

	YoY Chg	12-Mo. Forecast
14.3% Vacancy Rate, Q3 2023	▲	▲
13.4% Vacancy rate, Helsinki CBD, Q3 2023	▲	▬
€40.75 Prime rent, PSM / month	▲	▲

Source: Helsinki Research Forum, Cushman & Wakefield

ECONOMIC INDICATORS Q3 2023

	YoY Chg	12-Mo. Forecast
0.50% GDP Growth, Q-to-Q	▲	▲
6.97% Unemployment Rate	▲	▼

Source: Moody's Analytics

Overview

According to the data and forecast updated in September, the Finnish economy expanded slightly in H1 2023 due to strong demand in the service sector and increased industrial production. Growth in the latter half of 2023 is set to remain stable and growth for the whole year is forecasted at 0.7%. Inflation has reduced from peak levels mostly due to improved situation in the energy markets and is forecasted to continue reducing in the latter half of 2023 before reaching ECB's 2% target by 2024. Household consumption is expected continue minor growth despite low levels of consumer confidence. The labor market has remained steady throughout the year although unemployment rate is forecasted to increase slightly in late 2023. Interest rates increased in Q3 2023, which has affected investment spending, but ECB's interest rates have likely hit their peak levels. Overall, the short-term market outlook is clouded with uncertainty as multiple sectors notably building and industrial sectors have been struggling recently. (Moody's Analytics)

Occupier focus

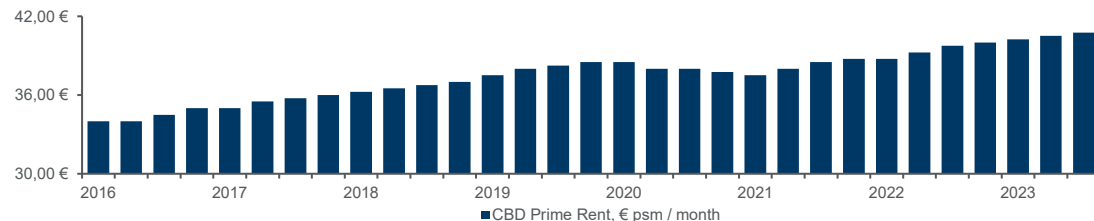
Increased uncertainty in the office occupier market has been evident in the third quarter of 2023. The prevailing uncertainty has led to hampering in the decision making, which naturally has led to decreased demand. Nevertheless, the demand towards prime offices and premises with strong amenities that bring additional value to employees remains. The demand for secondary assets remained sluggish and downward pressure on the secondary rental levels is expected going forward.

Among the main office submarkets in the Helsinki Metropolitan Area (HMA), Helsinki CBD, Pasila, and Keilaniemi have experienced a good level of interest during the recent quarters. According to the Helsinki Research Forum, vacancy in the thirteen key office areas in the HMA was 14.3% in Q3 2023. The vacancy increased by 0.9 percentage points compared to the previous quarter – an increase of more than 40,000 sq.m q-on-q and approximately 80,000 sq.m increase compared to Q1 2023. YTD 2023, close to 50,000 sq.m of new office space has been delivered in the HMA. Moreover, there remain some 120,000 sq.m under construction due to be completed in 2023-2025, including projects such as We Land in Ruoholahti, Ilmalan Aura in Pasila/Ilmala, Nordea Campus extension in Vallila, and Keilaniemen portti in Keilaniemi.

Outlook

Outlook for the office occupier demand has become increasingly hazy. As the vacancies have kept on increasing, downward pressure on rental levels in multiple submarkets are expected. Demand towards premises with strong amenities is expected to remain, thus the rent level pressure is predominantly predicted to hit the secondary assets and locations. Vacancies are forecasted to further increase when lease events come due, and occupiers take actions.

CBD PRIME RENT





MARKET STATISTICS (HMA)

SUBMARKET	OFFICE STOCK (sqm)	AVAILABILITY (sqm), Q3 2023	VACANCY RATE Q3 2023	VACANCY RATE Q2 2023	UNDER CONSTRUCTION (sqm)
CBD	647,745	86,902	13.4%	12.6%	
SBD	682,051	56,129	8.2%	8.5%	19,900
Ruoholahti	341,924	43,891	12.8%	12.9%	21,000
Pasila/Vallila	835,552	100,969	12.1%	10.8%	26,000
Hakaniemi/Kalasadama/Sörnäinen	526,704	81,354	15.4%	13.7%	10,000
Pitäjänmäki	370,440	101,113	27.3%	26.8%	
Keilaniemi/Otaniemi	382,552	49,614	13.0%	12.8%	15,000
Leppävaara	265,633	46,783	17.6%	15.4%	
Aviapolis	187,815	37,883	20.1%	16.5%	
Helsinki Metropolitan Area (studied areas in total)	4,240,474	604,678	14.3%	13.4%	

Source: Helsinki Research Forum, Cushman & Wakefield

KEY LEASE TRANSACTIONS YTD 2023

SUBMARKET	TENANT	SQM	TYPE
Espoo (Keilaniemi)	Confidential	500-1,000	Lease
Espoo (Keilaniemi)	Confidential	500-1,000	Lease
Helsinki (Pasila)	Confidential	500-1,000	Lease
Helsinki (Pasila)	Confidential	300-500	Lease

KEY SALES TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SQM	PRICE / €mn
Maistraatinportti 1	Pasila, Helsinki	YIT / Fennia Mutual Insurance Company	12,400	n.a.
Sampotalo office property	Turku	Schroder Nordic Real Estate Fund / Niam	10,400	n.a.
Voimatalo office property	Kamppi, Helsinki	Schroder Nordic Real Estate Fund/ Genesta	9,300	n.a.
Lyyra office property	Kallio, Helsinki	Varma & Ylva / Niam	10,400	n.a.

KEY CONSTRUCTION COMPLETIONS Q3 2023

PROPERTY	SUBMARKET	MAJOR TENANT	SQM	OWNER / DEVELOPER
Kulma21 (renovation)	Töölö, Helsinki	Wolt	9,800	NCC / NCC
Maistraatinportti 1 (renovation)	Pasila, Helsinki	Eezy Oyj	12,400	Fennia / YIT
Korkeavuorenkatu 32-34 (renovation/new)	Kaartinkaupunki, Helsinki	Ernst & Young	7,000	Sirius / YIT

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