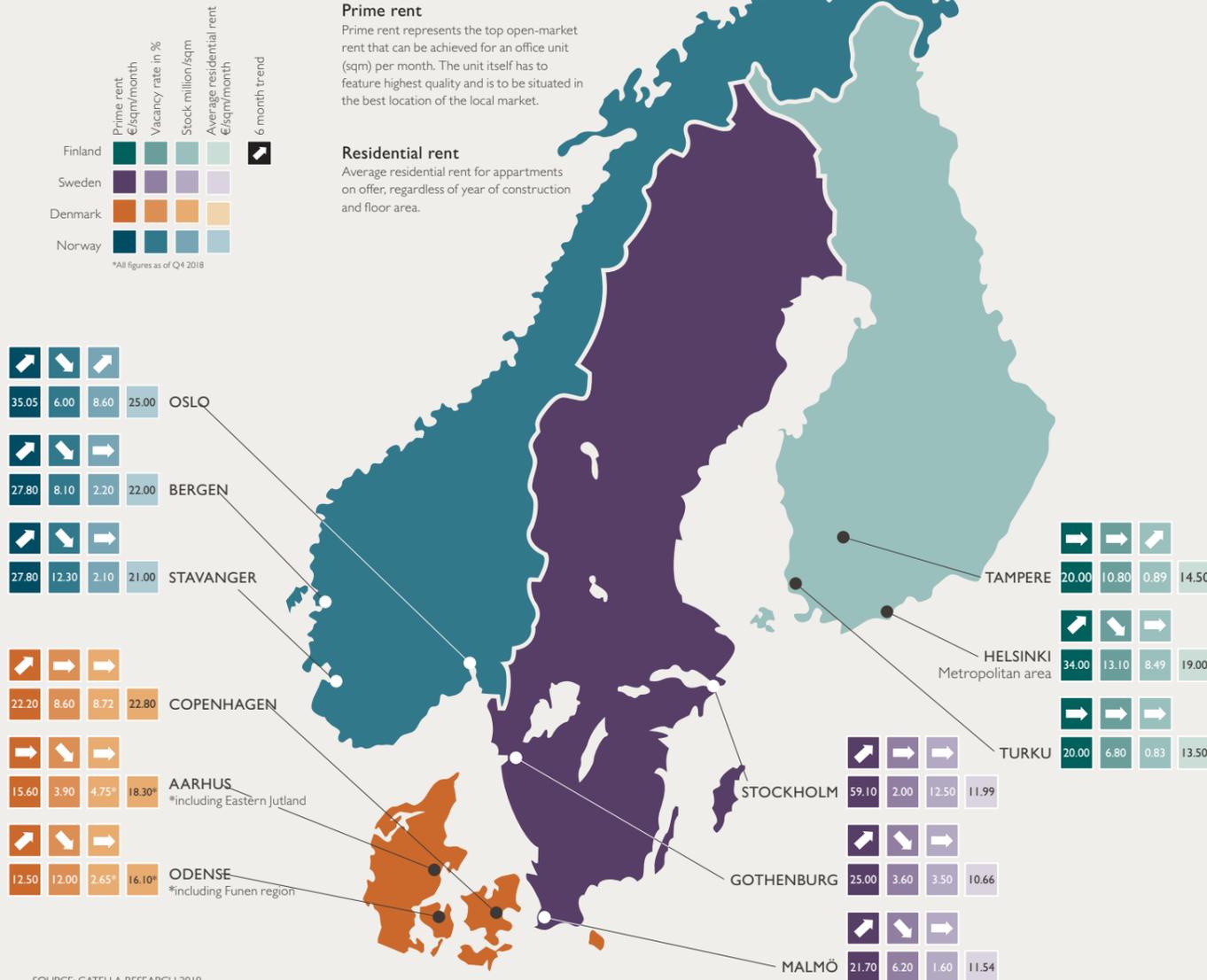


Office prime rents will increase further and vacancy rates are mainly declining.
New office supply in prime locations is lagging behind due to scarcity of development sites.

Nordic office markets
2018/2019*



SOURCE: CATELLA RESEARCH 2019

Catella is a leading specialist in property investments and fund management, with operations in 15 countries. The group has assets under management of approximately EUR 18 billion. Catella is listed on Nasdaq Stockholm in the Mid Cap segment. Read more online at catella.com.

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Nordic investment market still performing very well

Political uncertainties such as Brexit and the global trade war have the potential to weaken the economic development among the Nordic countries. But they have not yet reflected on the property market and the activity is expected to remain healthy also in 2019. Strong investor demand for prime properties persist, cross-border activity is still high and the residential sector is gaining momentum among the Nordics.

Swedish GDP growth ended up stronger than expected in Q4 2018. The GDP was 1.2 % up from the last quarter and 2.4 % from the same quarter last year. The largest positive contributor during Q4 was a strong growth in net-exports as well as an upswing in stock building. In a scenario where the global economy keeps on growing at a reasonable pace Swedish GDP growth is expected to slow down to approx. 0.5 – 1.0 % for the full year 2019.

The Danish economy has been growing above 2 % in recent years and the steady expansion is projected to continue. The economy is on a steady upturn, increasingly supported by private consumption and business investment. Consumer and business confidence is high and rising in manufacturing and construction. The economy is projected to grow by around 2 % in 2019.

GDP growth in Norway has been supported by recent oil price increases through the associated pick-up in investment and income. Employment growth remains strong, the unemployment rate continues to decline and wage growth is picking up further. The economy is forecast to increase by 1.9 % in 2019, followed by a strong increase of 2.3 % in 2020.

Although economic growth is slowing down in Finland and uncertainty regarding worldwide economic development has significantly grown recently, the persistently low interest rates still support the property investment market, and there seems to be plenty of capital available for property investments. GDP is projected to grow by 1.9 % in 2019 and 1.6 % in 2020.

In 2018, the Nordic real estate investment market saw high activity and ended up at € 44.25 billion, this is a slight increase of 2 % compared to the previous year. The result is primarily due to lack of high quality assets and lower activity of foreign investors. Nevertheless, investment activity is very healthy and clearly above the five-year average volume.

Sweden reached the highest transaction volume among the Nordic countries with a total of € 14.86 billion and thus an increase of 17 % compared to the previous year. International funds are driving demand for prime offices and foreign core investors such as Allianz, Barings, Deutsche Bank and Union have all acquired office properties in Stockholm in the past 12 months. In addition to that, acquisitions into residential properties increased in 2018, primarily due to large portfolio transaction of German Vonovia. Furthermore, there is a continuously strong demand for old rental homes (where there is a potential to increase rents), but over the last 6 –12 months it has become more challenging to sell properties in smaller cities where the demographical development is expected to be weak over time.

During 2018, the Finnish real estate market continued on a strong note. Transaction volume reached € 8.9 billion, which is the second

highest volume of all times. Many significant deals were closed during the year, and several new international investors were again seen to enter the Finnish market. Investors demand was again mainly international. Of the total volume, 65 % of the transactions were foreign investors' acquisitions. In addition to Kildare, new investors entering the Finnish market last year were, among others, Blackrock, Morgan Stanley, Castellum and Round Hill Capital. Good investment properties and very competitive returns can still be found in Finland, particularly if one is ready to look outside the centre of Helsinki.

Norway totalled to € 10.63 billion and represents the second strongest market in 2018 with a growth in transaction volume of 25 % compared to 2017. The Norwegian investment market is very well balanced in terms of asset distribution and transactions towards residential properties increased further during the past 12 months. One of the main reasons behind the good balance are the homogeneous prime yield levels among the major cities in each type of assets. While supply of core properties is scarce, investors are increasingly accepting additional risk in terms of secondary locations or assets, letting risk and development risk.

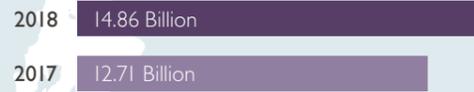
In Denmark the transaction volume decreased by approx. 18 % to € 9.86 billion mainly due to lower activity of foreign investors and a lack of larger portfolio deals, especially in the retail sector. Overall, property fund and institutional investors were the most active, contributing with approx. 69 % of the transactions. Danish investors were the most active in 2018 with a share of 55 %. Swedish investors were the most active players in Denmark, while US-headquartered companies could increase their investment activity compared to 2017. It is gratifying that investors from Asia have been represented again after four years of abstinence, albeit at a smaller scale.

Overall, on the Nordic real estate market a lower activity was noted from international investors. In combination with a lack of market supply, especially for core office properties, the total transaction volume of foreign investors in the Nordics decreased by approx. 25 % to € 13.9 billion. This is mainly due to the decrease of US and Asian investors. In contrast the foreign investment volume in the residential sector increased significantly by approx. 66 % and is also the highest result which has been ever recorded among the Nordics. The highest amount is due to a large portfolio acquisition of German Vonovia. Nevertheless, investment activity in the residential sector is gaining momentum and investors see attractive alternatives to office and retail properties. Furthermore the transaction volume registers continuous growth rates since 2015. In Finland, foreign investments decreased by approx. 21 %, but still attracts the highest amount of foreign capital in the Nordics, followed by Denmark. A slightly higher cross-border activity was registered in Sweden with +8 %.

The Nordic real estate market achieved solid investment volumes in 2019 with healthy cross boarder activity. Investors acquisitions towards residential properties increased significantly.

Sweden

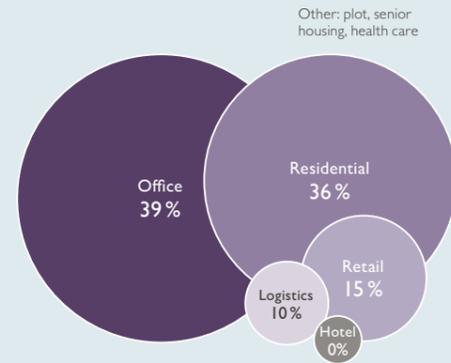
TRANSACTION VOLUME IN EUR



SHARE OF INTERNATIONAL INVESTORS

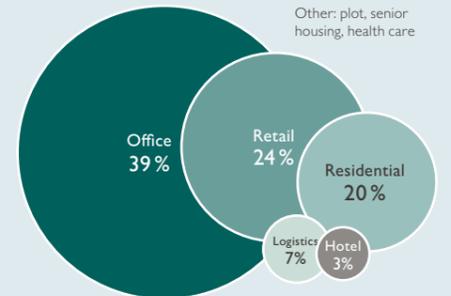
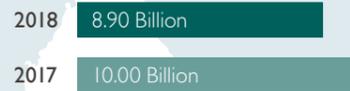


TRANSACTION VOLUME BY TYPE OF ASSET 2018



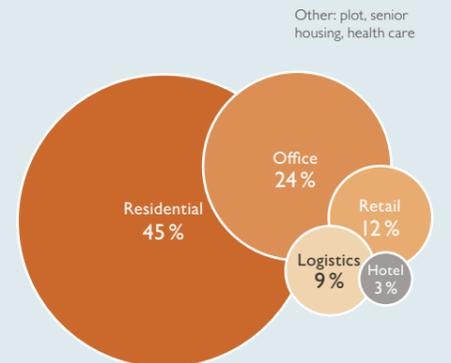
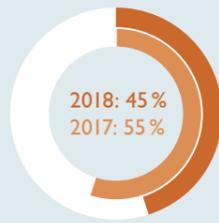
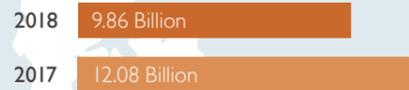
Finland

TRANSACTION VOLUME IN EUR



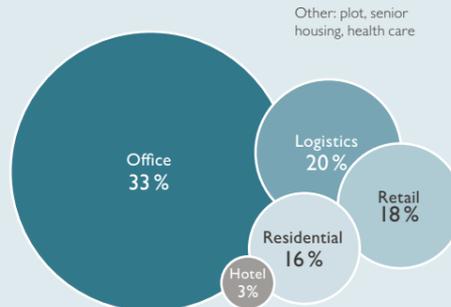
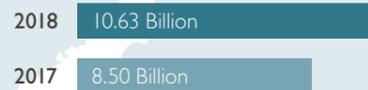
Denmark

TRANSACTION VOLUME IN EUR



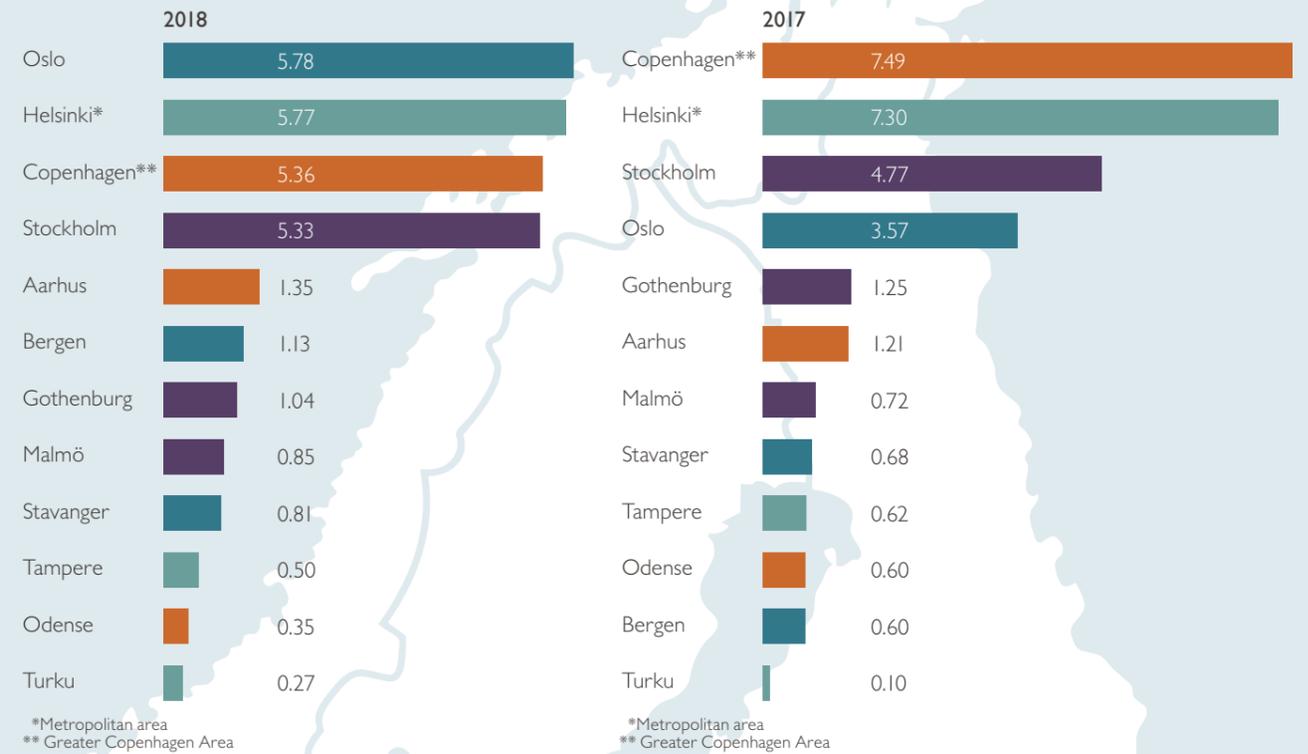
Norway

TRANSACTION VOLUME IN EUR



Nordic core markets are still in focus of investors but prime assets in second-tier locations are gaining popularity. Heterogeneous yield structure offers good potential for diversification among the Nordics.

TRANSACTION VOLUME BY MARKETS IN EUR BILLION



OFFICE, RETAIL (HIGHSTREET) AND RESIDENTIAL PRIME NET YIELDS 2018

