

FINLAND Retail Market Snapshot

Third Quarter | 2017



MARKET INDICATORS

Market Outlook

Prime Rents:	Stable rents, although some marginal growth potential in the best prime high streets in Helsinki.	▶
Prime Yields:	Yield compression expected for prime high street retail and shopping centres, but stable across all other retail segments.	▲
Supply:	Increased supply in 2017-2018, mainly through new shopping centre developments.	▼
Demand:	Steady demand or slight improvement for prime assets in Helsinki and for the best retail stock in dominant regional cities.	▶

Prime Retail Rents - September 2017

HIGH STREET SHOPS	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Helsinki	133.50	1,602	177	2.7	0.2
Turku	65.00	780	86	0.0	-1.5
Tampere	70.00	840	93	0.0	-2.6
Oulu	57.50	690	76	-17.9	-6.4

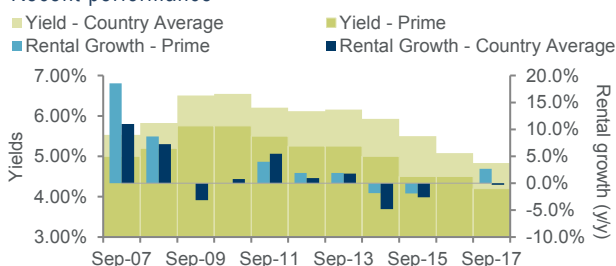
Prime Retail Yields - September 2017

HIGH STREET SHOPS (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Helsinki	4.20	4.25	4.50	5.80	4.20
Turku	5.80	6.00	6.00	7.20	5.65
Tampere	5.60	5.75	5.75	6.95	5.40
Oulu*	6.50	6.50	6.50	7.00	6.50
SHOPPING CENTRES (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
Country prime	4.40	4.40	4.80	5.80	4.40

Note: *5yr record.

With respect to the yield data provided, in light of the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

Recent performance



Overview

During Q3 2017 the GDP growth estimate for 2017 was further revised up by 40 bps to 2.5% compared to the estimate made in Q2. The key drivers for more positive forecasts are private consumption and fixed investments. According to Statistics Finland, consumer confidence remained on a high level (23.9 in June 2017 and 23.7 in September 2017). The highest recorded value was reached in May 2017 (24.1).

Occupier focus

Retail occupier demand in Q3 2017 remained stable comparing to Q2. However, year to year comparison shows clear improvements. The improved demand is mostly towards prime locations. The retail rents remained stable in most of the sectors with some uplift in the prime retail warehouses and parks. Demand is expected to further improve in key retail locations and the prime rents in the Helsinki CBD are expected to further increase during 2017.

In Q3 2017 some 10,000 sq.m of new retail premises were completed in the HMA. Development activity will further increase in the coming years, with over 350,000 sq.m of new shopping centre space due to delivered in 2017-2019. More than 60% of new shopping centre space will be opened in the Helsinki area. Although strong supply in the retail market – when comparing to annual growth in demand through population growth and improved purchasing power – the pace of annual completions indicates even the HMA shopping center segment will be fairly balanced or even short of supply.

Investment focus

Total retail investment volume in Q3 was some €1.4 billion. The acquisition of Sponda Plc's shares accounted for some €1.2 billion (total market value of Sponda's assets in Finland is some €3.7 billion). International investors accounted for around 97% of retail deals and the most active investor type was private property vehicles.

Outlook

The retail property market is expected to remain relatively stable with an increasingly positive outlook. Occupational and investor demand is estimated to improve and some yield compression is expected in the prime locations in 2017.

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