

SWEDEN

Retail Market Snapshot

Second Quarter | 2018



MARKET INDICATORS

Market Outlook

- Prime Rents: Threat to rental growth in physical retail from online noticeable in increasing number of segments. ▶
- 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 and examples of changes of use in low performing schemes and parks. ▲
- Demand: Outlet and discount segment showing strong growth in demand with clothing overall in wait and see-mode. ▶

Prime Retail Rents – June 2018

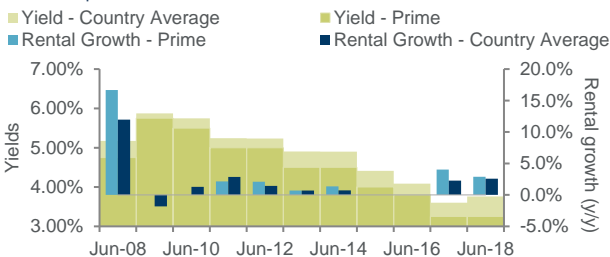
	SKR	€	US\$	GROWTH %	
	SQ.M	SQ.M	SQ.FT	1YR	5YR CAGR
HIGH STREET SHOPS					
Stockholm	20,250	1,970	214	2.9	1.6
Gothenburg	8,250	802	87	1.9	0.4
Malmö	6,500	632	69	3.2	0.9
OUT OF TOWN RETAIL (RETAIL PARKS)					
Stockholm (Kungens Kurva)	2,000	195	21.2	0.0	1.0
Stockholm (Barkarby)	2,100	204	22.2	0.0	2.0

Prime Retail Yields – June 2018

	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
HIGH STREET SHOPS (FIGURES ARE NET, %)					
Stockholm	3.25	3.25	3.25	5.75	3.25
Gothenburg	4.00	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)	5.75	5.50	5.75	6.50	5.50
Stockholm (Barkarby)	5.75	5.50	5.50	6.50	5.50
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 continues to be on the weak side amid reports of strong online growth in segments such as clothing, shoes and sporting goods. The anticipated entry of Amazon on the Swedish market during 2018 has put many investors and occupiers alike in wait-and-see mode.

Occupier focus

A transformation from typical tenant mix with between 2% and 5% Food & Beverage share is ongoing in both shopping centers and retail parks. Newer shopping centers tend to have more than 15% of GLA for Food & Beverage and retail parks are typically expanding with standalone F&B units.

Discount chains continue to report solid growth and the established discount retail chains have recently been joined by new discount sub-brands from retailers such as Åhléns (home goods and clothing) and H&M.

The Swedish Trade Federation's monthly Retail sentiment indicator has seen increased divergence during the year between the increasingly positive outlook from the food and convenience sector and the weaker outlook from retailers in the durable goods sector.

Investment focus

Retail investment activity suffered a 50% decline Y/y in H1 2018 in terms of deal volume, twice the size of the 25% slide for the overall investment market in the first half of the year.

Core assets continue to be in high demand among both domestic and international investors but the slip in liquidity for secondary assets and/or locations is substantial compared to a year ago. Cushman & Wakefield estimates that while core yields are mostly flat compared to Q1 secondary yields have shifted out.

Outlook

Half year figures (published in Q3) for growth in online versus brick-and-mortar retail will be an important source of market direction for the rest of the year. While we expect core pricing to remain resilient, off the back of the combination of low supply and moderate demand, we also see opportunities on the buy side in

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