

Pension funds dominate Finland’s institutional investment landscape

- > The primary reason for holding real estate is diversification in the multi-asset portfolio
- > Finnish institutional investors have a strong future commitment to real estate
- > ESG concerns are rising up the agenda and seen as even more important than before

‘Real estate investments have provided significant diversification benefits in this macroeconomic environment.’



A pension fund

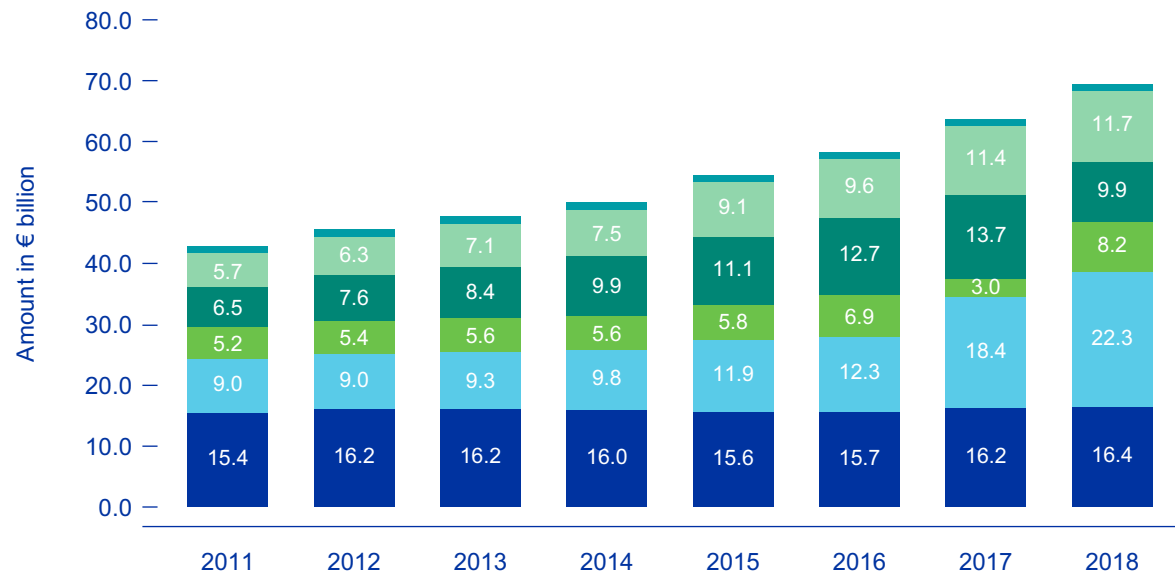
The Investor Universe Finland Study examines real estate’s role in Finnish institutional investment, describing the overall investment landscape and investigating investors’ motivations for holding real estate and the ways these are being implemented in practice.

Finland’s investor universe is dominated by pension funds, with insurance companies and other institutions playing a secondary role.

This is reflected by the survey sample, where pension funds represent €188.7 billion of the overall sample of €203.2 billion. This is comparable to the total value of investments of pension insurance companies and funds administering statutory occupational pension schemes which amounted to €193.4 billion at the end of 2018 according to the Finnish Pension Alliance TELA.

Figure 1: Structure of the Finnish institutional property investment market

- Institutional investors
- International investors
- Listed property companies
- Non-listed property companies
- Real estate funds
- Charities, endowments and other



‘Europe is close and it’s a familiar market and it looks set to remain at the core of the portfolio.’

A pension fund

Source: KTI estimates



‘For new fund investments, we ask fund managers specific questions on a case-by-case basis to ensure that certain minimum ESG requirements are met.’

A pension fund

Looking forward, real estate investment allocations look set to grow, with virtually all survey respondents indicating that their allocations are likely to increase over the next two years. In particular, Finnish pension funds are more positive about increasing their allocations to real estate than their European peers.

The most challenging obstacle when investing in non-listed real estate funds seems to be the current market conditions. These findings seem to resonate well with overall interview comments relating on the current real estate investment cycle where there seems to be some concern on the future direction of returns.



‘Today certifications also have a positive impact on tenants’ perceptions, so corporate responsibility is important from a returns perspective.’

A pension fund

Finnish investors seem to have a similar level of interest in direct, listed and non-listed real estate investments, as well in debt vehicles. Among pension funds there do however seem to be some differences when investing in domestic and non-domestic real estate. They appear to prefer direct real estate investments to a greater extent when investing domestically but have a greater inclination towards debt instruments when investing in foreign markets.

The theme of sustainability ranks very highly on the agenda of Finnish institutional investors. It also appears that sustainability is an integrated part of the real estate investment management process, with respondents indicating that the sustainability agenda is in the hands of the real estate department itself.

For further details contact research@inrev.org. The full report is available to members at inrev.org/research.

Figure 2: Who is driving the sustainability agenda

