



## **Assessing the Opportunities and Challenges of First-Time Homeownership for Young Professionals in Finland**

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## Abstract

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<p>The aim of this research-oriented thesis was to investigate how can first-time homeownership be increased for young professionals. The thesis focused on opportunities and challenges in homeownership, but included an informative section which covered the basic financial aspects and purchasing requirements for different national groups.</p> <p>The research of the thesis consists of two phases: Theoretical framework and the empirical research part. The theoretical framework of this thesis covers mainly the informative side of the research, which includes good-to-know financial information before purchasing a home. Additionally, topics such as purchasing requirements, opportunities and challenges are discussed in this phase as well.</p> <p>The empirical research was conducted based on a mix of topics from the theoretical framework section of the research, and from an online survey. The data was collected from reliable online sources, statistics and survey results. The survey was open to the public in various social media platforms for several weeks, without limitations based on respondent characteristics. However, as the research scope was narrowed to individuals from ages 18 to 30 years old, responses received from individuals over 30 years old were excluded from the results. The data was analyzed by using qualitative content analysis methods.</p> <p>The key findings present the conclusion to the research. Most of the young professionals that took part in the survey live in rental homes. Prior research from 2020 was investigated, and the number of young adult renters was nearly the same as in this research. The common reasons for renting were the lack of financial capability and desire to split living expenses with a roommate or partner. This section of the research also presented strategies for young professionals to enable home purchasing for themselves.</p>
<b>Keywords</b> Mortgage, interest, consumer debt, bank credit

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# **1 Introduction**

This research-based bachelor's thesis is for the Haaga-Helia University of Applied Sciences International Business program, with a major in Customer Relationship Management and Communication. The thesis's objectives and framework are described in this chapter. More specifically, this chapter includes the thesis' goals, benefits, international aspect and key concepts.

## **1.1 Background**

Most people are forced to live in accommodation that fits their means during different stages of their lives. As there are many ways for one to accommodate themselves, when it comes to young adults, they might begin to look for alternatives to living with their parents as they turn 18 years old. A lot of young adults start their postgraduate studies and end up choosing student housing options. The employed young adults may be able to buy an apartment for themselves, while some may choose to rent.

Some of us will be purchasing our first home at some point in our lives. There is a pattern that Finnish men and women follow and according to statistics, the average Finnish citizen purchases their first home at the age of 30 (Nordea Bank Abp 2023). One's first home purchase is undoubtedly one of their life's most exhilarating experiences. In between finding the first home and purchasing it, there are many exciting moments, but also several matters that can make a person feel anxious, unsure, or even afraid. Is it bad to be in debt, despite the uncomfortable feelings that a sizeable amount of loan might bring. Debt is in a key role in home purchasing, and it can be considered to be good or bad. The research will cover some basic and advanced concepts which can potentially ease the mind of a young adult about debt.

## **1.2 Anticipated Benefits**

The thesis benefits young professionals who have intentions of purchasing their first apartment in Finland, including both Finnish and foreign nationals. The author will be investigating reasons why / why not young adults have / have not purchased their first home, while providing beneficial insights in forms of information regarding the real estate market and requirements from a national and financial perspective. Additionally, some opportunities that homeownership might bring will be discussed. Finally, this thesis will be providing strategies to enable first-time home purchasing for young professionals.

### 1.3 Research Question, International Aspect & Demarcation

This thesis intends to present a comprehensive view of the situation of young adults in the real-estate market in Finland and what opportunities and challenges are present during pre- and post-purchase process of homeownership. The scope of the thesis is narrowed to young professionals from age's 18 to 30 years old.

All theses' are covered by the international component mandated by degree programs. In this thesis the international aspect is covered by researching the home purchasing requirements for non-EU and non-EEA buyers, who desire to purchase property in Finland.

The main research question (RQ) of this thesis is "In what ways can first home purchasing be increased for young professionals in Finland?". Investigative questions (IQ) are listed below, which are used to break down the research question.

IQ 1. What are the opportunities in homeownership?

IQ 2. What challenges occur in becoming a homeowner?

IQ 3. What should be considered important from a general and financial perspective in home purchasing?

Table 1 below presents the investigative questions with corresponding theoretical framework and research methods used.

Table 1. Overlay matrix

Investigative Question	Theoretical Framework (chapter)	Research Methods	Results (chapter)
IQ 1. What are the opportunities in homeownership?	2.4.2-2.4.5	Desktop study	5.1
IQ 2. What challenges occur in becoming a homeowner?	2.4., 2.4.1	Desktop study, survey	5.1
IQ 3. What should be considered important from a general and financial perspective in home purchasing	2.2.1-2.3.3	Desktop study	5.1

## 1.4 Key Concepts

**Mortgage** is a type of loan that is used to purchase real estate, such as a home or a commercial property. It involves borrowing money from a lender, typically a bank or a financial institution, and using the property as collateral for the loan. (Bluestep Bank AB 2023)

**Bank Credit** refers to the ability of a borrower to obtain a certain amount of money on specific conditions with the promise to repay the lender later, often with interest. Bank Credit is closely related to products such as loans with collateral, such as mortgage for example. (Bluestep Bank AB 2023)

**Consumer Debt** is all credit that is lent to the borrower, which is due to be paid back to the lender. For example, debt can be in the form of mortgage, student loan or a credit card. (Takuusäätiö 2020)

**Interest** is paid to the lender by the borrower for the entire length of the debt as a compensation to borrow the money. Interest can include a proportion that covers the lender's risk to borrow the money as well. (Paavoseppä 2023, OP Financial Group)

## 2 Basics of Homeownership

This chapter provides the study's theoretical framework, which explores the real estate market's current situation along with basic knowledge regarding home purchasing requirements from Financial and national perspectives. Additionally, opportunities in homeownership and challenges to become a homeowner are discussed as well. The theoretical portion is primarily created from a perspective that sheds light on the pre-purchase process for the reader.

### 2.1 Recent Events in Finnish Real Estate Market

House prices have fallen because of the sharp increase in interest rates, which has deterred home purchases. The cost of debt servicing is growing quickly for many people and real estate investors, while asset prices are declining, which reduces financial reserves. This lowers consumption, borrowing, and new investments being made. Housing construction will be delayed, and the construction industry will be impacted by the housing market downturn. All of this depresses economic growth and raises the dangers of banks borrowing and lending. The real estate industry and homeowners receive a lot of financing from Nordic banks, but they are strong enough to handle the risks associated with the property market (Ahoniemi & Putkuri 2023, Bank of Finland).

The prices of real-estate have recently decreased as a result of rising interest rates and other costs. Consumer and investor caution, as well as decreased demand for the building of new housing, are now generally reflected by the widespread increase in the cost of living, construction, and the rapid and significant interest rate rises undertaken to control inflation. As people gradually start to acclimate to increasing living costs and interest rates, price increases seen in some nations in early 2023 may be a sign of a recovering Finnish real-estate market (Ahoniemi & Putkuri 2023, Bank of Finland).

There is no sharp decline in interest rates in sight, even though it appears that the rising interest rate rally is over. For the foreseeable future, the economy is predicted to develop slowly while teetering on the verge of a recession, which does little to help the property market's appeal. Therefore, rather than a quick recovery, it's probable that as home prices react to rising interest rates, a very slow recovery may be witnessed (Widgrén 2023, OP Financial Group).

## **2.2 Purchasing Requirements in Finland**

This subchapter will present purchasing requirements for different national groups as the requirements vary depending on the country of origin of an individual. In the chapters below, purchasing requirements have been divided by nationality groups to provide detailed information for each purchasing group regarding home purchasing in Finland.

### **2.2.1 Purchasing Requirements for Finnish Nationals**

There are several aspects that require a Finnish citizen's attention before acquiring a non-rental home. As banks tend to have strict policies and guidelines in home purchasing, it is recommendable that the buyer is aware of the key requirements, which are discussed below.

The buyer must be at least 18 years old. According to Finnish legislation, a minor is incompetent to manage their financial decisions, and therefore a legal guardian(s) must be present during the entire home purchasing process. To be more specific, a minor can take part into a housing transaction with the authority of their guardian(s), and a permit is required from the Finnish guardianship authority (Finlex 2023).

Many of Finnish citizens open bank accounts for their children for saving purposes, and therefore their children won't need to become a customer at a bank at a later stage in life. Once children turn 18-years old, the young adult's parent(s) nor guardian(s) have access to their bank information. However, not everyone is a customer at a bank, and if they wish to purchase a home, they must become one.

A Finnish citizen must present a valid ID to the bank to be eligible for a loan. Even when a home is purchased in cash, the transfer usually happens in the buyer's bank, where the seller and buyer are both identified (OP Financial Group 2023). A driver's license is no longer considered as a valid ID in some financial institutions; therefore, it would be wise to bring a valid passport, ID-card or a seaman's passport to the transaction event (Nordea Bank Abp 2023).

In addition to the ID, a general requirement in home purchasing is that the loan applicant has a certain proportion in cash as a down payment for the home. A first-time buyer can acquire a loan cap from a bank up to 95 %, which means that the portion of the down payment is 5 % of the purchase price. If the applicant is not a first-time buyer, the portion of the down payment is 15 % of purchase price, which leaves the

loan cap at 85% (Nordea Bank Abp 2023). Bank's offer different financial products in which the loan cap and amount of the down payment will vary, but they will be discussed in upcoming chapters in further depth.

### **2.2.2 Purchasing Requirements for EU Nationals**

An EU national can be any person who holds the nationality of any European country. EU nationality is obtained by birth and is an addition to the national citizenship and does not replace it (European Commission 2023).

For EU nationals, it is made possible to purchase various Finnish assets, such as houses, apartments or other property. As mentioned in chapter 2.2.1, the same requirements apply to EU nationals in property purchasing in Finland. The buyer must be at least 18 years old; they must present a valid passport or ID-card to conduct business in a financial institution, obtain customership with a Finnish bank, and possess the portion of down payment on their bank account or cash.

A residency permit is not required in Finland if you are a citizen of the EU or a Nordic nation. If an EU national intends to stay in Finland for an uninterrupted period longer than three months, they must apply for EU registration. The person will acquire a personal identity number and be able to legally reside in Finland once they register. Homeownership does not validate an EU national to reside permanently in Finland. An EU national must apply to the Finnish Immigration Service for registration for their right to residence even if they have already registered their information in the Population Information System (PIS) at the Local Register Office (Finnish Immigration Service 2023).

In addition to the above, EU nationals must contact the Tax administration if they plan to purchase any assets in Finland. This includes apartments, houses and property in general. To purchase a home in Finland while based abroad, the buyer must first register with the Tax administration before signing the purchase agreement. They can only file a transfer tax return and make the required payment once they have enrolled with the Tax administration (Tax administration 2023).

### **2.2.3 Purchasing Requirements for Non-EU & Non-EEA Nationals**

To clarify the definition of a non-EU and non-EEA nationals, a non-EU and non-EEA national is any individual who does not have the nationality of an EU Member State. Iceland, Liechtenstein, and Norway are included in today's EU's internal market

because of the European Economic Area (EEA) Agreement, which also ensures the freedom of movement of goods, services, and people (European Commission 2023).

As for the purchasing requirements for this specific group, the requirements have similarities with Finnish and EU-nationals. The buyer must be the age of 18 years old or older, they must be in possession of a valid passport or a Finnish ID-card, they must become a customer with a Finnish bank, and hold the portion of down payment on their account or cash.

Like EU nationals, non-EU and non-EEA nationals must register to the Tax administration. If the buyer is based outside of Finland and wants to purchase an apartment or house, they must register with the Tax administration before signing the purchase agreement, to be able to pay for the transfer tax (Tax administration 2023).

If a non-EU and non-EEA individual desires to visit the potential house or apartment before purchasing it, they are slightly more restricted than EU nationals. A non-EU and EEA national must apply for a residence permit if they intend to stay in Finland for over 90 days. A non-EU and non-EEA national might be obliged to apply for a residence permit if they intend to work in Finland, even though their visit is shorter than 90 days. If the expiry date of the residence permit is approaching, the individual can apply for an extension to the permit, or a permanent residence permit. If the Finnish Immigration Service cancels or declines a non-EU or non-EEA national's residence permit or an extension for the residence permit, they must leave the country without further delay (Finnish Immigration Service 2023).

In addition to the residence permit matter, a non-EU and non-EEA national must acquire a permit to purchase real estate in Finland. The permits are issued by the Ministry of Defense of Finland. The permit application must include information such as the parties to the deal and the property's intended use. Along with the application, the buyer must include a copy of their passport, a sales agreement, a draft of a sales agreement, or an accepted purchase offer. The real estate buyer or an agency designated by the buyer must apply for the permit. Information about the applicant's ownership structure and beneficial owners must be provided, if the applicant is a business or other legal entity. The application can only be submitted in Finnish, Swedish or English (Ministry of Defense 2023).

## **2.3 Finance**

In this subchapter the author will be discussing finance related matters related to home purchasing in Finland. The subchapters will provide information about the pre-purchase phase, different loan types that banks offer to customers, and basic information on interest rates, margins and repayment methods.

### **2.3.1 Pre-Purchase Phase**

From the buyer's perspective, the first step is to find out what kind of loan they qualify for before beginning to search for a suitable home for themselves. As the prices vary depending on the city and region in Finland, banks often provide a calculator on their websites for customers to see how big of an impact the loan expenses would have on one's economy. Furthermore, customers don't have to waste time by contacting different banks for loan offers, since they already have a broad idea of the loan's size that will potentially be granted (Nordea Bank Abp 2023). However, banks might offer different interest rate- and margin deals, so it would be recommendable for the loan applicant to map out the best price for them.

In the second step, to be able to take part in the offering of the desired home, the applicant must have a valid loan promise. This loan promise is acquired from a bank of the applicant's choosing, which will enable them to make an offer. The applicant can apply for a loan promise well in advance. A loan promise is often valid for six months depending on the bank's policy and can be renewed if it expires.

To be able to acquire a loan for a home, the applicant must apply for a mortgage loan. Finnish banks allow the applicant to apply for a mortgage on their websites, which makes the applying process rather effortless. In the application, the applicant will insert information such as relationship status, salary, net income, savings, monthly expense and possible other loans and credits from other financial institutions. After processing the application, banks tend to contact the applicant via phone to discuss the application in further depth, and to provide a preliminary loan offer and a loan promise. The loan promise will be made based on all previously mentioned factors combined (OP Financial Group 2023).

As the customer has acquired a loan promise and a preliminary loan offer, they can proceed to search for a home for themselves. Banks encourage their customers to initiate contact once they have located the perfect home, that the loan promises amount covers. The bank will form a binding loan offer to the customer once they

have all the details of the property, such as street address, property manager's certificate and most importantly, the price of the property.

The maximum loan-to-value ratio for a mortgage loan is 90% of the fair market value of the collateral at the time the loan is authorized. The lender must consequently have at least 10% of their personal funds or adequate other collateral when they purchase their home to comply with the loan-to-value ratio guidelines. The amount of the loan taken out for a first-time home buyer is an exception to this regulation and cannot be greater than 95% of the fair value of the collateral at the time the loan is issued. Therefore, if the property being purchased is the only form of collateral, the buyer cannot purchase a home fully using loan funds. Savings or other collateral must cover 10 % (or 5 % for a first-time home buyer) of the purchase price of the property. (Financial Supervisory Authority 2018).

### **2.3.2 Loan Types & Interest Rates**

Banks offer different financial solutions in home purchasing which are tailored to customers' personal situations. In Finland, there are three common housing loan types that are issued, which will be presented below.

The first loan type is the fixed interest rate loan. In this loan type, the interest rate on the loan has a fixed interest rate that does not alter. The rate stays the same throughout the agreed period. The interest rate value and period for the fixed rate will be agreed between the customer and the bank. The period can be i.e., 10 years, and after the period has passed, the bank and the customer will negotiate the new interest value and length of the new period (Financial Supervisory Authority 2018).

The second loan type is the reference rate tied loan. In this loan type, the loan is tied to a reference rate that varies depending on the selected reference rate (Financial Supervisory Authority 2018). The reference rates which are tied to house loans are 12-month Euribor, 6-month Euribor and 3-month Euribor. Euribor rates are available for periods of differing lengths, giving borrowers options with diverse perspectives on the risks associated with rising interest rates. While the longer 12-month Euribor offers a little bit more stability, shorter rates respond to changes in the interest rate fluctuation levels more quickly (Nordea Bank Abp 2023). To put it in a more practical context, in the 12-month Euribor rate, the loan is tied to the current rate for 12 months from the day the loan has been made binding. Once 12 months have passed, the 12-month Euribor will have a different value than when the loan contract was

issued, and the new value will be tied to the loan from that day onwards. Furthermore, this applies to the shorter term 6- and 3-month Euribor rates as well.

The purpose of figure 1 below is to visualize current movements of Euribor rates.

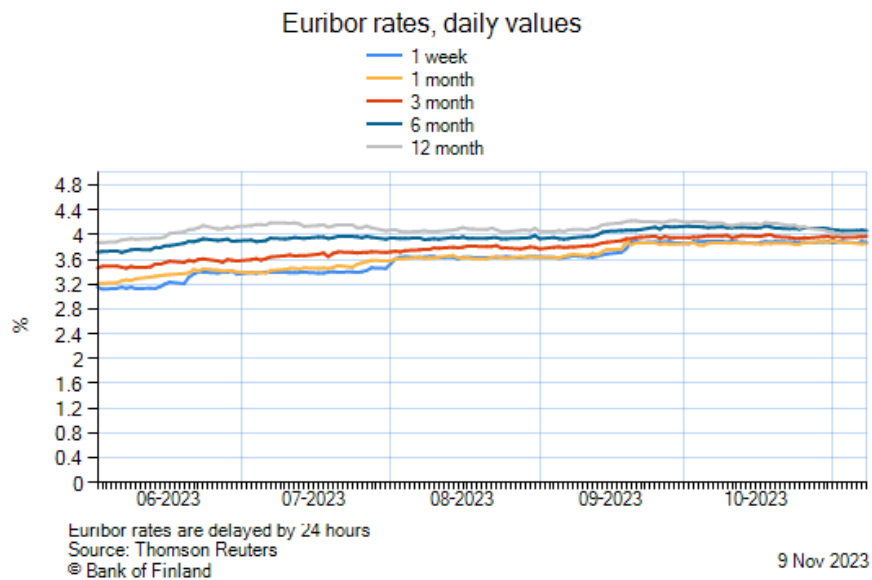


Figure 1. Euribor rates (Euribor rates & daily values 2023, Bank of Finland)

Finnish banks offer their own rates, which are called Prime interest rates. It is possible to apply these rates to a mortgage loan. The principle of the Prime rates is that the rate follows the development of other rates on the market, i.e., the Euribor rate. The Prime rate often offers the customer a better price for the loan, since it is nearly always cheaper than the Euribor rates, but on the downside, the banks decide the value of the rate, so the customer must prepare to adapt that the rate's value might not be as stable as in Euribor rates (Nordea Bank Abp 2023).

Figure 2 below shows how the prime rates of three Finnish banks follow the rise of the 12-month Euribor rate.

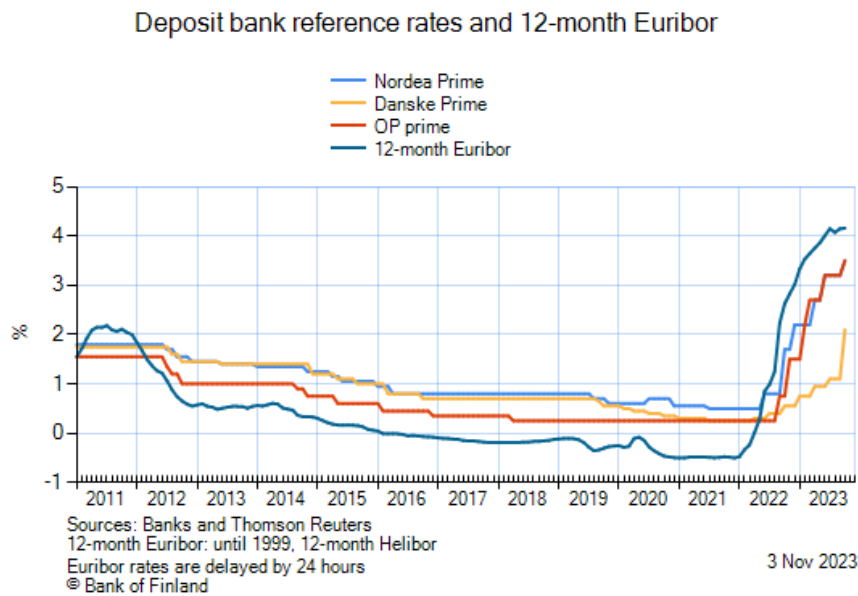


Figure 2. Prime rates (Deposit bank reference rates and 12-month Euribor 2023, Bank of Finland)

The third loan type is the ASP interest subsidy loan. To start the ASP saving process to purchase a first home, the customer must sign an ASP agreement to open an ASP-account with a bank of their choice. At the time the ASP-account is opened, the customer will make their first deposit to the account to start the saving process. According to the ASP agreement, the customer must deposit 150-4500 euros for eight quarters of a year, to comply with the saving terms. An ASP interest subsidy loan has a maximum repayment time of 25 years (State Treasury 2023). To put it simpler, a customer must deposit at least 150 euros but no more than 4500 euros every four months to the ASP account to achieve the maximum length of the loan. Furthermore, the ASP agreement stipulates that the bank will provide a tax-free interest rate of 1% annually in addition to an additional interest rate of 2-4 %, if the ASP saver has fulfilled the agreement's requirements and purchased their first property (State Treasury 2023).

An ASP saver can be anyone from age 15 to 44 years old and has never bought a house or apartment before. The ASP agreement may include the applicant's married partner, even if they are older than 44 years old. Whether additional partners are in a registered relationship, were married in the past, or are not married at this time, they are subject to the same rules. An ASP agreement can be made at a bank by the ASP saver and their legal guardian(s) if they are a minor (under the age of 18). However, it

is not possible to open an ASP-account to a customer under 15 years of age (State Treasury 2023).

The ASP interest subsidy loan may also be given a state guarantee if necessary. The state guarantee is provided without cost. Prior to purchasing a home, a written guarantee agreement must be created during loan discussions. Up to 90 % of the home's purchase price may be covered by the loan with a governmental guarantee. In addition, if the ASP-loans total interest rate exceeds 3.8 %, the government offers to pay 70 % the interest rate's exceeding amount (State Treasury 2023).

Once the ASP saver has saved up to 10 % of the home's purchase price, the bank will borrow the rest as an ASP subsidy loan.

Table 2. Maximum loan amounts for ASP interest subsidy loan applicant's

MUNICIPALITY	ONE ASP LOAN APPLICANT	TWO ASP LOAN APPLICANTS
Helsinki	215,000 euros	322,500 euros
Espoo, Vantaa and Kauniainen	160,000 euros	240,000 euros
Tampere, Turku	140,000 euros	210,000 euros
Other municipalities	120,000 euros	180,000 euros

### 2.3.3 Mortgage & Repayment Methods

A mortgage loan repayment consists of the principal amount, the agreed interest rate, and a margin for the interest rate. The portion of the margin is included in all mortgages. The margin differs depending on the bank and customer, since the margin is decided by the bank. Customers can negotiate a better margin for themselves by asking offers from other banks, hence mortgage customers often relocate their loans to the bank that offers the best margin for the loan.

As the mortgage loan is being finalized between the bank and their customer. The bank will present a repayment plan, which can be adjusted according to customer preferences. In the repayment plan, there are three options from which the customer can select the most suitable plan according to their economic situation.

The first repayment option is the fixed period loan. The loan is paid off in installments, with the capital repayment portion being set and the interest component fluctuating with changes in interest rates. The remaining capital in existence is used to calculate the interest. While the loan term does not change, the monthly payment amount does alter in accordance with changes in interest rates.

The second repayment option is the fixed instalment loan. The loan is repaid in equal-sized installments that include both the capital and interest portions of the loan. Although the loan period changes, the monthly installment amount stays the same to reflect changes in interest rates.

The final repayment option is the annuity loan. The loan is repaid in equal-sized payments divided equally between interest and capital repayments. In accordance with changes in interest rates, the monthly payment amount varies, but the loan terms do not alter. (Financial Supervisory authority 2018).

## **2.4 Young Professionals' Housing in Finland**

In this subchapter, the data has been acquired from research conducted by Aho, Myllymäki, Sandqvist & Strandell in 2021 on behalf of Finland's Ministry of Environment. The survey's focus was to find out the status of 19–29-year-olds in the housing market of Finland. The research was based on a survey conducted by the authors that acquired a total of 1509 responses.

Young professionals typically move out of their childhood homes when they are 19 years old. The most common age of departure was also 19 years of age. Seven out of ten movers on average relocated when they were between the ages of 18 and 20. Moving away was primarily motivated by a wish to become independent (86 %), followed by a desire to pursue education (54 %). For one in five people (24 %), moving away was caused mostly by moving in with a partner or spouse. One in ten people have moved away because of no longer being able to live with their parents. Conflict with parents was the most typical explanation. Financial constraints and long commutes to the location where studying took place had an impact on some people. A few individuals recall leaving their childhood home and moving abroad or moving because of changes in their parents' personal circumstances (new partner, mother/ father moving). The respondents were allowed to select multiple choices for reasons for moving out from their childhood homes (Aho, Myllymäki, Sandqvist & Strandell 2021, 30.).

The likelihood of renting a home is highest among young individuals. Nationwide, between 2005 and 2019, the percentage of 20- to 29-year-olds who rent rose from 51 % to 59 %. Only 52 % of respondents who identify as living independently believe renting is a desirable form of housing for them, even though 77 % of those respondents live in rental housing. 17 % of people reside in owner-occupied homes, whereas the remaining 83 % do not. Those who own their homes are also happier with them than those who rent. The percentage of people who believe renting is a suitable option for them is 73 % for 18–20-year-olds and 49 % for 27–29-year-olds. Rental housing is well suited to the student and independent phases, but once the time comes to settle down, most of the respondent's desire to commit to owner-occupation housing options.

Young professionals under 21 years of age and those who reside in the smallest apartments tend to prefer renting. The vast majority of those who currently reside in rented housing-77 % of people, have favorable opinions about their choice of housing. Only 7 % of owner-occupiers think that renting is a good alternative, thus this change from ownership to renting does not appear to be usual. Renting is more suited to individuals who are single or still reside with their parents, than it is to married couples or families with young children. (Aho, Myllymäki, Sandqvist & Strandell 2021, 44-52.)

#### **2.4.1 Challenges in Home Purchasing**

It is usual for owner-occupied homes to be financed primarily by debt. For a significant portion of the population, homeownership has evolved into a lifelong endeavor or at the very least, a lifelong investment. The uncertainty surrounding economic growth and jobs is having an increasing impact on how the housing market is developing. Young professionals are less eager and able to buy owner-occupied homes when there is uncertainty. The volume of house sales has been declining for several years, which reflects uncertainty again. Sales volumes have been the market's first form of adjustment as demand continues to decline.

It should be mentioned that the financing requirements for home buyers have increased when banks began to follow the government's advice on mortgage lending of self-financing. A decline in the number of first-time homeowners is evidence of this. House prices do not differ significantly from the level set by household income at the national level, hence the short-term housing market situation in Finland can be regarded as reasonably balanced. Prices won't drop dramatically in the absence of a

significant external macroeconomic shock. Each year, a sizable number of young adults enter the housing market without having sufficient knowledge about mortgages, collateral, or the entire mortgage procedure. Since their lack of information and life experience are little, it is a tough task to commit to a lifelong investment. Therefore, most of the young professionals choose to rent, since it is an alternative for shorter commitment. When estimating their possibilities of repaying their debt, young individuals may be overly optimistic. When deciding on their first owner-occupied home, individuals can give the monthly payment more thought than the dangers associated with loan repayment or the overall cost of housing. (Niemi 2017, 68.)

Greater pressure to leave the childhood home can be detected among people who live with their parents. As mentioned in chapter 2.4., the common age of departure from a childhood home was 19 years of age. Therefore, the relocation and acts of independence within one's friend group might have an impact on the pressure to leave a childhood home. However, according to a survey with a sample of over 1500 people conducted by Aho, Myllymäki, Sandqvist & Strandell in 2021, 15 % of the respondents reside with their parents. They do so mostly because it is cheaper (87 %), safer (80 %), or they are still in school (59 %). One out of two people (50 %) report that they cannot afford to live independently. One in three (33 %) additionally list unemployment or temporary employment as a factor. (Aho, Myllymäki, Sandqvist & Strandell 2021, 36.)

To sum up the main challenges in apartment purchasing, young adults don't have the financial means to purchase a home, they are still in school or starting their career, and a portion prefers the benefits and security of living with their parents.

#### **2.4.2 Opportunities in Home Purchasing**

In home purchasing, there is never certainty of a good deal. As fluctuating interest rates often control the pricing of real estate, there is never a perfect moment for one to take a mortgage loan and purchase a home. Every home purchased is a risk, and it might be fearful for a young adult to commit to a substantial financial investment when there is little certainty of the profitability of the investment. However, without taking risks in life, there is a high probability that the quality of life will never reach above average. The concept of time is the key that young adults have compared to the older population. Time allows young adults to make mistakes in the early stages of life, but it allows also to recover and stabilize from the made mistakes which can be considered as a valuable lesson. The older population are forced to engage into

lower risk investment options to prevent losses, which gives the younger population access to potentially high reward investments since there is less competition.

A good example of this is apartments, houses and properties that are in poor condition. The older population might not have the time and desire to commit to renovating a poor-conditioned property, which is exactly what the young have. If the property is in poor condition, it often means that it is listed cheaper as similar sized but better conditioned properties. Purchasing a poor conditioned property for the lowest possible price, renovating it, and finally selling it for a profit is called house flipping (Hytinen 2021). The key is to hold the property as little time as possible, since there are running monthly expenses that 'eat' parts of the profit. In addition, it is beneficial to not use too expensive materials in the renovation process, since the property will not be for personal use.

Another opportunity is to purchase a poorly conditioned flat-share which is scheduled for plumbing repairment work. During the plumbing repairment, all sewers, domestic water pipes, wet rooms (toilet and shower areas) and electricity is renovated in the entire building. Eventually, it comes with a cost for each flat-share owner depending on the flat's size. On average, the plumbing repairment cost 1053 euros/ m<sup>2</sup> in the Helsinki Metropolitan Area, and 993 euros in other regions outside the Helsinki Metropolitan Area (Talokeskus 2023).

Even though the owner is due to pay nearly a thousand euros per square meter, the plumbing repairment often lifts the price of the flat-share. After the plumbing repairment, the owner can make personal adjustments and renovations to the flat, that will potentially increase the value of the property even more.

Lastly, when a flat is in poor condition and scheduled for a plumbing repair, the price tag of the flat is often very reasonable. This means that the buyer requires less money for the down payment to purchase the flat, and the buyer is more likely to get a loan from a bank with a lower income job.

### **2.4.3 Increasing Personal Wealth**

Another opportunity for young adults is purchasing a property as a long-term investment. Unlike in house flipping, in this concept the property is not destined to be renovated and sold for fast profit. As mentioned in the previous chapter, young adults have the time advantage, and it can be applied especially with home purchasing as a long-term investment.

Depending on the person, long-term investment has a slightly different meaning to everyone. When considering a property as a long-term investment, it can be said that the intention is to keep the property a certain number of years instead of months, so that the market value will potentially increase in the region. For example, a decent and safe area to purchase a first long term investment property is in a larger city and highly populated area. It often means that the properties within the city or area are likely to at least keep their value, or perhaps increase within time (Ketoja 2022).

As changes don't often happen overnight, the key is to let the property 'marinate' in time. Waiting for the interest rates to depreciate often raises the prices of properties in the real estate market. There are other important aspects that should not be overlooked when considering a long-term property investment. For instance, the city, region and exact location of the property has significant importance on profitability. In addition, if the property has good access to public transportation, grocery stores, services and perhaps construction of new buildings nearby, it can be considered to have a positive impact on the property. (Ketoja 2022).

After becoming the owner, the next step is to figure out what to do with the property. The property can be put for personal use if there is not an alternative accommodation option available. The benefit of living in an owner-occupied property is that the value is expected to increase in time, if the property has some of the qualities listed in the above paragraph. Moreover, in first-time homeownership the property is often purchased with a loan from a bank, which means that the owner must repay the bank according to the mortgage loan contract. This can be considered as a positive aspect, since after each paid instalment, the owner will own a part of the property until it is fully paid.

When repaying the bank, the percentage of ownership increases, which allows the owner to use the portion of ownership as collateral for other investments. A popular concept is refinancing a mortgage loan. Refinancing is a method that homeowners use to modify the terms and/or interest rate on their existing mortgage. Refinancing does not entail obtaining a second or extra mortgage, such as a home equity loan or credit. When refinancing a property, the owner can compare mortgage interest rates and negotiate new terms for the loan. For instance, if the homeowner is willing to purchase a new property, they can apply for a mortgage refinance, and obtain better terms to enable the purchase of a second property. However, the bank will investigate what type of terms the applicant qualifies for (U.S Bank 2022). As said before, if

the homeowner has repaid the bank instalments for several years, the portion of the ownership on the first apartment can be used as collateral in the second property.

#### **2.4.4 Passive Income**

Passive income is a form of income that supports one's personal economy. One can achieve a stream of passive income, i.e., by investing in stock or real estate. The goal of passive income is to support one's personal economy and cover their expenses to liberate time for other important matters, instead of living from paycheck to paycheck (Hyvärinen 2023). When an individual has enough passive income streams to provide for themselves and their quality of life, they have reached financial independence.

A popular way of gaining value from an owner-occupied property is to rent it out to others. A rented out flat-share has several benefits for the owner. As the owner is due to repay the bank the bank monthly instalments and maintenance charges for the condominium, the amount of the rent should cover these two charges at minimum. The benefit for the owner would be that the tenant pays for the owner's monthly expenses indirectly. Once the tenant pays the rent to the owner, the owner repays the bank for the loan, and the owner is left with a portion of ownership of the property. When this cycle is repeated for the duration of the owner's mortgage loan, the owner will eventually end up owning 100 % of the property without repaying the bank with their personal money. The most ideal situation for the owner is that after repaying the bank and the condominium, a portion of the tenant's rent will be left for the owner as simple profit. However, to be able to make a profit from renting, the key is the correct pricing of the property. The amount charged for rental use must be considered thoroughly to acquire tenants. In the worst-case scenario, if the price of the property is too high compared to similar properties, the owner will end up making a loss since potential tenants will choose to live elsewhere.

#### **2.4.5 Short-Term Renting**

Airbnb is an online service that provides a platform for their customers to rent out their accommodation for travelers. The host can rent out their accommodation on their own terms. For instance, the price, availability of the accommodation and interaction with guests is completely decided by the host (Airbnb Inc. 2023).

As said before, one can register as a member in Airbnb service to rent their accommodation for others. Due to the flexible terms of renting, the host can decide on all

terms regarding the usage of their accommodation. For instance, the host can decide to rent out for two days a month or for an entire year. The host can also decide the amount of interaction with the guests. If the host feels that they wish to meet each guest personally before letting them into the accommodation, it is made possible. As many new hosts might be worried of accidental destruction of their furniture or property, Airbnb offers insurance for host which covers many aspects of undesired outcomes of renting.

The registering and listing the accommodation is free of charge, but after a reservation is made, Airbnb charges 3% as a service fee from the price that the accommodation was listed on their website. In addition, the host must comply with Airbnb requirements and provide their full name, email address, verified phone number, introduction of themselves, payment details and accepting terms & conditions (Airbnb Inc. 2023).

In other words, renting via Airbnb can be considered a great opportunity for first-time homeowners. When the accommodation is primarily being used by the owner, there might come sequences where the owner can make additional income while not being present in their home by renting to Airbnb customers. There are no limitations on the accommodation type, since travelers have different preferences. Airbnb accepts all types of accommodation, and additionally, if the accommodation has a spare room, it can also be rented out via Airbnb.

### **3 Research Methods**

This chapter presents the research methods of this thesis. It includes the entire research design of the thesis, the survey design and data collection instrument which are visualized in detail. Lastly, the process of data collection and analysis will be discussed to provide the reader a clear view of how the data was treated, and the reliability of the research is assessed in the final subchapter.

#### **3.1 Research Design**

As the author attempts to distinguish patterns in young professionals' accommodation preferences and investigate the target segment's thoughts regarding first-time homeownership, it can be said that empirical data collection methods and approaches supported best the purpose of this thesis. Additionally, as the target of this research is rather large, averages and generalizations regarding the topic are a necessity. Furthermore, the research focused on collecting qualitative data. In qualitative research, concepts are investigated from a meaning perspective, rather than numerical values. Various sources such as observation, interviews, surveys and documentary materials can be used to perform qualitative research. (Palic, Vignali, Hallier, Stanton & Radder 2016, 8-9.)

Figure 4 represents the design of the research in detail. The data collection of the research was divided into two phases: document collection from reliable internet sources, articles and statistics. The data from for the second phase was acquired from an online survey. These two phases provided the data which was combined and analyzed by using comparative analysis methods. The analyzed data from both phases was used for drawing conclusions and for answering the investigative questions of this thesis, and finally, the research question. (Albers 2017, 1-9.)

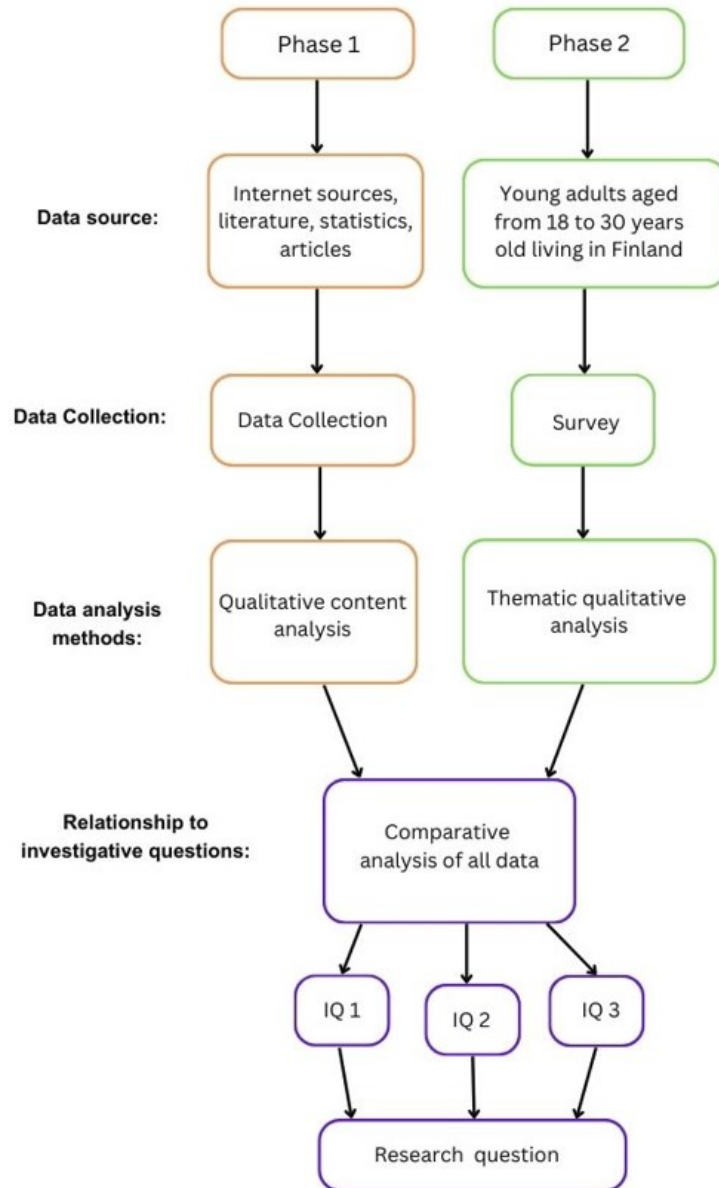


Figure 3. Research Design

### 3.2 Population and Sampling

A population is a finite collection of units, which can include individuals, households, and companies. By selecting a subset of individuals or units, one can gather data and draw conclusions. These units can be characterized by intentional or extensional definitions. An intentional definition, also known as the target population, precisely outlines the features or criteria that define the group from which a sample is drawn. (Lohr 2022, 1-22.)

Choosing a sampling technique depends on the goal and the type of research. Deciding which techniques to use requires a clear research goal, which in this case is to find out information related to housing of adults aged from 18 to 30 years old. Therefore, the sample for this research was acquired based on simple probability sampling methods. Probability sampling is also known as random sampling, which enables all individuals from a population to have an equal chance or probability of being chosen, since the selection criteria is completely random (Etikan & Bala 2017, 215-217.).

Even though the target was to acquire responses from individuals from ages between 18 to 30 years old, the author couldn't prevent the participation of older individuals. As the second phases' data was collected via survey, individuals outside of target were able to take part in the survey.

### **3.3 Survey Design**

The qualitative research part was conducted as an online survey. A survey is a tool for collecting information and can be conducted in various forms, for instance in a form of questionnaire or online survey (Sue & Ritter 2012, 1-14.). The author felt that the option which suited best the purpose of the thesis was to conduct a short online survey due to time management and reachability of social media.

As many young adults have busy lives with work and studies, the author decided that the shortness of the survey would allow the respondents to complete all questions without asking too much of each respondents' time. Additionally, the survey was designed in a way that the respondent doesn't have to think about their answer for too long, since each could select only one answer among the presented response options. By guiding the respondents' actions with closed-ended questions and statements, the author was able to corner the respondent to select an answer which would suit them best, which could be used later in the interpretation of results.

The below table presents the survey's questions and statements, and the answers correlated to each question or statement. The survey was conducted in a way that the author would first present the age groups which each respondent would fall into. The purpose of the second question was to acquire knowledge on the respondent's nationality, hence the thesis includes an international aspect to it. The third question was determined to find out whether the respondents were students, employed or unemployed. Questions 4-7 were related to respondents' current accommodation types,

reasoning for selecting the current accommodation type, and thoughts about desire and means to purchase a home.

Table 3. Survey questions, statements & multiple choice options

In Which age group do you belong to?	18-20	21-25	26-30	30+	-
What is your nationality?	Finnish	Non-Finnish but European	I am a non-European	I am multinational	-
My current status in life is...	Student	Employed / Entrepreneur	Unemployed	-	-
Please select your accommodation type.	Rental apartment (vuokra-asunto)	Rental detached house (vuokrattu omakotitalo)	Owner-occupied apartment (omistusasunto)	Owner-occupied detached house (vuokrattu omakotitalo)	Other
I live...	By myself	With a roommate / partner	With my parents	-	-
Choose the option that best describes your type of housing	Purchasing my own apartment / house is currently above my means. Renting was the most suitable option for me.	Splitting the rent with a roommate / partner was the best option for me.	I had enough savings for the down payment, so I decided to purchase my first apartment / house.	Purchasing an apartment / house is not relevant due to other factors in my life.	-
Instead of renting, would you be willing to purchase an apartment / house if you would have the desire and means to do so?	Yes	No	I'm a homeowner, I'll skip this question	-	-

### 3.4 Data Collection

As stated before, the data was collected in two phases. The first phase was focused on providing information regarding recent events in the real estate market, various financial aspects, purchasing requirements for different nationality groups and opportunities & challenges in home purchasing. Therefore, the data of the first phase was mostly collected from articles, reliable internet sources and statistics. The data for phase one was collected between October and November 2023.

In the second phase, the author conducted an online survey with multiple choice questions and statements. The survey was kept open for respondents from October to mid-November 2023. The language of the survey was mainly English, but some words were translated into Finnish to achieve full understanding from the Finnish respondents.

The process of data collection in the second phase started with sending the survey's link to close friends and family. As the objective was to acquire as many responses as possible, the responses from friends and family were insufficient. Therefore, the author decided to send the link to various WhatsApp group chat's that he was included in. Additionally, to boost the number of responses, the author added the survey's link to his Instagram story and published a post on LinkedIn. As a positive side effect, the author's friends and family shared the link of the survey to their network in

various social media platforms, which most likely encouraged strangers to take part to the survey and add to the number of total respondents.

The author felt that by keeping the survey open as long as possible, it would acquire more respondents and eventually more accurate results. However, the flow of participants diminished after the first week of opening the survey to the public.

### **3.5 Data Analysis Methods**

In the first phase of the thesis, qualitative content analysis was applied to the collected data. Content analysis can be used in both quantitative and qualitative analysis. The objective of the investigator of the content is to summarize the meaning of the gathered data in a format that is easily understandable (Palic, Vignali, Hallier, Stanton & Radder 2015, 2-12.). In this thesis, the content was obtained from various high-quality sources, mostly being online sources. Furthermore, the meaningful parts of the collected data were summarized properly to provide the reader a comfortable reading experience.

In the second phase, the concept of thematic qualitative analysis was put to practice. The purpose of thematic analysis is to present direct or indirect conceits based on the data that is investigated, Additionally, thematic analysis is helpful in interpretation of the results in the survey, since the concept allows the categorizing of data and locating repeating or differentiating themes (MacQueen, Namey & Guest 2012, 3-49.).

When analyzing the data of the survey, the author used the help of Excel. When the respondents' answers were collected, the data was transferred to Excel to draw figures from each question, which would enable the visualizing and summarizing of the results. Comparative data analysis was applied to the data collected from both phase 1 and 2, which would be utilized in answering the investigative questions 1-3. The purpose of comparative analysis is explaining the causal process between variables to provide a better and clearer understanding of the differentiating and/ or connecting points from the data (Adiyia & Ashton 2017, 1-8.).

### **3.6 Reliability and Validity**

Ideally, the outcomes of study ought to be legitimate and dependable. Research is considered reliable if it can consistently produce results while measuring anything. Reliability requires that the results are consistently attainable within the same

parameters, regardless of the research. One way to characterize reliability is the relationship between two independent measurements (Downing & Yudkowsky 2009, 21-75.).

The validity of research refers to the evidence that confirms or denies the truthfulness of the assessed data or findings. Additionally, it also demonstrates the effectiveness of the data collection methods used by the researcher and the relevance of the research topics. The questionnaire's structure and probing style have a direct impact on the results (Downing & Yudkowsky 2009, 21-75.).

The survey's design aimed for maximum validity and reliability. To ensure that respondents understand the purpose of the survey, a short introduction was made when posting the survey's link to various social media platforms. Careful consideration regarding the questions and statements was made before publishing the survey to minimize misinterpretation. The validity of the research was then confirmed by carefully examining the survey's primary data.

## 4 Results

The data obtained from the online survey will be presented and interpreted in this chapter. There will be three different ways to display the results: numerical, narrative, and graphical. The data is presented in the same order as the survey was designed. The interpretation will begin with a subchapter on respondent demographics and will proceed in the order as presented in table 3. to ensure flow and clarity.

### 4.1 Respondent Background

The survey acquired a total of 73 responses. At first, the respondents were asked to provide demographic information about themselves. All 73 respondents answered the demographic questions and statements in the survey. The first demographic question presented to the respondents was to find out in which age group they belong to. Out of the 73 respondents, nearly 14 % were 18-20 years old, slightly over 41 % were between the ages of 21 to 25, and approximately 34 % were 26 to 30 years old. Additionally, since the author felt that social media would potentially attract respondents over 30 years, they were allowed to take part in the survey as well. It wasn't disclosed that the survey is observing a specific group of people, therefore, the portion of over 30-year-old's is included in the figure. The portion of over 30-year-old respondents was 11 %.

The purpose of this question was to see if the survey manages to acquire target respondents, which are young adults aged from 18 to 30 years old. Figure 4 shows the result for this question in a graphical manner.

In which age group do you belong?

73 vastausta

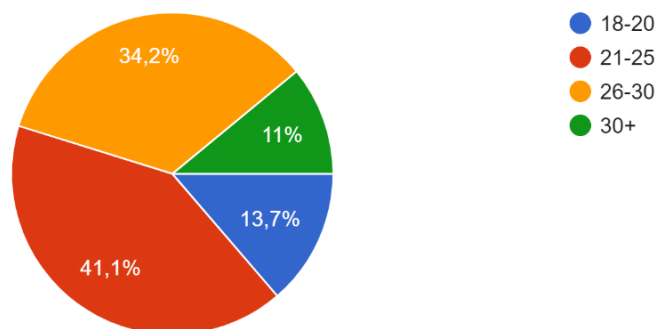


Figure 4. Distribution of age (n=73)

The objective of the second demographic question was to determine the origin of the respondents by dividing the respondents into four categories. The first category being Finnish, which accumulated more than half of the responses (51 %). A total of non-Finnish European responses was acquired worth of 11 % out of the 73 respondents. The non-European category was left with the fewest respondents, which added to less than 10 % of the total number of responses. The second largest group of respondents were multinationals. A respondent is considered multinational if they have at least any two nationalities, and this group contributed nearly 29 % of the number of total responses.

The purpose of finding out the origin of respondents was to see whether the survey succeeds to acquire other respondents than Finnish origin, since the research touches all individuals living in Finland. Figure 5 shows the categories of respondents based on their origin.

What is your nationality?

73 vastausta

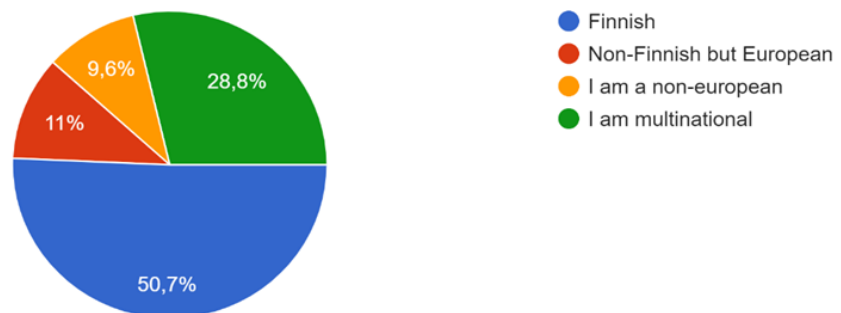


Figure 5. Distribution of nationality groups (n=73)

As for the final demographic feature, the survey was determined to find out the status of respondents. Most respondents were employed or entrepreneurs, with a total of nearly 55 % of responses out of the 73 responses accumulated. The second largest group were students, who participated in the survey with slightly more than 38 % of the total number of responses. The minority group was respondents who were

currently unemployed. The portion of unemployed respondents was nearly 7 % out of the total number of respondents.

The purpose of finding out whether the respondent has ongoing studies, an occupation or faces unemployment is crucial to the research objective because it has a financial aspect to it. The results of this question are visualized in the below figure 6.

My current status in life is..  
73 vastausta

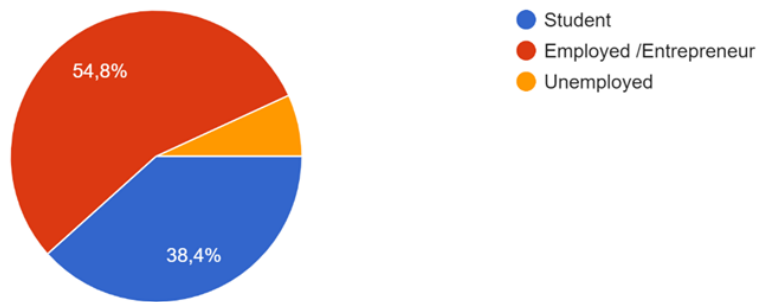


Figure 6. Respondent status (n=73)

## 4.2 Housing Types and Preferences

Next, the survey was set to obtain information regarding the current accommodation types of respondents. The fourth statement received one less response than other questions and statements in the survey. According to the survey, most respondents live in rental apartments while occupying nearly 74 % out of the total number of responses received. Rental detached housing option was also included in the survey, but none of the respondents were living in that form of accommodation. However, 8 % of the respondents were living in owner-occupied detached houses out of all participants in the survey. Owner-occupied apartments were slightly more popular among respondents with a score of nearly 13 %, and other forms of accommodations were able to collect approximately 6 % of total responses.

As said in the above paragraph, the purpose of this statement was to find out the current accommodation types of respondents. This information will be later used when comparing the results of the survey to prior research. Figure 7. Below presents the results graphically.

Please select your accomodation type.

72 vastausta

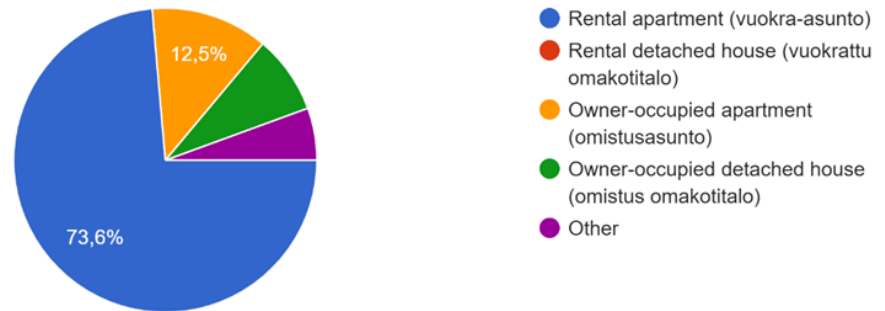


Figure 7. Accommodation types (n=72)

The respondents were then asked whether they share their accommodation or not. The options available for selection were living alone, with a roommate or partner and with parents. The results show in figure 8, that over half of the respondents (51 %) live with a roommate or a partner. Slightly over 40 % of the respondents answered that they live alone, and roughly 8 % live with their parents.

I live...

73 vastausta

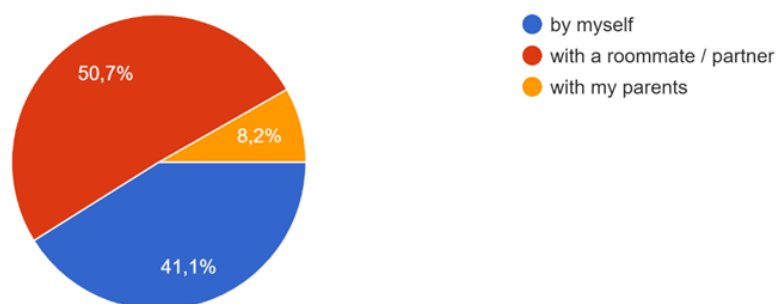


Figure 8. Comparison of sole housing to shared housing (n=73)

The next statement was slightly related to figure 8. The respondents were assigned to choose the most suitable options from statements that describe the purpose of choosing their current accommodation type. Most respondents selected the option where renting was the most suitable housing option for them, since home purchasing

was above their means. This answer collected roughly 43 % out of 73 answers. The other statements collected equal amounts of answers, which was slightly over 19 % per statement. The statements were as follows: Splitting the rent with a roommate / partner was the best option for me, purchasing an apartment / house is not relevant due to other factors in my life, and lastly, I had enough savings for the down payment, so I decided to purchase my first apartment / house. Figure 9 below represents the results for this statement in a visual format.

Choose the option that best describes your type of housing

73 vastausta

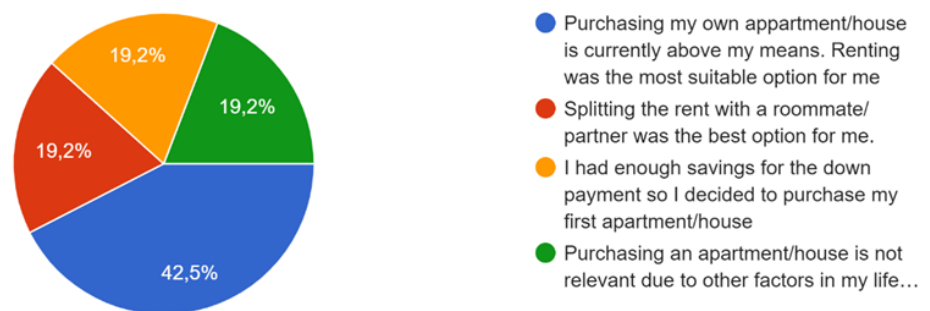


Figure 9. Reasoning for current accommodation type (n=73)

As for the final question, the survey was determined to find out about the desire to become a homeowner. This question was designed specifically for the group that lived in rental apartments or houses, and the purpose was to see whether respondents feel that living in a rental apartment or house is only temporary. Most of the respondents would be willing to give up living in rental homes with a total of 74 % of answer out of all responses. On the contrary, roughly 6% felt that they won't be purchasing a home during their life. As the question was designed for respondents that rent their homes, the question included an option for homeowners to skip the question, which accumulated nearly 21 % out of the total number of responses. Figure 10 below represents the questions results in a visual manner.

Instead of renting, would you be willing to purchase an apartment/house if you would have the desire and means to do so?

73 vastausta

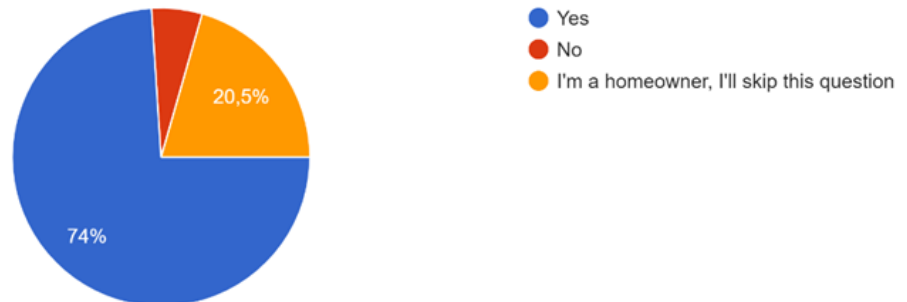


Figure 10. Desire of becoming a homeowner (n=73)

To conclude the results from the survey, the focus was directed towards investigating the types of accommodation for young adults, and the reasoning behind the selected accommodation by using demographic questions in the beginning of the survey. Additionally, the survey was determined to find out whether young adults would desire to give up living in rental homes and purchase a home for themselves in the future.

A total of 68 (93 %) respondents were either students, employed or entrepreneurs, which leaves 5 (7 %) participants as unemployed or non-students. It can be said that 68 respondents receive some sort of income, as students are granted student allowances and housing benefits. The number of renters was nearly three quarters (74 %), which is a substantial amount compared to other housing forms in the survey. However, when observing the number of students who took part in the survey, it is probable that they rent their homes, since student benefits don't cover the overall costs of homeownership. Furthermore, the employed / entrepreneur group most likely contributed to the renter's portion as well, due to the lower wages that younger workers often receive compared to the elder and more experienced population. When comparing the distribution of living alone and/or with other(s) person(s), the results showed that living with others (51 %) was more popular than living alone (41 %). The results indicate that employed young adults and students might prefer to share living expenses with potentially other students and partners, or simply that they are not ready to invest into a home from a financial perspective. Additionally, the survey showed equal results for 28 (38 %) respondents who prefer sharing their living expenses, and

for those who have other reasons that make home purchasing irrelevant for the moment being. It should also be mentioned that some of the respondents might study abroad and are forced to rent for the duration of their studies. Lastly The survey showed that 31 (43 %) respondents felt that renting is the most suitable option for them instead of purchasing a home, due to lack of financial means.

Finally, the respondents were asked whether they would be willing to give up renting their home, and instead purchase a home for themselves. 54 (74 %) of the respondents reported that they would desire to purchase a home at some point of their life, whilst only 4 (6 %) thought that homeownership will not be a part of their life. It is believed that the financial aspect of home purchasing is leading the young adults to rent and share expenses. As for the respondents who wish not to become homeowners, the reasons are unknown.

### **4.3 Comparison to Prior Research**

The presentation of the survey's results is followed by a comparison to a previous study to find out about patterns, similarity and differences from when the study took place up to this date. The study was conducted in Finland and in Finnish language. The study was chosen for comparison as it shared similar aspects with this research. It studied the housing of young adults, and was conducted in 2020 by Aho, Myllymäki, Sandqvist & Strandell on behalf of Finland's Ministry of Environment. The purpose of the study was to investigate young adults from ages from 18 to 29, and their status in the real estate market, current housing types, satisfaction to their current housing, housing goals, expectations and troubles towards the entire topic. The study managed to acquire a sample of approximately 1500 people, which included Finnish-, Swedish and foreign-language speakers (Aho, Myllymäki, Sandqvist & Strandell 2020, 10-104.).

According to the survey, around 77 % of young adults reside in rental homes. Because of the amount of competition for available apartments and rather expensive pricing on rental homes, finding accommodation to rent was challenging. However, young adults in Finland are content with their living conditions and have strong financial management skills. Nonetheless, one out of three of the young adult's had to adjust their lives or find additional work due to housing-related difficulties. Among the three, one had obtained a loan and the other two had done extensive assessments

before deciding on a residence. Parents and other family members provided housing support to their children, usually in the form of direct or indirect financial aid.

Living alone was becoming more and more frequent, and many young adults found it unsettling to live with strangers. Additionally, living in an apartment with friends was not a preferred choice. Finally, approximately 50 % of the young adults would rather reside in a large metropolis than in the countryside or smaller cities.

When comparing both studies that have a nearly 3-year time gap, it can be said that the target group in both studies was young adults from ages 18- to 30-year-olds or under, with multinationals included. The main common point was the number of home renters, as both studies indicated the number of renters to be close to 75 % out of all responses received in each. The financial issues came out strongly in both studies as well. However, the Finnish survey stated that living alone was becoming more popular than sharing a home with friends or strangers. On the contraire, the author's survey showed that sharing a home was a better solution instead of living alone.

## 5 Conclusions

This chapter provides a conclusion to the study by summarizing the important aspects of the research and presenting the key findings through the investigative questions. The investigative questions are followed by the conclusion to the main research question. After the discussion of key findings, recommendations for further research are suggested, and the final chapter includes the author's reflections on learning throughout the entire research process.

### 5.1 Key Findings

As the objective of this research was to answer the main research question, the investigative questions (IQ) played an important part in answering the research question. Therefore, the investigative questions will be addressed first in the order as presented in chapter 1.2. Due to the collected data in both phases 1 and 2, the author was able reach conclusions in each investigative question, and finally, a conclusion for the research question.

The first IQ of the research asked **what are the opportunities in homeownership**. The opportunities of homeownership were investigated in chapters 2.4.2-2.4.5. The opportunities of home purchasing are mainly financial as the key points were increasing personal wealth, passive income and short-term renting.

The concept of increasing personal wealth can be applied mainly in the long run, when considering investing into the real estate market. As the prices of real estate fluctuate depending on the interest rates and time, an important aspect for the buyer is to find a property that has growth potential during a certain period. Additionally, poor conditioned properties have value when renovated, and refinancing a home enables the growth of personal property portfolio due time.

The flow of passive income can be applied in homeownership as well as in other concepts. From the homeowner's perspective, the most valuable asset that the homeowner receives is time. As the owner does not have to physically work for the income, passive income will liberate time for other important matters in life. In the most perfect scenario, once the property portfolio has enough assets, the owner can retire and live with the income from properties that are rented out for businesses and tenants.

For short-term renting, the Airbnb service was presented as an option for homeowners that use the property for personal use. Often first-time homeowners don't have the means to purchase several properties and therefore are forced to live in their investment. However, short-term renting can provide additional income which can assist with running expenses that accumulate from the homeownership or can be added to personal savings, if considering expanding the property portfolio with a new investment for instance.

The second IQ asked **what challenges occur in becoming a homeowner**. The challenges in home purchasing were investigated in chapters 2.4-2.4.1, and the survey covered the challenges in an indirect way. The most notable challenges in first-time homeownership were finance related. A large portion of survey participants were students (39 %), which can be interpreted in way that home purchasing is not ideal due to ongoing studies. Additionally, the launching careers of the young adults disables home purchasing due to lower income rates.

According to survey results, 74 % of the participants rent their homes, 51 % share their living expenses and 43 % state directly that home purchasing is above their means. However, 74 % of the participants felt that becoming a homeowner would be ideal at some point in their lives. This can be interpreted as young adults would prefer owning over renting, but the lack of financial capability forces them to rent, since ownership comes with higher expenses compared to renting. Since the percentage for future homeowners was rather high, it seems that the most ideal situation for young adults is to collect capital, finishing their studies and advancing in their careers.

The third IQ asked **what should be considered important from a general and financial perspective in home purchasing**. This investigative question was designed for the informative part of the research for the reader, as before becoming a homeowner there are several aspects that one should be aware of. Firstly, becoming a homeowner in Finland has different requirements depending on the nationality of the buyer. For instance, people who are from non-EU and non-EEA countries have more restrictions and hurdles to overcome than ordinary Finnish citizens. Key examples of these hurdles are acquiring a residence permit to reside in Finland, and additionally, non-EU and non-EEA nationals must acquire a permit to purchase real estate in Finland. EU nationals have free entry to Finland, but a residence permit is also required if desired to stay over the 90-day limit. A mutual requirement for both non-EU & EEA

nationals and EU nationals is that registration with Tax Administration is required before purchasing property in Finland.

To continue, the research also provides information regarding financial aspects that can be considered beneficial to be aware of. When speaking of different mortgage loan types, there are three types that are commonly offered by Finnish banks: Fixed period loan, fixed instalment loan and annuity loan. The applicant should carefully consider and calculate which of the three options their personal economy would be able to support, and which one would end up being the most profitable. Additionally, since mortgage loans are granted with an interest rate and a margin which is decided by the bank, the loan applicant should select the most suitable option from the Euribor or bank reference rates for their loan. As the values of interest rates fluctuate constantly, the applicant should observe the rates and try to predict the perfect time to commit to a mortgage loan. Furthermore, the fluctuation of interest rates influences the prices of properties. The margin for the interest rates can differ depending on each banks' policy, and it is considered wise to apply for a loan from multiple banks to get a better price on the margin.

This thesis had two main objectives. The first one being the informative side, which was designed to provide basic knowledge for young professionals regarding general and financial aspects when it comes to home purchasing. The second objective was to increase homeownership among young adults instead of renting, which formed the research question (RQ): **In what ways can first-time homeownership be increased for young professionals in Finland?**

Based on the assessment and analysis of research conducted in both phases of the thesis, a conclusion can be made. The advantage that young adults have compared to the other population, is time. With the advantage of time, there is room to make mistakes and bad investments and recover from them. By cutting off irrelevant expenses at an early stage of life and starting a savings plan, one can achieve the financial capability to purchase their own home potentially in their early twenties.

A savings product that banks offer to customers to facilitate the process, is the ASP interest subsidy loan. As discussed in chapter 2.3.2, the ASP agreement can be made to a 15-year-old customer authorized by their guardian(s). Most importantly, the ASP agreement allows the customer to acquire a maximum loan cap of 95 %, which leaves the portion of down payment to 5 %. For example, if an apartment costs 200 000 euros, the buyer must pay 10 000 euros for the down payment, if the terms of the

ASP agreement are met. Generally, the ASP account is an excellent tool for saving money, and the principal amount grows annually due to the positive interest rate that the ASP agreement provides. It can be said that young professionals who are employed full-time should be able to reach the 5- to 10 % ASP minimum amount for the down payment rather easily, when re-routing irrelevant expenses into savings.

To continue with a strategy for home purchasing for students, there are three key elements that will enable a student to become a homeowner. The first key element being the elimination of unnecessary liabilities such as restaurants, bars and other costly affairs. Secondly, as students in Finland receive student- and housing allowances, they should be invested into compulsory expenses such as food and rent. In addition, students in Finland are allowed to withdraw a student loan. The total amount of loan differs depending on the length of studies. As the purpose of the loan is to financially support the student with their studies, it is recommendable to use what is necessary and save the rest. Lastly, if a student were to acquire a job among the ongoing studies, it would result in the most ideal situation for the student. Students are generally classified in the category of lower income group, which is often the reality. Even the low salary of a part-time job would have a significant impact on the savings process towards a first home, when added to the student loan and allowances.

## **5.2 Recommendations for Further Research**

Future research and studies regarding this topic would be ideal, since rules and regulations might vary due time. As the sample for this research was rather small, future studies should acquire a larger sample to represent more valid and reliable results. To build upon this research and receiving a more comprehensive understanding of the topic, the author recommends further studies to focus on regional differences in homeownership in Finland in a profound manner. This would allow access to useful and specific information regarding Finland's real estate market and would be beneficial for individuals who are interested in investing into real estate outside of metropolitan areas.

## **5.3 Reflection on Learning**

The author found this thesis to be a very useful source for learning. A personal interest in the subject matter provided encouragement to carry out the research. The entire project enhanced the author's capacity to organize their time, conduct research, and write in an academic manner.

Time management was the biggest obstacle for the author, since he works a full-time job. As the nature of the job is a daytime job, the author was left with rather late hours to conduct research for his thesis. Because of the full-time job, the author had difficulties resetting after work due to tiredness and lack of rest. As a result from lacking rest, the author had difficulties in focusing on the project which caused frustration and unproductivity at some points. At the beginning of the research, the author was not certain about the scope of the thesis, which resulted in plenty of unnecessary research and loss of time. However, the scope was narrowed down when advancing further in the research and completing a certain number of chapters. Another issue for the author was the ability to find credible sources which would provide validity and reliability to the study. Fortunately, credible sources were found, and the obstacle had been tackled.

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## Appendices

### Appendix 1. Survey Questions

In which age group do you belong?

- 18-20
- 21-25
- 26-30
- 30+

What is your nationality?

- Finnish
- Non-Finnish but European
- I am a non-european
- I am multinational

My current status in life is..

- Student
- Employed /Entrepreneur
- Unemployed

Please select your accomodation type.

- Rental apartment (vuokra-asunto)
- Rental detached house (vuokrattu omakotitalo)
- Owner-occupied apartment (omistusasunto)
- Owner-occupied detached house (omistus omakotitalo)
- Other

I live...

- by myself
- with a roommate / partner
- with my parents

Choose the option that best describes your type of housing

- Purchasing my own apartment/house is currently above my means. Renting was the most suitable opti...
- Splitting the rent with a roommate/partner was the best option for me.
- I had enough savings for the down payment so I decided to purchase my first apartment/house
- Purchasing an apartment/house is not relevant due to other factors in my life so I decided to rent instead.

Instead of renting, would you be willing to purchase an apartment/house If you would have the desire and means to do so?

- Yes
- No
- I'm a homeowner, I'll skip this question