

Frankfurt am Main, 15 October 2020

# Nordic real estate markets show resilience in 2020

The Nordic real estate markets embody stability, transparency and yield opportunities. The economic downturn in the Nordic countries caused by the pandemic is much less severe than in the rest of Europe. Sweden's economy contracted by 8.6% in the 2nd quarter, but began to grow again at the beginning of June. While investor demand is expected to remain strong due to high market liquidity and a lack of alternative investment opportunities, the rental market is under pressure due to falling income and increasing risks. These are the results of the latest analysis by Catella, a company with Nordic roots and broad market coverage in the region.

Prof. Dr. Thomas Beyerle, Head of Group Research, Catella, comments: "The Nordic countries are generally relatively well equipped to deal with recession risks, as the public finances in Finland, Sweden, Norway and Denmark are among the healthiest in Europe and offer sufficient room for manoeuvre. Fiscal policy supports economic recovery, while real estate markets benefit from monetary policy measures - but economic risks remain."

Some results of the current study:

- The total transaction volume in the first half of 2020 stands at EUR 16.1 billion, which is 14% less than previous year, but a solid result in view of the pandemic. After a good first quarter, investment market activity decreased significantly during the second quarter.
- A strong demand can be observed for core properties and public tenants in prime locations with low rental income risks, therefore public properties, residential rental properties and prime logistics segments are focused. Increasing financing costs and credit margins related to high-risk property segments are expected.
- Residential transaction volume has increased significantly compared to the previous year up to 32% and made the residential sector to the most sought-after asset class in the first half year 2020, followed by the office sector standing at 29%. The share of international investors shrank from 35% in 2019 to 29% in H1 2020.
- Sweden achieved the highest transaction volume of all Nordic countries with EUR 6.7 billion in total numbers. Norway recorded the sharpest decline amounting to 22%, followed by Sweden (-14%) and Finland (-13%) while the decline has been moderate in Denmark (-2%).
- Market activity in Finland decreased significantly during the second quarter to EUR 400 million after a record-high first-quarter volume at EUR 3.0 billion. Prime yields increased slightly in the Helsinki metropolitan area after a long period of decrease. In the growth centres, the yield requirements remained mainly unchanged. In the Helsinki metropolitan area, retail vacancy rate decreased from 2.9% to 2.8% during the first half of the year.

# Press Release



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- The diversification potential in the Nordic countries remains high due to the heterogeneous yield structure. We expect further increasing interest from international investors in the Nordic property market, not least because of the structural stability in the long term.

The complete study can be downloaded here:

<https://www.catella.com/en/germany/research>

For more information please contact:

CATELLA

Prof. Dr. Thomas Beyerle

Head of Group Research

T +49 30 310193 220

thomas.beyerle@catella.de