PROPERTY INVESTOR CONFIDENCE INDEX

Sweden

Q1 2025

Better never settles

INVESTMENT VOLUME SPIKE IN Q4 2024, WITH INVESTORS LOOKING FOR ADDITIONAL ACQUISITIONS IN 2025

The Swedish investment market experienced an uptick in transaction volume in Q4 2024, closing at SEK 60 billion. This brought the total volume for 2024 to approximately SEK 136 billion (92). While still remaining below the 10Y average, the full year increase Y/Y is about 48%, with an expectation of a maintained trend in 2025. Adjusting for the past decade's outlier quarter Q4 2021, the investment volume for Q4 2024 is back at the 10Y average. The residential segment constituted the largest share, 28% of the total volume, followed by office (23%) and industrial (16%).

Investor insights gathered between the 20th and 28th of February, indicate a stable outlook for the upcoming six months, with more positive expectations compared to the last survey. Survey results demonstrate stabilizing occupier demand across major segments, as well as expectations of stabilized yields. With the investment market back on track, most investors are expecting to expand their portfolios. In terms of the most value-influencing factors, the importance of operating and maintenance cost development has been receiving increased attention, along with the development of initial yields remaining a key factor.

This edition of the survey explores investors' perceptions of the American presidential election's impact on the outlook for Swedish real estate investments. The respondents state their view on how the outlook has changed with the increased volatility in equity markets and interest rates following the election outcome. Investors also disclose whether they have started to require larger deposits or additional security from tenants due to the increase in Chapter 11/reorganizations.

Please do engage with any inquiries arising.

I wish you a successful first half of 2025!

Best regards,

LUDVIG DANSARIE
Research Analyst, Sweden

INTRODUCTION

The Property Investor Confidence Index has been issued since 2008, with the purpose to gather indicators of market sentiment rather than to produce scientifically proven data. The former quarterly, and since 2018 bi-annual survey, covers different aspects of the commercial property market in Sweden. In this report you can find the results of the latest survey, conducted between 20th to 28th of February 2025.

General sentiment of the market

This report contains compiled figures, results and conclusions from the latest survey. The results give a good understanding of the general mood amongst property investors in Sweden and their view of the market going forward.

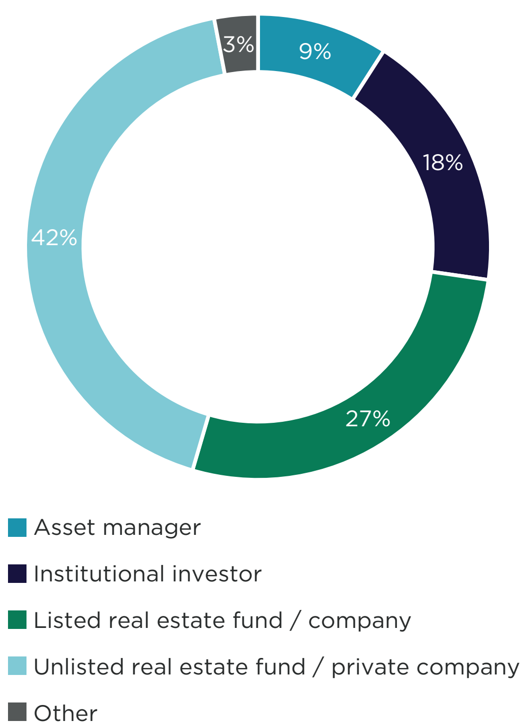
The results are presented in two separate diagrams:

1. The results from the latest survey (pie chart)

2. The historical index (bar chart)

The index is constructed by calculating the difference between the share of positive and negative answers to each question.

Figure 1
Distribution of Respondents



OCCUPIER DEMAND - OFFICE & RETAIL

The outlook for office occupier demand remains somewhat divided. Sentiment is leaning towards either no or little change, with a slight expectation of improved demand compared to worsened. The result is the most positive outlook since Q1 2022.

Figure 2
Demand Expectations for Office Space

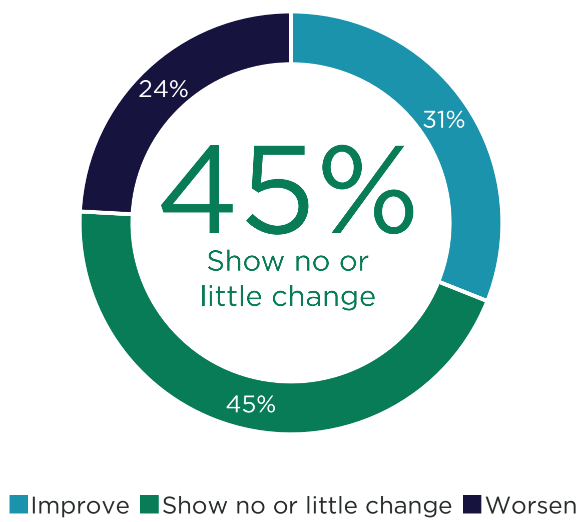


Figure 3
Demand Expectations for Office Space - Index

Investors predict a stabilized outlook for the occupier demand for retail, with a majority estimating little to no change going forward. However, the index trend remains positive for the fifth consecutive survey, moving towards positive levels.

Figure 4
Demand Expectations for Retail Space

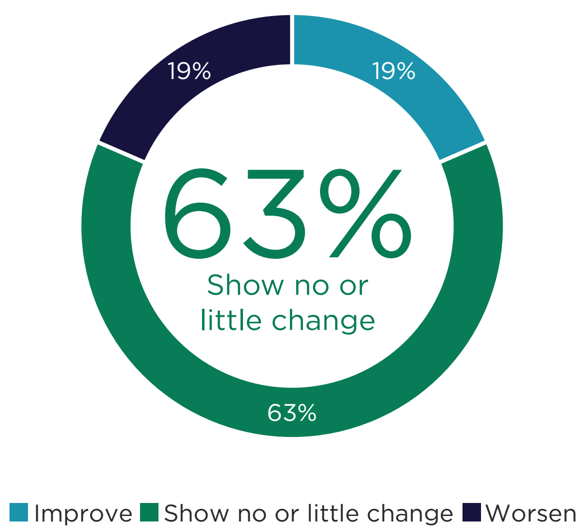
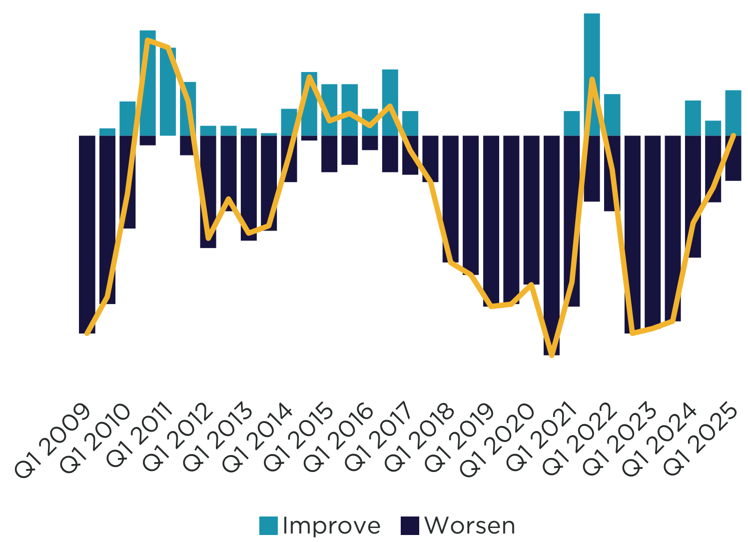


Figure 5
Demand Expectations for Retail Space - Index



OCCUPIER DEMAND - LOGISTICS/INDUSTRIAL

The occupier demand for logistics is once again expected to remain unchanged, according to investors. The outcome indicates a slightly more positive outlook compared to the previous survey.

Figure 6

Demand Expectations for Logistics/Industrial Space

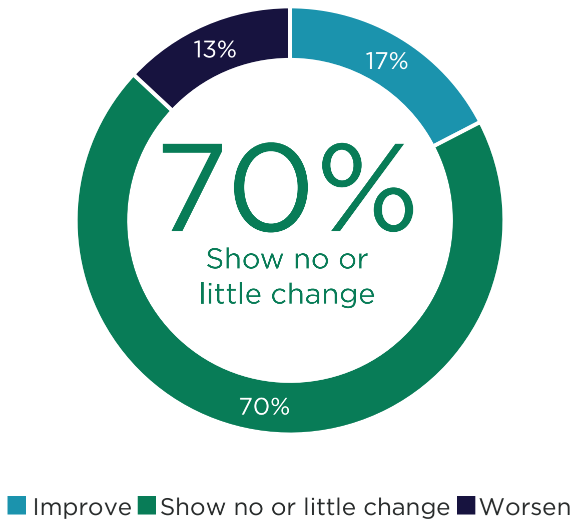
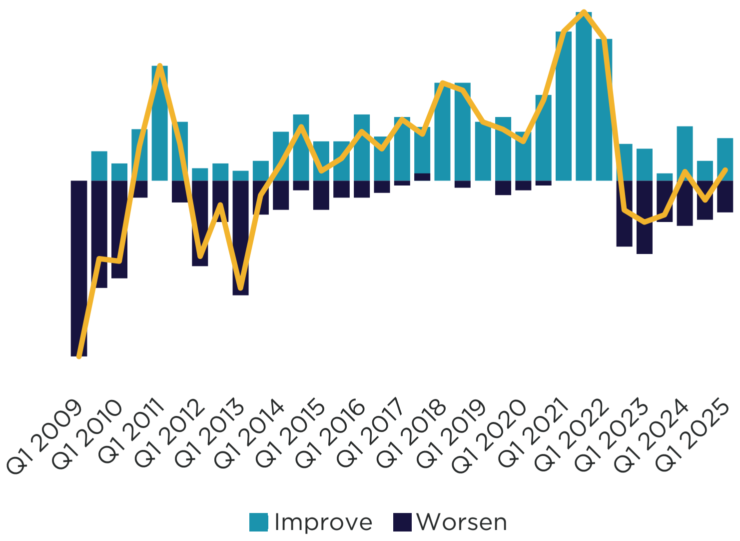
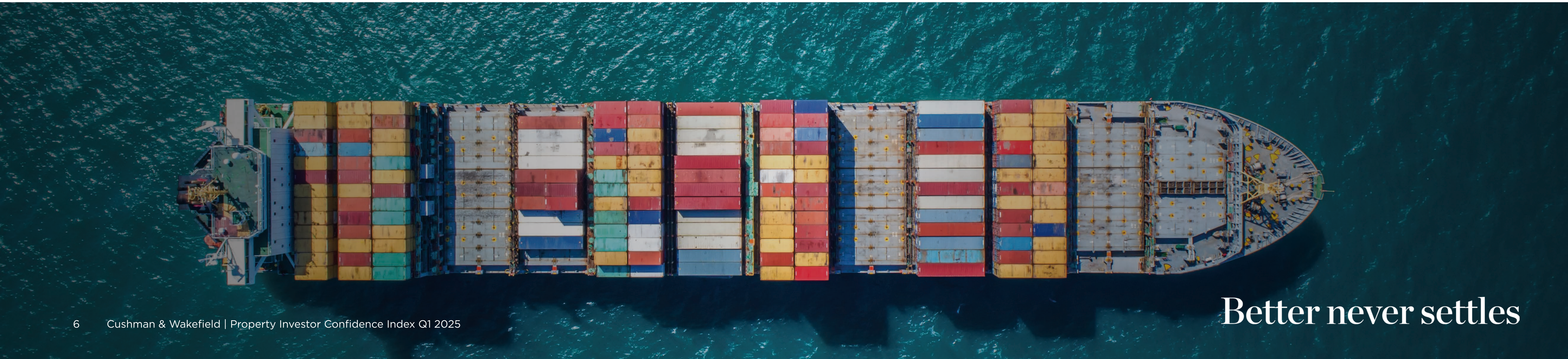


Figure 7

Demand Expectations for Logistics/Industrial Space - Index



INVESTOR OUTLOOK ON LOGISTICS DEMAND IMPROVES SLIGHTLY.



Better never settles

YIELD DEVELOPMENT - OFFICE

Investors have observed a stabilization in the development of office yields over the past six months. Nevertheless, they now favor a decrease in yields over an increase during this period...

Figure 8
Office Yield Development, Last Six Months

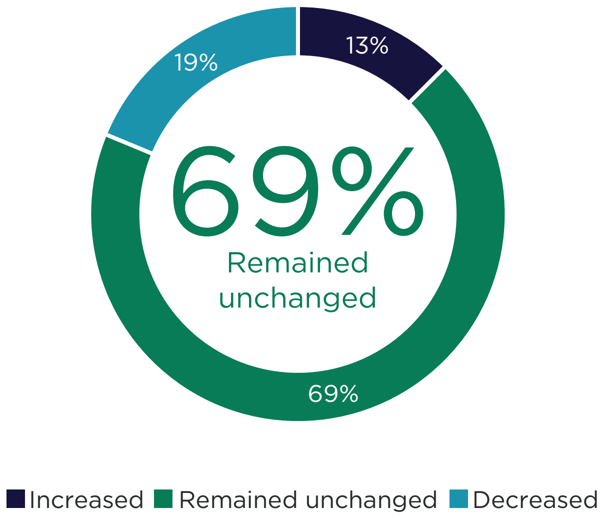
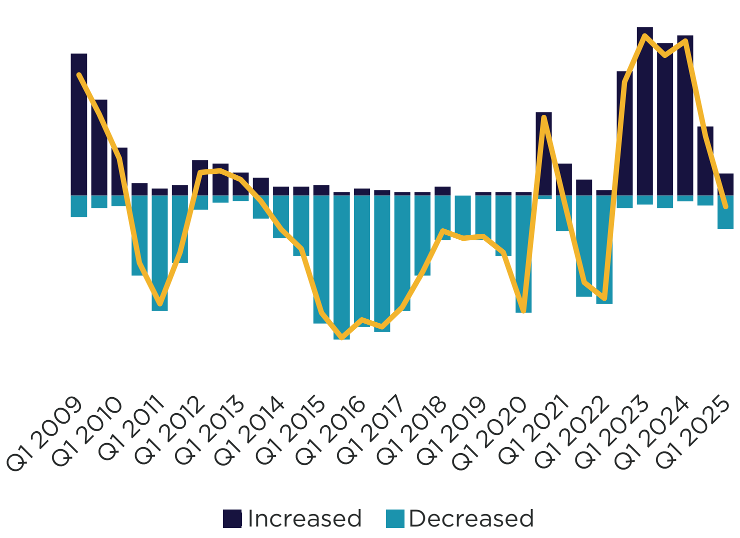


Figure 9
Office Yield Development, Last Six Months - Index



... which is also reflected in the yield development outlook over the next six months, with expectations of stabilized yields or a continued decompression.

Figure 10
Office Yield Expectations, Coming Six Months

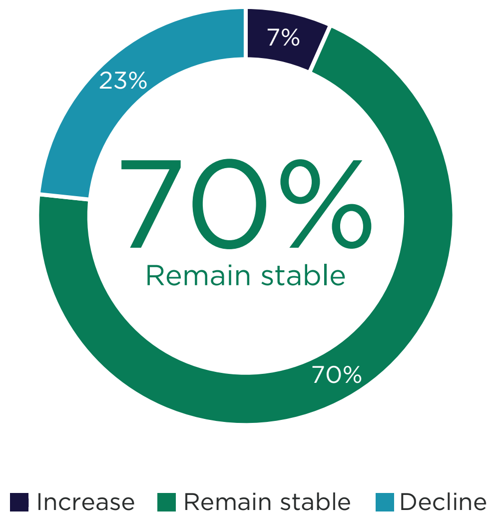
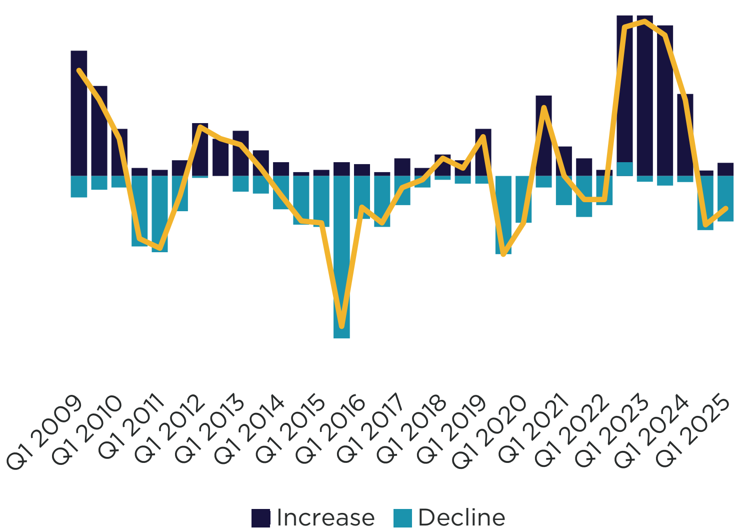


Figure 11
Office Yield Expectations, Coming Six Months - Index



YIELD DEVELOPMENT - RETAIL

Investors are now more aligned, stating that retail yields have been unchanged over the past six months. Although, the number of investors still believing the retail segment has seen increasing yields lately exceeds the opposite...

Figure 12
Retail Yield Development, Last Six Months

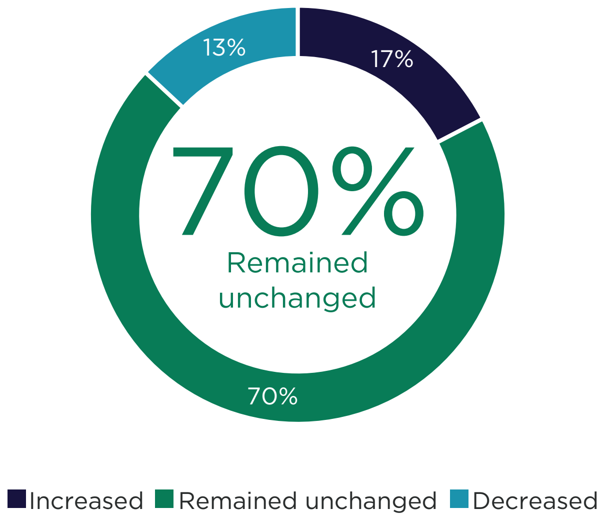
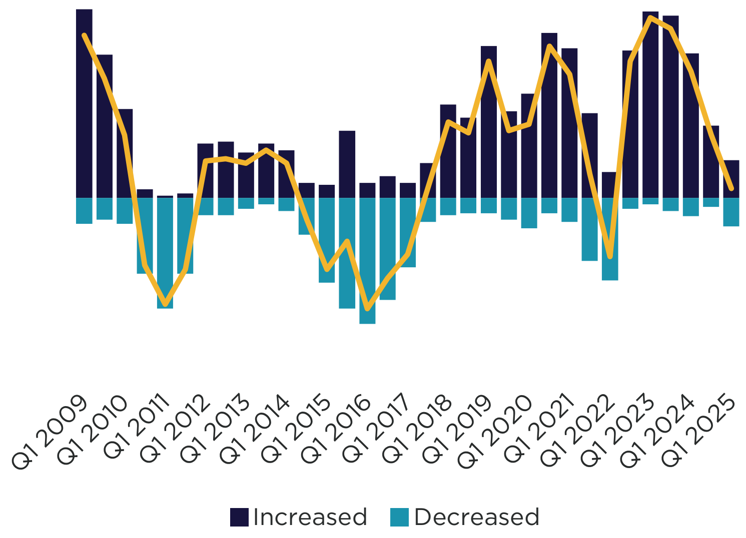


Figure 13
Retail Yield Development, Last Six Months - Index



... while the expectations of a stable outlook in the coming six months remain the most probable outcome. Simultaneously, investors once again favor a decline in retail yields over an increase.

Figure 14
Retail Yield Expectations, Coming Six Months

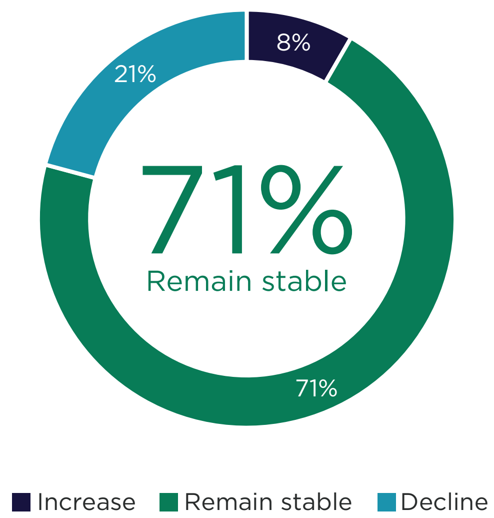
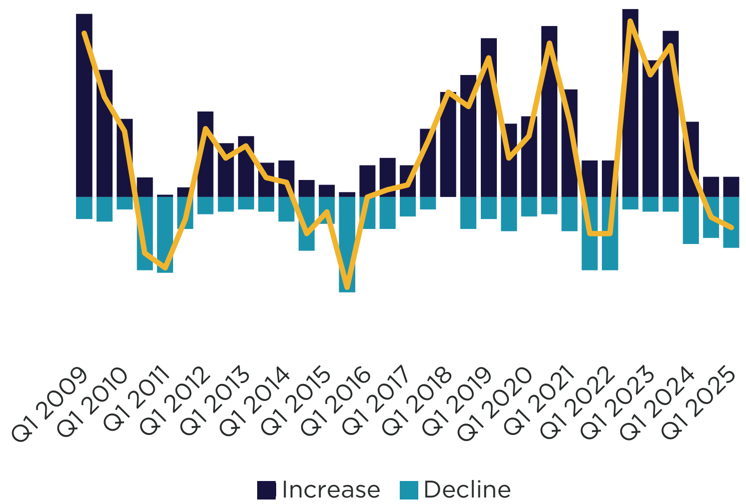


Figure 15
Retail Yield Expectations, Coming Six Months - Index



YIELD DEVELOPMENT - LOGISTICS & RESIDENTIAL

Investors' views on the development of logistics/industrial yields over the next six months remain unchanged, with yields expected to stabilize in the segment. However, a larger fraction of investors are now more positive than before, with expectations of a decline in yields outweighing those of an increase.

Figure 16

Logistics/Industrial Yield Expectations, Coming Six Months

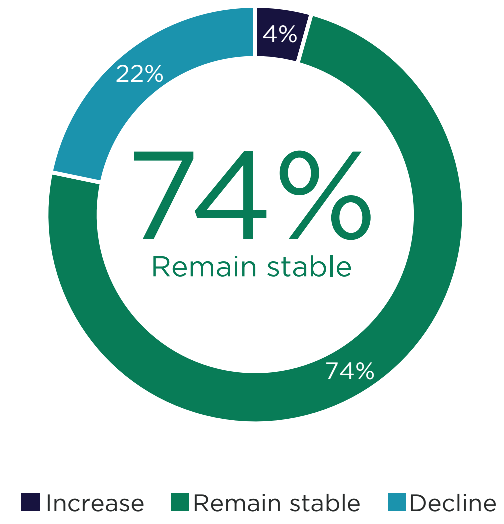
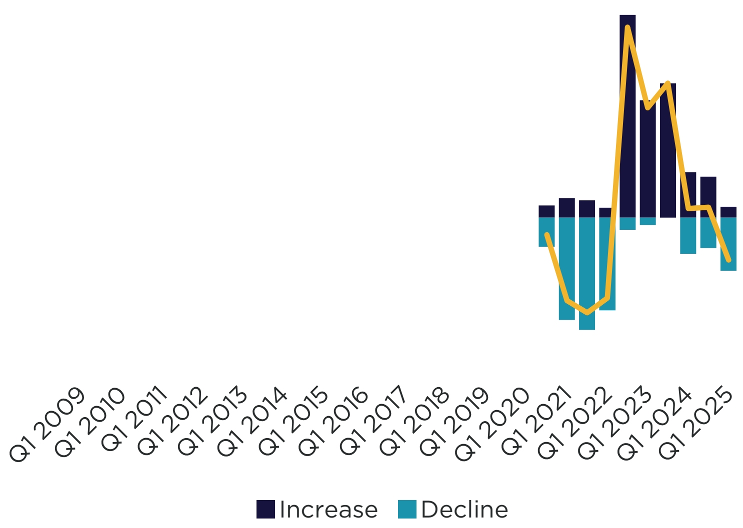


Figure 17

Logistics/Industrial Yield Expectations, Coming Six Months - Index



The development of residential yields is expected to remain stable in the coming six months. Although, the proportion of investors predicting decreasing yields ahead is steadily increasing, now constituting 41%.

Figure 18

Residential Yield Expectations, Coming Six Months

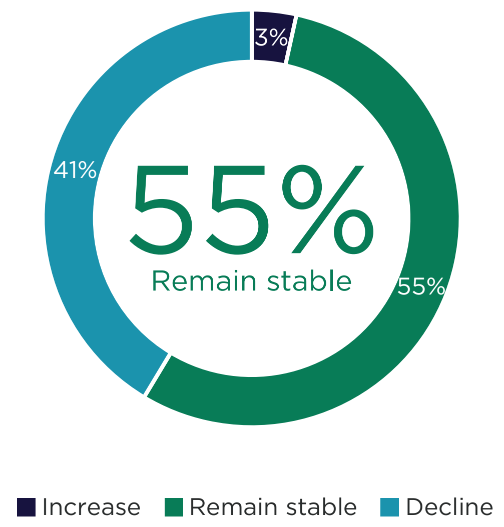
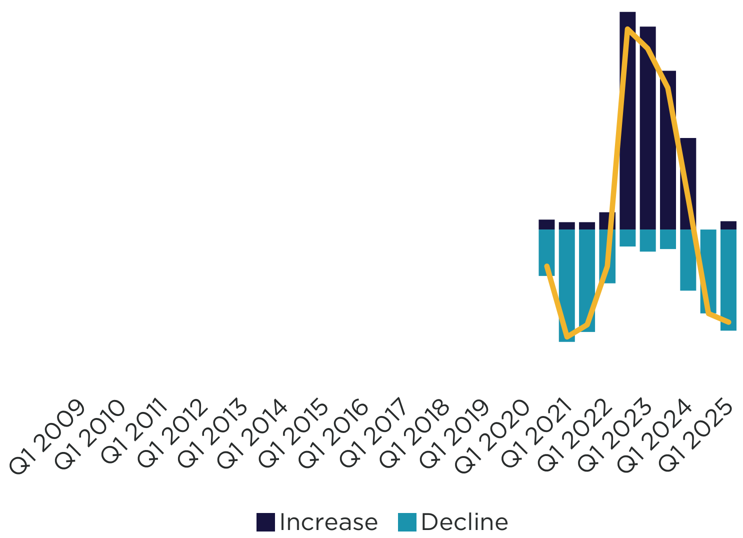


Figure 19

Residential Yield Expectations, Coming Six Months - Index



INVESTMENT PREREQUISITES

Investors are now strongly in favor of more acquisitions rather than maintaining their current portfolios. As in the preceding survey, a smaller share of the investors are considering more disposals than acquisitions, resulting in an improved net sentiment.

The expectations for future financing conditions remain more positive, with 69% of the investors anticipating improved conditions ahead. This is followed by 28% expecting unchanged conditions. Meanwhile, the share of investors expecting worsened conditions is still low, maintaining the sentiment in a confident territory.

Figure 20

Portfolio Size Objective, Coming Six Months

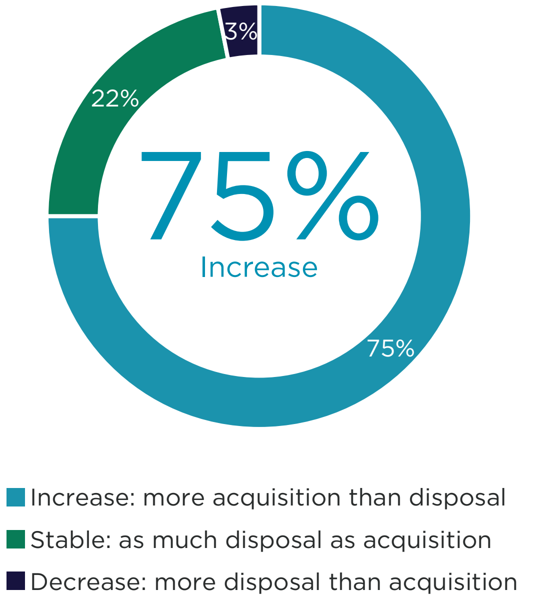


Figure 21

Portfolio Size Objective, Coming Six Months - Index

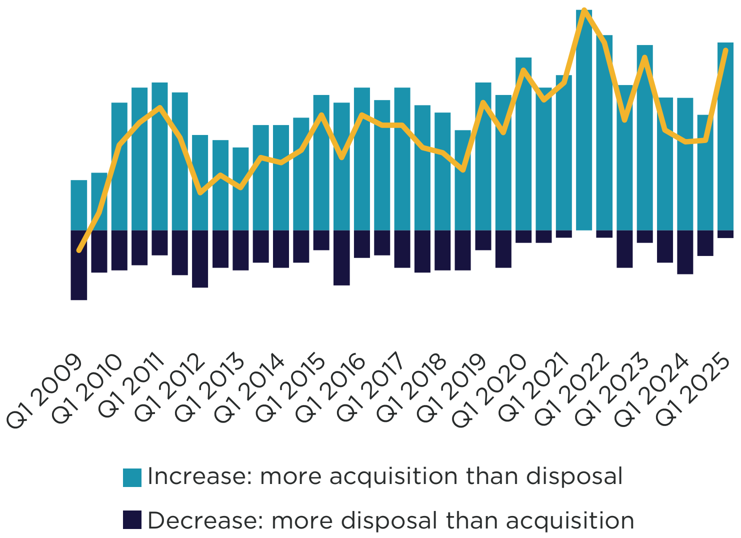


Figure 22

Financing Condition Expectations, Coming Six Months

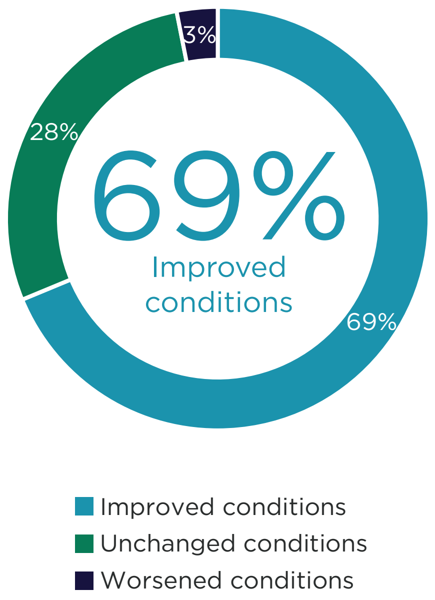
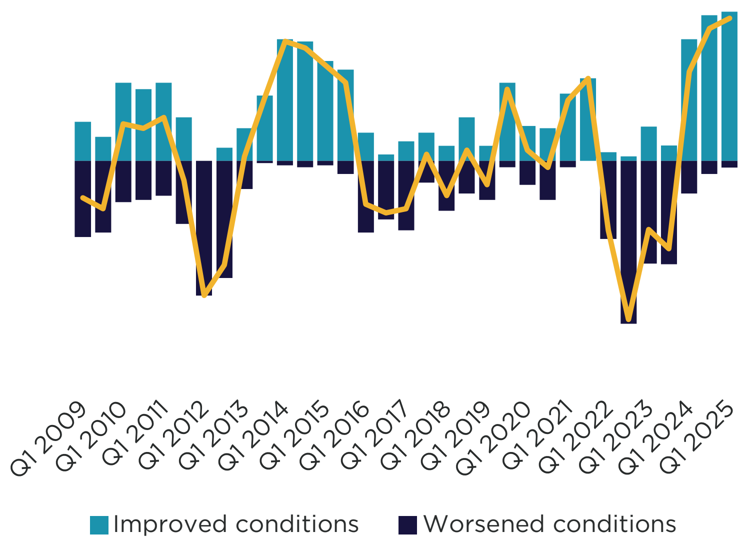


Figure 23

Financing Condition Expectations, Coming Six Months - Index



VALUE DEVELOPMENT

Investors remain positive regarding portfolio value development over the next six months. Currently, 61% of the investors expect values to improve further, representing a majority compared to the 39% who expect values to remain unchanged. Once again, no investors anticipate a decrease in portfolio value in the coming six months.

Figure 24

Portfolio Value Development Expectations, Coming Six Months

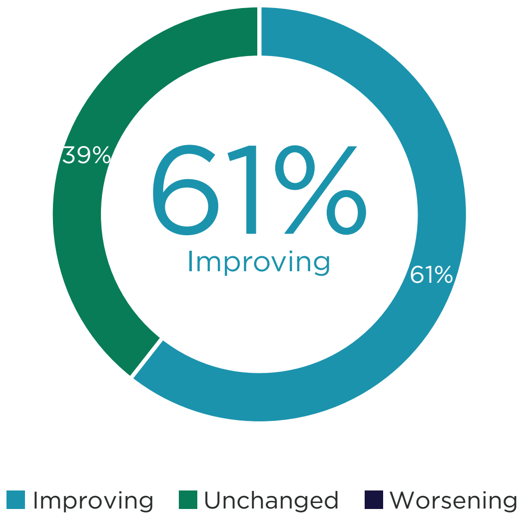
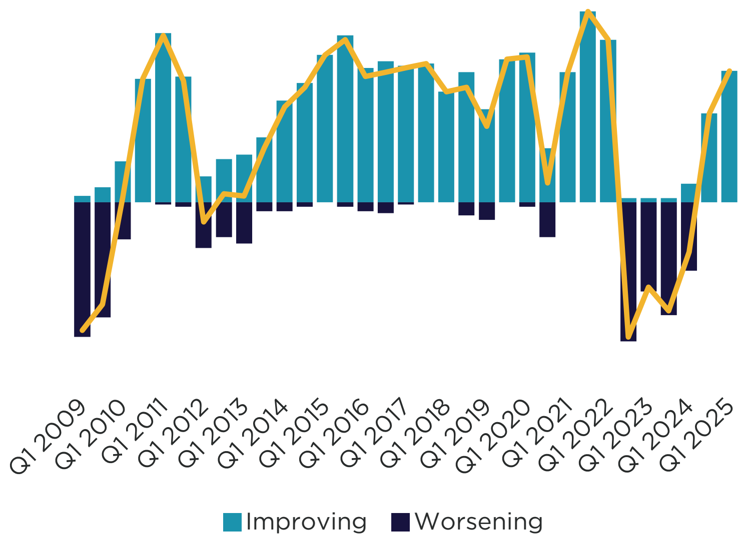


Figure 25

Portfolio Value Development Expectations, Coming Six Months - Index



Yield development remains one of the key drivers of overall value growth, according to respondents. Operating and maintenance cost developments are becoming increasingly important for portfolio value, just like rental development. However, the importance of vacancy development has decreased compared to the last survey.

The investors have the strongest confidence in the residential segment over the next six months, followed by logistics. The industrial segment is showing increased potential, as well as retail remaining in a steady positive trend.

Figure 26

Most Important Portfolio Value Influencing Factors

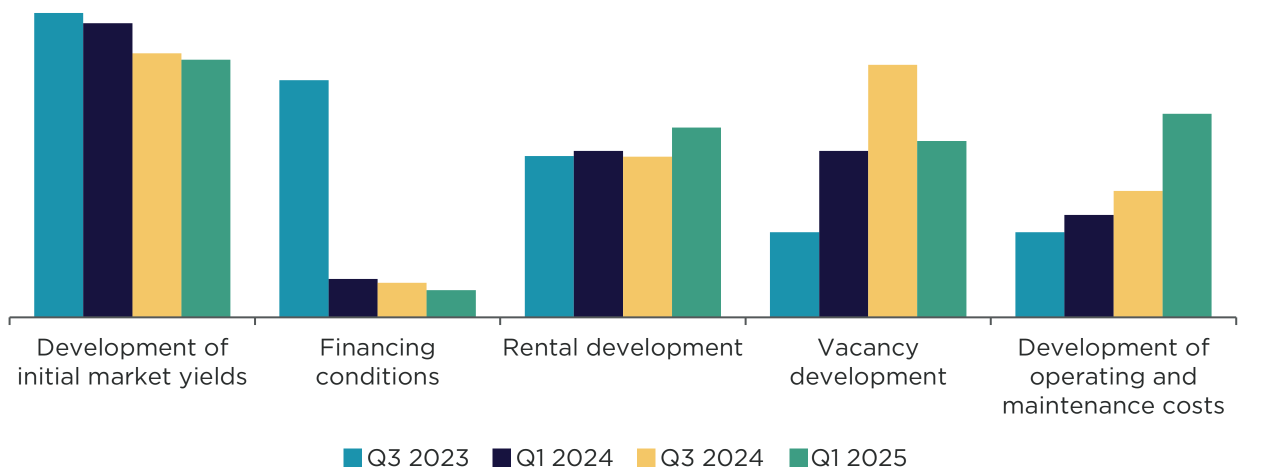
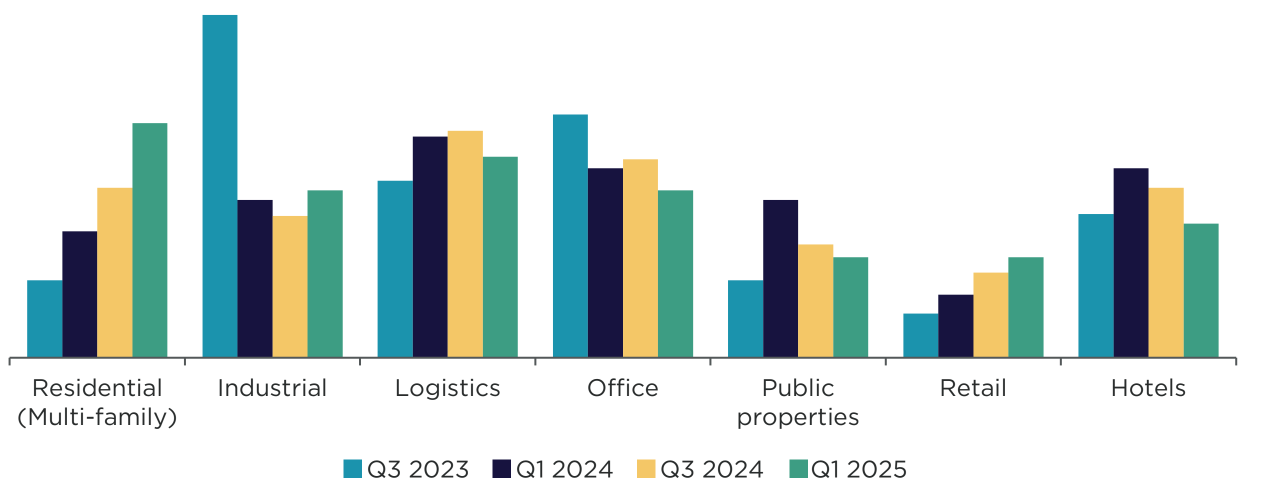


Figure 27

Segments with Potential to Perform Best, Coming Six Months

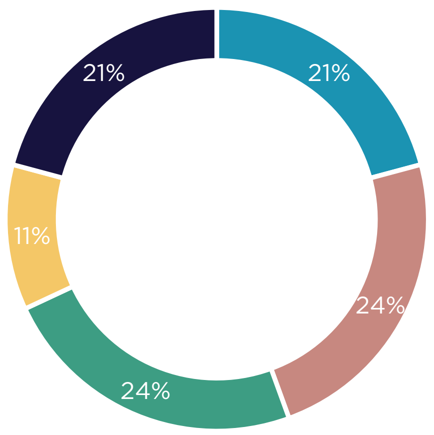


SUSTAINABILITY

Sustainability continues to be a crucial factor in investment decisions, with the key advantages being expected growth of property value and favorable financing conditions. This is primarily achieved through additional investments in the buildings and by obtaining certifications, as well as preparing for EU Taxonomy ESG reporting requirements.

Figure 28

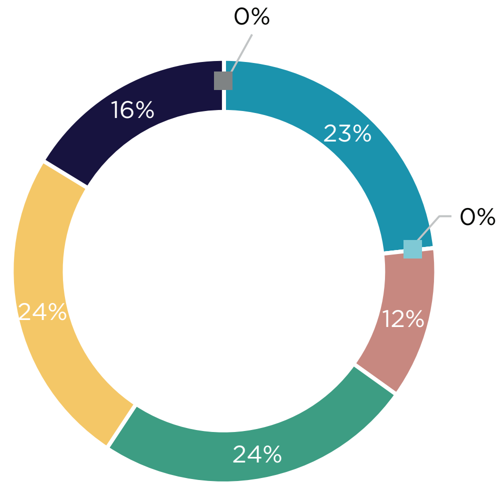
Which commercial advantages do you think are the most important when implementing an ESG strategy?



- We believe that it improves the occupier demand
- We believe that it improves the value of the properties
- We get more favorable financing conditions
- We hedge against future requirements from the authorities
- We find it important to secure our organisations' long-term success

Figure 29

What actions do you take to fulfill your ESG strategy?



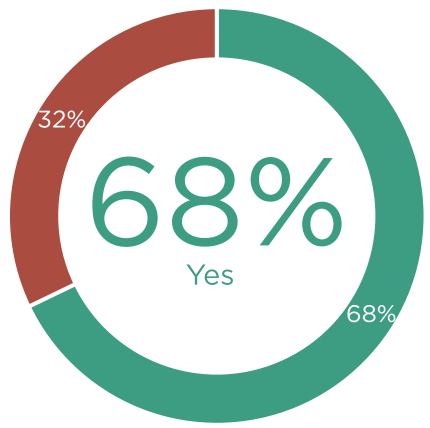
- We certify all our buildings with BREEAM/LEED /Miljöbyggnad
- We only certify our new buildings with BREEAM /LEED/Miljöbyggnad
- We report ESG in line with the requirements of the EU's Taxonomy
- We work to report ESG in line with the EU's Taxonomy within the coming years
- We invest in our buildings to achive a better energy rating
- We have actions linked to several of the UN's sustainability goals
- We do not have a specific ESG strategy

CHANGING MARKET CONDITIONS

In line with expectations of improving property value, a significant portion of investors, amounting to 68%, are willing to pay a premium for higher sustainability ratings. While 38% are not willing to pay a premium for high sustainability classifications, it is important to note that none of the respondents indicated that they lack an ESG strategy.

Figure 30

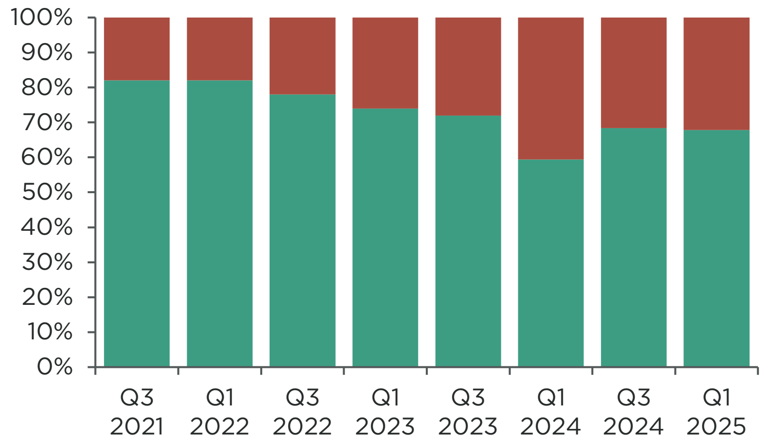
Are you willing to pay a premium for high sustainability classification?



Yes No

Figure 31

Are you willing to pay a premium for high sustainability classification?



Yes No

Regarding investment sustainability strategies, investors are slightly in favor of investing in projects with high-end ESG standards compared to investing in brown assets with a potential to develop and achieve higher sustainability grades.

Figure 32

Approach to Investment Sustainability

- Invests in projects with exceptional ESG standards
- Invests in brown assets

BONUS

In this edition, we surveyed investors regarding their perception of the American presidential election's effect on the outlook for Swedish real estate investments. A total of 83% of the investors believe the outcome has shifted the outlook for Swedish real estate investments for the worse. In contrast, 17% of the investors view the outcome as more favorable.

When asked about requiring larger deposits or additional security from tenants due to an increase in Chapter 11/reorganizations, most respondents (46%) have not yet requested additional security but plan to do so in the future. While a small proportion have already implemented these requirements, 42% of the investors have not acted, and do not plan to.

Figure 33

Investors' perceptions of the American presidential election's impact on the outlook for Swedish real estate investments

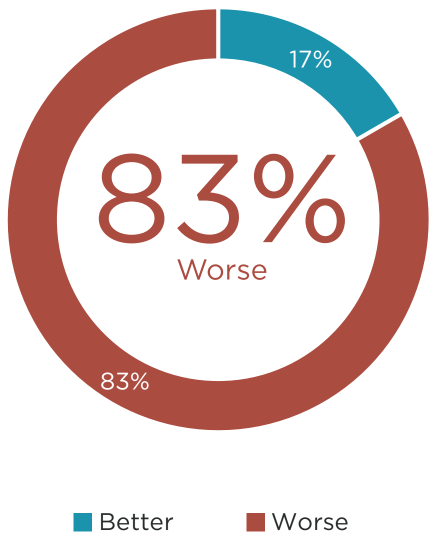
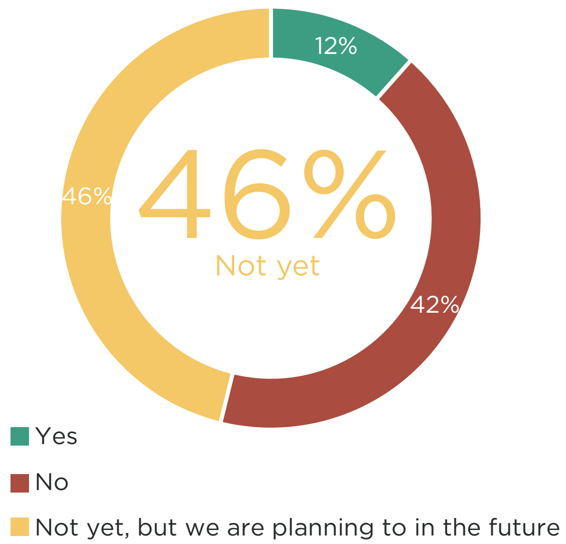


Figure 34

Whether Investors require larger deposits or additional security from tenants due to an increase in Chapter 11/reorganizations



About Cushman & Wakefield

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Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in nearly 400 offices and 60 countries. In 2023, the firm reported revenue of $9.5 billion across its core services of property, facilities and project management, leasing, capital markets, and valuation and other services. It also receives numerous industry and business accolades for its award-winning culture and commitment to Diversity, Equity and Inclusion (DEI), sustainability and more. In Sweden, Cushman & Wakefield has 70 employees across the above mentioned service lines, and conduct valuations for more than 8,200 properties annually. For additional information, visit www.cushmanwakefield.com.

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CONTACT

Ludvig Dansarie
Research Analyst
+46 (0)76 541 77 21
ludvig.dansarie@cushwake.com

Anders Elvinsson
Head of Valuation & Strategic Advisory
+46 (0)72 247 94 14
anders.elvinsson@cushwake.com

Our Swedish offices

Stockholm
Regeringsgatan 59
103 59 Stockholm
Tel: +46 8 671 34 00

Gothenburg
Östra Larmgatan 22
411 07 Göteborg
Tel: +46 31 799 18 90

Malmö
Lilla Torg 1
211 34 Malmö
Tel: +46 40 699 15 30

Norrköping
Bråddgatan 1
602 22 Norrköping
Tel: +46 11 450 47 10

www.cushmanwakefield.se