

Rising housing prices tighten competition over rented flats

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A student apartment in Pasila, Helsinki. Stiffening competition over rented flats is making life difficult for students.

area are longer than ever before. Even in the smaller cities there is a shortage of student flats. 50 per cent more people seek a rented flat via Vuokraturva than before. “Soon the rent level will start to have an effect with regards to which municipality people move to study. For example in Oulu the rents are reasonable. It depends on the amount of rent whether you can concentrate primarily on studying or if you have to work,” Metsola says.

Now well-to-do people who are putting off buying a house, as well as students and people with modest incomes, are fighting over rented flats.

Rising housing prices and interest rates are not just punishing people who are planning to buy a home. They are also increasing rents.

More and more people are postponing buying a house due to the uncertainty over the development of housing prices and interest rates. As a result the demand for rented flats has increased, says Chairman of the Board Timo Metsola of the Vuokraturva real estate agency.

People who before would have automatically bought a domicile are now instead renting their homes. This increases rents and weakens the situation of students, people with modest incomes, and those with temporary jobs.

Now rents are rising steeply even outside the city centres. In the suburbs the rent increase may be even faster than in the centre of town. “Now we have well-to-do people competing over rented flats with students. Their purchasing power is of a vastly different scale than students’,” says Metsola.

This autumn the student flat queues in the Helsinki

Small income isn't sufficient

Building new, privately funded rented flats won't solve the problem, because the rents of such apartments are too high for many. According to Metsola publicly funded housing construction, and for example student flat construction, should be increased.

Chairwoman Tarja Kantola of the Vuokralaisten Keskusliitto (Central Union of Tenants) agrees. "Especially with regards to the new flats in Helsinki, the rents are beyond what many can afford. Employees coming from elsewhere feel that their standard of living declines as they move to Helsinki."

According to Vuokranantajien keskusliitto (Association of Finnish Lessors) the solution could be found in the construction of cheap, modest flats. For example, empty office buildings could be utilised in this way.

Already old buildings have been utilised in the making of student flats. Student housing foundations have converted schools, swimming halls and hotels into flats, for example.

Would a decrease in housing prices help?

A decrease in housing prices would get the well-to-do to buy flats instead of renting them, and it would free up rented flats.

If housing prices decrease, the calculatory profit that renters receive from flats would increase. In the opinion of those who invest in rented flats the current rents aren't high enough.

At the moment a rented flat provides a profit of about 3.2 per cent. More profit can be gained from a no-risk deposit account, for example. Due to the low return the temptation to just sell the rented flat is great.

It is feared that this, in turn, would further decrease the supply of rented flats, as the expensive investment does not provide satisfactory profit. "During the last ten years rents have risen by 2—3 per cent annually. At the same time houses have become ten per cent more expensive. The situation is intolerable. Rent raises of about 4—5 per cent are completely natural, since flat maintenance costs have risen by about 6—7 per cent," says CEO Erkka Valkila of the SATO housing company.

Anni Erkko – STT

Michael Nagler – HT

Hannu Kivimäki - Lehtikuva
