

FINLAND

Industrial Market Snapshot

First Quarter | 2018



MARKET INDICATORS

Market Outlook

- Prime Rents: Stable demand and no speculative supply should maintain a stability in the rental market. ▶
- Prime Yields: Demand for prime assets continues to place downward pressure on prime yields. ▲
- Supply: Vacancy should remain fairly stable and new supply will be driven by prior commitment. ▶
- Demand: Demand, for both occupiers and investors, will concentrate on best in class assets. ▶

Prime Industrial Rents – March 2018

LOGISTICS LOCATION	€		US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Helsinki	9.25	111	12.89	0.0	-1.0
Turku	7.75	93	10.80	0.0	0.0
Tampere	7.75	93	10.80	0.0	0.0
Oulu	7.00	84	9.75	0.0	0.0

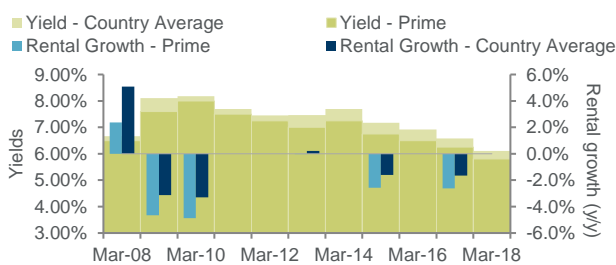
Prime Industrial Yields – March 2018

LOGISTICS LOCATION (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Helsinki	5.80	5.90	6.25	8.00	5.80
Turku	6.50	6.60	7.00	9.40	6.50
Tampere	6.50	6.60	7.00	9.40	6.50
Oulu*	7.00	7.25	7.50	8.75	7.00

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

The yearly GDP growth for 2017 was confirmed at 2.6% and another strong year can be expected, as the current growth forecast for 2018 is at 2.8% p.a. The growth derives principally from strong domestic demand and consumption, and an upturn in the international trade. The export sector is estimated to further increase in 2018 at a modest pace. Investor demand is good, especially for prime products.

Occupier focus

There were no major changes in the occupier activity pattern compared to second half of 2017. The absorption of space remains limited. The average vacancy in the Helsinki Metropolitan Area (HMA) was stable at 6.0-7.0%.

There were no new logistics completions in the HMA in Q1 2018. However, there are currently some 125,000 sq.m of new logistics premises under construction and due to be completed in 2018. In addition, in Sipoo and Järvenpää a total of 172,000 sq.m of logistics (gross) space is currently under development. The developments consist solely of build-to-suit buildings, for instance new logistics center for S-Group in Sipoo.

Investment focus

The amount of published deals was some €100m in the first quarter of 2018. Although the investment activity was scarce, the demand remains strong, both from domestic and international investors, towards the high quality income producing properties. Prime yields in Q1 were at 5.8% in Helsinki and are around 70-120 bps higher in the regional markets.

Outlook

The fundamentals underpinning the industrial real estate sector will remain stable. Due to strong economic growth the occupier is expected to improve. There is exceptionally good demand for prime products and this is estimated to continue.

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