



CUSHMAN &
WAKEFIELD

Property Investor Confidence Index

Sweden Q3 2021

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INCREASED OPTIMISM CONTINUES IN THE LATTER PART OF 2021

The investment market continues to recover in the second half of the year, with investors displaying increasingly optimistic sentiment. In contrast to our Investor Confidence Survey released in Q1 2021, the investors now believe in improved outcomes across all major market segments, including a notable shift in perception of retail properties. At the same time residential and logistics/industrial properties continue to exhibit the highest confidence among the investors.

Results of the report, with insight collected 23-31 of August continue to show a more optimistic outlook compared to the previous six months. Survey results show a strong belief in improved occupier demand across all major segments. The investors seem to be willing to capitalise on the positive market sentiments and plan to expand their portfolios further. As a result of the increased demand and limited supply of new developments additional yield compressions may occur. Adding to that, financing conditions are believed to be stable or even improve in the coming months, further improving the positive outlook.

This edition of the survey revisited the sustainability theme first introduced a year ago, to examine how a year of uncertainty changed investors' approach to sustainability classifications. The results show that a clear majority of the respondents consider sustainability classifications when investing and are willing to pay a premium for it.

In addition, latest edition of the survey touches upon the perception of alternative investments and proptech solutions. Even though the investment consideration for both is still relatively limited, it appears that they are gaining market attention.

The transaction volume in the first half of 2021 was the strongest one yet (SEK 111.9 billion), a nearly 50% increase from the same period last year (SEK 75.6 billion). Low interest rates and a booming stock market fuels interest in the real estate sector. Residential (30%), office (18%) and industrial/logistics (17%) have been the most attractive segments to invest in. The share of divested public properties has increased during the past six months, while transactions in the retail segment remain stable at 10% of the total transaction volume. Domestic buyers continue to dominate Swedish property market with 84% of the transactions. International capital comprised mostly of American (6%) or Norwegian (5%) investors.

Thank you everyone for investing your precious time in answering the questions. You are always welcome to reach out with any inquiries.

Have an exciting and successful autumn!



Best regards,
Michal Toporowski
Research Analyst, Sweden

“The investment market continues to recover in the second half of the year, with investors displaying increasingly optimistic sentiment”

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 find the results of the latest survey, conducted 23-31 of August 2021.

General sentiment of the market

This report contains compiled figures, results and conclusions from the latest survey. The results give

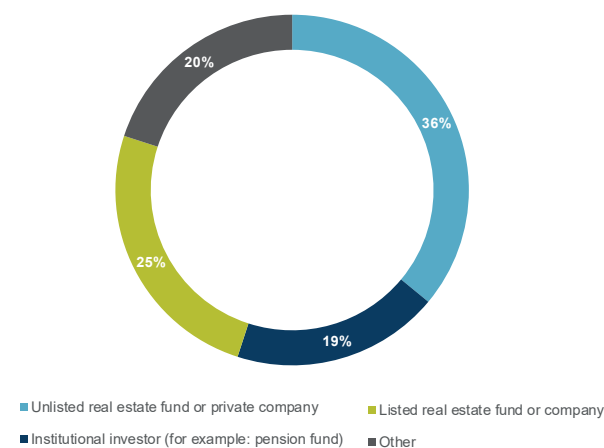
a good understanding of the general mood amongst property investors in Sweden and their view of the market going forward.

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

Respondent distribution

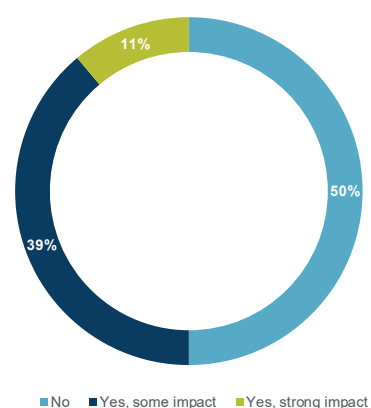


Pandemic related news is having a mixed impact on the investment decisions

Since the beginning of 2020 our news feeds have been flooded with pandemic-related content, many of which being pessimistic. Cushman & Wakefield decided to see how such news impacts investment decisions. 50% of the respondents answered that pandemic-related news has no significant impact on their decisions, while 39 % indicated it has some influence. 11% stated that pandemic-related news has had a strong impact on their investment decisions.

Figure 2

Pandemic news impacting investment decisions



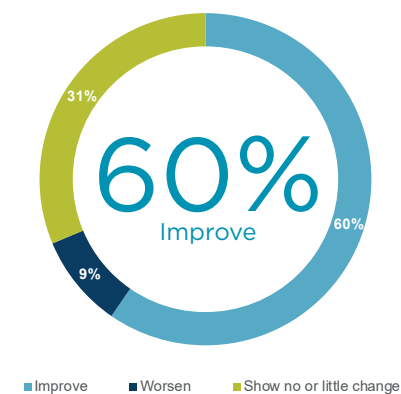
Occupier Demand - Office & Retail

Optimistic outlook for office space demand

Many of the respondents (60%) expect the short-term demand for office space to improve in Q3 2021, which represents a substantial increase over the past six months (from 22% in Q1 2021). Nearly a third (31%) of the respondents believe that the demand for office space will remain stable, while only 9% expect the demand to decrease. This is a major shift towards

Figure 3

Demand for office space

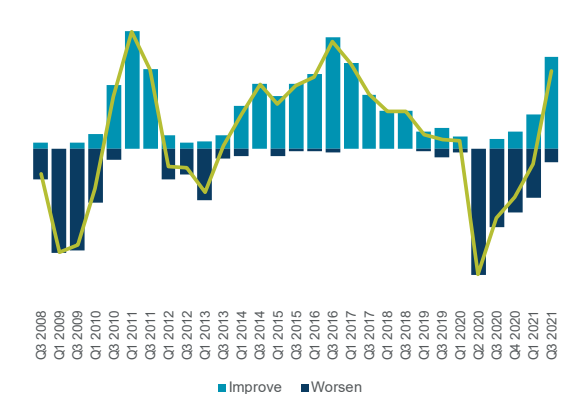


a more optimistic view when compared to Q1 2021, when almost a third of investors believe the demand to decline.

The index has shifted from -32 (Q4 2020) via -10 (Q1 2021) to 50.

Figure 4

Demand for office space



A seismic shift in expectations towards the demand for retail space

In an unexpected shift compared to previous years, most of the respondents expect the demand for retail space to improve (50% Q3 2021, 10% Q1 2021). During Q1 2021, 70% of the respondents had concerns about the worsening demand for retail space. These

concerns seem to have diminished since only 27% of the respondents still believe in worsening demand for retail space and 23% (20% Q1 2021) believe the demand will stay at status quo.

The index has dramatically improved in the last six months, from -60 (Q1 2021) to 23.

Figure 5

Demand for retail space

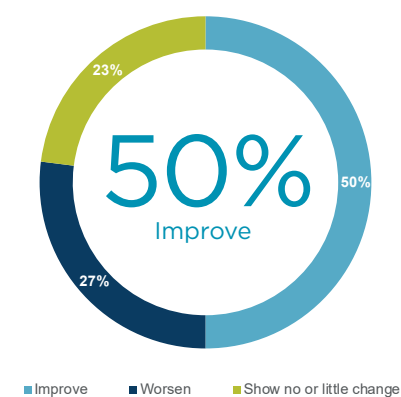
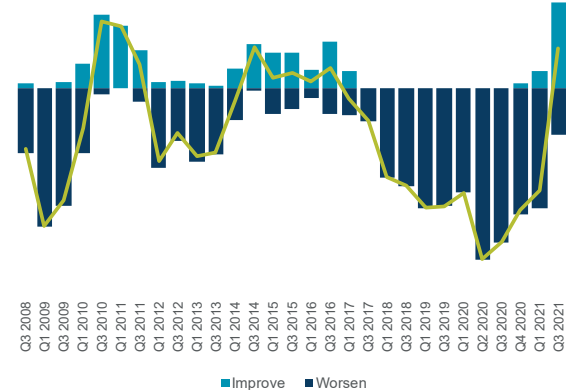


Figure 6

Demand for retail space

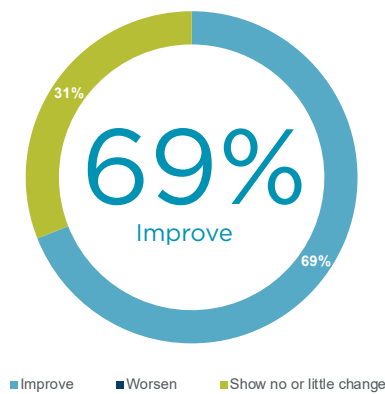


Occupier Demand - Logistics/Industrial

Logistics/industrial space gains attraction among investors – demand is expected to improve further in the coming six months

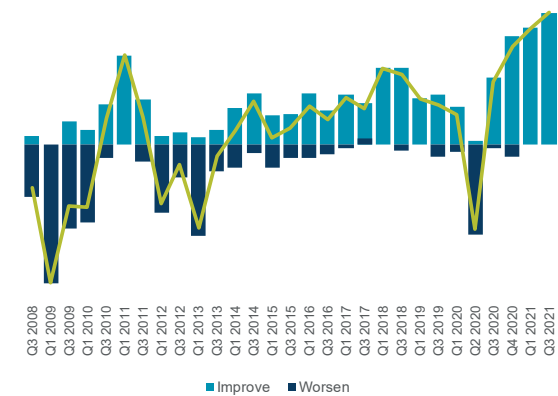
Logistics/industrial space keeps gaining attraction among investors and 69% of the respondents expect further improved market conditions, while the rest of the respondents believe demand will remain unchanged (31%). No respondent believes in worsened market

Figure 7
Demand for logistics/industrial space



conditions, which is in line with the result of the last survey.
Index has increased by 8 points, from 61 (Q1 2021) and is currently at 69.

Figure 8
Demand for logistics/industrial space



“Logistics/industrial space keeps gaining attraction among investors and 69% of the respondents expect further improved market conditions”

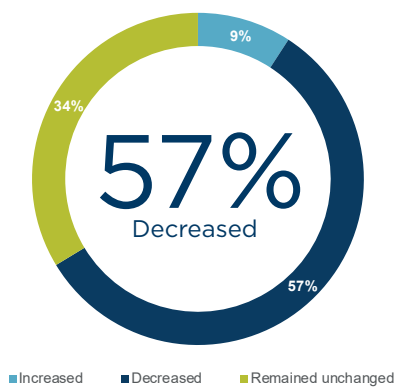


Yield Development - Office

Compression of office yields over the last six months...

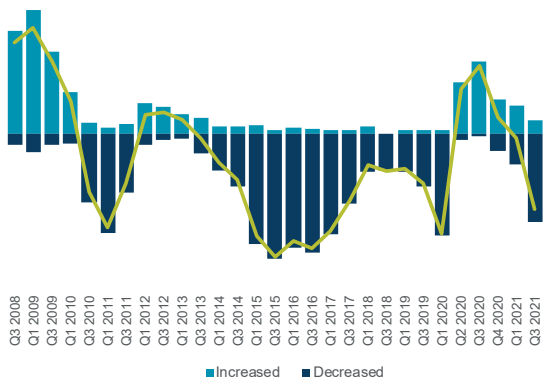
57% of the respondents have experienced compressing office yields, compared to just 20% in Q1 2021. A clear shift is visible compared to the status quo observed in Q1 2021. 34% of the investors believe in stable yields (62%, Q1 2021), while only 9% believe in

Figure 9
Office yield, last six months



yields decompression (down from 18% in Q1 2021). The index has taken a positive downturn at -49 compared to Q1 2021 (-3), and Q4 2020 (11).

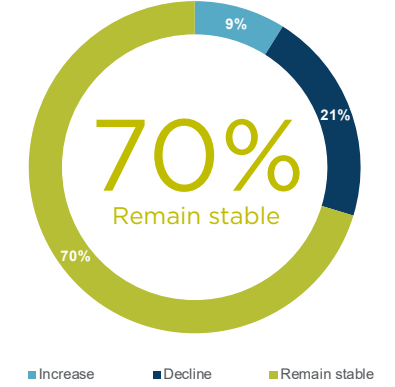
Figure 10
Office yield, last six months



...with investors expecting yields to stay at current levels throughout H2

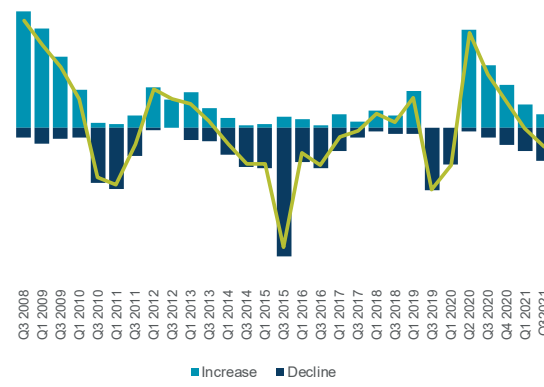
A clear majority (70%) of respondents believe in stable office yields over the coming 6 months. 9% of the investors believe in decompressing office yields henceforth, an improvement from the last survey (15%). The fraction of respondents believing in

Figure 11
Office yield, coming six months



declining yields have increased from 15% (Q1 2021) to 21%. The index value has reached -12, compared to 0 in Q1 2021 and 17 in Q4 2020.

Figure 12
Office yield, coming six months

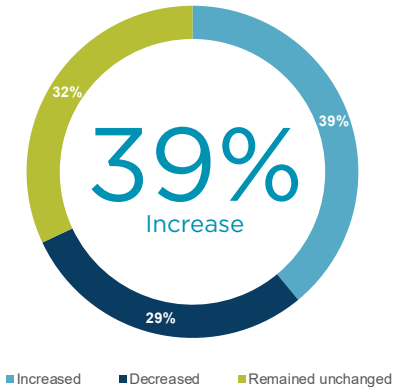


Yield Development - Retail

Split views on retail yields

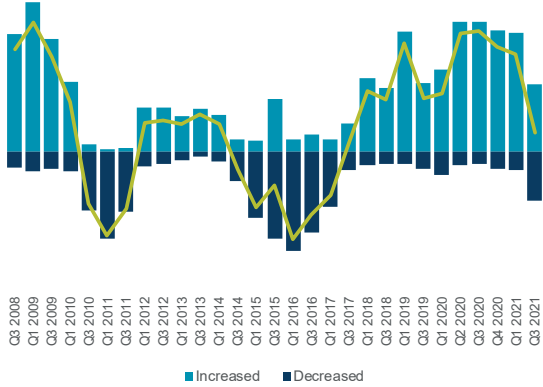
Compared to the last survey, the respondents seem to have a more optimistic, however split view of the retail yields. The majority (39%) still believe yields to have increased in the first half of 2021. It is however a significant decrease from the last survey (69%). 32% of the respondents believe that the yields have

Figure 13
Retail yield, last six months



stabilised in H1 2021, while 29% think that the yields have compressed. The index value is visibly more positive, from 57 (Q1 2021) to 11.

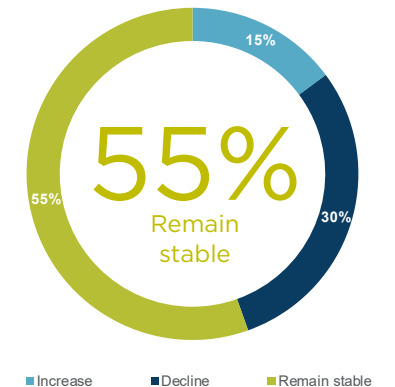
Figure 14
Retail yield, last six months



Stable outlook for the coming six months

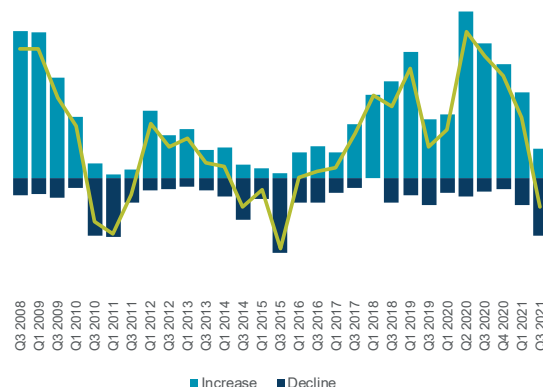
Responding investors predict stable outlook (55%) for retail yields over the coming six months, with only 15% predicting a decompression. 30% of the respondents now believe that yields will decline in the coming six months.

Figure 15
Retail yield, coming six months



A major increase since the last survey (14% Q1 2021). The index value has dropped from 31 (Q1 2021) to -15.

Figure 16
Retail yield, coming six months

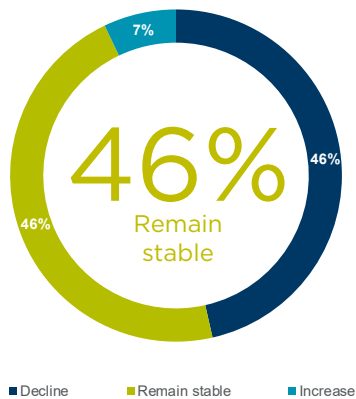


Yield Development - Logistics & Residential

Logistics/industrial yields expected to compress ahead

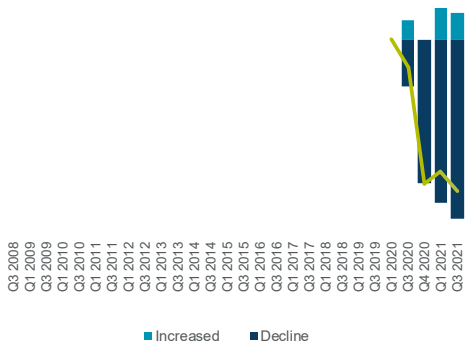
The optimistic mood towards logistics/industrial is persistent. 46% of the investors bet on declining logistics/industrial yields, an equal share of the investors predicts the yields to stabilise over the coming six months. Only 7% of respondents are more pessimistic about the future, which is in line with the

Figure 17
Yields Logistics/industrial, coming six months



last survey (8%).
The very first index value was -7 (Q3 2020). Throughout Q4 2020 and Q1 2021 the index remained low (-38; -34). Currently the index stands at -39, indicating strong optimism among investors.

Figure 18
Yields Logistics/industrial, coming six months



Further positive outlook for residential yields
When asked about residential yields 42% of the respondents expect a declining trend while 55% expect the yields to remain stable. Only 3% believe in yield decompression, same as in the beginning of 2021. The yield expectations in the residential segment were

added to the survey in 2020 due to being one of the most transaction intense segments at the moment. The index value for Q3 2021 is -39 compared to -44 in Q1 2021.

Figure 19
Yields Residential (multi-family), coming six months

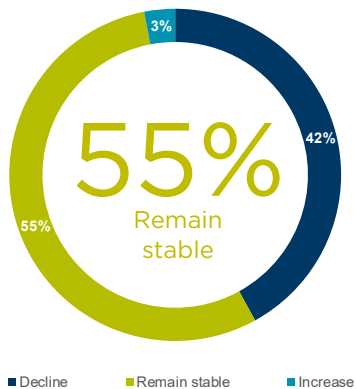
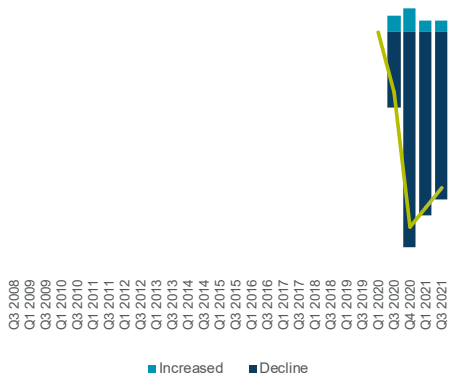


Figure 20
Yields Residential (multi-family), coming six months



“The optimistic mood towards logistics and industrial is persistent”

Investment Prerequisites

Investors going on a shopping spree
Most of the investors (87%) are looking to expand their portfolio, a steep increase compared to last survey (62%, Q1 2021). The share of respondents looking to be active, purchasing as well as selling, has decreased dramatically, from 35% (Q1 2021) to mere 13%. For the first time since the survey was launched in 2008, no

respondents have indicated plans to conduct more disposals than acquisitions.
The index increases from 59 (Q1 2021) to 87 and show a contiguously steady demand ahead.

Figure 21
Acquisition/disposal, coming six months

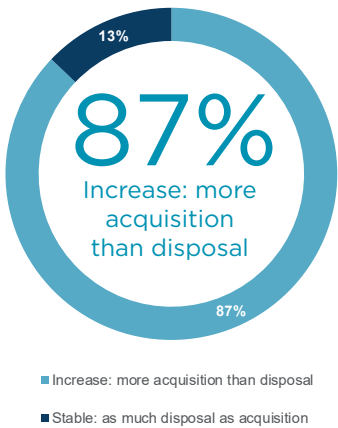
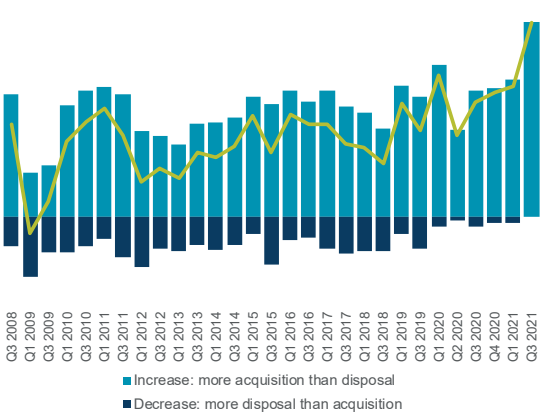


Figure 22
Acquisition/disposal, coming six months



Returning confidence in improving financing conditions
Similarly, to our last survey, responding investors expect the overall mood in the banks to improve. 38% of the investors are expecting improved financing conditions comparing to only 11% in Q4 2020,

No respondent believes that the financing condition will worsen, while a clear majority (62%) expects the terms to remain stable.
The index has sharply risen, from -3 (Q4 2020) to 38.

Figure 23
Financing, coming six months

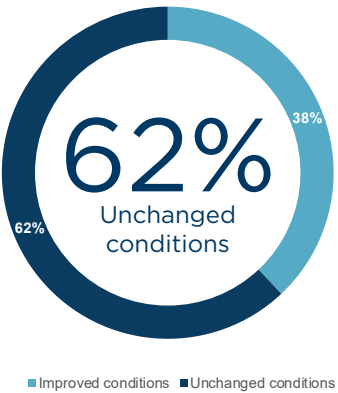
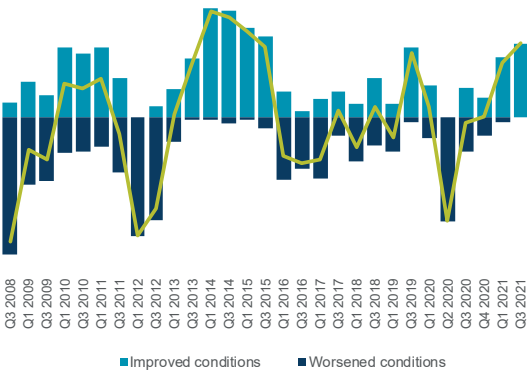


Figure 24
Financing, coming six months



Value Development

Significant value development is expected ahead
In our last survey, the share of optimistic participants was 60%, compared to 87% this time around. The result is in line with the increasing optimism in the market and the strong demand for real estate acquisitions among investors. None of the respondents expect their portfolio to weaken, however a small

share (13%) still sees the value of their portfolio to remain unchanged.
The index has moved up 27 points from 60 (Q1 2021) to 87.

Figure 25
Portfolio value development, coming six months

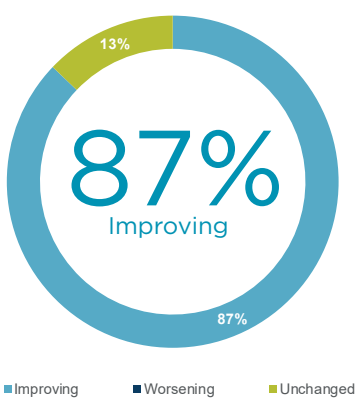
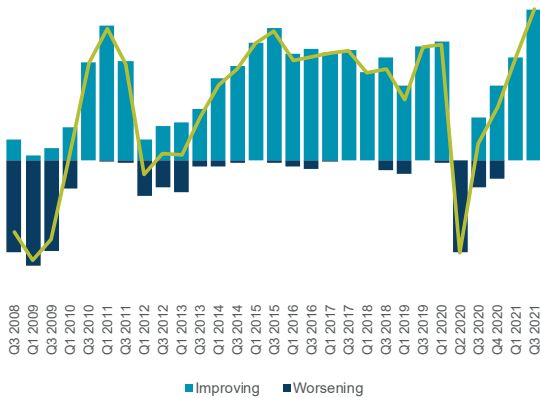


Figure 26
Portfolio value development, coming six months



Rental development and initial market yields seen as a key for overall value
Two factors are seen as key aspects influencing the development of portfolio value in 2021: Initial market yields development and rental development. The importance of vacancy development seems to be weakening slightly in the eyes of investors, while financing conditions are gaining importance.

Bright outlook for most segments
The respondents seem to be more split than ever on which sector is set to perform best in the coming six months. While public properties and logistics segments continue to top the performance outlook, retail and the hotel segment both recorded strong gains of optimism in this edition of the survey. The results show that the optimism in the market is even stronger in the latter half of 2021.

Figure 27
Most important influencing factor, value development

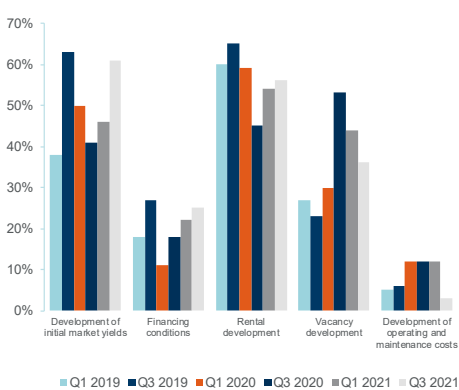
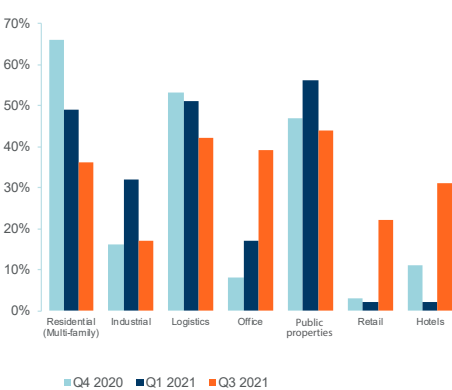


Figure 28
Which segments do you believe will perform best in the coming six months?

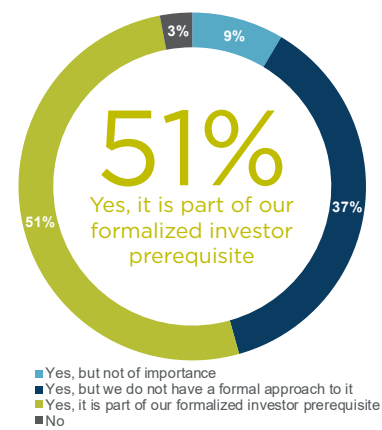


Sustainability

Positive attitude towards sustainability

A year has passed since our sustainability-focused survey. Cushman & Wakefield has decided to investigate whether the approach to sustainability among investors has shifted in that time. Only 3% of the investors are not considering sustainability classifications when investing, down from 14% a year

Figure 29
Considering sustainability classifications investing in real estate



ago, while over 51% has sustainability classification as a part of their formalized investor prerequisite. Nearly all investors (82%) are willing to pay a premium for sustainability classifications, a large increase since last survey (63% Q3 2020).

Figure 30
Considering sustainability classifications investing in real estate

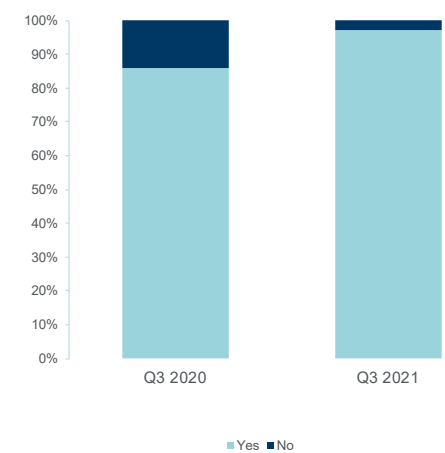


Figure 31
Are you willing to pay premium for high sustainability classification?

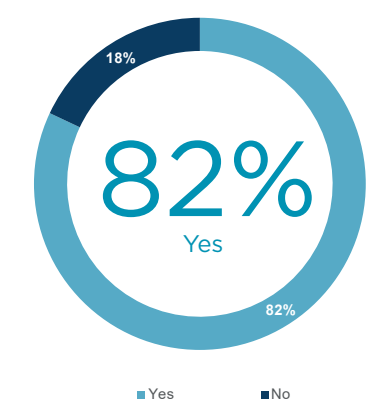
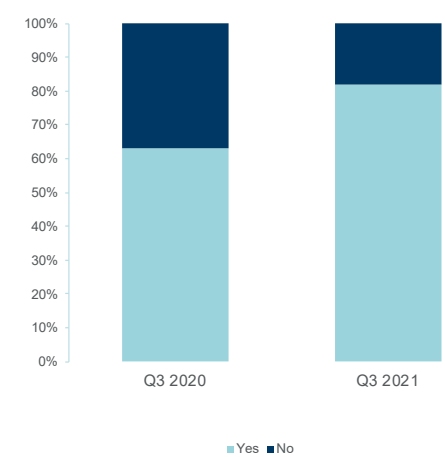


Figure 32
Are you willing to pay premium for high sustainability classification?



Alternative Investments

Proptech Solutions are yet to convince the market

In this edition, we decided to ask investors about their approach towards profitability of proptech solutions. The results suggest that, while they start to gather major investor attention, a majority of the market (62%) is yet to be convinced of its profitability. Among the respondents who consider proptech solutions to be profitable, over 80% has already implemented such solutions. More than 75% of the investors who have implemented proptech solutions seems to believe in its profitability.

Alternative investments gaining investors' attention

Cushman & Wakefield asked investors about their approach towards alternative investments (such as padel courts, self-storage or data centers). A majority of the respondents (55%) have not considered investing in such properties, while 17% have already invested, and 28% is considering it. This would suggest, that while still in early stage of the development, there is a market for alternative property investments in Sweden.

Figure 33
Consider it to be profitable investing in poptech?

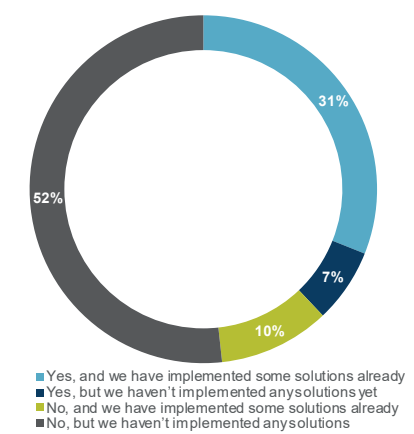


Figure 34
Considered investing in alternative real estate sector?

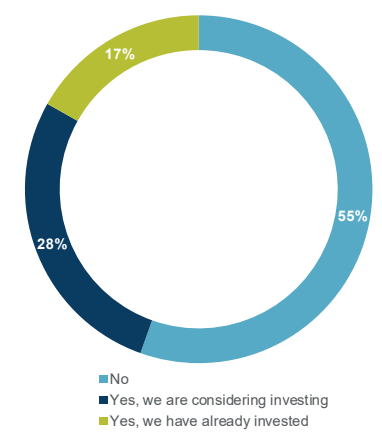




Photo by Alexander Abero

About Cushman & Wakefield



About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 50,000 employees in 400 offices and 60 countries. In 2020, the firm had revenue of \$7.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow Cushman & Wakefield on LinkedIn

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