



KTI Market Review

Autumn 2017

Another record year in property transaction markets
Improving economic outlook supports commercial property
rental markets
New investors enter the market
Demand for rental housing remains strong in all major cities



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Improving economic conditions support property investment and rental markets. In the investment market, low interest rates and a large supply of capital maintain high transaction volumes. The attractiveness of the Finnish market is supported by competitive yield levels and, increasingly, the positive outlook of the economy. Property yields are compressed by high investment demand and high valuations of other investment assets.

In the transaction market, another record volume will be reached this year. The total volume is to be boosted by large portfolio deals of Sponda and Logicor in particular, but also by several other large transactions of large single assets or medium-sized portfolios that have been carried out this year. Foreign investors dominate the current transactions market. Domestic investors are increasing their portfolios predominantly through investments in new development. Institutional investors are taking advantage of the market conditions and actively continue to restructure their property portfolios.

Construction volumes continue to increase. New housing starts will reach their highest levels since the early 1990s. Commercial property development is also active in the Helsinki metropolitan area in particular. The positive development of real estate markets is concentrated in largest cities in terms of investment and new construction as well as rental development.

In the commercial property rental markets, development continues to be two-sided. In the best locations and properties, rental growth has accelerated within the past year. Changing occupier needs and improving economic conditions increase the activity in rental markets. In the Helsinki CBD, office rents in best locations and premises are higher than ever before. On the other hand, the amount of vacant space remains high. In the retail rental markets, there is increasing differentiation: the attractiveness of the largest retail centres in the Helsinki metropolitan area is strengthening, whereas in the smaller cities and centres, the uncertainty is increasing.

Residential rents continue increasing in all major cities despite the rapid growth in supply. The increase is, however, slower than in the past few years. However, accelerating urbanization together with the improving economy has turned the expectations of investors and developers in the rental residential markets more positive again.

The Finnish economy is back in the growth track

Economic forecasts have increased throughout the year. Most recent forecasts for the GDP growth in 2017 are slightly above or below 3 per cent. The growth is now supported both by increasing exports, investments and by strong consumer demand. The volume of exports is expected to increase by some 8-10 per cent this year. For 2018, stable but slightly slower GDP growth is expected. However, as the growth in world economy is expected to slow down, the growth period in Finland is not expected to last very long. At the moment, the improving economic conditions support the broadly-based positive development in the real estate markets.

Growth in construction continues

The volume of investments is now increasing briskly, as previously repressed needs are being dealt with. In 2016, construction boosted the whole economy, but now also investments in machinery and equipment are increasing markedly. Economic growth is once again strengthening the outlook for construction, which was expected to slow down this year. The Confederation of Finnish Construction Industries RT forecasts construction volumes to increase by some 4 per cent this year, despite the high starting level from last year. In the largest cities, residential construction activity is at its highest level in two decades. In the Helsinki metropolitan area, commercial property development is also very active.

Strong consumer confidence supports retail sales

Consumer demand is increasing, mainly supported by strengthening consumer confidence and increasing employment. Increase in private consumption is expected to exceed that of earnings, and to amount to some 2 per cent in 2017. This means that the indebtedness of Finnish households will continue increasing. According to Statistics Finland, retail sales increased between

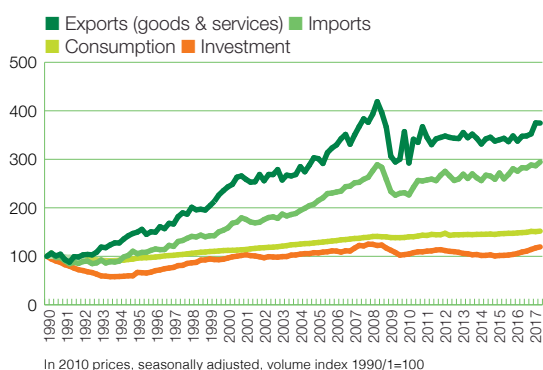
- Broadly-based growth in the economy boosts real estate markets
- Construction volumes continue to grow
- Real estate investments are increasing in attractiveness
- Investment focus is expanding to new sectors and vehicles

January and August by some 2 per cent compared to 2016. In the retail sector, the position of large retail centres continues to strengthen: according to the sales indices of the Finnish Council of Shopping Centers and KTI, the share of large shopping centres of the total retail sales continues to increase.

Low interest rates support the attractiveness of property investment

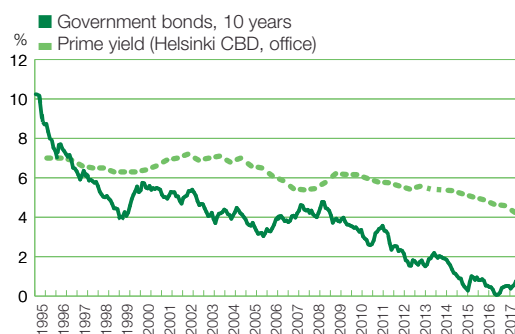
Interest rates remain at their historically low levels, and no rapid turns are expected in the central banks' behavior. In the investment markets, high equity prices and close-to-zero returns on bonds are driving investors to look for alternative investments. Investments in real assets are increasing in attractiveness in the current market conditions. In the real estate markets, the focus of investors is slowly expanding to alternative sectors such as student housing, public sector properties, forestry and infrastructure, as well as to new investment vehicles such as debt instruments. As the positive market development started later in Finland compared to many other markets, new records are being reached this year in terms of market volumes and yield levels.

Exports, imports, consumption and investment



Source: Statistics Finland

Long-term interest rate and prime office yield



Source: RAKLI-KTI Property Barometer, Bank of Finland

New record in transaction volume

The previous record level in transaction volume, €7.4 billion reached in 2016, was exceeded by the end of October this year. The volume is supported by the largest-ever property transaction in Finland, where Polar Bidco acquired the listed company Sponda. At the end of the second quarter, the market value of Sponda's Finnish property portfolio amounted to €3.7 billion. Another large property company transaction is expected to be closed by year's end: CIC (China Investment Corporation) has agreed to acquire the logistics property company Logisor. Of Logisor's total portfolio of some 13 million square meters of logistics and warehouse premises, some 1 million sqm is located in Finland. The American giant investor Blackstone is a major player in both transactions, acting as buyer in the Sponda deal and seller in the Logisor transaction. Delisting of the shares of Sponda will decrease the market capitalization of the Finnish listed property companies by more than one third.

Foreign investors dominate the market

The share of foreign investors of all transactions is historically high: 73 per cent at the end of the third quarter. The impact of the Sponda transaction is a large factor in this, but there have been many other significant transactions where foreign investors have won domestic players. In 2017, more than 10 new foreign investors have entered the Finnish market. The attractiveness of the Finnish market is sustained by higher yields compared to most other markets. Also, the improving outlook of the economy strengthens the position of the Finnish property market. The spectrum of strategies of foreign investors is broad; both core players looking for prime properties with low but stable cashflows and opportunistic players with two-digit return expectations have been active in Finland in recent months. In addition to CIC, also other Asian investors have entered the Finnish market in 2017: for instance, a South Korean investor, together with the German GLL Real Estate Partners, acquired 5 logistic properties rented to Posti Oy from the Norwegian Ness, Risan & Partners.

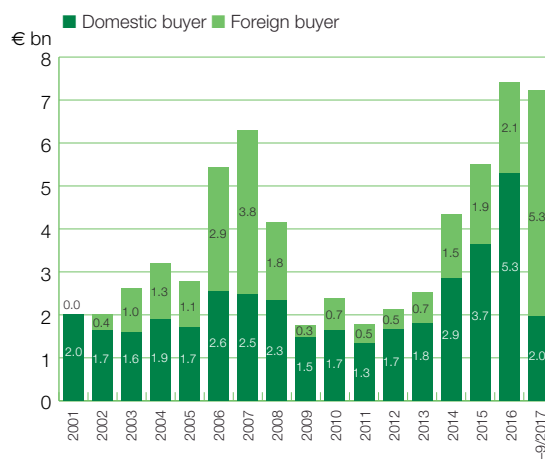
Domestic institutions continue to restructure their property portfolios

Domestic investors are taking advantage of the high market liquidity and continue to restructure their holdings. In the summer, Elo founded a new property company Agore Kiinteistöt, together with the Swedish pension fund AP1 and fund management company Trevian. Elo sold some €160 million worth of retail properties to the company, which is planning to increase its portfolio in the largest cities outside the Helsinki

- New foreign and domestic players enter the market
- Large portfolio transactions boost market volumes to new records
- Foreign investors dominate the transactions market
- Office and shopping centre properties attract investors

metropolitan area. Varma has continued the sales of its direct property holdings in several transactions, where residential, office and industrial properties have been sold to foreign investors. Also OP Group has sold three office properties, and Veritas liquidated three residential properties in the autumn. In order to maintain or increase their property allocations, most Finnish institutions are currently investing in property development in their own portfolios, as well as increasing their indirect investments.

Transactions volume in the Finnish property market



Source: KTI

Largest property transactions in Finland during January-October 2017

ASSET / PORTFOLIO	DATE	PRICE (M€)	PURCHASER	SELLER
Sponda Oyj	2017Q3	3,700	Polar Bidco S.à r.l. (Blackstone)	Shareholders of Sponda Oyj
Shopping centre Kamppi (50 %)	2017Q1	250	European Cities Fund (TH Real Estate)	Nordic Retail Fund (Barings Real Estate Advisers)
5 shopping centres (Espoonatori, Tikkuri, Myllypuron Ostari, Martinlaakson Ostari, Jyväskylän Forum)	2017Q3	167	Cerberus Capital Management, L.P.	Citycon Oyj
10 retail properties	2017Q2	160	Agore Kiinteistöt Ky	Elo
9 office properties	2017Q4	150	Schroder Nordic Real Estate Fund	Niam
Tripla hotel property	2017Q2	88	Exilion Pasilan Asemahotelli Ky	YIT Oyj
7 educational properties	2017Q4	81	Lumo Kodit Oy	City of Helsinki, Merasco Oy
Care property portfolio	2017Q2	80	Erikoissijoitusrahasto Titanium Hoivakiinteistö	n/a
Other significant transactions where the price is not published				
Shopping centre Skanssi	2017Q2	n/a	CBRE European Shopping Centre Fund II	CapMan RE II Ky
Office property, Salmisaarenaukio 1	2017Q2	n/a	Skandia Fastigheter	TRIUVA
Office property, Kasarmikatu 21	2017Q3	n/a	Unnamed foreign investor	YIT, Ahlström Capital, HGR Property Partners
Office property, Hatanpään valtatie 30, Tampere	2017Q3	n/a	Kielo	Aberdeen Standard Investment
5 logistics and postal centre properties	2017Q3	n/a	Unnamed Korean investors (GLL Real Estate Partners)	Ness, Risan & Partners

Source: KTI

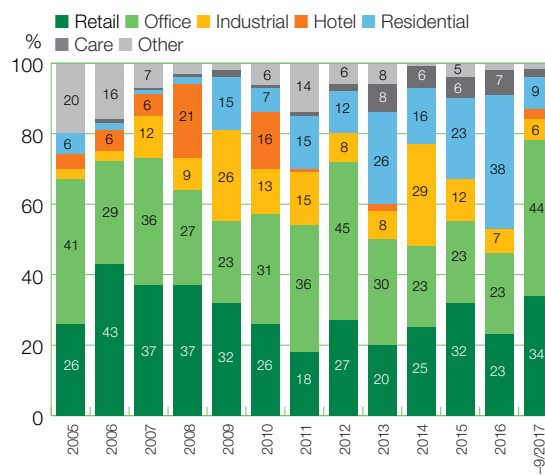
New property funds are being founded

The attractiveness of property investment is also being seen in the number of new property funds being launched. This year, new mutual property investment funds have been founded by, for example Fennia, Trevian and CapMan. Fennia's fund invests in building lots, whereas Trevian's fund targets high yielding properties across Finland and CapMan's invests in main Nordic markets. New structures targeted at professional investors include, in addition to Agore, Brunswick's Kielo as well as CapMan's second Nordic fund.

Urbanisation is driving property investment

The largest cities in Finland are growing strongly, which also impacts property investment markets. Foreign investors in particular target their main interest in the Helsinki metropolitan area (HMA). In the three first quarters of 2017, the share of the HMA of all transactions amounted to over 70 per cent. Together with the Tampere and Turku regions, the share increases to over 80 per cent. Higher yields are attracting some investors to smaller city regions. However, as foreign investors in particular emphasize the future liquidity of their investments, the attractiveness of these markets remains limited.

Distribution of transactions by property type



Source: KTI

Office and retail properties are the most traded sectors

The shares of office and retail properties of the total transaction volume this year amount to 44 and 34 per cent, respectively. The Sponda transaction has a great impact on these shares as well. Both in office and retail property markets, some other significant transactions have also been carried out this year. The largest shopping centre transactions this year include – in addition to the centres owned by Sponda – a 50 per cent share of Kamppi, Skanssi in Turku, Entresse and Liila in Espoo as well as five assets sold by Citycon in the Helsinki metropolitan area and Jyväskylä. The share of residential property portfolios has decreased this year to some 9 per cent from its peak levels last year.

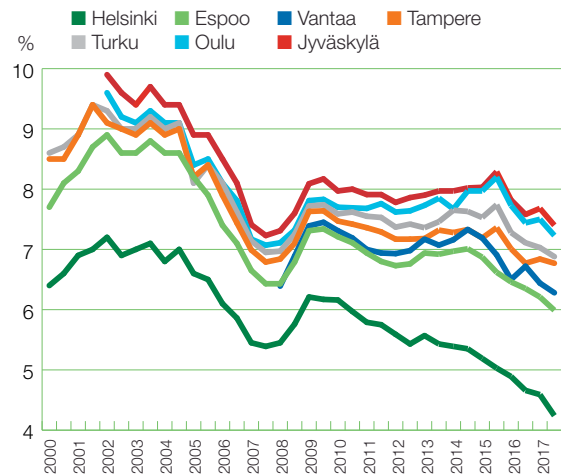
Property yields are at record low levels

In the RAKLI-KTI Property Barometer survey carried out in October, property yields were assessed at lower levels than ever before. The yield for a prime office property in the Helsinki CBD was at 4.2 per cent, which shows compression of 0.35 percentages compared to the previous survey in April. In the very best properties, yields might be clearly lower than this. Also in new rental residential housing projects in the best locations in the Helsinki metropolitan area, net yields are below 4 per cent. In the Barometer, the average yield for a prime residential property was 3.8 per cent, 0.4 percentages lower than last spring. Due to strong investment demand, property yield compression is now also impacting cities outside the HMA, but the marginal between the HMA and other main cities remains markedly wider than in the previous peak before the global financial crisis.

New sources for property finance

Recent developments in the market open new opportunities for property finance. The largest investors in particular have increased the share of bond financing in their balance sheets, thereby decreasing their dependence on traditional bank debt. Bond financing has been mainly utilized by listed companies and large housing investment companies, whose scale is sufficient enough to attract investors in their bonds. In October a new player entered the bond market, as retail property investment company Mercada issued a senior secured bond of €175 million in order to partly refinance their previous bank debt portfolio.

Prime office yields in major Finnish cities



Source: RAKLI-KTI Property Barometer

Availability of debt is good but new sources are anticipated

Traditional bank debt still dominates property financing in the Finnish market. In current market conditions, the availability of bank debt is relatively good – especially for low risk investments and acknowledged clients. However, for riskier assets and new investors, it might be difficult to find debt financing. Therefore, there could be market opportunities for new players offering more aggressive – and expensive – financing, such as smaller and specialized banks, private equity firms or institutional investors. Property debt funds, which are becoming more common in many European markets, are not currently present in the Finnish market. Some debt funds are investigating the market, but the limited size of both the market and potential assets and portfolios limits their interest.

Positive outlook for office rental markets

In addition to the high investment demand, the outlook for office rental markets is also turning more positive. The KTI Office Rent Index for the Helsinki CBD increased by 3.5 per cent during the past year, and as much as 3.1 per cent during the past six months. Office rents have increased to record-high levels. The median rent in new agreements during March-August increased to €29.6 per sqm, and the upper quartile stood at €33.5 per sqm, increasing by almost €3 per sqm compared to the previous six-month period.

However, the differences between the office submarkets in the Helsinki metropolitan area have continued to widen. For example, in the Pitäjänmäki district the median office rent for new agreements decreased to €12 per sqm, while in the Ruoholahti and Leppävaara submarkets the median levels have remained rather stable.

Office rents are expected to increase in the near future

Also the respondents of the RAKLI-KTI Property Barometer, conducted in October, estimated that prime office rent in the Helsinki CBD has increased to the all-time high level, over €32 per sqm. In other major cities, the prime office rents have remained rather stable, according to the barometer. The outlook is, however, positive across Finland. The balance figures for the expected development of office rents have reached the

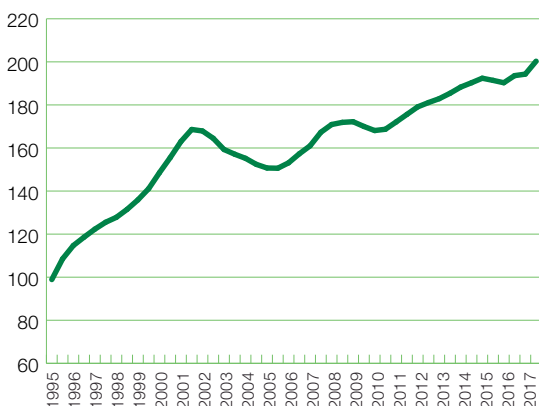
- Helsinki CBD office rents are at all-time high levels
- Office occupancy rates remain low despite improving space demand
- Plenty of new office developments are under construction

highest levels of 2010s in all major cities. In some cities the balance figure is at the highest level since 2000. None of the respondents expected office rents to decrease in the Helsinki CBD, and only a few respondents expected it in other major cities.

The office occupancy rate for the Helsinki metropolitan area has remained stable

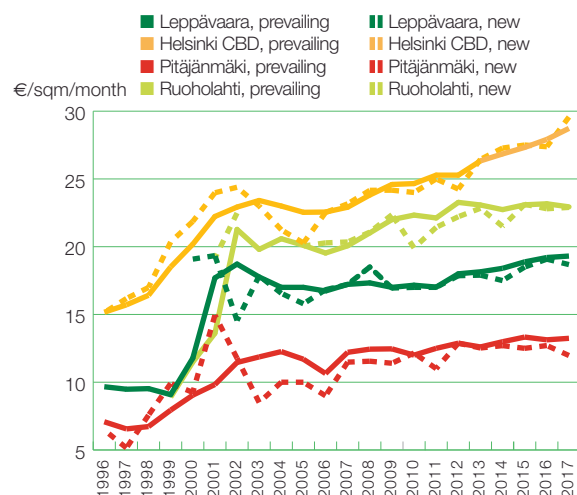
Despite the positive rental market outlook, the amount of vacant office space remains large. In the KTI rental database, the occupancy rate of Helsinki metropolitan area offices stood at 81.8 per cent in September, which is exactly the same figure as six months ago, and slightly higher compared to last autumn. In Espoo, the occupancy rate has increased for the past two years,

KTI Rental index
Helsinki CBD offices, index 1993=100



Source: KTI

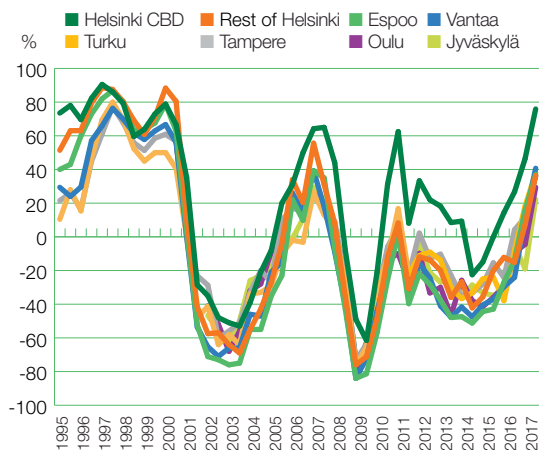
Median rents for offices, new and prevailing agreements



Source: KTI

Outlook for office rents

Balance figures



Source: RAKLI-KTI Property Barometer

but Espoo's figure is still the lowest level among the cities of the HMA. During the past 12 months, the amount of vacant space has decreased in almost all of the largest office submarkets in Espoo.

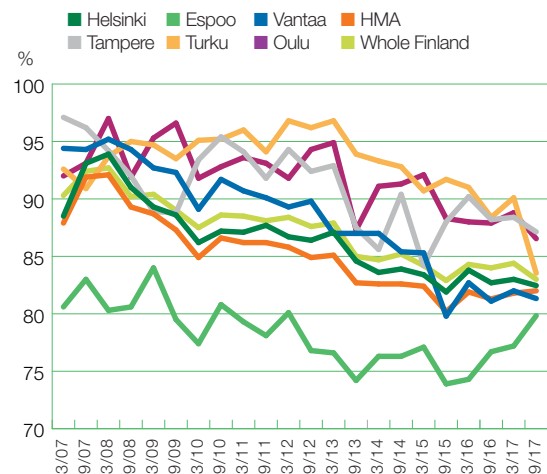
In Helsinki, the office occupancy rate has remained stable at 82.5 per cent. The amount of vacant space has decreased for example in the Helsinki CBD, where the occupancy rate stood at 86.5 per cent. The occupancy rate has increased in Pasila, but decreased in Vallila, for example. In Vantaa, office occupancy rates have increased for example in the Myyrmäki and Veromies districts, but have decreased in the Tikkurila-Viertola area. The average occupancy rate for Vantaa's offices has remained between 80-82 per cent during the past couple of years.

In other major cities the occupancy rate for offices has decreased during the past six months. In Tampere and Turku, as well as in Oulu, the occupancy rates were clearly under 90 per cent in September.

Office construction volume more than doubled in the Helsinki region during the past year

For a couple of years, the office construction volumes were rather low in the Helsinki metropolitan area, but in 2017 the volumes have increased strongly. According to the statistics of KTI, some 196,000 sqm of new office space was under construction at the end of September. The volume has therefore more than doubled during the past 12 months from 85,000 sqm under construction at the end of Q3/2016. For example, new office projects have been recently started in the Pitäjänmäki and Aviapolis districts.

Office occupancy rates



Source: KTI

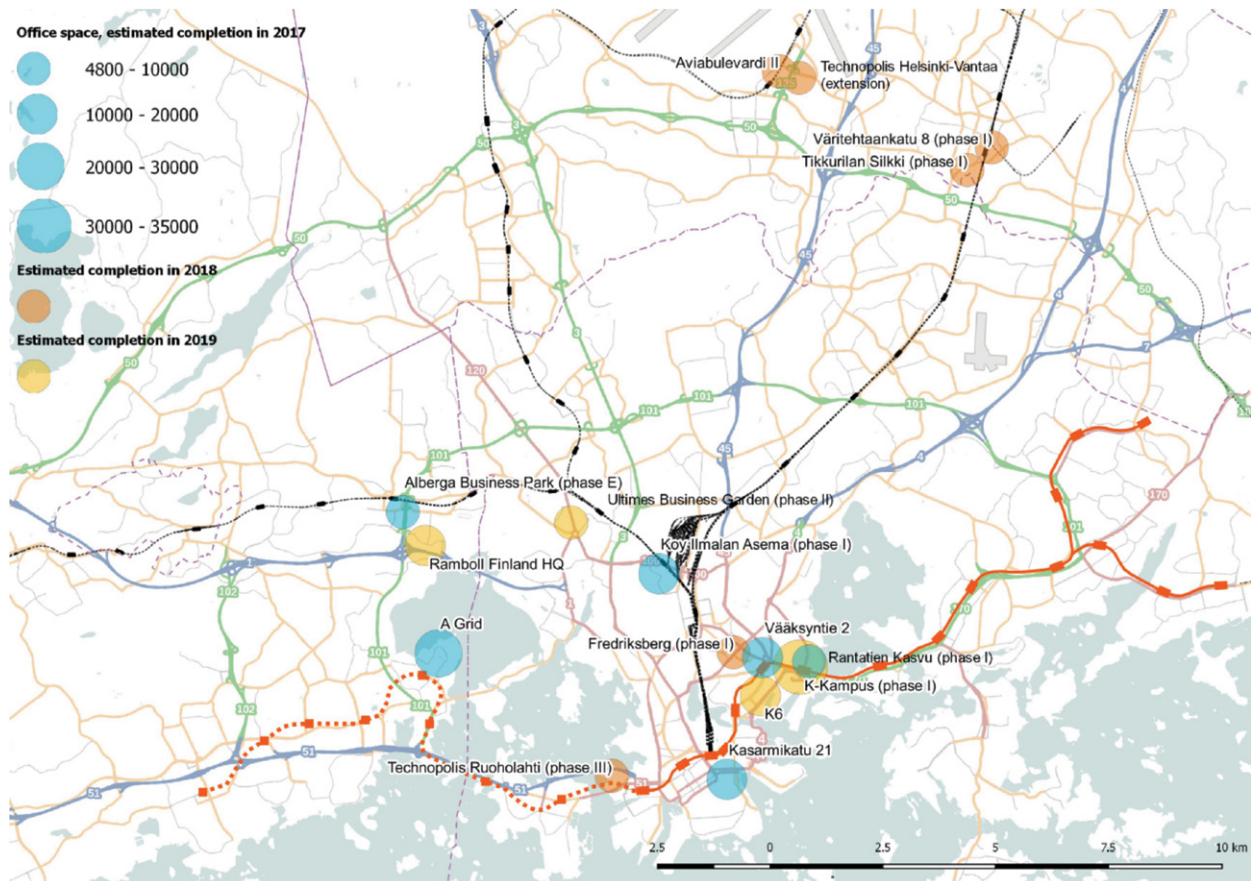
In the past few years, the office stock in the Helsinki metropolitan area has remained rather stable, with the volume of conversions and demolitions being almost equal to new developments. In 2013-2016, the annual office space reduction has amounted to between 50,000-90,000 sqm. In the first three quarters of 2017, some 45,000 sqm of old office properties were either converted or demolished. Some properties were also converted to offices from other property types. One example of this kind of conversion is the start-up hub A Grid, located at the Aalto University campus in Espoo. This former educational property of the School of Electrical Engineering is being renovated for start-ups, entrepreneurs and companies.

Outside the Helsinki region, office construction volumes have been rather low for this whole decade. One example of a regionally significant office project is the 10,000 sqm Powergate II property, developed by Oy Vaasa Parks Ab in Vaasa. The user of the property will be the Finnish multi-sector company Wärtsilä. Another example is a police office and courthouse property that was recently completed in the city of Joensuu. The property, comprising more than 10,000 sqm of leasable space, was developed by government-owned Senate Properties.

The amount of vacant space is expected to decrease

Despite the abundant office construction in the Helsinki metropolitan area, the property market professionals are optimistic about the future. In the RAKLI-KTI Property Barometer, 57 per cent of the respondents expected the amount of vacant office space to decrease during the next six months. In this sense, the expectations are now

Office development projects under construction in the Helsinki metropolitan area



Additions to the map by KTI.
Helsinki City Survey Division open data, licenced under CC BY 4.0.
OpenStreetMap Finland web services, licenced under CC BY 4.0.
Map: Ministry of Education and Culture, Data: OpenStreetMap contributors.

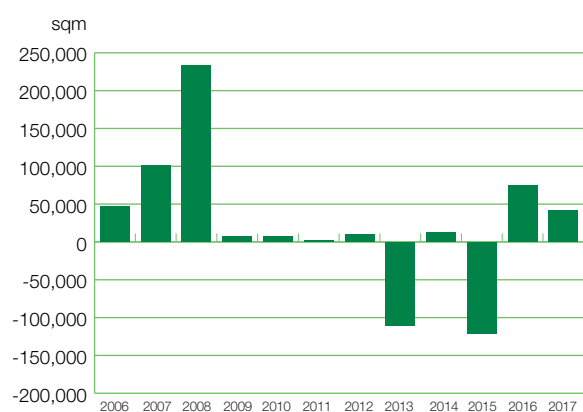
Source: KTI

at the most positive level for ten years. In the rest of Finland, approximately as many respondents expected office vacancies to increase and decrease.

Net take-up is positive for the second consecutive year

The amount of new office rental agreements has been in the long-term average level in the Helsinki metropolitan area. Gross take-up of HMA offices decreased by some 3 per cent during the past year from September 2016 to August 2017 compared to the previous year. In the same period the net take-up of offices was some 40,000 sqm, reflecting an increase in the office space demand.

Office net take-up Helsinki metropolitan area



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

Source: KTI

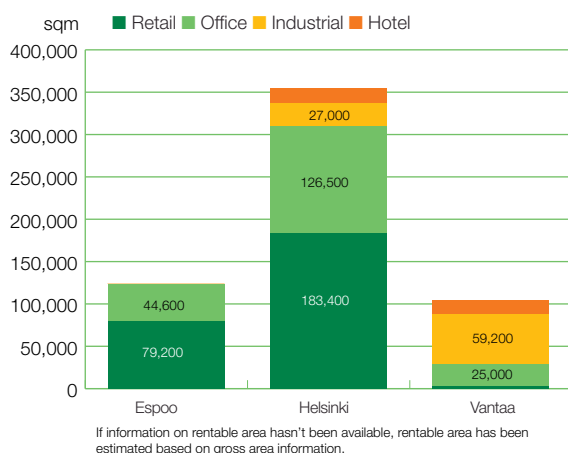
Retail construction volumes continue to increase in the Helsinki metropolitan area

Retail construction in the Helsinki metropolitan area is at the highest level of this decade. According to the statistics of KTI, some 265,000 sqm of new retail space was under construction in the Helsinki metropolitan area at the end of September. More than half of the volume will be built in two major shopping centres, the Mall of Tripla and REDI. In addition, there are 120,000 sqm of other retail property projects under construction. One of the latest significant retail projects is Citycon's Lippulaiva project in Espoo. The original Lippulaiva shopping centre, completed in 1993, is currently being demolished, and the new 40,000 sqm Lippulaiva is expected to be opened in 2020. The temporary shopping centre Pikkulaiva, which opened this summer, is serving customers during the development project.

Retail stock is increasing rapidly in the Tampere region also. At the end of September, more than 90,000 sqm of new retail space was under construction in the region. In addition to the shopping centre Ratina project in Tampere city centre, there are several smaller retail properties under construction in Tampere and the neighbouring municipalities of Lempäälä, Pirkkala and Ylöjärvi. In other major cities the retail construction volumes are currently rather low. In Jyväskylä, the shopping centre Seppä, owned by LocalTapiola Group, was opened in late October.

- Amount of vacant retail space increasing outside the Helsinki region
- Total sales and number of visitors develop positively in shopping centres
- Retail supply increases strongly
- Most positive future outlook in the large shopping centres in the Helsinki region

New development projects under construction in the Helsinki metropolitan area September 2017, rentable area



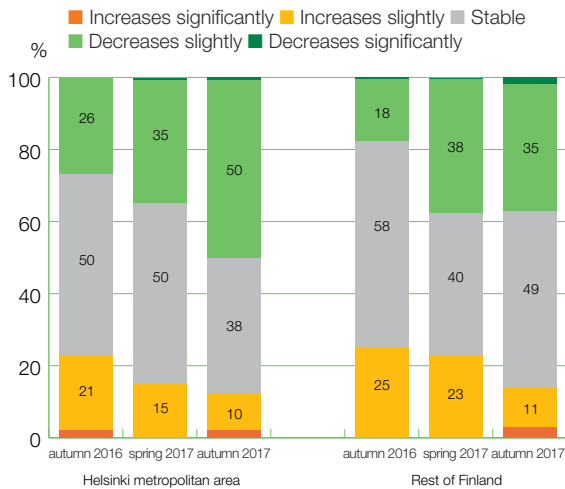
Source: KTI, RPT Docu Oy

Occupancy rates are decreasing outside the Helsinki region

The occupancy rates of retail premises have remained rather high in the Helsinki metropolitan area, having increased by 0.5 percentage points during the past 12 months to 94.8 per cent in September 2017. In Espoo, the occupancy rate increased by over two percentage points to 96.8 per cent, and also in Helsinki the occupancy rate increased slightly, remaining at approximately 95 per cent. In Vantaa, the occupancy rate dropped to under 92 per cent. Also in all other of the ten largest Finnish cities, the retail occupancy rates have decreased. Therefore the average occupancy rate of retail premises for the whole of Finland decreased to 90.6 per cent from 93.1 per cent last autumn.

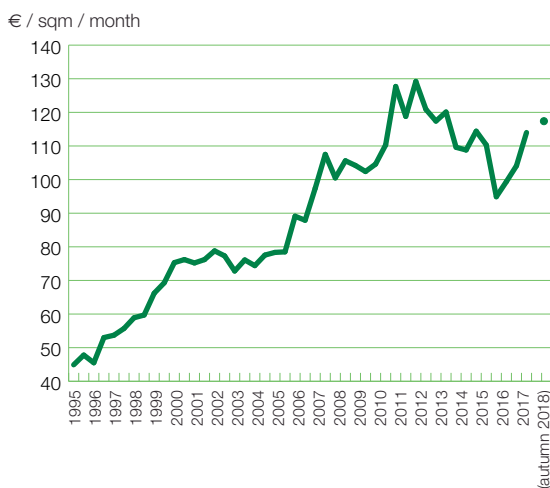
Even as the overall retail property supply is increasing, as much as 50 per cent of the respondents of the RAKLI-KTI Property Barometer expect the amount of vacant retail space to decrease in the Helsinki metropolitan area. In the rest of Finland the corresponding figure is almost 40 per cent. On the other hand, in another recent survey, about one third of the Shopping Center Barometer respondents believe that the volume of new shopping centre developments in the Helsinki metropolitan area

How do you expect the amount of vacant retail space to develop during the next 6 months? Distribution of responses



Source: RAKLI-KTI Property Barometer

Barometer: Prime retail rent in the Helsinki CBD



Source: RAKLI-KTI Property Barometer

might be too high compared to the expected consumer demand growth.

Prime retail rents are increasing

The number of new retail rental agreements in the Helsinki CBD has increased compared to the earlier six-month period. Median rent for new retail rent agreements during March-September amounted to some €80 per sqm, which is €3 lower than in the previous six-month period. However, the spread of rental levels has increased, and the upper quartile of retail rents climbed to €126 per sqm, which is the highest figure for three years. The respondents of the RAKLI-KTI Property Barometer also expect that prime retail rent has increased by some 10 per cent during the past six months both in the Helsinki CBD and in the Tikkurila retail area in Vantaa. Prime retail rents are expected to increase in all major cities during the winter.

Shopping centre sales and number of visitors are increasing

Shopping centre specialists are still positive about the future. Most of the respondents of the Shopping Center Barometer of the Finnish Council of Shopping Centers expect that retail rents and occupancy rates will increase in the Helsinki metropolitan area's large shopping centres during the next years. The expectations have also turned slightly positive in the large shopping centres elsewhere in Finland. In the small and mid-sized shopping centres, however, the retail rents and occupancy rates are expected to decrease in the whole of Finland. The respondents believe that the importance of central location and good public traffic connections will continue to increase.

The number of visitors in Finnish shopping centres increased by 3.0% during the third quarter of 2017, compared to the corresponding period last year. Total retail sales of shopping centres increased by 5.6%. The cumulative figures for the previous 12 months showed an increase of 4.5% in the number of visitors, and the increase of 4.0% in retail sales compared to the previous year.

In the Helsinki metropolitan area, total retail sales grew by more than 9% in Q3/2017, due to the increase in shopping centre stock. In like-for-like comparison, which excludes new supply, sales increased by 3% in the Helsinki metropolitan area and by 1.6% in other major cities. In the rest of Finland, however, the total sales decreased slightly compared to the previous year. The figures are based on the indices published by Finnish Council of Shopping Centers, in co-operation with KTI.

Outlook for retail rents and occupancy rates in shopping centres during the next 3 years

Balance figures



Source: Finnish Council of Shopping Centers / Shopping Center Barometer 2017

The importance of services is increasing in shopping centres

The share of services continues to increase in shopping centres. Two thirds of the respondents of the Shopping Center Barometer are now expecting that the share of retail premises will decrease in shopping centres, while almost all respondents estimate that the sales and share of used space of cafés and restaurants will increase. Also some 80 per cent of the respondents expect that the supply of public services will increase. This change can already be witnessed in new shopping centre developments.

Housing construction at record level

According to the Confederation of Finnish Construction Industries RT, some 43,000 new dwellings will be started this year. This is the highest figure since the early 1990s. The majority of new construction, some 32,000 dwellings, is in apartment buildings. Construction is concentrated in the largest cities: last year, one third of new housing starts were in the Helsinki metropolitan area and another 25 per cent in six other main cities.

The availability of building lots and construction costs are deteriorating opportunities in new construction

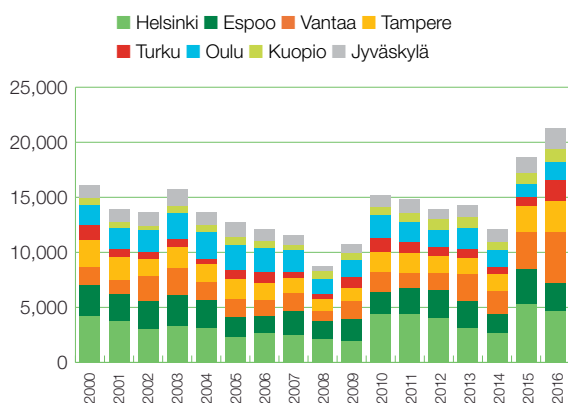
High construction volumes are reflected in market conditions for new development. In the RAKLI Rental Residential Barometer survey, carried out in August, rising construction costs were, together with poor availability of building lots, mentioned as the most significant factors deteriorating the conditions for new residential development. Increases in construction volumes also increase the costs for building materials and labor as well as lots. The majority of the respondents expect, however, that the supply of rental residential dwellings will continue to increase in the future.

The transaction volume of rental residential portfolios is decreasing

After the peak volumes in 2016, this year has shown a significant decrease in transaction activity in the rental residential investment markets. In the first three quarters of 2017, transaction volume amounted to €620 million. Compared to previous year, when several very large portfolios – including thousands of dwellings – were sold, this year the largest deals have only comprised some hundreds of dwellings.

Started residential construction projects in major cities

Dwellings

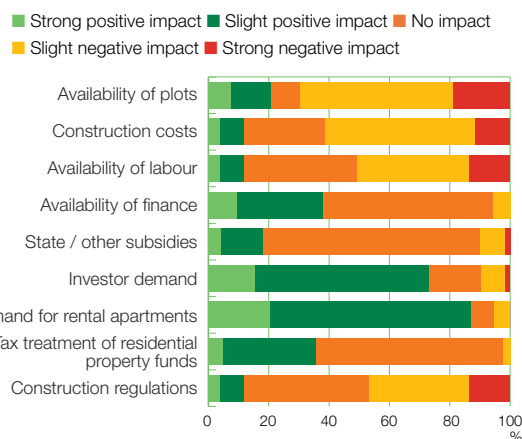


Source: Statistics Finland

- Residential rents continue to increase despite increasing supply
- Demand for rental dwellings exceeds supply in major cities
- Construction costs are increasing
- Transaction activity is slowing down in residential investment markets

Drivers of residential construction

How will the following drivers impact the construction of rental residential properties during the next year?



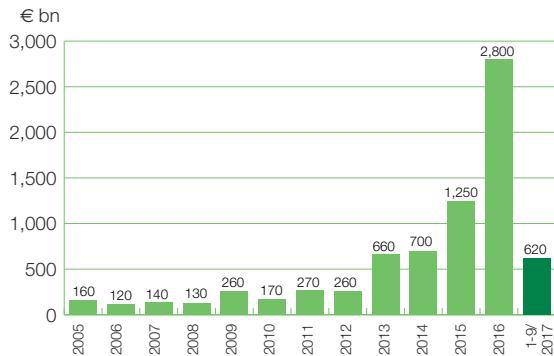
Source: RAKLI Rental Residential Barometer, autumn 2017

Two new foreign players have entered the Finnish residential investment market this year. A German investor advised by Barings bought 7 residential buildings from Varma, and AXA Investment Management bought 4 buildings from LocalTapiola. Due to strong investment demand, net yields have compressed further this year, especially in modern buildings in good locations.

Moderate growth in rents continues in all major cities

Growth in supply has mitigated the pressures for increasing rents. However, demand exceeds supply in most larger cities, due to continuous population growth. The seasonal peak in demand in the autumn, as well as recent changes in housing subsidy systems

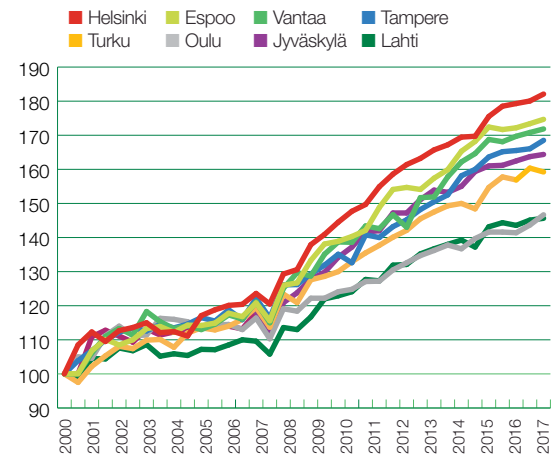
Residential property transactions volume



Source: KTI

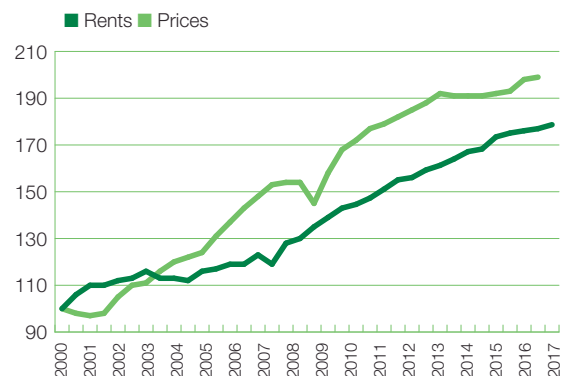
have strengthened the demand for small apartments in particular. KTI indexes for new rental agreements increased in all major cities. In the Helsinki metropolitan area, the annual increase amounted to 1.5 per cent, and in the other major cities to 2.0 per cent on average. Within the past year, rents have increased slightly more in Helsinki than in Espoo or Vantaa. Outside the HMA, rental growth has now been strongest in Oulu. In the RAKLI Rental Residential Barometer, the outlook for rental development was now clearly more positive than in the previous survey in March. The majority of respondents expect rents of small apartments to increase in all major cities. Even in larger apartments, rents are expected to increase in the HMA, Tampere and Turku.

KTI Residential rent indexes new agreements, index spring 2000 = 100



Source: KTI

Residential prices and rents in the Helsinki metropolitan area



Source: KTI Residential rent indexes / Statistics Finland: Price index of dwellings in old blocks of flats



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

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