SWEDEN

Cushman & Wakefield

Global Cities Retail Guide

SWEDEN OVERVIEW

One of Europe's most northerly states, Sweden is one of the most affluent nations in Europe and the largest retail market in Scandinavia.

Sweden has traditionally enjoyed high living standards, reflected in the high levels of car ownership and consumer durables. Swedish shoppers are enthusiastic about trying new products and they are often used as a test market for brands.

The retail market is mature and vibrant, with most sectors home to several brands of significant size. The country has also brought some familiar names into the international retail arena. IKEA is one of the largest furniture retailers in Europe, while H&M has achieved international success in the fashion sector.

The Scandinavian countries have begun to attract more foreign investment from retailers, with prime locations of particular interest. There is, however, a distinct shortage of quality high street space holding back leasing activity.

Tourism is a fast growing sector in Sweden, offering the Arctic wilderness of the far north, ultra-cool urban fashion shows in the cities and five-star culinary adventures all over the country.

SWEDEN

ECONOMIC OVERVIEW

ECONOMIC SUMMARY

ECONOMIC INDICATORS*	2018	2019F	2020F	2021F	2022F
GDP growth	2.4	1.8	2.0	2.1	2.0
Consumer spending	1.2	1.5	2.4	2.2	2.1
Industrial production	2.6	2.0	1.1	2.5	0.2
Investment	3.5	-0.4	2.4	2.1	2.1
Unemployment rate (%)	6.3	6.5	6.4	6.1	5.9
Inflation	2.0	1.7	1.7	2.1	2.0
Krona/€ (average)	10.3	10.3	10.0	9.6	9.2
Krona/US$ (average)	8.7	9.0	8.4	7.7	7.4
Interest rates Short Term (%)	-0.5	-0.2	0.0	0.3	0.7
Interest rates 10-year (%)	0.7	0.4	0.9	1.3	1.7

ECONOMIC BREAKDOWN

Population	10.3 million (2019F)
GDP (nominal)	US$ 552 billion (2019F)
Public Sector Balance	0.9% of GDP (2019F)
Public Sector Debt	47.3% of GDP (2019F)
Current Account Balance	2.0% of GDP (2019F)
Parliament	Left-green Coalition (Social Democrats & Environmentalists)
Heads of State	King Carl XVI Gustaf
Prime Minister	Stefan Löfven
Election Date	September 2018 (parliamentary)

RETAIL SALES GROWTH: % CHANGE ON PREVIOUS YEAR

SWEDEN	2018	2019F	2020F	2021F	2022F
Retail Volume*	1.7	3.0	2.2	2.2	2.2

NOTE: *annual % growth rate unless otherwise indicated. Figures are based on local currency and real terms. E estimate F forecast.

SOURCE: Oxford Economics Ltd.

SWEDEN
LARGEST CITIES

CITY	POPULATION (2019)
Stockholm	968,455
Gothenburg	581,822
Malmo	341,856
Uppsala	227,000
Linkoping	158,841
Orebro	153,367
Vasteras	153,000
Norrkoping	142,401

SWEDEN
RETAIL OVERVIEW

MAJOR DOMESTIC FOOD RETAILERS

ICA, Coop, Axfood, Bergendahls, Systembolaget

MAJOR INTERNATIONAL FOOD RETAILERS

Lidl

MAJOR DOMESTIC NON-FOOD RETAILERS

H&M, Ikea, Åhléns, Stadium, Gina Tricot, Lindex, KappAhl, Twilfit, Clas Ohlson, Naturkompaniet, Byggmax, Nilson Group, Rusta, Jula, Biltema

INTERNATIONAL RETAILERS IN SWEDEN (Selection)

Zara, Mango, Mediamarkt, Hollister, Desigual, Esprit, Varner, Bestseller, Apple, Victoria's Secret, XXL, Elgiganten

FOOD AND BEVERAGE OPERATORS

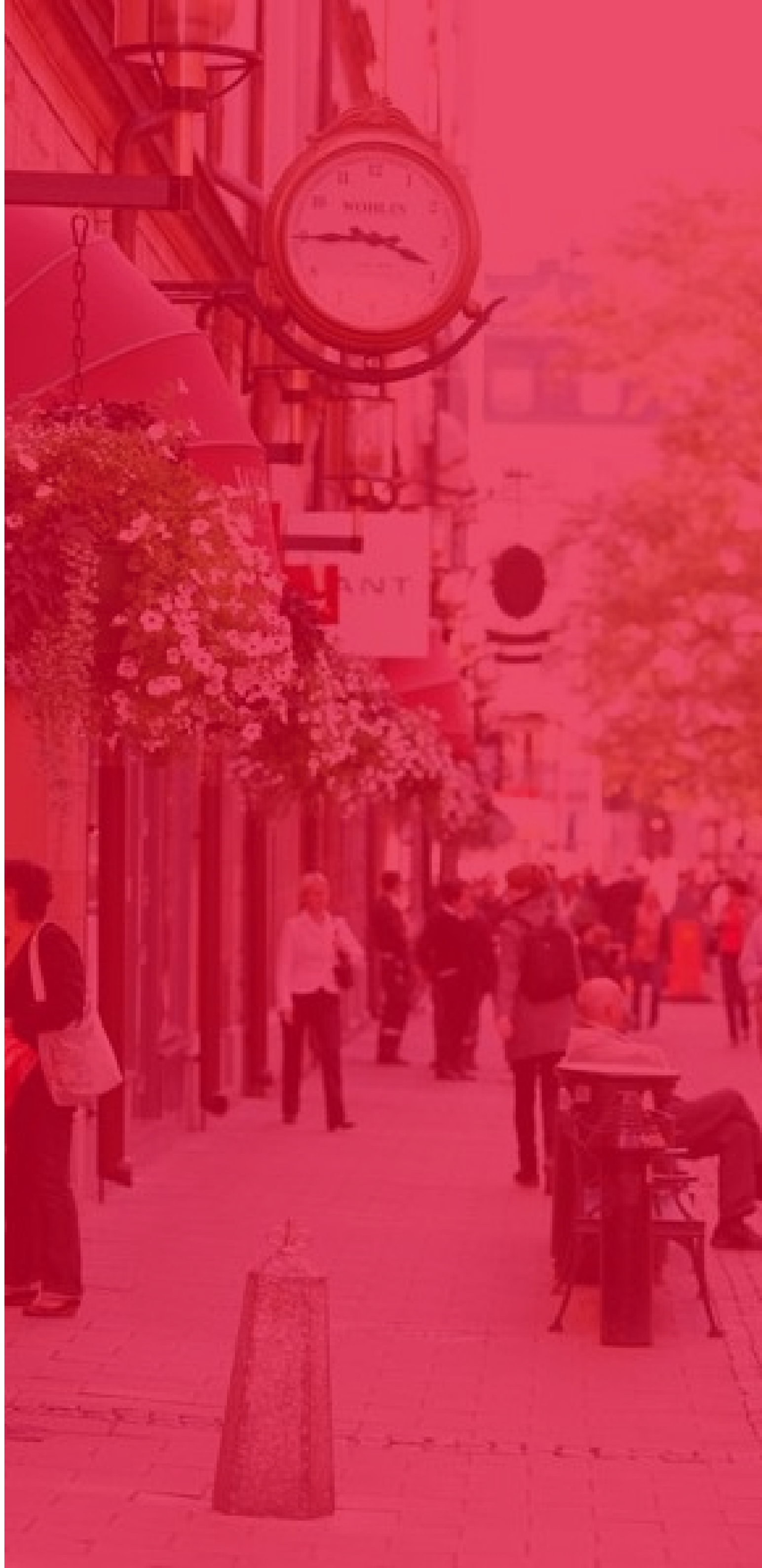
Espresso House, Starbucks, Waynes Coffee, McDonalds, Burger King, Max, Pizza Hut, O'Learys

TYPICAL HOURS

MONDAY-FRIDAY	SATURDAY	SUNDAY
10.00-19.00	10.00-17.00	11.00-16.00

NEW ENTRANTS TO MARKET

Eataly	Cartier	Arket	Moncler
Lululemon	Suitsupply	Normal	Jimmy Choo
Ganni	Viu	Sandro	Totême



SWEDEN
RETAIL SCENE

The Swedish market is growing with households spending 40% on retail (Invest Stockholm, 2018). The consumers are trend-sensitive and early adopters, making the capital Stockholm a popular test market for global brands. The city is known as the fashion capital of Scandinavia with many design brands represented.

There is considerable supply of retail space on the Swedish market. The total retail stock amounts to approx. 18 million sqm including shopping centres, retail parks and high street premises. Equating to 400 sqm GLA per 1,000 people, compared to the EU average of 231 sqm, only Norway has a higher figure of retail space per capita in Europe (Business Sweden, 2017). However, while there is plenty of shopping centre space, high street locations are limited, particularly in the capital.

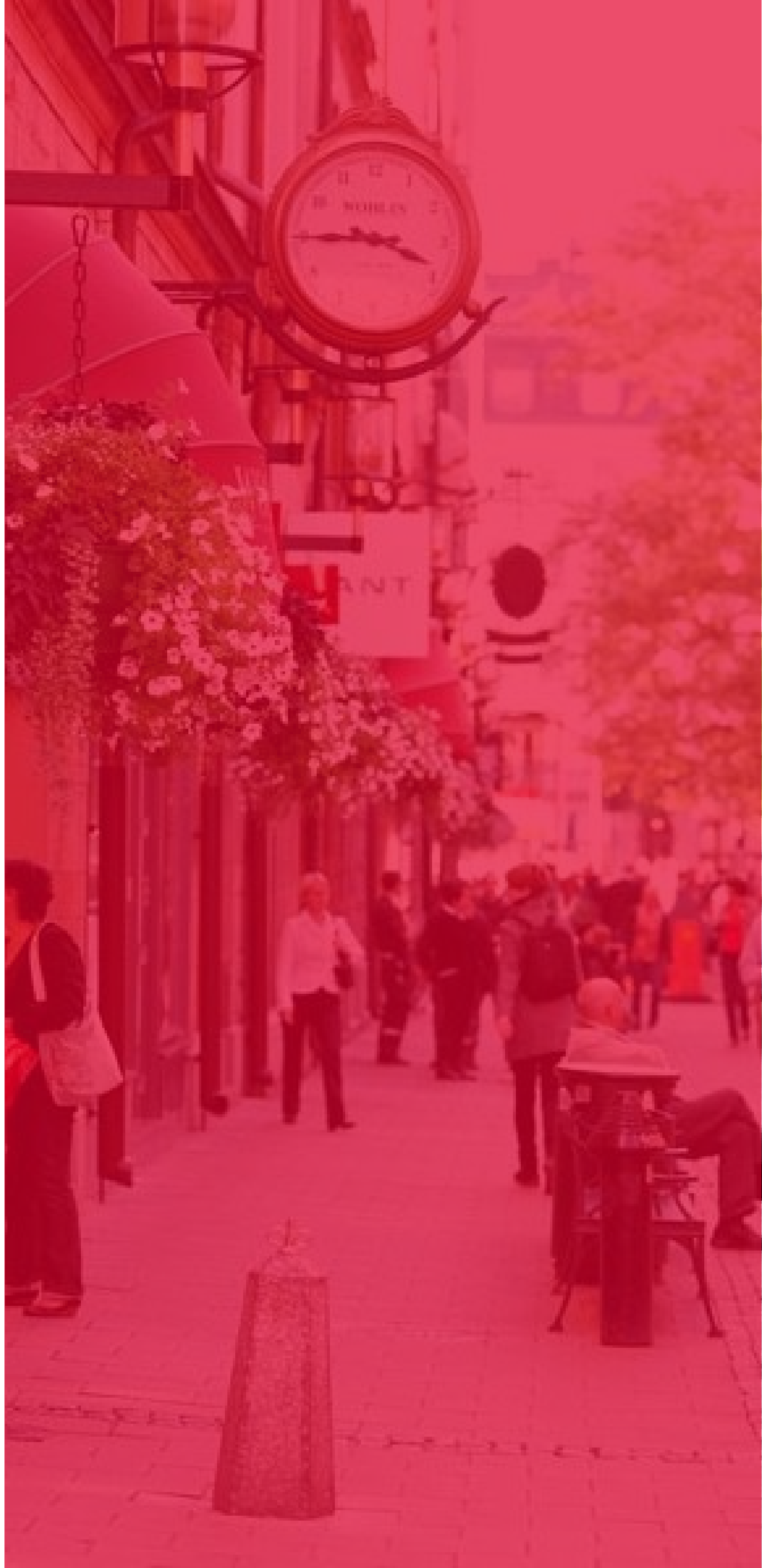
Most major Swedish cities have at least one retail park. Ikea dominates the out of town market along with foreign players such as Bauhaus, Elgiganten and Media Markt. The main anchor tenants for any retail scheme are H&M and the public liquor store Systembolaget.

The factory outlet centre market is immature and only a few schemes have opened including Stockholm Quality Outlet. In other regards, however, Sweden is well developed in the retail market. It is active and has seen an increasing number of retailers entering over recent years.

E-commerce has developed rapidly, the main contributing factors are high levels of internet penetration, high levels of credit and debit card usage, long distances to retail destinations and rising levels of confidence in security.

It is possible to enter the Swedish retail market directly, though many also franchise and enter via concessions/shop-in-shops. There are no restrictions on foreign companies either buying or renting property in Sweden. It is generally believed that the Swedish lease structure is more orientated toward tenants than landlords. The tenancy security is strong and the tenant has right to renewal at the lease end.

Although it is possible in theory to occupy a new building within a few weeks, it is more realistic to expect that on average it will take 6-9 months from initialising the property search to taking occupation of an existing property. This includes time for considering location options, the identification of buildings or sites, negotiating leasehold or freehold terms and drafting of the appropriate legal documentation. A Stockholm high street location may require even more time and patience.



SWEDEN
SHOPPING CENTRES

TOP TEN SHOPPING CENTRES BY SIZE

NAME	CITY	SIZE (GLA SQM)	YEAR OPENED
Mall of Scandinavia	Stockholm	103,000	2015
Väla	Helsingborg	100,000	1974
Emporia	Malmö	93,000	2012
Kista Galleria	Stockholm	92,500	1977
Täby Centrum	Stockholm	81,500	1968
Nordstan	Gothenburg	77,500	1972
Frölunda Torg	Gothenburg	55,900	1966
SKHLM	Stockholm	53,950	1968
Mobilia	Stockholm	52,000	1968
Farsta Centrum	Malmö	51,000	1960

Source: Swedish Shopping Centre Directory

SWEDEN

KEY FEATURES OF LEASE STRUCTURE

KEY FEATURES OF LEASE	
ITEM	**COMMENT**
Lease Terms	Normally 3 or 5 years, but can be longer and this applies to all sectors. Lease terms are sometimes longer during the first term, in particular if the let area is large, or if the lease involves large investment commitments from the Landlord. Leases quoted in SKr per year. No break options on short leases, but more common on those of over 5 years.
Rental Payment	Quarterly in advance or sometimes monthly in advance. A turnover indexation may be applied, and this is becoming more commonplace, especially for anchor tenants in shopping centres. A security deposit of up to 12 months' rent is required. Premiums are commonplace in the retail sector. Premiums/key money payable in practice only for prime high street retail pitches.
Rent Review	Rents are usually indexed according to the Consumer Price Index (KPI). Commercial leases are automatically renewed at the end of the lease term (usually 3 or 5 years at a time). Following the termination of a commercial lease by the landlord, the tenant is entitled to compensation, unless the landlord can provide other premises for lease or certain other circumstances (such as the tenant's misconduct) are at hand. Therefore, the Tenant always has a so called "indirect" security of tenure. Effectively there is no review within Swedish leases. The lease will generally contain an annual index linked clause, but at no time during the term of the lease does a rent review take place. The rent is reviewed to market rent at the end of the lease by negotiation with the landlord and tenant.
Service Charges, Repairs and Insurance	Both internal and external repairs are usually covered by the tenant's rent. Normally, other than charges for heating & cooling, there are no extra service charges in Swedish commercial leases, apart from in shopping centres. Insurance is always covered by the landlord, only the tenants own insurance to be paid by the tenant.
Property Taxes and Other Costs	National Government tax 'Fastighetsskatt' is paid at the start of a lease and then every year. It is based on a percentage of the freehold taxable value calculated by the local authority. This is billed to the landlord, who then charges it back to the tenant, primarily based on a floor area occupied ratio basis. This tax will usually amount to around 10% of the annual rent. VAT of 25% payable on rent.
Disposal of a Lease	Assignment/Sub-letting is allowed according to Swedish law. Early termination only by break clause. The tenant normally has to leave the premises in the same conditions as it were when they took possession.
Valuation Methods	Floor space is measured on a 'gross internal area' basis, with some differences to RICS standards. Refer to SS 021053 Svensk Standard, SIS Swedish Institute for Standards Authority. No standard practice of zoning.
Legislation	Refer to Swedish Law, Hyreslagen, Jordabalken. The majority of landlords use the standard lease that was developed by the Swedish Owner's Association. The lease contract is legally binding.

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