Retta Management

Residential Rental Market Q3 2025: Strong Results as Expected

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Occupancy rates in the Helsinki metropolitan area's rental market have been rising for several consecutive quarters, and the Q3 figures confirmed this trend, with rates reaching **93.8%**. The increase in Q3 was expected, as late summer and early autumn are traditionally the busiest season for the rental market. More significant, however, is that the HMA has been catching up from the decline in occupancy that began after 2019 and closing the gap to other major cities, where occupancy rates did not fall as sharply. Although there is still some ground to cover, the development indicates that the long-standing slowdown in the Helsinki metropolitan area's rental market is gradually receding. For example, in Helsinki, the occupancy rate climbed above **94%** in Q3 for the first time since H1 2020.

The rise in occupancy rates has also sparked optimism among equity investors. **Kojamo's** share price has increased by around **25%** over the past six months, and most equity analysts currently give the company clearly positive recommendations (Source:» Analyst Overview). The listed market typically reacts first and looks ahead, suggesting that market participants expect the rental housing market to strengthen further in the short term.

In Q3, occupancy rates in the Helsinki metropolitan area rose as expected, boosting investor sentiment. This optimism is also reflected in a noticeable recovery in the listed real estate sector over the past six months.

State-subsidized (ARA) construction has historically smoothed building cycles, but it is now in steep decline. Limited new construction, migration to growth centers, and the popularity of private-market rental housing are helping to normalize occupancy rates.

In the Helsinki metropolitan area, occupancy reached nearly 94% in Q3, showing a significant improvement compared to last year. Outside the HMA, the lowest rates among major cities were in Turku and Oulu, but even there occupancy remained around 95%.

"The first phase of the rental housing market recovery is visible in improving occupancy rates. According to OP's estimate, the oversupply of rental apartments will ease in 2026–2027 as a result of migration and the halt in new construction. This would bring the market closer to the situation seen in 2019, when conditions were relatively balanced and rent increases were easier to implement. At the moment, the biggest challenge is that rents have not yet risen in line with costs, so investors have been focusing on strengthening occupancy rates. Gradually improving occupancy will enable rent increases, but upward pressure on rents will take more time to materialize, especially in the Helsinki metropolitan area," summarizes **Anton Takkavuori**, real estate analyst at **Retta Management**.

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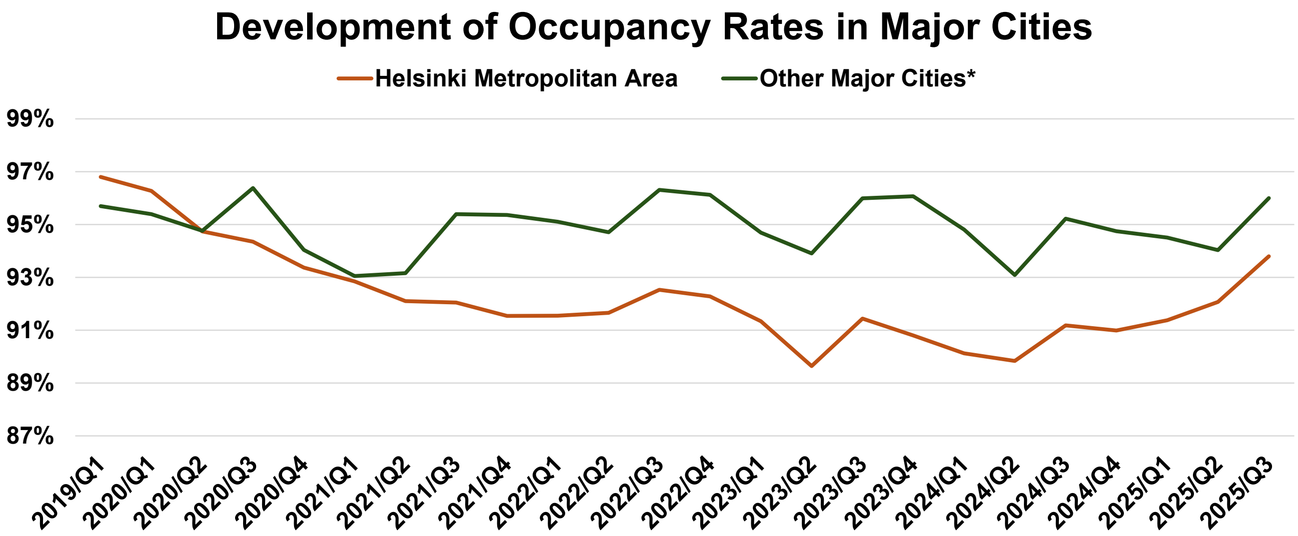


Source: KTI

*=Tampere, Turku, Oulu, Jyväskylä, Lahti and Kuopio

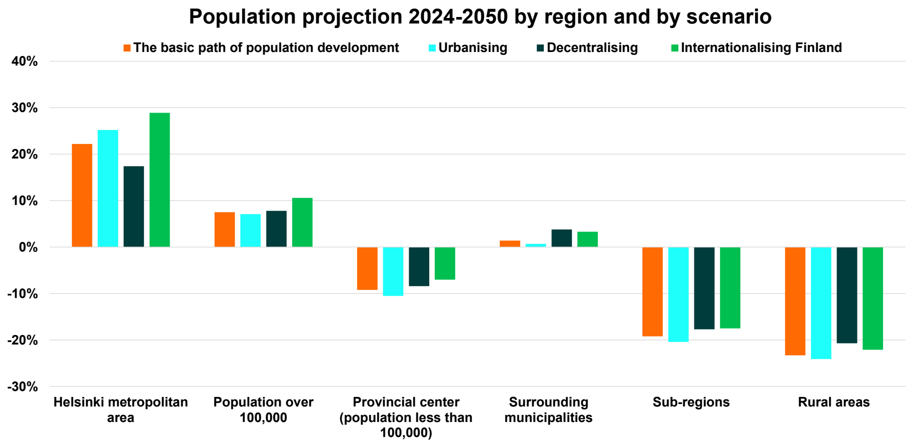
Clearer Outlook in Major Cities – Smaller Markets Offer Opportunities, but Also Risks

In most Finnish municipalities, the population is expected to decline over the coming decades. In other words, while much of the country is set to shrink, the need for new housing in growth centers will continue to increase — though housing will, of course, still be needed everywhere.

Population growth provides a strong foundation for the rental housing market, particularly in the Helsinki metropolitan area. MDI's September 2025 population forecast reinforces this view: the fastest-growing municipalities between 2024 and 2050 are expected to be **Espoo (+30.2%)**, **Luoto (+28.3%)**, **Vantaa (+24.9%)**, **Helsinki (+17.6%)**, and **Tampere (+16.7%)**, with other major cities following close behind. These fundamentals clearly support the rental markets in Finland's main growth centers.

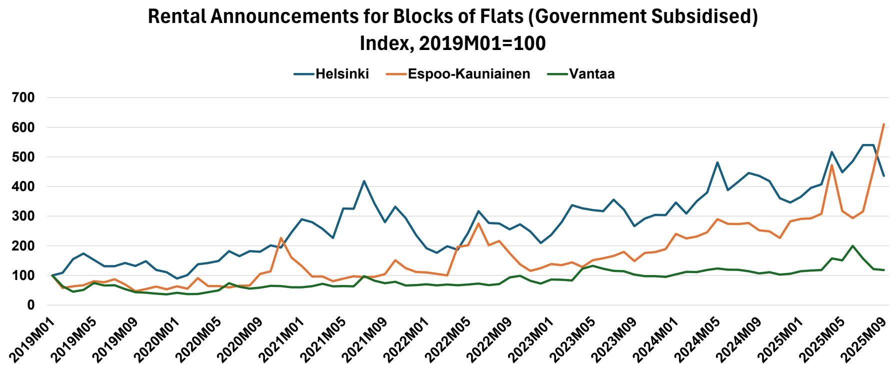
For investors with a **core strategy**, the most natural focus is on major cities and their surrounding municipalities. In contrast, more opportunistic **value-add investors** may find attractive opportunities in smaller cities, each with its own local winners. According to MDI, in terms of vitality, attractiveness, and retention, the top 100 municipalities are geographically concentrated — as expected — west of the line between Helsinki and Kokkola, and, somewhat surprisingly, in the region of Lapland.

Several major market players have publicly stated that they are focusing on the **growth triangle** area, leaving room for other investors to pursue opportunities in smaller localities. In these areas, municipal decisions and development initiatives play a crucial role, highlighting the importance of an investor's ability to identify potential early. At the same time, the risks associated with such investments are higher, requiring careful assessment and active monitoring.



Source: MDI

According to VTT (Technical Research Centre of Finland), Finland would need **31,000–35,000** new housing units per year to meet the demand created by population growth and urbanization. The reality, however, is far from this: fewer than **20,000** new housing starts were recorded annually in **2023** and **2024**, and forecasts indicate that the number will remain below that level in **2025**. For **2026**, around **20,000** housing starts are projected. Despite the overall collapse in construction activity, **state-subsidized (ARA)** housing production has helped sustain building activity by adding affordable rental apartments to the market. This, in turn, has intensified competition especially in the lower-priced segment of the private rental market, as ARA rents are on average **15–45%** lower than market rents. In **Espoo** and **Helsinki**, the supply of ARA rental listings on **Vuokraovi.com** has multiplied compared to early **2019**.



Source: Vuokraovi.com

State-supported construction has previously helped smooth out market cycles, but it is now in steep decline. In the early 2020s, around **8,000** units were built annually with the aid of interest subsidies, but by **2027** this number is expected to fall to only **2,000–2,300**. Last year, construction began on **5,800** rental apartments and **2,500** right-of-occupancy (ASO) units, highlighting the scale of the projected decline.

Key Figures from KOVA's (Finnish Affordable Housing Companies' Federation) Q3/2025 Economic Forecast

	2024	2025e	2026e
New Housing Starts (units)	**18 000**	**18 000**	**20 000**
- of which State-Supported (units)	8 500	6 500	4 000
Rents for State-Supported Rental Apartments (y/y, %)	**4,7**	**3,0**	**2,0**
Rents for Private-Market Rental Apartments (y/y, %)	**1,3**	**1,0**	**2,0**
Prices of Existing Dwellings (y/y, %)	**-3,3**	**0,0**	**1,5**

Source: KOVA ry

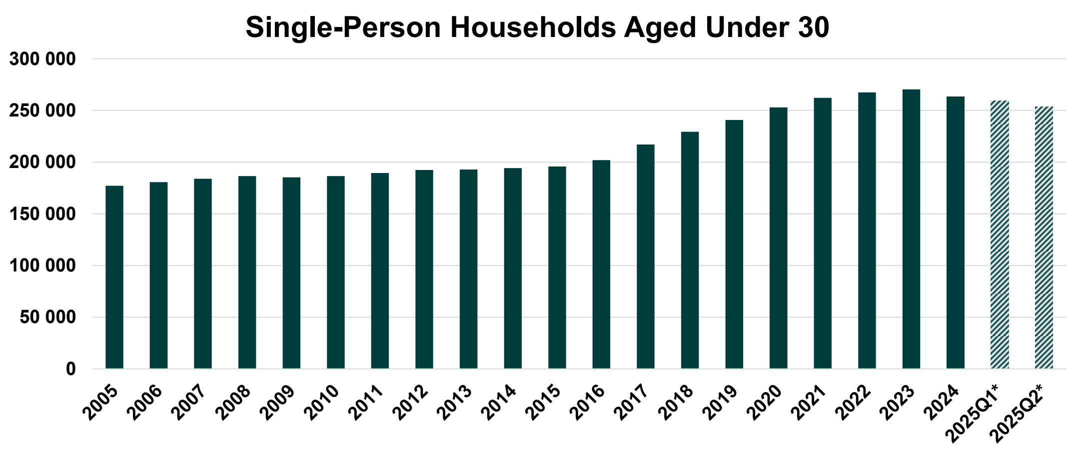
At the same time, the population in growth centers is increasing, driving the need for affordable rental housing. Due to economic growth, urbanization, and immigration, new rental homes are particularly needed in major cities, providing investors with a long-term basis for optimism. In the 2000s, state-supported production accounted for an average of **21.7%** of all housing construction, but in **2023–2024** it rose to around **40%** as private-market construction collapsed. To reach the projected **20,000** housing starts next year, private-sector production would need to **double** compared to this year.

How Do Students Choose After the Support Changes?

Since August, student housing support has been tightened once again. According to student housing communities, there have been no major changes in students' housing preferences, and demand for shared apartments has not increased despite expectations. Student housing foundations also do not plan to expand the construction of shared apartments. Cuts to investment grants for special groups additionally threaten to halt the implementation of new student housing projects.

In other words, the popularity of shared apartments has not reportedly increased, nor has demand for studio apartments decreased. As "older affordable studios" are no longer being built, student residences are effectively shrinking as available funds decrease.

Looking at the statistics, after the **2017 housing support changes**, single-person living increased rapidly as students moved under the general housing allowance and the supply of studio apartments grew. According to **Statistics Finland**, the share of 18–29-year-olds living alone rose noticeably from 2017 onwards. The trend is now reversing, as students return to the housing supplement under student financial aid. Although the populations of major cities continue to grow, the tightening of support policies slows the growth in the number of households and, in turn, partially slows the absorption of rental supply.



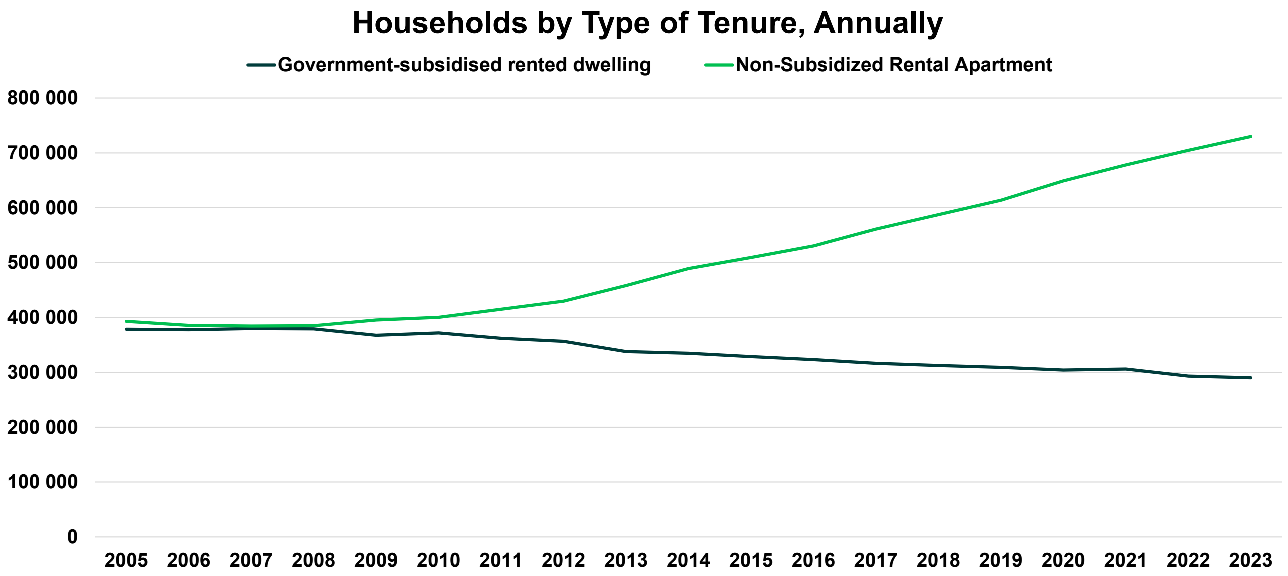
Source: Statistics Finland

Success Favors the Long Game

Whether the investment strategy is direct investments, funds, or listed companies, sentiment in the rental housing market has turned more positive. Strengthening occupancy rates have increased investors' confidence in the future. In the short term, rents are still expected to rise moderately, and in its **September market review**, **KOVA ry** forecasts an increase of around **2%** in private-market rents next year.

It is important to remember that, although occupancy rates have improved, rental supply in major cities remains abundant, which slows the formation of upward pressure on rents — particularly in the Helsinki metropolitan area. However, the occupancy rate bottom was already reached a few years ago, and the long-term fundamentals still support rent growth in large cities. Expectations are influenced not only by migration to major cities and limited new construction but also by the growing popularity of private-market rental housing.

"The biggest change in Finland's housing structure over the past two decades has been the shift of rental housing towards the private sector. In **2007**, roughly the same number of households lived in private-market and state-subsidized rental apartments, about **380,000** in each. Since then, the number of households in private-market rental housing has grown by **90%**, while the number in state-subsidized rental housing has decreased by **23%** (Source: KOVA ry). This change reflects the rental market's shift in focus towards private-market units, and the trend is expected to continue in the future," summarizes **Takkavuori**.



Source: Statistics Finland

Sources: Salkunrakentaja, OP, KTI, Statistics Finland and Kova ry

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