



FASTIGHETSSVERIGE

PORTRAIT

Lennart Larsson's heart
is in Krokslätt

SWEDEN TODAY

Sven-Olof Johansson
on international risks

DIGITISATION

How does digitisation affect
the property market?



Extra
magazine
inside!

THE LEADING PROPERTY MAGAZINE IN THE NORDIC REGION

The Swedish property market is red hot

IT'S NEARLY TIME for the high point of the year for many of us in the real estate industry – Mipim. This is the time to start new relationships and lay the groundwork for future business. For us Scandinavians, who have just survived yet another bitterly cold winter, it's also a delicious foretaste of spring and summer.

» If you look around the world you will see an extremely interesting trend in the property market.«

same trend in Sweden, where institutional capital is being weighted more heavily towards the real estate sector.

ALL YOU CAN DO is say 'Congratulations'. It looks as everyone working in the real estate sector can look forward to good times for a long time to come.

WITH THESE GOOD TIDINGS we are naturally looking forward to meeting the international industry at Mipim even more than usual – we hope and believe that this year's Mipim will offer outstanding business opportunities and lively real estate discussions, just as in previous years.

Don't miss our international newsletter (and news site) with Nordic property news.



Editor-in-chief // Eddie Ekberg

If you don't have your free subscription yet, you can sign up at <http://nordicpropertynews.com/newsletter> to stay updated on the latest in the Nordic property market.

SEE YOU IN CANNES!

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On the cover // Lennart Larsson
Read the interview on page 20.

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Soaring to new heights in sustainability!



For the tenants of Portland Towers in Copenhagen, this peregrine falcon is a symbol of the building's dedication to sustainability. With a welcoming nesting box set 59 meters up in the old cement silos we converted into offices, the falcon embodies a green mindset – a way of working that not only makes employees, customers and partners proud, but also boosts profitability. Visit ncc.dk to learn more about how the offices we develop can help build people, brands and better business.

Photo: Getty Images

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ROGER JOSEFSSON

Age: 42 years.
Family: “Yes, a great one.”
Lives in: Strängnäs.
Title: Chief Economist at Danske Bank.
At Danske Bank since: 2004.
Former employers: Riksbanken and the Swedish Government Offices.
Leisure activities: “Food and drink, and thus some needed exercise.”

DANSKE BANK

Danske Bank Sweden is a full-service bank that is part of one of the largest financial services groups in the Nordic region, with over 400 offices in 15 countries. Corporates & Institutions is one of three business areas within Danske Bank. It offers business and investment banking services to the largest corporate and institutional customers in the Nordic region. The business area also includes Danske Bank Markets, which is Sweden’s largest fixed income trader and one of the top currency traders. Its product and services portfolio also includes cash management, trade finance, safe-deposit services, corporate finance and acquisition financing.



In the Year of the Red Monkey

■ According to Danske Bank’s chief economist Roger Josefsson, we’re now in the Year of the Red Monkey – a year that will see a high degree of turbulence.

Considering the major uncertainty that financial markets have recently been experiencing, it’s a bit ironic that February 8 was the beginning of the Year of the Red (Fire) Monkey. This is because according to the Chinese zodiac, the year of the monkey is characterised by a lot of turbulence which often results in misfortune. And according to what I’ve read, the added element of fire (thus the “red” monkey), makes the year of the monkey even worse. There’s also a more mundane connection between China and the outlook for Sweden and the global economy. Strong growth in China has been responsible for about a quarter of total global growth since the 2008/09 financial crisis. Even stronger growth in Chinese investments and a widespread strengthening of the Chinese currency (although the “small” devaluation in 2015 got a lot more attention) have supported demand for imported commodities, input goods and consumer products in the Chinese economy, which is now responsible for over a third of global commodity consumption. As it happens, commodity-exporting countries contributed an additional one-fourth of global growth after the financial crisis – at least up to 2014.

THE CHINESE LEADERSHIP has expressed a strong desire to change its growth model from export- and investment-directed growth to a service/consumption-directed model. And this is both understandable and necessary, especially since in recent years growth has taken place against the background of a sharply rising debt burden – the Chinese debt-to-GDP ratio has risen by the equivalent of a year’s GNP! The question that all of the world’s politicians, central bankers, investors and business people are now asking themselves is what a Chinese economic conversion means for their country, export industry and population. So far the verdict of the financial and commodities markets has been harsh – oil prices have been cut in half, and many other commodities prices have fallen by 20–30 percent or more. In Sweden we’ve mostly been spared from the fallout from the Chinese conversion, but it seems as though this is largely due to the fact that the Swedish krona has been weak compared with our competitors’ currencies. In addition, the Swedish domestic economy – primarily through consumption and property investments – has gone from strength to strength after the widespread

tax cuts and declining interest rates of recent years. Rather than predicting confidently how the Swedish economy will do, ideally within a percentage point, which has unfortunately become the norm in my field, I’d like to provide you with a list of decision points that I think that you need to take in consideration in 2016 – in the order that they appear:

1. CHINA. Will it succeed in its economic conversion without setting off a debt crisis, à la Japan or the Asian financial crisis?
2. THE FED. Has the US central bank, the Federal Reserve, passed the event horizon and will it continue to slowly raise interest rates despite low underlying inflation pressures, due to fear of exacerbating financial imbalances?
3. COLLECTIVE BARGAINING. Okay, this may sound boring, but the round of collective bargaining that takes place in the spring in Sweden and wage trends in the year to come will be decisive to the Riksbank’s future decisions. If wage inflation is low there is a risk/chance that Ingves & Co will add to their purchases of government bonds and ever lower key interest rates with purchases of mortgage bonds, or that they might even intervene in the currency market.

Despite what many commentators like to pretend, there is no predefined answer to the questions above, which is why the financial decisions you make should be governed by your own views.

FOR A LONG TIME, my view and that of Danske Bank has been (in the following order): that China has enough economic and political room to manoeuvre (bank reserve requirements and the key interest rate can be significantly reduced, foreign-currency reserves can be “distributed”, devaluation etc.) to prevent the Chinese economy from entering a recession and dragging down the rest of the global economy; the Fed will raise rates, slower than they think but faster than the market is expecting; and: Swedish wage inflation will be conspicuous by its absence, so that continued interest rate cuts by the Riksbank will be accompanied by additional government bond purchases and probably some other action as well. But, and this bears repeating, the longer the present uneasiness continues, the greater the negative effect this will have on the real economy. Welcome to the Year of the Red Monkey! ■

AT THE OFFICE. Sven-Olof Johansson is one of the most colourful personalities in the Swedish property market. Probably one of the few people with a picture of Chairman Mao on the wall of his office. The sculpture on the left is a rubber cast of the artist Fredrik Wretman himself. "These things are a blast," says Johansson, who is at home in the saddle – at his farm in France he has ten quarter horses that he rides in reining.

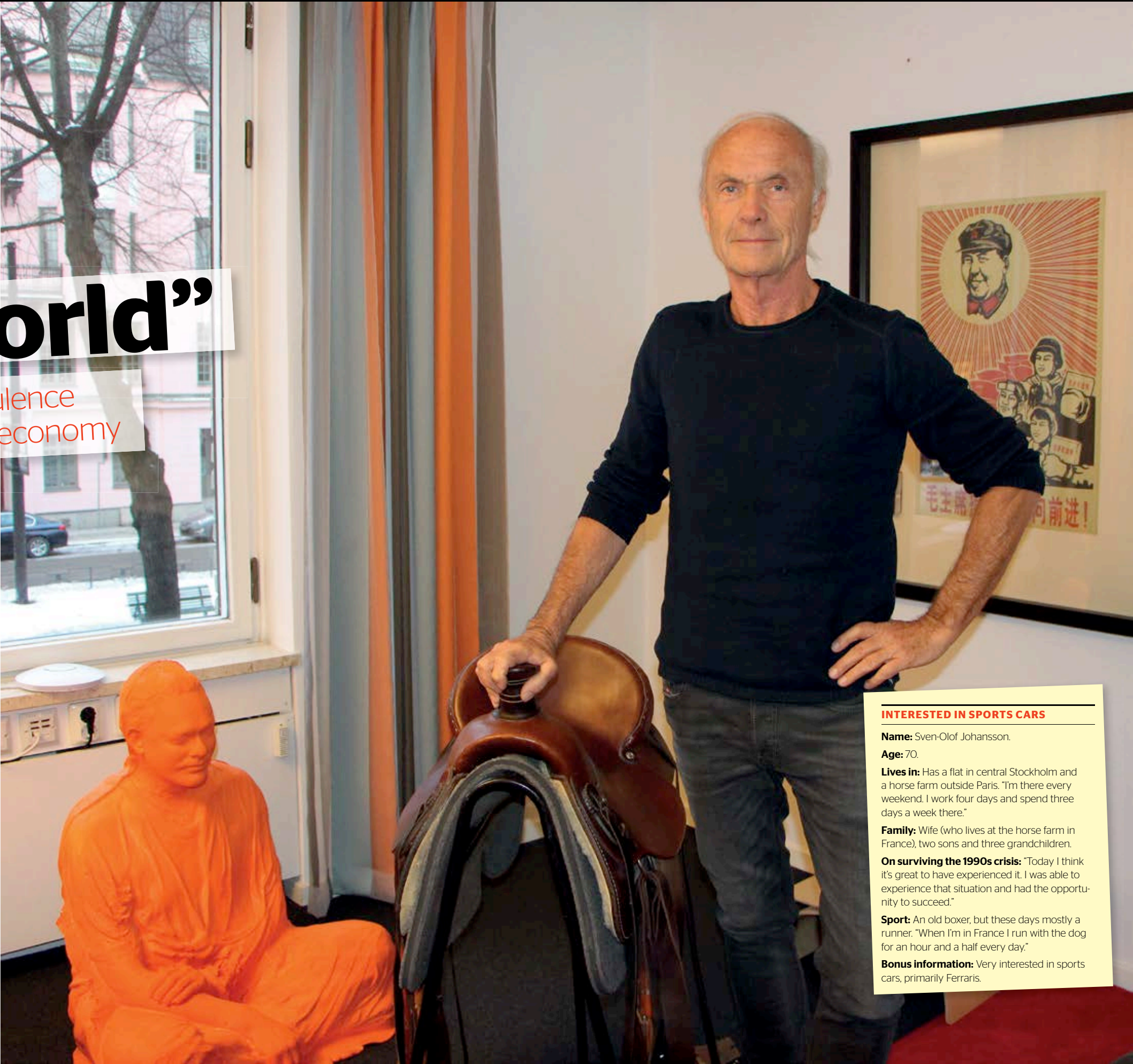
“A new world”

Sven-Olof Johansson on turbulence and opportunities in the new economy

■ In recent years extremely low interest rates, healthy government finances and robust growth have made properties a white-hot asset class in Sweden. But what does the future hold? According to Sven-Olof Johansson, the market will be uncertain – but he believes that interest rates will remain low for a long time to come.

By: Nicklas Tollessen

VETERAN BUSINESSMAN Sven-Olof Johansson is one of the most colourful personalities in the Swedish property market. He is one of the few people to survive the Swedish property crisis of the 1990s – when things were at their worst he had personal debts of SEK 1.8 billion, which he himself believes is some sort of “Swedish record”. But he managed to turn things around thanks to stubbornness and a good nose for business. Today his company Fastpartner owns properties worth over SEK 15 billion. In fact the value of his properties grew by SEK 5 billion in 2015 alone. The company has a market capitalisation of about SEK 7 billion, and Sven-Olof Johansson owns about 70 percent of the shares. In 2014 and 2015 the transaction volume on the Swedish property market was SEK 130–150 billion, which is on par with the record years before the financial crisis. ➤



PICTURE: NICKLAS TOLLESSON



Official name: The Kingdom of Sweden.
Political system: Constitutional Monarchy, with parliamentary government.
Head of State: King Carl XVI Gustaf.
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.
Largest cities: Stockholm (capital), Gothenburg, 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

INTERESTED IN SPORTS CARS

Name: Sven-Olof Johansson.
Age: 70.
Lives in: Has a flat in central Stockholm and a horse farm outside Paris. "I'm there every weekend. I work four days and spend three days a week there."
Family: Wife (who lives at the horse farm in France), two sons and three grandchildren.
On surviving the 1990s crisis: "Today I think it's great to have experienced it. I was able to experience that situation and had the opportunity to succeed."
Sport: An old boxer, but these days mostly a runner. "When I'm in France I run with the dog for an hour and a half every day."
Bonus information: Very interested in sports cars, primarily Ferraris.





➤ **NATURALLY THE FACTORS** behind the strong interest in Swedish properties are low interest rates combined with robust growth, primarily in Stockholm but also in smaller cities with good communications. A great deal of institutional capital has flowed to real estate due to low interest rates. Essentially all Swedish listed companies have been able to expand greatly in recent years, thanks to good access to cheap financing. While yields have been pressed downwards, the spreads between property yields and the interest on long-term government bonds, for example, have been at historic highs. Thus multiple factors have combined to make properties a tremendously attractive asset class.

But it's not a given that the future will be just as bright.

When Fastighetssverige met with Sven-Olof Johansson at the end of January, he had just returned home from a three-week vacation to France and the Maldives. The market became more volatile before and during his vacation, and Sven-Olof Johansson warned us that volatility in the American bond market can spread.

"I would describe the market as extremely cautious right now. There is uncertainty about the credit markets. The stock markets are uneasy, and the geopolitical situation is unstable. Some Ame-

»Sweden is a good country, it's open and transparent.«

rican corporate bonds have gone into default due to the decline in oil prices, which makes the entire capital market uncertain. It wouldn't be easy to issue preference shares or corporate bonds at a reasonable cost today," said Johansson.

SVEN-OLOF JOHANSSON has been involved with the finance and property sectors for many years, but the situation prevailing right now is a new world in many ways. In Johansson's opinion, expansionary monetary policy could continue indefinitely in principle.

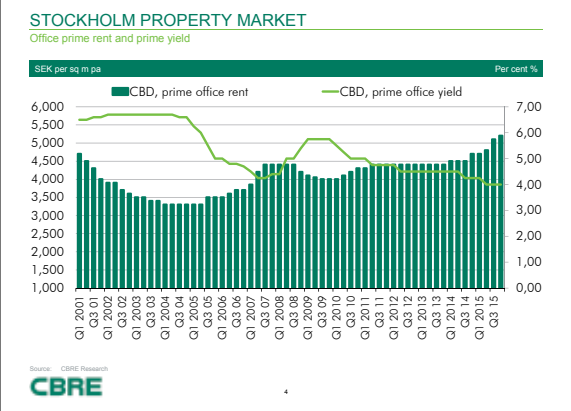
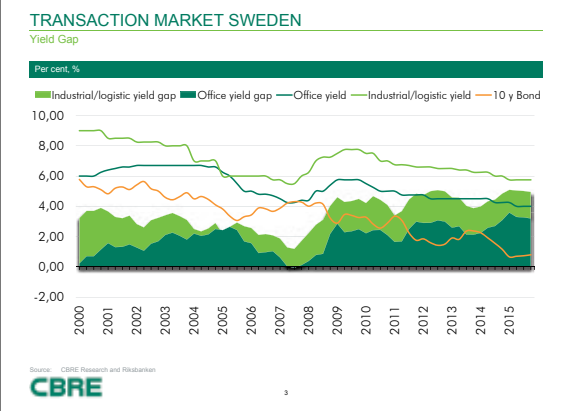
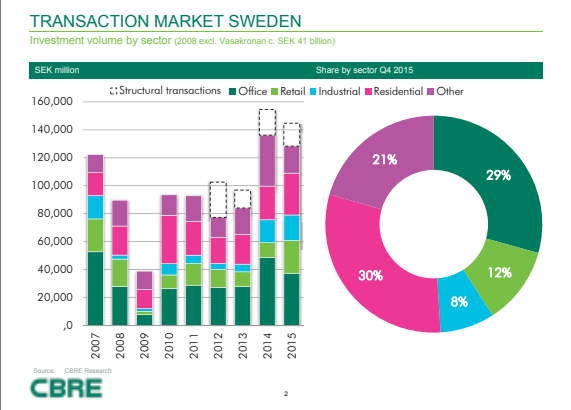
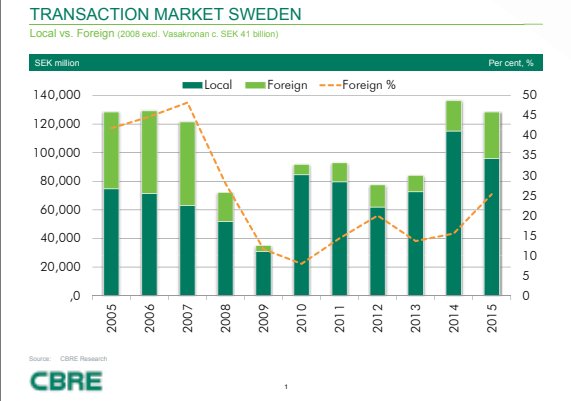
"The market turned uncertain when the Fed raised the interest rate for the first time in nearly ten years. I believe it's extremely likely that the Fed's actions will continue to become more expansive, and that the other central banks will continue quantitative easing.

This will continue as long as they are not successful in raising demand and global growth, otherwise we will have a new financial crisis. And there's no limit to how much new money a country can print."

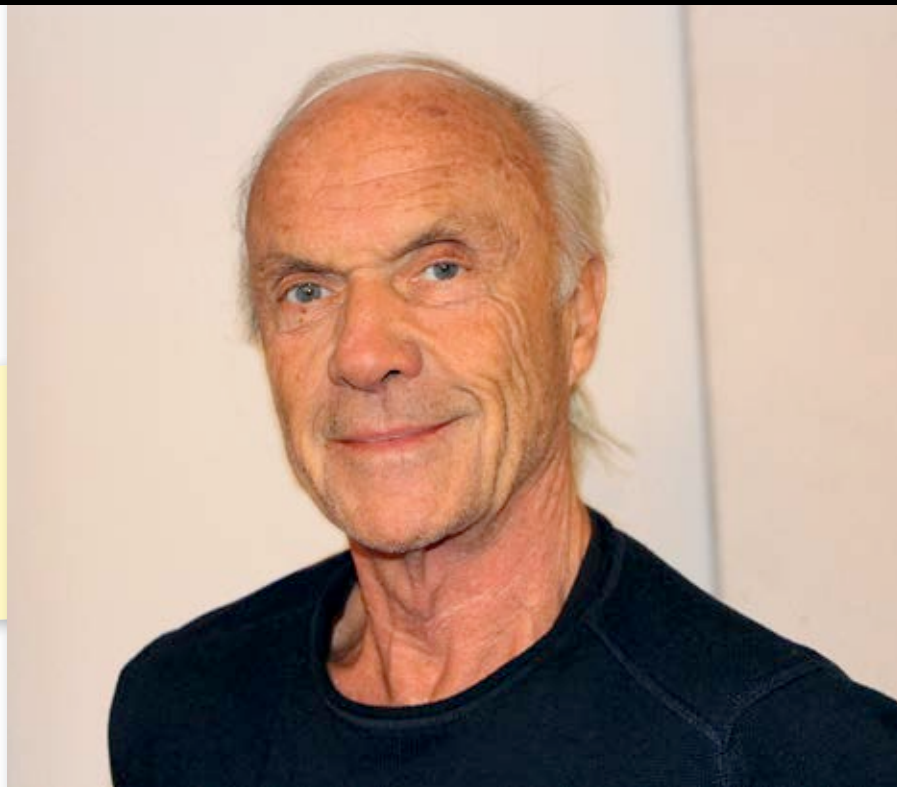
IN SWEDEN THE RIKSBANK has introduced negative interest rates – the most important key interest rate, the repo rate, stands at -0.35 percent. Meanwhile the Riksbank is far from achieving its objective of two percent inflation.

"Interest rates could remain at these levels for many years. Historically, when governments have printed new money the sharp increase in the money supply has resulted in hyperinflation. This has not been the case this time, which can be explained by digitisation. Production and wage costs are kept down by automation and digitisation, and energy costs are being held down. The ability to shop online all over the world is pushing prices down. Unemployment remains at a relatively high level."

In Johansson's opinion, the low rate of inflation means that it is possible to continue to "dope" the markets with low interest rates and quantitative easing, i.e. additions of freshly-printed money. ➤



»I keep at it because it's fun and intellectually challenging.«



PICTURE: NICKLAS TOLLESSON

› “Look at China. Their entire country is built on printing new money and investing in housing and infrastructure. This has been going on for many years.”

› But at the same time it's completely artificial. What do you think about the situation?

“I don't think anything. I'm just saying that this is the situation, and you have to adapt to it and be aware of how the system works. It works as long as quantitative easing continues, And I don't see it coming to an end. The fundamental question is how much is a currency worth? How much is a yuan worth? Or a dollar? They don't have any actual value – this is an ‘imaginary’ world ...”

› Where should people invest given the state of the markets?

“Real estate is good. Real assets that provide stable returns. Also other companies with stable earnings that pay good dividends.”

International investors have recently been more active in the Swedish property market. In 2015 international investors bought properties worth over SEK 30 billion, which was one fifth of the total transaction volume. The single largest acquisition was by American firm Blackstone, which bought portfolios worth about SEK 23 billion from Obligo. About SEK 10 billion consisted of Swedish properties.

› What is your view of the advance of international investors?

“I think that having multiple players is a good thing. I'm in favour of an open market. Now we'll have to see how things develop. If you look at the stock market, oil-based sovereign wealth funds have recently been selling quite a lot on the Swedish exchange. When the market turns bumpy, it's natural to cut down on pe-

ripheral investments and focus on your home market. This could be the case for properties as well.”

› How do you view Sweden as a place to do business for international investors?

“Sweden is a good country, it's open and transparent. People are extremely ethical, public finances are in good shape and the banks are stable.”

› What will the banks do about real estate financing in the future?

“Interest rates will remain low as I already pointed out, but I believe that the banks will become more restrictive about who they lend money to. It will be increasingly important to have good relationships with the banks and a strong balance sheet. Today you can get a loan with unbelievably good terms for really good properties if you have a stable balance sheet.”

› You turned 70 last fall. How long will you stay with the business?

“For another couple of years. After that it seems reasonable to become chairman of the company instead. But I keep at it because it's fun and intellectually challenging. I worked a tremendous amount during the years after the 1990s crisis – I didn't have a day off for several years. But I don't think I'm working a lot now.”

Sven-Olof Johansson spends the weekends in France, where he has a horse farm with ten quarter horses, real American cowboy horses.

“I ride them in reining. It's a real adrenaline rush, a bit like driving a race car extremely fast. In principle it's like dressage, but at a full gallop ...” 🐾

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The Capital of Scandinavia

■ Blackstone bought properties for SEK 23 billion, with 9.5 billion being for assets in Sweden. This puts them at the top of the list of the largest net purchasers in Sweden in 2015 and January 2016. The list was produced by Newsec. (The compilation includes deals worth over SEK 40 million.)

Here are the largest net purchasers

Top 10 // Net purchasers

1

Blackstone
MD: Stephen Schwarzman.
Volume: SEK 9.5 billion (acquisitions: SEK 9500 million – sales: SEK 0 million).

By far the biggest deal of this year was announced in July. The American company Blackstone acquired a portfolio from Obligo. The total property value amounted to around SEK 23 billion, of which SEK 9.5 billion related to property in Sweden. With Blackstone's return to the Swedish market, the percentage of foreign investors also increased in 2015 compared to 2014. The properties are mainly located in Stockholm, Gothenburg and Oslo.

PICTURE: BREWSTER/STINEGGER

2

Rikshem
MD: Jan-Erik Højvall.
Volume: SEK 6.2 billion (6,391 – 228).

Rikshem was the buyer in three transactions for over SEK one billion in 2015. In November 2015 Akelius sold 1,700 flats in Norrland to Rikshem for about SEK 1.9 billion. In August Rikshem acquired 1,600 flats and seven social premises from Lulebo for SEK 1.6 billion; and in September Rikshem acquired 27 properties from Värmdö municipality for SEK 1 billion.

PICTURE: RIKSHEM

3

Kungsleden
MD: Biljana Pehrsson.
Volume: SEK 5.0 billion (5,794 – 791).

In October 2015 Kungsleden acquired five properties from Djurgårdsstadens Fastigheter for SEK 3 billion. The properties are located in Värtahamnen and Hammarby Sjöstad in Stockholm. This was the fifth largest property transaction in Sweden in 2015. Kungsleden also acquired two properties in Kista in March and August for about SEK 500 million and 750 million, respectively.

PICTURE: KUNGSLEDEN

4. Danish consortium
Volume: SEK 4.4 billion (4,410 – 0).

NREP sold 28 logistics properties in Sweden, Finland and Denmark for EUR 650 million, which is equivalent to over SEK 6 billion, in the largest logistics transaction in the Nordic region. About 70 percent of the space is in Sweden, with 10 percent in Finland and 20 percent in Denmark. The buyer was a consortium consisting of four Danish pension funds.

5. Castellum
MD: Henrik Saxborn.
Volume: SEK 4.3 billion (5,664 – 1,350).

Castellum was on the buy side in twelve property deals worth over SEK 40 million in 2015. Two of these deals were for over SEK 1 billion. In April the firm acquired 50 percent of Henry Ståhl Fastigheter from Heimstaden for about SEK 2 billion. In December NCC sold the office project Torsplan 2 to Castellum for SEK 1.6 billion.

6. Grosvenor
Group Chief Executive: Mark Preston.
Volume: SEK 3.5 billion (3,500 – 0).

In January 2015 Grosvenor Fund Management announced that it had added to the Retail Centers V fund by acquiring Skärholmen Centre. The property value of the deal amounted to around SEK 3.5 billion.

7. Agora
MD: Wilner Anderson.
Volume: SEK 3.4 billion (3,407 – 0).

In June 2015 the new firm Agora (A Group of Retail Assets) acquired properties for SEK 3.4 billion. The largest shareholders in the new firm are M2-Gruppen, Kvalitena, Klövern, Profi, Pare and Sterner Stenhus.

8. AMF Fastigheter
MD: Mats Hederos.
Volume: SEK 3.1 billion (3,060 – 0).

In December 2015 Aareal Bank sold the property Fatbursjön

10, also known as Fatburen, on Stockholm's Södermalm island to AMF for SEK 3.06 billion. The building is 46,000 square metres in total.

9. Svenska Handelsfastigheter
MD: Lennart Sten.
Volume: SEK 2.7 billion (2,700 – 0).

In July 2015 newly formed company Svenska Handelsfastigheter acquired 44 retail properties from Areim och Möller & Partners for SEK 2.7 billion. The properties are located between Ystad and Boden. The total lettable area amounts to about 180,000 square metres.

10. Skandia Fastigheter
MD: Anders Kupsu.
Volume: SEK 2.6 billion (2,750 – 190).

Skandia Fastigheter was the buyer in two large property transactions in 2015 and one in January 2016. In July the company bought Tyresö Centre from CBRE Global Investors for about SEK 1 billion. The properties have a total lettable area of 31,000 square metres.

RESULTS that matter



OUR SUCCESS in our €5.5 billion of capital invested is driven by our active asset management and by improving our real estate assets from a technical and environmental perspective

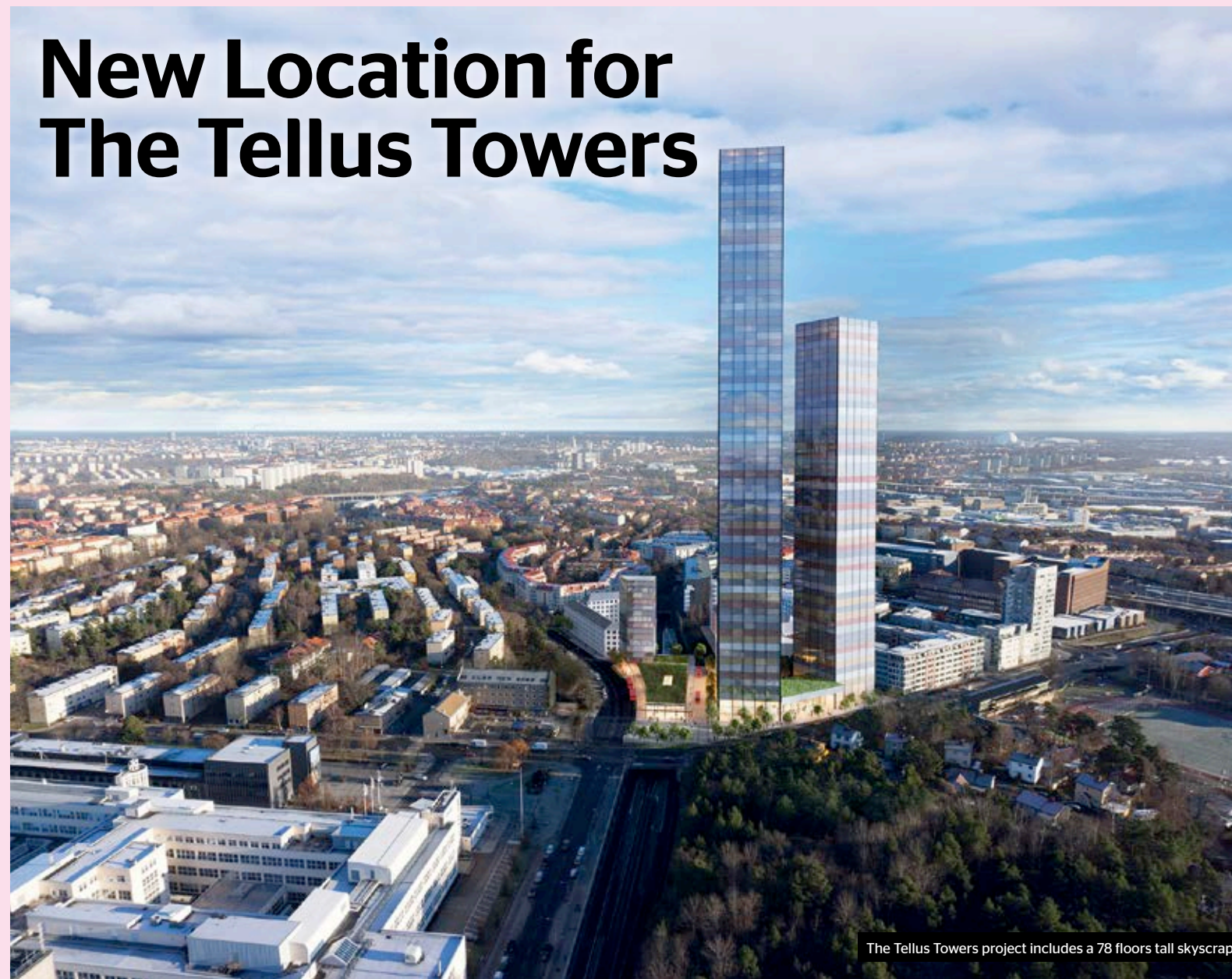
OUR PURPOSE is to deliver assets that meet the demands of our tenants, future buyers and local communities

OUR PLATFORM provides leading global institutional investors access to the Nordic property market through top-performing opportunistic and core-plus private equity real estate funds




Here are the **15** most read articles at nordicpropertynews.com since the beginning of December. Please visit the site and register for the newsletter, and you will get the latest news about the Nordic property market every Friday – free of charge! **By:** Nicklas Tollesson

New Location for The Tellus Towers



PICTURE: WINGAROPS

The Tellus Towers project includes a 78 floors tall skyscraper.

 Less than a year ago, the Swedish Armed Forces stopped the planned placement of the Tellus Tower. Stockholm City and the developer SSM now agree on a new placement of the project, which might be Northern Europe's tallest apartment building.

The new location for the skyscrapers that have been increased to two can now be presented. The project is


still located by Telefonplan, but now in direct proximity to Telefonplan's underground station.

"We are very happy with the constructive cooperation we have had with Stockholm City this fall. Being able to present the new location and how the project has been further developed during the fall is very exciting. I feel a great enthusiasm towards the detailed consultation this spring. SSM and Stockholm City are

both very anxious to take the next step in the project and to soon be able to begin the construction of close to 1,200 new modern apartments in Stockholm," says Mattias Roos, CEO at SSM.

The new proposal includes four buildings of different heights, two skyscrapers, 78 and 58 floors tall, a tower block with 17 floors and a slab block with 7 floors. **2016-01-21**

Construction Begins at Albano Campus in Stockholm

 The kick-off for the Albano campus has taken place. Once completed, Albano will be a scientific hub connecting Stockholm University and KTH with each other and with the city. A unique socio-ecological campus will be created here for 15,000 students and researchers with university facilities, approximately 1,000 student housing units and room for commercial services.

"In order to be a leading nation for research and knowledge, Sweden needs attractive campus environments where people and ideas meet. Albano will be an important meeting place for researchers and students from all over Sweden and help to strengthen our international appeal," says Helene Hellmark Knutsson, Minister for Higher Education and Research.

Akademiska Hus (university facilities) and Svenska Bostäder (student housing) are the developers.

The initial occupancy of the housing is planned to take place in 2018 and the university premises in 2019. **2015-12-04**



PICTURE: CHRISTENSEN & CO/BSK ARCHITECTER

The construction start of Campus Albano in Stockholm has taken place.

Record Breaking Volumes on the Nordic Transaction Market




Mikael Söderlundh.

NORDIC The transaction volume on the Nordic real estate market reached almost € 40 billion during 2015, according to new numbers from Pangea Property Partners. It is the highest noted level to date.

"The commercial real estate market is red-hot at the moment. There are buyers for almost all kinds of objects and we see many new record prices," says Mikael Söderlundh, Head of Research and partner at Pangea Property Partners.

The Nordic transaction market grew with 36 percent during 2015 compared to the previous year, according to Pangea. The growth was especially strong in Norway and Denmark, where the transaction volumes more than doubled. Finland also noted a large growth of 30 percent. In Sweden the transaction volume decreased somewhat to 15.5 billion euro during 2015, but it is continuously the single strongest market in the Nordics. **2015-12-29**

Hemfosa Enters the Finnish Market

 Hemfosa, listed on Nasdaq Stockholm, is taking an important step toward becoming a broader Nordic player in community service properties with the acquisition of two such properties in Helsinki for MSEK 500 (€43 M).

The seller is NV Property Fund I, whose investors are pension company Varma, life assurance company Nordea Livförsäkring Finland and the Finnish State Pension Fund. The properties encompass a

total of approximately 37,000 sqm of leasable area.

"We see opportunities for continued growth in Finland, where the market for community service properties is in many respects similar to the Swedish and Norwegian markets," says Stina Lindh Hök, Head of Transactions at Hemfosa. **2015-12-18**

Stina Lindh Hök.

BALDER ACQUIRES 49 PERCENT OF SJAELSÖ MANAGEMENT

 Balder has bought FIH's 49 percent in Sjaelsö Management ApS. The remaining 51 percent is unchanged owned by Sjaelsö Management's CEO Flemming Joseph Jensen.

"We got to know the Sjaelsö team in 2010 and made our first business together in 2011. We are now very pleased to become shareholders in Sjaelsö. We have a positive view of Denmark and has as always a long term view on this investment as well as our other investments in Copenhagen," says Balder's CEO Erik Selin. **2016-02-11**



Erik Selin.

CORNERSTONE PURCHASES THE ÅHLÉNS CITY PROPERTY IN MALMÖ

 Cornerstone Real Estate Advisers purchases the Åhléns City property in central Malmö from Vencom and Rocspring Property Investment Managers for MSEK 365 (€40 M).

The acquisition is made through Cornerstone Pan-European Core Fund and will be an addition to Cornerstone's current holding in the Nordic Retail Fund where amongst others Galleria Center Syd north of Malmö is included.

Cushman & Wakefield and Mannheimer Swartling were advisors to the seller in the transaction. **2016-01-07**

HEMSÖ ACQUIRES THREE CARE PROPERTIES IN FINLAND

 Swedish investor Hemsö has agreed to purchase three elderly care home properties from Elo Mutual Pension Insurance for € 33 M.

The properties are located in Espoo, Kerava and Oulu.

They comprise altogether approx. 14,000 sqm of lettable space, and the premises are 100% occupied. The main tenants are Esperi Care, Metsolakodit and Aava. **2015-12-02**

PICTURE: HEMFOSA



PICTURE: HENRIK EKBERG

Eight Nordic Finalists in Mipim Awards

Mall of Scandinavia in Stockholm is one of the finalists in the category Best shopping centre on Mipim Awards.


NORDIC 44 finalists for the prestigious competition Mipim Awards 2016 have been presented. Eight of them come from the Nordic countries.

The eight projects are:

- Best healthcare development: **Aabenraa Psychiatric Hospital**, Aabenraa, Denmark – Developer: Region Syddanmark
- Best hotel & tourism resort: **Musholm**, Korsør, Denmark. Developer: The Danish Muscular Dystrophy Foundation.
- Best industrial & logistics development: **Umeva** – sewage treatment plant, Umeå, Sweden. Developer: Vakin (former Umeva)
- Best innovative green building: **DigiPlex Fet**, Oslo, Norway. Developer: DigiPlex Fet AS
- Best residential development: **Katscha**, Norrköping, Sweden. Developer: Ivarsson Byggnads AB
- Best shopping centre: **Mall of Scandinavia**, Stockholm, Sweden. Developer: Unibail-Rodamco.
- Best future mega project: **New Kiruna**, Kiruna, Sweden. Developer: Kiruna Municipality

2016-01-29

New Management Company Takes Over SEB Trygg Liv Portfolio

 A new Swedish management company, lead by Grandab's Mikael Hasselberg, will take over the management of SEB Trygg Liv's Swedish real estate portfolio of approximately 500 000 sqm.

The new company gets the total assignment of commercial, economical and technical management. The assignment starts on April 1st 2016. SEB Trygg Liv's Swedish property portfolio encompasses 69 properties of approximately 505 000 sqm in Stockholm, Uppsala, Gothenburg, Helsingborg and Malmö.

"It is an incredible favor and great confidence to be able to start the company with an assignment like this," says Mikael Hasselberg. **2015-12-29**

Mikael Hasselberg.

Areim Invests in Blackstone's Obligo Portfolio

NORDIC Areim recently launched its Areim Fund III and is now entering into its first deal – 20 percent of the Nordic portfolio that Blackstone last year bought from Obligo.

The portfolio is geographically diversified across Sweden, Norway, and Finland and spread across all major real estate sectors.

"This investment is a perfect seed portfolio for Areim Fund III. It is well aligned with our Fund's strategy and with where we believe the investment market is headed," commented Leif Andersson, Founder of Areim AB.

The portfolio consists of approx 40 properties and approx 850,000 sqm.

The value of the properties is above SEK 11 billion (€ 1,2 billion). **2016-01-13**



Leif Andersson.



PICTURE: AMF FASTIGHETER

AMF acquires Fatburen on Södermalm in Stockholm.

AMF Acquires Fatburen in Stockholm


 The Swedish pension company AMF is buying the office property Fatburen on Södermalm in Stockholm from Aareal Bank for SEK 3,06 billion (€323 M). The building includes a total of 46 000 sqm.

Mats Hederos, CEO of AMF Fastigheter, says:

"The office market in Södermalm is changing and we are seeing a new cluster of creative companies that specialise in technology, gaming, advertising and media emerging in the area. When the City Line is complete in 2017, it will increase appeal even further and contribute positively to the area's development."

2015-12-11

DNB DIVESTS ITS RESIDENTIAL PROPERTY PORTFOLIO IN DENMARK

 Norwegian bank DNB divests its entire residential property portfolio in Denmark to an international private equity group.

This is one of the largest property transactions in Denmark in 2015.

According to the Danish newspaper Børsen, the buyer is London-based Coller Capital for a price it estimated at DKK 2,6 billion (€349 M).

The portfolio comprises more than 1,000 residential units in 22 properties. The total lettable area is 93,000 sqm. The portfolio is primarily located in the Copenhagen area. **2015-12-04**

SPONDA ACQUIRES FOR €576 M IN HELSINKI

 Sponda acquires six properties in the Forum block in Helsinki and plans a rights offering.


"We are very satisfied with this acquisition, which represents an excellent step forward in the implementation of Sponda's strategy," says President and CEO Kari Inkinen.

Sponda has signed agreements with Forum Fastighets Kb and Föreningen Konstsamfundet rf. on the acquisition of the shares in Ab Mercator Oy, which owns six properties in central Helsinki, as well as the shares in Ab Forum Capita Oy, which manages the properties in question. The total debt-free price of the entities being acquired is approximately EUR 576 million, to be paid in cash.

The estimated net yield after the first year is approximately 4.9 percent.

Of the properties' total leasable area of 76,918 sqm, some 48 percent is retail premises and 41 percent office premises, while 11 percent is storage space and other utility space. **2016-02-04**

BILLION DEAL FOR RIKSHEM IN ÖSTERSUND

 Rikshem purchases close to 1,700 apartments from the municipal housing company Östersundshem for SEK 1,1 billion (€115 M).

Rikshem is established in Östersund since February 1. The company now purchases another 1,698 apartments in 28 properties, a total of 124,000 sqm from Östersundshem. **2016-02-11**

THEY WILL DEVELOP FINLAND'S LARGEST SHOPPING CENTER

 Five companies have signed a letter of intent on the establishment of a joint venture for the implementation of the Mall of Tripla in central Pasila, Helsinki. The overall value of the shopping mall and the parking facility is approximately € 600 M.

The five companies are YIT, Etera Mutual Pension Insurance Company, Onvest Oy, Fennia Mutual Insurance Company and Fennia Life Insurance Company Ltd. **2015-12-17**

Lennart's heart pounds for Krokslätt

30 years ago, Krokslätt's old factory buildings were close to being demolished. Today they are the **heart and nerve center** of Lennart Larsson's company Husvärden.

"All of the deals we do outside Krokslätt are to generate money to invest here," Larsson said. **By:** Nicklas Tollesson



Krokslätt Factories shut down their textile operations in the Gothenburg suburb of Möln-dal in 1975. The premises were then used as warehouses and for industrial production. There were a lot of empty buildings in poor condition.

"My employer at the time, Alexanderssons, owned Krokslätt and they very nearly chose to demolish the buildings. But some of us were opposed to this, because we felt that the area had potential. In the end I was able to buy the properties for about SEK 150 million in 1993," Larsson said.

This was the birth of Husvärden, which today is one of Gothenburg's largest and most

» This is the core of the business, and it's not for sale.«

highly-regarded privately-owned property companies.

Larsson did another major deal right after Krokslätt.

"VOLVO WANTED TO get rid of properties that didn't belong with their core business. I was able to buy a portfolio of eight properties in the

Ringön area of Gothenburg, as well as others in central Gothenburg, Malmö, Stockholm and Landskrona. They just wanted to get rid of them. Volvo had acquired the properties for SEK 320 million, and I was able to buy them for 92 million. The bank asked me about my plans. I said that I wanted to 'chop up' the company and sell the properties piecemeal. We drew up a schedule and I got the loan. I sold the first property the very next day. It ended up being a great piece of business, and I invested all of the money I earned in Krokslätt. Everything we do outside Krokslätt is designed to help develop this area. That's how we've done it so far, and we're going to keep going. Today we own about 50,000 square metres outside Krokslätt."



SOLUTION UNIQUE IN THE WORLD. The double glass facades in the K21 office building are a solution that is unique in the world. "There's no science behind it, this was not tested before, and no one knew what the space would be used for. It was exciting," said Larsson.

› Why does Krokslätt mean so much to you?

"It's hard to put into words. Krokslätt is fascinating and stimulating. And of course I'm proud of what we've achieved so far. This is the core of the business, and it's not for sale."

› Isn't everything for sale at the right price?

"You shouldn't fall in love with your investments, but ... Money is necessary, that's true, but money isn't everything. I enjoy developing Krokslätt. I want to make it the best it can be, for us and our tenants. You could say it's a sort of reward for me."

TODAY KROKSLÄTT FACTORIES is a thriving commercial area. The buildings have been renovated and new buildings have been built

– including K21, which was named Sweden's Environmental Building of the Year in 2015.

The building has four different facades, two of them double glass facades. On the south side, the space between the layers measures 80 centimetres and is full of plants which provide protection from sunlight and a pleasant environment. They also recover the rainwater that falls on the roof. The space between the layers on the east side is 3.6 metres, i.e. completely usable space – although unheated and uncooled – with a Mediterranean climate.

› How did you arrive at this situation which is unique in the world?

"We started with the concept that moving the glass facades apart improves insulation. We –

Berth Olsson of Bengt Dahlgren, Peter Fredriksson of K21 Entreprenad AB, Gert Wingårdh and I – discussed how large to make the cavity between the facades, and we came up with the idea of making it so large that it could be used. We just said 'let's do it.' The issue was how to generate revenue from these spaces. There's no science behind it, this was not tested before, and no one knew what the space would be used for. It was exciting."

Different tenants use the space in different ways.

"In this space they have a nice sofa corner and a table where they can eat lunch. The neighbour there has put a ping-pong table in their space. The space can be used more or less as you please." ›



**FOUNDED
HUSVÄRDEN**

Name: Lennart Larsson.

Age: 69.

Lives in: Tenant-owner's flat in central Gothenburg, homes in Tjuvkil, Mallorca and Sälen.

Background: Team leader at BPA 1969-1974, project manager at Ivar Kjellberg Byggnads AB 1974-1980, project manager at Alexandersson Fastighets AB 1980-1993, founded Husvärden in 1993.

› **LENNART LARSSON GREW UP** on a farm in Sollebrunn. Meanwhile Roger Akelius (Akelius Fastigheter now owns property worth about SEK 70 billion) was growing up in the neighbouring village of Stora Mellby.

“We’ve known each other since we were 13 or 14.”

In 1994 Lennart got a telephone call from Roger, who had just sold Akelius Skatt and was now planning to get into the property market.

“He said ‘I don’t know anything about real estate, could you take care of this?’ So I built up a portfolio for him. I didn’t have an ownership stake in that company, I just managed it for him.”

“If we wanted to buy we just picked up the phone and Roger said ‘buy’.”

“Roger didn’t get involved until 2000 when we got into large package transactions.”

Larsson left Akelius when they bought out Mandamus from the exchange and took it private in 2003.

“Mandamus was a large company and things were done completely differently. It was the right time to leave,” said Larsson, who has been a member of the Akelius board for many years.

› **Where would Akelius Fastigheter be today without Lennart Larsson?**

“I inspired him to buy properties, but he’s been the one who’s done the major work in the last ten years. He’s been incredibly creative, especially when it comes to finding money. I can’t take any of the credit, but I’m happy I was involved in starting the company.”

ENVIRONMENTAL ISSUES have always been important to Lennart Larsson, who represented small companies when the Sweden Green Building Council was founded in 2009.

“We set an objective some time ago that the 100,000 square metres of the future will use ten percent less energy than the original 60,000 square metres did. The next step is to store cold and heat underground, and make things even more efficient.”

› **Why are environmental issues so important to you?**

“Soft values are extremely important, and I’m 100 percent behind the idea that we need to save our earth and environment. But – saving energy is always profitable in the long term, you can never forget that.”

LENNART LARSSON HAS big plans for the future of Krokslätt Factories. Work is about to start on the first flats in the area – 200 of them. His plans also include a hotel in a building that will also be home to several thousand new square metres of office space. A preschool and more flats will come later on.

“It will be a mixed-use area, an attractive to place to live and work.”


› **Was this your vision for Krokslätt when you bought it over 20 years ago?**

“No, we’ve surpassed our initial expectations many times over.”

LENNART LARSSON TURNS 70 this year, and succession plans are being drawn up. His two sons Andreas and Daniel have worked for the company for a long time, and the plan is for them to take over soon.

“I’ll hand off the baton to them soon. I’ve always hoped that they would want to take over, and I’m happy that they want to now.”

› **What will you do next?**

“I’ll keep working. But then I’ll only do the fun parts ...” 

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Real estate outlook for 2016

■ Where is the Swedish property market headed and why? Three top analysts from Colliers, Catella and Savills discuss the current and future state of the market. **By:** Nicklas Tollessen

› 2014 and 2015 the transaction volumes were really high, about EUR 14–16 billion. What do you think the transaction volume will be in 2016?



“Our view is that market actors’ large appetite for transactions will continue in all segments in 2016. On the other hand we think that the volume will be smaller than in 2016, primarily because the banks are becoming more selective. That is being said, we still believe that the transaction volume will be relatively high. It may even be borne up by acquisitions, where strong companies that are unable to find individual properties to acquire look at acquiring entire companies instead.”



“The volume of transactions in the Swedish property market was EUR 14 billion in 2015. This isn’t quite the level of 2014 which was a record year, but it’s definitely on a par with the years before the financial crisis. Transactions in December were worth about EUR 1.8 billion, compared with EUR 3.6 billion in December 2014. The December figure demonstrates a downward trend (in rolling twelve-month volumes) which we’ve seen since last

summer, and can be compared with peak figures of EUR 17 billion in July and August. The decline in volume is evident in the office, residential and social property segments, while retail and logistics continue to show strong growth. It’s extremely likely that the downward trend will continue during the year and that we will approach a long-term average of about EUR 12.5 billion in rolling twelve-month volumes.”



“Although the volume of transactions for 2015 was not a record compared with the year before, the market was better in many ways, with a record number of transactions. 2016 has started off strong so far, so we expect high transaction volumes in early 2016, and the entire year will probably be strong in terms of transactions. Property fundamentals look good in most markets, with stable demand, limited speculative construction and favorable financing terms. It’s reasonable to expect the transaction market to land in a very healthy range of about EUR 14–16 billion.”



David Almqvist, Project Manager, Colliers International



Arvid Lindqvist, Head of Research, Catella Corporate Finance



Peter Wiman, Head of Research, Savills Sweden

› What types of investors do you think will be on the buy side vs. the sell side in the year to come?



“The sell side will be dominated by property companies pruning their portfolios and property funds getting ready to shut down. The buy side is much broader, with essentially all of the players in the market looking for properties to acquire.”



“Several of the major institutions have an obvious ambition to increase their exposure to real estate, but they had a hard time competing on the buy side until last November. However they increased their market share noticeably in December, when they made up nearly half of the volume for the month. If sentiment in the credit market continues to deteriorate in 2016, it’s reasonable to expect that the institutions will experience a competitive advantage over private and publicly listed investors, and will continue to be active on the buy side.”

“There are also a lot of funds that have received inflows, so they’re expected to invest during the year. However these players are transaction-intensive by nature, so they’ll be active sellers at

the same time. In 2015 listed companies made up over 25 percent of the market, and several companies intend to increase their volumes and upgrade the quality of their portfolios. This has been driven partially by the significant share premium of property companies’ shares. If the stock market continues to languish in 2016 and the rise in the value of property portfolios stabilises, it’s reasonable to expect that several listed companies will be on the sell side – especially in secondary locations in major cities and in smaller cities.”



“2014 and 2015 were two exceptionally strong transaction years, and there are many indications that 2016 will be a good year as well. Therefore there’s a good possibility that property owners, both Swedish and international, will take advantage of the situation and take some profits by selling. At the same time, both Swedish and foreign institutions continue to have a need and interest in investing capital in the property sector, a factor that could keep demand strong. The listed companies will most likely continue to be extremely active, and there’s a good chance that we’ll see new companies listing on the stock exchange, while other companies are bought out from the exchange or taken over by listed competitors.” ➤

› **We have extremely low interest rates (the repo rate is -0.35 percent). How long do you think it will take before the interest rate environment normalises? What do you think the “standard interest rate” will be then?**



“A quick look in the rear-view mirror shows that interest rates have varied considerably since the beginning of the 1970s. They were over ten percent during the 1980s and early 90s, and then consistently below five percent after that, so in my opinion the term standard interest rate is misleading. Indeed there’s a consensus that interest rates have bottomed out, but it’s difficult to speculate about if and when they will reach 3–4%, which is where they were before the 2008 financial crisis and which many people seem to consider a normal rate. However given developments around the world, especially uneasiness in China, there isn’t much evidence that rates will go up much in the near term.”



“Global growth will most likely remain low for several years. Emerging markets sharply increased their production capacity in the years after the financial crisis, which has created a global excess of supply that is putting a damper on the need for investment and thereby on real interest rates. As a result of low real interest rates, the nominal interest rate will depend on inflation. One argument for inflation remaining low is oil and commodity prices, which are at historic lows. Significant overcapacity and global industrial production also push down producer prices, which in turn push down wages and inflation. It’s also reasonable to expect that the large wave of immigration to Sweden will press down wages in the next few years, which will also keep inflation down.”

“At the same time, there’s a serious possibility that bankruptcies and loss of production in the oil sector will cause oil prices to rise in the long term. Unemployment in the US has also declined considerably in recent years and wages may begin to rise faster in 2016, which could spill over into higher inflation pressure. However our conclusion is still that Swedish inflation will probably increase slowly in the next few years, with interest rates therefore continuing to remain low.”



“It’s been clear for a long time that the Riksbank views supporting Swedish economic growth as one of its most important missions, and therefore they’ve reduced the repo rate to record low levels despite the risk that economic imbalances could build up in the Swedish economy. Even the interest rate trajectory has been adjusted downward, and the Riksbank predicts that they will not raise rates until 2017. When they finally do raise rates, there’s a good chance that they will do so more rapidly than current predictions indicate.”

› **Which factors are most important to keep an eye on when predicting where the market will head this year?**



“Banks’ willingness to finance along with loan terms, the ability of property companies to issue preferred shares and bonds, and the general direction of the stock market should provide a strong indication of where we’re headed.”



“Rents, yield requirements and differences in yield requirements are strongly correlated with GNP growth (the correlation coefficient between the total returns of the property market and GNP growth is 0.65 from the mid-1980s until 2014). The stock market is currently indicating weaker growth in the second half of 2016 – which could lead to weaker growth in rent levels, higher vacancy rates and greater differences in yield requirements between A, B and C locations towards the end of the year. Since weak global growth will hold down the real interest rate, and the supply of properties in the most attractive locations in major cities is extremely limited, yield requirements for properties in the best locations will probably remain at historic lows.”

“Other factors that are important to monitor are the VIX index (the volatility index of the American S&P 500), which is currently above its historic average and indicates declining appetite for risk in the financial markets. The difference in interest between American corporate bonds with higher and lower credit ratings is also important, and it continues to rise. Both the VIX and the difference in interest rates in the corporate bond market are leading indicators of the differences in yield requirements between A B and C locations in the Swedish property market, and they are about three quarters ahead of the property market.”



“At the moment things look mostly good for the property market. Basic fundamentals, such as vacancies, supply and demand all look stable, and in combination with low capital costs, the state of the market looks extremely good. Uncertainties that could quickly darken the bright market outlook are primarily threats to global growth. For example a new period of turbulence in the international financial system could shift the market quickly. One domestic uncertainty that could be a threat in the short term is if the tax system for the property sector changes. It’s relatively clear that the Swedish Tax Agency considers the Swedish property sector to be undertaxed, and that they want to change this over time.”

› **What are greatest challenges facing the industry in 2016?**



“Dare to push the ‘sell’ button a bit more often for properties that don’t fit into a company’s portfolio strategy. Higher property sales lead the groundwork for a more dynamic market, where even more companies are able to optimize their portfolios – which at the end of the day means more business opportunities for the players in the property market.”



“In 2015 one of the greatest challenges was the shortage of properties in attractive locations. Both private investors and institutions were standing in line to invest, but almost no one was willing to sell. The supply of properties in the most attractive locations will certainly remain low even in 2016, but there is a risk that a gradual weakening of the economy towards the end of the year will mean that transaction volumes could decline substantially in more secondary locations in major cities as well as smaller cities.”



“The prevailing housing shortage is a growing problem, and for certain cities the housing shortage is so serious that it is putting a damper on the city’s growth. Major investments in housing will be required in the next few years, and with a growing population the need for social property and infrastructure will also rise. Investments in all types of housing will be required to cope with the rise in population.”





PICTURE: NICOLAS TOLLESON

GOTHENBURG. The terminal in Gullbergsvass, Gothenburg, was part of Blackstone's acquisition from Obligo.

The largest transactions

The data has been produced by Newsec.

Top 10 // 2015 and January 2016

EUR 1 = SEK 9,45 • SEK 1 = EUR 0,11 (2016-02-16)

1 **Buyer:** Blackstone.
Seller: Obligo.
Object: 659,000 square metres of housing, hotel space, offices and industrial premises in different towns.
Property value: About SEK 9.5 billion (SEK 14,416 per square metre).
By far the biggest deal of 2015 was announced in July. The American company Blackstone acquired a portfolio from Obligo. The total property value amounted to around SEK 23 billion, of which SEK 9.5 billion related to property in Sweden. With Blackstone's return to the Swedish market, the percentage of foreign investors also increased in 2015 compared to 2014. Blackstone has long been seeking suitable portfolios to acquire in order to reinforce its position in the Nordic countries. The properties are mainly located in Stockholm, Gothenburg and Oslo.

2 **Buyer:** Danish consortium.
Seller: NREP.
Object: 21 logistics properties in different towns.
Property value: About SEK 4.4 billion (SEK 9,437 per square metre).
NREP was responsible for the largest deal of 2015 involving logistics properties and the second largest overall when they sold properties in May for SEK 6 billion in Sweden, Finland and Denmark. The value of the Swedish properties amounted to around SEK 4.4 billion. The buyer was a consortium consisting of four Danish pension funds: Laegernes Pensionskasse, DIP (engineers), JØP (lawyers and economists) and PFA Pension. The portfolio consisted of 28 properties in total, with an overall lettable area of 650,000 square metres. The properties were part of NREP's logistics fund.

3 **Buyer:** Grosvenor.
Seller: RBS.
Object: Skärholmen Centre Shopping centre.
Property value: About SEK 3.5 billion (SEK 32,893 per square metre).
In January, Grosvenor Fund Management announced that it had added to the Retail Centers V fund by acquiring Skärholmen Centre. The property value of the deal amounted to around SEK 3.5 billion. Skärholmen Centre houses 100,000 square metres of shops, restaurants, cafés, service locations and offices. The Centre does about SEK 2 billion in turnover and receives 14 million visitors per year. The transaction was the largest individual deal of 2015.

4 **Buyer:** AMF Fastigheter.
Seller: Aareal Bank.
Object: The Fatburen office property on Stockholm's Södermalm island, 46,000 square metres.
Property value: SEK 3.06 billion (SEK 66,522 per square metre).
In December 2015 Aareal Bank sold the property Fatbursjön 10, also known as Fatburen, on Stockholm's Södermalm island to AMF for SEK 3.06 billion. The building is 46,000 square metres in total.

5 **Buyer:** Kungsleden.
Seller: Djurgårdsstadens Fastigheter.
Object: Four properties in Stockholm's Gärdet district and one in Hammarby Sjöstad. 96,000 square metres of offices, hotel space and industrial premises.
Property value: SEK 3.04 billion (SEK 31,670 per square metre).
In October Kungsleden acquired four properties in Värtahamnen and one in Stockholm's Hammarby Sjöstad district for SEK 3 billion. The total lettable area amounts to 96,000 square metres. The letting value is SEK 200 million.

6 **Buyer:** Svenska Handelsfastigheter.
Seller: Areim och Möller & Partners.
Object: 44 retail properties in different towns, 180,000 square metres.
Property value: About SEK 2.7 billion (SEK 14,970 per square metre).
In July 2015 newly formed company Svenska Handelsfastigheter acquired 44 retail properties from Areim och Möller & Partners for SEK 2.7 billion. The total lettable area amounts to about 180,000 square metres, with 97 percent being retail space.

7 **Buyer:** Castellum (Corallen).
Seller: Heimstaden.
Object: 22 properties in Norrköping and Linköping - 162,500 square metres of housing, offices, and industrial and social premises.
Property value: SEK 1,994 million (SEK 12,270 per square metre).
In April, Heimstaden sold 23 properties to Castellum. The properties are located in Norrköping and Linköping and include offices, industrial premises, social premises and housing. The underlying property value amounted to around SEK 2 billion.

8 **Buyer:** Alecta.
Seller: Swedavia.
Object: 50 percent of 20 properties in Sigtuna, Svedala and Härryda - 130,000 square metres of offices, industrial premises and other uses.
Property value: SEK 1,975 million (SEK 15,192 per square metre).
In June, Swedish Airport Infrastructure acquired 20 airport properties from Swedavia. The buyer is a joint venture company, owned in equal parts by Alecta and Swedavia. The total lettable area amounts to 260,000 square metres.

9 **Buyer:** Rikshem.
Seller: Akelius.
Object: 47 residential properties in Haparanda, Östersund and Umeå - 119,912 square metres.
Property value: SEK 1,878 million (SEK 15,192 per square metre).
In November 2015 Akelius sold 1,700 flats in Norrland to Rikshem for about SEK 1.9 billion. The deal was for a total of 47 properties in Östersund, Umeå and Haparanda. It was the largest housing transaction of 2015.

10 **Buyer:** KLP Eiendom.
Seller: DNB.
Object: The Stockholm Waterfront hotel and conference facility in central Stockholm.
Property value: About SEK 1,750 million (SEK 51,104 per square metre).
In December 2015 the Norwegian firm KLP Eiendom purchased the Stockholm Waterfront Congress Centre from DNB Liv for SEK 1.75 billion. The Radisson Blu Waterfront Hotel has 414 rooms, and the congress centre has 14,000 square metres of space.



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International investors have returned to the Swedish market



Jakob Pettersson.

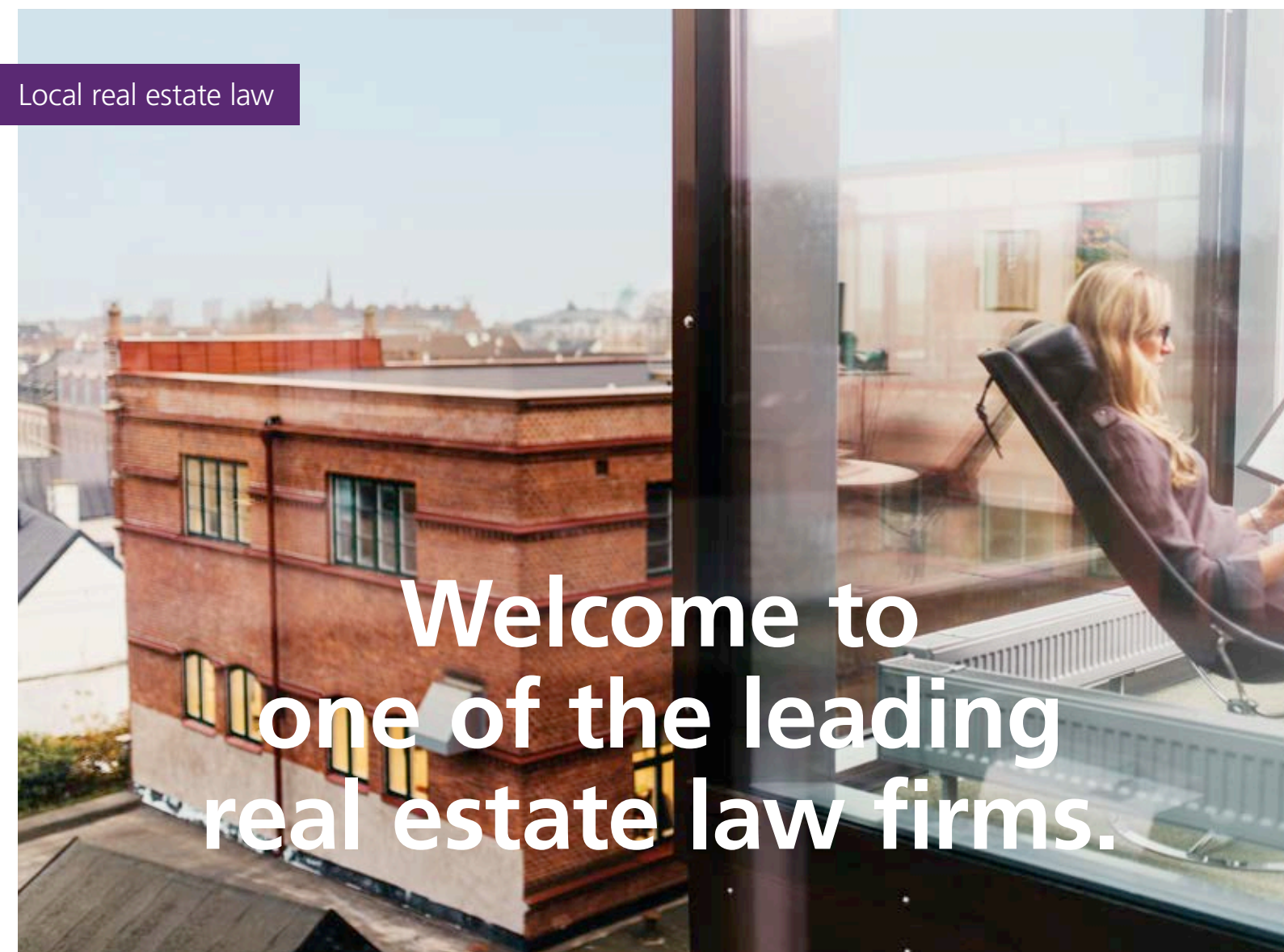
■ International interest in the Swedish property market hasn't been this strong since 2007. Jakob Pettersson, Head of Research at Newsec, predicts that the number of international investors in commercial properties will continue to grow.

The historic high-water mark for international investors in the Swedish market was 2007, when they were responsible for nearly 60 percent of transactions. International investments dropped to 10–15 percent the following year due to uncertainty caused by the financial crisis. By 2015 interest rose again and foreign investments made up 28 percent of the transaction market, corresponding to an investment volume of SEK 38 billion (EUR 4 billion) for transactions >SEK 100 million (EUR 11 million).

FOREIGN INVESTORS prefer larger transactions, primarily because a large part of the money comes from funds backed by pension capital. 27 deals worth over SEK one billion were completed in 2015. Foreign players make up a whopping 45 percent of this market.

LARGER TRANSACTIONS was the motto for foreign investments in 2015. American asset management firm Blackstone bought a major portfolio that included properties in Sweden for about SEK 9.5 billion. This transaction is also interesting given that Blackstone had been active in the Swedish property market in the past, and is now investing in Sweden once again. Danish investors, who were major investors before the 2008 financial crisis, have also returned ➤

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»Moreover, the Swedish property market is viewed as an extremely transparent and secure market where it is easy to do business.«



LIKES GOLF

Name: Jakob Pettersson.
Title: Head of Research, Newsec.
Age: 27 years.
Lives: Gärdet, Stockholm.
Family: Girl-friend.
On Newsec since: 2015.
Earlier employers: PWC, Applied Value Group.
Hobbies: Golf, skiing, training.

to the Swedish market. A Danish consortium financed by Danish pension money was responsible for the second-largest deal of 2015, when they acquired NREP’s logistics portfolio for about SEK 4.4 billion (EUR 470 million). British investors have generally been extremely interested in retail properties, which was demonstrated by Grosvenor’s purchase of Skärholmen Centrum. The acquisition was the largest single property transaction that year, with a volume of about SEK 3,5 billion (EUR 375 million). Foreign actors can also be found on the sell side. The fourth largest deal of the year was the sale of the Fatburen office property on Stockholm’s Södermalm island for about SEK 3 billion (EUR 320 million). AMF Fastigheter bought the property from Germany’s Aareal Bank.

HISTORICALLY AND ALSO IN 2015, foreign investors were primarily interested in retail properties, which received over 30 percent of foreign capital. There are numerous international players who specialise in retail and can draw on their international experience to create value in the Swedish market.

IN NEWSEC’S VIEW, the transaction market will remain strong in 2016 and will see larger structural and portfolio deals. This indicates that foreign investors will increase their share of the transaction market, approaching levels seen in 2015. Moreover, the Swedish property market is viewed as an extremely transparent and secure market where it is easy to do business. Volatile stock markets around that world that could continue to fall, low returns in the bond market and interest rates that remain low, combined with a strong Swedish economy, bode well for the Swedish property market.

IN THE PAST, a larger influx of foreign capital was a sign of the end of a boom in the property cycle which would be followed by declining property values. Today’s market, where the property mar-

ket is seeing a large influx primarily of pension capital, leads us to a different conclusion. Previous sharp increases of foreign capital, as in 2007 when much of the money that flowed in was extremely opportunistic, indicated an overheated market. Today much of the capital coming from abroad has a much longer-term investment horizon, so that there are still no indications that the market is becoming overheated. ■

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■ What will the digital world look like five years from now?

Swedbank Digital and Futuring Economist Anna Felländer believes that we will become at least somewhat liberated from screens, and that we'll use visualisation and virtual reality in daily life. **By:** Nicklas Tollessen

“We’re at the end of the second wave”

ANNA FELLÄNDER HAS SPENT a long time analysing social developments resulting from increasing digitisation. Last fall she left the position of Chief Economist in order to devote all of her time to analysing digitisation and the future.

“This is a role that suits me perfectly, where I can follow my passion. At the same time, the bank wanted to strengthen its analysis in the digitisation field in order to better navigate digital reality. ‘Ultimately, it’s a matter of understanding our customers’ future needs,” Felländer said.

› **How large a change is digitisation, if you are going to make historical analogies?**

“Many people want to give a name to the era we’re currently living through. At the World Economic Forum in Davos people were talking about the ‘fourth industrial revolution’. I think it’s more important to look at which GPT (general purpose technology) phase we’re in. The whole thing can be divided into three waves. In the first wave, only a few people in a specialised niche are active. This spreads out in the second wave, and in the third wave it affects all sectors.”

“I’d say that right now we’re at the end of the second wave.” The first was during the IT era around the turn of the millennium. At that time this phenomenon was limited to IT, and both technology and consumers were immature. The technology has matured during the second wave, and progress is consumer-driven. Progress is driven by mobile IT. We’ve offered an abundance of real-time free services, and the sharing economy has truly taken off.”

› **What will the third wave be like?**

“Once we’re there, things can move very quickly. We’ll be libe-

rated from our screens. There will be a cross-fertilisation between sectors, gene modification, virtual reality and mind sharing. And the Internet of Things will really take off.”

› **How will we see that we’re in the third wave, in practical terms?**

“We’ll have 600 sensors in our building which communicate with each other and with our insurance company. We’ll be liberated from screens in a virtual environment: when we go to a restaurant, the menu will be presented to us virtually.”

› **When do you think we’ll be there?**

“Bill Gates says it’s easy to overestimate digital progress in the near future but underestimate in the long term. But I’d guess in about five years.”

› **Some studies say that half of all professions could disappear within 20 years. What is your opinion?**

“I’d say that’s an accurate prediction. Jobs disappear during every technological paradigm shift, while new ones are created. The jobs at the greatest risk of disappearing are the ones that require only some post-secondary education. There will be a higher demand for professions that require advanced education as well as lower-skilled service jobs.”

› **Can you provide examples of professions that will disappear?**

“Routine jobs without human interaction that still require education: for example administrators who process routine applications.”

In Anna Felländer’s opinion, the people who lose their jobs are more likely to move ‘downwards’ to the service sector rather than to jobs that require higher education.

Thus the job market of the future will be more polarised than ➤



PICTURE: SWEDBANK

ANNA FELLÄNDER

Age: 39.

Lives in: Danderyd.

Family: Husband and three children.

Background: Swedish Ministry of Finance 2001–2009, Prime Minister’s Office 2009–2010, Swedbank since 2010.

Leisure interests: Family, friends, tennis and skiing.

ANALYSING THE FUTURE.

Last fall Anna Felländer changed jobs at Swedbank; from Chief Economist to Digital and Futuring Economist.



We don't need to find the buyers. We know them already.

➤ today. Income disparities will increase. Well-educated people with higher salaries will demand more simple services, causing the local service sector to grow.

Forms of employment will change – fewer people will be employees and more will be freelancers.

“The new technology lowers the threshold for starting your own company. Both fixed costs and transaction costs are significantly lower. Thanks to the new services in the digital sharing economy, you won't need to take out a long-term lease on a premises, for example. It will be possible to share administration and other services. The freelance economy will grow, both within professions that require advanced education and in the service sector.”


IN FELLÄNDER'S OPINION, major advances in innovation often come about due to some type of necessity, which forces regulatory changes.

“That's where we are today, with the major refugee and integration crisis. If we're going to succeed with integration, it's necessary to lower barriers to entry to both the labour and housing markets.”

“Right now we are seeing the largest disparity in wealth in modern times, which is between people who own their own homes

in IT clusters and attractive areas, vs. those who haven't bought their first home yet. Sweden has built walls around the housing market. Above all what is needed is a new body of regulations which increases mobility and incentives for seniors to move out of their single-family homes, rather than the lock-in effects we have today. New regulations are needed to speed up planning processes. Perhaps new forms of housing tenure and cooperative ownership solutions. More sharing – perhaps it will be possible to share a living room, and so on. Young people today would rather live close together in a central location than the opposite.”

When it comes to “the contest” with robots, Anna Felländer's view is that we should not be asking ourselves “what can't robots do?” Instead, we should consider what has made the human race so successful.

“We have qualities that have been evolving since the dawn of time, such as empathy, relationship-building, teamwork and storytelling. These traits will become ever more important in an otherwise digital society. For example at Swedbank we are in a trust-based industry, so that personal relationships are always extremely important. We can digitise lots of services, but building trust requires relationships, and relationships are built partly through person-to-person contact.” 

Since the start, we have advised on a large number of transactions every year, both smaller ones and very large. This has given us a broad network and an extensive experience to handle every kind of situation.

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■ Stronghold took the lead early in digitised real estate-related services. In 2015 the company invested in two exciting companies that are leading the way – with more investments to come.

“We get calls every day from start-ups that want to work with us,” explained company founder Urban Edenström. **By:** Nicklas Tollesson

In search of the right digital investments

EDENSTRÖM BELIEVES THAT our entire society is on the threshold of a digital revolution.

“Every industry is going to go through digitisation, and the way we do business is going to change completely. I realised this several years ago at South By Southwest Interactive in Austin, Texas. SXSW Interactive is a conference for tech companies, music and gaming. I was completely sold on the idea, and immediately booked ten hotel rooms for our company for the following year.

“If you don’t invest in digitisation, you’ll be left in the dust.” Look at Taxi Stockholm now that Uber has come to town. Right now there are more Uber cars in New York than the classic yellow taxis that are a symbol of the city.”

STRONGHOLD IS CURRENTLY making major investments in digitisation. In the last few years the group has invested SEK 50 million per year (over EUR 5 million) – equivalent to 5 percent of their revenues – in various types of digitisation processes and services within its member companies.

The foundation is Datscha, which has been a leader in digital property information for many years.

“We actually started Datscha by chance 17 years ago: a customer asked for the service and we created it. Thanks to Datscha we’ve been living in the digital world for a long time, which gives us a unique position in the market.”

In 2015 Stronghold invested in Tessin, which provides crowd-funding for real estate projects using a digital platform, and Workaround, which facilitates office space rentals on an hourly or daily

basis. Workaround is one of many examples where the digitisation trend is combined with the new sharing economy.

Stronghold is evaluating new business opportunities every day – Daniel Wikström is the leader of Stronghold’s digital development ventures.

“When it comes to digitisation, the real estate sector is ten years behind industries like finance where companies like Klarna have come in and new players have reduced and nearly eliminated brokerage fees for share transactions. Traditional banks have seen stiff competition. Now we’re seeing the real estate sector being affected as well, and we want to be at the cutting edge of this development,” said Wikström.

► **What do you look for when you’re choosing a start-up to work with from all the ones that contact you?**

“The basic requirement for us to invest is a good property-related business concept, where we can add value through our experience and knowledge of the industry. Of course it’s important for the company to have the right people on board. And we want to take a position in a business at a fairly early stage – with our experience in real estate and startups, we can usually guide them in the right direction,” Wikström said.

In the case of Workaround, Stronghold talked with several similar companies – both Swedish and international – before they made the deal.

“There are a lot of startups in different niches. Some of them will succeed, but we also know that some of them won’t be here in a couple of years. Perseverance is an important part of this business, ►

VISIONARIES. Urban Edenström and Daniel Wikström are sure that digitisation will change how we live and do business. Stronghold wants to take a position in startups at an early stage.



› especially since customers’ behavior needs to change, which can take a really long time. But once there is a breakthrough, things can go really fast,” Wikström concluded.

› **You took positions in Tessin and Workaround early on. When do you expect them to show a profit?**


“We don’t think like that. We invest in companies that will be around for the long run. This is why we constantly reinvest the majority of our profits in this business,” Edenström said.

› **When will the next deal happen?**

“We expect to do two or three this year. But some deals come under the Datscha umbrella so they aren’t that visible outside the company.”

URBAN EDENSTRÖM AND Daniel Wikström believe that digitisation will change how we live in major ways.

“Driverless car technology is already a reality. Robot vacuum cleaners were a favorite present this past Christmas. I heard a lecture on this subject, where prominent professors observed that in the future robots may play a large role in healthcare, maybe even replacing psychiatrists – you explain your symptoms to a robot that draws conclusions based on what you tell it, forms a diagnosis and makes a recommendation. We’re just at the beginning of this development,” Edenström said, and went on to observe that Sweden is on the cutting edge and has good prospects to be a world leader in the digital trend.

“The Stockholm Chamber of Commerce recently announced that five of the world’s latest unicorns (new companies valued at over a billion dollars) are from Stockholm: Skype, Spotify, Klarna, King and Mojang. Programming is the most common profession in the Stockholm region. A few years ago programmers were an odd bunch that were kept in a basement in a suburb. Now Spotify is headed for the Urban Escape building in the Gallerian block, and we have 25 programmers here at Stureplan 3 ...” 

STRONGHOLD’S LATEST INVESTMENTS IN NEW COMPANIES

Tessin

Tessin helps companies raise capital for real estate investments through crowdfunding. This gives private individuals and other smaller investors a new opportunity to invest directly in real estate projects.

The MD is Jonas Björkman. Stronghold and Bonnier News company NFT Ventures invested in the company in spring 2015.

Workaround

Workaround is a platform that makes it possible to rent out different types of unused office space by the day or by the hour. This gives end customers a flexible office solution, regardless of whether they are looking for office or conference space.

The MD is Rikard Hegelund. Stronghold and Anders Böös invested in the company in autumn 2015.



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“Everything that can be digitised will be”

■ How will the office market be affected when people can work anywhere?

“I see physical office space becoming even more important in a digitised world,” said Vasakronan MD Fredrik Wirdenius. **By:** Nicklas Tollesson

AS THE MD OF SWEDEN’S LARGEST property company with nearly SEK 100 billion (EUR 11 billion) in property value, Wirdenius see digitisation playing an ever greater role in the Swedish business world.

“Digitisation is shaking up business models in a lot of industries. Everything that can be digitised will be. Many types of jobs will be lost, but I believe that new ones will be created.”

The office where we meet, Vasakronan’s head office at Klara Zenit in Stockholm, is an example of an activity-based workplace, a phenomenon made possible by digitisation – when all of the documentation you need is available digitally, there is no need for permanent offices.

“THIS IS ONE WAY that digitisation has changed the way we work. There’s tremendous potential in the future for how we manage and operate our properties. When property operations are digitised and the entire property portfolio can be centrally managed, this frees up time. At the same time there are high demands to manage technical systems to optimise operations. This means that some job duties will be eliminated while new roles are created. This trend will require a much more advanced skill set from people

such as technical property managers and operations technicians.”

Vasakronan was one of the first companies to release an app for tenants which informs them of everything happening in their buildings.

“TECHNICAL INNOVATION REQUIRES a maturation phase. These things require customers to change their behavior, which takes time, but once you’re past the threshold things go quickly since the new technology makes things easier for customers as well as simplifying administration and allowing for even leaner organisations.”

The sharing economy goes hand in hand with digitisation, and clear trends are visible here.

“We see tenants increasingly sharing reception areas, restaurants, garage parking spaces and conference rooms with other firms. It will become increasingly common for companies to share office space and even desks.”

Fredrik Wirdenius believes that the office market will react to digitisation much the way retail has.

“A number of years ago they said that e-commerce and traditional brick and mortar stores were at war and that a company was either one or the other. Now digital and physical shopping have ➤

ACTIVITY-BASED. One result of the digitisation trend is activity-based workplaces such as Vasakronan’s offices. Fredrik Wirdenius believes that the office of the future will play more of a role as a meeting place. “The office is an incredibly important meeting place to create a company culture and produce new innovations. Instead of just being a place where people work, the modern office is a place that supports the company’s development,” he said.

»The office is an incredibly important meeting place to create a company culture and produce new innovations.«


› merged, and the old language is no longer being used to describe them. When it comes to offices, there's a fear that offices are threatened by the ability to work from home or a cafe. I'd say that actually the companies that are the furthest ahead in the digital world are the ones putting the greatest emphasis on the physical environment at their offices."

HOWEVER OFFICES NO LONGER look like traditional ones with desks and open office space.

"The office is an incredibly important meeting place to create a company culture and produce new innovations. Instead of just being a place where people work, the modern office is a place that promotes the company's development."

"In my experience, you don't attract choosy millennials by telling them 'you can work from home or a cafe if you like'. They already did that at university. Now they're attracted to the opportunity to work in a cool environment. On the other hand, the company needs to have a good IT solution and modern leadership which make it possible to work where they want, but this is more of a practical issue."

› **The tenants of today and tomorrow need far less space per employee than before. Is this good or bad for you?**

"It doesn't matter if it's good or bad, this is the trend taking place and the important thing is to take advantage of it. The losers of tomorrow are the property owners staring blindly at SEK per square metre, and going on as though everything is just as it was before." 



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