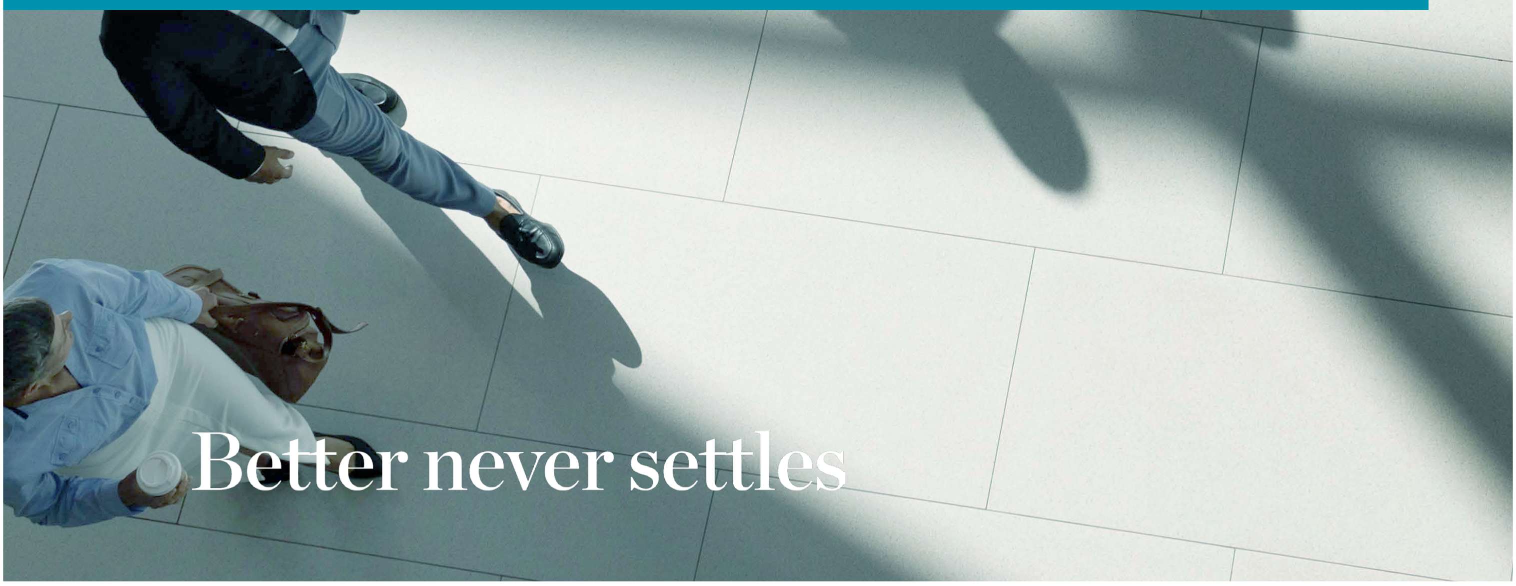
CUSHMAN & WAKEFIELD

PROPERTY INVESTOR CONFIDENCE INDEX

Sweden

Q3 2024



INVESTMENT VOLUME ACCELERATING IN H1 2024, WITH EXPECTATION OF A FURTHER IMPROVING SENTIMENT

The Swedish investment market has been making its way back into a positive momentum, with the investment volume closing at about SEK 54 billion (49) for the first half of 2024. Despite remaining below the 10Y average, the increase Y/Y is close to 11%, with an expectation of further acceleration in the second half of the year. The residential segment has constituted the largest fraction of the volume so far this year, accounting for 24%, closely followed by the office and industrial segments, with a 23% and 22% share respectively.

This report, composing investor insights gathered between August 27th and September 10th, indicates a more positive outlook for the upcoming six months, compared to the last edition. Survey results demonstrate stabilising occupier demand across major segments. Additionally, the yields are expected to remain stable, or possibly experience compression within certain sectors. With the investment market recovering, a slight majority of the investors are expecting to expand their portfolios. In terms of the most value influencing factors, the importance of vacancy development has continued to increase, along with the development of initial yields maintaining its position as key metric.

This edition of the survey delves into the investors' perception on the policy rate's effect on the leasing market. The respondents state their view of the importance of additional policy rate cuts to encourage tenants to sign new leases, with vacancy development facing more attention than before. The investors also assess the sentiment between sellers and buyers of real estate assets, whether there has been a change in the ease of agreeing on price, compared to a year ago.

Please do engage with any inquiries arising.

I wish you a great second 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 between 27th of August and 10th of September 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:

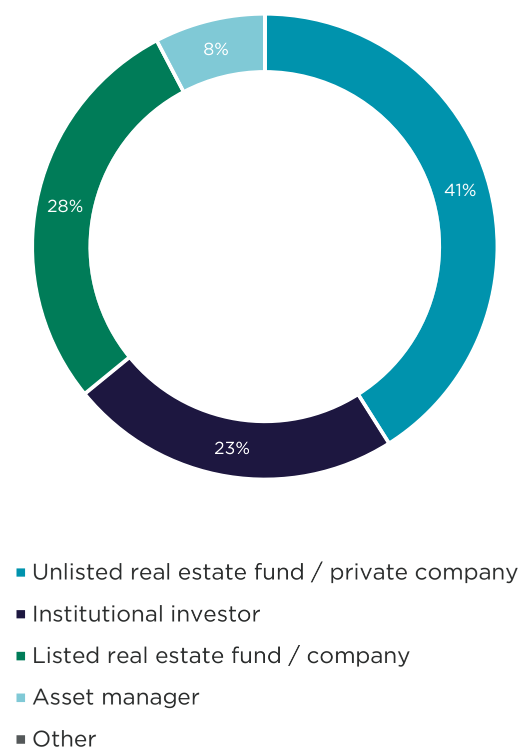
1. The results from the latest survey (pie chart)

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.

Figure 1

Distribution of respondents



OCCUPIER DEMAND - OFFICE & RETAIL

The outlook for office occupier demand remains somewhat divided. The sentiment is wieghing between the alternatives with no or minor changes, and worsened demand expectations. The result reflects a similar outlook compared to the previous survey.

Figure 2

Demand Expectations for Office Space

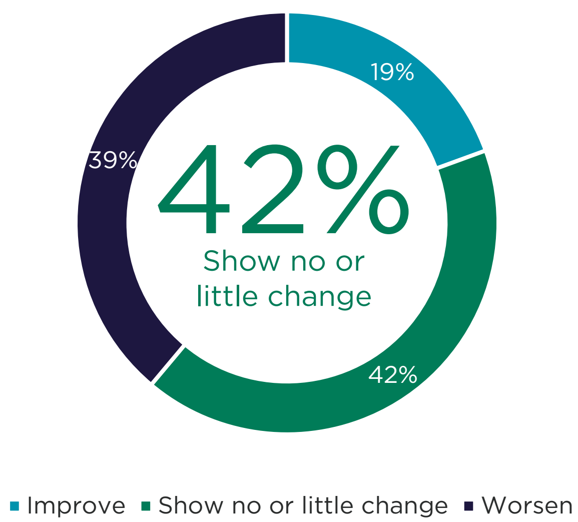
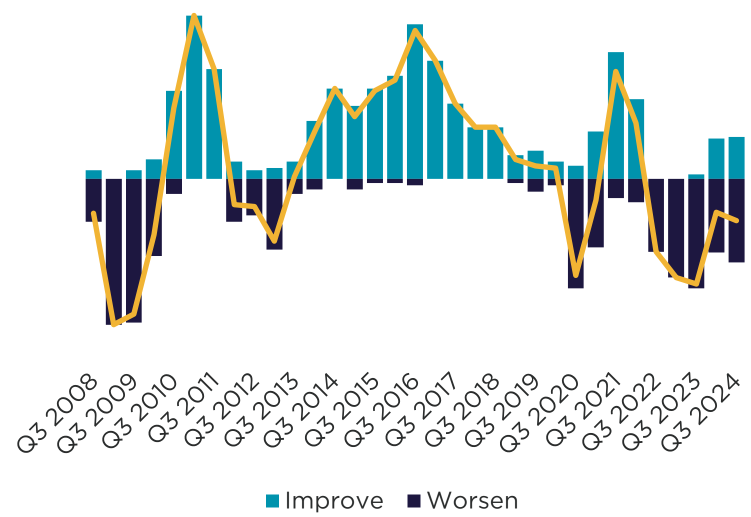


Figure 3

Demand Expectations for Office Space - Index



The investors predict a somewhat less challenging outlook for the occupier demand for retail, compared to the preceding survey. Although, little or no change in demand expectations is now the consensus among the investors.

Figure 4

Demand Expectations for Retail Space

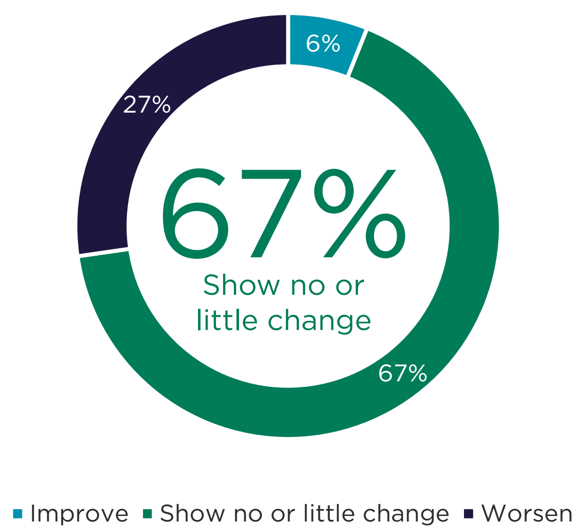
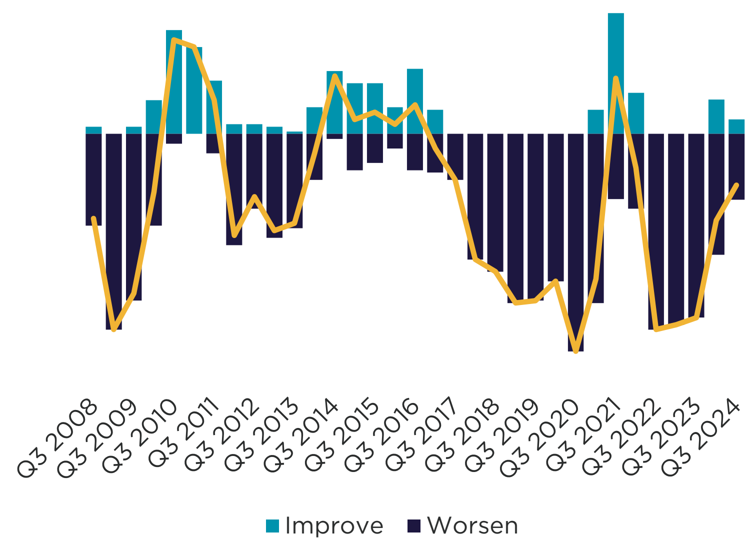


Figure 5

Demand Expectations for Retail Space - Index



OCCUPIER DEMAND - LOGISTICS/INDUSTRIAL

The occupier demand for logistics/industrial is yet again anticipated to remain unchanged according to the investors. The outcome indicates a slightly less positive outlook among the investors compared to the former survey.

Figure 6

Demand Expectations for Logistics/ Industrial Space

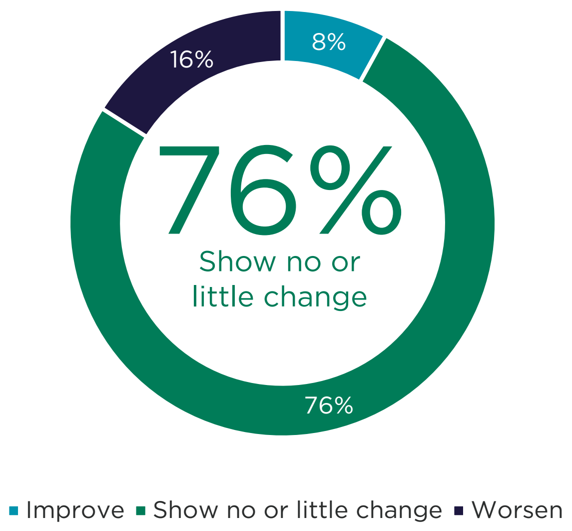
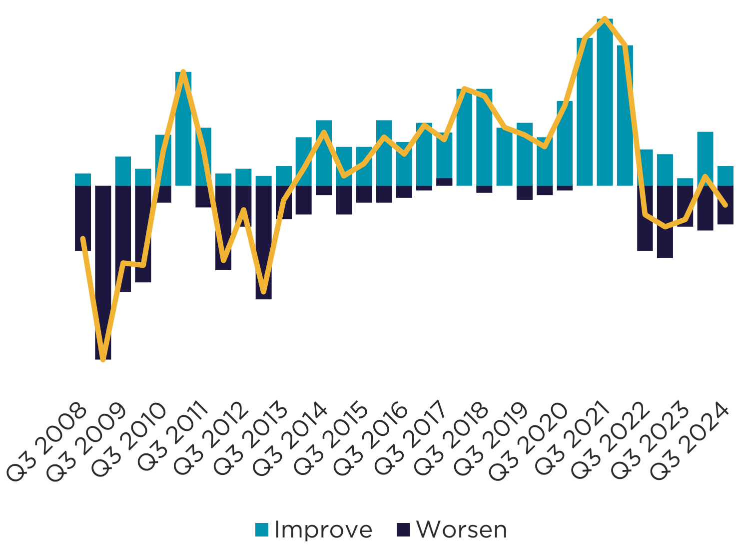
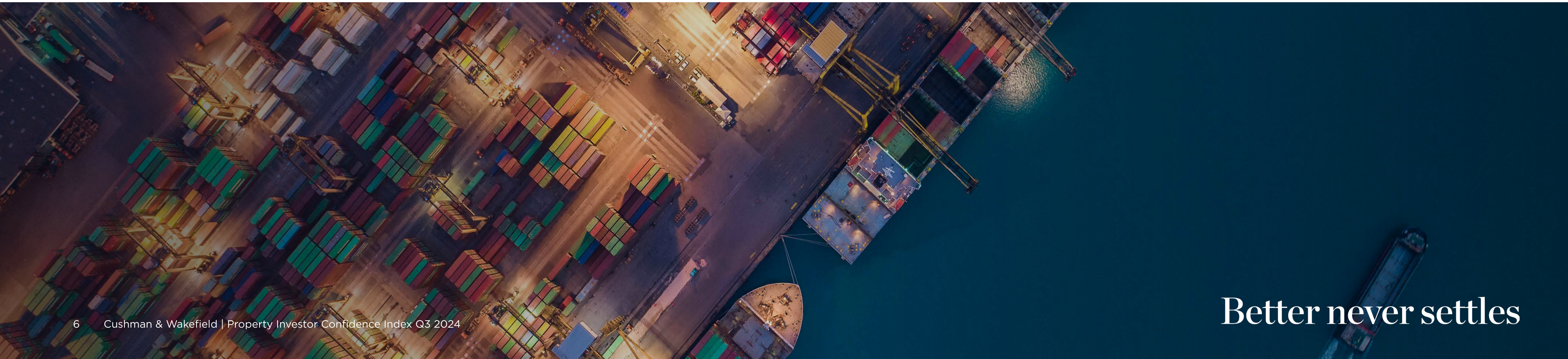


Figure 7

Demand Expectations for Logistics/Industrial Space - Index



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



YIELD DEVELOPMENT - OFFICE

The investors have experienced a more stabilised view of the office yield development in the past six months, although a substantial fraction still believe yields have increased. The responses are starting to deviate somewhat from previous four surveys, indicating a possible bounce back in the office segment...

Figure 8

Office Yield Development, Last Six Months

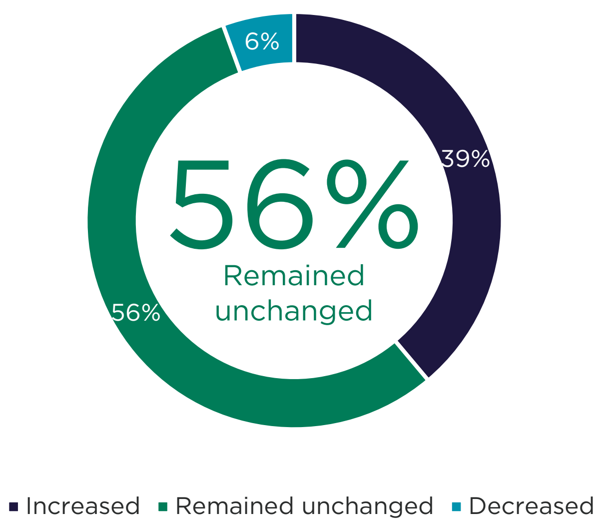
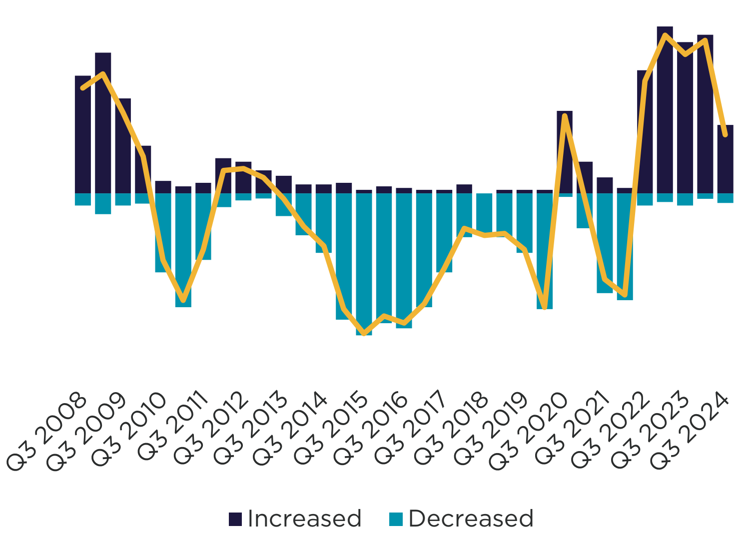


Figure 9

Office Yield Development, Last Six Months - Index



... which also is reflected in the outlook of the yield development in the coming six months, with stable yields, or possibly a start of compression being expected.

Figure 10

Office Yield Expectations, Coming Six Months

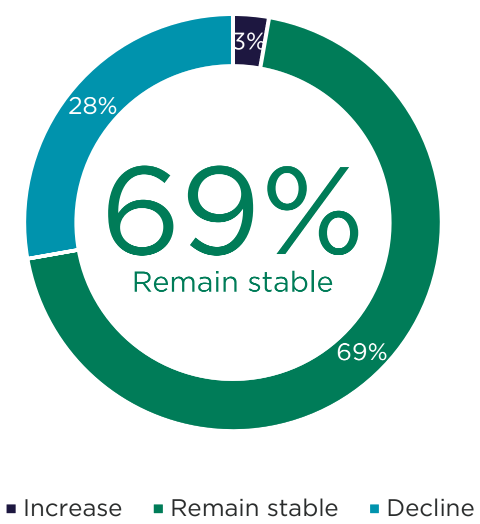
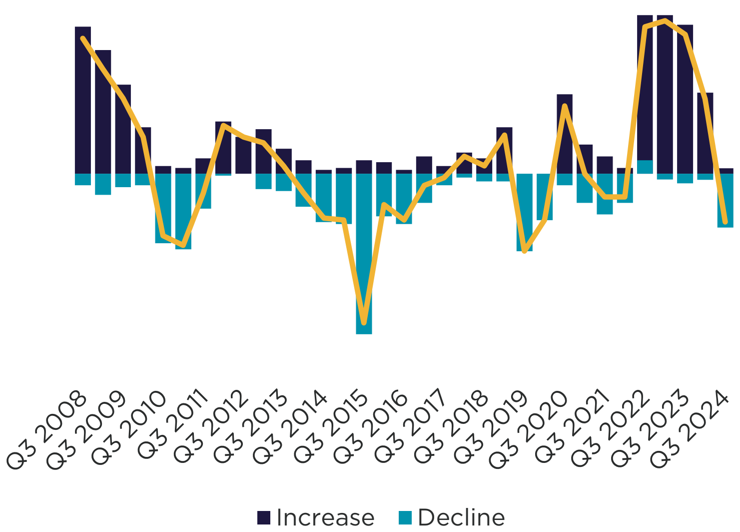


Figure 11

Office Yield Expectations, Coming Six Months - Index



YIELD DEVELOPMENT - RETAIL

The respondents have gone from a consensus of increasing retail yields in the last four surveys, to a more stable development in the past six months. Although, a rather large fraction still believe the retail segment has seen increasing yields lately...

Figure 12

Retail Yield Development, Last Six Months

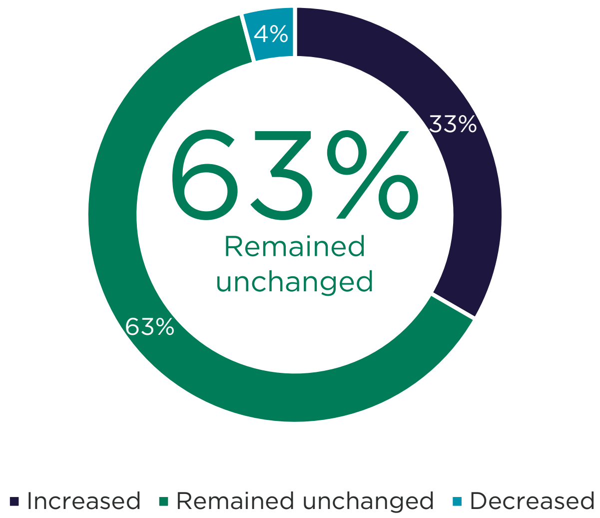
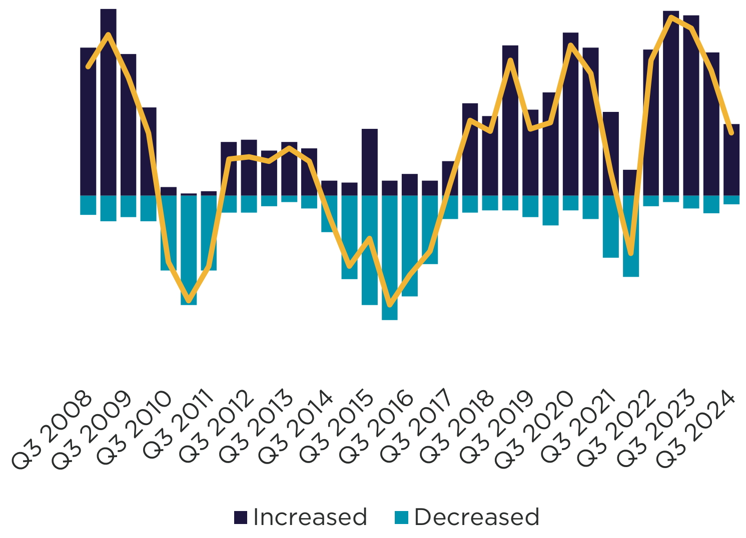


Figure 13

Retail Yield Development, Last Six Months - Index



... but indicate a stable outlook in the coming six months according to the investors' expectations. Simultaneously, this is the first time since Q1 2022 that the investors favour a decline over an increase of retail yields.

Figure 14

Retail Yield Expectations, Coming Six Months

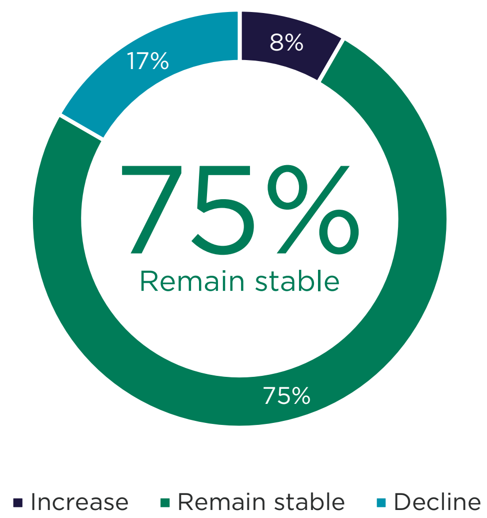
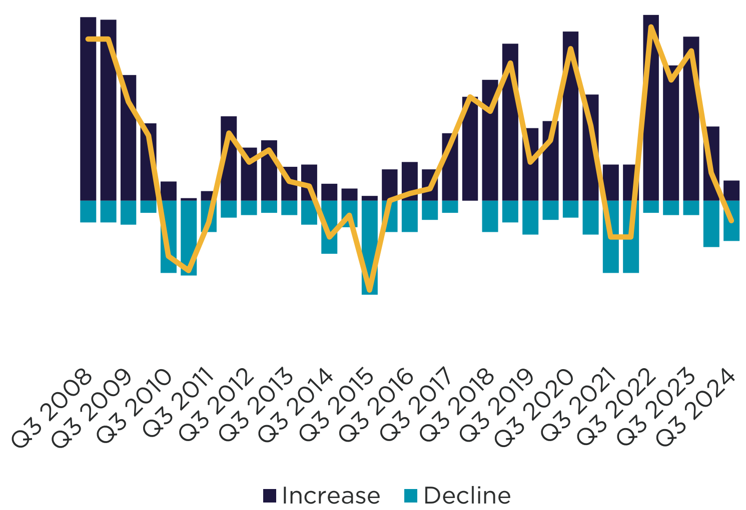


Figure 15

Retail Yield Expectations, Coming Six Months - Index



YIELD DEVELOPMENT - LOGISTICS & RESIDENTIAL

The investors' view on the development of logistics/industrial yields in the coming six months remain in status quo, with yields predicted to stabilise in the segment. A small proportion of the investors are still divided between an increase and a decrease in yields.

Figure 16

Logistics/Industrial Yield Expectations, Coming Six Months

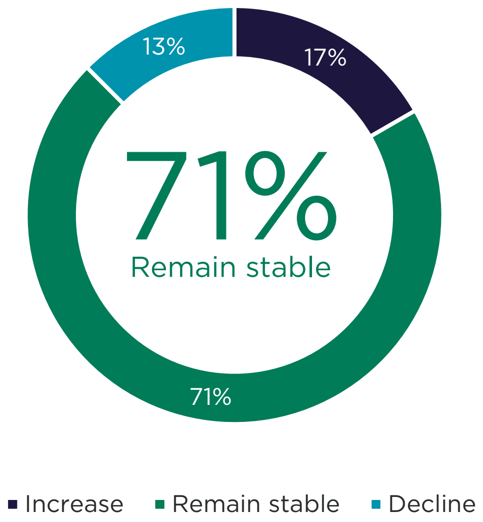
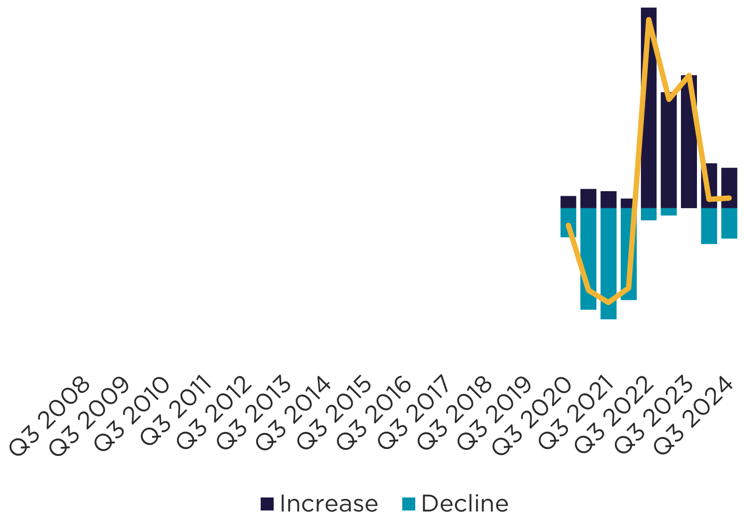


Figure 17

Logistics/Industrial Yield Expectations, Coming Six Months - Index



Regarding the development of the residential yields, the majority believe in yields remaining stable. Although, about one third of the investors predict yields decreasing in the coming six months, whilst increasing yields is completely excluded, resulting in the most positive sentiment since Q3 2021.

Figure 18

Residential Yield Expectations, Coming Six Months

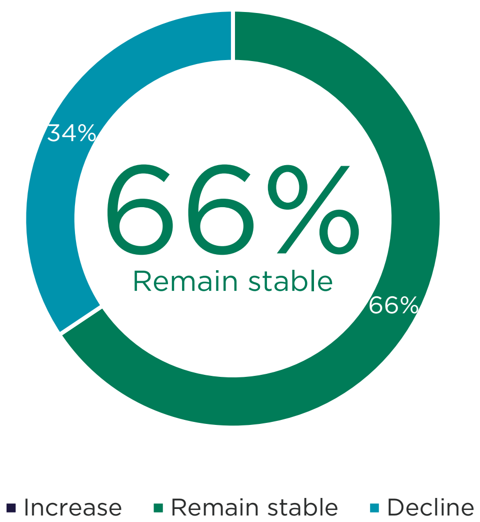
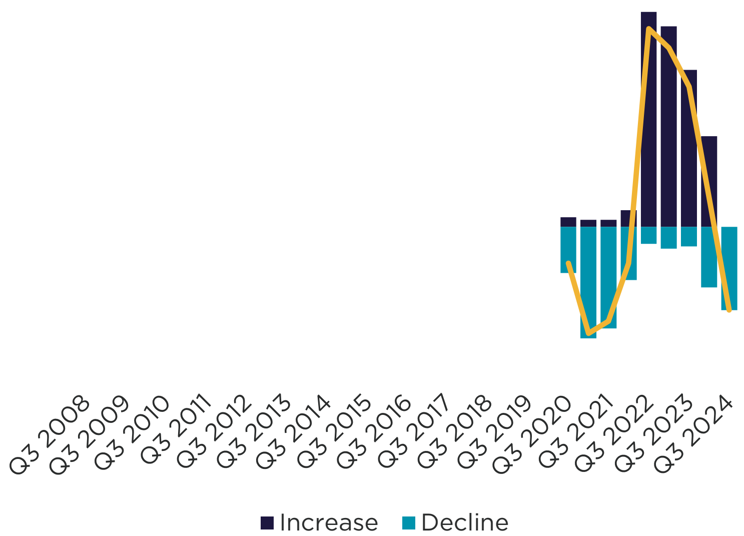


Figure 19

Residential Yield Expectations, Coming Six Months - Index

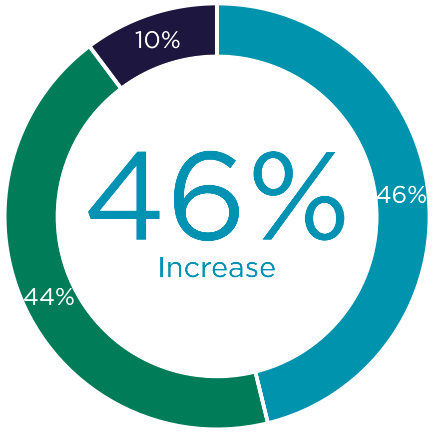


INVESTMENT PREREQUISITES

The investors are split between increasing their portfolios and maintaining their portfolios in its current state. Simultaneously, fewer of the investors are considering more disposals than acquisitions compared to the last survey, resulting in a maintained positive net sentiment.

Figure 20

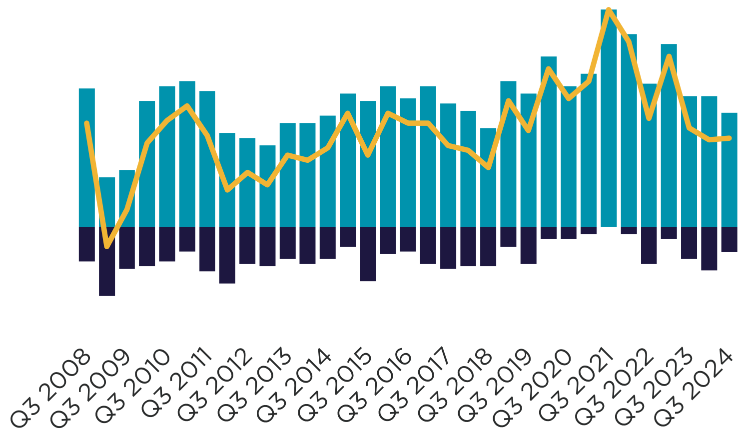
Portfolio Size Objective, Coming Six Months



- Increase: more acquisition than disposal
- Stable: as much disposal as acquisition
- Decrease: more disposal than acquisition

Figure 21

Portfolio Size Objective, Coming Six Months - Index

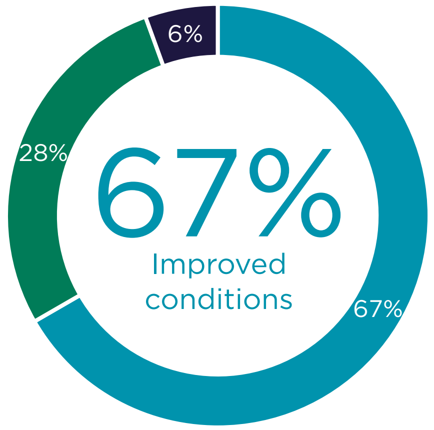


- Increase: more acquisition than disposal
- Decrease: more disposal than acquisition

The view on the future of financing conditions are shifting towards a more positive climate, with 67% of the investors believing in improved conditions ahead. This is followed by 28% expecting unchanged conditions. Simultaneously, the share of investors expecting worsened conditions has plunged, indicating the most positive sentiment since Q3 2021.

Figure 22

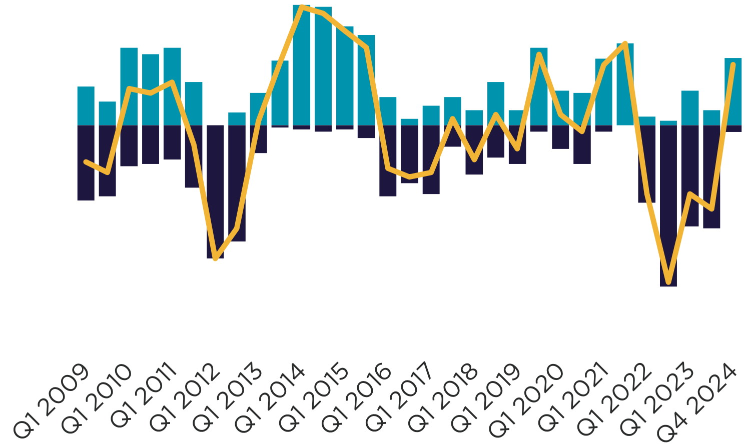
Financing Condition Expectations, Coming Six Months



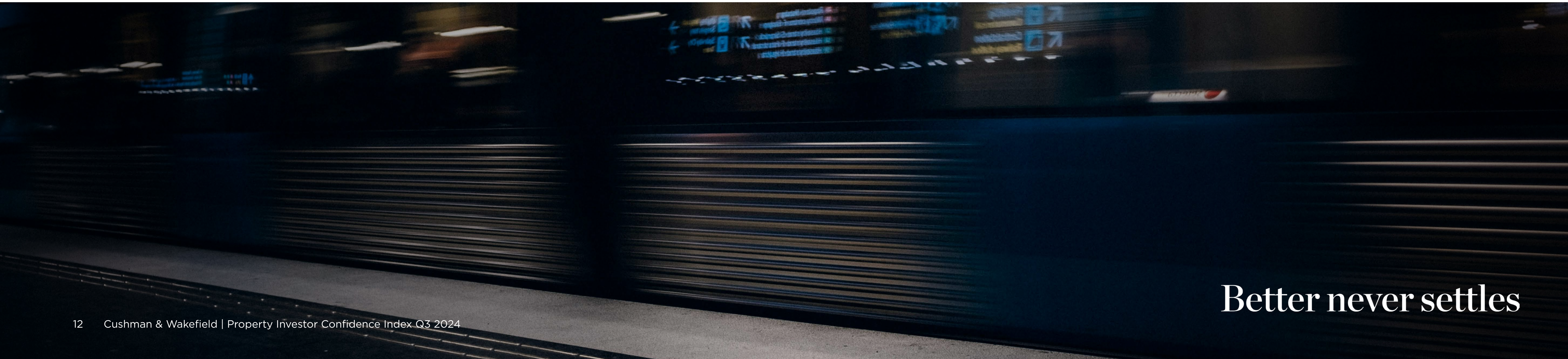
- Improved conditions
- Unchanged conditions
- Worsened conditions

Figure 23

Financing Condition Expectations, Coming Six Months - Index



- Improved conditions
- Worsened conditions



Better never settles

VALUE DEVELOPMENT

The investors' overall view of the future portfolio value development has seen a powerful rebound from the last survey, ending a two-year net negative sentiment. Among the investors, 41% anticipate values to improve, along with unchanged values constituting 59%. No investors expect their portfolio value to decrease in the coming six months, signaling that market lows are past.

Figure 24

Portfolio Value Development Expectations, Coming Six Months

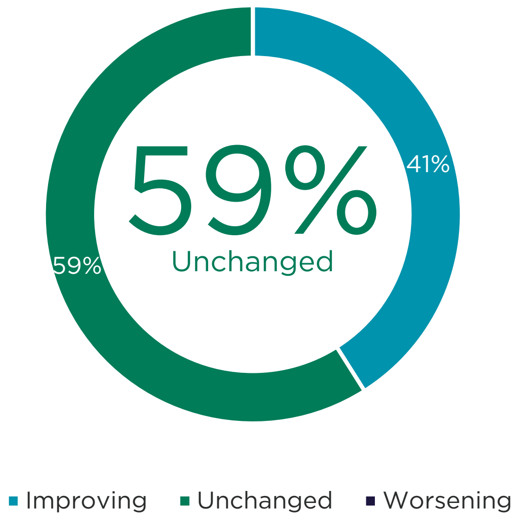
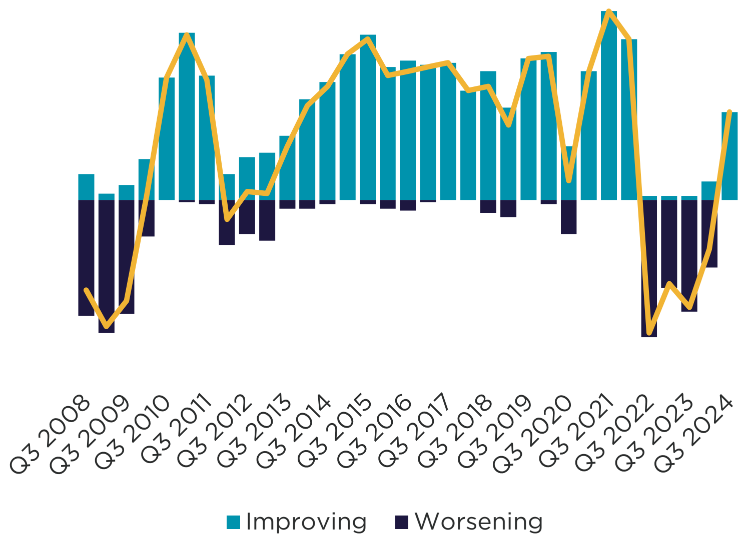
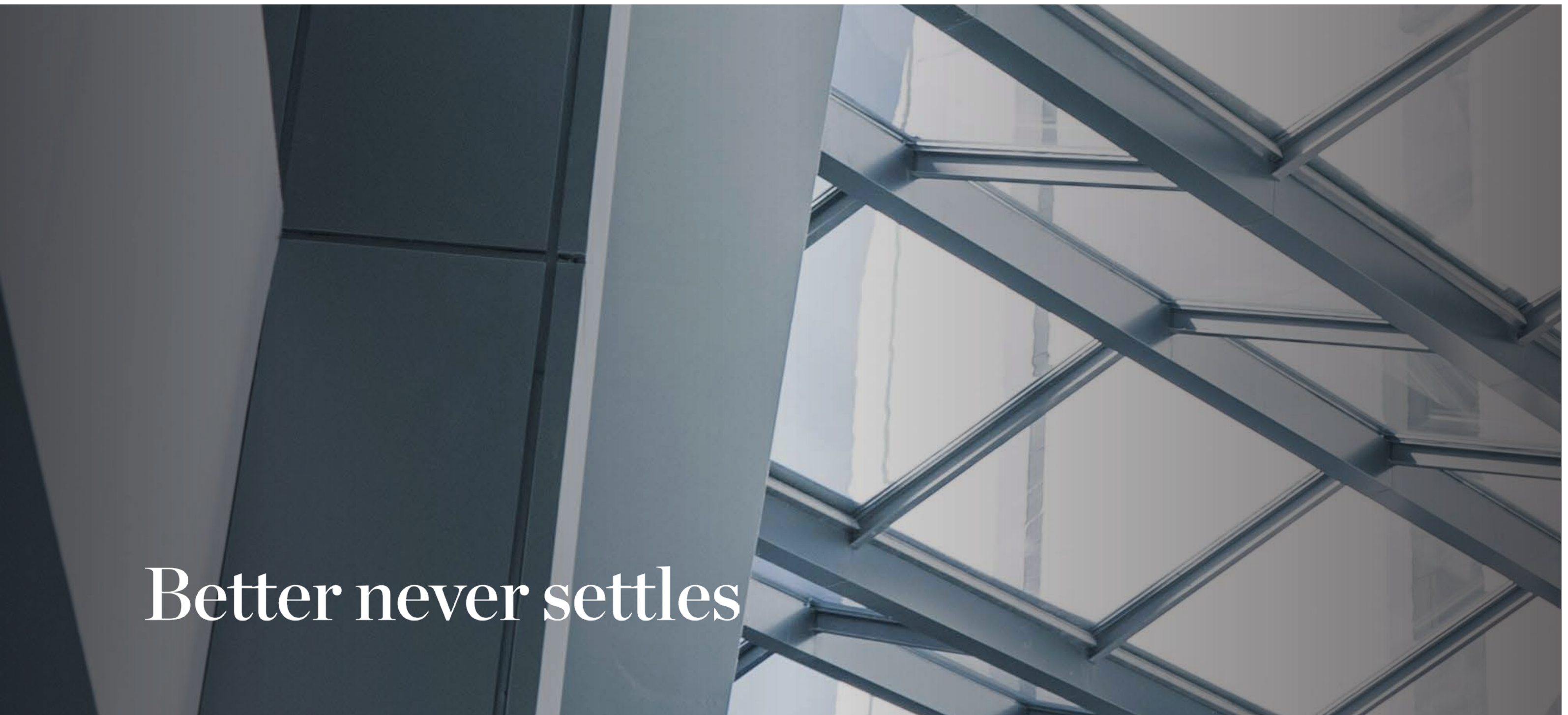


Figure 25

Portfolio Value Development Expectations, Coming Six Months - Index





Yield development remains one of the key drivers of overall value growth according to the respondents. The importance of the vacancy development flared up in the last survey and has continued its upward trajectory, now on similar levels as the development of initial market yields. Maintenance costs development are getting an increasingly important role on the portfolio value, whilst financing conditions remain low.

The investors remain divided on which segment that has the best potential over the next six months. The logistics sector is once again expected to see the best performance, followed by offices. Notably, the residential segment is getting more traction among the investors, along with the hotel and industrial segments maintaining their positions. Retail remains in the lower end but is increasing compared to the last survey.

Figure 26

Most Important Portfolio Value Influencing Factors

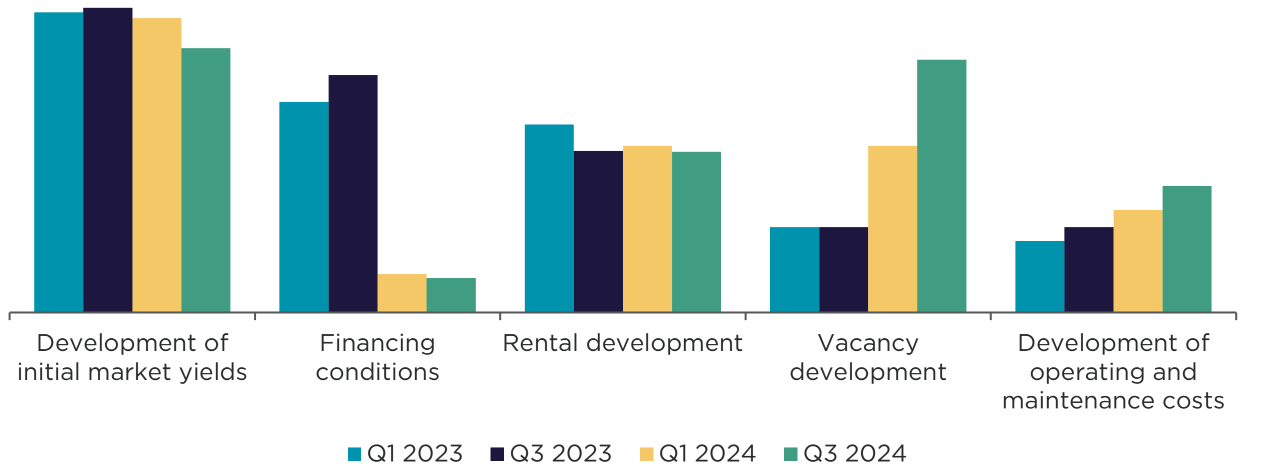
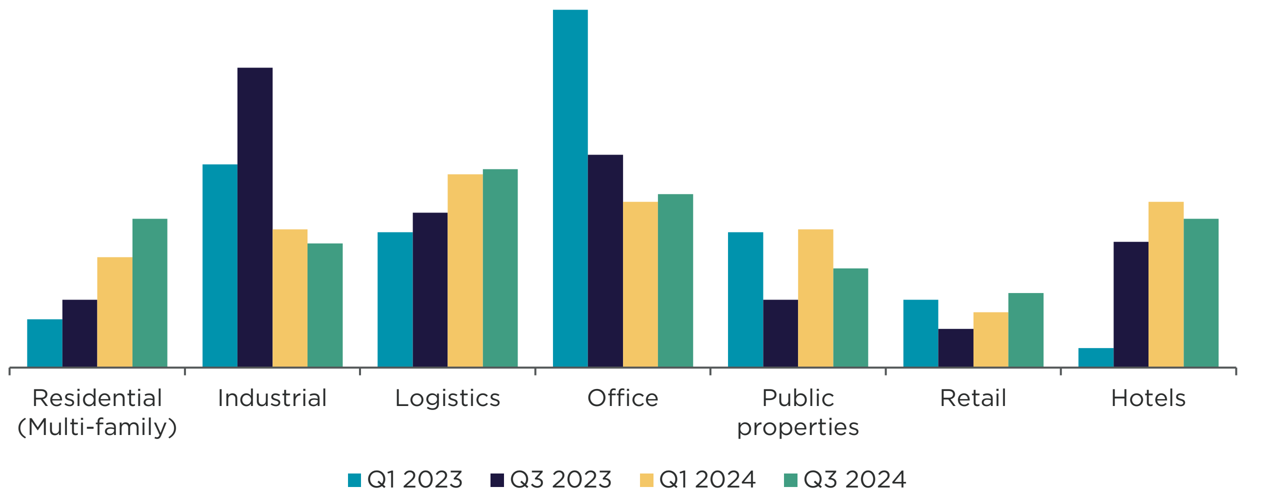


Figure 27

Segments with Potential to Perform Best, Coming Six Months

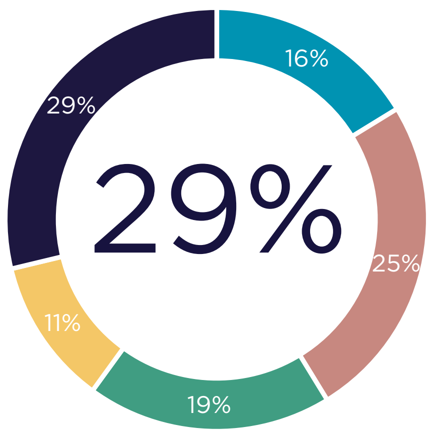


SUSTAINABILITY

Sustainability is still a key element in investment decisions, with emphasis being put on securing the organisations' long-term success. This is mainly realised by additional investments in the buildings and certifying the properties, as well as preparing for EU Taxonomy ESG reporting requirements.

Figure 28

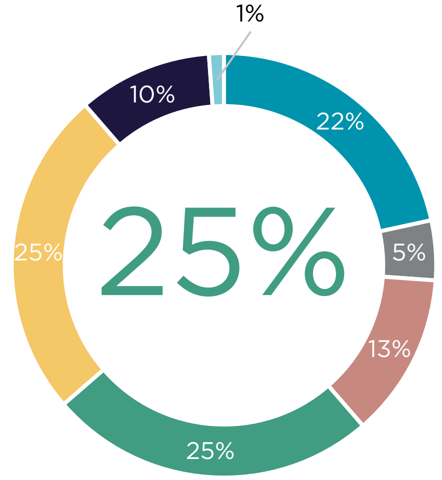
Which commercial advantages do you think are the most important by implementing an ESG strategy?



- We believe that it improves the occupier demand
- We believe that it improves the value of the properties
- We get more favourable 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?



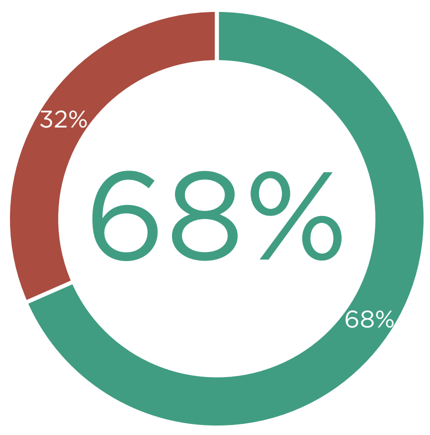
- We certify all our buildings with BREEAM/LEED /Miljöbyggnad
- We certify only our new buildings with BREEAM /LEED/Miljöbyggnad
- We report ESG in line with the requirements of the EU's Taxonomy
- We work to report ESG in line with the EU's Taxonomy within the coming years
- We invest in our buildings 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 the expectations of improving the property value, 68% of the investors are willing to pay a premium for higher sustainability ratings. Whilst 38% are not willing to pay a premium for high sustainability classifications, only 1% of the respondents are stating they have no ESG-strategy in place.

Figure 30

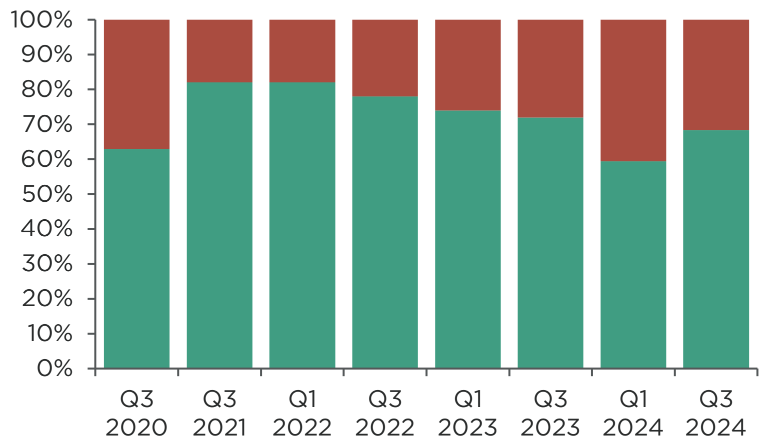
Are you willing to pay a premium for high sustainability classification?



- Yes
- No

Figure 31

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



- Yes
- No

Regarding the investment sustainability strategy, investors are divided between investing in projects with high-end ESG standards, and investing in brown assets, with the potential to develop them into achieving a higher sustainability grade.

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 importance of additional policy rate cuts in encouraging tenants to sign new leases. 66% of the investors view further policy rate cuts as relatively important or crucial for tenants to start signing new leases. About 23% view this as relatively unimportant, and 10% states it is not of importance at all.

When the respondents were asked about their perception on the change in ease of agreeing on pricing between buyers and sellers of real estate, it is clear that the bid/ask spread between buyers and sellers are starting to close in with 79% finding it easier to agree on pricing today compared to a year ago.

Figure 33

Investors' perception of the importance of further policy rate cuts in encouraging tenants to sign new leases

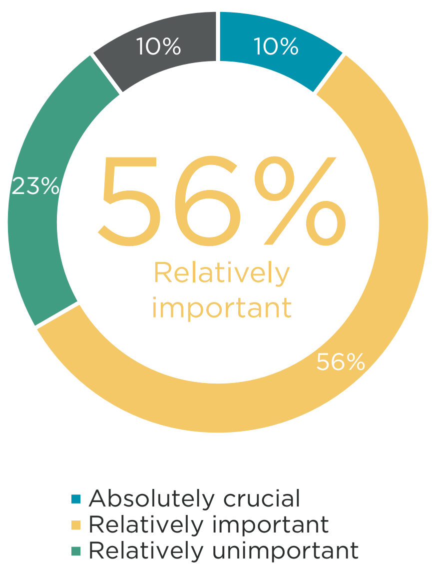
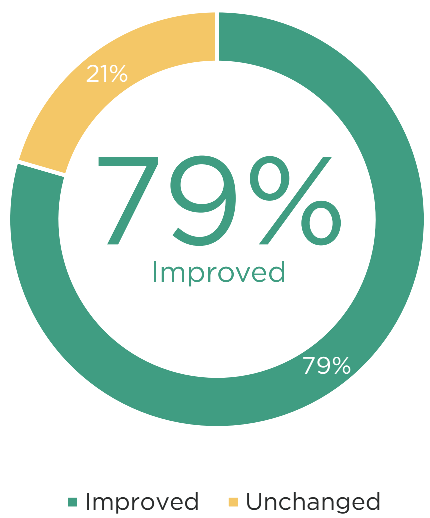
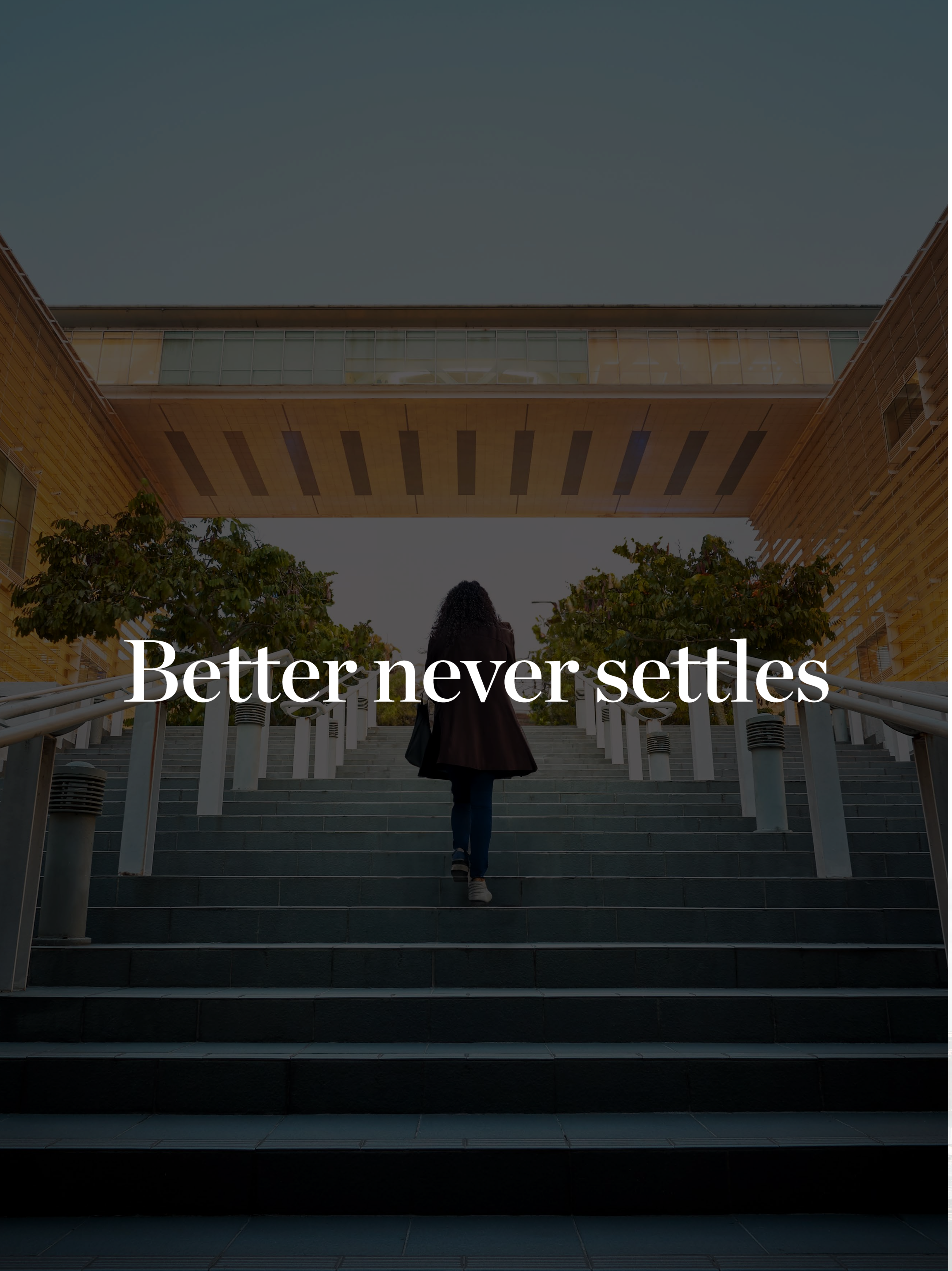


Figure 34

Investors' perception on the ease of agreeing on pricing between buyers and sellers, compared to one year ago





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.

Disclaimer and confidentiality clause

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