



KTI Finland
For immediate release

Press release, 24th February 2010

Total return in the Finnish property market decreased to 3.8% in 2009

The total return on the Finnish direct property investment market in 2009 was 3.8%. Of the two components of total return, income return remained high at 6.4%. Capital growth, which measures the change in capital values, decreased to -2.5% in 2009. Capital values were pushed down in nearly all property sectors by the increase in yields. However, the continued rise of rental values softened the pressure on capital values for shopping centres, residential and industrial properties in particular. Residential was the only property sector producing positive capital growth, 1.8%, in 2009.

Property was the worst performing asset class in 2009 compared to equities and even the bond market, which produced total returns of 16.4% and 5.2% respectively. Shares of listed property companies had returns as high as 55.4% in 2009.

Retail sector produced the lowest total returns in 2009

Retail was the worst performing property sector for the second consecutive year with total return of 2.6%. Rising yields led to negative capital growth of -3.7%. Retail was the best performing property sector during 2003-2007, when strong consumer demand and increasing rent levels added to the attractiveness of retail investments. This led to steady growth in market rents and capital values. In 2009, the capital growth of shopping centres and other retail properties diverged with shopping centres retaining more of their value due to continuing rental value growth. For other retail properties rental growth turned slightly negative. At 6.5%, income return for all retail properties was slightly higher than in 2008.

Capital depreciation in the office sector

Total return for offices continued to decrease in 2009, reaching the lowest figure, 2.7%, in the entire history of the KTI Index. This reflects the pressures faced by the Finnish office market due to economic recession. Rising yields and decreasing rental values kept offices' capital growth negative (-3.5%). Thanks to rising rents, income return increased slightly, to 6.4%, despite a clear decrease in the sectors' occupation rate. Regional differences in office returns remained high.

Industrial sector sees rising income returns

Similarly to other property sectors, the total return for the industrial sector decreased during 2009, reaching 4.5%. Declining capital values kept the total return for warehouses at 3.1%. Capital growth was also negative for other industrial properties, however, values decreased more sedately leading to a higher total return of 6.3%. Higher income return compared to 2008 for both warehouses (7.8%) and other industrial properties (8.0%) was generated by a combination of higher rental levels and lower capital values, which were able to compensate the impact of lower occupation rates.

Residential the highest performing sector for the second consecutive year

The positive outlook for the residential rental market is reflected in the total return of the residential sector, which reached 7.5% in 2008. Similarly to 2008, due to positive capital growth generated by





decreasing valuation yields and rising rental values, the residential sector outperformed the other property sectors. Despite the increase in rents, income return for the sector declined slightly, to 5.6%, due to the decline of the occupation rate to 96.8%.

For further information, please contact KTI Finland:

Hanna Kaleva, +35840555269; Pia Louekoski, +358400959634; Mikko Soutamo, +358505480480

KTI Property Index measures ungeared total return on direct property investments in Finland, consisting of two components: income return and capital growth. Contributors to KTI Index include 21 major Finnish property investors, and the database currently comprises some 19.7 billion euros worth of properties, thus covering over 52% of the total property investment market. KTI Index is compatible with property indices published by IPD for other countries. KTI is an independent property information and research service company.

Attached:

- **Total return on the Finnish property market 1998-2009**
- **Total returns by sector in 2009**
- **Total returns by area in 2009**

