

SWEDEN

Retail Market Snapshot

First Quarter | 2018



MARKET INDICATORS

Market Outlook

| | | |
|---------------|---|---|
| Prime Rents: | Stable in core markets, but weak sales per area development in many segments can hurt rents. | ▶ |
| Prime Yields: | Prime yields remain stable but secondary markets and/or assets are seeing a wider spread in yields. | ▶ |
| Supply: | Completion of new space continues to decline during 2018. | ▲ |
| Demand: | Many retailers in wait-and-see mode on physical store space. | ▲ |

Prime Retail Rents – March 2018

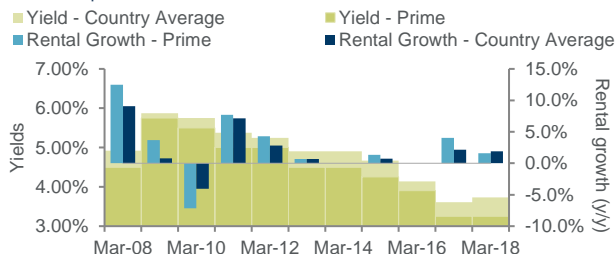
| | SKR | € | US\$ | GROWTH % | |
|--|------------|------------|-------------|----------|-------------|
| | SQ.M YR | SQ.M YR | SQ.FT YR | 1YR | 5YR CAGR |
| HIGH STREET SHOPS | | | | | |
| Stockholm | 15,750 | 1,603 | 186 | 1.6 | 1.4 |
| Gothenburg | 8,250 | 839 | 97 | 1.9 | 0.4 |
| Malmö | 6,500 | 661 | 77 | 4.8 | 0.9 |
| OUT OF TOWN RETAIL (RETAIL PARKS) | | | | | |
| Stockholm (Kungens Kurva) | 2,000 | 204 | 23.6 | 0.0 | 1.0 |
| Stockholm (Barkarby) | 2,100 | 214 | 24.8 | 0.0 | 2.0 |

Prime Retail Yields – March 2018

| HIGH STREET SHOPS (FIGURES ARE NET, %) | CURRENT | LAST | LAST | 10 YEAR | |
|---|---------|------|------|---------|------|
| | Q | Q | Y | HIGH | LOW |
| Stockholm | 3.25 | 3.25 | 3.25 | 5.75 | 3.25 |
| Gothenburg | 3.90 | 3.90 | 3.75 | 6.00 | 3.75 |
| Malmö | 4.75 | 4.75 | 4.50 | 6.00 | 4.50 |
| OUT OF TOWN RETAIL (RETAIL PARKS) (FIGURES ARE NET, %) | | | | | |
| Stockholm (Kungens Kurva) | 5.50 | 5.75 | 5.75 | 6.50 | 5.25 |
| Stockholm (Barkarby) | 5.50 | 5.75 | 5.50 | 6.50 | 5.25 |
| SHOPPING CENTRES (FIGURES ARE NET, %) | | | | | |
| Country prime | 4.25 | 4.25 | 4.25 | 5.75 | 4.25 |

With respect to the yield data provided, in light of the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

Recent performance



Overview

Retail investment sentiment has remained on the weak side in 2018. Deal activity has slowed compared to Q1 2017 and the risk premium on secondary location or secondary quality assets has increased while yields remain around cyclical lows for premium assets. Increasing risk-aversion among investors is matched on the occupational side by a wait-and-see mode for many retailers.

Occupier focus

Food & beverage operators remain in the top segment in terms of take-up. Landlords and physical retailers are shifting focus from the transaction to the experience of shopping to stay competitive and they continue to look for café and restaurant concepts to provide customers with a more diverse shopping environment.

Most large domestic chains are in wait-and-see mode with regards to taking new space with the exception of discount retailers who continue on a path of steady expansion boosted by strong sales growth.

The overall retailer sentiment as measured by the Swedish Trade Federation's monthly indicator jumped five points in April after a slide during the first months of the year.

Investment focus

Retail deal activity declined some 40% during the first quarter 2018 compared to Q1 2017. However, the slide is similar to that of the overall market. Core pricing has remained stable during the quarter with the strongest demand in the prime segment from international investors. For retail park and shopping center assets in small and mid-size city domestic retail specialists are active on the buy-side.

Outlook

Much focus will be placed on how the online retail sector growth develops over the year. Fashion retailer performance, H&M in particular, and the growth of online grocery retailing are other important topics that will guide the mood of retailers and investors during the year. With pricing in the secondary segments increasingly volatile we also expect more opportunistic players to increase their activity in the Swedish market.

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