



## High rents lessen purchasing power

Friday, 25 July 2008 11:54

Chairman Antti Arjanne of the Association of Finnish Lessors estimates that in a year's time the rents of one- and two-room flats in the Helsinki Metropolitan Area will be nine per cent higher than now.

Rents should be raised because the profits of a rented flat are not good. Currently a rented flat provides the investor with a 3.2 per cent net profit. "That is too little considering that you get a better gain from a no-risk bank deposit," Arjanne says and adds that in the current interest situation you should get about seven per cent profit from a rented flat.

Already, bad profits have led to a situation where rented flats have been sold, which decreases supply and further raises rents.

According to Statistics Finland rents rose nearly four per cent during the first quarter of this year, and the average rent per square meter is now over 11 euros in Helsinki and a little over 8 euros in the rest of Finland.

The rents per square meter of small flats are considerably higher than the average, and even the average rent per square meter in the South Helsinki area is almost 14 euros. It is thought that Helsinki's rent markets determine the course for the development of rents in the whole country.

"The rents of one- and two-room flats in the new leases have risen about 15 per cent in the last two years. People's purchasing power is already beginning to run out in Helsinki," Arjanne says.

Timo Metsola, the chairman of real estate agency Vuokraturva, says that high rents have already made tenants compromise on size and condition requirements of their flats. "People are also willing to live further away from their places of work or study," Metsola says.

However, demand for rented flats has grown due to the uncertainty of the housing market. "Well-off people who would have bought a home earlier are now renting. They have sufficient purchasing power to rent the most expensive flats," Metsola says.

Anni Erkkö – STT

Michael Nagler – HT