

**KTI Property Index:****Finnish property investments delivered a total return of 6.0% in 2012**

*The total return on the Finnish property investment market was 6.0% in 2012. There was an increase in the total return for offices and industrial properties, whereas all other major property sectors had lower total returns compared to the previous year. The total return was pushed down by the slight increase in yields, which led to a decrease in market values. Income return remained at a healthy level of 6.3%. The best performance was once again recorded for the residential sector, which delivered an 8.6% total return. Total return on the office sector amounted to 4.9%.*

**Market values for property investments continued to decrease**

The KTI Property Index measures the total return on property investments, and is composed of two components: income return, which measures rental income against market value, and capital growth, which measures the annual development of market values. Income return increased slightly compared to the previous year, ending at 6.3%, which is a strong level by international comparison. Rent passing continued to increase, although with a slower rate than in 2011. Occupancy rates decreased during the year in all major property types. Overall property capital growth ended at -0.3%. Capital growth differs largely by area and property type.

**Office returns improved compared to the previous year**

Office property has traditionally been the dominant sector in institutional investors' portfolios, and therefore the challenging office market conditions are reflected in the KTI Index results. Office market values fell in 2012 mainly due to a rise in yields for the fifth consecutive year. Capital growth was -1.2% for the whole country, which is less negative than the year before. Income return increased to 6.1%, supported by an increase in rent passing and decrease of market values. Low and declining occupancy rates pushed down returns in offices especially in HMA offices outside the CBD area. The Helsinki CBD once again showed much stronger performance than any other office submarkets, with capital growth amounting to 6.3%.

**Residential the best performing sector for the fifth consecutive year**

Strong rental demand continued to support the total return on residential investments. High occupancy rates and continuing rent increases kept the income return at 5.4%. Market values increased by 3.0%. However, the total return for the residential sector was lower than in the previous year.

**Capital growth turned negative for the retail sector**

Retail sector total return dropped to -5.7% in 2012 as market values decreased by 0.6%. Shopping centres contributed a better total return compared to other retail properties, but high repair and maintenance costs plus capitalised improvements affected the return levels. Market values increased in Espoo retail, where capital growth was 2.9%. The income return for retail properties stood at 6.4%. The variance across regions and subsectors was, however, significant.

**For further information, please contact KTI Finland:**

*Hanna Kaleva, +358 405555269; Pia Louekoski, +358 400 959634; Mikko Soutamo, +358 505 480480*



*The KTI Property Index measures ungeared total return on direct property investments in Finland, consisting of two components: income return and capital growth. 23 major Finnish property investors contribute to the KTI Index. The database currently comprises some €23.5 billion worth of properties, thus covering about 49% of the total property investment market. The KTI Index is compatible with property indices published by IPD for other countries. KTI is an independent property information and research service company.*

**Attached:**

- **Total return on the Finnish property market 2000-2012**
- **Total returns by sector in 2012**
- **Total returns by area in 2012**