

FINLAND

Retail Market
Snapshot

Fourth Quarter | 2018



MARKET INDICATORS

Market Outlook

Prime Rents:	Rents are estimated to remain stable going forward in 2019.	►
Prime Yields:	Stable yields expected across all retail segments in the short term.	►
Supply:	Increased supply in 2019, mainly through new shopping centre development.	▼
Demand:	Steady demand or slight improvement for prime assets and restaurant spaces in Helsinki.	►

Prime Retail Rents – December 2018

HIGH STREET SHOPS	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Helsinki	137.00	1,644	174	1.5	0.3
Turku	65.00	780	83	0.0	-1.5
Tampere	70.00	840	89	0.0	-2.6
Oulu	57.50	690	73	0.0	-6.4

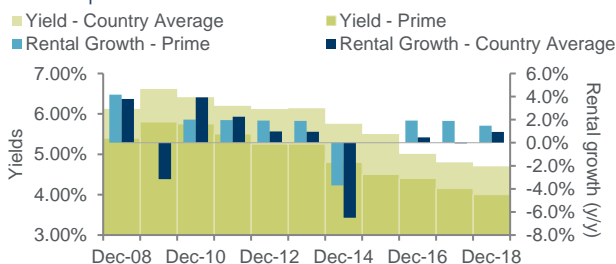
Prime Retail Yields – December 2018

HIGH STREET SHOPS (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Helsinki	4.00	4.10	4.15	5.80	4.00
Turku	5.80	5.80	5.80	7.20	5.80
Tampere	5.60	5.60	5.60	6.95	5.60
Oulu*	6.50	6.50	6.50	7.00	6.50
SHOPPING CENTRES (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Country prime	4.40	4.40	4.40	5.80	4.40

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. According to Statistics Finland, consumer confidence was 16.1 in December, when in September the corresponding figure was 20.2. Moreover, according to Statistics Finland the retail trade sales grew by 3.6% (year-on-year) in November.

Occupier focus

In Q4 2018 retail occupier demand remained stable. The focus of demand is strong towards prime locations and especially the trend of converting specialty retail into services is expected to continue (e.g. F&B and beauty / well-being).

Approx. 23,000 sq.m of new retail space was completed in the Helsinki Metropolitan Area (HMA) during Q4 totaling to 100,000 sq.m in 2018. New completions mostly consisted of REDI with some 60,000 sq.m. Moreover, over 110,000 sq. m of new retail is currently under construction in the HMA, incl. Tripla SC (85,000 sq. m, Q4 2019), among some smaller schemes. With the strong influx of new supply, even prime rents can be under pressure for the next upcoming years. With the current population growth and purchasing power projection, we expect HMA shopping centre segment to be fairly balanced or even short of supply in the early 2020's.

Investment focus

Total retail investment volume in Q4 was some €700m, including Wereledhave's divestment of SC ITIS in Helsinki, which is one of the largest single retail transactions in Europe in 2018. The retail sector was the second most traded sector in the Finnish market with approx. 22% of the total volume. International investors accounted for approximately 85% of retail deals in Q4 2018 and most of the investors were private property vehicles.

Outlook

Occupier demand is expected to further improve or remain stable in key retail locations. Other segments and areas can be under pressure during 2019. Investor demand is estimated to remain for selected niche segments (e.g. grocery & prime SC's).

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