

Nordea survey: Interest rates expected to go up – one-third of Finns with housing loans unprepared

Finns with housing loans expect interest rates to rise moderately over the next three years, shows a survey conducted by Nordea. Four in ten expect their overall interest rate to stand at 1.5–3 percent in three years' time.

According to the survey, Finns are preparing for the rise in interest rates by saving, keeping their loans small, and utilising interest rate caps. However, one-third of Finns with housing loans have not prepared in anyway.

– Surprisingly, the survey showed that less than half of young people (under 35) with housing loans were able estimate the direction interest rates will be moving towards. One-third of them did not even know their current total rate, says Nordea's Private Economist **Olli Kärkkäinen**.

– On the positive side, young people with housing loans were better prepared for a rise in interest rates than the rest. Only one-fifth of the under 35-year-olds said they had not prepared in anyway, notes Kärkkäinen.

Many Finns feel the size of their home does not suit their circumstances

According to Nordea's survey, Finns continue to prefer home ownership. Seven out of ten Finns would primarily want to live in a home they own themselves.

– There has been talk of the rise of the renting generation, but it seems the matter has been exaggerated. Home ownership is the undisputed first choice also for young people, and more than half of the people who currently rent would prefer to own their homes, says Olli Kärkkäinen.

– One way to alleviate the pressure of rising rents would be to increase the construction of owner-occupied homes, which would allow people to switch from renting to owning, Kärkkäinen says.

Another imbalance in the housing markets relates to size. In the survey, one-fifth of the respondents under 25 said their current home is too small, while one-fifth of the respondents over 60 felt their home was too big. The trends in housing prices are set to continue to diverge regionally.

– Of the people living in the greater Helsinki area, six in ten expect housing prices there to rise faster than elsewhere in Finland. Meanwhile, in smaller towns, one in six people expect prices to deteriorate over the next year. As the megatrend of urbanisation continues, current growth centres are set to gain, while people living in areas with declining population may have trouble selling their homes, notes Kärkkäinen.

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The survey was conducted as an Internet panel by YouGov on commission by Nordea between 27 April and 3 May 2017. The responses have been weighted taking into account the respondent's age, sex and place of residence. The number of Finnish respondents over 18 years of age was 1,006.

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