



PROPERTY INVESTOR CONFIDENCE INDEX

Sweden
Q1 2024

RESURRECTING INVESTMENT VOLUME AMIDST CHALLENGING PROSPECTS IN THE FIRST HALF OF 2024

With investment volume posting the worst performance in over a decade during 2023, the Swedish Q1 2024 numbers are showing signs of a rebound. About SEK 25 billion (14) of transaction volume is to be expected in Q1, whereof the residential segment accounts for 26% of the total volume, followed by the office and retail segments, each with a 15% share.

This report, composing investor insights gathered from February 15th to 21st, presents a less pessimistic outlook compared to the former survey. The survey result posts a fragmented perspective on occupier demand across major segments. Additionally, the ongoing yield decompression seems to be challenged within certain sectors. It is also noteworthy that while the significance of financing conditions have plunged, the importance of vacancy development has surged, in terms of the most value influencing factors.

This edition of the survey delves into the investors' perception regarding the development of the financing climate over the last six months, as financing has been a key area of focus with the steep increase in interest rates. Investors state their view on a possible change in the banks' willingness to issue new loans. Additionally, with private property funds constituting the largest share in terms of acquisition volume last year, we examine which investor type that is expected to lead the way the coming six months.

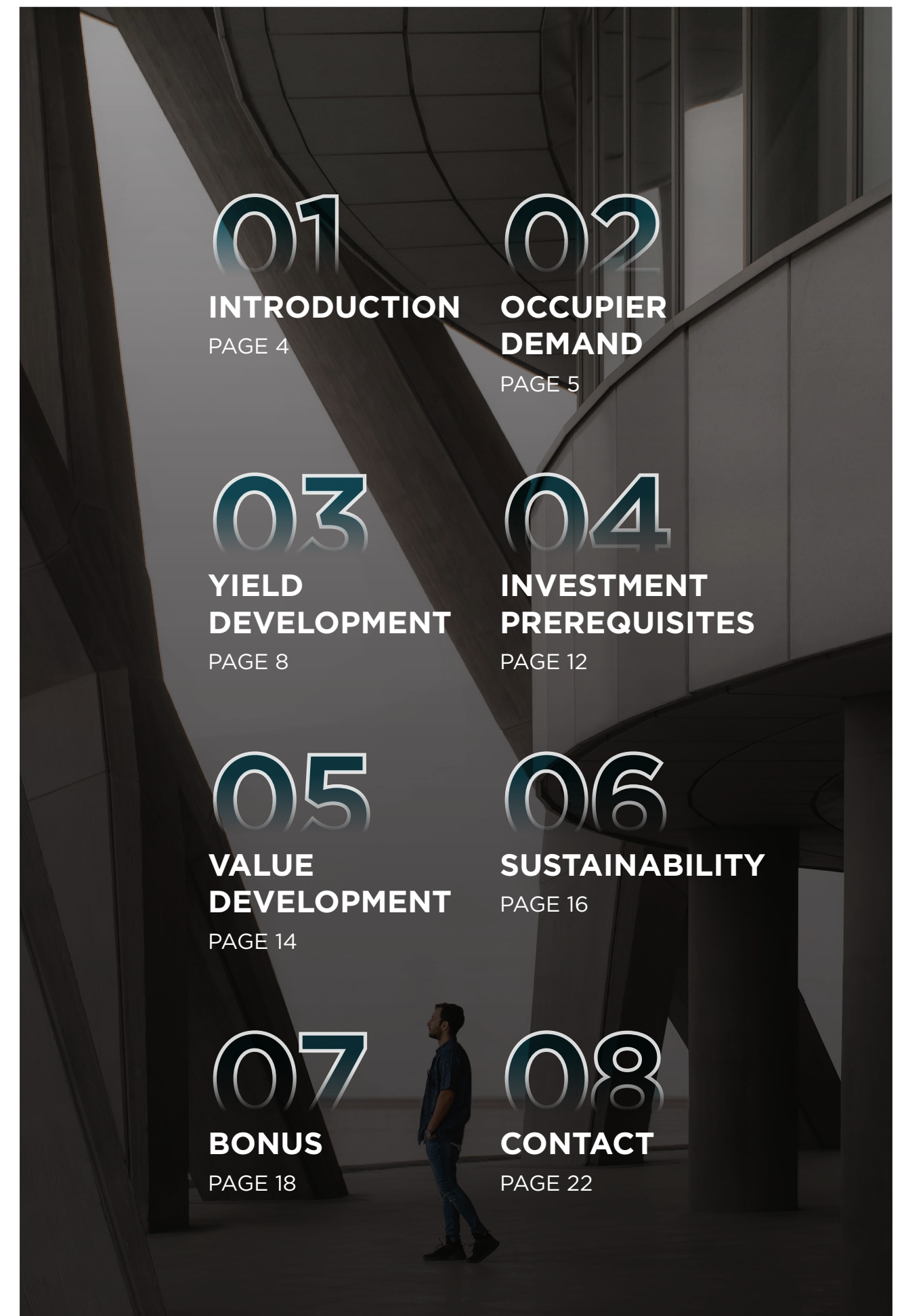
Please do engage with any inquiries arising.

I wish you all a successful first half of 2024!



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 15-21 of February 2024.

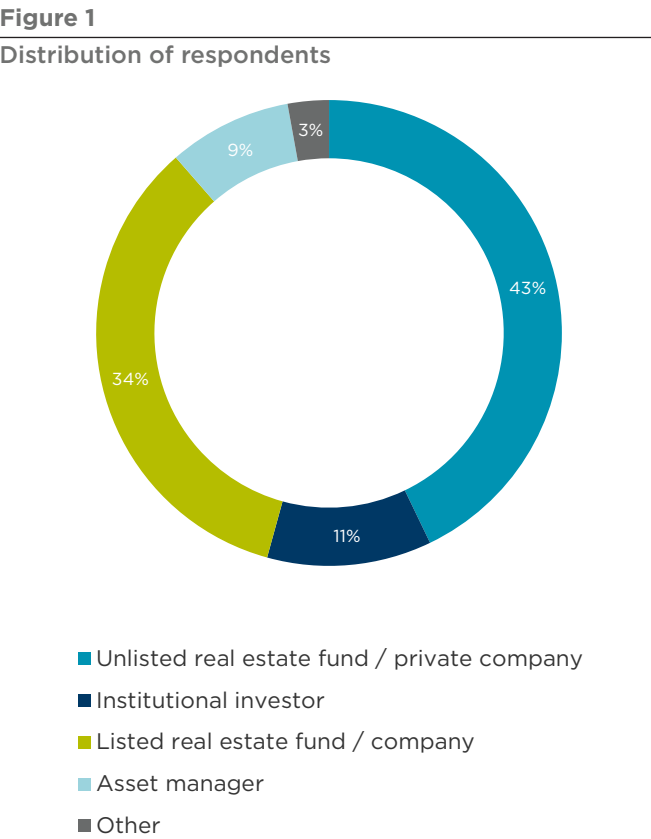
General sentiment of the market

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 (increase) and negative (decrease) answers to each question.



OCCUPIER DEMAND - OFFICE & RETAIL

The outlook for office occupier demand turned out to be somewhat divided, with a majority of the responding investors expecting minor or no changes in demand. Although, the result reflects a more positive sentiment compared to the previous survey.

Figure 2
Demand Expectations for Office Space

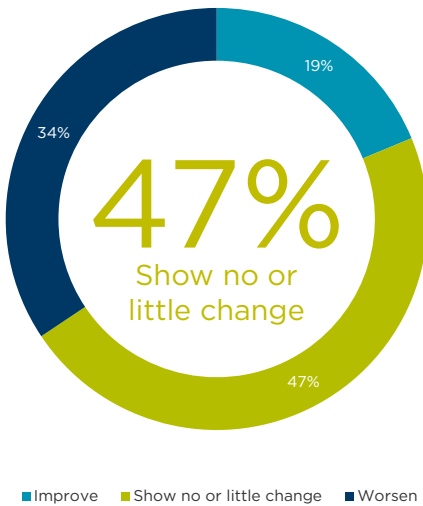
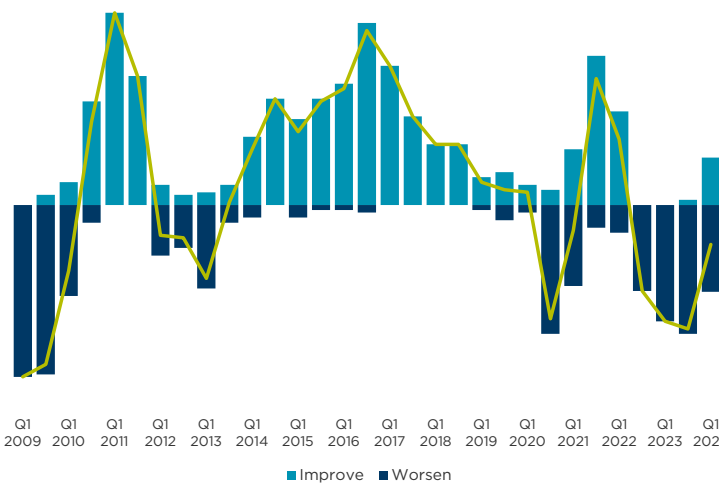


Figure 3
Demand Expectations for Office Space - Index



Investors predicts a continued challenging outlook for the occupier demand for retail, a trend that has been ongoing for the past two years. However, 14% of the investors are expecting an improvement in occupier demand for retail, sighting a light at the end of the tunnel.

Figure 4
Demand Expectations for Retail Space

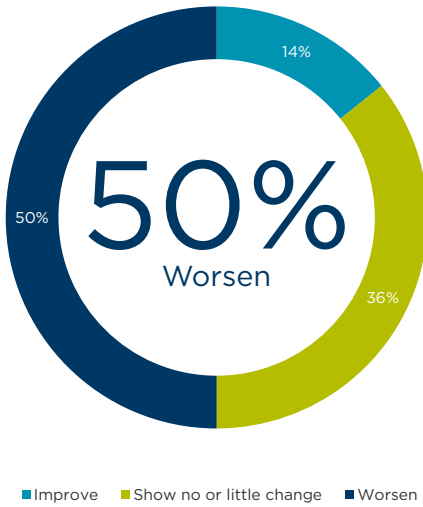
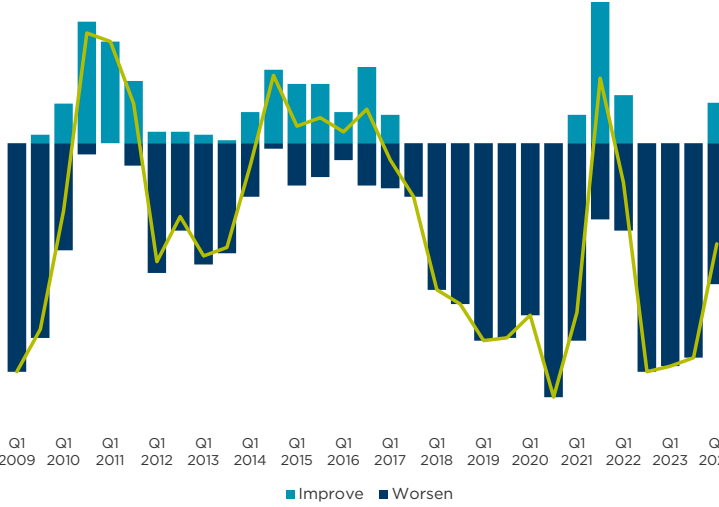


Figure 5
Demand Expectations for Retail Space - Index



OCCUPIER DEMAND - LOGISTICS/INDUSTRIAL

The occupier demand for logistics is anticipated to remain in status quo according to the respondents. The expectation of improving occupier demand in logistics has risen sharply compared to the latest survey, indicating a more positive current sentiment.

Figure 6
Demand Expectations for Logistics/
Industrial Space

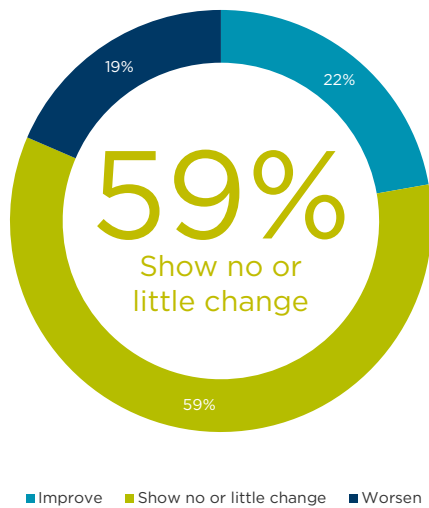
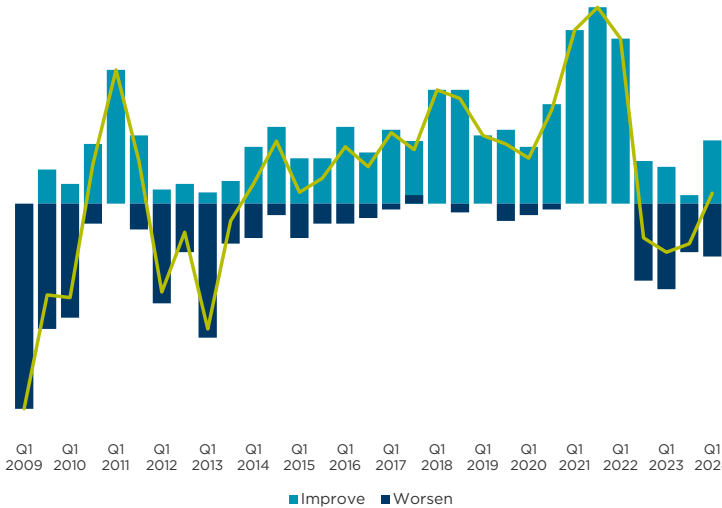


Figure 7
Demand Expectations for Logistics/Industrial Space - Index



THE OCCUPIER
DEMAND FOR
LOGISTICS IS
ANTICIPATED TO
REMAIN IN
STATUS QUO.

LIFE IS
WHAT
WE
MAKE
IT



YIELD DEVELOPMENT - OFFICE

Investors remain overwhelmingly synchronised in their view that office yields have increased in the past six months. The responses align with the sentiment expressed in the previous three surveys and indicates a strong correction in the office segment...

Figure 8
Office Yield Development, Last Six Months

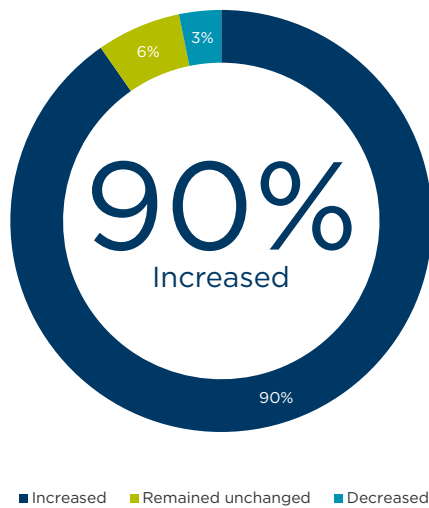
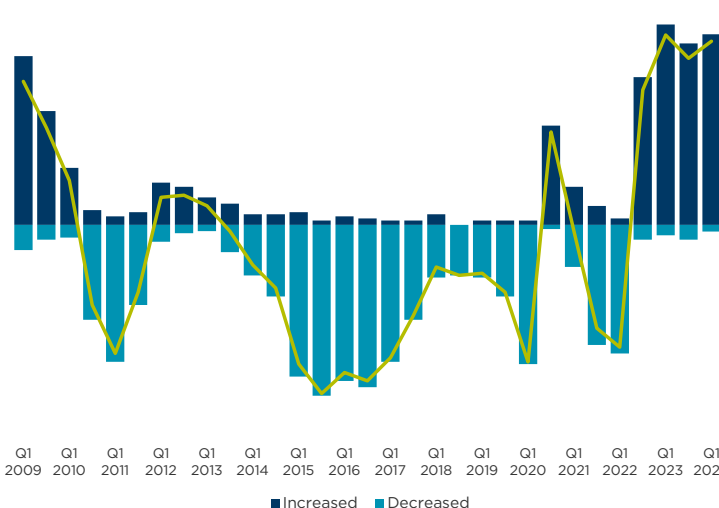


Figure 9
Office Yield Development, Last Six Months - Index



... with a stabilisation or further correction expected in the coming six months, as a wide majority of investors anticipate stabilised or increased initial office yields.

Figure 10
Office Yield Expectations, Coming Six Months

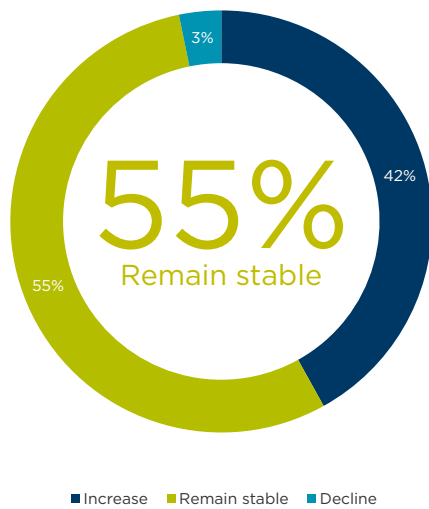
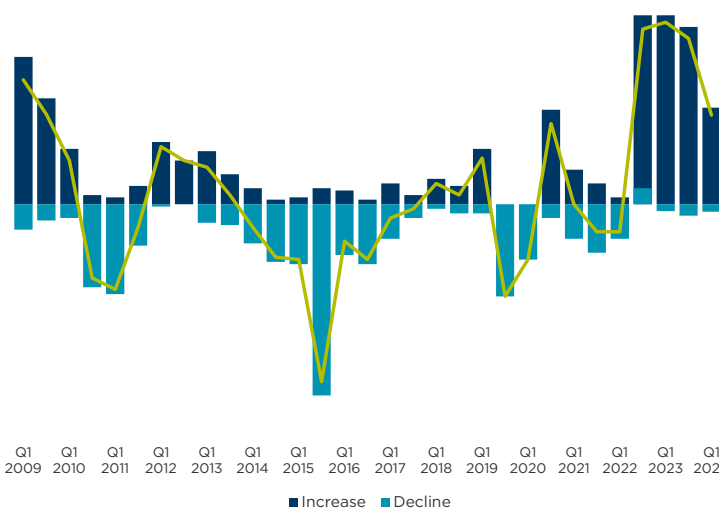


Figure 11
Office Yield Expectations, Coming Six Months - Index



YIELD DEVELOPMENT - RETAIL

Once again, investors share the overall view that retail yields have increased over the past six months, in line with the sentiment in the former three surveys, indicating further market corrections in the retail segment...

Figure 12
Retail Yield Development, Last Six Months

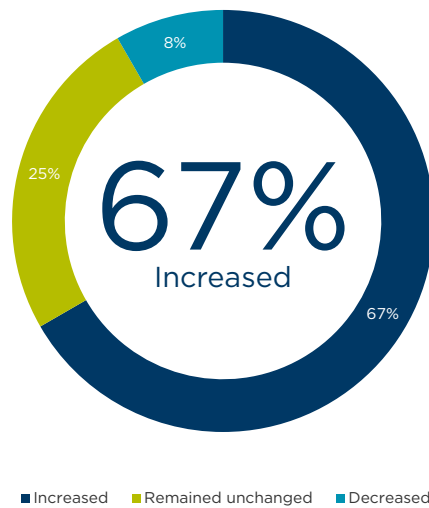
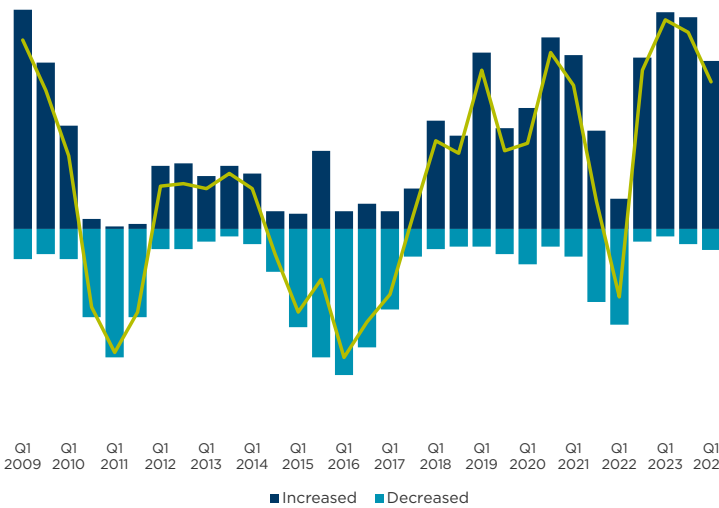


Figure 13
Retail Yield Development, Last Six Months - Index



... with a more fragmented distribution of the investors' expectations of the future, where a stabilisation of the retail yields over the coming six months now accounts for the largest share of respondents' expectations.

Figure 14
Retail Yield Expectations, Coming Six Months

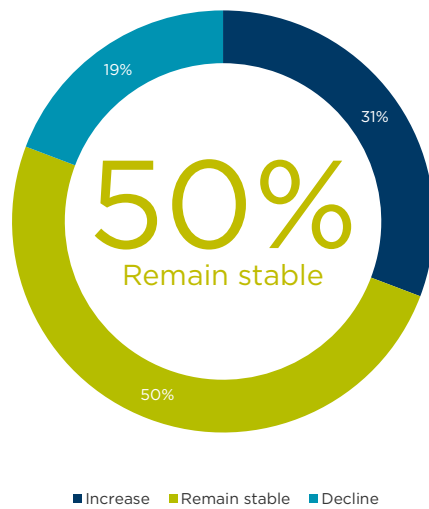
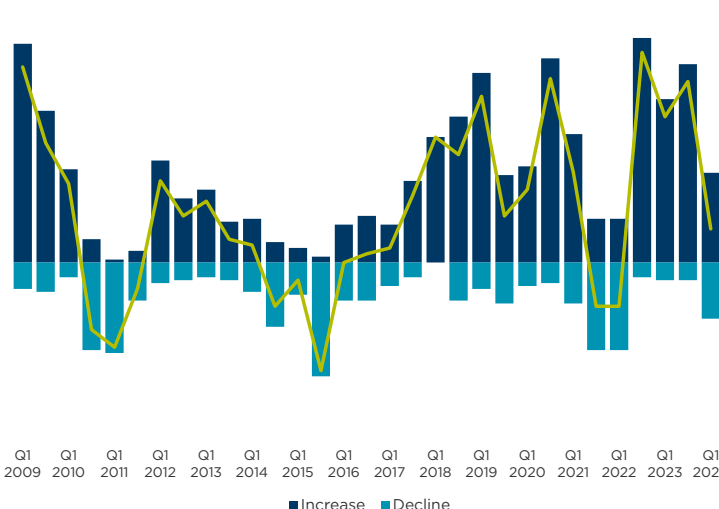


Figure 15
Retail Yield Expectations, Coming Six Months - Index



YIELD DEVELOPMENT - LOGISTICS & RESIDENTIAL

Investors widely hold the view of stablising yields over the coming six months in the logistics/industrial segment. The minority are split between an increase and a decrease in yields, whereas the beliefs of decreasing yields have surged compared to the latest survey.

Figure 16
Logistics/Industrial Yield Expectations, Coming Six Months

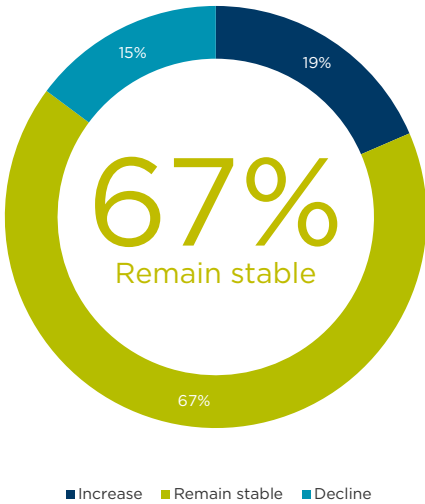
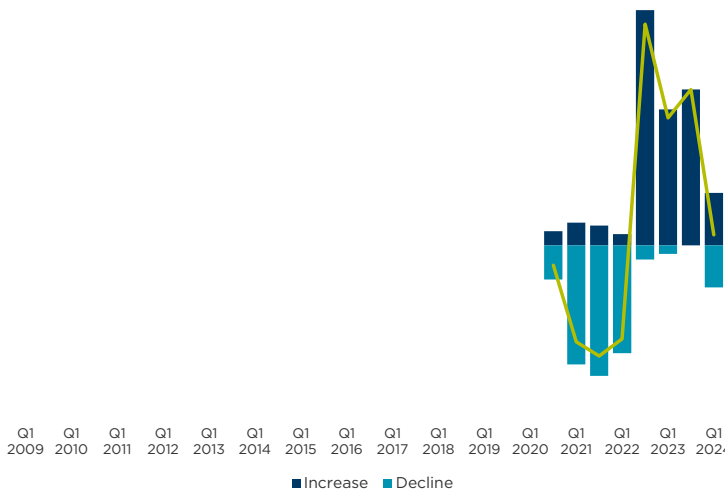


Figure 17
Logistics/Industrial Yield Expectations, Coming Six Months - Index



Investors are divided regarding the development of the residential yields, with shared opinions between stabilised or increasing yields. Overall, the distribution of the answers signals a more positive sentiment compared to the last survey.

Figure 18
Residential Yield Expectations, Coming Six Months

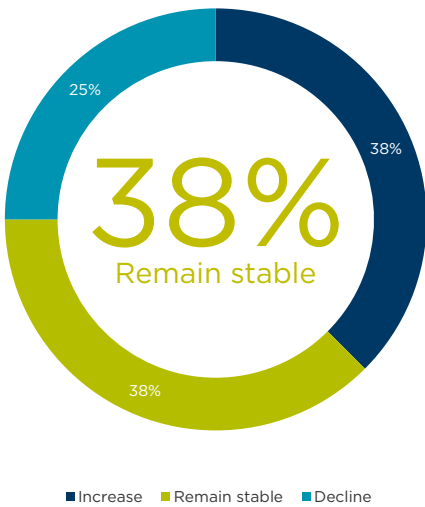
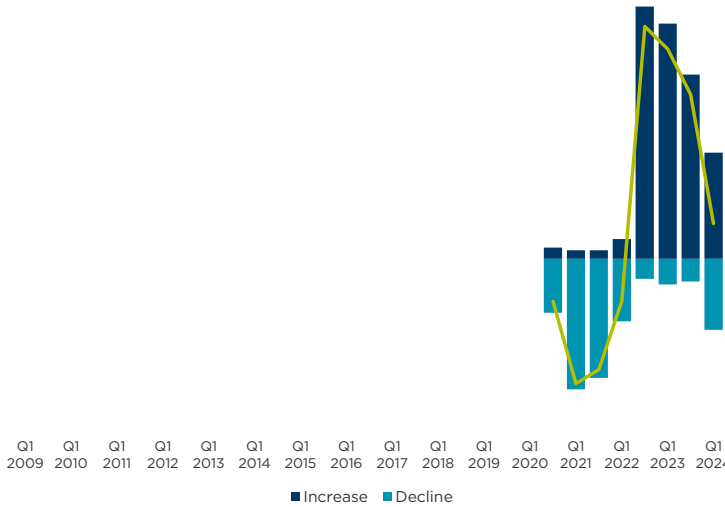


Figure 19
Residential Yield Expectations, Coming Six Months - Index



INVESTORS HOLD
THE VIEW OF
STABLISING
YIELDS OVER
THE NEXT SIX
MONTHS.

INVESTMENT PREREQUISITES

The fraction of investors looking to increase their property portfolio remained stable compared to previous survey, indicating a net positive sentiment. Concurrently, the proportion of investors considering to decrease their portfolio size have increased at the expense of stabilisation.

Figure 20
Portfolio Size Objective, Coming Six Months

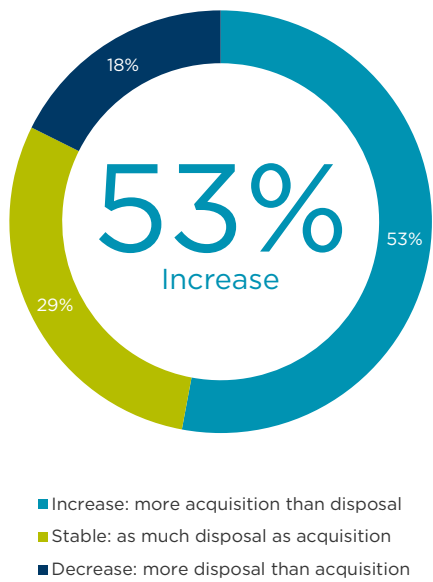
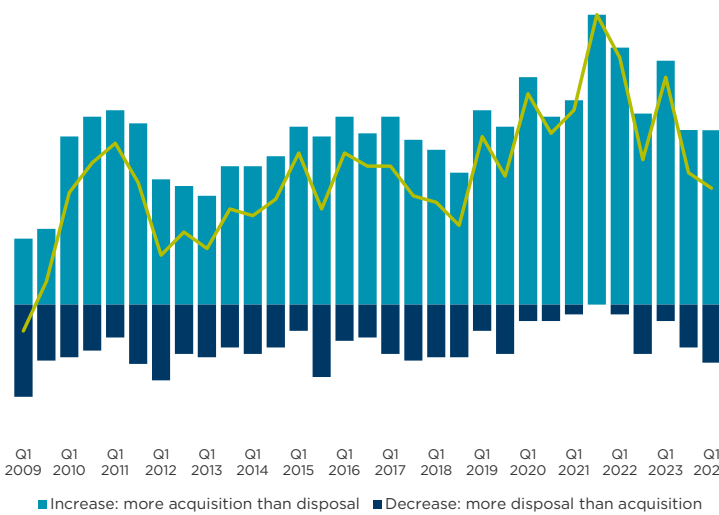


Figure 21
Portfolio Size Objective, Coming Six Months - Index



The view on the future of financing conditions has reversed its order compared to the last two years. Unchanged conditions constitutes a vast majority, followed by improved conditions. Simultaneously, the share of investors expecting worsened conditions has plunged, indicating the most positive sentiment since Q3 2021.

Figure 22
Financing Condition Expectations, Coming Six Months

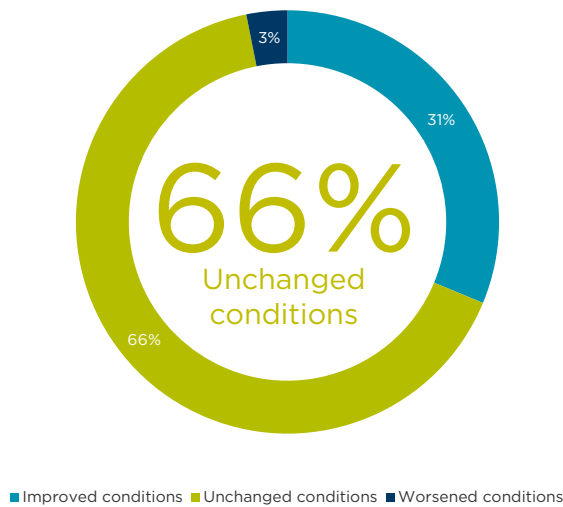
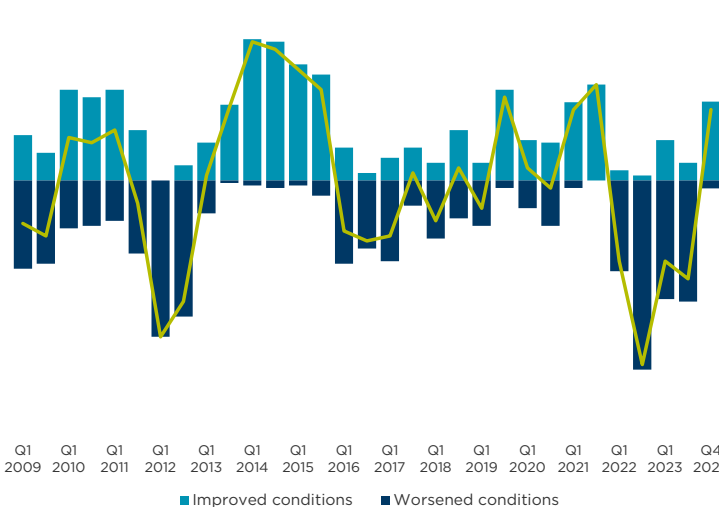


Figure 23
Financing Condition Expectations, Coming Six Months - Index



VALUE DEVELOPMENT

Investors’ overall view of the portfolio value development continues to be negative, with the majority anticipating unchanged values, followed by almost a third expecting a worsened value development.

Figure 24
Portfolio Value Development Expectations, Coming Six Months

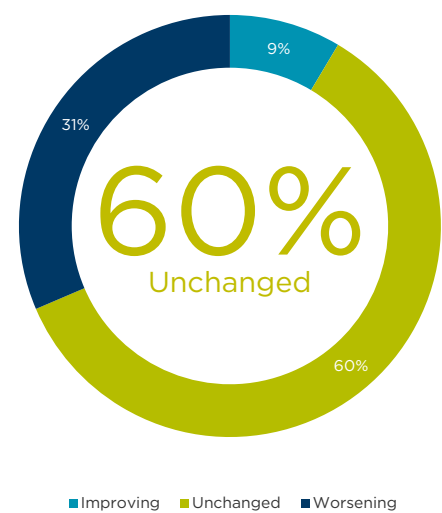
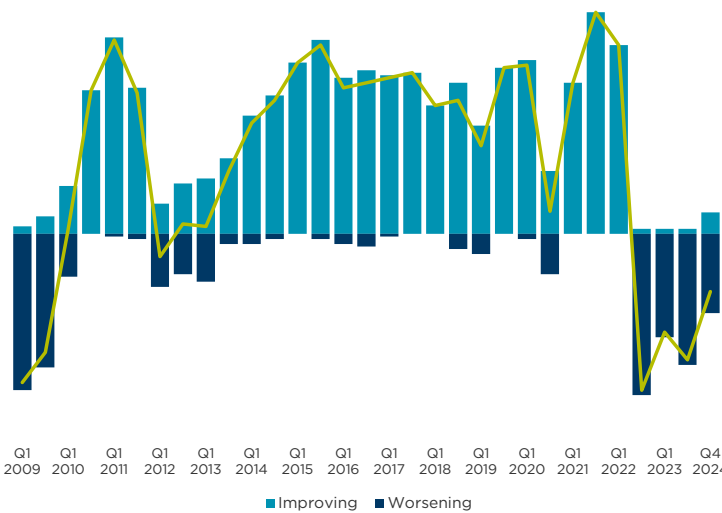


Figure 25
Portfolio Value Development Expectations, Coming Six Months - Index



The majority of respondents still view yield development as the primary driver of overall value growth. Although, in contrast to previous years, financing conditions are no longer of as high importance, while vacancy trends now appear to be a key driver of value.

The investors are more divided than before on which segment has the best potential over the next six months. The logistics sector is expected to demonstrate the most robust performance, followed by hotels and offices. Notably, industrial properties saw the largest setback in performance expectations compared to the last survey, while public properties have recovered from their sudden drop in expected performance.

Figure 26
Most Important Portfolio Value Influencing Factors

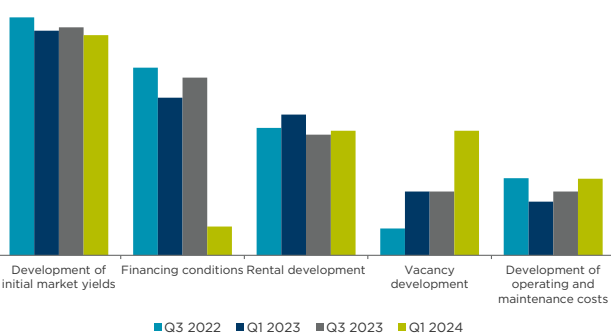
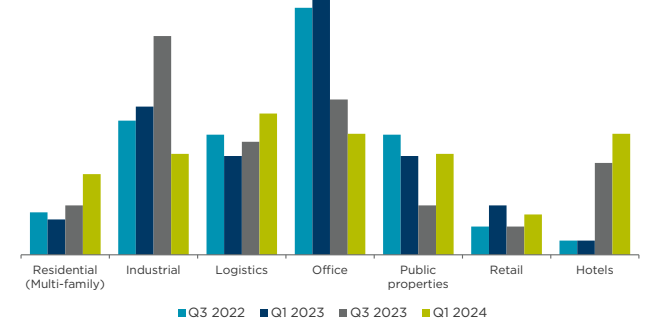


Figure 27
Segments with Potential to Perform Best, Coming Six Months



SUSTAINABILITY

Sustainability remains a key element in investment decisions with a substantial majority of the participating investors emphasising their commitment to sustainability considerations in their investment strategies. Although, there has been an uptick in the percentage of respondents who does not consider sustainability classifications in their investments...

Figure 28
Do you consider sustainability classifications when investing in real estate?

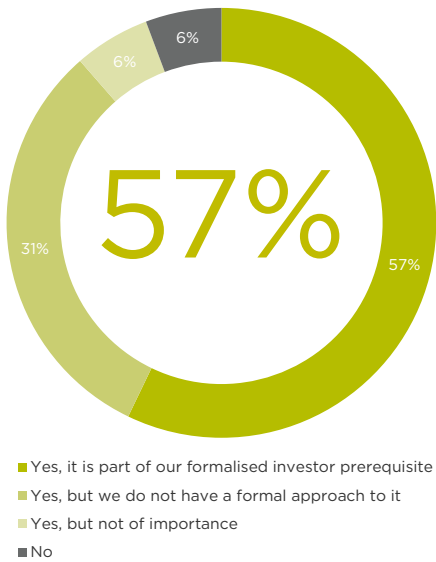
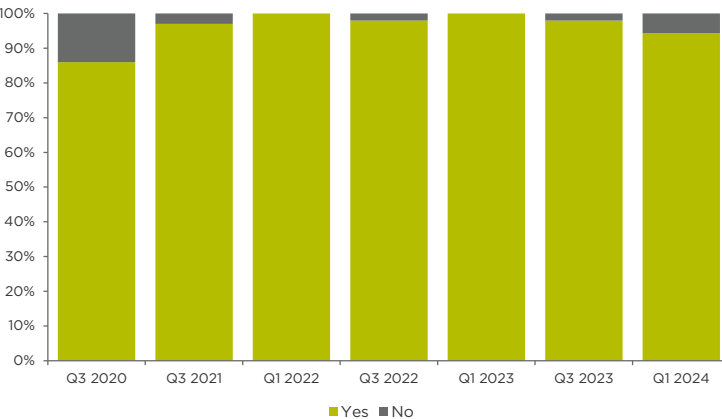


Figure 29
Do you consider sustainability classifications when investing in real estate?



...which might reflect the increasing share of investors not willing to pay a premium for higher sustainability ratings, amounting to 41%. However, a majority of the investors are still willing to pay a premium for higher sustainability ratings.

Figure 30
Are you willing to pay premium for high sustainability classification?

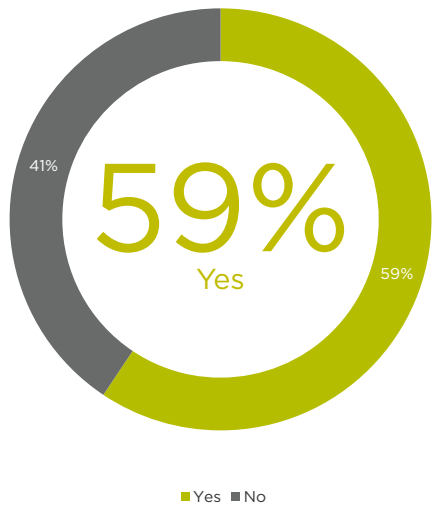
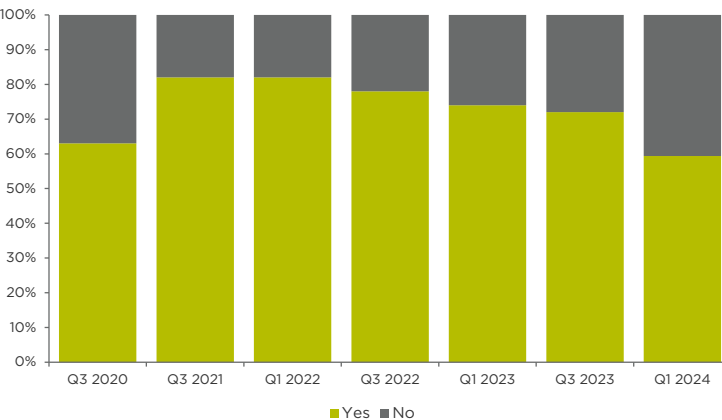


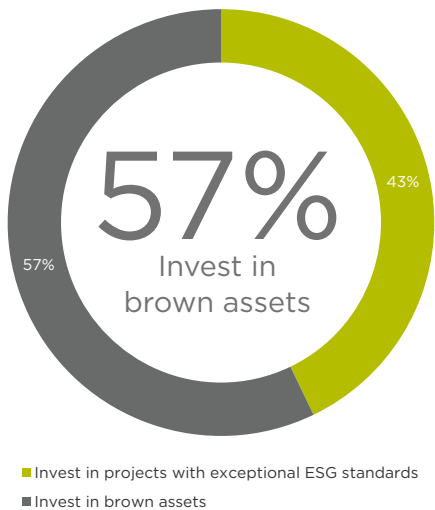
Figure 31
Are you willing to pay premium for high sustainability classification?



CHANGING MARKET CONDITIONS

Regarding the investment sustainability strategy, investors do favour investing in brown assets with the potential to transition into green investments, rather than investing in projects with exceptional ESG credentials in place already.

Figure 32
Approach to Investment Sustainability



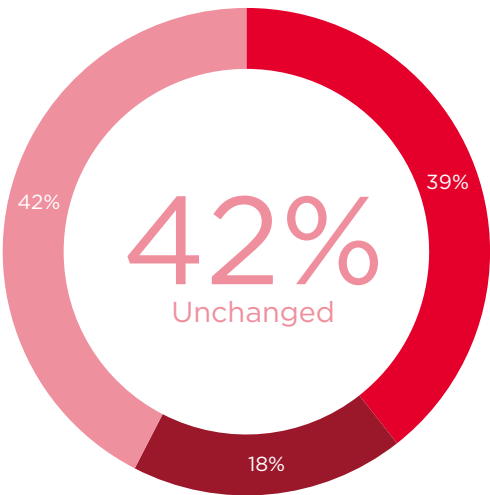
**SUSTAINABILITY
REMAINS A KEY
ELEMENT IN
INVESTMENT
DECISIONS**

BONUS

In this edition, we surveyed investors whether their perception of the banks' willingness to issue new loans over the last six months had changed. The majority of the investors experienced that the banks' willingness to issue new loans have remained unchanged over the last six months, closely followed by an increased willingness. 18% of the respondents experienced worsened conditions with reduced willingness to issue new loans.

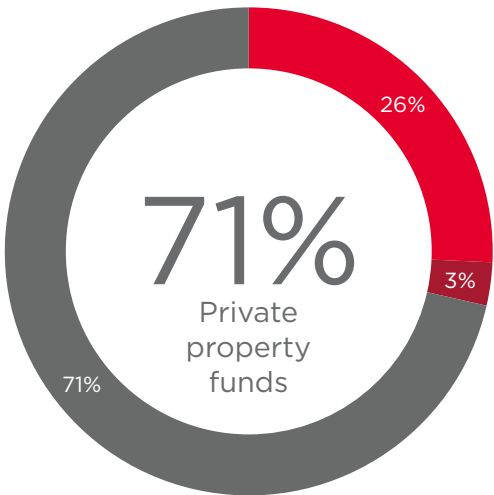
When the respondents were asked about their expectations of which investor type that will be most active in terms of acquisitions in the next six months, private property funds were the most frequently chosen investor with a large margin. Institutional investors were expected to be the second most active with 26% of the investors' votes.

Figure 33
Investors' Perception of the Development of the Banks' Willingness to Issue New Loans, Last Six Months



- Increased willingness to issue new loans
- Reduced willingness to issue new loans
- Unchanged willingness to issue new loans

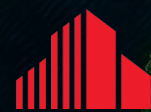
Figure 34
Expectations Regarding the Most Active Investor Type in Terms of Acquisitions, Coming Six Months



- Institutional investors
- Listed property companies
- Private property companies
- Private property funds

INVESTORS NOTE
UNCHANGED BANK
LOAN ISSUANCE,
WHILE PRIVATE
PROPERTY FUNDS
EMERGE AS THE
EXPECTED TOP
ACQUIRERS.

LIFE IS WHAT WE MAKE IT



**CUSHMAN &
WAKEFIELD**

About Cushman & Wakefield



About Cushman & Wakefield

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.

Disclaimer and confidentiality clause

This report should not be relied upon as a basis for entering into transactions without seeking specific, qualified, professional advice. Whilst facts have been rigorously checked, Cushman & Wakefield can take no responsibility for any damage or loss suffered as a result of any inadvertent inaccuracy within this report. Information contained herein should not, in whole or part, be published, reproduced or referred to without prior approval. Any such reproduction should be credited to Cushman & Wakefield.

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