



Property investors remain cautious as the transaction volume in March decreases

Activity on the transaction market remained low in March, amounting to SEK 6.9 billion compared to SEK 10.1 and 18.1 billion for the same month in 2016 and 2017, respectively. The rolling 12-month volume in March ended up just below SEK 129 billion, with signs of reversion towards the long-term average of around SEK 120 billion.

Recently, there has been turbulence on the global financial markets following Donald Trump's imposed new trade barriers, partly steel and aluminium tariffs, but especially the targeted measures against China to deal with the ownership issue of intellectual property rights. Overall, more and more global investors are beginning to speculate on how long the current global economic cycle can last. The interest rate spread between the 10-year and 5-year US government bonds has over time been a very good indicator of upcoming cyclical fluctuations. The spread is currently at its lowest levels since 2007. At the same time, US capacity utilization rates remain high, implying that the Federal Reserve may tighten monetary policy

quite significantly in the coming year, despite uncertainties regarding the new trade barriers. Combined with record high global debt levels, this is causing investors in all asset classes to switch from a "risk-on" to a "risk-off" position. On the other hand, monetary policies in Europe, the US and Japan have been extremely expansive, a situation more suitable for a global economy in recession than one at the peak of the cycle. The cheap capital and low returns is an important force that keeps investors far out on the risk scale.

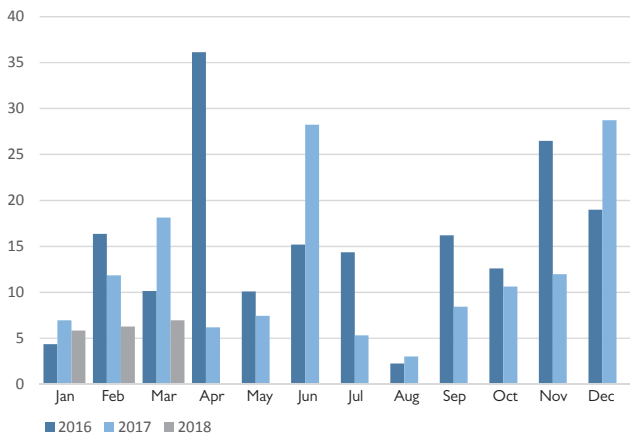
In this global environment, the Swedish economy is coming from a period of historically strong economic growth (similar to emerging rather than developed economies). This growth has, more or less, been entirely domestically driven by high private consumption and residential investments, which in turn has been largely built on increasing household debt. Housing price development has over time been a strong leading indicator for GDP growth. Today's falling housing prices are resulting in a significant decline in residential property investments, and in the longer run in reduced household debt growth (mainly affected by the increased amortization requirements in Sweden), and slower consumption growth. On the Swedish

property market, investors have become more selective over the past two years, especially regarding shopping centres and retail warehouses, with increasing yields for properties in non-prime locations. Over the last six months, increasing selectivity has also been apparent regarding location and quality for newly developed rental apartments. The office market in larger cities is currently at its peak, but here too investors are beginning to expect rental growth to slow down. Pricing for offices in central Stockholm is also being put into question, as it is only the office markets in Paris and London across Europe that are noticing higher prices than Stockholm. Rental growth for the Stockholm office market is expected to decline during late 2018 and 2019 due to lower estimated GDP and occupancy growth together with an increased supply of newly developed offices in prime suburb locations. There is a risk that average yields will increase over the next 6-12 months, mainly due to an increased yield gap between properties in A, B and C locations in the major cities.

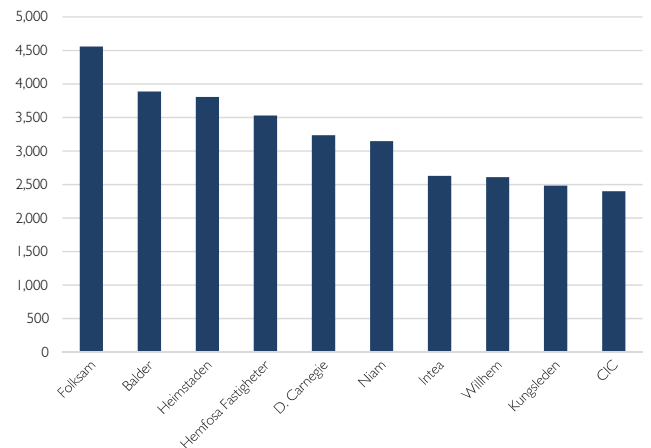


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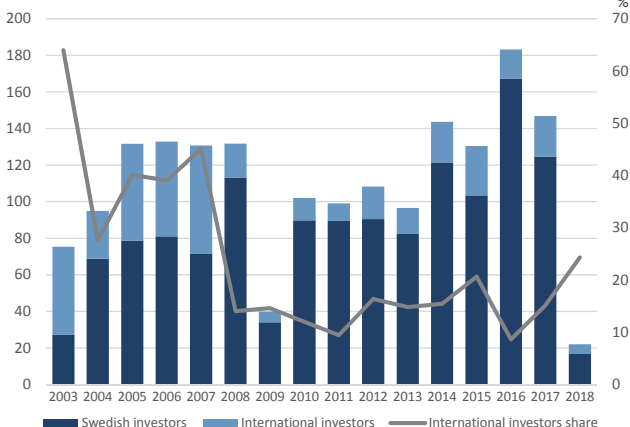
TRANSACTION VOLUME PER MONTH, BSEK



TOP 10 INVESTORS ROLLING 12-MONTHS VOLUMES, MSEK



TOTAL SWEDISH TRANSACTION VOLUME, BSEK



INVESTOR TYPE AND REGION

