



Foreign investors are net-buyers in Sweden, but economic growth is now slowing down

Activity on the transaction market picked up somewhat in April, amounting to SEK 9 billion compared to SEK 36 billion and SEK 6 billion for the same month in 2016 and 2017, respectively. The rolling 12-month volume in April ended up at SEK 130 billion, with signs of reversion towards the long-term average of SEK 110–120 billion.

The transaction activity in April was mainly focused on residential and retail segments, but a few large office transactions took place too. There were also several deals including residential projects (rental homes) and properties including newly built rental homes. Foreign investors have increased their share of the transaction volume over the last 6 months. Foreign investors (funds) are now net-buyers in Sweden for the first time since 2008. In April, Partners Group, Grosvenor, Blackstone (through D. Carnegie), Citycon and Geely (who acquired a project property in Gothenburg) made investments in Sweden. Apart from that the market is dominated by Swedish listed property companies and

institutions. D. Carnegie's purchase of the company Mitt Alby, comprising residential portfolio in Botkyrka in Stockholm, was the single largest deal in April at almost SEK 1.7 billion. The second largest deal was Axfast's acquisition of the office property Boken 6 (located in Stockholm inner city) from Skandia Fastigheter at around SEK 1.2 billion.

More and more market players are now starting to expect that the Swedish GDP growth will slow down from now on. The lower residential prices and the large supply of newly built residences (mainly in the Stockholm region and a few regional cities) are now starting to affect residential new construction, and in time this will also affect the households' consumption. As a result, the market's expectations regarding future rate hikes from the Riksbank are getting increasingly moderated – and large parts of the market are starting to expect the low interest rate environment to remain for the foreseeable future. Simultaneously economic growth in the euro area seems to be slowing down and monetary policies in Europe and Japan will likely remain expansive over the coming 12 months. The cheap capital and low returns is an important force that keeps

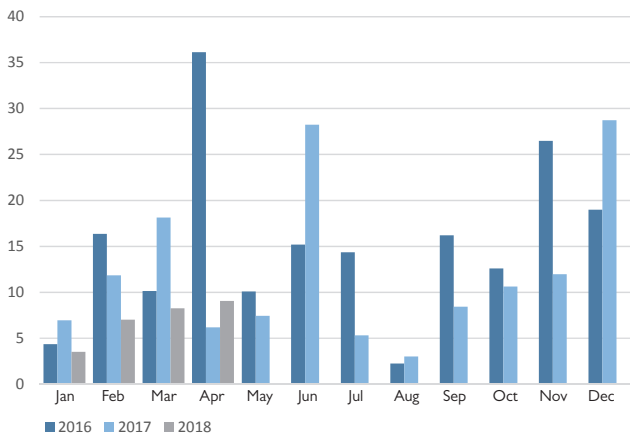
investors far out on the risk scale. However, the downscaling of the US Federal Reserve's balance sheet has picked up in speed significantly over the last quarters (the correct term is quantitative tightening) and the Fed will likely increase the fund rate three or four times this year. In addition, the US 10-year treasury yield broke the important three-per-cent barrier last week. Higher US interest rates will likely also affect asset prices in Sweden during the coming 6–12 months.

Both listed property companies and institutions are focusing on good office and retail locations in the large cities, residential properties and (for institutions) public properties. Although average yields have declined over the last 12 months, there is a substantial difference between the segments. Investors have become more selective over the past two years, especially regarding shopping centres and retail warehouses. This trend will likely continue as the economic growth slows down.

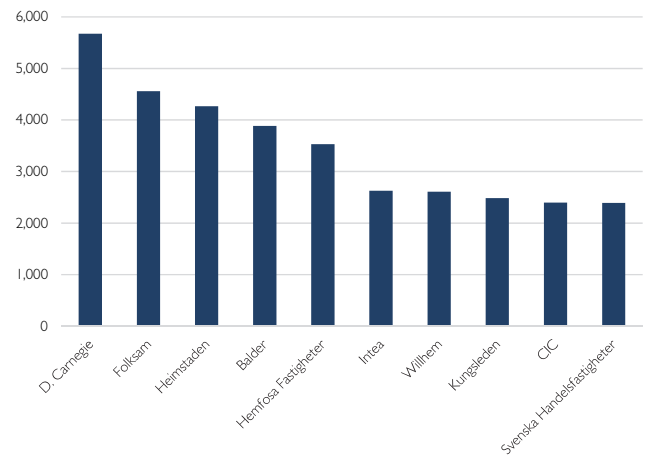


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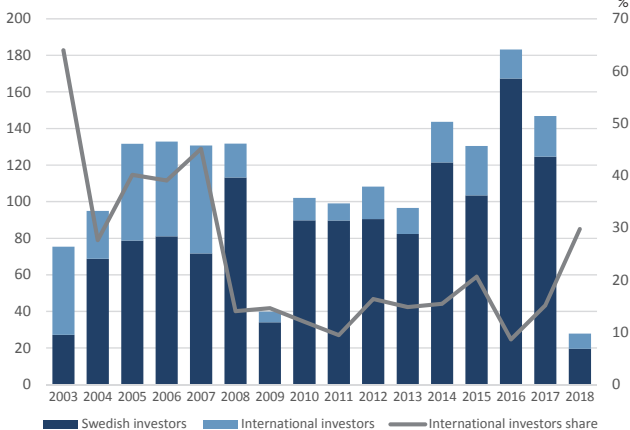
TRANSACTION VOLUME PER MONTH, BSEK



TOP 10 INVESTORS ROLLING 12-MONTHS VOLUMES, MSEK



TOTAL SWEDISH TRANSACTION VOLUME, BSEK



INVESTOR TYPE AND REGION

