

FINLAND

Industrial Market Snapshot

Fourth Quarter | 2018



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 – December 2018

LOGISTICS LOCATION	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Helsinki	9.25	111	11.76	0.0	-1.0
Turku	8.25	99	10.49	6.5	1.3
Tampere	8.25	99	10.49	6.5	1.3
Oulu	7.25	87	9.22	3.6	0.7

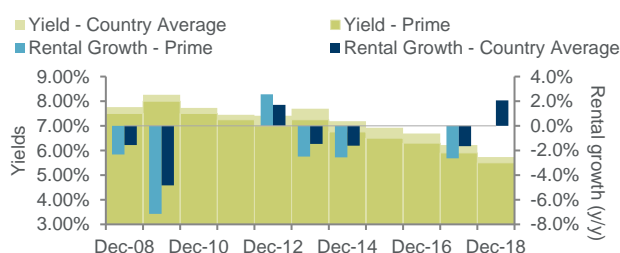
Prime Industrial Yields – December 2018

LOGISTICS LOCATION (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Helsinki	5.50	5.60	5.90	8.00	5.50
Turku	5.90	6.00	6.60	9.40	5.90
Tampere	5.90	6.00	6.60	9.40	5.90
Oulu*	6.75	6.80	7.25	8.75	6.75

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 economy and Q4 2018 was the thirteenth quarter of consecutive GDP growth. The annual growth for 2018 is estimated to have landed at 2.4%. The economy is still on a solid track and the momentum should carry over to 2019, the current growth prognosis being approx. 2% p.a for 2019. 2017 was an exceptional year in terms of exports, and the same growth pace was not reached in 2018. The exports grew only by slightly under 0.6% p.a., which can be explained by external conditions, such as slowing world-trade and euro-zone economy. Investor demand remains strong, especially for prime products.

Occupier focus

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

In Q4 2018 some 60,000 sq.m of new logistics premises were completed in the Helsinki Metropolitan Area. There are currently no major logistics premises under construction in the HMA. However, in Sipoo, Tuusula, and Järvenpää a total of 80,000 sq. m of logistics (gross) space is currently under development. The developments consist mostly of build-to-suit buildings.

Investment focus

The amount of published deals was some €130m in Q4 2018. 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 Q4 were at 5.5% in Helsinki and are around 40-125 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.

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