

FINLAND Office Market Snapshot

First Quarter | 2019



MARKET INDICATORS

Market Outlook

- Prime Rents:** Positive rental development is evident in the prime end and the best sub-markets in 2019. ▼
- Prime Yields:** Prime yields are expected to remain stable in the short term. ▶
- Supply:** Minor growth in 2019, however, the amount of new starts has stabilized. ▼
- Demand:** Strengthening of demand on occupier side is seen due to record low unemployment and lack of prime product. ▼

Prime Office rents – March 2019

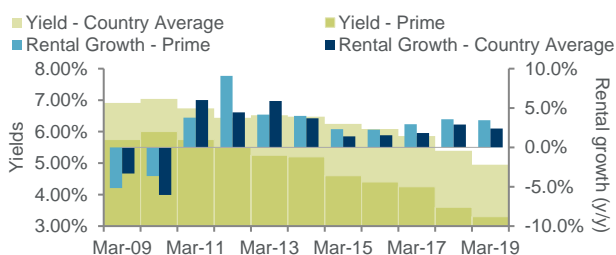
LOCATION	€		US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Helsinki (City Centre)	37.50	450	47.2	3.4	2.9
Helsinki (Out of Town)	22.50	270	28.3	1.1	1.4
Turku	18.50	222	23.3	4.2	4.3
Tampere	21.75	261	27.4	0.0	1.2
Oulu	16.75	201	21.1	8.1	2.2

Prime Office yields – March 2019

LOCATION (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Helsinki (City Centre)	3.30	3.40	3.60	6.00	3.30
Helsinki (Out of Town)	4.40	4.50	4.60	6.95	4.40
Turku	6.20	6.25	6.75	8.00	6.20
Tampere	5.60	5.75	6.25	7.75	5.60
Oulu	6.50	6.75	7.50	7.50	6.50

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%. Investor demand towards office sector continued to be extremely strong in Q1, which led to prime yield compression in selected locations. Rental growth was recorded in the Helsinki CBD, due to strong demand and limited supply.

Occupier focus

The overall vacancy decreased in Q1 2019, with an increased demand especially for modern buildings with excellent connections. In Q1 total of 18,000 sq. m was completed in the Helsinki Metropolitan Area (HMA). There is currently a total of 180,000 sq. m under construction in the HMA due to be completed in 2019-2020. The decreasing growth rate of economy will flatten out rental growth in multiple locations and growth is limited to the best properties in the strongest submarkets.

Investment focus

The volume of published office deals in Q1 amounted to some €450m. The most notable office deal was Blackrock acquiring the Atlas office and retail building in Helsinki CBD for €113m. The investor base in Q1 consisted mostly of private property vehicles, accounting for 70% of the total office investments. The share of international investors accounted for over 50% of office deals in Q1.

Outlook

Offices have been the most traded sector in 2019 so far. This is seen to continue going forward. Strong demand is expected to continue through 2019. There are multiple signs indicating major divestment activity in the office sector.

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LOCATION	BUILT STOCK (SQ.M)	AVAILABILITY (SQ.M)	VACANCY RATE (%)	NET ABSORPTION (SQ.M)	NET ABSORPTION (YTD) (SQ.M)	UNDER CONSTRUCTION (SQ.M)
Helsinki (CBD)	420,000	15,800	3.8%	2,100	2,100	0
Helsinki (Ruoholahti)	415,000	35,300	8.5%	9,300	5,800	0
Helsinki (Pasila/Vallila)	601,000	42,100	7.0%	18,000	18,000	42,500
Helsinki (Pitäjänmäki)	475,000	84,200	17.5%	7,200	7,200	0
Espoo (Keilaniemi/Otaniemi)	302,000	36,200	12.0%	9,100	7,400	6,400
Espoo (Leppävaara)	231,000	34,600	15.0%	5,800	5,800	15,000
Vantaa (Aviapolis)	280,000	28,700	10.3%	-3,500	-3,500	8,300
Helsinki Metropolitan Area (Overall)	8,720,000	1,090,000	12.5%			180,000

Source: Cushman & Wakefield

Key Occupier Transactions

PROPERTY	SUBMARKET	TENANT	SIZE (SQ.M)	TRANSACTION TYPE
Tripla Offices (under construction) (Q3 2018)	Helsinki (Pasila)	Telia Finland	21,000	Lease
Tietotie 6 (Q1 2018)	Espoo (Otaniemi)	City of Espoo	26,000	Lease
Caverion HQ (Q1 2018)	Vantaa (Vapaala)	Caverion	12,000	Re-lease
YIT HQ (Q1 2018)	Helsinki (Käpylä)	YIT	30,000	Re-lease
IF Turku (Q1 2018)	Turku (Kupittaa)	IF	17,500	Re-lease
Former Fortum HQ (Q1 2018)	Espoo (Keilaniemi)	Accountor	11,000	Lease

Source: Cushman & Wakefield

Key Investment Transactions

PROPERTY	SUBMARKET	SELLER / BUYER	YIELD	PRICE € MILLIONS
Atlas building	Helsinki (CBD)	BlackRock Eurozone Core Fund / OP	n.a.	113
Keskuskatu 1 B	Helsinki (CBD)	Nordea Life Assurance / Sponda	n.a.	n.a.
Antinkatu 1	Helsinki (Kamppi)	Schroder Nordic Real Estate Fund/ Genesta	n.a.	n.a.

Source: Cushman & Wakefield

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