

Housing
Decline continues

Premises
Hope remains

Renovation
Polarisation accelerating

Infrastructure
Slowing down

RT Economic Survey
1/2026

WHY?

Housing construction is not growing

Urbanisation has continued. Interest rates and household income have developed favourably. The structural demand for housing or the housing preferences of Finnish people have not changed. There are also opportunities for economic growth. However, the decline in housing construction continues. What is the problem?



Why is housing construction not growing?

In recent years, the recession in housing construction has been explained by a few persistent claims. American thinker H.L. Mencken described such situations aptly: "For every complex problem, there is an answer that is clear, simple and wrong." In the debate on housing construction, this observation has hit the mark.

There have been plenty of claims. One claim says that constructors built too much – or at least of the wrong type. Now Finland as a whole is suffering from this. The second claim is that there is actually no longer any need for new housing – Finland has been fully built. According to the third claim, the problem is only the interest rates: when the interest rates drop, construction will start automatically. Fourthly, it is claimed that the lobby forecasts are wrong and there may no longer be a recession at all. Or at least it has not lasted long enough – so let's just wait. The fifth claim believes that the market will find a balance on its own, as long as nothing is done. And lastly, the persistent claim that new housing is not sold because of the greed of the constructors.

The common feature of these arguments is that they are simplistic. The realities of housing construction problems and their connection to the economy are more complex. This what this economic survey aims to explain.

Our key message is this: in housing construction, the economic equation guides the volume – not societal wishes or quantitative targets. The level of production does not adapt to zoning or even population growth, but to household income and risk-taking capacity, investor yield expectations, and availability of financing. From the perspective of housing policy, the level of housing production ultimately depends on the economic equation defined by the money market, fiscal policy and regulation.

When households, investors, financiers and builders now look at that equation from different sides, the end result is the same for everyone: it is not working. For households, a new flat is too expensive in proportion to an old one. For investors, the rental income is weak, and the changed legislation turns their eyes to other types of investments. For banks, the risk-adjusted return on construction in the new regulatory environment does not look attractive. For constructors relying on financing from banks in the declining housing market, the weakened cost structure, financing and increased regulation continue to form a combination where it is almost impossible to launch new projects. At the same time, as policy changes cause uncertainty and subsidised production is almost halved for this and next year, housing construction still has no other direction than downwards.

Recently, unknown factors and resulting lost tax revenue have been sought as reasons for the weakness of the Finnish economy. Construction is not only a product of the economy – it is also its foundation. The lost trust can be found in the melted housing assets, and the lost tax revenue from the quiet housing construction sites. The economic equation does not work without construction. Only a country that is built well can do well.

"For every complex problem,
there is an answer that is clear,
simple and wrong."



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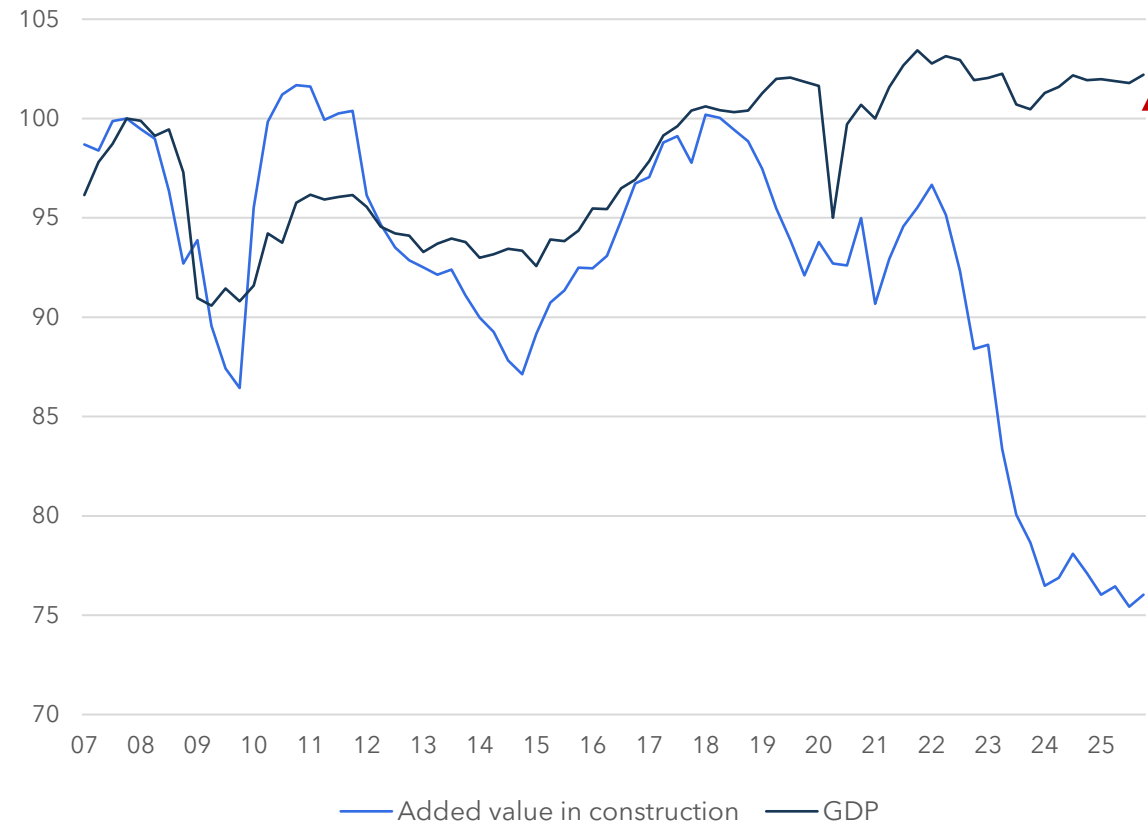
***A country that is built well is a country
that does well.***

Construction will not grow in the first half of the year

For now, the Finnish economy has enabled zero growth at most

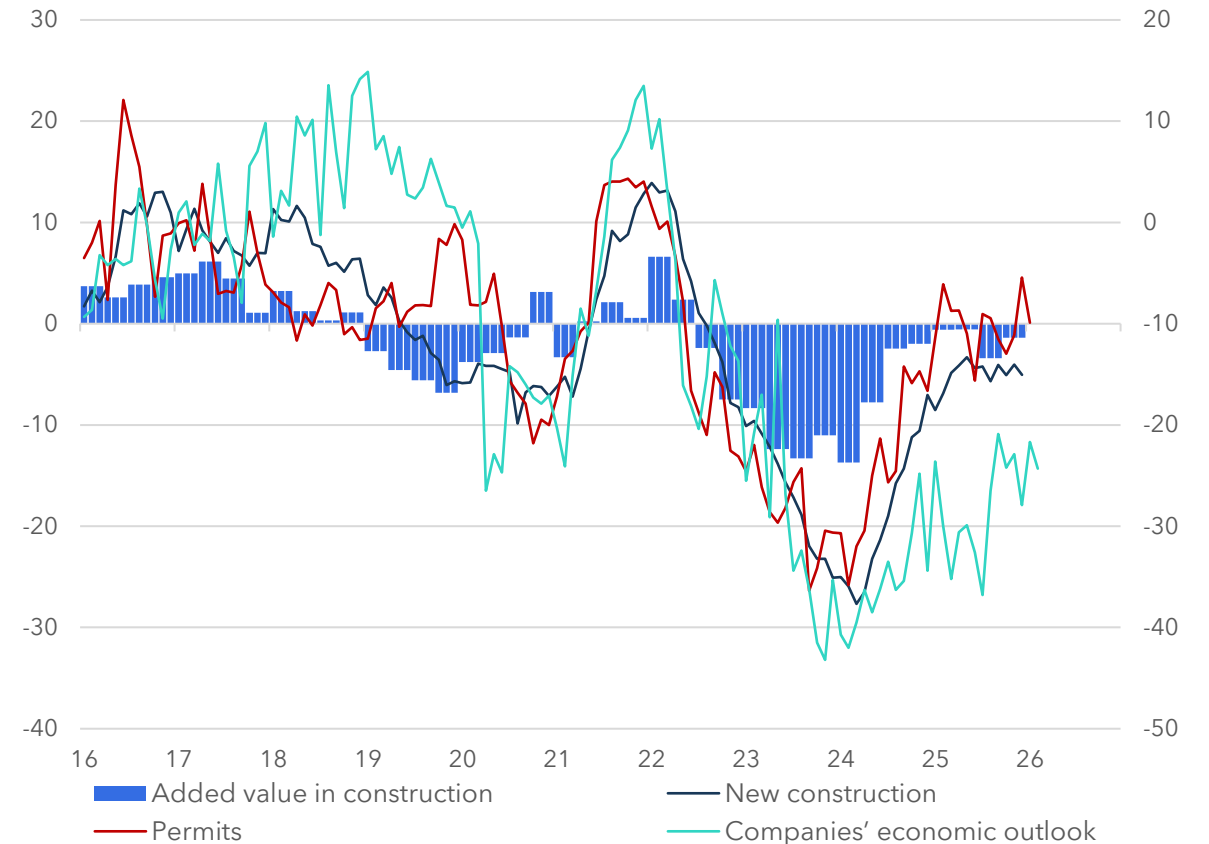
Construction continued to decline towards the end of the year

Index 2007=100



Construction will not grow in the first half of the year

Annual Change (%)



Factors affecting housing supply and demand

✓ = supporting factors in this economic cycle

Supply factors

~ economic equation and production factors

- Financing market
 - interest rate
 - credit availability
- Construction costs
- Construction volume
- Land policy and availability of plots
- Regulation
- Competition in the construction sector

Demand factors

~ basic fundamentals and risk-taking capacity and willingness

- Income expectations
 - Income development
 - Employment situation
- Financing conditions
 - interest rate
 - credit availability
- Public demand
- Demographics
- Migration
- Taxation

Housing prices and rents

Housing production = housing demand which the solvency of households and the yield requirement of investors can sustain

Level of housing production in Finland = economic equation enabled by money markets, fiscal policy and regulation

Housing policy: the economic equation of the entire housing value chain guides the volume - the volume of construction does not adapt to societal wishes, targets or even demographic trends, but to household income and risk-taking capacity, as well as investors' yield requirements and availability of funding + public policy-making.

Decline in housing production will continue in 2026 and remain weak in 2027

The background factors are poor trust, the broken economic equation, policy decisions and legislative changes

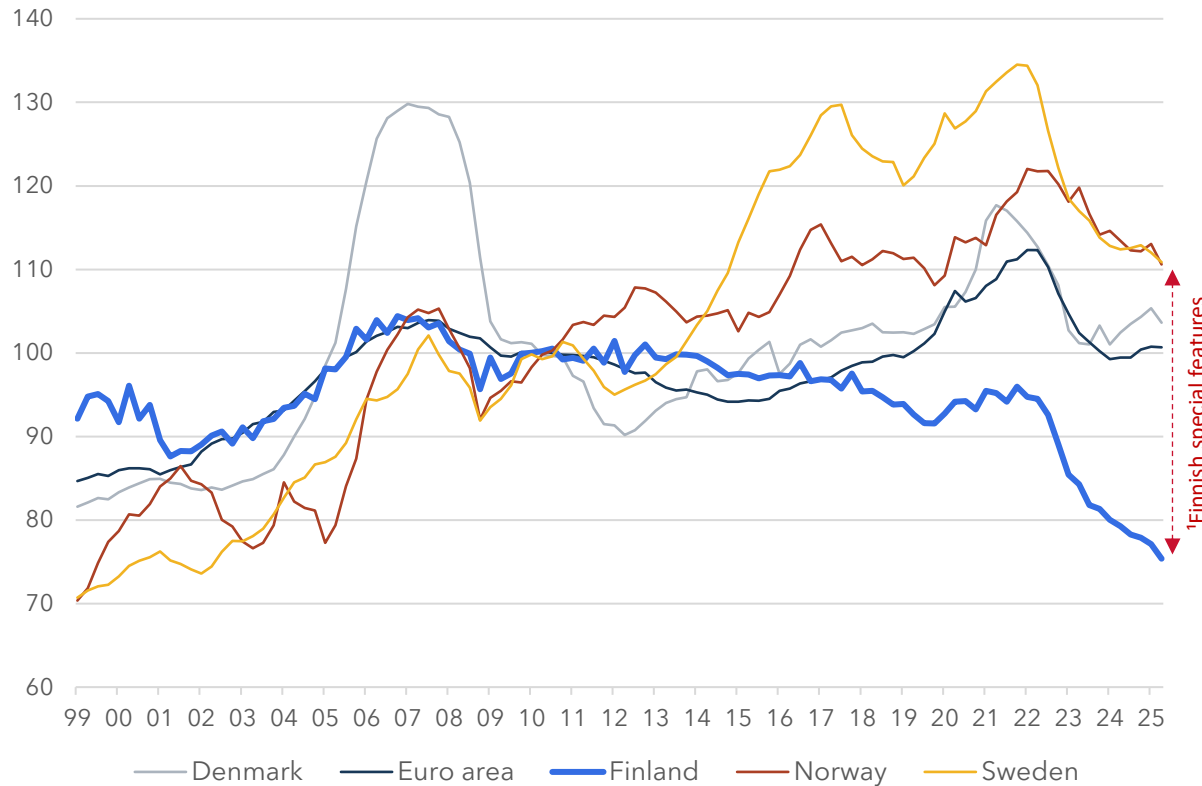
Demand	Actors	Normal cycle / pcs	Share	after crash / Pcs	Share	Drivers 2026-2027	Forecast 2026	Forecast 2027
Non-subsidised block-of-flats production	Households / owner-occupied blocks	3,000 - 5,000	14%	2,000 - 4,000	18%	Unwillingness to take risks, balance sheet adjustment, falling prices, unemployment, delayed demand	Almost the same low	May grow
	Small investors	1,500 - 2,500	5%	150 - 250	1%	Low return, decreasing rents and prices, high construction costs, high supply	No starts	May grow slightly
	Institutional investors	4,000 - 7,000	16%	250 - 450	2%	Changes in pension legislation, decreasing rents/prices, high construction costs, abundant supply	No starts	No starts
Subsidised block-of-flats production	Long-term interest subsidy	7,400	24%	8,300	47%	Political decision on decreasing authorisations, the ARA-Varke change	Reducing	Reducing
	Short-term interest subsidy					Political decision on decreasing authorisations, the ARA-Varke change	Reducing	Reducing
	Special groups					Political decision on decreasing authorisations and changes in housing benefits	Reducing	Reducing
	Right-of-residence housing					Political decision on ending, no replacement, market froze	Reducing	Reducing
	Hitas					Political decision on ending, no replacement	Reducing	Reducing
Single-family house production	Households / owner-occupied and semi-detached houses	7,300	29%	3,800	21%	Unwillingness to take risks, balance sheet adjustment, falling prices, unemployment, delayed demand	Almost the same low	May grow
	Households / owner-occupied terraced houses	3,400	12%	1,300	7%	Unwillingness to take risks, balance sheet adjustment, falling prices, unemployment, delayed demand	May grow slightly	May grow

Supply Housing production = housing demand which the solvency and willingness of households and the yield requirement of investors can sustain + public sector demand.

The weak dynamics of the housing market are not sufficient due to tighter regulation and weakened cost structure of new construction

The weakest housing market in Europe is slowing down starts

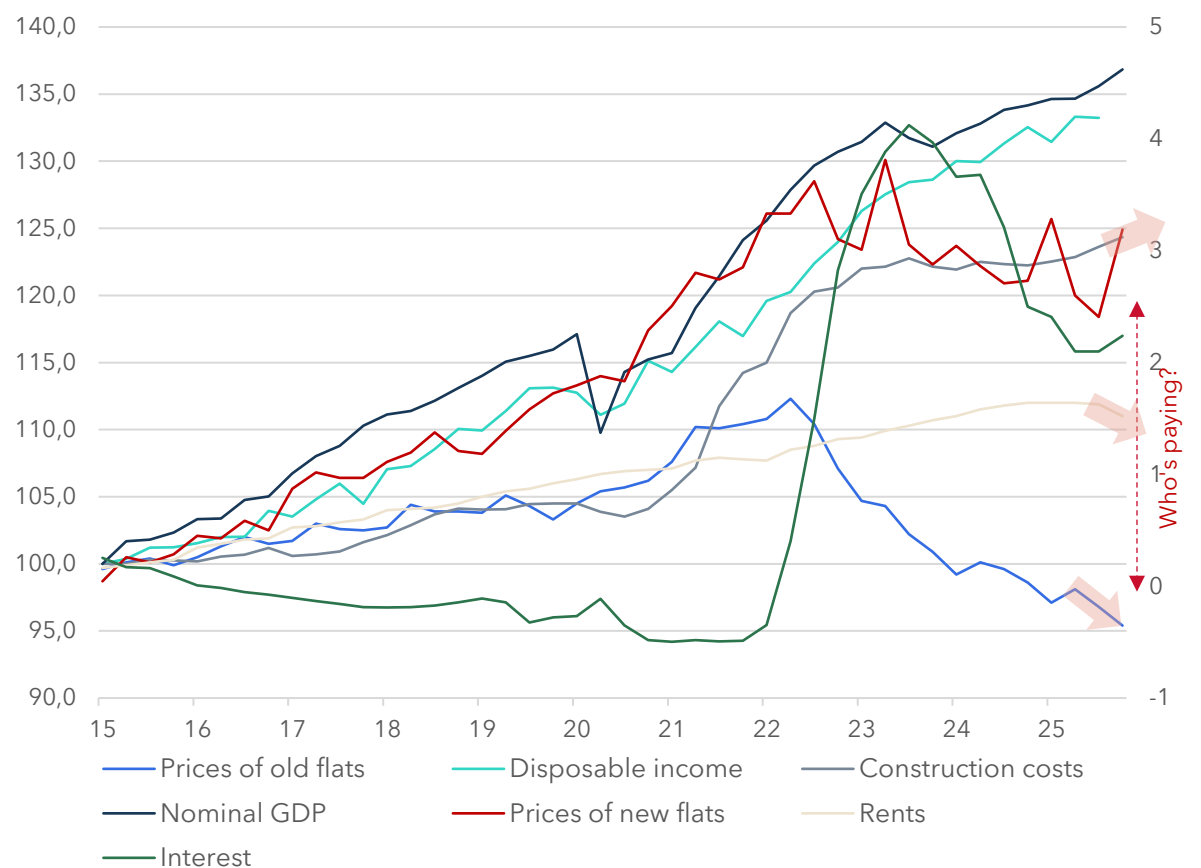
Housing prices in proportion to income (index 2010=100)



¹ Repayment culture (loan period + repayment rate) + interest structure. The Nordic countries clearly differ in their mortgage repayment culture. The repayment rate typically affects the price level and thus the ability and willingness to buy a residential flat.

The equation of new construction remains almost impossible

Nominal index (2015 = 100)

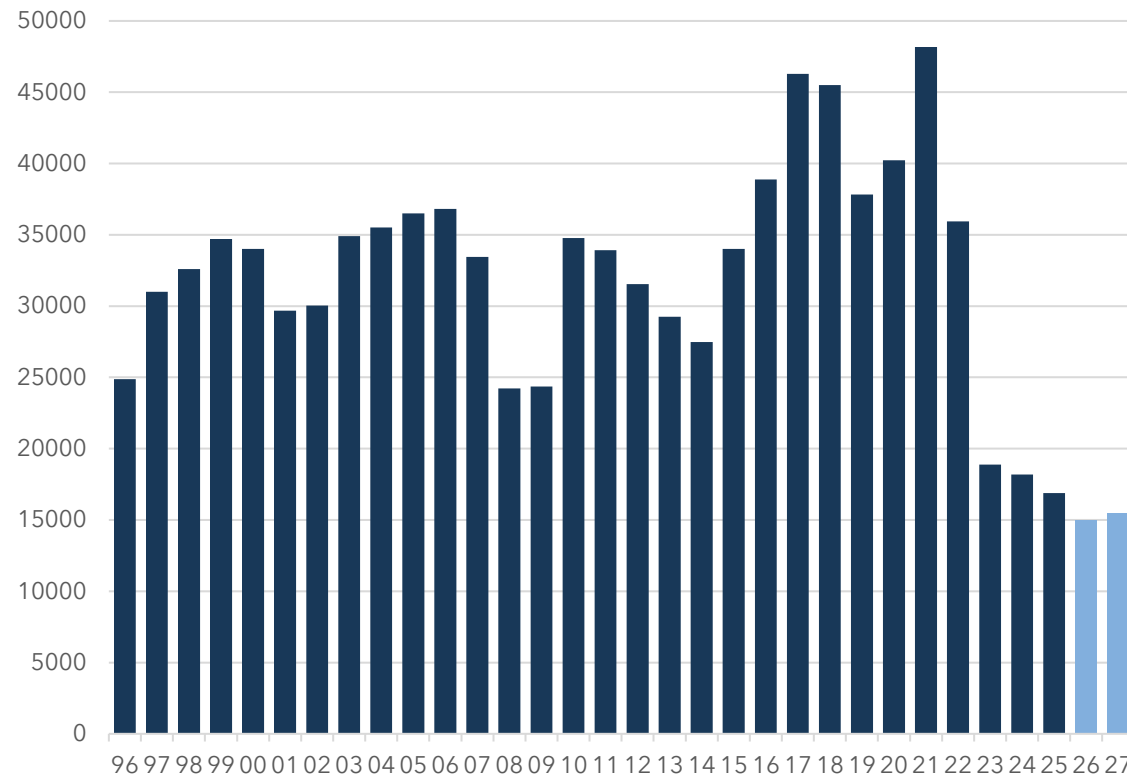


The housing supply has collapsed to the level of the 50s

The exceptional imbalance between the housing market and the rest of the economy is slowing down economic growth

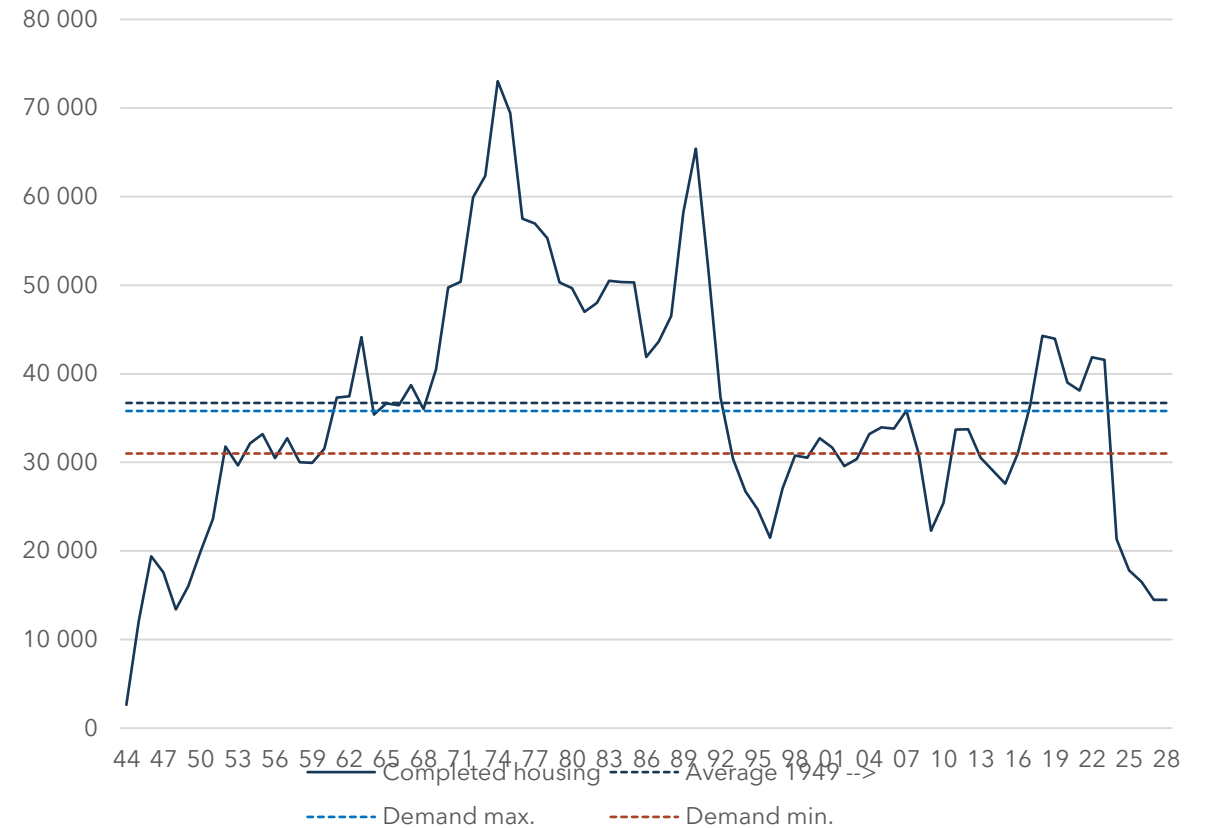
Number of housing starts the lowest in statistical history

Flats (number)



Demand has plummeted

Completed housing (pcs, annual total)

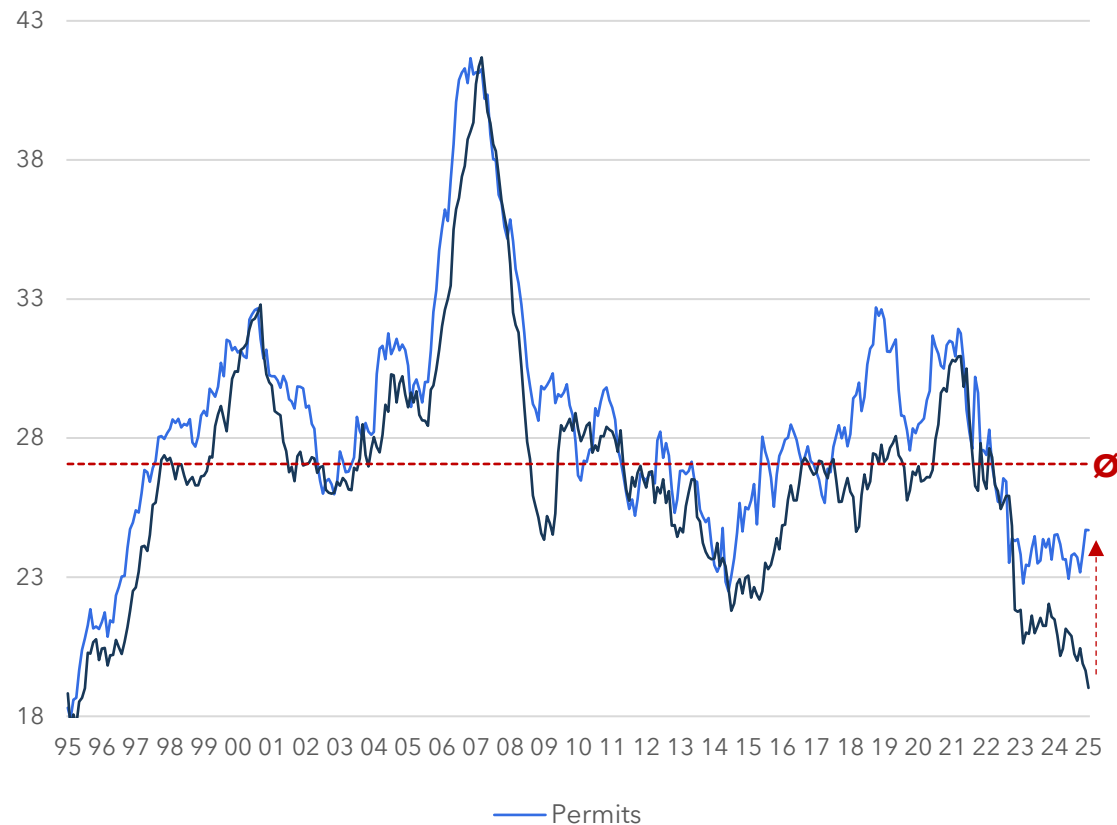


The current state of premise construction is poor - the outlook is clearly better

Growth has not reversed - but more investment decisions are needed quickly

Business premises starts are at a historically low level

Million cubic metres (m³, annual level)



Business premises fell behind the rest of the economy

Starts in cubic metres (m³, annual total)

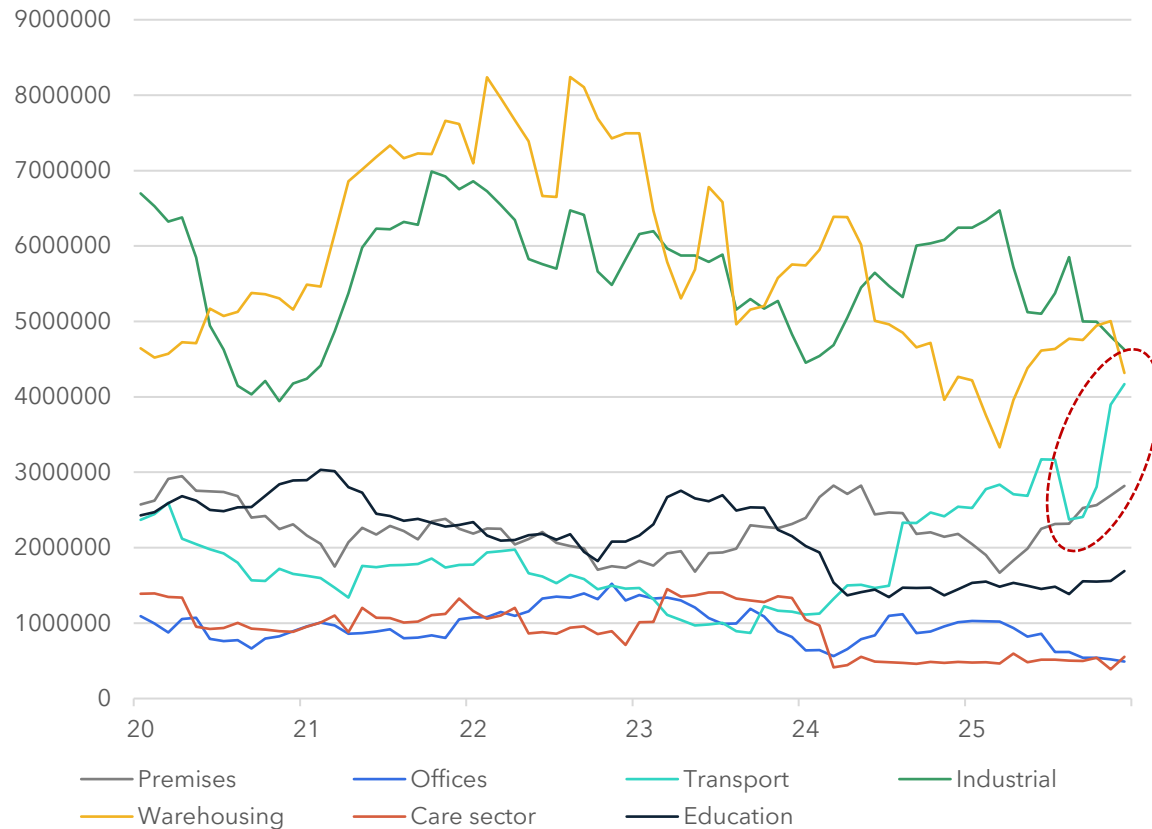


The detailed picture of premise construction is more positive

The development of permits is also clearly more positive than the starts

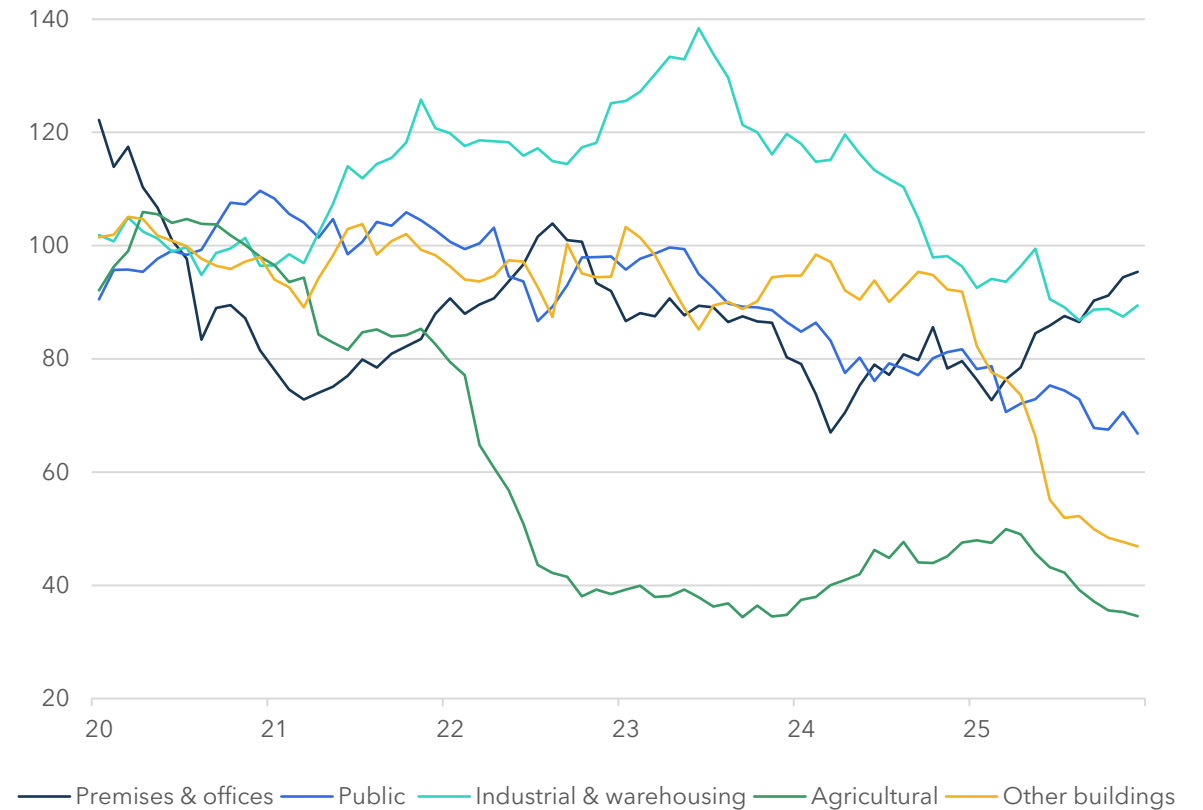
The data centre boom is finally showing

Permits (m³, annual total)



Construction that is secondary to the economy is the main brake

Production volume (index 2020 = 100)

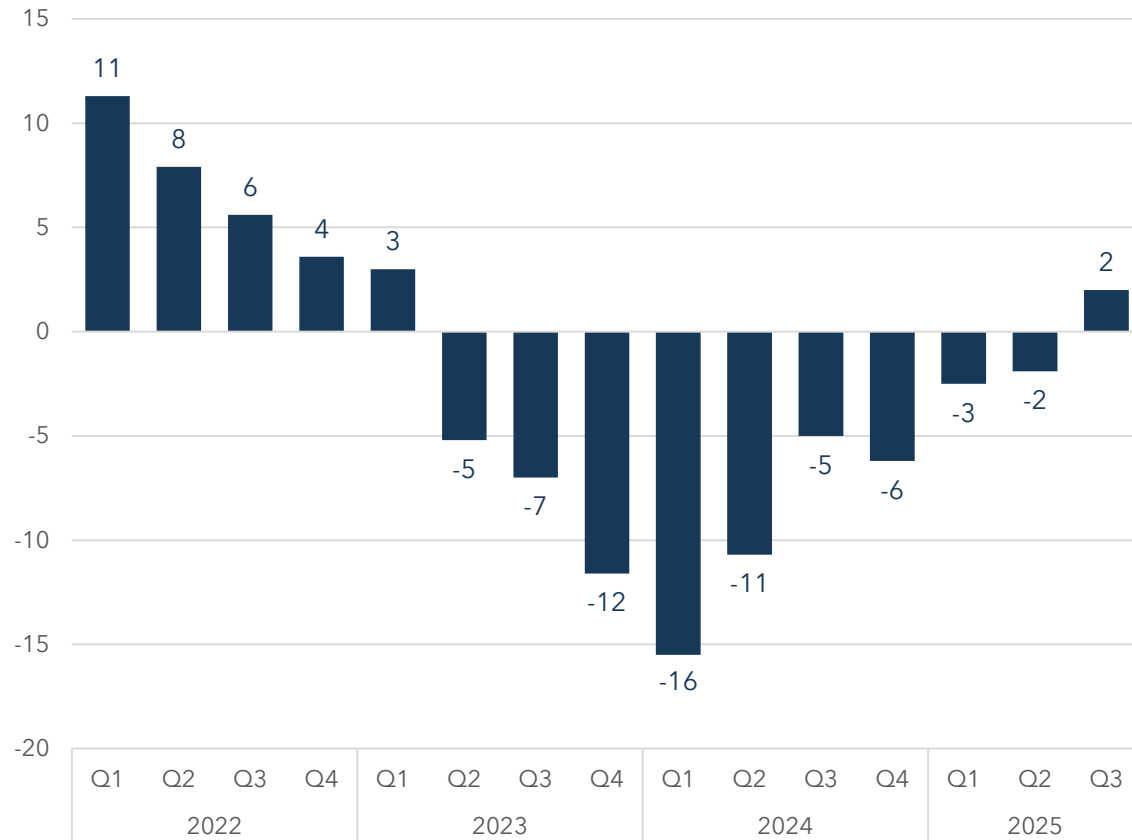


The economic situation and availability of funding are holding back renovation

Polarisation and the renovation backlog keep increasing - green transition objectives and energy efficiency running away

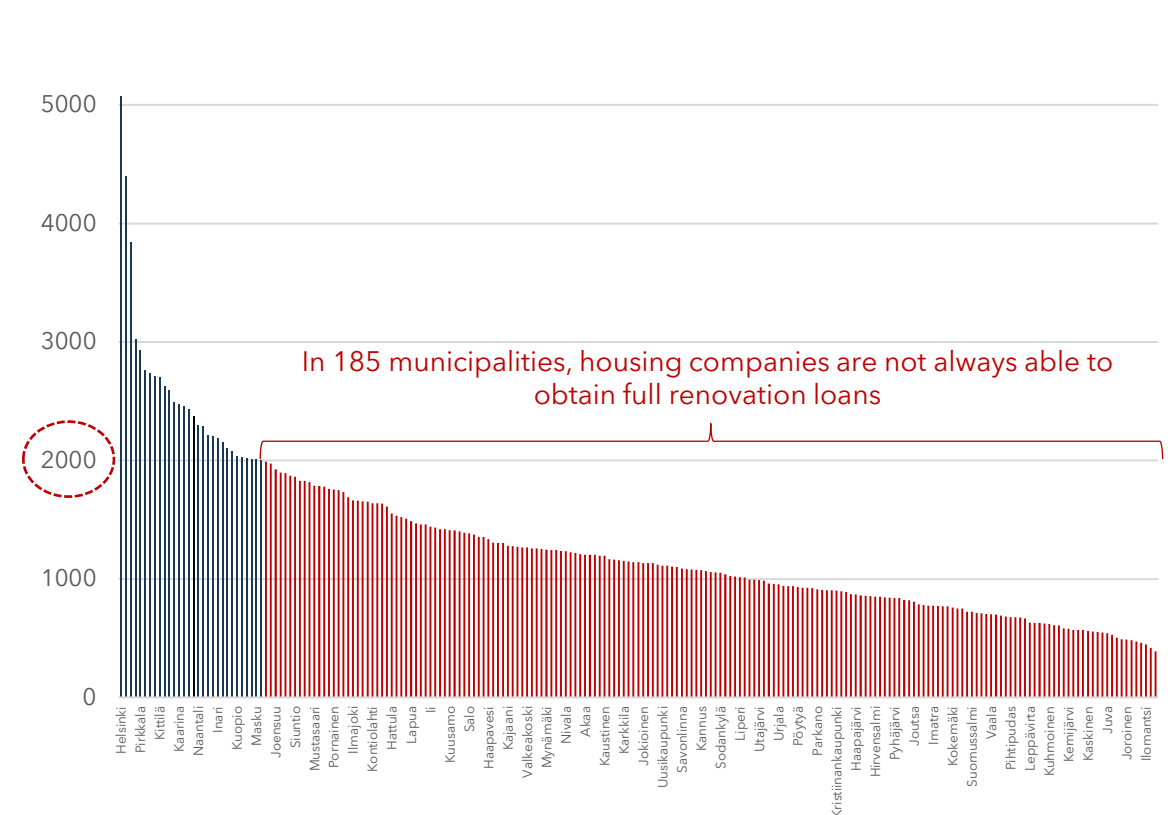
Renovation was in a downturn for 9 quarters

Value of renovation construction (annual change, %)



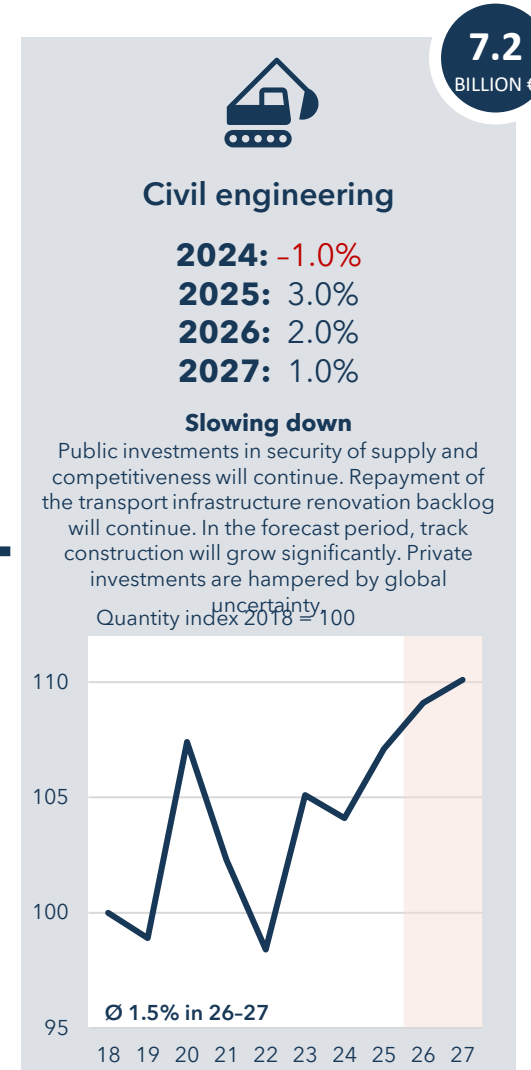
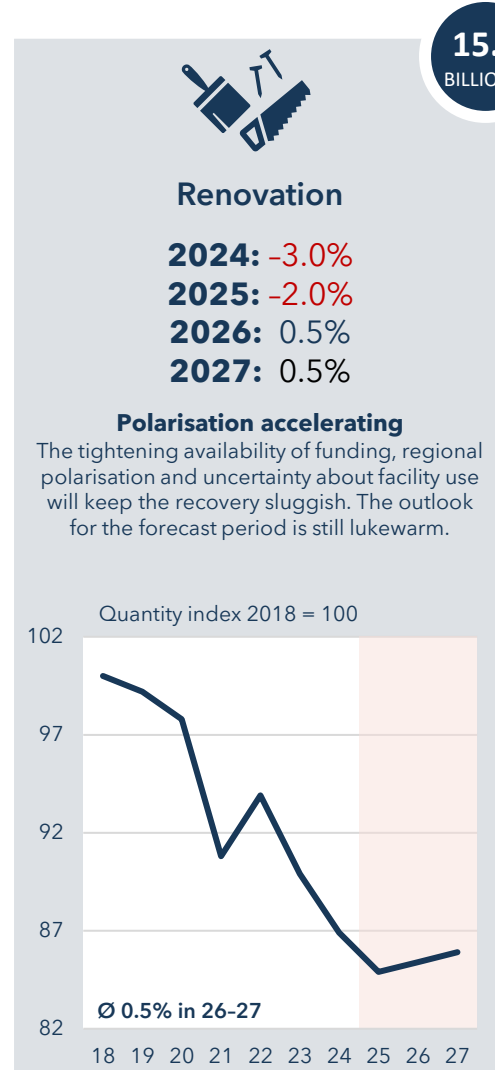
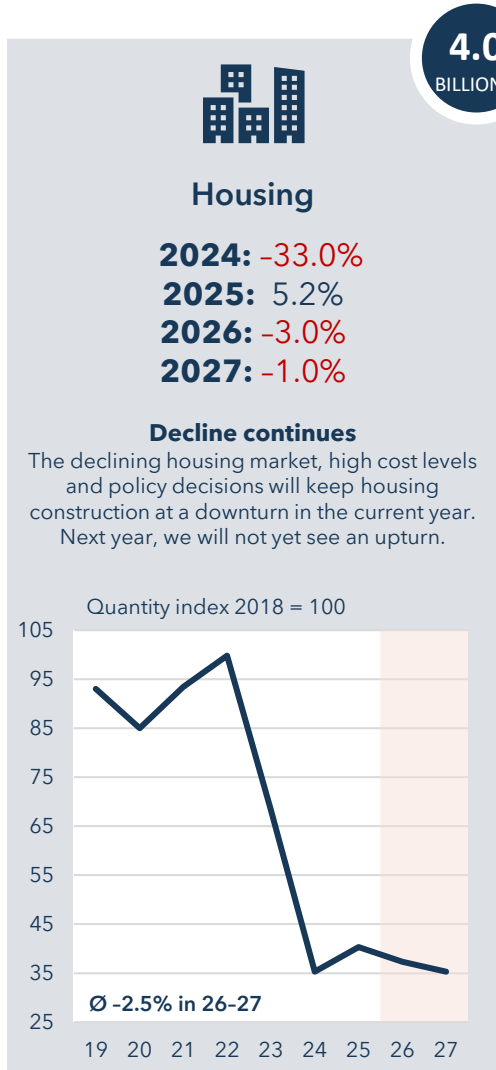
Access to loans for square-metre prices under €2000 per becomes more difficult

Price per square metre for sharehold housing (€/m²)



Construction outlook 2026-27: from contraction to slow growth

2024
in total
35.0
BILLION €



= CONSTRUCTION TOTAL*: 2024: -7% 2025f: -1.5% 2026f: +1.5% 2027f: +1.0%

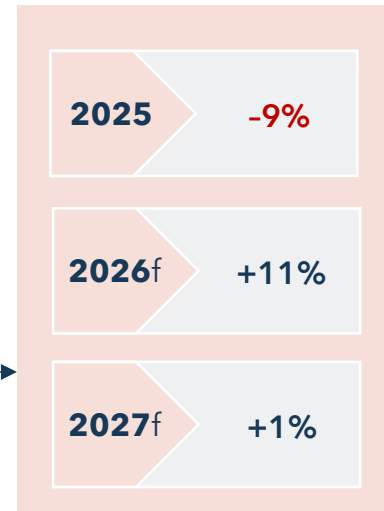
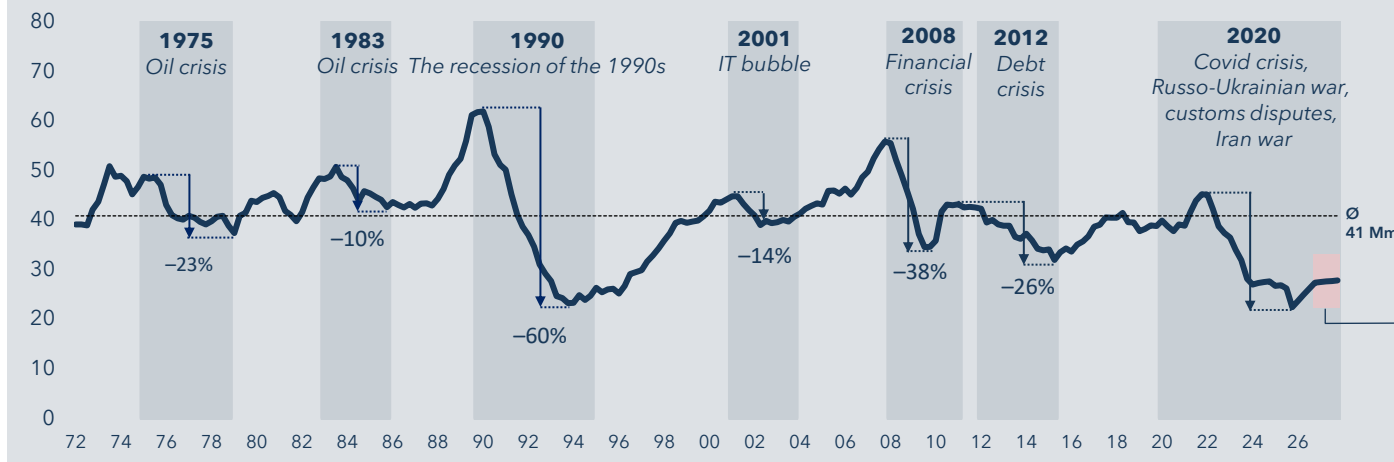
*Fixed price added value

© Confederation of Finnish Construction Industries RT

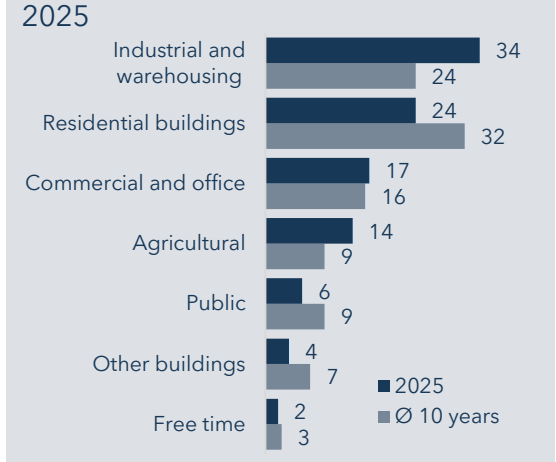
Source: Statistics Finland, RT forecast March 2026

Start outlook: non-residential construction doing well – recovery remains slow

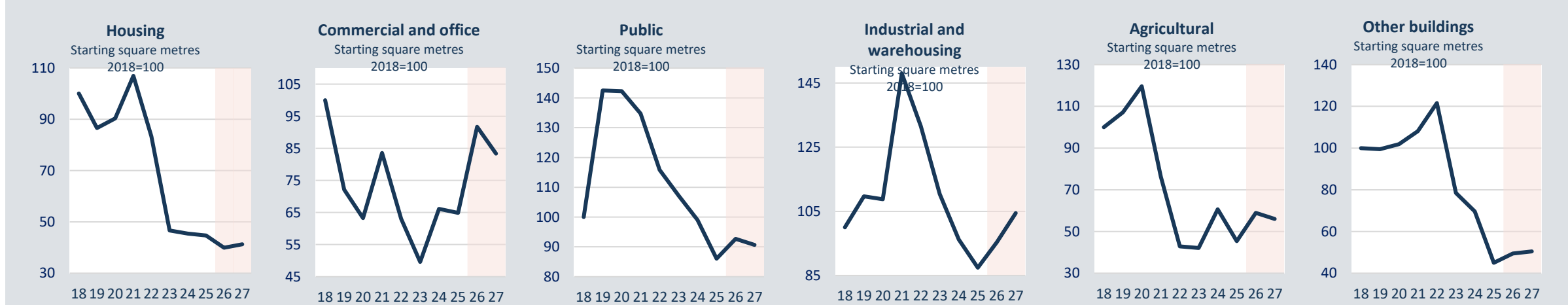
Long term starting cubic metres (million m³)



Market shares (%)

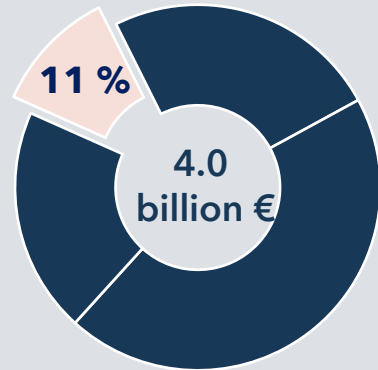


Construction type outlook: Last year's historically low level is in the past

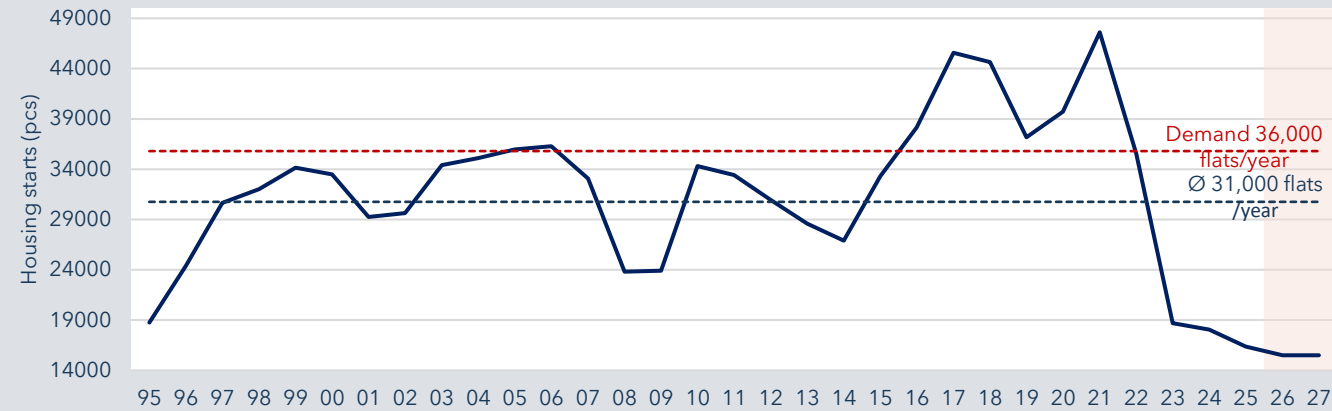


Housing construction outlook: poor profitability continues to push the volume down

Market share
2024



Long-term: housing starts (pcs)



2025 -11%

2026f -7%

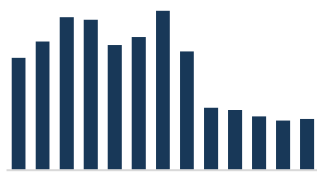
2027f +3.0%



Housing starts

in total (pcs)

2024: 18,200
2025: 16,200
2026: 15,000
2027: 15,500



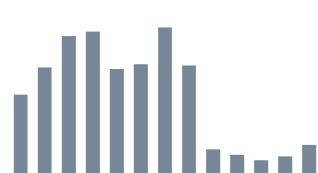
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High rises

Privately financed

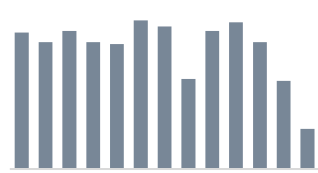
2024: 3,700
2025: 2,700
2026: 3,400
2027: 5,500



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Supported

2024: 9,100
2025: 7,900
2026: 5,500
2027: 2,500

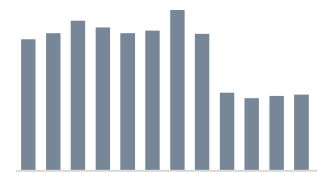


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Single-family houses

2024: 3,600
2025: 3,700
2026: 3,800
2027: 4,500

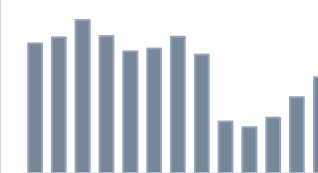


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Terraced houses

2024: 1,200
2025: 1,400
2026: 1,900
2027: 2,500

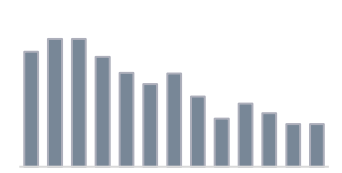


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Other buildings

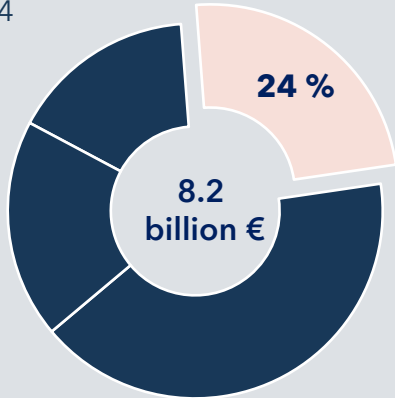
2024: 600
2025: 500
2026: 400
2027: 500



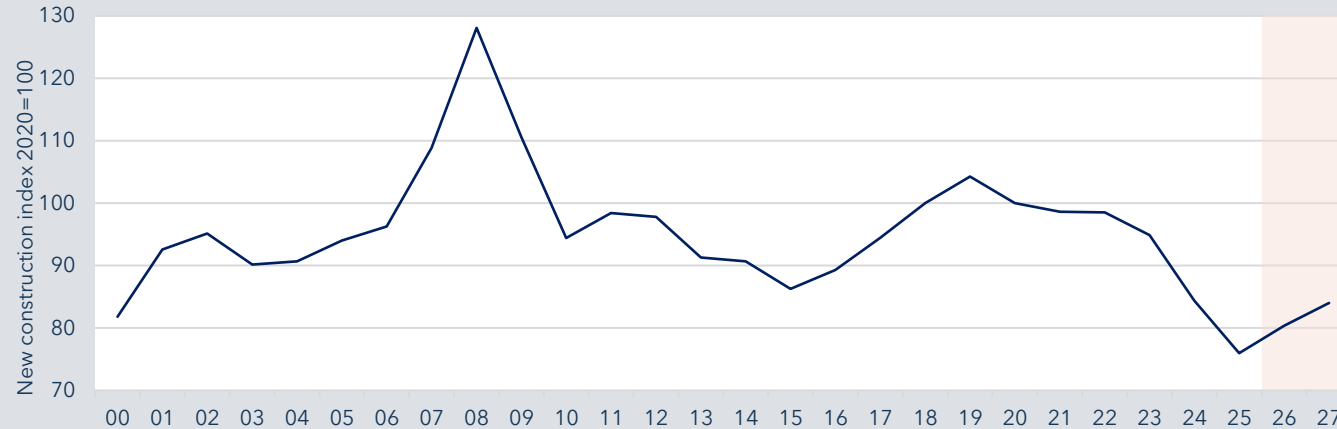
15 16 17 18 19 20 21 22 23 24 25 26 27

Premise construction outlook: data centres are doing well - industrial construction will get going next year

Market share 2024



Long-term: volume of non-residential new construction



2025 -10%

2026f +6%

2027f +4.5%

EK investment survey (January 2026)	Fixed investments, MEUR and annual change (%)				
	2024	2024	2026	24-25 %	25-26 %
Investment in fixed capital	5,373	4,770	5,013	-11.2	5.1
Research and development costs	4,428	4,347	4,436	-1.8	2.0
In total	9,801	9,117	9,448	-7.0	3.6

Green transition investments: There are various estimates of investment needs. The investments required to implement the climate goals in Finnish industry will exceed a total minimum of 100 billion euros in the years 2020-2050, i.e., 3.3 billion euros per year. According to the green transition project database maintained by the Confederation of Finnish Industries, there were more than EUR 309 billion worth of green transition investment projects under way in September 2025. Most of the projects are still at an early planning stage.

Volume of new production: The growth of data centres is visible in premise and office construction

