



# KTI Market Review

## Autumn 2016

Transaction volumes are reaching new record levels  
Investor interest is spreading to secondary locations  
and assets

The supply of rental residential dwellings is increasing

The outlook in the rental markets is turning more positive

An increasing supply of shopping centres is boosting sales



# KTI Market Review

## Autumn 2016

2016 is expected to witness the highest property transactions volume ever in Finland. Supported by continuously low interest rates, property investments are attracting both domestic and foreign investors. Yields are being pressured by the high investment demand, which is now increasingly being seen also outside the Helsinki metropolitan area (HMA).

Rental residential properties continue attracting investments, and transaction volumes have again reached new record levels. Property funds are purchasing new residential buildings from developers. During 2016, several exceptionally large portfolio transactions of existing properties have also taken place. The Finnish rental residential market has also welcomed some new foreign investors.

The supply of rental dwellings is also increasing due to various development projects of institutional investors and residential investment companies. Strong investment demand is boosting residential construction, which is expected to increase substantially. Increasing supply is now affecting the rental markets, and the increase in rents has slowed down in all major cities.

Some positive signs are now also being seen in the rental markets of commercial properties. The office vacancy rate increase seems to have stopped, and rents have increased slightly in the best areas. However, due to the increasing space efficiency and other requirements of tenants, new space is also being continuously built, and no any significant decrease in the vacancy rate is being expected in the near future.

The retail property market is being characterised by abundant new development. Increasing urbanisation and new traffic infrastructure support retail property development, but the increasing supply will tighten competition between locations and retail centres. The outlook is the most positive for large shopping centres in central locations, which can attract consumers by their extensive supply of services and retailers. On the other hand, in the smaller centres and secondary locations, retail sales and rents are expected to decrease.

# Slight positive signs in the economy

During autumn, positive news have been published on several fronts of the Finnish economy. Consumer demand, construction volumes, investment plans of small and medium-sized companies, as well as the order pipelines of industrial corporations have all shown a slight increase during the past months. Unemployment has also decreased more than previously anticipated. However, the expected growth remains modest, and the GDP growth is expected to be some 1 per cent in 2016. For 2017, the forecasts vary between 0.8 and 1.4 per cent. The volume of exports has continued to decrease this year, but for 2017, a moderate increase is being expected.

## Construction sector boosts the economy

Construction has become the most significant engine of the economy. The Finnish Confederation of Construction Industries RT expects construction volumes to increase by some 6-7 per cent in 2016. The volumes are increasing in residential, commercial and public property sectors. The residential construction volume is expected to increase by as much as some 20 per cent this year. Infrastructure construction is also increasing, supported by both the development of new residential areas as well by investments in the improvement of existing traffic infrastructure. Construction is now being restrained by the lack of resources both in terms of the availability of skilled workforce and delivery capacity of construction materials.

## Improving consumer confidence supports retail sales

Alongside the construction sector, private consumption is the other supporting pillar of the economy. Improvements in employment, increasing consumer confidence and the easing of the tax burden support purchasing power both in 2016 and 2017, but, on the other hand, modest or non-existent wage increases, together with the slightly increasing inflation are cutting it back. Retail sales have increased by some 1 per cent in 2016, despite decreasing food prices.

- Construction and private consumption support the growth of the Finnish economy
- Low interest rates attract more capital in property markets

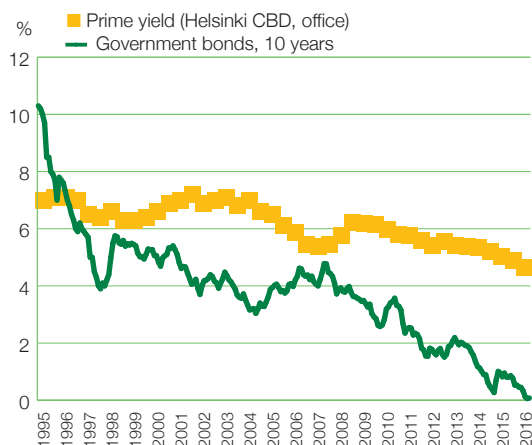
## Economic outlook remains modest

Despite the slightly improved signs, the outlook of the economy remains sluggish. No significant improvements are expected in exports or investments. The outlook for private consumption is dependent on the development of employment. Construction volumes are expected to continue increasing in 2017, although at a much slower pace than in 2016. Residential construction volumes are expected to decrease slightly from their exceptionally high levels in 2016.

## Low interest rates continue supporting property investment

As interest rates remain close to zero – or even negative for government bonds – stable property yields are increasing in attractiveness among investors. Interest rates are expected to remain low in the coming years, which further strengthens the position of property in the investment markets. Low interest rates also tend to make debt financing in property investments more attractive. On the other hand, decreasing property yields arouse discussions about the sustainability of asset values, especially in the housing markets. However, the increasing population in the main cities supports residential demand and property values.

## Long-term interest rate and Helsinki CBD prime office yield



Source: RAKLI-KTI Property Barometer, Bank of Finland

## Key figures – Finnish economy

	2010	2011	2012	2013	2014	2015	2016**	2017**	2018**
GDP growth	3.0	2.6	-1.4	-0.8	-0.7*	0.2*	1.1	0.9	1.1
Exports	6.2	2.0	1.2	1.1	-1.7*	-0.2*	1.0	3.0	3.8
Inflation	1.2	3.4	2.8	1.5	1.0	-0.2	0.4	1.1	1.3
Unemployment rate	8.4	7.8	7.7	8.2	8.7	9.4	9.0	8.8	8.5

\* estimate

\*\* forecast

Source: Statistics Finland, Ministry of Finance

# Record year in property transactions?

At the end of the third quarter of 2016, the property transaction volume amounted to some €5.3 billion. This is the highest volume of first three quarters ever in the Finnish market. Property advisors expect that the previous transaction record volume, €6.3 billion in 2007, will be exceeded this year. So far, the transaction volume has exceeded €1.5 billion in each quarter.

## Domestic investors dominate the market

During the first three quarters, the share of foreign investors amounted to 25 per cent of all transactions. This is a small proportion compared to some 50-60 per cent during the previous peak a decade ago. The share of domestic investors has increased due to a few exceptionally large portfolio transactions that have taken place this year. However, foreign investors also show constant interest in Finnish properties, and have continued acquiring both single assets and portfolios. New foreign investors have also entered the Finnish market in 2016, the latest example being the UK-originated fund manager M7 that acquired the remaining portfolio of OP group's REFF I fund in October.

In the RAKLI-KTI Property Barometer, carried out in October, foreign investor interest is expected to remain strong, and some two thirds of the respondents expect foreign investor demand to increase within the next year. Some 40 per cent of the respondents also expect domestic investment demand to continue increasing.

## Residential transaction volumes higher than ever

Large residential portfolio transactions add to the investment volume of domestic players. The share of residential properties of all transactions is higher than ever before, some 40 per cent, and the total volume had exceeded €2 billion by the end of the third quarter. The volumes of office and retail property transactions during the first three quarters amounted to some €1.0 and €1.4 billion, respectively.

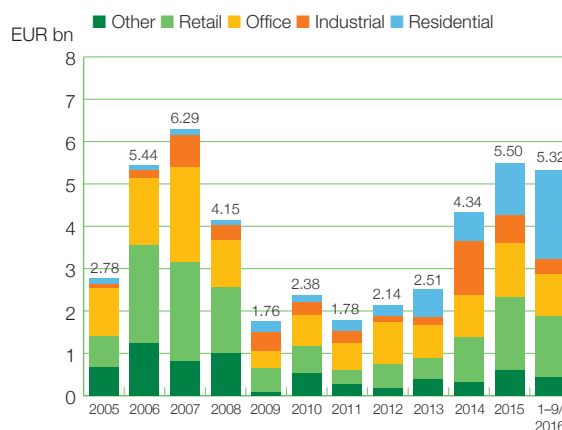
## Special investment funds attract investors

One of the drivers supporting transaction volumes is the growth of special property investment funds. The largest funds – eQ's care and commercial property funds and OP-Rental Yield in particular – have attracted new capital, which they have been investing in the property markets. eQ has, for instance, acquired retail properties from Citycon and care properties from Northern Horizon

- Property transaction volume higher than ever
- Strong investment demand pressures property yields
- Foreign investors are interested in Finnish properties
- Large portfolio transactions increase domestic investors' volumes

Capital, whereas OP-Rental Yield has invested in rental residential properties in several cities and also acquired some commercial property assets. At the end of the third quarter, the combined value of the property portfolios of eQ's funds amounted to €760 million, and OP-Rental Yield's value is even larger than that.

## Transactions volume by sector

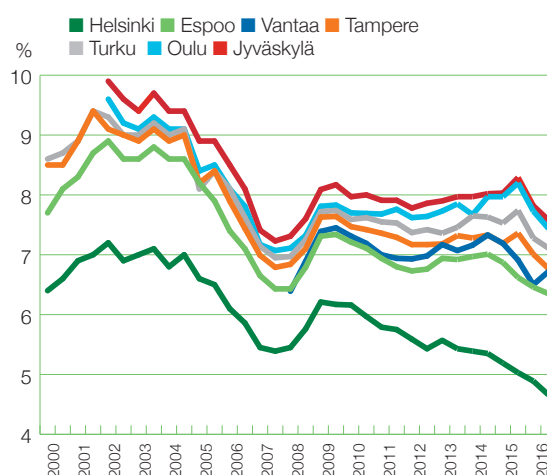


Source: KTI

## Yields at all-time-low levels

Strong investment demand, together with low interest rates, has created downward pressures on property yields. In the RAKLI-KTI Property Barometer, the prime office yield in the Helsinki CBD was quoted at 4.7%, showing a decrease of 0.2 percentages since last spring. Retail property yield has decreased even more, and is now 4.9%, which is also a record-low level. Residential properties in central locations in Helsinki would now trade at a 4.2% yield. During the past six months, office yields have decreased in all major cities, indicating the strengthened investment demand also outside the Helsinki metropolitan area.

## Prime office yields in major Finnish cities



Source: RAKLI-KTI Property Barometer

## Largest direct property transactions in Finland, Q4/2015 – Q3/2016

ASSET / PORTFOLIO	DATE	PRICE (M€)	PURCHASER	SELLER
Forum block, six retail and office properties in Helsinki CBD	2016Q1	576	Sponda Plc	Forum Fastighets Kb, Föreningen Konstsamfundet r.f.
8,517 subsidized rental apartments	2016Q1–Q2	524 (based on the decision made by ARA in June)	Y-Foundation	VVO-yhtymä Oyj
22 retail properties	2015Q4	191.5	Serena Properties AB	Varma Mutual Pension Insurance Company
97 retail, office and hotel properties in Sweden and Finland	2016Q1	180 in Finland (total 450)	Partners Group	Sveafastigheter Fund III
Six office properties in Helsinki metropolitan area	2016Q1	160	NIAM	Elo Mutual Pension Insurance
27 care properties	2016Q1	155	eQ Care	Healthcare I (managed by Northern Horizon Capital)
20 retail properties	2016Q1	115	Sirius Capital Partners	Private investors
Three industrial properties	2015Q4	100	Logicor (owned by Blackstone)	Sponda Plc
186 retail properties	2016Q2	90	AB Sagax	n/a
2,274 rental apartments	2016Q3	n/a	VVO Kodit Oy	Shareholders of ICECAPITAL Housing Fund II
1,255 rental apartments	2016Q2	n/a	SATO Oyj	Shareholders of SVK Yhtymä Oy
1,015 rental apartments	2016Q2	n/a	SATO Oyj	Suomen Laatuasunnot Oy

Source: KTI

# Rental demand for offices increasing, but vacancy rate remains high

## The amount of vacant office space is still high

In the KTI rental database, the occupancy rate of offices in the HMA decreased from 82.3% to 81.2% between March and September, but is still higher than a year ago. Of the three major cities of the Helsinki metropolitan area, the occupancy rate remains the lowest in Espoo, at 76.7%, which, however, shows some improvement during the past six months. In Helsinki and Vantaa, occupancy rates have decreased slightly, but remain clearly higher than in Espoo. During the past six months, the amount of vacant space has increased, for instance, in the Pitäjänmäki and Kilo areas, whereas in the Helsinki CBD, Keilaniemi and Tapiola the occupancy rate has improved.

In the main cities outside the Helsinki metropolitan area, the office occupancy rate decreased during the summer. In Tampere, Turku and Oulu, the occupancy rate is now around 88 per cent. The amount of vacant space increased, for instance in the Kupittaa area in Turku and Kauppi in Tampere.

In the national RAKLI-KTI Property Barometer, some 28 per cent of the respondents expect the office vacancy rate in the HMA to decrease within the next six months. However, more than a third of the respondents expect the vacancy rate to increase further, and the balance figure thus still remains negative. In other cities, an increasing number of respondents expect vacancy rate to increase and the balance figure stands at some -30 per cent.

## Local players more positive than national investors

In September, KTI carried out another barometer survey with the local property market players in the Tampere, Turku, Oulu and Jyväskylä regions. In this regional barometer, the local markets' outlook was more positive than in the national survey. Office space demand was expected to increase in all cities, and the outlook for vacancy rate was also more positive in three out of four cities. Only in Tampere were there more respondents who expected the vacancy rate rather to increase than decrease.

## Office rents increased in the best submarkets in HMA

During the past six months, office rents increased slightly in the best areas. The KTI office rent index showed an annual increase of 1.1% for new agreements

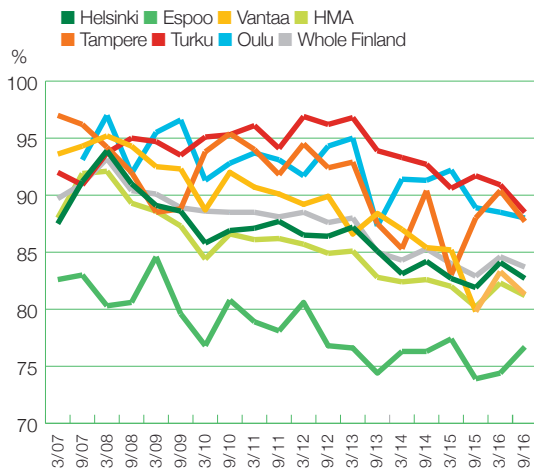
- Office occupancy rates decreased in almost all major cities
- Helsinki CBD office rents turned to increase
- Net-take up turned positive during the past 12 months

in the Helsinki CBD. As development was negative during the first half of the year, the increase accelerated to 1.7% during the latter half. The median rent in new agreements was €27.5 per square metre per month, and the upper quartile was as high as €31. Also in the RAKLI-KTI Property Barometer, the average rate for prime office rents increased to €30.6 per sqm per month.

Median rents have increased also in many other office submarkets in the HMA, for example in Ruoholahti. However, in some areas, including the Aviapolis district close to the Helsinki-Vantaa airport, new office rents have continued decreasing. On average, median rents for new office rent agreements have increased in Helsinki and Espoo, as well as in Vantaa.

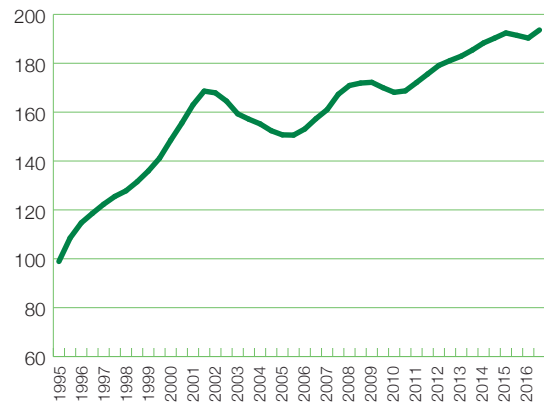
Landlords are pursuing several actions in order to attract and retain tenants especially in the Helsinki metropolitan area office markets. For example rent-free periods and tenant improvements are being widely applied.

## Office occupancy rates



Source: KTI

## KTI Rental index Helsinki CBD offices, index 1993=100



Source: KTI

## Outlook of rental growth slightly more positive

Compared to last spring, outlook for office rental growth is now more positive in all major cities. In the Helsinki CBD, 30 per cent of the respondents of RAKLI-KTI Property Barometer expect that office rents will increase during the next six months. In Tampere the balance figure of rent expectations have also turned slightly positive. In other major cities, the balance figures are still negative, but the majority of the respondents expect rents to remain stable. In Turku, however, the respondents of the regional barometer survey expect office rents to increase both in the city centre and especially in the Kupittaa district.

## New office development projects started this year

Even as the occupancy rate remains low, office construction volume is growing. At the end of September, approximately 85,000 sqm of new office space was under construction in HMA. In summer, for example, Sponda started to develop a commercial property in the vicinity of Tikkurila railway station in Vantaa. The first phase of the project comprises 9,500 sqm of leasable space, half of which will be for office use.

A couple of significant new office project plans have also been published. For example, pension insurance company Varma will develop a 27,000 sqm head office property for the Finnish retailer Kesko in the Kalasatama area in Helsinki. Varma also purchased Kesko's former head office building in the Katajanokka district with the intention of developing it, for example, for residential use.

In other major cities, office construction volumes remain rather low. Office construction activity is highest

in Oulu, where a couple of new office projects have been started this year. For example, NCC is developing new office property for Bittium Technologies in the Linnanmaa district.

## Net take-up turned positive, gross take-up decreased in HMA offices

For several years, the net take-up of Helsinki metropolitan area offices has been either strongly negative or close to zero. However, during the past 12 months from September 2015 to August 2016, the net take-up turned 64,000 sqm positive. This was mainly caused by a slight improvement in the occupancy rate, a low amount of new office developments and some change of use projects that have decreased the office stock.

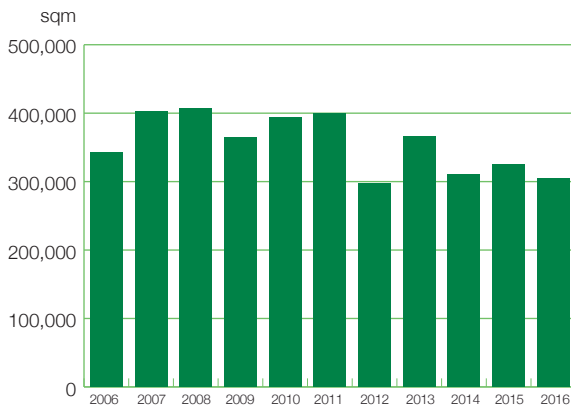
On the other hand, the gross take-up of HMA offices decreased by approximately 7 per cent compared to last year, amounting to some 305,000 sqm during the past 12 months. The highest gross take-up figure during the last decade was 407,000 sqm, recorded in 2008.

## Occupiers aim at more efficient office space use and pay increasing attention to workspace issues in HMA

According to the KTI-Skanska Future Workplace Barometer 2016 survey, workspace issues are being seen as very important success factors for companies. As many as 97 per cent of the respondents of the barometer believe that good working environment can improve the performance of organisation. Office premises and working environments are being planned and developed more actively, creating possibilities for more efficient office space use.



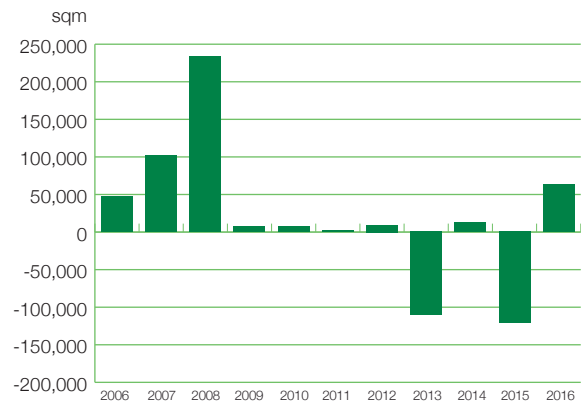
## Office gross take-up Helsinki metropolitan area



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

Source: KTI

## Office net take-up Helsinki metropolitan area

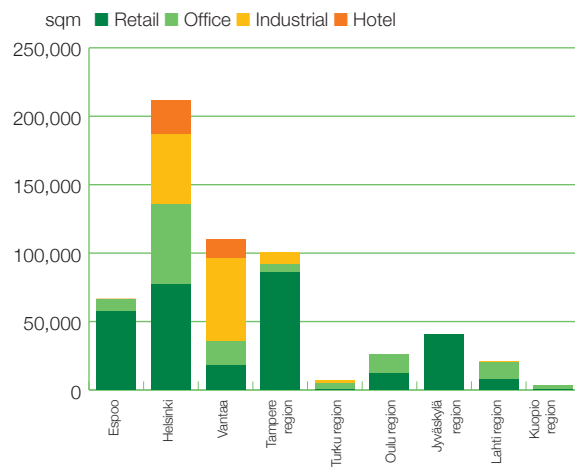


Annual figures are calculated from each 12-month period between September and August.

Source: KTI

Of the respondents, 44 per cent expect that their demand for office space (in square metres) will decrease and 37 per cent believe that number of workstations will decrease, although one fifth expect that number of staff will increase. The development in the new ways of working, for example mobile work and co-working environments, support more efficient office space use. Office occupiers are not willing to pay for vacant space or empty workstations, and many occupiers are moving from designated to shared workstations, thus decreasing the amount of office space they use. More than 60% of the respondents expect that they will increase the amount of activity-based-workspace, while the share of traditional offices is continuously decreasing.

## New commercial property projects under construction in September 2016, rentable area



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

Source: KTI, RPT Docu Oy

# Competition increasing in the retail property market due to growing supply

## Occupancy rates decreasing

Retail property occupancy rates have also decreased, but still remained rather high. Two years ago the retail occupancy rates in all major cities were between 95-97 per cent, but this autumn the highest figure was 94.5% in Helsinki, while the lowest retail occupancy rate was recorded in Tampere at 91.8%. The occupancy rate for the whole of Finland has also decreased, and stands currently at 92.9%.

The bankruptcy of the department store chain Anttila will also increase the amount of vacant retail space in many Finnish cities in the near future. The department stores, who operated under Anttila and Kodin1 brands, have occupied large retail premises across Finland, and leasing the premises to new tenants is not an easy task. For some of these premises, however, new lease agreements have already been signed.

## Retail property stock increases significantly in HMA

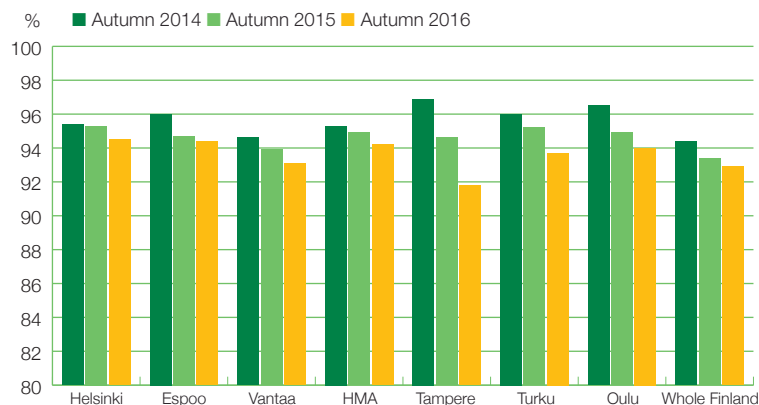
Active retail property construction will also create challenges for the retail occupancy rates, especially in the Helsinki metropolitan area. At the end of September, approx. 150,000 sqm of new retail space was under construction in HMA. Additionally many new projects – the largest of which is YIT’s 85,000 sqm Mall of Tripla – will begin in the near future. However, property market professionals expect that the amount of vacant retail space will remain rather stable during the next year.

- Retail occupancy rates decreasing in all major cities
- Anttila’s bankruptcy and abundant retail supply create challenges
- Outlook for rents stable in Helsinki CBD, negative in Oulu and Tampere
- Retail sales and the number of visitors increasing in shopping centres

## Retail rents increasing in the Helsinki CBD, decreasing in Tampere and Oulu

In KTI’s rental database the average figures for the Helsinki CBD retail premises have increased. Median rent for new retail rent agreements in the Helsinki CBD amounted to €69 per sqm per month. Also in the RAKLI-KTI Property Barometer, the average rate for prime retail rents in Helsinki increased by a few per cent. The outlook for retail rental growth is stable in the Helsinki CBD and slightly positive in Vantaa, but in Espoo, 30 per cent of the respondents expect retail rents to decrease.

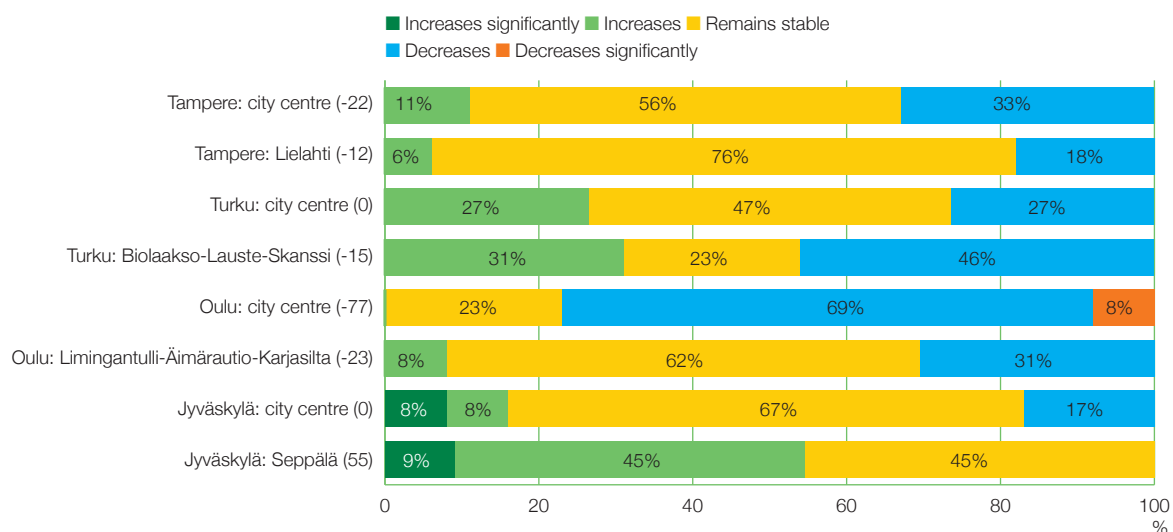
### Retail occupancy rates



Source: KTI

## Outlook for retail rents during the next 12 months in some key submarkets

Distribution of responses, %  
Balance figures in parentheses



Source: KTI Regional barometer survey, autumn 2016

The local property market professionals expect that retail rents will remain stable in the city centres of Jyväskylä and Turku, but to decrease in Tampere, where many retail premises are currently vacant. One of the challenges in the Tampere central area is the increasing supply, especially due to the development of over 50,000 sqm Ratina shopping centre, due for completion in 2018.

The largest negative change is expected in Oulu city centre, where local property market professionals are rather pessimistic about the future. Retail rents have been rather high in Oulu city centre compared to other growth centres, but this year 77% of the respondents of regional barometer survey expect retail rents to decrease. The challenges are caused by increasing supply and the expected closing of Stockmann department store, for example. The most positive retail submarket in the regional barometer survey was the Seppälä district in Jyväskylä, where 55% of respondents expect retail rents to increase.

### Retail sales and the number of visitors increasing in shopping centres

According to the Shopping Center Barometer of the Finnish Council of Shopping Centers, the outlook of shopping centres seems more positive than last autumn. Two thirds of the respondents expect that retail sales and the number of visitors will increase in the shopping centres. The majority of shopping centre market professionals believe that due to growing population and consumer demand, the future development of shopping centres will be positive in HMA, despite the increasing supply.

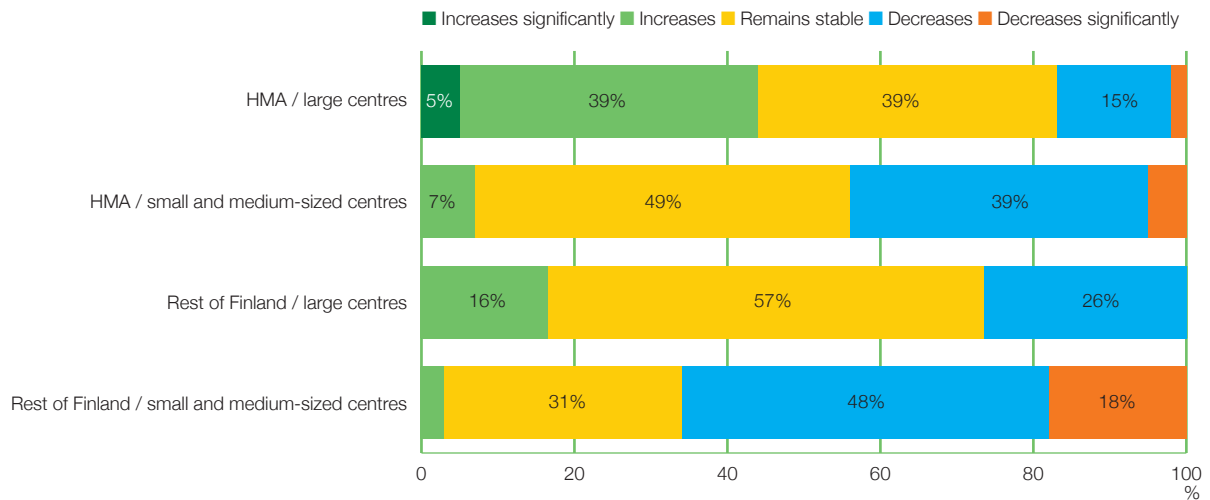
Positive development is also being witnessed in the KTI indices commissioned by the Finnish Council of Shopping Centers. According to the indices, comprising 38 shopping centres in Finland, the number of visitors and retail sales in shopping centres increased by 5.9% and 6.0% in the third quarter of 2016 compared to the previous year. In the Helsinki metropolitan area, retail sales grew by 5.4%, while elsewhere in Finland the growth was as high as 6.9%. The cumulative figures for the previous 12 months showed an increase of 4.5% in the number of visitors, and the increase of 3.3% in retail sales compared to the previous 12 months.

### Shopping centre indices

Number of visitors and retail sales		
	Q3 2016 vs. Q3 2015	12 months rolling average
Number of visitors	+5.9%	+4.5%
Retail sales	+6.0%	+3.3%

Source: Finnish Council of Shopping Centers, KTI

## How do you expect retail rents to develop in shopping centres during the next three years?



Source: Finnish Council of Shopping Centers / Shopping Center Barometer 2016

### Centrally located large shopping centres will be successful

Especially large shopping centres in HMA are expected to be successful in the tightening competition. About half of the Shopping Center Barometer respondents believe that rents will grow and occupancy rates will increase during the next three years. However, in the smaller shopping centres in HMA, as well as in the shopping centres elsewhere in Finland the rents and occupancy

rates are expected to remain stable or decrease. However, the outlook is more positive compared to previous year's survey across Finland.

The supply of shopping centres is also evolving. The importance and market share of traditionally large business fields such as fashion and department stores are decreasing in shopping centres. Meanwhile, the importance of for example restaurants, health and beauty, leisure and public services is increasing.

## The development of sales and space demand in various business fields during the next three years



Source: Finnish Council of Shopping Centers / Shopping Center Barometer 2016

# The supply of rental residential dwellings is increasing

Strong housing demand together with abundant supply of capital, are supporting an increase in the supply of rental residential dwellings. The Confederation of Finnish Construction Industries RT expects that the construction of some 36,000 new dwellings will be started this year. This is a highest number of starts within the past decade. New construction is concentrated on apartment buildings, and within this category, there are three equally large sub-categories: owner-occupied, subsidized rental and non-regulated rental dwellings.

Large residential investment companies continue to increase their portfolios through new development. Construction companies also have plenty of projects that are often being sold to residential funds. According to the KTI follow-up, more than 4,000 new rental dwellings have been completed within the past year, and at the end of the third quarter of 2016, some 5,600 dwellings were under construction. Also in the RAKLI Rental Residential Barometer, carried out by KTI in August, the supply of rental dwellings was expected to increase within the next year.

## Large portfolio deals add to the transaction volume

Residential property transaction volume exceeded €2 billion by the end of the third quarter of 2016. The volume is boosted by exceptionally large portfolio transactions. In the summer, VVO acquired the portfolio of ICECAPITAL Housing Fund II, comprising over 2,200 dwellings, and SATO increased their portfolio by almost the same number in two transactions carried out in the spring. Y-Foundation's acquisition of the ARA-portfolio of VVO also added to this year's volume. Other major transactions this year include the two acquisitions of NREP's Nordic Strategies Fund II, comprising altogether some 700 dwellings that are still under construction. Moreover, pension insurance company Elo has preliminarily agreed to purchase some 1,800 dwellings, mainly located in the Tampere and Turku regions, from YH Kodit. This deal is still not closed, and it is thus not yet included in the total volume.

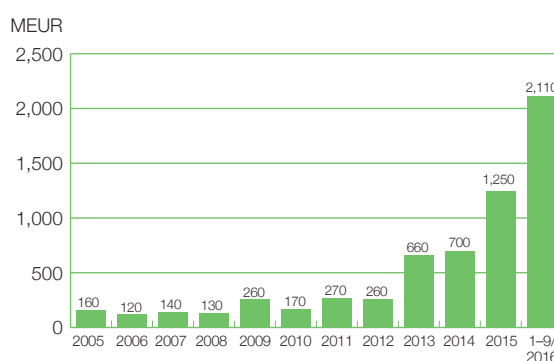
## More foreign investors are expected to enter the Finnish market

During 2016, the Finnish residential property investment market has welcomed some new international investors also in the residential sector. In the spring, the German giant BVK acquired an €80 million residential portfolio from LocalTapiola's fund. The portfolio is managed by CapMan, who also advised BVK in the deal and who later released a €400 million mandate for Nordic

- Residential property transactions reaching record-levels again
- Supply of rental dwellings is increasing
- Residential rents continue increasing, but slowly

residential investment. The Nordic fund manager NREP has also published two residential property transactions during the summer and autumn. In the RAKLI Rental Residential Barometer, the amount of foreign investment in the Finnish residential property sector is expected to increase further in the near future.

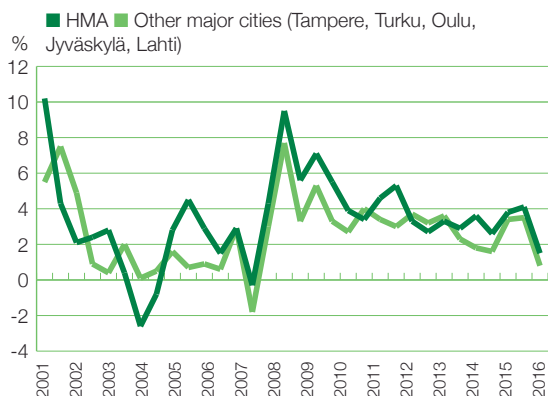
## Residential portfolio transactions volume



Source: KTI

## KTI Residential rent index

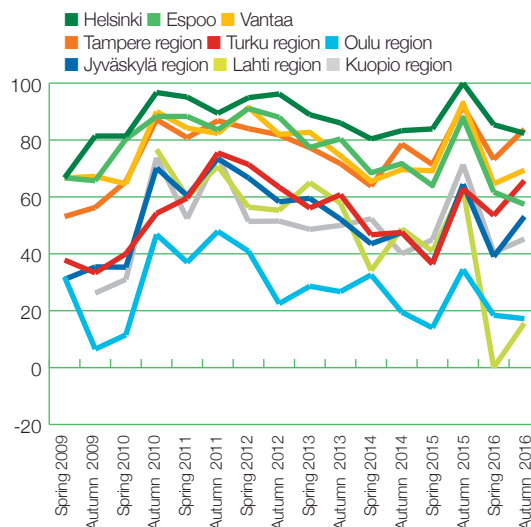
Annual change, Helsinki metropolitan area and other major cities



Source: KTI

## Outlook for rents in small apartments

Balance figures



Source: RAKLI Rental Residential Barometer, autumn 2016

## Increase in rents levelling down

The increasing supply and sluggish economic growth are now reflected in the residential rental markets. The KTI Residential rent index has shown a steady growth during the past years, but the increase has now slowed down clearly in all major cities. In the Helsinki metropolitan area, residential rents in new agreements increased by some 0.5 per cent during the past six months, and the annual increase amounted to 1.5 per cent. Helsinki continued to show the strongest development with an annual increase of 2.2 per cent, whereas in Espoo, rents remained almost unchanged. In the cities outside the HMA, rents increased by some 0.7 per cent per annum, and in the past six months, the development was slightly

negative. In Tampere and Turku, rents have increased by some 1 per cent, whereas in Oulu, rents have decreased slightly.

## Increasing supply tightens the rental market

In the RAKLI Rental Residential Barometer carried out in August, the expectations for rental development were more modest than in the earlier surveys. Rents of small apartments are expected to continue increasing in all major cities. However, expectations for rental development in larger apartments are now negative in all cities.

## BEST PRACTICE RECOMMENDATION FOR CORPORATE RESPONSIBILITY REPORTING IMPROVES THE TRANSPARENCY AND COMPARABILITY OF PROPERTY INVESTORS' ESG EFFORTS

Efforts concerning the environmental, social and corporate governance (ESG) issues have a significant role in the management of property investments. Reporting of these efforts and results achieved by these efforts is also increasing in importance. For a property investor, transparent reporting offers a channel for communicating ESG issues to their various stakeholders, and also provides a tool for defining and executing actions for continuous improvement. For investors it is also important to assess the impact of ESG issues on the financial result of the business.

Mutually agreed ESG reporting guidelines and indicators support comparability and enable benchmarking between different market players. They also provide a tool for communication to various stakeholders, as well as support property due diligence and leasing processes.

KTI and RAKLI are, together with 10 key investors, carrying out a development project, where a coherent framework for corporate responsibility reporting is being developed for the Finnish property investors. RAKLI will give out this framework as an industry best practice recommendation.

The recommendation:

- is in line with international standards and guidelines (eg. GRI, INREV Sustainability Reporting Recommendations, EPRA Sustainability BPR, GRESB)
- takes the specific characteristics and needs of the Finnish property market into account
- includes different levels and options for reporting and its development
- pays regard to the needs of different investors and various property sectors
- comprises both portfolio and asset level indicators

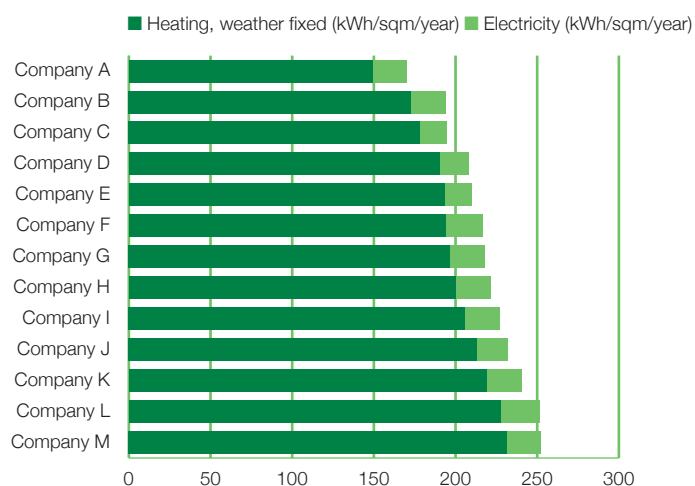
In the project, contents and calculation principles for the core ESG indicators are being mutually agreed by the participants. For the investors just starting their ESG reporting, the recommendation offers a platform for the development. For more advanced investors the guideline provides nationally comparable and meaningful indicators, which are also compliant with international reporting standards and benchmarking tools.

Coherent ESG reporting also helps to increase the overall transparency of the property investment market and provides data for communicating the role and importance of real estate in the real economy and in the whole society.

The recommendation will be published in December 2016, and the framework and indicators will be tested in early 2017. In order to ensure the practical usefulness of the information, KTI aims to develop a continuous analysis and benchmarking service based on the reporting framework.

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### Benchmark example: Heating and electricity consumption in blocked apartment houses in 2015



Source: KTI



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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