KTI Market Review *Spring* 2013

20 KTI PROPERTY INFORMATION SINCE 1993

- Economic uncertainty reflected on all fronts in the Finnish property market
- Transactions activity remains low
- Prime yields increasing slightly
- Construction volumes decreasing
- Residential rents continue increasing in major cities

KTI Market Review – Spring 2013

Market sentiment remains negative in the Finnish property market

Economic uncertainty is reflecting upon the Finnish property market. Transactions volume remains low, and market players do not expect significant increase in the nearest future. Prime yields have increased slightly, although investment demand for prime properties remains stable. Demand for riskier assets remains very low.

High office vacancy remains a major issue in the Helsinki metropolitan area property market. Occupancy rates of major investors' portfolios continue decreasing. Increase in office stock will increase this challenge further. Construction of commercial properties will slow down as ongoing projects reach completion. New starts would require significant strengthening in tenant confidence.

The position of the Helsinki central business district remains strong in the commercial property market. Space demand is stable and rents continue to increase in best locations. Unlike other submarkets, commercial property market values have shown strong positive development. Nevertheless, there are signs of economic uncertainty in the Helsinki CBD, for instance in a slight decrease in professionals' expectations and subdued development of market rents.

The residential sector continues with significantly stronger development than any of the commercial property sectors. Although the total return on residential properties decreased in 2012 compared to the previous year, the residential sector still clearly outperformed all other sectors. Stable rental demand would allow space for new development, but high costs of land and construction make the equation still challenging. Market players expect the government's actions to fuel new construction, but the terms for government subsidies have not yet been clarified. The attractiveness of residential investment is also reflected in the launch of several new funds targeted at various investor groups.

KTI celebrates its 20th anniversary in 2013. With the support of our clients and partners, we have been privileged in being able to explore and analyze the development of the Finnish property market over several economic cycles. Changes in market conditions and practices, as well as in our clients' strategies and needs, have demanded and enabled us to develop our services on a continuous and ongoing basis. Despite the current challenging economic conditions, the outlook for the future looks interesting and inspiring. We are looking forward to many more years of collaboration with you!

The economic outlook still gloomy

The outlook for the Finnish economy is still rather gloomy. Most economic forecasts for 2013 and 2014 have deteriorated recently, as the economic performance in late 2012 proved to be weaker than expected. Therefore, the starting point for the future growth is more negative, and it will also take more time to recover. There are significant risks identified in all components of the total demand – in consumption, investment and exports. The most likely foreseeable driver for economic recovery is the increase in exports, and Finland's overall recovery is thus largely dependent on the development of the global economy.

- Downside risks in economic development
- Construction bottoming out in 2013?
- Weak signs of recovery emerging
- Exports to increase towards the end of the year

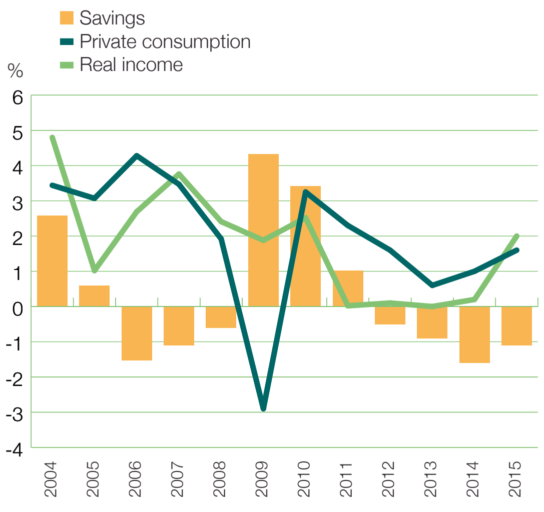
Consumer demand weak

Private consumption will not be able to carry the economy to the path of growth. Purchase power is pressured by tightening taxation, increasing employment and modest wage increases. Major retail companies have reported decreasing sales for the first quartile of 2013, as the demand for more expensive consumer goods in particular is pressured by increased uncertainty. Private consumption is expected to increase by some 1 percent both in 2013 and 2014. This is negative news also from the retail property market point of view.

Outlook for investment subdued

Corporations' willingness to invest in machinery and equipment will only pick up as the economy turns into growth and new orders begin to flow in the industrial companies. One of the objectives of the decrease in the company tax rate to 20 percent, published by the government in March 2013, was to encourage companies to increase investments, but the impact of this remains to be seen. Investments in construction will probably bottom out in 2013, as uncertainty is also reflected in space decisions. The construction sector is expecting a boost from the government's actions targeted at increasing the housing supply in the Helsinki metropolitan area. However, even these actions will not improve the situation with immediate effects.

Households' real income, consumption and savings

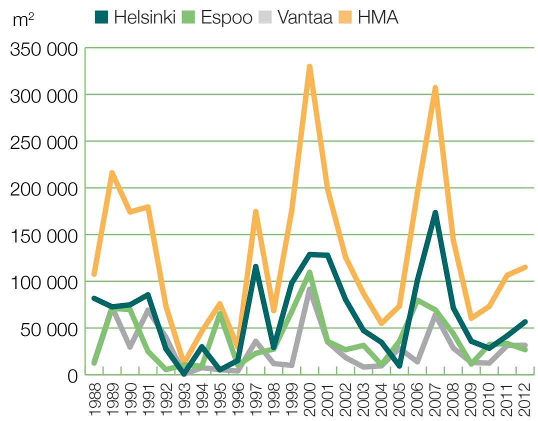


Source: Statistics Finland, Ministry of Finance

Exports turning into increase towards the end of the year?

Only a modest recovery is expected for Finnish exports in 2013. Slight positive signs can be seen in the US, Russian and Estonian economies, which are important target countries for Finnish exports. However, the weak outlook of the Euro area decreases the potential for growth for exports to European markets. Finnish exports are dominated by investment and intermediate products, and Finland is thus more exposed to the economic cycles in the target countries than most other economies. The development of exports is essential for Finland – positive news from the economy can only be expected when the exports start to recover.

Office construction starts, Helsinki metropolitan area



Source: Statistics Finland

Financial markets have calmed – hope for better future emerging

Although the economy of the Euro area is still struggling, the calming of the financial markets improves the outlook for future development. The future of the southern periphery countries still looks gloomy, and even the stronger economies' weak economic performance will keep the GDP growth in negative territory in 2013. Improving conditions towards the end of the year might result as positive GDP growth in 2014. However, bad news can still also be expected from the financial markets, and this can change the situation quickly. The overall situation of the financial markets is also worsened by shrinking bank lending caused by both tightening bank regulation and weak demand for financing.

Key Figures – Finnish economy, %

	2005	2006	2007	2008	2009	2010	2011	2012	2013**	2014**
GDP (change in vol)	2.9	4.4	5.3	0.3	-8.5	3.3*	2.8*	-0.2*	0.4	1.6
Change in exports	7.0	12.2	8.2	5.8	-21.3	7.5*	2.9*	-1.4*	0.7	3.8
Inflation	0.9	1.6	2.5	4.1	0.0	1.2	3.4	2.8	2.1	2.5
Unemployment rate	8.4	7.7	6.9	6.4	8.2	8.4	7.8	7.7	8.2	8.1
Interest rates 3 months	2.2	3.1	4.3	4.6	1.2	0.8	1.4	0.6	0.2	0.5
Interest rates 10 years	3.4	3.8	4.3	4.3	3.7	3.0	3.0	1.9	1.8	1.9

* = estimate
** = forecast

Source: Statistics Finland, Bank of Finland, Ministry of Finance, PT

Property transaction volume remains low for the fifth consecutive year

Total volume of property transactions amounted to €2.1 billion in 2012. Domestic institutions and property funds were the most active investor groups in the quiet market. The biggest transactions were carried out by NIAM, who bought the so called Bronda portfolion in summer, and Exilion's fund, which acquired the Nokia head office in a sale-and-leaseback deal in December. Offices were the most popular property sector with a 46% share of the total volume.

In the first quartile of 2013, the total transactions volume was €320 million, which is one of the lowest quarterly volumes in the last decade. Transfer tax of property transactions carried out as mutual real estate company shares was increased to 2.0 percent in the beginning of March, but even this did not boost the transactions market before the change. However, by number of deals, a major share of all transactions were completed in the last half of February. The volumes are currently restricted mainly by the economic uncertainty, which tends to limit investor demand to the very best properties. On the other hand, the availability of bank financing, which has recently been one of the main obstacles for transactions, has improved slightly.

- Uncertainty in the economy keeps property transaction markets quiet
- Commercial property development will decrease as ongoing projects are completed
- Prime property yields increasing
- Office rents expected to decrease

Expectations are turning more negative

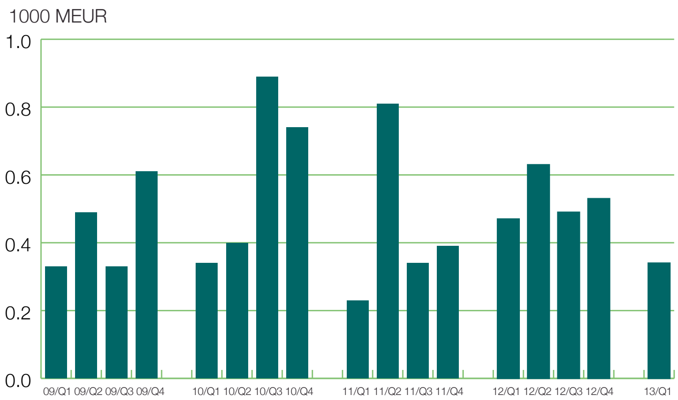
In the RAKLI KTI Property Barometer carried out in April 2013, expectations of Finnish property professionals were more negative than six months ago, both with regard to investment market conditions and rental demand. Property transaction volumes are expected to remain at their current low level, and rental levels are expected to remain stable in the best areas and decrease in secondary locations. Overall market conditions are expected to deteriorate slightly during the next 12 months.

Yields increasing slightly

In the RAKLI KTI Property Barometer, the yields of prime offices in the Helsinki metropolitan area were 0.1-0.2 percentage points higher than six months ago. In the Helsinki CBD, prime office yield is now quoted at 5.6 percent. In other major cities, yields have remained stable.

Investment demand for prime properties remains strong, but limited supply prevents transactions from happening. For riskier assets, the demand is still very low.

Quarterly transaction volume in the Finnish property market



Source: KTI

New property funds launched

In the first quartile of 2013, several new property funds for different investor groups have been launched. The first property investment fund under the Finnish property fund legislation, eQ Hoivakiinteistöt, has been followed by two new vehicles. Ålandsbanken's housing fund invests in rental residential properties, and OP-Vuokratuotto in both residential and commercial properties. Both of these funds are mainly targeted at private investors. LocalTapiola Real Estate Asset Management has launched a new residential fund targeted at institutional investors, and CapMan established a Nordic private equity real estate fund. Pohjola Property Management established a fund of funds investing in property debt and real estate funds' secondary interests. However, it is still challenging to raise institutional funds for new vehicles.

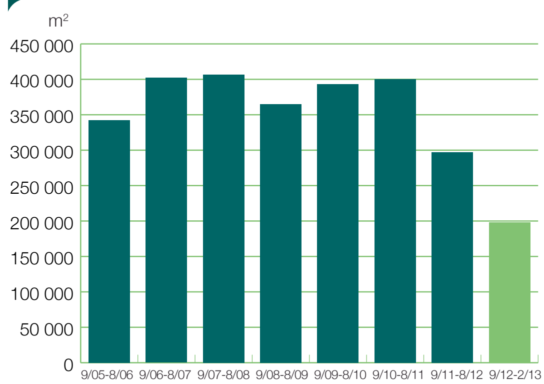
Commercial properties under construction in Helsinki metropolitan area, March 2013
New and redevelopment projects, rentable area, m²

Source: KTI, RPT Docu Oy

Space demand hampered by economic uncertainty

No immediate recovery is expected in commercial property rental markets either. In the KTI rental database, the amount of vacant office space has increased by some 30,000 sqm during the past six months. In Helsinki, there are less vacant premises than last autumn, whereas in Espoo and Vantaa, the amount has increased. Gross take-up calculated from the KTI database looks rather positive due to a few exceptionally large new rental agreements, many of which are in recently completed new buildings. In the RAKLI KTI Barometer, the majority of the respondents expect office rents to decrease in the next six months. Only the Helsinki CBDhas balance figures still in positive territory. The outlook for retail rental markets is also now more negative than in autumn 2012. On the other hand, expectations for the conditions in the industrial / logistics rental markets are now slightly more positive than six months ago.

Gross take-up of offices, Helsinki metropolitan area

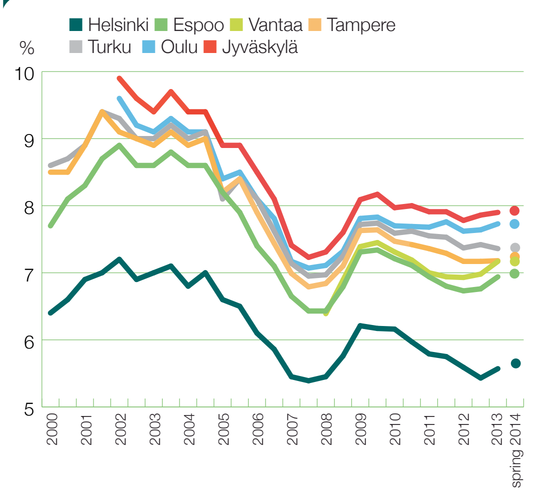


Source: KTI

Construction volumes decreasing

Some 200,000 sqm of new or refurbished office space was completed in the Helsinki metropolitan area in 2012. At the end of March 2013, some 135,000 sqm was still under construction. Due to abundant new development, the vacancy rate is likely to continue increasing. After the completion of the buildings currently underway, construction volumes will decrease significantly, and new starts will be postponed until better economic conditions. In the retail market, some 80,000 sqm was completed, and some 100,000 sqm is under construction. All ongoing projects are extensions and redevelopments of existing retail centers. According to the Confederation of the Finnish Construction Industries RT, the construction volumes are expected to decrease by some three percent in 2013. Both housing and commercial property construction is expected to decrease slightly, whereas public property construction is expected to increase.

Prime office yields in major Finnish cities + forecasts in 12 months



Source: RAKLI-KTI Barometer Survey

Residential properties continue strong performance

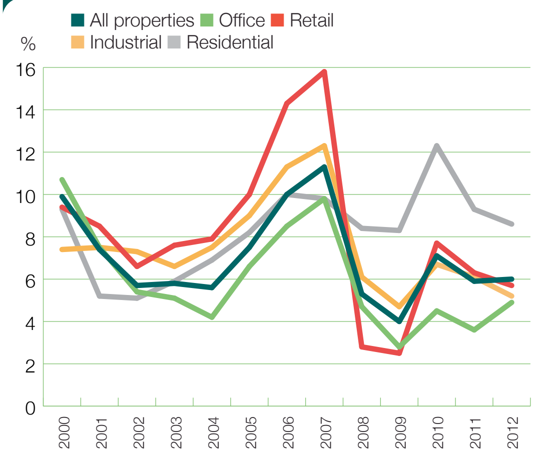
In the KTI Property Index 2012, residential outperformed all other property sectors for the fifth consecutive year. Total return is supported by strong development of capital values – during the whole KTI Index history since 1998, capital growth for residential properties has been positive every year. In 2012, capital values increased by three percent. Income return remained stable at 5.4 percent. Residential properties outperform all commercial sectors also in both 5 and 10 year's investment periods.

- Residential produced the highest returns for the fifth consecutive year
- Government actions targeted at boosting rental residential development
- Rents continue to increase in best locations
- Increase in operational costs exceeds that of rents

Residential rents continue increasing in best areas

Residential rents have been increasing steadily since 2008, and the increase still continues, although at a slightly slower pace. Strongest development is shown by small apartments in the Helsinki metropolitan area, where the demand exceeds supply. Market rents in Helsinki metropolitan area and in other major cities increased by some three percent p.a. on average. In the whole prevailing rental agreement stock, the annual increase was 2-3 percent in the Helsinki area and 1-2 percent in other major cities. However, the increase of operating costs still exceeded that of rents, amounting to some 4 percent in 2012. In the RAKLI Rental Residential Barometer, professionals expected market rents for small apartments to continue increasing in all major cities. For larger apartments, however, the outlook was only positive in the Helsinki metropolitan area.

Total returns by property sector

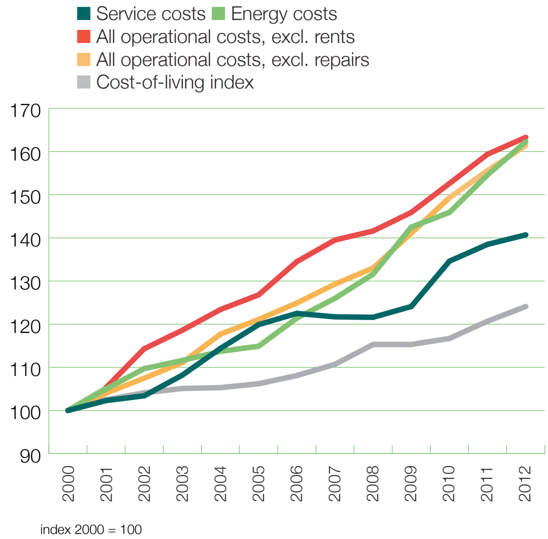


Source: KTI Index

The industry is waiting for the Government's actions

The Finnish Government initiated several actions targeted at boosting housing production in the Helsinki metropolitan area. These actions could also work well in smoothing the cyclical changes in the construction sector. The industry is especially hopeful with regard to the new 20-year state subsidy model, the details of which have not, however, yet been published. In addition, actions would be needed to increase the supply of building sites, as well as to ease building regulations. According to the Federation of Construction Industries RT, new housing starts will decrease by some 3 percent in 2013, that is, to some 27,000 dwellings.

Development of the operational costs
Apartment houses, Helsinki metropolitan area



Source: KTI

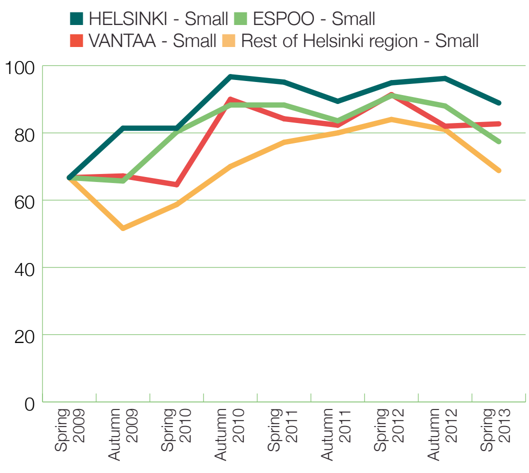
KTI Residential rent index, Helsinki metropolitan area

Source: KTI

Rental residential investment attracts new players

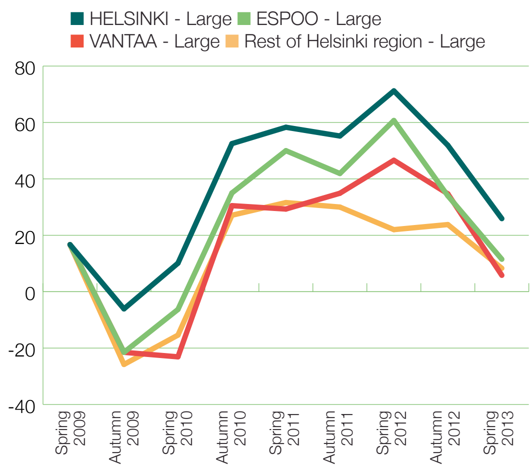
Residential investments are offered in new forms for new investor groups. Ålandsbanken's and OP Fund Management Company's new funds are targeted mainly at private investors as an alternative to investing directly in rental apartments. Ålandsbanken's fund has already invested in some €80 million worth of assets in the Helsinki metropolitan area and other major cities. OP-Rental Yield Fund will invest about half of its assets in residential properties, and will acquire a €50 million core residential portfolio from OP Life Assurance. LocalTapiola has established their second residential property fund, which carried out its first acquisition in February by purchasing 71 rental apartments in Espoo.

Expected development of residential rents in Helsinki metropolitan area
Balance figures - small dwellings



Source: RAKLI Residential barometer survey, spring 2013

Expected development of residential rents in Helsinki metropolitan area
Balance figures - large dwellings



Source: RAKLI Residential barometer survey, spring 2013

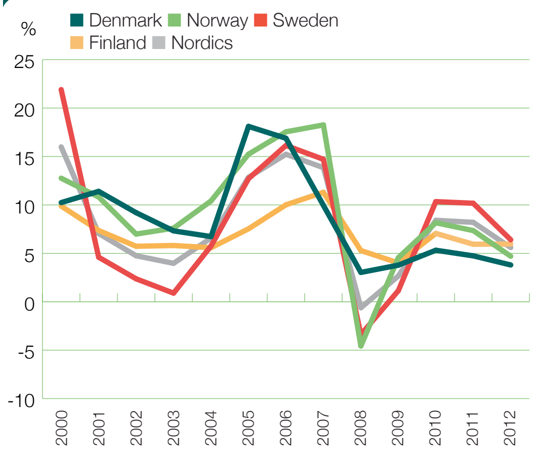
Finland one of the few European countries improving performance in 2012

Direct property returns decreased in most European countries in 2012. According to the IPD Pan-European Property Index, the total return amounted to 4.2 percent, having been at 6.6 percent for 2011. Finland was among the few countries showing stronger performance for 2012 than in the previous year. In European comparison, Swiss properties produced the highest total returns, due to strong capital growth. At the other end of the spectrum, decreasing capital values pressured the Spanish total returns on the negative territory. Capital growth was slightly negative also for the whole Europe.

In the Nordic comparison, Sweden produced the highest total return at 6.4 percent. The Finnish total return of 6.0 was supported by relatively high income return. Norwegian properties delivered a total return of 4.7, and Danish 3.8 percent in 2012. For office and retail sectors, total returns were the highest in Sweden, whereas in Finland, residential and industrial sectors outperformed those of the other Nordic countries. According to the IPD KTI Nordic Property Index, the Nordic properties delivered a total return of 5.7 percent in 2012, showing a clear decrease compared to 8.0 percent in 2011.

- Returns decreased in most European countries in 2012 – Finland an exception
- The relative attractiveness of Helsinki decreasing
- Main European markets attract capital

Total return in the Nordic countries



Source: IPD, KTI

Finland's relative attractiveness decreasing

According to Real Capital Analytics, European property transaction volumes decreased slightly in 2012 compared to the previous year. The UK and German property markets continued attracting capital, and altogether accounted for some 55 percent of the total European volume. Volumes also remained at a relatively high level in the Norwegian and Swedish property markets

The main European markets were also ranked in top positions in the "Emerging Trends in Real Estate Europe" survey published by PwC and ULI in March. According to the report, the most attractive markets were Munich, Berlin and London. The relative attractiveness of Helsinki had clearly deteriorated from the 12th position in 2012 to 19th place.

Total returns on property investments in Europe 2011 & 2012

Source: IPD, KTI

Property market activity concentrates in the Helsinki metropolitan area

Helsinki CBD continues strong performance

Since the start of financial market turbulence in 2009, the Helsinki CBD has differentiated itself clearly from all other submarkets, and its performance still continues to be strong. According to the KTI Property Index, capital values of offices in Helsinki CBD increased by more than 6 percent in 2012, whereas in all other office areas in the Helsinki area, capital growth was negative. Capital value growth in the city center was driven both by increasing rental values and by decreasing yields. The respondents of the RAKLI KTI Property Barometer also assess the attractiveness of the Helsinki CBD as remaining strong. Both retail and office rents are expected to continue increasing, although at a slower pace than six months ago. However, yields have turned to a slight increase also in the CBD.

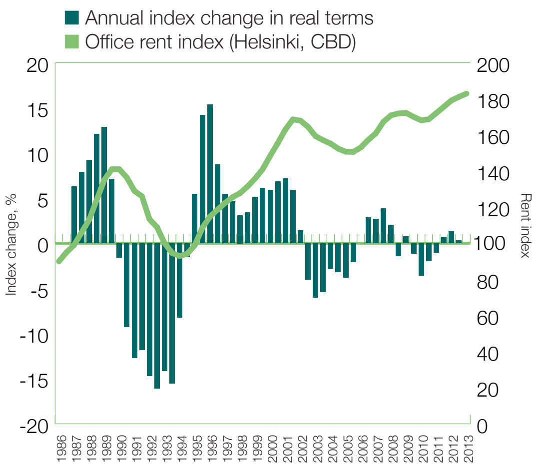
- Retail construction in the Helsinki area is concentrated in redevelopment
- The position of the Tampere area remains strong
- Commercial property construction activity slowing down in all major cities
- Rental markets remain quiet

Refurbishment and development of the CBD continues. The first of four new office buildings in the Töölönlahti area has already been completed, and the rest will be completed within the next year. Retail space is increasing through the refurbishments of CityCenter and Forum shopping centres.

The KTI rental index for Helsinki CBD offices increased by one percent during the past six months. The annual increase amounts to some 2 percent. The average market rent of offices has remained stable at some €26 per sqm per month, and the upper quartile has exceeded €28. The amount of vacant space has decreased slightly in the city centre.

The Helsinki CBD continues attracting retailers. The upper quartile of new retail rents increased to €110 per sqm per month. Two thirds of the respondents of the RAKLI KTI Property Barometer survey expect the retail rents to remain stable within the next year.

KTI office rent index in Helsinki CBD
index 1993=100



Source: KTI

Helsinki metropolitan area office market still suffering from high vacancy rate

Outside the CBD, occupancy rates remain low and market values continue declining. As the space demand remains modest, the situation is not expected to improve in the nearest future. The development of the amount of vacant space has been different in different areas. In Pitäjänmäki, the amount of vacant space has decreased, although the rental levels have been varied. The amount of vacant office space has increased the most in Kamppi, Sörnäinen and Siltasaari areas.

In Espoo and Vantaa, the amount of vacant space has increased during the past six months. In the KTI rental database, the occupancy rate for offices in Espoo has decreased to 73%. The rental levels have remained quite high, as most of the new agreements have been made in newly constructed buildings. Upper quartiles of office rents are at some €20 per sqm in Espoo and at slightly below €17 in Vantaa.

According to the RAKLI KTI Property Barometer, vacancy rates are expected to increase in all property sectors within the next year. More than 40% of the respondents expect office rents to decrease in Espoo and Vantaa.

Retail development concentrates on refurbishments and extensions. The refurbishment of the Itis shopping centre will be completed in phases by the end of 2014. The major redevelopment of the Tapiola centre has just begun, and the first refurbished retail premises will be completed in autumn 2013, when shopping centre Ainoa will be opened in the former Sokos building.

Tampere attracts domestic investors

The strong economic base of the Tampere region maintains its position as an attractive property market area. In the RAKLI KTI barometer, the outlook was more positive for Tampere than for any other area outside the Helsinki CBD. The outlook for office rents is stable and retail rents are even expected to increase slightly. Vacant office space can be found in e.g. Hatanpää and Hervanta areas, although new lettings have decreased the vacancy rate in Hervanta in the past six months. In the whole city, the occupancy rate of offices is at 92 percent, according to the KTI rental database.

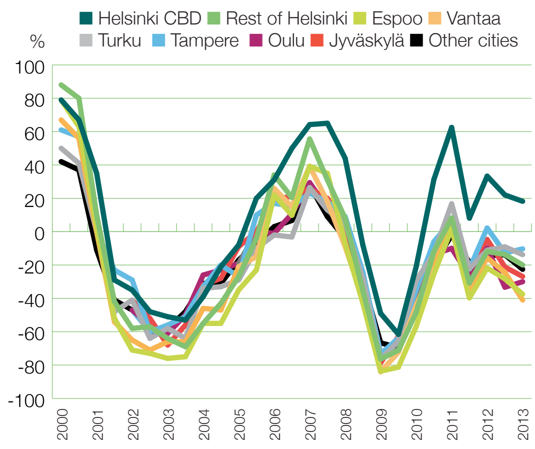
Tampere continues attracting investors. The new Ratinankaari office building was sold in late 2012 to Pohjola's Real Estate Fund Finland III. Keva acquired the Lielahtikeskus retail centre, which is also under construction. Technopolis bought the Tohloppi business centre from the national broadcasting company YLE.

New office development projects underway in Turku

Construction activity in the Turku area is at a higher level than in the past few years. New office buildings are being constructed both in Kupittaa and Pitkämäki areas. Retail premises are being developed through e.g. the refurbishment of the Hansa shopping centre in the city centre. During the spring, new retail space has been completed for K-Rauta in the Skanssi area, as well as for Kodin Ykkönen in Kuninkoja. No major transactions have, however, been recorded since the Intelligate deal in Kupittaa in late 2012.

Rental levels for office and retail premises have remained mostly stable, and are expected to do so also in the future. The amount of vacant space has decreased slightly, although the completion of new retail projects is likely to increase vacancy rate in the retail market.

Expected development of office rents, balance figures



Source: RAKLI-KTI Barometer Survey

Property market remains quiet in Oulu, Jyväskylä, Kuopio and Lahti

Oulu

One of the biggest transactions of 2013 was recorded in Oulu, where Technopolis acquired a €30 million office property from Nokia in Kontinkangas area in a sale-and-leaseback deal. The city of Oulu is committed to develop the area, and aims at creating some 700 new jobs there by 2016.

There are no ongoing commercial property construction projects in Oulu area. The next phase of the Technopolis's campus in the city centre is being pre-marketed and waits for the decision to be started.

According to the RAKLI KTI Property Barometer, rent for prime office space in Oulu is slightly higher than a year ago, at some €16 per sqm. The amount of vacant space remains low.

Jyväskylä

The only ongoing commercial property development project in KTI's statistics in the Jyväskylä area is Technopolis's Innova IV project in the Lutakko area. The previously active retail property development has slowed down after the completion of the Muurame retail centre in early 2013. The amount of vacant office space has decreased slightly, whereas the vacancy rate of retail properties has increased. The outlook for the commercial property rental markets is, as in other major cities, rather negative.

Kuopio

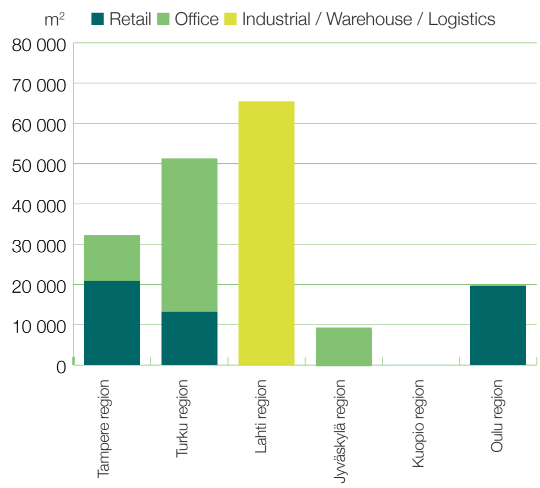
After several years of active new construction, there are currently no ongoing development projects in Kuopio. The first phases of Technopolis's Viestikatu campus have just been completed, and the last one is in the premarketing phase. In the city centre, the amount of vacant office space has decreased slightly. No transactions have been recorded in the area.

Lahti

In the Lahti city centre, YIT plans to start major redevelopment of a retail and residential building comprising some 6500 sqm of retail space and 110 apartments. YIT acquired the property from Sveafastigheter earlier this year. The construction of the Itella logistics centre will be completed soon, after which new construction will slow down also in the Lahti area. The rental markets are also relatively quiet.

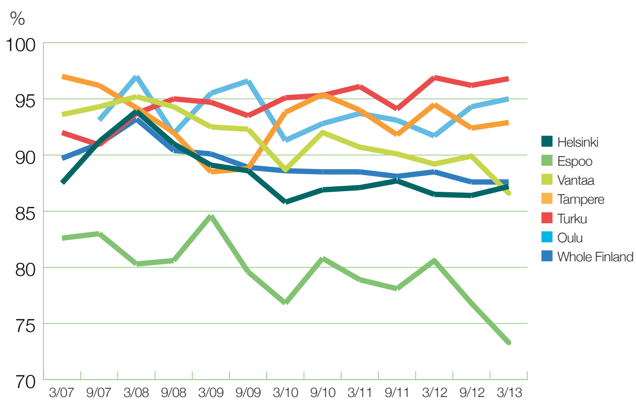
Commercial properties under construction in other major cities, March 2013

New and redevelopment projects, rentable area, m²



Source: KTI, RPT Docu Oy

Office occupation rates



Source: KTI

KTI – 20 years of property information

How did it all get started: 1990-1994

The story of KTI began in the Turku School of Economics, where a research project on the productivity of capital invested in property was initiated in 1990, sponsored by Sitra, EKA Real Estate and SOK. Young and innovative researchers Asko Miettilä and Olli Olkkonen approached the topic through collecting data on rental agreements. With the support of the Finnish Real Estate Federation and the Helsinki Real Estate Association, an increasing number of property owners joined the initiative and started to give their rental information to the project. The first rental statistics were published in 1992. At the same time, the invention of comparing rental levels between players was made, which initiated KTI's first benchmarking service. Collaboration with municipalities and state's property organisations was active right from the beginning.

The first years of KTI were financially challenging, but the key people were passionate about making the initiative fly.

KTI, the Institute for Real Estate Economics was founded in spring 1993, in the middle of a deep economic recession. The founding members included the Finnish Real Estate Federation, the Helsinki Real Estate Association (later RAKLI) and Turku School of Economics. A supervisory committee was formed of the companies who gave their data to KTI and subscribed to the rental benchmarking service. Twice a year, a meeting for this committee was organised in connection of the updates of the rental database and other topical KTI projects.This tradition is still continued as the KTI client afternoon.

In 1993, a textbook titled "Introduction to Real Estate Economics" was published, sponsored by Sitra. The researchers also started to establish contacts with international networks already in early years. KTI staff were founding members in the European Real Estate Society in 1993, and first contacts with the Investment Property Databank were also initiated. In 1994, a successful course on property investment was organised in Helsinki, together with Professor Andrew Baum from University of Reading.

The years of change and growth 1995-1999

The next service, operational cost benchmarking, was started in mid 1990s, with the support of an active group of Finnish corporations' property managers. The development work of the KTI Index was started in 1995, although it required a lot of efforts and several years to establish a standardised approach to property valuation and income return calculation. The first total return figures were published for 1998. KTI services also gradually expanded to cover rental residential property markets.

The series of research projects aiming at creating legislation for tax-transparent listed property funds - so called REITs - was started in 1995, again funded by Sitra. KTI participated actively in the development of the first Real Estate Fund Act, which came into effect in 1998. Since then, KTI has been involved in changes made in the legislation throughout the years. However, the very first funds established under this legislation have only been founded during the past couple of years – so our work in this front still continues. In 1998, Sitra sponsored a research project "Globalisation and the Finnish Property Market", aiming at exploring the attractiveness of Finland from an international investors' point of view – at a time when very few international investors had even thought about investing in the Finnish property market.

In 1997, RAKLI coordinated a survey on the need for development in the real estate industry's management practices and service innovations. As a result, Tekes started an extensive technology program Rembrand (Service Innovations in Real Estate Business) in 1999. KTI actively participated in the program, and carried out several research and development projects together with dozens of pioneering companies in the real estate business. During these years, KTI also moved its offices to Helsinki, having previously been accommodated in the premises of the Turku School of Economics.

2000-2004: From research institute to a service company

KTI's market databases and benchmarking initiatives were gradually established as continuous service concepts. As these were not seen as being appropriate activities for a non-profit research institute, KTI Property Information Ltd started its operations in the beginning of 2000.The KTI Property Index, as well as rental and operational cost benchmarking services were transferred to this new company while KTI, the Institute for Real Estate Economics, continued its non-profit research activities until 2003.

The European Real Estate Society Conference (ERES), organised in Helsinki in June 2003, was an important milestone for KTI. More than 300 real estate researchers and professionals gathered in Helsinki, and during three days, some 200 research papers were presented. The conference's active social program and the light summer nights of Helsinki charmed participants from all over the world. After that, KTI key people have participated actively in ERES in the roles of both president and executive director of the society; this participation has helped to establish and strengthen the international networks of KTI.

In 2001, IPD audited KTI's data gathering and validation procedures and calculation formulas, and verified the compatibility of the KTI Index with IPD indices published for other countries. As a result, the Finnish property return figures have spread out internationally through IPD networks. KTI has also worked for the internationalisation of the Finnish property market together with market players. The first "Finnish Property Market" report was published in 2001, sponsored by Finnish property companies. KTI is a founding member of both EPRA (European Public Real Estate Association, 2001) and INREV (European Association for Investors in Non-listed Real Estate Vehicles, 2003).

Transformation and internationalisation of the Finnish property market 2005-2009

International investors rushed into the Finnish market in 2005-2007, and KTI kept up with tracking the active transactions' market volumes. Foreign players also often visited KTI, and innumerable market presentations were given to new investors interested in Finnish properties.

Since 2005, KTI has annually carried out INREV Management Fees and Terms studies, and later on, also other surveys on the European property fund markets. The INREV projects resulted as contacts to Asia and the US, where management fee studies have been made since 2009.

During the past years, KTI's domestic research and development activities have concentrated on joint development projects with market participants. Topics of these projects range from transparency of regional property markets, to responsibility of real estate business and market information on residential property markets – and also include topics relating to property fund legislation on a continuous basis. New KTI services established in late 2000s include e.g. property development follow-up, regional market information services, as well as market forecasts. KTI also carried out a feasibility study in the St Petersburg property market in 2009-2011, but the potential was not considered to be sufficient in relation to the risks involved in establishing a business there.

The new normal of the property markets – KTI today and tomorrow

The continuing turbulence in the global financial markets has profoundly changed the property market fundamentals since 2009. We have had to adjust to low market volumes, tight availability of finance, high vacancy rates and declining values of secondary property investments. From KTI's point of view, accurate market information is an ongoing necessity – perhaps even more so within these challenging market conditions.

Since the very beginning, KTI's mission has been to improve property market transparency by developing accurate and relevant market information, as well as by creating tools for analysis and management of property assets. These core tasks still remain relevant and lead our way forward. We have witnessed profound changes in the markets over the years, and we feel privileged that we have been able to collaborate and develop together with our clients and partners. Our work continues – thank you for the first two decades!

KTI Finland is an independent research organisation and service company providing information and research services for the Finnish real estate industry. KTI maintains extensive databases on returns, rents, transactions, operating costs and customer satisfaction measures in the Finnish property market. Based on these databases, various kinds of benchmarking and analysis services can be provided. KTI's clients comprise all major property investors, managers, occupiers as well as service providers in the Finnish market. KTI is owned by the Finnish Real Estate Federation and RAKLI, the Finnish Association of Building Owners and Construction clients.

KTI - High quality property information

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