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SWEDEN TODAY

International investors returning to Sweden

CHALLENGE

Mass relocation means new opportunities for the City of Stockholm



Extra
magazine
inside!

THE LEADING PROPERTY MAGAZINE IN THE NORDIC REGION

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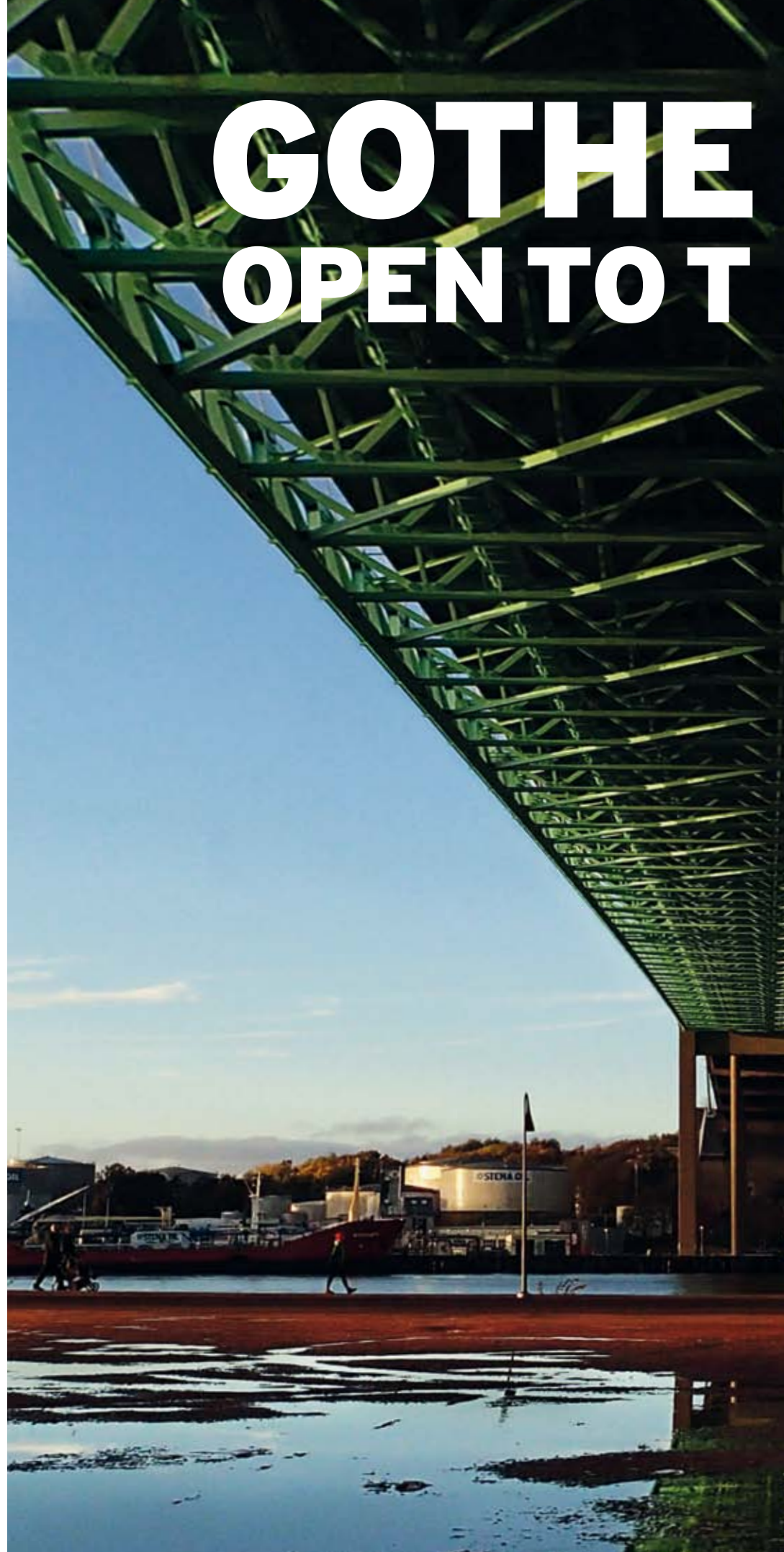
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**BUSINESS REGION
GÖTEBORG**

Full steam ahead for transactions in Sweden

The bitterly cold winter is finally starting to release its arctic grip on those of us who inhabit the deep-freeze area of the north. This is happening particularly now that Mipim is finally starting. For many people in the Swedish property industry, this is the high point of the year; this is when contacts will be made for future deals, and it's also an excellent glimpse of spring and summer.

Mind you, if you look at the transaction intensity in Sweden, things haven't been entirely ice-cold as spring showed its face throughout the autumn and the winter. Last year, there were transactions to a value of around SEK 105 billion in Sweden, with around SEK 40 billion worth of those taking place during the fourth quarter. We've also been able to ascertain that the share of foreign investors increased during 2012. Last year, they constituted 19 per cent of the total number of deals, which is the highest entry since the peak year of 2008. This can be compared with 15 per cent in 2011. So, it's full speed ahead on Sweden's transactions market. Let's hope it's a sign that this year's Mipim will offer spectacular business opportunities and hot property discussions.



See you on the trade fair floor!
Eddie Ekberg
Editor in chief at Fastighetssverige

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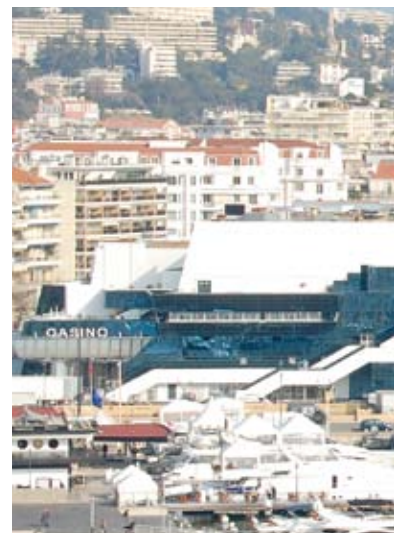
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It's what we do that counts

As community builders, we have a great responsibility for how the future city will look like. Therefore, NCC focuses on developing our own production as well as reducing the carbon footprint in our projects' lifetime. This means that we create products which allow the next generation to continue to contribute towards a better environment, even after our work is completed.

The ambition to reduce climate impact continuously leads us into new exciting paths. Among other things, all of our commercial properties are certified in accordance with the environmental certification system BREEAM. Our current development projects include Valparaiso, a multifunctional hub for working, living, tourism and shopping at Norra Djurgårdsstaden, the new green urban district of Stockholm. This project is focusing on satisfying some of the world's most meticulous demands in terms of life-long energy efficiency, healthy environments and recycling.



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Macro analysis

Nordea's chief economist Annika Winsth gives her view of Sweden's economic position.



Picture: Nordea

Economic low

The mood on the finance market has clearly turned around. There is a greater willingness to take a risk once more. Signals of recovery in the USA and in China, the fact that the budget precipice in the USA has been dealt with and that the Euro zone is still in place have led the players on the finance markets to take risks.

The fundamental problems, particularly in Europe but also in the USA, are far from over, however – there are still risks of setbacks. However, it is difficult to counteract this type of market movement, even if there is no real belief that the upturn will last. Much of the trade is controlled by psychology. The majority of investors have had very little risk in their portfolios for a long time and need to be able to see a yield. Ten-year government bond interest rates that have remained at around 1.5 per cent and an inflation rate at the same level are painful, particularly for big pension funds. Now that the door is slightly ajar, there are many who want out. There is a risk that this will take place a bit too quickly and that it will overshoot the mark, but counteracting it may be expensive.

LAST YEAR ALSO STARTED WITH a significant appetite for risk following a weak 2011. This lasted for a few months before reverting to focusing on the problems within the Euro zone. The difference this time is that the USA has progressed further with its recovery and that China has adapted to the situation and is clearly stimulating its economy. Important decisions have also been made within the Euro zone, which mean that few people believe that the cooperation will break up in the near future. Even

ECONOMIC LOW POINT? Nordea's Chief Economist sees signs of an economic low point in both Europe and Sweden.



NAME: Annika Winsth.

AGE: 44.

OCCUPATION: Chief Economist at Nordea Sverige.

HOBBIES: Spending time with her family and friends. Exercise and gardening.

point – the crisis situation has been averted

if there is still a substantial need to save and growth will be subdued for a long time, the acute crisis situation has been avoided for the moment.

In this connection, the finance markets bottomed out at the end of last year but, on the contrary, the economic low point is appearing around now from a Swedish and European perspective. Both Sweden and Germany were late to join the global weakening process and have put up a surprisingly good resistance, although the fourth quarter looks as though it will be really weak in both countries. This may mean that the economies have bottomed out. During the second six months, we think that the German economy will be functioning like a powerhouse once more.

THE INCREASE IN THE APPETITE for risk has caused more long-term interest rates to rise. In the USA and Sweden, the ten-year government bond interest rates have risen by 0.4 percentage units since the economic low point and in Germany, the same interest rate has gone up by 0.3 percentage units since reaching its low point in December last year. These are big movements in a short space of time and they have also strengthened the Euro against the Dollar. Higher interest rates and a stronger Euro are not what the ECB or politicians in the Euro zone want at this moment in time.

THERE ARE ADDITIONAL CHALLENGES in that elections are coming up in Italy and Germany. Silvio Berlusconi is making a political comeback and Italy may be facing an uncertain future. In Germany, it looks as though Angela Merkel will remain in her


post but the victory that awaits is far from certain. At the same time, the UK is calling for a referendum on whether or not it will remain in the EU. A referendum is a long way off yet and a lot can happen until then, but the uncertainty that prevails in Germany and in the UK ought to subdue the rate of greater integration. On the other hand, an increase in the appetite for risk and less fear that the cooperation will break up means that decision-makers

want to progress more quickly with the integration process. I am of the opinion that we'll see a slower rate of change in the future, at least after the German election in September.

Swedish economy shows clear signs of weakness at the moment.

THE SWEDISH ECONOMY IS SHOWING clear signs of weakness at the moment. Industry, but also the service sector, is applying the brakes. The job market is continuing to provide a positive surprise, however, with employment increasing throughout the weakening trend. One explanation may be that more and more companies are choosing to allow their employees to remain but on reduced hours at reduced pay. The job market is a later economic phase and we think that unemployment will rise this year. Nothing dramatic, but sufficient for Riksbanken to lower the interest rate once more once inflation is way below the target. Longer-term interest rates have risen markedly and they will not be increased further until the end of the year or thereafter. **F**

International

A man with short brown hair and blue eyes, wearing a dark blue suit jacket over a light blue striped shirt, stands on a high-rise balcony. He is smiling and looking towards the camera. His right arm is resting on the balcony railing. The background shows a dense urban landscape with numerous buildings, streets, and a clear sky. The balcony has a glass railing and a metal frame.

GOOD OVERVIEW. From Leimdörfer's office at the top floors of the fifth tower by Hötorget, Erik Eliasson has a bird's-eye view of Stockholm's property market. "When investors are visiting, it's great to be able to point out some of the properties that we are advising on," says Erik Eliasson.



investors returning to Sweden

Sweden is once again an interesting market for international investors.

“The statistics do not fully reflect it, but we often see international investors submitting the second or third highest bid in our sales processes. They’re clearly on the way back to Sweden,” says Erik Eliasson, CEO and Senior Partner at Stockholm-based advisory firm Leimdörfer.

Here, he draws his picture of the Swedish property market.

In the middle of the 2000s, international investors were very active on the Swedish property market. 2007 was the peak with cross-border deals representing more than half of total transaction volume and international buyers accounting for more than 50 per cent of the acquired volume.

During the financial crisis and its aftermath, many foreign investors withdrew to their home markets and, since then, the Swedish market has been dominated by domestic institutions and listed Swedish property companies.

Last year, foreign buyers represented over 20 per cent of acquired volume compared with less than 15 per cent in 2011.

IN 2012, ERIK ELIASSON’S LEIMDÖRFER served as sole financial adviser when Citycon (listed on the stock exchange in Finland) and Canada Pension Plan Investment Board acquired the shopping centre Kista Galleria in Stockholm from DNB for SEK 4.6 billion in the largest single property transaction in Sweden ever.

Erik Eliasson believes that we will see more international investors in major retail property deals in Sweden in the future. ☒

☒ “I think there will be opportunities for foreign buyers within both retail and logistics. In addition, good quality office properties in suburb locations are likely to deliver compelling yields.”

SWEDISH INSTITUTIONS ARE CONCENTRATING a lot on core properties in central Stockholm, Malmö and Gothenburg, and have dominated these sectors over the past few years.

“Institutional investors have increased their target allocation to properties. Properties are less volatile than equities but with a higher return than most fixed income securities. Institutions are fairly risk-averse and favour core properties, in CBD locations. In Stockholm, this has led to a yield compression to, in some cases, levels even below London City. This, coupled with the strong Swedish krona, has made many foreign investors dismiss the sector as too expensive.”

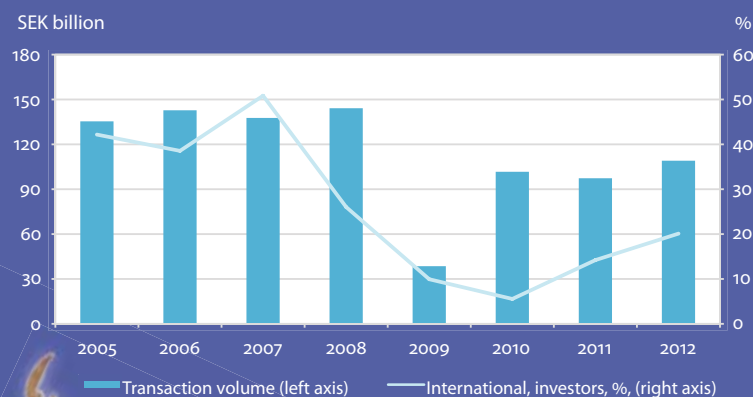
INSTEAD, THERE MAY BE MORE opportunities outside CBD, as well as within retail and logistics.

“Many large international investors have strong relationships with multinational retail and logistics tenants. There is more activity here; investors such as Grosvenor, Canada Pension Plan and Citycon – the latter backed by global shopping centre specialist Gazit-Globe – have invested and will probably invest more.

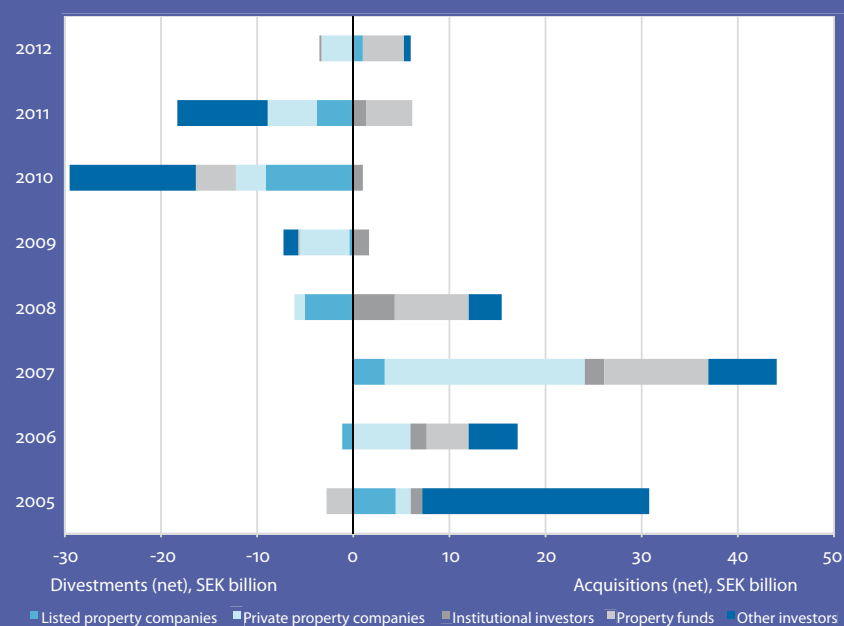
“The next stage is for the large international private-equity firms that were successful in Sweden a few years ago to return and we’re seeing signs of that already.” ☒



TRANSACTION VOLUME/INTERNATIONAL INVESTORS IN SWEDEN



NET ACQUISITIONS/DIVESTMENTS, INTERNATIONAL INVESTORS PER CATEGORY, 2005-2012





KEY FACTS Sweden



Official name: The Kingdom of Sweden.

Political system: Constitutional Monarchy, with parliamentary government.

Head of State: King Carl XVI Gustaf.

Prime Minister: Mr Fredrik Reinfeldt (Moderate Party).

Language: Swedish.

Population: 9.5 million (85% live in urban areas).

Area: 450,000 sq.km = 174 000 sq.mi.

Time zone: GMT +1 hour.

Currency: 1 krona = 100 öre.

GDP growth: 0.9 percent.

Largest cities: Stockholm (capital), Göteborg, Malmö.

Noteworthy memberships: EU since 1995, WTO, OECD.

Most important export industries: Mechanical engineering, automotive, information and communication technology, pulp & paper, power generation, pharmaceuticals, iron and steel, transport services and tourism.

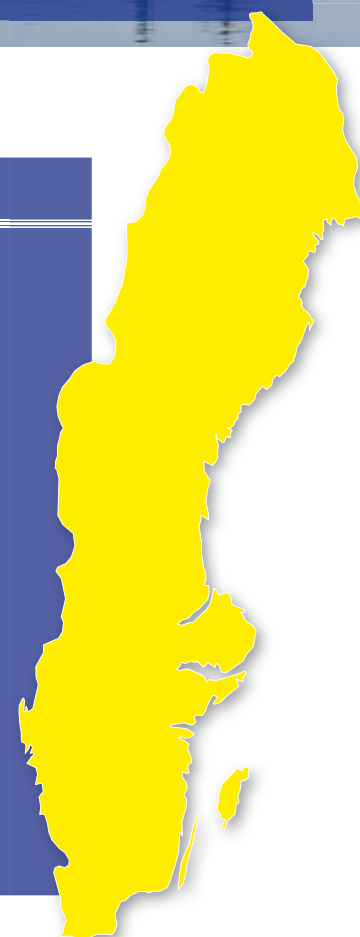
Most important import goods and services: Foodstuffs, raw materials and fuels, chemical products, machinery, electrical equipment, information & communication products and services, road motor vehicles, textile products & apparel, tourism.

Most important export and import markets: Europe, North America and Asia.

Source: Invest Sweden

<i>Purchase volume, international investors, SEK billion</i>	2005	2006	2007	2008	2009	2010	2011	2012
Listed property companies	5	4	3	5	0	0	0	2
Private property companies	11	17	22	3	0	0	0	0
Institutional investors	1	2	6	4	2	1	2	5
Property funds	14	17	23	15	2	4	8	9
Other investors	26	16	15	10	0	0	4	6
Sum	57	55	70	38	4	6	14	22
<i>Sales volume, international investors, SEK billion</i>	2005	2006	2007	2008	2009	2010	2011	2012
Listed property companies	0	5	0	10	0	9	4	1
Private property companies	9	11	1	4	5	3	5	3
Institutional investors	0	0	4	0	0	0	0	5
Property funds	17	12	12	7	2	8	3	4
Other investors	3	11	8	6	2	13	13	6
Sum	29	39	26	28	9	34	26	19
<i>Net, international investors, SEK billion</i>	2005	2006	2007	2008	2009	2010	2011	2012
Listed property companies	4	-1	3	-5	0	-9	-4	1
Private property companies	2	6	21	-1	-5	-3	-5	-3
Institutional investors	1	2	2	4	2	1	1	0
Property funds	-3	4	11	8	0	-4	5	4
Other investors	24	5	7	3	-2	-13	-9	1
Sum	28	16	44	9	-6	-29	-12	2

Source: Leimdörfer



☒ Many major international players had great timing when they bought in 2001–2002 and sold in 2006–2008, before the crisis.

“Investors like Blackstone and Doughty Hanson delivered fantastic returns back then and have good experiences of Sweden as a market.”

What is it that attracts investors to Sweden?

Erik Eliasson explains:

• SOLID MACROECONOMICS

“The economy is sluggish, to say the least, in large parts of Europe but in Sweden, things are moving along fairly well. We have strong public finances. Sweden belongs to a very small group of countries that have a budget surplus and Sweden’s public debt ratio of 30–35 per cent of GDP is among the best-in-class. At the end of 2012, Sweden’s long-term government bond yields were at similar levels as Germany’s.”

“There’s a healthy demand for Swedish products. In addition to the traditional giants such as H&M, Ericsson and Ikea, it’s encouraging that Sweden has managed to introduce new, well-known companies like Skype and Spotify.”

• A FUNCTIONING BANKING SYSTEM AND A LIQUID MARKET

“Even though a couple of Swedish banks embarked on risky adventures in the Baltics, they steered through the crisis relatively well. In contrast to the UK, the US and Germany, no ‘balance-sheet banks’ were nationalised. Some foreign banks ran into problems, but not really the Swedish ones, to some extent thanks to

LEIMDÖRFER

- Founded in 1992.
- Voted ‘Best Real Estate M&A Adviser in Sweden’ in 2012 and 2011 by financial magazine Euromoney’s poll of investors.
- Business areas: Transactions, Capital Markets and Strategy.
- 40 employees with offices in Stockholm, Helsinki and Malmö.
- Key credentials in Sweden in 2012:
 - Sole financial adviser to Citycon and CPP Investment Board in the SEK 4.6 billion acquisition of shopping centre Kista Galleria in Stockholm from DNB – the largest single asset deal in Sweden ever.
 - Sole financial adviser to Länsförsäkringar Liv, in the SEK multi-billion divestment of eleven office properties in Stockholm, approximately 250,000 m², in six separate deals to Humlegården, Atrium Ljungberg, KLP, AFA, Folksam and Balder.
 - Sole financial adviser to Jernhusen, in the SEK 2.1 billion divestment of prime office property Kungsbrohuset in Stockholm CBD to KPA Pension and Folksam Liv.



Picture: Nicklas Tolleson

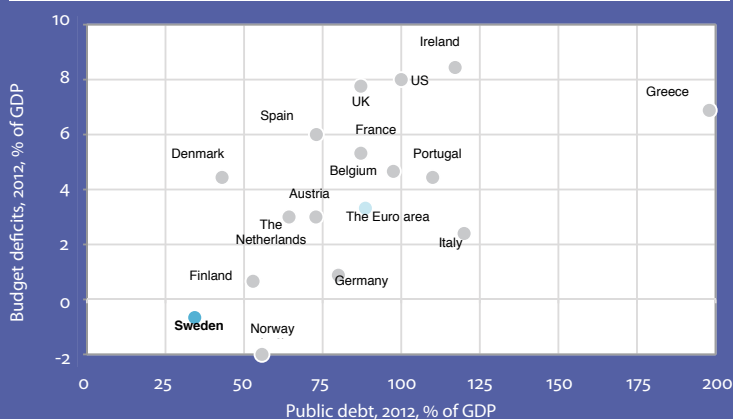
the lessons they learnt from our own financial crisis in the early 1990s.

“At the same time, the banks have become more conservative in their lending to properties, but for the right client and the right property, financing is available. The Kista Galleria acquisition is a good recent example where the buyers borrowed SEK 2.3 billion from SEB, Swedbank and Aareal.”

In relative terms, banks represent a large share of property financing in Sweden, but this is likely to decrease.

“The current situation creates opportunities for alternative ☒

BUDGET DEFICIT AND PUBLIC DEBT, 2012

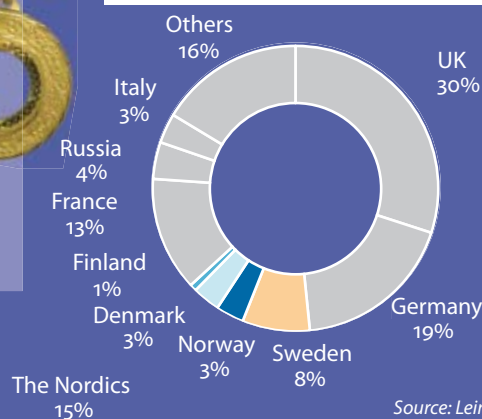


TOP 5

European cities by transaction volume, 2011

1. London
2. Paris
3. Moskva
4. Frankfurt
5. Stockholm

EUROPEAN COUNTRIES' SHARE OF THE TRANSACTION VOLUME, 2011



Source: Leimdörfer

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From an overall perspective, we have formed places to think, speak, create, interact, pause, schedule, archive, and everything else needed for a balanced professional life.

Since we built the office from scratch, we have been able to think sustainability into every detail. IT solutions and the interior is something special.

We call it working activity-based. And with the new office, we experiment our way to the next level of leadership and teamwork. Office development is business - and everything we learn will benefit our customers.

VASAKRONAN

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- ☒ forms of financing, some of which we have already seen and that we'll be seeing more of in the future. I think it's a healthy development; it's good that there are more sources to tap."

SWEDEN HAS HAD A FUNCTIONING and transparent property market for a long time, which of course provides additional confidence to new market entrants.

"Sweden is one of the world's most liquid property markets. Although it has become increasingly difficult to finance secondary properties, investors eventually find an exit route. Funds with a finite investment horizon need to know that it will be possible to sell the properties. This is one of the reasons why major international private-equity firms view Sweden as one of the key markets to keep an eye on."

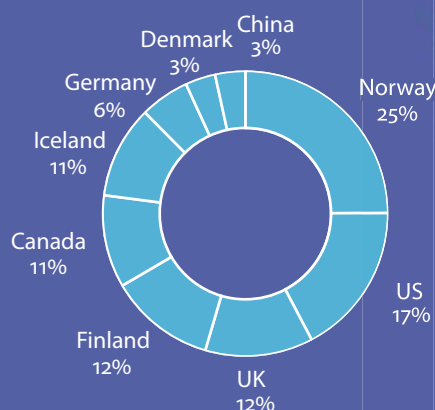
• **LOW TRANSACTION COSTS AND A WELL-OILED SYSTEM**

"Sweden has relatively low transaction costs. Most transactions are share deals free of stamp duty. Corporate tax has been lowered to a competitive 22 per cent, interest expenses are tax deductible and Sweden has widespread double taxation agreements. In addition, there are skilled financial and legal advisers who make deals go through smoothly. All in all, the property transactions market in Sweden is a well-oiled machine." 

**ACQUISITIONS IN SWEDEN
BY INVESTOR ORIGIN, 2012**

Country	Acquisitions, SEK billion
Norway	5,5
US	3,8
UK	2,7
Finland	2,6
Canada	2,3
Iceland	2,3
Germany	1,2
Denmark	0,8
China	0,8
Sum	21,9

**SHARE OF ACQUISITIONS IN SWEDEN
BY INVESTOR ORIGIN, 2012**



Source: Leimdörfer



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- *Achieve value creation by acquiring, actively managing and developing properties and portfolios*
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Mass relocation means **new opportunities** for the City of Stockholm

A mass relocation by major companies and authorities from the City of Stockholm to nearby suburbs has started. In the next few years, a few hundred thousand square metres will be empty. This will bring a major challenge and also opportunity for the local rental market in central Stockholm.

Skandia, the Tax Authority, Swedbank, the Social Insurance Agency, Apoteket and possibly SEB have left or will be leaving their big office premises in central Stockholm to move out to Stockholm's nearby suburbs. This means that a few hundred thousand square metres will become vacant within the next few years – and the main reason for moving is money.

“What’s happening here is that Stockholm’s actually being enlarged.

“MANY BIG COMPANIES and authorities have looked at their local costs and many of them have come to the conclusion that it’s possible to halve their rental expenses by moving out of the centre. This concerns

big organisations that are occupying a lot of surface area and they can save big sums of money. As the infrastructure’s expanding, it’s becoming much easier to move to a workplace that’s just outside ☒



Bild: David Schmidt/Pixprovider

NOT WORRIED. Olle Zetterberg at Stockholm Business Region thinks that Stockholm will be vitalised in the long run thanks to the conversion of office space into hotels, restaurants and homes.

Unlocking the hidden potential

East Capital Real Estate is tailored to tap into the growing real estate opportunities in Eastern Europe. Our investment managers specialize in finding the hidden potential of commercial real estate in Estonia, Latvia, Lithuania and Ukraine. Our extensive local knowledge of these markets is rigorously maintained by in-house research as well as several hundred on-site property visits. At present, we manage over EUR 200 million in commercial property through our real estate funds and alternative investment funds.

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East Capital's Real Estate funds are only directed at institutions and other professional investors, and are not adapted for retail investors. Investments in an East Capital Real Estate fund always involve risks. Past performance is no guarantee for future performance. The value of an investment may go up or down in value and may be affected by changes in exchange rates. Investors may not get back the amount invested. Potential investors should carefully study the offering memorandum, which contains the terms and conditions, and a description of the associated risks. The offering memoranda can be obtained from East Capital. The funds are not regulated by the Swedish Investment Funds Act (2004:46) and so are not subject to Swedish regulations related to investment funds nor the supervision of the Swedish Financial Supervisory Authority.



Picture: Joakim Våring

Åsa Linder, Head of Analysis at Jones Lang Lasalle.



EMPTY OFFICES. Over the next few years, a few hundred thousand square metres of office space will become vacant in central Stockholm. Big companies and authorities are moving out to the nearby suburbs to save money.

the city centre,” says Åsa Linder, Head of Analysis at Jones Lang Lasalle.

Olle Zetterberg is the MD of Stockholm Business Region. He thinks that the mass move should be seen from a greater perspective.

“WE’RE NOT WORRIED ABOUT this development. It’ll vitalise Stockholm in the long run. What’s actually happening is that Stockholm is getting bigger – and this is a trend that’s been ongoing for several years where big companies, authorities and organisations have moved the whole or parts of their operations out of the centre. The positive thing, of course, is that when companies and their employees move out to the nearby suburbs, the purchasing power increases there and more town-like environments are created. Floor space in the city is also released for new offices, hotels, restaurants and housing, which are badly needed so it’s a positive thing,” says Olle Zetterberg.

But what does the fact that several hundred thousand square metres will still be vacant in the City of Stockholm mean?

“First and foremost, it can be said that it’s almost perfect timing for having record low vacancies in central Stockholm. There’s nothing dramatic about it. Prices will no doubt be subdued, but I don’t think the rents will crash. The property owners, Vasakronan and AMF Fastigheter, who own most of the empty spaces, are strong and will create new and attractive products. From a property owner’s perspective, it’s obvious that it’s always better to have a long-term tenant, but I still think that what’s happening is being seen as an opportunity. It concerns properties that are in some of the best locations in the country,” says Åsa Linder at Jones Lang Lasalle.

Do you believe that even more may move out of the city?

“Well, that’s not an impossibility. When the rents in the city

increase, it usually leads to relocations but when the rents fall, people relocate back in the direction from where they came. It happens in waves. The local cost plays a big part in the overall costs for the majority of companies and organisations so they’re careful about keeping a watch on these, but there are different ways of lowering the rents. For example, you can use your workspace more efficiently, which is something that’s now starting to open the eyes of many,” says Åsa Linder.

OLLE ZETTERBERG IS REALLY looking forward to one particular area in the City of Stockholm being given a lift – Brunkebergs Torg where Swedbank is leaving a property that’s a full 47 000 m² in size.

“It’s a bit of a back yard, a place where you wouldn’t necessarily choose to spend your evenings, despite it being one of Stockholm’s very best locations. There are now fantastic opportunities here to create hotels, restaurants, new offices and homes. With regard to hotels in particular, we know that more rooms are needed since the number of people staying overnight’s increased from six million to ten million per year between the year 2000 and the year 2010, and there are now even more.”

“ Prices will no doubt be subdued, but I don’t think the rents will crash.

Isn’t this a fantastic opportunity to create homes with central locations?

“Everyone knows that loads of new homes are needed, preferably in the centre. But, at the same time, this won’t be solved by converting offices into homes. I’d like to see some of the floor space being converted into homes but most of the properties aren’t suitable. They’re more suitable for offices, hotels, shops and restaurants,” says Olle Zetterberg. **F**

**Reason says:
this investment
is too costly.**



**Instinct says:
not as costly as
missing out.**



Meet us at MIPIM.

Connect with the Swedish Real Estate & Construction team.
Contact team leader Andreas Adolphsson at +46 8 563 072 99
or andreas.adolphsson@se.gt.com.



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NEWS IN BRIEF

by Eddie Ekberg

Most read news in the last three months

Citycon acquires Kista Galleria for SEK 4.6 billion

TRANSACTIONS Finnish listed property company Citycon and Canadian Canada Pension Plan Investment Board join forces to buy Kista Galleria in Stockholm for SEK 4.6 billion (EUR 526 million).

The shopping centre will be owned as a joint venture between Citycon and CPPIB who will each own 50 per cent.

The seller is DNB Livförsäkring, part of the DNB Group. DNB has owned the shopping centre since 2005 and has been the sole owner since autumn 2010 when it bought out its partner, Länsförsäkringar Liv.

"This is a strategic acquisition that gives us a unique opportunity to strengthen our position on the Swedish market. Sweden is characterised by rapid urbanisation. At the moment, the catchment area for Kista Galleria consists of around 345 000 people and it's expected to increase considerably over the next few years. Stockholm is also expected to grow by half a million inhabitants over the next 15 years," says Citycon's Group Manager Marcel Kokkeel.

The shopping centre has approximately 18 million visitors per year and sees SEK 2.4 billion in sales. This makes Kista Galleria the most visited shopping centre in the Stockholm area and the third largest in terms of sales.

The property has a total leasable area of 90 000 m², which includes 185 shops and restaurants, cinemas and bowling alleys, and even student accommodation, a medical centre and other municipal operations.

"Kista Galleria is one of the most attractive shopping centres in Sweden. By selling now, we'll get a good yield on the capital that we've invested over the years. We're happy to sell to Citycon and CPPIB, who are very well equipped to develop the area further," says Gro Boge, Head of DNB Reim, the property management company in the DNB Group.

Leimdörfer has been the sole financial adviser to Citycon and CPP in the transaction. Jones Lang Lasalle has also acted as adviser in the deal. Roschier was the legal adviser to Citycon and CPPIB during the transaction.

Catella and Mannheimer Swartling were advisers for the seller, DNB.



Picture: Therese Anonson

Kista Galleria.

NORDIC PM GIVEN GERMAN ASSIGNMENT IN STOCKHOLM

COMPANIES Nordic PM and German Commerz Real AG's subsidiary Commerz Real Investmentgesellschaft mbH (CRI) and Commerz Real Spezialfondsgesellschaft mbH (CRS) have agreed to cooperate with regard to the property management of three Stockholm properties of a total of 66 000 m².

"We're very pleased that CRI and CRS as international players believe in the property management services that we have to offer. We're now looking forward to an exciting and successful cooperation to safeguard the high potential of our customers' strategically-located properties in the best possible way," says Joakim Orthén, MD of Nordic PM.

NLP BECOMES TRIBONA ON THE STOCK EXCHANGE

COMPANIES Before moving from the Norwegian to the Swedish stock exchange, the property company NLP will be merging with its own subsidiary Tribona, which will be the company name that's used on the stock exchange. The reason for this is that there are no legal possibilities for a Norwegian company to change domicile from Norway to Sweden. The board therefore proposes that NLP merge with Tribona AB, which is a wholly-owned Swedish subsidiary of NLP.



Brahelund.





Roland Sigbladh.

CONSTRUCTION BANKRUPTCIES INCREASED BY 48 PER CENT

SWEDEN Company bankruptcies increased by 14 per cent in January. It's exactly as it was before in the construction industry, the transport sector and wholesale where the increase in bankruptcies is at its greatest. In the construction industry, the number of bankruptcies increased by a full 48 per cent according to UC.

"The construction companies have been struggling with weaker ordering levels for a long time now, particularly because there's less housing construction throughout Sweden," says Roland Sigbladh, Head of Marketing at the transaction and credit information company UC.

MORE MARKET-ADAPTED RENTAL HOMES ON THE WAY

HOUSING The location of homes is becoming more important for rentals and the Swedish Union of Tenants is having less influence. These are two of the messages being sent out by government investigator Per-Anders Bergendahl.

He's proposing several changes to the law which would mean that rental homes were more market-adapted. The Swedish system would then be more like the German where the rents differ much more in different areas and where there is no housing shortage as there is in many places in Sweden.

Sabo's MD Kurt Eliasson is not satisfied with the investigation.

"We don't want German-style rental regulation in Sweden. It would be a big step backwards were such regulation to be introduced," he says.

SWEDISH PROPERTIES CONTINUE TO GENERATE STABLE YIELD

SWEDEN The IPD Sweden Quarterly Listed Property Market Monitor shows that the yield from the underlying properties in the listed sector continues to be stable.

The total yield from the underlying properties amounted to 1.6 per cent in the third quarter of 2012. That is marginally lower than the 1.9 per cent for the corresponding quarter last year. In the past twelve months up to and including September, the total yield amounted to 8.1 per cent, consisting of 5.5 per cent direct yield and 2.5 per cent value increase compared with 8.8 per cent for the whole of 2011.

AKELIUS BUYS IN LONDON

TRANSACTIONS Akelius, owned by the Swedish businessman Roger Akelius, has bought residentials in London in two deals for around SEK 124 million. Over the past one and a half years, the company has bought residentials in the UK for just over SEK 1.5 billion. One of the properties is St Peters Court in Stepney Green. It's a former church that's been converted into homes. The other property is Welford House in Purley.

CBRE was Akelius' adviser in the deal.

SAGAX BUYS FOR SEK 570 MILLION

TRANSACTIONS Sagax buys two warehouses, one in Haninge and one in Borlänge, for a total of SEK 570 million. The seller is a consortium consisting of Wilfast and Norwegian Ness, Risan & Partners. The properties cover a total of 140 000 m² freehold land and 71 000 m² leasable area.



Picture: Pngprovider

Here's Sweden's smartest office 2012

EVENTS Sweden's smartest office 2012 has been won by Malmö company Ideas. The competition is arranged by Fastighetssverige's sister magazine Lokalnytt.

The winner Ideas is located in Jernhusen's property next to Centralstationen in Malmö.

"I'm thrilled! I didn't think we'd win. There were so many good offices this year. I think a mixture of playfulness and neat design made us the winner," says founder of Ideas Tony Rydberg.

The chairperson of the jury, top architect Gert Wingårdh, confirmed:

"Ideas have found the coherent theme. The green grass and the grazing cow chairs make the office anything but stilted and stuffy."

He's the new MD of Castellum

CAREERS Henrik Saxborn, former deputy MD, is succeeding Håkan Hellström as MD of Castellum, Sweden's largest listed property company.

"In Henrik Saxborn, Castellum's getting an MD who is very familiar with Castellum's strategy and who, during his time at the company, has provided proof of commercial determination, leadership, drive and the ability to analyse," says the chairperson of Castellum's board, Charlotte Strömberg.



Picture: Castellum

"I look forward to helping Castellum's strong organisation to develop the company further. Castellum's strategy functions well and focuses on customers and increasing the cash flow, which involves continuing to invest in both new and existing properties in our growth regions," says Henrik Saxborn.

ELFSTADIUS LEAVES CITYCON

COMPANIES After just one year, Johan Elfstadius is leaving his post as Sweden's Head of Citycon following a joint decision by Elfstadius and Citycon.

"I'd like to thank Johan for his inputs to improve the Swedish operations and for having taken Citycon's Swedish operations to the next level, and I wish him luck in his future challenges," says Citycon's MD, Marcel Kokkeel.

Elfstadius started his job on 1 December 2011. Han had been Sweden's Head of CBRE and Colliers International before this.



Picture: David Schridt/Proff

NEWS IN BRIEF

ABERDEEN MAKES ITS FIRST HOUSING FUND PURCHASE

TRANSACTIONS Aberdeen's housing fund has made its first investment by acquiring two residential properties in the centre of Södertälje. The underlying property value amounts to approximately SEK 90 million and the seller is a private person.

"It's nice to be able to find properties that are so central and well looked after and well maintained in the Stockholm region for your first acquisition. This type of property fits in well with our long-term investment strategy," says Fredrik Eliasson, fund manager at Aberdeen.



Fredrik Eliasson.

CBRE APPOINTS DEPUTY MD

CAREERS Karl Persson has been appointed as deputy MD of CBRE in Sweden. He has been at the company since autumn 2011.

"I've had a good first year at CBRE and I'm looking forward to the new, broader challenges that my new role involves. CBRE has all the potential to become one of the market-leading players in the Nordic countries as it is in the rest of the world in all of its business areas," says Karl Persson.



Karl Persson.

IKEA AND IKANO IN MAJOR INVESTMENT IN STOCKHOLM

CONSTRUCTION/ARCHITECTURE Ikano Bostad, Ikano Retail Centres and Ikea have signed a letter of intent with the City of Stockholm. Ikea and Ikano Retail Centres will be looking at how they could create a new shopping centre in Söderstaden, and Ikano Bostad will be looking at the possibility of developing approximately 550 homes.

"We're really pleased that Ikea and Ikano are ready to invest in a central location with very good access to public transport," says the Commissioner of Finance and the municipal executive board's chairperson Sten Nordin (M).



Ikea and Ikano's big investment in Söderstaden in Stockholm.



Unique 45 000 m² building in the middle of Stockholm

CONSTRUCTION/ARCHITECTURE The city of Stockholm is planning a unique 45 000 m² building in Kungsholmen right in the centre of Stockholm. The name of the building will be Park 1.

The building will be on Lindhagensgatan next to Essingeleden. It will accommodate a new fire station, a coordination centre for the police, ambulance, fire and traffic control services, office premises and restaurants, cafés and other meeting places. Stockholm's first roof park is planned for the top of the building and will be open to the public.

The City Planning Office is starting immediate coordination for the proposed plan. Construction cannot start until 2014 at the earliest, which should

mean that people start moving in during 2016.

The responsible proprietor is the City of Stockholm through the Real Estate Department.

The architecture firm White is responsible for the layout and design of the new landmark. "This is one of Stockholm's most exciting assignments. We're proud to be tasked with creating a unique building with a distinctly green profile," says Monica von Schmalensee, MD of White.

"It's a strong, unique building in many ways. The most striking is without doubt the roof terrace, which is a unique public green space with views over the rooftop landscape in all weathers," says Linda Thiel, responsible architect at White in Stockholm.

BILLIONS SALE FOR NIAM IN STOCKHOLM

TRANSACTIONS Electrolux buys its head office property on S:t Göransgatan in Stockholm from Niam for SEK 1 145 million. In the property, Electrolux has made its own comprehensive investments such as the Group's design and product development operations.

The property was part of a big package deal which Niam sealed with Acta in 2006.

The property – Gångaren 13 – covers around 36 000 m².

"Niam has decided to sell this property after having owned it for more than six years. During this time, various development alternatives have been assessed while work has taken place with creating opportunities to progress further with these," says Johan Bergman, MD of Niam.



Johan Bergman.

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NEWS IN BRIEF

NEW MD AT BASALE

CAREERS Ulf Attebrant becomes the new MD of Basale Sverige. He replaces Jimmy Axdorff.

Ulf Attebrant has previously been the MD of Citycon in Sweden and deputy MD of Atrium Ljungberg.

"Basale's a really interesting company and it'll be exciting to help develop the business en route to achieving its objective of becoming the obvious first choice in management and asset management on the Swedish market. Basale's good reputation, competent employees and well-developed

management system mean that the company's developing with current and new customers. We have a fantastic basis on which to build," says Ulf Attebrant.



Ulf Attebrant.

DATSCHA PLANS FOR EUROPEAN EXPANSION

COMPANIES Datscha is making major investments in product development and is planning to expand into several European countries in 2013.

"We're the market's premium service in Sweden and want to be just that in Europe as well. We'll never be your two-star budget alternative," says Datscha's MD, Jacob Philipson. The information and analysis company Datscha is currently in the process of recruiting personnel who will further develop the company's product.

Datscha is a subsidiary of Stronghold, which also owns Newsec and Niam, among others.



Björn Isaksson.

"Positive effect for the whole of the industry"

SWEDEN In January, the Administrative Court of Appeal gave a verdict in favour of Wallenstam in the case known as the "Guldmyran case". This may bring several positive effects.

"Many people have been waiting for this verdict and the outcome should lead to more transactions taking place," says conversion consultant Björn Isaksson of Restate.

"A pleasing and eagerly-awaited decision which I think will have a positive effect on the whole of the industry. Selling properties in company form is an accepted method of working that's completely in accordance with valid laws and rules.

The volume of the transactions shouldn't be the deciding factor, which has now been proven," says Wallenstam's MD, Hans Wallenstam.

Björn Isaksson at the conversion consultancy Restate also sees the verdict as positive.

"Thus far, one month after the verdict, we haven't noticed the market taking off, but it's reasonable to think that it ought to. Many people have waited for this decision – but maybe we shouldn't breathe out just yet. I'd imagine that the Swedish Tax Authority will be appealing to the Supreme Administrative Court," says Björn Isaksson.



Vasakronan buys NCC's section of Triangeln in Malmö for SEK 1.2 billion.

VASAKRONAN BUYS FOR 1.2 BILLION IN MALMÖ

TRANSACTIONS Vasakronan buys NCC's section of the Triangeln shopping centre in Malmö, erected by NCC Property Development.

The purchase price is SEK 1.2 billion.

Triangeln is on around 12 000 m² shops with around 400 parking spaces and 4 700 m² office premises.

"Öresund is a growth region with a strong population development and the purchasing power in the region is increasing considerably more than the

national average. A continuing inflow of tourists and commuters means that there are good conditions for a really good shopping area in a central location. Our purchase of Triangeln is the type of investment we're looking for," says Fredrik Wiridenius, MD of Vasakronan.

Triangeln is environmentally classified in accordance with Breeam and is also classified as a Green Building.

Completion will take place on 17 December 2013.



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STRONG END



STRONG TRANSACTION YEAR. Last year, transactions to a value of around SEK 105 billion were implemented in Sweden, which is the highest entry since 2008. The same thing applies to the third quarter where the transaction volume finished at just over SEK 40 billion. When Finnish Citycon and Canadian CPPIP bought Kista Galleria, the purchase price was the highest thus far in Sweden for one individual property.

Picture: Niclas Liedberg/Fixprovider



“The activity really opened up during the fourth quarter, but the first quarter of 2012 was also relatively strong.

Karin Witalis, DTZ



“The volume shows that properties are an attractive asset choice in the hunt for a good, stable yield.

Arvid Lindqvist, Newsec



“The Swedish institutions have shown a strong level of interest in property investment through direct and indirect acquisitions throughout the year.

Peter Wiman, Savills

to the 2012 transaction year

Last year, transactions to a value of around SEK 105 billion were implemented on the Swedish property market. That is the highest number noted since 2008. The same applies to the fourth quarter which ended up at just over SEK 40 billion.

The very high level of activity on the property market in December resulted in a transaction volume of just over SEK 40 billion during the fourth quarter. It is the highest quarterly entry since the third quarter of 2008 when AP properties acquired Vasakronan. The transaction volume for the full year amounted to just over SEK 105 billion, which is also the highest entered since 2008. However, the number of deals over SEK 100 million has fallen slightly from 205 during 2011 to 189 during 2012.

THE DETAILS, WHICH ARE ALMOST concordant, come from Newsec, Savills and DTZ.

“The volume shows that properties are an attractive asset choice in the hunt for a good, stable yield. It’s primarily financially strong Swedish institutions and pension companies that have been responsible for the majority of the acquisitions. The share of foreign investors has continued to rise and amounted to 19 per cent in 2012, which is the highest entry since 2008 and can be compared with 15 per cent in 2011,” says Arvid Lindqvist, Chief Economist at Newsec.

“The Swedish institutions have shown a strong level of interest in property investment through direct and indirect acquisitions throughout the year, and this has led to strong competition and high prices for the most attractive properties on the market,” says Peter Wiman, Chief Analyst at Savills.

“The activity really opened up during the fourth quarter, but the first quarter of 2012 was also relatively strong. Based on the

uncertain economic situation and a harsh financing market, the transaction activity level has been surprisingly high this year,” says Karin Witalis, Head of Research for DTZ in Sweden.

Several major property deals during December 2012 helped to take the transaction volume up to more than SEK 30 billion during the last month of the year. The biggest of these deals was The Third Swedish National Pension Fund’s acquisition of Kungsleden’s 50 per cent share in Hemsö, which was also the single largest acquisition during 2012. Finnish Citycon and Canadian Canada Pension Plan Investment Board acquired Kista Galleria from DNB Livsforsikring ASA for approximately SEK 4.6 billion. The purchase price is the highest thus far in Sweden for one individual property. One further company within the DNB Group was among the sellers when Fortin AS sold its Swedish holding to Sveareal for SEK 2.6 billion.

HOWEVER, ONE DISCONCERTING trend is that, in spite of the substantial transaction volume, the transaction rate has continued to fall during the fourth quarter as well and the number of entered transactions fell by 20 per cent compared with 2011.

Over the year, institutions and listed and non-listed property companies were dominant as regards both purchases and sales with institutions and non-listed property companies as the biggest net buyers. The Swedish players were over-represented with almost 82 per cent of the invested capital and 76 per cent of the sales volume.

“THE SHARE OF SWEDISH BUYERS is still high but, compared with 2011, the foreign share has risen. British, American and Norwegian investors have been the most active but German, Finnish and Dutch players were also among the buyers,” says Karin Witalis of DTZ. “As you might expect, the property market in Stockholm attracted the most capital, almost 40 per cent of the investment volume. Looking at different property sectors, offices were by far the biggest with 34 per cent of the capital followed by housing with 20 per cent. **F**

"I intend to continue until I give up the ghost"

Christian Hermelin is the MD of one of Sweden's biggest listed property companies. As you might expect, his great passion is working with properties.

"I love my job," he says.

Fabege is part of the Paulsson sphere which is controlled by the Swedish property king Erik Paulsson. Christian Hermelin has worked with Erik Paulsson for 20 years.

How well do you know Erik Paulsson?

"Very well. I'd met him as a manager at Fabege for six years when he was the MD. We're now in contact more or less every day and I really benefit from his experience and networks in my work as MD of Fabege. We are working together closely on Arenastaden with the arena and Mall of Scandinavia."

How important has he been to your career?

"He's been extremely important, to me and to my brother, Gustaf Hermelin (MD of Brinova, also in the Paulsson sphere). We've

chosen to learn from the right man, you might say. We'd obviously have managed pretty well in any case, but it has been, and still is, really nice working with Erik. He has an enormous amount of energy that he's happy to share."

Had you been obliged to choose another occupation, what would it have been?

"Probably an engineer. I like developing and improving things – that's what gets me going."

Do you see anyone in the industry as a role-model?

"I've learned a lot from both Erik and my brother Gustaf. They're also very similar to one another. Erik and Gustaf are more similar than Gustaf and me in several respects. They both have an enormous driving force whereas I'm more analytical. Both Erik and Gustaf have already made a call and started a deal before I've finished thinking, but we complement one another well." ☒

"We've chosen to learn from the right man, you might say."



LIKES DEVELOPMENT. Christian Hermelin loves developing properties and their areas. That's his great passion. He mentions Järle Sjö, among others, and the current project of Arenastaden as his two favourites. "The Arenastaden work has given me a new lease of life," he says.

LOVES HIS JOB.

Christian Hermelin has worked in the Paulsson sphere for 20 years and has no plans to stop. "I love my job and will probably be involved with properties in one way or another until I give up the ghost."



YOUNGEST OF FIVE SIBLINGS

Name: Christian Hermelin.

Age: 48.

Family: Wife and three children.

Grew up: As the youngest in a family of five brothers and sisters on a farmstead in Björkvik in Sörmland.

Lives: In a house on Lidingö.

Car: Volvo XC70.

Studies: Upper secondary school engineering and economics.

Career: Has had two employers: Arcona and Fabège.

Reads: Industry magazine and newspapers.

Watches on TV: Family entertainment, sport and the news.

Who in the industry would you take with you to a desert island?

"I really enjoy the company of my colleagues at Fabège, so I'd take any of them with me. No-one mentioned, no-one forgotten."

Do you invest in properties yourself?

"Yes, in the sense that I invest all that I can in Fabège shares."

"I think that all players need to become even more customer-orientated."


What makes you a good leader?

"I've probably improved over the years. I think it was difficult to begin with, but I've learned what it is that drives people. I haven't read loads of management literature and gone on courses, but I've learned the hard way. I think one of my strengths is that I'm a good team player – the best idea wins."

What is important to bear in mind for a sound development of the Swedish property market?

"Generally speaking, I think that all players need to become even more customer-orientated and look after the people in the properties. They need to understand that it's not about buildings, it's about people. Where Stockholm is concerned, it's really important to create a balanced city. Things look OK on the office front at the moment but not on the infrastructure and housing front, and this could inhibit the growth in the long term."

You've been the MD of Fabège since 2006 – how long do you intend to stay?

"For as long as I feel that I'm enjoying going to work – and I certainly do at the moment. I've had a new lease of life in our customer focus and with 



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3 VOICES ABOUT CHRISTIAN HERMELIN:



Erik Paulsson, MD of Hansan and major shareholder in Fabege and Brinova, among others

"He's worked with me for 20 years, so I know him quite well. He's a genuine person who devotes himself wholeheartedly to his job. Not only that, he has a sound past as a farmer's son, so I have full confidence in him. He also has an

unbelievable ability to connect with colleagues, which is a valuable characteristic. I see him as an important person in the continuing development of Fabege."



Gustaf Hermelin, MD of Brinova and Christian's older brother

"He's extremely ambitious and competitive and he never gives up. He's stubborn for his sins. Entrepreneurial skills are about having an idea and a vision along with a deceptive stubbornness which means that he can stick with it and implement the projects. That's

where Christian's incomparable. He also has an analytical capacity which not all that many are blessed with, and that's a fantastic combination. I'm probably more entrepreneurial and he's more analytical, which makes us a great couple of players who work really well together."



Åsa Bergström, Deputy MD of Fabege

"I think he's really great to cooperate with. We have a good dialogue and cooperate well, and that applies to the whole of our Group management. He's a good team player, agreeable and very anxious for all colleagues to think that it's good to come to work. He encourages initiative and allows others

to take credit where it's due in the company. Ever since he became MD, his mantra has been to build a good team and he's succeeded in doing exactly that. However, he also always wants us to improve slightly and not to rest on our laurels, and I think that's the very thing that's behind our successes."

- ☑ the development of our projects, so finishing here isn't something I'm thinking about at this moment in time."

Is there another dream job in the industry that you might like to have?

"Mmm, well, working with Gustaf and Erik and my other colleagues is a dream job in itself so I wouldn't think of leaving to start at another company."

Do you get any recruitment offers?

"Not very often since I became MD. They presumably realise that I'm really happy so there's no point."

What will you do when you call it a day?

"That's when I'll devote more time to the family, friends, hunting and motorcycling, which are things that I forego at the moment. But I'll probably never give up properties altogether. I have an unbelievable passion for properties and will probably be involved with them in one way or another until I give up the ghost." 🏠



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5

questions for Kerstin Hessius, MD of The Third Public Pension Fund which tops the list of the year 2012's biggest net buyers. In December The Third Public Pension Fund bought the remaining 50 per cent of Hemsö, a deal worth just over SEK eleven billion. It also bought residential properties in Germany in February to a value of just over SEK four billion.

What does the fact that you're top of the list say to you?

"Two things. Firstly that it's mainly institutions, like us, that have been active. That's partly because there's quite a tough credit market out there and we're financially sound, of course. Secondly, we're very happy that we now own Hemsö, a very good property company with exposure to properties that have a stable income."

What do you think the 2012 transaction year was like?

"There was fairly limited international interest in property investments in Sweden, due of course to the economy and the credit market."


What was your best deal in 2012?

"We own 25 per cent of Vasakronan which consists principally of office properties. This means there's a slightly higher volatility and risk, so we were looking for an investment to balance out the risk. We'd looked at housing but when the Hemsö deal presented itself, it was an interesting opportunity since that particular type of infrastructure property is perfect to supplement our Vasakronan holding."

What is your transaction philosophy?

"We always work on the basis of three criteria, whatever we do: risk, anticipated yield and cost. We're always interested in looking at something that's available on the market, it's not all that often that something suitable for us to own comes up."

How do you think the 2013 transaction year will go for you?

"It depends on what turns up on the market. We're always on the lookout. We can also grow within existing companies. Now that we've become the sole owners of Hemsö, we'll be thinking through our strategy there. We never force ourselves into a deal. We have no particular objective with regard to volume or geography - we look at deals that come up and assess whether they fit in with our overall portfolio." 

GOES CROSS-COUNTRY SKIING

Name: Kerstin Hessius.

Age: 54.

Family: Husband and two children.

Lives: In central Stockholm.

Board assignments: Member of Vasakronan and Hemsö. Member of the Öresund Consortium and Arlandabanan Infrastructure AB.

Hobbies: Very interested in culture, including art, the theatre and film. Enjoy cross-country skiing and have a busy social life.



Picture: Peter Phillips

"We're always interested in looking at what's available on the market."

Top 10 net buyers during 2012

1

THE THIRD PUBLIC PENSION FUND

MD: Kerstin Hessius.

Volume: SEK 10.4 billion.

The Third Public Pension Fund was responsible for the biggest property deal in 2012 by acquiring the remaining 50 per cent of the shares in Hemsö for just over SEK 11 billion. In connection with the deal, the seller Kungsleden and Hemsö signed an agreement that was based on Kungsleden acquiring 15 properties for SEK 1.6 billion. In addition to the investments in Hemsö, the Third Public Pension Fund has also made a significant investment in German housing during 2012.



BIGGEST DEAL. The Third Public Pension Fund was behind the biggest deal in 2012 when it bought the remaining 50 per cent of Hemsö.

2

KLÖVERN

MD: Rutger Arnhult.

Volume: SEK 7.1 billion.

Several acquisitions, of which the purchase of Dagon was the largest, resulted in second place on the year 2012 list. The takeover of Dagon, which was completed during the spring, considerably increased Klöver's property value. During 2012, Klöver also took several chances in acquiring properties from squeezed sellers, thereby completing good deals according to what the company itself says. Issued bond loans were an important precondition for enabling these deals.

3

WILLHEM

MD: Mikael Granath.

Volume: SEK 5.2 billion.

During 2012, Willhem continued to grow by means of several acquisitions. In March, a residential properties holding in five different places was acquired from Peab for SEK 640 million and a residential properties holding in the Stockholm area was acquired from Familjebostäder for SEK 1 463 million. In October, a residential properties holding in Karlstad, Linköping and Västerås was acquired from Akelius Fastigheter and Apartment Bostad for SEK 2.4 billion.



Top 10 net buyers during 2012

4 THE CARLYLE GROUP

MD (Sweden): Thomas Lindström.
Volume: SEK 3.0 billion.

The Carlyle Group, one of the world's largest fund managers with more than 150 billion US Dollars in managed capital, acquired Nacka Strand from Vasakronan in January 2012. The area, which had been under Vasakronan's ownership for 20 years, was sold for close to 3 billion in an off-market transaction. Nacka Strand covers approximately 250 000 m², around 80 per cent of which are leasable floor areas and 20 per cent garage. The leasable floor areas consist largely of offices.

5 HUMLEGÅRDEN

MD: Per-Arne Rudbert.
Volume: SEK 2.9 billion.

Humlegården stood for one of 2012's single largest deals when six properties in Solna and Sundbyberg were acquired from Länsförsäkringar Liv in a partly internal affair for just under SEK 4 billion. One of the properties in Sundbyberg is Cirkusängen 6, where Humlegården is currently erecting Swedbank's new head office. Three of the four Solna properties are situated in Solna Strand while the fourth property is situated next to Solna Business Park and is known by the name of Stora Blå.

6 AFA FASTIGHETER

MD: Tomas Ingemarsson.
Volume: SEK 2.8 billion.

AFA Fastigheter was the buyer in three deals in 2012. In March, the Lönner 25 office property situated on Sturegatan in central Stockholm was acquired from Länsförsäkringar Liv for around SEK 400 million. In June, there was communication that the company had acquired the hotel and congress section of Malmö Kongress, Konsert and Hotell from Skanska for around SEK 900 million. In July, the Klarabergshuset office building situated in the western part of Stockholm CBD was acquired from Fortin Properties for around SEK 1.45 billion.

7 SVEAREAL

MD: Claes Malmkvist.
Volume: SEK 2.6 billion.

In December, notification was sent that Sveareal had acquired Fortin AS' Swedish holding consisting of five properties in the Stockholm area, the majority of which consist of office properties in Kista. During 2012, Fortin, the main owner of Sveareal, increased its ownership share of Sveareal from 40 per cent to 78 per cent, which was achieved through this transaction. The deal means that Sveareal's property holding increased from 705 000 to 850 000 m², giving a total market value of SEK seven billion.

8 FOLKSAM

Property Director: Torbjörn Wiberg.
Volume: SEK 2.6 billion.

Folksam acquired Kungsbrohuset from Jernhusen in April 2012 for around SEK 2.1 billion, corresponding to around SEK 80 000 per m². The property is situated in the western part of Stockholm CBD, also known as Västra City. Kungsbrohuset was completed in 2010 with a strong environmental profile and was fully leased at the time of the acquisition with the Schibsted Group, which brought several of its editorial offices together into the building, as the largest tenant.

9 CITYCON

Group Manager: Marcel Kokkeel.
Volume: SEK 2.5 billion.

In December 2012, there was communication that Finnish Citycon and Canadian Canada Pension Plan Investment Board had acquired Kista Galleria from DNB Livsforsikring ASA (part of the DNB Group). The buyers, who will own 50 per cent each, paid a total of around SEK 4.6 billion for Kista Galleria. Citycon also made one smaller acquisition during the year in acquiring the remaining 30 per cent of Stenugns Torg from KF Fastigheter for just over SEK 170 million.

10 CANADA PENSION PLAN INVESTMENT BOARD

MD: Mark Wiseman.
Volume: SEK 2.3 billion.

The company's introduction to the Swedish property market through the acquisition of 50 per cent of Kista Galleria resulted in a total purchase price that is the highest ever paid in Sweden for one individual property. Kista Galleria contains 90 000 m² of leasable floor area, 60 000 m² of which are leasable retail spaces. The shopping centre was completely renovated and extended during 2002 and it was extended further in 2009.



Top 10 transactions during 2012

1 THIRD PUBLIC PENSION FUND SOLE OWNER OF HEMSÖ

When Kungsliden chose to sell its 50-per cent share in Hemsö as a part of focusing its business operations on wholly-owned properties in growth regions in Sweden, the Third Public Pension Fund took the opportunity of acquiring the shares. The deal was the largest to take place during 2012 and amounted to just over SEK eleven billion. In connection with the deal, the seller Kungsliden signed an agreement with Hemsö which was based on Kungsliden acquiring 15 properties for SEK 1.6 billion.

2 KLÖVERN BOUGHT OUT DAGON FROM THE STOCK EXCHANGE

A shares acquisition in spring 2012 enabled Klöver to lay its hands on the listed property company Dagon. The acquisition increased Klöver's property holding value to almost SEK six billion and to establish the company in a number of new places in one foul swoop. At the time of the acquisition, Dagon consisted of 124 properties with a total leasable area of 818 000 m².

3 BIG DEAL IN RETAIL CONCLUDED IN 2012

In December 2012, there was communication that Finnish Citycon and Canadian Canada Pension Plan Investment Board had acquired Kista Galleria from DNB Livsforsikring ASA (part of the DNB Group). The buyers, who will own 50 per cent each, paid a total of around SEK 4.6 billion for Kista Galleria. In September 2005, the Norwegian insurance company Vital Forsikring ASA (DNB) acquired German IBI Real Estates' 50 per cent share in Kista Galleria. In October 2010, the Norwegian company became the sole owner by also acquiring Länsförsäkringar Liv's remaining 50 per cent.

4 HUMLEGÅRDEN GREW THROUGH WHAT WAS PARTLY AN INTERN AFFAIR

Humlegården stood for one of 2012's single largest deals when six properties in Solna and Sundbyberg were acquired from Länsförsäkringar Liv in a partly internal affair for just under SEK 4 billion. One of the properties in Sundbyberg is Cirkusängen 6 where Humlegården is currently erecting Swedbank's new head office. Three of the four Solna properties are situated in Solna Strand while the fourth property is situated next to Solna Business Park and is known by the name of Stora Blå.

5 THE CARLYLE GROUP COMPLETED A MAJOR ACQUISITION

The Carlyle Group, one of the world's largest fund managers with more than 150 billion US Dollars in managed capital, acquired Nacka Strand from Vasakronan in January 2012. The area, which had been under Vasakronan's ownership for 20 years, was sold for close to 3 billion in an off-market transaction. Nacka Strand covers approximately 250 000 m², around 80 per cent of which are leasable floor areas and 20 per cent garages. The leasable floor areas consist largely of offices, but also homes, schools, hotels and conference premises. At the time of the acquisition, there were significant vacancy levels in the office holding.

6 SVEAREAL ACQUIRED PROPERTIES FROM THE MAIN OWNER

In December, notification was sent that Sveareal had acquired Fortin AS' Swedish holding consisting of five properties in the Stockholm area, the majority of which consist of office properties in Kista. During 2012, Fortin, the main owner of Sveareal, increased its ownership share in Sveareal from 40 per cent to 78 per cent, which was achieved through this transaction. The deal means that Sveareal's property holding increased from 705 000 to 850 000 m², giving a total market value of SEK seven billion.

7 WILLHEM CONCLUDED YET ANOTHER HOUSING DEAL

In October 2012, Willhem acquired 46 properties of a total of 194 000 m² from Akelius and Apartment Bostad. The underlying property value amounted to SEK 2.4 billion. In total, the deal included 2 633 rental apartments situated in Karlstad, Linköping and Västerås. In Karlstad and Linköping, the apartments supplement the apartments in Willhem's existing holding. The aim of Akelius' sale was to invest in an existing holding by renovating properties from the million programme.

8 GLITNIR BECAME THE OWNER OF A MAJOR PROPERTY HOLDING

In March 2012, Icelandic Glitnir Bank's Luxembourg-based subsidiary Glitnir Bank Luxembourg took over Bovista Invest from Danish Centerplan Nordic A/S with a view to guaranteeing loans issued to the bankrupt Danish company. This made the bank the owner of a property portfolio of 370 000 m² containing principally residential properties in southern Sweden. The transaction included 2.3 billion in loans and equity.

9 VASAKRONAN CHANGED GEAR IN GOTHENBURG

In February 2012, it was announced that Vasakronan had acquired from Diligentia a property portfolio containing twelve centrally-located properties of just over 92 000 m² for SEK 2.15 billion. The property portfolio consists of 80 per cent offices and 20 per cent shops. Examples of properties included in the deal are Gårda Business Center, Åhlénshuset and parts of Nordstan. This acquisition made Vasakronan the biggest player in offices and city trade in Gothenburg.

10 FOLKSAM ACQUIRED PRESTIGE PROPERTY

In April 2012, Folksam acquired Kungsbrohuset which was completed in 2010 and covers 26 400 m², one of the profile buildings in what is known as "Västra City" around Stockholm's Central Station. The seller, Jernhusen, received a purchase price of around SEK 2.1 billion (around 80 000 SEK per m²). At the time of the acquisition, the property was fully leased with the Schibsted Group, which brought several of its editorial offices together into the building, as the largest tenant.

Biggest transactions in 2012

Top three Stockholm

	Buyer	Seller	Property	Price MSEK	Comments
1	Citycon and Canada Pension Plan Investment Board	DNB Livsforsikring ASA	Kista Galleria was acquired through a joint venture in the biggest retail transaction of the year.	4 600	
2	Humlegården Fastigheter	Länsförsäkringar Liv	Six properties in Solna and Sundbyberg were acquired in a partially internal deal.	4 000	Estimated purchase price.
3	The Carlyle Group	Vasakronan	After 20 years under Vasakronan's ownership, the Carlyle Group acquired Nacka Strand.	2 950	

Top three Gothenburg

	Buyer	Seller	Property	Price MSEK	Comments
1	Vasakronan	Diligentia	The acquisition consisted largely of office properties in central Gothenburg.	2 150	
2	Hufvudstaden	AMF Fastigheter	The acquisition referred to an office and retail property in Nordstan.	1 265	
3	Platzer	Wallenstam	The acquisition referred to six commercial properties situated in the suburbs of Gothenburg	950	

Top three Malmö

	Buyer	Seller	Property	Price MSEK	Comments
1	Vasakronan	NCC	Vasakronan took control of Triangeln by acquiring NCC's section of the project.	1 195	
2	A consortium led by Grosvenor Fund Management	Eurocommercial	Eurocommercial acquired Burlöv Center, situated between Lund and Malmö.	1 158	
3	AFA Fastigheter	Skanska	The acquisition referred to the hotel and congress section of Malmö Kongress, Konsert and Hotell.	900	

Top ten Sweden

	Buyer	Seller	Property	Price MSEK	Comments
1	The Third National Pension Fund	Kungsleden	The Third National Pension Fund acquired the remaining 50 per cent of the property company Hemsö.	11 200	Estimated purchase price.
2	Klövern	Dagon's shareholders	The listed property company Dagon was acquired through a shares purchase.	5 760	
3	Citycon och Canada Pension Plan Investment Board	DNB Livsforsikring ASA	Kista Galleria was acquired through a joint venture in the biggest retail transaction of the year.	4 600	
4	Humlegården Fastigheter	Länsförsäkringar Liv	Six properties in Solna and Sundbyberg were acquired in a partially internal deal.	4 000	Estimated purchase price.
5	The Carlyle Group	Vasakronan	After 20 years under Vasakronan's ownership, the Carlyle Group acquired Nacka Strand.	2 950	
6	Sveareal	Fortin AS	Sveareal acquired Fortin AS' Swedish holding consisting of five properties.	2 600	
7	Willhem	Akelius och Apartment Bostad	a good 2 600 apartments in Karlstad, Linköping and Västerås were included in the acquisition.	2 400	
8	Glitnir Bank Luxemburg	Centerplan Nordic A/S (bankrupt)	Glitnir Bank Luxembourg took over Bovista Invest with the intention of guaranteeing loans.	2 300	
9	Vasakronan	Diligentia	Office properties in central Gothenburg.	2 150	
10	Folksam	Jernhusen	Folksam acquired newly-constructed Kungsbrohuset situated in Stockholm CBD.	2 100	Estimated purchase price.

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"I hope to find new business opportunities"

The Swedish property king on why he's attending Mipim

Erik Paulsson has been at Mipim for 13 years in a row – and he goes to no other trade fairs.

"Mipim's enough for me; it's the best trade fair," says Erik Paulsson.

For Erik Paulsson, Mipim is a superior meeting place where he can create new business opportunities through new contacts.

"Mipim's about building relations and finding opportunities to do business, and then there are plenty of good exhibitions to give you inspiration, and you shouldn't miss those," says Erik Paulsson.

At the same time, he emphasises that Mipim is a very good thermometer for the health of the property market and, maybe even more interesting, which direction it's turning.

"At Mipim, you meet people from the industry from all over the world in a way that you don't at any other meeting place. It means that at Mipim, you have unbeatable opportunities to get a feel for the position of the market, in Sweden, Europe and throughout the world."

// Leave out the late nights and make sure you get some sleep so you have energy in the morning.

What do you hope to get out of this year's Mipim?

"I hope to find new business opportunities, of course – but you don't do deals there on the spot. You build up relations, exchange thoughts and ideas and get to know people so it's easier to build up to a deal later on."

What do you think the "chat" will be about at this year's Mipim?

"There will doubtless be much talk about financing, which is still a relevant issue. The market should actually stabilise a bit now, having been slow for a few years. That's partly due to financing through bonds, which has meant that the pressure on the banks has been released slightly so they have more space to finance some properties."

How do you think Mipim compares with other similar trade fairs?

"I don't go to any other fair. Mipim's enough for me. There are others of course, but I don't think they're as interesting."

What's your best memory of Mipim?

"It was when we were nominated at the Mipim Awards for the homes on the roof of Klara Zenit in Stockholm. We didn't actually win but it was nice to be nominated and we received a great deal of attention due to that."


What's the best deal you've done or that's been initiated at Mipim?

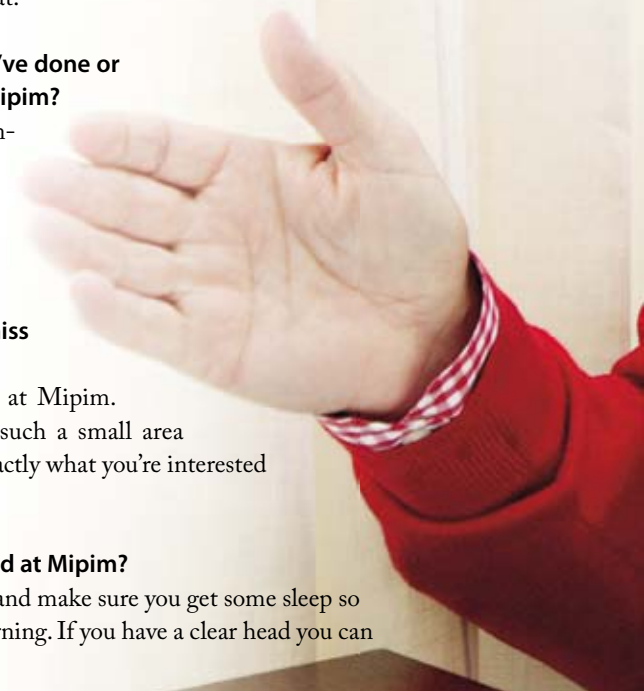
"I don't really want to mention anything specific, but I've certainly built up some good relations that have lead to subsequent deals."

What shouldn't people miss at Mipim?

"You don't miss anything at Mipim. Everything's collected in such a small area that you can see and do exactly what you're interested in."

What should people avoid at Mipim?

"Leave out the late nights and make sure you get some sleep so you have energy in the morning. If you have a clear head you can keep up with things." 





THREE TIPS FROM ERIK PAULSSON FOR VISITORS TO SWEDISH MIPIM:

1. Go into the fair and look at the exhibitions.
2. Go to bed in time so you can keep up.
3. Don't book too many meetings and don't accept too many invitations. It's about keeping up with the most important matters and not being detained.

MIPIM'S ENOUGH. Erik Paulsson has been at Mipim 13 times in a row - and he goes to no other trade fairs. "Mipim's enough for me. There are others of course, but I don't think they're as interesting."



Pictures: Nicklas Tollesson

The Swedish industry on this year's Mipim

Mipim is the most pleasant get-together for the property industry throughout Europe – particularly for Swedish players. Here, a few Swedish delegates share their best memories and thoughts on what this year's fair will be like.



MIKAEL WALLGREN, CBRE

Number of Mipim fairs, including this year's: "Several."

Best Mipim memory:

"There are many, but the one I value the most was a really good meal with a very hungry and pleasant group of people at a small pub restaurant in Cannes. We'd been on a train without electricity between Monte Carlo and Cannes for many hours without food and drink when the fellow passengers' 'other me' came out as in the film *Falling Down* with Michael Douglas. Being a bit more serious, it's the deals that are both struck and initiated at Mipim, of course."

What shouldn't you forget before Mipim?
"Book your flight and accommodation in time, partake of the environment, select, remember to breathe and don't forget to evaluate afterwards."

"We'd been on a train without electricity between Monte Carlo and Cannes for many hours."

AGNETA JACOBSSON, DTZ

Number of Mipim fairs, including this year's: "Countless."

Best Mipim memory: "Difficult to say but it was nice when it felt as though half of Cannes were going around in Viking helmets following a Nordic party that we'd arranged."

What do you think Mipim 2013 will focus on?

"I don't think it will be much different from usual. Mipim's about interesting meetings and customer focus. Europe is less interested in global investments at the moment but if anyone's going to invest in Europe, the Nordic countries are as good a place as any."



"Europe is less interested in global investments at the moment."

"Mipim is one of the best meeting places of the year for Nordic players in the property industry."



HANS WALLENSTAM, WALLENSTAM

Number of Mipim fairs, including this year's: Seven–eight.

Best Mipim memory:

"Have many good memories of Mipim, which is usually characterised by good, productive and pleasant-format meetings with colleagues in the industry."

How do you think the general economic position in Europe will affect the conver-

sations at Mipim in 2013?

"The uncertainty in the financial and political system in Europe is bound to have a bearing on the conversations. The question of financing will definitely be a key issue as regards transactions."

"The uncertainty in the financial and political system in Europe is bound to have a bearing on the conversations."



MAX BARCLAY, NEWSEC

Number of Mipim fairs, including this year's: "Have lost count but more than 15."

Best Mipim memory:

"All the fantastic, exciting people you meet. It's difficult to pinpoint one particular instance, but meeting a foreign investor who you know will be investing in the Nordic countries is always special."

Why is it important to be at Mipim?

"Mipim is one of the best meeting places of the year for Nordic players in the property industry but also for foreign partners who think our markets are interesting. If you work on these factors, Mipim is a must for your annual agenda."

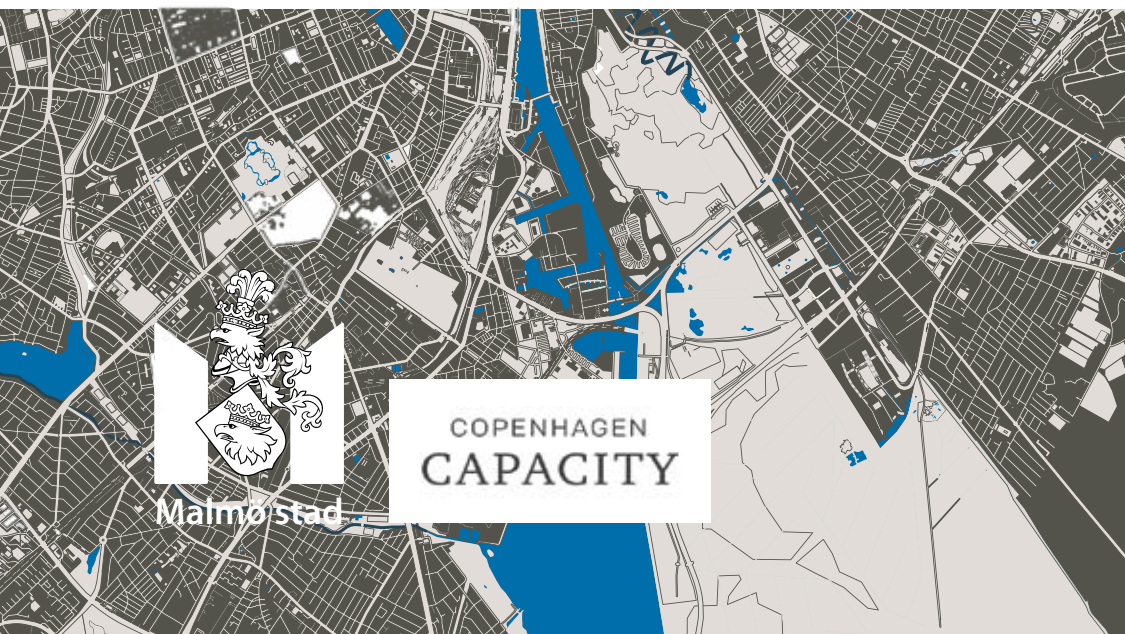
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“A really effective way of meeting.”

JAN ODELSTAM, SKANSKA

- Number of Mipim fairs, including this year's:** Eight.
- Best Mipim memory:** “All of the spontaneous meetings with previous acquaintances and new people, a really effective way of meeting to discuss cooperations and new possibilities.”
- What are you looking forward to most at this year's Mipim:** “Spending time with large sections of the industry in nice, relaxing ways. Last year, Skanska Fastigheter arranged a run around the town in cooperation with the city of Copenhagen, and that was good.”

PER MÅNSSON, HAMILTON

- Number of Mipim fairs, including this year's:** Six.
- Best Mipim memory:** “It's difficult to identify one particular occasion, but the annual summaries have been unanimous. The major benefit is meeting clients and other, new and existing, contacts in a relaxed environment where you have the option of formal and informal meetings, i.e. high class networking!”
- What do you think the atmosphere will be like at Mipim 2013?** “I think that the state of the international and Swedish economies will characterise Mipim. However, we will hopefully see a positive basis for the Swedish property market even though the general forecasts are gloomy.”



Picture: Hamilton

“High class networking!”



LENNART WEISS, VEIDEKKE

- Number of Mipim fairs, including this year's (2013):** Seven.
- Best Mipim memory:** When I heard that the Gothenburgers had gone home due to a rumour that the journalist Janne Josefsson had arrived. It was obviously not right and incredibly funny.
- What do you think will stand out for you at Mipim 2013 in your new role at Veidekke compared with when you were at NAI Svefa?** “The ‘sales role’ will be more toned down. It's now more a matter of cultivating contacts with specific key persons and reading market tendencies. What Svefa does well is to build events into the event, and that's what we'll be doing in various different ways.”

“It's now more a matter of cultivating contacts.”

ULF NILSSON, SAVILLS

- Number of Mipim fairs, including this year's:** Eight.
- Best Mipim memory?** “A wonderful lunch in the sun at a beach restaurant with mutual agreement concerning a forthcoming common deal is an unforgettable memory.”
- What do you think the atmosphere will be like at this year's Mipim?** “I think it will have the same atmosphere as usual, i.e. the sun drives optimism.”

“The sun drives optimism.”



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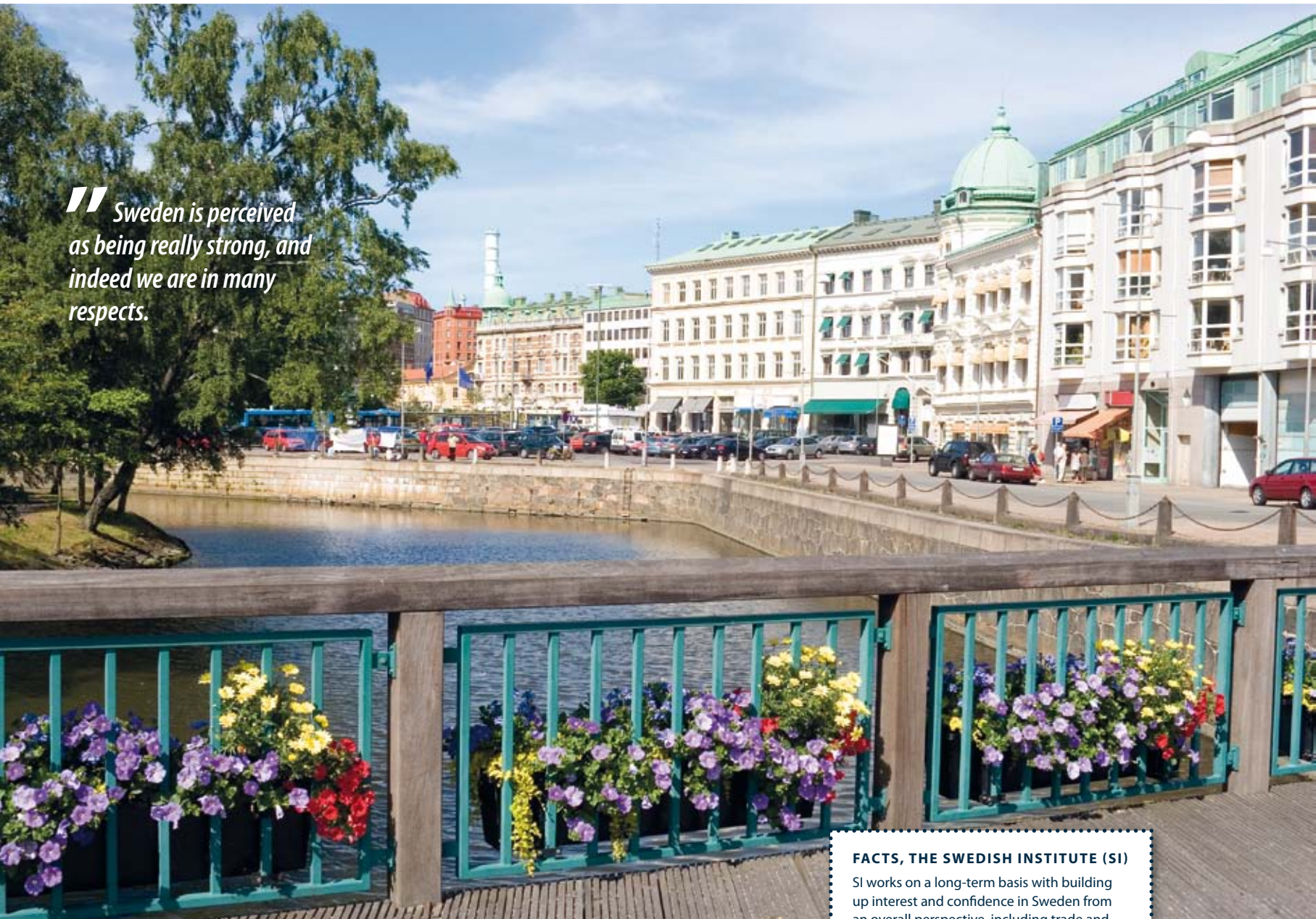
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SWEDEN at the top in

“ Sweden is perceived as being really strong, and indeed we are in many respects.



TOP COUNTRY. Sweden is at the top of the many indexes that compare how attractive different countries are to live and work in.

FACTS, THE SWEDISH INSTITUTE (SI)

SI works on a long-term basis with building up interest and confidence in Sweden from an overall perspective, including trade and industry, culture, education and research, valuations and social life.

international comparisons

Sweden is at the top of most indexes that measure how good a country is to live and invest in.

“Sweden is, and is perceived to be, really strong by the surrounding world,” says Annika Rembe, Director General of the Swedish Institute (SI).

The global competition is becoming ever harder and it is becoming increasingly important for individual countries to build up substantial interest and a high level of confidence in their surroundings. A country’s prosperity does go a long way towards succeeding to attract people and companies. International indexes are used precisely to analyse and compare countries in a number of different areas, and in many respects, Sweden is at the top of several of these indexes. Not only that, Sweden’s position has recently increased in several of these areas.



Annika Rembe, Director General of the Swedish Institute.

“The indexes act as an indicator for the way in which the world sees us and, overall, it is shown that there’s a high level of international confidence in Sweden at the moment and in Sweden’s relevance on the global arena,” says Annika Rembe, Director General of SI.

What causes Sweden to be ranked so highly?

“Allow me to say first of all that it’s unbelievably exciting and positive for Sweden to be placed so highly in, to put it simply, all indexes. It’s something that we in Sweden will cherish. Now to what lies behind our successes: Sweden’s had a good, stable social development in recent years. We have a stable and extremely innovative economy, public and private. Whereas many other countries in the world and Europe are being shaken by the economic crisis, Sweden remains relatively constant. Sweden ☒

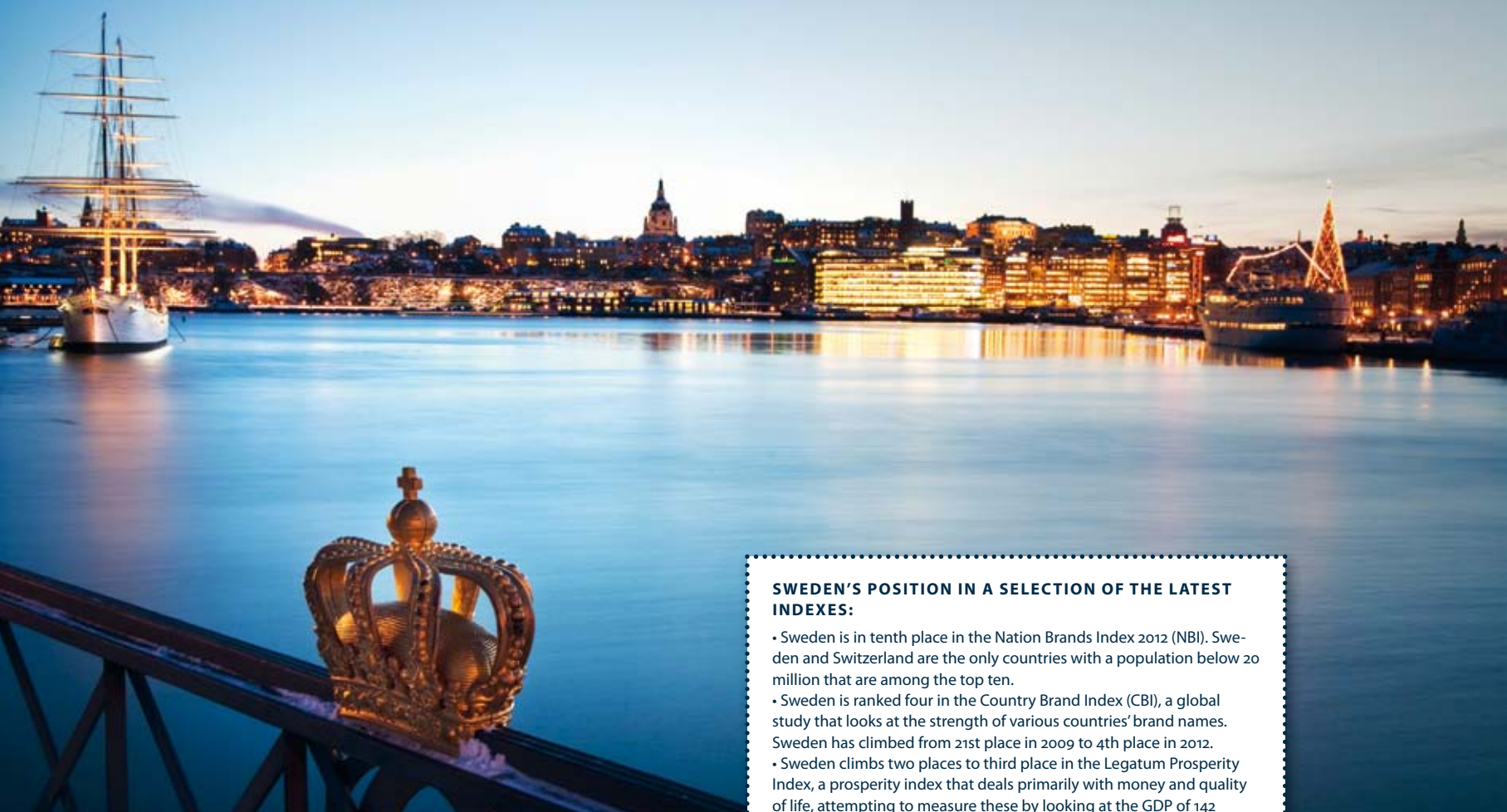
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☒ is perceived as being really strong, and indeed we are in many respects,” says Annika Rembe.

SHE MENTIONS A FEW parameters where Sweden enjoys particular success:

- Innovation force.
- Environmental and sustainability matters.
- Creative industries such as film, literature and fashion.
- High level of education and training.
- Openness, transparency and tolerance.
- Internationalisation. High level of international companies represented.

“We’re quite simply at the forefront in a great many areas, such as with solutions for environmental and sustainability matters. This means that the surrounding world looks at us, what we do and what we’ve done. That’s important and means that we set a good example for many other countries,” says Annika Rembe.

People talk about a confidence in Sweden – what lies behind that confidence?

“It’s a combination of several things. For example, we have stability in both financial and political terms, but that confidence also comes from people perceiving us as a development-orientated country that’s based on the people’s and the environment’s terms. We’re also good at communicating with our surrounding world and we’re good at languages.”

SWEDEN’S POSITION IN A SELECTION OF THE LATEST INDEXES:

- Sweden is in tenth place in the Nation Brands Index 2012 (NBI). Sweden and Switzerland are the only countries with a population below 20 million that are among the top ten.
- Sweden is ranked four in the Country Brand Index (CBI), a global study that looks at the strength of various countries’ brand names. Sweden has climbed from 21st place in 2009 to 4th place in 2012.
- Sweden climbs two places to third place in the Legatum Prosperity Index, a prosperity index that deals primarily with money and quality of life, attempting to measure these by looking at the GDP of 142 countries and also the happiness, health and freedom of the citizens.
- Sweden is in quite another place in the Failed States Index where 178 nations are ranked on the basis of their level of stability and the pressures that they face.
- Sweden is ranked number one in the world on Internet usage according to The Web Index.
- Sweden is in fourth place in the World Economic Forums Global Competitiveness Report, which analyses how competitive various nations are in relation to one another. However, since last year, Sweden has dropped one position to Finland.
- Sweden is ranked number one in the Knowledge Economy Index that is produced by the World Bank and measures the total preparedness of a country to deal with changes caused by the new knowledge economy.
- Sweden is ranked number one out of 82 countries in the Global Creativity Index, which measures a country’s creativity.
- Sweden is ranked number one of 142 countries in The Networked Readiness Index which measures which countries have the best climate for adaptation to new technologies and innovation.

What could improve in Sweden to take us even higher up the indexes?

“It’s difficult to measure but we must always ask ourselves whether Sweden is relevant to people in other countries. Our products, services and tourist attractions must continue to satisfy the desires of our surroundings.”

What do you think is the best thing about Sweden?

“The fact that it’s relatively easy to live a good life here. If you compare Sweden with many other countries in both Europe and the rest of the world, the conditions are clearly better for living a good life here.” ☒



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How will the market develop in the coming year?

What is happening to the rates, the vacancies and the return levels on the Swedish market? In short, how is the market affected by the financial situation? We asked three experts on the field to give their opinions.

Picture: Savills



PETER WIMAN
Savills

How will the real interest rate (the repo interest rate) develop over the next year?

“The combination of a currently weak Swedish economy and a low inflation pressure means that Riksbanken will use the repo rate

for the purpose of stimulating the Swedish economy and so most people are saying that the real interest rate will remain at low levels throughout 2013.”

How will the vacancy levels develop over the next year?

“The level of vacancies is, historically speaking, at a relatively low level and there is currently a lack of modern, flexible office premises in the City. There is virtually no new production in the City and there are also currently very few major conversion projects. A number of big tenants will be leaving the inner city during the forthcoming year, which will probably temporarily increase the range of available premises on offer. With some exceptions, however, the main share of these will take place

after 2013, so there is much to indicate a stable level of vacancies during 2013.”

How will the rents develop over the next year?

“There is currently great uncertainty as regards the rental market, which is seen through the fact that it is taking much longer to rent out premises. On the basis of the uncertain economic situation, it is likely that the tenants will become ever more cautious, which may have a negative effect on the rental market even though there is a considerable local lack of modern premises.”

How will the yield levels develop over the next year?

“The continuing strength of interest from the Swedish institutions indicates that the yields for prime properties will continue to be low during 2013. The difference in required return between the best properties and properties lower quality still looks set to continue during the year, however, particularly for properties that have ma-

“ There is much to indicate a stable level of vacancies during 2013.



jor problems in the form of vacancies, technical shortcomings, disregard for maintenance, etc.”

How will the international investments develop over the next year?

“There is strong international interest in investing in Sweden, but investors are rarely able to outcompete a Swedish institution. The foreign investors will probably continue to focus on the segment in which the Swedish buyers are less active, such as retail and logistics properties.”

Picture: Catella



**DANIEL ANDERBRING
AND OLA JACOBSSON**
Catella

How will the real interest rate (the repo interest rate) develop over the next year?

“We are of the opinion that, provided unemployment does not fall, Riksbanken will not increase the real interest rate.”

How will the vacancy levels develop over the next year?

“Several major projects in attractive suburbs plus a limited growth in employment leads to a risk of a general increase in office vacancies in Stockholm for a time. We believe that modern office

premises in good locations will maintain a high level of leasing even on a weaker market.

In the retail sector, the majority of tenants are still under pressure with regard to sales and margins, so there is a risk that this will lead to more bankruptcies. On the other hand, the growth in purchasing power and population in Stockholm is sufficient to create a continuing demand for existing and forthcoming spaces and good facilities and locations will also continue to have only a certain level of vacancy turnover.”

How will the rents develop over the next year?

“The prime rents communicated will probably remain at current levels during 2013, although negotiations are likely to include a larger number of discounts and rent-free periods, driven primarily by the attempts to fill the vacancies arising in CBD where a number of major tenants will be moving out to other ring locations during 2013 and 2014.”

How will the yield levels develop over the next year?

“We believe that low interest and great demand on the part of institutions for property investments as an alternative to fixed income investments will remain during the year and thereby ☐

“ We are of the opinion that, provided unemployment does not fall, Riksbanken will not increase the real interest rate.



- ☒ constitute two of the most important driving forces that will keep the prime yield at a low level. A more uncertain rental market for a limited effect on the development of the sector since the occupier periods generally last for at least one rental business cycle. In the B and C sectors, we think that an increase in the interest from opportunistic funds and property companies that have access to finance may marginally squeeze the yields.”

How will the international investments develop over the next year?

“We believe that foreign investors are still active in the retail sector and that major players from the private equity sphere or among the foreign pensions or sovereign wealth funds capital have the option of doing bigger deals in either portfolio form or for larger individual properties based on Sweden’s positive growth conditions relative to other Western European property markets.”

Picture: Leimdörfer



ERIK BODIN
Leimdörfer

How will the real interest rate (the repo interest rate) develop over the next year?

“As a result of the European debt crisis, we are entering a period of slow growth in Eu-

rope which is having a negative effect on Sweden as an export-dependent country. Riksbanken will thus attempt to stimulate the economy by pursuing an expansionary monetary policy, i.e. lowering the policy rate at several occasions over the year.”

How will the vacancy levels develop over the next year?

“The current office vacancy rate in Stockholm CBD of around 4% reflects excess demand for premises in a central location. This might of course change when the economy weakens, but as only a limited amount of new space enters the market in 2013, and as planned vacations of large premises do not start until 2014, whereupon several

of the affected properties will undergo reconstruction, we expect the vacancy rate to remain low in 2013 but not to decrease further.”

How will the rents develop over the next year?


“Since 2009, rents have increased by more than 30% in Stockholm CBD. With slower growth and increasing unemployment, however, rents cannot be expected to increase further but rather to flatline. In addition, rents are capped by expectations of upcoming vacancies in central Stockholm as a number of large tenants plan to relocate outside the city centre.”

How will the yield levels develop over the next year?

“Prime office properties in Stockholm CBD are currently trading at yields of around 4.5%, which is low compared with international standards [here, “standards” simply means performance or that which is seen internationally] and from an historical perspective, and it is therefore quite unlikely that yields will compress further. On the other hand, Sweden’s status as a safe haven, a strong demand for prime properties and a limited supply of core assets may combine to keep prime yields down.”

How will the international investments develop over the next year?

“We have noticed substantial interest in Swedish properties from foreign investors, but since they have considered the Stockholm core market to be too expensive compared with international standards, it has instead been dominated by domestic institutions.

However, as institutional investors now appear to become even more selective with regard to which assets they would consider buying, the prime office property market may open up to more foreign investments.” 

“ The prime office property market may open up to more foreign investments.



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In a direct comparison with other European countries, 96 per cent believe that Sweden is an attractive or very attractive market for property investments. This is clearly an increase compared with the previous year when the corresponding share of positive investors was 78 per cent. In defiance of uncertain capital markets, investors also believe that the transaction volume on the Swedish property market will increase during 2013. This is evident in a new report from Ernst & Young where a good 500 property investors in Europe have participated.

An aerial photograph of a historic city center, likely Stockholm, Sweden. The image shows a dense cluster of colorful, multi-story buildings with red and yellow facades. A prominent church with a tall, green spire stands out in the background. The foreground shows a busy street with cars and pedestrians. The sky is clear and blue.

ATTRACTIVE. In Ernst & Young's annual Real Estate Asset Investment Trend report, Sweden is becoming more attractive among the international investors. The good macroeconomic conditions and political stability along with simplicity when it comes to doing deals are what form the basis for the positive views of Sweden as a country in which to invest.

Sweden is becoming more attractive

Perceived as a safe and easy market for property investments

According to Ernst & Young's annual Real Estate Asset Investment Trend Indicator study where property investors from 15 countries have participated, the Swedish property market is facing a positive year if we compare with many other European countries.

"In times of uncertainty in other parts of Europe and the Euro crisis, the investors believe that Sweden is reinforcing its role in continuing to be an attractive property market. Although Sweden, as a country is fairly small, the transaction volume is high. The reasons why Sweden is attractive, apart from its high liquidity, include the stable political and economic climate that we are able to demonstrate along with the simplicity to buy and sell properties", says Daniel Öberg, responsible for property transactions at Ernst & Young Real Estate.

REGARDING THE TRANSACTION VOLUME, seven out of ten investors believe that the transaction volumes in Sweden will increase in 2013 compared with the previous year. The increase is anticipated to be driven by the international investors and the fact that the average transaction value is increasing. However, what may inhibit investments during 2013 are the difficulties of obtaining financing, even though the fear of an increase in inflation pressure may drive investors to the property market.

"Regulations such as Basel III may of course be a constraint where bank financing is concerned since they affect the banks' capital requirements and thereby their financing potential," says Daniel Öberg who continues with:

"The banks' more restrictive approach and higher margin requirements have lead to alternative forms of financing on the market. Today, we see that more property companies choose to increase or supplement their financing through e.g. preference shares and bonds as a complement to bank financing. In other words, alternatives are available, even if these financing options primarily are reserved for the largest companies.

"The problems with financing have meant that some deals have fallen through," Daniel Öberg says.

Investors believe that the prices of office and retail properties in central areas will remain stable or increase during 2013 while they predict a declining market in more peripheral locations. As well as the attractive locations, Green Building standards are also an increasingly important investment criterion.

THE STUDY ALSO SHOWS that 92 per cent of investors are focusing on investments in office properties, which is clearly an increase compared with the previous year's survey, while the interest in residential properties has fallen. Investors consider Stockholm as the most interesting market when it comes to office properties, while Malmö is the most interesting as regards retail properties. When it comes to investments in residential properties, Stockholm and Uppsala are at the top of interest.



What will be happening in a few years' time – will Sweden still be attracting investors?

"In the light of the Euro crisis, Sweden has become more attractive. Political stability and a sound macroeconomics in a country are important when it comes to property investments – and there is nothing to indicate that the situation in Sweden will deteriorate over the next few years." ■

"In times of uncertainty in other parts of Europe and the Euro crisis, the investors think that Sweden is strengthening its role in continuing to be an attractive property market."

ABOUT THE STUDY

More than 500 property investors from Belgium, France, Holland, Italy, Luxembourg, Poland, Russia, Switzerland, Spain, the UK, Sweden, Turkey, Germany, the Ukraine and Austria participated in Ernst & Young's annual "Trend Indicator Real Estate Assets Investment Europe" study.

Ilija Batljan | Rikshem

Swedish municipalities – a better investment than London and Paris

The investment climate is an important matter that leaders of the world's countries, regions and cities often think about. Major resources are particularly concentrated on having special marketing organisations to work with the issue and to participate in various trade fairs and exhibitions. On the days when the Swedish property industry makes

its pilgrimage to Cannes and this year's Mipim property fair, the question of investment climate will also be of interest to a wide circle of property investors and capital management companies.

However, before the discussion on property investments, allow me to say a few words about Sweden's work with the investment climate. Sweden has recently launched a new authority called Business Sweden. Business Sweden will replace two authorities, the Swedish Trade Council ("Exportrådet") and Invest in Sweden. We just hope that this name remains the only one that the entrepreneurs can find grumble about and that the authorities succeed with their

assignment: "Business Sweden is tasked with strengthening the image and increasing the knowledge of Sweden as an attractive, innovative and competitive business partner". As a property nerd, I must make you aware at an early stage of the way in which the authority fails to see the considerable potential that Sweden has when it comes to attracting property investments.

Business Sweden states that "Sweden's favourable innovation climate offers good investment opportunities in the production industry, transport, science, technology, healthcare and medical treatment, music, design and tourism". Although most of the sectors in which Sweden is more or less successful have been

included, the construction and property sector has been forgotten. It's down to the major listed companies Skanska and NCC to act alongside the construction industries against the fact that Sweden's own marketing authority actually forgets to mention an important export industry rather than provide assistance. However, this is where I intend to spend my time looking at another subject that unfortunately remains unknown not just to Business Sweden and other bureaucrats but also to the majority of property investors.

I maintain that today, Swedish municipalities are one of the world's safest harbours for property investors, no matter how the local council is run and despite the substantial, concealed pension debts that the municipalities will need to take in hand over the next decade.

The Swedish municipal sector offers a unique investment environment as a cooperation partner and tenant due to two important factors. The first is that Swedish municipalities have their own tax laws. This means that the city council in a municipality (irrespective of the size of the municipality) is independent in determining the tax rate. The second important factor is that the municipality has access to a full revenue service that supplies the tax revenues when the decision on the tax rate has been made. The Swedish Tax Authority is one of the most efficient in the world when it comes to collecting tax revenues. The Swedish tax morals and confidence in the welfare state are important contributing factors to explain why these taxes can be collected so efficiently. The fact that the State


acts as the ultimate guarantor for Swedish municipalities where necessary can also be added to these two characteristics. Take the Haninge case at the start of the 1990s, for example. To summarise,

"I maintain that today, Swedish municipalities are one of the world's safest harbours for property investors."


Picture: Joëlin Misch



Ilija Batljan, Deputy MD of Rikshem, one of Sweden's biggest private housing companies, which also has a substantial portfolio of community properties, including care homes.



it means that a property exposure with Swedish municipalities as the other party is a very secure investment.

Allow me to explain. Investments in community properties with Swedish municipalities and county councils as the other parties won't make you a killing but really are much more secure for long-term investors than either London or Paris. Today, Swedish municipalities own properties with a market value of close to SEK 1000 billion. I hope that more investors discover this fact, a discovery that would be highly beneficial to both long-term investors and the taxpayer. As usual, there's no place like home - particularly if home is where you get long contracts with a Swedish municipality that can be counted as one of the world's most secure tenants. 

BETTER THAN LONDON AND PARIS. Rikshem's Deputy MD, Ilija Batljan, maintains that Swedish municipalities are a better and more secure property investment than London and Paris.



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The analysts' favourite shares

Last year, Balder's shares rose by 45 per cent. How are things going for Balder this year – which other shares will rise and which will fall? And how do things look in the rest of the world? We ask three shares analysts with the focus on properties.

The property sector saw a strong development last year and beat the stock exchange overall. The obvious shining star was of course Erik Selin's Balder, which rose by a full 45 per cent, closely followed by Fastpartner with an increase of 43 per cent. Below that, however, there was a fair old drop down to Wallenstam, which rose by 23 per cent.

The question that many are now asking themselves is of course what will happen this year; is there more to be squeezed out of the Balder shares? How are things going for Kungsleden? And, if someone is going to invest in a share out there in the world, which would be the best to invest in?

The answers are given by three industry experts, who are focusing on property shares.



Picture: Eddie Ekberg

TOBIAS KAJ, CARNEGIE

How will things go for the property sector overall in 2013?

"We had a strong price trend for the sector as a whole in 2012 with several shares that did extremely well, better than the stock exchange. However, for this year, I generally think that the overall sector feels as though it's pretty much reached its full value and I'm not expecting any increases like those of last year. We now have a situation with low inflation, marginal rent reviews and extremely marginal value adjustments, so I think that, following a strong development in 2012, we'll see a limited growth in 2013."

What can change this picture?

"Presumably if the banks become more active with their lending, i.e. they become more willing to lend money. However, I unfortunately doubt that there'll be any great change as regards lending."

What is your favourite share for 2013?

"We still have Balder as the favourite, despite its 45 per cent last year rise and the fact that it has already increased by fifteen per cent this year. It's a good company with plenty of room to expand and, in spite of the strong development, its valuation is attractive so I believe the shares have more to give. We have a target of SEK 50 for the Balder shares and there's a bit of room after that."

To what extent are Balder's successes down to Erik Selin?

"He has an extremely good reputation on the market and that is of course of value to the shares. He's always being asked when properties will be sold, and when he thinks he has something to add, he does a deal. Over time, he's shown that he does extremely good deals and that confidence is important for the shares to continue rising."

Any other shares you'd like to highlight?

"Yes, we would also recommend buying those of Wihlborgs and Klövern. These are two excellent companies that are well looked after and we think there's more to be gained."

RECOMMENDATIONS: Balder, Wihlborgs and Klövern.



Picture: Swedbank

ANDREAS DAAG, SWEDBANK

Can you briefly describe the 2012 property shares year?

"It was clearly a good year. The index rose by 15 per cent while the stock exchange as a whole rose by twelve per cent. Some of the reasons included falling interest rates, financing using preference shares and acquisitions being made. This year's winner was Balder and the loser was Kungsleden. Kungsleden has now sold Hemsö, so things now look more stable there."

How will things go for the property sector overall in 2013?

"I think it'll remain relatively stable, but I am slightly concerned

I generally think the major companies in the sector have already reached their full value.

2013

that the rental market may take a bit of a thrashing with a rise in vacancies and a certain amount of rental squeezing. On the other hand, the interest rates are scarcely likely to go up that much. If you look at the valuation of the sector, it's not exactly alluring. On the other hand, some shares in the sector have now reached a reasonable valuation, so I think it will be an OK year, but I'm having difficulty seeing it being as good as it was last year."

What should you consider when you want to buy property shares this year?

"This year, it's probably even more important to be selective in your choice of company. It's not possible to just buy the entire sector."

What are your favourite shares this year?

"We still have Balder as our favourite. The valuation has certainly normalised but I think there's still some more to be squeezed out. Then we like Diös and Kungsleden. We think the majority have purged where the tax disputes for Kungsleden are concerned and there's room for upward movement there. We also like Klöver, which has obtained its money through preference shares and has made use of its ability to make acquisitions. Rutger Arnhult is also an extremely clever businessman. That also applies to Erik Selin."

"I think it will be an OK year, but I'm having difficulty seeing it being as good as it was last year."

RECOMMENDATIONS: Balder, Diös, Klöver, Hufvudstaden, Wahlborgs and Kungsleden.

NEUTRAL: Castellum, Wallenstam and Fabège. "They're very good companies but, as we see it, they're already being sold at reasonable levels." ☐



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✎ **PETER ALMSTRÖM, SKAGEN FONDER**

You recently started Skagen M2, concentrating on properties. How have things been?

“It’s gone well. After just three weeks, the fund’s capital was at around SEK 200 million and it’s now close to SEK 400 million.

We have a portfolio consisting of 40 shares with emphasis on Asia (around half) and Europe.”

Which type of property company do you invest in?

“Companies that are undervalued, under-analysed and that are not popular but that have the potential for their value to go up. We have an investment horizon of three or more years for each company we invest in.”

Whereabouts have you invested?

“We make investments on a global basis. Compared with our comparisons index, we’re heavily short in the USA and we’ve avoided Japan and Australia thus far. The portfolio currently concentrates on Asia, primarily South-East Asia, but we’ve also got a fair bit in Europe and Brazil.”

What investments have you made in the Nordic countries?

“We have around five per cent of the fund in the Nordic countries. We’ve bought the entrepreneurial companies Balder and Olav Thon, and we’ve bought into Sagax and Citycon. Balder’s been on a fantastic journey and there’s still room for movement because it isn’t overvalued. The same applies to the other three.”

What’s your view of the property sector for 2012?

“Generally speaking, the whole of the sector throughout the world did well last year because many saw properties as being relatively more interesting compared to other types of asset and because the yield from properties is attractive compared with Government securities. Money came in from shares and the

bonds market and a lot of money has come into the sector because of the considerable turbulence that’s been felt in the USA and Europe. Properties in Sweden have been perceived as relatively secure. However, I now think that most things have finished so there’s no guarantee at all that 2013 will be just as strong a year. In the long term, I’m actually not a fan of property shares in Sweden based on today’s relatively high valuations with extremely low interest rates and a risk of weaker economic growth. This applies to the sector in general, not to all companies.”

Whereabouts in the world is the most interesting place to invest in right now do you think?

“We spend a lot of time looking at countries like Indonesia and the Philippines. The populations there are growing quickly, earnings are rapidly increasing, many people are moving into towns and cities and there are strong state finances. We think the stock exchange conditions are there. Money can certainly leak out of the companies but, at the same time, the yield is high enough for this to be tolerated.”

“We spend a lot of time looking at countries like Indonesia and the Philippines.”

Can you give an example of an interesting share in that region?

“Lippo Karawaci, listed in Jakarta. It’s a big property company and developers who are active within several types of property such as shopping centres, hospitals, schools and homes.”

RECOMMENDATIONS: (Must be viewed as long-term; Skagen does not give short-term recommendations): Balder, Sagax, Olav Thon (Norway) and Lippo Karawaci (Indonesia).





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