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Eetu Kolu

The Usage of Offices and Trends of Office Vacancies in the Helsinki Metropolitan Area



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The thesis focused on the usage of offices and trends in office vacancies in the Helsinki metropolitan area office market. The topic is current and there has been discussions and media coverage around this topic during recent months in Finland. The aim of this project was to get a clear overview of the current trends affecting the office vacancies and how this is going to evolve and change during the next years. The goal was also to offer updated information for the commissioner through semi-structured interviews and to give new insights and strategies for office leasing.

Large real estate owner, investor and one of the leading asset management companies in Finland, Sponda Oy, was the commissioner of this project. The commissioner received updated information through interviews from five commercial real estate brokers as well as leasing representatives from leasing departments of six large commercial real estate owners. The commissioner received valuable information considering the current office market situation in the Helsinki Metropolitan area, to increase their sales and leasing activities. Results included the role of sustainability related matters, especially in the leasing of smaller office premises as well as new information related to the leasing process of smaller offices.

Keywords:

Real estate, Office market trends, Office vacancies, Helsinki metropolitan area, Investors, Tenants

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1. Introduction

The utilization rate of office spaces in Helsinki metropolitan area has been a key topic in recent years, largely due to the impact of the COVID-19 pandemic. The rise of remote work, along with trends like flexible workspaces and shared environments, has significantly influenced the demand for office spaces. As a result, the office market in Helsinki metropolitan area has undergone many changes that reflect these global movements and trends. (KTI 2024.)

Many of the trends related to office space utilization and hybrid working models tend to reach Finland with a certain delay. Typically, these developments originate elsewhere in Europe and gradually make their way to the Nordic region. Interest rates have remained at an elevated level for nearly two years, which has undeniably affected the operations and business strategies of commercial real estate owners. However, from the broader perspective of the real estate sector, there are now encouraging signs that interest rates are finally beginning to decline. (Suomenpankki 2024).

The future trajectory of interest rates and the evolving utilization of office spaces represent the two most significant factors influencing the operations of large commercial real estate owners. For this reason, the topic of this thesis is both timely and relevant, and it offers valuable insights for the commissioning company. The primary aim of this thesis is to examine the occupancy rate of office premises in the Helsinki metropolitan area and to analyze the changes that have taken place over the past few years. The focus is particularly on the post-pandemic era, assessing how shifts in work culture have impacted office usage and identifying key trends that have emerged as a result.

Although many companies continue to seek new office spaces, they are typically opting for smaller premises. Remote and hybrid work models have become established practices in the Finnish office market, introducing new challenges and considerations for investors and property owners.

Vacancy rates in the Helsinki metropolitan area remaining relatively high. In response, real estate owners are actively seeking strategies to encourage companies to bring their employees back into physical office environments. These high vacancies also have broader implications: reduced office occupancy leads to lower foot traffic, directly affecting local restaurants and retail businesses. Fewer office workers result in fewer lunch customers and lower spending in the area, which in turn negatively impacts the daily revenue and operations of surrounding service providers. (Kotaniemi 2024.)

1.1 Background and commissioner

The author's employer is the commissioner of this thesis, and through this project, the latest insights into current office trends and the utilization of office spaces in the Helsinki metropolitan area are given from different perspectives. This topic was chosen, because it is very current for the commissioner and the author works with these themes daily and that way has prior knowledge of the themes related to this thesis. The author also has knowledge of the office market in Helsinki metropolitan area and valuable connections through his work for the interviews, that were executed as part of this thesis. The interviews were held as phone interviews. The author used his connection from the commercial real estate industry when contacting the interviewed people and arranging the interviews. The topic is current and there has been recent media coverage discussing office space usage in Helsinki metropolitan area and different perspectives from tenants, owners and investors considering the future of the office market.

The commissioner of the thesis project, Sponda Oy, is a major real estate investment company owned by the American company Blackstone. Sponda owns hundreds of thousands of square meters of office space, making the future of office usage a critical issue for their business. The company closely monitors office market trends both in Finland and globally. In addition to office properties, Sponda owns and manages several shopping centers in Finland, including Ratina in Tampere and Forum and Citycenter in Helsinki.

While retail is also an important part of Sponda's business, most of its assets consist of office properties. (Sponda 2025.)

1.2 Objective of the study

The theoretical framework of the study is built around real estate market, use of office units and changes in working life. In the real estate market, the occupancy rate of office units plays a significant role in the formation of real estate value and rental income. Changes in working life, such as the increase in remote work and hybrid models, have affected how companies use office spaces on a weekly basis. (KTI 2024.)

This thesis will also focus on theories about the flexibility of office spaces and shared spaces, which have become even more relevant nowadays and many companies are looking for these kinds of more flexible office options for their company. This means that the growth of coworking spaces and the development of multi-use office spaces are part of larger change in the use of office spaces, in Finland as well as globally. These theories can be used to investigate how the needs of workspaces have changed and what effects these changes have on the real estate investors and owners.

Interviews are carried out with representatives of various stakeholders, such as institutional real estate owners, large real estate investors and commercial real estate brokers. These interviews will provide important information about the changes in the use of office spaces and different perspectives on how the utilization rate of the office spaces has developed and how the interviewees see the future in this area.

A qualitative research method was chosen for this topic. The qualitative research method offers the opportunity to understand the causes and effects of changes, especially from the point of view of stakeholders. (Stat 2024.) The information received from the interviews will be analyzed and this analysis aims to identify central themes and recurring topics that come up during the interviews. This makes it possible to compare different perspectives and highlight similarities and differences between all the interviews. The result of

the analysis is to truly understand the changes in the utilization rate of office spaces and how the different stakeholders are affected by this current situation and how they see the future around this topic. Reports and statistics related to the utilization rate of offices in the Helsinki metropolitan area will be part of the analysis. They will be used as background information considering the development of the office market and for investigating what quantitative data is available to support interview findings during this project. Also updated information about the remote working model and current trends in that area is an important part of the theory, impacting the use of office spaces.

The research problem of this thesis is to find out what kind of changes in the occupancy rate of offices in Helsinki metropolitan area have taken place in recent years and which factors have influenced these changes. Based on these outcomes the future of the office market will also be predicted in this thesis. The work aims to answer the following research questions:

1. What trends can be noticed in the use of office space in the Helsinki metropolitan area?
2. How do office real estate owners and other stakeholders see the changes in the occupancy rate of the premises and what are their effects?
3. How can Sponda promote the leasing of its offices in the current market?

The goal of the research is to produce current and up-to-date information considering the development of Helsinki's office market, which can benefit real estate investors such as Sponda in future decision-making considering the leasing activities and sales-related decisions. Also, the goal is to find current insights and potential new strategies for the commissioner Sponda Oy to improve their leasing operations.

2. Office market in Helsinki metropolitan area

The utilization rate of office premises refers to the proportion of space actively in use relative to the total available capacity within a given building. This metric plays a critical role in the real estate sector, as it directly

influences rental income and, consequently, the financial returns for property owners and investors. Currently, the real estate market presents a challenging environment for landlords, property owners, and institutional investors. While the occupancy rate of office space in the Helsinki metropolitan area has traditionally remained high, recent years have brought about substantial shifts. These changes have introduced a heightened level of uncertainty into both the office space market and the broader landscape of real estate investment. (KTI 2024.)

The weakening economic environment has increased uncertainty regarding the financing, profitability, and valuation of real estate properties. Over the past year, financing, maintenance, repair, and construction costs have risen significantly, reducing the net returns for property owners. (Koskinen ym. 2023.) In recent years, domestic real estate investment funds have surpassed institutional investors as the largest group of domestic players. According to KTI, at the end of 2022, these funds owned real estate worth over 20 billion euros. The growth of direct domestic real estate investments by Finnish institutional investors has been relatively modest in recent years. A third significant group of domestic investors consists of various listed and unlisted real estate investment companies (Koskinen ym. 2023.)

The number of vacant office spaces in the Helsinki metropolitan area has been on the rise for the past 15 years, and this trend has continued over the past two years. The economic downturn that began with the global financial crisis contributed to the decline in occupancy, and the surge in remote work triggered by the COVID-19 pandemic has further exacerbated the situation for office property owners and investors. One of the key drivers behind the increase in vacant premises is the widespread adoption of remote work practices, which the pandemic significantly accelerated. This cultural shift in working models has challenged traditional office space demand and continues to shape the dynamics of the commercial property market. (Haarala 2024.)

Office vacancy rates remain significantly higher than before the pandemic, creating a major challenge for many property owners. The office market has also become more polarized, as companies prefer modern, energy-efficient

buildings. Converting old office buildings for new purposes has become relatively common in recent years, but the pace has not been fast enough. Because of higher vacancies, the overall profitability of office properties has decreased. (Koskinen ym. 2023.)

By the end of 2023, over 165,000 square meters of new office space was under construction in the capital region. Major developments scheduled for completion in 2024 include WeLand in Ruoholahti, Nordea's new headquarters in Vallila, Katajanokka Pier, the third phase of WoodCity in Jätkäsaari, the new premises of the Finnish Security Intelligence Service in Kaartinkaupunki, and the Aura office building in Pasila. Several significant office construction projects also commenced during 2023. Among the most notable are the Horisontti office tower in Kalasatama and Keilaniemi Port. In addition, the year ended with the start of demolition work at Mannerheimintie 14 in the city center, where a new office development, Signe, by Sponda, is scheduled for completion by the end of 2026. (Kaleva ym. 2023.)

2.1 Constantly changing office market

Because Finnish companies had relatively flexible operating models even before the pandemic, the transition back to office-based work has been less dramatic in Finland compared to many other European cities. In the Helsinki metropolitan area, commuting times are generally shorter than in other major European cities, which has made it easier for employees to return to the office. Many companies actively encourage office-based work not only to support their internal operations but also to better serve the needs of customers and stakeholders who value face-to-face interaction. (Kaleva ym. 2024.)

It can be said that the office market in Helsinki and the entire metropolitan area is marked by a paradox. Despite one million square meters of office space standing vacant, rental prices are still rising. Even though the market situation is tough, larger companies are ready to pay for high quality office premises in great locations. (Lehtonen 2024.) Over 14 percent of office spaces in the capital region remain unoccupied. Office vacancies persist and have even increased. Yet, in the past year, office rents in Helsinki's city

center have risen by 3.7 percent. On the other hand, the number of office lease agreements initiated between March and August 2023 was the lowest since the start of the 21st century. (Torppa 2023.)

On the other hand, currently, over 150,000 square meters of new office space is under construction in the Helsinki metropolitan area. Real estate experts describe the office rental market as polarized. Some office spaces remain unrentable at any price - even prime locations fail to attract new tenants. There are micro locations in the Helsinki's city centrum where it can be difficult to find new tenants. (Kaleva 2023.) "There are low-quality properties whose building systems don't meet modern needs, and significant renovations would be required to make them viable. At the same time, there are tenants willing to pay for quality. Additionally, some properties offer comprehensive services that tenants value," says Kimmo Pulkkinen, Leasing Manager at Employment Pension Insurance Company Elo. (Elo 2023.)

2.2 Increasing office vacancies

The office vacancy rate in the Helsinki metropolitan area continued to rise in the first half of 2024 compared to the previous six-month period, according to Catella Property Oy. The office vacancy rate was 16.1 % from January to June 2024, up from 15.5% a year earlier. Office vacancies in the Helsinki metropolitan area have been increasing since June 2020, when the vacancy rate stood at 12.3 %. The vacancy rate for retail, industrial, and warehouse spaces in the metropolitan area appears to have stabilized at around 3%. The retail vacancy rate was 3.0%, with no significant changes observed over the past few years. However, the vacancy rate for industrial and warehouse spaces rose to 3.7% in the first half of 2024, up from 3.1% in the second half of 2023 (Catella 2024.)

As hybrid work reshapes office space needs, the office rental market has begun to pick up. Relocations continue, now targeting smaller but high-quality spaces. This, in turn, means that rents for prime office spaces are increasing. Companies are willing to pay for premium office spaces if they are in top-tier locations. In fact, some of the highest rents ever are being paid, particularly

in Helsinki's central business district (CBD). The segment with the highest rents is limited to only the best locations and, even within those, only the highest-quality spaces. According to KTI's database, the median rent for offices in the Helsinki city center area is €37 per square meter. In the most expensive contracts, rents exceed €40 per square meter. Real estate consultant company Newsec estimates that top rents in Helsinki's CBD-area have already reached €50 per square meter or more. (Herrala, 2024.) According to the CEO of Axiom Advisors Lehtonen, rents for the highest-quality offices will continue to rise toward the next price bracket. In a European comparison, €60 per square meter would not be considered a particularly high rent. (Lehtonen 2024.)

In the Helsinki metropolitan area, there are roughly 1.2 million square meters of vacant office space. If this were converted into 10,000 square meter office buildings, it would mean approximately 120 empty office buildings across the region. Despite the abundance of vacant space, new office projects are both being completed and planned. (KTI 2024.) New supplies will continue to enter the market for a long time, as over 140,000 square meters of office space were under construction as of the end of September 2024. Tenant expectations for quality are so high that new developments are necessary. The polarization of the market is evident, as certain parts of the Helsinki metropolitan area have fallen completely out of demand. In Helsinki, areas like Pitäjänmäki, Sörnäinen, and Vallila are struggling with high vacancy rates. It's also worth noting that finding tenants for office spaces in Vantaa's Aviapolis area has become more challenging. The same applies to office clusters built along Ring Road 3. Once you move outside the hottest office areas, demand is noticeably weak," (Lehtonen 2024.)

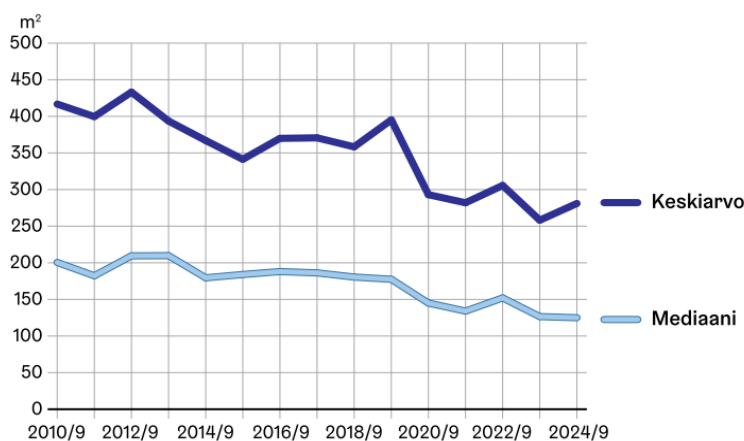
2.3 Development of office vacancies

The evolving use of office spaces is evident in the real estate market in various ways. The vacancy rate of office spaces in the Helsinki metropolitan area has resumed growth over the past 18 months. Many companies are relocating to smaller but typically higher-quality premises in terms of location and

features. Stricter corporate requirements are driving new construction, while at the same time, a growing number of office spaces and buildings are becoming permanently vacant. (Kaleva ym. 2023.)

In the rental database monitored by KTI (Kiinteistötieto Oy), which tracks properties owned by professional real estate investors, the average size of new office lease agreements has significantly decreased during the 2020s. Between 2010 and 2019, the average space size for new lease agreements in the Helsinki metropolitan area was nearly 400 square meters, but now the corresponding figure for agreements starting between 2020 and 2023 dropped to 285 square meters. (Kaleva ym. 2024.)

Table 1. The average office unit size of new office lease agreements in the Helsinki Metropolitan Area 2010–2024 (KTI 2025).



Lähde: KTI

During 2024, the discussions around the optimal balance between remote and in-office work in knowledge-based jobs intensified. Although the share of at-office work is increasing in more and more companies, the overall demand for office space is declining, as remote work appears to remain at a relatively high level in the long term. At the same time, there is a growing emphasis on the efficiency and quality of office spaces. (Kaleva ym. 2025.)

This decreasing demand is focused on the very best locations and highest-quality premises. The persistently high vacancy rate in office spaces in the Helsinki metropolitan area continued to rise throughout 2024. One clear

manifestation of the change in space utilization is the reduction in companies' space needs: as there are, on average, fewer people working in the office than before, less space is required. However, to boost productivity and attract employees, greater emphasis is placed on the quality of the workspace. (Kaleva ym. 2025.)

The use of office space has undergone significant changes in recent years. This transformation is evident in the office market through the growing amount of vacant space, the increasing contrast between desirable and undesirable office properties and spaces, and the growing challenges in leasing offices. The biggest – though not the only – driver of this change in space utilization was the COVID-19 pandemic, which increased the prevalence of remote work and reshaped companies' working models and practices. Several years have passed since the pandemic, but the adaptation of office space usage to these changes is still ongoing. The main benefits of on-site work are commonly cited as collaboration with colleagues or other stakeholders, effective communication, the transfer of tacit knowledge, and increased productivity. On the other hand, remote work is valued for saving time otherwise spent commuting, enabling better concentration, and improving the balance between work and personal life. (Kaleva ym. 2025.)

Table 2. Central office sub-market of the capital region (KTI, 2025).

Alue	Toimistoneliöt	Tyhjillään olevat	Vajaakäyttöaste %
Aviapolis	187 815	32 356	17,2
CBD	638 896	98 747	15,5
Hakaniemi	170 586	19 461	11,4
Kalasadama	203 673	35 309	17,3
Keilaniemi	220 632	22 306	10,1
Leppävaara	265 633	49 285	18,6
Otaniemi	170 850	35 804	21
Pasila	464 562	42 684	9,2
Pitäjänmäki	360 782	92 039	25,5
Ruoholahti	376 883	58 708	15,6
Sörnäinen	153 738	34 962	22,7
Vallila	404 140	82 492	20,4
SBD	689 680	57 495	8,3
Kaikki yhteensä	4 307 870	661 649	15,4

Lähde: Helsinki Research Forum

According to Statistics Finland (Tilastokeskus 2025), the total office building stock in the Helsinki Metropolitan Area amounts to just under 9 million square meters. Of this, well over 1.3 million square meters were vacant at the end of 2024. Despite the large volume of empty space, new office construction has remained relatively active in recent years. Between 2014 and 2023, an average of just under 67,000 square meters of new office space was completed annually in the Helsinki Metropolitan Area. In 2024, driven by several large projects nearing completion, the amount of newly finished office space rose to over 125,000 square meters — the highest level since 2012. (Kaleva ym. 2025.)

2.4 Helsinki city center office market

Helsinki central business district (cbd) means the central office market in the heart of Helsinki. There as well, the vacancies of offices have increased in the last couple of years, if we are looking at the office market of central Helsinki in general. Helsinki Research Forum has published its assessment of the vacancy rates in the central office areas of the capital region. At the end of June 2024, approximately 624,000 square meters were vacant in the office area, this means approximately 9,000 square meters more than at the end of the previous quarter. The average vacancy rate was 14.7 percent, which is an increase of about 0.2 percentage points compared to the previous quarter. (Kotaniemi 2024.)

The central area of Helsinki holds a special position within the context of Finland's real estate market, a status likely to continue in the future. However, maintaining the brand of the city center requires continuous development in response to changes in the operating environment and the needs of space users. Helsinki's core area is characterized by excellent accessibility and high-quality spaces but decrease of office space users and changes in consumers' behavior with a decrease in tourism, have brought many challenges for the central business district -area as well. (KTI 2024.) The users of the most expensive office spaces in Helsinki's central business district are typically companies with strong rent-paying capacity, for whom central location

and high-quality spaces are important from the perspective of their image, clients, and employees. In the central districts of Helsinki (Kluuvi, Kamppi, and Kaartinkaupunki), office and workplace activities are dominated by services for the business community. Elsewhere on the Helsinki Metropolitan area, average space sizes are clearly smaller due to the lower number of headquarters-type properties: as of September 2023, the average size of leased office spaces was 270 square meters, with a median of 180 square meters. (Kaleva ym. 2023.)

From the perspective of real estate investment returns, the office market in Helsinki's city center has clearly distinguished itself from the rest of the metropolitan area in recent years. The percentage net return on investments in Helsinki's city center is significantly lower than in the rest of the Helsinki metropolitan area due to higher property market values and, to some extent, higher operating costs compared to other areas. On the other hand, market value development in the city center has been notably more positive than in the rest of the metropolitan area. The demand for office space in the city center is also considered less risky compared to other parts of the metropolitan area. Strong rental and investment demand also ensures the liquidity of real estate investments. (Kaleva ym. 2023.)

As recent developments have demonstrated, sustaining and enhancing the city center's attractiveness requires property owners to invest and for regulations to become increasingly flexible. (KTI 2024). Although the central business district maintains its strong position as the country's most central and attractive office submarket, it is not immune to the current shifts in space usage and the simultaneous effects of the economic cycle. The amount of vacant office space in the CBD (Central Business District) has sharply increased since the beginning of 2022, and by the end of 2023, the Helsinki Research Forum reported that there was 89,000 square meters of vacant office space in the central business district, representing 13.8% of the total space. At the beginning of 2022, the vacancy rate was exactly 9%. (Kaleva ym. 2023.)

The demand for office spaces has also diversified. Companies are seeking spaces that support hybrid work and offer flexibility to adapt to changing needs. As a result, coworking spaces and other flexible solutions have emerged alongside traditional office spaces. The Helsinki city center is home to many law firms, asset management companies, and various consulting firms. The COVID-19 pandemic has altered the working methods and space needs of these companies as well, but the appreciation for a central location seems to remain. Post-pandemic space decisions show that businesses are still willing to pay for the central location and quality. Employees and clients of these companies appear to have significantly returned to in-person meetings. (Kaleva ym. 2023.)

Recent news reports suggest that some companies in the city center are consolidating their space usage due to changed working practices, but there are also examples of increased space needs. A common trend in recent relocations is a heightened focus on the quality of spaces and their ability to support the changed ways of working. The use of office spaces in the city center is also influenced by the changes in the space usage of government organizations and ministries, through which well-located spaces in valuable properties are being freed up for other uses. In the central business district, there are a large variety of office spaces, including both large headquarters properties and spaces spanning thousands of square meters, as well as smaller office spaces. The average space size in the central business district has remained relatively stable over the past 15 years- The average size of all leases was slightly over 380 square meters, with a median of 230 square meters as of September 2023. (Kaleva ym. 2023.)

The building stock in Helsinki's central business district is predominantly quite old, but strong demand for space and high rents have enabled renovation and modernization investments, resulting in a generally high-quality supply of spaces. In late 2023, a rare new construction project commenced in Helsinki's central business district, when Sponda began demolishing an old office and retail building at the intersection of Mannerheimintie and Kalevankatu to make way for the modern Signe office complex. PricewaterhouseCoopers Oy (PwC) is set to become the main tenant of the nearly 17,000-

square-meter building, which is scheduled for completion by the end of 2026. (Sponda 2024.)

The changes brought about by the COVID-19 pandemic have reduced movement and activity in the downtown area. The number of visitors to the area has decreased compared to the period before the pandemic, which has weakened the demand for services in the city center. The development of the city center has also been affected by the transformation occurring in the retail sector, which had already begun before the pandemic. However, the development of Helsinki's downtown has not slowed down. Significant transportation projects, office space developments, and large-scale urban development initiatives are planned and underway in the city center and surrounding areas. These are expected to increase activity in the area and further strengthen the vitality of the downtown. The maritime environment and the opening of waterfront areas to the public set Helsinki's city center apart from shopping centers and many other recreational areas. (Helsingin Kaupunki 2024.)

The core city center's image arises from Finland's highest quality service offering, good accessibility and the area's wide-ranging user base. Helsinki's core is one of the most interesting urban areas in the Nordic countries, where maritime nature is combined with beautiful Art Nouveau architecture. The area has a lively working and cultural life, as well as top-level innovation activities. The Helsinki city center is undoubtedly the most visible and desirable location in Finland. Many international companies choose to establish themselves in the city center for branding reasons. Even large retail chains, which require significant space, are setting up flagship stores in the downtown area. (Mikkola 2023.)

Currently, office spaces in the central district are particularly attracting high-skill-level expert and B2B companies, including legal and accounting firms, IT, software, communication, consulting, and gaming companies. As some stores move online, new types of spaces, events, and services that enhance community and quality of life are emerging to attract people to the city center. Increased foot traffic will then draw new shops to the area. In the long run,

everything aims to make the city center more accessible and enjoyable, encouraging people to spend more time there. (Sarla 2023.)

2.5 Polarization of the office market

The polarization of the office market is an international phenomenon. The shift has been more pronounced in the United States and the United Kingdom than in the Nordic countries. (Kaleva 2023). The office market in the Helsinki metropolitan area has been polarized since the financial crisis in 2008. In Helsinki Metropolitan areas like Aviapolis in Vantaa, Pitäjänmäki, and Vallila in Helsinki, more than 20 % of office spaces stands empty. However, vacancies can be found in all areas. Office spaces built in the 1970s and 1980s are particularly out of date, but even newer properties are left unused. In 2022 alone, approximately 6,000 people moved to Helsinki, and even more are expected to relocate annually during the next years. In September, Helsinki Mayor Juhana Vartiainen announced that the Urban Environment Division would begin reviewing changes to building usage, so that empty offices could be turned into residential property, because everyone would benefit from that change. The goal is to ensure that, by fall 2023, the City of Helsinki adopts a more flexible approach to changing the usage of properties, also in the city center. (Torppa 2023.)

Over the past decade, more office space has been removed from the market than has been constructed. However, zoning and permit processes take time and cannot be applied uniformly across all areas. Helsinki's initiative to make city center usage changes more flexible is therefore a welcome development. Between 2015 and 2020, approximately 238,000 square meters of commercial space, including 62 buildings, were converted into residential (housing) use in Helsinki. More than half of these buildings were office buildings. Meanwhile, e-commerce continues to reduce the need for retail spaces, and increasingly, people are living in what were once stores. At the same time, there is growing appreciation for vibrant city centers. (Kaleva 2023.)

2.6 Sustainability perspective

In recent years, sustainability has emerged as a central theme across nearly all industries, and the real estate sector is no exception. Companies are increasingly required to respond to demands related to sustainable development, environmental friendliness, and social responsibility. Sustainability is linked to the real estate industry, property development, and property ownership in many ways—from energy efficiency and environmental certifications to taking social responsibility for community well-being. (Lunden 2024). ESG (Environmental, Social, Governance) - values and corporate responsibility are essential in the real estate business due to the industry's significant societal impact. The importance of sustainable business is emphasized by the large scale of investments and their long lifecycle. The real estate sector also plays a major role from an environmental perspective, as the built environment accounts for approximately 40 % of Finland's energy consumption and emissions. (Kaleva ym. 2017, 119.)

Sustainability in real estate is heavily driven by regulation, which guides companies in areas such as energy efficiency, emissions reduction, and minimizing the environmental impact of buildings, as well as identifying and mitigating social impacts. Strict goals and requirements have been set both at the EU level and nationally, influencing construction practices. For instance, building energy efficiency and the determination of carbon footprints have become key criteria in our evolving national construction regulations. Additionally, the EU's Sustainable Finance Taxonomy Regulation and its associated technical screening criteria include requirements related to construction and real estate. Other regulatory frameworks related to sustainability also place obligations on companies, requiring active engagement and appropriate due diligence. (Lunden 2024.)

Sustainability is playing an increasingly significant role in the future value of real estate. Sustainable properties may attract more investors and tenants. Buildings that are responsibly designed and maintained are more competitive and can achieve higher value. For example, properties that meet environmental certification requirements (e.g., LEED or BREEAM), and where

environmental responsibility is also embedded in the day-to-day operation through contractual mechanisms (e.g., green lease clauses), are more attractive to investors and responsible tenants alike. Achieving various certifications often requires substantial investments in energy efficiency, indoor air quality, and the durability of materials. Moreover, several contractual considerations must be addressed to ensure the building can be operated in a sustainable manner. These investments are likely to help achieve higher returns in sales or leasing situations. (Lunden 2024.)

Nowadays, many companies view sustainability as a strategic business factor that can offer a competitive edge, enhance corporate value and customer trust, and boost long-term property value. Sustainability measures—such as improving energy efficiency, utilizing renewable energy sources, and using sustainable building materials—can also yield cost savings for both property owners and users. Lower energy costs or reduced maintenance needs can, in turn, improve the cost-efficiency of property use. At the same time, a sustainable property will increasingly become the only viable option for tenants who must focus on their own sustainability efforts and meet any related commitments or requirements. (Lunden 2024.)

As mentioned above, real estate industry makes about 40% of Finland's energy consumption and emissions. The real estate industry is one of the largest emission producers globally as well. That is why sustainability related matters have become such an important factor in the commercial real estate industry. Nowadays there are obligations and sustainability related measurements for many companies and that is affecting their office needs and their possible future office search. That is why commercial real estate owners are heavily putting effort into sustainability related themes in their buildings, because otherwise they will be out of the competition of most wanted large tenants. Also making the buildings greener and more sustainable, commercial real estate owners can increase their profits when they are selling these assets one day. Also, it has been recognized that especially larger companies are willing to pay more rent for the offices that are in the most sustainable buildings. To mitigate global warming and climate change, these

sustainability related actions are very important and crucial for the global real estate industry in general.

3. Work models and trends

Hybrid work is here to stay. Remote work in some companies is not limited at all, some recommend 2–3 remote working days per week. But there are still industries for which remote work is not suitable. Employees are attracted to workplaces by investing in the comfort and common facilities of the premises, as well as those that support work, for example, quiet and group workspaces. The telecommuting trend has activated the companies to also monitor the reality of their premises usage, which can remain at the level of 20–30 percent for large companies. (Catella 2023.) In addition to a weak economic environment and tighter financial conditions, structural factors also affect the real estate market. Traditional commercial property sectors, such as office buildings and retail, are still under pressure due to the increasing popularity of remote work and online shopping. These factors have further intensified the current economic downturn. (Koskinen ym. 2023.)

In the current situation, the use of office space is characterized by organizations' desire to find operating models that best align business benefits with employee preferences. The discussion around the pros and cons of remote and on-site work – from the perspectives of both companies and employees – has been active throughout 2024. One contributing factor to this discussion has been the decisions by large global corporations like Amazon to return entirely to on-site work. However, most companies have opted for more flexible hybrid working models, which typically require a certain number of in-office days per week – often two to three. (Kaleva ym. 2025.)

3.1 Remote work model

Remote or hybrid working model is normal daily life of many companies. Most companies still have an office, but the role of office has been changing during the last years. The future of this trend and the ways of working in companies are big questions for commercial real estate investors, like Sponda. The rising trend has been that many companies are changing their offices to smaller ones but focusing more on the quality and location of their offices.

The pandemic and the remote work shock came at an unusual time, as the technology enabling remote work had already been invented but was not yet widely adopted. The world might have reacted very differently if the COVID-19 pandemic had occurred, for example twenty years earlier. However, remote work is now significantly less common than during the peak years of the pandemic. According to Statistics Finland's Working Conditions Survey, 41 percent of employees worked remotely in 2021, compared to only 35 percent in 2023. In 2025 the amount of remote work has been decreasing, but companies are still looking for the best balance and ways of working between remote working and on-site working. (Ikävalko 2024.)

Many global companies have declared that remote work is no longer an option. For example, in September 2024, Amazon announced in the United States that the company would no longer allow regular remote work. Reasons cited included the positive effects of in-office work on innovation, teamwork, and work culture. However, it remains to be seen how willing employees are to return to the office permanently after experiencing the flexibility of regular remote work. (Ikävalko 2024.)

A shift has occurred in the impact of remote work on workplace well-being, according to a follow-up study by the Finnish Institute of Occupational Health. The semi-annual study found in the summer of 2024 that remote work might have had a negative effect on employee well-being. At that time, remote work was linked to feelings of loneliness and boredom at work. However, in the latest data collected at the end of 2024, no such negative connections were observed. Latest findings stated that employees working remotely reported experiencing less work-related stress, fewer workplace conflicts, and fewer

emotional regulation issues. In the long run, remote work has not had a clearly positive or negative impact in either direction. According to Hakanen, this could indicate that employees have adapted to a world where remote work is part of everyday life. Workplaces may also have developed practices that better support remote work. (STT 2025.)

3.2 Future of working

In recent years, remote work has become a deep part of working life, leaving traditional office spaces underutilized for many companies. Many employees feel more productive at home, posing a challenge for organizations. On the other hand, smaller office spaces alone are not necessarily a sufficient solution, as companies increasingly need to invest in fostering social connections as part of their organizational culture. Most companies face the same challenge: how to attract employees back to the office to be part of the workplace community? Opinions on this matter are divided. (STT 2024).

Remote work has created pressure for change in office spaces and highlighted the importance of their design. Offices must meet the needs of hybrid work to ensure sufficient efficiency in various situations. Flexibility is key, with offices required to provide suitable environments for both focused, quiet work and collaborative teamwork, along with a sense of comfort. Comfort arises from the symbiosis of space and people, which at its best creates a strong pull toward the office. (STT 2024.)

Almost half of business leaders say they do not dare to restrict remote work. Only one in four business leaders decides on the rules for remote work in their company. Company leadership would like to decrease or modify the amount of remote work, but they are afraid to do so, because they believe it could have an impact on the company's employer image. Managers are hesitant to regulate remote work due to concerns about employer branding – and a complete ban on remote work would not even be beneficial. Productivity improves when clear agreements on working rules are made between company management and employees. (Hukkanen 2025.)

The study, done earlier this year 2025 by STT, included two hundred business leaders, the majority of whom were CEOs. The participants represented knowledge-intensive service sector companies with more than ten employees, such as consulting firms, architectural offices, research institutes, and technology companies. Remote work is not suitable for all types of jobs. According to business leaders, routine expert tasks are best suited for remote work. However, developing new products or business operations is significantly more challenging when working remotely. This presents a potential risk. Business leaders believe that remote work reduces creativity within companies. However, the end of remote work does not seem imminent. According to the study, 80 percent of companies do not plan significant changes to their remote work policies during 2025. (STT 2025.)

3.3 Co-working as a rising trend

In designing hybrid work offices, companies operate on the assumption that hybrid work is here to stay, and there is no going back to the old ways. However, many companies also strongly believe in the importance of social interactions for the success of both individuals and organizations. An office that meets current needs and adds value will attract employees to the workplace through incentives rather than compulsion. (Hietala 2024.) The competition in the co-working office sector is currently tough and there are many co-working office space providers in the Helsinki metropolitan area. Most well-known are for example, MOW, Innovation Home, Woods, Village work and Regus. (Kauppalehti 2024).

An increasingly popular trend is remote work from abroad, where employees spend a few months, each year working remotely from other countries. Because of this trend, co-working spaces have been established in various international locations, including Spain, specifically designed to support remote workers from Finland and other countries. These co-working hubs offer modern office amenities, reliable internet connections, and community-oriented environments, allowing workers to maintain productivity while enjoying a change of scenery. The trend reflects the growing flexibility in work

arrangements and highlights the appeal of blending professional responsibilities with personal enrichment in desirable locations. As an example, friends Pauliina Manso and Outi Hannuksela, who have lived in Spain for twenty years, have noticed the growing enthusiasm of Finns for remote working. That's why they founded a company offering coworking spaces in Fuengirola. (Huurtela 2020.)

According to Irina Viitala, remote work often yields excellent results. Working remotely is frequently seen as an opportunity to prove oneself, motivating individuals to demonstrate their efficiency. As a result, overperformance tends to be a bigger issue than slacking off. In exchange for a membership fee, customers receive not only a desk, internet access, and coffee but also access to an international work community. Coders, digital marketing professionals, app developers, and recruitment firms are a common sight in shared office spaces. Additionally, remote workers include professionals such as shoe designers, cocoa farmers, and architects. (Huurtela 2020.)

3.4 Current and future trends of remote working

Virpi Ruohomäki, the leading researcher at the Finnish Institute of Occupational Health (TTL), states that some workplaces have not yet established clear guidelines for remote and hybrid work after the nearly mandatory remote work during the COVID-19 pandemic. Remote work is currently undergoing a transitional phase, and change management is still ongoing. Organizations are now seeking a balance between remote and in-office work. (Ruohomäki 2024.)

According to the Ministry of Employment and the Economy's Work Barometer 2023, about 45% of employees worked remotely at least occasionally. According to Statistics Finland's Work Environment Survey 2023, remote work was done by: 10% daily, 19% weekly, 6% monthly and 11% occasionally. The survey also found that 22% of employees worked remotely for at least half of their working hours in 2023. More than one in ten employees can choose almost freely how often they go to their workplace. Over half of all

employees felt that remote work was not possible, or at least not easy to implement, in their job. (Valkama 2024.)

The number of companies offering remote work opportunities in job postings has increased significantly compared to the pre-pandemic period. For instance, the trend in remote work options can be observed in job postings. Offering remote work has become an important competitive advantage for employers as companies strive to attract and retain skilled talent. Surveys of job seekers repeatedly highlight remote work opportunities and workplace flexibility as key factors when choosing a job. While the lack of remote work options is not the most common reason for resignations, it can impact an employer's attractiveness. Compared to the pre-pandemic period, the number of job postings offering remote work has more than tripled. Remote work opportunities are primarily available in office-based roles, such as sales representatives, software developers, and physicians. (Hyrkäs 2024.)

3.5 New phenomenon Flexwashing

Flexwashing has become a common phenomenon in working life, where hybrid working is an option: Companies know that the average employee wants the freedom to work as they please. That's why they advertise having a flexible work policy. However, the truth, as supported by recent domestic research, is that it may not be as free as it seems. In many companies, the practices around remote and hybrid work are still unfinished and may be changed on flight without sufficient planning. Employees are required to come to the office to appear hardworking. Younger generations, especially Generation Z (born between 1996–2012), value freedom in the workplace more than older employees. Therefore, the transition towards flexible work models will most likely continue as younger workers set higher demands for freedom. On the other hand, studies show that it is precisely young workers who crave the most flexibility. Another group that seeks flexibility are parents of young children. (Valtonen 2024.)

A survey conducted by Remote in the spring reveals that Finnish office-working parents want greater flexibility in the workplace to be legislated.

According to the survey, 82% of respondents believe that workplace flexibility should be increased specifically through legislation. Flexible work refers to options such as freedom in the time and location of work, including the choice to work remotely. The survey, conducted in the spring 2024, included responses from 601 Finnish office-working parents with at least one child under the age of five. Remote's survey also highlights the prevalence of "flex-washing" in the workplace where employers provide misleading information or empty promises about flexible work options to employees or potential recruits. 69 % of respondents stated that their employers had given false information or made baseless promises regarding their company's flexible work model. 77 % of respondents reported that their remote work opportunities had been reduced since the pandemic, negatively impacting their personal situations. 70 % of all respondents said they were considering changing jobs if mandatory in-office presence requirements were increased at their current workplace. (Perttunen 2024.)

As this theory part presents, remote working models have increased their popularity, especially in certain industries where the actual work can be done anywhere with laptop and internet connections. The hybrid working model, where some of the working days are at the office and some remotely, has become a normal routine in most of the expert organizations and this has had also positive effects on employee wellbeing and engagement to their employer. Based on the theory findings, the interviews were held. From the interviews the aim was to gain information from the six representatives of the commercial real estate owners about how they see this trend evolving and how this affects their leasing-related decisions. After the six representatives of commercial real estate owners were interviewed, the author decided to continue the interviews with another group, commercial real estate brokers, to get a deeper and wider perspective for this project and its thesis questions.

Remote and hybrid working models have become an important and normal part of everyday operations for many companies, although remote work is still not possible in some industries. Companies strive to balance business benefits with employee preferences by offering flexible work arrangements, investing in the comfort and functionality of office spaces, and opting for

smaller but higher-quality premises. Employers are still facing challenges in attracting employees back to the office while fearing that limiting remote work might damage their employer image. It is widely believed that clear and mutually agreed rules support productivity the best way possible. Co-working spaces and remote work from abroad have become increasingly common, and a phenomenon known as “Flexwashing” has been observed, where flexible work policies are marketed as more generous than they actually are. Although the effects of remote work on employee well-being have varied, the most recent studies show a decrease in workplace conflicts and increased employee well-being in a remote working model. The search continues for a functioning model that combines the best aspects of remote and on-site work, and this trend also plays a significant role in the transformation of the commercial real estate market.

4. Research methodology and analysis of interviews

The research method applied in this thesis was qualitative. Qualitative research is particularly well-suited for exploring research questions that aim to understand the underlying causes and meanings of change from the perspective of those involved. This approach enables the collection of in-depth and nuanced information about stakeholders' experiences, views, and expectations regarding the use of office space. In qualitative research—as in this project—interviewees are encouraged to express their thoughts and experiences relatively freely, for instance through in-depth individual interviews or group discussions. This open format allows for the observation of social phenomena in their full complexity and provides a comprehensive understanding of the interviewee's perspective on the subject. (Stat 2024.)

Six large real estate investors, through their experts and five commercial real estate brokers were interviewed to give another perspective for this thesis project. The themes that were the backbone of the interviews have risen from the theory part of this project. The interviews will give another perspective from the themes of this thesis project. Recent information and knowledge of the current situation in the commercial real estate market in Helsinki

metropolitan area was received. The interviews were executed as phone interviews during March 2025. The theory part of the thesis and the research questions were compared to the insights that were gained from the interviews. Summary and conclusion of the interviews were written after that. The interview questions can be found as appendix 1 of this thesis.

The key messages from the semi-structured interviews were summarized according to the themes of the theoretical framework of this thesis. Separate summaries were created for each of the two interviewee groups, and finally, the results were discussed in the last chapter and cross-analyzed. Similarities were identified, but differences also emerged. For the purposes of this study, it was particularly valuable to include representatives from both groups, as they operate separately and view the Helsinki commercial real estate market from slightly different perspectives.

4.1 Interviews with commercial real estate owners

Representatives of six major real estate owners were interviewed for this project. Three of those represented pension funds, Ilmarinen, Keva and Varma. The other three were well known commercial real estate owners: Antilooppi Oy, Ylva, and Tallberg Kiinteistöt. The people interviewed were leasing experts and professionals of each organization with different backgrounds and very long experience in the commercial real estate industry, especially from leasing focused roles. Their titles were for example Leasing Manager, Leasing Director and Head of Office Leasing, and they represented the following commercial real estate owner companies.

Varma Pension Insurance Company is one of Finland's largest real estate investors, with a property portfolio worth approximately €5.6 billion. As a real estate investor, Varma focuses on providing high-quality commercial properties and rental apartments in growth centers. The company has also invested in improving the energy efficiency of its buildings. (Varma 2025.)

Varma's real estate investment portfolio consists of direct real estate investments and investments in real estate funds. The company's direct

investments are focused on Finland, primarily in the country's largest cities. Varma owns a diverse range of properties, including office buildings, shopping centers, hotels, and rental apartments, with a significant portion of its commercial properties and rental housing located in the Helsinki metropolitan area. For international real estate investments, Varma participates through funds. (Varma 2025.)

Ilmarinen, a pension insurance company, is one of Finland's largest real estate investors and a significant property developer. As part of its pension fund investment strategy, Ilmarinen leases commercial properties and residential apartments. In total, Ilmarinen has invested pension funds in approximately 4,500 apartments and around 100 commercial offices, warehouses, and other types of properties. A significant portion of Ilmarinen's real estate holdings is located in the Helsinki metropolitan area and key growth centers across Finland. The company designs its properties to last at least 100 years, ensuring their adaptability and accessibility so that tenants can use them through changing business needs or different stages of life. (Ilmarinen 2025.)

Antilooppi is a Finnish independent real estate owner that develops its properties responsibly and with a long-term perspective. The company enables creative and functional space solutions, offering commercial properties and flexible, innovative office solutions for business clients in well-connected locations across the Helsinki metropolitan area. Antilooppi is jointly owned by the Finnish pension insurance company Ilmarinen and the Swedish pension fund AMF Tjänstepension AB. (Antilooppi 2025.)

Ylva is owned by the students at the University of Helsinki, specifically the Student Union of the University of Helsinki (HYY). Ylva is responsible for managing the student union's assets, with its core business focusing on creating sustainable solutions that also benefit future generations. Ylva's business operations are centered around real estate investments and the restaurant industry. As a company owned by the University of Helsinki's Student Union, Ylva's profits enable and support an active student life. The organization has a long history and has been a part of Helsinki's cityscape for 150

years. Ylva's decisions are made with a long-term perspective in mind. (Ylva 2025.)

Keva is Finland's largest pension insurer, responsible for managing pension matters for employees in the municipal sector, the state, the church, Kela, the Bank of Finland, and welfare regions. Keva serves a total of 1.3 million public sector employees and pensioners. Keva has also invested pension funds in direct real estate investments, making it a responsible professional in office leasing. Keva offers modern office spaces, most of which are located in the Helsinki metropolitan area Helsinki, Espoo, and Vantaa. Elsewhere in Finland, Keva has properties in Hämeenlinna, Kuopio, Lohja, Tampere, and Turku. Its real estate portfolio consists of approximately 580,000 square meters across 61 different office buildings. (Keva 2025.)

Julius Tallberg Kiinteistöt Oyj is a real estate investment company founded in 1987, operating in the Helsinki metropolitan area and its surrounding municipalities. Their portfolio consists of office, retail, industrial, and warehouse properties, which Tallberg Kiinteistöt develops throughout their lifecycle. (Tallberg 2025.)

The interview themes are very current in today's office market in Finland and globally as well. The interview questions (appendix 1) were chosen based on the theory part of the thesis and background knowledge of the author. The interview questions guided the interviews, and these themes were the main part of them. The main themes that arose during the interviews were sustainability-related matters, future ways of working and working models. Also, the experts interviewed had interesting opinions about the quality of offices and how offices nowadays meet the rising demands of companies in the Helsinki metropolitan area.

Sustainability

Sustainability and ESG considerations play an increasingly important role, particularly among larger companies, but there is a growing awareness of their importance among smaller tenants as well. While environmental

certifications are not always a deciding factor in smaller office leases, larger corporations often require them as part of their decision-making process. Experts emphasize the need for concrete sustainability actions, such as energy efficiency improvements and the use of renewable energy, to align with tenant expectations.

Large real estate owners want to keep up with the competition when it comes to sustainability related matters. This trend of sustainability will only increase in the future in the commercial real estate field, and this offers a great opportunity and platform to build a brand and stand out compared to other commercial real estate owners. This increasing trend around sustainability can be noticed also from the commercial real estate owners' websites and social media posts, where most of them are showing their latest sustainability related certificates and sharing news around sustainability related achievements in their buildings.

Quality of offices

A key trend in office space demand is the shift toward more versatile and high-quality environments that support both collaboration and individual work. Open-plan offices are losing appeal in favor of flexible layouts that include spaces for teamwork, quiet work areas, and advanced technological solutions. Companies are increasingly prioritizing functionality over luxury, focusing on office designs that enhance productivity and employee experience.

Despite the challenges in the broader office market, experts anticipate an improvement in leasing activity in the coming years as businesses finalize their workplace strategies. While market uncertainty remains, particularly regarding lease lengths and rental levels, prime office spaces with strong amenities and sustainability credentials are well-positioned to attract tenants.

While Helsinki city center continues to be a desirable location, many tenants prioritize functionality and affordability over prime locations. High vacancy rates have led landlords to compete aggressively for tenants, with significant lease renewal discounts being offered to retain existing occupants.

Additionally, modernized, high-quality office spaces remain in demand, but tenants are often unwilling to pay premium rents. Instead, they seek cost-effective solutions while maintaining high expectations for office quality.

ESG considerations and sustainability certifications play a role in leasing decisions primarily for large corporations and international companies with strict reporting requirements. However, for smaller businesses, these factors are generally not a priority. Despite this, property owners continue investing in sustainability to remain competitive in the long run.

Work models

The interviewed real estate owners' representatives shared a common view that the office market is evolving, with remote and hybrid work models remaining a key factor in leasing decisions. While office vacancies have increased in certain areas, prime locations, particularly in central Helsinki, continue to attract tenants, and demand for high-quality, functional office spaces remains strong. Many companies are reassessing their long-term office needs, and as remote work policies become clearer, leasing activity is expected to pick up soon.

Remote work remains a defining factor in office space utilization, with many companies maintaining hybrid work models and downsizing their office footprints. Office occupancy rates often hover around 30-40% in many companies, further slowing demand. However, industry experts anticipate that as companies clarify their remote work policies, leasing activity may increase in the coming years. The experts interviewed all agreed that the working models and future ways of working are crucial factors for the commercial real estate owners and their future business. Especially to those owners, that are heavily focused on offices in their investment strategy.

Many commercial real estate owners are observing the changes and development of these themes on a European scale. Usually, the trends are coming to Scandinavia and to Finland with a delay, so it is important to understand what the situation is on a more global scale related to these themes. Based

on that information, the experts and their employers can make the necessary adjustment to their real estate portfolio and leasing strategy in the short and long term. Many experts are delighted to see that many global companies have now made clear rules for the remote working in their company. This helps companies' decision makers to understand the need for their office now and in the future. This will most likely increase the activity for offices, because companies know how they will work, so they know what kind of office is best for their needs. Many of the interviewed experts are waiting for the same thing to happen in Finland, because that could open the office leasing market, especially in Helsinki metropolitan area.

4.2 Interviews with commercial real estate brokers

After interviewing the commercial real estate owners' representatives the author also decided to arrange interviews with the commercial real estate brokers to get a broader view of the topics that rose to the surface during the theory part, but especially during interviews with the commercial real estate owners. Based on the theory part of the thesis and the interviews with the commercial real estate owners' representatives, there were certain themes that needed to have also insights and more comprehensive perspective from the Helsinki metropolitan area office market. Commercial real estate brokers are important partners for commercial real estate owners and investors, and especially for their leasing units. Commercial real estate brokers bring leads and tenants for the commercial real estate owners, and they are very up to date with the current local office market situation. Based on the interviews with the commercial real estate brokers, there were certain themes that completely agreed with the theory part of this project, but there were certain different opinions and insights compared to the commercial real estate owners' interviews. The interviewed commercial real estate broker companies were Scanreal Oy, Tuloskiinteistöt Oy, Bureau Toimitilat Oy, Newsec Asset Management Finland Oy and Lokaatio Toimitilat Oy.

As in the interviews with commercial real estate owners' leasing experts, there were a couple of themes that rose to the surface during the interviews

with the brokers. The commercial real estate brokers are basically working as consultants for the companies that are looking for their next office. The brokers look at the office market from a bit different perspective than the commercial real estate owners. That is why it was interesting to hear their opinions as well. The interview questions (Appendix 1) were chosen based on the theory and authors prior knowledge. During the interviews the discussion was flowing quite freely, and the brokers told their opinions and insights into the current market situation and trends in Helsinki metropolitan area. Below is the summary of their opinions on these most current themes based on the interviews.

Quality and company needs

Based on the interviews with the brokers, it is clear that commercial real estate market in Finland is facing a period of uncertainty, with a cautious approach from tenants and slower leasing activity. Demand for office space has declined over the past two years, and the decision-making process has become longer. Smaller office spaces are leased more quickly, while larger spaces (250 m² and above) face prolonged negotiations. The market remains highly price-sensitive, with property owners offering incentives such as rent-free months and higher broker commissions to attract tenants.

Many brokers think that the rent levels in the Helsinki city center area are relatively too high. This varies between commercial real estate owners, but some owners have clearly higher rents than others, and they are really holding on to those high rent levels. More likely rent-free months or other incentives are given, than lowering the actual rent for square meters. The incentives, like rent frees, bring the actual effective rent lower for the lease agreement period, but the indicated asking rents are high in many buildings, according to potential new tenants. The brokers understand the prices, but the customer companies are doing their own research and comparing premises between each other. This makes the broker's work more difficult, because the customer companies draw their own conclusions, even though there

might be relevant differences between the buildings, for example, that the customers are not aware of.

On the other hand, according to the majority of the commercial real estate brokers, the commercial real estate market in Helsinki metropolitan area is now showing signs of recovery, with increasing activity in office leasing. However, trends indicate that tenants prioritize flexibility, affordability, and functionality over long-term commitments and sustainability considerations. Based on the answers of commercial real estate brokers there has been a clear rise in companies actively searching for office spaces, with negotiations progressing faster in early 2025 compared to last year. A key trend in office space demand is the shift toward more versatile and high-quality environments that support both collaboration and individual work. Open-plan offices are losing appeal in favor of flexible layouts that include spaces for teamwork, quiet work areas, and advanced technological solutions. Companies are increasingly prioritizing functionality over luxury, focusing on office designs that enhance productivity and employee experience.

The commercial real estate brokers also told during the interviews that many of the potential leasing cases are lost in the first seconds when the client steps inside to the potential new office. The first impression is actually very important and has a huge effect on the result of the whole leasing process according to the brokers interviewed. There are offices with different quality levels vacant at the moment in the Helsinki metropolitan area. Even in the Helsinki city center area, there are low-quality offices in prime locations. Usually, the commercial real estate owner company will renovate the premises for the new tenants. The problem is that the potential new tenants do not get excited about the potential office, if the starting situation is not attractive at all. Even though there might be great visualizations and renderings done for that office from the owners' side, to make the customer see the result after the renovations, the customer might drop the office option, based on the low feeling-factor. Brokers think that this is one of the development areas for the landlords in order to get the occupancy rates of offices rising faster.

Lease agreement trends

Companies now prefer shorter leases, averaging two years' fixed lease agreements instead of the previous three. Because of the current difficult situation in many markets, many companies are afraid of signing longer leases. Until further notice, lease agreements are wanted from the potential tenant companies' side, but not many commercial real estate owners are ready to offer those leases. Open-ended agreements and co-working solutions have also gained traction. Landlords are offering rent-free months, lower rents, and higher broker commissions to attract tenants, reflecting the high office vacancy rates. Tenants prioritize well-connected locations over being in Helsinki's central business district, as accessibility remains a key decision factor.

Renovation costs have increased, and property owners are more cautious about investments. As a result, tenants prefer fully equipped, modernized spaces over raw, unfinished offices.

Sustainability

Large corporations value ESG and sustainability certifications, but for smaller tenants, these factors remain secondary to price and functionality. This was interesting to hear, because based on the interviews with the commercial real estate owners, ESG values are having an impact on basically all leasing negotiations and on the decision-making process, even with the smaller companies. While the market is slowly recovering, it remains a tenant's market, with landlords competing aggressively to secure leases. The shift toward flexibility and cost-effectiveness suggests that companies remain cautious about long-term commitments, and leasing strategies must adapt to meet evolving tenant demands.

Sustainability and ESG considerations play an increasingly important role, particularly among larger companies, but there is a growing awareness of their importance among smaller tenants as well. While environmental certifications are not always a deciding factor in smaller office leases, larger corporations often require them as part of their decision-making process. Experts

emphasize the need for concrete sustainability actions, such as energy efficiency improvements and the use of renewable energy, to align with tenant expectations.

Despite the challenges in the broader office market, the commercial real estate brokers interviewed anticipate an improvement in leasing activity in the coming years as companies finalize their workplace strategies. While market uncertainty remains, particularly regarding lease lengths and rental levels, prime office spaces with strong amenities and sustainability credentials are well-positioned to attract tenants.

4.3 Conclusion of the interviews

Even though the interviews were structured based on the interview questions, the conversation was flowing quite freely during the interviews. Many responses echoed similar views between each other on the current state of the office market. Several representatives of real estate owners were not ready to talk deeply about their leasing strategies in the changing office market, because the commissioner of this study, Sponda, is their competitor.

Compared to the theory of this thesis, the biggest surprise was that some of the major property owners in Finland, such as pension companies Varma and Ilmarinen, stated that their situation regarding office vacancy was good at the moment. Antilooppi Oy also shared this view. This differs from the general office market situation in the Helsinki metropolitan area according to the theory part. Based on the interviews, all these large real estate owners are focusing on the quality level of their offices. For example, Ilmarinen is renovating the empty office premises to a high-quality level to meet the rising standards of the potential tenants. It seems that their model is working well, even though the office market is difficult now. One thing that must be noted here is that all the large real estate owners do not have similar strategies for their office portfolio. For example, Ilmarinen and Varma as pension insurance companies are heavily committed to gaining as much cashflow as possible from their office units. Finding tenants for the office buildings is very important, but there are different strategies to operate the office portfolio. Other

commercial real estate owners on the other hand develop and renovate their properties more and that way try to maximize the value of the property before selling it to another investor. Of course, leasing up the property and having zero office vacancy in that strategy is the goal as well.

Many commercial real estate brokers told during the interviews that fast service is also important during the negotiations process. When a potential tenant company is interested in a certain office unit, they want to have a tailored offer fast. That is because they want to close the deal or move forward with another office option, if the offer seems to be too far from their vision. The competition for having new tenants is tough right now between real estate owners, and fast service as well as other small details during the negotiation process do have a significant effect on the result of the negotiations, according to many interviewed brokers. The customer journey should be effective and fast from the real estate owners' side to give the potential new tenant very professional picture of the company as a future landlord.

Based on the interviews, it can also be concluded that green values, sustainability, and ESG matters are on the minds of all large real estate owners, and they are already making significant investments in these areas in their daily work. Practically all owners are striving for carbon neutrality in their properties' emissions over the next few years. The interviews revealed some differences in perspective between property owners and brokers regarding how potential tenants value the sustainability of properties. Some owners believed that green values are an important factor in leasing decisions for all companies, when on the other hand all brokers stated that sustainability and green values are only a major consideration for larger or international companies. When brokers are having negotiations with smaller domestic companies, these aspects hold very little weight in their decision-making process, according to the brokers.

The interviews also highlighted the fact that the office market is undergoing changes. Various co-working solutions have gained more attention lately, and offices now serve primarily as meeting hubs for employees. Because of this, companies want to invest in their office spaces and some companies are

ready to pay higher rents for having high-quality offices. However, as remote work remains a significant part of daily operations for many companies, the role and requirements of office spaces have also evolved. Practically all interviewed real estate owners' representatives believed that remote work is here to stay. Some, however, think that remote work will decrease during the next couple of years, and many are currently waiting for clearer guidelines from large domestic companies regarding remote work policies. Such clarity would benefit the office leasing market and likely increase companies' activity, as companies would have a well-defined and planned approach to their working models moving forward.

5. Summary

As observed in the theoretical section of this study, the office vacancy rate in the Helsinki metropolitan area has been increasing in recent years. This has led to a polarized office market and there are commercial real estate owners and investors that are struggling with their highly vacant properties. This study involved interviews with representatives of major property owners and commercial real estate brokers, who witness the daily developments in the office market and have extensive industry experience. It can be concluded that the office market is undergoing a transformation, and property owners must be prepared for these changes. Companies' demands have increased, and in summary, the polarization of the office market in the Helsinki metropolitan area is expected to continue in the future. High-quality spaces in prime locations will remain in demand, but unfortunately it seems that lower-quality spaces in less attractive locations will struggle to attract new tenants, and it might be even more difficult to keep the current ones, because of the increasing demands of office tenants.

The office market is constantly changing and to keep up with the latest changes and the competition, the commercial real estate owners must be flexible and ready to adapt to possible changes in the new environments of this decade. Based on this project and especially the interviews, it can be

stated that agility in many forms is crucial in today's commercial office leasing market. The office leasing in Helsinki metropolitan area has become faster than before and the competition is tough. It seems that the players that are agile and fast have an advantage in the first place in the customer interface. The industry is also changing and evolving, which means that the commercial real estate owners must be ready to change their processes based on the customers' behavior and demand. This is the key to being successful in today's fast paced market according to the commercial real estate brokers. In today's tough competition, no commercial real estate owner company wants to have a reputation as a slow or stiff operator. The potential tenants are looking for new premises, but they are choosing also a future landlord for themselves. This means that they will be evaluating the potential new landlords during the whole leasing process. That is why the leasing process should be polished to be as smooth and agile as possible from the landlord's side, to be competitive in today's market.

Through the interviews current information was received considering the current trends in the office market and the future development of office vacancies. These results give great insights and perspective for the commissioner of this project to keep on developing the leasing processes and making more conscious and effective decisions. The practices in the commercial real estate industry are quite normalized and well known. This means that there are many old habits in the industry. Based on the interviews the commercial real estate owners must be ready to adapt new strategies to be competitive. Most likely there will not be any crucial changes to the leasing strategies in the commissioner company of this thesis, but these results and outcomes might be an important factor in the decision-making process, when future leasing strategies are being planned.

5.1 Reliability and validity of the study

The research method of this study was clearly defined, and the interview questions supported the research questions of the thesis. The phone

interviews were transcribed and all the interviews inside the same group had the same pattern as their backbone. During the interviews the conversation flowed freely, which is typical for this kind of qualitative and semi-structured research. Even though the people interviewed were specifically chosen, the sample was still only eleven people in total. For this project it is a good amount, but these research questions could be studied with an even larger sample of companies interviewed and stakeholders to give a more accurate and generalized picture of the current situation. This topic is still current and there are many media articles about current remote working models in companies, future ways of working and development of office vacancies in the Helsinki metropolitan area and its effects on real estate owners and investors.

Future research is very welcome around this topic and surely there will be some. Even though this project offers solid insights from the real estate owners and brokers, future research could be done even with a wider sample size. The future study might include tenant companies as well, so the research could be even more comprehensive. It would be interesting to hear the tenant companies' opinions about their situation regarding their office needs and how they see the remote working and ways of working developing in the future and affecting their operations. This would most likely be useful and interesting for the commercial real estate owners to hear as well.

5.2 Recommendations and final thoughts

Based on the interviews with the commercial real estate brokers, it seems that to secure new tenants, rent levels would need to be lowered from their current levels, at least in some areas. However, this presents a challenge: reducing rents may not cover the necessary maintenance and renovation costs of the property. This creates a deadlock for property owners, where buildings remain vacant while waiting for new tenants. Owners are reluctant to significantly lower rents, as this directly affects property valuation and does not

sufficiently cover maintenance expenses. This is a problem in the commercial real estate industry, especially in the sub-markets in the Helsinki metropolitan area. Many commercial real estate owners are struggling with these assets, even though their other assets might be doing very well, for example closer to the city center. All the assets form the whole portfolio, which means the poorly productive assets are reducing the profits. That is why commercial real estate owners are selling these assets to get their portfolio optimized and to gain capital for future acquisitions.

On the other hand, in this current market there are not many transactions happening, because investors are waiting and watching how the world economy is evolving. The interest rates have come down, which will boost the transaction market, but in a larger picture many investors are still waiting for the right time to make moves. Also, the valuations of certain properties have come down and the owners of these properties are not ready to sell at these lower prices. The commercial real estate owners must decide if they want to take the loss and sell the property at a lower price and get rid of the property. Or then just keep the property in their portfolio, which might require capital for monthly maintenance expenses and that way tie up capital from other potential investments.

The interviews also indicate that there is strong demand for high-quality, move-in-ready office spaces. The more concrete recommendation for the commissioner is to build move-in-ready offices with flexible lease agreements. Based on the interviews and this project, there is a demand and market for this kind of service. This would be also a great way to increase the cashflow in certain properties in the city center area. The commissioner of this study, Sponda, could increase demand for its properties and speed up leasing by renovating some office spaces in advance, making them more appealing to potential tenants. This concept could be particularly effective for small offices in prime locations within central Helsinki. There are risks renovating premises completely and tie capital into them before even knowing if they will be rented and in what timeline. Still, based on these interviews and results of this project, one recommendation is to try this strategy on a smaller

scale to increase the leasing of vacant smaller office spaces. Other property owners have successfully implemented similar models, demonstrating that there is demand for this approach in the Helsinki metropolitan area office market.

Based on the interviews and the theory part of this project, it can also be said that poor-quality office spaces are difficult to lease, and this trend seems to continue. Sometimes, a negative first impression of an outdated office can basically stop the negotiations, even if the property owner is willing to fully renovate the space for the tenant. Even though many potential tenant companies are investigating and comparing their next potential office options based on financial indicators, the feeling for the office is also very important, and many employees appreciate that part the most. So basically, what kind of feeling does the office have when you enter the office space or even in the building? The feeling is being affected by all the small aspects around the building. Office leasing is based not only on logic and facts, but also on the emotional response and the way the office space makes people feel.

Small things usually make a large difference. As shown in this research project, the competition is tough between the real estate owners for the new tenants for the vacant office premises. Based on this project, it would benefit the commissioner Sponda Oy, if they could stand out from the competition daily. For example, when the leasing managers show the office options to the potential tenants, they could bring a small snack or organize small catering to the office premises they are showing, and this would be done systematically for the larger office tours in the heart of Helsinki. This would leave a nice memory for the customer and potentially boost the leasing process. Many potential customers would appreciate this kind of gesture, and it would give a great first impression of the contact person but also of the whole company. This would support the mission of Sponda to be the leading asset management company in Finland. If you want to be the best, you must be able to offer the best possible service, especially in the Helsinki city center area, where all the most valuable and prime office assets are located and the most demanding high-profile b2b customers as well.

This research project has shown that the commercial office market in Helsinki metropolitan area is being influenced by many factors. The global situation and decisions made by the European Central Bank will have straight effect on the commercial real estate owners' business. One interesting thing in the commercial real estate industry is that the owners' can have a major effect on their assets and on their profits by their own actions and decisions. There are many strategies on the leasing side as well as on the development side when it comes to the property's future and maximizing the profits.

Also, sustainability and ESG related matters are important and have a big influence in today's decision making in the commercial real estate industry, as this research has shown. There are many strategies to be competitive in these difficult current market conditions. That is sort of a difference compared to, for example, stock investing and the stock market.

Based on the theory part and the interviews done for this project, results of the current office market situation were presented, and the future of office market was predicted as well. The commissioner of this study received very current information from the office market in Helsinki metropolitan area. Through these development ideas presented at the end of this research, the commissioner is more aware of the market situation and has more tools to develop their own leasing strategies to be even more competitive in today's market and in the future.

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Appendixes

The interview questions:

For commercial real estate owners and investors:

1. How have office vacancy rates in the Helsinki metropolitan area affected your investment strategy?
2. What key factors do you see driving the current office market trends, such as remote work, economic conditions, or sustainability requirements? Are these factors new and do you think they are here to stay?
3. Have you adjusted your portfolio or property management approach in response to increased office vacancies? If so, how?
4. How important is sustainability in your investment decisions, and what role do energy efficiency and green building certifications play?
5. Have you observed a shift in demand toward sustainable office spaces, and how has this influenced your asset management strategies?
6. What working trends have you seen rising during last years and months? How has this affected the demand and use of your offices?

For commercial real estate brokers:

1. How has tenant demand for office spaces changed in recent years, and what types of office properties are currently most in demand? How long does the decision-making take and what factors are the most important ones?
2. What strategies have property owners and landlords adopted to attract tenants in response to rising office vacancy rates?
3. How significant is sustainability in office leasing negotiations, and what green features are tenants increasingly looking for?

4. Have landlords been proactive in upgrading older office buildings to meet new environmental standards, and how has this affected leasing activity?