



Puolustusministeriö  
Försvarsministeriet  
Ministry of Defence

# Legislation on Foreign Real Estate Investments

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# Background and Current Situation

- Currently, the Finnish legislation does not cover control of foreign real estate investments.
- On 1 June 2017, the Prime Minister's Office appointed a working group to ***prepare legislative amendments required to improve comprehensive State security in connection with transfers of immovable property***. In accordance with its mandate, the working group drafted a proposal for **new regulatory measures** for improving national security in transfers of immovable property.
- The ***proposal has been approved by the parliament*** and signed by the President.
  - The enacted laws will enter into force in the beginning of 2020

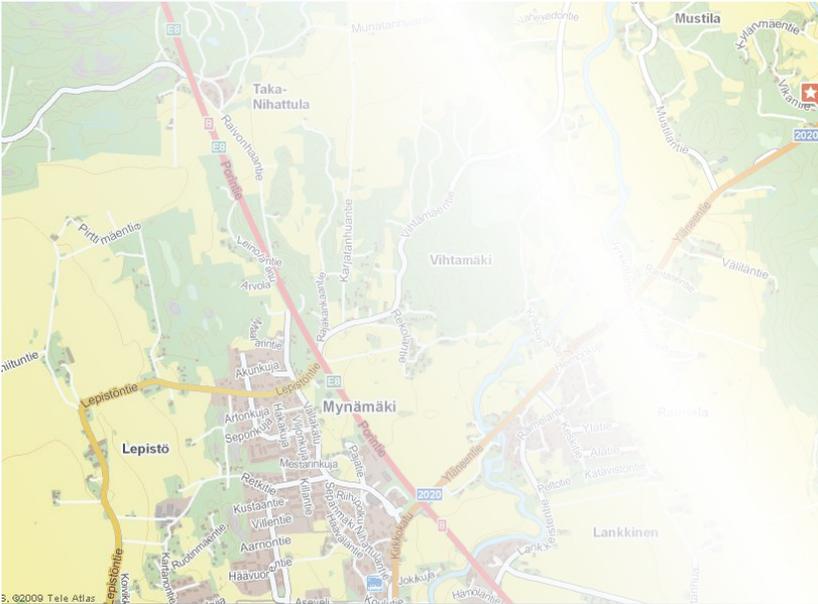


# New Legislation

1. Entities whose domicile is located outside the EU or the EEA will be required to apply for a **permission** to purchase a property in Finland.
2. Furthermore, the State will have **the right of pre-emption** in such real estate transactions where purchasing the property would be necessary for national security.
3. The Act on Land Use Planning and Construction is amended by a provision concerning **national security in land use planning**.
4. A new act for **expropriation due to national security reasons** was enacted.



# Objective



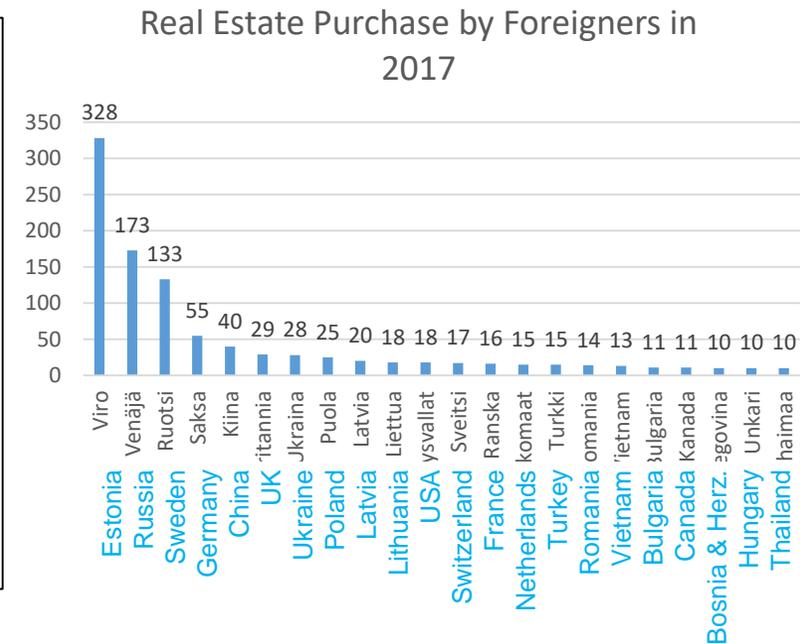
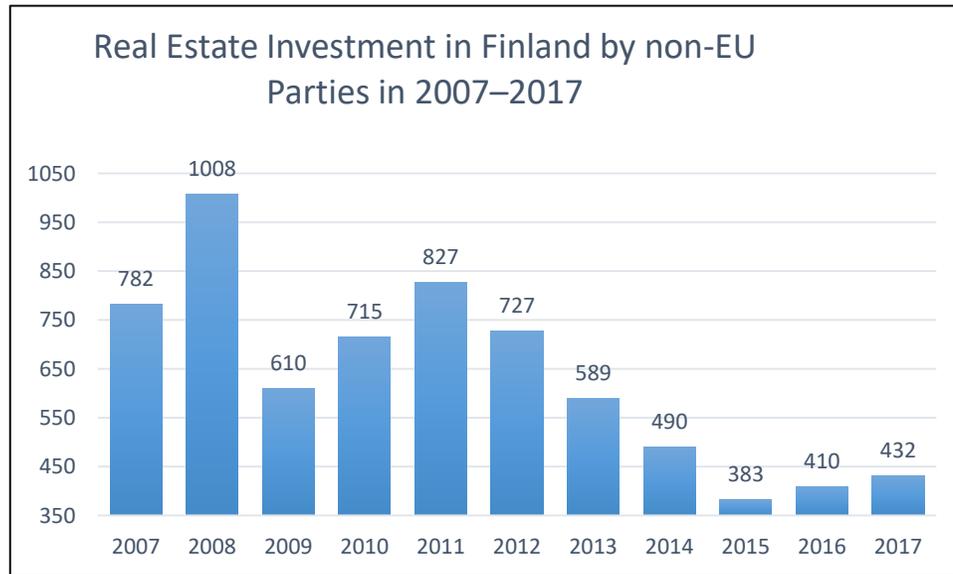
- The objective is to ***provide authorities with tools to improve national security*** in transfers of ownership and right of possession pertaining to immovable properties located near facilities that are essential for the tasks of security authorities and vital functions of society, and in significant investment projects.
- The new statutes will provide the State with ***more possibilities to intervene*** in actions that place national security at risk.
- The new system will ***help to prevent situations where the operating conditions of security authorities or the national security interests could be compromised*** due to construction or real estate exchange.

# How will the New Legislation Change Current Situation?

- Since Finland has not had any control on foreign ownership of real estate after 2000, it is possible that locations that may prove significant from national security perspective are already in foreign custody
- Foreign State Actors may be able to circumvent permit obligation but malicious attempts are likely to be more easily monitored since law obeying people do obtain permits
- Act on pre-emption right makes it easier for the government to avoid buying property based on claims of foreign interest (state can wait-and-see, if a transaction really goes through and intervene afterwards)
- Due to the state-wide scope of application, the MoD has to handle a considerable amount of permit applications per year
- Expropriation remains the only fool-proof method of intervention but hopefully other tools will help to restrict its use for rare cases only



# Foreign Real Estate Investments in Finland



# Other remarks

- ***Finland will remain an open, investment-friendly society*** that welcomes foreign actors to develop business and trade in Finland
- Finland also welcomes foreign nationals and companies to invest in its real estate market
- ***Permit procedure will be smooth, fast and inexpensive***
- In vast majority of cases permit will be granted, a refusal of permit will most likely be a rare event and the Minister of Defense has to make that decision
- State pre-emption act is only applicable close to defense and border control activities and less than 1 % of Finnish territory is within the application zones
  - Real estate buyers do not have to take any action concerning pre-emption
  - It is possible to ask for an advance statement of state intentions
- Expropriation will remain a last resort that will only take place in exceptional circumstances
  - Up until now state needs have been resolved with normal trade negotiations between parts.



# Thank you!

# Any questions?

