

The Impact of a New Subway Line on Property Values in Helsinki Metropolitan Area

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SUMMARY

The planning process of a new subway line started in 2007 in the Helsinki metropolitan area. The construction works were started in 2009 and the new subway line is planned to be opened by the end of 2015. As a result of the new subway line the travelling time to the city center decreases. The prediction of economic theory would be that housing prices near the subway stations would increase as a result of having better access and lower cost of traveling within the city. The empirical evidence on these predictions is however missing, at least in Finland. The objective of this article is to illuminate whether this new subway line will have an impact on residential apartment values and on public revenues. The research questions are: how far does the effect of a new subway line reach (Q1); how big (%) is the average impact on apartment values (Q2) and; how big (€) is the total impact on apartment values (Q3). The article also discusses how the rail-induced value increases effect public revenues. The first question was analyzed and answered based on literature review. The second question was analyzed based on hedonic approach. The third question was answered based on the two previous questions. The results showed that a new subway station has an impact that reaches in most surroundings at least to 400 meters. The impact that the new subway station had on residential apartment values was on average 11-15 percent in the studied area. The total impact in the studied area was approximately 122-193 million euros. It was estimated that the rail-induced value impact increased the city's revenues from property taxes for almost 10 percent.