

FIGURES | FINLAND OFFICE | Q2 2023

Slow H1 in office investment

OFFICE INVESTMENT VOLUME IN Q2 2023

€0.78bn TTM

▼ -65% (y-o-y %)

€85mn Q2/2023

▼ -70% (y-o-y %)

INVESTMENT MARKET KEY FIGURES IN Q2 2023

Cross-border share

▲ 100%

Vs. 59% (2022)

Share of total investment

▼ 11%

Vs. 30% (5-year avg.)

Number of transactions

▼ 3

Vs. 13 (5-year avg.)

HMA Share

▲ 100%

Vs. 83% (5-year avg.)

Prime yield

▲ 4.25%

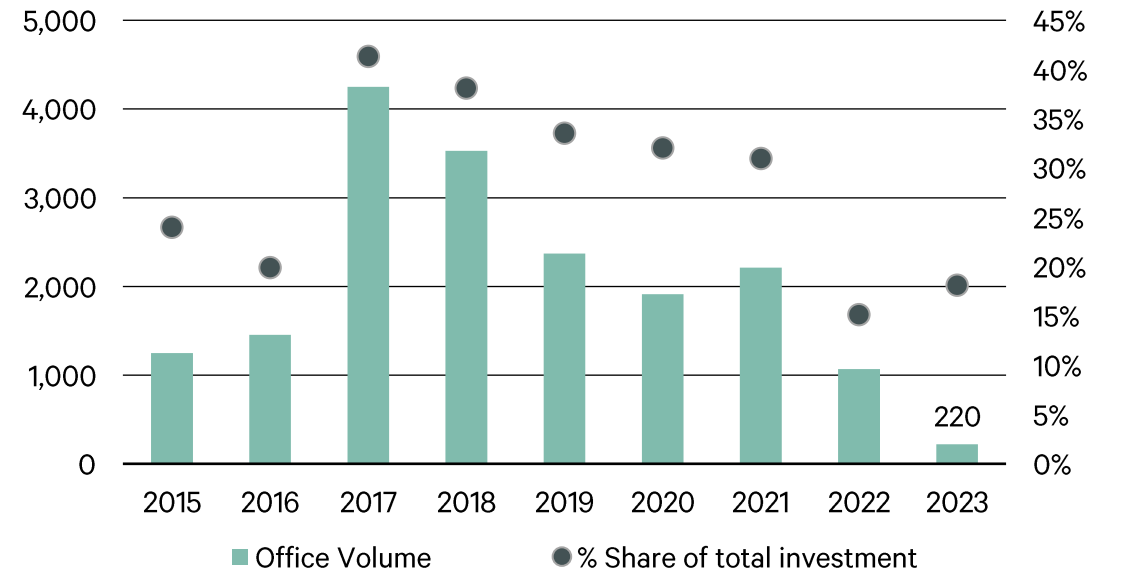
Vs. 4.00% in Q1 2023



Office investment market

- The Finnish investment market experienced a slowdown in the first half of 2023 due to continued rise of interest rates and a shift in the pricing environment, which has limited the number of closed transactions. The office investment volume for the second quarter was €85 million, down -70% (y-o-y). Close to 100% of volume landed in the capital region and came from cross-border investors.
- Amidst uncertain market conditions, investor demand is centered more around modern, higher-quality offices meeting the current environmental standards and located in submarkets with convenient transportation.
- The prime office yield increased by 25 basis points to 4.25%, and the prime yield outside CBD by 25 bps to 5.00% due to the rising interest rates and increased cost of capital.

OFFICE INVESTMENT VOLUME AND SHARE OF TOTAL INVESTMENT 2015-2023



Source: CBRE Research.

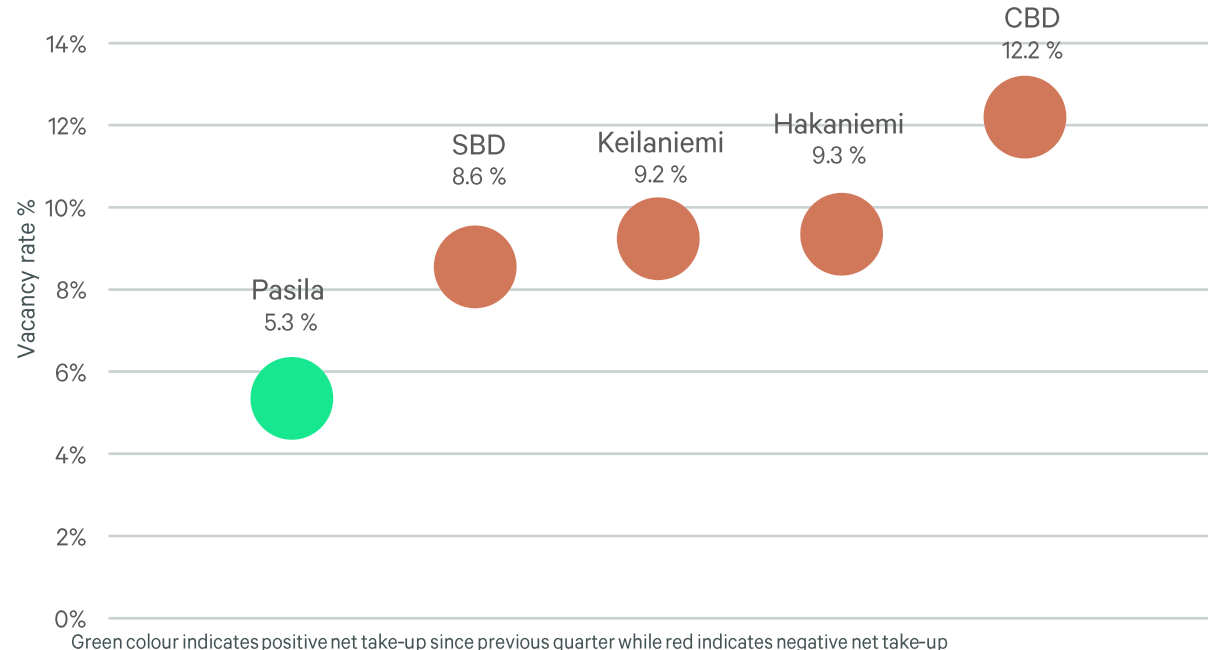
HELSINKI METROPOLITAN AREA KEY FIGURES



Office occupier market

- The vacancy rate in the Helsinki Metropolitan Area office market increased by 0.8% points to 13.3% and the net take-up was -39,800 sqm in the second quarter. Net positive leasing activity was seen in Sörnäinen (2,500 sqm) and Aviapolis (900 sqm). Occupier demand is concentrated in prime office areas, and the differences among grade A and secondary office premises continue to widen. Downsizing remains a key trend in the office market. Flexible office spaces are expected to collect growing amount of traction from occupiers in the future.
- The lowest vacancy rates in HMA are in Pasila, secondary business district (SBD), and Keilaniemi at 5.3%, 8.6%, and 9.2%, respectively. On the other end, Pitäjänmäki (26.8%) and Otaniemi (18.9%) have the highest vacancy rates.
- The second quarter saw 23,000 sqm of new office completions as office redevelopment project Kulma21 located in SBD and new office building Ilmalanrinne in Pasila were completed during Q2. The total development pipeline for the year is estimated at 73,000 sqm, slightly below the average level of 80,000 sqm per annum.

LOWEST OFFICE SUBMARKET VACANCY RATES IN HELSINKI METROPOLITAN AREA



Green colour indicates positive net take-up since previous quarter while red indicates negative net take-up

Source: CBRE Research, KTI Property Information Ltd, Helsinki Research Forum, Statistics Finland.

CBRE released the Nordic Occupier Sentiment Survey in June, where 48 office occupiers were surveyed, for instance on return to the office, workplace policies, and portfolio optimization. The full report can be downloaded from the following link: <https://www.nordicsrealestate.com/nordic-office-occupier-sentiment-survey-2023>

Nordic office occupier sentiment survey – Key takeaways

- Corporate portfolio strategies focus on downsizing, consolidation, and driving efficiency and cost improvements from existing assets. Companies are focusing on auditing their portfolios to identify costs, quality, and other attributes. An increased focus on the quality of space is one of the key trends.
- 61% of companies have contracted their footprint over the past three years. The same trend is likely to continue over the next three years, with a similar proportion of contracting companies. The key drivers of contracting are hybrid work (90%), inefficiencies in the portfolio prior to the pandemic (38%), and cost measures (34%). Only 27% of the companies are aiming to expand their portfolio footprint in the next three years due to anticipated business growth.
- In our previous Nordic Occupier Survey in 2020, 45% of Nordic office occupiers were expecting to size down their office portfolios in the future. This year’s survey results show that 62% of the respondents indicate a contraction in their office portfolios in the next three years.
- Hybrid working style is the most supported workplace policy, with 55% recording an equal mix of office and remote work as the most common policy, while 34% of the companies say that their workplace policy aims to be mainly at the office/workplace. 11% of the companies follow a mostly remote workplace policy.

Figure 1. Size trajectory of corporate real estate portfolios

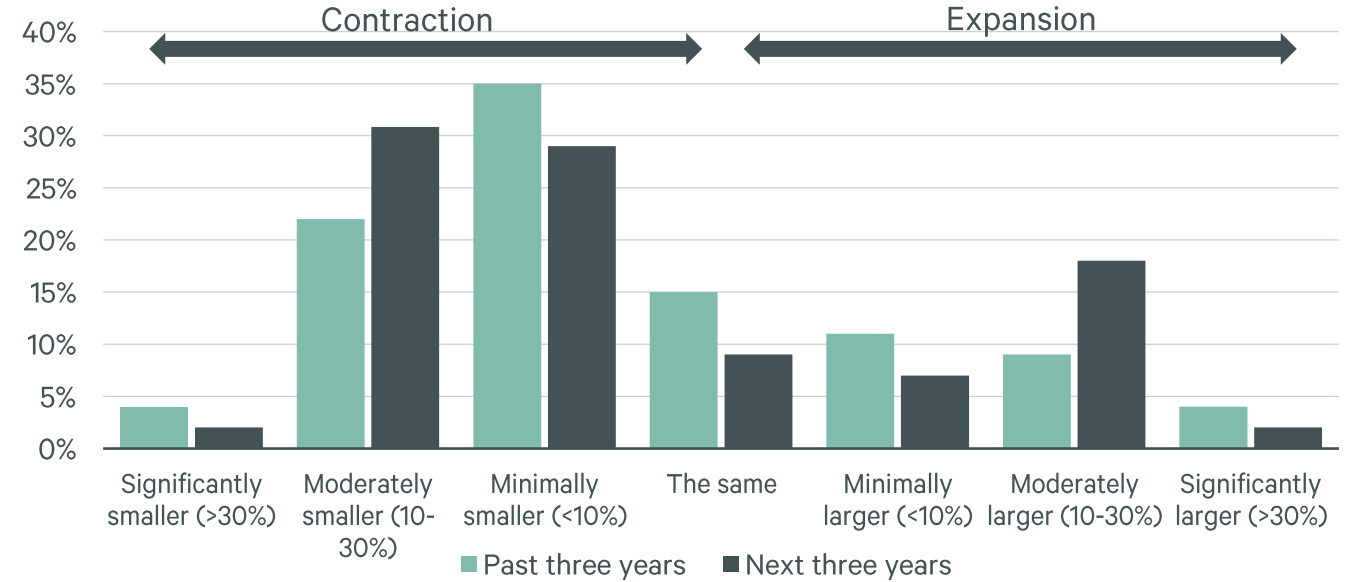
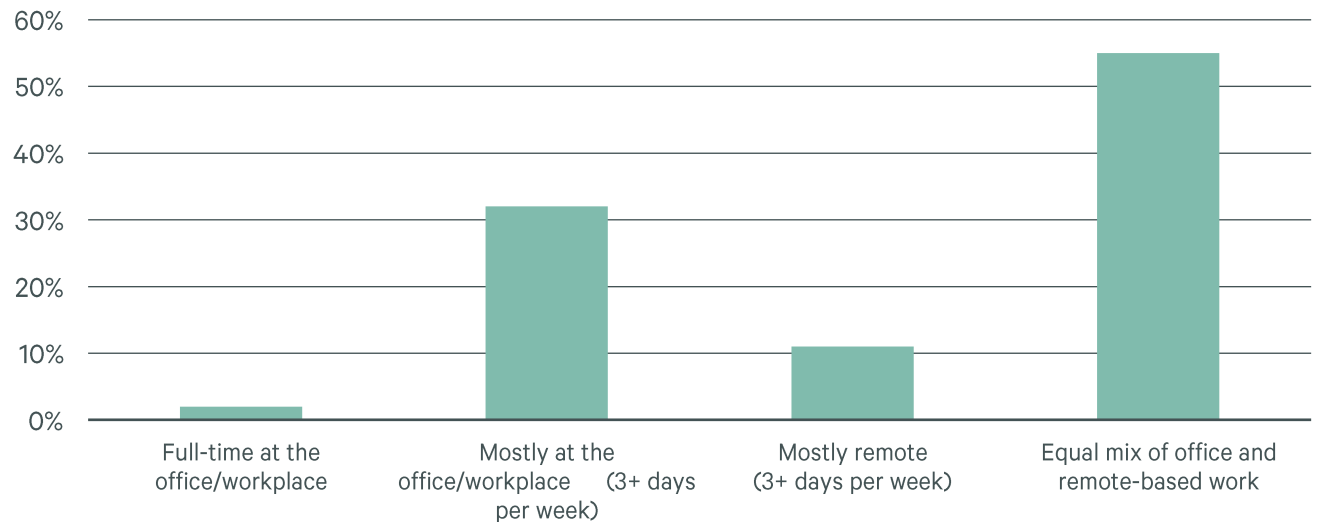


Figure 2. Aspirations for future workplace policy





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