

MARKET SNAPSHOT

Q1



Logistics properties jump start the year

The first quarter has come to an end and the total transactions volume reached a historically high of SEK 39 bn. We have observed a very strong interest in logistics and office properties, but will it last?

Transaction volume Q1 - rush for logistics

The trend looks set to continue - the fourth quarter's great transaction volume was maintained in the beginning of 2019. The first quarter recorded a volume of SEK 39 bn which is historically high, corresponding to a quarter on quarter growth of 36%. Almost every asset class has seen an increase in transaction volume, some greater than others. Logistics and warehouse properties for example, stood for 18% (or SEK 7 bn) of the total volume during the first quarter compared to 8% last year. In fact, the transaction volume in the segment in Q1 was almost four times bigger than in Q1 2018. However, the volume is highly affected by a single deal, which we will take a closer look at on the next page.

Bright future for office properties despite weakened macro

Significant growth was also recorded for investments in office and residential properties. The two accounted for 34% and 23%, respectively. The appetite for the former is driven by a good labor market and robust business growth, which in turn has led to a strong demand for office space, low vacancies and rising rents. However, the Swedish economy is forecasted to decelerate in the next couple of years which we saw signs of in the latter part of 2018. GDP and employment growth are expected at 1.5% and 0.8%, respectively between 2019-2020. GDP growth will mainly be held back by less investments in the residential sector and a weakened export industry.

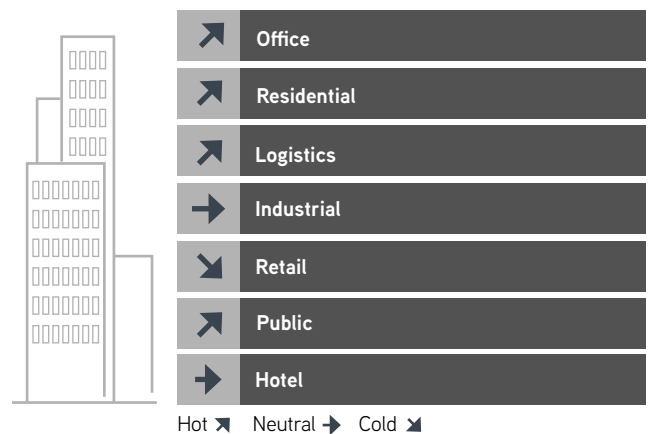
Our opinion is that office investments will remain attractive due to a low unemployment rate and scarce supply met with a sharp demand. Capital is cheap, which continues to generate a strong interest from both national and international investors.

The residential share amounted to 23% of the total volume in the first quarter. This corresponds to an increase of 50% over last year which is driven by a strong interest in the segment, regardless of asset type.

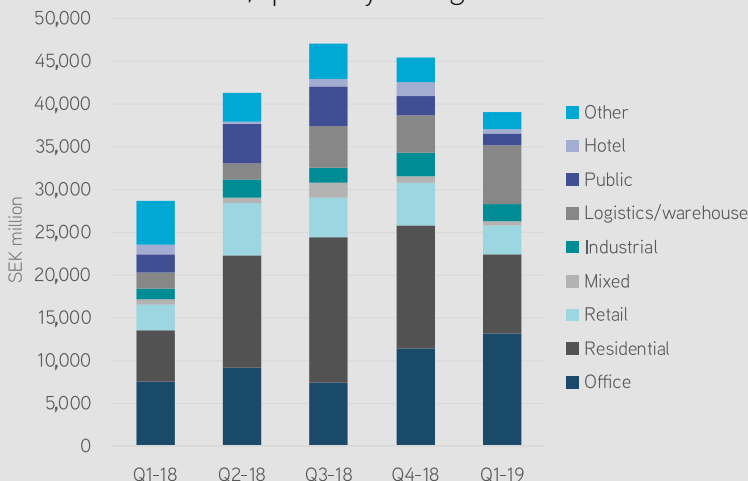
Noteworthy office transactions:

- Castellum completed an exchange transaction with Lilium, wherein Castellum acquired six properties in Linköping, and sold twenty properties in Sundsvall. The value of the transaction was over SEK 5.2 bn and comprises of almost 225,000 sqm, of which the majority is office space. The transactions in Linköping and Sundsvall were conducted at a yield of 4.8% and 5.0%, respectively.
- AFA Sjukförsäkringsaktiebolag sold the office property Skjutsgossen 12 located in Södermalm, Stockholm to funds advised by Blackstone, working alongside Scius Partners. The property was built in 1965 and comprises circa 34,000 sqm of lettable area in central Södermalm. The value is estimated at SEK 2.25 bn and a yield of around 4.25%.
- Castellum acquired the two office properties Lilla Bommen 5 & 6 in Gothenburg from SEB Trygg Liv. The total lettable area is approx. 16,595 sqm and the acquisition price amounted to SEK 867 m. The transaction was conducted at an estimated yield of 4.25%.

Trends

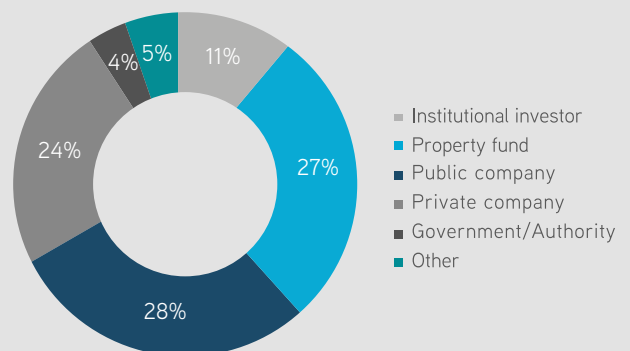


Volume, quarterly change



Transactions valued at SEK 40 million or more.

Volume, investor types



Transactions valued at SEK 40 million or more.

Early exit for Bockasjö and Alecta

The biggest transaction

The first quarter gave rise to the biggest transaction with logistics properties ever in Sweden as Prologis acquired 11 modern logistics properties and a total of 295,000 sqm. The properties are located in four of Sweden's strongest logistics markets whereof 70% in Gothenburg and Stockholm. The acquired portfolio will complement and expand two of Prologis' existing logistics parks (Hisingen and Arlanda Stad) to more than 120,000 sqm.

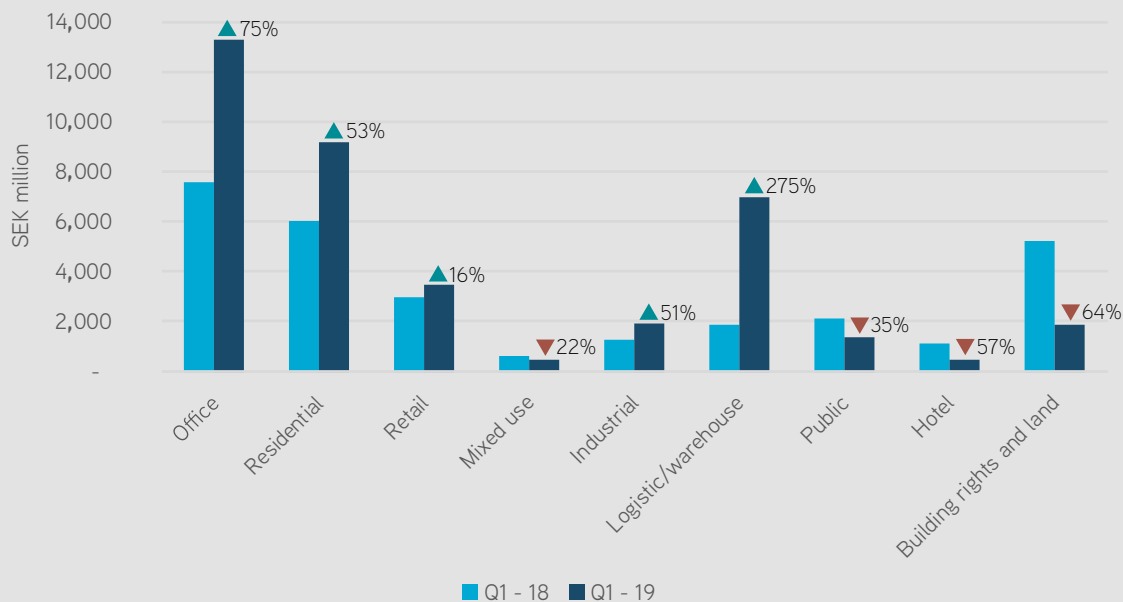
The price, SEK 3.8 bn, is a record for logistics properties in Sweden. The transaction was conducted at a weighted yield of 4.3-4.5%. Logistikfastigheter i Sverige AB, a co-owned company by Bockasjö and

Alecta, was founded in 2016 with a common goal to build a portfolio of SEK 3 bn within five years. That goal was accomplished in half the time following this transaction making it a very successful exit.

The size of the transaction had a great impact on the first quarter's volume, accounting for more than half of the total volume in the segment. This has led to speculations about a record-breaking year for logistics which could very well be true.

However, Colliers don't expect a pattern where structured deals of this magnitude take place regularly, thus a return to normal volumes is probable for the remainder of 2019.

Volume, segment Q o Q



Biggest transactions Q1

Name	Buyer	Seller	Location	Segment	Lettable area, sqm	Purchase price, SEKm	Purchase price, SEK/sqm
Project Ostium	Prologis	Logistikfastigheter Sverige	Stockholm, Göteborg, Örebro, Västerås et al.	Logistics	295,000	3,800	12,881
20 properties Sundsvall	Lilium	Castellum	Sundsvall	Office	157,400	3,600	22,872
Gullbergsvass 1:2 & 1:12	Blackstone & Scius	AFA Sjukförsäkring	Göteborg	Office	34,000	2,250 ¹	66,176
6 properties Linköping	Castellum	Lilium	Linköping	Office	67,000	1,638	24,448
Volvo central warehouse	CBRE & Allianz	Söderport & NRP	Göteborg	Warehouse	134,000	1,500	11,194

1. Estimated purchase price



Rebecka Nordberg
Head of Capital Markets
+ 46 738 07 31 32
rebecka.norberg@colliers.com



Manfred Meyer
Analyst
+ 46 708 97 46 78
manfred.meyer@colliers.com

