

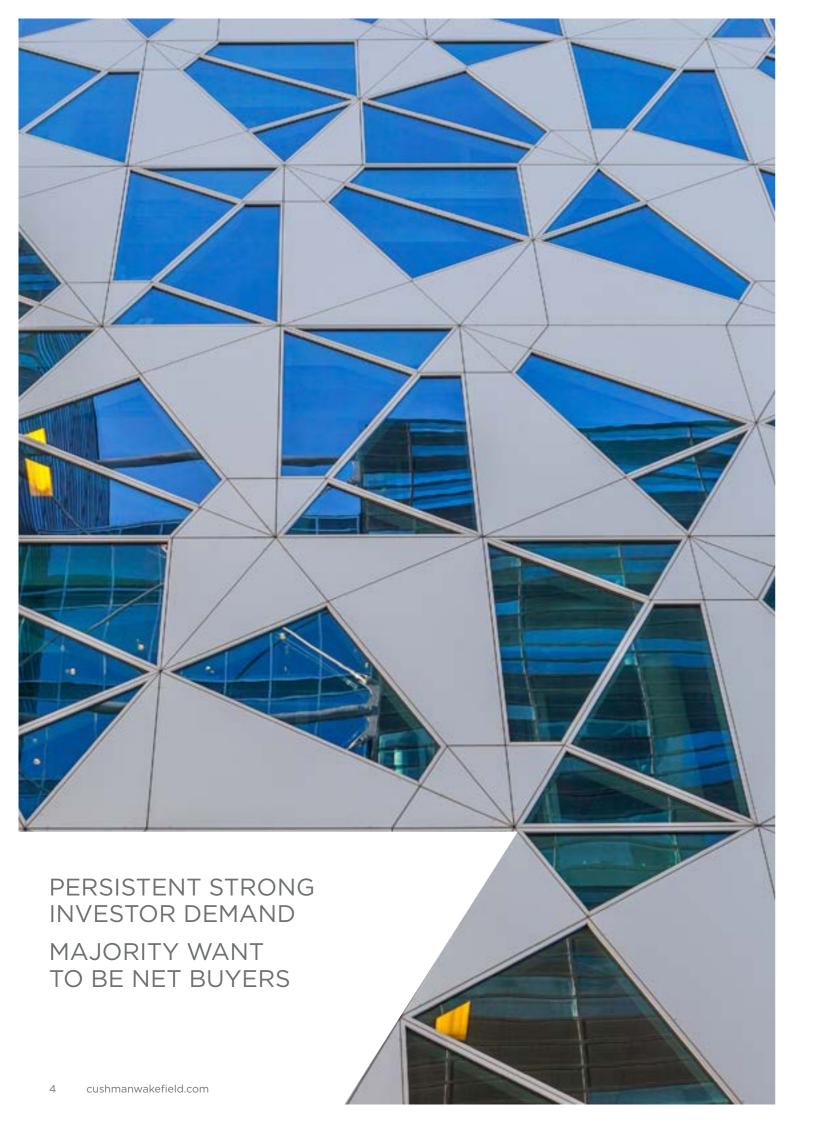


63 PERCENT OF ALL INVESTORS HAVE AN OBJECTIVE TO BE NET BUYERS IN THE COMING PERIOD THE CUSHMAN & WAKEFIELD NORDIC INVESTOR CONFIDENCE INDEX INCLUDES SURVEY RESPONSES FROM 170 INVESTMENT PROFESSIONALS ACROSS THE NORDIC REGION.
THE INDEX MONITORS EXPECTATIONS FOR THE NEXT THREE TO SIX MONTHS.

The survey's broad coverage reflects the interest for non-biased analysis and increased transparency. Furthermore, the degree of coverage ensures the findings are representative reflections of current investor confidence in the Nordic CRE market.

We will continue to conduct the survey biannually, allowing us to track changes in confidence, to interpret what they mean for the market and to determine how best to respond when making investment decisions.

To reflect the difference in investment market size a heavier weight has been put on Sweden (40 percent) compared to Denmark, Finland and Norway (20 percent respectively) when presenting the combined Nordic results. For more details of the methodology or details on individual markets, please contact your Cushman & Wakefield contact or consult <a href="https://www.cushmanwakefield.com">www.cushmanwakefield.com</a>



### **INVESTOR DEMAND**

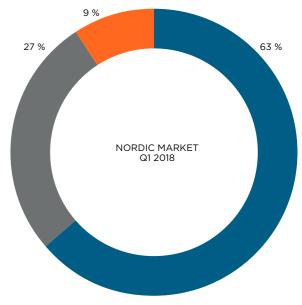
This cycle continues to see an extraordinary level of capital targeting real estate. 63 percent of all investors, within and into the Nordics, have an objective to be net buyers during H1 2018, partly driven by expectations of a further increase in occupier demand and a consequent rise in asset values. However, there are huge differences between countries. In Sweden, where the rental cycle is expected to have matured more than the rest of the region, we have also started to see a slight fall in net buyers with a corresponding increase in profit takers. In Denmark, Norway and Finland roughly 70 - 80 percent are net buyers and net sellers are largely absent in these markets.

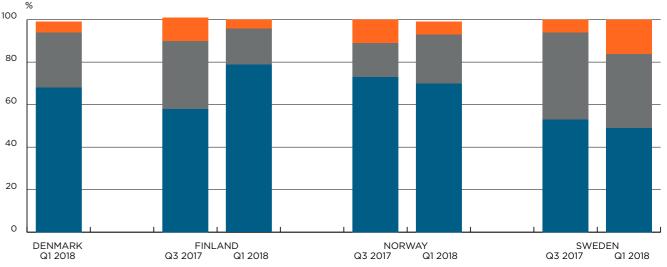
While core real estate strategies remain attractive, demand outstrips supply. This continues to keep yields under pressure and challenges investors to deploy capital and achieve their desired returns. Unable to source core assets, many investors in and into Denmark, Finland and Norway are increasingly accepting additional risk, leading to converging yields, in terms of secondary locations or assets, letting risk, development risk and/or redevelopment projects that create core assets in top markets. However, Sweden appears to be ahead of the rest of the Nordics, and most of Europe, in the cycle and yields are bottoming out for offices while we again see increased spreads for retail.

Converging yields mirror the broader European view with lower prime yields and a narrowing gap between tier 1 and tier 2, but we can also here register significant differences between countries.

WHAT IS YOUR OBJECTIVE WITH REGARDS TO THE SIZE OF YOUR PORTFOLIO:

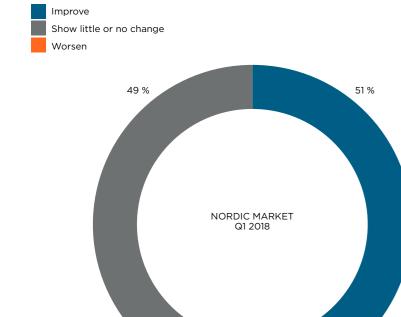






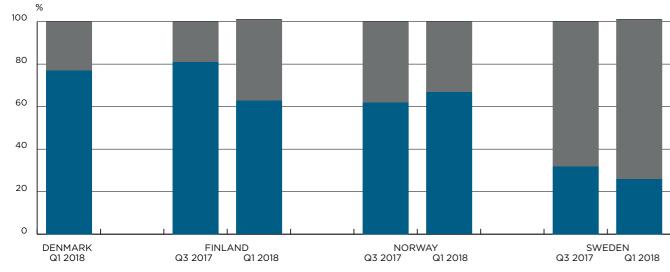
## **OFFICE MARKET**

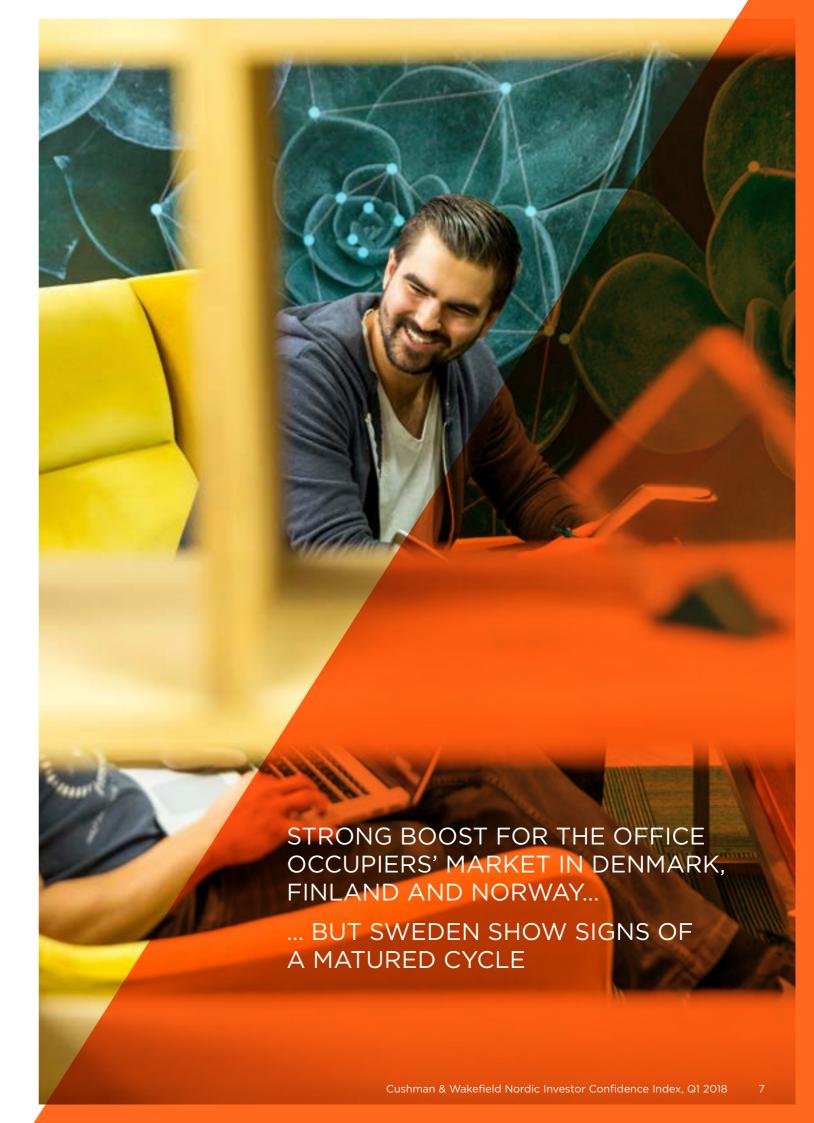
WITH REGARDS TO THE OFFICE OCCUPIER MARKET, DEMAND WILL:



More than half of all Nordic investors expect improved demand from office occupiers in the coming six months, particularly driven by an optimistic view of strengthening demand in the Copenhagen, Helsinki and Oslo rental markets. This is in line with the Q3 2017 view, and represents a persistent positive view on the economic outlook for the Nordic countries. Economic growth, increased occupier demand, limited development and the conversion of buildings to residential use all support the positive short to medium-term outlook. However, forecasters have a more mixed view, as we get closer to 2020, given a combination of development catchup, greater adoption of agile- and coworking, the switch from manpower to technology and increased utilisation of office space. Look up our report Nordic Office - a preview of the future to get an overview of expected trends impacting the sector.

Also, the ongoing residential repricing in Norway and Sweden, if it continues in strength, will impact conversion rates and may dampen the broader economy, in turn impacting occupier demand.

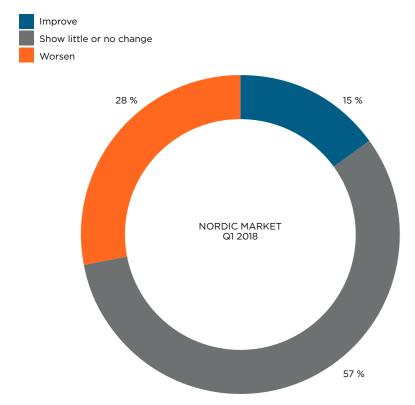




#### RETAIL MARKET

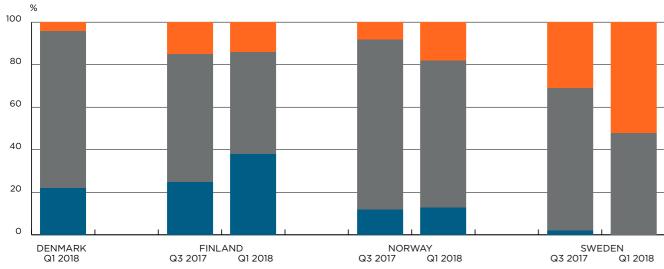
## RISING SCEPTICISM AROUND RETAIL RENTS AS E-COMMERCE CHALLENGES BRICKS-AND-MORTAR RETAIL

# WITH REGARDS TO THE RETAIL OCCUPIER MARKET, DEMAND WILL:



In Finland and Denmark, we still see a healthy minority expecting improved retail occupier demand, but most investors believe retail will move sideways. However, in Norway and particularly in Sweden, e-commerce has started to spook investors, resulting in a larger number foreseeing a decline in retail occupier demand. Looking behind and beyond the numbers, investors views on the sector are split in terms of geography, micro locations and assets, although there is a general view that the sector will require specialist attention going forward, resulting in a likely concentration of assets among sector specialists.

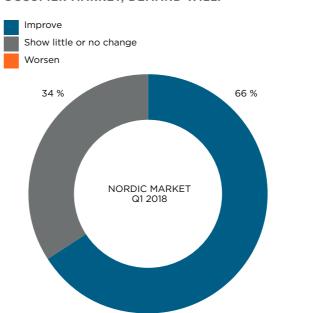
Changing behaviour, most prominently by the younger generation, and new technologies vastly transforming consumers' shopping experience are the two most important factors that will shake up retailing. For the Nordic region, it is important to recognize these changes as the region has one of Europe's highest shopping centre densities. Look up our report Nordic Shopping Centre - a preview of the future to get an overview of expected trends impacting the sector.



# INDUSTRIAL AND LOGIS-TICS SECTOR CONTINUES TO STRENGTHEN ITS RUN

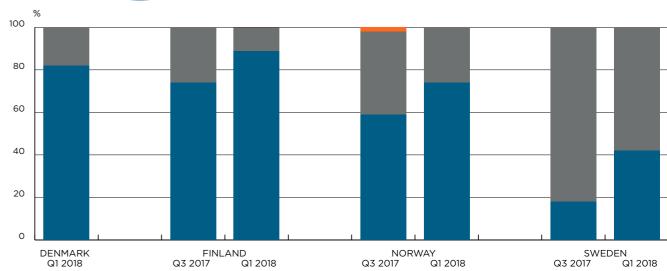
## **INDUSTRIAL AND LOGISTICS**

WITH REGARDS TO THE INDUSTRIAL/LOGISTICS OCCUPIER MARKET, DEMAND WILL:



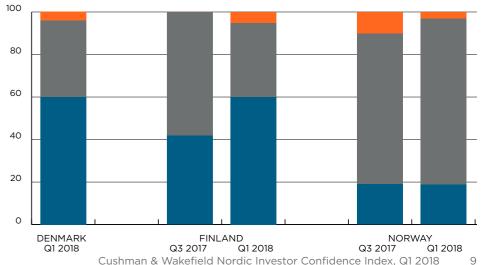
As e-commerce fears dog bricks-and mortar retail, industrial and logistics assets present a credible diversification alternative for institutional investors. Nordic investors in general are positive about the outlook for the industrial sector, even though one might suspect the results to be biased towards logistics rather than industrial. Even here we see significant differences between countries, with again, Denmark, Finland and Norway representing the most convincing consensus, but also for Sweden we see doubling of the minority between Q3 2017 and Q1 2018 believing in improved occupier demand.

In terms of asset pricing Danish and Finnish investors are sending a strong message to the sector with 60 percent of investors expecting further yield compression and above 80 percent expecting occupier demand to improve.



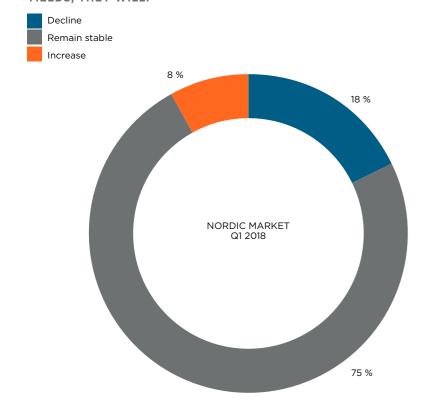






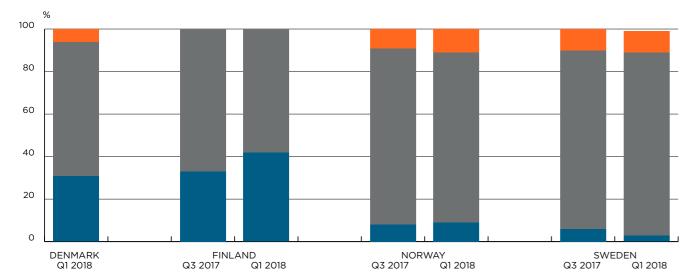
## **YIELDS**

WITH REGARDS TO THE DEVELOPMENT OF OFFICE MARKET YIELDS, THEY WILL:



The majority of Nordic investors believe CRE yields have levelled out and will stay that way in the near

For the largest sector Office, a minority of 18 percent led by Danish and Finnish investors believe in further yield compression, which we suspect might derive from yield convergence of secondary assets. In Norway and Sweden, which currently see marginally sharper prime yields, the vast majority believe in a sideways movement in the short term. In fact, for Norway and Sweden there is a stable minority of around 10 percent expecting yields to start to rise in the short term. The split in views between investors is likely to impact profit takers and we expect to see more investors securing profit in an inevitably strong investment market in second half of 2018.



STABLE YIELD EXPECTATIONS FOR THE NORDIC REGION...

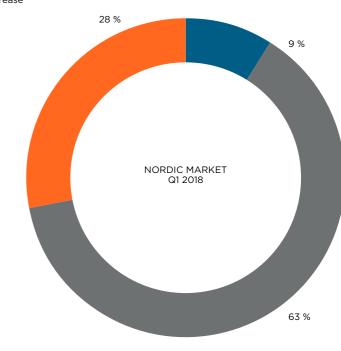
...BUT INVESTORS RECOGNISE SIGNIFICANT SECTOR AND COUNTRY DIFFERENCES

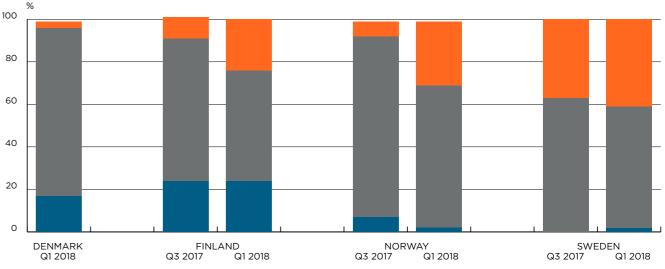
WITH REGARDS TO THE DEVELOPMENT OF RETAIL MARKET YIELDS, THEY WILL:

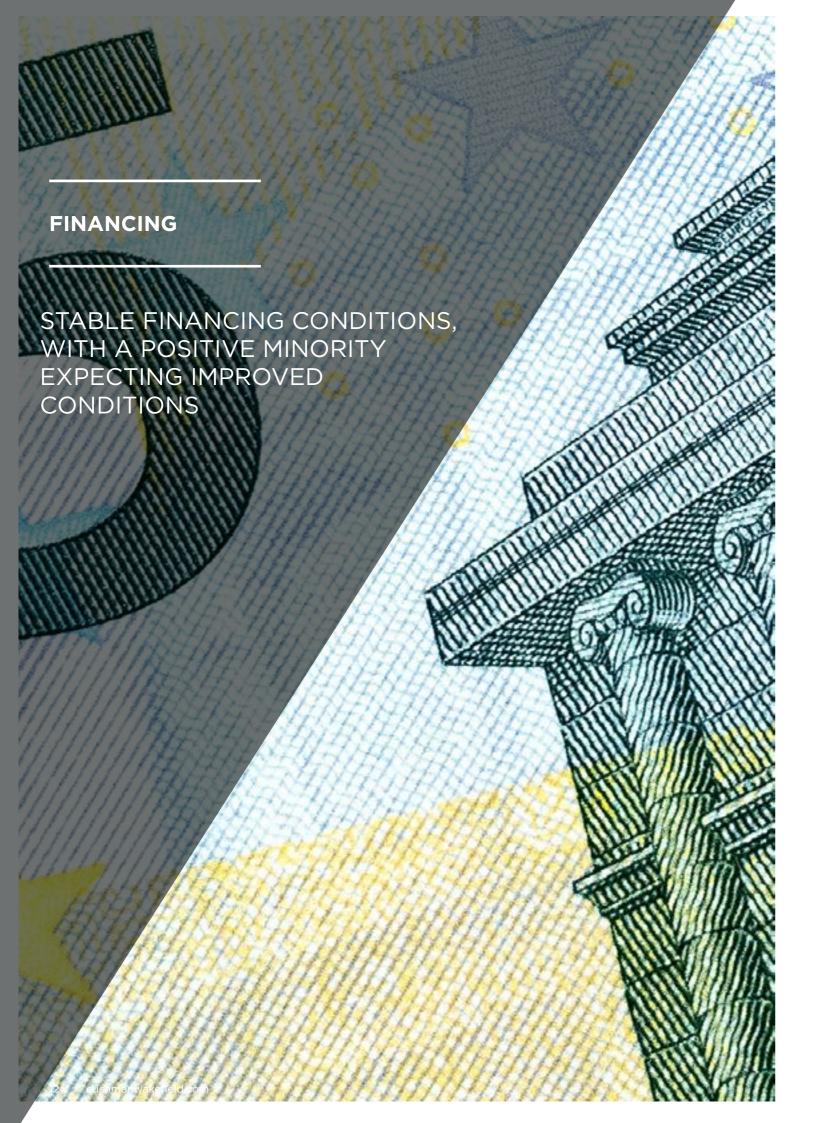


Decline

On the other hand, we have seen a dramatic shift in Retail where the number of investors expecting an increase in retail yields has risen fourfold since Q3 2017 for Norway, and also risen significantly for Finland and Sweden. In Sweden 4 out of 10 investors expect increased retail yields. But again, as commented upon in the rental section, we see split views from investors concerning assets. In the same month as we registered record low yields for secondary retail assets other assets struggled to line up investors altogether. There are virtually no Danish investors believing in increased retail yields in the short term, which might be a result of a well-functioning high street and a lack of generic shopping centres compared to rest of the region.





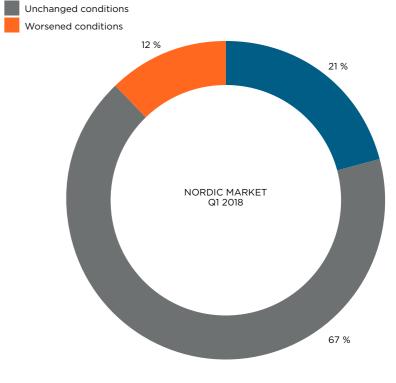


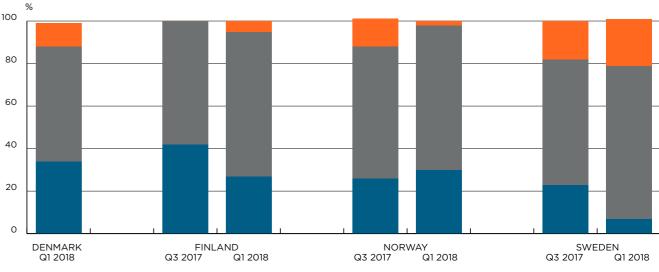
#### WHAT IS THE OUTLOOK FOR YOUR FINANCING COMPARED WITH YOUR CURRENT FINANCING?

Improved conditions

The expectations for financing split the region again and Denmark, Finland and Norway have a steady minority of roughly 1 out of 3 expecting improved financing conditions on new deals or when refinancing current positions, while Sweden has a growing minority of around 1 out of 5 expecting worsened financing conditions. However, the large majority across the region expect unchanged financing conditions.

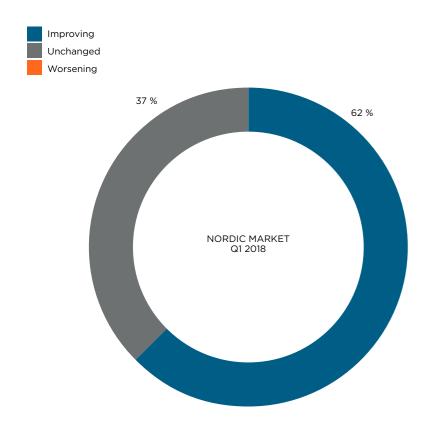
The unchanged view is supported by the Nordic central banks which largely expect a sideways movement in policy rates for 2018 with a stepped increase starting from 2019. Also for long interest rates (10-year government bond), we need to look beyond 2018 to see expectations of significant increases (Oxford Economics).





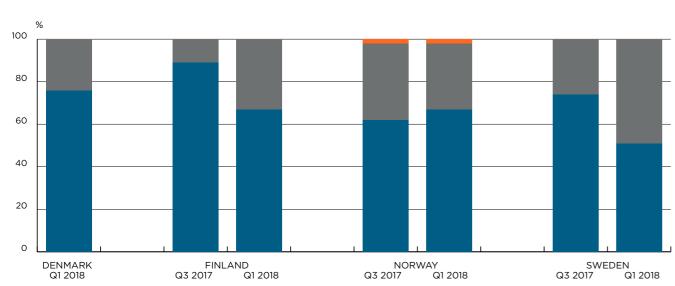
# PORTFOLIO DEVELOPMENT

HOW DO YOU SEE THE VALUE OF YOUR PORTFOLIO DEVELOPING (ASIDE FROM ANY ACQUISITIONS/DISPOSALS)?



62 percent of investors believe their portfolio will improve in value (aside from acquisitions & disposals). The key drivers for value improvements are expected to be rental growth and a drop in vacancy rates. However, more than 1 out of 4 also believe yield compression to be a key driver of their portfolio value, even though we don't find the same significant views mirrored in the market expectations reported above.

Understandably, investors are more optimistic about their own portfolio than the market in general, otherwise a different strategy would be pursued. But an overly optimistic view on own portfolios will generate a gap between buyers and sellers and hinder liquidity. The optimistic views held by investors on their own portfolios might also partly explain the lack of net sellers in this survey. Consequently, this may lead to an extended holding period and lack of profit-taking in an undoubtfully competitive investment environment.

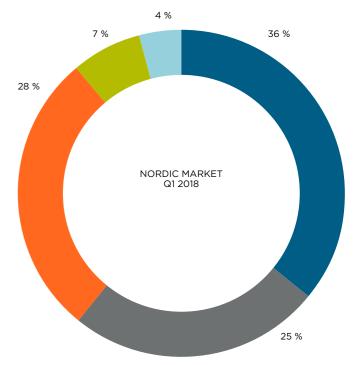




(OVER)OPTIMISTIC VIEW ON OWN PORTFOLIO MIGHT RESTRICT LIQUIDITY









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