



April volume falls significantly as the Norrporten deals fall out of the 12-month figures

The monthly transaction volume in April amounted to SEK 5.8 billion. This was significantly lower than the SEK 36.1 billion and SEK 14.3 billion recorded in April 2016 and April 2015, respectively.

The rolling 12-month volume fell to SEK 152 billion in April, compared to SEK 182 billion in March. Private property companies are the biggest investors so far in 2017. Although there are many foreign investors active in the market (foreign investors represented over 25 per cent of all investments during the first quarter of 2017), the market was almost entirely dominated by Swedish investors in April. There is a good chance that the market has now reached the end of the increasing trend that started in the autumn of 2014. One reason for this is that the volume during the spring of 2016 was boosted by a number of

large deals (including Castellum's acquisition of Norrporten). In addition, uncertainty regarding new tax regulation that may be implemented in mid-2018 might also have a negative impact on volumes going forward.

The rolling 12-month average yield for commercial property transactions (office and retail) increased from a low of 5.6 per cent in February 2016 to 6.1 per cent in December 2016, driven by an increasing number of transactions involving commercial properties outside the major cities (in several cases poorly performing retail properties). Long-term interest rates have, however, fallen back during the spring of 2017 and leading indicators for the manufacturing industry is signalling a pick-up in exports and industrial production during the rest of 2017. In addition, the inflation figure for April was a disappointment for the Riksbank, which has decided to resume their asset purchases during the second half of 2017. Although credit

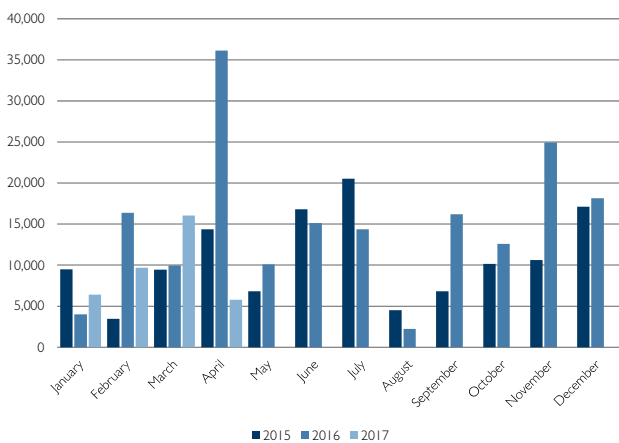
access is still limited for small investors without a strong track-record, these macro factors are pushing yields and yield spreads downwards. As a result, the rolling 12-month average yield for all office and retail transactions have fallen back somewhat in recent months, from 6.1 per cent in December 2016 to 5.9 per cent in April 2017. The average yield for office properties is now back at historically low 5.2 per cent.

However, Catella expects this to be temporary. The Swedish GDP growth is slowing down and moving towards its potential rate of around 2 per cent (which is decided by the increase in labour force and productivity) during 2017–2018, while inflation and long-term interest rates are expected to increase gradually. These are all factors that indicate increasing average yields and higher yield spreads between A, B and C locations for commercial properties in the coming years.

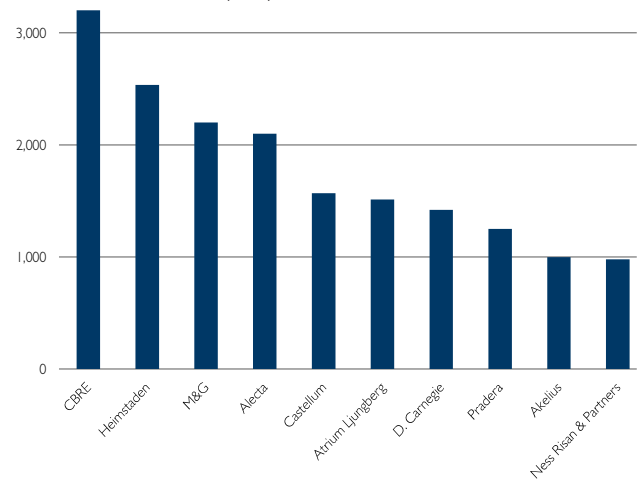


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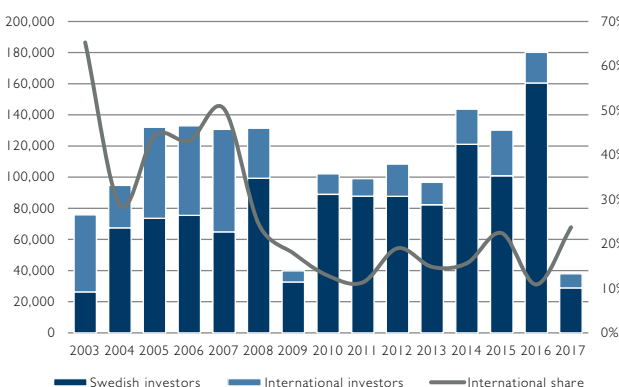
TRANSACTION VOLUME PER MONTH, MSEK



TOP 10 INVESTORS 2017 (YTD), MSEK



TOTAL SWEDISH TRANSACTION VOLUME, MSEK



INVESTOR TYPE AND REGION

