



Rakennusteollisuus

The current outlook is not positive in terms of the reconstruction of Finland

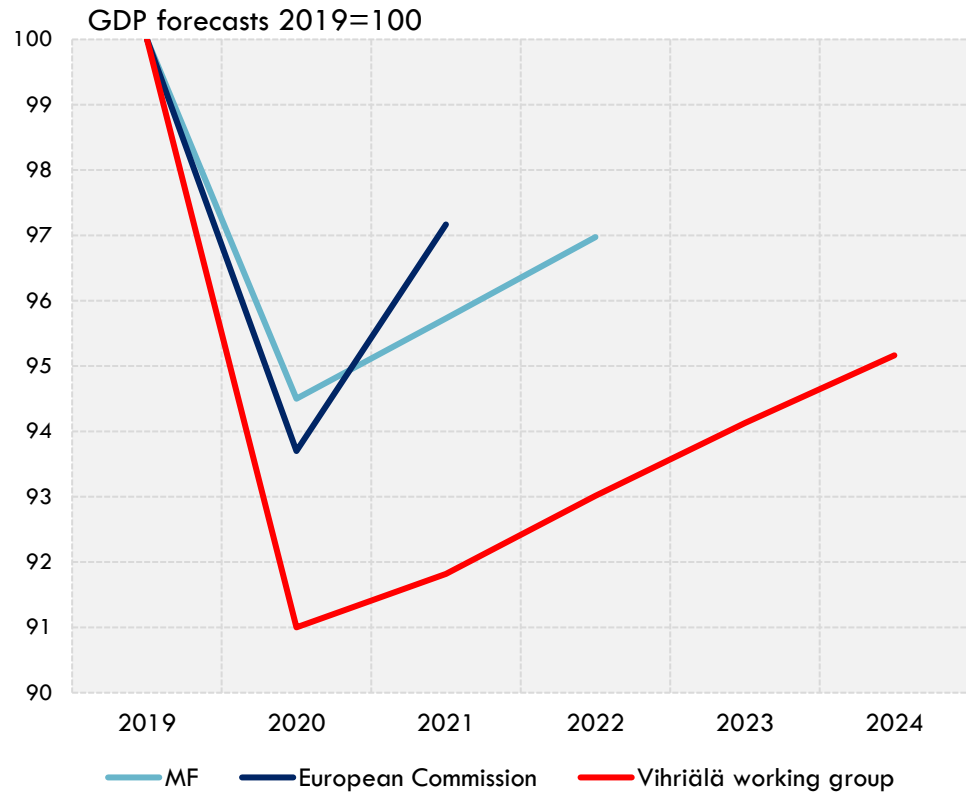
The Corona Crisis Doubles the Pace at Which Construction is Slowing Down

Confederation of Finnish Construction Industries RT

Chief Economist Jouni Vihmo 28 May 2020

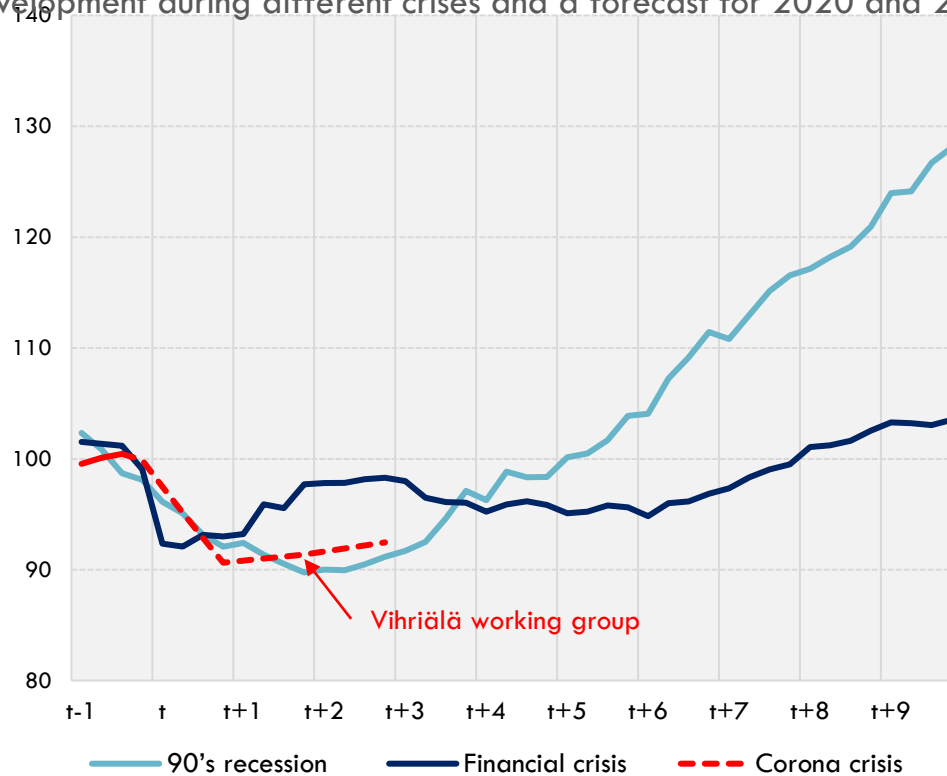
Even according the most optimistic forecast, Finland is headed towards another period of economic uncertainty

Post-financial-crisis decision-making ability and economic recovery are not enough during the corona crisis



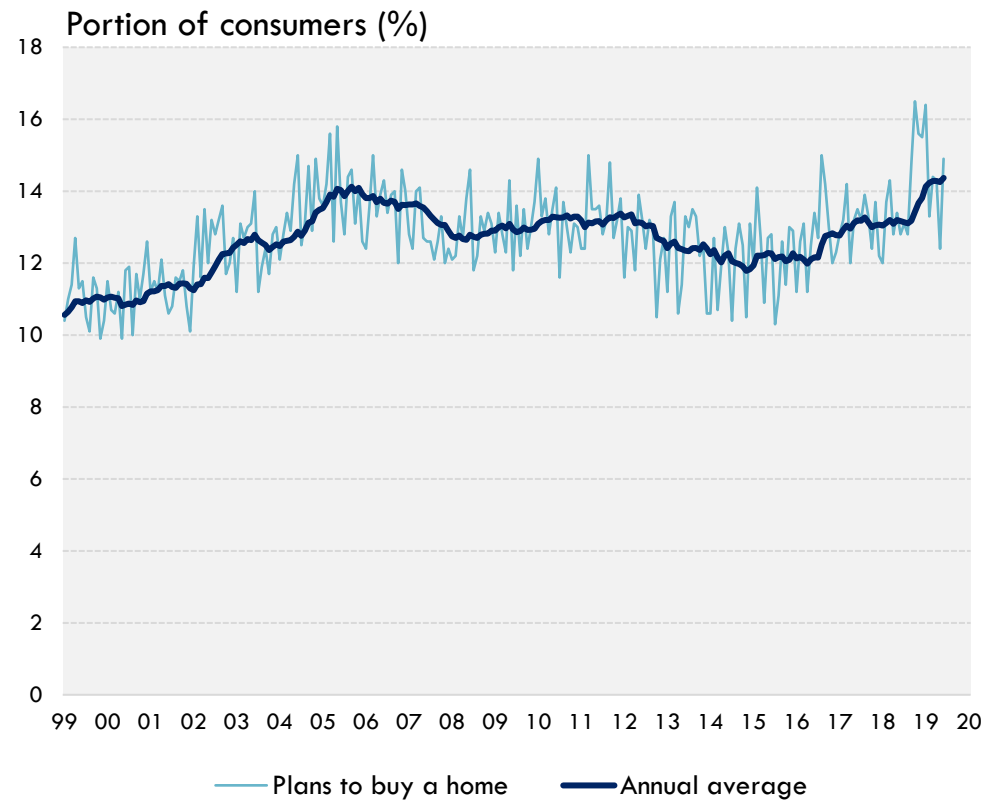
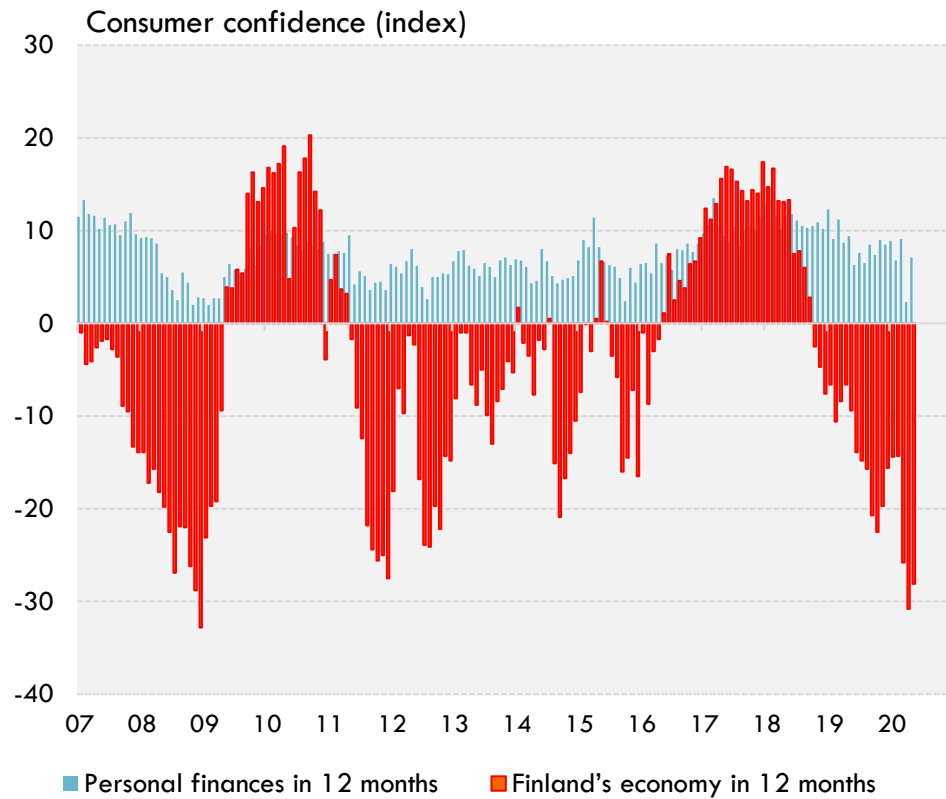
Source: Statistics Finland, Ministry of Finland, European Commission, Vihriälä working group

GDP development during different crises and a forecast for 2020 and 2021



Consumer confidence bleakest in history

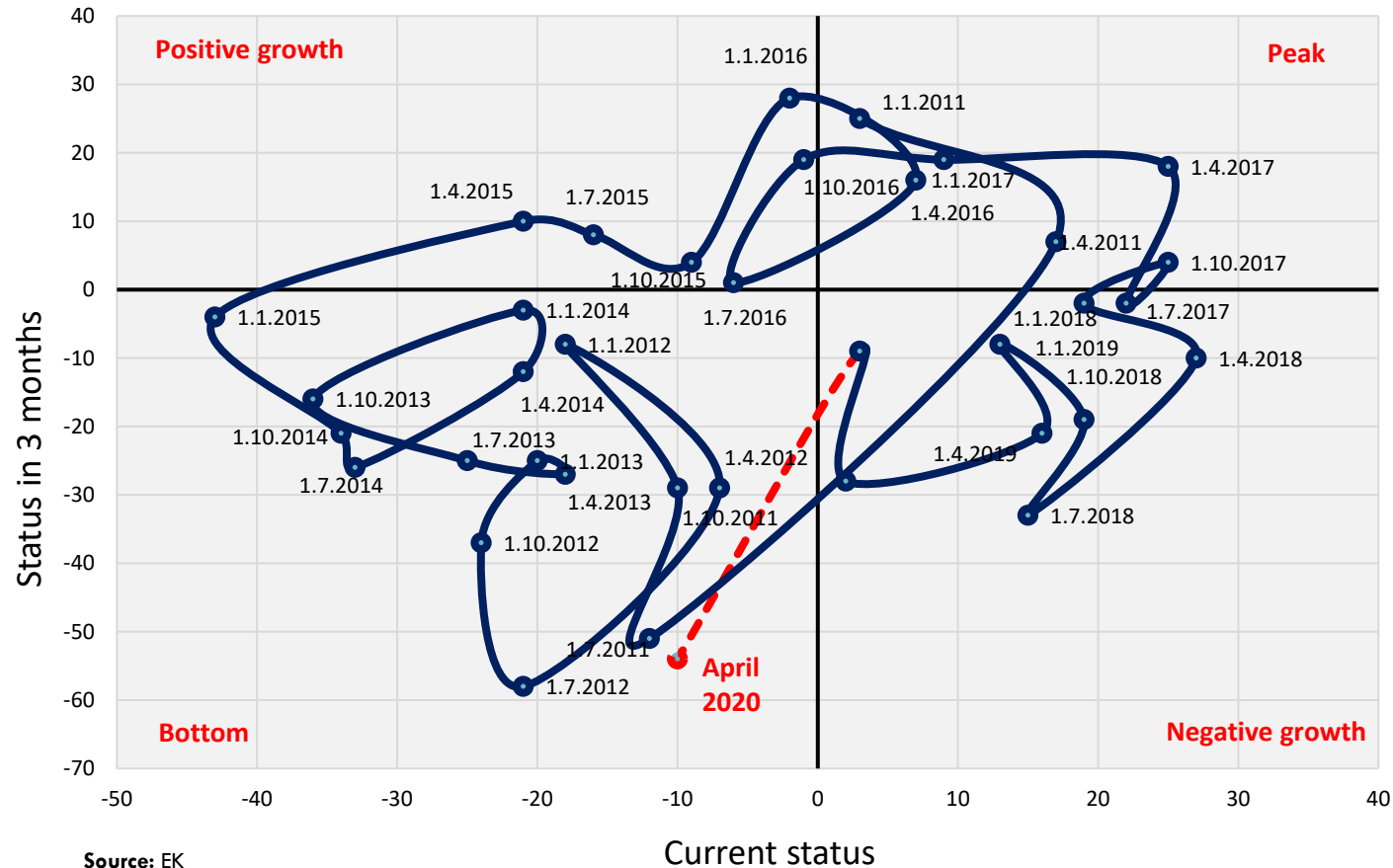
Homebuying plans still unaffected



Source: Statistics Finland

Outlook for the upcoming months deteriorated quickly

The corona crisis was not yet visible in April production

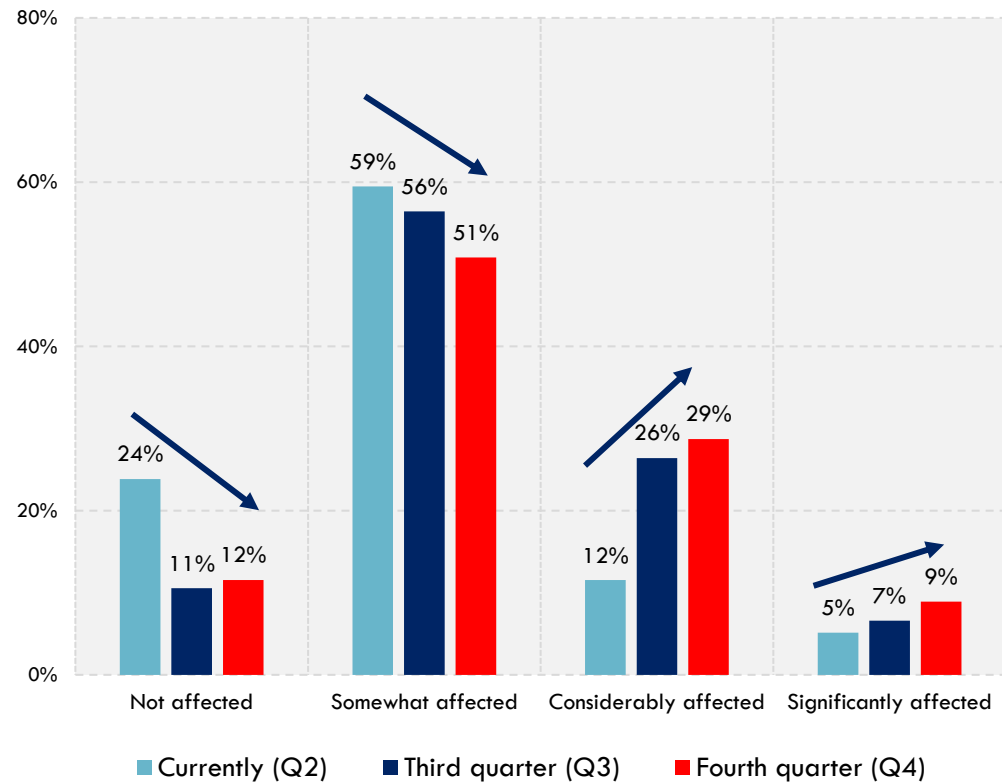


Source: EK

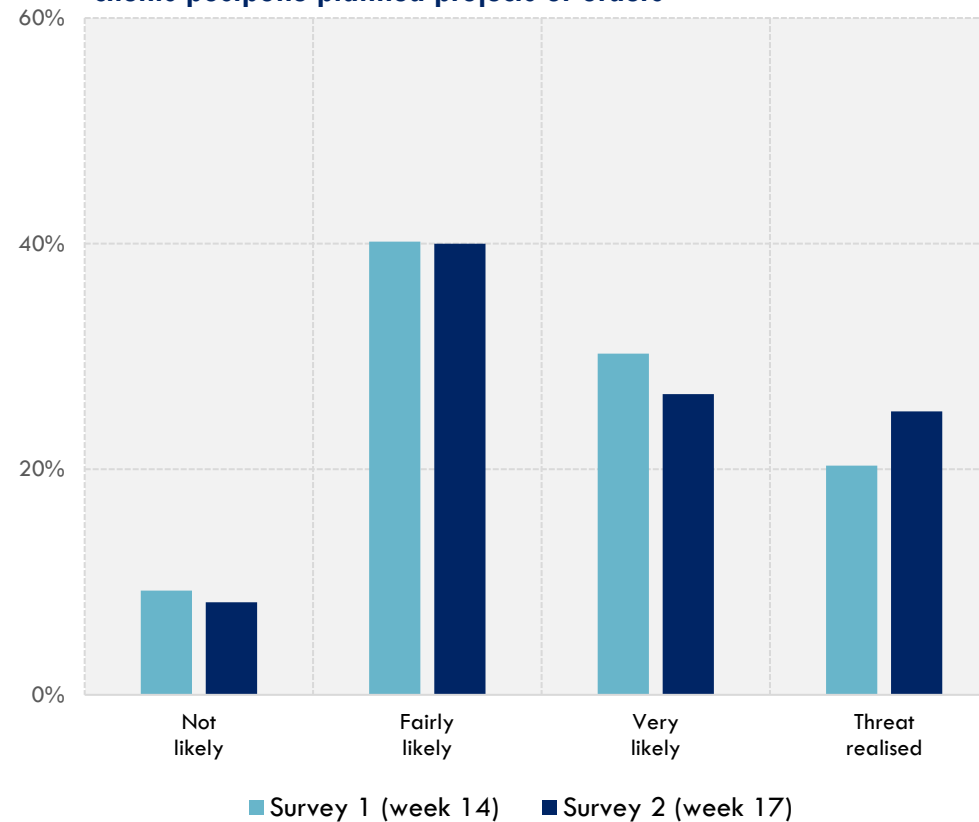
Consequences of the coronavirus crisis will take time to become apparent

A quarter of clients have postponed projects

To what degree is the corona crisis affecting your business during the current and upcoming quarters?

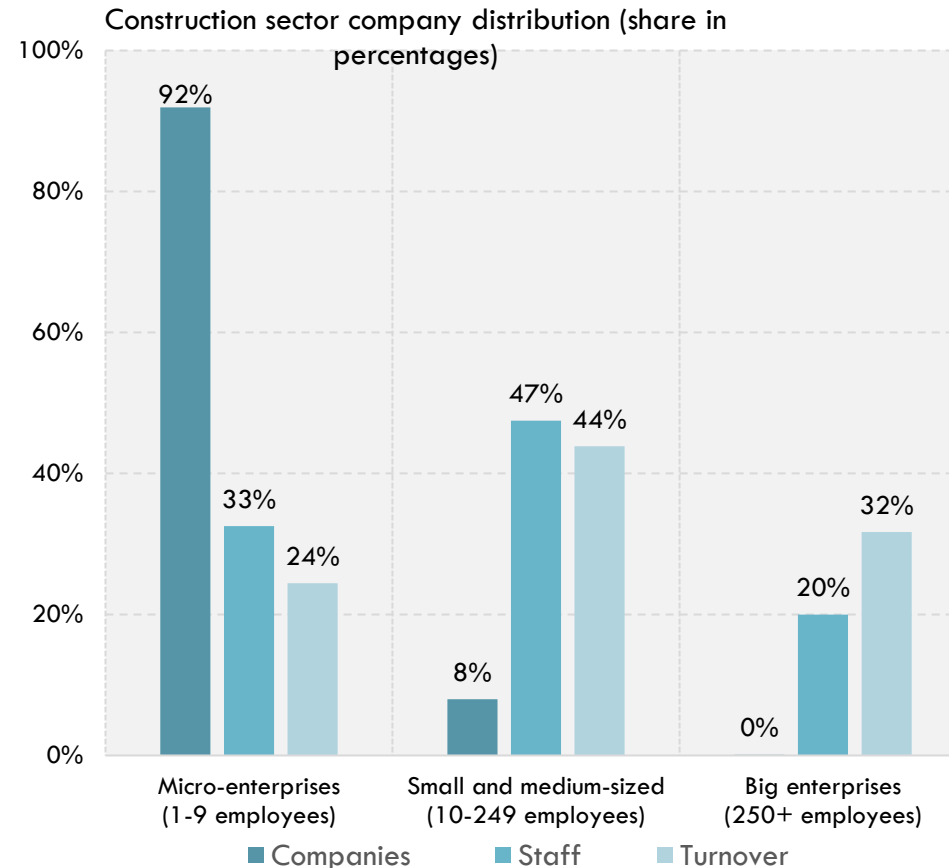
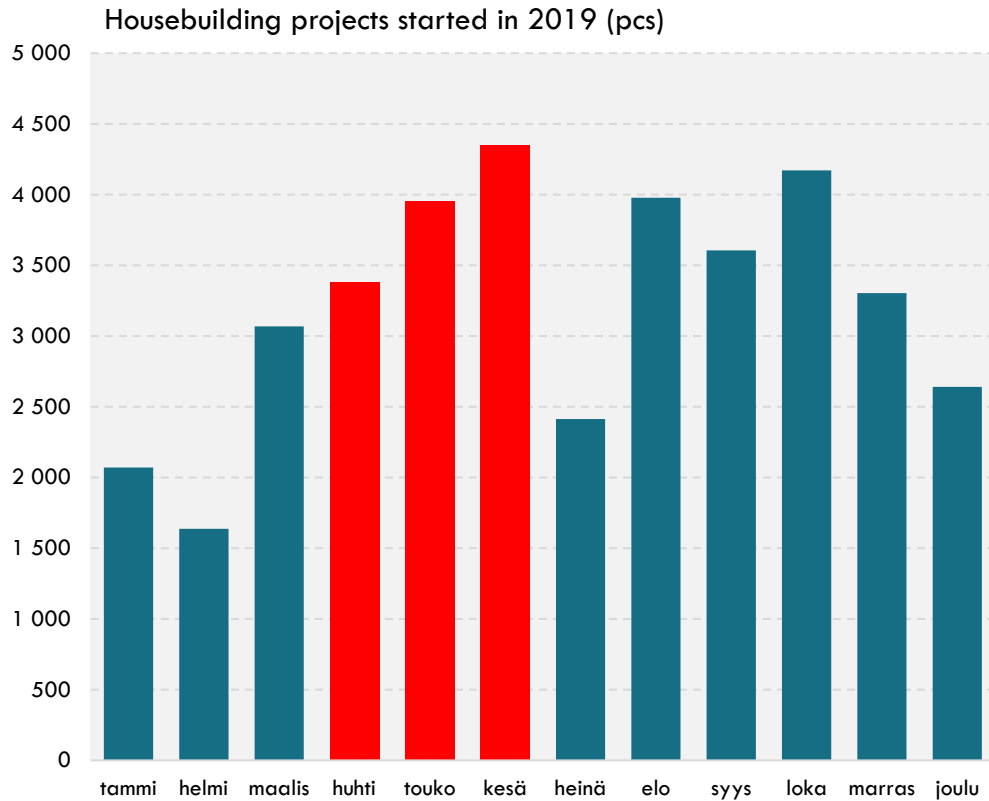


Evaluate the likelihood of the following threats: clients postpone planned projects or orders



Source: RT corona survey May (n=390)

The corona crisis hits peak housebuilding season and SMEs



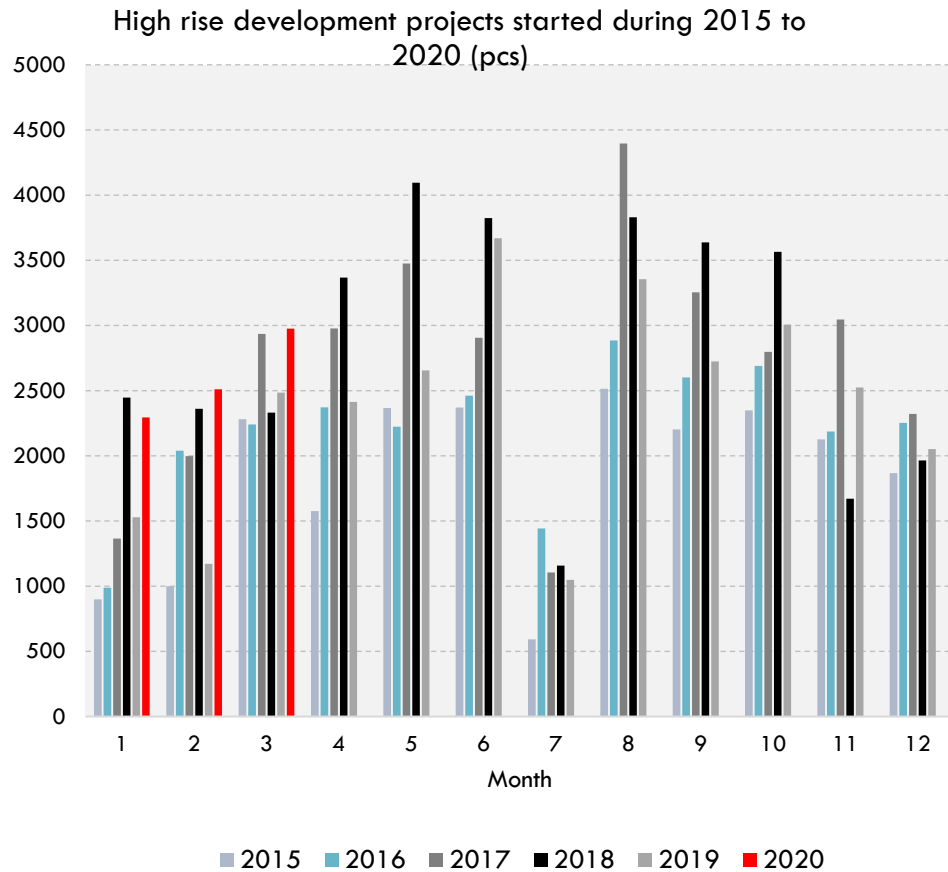
Source: Statistics Finland



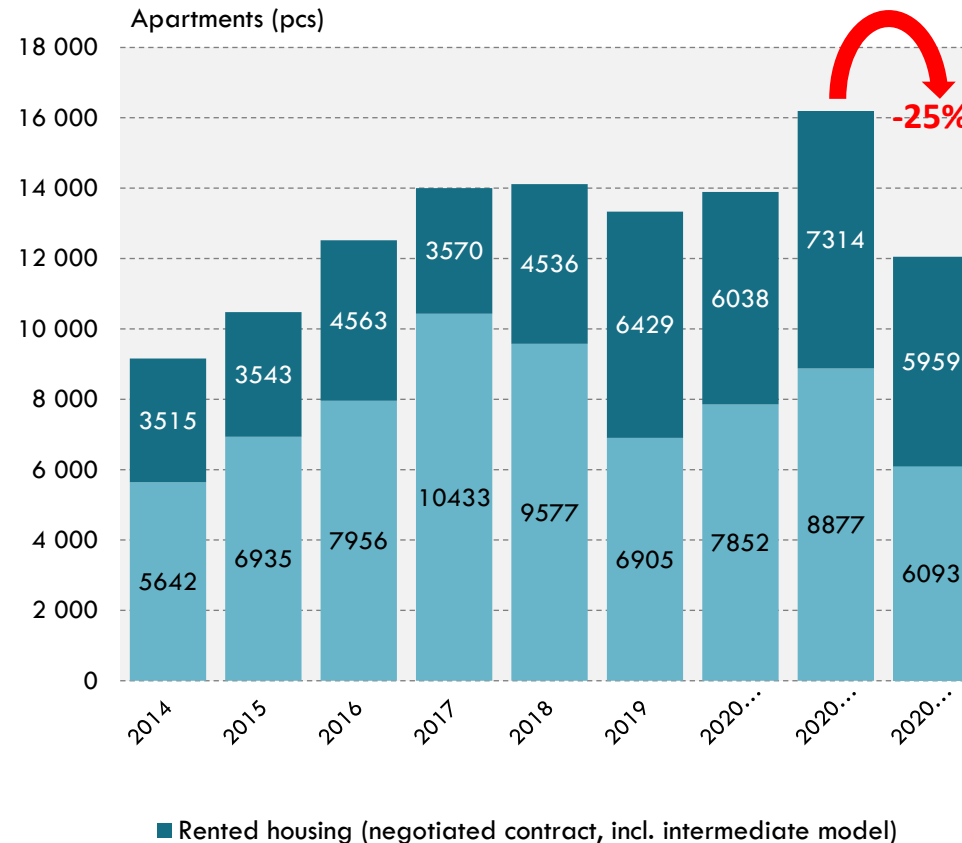
Finland is headed towards another period of economic uncertainty

Impacts on the construction sector will not be apparent until after the summer

Number of privately financed residential development projects to drop significantly – statistics indicate a strong start to the year



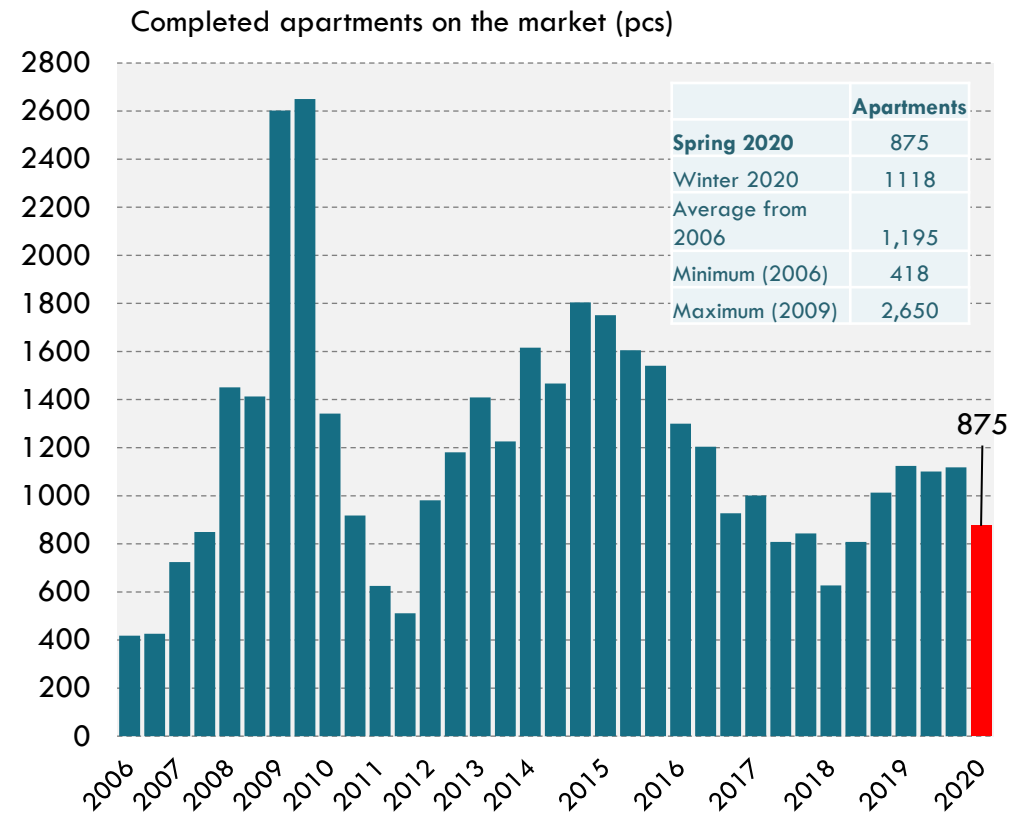
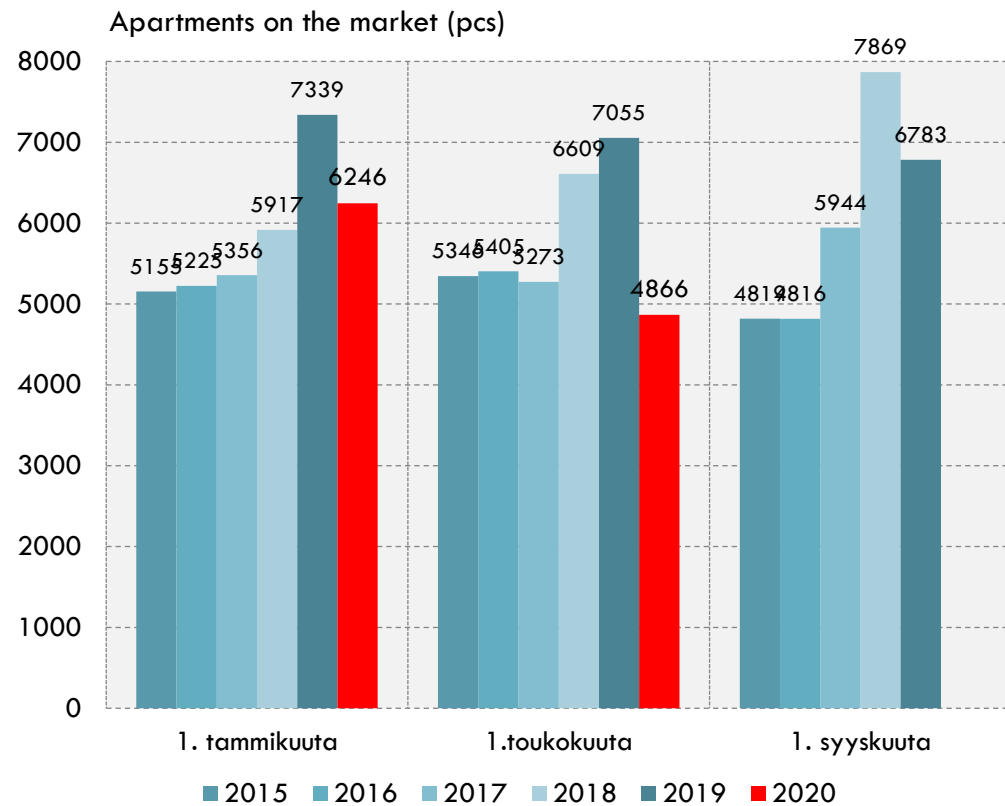
Source: RT residential development survey May



Source: Statistics Finland, building and residential development

Number of apartments on the market decreased significantly

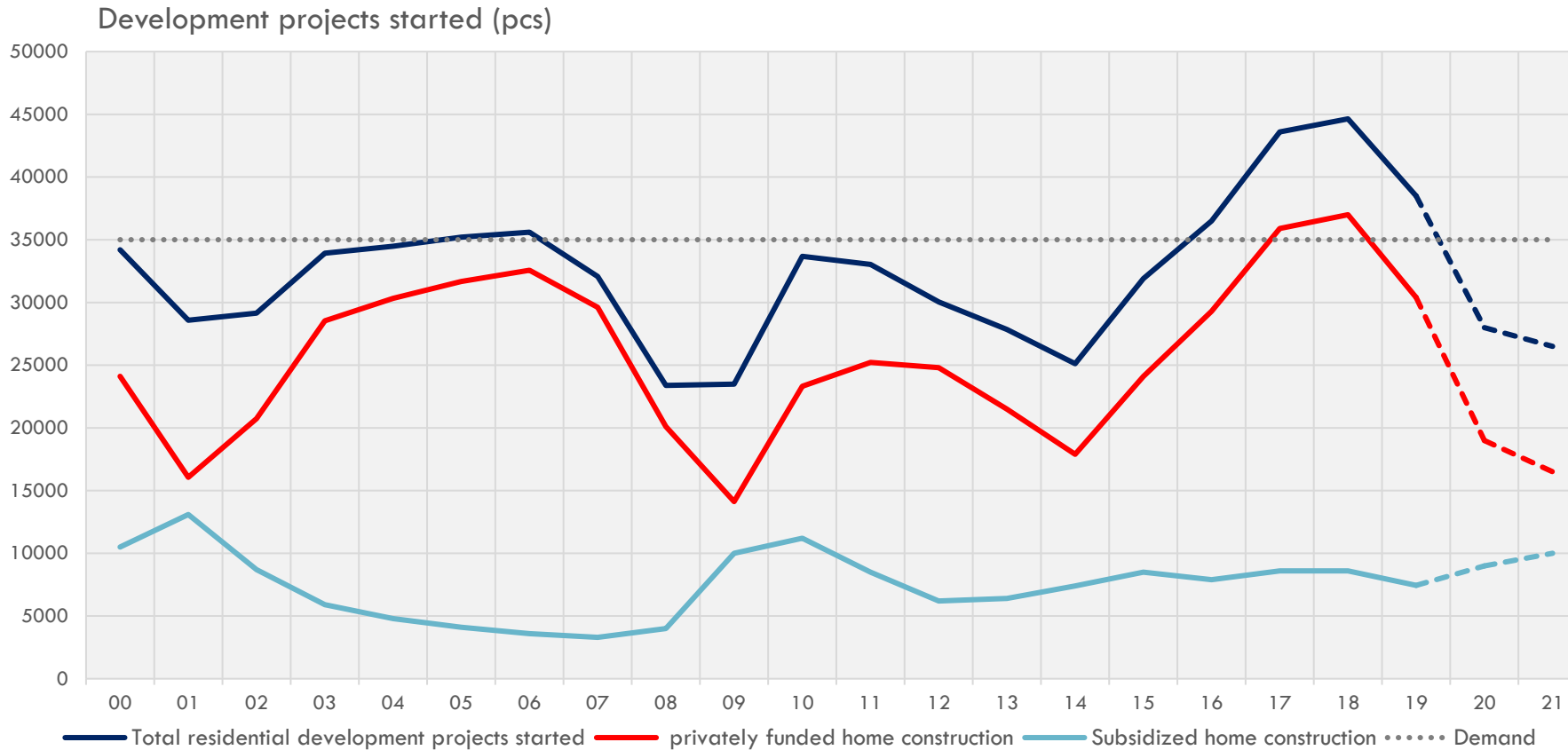
Advanced reservation rate increased by 6 per cent



Source: RT residential development survey (May 2020)

Privately funded home construction plays a critical role

Subsidized home construction represents a quarter of all production

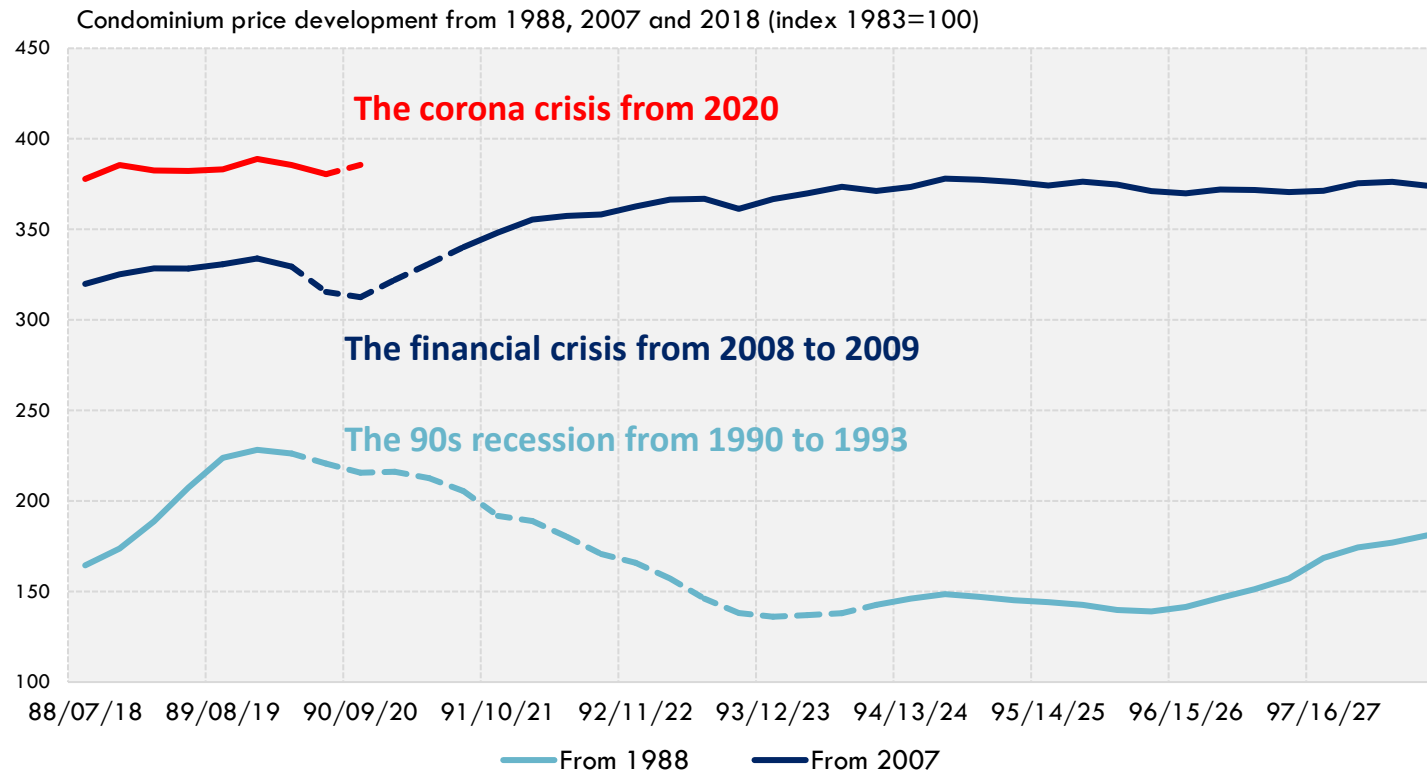


	Development projects started	%
2019	38,700	-14
2020e	28,000	-27
2021e	26,500	-5

Source: Statistics Finland, building and residential development, ARA, RT

The housing market recovered quickly after the financial crisis compared to the recession of the 90s

Revival was due to fiscal stimulus measures



Source: Statistics Finland

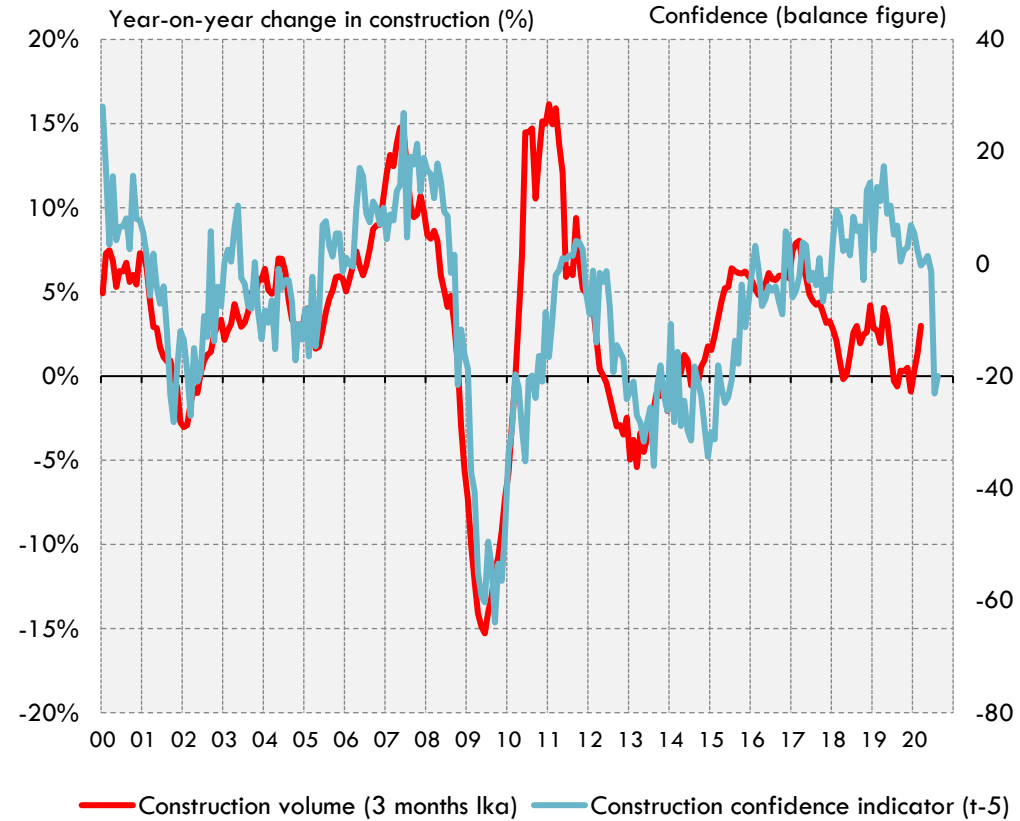
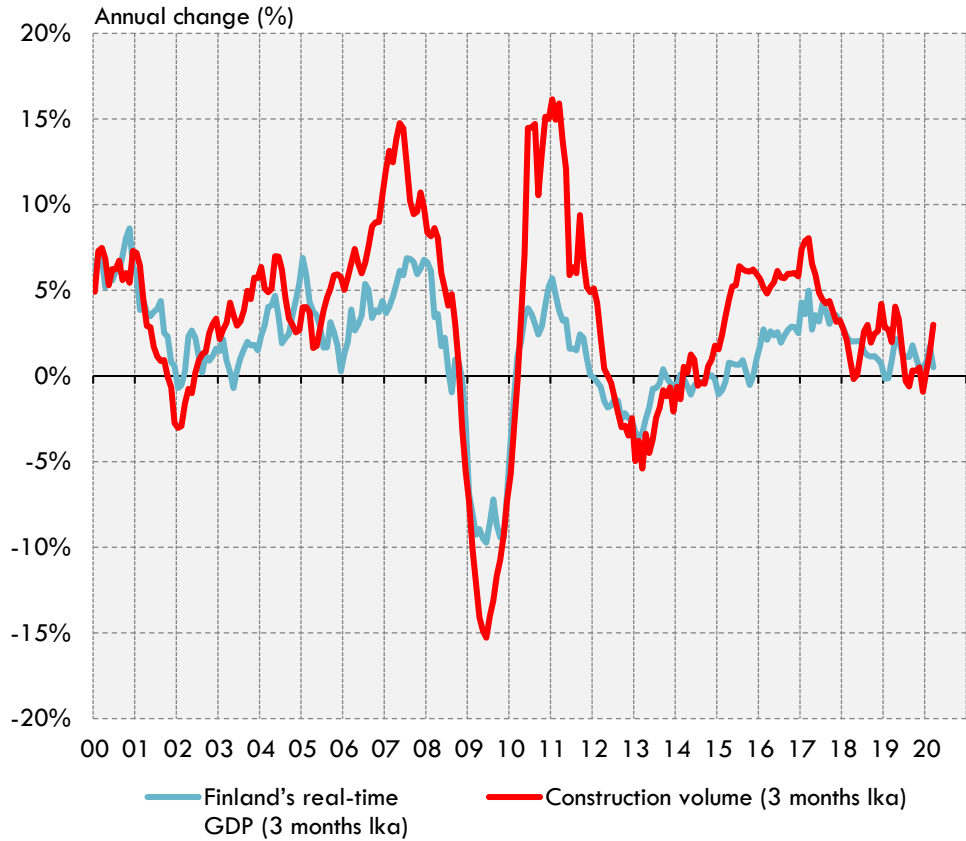
Developers are preparing for economic downturn and are adapting their operations

- Reduced demand has become the primary reason behind slowing residential development
 - chronic lack of plots and plot costs continue to affect the industry
- Companies are adapting through strong measures
 - Housing production will decrease, particularly in the second quarter – more projects planned for the second half of the year
 - Stock of on sale and ready for sale units has been reduced
 - Advance reservations for new housing projects have increased significantly from 42% to 48%
- According to the survey, the estimate for the new projects for 2020 is 25 per cent less than in beginning of the year.
 - Consumer development projects decreased by 31 per cent
 - Investor development projects decreased by 19 per cent
 - The proportion of growth centres increased in terms of overall production
- Financing will become an issue. For now, bigger and well-established companies receive RS funding – for others, receiving funding might be less steady.
- Based on the drop in consumer confidence and the results of the survey, it looks like several smaller construction businesses might quickly get into problems in terms of liquidity.
- Consumer housebuying sentiment is still fairly stable. Urbanisation will not stop. The demand for homes will continue after the crisis.
 - Residential development will decline more than the RT survey indicates
 - Residential development will decline starting from the spring to a level below long-term housing needs
 - The corona crisis will reduce the supply of homes, but not the demand



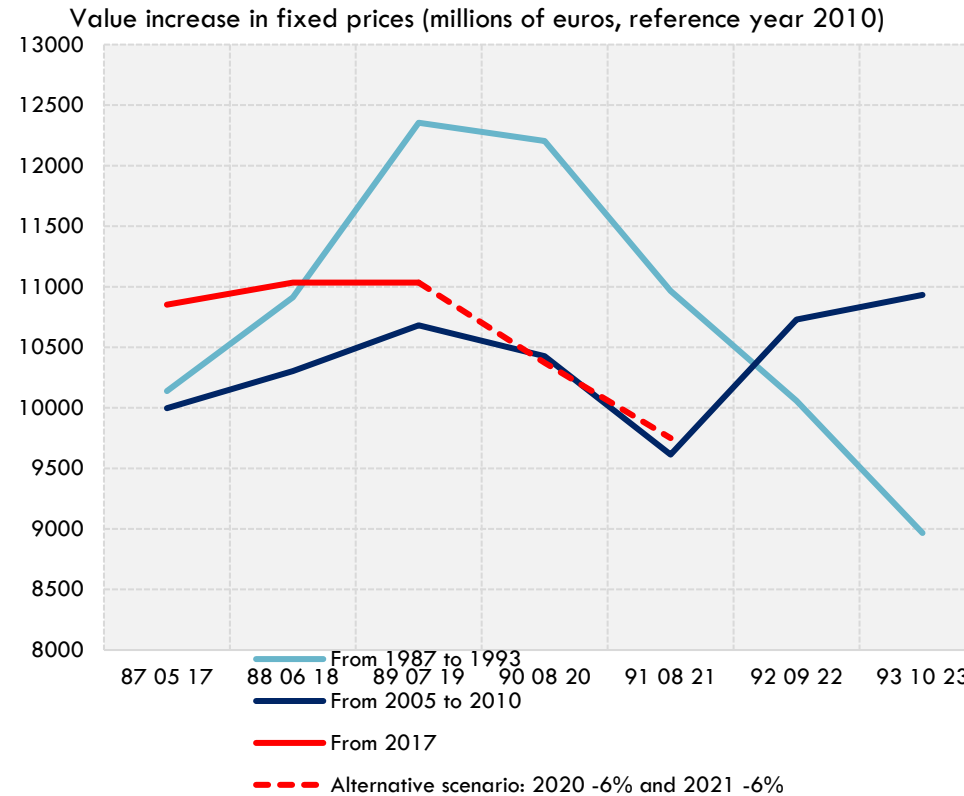
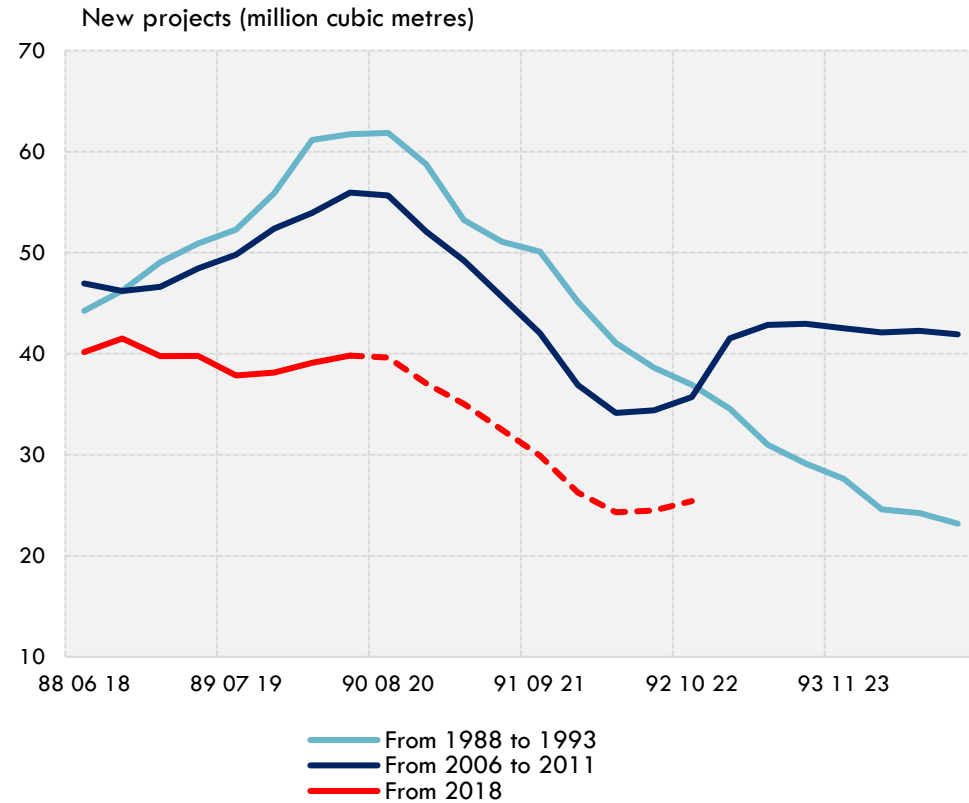
Developers are adapting their operations
**Residential development will decline
to a level below the housing demand**

Construction follows the general economy



Source: Statistics Finland, RT

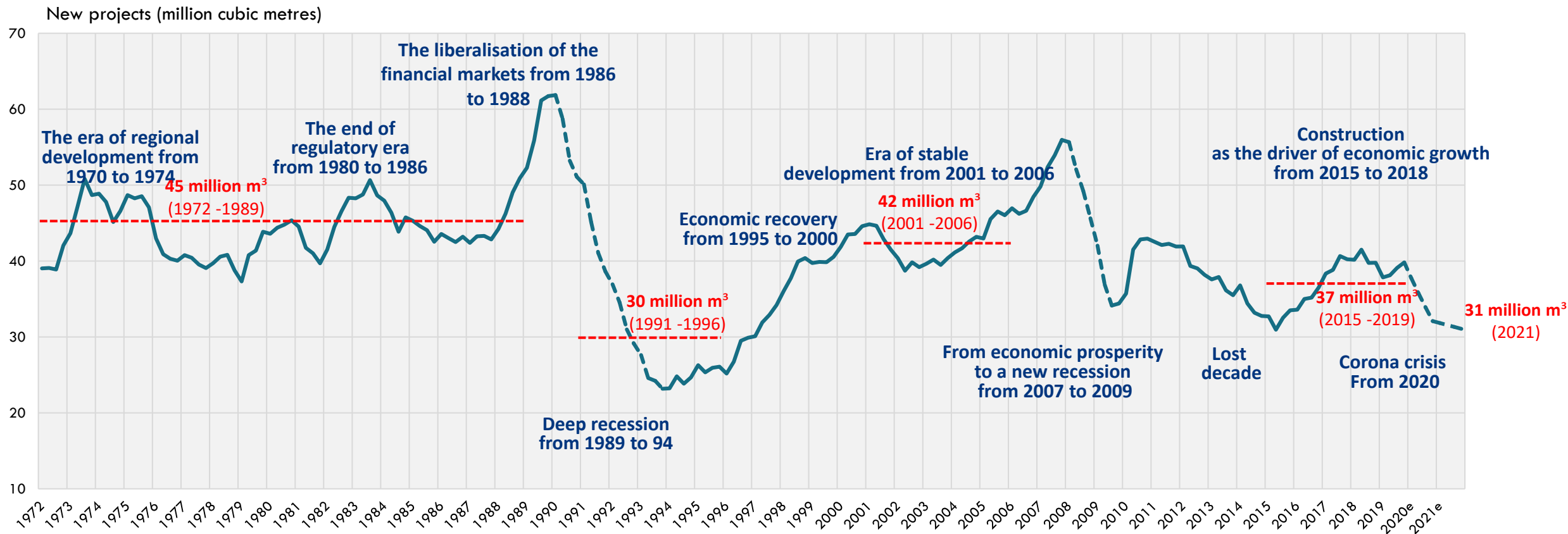
The risk of long-term downturn exists



Source: Statistics Finland, RT

The size of the sector following the financial crisis is not sufficient for reconstructing Finland in the coming years

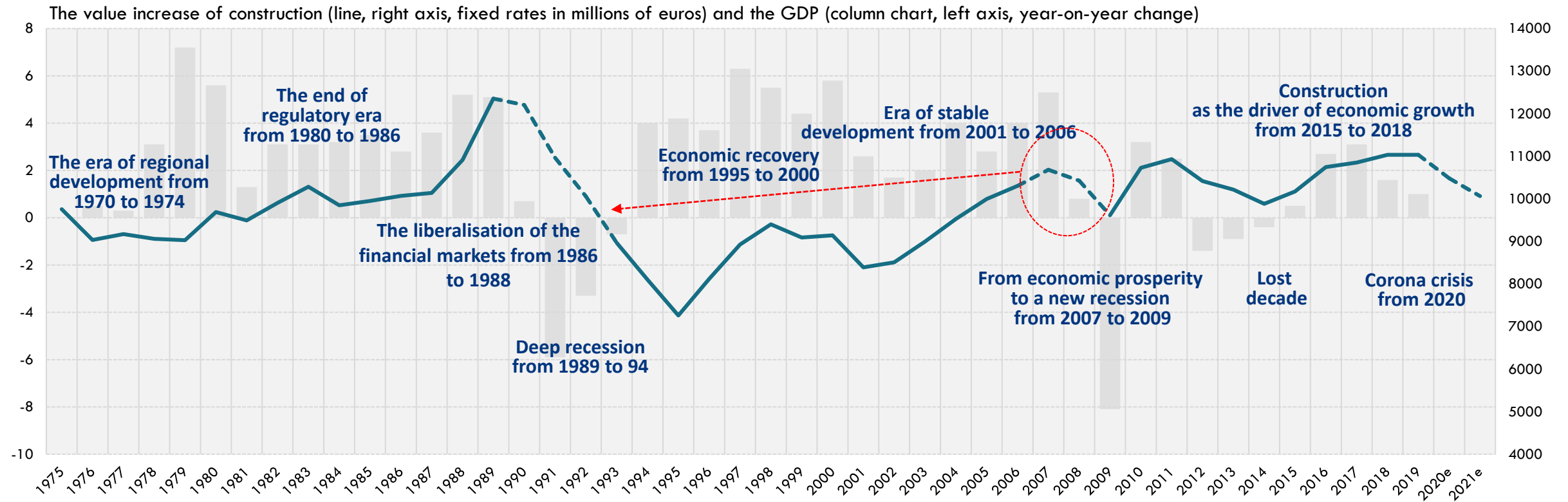
The national reconstruction is not complete



Source: Statistics Finland, RT

The value increase of construction varies with new construction

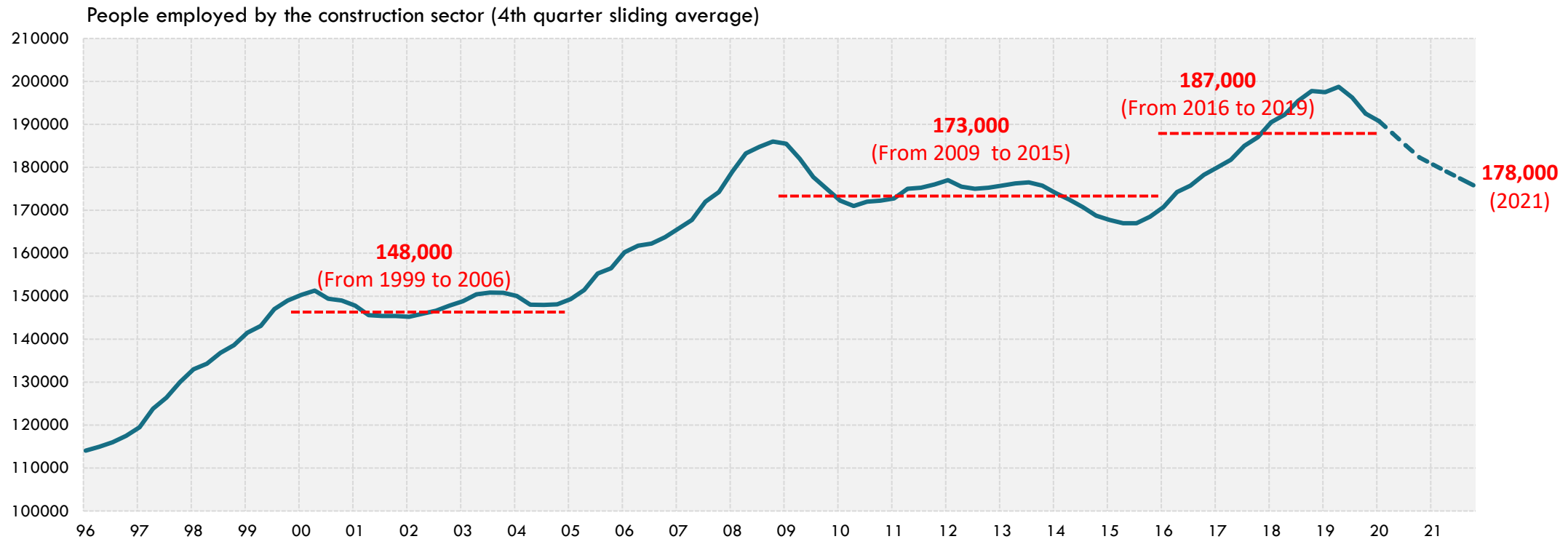
The swift stimulus measures taken during the financial crisis helped reduce the negative impact on the sector compared to the 90s downturn



Source: Statistics Finland, RT

The levels of employment within the construction sector have risen despite crises

Any decrease in employment rates must be battled during the corona crisis



Source: Statistics Finland, RT

Confederation of Finnish Construction Industries RT forecast 2020-

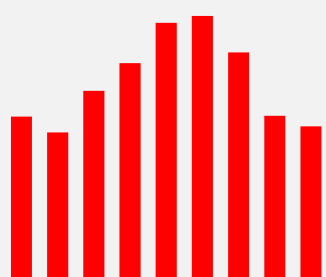
2021*

Residential development



Total
2018: 45,000
2019: 38,700
2020: 28,000
2021: 26,500

Residential development will fall below annual needs due to a decrease in private funding. Significant regional differences.



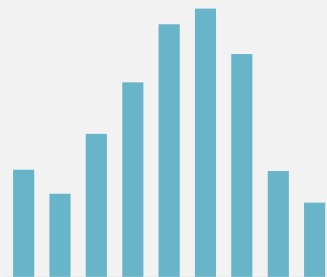
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High rises



Privately funded
2018: 25,800
2019: 19,800
2020: 10,000
2021: 7,000

Investor demand is greater than consumer demand. The availability of funding is uncertain.

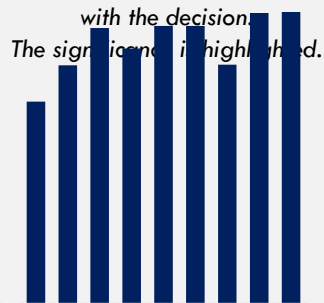


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ARA apartments
2018: 8,600
2019: 7,400
2020: 9,000
2021: 10,000

ARA production is regenerative and continues to increase from the beginning of the year with the decision. The significance is highlighted.



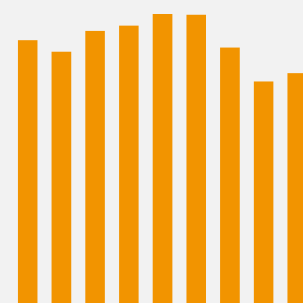
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Terraced houses



2018: 3,500
2019: 3,100
2020: 2,700
2021: 2,800

The construction of terraced houses will decrease along with other forms of housing.



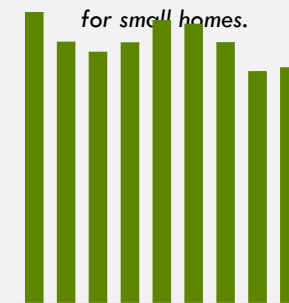
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Detached houses



2018: 7,200
2019: 6,700
2020: 6,000
2021: 6,100

The corona crisis is dampening the year that got off to a good start for small homes.



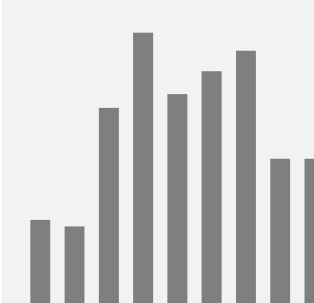
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Other buildings



2018: 700
2019: 600
2020: 400
2021: 400

Other construction projects are also slowing down.



13 14 15 16 17 18 19 20 21

*new projects

Confederation of Finnish Construction Industries RT forecast 2020-2021*

Construction
2019 total
36.2
BN. €

New development projects

15.4
BN. €

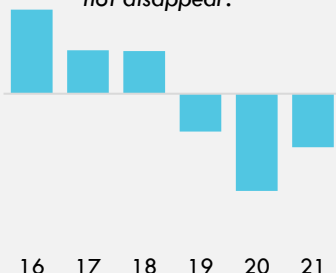


Housing

7.0
BN. €

2018: 8.8%
2019: -2.3 %
2020: -20.0 %
2021: -11.0 %

Residential development will slow down further. The low interest level helps, but receiving RS funding might become problematic. The basis for demand will not disappear.

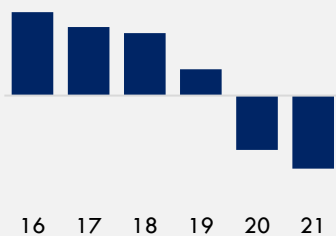


Business premises

8.4
BN. €

2018: 6.1 %
2019: 2.6 %
2020: -5.0 %
2021: -7.0 %

The generally stronger increase of business premises construction will slow down in all main categories. The volume will drop most in 2021.



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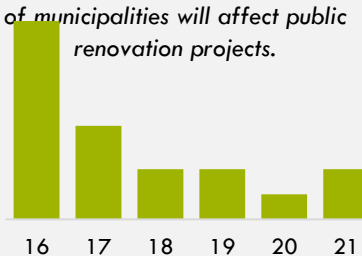
Renovation

14.0
BN. €



2018: 1.0 %
2019: 1.0 %
2020: 0.5 %
2021: 1.5 %

Renovation will slow down during the ongoing year as housing cooperatives are not able to make decisions about renovations. The financial situation of municipalities will affect public renovation projects.



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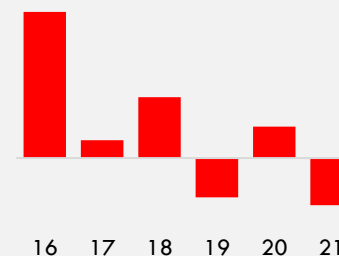
Land and water construction

6.8
BN. €



2018: 3.9 %
2019: -2.5 %
2020: 3.0 %
2021: -3.0 %

Without new public projects, land and water construction will decrease again next year.

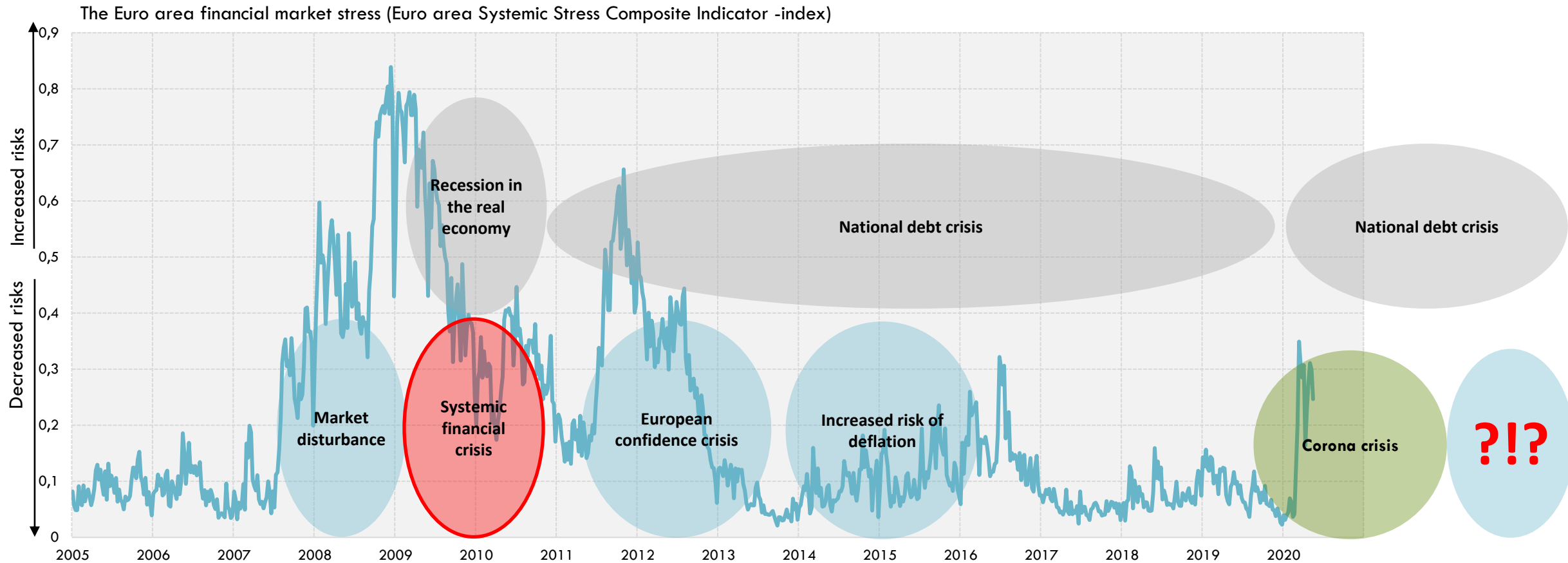


= Construction in total*: 2019e: -1.2% 2020e: -5.0% 2021e: -4.0%

*quantitative change

Unexpected crises

Permanent structural changes take place in the economy, making it more difficult to get an overall view of the environment



Source: ECB, The Bank of Finland



Construction will remain slow during the next few years
The current outlook is not positive in terms of the
reconstruction of Finland

Summary

- The Finnish economy is under the threat of persistent economic headwinds.
- The corona crisis was not yet reflected on the construction sites in the beginning of the year.
- The outlook for the construction sector has taken a nosedive. Clients are postponing projects.
- Construction will slow down during the next few years – the risk for long-term downturn exists.
- The current outlook of construction is not enough to reconstruct Finland and maintain a dynamic economy.
- During this year, construction is particularly affected by residential development, and next year it will increasingly be affected by commercial development.
- Employment in the construction industry might fall during the next few years by up to 20,000.
- Forecasting trends in different areas of construction is difficult – the outlook for the entire construction sector is negative.
- Starting from this spring, development will decline below the annual housing need due to the reduction in private funding in high rise development. Financing will become an issue.
- The corona crisis will reduce the supply of homes, but not the demand.
- Slowing residential development will have socioeconomic impact on the entire society.
- Swift stimulus measures following the financial crisis prevented a recession and mass unemployment in the construction industry, which helped support the economic growth of Finland.





Rakennusteollisuus

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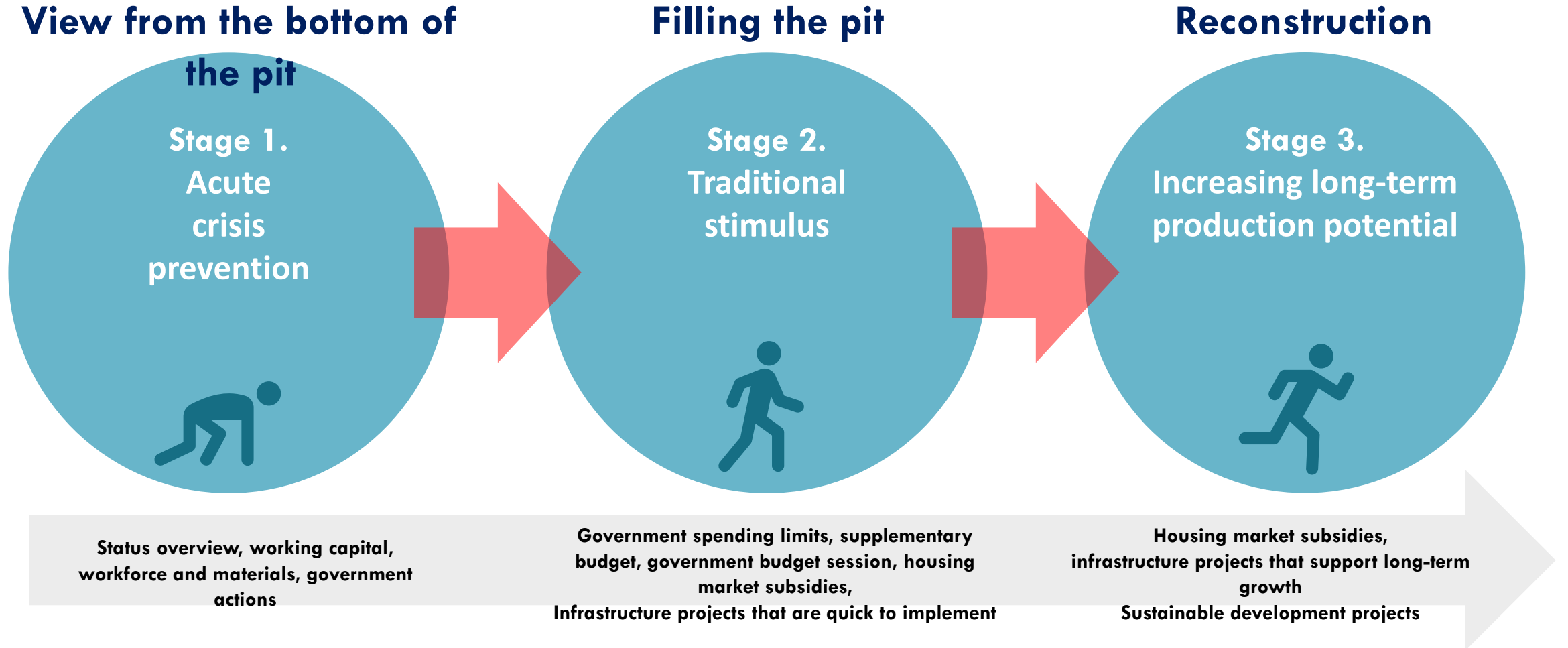




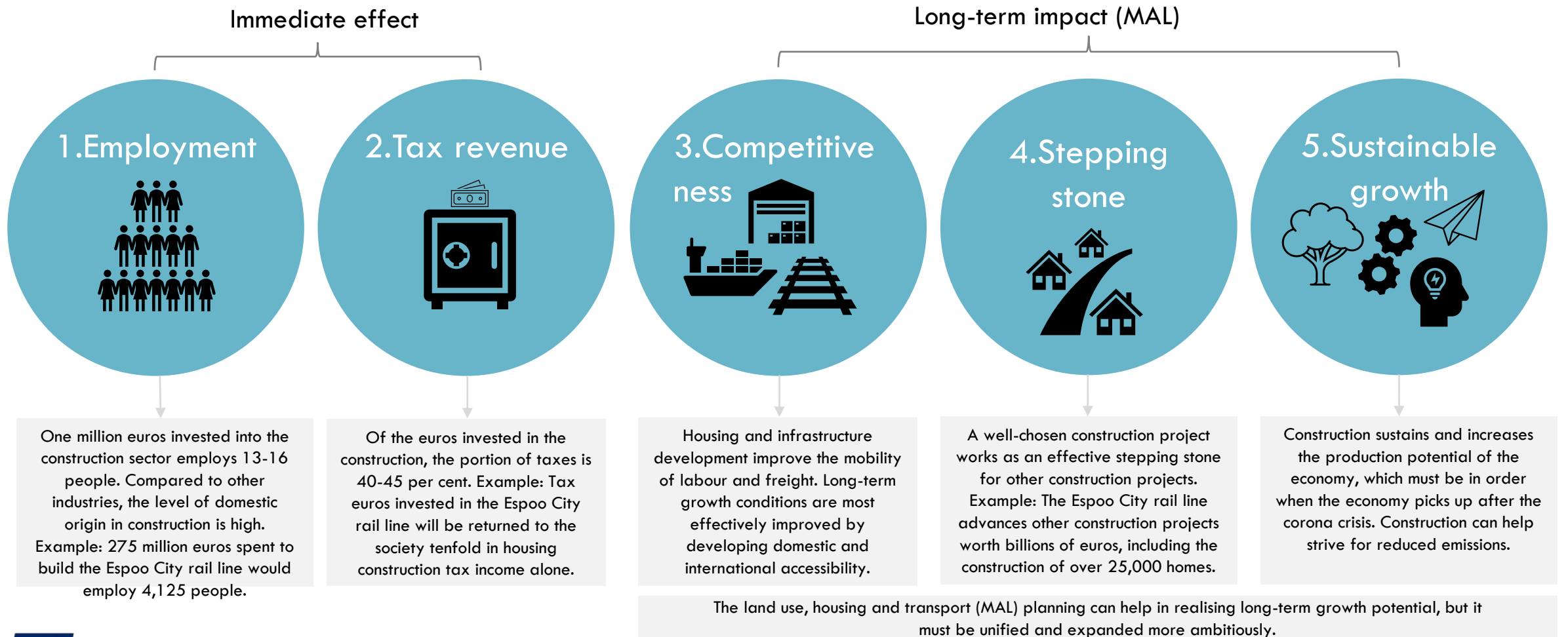
The corona crisis will permanently change the economy, and forming a clear overview is difficult
The ability to make decisions is key to recovery

CEO Aleksi Randell 28 May 2020

From the bottom of the pit to reconstruction



Five reasons behind construction being an effective method for stimulating the economy



Message from the Confederation of Finnish Construction Industries RT regarding reconstruction of Finland

- Debt must be made available for national reconstruction – the incurring of national debt is not an immediate problem.
- Alongside the May supplementary budget, economic stimulus measures must be implemented, and we must prepare for the exit phase.
- The supplementary budget must include decisions on e.g.
 - state subsidies in the MAL agreement (no impact on the budget)
 - Fixed-term investment subsidies for municipal infrastructure development, property investment and renovation
 - Refurbishment projects for infrastructure development
 - Application of deficiency guarantee by the government for privately funded rented housing development
 - The government needs to expand the authorisation to grant ARA, improve the current ARA production conditions and speed up the application process
 - Fixed-term renovation subsidies for housing cooperatives
- By no later than the autumn, the government must expedite transportation initiatives and make decisions on support elements that increase confidence in the future and help advance housing and public development.





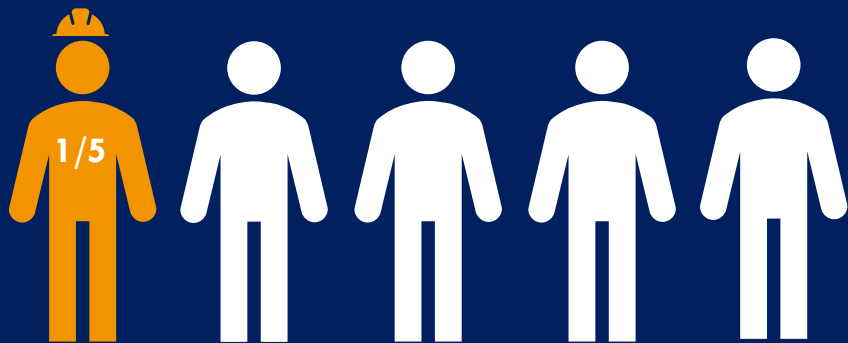
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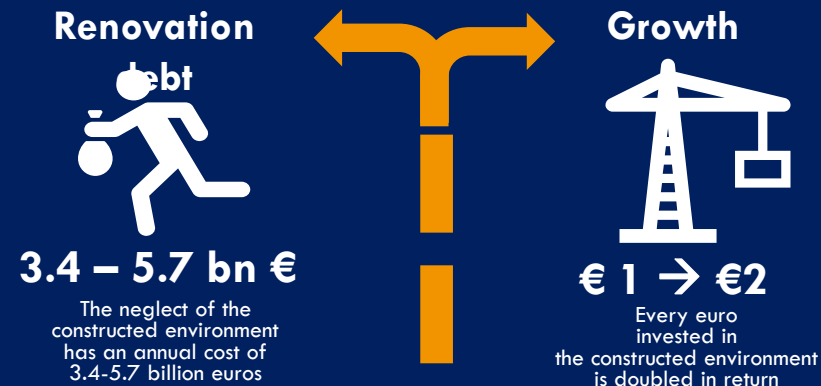
A fifth of Finns are employed by new construction projects or the renovation of existing property



There are 2.5 million employed in Finland, a fifth of whom benefit from constructing or the renovation of existing property.

Inactivity is the most costly option

83 per cent of the Finnish national wealth is in the constructed environment

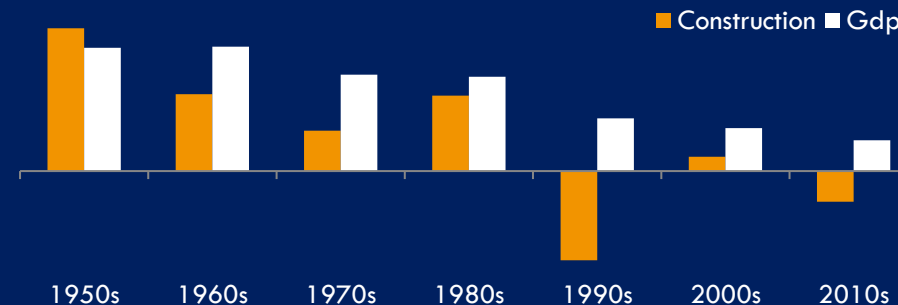


Economic growth is slowing down – the need for infrastructure that combines new housing and growth areas is not going anywhere

150,000

new homes during the current government term

The second wave of urbanization requires investment – the construction of Finland is not complete



Construction industry client base consists of the whole society



New house construction 15.4 bn €

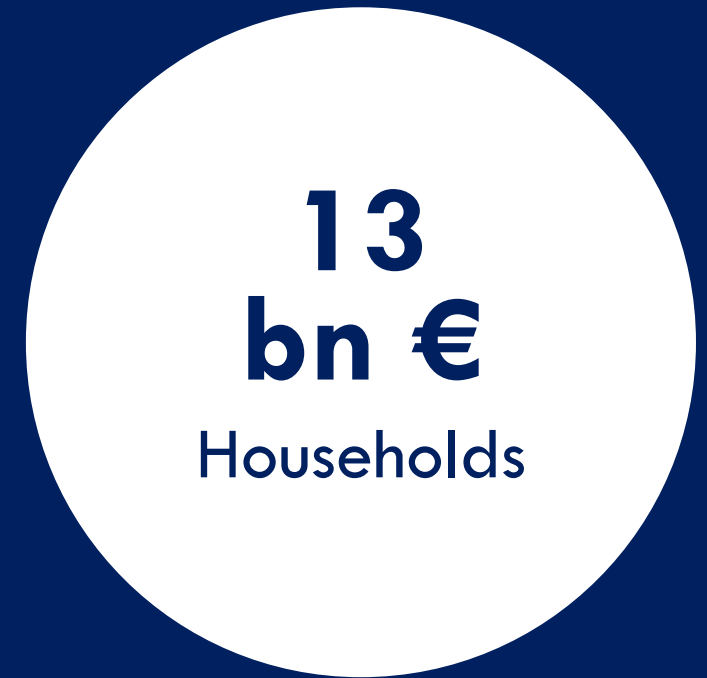


Renovations 14.0 bn €



Land and water construction 6.8 bn €

Construction 36 billion euros in 2019



Government construction is almost entirely infrastructure development



Household and property companies cover 1/3 of all renovations and over half of all property maintenance



Municipalities develop over half of Finland's infra. Municipalities renovate and maintain properties



Businesses use a wide variety of construction services

Construction distribution 2019

36.2
BN. €

CONSTRUCTION TOTAL



New construction building



Renovation



Land and water construction

