



Catella Market Indicator

FINLAND
SPRING 2023

Contents

INTRODUCTION

- 2 About Catella
- 3 Editorial
- 4 Investment market
- 7 Transactions in Finland 2022
- 8 European office market
- 10 CREDI

FINNISH PROPERTY MARKETS

- 11 Helsinki Metropolitan Area
- 14 Tampere
- 16 Turku
- 18 Oulu
- 20 Lahti
- 22 Jyväskylä
- 24 Vaasa
- 26 Other growth centres

OTHER

- 28 Real estate market Finland
- 29 Some of Catella's transactions in 2022
- 30 A selection of references
- 31 Contacts



The services of the Valuation and Consulting unit now include valuation reports based on the valuation standards of RICS (Royal Institution of Chartered Surveyors).

Cover photo: YIT is constructing approximately 4,200 sq. m. for offices and services in Tapiola district's Tuultenristi. Located in the most prominent spot of the area when approaching from the west, the premises offer magnificent views in the vicinity of the AINO shopping centre and the Tapiola metro station. In addition, unique apartments are under construction in Tuultenristi. Read more at yit.fi/tuultenristi.

About Catella

Catella is a financial advisor and asset manager specialized in property, fixed income and equities markets. Catella holds a leading position in the property sector and has a strong local presence in Europe. Our property advisory services in Finland consist of Transactions, Capital Markets, Valuation and Consulting, Letting in Growth Centres, and Asset Management. Catella employs more than 500 persons in 13 countries. Catella is a leading advisor in the Finnish real estate market, employing 42 professionals in four locations.

Transactions

- Single and portfolio transactions
- Sale-and-leaseback transactions
- Acquisition advisory
- Real estate development projects

Capital Markets

- Debt advisory
- Equity raising
- Restructuring

Valuation and Consulting

- Authorised valuation reports
- Authorised single asset valuation
- Authorised portfolio valuation and analysis
- Strategic and financial analysis
- Market rent analysis
- Market area analysis

Letting in Growth Centre

- Letting of commercial properties
- Letting advisory and space comparisons
- Project letting and campaigns
- Tenant representation

Asset Management

- Customised asset management services
- Real estate development
- Investment management
- Leasing and sales



From a strong property market to uncertain times

Year 2022 was a year of change that marked the end of a long-term strong property investment market. The change is due to the war in Ukraine, which rapidly increased inflation and eventually interest rates to a much higher level than had become the norm. Transaction market was really strong during the first half of the year, but an exceptionally radical turn took place in the summer, and the rest of the year was challenging in terms of property investments.



ANTTI LOUKO
MANAGING DIRECTOR
+358 (0)50 5277 392
antti.louko@catella.fi

It seems that the period of extremely low interest rates, which strongly supported the property market for almost a decade, is over, at least for now. As interest rates finally took an upturn last spring, the pace of transaction market also waned, and there was a clear upward adjustment in property yield requirements. Because of the uncertainty caused by market transformation, property transaction volumes were in a clear decline already in the autumn. After a very strong start to the year, the last quarter was the weakest since 2014 in terms of transaction volume. This year, too, is likely to start off slow, and the first half is likely to produce weaker transaction volume than usual.

Yield requirements decreased almost continuously since 2010 after the financial crisis when the prime yield requirement for offices in the Helsinki CBD was approximately 6%. Prime yield requirement was at its lowest in the winter of 2022, at the level of 3.2%. Last autumn, it quickly rose from rock bottom to the level of 4.0%. Although yield requirements have changed significantly, prime yield requirement is still nowhere near the average level over the last 20 years which is 4.9%, not to mention the levels seen after the financial crisis. Fortunately for investors, the rapid increase in yield requirements is somewhat compensated by large index increases in rents that can take place now for the longest time as a result of high inflation.

Strong interest in residential and community properties

Measured by transaction volume, the largest categories last year were residential and community properties instead of office and retail properties. Residential properties were the largest category for the second year in a row, and community property

trade was boosted by the Finnish municipalities selling their properties related to the social and healthcare services reform. These categories are likely to attract investors this year, too, and office and retail properties' share of the transaction volume will most likely remain smaller than usual. Investments in offices, in particular, are more uncertain at the moment due to the post-pandemic telecommuting trend and its potential impact on occupancy rates. However, the looming economic downturn increases the risks involved in these traditionally cyclical categories.

Economy possibly drifting into downturn this year

Finland's economy grew at a fairly strong rate of around 1.9% last year, but now this growth is fading, and the economy is predicted to drift into possible slowdown this year. At the moment, the Bank of Finland is predicting a drop in GDP of only around 0.5% for this year, so it seems there will only be slight downturn this time. However, the rapid rise in interest rates, inflation, and possible downturn threat create an exceptionally challenging investment environment for this year. Then again, economic slowdown and a challenging investment environment may provide investors excellent opportunities to buy in the near future.

Investment market

TEXT: PETTERI HEIKKINEN

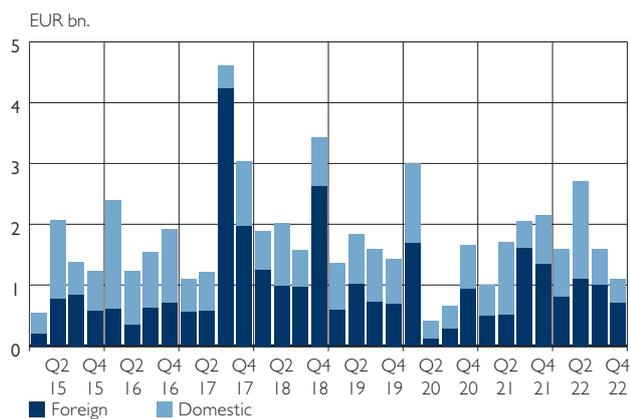


© Helsinki Material Bank / Photographer Jussi Hellsten

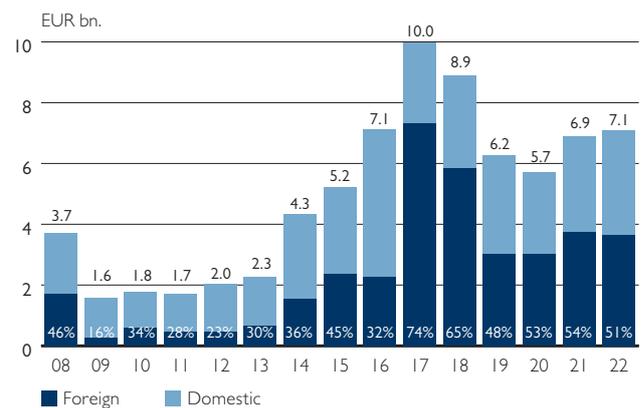
Transaction volume at the same level as previous year
 Property transaction volume was circa EUR 7.1 billion last year, that is above the 10-year average of EUR 6.4 billion. Several major individual as well as residential and industrial portfolio transactions were closed during the first half of the year. Thereby an all-time record volume of circa EUR 4.4 billion was achieved during the half-year period. Due

to uncertainty on the market caused by Russia’s aggression in Ukraine, the interest rate hikes by the ECB, less available financing, and high inflation, the market slowed down towards the end of the year. Measured in euros, however, last year turned out positive as a whole. Compared with the other Nordic countries, Finland was the only one to have increased its transaction volume from previous year. According to Real

Transaction volume in Finland by quarters 2015–2022



Transaction volume in Finland 2008–2022



Estate Analytics, the volume in Sweden was EUR 14.9, in Norway 8.4 and in Denmark 8.1 billion. However, these volumes do not include public-use and healthcare properties.

In uncertain times, the investors' demand focused on asset classes that were considered safe. Residential properties maintained their position as the most traded category. Their share of last year's volume was circa 29%, which is once again above the 2 billion marker. The second most exchanged category were care and public use properties with a record-high share of more than EUR 1.6 billion, corresponding to circa 23% of the entire volume. Retail properties were the third most traded category with a share of circa 17%, their volume settling at circa EUR 1.2 billion at the end of the year. In offices, transaction volume dropped more than ever to only EUR 1.2 billion. The transaction volume of logistics properties remained level with the previous year, above EUR 1 billion.

High international demand during the first half

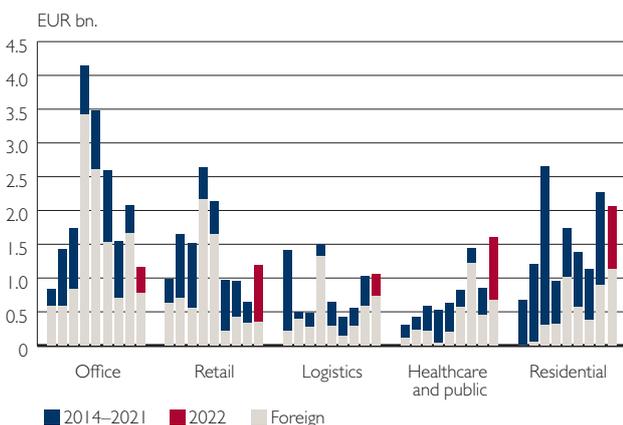
Despite exceptional conditions, foreign investors' share of the total volume stayed high as it has been in previous years. Foreign investors' share of transactions was circa EUR 3.6 billion, which translates into circa 51%. A few new investors entered the Finnish market last year. Stendörren bought three office and warehouse properties in Vantaa from Julius Tallberg Real Estate Corporation. Geopolitical risks did not significantly affect property transaction in Finland.

Interest in residential properties still strong

Both domestic and particularly foreign investors have remained actively interested in residential properties for several years. This can be explained by the uncertainty caused by the pandemic on the office and retail rental markets.

Many major residential portfolio transactions were closed during last year. Starwood Capital Group and Avara together sold a portfolio of 2,200 apartments to Orange Capital Partners and GIC which also bought together a portfolio of 1,900 apartments from Morgan Stanley. In addition, SATO sold a large portfolio of 2,009 rental apartments to Heimstaden Bostad.

Transaction volume by purpose and share of foreign investors 2014–2022



A few major logistics transactions

In uncertain market conditions, investors' interest in logistics properties has grown, and the volume of this formerly rather small sector has grown year after year. Major transactions closed last year include Mandatum's sale of SaKa Hallikiinteistö with 19 properties to Partners Group and Blackstone's acquisition of Akiva Kiinteistö I Ky with 11 properties, which hiked the volume above EUR 1 billion.

Social and healthcare services reform boosted property transaction

Transaction volume of care and public use properties reached an all-time high last year. This category is attractive thanks to long-term net lease agreements, inflation hedge, and low-credit-risk tenants. The new wellbeing services counties that came into effect this year and the consequent transformation of municipalities into property investors has caused them to become active on the market and start selling their properties. City of Oulu sold six social and healthcare properties for EUR 165.5 million to eQ Community Properties Fund. The portfolio of 13 respective properties sold by the City of Jyväskylä was the largest deal in terms of number of properties closed at EUR 84 million and also the first property investment in Finland for Infranode. Medical Properties Trust made its first investment when it bought four hospital properties from Pohjola Insurance.

Record slow office market, retail properties bought by Finnish investors

Office category's market share remained record small at only EUR 1.2 billion. The largest office investments were made by foreign companies. Fennia Group sold the Pasila Vision complex to Swiss Life, and Allianz Real Estate GmbH sold the office building at Eteläesplanadi 2 to NREP.

In the retail category, share of Finnish investors was more than 70% of the total EUR 1.2 billion retail volume. The largest individual deals – the sale of the Stockmann department store property in the centre of Helsinki and shopping centre Kaari to Keva – formed 51% of the retail volume.

Prime yields increased in all categories in the HMA

With the rise in interest rates, prime yield requirements increased during last year. The prime yield requirement in the Helsinki CBD increased in the autumn by 0.6 pp and is now at 4.0%. Despite the increase, yield requirements are on an all-time low level compared to, for example, the 20-year average of 4.9%. However, interest rates have risen faster than yield requirements, narrowing down yield gap which was 0.9 pp at the end of last year. In 2011, when the interest rates last were on this level, the prime yield requirement for offices was 5.5% and the yield gap was more than 2 pp. The increase in interest rates had a greater effect on the submarkets with already low yield requirements.

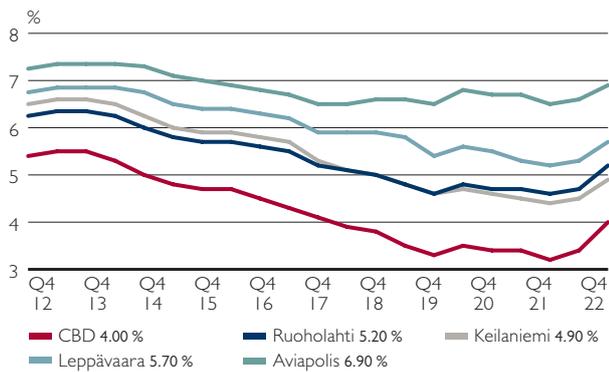
At the end of last year, retail prime yield requirement settled at 5.0%, and industrial and logistics it rose to 4.9%. The residential category rose by 0.7 pp, the prime yield requirement settling at 3.8% at the end of the year.

Slight downturn forecasted for this year

Despite an uncertain market, a higher-than-average transaction volume was achieved last year. However, there was a considerable difference between the two halves of the year. The first half was more active than ever, but the market slowed down in the last quarter, and projects were postponed or even cancelled for fear of turning unprofitable. Analysts predict a slight economic slowdown for the current year and the situation to stabilize not sooner than in 2024.

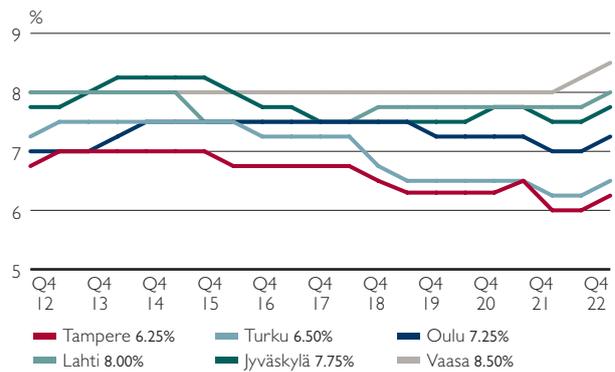
The rise in interest rates makes investors consider other investment instruments alongside properties, including fixed income investments. We consider it unlikely that the same low level of yield requirements as was achieved in the zero-interest environment will be restored in the near future. However, we believe that renovated properties in the CBD will remain popular. We expect the polarization between good and poor properties to increase further. Modern logistics properties with long-term lease agreements attract investors thanks to inflation hedge. Renovated properties in city centres with reliable tenants will also remain in demand.

Office yields in the Helsinki Metropolitan Area Q4 2022



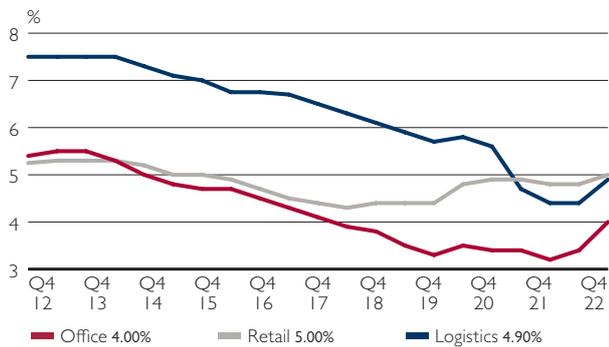
Particularly long lease agreements currently decrease yields by approximately 0.1–0.5% points in the Helsinki CBD and 0.1–0.7% points in other submarkets.

Prime yields in growth centres Q4 2022



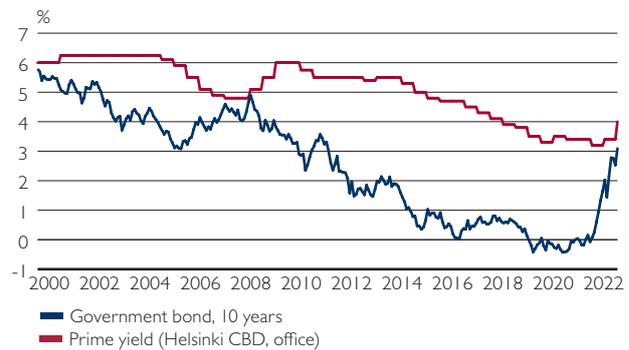
Particularly long lease agreements currently decrease yields by 0.1–0.7% points.

Prime yields in the Helsinki Metropolitan Area Q4 2022



Particularly long lease agreements currently decrease yields by approximately 0.1–0.5% points in the Helsinki CBD and 0.1–0.7% points in other submarkets.

Development of prime yield and long term interest rate 2000–2022



Source: Catella Property Oy, Bank of Finland

Transactions in Finland 2022

Selection of portfolio transactions in Finland 2022

Building / Property	City / Location	Seller	Purchaser	Price (EUR mil.)	Date	Category
1,900 apartments	Many	Fund managed by Morgan Stanley Real Estate Investing & Premico	Orange Capital Partners (OCP) & GIC	n/a	Q1	Residential
4 hospital properties	Many	Pohjola Insurance	Medical Properties Trust	n/a	Q1	Public
8 healthcare and public properties	Tampere	City of Tampere	eQ Community Properties	96	Q1	Public
4 retail properties	Vaasa	WasaGroup Funds	Serena Properties AB	n/a	Q1	Retail
2,009 apartments	Many	SATO Oyj	Heistaden Bostad AB	n/a	Q2	Residential
43 properties	Many	Partners Group	Nyfosä AB	200	Q2	Office, Retail, Public
6 healthcare and public properties	Oulu	City of Oulu	eQ Community Properties	165.6	Q2	Public
942 apartments	HMA, Turku, Jyväskylä	Fund managed by NREP	Lumo Kodit Oy	n/a	Q2	Residential
17 properties	Many	n/a	Nyfosä AB	137	Q2	Industrial, Retail, Office
261 apartments	HMA	Hartela Oy	Sirius Fund IV	55	Q2	Residential
17 retail properties	Many	Funds managed by Elite Alfred Berg	Fund managed by LocalTapiola	50	Q2	Retail
4 office properties	Helsinki	Goldman Sachs Asset Management & Cromwell Property Group	Capman Nordic Real Estate III	n/a	Q2	Office
2,200 apartments	Many	Starwood Capital Group & Avara Oy	Orange Capital Partners (OCP) & GIC	n/a	Q3	Residential
Saka Hallikinteistöt Ky	HMA, Tampere, Oulu	Mandatum Asset Management & Kaleva Mutual Insurance Company	Partners Group	n/a	Q3	Industrial, Logistics
11 light industrial and logistics properties	Helsinki	Akiva Kiinteistöt I shareholders	Blackstone	120	Q3	Industrial
313 apartments	HMA	Bonava	Fund managed by Taaleri	n/a	Q3	Residential
13 healthcare and public properties	Jyväskylä	City of Jyväskylä	Infranode	84	Q4	Public, Care
28 care properties	Helsinki, Oulu, Kuopio	eQ Community Properties	Kinland AS	76	Q4	Care
3 fire stations	Espoo	City of Espoo	Fund managed by LocalTapiola	30.8	Q4	Public

Selection of transactions in the Helsinki Metropolitan Area 2022

Building / Property	City / Location	Seller	Purchaser	Price (EUR mil.)	Date	Category
Espoo Hospital	Espoo	City of Espoo	Fund managed by LocalTapiola	295	Q1	Public
Shopping centre Entresse	Espoo	Fund managed by Barings Real Estate Advisers	eQ Commercial Properties	n/a	Q1	Retail
Stockmann's department store	Helsinki	Stockmann Oyj	Pension insurance company Keva	400	Q2	Retail
Fab 9	Helsinki	Fund managed by Genesta	KanAm Grund Group	n/a	Q2	Office
BLVRD21	Helsinki	Fund managed by Genesta	NREP	n/a	Q2	Office
Wood City - office property	Helsinki	SRV Oyj	Union Investment	58	Q2	Office
Eaton's industrial property	Vantaa	Jatke Toimitilat Oy	Fund managed by Abrdn	n/a	Q2	Industrial
Datacenter	Vantaa	TS-Yhtymä Oy	Hyperco Oy	35	Q2	Industrial
Shopping centre Kaari	Helsinki	Niam AB	Pension insurance company Keva	207	Q3	Retail
Pasilan Visio - office property	Helsinki	S-Bank Properties	Fund managed by Swiss Life Asset Managers Nordic	n/a	Q3	Office
Ilmalan Aura - office property	Helsinki	Hartela Oy	Union Investment	n/a	Q3	Office
Eteläesplanadi 2 - office property	Helsinki	Allianz Real Estate GmbH	NREP	116.3	Q4	Office
Finnair's HQ	Vantaa	Antilooppi	Colony	n/a	Q4	Office
Shopping centre Grani	Kauniainen	VVT Property Fund I Ky	NREP	n/a	Q4	Retail

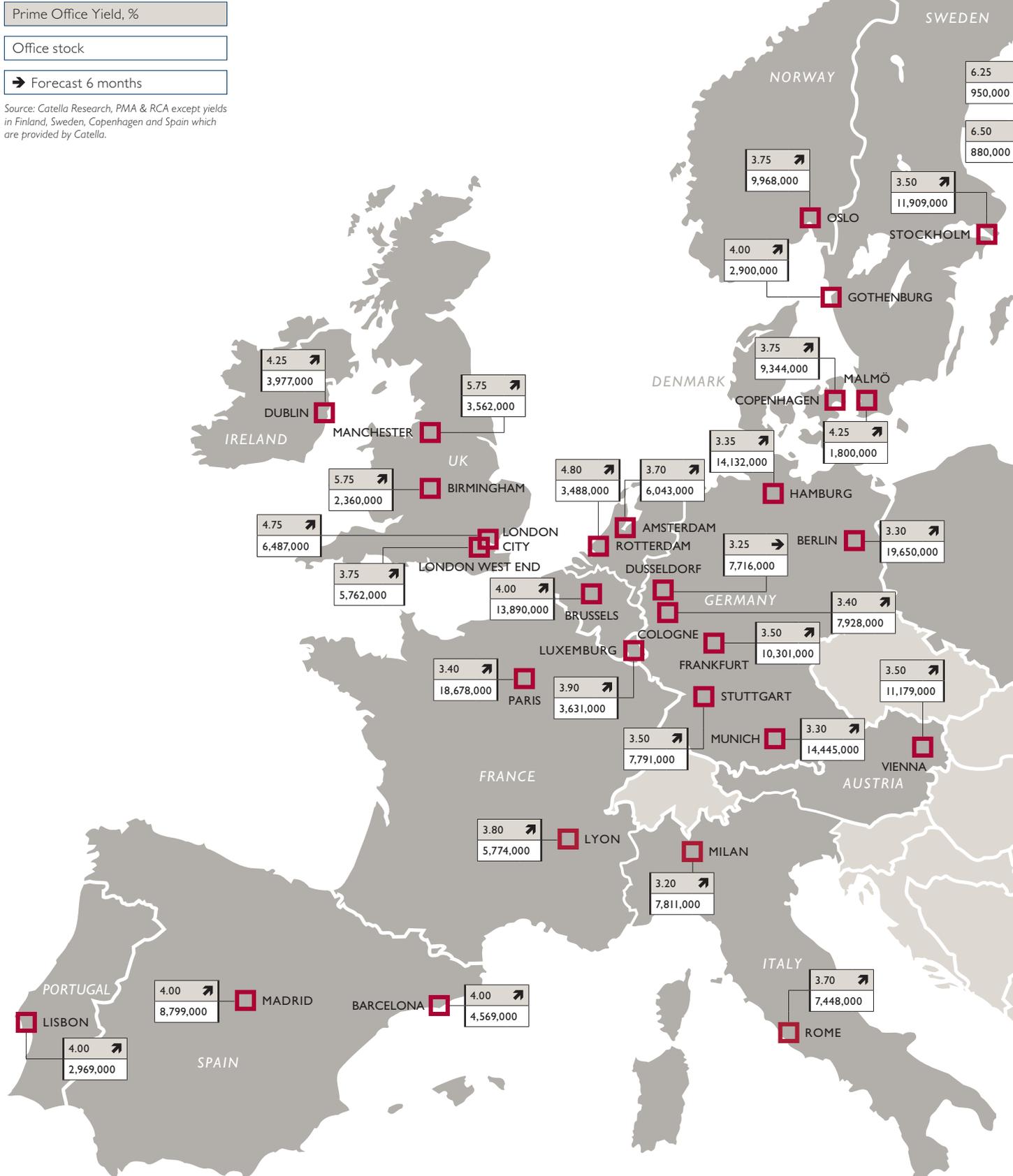
Selection of transactions in other cities 2022

Building / Property	City / Location	Seller	Purchaser	Price (EUR mil.)	Date	Category
Office property	Kuopio	Lapti Oy	Nyfosä AB	11.9	Q1	Office
F-medi III	Tampere	S-Bank Properties	eQ Community Properties	n/a	Q1	Public
Tokmanni's logistics center	Mäntsälä	NREP Logicensers Finland	Tokmanni Oyj	60	Q1	Logistics
Nokia's new campus	Oulu	Nokia Oyj	LCN Capital Partners	180	Q2	Industrial, Office, Other
Koy Seinäjoen Myllypuistikoti + Aallokko	Seinäjoki	City of Seinäjoki	eQ Community Properties	50	Q2	Public
36Hatanpää	Tampere	SBB i Norden AB	Nyfosä AB	n/a	Q2	Office
Health and Social Services Centre	Lahti	City of Lahti	Fund managed by LocalTapiola	96.1	Q3	Public
Martela's industrial and logistics property	Nummela	Martela Oyj	EPISO 6 Luxemburg Holding	15	Q3	Industrial, Logistics
Health and Social Services Centre	Kirkkonummi	City of Kirkkonummi	Fund managed by LocalTapiola	63.5	Q4	Public
Psychiatric hospital	Kouvola	Kymsote-Kiinteistöt Oy	Hemsö Fastighets AB	13.7	Q4	Public
DHL's logistics center	Sipoo	DHL	Allianz Real Estate	n/a	Q4	Logistics

European office market Spring 2023

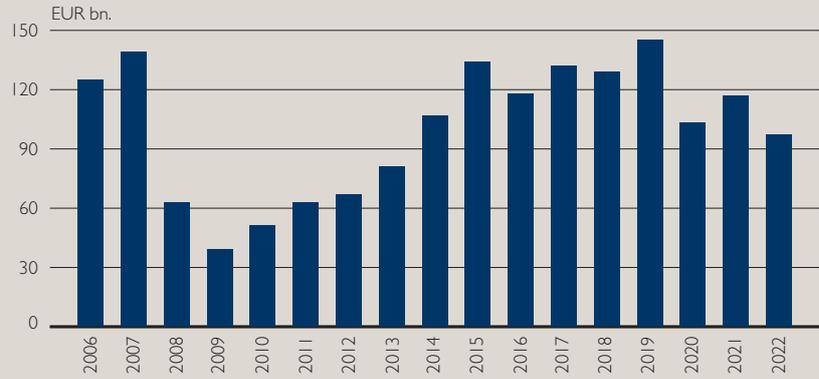
- Prime Office Yield, %
- Office stock
- Forecast 6 months

Source: Catella Research, PMA & RCA except yields in Finland, Sweden, Copenhagen and Spain which are provided by Catella.

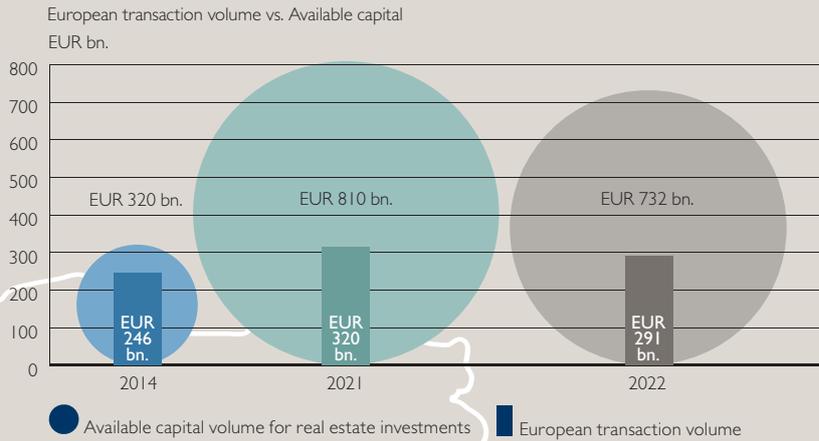




Office transaction volume in Europe 2006–2022



Global investment capital volume* entering Europe in 2022



* All assets classes: office, retail, industrial/logistics, care, hotel and residential

Source: Catella Research 2022, IMF, FED, BIZ, Bloomberg, Deutsche Bundesbank, Thomson Reuter, INREV, PMA



CATELLA REAL ESTATE
DEBT INDICATOR

Catella CREDI Real Estate Debt Survey – Spring 2023

TEXT: LAURI HOFFREN

Catella CREDI is a survey of real estate investors and financiers’ views on the real estate debt market. The main index continued to decline during the second half of 2022 and fell to an all-time low level.

CREDI main index

In the CREDI Q4 2022 survey, the main index declined 3.4 points from last summer’s result settling at 32.4 points. Inflation and interest rates continued to rise during the second half of the year, which further weakened the real estate debt market and pushed the main index down to a historically low level.

The difference in the opinions of investors and financiers increased towards the end of the year. Financiers believe the real estate debt market to further decline during this spring whereas investors trust the development to remain close to neutral.

CREDI sub-indices

In principle, the results of the CREDI sub-indices are lower compared to what the respondents estimated last summer for the rest of the year.

Towards the end of 2022, the availability of real estate debt decreased significantly against summer-survey respondents’ near neutral development expectations. Credit availability is expected to decline further during this spring, too, but not as much as in the autumn.

The continuous rise in interest rates during last autumn translated into weaker margins, too, in the survey results. Most financiers expect margins to keep rising while most investors

think they will remain the same. In general, about half of the respondents expect margins to keep rising and the other half believes they will remain the same during this spring.

Most of the respondents experienced a decrease in the LTV ratio during late last year. Nearly half of the respondents expect the LTV ratio to remain the same, and the other half expects the percentages to fall further during this spring. Only a small portion of the respondents believes the LTV ratio to improve.

Maturities were mainly seen to have remained the same during the second half of last year. However, one fourth of the respondents experienced shorter maturities. Most believe that maturities will remain at current level during this spring.

Non-bank financing is expected to increase on the market due to the decreasing availability of bank financing. Investors feel more confident about non-bank financing, while only one third of financiers expect the share of non-bank financing to increase.

Summary

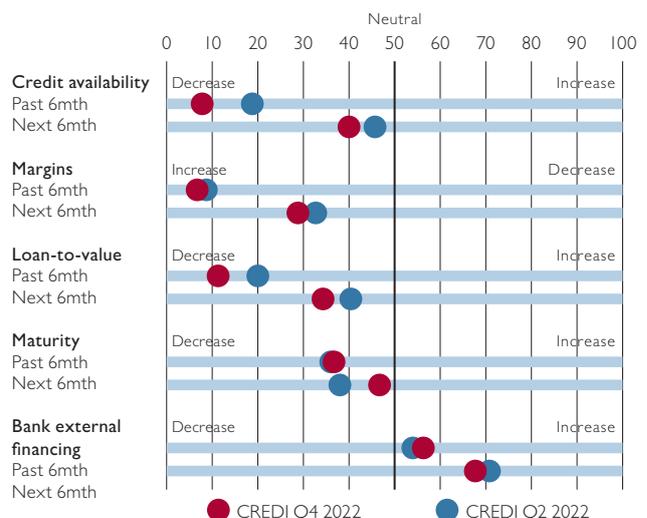
According to the survey, the real estate debt market declined further during the second half of 2022. The CREDI main index fell to an all-time low level at 32.4 points.

The respondents expect all sub-indices except non-bank financing to decline further during this spring but clearly more moderately than last autumn. Among partial indices, margin development is expected to be weakest during this spring. Financiers are somewhat more conservative in their views compared to investors.

CREDI Main index



* = Q2 2022



Catella CREDI (Catella Real Estate Debt Indicator) is a market sentiment indicator for the real estate financing market in Finland. CREDI consist of two indicators: an indicator reflecting the change of the real estate financing market during the past six months and a forward-looking indicator reflecting the expectations of the short term future situation of the real estate financing market. CREDI is based on a survey answered by real estate investors and real estate debt financiers and on public market information. The CREDI indices are generated based on the survey responses with the neutral level standing at 50, which indicates a stable market.

Helsinki Metropolitan Area

TEXT: ARJA LEHTONEN



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More efficient use of space will raise office vacancy rates

Hybrid work is here to stay. Some companies do not limit telecommuting in any way, while others recommend at least 2–3 office days per week. There are still certain fields to which remote work does not apply at all. Employees are lured to spend time at the office by investing in attractive premises and comfortable quiet and team rooms, for example. The trend has driven companies to track the actual use of their offices, which can be as low as 20–30% in large companies. We believe that office vacancy rates will increase as companies decide to invest in new, more space-efficient premises. The need to convert offices will grow accordingly.

New construction in demand in central districts

More efficient use of office space does not yet show in vacancy rates. The amount of vacant space actually decreased during the year to 1,144,000 sq. m. The HMA vacancy rate is 13.9%.

The biggest change of the year concerned the Matinkylä-Niittykumpu submarket where vacancy rate declined more than 6.7 pp. In Ruoholahti, vacancy rate declined to a pre-pandemic level. Vacancy rate rose the most on the Tapiola sub-

market, by 4.2 pp. At the end of the year, the lowest vacancy rates were measured in Keilaniemi and Pasila.

In the Helsinki CBD, vacancy rate has been above 10% for two years already, and there is still 73,000 sq. m. of office space available. Several properties in the CBD have been thoroughly renovated in recent years, and new construction is being completed and planned there. Ernst & Young is to move into renovated and extended premises on Korkeavuorenkatu this summer. Ilmarinen will convert the upper floors of Aleksis 13 into offices, and Sponda is planning a completely new office and retail property on Mannerheimintie to provide a leasable area of 16,900 sq. m.

For the past ten years, 75,000 sq. m. of office space on average has been built every year. In the past two years, however, the respective annual figure was only 43,000 sq. m. This year, circa 71,000 sq. m. will be completed. Although the overall need for office space is not growing and the threat of recession and the rising construction costs have reduced the number of project kick-offs, there is demand for new construction in central districts.

Lease agreement terms to make a difference

Companies' lease agreements have traditionally been tied to the cost-of-living index (1951=100), and after comparing the index change in November 2021 vs. 2022, there is an increase of 9.17%. Investors usually include this increase in the rents, but the weak economic situation may have forced to keep raises more moderate or to phase them. During low inflation, lease agreements have included minimum increase terms. It remains to be seen, whether maximum increase terms become more popular.

Maintenance costs have risen rapidly in recent years, and this risk has been transferred to tenants by dividing rent into capital and maintenance rent. We believe that this practice will become more common. Investors becoming more active in investing in energy should ease the cost pressure. This may create new income opportunities to properties via energy sales.

Office market rents on the up in the CBD

In terms of property valuation, it is important to assess whether market rents will rise with index-increased lease agreements. In the short term, no increase in market rents corresponding to last year's inflation can be seen, at least in the districts where there is plenty of space available and where tenants have the opportunity to tender out for their premises. CBD offices' market rents are rising, however, with prime rents at circa EUR 38/sq. m./month. During the past five years there has been an increase of circa 17%. For certain individual properties, lease agreement may have stated rent at EUR 40/sq. m./month, but some of it has based on major customization or renovation.

More efficient use of space allows companies to relocate into central office districts and premises that are more expensive per unit, which supports office demand in the CBD. In districts with less demand, office rents have not risen, and growing maintenance costs reduce the yield for investors.

Declining consumer purchasing power weakens demand for retail space

As the pandemic subsided, the demand for retail space was expected to gradually recover, but the weak economic situa-

tion, inflation, and higher interest rates have reduced consumers' purchasing power. The change has been seen in a number of retail sectors, affecting, for example, shopping centres and space-intensive retail facilities. Tourism has not recovered to a pre-pandemic level either. Lack of Russian and Chinese tourists, in particular, weakens the demand in city centres. Recent years' challenges have reflected in rents which have been falling for several years. Prime effective rent in the Helsinki CBD is now EUR 115/sq. m./month while having been EUR 155/sq. m./month at best before the pandemic.

Last year circa 72,000 sq. m. of new retail space was completed in the HMA. The largest project was shopping centre Lippulaiva in Espoo. This year, 26,000 sq. m. of new space is to be completed.

The amount of vacant space reduced in the HMA last year by nearly 8,000 sq. m. to 112,000 sq. m. Vacant retail space is most common in Helsinki, and there is circa 17,900 sq. m. of vacant space in the CBD. This is close to 3,000 sq. m. more than last year.

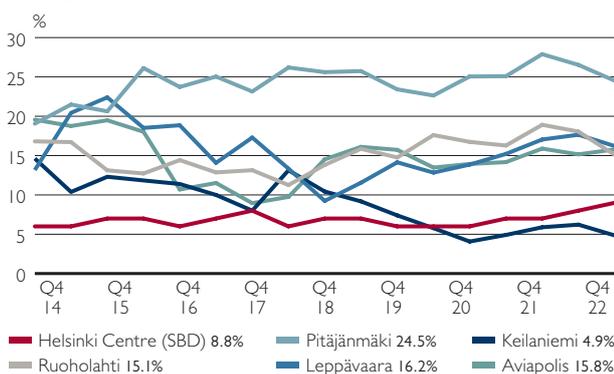
Less vacant space in industrial and logistics facilities

Vacant space in the industrial and logistics category decreased compared to previous year in the HMA by circa 21,000 sq. m. to circa 234,000 sq. m. Vacancy rate was 2.9%.

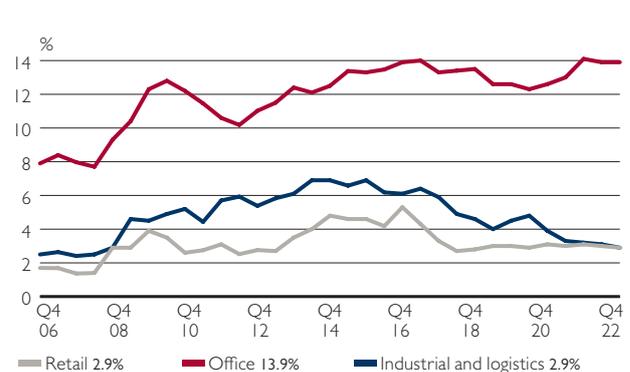
Industrial and logistics properties' prime gross rents have been rising since 2018 and are now highest in the Aviapolis district, EUR 11.50/sq. m./month, and lowest in the Petikko district, EUR 8.50/sq. m./month.

Logistics space demand has accelerated construction in the HMA, and last year circa 134,000 sq. m. of logistics space was completed, for example phase VI of Vantaan Rasti, where anchor tenant is Delete, and the Avialogis center, where anchor tenant is Barona. This year, 29,000 sq. m. of new logistics space is to be completed, and circa 44,000 sq. m. is to be completed next year.

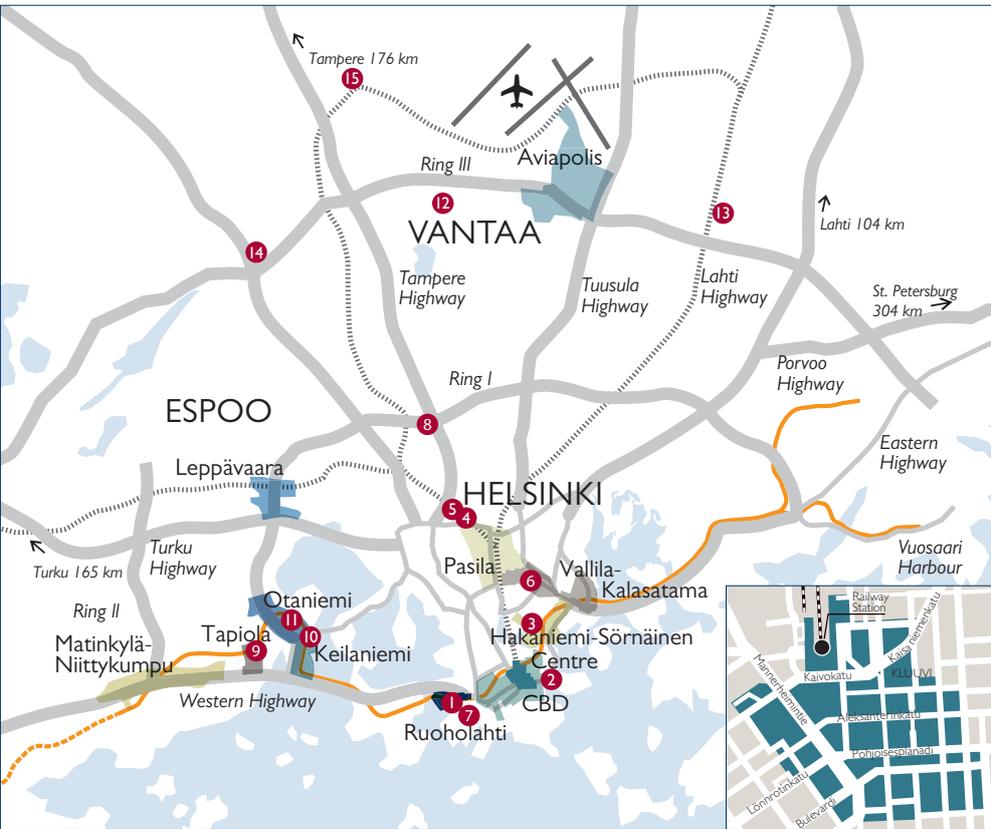
Vacancy rates in selected districts in the Helsinki Metropolitan Area Q4 2022



Vacancy rates in the Helsinki Metropolitan Area Q4 2022



Helsinki Metropolitan Area real estate market



Major office, retail, logistics and industrial projects in the HMA, Spring 2023

- HELSINKI**
- 1 NCC We Land
 - 2 Stora Enso HQ
 - 3 Lyyra project in Hakaniemi
 - 4 Ilmalanlinna
 - 5 Ilmalan Tori
 - 6 Pembroke Vallila
 - 7 Wood City II
 - 8 Pelican Storage Kaari
- ESPOO**
- 9 Tapiola Tuultenristi
 - 10 Niam LSC Keilaniemi
 - 11 Innopoli IV 2nd phase
- VANTAA**
- 12 Eaton regional HQ
 - 13 Valmet HQ
 - 14 Petikon Helmi
 - 15 Mall of Kivistö

	Vacancy rate and vacant space in the Helsinki Metropolitan Area		Vacancy rate (%)		Vacant space (sq. m.)	
	Q4 22	Q2 22	Q4 22	Q2 22	Q4 22	Q2 22
HELSINKI						
Retail	3.9	4.1	80,000	85,000		
Office	13.9	14.0	792,000	795,000		
Indust./Logistics	3.1	3.0	106,000	106,000		
ESPOO						
Retail	1.3	1.3	12,000	13,000		
Office	14.4	14.7	238,000	243,000		
Indust./Logistics	2.1	2.2	27,000	28,000		
VANTAA						
Retail	2.2	2.4	20,000	22,000		
Office	12.4	12.1	113,000	111,000		
Indust./Logistics	3.1	3.5	100,000	111,000		

Helsinki Metropolitan Area office market	Upper gross rental level	Prime yield	Vacant space	Vacancy rate	
	Q4 22	Q4 22	Q4 22	Q4 22	Q4 22-Q2 22
	€/sq. m./month	%	sq. m.	%	change%-points
Helsinki City Centre					
- Helsinki CBD	38.00	4.0	73,000	12.2	0.0
- Helsinki Centre (SBD)	28.75	4.4	65,000	8.8	1.1
Hakaniemi – Sörnäinen	28.00	5.3	59,000	14.7	0.1
Vallila – Kalasatama	24.50	5.4	125,000	19.0	1.4
Pasila	27.50	5.0	31,000	7.3	-0.8
Ruoholahti	24.50	5.2	54,000	15.1	-3.0
Keilaniemi	27.00	4.9	11,000	4.9	-1.4
Otaniemi – Pohjois-Tapiola	21.50	5.7	39,000	18.1	-1.7
Tapiola	21.50	5.7	16,000	12.7	3.5
Matinkylä - Niittykumpu	19.75	6.4	27,000	16.5	0.0
Leppävaara	21.50	5.7	46,000	16.2	-1.4
Aviapolis	20.00	6.9	37,000	15.8	0.6
Helsinki Metropolitan Area			1,144,000	13.9	0.0

- The office stock in the HMA has been refined to match the current situation from the beginning of 2023. The office stock is based on data maintained by the cities, which Catella has been specified for each property. The reform affects only in vacancy rates. - Particularly long lease agreements currently decrease yields by approximately 0.1–0.5% points in the Helsinki CBD and 0.1–0.7% points in other submarkets.

- Effective gross rent €/sq. m./month (VAT 0%), new leases.
- The definitions of certain areas have been adjusted during 2020.

Tampere

TEXT: LEENA SMEDS/SAMI SARASTE



©Visit Tampere / Laura Vanzo

Tram line revitalized the city centre

Successful urban development has created a solid base for property business, and the interest of both Finnish and foreign investors remained strong in Tampere.

The new tram line has proved highly popular and increased activity in the city centre. However, retail store vacancy rates remain a challenge in the centre, and quite many stores are being converted into cafes and restaurants. Department stores in the CBD adapt to changes in consumer behaviour. Sokos is converting its food section into a Prisma market and refurbishing other departments. At the other end of Hämeenkatu, the premises vacated by Stockmann became a 1,500 s. qm. medical centre for Mehiläinen.

Demand for premises has been strong in the most popular big box areas, and there is hardly any space unoccupied. Gigantti moved to new premises in Lielähti in the summer, and its former premises were occupied by Minimani at the end of last year.

Vacancy rates for industrial and logistics facilities remain record low. Both tenants and investors are interested in newish properties by the ring road. New premises are a way to stand out on the market and reflect a modern brand.

A strong year in terms of transactions

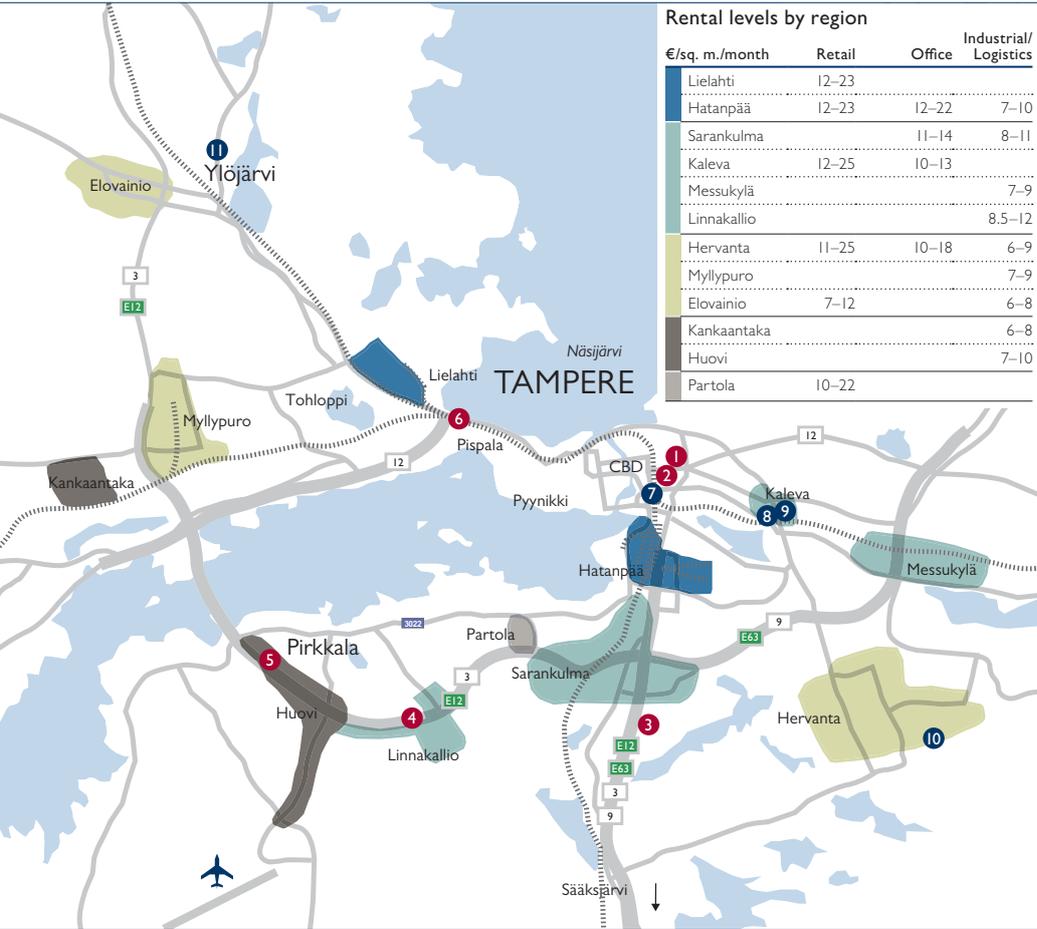
Nyfosa continued to invest in Tampere by acquiring an office property at Hatanpään valtatie 36 from SBB. Covering circa

13,000 sq. m. in total, this property is mainly occupied by Senate Properties and Kesko. Ovaro bought a 10,000 sq. m. office property located at Hermiankatu 12 with EUR 6 million from Niam. A retail property by Ikea in Lahdesjärvi also changed owner in the summer. Serena Properties bought the property occupied by K-rauta from Ingka Center. The transaction consisted of the circa 8,400 sq. m. property plus circa 20,000 sq. m. in floor area of unused building right.

The launch of the wellbeing services counties at the turn of the year boosted the sales of community properties. The City-owned property investment company Tampereen Palvelukinteistöt sold a portfolio of eight social and healthcare properties to eQ Community Properties Fund for EUR 96 million. The said Fund also bought the F-Medi II special care property by the university hospital from S-Bank's fund. Hemsö bought three social and healthcare properties from the City for a total price of EUR 8.5 million. Their anchor tenant is the Pirkanmaa Hospital District. The community property market will develop further as the wellbeing services county is being organized.

Station district in development

Known as GO21, an office property with circa 11,000 sq. m. of floor area is nearly completed by the railway station, with Gofore as the anchor tenant. The modern concert and event centre Tavara-asema moved next door to begin operations early this year. West of the city centre at Kauppakatu 4, the premises



UNDER CONSTRUCTION

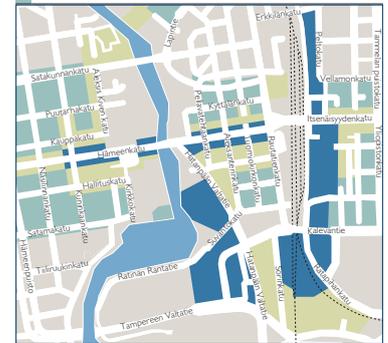
- 1 Tammela stadion, retail, apartments
- 2 GO21-office building
- 3 Technology center of Metso Outotec
- 4 Logistic property
- 5 Industrial property
- 6 Tramline from Pyyntikintori to Lentävänniemi

IN PLANNING

- 7 North Deck
- 8 Extension of Kaleva Prisma
- 9 Hakametsä Sport campus
- 10 Logistic centre of Kesko
- 11 Prisma Ylöjärvi

City Centre

€/sq. m./month	
Retail	60
Office (modern office/renovated)	23
Retail	25
Office	17
Retail	20
Office	16



left by Nordea were converted into a Forenom hotel of 61 apartments.

The first phase of Tampere Deck was completed at the end of last year as SRV's second residential building was built next to the Nokia Arena which has secured a strong position in the market. Next in line are the northern deck and Asemakeskus by the railway station. The detailed plan is ready but decision to kick off the project has not been made. The plan of Asemakeskus has not been finalized, but once it moves forward, the extension of the 10-year-old Hämpin Parkki of Finnpark will also begin, creating 1,000 new parking slots in the city centre.

The second phase of Tramway continues, and the line will carry people to Santalahti in the summer. After Näsinsaari is completed, trams will go from Santalahti to Lentävänniemi. It is clear that the residential areas along the route are developing positively and there is interest to invest in residential properties.

Vacant space, prime yields and prime rents

	Retail	Office	Industrial/Logistics
Vacant space, sq. m.	54,000	97,000	29,000
Prime yield, %	6.85	6.25	6.25
Prime rent, €/sq. m./month	60.00	23.00	9.50

Rental levels excluding the first leases of new constructions

Vacancy rates in Tampere Q4 2022



Selection of transactions in Tampere 2022					
Building / Property	Seller	Purchaser	Price (EUR mil.)	Date	Category
F-medi III	S-Bank Toimitila	eQ Community Properties	n/a	Q1	Public
8 social and healthcare properties	City of Tampere	eQ Community Properties	96	Q1	Public
Office property	Fund managed by Niam	Ovaro Kiinteistöojitus Oyj	6	Q2	Office
61 apartments	Bonava	eQ Finnish Residential Fund II	n/a	Q2	Residential
36Hatanpää office property	SBB i Norden AB	Nyfosa AB	n/a	Q2	Office
Community property	Private investor	Fund managed by UB	n/a	Q3	Public
Three social and healthcare properties	City of Tampere	Hemsö Fastighets AB	8.5	Q4	Public

Turku

TEXT: MARI ROUVALI



© City of Turku

CBD office market regains its attraction

Office vacancy rate remained practically the same during the year. Uncertainty regarding future ways of working affects demand and slows down strategic decision-making around office investments. The Kupittaa district continues to attract office users but the CBD is clearly improving its status now that major construction sites are being completed. The office projects completed or under construction last year are located in the Kupittaa and Itäharju districts. Turku Technology Properties finished the Turku Energy headquarters in Itäharju and CivilCity for the use of Kela, Wärtsilä and Nordea on Lemminkäisenkatu.

There are signs of the retail property market reviving despite the vacancy rate remained at the same level. Completion of major projects, including the market square, in the city centre plays an important role in this. Shopping centres around the region have one after the other released news about new tenants. For example, Nanso and Momotoko opened stores in Skanssi.

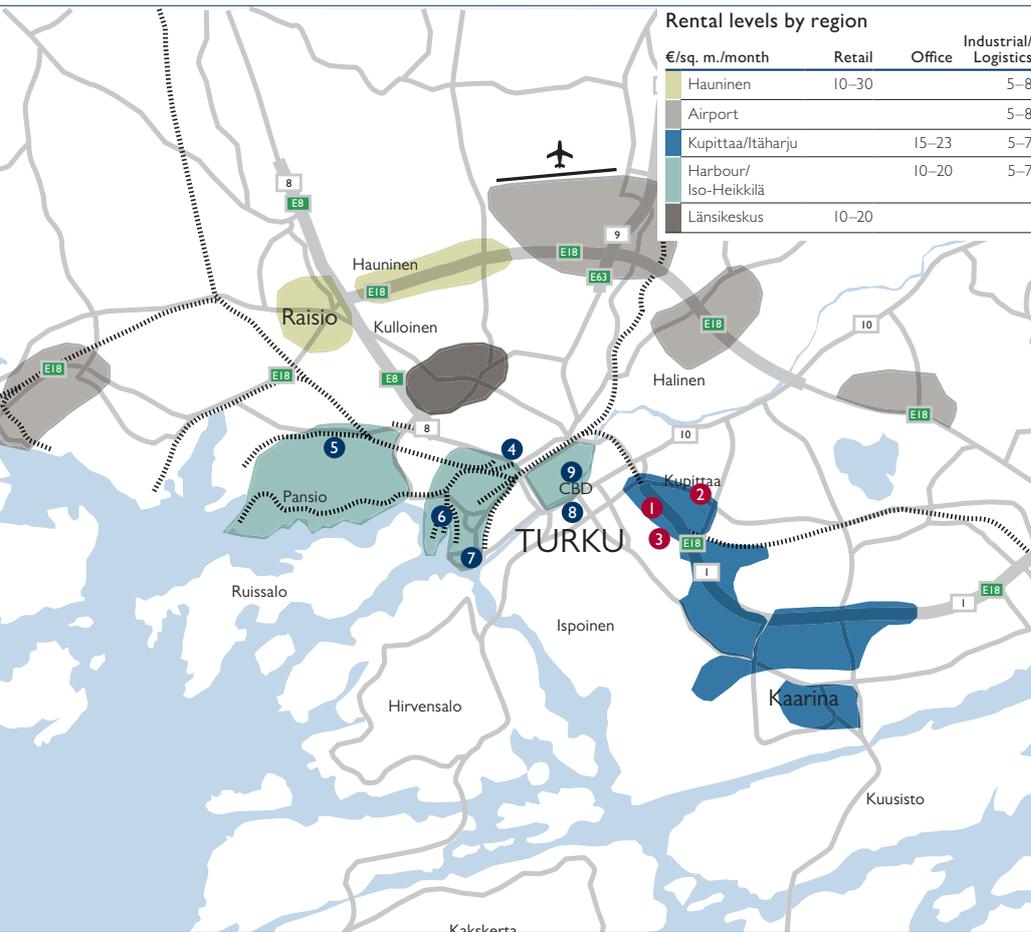
The vacancy rate of logistics and production facilities remained at the same low level. New facilities have been built to meet the demand created by growth and new functionality requirements. Regarding logistics facilities, most of the development is taking place around the airport in Turku and in the Avanti area of 350 hectares and 250 companies in Lieto.

Industrial properties attracted investors

Several transactions were closed last year. AVIA Real Estate sold a logistics property at the airport to a fund managed by Capman. Nyfosa bought an industrial and warehouse property as part of a portfolio. An industrial property occupied by Orkla was sold to ML 67 Dormant last summer. On the office property market, Hemsö increased its share of Turku Technology Properties to 52% after buying the shares of OP Turun Seudun Kiinteistöt and the Eschnerska Frilasarettet fund. Turku Technology Properties owns circa 150,000 sq. m. of leasable area in the Turku Science Park area. Several residential transactions were closed in developing areas, for example in Linnakaupunki, where Taaleri Vuokrakoti Ky bought 116 new-build apartments from Pohjola Rakennus in the autumn.

Commercial construction on a good level

Retail and office complex Station is under construction next to the old Kupittaa station, and LinkCity office building is in planning to Lemminkäisenkatu. Construction of 10-storey ParkCity on Joukahaisenkatu was completed at the end of the year. In Itäharju, InfraCity B is under construction next to the Turku Energy headquarters, and K-Rauta's former property will be converted into an office and production facility. In Raisio, 7,000 sq. m. of new retail space is being built next to Ikea anchored by Jula which is entering the Finnish market. Moreo-



UNDER CONSTRUCTION

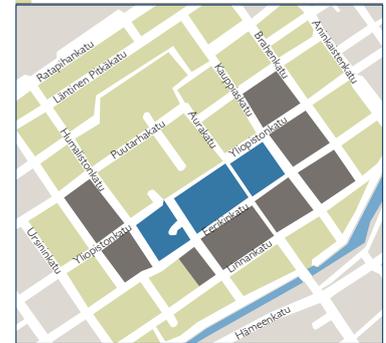
- 1 InfraCity B office building
- 2 IndustryCity industrial and office project
- 3 Station office and residential project

IN PLANNING

- 4 Adventure park of Ratapiha
- 5 Blue Industry Park
- 6 Joint passenger terminal
- 7 Museum of History
- 8 Music centre
- 9 Wiklund's block

City Centre

€/sq. m./month	
Retail	50
Office (modern office/renovated)	22
Retail	30
Office	16
Retail	20
Office	13



ver, retail properties for three car dealers are being built in the Hauninen district of Raisio.

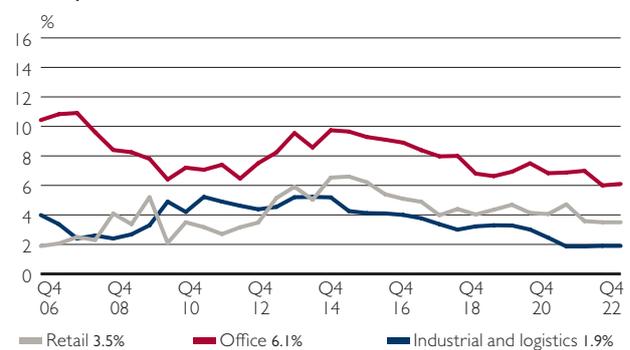
Among the city centre blocks, Österblad in the corner of Kauppiaskatu and Linnankatu is the next one to be developed in addition to the market hall and Wiklund blocks. There are four alternative plans for Österblad corner, each of which involve a 12-storey tall building. Planning for the market hall block is about to start to renovate it extensively. According to preliminary plans, the Wiklund block is to be elevated on both sides and new 2–6-storey buildings are take place on the Brahenkatu side of the lot. By the river in the city centre, a 12,800 sq. m. music hall is in planning, the construction of which may begin this summer to be completed in 2026.

Vacant space, prime yields and prime rents

	Retail	Office	Industrial/Logistics
Vacant space, sq. m.	34,000	54,000	44,000
Prime yield, %	7.25	6.50	6.25
Prime rent, €/sq. m./month	50.00	22.00	8.00

Rental levels excluding the first leases of new constructions

Vacancy rates in Turku Q4 2022



Selection of transactions in Turku 2022					
Building / Property	Seller	Purchaser	Price (EUR mil.)	Date	Category
Three residential buildings	Åbo Akademi	Turku Asunnot	8.7	Q1	Residential
Industrial and office property of Radiometer	Private investor	Radiometer Turku Oy	n/a	Q2	Industrial + Office
76 apartmentst	Bonava	Fund managed by Taaleri	n/a	Q2	Residential
Logistics property	AVIA Real Estate Oy	Fund managed by CapMan	n/a	Q2	Logistics
116 apartments	Pohjola Rakennus Oy	Fund managed by Taaleri	n/a	Q3	Residential
Retail property	n/a	Fund managed by Taaleri	n/a	Q4	Retail

Oulu

TEXT: AIMO TYYBÄKINOJA



© Kuvio.com

Scarcity in modern offices

Demand-supply mismatch has hampered the office market for years. Most of the offices available are considered old and unattractive while companies demand modern premises. There is a lack of modern offices particularly in the CBD. More parking space, too, is needed in the CBD, as all monthly charged spaces have been taken.

No major changes occurred on the retail market. Random smaller premises have been available, but there is no oversupply. A few premises of more than 500 sq. m. have been available in the CBD for some time without major interest.

Although several light industry and warehouse halls have been built in Oulu in recent years and the stock has grown significantly, vacancy rates have for years stayed at the level of 2–3%. Space scarcity is a constant, and many companies seek new premises among new construction for which they have to wait.

A busy year in terms of transactions

An exceptional number of transactions was seen last year, and a volume of more than EUR 340 million was reached during only the first half. The largest individual sale in June involved six healthcare and care properties sold by the City of Oulu to the eQ Community Properties Fund for EUR 165.6 million. Other active buyers included Joo Group and Elite Alfred Berg who acquired Cramo's logistics centre for EUR 4.5 million and a car dealership property.

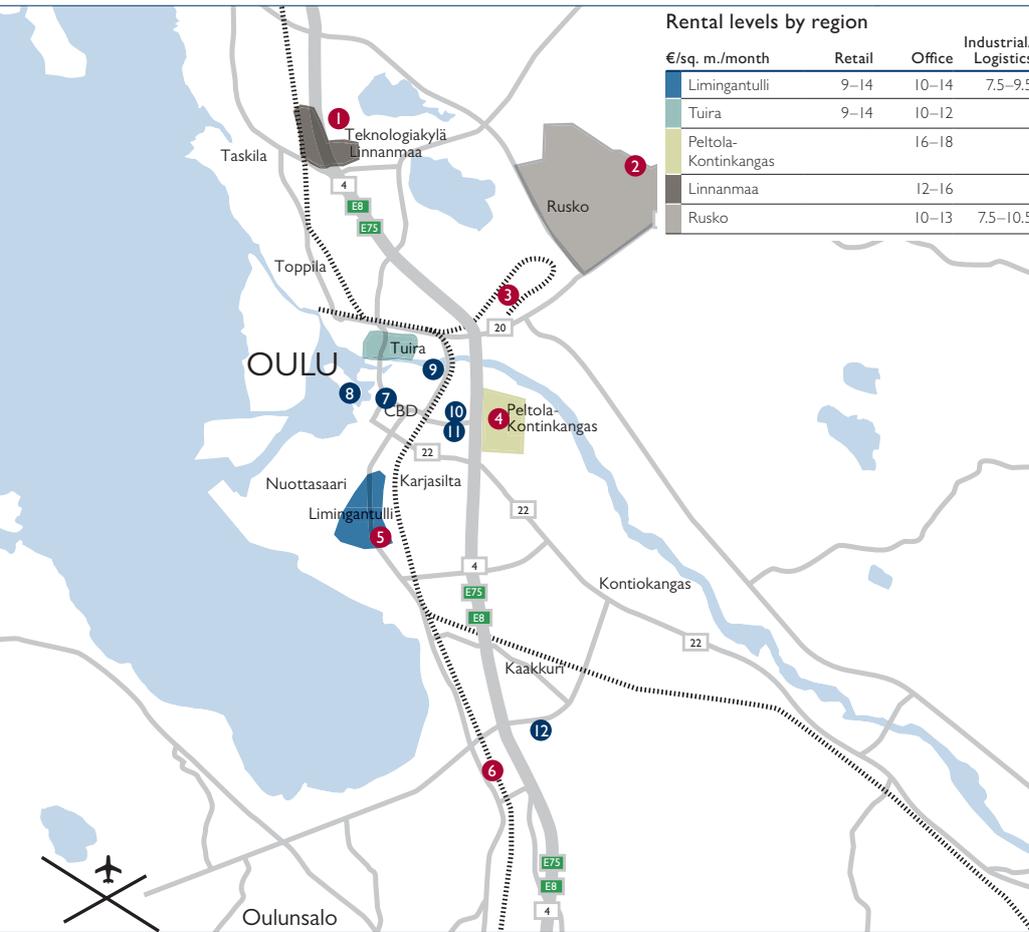
Commercial properties under construction

Privately funded projects currently underway and in planning in the CBD mainly consist of apartment buildings. However, YIT's Asemanportti project next to the railway station includes 3,600 sq. m. of offices and retail space. Station project Asemakeskus in Raksila is in the lot-bidding phase, and both residential and commercial properties are in planning for the area.

In Linnanmaa, the construction of the R&D and production facility for the new circa 50,000 sq. m, EUR 180 million campus for Nokia began at the end of last year. This campus is to be completed in 2025. In the autumn, an office building of 4,300 sq. m. is to be completed in Limingantulli as phase 2 of Lapti's Veturi project, the anchor tenant being Monetra Oulu. At the end of last year, a circa 6,000 sq. m. retail and office building was completed on Alasantie, housing Puustelli and AINS Group, among others. Several business premises for car dealers, for example, are being built or have been completed in the new Oulunportti retail area.

The planning and zoning of the 22-storey, circa EUR 80 million Terwa Tower hotel in Torinranta are in progress, and Coop Arina Solo has been selected to operate the hotel within the Sokos Hotel chain concept.

The billion-euro university hospital is under construction, and its first parts will be completed phase by phase by the end of this year. The complete renovation of the City Hall continues, taking several years, and the renovation of the nearby



UNDER CONSTRUCTION

- 1 Nokia campus
- 2 Police station and prison
- 3 Sawmill in Junnikkala
- 4 Reconstruction of university hospital
- 5 Office project in Limingantulli
- 6 Retail area in Oulunportti

IN PLANNING

- 7 OP's new building in CBD
- 8 Terwa Tower and spa in Toriranta
- 9 Office project in Kasarmintie
- 10 Market area in Raksila
- 11 Asemakeskus project in Raksila
- 12 Lidl in Kaakkuri

City Centre

€/sq. m./month	
Retail	55
Office (modern office/renovated)	23.5
Retail	18
Office	15
Retail	15
Office	15



lyceum school will be completed this summer. Senate Properties' new court house project is to be completed early this year on Torikatu. The central police station and prison developed by Senate Properties kicked off construction in the autumn in Rusko where unbuilt plots are becoming scarce. Covering approximately 32,000 gross sq. m. in total and costing circa EUR 130 million, the facilities are to be completed in 2024 and 2025.

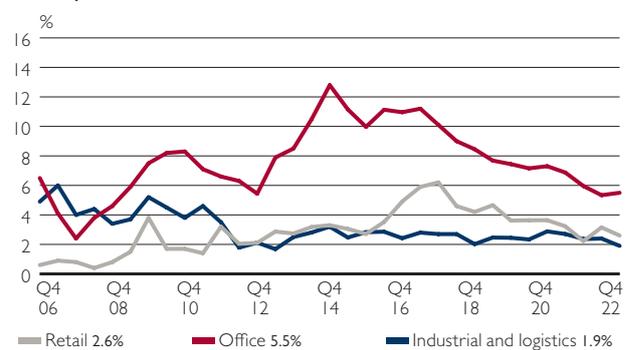
Junnikkala's new sawmill, an investment of circa EUR 75 million, is to be completed by the end of this year in the industrial area of Laanila.

Vacant space, prime yields and prime rents

	Retail	Office	Industrial/Logistics
Vacant space, sq. m.	21,000	36,000	28,000
Prime yield, %	7.50	7.25	7.50
Prime rent, €/sq. m./month	55.00	23.50	10.00

Rental levels excluding the first leases of new constructions

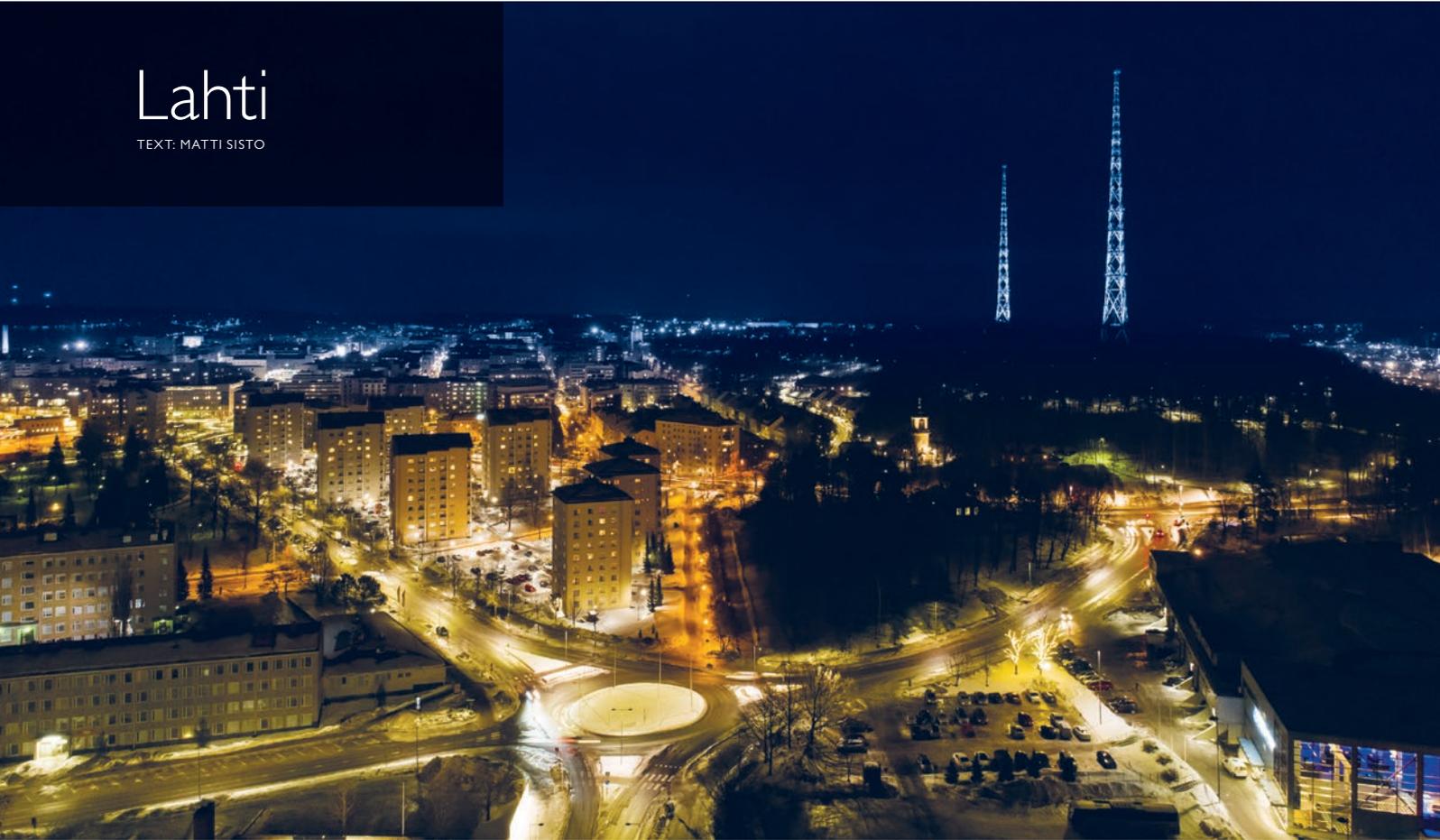
Vacancy rates in Oulu Q4 2022



Selection of transactions in Oulu 2022					
Building / Property	Seller	Purchaser	Price (EUR mil.)	Date	Category
Nokia's new campus	Nokia Oyj	LCN Capital Partners	180	Q2	Industrial + Office
Six social and healthcare properties	City of Oulu	eQ Community Properties	165.6	Q2	Public + Care
Educational property	City of Oulu	Hoivatilat	8.9	Q2	Public
Logistic center of Cramo	Private investors	Fund managed by Elite Alfred Berg	4.5	Q2	Logistics
60 apartments	Pohjola Rakennus Oy	Luotsi Capital Oy	n/a	Q2	Residential

Lahti

TEXT: MATTI SISTO



© Vastavalo.net / Jani Kurkisuo-Pohjoisaho

Companies interested in serviced offices

The Aisti office building planned opposite the Travel Centre faced a time-out when construction costs went up, but old building frame is being converted into serviced offices like in several city centre properties. Senate Properties is renovating its old office building to centralize operations and to nearly double its amount of personnel in one building.

Demand for retail space is reviving

During the year, retail premises unoccupied for a long time have welcomed new tenants. Restaurant Hook opened in the former home appliance store by the Lanu square. Shopping centre Trio in the city centre has managed to attract new tenants and reduce its vacancy rate after a major facelift, refurbishing and tenant reorganization. This is largely thanks to the City leasing premises on the second floor for its service centre including the employment and economic development offices and service counselling.

Further away, Citymarket Karisma went through a nearly EUR 10 million renovation to update its building services systems and retail section and to build more premises. The demolition of the former Isku furniture store began early this year in Paavola to be replaced by up to 16-storey apartment houses.

Investments in Pippo-Kujala

Pippo-Kujala area is on a positive curve as many companies have been willing to invest by the ring road. By the highway exit, Fazer reserved a 34-hectare plot for a candy factory that may begin operations 2025–2027. Department store Kärkkäinen operating in the area aims to build an up to 100,000 sq. m. logistics centre. Meanwhile, Kärkkäinen has also applied for a plan alteration to extend its Renkomäki store with 27,000 sq. m. for online sales.

Viking Malt's EUR 90 million malting plant is to begin commercial production this year. Kempower got its production moving at the former bus body shop in Okeroinen, and its fast-growing subcontractor Elektropoint moved at the turn of the year from Hollola to the new Hennala Park in Okeroinen with 10,000 sq. m. of building right, of which the new production facility is to use nearly 3,000 sq. m.

In the sports venue category, it seems that the Kisapuisto main stand area is proceeding, although compromised to cost circa EUR 10 million. Among public properties, school renovations continue within the constraints of the City's economy.

Major public property transaction

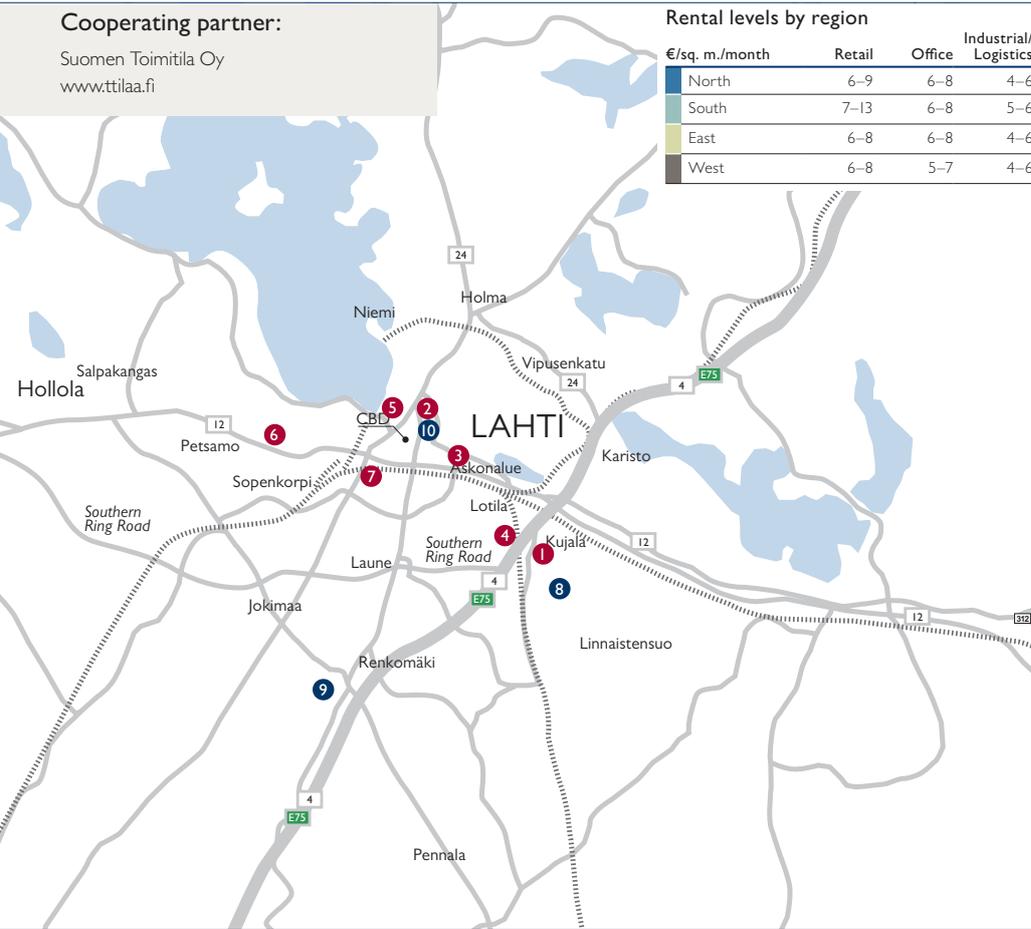
City of Lahti sold its renovated city hospital to LocalTapiola's community property fund for EUR 96.1 million but kept the plot. Municipality of Hollola tried to sell its new social and healthcare centre for EUR 17 million, but this transaction was

Cooperating partner:

Suomen Toimitila Oy
www.ttilaa.fi

Rental levels by region

€/sq. m./month	Retail	Office	Industrial/ Logistics
North	6–9	6–8	4–6
South	7–13	6–8	5–6
East	6–8	6–8	4–6
West	6–8	5–7	4–6



UNDER CONSTRUCTION

- 1 Fazer sweets factory
- 2 Isku residential block
- 3 Renovation of government office building
- 4 Hartwall biogas plant
- 5 Ranta-Kartano residential area and parking facility
- 6 Salpausselkä Park, phase II
- 7 Vahva-Jussi residential area

IN PLANNING

- 8 Kärkkäinen logistics centre
- 9 Kärkkäinen store extension
- 10 High-rise buildings of Luhta, Kela and City of Lahti

City Centre

€/sq. m./month

Retail	40
Office (modern office/renovated)	19
Retail	12
Office	9
Retail	12
Retail	15



cancelled due to lease terms. DEAS Property Fund Finland bought Elektropoint’s new production property from Superior. City of Lahti aims to sell the old police station for residential use, including the building frame or just the plot, and this transaction may take place once the city plan is approved in March.

Residential development continued actively

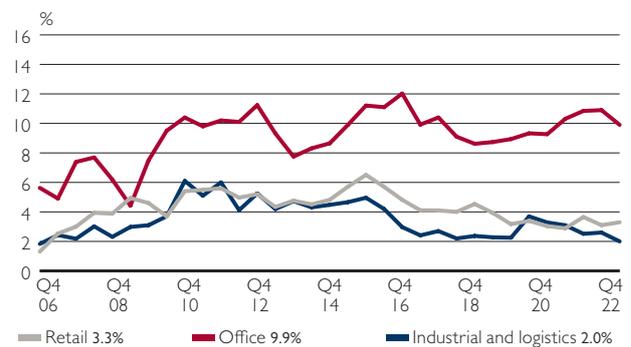
A notable number of residential properties are to be completed or in planning to replace former industrial or retail facilities. In addition to the Trakside areas, residential plots have been planned for the Isku block in Paavola, to replace the shopping centre in Jalkaranta, and obviously for Ranta-Kartano. After the EUR 5.4 million street and water-service infrastructure project was completed in the former military quarters of Hen-nala, Senate Properties sold the first residential plot on the south side of the old area. Due to slow population growth, there will be vacant housing on the outskirts of the city.

Vacant space, prime yields and prime rents

	Retail	Office	Industrial/Logistics
Vacant space, sq. m.	26,000	28,000	39,000
Prime yield, %	8.25	8.00	7.50
Prime rent, €/sq. m./month	40.00	19.00	7.00

Rental levels excluding the first leases of new constructions

Vacancy rates in Lahti Q4 2022



Selection of transactions in Lahti 2022

Building / Property	Seller	Purchaser	Price (EUR mil.)	Date	Category
31 apartments	Lahden Talot	Innovest Asunnot Oy & Nordic Business Investments Oy	n/a	Q2	Residential
46 apartments	Lahden Talot	Sijoitusasunnot.com Group Oyj	n/a	Q2	Residential
Industrial building	Superion	DEAS Property Fund Finland	n/a	Q2	Industrial
Lahti Health and Social Services Centre	City of lahti	Fund managed by LocalTapiola	96	Q3	Public

Jyväskylä

TEXT: MIKKO HIRVI



© City of Jyväskylä / Suomen Ilmakuva Oy

The new normal for offices and supply challenges

On the rental market, demand has been stable after the pandemic eased off, although not consistently across all lines of business.

The office market dampened by the telecommuting trend has slightly perked up. There has been a demand for modern, ready-to-use, multipurpose offices in the CBD to meet the needs of businesses. Companies are willing to pay market prices for good-quality, functional modern offices. The challenge is that not many of those are available in the CBD. Premises that require major renovation combined with the long lease maturities required by property owners are not attractive to companies. However, many company is competing for expertise, which creates pressure to offer high quality and functional offices.

CBD held up, retail perked up

The retail space demand in the CBD is focused on the best, most sales-intensive locations, particularly the premises by the pedestrian street and in the most active shopping centres. Top rents for retail space remained stable compared to the previous year. Companies are still ready to pay upper quartile rent per square metre for a prominent business location by the customer flows.

Companies that specialize in wellbeing, services, specialty products or food and restaurant services are the largest user

groups in the CBD, but only in the most prominent and accessible business locations. Brands that began business in the city centre last year include Partyland, Taco Bell, Miny, Specsavers, and a few new nightclubs/late night restaurants.

In the future, specialty stores will most likely increasingly prefer the CBD shopping centres. New functions not directly related to retail will be brainstormed for the shopping centres with less attractive locations.

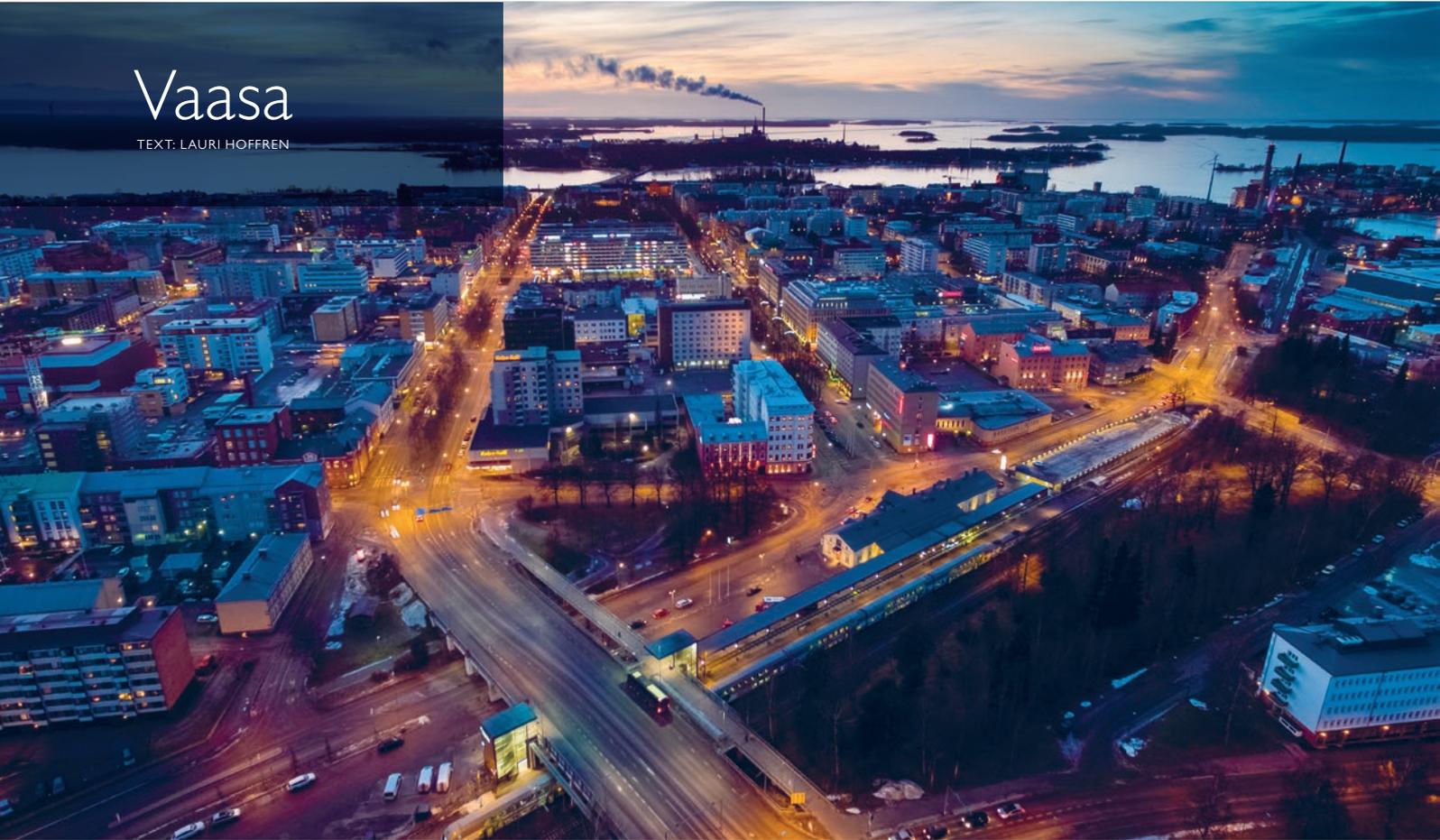
Major care property transaction late last year

The most significant and largest property transaction occurred when the City of Jyväskylä sold 13 social and healthcare properties to Nordic infrastructure investor Infranode for circa EUR 84 million. This portfolio of circa 36,000 sq. m. included most of the social and healthcare properties in Jyväskylä. The 5,600 sq. m. headquarter of Karto located in Seppälänkangas changed owner, sold by Minela Foundation to special investment fund UB Finland Property.

Offices in the city centre, too, were of interest to investors. Mandatum AM bought the property of former local phone company KSP on Yliopistonkatu, nearly fully leased, from Samla Toimitilat II Ky fund. Moreover, Ovaro bought three office properties for EUR 4.1 million from Sagax. Two of the properties are located in the CBD and the third on campus.

Vaasa

TEXT: LAURI HOFFREN



© City of Vaasa / Christoffer Björklund

Office vacancy rate doubled

Major change took place on the office market as the Wärtsilä Sustainable Technology Hub was inaugurated in Vaskiluoto in June. The investment amounted to EUR 250 million, including offices and logistics and production facilities. The move to Vaskiluoto left more than 10,000 sq. m. unoccupied in Runsor, which doubled the office vacancy rate. Wärtsilä's historical factory milieu in Vöyrinkaupunki is now unoccupied and to be converted phase by phase from a closed complex into an open urban and residential area while conserving the culturally and historically valuable old properties. The new detailed plan is to be finalized next year.

Tax office moved from Poikkikuja to renovated premises in a Palosaari complex to make their use of space more efficient. The new premises house approx. 30% fewer workstations.

Retail property market attracts new investors

Early last year the new Prismakeskus opened in Liisanlehto, bringing more than 20,000 sq. m. of retail space in the area. This energy-efficient hypermarket was developed by KPO, and it was the largest investment in its history. Citymarket is still in planning across the street because Kesko focused on renovating its city-centre Citymarket with EUR 7 million, increasing grocery store space by 500 sq. m.

New operators entered the Klementtilä retail area late last year as Clas Ohlson moved to a bespoke retail property of

1,600 sq. m. in October and Swedish Jula opened its first department store in Finland in Lidl's old 2,000 sq. m. property. Moreover, WestGroup is building a retail property of circa 1,900 sq. m. for Jysk to be completed in the summer.

Second new factory in Vaskiluoto

Machining company Kilkanen's new 3,600 sq. m. factory opened next to Wärtsilä Sustainable Hub in Vaskiluoto. This construction project of EUR 5 million is Kilkanen's largest investment to date. Kemira's old factory buildings were demolished in the middle of last year, and the area will now be rehabilitated, which will take years, starting with soil remediation.

An active year of retail transactions

An exceptionally large transaction for Vaasa occurred during the first quarter last year as WasaGroup Funds sold a portfolio of four retail properties, 32,000 sq. m. in total, to Swedish Serena Properties. Three of the properties are located in Kivihaka and one in the Klementtilä retail area. Serena Properties also bought a Rusta retail property from S-Bank and Kauppakeskusiinteistöt FEA Ky. Elite Finland Value Add Fund II sold a grocery store portfolio to Kesko, and one of the properties is located in Vaasa.

Cooperating partners:

Oy Vaasa Parks Ab
 City of Vaasa
 Vaasa Region Development Company VASEK

Rental levels by region

€/sq. m./month	Retail	Office	Industrial/Logistics
Kivihaka	8–14		
Klemettilä/Strömb.	6–12	6–13	5–7
Airport Park		7–15	4–8
Vaskiluoto			4–7
Palosaari		6–12	
Sepänkylä	7–13		
Lintuvuori			4–7

UNDER CONSTRUCTION

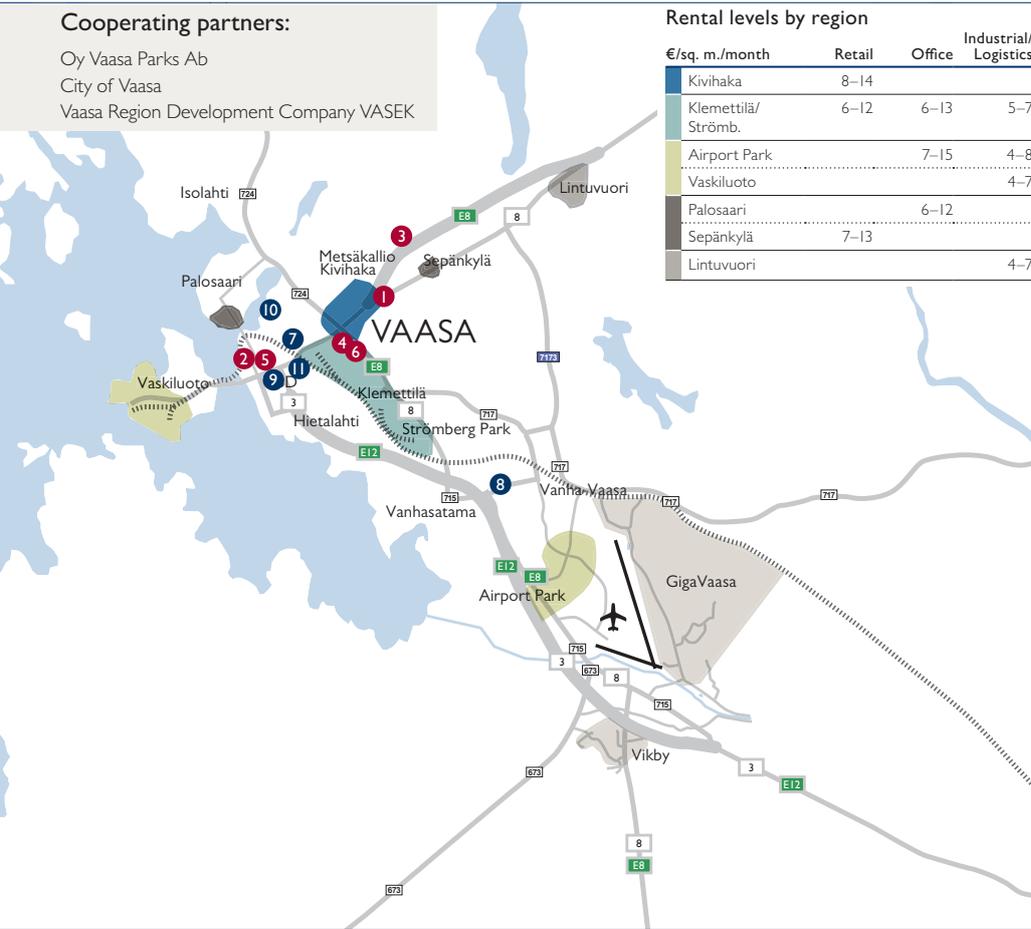
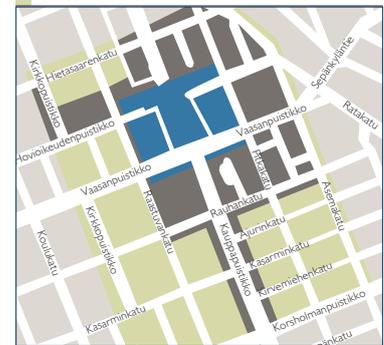
- 1 Kivikiila office building, phase 2
- 2 Residential project in Rantakatu
- 3 Daycare property
- 4 Jysk retail store
- 5 Radisson hotel renovation
- 6 Vamia's new hall

IN PLANNING

- 7 Wasa Station
- 8 Citymarket
- 9 Renovation of parish center
- 10 New residential area in Vöyrinkangas
- 11 Toriparkki extension

City Centre

€/sq. m./month	
Retail	45
Office (modern office/renovated)	17
Retail	18
Office	13
Retail	13
Office	12



Battery technology projects gain tailwind

FREYER Battery signed a fixed-term lease contract with the City of Vaasa for a 130-hectare plot to build a battery cell factory in the GigaVaasa area. The contract applies until the end of this year concerning a plot that is 40 hectares larger than stated in the letter of intent. Epsilon Advanced Materials signed a letter of intent with Finnish Minerals Group concerning a plot nearby after they failed to establish cooperation for an anode material plant with Grafintec.

A building permit was granted for a 12-story residential building to replace the concrete silos on Rantakatu, and demolition work is scheduled to begin this spring. This project is led by FinCap. Parish centre's renovation moved forward as detailed planning began regarding the property on Koulukatu. The idea is to replace the deteriorated buildings with new premises for the parish and with apartments.

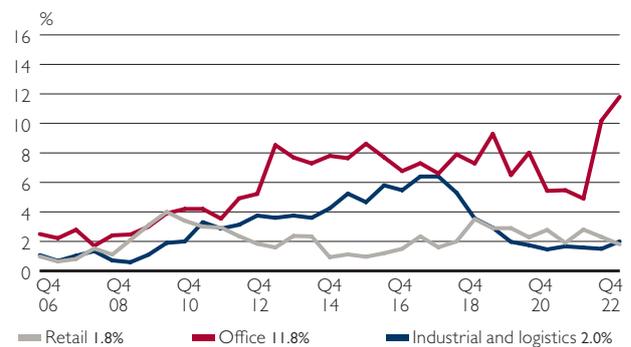
By request of YIT, the city council granted an extension to implementation agreement of the Wasa Station project until September.

Vacant space, prime yields and prime rents

	Retail	Office	Industrial/Logistics
Vacant space, sq. m.	9,000	37,000	18,000
Prime yield, %	8.50	8.50	8.00
Prime rent, €/sq. m./month	45.00	17.00	7.00

Rental levels excluding the first leases of new constructions

Vacancy rates in Vaasa Q4 2022



Selection of transactions in Vaasa 2022					
Building / Property	Seller	Purchaser	Price (EUR mil.)	Date	Category
Retail property	S-Bank & Kauppakeskuskiinteistöt FEA Ky	Serena Properties AB	n/a	Q1	Retail
Four retail properties	WasaGroup Funds	Serena Properties AB	n/a	Q1	Retail

Other growth centres

TEXT: LAURI HOFFREN



© City of Seinäjoki

Investments in space efficiency in Kuopio

As the last phase of the Kuopion Portti project, a residential tower and a commercial property were completed last spring. Nyfosa bought a nearly fully leased commercial property of 4,500 sq. m. for EUR 11.9 million from construction company Lapti.

The construction of the new court house began in the Verotalo property no more occupied by tax administration as Senate Properties and YIT signed a contract. New premises valued at EUR 16 million are to be completed early next year to house several judicial administration functions under one roof. In the city centre, Carlson centralized its operations to the department store property on Haapaniemenkatu at the turn of the year, vacating of circa 2,500 sq. m. that is now available on Kauppakatu.

Construction in Savilahti continued actively. The cornerstone of FinVector's new 24,000 sq. m. pharmaceutical plant was laid last spring, and the construction of the interior of an underground sports and event centre began last autumn. These projects are to be completed next year. Commercial property development will be allowed on the former fire station plot where a new emergency services station will also be built.

Mikkola area attracts retail operators in Pori

City council decided to abort preparations for the circa EUR 22 million sports hall in Isomäki due to the weakening economic situation. Its construction was supposed to start late last year.

The Mikkola retail area is expanding and attracting new companies to the area. The property next to Prisma now has new tenants after Power and clothing chain Lager 157 opened stores after renovations. The first Biltema in the Satakunta region of circa 7000 sq. m. was completed and opened doors last autumn. Motonet applied for a building permit to extend its store on the outskirts of the area.

Pori Harbour has a new Dutch operator to develop operations and support the growth of the area. The Honkaluoto business area is to be extended with a new plan for space requiring companies. A vanadium processing plant planned in Tahkoluoto is to proceed having received environmental authorization. Its operations are beginning in 2024 at the earliest.

Renewing of Seinäjoki station area began

Station area makeover kicked off last spring. Its first phase consists of the 25,000 sq. m. Veturikortteli block including the family service unit Aallokko which eQ Community Properties Fund bought last summer together with the Myllypuistokoti complex for EUR 50 million. In addition, the block will include a passenger hall, a parking facility and residential buildings and it is to be completed in the autumn of 2024.

There is a new plan for the plot next door of the former Lehtinen shopping centre permitting residential and retail construction of 24,500 sq. m.

Selection of transactions in other growth centres 2022						
Building / Property	City / Location	Seller	Purchaser	Price (EUR mil.)	Date	Category
Fire station property	Kuopio	Private investor	Nordisk Renting	n/a	Q1	Public
Kuopion Portti, phase C	Kuopio	Lapti Oy	Nyfosa AB	11,9	Q1	Office
Industrial property	Pori	n/a	Evolv Property	n/a	Q2	Industrial
Aalokko family centre & Myllypuistikoti	Seinäjoki	City of Seinäjoki	eQ Community Properties	50	Q2	Public
Light industrial property	Seinäjoki	n/a	Fund managed by Taaleri	n/a	Q3	Industrial
63 apartments	Pori	FinCap Fund I Ky	Fund managed by LocalTapiola	n/a	Q4	Residential
Kuopio post office, 60% share	Kuopio	Stockpos Oy	Karelia Finland	6,9	Q4	Office
Nursing and care home	Rovaniemi	FinCap Kiinteistökehitys Oy	Cofinimmo	9	Q4	Care

Building projects in other growth centres 2023						
Building	Location	Developer	Main contractor	Completion	Category	
Residential Buildings in Maljalahti	Kuopio	Fincap	NCC	Q4	Residential + Care	
Retail property	Seinäjoki	WasaGroup	Peab	Q4	Retail	
Seinäjoki Station Building	Seinäjoki	eQ Community Properties	YIT	2024	Retail + Office + Public	
Aalokko Family Service Center	Seinäjoki	eQ Community Properties	YIT	2024	Care	
Kirkkokatu Campus	Seinäjoki	Sedu	n/a	2024	Public	
Savilahti Sports and Event Center	Kuopio	City of Kuopio	Skanska	2024	Public	
Lapinaukea Senior Home	Rovaniemi	Fincap	Pallas Rakennus Lappi	2024	Care	
Itä-Pori Kindergarten	Pori	City of Pori	n/a	2024	Care	
Sammontalo Multipurpose Building	Lappeenranta	City of Lappeenranta	SRV	2025	Public	
National Repository Library	Kuopio	Senate Properties	n/a	2025	Public	
Napsu Multipurpose Building	Rovaniemi	City of Rovaniemi	NCC	2026	Public	

At the end of last year, WasaGroup and Peab signed a contract to build a new retail property in the Päivölä retail centre. This property will house several retail brands. Construction is beginning early this year.

Apartments to replace retail premises in Lappeenranta

Residential buildings are in planning to replace the shopping centre Opri in the city centre. The plan alteration process was initiated due to poor leasing and economy. The last tenants moved out at the end of last year. On Koulukatu, too, apartments will be built this autumn to replace a retail property.

Hotel Lappee in the city centre is planning an extension with more than EUR 20 million to make it a 9-storey tall building.

Roxia is planning to build a 6,500 sq. m. workshop and office complex on the plot by the airport which its parent company Capillary bought last year to put all personnel in Lappeenranta under one roof.

New hardware stores in planning in Rovaniemi

The retail area in southern Eteläkeskus attracts hardware stores despite Kodin Terra announcing closure due to unprofitability. Kärkkäinen proceeded with plans to build a new supermarket by Teollisuustie where Lakkapää, too, will build a new store valued at circa EUR 12 millions. Each project will cover more than 10,000 sq. m. IKH opened a new store of 2,200 sq. m. in the area late last year.

Sold after a long time on the market, former Postitalo property's new owner Lapin Kiinteistöt has requested alteration plan. They want to renovate the property for residential and retail use.

Apartments will be built in Sairaalanniemi, too. The new detailed plan for the area allows a block of residential, retail and office properties in the old hospital area. The old section of the hospital will be listed for conservation and converted into business premises.



Real estate market Finland Spring 2023



Helsinki
(HMA)



Tampere



Turku



Oulu



Lahti



Jyväskylä



Vaasa

OFFICE MARKET (Q4 2022)

➔ Forecast (Q2 2023)

Stock (sq. m.):	8,250,000	950,000	880,000	660,000	280,000	400,000	310,000
Vacancy (%):	13.9 ↗	10.1 ↗	6.1 ➔	5.5 ↗	9.9 ➔	10.7 ➔	11.8 ➔
Prime yield (%):	4.00 ↗	6.25 ➔	6.50 ↗	7.25 ➔	8.00 ↗	7.75 ↗	8.50 ➔
Prime rent (€/sq. m./month):	38.00 ➔	23.00 ➔	22.00 ➔	23.50 ↗	19.00 ➔	21.50 ↗	17.00 ➔

RETAIL MARKET (Q4 2022)

➔ Forecast (Q2 2023)

Stock (sq. m.):	3,920,000	1,140,000	970,000	790,000	780,000	950,000	530,000
Vacancy (%):	2.9 ➔	4.8 ➔	3.5 ➔	2.6 ➔	3.3 ➔	3.5 ➔	1.8 ➔
Prime yield (%):	5.00 ↗	6.85 ↗	7.25 ↗	7.50 ➔	8.25 ↗	8.00 ↗	8.50 ➔
Prime rent (€/sq. m./month):	115.00 ➔	60.00 ➔	50.00 ➔	55.00 ➔	40.00 ➔	40.00 ➔	45.00 ➔

LOGISTICS/INDUSTRIAL MARKET (Q4 2022)

➔ Forecast (Q2 2023)

Stock (sq. m.):	8,020,000	2,140,000	2,260,000	1,500,000	1,970,000	1,240,000	870,000
Vacancy (%):	2.9 ➔	1.3 ➔	1.9 ➔	1.9 ➔	2.0 ➔	1.9 ➔	2.0 ➔
Prime yield (%):	4.90 ↗	6.25 ↗	6.25 ↗	7.50 ➔	7.50 ↗	7.75 ➔	8.00 ➔
Prime rent (€/sq. m./month):	11.50 ➔	9.50 ↗	8.00 ➔	10.00 ➔	7.00 ➔	8.50 ↗	7.00 ➔

Prime yield levels are based on the following criteria:

- Initial yield. Good location in the target market. High quality building. New development excluded.
- **Retail:** For example shopping centre or other retail property with well-known domestic or international tenants. 3–5 years' weighted average unexpired lease term.
- **Office:** Stable anchor tenants. 3–5 years weighted average unexpired lease term.
- **Industrial and logistics:** Medium-sized property. One user. Stable tenant with a 5–7 years' lease agreement.
- Particularly long lease agreements currently decrease yields by ca. 0.1–0.5 percentage points in the Helsinki CBD and 0.1–0.7 percentage points in other submarkets.

Prime rental levels are based on the following criteria:

- Effective gross rents. Good location in the target market. High quality premises. New development excluded.
- **Retail:** Street level retail premises. Approx. 150 sq.m.
- **Office:** Approx. 500 sq.m. in the HMA, approx. 300 sq.m. in the growth centres.
- **Industrial and logistics:** Approx. 1,000–3,000 sq.m.

Transaction volume does not include daily real estate companies stock trading.

Some of Catella's transactions in 2022

Sale of four modern hospital properties

Catella acted as Pohjola Insurance Ltd's exclusive financial advisor in the divestment of a major portfolio of four hospital properties to an international investor. The properties are located in Helsinki, Turku, Oulu and Kuopio. The lettable area of the properties is approx. 26,100 sq.m. The properties are modern hospital properties constructed in 2017–2018. The property located in Helsinki has been converted for hospital use in 2013. The anchor tenant of the portfolio has been Pohjola Hospital Ltd, currently part of the Pihlajalinna Group.



Sale of a major residential property portfolio

Catella acted as SATO's exclusive financial advisor in the divestment of a major residential portfolio to Swedish real estate investor Heimstaden. The portfolio consists of 2,009 rental homes in six cities and municipalities around Finland. The properties sold in this transaction are located in Hämeenlinna, Jyväskylä, Lahti, Oulu, Vihti and Ylöjärvi. Lease agreements were transferred as such to the buyer in the transaction.



Sale of major public-use healthcare portfolio in Oulu

Catella acted as the City of Oulu's exclusive financial advisor in the divestment of six public-use healthcare properties to eQ Community Properties Fund. The purchase price was EUR 165.6 million. The portfolio comprised six hospital, healthcare centre and care home properties located in Oulu. Additionally, the portfolio included two parking facility properties that serve the properties in the portfolio. The properties are leased with long lease agreements to the City of Oulu.



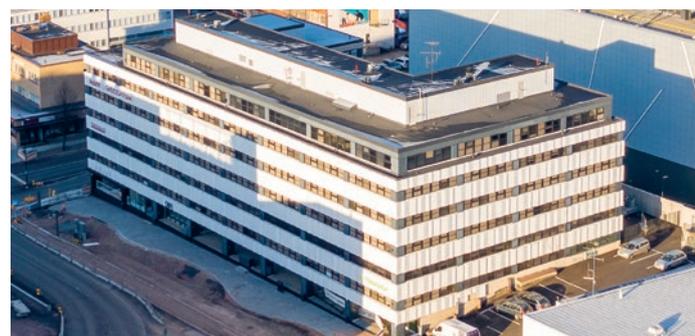
Sale of major public-use healthcare portfolio in Jyväskylä

Catella acted as the exclusive financial advisor for the City of Jyväskylä in the divestment of a social and healthcare property portfolio. The buyer was Nordic infrastructure investor Infranode, and the purchase price was approx. EUR 84 million. The transaction comprised 13 properties including healthcare centres, youth detention homes, group homes and care properties located in Jyväskylä. The lettable area of the portfolio is approximately 36,000 sq.m. The properties are leased to the City of Jyväskylä.



Sale of an office property in Helsinki

Catella advised NREP in the sale of an office property in Helsinki. A fund managed by NREP divested an office property in Pitäjänmäki to Evli Rental Yield Fund (AIF) managed by Evli Fund Management Company Ltd. The property is located at Valimotie 1 in the district of Pitäjänmäki in a prominent location in the immediate vicinity of the upcoming Jokeri Light Rail line stop close to the Haaga traffic circle. The property has a lettable area of approx. 9,700 sq.m. and 161 parking places, and it has been leased to multiple tenants.



A selection of references

TRANSACTIONS & CORPORATE FINANCE

<p>FINLAND DECEMBER 2022</p> <p>Advisor to the City of Jyväskylä in the divestment of 13 social and healthcare properties in Jyväskylä</p>  <p>EUR 84 MILLION</p>	<p>FINLAND DECEMBER 2022</p> <p>Advisor to Pegasos Real Estate in the divestment of a commercial property with a lettable area of 6.600 sq.m. in Mikkeli</p> <p>Pegasos Real Estate Ky</p> <p>PRIVATE INVESTORS</p> <p>AMOUNT NOT DISCLOSED</p>	<p>FINLAND DECEMBER 2022</p> <p>Advisor to the City of Uusikaupunki and Valmet Automotive in the divestment of residential portfolio in Uusikaupunki</p>  <p>PRIVATE INVESTOR</p> <p>AMOUNT NOT DISCLOSED</p>	<p>FINLAND OCTOBER 2022</p> <p>Advisor to Varma Mutual Pension Insurance Company in the divestment of a shopping centre property with a lettable area of over 10.000 sq.m. in the City of Lohja</p>  <p>AMOUNT NOT DISCLOSED</p>
<p>FINLAND AUGUST 2022</p> <p>Advisor to a private investor in the divestment of a public-use healthcare property in Tampere</p> <p>PRIVATE INVESTOR</p>  <p>AMOUNT NOT DISCLOSED</p>	<p>FINLAND JUNE 2022</p> <p>Advisor to the City of Oulu in the divestment of six public-use healthcare properties</p>  <p>EUR CA. 166 MILLION</p>	<p>FINLAND JUNE 2022</p> <p>Advisor to NREP in the sale of an office property in Helsinki</p>  <p>AMOUNT NOT DISCLOSED</p>	<p>FINLAND JUNE 2022</p> <p>Advisor to the City of Seinäjoki in the divestment of public-use healthcare properties in Seinäjoki</p>  <p>EUR CA. 50 MILLION</p>
<p>FINLAND APRIL 2022</p> <p>Advisor to SATO Oyj in the divestment of a major portfolio of 2,009 apartments in Finland</p>  <p>AMOUNT NOT DISCLOSED</p>	<p>FINLAND MARCH 2022</p> <p>Advisor to Terrieri Ky fund in the divestment of an office property in Espoo</p>  <p>AMOUNT NOT DISCLOSED</p>	<p>FINLAND MARCH 2022</p> <p>Advisor to Pohjola Insurance Ltd in the divestment of a major portfolio of four hospital properties in Finland</p>  <p>FOREIGN INVESTOR</p> <p>AMOUNT NOT DISCLOSED</p>	<p>FINLAND FEBRUARY 2022</p> <p>Advisor to the Municipality of Hartola in the divestment of an industrial property with a lettable area of 17.788 sq.m.</p>  <p>PRIVATE INVESTOR</p> <p>AMOUNT NOT DISCLOSED</p>

VALUATION

<p>FINLAND DECEMBER 2022</p> <p>Valuation of zonal pricing of residential, commercial and public plots to the municipality of Sipoo</p> 	<p>FINLAND DECEMBER 2022</p> <p>Valuation of residential property in Vaasa to VOAS The Student Housing Foundation</p> 	<p>FINLAND NOVEMBER 2022</p> <p>Valuation of zonal pricing of residential plots to the City of Pori</p> 	<p>FINLAND 2022</p> <p>Valuation of real estate properties in Tampere to Finnpark</p> 
<p>FINLAND 2022</p> <p>Annual valuation of residential portfolios in Finland to LähiTapiola's funds</p> 	<p>FINLAND 2022</p> <p>Valuation of property portfolio of 37 assets in Finland to OP-Public Services Real Estate Fund</p> 	<p>FINLAND 2022</p> <p>Valuation of the target and case analysis to NCC</p> 	<p>FINLAND 2022</p> <p>Valuation of two saw mills in Oulainen and Kalajoki to Junnikkala</p> 

Contacts

Catella Property Oy

Antti Louko
*Managing Director,
 Head of Corporate Finance*
 +358 (0)50 5277 392

CORPORATE FINANCE & TRANSACTIONS

HELSINKI

Antti Louko
*Managing Director,
 Head of Corporate Finance*
 +358 (0)50 5277 392

Petteri Kokko
Head of Transactions
 +358 (0)40 8222 580

Jenni Ervasti
Head of Debt Advisory
 +358 (0) 40 5523 635

Petteri Heikkinen
Head of Sales and Letting
 +358 (0)40 7301 669

Markus Juvala
 +358 (0)50 3737 540

Erkki Hakala
 +350 (0)50 3625 768

Jon Nyström
 +358 (0)40 5890 253

Lauri Ruokonen
 +358 (0)40 5806 404

Elisa Korpela
 +358 (0)40 5718 078

Jermu Kujanpää
 +358 (0)44 2190 393

Kasper Niemi
 +358 (0)45 1347 801

Evert Reponen
 +358 (0)50 4535 181

Lauri Hoffren
 +358 (0)50 4903 703

TAMPERE

Pertti Miettinen
 +358 (0)40 0624 801

Sami Saraste
 +358 (0)50 3014 455

Jaska Alatalo
 +358 (0)50 3439 244

Päivi Metsänoja
 +358 (0)50 5555 135

TURKU

Sami Matara
 +358 (0)50 0408 667

OULU

Pekka Laurila-Harju
 +358 (0)50 5841 303

Mervi Loukusa
 +358 (0)50 3437 795

VALUATION

HELSINKI

Arja Lehtonen
Head of Valuation
 +358 (0)50 0763 427

Pertti Raitio
 +358 (0)50 0546 105

Sini Vedenoja
 +358 (0)40 0538 542

Tuomas Kontola
 +358 (0)40 7498 292

Matias Juslin
 +358 (0)50 4702 014

Joni Koponen
 +358 (0)50 3577 910

TAMPERE

Leena Smeds
 +358 (0)40 8306 291

Ilkka Nissinen
 +358 (0)40 3577 733

TURKU

Sami Matara
 +358 (0)50 0408 667

Mari Rouvali
 +358 (0)50 9116 110

OULU

Aimo Tyybäkinoja
 +358 (0)50 5126 451

Jukka Uusitalo
 +358 (0)40 4870 222

Catella Asset Management Oy

Jussi Rouhento
Managing Director
 +358 (0)40 5129 577

ASSET MANAGEMENT

Jyrki Konsala
 +358 (0)50 4654 720

Iiro Nurkkala
 +358(0)50 4668 879

Robert Karlsson
 +358 (0)50 5347 486

Tiina Holmström
 +358 (0)50 3671 808

Tapio Nurkkala
 +358 (0)40 6516 377

Petra Heinälä
 +358 (0)50 5524 481

Viivi Tapanainen
 +358 (0)50 4429 300

Niko Raittinen
 +358 (0)50 4362 012

Timo Nurminen
*Head of Property Investment
 Management (Catella Group)*
 +358 (0)50 3373 320

EMAIL:
 forename.surname@catella.fi





Catella Property Oy & Catella Asset Management Oy

Aleksanterinkatu 46 A, 5th floor | FI-00100 Helsinki

Tel +358 (0)10 5220 100 | info@catella.fi

catella.fi

OFFICES IN FINLAND

Tampere Tulli Business Park | Åkerlundinkatu 11 D | FI-33100 Tampere

Turku Linnankatu 11 B | FI-20100 Turku

Oulu Kirkkokatu 6, 5th floor | FI-90100 Oulu