RENEWED RENTS INDICES OF DWELLINGS IN FINLAND: DATA SOURCES AND METHODS

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INTRODUCTION

In Finland, the main challenge in the statistics on rents of dwellings has been the lack of data source that are up to date and comprehensive enough to describe the quarterly and year-on-year levels and changes in rents. The statistics on rents of dwellings are to be renewed in May 2019.

The current data for the statistics on rents derive from the interview data collected in connection with the Labour Force Survey. The annual statistic on rents are compiled using the Labour Force Survey and Social Insurance Institution's register of housing allowances.

DATA

The data for the renewed statistics on rents derive from the Social Insurance Institution’s register of housing allowances. In addition, total rents data of the two major private rental housing companies are used. The Population Register Centre's Register of Buildings and Dwellings forms the quarterly framework for rents. The framework is updated annually.

POSSIBILITIES AND LIMITS OF DATA SOURCES

Social insurance institution’s register of housing allowances

The data are compiled monthly. They contain about 400,000 observations from all over the country, both government-subsidised and non-subsidised dwellings. Although the material is very comprehensive, the composition of the data may be skewed, because it only contains supported rental apartments. Each observation includes a house-specific ID, which allows one to track the development of the rent for the same dwelling. The non-subsidised observations from these data represents dwellings rented by private lessors.

Private rental housing companies

The data are compiled monthly. They contain about 50,000 observations, mainly from major towns. The biggest drawback in these data is that observations are not comprehensive across the country. Through the observation ID, the development of the rent for each dwelling can be monitored in time.

METHOD

The revised rental index is calculated using the Törnqvist index formula. The data are stratified by type of financing, area and number of rooms, and the lowest level indices are calculated according to this stratification. The higher level indices are calculated by weighting the elementary indices together with the weights of the rental housing stock, which is derived from the Population Register Centre’s Register of Buildings and dwellings. The previous year is used as the base period and the actual index series is calculated by chaining the indices into a long time series with a base year of 2015 = 100.

TEST RESULTS

Rents of dwellings, 2015=100

![Graph](image1)

Figure 1 shows the difference in the development of non-subsidised dwellings between the Greater Helsinki area and the rest of Finland.

Greater Helsinki, 2015=100

![Graph](image2)

Figure 2 illustrates the rental development of non-subsidised dwellings, per number of rooms in Greater Helsinki area. Dwellings with at least three rooms are classified into room number category 3+.

FUTURE DEVELOPMENT

Statistics Finland has experimented with alternative ways to estimate the housing market sentiment by applying data of asking prices and rents. These data are still under investigation and includes opportunities for new types of rent and price statistics in the future. For example, rental requests and actual rents can be compared and on that basis, it could be possible to assess the future development of the rental market.

CONCLUSION

The starting point for the new quarterly rent statistics is to monitor the change in the rent of the same apartment in time. The key data are Social Insurance Institution’s register of housing allowances, from which privately owned dwellings of non-subsidised rental homes are picked up. In addition, total rents data of the two major private rental housing companies are used. Overall, the new material is more comprehensive than before. Because of that, the results are clearly presented with a more accurate regional classification. In the future, data collection will include other significant private rental housing investors in Finland. The same index calculation method developed for handling large data masses in the Finnish CPI is used.