REAL ESTATE IN FINLAND

Kauko Viitanen, Jussi Palmu, Matti Kasso, Erja Hakkarainen, Heidi Falkenbach
Orders:

Helsinki University of Technology
Institute of Real Estate Studies
P.O. Box 1200
FIN-02015 HUT
Tel. +358-9 451 3871
Fax. +358-9 465 077
E-mail: real.estate.studies@hut.fi

ISBN 951-22-6875-2 (printed version)
ISBN 951-22-6876-0 (electronic version)
ISSN 0783-8778

Otamedia Oy
Espoo 2003
PREFACE

The Finnish real estate market has undergone a very strong development in the recent years. The activities and the actors in the branch have changed and professionalised to a great extent, the essential regulations for the branch have been renewed, and foreign actors have entered into the market. The education in the universities has been revised, and foreign students have started to matriculate. There is a great demand for a publication dealing with the focal concepts, regulations, and the operations of the market in the real estate branch.

This publication is a basic description of the Finnish real estate branch in the form of a textbook. The publication is mainly addressed to the foreign university students and the experts in the real estate branch who are starting their acquaintance with the Finnish real estate market. Yet it also aims to give the Finnish students a comprehensive description of the Finnish system in the English terminology. The book was written without references, except for the tables and figures, for facilitating the reading. The book is greatly based on the experience, publications, papers, and teaching material accumulated to the authors and their organisations during several years. The predecessor of this publication, which is very similar in the basic structure, Urban Property Market and Land Law written by Viitanen, Anttila, Vuorio (1994), and its revision "Viitanen, Vuorio, Yli-Laurila, Anttila (1997)" is mentioned in special. Plenty of other literature, web pages, and statistic material in special, were certainly exploited. The most essential sources of information are mentioned in the bibliography at the end of the book.

The leader of the project was Professor Kauko Viitanen, Ph.D. from the Institute of Real Estate Studies at the Helsinki University of Technology (HUT). Moreover, the other authors are Jussi Palmu, M.Sc.(Eng.), Director, Catella Property Consultants Ltd, Matti Kasso, M.Sc.(Law), Managing Director, Huoneistokeskus Ltd, Erja Hakkarainen, (L.Lic.), Lecturer, Institute of Law, Helsinki University of Technology, and Heidi Falkenbach, M.Sc. Student in the Degree Programme of Real Estate Economics, Helsinki University of Technology. Jussi Palmu was especially in charge of writing the Chapter 3, and has also commented the Chapters 1 to 5. Matti Kasso was in charge of the Chapter 6 and partly of the Chapter 7. Erja Hakkarainen has written the first part of the Chapter 7 (till 7.3). All the chapters in the book were contributed and revised by Heidi Falkenbach and the leader of the project. Hannu Aarnio, Manager of the Institute of Real Estate Studies (HUT) was in charge of the technical editing, figures and statistics. The language revision and the main part of the translation were made by Marjatta Huuhtanen, (M.A.) (HUT).

The writing project was supported by the Finnish Ministry of Agriculture and Forestry. I express my thanks to all those who have worked in this project and also to the Ministry of Agriculture and Forestry.

The Institute of Real Estate Studies will update this publication as required in their web pages. For the further development of the study we ask the readers kindly to give their comments on the publication and make suggestions for improvements at the Institute e-mail address: Real.Estate.Studies@hut.fi.

Espoo, December 2003

Kauko Viitanen, Ph.D.
Professor of Real Estate Economics and Valuation
DISCLAIMER

This booklet intends to be the first introduction to the Finnish property legislation and property market. Therefore, only general, not detailed information is given. To make financial decisions more detailed information is required.
CONTENTS

PREFACE

DISCLAIMER

1 INFORMATION ON FINLAND
   1.1 Land, climate and population
   1.2 Form of government
   1.3 Economy

2 STRUCTURE OF THE REAL ESTATE SYSTEM AND MARKET
   2.1 General information
   2.2 Real Property
   2.3 Ownership structure
   2.4 Transaction volumes
   2.5 Role of local governments in the real estate market

3 COMMERCIAL PROPERTY MARKET
   3.1 Stock of commercial property premises
   3.2 Development of the property market
   3.3 Real estate investors
   3.4 Overview of the recent commercial market mechanism
   3.5 Construction and development market
   3.6 Services in the property market
   3.7 Helsinki Metropolitan Area is the main property market

4 HOUSING MARKET
   4.1 Development of the housing market
   4.2 Housing stock and ownership
   4.3 Housing finance and production
   4.4 Transactions
   4.5 Rental market
   4.6 Residential brokerage

5 RURAL PROPERTY MARKET
   5.1 Holiday property market
   5.2 Agricultural land market
   5.3 Forestry land market
   5.4 Raw land

6 PROPERTY LEGISLATION
   6.1 General
      6.1.1 Laws and Court System
      6.1.2 Ownership and economical entities
   6.2 Owning real estate
      6.2.1 Permits
      6.2.2 Indirect ownership
   6.3 Direct ownership of real property
      6.3.1 Register system
      6.3.2 Purchase of a real property
      6.3.3 Registration
      6.3.4 Mortgages and special rights
   6.4 Real estate companies
      6.4.1 Owning through shares
      6.4.2 Types of real estate companies
      6.4.3 Purchase of shares
6.4.4 Pledge ................................................................. 43
6.4.5 Other forms ........................................................... 43
6.5 Leases ........................................................................ 44
   6.5.1 Leasehold of real property .................................... 44
   6.5.2 Tenancy of premises ............................................. 45
   6.5.3 Sale and lease back ............................................. 47
6.6 Taxation ....................................................................... 47
   6.6.1 Transfer tax ........................................................ 47
   6.6.2 Income and wealth tax ......................................... 48
   6.6.3 Value added tax .................................................. 48
   6.6.4 Real property tax ................................................. 49
7 Environmental and building legislation .................................. 50
   7.1 Environmental protection ........................................ 50
   7.2 Nature conservation .............................................. 51
   7.3 Building protection ............................................... 52
   7.4 Neighbours and other people .................................... 52
   7.5 Planning and building ............................................ 52
      7.5.1 Planning system ............................................. 52
      7.5.2 Regional planning .......................................... 54
      7.5.3 Local planning ............................................... 55
      7.5.4 Plan implementation .................................... 57
      7.5.5 Possibilities to promote plan implementation .... 58
   7.6 Real property formation .......................................... 63
      7.6.1 Register system ............................................. 63
      7.6.2 Legal Cadastral Surveys .................................. 64
BIBLIOGRAPHY .................................................................. 66
APPENDIX A ......................................................................... 68
The structure of the Degree Program of Real Estate Economics at Helsinki University of Technology
1 INFORMATION ON FINLAND
1.1 Land, climate and population
The Republic of Finland (Suomi) lies in Scandinavia, in Northern Europe. Since 1917 it has been an
independent parliamentary republic, since 1995 a member state in the European Union (EU), and it
is a member of the European Monetary Union. The area of Finland is 338,000 square kilometres,
which makes it one of the largest countries in Europe. Most of the area is wooded land (68%),
whereas agricultural land accounts for 8% of the total area, built-up land for 3%, and inland waters
with 188,000 lakes for 10% of the total area. Finland has 4600 kilometres of shoreline where the
Finns have about 460,000 summer cottages. Public paths and, on the basis of the traditional
everyman’s right, forests and lakes are used extensively for outdoor recreation.

The population of Finland is 5,2 million with an average density of only 17 people per sq.
kilometre. Almost 80% of the population lives in urban areas. A half of the population lives in
Southern Finland, and 20% of the population lives in the Helsinki Region (1.200.000). The share of
elderly people is increasing rapidly. The largest cities are Helsinki, the capital, with 560,000
inhabitants, Espoo with 220,000, Tampere with 200,000, Vantaa with 180,000, Turku with 170,000,
and Oulu with 120,000 inhabitants. Major foreign cities located close to Helsinki are Tallinn (pop.
0,4 million, 90 km from Helsinki), St. Petersburg (4,6 million, 300 km), Riga (0,7 million, 300 km)
and Stockholm (region 1,7 million, 400 km).

Figure 1.1 Finland’s location in Europe (Source: CIA)
There are two official languages in Finland, 92% of the population speaks Finnish and 6% Swedish. There is also a small Lapp population in the north. Most of the Finnish people in the active age speak English and often a second international language is spoken (Germany, French, Russian or Spanish).

The Finnish university system widely covers the whole country and is in principle free of charge. 70% of the population aged 25 to 64 years has completed upper secondary or tertiary education and 30% have a university or other tertiary qualification – the highest percentage in the European Union. Especially the technical sciences have high status on international level.

*Forecast

Figure 1.2 Finland’s population by age (Source: Statistics Finland)

1.2 Form of government

The legislative power in the country is exercised by a unicameral Parliament (Eduskunta) and the President of the Republic. The president is elected for a period of six years. The main responsibilities of the president are in the foreign affairs. The current president is Mrs. Tarja Halonen (since 2000). The general administration in the country is the responsibility of the Government (hallitus). The prime minister is Mr. Matti Vanhanen (since 2003). The juridical power rests with the independent courts of justice.

For administrative purposes Finland is divided into six provinces (lääni), 20 counties (maakunta) and 448 self-governing municipalities (kunta). One of the provinces, the Åland Islands (Ahvenanmaa), enjoys a special autonomous position. Members of the municipal council are elected by general elections for a period of four years. The councils make local decisions, which the municipal executive board carries out. The Finnish municipalities are rather independent and strong entities with their own municipal taxes. The municipal manager (kunnanjohtaja) is a civil servant.
1.3 Economy

Finland has a mixed economy of free enterprise and private ownership with a considerable state input in planning and financing in many sectors. The main industries are wood, metal, food products, and chemicals. The Finnish industry is strongly integrated to the global trade.

The gross domestic product at market prices was 139.700 million € in 2002, e.g. 26.863 € per capita. The GDP has been increasing rapidly since the recession in the early 1990’s. During the recession the employment situation weakened. The unemployment rate in 2002 was 9,1%. Of the total employment of 2,4 million persons in 2002, 5% were engaged in primary production, 27% in industry and construction, and 68% in services.

Table 1.1 Gross domestic product by industry (%) (Source: Statistics Finland)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, forestry, hunting and fishing</td>
<td>4.6</td>
<td>4.2</td>
<td>4.3</td>
<td>3.7</td>
<td>3.7</td>
<td>3.9</td>
<td>3.6</td>
<td>3.6</td>
</tr>
<tr>
<td>Industry</td>
<td>29.0</td>
<td>27.6</td>
<td>27.7</td>
<td>28.8</td>
<td>27.7</td>
<td>28.7</td>
<td>27.3</td>
<td>26.3</td>
</tr>
<tr>
<td>Construction</td>
<td>4.6</td>
<td>5.0</td>
<td>5.1</td>
<td>5.5</td>
<td>5.9</td>
<td>5.7</td>
<td>5.8</td>
<td>5.5</td>
</tr>
<tr>
<td>Trade</td>
<td>10.2</td>
<td>10.5</td>
<td>11.0</td>
<td>10.8</td>
<td>10.8</td>
<td>10.1</td>
<td>10.2</td>
<td>10.4</td>
</tr>
<tr>
<td>Hotels and restaurants</td>
<td>1.6</td>
<td>1.5</td>
<td>1.5</td>
<td>1.5</td>
<td>1.4</td>
<td>1.5</td>
<td>1.4</td>
<td>1.4</td>
</tr>
<tr>
<td>Transport, storage and communications</td>
<td>9.8</td>
<td>10.1</td>
<td>10.1</td>
<td>10.2</td>
<td>10.6</td>
<td>10.7</td>
<td>10.8</td>
<td>10.9</td>
</tr>
<tr>
<td>Financial intermediation</td>
<td>4.0</td>
<td>3.8</td>
<td>3.7</td>
<td>3.6</td>
<td>3.2</td>
<td>4.0</td>
<td>3.9</td>
<td>3.8</td>
</tr>
<tr>
<td>Real estate and business activities</td>
<td>15.6</td>
<td>16.1</td>
<td>16.6</td>
<td>16.4</td>
<td>17.2</td>
<td>17.0</td>
<td>17.7</td>
<td>18.2</td>
</tr>
<tr>
<td>Administration, compulsory social security</td>
<td>5.5</td>
<td>5.6</td>
<td>5.4</td>
<td>5.1</td>
<td>5.1</td>
<td>4.9</td>
<td>5.0</td>
<td>5.1</td>
</tr>
<tr>
<td>Education</td>
<td>5.4</td>
<td>5.4</td>
<td>5.2</td>
<td>5.0</td>
<td>5.1</td>
<td>4.9</td>
<td>4.9</td>
<td>5.0</td>
</tr>
<tr>
<td>Health and social work</td>
<td>8.7</td>
<td>8.9</td>
<td>8.5</td>
<td>8.1</td>
<td>8.2</td>
<td>7.9</td>
<td>8.1</td>
<td>8.3</td>
</tr>
<tr>
<td>Other services</td>
<td>3.8</td>
<td>3.9</td>
<td>3.8</td>
<td>3.6</td>
<td>3.7</td>
<td>3.6</td>
<td>3.8</td>
<td>3.8</td>
</tr>
<tr>
<td>Financial intermediation services indirectly measured</td>
<td>-3.0</td>
<td>-2.7</td>
<td>-2.8</td>
<td>-2.5</td>
<td>-2.6</td>
<td>-2.8</td>
<td>-2.6</td>
<td>-2.3</td>
</tr>
<tr>
<td>Gross domestic product at basic prices</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 1.2 Some economic statistics (Source: Statistics Finland and Bank of Finland)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP:annual change in volume %</td>
<td>3.4</td>
<td>3.9</td>
<td>6.3</td>
<td>5.0</td>
<td>3.4</td>
<td>5.1</td>
<td>1.2</td>
<td>2.2</td>
</tr>
<tr>
<td>Inflation</td>
<td>1.0</td>
<td>0.6</td>
<td>1.2</td>
<td>1.4</td>
<td>1.2</td>
<td>3.4</td>
<td>2.6</td>
<td>1.6</td>
</tr>
<tr>
<td>Interest rate (10 year)</td>
<td>8.8</td>
<td>7.1</td>
<td>6.0</td>
<td>4.8</td>
<td>4.7</td>
<td>5.5</td>
<td>5.0</td>
<td>5.0</td>
</tr>
<tr>
<td>Unemployment rate</td>
<td>15.4</td>
<td>14.6</td>
<td>12.7</td>
<td>11.4</td>
<td>10.2</td>
<td>9.8</td>
<td>9.1</td>
<td>9.1</td>
</tr>
</tbody>
</table>

*preliminary data
During the past twenty years the Finnish electronics industry has grown to the biggest exporter with the share of 28% of total having Nokia as a flagship. Two other important sectors are the wood industry and the metal industry. The biggest Finnish companies in 2002 were Nokia (telecommunication), Stora-Enso (paper industry), Nordea (finance), Fortum (energy), and UPM Kymmene (paper industry).

The competitiveness of Finland has been measured in various studies (International Institute for Management Development IMD, World Economic Forum WEF, etc.) to be among the best in the world. This especially concerns the technological infrastructure, telecommunication, etc. Transparency International organisation has studied corruption in 91 countries and found out that Finland had least corruption of the studied countries.

Finland's tax rate was 45.9% of GDP in 2002. In 2000 the tax rate was 47.3% which was somewhat below the average for the Nordic Countries but higher than the EU 15 average (41.6%) and OECD average (37.4%).

The main part of the Finnish exports (54% in 2002) goes to the EU countries. The regional distribution of the Finnish imports is quite similar to that of exports (EU 56% in 2002).

Finland has fairly abundant forest resources, but only limited amounts of other raw materials. For more information on forests see Chapter 5.3.

**Finance and banking**

Since the beginning of 2002 the euro is the currency of Finland as the only country in the Northern Europe. From 1865 till 2002 Finland had its own currency [markka, (FIM)]. Finland is rated in the class AAA of credit rating.
2 STRUCTURE OF THE REAL ESTATE SYSTEM AND MARKET

In Finland the word real property (kiinteistö) stands for a registered area of land including the buildings belonging to the same owner. Buildings built on e.g. leased land are legally considered as movable property even though often called real estate (see Chapter 4.). Land and building(s) can be owned directly as a real property (having a title to the property) or in the form of real estate securities, which usually means ownership of shares in a real estate company or in a residential housing company. The company form is more favoured in real estates with large buildings due to the better flexibility in managing and closing deals concerning ownership, and lower property transfer tax in transactions. For more information on taxation and legislation, see Chapter 6.

The real estate market treated in this Chapter includes renting, selling and investing in land, buildings and flats and leasehold rights, and services in the property market. The items are discussed more thoroughly in Chapters 3 to 5.

2.1 General information

The total value of the Finnish real estate cluster is appr. 500.000 million €, corresponding ca. 70% of the national property. The business volume of the cluster is ca. 40.000 million € a year and it employs some 500.000 persons, i.e. one fifth of the labour force. As for real estate market information the land market information is comprehensive and public. This makes the market information of the land market very reliable. A majority in the built real estate market is in the form of a company, and as the market information for that part is not public the general picture of the market remains less precise. This chapter mainly deals with the land market. Information regarding companies is included in the following chapters, where the real estate market is discussed by the main sectors.

Finland is a sparsely populated country with forests and lakes. The share of forest and idle land is ca. 80% and the share of the water areas ca. 10% of the total area. Although the share of built land is appr. 3%, the lack of building land is often discussed. This, however, concerns only the growing urban areas and mainly the metropolitan area. Reasons for the shortage may be e.g. the tendency towards compact urban areas and the slowness of the planning and plan implementation systems.

Figure 2.1 Land use classification in Finland (Source: Statistics Finland)
2.2 Real Property

The landed area of Finland is divided into real properties and other register units. The division is done two-dimensionally, according to the ground level. There is no three-dimensional real property registration. The vertical extension of real property has not been strictly limited in legislation. Nevertheless, the mining minerals are not included in real property, nor can the real property owner normally restrict the use of airspace above his grounds or the use of underground space. The underground land use may also have been restricted by the municipal building regulations, and the overground land use generally calls for a building permit and is particularly restricted by land use planning in the urban areas.

There are nine different types of real property units. This book concerns mainly two of the most common types of real properties, which are nearly always under private ownership. The other seven types are mainly public land and water areas with special restrictions. Other register units consist of state roads and common areas (areas belonging jointly to two or more real property units, i.e. indirect ownership).

A real property unit is an item of ownership, use, conveyance, and mortgage. A real property may be owned by private persons or legal persons, i.e. by companies and other entities, or by the state and local municipalities. It may consist of several separate parcels of land or water.

The proprietory rights are entered two-dimensionally in the cadastre and the land register. The mortgages may concern just the real properties. The perpetual easements and other usufructs are entered in the cadastre under the encumbered and, if possible, also the justifiable real estate. Temporary restrictions (rights) of usufructs based on an agreement are entered in the land register.

The three-dimensional real property registration (condominium/strata title) fairly common in other countries has been implemented in Finland by real estate companies, giving the shareholder the right of possessing a flat or premises through specific shares (see Chapter 6). This system of owning through shares has promoted the development of active and viable real estate market for both residential and commercial facilities especially in the urban areas.

2.3 Ownership structure

The Finnish property system is based on private land ownership. The ownership is protected by the Constitution. 60% of the landed area of Finland is owned by private individuals and heirs. The state owns 29%, the most part of which is forestland in Northern Finland. 8% is owned by the companies, and ca. 1% each by the municipalities and the church. The share of municipal land ownership in the cities is high, mostly because of historical reasons, as until 1905 all cities were founded on land granted by the Crown. It is common that the cities have decided to keep the land areas in their ownership. In the detailed plan areas, the city or the municipality normally owns 30-40% of the land area.
2.4 Transaction volumes

The Finnish real estate market was a closed market until the end of the 1980’s when the gradual deregulation of the market started. Before this, it was forbidden to buy real estate from abroad and to sell real estate to foreigners. Now, the market can be described as open. The only exception is the province of Åland (20,000 inhabitants) where the purchase of real estate still has its restrictions even for the Finns. Despite the open market and the membership in the European Union, the grade of foreign ownership of real estate in Finland has remained low. The foreign investments have started to increase along with the strong Finnish economy with euro as the currency.

Transactions of real property (direct ownership)

The number of transactions of real property (direct ownership) varies between 60,000 to 80,000 per year. The share of the sales of property is appr. 85% of all transactions (Fig. 2.3). About 30% of the transactions in number usually concern detailed planned areas. The total volume of transactions in 2002 was 4800 million €. Rated in money private persons are sellers and buyers in 2/3 of the purchases. About half of the transactions in number or money are transactions of real estate for housing purposes (Fig. 2.5 and 2.6). Transactions of real estate company shares are not included in the figures.
Figure 2.3 The total area of purchased land and the total amount of real property transactions (Source: National Land Survey in Finland)

Figure 2.4 Amount of money in real property transactions by purchaser in 2002. (Source: National Land Survey in Finland)

Transactions of real estate company shares (indirect ownership)

The main part of the housing and commercial property transactions is made in shares, and they concentrate in the urban areas. The volume of the housing transactions in shares was appr. 6.000 million € in 2002, covering appr. 70.000 transactions. The volume of the commercial property transactions was appr. 2.000 million €.
2.5 Role of local governments in the real estate market

The Finnish municipalities have traditionally had extensive rights to decide on the control and guidance of spatial planning and development issues in their area. This is called municipal planning monopoly. Because of this monopoly the municipalities play a very important role in local planning and building issues.

The Finnish municipalities are rather independent and strong entities with their own municipal taxes. The amount of the municipalities’ operational costs and incomes depends, in addition to the size of the municipality, on the municipalities’ rate of incorporating its operations. About 70% of
the income is collected by taxation, i.e. local tax, corporate income tax and real estate tax, 15% by state subsidies and 15% by other means.

The municipalities are often also active in the land market, by buying undeveloped land for planning and then selling or renting out the developed plots. In 2002 the municipalities used approximately 13 € per capita in land acquisitions, whereas the incomes from land sales where approximately 40 € per capita. In addition to this the municipalities collected ground rents for approximately 80 € per capita. In context of land use agreements the municipalities received incomes of 30 million €, from which 39% (11 million) was infrastructure compensations from private persons.

The parties in the real estate market are discussed more thoroughly in the market chapters (Chapters 3 to 5).
3 COMMERCIAL PROPERTY MARKET

3.1 Stock of commercial property premises

The stock of commercial property premises is concentrated in the Helsinki Metropolitan Area (HMA) and other major cities. The Helsinki Metropolitan Area is the administrative and economic centre of Finland, which can be seen in the significant amount of office stock, more than 7 m² per capita, in the area. In the other major cities the number varies between 3 m² and 5 m² per capita. Nevertheless, the amount of retail premises in the Helsinki MA is only 2.6 m² per capita, when it is 3.5 m² to 5 m² per capita in other cities.

Table 3.1 Building stock in Finland (Source: Catella)

<table>
<thead>
<tr>
<th>Area</th>
<th>Retail sqm</th>
<th>Office sqm</th>
<th>Industrial sqm</th>
<th>Total sqm</th>
<th>% of the total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Helsinki MA</td>
<td>2,624,000</td>
<td>7,363,000</td>
<td>8,901,000</td>
<td>18,888,000</td>
<td>57%</td>
</tr>
<tr>
<td>Tampere</td>
<td>802,000</td>
<td>762,000</td>
<td>2,029,000</td>
<td>3,613,000</td>
<td>11%</td>
</tr>
<tr>
<td>Turku</td>
<td>670,000</td>
<td>730,000</td>
<td>1,863,000</td>
<td>3,263,000</td>
<td>10%</td>
</tr>
<tr>
<td>Oulu</td>
<td>543,000</td>
<td>577,000</td>
<td>1,087,000</td>
<td>2,207,000</td>
<td>7%</td>
</tr>
<tr>
<td>Lahti</td>
<td>455,000</td>
<td>257,000</td>
<td>1,427,000</td>
<td>2,139,000</td>
<td>6%</td>
</tr>
<tr>
<td>Kuopio</td>
<td>427,000</td>
<td>309,000</td>
<td>586,000</td>
<td>1,322,000</td>
<td>4%</td>
</tr>
<tr>
<td>Jyväskylä</td>
<td>502,000</td>
<td>319,000</td>
<td>891,000</td>
<td>1,712,000</td>
<td>5%</td>
</tr>
<tr>
<td>Major Cities</td>
<td>6,023,000</td>
<td>10,337,000</td>
<td>16,784,000</td>
<td>33,144,000</td>
<td>100%</td>
</tr>
</tbody>
</table>

3.2 Development of the property market

Because of the strong and steady growth of the economy after the Second World War there were no bigger crisis in the property market until the beginning of the 1990’s. The main drivers in the property investment market were the construction companies who established the development project, let the property and sold it to the investors, often banks or pension funds.

The global recession in the beginning of the 1990’s hit the Finnish economy extremely hard. Also the property market suffered a lot through bankruptcies, unusual high vacancies, dramatic decrease of rents, increasing financial costs, etc. New commercial developments were close to zero for three years.

Since 1993 the economy, as well as the property market, has improved fast in Finland. Besides the new economic growth there were some other changes in the market, too. While being earlier a more or less independent investment segment, property investments today are clearly a part of the total investment portfolios of investors. The basic investment decisions focus first on the fund allocations between different investment vehicles and thus the property investments must compete with the other vehicles, such as stocks and bonds.

During the past fifteen years the market transparency has improved a lot thanks to the increased degree of market information available. As a consequence the investors and developers can react more sensitively to the options and changes in the market. This has also grown in importance because of the increasing volatility of cycles in the economy.
3.3 Real estate investors

The commercial investment market has until recent years been purely in domestic hands. During the recession in the beginning of the 1990’s there were some studies on the market made by some foreign speculative investors but no deals were done at that time. Until the end of the year 2001 only a few investments were made by foreign real estate investors. However, some foreign financial institutions have taken a bigger role as an investor by combining contracts, cash flows, and financial tools.

Since 2002 many foreign investors have entered into the Finnish property market. Typical of these purchases is the big size of the transaction often including many properties. For the investors the Finnish market seems to be a way of diversifying their portfolios to the secure and improving market. In 2003 the share of foreign new investments in the Finnish commercial property market is about 60% of the total volume. This is a big change compared to the past. On the other hand, many Finnish institutional investors are looking for a way to invest abroad to diversify their strongly domestic real estate portfolios.

Insurance companies

Pension insurance companies, as well as life assurance companies, have been the main real estate investors in the market. The number of significant companies is about ten (the most significant are Varma-Sampo, Imarinen, Kuntien Eläkevakuutus, Tapiola, Pohjola group, Fennia group and Nordea Life Assurance) and the value of their real estate portfolios range from 200 million € to 2.500 million €. Normally they invest 10% to 15% of their funds to properties. Because the real estate market in Finland is quite small, some of these companies have made plans to invest abroad to improve the liquidity of investments and to decrease the market risk.

The investments are mainly made in the Helsinki Metropolitan Area. The portfolios are dominated by offices. Quite a big share is also invested in apartments though they cause much more administrative work. The recent trend is, however, to get rid of the apartments. Industrial properties have normally not been in favour of the insurance companies.

Banks

In the past the banks used to be important property owners. Just during the recent years they have worked actively to get rid of these portfolios. The main reason for this has been investing in the core business, banking. The idea is also to improve the condition of the balance sheet and create better key economic figures.

As a consequence some bigger sales of portfolios have been seen in the market, as well as continuous activities to sell smaller non-core properties. The most active in the market has been Nordea followed by Sampo Group, which has also been active. Osuuspankki group, which has cooperative group properties owned mainly by local branches, has the biggest portfolio.

Real Estate Investment companies

In the Finnish scale there are three big real estate investment companies. Two of these are listed in the Stock Exchange; Sponda with mixed portfolio of 1.100 million € and Citycon having retail portfolio of 700 million €. Non-listed company Kapiteeli has mixed portfolio of 1.300 million €.
Polar is a medium-size listed real estate investment company with mixed portfolio of 350 million €. Non-listed companies in this category are Dividum with hotel portfolio of 300 million € and Realinvest with mixed portfolio of 250 million €. In addition to these there are some smaller real estate investment companies, too.

A more or less characterising feature to all of these companies is that the main owners do not see their ownership as core investments but want to get rid of them instead. In fact these companies are established to give the owners an opportunity for exit. Many of these companies have made a big effort to sell non-core properties and at the same time improve and increase their portfolios. In the autumn of 2003 the majority holdings of Polar and Citycon were sold to foreign investors.

**Public holding company**

Senate Properties was established a few years ago to own and manage the government properties. Its portfolio value is close to 4.000 million € thus being clearly the biggest real estate owner in Finland. Its importance in the market comes from the special role of being the landlord for the government tenants, but also from its size and presence all over Finland. Senate Properties is also an important developer.

**Owner occupants**

The current trend is that the owner occupants try to get rid of their properties in order to use the money to the core business and ease the balance sheet. For this purpose some arrangements have been made.

**Financial institutions**

Just during the recent years some financial institutions have entered into the Finnish real estate market as investors, such as Landes Bank Kiel, Nordisk renting and Scanrenting. Their interest is to create a contract were the rental agreement is e.g. for 15 to 25 years and the rent level covers the interest rate, as well as a reasonable yearly discount of the property to minimize the residual value in the end of the rental contract. The risks are also taken care by different arrangements.

**Foundations**

The characters of the Finnish foundations differ a lot from each other. The most important in the real estate market are the ordinary independent foundations, which distribute grants. The total number of these foundations is 500 but only about 15 have some influence on the market. The most important are Suomen Kulttuurirahasto, Föreningen Konstsamfundet rf, Svenska Litteratursällskapet i Finland and Jenny ja Antti Wihurin rahasto. In practice other organisations have quite small property portfolios and they are very stable. Their main role in the market is to act as landlords.

**3.4 Overview of the recent commercial market mechanism**

According to some latest estimates, the vacancy rate of office premises in Helsinki has mainly been 1% to 4% during the 1970’s and the 1980’s. Just in the end of the 1980’s, when the market was booming, the vacancies started to grow and reached their peak in 1993. In the office market in the Helsinki Metropolitan Area the vacancy rate was on the level of 12%. Just after seven years (2000) the same vacancy rate was only 1,5% thanks to the rapid economic growth. In the beginning of
2003 the vacancy rate is peaking up again, reaching the level of 6.8%. Roughly the same development is seen in the other major cities in Finland.

The turbulence of the economy has proven the flexibility of the market. During the deepest recession e.g. office rents in the Helsinki Metropolitan Area decreased about 40% in 2 to 3 years. The normal length of the rental agreement had been 3 to 5 years but during the recession it decreased to 1 to 3 years. Also some free months were possible, and improvements of the premises made by the landlord. In the middle of the 1990’s it was very easy for tenants to change or find new premises. In the end of the 1990’s the stock of old vacant premises was empty and new construction had started. For the companies in need for more space the situation become difficult because in practice all the new developments were started only after pre-letting of at least 50%. The construction time of 1 to 2 years together with the 5 to 7 years rental terms for new developments was a lot longer period for the companies than they could foresee as their needs for space. Increasing vacant office space in the year 2002 has normalised the market.

In the 1960’s small shopping centres were built in the new suburbs around the country. Their economic life cycle lasted about 25 to 30 years. In the 1970’s the major retailers started to establish supermarket chains in the market. In the 1980’s the first big shopping centres were built investor-led. The construction of the big shopping centres, as well as the supermarkets and hypermarkets, is still active.

When new foreign retailers came into the market in the beginning of the 1990’s they brought along rental contracts based more or less on the lessee’s turnover. Contracts of this kind are used with varying success. The main part (close to 90%) of the rental contracts is, however, based on fixed rent with a yearly escalation clause. The rent is normally paid monthly. While the retail market has moved more and more to shopping centres and retail parks which are all in practice owned by investors. This means that the retailers co-operate with landlords who normally are well aware of the retail business. This should help both parties in finding common goals and means to achieve competitive advantage.

The industrial and warehouse premises are mainly owned by the occupants. Thus there is a lack of flexible supply of premises. On the other hand, there is lot of vacant land with good location for new developments. Though the attitude towards modern industrial premises has somewhat softened among the investors, they are still very selective.

3.5 Construction and development market

There are four big construction companies (YIT, Skansa, NCC and SRV) who have the clear dominance in the commercial real estate construction and development market. Also a few mid-size companies (Hartela, Palmberg and Lujatalo) have been active.

While there has been lack of speculative investors in the commercial market the construction companies have taken this role. In the end of the 1980’s this activity gained high importance in the strategy of construction companies. The deep recession in the beginning of the 1990’s realised the risk of speculation and today construction companies are more concentrating on their core business. Still they are active in establishing new projects by finding plots on good locations, pre-letting the projects and pre-selling them to the investors. On the other hand, construction companies have always played an important role as a speculative developer in the private housing business and this
will obviously continue. Risks in the housing market are regarded to be low compared to the commercial market.

3.6 Services in the property market

Service sector in the real estate market has seen quite a lot new companies taking care of the work earlier carried out by the property owners. Especially facility management with its different variations has improved much since the late 1990’s. The deep economic recession favoured outsourcing and thus contributed service companies to establish this kind of services. Also the demand of the investors for quality as well as for more sophisticated products has encouraged the companies to improve their services. Gross border activities have made it possible to learn service practices from foreign companies.

Management services

Facility management as well property management services are today provided by more than twenty private companies. There has been a rapid increase of new suppliers in this sector and, on the other hand, property owners have increasingly adapted this type of out-sourced services. One process has been to establish independent service providers from the former in-house management teams. Standardisation of services, as well as benchmark studies has been carried out during the past few years. Common attitude is that these services meet well the international requirements.

Property portfolio management and asset management are young professions as private consultancy services. The landlords, however, hesitate to outsource this type of intelligence. Thus these services are still in a very early stage but likely on the way to become more important tools for the landlords. Asset management services are provided by somewhat over ten consultants and portfolio management by less that ten. Foreign examples give reasons to expect that these activities will see improvement together with increasing outsourcing in the near future.

Real estate brokerage

There are roughly 60 real estate brokers in the commercial sector who are working more or less full time. About a half of them are in the Helsinki Metropolitan Area and most of the rest in six other major cities. A commercial brokerage company is normally carried out by one or two brokers. Catella Property Consultants Ltd has the biggest brokerage business with about 15 brokers.

It is supposed that only 20 to 30% of the commercial brokerage business is done by brokers. Their role in the commercial sector could be bigger, but because of the tradition, the major investors have quite strong resources in in-house letting and selling/buying. Furthermore, the market is rather small and the main players often know each other.

The commercial fee in transactions is normally 1% to 4% of the unencumbered selling price. Sometimes there are extra incentives depending e.g. on the selling time or price. The amount of letting fee is 1,5 to 2 months rent. Value added tax of 22 % is added to the fees.

Market information and studies

The availability of market information has improved a lot during the past fifteen years. It is possible to get time series of 10 to 15 years of the main market indicators. In addition there is a lot of related
public information available e.g. on the population, economy, city planning, construction and purchasing power.

The new GIS-technology (Geographic Information System) together with digital maps makes it possible to combine different information and focus it on certain areas. Thus there are a lot of possibilities to exploit different registers but there are also many registers, which are not yet activated for free private use.

Comprehensive and analysed market information, as well as time series, is provided by Catella Property Consultants and KTI (Institute for Real Estate Economies). Information on a smaller scale is also available from e.g. JonesLangLasalle, Aberdeen, NewSec, Rakli, etc.

Real estate valuation

Professional real estate valuation in the private sector started in the beginning of the 1970’s. The number of valuators started to increase in the middle of the 1980’s and in 1995 an examination was introduced in Finland for authorising the valuators. The number of more or less full time commercial valuators is today about 50. They have often established small companies having 1 to 4 employees. The biggest commercial valuation personnel is in Catella Property Consultants Ltd, with about 15 valuators.

Authorised valuators are skilled to use all basic valuation methods but quite many of them are familiar with portfolio valuations, too. International co-operation and clients have also made the valuators familiar with different types of investment analyses.

3.7 Helsinki Metropolitan Area is the main property market

The Helsinki Metropolitan Area (about one million inhabitants) is clearly the largest commercial market in Finland. Having one million inhabitants and 7,4 million m² office space, 2,6 million m² retail space and 9 million m² warehouse space it belongs to same category of market size in Europe as Amsterdam, Copenhagen, Madrid, Oslo and Vienna. Being one of the most growing economic areas in the EU it is considered to have a good growth rate in the real estate market in the long run. The main demand for office space comes from the public administration and universities, business to business services, ICT, R&D, etc. In Helsinki there are also a great number of headquarters of companies. Helsinki normally leads the way regarding the market cycles in the Finnish cities.
Office stock in Europe 2002

![Graph showing office stock in major European cities in 2002. The x-axis represents cities, and the y-axis represents the amount of office stock in million m². London has the highest stock, followed by Amsterdam, Helsinki, Madrid, and others. The graph includes a legend indicating that London = West End and Other cities = Capital region.]

Picture 3.1 Size of the office market of the Helsinki Metropolitan Area compared to other European cities (Source: Catella)

The core of the commercial property market is the centre of Helsinki. It is very compact and limited. The natural directions to enlarge the market are West, profiling with high tech and research, and North, profiling with high tech assembling, warehousing, and logistics. The cities along the railway to north from Helsinki are benefiting from the flow of internal migration to the southern part of Finland.

Vacancy Rate

![Graph showing vacancy rates in the Helsinki Metropolitan area from Q3 1990 to Q3 2003 for retail, office, and industrial & warehouse sectors. The graph includes a legend indicating the sectors.]

Picture 3.2 Vacancy rates in the Helsinki Metropolitan area (Source: Catella)
Office market

While the service sector has improved a lot during the recent decades also the need for office premises has increased remarkably well. In the 1970’s the back office functions of the companies started to move from the city centre to the new developments in the local centres in the Helsinki Metropolitan Area. At the same time the Helsinki Central Business District has changed to the area of business-to-business functions. Just after the recession in the beginning of the 1990’s the development of modern business parks started. They have high quality office premises and are flexible to the changing needs of space but also provide extra services to the tenants, such as catering, cleaning, security, meeting rooms, etc. Though the net take-up in the office market has recently been close to zero and the vacancy rates have increased, new modern office developments have been started with good rate of pre-lettings. This indicates that the market is going to divide into modern and basic office supply and the latter now has the main part of vacancies in the market.

The high amount of new office developments has changed the infrastructure of the Helsinki Metropolitan Area by creating new office areas to the west of the city centre, e.g. Ruoholahti, Keilalaiti, Otaniemi (in connection to the Helsinki University of Technology and VTT Technical Research Centre), and Leppävaara. Today the new development seems to be directed more towards northwest and north (close to the international airport).

### RENTAL LEVELS OF OFFICE PREMISES

![Graph showing rental levels of office premises in Helsinki metropolitan area](image-url)

**Helsinki metropolitan area**

- Gross rent €/m²/year (excl. VAT), New agreements

**Picture 3.3 Trends of office trends and vacancies in Helsinki CBD (Source: Catella)**
Picture 3.4 Prime yield of Helsinki office market compared to other European cities (Source: Catella)

Retail

Just during the past 15 years especially the Helsinki Metropolitan Area has seen a great increase of modern shopping centres. Today there are about 20 of them and few more are on the pipeline. The resent newcomers are the retail parks, a couple of which already exist in the Helsinki Metropolitan Area.

In the future the vitality of city centres is also of interest to the local retailers and politics. At the moment there are a few retail developments going on and many plans to improve retailing in the centre of Helsinki. People concentrating in the Helsinki region and the increasing purchasing power create the demand for new retail developments and areas. Despite continuous new developments the vacancy rates have stayed low in the retail market.
Picture 3.5 Rents of retail premises in Helsinki Metropolitan Area (Source: Catella)

Industrial

Heavy industry has disappeared from the Helsinki Metropolitan Area and new high tech assembling industry as well as warehousing has taken place. The logistic systems have improved a lot and are largely connected to the international networks (airport, harbour, good roads, high use of IT technology and information networks, etc.) Easy access to the Russian market (roads, railway, customs), especially to the St. Petersburg area, has also created foreign demand for industrial and warehouse space in southern Finland. The new harbour completed in Helsinki by 2008 will further improve the logistic position of Helsinki.

In the Helsinki Metropolitan Area the main industrial areas are concentrating around the Ring Road Three. This provides excellent connections to the Metropolitan Area as well as to the other parts of Finland and abroad having easy access to the airport, harbour, main roads and railway. Furthermore, the cities of Vantaa and Espoo are supporting the new entrants by helping to find a suitable site and arranging the required infrastructure. The average monthly rent of warehouse is 7 € /m² and the yield about 9% to 11% per year.
4 HOUSING MARKET

4.1 Development of the housing market

Finland became urbanized relatively late. The great migrations from rural areas to the cities took place in the 1960’s to the 1970’s. Before that the large majority of the Finnish people had lived in the rural areas mainly in detached houses made of wood. In connection with the migration the construction of big and compact concrete suburbs was started. Not all cities had sufficient resources for controlling this construction, so they made extensive areal development contracts (land use agreements) with the big construction companies in the growing centres. The construction companies acquired the land, had it planned, and constructed the necessary infrastructure and the residential buildings, which were either sold as owner-occupant residences or were built as tenement houses for the municipalities and collective companies. Nearly all of the construction, except for single-family houses, was executed in the form of an apartment house company, where certain shares entitle to the possession of a certain flat. These are, in practice, owner-occupant residences in the form of a limited company. As for the operations this resembles the condominium system (see Chapter 6).

The rapid migration and construction created a well functioning private housing market in the cities. For the owner-occupiers the system meant the creation of a so-called housing career. The first residence was a small one-room or two-room flat, which at the increase of wealth and family was gradually replaced by a bigger residence: one-room flat – two-room flat – three-room flat – four-room flat. In the 1970’s and 1980’s the families started to move from blocks of flats into terraced houses and other detached or semi-detached houses.

After the Second World War until the beginning of the 1980’s the main interest in the housing policy was the quantity of new production. Just during the past twenty years the focus has been more or less on quality, which means better building architecture, human scale of the living areas, improved functionality of the buildings and infrastructure, etc.

Although the Finns prefer detached or semi-detached houses, the cities are full of blocks of flats. Only in the past few years the planning organisations in the cities have awakened to the planning of small houses. The biggest reason for this may have been the moving of the wealthy households from the cities to the commuter belt offering sites for single-family houses.

4.2 Housing stock and ownership

The total number of buildings (not taking holiday houses into account) in Finland is 1,3 million, 86% of which are residential buildings, although the share is only 64% of the floor area. They consist of 2,6 million dwellings (2002). 44% of the dwellings are in blocks of flats, although only one third of the population lives in flats. The number of detached houses is 40% and the number of attached houses is some 15% of the housing stock. The housing stock is very young, 75% being built after 1960. Two thirds of the household-dwelling units are living in an owner-occupied dwelling. 59% of the all dwellings are owner-occupied (31% owns the house and 28% holds the shares entitling to occupy the dwelling). 31% are rental dwellings, which also include official residences and dwellings provided by the employer. The other tenure status (ca. 2%) covers dwellings occupied on a life annuity contract, right of occupancy dwellings, and dwellings for which no cash rent is paid. 8% are makeshift dwellings.
The dwellings in Finland are rather small on the average. The average floor area is 77 m² (2002). Classified according to the housing type the number of one-room flats is 15% and the number of two-room flats 31% of the housing stock. However, also the household-dwelling units are small and are becoming even smaller. The average size of a household-dwelling unit is 2,19 persons in the whole country, and 1,90 persons in Helsinki. Some twenty years ago the share of the households of one or two persons was 50%, while today it is 70% in the whole country and 78% in Helsinki.

*Figure 4.1 Dwellings by the type of building (Source: Statistics Finland)*

The standard of equipment in the Finnish dwellings is normally of a very high level. 87% of dwellings are well equipped, i.e. they at least have sewer, piped water, hot water, flush toilet, bathing facilities, and central or electric heating. 50% of the dwellings have a private sauna. However, 7% of dwellings are poorly equipped, which means that the dwelling lacks bathing facilities and/or central or electric heating. 6% of dwellings are classified with a substandard level of equipment, i.e. a dwelling lacks at least one of the following: piped water, hot water, and flush toilet. According to the Finnish building regulations in the detailed plan areas, the houses have to be equipped with sewerage. The poorly equipped dwellings are mainly located in the rural areas.

*Figure 4.2 Dwelling by tenure status (Source: Statistics Finland)*
In Finland the dwellings are equipped with kitchen and bathroom fixtures and surface materials. They are included in the home sale and thus in the price as well.

![Bar chart showing the size of household-dwelling unit in whole country (Source: Statistics Finland).](image)

The maintenance of a normal private-owned block of flats and terraced house is arranged by the apartment house company. The management of the apartment house company is determined by the shareholders, who often also live in the house. The shareholders pay a monthly maintenance charge to cover the company costs (see Chapter 6). The average maintenance charge in 2002 in a block of flats was 2.45 €/m²/month including payments for water and 1.86 €/m²/month in terraced houses. The companies often have investment loans for which a monthly capital charge is collected. In 2002 the average charge was 0.27 €/m²/month in a block of flats and 0.17 €/m²/month in terraced houses.

| Table 4.1 Development of the living space (Source: Statistics Finland) |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Dwelling units          | 1 000 | 1 211 | 1 463 | 1 838 | 2 210 | 2 512 | 2 574 |
| Floor area per dwelling | m²   | 51   | 60   | 69   | 74   | 77   | 77   |
| Floor area per person   | m²   | 14.3 | 18.9 | 26.3 | 31.4 | 35.3 | 36.3 |
| Persons per room        |      | 1.3  | 1.0  | 0.8  | 0.7  | 0.6  | 0.6  |
| Overcrowding 1) % of population | %  | . . | 31.0 | 30.5 | 23.7 | 21.7 |

1) More than one person per room, excl. kitchen.

4.3 Housing finance and production

After the Second World War there was lack of finance for housing production. Especially the construction of blocks of flats was largely financed by government-secured loans, the so-called
ARAVA loans. The loans were granted both to the apartment house companies and the home buyers. The government also supported private ownership by allowing tax relief for housing loans. The high inflation made the financing favourable both to the constructors and the owners, although the periods of private bank loans were short, only 5 to 10 years. The heavy increase of the loan interests and the decrease of the housing prices in the early 1990’s turned the housing loans into decline, and they did not start to rise until in 1996. Construction by private financing also nearly totally stopped for several years in the early 1990’s. Since the mid 1990’s construction has been rather active. The loan periods for the housing loans have also been significantly extended. Today even 30-year loans are not unusual and the loan terms are flexible. Joining the European currency system in 2002 has decreased and stabilised the interest rates remarkably enabling the most advantage loan terms ever. The average interest rate for the new housing loans was ca. 3.3% in the end of 2003. Together with migration to the major cities this has activated the recent housing market, as well as housing development.

![Figure 4.4 Stock of housing loans and average rates of interest on housing loans. (Source: Statistics Finland)](image_url)

*forecast

Figure 4.4 Stock of housing loans and average rates of interest on housing loans. (Source: Statistics Finland)

Nearly all housing loans for the Finnish households are provided by the commercial, co-operative and savings banks. The loans are secured on property. A housing loan is normally granted for 70% of the residence value.

To improve the flexibility of the residential market the government has created many financial tools for new housing developments, but they are mainly bound to social objectives. During the past few years also the developers have produced new financial tools for the housing market. As a result there are many new ‘ownership’ models in the housing market ranging from the right of occupancy to part-ownership of a dwelling. All this together with the low interest rate has activated new developments on quite a high level though the increase of construction costs has sometimes threatened the housing production.

The volume of construction output greatly varies in Finland. In the 10-year period of 1992 to 2002 the total completed building volume has annually varied between 23,5 and 40 million m³. The
number of completed dwellings has been approximately 30,000 a year. The construction costs of the buildings financed with the State housing loans or with interest subsidy loans were ca. 1.500 €/m² in the Helsinki metropolitan area and ca. 1.350 €/m² in the rest of Finland in 2002.

The biggest construction companies have the main role in the new developments. They establish housing projects and sell individual flats to occupants, or to some extent, also to private investors. There are also three private developers, which are big players in the private sector: Sato, VVO and YH-rakennuttajat. They develop dwellings for sale, as well as invest in rental premises often using some government finance. Each of these developers has 10,000 to 30,000 flats in their portfolios.

Figure 4.5 Number of dwelling units and production of new dwellings financed by National Housing Board and Housing Fund with arava loans and interest support loans. (Source: Statistics Finland)

4.4 Transactions

The housing market in Finland is quite cyclic, as both for the prices and construction. In the late 1970’s the prices rose heavily just to drop after the so-called oil shock. In the late 1980’s there was a very high increase in prices assisted by the liberalisation of the money market, easy availability of loan financing, and the extension of the loan periods. The bubble was pricked at once in the early 1990’s by the heavy economic recession, and the housing prices were halved. The prices did not reach the level of the early 1990’s until nearly ten years later. The housing market of the early 2000’s is very active again, especially in the growing centres, due to the very low interest rates and extensive loan periods. The situation is also effected by the fact that the tenement rents have not significantly declined at the reduction of interest rates, and as the tenants have been able to purchase a dwelling of their own almost at the price of the rent, many people are moving from tenement to a dwelling of their own. On the other hand, thousands of dwellings have become unoccupied especially in the out-migration areas in Eastern and Northern Finland. Houses are even torn down due to the loss of occupants.
Including the non-built sites purchased for housing construction more than 100,000 conveyances of dwellings are annually made in Finland. The total sum of money in 2002 was 7.500 million €.

**Transactions of flats (indirect ownership)**

Over 70,000 transactions of flats are annually made in Finland. The value of the transactions was 5.970 million € in 2002. According to the Statistics Finland the mean price per square metre of non-subsidised flats was 1.361 € in 2002. In the Greater Helsinki area the mean price was 2.144 € and 1.077 € elsewhere so the housing prices in the Helsinki metropolitan area are somewhat double compared to the rest of Finland. One third of the transactions were made in Uusimaa (almost same as the Helsinki region) making up over one half of the total value of transactions.

![Figure 4.6 Flat prices (nominal) Q1/1987-Q3/2003 (Source: Statistics Finland)](image)

**Transactions of the built residential properties (direct ownership)**

Representative transactions of detached houses were made ca. 15,500 in 2002. 9,388 of these were made in the detailed plan areas, the mean price being 115,000 € (ca. 180,000 € in Uusimaa and less than 80,000 € in Northern Finland). In the sparsely populated areas the prices of single-family houses were considerably lower: in 2002 the mean price was nearly 72,000 € varying from the more than 100,000 € in Southern Finland to the approximate 50,000 € in Northern Finland. The prices of detached houses follow the prices of residential flats with the delay of approximately one year, so the price fluctuations are fairly similar, see Figures 4.6 and 4.7.
Transactions of residential sites

The price of residential building land varies in a rather similar way as the prices of the built properties. There are tens of factors affecting the price. Residential site prices are rather much studied in Finland. Ari Hiltunen’s doctoral thesis (2003) is the newest comprehensive study on the prices. The study indicates that the most important price factors are the building right allotted to the site in the detailed plan (efficiency of the site), the location of the site (the zip code), the distance from the regional main centre, and the socioeconomic status of the inhabitants. The factors are not stable but the amount and direction of price factors is changing by years.

Nearly 6,000 representative transactions of residential sites were made in the detailed planned areas in 2002 and approximately 2,600 in the rural areas. The site prices in the detailed planned areas are varying a great deal depending on whether the seller was a municipality or a private party. On the other hand, the prices are greatly dependent on the size of the municipality. In 2002 the sites sold by the cities (binding subdivision plan) cost 23 €/m² on the average and 8 €/m² in other municipalities (directive subdivision plan). The prices of the sites sold by private parties were 48 €/m² and 19 €/m² correspondingly, i.e. approximately twice as much as the sites sold by the municipalities. One reason is that some municipalities try to tempt the inhabitants by offering sites almost free.

Calculated to the permitted building volume on the site (€/floor area) the prices are approximately quadruple compared to the land area. The average surface area of the sites in the detailed planned areas was approximately 1,500 m².

The housing sites in the rural areas are considerably larger. In 2002 the average surface area was 6,000 m² and the average price 3,50 €/m². Thus the total price (21,000 €) approximately corresponds to the site prices in the detailed planned areas of others than the urban municipalities where the price of a site was 11,500 € on the average when sold by the municipality, and 35,000 € when sold by a private party.
4.5 Rental market

Traditionally there has been a great lack of rental flats in the bigger cities. The rental market was long regulated through rent control, which later in the 1990’s was cancelled regarding the so-called free market. More than a half of the rental flats is state-financed social production with ARAVA or interest support loans. In addition to the non-profit housing developers (e.g. SATO and VVO) the cities are among the major owners of rental flats. In 2000, for example, the housing companies owned by the City of Helsinki had 45,392 flats with a total of 92,696 occupants (17% of the population in the city). Big players in the rental housing market are also the companies established for owning flats for the students. In order to have work force the employers used to offer flats to their employees. In the beginning of the 1980’s nearly 10% of the flats were job-related, but today the share is only 1%.

The supply of privately owned rental flats was quite remarkable until the 1970’s when the regulation of rents and the rights of the tenants were changed. This indicated very soon a decrease in supply of private rental flats. The liberation of the rental market gradually realised in the early 1990’s caused increasing private supply to the housing market. The landlords in the free housing market are mostly private persons, but the insurance companies and a few investment companies and foundations have substantial housing portfolios. The insurance companies have quite recently started to reduce their rental flats. One of the reasons for this may be the growth of the vacancy rate leading to profit decrease as the tenants are moving to owner-occupant flats tempted by favourable loans. This is best seen in the biggest rental flats, which are becoming very difficult to rent, even in the major cities. As for the landlords the small flats (1 to 2 rooms) are the best to rent.

The number of rental dwellings was approximately 780,000 with the increase of 235,000 since 1990. The share of rental dwellings of the total housing stock is a third. More than a half of the households living in tenancy are households of one person. 75% of people under the age of 30 live in tenancy. Only 17% of the households consisting of a married couple with children live in rental dwellings.
The newest incomers in the Finnish housing market are the right of occupancy dwellings and various co-ownership flats. Their significance is, however, still rather small, and they have also recently faced the moving of residents to owner-occupant flats due to the low interest rates of housing loans. One specialty is the so-called HITAS Price Control System used by the city of Helsinki, which will be treated in more detail in Chapter 6.

4.6 Residential brokerage

In the housing sector there are roughly 2,000 brokers. The main objective of brokerage is to sell flats to private people. Heavy advertising in the newspapers and sophisticated Internet pages characteristics of this business. The most important face-to-face marketing happens on Sundays when there are open doors in flats to be sold. This business is divided into two categories: big companies with a few hundred brokers (Huoneistokeskus Ltd, PSW-kiinteistömaailma Ltd, OP-kiinteistökeskus Ltd, and SKV Ltd) and many companies with 1 to 5 brokers. Depending on the market situation 3/4 of the residential transactions are made by brokers and the rest by the owners themselves. The service fee is normally 3% to 4% plus value added tax (22%).

Figure 4.9 Average monthly rents per square metre in arava and non-subsidised dwellings. (Source: Statistics Finland)
5 RURAL PROPERTY MARKET

5.1 Holiday property market

For a great many Finns, it is important to own a holiday home (summer house or cottage), preferably by the sea or a lake. There are 460,000 free-time residential buildings in Finland (2002). Holiday properties are normally owned as real property unit (real ownership), but to a lesser degree also in a form of mutual real estate companies and in so-called time-sharing units.

Traditional holiday houses are rather small buildings furnished with sauna and meant for summer use. The average floor area is less than 50 m$^2$ and $\frac{3}{4}$ of the holiday houses are less than 60 m$^2$. The new buildings are often of high quality, with all the modern conveniences, and suitable for all-year living. They are so-called second homes, so the standard of holiday homes is growing substantially.

![Figure 5.1](image)

**Figure 5.1 The number and distribution of different kind of holiday property transactions in 2002 (representative sales). (Source: NLS Finland 2003)**

The main part (60%) of the holiday property market today is concentrated on built properties, although the buyer will presumably replace the old buildings with new ones. The share of non-built sites is ca. 40% of all holiday property transactions. It is typical of the market that the holiday home or the site is purchased near the childhood home. A half of the transactions of holiday property (16,172 in 2002) is therefore between relatives or otherwise unrepresentative in the price comparison mind. The number of free-time residential buildings constructed used to be approximately 10,000 annually. Construction slowed down in the early 1990’s and seems to have settled to less than 5,000 holiday homes a year (4,262 completions in 2002).

In the beginning of the 1990’s, the holiday property market slowed down. After the mid 1990’s the demand for holiday properties has increased. The greatest demand is nowadays directed to properties, which can be used throughout the year and are located by a lake or the sea. In 2002 the number of representative purchases of holiday sites by the sea or a lake (private shore) was 2513 (non-built real properties, less than 2 ha), and the average price was 30,000 € (median 25,000 €) in a
detailed plan area in the whole country (in Southern Finland ca. 60,000 € and in Northern Finland ca. 15,000 €). Outside the detailed plan areas, in rural areas, the average price was ca. 20,000 € in the whole country. The number of purchases of built holiday homes with private shore was 3.323 in 2002, and the average price was ca. 60,000 € in the whole country (in Southern Finland ca. 110,000 € and in Northern Finland ca. 35,000 €).

**Holiday properties lacking private shore**

The sale of holiday properties lacking private shore is considerably smaller than of those with private shore (the share less than 30% of all transactions). The majority (2/3 in 2002) of the sales of holiday properties lacking private shore are built properties. In 2002 a total number of 192 non-built sites lacking private shore were sold in detailed plan areas at the average price of 14,000 € and 46 built holiday properties at the average price of 57,000 € (representative purchases). Outside detailed plan areas 544 sites lacking private shore were sold at the average price of 14,000 € (median 7,000 €) and 1434 built holiday properties at the average of 30,000 € (representative purchases).

![Figure 5.2 The number and price of transactions of non-built and built holiday properties (less than 2 ha). (Source: NLS Finland 2003)](image)

5.2 **Agricultural land market**

Agricultural land (arable land area 2.2 million hectares) takes about 8% of the total land area. There were in 2002 about 75,000 farms altogether in Finland, almost all of them owned by private farmers. The field area is 30 ha on the average. In addition, the farms often have forestland, 45 ha on the average, and other land, 13 ha on the average. Of the field area about 40% is leased. In 1995 to 2002 the number of farms has decreased by 25%. About 55% of the farms have crop production and 35% milk production and other cattle farming.
The price of arable land was relatively high in the beginning of the 1990’s, but it came down with the depression and the uncertain conditions of agricultural subsidy after joining the EU. Since 1998 the price of arable land has been clearly increasing. In 2002 the number of purchases was 750 (non-built real properties only with field, more than 2 ha) and the average price was about 4.500 €/ha in the whole country (in Southern Finland almost 6.000 €/ha and in Northern Finland about 2.000 €/ha).

![Figure 5.3 The number and price of transactions containing only arable land (non-built, more than 2 ha). (Source: NLS Finland 2003)](image)

![Figure 5.4 The number of farms and their average arable land area (Source: Statistics Finland)](image)
5.3 Forestry land market

Forest and other wooded land take about 68% of the total area in Finland. According to the National Forest Inventory 1992-2001 the area of forest land is 202,470 km$^2$, scrub land 28,050 km$^2$ and waste land 30,710 km$^2$. Private persons own almost 450,000 forest properties (14,06 million hectares, i.e. 53,5% of the area). The biggest forest owner, however, is the State (8,83 million ha, i.e. 33,6%). The State ownership is concentrated in Northern Finland. Companies own 2,05 million ha, i.e. 7,8% of the forestry land. The area of a private forest property is 26 hectares on the average. Forest properties with an area over 100 hectares account for less than 5 % of the properties.

Private ownership of forestland in Finland is usually based on inheritance and family connections. This usually means that forest property owners are fairly aged. Due to the migration from the rural areas to the urban areas, most of the forest owners live in cities and the proportion of forest owned by farmers is less than 20%. The increase in the population’s average age is expected to change the ownership structure as private forest properties are sold. The main part of new forest owners will probably be private persons as the prior restrictions of agricultural and forest property ownership have been annullled. Even foreign landownership is possible. The forestry in Finland does not require intensive attention nor living in the same area, and a forest owner can live far from his estate.

In Finland forests take, depending on the tree species, the fertility of the habitat, and climatic factors, 60 to 120 years to grow. Nevertheless, incomes from large forest properties are received throughout the forest’s lifecycle due to the age distribution of the trees in the forest. The growing stock comprises 2,024 million cubic metres, of which 47% is pine, 34% spruce and 19% broadleaves, chiefly birch. The annual growth increment totals 78 million cubic metres and the annual drain 69 million cubic metres in 2000 to 2002. The commercial round wood production (fellings) were 54 million cubic metres in 2002.

The economic value of a forest property is based on both the value of the trees ready to sell and the expected value of the younger trees still growing and the expected expenses of the forestry. The expenses of forestry and administration account for approximately 10% to 30% of the forestry incomes, which are taxed as capital income.

The wood industry is a very important branch in the Finnish economy, which also makes forest production and protection grow on importance. The forest legislation is purposed to promote the economically, ecologically and socially sustainable management and utilisation of the forests. The principle is to guarantee both the economical yield and the biological diversity of nature. There are also areas, which are protected from felling and from all kinds of forest use.

The owner of a forest property must make an announcement to the local authorities before felling trees. The authorities may deny the felling if the principles mentioned above are not followed. Besides this, the owner is obligated to establish a new tree stand, e.g. by planting new seedlings. If the property has been sold after the felling, the obligation to renew belongs to the new owner.

Forestry in Finland is market-based, i.e. the price of the end products (e.g. paper, lumber) reflects to the price for standing timber. As the prices are cyclical, the forest owner can affect his profits by timing the sell of timber to the peak value of the cycle.
Figure 5.5 Stumpage prices of roundwood in private forests. (Source: Statistics Finland)

Forest areas with a tree stand of good quality have been in steady demand in the recent years and their price has also been without great changes. There is always a demand for a forest property independent of the trade conditions. The forest price level follows the development of the stumpage price. The demand for outlying parcels with poor tree stands is, however, small. In 2002 the number of purchases was 2,587 (non-built real properties only with forest land, more than 2 ha) and the average price was about 2,000 €/ha (median 1,500 €/ha) in the whole country (in Southern Finland about 3,000 €/ha and in Northern Finland about 1,000 €/ha).

Figure 5.6 The number and price of transactions containing only forestland (non-built, more than 2 ha). (Source: NLS Finland 2003)
5.4 Raw land

Raw land is mainly non-built but it is expected to be planned for urban building in the near future. No improvements have yet been made in the area. In Finland the municipalities are nearly the only purchasers of raw land. In 2002 the total of ca. 1,500 ha of raw land was purchased at approximately 27 million €. There were 168 representative transactions in total in 2002 with the average area of 8,7 ha and the average price of 1,10 €/m² (median 0,80 €/m²).
6 PROPERTY LEGISLATION

6.1 General

6.1.1 Laws and Court System

The Government prepares and finalises all new legislation and takes the legislation to the Parliament. All Acts are accepted by the Parliament and the normal process in the Parliament takes three to six months. After the Parliament has accepted the new Act, the President of the Republic confirms it, but this confirmation is mostly formal. When the Act is confirmed, it normally comes into force after some months, but the time may also vary.

Besides the Acts, there are also decrees, which are mostly based on Acts. The decrees include more detailed information and clarify the interpretation and adaptation of the Act. The decrees are given by the Government.

As Finland is a member of the European Union, also the EU directives and decrees have an impact on the Finnish legislation. As EU legislation seldom concerns properties, the property legislation is still mostly national.

In Finland, the property of a citizen is protected by the Constitution. This protection can only be deviated from according to law and with full compensation, or according to laws, which are legislated in order of enactment of the Constitution, as most of the legislation concerning real estates is. In Finland the use of real property is limited in many ways and by many laws, e.g. Land Use and Building Act, Environmental Protection Act, Nature Conservation Act and Real Property Formation Act.

The Finnish court system has three degrees: Civil Court (local), Court of Appeal, and the Supreme Court. To get a case to the Supreme Court a permission of the Supreme Court is required. A special reason must be given for the permission. There is also a special court, the Land Court (Maaolkeus), which handles cases concerning cadastral survey and compulsory purchase proceedings. Appeals on the decisions of the Land Court are directed to the Supreme Court.

The Civil Courts handle both civil cases, such as demands for payments and other claims, as well as all criminal cases. The commencement of action is not limited, but mainly the one who loses the case must pay the costs of the defendant. The civil process may take six months to several years when handled in all degrees. The Civil Courts also have an important role in the property registration system (in the Land Register).

For administrative cases there are Administrative Courts (local) and the Supreme Administrative Court. The Administrative Courts handle appeals concerning e.g. taxes, building permits, plans and other administrative matters. Appealing to the Supreme Administrative Court is not restricted.
Attorneys and even lawyers can assist their clients in both Civil and Administrative Courts, and at any degree, without exclusions. The use of an assistant or attorney is not compulsory, but most of the cases are handled by lawyers and attorneys.

6.1.2 Ownership and economical entities

Private persons, companies and other economical or juridical entities may own a real property unit or shares in a real estate company without any general limitations. Both companies and private persons may also jointly own a property, i.e. two or more subjects together. This is called joint ownership.

There are three main types of companies: partnership companies (ay), limited partnership companies (ky) or limited companies (oy). The minimum of share capital for limited companies (oy) is 8,000 € and for public limited companies (oyj) 80,000 €. The companies must be registered in the Trade Register and for the tax authorities.

Besides the companies, there are also different kind of co-operatives, foundations and associations, which may own all kinds of property. Also the state, the municipalities and the churches are notable landowners.

6.2 Owning real estate

6.2.1 Permits

There used to be limitations for foreigners and foreign companies for possessing and owning real estate in Finland. The last limitations concerned real properties for recreational use, but the limitations were abolished in the beginning of 2000. Today there are no general limitations for foreigners to buy or possess property in Finland, except in the Province of Åland (Ahvenanmaa), an archipelago, where the right of domicile in the islands is required from the Finns as well.

6.2.2 Indirect ownership

Besides direct ownership of real property, it is also possible in Finland to own real estate through a real estate company, which is formed only for this purpose of real estate ownership. This form is called indirect ownership or owning through shares. Tenancy is discussed more thoroughly in Chapter 6.5.

In case of indirect ownership there is usually a real estate company, which owns the building and the land. The shares of the company may be connected with a flat or a floor in the building (mutual real estate company or apartment house company). This means that the shareholder has a right to possess a certain flat or premise. There are also “normal” real estate companies in which the shares and the building have no connection and the tenancy is between the tenant and the real estate company (see Chapter 6.5).

The form of owning through shares is used both in commercial and residential properties and from single-family houses to blocks. There may be one or several buildings within one real estate company.
Apart from that, there are also different kinds of partial ownerships and rights of occupancy for residential use. These forms, especially the right of occupancy, are supported by the municipalities, and thus there may also be some limitations for transferring these rights.

Direct-owned real property and also the land lease agreement (see 6.5) together with a building can be mortgaged and the shares of a real estate company (see 6.6) can be pledged. In real estate companies it is also possible that the company has been financed by a bank through a mortgage loan, and the shareowners pay the loan costs to the company. Typically a part of the building costs is financed by the real estate company and the bank, and the rest is paid by the shareowners directly.

6.3 Direct ownership of real property

In direct owning the owner usually owns both the building and the land, but especially in the bigger cities it is also possible to own the building and have a long-term lease agreement (usually for 30 to 50 years) with the landowner, which is usually the municipality or the city (see 6.5). There is a public registration system for direct ownership and the land lease agreements. Direct ownership and land lease agreements are registered in the Land Register.

6.3.1 Register system

A real property is specified as a register unit, a piece of land (or water). The unit may also include several separate parcels, which is common especially outside detailed plan areas. The specification includes a register code number, which consists of the number of the municipality, e.g. (48), district (235), block (108) and finally the number of the real property unit (12). So the code is usually like 48-235-108-12.

The register code helps identifying the real property and finding all the registered information needed. In addition to the register code the real property can be traced out with official boundary marks or coordinates. Outside the detailed plan areas the real properties normally also have names, in addition to the register numbers. In subdivision the new unit receives a new register number and the mother property nowadays keeps its register number.

Besides the registered real property units also unseparated land areas can be owned and purchased. These pieces of a real property will be subdivided after the transfer of the ownership of the land area is registered in the Land Register. A real property unit may also be divided in specified shares of two or more owners and these shares (e.g. 1/2 or 1/5) may be sold. The specified shares of a real property are registered only in the Land Register (ownership), and there is no obligation for such a real property to be divided, unless the owners want to.

The public Land Data Bank System (Kiinteistötietojärjestelmä) includes the Real Estate Register (Cadastre) and the Land Register. The Real Estate Register (Kiinteistörekisteri) is kept by the District Survey Offices (Maanmittaustoimisto) and by some municipalities. It includes information of the real property units, how the land (and water) is divided, what the process has been, and also the information on easements and special rights. The register also includes the register map and the archive of official cadastral survey documents. The information from the Real Estate Register is given in an extract, and it is public and available for all.

The Land Register (Kirjaamisrekisteri) includes the Register of Property Ownership and Mortgages (Lainhuuto- ja kiinnitysrekisteri). The Land Register is kept by the Local Courts and it includes data of the ownership of the real property, and the mortgages and different kinds of special rights (see
6.4.3). The information from the register is public and available for all. The information can be received from the local authorities and also directly on the Internet for registered users.

Information from the ownership register is given in a Certificate of Registration of Title (Lainhuutotodistus), and the information of the mortgages and special rights is given in an Abstract of Title (Rasitustodistus). All this information and the extract are public and available for all, although only in the Finnish or Swedish languages. It is very important to read them before the final decision of a purchase of a property is made. The correctness of the information in the Land Register is secured by the law.

6.3.2 Purchase of a real property

The purchase of a real property is an official legal act, which must be done in a specified form. If the specified form is not concluded the sale is not binding. The specific form must also be followed when buying non-separated land areas or specified shares of a real property. The specified form includes a written document with the main terms, and the signatures of the parties and a special public purchase witness, e.g. notary public. The signatures must be drawn at the same time. A public purchase witness can be found e.g. in the Local Court, in the Local City Administrative Court, or in the District Survey Office.

The purchase agreement for a real property must include certain terms. The obligatory terms are:
- the intent to convey
- a specification of the real property (or a part of it) to be conveyed
- the seller and the buyer
- the price or other compensation

Usually the agreement also includes at least the following terms:
- time to pay the purchase price or other compensation
- time to transfer the possession of the real property
- arrangement of mortgages, if any
- limitations of liability for the building

A private person, if married, also needs the permission of his/hers mate to sell the home of the family, even if the mate does not own a share of the property.

The purchase agreement is made in at least three copies, one for both of the parties and one for the public purchase witness who also checks that the legal form has been followed in the transaction. The public purchase witness then informs the local survey office and the municipality on the purchase.

The seller has duties to the buyer. All information given by the seller to the buyer must be true and sufficient and all the information, which may have an influence on the buyer’s decision, must be given. In spite of this the buyer is also obligated to inspect the property carefully and cannot afterwards claim for such matters he/she should have noticed before the decision.

The post-purchase problems may concern e.g. the extent of the land or the building, the condition or the faults of the building. Also the environmental matters have become more important. During the past few years it has been usual to let specialists investigate the building and the soil before the purchase, especially if the land has been in industrial use.
If the sold property is not in the condition that the buyer has expected and the seller has told, the buyer may be compensated for the fault, or in more serious cases, the buyer may have the right to cancel the sale. The liabilities of the seller may be limited in the purchase agreement but the limitations must be specified. Normally the term guarantee is five years from the purchase but can be longer if the faults are serious.

**Municipality’s right of pre-emption**

The municipalities have a right of pre-emption (etuusto-oikeus) of the real property when it is sold. In a case where the municipality uses its right of pre-emption the municipality will substitute the buyer.

The pre-emption of the municipality may be used to get land for urban development, recreation or conservation, and when the area sold is bigger than 5000 m². In the four cities in the capital area (Helsinki, Espoo, Vantaa and Kauniainen) the area must be more than 3000 m² and the use of the land may also be other than those mentioned.

The right of pre-emption cannot be applied in conveyances where the negotiating parties are close relatives, the transaction is done in a compulsory auction, one of the parties to the deal is the state, or when pre-emption cannot be considered reasonable concerning the circumstances.

The municipality must make the decision to use its right of pre-emption within three (3) months from the purchase. The municipality will get the information of the purchase from the public purchase witness, so the buyer has no obligation to inform the municipality. It is also possible to get advance information whether the municipality is going to use the pre-emption or not. If the municipality decides to use its right, the buyer will be compensated for the paid purchase price and for the costs caused by the preparation of the purchase.

In practice the municipalities use their right of pre-emption quite seldom (under 5% of the land acquired by the municipalities). It is never the main tool to practice land policy, but it is considered as an important tool to negotiate with the contracting parties for the clauses of the transaction.

**6.3.3 Registration**

After the purchase of a real property the buyer is due to register his title in the Local Court within six (6) months from the purchase (see 6.4.1). The original purchase agreement and a copy of it are required. The transfer tax (4% of the purchase price) must be paid when applying for the registration.

The delay penalty is quite heavy. If the registration is delayed, the transfer tax will increase 20% to 100 % of the amount of the original tax.

**6.3.4 Mortgages and special rights**

Real properties and land leases can be mortgaged. Mortgaging is an official process and is usually done by the owner in the Local Court. The court will give a special mortgage letter as a document of the mortgage. This letter may be pledged and through this process the creditor gets the lien for the real property. The mortgages are registered in the Land Register (see 6.4.1).
There are no tax costs such as stamp duty for mortgages or loans, except the small payments for the documents.

6.4 Real estate companies

6.4.1 Owning through shares

Owning through shares is usually organised through a real estate company (kiinteistöyhtiö). The real estate companies are limited companies (osakeyhtiö) and the purpose of them is to own the ground and the buildings on it. The possession of the land may also be through leasehold. A very typical real estate company is an apartment house company (asunto-osakeyhtiö). When owning through shares the shareowner in fact only owns the shares, not the real estate, the building or the dwelling, which are owned by the real estate company. The shares may have a connection to the building or not.

6.4.2 Types of real estate companies

Mutual Real Estate Companies

In a real estate company the shares may be connected with a flat or a floor in the building. The articles of association of the company may state that certain shares give the shareholder the right to possess a certain part, a flat or a floor of the building. This kind of a real estate company is called a mutual real estate company (keskinäinen kiinteistöosakeyhtiö).

In the mutual real estate companies the shareholders pay maintenance charges for the company, which mostly makes no profit. In mutual companies the shareholders often use the premises themselves, and pay only the maintenance charges and no rent. If the flat is rented out by the shareholder, the tenancy is between the tenant and the shareholder.

It is usual that the mutual real estate companies have some premises, commercial or residential, which are not attached to the shares. In this case the tenancy is between the company and the tenant, and the incomes from the tenancy go to the company. Normally it is also very positive for the real estate company’s economy to get these rent incomes, because then the payments from the shareholders can be lower. If the company has no premises, which are not connected with shares, the company usually gets no other incomes but the payments from the shareholders.

There is specific legislation for the mutual real estate companies for apartments in residential use. According to the Housing Companies Act and Decree the shareholder has the right to possess the apartment, and has the duty to take care of the interior. The apartment house company is obligated to take care of the rest and of the construction of the building and the site. The shareholder normally pays maintenance charge to the company to cover the costs, as in other mutual companies. Mutual real estate companies may decide in their articles whether they follow the Housing Companies Act or not.

The older apartment house companies or other mutual real estate companies, especially, have a redemption clause (lunastuslauseke) in their articles of association, which means the other shareholders’ right to reclaim from the buyer the shares sold outside the company.
Real Estate Corporations

The other type of real estate companies is the real estate corporation (kiinteistöosakeyhtiö), where the shares and the premises have no connection with each other, and the shareholder has no specified flat to possess. In the real estate corporations the shareholders pay no maintenance charges to the corporation, which has its rent income and can also make profit and pay dividend to the shareholders. In these corporations the shareholders, which use the premises themselves should pay the market rent to the corporation. If the rent is lower, a question of tax avoidance and favouring of the shareholder may arise. There is no special legislation for these corporations besides the general Finnish Companies Act.

6.4.3 Purchase of shares

The purchase of shares of a real estate company is legally a purchase of movable property, also in the case of mutual companies. Therefore, no public purchase witness is required for the transaction and also non-written agreements may be legally binding. In general, all transactions should be made in written. The object of the purchase is always the shares, not the premises, the dwelling or other part of the building, which the shares may have a connection with. Therefore, when the shares have a connection with the premises, the seller in fact transfers to the buyer the right to possess the premises.

Restrictions to buy shares may only be written in the articles of the company. In some cases there may be a repurchase clause, where the previous shareholders may substitute the buyer if the shares are sold outside the company.

It is important to notice that in an apartment house company the shareholder is not able to transfer a part of the shares connected with the dwelling but the shares may only be transferred together. On the other hand, a fraction (e.g. 1/3) of the shares can be transferred.

When buying commercial premises (i.e. the shares of a mutual real estate company) there is no special legislation for the purchase agreement, but the general Sale of Goods Act. In general, the seller and the buyer may agree upon the terms of the transaction quite freely. It is the same as when buying shares of a usual real estate company (see 6.6.2).

When buying dwellings (i.e. the shares of an apartment house company) there is a special legislation for the purchase agreement, called the Housing Transactions Act. There are special regulations in the act for new dwellings and the marketing and purchase of dwellings in a building under construction, and special regulations for the purchase of used dwellings. When marketing and selling new dwellings, i.e. dwellings which have not been used before, the promoter of the apartment house company or the seller of the shares must follow the regulations in the legislation, e.g. sufficient assurance must be deposited to ensure the building to be completed (minimum 5% of the construction price), the responsibility of faults during the first year (minimum 2% of the sales prices), and finally the responsibility of guarantee for ten years. The deed of a purchase of a new dwelling must be done in writing and there is a legally binding form for the deed.

When buying shares connected with a used dwelling, there are special clauses in the Housing Transactions Act for the responsibilities, duties and rights for both the seller and the buyer. When the seller is a merchant and the buyer is a consumer, the legal rights of the buyer may not be limited in the purchase agreement.
When owning through shares in a new building, it is normal that the building costs are divided in the purchase price and the bank loan for the real estate company (company loan). In this case the buyer pays the price to the seller and assumes his part of the company loan. The loan may be paid at once or during a longer period. Usually the company loan is 20% to 30% of the total price of the shares in a newly built-up real estate, but the share may be also bigger. The company loan must be taken into consideration in the purchase agreement, so that the price to be paid to the seller must be lower when there is a company loan.

In the past few years most of the bigger constructing companies have produced a model for residential use where the apartment house company loan is as much as 70% to 80% of the total price. In this kind of financing the buyer needs less money to get the apartment. Because the rate of a personal loan for an apartment may be partly deducted in taxation, it is often more useful for a private person to take a loan of his own - or to use his own money - and to pay both the purchase price and the company loan. Regardless of the amount of the company loan the shareholder has all the rights in the company.

In general, the seller and the buyer have the same duties and responsibilities as in the purchase of real property (see 6.3.2). The only significant difference is that the buyer is due to register his ownership in the company and pay the transfer tax (1.6% of the purchase price) within the purchase if the sale has been done with a real estate agent, and in other cases within two (2) months from the purchase, whereas for a purchase of real property the buyer is due to pay 4% within 6 months. The purchases of real estate company shares are not registered in the Land Register.

### 6.4.4 Pledge

Shares can be pledged as any movable property. The pledges are not registered in an official register. Through the transaction of the shares, the creditor gets the lien for the shares. There are no taxes, such as stamp duty, for pledges or loans.

### 6.4.5 Other forms

In the beginning of the 1990’s a new ownership model mixing the normal indirect ownership and tenancy was developed for social reasons. The model is called right of occupancy. In this case the occupant, a private person, gets the right of residence in the apartment by paying a certain charge, which is 10% to 15% of the price of the apartment. In addition there is a monthly rent.

The right of occupancy can be transferred to another private person and there is an index clause for the residential charge. The transfer price may not exceed the indexed price of the seller's purchase price. For the buyer this kind of possession may be more flexible compared to the usual apartment house company and safer compared to tenancy.

In these cases the state supports the rent by participating in the building costs, and the total rent may not exceed the level defined by the authorities. Mostly there are no economical limitations for the occupant to get the right of residence, but the apartment must be in the occupant’s own use or in the use of his family’s.

There are also different kinds of models for partial ownership, in which the buyer e.g. only owns 15% to 30% of the shares. Some construction companies have been producing such models. By owning a part of the shares in an apartment house company the shareholder normally pays the costs
in the form of a company loan. It depends on the level of the rate whether this model is economically better than normal ownership. Mostly it is possible to buy also the rest of the shares.

In the City of Helsinki there is a special form of regulating the price level of apartments called Hitas. The system is based on land lease agreements, where the city leases a site to an apartment house company. There is a clause in the articles of the apartment house company, which forbids the shareholder to transfer the shares at a price higher than the one confirmed by the municipality. In case the transfer price is too high, the city may redeem the shares.

6.5 Leases

As there are two types of real property ownership, there are also two types of leases in the Finnish real estate tradition: Leasehold, which stands for leasing of land, and tenancy, for leasing of premises.

6.5.1 Leasehold of real property

In direct owning the owner usually owns both the building and the ground. Especially in the bigger cities and other growing centres it is also possible to own a building and have a long-term lease agreement (usually for 30 to 50 years) with the landowner, which is usually the municipality or the city. Land lease agreements are made both for commercial and residential purposes.

The leasehold agreement must be registered in the public registration system and the registered land lease agreements together with a building owned by the lessee are quite close to the ownership of real property, and are mostly transferable. They can also be mortgaged.

The most important terms in a lease agreement are the period of validity of the lease, the rent and the information on whether the rent is index-linked, the right to have a building on the real estate, the right to transfer the agreement, and finally the clauses regarding the building in the end of the period, i.e. whether the lessor is obligated to buy it, or should it be taken away. These terms can be freely agreed upon, especially with commercial properties, but in residential use there are some limitations for protecting the lessee.

The transaction of a leasehold agreement with a building must be made in writing, and the contract letter is similar to the one of a real property conveyance. However, a public purchase witness is not required.

Like a real estate, the leasehold agreement and the transactions must be registered in the public Land Register presented above except for the purchase of agricultural land, where the leasehold needs not be registered if the period of the leasehold is less than two (2) years. (see 6.3.1). The buyer of the leasehold should register the purchase within six (6) months from the sale. The transfer tax (4% of the purchase price) must be paid and the delayed penalty is also equal to the purchase of real estate.
6.5.2 Tenancy of premises

Tenancy assignments

In addition to owning, tenancy is a quite usual form of possessing both residential and business premises. The premises in tenancy may be a part of a building or a building on a land lease (see 6.3 and 6.4) or premises in a apartment house company or a real estate company (see 6.5).

The tenancy agreements for commercial properties and for residences are mainly quite similar, but there are different laws for them, The Act on Residential Leases and The Act on Commercial Leases.

The assignments can be made for a fixed period of time or for until further notice. The length of the term is not limited. When the period is fixed, the term is usually binding for both the lessor and the tenant, but with residences the tenant or the lessor may, in some circumstances, get a permission from the court to serve a dispossession notice before the end of the period.

Rent

Tenancy is an assignment binding both parties. In general the lessor has no right to raise the rent without the permission of the tenant. The tenant may give the permission already in the tenancy agreement (index clause) or when the lessor proposes to raise the rent. This right requires that the lease be done for until further notice or for a certain period of at least three years.

Under these conditions the rent may be index-linked or linked with some other measurable figure. The indexes can be freely chosen but the basis to raise the rent must be determined. When there is an index clause in the agreement, the lessor may raise the rent without the permission of the tenant.

The rent may also change according to the assignment when the rent is scaled, so that the first years are with a lower rent. The lessor and the tenant may agree that the rent will change due to a renovation, or the rent may be lower for the first years and then higher for the rest of the term.

It is also possible to fix the rent to the tenant’s turnover, with or without a minimum and maximum rent. The measuring should always be considered carefully. In general the rent must also be reasonable.

Maintenance and repairing costs

The maintenance and repairing costs can be divided between the lessor and the tenant. Normally the lessor pays the usual maintenance costs and the tenant pays the electricity and water costs, etc. and only the costs of smaller repairs of the interior.

The lessor usually pays the insurance of the building, management, real property tax, etc. As commercial lease is subject to VAT of 22%, the tax should be added to the rent.
Typical lease terms in commercial properties

It is possible that according to the tenancy agreement the tenant has the right of first refusal if the property (real estate company) is sold, but this does not concern real property. These rights are not very commonly used.

The tenant generally needs the permission of the lessor to make improvements. Normally the tenant and the lessor agree on this in the contract. The tenant normally has no option to expand the rented area; usually the tenant and the lessor make a new contract when the tenant needs more space.

The tenant needs a permission to transfer the contract to another or to re-lease the contract. One exception is to transfer the tenancy with the substance of the business. In business premises all the rights to transfer the assignment, to re-lease or to subcontract may be forbidden in all cases.

Termination of tenancy

When the lease is for until further notice, both the lessor and the tenant may, with some limitations, give a notice of termination. The tenant may give the notice of termination whenever he wants to. The lessor must always give a reason for the notice, for example a sale of the property, in writing.

Both for residences and commercial properties there are some legal limitations for the lessor to give a notice of termination, e.g. if the purpose in fact is to raise the rent too much. If the purpose to serve a dispossession notice is to raise the rent and the asked rent is considered unreasonable, the notice of termination may be ineffective. The situation is the same when the notice of termination is considered unreasonable for the tenant and the lessor has no accepted reason to give the notice. The tenant has to summon the lessor, and if the tenant wins, the lease continues.

When the lease is done for until further notice, the lessor may be due to pay compensation for the tenant for giving the notice of termination. If the reason for the notice is not fair to the tenant, the lessor is due to pay compensation for some repairs, moving costs, etc. In some cases the tenant also has the right to get compensation for the loss of customers and goodwill. In these cases the lease will not continue.

When the tenancy is for until further notice, the time to give the notice of termination in residences is one (1) month for the tenant and three (3) months for the lessor, or six (6) months when the agreement has been in force at least one year. In residences the notice periods may not be worsened for the tenant by agreement. In commercial properties the notice period can be agreed freely.

If there is no clause on the notice of termination in tenancy of a commercial property, the period is three (3) months when the lessor gives the notice, and one (1) month when the tenant gives the notice. The usual term of notice according to lease is three (3) or six (6) months for both parties. There may also be other kinds of limitations, e.g. the tenant may not give the notice before a certain period, or that the tenant may only give the notice on a certain day of a year.

If the lease is done for a fixed period, it expires at the end of the term. The tenant has no right to continue the lease, unless an option agreement of renewal is made.
When the period ends or the lease ends according to the notice of termination, the tenant has to move out. For special reasons, e.g. in the case that the lessor has given the notice, the day of removal may be altered: in residences a maximum of twelve (12) months and in a commercial property a maximum of six (6) months. To get this prolongation, the tenant is due to summon the lessor. The accepted prolongation is usually three to six months.

6.5.3 Sale and lease back

Mostly for financial reasons, the companies sometimes sell their properties to an investor but stay as a tenant in the same premises. These arrangements are called sale and lease back. Usually the seller, or later the tenant, has the right or even the obligation to buy the property back, at a price agreed between the parties.

When owning through shares (limited real estate company, see 6.4) there are no limitations for sale and lease back, and there is no special legislation for it.

When the premises are a real property unit, not a real estate company, there are some limitations in the legislation and the special form for transactions of real properties must be used. When the company sells the property to the investor it is forbidden to agree upon any rights or obligations to buy the property back. This is to ensure the reliability of the public register. For this reason the lessor and the lessee usually agree on it in the tenancy agreement. It may be an option or an obligation to buy and sell, too.

6.6 Taxation

People who have permanent residence in Finland and the Finnish companies are generally liable to tax for their incomes. A company is regarded a resident in Finland when it is registered in Finland or is incorporated under the Finnish law. Other companies or individuals without a residence in Finland are due to pay tax from incomes earned in Finland. To avoid double taxation Finland has tax agreements with most countries. The general rule concerning incomes from property is that they are taxed in the country where the property lies.

6.6.1 Transfer tax

In a real estate transaction the buyer must pay a transfer tax before assuming legal possession of a property. Transfer tax for real property, building and land lease with building is 4% of the purchase price. The tax must be paid within the registration, which is six (6) months from the purchase. If the registration is delayed, the transfer tax will be increased from 20% to 100% of the amount of the original tax.

A transfer tax equal to 1,6% of the purchase price is paid for share transactions, except for transactions in the Helsinki Stock Exchange. After the purchase the buyer is due to register the company shares and to pay the transfer tax (1,6%) within two (2) months from the purchase, with some exceptions. In a deal with a real estate agent the transfer tax must be paid at the purchase. If the payment delays, the penalty interest must be paid. The interest varies yearly and it has been approximately 10% to 12% per year.
6.6.2 Income and wealth tax

The income tax for sales profit and for rental revenues is 29% (year 2003). The corporate income tax rate is also 29% (year 2003). In dividends the minimum tax is 29% (year 2003). For resident shareholders there is the imputation system, avoir fiscal, which means full imputation. This is expected to change in the future.

For non-residents the taxation depends on the cross border taxation agreements, withholding tax, etc. Dividends from a Finnish company paid to a non-resident shareholder are subject to a withholding tax of 29% (year 2003).

The municipal tax is payable for both residents and non-residents, varying in different municipalities approximately 15% to 20% of the net income.

The wealth tax for individuals and corporations is 1%, but the tax must be paid only if the personal wealth is more than EUR 185,000.

6.6.3 Value added tax

The value added tax (VAT) payable on goods and services (e.g. constructing, consulting, property asset management and brokering) is 22% (year 2003). Value added tax is not paid on a purchase of shares or real estate. A company charging VAT from the goods and services sold has to account the tax collected to the state. In order to avoid double taxation the company has the right to deduct from the amount of collected VAT the amount of VAT the company has paid buying products from other VAT liable companies.

According to the law tenancy is non-taxable, with some exceptions (like hotels, parking). In commercial properties and in certain circumstances this may cause extra costs for the tenant because the tenant is not able to deduct the so-called hidden VAT included in the rent, from his sales.

Having made construction or improvements also the lessor may lose deductions, if the tenancy is non-taxable. Therefore, in tenancy it is possible to voluntarily register liable to pay value added tax, when the lessor and the tenant consider this reasonable. After the registration the tenant pays the rent plus the VAT, and the tenant is allowed to make deduction from the sales. The registration demands that the tenant carries on a taxable venture. Normally the registration will not cause any extra costs for the tenant or the lessor, except some administrative costs for the VAT-system.

The registration is also possible in real estate companies. In these cases both the real estate company and the shareholder in mutual companies must register themselves liable to pay VAT.

When selling a commercial property, where deductions have been made because of constructing or improvements, the VAT should be considered in order to avoid potential extra costs to the seller and to make sure the buyer gets the best deduction possible.
6.6.4 Real property tax

Except for agricultural and forested land, all properties in Finland are subject to real estate taxes, yearly payable to the municipality in which the property is located. The tax rates vary in general between 0,5% to 1,0% (year 2002) of the taxable value of the property, and in residences between 0,22% to 0,50%. The taxable value is generally close to the actual market value of the property.

The local authorities determine the tax rates yearly within the limits mentioned here. Usually the real estate tax for the current year will be paid in the autumn. Responsible for the tax are the registered owner in the beginning of the year and also the new owner, when the property has been sold during the year.
Environmental questions have become more and more important during the past decades. Most of the Finnish environmental legislation is from the 1990’s. Its foundation is on the old concept of land and water law that regulates the use of land and water areas. From the land and water law the legislation has moved towards a wider concept, called environmental Law. It can be divided into four major sectors e.g. planning and building law, environmental protection law, nature conservation law and natural resources law. All these sectors include legislation very important when buying or possessing a real estate.

Environmental law

<table>
<thead>
<tr>
<th>Land use and building law</th>
<th>Environmental protection law</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nature conservation law</td>
<td>Natural resources law</td>
</tr>
</tbody>
</table>

Figure 7.1 The four major sectors of the environmental law.

7.1 Environmental protection

The environmental protection law aims to prevent pollution. The main part of the legislation is the Environmental Protection Act with regulations for non-contamination of the soil, water and air. The Act applies to all activities that lead, or may lead to environmental pollution, as well as to activities that generate waste, and to the recovery and disposal of waste.

The Environmental Protection Act includes general principles that the undertaker has to follow in the activity as well as the general duties and the general prohibitions based on the law. The principles apply to activities that pose a risk of pollution and they are: principle of preventing and minimizing harmful impact, principle of caution and care, principle of best available technique, principle of environmentally best use, and finally the principle of 'polluter pays'. The general duty of knowledge requirement means that the operators must have sufficient knowledge of environmental impact and risks caused by their activities, and of the ways to reduce harmful effects.

The soil pollution prohibition is aimed to protect the soil. Waste or other substances shall not be left or discharged on the ground or in the soil, so as to result in such deterioration of soil quality as may endanger or harm health or the environment, substantially impair the amenity of the site, or cause comparable violation of the public or private good. The groundwater pollution prohibition means that a substance shall not be deposited in or energy conducted to a place or handled in a way that, for example, groundwater may become hazardous to health, or its quality otherwise materially
deteriorate in areas important to water supply or otherwise suitable for such use, or groundwater on the property of another may become hazardous to health or otherwise unsuitable for usage.

The Environmental Permit Act has a permit system and a notification system for certain activities or situations. A permit is required for activities that pose a threat of environmental pollution (environmental permit). The permit authority is one of the three: municipal permit authority, regional environmental centre, or environmental permit authority, depending on the scope of the activity.

Operators must notify the municipal environmental protection authority in writing of measures or events causing temporary noise or vibration, such as construction work or public events. A polluter’s duty is to notify the supervisory authority if a substance, which may cause pollution has entered the soil or groundwater.

Treatment of polluted soil and groundwater is an important part of the environmental protection law. In the purchase of a real property, the seller shall always give all information of the potential contamination and of the industry previously carried on in the real estate. It is usual to investigate the soil properly and thus minimise the risks of compensation of damages before a purchase.

The responsibility for cleaning is mainly the polluter’s, the one who is responsible for the contamination. Any party whose activities have caused the pollution of soil or groundwater is required to restore the said soil or groundwater to a condition that will not cause harm to health or the environment, or represent a hazard to the environment. But if the party that has caused the pollution of soil cannot be established or reached, or cannot be prevailed upon to fulfil its treatment duty, the liability is transferred to the holder of the area. This is the law if the pollution has occurred with the consent of the holder of the area or the said holder has known, or should have known the state of the area when it was acquired, the said holder of the area shall restore the soil in so far as this is not clearly unreasonable. The same rule applies to treating groundwater if the pollution has arisen from pollution of the soil in the area. In some cases the local authority shall establish the need for and carry out the soil treatment. This liability includes the duty to investigate by the order of the regional environment centre. If the part responsible for treatment does not take action, an order may be issued to fulfil the obligation.

The responsibility issues in the soil or groundwater are either civil cases (liability only) or criminal cases (criminal issues). Those cases are referred to the general courts (District Court, Court of Appeal and the Supreme Court).

### 7.2 Nature conservation

The Nature Conservation Act includes regulations for protecting nature, landscape and flora and fauna. The Act from 1996 replaced an old act with the same name from the 1920’s. This Act has a wide impact on land use planning, building and other activities. The elements of nature conservation can be found in the land use planning law and the natural resources law. In the Land Use Planning and Building Act the nature conservation is included both in the land use planning and in the building activities. Also the Forest Act, for example, includes protection of the forests and certain habitats (see also Chapter 5.3). The Water Act is aimed to regulate water related projects, but has some protective provisions. The same is with the Land Extraction Act, which includes a nature protection instrument in the permit system.
The Nature Conservation Act is, for example, for establishing protection programmes, protecting areas, landscape, habitats and species. It is usually possible to give a permission to lift the protection. If any activity takes place in an area included in the European Union Natura 2000 network or close to it, the plans and projects need to be assessed. A permit to the project must not be given if the assessment shows that those plans or projects have a significant adverse effect on the protected site. The Council of the State may lift the protection if it needs to be carried out for imperative reasons of overriding public interest.

It also needs to be noted that the Regional Environment Centre has the right to appeal any decision taken under other acts than Nature Conservation Act, if the decision is contrary to the provisions or regulations in it. The decision may be to issue a permit or to adopt a plan.

An interesting example of the connection between the nature conservation and the land use and building law can be found in the Land Use and Building Act. It is directly ordered that certain provisions of the Nature Conservation Act shall be observed when land use plans are approved and ratified. Also in the permit procedure or in making other decisions, the authorities shall observe the provisions issued in and under the Nature Conservation Act.

7.3 Building protection

A building, entire blocks, or several buildings together may be protected, mostly when they represent special architectonic, historical or cultural values. The protection is usually regulated in a detailed land use plan, and it may concern the building as an entity, the interior, or only the facade. When a building is protected, special permissions from the authorities are required for making changes and improvements.

7.4 Neighbours and other people

The possessor of a real property must take his neighbours into consideration. It is forbidden to use a real estate in a way, which causes harm to the people living nearby (immission). This includes all activities carried on in the real estate.

The right to walk and go in the forest and fields belongs to everybody. This right includes a free right to collect most flowers, berries and mushrooms but not to make open fire. To enter a yard is, however, not allowed, as well as to harm growing crops or cause any such harm.

7.5 Planning and building

7.5.1 Planning system

The Finnish legislation on planning and constructing was amended in 2000, when the Land Use and Building Act came into force. Overall responsibility for planning is vested with the Ministry of the Environment. The power of the local authorities was increased by the new legislation, although the government authorities may still closely control the local planning and land use. The legislation distinguishes between three types of plan: the regional plan, the master plan, and the detailed plan. There are also special regulations for detailed planning and plan implementation in the shore areas for holiday homes (summerhouses). This plan type is also called the detailed shore plan. In addition
to the plans there are also two execution plans, the plot division plan, which is used for dividing a building block into plots, and the street plan for the construction of a street. Besides these plans, there is a local building ordinance (rakennusjärjestys) in every municipality, which gives detailed guidelines and regulations for building in the municipality. In addition, the Government has the right to decide on the guidelines for the national planning policy. The planning system is hierarchical: a plan prepared in general guides the drawing of a more detailed plan, but a more general plan is not valid in an area with a more detailed plan.

The Land Use and Building Act also emphasises environmental aspects. The objective in land use and planning is to promote a safe, healthy, pleasant, socially functional living and working environment. Other objectives are, for example, the economical community structure, protection of the beauty of the built environment, protection of the cultural and natural values, biological diversity, functionality of municipalities and cities, and favourable business conditions, services and traffic.

According to the Land Use and Building Act the environmental impacts of the implementation of plans have to be assessed on all levels and in all types of land use plans. The definition of the environmental impacts is wide; it includes impacts on nature, architecture and landscape, as well as the settlement structure.

The planning process is quite open and the right for public participation is extensive. The process begins with the Municipal Council’s decision to draw a plan for an area. After decision a participation and interaction procedures scheme, as well as a scheme for assessing the plan’s impacts will be drawn up. The initiation of the planning process must be made public so that the interested parties have the opportunity of obtaining information on the principles of the planning project and of the participation and assessment procedure. After preparing the plan, the plan proposal is presented in public and the members of the municipality as well as other interested parties shall be provided with an opportunity to express their opinion on the matter (objection). The plan becomes effective after the Municipal Council has approved it. The decisions to approve a plan
may be appealed to an Administrative Court and further to the Supreme Administrative Court. On the average one of ten decisions to approve a plan is appealed. The process to alter a plan follows the same procedures as drawing a new plan.

Main stages of the Finnish planning process

Figure 7.3 Main stages of the Finnish planning process

7.5.2 Regional planning

The counties have the right and obligation to prepare their own land use plans and create regional development strategies. The essential parts of county planning are the regional scheme, which indicates the objectives of development of the area, the regional plan that controls other land use, and the Regional Development Programme. The regional plan is focused on the important matters of land use in regional level. Its salient mission is to make the national land use objectives concrete and to reflect them into the municipal planning. In the regional plan the areas important for developing the region are allocated. Particular attention is given to ensuring an appropriate regional and community structure, to preserve landscape values and ecological sustainability, and to provide proper conditions for the business and the industry. The regional land use plan is prepared and approved by the County Council, consisting of municipal representatives in the county, and ratified by the Ministry of the Environment.

In practice, the regional plan is prepared gradually for the different objectives and sectors, such as the networks of centres, environmental protection, suburbs etc. In the beginning of 1997 the area reservations of ratified regional plans covered 43% of the total area of Finland. By May 2002 the Ministry of the Environment had five regional plans to be approved according to the Land Use and Building Act. Two of the plans were approved. One of the plans is under appeal at the Supreme Administrative Court. In addition, there are 14 regional plans pending in the territory of 13 provincial federations.
7.5.3 Local planning

Traditionally the independent Finnish municipalities, both urban and rural, have had extensive rights to decide on the control and guidance of their own spatial planning and development. This is called municipal planning monopoly. Because of this monopoly the municipalities play a very important role in local planning and building issues. The key actor in a municipality is the local council. With local plans the council can decide on the location, size and quality of public spaces, housing, industries, services, green spaces, recreation and environmental protection areas, and traffic arrangements. The council holds full responsibility: local plans are not subjected for approval by central government since 2000. However, when plans are being prepared, consultations with regard to the national guidelines or otherwise broader issues have to be held with the Regional Environmental Centre, i.e. the state authority.

Generally, all building projects in the urban areas are based on a detailed land use plan. An increasing number of municipalities have also drawn up legally binding master plans, which may control land use in the entire municipality or just part of it.

A plan refers to a document about the planned land use of an area. It is drawn in the form of a map. The areas of different types of land use are shown on the map. In addition to the plan map there is a statement, which includes, e.g. the principles used in the planning process and the timing of its implementation. All plans also include written provisions about land use.

The municipalities either prepare their plans in their own planning offices or use consultants. In 1995 the municipalities had about 1,200 persons involved in planning. 36% of these had an academic degree (architects 21%, civil engineers 10% and others 5%). According to the law the municipalities with more than 6,000 inhabitants have to have a qualified planner. The total planning costs of the municipalities were in 1995 about 45 million euros, i.e. 9 €/inhabitant.

All forms of local plans are normally legally binding after they have been approved by the Municipal Council. No plan implies a right to build as such; a building permit from the Municipal Building Committee is always needed.

Planning is a task for the local authorities and the planning process is mainly started and directed by the authorities. When the real property owner has a special need for planning, it is also possible to start the process with the owner’s suggestion. In these cases the owner normally has to make a planning agreement with the municipality and pay at least a part of the costs of the planning process and of the infrastructure needed. However, all planning decisions are made by the authorities and the planning process has its normal stages.

Local Master plans

The local master plan (yleiskaava) can be fine-tuned according to municipal needs. The local council can decide to make either a more strategic or visionary master plan to coordinate the spatial needs of different sectors, or it can make a more specific one to guide building quite directly by binding regulations, in which case certain legal implications concerning the compensation for decreases in land value are created. The local master plan has to promote a well functioning and economically sound community structure, good access to services, and the conservation and maintenance of the natural and cultural heritage. The Land Use and Building Act also gives the council e.g. the right to determine the location of hypermarkets in order to keep inner cities lively and prevent urban sprawl.
The local master plan can cover the entire municipality or a part of it. There is a local master plan for 97% of the municipalities. These plans usually cover the urbanised parts of the municipal area, and in some cases the entire municipal area. There were 558 ratified local master plans in the end of 2001, covering 3.2 million hectares, i.e. 10.5% of the surface area. The municipalities approved in total 103 local master plans in 2001, and 466 are under process in the end of 2001. Since the 1990’s the number of plans under process has varied between 400 and 500.

There are no regulations determining how long a master plan is effective, but the average age of a master plan is about 5 to 10 years. The implementation programmes are determined by the municipalities, which also finance the planning work. The planning is encouraged and supported financially by the Ministry of the Environment.

The municipalities may also prepare joint master plans to promote inter-municipal spatial policies. These joint plans have to be ratified by the Ministry of Environment if the plans include legally binding regulations.

Local detailed plan

A local detailed plan (asemakaava) is needed especially for dense settlement, i.e. in the areas in a need of planning for organising the land use, building and development. The plans are regulating the location of functions, the size and the type of buildings, as well as the formation of the townscape. Rather detailed regulations about the location and height of the buildings, building density, maximum number of buildings and storeys, construction materials, facades, roofs, parking, planting etc. are normally given in the plan provisions. The building right is usually indicated with a ratio showing the maximum floor area per the area of the plot.

The size of the area of a detailed plan varies a lot, covering one plot, a block or a district. Because of the extensive participation in the planning process, the detailed regulations and the wide and cheap appeal possibilities the planning process is often very slow. The process may be carried out in a few months, normally it takes one to three years, but it can even take longer than ten years.

When planning a first detailed plan for an area, there are usually no actual building projects. As the areas then are built, it is often noticed that the detailed plan regulations lead to non-functional building and the plan must be altered before building, as building must not be in violation to the local detailed plan.

A subdivision plan is also normally required in building blocks. The subdivision plan divides the blocks into building plots. A subdivision plan may be binding or directive. In the areas with a binding subdivision plan a building permission cannot be granted before the subdivision plan is approved, the plot is surveyed (subdivided) and legally registered in the cadastre. A binding subdivision plan is normally required in the cities. In the rural municipalities the detailed plans are normally prepared with a directive subdivision plan. In these areas a registration of the site is not required for a building permit.

The municipality must monitor the local detailed plans to ensure that they are kept up-to-date. When necessary, the authorities should take actions to revise outdated plans. If the plan has been in force for more than 13 years and remains unimplemented to a significant extent, a building permit may not, with some exceptions, be granted for the construction of a new building before the local authority has assessed whether the plan is up-to-date. This 13-year period may also be determined shorter or longer in the detailed plan, at least five years but not longer than 20 years.
The local detailed plan is also used for building holiday homes on the shores and on the shoreline areas. Because the detailed plan for the shoreline still has special rules, it is also called a special detailed shore plan and it resembles the former shore plan (before 2000).

The local detailed plans cover approximately 5,200 km² in 98% of the municipalities, which is less than 2% of the total area of the country. Before the present Land Use and Building Act the majority of the detailed plans were ratified by the state environmental administration, approximately 1,700 detailed plans a year in the 1980’s. The number of ratified plans decreased substantially in the early 1990’s, being approximately 700 in 1995. In 2001 the municipalities approved 1,243 detailed plans without ratification.

The Finnish local detailed plans seem to resemble the Swedish and German detailed plans and even the planning processes seem to be rather similar. The main problem in the Finnish detailed planning is obviously the long duration of the planning process.

7.5.4 Plan implementation

Fundamentally the implementation of a plan is the task of the landowner in areas for private buildings, and the task of the municipality, State, or other public body in the areas for public buildings and public use. A detailed plan entails no obligation for the building of private plots but the municipality has the right to give a request for building and initiate expropriation. The landowner can also be obligated to build by agreement. Furthermore, if a detailed plan is prepared for a recreational or other type of private project the responsibility for implementing the public areas can be transferred to the private landowners. The responsibility can also be delegated to the landowners if the detailed plan can only be seen to benefit the internal needs of an area.

The municipality has to draw up and keep up-to-date the local detailed plan as required by the development of the municipality or by the need to steer land use. When the plan has been ratified the local authority is in charge of implementing the streets and other public areas. The municipality is also responsible for the construction and maintenance of water supply and drainage in a detailed plan area. Connection to these networks is normally compulsory if a building has been built according to the plan. The municipalities are also responsible for taking care of the waste disposal in their area according to the Waste Disposal Act.

The municipality is normally responsible for the planning and implementation costs of public areas and for other constructions needed. According to the recently renewed articles in the Land Use and Building Act (valid from 1.7.2003) a landowner who gains a remarkable profit of a detailed plan may be obligated to pay compensation to the municipality for the infrastructure. The compensation shall, however, not exceed 60% of the increase of the value of the property.

Streets

Building and maintenance of the streets in the urban areas is normally the responsibility of the municipality. The landowner is obligated to give the municipality the area needed for streets according to the first local detailed plan without compensation or pay compensation for a street area. However, the area transferred without compensation shall not exceed 20% of the total land owned by the landowner in the plan area in question, or shall not be larger than the building volume permitted for the land remaining in his/her ownership.
The owner of a real property shall keep his/her part of the street (breadth max. fifteen metres) clean from litter. Usually this does not include snow removal, which is done by the municipality. Further on, the owner of a real property is responsible for cleaning the pavement in front of the real estate object, which includes also snow and ice, and may be claimed for damages if someone, for example, falls down on a snowy pavement.

Utilities

For joining and using the networks for water supply and sewer system the property owners have to pay, normally to the municipality. The connection fee is to cover the construction costs and the use charge covers the maintenance costs of the network and the sewage treatment plants. The basis of the using fee is the amount of water used in the property. In sparse settlement and shore plan areas, water services can be carried out without municipal networks.

Construction, maintenance and paying for other networks serving the community, such as telephone, electricity and heat, are private matters. Sometimes conduits for telephone, electricity, heat, lighting and private and public drainage serving a property or community have to be built on private property. The property owner has to allow this, if the conduit cannot be built on public property at reasonable costs. The property so burdened is entitled to compensation for damages.

Building permits and restrictions

The principle rule for development in the urban areas is that it is not allowed without a detailed land use plan. Building regulation is based on the Land Use and Building Act. Each municipality is required to produce and require its own municipal Building Ordinance (rakennusjärjestys) considering the local conditions in building. Planning and building control is the responsibility of the municipality. The master or detailed plans do not automatically imply the right to build.

According to the Act, a Building Permit from the municipality is needed for new development and larger renewal projects in the areas with or without a land use plan. A Building Permit is also needed for a major change of use, e.g. when changing residential spaces to offices. Building Permit is granted by the municipal Building Committee, which in its decisions follows the building regulations and land use plans. If, in an urban area, a plan does not exist, the developer can ask the local authorities to start a planning process or apply for an exemption permit. Exemption permits can be granted by the municipal government or the Regional Environment Centre.

Buildings may not be built in violation of the local detailed plan. Also the restrictions of the local master plan or the regional plan should be taken into account. Building on the shores and on the shoreline areas mainly demands a detail plan.

7.5.5 Possibilities to promote plan implementation

In addition to planning the municipality has a central position in promoting the plan implementation. In the areas owned by the municipality the plan may be implemented as the municipality wishes. This is one of the reasons why the municipality often acquires areas before planning them. Besides the planning agreements with the landowners the municipality can use many coercive measures for land acquisition and for promoting plan implementation. The landowners also have some measures for promoting the implementation (e.g. the right to coercive purchase of a part of a plot). In addition to these there are many special restrictions to prevent a development, which may complicate the planning or the plan implementation. The Land Use and
Building Act does not abolish the traditional right of the landowners in rural areas to build isolated buildings without a land use plan. However, if matters seem to be getting out of reasonable control, the Act will give the municipality the right to define the location in question as a planning requirement area. The involved parties will then negotiate to regulate development.

The possibilities to promote plan implementation can be classified in many different ways. All cannot be treated in this short description, only the most important or interesting measures have been shortly presented. The use of different measures varies from one municipality to another because the municipalities have a lot of power to decide on the measures used and in what quantity. In practice the municipalities often have given principles for the use of different measures.

The following presentation aims to move from voluntary to more coercive measures: strategic purchase of land, promoting the plan implementation in planning, building or parcelling prohibition, land use agreements, land readjustment (reallotment) procedures, special development areas, reminder to build, and coercive measures. Pre-emption right has been treated in Chapter 6.4.2. In addition, a municipality can impose an additional property tax rate, which is higher than the regular real property tax, for an non-built residential site, max. 3% of the property value.

**Strategic purchase of land**

In Finland the municipalities often own wide land areas, and land development is often done in the municipal-owned areas. The municipalities usually purchase land areas and real estates by voluntary transactions. In the beginning of the 1990’s a municipality acquired about 20 ha of land in a year on the average, more than 90% of which was acquired by voluntary sales or land exchanges. Nowadays the land areas for urban development are usually acquired before the land area is planned, because then the municipalities can buy the land at the price of undeveloped land. This means that the municipalities often also own a number of plots and building sites in the planned areas. These plots are usually sold or rented out. The share of development on the municipal assigned land is approximately 50% to 60% of all developments. By assigning the plots the municipality can carry out its housing and commercial policy plans. Most of the transfers have clauses, which require the purchaser to build the plot in a certain time period.

**Promoting the plan implementation in planning**

The implementation of a plan is discussed in all levels of planning legislation, even though no direct requirements exist. In practice the planner can draft the plan without taking the plan implementation into concern, a matter, which has lead to criticism. It seems that many other countries take the implementation of plans better into account already in the planning stage.

**Restrictions and prohibitions on building or parcelling**

In the Finnish legislation there are regulations, which aim to prevent activities impeding planning or plan implementation. The Real Property Formation Act forbids real property formation if the new real properties are not according to the effective plan, if the property formation complicates the implementation of the plan or plot subdivision, or complicates the future planning. In practice their significance is, however, minor and their necessity can be questioned. Building constraints are more important.

If a real property unit is not formed according to the detailed plan with binding plot subdivision it cannot obtain a building permit. Further, all building activities and demolition of buildings demand
a permit. In order to ease the implementation of the plans, it is also forbidden to build against the local detailed plan. Building can be prohibited also when the plan is being prepared. In a detailed plan the building of plots can be prohibited for a given time period, 3 years at the maximum. During this time the local building authorities have the discretion power to approve building permit applications with minor deviations from the plan.

**Land use agreements**

In Finland planning is the responsibility of the society, and applied through the planning monopoly of the municipalities. There is no system of planning permits, but land-use agreements are a normal practice. Land-use agreements state the provisions applying to the municipality and the landowner for planning or the implementation of a plan or both of these. The agreements were not mentioned in the legislation before the year 2000, although they were usual. By estimation 10% to 20% of plans involve agreements and the popularity of agreements in the municipalities is increasing. According to the Land Use and Building Act land use agreements shall not override the objectives and the content requirements of planning laid down in the Act.

Typical targets for land-use agreements are the alterations of the existing plans, development of raw land, and the implementation of various kinds of projects, such as industrial sites, business parks and commercial centres. The agreement usually includes, for example, details of the area involved, planning and payment of the planning costs, the estimated amount of building rights to be planned, schedule for the building, building and paying for the infrastructure, principles of conveying areas, dwelling production, securities and sanctions for breaking the agreement.

In these agreements it is normal to have a clause according to which the public areas are transferred to the ownership of the municipality. Also the possible compensations from the landowner to the municipality are often given in land areas; in cases of land-use agreements with land purchases a part of the purchase price can be settled by enlarging the permitted building volume.

There are two main types of land-use agreements.

- The agreement to implement a plan, which is a detailed agreement between the municipality and the landowner. The responsibilities and the rights for implementing the plan are specified in the agreement. The agreements are attached to the detailed plan.
- The skeletal agreement, which is a procedural agreement by nature. It is made for areas that are too large to be planned at once in detail and for projects that are significant in their size or value.

**Urban land readjustment**

The objective of urban land readjustment is to promote the implementation of a detailed plan by organising the real property units, and to equalise uneven distribution of building rights to the landowners. The urban land readjustment procedure is legislated by the Real Property Formation Act. It is provided for the proceedings that the procedure is allowed to be used only by the first detailed plan prepared for the area, i.e. it cannot be used in a situation where a detailed plan will be altered. The procedure is begun when an application from a landowner or a municipality is received at the District Survey Office. The application has to be made before the detailed plan becomes legally binding. After the plan is approved a cadastral survey committee determine if the legal provisions for the procedure are met and define the readjustment area. The decision is publicly displayed and those objecting to it can appeal to the Land Court. After the decision is validated the
cadastral survey committee first confirms the basis for the apportionment in accordance with the real property values existing before the detailed local plan was prepared, and then produce the readjustment plan. Public areas are partitioned and transferred to the municipality, and the municipality is required to compensate for those areas exceeding the free transfer obligation. The remaining areas (sites) are shared between the participants according to the participatory shares. Any differences are compensated. The parties have the right to agree on the form of compensation. The procedure costs are shared between the municipality and the landowners. Appeals against the final results of the procedure may be made to the Land Court. The procedure does not include the construction of infrastructure.

Although the aim of the procedure is to achieve better-shaped local plans, the planners often do not know in practice if the readjustment procedure can be carried out, due to the extensive legal provisions. During the first five years, which the Real Property Formation Act has been in force, not one single urban land readjustment procedure seems to have taken place. This may be partly due to the fact that the procedure was not incorporated into the Land Use Planning and Building Act, and the planners thus have little experience of its potential benefits. Therefore, it seems that the existing regulations are ineffective in meeting the needs of urban land readjustment, and further improvements are required.

**Development areas**

A new element in town planning is the possibility of the municipality to define special development areas where specific measures are needed, e.g. renewal, protection or improvement of an existing built-up area. Undeveloped areas can also be designated as special development areas where such is necessary due to the housing or business policy, and special development or implementation measures are required because of the fragmented ownership or property structure. In a special development area the responsibility for developing the area can be delegated to a body established for the implementation, and the benefits gained and the costs incurred from the development may be distributed between the municipality and the property owners in a separate urban land readjustment procedure. The municipality may also be entitled to collect a reasonable development charge based on the landowner’s gain and use pre-emption without restrictions on the acreage of the area. In addition, special supportive measures for the housing or business policy can be taken in the area. The use of the procedure has been studied actively in the municipalities but until now the use has been insignificant.

**Reminder to build**

A summons to proceed with the building process can be issued according to the building legislation. After the local detailed plan has been in force for at least two years, the municipality can issue an owner of a plot with a reminder to build, if the plot has not been mainly developed according to the plan. If the plot has not been developed according to the plan in three years after the reminder to build, the municipality is entitled to expropriate the said plot without special permission within one year of the end of the period reserved for building.

The reminder can be issued for underutilisation of two types, quantitative and qualitative. Quantitative underutilisation stands for a plot, from which a less than 50% of the allowed building volume is used. Qualitative underutilisation stands for plots that are built against the actual detailed plan.
The reminder does not change the landowner’s financial standing. The landowner can still use and sell the property as before, and if he decides not to build the required buildings, the municipality may expropriate the plot and the landowner will receive a full compensation.

**Expropriation (compulsory purchase; eminent domain)**

The property of a citizen is protected by the Constitution in Finland. The Constitution includes, among other things, the basic provisions for expropriation. The Constitution establishes that an act can only direct expropriation, which is required for public need with full compensation.

Expropriation is usually executed for public needs and is based on a permit given by the government or on a confirmed plan. It is performed by the District Survey Office, and the compensation is the full price, i.e. market price, in some cases in planning areas excluding the rise in value due to the planning.

The Finnish legislation makes it easy to use expropriation. Besides the normal expropriation according to the Expropriation Act, a municipality or the State had the right to expropriate land for planning purposes according to the land use and building legislation. For example, within the local detailed plan areas, the municipality may, without a specific permit, expropriate public areas and plots of public building designated to a municipal agency by the plan. When the public need so demands, the Ministry of the Environment may permit the municipality to expropriate an area needed for community construction and the related arrangements, or for other planned development by the municipality. The Ministry may also grant the authority implementing a plan a permit to expropriate an area included in an regional plan, if this is required in order to meet the public needs of the State or the region, or the public needs of the municipality’s population. Further, the Ministry may grant the municipality a permit to expropriate an area designated in the local master plan as a traffic area, or for housing development, a related community construction, or for other needs. In addition, the Ministry may grant the municipality a permit to expropriate a building block or other area included in the local detailed plan, if its expropriation is justified for the purpose of implementing the plan, and the public need so demands.

The Council of State has the right to expropriate areas planned as conservation areas and the buildings and special rights attached to these areas. Also the Ministry of the Environment has this right if the areas are protected by law. If a building is protected by law or by the decision of the Municipal Board the landowner is entitled to compensation for his losses deriving from the protection. If considered necessary the Council of State can also authorise the municipality or state to expropriate the building with its domains. When the conservation decision has been effective for more than four years and the conservation plans have not been realised, the state has, on the landowner’s demand, the expropriation duty.

Expropriation is carried out by the authority of the District Survey Office in an expropriation survey by an expropriation committee lead by a cadastral surveyor. The survey normally takes less than a year. Although expropriation is easy, the method is rarely used: approximately less than 1% of land acquired by the municipalities is expropriated. This is because of its political unpopularity in the municipalities. Expropriation is mainly practised when acquiring land for common need, such as for street areas, parks and building sites of civic buildings.
Coercive purchase of a missing part of a plot

The coercive purchase of a missing part of a plot is the other example of the Finnish expropriation tradition where also others than the public authority may have the right to compulsory purchase. The coercive purchase of a missing part of a plot is used when a plot in a local detailed plan area or a plot according to a subdivision plan is owned by more than one owner as areal parts, i.e. the plot according to the plan belongs to two or more real property units. The possibility gains importance in the areas with binding subdivision plans, because in these areas it is forbidden to build if the plot is not formed according to the plan, registered in the cadastre and owned by one owner.

Coercive purchase is used if the owners of the areal parts of the plot cannot reach unanimity on the transaction. The biggest problems are often the purchase price, and the question who should buy and who should sell. When purchasing, the landowner who owns the most valuable part of the plot, both the land and the buildings included, has the first right to purchase.

Also the municipality has a special right to purchase a part of a plot in an area with a local detailed plan and subdivision plan. If none of the landowners has applied for the right to purchase the missing parts of the plot in one year after adopting the binding subdivision plan, the municipality has the right to purchase all the parts of the plot. When the municipality informs the landowner of the coercive purchase, the landowner has 60 days to apply for the purchase right.

Correspondingly, in some cases the municipality also has the duty to purchase a part of a plot. The prerequisites for this are that the landowner is not able to use his land in a way that would bring reasonable profit to him. In this case the municipality has the duty to purchase the land within one year of the subdivision plan coming into force, if none of the owners of a part of the plot has used his right to purchase the land. The purchase duty may emerge, for example, if a small part of the landowner's area is left on the other side of a new street, and the person who owns the biggest share of this plot has no interest in building. The purchase duty and the municipality’s right to expropriate a plot have rarely been practised.

7.6 Real property formation

7.6.1 Register system

The land data bank system (kiinteistötietojärjestelmä) is an integrated system that consists of the real property division (kiinteistöosa), the registration division (kirjaamisosa) and the planning division (suunnitelmaosa). The real property division includes the real property register (kiintestörekisteri) maintained by the District Survey Office (maanmittaustoimisto) and the municipalities. The registration division consist of the register of land ownership and mortgages (lainhuuto- ja kiinnitysrekisteri) maintained by the juridical district. The planning division is not yet completed, and is in use only in some municipalities. It will include the registers containing planning data and the concomitant information service maintained by the municipalities. The purpose of the system is to produce computerised information on legal decisions concerning real properties, ownership, planning and other matters of land use, and to make this information available to anyone who needs it.
7.6.2 Legal Cadastral Surveys

Legal cadastral surveys are statutory procedures for the formation of new real property units and for the proclamation and registration or amendment of the dimensions of existing properties. The surveys are conducted by district cadastral surveyors (state officers), either independently or with two trustees. The municipal cadastral surveyors carry out subdivision surveys mainly in detailed plan areas in bigger cities. Other types of surveys are mainly carried out by the district cadastral surveyors, also in the bigger cities. Legal cadastral surveys are primarily controlled by the Real Property Formation Act.

The cadastral survey administration is headed by the National Land Survey. For the purpose of legal cadastral surveying, the country is divided into surveying districts. The District Survey Office is responsible for carrying out the legal cadastral surveys in its territory. A written application for a legal cadastral survey shall be addressed to it, or to the municipal cadastral surveyor in the bigger cities. In case of subdivision, the legal cadastral survey is normally carried out automatically, without the application of the owner, after the local juridical district has granted a title of ownership for an unseparated land area (compare Chapter 6.4.3).

Legal cadastral surveys are dealt with at a meeting. The applicant and the other parties concerned are informed of the meeting. A party dissatisfied with the proceedings may appeal the decision to the Land Court within thirty days. After completing the documents of the survey, the District Survey Office keeps them in public, and enters them in the real property register after obtaining legal validity.

A dozen different cadastral surveys are specified in the Property Formation Act. The most important surveys are the subdivision, property definition, establishment of the easements, reallocation, and partitioning. In practice the various surveys can be combined as required.

The subdivision survey of an unseparated land area begins automatically when the parcel is sold and the transfer of the title has been registered in the Real Estate Register, or at the owner's request. When a share of an interest in a joint property unit of a real property is sold, the subdivision survey will be applied and carried out in the same way as with land areas. In the detailed plan areas an unseparated land area can be subdivided only if the new real property unit is formed in appliance to the plan and the subdivision plan.

Partitioning stands for a division of the property into shares specified in the registration of ownership of the property. For example, a party who owns 1/3 of the real estate must be given an independent share of the property, comprising of 1/3 of the value of the property.

In reallocation the land division in an area is altered to better correspond the new land-use requirements, or when implementing various infrastructural projects, such as motorways. The main objects of reallocation are the rural areas.

The costs of a survey are usually paid by the applicant, in certain cases the state pays a part of them. The basis for the bill is normally the time spent on the work, and the method of calculation is enacted in a degree. In subdivision, however, the survey fee is based on the area. The normal fee is ca. 1,000 € including.
Easements

An easement and a right of private road refer to permanent rights of use applied to a real property or in some cases to another entity (municipality, tenant, etc.), which promote the appropriate use of the entitled property. Various easements on a real property may be established in the legal cadastral surveys or procedures according to several other acts than the Property Formation Act (e.g. the Act on Private Roads, Land Use and Building Act, and Water Act). The easements are recorded in the real property register. Such a right can also be conveyed with an agreement, which is binding in certain cases even in the changes of ownership. The easements are mainly permanent but may also be temporary.

The easements on another property may concern, e.g. giving a right to use water or the soil, have water pipes, electric wires, telephone lines, routes and parking places. This kind of easements may also be established for using a building or a structure. The building easement may concern, for example, water pipes, electric wires, telephone lines, garbage disposal, and bomb shelters, and they are formed with a decision of the municipal building committee according to the Land Use and Building Act.

A private road is a road constructed and maintained by the users of the road. Permanent rights to use the road are established in a legal cadastral survey for private road. A right of private road may be based on an agreement, but it can also be formed based on the decision of the cadastral surveyor when the legal provisions for establishing a right of way are fulfilled. Every real estate is normally granted with a right of way.
BIBLIOGRAPHY


Bank of Finland. http://www.bot.fi


CIA. http://www.cia.gov


   86/2000 Ympäristönsuojelulaki Environmental Protection Act
   http://www.finlex.fi/pdf/saadkaan/E0000086.PDF

   132/1999 Maankäyttö- ja rakennuslaki, Land Use and Building Act
   http://www.finlex.fi/pdf/saadkaan/E9990132.PDF

   1096/1996 Luonnonsuojelulaki Nature Conservation Act
   http://www.finlex.fi/pdf/saadkaan/E9961096.PDF


Appendix A

The structure of The Degree Program of Real Estate Economics at Helsinki University of Technology

Degree Program of Real Estate Economics

OPTION

MAJOR

REAL ESTATE ECONOMICS

Land Management and Law

Real Estate Management

Land Management

Real Estate Economics and Valuation

Environmental Law

Economic and Real Estate Law

Real Estate Management

Real Estate Economics and Valuation

Environmental Law

Economic and Real Estate Law

Construction Economics and Management

Building Materials Technology

Intake 50