



Low transaction activity indicates that the cycle has turned

The activity on the transaction market has been low during the autumn. The volume ended up at SEK 7.4 billion during November, which can be compared to SEK 26.5 billion and SEK 10.6 billion during the same month in 2015 and 2016, respectively.

The rolling 12-month transaction volume fell to SEK 127 billion in November, compared to SEK 146 billion in October. So far in 2017, institutions are the main net-investors. However, a number of listed property companies have stepped up their investments during the autumn (mainly Balder and FastPartner). The sentiments on the property market have changed lately and transaction processes outside the attractive locations in the major cities are going slower. Over time, there is a strong negative correlation between trans-

action volume and the average yields for commercial properties (when the volumes are increasing the average yields go down and vice versa). In recent months, however, average yields have fallen in line with the transaction volumes. The most probable explanation for this is that the market is in the midst of a re-pricing process. Buyers and seller are generally meeting up in good locations in the major cities, while their view of the pricing differs in other locations. Catella expects the average yields for commercial properties to increase over the coming 6–12 months (mainly through increasing yield spreads between A, B and C locations).

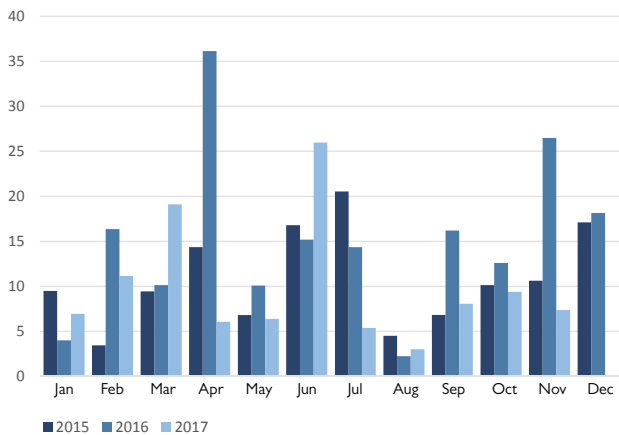
The year-to-year change in condominium prices in Stockholm has fallen into negative territory. Housing prices are a strong leading indicator of GDP growth (around 6 months ahead), and the lower housing prices indicate falling residential investments and lower private consumption growth in 2018. Lower GDP growth (combined with

somewhat less expansive monetary policy) is expected to push the market towards a cyclical slowdown in 2018–2020. This will affect the commercial property sectors with lower rental growth, higher vacancies and more risk averse investors and banks.

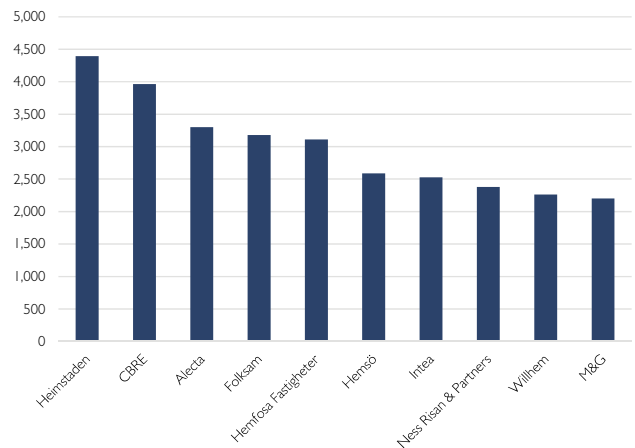
The underlying fundamentals for Swedish property, however, remain good with strong rental growth for well-located, modern offices in the major cities (over time) and continuously low or negative real interest rates. There will also be a strong demand for well-located properties in the major cities from institutions and well-consolidated private investors going forward.



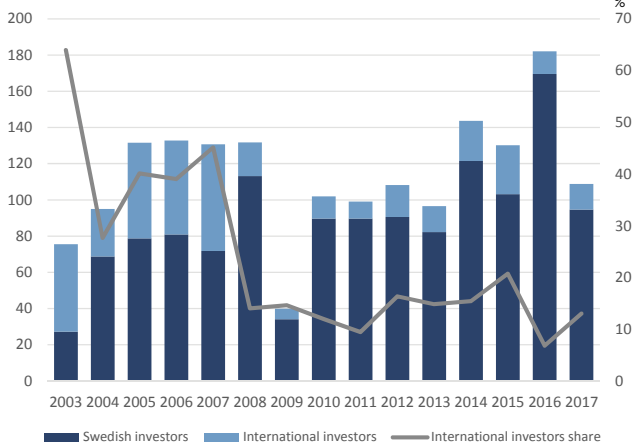
TRANSACTION VOLUME PER MONTH, BSEK



TOP 10 INVESTORS 2017 (YTD), MSEK



TOTAL SWEDISH TRANSACTION VOLUME, BSEK



INVESTOR TYPE AND REGION

