

MARKET INDICATORS

Market Outlook

Prime Rents:	Increasing demand and no speculative supply is seen to lead to increase in prime rents.	▼
Prime Yields:	Demand for prime assets continues to place downward pressure on prime yields.	▲
Supply:	Vacancy should remain fairly stable and new supply will be driven mostly by prior commitment.	▶
Demand:	Demand, for both occupiers and investors, is seen to increase in 2019.	▼

Prime Industrial Rents – March 2019

LOGISTICS LOCATION	€		US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Helsinki	9.25	111	11.65	0.0	-1.0
Turku	8.25	99	10.39	6.5	1.3
Tampere	8.25	99	10.39	6.5	1.3
Oulu	7.25	87	9.13	3.6	0.7

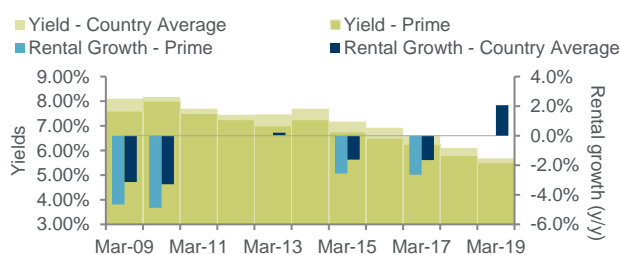
Prime Industrial Yields – March 2019

LOGISTICS LOCATION (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Helsinki	5.50	5.50	5.80	8.00	5.50
Turku	5.80	5.90	6.50	9.40	5.80
Tampere	5.80	5.90	6.50	9.40	5.80
Oulu*	6.50	6.75	7.00	8.75	6.50

Note: *5yr record

With respect to the yield data provided, in light of the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

Recent performance



Overview

2018 was another strong year for the Finnish economy and the GDP grew by 2.2%. The positive momentum has carried over to 2019 as well, however the current GDP growth expectation for this year is slightly lower at 1.6%. The main driver for the growth is expected to be domestic demand, as the unemployment is at record low levels, the wages are rising, and the inflation is only at 1.1%. 2017 was an exceptional year in terms of exports, and the same growth pace was not reached in 2018. The exports grew by 1.5% p.a., which can be explained by external conditions, such as slowing world-trade and euro-zone economy. For 2019 the export sector is estimated to pick up to 3% p.a. growth.

Occupier focus

There were signs of improving occupier demand in the last quarter of 2018 and the first quarter of 2019. The absorption of space remains limited. The average vacancy in the Helsinki Metropolitan Area (HMA) was stable at 6.0-7.0%.

In Q1 2019 there were no new completions in the Helsinki Metropolitan Area, and no new logistics premises are currently under construction. However, in Sipoo and Järvenpää a total of 30,000 sq. m of logistics (gross) space is currently under construction. The developments consist of build-to-suit buildings.

Investment focus

The amount of published deals was less than €50 in the first quarter of 2019. Although the investment activity was scarce, the demand remains strong, both from domestic and international investors, towards the high-quality income producing properties. Prime yields in Q1 were at 5.5% in Helsinki and are around 30-100 bps higher in the regional markets.

Outlook

The fundamentals underpinning the industrial real estate sector will remain stable. The occupier demand is expected to improve going forward. There is exceptionally good demand for prime products, and this is estimated to continue. There are multiple signs indicating major divestment activity in the light industrial / logistics sector.

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