



PORTRAIT

Mats Hederos - a humble team player

FOCUS: RETAIL

The Swedish property market's most exciting sector.

POLL

He is the nicest CEO in the industry.



Extra
magazine
inside!



THE LEADING PROPERTY MAGAZINE IN THE NORDIC REGION

Posttiding B

Avs. Fastighetssverige

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**BUSINESS REGION
GÖTEBORG**

Swedish retail property is a hot investment

LET ME BEGIN BY MAKING an observation – Sweden is a very interesting country to look into for those investing in property. Furthermore, if you have a specific interest in retail property then Sweden is even more interesting. This is apparent for instance when reading a report consulting company Jones Lang Lasalle recently published.

» Talk about exciting industry!«

THERE IS ALSO THE TECHNOLOGICAL development that is underway at breakneck speed in Sweden contributing to e-commerce taking a larger and larger share of the market. And more and more international brands and chains stores are establishing a presence in Sweden. Talk about exciting industry!



Editor-in-chief // Eddie Ekberg

THE REPORT SHOWS, among other things, that “economic stability and healthy growth, with increased consumption as a result, is attracting new players to establish themselves in Sweden.”

FOR FASTIGHETSSVERIGE, the Nordic region's leading media channel in the property industry, it feels only natural to participate in Mapic.

SEE YOU AT THE FAIR!

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On the cover // Mats Hederö
Read the interview on page 20.

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It's what we *do* that counts

As community builders, we have a great responsibility for what the future city will look like. Therefore, NCC focuses on developing new technologies and on reducing the carbon footprint during the entire life of its projects. This means that we develop buildings that 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 onto new exciting paths. At present, for example, we are developing 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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AMF Fastigheter's CEO Mats Hederos has been shot at in Lebanon - and skied in Svalbard.

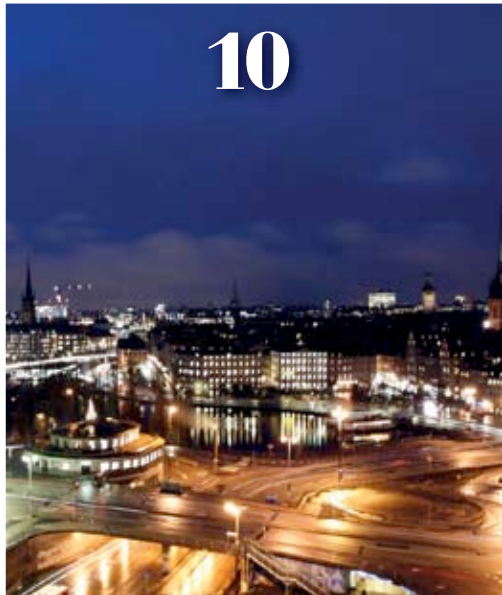
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Nicest

The industry has voted Balder's Erik Selin the nicest CEO in the industry.

Election year good for Swedish households

SPORTS
AND MUSIC

Name: Sven-Arne Svensson.

Age: "Middle aged."

Occupation: Chief economist at Erik Penser Bank.

At Penser since: 2007.

Hobbies: Sport (watching and playing), travel, literature and music.



SEES INCREASED PURCHASING POWER. Sven-Arne Svensson from Penser Bank indicates that next year will probably be a typical election year in Sweden. This implies in that case that the GDP and private consumption will increase more than other years.

■ 2014 is an election year in Sweden and election years are almost always good news for GDP growth. Over the last 33 years (1980–2012) the GDP has grown by an average of 3.0 per cent during the nine election years and by an average of 1.9 per cent in other years. Private and public consumption and public investments tend to increase considerably more in election years than in other years.

DURING THE PERIOD OF 1980–2012 private consumption increased by an average of 2.5 per cent during the election years and by 1.5 per cent in the other years. Private consumption has never fallen in an election year, but it has declined in seven of the other years. The fact that private consumption is greater in election years than in other years is perhaps not surprising since it is households that both consume and choose the government and parliament.

In the Budget Bill for 2014 presented on 18th September households were the big winners. A fifth earned income tax credit, reduced state income tax, reduced taxes for pensioners and abolished unemployment contribution altogether increase disposable income by SEK 20.6 billion in 2014. This is partly counteracted by a smaller increase in alcohol tax, which raises SEK 0.7 billion from households.

HOWEVER, HOUSEHOLD PURCHASING power is mainly affected by the fact that low inflation contributes to continued sharp increases in real wages before taxes. We estimate that the average hourly wage will increase by 2.7 per cent and inflation (CPI) will increase by 1.1 per cent in 2014, which means that real wages before tax will increase by 1.6 per cent. Along with tax cuts and increased employment this means that the purchasing power of households will increase by about three per cent in the 2014 election year.

»There is a great deal indicating the likelihood that 2014 will also be a typical election year in Sweden.«

PRIVATE CONSUMPTION IS HOWEVER expected to increase slightly more than households' disposable income. Despite the fact that household debt has increased sharply during the 2000s, the household savings ratio amounted to twelve per cent in 2012, which is a historically high level. As the labour market gradually improves there should then be scope to cut back slightly on this high level of savings. There have already been signs of improvements in the labour market. After the wave of redundancy threats in the autumn of 2012, layoffs have declined at a rapid pace at the same time as employment has increased significantly more during the first eight months than some forecasters predicted at the start of the year.

DESPITE THE INCREASE IN DEBT, households' net wealth has increased significantly in recent years. Rising stock market and property prices have contributed to household net wealth reaching record levels. During the second quarter of 2013, households' net financial wealth amounted to SEK 5,452 billion (assets of SEK 8,635 and debts of SEK 3,183 billion). This also suggests that the savings ratio may drop slightly in 2014.

Thus, there is a great deal indicating the likelihood that 2014 will also be a typical election year in Sweden where the GDP and private consumption are both likely to increase considerably more than normal. ■

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NEWS IN BRIEF

by Eddie Ekberg

Property-CEO sentenced to prison

LEGAL Sundsvall District Court has found Peter Andersson, former CEO of property company Norrvidden, guilty and he has been convicted to imprisonment for one year and nine months.

Peter Andersson was convicted of three cases (two serious) of breach of trust and misrepresentation in three cases (two serious).

The prosecutor had called for two years' imprisonment.

Peter Andersson was freed on one point, regarding false invoices for over half a million crowns.

The largest case involves a false invoice that was from 2008.

In its judgment, the district court writes that it is undisputed that a construction company has carried out work on Andersson's private house in Sundsvall. The invoice for over 1.8 million crowns went to Norrvidden under the heading Birsta Syd, a project Norrvidden was working on at that time.

Since Diös took over Norrvidden the construction company – whose representative has now been sentenced to prison for nine months for misrepresentation – has paid back the SEK 1.8 million and sent a new invoice for the same amount to Peter Andersson. The bill has not been paid.

Andersson has maintained that Norrvidden was going to buy the property and then lease it back to him as a company residence.



Peter Andersson.

PICTURE: EDDIE EKBERG

Savills Swedish CEO leaves the company

CAREERS Ulf Nilsson leaves Savills and becomes the new CEO of Stendörren's residential property company.

Ulf Nilsson joined Savills in 2005 in conjunction with Savills acquisition of a majority stake in Tufvesson & Partners. After initially having led the company's corporate finance team Ulf Nilsson was appointed CEO of the Swedish operations in 2010.

Anders Nyström has been appointed acting CEO. He was recruited to Savills in 2012 to be responsible for the company's property management and based in Stockholm. He has 18 years of experience in the property business and has, among other positions, been customer account manager at Newsec Asset Management.



Ulf Nilsson.



Anders Nyström.

PICTURES: SAVILLS

New hotel concept in Stockholm city

RENTAL The property company Axfast has signed a contract for a large hotel project based on a new concept in Stockholm city. In the autumn of 2012, Axfast bought the Bryggmästaren block on Kungsgatan/Gamla Brogatan in central Stockholm. At that time 7,000 square metres of office space was vacant. This vacancy is now being filled by Scandic Hotels new HTL hotel chain. There will be about 275 rooms over an area of more than 7,000 square metres. HTL Kungsgatan opens in May 2014. Axfast is collaborating with engineering consultancy Arcona in the project.



Bryggmästaren on Kungsgatan/Gamla Brogatan.

PICTURE: AXFAST

The Minister of Finance opens the door to higher taxes



Anders Borg.

SWEDEN Sweden's Minister of Finance, Anders Borg, maintains that an area in which there is scope to collect more taxes than today is that of commercial property.

– If one wants to make reforms in the future one will probably to a larger extent have to have a discussion around re-prioritisation, said Anders Borg at a press conference in conjunction with the presentation of the Budget Bill.

He does not however want to reinstate property tax on households.

Swedish family company makes acquisition in Berlin

TRANSACTIONS The Swedish family-owned property company CA Fastigheter has acquired a residential property portfolio comprising 415 apartments in Berlin. The properties comprise approximately 31,000 square metres of leasable space, the majority of which consists of 415 rental apartments. Seller is a Luxembourg-based private equity fund.

The properties are located in former West Berlin, including areas such as Charlottenburg, Wilmersdorf and Steglitz.

– The acquisition is in line with our objectives to grow in the places where we already operate, not least in Berlin, says CA Fastigheter's CEO John Damne.



Johan Damne.

Acquisition of SEK 370 million

TRANSACTIONS Property company Lönbacken acquires 27 properties in 19 locations from Region Skåne. The purchase price is SEK 370 million. The acquired properties comprise a total of approximately 50,000 square metres and include mainly health care centres.

– We are very pleased with this transaction. We already own nine properties in southern Sweden, primarily homes for the elderly, and the current acquisition with health care centre properties expands and complements our portfolio very well, says Lönbacken's Fastigheter's CEO, Magnus Edlund.

STOCKHOLM'S ECONOMY: MORE BUSINESSES AND STRONGER PRIVATE SECTOR



Olle Zetterberg.

STOCKHOLM The growth rate increased in Stockholm during the second quarter of 2013. The private sector is developing positively and after a long period of fewer start-ups, the trend is now turning. However, the labour market continues to weaken. This is according to the latest report in Stockholm's Economy (Stockholmskonjunkturen).

– Stockholm is continuing its positive development and enterprise is strong. It is

particularly pleasing that new business start-ups have now taken off and that the number of bankruptcies is falling, says Olle Zetterberg, CEO of Stockholm Business Region.

BROADGATE & STENDÖRREN MAKE ACQUISITIONS FOR ALMOST ONE BILLION

TRANSACTIONS The property company Broadgate & Stendörren, which is on its way to the stock market, acquires six residential properties in Norrköping for SEK 950 million.

The seller is Hyresbostäder i Sverige II AB, which is managed by Obligo Investment Management AS.

The properties' total lettable area amounts to approximately 135,000 square metres, approximately 98 per cent of which is residential space.

The number of apartments is 1,899.

Nordier Property Advisors acted as advisor to the seller in conjunction with the sale.

Delphi has been legal advisor to the seller.



The Nordic countries are more stable than the rest of Europe in the aftermath of the financial crisis.

JLL: STABLE PROPERTY MARKET IN THE NORDIC REGION

SWEDEN The financial crisis continues to affect the property sector throughout Europe, and this also includes the Nordic cities. The predicted recovery has taken its time, which has put a damper on the Nordic GDP forecasts. However, the Nordic countries are more stable than the rest of Europe and this is illustrated not least by Norway's projected growth of 2.4 per cent. This is evident in the autumn edition of NCR – Nordic City Report on the Nordic property market – from Jones Lang Lasalle.

On the whole, there is still great interest in property investments in the Nordic region, although foreign players often have difficulty competing with local players. The greatest demand continues to be for modern buildings with long leases and strong tenants in the large city centres.

NEWS IN BRIEF

ABERDEEN LAUNCHES NEW PROPERTY FUND

COMPANIES Aberdeen Asset Management has recently raised approximately SEK 1.3 billion for its new Aberdeen European Secondaries Property Fund, which will focus on the European secondary market for property funds. The First National Pension Fund (API) is the largest investor.

The fund will build up a portfolio of around 15 funds with exposure to over 200 properties in Europe. At its disposal it will have Aberdeen's entire European multi-manager team's broad expertise and network of offices in London, Amsterdam and Stockholm.

ABERDEEN TAKES OVER LARGE DANISH PORTFOLIO

TRANSACTIONS Aberdeen has signed an agreement with Saxo Properties to take over a portfolio of commercial and residential property in central Copenhagen valued at approximately EUR 495 million, which is equivalent to approximately SEK 4.3 billion.

– This is an excellent portfolio put together by prominent investors. It fits well into Aberdeen's investment and management strategy, says Aberdeen's Nordic Manager Tonny Nielsen.



Tonny Nielsen.

DTZ: FIVE GOOD YEARS AHEAD

SWEDEN According to DTZ's report, European Property Forecasts Q2 2013, commercial properties are expected to yield, on average, 8.0 per cent in the next five years.

Industrial property is the sector that is expected to show the highest average yield i.e. 9.0 per cent per year. That is followed by commercial property (8.0 per cent), and office property (7.5 per cent).

The return is expected to vary considerably between different markets. For example, for Dublin the forecast is double-digit returns. Even Central and Eastern Europe are expected to show relatively high rates of return.



Erik Selin.

PICTURE: EMMA GRANBERG

Balder buys for two billion

TRANSACTIONS Listed company Balder buys Bovista Invest AB, consisting of 4,300 apartments. The property is valued at SEK 2.0 billion.

In March 2012, Glitnir Bank Luxembourg acquired Bovista Invest from the Danish company Centerplan Nordic A/S that was in bankruptcy. The price was then SEK 2.3 billion.

Bovista consists of 4,300 apartments primarily in seven locations, of which Gothenburg and Västerås represent approximately 60 per cent of the property value, and over 50 per cent of the apartments.

The lettable area comprises approximately 370,000 square

metres. The deal is subject to approval from the Swedish Competition Authority and the accession will take place as soon as this approval has been obtained.

Balder, which is controlled by Erik Selin, has previously announced that it wishes to maintain as equal a distribution as possible between residential and commercial properties.

After the acquisition, Balder will have achieved a distribution that corresponds to 53 per cent commercial and 47 per cent residential, compared with 57 per cent commercial and 43 per cent residential as per June 30.

NCC sells big to KPA Pension

TRANSACTIONS NCC has sold three properties and a site-leasehold right comprising a total of 330 rental apartments in Stockholm, Sundbyberg and Järfälla municipality to KPA Pension for SEK 667 million.

– We are pleased to bring rental properties to Stockholm together with a strong long-term

owner such as KPA Pension. NCC has developed several platforms, including those for rental units, as a means to enable the production of rental units in-house and now we are using land from our own building rights portfolio intended for condominiums in order to implement this project, says Joachim Hallengren, Head of NCC Housing.



Joachim Hallengren.

PICTURE: STEN JANSIN

Sveafastigheter acquires for SEK 400 million

TRANSACTIONS Sveafastigheter's third fund buys a portfolio of Swedish supermarkets for approximately SEK 400 million. The seller is CBRE Global Investors.

The portfolio contains 32 small and medium-sized supermarkets in central and southern Sweden, with Coop (68 per cent) and Ica (32 per cent) as tenants.

The total leasable area amounts to approximately 48,800 square metres.

– The supermarket segment is very interesting and we are pleased with the acquisition of this portfolio, says Sveafastigheter's Swedish investment manager Johanna Skogestig.



Johanna Skogestig.

PICTURE: SVEAFASTIGHETER

Colliers International is starting up a new business area



Dan Törnsten.

PICTURE: COLLIERS

COMPANIES Colliers International is starting up in the business area of Corporate Solutions.

Head of Corporate Solutions, which will also include services within tenant representation, will be Thomas Jalde who for several years now has worked within Colliers' Tenant Representation. Colliers will be employing an additional person to Corporate Solutions in the autumn.

– This venture into Corporate Solutions as a new business area streamlines our rental services and provides Corporate Solutions with a breeding ground for growing business, says Dan Törnsten, CEO of Colliers International in Sweden.

Johansson new CEO for Tribona

CAREER Listed company Tribona recruits its new CEO, Per Johansson, from its major shareholder Klövern.

Per Johansson comes most recently from a position as Regional Manager at Klövern and was previously CEO of Dagon, which was subsequently acquired by Klövern.

– We are very happy that we managed to recruit Per Johansson as new CEO for Tribona. We are convinced that he will be able to continue the development of the company in accordance with the established growth strategy, says Chairman of Tribona's Board Mats-Olof Ljungquist.



Per Johansson.

PICTURE: DAGON

NAI SVEFA: SWEDEN IS READY FOR PRIVATE INVESTMENT IN INFRASTRUCTURE

SWEDEN The new version of the NAI Svefa's report "Swedish Property Market" focuses on infrastructure.

– Sweden is ready for a more open market for investment in infrastructure. If the public sector would like to co-operate with private players, then there is no shortage. A wide range of players have communicated an interest in investing in infrastructure, spanning areas such as specialised infrastructure funds to institutional investors as well as outright construction and property companies, says Åsa Henninge, Head of Research at NAI Svefa.



Åsa Henninge.

PICTURE: NAI SVEFA



Erik Paulsson.

PICTURE: EDDIE EKERBLOM

PROSECUTOR PASSES FOR PRISON SENTENCE FOR SWEDISH PROPERTY KING

LEGAL The final court proceedings were held recently in the bribery scandal case concerning Friends Arena in Solna. The prosecutor is now pressing for prison sentences for, among others, the Swedish property king, Erik Paulsson.

In the spring of 2012, the prosecutor appealed against the acquittal decisions in the District Court for Erik Paulsson, Lars-Erik Salminen, Lennart Daleke, Christian Alexandersson and Sune Reinhold.

Now he is calling for at least a one-year prison sentence for Erik Paulsson.

Fabege, Peab and Solna are all shareholders in the companies behind Friends Arena.

NEWSEC: PROPERTIES OUTSIDE PRIME LOCATIONS ARE WINNERS

SWEDEN Investors are increasingly willing to take on risks and this together with better access to financing and lower vacancy risk is making properties outside the best locations winners in the marketplace in the coming years. However, good rental growth and stable yields means that properties in prime locations will continue to deliver attractive returns, according to the autumn edition of Newsec Property Outlook.

– The transaction volume for properties outside the prime locations is increasing and the yield requirements for properties in inner city and inner suburb locations are moving towards the levels in the prime locations, said Newsec's Chief Economist, Arvid Lindqvist.



Arvid Lindqvist.

PICTURE: NEWSEC



SWEDEN'S NICEST PROPERTY CEO

1. Erik Selin, Balder – 21 votes
2. Henrik Saxborn, Castellum – 17
3. Gustaf Hermelin, Catena/Brinova – 11
4. Per Berggren, Hemsö – 10
5. Christel Armstrong Darvik, Stena – 8
6. Anders Kupsu, Diligentia, 7
7. Ingall Berglund, Atrium Ljungberg, 6
Biljana Pehrsson, Kungsleden, 6
Christian Hermelin, Fabega, 6

NICEST. Balder's Erik Selin won the vote for Sweden's nicest property CEO when his CEO colleagues got to vote for the nicest CEO in the industry.

He is Sweden's nicest property CEO

Erik Selin won the vote among CEOs

– Well I am quite kind. I rarely get angry. I don't think you should be unkind to others.

These quotes *sound like they come from a schoolboy.* But they come from a billionaire.

Erik Selin's simplicity and humility works in the industry. He won a pretty clear victory in Fastighetssverige's poll to find the nicest property CEO.

Text & picture: Nicklas Tollesson

1 83 out of the 214 CEOs or Sweden Managers who were asked responded to Fastighetssverige's poll to find the country's nicest property CEO. Most of the votes went to Erik Selin, Balder's CEO and founder.

Several of those who voted highlighted the fact that despite his success he still has time for others, is approachable, humble, down to earth and straightforward. Characteristics not always associated with increasing power and wealth.

» Things have gone well for me, but they can quickly go the other way.«

– I find it hard to review myself. I am who I am, says Erik Selin when Fastighetssverige tries to get him to explain why he thinks he got the most votes.

– But I am quite kind.

» And many say you are humble?

– One should be. Things have gone well for me, but they can quickly go the other way. When things have gone really well for a really long time, the fall can be that much greater, it is important not to forget that. I had nothing when I »



10 quick questions to Erik Selin

1. What are you doing on Saturday?

"If we are lucky with the weather we are going to check out some lobster pots. It's fun, actually getting any lobsters is not so important. Personally, I think that crabs are every bit as good as lobsters."

2. When did you last calculate your entire fortune?

"I never do that. It is quite difficult to estimate, due to the unlisted assets. Personally, I don't think it's that interesting."

How well do you know how things are? If you were to estimate your wealth, how much of a range would you need to be sure you got it right?

"20 per cent give or take maybe."

3. You listed Balder in 2005. When did you first consider the idea of being a stock market CEO?

"I have always been interested in stocks and shares, I probably thought of creating something to be listed around 2002-2003. It was close that a listing took place a year and a half before Balder's listing, but nothing came of it. The fact that the listing took place when it did was all down to coincidence. Catella called and said they had a company - Enlight - that we could be listed via. If they hadn't called then, it might have been several years later, or not at all."

4. What was your strongest subject in school?

"Maths I think. And then I was pretty good at economics, civics and history."

5. And your weakest?

"Religion. Out of sheer laziness, it didn't feel so important. And I had low grades in sports, I played truant quite a lot from these lessons. It felt like I didn't miss out on anything. Though I like sports, I do some running and lift weight now and again. In the past, I played both tennis and table tennis."

6. When did you last check Balder's share price?

"An hour ago, 54.75. I probably check it too often;

it's so easy with today's technology. It would be healthier to not check so often. It's not like I'm going to sell."

7. What was the most recent film you saw at the cinema?

"Airplane. Now, on Sunday with the family. We sat with 3D glasses on, it was funny. A really good film."

8. Do you feel you get recognised on the street among people in general?

"No, I'm only known in the industry, not at all otherwise. I'm not interesting enough. Occasionally, someone might come forward and want to talk about Balder or economic issues but it's unusual. However I do sometimes get emails from people who wonder about things, regarding business or economics, they may wonder how I would have reasoned in their situation. I try to respond to that, especially if I notice that they have put some energy into it - if it had been me who had written then I would have been happy if I had got an answer."

9. When did you last put your foot in it?

"A month ago or so, at a dinner. There was a person there that I should have known who she was, but I didn't. She knew all about me, knew what I did and knew of my parents and everything. I asked what she did and ... well, I knew that really, she was quite famous. It was embarrassing, I apologised later."

10. How important is money to you?

"Money is really important. But how much money I myself have is not important; it's been a long time since I cared about money for money's sake. I don't have any expensive habits - I don't need five cars or ten helicopters - even though my family is certain to have higher expenditures than the average Swedish family,"

"However, I do feel a responsibility for other people's money. If you invest your hard earned money in my company then I have to be careful with that money. For that reason, I cannot waste money or take excessive risks. If I think that a deal is too risky then I prefer to do it privately. I'd rather lose my own money than that of others."

WHAT DO YOU REALLY NEED AN OFFICE FOR?



That may sound like a strange question coming from us, but it's actually quite a relevant and important issue to ponder. Office development is business development. In our industry, we know this to be true. Together, we can change the perception of what an office is and how it is used. It's not just about cost and square meters. An office is a tool for change. We've tested this theory ourselves and now we work in an activity based office that is sustainable right down to the smallest details.

Based on our experience, we help guide our customers to offices that will help them achieve their goals. We've noticed that several of our competitors are also thinking along such lines and we encourage more to do the same! Only by working together can we change the perception of what an office is and how it is used. And, at the same time, we can offer smarter solutions to our customers!

VASAKRONAN
Välkommen till en bättre värld

Largest transactions

(The figures are provided by Newsec)

Top three Stockholm, Q3 2013

1

Buyer: KLP.
Seller: NCC.
Property: Office and retail property Torsplan located in Hagastaden in the northern part of Stockholm's inner city.
Price: SEK 1 618 million.

2

Buyer: Axfast.
Seller: Atrium Ljungberg.
Property: PUB-huset, located at Hötorget in central Stockholm. About half of the lettable space is for shops and restaurants and half consists of hotel operations.
Price: SEK 980 million.

3

Buyer: Host Hotels & Resorts.
Seller: Blackstone Group.
Property: Sheraton Hotel located in central Stockholm with 454 rooms. This is Host's first acquisition in the Nordic region.
Price: SEK 850 million*.

Top three Gothenburg, Q3 2013

Buyer: Balder.
Seller: Glitnir Bank Luxemburg.
Property: The acquisition relates to property company Bovista which owns and manages 4,300 apartments. The majority of the market value is in Gothenburg.
Price: SEK 2 000 million.

Buyer: Sefa.
Seller: Niam.
Property: The historic property Sjöbefällsskolan (the Nautical School) centrally located overlooking the River Göta.
Price: SEK 200 million*.

Buyer: Balder.
Seller: Aberdeen Property Funds SICAV-FIS Pan-Nordic.
Property: The office property Bø 92.3, better known as Kanoldhuset, situated between the E6 and Liseberg.
Price: SEK 190 million.

Top three Malmö, Q3 2013

Buyer: OBOS Forretningsbygg AS.
Seller: SEB (fastighetsfonden Domestica).
Property: Eight residential properties located in the residential area of Bunkkeflostrand just south of the Öresund Bridge
Price: SEK 900 million*.

Buyer: Corpus Sireo (DEREIF SICAV-FIS).
Seller: Niam.
Property: The office properties Kronan 10 and 11 located in central Malmö.
Price: SEK 500 million*.

Buyer: Svenska Hus.
Seller: Ikano Fastigheter.
Property: The office property Davida 15 located in central Malmö.
Price: SEK 275 million*.

Source: Newsec

* The purchase sum is estimated by Fastighetssverige.



THIRD. KLP purchase the office and retail property Torsplan in Stockholm for SEK 1 618 million. It was the third largest transaction in Q3.

Q3: The ten largest transactions in Sweden

1. Buyer: Catena.
Seller: Brinova.
Property: The sale is a reverse acquisition in which Catena purchased Brinova Logistik for SEK 3.8 billion and paid with newly issued shares.
Price: SEK 3 800 million.

2. Buyer: Balder.
Seller: Glitnir Bank Luxemburg.
Property: The acquisition relates to property company Bovista which owns and manages 4,300 apartments. The majority of the market value is in Gothenburg.
Price: SEK 2 000 million.

3. Buyer: KLP.
Seller: NCC.
Property: Office and retail property Torsplan located in Hagastaden in the northern part of Stockholm's inner city.
Price: SEK 1 618 million.

4. Buyer: Axfast.
Seller: Atrium Ljungberg.

Objekt: PUB-huset, located at Hötorget in central Stockholm. About half of the lettable space is for shops and restaurants and half consists of hotel operations.
Price: SEK 980 million.

5. Buyer: SEB (fastighetsfonden Domestica).
Seller: OBOS Forretningsbygg AS.
Property: Eight residential properties located in the residential area of Bunkkeflostrand just south of the Öresund Bridge.
Price: SEK 900 million*.

6. Buyer: Host Hotels & Resorts.
Seller: Blackstone Group.
Property: Sheraton Hotel located in central Stockholm with 454 rooms. This is Host's first acquisition in the Nordic region.
Price: SEK 850 million*.

7. Buyer: Alecta.
Seller: Credit Suisse.
Property: The office properties Lustgården 10 and 18, also known as Västerport, located in northwest Kungsholmen in central Stockholm.

Price: SEK 825 million*.

8. Buyer: FastPartner.
Seller: NAPF Sweden AB (Valad).
Property: 14 office and industrial/warehouse properties located in Stockholm, Gothenburg, Malmö and Växjö.
Price: SEK 760 million*.

9. Buyer: KPA Pension.
Seller: NCC.
Property: Three properties and land with site leasehold rights with in total 330 newly built rental apartments in Stockholm, Sundbyberg and Järfälla.
Price: SEK 667 million.

10. Buyer: Bostadsrättsförening.
Seller: Aelius.
Property: Residential property Hägern 12 in Luleå comprising 483 apartments and 200 parking spaces.
Price: SEK 600 million*.

* The purchase sum is estimated by Fastighetssverige.

Source: Newsec

A humble team player

He has been shot at in Lebanon and skied in Svalbard.
Meet **Mats Hederos**, CEO of one of Sweden's most prominent investors – AMF Fastigheter.

Text & picture: Eddie Ekberg



When Mats Hederos was only 20 years old he did a UN tour of duty in Sinai and Lebanon. It was six months of tumultuous events that contributed to making the young Mats Hederos the person he is today: a humble and positive person who appreciates life and do not whine over trivial things.

The events have also apparently made him loyal and assiduous. Mats Hederos is married to the woman he met 35 years ago, he lives in the same house he bought in 1984, and he is not looking for any other top jobs in the industry.

– I'm not particularly capricious, I like to stick around and finish what I started. I believe in the long term, says Mats Hederos.

These are obviously good qualities when you

» My goal has never been to be a CEO, it's just kind of turned out that way.«

are responsible for managing 3.8 million Swedes' pension money.

» What's on the cards for AMF Fastigheter?

– Together we will continue to develop the company and we are now focusing strongly on the large development project in which we are revitalising the whole area around the Gallerian

mall, which includes about 45 000 square metres that Swedbank is vacating. Altogether it is a development project of approximately 90,000 square metres that will be on-going for several years to come.

» You own property in principle only in central Stockholm – can other places be of interest?

– We have really no limitations as such, what is important is that we invest in areas that we understand. We may well become established in other parts of Stockholm where there is rail transport access.

» What will you do when you step down from the property industry?

– Learn French really well, work more on our country house, start a small business – maybe in the archipelago – and perhaps get involved in charity work. ■

HUMBLE CEO. AMF Fastigheter's CEO Mats Hederos did a UN tour of duty in Sinai and Lebanon at the age of 20. There, he was repeatedly involved in combat situations and other tumultuous events that made him both humble and grateful.





IN GOOD SHAPE. Mats Hederos plays ice hockey a couple of times a week and works out at the gym. In addition, he cycles to and from work each day when there is no snow or ice.

PICTURE: SÖFIA GRÄNER

10 quick questions

What makes you angry? "When someone goes behind my back, abuse of confidence."

You get SEK 100 million and have to invest them on the spot, what do you do? "As little as possible that would change my life."

What is your greatest extravagance? "Various power tools. For many years I have been using my father's old tools but in recent years I have bought really good power tools."

Do you believe in God? "Yes, but not in the sense that I'm a church-goer."

What is your favourite gadget? "I'm not so interested in gadgets, but if I had to choose it would be my Dewalt chop saw."

Describe yourself in three words that capture both the businessman and the private individual Mats Hederos. "Optimistic, unafraid and engaged."

What has been your best private purchase? "Our summer cottage, it engages me and give me a great break from daily life."

What has been your worst private purchase? "All the cars I've bought."

Do you give money to street beggars? "No."

Do you have any tattoos? "No."



HAS COMPLETED THE SVALBARD SKI MARATHON

Name: Mats Peter Hederos.

Age: 56 years old.

Family: Wife and three grown up children.

Grew up in: Kalmar.

Lives: Stureby, south of Stockholm and a country house in the Stockholm archipelago.

Car: Audi A6 diesel.

Studies: KTH (Royal Institute of Technology) 79-83, property economist, plus one year of studies in financial analysis at Handelshögskolan (Stockholm School of Economics).

Career highlights: Jaeger J. son 83-87, Gigab 87-92, Enskilda Securities, 92-03, AP Fastigheter 03-06 and current assignment at AMF Fastigheter.

Reads: Historical books and the occasional criminal novel in English.

Other assignments: Board member of Rikshem, in which AMF Fastigheter has a 50 per cent holding. Board member of the biotech company SymCel which he founded together with a friend in 2004.

Watches on TV: Does not watch much TV, the occasional documentary and film.

Other info: Has cycled Vätternrundan and completed the Svalbard Ski Marathon.



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*Also includes retail parks.

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IN NORTHERN EUROPE



Focus: Retail

The Swedish retail market is strong and there is still keen interest from foreign investors. During the second half of 2012 international players were involved in 80 per cent of the transaction volume. In 2012 “little” Sweden was third in Europe in terms of volume of retail property transactions, only after the UK and Germany.

At the same time, Sweden is at the forefront of the economic development in Europe and forecasts indicate that retail sales will grow twice as much here as in other European countries. This speaks in favour of a strong market. However it's a changing market, in which storeowners and property owners have a significant challenge ahead when it comes to meeting changing consumer behaviour, not to mention the ever-accelerating technological development.

Join us for an illumination of one of the markets hottest sectors. ➤

“It’s all about being receptive”

■ What is the situation on the shopping centre market in Sweden and what are the challenges ahead? Big questions answered by two people with their boots deep in the retail soil – Centrumutveckling’s Hanna Eidem and Monica Bruvik. **Text:** Eddie Ekberg

› How is the shopping centre market in Sweden actually doing at present?

– It is a bit bruised by the economic turmoil that has dominated in recent years. We had a building boom during and just after the peak of the cycle when a lot of new shopping centre space was created. At the same time as the projects were launched, we saw a more cautious consumer approach to spending, which in turn led to tougher conditions for retail. Consumers are continuing to hold onto their money. We see a growing awareness among consumers and now they are buying more often because they need something, and to a lesser extent than before for pleasure.

E-commerce is another factor that has affected the industry in recent years. Consumers are becoming increasingly picky and they want all of what the whole world can offer here and now. As consumers have become accustomed to e-commerce, they have come to expect that their shopping centres have the same swift and wide range as e-stores on the Internet. In a way one could say that the store staff thus function a bit like a Google search box. Property owners and shop owners have a lot to gain by being better search engines and helping consumers towards purchasing decisions.

– Just how the shopping centre market has fared over the past four years, however, is difficult to answer, since there has been no comprehensive information released relating to the whole sector. At Centrumutveckling we have therefore chosen to re-launch our Shopping Centre Directory, which last came out in 08/09, but now in a new web-based format under the name of the Swedish Shopping Centre Directory. Here we compile data on all the shopping centres from 3 000 square metres and more in the country, including commercial areas. We will also report on planned projects. It is of the utmost importance to the market that ›

CHANGED MARKET. In recent years, the shopping centre market has changed considerably. Among other things, retail parks have emerged, and many have been supplemented by malls such as Sickla Galleria and Bromma Blocks. Municipal centres have been expanded into regional centres and several concept malls such as Mood and Bruno have been created.



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), 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

› this information is made available. It provides a picture of how the Swedish shopping centre market is doing, and also who the winners and losers are. Since we believe that foreign investors are interested in Sweden, we are providing this service in English, to make the information available to more people.

› **Which segments are doing best and worst?**

– Non-durables keep going strong, as usual. Otherwise, there is general caution in most sectors. Traditional recreational items such as books and toys are sluggish. Electronic goods are also having a tough time. Fashion goes up and down a bit, which is a sign that we have already shopped a lot and are now more restrained. Many people already have a lot of clothes in their wardrobes. The long Swedish summer has, to some extent, affected the clothes trade negatively – you don't buy an autumn or winter coat when it's still summery weather in October.

› **Which regions are faring best?**

– The metropolitan regions of Stockholm, Gothenburg and Malmö are for obvious reasons the strongest regions since the population is the largest and these areas have the strongest population growth.

› **How has the shopping centre market in Sweden developed over the past ten years?**

– Firstly, we have seen the emergence of retail parks outside major cities and during the last three years we have also seen how many of these parks have been supplemented by malls, such as Sickla Galleria and Bromma Blocks. We have also been able to see the expansion of the municipal centres into regional shopping centres. Examples we can mention in the Stockholm region are Täby, Kista and Sollentuna, which have all become considerably larger. We have also seen the emergence of a number of concepts malls such as Mood, Bruno and Hornstull.

»It is extremely important to do one's homework thoroughly.«

› **What can we learn from the shopping centre markets in Europe?**

– It may seem as though Sweden has a less professional fleet of shopping centres than in Europe since we have so few large regional shopping centres. The Swedish market is, however, in several ways different compared to a great deal of Europe. Generally speaking, one should be careful about going out into Europe and bringing home a concept and transferring it outright. Sweden has, for example, “only” nine million inhabitants, whereas Spain, for example, has 45 million. In Sweden biggest is not always best, instead best is best. By this I mean that it is extremely important that you do your homework properly to understand which concept is best for which commercial location. It's fun and important to get out into the world and be inspired, but it is important to keep tabs on local conditions, and thus what is viable in Sweden.

› **How do our shopping centres compare with the rest of Europe, do you think?**

– It's difficult to give a general answer. A shopping centre is no better than the extent to which it corresponds to the consumers' expectations and satisfies consumer needs. One area that may be worth a mention, however, is service. In Sweden we have a lot to learn when it comes to service in our shops. That said, we believe that the definition of service will change as the consumers see the staff more and more as search engines. In the future, service may be more about efficiency and the ability to quickly guide the consumer ›



SEE RETAIL'S DEVELOPMENT. Hanna Eidem and Monica Bruvik at Centrum-utveckling maintain that consumers expect shop staff to act as search engines that can provide quick answers to any questions they might have.

PICTURE: EDDIE EKBERG

SPEAKS RUSSIAN

Name: Hanna Eidem.
Age: 35.
Family: Husband and two children.
Lives: House in Stockholm.
Occupation/Title: CEO.
Career highlights: Bachelor of Laws from the University of Uppsala, university studies in Russian. Officer at the Swedish Helsinki Committee, thereafter lawyer and Land Developer at Ikea Mos Retail & Property in Moscow. CEO of Centrum Terre CIS, CEO of Centrum Consultants and present position since 2012.
Car: Volvo.
Reading: 'Spår' by Lena Sundström.
Hobbies: Family, friends and a board member and volunteer in Tjejzonen.

SINGS GOSPEL

Name: Monica Bruvik.
Age: 31.
Family: Husband Henric Bruvik who works with employment psychological assessment at cute and baby expected in October.
Housing: Co-operative apartment in Vasastan, Stockholm.
Occupation/Title: Project Manager and Marketing Manager.
Career highlights: Background as a property economist from KTH. During the last seven years she has held various positions in the company as a market analyst, three years as CEO and is now project manager/marketing manager.
Car: BMW 523.
Reading: Interior design catalogues and bathroom blogs. Planning bathroom renovation.
Hobbies: Sings in a gospel choir, arranges music and conducts a pop choir (fifteen members).

BREAKDOWN OF RETAIL TRANSACTIONS

	2005	2006	2007	2008	2009	2010	2011	2012*
Shopping centre	8 486	19 393	22 197	9 156	1 807	5 172	12 328	1 798
Retail warehouse	3 955	4 771	5 287	5 868	1 468	3 353	5 046	2 316
Other retail	6 760	5 171	2 355	448	488	684	1 311	2 107
Total (MSEK)	19 201	29 335	29 839	15 471	3 763	9 209	18 684	6 221
Total turnover (MSEK)	117 000	155 000	151 000	162 000	58 000	116 000	98 000	70 000
% retail	16,4%	18,9%	19,8%	9,6%	6,5%	7,9%	19,1%	8,9%

* = January 1 2012–October 18 2012

Source: Savills

INTERNATIONAL RETAIL INVESTMENTS IN SWEDEN

Type of buyer	Share in terms of value
Institution	2,2%
Core property funds	58,4%
Value add property funds	33,5%
Listed property owners	5,2%
Other investors	0,7%

Source: KF Fastigheter

WHERE DO THE INTERNATIONAL RETAIL INVESTORS COME FROM?

Country	Share in terms of value
Norway	6,35%
Germany	32,54%
United Kingdom	23,95%
Finland	2,37%
Netherlands	18,08%
Canada	7,43%
USA	7,89%
France	1,39%

Source: KF Fastigheter

Four factors for the commercial centre of the future

What the world can offer - here and now: In the wake of the advent of the Internet consumers are demanding a greater choice and delivery within 1-2 days but preferably already yesterday. If Swedish women before needed seven fashion shops to find a new autumn coat, they now need only visit three e-shops or three shopping centres each with seven fashion boutiques.

If you don't have a presence online, then you don't exist: A shopping centre that does not present its goods or product availability online is not top of mind. The only logical conclusion is that shopping centres organise e-commerce, and this should have taken place long ago.

Higher service requirements: The service concept is

extended so that shoppers expect staff to act as search engines. Consumers want shopping assistance and help in ordering goods if they are not available in the shops. Consumers think in keywords. The staff should think like Google. If no good 'hits' are made, then there will be no sale.

The search for deeper meaning in life: It is no longer a sign of status among Swedish consumers to wallow in fancy cars and flashy goods. General knowledge, good parenting and career success provide status. Our shopping is becoming more purchase oriented. At the same time the information society is making greater demands on shopping - but now one wants the ultimate as quickly as possible, with less focus on the shopping experience.




International retail investments in Sweden 2009–2012

Foreign investor	Type of buyer	Country	Share in terms of value
DNB	Institution	Norway	2,30%
Cordea Savills	Core property funds	Germany	4,49%
Invesco	Core property funds	Germany	5,47%
Rockspring	Value add property funds	United Kingdom	6,83%
Schroders	Core property funds	United Kingdom	1,36%
Henderson	Core property funds	United Kingdom	5,37%
Citycon	Listed property owners	Finland	2,50%
TMW Pramerica Property	Core property funds	Germany	4,40%
Steen & Ström Sverige	Listed property owners	Norway	0,41%
ING	Core property funds	Netherlands	11,21%
M&G European Property Fund	Core property funds	United Kingdom	1,11%
Grosvenor	Core property funds	United Kingdom	7,82%
Bouwinvest REIM,	Core property funds	Netherlands	7,82%
Canadian investor	Core property funds	Canada	7,82%
Pramerica	Core property funds	Germany	3,32%
Carlyle	Value add property funds	USA	8,31%
Solist Eiendom	Value add property funds	Norway	0,70%
AXA	Value add property funds	France	1,47%
Three Norwegians	Other investors	Norway	0,73%
Invesco Real Estate Nordic	Value add property funds	Germany	8,23%
LB Immo Invest	Core property funds	Germany	1,64%
Commerz Real	Core property funds	Germany	2,74%
Catella Real Estate AG	Core property funds	Germany	3,96%

Source: KF Fastigheter

»The shopping centre is a product in constant transition.«

- › to alternative choices if the first choice does not happen to be available, than serving coffee and opening doors. Those who keep an eye on this and adapt will be the winners in tomorrow’s retail market.
- › What trends do you see in the shopping centre market in Sweden at present?
 - What’s available in the whole world here and now is a major trend that is driven by the Internet evolution. It’s about consumers making increasing demands on service, information and efficiency. And then another major trend is digitisation and e-commerce.
 - › Has the traditional shopping centre had its day?
 - Its role is changing all the time as the market changes. The shopping centre is a product in constant transition.
 - › How have investments in shopping centres in Sweden developed in recent years, do you think?
 - Retail in Sweden has been a good investment for several years. However, there have not been so many transactions of late and this is mainly due to the fact that the buyers and sellers cannot agree on the price level.
 - › What challenges does the shopping centre market in Sweden face?
 - It is, as usual, about being on one’s toes all the time and trying to meet a world in constant change. It is important to be receptive

- and to endeavour to understand the market in which you operate.
- › Will shops, shopping centres and commercial centres look the same in ten years’ time as they do today?
 - No, I certainly hope not. In that case, we won’t have done our job particularly well. In fact we will have failed. I think, for example, that in ten years we will see several shopping centres where one integrates e-commerce with traditional shops.
 - › Which in your opinion is the best shopping centre in the world?
 - Hanna: – The one that best meets the requirements and responds best to consumer desires. Right now, I think the best shopping centre is online shopping.
 - Monica: – I am sorry to say that I have to give the same answer; online is the best “shopping centre” because you can find everything there, and also get quick answers to your questions. This sends a pretty clear message to the industry.
 - › Where in Sweden is it best to invest in retail property?
 - Oh, there are many interesting places. But I would have taken an investor to Kista Galleria in Stockholm and urged investors to rebuild the shopping centre to make it Sweden’s first pure e-commerce shopping centre. In fact, I don’t understand why this hasn’t already been done. 



Picture: Hans Wretling

Malmö – the world’s best retail location

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You can also find more information about business opportunities at investinskane.com/retail

PICTURE: NINE



LOVES A GOOD BARGAIN

Name: Elin Åström Rudberg.
Age: 33 years old.
Family: Husband and two daughters.
Lives: Stockholm.
Occupation: Trend Analyst.
Hobbies: Family, friends, dancing and books.
Consumer style: Critical, challenging and utterly disloyal. "I love to get a good bargain".

KEEP TRACK OF CONSUMER TRENDS. In a changing consumer climate it is important to keep track of how to act - trend analyst Elin Åström Rudberg from design and innovation company Nine knows all about this.

■ The success of retail properties is directly linked to how successful the stores are in attracting customers. And then you have to be knowledgeable about what applies and how consumer trends are developing on the Swedish retail market. One person who knows more about this than most of us is Elin Åström Rudberg, trend analyst at Nine.

Text: Eddie Ekberg

“The demands on shopping centres and stores get tougher”

TODAY’S CONSUMERS ARE FICKLE and those of tomorrow will be even more unpredictable. To find out how to meet this development in the best possible manner we have put a number of questions to trend analyst Elin Åström Rudberg from design and innovation company Nine.

› **How can storeowners meet these changing behaviours?**

– The requirements regarding the physical stores are getting tougher – consumers are pickier in terms of experience, service and environment so it is important to have a well thought out concept. Gathering inspiration from successful examples elsewhere in the world can be one good way.

The digital and the physical environments will merge more and more – it’s important for companies to consider all of their customer channels – what one to use, how they complement each

»Consumers are pickier in terms of experience, service and environment.«

other and how they should look? For customers, it really doesn’t matter if something is digital or physical – you know what your needs are so then it’s up to the companies to address these needs in the best possible way so that I as a customer can get what I want, when I want it, at a good price. I also believe that the companies will benefit from being transparent – allowing consumers to participate and have views, develop products

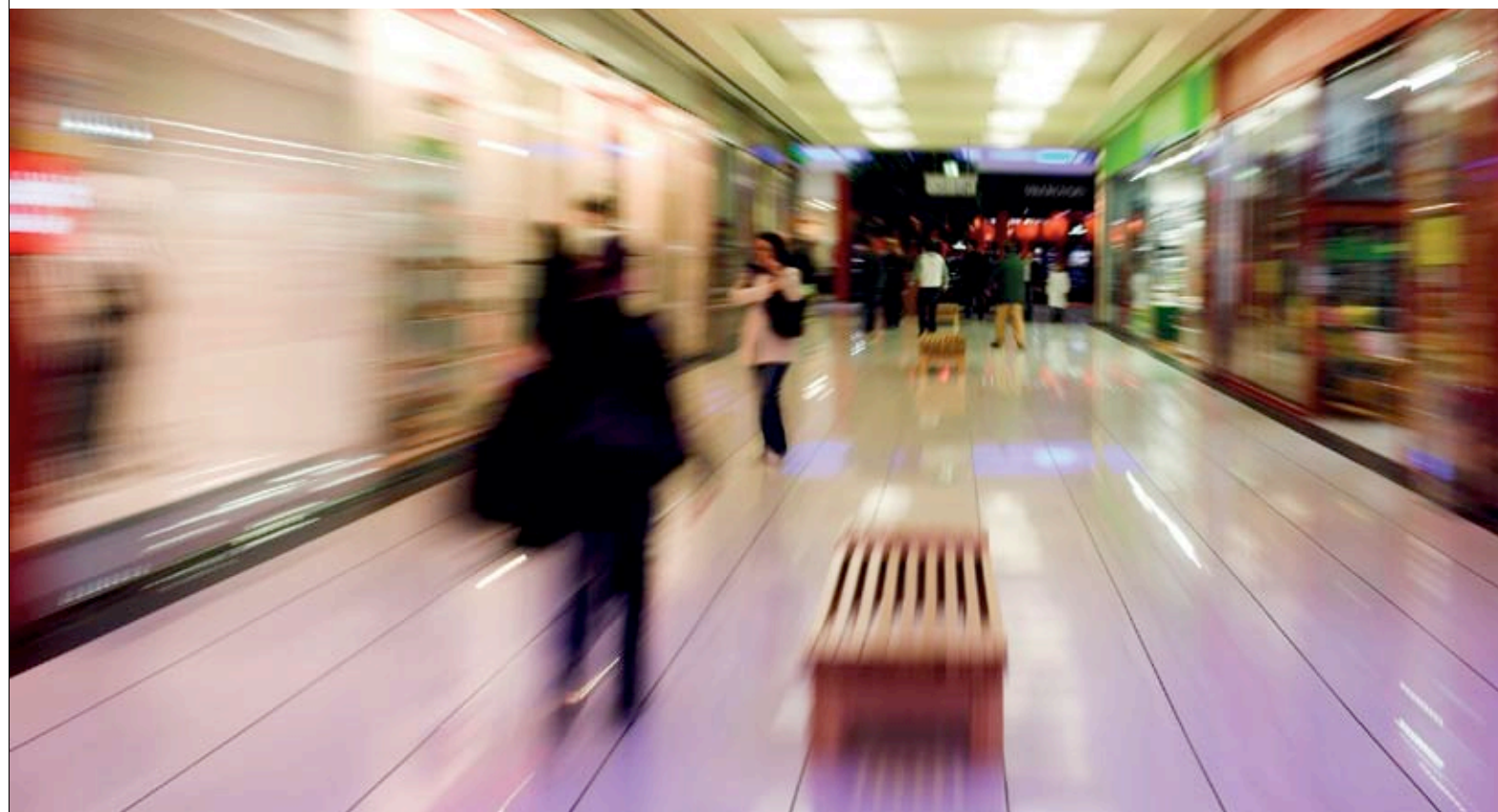
and services if and when it’s relevant, to show what their customers think of their company in various forums.

› **Are they doing this today or do they still have a lot left to learn?**

– Many are already doing this but you can never sit back and say that now we are satisfied, now we don’t need develop any further and become even better. So obviously there is more to learn.

› **How do you think the standard for this in Stockholm is compared to the rest of Europe?**

– I think Stockholm has generally speaking a pretty high standard – Swedish consumers are discerning and fashion-conscious, and I think that the range in Stockholm is quite good at addressing these demands. I think it’s interesting to look at how the USA and Europe differ here. Above all, customer service is much more



FICKLE. Today's consumers are demanding in terms of experience, service and environment. In addition, future consumers are extremely fickle. For shopping centres and store owners it is now more important than ever to have a well thought out concept.

› developed in the USA. Put simply, one can say that in the United States, the customer is king – in some places in Europe, it's still the case that you as a customer in a store are expected to be grateful that you get to shop there. It's kind of unbecoming to be service-minded in certain circles in Europe and even perhaps to some extent in Sweden. And then regarding for instance restaurants, New York is at forefront in terms of technology. When it's busy and there are queues at lunchtime, they have staff who take orders and payments with Ipads already as you stand in the queue, so once you arrive at the counter the payment is completed and the food is ready. I believe we will be seeing more of such time-saving things.

› **How can a store attract young consumers in the best way today?**

– Young consumers are accustomed to not only being consumers; they are also co-creators and producers in relation to companies, products

and brands. They are accustomed to the new technology and social media, and see it as self-evident that there are different channels through which they can get in touch with the companies; they use user-generated information to a greater extent. It is also important to remember that everything is shared virtually – products, opinions, etc. – so here you have to think through how to make it easy for consumers to share things such as via Instagram.

PERHAPS EVEN MORE important when it comes to a young target group is that one constantly works on updating and renewing one's concept. What's new, exciting and transient is important. One can work with different types of formats (such as pop-ups, partnerships, mobile stores, etc) to be in the minds of the young consumers. Young people are restless and accustomed to new things happening constantly – that's today's logic. ›

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»Dense urban environments, with many shops, restaurants, bars and cafes all in a small area are what many consumers find most attractive.«



PICTURE: EDDIE EKBERG

» Which shopping centre/what store in the Stockholm area is, as you see it, best when it comes to meeting these changing consumer behaviours?

– There are many. But Clas Ohlson is good because they have really worked hard to make it easy for customers to navigate the store, they are very pedagogically organised. They also have their own discount brand as an alternative to virtually all their products.

AND OTHER STORIES is also successful from various perspectives. Everything in the store is also available online, they have photos of all their garments showing how the garment looks when worn. And they have a high level of service and friendly staff – it's easy to go in there and also to leave with something when your visit is over.

Otherwise, it is clear that the concepts that are most successful in Stockholm right now are those concerning food. K25, the restaurants in the Mood mall and several others are all good examples of this.


As far as shopping centres are concerned, Nacka Forum and Sickla are good examples in my opinion.

» Describe the ultimate shopping centre in your view.

– High standards of service and a wide selection are fundamentally important. There should also be a high quality food supply as well as simple things such as free access to clean toilets. It should be a place you want to spend time in.

Otherwise, I'd say dense urban environments, with many shops, restaurants, bars and cafes all in a small area are what many consumers find most attractive and that they perceive as pleasant and more authentic than modern shopping centres. I am thinking for example of the Marais district in Paris, which is a good example of this.

» Where do you choose to shop?

– A mix of small shops, large chain stores and online. If there is a small tobacconist I prefer to shop there than at the Seven Eleven next door because I want to see that kind of shop surviving in the future. 

FIVE CONSUMER TRENDS TO KEEP AN EYE ON:

Resource Efficient Consumption – we are often looking for solutions that are good for "me" (for my wallet, my health, my well-being, etc) and that also have a positive effect on the "world" in terms of the environmental, ethical, social considerations.

Time consumption – we are increasingly focused on buying time, since time is the most precious resource for many people today. Timesaving services are become more attractive.

Situational Consumption – we are increasingly governed by different types of situations and moods. Modern technology is both an aid and a driver and the use of smartphones and platforms allows me to find places around me "here and now".

Shortcut Consumption – we're increasingly impatient and want to take shortcuts to our goals, this is apparent in everything from beauty and health to education and learning.

Collective consumption – today we exert modern consumer power collectively to a greater extent, we buy in groups (for example Groupon), we donate and share things with each other, we rent homes to each other and exchange and share services. Here again, technology plays a vital role so that people can come into contact with each other.

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SEES A GREAT DEAL OF INTEREST. Antony Pastiroff at Jones Lang Lasalle maintains that there is a great deal of interest in investing in Swedish prime retail properties. The range is nevertheless limited.

■ There is great interest in retail properties in the prime segment.

- There are many foreign players who would have gladly bought properties similar to Kista Galleria, says Antony Pastiroff at Jones Lang Lasalle. Here he shares his views on the Swedish transaction market for retail properties. **Text:** Nicklas Tollessen

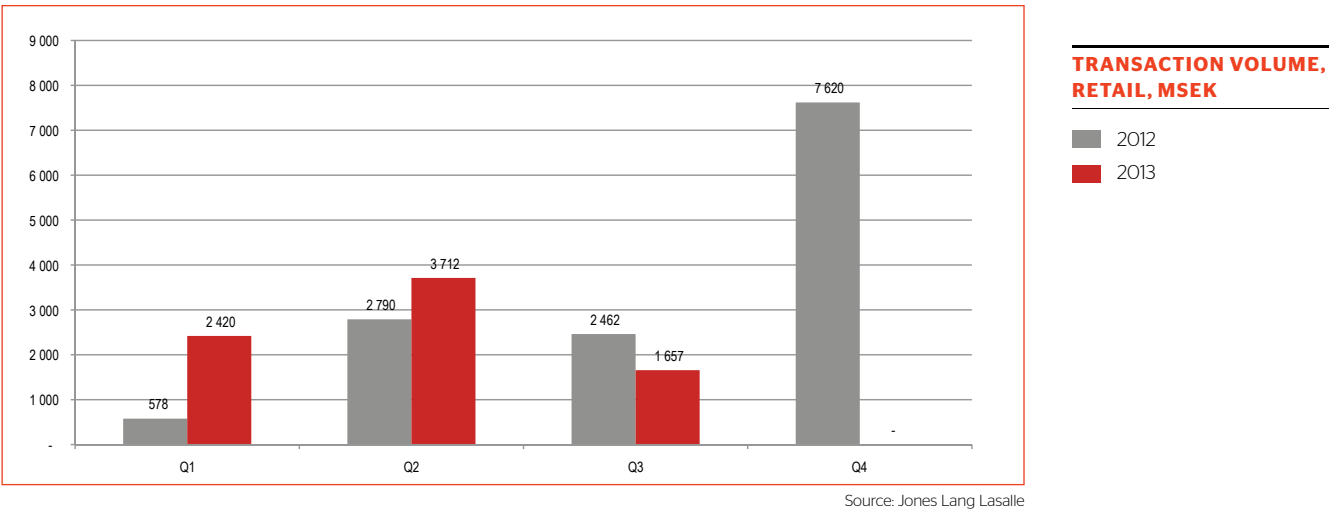
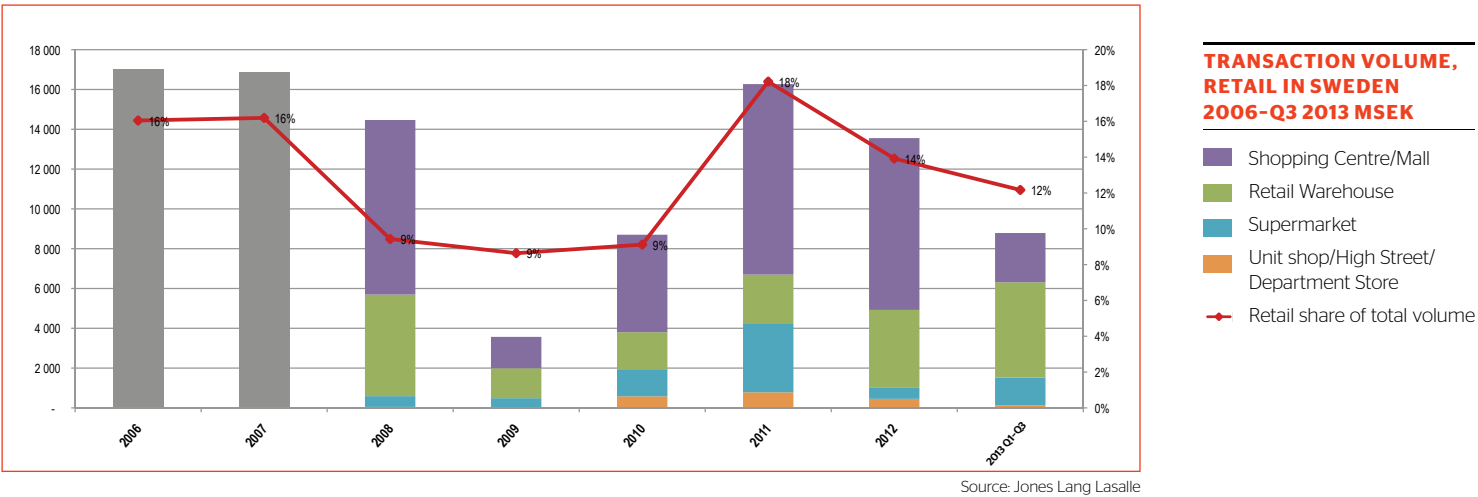
“Prime, prime, prime”

THE MAJOR EVENT in the transaction market in the past year was the deal in late 2012 in which Citycon and Canadian CPPIB bought the Kista Galleria for SEK 4.6 billion.

- It was obviously an extremely important event and a seal of quality for Sweden. We will be seeing more direct investment from sovereign wealth funds and foreign pension funds over the next 12–24 months. The problem is that the number of properties that suit these investors’ specific criteria is limited. There are foreign investors who would have gladly purchased properties similar to Kista Galleria – prime shopping centres for three to four billion crowns – but there are not very many around, says Antony Pastiroff, who is Head of Retail Capital Markets at Jones Lang Lasalle Capital Markets.

› **In your view, what were the most interesting transactions that took place this year?**

- There are primarily two kinds of transaction that from my point of view have been the most interesting. Firstly, the fact that AP 3 through Trophi/Redito has increased its direct investments and has invested in geographically diverse portfolios containing primarily food stores. Several other Swedish investors have done this before but AP 3’s entry into the market is interesting. The portfolio can be regarded as dispersed, but a non-definitive holding period, combined with a stable cash flow makes this a good strategy when a local team is in place.
- Another interesting aspect right now is the fact that a number of Swedish developers/property companies have bought back



properties that they had previously sold to institutions, such as when Sveafastigheter bought back in Hansa City in Kalmar from Axa. The combination of funds in liquidation and compulsory sales rarely leads to particularly high price tags, consequently even these Swedish investors are getting good buys in the long run.

› **What kind of retail property is most in demand otherwise on the market right now?**

- Prime, prime and prime. Secondary location retail property is relatively difficult to sell, mostly on account of funding problems – even though the banks have begun to ease up in the last six months – and also due to the fact that the property owners’ valuations are sometimes lagging in relation to the transaction market. During the last twelve months we have seen a number of valua-

tions that are 10–15 per cent higher than what the market indicates.

- Geographically, it is most likely Stockholm, Gothenburg and a choice number of cities in southern Sweden that will continue to be the most attractive markets. This is very much because, from a management point of view, these places are easier to handle, and the majority of the foreign investors cannot “sign off” on cities where assets are considered to be illiquid. They have become more cautious over the last 12–18 months. They look more at the macro figures, and back down for example when it comes to towns with the likes of ten per cent unemployment.

Since 2005–2006 Sweden has been among the five largest European markets for retail transactions.

- I am confident that this will continue, but as I mentioned ➤



PICTURE: NICLAS LIEDBERG/PIXPROVIDER

»Everyone, from Swedish institutions to foreign opportunists, is showing interest in this asset class at present.«

➤ earlier, predominantly in the segment of prime property. Foreign investors are still investing in retail property and a high proportion of foreign owners will also need to liquidate their Nordic and European funds due to the funds' terms to maturity, such as Cornerstone's Nordic Retail Fund. We are likely to see an increased proportion of transactions involving retail property in the coming years.

➤ **Which group of investors is most interested?**

– Everyone, from Swedish institutions to foreign opportunists, is showing interest in this asset class at present, it is therefore difficult to discern one individual investor group. The greatest increase in interest that we have noted has however been from the Swedish investors, such as AP3/Redito, Axfast, Sveafastigheter and Granen who at present represent the largest share of the transaction volume. Foreign third party fund managers, such as Grosvenor, Rock Spring and Invesco are still showing a lot of interest, but, as I said, it has proved to be more difficult for these investors to find the “right” product. ■

Top five // Transactions in Q4 2012–Q3 2013, Retail Property (Source: Newsec)

1 In December 2012, it was announced that Finnish Citycon and Canadian Canada Pension Plan Investment Board had acquired the Kista Galleria from DNB Livförsäkring ASA, which is part of the DNB Group. The buyers, who will own 50 per cent each, paid a total of approximately SEK 4.6 billion. Kista Galleria comprises 90,000 square metres of rentable space, including 60,000 square metres of lettable retail space. The remaining portion of the property contains a hotel, student accommodation, healthcare facilities and areas rented by the municipality. The mall was completely renovated and extended in 2002 and further extensions were made in 2009.



BILD: SOPHIA GRIMMER

2 Orion European 2 Investment Sarl sold Infra City in Upplands Väsby north of central Stockholm to Profi Fastigheter during the first quarter of 2013. The purchase price is estimated at approximately SEK 1.6 billion, and additional costs will be incurred relating to the initial costs for the on-going construction of the Bauhaus store. The deal includes extensive properties comprising 190 000 square metres. Of this surface area roughly 50 per cent is office space, 25 per cent is retail and restaurants and a little more than 15 per cent is hotel space. The remainder consists mainly of warehouses.

4 In December 2012, NCC sold an office building and a retail property with garage space in Triangeln in central Malmö. The buyer was Vasakronan who acquired the properties for SEK 1 195 million. The retail property is a shopping mall of approximately 12 000 square metres, integrated with the existing shopping centre Triangeln. The retail property also includes an underground garage on two levels with approximately 400 parking spaces.

3 A billion crown deal took place in central Gothenburg during the fourth quarter of 2012 when Hufvudstaden acquired Nordstaden 8:26, situated in the Nordstaden business centre, from AMF Fastigheter. The purchase price amounted to SEK 1 265 million. The property which has been owned by AMF Fastigheter since 1998 is almost fully let and in total comprises approximately 20 700 square metres of rentable space, divided into 11 400 square metres of office space, 8 900 square metres of shops/restaurants and 400 square metres of warehouses. Major tenants include Kappahl, Esprit, Cassels, the National Insurance Office and the Second AP Fund.

5 Only a few retail properties in good shopping locations in Sweden's three largest cities have changed hands in the past year. In July it was announced that Axfast acquired PUB-huset, located at Hötorget in central Stockholm, from Atrium Ljungberg for SEK 980 million. The Torgvågen 7 property comprises a total of 16 800 square metres of rentable space about half of which is retail and restaurant space and half consists of a hotel business. Accession will take place after the formation of the company, which is expected to be completed during the first quarter of 2014.

■ In less than one year Redito has built up a portfolio of supermarket properties valued at approximately SEK 1.5 billion – the goal is to double the volume within a year.

– The property market is very fragmented. During my 20 years in the business I have not seen such low prices as we have now in this segment, says Redito's CEO Jan Björk. **Text:** Nicklas Tollessen

“Lowest prices in 20 years”

Redito sees business opportunities in a narrow segment

AFTER EIGHT YEARS AT ABERDEEN and five at Alecta – as AM manager for property operations in Sweden – Jan Björk started up Redito last year together with Patrik Hegbart.

– When I left Alecta I had a few months off first. My idea was to work with property investments in a smaller business in which I was the owner, but at that time this venture was not in the pipeline, says Jan Björk.

Last year Redito founded Trophi Fastighets AB. The company is owned by the Third Swedish National Pension Fund (AP3), but is managed by Redito.

The company started out with the acquisition of a large portfolio of AXA Real Estate, 72 properties encompassing approximately 129,000 square metres, valued at just short of SEK one billion.

SINCE THE PORTFOLIO WAS TAKEN over in February, Redito has carried out a number of smaller transactions, and today the company has a property value of SEK 1.5 billion.

– Our ambition is to double the portfolio within six to twelve months. Ideally even faster than that, but we are not in control of what's available. However, it is not unrealistic to say that it

could be done within six months, says Jan Björk.

The focus is on Swedish retail store properties with an emphasis on food (Trophi does not mean trophy but is the Greek name for food).

– Supermarkets and Systembolaget (the government owned chain of liquorstores in Sweden) will account for at least 75 per cent of the rental income. At present, they account for over 80 per cent. It's very much of a niche, a simple business concept really, but it also means that the supply is limited, I wish there were more.

WHILE AT ALECTA, JAN BJÖRK co-founded Ancore, owned jointly by ICA and Alecta, and it was during this work that the first ideas around investing in food properties arose.

– The property market is very fragmented. There are segments with little to choose from but very high demand, such as offices in Stockholm, where it has never been more expensive than it is now. Then there are other segments where demand is low and prices are low. In our segment, I cannot recall that the prices have been so low during my 20 years in the business. We are buying today at a yield level of 7.5 to 8.5 per cent, with a fairly low level of risk.



LIDKÖPING. Framnäs in Lidköping was acquired for SEK 127 million. In 2007 Keops acquired the same property for SEK 269 million.



WILL GROW. Jan Björk's Redito manages AP 3-owned Trophi Fastighets AB, which focuses on properties with supermarkets as prime tenants.

»We don't need to be in the big cities, we want to be in stable locations that have healthy growth.«

Among others, the company acquired Framnäs shopping centre in Lidköping for SEK 127 million last spring. In 2007 Keops acquired the same property for SEK 269 million.

– There was a time when the yield rate was down to 5.5 to 6 per cent; this object may have been sold at even lower yield. The occupancy rate may well have been higher then. Now, the vacancy rate was about ten per cent, but we've rented out a part of it. We purchased at approximately 8.5 per cent yield.

TODAY THERE ARE NOT MANY PLAYERS with this specific focus. Since Redito appeared on the market, the company has received quite a few business proposals.

– We have received many proposals from players other than the usual major brokers. These have been smaller brokers in rural areas and even smaller property companies have been in touch wanting to sell.

Jan Björk believes that interest in this segment will increase in the future.

– We have now seen a few years of lower activity in the property market. Investors, and the banks in particular, have been cautious.

Now it appears that the banks are beginning to ease up somewhat and more players are gaining access to funding. At the same time everyone cannot invest in offices in Stockholm. We are located in 73 locations and our emphasis is on Mälardalen and southern Sweden. We don't need to be in the big cities, we want to be in stable locations that have healthy growth, these conditions can be found in many places around Sweden.

► Are you satisfied with the Axa portfolio or are there refinements to be made there?

– We will be selling off some properties. It was a portfolio acquisition and there are some properties that do not fit our profile, including a couple of industrial properties and some that are not sufficiently oriented towards food.

► Is there an exit date for Trophi?

– No, it's like a normal property company, and a really long-term investment.

► Do you have other assignments on the go at Redito?

– We are working a little with other investments as well, but it's a bit too early to say anything about them. There are not so many of us and right now it's full focus on filling the Trophi portfolio. ■

Explosive growth in e-commerce

RECENTLY BOUGHT A GLOSSYBOX

Name: Carin Blom.

Age: 26.

Job: Consultant at HUI Research, focusing on e-commerce issues.

Family: Mother, father and two older siblings.

Lives: Kungsholmen in Stockholm.

Hobbies: "Exercising, dancing and outdoor activities. Travel as often as I can."

Latest purchase on the Internet: "Thought I'd try out the much talked-about subscription service for girls, Glossybox. Have just had the package delivered to my door - gives you a bit of a feeling of luxury to get a package delivered to yourself every month."



Carin Blom.

PICTURE: HUI

■ In recent years, e-commerce has performed very strongly, and during the second quarter of this year there has been an accelerated increase of 19 per cent compared with the same period last year. All indications suggest that this trend will continue. Carin Blom and Fredrik Kolterjahn from HUI tell us what this means and how it will affect the industry.

Text: Eddie Ekberg

Carin Blom, consultant at HUI Research

› **What has caused this "explosive" growth in e-commerce?**

– We see how maturity is taking place both for the retailers and the consumers.

E-retailers have developed their shops, they are becoming better at delivering on time and the consumers are becoming more comfortable about buying online.

There are also many more players offering their products online and marketing in them in traditional media, which means that they are more visible

for more than just the experienced Internet user and e-shopper.

› **Which segments are growing the most?**

– Sports and furniture retail are the sectors that are growing fastest online. Sports retail increased by 31 per cent in the second quarter, which is extremely strong, and this is due to the substantial health trend that has made sports and leisure fashionable.

› **Will this growth continue, or has it peaked now?**

– We see no signs indicating that growth is going to slow down in the near future, it's more likely to be the opposite, namely that this growth will increase further.

› **Will e-commerce and traditional commerce integrate?**

– Yes, to a certain extent. E-commerce is also retail, only the sales take place via another channel. However, we do see a growing trend



»We see no signs of growth slowing down.«

in that businesses are becoming increasingly multi-channel focused. There will always be physical retail as well, but the channels will become increasingly integrated and we will no longer talk about physical retail, e-commerce or m-commerce.

› **How much will e-commerce increase in the years ahead?**

– The forecast for e-commerce growth in 2013 is 18 per cent, which means that e-commerce accounts for just short of six per cent of the total sum of retail sales in Sweden. ➤

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BOOK GEEK

Name: Fredrik Kolterjahn.

Age: 38.

Job: Sales Manager/Senior Consultant HUI Research.

Family: Partner, who is studying psychology.

Lives: In the autumn in Malmö, otherwise in Stockholm.

Leisure: Great film and book geek. Tries to work out and loves to travel.

Last purchase on the Internet: Tested ordering an Apple TV directly from Apple in the USA. He has a postbox via Amex that he can order through. It went well but after customs and VAT charges, it cost the same as in the shops in Sweden.

»The option of ignoring it or turning a blind eye to progress doesn't exist.«

Fredrik Kolterjahn,
Sales Manager and Senior
Consultant HUI Research.

› What does this trend mean for the “traditional” retail?

– It provides an opportunity for retail to develop faster and wider than would otherwise have been possible. It's easy to forget that e-commerce is also retail, with the only difference being that the sale takes place via a different channel. As retailers and property owners, this is something you have to relate to. The option of ignoring it or turning a blind eye to progress doesn't exist.

› Does this imply a threat or an opportunity for owners of and investors in retail property?

– First and foremost, I think it is important to see it as an opportunity. An opportunity to work in a larger market and an opportunity to meet one's customers

in multiple channels, and thereby be able to offer more and better service.


However, it is obvious that it is challenging for many traditional business models. The traditional model, which is based on a rental income, which in turn is based on sales in an individual shop, can quickly become obsolete if an increasingly large proportion of the sales takes place at home on the couch and not in the physical shop.

Alternative ways of charging rent are required and perhaps even alternative ways of valuing properties. Today, the industry works very traditionally and many property owners are also contending with the differences between owning retail and office space. The logic differentiating these two types of properties is significant and will probably only increase over time. The one is not necessarily more difficult than the other, but it is important to understand that both require special skills and that it is not possible to apply the same template to both of them.

› How should one as an owners/investors think/act in view of these developments?

– First and foremost, it is important to acquire knowledge of what is happening and how it might affect you as a player in the market. Begin by digging where you stand, by that I mean consider what you have today and how you can develop that. It is not certain that everyone should engage in e-commerce, but everyone needs a plan for how they should act.

› Who are the winners of the future among shopping centres?

– Even in the future it will be those that have active owners who make investments in development and change. You need to know who the customers are and how and why they act the way they do. 

Fredrik Kolterjahn.

PICTURE: HUI

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Sweden's largest Shopping Centre Owners

Top5 // Shopping Centre Owners, Q3 2013

1 Steen & Ström
Country Manager, Sweden: Wilner Anderson.
Leasable shopping centre space: 370 000 sqm.

Steen & Ström is owned by French Klépierre (561%), Europe's leading shopping centre manager and Dutch ABP (439%), a pension fund for employers and employees in the Dutch government and the educational sector. Steen & Ström owns and runs over 40 shopping centres in Sweden, Norway and Denmark. Eleven of these shopping centres are in Sweden and this figure will increase as the construction of new centres is completed. Emporia in Malmö opened in October 2012. The mall consists of over 200 shops in an area comprising 68,000 square metres of leasable retail space. In conjunction with the completion of Emporia, Steen & Ström moved up to top position and is now Sweden's leading shopping centre owner in terms of leasable retail space.



PICTURE: SOPHIA GRIMMER

2 Atrium Ljungberg
CEO: Ingallil Berglund.
Leasable shopping centre space: 350 000 sqm.

When Atrium Ljungberg was formed in 2006 through the merger of Ljungberg Gruppen and Atrium Fastigheter, one of Sweden's leading property companies was created focusing on the development and management of retail and office properties. Today, Atrium Ljungberg is one of Sweden's largest listed property companies. The portfolio of primarily retail properties is distributed throughout growth areas in Sweden, mainly in Stockholm, Malmö and Uppsala. Centres the company owns in Stockholm, include Sickla Köp kvarter, Farsta Centrum and Port 73 in Haninge. In Malmö, Atrium Ljungberg's single largest project ever was completed in September 2013. Mobilia shopping centre has been doubled in size by the addition of over 30,000 square metres of leasable retail space.

4 Unibail-Rodamco
CEO: Christophe Cuvillier.
Country Manager, Sweden: Lars-Åke Tollemark.
Leasable shopping centre space: 260 000 sqm.

Unibail-Rodamco was both on the buying and the selling side in 2011-2012. In April 2011, Haninge Centrum, Väsby Centrum and Bålsta Centrum as well as an ICA Maxi facility in Helsingborg were sold for SEK 2.4 billion. In late August 2012, Unibail-Rodamco sold Eurostop in Halmstad for SEK 430 million. Land valued at SEK 630 million, intended for the construction of the Mall of Scandinavia shopping centre, was acquired in January 2012. Unibail-Rodamco thereby lay the foundation for Sweden's largest shopping centre project, Mall of Scandinavia, located beside the new National Arena in Solna and comprising approximately 100 000 square metres of leasable space distributed over 250 shops. The grand opening is scheduled for the autumn of 2015. In the north of Stockholm, Täby Centrum will also be expanded by approximately 25 000 square metres of retail space, and this is estimated to be completed in 2015.

3 KF Fastigheter
CEO: Bernt-Olof Gustavsson.
Leasable shopping centre space: 280 000 sqm.

KF Fastigheter is part of the KF Group, which is an alliance of the country's 47 consumer associations (co-ops) with over three million members and a retail group of supermarkets as its core business. KF Fastigheter manages and develops retail facilities. The property portfolio is concentrated to Stockholm, Gothenburg, Malmö and Mälardalen and the predominant portion is retail property. Along with SPP, KF Property also runs Handelsbodarna i Sverige AB, whose prime goal is to become the most environmentally friendly property company for retail properties. KF Fastigheter has a large number of development projects. Bromma Blocks, which comprises approximately 60,000 square metres of retail space, is the company's largest shopping centre.

5 Diligentia
CEO: Anders Kupsu.
Leasable shopping centre space: 220 000 sqm.

Despite the fact that Skandia Liv's property company, Diligentia, carried out a large number of property sales in 2011 and 2012, the shopping centre portfolio is more or less intact. The only shopping centre that was sold is the city mall Gyllen in Linköping, acquired by Lundbergs for SEK 259 million in October 2011. The two largest shopping centres in the portfolio are Frölunda Torg and Väla Centrum. The Nordic Council of Shopping Centers (NCSC) presented Väla Centrum with the "Best Nordic Shopping Mall" award in April 2013. Väla Centrum is located in Helsingborg and has 180 shops and restaurants in an area of 72 000 square metres.

This list is based on data collected from the companies' websites. The list relates to leasable retail space. It excludes big boxes and other specific external retail space. Source: Newsec

8 questions

to Wilner Anderson, Country Manager, Sweden at Steen & Ström



PICTURE: STEEN & STRÖM

› You've passed Atrium Ljungberg and are now top of the list of Sweden's largest shopping centre owners. What does being largest mean to you?

– It's good, but it's not really of any major practical importance. It may possibly give us an advantage in certain contexts; being largest in our area gives us more say in certain issues.

› You have taken this step up on the list thanks to the opening of Emporia – 68 000 square meters – in Malmö. How satisfied are you with the shopping centre so far?

– I'm very satisfied in so much as it is a well-functioning shopping centre. But good can always be better, there are always details that need to be corrected and we are getting there.

› How much do you have left to rent out?

– We ran into a couple of issues that meant that we had a few thousand square metres vacant at the opening. But we have filled some of this space now and in the current situation we have about 2 000 square metres left. I expect that it will be fully leased a bit into next year at the latest.

› Have you been able to charge the rents you had anticipated?

– Yes, we have.

› You also develop the new mall in Kristianstad – Galleria Boulevard – where the old Domus was rebuilt and is now 28 000 square metres of retail space, and Allum in Partille, which will be extended by approximately 14 500 square metres. The first stage in Kristianstad is opening now, but both projects will be completed later than you had originally anticipated?

– The market is much more cautious today than it was a few years ago. All new project decisions are now to be taken at board level, which means that it takes much longer than when the

project leaders could decide themselves. This also means that our owners are tentative in their investment decisions.

– In Kristianstad, we are opening a third of the project now, one-third next autumn, and the last part quite soon thereafter. In Partille we have extended our collaboration agreement with the municipality and we are waiting for the final internal decision. It is hoped that we will be able to start construction in the second quarter of 2014.

› In addition to Kristianstad and Partille you have an expansion of Torp's shopping centre in Uddevalla and new construction work in Borås in the pipeline. Are you also interested in expanding through acquisitions?

– Yes, we are looking around all the time and hope that we will be able to acquire something in the next few years. However, there are not very many prospects available. We are interested in prospects that can be developed; there are not many Kristianstads or Allums. Many of the most coveted shopping centres today also have stable owners; the market is rather stagnant.

› Will you be on the sell side in the coming years?

– I would think so, and then it will be about fully developed shopping centres.

› Finally, the company is undergoing a reorganisation that involves greater integration with the prime owner Klépierre. What does this mean for you in Sweden?

– The owners have become increasingly apparent in their presence and their control. I have previously reported to our headquarters in Norway, who have then reported to Paris. Right now, these routines have been changed so that I will be reporting directly to Paris from now on. ■

How will the retail market develop in the coming year?

■ What is happening to rental levels, vacancies and yields on the Swedish retail market? Two experts give their view on the subject. **Text:** Eddie Ekberg



LARS BACKEMAR
Backemar Consulting

► **How will the rental market for retail property in Stockholm develop during the coming year?**

– It will be stable. I can't see that there is any scope for general rent increases in Stockholm.

However, some parts of central Stockholm can develop further and thereby allow for higher rental levels. In several of the shopping centres in the Stockholm region we can even expect downward pressure on rents due to tough competition and already existing vacancies together with, in many cases, poor profitability for many of the retailers. Generally speaking, the location and the customer flow are going to be increasingly critical for rental levels.

► **How will the vacancies situation for retail property in Stockholm develop during the coming year?**

– Vacancies have increased in recent years due to weak consumer spending and lack of profitability. However, we can hopefully look forward to improved economic conditions during the year to come, which should lead to increased consumption, improved profitability and reduced vacancy volume.

– Many retailers are still very selective with regard to new set-ups and several are focusing on consolidation rather than expansion. Uncertainty is very apparent and attractive locations with large flows are becoming increasingly important. It will still be difficult to rent out in secondary locations and shopping centres with high degrees of vacancies. Vacancies in Stockholm City are very low.

► **How will the yield for retail properties in Stockholm develop during the coming year?**

– It will be stable but it will vary a great deal. Many international investors are showing great interest in Stockholm but they are seeking only the biggest and best properties and these properties are not coming out onto the market.

– Over the past year, relatively few transactions have taken place, due to a great extent to very differing price expectations between buyers and sellers. Risk is being assessed on a larger scale, which is pushing up the yield rate for secondary shopping malls and retail centres. Retail parks are assessed as being at greater risk in the light of such things as increased vacancies and declining interest from retailers.

– Due to this uncertainty sales processes are narrow, i.e. the sellers do not adopt a wide perspective, and instead they focus on knowing their market. Several international funds that bought four or five years ago, would like to exit now but because of reduced values and demand they envisage that this will be difficult.

► **How will the commercial turnover for retail property in Stockholm develop during the coming year?**

– We see an increase in consumption that is expected to rise further in the coming year. Leading forecasters are predicting around 2.5 per cent growth in retail sales in 2014. Many indications suggest that Stockholm will develop more strongly. Stockholm is one of the fastest growing regions in Europe. However, this purchasing power is up against considerable competition and consumers are increasingly prioritising spending their money on travel, experiences, eating out, health and wellness.



MARTIN INGVARSON
Optimal Progress

► **How will the rental market for retail property in Stockholm develop during the coming year?**

– In the short term, this is linked to the speed of recovery both for Sweden and Europe

in the wake of the euro crisis. There are many indications that this recovery has already started, which would lead to something of an increase in rental levels, especially in prime locations.

– Many retailers are suffering from the tough economic climate and increased competition, particularly from e-commerce, which means that retailers are focusing on the most attractive store locations. The trend of diversified rents – i.e. that good locations increase more than poorer locations – will continue. Among property owners we can also see widespread exaggerated belief in both yields and rents, especially in the slightly poorer locations, due to the unrivalled developments that took place from the late 1990s up until 2008. Today it is the tenant's market: for example, many retailers, both large and small, demand that the landlord provides substantial investment grants in conjunction with start-ups.

► **How will the vacancies situation for retail property in Stockholm develop during the coming year?**

– In recent years we have seen vacancies even in prime locations in the city and good shopping centres. These will be filled, however due to the chains' slower rate of expansion the high vacancy rate will continue for a while yet.

► **How will the yield for retail properties in Stockholm develop during the coming year?**

– In the short term, yield rates will remain at a stable level. All indications suggest that interest rates will rise slightly in the coming year, which would mean a slight increase in yield for the most attractive commercial properties, however, we believe that Stockholm is so expansive (the capital has grown by the equivalent of an entire Uppsala in the last five years) and attractive that yields will remain at the same level or may even drop slightly, at least for non-prime locations.

► **How will the commercial turnover for retail property in Stockholm develop during the coming year?**

– Due to the considerable migration that is taking place and the low rate of development in the retail sector in recent years anything but an increase in commercial turnover would be surprising. Improved economy and a fifth earned income tax credit also means that consumers will have more money to spend, which also implies increased overall turnover. ■

*»In the near future
yield rates will remain
at a stable level.«*



LIKE SAILING

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Ann-Charlotte Lydén, Head of Newsec Retail Development.

When will the shopping centre owners react?

Purchasing decisions are increasingly being taken at home or in places other than in stores. The physical store is now just one of several sales channels. Today, customers can shop anywhere – around the clock.

Today's consumer attaches great importance to what other customers think. On the Web and in social media there are thousands of reviews, ratings, guides and instructional videos that have far greater influence over a purchase than traditional advertising. Retailers are facing new social behaviour. Customer feedback is immediate and is readily available for all. When our friends and role models claim that a product is good or bad, we trust in their opinions and many times make our purchasing decisions accordingly.

E-commerce's share of the total sum of retail sales is still a small proportion, just over five per cent, but it is growing steadily and in 2020 it is estimated to be around 10–15 per cent. More and more retailers are integrating the digital world with the physical, and are thus creating a “seamless” experience for the customer.

Today, much of the debate revolves around the view that e-commerce is taking sales from the shops, the shops are becoming showrooms and turnover rents are falling. Shopping centre owners are trying to find ways to access the e-commerce sales and they want them to be included in the turnover rent for the physical shops.

SHOPPING CENTRE OWNERS should instead encourage retailers to succeed in their multi-channel solutions and focus on creating additional flows to the centre, facilitate the collection of delivered goods on site for the customers and see this as a reason for reducing the retail space to allow for yet more concepts in the retail mix. The long-term well-being of retailers contributes to the long-term well-being of shopping centre owners!

Changes in buying habits mean that property owners have to be

» For the shopping centre owner it is the ability to create customer flows that is the new currency.«

even better at creating flows and an attractive and enjoyable experience that makes the customer feel comfortable and want to come back to the shopping centre again. Shopping centre owners must now create real factors that can remind customers of the value of visiting their shopping centre. Factors such as hygiene considerations and other basic areas have frequently been stripped away in some kind of aspiration to saving money.

RETAILERS ARE REVIEWING their store portfolios and selecting new, appealing retail locations such as train stations and airports. An online store has the advantage of being able to present more products than a physical shop, but the physical presence remains to be important. Netonnet for example, increased its sales in all channels when the physical stores were launched.

The shopping centre owner is used to setting the pace and determining the conditions but we are now seeing a shift where power is being transferred to the consumers and the retailers are making higher demands on their landlords. Those who can transform this new consumer behaviour into knowledge and thereby improve the design of their shopping centres will be the winners. For the shopping centre owner it is the ability to create customer flows that is the new currency. ■



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