

# Investor appetite for well-located office property in Stockholm will be tested during the spring

Activity on the transaction market in February was rather low and ended up at SEK 7.7 billion, compared to SEK 16.4 billion and SEK 11.9 billion during the same month in 2016 and 2017, respectively.

The rolling 12-month volume in February amounted to SEK 139.5 billion, which is below the full-year volume for 2017 of SEK 145 billion. The transaction activity remains high for new construction projects, mainly residential and mix projects including retail in the major cities. Apart from that the transaction activity was relatively evenly spread between the office, retail, residential, logistics/industrial and hotel segments in February. So far in 2018, property funds have been the most active investor type. However, Niam's SEK 2.3 billion acquisition of the old hospital site Karolinska in Solna in January – a deal that is currently on hold – makes up the lion's share of property funds' acquisitions. Besides Niam's acquisition, listed property companies

have been the most active buyers so far in 2018, led by Veidekke (listed in Oslo), Balder and D. Carnegie. Swedish institutions have, to a large extent, remained on the sideline.

The average yield for office transactions is continuing to decline and now stands at an all-time-low of 4.6 per cent. Transaction volumes for office property, however, continue to decline in parallel with the average yield. Office yields are declining as most transactions include properties in good locations in the major cities, where yields are at historically low levels. The combination of declining yields and falling transaction volumes is unusual in a historical perspective and indicates that there is an ongoing repricing on the market. Over the last three months, few office deals have taken place outside the major cities despite the fact that there are many eager sellers in these locations (buyers have become increasingly hesitant to acquire properties in non-prime locations). Kungsleden, Folksam and Humlegården (as a result of its partly internal SEK 2 billion transaction with Länsförsäkringar in December) have

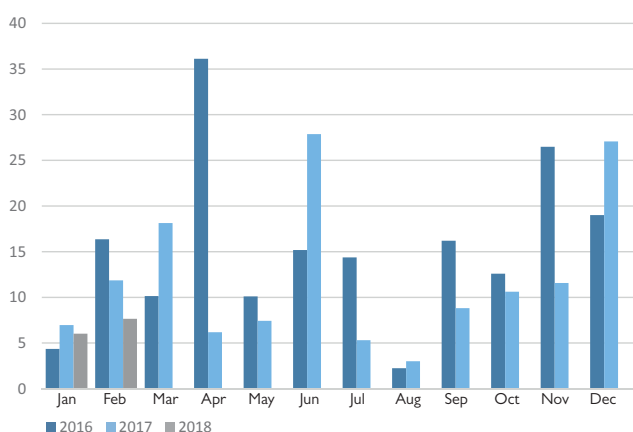
been the largest office buyers over the last three months. There are currently a number of well-located office properties out on the market in Stockholm, which will become something of a litmus test of the investor appetite for office property in Stockholm.

For retail properties (including retail warehouses and shopping centres) average yields have stabilised at around 6.5-6.7 per cent over the last 12 months (up from just above 6 per cent in February 2016). The retail sector, however, is going through a structural shift and leading indicators (including stock market performance of the major retailers and housing price development, which is a leading indicator for private consumption) are suggesting an upward shift in average yields during 2018, mainly through an expanding gap between properties in prime and non-prime locations.

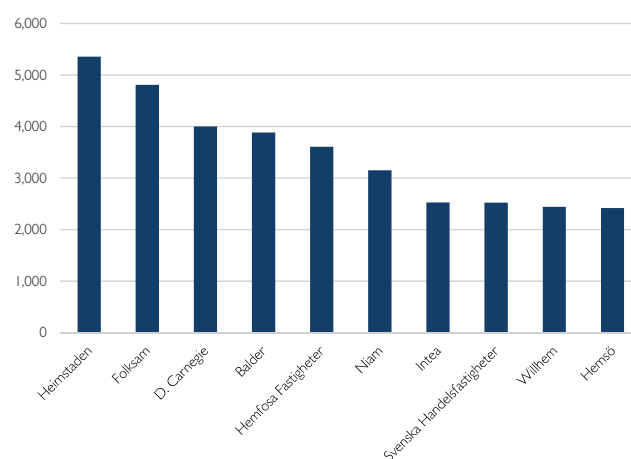


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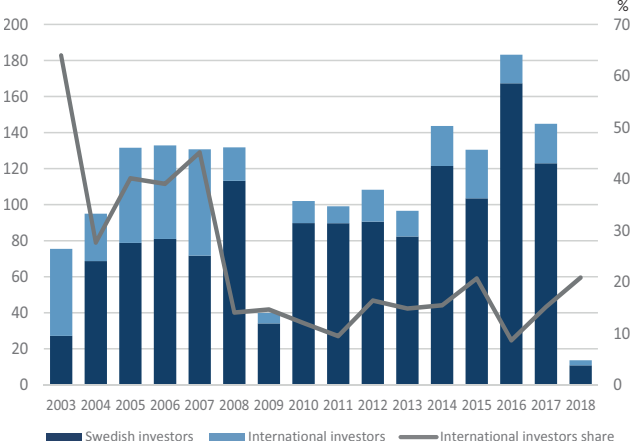
TRANSACTION VOLUME PER MONTH, BSEK



TOP 10 INVESTORS 2017 (YTD), MSEK



TOTAL SWEDISH TRANSACTION VOLUME, BSEK



INVESTOR TYPE AND REGION

