

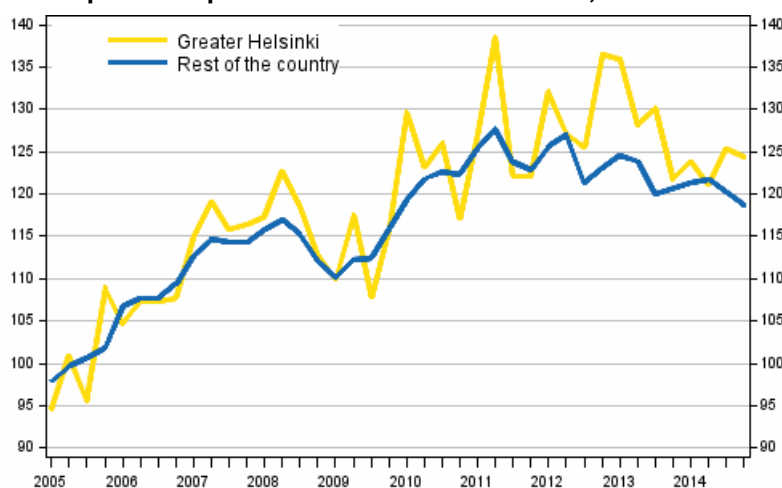
# Real estate prices

2014, 4th quarter

## Prices of old detached houses fell by 1.2 per cent year-on-year in October to December

In the fourth quarter of 2014, prices for old single-family houses fell by an average of 1.2 per cent from the previous year in the whole country. In Greater Helsinki, prices went up by 2.1 per cent from the corresponding period of the previous year, while in the rest of the country they fell by 1.7 per cent. Compared with the previous quarter, prices of old dwellings in detached houses decreased by an average of 1.3 per cent in the whole country. These data derive from Statistics Finland's Index of real estate prices, which is compiled by utilising data from the real estate transaction register of the National Land Survey of Finland.

**Development of prices in old detached houses, index 2005=100**

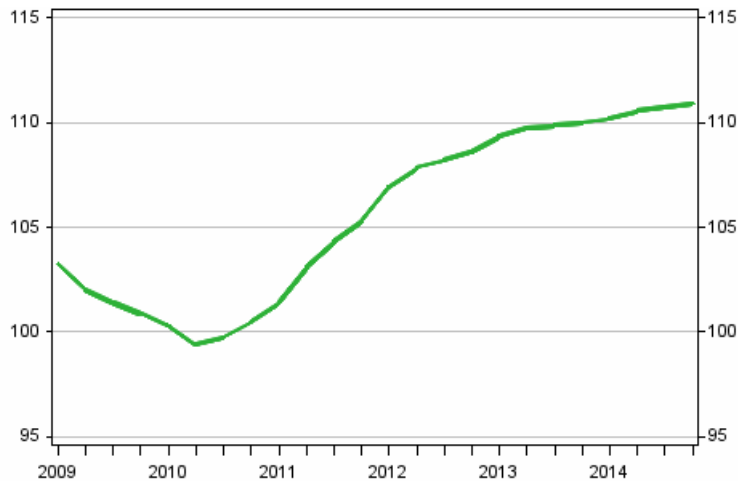


In the whole country, the average price per square metre of old single-family houses was EUR 1,498 in the fourth quarter of 2014. In Greater Helsinki, the average price per square metre of detached houses was EUR 3,013. In the rest of the country, the average price per square metre was EUR 1,430.

In the fourth quarter of 2014, prices of detached house plots rose by 7.4 per cent in the whole country from the year before. From the previous quarter, prices of plots increased by 4.8 per cent. The average price per square metre for a single-family house plot was EUR 24.5 in the whole country and the average plot size was 2,198 square metres.

In the fourth quarter of 2014, prices for new single-family houses went up by an average of 0.8 per cent from the previous year in the whole country. Compared with the previous quarter, prices rose by 0.2 per cent. The data for new detached houses are based on the building price index and price data describing professional and own-account construction.

**Development of prices in new detached houses, index 2010=100**



In 2014, prices of old dwellings in detached houses fell by 1.7 per cent in the whole country. In Greater Helsinki, prices went down by 4.1 per cent, and in the rest of the country by 1.4 per cent. In 2014, the average price per square metre for a single-family house was EUR 2,876 in Greater Helsinki and EUR 1,427 in the rest of the country. Prices of new single-family houses went up by 0.8 per cent in the whole country in 2014.

In 2014, prices of new detached house plots increased by 4.1 per cent in the whole country. In Greater Helsinki, prices rose by 11.6 per cent and in the rest of the country by 2.0 per cent. In 2014, the average price per square metre for a detached house plot was EUR 180.6 in Greater Helsinki and EUR 17.0 in the rest of the country.

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# Quality description: Real estate prices

## 1. Relevance of statistical information

### 1.1. Data content and purpose of use

The statistics on real estate prices describe the quarterly and annual price changes of single-family houses and single-family house plots. In addition, data on old single-family houses and plots are released on price levels classified by area starting from 2005. Data on new single-family houses on the level of the whole country are published on the quarterly level from the beginning of 2009.

The price index for newly built single-family houses describes how much the price of building an average single-family house has developed.

### 1.2. Concepts, classifications and data

#### **Concepts**

*Professional construction:* Professional construction refers to commercial building, i.e. building that is carried out against payment, cf. own-account construction.

*Floor area:* Floor area includes all spaces intended for continuous living use of a building. Floor area is the area remaining between the inner surfaces of walls confining the building. Data on floor area are derived from the Population Register Centre's Building and Dwelling Register.

*Real estate:* A real estate is a unit of ownership in a land or water area with a specific code entered in the Tax Administration's real estate register. The real estate includes the buildings and fixtures located there and owned by the owner of the real estate.

*Average price:* The average prices published in the statistics are floor area-weighted arithmetic averages of prices per square metre (EUR per m<sup>2</sup>).

*Average area:* The area of single-family houses refers to floor area (m<sup>2</sup>) and the area of single-family house plots to the total area of the plot.

*(Nominal) price index:* Indicates the change in prices compared with the index base time period (2005=100, 2010=100)

*Single-family house real estate:* A real estate whose use purpose is a residential building area and which has only housing buildings and ancillary buildings, and it is not located in the shore plan area. If the real estate is in a building plan or town plan area it is also required that the nature of the plan is a residential building or detached house area.

*Single-family house plot:* A real estate whose use purpose is a residential building and has no buildings. The real estate must not be situated in a shore plan area either. If the real estate is in a building plan or town plan area, it is also required that the nature of the plan is a residential detached house area, the purchase price register has information about the permitted building volume and the building efficiency coefficient is under 0.5. In sparsely-populated areas the last condition cannot be checked because the nature of the plan and the permitted building volume have not been defined in the plan areas in question.

*Own-account construction:* Own-account construction refers to building projects carried out by households, which include building of detached houses without using paid labour force, cf. professional construction.

*Point figure:* Point figure is a change quantity used in price indices, which expresses the price, average price or index of the comparison period relative to the price, average price or index of the base period. The point figure of the base period is usually denoted by the number hundred. For example, if the point figure of a commodity at a certain point in time is 105.3, the price of the commodity has risen by 5.3 per cent compared to the base time period.

*Real price index:* Real price change compared to the base period of the index (2005=100, 2010=100). The real price index is derived by dividing the point figure of the nominal price index with the point figure of the Consumer Price Index of the corresponding time period and base year.

*Distribution parameters*

Lower quartile = 25 per cent of prices per square metre are lower than or equal to the lower quartile.

Median = Middle price per square metre in order of size.

Upper quartile = 75 per cent of prices per square metre are lower than or equal to the upper quartile.

### **Classifications**

Regional division: The regional classification used in the statistics on single-family houses and single-family house plots contains data on the following areas: whole country, Greater Helsinki, rest of Finland, satellite municipalities, and major regions. Data are also calculated classified by the number of inhabitants. For the index of newly built single-family houses, data are published only on the level of the whole country.

The Greater Helsinki area includes Helsinki, Espoo, Vantaa and Kauniainen. The satellite municipalities are Hyvinkää, Järvenpää, Kerava, Kirkkonummi, Nurmijärvi, Riihimäki, Sipoo, Tuusula and Vihti. The division of major areas is the NUTS2 division into major regions that came into force in 2003. Åland is not included in the statistics.

### **Data**

The statistics on real estate prices are based on the data in the transaction prices in the National Land Survey's purchase price register, which is supplied to Statistics Finland quarterly. In addition, background information is searched for the transaction price data from the Population Register Centre's Building and Dwelling Register.

For the price index for newly built single-family houses, prices are collected on materials, prefabricated houses, and connection and official charges, and on planning and monitoring costs.

## **2. Methodological description of survey**

A separate methodological description with research results was prepared on the price indices for old single-family houses and plots when the statistics were established. This is available on the statistics page under Methodological descriptions (in Finnish). When the index base year was changed, the functioning of register combinations was checked, the index weight structure was updated to correspond to the most recent data, and the regression models used in the index calculation were updated. The index calculation makes use of the quality standardisation method based on regression analysis, the so-called hedonic method. With the method, the price is broken into "pure price" and price formed of characteristics in order to make real estate with different characteristics comparable with each other. Index series have been calculated for each sub-category with fixed weight log-Laspeyres index formulas. The sub-series are weighted together with the weight structure which is formed from the value share weights of 2009. The Building and Dwelling Register is used as the source of the weights.

The aim of the price index of newly built single-family houses is to follow the development of the prices of single-family housing construction. The index is formed by using the Building Cost Index and the indices describing professional and own-account construction. The sub-index describing construction of detached houses is derived from the Building Cost Index to the statistics. The price index for professional construction is a construction sale price index with variable weights and prices. For own-account construction, the development of total costs is followed from planning to yard work.

The index for newly built single-family houses is calculated according to the Laspeyres price index. In addition to the weight structure of the base year, the index calculation requires monthly price monitoring of selected commodities.

The weights of newly built single-family houses are formed for four components. The mode of building is a detached house built on-site or from prefabricated elements and the constructor is a professional or own-account builder. The price index for newly built single-family houses is calculated by weighting these together.

## **3. Correctness and accuracy of data**

### **3.1 Reliability of statistics**

For old single-family houses, the statistics are based on the National Land Survey's purchase price register which contains all real estate transactions. However, observations are excluded from the statistics through normal revisions (see 3.2).

The data for new single-family houses are based on the construction price index and the development of prices of professional and own-account construction. Prices are measured by means of materials, wages and salaries, and prefabricated houses, and connection and official charges.

### 3.2. Accuracy of the statistics

The area of the plot has to be between 400 and 20,000 m<sup>2</sup> and the floor area between 40 and 400 m<sup>2</sup>. The statistics do not include single-family houses on rented plots. The price limits are checked every year.

When viewing regional price indices of old single-family houses and plots, attention should be paid to the number of transactions in the area. If only a few transactions are made in the area, a few deviating cases can have a significant effect on the average price of the area. Then it would be advisable to examine longer term development instead of quarterly changes.

## 4. Timeliness and promptness of data

The statistics on real estate prices are published quarterly in approximately ten weeks from the end of a quarter. The released data are final data. Annual data are released in connection with the publication for the fourth quarter.

## 5. Accessibility and transparency/clarity of data

The basic publication and database tables of the index of real estate prices are available on Statistics Finland's website ([http://tilastokeskus.fi/til/kihi/index\\_en.html](http://tilastokeskus.fi/til/kihi/index_en.html)).

Data on transactions and other detailed information on the realised transaction prices of real estate can be had from the National Land Survey ([www.maanmittauslaitos.fi/en](http://www.maanmittauslaitos.fi/en)).

## 6. Comparability of statistics

### 6.1. Comparability with other data

The National Land Survey of Finland publishes the purchase price statistics based on purchase price data. The main difference between the price index compiled by Statistics Finland and the National Land Survey's purchase price statistics is that the purchase price statistics present primarily the distribution data of transactions and prices at a given period, while the price index focuses on measuring changes in prices from one period to another. The latter takes account of price differences caused by real estate properties sold in different periods and their effect is removed in the index calculation.

### 6.2. Comparability over time

For old single-family houses and plots, data are available starting from 1985. Data on the index of real estate prices 1985=100 are available with a more detailed classification between 1985 and 2009. In addition, there is a long time series on the index of real estate prices 1985=100 on the level of the whole country, Greater Helsinki and the rest of Finland. The long time series was obtained by chaining changes according to the 2005=100 index to the 1985=100 index series starting from the fourth quarter of 2009.

For new single-family houses, data are available from 2009 onwards.

## 7. Coherence and consistency/uniformity

In addition to quarterly statistics on real estate prices, Statistics Finland publishes monthly, quarterly and annual statistics on dwellings in housing companies.

Statistics Finland releases indices of owner-occupied housing prices starting from July 2013. The new statistics on indices of owner-occupied housing prices describe the costs of purchasing and owning

owner-occupied dwellings, as well as the development of purchase prices of dwellings. The index of owner-occupied housing prices describes the development of transaction prices of dwellings new to the households and of other goods and services related to owner-occupied dwellings. The price index of dwellings describes the price development of dwellings bought by households. The price index of dwellings consists of the price indices of new and old units in housing companies, and of the price index of old and new single-family houses.

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