



# Strong demand for high-quality offices and retail – but transaction volumes are declining

The transaction volume in July and August was relatively weak and the total volume amounted to SEK 14.5 billion, which can be compared to SEK 25 billion for the same period 2015.

The annual volume fell slightly to SEK 143 billion in August from SEK 147 billion in July and SEK 156 billion in June. Listed property companies and institutions remain the largest investors (where the listed companies' market share is propped up by Castellum's SEK 22 billion acquisition of Norrporten in April). As a result of the Norrporten deal office transactions dominate the market and stand for 40 per cent of the transaction volume, up from a market share of around 20–25 per cent during recent years. The investor demand for residential properties is high and the rolling 12-months volume for the segment has been in the historically high interval of SEK 35–40 billion since spring 2016. Institutional investors and listed property companies dominate the residential market and represent half the

transaction volume within the sector so far in 2016. The 12-months average yield for Swedish office and retail properties increased from the historically low levels of 5.6 per cent in February to 5.8 per cent in April, but has since that declined back to 5.6 per cent again.

The strong investor demand for residential properties has resulted in a significant yield shift downwards since spring 2016. The 12-months average yield for residential properties has declined from 5.3 per cent in February 2016 to 4.8 per cent in August (these figures are excluding transactions with yields below 3.5 per cent).

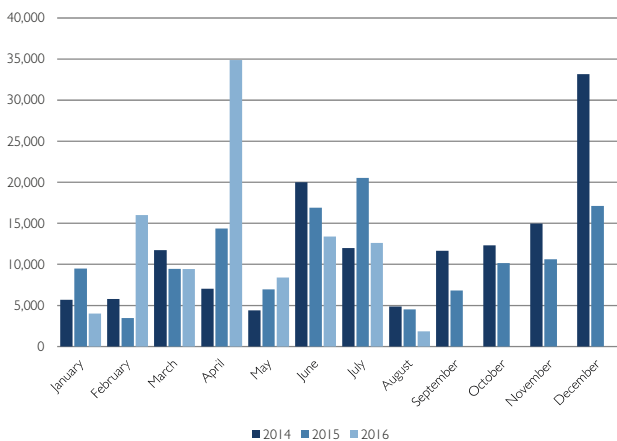
Risk willingness has increased significantly on the financial markets during the last six months with low or negative bond yields, declining yield spreads between high-risk and low-risk bonds and well performing equity markets. Although the market is currently driven by high risk willingness, average property yields and transaction volumes are strongly correlated to GDP growth. Although the Swedish economy grew by as much as 3.1 per cent during the second quarter of 2016, we are now observing a weakening trend.

The equity market is indicating a further slowdown during the second half of 2016. If the Swedish GDP growth slows down, the 12-months transaction volume will most likely move towards the historical average of around SEK 110–120 billion – whereby average yield for office and retail properties will increase to 6–6.5 per cent, an increase that will affect commercial properties in secondary locations in the major cities and properties in smaller cities in particular. Yields for well-located properties in the major cities will, however, stay low as the demand for property investments remains high.

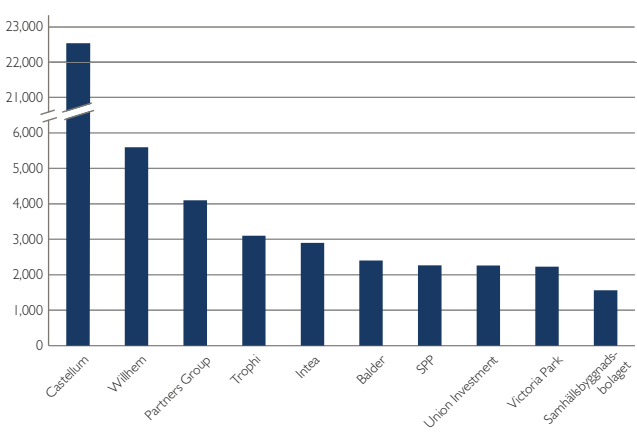


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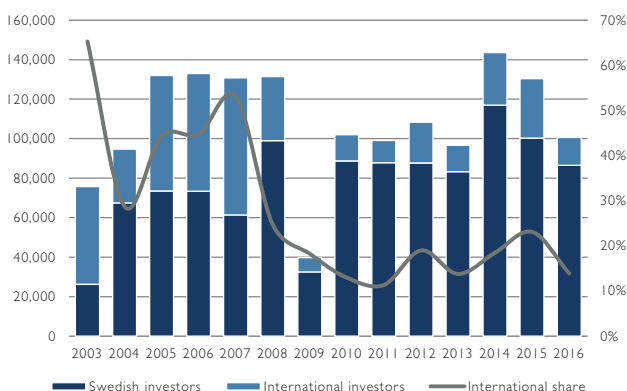
TRANSACTION VOLUME PER MONTH, MSEK



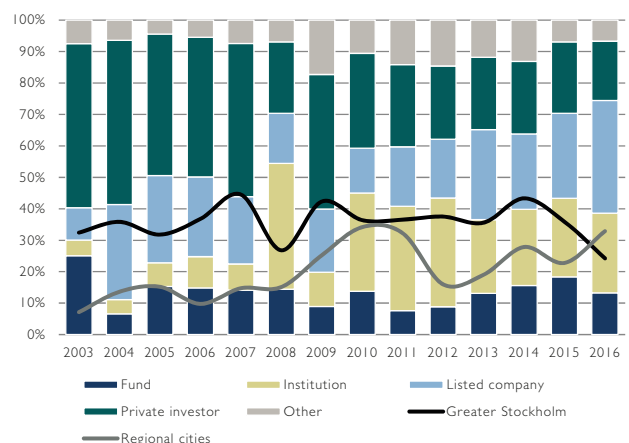
TOP 10 INVESTORS 2016 (YTD), MSEK



TOTAL SWEDISH TRANSACTION VOLUME, MSEK



INVESTOR TYPE AND REGION





## Top 20 transactions 2016

Date	Object	Municipality	Seller	Buyer	Type	Area (sq.m.)	Price (MSEK)	Price (SEK/sq.m.)	Yield
2016-04-13	Commercial portfolio (117 properties)	Mix	Norrporten	Castellum	Mainly office	1,140,094	21,500	18,858	5.3%*
2016-04-07	Residential portfolio (112 properties)	Gothenburg	Akelius	Willhem	Residential	310,101	5,000	16,124	4.8%*
2016-07-11	Retail portfolio (10 properties)	Gothenburg, Malmö, Uppsala etc.	Starwood Capital	Trophi	Retail	148,103	3,100	20,931	6.3%*
2016-06-01	Smedstad 1:21 & Artilleristen I	Linköping, Östersund	Blackstone	Intea	Public	132,601	2,900	21,870	5.3%*
2016-02-19	Commercial portfolio (63 properties)	Stockholm, Kalmar, Malmö, Norrköping etc.	Sveafastigheter	Partners Group	Mix commercial	166,154	2,500	15,046	
2016-02-04	Uarda 5	Solna	Fabege	Union Investment	Office	44,269	2,257	50,984	conf.
2016-06-30	Residential portfolio (20 properties)	Stockholm, Malmö, Helsingborg etc.	Aberdeen	Balder & AP3	Residential	71,234	2,000	28,076	3.8%*
2016-07-14	Residential portfolio (22 properties)	Karlskrona & Malmö	PBA	Victoria Park	Residential	138,166	1,800	13,028	4.6%*
2016-02-09	Mixed portfolio (10 properties)	Solna, Stockholm, Täby	Profi Fastigheter	Partners Group	Public and office	99,965	1,600	16,006	6.1%*
2016-06-27	Kåkenhuset 37	Stockholm	GIC Real Estate	Folksam	Mix commercial	16,581	1,510	91,068	conf.
2016-02-17	Haga 2:8	Solna	KLP	Mengus	Office	41,854	1,400	33,450	6.0%*
2016-03-16	Logistics portfolio (21 properties)	Gothenburg, Stockholm, Jönköping etc.	Estancia Fastigheter	Corem	Industrial	168,040	1,315	7,826	conf.
2016-05-24	Gårda 13:6	Gothenburg	NIAM	Technopolis	Office	34,300	1,177	34,315	conf.
2016-02-10	Residential portfolio (28 properties)	Östersund	Municipality	Rikshem	Residential	133,507	1,144	8,569	5.0%*
2016-07-07	Eken 6	Sundbyberg	Areim	Atrium Ljungberg	Office	28,500	1,059	37,158	conf.
2016-03-08	Office portfolio (23 properties)	Linköping & Norrköping	Heimstaden	Castellum	Office	162,685	1,042	6,402	
2016-04-25	Residential portfolio (8 properties)	Landskrona	Landskronahem	Stena Fastigheter	Residential	88,398	1,015	11,482	4.8%*
2016-08-25	Logistic portfolio (9 properties)	Malmö, Västerås, Lidköping etc.	NLI Eiendominvest	Round Hill Capital	Logistics	227,548	1,000	4,395	
2016-01-12	Backa 170:1 & 172:1	Gothenburg	KF	Skandia Fastigheter	Development	27,400	1,000	36,496	NA
2016-05-26	Pulpeten 1	Malmö	Skanska	IKANO	Office	19,000	1,000	52,632	4.5%*

## Top 10 transactions July and August 2016

Date	Object	Municipality	Seller	Buyer	Type	Area (sq.m.)	Price (MSEK)	Price (SEK/sq.m.)	Yield
2016-07-11	Retail portfolio (10 properties)	Gothenburg, Malmö, Uppsala etc.	Starwood Capital	Trophi	Retail	148,103	3,100	20,931	6.3%*
2016-07-14	Residential portfolio (22 properties)	Karlskrona & Malmö	PBA	Victoria Park	Residential	138,166	1,800	13,028	4.6%*
2016-07-07	Eken 6	Sundbyberg	Areim	Atrium Ljungberg	Office	28,500	1,059	37,158	conf.
2016-08-25	Logistic portfolio (9 properties)	Malmö, Västerås, Lidköping etc.	NLI Eiendominvest	Round Hill Capital	Logistics	227,548	1,000	4,395	
2016-07-22	Haga 4:46	Solna	Skanska	SPP	Hotel	16,200	970	59,877	4.1%*
2016-07-15	Mats 5 & Loke 24	Västerås	Carlyle	AGORA	Retail	41,136	850	20,663	conf.
2016-07-29	Arenan 1	Stockholm	Home properties	Strawberry Brothers	Hotel	19,012	625	32,874	5.0%*
2016-07-01	Mixed portfolio	Ludvika, Falun, Hedemora etc.	Kopparinvest	Samhällsbyggnadsbolaget	Mix incl. residential	86,275	500	5,795	conf.
2016-07-21	Retail portfolio (4 properties)	Halmstad	Tre Grevar	Cityfastigheter	Retail	25,366	475	18,726	
2016-07-12	Sundbyberg 2:82 & 2:85	Sundbyberg	Bonava	Hökerum	Development		444		NA

\* Estimated by Catella

Source: Catella and Datscha