Quiet third quarter in the residential market

RESIDENTIAL INVESTMENT VOLUME

€0.56bn TTM

-2% (y-o-y %)

€486mn Q1-Q3/2024

-9% (y-o-y %)

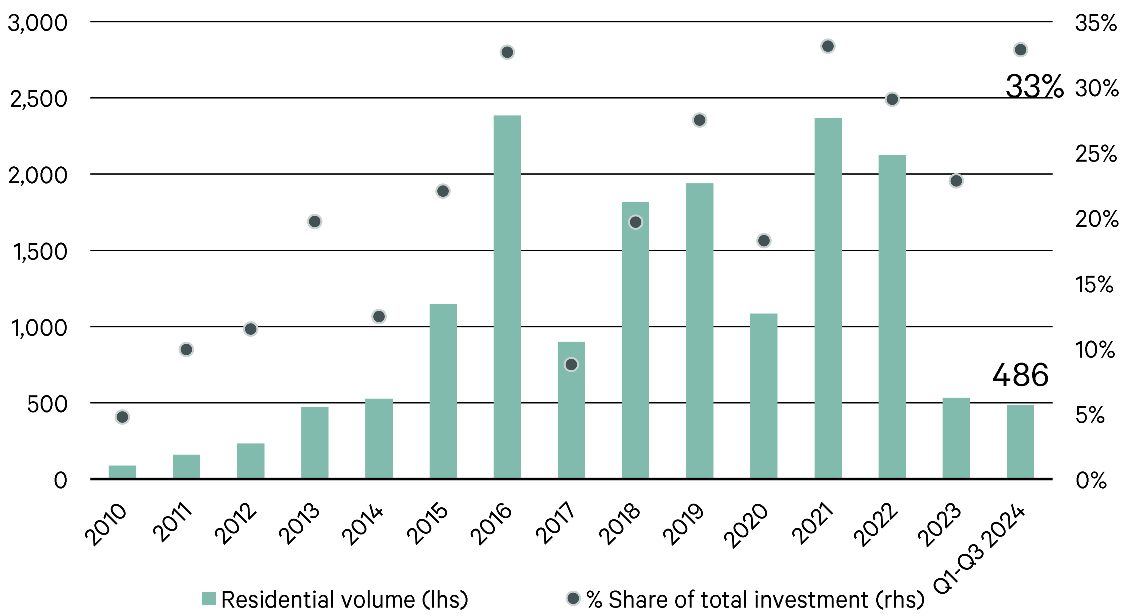
INVESTMENT MARKET KEY FIGURES Q3 2024

Cross-border share	Share of total investment	Number of transactions	HMA Share	Prime yield
0%	10%	2	67%	4.50%
Vs. 40% (5-year avg.)	Vs. 28% (5-year avg.)	Vs. 12 (5-year avg.)	Vs. 60% (5-year avg.)	Vs. 4.50% in Q2 2024

Investment market

- The residential investment volume consisted of few transactions, reaching €24 million in the third quarter of the year. All investment came from domestic investors, with 67% of the investment concentrated in the Helsinki Metropolitan Area.
- Residential prime yield movement has stabilized, with no further repricing expected. The prime residential yield for Helsinki has seen a peak-to-trough change of 160-basis points since the first quarter of 2022.
- There are currently active deals in the pipeline as investors seek to invest in the residential sector. This sector remains one of the most popular for investment, and declining interest rates, along with easier access to capital, are expected to support the recovery of investment volume. The sentiment for refinancing has improved since the start of the year, and the bond markets are open for new emissions, which will help in getting the residential investment back on the growth track.

Residential investment volumes and share of total volume



Source: CBRE Research.

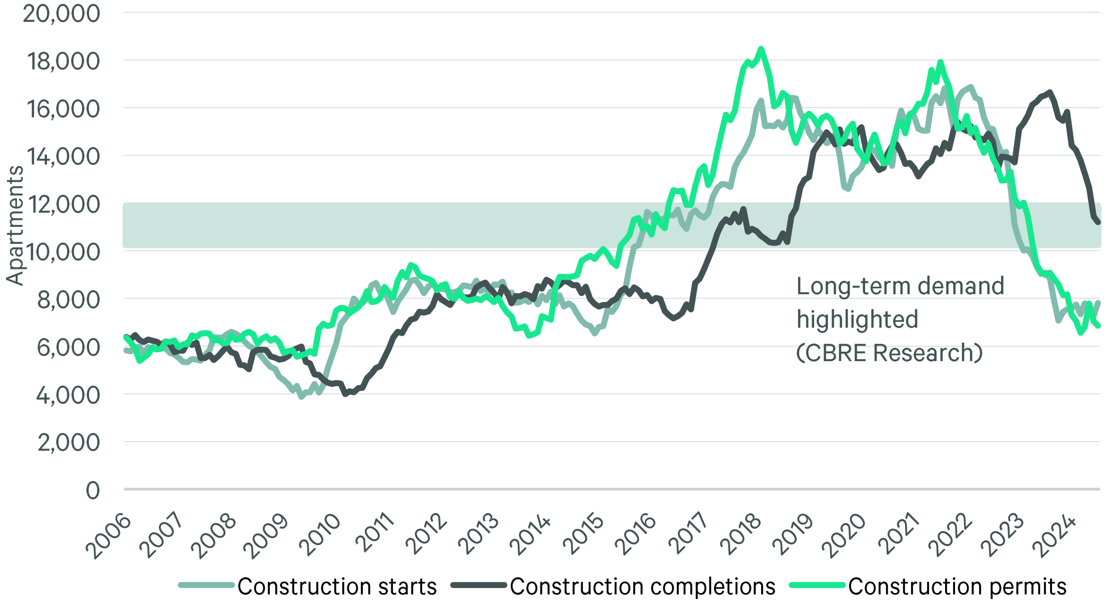
HELSINKI METROPOLITAN AREA KEY FIGURES

Construction starts TTM (July 2024)	New completions TTM (July 2024)	Average monthly rent (Q3 2024)	Average sales price (August 2024)
▼ 7,800 units	▼ 11,200 units	▲ 21.07 €/sqm	▼ 4,269 €/sqm
-14% (Y-o-Y)	-32% (Y-o-Y)	+0.5% (Y-o-Y)	-4.0% (Y-o-Y)

Rental market & construction activity

- The sales prices of old dwellings in HMA and Turku experienced a decrease of 4.0% and 1.2% (y-o-y), respectively, while Tampere saw a 3.1% increase in prices in August. Sales volumes have been increasing year-over-year in most larger cities, aided by falling interest costs. Prices are expected to start trending upward in Q4.
- Average rents increased modestly by 0.5% in the capital city region, 2.3% in Turku, and 2.6% in Tampere (y-o-y) in Q3. Rental increases in HMA are expected to remain modest in the near term due to an oversupply of rental apartments, but the long-term outlook is more positive as the capital region attracts new residents and the oversupply begins to decline.
- While the bottom level of the construction has likely been reached, the profitability of new projects remains challenging, and construction companies are hesitant to start new projects despite having obtained permits. The share of government-owned and subsidized rental apartments (ARA-asunnot) now constitutes half of all residential construction. Falling interest rates will aid in the recovery of construction; however, a significant increase in supply is not anticipated until 2027.

HMA Residential construction starts, completions and permits - TTM



Source: CBRE Research, Statistics Finland.

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