



Catella: Investor interest shifts from commercial to residential as Nordic property investment boom continues

Despite a slight fall in real estate investments from international sources in the Nordic countries, the region is not showing any signs of waning demand or increasing uncertainty. With interest shifting from the commercial to the residential sector, 2018 transaction volumes even saw a slight uptick, by 2 percent on 2017, to EUR 44.3 billion (2017: EUR 43.3 billion).

The latest report on the Nordic investment markets from Catella Research shows that the economic development is supporting the positive trend.

Further findings for the 12 markets covered include:

- Sweden reached the highest transaction volume of all Nordic countries with a total of EUR 14.86 billion while Norway registered the highest growth rate, at 25 percent compared to 2017, and also represented the second strongest market in 2018 (EUR 10.63 billion transaction volume). Although Finland achieved a slightly decline, the result of EUR 8.90 billion is still the second highest of all time.
- The share of international investors decreased by 25 percent compared to 2017, mainly due to reticence of US and Asian investors. By contrast, foreign investment volumes in the residential sector increased significantly, by approx. 66 percent, the highest result which was ever recorded.
- The most popular asset class remains the office sector, followed by residential real estate with steadily rising demand and transaction revenues. Retail properties follow in third place.
- Stockholm is the most expensive office and residential location among the Nordic cities, with prime net yields of 3.50 and 1.50 percent, respectively. Highest prime yields can be found in Turku at 6.75 percent, both in the office and retail sector.
- Diversification potential across the Nordic countries remains high due to heterogeneous yield structure. There is a current yield gap of 525 basis points between the office, retail and residential sector in the different countries.

“Over the course of the year, we expect roughly stable or slightly increasing office rents in almost all North European markets,” says Dr. Thomas Beyerle, Head of Group Research at Catella. Current leader with a prime rent of 59.10 €/sqm is Stockholm, the lowest recorded value is found in the city of Odense in Denmark (12.50 €/sqm). “Because of continuously high demand for office space and a lagging development pipeline, a slight decrease of vacancy rates can be expected in most cities,” continues Beyerle.

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View the complete analysis at catella.com/research.

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