



# The Finnish Property Market 2025

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The Finnish property market remained quiet in 2024. Transaction volumes remained low and property development activity continued to decrease. The rental markets started to show cautious signs of recovery towards the end of the year. For 2025, the outlook is more positive in both transactions and rental market volumes. The transaction market is supported by decreasing interest rates, and in the rental markets, both a strengthening economic outlook and a slowdown in supply growth will support space demand.

The Finnish GDP was estimated to contract by 0.3% in 2024. Weak consumer confidence and increasing unemployment pressured private consumption, which decreased by 0.4%. The growth of the Finnish exports remained close to zero. Investments were estimated to shrink by more than 5%, as construction volumes continued to decrease and weak economic confidence limited Finnish corporations' investments. Forecasts for the GDP growth for 2025 vary between 1% and 1.8%, as all components of the economy are estimated to show positive development.

## KEY FIGURES – FINNISH ECONOMY

	2022	2023	2024	2025**	2026**
GDP growth, %	0.8	-1.2*	-0.3**	1.6	1.5
Private consumption growth, %	0.9	0.5*	-0.4**	1.2	1.8
Change in exports, %	4.4	-0.3*	0.4**	3.4	3.1
Change in investment, %	1.5	-7.9*	-5.6**	7.4	2.6
Unemployment rate, %	6.8	7.2	8.4	8.4	7.9
Inflation, %	7.1	6.2	1.6	1.1	1.4

\*Preliminary \*\*Forecast

Source: Statistics Finland, Ministry of Finance

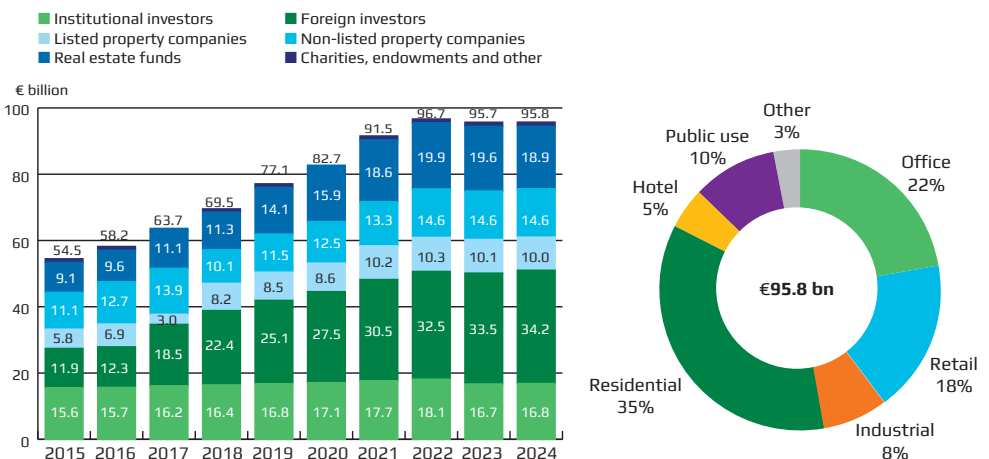
### The size of the property investment market remained stable

At the end of 2024, the total size of the Finnish invested property market amounted to €95.8 billion, almost exactly the same as in the previous year. Increasing yields pressured market values in most property sectors, but investments in both new development and existing property stock compensated the negative capital growth. Foreign investors continued to strengthen their role in the investment market, and their share increased to 36% of the total market. Of domestic investor groups, various kinds of property funds currently represent the largest group, with a 20% share of the total market. Their share remained almost stable despite the increasingly negative capital flows in the open-ended special investment funds. Finnish institutional investors' direct domestic property investments remained almost stable at €16.8 billion, and their share of the market stood at 18%.

### Residential properties represent 35% of the total market

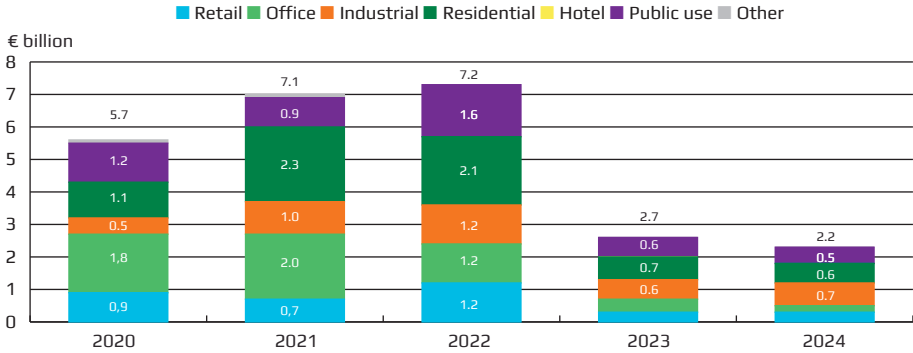
Despite the decline in market values for three consecutive years, the value of rental residential properties owned by professional investors increased slightly and amounted to €33.6 billion at the end of 2024, which represents a 35% share of the total property investment market. Rental residential construction volumes have decreased markedly in recent years, and the slowdown in the growth of supply together with the continuing population growth in largest cities are expected to support rental residential demand in the coming years. The decline in the total amount of office and retail properties owned by professional investors halted in 2024, and their shares of the total market remained stable at 22% and 18%, respectively. Public use and industrial properties have increased their significance, supported by healthy space demand and long leases. In both sectors, the total value of investment properties increased slightly in 2024 and they represented 10% and 8% of the total market, respectively.

## THE STRUCTURE OF THE FINNISH PROPERTY INVESTMENT MARKET BY INVESTOR GROUP AND BY SECTOR



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

## TRANSACTIONS VOLUME BY PROPERTY SECTOR



Source: KTI

### Transaction volume dropped to €2.2 billion

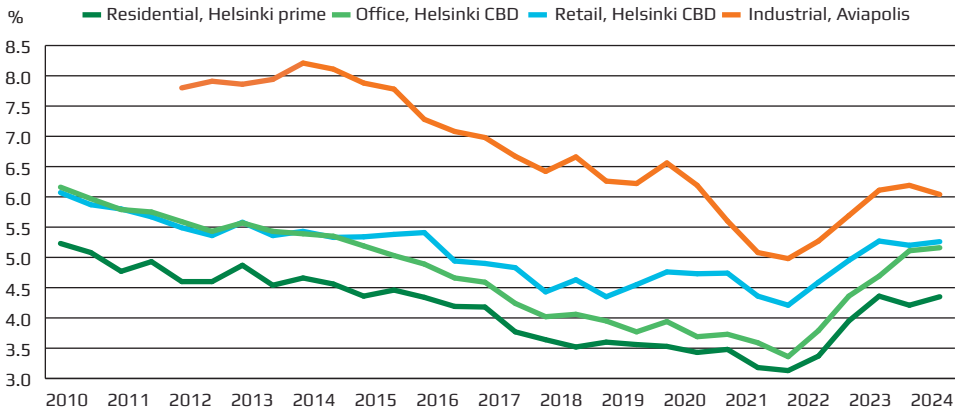
Property transaction activity remained low in 2024, and the total annual volume only amounted to €2.2 billion, down by 19% from the previous year. The annual transaction volume was the lowest since the exceptionally quiet years after the global financial crisis, and in relative terms, the activity in 2023 and 2024 has been even lower than in 2009-2013. In 2024, industrial properties overtook residential as the most traded property sector, with a 31% share of the total volume. In the office and retail markets, the lowest annual transaction volumes ever were recorded in 2024, and their shares of the total volume amounted to 7% and 12%, respectively. The decrease in transaction volume was a result of a decrease in investment activity of two major investor groups: foreign investors and domestic property funds. Foreign investors accounted for 46% of

the total annual transaction volume. Despite the decline in investment volume, foreign investors' net investments remained positive also in 2024.

### Total return increased to 1.9%

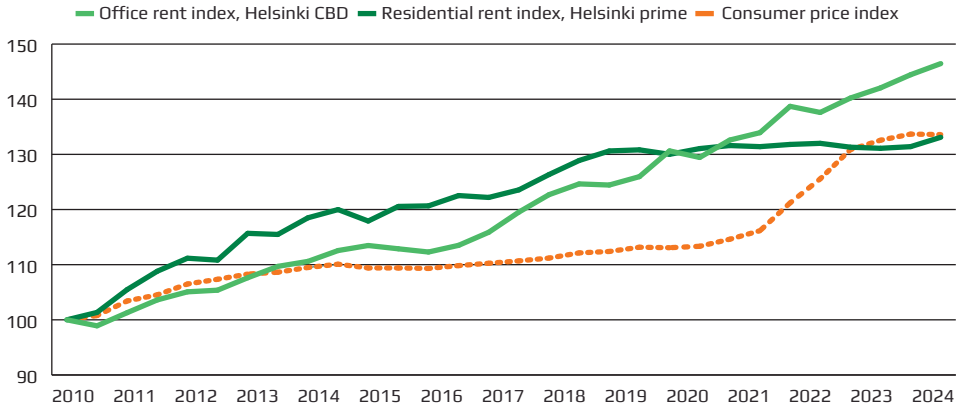
According to the KTI Property Index, Finnish property investments produced a total return of 1.9%, up from -2.9% in the previous year. Total return continued to be pressured by a negative capital growth of -2.8%, but income return continued to increase and stood at 4.8% for all properties on average. As in the previous year, industrial was the best performing sector, with total return of 4.9%. Public use and retail properties also continued to perform better than average. In the residential sector, total return ended slightly positive at 1.2%. Offices were the only sector where total return remained in negative territory at -0.7%.

## PRIME PROPERTY YIELDS



Source: Rakli-KTI Commercial property barometer

# DEVELOPMENT OF NEW OFFICE AND RESIDENTIAL RENTS IN THE HELSINKI CENTRAL AREA (INDEX Q1/2010=100)



Source: KTI, Statistics Finland

## Positive rental outlook for residential and industrial properties

The rapid growth of supply has kept residential rental growth moderate in the Helsinki metropolitan area in recent years. In 2024, rents increased by 0.8% in the metropolitan area, and the economic occupancy rate remained low at slightly above 91%. Supported by the slowdown in new construction, the outlook for both rents and occupancy rates turned more positive in 2024. In the largest cities outside the Helsinki metropolitan area, supply and demand are more balanced, and rental growth has remained more positive. In the office markets, decreasing demand highlights the polarization

between prime and secondary areas and assets. The vacancy rate of offices exceeded 15% in the Helsinki metropolitan area in 2024. In prime locations, rents continued to increase, and the KTI Rental index grew by 3.1% in the Helsinki CBD. However, the amount of vacant premises also increased in the Helsinki CBD area. In the retail markets, occupancy rates remain healthy, but the rental outlook is stable or slightly negative. Of the commercial property sectors, the rental outlook is most positive for industrial properties, where vacancy rates also remain low, despite the active new development in recent years.

Read the full report here.



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