



PORTRAIT

Lars-Åke Tollemark leads
Unibail-Rodamco-Westfield's
Nordic progress

SWEDEN TODAY

Novi Real Estate's CEO Marie
Bucht on the Swedish
market trends

RETAIL

What happens when
Amazon enters Sweden?



Extra
magazine
inside!

THE LEADING PROPERTY MAGAZINE IN THE NORDIC REGION

Stockholm is a springboard in the Nordics

IN RECENT YEARS there has been a proper high pressure on the Swedish market in terms of foreign actors looking for store locations here. International icons, such as Hugo Boss, Chanel, Michael Kors, Louis Vuitton, Victoria's Secret, Hackett and

» Stockholm is expected to have the largest rental growth in the segment in the Nordic countries.«

Apple are already represented with flag-ship stores here. Reports establishes that Stockholm is a springboard for retailers on their way into the Nordic market, and has the highest density of international retailers compared to other Nordic cities. Stockholm is expected to have the largest rental growth in the segment in the Nordic countries. So the market for investments in retail proper-ties in Sweden is also strong, and interest from international investors remains great.

IN SUMMARY, there is an incredible amount of exciting things happening on the Swedish retail market.

AS A PREPARATION ahead of this year's fair, you can read our full-to-bursting trading theme in the magazine you are holding.



Editor-in-chief // Eddie Ekberg

HAPPY READING!

4 2018 // Year 14

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On the cover // Lars Åke Tollemark
Read the interview on page 22.

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We are number **one** in Stockholm with over **100 000** + rented out m². With our experience from having worked with property owners, property consultans, retailers and restaurants we easily identify the chritical parameters within the process.

According to the swedish property magazine "Fastighetssverige" 2018.

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Contents // 4 2018



22 Lars-Åke Tollemark leads Unibail-Rodamco-Westfield's Nordic progress.



8
News
The latest news from the Swedish real estate market.



12
Sweden today
Novi Real Estate's CEO Marie Bucht on the trends of the Swedish real estate market.



18
Amazon
Emma Hernell, deputy CEO of HUI Research, on the effects of a Swedish entry from Amazon.



The Future of Retail

AMF Fastigheter has launched The Lobby to meet the future of retail. ~ 20 ~

Annelie Gullström.

Technical development nothing new

■ How are jobs and productivity affected by new technological achievements? Christina Nyman, Head of Forecast at Handelsbanken, analyzes the development and sees historical parallels that indicate that technological development does not have to equal fewer jobs.

In large parts of the western world, the proportion of the population of working age is reducing. Due to, among other things, that the baby boomers are heading into retirement and the fact that we live longer, but another important explanation is that birth rate is dropping. The changing demographics will pose a challenge in several ways. Slower growth in labor contributes to the fact that production cannot grow as fast going forward. In addition, an increased proportion of older people means that fewer need to provide for more.

Therefore it will be important how much is produced per working hour, that is, productivity. Economists usually say that “productivity is not everything, but in the long run it is almost everything”. The opportunity to increase GDP and standards of living over time depends almost entirely on the ability to increase production per working hour. It must also be done in a long-term sustainable manner, which does not tare the planet’s resources.

HIGHER PRODUCTIVITY creates conditions for both higher income, shorter working days, longer holidays and a better public service. Productivity is strongly linked to the technological development and the innovations that are being made. Around the turn of the millennium, productivity increased sharply in Sweden after a prolonged period of increased investments in research and development, as well as the introduction of new IT-related technologies.

CHRISTINA NYMAN

Age: 52.
Family: Married, two daughters.
Resides: Sollen-tuna.
Title: Head of Forecasting at Handelsbanken.
At Handels-banken since: September 2017.
Previous employer: Riksbanken, National Institute of Economic Research, SEB, ABB.
Interests: Sea life, cycling and crafts of all kinds.


THE LAST 200 YEARS have been unique in human history. Growth has been two to three percent per year. This is comparable to the fact that growth in the western world from the Anno Domini to 1820 is estimated to have been around 0.1 per cent per year. At the same time, medical progress has led to a doubling of life expectancy since the mid-1850s. But after the global financial crisis 10 years ago, productivity has risen considerably slower, which is partly due to the global investment rate going down after the financial crisis. This is not just in Sweden, but a global phenomenon.

DESPITE DIGITIZATION, automation, robotization and the development of artificial intelligence, we have not managed to produce much more per working hour. Smartphones and e-commerce have definitely influenced our lives and companies like Apple and Amazon are among those rated highest worldwide. However, it is difficult to measure the productivity effects of new internet services that are free, or at least almost free. At the same time, there are many indications that smartphone and internet services like Facebook have influenced our everyday lives, but not how we work.

Digital technology has transformed a handful of industries, but most of us have jobs that have been around for 30 or 40 years. We use computers and this is an important change in itself. However, this is a change that occurred mostly in the 1990’s and early 2000’s, so there was a temporary increase in productivity (and wages and GDP) during that period.

THE AMERICAN ECONOMIST Robert Gordon believes that the rapid technological development of the past two hundred years has been driven by a number of successful events that are unlikely to be repeated in the future. He sees the decline in productivity as a return to a more normal state. The IT and Internet revolution cannot measure up to previous innovations such as electricity and the steam engine.

There are still among us many economists who estimate that productivity will increase faster in the future. Global investments have begun to accelerate and we expect the effects of increased digitization and the use of artificial intelligence to make an increasing impact on the economy. Past experiences indicate that it takes time before technological innovations lead to higher productivity and GDP. Electricity began to be used around the turn of the 1900s, but it was only after World War II that the large boom of productivity emerged. It simply takes time to build companies that can fully utilize the productivity benefits of the new technology.

THERE IS NO DOUBT that artificial intelligence will cause some jobs to disappear, just as industrialization did during the 20th century. For example, the transport sector where self-propelled cars, taxis, buses and trucks greatly reduce the need for labor while increasing the capacity of our roads. But higher productivity and technical development increase demand for labor in other industries. Therefore, technological development does not have to equal fewer jobs and higher unemployment. 



PICTURE: HANDELSBANKEN



Here are the **20** most read articles at nordicpropertynews.com since August, the numbers represent the most read-rating. Please visit the site and register for the only newsletter dedicated to the Nordic property market to receive the latest news – three times a week. **By:** Axel Ohlsson

PICTURE: NCC



NCC makes major investment in Bromma.

11 NCC Purchases in Stockholm – Invests SEK 2.5 billion in Development Project

 NCC is purchasing a property from ICA Fastigheter with approximately 50,000 square meters of development rights for offices, retail and a hotel. NCC has also signed 15-year leases for approximately 20,000 square meters.

The property is located adjacent to the Bromma Blocks shopping area at the entrance to Bromma Airport. NCC's project covers approximately 50,000 square meters divided into offices, shops and hotels

immediately adjacent to a planned light rail station. NCC has signed leases comprising 20,000 square meters for a Maxi ICA Stormarknad supermarket and a Biz Apartment long-stay hotel with some 175 hotel apartments. The total investment for NCC is expected to amount to approximately SEK 2.5 billion.


"We are proud to be creating a new, attractive office offering in Bromma. At the same time, we are developing a vibrant area with a strong service offering and

proximity to transport links," says Katarina Wählin Alm, Head of NCC Property Development Sweden.

The area has a strategic location that will provide favorable conditions for the development of new, modern workplaces. The surrounding area is also a designated urban-development area that is gradually growing to include new housing, schools and commercial premises. **2018-09-19**

PICTURE: KLOVERN

7 Klöver CEO Becomes Largest Owner in Castellum

 **PLUS** Rutger Arnhult, CEO of Klöver, and large owner of Corem, Klöver and Sagax becomes the largest owner in listed Castellum. He tells Nordic Property News of the future of the company and his feelings on his ownership.

Klöver CEO Rutger Arnhult has become the single largest shareholder in Castellum. At the end of August,

Arnhult passed the five-percent limit and now owns a total of 15.5 million shares.

"Castellum is a stable and well-managed real estate company. What could be better than that?" he tells Nordic Property News.

➤ Castellum's share price has developed well over a long period of time. Why did you choose to enter now?

"The development has been sensational. We do not feel we are making our entry right now. Certainly, we bought some shares now, but we bought the large part of our shares when the price was low just over a year ago." **2018-09-24**

Rutger Arnhult.



3 "It Is Driving Prices Up to Unprecedented Levels"

 **PLUS** CBRE Finland's new MD Colin Waddell, tells Nordic Property News his views on the Finnish market and the large foreign interest in Finland.

Colin Waddell, newly appointed MD of CBRE Finland, sees factors that are great for sustainability in his new home market.




Colin Waddell.

"I am impressed by the level of domestic and foreign activity in the investment and leasing markets. I understand that investment volumes are already close to record levels and that is always a good thing in terms of confidence in the market. I am genuinely surprised at the level of indigenous institutions (pension funds, insurance and cooperatives) who are investing into Finnish property. This is great for the sustainability of a market but it is driving prices up to unprecedented levels. Modern office stock levels (over 8M sqm) appears high but I am not yet in a position to comment further until I understand it better."

➤ How do you see the market develop going forward?

"I will be in a better position to answer this in 6-months' time however what I can say is that other European capital cities are adapting to the same pressures. The traditional retail classes of high street and malls are particularly under pressure as retailing trends change however many people still prefer a physical shopping experience – rather than clicking buttons with online shopping. Therefore, retail in Finland will likely polarize more where the best retail malls and high street areas will do well but and secondary/poorly positioned retail will find life more and more difficult. With regard to offices, much has been commented on third-party office providers (WeWork, Instant, etc) where traditional occupiers are outsourcing the responsibility of their office needs to third party providers however they still only comprise a small part less than 5 percent) of European office stock market and therefore we have a long way to go before their impact is material. However what is more interesting is the changing basic requirements of office occupiers with greater emphasis on – environment, amenities and flexibility." **2018-09-17**

12 CEO Leaves Tobin Properties

 Erik Karlin, co-founder and CEO, leaves his position at Tobin Properties, now owned by Rutger Arnhult's Klöver.

"Erik Karlin is one of the founders of Tobin Properties and he has made very good efforts to build the company. The company is now in a phase where there is a new main owner, while the company's focus is currently on completing existing projects. The Board and Erik have therefore agreed that Erik will resign as CEO of Tobin Properties. On behalf of myself and the Board, I would like to thank Erik for his great

commitment and work for the company," says Patrik Essehörn, chairman of Tobin Properties.


Erik Karlin leaves the post as CEO effective immediately.

The Board begins the process of recruiting a new CEO for Tobin Properties. Patrik Mellgren has been appointed acting CEO of Tobin Properties. **2018-09-03**



Erik Karlin.

10 Deas Acquires Nordea Ejendomme

 Deas has reached an agreement to acquire Nordea Ejendomme for DKK 22 billion (EUR 2.95 billion).

The leading Danish provider of property and asset management services DEAS A/S has entered into an agreement with Nordea Bank AB regarding acquisition of the Danish property asset management company Nordea Ejendomme.

Nordea Ejendomme manages a portfolio of property investments worth approximately DKK 22 billion on behalf of Nordea Liv & Pension and a number of other institutional

investors, and is Denmark's largest provider of commercial leases with approximately 2,700 office, retail and logistics leases as well as approximately 1,150 residential leases.

DEAS will strengthen its position significantly in relation to asset management and property management with the acquisition of the activities of Nordea Ejendomme. Consequently the DEAS Group will manage a total real estate portfolio worth approximately DKK 140 billion. **2018-08-29**



Hanna Rauhala.

9 KIELO ON HMA ENTRY

 **PLUS** Kiello, managed by Brunswick Real Estate, keeps the investment pace up in Finland. After two new acquisitions Hanna Rauhala, Fund Manager at Brunswick, tells Nordic Property News of the Helsinki entry.

This week Kiello announced two acquisitions, notably a major transaction where they acquired a 53,000 sqm office portfolio in the Helsinki Metropolitan Area from Niam.

"We are very happy to find an investment opportunity of this size, making it possible for us to grow at a good pace, approaching EUR 500M in assets under management within one year from establishment," says Hanna Rauhala, Fund Manager at Brunswick Real Estate.

The acquisition from Niam is the first step into the Helsinki market for Kiello. A step that's taken even though the focus of the company is on regional cities.

"Our focus are the growing cities in Finland and although we do feel that yield gaps are favorable for investments in regional cities we have not excluded HMA from our sourcing activities. This investment, with properties in established office markets around the HMA fit our strategy and target returns and we believe it strengthens the attractiveness of the portfolio as a whole." **2018-08-31**

8 VONOVIA ACQUIRES STARWOOD'S SHARES IN VICTORIA PARK

 Vonovia has announced that the company now controls 81.4 percent of the shares and 81.1 percent of the votes in Victoria Park.

Vonovia, through its subsidiaries, acquired all the shares in Victoria Park owned by a controlled company of Starwood Capital Group. The acquisition relates to 27,074,397 Class A shares and 32,486,304 Class B shares. **2018-09-05**

NORDIC NEWS

2 KILDARE'S PLANS FOR TECHNOPOLIS

PLUS Kildare Partners increases their mark in the Nordics. After having acquired a large portfolio from Kungsliden in Sweden the company bought the shares in listed Finnish company Technopolis. Kildare Partners entered the Swedish market in the summer of 2017 by acquiring a portfolio of 18 industry and logistics properties in 13 different municipality. The portfolio had a total lettable area of 277,000 sqm and an annual rental value of MSEK 110 (EUR 10.3M). Kildare Partners paid MSEK 882 (EUR 83M) to Kungsliden. Side by side with the management of Swedish portfolio, Kildare Partners are making moves on the other Nordic markets. Last week the company made a public cash tender offer for the listed Finnish company Technopolis. An offer that the board of Technopolis recommended the shareholders to accept. Kildare Partners has big plans for the future of Technopolis. "We plan to expand Technopolis' operations across Europe, which can include Sweden," Emer Finnan, Partner at Kildare Partners, tells Nordic Property News. **2018-09-03**



Stenvalvet acquires in Örebro.

PICTURE: STENVALVET

5 THE LARGEST NORDIC BUYERS IN 2018

NORDIC **PLUS** Nordic Property News can present a list over the largest buyers among the listed companies in H1 2018.

The list includes the listed large and mid-cap companies from the Nordic countries. All figures are from the financial reports and present the figure for which the companies has divested in H1 2018. **2018-09-07**

1. D Carnegie	MSEK 4.607 (EUR 436M)
2. Hemfosa	MSEK 3.358 (EUR 318M)
3. Klövern	MSEK 2.855 (EUR 270M)
4. Balder	MSEK 2.839 (EUR 269M)
5. Jeudan	MDKK 1.688 (EUR 226M)

See the complete list on Nordicpropertynews.com



PICTURE: BLACKROCK REAL ASSETS

4 American Giant Enters Finland

PLUS Blackrock increases their Nordic footprint by acquiring an office building in Helsinki. Victor Persson, Vice President, Blackrock Real Assets, tells Nordic Property News of the acquisition in Ruoholahti and their view of the Finnish market. Blackrock Real Assets and Institutional Investment Partners (2IP) have acquired an office building in Helsinki, Finland from a fund managed by AXA IM Real Assets. This acquisition represents the first real estate equity investment completed on behalf a German insurance company and was completed as part of a global separate managed account on Institutional Investment Partners' German platform. It is a continuation of BlackRock's increased investment activities in the Nordic countries.



PICTURE: CUSHMAN & WAKEFIELD

Karl Persson.

6 Why Cushman & Wakefield Increases Their Nordic Focus

NORDIC **PLUS** New Head of Sweden tells Nordic Property News why Cushman & Wakefield will increase their focus on Nordic collaboration. Karl Persson was appointed new Head of Sweden at Cushman & Wakefield succeeding Agneta Jacobsson. He will work towards an increased focus on Nordic collaboration. "That work already started under Agneta's management, but we see that the number of customers working

The office building is located in the Ruoholahti area of Helsinki, and it has a gross leasable area of 12,360 square metres. Built in 1984 and refurbished in 2012, the Porkkalankatu 5 building accommodates five tenants on six floors. **How does Blackrock view the Finnish market?** "We like the Finnish market for real estate. Specifically, the Helsinki office market which has seen recent positive development of underlying fundamentals such as vacancy, take-up and rental growth which we expect to continue. Having said that, we are not limiting ourselves to only investing in the office market, we are also considering e.g. the logistics and warehouse segment." **2018-09-26**

across national borders is increasing and in order to provide them with the best service, we will strengthen our cooperation with our affiliates in the Nordic region even more," Karl Persson tells Nordic Property News. "You must respect that there are four different nations and four different markets, where one country has the Euro and the Danish crown is attached to the Euro. At the same time, there are a lot of similarities between the markets and we hope to strengthen our Nordic business, both with existing and new customers." **2018-09-19**

1 Why Amazon Might Cause a Swedish Warehouse Boom

PLUS Amazon is rumoured to open up shop in Sweden within the near future. Kevin Mofid, Head of Industrial Research at Savills, tells Nordic Property News why the American giant might cause a boom in the Swedish warehouse market. Online retail account for 9 percent of the Swedish retail market before the rumoured arrival of Amazon. When that number reaches 11 percent Kevin Mofid, Head of Industrial Research at Savills, think that Sweden will reach a tipping point where the demand for warehouse space explode. Sweden reaching 9 percent without the presence of Amazon is setting up for a boom in warehouse and for a trend that's here to stay.



PICTURE: SAVILLS

Kevin Mofid.

"The rumours are that Amazon is coming to Sweden and the Nordics, and if our experience in the UK is to be repeated across Europe and into Sweden and the Nordics - which I think it will be - once you reach that tipping point of 11 percent and with the added benefit, potentially, of Amazon launching a direct service in Sweden and the Nordics it's easy to see the that same conditions will be achieved and we will see that explosion of warehouse space," says Kevin Mofid. "In the UK the long-term average level of take-up effectively has doubled because of those trends - and those are here to stay, in my opinion." **2018-09-10**

13 "I Think We Will See a Housing Shortage"

PLUS The Swedish housing market are seing tough times with several developers struggling. But Anette Frumerie, CEO of Besqab, sees a potential shortage on the horizon. The Swedish housing developers have been the ugly duckling on a blooming Swedish real estate market. Several companies have seen hard times and have had to postpone projects resulting in free falling shares.



PICTURE: NICKLAS TOLLESSON

Anette Frumerie.

The housing prices have gone down but Anette Frumerie, CEO of Besqab, sees a stable fall. "I think housing prices will be stable this fall," she says on stage at the Fastighetssverige seminar Fastighetskvinnan. The tough times have resulted in few projects getting started - something that Anette Frumerie thinks will have effects going forward. "Fairly few projects get started. So within a year I think we will see a shortage," she says. **2018-09-10**

14 Wihlborgs Looks for More in Copenhagen

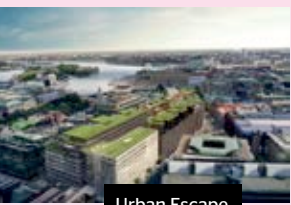
PLUS Wihlborgs made a big splash in Denmark by acquiring a 165,000 sqm portfolio for DKK 1.8 billion last summer. And the company is looking for more. "That we would expand further West in Denmark is unlikely. We focus on Copenhagen and municipalities around Copenhagen. And we work in the same way there as we do in Sweden; by being a strong player in a specific location," says Ulrika Hallengren, CEO of Wihlborgs. "But to keep growing in Copenhagen, where you're starting to see growth, feels exciting."



PICTURE: WIHLBORGS

Ulrika Hallengren.

New acquisitions in Copenhagen is a possibility for Wihlborgs going forward. "Through the acquisition last year we got a few properties with development potential that we are making investments into." "And then we are of course looking for other possibilities." **2018-08-29**



PICTURE: AMF FASTIGHETER

Urban Escape.

19 Microsoft to Urban Escape

PLUS Microsoft has rented 3,000 sqm in AMF's Urban Escape. International tech giant Microsoft has reached an agreement to rent 3,000 sqm office space in AMF Fastigheter's Urban Escape in Stockholm CBD. The office will hold 600 employees. "We are pleased that Microsoft chooses Urban Escape," says Mats Hederos, CEO of AMF Fastigheter. Microsoft will move in to the new offices in September 2019. **2018-09-07**

20 TRISTAN'S LONG-LIFE FUND MAKES FIRST FINNISH ACQUISITION

PLUS CCP 5, a long-life core-plus fund advised by pan-European investment manager Tristan Capital Partners, has acquired two interconnected modern office buildings in Aviapolis, next to Helsinki Airport for around EUR 34M. The properties are the first Finnish assets in the Fund. **2018-09-03**

18 ABERDEEN STANDARD INVESTMENTS BUYS IN AARHUS

PLUS Aberdeen Standard Investments has acquires two properties in Aarhus. The transaction price is MDKK 210 (EUR 28M). The property is mixed between retail and office. It is acquired by the Aberdeen fund Aberdeen Property Nordic Fund 1, which focus on core. **2018-08-27**

17 SKANSKA BUYS BUILDING PLOT IN OSLO FOR EUR 35M

PLUS Skanska has purchased a 19,000 square meter building plot in Oslo for MNOK 340 (EUR 35M). Skanska plans to build 280 Breeam-certified apartments, as well as an office building. The project, which starts in 2022, will be completed in 2027. **2018-09-13**

16 VVT ACQUIRES A LOGISTICS PROPERTY CLOSE TO HELSINKI AIRPORT

PLUS VVT Property Fund I Ky has bought a logistics property close to Helsinki Airport from Union Investment. The entire 6 600 square meter building is leased to Dayton Group. The property is located in the Aviapolis submarket close to the Helsinki-Vantaa Airport. Catella acted as Union Investment's advisor in the sales process. **2018-09-24**

15 STENVALVET ACQUIRES FOR EUR 76M

PLUS Stenvalvet has acquired the properties Athena 5 and Athena 19 in Örebro from Örebroporten for approximately MSEK 800 (EUR 76M). The acquisition is one of Stenvalvet's largest since the start in 2010. With the acquisition Stenvalvet enters Örebro and opens a office in the city. The two acquired properties has a lettable area of approximately 45,000 and with the acquisition Stenvalvet now owns properties totalling 140,000 sqm in western Mälardalen. **2018-09-17**

“Still a good market, but the growth is slowing down”

■ A strong office rental market, increased interest in rental housing and a logistics sector on its way up. The Swedish real estate market continues to grow strongly and attract interest from abroad.

“Sweden is a stable and liquid market and there is a large interest for it,” says Marie Bucht, CEO of Novi Real Estate. **By:** Axel Ohlsson

CONTINUED LOW INTEREST rates and strong growth in the economy have contributed to the fact that it has been good business to be in real estate on the Swedish market.

“The market seems to be doing well with continued rental and value growth even in 2018. It has been good for basically all segments so far this year,” says Marie Bucht.

The market is strong largely due to an office market that has become increasingly hot in recent years.

“It is still a hot office market with high demand for premises and low vacancies, which leads to continued rental growth in the metropolitan areas.”

“In Stockholm, you expect an approximately 8 percent rental growth this year and last year it was significantly higher, so it looks good, but it is slowing down. In Gothenburg you have currently the lowest vacancy rate in ten years.”

› **Do you see this strong office trend continuing going forward?**

“Yes, I think it will look good this year. We see high demand for premises and continued rental growth even though it is lower than last year.” ›



»The market is doing well, but not as well as last year, and then there is a difference in price expectations between sellers and buyers.«

➤ **IN ADDITION TO THE STRONG** office market, the logistics sector continues to sky rocket.

“That market has done well and has grown even stronger. We see continued strong growth in the logistics market.”

“This is partly driven by the progress of e-commerce and the restructuring of the entire industry and the new needs that this entails. There is an incredible amount of logistics involved in all parts of the real estate sector. We are experiencing rapid development to streamline and work smarter with all types of flows to and from different types of real estate.”

“There is a lot going on in the logistics market, both in Greater Stockholm and Gothenburg, where there is a huge development of the port. You also see that international players are interested in logistics, especially when big players like Amazon look towards Sweden.”

While logistics and offices go strong, there are other segments who are facing harder times.

“Housing developers continue to see tough times. Retail is also facing challenges and a much more demanding market.”

In a world where globalization and urbanization are two driving trends, Sweden is no exception. The large cities Stockholm, Gothenburg and Malmö continue to dominate the real estate market. But there is interest for regional cities as well.

“As long as we have a strong economic climate, there is a demand to acquire real estate in growth regions.”

SWEDEN COMES FROM a couple of record years in terms of transactions. During 2018, there is a somewhat slower market where the transaction volume will end at a slightly lower level than in 2017.

“It depends a bit on who’s figures you look at when talking about transaction levels. But I could see 30 percent lower than last year. Usually some larger transaction gets done by the end of the year.”

➤ **Do you see any particular reason for the volume decline?**

“You notice that banks are more careful about who they lend to. But mainly, I think it is a question of there being more buyers than sellers and lack of objects.”

“The market is doing well, but not as well as last year, and then there is a difference in price expectations between sellers and buyers. It also draws down the volume.” ➤



Official name: The Kingdom of Sweden.

Political system: Constitutional Monarchy, with parliamentary government.

Head of State: King Carl XVI Gustaf.

Language: Swedish.

Population: 10 million (85% live in urban areas).

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

Time zone: GMT + 1 hour.

Currency: 1 krona = 100 öre.

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

Noteworthy memberships: EU since 1995, WTO, OECD.

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

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

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

Source: Invest Sweden





PICTURE: NICLAS LIEBERG/PROVIEREN

MARIE BUCHT TORESÄTER
Age: 51.
Lives: Sollentuna.
Family: Husband, three children, two bonuschildren.
Title: CEO of Novi Real Estate.
At Novi since: March 2017.
Interests: Skiing both alpine and crosscountry, and spending time with family and friends, preferably over food and boardgames.

› “But it must be remembered that even if it is slightly lower in 2018 than in previous years, these are still good transaction volumes.”

› **What development do you see in the beginning of 2019?**

“The industry is very dependent on the interest rates and it does not seem that there is a high likelihood that interest rates will be raised that much before 2019, so I think 2019 will start the same way 2018 will end.”

“It is still a good market, but growth is slowing down. So we see sluggish rent growth, but we still have very low vacancies which, in the metropolitan areas, mean that, although it is a subdued growth in rent, it is still a good rental market.”

“There is also a continued interest in acquiring real estate and that will last.”

› **How do you see the interest rate development?**

“The Riksbank will raise interest rates, but I do not think it will happen this year.”

The strong Swedish market is not only interesting for the domestic companies. There has been a large foreign interest in Swedish real estate for a long time and this continues to be strong.

“Since Sweden is a stable and liquid market, interest remains high. There are relatively high prices, but international investors definitely want to do business in Sweden,” says Marie Bucht.

› **What are they interested in?**

“They mainly look at offices and logistics. We also see that residential has caught the eye of foreign investors, as could be seen recently when Victoria Park was acquired.”

BUT EVEN IN A STRONG MARKET, you need to keep your eyes open to risks and changes.

“You need to see how the growth is developing. We in Sweden run the risk not being as resistant to a recession this time when the housing sector is affected. People cannot continue to borrow to purchase because the value of houses has fallen. This affects private consumption and growth.”

Even outside Sweden’s borders there are clouds on the horizon.

“We are of course affected by the increased protectionism in world trade.”

“Then there can always be global crises that you cannot really predict. Today, there are so short lead times that external shocks can spread very quickly.”

“As an example, you can see the statement that Jimmie Åkesson (leader of the Sweden Democrats) made about a “Swexit”. Nobody in Sweden thinks it is reasonable, but that statement alone caused international worry about Sweden leaving the EU.”

JIMMIE ÅKESSON AND Sweden Democrats’ advances in the parliamentary elections were strong contributors in creating a parliamentary insecure position in Sweden. But Marie Bucht does not believe it will affect foreign investors looking to invest in Sweden.

» *We are of course affected by the increased protectionism in world trade.* «

“It is the same situation in other parts of Europe as well, so we do not distinguish ourselves from the norm,” she says.

“Looking at the political situation we have in Sweden, I still believe that the Swedish wisdom will find a good solution.”

“Looking at the municipal level, the election results could mean that municipalities change their willingness to sell real estate, depending on the political color of the municipal government. Although at municipal level, the politicians are often more pragmatic in their ambition to solve issues and find the best possible solution for the municipality; political color is not as crucial.”

IF THE POLITICAL SITUATION in Sweden is shaky, it is the opposite situation at Novi Real Estate, who are having a great 2018.

“It has been a great year. The most important thing we have done this year is that we delivered returns and value growth to our customers. Which meant that all our customers chose to extend their agreements with us. It is really very good and we are very proud of it.”

“We always have new things going on, so there will be more exciting things coming from us before the end of the year.”

LIKES RIDING
AND SKIING

Name: Emma Hernell.

Age: 43.

Family: Husband
Fredrik and children
Felicia, 11, and Gabriel,
9.

Lives: Nora, Danderyd.

Title: Deputy CEO of
HUI Research.

Leisure interests:
Horseback riding and
skiing.

HUI RESEARCH

HUI Research is a consulting company that offers analyses and advice in the areas of consumption, socioeconomics and urban development. With 50 years of experience in retail analysis and research, the company plays a key role in the retail industry in Sweden. HUI Research is owned by Svensk Handel.

PICTURE: HUI RESEARCH

What happens when Amazon comes?

■ The American giant is aiming for Sweden – how will that affect the market? Emma Hernell, deputy CEO of HUI Research, analyzes what Amazon’s entry into the Swedish market can mean.

Do you remember when you heard of the Internet for the first time?

Jeff Bezos started the online bookstore Amazon before most of us had even heard that there was a web. The year was 1994 and operations started in a garage in Seattle. Three years later, the company made its IPO at a value of 400 million dollars. Today, Amazon is the world’s highest valued retail company, with twice as much revenue as the entire Swedish retail market accumulated, accounting for almost half of the US e-commerce market. And now they are about to establish themselves in Sweden.

WHAT IS AMAZON DOING so much better than everyone else?

First of all, the company is extremely long-term and invests a large part of the profit into research and development. Therefore Amazon can experiment with solutions that eventually lead to innovations like the voice steering service Alexa, totally cash-free stores like Amazon Go, physical stores with content based on consumer reviews, and their own TV channel.

Second, they are logistically skilled and manage to ensure the right product in the right place at the right time. Amazon is a platform company with multiple revenue streams. This means that, on the one hand, they drive traffic through a low-margin retail store and a wide range of products, and on the other hand they, do business with the third-party players who want to reach the huge flow of consumers that Amazon attracts. Warehousing and logistics and cloud services are significant parts of Amazon’s profits.

Third, Amazon’s loyalty program is an important part of the success. Fast delivery, the high-quality TV channel with high quality original TV series, music streaming services, and notably Alexa, facilitating simplified voice control, create loyal consumers with significantly higher purchases on average. Jeff Bezos himself has said that Amazon helps the consumer to ‘get shit done’. The loyalty program is only a little about experiences, discount checks and a lot about solving everyday problems. Amazon’s focus is the customer and they seem to have understood what the customer needs help with.

How well Amazon will do on the Swedish market will be determined by whether they are launching the entire loyalty program on the market or not. If Alexa learns Swedish by then, this is unclear at the time of writing, the same goes for whether Amazon from the start managed to provide faster deliveries than competitors in such a sparsely populated market as the Swedish.

SO WHAT ARE THE CONSEQUENCES of Amazon’s entry into the Swedish market?

First of all, increased competition and thus further pressure on prices in the industries where Amazon has long been dominant, that is, in books and home electronics, but also in beauty products,

»The company is extremely long-term and invests a large part of the profit into research and development.«

non-food cleaning products and non-food items, Amazon is expected to put a lot of pressure on the Swedish players.

EVEN THOUGH AMAZON is strong, they are not the best at everything. In things that are not need-related but require inspiration, Amazon is not very good yet. This means that both fashion and home decor are fairly protected industries. Instead, other platforms like Zalando prosper, as well as players that are skilled at interacting with influencers to inspire and create a will to shop.

Finding a niche, deepening the range of products that are unique and offering consumers the knowledge and networking with other consumers with similar interests or values can be a way of meeting the competition from Amazon.

For the whole physical retail, Amazon will pose a challenge. Already today, Amazon’s British website has a Swedish audience, which indicates that the interest of the Swedes is high. In addition, Amazon is expected to pursue a digital behavior among consumers, which, admittedly, may favor Swedish, but equally well international, e-commerce.

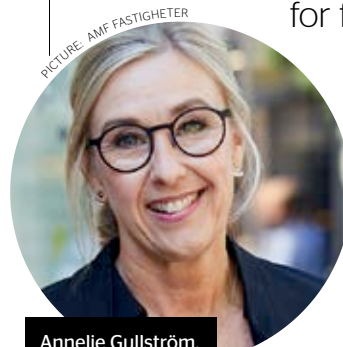
MOST IMPORTANT OF all is perhaps the fact that Amazon is also an amazingly possible sales channel in the world. For those who spend some time learning how the business model works and who have a unique product to market, Amazon is a sales channel that makes international expansion available in a completely different way than before. ■

The future of retail is already here

How do you work to handle the development of a retail undergoing change? For AMF Fastigheter, the answer was The Lobby, a new kind of retail venue that serves as a test space for future retail.

“The Lobby serves as our business development,” says Annelie Gullström, Business Development Manager at AMF Fastigheter.

By: Axel Ohlsson // Picture: Beata Cervin



Annelie Gullström,
AMF Fastigheter.

IN ORDER TO stay afloat on a retail market where e-commerce is rewriting the book on physical commerce, it is important to find new solutions. With five major retail venues in Stockholm with over 40 million visitors annually, AMF Fastigheter is no exception.

“Four years ago, we saw that e-commerce increased and began to think about what consequences it could have on physical retail. We began to look at the development of e-commerce and tried to understand how consumers change their behavior and how it in turn could affect the physical store. Somewhere there, an idea that we must start testing and working differently to really understand was born – we needed to find a place where we could allow ourselves to test out things and learn more,” says Annelie Gullström.

The space created became The Lobby. A test platform where the digital and analog experiences for shopping, service and social networking of the future emerge.

“When people adopt new technology, behavior tends to change whether we think about it or not. This puts new demands on how companies interact with their customers, how they communicate, how fast they are, how products and services look, and so forth.”

“All this means we have to challenge the existing business model. That is the core of The Lobby.”

THE TENANTS SIGN short leases and operate on an area where furnishings, personnel, payment systems, operations, and more are provided.

“Instead of signing a lease for several years, we will do a cooperation agreement of at least one month. This makes it much easier for e-commerce companies, for example, which do not want a permanent physical store with staff and all that comes with it. Then they can get closer to their customers for a shorter period.”

“The Lobby has evolved and become a place for event-driven activations. I think this is quite important when talking about the future of retail. It is said that the physical store is becoming more and more an experience that sells the brand and not primarily a sales channel.”

»We have to challenge the existing business model.«

“I think you need to think about what this means. Does it mean that the physical store does not have to be profitable in the same way and that you will use the physical store for other purposes? This could mean that the physical store changes, it almost becomes like a media channel. That is, it is a marketing channel where you actively engage with your customers and work with the experience in order to strengthen the brand.

WHEN LOOKING AT tenants for The Lobby, it was mainly the mix AMF Fastigheter was in search of. They wanted some major traditional companies, some international brands that have never appeared in Sweden before, as well as a few start-up companies that did not necessarily have an established e-commerce yet.

“The mix, and seeing how it worked was the most important thing to us,” says Annelie Gullström.

»What has worked the best during the introduction?

“I think everything works, but in different ways. There is not one recipe that works for everyone. So I think it is important that you understand what is needed and how to best use The Lobby

as a platform to try new ways and work with the experience together with us. What we notice is that those who have used the place to interact with customers, consumers and followers on instagram are much more satisfied.”

“What is important is that we want to get away from the assumption that sales are the most important measure of whether it is successful or not to be in The Lobby. In that way The Lobby is not a traditional retail venue.”

“It is the same as with an advertisement. Why do you have an ad in a newspaper? Usually, it aims to strengthen your brand so that it will eventually lead you to being top of mind and that it will lead to sales.”

“We see that more and more retailers understand that they need to interact with their customers and use the physical site in another way today. I think those will be the winners in the future.”

THE LOBBY OPENED their doors this spring. During the first months, AMF Fastigheter has used the site as a blank sheet of paper to see which colors stick. The idea is to continue developing it as a test area.

“The Lobby to us is our business development, as long as we see that we can learn from this we will continue.”

“This is not a new retail venue where we intend to duplicate the concept to more places. But if, on the other hand, we see that something works extra well; for example, short contracts, staff, new technology, then we can scale it to our existing retail venues.”

“The idea is that we will learn and be able to copy other parts of The Lobby or that we put the entire The Lobby concept into our other retail venues where we see that it would work and be a need.”

“But right now, as it is a development concept, I reserve the right to say that everything can change.”

»What have you learned during these months?

“It takes time to put a whole new concept, but we have learned quite a bit in this short time.”

“For one thing, how we run it internally. We have a much better understanding of what kind of organization is required to run a more flexible business model and how we work with brands and consumers. With short agreements, where you need to bring in many more brands all the time, it requires a completely different organization, it requires another way of working and, in part, other skills. It has been more resource intensive than we expected.”

“Initially, we thought of implementing new exciting technology such as smart mirrors, VR and AR, we thought it would play a bigger role than it did. Now we see that this need for consumers is not really there. This is still more ‘nice to have’ than ‘need to have’ today. Even though we down-prioritized that kind of technology, we are following the development closely.”

“In regard of the experience at the physical site, there is a lot of talk about the customer experience. We really see that there is a lot going on and that you should not underestimate the importance of the experience on the spot. As we said, the physical store is more and more an experience that will sell the brand paired with a shift in focus from transaction to experience. It is also an important element for attracting visitors to the physical location.”

“As for the experience in The Lobby, we need to continue developing that part and creating an incentive to make people spend time there.”

“We are already looking at an upgrade to launch The Lobby 2.0. More exciting things will happen in the future. The Lobby is a living process that constantly evolves and moves, adapted to new insights, demands from the outside world and new trends.”

DIVERSE. AMF Fastigheter are looking for an attractive mix of tenants in The Lobby.

Lars-Åke Tollemark

He started on the floor and worked his way up through all stages of retail. Now Lars-Åke Tollemark leads Unibail-Rodamco-Westfield when the company continues its Nordic progress. For Fastighetssverige, he recounts his way to the retail giant, the spectacular opening of Mall of Scandinavia, and why Unibail-Rodamco-Westfield sees Gothenburg as one of the *most exciting projects* throughout Europe. **By:** Axel Ohlsson



It was one of the largest real estate transactions ever and blow up like a bomb by the end of 2017: Unibail-Rodamco bought Westfield for staggering EUR 21 billion.

A few months later the deal is completed, and at Unibail-Rodamco-Westfield's Swedish office at Mäster Samuelsgatan in Stockholm it is hard to see the traces of the work behind the transaction.

"It is a lot of work when you do such a mega deal," says Lars-Åke Tollemark.

"Now we get a broader market: England, the United States and finally Italy. We go from 10–11 to 13–14 countries. And we can add a number of the world's best shopping malls like Westfield London, Westfield Stratford and San Diego. That is a big difference."

"The Westfield brand has also made us more attractive as a company, both for people who

» We show that we are investing in physical retail.«

want to work here and for retailers from all over the world. There were a number of senior people in the business who called me right after the deal was announced and said they would work with us. They think this was a statement from Unibail: That we show that we are investing in physical retail."

RETAIL HAS A CONSTANT present in Lars-Åke Tollemark's life, both at work and at home where his wife has her own e-commerce company – but that has not always been the case. Retail was

not included during the upbringing in the small town of Dals Långed, and when he moved to Stockholm in 1981, it was to study law.

But while waiting to start university, he started working in retail and remained. At the age of 27, he became CEO of a family company that later became Retail and Brands. He proceeded to work for Marc O'Polo and AP6 before Unibail-Rodamco called.

50 YEARS OLD WITH a lot of years as CEO in his backpack, Lars-Åke Tollemark faced the question of moving to Stockholm for a new race or to continue his safe life in Gothenburg and combine it with board assignments.

"I thought it was too early to start sitting in boards so I decided to go for it," says Lars-Åke Tollemark and continues:

"Unibail, a French office and shopping centre company, had merged with Rodamco, a Dutch

BELIEVER. Lars-Åke Tollemark and Unibail-Rodamco-Westfield still believe in physical retail.

real estate conglomerate, and decided very quickly to clean up their portfolio and focus on what they believed in: Large shopping centers of at least 50,000 square meters, with more than six million visitors a year and with a catchment area of at least 500,000. Unibail did not care about countries, just about being in the most attractive regions of Europe, and there was a clearly defined shopping center strategy. Then they needed retailers and therefore recruited from retail."

"We have a leadership in all regions that came from the retail, since we have the world's best real estate people alongside them, it works. I do not even think of the fact that I am working in a real estate company, because I work almost exclusively with consumer issues – because that is my competence area."

"When I came here, I had no idea what such things as exit cap rate meant, but you can learn. But 25 years of retail experience in the fashion industry learning what people want is not something you can get from reading."

SINCE LARS-ÅKE TOLLEMARK joined Unibail-Rodamco, the company have had a great development as its suit has been retailored.

"When I came here eight years ago we owned 16 shopping centers, today we own five shopping centers plus 40 percent of Jumbo in Helsinki. The value of the portfolio we currently have is 50–60 percent larger than the portfolio we had when it consisted of 16 shopping centers. We call it 'growing by shrinking'."

"At the company, we had shown our strongest result ever this H1. The Nordic region was the second strongest region after Central Europe. We had 6.5 percent growth, not only depending on Mall of Scandinavia but also Nacka and to some extent Solna. Central Europe had 6.6 percent and the whole company had 4.3 percent in a almost zero index environment." ➤



LOOKING AHEAD. The future looks bright for Lars-Åke Tollemark and Unibail-Rodamco-Westfield.

**LARS-ÅKE
TOLLEMARK**

Age: 58.

Family: Wife, four children.

Living: Saltsjöbaden.

Earns: "Money."

Drive: BMW 3 Series, hybrid.

Reads: Reports and analysis of future retail and consumers.

Watches: "Very little TV, but news and golf on Sunday night."

Listens to: "I only hear on one ear, and with a hearing aid I listen to a lot less music. Nowadays it is mostly Spotify playlists when I cook."



➤ **"IT IS TOUGH TO WORK** in Unibail because we are an extremely high-performing company, the world's most high-performing real estate company year after year. In the last ten to fifteen years, we have delivered 14.3 percent in return to shareholders on average, including dividends. But there are two things that are incredible here."

"One is the resources. We definitely do not waste money, but if you have a good idea, money is never a problem."

"The second thing is self-confidence. We signed the construction agreement with Peab and started the Mall of Scandinavia without a single square meter let. It is self-confidence to say, 'We are building – go out and start selling.' There is no one else who does this."

LARS-ÅKE TOLLEMARK IS full of energy. A factor that has not only pushed Unibail-Rodamco's Swedish team forward but also taken him through the launch of the giant project Mall of

Scandinavia. The centre has rewritten the book for what a shopping center in Sweden can be.

➤ **But how do you actually go further after having participated in launching such a project?**

"We will rebuild our entire dining area in Fisketorvet in Copenhagen for EUR 35 million and we are looking at an expansion of the entire Fisketorvet, which we will take the investment decision on in November. In total, it is a project of almost one billion DKK."

"We are very interested in Gothenburg. It is official that the Scandinavium arena will be replaced and we think the link between the venues, the Svenska Mässan fair, the amusement park Liseberg, the hotels – the entire event strip – is perfect for a Westfield Gothenburg of 85,000 square meters, which we want to build there."

"Gothenburg really can be a world-class event city, but there are some pieces missing. The city does not have the entertainment, food, restaurants – all the things you get when you visit our

facilities. In the company, we see Gothenburg as one of the most interesting projects throughout Europe."

"Then we have a number of other possibilities that we are looking at; both in Stockholm, Oslo and Helsinki. The difference today from before is that we are not only looking at the shopping centers but also what we call mixed use. We can add offices and in some cases also housing."

"WE HAVE A LARGE office part in Paris and a small in Sweden; 60,000 square approximately located at the shopping centers in Sweden. At Fisketorvet we are looking at expanding the shopping center and dressing it with offices along the facade."

"We look at whether we will own the offices ourselves or sell them. In the past, we had said that we would not own them – there lies the difference; Now we are open to owning them ourselves to see what business opportunities we have." 📍

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