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### Contents

Executive summary	1
Economic overview	2
Investment market	3
Rental market	6
Major transactions	10
Definitions	12
Contacts	13

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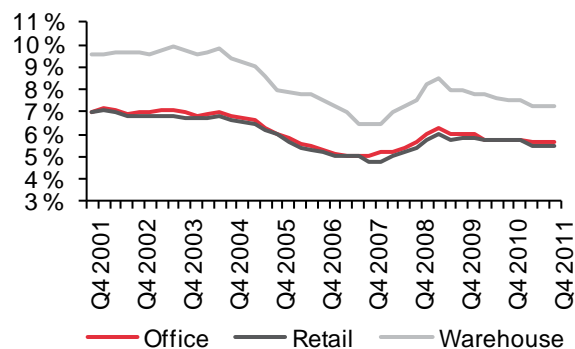
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- The Finnish economy experienced good growth during the first three quarters of 2011, but during the last quarter growth slowed down. The GDP growth in 2011 was approximately 2.7 %. The GDP is not expected to grow in 2012, but it is estimated to increase by 1.8 % in 2013.
- The transaction volume in 2011 was approximately €1.8bn. The foreign investors stood for over 30 % of the purchases.
- Investors seek safe havens. The prime yield in the office sector has decreased by 10 basis points in 2011 and is now at 5.65 %.
- In the retail market yield compression was 25 basis points. The yield is now at 5.5 %.
- The prime yield level in the logistic, warehouse and industrial sectors has decreased to 7.25 %.
- Investment demand is focusing on prime assets, the gap between the prime and secondary properties is widening.
- Both the office and retail rents in the CBD are expected to remain stable despite the current situation in the Eurozone.

Figure 1

### HMA prime yields



Source: DTZ Research

# Property Times

## Helsinki Q4 2011

### Economic overview

#### Economy estimated to recover in 2013

The Finnish economy experienced good growth during the first three quarters of 2011, but during the last quarter growth slowed down. According to some of the leading Nordic banks, the GDP growth in 2011 was approximately 2.7 %. The GDP is not expected to grow in 2012, but in 2013 the economy is forecasted to recover again and the GDP is estimated to increase by 1.8 % in 2013. The growth in 2010 was 3.6 %.

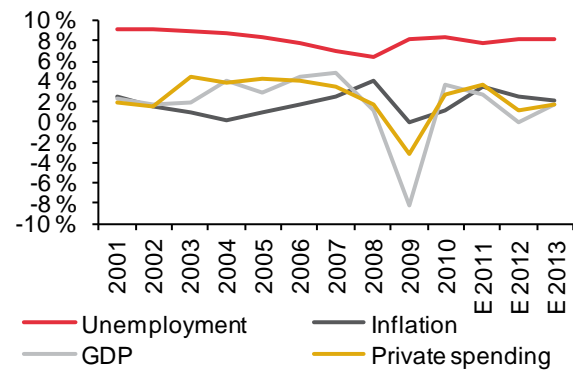
The average inflation rate in 2011 was 3.4 %. It has been estimated to fall to 2.6 % in 2012 and 2.1 % in 2013. In 2010 the inflation was 1.2 %. Due to the challenging times in the Eurozone, interest rates have been falling during 2011. Interest rates are unlikely to rise before the end of 2012.

The unemployment rate is currently at 7.8 %. The unemployment rate is forecasted to increase to 8.1 % during 2012-2013. The consumer confidence indicator shows that the previously good confidence in the economy has decreased during 2011. Consumer purchasing power is expected to remain at the current level and private spending is expected to grow by 3.6 % in 2011, 1.1 % in 2012 and 1.8 % in 2013.

The Finnish economy is export driven with some 40 % of the GDP from the export sector. The most important export countries are Germany, Sweden and Russia representing slightly over 30 % of the total export. The economy in both Germany and Sweden is slowing down. The increased oil price has traditionally been reflected in the Russian economy and as long as the oil price does not decrease radically the Russian export is not expected to decrease.

Figure 2

#### Economic indicators



Source: Bank of Finland, Sampo Pankki, Handelsbanken and Nordea

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### Investment market

#### Yields are expected to remain stable

The transaction volume in 2011 was approximately €1.8bn. The domestic investors have for the last three years been the most active on the market. The foreign share has been slightly increasing. The foreign investors stood for over 30 % of the purchases representing approximately the same share as in 2010. The most active foreign investors were from Germany and Sweden.

In 2011, 25 % of the volume consisted of sales of new properties by construction companies. In these deals 55 % were closed with domestic investors, mainly with insurance companies and pension funds. German investors stood for 35 % and Swiss investors for 10 % of the purchases.

The prime yield in the office sector decreased by 10 basis points in early 2011 and is now at 5.65 %. In the retail market yield compression was 25 basis points and the yield is now at 5.5 %. The yield compression is now levelling out and yields are expected to be stable in the near future.

The prime yield level in the logistic, warehouse and industrial sectors has decreased to 7.25 % and is expected to be stable for some time. During the recent years the structure of the deals has in most cases been a sale and leaseback. Investment deals with shorter tenancies increased during H1 2011, however, due to the uncertain situation, it is unclear if this will continue.

The spread between Finnish government bonds and the prime office yield is now more than 3.0%. The large gap makes the market interesting for properties where reasonable priced debt funding is available.

The gap between the prime and secondary markets has recently widened. The large difference in yields and rents between prime and secondary properties has been a characteristic of the market for recent years.

The situation on the investment market was improving during 2010 and H1 2011. In the second half of 2011 investments slightly slowed down. There was clear demand for prime properties which is expected to remain high. The limited supply was the main reason for the low transaction volume in this sector. Good quality properties with long tenancy might especially benefit from the situation as equity seeks safe heavens.

Figure 3

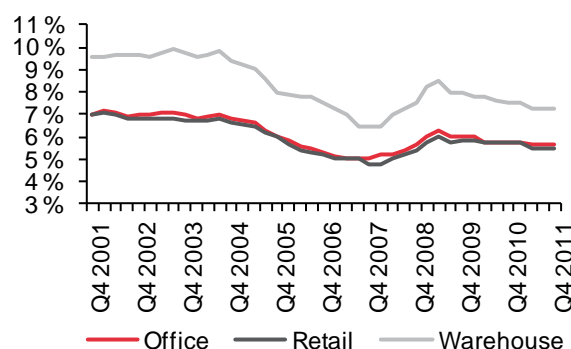
#### Transaction volume



Source: DTZ Research and KTI

Figure 4

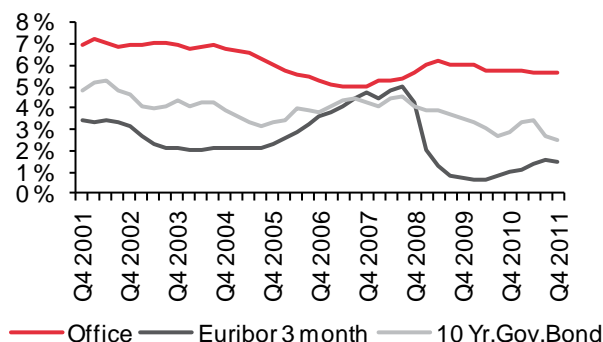
#### HMA prime yields



Source: DTZ Research

Figure 5

#### HMA prime office yield and interest rates



Source: DTZ Research and Bank of Finland

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The situation in the secondary market is expected to be challenging until financing is improving. Secondary properties are now suffering from the lack of demand, although there were signs of willingness to move up on the risk curve during H1. One factor behind recent low transaction volumes has been the investors risk aversion. Risks concerning lower rents and higher vacancies were the main reasons.

### Availability of financing controls investments

The uncertainty about the European economy is naturally reflected on the real estate market. This has made banks more cautious and margins have increased. The availability of debt funding will be a key factor behind the market liquidity during 2012.

Tight availability of financing in combination with increased vacancies might create challenges for highly leveraged secondary properties. For secondary properties financing is available at a loan-to-value of 50 % or lower.

Large amount of property debt will mature during 2012-2013 and outstanding debt needs to be refinanced. The loans were taken in times when both the LTV ratios and property values were higher. Compared to the central European markets the expiring loan facilities was mainly granted by non-Nordic banks while the current active real estate financiers have been Nordic banks.

### Office sector represents almost half of the volume

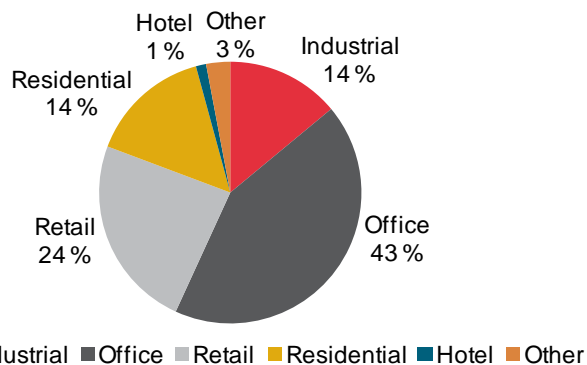
On a national perspective the Helsinki Metropolitan Area is the most important area. Some 60 % of the transaction volume took place there. 35 % of purchases made by foreign investors took place in the HMA.

Traditionally the office and retail sectors have been the dominant property types in the transactions for the last years together representing 60-70 % of the volume. In 2011 the office sector was the most dominant representing over 40 % of the total transaction volume. The foreign investors represented approximately 40 % of the volume made in office deals in 2011 (Figure 7).

Since 2009 the industrial sector has been representing higher volume than usually, mainly due to the sale and leasebacks completed in this sector.

Figure 6

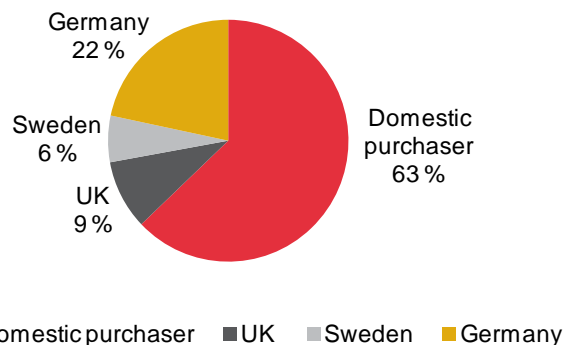
### Transaction per property type in 2011



Source: DTZ Research

Figure 7

### Investors in the office market by 2011 volume



Source: DTZ Research

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## Helsinki Q4 2011

### Rental market

#### Office

##### Prime sustain high levels of occupancy

The Helsinki region is the largest office market in Finland with 8.5 million sq m representing some 45 % of the office sq m stock in the country.

The economic downturn had a major impact on office construction during 2009 and 2010, when new construction projects were halted. Due to the positive outlook, new construction projects were started during H2 2010 and H1 2011. There is currently a significant amount of some 200,000 sq m of office space under construction in the HMA.

The office market in the HMA has become even more two tiered. Old offices, especially in certain outskirt areas, are suffering from higher vacancy rates. There are no signs of improvement for the situation.

The target rents of some new business parks decreased during 2009 and H1 2010 due to subdued demand, but during H2 2010 and H2 2011 increased by €1-2/sq m/month from the bottom level. In 2012 rents are forecasted to stay at the current level in prime and newly constructed properties.

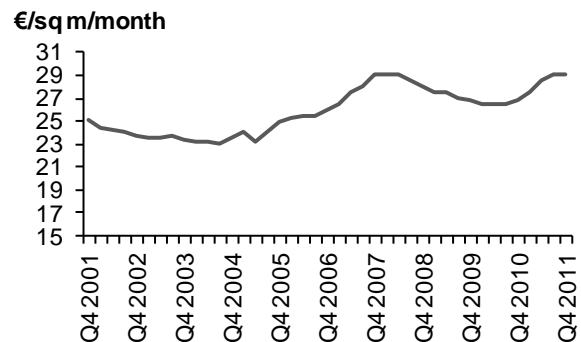
The vacancy rate is not expected to increase in modern buildings in good locations, but it will remain at a high level in secondary locations. The vacancy rate for more modern offices increased slightly during 2009 and 2010, but was slowly decreasing in 2011. The vacancy rate in the HMA is approximately 11.5 % and in the CBD 7 %. The vacancy level in CBD is expected to remain stable in 2012.

During 2012 some big occupants are moving away from the Ruoholahti district, and therefore, the vacancy level is temporarily expected to increase. For example, Nokia will vacate 17,000 sq m in Ruoholahti. In the Leppävaara area in Espoo and in the Aviapolis area in Vantaa the vacancy rate is currently at some 8 %. In the rest of the HMA vacancy rates have remained higher, especially in the Pitäjänmäki, Vallila, Pasila and Otaniemi-Keilaniemi areas.

Almost all new office buildings under construction will acquire green building certificates. This is expected to be even more critical in the future.

Figure 8

#### HMA prime office rent



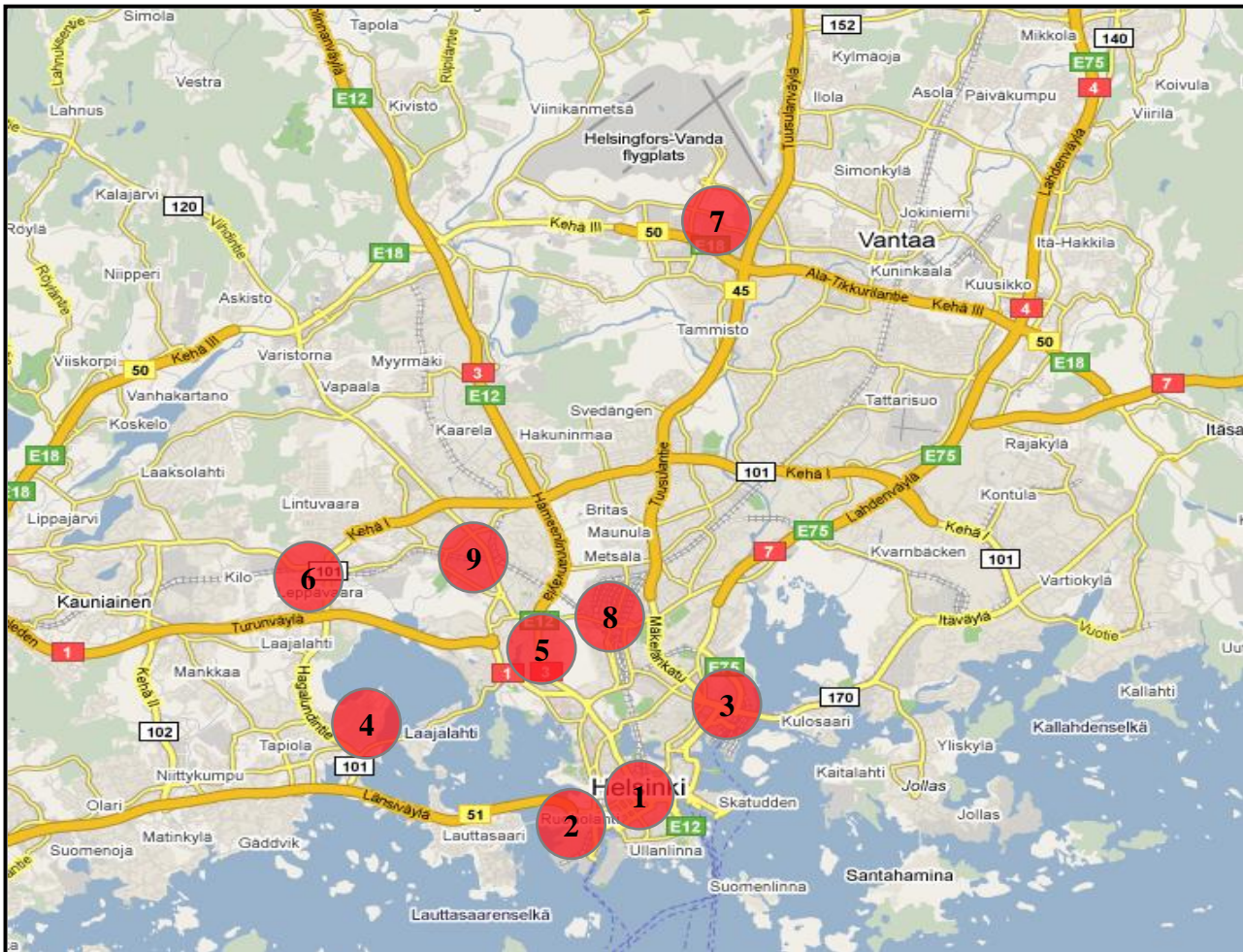
Source: DTZ Research

# Property Times Helsinki Q4 2011

Helsinki Metropolitan Area

Map 1

Key office location in HMA



Source: DTZ Research

1. Helsinki CBD and Helsinki City
2. Ruoholahti
3. Kalasatama, Sörnäinen and Vallila
4. Keilaniemi and Otaniemi
5. Ruskeasuo
6. Leppävaara
7. Aviapolis
8. Pasila
9. Pitäjänmäki

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### Retail

#### The retail market remains strong in HMA

During 2011 the vacancy rate in Helsinki decreased again to 2 % which is considered to be the normal level. In the CDB the level is even lower.

Due to uncertainties in the European market, the situation in the retail market was slightly weakening in late 2011. Especially secondary locations and some small and medium sized shopping centres are suffering from more negative future prospects.

Secondary locations have suffered from higher vacancies already for a few years. There is a high demand for top locations in the CBD, but outside the CBD the situation is more critical. Especially in outdated shopping centres the vacancy is not expected to improve.

So far retail chains have considered the top locations important which is not expected to change. This is indicated by the fact that retail rents in prime locations are once again increasing.

### Industrial and logistics

#### The industrial market stays healthy and balanced

The Finnish industrial market has been characterised by a strong tradition of owner occupation and built-to-suit buildings. This tendency is slowly changing and more properties are owned by investors.

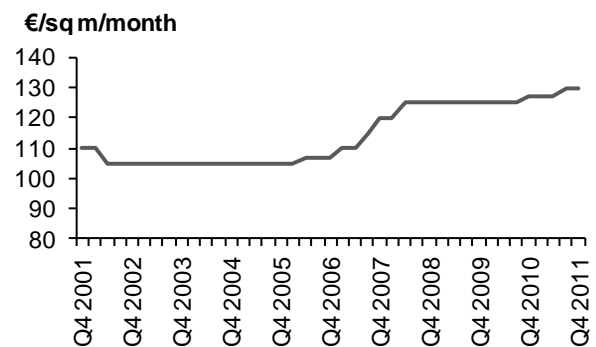
The economic slowdown has not had a huge impact on the industrial market. Rents in the HMA industrial market registered a decrease of 5 % in 2009, but have remained stable since then. The prime rent has now stabilized at €9.75/sq m/month but it is expected to slightly increase in the future.

In the HMA region the vacancy level of warehouse and industrial premises was extremely low, approximately 2-3 %, until 2009. This has changed and the vacancy has now increased to the level of approximately 4-5 %. The supply of modern premises has been at a healthy level and no oversupply in the warehouse and industrial premises are forecasted. It is estimated that this market will remain stable.

The low level of speculative construction has protected the market from oversupply. During 2011 some 45,000 sq m of logistics and warehouse space was completed in the HMA. There is currently some 50,000 sq m under construction and 200,000 sq m in the planning stage of which the major part is in the Airport area.

Figure 9

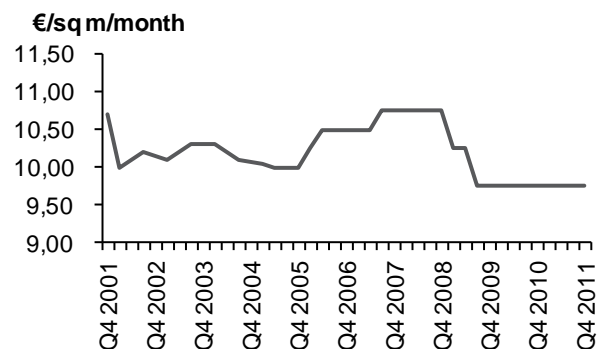
#### HMA prime retail rent



Source: DTZ Research

Figure 10

#### HMA prime industrial rent



Source: DTZ Research

# Property Times

## Helsinki Q4 2011

### Major transactions

Table 1

#### Office transactions

Building / Address	City	Date	Vendor	Purchaser	Area sq m	Price € m	Price €/sq m	Initial yield
<b>Business Park Safiiri</b>	Espoo	Q4 2011	YIT Construction Ltd	(Unnamed German fund)	14,000	50	3,571	n.a.
<b>Plaza Business Park Hehku</b>	Vantaa	Q4 2011	NCC Property Development Oy	Union Investment Real Estate GmbH	5,600	>20	3,571	n.a.
<b>Fabianinkatu 6</b>	Helsinki	Q3 2011	Degi Global	Nordea Pension Foundation	4,200	10.5	2,500	n.a.
<b>Säterinkatu 6</b>	Espoo	Q3 2011	OP Life Assurance	Fund managed by SEB Asset Management	6,700	16	3,388	n.a.
<b>Triotto Business Park</b>	Helsinki	Q2 2011	YIT Construction Ltd	Hansainvest	15,500	56.5	3,645	n.a.
<b>Sitra Tower</b>	Helsinki	Q2 2011	Etera and Sitra (the Finnish Innovation Fund)	Exilion Real Estate I Ky	21,000	85	4,048	6.0%
<b>Fennia Quarter</b>	Helsinki	Q2 2011	Suomi Mutual Life Assurance Company	Sponda Plc	39,700	122	3,073	5.7%

Source: DTZ Research

Table 2

#### Retail transactions

Building / Address	City	Date	Vendor	Purchaser	Area sq m	Price € m	Price €/sq m	Initial yield
<b>Department store Stockmann</b>	Espoo	Q4 2011	Wereldhave	Tapiola KR III Ky	11,500	45	3,913	n.a.
<b>Retail park and warehouse</b>	Vantaa	Q3 2011	Sjaelso Group	M&G European Property Fund	10,500	19.8	1,886	n.a.
<b>Ten retail premises</b>	Several	Q2 2011	(Five different sellers)	Sveafastigheter Fund III and Mattila & Saxen Property Partners	55,000	50	909	n.a.

Source: DTZ Research

# Property Times

## Helsinki Q4 2011

Table 3

Industrial, warehouse and logistics transactions

Building / Address	City	Date	Vendor	Purchaser	Area sq m	Price € m	Price €/sq m	Initial yield
<b>Industrial Facility</b>	Hämeenlinna	Q4 2011	PACCOR Finland Oy and Kantola Real Estate	A. Ahlström Oy	21,500	20	930	n.a.
<b>Pakkasraitti 2A</b>	Tuusula	Q2 2011	Fennia Life	Keva (Local Government Pensions Institution)	11,300	15	1,327	n.a.
<b>Tiilitie Logistics</b>	Vantaa	Q2 2011	YIT Construction Ltd	USB Euro Core	27,000	40	1,481	n.a.
<b>Juhanilantie 1</b>	Vantaa	Q2 2011	Suomi Mutual Life Assurance Company	Sagax Finland Oy	12,300	14	1,138	7.8%

Source: DTZ Research

Table 4

New office projects under construction

Estimated completion	City	District	Address	Lettable area ca.	Constructor	Investor
<b>Q4 2012</b>	Helsinki	Töölönlahti	Alvar Aallon katu	10,000	Lemminkäinen	Etera
<b>Q1 2012</b>	Helsinki	Ruskeasuo	Hakamäentie/ Mannerheimintie	9,000	Skanska Construction Oy	Skanska Commercial Development Oy
<b>Q3 2012</b>	Helsinki	Ruskeasuo	Hakamäentie/ Mannerheimintie	7,000	Skanska Construction Oy	Skanska Commercial Development Oy
<b>Q2 2013</b>	Helsinki	Ruskeasuo	Mannerheimintie 113	10,000	NCC Construction Oy	NCC Property Development Oy
<b>Q2 2012</b>	Helsinki	Ruoholahti	Hiilikatu 5	9,000	Skanska Construction Oy	Technopolis Oyj
<b>Q4 2012</b>	Helsinki	Käpylä	Läkkisepäntie 21	16,000	YIT Construction Oy	Hansainvest
<b>Q1 2012</b>	Espoo	Keilaniemi	Keilaranta 1	9,000	PEAB Oy	Kuntien eläkevakuutus
<b>Q2 2012</b>	Espoo	Keilaniemi	Miestentie 9	5,000	Hartela	Tapiola
<b>Q2 2012</b>	Espoo	Leppävaara	Linnoitustie 3	6,000	Hartela	
<b>Q3 2012</b>	Espoo	Leppävaara	Bertel Jungin aukio 1	6,000	NCC Construction Oy	NCC Property Development Oy
<b>Q4 2012</b>	Espoo	Leppävaara	Sokerilinnantie 9-11	15,000	Lujatalo Oy	Veritas Eläkevakuutus
<b>Q1 2012</b>	Espoo	Matinkylä	Puolikkotie 8	8,000	YIT Construction Oy	(Unnamed German fund)
<b>Q2 2012</b>	Espoo	Tapiola	Revontulentie 6	10,000		Metsäliitto Group, Farmers' Social Insurance Institution
<b>Q2 2012</b>	Espoo	Perkkaa	Tarvonsalmenkatu 13-19	19,000	SRV	SRV
<b>Q4 2012</b>	Vantaa	Aviapolis	Äyritie 20	7,000	NCC Construction Oy	NCC Property Development Oy
<b>Q2 2013</b>	Vantaa	Aviapolis	Tietotie 11	22,000	SRV	Ilmarinen
<b>Q3 2012</b>	Vantaa	Koivuhaka	Puutarhatie 22-24	4,000	NCC Construction Oy	Pohjola-yhtiöt

Source: DTZ Research

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### Definitions

- HMA:** Helsinki Metropolitan Area comprises the city of Helsinki and three other cities: Espoo, Kauniainen and Vantaa. Approximately 1.1 million people live in the HMA area.
- New supply:** Represents the total amount of floor space that has reached practical completion (including major refurbishments) as known on the last day of the quarter, regardless whether the space is occupied or still available on the market. Common areas and service areas are not included.
- Prime rent:** Represents the attainable average prime rent that is be expected for an office unit (min. 500 sq m) commensurate with demand in each location, highest quality and specification in the best location in a market at the survey date. The rent is given as a gross rent. The rent quoted reflects prime units of over 500 sq m.
- Prime yield:** Represents the initial yield estimated to be achievable for a notional property of highest quality and specification in the best location fully let and immediately income producing in a market at the survey date.
- Sale and leaseback:** A sale and leaseback contract is an arrangement in which the owner of a property sells the property to a buyer and the buyer leases the property immediately back to the seller. The arrangement enables the initial owner to make full use of the property without having any capital tied up in the property.
- Vacancy:** Represents the total floor space in existing properties, which are physically vacant, ready for occupation and being actively marketed as known on the last day of the quarter. The vacancy rate represents the total vacant floor space divided by the total stock at the survey date.

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## Helsinki Q4 2011

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