

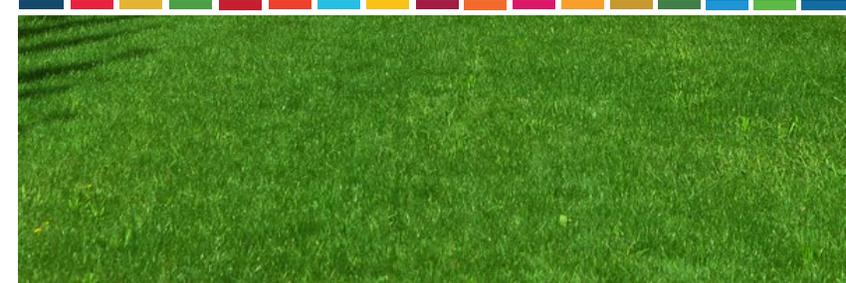
Tenure Security: impact of natural and man-made disasters and its geospatial and legal implications

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Monitoring and Restricting of Real Estate Ownership in Finland

Roundtable, November 3

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Background



- Finland became a member state of EU in 1995
 - Equal treatment of EU citizens
 - Previous restrictions of foreign (land) ownership were repealed in 2000
- Later, the Government recognized a need for further restrictions of ownership right on real estates – land ownership was defined as potential for hybrid influencing
- New acts were enacted and came into force in 2020, regulating e.g. the requirement of permit process for citizens / entities outside EU/EEA member states acquiring land (=real property in Finland).

Objectives of new instruments



- The laws are drafted in compliance with international obligations (for example EU) and give the authorities more tools to monitor properties critical to national security.
- The system is built to prevent situations where the prerequisites of operation of security authorities or national security **could be influenced**.
- There are approx. 2.7 million real estates in Finland, and the number of transactions is 60.000 to 70.000 annually, of which the number of buyer coming outside EU or EEA area is 400 to 800 annually.

The instruments



- Amendment in Land Use and Building Act (467/2020) requiring that during the **land use planning** process the needs of national defence, border security, and security of supply are to be considered.
- Requirement to apply for a **special permission for buying real estate**, if the buyer is an entity with a seat state outside the EU/EEA member states or a citizen of other countries than EU/EEA member states. (470/2019)
- A **pre-emption right for State** in real estate transactions where the acquirement of the real estate is needed to ensure national defence, border security or the monitoring and securing of territorial integrity of Finland. Defines 500-1000 meters buffer zones. (469/2019)
- New Act on the **Right of Redemption** of Immovable Property and Special Rights in Order to Protect National Security (468/2019), repealing of previous act on right of redemption for defence purposes.

Permits



- The requirement of applying a permit concerns all the transactions where the buyer is coming outside from EU/EEA region
 - Private persons
 - Companies and bodies (10 % or more of the holdings, or artificial diversification of holdings. The seat state does not define the need for permission)
- The application is targeted for the Ministry of Defence (at the moment on paper only)
 - Application document
 - Deed or offer
 - Copies of passport or holding structure
- Handling time 2-3 weeks, permit must be applied latest 2 months from the transaction

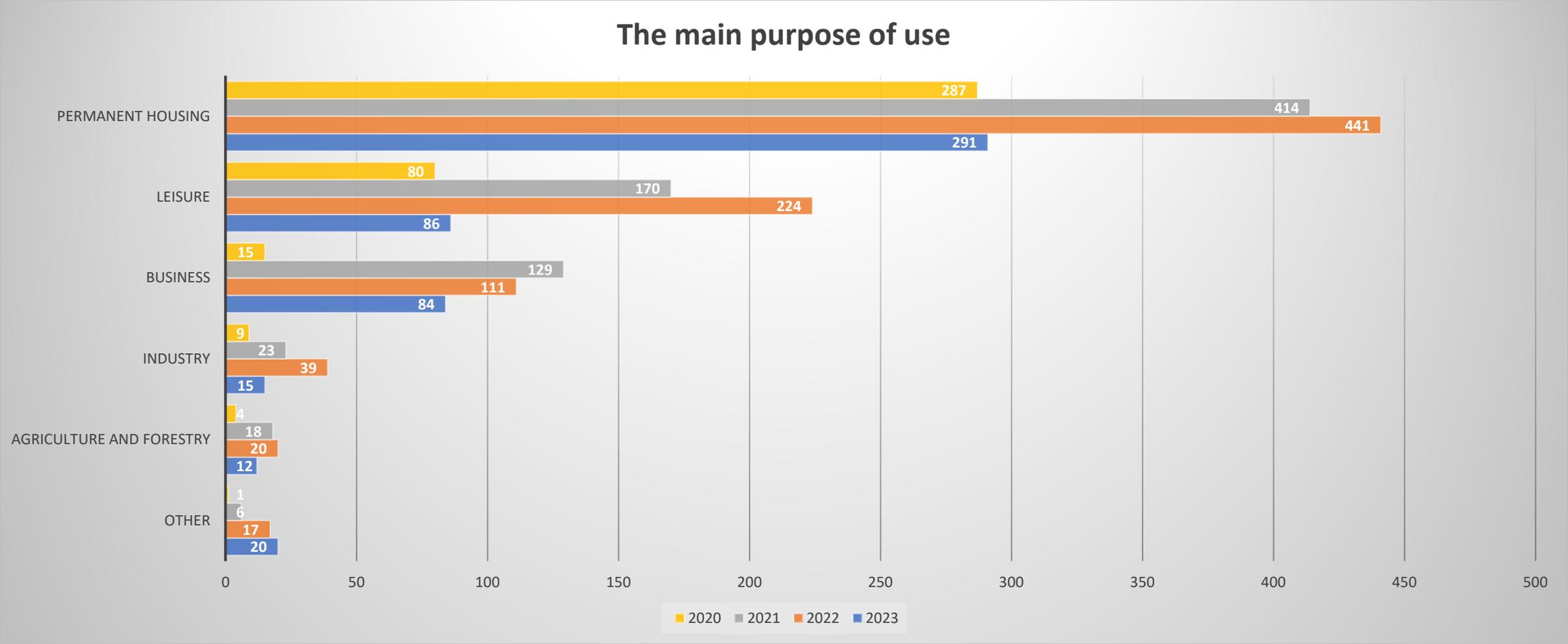
Statistics on permissions



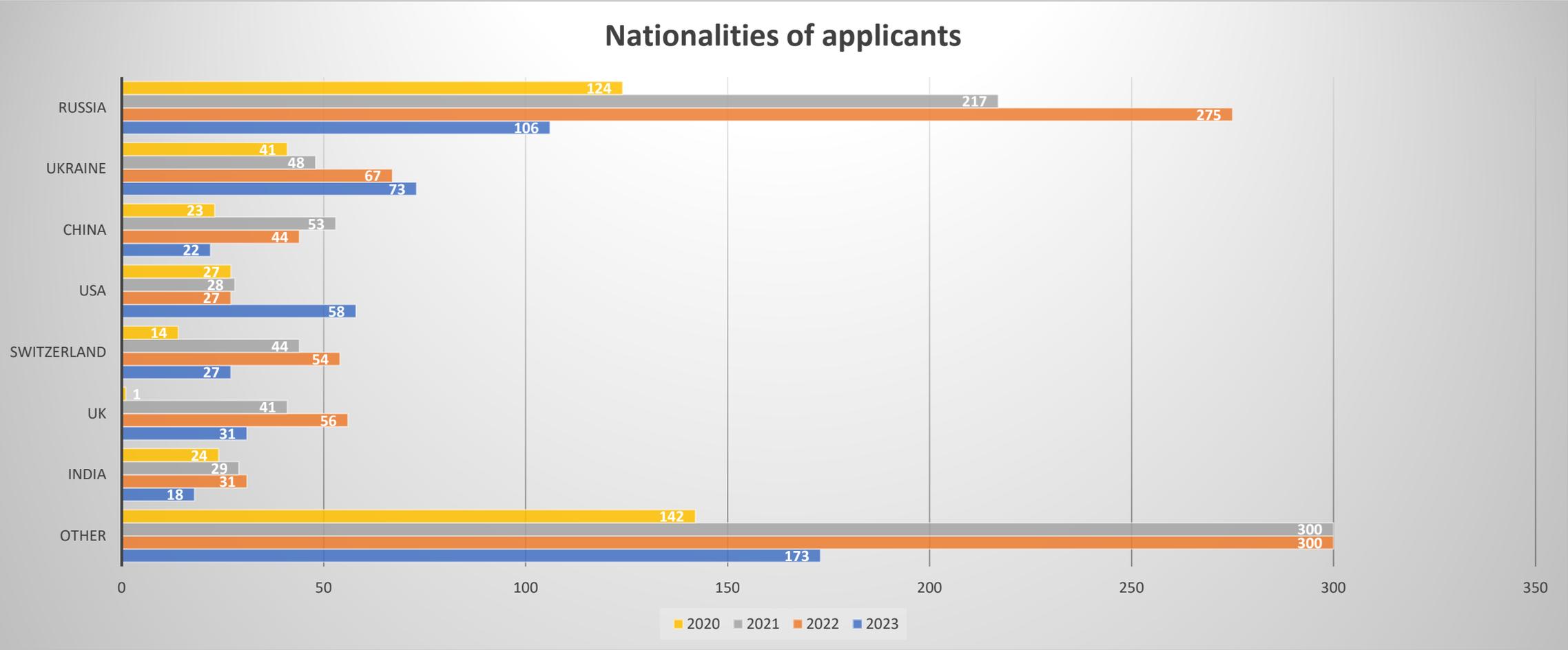
	2020	2021	2022	2023*	2020-2023 Total
Permission decisions	396	760	854	508	2518
- Positive	396	760	852	505	2510
- Negative	0	0	2	3	5
- No need for permit	15	48	48	8	119
Private persons	362	608	686	391	2047
Companies	34	152	168	117	471

* The data covers Q1-Q3, plus 3 recent decisions that were not included in the original dataset

Statistics on permissions



Statistics on permissions



Pre-emption right



- The current legislation stipulates that the municipalities have pre-emption right in certain cases, and the new law gave the State a similar right in case the legal prerequisites are fulfilled
 - If a land use plan allocates areas for Defence Forces or Border Security, the right can be used on a 500 m buffer zone
 - 1000 meters buffer zone from telecommunication building, radar station, aviation areas or harbors, or other objects that serve the marine or air traffic of the Defence Forces or Border Security in normal conditions, fault conditions, or state of emergency
 - Maximum 500 meters from other real estates that are used by Defence Forces or Border Security and securing their use requires a buffer zone.
- Process starts by Ministry of Defence initiative to Ministry of Finance. Ministry of Finance decides on the use of pre-emption right.
- Is applied to all transactions within the buffer zones, despite the nationality of the buyer.

The use of pre-emption right



- During 2020-2023, the State's pre-emption right has been used in 2 cases, both in 2022.
 - Kemiönsaari, the archipelago of South-Western Finland. A resort village, adjacent to real estate used by Defence Forces. The original buyer appealed to administrative court, but the court retained the original decision.
 - The use of the pre-emption right was justified by national defence reasons.
 - Rovaniemi, Northern Finland, an empty industrial real estate, close to Rovaniemi airport.
 - Ministry of Defence has not commented in public the reasons for using the right.



Expropriation



- The law is applied to expropriation of real property and rights for securing the operations of national defence, territorial integrity, interior security, leading the State, border security and control, security of supply, critical infrastructure or other such societal operation.
- The responsible ministry of the operations gives the permit for authority or entity for the expropriation if required by public need.
- The process of expropriation follows the legal procedure stipulated in general expropriation act (603/1977) unless otherwise stated.
- Is applied to all real estates despite the nationality. Expropriation is always the ultimate interference to private property, and so far the law has not been applied.

Experiences and conclusions



- The new laws have strengthened **situational awareness picture** of who owns and buys what, where and for which purposes.
- Most of the applied permits are given – but one of the benefits of the transactions requiring permissions is **preemptive**: single transactions have been cancelled before applying for the permit, and the possibility to inquire the need of permission has led to preventing some transactions.
- There have been attempts to use fake buyer. The law gives the permission authority (Ministry of Defence) possibility to refuse the permit for evading the need to apply for the permit.
- Drafting of the laws should be based on **existing legal structures and instruments** as much as possible.
- When designing such systems, they should **not cause disturbance** to the real estate market!
- A prerequisite for introducing a new system is land register that has public faith and a reliable cadastre that covers the whole country.



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Thank you!

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