

FINLAND Office Market Snapshot

Second 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:	Through high demand for office products, yield compression is evident in the prime end in 2019	▲
Supply:	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 – June 2019

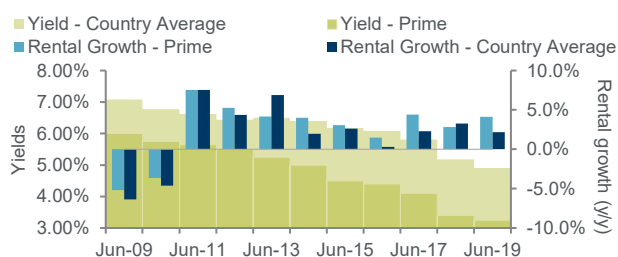
LOCATION	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Helsinki (City Centre)	38.00	456	51.2	4.1	3.2
Helsinki (Out of Town)	22.75	273	30.6	2.2	1.6
Turku	18.50	222	24.9	2.8	4.3
Tampere	21.75	261	29.3	0.0	1.2
Oulu	16.75	201	22.6	4.7	2.2

Prime Office yields – June 2019

LOCATION (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Helsinki (City Centre)	3.25	3.30	3.40	6.00	3.25
Helsinki (Out of Town)	4.30	4.40	4.50	6.70	4.30
Turku	6.20	6.20	6.50	8.00	6.20
Tampere	5.60	5.60	6.00	7.75	5.60
Oulu	6.40	6.50	7.00	7.50	6.40

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. Investor demand towards office sector continued to be extremely strong in Q2, which led to prime yield compression in multiple locations. Rental growth was recorded in the Helsinki CBD, due to strong demand and limited supply.

Occupier focus

The overall vacancy decreased in Q2 2019, with an increased demand especially for modern buildings with excellent connections. In Q2 total of 50,000 sq. m was completed in the Helsinki Metropolitan Area (HMA). There is currently a total of 123,000 sq. m under construction in the HMA due to be completed in 2019-2020. Limited supply in the traditional Helsinki CBD has led to stretching of the borders of the CBD, as tenants pay prime rents in borderline assets.

Investment focus

The volume of published office deals in Q2 amounted to some €540m. The most notable office deal was Hansainvest acquiring the European Chemicals Agency HQ building in Helsinki for €135m. The investor base in Q2 consisted mostly of private property vehicles. The share of international investors accounted for some 85% of office deals in Q2.

Outlook

Offices have been the most traded sector in 2019 so far. 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	20,000	4.8%	-4,200	-2,100	0
Helsinki (Ruoholahti)	415,000	41,500	10.0%	-6,200	-8,300	0
Helsinki (Pasila/Vallila)	601,000	39,100	6.5%	3,000	21,000	42,500
Helsinki (Pitäjänmäki)	475,000	83,000	17.0%	1,200	8,400	0
Espoo (Keilaniemi/Otaniemi)	302,000	24,200	8.0%	12,100	21,100	6,400
Espoo (Leppävaara)	245,000	40,400	16.5%	-3,700	2,500	0
Vantaa (Aviapolis)	280,000	22,400	8.0%	6,300	2,800	8,300
Helsinki Metropolitan Area (Overall)	8,750,000	1,070,000	12.3%			123,000

Source: Cushman & Wakefield

Key Occupier Transactions

PROPERTY	SUBMARKET	TENANT	SIZE (SQ.M)	TRANSACTION TYPE
We Land (planning stage)	Helsinki (Ruoholahti)	Deloitte	21,000	Lease
Tripla Offices (under construction)	Helsinki (Pasila)	WSP	n.a.	Lease
THL (under construction)	Helsinki (Ruskeasu)	THL	n.a.	Lease

Source: Cushman & Wakefield

Key Investment Transactions

PROPERTY	SUBMARKET	SELLER / BUYER	YIELD	PRICE € MILLIONS
ECHA Office	Helsinki (Telakkaranta)	Skanska / HANSAINVEST Real Estate	n.a.	135
Sweco HQ	Helsinki (Ilmala)	Sponda / GLL Pan European Property Fund	n.a.	n.a.
Aviabilevardi II	Vantaa (Aviapolis)	Skanska / NIAM	n.a.	30
Office Portfolio (five assets)	Helsinki & Espoo	Unknown / Hemfosa	n.a.	44.3

Source: Cushman & Wakefield

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