipated.**

# Prospect on the side of growth as production decline slows

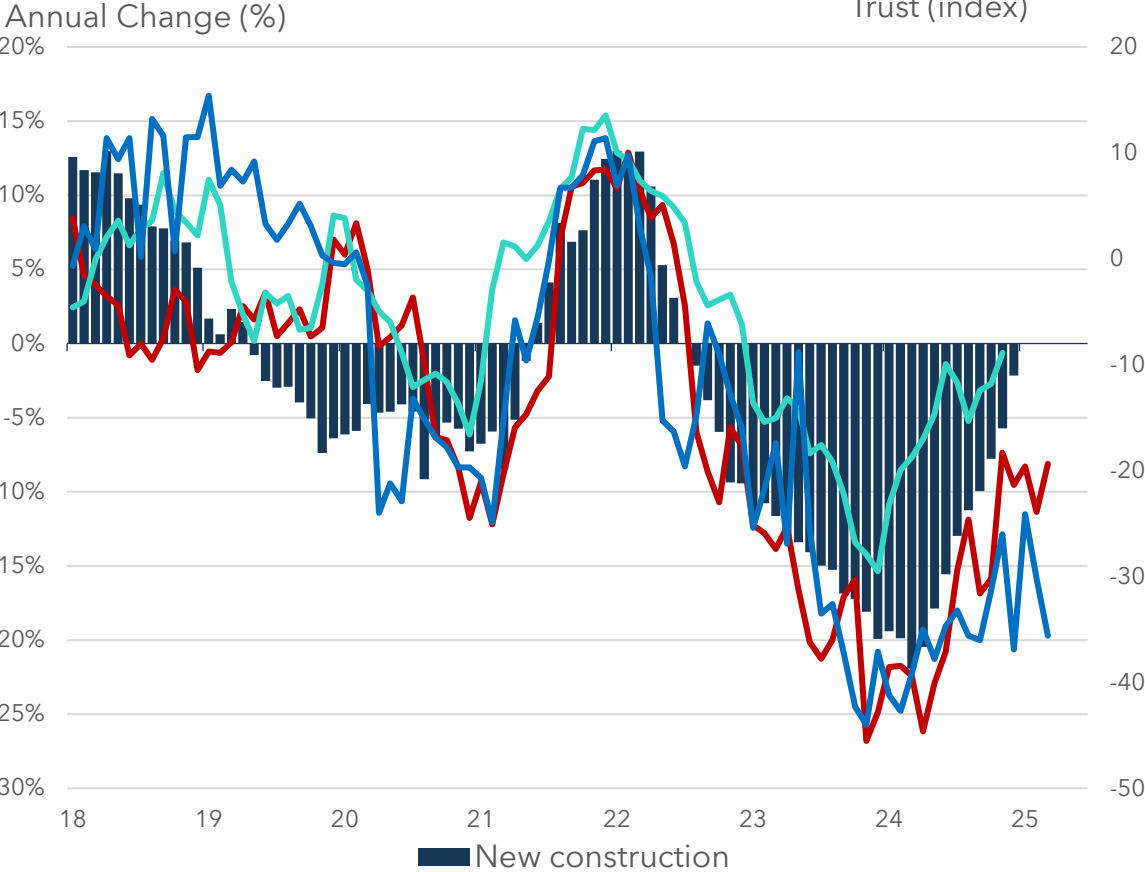
Companies do not believe that production will yet grow in early 2025

## Periscope visible after a long dive

Cycle clock (index)



## Production still decreasing in early 2025

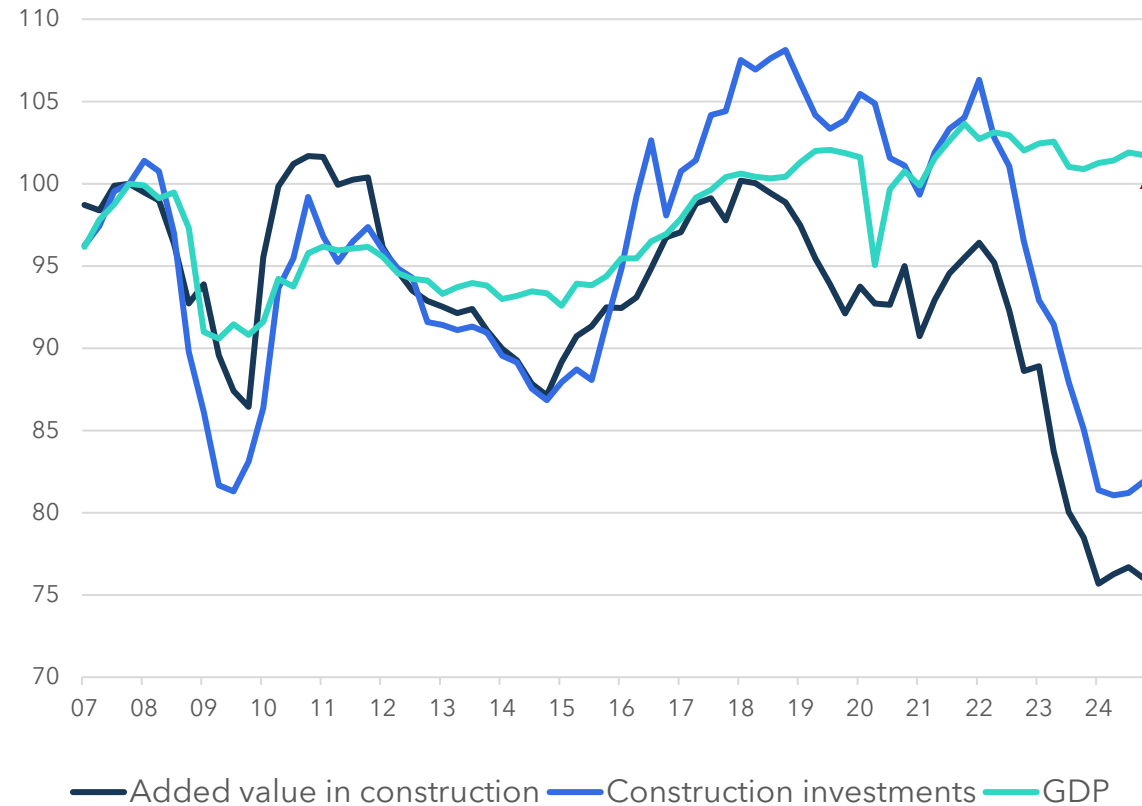


# There is catching up to do

Free fall stopped at the end of last year

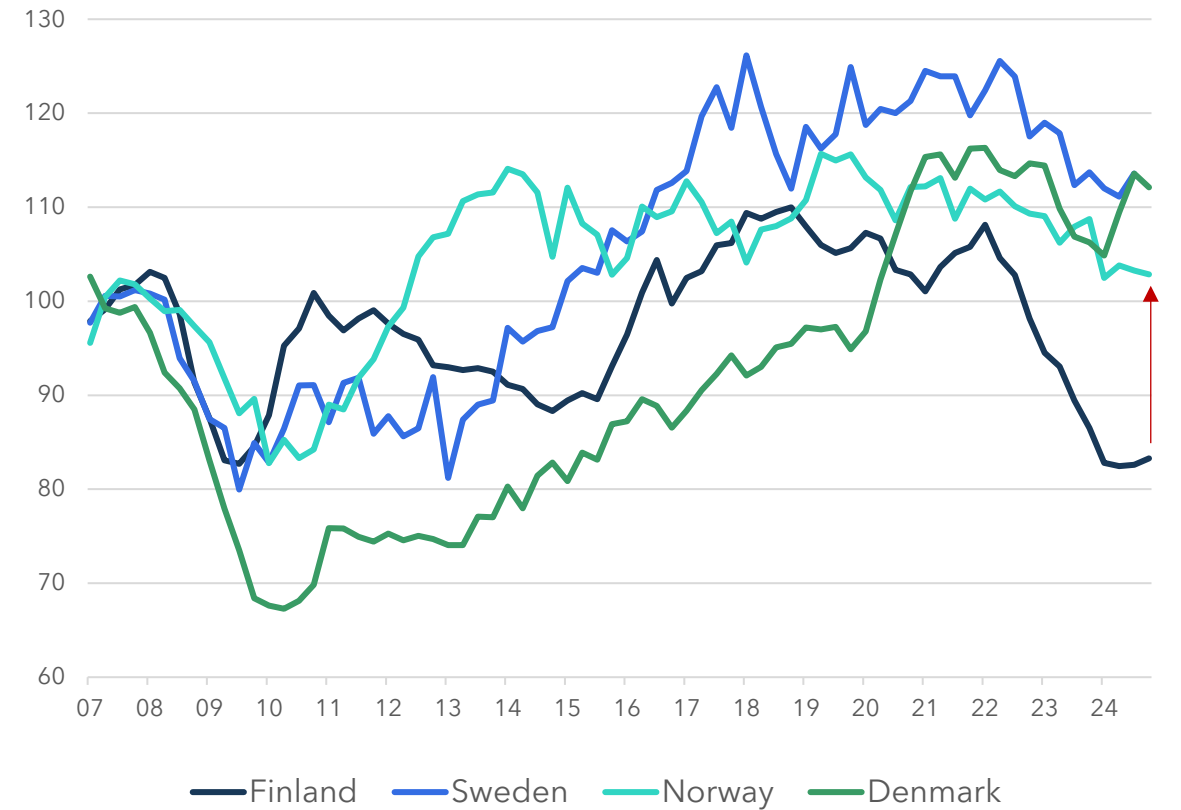
## Construction is no longer shrinking

Index 2007=100



## Finland has fallen behind other Nordic countries

New construction investments, index 2007=100



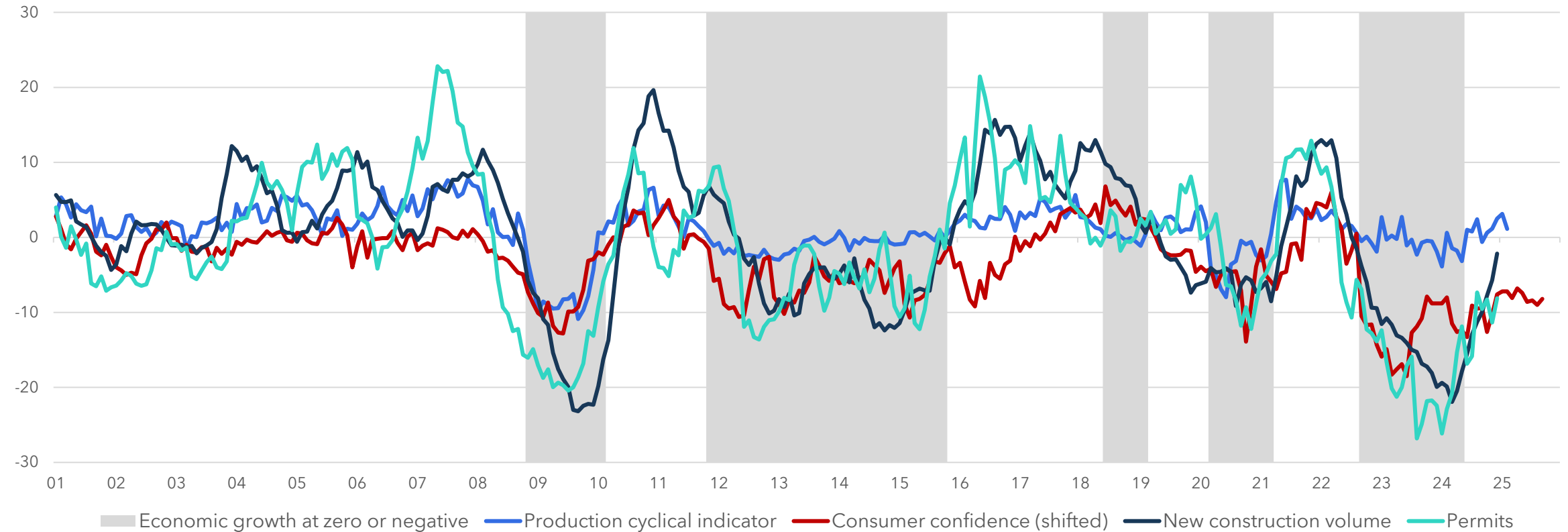
# As the trade war pushes economic growth down to zero, the recovery of construction is delayed

No proper upturn in production has yet been seen

**2020 COVID crisis**  
 Stop of economic growth and worksites  
**2022 Russian invasion**  
 Material, energy and cost shock  
**2022-2024 Inflation and interest rate shock**  
 Strong recession in construction  
**2025 Trade war**  
 Decline in exports, investments and employment and the delayed rebound in construction

## Construction follows the rest of the economy

Annual change (%), trust (index)



# Housing construction will not recover quickly without help or strong economic growth

During weak economic growth, recovery from the interest rate and inflation shock will be slow **2020 COVID crisis**

Stop of economic growth and worksites

**2022 Russian invasion**

Material, energy and cost shock

**2022-2024 Inflation and interest rate shock**

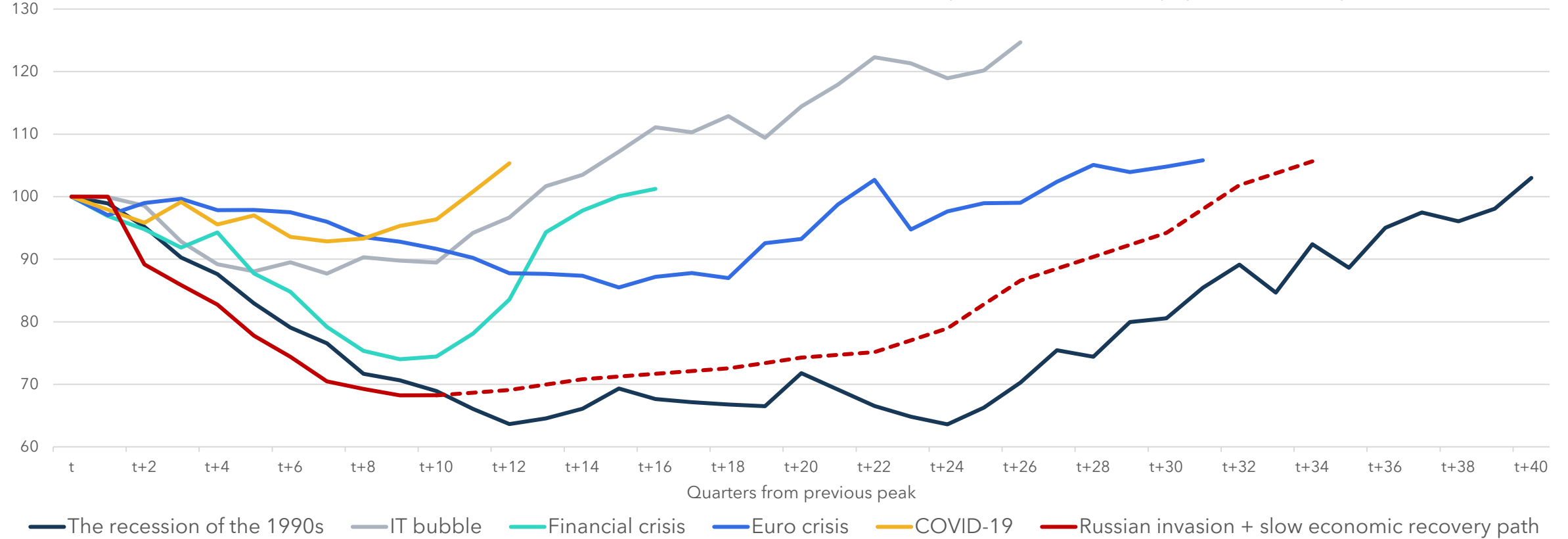
Strong recession in construction

**2025 Trade war**

## Changes in financing conditions shake housing construction

Investment cycles in housing construction from peak to peak

Decline in exports, investments and employment and the delayed rebound in construction



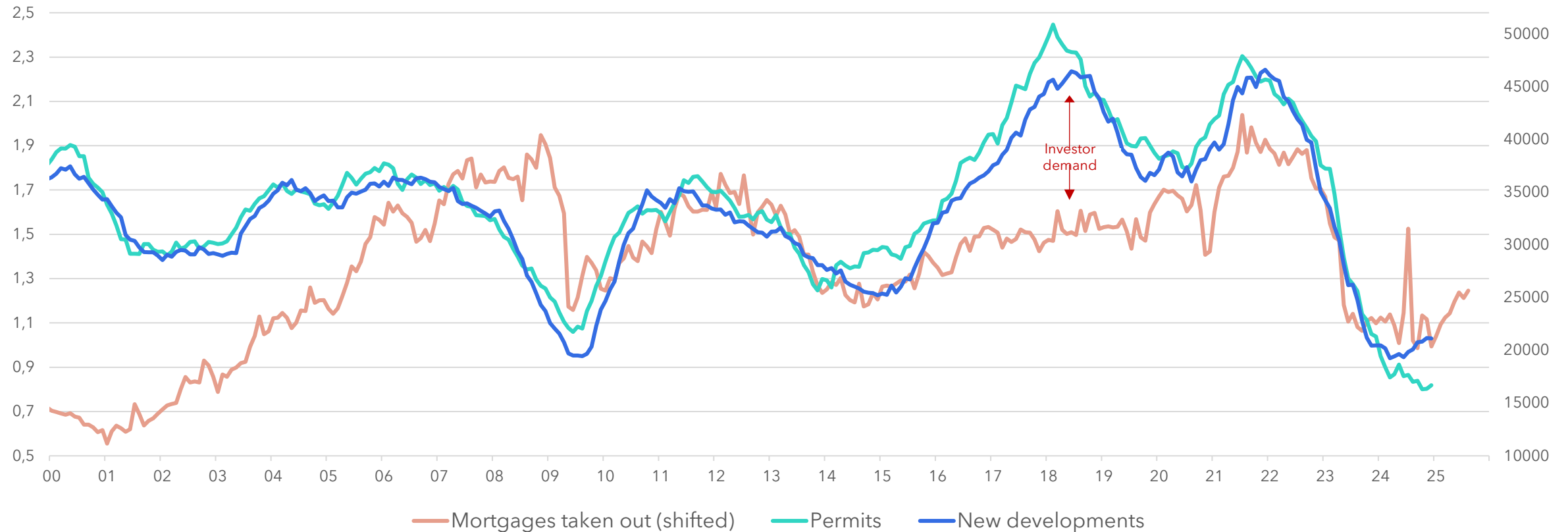
# Consumer demand recovering slowly towards the end of the year

The recovery of housing construction will be delayed if unemployment does not start declining later in the year

## Household demand is insufficient for a proper upturn

Mortgages taken out (EUR billion)

Apartments (number, annually)



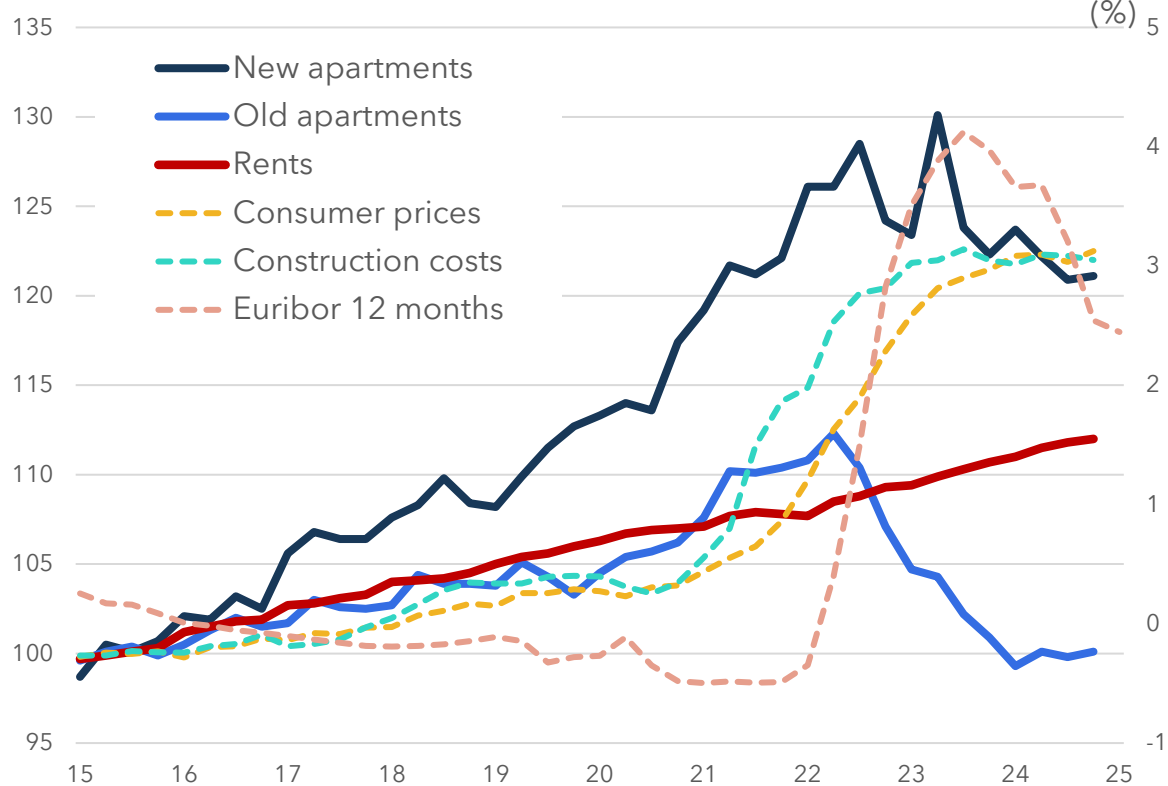


# The investor's equation is still open

The bottom of the real estate market and the peak in production requirements are probably behind us

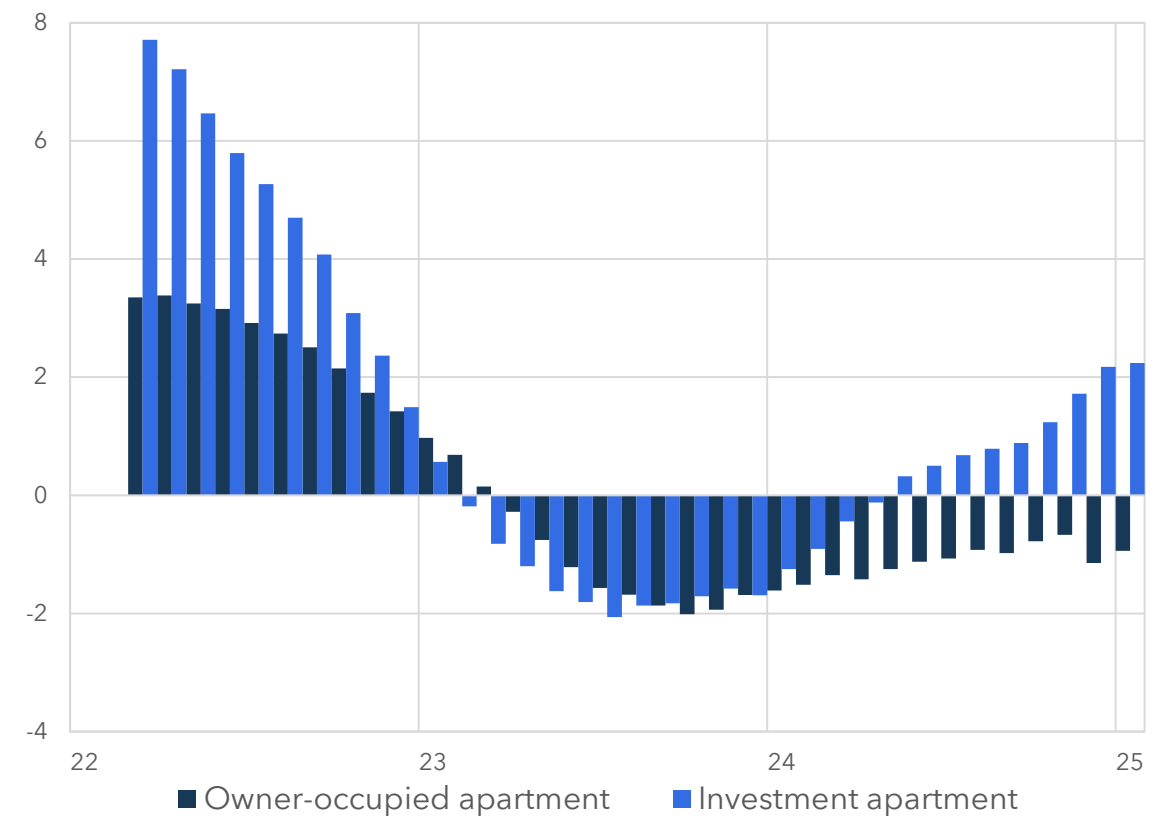
## The housing investor's equation does not close

Indexes 2015=100



## Small investor demand has already grown for almost a year

Households' mortgages, annual change (%)

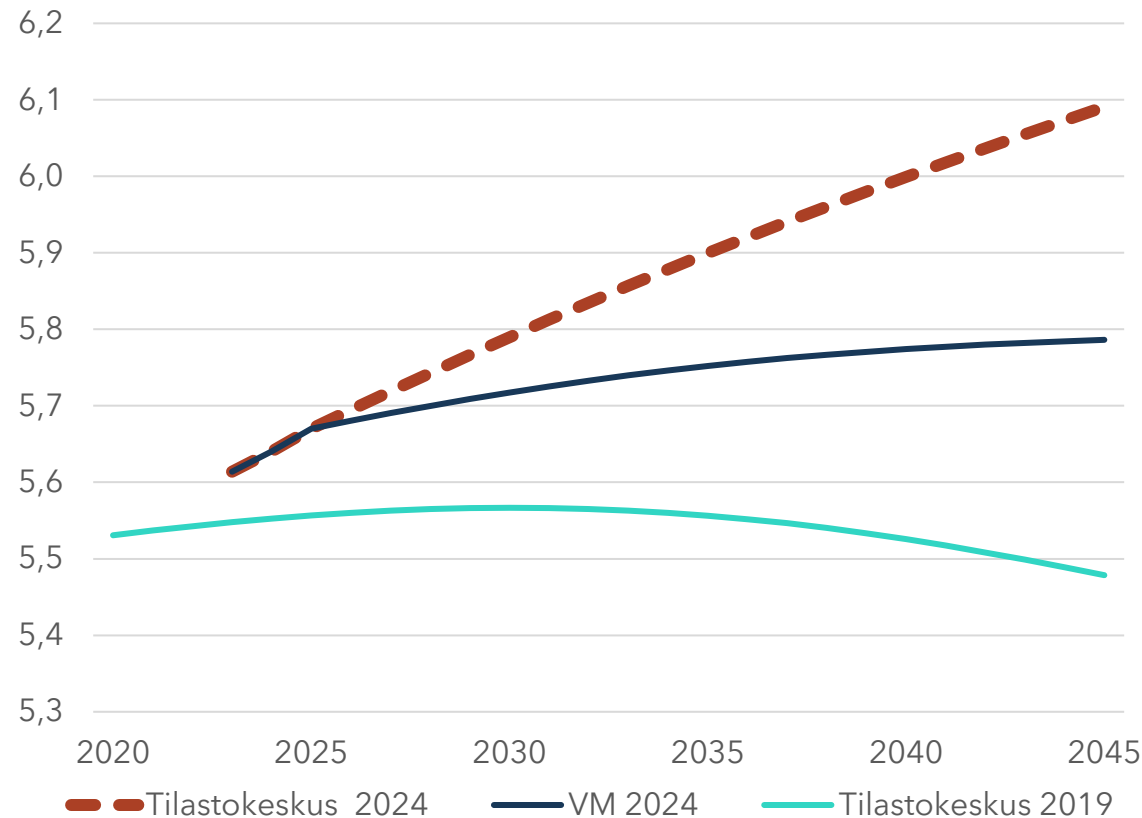


# The need for housing production will increase with new population forecasts

The need is still nearly 36,000 apartments per year

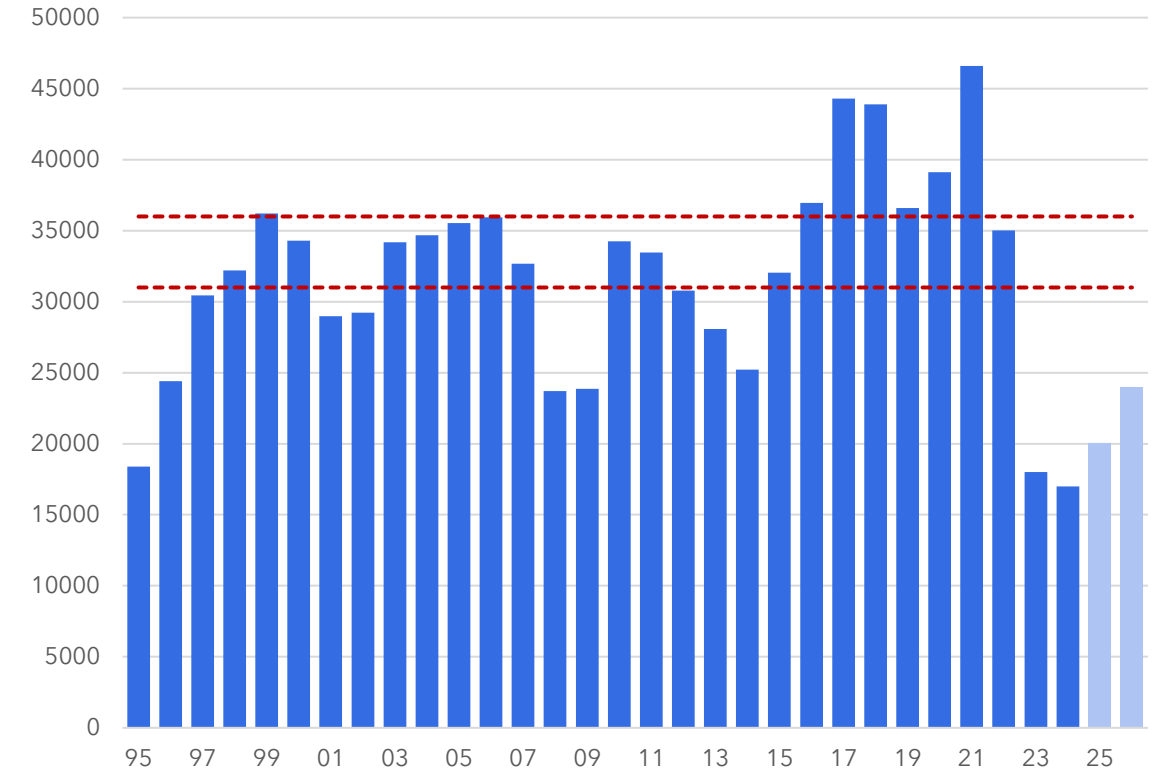
## Population is growing in all new forecasts

Population forecast (million people)



## Housing project starts are behind the need

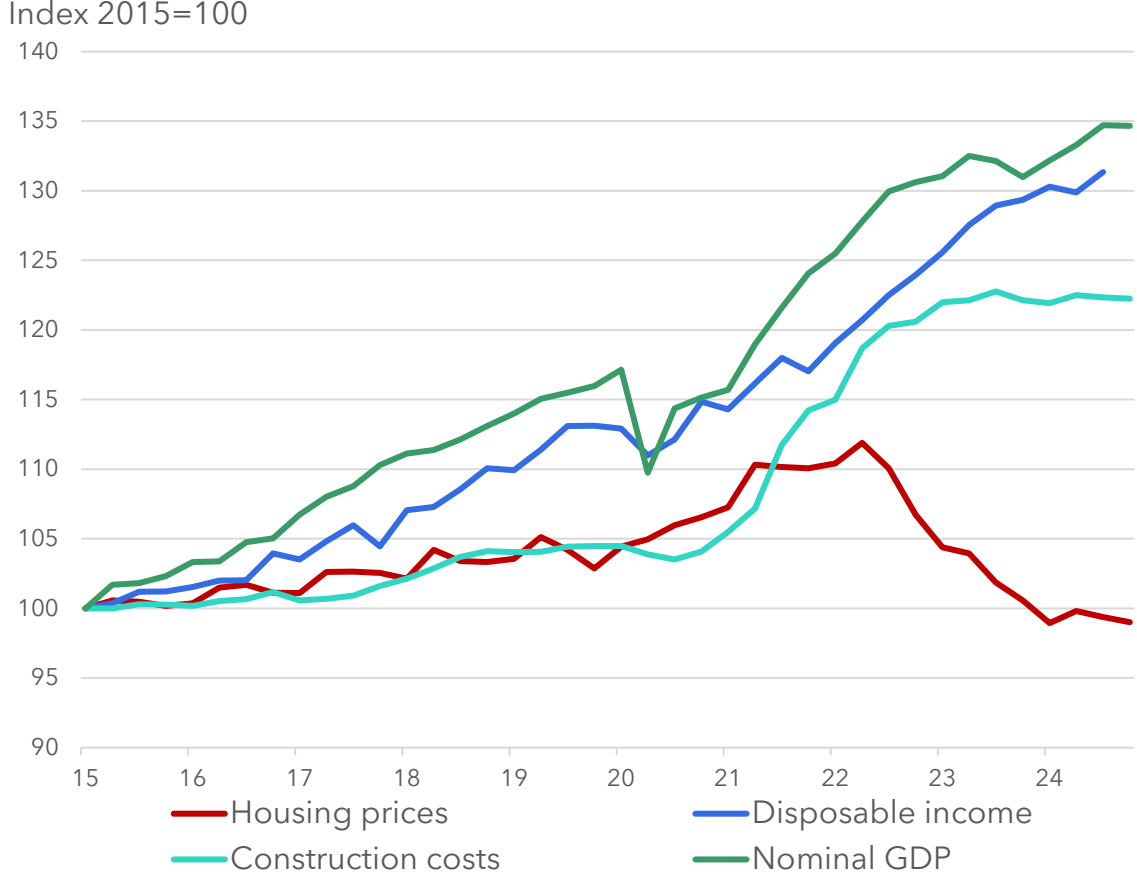
Housing project starts and housing production need (number)



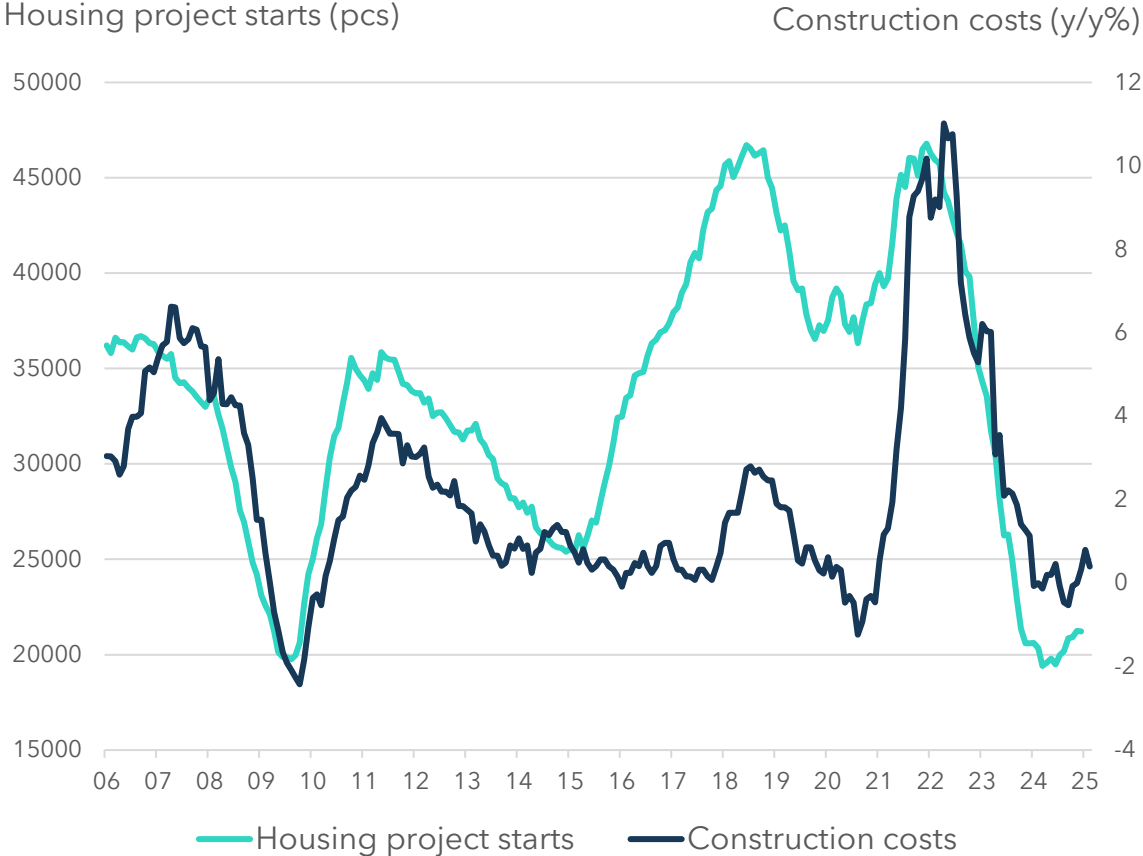
# Risk of rising housing prices and strong fluctuations in production

The economy has continued to grow and household income has not fallen - costs are already starting to rise again

## Price of housing relative to demand factors low



## The cost decrease is behind us



# The economic outlook of the construction industry 2025-26: Moderate recovery is starting during uncertainty

2024 in total  
**35,7**  
BILLION €



**3,9**  
BILLION €

## Housing

**2023: -36.0 %**  
**2024: -26.0 %**  
**2025: 10.0 %**  
**2026: 20.0 %**

### Need is growing

The slow recovery of the housing market will moderately accelerate new construction only towards the end of the year. Production will remain low for the third year. Pressure for higher production volumes is increasing.



**8,7**  
BILLION €

## Non-residential construction

**2023: -2.6 %**  
**2024: -6.6 %**  
**2025: 3.5 %**  
**2026: 4.0 %**

### Room for an upturn

The bottom of the real estate market is at hand. Industrial projects are driven by safety and data. New investment decisions and the return of international investors to Finland are needed for more permanent growth.



**15,9**  
BILLION €

## Renovation

**2023: -7.0 %**  
**2024: -4.0 %**  
**2025: 1.0 %**  
**2026: 1.0 %**

### In a debt crisis

Declining access to financing slows down projects. Only sluggish growth is anticipated. The maintenance backlog will continue to grow, especially in areas losing population.



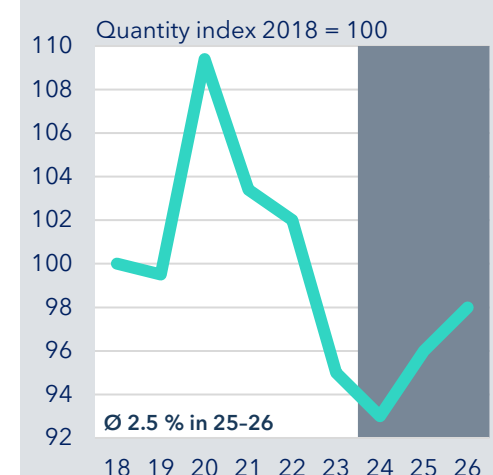
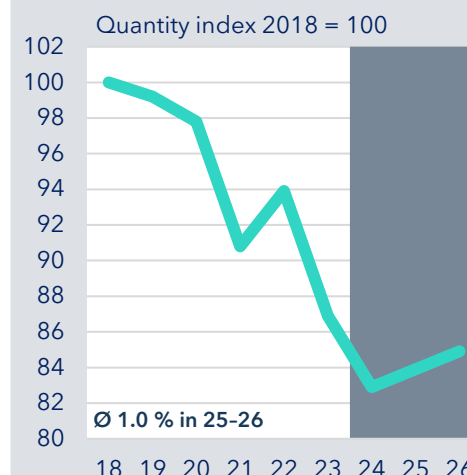
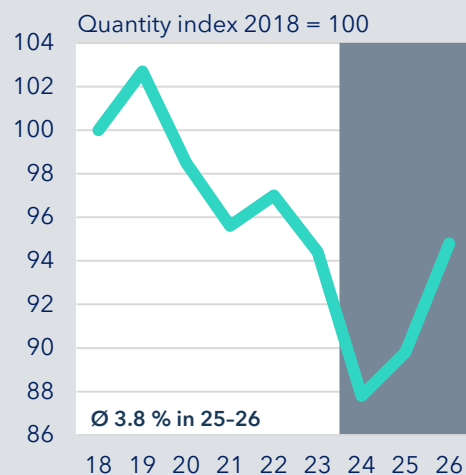
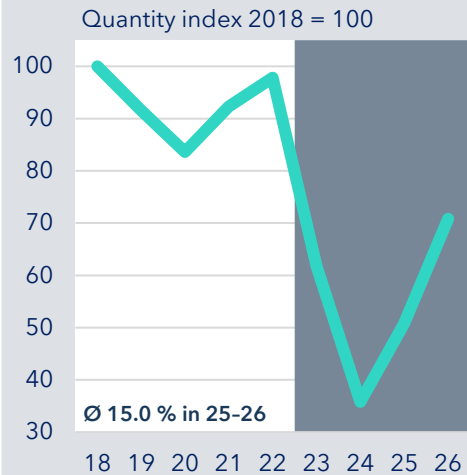
**7,1**  
BILLION €

## Civil engineering

**2023: -7.0 %**  
**2024: -2.0 %**  
**2025: 3.0 %**  
**2026: 2.0 %**

### Pulling for the team

The growth that started last year will accelerate. It will take several years to build projects driven by geopolitics and the energy transition. The shortage of experts in the sector is exacerbating.



**= CONSTRUCTION IN TOTAL\*: 2023e: -14 % 2024e: -8 % 2025e: +4 % 2026e: +6.0 %**

\*Fixed price added value