



The Finnish Property Market | 2021

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Preface

During the past few years, the Finnish property investment landscape has expanded through the increase in diversity of property sectors, the introduction of new investment vehicles and the market entry of new domestic and international investors. Up until early 2020, the market witnessed high transaction volumes, which were then dramatically dampened by the outbreak of the COVID-19 pandemic. In early 2021, the prerequisites for the recovery in property market activity seem relatively positive. However, recovery would require significant improvement in the pandemic situation and overall revival of economic activity.

The Finnish Property Market 2021 discusses the structure, players, market practices and conditions in the Finnish property investment market. The report aims to satisfy the information needs of both domestic and international players interested in the Finnish property market.

This publication is produced in partnership with 9 companies and organisations representing the Finnish property investment, development, management, finance and advisory sectors. KTI wishes to thank our partners: The City of Helsinki, KIINKO Real Estate Education, Kojamo, Newsec, RAKLI, SEB Group, Sirius Capital Partners, Skanska and SRV.

The report is published annually in March. The report is also available in PDF format at www.kti.fi.

KTI Finland also publishes an electronic newsletter twice a month. Finnish Property News covers the latest news from the Finnish property market. To receive this newsletter via email, please subscribe to it at www.kti.fi.

We hope you find the report interesting, relevant and worthwhile reading.

Hanna Kaleva
KTI Finland

KTI Finland is an independent market information and research service company servicing the Finnish real estate industry. KTI maintains extensive databases on returns, rents, transactions, development projects, 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. For more information, please call +358 20 7430 130 or visit www.kti.fi.

Basic facts about Finland

GEOGRAPHY	
Total area	338,000 square kilometres
Distances	1,160 km north to south 540 km east to west
PEOPLE	
Population	5.54 million Density: 18 inhabitants per square kilometre Helsinki 2,741 per square kilometre Uusimaa region (southern Finland): 170 per square kilometre Lappi region (northern Finland): 2 per square kilometre
Languages	Two official languages: Finnish, spoken by 87.3% Swedish, spoken by 5.2% Foreign languages spoken by 7.5%
Capital city	Helsinki, 655,000 inhabitants Helsinki region, 1.52 million inhabitants comprising Helsinki and 13 neighbouring municipalities – Espoo and Vantaa being the biggest
Other important cities	Espoo, 291,000 Tampere, 239,000 Vantaa, 236,000 Oulu, 206,000 Turku, 193,000 Jyväskylä, 142,000 Lahti, 120,000 Kuopio, 119,000
ECONOMY	
GDP per capita	€43 567 (2019)
Economic structure	Private services 51.1% Public services 18.3% Construction 7.5% Industrial production 20.5% Primary production 2.7%
Exporting industries	Machinery and equipment 22.0% of total exports in January-October 2020 Chemical industry products, 18.9% Pulp and paper industry products 18.5% Metal and engineering products 15.8% Electronics and electrotechnical goods 12.1%
Currency	Euro (since 2002)
History and governance	Independent democracy since 1917
	Member of the European Union since 1995
Head of State	President of Republic, Sauli Niinistö (since 2012, re-elected in 2018)
Parliament	One chamber, 200 members, elected for 4 years. Current parliament elected in 2019. Biggest parties: The Social Democratic Party (40 seats), The Finns Party (39), The National Coalition Party (38), The Centre Party (31), The Greens (20)
Government	19 ministers 5 parties: The Social Democratic Party, The Centre Party, The Greens, The Left Alliance and The Swedish People's Party of Finland Prime Minister, Sanna Marin (since 2019)

1 The Finnish economy

1.1 The structure of the economy

Finland is a well-functioning and stable economy, which is a good example of the benefits of globalization, openness and a market economy. Strong economic growth, innovation and structural reforms transformed Finland into one of the world's most competitive and prosperous economies during the late 1990's and early 2000's.

Growth of industrial production has had a great impact on the development of the Finnish economy during the past decades. However, during the past years, the share of industrial production has decreased, while that of services has increased. In 2000, industrial production accounted for approximately 30% of the Finnish GDP, while the share of private services stood at 43%. By 2019, the share of industrial production had fallen to 20%, and private services accounted for 51% of the GDP.

"The share of private services of the Finnish GDP has increased markedly in the 2000s"

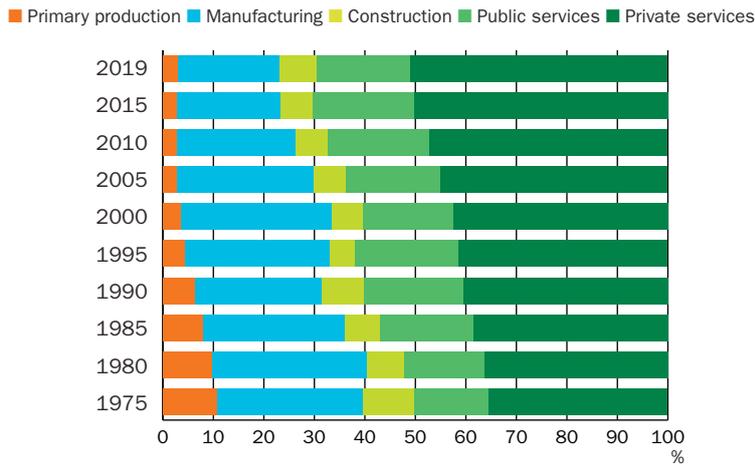
Finland is an open, export driven economy, and changes in exports have a profound impact on the economic development. In 2019, the total value of Finnish exports increased to €96 billion, and exports accounted for almost 40% of the Finnish GDP.

"Exports account for approximately 40% of the Finnish GDP"

The diversity of the Finnish exports of goods has increased in recent years. In the past, forest industry products dominated the Finnish exports, but their share has decreased in recent years and currently stand at around 19%. The significance of electric and electronics industry products increased markedly during the first decade of the 2000s, but their share has fallen during the past decade and currently stand at some 12%. Exporting industries that have increased their importance in recent years include machinery and equipment and vehicle industries, which accounted for 22% of the total exports in 2019, as well as chemical industries (19%) and metal industries (16%).

Finnish exports suffered from the COVID-19 pandemic in 2020. The preliminary statistics of the Finnish Customs show a drop of approximately 12% in the total volume of exports of goods. The largest drop, -18%, was seen in the exports of forest industry products, while the exports of electric and electronics industry products only decreased by 11%.

Finnish economic structure



Source: Statistics Finland

"Finnish exports of goods decreased by approximately 12% in 2020"

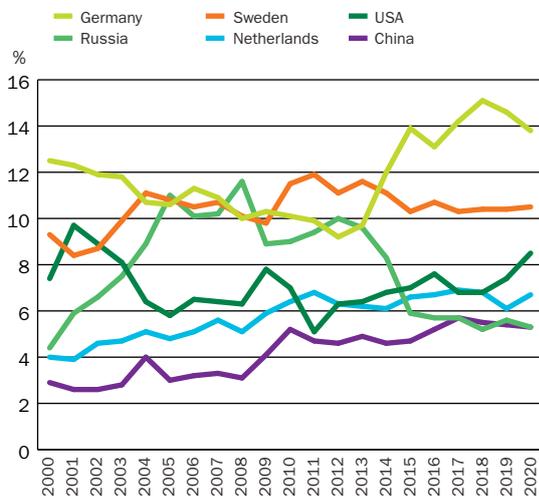
The share of investment goods of total Finnish exports was 25% in 2019, and the combined share of raw materials and intermediate products was almost 50%. Consumer goods only account for approximately 16% of total exports. Due to this, Finnish exports are heavily exposed to the demand of the manufacturing industries in target countries.

The largest target countries of the Finnish exports of goods in 2019 included Germany (14.6%), Sweden (10.3%) and the USA (7.4%). In total, EU countries represented almost 60% of the Finnish exports in 2019, and the share of other euro

countries stood at 39%. In the past, Russia's share of the total Finnish exports was significant, but currently stands at only 5.6%. The share of the UK stood at 4.2% in 2019. In January-November 2020, the exporting volume to other EU countries decreased by approximately 12%, and the exports to other countries by 15%.

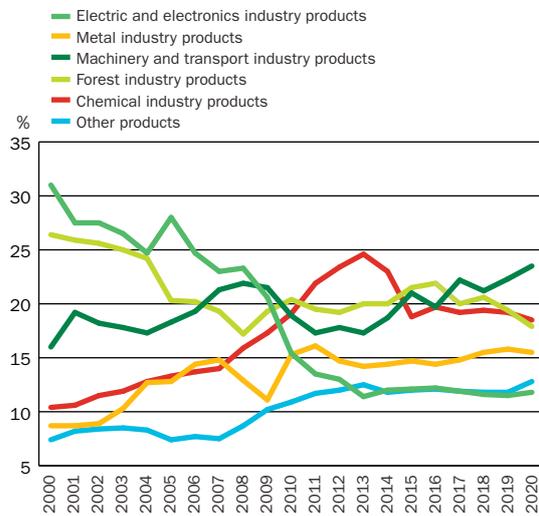
In recent years, the share of services of the Finnish exports has increased, and currently stand at 33% of the total exports. During the past decade, the total value of the exports of services has doubled. The biggest sector within exporting services is ICT services, where, for example, the significance of the game industry is important. A large share of services is related to the Finnish machinery and equipment industries, where installation and maintenance services support the traditional delivery of goods. Other significant exporting service industries include business to business services like research, engineering or marketing services.

Finnish foreign trade by target area



Source: Finnish Customs

Finnish exports by industry sector



Source: Finnish Customs

1.2 Outlook for the Finnish economy

The Finnish economy suffered from sluggish growth for many years after the global financial crisis. The impacts of global economic downturn were boosted by the coinciding collapse of the competitiveness of electrotechnical industries, challenges in exports to Russia and the increase in labour costs, which decreased the international competitiveness of Finnish exporting industries. Only in 2018, the absolute volume of production reached and exceeded the previous peak level of 2008. In 2019, the Finnish GDP grew by 1.1%.

The deteriorating outlook for the global economy pressured the expectations for the Finnish economic growth for 2020 even before the outbreak of the COVID-19 pandemic. The economic impacts of the pandemic rapidly turned the development negative since March 2020.

However, in international comparison, Finland has, at least by early 2021, been hit relatively mildly by the pandemic, and the number of cases and deaths have remained rather low. The timely measures taken in the spring to limit mobility and contacts cut the first wave of the pandemic rather efficiently. Throughout the pandemic, however, the lockdown measures have been less limiting than in many other countries. The government's actions to limit the spread of the virus have included, for instance, travel restrictions, shortened opening hours of bars and restaurants, as well as closure of public venues and cancellation of events. Between February 2020 and February 2021, the total incidence of the virus in Finland amounts to 995 cases per 100,000 inhabitants, compared to 1276 in Norway, 3613 in Denmark and 6358 in Sweden.

In early 2021, the second wave of the pandemic is ongoing, and the risk of the third wave is increasing due to the spread of new variants of the virus. Vaccinations have started with groups that have higher risk for severe disease caused by the virus and those being exposed to the virus. The schedule of vaccinations for the rest of the population is dependent on the availability of vaccines.

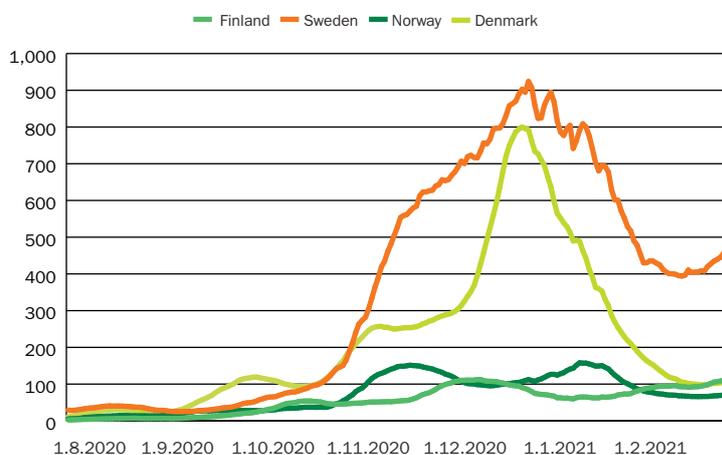
"The Finnish GDP fell by approximately 3% in 2020"

Due to the relatively low exposure of the virus, as well as stimulus actions taken by the government, the economic impact of the COVID-19 pandemic has also remained more limited than in most other countries. In 2020, the Finnish GDP is estimated to have fallen by some 2.9%, according to Statistics Finland. After a sharp decline in the second quarter, the economic recovery started in the latter half of the year, led by private consumption and exports. However, there are many uncertainties related to the recovery, mainly due to the risk for a delay in the recovery from the pandemic.

The unemployment rate, which had been decreasing for several years due to a stable economic growth, increased from 6.7% at the end of 2019 to estimated 7.8% by the end of 2020. The increase in unemployment is partly limited by the Finnish labour market practice, which enables temporary lay-offs and protects employers from permanent job losses. Other measures taken by the government to support employment include temporary legislation preventing creditors from filing for bankruptcies, reliefs in social security and tax payments and direct support for companies. Together with some other delayed economic impacts of the pandemic, unemployment is expected to peak in 2021, and to exceed 8%.

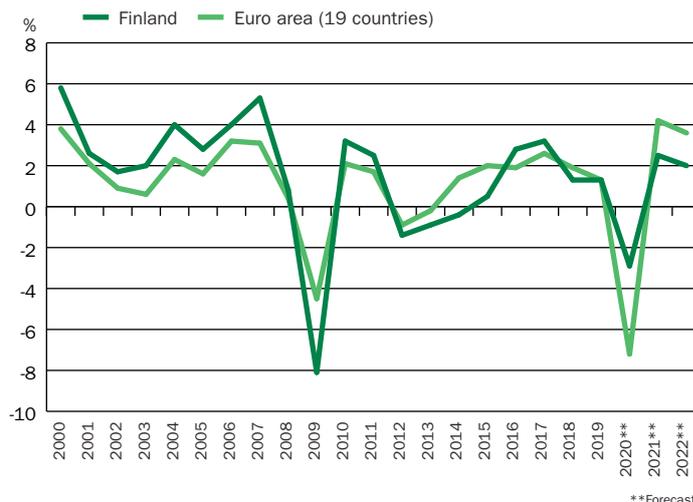
The Finnish GDP is forecasted to grow by 2.5-3.0% in 2021. The growth will be driven by exports and private consumption. The recovery in investments is expected to be slow due to the uncertainty caused by the pandemic, as well as to the unused existing production capacity. The main risk to the outlook is that virus infection rates rise again in Finland and its trading partners before an effective vaccination is implemented, thus delaying the recovery.

Incidence of COVID-19 cases during the last 14 days (per 100,000 population)



Source: Finnish institute for health and welfare, The Public Health Agency of Sweden, Norwegian Institute of Public Health, Statens Serum Institut

GDP growth in Finland and in the Euro area



Source: Statistic Finland, Ministry of Finance, Eurostat, IMF

"Consumer confidence strengthened markedly in January 2021"

In the economic outlook of the Ministry of Finance published in December 2020, private consumption was forecasted to increase by 3.8% in 2021. This forecast was based on the assumption of consumption of goods recovering to its pre-pandemic level during the first half of the year, whereas recovery in service consumption would take more time and require solid restoration of consumer confidence. However, in January 2021, consumer confidence indicator stood at -0.9, which is clearly more positive than its long-term average -1.8, and improved markedly from the end of 2020. Expectations improved regarding both the overall

Finnish economy and consumers' own economic situation. Private consumption is supported by the expected increase of 2.5% in earnings and modest inflation of 1.0%. On the other hand, the increase in unemployment is deteriorating the outlook for private consumption.

The recovery of Finnish exports is dependent on the development of demand in the most important target countries, which, in turn, depends on whether the risks and uncertainty caused by the pandemic will be dispelled. In the forecasts published at the end of 2020, Finnish exports were expected to grow by 5.0-5.7% in 2021.

Although Finland is expected to recover from the pandemic more rapidly and with less injuries than most other countries, its economic growth is expected to be moderate in the coming years. First of all, some of the impacts of the pandemic will only materialize over time. Finnish exports

GDP in 2015 prices and GDP growth



Source: Statistics Finland, Ministry of Finance

are dependent on the demand for investment goods – which typically adjusts to the decreasing demand with a delay. The weakening global outlook was already visible in the Finnish exports before the pandemic, and will be highlighted as soon as the crisis eases.

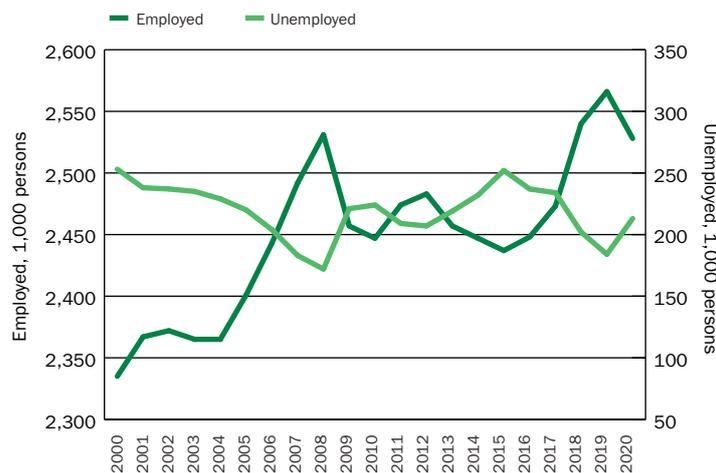
Secondly, the challenge of the ageing population and deteriorating dependency ratio is hitting Finland more sharply than most other countries. Since the population is ageing, labour input will not increase and economic growth will depend on improved productivity. The outlook is also pressured by the increasing public debt burden caused by the pandemic. Therefore, long-term growth potential of the GDP will remain modest, at 1-1.5% per annum on average.

Construction investments is one area in the economy where the impacts of the pandemic are still unsure and will only be seen with a delay. In 2020, the total volume of construction was surprisingly sustainable and only decreased by approximately 1%, due to the large amount of projects started in 2019 and early 2020. According to the Confederation of Finnish Construction Industries RT, construction volume is expected to decrease by 4% in 2021, mainly due to the economic uncertainty and deteriorating availability of financing, especially for residential construction. However, low interest rates as well as strong demand in both consumer and investment markets support new housing construction, and economic stimulus actions are expected to enhance public sector construction.

"Private consumption and exports are expected to support economic growth in 2021"

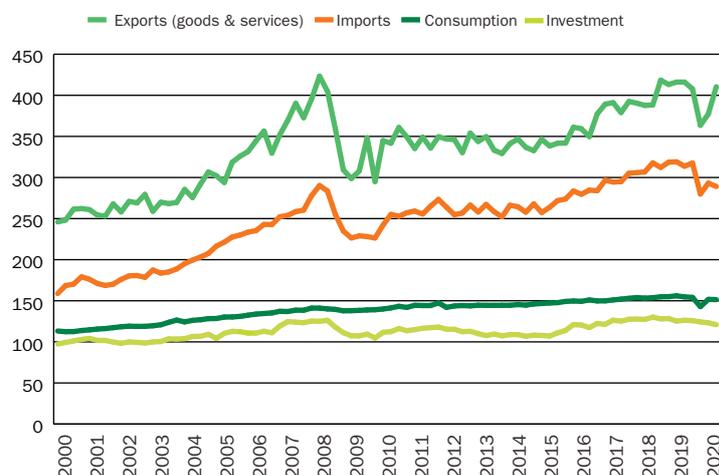
"New construction volumes are expected to decrease by 4% in 2021"

Employment and unemployment in Finland



Source: Statistics Finland

Main components of demand Volume index 1990=100, seasonally adjusted



Source: Statistics Finland



Photo: Juhani Saareström / City of Helsinki Materialbank

Also in other investment sectors, growth is expected to be moderate in the coming years. Forecasts for growth in investments vary between -1.6% and 2% for 2021, and between 1.5% and 3% for 2022.

The past couple of years' positive development in employment is also expected to come to an end due to the COVID-19 pandemic. Forecasts for the unemployment rate for 2021 exceed 8% and are only slightly lower for 2022. The current government's plan includes an ambitious goal to increase the employment rate to 75%, which would be essential in order to support public finances. However, the structural reforms needed to reach this goal have been postponed due to the pandemic. At the end of November 2020, the employment rate stood at 71.8%, which is very close to the previous year's level. However, the employment rate is partly maintained by the decrease in the working age population.

1.3 Finnish public finances

The general government in Finland consists of the central government, local government, and social security funds. Of these, central and local government finances are cyclical and dependent on fluctuating tax revenues, whereas social security funds are pension related, and receive more consistent revenue from both pension payments and investment income.

Finland's general government finances have remained on deficit ever since the global financial crisis. Thanks to the strengthening economy, the deficit decreased to some 0.7% and 0.8% of the GDP in 2018 and 2019, respectively. In 2020, the deficit was expected to increase even before the outbreak of the COVID-19 pandemic due to the current government's increases in public spending. Due to the actions taken to restrain the spread of the virus, the deficit increased to 6% in 2020, and is expected to remain at 5% in 2021, as public support measures are set to continue and public expenditure remains high.

The absolute amount of general government debt stood at approximately €143 billion in the beginning of 2020, and the debt-to-GDP ratio was just below the 60% threshold. By the end of the year, general government debt had increased to close to €160 billion, which corresponds to a 69% debt ratio. In 2021, the growth of debt ratio is expected to slow down as the pandemic recedes and the economy starts to recover. However, the imbalance between public expenditure and revenue is set to continue, especially with the ageing population creating increasing pressures on public spending in the coming years. By 2025, the amount of general government debt is expected to grow to 75%, which is, nevertheless, still well below most of the other EU countries.

Key figures – Finnish economy

	2014	2015	2016	2017	2018	2019	2020	2021**	2022**	2023**
GDP (change in vol), %	-0.4	0.5	2.8	3.2	1.3*	1.3*	-2.9*	-2.5	2.0	1.4
Change in exports, %	-2.0	0.4	3.9	8.8	1.4*	6.7*	-6.3*	5.0	4.6	2.2
Inflation, %	1.0	-0.2	0.4	0.7	1.1	1.0	0.3	1.0	1.4	1.6
Unemployment rate, %	8.7	9.4	8.8	8.6	7.4	6.7	7.8	8.0	7.6	7.2
Private consumption, %	0.6	1.8	2.4	0.8	2.0*	0.9*	-4.9*	3.8	2.5	1.8

*Estimate **Forecast

Source: Statistics Finland, Ministry of Finance



"Despite the rapid growth in 2020, general government debt-to-GDP still stands below 70%"

In the coming years, the ageing of the population will continue to increase the demand for social and health care services, and, at the same time, the working-age population will decrease. The Finnish social welfare society is largely based on a comprehensive supply of public services, including, for instance, free education and healthcare, social support for families in the forms of child allowances for all families and municipal day-care provision, which is widely used in all income categories. Therefore, Finnish public finances will continue to face challenges, and strengthening the public economy will require some structural reforms.

Extensive public responsibility and tax funding are the cornerstones of the Finnish social welfare society. As a result, government expenditure accounted for more than 53% of the GDP in 2019. In 2020, the share is estimated to have grown close to 60% due to extensive stimulus actions and a contracting GDP.

Funding of the welfare society is largely based on a high level of taxation. The total tax rate in Finland is among the highest in the OECD countries, and stood at 42.2% of GDP in 2019. In 2018, the Finnish tax rate stood at 42.4%, while the EU15 average was 39.2%

Finnish municipalities currently have a significant role in public services. In the Finnish system, the central government sets the framework and basic principles of social welfare and monitors their implementation, whereas most of the actual service provision is carried out at the local level, in municipalities. Municipalities are responsible for the majority of, for instance, education, healthcare and social services.

There are currently 309 municipalities in Finland. Municipalities differ from each other significantly with regard to their size, economic structure and financial position. The smallest municipalities are typically currently facing the biggest economic challenges due to a negative migration and an ageing population, which increases the cost burden in healthcare services. Therefore, structural reforms in the municipalities' responsibilities are essential in ensuring the sustainability of Finnish public finances.

One of the most significant reforms, which has been pursued by several governments already, but which is still underway, is the restructuring of the provision of social and healthcare services. The reform includes development of a regional government structure in order to enlarge the scale of service provision. The reform has been delayed several times due to various political and constitutional law challenges in legislative processes.

The organisation and management of healthcare and social welfare services as well as rescue services is planned to be transferred from municipalities to larger self-governing counties, the so-called wellbeing regions. The counties will predominantly provide the services themselves, and private and third sector service providers will only supplement these. Children's daycare, schools, culture and public sports services and facilities will remain the responsibility of the municipalities.

"Government proposal for health and social service reform was submitted to the Parliament in December"

The Government submitted the proposal for the reform to the Parliament in December 2020. The laws are planned to enter into force in several stages starting from mid-2021 and continuing until 2026.

The proposal is based on 21 self-governing counties. There are some special arrangements in the Uusimaa region, where City of Helsinki will remain responsible for basic healthcare, social and rescue services and the region's four counties and City of Helsinki will jointly arrange specialised medical care services.

The counties would be public law entities that have autonomy in their areas. A county council would be the highest decision-making body of the counties, and the first elections are planned to be organised in early 2022. The counties are planned to be financed primarily through central government funding, which is based on the expected need for services of the counties' population.

"The first county elections
are planned to be organised in
2022"

The main objectives of the reform are to improve the quality and equality of the public healthcare and social services, as well as to improve control over the increasing costs of services. These objectives are being pursued through centralised management, as well as digitalisation and improved information systems for healthcare service providers.

Although the majority of healthcare services will continue to be provided by public sector organisations, the supply of private and third sector healthcare services has increased in recent years. The services are still, however, mainly financed through public finances, the share of which stood at almost 77% in 2018.

The increasing private sector service provision also impacts the ownership and financing of public healthcare properties, and more opportunities for property investors are being opened up. Most healthcare properties are currently owned

by the Finnish municipalities or municipal federations. The attractiveness of private sector care property investment has increased markedly in recent years, and several new investment companies and funds specialised in this sector have been established. These companies and funds rent the premises mainly for private sector service providers.

As part of the previous government's regional reform, a separate company, Maakuntien Tilakeskus Oy, was established with a plan to concentrate the ownership and management of the buildings needed for the services affected by the regional reform. As the reform's content has now been changed, the company's strategy has also been reassessed, and it currently compiles and analyses information on the properties owned and occupied by the Finnish municipalities.

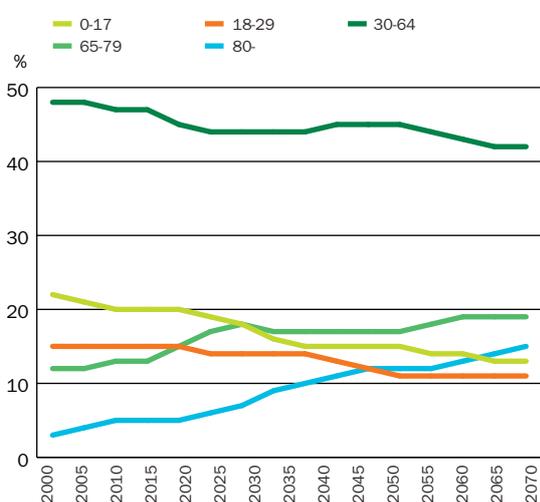
1.4 Demographics

Finland is an ethnically homogeneous country, where most of the population is ethnically Finnish. Even though the share of foreigners of the population has increased in recent years, it is still among the lowest within the EU. The share of the population not speaking Finnish or Swedish as their first language stood at only 7.5% in 2019. The largest foreign language groups include those speaking Russian, Estonian or Arabic as their first language.

The population of Finland is currently around 5.5 million. Within the past decade, the population has increased by some 0.3-0.4 per cent annually, with the growth rate slowing down in recent years. Population growth is a result of immigration, as the number of deaths currently exceeds that of births. In 2020, the COVID-19 pandemic slowed down immigration, and the number of both immigrations and emigrations decreased significantly from the previous years.

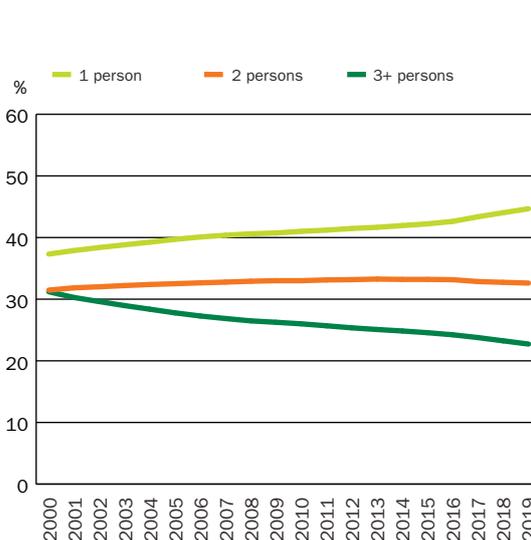
Fertility has decreased in recent years but turned to a slight increase in 2020, and the average fertility rate currently stands at approximately 1.37. According to the current forecasts,

The Finnish population by age group 2000-2070



Source: Statistics Finland

The Finnish households by size



Source: Statistics Finland



the Finnish population is expected to increase until 2031, after which the population will decrease, and, by 2050, the total population would be some 100,000 less than currently.

Life expectancy was 84.5 years for girls and 79.2 years for boys born in 2019. The difference in life expectancy between girls and boys has decreased significantly within the past decades.

The ageing of the population is currently one of the biggest challenges of the Finnish economy. The largest age groups were born in the years just after the Second World War, and between 1945–1950 almost or even more than 100,000 babies were born each year. After having decreased for several years, the number of births turned into a slight increase in 2020, but still only amounted to approximately 46,500.

The baby boom generations are now retired, which increases the total dependency ratio, that is, the total number of people under 15 and over 65 in relation to working age population. The total dependency ratio is currently almost 62, and is expected to increase to nearly 65 by 2030.

The share of the total population of those over 65 years currently stands at some 22%. By 2030, their share is expected to increase to some 26%, and by 2050, to some 29%.

The average size of a Finnish household has been constantly decreasing and stands currently below 2. In 2019, some 45% of all Finnish households were single households, and another 33% consisted of two persons. In the largest cities, households are typically smaller, and in Helsinki, the share of single-person households was 49% in 2019. In Tampere and Turku, single-person households comprised 52 and 53% of all households, respectively.

1.5 Finland's international competitiveness

Finland retains its good position in many international rankings regarding both its competitiveness and comparisons looking at various indicators regarding the overall welfare of citizens.

The long-term credit ratings for Finland remain strong. The Finnish state has agreements on credit rating with S&P Global

Ratings and Fitch Ratings. Both agencies' current ratings place Finland's long-term debt in the second best category, at AA+, with stable outlook. In its latest report on Finland in November 2020, Fitch commented that the recession caused by the COVID-19 pandemic will be milder than expected, but, on the other hand, it will exacerbate structural challenges to Finland's medium-term growth potential. Issues of low productivity growth and a shrinking working-age population, that were present before the pandemic, will be negatively affected by the current shock to Finland's labour market.

In its report, Fitch appreciated Finland's strong institutional framework, very high governance indicators and a track record of sound policymaking. However, it emphasized that improvement in medium-term growth prospects will require structural reforms in order to diversify industrial structure, strengthen the business environment and improve productivity. These will be needed in order to increase the employment rate and deal with the issue of its ageing population.

Finland has traditionally ranked well in the World Economic Forum's Global Competitiveness Report, and in the latest report in 2019, Finland was in the 11th position among the 141 evaluated countries. In the report, Nordic countries are assessed to be among the world's most technologically advanced, innovative and dynamic countries, which also provide good living conditions and a high level of social protection. In the ranking, Finland has been ranking high with regard to the functioning of its institutional framework, as well as its macroeconomic stability.

"Trust in public institutions and overall stability and security support Finland's competitiveness"

In December 2020, World Economic Forum published a special edition report dedicated to elaborating on the priorities for recovery and revival after the pandemic and considering the building blocks of a transformation towards new economic systems that combine "productivity", "people" and "planet" targets. In the initial assessment of countries on readiness for transformation Finland reached an aggregated

score of 69.9/100, which places Finland number 1 among the assessed 37 countries, followed by Denmark and Sweden. Among the measured policies, the “Nordic model” stands out as the most promising in shifting towards a productive, sustainable and inclusive economic system.

In the comparison, Finland reached the highest score in four out of 11 assessed priorities, including:

- Ensuring public institutions’ ability to embed strong governance principles, long-term visions and to build trust
- Ability to update education curricula in order to respond to the skills needed in future jobs
- Increasing incentives to direct resources towards long-term investments, strengthen stability and expand inclusion
- Facilitating the creation of “markets of tomorrow”, especially in areas requiring public-private co-operation

Finland is widely recognised as one of the least corrupt countries in the world. In Transparency International’s Global Corruption Perceptions Index for 2019, Finland retained third place among 180 countries. In this ranking, Finland was only outperformed by Denmark and New Zealand.

Also in various other rankings measuring quality of living, prosperity and overall security and safety, Finland is one of the top performers in the world. For instance, in the Fund for Peace’s Fragile State Index 2020, Finland retained its position as the most stable country among the 178 assessed countries and improved its scores even further. Among the criteria, Finland got the best scores in economic equality, human rights, public services and state legitimacy.

Sustainable Development Solutions Network ranked Finland, again, as the happiest country in the world in its World Happiness Report in 2020. In this comparison, the key for the Nordic countries’ good ranking is explained by, for instance, well-functioning democracy, generous and effective social welfare benefits, low levels of crime and corruption, and satisfied citizens who feel free and trust each other and governmental institutions.

“Finland is among the world’s most equal countries with regard to income distribution”

Finland also ranks well with regard to gender equality and social coherence, supported by, for instance, quality and accessibility of the education system, extensive public service provision and overall safety. In OECD’s ranking of wealth and income inequality, Finland ranked 8th in comparison of income equality, and was also among the top performers with regard to poverty rate.

Among global capitals, Helsinki typically performs well with regard to its business environment as well as living conditions. It is considered as one of the safest, most equal, and honest cities, where it is easy to move and which has the most content inhabitants among the European capitals. As the World Happiness Report for the first time also ranked cities in addition to countries in 2020, Helsinki was ranked as the happiest city in the world measured by subjective well-being.

Helsinki also attracts start-up companies and talent, due to its high level of technology and innovation, and having a good environment for entrepreneurship. In the Global Smart City Index produced by the Institute of Management Development and Singapore University of Technology and Design, Helsinki was ranked in second place after Singapore in 2020. The report suggests that the cities that have been able to combine technologies, leadership and a strong culture of living and acting together should be able to better cope with a crisis like the COVID-19 pandemic.

“Helsinki ranked well in the Global Smart City Index in 2020”

These rankings illustrate Finland’s reputation as a respected Nordic welfare economy where political and economical stability, transparent regulatory framework and high-quality education and healthcare support business and living. The not-so-positive characteristics of Finland, from a business perspective in particular, mostly deal with the small size of the market. High tax rates and restrictive labour regulations are commonly regarded as the main weaknesses of Finland.

Finland generally ranks well also in international comparisons conducted in the property markets. The Finnish property market’s strengths are typically related to the friendly overall business environment, as well as transparency in terms of both professional market practices and availability and quality of relevant market information.

In PricewaterhouseCooper’s and Urban Land Institute’s annual report Emerging Trends in Real Estate Europe 2021, Helsinki ranked 19th with regard to overall real estate prospects, two positions up from the previous year. Both property investment and development prospect scores were above average for Helsinki. The outlook for rents and capital values was regarded as “stable”, and in this regard, Helsinki was ranked 14th among the 31 assessed cities.

In JLL’s latest Global Real Estate Transparency Index from 2020, Finland was ranked 12th and considered as a “transparent” market and being on the edge of “highly transparent”. In this comparison, Finland is ranked among the top performers in “transaction process”, “regulation” and “corporate governance” criteria, whereas listed and direct property indices as well as debt regulation and sustainability got lower ratings.

2 Institutional aspects of the Finnish property market

2.1 Two forms of property ownership

In juridical terms, owning property in Finland means owning the land and the buildings on it. This is the basic form of direct property ownership. It is also possible to own only the building and have a long-term lease agreement with the landowner, typically the municipality. Direct ownership and land lease agreements are registered with the Land Register maintained by regional District Survey Offices.

Transactions with real property are official legal acts that have to be carried out according to a specific procedure. These transactions are public in nature and are registered and published by the National Land Survey of Finland.

In practice, it is very common for property ownership to be organised through a limited company (a real estate/housing company) founded for the sole purpose of owning the property. In these cases, the legal owner of the real estate is the limited company, which may have one or several shareholders. The shares may be connected to a specific apartment/amount of space on the property, entitling the shareholder to physical control and occupancy of these premises. These types of companies are called mutual real estate companies ("MREC"s; *keskinäinen kiinteistöyhtiö*). This form of ownership is commonly used in both residential and commercial properties.

The Housing Companies Act and Decree regulates mutual real estate companies that operate in the housing sector (*asunto-osakeyhtiö*). These regulations are always applied when more than 50% of the area of the building is designated for residential use. When establishing a mutual real estate company for commercial property, shareholders can choose either to apply the Housing Companies Act or the normal legislation for limited companies as the regulatory framework for the company. The Act regulates, for instance, long-term planning of repairs and the communication of these plans to shareholders, as well decision-making procedures and responsibilities of shareholders.

In mutual real estate companies, rental agreements are made between the shareholder and tenant, and the rental cash flow goes directly to the shareholder. Shareholders can use their shares in the company as collateral for loans.

The mutual real estate or housing company is responsible for the management of the property and upkeep of joint facilities, for which it collects a maintenance fee from the shareholders. This fee is most typically based on the floor area designated for each shareholder.

The company itself can also take out a loan, for example, for renovation and modernisation, and use the building and real estate as collateral. In these cases, the shareholders pay a finance charge to the mutual company, which then covers the loan to the original lender.

The other type of real estate company is a standard limited company (*kiinteistöosakeyhtiö*), founded for the purpose of owning a certain property or properties. In these companies, the shares are not connected to any specific premises. Rental agreements are made between the tenant and the company, and the company is responsible for maintenance and operating costs, which it covers with the rental income. The real estate company can pay out dividends to its shareholders.

Impact on market practices

Owning property through a mutual real estate company is a more flexible form of ownership, for example in cases where the ownership of a building is divided among several owners. Transactions are also less complicated compared to direct ownership of real estate, as they are normal share transactions with less formal procedures and more freedom of agreement. The transfer tax rate is also lower: 2% on the shares of the limited company versus 4% on direct property.

"Owning property through a mutual real estate company is a flexible form of ownership"

The decision-making and management procedures of a mutual real estate company are defined in the company's articles, which have to fulfil certain requirements set by law. An individual owner's degree of control depends on their share of ownership, unless otherwise agreed in the company by-laws.

Due to its flexibility and transparency, the mutual real estate company is a common way to organise the ownership and management of property. In practice, the majority of commercial property transactions in the Finnish market are made by transacting the shares of real estate companies. These transactions are not public by law.

New legislation concerning digital share register for mutual real estate companies came into force in 2019. From then on, all shares of new housing companies are only in digital form and registered in a newly established share register maintained by the National Land Survey. Shares of old housing companies will be transferred to this digital register gradually by the end of 2023. Transferring the shares of other mutual real estate companies into this digital system is voluntary. In the future, both the ownership and all transfers of shares will be registered in this electronic register and physical share certificates will no longer be needed.

Legislation concerning renting and transactions

Generally speaking, the Finnish legal system is simple and liberal. In principle, there are no restrictions on buying or selling real estate, but as real estate transactions are subject to certain provisions, it is advisable to use real estate brokers or lawyers when entering into property transactions.

Transactions with housing or real estate company shares are straightforward and simple. As soon as transfer taxes have been settled, the purchaser can be registered as the owner of the shares in the company's registers.

Finnish legislation regulating rental agreements is among the most liberal in the world and is based on the idea of full freedom of agreement between two parties. There are no minimum or maximum lease terms, indexation is not regulated, there are no automatic rights for renewal, and break clauses are possible if agreed. Only in the residential market do some restrictions exist to protect the tenant, but even there, the legislation has very few restrictions compared with most other countries.

2.2 Market practices of property investment and renting

Property investment

The emergence of new players, increased internationalisation and professionalism as well as the need for more sophisticated analysis have resulted in new practices in property investment processes. This has also increased the demand for specialist services in property transactions.

The ways transaction processes are carried out partly depend on the market situation. High investment demand situations typically encourage sellers to carry out extensive auction processes in order to find the best solution. In quieter market conditions, tailored approaches to identify the potential buyer are more common. Off market procedures are also applied when the seller aims at a faster and smoother transaction process.

The role of advisers in the investment process varies depending on the situation, characteristics of the asset and type of parties involved. In large portfolio transactions, the parties typically use extensive advisory and corporate finance expertise, and implement thorough due diligence procedures. In single asset transactions, newly developed assets and transactions carried out between two domestic parties, the advisers' role is often more limited.

Market entry of international investors and domestic funds has brought about new approaches to due diligence processes, with typically several types of experts – legal, technical, financial and tax advisers – working together. This has resulted in an increased supply of these services in the market.

Rental practices

Rental practices vary in the Finnish commercial property market. The liberal legislation regulating leases gives parties freedom to agree on terms and conditions.

A common term in Finnish lease agreements is "until further notice": an indefinite contract is valid until either the tenant or the landlord wishes to terminate it after an agreed notice period, which is typically three, six or twelve months. These indefinite lease terms are especially popular in multi-tenant office buildings and smaller spaces. The landlord must, however, have an acceptable cause to terminate the contract. Although the agreement type provides a lot of flexibility for the tenant, the agreements often last very long.

In KTI's rental database, measured by the number of agreements, some 63% of all office agreements in the Helsinki metropolitan area are indefinite. Another 14% of the agreements first have a fixed term of, for example, 3 or 5 years, after which they continue automatically for an indefinite period – until further notice from either of the parties. Indefinite lease periods are typically applied in smaller premises, and in larger agreements fixed terms are more often used. Measured by space area, fixed rental term is applied in 40% of office space covered by the KTI database, and measured by rental cash flow, the share is even larger.

When fixed terms are used, the contract periods are typically quite short compared with many other countries. In multi-tenant office buildings, a typical fixed term is from three to five years. For larger and purpose-built units, longer fixed-term agreements are commonly applied. For single-tenant office buildings, net leases of 10-20 years are common.



Photo: Zentuvo Finland Oy / Skanska

Distribution of office lease agreements in the Helsinki metropolitan area in 2020



Source: KTI Rental database

"The COVID-19 pandemic is expected to shorten lease agreements in order to provide more flexibility for tenants"

Traditionally, rental agreements are for "gross rent", which includes net rent plus a service charge covering typical operating costs and minor repairs.¹ Gross rents are very common in multi-tenant buildings in all property types. Measured by number of agreements, almost 80% of office agreements in the KTI rental database are for traditional gross rent. In 15% of the agreements, the landlord recharges the maintenance cost separately to the tenant. This both encourages the tenants to save on costs and hedges the landlord against the increases in operational costs.

In single-tenant buildings, it is more common to apply net rents, where the tenant is responsible for maintenance costs.

In net rents, the responsibility for taxes, insurances and refurbishments can be agreed freely between the parties.

In shopping centres, the majority of rental agreements are turnover-based. About 50% of all shopping centre lease agreements in the KTI database consist of a minimum base rent supplemented by an agreed share of turnover. In some 6% of all agreements the rent is solely based on the tenant's turnover. The COVID-19 pandemic has increased the popularity of turnover-based rental agreements among shopping centre tenants, as they share the risks between the landlord and tenant.

"Turnover-based rental agreements are becoming more common in shopping centres"



Photo: Unrealer / Kojamo Oyj

¹ Gross rents are where the land rent, insurance, property taxes and operational expenses are paid by the owner. This means that management and maintenance costs for both indoor and outdoor areas of the building are the owner's responsibility. This is also the case with heating, water and waste disposal. With regards to cleaning and electricity, the owner is typically responsible for the public areas of the building, and tenants have their own electricity and cleaning agreements regarding the space they use. The owner is responsible for repair and replacement costs if caused by normal wear and tear.

Typical leasing practices in Finland

Sector	Shopping centres	High street shops	Supermarkets	Offices, multi-tenant	Offices, single-tenant	Industrial, logistics	Residential
Lease term	5-15	3-10 / until further notice	10-15	3-5 / until further notice	10-20	5-15	Until further notice
Basis for rent	Space area / turnover	Space area	Space area	Space area	Space area	Space area	Space area
Rental payments	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly
Indexation	Cost of living	Cost of living	Cost of living	Cost of living	Cost of living	Cost of living	Cost of living
Rent review	Annually	Annually	Annually	Annually	Annually	Annually	Annually
Internal repairs	Tenant / landlord	Tenant	Tenant	Tenant / landlord	Tenant	Tenant	Landlord
External repairs	Landlord	Landlord	Tenant	Landlord	Tenant	Tenant	Landlord
Building insurance	Landlord	Landlord	Tenant	Landlord	Tenant	Tenant	Landlord
Property taxes	Landlord	Landlord	Tenant	Landlord	Tenant	Tenant	Landlord

The cost-of-living index 1951:10 = 100 is a long time series calculated from the latest consumer price index (currently consumer price index 2000 = 100) and its development, therefore, follows the consumer price index. Many rents, such as those on dwellings, business premises or land, are usually tied to the cost-of-living index. From the user's point, the cost-of-living index is the most usable one, because index revisions do not interrupt the series and the point figures of the cost-of-living index are published monthly at the same time as the consumer price index. (Statistics Finland)

In shopping centres, fixed term contracts are commonly applied, especially in larger premises. In 2020, fixed term contracts represented some 77% of the number of agreements and 84% of the total retail space in the KTI database.

In shopping centres, maintenance costs are typically recharged to the tenants. Separate service charges for marketing and other shared expenses are also typical in shopping centre lease agreements.

Rents can be indexed freely in all indefinite leases and in fixed-period leases where the term exceeds three years. The Consumer Price Index is the most commonly used index.

2.3 Planning

Land use in Finland is regulated by the Land Use and Building Act. The current system has three levels of land use plans: a regional land use plan, a local master plan and detailed local plans. Further provisions and guidelines concerning building are issued in the National Building Code of Finland, which was reformed as of beginning of 2018.

National principles for land use and regional structure are defined by the Council of State. These national principles of land use are reflected in the regional plans, which embrace structural, functional and environmental considerations. Regional plans are drawn up and approved by Regional Councils. The regional ELY centres (Centres for Economic Development) promote and steer planning and land use.

The local master plan is an instrument for guiding and coordinating land use at a general level. It is produced by local authorities, but needs to follow the guidelines of the regional plans. Detailed local plans are used to regulate the building and formation of the physical townscape. In addition, every local authority has its own building ordinance, the content of which is defined according to local needs. In the current act, local authorities have extensive powers to make independent decisions in land use planning matters.

The Land Use and Building Act obligates municipalities to adopt an open and interactive approach to planning. The

local planning process is aimed at facilitating the involvement of all those concerned in planning: landowners, residents and businesses in the area.

Building permits are approved by municipalities. A building permit may be granted if the plan allows the type and size of building that is being applied for. Special permits to exceed the building right or change the use of the property can also be granted, although these might be difficult to obtain, and permit processes typically take a long time. Obtaining a permit for a temporary change of use – for instance, for using an office building for temporary housing – is usually easier to get. The maximum period for this kind of temporary use is five years.

In recent years, actions to simplify the regulation concerning land use and planning and thereby speed up the planning and construction permit processes have been taken. Examples of these actions include simplifying the organization for regional plans, speeding up the complaint processes, as well as increasing regional control and coordination over the plans and building permits for large retail units.

"A proposal for the new
Land Use and Building Act
is planned to be submitted to
the Parliament in late 2021"

The Ministry of the Environment has been preparing major reforms in the Land Use and Building Act for many years already. The main aims of the reform are the promotion of carbon neutral society, digitalisation and diversity of nature, as well as the improvement of the quality of construction. The objective is to submit the Government's proposal for the new Act to the Parliament by the end of 2021.

2.4 Taxation in Finland

Taxes in Finland are levied on behalf of the government, municipalities (local government), the Social Insurance Institution and various social security funds listed under some forty different headings. The bulk of taxation in

Finland is derived from two categories: taxes on income, profits and capital gains on one hand, and taxes on goods and services on the other.

Individual taxpayer income is divided into two categories: earned income and capital income. Income tax is paid to the state at a progressive rate and to the municipalities at a flat tax rate. Some deductions are allowed in individual taxpayers' taxation and are made either from earned income (for example, expenditures for income generation and costs of journeys to and from work), or directly from taxes (e.g. costs of domestic help).

The state tax rate is progressive, and the highest rate currently stands at 31.25% of earned income. The highest rate is applied when the taxpayer's annual income exceeds €80,500.

Municipalities define their tax rates independently, and for 2021 the average municipal tax rate stands at 20.02%, with rates varying between 17% and 23.5%. In recent years, municipal tax rates have increased, pressured by the increasing need for public services due to ageing and decreasing population of many, especially smaller municipalities.

In Finland, resident individuals are taxed on their worldwide income.²

Capital income tax is levied on, for example, interests, rental income, dividend, and sales profits. The capital gains tax rate currently stands at 30%. For capital income exceeding €30,000, the tax rate is 34%.

In addition to the actual taxes, there are some obligatory social security contributions that are paid by taxpayers, some of which are included as taxes in OECD's international tax comparison statistics. Social security contributions paid by Finnish employers include payments to a national health insurance scheme, national and occupational pension schemes as well as an unemployment scheme. The level of these contributions depends partly on the size and business sector of the employer.

Tax on real property

Real property situated in Finland is subject to a real property tax that is based on the taxable value of the property. The taxable value is defined by local tax authorities and is generally somewhat below of the market value of the property. The revenue goes to the municipality where the real property is situated. Land used in forestry or agriculture is exempt from real property tax.

Minimum and maximum tax rates are regulated by the Parliament, and municipalities decide the rates within this range. The minimum general property tax rate currently stands at 0.93% and maximum at 2.0% of the taxable value per annum, and is set at 1.11% on average in 2021. Tax rates for permanent residences can vary between 0.41% and 1.0%. The average rate is currently 0.51%. A special tax rate may be levied on unbuilt lots. This rate can vary between 2.0% and 6.0%.

A reform of property taxation is currently underway, and the new system is planned to come into force in 2023. The Government's proposal is scheduled to be submitted to the Parliament during 2021.

The reform will impact the definition of the taxable value of both the land and the building, which, in the current system, are regarded not to respond to either the development of market values of the properties or the general development of prices and costs. New pricing zones based on market prices will be developed for the valuation of land, and the valuation system of buildings will be based on construction costs of different kinds of buildings in different parts of the country. The first version of the land pricing zones was published in 2020, and the values will be updated in spring 2021.

"Property tax reform is planned to come into force in 2023"

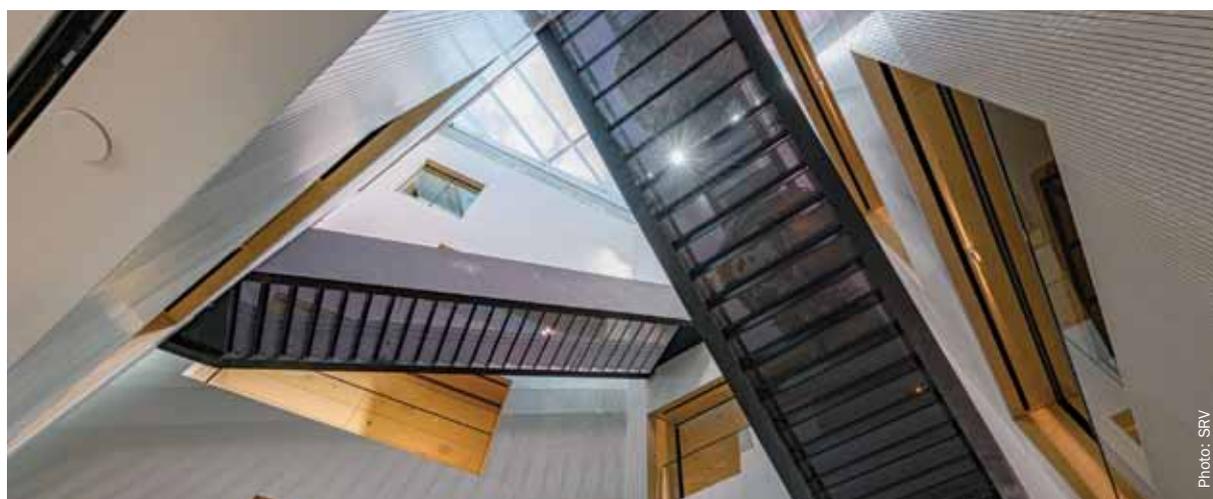
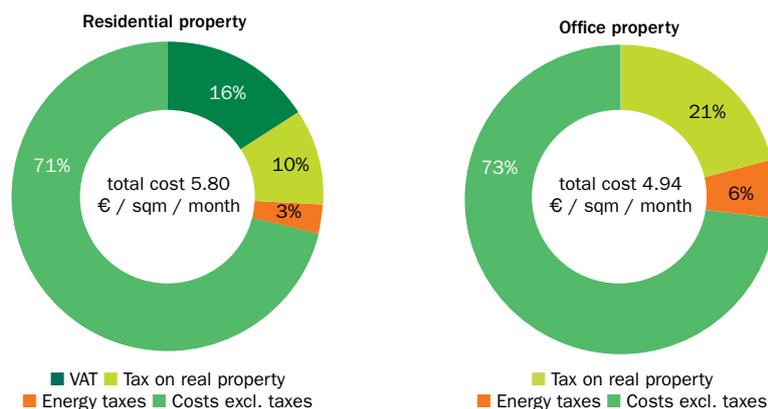


Photo: SRV

² For tax purposes, persons present in Finland for a period of less than six months are considered non-residents and pay tax in Finland only on income received from Finland, at a flat rate of 35%. The earned income of persons staying in Finland for more than six months is taxed according to the same progressive rates as that of permanent residents of Finland. However, foreign "key employees", i.e. people working in jobs requiring special expertise, may qualify for a special tax at the flat rate, which was decreased from 35% to 32% in 2020, for a period of max 48-months. To be qualified for this rate, certain salary level and work type requirements must be fulfilled. See www.vero.fi

The share of taxes of operational costs in Helsinki in 2019



Source: KTI

In the reform, the total amount of property tax income for municipalities is planned not to be increased. As the taxable values will mainly increase, this means that tax rates will be decreased. However, it is likely that the distribution of the tax burden between different locations and properties will be significantly impacted. According to preliminary estimates, property taxes for residential properties will be slightly decreased, while those of office properties will be increased markedly. The new system is also likely to increase taxes for new properties in relation to older ones. Also, the impact of the location of the property is estimated to be increased significantly.

"Various taxes represent approximately 30% of the annual operating costs"

In the KTI database, property taxes represented some 9% of the total annual operational costs of residential properties, and some 21% of those of office properties in 2019. Their share has increased constantly during the past couple of years, as pressures for increasing property taxes have continued. Minimum property tax rates have been increased several times within the past decade.

When value added tax and energy taxes are taken into account, the share of various taxes of the annual operational cost of residential properties increase to approximately 30% in the largest cities. Between 2000 and 2019, the taxes included in annual costs more than doubled, whereas the increase in rents was significantly slower.

For office properties, annual taxes also represent some 30% of the total operational expenses. For commercial properties, VAT included in expenses is deductible from the VAT included in rental income, but the share of property tax is significantly higher than for residential properties.

Capital gains taxes

Tax on investment income (interest, net rental income and capital gains) currently stands at 30%. Capital income exceeding €30,000 is taxed at 34%.

For capital income, there are different deduction rules, and typically expenses related to investments (for example, management fees, interests and refurbishment costs) are fully deductible. Capital loss made on investment is deductible from capital gains in the year of the loss, or, if not possible in that year, during five following years.

Non-residents have a limited tax liability on capital gains in Finland. Rental income is typically taxed at 30% also for non-residents. Of dividends, interests or royalties received from Finland, the payer withholds a final source tax. For dividends, a 30% tax rate is applied on the disbursement to non-EU and non-tax-treaty countries. Finland has special tax treaties with several countries, which normally set a lower percentage for this tax. If the shares fall into the category of direct investment, and the beneficiary company fulfils the requirements of the Parent-Subsidiary Directive, no tax at source is levied.

Taxation of dividend income is partially double-taxed in Finland. The tax consequences depend on the type of company that pays the dividend – whether it is publicly listed or not – and also, for non-listed companies, on the net assets of the company.

Transfer taxes

Tax on the transfer of real property is 4.0% of the transfer price.³ Transfer tax for transactions made by buying shares in a housing or real estate company is 2.0% of the transfer price. The tax base covers the total transaction price, comprising both the actual sales price and potential debt of the mutual real estate company.

³ No tax is imposed if a person aged between 18 and 39 acquires his or her first owner-occupied permanent home. There is no transfer-tax liability if the transfer is due to an inheritance, a donation or a division of property subject to matrimonial rights.



The transfer of securities is tax exempt if the transaction takes place through the stock exchange or if both the buyer and seller are non-residents. Shares in a real estate or housing company are, nevertheless, always subject to transfer tax.

Transfer tax is usually imposed on the purchaser.

Corporate taxation

Income-tax obligations of a company or organisation are largely determined by the form of corporate entity. In the case of limited companies and cooperative societies, the profits are taxed as income attributable to the entity itself. The corporate income tax rate currently stands at 20%.

According to the current legislation for the taxation of dividends, shareholders of a limited liability company will be taxed as provided by specific rules, depending on, for instance, the tax status of the shareholder-beneficiary and whether the company is publicly listed or not.

Of the dividend income from a listed company, 15% is tax-free, and 85% is taxed as capital income at a 30% / 34% tax rate. The total tax rate of dividends paid by listed companies is thus either 25.5% or 28.9%.

In a non-listed company, the taxation of dividends is also dependent on the mathematical value of the company. Of

the dividends from a non-listed company, 25% are taxed as capital income. 75% of the dividends are tax-free, provided that the amount of dividend does not exceed the level of 8% return calculated on the mathematical value of the shares. If the dividends exceed this 8% threshold, 75% of the exceeding amount is taxed according to the progressive income tax rate. For received dividends exceeding 150,000 euros, 85% are taxed as capital income even though the 8% limit is not exceeded.

In the case of a self-employed professional individual, a self-employed business entrepreneur or a general or limited partnership, the profits are fully taxable as income of the owner-shareholder.

Companies residing in Finland are liable to pay tax on their worldwide income. Non-resident companies are taxed on their income derived from Finland and all income attributable to a permanent establishment in Finland. In principle, a company from a non-tax-treaty country is liable to tax, regardless of any permanent establishment.

The concept of income considered in corporate taxation is rather broad because it covers several income types, such as proceeds from selling merchandise, rental income, fees and compensation for work or services and the profits from investing in financial assets. Expenses incurred in acquiring or maintaining a business are, with certain limitations, mostly deductible. According to Finnish accounting rules, income and costs are registered in the year of delivery (not payment) of goods or services.

Costs for acquiring fixed assets are deducted by depreciation in taxation. The declining balance method applies to the depreciation of buildings and other structures. Depreciation for each building is calculated separately, with a maximum rate varying from 4% up to 25%, depending on the type of building or structure.

Taxation of partnership structures

Taxation issues are of great importance in structuring real estate fund structures. In real estate funds targeted for domestic investors, limited partnership structures are most commonly applied. In principle, partnership is a pass-through structure from a taxation point of view, and income and capital gains are taxed according to the investor's own tax status. This is very important, for instance, for Finnish pension funds, which receive special treatment in taxation and do not pay any taxes on their investment income.

"Limited partnerships are pass-through entities in taxation"

In the beginning of 2020, new legislation concerning the taxation of business entities' income came into force. In the new legislation, all income of business entities will be taxed as business income, instead of the earlier practice to divide the income into two categories, i.e. business income and other income, with different taxation rules. The new legislation simplifies the taxation of partnership structures and also improves the possibility to deduct potential losses, which has previously been limited by the source of income regulation.

Finnish partnership structures cannot typically be beneficially applied to funds targeted at foreign investors. These kinds of funds, are, therefore, typically domiciled outside Finland.

Special investment fund structures, which are currently commonly used in funds targeted at private investors, are also tax transparent, and, for instance, capital income is taxed at the investor level.

Value added tax

Value added tax (VAT) is another tax that is relevant for property investment. The standard VAT rate currently stands at 24%. VAT is calculated on the total charge for goods and services. There are some lower VAT rates for specific groups of goods and services: for food products the VAT rate is 14%, and for books, medicine and certain services, the rate is 10%.

In Finland, it is optional for a property owner to apply for VAT liability for collecting rents. The liability is typically granted when certain requirements are met concerning the premises and tenants. The tenant must also be VAT liable. In these cases, the VAT included in the rent is deductible from the tenant's final VAT. The property owner can deduct the VAT included in the cost of services of the property.

Under Finnish VAT legislation, a taxable entity is also entitled to deduct VAT included in the costs for the construction of a new building as well as the restoration of an existing building, provided that the relevant property is intended for the use of a VAT taxable business activity. This deduction will then be revised if the use of the property entitled to a deduction decreases or if the ownership of the property is transferred within a set revision period. In some circumstances, an increase of taxable use could also lead to a revision that is proportionate to the lapse of time.

Due to the regulation, the VAT liability of the tenant is of great importance for the owner. Tenants who are not VAT liable typically need to compensate for the impact of "lost" VAT deductions with higher rent. Examples of non-VAT-liable organisations include associations, charities and companies in the banking and finance sector.

As residential rents do not include VAT, the tax included in the service charges of residential buildings is a non-deductible final tax.

In the Finnish system, the seller of goods or services is generally responsible for paying VAT. In the construction sector, however, a reverse charge mechanism is being applied in order to reduce the potential risk for VAT fraud. This means that the buyer of construction services is responsible for VAT. This mechanism is applied on companies offering construction services on a continuous basis.

Deduction of interest expenses in taxation

The reform of interest deductibility rules in corporate taxation came into force in the beginning of 2019. The new regime is applied to all Finnish corporate entities, including real estate companies, and the restrictions thus have an impact on property investors' ability to deduct interest expenses from their business income. However, interest deduction limitation regulation will not be applied to

Central tax rates in Finland

	TAX RATE	NOTE
Corporate tax rate	20%	
Capital gains tax rate	30% (34% on income exceeding €30,000)	Levied on profits from selling real property, buildings, securities such as housing company shares, shares in listed companies, etc.
VAT	24%	Special rates for food, restaurant and catering services (14%); medicine, books, transportation, cultural events, etc. (10%); and newspapers and periodicals (0%).
Tax on real property	0.93-2.0% 0.41-1.0% (residential property)	Depends on municipality and type of property. Taxable value defined separately for the building and the land.
Transfer tax, real property	4%	The majority of transactions are carried out by selling the shares of a (mutual) limited real estate company.
Transfer tax, shares of mutual real estate companies	2%	Tax is calculated on the total (gross) transaction price of the shares.
Transfer tax, securities	1.6%	Transfer of securities is tax-exempt if the transfer takes place through the stock exchange or if both the seller and the purchaser are non-residents. Shares in a housing company are always subject to transfer tax.

Source: Finnish Tax Administration, www.vero.fi

financial companies listed in the new regulation. Such companies include investment firms covered by definition of MIFID regulations, alternative investment funds, insurance companies and pension institutions.

In the legislation, there is a €500,000 threshold, under which net interest expenses are always deductible. Furthermore, there is another €3,000,000 threshold for net interest expenses applied on, for instance, bank loans. Otherwise, the ability to deduct interest expenses is dependent on, for instance, the share of the interest expenses of the total profit of the company.



2.5 Legislation for indirect property investment

Property funds

Limited partnerships

Property investment vehicles targeted at institutional investors are often structured as limited partnerships, where, in most cases, the fund management company is the general partner. Tax issues are major drivers in these structures, as limited partnerships are tax transparent structures and investment income is taxed according to the investor's tax status, provided that certain conditions are met. Correspondingly, investment income from limited companies investing in property is subject to corporate taxation, and thus not favourable from a domestic institution's perspective.

Property funds organised as limited partnerships were the dominating structure in the early days of property funds industry, starting from the mid-2000s. However, in recent years, the diversity of different structures and legal forms has increased together with the expansion of indirect property investment.

Special investment funds

Finnish legislation also enables the establishment of special investment funds (*erikoissijoitusrahasto*) that invest in property. These special investment funds are stipulated by the Real Estate Funds Act (in Finnish, *kiinteistörahastolaki*) and are regulated by the Finnish Financial Supervisory Authorities. Special investment fund managers are also stipulated by the Alternative Investment Fund Managers Directive. The regulation for these funds differs from normal mutual investment funds, for instance with regard to diversification of risks, the pricing of fund units and requirements for fund valuation and reporting.

Special investment funds are semi-open-ended structures managed by a separate fund management company. The degree of the openness of the fund – provisions for investments in and redemptions from the funds – may be limited in the fund rules in order to take into account the illiquidity of the underlying property assets. According to the legislation, the fund must take new investments and accept redemptions at least twice a year. In practice, for instance, a fund may be open for subscriptions quarterly and for redemptions only twice a year. The maximum time limit for executing redemptions is also rather long – six months – and under special circumstances there might be limiting rules for redemptions and their pricing. For instance, if redeeming the units requires liquidating the fund's assets, the value of the units may be defined only after liquidation.

Special investment funds are required to define and publish the value of the fund quarterly. A fund must use fair values of their properties in defining the value of fund units. Property valuations must be carried out by independent and qualified valuers.

The long-term gearing level of these funds is restricted to 50% of the total value of the fund. For specific reasons, this limit can be exceeded up to 5/6 of the total value of the fund.

Special investment funds are not taxable entities and are considered as fully transparent for Finnish tax purposes. For Finnish taxpayers, the annual yield and sales profits are regarded as taxable income. For individual taxpayers, this income is taxed as capital income, and for business entities, the taxation depends on the unit-holder's tax position. For non-Finnish investors, the consultation of tax authorities or tax advisers is recommended.

The first fund under this framework was launched in late 2012. Special investment funds have grown substantially in

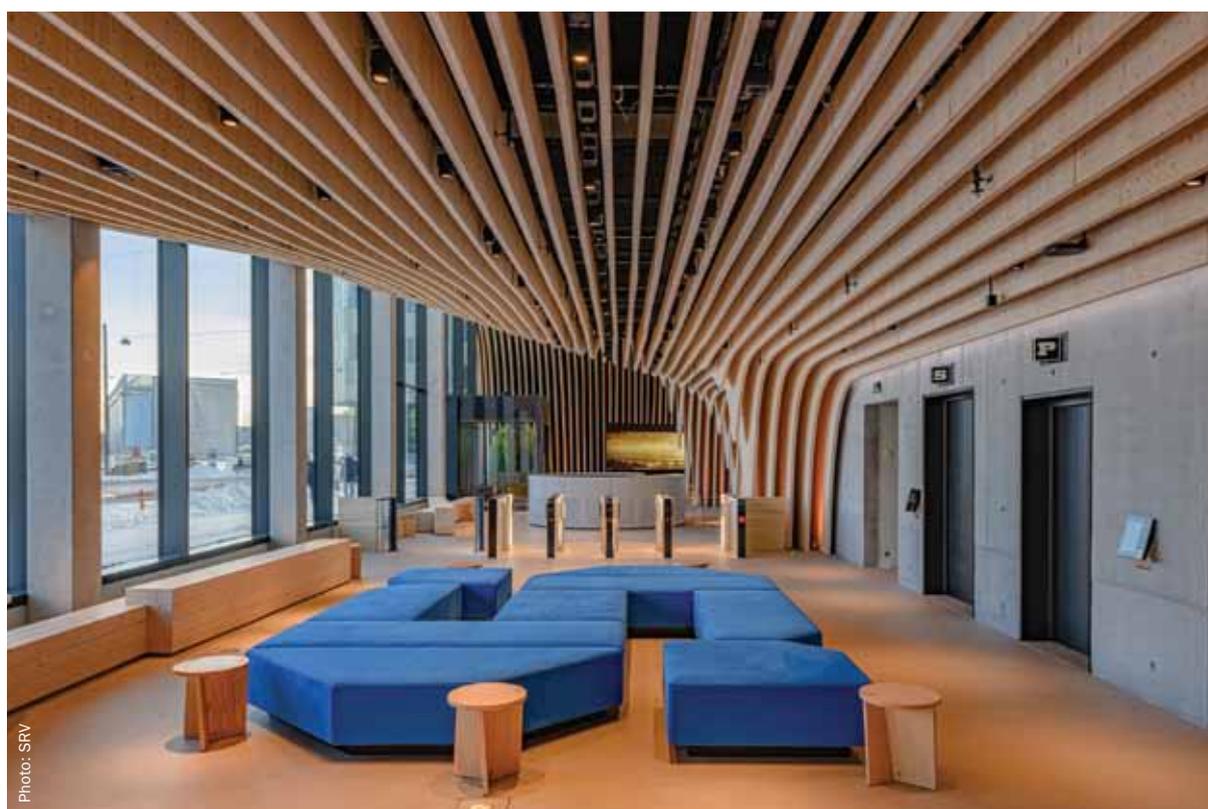


Photo: SRV

Finnish special investment funds investing in property

Commercial properties	Residential properties	Public use properties	Building lots
Aktia Affärsfastigheter	OP-Rental Yield*	eQ Care	Ålandsbanken Tomtfond
eQ Finnish Real Estate	FIM Asuntotuotto	OP-Public Services Real Estate Fund	Fennica Building Plot Fund
Evli Vuokratuotto	Ålandsbanken Bostadsfond	Titanium Hoivakiinteistöt	
LähiTapiola Sijoituskiinteistöt*	Titanium Asunto		
UB Nordic Property Fund	Taaleri Real Estate Fund*		
UB Suomi Kiinteistöt			
Elite Alfred Berg Rental Income*			
Fennica Properties I			
Trevian Finland Properties I			
CapMan Nordic Property Income Fund			

*Invest in both commercial and residential properties

Source: Bank of Finland, Fund Reports

recent years as low interest rates and the strong performance of property investments have attracted capital to these funds. There are currently 20 funds investing in property or land plots managed by 13 management companies, and their property holdings exceeded €8 bn in 2020. Many of these funds are, to a large extent, targeted at private investors, and therefore, these funds apply very low minimum investment rules. Also some institutions, smaller ones in particular, are showing increasing interest in them.

"Finnish special investment funds currently hold some €8.5 bn of property"

Some of these fund management companies also manage special investment funds investing in other types of real assets, such as forestry or infrastructure. There are also some funds of funds, which operate under the special investment fund regime.

Property companies

In the Finnish context, the majority of property companies operate in the form of limited liability companies. They are regulated by the Limited Liability Companies Act and are taxed as normal companies.

The amount of listed property companies is rather small in Finland. The companies currently listed in the main list of the Nasdaq Helsinki Exchange include Kojamo, Citycon, Investors House and Ovaro Kiinteistösijoitus. Listed companies that have been delisted in recent years due to acquisitions of the shares by large investors include Sponda, Technopolis and Hoivatilat.

"The listed property sector is rather small"

A limited liability structure is also widely used in non-listed companies investing in real estate. In recent years, the limited liability company structure has also become more common in joint venture structures established by institutional investors, together with their investment partners and managers.

The possibility for tax-exempt listed property companies, a structure resembling internationally known REIT-structures, has currently been given only for companies investing in rental residential properties. The provisions for tax transparency for these kinds of companies are very limiting, and there are no companies presently operating under this framework.

3 The Finnish property investment market: volumes, structure and players

3.1 Investment market in 2020

The Finnish property transaction market in 2020 was significantly affected by the outbreak of the COVID-19 pandemic in March. The total transaction volume amounted to €5.6 billion, 13% lower than in the previous year. However, 50% of the total annual volume was generated during the first quarter of the year, which was one of the most active quarters ever. Between April and September, only €1.2 billion of transactions were carried out, whereas the last quarter of the year was again more active, with a total volume of €1.5 billion.

"Transaction volume amounted to €5.6 billion in 2020"

space. The transaction price was not disclosed, but it was one of the largest transactions of 2020.

Also during the first quarter, Aureit Holding, a subsidiary of the Belgian listed REIT Aedifica, completed the acquisition of the Finnish public use property investor Hoivatilat. The company's Finnish portfolio comprised approximately €480 million of educational, healthcare, day care and nursing home properties in Finland.

"Half of the total annual volume was generated during the first quarter of the year"

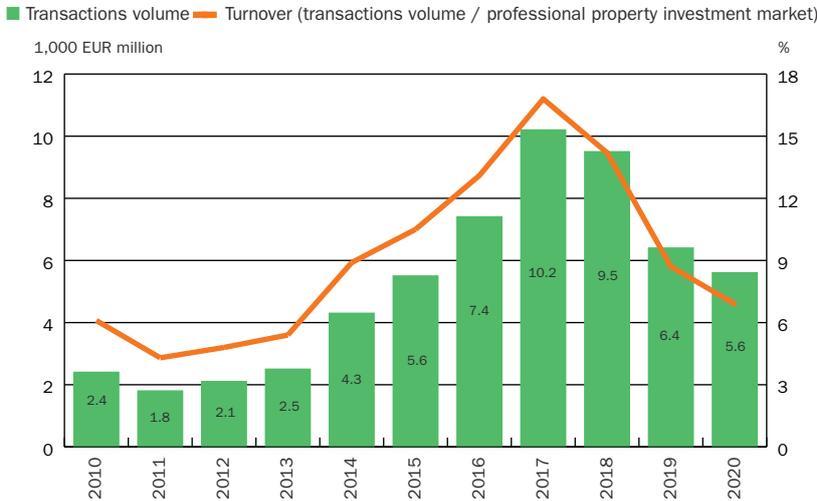
The first quarter of 2020 was characterised by several large transactions, which had been in preparation for a long time. In January, pension insurer Varma, together with South Korean NH Investment & Securities (NHIS) and Shinhan Investment Corp. acquired the 74,000 sqm head office of OP cooperative for €480 million, which was the largest single-asset office transaction in Finland ever.

Also in the beginning of the year, the Swedish SBB Norden finalized the acquisition of another Swedish public use property investor, Hemfosa. By the time of the acquisition, Hemfosa had a Finnish portfolio worth €370 million. Another large transaction in the first quarter was carried out by the Swedish AREIM, who expanded its Finnish portfolio to the residential sector by acquiring a portfolio of 900 dwellings from pension insurer Ilmarinen.

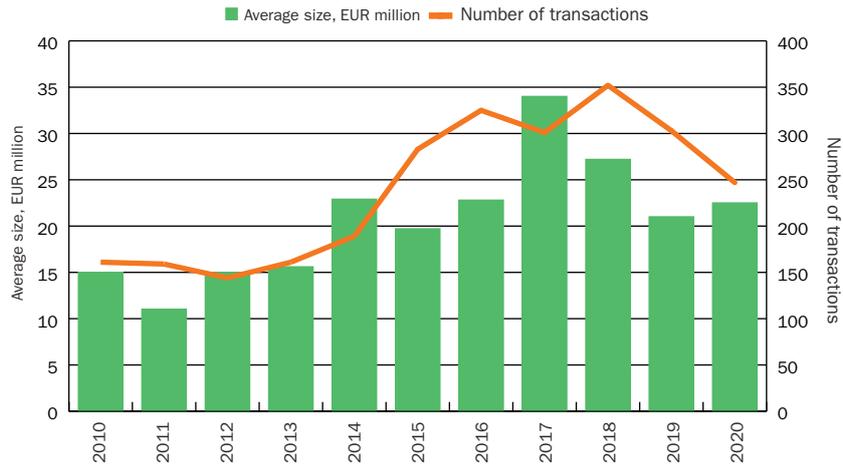
In February, the Finnish office property investor and developer Antilooppi acquired a portfolio of nine properties in Ruoholahti, Helsinki, from Sponda. The portfolio comprises almost 100,000 sqm of lettable office and retail

In the second and third quarters of the year, no large transactions were carried out. In the last quarter of the year, the largest transaction was carried out by SBB Norden, who acquired a €222 million care property portfolio from a

Transactions volume and turnover in the Finnish property market



Number and average size of property transactions 2010–2020



Source: KTI

fund managed by eQ. The Swedish Castellum enhanced its position in Finland by two acquisitions: firstly, it acquired a €150 million office portfolio in Kalasatama from Lindström Invest, and secondly, it invested in a €23 million office property in Sörnäinen. Another significant transaction was carried out in December, when M&G European Property Fund acquired an almost €150 million residential portfolio from YIT's and Ålandsbanken's joint venture.

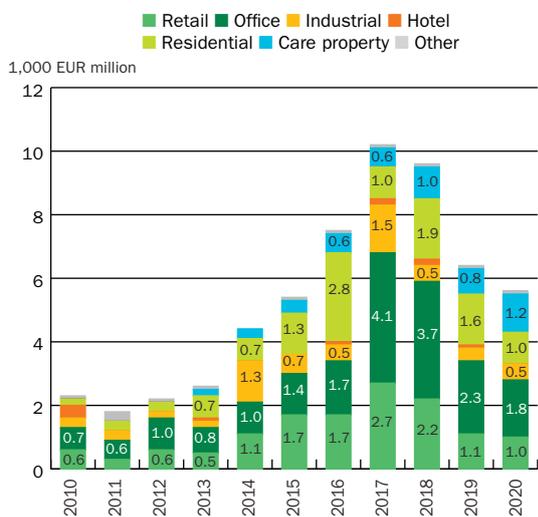
As in the three previous years, offices were the most traded property sector, with a 32% share of the total volume that consisted of both a couple of large portfolio transactions and single-asset deals. Due to a couple of exceptionally large company and portfolio acquisitions, public use properties were the second most popular property sector in the transaction market. The total volume of public use property transactions amounted to €1.2 billion, which is the sector's highest annual volume ever.

"Public use properties' transaction volume reached a new record of €1.2 billion"

Residential properties retained their attractiveness in the market with an 18% share of the total volume, although the volume decreased significantly from the two previous years. Retail properties' share of transactions has, in recent years, remained lower than the sector's relative share of the total investment universe. In 2020, retail property transaction volume amounted to €1 billion.

Supported by a few large transactions, the share of foreign investors amounted to 52% of the total volume. Foreign investor interest was again widely spread among various property sectors. Between 2011 and 2020, foreign investors' share of all property transactions in Finland has amounted to 47%.

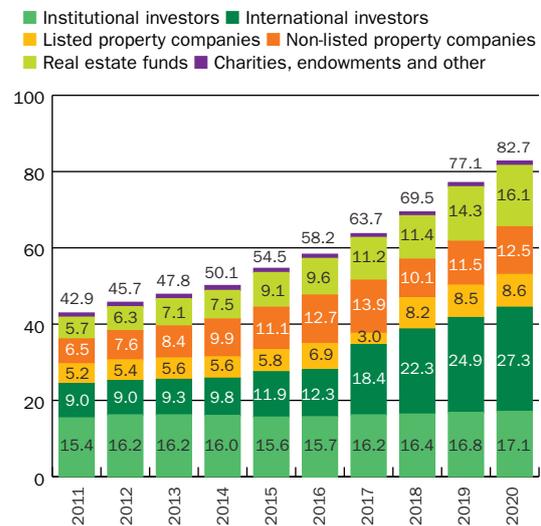
Transactions volume by property sector 2010–2020



Source: KTI

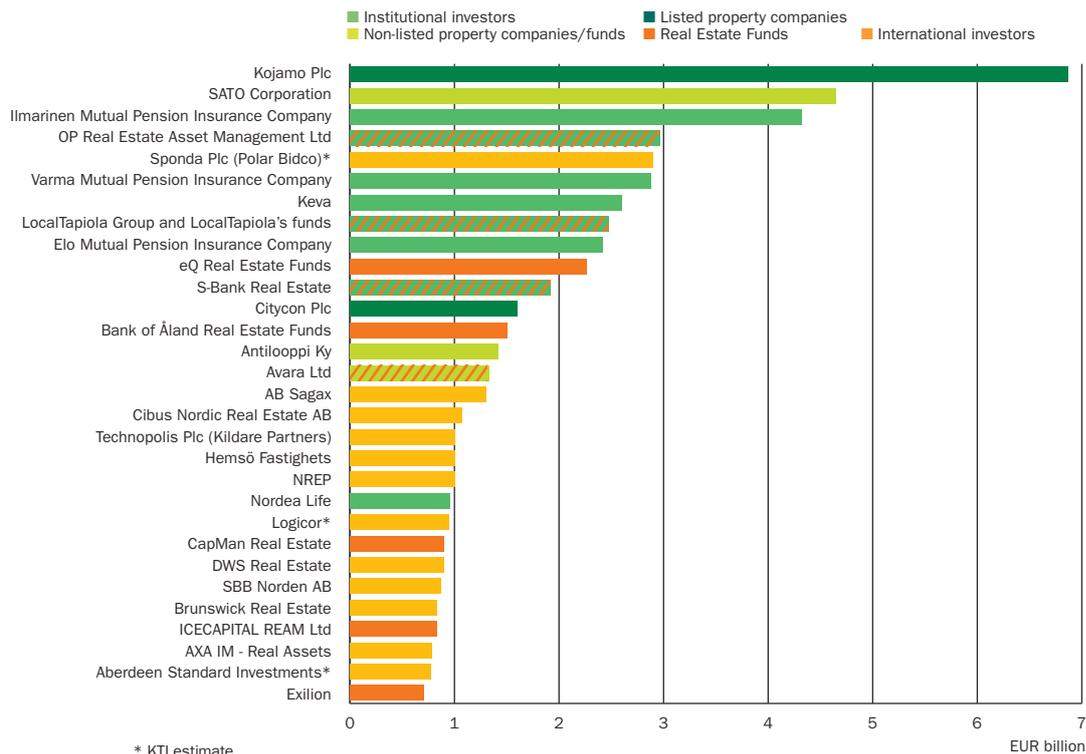
The structure of Finnish property investment market by investor group

Direct property investments in Finland 2011–2020, EUR billion



Source: KTI (query for investors, annual reports, KTI estimates)

Direct property holdings of the 30 biggest property investors in Finland Property assets under management at the end of 2020, EUR billion



Source: KTI (query for investors, press releases, annual reports)

3.2 Ownership structure

The total size of the invested market continued to increase in 2020. At the end of the year, the total size of the Finnish professional property investment market amounted to some €82.7 billion. Compared to the previous year, the market increased by 7%.

"The Finnish property investment universe totalled €82.7 billion at the end of 2020"

Foreign investors continued to increase their ownership share in the Finnish property investment market in 2020. At the end of the year, foreign investors held Finnish properties worth over €27 billion, which corresponds to 33% of the total market. At the end of 2019, their holdings amounted to some €25 billion (32%). In the transactions market, foreign investors' net purchases amounted to €1.5 billion.

The Finnish institutional investors' direct domestic property investments amounted to €17.1 billion, up from €16.8 billion at the end of 2019. The increase was generated through new development. In the transactions market, institutional investors remained net sellers.

"Foreign investors' share increased to 33% of the total investment market"

Of the domestic investors, various kinds of property funds, special investment funds in particular, have increased their portfolios actively in recent years. In 2020, domestic funds' total portfolios increased to €16.1 billion, up from €14.3 billion in the previous year, representing 19% of the total market. Domestic funds were net buyers in the investment market and also invested in new property development.

The role and importance of listed property companies continued to change in 2020 through the delisting of Hoivatilat. However, due to the growth of the largest listed company Kojamo, the total property holdings of listed property companies increased slightly to €8.6 billion. Despite this, their relative share of the market declined to 10%. On the other hand, the share of non-listed domestic companies increased to 15%. In this group, for instance, SATO and Antilooppi continued to increase their portfolios in 2020.

In recent years, many foreign investors have established their position in the top 30 list of largest investors, while some domestic players have descended on the list. Despite some divestments in 2020, Sponda, owned by Blackstone's subsidiary Polar Bidco, retained its position as the largest foreign investor in Finland.

The average size of investment portfolios has continued to increase: at the end of 2020, the size of the portfolio on the 30th position exceeded €700 million, having stood at €650 million at the end of 2019.

Residential property investment company Kojamo has established its position as the largest property investor in Finland. At the end of 2020, the total value of the company's

portfolio amounted to almost €6.9 billion. SATO also continued to increase its portfolio, and retained thesecond place in the list of largest investors with their portfolio value exceeding €4.6 billion. As a result of both new investments and divestments during 2020, pension insurer Ilmarinen's direct property portfolio value remained almost unchanged, and it stood, again, at the third position in the investor ranking.

"Kojamo's portfolio value increased to close to €6.9 billion in 2020"

Institutional investors

Pension insurance companies and other pension schemes form the majority of the Finnish institutional investment universe. Other participants in the institutional markets include life funds and other insurance companies.

According to the Finnish Pension Alliance TELA, the total value of the investments of pension insurance companies and funds administering the statutory occupational pension schemes amounted to some €210 billion at the end of the third quarter of 2020 (compared to €209 billion at the end of the third quarter of 2019). Due to the turbulence caused by the COVID-19 pandemic, the second and third quarters of the year were difficult in the investment markets. The nominal return on pension institutions' investment assets amounted to -1.5% during the first three quarters of 2020.

"Investment assets of the Finnish pension institutions totalled €210 billion in 2020"

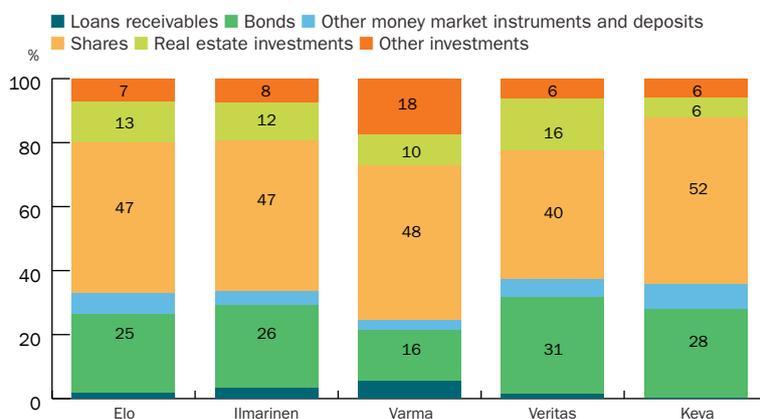
The Finnish pension system is a mixture of a basic public pension regime and employment-based pension insurance. The occupational pension scheme receives the bulk of the annual pension contributions and is administered by pension insurance companies, pension funds and foundations organised by employers. Pension contributions are paid by both employers and employees. Supplementary pension systems, based on labour market agreements or individual pension insurance, do not have a significant role in the Finnish pension system.

In the private-sector occupations, the Finnish pension system is a partly funded system, where some of the pension contributions paid each year are put into a fund for future years, and some are used to pay current pensions. The public sector pension system is, in principal, a pay-as-you-go system, where current employees' pension contributions are used to pay pensions each year, but they also include some buffer funds.

The reserves collected in the past form the basis of the Finnish institutional investment assets. Due to the retirement of large numbers of people from the 1940s generations, the amount of pensions being paid out is now larger than the amount of annual contributions. In 2019, pension contributions amounted to €27.6 billion, while the pensions paid out totalled €29 billion. The increase in pension funds' investment assets is thus currently based on returns on existing investments.

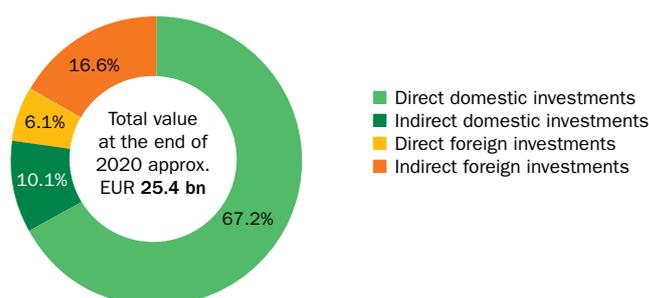
Calculations on the long-term pension money flows are based on the assumption of a 2.5% annual real return on investments until 2028, after which the return expectation will be increased back to its original level of 3.5%. According to TELA, the real return on private sector pension institutions' investments has amounted to 4.2% per annum on average between 1997 and 2019. In the public sector funds, the return is slightly higher, 4.6% per annum.

Investment portfolios of pension insurance companies, 31.12.2020



Source: The Finnish Pension Alliance TELA

Real estate exposure of Finnish institutions in 2020



Source: KTI (query for investors, annual reports, KTI estimates)

In the private pension sector, pension insurance companies are the biggest players. There are currently four major companies: Varma, Ilmarinen, Elo and Veritas. In addition, there are several smaller company or industry specific pension funds. In total, the investment assets of private sector pension institutions amounted to €132 billion at the end of September 2020. In the public sector, there are two major pension institutions: Keva administers the pensions of local government, State, Evangelical Lutheran Church and Kela employees, and the State Pension Fund (Valtion Eläkerahasto / VER) is a fund through which the state balances state pension expenditure and prepares to finance future pensions. Public sector pension institutions' investment assets totalled some €78 billion at the end of the third quarter of 2020.

Finnish public sector pension institutions operate under a different solvency framework than private sector institutions, and thus have different investment strategies and allocations. They typically have a larger equity exposure, resulting in slightly higher investment returns.

On average, at the end of the third quarter of 2020, 49% of all pension schemes' assets were invested in listed shares or in other equity investments, compared to 57% in the previous year. The share of bonds and other loan and money market instruments amounted to 33%. Properties accounted for 9% and other alternative asset classes for 8% of the total investment assets.

"Properties represent 9% of the Finnish pension schemes' investment portfolios"

The total property assets in pension schemes' investment portfolios amounted to €19 billion at the end of the third quarter of 2020 (€18 billion at the end of September 2019), representing some 9% of their total investments. For private sector pension insurance companies, the share of property investments varied between 10 and 16 per cent, and stood at 11% on average, while in the public sector pension schemes the share is significantly lower.

Direct domestic investments dominated the institutions' property portfolios with a share of 67% at the end of 2020.

The share of indirect investments has increased in recent years. Institutions are major investors in many domestic property funds and companies. Institutional investors' foreign property investments amounted to €5.7 billion at the end of 2020 (€4.6 billion in 2019). The majority of foreign investments are invested in indirect vehicles.

Ilmarinen and Varma are the largest private sector pension insurance companies in Finland. At the end of 2020, the market value of Ilmarinen's investment portfolio totalled €53.3 billion (€49.1 billion in 2019), and that of Varma totalled €50.2 billion (48.7 billion). Ilmarinen's property investments amounted to €6.2 billion at the end of 2020, representing 12% of the total portfolio. The value of Varma's property portfolio was €4.8 billion, representing 9.5% of the total portfolio.

"67% of pension institutions' property assets are direct domestic investments"

At the end of 2020, Ilmarinen's direct domestic property portfolio amounted to €4.3 billion, having been €4.4 billion at the end of 2019. In 2020, Ilmarinen divested, for instance, a care property portfolio to Hoivatilat, and a residential portfolio to AREIM. Ilmarinen's foreign property investments amounted to approximately €1.6 billion, the majority of which is direct or joint venture investments. The majority of Ilmarinen's new investments in 2020 were targeted at refurbishing existing assets in the portfolio and in new residential development.

Varma's direct Finnish property portfolio amounted to €2.9 billion at the end of 2020 (€2.8 billion in 2019). Varma's most significant domestic operation in 2020 was the acquisition of the OP cooperative's headquarters in a joint venture with South Korean investors. During the year, Varma disposed of several small assets in Finland. Varma also continues active property development, and is, for instance, developing a hotel property in the Helsinki CBD, has invested in the OOPS office project in Espoo and is about to start the development of a wooden office and hotel property in the Helsinki city centre. Varma also continues to invest in residential property development.

The third largest private sector pension insurance company is Elo, with a total investment portfolio of €25.9 billion at the end of 2020. Properties represent approximately 13.5% of the total portfolio. At the year end, Elo's direct property investments amounted to €2.4 billion (€2.4 billion in 2020). In 2020, Elo did not participate in any major transactions. At the year-end, the development of the Swing office and hotel projects in Espoo were underway. Also Elo continues to invest in residential properties through new development.

The smallest of the private sector pension insurance companies, Veritas, has an investment portfolio of €3.6 billion, almost 16% of which is invested in properties. In 2020, Veritas completed a new 8,500 sqm head office property in Turku, where the majority of the premises are rented to other tenants. At the end of the year, Veritas also bought the 6,000 sqm shopping centre Lauttis from Aberdeen Standard Investment's fund.

The public sector pension institution Keva is the biggest player in the Finnish pension sector; its investment portfolio amounted to €54.4 billion at the end of the third quarter of 2020. Of Keva's investment portfolio, 6.7% is invested in property, and, at the year end, the value of Keva's direct domestic property holdings amounted to €2.6 billion. Keva currently focuses on redevelopment of existing assets in its portfolio, as well as in residential property development.

The State Pension Fund VER was managing an investment portfolio of approximately €20 billion at the end of the third quarter of 2020. VER focuses solely on indirect property investments, as the fund's statutes prevent them from making direct property investments. At the end of the third quarter of 2020, property funds represented 3.5% of VER's total investments.

In addition to these major players, there are some smaller pension providers specialising in managing the pension matters of one company or one industry sector. Examples of this kind of players include the Valio Pension Fund, the Pharmacy Pension Fund and the Seafarer's Pension Fund. All these also invest in property.

Finnish legislation requires that investment decisions are made by institutions themselves, and thus portfolio management functions are kept in-house. Many institutions also have in-house asset and property management teams, as they want to retain control of their tenant interface.

Finnish pension funds are not typically allowed to use leverage in their investments. There is, however, a temporary legislation whereby pension insurance companies can leverage their residential property investments up to 50% until 2022. The purpose of this legislation is to enhance the supply of rental residential property in the main cities. Many of the institutions have used this opportunity and have increased their investments in residential development.

"Pension funds are allowed to use leverage in residential property development"

Other institutional property investors in Finland include life insurance and insurance companies. Their investment portfolios are, however, markedly smaller than those of pension institutions. At the end of the third quarter of 2020, the total amount of investments of life insurance companies amounted to €21.1 billion and that of insurance companies to €14 billion. Their total property investments amounted to some €3.5 billion, according to the statistics of FSA, the Financial Supervisory Authority.

Life insurance companies offer life insurances as well as voluntary pension insurances to both private individuals and corporations. They also offer investment opportunities to their clients through so called capitalisation agreements. The biggest life insurance and insurance companies are managed by the financial institutions OP Group, Nordea, Sampo Group and LocalTapiola Group, as well as Fennia Group and Aktia Life insurance.

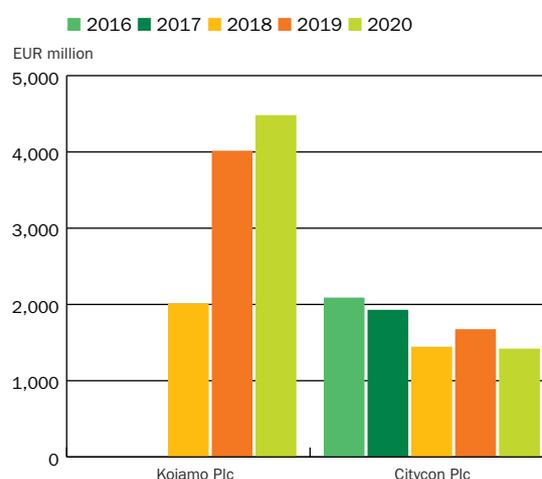
Listed property sector

The Finnish listed property sector remains small, and is dominated by two large companies, Kojamo and Citycon. At the end of 2020 the Finnish property holdings of the five property companies listed in the Nasdaq Helsinki stock exchange amounted to €8.5 billion. The total market value of these companies stood at €6.0 billion, of which Kojamo and Citycon represent 99%. In 2020, Hoivatilat Oy was delisted following the acquisition of the company's shares by Aureit Holding, a subsidiary to Belgian REIT Aedifica.

Kojamo is the largest property investor in Finland with a property portfolio of €6.9 billion. Kojamo only invests in residential properties, and at the end of 2020, its portfolio comprised some 35,800 apartments, mainly under the brand Lumo Kodit. The majority of the portfolio is located in the largest city regions. The company increases its property portfolio both through its own development projects and through acquisitions.

Market values of the largest Finnish listed property companies

Market values at the end of year



Source: NASDAQ OMX Helsinki



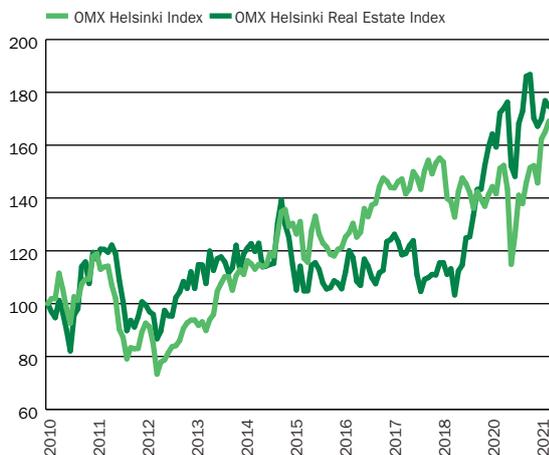
Photo: Antti Pulkkinen / City of Helsinki/Materialbank

"Kojamo has a portfolio of more than 35,000 rental dwellings"

Citycon is a property company that owns, develops and manages mixed-use centres including retail, office and residential premises in the Nordic and Baltic countries. The company is especially known for its shopping centres. The value of Citycon's property portfolio was some €4.2 billion at the end of 2020, of which some 38% is located in Finland. In total, the company currently owns and manages over 40 shopping centres, of which 8 are located in Finland. The shopping centre Iso Omena in Espoo is the largest of the company's shopping

Share performance of Finnish listed property companies

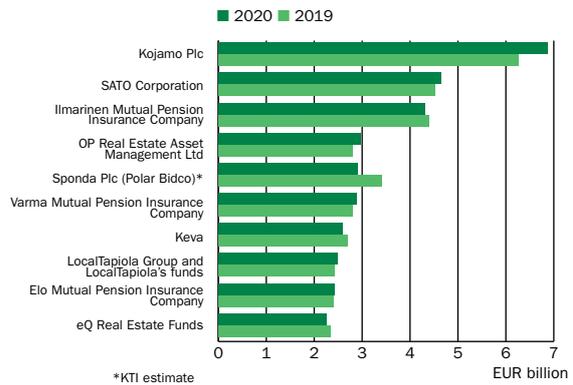
OMX Helsinki Index and OMX Helsinki Real Estate Index (index 1/2010=100)



Source: Nasdaq OMX

Direct property holdings of the 10 biggest property investors in Finland

Property assets under management, EUR billion



Source: KTI (query for investors), annual reports

centres, with a gross leasable area of 101,000 sqm. Citycon is currently reconstructing and extending the Lippulaiva centre in Espoo to comprise some 44,000 sqm of leasable space, as well as 500 residential apartments, scheduled for completion in 2022. In February 2021, Citycon disposed of three shopping centres in Sweden to NIAM for €147 million.

The smaller listed property companies include Ovaro Kiinteistösiioitus and Investors House. Ovaro Kiinteistösiioitus invests in residential properties and had a property portfolio worth €129 million, comprising approximately 1,400 rental dwellings at the end of the third quarter of 2020.

Investors House has a property investment portfolio of approximately €36 million, and, in addition, some indirect holdings through associated companies (Q3/2020). Up until the end of 2020, Investors House was a significant owner in Ovaro Kiinteistösiioitus, but it detached from the ownership of Ovaro in December 2020.

The OMX Real Estate Sector price index showed an increase of some 6.6% in 2020. The start of the year was strong, but between March and May, the index declined by some 15%, due to the uncertainty caused by the outbreak of the COVID-19 pandemic. The index recovered rapidly and peaked in September before once again declining towards the end of the year. At the end of January 2021, the index stood at almost the same level as in January 2020.

Non-listed property companies

The normal limited liability company is a common structure for property investors and developers. The largest Finnish non-listed property companies include SATO and Avara, who both specialize in residential properties. The largest company investing in commercial properties is Antilooppi, which specializes in office properties in the Helsinki metropolitan area.

SATO's residential property portfolio comprises some 26,800 apartments. SATO is one of the largest property investors in Finland with a total property portfolio value of almost €4.7 billion at the end of 2020. In 2020, SATO increased its portfolio by 870 dwellings through new development.

Almost 80% of SATO's portfolio is located in the Helsinki metropolitan area. SATO also has some investments in Saint Petersburg, Russia, and the portfolio comprises approximately 500 dwellings. The Swedish Balder owns the majority of the shares of SATO, with the Dutch pension fund APG and the Finnish Elo as other main shareholders.

Another residential investment company, Avara Oy, currently owns and manages almost 8,000 rental apartments with a total worth of some €1.3 billion. Avara's largest shareholders include major Finnish institutions, including Elo and OP Group's and Fennia's funds. According to the company's current strategy, they also pursue growth through private equity funds, co-investments and joint ventures as well as investment management services. Unlike the other large private sector residential companies, Avara also develops and manages state-subsidised residential properties. Avara has a joint venture company with the US Starwood Capital Group, which owns a portfolio of 2,200 dwellings in Finland. In 2020, Avara strengthened its in-house property management by acquiring Aari Isännöinti Oy, which later changed its name to Avara Isännöinti Oy. In early 2021, Avara acquired a portfolio of 400 dwellings from a fund managed by S-Bank.

Antilooppi invests in office properties in the Helsinki metropolitan area. The company is owned by the Finnish pension insurer Ilmarinen and the Swedish AMF Pensionförsäkring. Since its foundation in 2015, the company has grown through several acquisitions, and in early 2020, the company continued its expansion by acquiring a portfolio of nine properties in Ruoholahti from Sponda. At the end of the year, Antilooppi's portfolio value exceeded €1.4 billion. Antilooppi is an active redeveloper of its existing properties, and has major projects underway in, for instance, Hakaniemi in Helsinki.

"Antilooppi increased its portfolio markedly in 2020"

Ilmarinen and AMF are also owners in Mercada Oy, where the Finnish retailer Kesko is the third owner. The property portfolio of the company comprises three shopping centres and 37 retail properties in Finland and Sweden. Kesko is the main tenant in the premises.

Agore Kiinteistöt is another joint venture company, owned by pension insurance company Elo, the Swedish pension insurer Första AP-fonden and Trevian Asset Management. The company focuses on city centre retail and office properties in major cities primarily outside the Helsinki area. The company owns 12 properties across Finland.

LAK Real Estate is a property investor and developer active in the Helsinki airport area and its surroundings. The company is owned by the state-owned Finavia, a fund managed by NREP and the investment company Pontos. LAK Real Estate has an existing portfolio of approximately 170,000 sqm, and building rights for an additional 400,000 sqm. The company owns, for example, the Hilton hotel and WTC office property at the airport, and is planning to start the development of the largest hotel in Finland, comprising 13 floors and more than 700 rooms.

Turku Technology Properties is a real estate company that owns and manages business premises in Turku, mainly located in the Kupittaa area, where the company owns the majority of the office properties. Turku Technology Properties has also invested in some educational and sports properties in Kupittaa. The company is an active developer in the area, and it is currently developing two new office properties and is planning to start further projects. The shareholders of the company are the City of Turku, the Swedish Hemsö Fastighets and a group of local investors. The company has a property portfolio of nearly €400 million.

"Turku Technology properties continues to expand in Kupittaa area"

Ylva is an investment company owned by the student union of the University of Helsinki. The company's €340 million property portfolio is concentrated in the Helsinki CBD. Ylva is currently redeveloping a traditional office and hotel property in the Helsinki CBD, and the Grand Hansa Hotel will become the first hotel in Finland in the Unbound Collection by the Hyatt chain. Ylva is also carrying out a €100 million development Lyyra project in Hakaniemi, comprising office and retail space, a hotel and residential premises.

Julius Tallberg-Kiinteistöt, A. Ahlström Real Estate, Rettig Fastighetsutveckling, Conficap and Onvest are examples of the property arms of traditional Finnish corporations. They typically have property portfolios of €100-200 million. Some of them are active in new development, for instance, Ahlström Capital announced a significant office development project in Tampere as well as an acquisition of a 25% share of the residential property investor and developer Avain Yhtiöt Oy.

Renor is an example of a specialised property investment company owning mainly old industrial properties, which it

develops into new uses. The company's largest asset is the shopping centre Porin Puuvilla, which it owns together with Ilmarinen. In 2019, the company completed the first phase of the redevelopment of the Tikkurilan Silkki office project, which was sold to Aktia's fund in summer 2020.

Real estate fund and investment management companies

The supply of non-listed property funds has increased significantly during the past years. The supply of property funds currently covers a wide spectrum of different kinds of products offered to various investor groups. Together with the development of investor strategies and preferences, the supply of investment management services has also increased in recent years. The property holdings of domestic funds continued to increase in 2020, and amounted to €16.1 billion, up from €14.3 billion at the end of 2019.

Finnish non-listed property funds targeted at institutions are typically structured as limited partnerships, which from a taxation point of view is a favourable structure for domestic institutions. Some of these structures can be characterized as joint ventures servicing the needs of a limited group of investors.

In recent years, the number and size of the special investment funds investing in property have increased markedly. These funds are stipulated by the Real Estate Funds Act and Alternative Investment Fund Managers Directive, and are regulated by the Finnish Financial Supervisory Authorities. Many of these funds are targeted at private investors and distributed through banks and wealth management companies. Some institutions, the smaller ones in particular, also invest in these funds. Some funds have also attracted foreign capital.

"The property holdings of special investment funds amounted to €8.5 billion at the end of 2020"

Finnish property fund management companies have diverse backgrounds, which significantly affects their strategies.

Measured by Finnish property assets under management, the largest fund management companies are OP Group's OP Property Management, eQ Fund Management Company, LocalTapiola Property Asset Management and S-Bank.

In 2020, there were some significant changes in the Finnish property fund management sector. Firstly, Fennia Group's asset management and property investment management operations were acquired by S-Bank. In the acquisition, Fennia's assets under management, amounting to €2.1 billion, were transferred under S-Bank's wealth management brand FIM. At the end of 2020, the property assets under management of S-Bank Real Estate amounted to €1.9 billion, which makes it one of the biggest property fund managers in Finland.

"S-Bank acquired Fennia's property investment management operations in 2020"

The second significant news in 2020 was the sale of Aberdeen Standard Investment's Nordic real estate business to the Danish property management company DEAS Group. In the transaction, DEAS took over the management of property assets worth €2.3 billion, and ASI appointed the company to manage a further €1.7bn of assets on its behalf. At the time of the transaction, ASI managed two funds with a focused investment strategy in Finland, and in addition, the Finnish investments of other ASI funds.

OP and LocalTapiola groups are traditional Finnish institutions, who manage their groups' direct property investments but also offer fund investment opportunities to other clients. They also manage both limited partnerships and special investment funds investing in the Finnish property market. The total value of Finnish property assets under management of OP amounted to nearly €3 billion at the end of 2020, and that of LocalTapiola to €2.5 billion, including both the direct portfolios managed for their internal clients and property funds.

eQ Fund Management, a subsidiary of eQ Bank, manages two large special real estate investment funds. One of the funds is specialised in public use properties and the other invests in commercial properties. Both funds were active in the transactions market, and both acquired and sold properties in 2020, with the largest transaction being the disposal of a €222 million care property portfolio. In 2020, eQ established and started operations of another fund structure specializing in residential properties. The fund invested in its first projects in autumn 2020. At the end of the year, the property portfolios of eQ's funds amounted to nearly €2.3 billion.

Other bank-related real estate fund management companies include Ålandsbanken, Evli and Aktia. Ålandsbanken manages two special property investment funds, of which the larger specialises in rental residential units, and the other invests in plots. Evli also manages one special investment fund and another structured as a limited partnership. Aktia's special investment fund invests in commercial properties.

The Elite Alfred Berg Group manages four property funds, one of which is a special investment fund and others that are structured as limited partnerships. In early 2021, the company established its third property development fund with an investment capacity of €100 million.

CapMan Real Estate manages four funds, one of which is a special investment fund. Three of the funds have a Nordic strategy and invest in commercial properties. The fourth fund invests in hotel properties. CapMan's funds' total property holdings in Finland amounted to some €0.9 billion at the end of 2020, and the portfolio in other Nordic countries is larger than this. CapMan also manages the German BVK's Nordic residential property investment mandate.

Specialised Finnish property fund management companies include, for instance ICECAPITAL, Trevian and Titanium. ICECAPITAL Real Estate Asset Management manages several residential property funds in different lifecycle phases. At the end of 2020, ICECAPITAL's property portfolio totalled nearly €830 million.

Trevian Funds AIFM is a fund management company that currently manages one special mutual fund structure, Trevian Finland Properties I. The fund invests in commercial properties mainly outside the Helsinki metropolitan area. In 2020, the company established the Trevian Carbon Sink Real Estate I fund, which is a limited partnership structure designed to enhance biodiversity and to grow natural carbon sinks. The fund mainly invests in Finnish peatlands.

Titanium is a fund management company managing two special investment funds investing in property – one of the funds investing in residential, and the other in care properties. The total size of the funds' property portfolios was nearly €700 million at the end of 2020.

Auratum, Taaleri and United Bankers are other examples of Finnish wealth management and investment companies that also offer property funds for their clients as an alternative asset class. Of the two special investment funds managed by UB, one invests in Finland and the other has a Nordic strategy. Taaleri manages several property funds with varying strategies and it also launched a special investment fund in 2020. Auratum Real Estate is a property development and investment company that also manages funds offered to both institutional and private investors.

Sirius Capital Partners is a fund and investment management company that manages property funds and makes co-investments on a deal-by-deal basis. Sirius exited two out of its three property funds in an IPO in early 2018, whereby Cibus Nordic Real Estate was created.

Northern Horizon manages both property funds and separate mandates. The company has offices in Nordic and Baltic countries as well as in Berlin. Their real estate funds invest predominantly in care properties.

Many of the Finnish funds can be considered as club-deal-like or joint venture arrangements where a limited number of investors join forces to establish a property fund for specific purposes. Examples of these kinds of arrangements include Exilion and VVT. Exilion is a joint venture of four Finnish institutional investors, and the company owns and manages a portfolio of some €700 million comprising office, retail and hotel properties. VVT is a joint venture of Varma, the State Pension Fund and Tradeka. The fund invests in commercial properties in the largest Finnish cities.

International investors

Foreign investors form a diversified group of players with varying strategies and management practices. Many of them have established their own offices in Finland, while others operate through their Nordic offices and / or their local asset managers. In the past couple of years, an increasing amount of foreign investors have entered the Finnish market through co-investment structures with their local operating partners.

Despite the outbreak of the COVID-19 pandemic, international investors continued to increase their investments in the Finnish property market in 2020. At the end of the year, the total holdings of foreign investors amounted to €27 billion, up from €25 billion at the end of 2019. Their total share of the invested property markets stood at 33%.

"Foreign investors own €27 billion worth of properties in Finland"

The largest foreign property investor in Finland is Polar Bidco, owned by Blackstone and Areim, which, since 2017, owns the formerly listed property company Sponda Plc. The company owns office and shopping centre properties in the largest Finnish cities, mainly in prime areas in the Helsinki metropolitan area and in Tampere. Sponda has continuously restructured its property portfolio through



several office property transactions. In early 2020, Sponda sold nine properties in Ruoholahti to Antilooppi, which was one of the largest transactions in Finland in 2020.

In the list of largest foreign investors in Finland, the second place is held by the Swedish Sagax, which has steadily increased its portfolio in Finland in recent years, and whose total investments amounted to €1.3 billion at the end of 2020. The company invests mainly in industrial and logistics properties.

"Cibus Nordic Real Estate continued to grow its Finnish portfolio actively in 2020"

Cibus Nordic Real Estate has a diversified Finnish grocery property portfolio with a total worth of nearly €1.1 billion. The company also has a smaller portfolio in Sweden and is looking into opportunities in the other Nordic markets. The company is currently listed in the Nasdaq First North Premier Growth Market in Stockholm, and aims to list on the main market in 2021. In 2020, Cibus continued to actively expand its Finnish portfolio through several acquisitions.

The number of foreign investors with portfolios close to €1 billion has increased in recent years. The group comprises, for instance, Logicor, which is part of a European logistics and warehouse property platform owned by China Investment Corporation. Another investor in this size group is the Swedish Hemsö, which specializes in public use properties, and is also a significant shareholder in Turku Technology Properties. Hemsö increases its portfolio actively both through acquisitions and new development.

"Several Swedish-originated investors have Finnish portfolios of close to €1 billion"

SBB Norden AB is another Swedish investor focusing on public use properties. In 2020, SBB Norden grew significantly by first acquiring another Swedish public use property investor Hemfosa, which had a Finnish portfolio worth €370 million, and secondly by acquiring a €222 million care property portfolio from eQ. At the year-end, SBB Norden had a Finnish portfolio worth almost €900 million.

Another rapidly growing player is the Nordic NREP, which applies varying strategies in investing, developing and operating properties in various sectors. NREP has a diversified portfolio in Finland, comprising, for instance, a residential portfolio of 4,000 dwellings, shopping and retail centres, logistics and office properties as well as one hotel under construction and several in the planning phase. NREP also operates their Noli Studios short-term housing concept, which has currently two locations in central Helsinki, and another in the planning phase. NREP is also co-owner in LAK Real Estate, through which the company is involved in the development of the Helsinki airport area.

There are several German-originated investors active in Finland, mainly concentrating on large prime office assets in the Helsinki metropolitan area. The largest of these is DWS Real Estate, which has increased its holdings in recent years. DWS currently has a Finnish portfolio of approximately €900 million, comprising several large office assets in Espoo, Keilaniemi, as well as some 500 rental residential dwellings. DWS has also invested in some assets in Finland on behalf of its investor clients.

"Many German investors focus on prime office assets in HMA"

Deka Immobilien Investment and Union Investment also have invested in several large office units in the Helsinki metropolitan area. Warburg HIH-Invest acquired an office asset in Keilaniemi in 2020 after having been absent from the Finnish market. Commerz Real is the owner of the new Tripla Workery offices in Pasila, and Hansainvest also has invested in some large, newly developed office assets. Other German investors active in Finland include, for instance, GLL Real Estate Partners, KanAm Grund Group, Patrizia, Allianz Real Estate and Quadoro Doric.

Technopolis Oy, currently owned by Kildare Nordic Acquisitions S.à.r.l., owns, develops and manages a chain of business park campuses in seven countries in the Nordic and Baltic regions. The company also operates 11 UMA co-working spaces, of which three are located in Finland, all in the Helsinki metropolitan area. In recent years, Technopolis has been active in restructuring its portfolio by divesting properties in many locations in Finland, and, at the same time, by investing in the development of new assets. In 2020, Technopolis completed development projects in Espoo, Tampere and Oulu, and started another in Espoo.

Aside from Logicor, Asian investors in Finland comprise the two South Korean investors, NH Investment & Securities (NHIS) and Shinhan Investment Corp, which, together with the Finnish pension insurer Varma, have invested in the head office of OP Group in Vallila. In addition, there are some smaller Japanese and South Korean investors active in Finland.

"In 2020, almost half of the foreign investors' transactions originated from the other Nordic countries"

In addition to Sagax, Hemsö, SBB Norden and Cibus, many other Swedish-originated investors continue to be active in Finland. Kielo Ab, managed by Brunswick Real Estate, has an office property portfolio with assets in the Helsinki metropolitan area, Jyväskylä, Lahti and Turku. Redito manages two retail property portfolios in Finland, and has a Finnish portfolio worth almost €700 million. Another investor in the same size category is Niam, which invests in office and retail properties in the Helsinki metropolitan area, and owns, for instance, the Kaari and Saari shopping centres in Helsinki. AREIM is another Swedish-originated

investor in Finland, which, after having previously only invested in office properties in Finland, acquired a portfolio comprising 900 rental residential apartments from Ilmarinen in early 2020. AREIM is also a co-owner in Sponda.

The Swedish listed property company Castellum expanded its operations in Finland in 2020 by acquiring the share capital of the family-owned Lindström Invest Oy for €150 million. The portfolio of Lindström Invest comprised five office buildings in the developing Kalasatama area. Later in 2020, Castellum made another office property acquisition in Sörnäinen.

Other Swedish-originated investors in Finland include, for instance, Genesta, Alma Properties and Balder. Swedish capital is also channeled to the Finnish market through significant share ownership in several companies. Balder is a majority shareholder in the residential company SATO, as well as in the retail property company Serena. In 2020, Balder increased its direct property portfolio in Finland by acquiring two car sales property portfolios and two office properties.

Several Swedish institutional investors have also entered into joint venture structures with Finnish pension funds: AMF Fastigheter is an investor in Antilooppi and Mercada, whereas Agore Kiinteistö is a joint venture between Elo, AP1 and Trevian.

The Finnish rental residential sector has increasingly attracted foreign investors in recent years. The market has attracted both specialised residential funds as well as investors who were previously active in other property sectors. In total, foreign investors currently own some 21,000 rental dwellings in Finland. The largest non-Finnish investor in the residential sector is Round Hill Capital, who, under their Finnish brand Olo Asunnot, owns almost 5,000 rental apartments in Finland. NREP has invested in almost 4,000 residential apartments, the majority of which are still under construction.

"Foreign investors own approximately 21,000 rental residential units in Finland"

Starwood Capital Group, together with their Finnish partner Avara, owns some 2,200 apartments in Finland. Also Morgan Stanley Real Estate Investing and the German Bayerische Versorgungskammer's (BVK) Finnish residential portfolios comprise close to or over 2,000 apartments.

Other foreign investors in the Finnish residential property sector include funds managed by AXA IM, AREIM, DWS, Catella and Aberdeen Standard Investments. In 2020, a fund managed by M&G also expanded its Finnish operations in the residential sector by acquiring a portfolio of more than 600 dwellings from Ålandsbanken's and YIT's joint venture.

Public sector

Public sector entities are important players in the Finnish property market. The Finnish state has concentrated most of its property holdings on a government-owned enterprise called Senate Properties, who develops, manages and lets the state's property holdings, and also acts as an intermediary

in lease agreements between state agencies and private sector property investors. Senate Properties' property portfolio comprises almost 6 million sqm of premises worth approximately €4 billion including offices, prisons and cultural buildings as well as properties used by the Finnish Army. Senate Properties operates under the control of the Ministry of Finance.

Due to the changing operations of the state agencies, as well as an ambitious workplace strategy pursued in recent years, significant amounts of space have been freed in Senate Properties' portfolio. The company has a business unit whose sole purpose is to develop and/or dispose of properties that are not needed by state agencies in the long term. Premises needed for state operations are also increasingly leased from private investors in cases where there are no specific needs from the point of view of, for instance, security or specialised facilities or equipment.

The majority of Finnish university properties are owned by three limited companies whose sole purpose is to own and manage university buildings. Two of the companies own and manage university buildings in the Helsinki metropolitan area (Helsinki University Properties and Aalto University Properties), and these companies are owned by the universities themselves. The third company, University Properties of Finland Ltd, has a broader shareholder base, with its ownership spread across nine universities and twelve cities throughout Finland. The Finnish state is also a shareholder in this company. University Properties of Finland also increasingly offers premises to private corporations and other education organisations on its campuses.

Finnish municipalities typically own the majority of properties required for public administration and service provision, such as offices, schools, nurseries and healthcare centres as well as cultural buildings. Through their subsidiaries, the municipalities also own a significant amount of residential properties, the majority of which are subsidised by the state and therefore mainly targeted at low-income households. The City of Helsinki, for instance, is the largest single landlord in Finland through its residential property company Heka, which owns approximately 50,000 state-subsidised dwellings.

"Finnish municipalities' subsidiaries are main suppliers of affordable housing"

In 2018, the technical value of the property holdings of the Finnish municipalities was estimated to be approximately €68 billion, and their replacement value to be €25-30 billion higher than this. Of these, some 20% are residential properties and the rest are properties used for municipal service provision. Educational and healthcare properties account for 35-40% of the total municipal property stock.

In recent years, municipalities have started to apply more varying strategies in their service provision, which has also impacted property ownership. For instance, a big proportion of new properties needed for elderly care have been developed by private investors, and they rent the premises to private sector service providers who sell their services

to municipalities. One driver behind the new approaches is the tight economic situation of most of the municipalities, for which the ageing of the population creates additional pressures.

New concepts like “school as a service” also drive the municipalities towards new practices in space usage and ownership. Municipalities also increasingly offer their services in locations where it is easy for the residents to visit, for instance, shopping centres.

In some cases, cities also enter long-term rental agreements with private sector investors. The largest recent examples of these are the Kalasatama health and well-being centre and the Urban Environment House in Helsinki, which were completed in 2019 and 2020, and both were sold to investors in the development phase.

Corporations

Among Finnish corporations, owner-occupation of properties is becoming less common in office markets in particular. The vast majority, more than 80% of the Finnish office property stock, is currently owned by professional investors, and of the remaining 20%, the majority is owned by public sector organisations. Large retail properties, shopping centres in particular, are also very often owned by professional investors. Only in the industrial sector, the majority of the total stock, more than 80%, is still owned by Finnish industrial corporations.

The broadening investor base in the property investment and finance market has enabled the execution of corporations’ evolving property strategies. Most new properties – office properties in particular – are developed by professional investors or developers. In recent years, several major head office moves have been published, and in all cases the user has entered in a long-term lease agreement with an investor, who thereby commits to develop the new premises.

“Several significant corporate head office relocations have taken place in recent years”

In 2020, the completed head office type projects included, for instance, the mobile game company Supercell, which, exceptionally, invested in their own premises in Jätkäsaari, as well as If Insurance in Keilaniemi, who moved to a property redeveloped by Regenero and sold to a fund managed by DWS. At the year-end, ongoing projects included the head offices for Fiskars Group in Keilaniemi, Trimble Solutions in Perkkää and Deloitte in Ruoholahti. In addition, Varma is planning to start the development of a new head office for StoraEnso in Katajanokka.

S Group and Kesko, the two major Finnish retail chains, have traditionally been active players in the property market. In recent years, Kesko has decreased its holdings through major sale-and-leaseback deals, but it still remains a major player in retail property development and investment, and owns, for instance, the shopping centre Easton in eastern Helsinki. S Group and its co-operatives are major owners of retail, shopping centre and hotel properties, although they also increasingly apply different strategies.

The German retail chain Lidl typically owns its retail and logistics properties in Finland, with the exception of stores located in shopping centres and city centres. All retail chains have also invested in their logistics properties recently. SOK, for instance, has developed a 270,000 sqm logistics centre in Sipoo, Bastukärr, where its logistics subsidiary Inex Partners is the main user.

3.3 Real estate service sector

Asset and property management services

The largest asset and property management companies servicing the large institutional and foreign investors are Newsec Asset Management, Colliers International Finland, Realia Management and CBRE. These companies have attracted mainly large players and portfolios, which has, in recent years, opened up new opportunities for smaller, specialised local management companies for more focused needs and smaller clients.

Newsec, part of the Swedish-originated Stronghold-group, is a major player in the asset and property management sector as well as the advisory service sector. Newsec offers a wide spectrum of real estate management, advisory and valuation services for both domestic and international property investors and corporations. In recent years, the company has attracted many large property investor clients with their extensive service supply.

Realia Group is, through its daughter companies, a major player in the residential property brokerage and management markets. The group is currently owned by the Nordic private equity firm Altor. Realia Management, another affiliate company of the Group, manages some major investors’ residential portfolios, and also offers management services for commercial property management, valuation and advisory services. In recent years, Realia Management has expanded through several acquisitions of smaller domestic management firms.

Colliers International Finland offers services for property management and development for commercial, residential and shopping centre properties. The company’s commercial property asset and property management clients include domestic and international investors as well as corporations. Colliers International Finland also offers shopping centre management and development services, and currently manages approximately 10 shopping centres across Finland.

CBRE offers asset and property management services for investors in Finland. The company also offers property and facility management services to corporations, as well as shopping centre management services.

Juhola Asset Management is an example of a traditional Finnish property management service company mainly working for domestic investors. In early 2021, Investors House acquired the company and will merge it as part of the company’s Services business segment. Niemco Management and Avanto Property Team are examples of smaller, recently established, niche property and asset management companies.

Realidea is another newly established company offering management, development and consultancy services mainly for retail properties and shopping centres.

"The supply of shopping centre management has expanded in recent years"

Some property fund managers also act as co-investors and managers in Finnish portfolios on behalf of their investment partners. Premico is an example of a company that mainly specialises in residential property management and is also active with domestic property funds. The company is also involved in a joint venture with Morgan Stanley Real Estate Investing and the Swedish RIM and acts as the local manager of a rental residential portfolio comprising over 2,000 apartments.

Another example of a company that mainly manages foreign investors' assets in Finland is Avant Asset Management, which, for example, is involved in the management of the OP head office property in Vallila on behalf of the Finnish-South Korean investor consortium, as well as a shopping centre in Oulu, where the Swedish Alma Property Partners is the main investor.

Housing investor Avara expanded its operations in the management business in 2020 through the acquisition of the housing management firm Aari Isännöinti Oy. Avara has now an in-house management unit for its clients' residential portfolios, and also selling housing management services to housing companies. In total, the company manages some 17,400 residential units.

Caverion Oyj is a significant player in the property and technical management service market. Coor Service Management is another example of a company concentrating solely on property services management.

Advisory, transaction and valuation services

The advisory service market includes a mixture of small domestic entrepreneurial firms and big global companies. Of the major management companies, Newsec, CBRE and Realia Management also offer valuation, advisory and transaction services. Catella is another major player in the Finnish property valuation and transaction advisory service markets.

Major international property service firms are currently well represented in Finland. JLL is one of the major players in transactions, valuation, leasing consultancy and brokerage services. Cushman & Wakefield is represented in Finland through a partnership agreement. The Swedish-originated Nordanö also acts as advisor in many major transactions in Finland.

According to the transaction statistics of KTI, JLL retained its position as the largest advisor in the Finnish transactions market in 2019-2020, followed by CBRE, Nordanö and Catella, when measured by transaction volume. Measured by number of transactions, the largest advisory firms include Catella, Newsec and JLL.

There are also a couple of smaller local transactions and valuation service firms servicing mainly domestic players. Of the local traditional valuation firms, Kiinteistötaito Peltola & Co serves some major investors. GEM Property is a newer example of a Finnish property valuation and advisory firm, which has also served some international clients in recent years.

In the transactions services sector, Finnish Property Partners, mrec Oy and Ecorum are examples of domestic companies working with both Finnish and international investors.

Other firms offering capital market services in the Finnish real estate sector include, for instance, Advium Corporate Finance and Aventum. Global business consultancy firms, such as KPMG, EY and PwC, offer real estate specific services in Finland as well.

Property financing

The debt financing market for property investment has been traditionally dominated by banks. The major part of real estate financing is provided by the major local and Nordic banks, including SEB, Nordea Bank, Danske Bank and OP Group.

Of the international specialised property finance banks, the German Helaba (Landesbank Hessen-Thüringen) is currently the most active in the Finnish market.

"Nordic banks dominate the property finance market in Finland"

Large international banks, such as Merrill Lynch, Bank of America and Morgan Stanley have financed some major transactions in Finland. They typically come to Finland together with their major international clients.

In recent years, bank debt has been available for property investments with rather favorable terms. However, due to the outbreak of the COVID-19 pandemic in spring 2020, the availability of debt tightened significantly, mainly due to the overall uncertainty. Because of the renegotiations and reductions of rental payments granted to tenants by the landlords, banks also had to renegotiate existing loans due to the violation of various loan covenants. However, towards the autumn, the debt market normalised again, and, in the RAKLI-KTI Property Barometer in October, the assessments of the availability and terms of debt financing had recovered to almost the same levels as before the pandemic. However, the risk-awareness of the banks has increased, and availability and pricing of debt is highly dependent on the asset and debtor.

In addition to banks, some institutional investors, for instance life funds, also provide debt financing for property investments. Pension and life insurance funds can either provide property debt directly to their clients or act in cooperation with banks in financing deals.

Another source of debt capital is debt funds, which provide either senior or mezzanine debt for property investments. This sector's volume is, however, currently insignificant in Finland.

Bonds issued by the Finnish property investors

Issued by	Issue date	Maturity date	Years	EUR million	Annual interest	Other information
Citycon	8.9.2016	8.9.2026	10	350	1.25%	Unsecured
VVO (now Kojamo)	17.10.2016	17.10.2023	7	200	1.625%	Secured
Kojamo	19.6.2017	19.6.2024	7	500	1.50%	Unsecured
Citycon	22.9.2017	22.9.2025	8	1.0 bn NOK	2.75%	Unsecured
Mercada	24.10.2017	24.10.2022	5	175	1.875%	Secured
Kojamo	7.3.2018	7.3.2025	7	500	1.625%	Unsecured
Regenero	31.5.2018	31.5.2021	3	100	4.00%	Secured
Citycon	22.8.2018	15.1.2027	about 8.5	300	2.375%	Secured
University properties of Finland	2.11.2018	2.11.2023	5	100	1.80%	Unsecured
SATO	31.5.2019	31.5.2024	5	350	1.375%	Unsecured
eQ Finnish Real Estate	27.6.2019	29.1.2024	about 4.5	100	2.75%	Secured
SATO	7.4.2020	7.4.2023	3	300	2.25%	Unsecured
Kojamo	27.5.2020	27.5.2027	7	500	1.875%	Unsecured
SATO	24.9.2020	n/a	over 7	350	1.375%	Unsecured

Source: Press releases

"Largest investors issue bonds in order to broaden their access to finance"

The biggest property investors have access to several sources of finance. In addition to relatively good access to equity, many of the biggest Finnish property companies currently use corporate bonds for financing their balance sheets. Listed companies Citycon and Kojamo use bonds to finance their balance sheets. Residential company SATO is also an active issuer of bonds. Some of the largest companies have also acquired credit ratings in order to improve the availability and terms of bond financing. In 2020, both Kojamo and SATO issued new unsecured bonds.

Also some mid-sized property companies have issued bonds in recent years in order to balance the use of different financing instruments. These bonds are typically secured. Examples of these kind of companies include shopping centre investor Mercada, the development company Regenero, University Properties of Finland and eQ Commercial Real Estate Fund.

Some property investors also have access to special institutions' financing. For example, both SATO and Kojamo have received financing from the European Investment Bank for the development of new nearly zero energy buildings. EIB has, together with NIB and some commercial banks, also provided financing for the Mall of Tripla project.

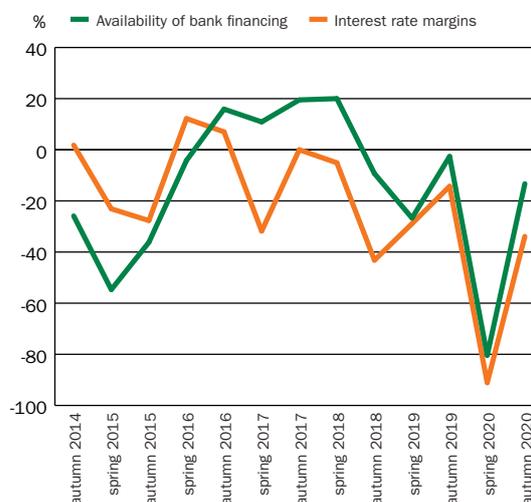
Property development

Finnish construction companies typically have a separate arm that specialises in commercial property development. These units are the most active players in new development. Redevelopment of existing properties is mostly handled by their owners, or by specialised companies who buy properties in order to redevelop them.

Examples of Finnish and Nordic construction companies involved in commercial property development include YIT, Skanska, NCC, SRV, Hartela and Peab. These companies have all been active in this field in recent years and have cooperated with both domestic and international investors.

YIT is currently the largest Finnish and a significant North European construction company, which has operations in 10 countries. In Finland, YIT develops and builds both residential and commercial properties. Its Business Premises segment is responsible for commercial property construction and project management, and the Partnerships Properties unit is responsible for financing major development projects and the ownership and subsequent realisation of plots and developed properties. The company is a developer in, for instance, the

Availability of bank debt and development of interest rate margins, next 6 months (Balance figures)



If the balance figures are positive, greater amount of the respondents expects the availability of bank financing to improve and interest rate margins to decrease.

Source: RAKLI-KTI Property Barometer

Pasila area in Helsinki, where it still remains as co-owner in the Mall of Tripla. YIT is about to start the Trigoni high-rise project in the vicinity.

Through its joint venture company Regenero, which YIT owns together with a private property developer HGR Property Partners, YIT has also been involved in major redevelopment projects in the Helsinki metropolitan area. The redevelopment of a landmark property in Keilaniemi was completed in late 2019, and the project, renamed as Accountor Tower, was sold to a fund managed by DWS. The company is also planning to develop a 160-meter high Keilaniemenrannan Tornin tower in the area. Elevator company Kone is planning to move its head office to the building, which is also planned to comprise a hotel. In recent years, YIT has also involved in property investment, for instance, through its joint venture residential investment company with Ålandsbanken, which sold its 630-unit portfolio to a fund managed by M&G in late 2020.

"YIT is a major developer in the Pasila area"

Skanska has organised its development operations in the Nordics through Skanska Commercial Property Development Nordic, which can also remain as an investor in the buildings it develops. Skanska's most significant recent projects comprise the office building for the European Chemicals Agency ECHA in Telakkaranta area in Helsinki, and the two phases of the Aviabulevardi office project in Vantaa. Skanska is currently marketing the next phases of its Manskun Rasti office projects in Ruskeasu, and also planning to start a 20,000 sqm hybrid building comprising office, retail and residential premises in Sörnäinen.

NCC Property Development has several ongoing office development projects. Phase D of the Fredriksberg business park in Vallila is scheduled for completion in 2022, and the broadcasting company MTV will be the main tenant of the building. Swiss Life and KanAm Grund Group have invested in the earlier phases of the project. Another major office development project of NCC is the OOPS office building in Perksaa, Espoo, where pension insurer Varma has invested and which is due for completion in the latter half of 2021. In 2020, NCC started the development of the We Land office concept in Ruoholahti, and Deloitte will move its Finnish head office in the building. Another major project of NCC is underway in Keilaniemi, where the Next office building is scheduled for completion in late 2021. Fiskars will be the main tenant in the building, which was sold to Warburg-HIH Invest in 2020.

"Construction companies are major players in commercial property development"

SRV is the main developer in Kalasatama, where it developed the shopping centre REDI and continues to develop high-rise residential buildings, and is also about to start an office tower in the area. The company is also developing the Woodcity

project in Jätkäsaari, comprising two residential buildings and an office building, where mobile game company Supercell is to be the main user. The project is also planned to comprise a hotel building. SRV is also developing the Tampere Deck and Arena residential, sports and culture arena project, where OP and LocalTapiola are investors. SRV is also planning the next phases of its Pressi Smart office premises in Vantaankoski and the redevelopment of a major office building in Lapinmäentie to a hybrid centre comprising offices, events facilities as well as leisure and wellbeing services.

"SRV develops high-rise buildings in Kalasatama"

Hartela, together with YIT completed the 25,000 sqm local commercial centre Hertsi in Herttoniemi in 2020, and is currently developing an industrial and office building for the Finnish Red Cross in Vantaa. In 2020, Hartela divested of the last parts of its redevelopment project Logomo in Turku.

Peab Invest develops projects within its Business Garden office concept. In 2020, the first phase of the Optimes Business Garden was completed in Jyväskylä. In Pitäjänmäki, Helsinki Peab has completed two phases of Ultimes Business Garden, and in Matinkylä, Espoo, the first phase of Eventes Business Garden.

Most of these companies also develop residential properties for owner-occupied housing and typically buy and hold a significant amount of plots for this purpose. In the past couple of years in particular, construction companies have also been active in housing development projects, which they sell to investors. In the residential property development sector, there are also numerous other players, including, typically smaller local players, who mostly develop apartments for home buyers.

Some owner-occupiers – large retailers S Group and Kesko, in particular – are significant and professional property developers who have a number of development or renovation projects underway continuously. Lidl also continues to develop properties for its own use.

Institutional investors traditionally have quite conservative strategies concerning commercial property development. For instance, in projects led by construction companies, institutions typically only enter a project when the majority of the premises are pre-let. In larger projects, developers often gather a consortium of investors who share the development risk with the main developer. Recently, these kinds of consortiums have been established for the development of Mall of Tripla as well as Tampere Deck and Arena projects, for example.

Institutions' development strategies have traditionally emphasised the redevelopment of existing assets in their portfolios, where they can, for instance, look for new uses for vacant properties. This is emphasised in current market conditions due to the oversupply of office premises in the Helsinki metropolitan area, which is pressuring investors to look for new solutions.

"Institutional investors have increased their development activity"

The current tight availability of investment assets has, however, encouraged some institutions to pursue more active development strategies. For example, Varma has entered into several office development projects within the past years, and Elo is developing a major office and hotel property in Keilanemi.

Institutions are also involved in residential development activity, where the volumes have been rather high in recent years. Most investors have aimed at increasing their residential holdings, due to the increasing demand for rental housing in the largest cities. Residential development has also been encouraged by regulators, and pension funds are temporarily allowed to use debt financing in residential development.

Property investment companies also actively develop assets in their own portfolios. Sponda, Citycon and Technopolis are active players in property development in their own core areas both in Finland as well as in other countries included in their strategies. Large residential companies, Kojamo and SATO in particular, are also active property developers.

Many non-listed property companies and funds are also active in property development in their niche markets. Ylva, for example, has significantly increased its development activity in recent years in central locations in Helsinki. Antilooppi has been active in redeveloping its existing assets to better meet its clients' needs. Auratum is also an example of a property fund that redevelops existing properties, often into residential use, in its core locations in the Helsinki metropolitan area and in Turku.

"Conversion projects have increased in volume in recent years"

An oversupply of offices in the Helsinki metropolitan area has generated lots of conversion and redevelopment projects in recent years. Conversion projects are most often developed by their owners; for instance, many institutions have redeveloped their properties into new uses. In some cases, the properties are sold to investors who are willing to carry the development risk. Regenero, the joint venture of YIT and HGR Property Partners, is an example of a developer who mainly invests in existing buildings to be redeveloped.

In recent years, some international investors have also increased their involvement in property development. For instance, NREP has invested in some office buildings, which it has redeveloped for hotel or short-term living purposes, and also invests in new development of both commercial and residential properties. BlackRock is currently investing in a major office redevelopment project in the Helsinki CBD, due for completion in mid-2021. Genesta is another active redeveloper of its existing assets.

"Foreign investors increase their involvement in property development"



Photo: Kuvatoimisto Kuvio Oy / City of Helsinki Materialbank

4 Property sectors: market structure, practices and investment performance

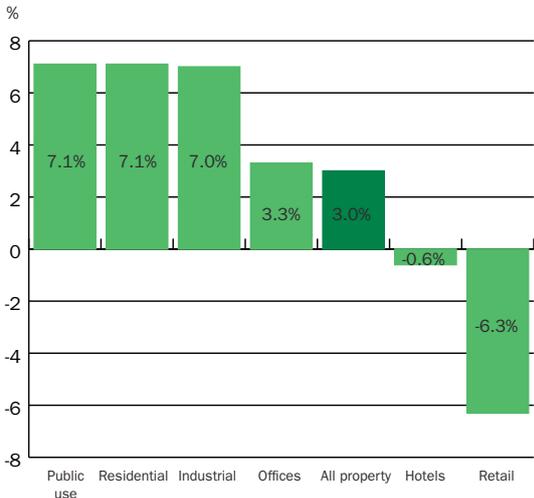
In terms of property sector structure, the Finnish property investment market has changed markedly in recent years. The share of residential properties has increased steadily, and they are currently the biggest sector in the investment market with the share of 32%. The growth of the residential sector has been fuelled by both active new development and increase in market values, and it has also been the most significant contributor to the overall growth of the invested property market. In 2020, the estimated value of residential properties owned by professional, large-scale investors increased by over €2 billion, and stood at almost €27 billion at the end of the year.

"Residential property investment market grew by 9% in 2020"

Another significant change in the property investment market structure has been the emergence of the public use property sector, where both investors' increasing appetite and evolving occupier demand have fuelled the growth. At the end of 2020, the total value of public use properties in professional investors' portfolios amounted to some €5.8 billion, representing some 7% of the total market.

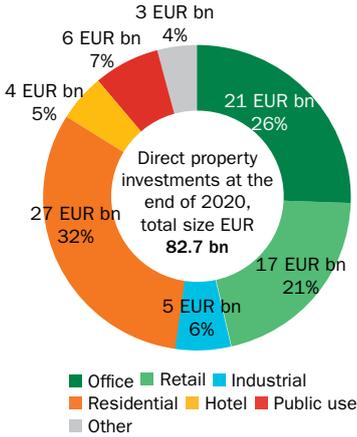
Traditional commercial property sectors, office, retail and industrial properties currently account for approximately 51% of the total investment market. In recent years, office property markets have been characterised by increasing

Total returns by property sector in 2020



Source: KTI Index

The structure of the Finnish property investment market by sector



Source: KTI

polarisation between prime assets in central locations and less attractive assets. Office properties' share of the total market remained stable at 26% in 2020.

Retail properties' relative share had been declining even before the COVID-19 pandemic, and the crisis has further emphasised the challenges in the retail markets. However, even within the retail sector, there are significant differences in the attractiveness of various types of retail property segments. In 2020, retail property values declined, and new development volume was insignificant; as a result, retail properties' share of the total market declined to 21%.

In the industrial property market, logistics properties in particular have increased in attractiveness in recent years. However, partly due to the lack of supply, the investment volumes in the industrial property market remain rather low. In total, industrial property sector represented approximately 6% of the total property investment universe at the end of 2020.

According to the KTI Index, the total return on the Finnish property market amounted to 3.0% in 2020 (8.8% in 2019). Capital growth turned negative, at -1.2%, and net income declined to 4.3%. Residential, public use and industrial properties generated the highest total returns in 2020.

4.1 Rental residential sector

Stock

According to Statistics Finland, there were some 2.73 million occupied housing units in Finland at the end of 2019. Of

Owner-occupied and rented dwellings in the Helsinki metropolitan area 2019

Size of household-dwelling unit					
Tenure status	1 person	2 persons	3 persons	4+ persons	Total
All owner-occupied dwellings	38%	55%	57%	64%	286,558
All rented dwellings	56%	39%	37%	30%	264,639
Right of occupancy dwellings and other or unknown tenure status	6%	6%	6%	6%	33,951

Source: Statistics Finland

these, 39% were single-family homes. The share of dwellings in apartment buildings presently stands at 46%.

The average size of a Finnish household has been decreasing steadily, and in 2019, some 45% of all households consisted of only one person, and another 33% of two persons. The share of small households is typically larger in largest cities.

In 2019, slightly less than 63% of Finnish households lived in owner-occupied homes. Home ownership is widespread in all forms of housing, including apartments as well as detached and terraced houses and single-family houses. In recent years, however, the share of owner-occupied housing has decreased, while that of rented housing has increased.

Some 920,000 dwellings, representing almost 34% of the total stock, are rented dwellings. Rented housing is more common in the largest cities than in the whole country on average. In the Helsinki metropolitan area, some 45% of all dwellings are rented. In Helsinki, of the total 340,000 dwellings some 167,000 are rented, and the number of rented dwellings is larger than that of owner-occupied dwellings.

"In Helsinki, 49% of all households live in rented dwellings"

Of all rented dwellings, some 33% have been provided with some kind of public subsidy, most commonly a state-guaranteed loan or an interest subsidy. The share of subsidised dwellings of all rented dwellings has decreased steadily during the past decade. The majority of subsidised dwellings are owned by the Finnish municipalities' daughter companies. Other major providers of subsidised housing include non-profit organisations offering rental housing for specific groups such as students, elderly people or the disabled. Y-Foundation, TA-Yhtymä and KAS Asunnot, as well as numerous student housing foundations are examples of these kinds of players. Kojamo, SATO and Avara also hold this non-profit status enabling them to offer subsidised housing. This currently applies to a limited part of their businesses, and they are currently reducing the share of subsidised dwellings in their portfolios.

In the subsidised markets, the terms and regulation of different types of public subsidy for housing supply vary significantly between different forms. Some have specific rules for tenant selection and the buildings can only be sold to organisations with an approved non-profit status by the

Housing Finance and Development Centre ARA. In the majority of the subsidised stock, rents are cost-based.

Within the past decade, the construction of some 6,000-9,000 subsidised apartments has been started annually. In 2020, subsidised apartments production represented approximately 24% of all housing construction starts, according to the Housing Finance and Development Centre ARA, and the construction of some 9,000 ARA-dwellings was started. 52% of the started subsidised dwellings were normal rental dwellings. The share of right-to-use apartments, where the financing also has a guarantee from the state, increased to 23% of the whole ARA-housing production.

The so-called normal rental housing includes both the so-called long interest housing subsidy production, where restrictions are tighter and rents are cost-based. The other type of subsidised production is the 10-year interest subsidy and state guarantee framework, during which period the dwellings have to be rented to low-income tenants at moderate rental levels. After this period, the dwellings can be freely let at market price.

Tenants with low income may also be subsidised through public housing support. This subsidy may be granted for tenants living in both subsidised and non-subsidised dwellings, and also for both rented and owner-occupied housing. The amount of subsidy depends on the household's income and size, as well as the dwelling's location. In 2020, more than 400,000 households received public housing support, which is 6% more than in 2019. The majority of households receiving housing support are single-person households.

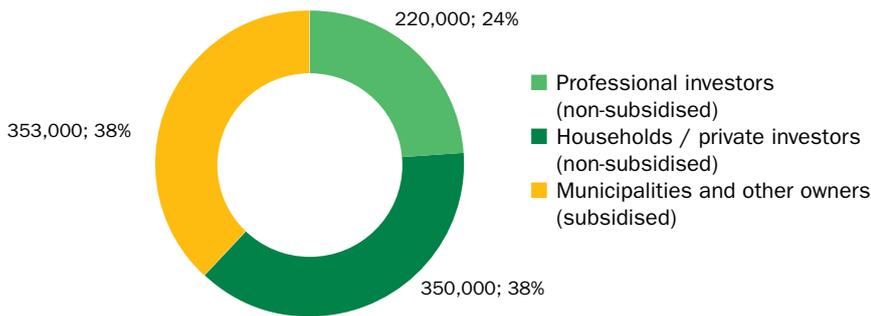
According to KTI estimations, non-subsidised rental housing stock amounted to some 570,000 dwellings in 2019. The stock continues to increase, with the main contributor to growth being active new construction.

"Rental residential housing stock continues to increase"

All professional investor groups - institutions, property companies and funds as well as foreign investors - have increased their residential investments in recent years. Professional investors owned approximately 220,000 rental dwellings at the end of 2019. Finnish households and smaller companies owned some 350,000 rental dwellings at the end of 2019.

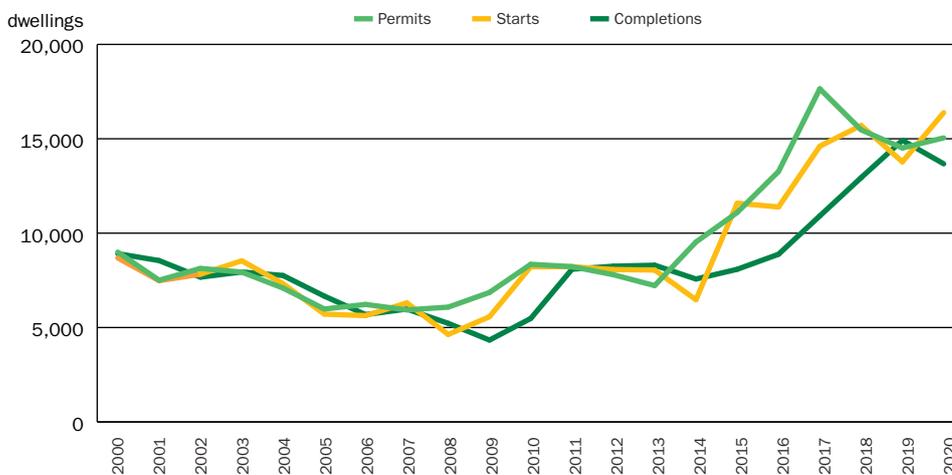
Ownership structure of rental apartments in Finland in 2019

Total 923,000 rental apartments



Source: ARA, Statistics Finland, Suomen Vuokranantajat, KTI

Residential construction activity in the Helsinki metropolitan area



Source: Statistics Finland

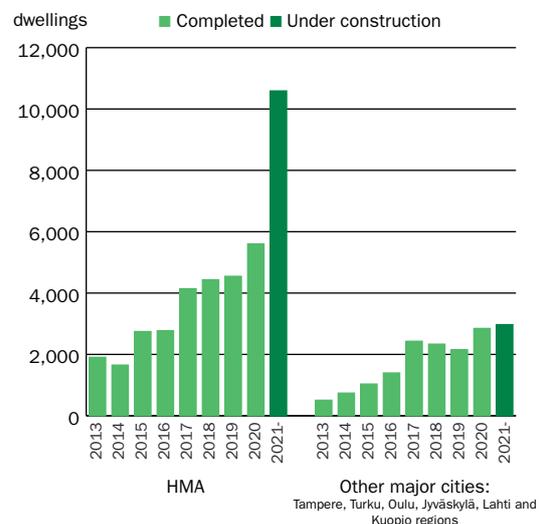
Despite the worsening economic outlook, residential construction activity remained high in 2020, and the construction of some 39,000 new dwellings was started during the year, compared to 38,000 in 2019. Construction activity is weighted in the largest cities, in the Helsinki metropolitan area in particular. The Helsinki metropolitan area accounts for some 53% of the total construction volume.

In the largest cities, in the Helsinki metropolitan area in particular, rental housing development has a significant role in new construction. According to KTI statistics, more than 13,500 new rental dwellings were under construction in major cities at the end of 2020. This figure only comprises apartment buildings that will be 100% for rental use. In addition to these, a part of apartments located in normal housing production will end up in rental use through smaller investors.

"Residential construction activity remained high in 2020"

Rental residential dwellings completed 2013-2020 / under construction at the end of 2020

Number of dwellings (new projects only)
*if number of apartments is unknown, estimate of 50 sqm per dwelling is used



Source: KTI, RPT Docu Oy

Of the rental dwellings under construction at the year-end, more than 10,500 are in the Helsinki metropolitan area, up from 9,000 at the end of 2019. In 2020, some 5,600 new rental dwellings were completed, compared to 4,500 in 2019.

Players

The majority of subsidised housing stock is owned by the Finnish municipalities. Heka Oy, a company owned by the city of Helsinki, is the biggest player in this segment with approximately 50,000 apartments, which accommodate some 92,000 residents. The city of Espoo's housing company owns some 15,000 dwellings. Other large municipal companies with 9,000-11,000 dwellings include those of Turku, Vantaa and Tampere.

In the non-subsidised rental residential market, the so-called professional investors have increased their holdings rapidly in recent years. In this segment, specialised residential investment companies Kojamo, SATO and Avara are the biggest players with 36,000, 27,000 and 8,000 dwellings, respectively.

Kojamo and SATO currently hold positions one and two in the ranking of the largest property investors in Finland. In recent years, both companies have been active in restructuring and increasing their portfolios through both property development and acquisitions. In 2020, Kojamo's holdings grew by some 600 completed or acquired dwellings, while the number of sold or demolished apartments amounted to some 70. At the year-end, there were more than 2,600 apartments under construction in Kojamo's portfolio.

SATO completed some 870 new apartments in 2020, and at the year-end, there were some 400 dwellings under construction. Avara had more than 600 new apartments under construction at the year-end, and, in addition, the company acquired a portfolio of some 400 apartments from S-Bank in early 2021.

The largest pension funds are also significant players in the rental residential market. Varma, Ilmarinen, Keva and Elo, for instance, all have several thousand rental dwellings in their portfolios. Many institutions also have significant indirect exposure to residential investment through specialised property companies and funds. Institutional investors' residential investments are also currently boosted by the temporary possibility to use leverage in new housing development.

There are also several non-listed property funds specialising in residential property investment. Funds managed by, for instance, ICECAPITAL and LocalTapiola Real Estate are targeted at domestic institutions.

In recent years, open-ended special mutual investment funds targeted at private investors have attracted a lot of equity from both private investors and smaller institutions. Special funds that invest in residential properties targeted at private investors are managed by OP Property Management, Ålandsbanken, Titanium and S-Bank. In 2020, eQ established a new mutual fund investing in residential property, and Taaleri's new fund invests both in commercial and residential properties. Both funds made their first residential property investments in 2020.

"New funds investing in residential properties were established in 2020"

Foreign investors' interest in the Finnish rental residential investments has materialised in recent years in several transactions and also through some investors' own development activity. The largest foreign player is currently Round Hill Capital, who through its local brand Olo Asunnot owns some 4,900 rental dwellings across Finland. In 2020, the largest newcomers in the Finnish residential property market were the Swedish AREIM, which expanded into the housing market through an acquisition of 900 apartments from pension insurer Ilmarinen, as well as M&G European Property Fund, which acquired 630 rental dwellings from a joint venture of YIT and Ålandsbanken.

Other foreign investors increasing their exposure in the Finnish residential market in 2020 included Catella Wohnen, Morgan Stanley Real Estate Investing and NREP. NREP also continues to be active in new development of rental residential properties.

"New foreign investors entered the Finnish residential investment market in 2020"

Foreign capital is also invested indirectly in the Finnish residential market: for instance, the Swedish listed property company Balder currently owns the majority of SATO, and another 23% of the company is owned by the Dutch pension fund APG. Also, a large proportion of Kojamo's shares are owned by foreign investors.

Rental practices

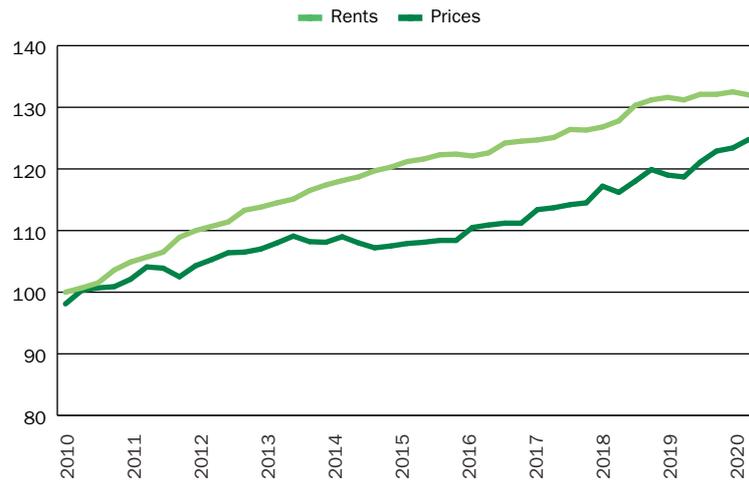
Rents for free market rental dwellings were gradually deregulated already during the 1990s. Currently, there are no restrictions for rental periods or rental levels.

Biggest foreign investors in the Finnish residential property market

INVESTOR	NUMBER OF RENTAL APARTMENTS IN FINLAND (ca.)
Round Hill Capital	4,900
NREP	4,000
Starwood Capital Group	2,200
Bayerische Versorgungskammer (BVK)	2,100
Fund managed by Morgan Stanley Real Estate Investing	2,000
Funds managed by AXA IM	1,500
AREIM	900
Aberdeen Standard Pan-European Residential Property	800
M&G European Property Fund	600
DWS	500
Catella Wohnen Europa	400
Fund Managed by Barings Real Estate Advisers	300

Source: KTI

Residential price and rent indexes, Helsinki metropolitan area, index (2010=100)



Source: KTI and Statistics Finland

Rental agreements are typically made for an indefinite period. It is also possible to agree on a certain fixed period, such as a year, with the agreement continuing afterwards until further notice.

The tenant has the right to terminate the contract after an agreed notice period, typically one month. The landlord can only terminate the contract under certain specific conditions. For the landlord, the notice period is minimum three months, but the period also depends on the length of the rental period.

Rents are typically indexed, with the cost of living index being the most used. It is also common to agree on a higher level of rental increases, for instance a minimum of 3 or 5 per cent. This kind of indexation is used by professional investors in particular, and allows the landlord to adjust rental increases to prevailing market conditions in different areas and buildings.

In the subsidised housing stock, there might be restrictions related to both rental levels and tenant selection, depending on the form of subsidy. In so-called ARA-housing stock, where long-term state housing loans or subsidies are used, rents are cost-based, and the calculation of costs is controlled and supervised by ARA.

In some interest subsidy dwellings, there might be varying conditions for tenant selection or the holding period of buildings, but rents are typically market-oriented. In the current 10-year subsidy model, there are restrictions for annual rental increases, the amount of dividend paid to the investor, as well as for the amount collected and reserved for repairs and refurbishments. In these apartments, rents are expected to be higher than in traditional subsidised stock, but lower than in the non-subsidised market.

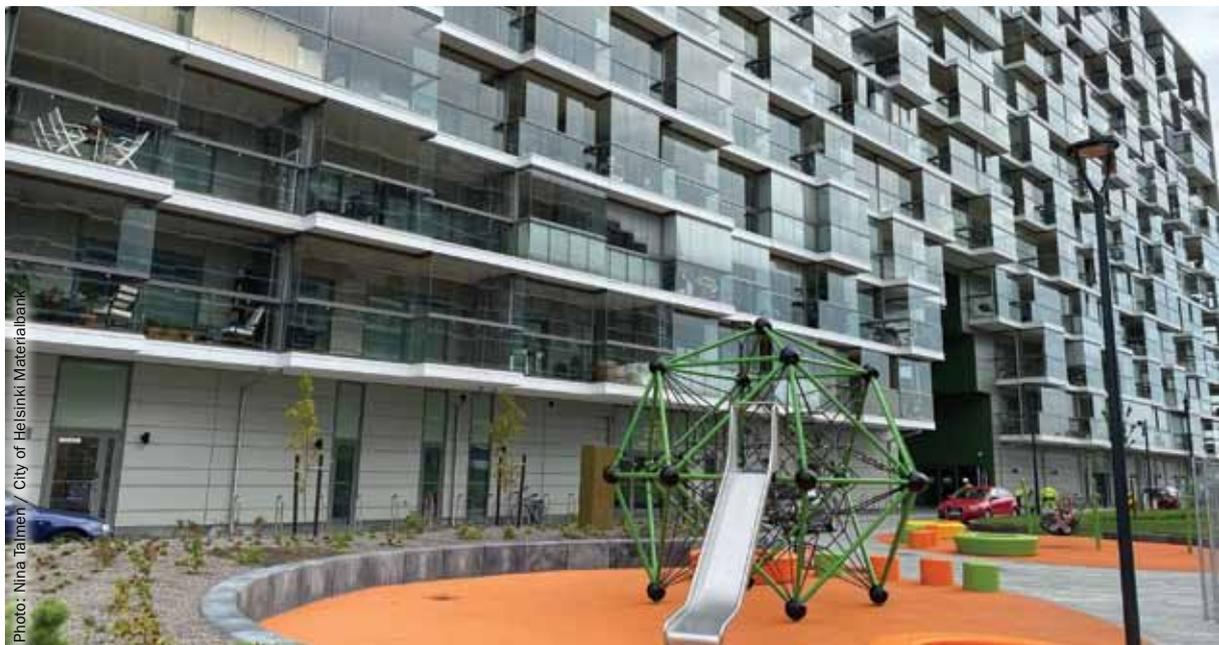


Photo: Nina Jalmen / City of Helsinki Materibank

The residential market in 2021

In recent years, housing prices and rents have increased steadily in the largest cities, whereas in smaller municipalities, the prices have decreased, and in some cases, the supply of rental dwellings exceeds the demand. Among the largest cities, the Helsinki metropolitan area stands out due to its larger volumes and most rapid growth in demand.

The COVID-19 pandemic has further strengthened the polarisation of the housing market. In 2020, the prices for residential dwellings in old apartment buildings increased by 2.3% compared to the previous year in the whole country on average. In the Helsinki metropolitan area, prices increased by 4.2%, whereas elsewhere in the country, they decreased by 0.3%. Of the other large cities, prices increased in Tampere (4.4%), Turku (3.8%) and Kuopio (3.0%), whereas in Oulu, prices remained stable (-0.5%). In Lahti and Jyväskylä, housing prices decreased in 2020.

"Prices for residential dwellings in apartment buildings increased by 4.2% in 2020 in the Helsinki metropolitan area"

Pellervo Economic Research PTT forecasts that in 2021, housing prices will continue to increase at the same pace as in 2020. The difference between different cities remains prominent. Housing prices are expected to increase the most, by 4%, in Helsinki, and by 2% in Espoo. In Vantaa, prices are expected to remain stable.

Outside the metropolitan area, the housing market picture remains the same as in 2020: prices are expected to continue increasing markedly in Tampere and Turku. Oulu and Kuopio are forecasted to show stable, slightly positive development, but in Lahti and Jyväskylä, PTT forecasts the negative development to continue.

"Housing prices are expected to continue increasing in the Helsinki metropolitan area, Tampere and Turku"

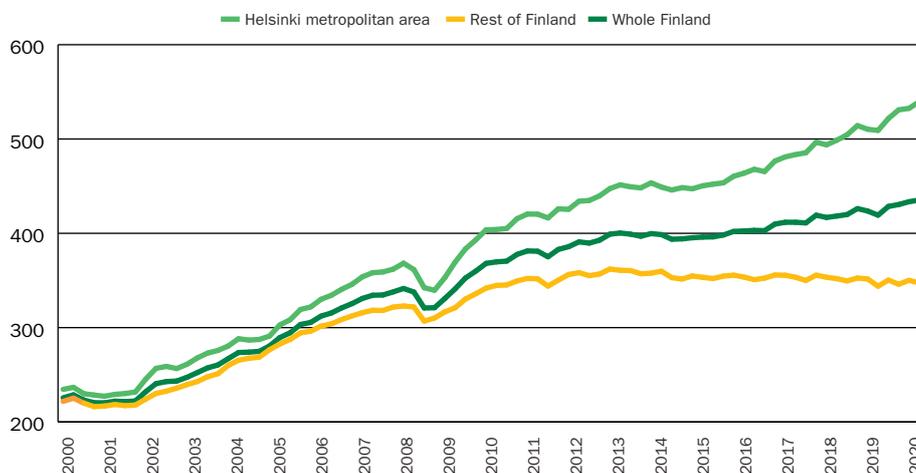
The differences in demand are also reflected in the residential rental markets. Rental demand remains strongest in the Helsinki metropolitan area, as well as in the Tampere and Turku regions. In other large cities, the increasing supply has mitigated rental growth potential in recent years, and rents have at least temporarily declined as new stock is being completed.

The KTI Rental Residential Index for new rental agreements showed an annual increase of 0.6% for the Helsinki metropolitan area, and 1.4% for the other large cities on average in 2020. Within the Helsinki metropolitan area, rents increased slightly more in Espoo, by 0.8%, whereas in Helsinki, they increased by 0.6%, and in Vantaa by 0.5%.

"In 2020, the increase in housing prices exceeded that of rents"

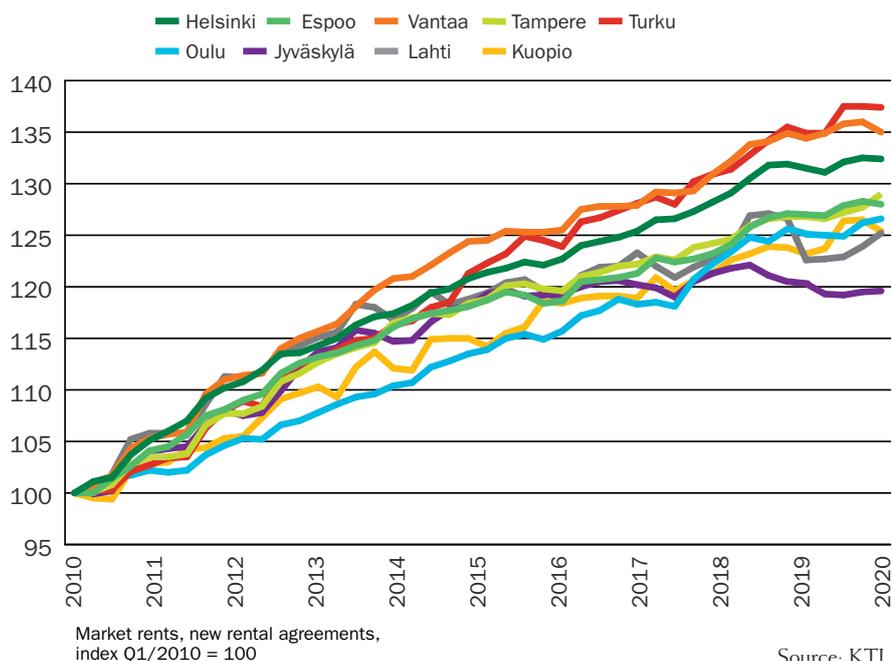
Due to the outbreak of the COVID-19 pandemic, some new trends have emerged in the housing rental markets. The increase in remote working has weighted the demand slightly towards larger apartments, and as there is no need for daily commuting, tenant preferences have also shifted to less central locations. The pandemic has also increased rental residential supply, as apartments previously offered as temporary accommodation options, for instance, through Airbnb, are now offered in the normal rental markets. Also, demand for rental residential has decreased due to both the weakening labour market, as well as remote learning in universities, due to which students haven't had to move to the university cities.

Prices of old residential dwellings, index (1983=100)



Source: Statistics Finland

KTI Residential rent index, main cities



"COVID-19 pandemic impacts both demand and supply of rental residential"

In recent years, occupancy rates of residential properties have remained high. Changes in both supply and demand, however, caused occupancy rates to decrease in 2020. In the KTI Index database, the average financial occupancy rate for residential properties was 95.9% on average, down from 96.8% in 2019. In the Helsinki metropolitan area, the occupancy rate declined from 97.4% in 2019 to 95.9% in 2020. Of the largest cities, occupancy rates were the lowest in Jyväskylä and Kuopio, at some 94%.

"Residential occupancy rates decreased slightly in 2020"

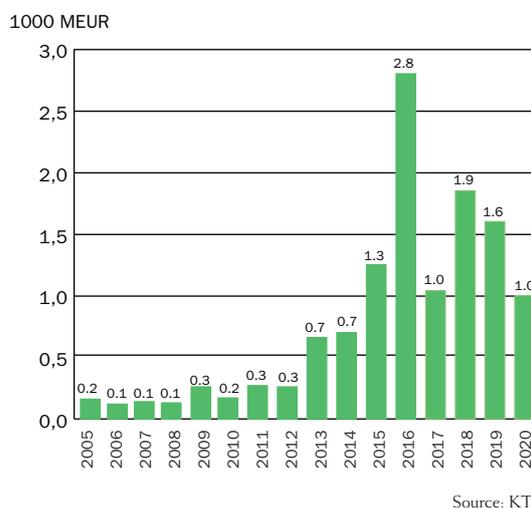
In the RAKLI Residential Barometer, carried out in September 2020, expectations for rental demand remained positive and rents were expected to continue increasing in the Helsinki metropolitan area as well as in Tampere and Turku areas. In Oulu and Kuopio, rents were expected to remain stable, whereas for Jyväskylä and Lahti, the outlook was negative.

In the professional property investment market, residential property portfolio transaction volume amounted to €1.0 billion in 2020, down from €1.6 billion in 2019. The largest transaction, comprising 900 apartments, was carried out by AREIM, who acquired the portfolio from Ilmarinen early in the year. A joint venture of YIT and OP-Rental Yield fund bought a portfolio of some 600 apartments, and M&G's fund entered the Finnish residential market through an acquisition of 630 dwellings.

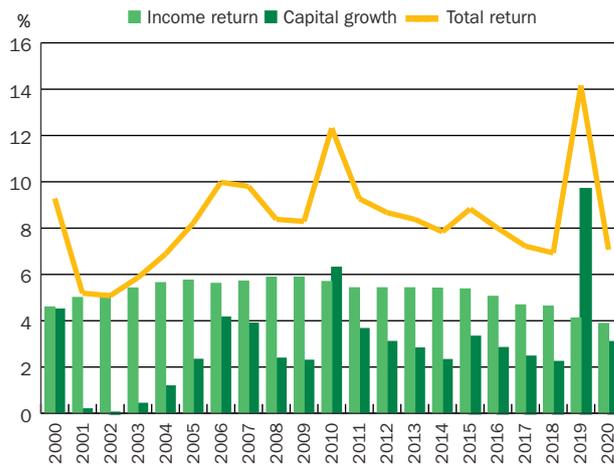
Otherwise, transactions were rather small, and were comprised of mainly single assets or portfolios of two or three properties. The buyers included foreign investors, domestic funds and investment companies. Institutional investors continued to increase their residential investments mainly through their own development activity.

The uncertainty caused by the COVID-19 pandemic has further increased the relative attractiveness of residential properties in the investment market. In the RAKLI-KTI Property Barometer, the yield for a residential property in a central location in Helsinki decreased to 3.4% in October 2020, and in the RAKLI Residential Barometer, all professional investor groups were expected to continue increasing their investments in rental residential properties within the next year.

Volume of residential portfolio transactions



Total return on residential property investments 2000–2020



Source: KTI Index

“The attractiveness of residential properties has further increased in the investment market”

In the KTI Index, residential properties' capital growth has remained positive every year since the index's start in 2000. In 2020, residential properties continued to perform well, producing a total return of 7.1%. Capital growth was the highest of all sectors. Income return continued to decline, mostly due to the increase in capital values.

4.2 The office market

Stock

The total stock of office properties in all of Finland is some 19.7 million square metres, according to Statistics Finland. The Helsinki metropolitan area has a dominating position within the Finnish market, and of the total stock, 45%, some 8.8 million sqm, is located in Helsinki, Espoo and Vantaa. Office stock in Tampere amounts to some 1.1 million sqm, and that of Turku to 0.75 million sqm.

New office development is also concentrated in the Helsinki metropolitan area. Within the past decade, approximately 87,000 sqm of new office space has been completed annually on average in the Helsinki metropolitan area. During the



Photo: Unrealer / Kojamo Oyj

same period, however, the volume of demolitions and conversions has increased, and amounted to approximately 76,000 sqm per annum on average.

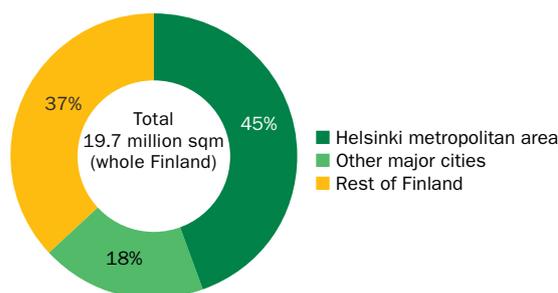
Measured by volume, the majority, some two thirds of converted office premises, are being redeveloped into residential use. In the most central locations in Helsinki, many former office buildings have been converted into hotel use, and in some cases, office buildings are also being converted into some other, for example educational use.

"Within the past decade, the amount of reductions has almost equaled that of new construction in the HMA office market"

In 2020, approximately 110,000 sqm of new office space was completed in the Helsinki metropolitan area. The largest completed projects were the Tripla Workery offices in Pasila and the Urban Environment House in Kalasatama. These two projects represented more than 60% of all completed premises. At the end of the year, almost 100,000 sqm of new office space was underway, with NCC Property Development's projects OOPS in Perkkää and We Land in Ruoholahti being the largest new office construction projects.

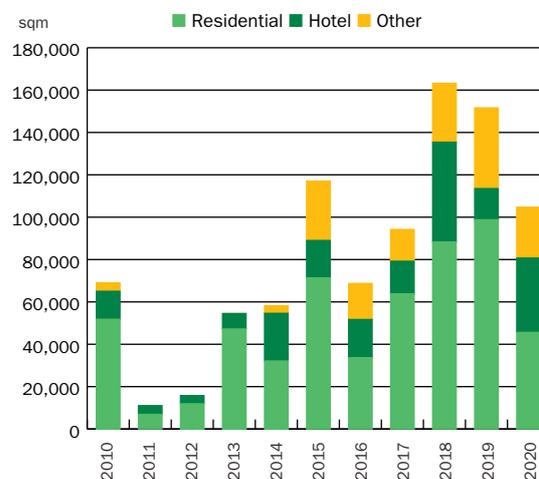
Office construction was also active in the main cities outside the Helsinki metropolitan area. Altogether, approximately 88,000 sqm of new office space was completed in the Tampere, Turku, Oulu, Jyväskylä, Kuopio and Lahti regions in 2020, up from 28,000 sqm in 2019. Some 27,000 sqm of new office space was completed in Kuopio, and 25,000 sqm in Tampere. At the year-end, approximately 44,000 sqm of office space was under construction, of which some 15,000 sqm was located in Turku, and almost the same amount in Kuopio.

Distribution of office stock by location, sqm



Source: Statistics Finland

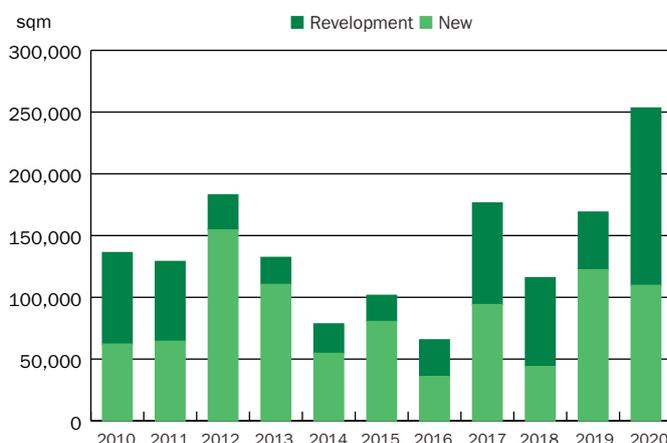
Office conversions in the Helsinki metropolitan area



* If information on rentable area hasn't been available, rentable area has been estimated based on gross area information.
 ** Projects are allocated between years according to the point of time when they are not offered for office use; i.e. when the new plan is confirmed / conversion project has been started

Source: KTI, RPT Docu Oy

Completions of offices in the Helsinki metropolitan area in 2010-2020



If information on rentable area hasn't been available, rentable area has been estimated based on gross area information.

Source: KTI, RPT Docu Oy

Players

The largest proportion of investable office stock is multi-tenant office buildings, typically located in city centres and recognised office areas. The second category is single-tenant buildings used typically as company headquarters. Modern buildings with one anchor tenant have attracted investors in recent years. These can be found both in the Helsinki CBD, and in some other established office areas in the Helsinki metropolitan area. The third office category is business-park-type properties located near good traffic connections.

The biggest investors in the office sector include large Finnish institutions such as Varma, Ilmarinen and Keva, as well as specialised investment companies such as Sponda, Antilooppi and Technopolis. Foreign investors, for instance Niam, Kiolo, DWS, Deka Immobilien and Union Investment, also have significant investments in Finnish office properties. Some domestic funds have also increased their investments in office properties in recent years, including, for instance, those managed by eQ, Aktia and S-Bank.

"Offices accounted for 32% of the total transaction volume in 2020"

For the past four years, offices have been the largest sector in the transaction market. In 2020, office property transaction volume amounted to approximately €1.8 billion, down from €2.3 billion in 2019. The majority of the transaction volume was concentrated in the Helsinki metropolitan area and in modern buildings.

The largest office property transactions were carried out in the beginning of the year. Antilooppi bought a portfolio of nine properties, primarily office buildings, from Sponda, and a joint venture of South Korean NH Investment & Securities (NHIS), Shinhan Investment Corp. and the domestic pension insurer Varma bought the head office of

OP Group in Vallila. The €480 million deal was the largest single office property transaction ever in Finland.

At the end of the year, the Swedish Castellum increased its Finnish portfolio by acquiring the shares of Lindström Invest Oy, who owned five office buildings in Kalasatama Helsinki, and by buying another office property in Sörnäinen from CapMan's fund. In total, these transactions amounted to €173 million.

Other foreign investors active in the Helsinki metropolitan area office market in 2020 include LaSalle's E-REGI fund, which made its first investment in Finland by acquiring a €45 million office property in Töölö from OP Life Assurance, and a fund managed by Warburg-HIH Invest, who bought the Keilaniemi Next building from NCC. For Warburg-HIH Invest, this was the first investment in Finland in many years.

"The majority of office transactions were made of modern properties in the HMA"

Outside the Helsinki metropolitan area, office transactions were mainly single-asset deals carried out by domestic or foreign funds. For instance, Aberdeen Standard Investment's fund acquired a newly built office property in Kuopio, and Quadoro Doric's fund invested in two office properties in Tampere. Of domestic investors, Aktia's fund increased its holdings in Tampere and Jyväskylä, and Conficap in Turku.

In early 2021, only a few office property transactions have been realised. The largest transaction was carried out by NREP, which made a €90 million sale-and-leaseback deal in Tapiola, Espoo. A. Ahlström Kiinteistöt, the real estate subsidiary of Ahlström Capital Oy, invested in the GO21 office property in Tampere, which is scheduled for completion in 2023.



Photo: Tuomas Uusheimo / Skanska

Rental practices

Rental practices in the office market are varied. The terms of rental agreements differ significantly between different office sub-categories. In multi-tenant office buildings, rents are most often gross rents, which include operational costs. Operating costs can also be charged separately to tenants. Typical operating costs for office properties vary between €4.50 and €5.50 per square metre per month, depending on the location, age and other characteristics of the building.

Indefinite lease terms are commonly applied in multi-tenant office buildings. Typical notice periods are three, six or twelve months, and the same period applies for both the tenant and landlord. It is also common to agree on a fixed period of three or five years, after which the contract continues for an indefinite term with the agreed notice period.

Fixed lease terms are commonly applied to larger office units. In single-tenant buildings, the terms are usually quite long – between ten and twenty years. In these agreements, net rents are commonly applied. These kinds of agreements are also typically applied in sale-and-leaseback deals.

Business parks compete by offering flexible agreements and an extensive service supply, such as reception, security, cleaning, catering, postal services and meeting facilities. Business park rents typically consist of a fixed rent plus a separate service charge.

Office rents are typically linked to the Cost of Living Index.

In recent years, the increase in office occupiers' flexibility demands has likewise increased the need for more flexible office space supply. Property owners have responded to this need through new kinds of co-working or flexible space concepts, where occupiers can rent space and acquire business services for short-term and temporary use with very flexible contracts. These kinds of space concepts are currently offered by, for instance, Sponda, Technopolis and Turun Teknologiaakiinteistöt. Of the international players, IWG's brands Regus and Spaces as well as the Swedish Epicenter are represented in the market. The need for more flexible terms is expected to increase due to the COVID-19 pandemic's impact on working practices.

"Occupiers' demands for flexibility are increasing"

There are also some targeted concepts offered to, for instance, start-up companies in the technology sector. Examples of these kinds of concepts include A Grid in the Aalto University campus in Espoo as well as Maria 01 in the Helsinki centre.

Rental market – offices

During the past years, the differences in the rental performance of prime and secondary office areas have remained distinctive. The quality of office space has a major impact on rental levels and vacancy rates. The polarisation is expected to further increase due to the changes brought by the COVID-19 pandemic.

The Helsinki CBD is the most appreciated office area in Finland, yet after a couple of years of positive development, office rents and the occupancy rate declined in the CBD in 2020.

"Office rents decreased by 1.3% in the Helsinki CBD in 2020"

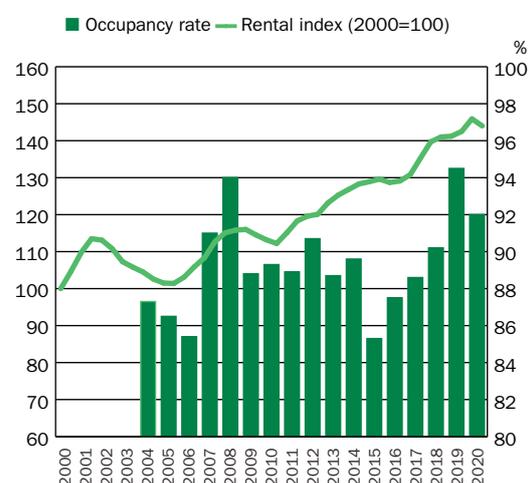
In the KTI rental database, the upper quartile of new rental agreements stood at €33.50 per sqm per month in the agreements started between March and September 2020, down from €36.50 in 2019. Median and average rents remained stable at approximately €30 per sqm. As a result, the KTI rental index decreased by 1.3% in 2020. However, the rental market was very quiet, both in terms of number and floor area of new agreements. The occupancy rate of CBD offices fell from 95% in 2019 to 92% in September 2020.

Also in many other office areas, the development of rents and occupancy rates turned negative in 2020. The amount of vacant space increased in, for instance, the Leppävaara and Vallila-Kalasantama areas. Also in Ruoholahti, the vacancy rate is close to 15%, according to Catella. On the other hand, the modern and increasing office supply in Keilaniemi attracts tenants, and its vacancy rate has decreased during the past year and stands at approximately 4%.

"Modern office supply of Keilaniemi attracts tenants"

The amount of vacant office space remains high in the Helsinki metropolitan area. At the end of 2020, there was more than one million sqm of vacant office space, representing 12.2% of the total stock in the Helsinki metropolitan area, according to Catella.

KTI office rent index and occupancy rate, Helsinki CBD



Source: KTI



In the KTI rental database covering the professional investor portfolios, the occupancy rate of offices declined from 85% in September 2019 to below 83% in 2020. Areas with the most vacant office space include, for instance, Pitäjänmäki and Vallila in Helsinki, as well as Kilo-Mankkaa in Espoo.

"The occupancy rate of offices declined in the HMA in 2020"

In the other two main cities, the office vacancy rate increased to close to 12% in Tampere, but declined to below 7% in Turku. Due to new development, the amount of vacant space also increased in Jyväskylä, whereas in Oulu, the vacancy rate remained stable.

Supported by the strengthening economy, office net take-up remained positive between 2016-2019 in the Helsinki metropolitan area. In 2020, however, net take-up turned negative by some 100,000 sqm.

"Office net take-up turned negative in 2020"

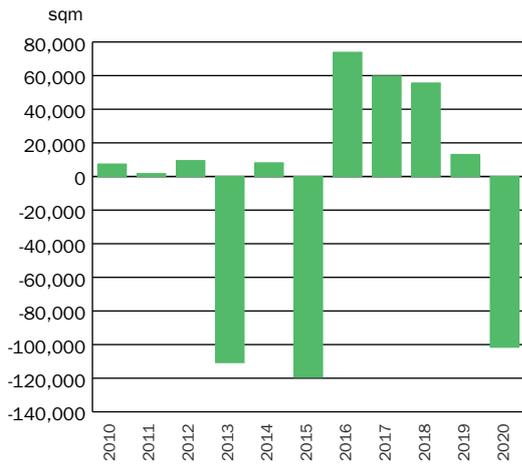
The office market has recently been characterised by several large head office relocations, in most cases to newly developed buildings. In 2020, for instance, Telia and HOK-Elanto moved to the Tripla Workery offices, and the Urban Environment Unit of the City of Helsinki moved to new premises in Kalasatama. Other head office relocations included those of If Insurance in Keilaniemi and Supercell in Jätkäsaari. Other corporations expecting head office moves include Stora Enso, Fiskars Group,

Office occupancy rates in the Helsinki metropolitan area and whole Finland



Source: KTI Rental database

Office net take-up, Helsinki metropolitan area



Annual figures are calculated from each 12-month period between September and August.

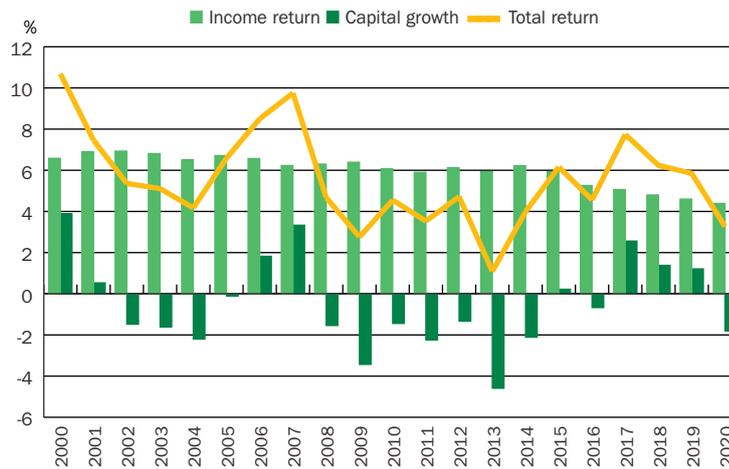
Source: KTI

Kone and Deloitte. New premises are typically more efficient than the old offices, which contributes to the decline in the total amount of occupied space.

"Total return on office properties amounted to 3.3% in 2020 as capital growth turned negative"

The investment performance of office properties has, for many years, reflected the polarisation between prime and non-prime assets. In 2020, the total return of offices amounted to 3.3% (5.8% in 2019). Capital growth turned negative, and also net income continued to decline. Rents and rental values increased in 2020, but the occupancy rate decreased compared to the previous year. Valuation yields increased in the whole office stock.

Total returns on office investments, 2000-2020



Source: KTI Index

Examples of major corporate head office relocations

Property	Rentable area	Main user(s)	Owner(s)	Completion / Moving date
Headquarters of Ramboll Finland Oy	20,750*	Ramboll Finland Oy	Keva	Q1/2019
Kalasadaman Kampus	35,000	Kesko Oyj	Varma	Q2/2019
Accountor Tower	24,700*	Accountor Group	DWS Real Estate	Q4/2019
Tripla Workery offices	50,000*	Telia, HOK-Elanto	Fund managed by Commerz Real	Q1/2020
Wood City	13,650*	Supercell Oy	Supercell Oy	Q4/2020
Keilalampi	12,500*	If Insurance	DWS Real Estate	Q4/2020
OOPS (Phase A & B)	18,500	Trimble Solutions Corporation	Varma	Q3/2021
Keilaniemi Next	9,500	Fiskars Group	NCC	Q4/2021
Headquarters of KONE	48,000*	KONE Oyj	Regenero (HGR Property Partners Oy & YIT Oyj)	2022
Fredriksberg D	9,200	MTV	NCC	Q3/2022
Headquarters of Stora Enso	20,000*	Stora Enso	Varma	2023
We Land	21,000	Deloitte	NCC	Q4/2023

*Gross area

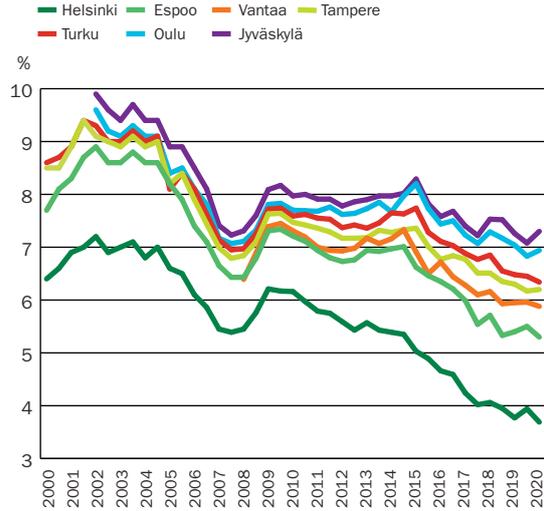
Source: KTI

Office rents and yields in Helsinki and other European capitals

For many years, the Helsinki CBD has outperformed most other office submarkets due to more positive capital growth. In 2020, however, capital growth in the Helsinki CBD was close to zero, as yields remained stable and rental value growth slowed down from the previous years. Income return continued to decline and total return ended up very close to the average in the whole Finland.

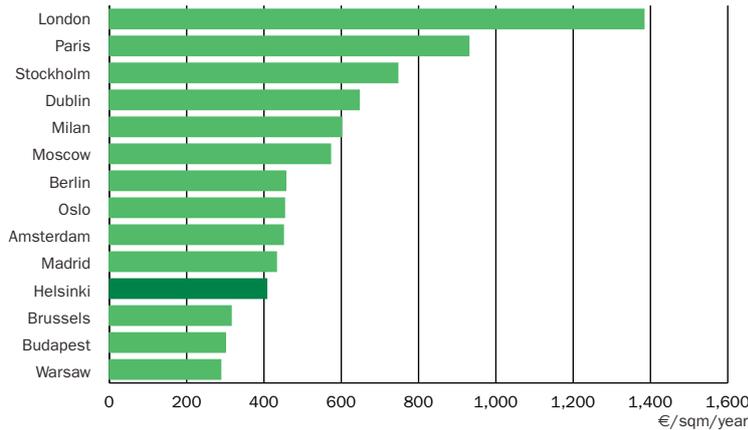
Prime office yields in the Helsinki CBD decreased steadily between 2009 and 2019, supported by low interest rates and strong investment demand. In spring 2020, however, the shock caused by the outbreak of the COVID-19 pandemic increased the yields also in the Helsinki CBD. Towards the end of the year yields started to compress again, and in the latest RAKLI-KTI Property Barometer, carried out in October 2020, prime yield had returned to its pre-pandemic level or even slightly below it, to 3.7% on average (3.8% in 2019). In the very best assets, yields are even lower than this. However, risk premiums between the Helsinki CBD and other locations are, in many cases, even higher than before the pandemic.

Prime office yields in major Finnish cities



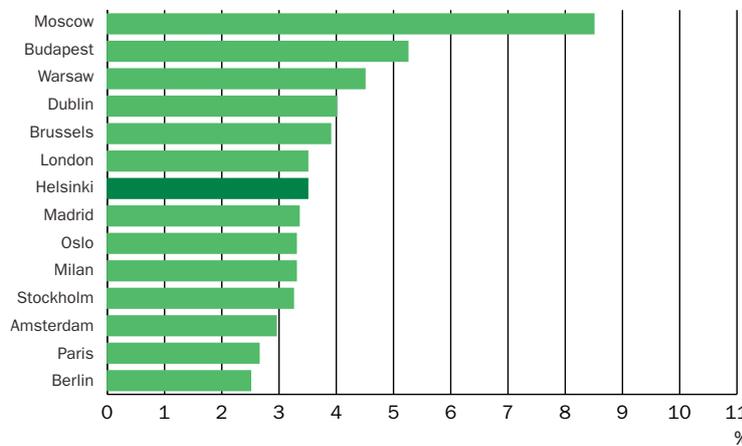
Source: RAKLI-KTI Property Barometer

Prime office rents in Helsinki and other European cities, Q4/2020



Source: JLL, KTI (Helsinki)

Prime office yields in Helsinki and other European cities, Q4/2020



Source: JLL, KTI (Helsinki)

In other major cities, office yields have mainly remained stable. In Tampere and Turku, yields stood at 6.2 and 6.3%, respectively, and in Oulu and Jyväskylä, they stood at 6.9 and 7.3%.

"Rental outlook for offices is negative in all areas"

The rental outlook for offices turned negative in all areas in 2020. Again, the Helsinki CBD stands out with less negative expectations, and the majority of respondents in the RAKLI-KTI Property barometer expect its rents to remain stable. In all other areas, a clear majority of respondents expect office rents to decline and the vacancy rate to increase within the next year.

In comparison with its European peer cities, office rents in Helsinki are slightly lower than in, for instance, Amsterdam, Berlin, Oslo and Madrid. However, in Stockholm prime office rent is more than 80% higher than in Helsinki.

In recent years, Helsinki has offered a yield premium compared to most other European capitals. As a result of the significant yield compression, the yield premium compared to, for instance, Stockholm has now decreased, and stands at some 0.25 percentages.

4.3 The retail market

Stock

Altogether, there are some 32 million sqm of retail space in Finland. In Statistics Finland's data, this also includes hotel properties. About 4.4 million sqm of the retail space stock is located in the Helsinki metropolitan area, and 5.9 million in other major cities.

According to the Finnish Council of Shopping Centers, there were 111 shopping centres with a total leasable retail area of some 2.5 million sqm in Finland at the end of 2019. In 2020,

two smallish, approximately 20,000 sqm shopping centres were opened: the local service centre Hertsii in Herttoniemi, Helsinki, was opened in spring, and Scandinavian Shopping Centre in Vaalimaa, close to the eastern border, was completed at the end of the year.

Retail property stock owned by professional investors amounted to some €17.3 billion at the end of 2020, having stood at approx. €16.7 billion in the previous year.

After a couple of years of active new development, only some 23,000 sqm of new retail space was completed in the Helsinki metropolitan area in 2020. At the year-end, approximately 97,000 sqm was under construction, with Citycon's 44,000 sqm Lippulaiva project in Espoonlahti being the largest project underway.

"Only some 23,000 of new retail space was completed in the HMA in 2020"

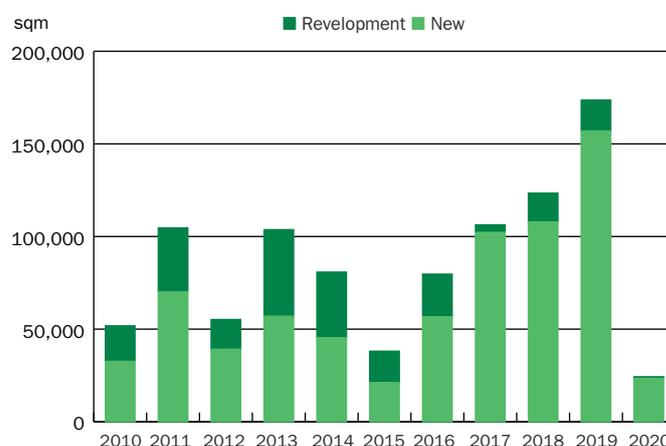
In the Tampere, Turku, Oulu, Jyväskylä, Kuopio and Lahti regions, some 36,000 sqm of new retail premises were completed in 2020, and, at the year-end, almost the same amount was underway. Of these cities, retail development is most active in Tampere.

Players

The investor base for retail properties is diverse, including domestic institutions, specialised retail investment companies and funds, international investors and main retailers.

The largest specialised shopping centre investor in Finland is Citycon, which currently owns and operates 8 shopping centres across Finland. Iso Omena in Espoo is the portfolio's largest asset, and Lippulaiva centre is underway. Another major shopping centre investor is Sponda, whose biggest centres include Forum and Citycenter in the Helsinki CBD, Ratina in Tampere centre, Elo near Tampere as well

Completed retail space in the Helsinki metropolitan area in 2010–2020



If information on rentable area hasn't been available, rentable area has been estimated based on gross area information.

Source: KTI, RPT Docu Oy



as Zeppelin in the Oulu region. Another large retail investor is Mercada, which owns three shopping centres and 31 other retail assets in Finland. The majority of Mercada's properties are leased to Kesko Group. Both large retail chains, Kesko and S Group, also own some shopping centre properties.

"Specialised investment companies, pension funds and foreign investors are the largest owner categories in Finnish shopping centres"

Many Finnish institutional investors, including, for instance, Ilmarinen, Varma, Elo, LocalTapiola and Keva, own whole shopping centres across Finland. In larger centres, they also often enter into joint investments with other investors. For example, the Sello shopping centre in Espoo is owned jointly by three pension institutions – Keva, Elo and Ilmarinen. Pension insurers Varma and Elo are also investors in the joint venture company owning the Jumbo-Flamingo centre in Vantaa. Varma also owns the Rajalla centre in Tornio,

as well as Willa in Hyvinkää. Elo's indirect investments in shopping centres include co-ownership in the shopping centre Hansa in Turku, as well as in Agore Kiinteistöt, which owns several smaller centres throughout Finland.

Pension insurer Ilmarinen is a co-investor in the Mall of Tripla and REDI shopping centres in Helsinki, as well as in IsoKristiina centre in Lappeenranta, and Puuvilla in Pori. Ilmarinen also owns the shopping centres Kämp Galleria in Helsinki CBD and Karuselli in Kerava, and is a co-owner in Mercada.

The Finnish shopping centre market has also attracted foreign property companies and funds. The largest foreign owners include Morgan Stanley Real Estate Investing, which owns the Itis shopping centre, and Allianz and Nuveen Real Estate, who jointly own the Kamppi shopping centre in the Helsinki CBD. Funds managed by CBRE Global Investors, Barings, NREP and AXA Investment Management – Real Assets have also invested in Finnish shopping centre properties.

Domestic funds investing in shopping centre and other retail properties include those managed by, for instance, eQ, Exilion, OP and Trevian.

Top 10 Shopping centres in Finland

CENTER	RETAIL NLA	MAIN OWNERS	LOCATION
Jumbo-Flamingo	115,900	Vantaan Valo Ky (Varma & Elo), HOK-Elanto, Kesko	VANTAA
Ideapark	114,117	Private investors	LEMPÄÄLÄ
Sello	91,700	Keva, Ilmarinen, Elo	ESPOO
Mall of Tripla	85,394	YIT, Ilmarinen, Conficap, Fennia	HELSINKI
Iso Omena	84,500	Citycon Finland	ESPOO
Itis	78,562	Fund advised by Morgan Stanley Real Estate Investing	HELSINKI
Ideapark	69,000	Private investors	SEINÄJOKI
REDI	59,000	Ilmarinen, OP Group, LocalTapiola	HELSINKI
Mylly	58,695	Kauppakeskus Mylly	RAISIO
Hansakortteli (Hansa)	53,022	Kauppakeskus Hansa Ky, Keva, Nurmi-yhtiöt	TURKU

Source: Finnish Council of Shopping Centres

High street shops are typically located in Helsinki CBD office buildings, and, as a result, major office investors such as Keva and Ilmarinen are also significant retail owners in prime retail areas in Helsinki. In many regional cities, city centre high street shops typically compete for consumers with out-of-town shopping centres.

Other retail properties, such as hypermarket and supermarket properties as well as smaller retail centres, are owned by a diverse group of investors, including, for instance, large retailers, domestic institutions and funds, and foreign investors.

One of the largest foreign players in the Finnish retail property sector is the Swedish Cibus Nordic Real Estate, who continued to expand its portfolio in several transactions in 2020, and whose Finnish portfolio value exceeds €1 billion.

Another significant player in this segment is Trophi Fastighets, managed by Redito, whose portfolio comprises more than 100 retail assets across Finland.

The Finnish daily goods market is dominated by S Group and Kesko, with shares of 46% and 37% of total sales in 2019, respectively. They operate in all store categories – hypermarkets, supermarkets and smaller stores – under different brands. The German chain Lidl is the third largest player in the daily goods market with a share of some 10%. In 2019, total sales of daily goods amounted to some €18.6 billion.

The regulation of retail business has been markedly liberated in the past couple of years. For example, opening hours of retail units are currently totally deregulated, and the sales of low-volume alcoholic drinks have been liberated.

Rental practices

Rental practices in the retail market vary significantly according both to the type of retail unit and to the preferences of the investors and tenants.

Rental agreements are normally longer in the retail than in the office market. Fixed terms are more commonly applied in

the retail market, as tenants want to ensure the continuity of their business with agreements. The typical minimum fixed term for retail space is three years. In many cases, agreements are first made for a fixed period and are then continued for an infinite time period. These kinds of terms are typically applied especially in high street shops.

In hypermarket and supermarket properties, investors are increasingly cash-flow driven, and agreements are typically relatively long-term contracts with net rent.

In shopping centres, anchor tenants often have leases of five to ten and even fifteen years, with renewal options sometimes applied in shorter leases. Other tenants typically have varying terms, and, also in shopping centres, leases are currently becoming shorter. The use of turnover leases is increasing in shopping centres. According to the KTI rental database, 51% of the total retail space of shopping centres is leased for rent partly or totally based on the tenant's turnover.

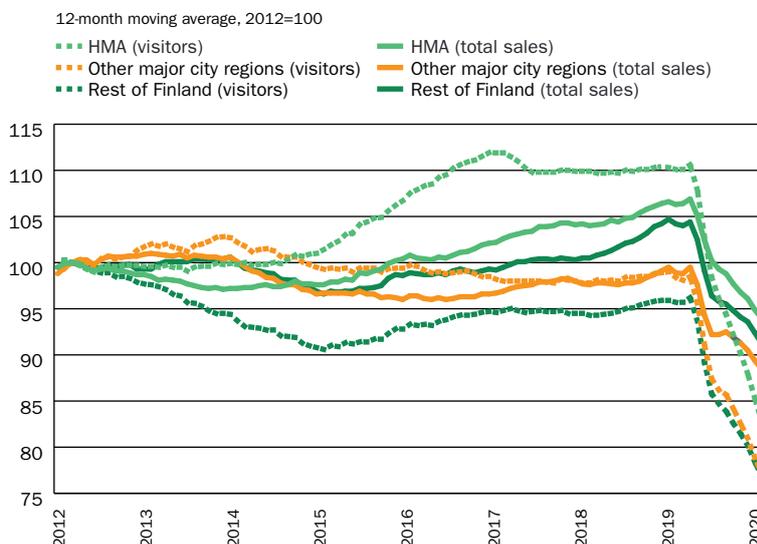
The retail market in 2021

The total volume of retail sales increased by some 3.9% in 2020, according to Statistics Finland. In these statistics, daily goods have a weight of more than 50%.

Finnish shopping centres were hit hard by the COVID-19 pandemic, and total sales of shopping centres decreased by 11.6% in 2020. The number of visitors decreased even more, by more than 23%, according to the sales and visitors indices of the Finnish Council for Shopping Centers and KTI. The second quarter of the year was most seriously affected by the pandemic, with sales declining by more than 21% compared with the previous year.

"Total sales of shopping centres declined by 11.6% in 2020"

Sales and visitors in Finnish shopping centres



Source: KTI and Finnish Council of Shopping Centers



Photo: Antti Purkkinen / City of Helsinki, Material Bank

There were, however, significant differences in performance between different types of shopping centres, as well as between various kinds of retailer categories within the centres. Generally speaking, shopping centres located in city centres, in which the importance of various kinds of consumer services is typically high, suffered more, whereas out-of-town centres with good accessibility and extensive supply of daily goods performed better.

"Grocery and department stores represented 45% of the total sales of shopping centres"

The share of daily goods is typically high in the sales of Finnish shopping centres, and in the largest centres, there might be even two hypermarkets as well as several smaller grocery stores. The importance of these anchor tenants has become even more pronounced during the COVID-19 pandemic. In 2020, grocery and department stores represented 45% of the total sales of the Finnish shopping centres, up from 39% in 2019.

In recent years, the supply of various kinds of services has increased in shopping centres. In 2019, cafes and restaurants, leisure services and beauty and wellness services represented 16% of the total sales of shopping centres. In 2020, the sales

of cafes and restaurants, for instance, declined by almost 30%, and, that of the leisure and entertainment services by almost 50%.

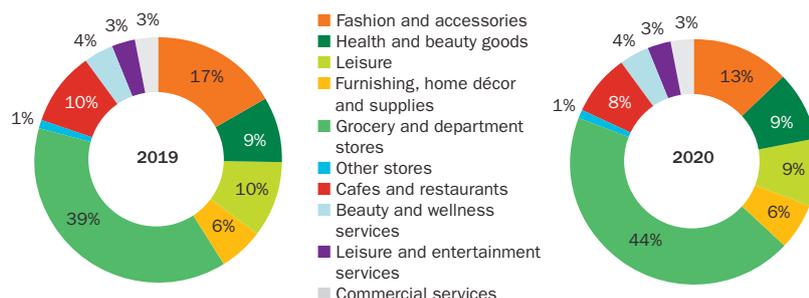
The sales of fashion and accessories have been declining in shopping centres for several years already. In 2020, the sales decreased by almost 30%, and their share of the total sales fell from 16% in 2019 to 12% in 2020.

The Helsinki CBD has an undisputed position as the prime retail area in Finland. The CBD's main shopping streets include Aleksanterinkatu and Northern Esplanade as well as streets interconnecting these two streets. The city centre also accommodates several shopping centres, including Kämp Galleria, Kluuvi, Forum, Kampi and Citycenter.

Before the COVID-19 pandemic, the market conditions for the best retail locations and largest shopping centres were assessed to be clearly stronger than those for secondary locations and smaller centres. However, the effects of the crisis are more severe in the prime areas, and the differences have thus levelled off.

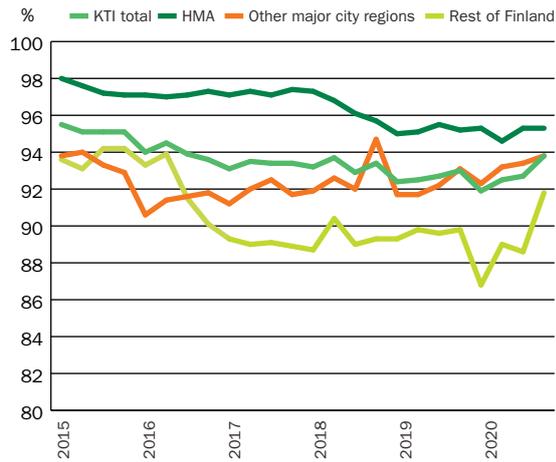
Prime retail area suffered the most of the COVID-19 pandemic, due to the lack of both people working in the city centre as well as tourists. The retail rental outlook has turned negative also for prime areas, and the vast majority of the respondents in the RAKLI-KTI Property Barometer expect rents to decline within the next year. In October 2020, the respondents assessed the prime retail rent in the

Total sales of shopping centres by retailer category in 2019 and 2020



Source: KTI and Finnish Council of Shopping Center

Occupancy rates of shopping centres



Source: KTI and Finnish Council of Shopping Centers

Helsinki CBD at €124 per sqm per month on average, and within the next year, it is expected to decline to some €110 per sqm.

"Helsinki CBD retail market undergoing a change"

In the Helsinki CBD, there are significant changes in the retail markets. For example, the traditional Aleksis 13 fashion department store was closed in late 2020, the building is to be renovated, and part of the former retail premises are likely to be converted into some other use. In early 2021, the traditional Stockmann department store building was announced to be sold as part of the corporate restructuring process of Stockmann Group. Another initiative affecting the CBD retail market is the planned development of Elielinaukio and Asema-aukio next to the main railway station. The City and the property owners of the area have launched an international architecture and conceptual design competition to develop the area.

Despite the deteriorating outlook for space demand, the occupancy rate of retail premises remains high in the Helsinki metropolitan area. In the shopping centres in the Helsinki metropolitan area, over 95% of the retail space was occupied at the end of 2020, and, according to Catella, the overall retail vacancy rate stood at just above 3%.

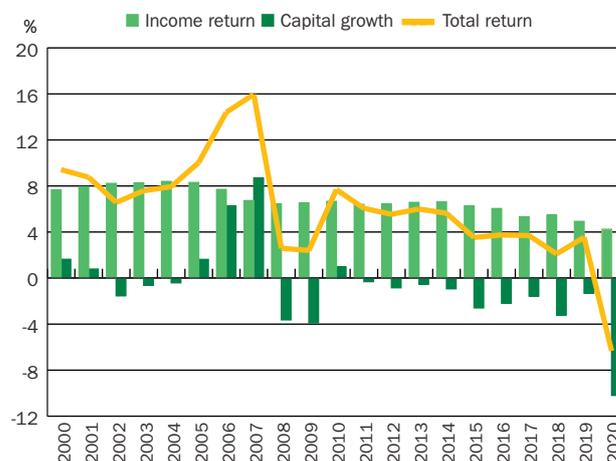
In the large cities outside the Helsinki metropolitan area, the average occupancy rate of shopping centres stood at nearly 94% at the year-end, which is even higher than in the previous year. Elsewhere in Finland, shopping centres have suffered from higher vacancies in recent years, but even there, the occupancy rate increased towards the year-end, and stood at just below 92%. The improving figures are partly explained by an increase in pop-up and other temporary stores for Christmas sales.

The attractiveness of retail properties has decreased in the investment market in recent years, and the sector's transaction volume has declined. In 2020, retail property transaction volume amounted to €1 billion. The majority of the transactions comprised grocery stores and big box retail properties. The only shopping centre transactions were carried out on smallish local centres, and comprised the acquisition of the 6,000 sqm Lauttis shopping centre property in Helsinki by pension insurer Veritas, the purchase of the 8,000 sqm Chydenia in Kokkola by Samla Toimitilat and Trevian's mutual fund investment in a retail centre in Vaasa. Of the larger centres, the ownership structure of REDI was reorganised, and, as part of a larger portfolio transaction, Antilooppi acquired the shopping centre Ruoholahti in early 2020.

"Retail property transaction volume amounted to €1 billion in 2020"

The largest retail property transactions of 2020 were portfolio transactions typically comprising assets in various locations. For instance, the Swedish grocery store specialist Cibus Nordic Real Estate expanded its Finnish portfolio in seven transactions during the year, comprising more

Total return on retail investments, 2000-2020



Source: KTI Index

than 30 assets in different locations, the largest transaction amounting to €102 million comprising seven properties. Also the Swedish Serena Properties and Trophi Fastighets made new acquisitions in 2020.

Another retail property segment favoured by investors in 2020 were different kinds of big box units. In this segment, the active investors included, for instance, the Swedish Balder, which invested in 10 car sales properties in two transactions, and the Finnish Innovestor, which carried out four retail property transactions in 2020.

"Grocery store and big box retail properties attracted investors in 2020"

The investment performance of retail properties has been relatively poor in recent years. In the KTI Index, the capital growth for retail properties has been negative for the past decade, and the annual average capital growth between 2011 and 2020 amounts to -2.4%. In 2020, the decline in capital values accelerated and total return for retail properties decreased to -6.3%. In the KTI Index, shopping centres' proportion of all retail properties is more than 70%, and shopping centres' weaker performance pressures the sector's returns. For other retail properties, total return was close to zero in 2020.

"Market values of retail properties were written down markedly in 2020"

4.4 Public use properties

Stock

Properties used for the supply of different kinds of public services have increased their attractiveness in the investment market in recent years. Investor interest was first mainly targeted at healthcare properties, but during the past years, other kinds of public properties such as educational and cultural buildings have also started to attract investors.

Properties used for the provision of public services are a diversified market segment ranging from normal office properties to highly specialised hospital buildings and nursing homes. Municipalities and the Finnish state are still the predominant owners of these properties. During the past couple of years though, the market has increasingly started to attract private investors. At the same time, public sector operators are also increasingly considering alternative opportunities for providing both the services and the premises needed for service provision.

The demand for healthcare and other social sector properties is increasing with the ageing of the population. These services are mainly provided by the Finnish municipalities, but they are also increasingly outsourcing these to private sector service providers. Another factor increasing municipalities' interest in new solutions is the tight economic situation of many municipalities, which is forcing them to consider alternative options for their traditional practices and their own investments.

"The amount of public use properties in professional investors' portfolios stood at almost €6 billion at the end of 2020"



Healthcare properties are a diversified market segment consisting of assisted living facilities and nursing homes for different target groups (e.g. elderly people and mental patients as well as disabled people), medical facilities and even hospital properties. In the Finnish context, most of these facilities have traditionally been owned by municipalities and other public sector organisations, which have also provided social services and have operated the facilities.

The amount of healthcare properties in the investment market has increased rapidly in recent years. According to KTI estimates, the total market value of the healthcare properties owned by professional investors amounted to €4.2 billion, and the value of all public use properties to €5.8 billion at the end of 2020.

In other public use property segments, the amount of private investments is still rather small in relation to the total supply of these properties. Private sector investors own, for instance, various educational, children's day care, cultural and sports buildings, but these typically represent individual assets in investors' portfolios. In recent years, investments have also been made in, for instance, fire station buildings, court houses and other kinds of public use properties.

It is also increasingly common for public sector organisations to rent normal office premises from private sector investors. For instance, premises for various state agencies are currently leased from private sector investors.

Players

Private sector players in the public use property investment sector include a group of specialised foreign investors, domestic property funds and companies and institutional investors.

The largest domestic property funds investing in healthcare properties are managed by eQ Bank, Titanium Rahastoyhtiö and Evli Fund Management Company. eQ's special mutual fund eQ Hoivakiinteistöt has increased markedly in recent years and the market value of its property portfolio currently amounts to almost €1.3 billion. Evli Healthcare I is a closed-end fund structured as a limited partnership. At the end of 2020, the Gross Asset Value of Titanium's healthcare property fund amounted to €617 million.

Northern Horizon also manages funds investing in healthcare properties. Its newest fund, Nordic Aged Care, invests in healthcare properties across the Nordic region. OP Group also has a special investment fund investing in various kinds of public service properties, and at the end of 2020, the fund's property portfolio amounted to approximately €330 million. LocalTapiola also manages a fund structure for public use properties, where pension insurers Keva, VER and Verso are anchor investors.

Finnish public use properties have also increasingly interested foreign investors in recent years. In 2020, several major company and portfolio transactions were carried out that profoundly impacted the structure and investor base in this sector.

The largest specialised foreign investor in the public use property sector is the Swedish Hemsö Fastighets. At the end of 2020, Hemsö's Finnish portfolio amounted to €1 billion, comprising healthcare, educational and other kinds of public use properties.

Two other Swedish public use property investors merged in early 2020, as SBB Norden acquired Hemfosa's shares in early 2020. Both companies had a Finnish portfolio, and after the merger the company continued to expand in several large transactions. At the end of 2020, SBB Norden's Finnish property portfolio amounted to almost €900 million.

"Several foreign investors increased their Finnish public use property portfolios in 2020"

Another major transaction was carried out in the first quarter of 2020 when Aureit Holding, a company managed by the Belgian listed care property investor Aedifica, acquired the shares of the Finnish listed public use specialist Hoivatilat. At the time of the acquisition, Hoivatilat had a portfolio of €480 million comprising healthcare, educational and children's daycare properties. After the acquisition, the company continued to expand its portfolio through two transactions with a combined value of over €108 million.

Another new player in the Finnish public use property sector in 2020 was the Belgian Cofinimmo, which first acquired a medical centre in Vaasa in late 2020, and then expanded in Vantaa through another acquisition in early 2021.

In addition to these specialised investors there are some general property investors who have also invested in public use properties, including, for instance, Dekka Immobilien, who owns a health and wellbeing centre in Kalasatama, Helsinki, and AXA IM – Real Assets, which owns a portfolio of care properties.

Market practices

Market practices in the public use property sector depend on the type of property in question. In special use properties, rental agreements are typically rather long, whereas in premises adaptable to various users, normal office market practices are usually applied.

The majority of health care properties owned by private investors are rented to private operators who typically provide their services to the municipalities. In most service sectors, the operators have to apply for a licence from authorities, which also means that the operators need to be financially solid companies. Even the facilities need to be approved by the authorities and to fulfil strict technical requirements, which vary depending on the specific use of the property. These requirements also set certain demands for the property developers and investors.

In some cases, properties can be directly rented to a municipality, which then either provides the services itself or further leases the premises to a private operator.

Leases of healthcare properties are typically long, for instance 10–15 years. Lease agreements are most commonly net leases, where the tenant is responsible for maintenance, property tax and insurances, and, in many cases, even for refurbishments. In this sense, investments are strongly driven by net income.

The market in 2021

Boosted by several exceptionally large company and portfolio transactions, the transaction volume of public use properties reached a new record level of €1.2 billion in 2020, up from €660 million in 2019.

"Public use property transaction volume reached a new record of €1.2 billion in 2020"

Aureit Holding's €480 million acquisition of Hoivatilat was among the top-3 transactions of 2020 in Finland. Another major public use property deal was the acquisition of Hemfosa, which, by the time of the merger, had a Finnish portfolio of €370 million. Later in 2020, SBB Norden entered another transaction among the ten largest deals in Finland in 2020 when it acquired a €222 million portfolio from eQ's fund.

The KTI Index has recently also been expanded to cover public use properties. In 2020, the total return on care properties amounted to 7.1% in 2020, up from 6.9% in 2019. Capital growth ended up positive at almost 2%, but income return decreased compared to the previous year.

4.5 Industrial / logistics market

Stock

The Finnish industrial and logistics property stock amounts to some 75 million sqm, according to Statistics Finland. Of this, some 9.4 million sqm is located in the Helsinki metropolitan area.

The industrial property market can be divided into various sub-categories with varying market structures and practices, as well as a heterogeneous investor and customer basis. Large industrial corporations' manufacturing properties are typically owner-occupied. In the investment market, light manufacturing properties and modern warehousing and logistics properties are the main sub-categories. Of these, the stock of logistics properties in particular has developed rapidly in recent years as a result of both changes in space demand and new traffic connections, in the Helsinki metropolitan area in particular.

In the Finnish context, the major retail chains have traditionally pursued centralised in-house warehousing and logistics systems. These strategic properties are typically owner-occupied.

Modern, efficient logistics properties have attracted investors in recent years. The demand for these kinds of properties is supported by increasing foreign trade and e-commerce.

Players

Logistics and light manufacturing properties are attracting Logistics and light manufacturing properties are attracting investors, with the main players including domestic institutions, property funds and foreign players. Foreign investors in particular have increased their investments in recent years.

Measured by capital value, some 85% of the total stock of industrial and warehouse properties is estimated to be owner-occupied. Big owner-occupiers include, for instance, large industrial and retail corporations. International logistics operators also sometimes develop and own their own properties. The value of industrial properties in the invested property market is estimated at approximately €4.7 billion.



Photo: Paavo Jäntunen / City of Helsinki / Materilbank

The Swedish listed property company AB Sagax is currently the largest investor specialising in industrial and warehouse properties in Finland. At the end of 2020, its Finnish portfolio amounted to approximately €1.3 billion.

Logicor, owned by China Investment Corporation, together with its investment partners, is another significant investor in the Finnish logistics and industrial property sector. The company's Finnish holdings comprise some 70 properties totalling 1.1 million sqm.

Other foreign investors invested in the Finnish industrial properties include, for instance, funds managed by DWS, NREP and Aberdeen Standard Investments.

Of the domestic funds, those managed by OP, eQ, S-Bank, Aktia and EAB, for example, also invest in industrial and logistics properties.

Another significant domestic player in the logistics property market is Posti Kiinteistöt, the property arm of the Finnish postal, logistics and e-commerce service company. In addition, there are numerous smaller players in logistics and manufacturing property development and investment.

Market practices

Because of the heterogeneity of both available stock and user needs, rental practices vary in the industrial and logistics markets. Rents are typically net or triple-net rents. Traditional Finnish gross leases are only used for smaller premises in multi-tenant buildings. In fixed-term contracts, the period is typically ten or fifteen years. In these kinds of leases, rental levels are partly determined by the tenant's rating.

The industrial / logistics market in 2021

The amount of vacant logistics and industrial space decreased in 2020 in the Helsinki metropolitan area. According to Catella, the vacancy rate stood at 3.9% at the year-end.

Industrial and logistics property rents have remained fairly stable in recent years. However, by international

comparison, rental levels for modern logistics premises are relatively high, partly explained by high construction costs. In the KTI database, the upper quartile rental levels for the best logistics areas in the Helsinki metropolitan area and surrounding municipalities stand at some €10-11 per sqm per month. In the airport area in Vantaa, the prime logistics rents are typically slightly higher than this.

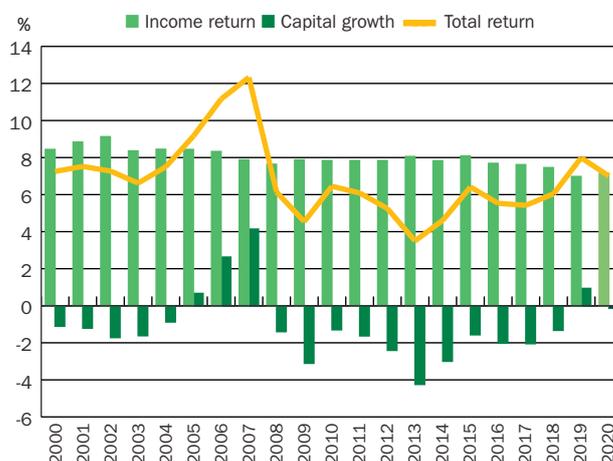
The transaction volume of industrial and logistics properties has remained rather low in recent years. In 2020, the total volume amounted to €0.5 billion in 2020, which represents a slight decrease from the previous year.

"Transaction volume of industrial property sector amounted to €0.5 billion in 2020"

New development of logistics and industrial properties in the Helsinki metropolitan area has recently been concentrated in the airport area and its surroundings. In 2020, some 54,000 sqm of new industrial and logistics premises were completed in the Helsinki metropolitan area, almost all in Vantaa, and another 67,000 sqm elsewhere in the Helsinki region. At the year-end, there were approximately 84,000 sqm of projects underway in the Helsinki metropolitan area, again, mainly in the vicinity of the airport in Vantaa. The largest ongoing project is the 23,000 sqm logistics property for Cramo Finland in Vantaanpuisto, where two domestic investors, Terrieri Kiinteistöt fund and A. Ahlström Kiinteistöt have invested.

Outside the Helsinki region, there were more than 20,000 sqm of new industrial and logistics premises completed both in Tampere and in Turku. In Turku, one multi-user property was completed in the Oriketo area, whereas in Tampere, the volume comprises several smaller projects. At the year-end, there were 10,000-15,000 sqm of new premises underway in the Tampere, Turku and Lahti regions.

Total return on industrial property investments 2000–2020



Source: KTI Index

"Logistics properties outperformed other industrial property sectors in 2020"

The Finnish industrial property sector produced a total return of 7% in 2020 (8% in 2019). Capital growth ended up close to zero and net income remained healthy at 7.1%. Due to stronger capital growth, in the Helsinki metropolitan area in particular, logistics properties outperformed other industrial property subsectors.

4.6 Hotels

Stock

According to Statistics Finland, there are 573 hotels in Finland, comprising some 46,000 rooms. Of these, 102 hotels with almost 13,000 rooms are located in the Uusimaa region. According to KTI estimates, the market value of hotel properties owned by professional investors stood at some €3.8 billion at the end of 2020.

Players

The two biggest hotel property investors in Finland are CapMan's hotel fund and the Swedish Pandox. CapMan's hotel fund comprises 28 hotel investments mainly in Finland. When restructured in 2019, the fund expanded its strategy to cover also other Nordic countries. The Pandox portfolio comprises 14 hotels across Finland.

Most of the biggest institutions hold some significant hotel properties in their portfolios. Of the domestic funds, those managed by Exilion, eQ, UB and OP, for example, have invested in hotel properties. LAK Real Estate and Ylva are examples of domestic players who have recently expanded their hotel property development and investment activity. Foreign investors in the Finnish hotel property market include Deka Immobilien, Corum, NREP and Balder. Some



hotel operators, S Group in particular, also own some hotel properties.

The largest hotel operators include Scandic and S Group. Scandic currently operates nearly 70 hotels in almost 30 cities in Finland. In 2020, Scandic opened a new hotel in Pasila, and new hotels are under construction in both the Helsinki and Turku city centres. S Group operates some 50 hotels, which are located across Finland as well as in Tallinn and St Petersburg.

The Finnish Kämp Collection Hotels, currently owned by Nordic Choice hotels, operates 13 hotels in the Helsinki metropolitan area under various brands. The chain also plans to open a new hotel in the airport area, the construction of which has, however, been postponed due to the COVID-19 pandemic.

Finlandia Hotels is a chain of 13 hotels across the country. Other expanding but more concentrated operators include Lapland Hotels, who operates 18 hotels, mostly located in Lapland but now also expanding into the largest cities.

Hotel development projects in central Helsinki

Hotel	Number of rooms	Investor(s)	Completion
Original Sokos Hotel Tripla	430	Exilion Pasilan Asemahotelli Ky	2020/Q1
Hotel U14	117	Barings Real Estate Advisers	2020/Q1
Valo Hotel/Work	422	SSA Kodit Oy	2020/Q3
The Folks Hotel	147	OP-Palvelukiinteistöt	2020/Q3
Scandic Grand Central Helsinki	491	Exilion Asemahotellit Ky	2021/Q1
Art Hotel	173	Terrieri Kiinteistöt Ky (managed by Fennia)	2021/Q2
Maestro hotel	232	Rakennusmestarien Säätiö	2021/Q4
Music Tower	100	Aberdeen Standard Investments, Ailon Group	2022/Q2
Scandic Avenue	350	Varma Mutual Pension Insurance Company	2022/Q3
Grand Hansa Hotel	224	Ylva	2022/Q4
Mariankatu 23	142	Samla Capital	2022-2023
Citybox Hotel	178	Ylva	2023
Vuorikatu 24	200	Taaleri Tonttirahasto II Ky, Jatke Oy	n/a

Finnish hotel property investors typically favour long, triple net rental agreements with a lease length of 15-25 years. The operator is responsible for all maintenance and operational costs. In some properties in city centres where there is a significant amount of other space, for example in retail use, responsibilities between the landlord and tenant might be allocated differently. Management agreements where the investor carries part of the hotel's business risk and is closely involved in property management are not common in Finland.

The hotels market in 2021

Hotels have suffered severely the COVID-19 crisis in 2020. According to Statistics Finland, the occupancy rate of hotel rooms was below 38% in the whole country on average in 2020, down from 56.1% in 2019. The Uusimaa and Lapland regions suffered the most from the lack of tourists, and the occupancy rate was clearly below the average, 35% in Uusimaa and 36% in Lapland. The occupancy rates were the lowest in April and May in spring, and again, towards the end of the year.

The average room price decreased from some €110 per night in 2019 to €102 in 2020. In the Uusimaa region, the drop in average room price was even steeper, from €120 in 2019 to €102 in 2020.

According to Statistics Finland, the number of nights spent in the Finnish hotels decreased to some 14.3 million in 2020, representing a decrease of 38% compared to 2019. The number of nights spent by domestic travellers decreased by 25%, while those of foreign tourists decreased by 67.5% compared to the previous year.

"The room occupancy rate of hotels declined to 38% in 2020"

Many hotels have been at least temporarily closed due to the pandemic in 2020. Landlords have had to grant rent reductions or temporary rent-free periods. In order to boost their sales, hotels have developed new concepts for temporary accommodation of students or flexible working premises for remote workers. This has not however, been sufficient to cover the losses from low volumes.

Hotel supply is increasing markedly in the Helsinki metropolitan area in particular. In 2020, four new hotel projects comprising some 35,000 sqm were completed in the Helsinki metropolitan area. The largest openings included the 430-room Sokos Tripla hotel in Pasila and 422-room new Valo hotel concept in Ruskeasuo.

"Hotel supply will increase markedly in the Helsinki metropolitan area in 2021"

At the year-end, there were more than 90,000 sqm of hotel space under construction in 11 projects, mostly in Helsinki. Three of the ongoing projects in the Helsinki CBD are conversions from office to hotel use. The largest of these, the 500-room Scandic Grand Central Helsinki will be opened in April at the main railway station. Exilion's fund has invested both in this project and in the Sokos Hotel Tripla property. In addition, there are two major hotel redevelopment projects in the Helsinki CBD. Pension insurer Varma is the investor in both the Scandic Avenue conversion project and in the major refurbishment in the traditional Torni hotel in Kamppi.

In addition, there are more than 10 new hotel projects planned to be started in 2021, some of which are, however, likely to be postponed due to the COVID-19 pandemic. One of the delayed projects is Nordic Choice Hotel's over 700-room hotel at the airport, which is planned to become the largest hotel in Finland. Despite the uncertainty, there are, however, several projects where the developers are planning to start construction according to the original schedule.

Ylva is another investor with two ongoing hotel development projects in central Helsinki. The traditional Seurahuone hotel property will be redeveloped and expanded to a new 224-room Grand Hansa Hotel, part of the Unbound Collection by Hyatt chain and operated by Primehotels. Ylva will also develop a hotel property in Hakaniemi as part of its Lyyra-project.

Outside the Helsinki metropolitan area, the largest projects were completed in Turku, where two new hotels were opened in 2020: one in the Kupittaa area and another in the developing Kakolanmäki area. Hotel supply will continue increasing in Turku in 2021 through the reconstruction of the traditional Hamburger Börs Hotel by the marketplace. The new hotel will be operated by Scandic. Also, the existing Marina Palace Hotel will be extended by another 100 rooms.

"Hotel property returns turned negative in 2020"

In the Tampere Deck and Arena project, there is a 285-room hotel underway, to be operated by Lapland hotels. In other major city regions, the only hotel project underway is the Oulu Torihotelli project, the construction of which has been delayed.

Due to the pandemic, hotel property total returns turned negative in 2020, for the first time in the KTI Index history. Income return declined to just over 4%, having been almost 100 basis points higher in 2019. Market values were written down by almost 5%.

There were no major hotel property transactions carried out in 2020. The only transaction captured by the KTI statistics was the sale of the Vaakuna hotel property in Hämeenlinna by CapMan's fund. The buyer was the hotel's operator, Osuuskauppa Hämeenmaa, which will refurbish the property.

5 Property markets in different regions

5.1 Main city regions in Finland

The importance of the largest city regions has increased rapidly in the past couple of decades. In 1990, some 60% of the Finnish population lived in urban areas, and by 2018, the share had increased to some 72%. The share of the 10 largest city regions currently amounts to approximately 62% of the total population and is expected to increase to 67% by 2040.

Currently, there are four city regions with more than 250,000 inhabitants: Helsinki, Tampere, Turku and Oulu. These regions generally perform well and show strong economic development and population growth. The second tier of city regions – those with more than 100,000 inhabitants – include 7 regions: Lahti, Jyväskylä, Kuopio, Pori, Seinäjoki, Joensuu, and Vaasa. City regions with a population of 80,000-90,000 include Hämeenlinna, Kouvola, Lappeenranta and Kotka-Hamina. There are significant differences in the economic performance and growth between these city regions.

"The ten largest city regions are expected to account for 67% of population by 2040"

In 2020, the COVID-19 pandemic caused a sudden change in people's daily lives, which also impacted housing needs and preferences. Quarantines and restrictions forced people to spend more time at home and its immediate vicinity, and, at the same time, enabled remote working and thus removed the need for daily commuting. The outbreak of the pandemic raised speculations on accelerating migration to rural locations or, for instance, in the smaller municipalities in the

10 largest city regions in Finland: population in 2020 and forecast for 2040

	2020	2040
Helsinki	1,586,100	1,793,900
Tampere	415,200	448,600
Turku	335,300	353,500
Oulu	255,000	268,900
Lahti	199,200	185,400
Jyväskylä	187,200	194,600
Kuopio	141,500	140,900
Pori	130,600	115,600
Seinäjoki	126,700	122,300
Joensuu	123,900	118,600

Source: Statistics Finland

Helsinki metropolitan area, so called frame municipalities with predominantly single-family housing areas. However, even though the internal migration slowed down in 2020, the big picture of urbanisation does not seem to have changed markedly.

The concentration of the Finnish population in the largest cities is expected to continue, which will lead to an increasing differentiation between growing and decreasing city regions. According to the forecasts of the consulting firm MDI from 2019, the city regions that will significantly grow their population by 2040 include Helsinki, Tampere and Turku. The Oulu and Jyväskylä regions are expected to show moderate growth, and the population in the Kuopio region is expected to remain stable. In other regions, population is expected to decrease.

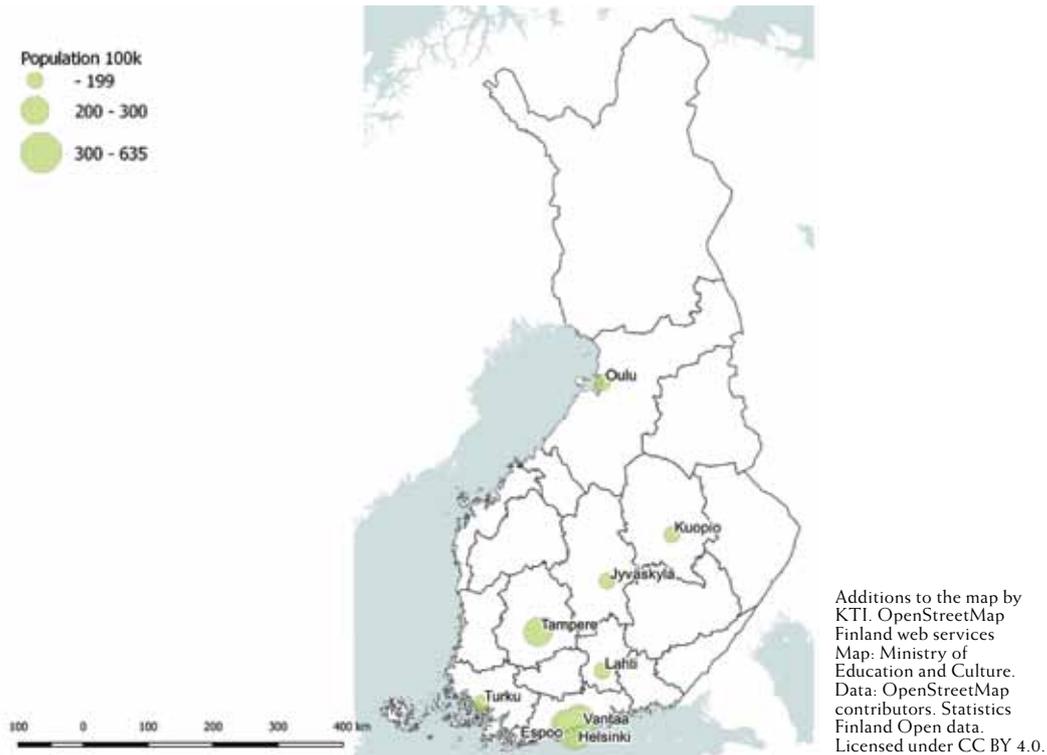
The COVID-19 pandemic's impacts on the development of various city regions will only be made apparent in the coming years. However, at the moment, it seems that the largest city regions will continue to grow. The pandemic might give a boost to some second-tier cities with good connections to larger cities, like smaller cities within the Helsinki-Tampere-Turku triangle.

"The COVID-19 pandemic has not changed the big picture of urbanisation"

In recent years, population growth has been fastest in the Helsinki region, which currently accommodates some 1.5 million inhabitants. The region comprises 14 municipalities. The main cities in the region include Helsinki, Espoo and Vantaa, which, together with the smaller city of Kauniainen, form the Helsinki metropolitan area with almost 1.2 million inhabitants. The population of the city of Helsinki itself amounts to 654,000 inhabitants. In recent years, the population of the Helsinki region has been increasing by almost 20,000 inhabitants per annum, with net migration both from other parts of Finland and from abroad being the main driver for the growth. However, in 2020, the growth of the region slowed down significantly. In 2020, the region's population grew by 14,000 people, compared to 19,400 in 2019, due to a decrease in net migration. Compared to other city regions, the Helsinki metropolitan area is more dependent on occupations in private service and tourism sectors, which have suffered from the pandemic.

By 2040, one third of the Finnish population, some 1.8 million people, is forecasted to be living in the Helsinki region. The Helsinki region currently represents some 27% of Finland's total population, 37% of the country's total GDP and 32% of all jobs, even as the land area represents only 1.2% of the whole country.

Main city regions in Finland 2020



The Tampere region, located some 170 km north of Helsinki, currently accommodates some 415,000 inhabitants. In 2020, population growth of Tampere even accelerated from the previous years, and at the end of the year, the population of the city exceeded 240,000. In addition to Tampere, the region comprises ten municipalities. By 2040, the population in the Tampere region is expected to amount to some 448,000 inhabitants.

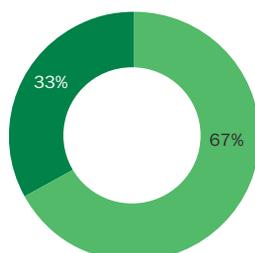
The Turku region is located in the south-western corner of Finland, some 160 km west of Helsinki. The population of Turku amounts to 194,000 inhabitants, and that of the whole region to some 335,000. The region consists of eleven municipalities. In the past decades, the region's growth has lagged behind that of Tampere, but by 2040, the number

of inhabitants in the region is expected to grow to almost 360,000. In 2020, the region's population grew by some 3,000 people.

Southern Finland's three large city regions – those of Helsinki, Tampere and Turku – form the so called "growth triangle", which currently accommodates 49% of the population and 53% of all private sector jobs, and accounts for 55.5% of the total GDP. It is also an increasingly connected employment area for 1.5 million people, where well-functioning public transport has an important role in connectivity and economic development. Therefore, the development of rail connections between these cities are currently discussed actively, and both the Turku and Tampere regions promote the idea of an hour's train connection to Helsinki. Both projects are still in the early planning phase. In 2020, the

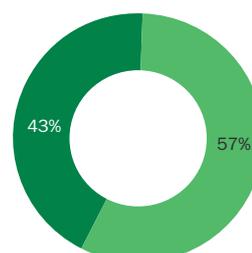
The Finnish property investment market: Helsinki metropolitan area and rest of Finland

The Finnish property investment market



■ Helsinki metropolitan area
■ Rest of Finland

Transaction volume 2020



Source: KTI

Turku rail connection proceeded with decisions to develop the Turku railway yard as well as the city track in Espoo, which are both required for the development of the actual track. Further investment decisions are being expected in the coming years. The so called Suomi-rata project from Helsinki to Tampere is still waiting for decisions on the alignment of the track between the Helsinki-Vantaa airport and Tampere.

Oulu, located some 600 km north of Helsinki, is the largest city in northern Finland, whose influence covers almost half of the total area of Finland. There are currently some 206,000 inhabitants in the city itself, and approximately 255,000 in the whole region. The growth of the region's population is expected to continue for the next decade, but is expected to start declining in the 2030s.

Jyväskylä is located in the centre of Finland, some 270 km north of Helsinki, at the junction of several important national road and rail connections. The city accommodates some 143,000 inhabitants, and the whole region some 187,000 people. The population of the Jyväskylä region is also expected to continue to grow until the 2030s, but after that, the development is forecasted to turn negative, and by 2040, some 195,000 inhabitants are expected to live in the region. In 2020, the region's population grew by some 900 people.

Lahti is the eighth largest city and the region is the sixth largest city region in Finland with some 120,000 inhabitants in the city itself and almost 200,000 in the region. Lahti is located 104 kilometers north-east of Helsinki, and a significant part of the population commutes to work in the Helsinki metropolitan area. Despite its favorable location, Lahti is the only large city region where the population is expected to decrease by 2040, and the number of inhabitants in the region is forecasted to amount to around 185,000.

Kuopio is located in eastern Finland, some 400 kilometres north-east of Helsinki. The city continued to grow slightly in 2020, and there are some 120,000 inhabitants in Kuopio, and some 140,000 in the whole region. In the Kuopio region, the number of inhabitants is also expected to grow until the early 2030s, but to start to decline after that.

5.2 The Helsinki metropolitan area

The Helsinki metropolitan area, consisting of the cities of Helsinki, Espoo, Vantaa and Kauniainen, is the dominant region in the Finnish property market. Its dominance is the most prominent in the office markets: its 8.7 million sqm office stock accounts for some 44% of that of the whole country, and measured by value, its share is clearly higher, approximately 65%.

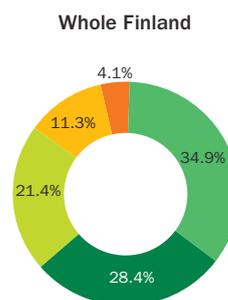
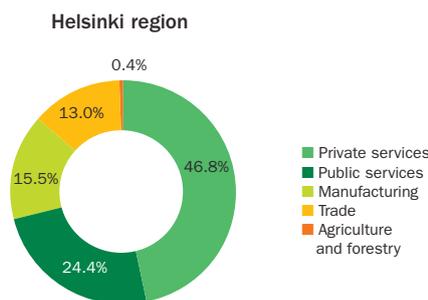
The institutional property investment market is also concentrated in the Helsinki metropolitan area. The area is well recognised among foreign investors, and many large global players only invest in the capital region.

Most major company headquarters as well as government agencies are located in the Helsinki metropolitan area. The economic base of the region is wide, with information industries, professional and financial services, wholesale trade, logistics, high-tech industries and research and development occupations being the largest occupations. In the Helsinki region, the proportion of jobs in the private service and retail trade sectors is significantly higher than across the entire country, standing at approximately 60%. On the other hand, the proportions of occupations in manufacturing (16%) and public services (24%) are lower than in the entire country on average, according to the Helsinki Region Industry Review, published by the Helsinki Region Chamber of Commerce.

"The number of employed decreased by 1.1% in the Helsinki region in Q3/2020"

In recent years, the amount of production and the number of jobs have developed more positively in the Helsinki region than in the whole country on average. In 2020, the region suffered from the COVID-19 pandemic, and the amount of production and the number of jobs decreased compared to the previous year. Due to the large weight of private services in the region's production, the production decreased more

The structure of the economy
Percentage of jobs, 2019



Source: Helsinki Region Chamber of Commerce

than in the whole country on average. However, the decline in employment was slightly milder than in the whole country on average, and in the third quarter of 2020, the number of employed in the Helsinki region was 1.1% lower than in the corresponding period in 2019, while, in the whole country, the number of employed decreased by 2.0%.

The region's growth has also fueled construction in the Helsinki metropolitan area. Residential construction activity has remained high, and in the first three quarters of 2020, almost 9,400 new residential units were completed in the Helsinki region, compared to 10,300 in previous year. However, the number of starts increased from the previous year, and amounted to some 12,200 dwellings during January-September 2020.

Residential construction has been concentrated in apartment buildings and in smaller dwellings, and supported by the investment demand for rental residential dwellings. Of the dwellings completed during the first three quarters of 2020, more than 40% were in buildings targeted 100% for rental use.

Investments in the public transportation network continue to support the growth and construction in the Helsinki metropolitan area. In recent years, the Ring Rail Road, which connects the Helsinki airport and several significant residential areas with the city centre, as well as the Western metro line to Matinkylä in Espoo have boosted property development in their catchment areas. Currently, the main rail construction projects include the extension of the Western metro line to Kivenlahti and the construction of the so called Rail Joker, a fast tram connection from Keilaniemi in Espoo to Itäkeskus in Helsinki. The metro connection is planned to start operations in 2023, and the Rail Joker is expected to be completed in 2024.

Furthermore, the so called Pisara rail connection is being planned between Central Station, Töölö, Pasila and Hakaniemi, which would ease public transportation in the inner city. The final decision about the construction of the Pisara rail is, however, still to be made.

Other public transport development projects of the early 2020s include several developing tram lines, to, for example Jätkäsaari, Hernesaari and Ilmala as well as between Kalasatama and Pasila. The construction of Kruunusillat, a light traffic and tram bridge connecting the inner city with Kalasatama, Laajasalo and Korkeasaari is also expected to be started in 2021 and completed in 2026. These projects enable more residential construction in the areas and reduce the need for private cars in the inner city.

"Development of new tram lines enables residential construction in many areas"

Within the Helsinki metropolitan area property markets, the Helsinki central business district (CBD) has an indisputable position as both the prime office and prime retail market location. Outside the CBD, other prime office locations include Ruoholahti and the Pasila-Vallila-Kalasatama areas in Helsinki, Keilaniemi and Leppävaara in Espoo and the airport area in Vantaa.

In the retail markets, in addition to the CBD, the most important areas include the regional centres of Itäkeskus in Helsinki, Leppävaara, Tapiola and Matinkylä in Espoo and Tikkurila and the surroundings of the airport in Vantaa. Main shopping centres are located near main rail or road connections as well as in the Helsinki CBD.

Of around 8.7 million sqm total stock of offices in the Helsinki metropolitan area, almost 6 million sqm is located in Helsinki. Espoo accommodates about 1.8 million sqm and Vantaa about 1 million sqm of offices. In recent years, office stock has remained stable or even reduced slightly due to active conversion construction.

Retail space stock of the Helsinki metropolitan area amounts to about 4.4 million sqm. Of this, about 2.2 million sqm is located in Helsinki.

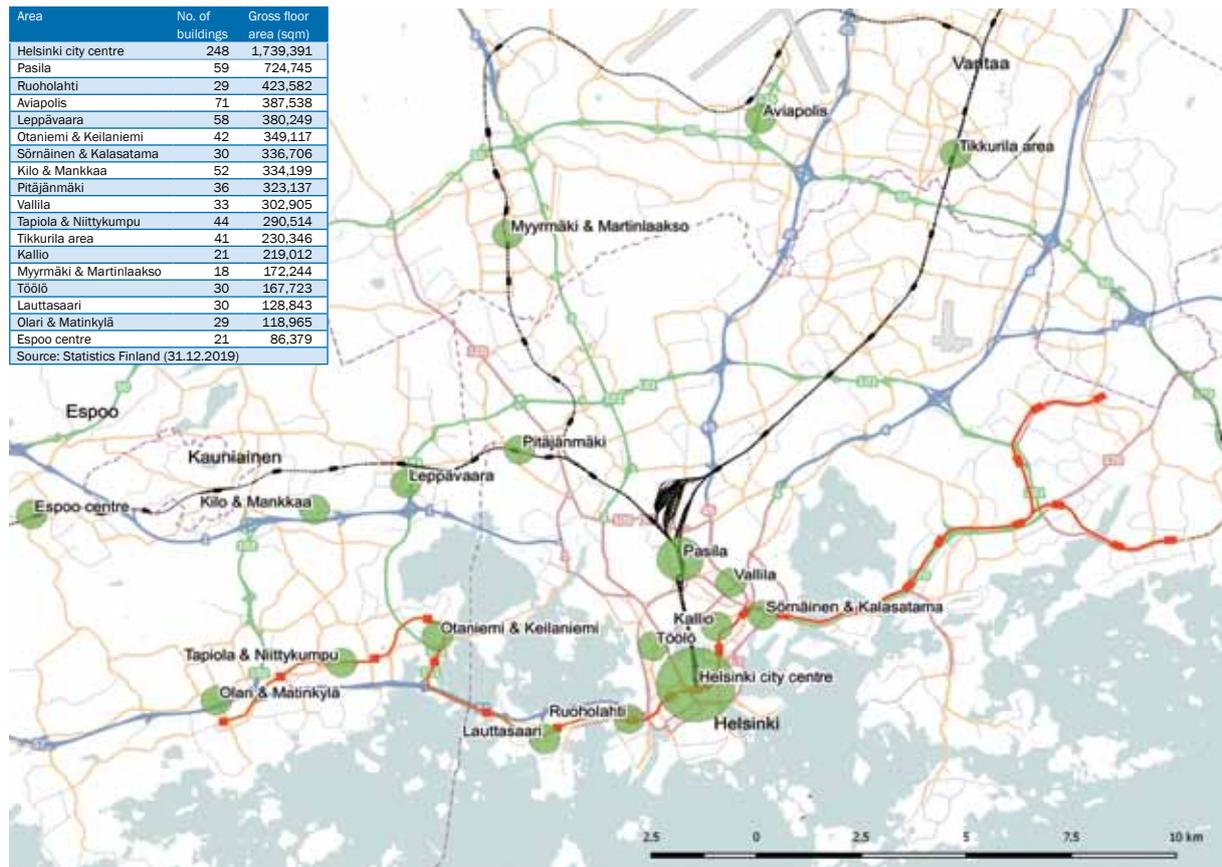
Commercial property stock by region and property sector 2019



* Turku, Tampere, Oulu, Lahti, Jyväskylä and Kuopio

Source: Statistics Finland

Main office areas in the Helsinki metropolitan area



Additions to the map by KTI.
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5.2.1 Helsinki

The current city master plan of Helsinki is based on a prediction that, by 2050, the population in Helsinki will grow to some 860,000 people and the number of jobs will amount to 560,000. The master plan is based on a vision of the increased building density in the inner city, as well as zoning of new areas into residential use.

Areas with increasing commercial property supply include, for instance the extending Pasila–Vallila–Kalasatama axis, as well as the areas in and close to the CBD.

The Helsinki Central Business District

The Helsinki CBD is the most important single property submarket in Finland, both in the office and retail property markets. This geographically small area also accommodates the most important public sector administrative functions and cultural buildings.

Office users in the city centre are mostly companies offering business-to-business services – such as business consultancies, law firms and financial service firms – together with some company headquarters and ministries' offices. The majority of the office stock in the Helsinki CBD was built in the late 1800s and early 1900s, but it is mostly well maintained and refurbished.

The Helsinki CBD office area has recently been extended towards the Töölönlahti area in the vicinity of the main railway station. In the area, there are also major cultural

buildings such as the City Music Hall and Finlandia Hall, as well as the new central library. Further in Töölö, towards Pasila, YIT is planning the Helsinki Garden project in Nordenskiöldinkatu. The project is a hybrid property complex comprising an events arena, hotel, restaurants and other services and retail premises as well as residential dwellings.

In Katajanokka, next to the Market Square, Varma is currently planning to develop a wooden office and hotel property with a gross area of some 20,000 sqm with estimated completion in 2023. The main tenant in the office premises will be the forest industry company Stora Enso. On the other side of the market square, in Kaartinkaupunki, the State's Senate Properties are about to start the construction of the 17,700 sqm headquarters for the Finnish Security and Intelligence Service. In addition, there are several major office refurbishment and extension projects underway in the CBD.

On the outskirts of the CBD, in Kamppi, a consortium led by YIT and pension insurer Keva are planning the redevelopment of the old Maria hospital area. The construction of the Growth Company Campus project is scheduled to be completed in 2023, with a total of 70,000 sqm of commercial premises expected to accommodate approximately 4,000 jobs.

In 2020, the largest office property transaction in the Helsinki city centre was carried out by LaSalle's E-REGI

Fund, which acquired a 10,800 sqm office property from OP Life Assurance for €45.5 million. The Swedish Balder invested in an office property in Fredrikinkatu, Kamppi.

The CBD office stock also continues to evolve by conversion projects, whereby older office premises are being redeveloped to some other, mostly residential or hotel use. In 2020, one residential and one hotel conversion project was completed, and at the end of the year, there were three hotel conversion projects and one residential conversion project underway. In addition, two more hotel conversion projects are planned to be started in early 2021.

The yields for prime offices in the CBD rose slightly in spring 2020, due to the outbreak of the COVID-19 pandemic. However, by the autumn, they recovered and in the RAKLI-KTI Property Barometer carried out in October, the prime office yield stood at 3.7% on average, which is the lowest quotation ever.

"The prime office yield in Helsinki stood at 3.7% in late 2020"

The Helsinki CBD office market has, in recent years, outperformed most other office areas in terms of total

returns. In addition to decreasing yields, investment performance has also been supported by positive rental growth and healthy occupancy rates. However, in 2020, rents in new office agreements decreased slightly, by 1.3%, according to the KTI rental index, and the occupancy rate decreased to approximately 92%. The decrease in rents was mainly caused by the lack of the most expensive properties and premises in the KTI sample: the upper quartile of office rents decreased from €36.5 per sqm per month in 2019 to €33.5 in 2020, while the average and median rents remained stable at approximately €30 per sqm per month. The rental market was characterized by very low activity. For 2021, the outlook for rents and occupancy rates are negative for the CBD, although less negative than for all other office submarkets.

"Office rental market activity was very low in the Helsinki CBD in 2020"

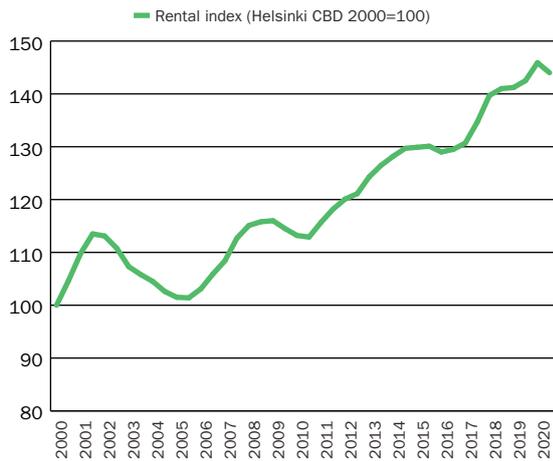
The supply of hotels continues to increase in the Helsinki CBD. In early 2020, hotel U14 was opened in Unioninkatu, and in spring 2021, Scandic Grand Central Helsinki will be completed at the main railway station. Both hotels have been converted from old office buildings. Two other conversions are underway in Kamppi: Maestro Hotel in Fredrikinkatu

Helsinki CBD (KTI Office rental index area)



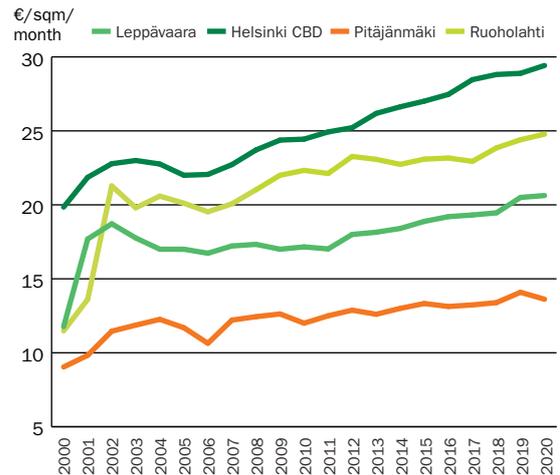
Additions to the map by KTI. Maanmittauslaitos & ESRI Finland LITE open data, licensed under CC BY 4.0.

KTI Rental index, Helsinki CBD offices



Source: KTI

Median office rents, all agreements



Source: KTI

will be completed in late 2021, and Varma's Scandic Avenue project in Annankatu in the latter half of 2022. In addition, several hotels in the CBD are being renovated and extended, including the traditional Torni hotel in Kalevankatu, Original Sokos Hotel Helsinki in Kluuvikatu, as well as Grand Hansa Hotel in Mannerheimintie.

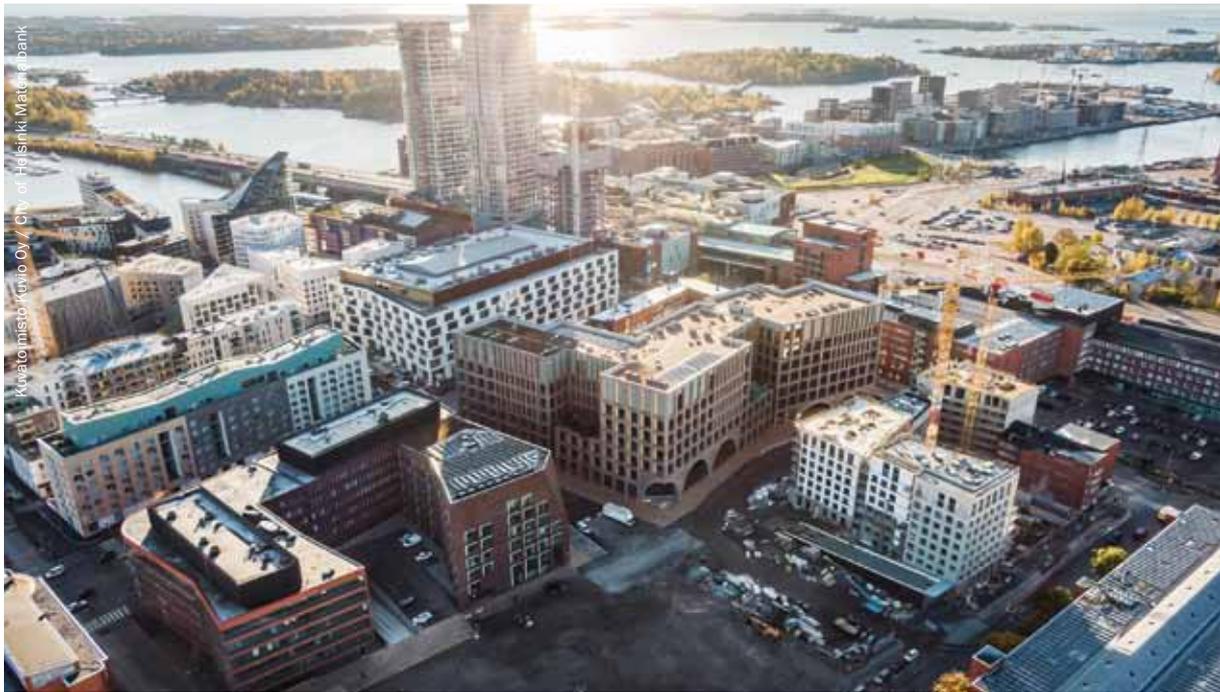
"The supply of hotels continues to increase in the city centre"

Prime retail area in the Helsinki CBD



Additions to the map by KTI.

OpenStreetMap Finland web services, licenced under CC BY 4.0. Map: Ministry of Education and Culture, Data: OpenStreetMap contributors. Maanmittauslaitos & ESRI Finland LITE open data, licenced under CC BY 4.0.



The main shopping streets in the Helsinki CBD include Aleksanterinkatu and the Northern Esplanade as well as the streets connecting these two streets. The traditional Stockmann department store is located between these two streets. In recent years, pedestrian areas have been developed around the most important shopping locations. The city centre also accommodates several shopping centres, including Kamppi and Forum in the Kamppi area, Kämp Galleria and Kluuvi in the Kluuvi area, and Citycenter next to the main railway station.

In recent years, retail rental markets have faced challenges caused by the increase in e-commerce and changing consumer behavior. In 2020, the outbreak of the COVID-19 pandemic immediately affected retail markets, and also hampered the best retail locations. The number of visitors in the city centre decreased dramatically due to increased remote working as well as travel and other restrictions, which

reduced the sales of the shops, restaurants and hotels in the CBD.

Due to the various actions taken to support retailers and restaurants, the occupancy rate in the CBD remained healthy at 94% in the KTI rental database in September 2020. However, the retail rental market was very quiet, and the number of new rental agreements started in 2020 was lower than ever before in the KTI database. In the quiet markets, rents in new agreements were clearly lower than in previous periods. The outlook for retail rental markets is negative in all areas and retail rents and occupancy rates are expected to decrease also in the CBD in the near future. Due to the limited supply, however, the outlook for the best locations is clearly less negative than in all other areas. In the RAKLI-KTI Property Barometer in October 2020, the assessed prime retail rent for the Helsinki CBD stood at €124 per sqm per month.

Prime retail rent in the Helsinki CBD



Source: RAKLI-KTI Property Barometer

“The Helsinki CBD retail markets will experience significant changes in the coming years”

Significant changes are expected in the Helsinki CBD retail markets in the future. In Aleksanterinkatu, the traditional Aleksis 13 department store was closed in late 2020. The decision for the closure was made even before the pandemic. The owner of the building, pension insurer Ilmarinen, is applying for a change in the use of the building, and plans to convert the upper floors of the 5-story building into office use.

In the very core of Helsinki, the traditional Stockmann department store has also been facing major challenges, which were highlighted by the outbreak of the pandemic. To avoid bankruptcy, the Stockmann group applied for a corporate restructuring process in spring 2020, and as a



result, the company has announced to sell the iconic building in the Helsinki CBD in order to reduce the company's debt burden. The value of the sale-and-lease-back deal has been widely speculated, and the transaction might become the largest single-asset transaction in Finland ever. The building's value is being increased by its unique location and image, and, on the other hand, challenged by the economic situation of the main tenant and limited possibilities for redevelopment of the protected building.

"The iconic Stockmann department store building will be sold as part of a corporate restructuring program "

Another initiative, which might impact the Helsinki CBD retail market in coming years, is the development of Elielinaukio and Asema-aukio next to the main railway station. The City and the property owners of the area – Ilmarinen, SOK, OP-Rental Yield fund, Exilion and VR – have launched an international architecture and conceptual design competition to develop the area. The supplementary construction in the area is intended to increase the supply of shops, offices, leisure services and public meeting spaces.

Ruoholahti – Salmisaari

Ruoholahti is a modern office area near the Helsinki CBD at the starting point of a major western radial route. Ruoholahti and the adjacent Salmisaari area accommodate a variety of businesses, such as high-tech and industrial companies, business consultancies, banks and insurance companies.

In the KTI database, the average office rent in Ruoholahti currently stands at some €24 per sqm per month, and the upper quartile at over €26 per sqm. After a couple of year's positive development, however, the occupancy rate in the area decreased markedly in 2020.

Investors in the area include domestic institutions and property companies as well as some international funds. In

one of the largest property transactions in 2020, Antilooppi Ky acquired a portfolio of nine properties, comprising approximately 100,000 sqm in Ruoholahti from Sponda. The portfolio comprises mainly office premises, but the Ruoholahti shopping centre was also included in the deal.

"Antilooppi acquired a portfolio of nine properties in Ruoholahti in 2020"

In late 2020, NCC started the construction of an office building under a new We Land concept. Deloitte will be the main tenant in the building, which will have a lettable area of 21,000 sqm and is scheduled for completion in late 2023.

In the Cable Factory cultural centre in Ruoholahti, a new Dance House Helsinki is currently under construction. Dance House Helsinki will be dedicated entirely for different forms of dance art. The project is due for completion in late 2021 and planned to be opened in early 2022.

Jätkäsaari

Next to Ruoholahti is the growing Jätkäsaari area, which was freed for development after the harbour moved its operations to Vuosaari. Jätkäsaari accommodates the West Harbour, which serves passenger ferries to Tallinn and Saint Petersburg. By 2030, Jätkäsaari is planned to accommodate some 21,000 residents and 6,000 jobs. Traffic connections to Jätkäsaari will be improved in spring 2021, when the new Atlantinsilta will be completed enabling a circular tram route around Jätkäsaari. The city is also working on a long-term plan to develop the traffic connections in the southern parts of the city. In early 2021, a decision was made to construct a tunnel connecting the harbour to Länsiväylä, which will enable more harbour operations to be moved from the city centre to Jätkäsaari. This, in turn, will enable the development of the Southern harbour area next to Market Square, which is planned to accommodate a museum for design and architecture, as well as new services and a promenade along the waterfront.

"Several hotel projects are being constructed and planned in Jätkäsaari"

Both residential and commercial property construction continues to be active in Jätkäsaari. In late 2020, the first office building of SRV's Wood City block was completed in the area for the game company Supercell. Two hotel construction projects are currently underway: Terrieri Kiinteistöt is developing a 173-room Art Hotel for Primehotels, and Aberdeen Standard Investment and Ailon Group are developing a 100-room Music Tower Hotel in the area. Four more hotel projects are being planned in the area, but still wait for decisions to be started.

Next to Jätkäsaari is the old dock and industrial Telakkaranta land area, which accommodates some office buildings, housing projects and a promenade along the seashore with cafes and restaurants. Next to Telakkaranta is the Hernesaari area, which is being transformed from traditional industrial and harbour space to a residential area that will also serve leisure and tourism. The area is planned to accommodate some 7,500 inhabitants and will be the main harbour for cruise ships visiting Helsinki.

Hakaniemi

North-east from the Helsinki CBD, the traditional Hakaniemi area is undergoing major redevelopment. Main players in the area include, for instance, property investment and development company Antilooppi and the Helsinki University Student Union's property arm Ylva.

By the Hakaniemi square, Antilooppi is currently redeveloping the traditional Elanto department store. As part of the project, the adjacent old office building will be demolished and new premises will comprise retail, restaurant and office space. Under the Hakaniemi square, Antilooppi is planning to develop parking facilities for 450 cars. By the square, the City of Helsinki is redeveloping the traditional market hall. In the vicinity, the former office properties of the City of Helsinki have been demolished and will be replaced by Ylva's project Lyyra. The project, which comprises office and retail premises, a hotel and accommodation premises for the university's foreign researchers, is planned to be completed in 2023.

Public traffic connections in Hakaniemi were strengthened through the completion of the Hämeenkatu renovation project in 2020.

Pasila

Other traditional office areas situated somewhat out of the city centre include Pasila, Sörnänen, Vallila and Kalasatama. These areas are characterised by a multifaceted office supply. The Pasila–Vallila–Kalasatama area is named as an "axis of growth" in the City of Helsinki growth strategy. A new tram connection is being planned from Pasila to Kalasatama, which might start operations in 2024. The line will be connected to the new Kruunusillat high-speed tram line.

Pasila is an important railway hub and multifaceted property market area north of the city centre. Pasila consists of several areas including the traditional submarkets of Eastern and

Western Pasila, the developing Ilmala, Northern Pasila and the old railroad machinery area south of the station. Pasila currently accommodates a colourful mixture of office users, including government and city agencies, insurance companies and business service and media companies.

Both commercial and residential property stock in Pasila are planned to increase significantly. In the city's long-term plans, the number of jobs will double to 50,000 and number of inhabitants almost triple to 30,000 residents. Pasila station is expected to become the busiest railway hub in Finland with some 47 million passengers per year.

"Significant development activity continues in the Pasila area"

The commercial property stock of Pasila increased markedly in 2019 and 2020, when the three-block Tripla project was completed in the Central Pasila area. The area accommodates the 85,000 sqm Mall of Tripla shopping centre, the adjacent Sokos Hotel Tripla comprising 430 rooms and the Tripla Workery offices with a gross area of 50,000 sqm. The area's developer YIT remains as a co-owner in the shopping centre, together with some domestic institutions and funds. A fund managed by Exilion has invested in the hotel, and the office properties are owned by Commerz Real.

Next to Tripla, YIT is also planning a high-rise project Trigoni, which, according to current plans, will comprise four towers with both residential and commercial premises. The construction of the project is estimated to be started in late 2022.

There are also major plans to develop the Ilmala and Northern Pasila areas north of the railway station. These areas will accommodate both residential and office properties. Currently, residential construction activity is high in these areas.

In late 2020, Skanska acquired the so-called Pöllölaakso area in Pasila from NV Kiinteistösihteeri Oy, a joint venture of Varma, State Pension Fund and Nordea Life Assurance. The area is currently occupied by the Finnish media company MTV, which will move out of the area by 2023, and the site will be freed for residential development. The area comprises 43,100 sqm of building right and will accommodate 600-700 residential dwellings.

"The Pöllölaakso area in Pasila will be developed into residential use"

Due to the multifaceted office supply, rental levels vary markedly between modern and older stock in Pasila. In the KTI database, average rents stand at €18-20 per sqm per month. Office occupancy rate is healthy at approximately 96%.



Vallila

Vallila is a traditional office and light industrial area next to Pasila, currently accommodating, for example, head offices of banks and telecommunications companies. Vallila also accommodates a heterogeneous office stock with significant variation in rents between older and modern premises. There is plenty of vacant space in the older office stock, where the occupancy rate in the KTI database is below 80%, with rents standing at some €15 per square metre on average.

In early 2020, OP Group sold its 74,000 sqm head office property to a consortium comprising two South Korean investors – NH Investment & Securities (NHIS) and Shinhan Investment Corp – and the pension insurer Varma. The transaction price amounted to €480 million, which is the largest single-asset office transaction in Finland ever.

The second and third phases of NCC's Fredriksberg project, comprising a total gross area of some 18,600 sqm, were completed in Vallila in 2020. KanAm's fund owns the buildings. The fourth phase is currently underway and scheduled for completion in late 2022. The media company MTV will be the main tenant in the building.

The old VR machine workshop property area south of the Pasila railway station is also undergoing a major redevelopment, and it already accommodates approximately 2,500 inhabitants and thousands of jobs. In summer 2020, a 150-room Folks Hotel was completed in the area. OP's fund has invested in the project.

Sörnäinen – Kalasatama

Sörnäinen is a traditional industrial and harbour area that also accommodates a heterogeneous office stock. Next to Sörnäinen is the developing Kalasatama area. Kalasatama is another former harbour and industrial area, where living, working and public and private services will be combined. When completed in about 2040, Kalasatama is planned to

accommodate some 25,000 people and 10,000 jobs. The area currently accommodates some 4,000 inhabitants.

"Residential and office development continues to be active in Kalasatama"

The Kalasatama area also accommodates the 60,000 sqm REDI shopping centre. In early 2020, the ownership of the centre was rearranged when the area's developer SRV sold its stake of the centre to the existing institutional investors.

"Kojamo invested in a residential tower in Kalasatama in 2020"

Adjacent to the centre, SRV is developing residential towers, the first one of which was completed in late 2019 and a second tower comprising 32 floors and 249 dwellings due for completion in late 2021. The third tower, branded as Lumo One, was sold to residential investment company Kojamo in 2020, and will comprise 291 rental dwellings when completed in autumn 2022. In total, there will be seven residential towers, which are scheduled to be completed by 2027. SRV is also planning to start the construction of the 26-floor office tower Horisontti. According to the current estimates, the tower is due for completion in 2023.

Office stock in Kalasatama increased in 2020 through the completion of the City of Helsinki's Urban Environment House, comprising a gross area of 40,000 sqm. Union Investment Real Estate has invested in the building.

In late 2020, the Swedish listed property company Castellum bought the Finnish Lindström Invest, whose property portfolio comprised five office buildings in the Kalasatama area. The transaction price of the 36,000 sqm portfolio was €150 million. The company also plans to develop the 11-story Rantatien Viitta business park in the area, scheduled for completion in 2023.

"The Swedish Castellum made investments in Kalasatama and Sörnäinen in 2020"

In December, Castellum also invested in another office property in the vicinity in Hämeenkatu. The almost 11,000 sqm building was sold by CapMan's Nordic fund, and the transaction price amounted to €23.7 million.

In the office premises of Kalasatama, rents and occupancy rates are higher than in, for instance, the neighboring Sörnäinen area. In the KTI database, average and median office rents in Kalasatama stood at approximately €21-22 per sqm per month in 2020.

Ruskeasu, Käpylä

Next to Pasila, by Mannerheimintie, is the Ruskeasu office area with mostly modern space supply. The area currently accommodates, for example, two phases of Skanska's Manskun Rasti project, as well as the two buildings of NCC's Aitio Business Park.

In the vicinity, a 420-room Valo Hotel & Work was opened in late 2020. The hybrid property offers hotel accommodation and co-working office premises.

North of eastern Pasila is the traditional residential area Käpylä. The surroundings of the Käpylä railway station

accommodate a relatively modern office stock where a couple of company headquarters are located. In the plans of the City of Helsinki, Tuusulanväylä motorway is planned to be developed as a city boulevard, and some 20,000 new residents will be accommodated in the area. These plans would transform the current Käpylä railway station into an important transportation hub for train, bus and light rail connections.

Pitäjänmäki

Pitäjänmäki, situated seven kilometres north of the Helsinki city centre, is an old industrial area that was converted into mainly office use in the 1990–2000s. The investor base in the area is varied.

The amount of vacant office space has remained high in Pitäjänmäki for several years. In KTI's rental database, the area's occupancy rate began to decline again in 2020, and only stood at 68% in September. Rents in the varied office stock stand at €13-14 per sqm on average.

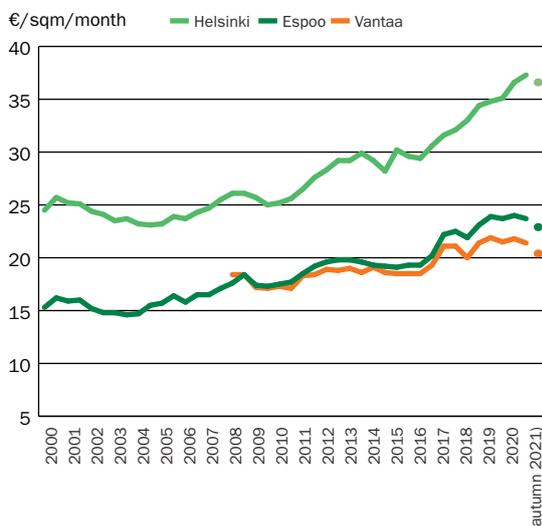
In early 2020, Cromwell Property divested two office properties in Pitäjänmäki. In the first transaction, the buyer was Conficap, and in the second, also comprising three other office properties, the buyer was Elite Alfred Berg's property fund.

Herttoniemi – Itäkeskus – Vuosaari

Herttoniemi is an area five kilometres east of the Helsinki CBD, adjacent to both the eastern radial route and the metro line. Herttoniemi is an old warehousing area that has gradually transformed into a more diversified area with office and retail supply. There is also extensive residential stock.

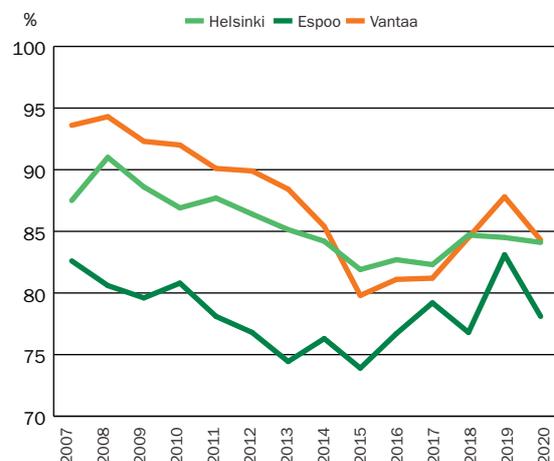
The 20,000 sqm local service centre Hertsu was opened in 2020 by the Herttoniemi metro station. Fennia and Aktia life insurance companies and Yleisradio Pension Fund are investors in the new centre, while eQ's fund is the investor in the older part. Rental residential construction activity

Prime office rents in Helsinki, Espoo and Vantaa



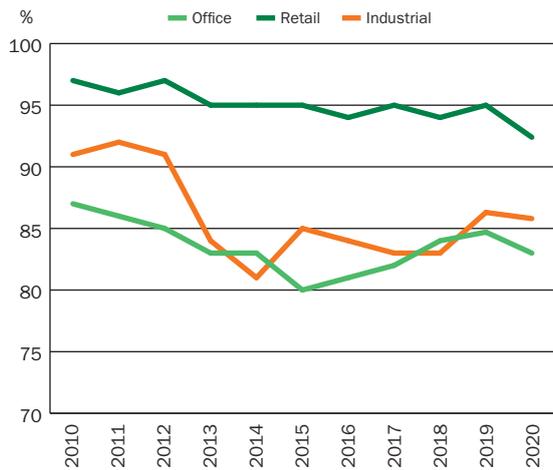
Source: RAKLI-KTI Property Barometer

Office occupancy rates in Helsinki, Espoo and Vantaa



Source: KTI Rental database

Occupancy rates of offices, retail and industrial in the Helsinki metropolitan area



Source: KTI Rental database

remains high in the area, comprising both subsidised and non-subsidised supply. The City of Helsinki plans to develop the metro station area in Herttoniemi.

South of Herttoniemi is the Laajasalo residential area, which accommodates the 8,500 sqm retail centre Saari. Niam has invested in the property.

In the western part of Laajasalo is Kruunuvuorenranta, which is one of the largest city development areas in Helsinki.

In order to connect the area to Kalasatama and the city center, a 10-kilometer tram connection will be constructed, comprising three bridges, the so called Kruunusillat project. The construction will be started in 2021 and is expected to be completed by 2026. The Kruunuvuorenranta area is planned to accommodate 13,000 inhabitants and 800 jobs by 2030.

Further east at the junction of Ring Road I and the eastern radial route, as well as by the eastern metro line is the Itäkeskus area. Itäkeskus is also at the eastern end of the new Jokeri Light Rail line. The 100,000 sqm Itis and Kesko's 20,000 sqm Easton shopping centres are located in Itäkeskus.

Vuosaari currently accommodates some 38,000 residents and continues to grow. Next to the Vuosaari metro station is the 21,000 sqm shopping centre Columbus, which is the centre of the area's retail supply. Vuosaari accommodates the City of Helsinki harbour, with an extensive logistics property stock. Logikor is one of the main owners of the logistics space in the area.

5.2.2 Espoo

Espoo, Finland's second biggest city, has commercial property stock scattered within five regional centres: Leppävaara and Espoo centre are located by the western railway, and Tapiola and Matinkylä-Olari by the western metro line. The fifth centre, Espoonlahti, will also be served by the metro when the extension is completed in 2023. Espoo's commercial property stock is multifaceted, which can also be seen in the diversity of rental levels and vacancy rates in different areas and properties.

New office projects under construction in the Helsinki metropolitan area December 2020



Additions to the map by KTI. OpenStreetMap Finland web services, licenced under CC BY 4.0. Map: QGIS OpenLayers -plugin. Data: OpenStreetMap contributors.

High office vacancy rates have been a problem for many areas in Espoo for the past few years. After a couple of years of positive development, the occupancy rate of offices decreased to 78% in the KTI rental database in late 2020, having stood at 83% in 2019. Areas suffering from high vacancies include, for instance, the Kilo-Mankkaa and Olari-Niittykumpu areas.

Keilaniemi – Otaniemi – Tapiola – Matinkylä

The five established commercial property submarkets in southern Espoo – Keilaniemi, Otaniemi, Tapiola, Niittykumpu and Matinkylä – all accommodate new metro stations. Office stock in these areas is mainly modern. Retail and residential construction is active in the new station areas.

Keilaniemi is a modern office area accommodating several major head office properties as well as some modern business park concepts. Rents have increased in the area together with the modernization of the supply. Average office rents in the area stood at almost €25 per sqm in 2020 in the KTI database, and occupancy rate remained high at 95%.

Property development activity remains high in the area. The Keilalampi office building renovation project was completed in 2020 by Regenero, and If Insurance moved to the property, which is owned by a fund managed by DWS. In early 2020, NCC started the construction of the Keilaniemi Next office property, scheduled for completion in late 2021. The building will accommodate the head office of Fiskars Group, and was sold to Warburg-HIH Invest in 2020. Pension insurer Elo is extending the Swing office complex between Keilaniemi and Otaniemi by a 5,400 sqm multi-user office property scheduled to be completed in 2021, and by a 260-room hotel property, which is planned to be opened in 2022. Other major office projects in Keilaniemi are being planned by, for instance, Varma, Regenero and Niam.

"Modern office stock of Keilaniemi attracts tenants and investors"

Next to Keilaniemi is the Otaniemi area accommodating the main campus of Aalto University. The Otaniemi area also accommodates several business parks targeted at high-tech companies. Technopolis's Innopoli campus is now being extended by its fourth phase, the first building of which was completed in late 2020 and the second of which is underway. Due to more diversified office stock, average rents in Otaniemi are clearly lower than in Keilaniemi, and there is also plenty of vacant space in the area. Next to Otaniemi, by Ring Road I, is the Spektri Business Park, accommodating 35,000 sqm of lettable space.

Tapiola is a traditional retail, office and residential area, which has undergone major redevelopment in recent years. The 50,000 sqm Ainoa shopping centre is located in Tapiola metro station. In the vicinity, the traditional Heikintori shopping center is planned to be redeveloped, but the project has been postponed due to planning issues. Also close to Ainoa, the 5,700 sqm retail property Raitinkartano is about to be completed.

The Tapiola area also accommodates a diversified office stock, where a large part of older properties has been either redeveloped or demolished and rebuilt to other purposes. Rents in Tapiola are typically some 2-3 euros lower than in Keilaniemi.

Matinkylä

Matinkylä, the final stop of the current metro line and a hub for the traffic connections from the western and southern areas of Espoo, is one of the most significant retail centres in Espoo, which also accommodates some modern office buildings. Citycon's Iso Omena shopping centre currently comprises over 100,000 sqm of lettable space, and it also accommodates the Matinkylä metro station.

Next to Iso Omena, a hybrid development project consisting of hotel, residential and parking facilities was completed in early 2021. The pension insurance company Veritas has invested in one of the two hotel properties. The City of Espoo is about to start the construction of a new high school in the area.

West of Matinkylä is the traditional retail and light manufacturing area of Finnoo. The area currently accommodates mainly big box retail properties as well as the Merituuli and Liila shopping centres.

Further west, along the extension of the metro line, is the Espoonlahti area. Citycon is carrying out Helsinki metropolitan area's largest ongoing retail development project in the area. The Lippulaiva shopping centre has been demolished and replaced by a temporary 10,000 sqm Pikkulaiva centre. A new 44,000 sqm Lippulaiva centre is currently under construction and scheduled for completion in mid-2022. The project also includes a metro station, bus terminal and some 550 residential apartments.

Leppävaara

North of Otaniemi, along Ring Road I and the Turku motorway and also by the western railroad is the Leppävaara area, comprising a diversified office stock, the 100,000 sqm Sello shopping centre, some older retail premises and an increasing residential stock.

The Leppävaara area is characterised by business park complexes with several buildings, which have been built in phases. The first two phases of NCC's OOPS office project, comprising some 18,500 sqm of lettable space, are under construction in Perkkää in the eastern part of Leppävaara. Varma invested in the project and Trimble Solutions Corporation is the main tenant in the building, which is scheduled for completion in late 2021.

The office leasing market strengthened during the past couple of years in Leppävaara. However, in 2020, office occupancy rate decreased markedly, and stood at 84% in September. Despite this, the rents in modern premises in particular increased from the previous year and median and average rents stood at approximately €20 per sqm, with the upper quartile exceeding this by several euros.

Espoo centre

Espoo centre, an area accommodating the administrative buildings of the city as well as various retail buildings, is situated west of Leppävaara, close to the Turku motorway and alongside the western railway route. The traditional

shopping centres Espoontori and Entresse are located in Espoo centre. Next to Espoo centre, the Lommila area is situated at the junction of the Turku motorway and Ring Road III. The area mainly accommodates retail space taken up by car, furniture and electronics stores and other large retail units. Residential construction activity remains high also in Espoo centre and in areas surrounding it.

5.2.3 Vantaa

In Vantaa, the most important commercial property market areas are concentrated around the airport and its surroundings, as well as in the traditional Tikkurila centre, which also accommodates the administration of the city. The development of the Ring Rail Line has boosted property development around the station areas, including abundant residential projects and several retail and service properties.

Aviapolis

The Aviapolis area around the Helsinki-Vantaa Airport has developed rapidly during the past few years. The airport area is surrounded by five districts: Pakkala, Tammisto, Veromies, Viinikkala and Ylästö. The main players in the area include the City of Vantaa, Finavia, LAK Real Estate, all major property developers and several property companies.

There are currently almost 20,000 inhabitants in the area and there are plans for significant growth. The area accommodates about 37,000 jobs, and further growth of some additional 15,000 jobs is estimated. The Ring Rail Line has stations at the airport as well as in Aviapolis, thus linking the area with the city centre and main railway connections.

Commercial property stock in the Aviapolis area includes modern office premises, an increasing hotel stock and abundant retail supply. Aviapolis also forms an important logistics hub with rather modern space supply. Logistics property development has been active in the area in recent years, and this segment has also attracted investors. In 2020, the K3 Logistics West project was completed in Viinikkala, and the next 22,000 sqm phase of the project was started by YIT. Both projects have been sold to international investors. Another 10,000 sqm logistics project is developed by SRV in Ylästö. Sagax has invested in the project. West of the airport area at Vantaanpuisto, a 23,000 sqm office and logistics property is scheduled for completion in spring 2021. A. Ahlström Kiinteistöt and Terrieri Kiinteistöt Ky acquired the project in 2020 for €40 million.

"Logistics property development continues to be active in the airport area"

The airport area is currently undergoing major development, where Finavia and LAK Real Estate are the main players. For instance, terminal buildings are being extended and renewed, and new parking facilities are being constructed. LAK Real Estate is planning to build the largest hotel in Finland at the airport. The 13-floor and more than 700-room hotel will be operated by Nordic Choice Hotels. The construction work was originally planned to be started in 2020 and completed in 2023, but has now been postponed. Other hotel projects, also with an original plan to be started in 2021, are being planned in the area by Marriott and NREP.

There are several office projects being planned in the airport area with a scheduled start in 2021, being developed by, for instance LAK Real Estate (Avia City), Lujatalo (Grand Wing Business Park), NCC (Mondo) and Technopolis. In the Aviapolis station area, retail and residential properties are also being planned.

South of the airport, by Ring Road III, there are several modern business park complexes. Investors in these properties include both domestic and international investors.

In the vicinity of the airport, in the Vantaankoski area located in the junction of Ring Road III and Hämeenlinnanväylä and by the Ring Rail, SRV is developing the Pressi project. The first phase was completed in 2019, and there are two more phases being planned.

Due to increasing supply and diversified stock, the amount of vacant space remains relatively high in the Aviapolis area. The rental range is rather wide with the upper quartile standing at some €25 per sqm in the KTI database.

South of the airport, the Jumbo-Flamingo shopping and leisure centre is situated comprising retail, hotel, leisure and office premises. The centre has a gross leasable area of approximately 140,000 sqm. The centre is owned by two Finnish pension insurers Varma and Elo.

In the southern part of the Aviapolis area, the Pakkala and Tammisto areas are also important retail areas favoured by retail park and big-box retail units such as outlets for motor vehicles, furniture and gardening. The Koivuhaka area, just east of Aviapolis, accommodates large retail units, some logistics and office properties, and is also an expanding residential area.

Tikkurila

Tikkurila is the main urban centre and – alongside the airport area – the most important office and retail area in Vantaa. Tikkurila also accommodates most of the city's administration buildings. Tikkurila serves as a hub for rail connections between the airport, long-distance trains and Helsinki centre. The retail and office centre Dixi accommodates the Tikkurila train station and bus terminal.

The City of Vantaa is developing its infrastructure, and several property investors are carrying out new investments in the area. Rental residential construction activity remains high in the area.

Renor is converting an old industrial property Tikkurilan Silkki; the first 4,800 sqm phase was completed in 2019, and in 2020, a fund managed by Aktia acquired the property. In the latter phases, the multi-use property will also accommodate, for instance, restaurant and service premises. In late 2020, Sponda started the development of the second phase of an office complex in Värehtehtaankatu. In the vicinity, in the Jokiniemi area, Senate Properties is carrying out an office project for the Radiation and Nuclear Safety Authority.

Kivistö

Kivistö is located close to Ring Road III and the Hämeenlinna motorway alongside the Ring Rail Line. Kivistö is a rapidly developing area, which currently accommodates some 15,000 residents, but is expected to grow to some 50,000

inhabitants and nearly as many jobs. Residential development has been abundant in the area in recent years.

At the Kivistö station, a shopping and service centre has been planned for many years, but the developers and the city have had to postpone and diminish the project several times. In late 2020, a new proposal of Lehto Tilat was approved, and the construction of a 15,000 sqm local retail and service centre is scheduled for completion in late 2022.

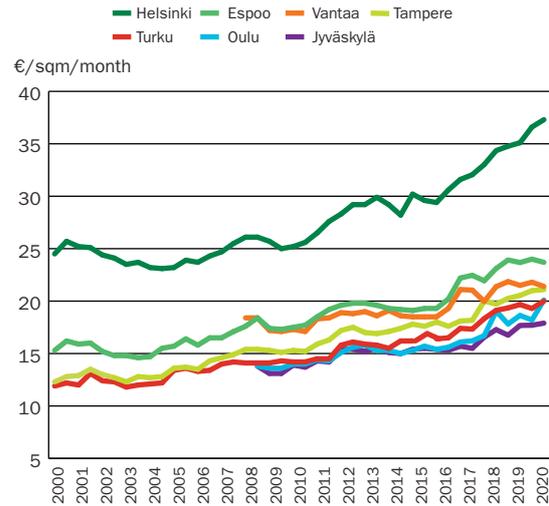
"The construction of the Kivistö retail centre will be started in spring 2021"

Myyrmäki

Myyrmäki is a regional centre in western Vantaa by the Ring Rail Line. The growing area currently accommodates some 17,000 inhabitants, and the greater Myyrmäki region nearly 58,000. Residential construction activity remains high in Myyrmäki and in the neighbouring areas of Martinlaakso, Vapaala and Kaivoksela.

The 40,000 sqm Myyrmanni shopping centre is located in Myyrmäki centre, next to the railway station. Citycon's other shopping centre, the 15,000 sqm Isomyyri, is also

Prime office rents in Finnish cities



Source: RAKLI-KTI Property Barometer

located in Myyrmäki, slightly north of Myyrmanni. The area also accommodates some older office stock. NREP is currently developing a 322-room hotel in the area, scheduled for completion in late 2021. The project will include both normal hotel rooms and longer-term accommodation, as well as a spa, lounge and working facilities.



Photo: Unrealer / Kojamo Oyj

5.3 Other growth centres: Tampere, Oulu, Turku, Jyväskylä, Lahti and Kuopio

Tampere

The Tampere region is the most active property market area in Finland outside the Helsinki region. The region has attracted both domestic and international real estate investors.

Tampere is the largest inland city in the Nordic countries. Tampere is an old industrial city that has recently attracted high technology businesses as well as service companies. Technology expertise areas in the Tampere region include information technology, machinery and automation and healthcare technology. The unemployment rate in Tampere is higher than in the whole country on average. In 2020, unemployment increased from 11.2% at the end of 2019, to 15.3% by November 2020, according to the Ministry of Economic Affairs and Employment.

Tampere is a university city, where Tampere University and the Tampere Technical University were merged in the beginning of 2019, and together with the Tampere University of Applied Sciences constitute the new Tampere higher education community. The Community has 30,000 students and more than 4,000 employees.

The Tampere region consists of eight municipalities with a total population of nearly 400,000 inhabitants. By 2030, the city of Tampere itself is expected to accommodate more than 250,000 inhabitants.

The growth of the city requires the development of new areas and the redevelopment of old industrial areas into new uses. Examples of these kinds of areas include Hakametsä sports campus, the old industrial Hiedanranta area and the areas close to the city centre.

A new tramway is currently under construction in Tampere, scheduled to start operations in summer 2021. The two lines combine Hervanta in the south and the University hospital area on the eastern side of the city centre with Pyyrikintori. In the city centre, new underground parking facilities are being planned along with a plan to turn the centre itself into mainly light transportation and pedestrian areas.

Tampere office stock amounts to some 1.1 million sqm. Modern office space is found in, for instance, Ratina,

Hatanpää, Tulli and Kauppi areas. In the best office locations in modern buildings, rental levels are well above €20 per sqm per month, whereas in older stock the rents typically are at some €15 per sqm per month. Due to active development, the office occupancy rate has decreased in recent years, and stood at approximately 87% in the KTI database in September 2020.

Next to the railway station, the construction of the 120,000 multi-use complex Tampereen Kansi (Deck and Arena) project is underway. Local Tapiola and OP Group's insurance companies have invested in the project. The project comprises a multi-use arena for 13,000 people, five residential towers, a hotel, some office and retail premises as well as parking facilities. The City of Tampere is also involved in the multi-use Arena project. The project will be built in phases, the first of which is scheduled for completion in late 2021, and the whole project by 2023.

"Tampere Deck and Arena project is underway"

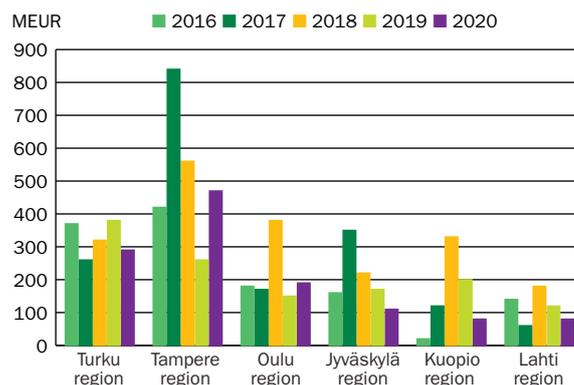
In the vicinity of the Tampereen Kansi project, Technopolis completed the second phase of the Asemakeskus Kampus office complex in late 2020. Also Sponda's 13,700 sqm office and retail property in Ratina was completed in 2020.

Another office and event property project is about to be started in the vicinity of the railway station by Jatke Oy. A. Ahlström Kiinteistöt has invested in the GO21 project, scheduled for completion in 2023. The main tenant will be Gofore Plc, and the project also comprises the refurbishment of the old cargo station, which will accommodate event facilities and a local distillery.

The prime retail locations in Tampere include the main street, Hämeenkatu, and the Koskikeskus and Ratina shopping centres in the vicinity. The 115,000 sqm Ideapark shopping centre is located in Lempäälä, south of Tampere.

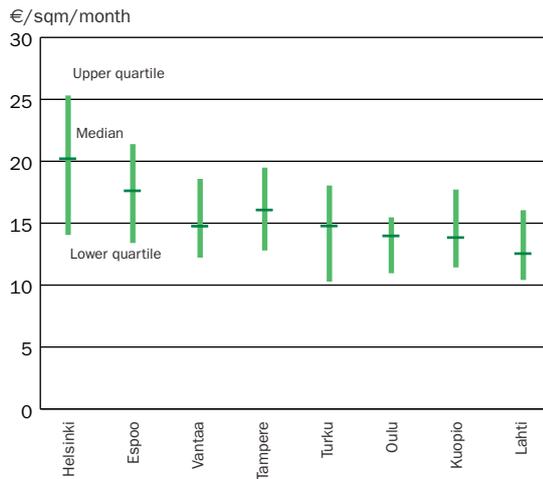
eQ's fund is currently developing a 14,500 sqm retail centre in Kaleva, east of the city centre. Otherwise, retail development in the region is limited in some smallish grocery and big box units.

Transaction volume in cities outside the Helsinki metropolitan area



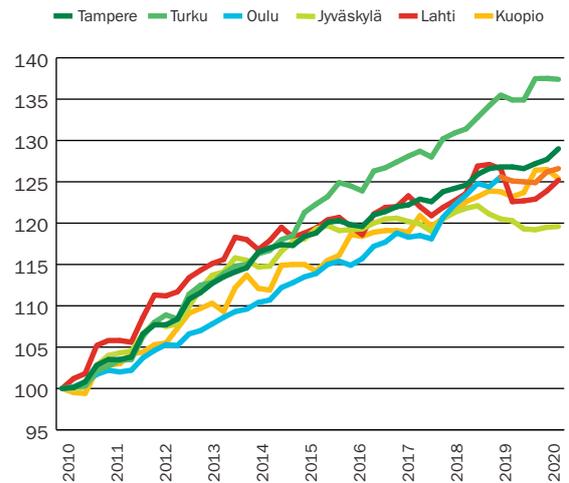
Source: KTI

Office rents in major city centres 1.9.2020 (prevailing rents, upper and lower quartiles)



Based on lease agreements in KTI database. Source: KTI Rental database

Residential rent indexes in Tampere, Turku, Oulu, Jyväskylä, Lahti and Kuopio index spring 2010 = 100



Source: KTI Rental database

In recent years, industrial property construction has been concentrated mostly in Pirkkala, south of Tampere and close to the airport, and in Ylöjärvi, west of the city.

Hotel stock continues to increase in Tampere. In early 2020, the 229-room Marriott hotel was opened next to Tampere Hall. The property is owned by Keva. Lapland Hotels will be the operator in the hotel of the Tampereen Kansi project, comprising 285 rooms and planned to be completed in 2021.

Residential development activity is also high in Tampere, which is one of the fastest growing city regions in Finland. Residential rents have continued to increase steadily in Tampere. In 2020, rents in new agreements increased by 1.7%, according to the KTI rental indices.

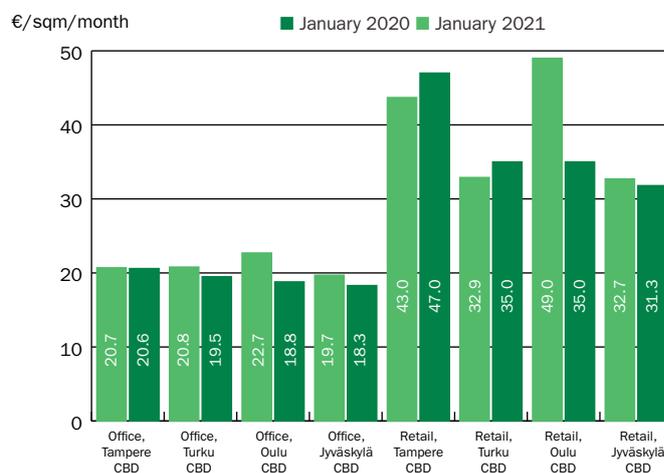
"Transaction volume amounted to €470 million in Tampere in 2020"

In the transactions market, Tampere typically holds the position of the second most active market area after the Helsinki metropolitan area. In 2020, the transaction volume increased markedly from the previous year and amounted to €470 million. The largest transactions included, for instance the reorganization of the ownership of the Tampere Deck and Arena project, as well as the acquisition of a 30,000 sqm office portfolio in Hervanta by a fund managed by Quadoro. Several domestic funds invested in residential and care properties, and properties in Tampere were also included in many larger retail property portfolios.

Oulu

The City of Oulu has evolved markedly within the past decades, first due to the rapid growth in the high-tech sector, which created new jobs and attracted new inhabitants, and more recently due to the merger of neighbouring municipalities. Oulu is a university, science and technology city whose influence covers all of northern Finland – about one-half of the area of the entire country. There are currently some 206,000 inhabitants in the city of Oulu, and slightly less than 260,000 in the whole region.

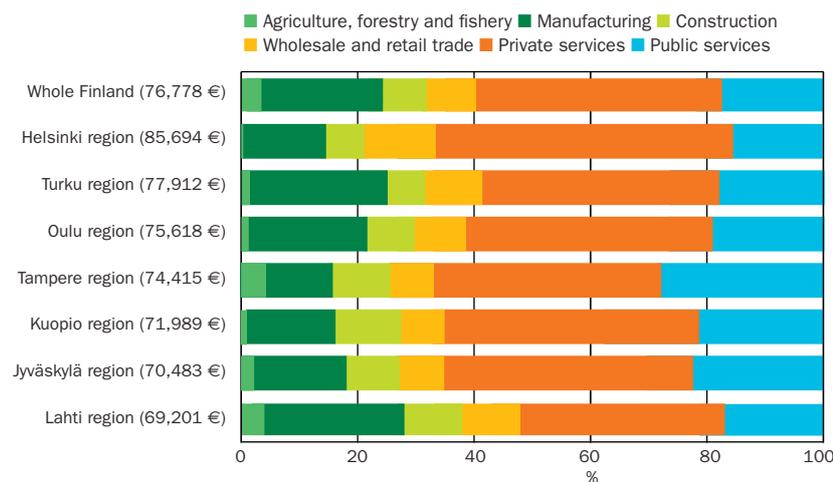
Prime office and retail rents in city centres of Tampere, Turku, Oulu and Jyväskylä



Source: KTI Regional Barometer

Value added by sector and region 2018

Value added by employee (€) in parenthesis



Source: Statistics Finland

The emphasis of the Oulu region's economic structure is on information technology services, other technology sectors as well as life science services. Oulu is specialised in electrotechnical manufacturing and the services supporting it: for example, engineering, software and information services. In the vicinity of Oulu, in Pyhäjoki, the €6-7 billion Hanhikivi nuclear power plant is being planned. The project would boost the employment and impact the region's economy markedly. The construction of some administrative buildings has already started, although the permit process for the plant is still underway.

After a couple of years of positive development, unemployment increased in Oulu in 2020. At the end of November, the unemployment rate stood at 14.3%, having been 11.4% at the end of 2019.

In February 2021, Metsä Fibre, part of Metsä Group, announced an investment decision to build a new bioproduct mill in Kemi, some 100 kilometres north of Oulu. The value of the investment is €1.6 billion and it is the largest investment ever made by the Finnish forest industry in Finland. The construction phase will take approximately two and a half years, and the mill will be completed in late 2023. The project will have a positive impact on employment in the whole northern Finland.

Oulu's real estate market players include, for instance, domestic pension funds, domestic funds and also some specialised foreign investors. The specialised office property investor Technopolis was originally founded in Oulu and is still an important player in the office market.

The total office stock of Oulu amounts to some 650,000 sqm. The most important office areas include, in addition to the city centre, Peltola just east of the city centre and the Linnanmaa area north of the city centre, which accommodates several high-tech companies and Oulu University.

The office occupancy rate also deteriorated in Oulu in 2020 and stood at 87% in September. In the best locations, office rents are above €20 per sqm per month. On average, office rents stand at some €15 per sqm.

In 2020, Technopolis completed an 8,400 sqm office project in the city centre, and one office and industrial property construction project was completed in the Rusko area, north-east of the city. At the year-end, only one smallish office project was underway.

Oulu's retail occupancy rate improved in 2020, due to the refurbishment and letting of some premises in the city centre, and stood at about 90% in the KTI database. Retail construction is limited to some big box projects. In the city centre, prime retail rents stand at some €35-40 per sqm, and in the whole city, the average retail rent is approximately €15 per sqm.

In the city centre, the construction of a 130-room Torihotelli hotel property is underway but has been delayed, with the city now requiring the construction to be completed by mid-2022.

Public sector property development remains active, with, for instance, a new hospital, sports arena and university facilities being currently under construction. The Swedish Hemsö has invested in two fire station buildings in the region, scheduled for completion in 2021 and 2023.

Residential construction activity has remained high in Oulu. After the peak in 2017 and 2018, new residential construction starts decreased to some 2,000 dwellings in 2019, but increased to over 2,500 in 2020. Due to abundant new development, residential rents have increased slightly less in Oulu compared to, for instance, Tampere and Turku. In 2020, rents in new agreements increased by 1.2%.

"Residential rents increased by 1.2% in Oulu in 2020"

Property transaction activity increased slightly in Oulu in 2020 compared to the previous year, with the total volume amounting to some €190 million. The volume consisted mainly of smallish transactions by domestic and local players, as well as properties included in larger portfolios.

Turku

Turku is a strong traditional university city, accommodating, for example, the main Swedish-language university in Finland. The region's current competence areas include businesses around the sea cluster and biotechnology. Metal industries in the region are supported by an extensive shipbuilding business, where the main player is Meyer Werft. In total, the sea cluster employs some 8,000 people in the region. Half of the Finnish medical industry is accommodated in the Turku area, and health industries employ more than 5,500 people in the area. Valmet Automotive, located in Uusikaupunki, some 60 kilometres north of Turku, employs some 6,000 people.

In 2020, the shipbuilding cluster has had to lay off staff due to the COVID-19 pandemic. At the same time, however, automotive industry has managed to get more manufacturing contracts and has hired more people. Despite this, unemployment has increased in the region, and, at the end of 2020, unemployment stood at 15.4% in Turku, having been only 11.2% the previous year.

The most important infrastructure development project being planned in Turku is the development of the fast train connection between Turku and Helsinki, which would decrease the travel time to one hour and create a unified commuting area for 1.5 million people. The final decision of the construction has not, however, been made yet.

The development of local public transport connections is also being discussed. In 2020, the city council decided to pursue the plans for a tram line connecting the developing harbour area with the city centre, Science Park area and the Varissuo residential area. The investment decision is expected to be made in 2024.

Property development has been active in Turku in recent years. In the city centre, the reconstruction of the main marketplace area is about to be completed, and an underground parking facility for 600 cars was opened in late 2020. By the marketplace, the traditional Hamburger Börs Hotel has been demolished and will be replaced by a new 300-room Scandic hotel, scheduled for completion in late 2021.

The Kupittaa area, located near the University area and next to the railway station, is the most active office market in the Turku area. This area mainly consists of office and high-quality manufacturing space.

Turku Technology Properties is the major owner and developer in Kupittaa. The company completed a new 28,000 sqm campus building for the Turku University of Applied Sciences, and is currently developing two new office buildings in the area. Next to the Kupittaa railway station, a new 200-room hotel was opened in 2020.

In the vicinity, pension insurer Veritas completed a new 8,500 sqm office building in late 2020, and moved its headquarters in the building. The old building in the city centre was freed for redevelopment, for which the planning process is still underway.

"Office property development continues to be active in Kupittaa"

Also in Kupittaa, the construction of a new University hospital building is scheduled for completion in 2021. In the university area nearby, University Properties Finland is developing a new educational property.

In addition to Kupittaa, modern office supply can be found in the Pitkämäki and the Port areas, as well as in the Logomo Centre, which is an event arena, conference centre and office centre targeted at creative companies. In late 2020, the ownership of Logomo retail and event facilities was reorganized as Hartela, the developer of the centre, sold the premises to their operator Sunborn Ltd.

Office demand is strong in the Kupittaa area in particular. In the whole of Turku, the office occupancy rate remained markedly higher than in other major cities, and stood at over 92% in late 2020 in the KTI database. The median rent for offices in Turku stood at approximately €16 per sqm in late 2020.

The most important retail space submarkets in the Turku area include the city centre, the Hauninen area in Raisio as well as the Skanssi area east of the city centre. In Hauninen, the abundant supply of large units is occupied by, for instance, furniture and car retailers. The 58,000 sqm shopping centre Mylly is also located in the area. The Skanssi area accommodates the 38,000 sqm shopping centre Skanssi as well as other large retail units. In the city centre, the most expensive retail space can be found in the shopping centre Hansa and in its vicinity. Retail property development volumes have remained low in the region in recent years.

Logistics and industrial property development has been rather active in recent years. In 2020, there were two industrial property projects completed in Oriketo, close to the airport, and two logistics projects are currently underway. In addition, the City of Turku is currently planning an extensive Blue Industry Park manufacturing and innovation centre in the vicinity of the shipyard.

Next to the railway station, an approximately 175,000 sqm entertainment and event centre is being planned, comprising a multi-purpose arena, sports facilities and a hotel. The financing of the project has not, however, been confirmed yet.

In the first half of 2010s, the annual residential construction activity varied between 700 and 1,200 dwellings. In 2018, the amount increased to 2,700, and in 2019 and 2020 leveled off to approximately 2,000 and 1,800 completed dwellings, respectively. Rental residential demand remains healthy, and, in 2020, rents in new agreements increased by 1.8%.

"Residential rents continued to increase in Turku in 2020"

The property transaction volume in Turku amounted to some €290 million in 2020, compared to €380 million in 2019. In 2020, transactions concentrated mainly in residential properties, often as part of larger portfolios. Innovestor invested in a portfolio of five properties, which are mainly in retail use. In the office market, there were three transactions, in all of which the buyer plans to redevelop the acquired buildings.

Jyväskylä

Jyväskylä's economic structure emphasises both traditional industries and new technology. The Jyväskylä region's industry areas cover wood and construction materials, ICT and healthcare industries. Some 17.5% of the jobs in the region are in the manufacturing industries, while services employ some 75% of the workforce. According to the Ministry of Economic Affairs and Employment, the unemployment rate increased to 15.4% at the end of 2020, having stood at 11.8% at the end of 2019. Due to its dependency on forest industries and private services, the Jyväskylä region has suffered more from the COVID-19 pandemic than the country on average. The closing of the UPM Kaipola paper mill in Jämsä in late 2020 deteriorated the region's employment conditions further.

The city centre is the most important office market area in the region. Other office areas with modern supply include the Mattilanniemi/Ylistönniemi area south of the city centre, and Tourula in the northern side, where old industrial properties have been redeveloped into office use. Some modern office supply can also be found in the Lutakko area, next to the city centre. The old paper mill area Kangas, next to Tourula, is a developing area for residential and office construction. In a local barometer survey carried out in early 2021, yield for a prime office in Jyväskylä city centre stood at 7.7%.

The first major office project in the Kangas area was completed in early 2020, as the first 10,000 sqm phase of Optimes Business Garden was completed. Fennica's fund has invested in the project. The 7,000 sqm Kankaan Arkki business park is planned to be completed in early 2021. Residential construction has also started in the Kangas area, which is planned to accommodate approximately 5,000 inhabitants by 2040.

"13,600 sqm of new office space completed in Jyväskylä in 2020"

The vacancy rate of offices stood at some 10% at the year end, according to Catella. Modern offices in particular have continued attracting tenants. In the very best locations and premises, rental levels are almost at the same level as in Tampere and Turku.

In the city centre, the retail and office property Reimari was completed in late 2020, and the traditional Forum retail centre is under refurbishment. Along with the city centre, the Seppälä area north of the city centre is the other significant retail area in the Jyväskylä region. The area accommodates, for instance, the 24,000 sqm Seppä shopping centre. Retail

property construction in the Jyväskylä area is concentrated on grocery and big box units.

The Hippos area south of the city is another significant area under development in Jyväskylä. The project's volume has been decreased from original plans, and is currently based on a plan of some €150 million investment and 100,000 sqm of sports, educational, research and service facilities. In 2020, Taaleri Oy, together with some private investors, committed to invest €43 million in the project, which is scheduled to be started in 2021. Other investors include the City of Jyväskylä and Lehto Group.

"Transaction volume decreased to €110 million in Jyväskylä in 2020"

The transaction volume in Jyväskylä declined to €110 million in 2020. The largest transaction was carried out by Aktia's fund, which acquired the Kankaan Arkki office property from YIT for €16 million in the second quarter of 2020. Hemsö invested in one educational property, and Samla Toimitilakiinteistöt fund bought an office property in Ylistönmäki. Otherwise, transactions in Jyväskylä were either carried out as parts of larger portfolios or by local players.

Residential construction activity was high in Jyväskylä in 2017-2019, when 1,700-2,000 dwellings were completed annually. In 2020, the housing construction volume declined, and less than 900 new dwellings were started between January and November, which is about half of the number in the previous year.

Decline in housing construction volume is partly explained by the weakening outlook for the rental residential markets. At the year-end, there were only few rental residential buildings under construction in Jyväskylä, mostly by state-subsidised players. In 2020, rents in new rental contracts remained stable or declined slightly in Jyväskylä, due to the increase in supply in recent years. At the year-end, the occupancy rate for residential dwellings in Jyväskylä stood at below 93% in the KTI database, which is the lowest among larger cities. In the transaction market, no residential property deals were published in Jyväskylä in 2020.

Lahti

Lahti is a traditional industrial city that is home to metal, woodworking, furniture and plastics industries. Recently, more jobs have been transferred to professional services.

The region's favourable location has attracted logistics operators in the region. Services and trade occupations currently represent around 60% of the jobs in the region, while industry's share has decreased to 30%. Among the largest cities, unemployment remains the highest in Lahti. In 2020 unemployment also increased more sharply, from 13.1% at the end of 2019 to 17.6% in 2020.

In the city centre, old industrial buildings have been redeveloped into other uses, and the areas attractiveness has

also been increased by a new underground parking facility, a public transport terminal and an increasing amount of pedestrian areas.

Retail supply in the city centre is concentrated around the Trio shopping centre and along the main street. In the Karisto area, there is shopping centre Karisma with a leasable area of 34,000 sqm. In 2020, retail stock increased by approximately 3,800 sqm through the completions of a big box property in the Renkomäki area, a grocery store in the Vahva-Jussi area and a minor extension of the Trio shopping centre in the city centre. At the year-end, there were no retail projects underway.

In the old industrial Askonalue area, near the railway station, Renor Oy – an owner and developer of old industrial properties – has redeveloped, for instance, office premises for business service companies.

In the city centre, on the site of the former courthouse, the local property developer and investor Kinoss Property Investment has started the development of a new 7,500 sqm office property concept Business Park Aisti, scheduled for completion in 2022. The concept will comprise coworking premises, meeting facilities and services, a gym and other leisure services.

Industrial and logistics property development has been rather active in Lahti in recent years. In 2020, two industrial projects were completed, with a total volume of some 10,400 sqm. At the year-end, two logistics/warehouse projects and one manufacturing plant were underway comprising a total of approximately 15,000 sqm.

In the city centre, Skanska is developing a care property, in which Pohjoismaiden Hoivatalot has invested. The City of Lahti is constructing a 10,000 sqm multipurpose arena in the Laune area.

Transaction volume only amounted to €80 million in Lahti in 2020. The largest transaction was carried out by OP's special investment fund, which invested €16.5 million in a refurbished hybrid block in the city centre comprising healthcare premises, residential apartments and a parking facility.

"Residential rents increased by 2% in Lahti in 2020"

Residential construction activity decreased in Lahti in 2019 with only approximately 500 dwellings completed in the whole year. In 2020, the volume increased again with almost 800 dwellings completed by the end of November. Due to active new development a couple of years ago, residential rents and occupancy rates decreased in Lahti in 2018-2019, but, as residential construction activity has remained rather low in Lahti in the past two years, rents have stabilized, and in 2020, the KTI residential rental index for new agreements increased by approximately 2% in Lahti.

Kuopio

Kuopio is a university city and the capital of the province of Pohjois-Savo, situated in eastern Finland. Traditional

industry areas are mostly related to wood. Of the jobs in the region, some 8% are in manufacturing industries. The proportion of occupations in the public sector is greater than in other major cities. In its strategy, the city emphasises the food, health, bio and environmental industry sectors. Despite the increase in 2020, unemployment in Kuopio still stands at a lower level than in other main cities outside the Helsinki metropolitan area and stood at close to 13% at the end of 2020.

The property investor base in the Kuopio property market is dominated by domestic players consisting of both national and local investors.

The Kuopio office stock is concentrated in the city centre as well as close to the University and hospital areas. KPY Novapolis is a major office investor in Kuopio with approximately 90,000 sqm of premises.

Office development activity has been rather active in Kuopio, and in 2020, 27,000 sqm were completed, and at the year-end, 13,200 sqm were underway. KPY Novapolis completed two projects in its campuses, and Lapti Group is developing its Kuopion Portti project, where the first phase was completed in 2020, and the second and third phases were underway at the year-end. The 15-story third phase comprises also residential and retail premises. The first phase has been sold to a fund managed by Elite Alfred Berg, and in late 2020, a fund managed by Aberdeen Standard Investments invested in the second phase of the project, scheduled for completion in February 2021.

"Kuopio office stock is increasing"

The retail space market in the Kuopio city centre is competing with the newly constructed Matkus Shopping Center some 10 km outside the city. The city centre's attractiveness has been supported by the completion of an underground parking facility and the refurbishment of some retail properties.

Retail construction activity remains low in Kuopio with two smallish projects underway at the year-end. In the Leväinen area, two industrial projects are under construction.

Transaction volume in Kuopio decreased to €80 million in 2020 from €200 million in 2019. In addition to Aberdeen Standard Investment's acquisition, also UB's fund made a smallish industrial property acquisition in 2020. Otherwise, a couple of larger portfolio transactions also included assets in Kuopio.

The Kuopio rental residential market has also attracted investors in recent years, and construction activity has remained high. In 2018, a peak number of more than 1,800 dwellings was completed. In 2019, the number of completed dwellings decreased to approximately 800, but in 2020, more than 1,000 new dwellings were completed already by the end of November. Rental development has been varied in recent years, and in 2020, the KTI rental index increased by 1.8%.

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KIINKO Real Estate Education is Finland's leading training company. We offer a wide range of higher professional education and training services for middle management and executive-level leaders operating in the real estate and construction industries.

KIINKO's unique concept brings together all players in the industry – end-users, developers, service providers, investors and financiers. This gives us an excellent insight into the needs of its customers and their businesses.

RE Finland on November 11-12, is one of our main events. With over 600 participants, combining seminars and extensive networking it is The Finnish Real Estate Summit gathering executive and expert level representatives from real estate related businesses in Finland.

Read more about Kiinko: www.kiinko.fi, www.refinland.fi



Kojamo is Finland's largest private residential real estate company and a front-runner in the rental housing business. Our mission is to create better urban housing. Kojamo aims to be the frontrunner in sustainable development and corporate responsibility.

We operate in Finland's most significant growth centres and with over 50 years of experience, our Lumo brand provides rental housing and new services for urban housing. We actively develop the value and number of our investment properties by developing new properties and our existing property portfolio. We want to be the property market front-runner and the number one choice for our customers.

Kojamo's shares are listed on the official list of Nasdaq Helsinki.

<https://kojamo.fi/en/>

NEWSEC

Newsec – The Full Service Property House in Northern Europe – offers real estate owners, investors and tenants a full range of services within Advisory and Property Asset Management, including property investment transaction advisory and leasing brokerage, valuation and analysis, real estate consultancy and corporate finance services. Our service portfolio also includes investment, asset and property management, corporate real estate management and corporate solutions.

Newsec was founded in 1994 and is today a partner-owned company with 2,000 co-workers spread across the seven Nordic and Baltic markets. In Finland we have over 600 employees. Great Place to Work Institute® Finland has certified Newsec Finland again in 2020. Newsec has been among top workplaces in Finland now for 14 years.

Internationally Newsec has approximately €60 billion under management and it annually signs lease agreements of some 1 million square meters, is advisor in transactions of some €5 billion and does real estate valuations of underlying property worth €175 billion. Thanks to large volumes, local presence combined with in-depth understanding of a range of businesses, Newsec has a unique expertise in the Northern European real estate market.

The market report Newsec Property Outlook Nordics has been published since 2001 and Newsec Property Outlook Finland since 2012. The latest issue can be downloaded at www.newsec.com/insights/reports.

RAKLI

RAKLI, The Finnish Association of Property Owners and Construction Clients, is the most comprehensive and prominent association of professional property owners, real estate investors, corporate real estate managers and construction clients in Finland. The members represent both the private and the public sector, and member organisations number almost 230 in total.

The core of our operations is to influence, connect, develop, communicate and provide insights.

Welcome to our website: www.rakli.fi.

SEB

SEB is a leading Nordic financial services group, guided by a strong belief that entrepreneurial minds and innovative companies are key in creating a better world. As a relationship bank, SEB in Sweden and the Baltic countries offers financial advice and a wide range of other services. In Finland, Norway, Denmark and Germany the bank's operations have a strong focus on corporate and investment banking based on a full-service offering to corporate and institutional clients. The international nature of SEB's business is reflected in its presence in some 20 countries worldwide. SEB has been present in Finland since 1984, and today has 300 employees based in central Helsinki.

SEB's team in Helsinki offers a full range of financing and investment banking services to real estate investors. We work with everything from bilateral loans and syndication to a range of capital markets products and M&A advisory. We also offer SEB's full product portfolio within debt- and securities-related advisory services. We also assist our clients in foreign exchange, streamlining their cash management, and providing other customized banking services.

www.sebgroup.com or www.seb.fi

SIRIUS

Sirius Capital Partners focuses on opportunistic and value-add real estate investments in Finland. The aim of the value-add approach is to turn our investments into attractive investment products. We make funds or club deals based on an investment theme. Our investors range from global institutions to multi managers and fund of funds.

A strong track record in the Finnish real estate investment market coupled with experience in collaborating with leading global players make Sirius a unique investment manager to work with. Sirius' founding partners have extensive experience in real estate investments and in principal positions in leading industry firms over the past 15-20 years.

Sirius has to date raised three proprietary funds with a total of €270 million in commitments from international institutional investors. The first two funds, Sirius Fund I Grocery and Sirius Fund II, were exited through an IPO in March 2018 as Cibus Nordic Real Estate AB (publ) was listed on Nasdaq First North in Stockholm. The two funds have thereafter been liquidated. Sirius Fund III is fully invested and focuses on office properties in Helsinki. The strategy of the fund is to tap into the rent reversion created by growing rental levels in key office areas in Helsinki through active asset management.

www.sirius.fi

SKANSKA

Skanska is one of the world's leading construction and project development companies, focused on selected home markets in the Nordic region, Europe and USA. Supported by global trends in urbanization and demographics, and by being at the forefront in sustainability, Skanska offers competitive solutions for both simple and the most complex assignments, helping to build a sustainable future for customers and communities. The Group has about 32,000 employees. Skanska's sales in 2020 totaled € 15.1 billion.

Skanska's operations in Finland cover construction services and residential and commercial project development. Construction services include building construction, building services, and civil and environmental construction. Skanska Oy employed 2,177 people in Finland at the end of the year 2020.

Skanska CDF Oy is part of Skanska Commercial Development Nordic, which initiates and develops office properties. The company's operations are concentrated in the three metropolitan regions in Sweden, the Copenhagen region in Denmark, the Oslo region in Norway, as well as Helsinki in Finland.

www.skanska.fi

SRV

SRV is a developer and innovator in the construction industry. Our objective is a new lifecycle-wise reality where solutions related to construction ensure well-being, financial value and the benefit of users, residents and environment – for years and generations to come. Our genuine cooperation and enthusiasm for our work comes across in every encounter. Sustainability is reflected in all our activities.

Our company, established in 1987, is listed on the Helsinki Stock Exchange. We operate in growth centres in Finland and Russia. In 2020, our revenue totalled EUR 975.5 million. In addition to about 1,000 SRV employees, we employ a network of around 4,200 subcontractors.

www.srv.fi



Publisher

KTI Finland
Eerikinkatu 28, 7th floor
00180 Helsinki | FINLAND
Tel. +358 20 7430 130
www.kti.f

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