

FINLAND

Office Market
Snapshot

Fourth Quarter | 2018



MARKET INDICATORS

Market Outlook

Prime Rents:	Positive rental development can be seen in the prime end of the market going forward in 2019.	▲
Prime Yields:	Prime yields are expected to remain stable in the short term.	▶
Supply:	Minor growth is seen in 2019.	▲
Demand:	After sharp demand in 2018 fuelled by strong GDP growth, we see occupier demand stabilizing in 2019.	▶

Prime Office rents – December 2018

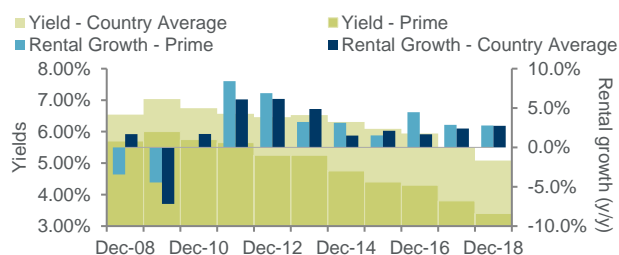
LOCATION	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Helsinki (City Centre)	37.00	444	47.0	2.8	2.9
Helsinki (Out of Town)	22.50	270	28.6	2.3	1.9
Turku	18.25	219	23.2	4.3	4.0
Tampere	21.75	261	27.6	0.0	1.7
Oulu	16.50	198	21.0	10.0	1.9

Prime Office yields – December 2018

LOCATION (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Helsinki (City Centre)	3.40	3.40	3.80	6.00	3.40
Helsinki (Out of Town)	4.50	4.50	4.80	6.95	4.50
Turku	6.25	6.25	6.75	8.00	6.25
Tampere	5.75	5.75	6.25	7.75	5.75
Oulu	6.75	6.75	7.50	7.50	6.75

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. Investor demand towards office sector continued to be extremely strong in Q4. Rental growth was recorded in the Helsinki CBD and in a selection of subregions compared to Q3. Positive rental development can be seen in the prime end of the market going forward in 2019.

Occupier focus

The overall vacancy remained stable in Q4 2018. In Q4 total of 18,000 sq. m was completed in the Helsinki Metropolitan Area (HMA). There is currently over 190,000 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 Q4 amounted to over €1.9bn. The most notable office deal was Kildare Partners acquiring 100% of shares in the stock listed Technopolis, which comprises approximately €950mn in Finland. The investor base in Q4 consisted mostly of private property vehicles, accounting for 90% of the total office investments. The share of international investors accounted for 88% of office deals in Q4.

Outlook

Offices was the most traded sector in 2018 with a share of 39% of the total volume. Strong demand is expected to continue through 2019. The major office transaction processes in Q4 2018 left frustrated capital looking at the market for prime office opportunities.

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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	17,900	4.3%	7,400	6,100	0
Helsinki (Ruoholahti)	415,000	33,200	8.0%	0	5,800	0
Helsinki (Pasila/Vallila)	601,000	60,100	10.0%	1,500	1,800	42,500
Helsinki (Pitäjänmäki)	475,000	89,900	19.0%	0	-500	7,900
Espoo (Keilaniemi/Otaniemi)	302,000	45,300	15.0%	-6,800	600	0
Espoo (Leppävaara)	231,000	40,300	17.5%	2,900	-700	15,000
Vantaa (Aviapolis)	276,000	24,800	9.0%	-3,500	-5,200	8,300
Helsinki Metropolitan Area (Overall)	8,720,000	1,130,000	13.0%			193,000

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
100% of shares in the stock listed Technopolis	Several	Technopolis Oyj / Kildare Partners	n.a.	950
Helsinki Court House	Helsinki (Ruoholahti)	Sponda / Hemsö	n.a.	200
Alvar Aallon katu 3	Helsinki (CBD)	M&G Real Estate / Ilmarinen Mutual Pension Insurance Company	n.a.	116
Tripla Offices (under construction)	Helsinki (Pasila)	YIT / Commerz Real	n.a.	n.a.

Source: Cushman & Wakefield

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