

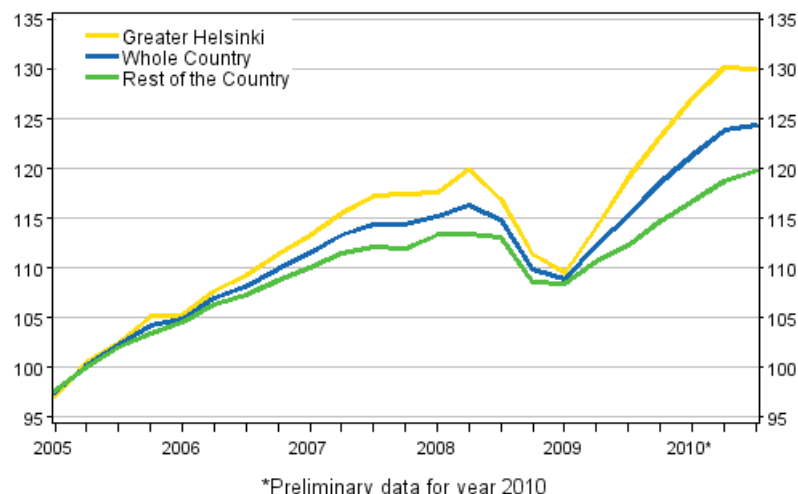
Prices of dwellings

2010, 3rd quarter

The rise in the prices of old dwellings slowed down from July to September

According to Statistics Finland's preliminary data, prices of dwellings in old blocks of flats and terraced houses went up by 0.4 per cent in the whole country compared with the previous quarter. In Greater Helsinki prices fell by 0.2 per cent, while in the rest of the country prices went up by 0.9 per cent. Compared with the corresponding period of the year before, prices rose by 7.8 per cent in the whole country. In Greater Helsinki the growth amounted to 9.2 per cent and in the rest of the country to 6.7 per cent.

Development of prices of dwellings, index 2005=100



In the third quarter of 2010 the average price per square metre of an old dwelling in a block of flats was EUR 2,117 in the whole country, EUR 3,224 in Greater Helsinki and EUR 1,617 elsewhere in the country.

Compared with the previous quarter, the prices of dwellings in new blocks of flats and terraced houses rose by 4.9 per cent in the whole country. In Greater Helsinki, prices went up by 3.9 per cent and in the rest of Finland by 5.5 per cent. Compared with the corresponding period of the year before, prices of new dwellings increased by 11.2 per cent in the whole country. In Greater Helsinki, prices went up by 13.4

per cent and in the rest of Finland by 10.1 per cent. The average price per square metre of new dwellings was EUR 3,068 in the whole country, EUR 4,185 in Greater Helsinki and EUR 2,666 in the rest of Finland.

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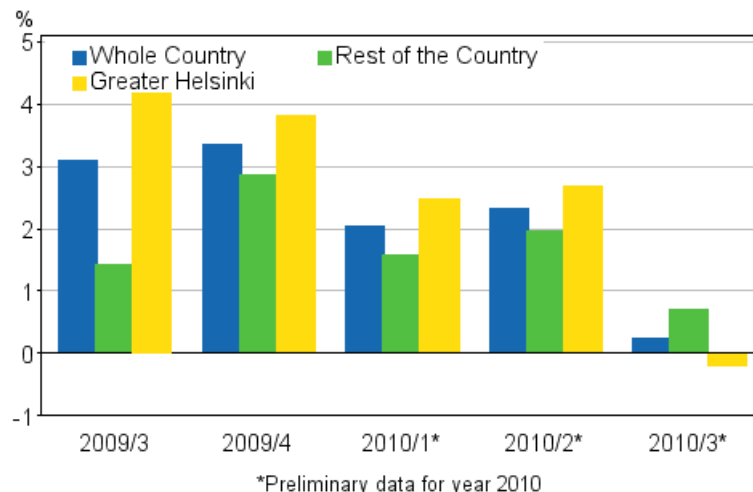
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1. Prices of dwellings in blocks of flats in July to September

According to preliminary data, prices of dwellings in old blocks of flats went up by an average of 0.2 per cent in the whole country in the third quarter of 2010 compared with the previous quarter. In Greater Helsinki prices went down by 0.2 per cent, while in the rest of Finland prices went up by 0.7 per cent. Compared with the corresponding quarter of the year before, prices increased by 8.2 per cent in the whole country. In Greater Helsinki, prices rose by 9.0 per cent and in the rest of the country by 7.3 per cent.

Figure 1. Quarter-on-quarter changes in prices of dwellings in old blocks of flats



When viewing by type of apartment, prices of one-room flats rose most from the previous quarter, in Greater Helsinki by 2.7 per cent and in the rest of the country by 1.6 per cent. Over the same period, prices of two-room flats remained almost unchanged in Greater Helsinki and rose by 0.5 per cent elsewhere in Finland. Similarly, prices of three-room and larger flats fell by 0.7 per cent in Greater Helsinki, while in the rest of the country their prices rose by 0.7 per cent.

In the third quarter of 2010 the average price per square metre of an old dwelling in a block of flats was EUR 2,196 in the whole country, EUR 3,273 in Greater Helsinki and EUR 1,599 elsewhere in the country. These data derive from the statistics on the prices of dwellings compiled by Statistics Finland on the basis of the Tax Administration's data. The preliminary data comprise roughly two-thirds of completed transactions in dwellings in old blocks of flats and terraced houses.

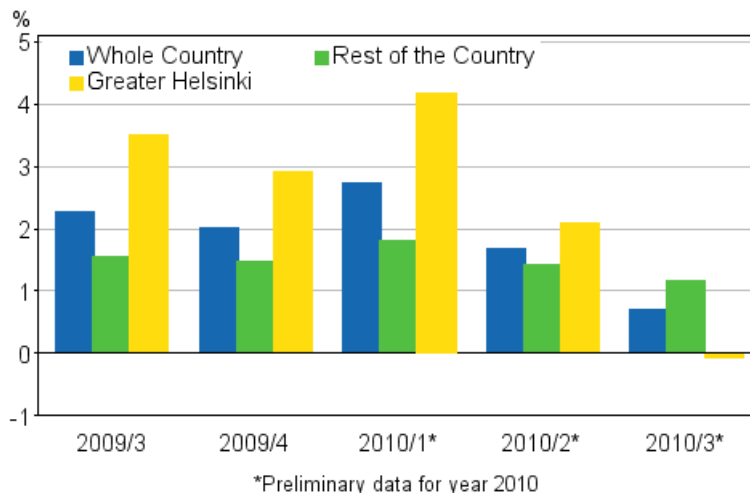
The prices of dwellings in new blocks of flats rose in the whole country by an average of 6.1 per cent from the previous quarter. In Greater Helsinki prices went up by 6.3 per cent and in the rest of Finland by 6.0 per cent. Prices rose most in Northern Finland, by 14.7 per cent. Prices fell by 8.7 per cent in Eastern Finland. Compared with the corresponding period of the year before, prices of new dwellings in blocks of flats rose in the whole country by 14.5 per cent, in Greater Helsinki by 16.7 per cent and in the rest of Finland by 13.0 per cent.

In the third quarter of 2010 the average price per square metre of a new dwelling in a block of flats was EUR 3,378 in the whole country, EUR 4,548 in Greater Helsinki and EUR 2,834 elsewhere in the country. The data are based on the price information of the largest building contractors and estate agents.

2. Prices of dwellings in terraced houses in July to September

According to preliminary data, prices of dwellings in old terraced houses rose by an average of 0.7 per cent in the whole country from the previous quarter. In Greater Helsinki prices remained almost unchanged, while in the rest of the country prices went up by 1.2 per cent. Compared with the corresponding period of the year before, prices of dwellings in old terraced houses grew by 7.3 per cent in the whole country, on average. In Greater Helsinki, prices went up by 9.5 per cent and in the rest of Finland by 6.0 per cent.

Figure 2. Quarter-on-quarter changes in prices of dwellings in old terraced houses



The average price per square metre for an old dwelling in a terraced house was EUR 2,009 in the whole country, EUR 3,128 in Greater Helsinki and EUR 1,638 elsewhere in Finland. These data derive from the statistics on the prices of dwellings compiled by Statistics Finland on the basis of the Tax Administration's data. The preliminary data comprise roughly two-thirds of completed transactions in dwellings in old blocks of flats and terraced houses.

The prices of dwellings in new terraced houses rose in the whole country by 3.1 per cent from the previous quarter. In Greater Helsinki prices went down by 1.7 per cent, while in the rest of Finland prices went up by 4.9 per cent. Prices grew most in Eastern Finland, by 14.6 per cent and least in Northern Finland, by 0.2 per cent. Compared with the corresponding period of the year before, prices of dwellings in new terraced houses increased by 6.2 per cent in the whole country, on average. In Greater Helsinki, prices went up by 5.3 per cent and in the rest of Finland by 6.5 per cent. Prices rose most in Uusimaa outside the Greater Helsinki area and in Itä-Uusimaa, by 9.8 per cent, and least in Eastern Finland, by 1.2 per cent.

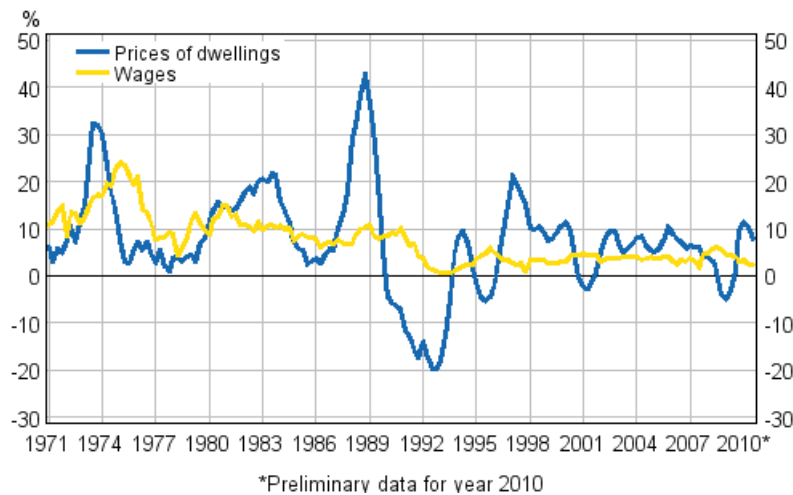
The average price per square metre for a new dwelling in a terraced house was EUR 2,663 in the whole country, EUR 3,418 in Greater Helsinki and EUR 2,480 elsewhere in Finland. The data are based on the price information of the largest building contractors and estate agents.

3. Changes in prices of dwellings and in earnings level

The price development of dwellings has varied much in around 40 last years. During the overheating of the housing market, prices rose in the last quarter of 1988 by over 40 per cent in comparison with the previous year. Correspondingly, during the recession in the early 1990s, prices of dwellings fell by as much as 20 per cent from the year before. From 1996 prices of dwellings have been rising constantly until mid-2008, with the exception of the year 2001. The outbreak of the international financial crisis in autumn 2008 slowed down the housing market and prices fell from the third quarter of 2008 until the first quarter of 2009. Starting from mid-2009 prices of dwellings have continued rising again.

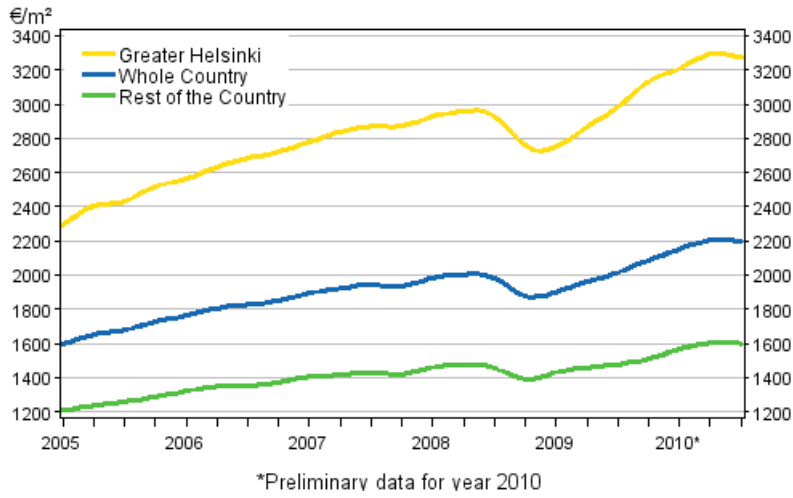
Over this period changes in wages and salaries have been more moderate than changes in the housing market, except for the mid-1970s, when the rise in earnings level caused by the great inflation was over 20 per cent per year. Over the 2000s wages and salaries have gone up yearly by an average of four per cent. The average year-on-year rise in prices of dwellings has been one percentage point faster, which has weakened the purchasing power of wages and salaries in the housing market.

Figure 3. Year-on-year changes in prices of dwellings and in wages and salaries

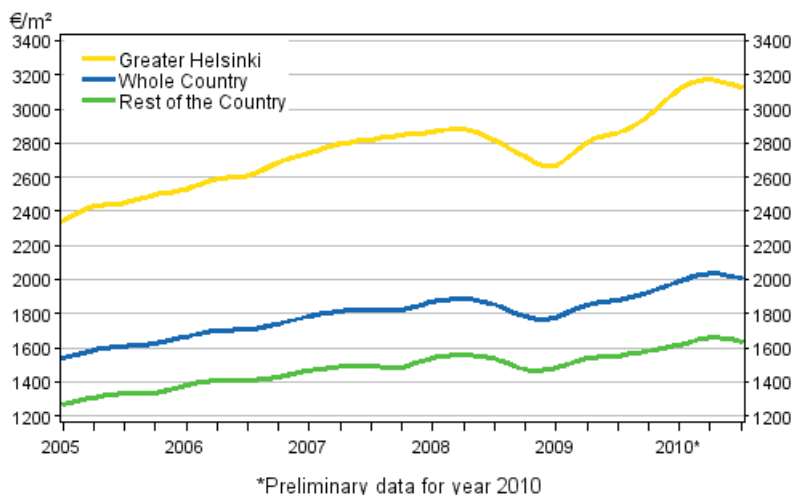


Appendix Figures

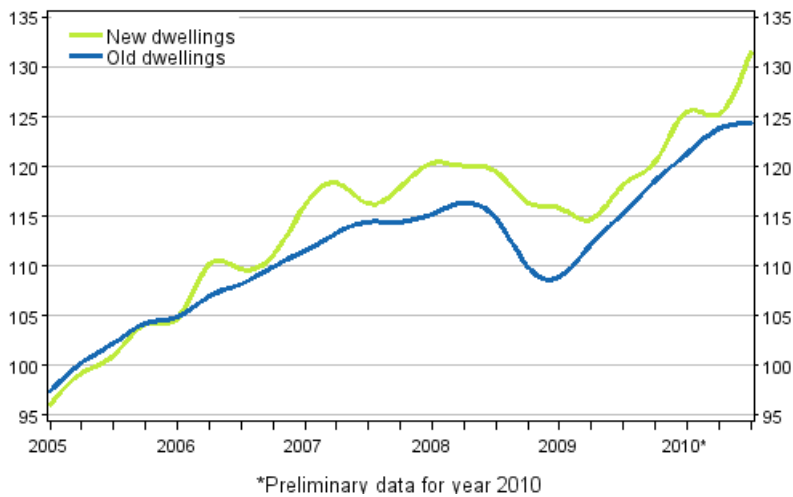
Appendix figure 1. Average prices per square metre of dwellings in old blocks of flats



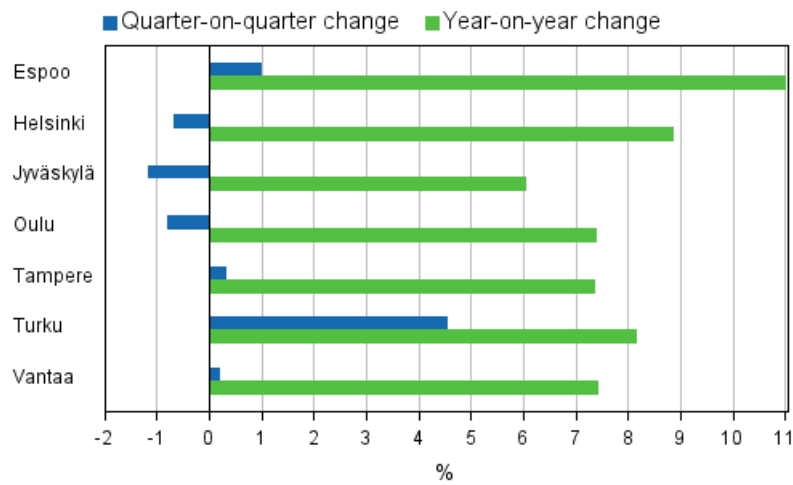
Appendix figure 2. Average prices per square metre of dwellings in old terraced houses



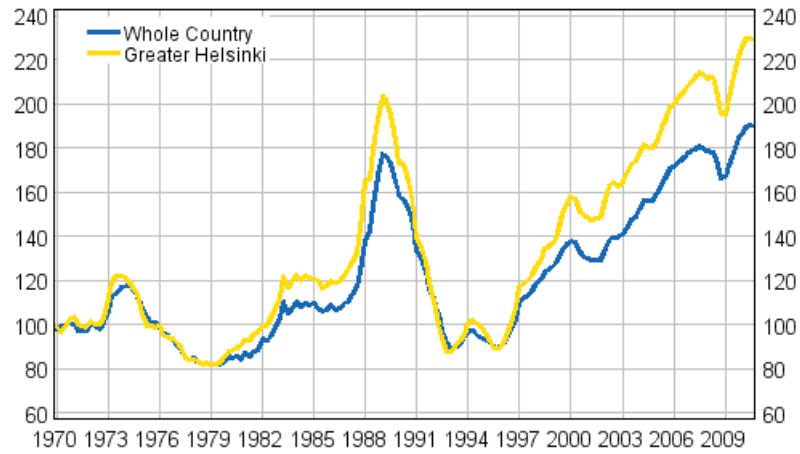
Appendix figure 3. Price development of old and new dwellings from 2005



Appendix figure 4. Changes in prices of dwellings in major cities, 3rd quarter 2010



Appendix figure 5. Real Price Index of dwellings in old blocks of flat 1970=100



Quality Description: Prices of dwellings

1. Relevance

1.1 Information content and purpose of use

Quarterly statistics on housing prices describe the unencumbered prices per square metre of old and new dwellings in housing companies, and year-on-year and quarterly changes in them. The statistics contain data classified by area, type of building and number of rooms from the examined quarter and from a longer period of time. The purpose of the statistics is to provide information about developments on the housing market to all interested parties.

1.2. Concepts, classifications and data

The data and the data suppliers:

Old dwellings: The data of the statistics on dwelling prices are based on the price information gathered by the National Board of Taxes for asset transfer tax calculation purposes. The real estate register of the National Board of Taxes and Statistics Finland's data file on the dwelling stock, which is derived from the Population Register Centre's register of buildings and dwellings, are also exploited as data sources for these statistics.

New dwellings: The data of the statistics on dwelling prices are based on information Statistics Finland receives via a private price monitoring service about transactions in new dwellings made by the largest real estate agents and building contractors.

Used concepts:

Dwelling: A dwelling refers to a room or suite of rooms that is equipped with a kitchen, kitchenette or cooking area and is intended for year-round habitation.

Price per square metre of dwelling: The statistics are compiled from data on unencumbered prices, in other words prices inclusive of debt portion. The published price concept is price per square metre (euro/m²).

Floor area of dwelling: The floor area (m²) of a dwelling is calculated from the inner surfaces of the walls enclosing it. The floor areas of auxiliary spaces (utility space, walk-in wardrobe, etc.), bathroom, hobby room, fireplace room, sauna in dwelling, washroom and changing room, and rooms used as working space if no hired employees work in them are also included in the floor area of a dwelling. Garage, cellar, sauna space in unoccupied basement, unheated storage space, balcony, porch, veranda, vestibule and unoccupied attic space are not included in the floor area of a dwelling.

First home: First home transactions refer to the transactions entitled to first-time homebuyer's exemption from the asset transfer tax (www.vero.fi).

Old/new dwelling: An old dwelling refers to a dwelling that has not been completed in the examined year or the year before it. Respectively, a new dwelling refers to a dwelling completed in the statistical reference year or the year before it that is sold for the first time.

Type of building: The dwellings in the statistics are classified into blocks of flats and terraced houses. The data on terraced houses also cover detached houses whose tenure is based on ownership of housing company shares.

Type of financing: Dwellings financed with ARAVA subsidised housing loans and price controlled HITAS dwellings are not included in the non-subsidised dwelling category used in the statistics.

Number of rooms: A room is defined as a space with one or more windows that has a floor area of at least seven square metres and mean height of at least two metres. A hall, porch, bed recess or other similar space is not regarded as a room. Kitchen is not included in the number of rooms. Dwellings with at least three rooms are classified into room number category 3+.

(Nominal) price index: Describes price change compared to the base year (old dwellings 2005, 2000, 1983 or 1970 and new dwellings 2005) of the index concerned.

Real price index: Indicates the change in real prices compared with the index base time period (2000, 1983 or 1970 for old dwellings and 2005 for new dwellings). The real price index is derived by dividing the point figure of the nominal price index for the area with the point figure of the Consumer Price Index for the whole country in the corresponding time period and base year.

Distribution parameters:

Q1 (lower quartile) = 25% of the prices per square metre are lower than or equal to the lower quartile.

Med (median) = Middle price of prices per square metre arranged in size order.

Q3 (upper quartile) = 75% of the prices per square metre are lower than or equal to the upper quartile.

Classifications:

Regional division, old dwellings: The statistics use diverse area combinations, such as Greater Helsinki Area, satellite municipalities around the Greater Helsinki Area, regions and urban sub-areas. The Greater Helsinki Area comprises Helsinki, Espoo, Vantaa and Kauniainen, which in statistics is included in Espoo. The satellite municipalities are Hyvinkää, Järvenpää, Kerava, Kirkkonummi, Nurmijärvi, Riihimäki, Sipoo, Tuusula and Vihti. Regions are defined according to the decision of the Council of State. The urban sub-areas are formed of postal code areas using price level and location as the criteria. Details of the used regional classifications are appended to this publication and can be found on Statistics Finland's website.

Regional division, new dwellings: Due to the low number of transactions statistics on the prices of new dwellings are compiled according to less detailed regional division than statistics on the prices of old dwellings. The classification used in the statistics on the prices of new dwellings also takes into consideration the needs of the Consumer Price Index, hence the regional classification uses the division into major regions. The area categories are (1) Whole country, (2) Greater Helsinki Region (same as with old dwellings), (3) Rest of Finland (Whole country exclusive of Greater Helsinki Region), (4) Rest of Uusimaa (exclusive of Greater Helsinki Region), and Itä-Uusimaa and major regions: (5) Southern Finland, (6) Western Finland, (7) Eastern Finland and (8) Northern Finland.

2. Methodological description

The calculation method of the index for prices of dwellings 2005=100 combines the classical approach based on classification of data and regression analysis (so called hedonic method). The index aims at answering the question how much more/less a typical dwelling in a housing company costs now compared with before on the basis of the total number of actual transaction prices. For this reason, monitoring average price changes will not necessarily provide an adequate answer, since average prices also change because the composition of dwellings sold at different times is not the same. For example, the relative shares of different types of dwellings may vary from quarter to quarter. The method helps to distinguish better than before the real price development from price changes caused by dwelling characteristics in different time period.

Because location, type of building and number of rooms are the most important price determinants, the composition of sold dwellings is first standardised for these variables by classification. The regional classification has been constructed so as to be geographically meaningful and as homogeneous as possible in respect of price levels. In the statistics on old dwelling prices the largest municipalities are divided into several sub-areas, and the smallest municipalities where few transactions take place have been combined. In the statistics on new dwelling prices the regional classification has been formed according to six sensible geographical entities because due to the low number of observations in the data a more detailed classification cannot be used. In respect of both old and new dwellings, the dwellings within an area have been stratified by type of building into dwellings in blocks of flats, and dwellings in terraced and detached houses. Dwellings in blocks of flats have been classified further by number of rooms into dwellings with one room, dwellings with two rooms and dwellings with three or more rooms. Dwellings in terraced houses have been divided by number of rooms into two categories — dwellings with fewer than, and dwellings with at least three rooms.

The used classification does not necessarily homogenise the data sufficiently, because factors affecting price, such as micro-location, floor area, year of completion, and so on, are not controlled for by the

classification. The price data of old dwellings contains information on the location of the dwelling on postal code level and on age and floor area. The price data of new dwellings contains information on the location of the dwelling on postal code level and on floor area. With the help of the regression model this information is used to adjust for changes in the composition of the data between the base and reference periods. The quality adjustment means the following: if in a statistical quarter dwellings in a certain area are on average older than in the base time period, the index must be adjusted upwards, because the lower price due to the higher age of dwellings would otherwise be erroneously interpreted as a price fall. A more detailed methodological description is available in Koev, Eugen: Combining Classification and Hedonic Quality Adjustment in Constructing a House Price Index. Helsinki, University of Helsinki (2003), or by e-mail: asuminen@stat.fi:

The overall index point-number for the whole country is obtained via aggregated price changes in every index class and price adjustments so called log-Laspeyres formula. The weights for old dwellings are derived as value-shares of stock of apartments in 2005. Respectively, the weights of new dwellings are the consumption expenditure weights of dwellings purchased in 2005.

3. Correctness and accuracy of the data

3.1. Reliability of the statistics

The statistics on the prices of old dwellings are based on the asset transfer tax data of the National Board of Taxes, which cover the transactions of all dwellings whose tenure is based on ownership of housing company shares. All transactions of old housing company dwellings are not included in the statistics, because the purchaser is allowed two months to pay the asset transfer tax. Many purchasers pay the tax more quickly than this and in transactions intermediated by real estate agents the tax is paid at the time of transaction.

When the statistics are published they cover approximately two-thirds of all transactions made in the latest statistical reference quarter. Statistics Finland receives the data on the remainder as they arrive at the National Board of Taxes. The quarterly data are updated retrospectively so that the final data for a given year are published with the data for the first quarter of the year following it.

The statistics describe the housing company share market by area relatively reliably. However, the number of included transactions should be taken into consideration. If few transactions have been made, a couple of deviating cases may affect the average price for an area significantly.

The statistics on the prices of new dwellings are based on data obtained from the largest real estate agents and building contractors and is a final when first published.

3.2. Accuracy of the statistics

Cases with missing information about transaction price or floor area, or with exceptionally high or low price due to contract within family or error in data entry are not accepted into the statistics. Annually it will be defined acceptable ranges of prices per square metre in statistics for old and new dwellings by different regions.

3.3. Use of the parameters of the statistics

Because the index takes into account changes in the distribution of year of completion (for old dwellings only), floor area and location of dwellings sold at different points in time, and their effects on prices, the average prices of the statistics vary differently from the price index. This has been done because the price index and the average price are each useful measures for different situations.

The price index endeavours to measure as accurately as possible how much more/less an average dwelling in a housing company costs now than it did before. *The average price*, in turn, describes the prevailing price level for sold dwellings without considering whether they are older, newer, larger or smaller than dwellings sold before.

4. Timeliness and promptness of published data

4.1. Publication frequency and measurement period of the statistics

Quarterly statistics on housing prices are compiled per quarter and published one month from the end of the examined quarter.

4.2. Preliminarity of the statistics

When the statistics are published they cover approximately two-thirds of all transactions in the latest statistical reference quarter. Statistics Finland receives the data on the remainder as they arrive at the National Board of Taxes.

The quarterly data are updated retrospectively so that the final data for statistical year are published with the data for the first quarter of the year following it.

5. Accessibility and transparency of the data

A latest data release will be published from the statistics on Statistics Finland's website on the publication date of the quarterly statistics on dwelling prices. The entire publication can be ordered as a printed paper version or an electronic pdf version. Data concerning dwelling prices can also be found from Statistics Finland's web pages and database service.

The essential metadata have been described in this document, which is incorporated into the quarterly publication of statistics on dwelling prices. This document is also available on Statistics Finland's web pages.

This statistics covers only dwelling transactions in housing company shares. Especially out of the Greater Helsinki Area, there are numerous real estate transactions that are not included in these statistics. Data on real estate transaction prices by municipality are available from the National Board of Survey.

6. Comparability of the statistics

6.1. Comparability with other data

When these statistics are compared with data from other producers the source of the basic data should be considered. Statistics Finland's data derive from comprehensive files of the National Board of Taxes, and thus cover exhaustively all completed transactions.

6.2. Comparability over time

Statistics compiled from the asset transfer tax data of the National Board of Taxes are available on the prices of old dwellings starting from the year 1987. Older data are available going back to 1970. The statistics for the 1970 to 1986 period are based on data provided by real estate agents and the used classification is much less detailed than the one used since 1987. For the prices on new dwellings time series have been calculated since 2005.

7. Coherence and consistency

Statistics Finland published prices statistics of corporation flats and price statistics of real estate prices quarterly. Besides the data published by Statistics Finland, real estate agents, credit institutions and banks also publish information concerning dwelling prices and their development. More on differences between the published data under section 6.1 above.

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