

FINLAND

Industrial Market Snapshot

Second Quarter | 2019



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 – June 2019

LOGISTICS LOCATION	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Helsinki	9.25	111	12.46	0.0	-1.0
Turku	8.25	99	11.11	6.5	1.3
Tampere	8.25	99	11.11	6.5	1.3
Oulu	7.25	87	9.76	3.6	0.7

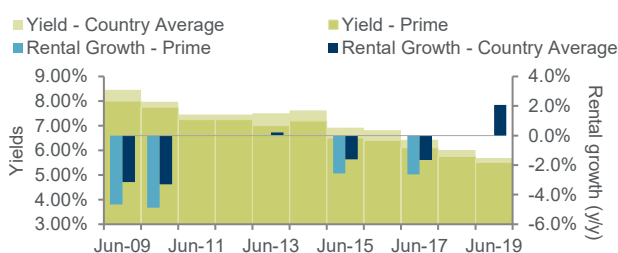
Prime Industrial Yields – June 2019

LOGISTICS LOCATION (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Helsinki	5.50	5.50	5.75	8.00	5.50
Turku	5.80	5.80	6.25	8.90	5.80
Tampere	5.80	5.80	6.25	8.90	5.80
Oulu*	6.50	6.50	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

Q1 2019 was yet another quarter of growth for the Finnish economy and the GDP grew by 0.6%. The GDP landed at 1.7% for 2018 and the current growth expectations for years 2019 and 2020 are slightly lower at 1.6% annually. The main driver for the growth in the end of the last year and the beginning of 2019 was domestic demand. For the rest of 2019, domestic demand growth is supported by rising wages, low inflation, and loose monetary policy, which should ensure Finland's economy to outperform the eurozone average. Exports grew strongly for the second quarter in a row; however, the pace is expected to slow down to 0.4-0.5% quarter on quarter for the rest of 2019.

Occupier focus

There were signs of improving occupier demand in the last quarter of 2018 and the first half 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 Q2 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 €100 in the second 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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