

THE FINNISH REAL ESTATE MARKET

Autumn 2024



Weak transaction market continues

The Finnish real estate investment market remained subdued and the H1/24 transaction volume totaled ca. EUR 1.2 billion. Last year's H1 volume of EUR 1.4 billion was reached by the end of July. Foreign investors accounted for 51 percent of the acquisitions, indicating that foreign investors have maintained their interest in the Finnish real estate market.

Residential was once again the most transacted asset type with a volume of over EUR 500 million, and now accounts for more than one third of the total volume. Industrial and logistics properties were second with a volume of ca. EUR 420 million. Offices appeared to be a very illiquid asset type, with office volume amounting to just EUR 80 million. So far this year, there has been only one significant office transaction, when VVT purchased the office building Ratina in central Tampere from Sponda.

The largest acquisition in H1/24 was the residential portfolios purchased by Slättö together with domestic institutions, covering a total of ca. 800 apartments in the Helsinki Metropolitan Area (HMA) and Tampere. The total value of the deal was EUR 130 million, completed in two parts. Additionally, Aktiivitalat's first fund focused on industrial properties was sold to Blackstone for EUR 135 million during Q3/24.

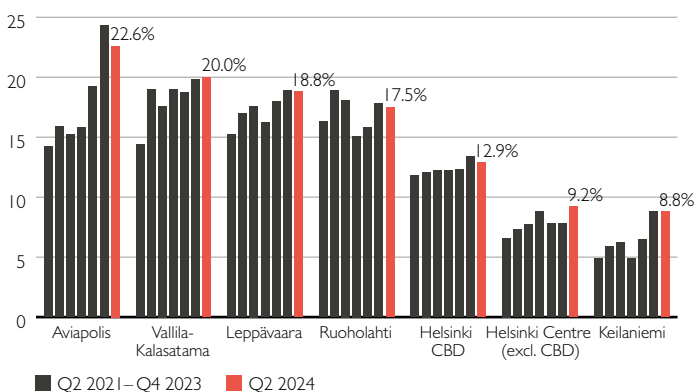
Residential prime yields have stabilized

The residential prime yield remained unchanged at 4.4 percent in the HMA thanks to robust investor demand. However, the yield expansion continued with other asset types. Assessing the office prime yield is particularly challenging due to low transaction activity, but we estimate it to be at 5.2 percent currently. The increase in yields for prime retail and logistics properties has slowed and appears to be stabilizing between 5.5 and 6.0 percent. The first policy rate cuts by central banks have decreased interest rates, and increased yield gap will favor property investments going forward.

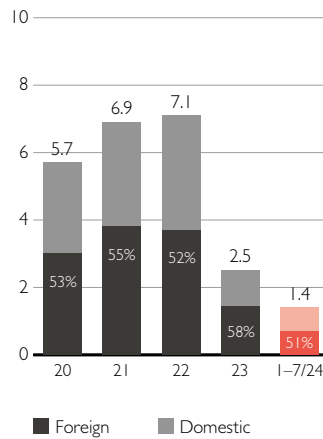
Office vacancy exceeded 16% in the HMA

The increase of office vacancy continued in almost all cities. In the HMA, there is now over 1.3 million square meters of vacant office space, corresponding to a 16.1 percent vacancy rate. Keilaniemi and Helsinki Centre (excl. CBD) stand out positively with vacancy rates below 10 percent. The polarization of the occupier demand is particularly evident in Aviapolis and Vallila-Kalasadama, where vacancy rates are around 20 percent. In a city-by-city comparison, the best performers are Oulu and Turku, with office vacancy rates of 7.7 and 6.6 percent respectively.

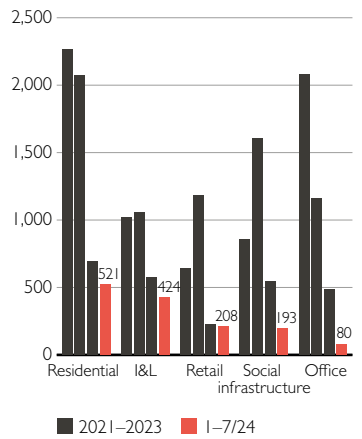
Office vacancy rates in selected submarkets in the HMA (%)



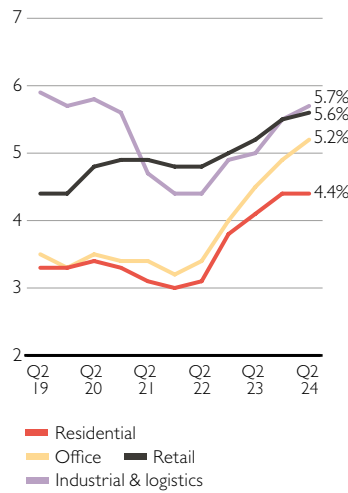
Transaction volume in Finland (EUR billion)



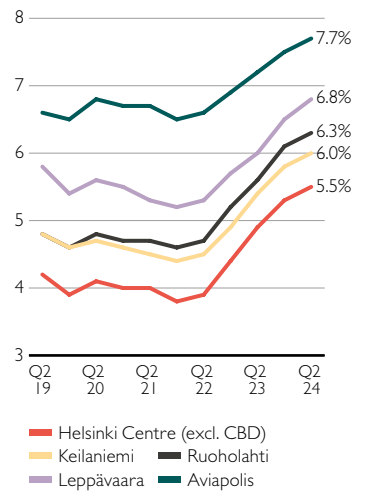
Transaction volume by asset type (EUR million)



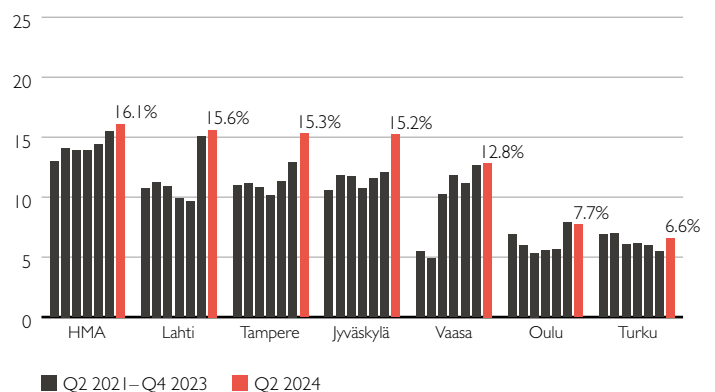
Prime yields in the HMA by asset type (%)



Prime office yields in selected submarkets in the HMA (%)



Office vacancy rates by city (%)



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Helsinki
(HMA)



Tampere



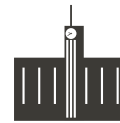
Turku



Oulu



Lahti



Jyväskylä



Vaasa

OFFICE MARKET (Q2 2024)

→ Forecast (Q4 2024)

Stock (sqm):	8,350,000	940,000	880,000	640,000	290,000	410,000	310,000
Vacancy (%):	16.1 ↗	15.3 ↗	6.6 ↗	7.7 →	15.6 ↗	15.2 ↗	12.8 ↗
Prime rent (EUR/sqm/mth):	41.00 →	24.50 →	23.50 →	26.00 →	20.00 →	22.50 →	17.50 →
Prime yield (%):	5.20 →	7.25 →	7.25 →	7.75 →	9.00 →	8.75 →	9.25 →

RETAIL MARKET (Q2 2024)

→ Forecast (Q4 2024)

Stock (sqm):	3,980,000	1,150,000	980,000	810,000	780,000	960,000	530,000
Vacancy (%):	3.0 ↗	5.1 →	4.5 →	2.1 →	3.4 →	3.2 →	2.3 →
Prime rent (EUR/sqm/mth):	105.00 →	60.00 →	45.00 →	55.00 →	40.00 →	40.00 ↘	42.50 →
Prime yield (%):	5.60 →	7.50 →	7.75 →	8.00 →	9.00 →	8.75 →	9.00 →

INDUSTRIAL & LOGISTICS MARKET (Q2 2024)

→ Forecast (Q4 2024)

Stock (sqm):	8,090,000	2,130,000	2,270,000	1,520,000	1,960,000	1,260,000	870,000
Vacancy (%):	3.7 →	3.3 →	2.9 →	2.3 →	3.9 →	3.3 →	2.0 →
Prime rent (EUR/sqm/mth):	12.00 →	9.50 →	9.00 →	10.00 →	7.00 →	10.00 →	9.00 ↗
Prime yield (%):	5.70 →	7.75 →	7.25 →	8.25 →	8.50 →	9.00 →	9.00 →

The following definitions are used for prime yields:

- **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. Weighted average unexpired lease term of 3–5 years.
- **Office:** Stable anchor tenants. Weighted average unexpired lease term of 3–5 years.
- **Industrial & logistics:** Medium-sized property. One user. A stable tenant with a 5–7 year 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 the criteria:

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

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

Catella Property Oy & Catella Asset Management Oy
Aleksanterinkatu 46 A, 5th floor | FI-00100 Helsinki
Tel +358 (0)10 5220 100 | info@catella.fi
www.catella.fi

OTHER 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

