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NEWSEC PROPERTY OUTLOOK

SPRING 2019



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PROPERTY OUTLOOK

THE ONLY CONSTANT IS CHANGE

There are several global mega trends impacting our world today. Digitalization is one of the most powerful ones, with the potential to fundamentally change our society and the way we act in many areas. It could even be argued that digitalization will have the same impact on society as industrialization did. No matter the industry, digitalization will affect most of a company's processes, ranging from products and services to marketing.

Digitalization and sustainability have laid the foundations for the booming sharing economy. This paradigm shift in life patterns impacts everything - from the way we transport ourselves to how we shop, work and live. Digitalization and the development of new technologies is now truly starting to have a visible impact on our society. Despite this still being the early stages of transformation, we already see new concepts and phenomena appearing one by one, including different arrangements for renting, sharing or borrowing things, rather than owning them ourselves.

I happened to be in California during the initial launch of the electric scooters and the reaction was very strong and two-sided. On the one hand, these new innovations are viewed as exciting, environmentally friendly and economically sustainable, but on the other hand they are seen as cluttering the city and limiting accessibility. The opposers are advocating a ban because they are scary and challenge the traditional way.

I personally believe strongly in the importance of being open and receptive to innovation, and this is also one of Newsec's core values. We express this as the desire and the ability to

seek, identify, and implement new solutions; to lead the development of new services and products; and to have the courage to break with tradition. So yes, the future might be scary, but change is inevitable.

Within real estate, co-working is the sharing economy word on everyone's lips at the moment. Larger as well as smaller Nordic and Baltic cities have seen an influx of co-working locations in recent years, with both local and international operators choosing to establish and increase their presence. In this edition of the Newsec Property Outlook, we take a closer look at the co-working phenomena - and dive into the opportunities and challenges.

Sharing economy initiatives are a driving force for innovation within real estate. We have really exciting times of innovation ahead of us - I welcome this and think that the entire industry can benefit from working together in creative ways and renewing the business model. But I also need to give a word of warning and emphasize the importance of economic sustainability. I believe the sharing economy is here to stay, but it won't be for everyone. It isn't enough to come up with a great idea that solves a problem - you also have to find a way to make it profitable, if you want to succeed.

With that, I wish you an enjoyable read!



Max Barclay
Head of Newsec Advisory

CONTENTS

Downhill - how fast?	7
Love actually	10
(Co-)working 9 to 5 - is that the new way to make a living?	12
The Swedish property market	16
The Norwegian property market	18
The Danish property market	20
The Finnish property market	23
The Estonian property market	24
The Lithuanian property market	26
The Latvian property market	28
Macroeconomic data	30
Property data	33
Definitions	36
Newsec's market reports	37
The Full Service Property House	38
Contact and addresses	39

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Newsec, Box 7795, SE-103 96 Stockholm, Sweden. Phone + 46 8 454 40 00,
www.newsec.se.

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DOWNHILL – HOW FAST?

Klas Eklund, Senior Economist, Mannheimer Swartling

The global economy has taken a turn for the worse. Europe, China and Japan are all slowing down. The US economy is in better shape for now, but will nonetheless experience a slowdown during 2019. Sweden will face tough headwinds, while development is diverging in the other Nordic countries. Finland will experience some deceleration, albeit from strong levels. Denmark shows resilience and Norway might actually pick up speed. In growth terms, Sweden will be the straggler. This will affect housing and construction, with Sweden being the weakest performer. Low inflation and the economic slowdown will keep interest rates low. This will act as a cushion for the housing market. But the risks are clearly on the downside.

Synchronised global downturn

In 2018, financial markets experienced scares from the combination of expected economic slowdown and projected interest rate increases, coupled with geopolitical concerns. The result was two sharp setbacks for stock markets, one at the beginning of the year, and the other during late autumn. In many countries, housing markets were also negatively affected.

In the US, the beginning of 2019 has still seen a strong labour market. But

retail sales fell abruptly around the turn of the year. The Fed has indicated it is nearing the peak of the rate hike cycle – earlier, and at a lower level, than previously expected. The result has been a certain rebound in market optimism. However, the economic signs still indicate a slowdown for the US over the course of 2019. The effects of President Trump's tax cuts will gradually wane, the labour market will become increasingly strained, and the Fed's rate hikes have led to tighter credit conditions. Some sectors are

also beginning to feel the pinch of the "trade war." Nonetheless, it is currently difficult to envisage a hard landing for the American economy.

Europe is in worse shape. After a strong 2017 and a good first half of 2018, the Eurozone economies decelerated abruptly at the end of last year. Italy is already in recession, with negative growth for two consecutive quarters. More surprisingly, Germany has also slumped, partly owing to the automotive sector and its suppliers



beginning to feel threats from the trade war. For the Eurozone as a whole, growth forecasts now indicate the area is near stagnation. Inflation is stuck below the ECB's target.

The European outlook is clouded by the uncertainties still surrounding Brexit. As of now, PM May is involved in a "chicken race" where she wants to force Brussels on the one hand and her own Parliament on the other to accept her deal. This may succeed, although the chances are low. There may also be a period of "fudge and delay", leading to a soft Brexit later this year. But a hard Brexit, with the UK crashing out of the union without a deal, cannot be excluded. That would create hassle and disruptions to foreign trade.

In Asia, both Japan and China are slowing. Japan still shows positive growth, despite demographic headwinds. But a planned consumption tax hike constitutes a downside risk. The Bank of Japan is far below its inflation target, meaning that its ultra-loose monetary policy will remain in place. China is slowing in a controlled way; the grey credit market and the shadow banking system have been reined in. The government is now loosening the screws on credit somewhat, to

reduce the risks emanating from the trade war.

All in all, the big economies are losing momentum. When analysed in isolation, a hard landing does not look likely for any of them. But the downturn is synchronised, which means there is a risk that one region will drag another one down, which will have repercussions on yet another region, and so on. And with Brexit and trade wars looming on the horizon, risks are clearly on the downside.

Policy headaches

As the world is slowing down, economic policy is facing difficult challenges, most noticeably so in Europe. The ECB's nominal key rate is still negative, and rolling back quantitative easing has not really begun in earnest. Consequently, the Eurozone is entering the downturn with most expansionary tools in the monetary policy toolbox already exploited. Furthermore, it is difficult to see the ECB hiking rates or tapering liquidity according to previous projections. That train has already left the station.

Thus, monetary policy is more or less blocked. Interest rates will remain low. Should worse come to worst and Europe enter a real recession, the

ECB may expand its QE strategy even further and perhaps buy more distressed assets. However, it is difficult to see this substantially improve the situation.

At the same time, fiscal policy is also blocked in many countries, due to weak government finances and large debts. Structural reforms are needed, but the backlash against President Macron's attempts to modernize France show the political difficulties of such an undertaking. The result of the upcoming elections to the European parliament will probably make reforms even more difficult. Instead, we may very well see more populist and nationalist policies.

The US has more room to maneuver, since the Fed has already hiked rates to levels which are close to neutral. But the fiscal position is a long-term headache; the budget deficit is high, despite several years of solid growth. This will not concern markets in the near future, though. The consensus is that rates will probably fall during the second half of 2019.

The Nordics begin to diverge

The Nordic region has done relatively well in recent years. Now, the different countries are moving in different

»The Nordic countries are diverging, with Finland and Sweden slowing down, Denmark remaining stable, while Norway is actually shifting up a gear«

directions, with Finland and Sweden slowing down, Denmark remaining stable, while Norway is actually shifting up a gear.

Finland has shown good growth in recent years. Now, however, exports are slowing. Capital expenditure is still performing well. A “competitiveness pact” between government and the social partners has held back nominal wage increases. Government debt has been falling, which provides some room for a slightly expansionary fiscal policy. The outlook for the housing market is so-so, with upward price pressure in Helsinki, but declining prices in smaller cities and towns. Construction will fall and be a drag on the economy. Household debt has risen, but not as much as in Sweden.

The Danish economy seems to be well positioned to cope with the global slowdown. Agricultural exports and shipping are on the rise. The government’s fiscal position is strong, as government debt is low. Unemployment is falling and the labour market is showing strains. But monetary policy is aligned with the ECB’s, which has kept rates low; consequently, monetary policy will continue to stimulate the economy. The housing market has started to cool, which from a macro perspective is a good thing, given the previous risks of overheating and excessive price increases. Low interest rates will cushion any turbulence on the housing market.

Despite lower oil prices during 2018, **Norway’s** investments in the energy sector are rising and pulling the country’s economy along. Inflation has risen to the central bank’s target level. Residential investment fell in

2017-2018, which was a beneficial correction after booming construction in previous years. Now, there are signs that a trough has been reached; housing starts have rebounded. In most regions, house price increases have recently been modest and are presently pulling in different directions: up by real income growth, down by rising interest rates. However, in the oil exploration cities on the west coast, a new property boom seems to be under way. With regard to monetary policy, Norway is the odd man out in the Nordic region. Norges Bank is not part of the Euro system, while rising domestic wage costs and inflation will cause key rate hikes to markedly higher levels than in neighbour countries – also strengthening the krone.

Sweden in decline

In Sweden, both household and business sentiment indicators are deteriorating. Household consumption has come to a dead stop. Manufacturing is still performing well, but exports will face increasing headwinds in 2019, mainly from weakening markets in the Eurozone. Competitiveness is still fair but seems to be declining – which is visible in the shrinking current account surplus, despite the historically weak krona.

The biggest drag on GDP in 2019 is the construction sector. At present, an oversupply of housing is causing a contraction in construction, with strong, negative multiplier effects. This is also preventing house prices from rising. Price expectations are uncertain and volatile, but the risk is still on the downside, given the oversupply of housing. Demand for new housing is being depressed by

last year’s new regulations regarding compulsory amortization of mortgage debt. This creates high thresholds for entry onto the housing market, especially for low income households and young families.

In total, the growth in GDP per capita will slow to a crawl, and inflation will fall back below target. At the beginning of the year, inflation came in far below the central bank’s projections. Thus, the Riksbank will not be able to hike rates according to its own plan. Interest rates will remain historically low. The fiscal situation is strong, making it possible to carry out a moderately expansionary fiscal policy.

The new coalition government has put forth a rather ambitious reform program, including tax reform and reform of the housing market. Among issues to be investigated are a gradual deregulation of rent control, as well as lower taxes on the sale of property. However, the cooperating parties have already started to quarrel about the directions of reforms. Furthermore, several of these measures will take years to implement, and will not affect housing or construction in 2019.

All in all, the Swedish outlook is rather bleak, with a weakening economy, monetary policy in a quandary, and a government in a precarious parliamentary position. Even worse, the risks to this view are stacked on the downside. The combination of oversupply of housing and financial strains for several property developers could lead to a much sharper downturn for the housing market – with negative ripple effects for the rest of the economy.

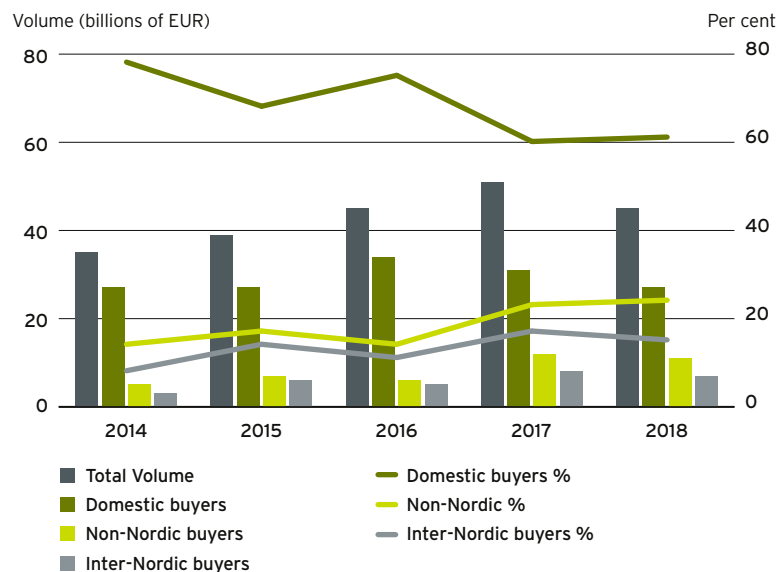
LOVE ACTUALLY

In the previous issue of the Newsec Property Outlook we took a look at the Nordic love story that has been brewing for some time now, in the rise of inter-Nordic investment between the Nordic countries. In this issue, we revisit the topic and take a look at how trends have evolved over the past year, and whether the love story still persists.

The Love Story Continues

The graph (1) indicates that by all means, Nordic buyers remain interested in each other's countries. However, inter-Nordic investment did not quite reach the levels forecast in early 2018, and instead remained at roughly the same levels seen in 2017. Foreign investment as a whole made up 39 per cent of total investment in the Nordics in 2017, and in 2018, has remained at roughly the same level. Although transaction volumes in 2018 did not rise, 2018 instead saw the number of unique foreign investors rise compared to previous years, indicating that the Nordic markets are attracting a wider range of interest. At the same time, the average deal size has also increased, meaning a larger number of investors are choosing to make major purchases. In short, then, increasing amounts of inter-Nordic and non-Nordic investors are choosing to stick their fingers in the Nordic pie, and they want more of it.

1. Transactions in the Nordics



2. Nordic cross-border transactions (EUR), 2014-2018



NON-NORDIC INVESTOR: An international investor originating from a country outside the Nordics.

INTER-NORDIC TRANSACTION: A transaction made by an investor originating from one of the Nordic countries, in any of the other Nordic countries apart from their own. Defining an investor's country of origin is no exact science, but Newsec's principle is to define this as the seat/where investment decisions are taken.

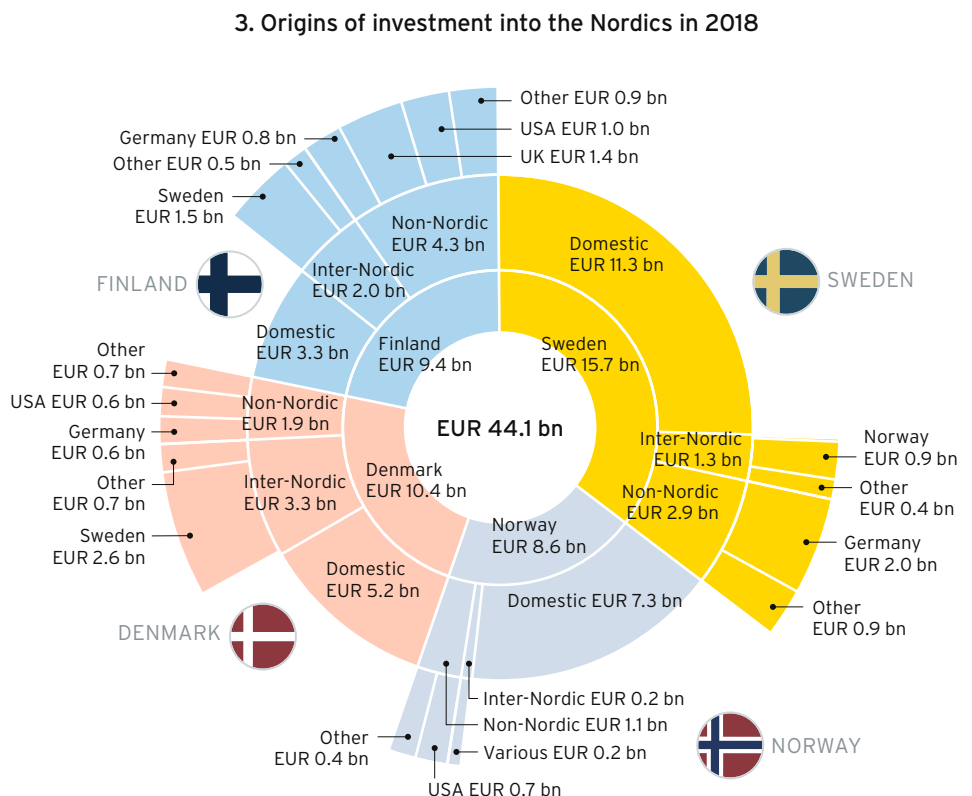
ANALYSIS IN THIS ARTICLE is based on Newsec's transaction records. Some unreported or undisclosed data may not be included in analysis. Data presented refers to purchases, unless stated otherwise.

»The tendency continues to be for inter-Nordic investment to rise, with a much higher frequency of regular transactions, as well as a rising number of unique investors«

The map (2) shows an aggregate of investment into the Nordics over the past five years. As can be seen, flows between the Nordic countries remain considerable – in total, inter-Nordic investment has summed to over EUR 27 billion over this time period. If we disregard the major structural acquisitions conducted by Vonovia in their purchase of Victoria Park in Sweden, and/or Kildare Partners in their purchase of Technopolis in Finland, then inter-Nordic investment in 2018 has overtaken non-Nordic investment. Further, the tendency continues to be for inter-Nordic investment to rise, with a much higher frequency of regular transactions, as well as a rising number of unique investors. Nevertheless, we have also seen a distinct rise in capital stemming from beyond the Nordics, with an increased number of diverse European, American and Asian investors in particular. Moving forward, each Nordic country is likely to continue to attract a wide range of capital, from both within and beyond the Nordics.

Popularity Contest

In what ways does the nature of our love story differ by country? The diagram (3) shows the different sources of capital in each of the Nordic countries, with some key sources highlighted. In Sweden, German and Norwegian buyers are particularly impactful, both respectively making up the majority of the non-Nordic and inter-Nordic flows coming into Sweden in 2018. Other Nordic countries have not been quite as attractive to German investors this year. Finland has instead found more interest from UK and US investors, while Swedish investors have also been a major source of capital coming into the country. In Denmark, Swedish



capital has continued to dominate, with non-Nordic interest stemming primarily from the USA and Germany. Meanwhile, in Norway, international interest has been limited relative to the other Nordic countries, but American capital has still remained substantial. Looking beyond the Nordics, the Baltic markets have also continued to see substantial international and inter-Nordic interest. A prime example is Swedish property company Eastnine's purchase of the S7 office complex in Vilnius for EUR 128million in February 2019, in the largest ever office investment transaction in the Baltic states.

Moreover, beyond the source countries highlighted above, investors from a further 14 countries have made purchases in at least one of the Nordic or Baltic countries in 2018. Hence, it is clear that the Nordic transaction market is ever-changing, and that the range of interested parties is constantly evolving.

Ulrika Lindmark
ulrika.lindmark@newsec.se,
 Alexandra Lövgren
alexandra.lovgren@newsec.se,
 Adam Tyrcha
adam.tyrcha@newsec.se

(CO-)WORKING 9 TO 5 - IS THAT THE NEW WAY TO MAKE A LIVING?

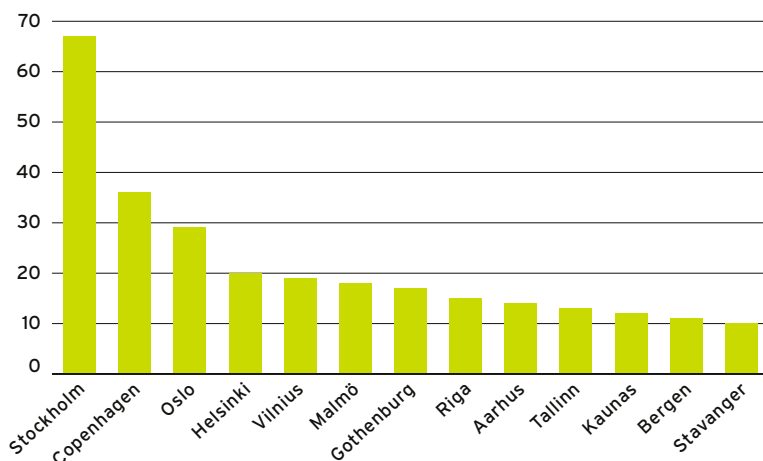
The sharing economy continues to take the world by storm, and co-working in particular has undergone striking growth over the past few years. The Nordics are no exception, having seen a sharp increase in the amount of available co-working locations in the region. Both local and international co-working operators have chosen to establish and expand locations in a wide range of Nordic and Baltic cities.

Lost in space

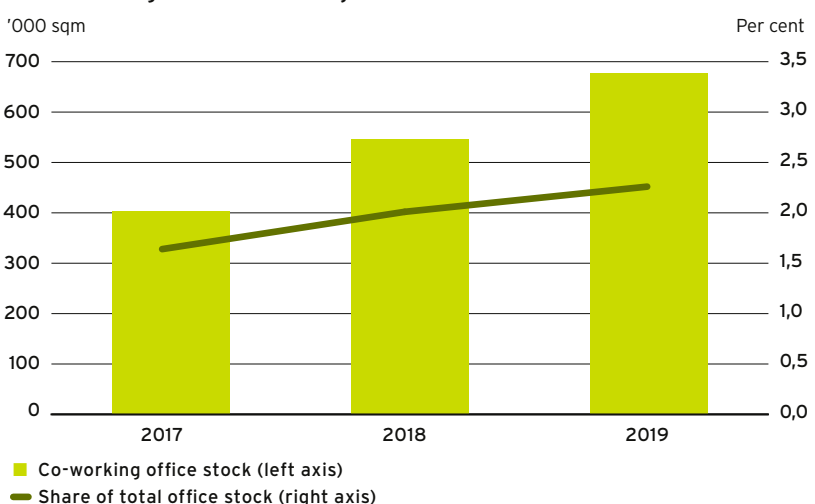
The current state of the co-working market is shown in the graph (1), in terms of the number of co-working locations. Stockholm is the clear leader in terms of the number of locations available, with close to 70 unique co-working locations for customers to choose from. The other capital cities also perform relatively well, while interestingly, co-working hubs are also being established in cities such as Kaunas and Malmö, which are over-represented in terms of the number of co-working locations relative to their population. While the average size of co-working areas is smaller in Kaunas and Malmö than in Vilnius and Gothenburg, the fact that there are so many smaller locations available in relatively smaller cities is indicative of a workforce that values flexibility, and is likely to be an asset for these cities in the future.

Indeed, beyond the pure number of co-working locations, the growth over time in the amount of available space has been marked in most Nordic cities, and the region as a whole. The graph (2) shows that co-working has seen strong growth in the Nordic major cities, going from around 400,000 square meters in 2017, to 550,000 in 2018, a growth rate of 36 per cent.

1. Number of co-working locations



2. Co-working in the Nordic major cities



Though the definition of co-working differs, Newsec defines a co-working location as an area that provides an open working space to be shared together with other members in some form. Newsec includes co-working locations that offer hot-desking and/or dedicated desks as well as office hotels that meet this definition in our analysis.

An operator is defined as a company that runs a co-working location. A member is defined as a company or individual that uses a co-working location.

»Co-working remains one of the fastest growing office segments and is driving the office market in many ways«

Selection of major lettings in 2018 and 2019

Operator	Operator origin	City	Location	Size of letting (sqm)
Epicenter	Sweden	Oslo	Majorstuen	15,000
WeWork	USA	Stockholm	CBD	13,500
Epicenter	Sweden	Helsinki	Mikonkatu	9,000
Spaces	Netherlands	Oslo	Sentrum	6,100
Convendum	Sweden	Stockholm	Hagastaden	5,500
Spaces	Netherlands	Malmö	Universitetsholmen	3,100
United Spaces	Sweden	Göteborg	Masthugskajen	2,500-5,000
UMA Workspace	Finland	Vilnius	Gedimino	2,000
Spaces	Netherlands	Vilnius	Live Square	2,000
UMA Workspace	Finland	Tallinn	Maakri	1,780

In 2019, co-working office stock is expected to grow further to approximately 680,000 square meters, which constitutes a growth rate of 24 per cent. This means that although the growth rate is expected to slow a little this year, co-working remains one of the fastest growing office segments and is driving the office market in many ways. Indeed, the share of total office stock is expected to continue to increase, too, approaching 2.5 per cent in 2019. Although co-working stock in the Nordics remains a far cry from the stock seen in more developed co-working markets such as London, where the stock is twice the size of the Nordic cities combined at over 1 million square meters and over 4 per cent of total office stock, it is clear that the co-working market is continuing to grow steadily in the Nordics.

Growing numbers of major lettings

A number of major lettings have been made in the past year, helping to fuel

growth. One of the most high-profile is the global co-working giant WeWork's decision to rent 13,500 sqm of space in the newly developed Urban Escape building in central Stockholm. WeWork have announced their intention to rent at least 30,000 sqm in Stockholm alone - and have also set their sights on establishing locations in other Swedish major cities and Nordic capitals.

International interest in the Nordic markets has been more widespread than that, though. International co-working companies that have shown interest in the Nordic co-working market include the American Cambridge Innovation Center, Israeli Mindspace, British Office Group and Austrian Impact Hub. More established players have also expanded, with e.g. Regus opening new locations in all of the Nordic and Baltic countries in 2018.

Home-grown interest has also been

considerable. In Sweden, one of the largest property lettings of 2019 thus far has been Convendum's letting of 5,000 sqm for a co-working location in Sundbyberg. Beyond this, in 2018 and 2019, many established Nordic co-working companies have grown considerably - with e.g. United Spaces opening three new locations in Sweden, totaling over 18,000 sqm. Naturally, inter-Nordic interest has also flourished, with examples including Swedish company Epicenter establishing major locations in Oslo (15,000 sqm) and Helsinki (9,000 sqm) in 2018, while the Finnish company Technopolis (UMA) has also established a number of new locations across the Nordic and Baltic region. Although the primary focus in many cities continues to be on establishing co-working locations in the centre of the city, as the market has become more saturated, a number of locations have begun to pop up in suburban office hubs. Further, though co-working is primarily centered in major

»Though traditionally a hub for tech start-ups and freelancers, co-working is now beginning to attract a wider range of members«

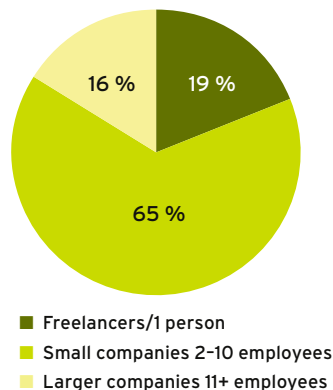
cities, many smaller cities/towns have also attracted co-working actors, meaning most cities/towns with a population over 50,000 across the Nordics and Baltics are now home to at least one co-working location.

An evolving market

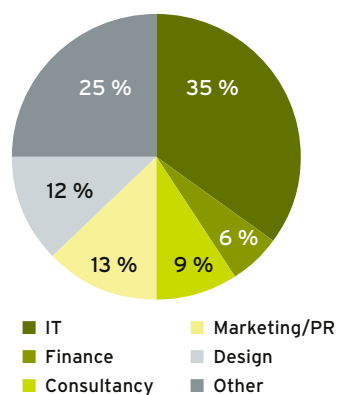
The significant letting activity makes it clear that in a short amount of time, co-working has had a substantial impact on the nature of the office market in the Nordics. A considerable number of property owners and developers have made adjustments to their strategies in order to account for the growth of co-working. In Sweden, property companies such as Klöver, Vasakronan, and Profi have developed their own co-working concepts, while Wallenstam have chosen to purchase a stake in co-working giant Convendum, and Castellum have purchased United Spaces.

Further, as co-working continues to evolve, so too does its clientele. Indeed, the inherent spurring of creativity and flexibility is increasingly becoming something that a wider range of members appreciate. Though traditionally a hub for tech start-ups and freelancers, co-working is now beginning to attract a wider range of members. The diagrams (3-5), based on a comprehensive survey conducted by Newsec in the Nordics and Baltics, evidence this. The number of freelancers and one-man companies in co-working locations is only 19 per cent, while small companies dominate with 65 per cent. Further, an increasing number of larger, more established companies such as Microsoft, KPMG, Volvo, Electrolux and SEB are choosing to become members of different co-working locations in the Nordics.

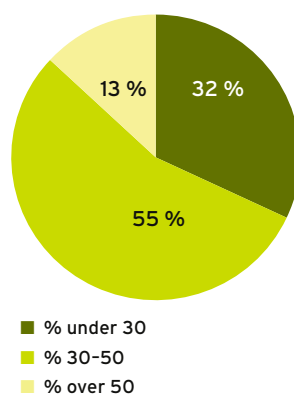
3. Size of member companies



4. Member industries



5. Age of members



In terms of member industries, we see that while IT remains the largest industry at 35 per cent, there is a wide spread of companies working within a number of different fields, with the "other" field being the second largest at 25 per cent, attracting members from a wide range of fields including media, food, fashion, charities, non-profits, artists and many more. Indeed, we generally note a broad spread in the results, meaning there is considerable variance both within and between co-working locations in terms of member industries. This means that co-working can in many cases truly allow firms from a wide range of industries to collaborate and inspire one another. Further, in terms of the age of members, we note that many co-workers are perhaps not as young as one might expect. Although the percentage under 30 is sizeable, at 32 per cent, 55 per cent of members are aged between 30 and 50, and 13 per cent are aged over 50. In addition, most of our respondents report that their co-working locations boast a fairly even gender balance. Hence, though co-working does continue to attract the stereotypical young male IT professionals, it is clear that the appeal is continuing to widen. This is contributing to the spurring of competition on the office rental market.

Let the right one in

Beyond this, despite co-working locations in many cases commanding slightly lower rents and slightly more rental discounts than comparable office spaces, many major property actors are actively choosing to woo co-working actors and attract them to their properties. This is partly owing to the long leases usually signed by co-working actors, coupled with the tenant risk often being concentrated



Photo: Getty Images

to one actor for what is often a large letting. Further, the generally higher utilization rates of common space in particular is also seen as highly attractive to property owners. This combined with the attraction which the availability of co-working space can have to other tenants, means that if managed correctly, the long-term impact on property values can be positive.

Nevertheless, it is important to highlight that there are inherent risks in the co-working industry for the property owner, too. While concentrating tenant risk to one large letting is often seen as positive, this can quickly transform to something

negative, too. In order for co-working to remain an attractive investment for property owners, it is crucial to understand and develop the right type of long term sustainable business model. In this regard, Newsec notes that there are many major differences between the actors active in the Nordic countries today – as well as structural differences in the co-working model in the different countries. As the sharing economy continues to expand, making and keeping business profitable will be key – and some co-working companies are unlikely to be able to weather the storm that a recession may bring.

It is clear that the continued rise of co-working can be both a benefit and a

hindrance to property values and your business as a whole. Notwithstanding these risks, co-working's global expansion is unlikely to cease any time soon, not least in the Nordics and Baltics. The world continues to evolve and people's behavior is changing – and to succeed in the property industry, it is of paramount importance to stay on top of these changes.

Ulrika Lindmark
ulrika.lindmark@newsec.se,
 Alexandra Lövgren
alexandra.lovgren@newsec.se,
 Adam Tyrcha
adam.tyrcha@newsec.se

THE SWEDISH PROPERTY MARKET

2018 STRONGER THAN 2017 – AND 2019 SET TO BE JUST AS GOOD

The Swedish economy grew a little weaker than initially expected in 2018, with GDP growth of around 2.2 per cent. Following a politically turbulent end to 2018, Sweden now has a government in place, but 2019 is expected to be a relatively weaker year, with a forecast 1.0 per cent growth rate. The Swedish Riksbank decided to raise the key interest rate from -0.5 per cent to -0.25 per cent at their meeting in December. The Riksbank cited the strong economy and inflation stabilizing around the 2 per cent goal as the underlying reasons motivating the change. However, further increases in the key interest rate will likely have to wait until 2020, owing to weaker inflation and growth figures being reported and projected thus far in 2019.

The Swedish real estate market was substantially more active in the second half of 2018 than in the first half, and total transaction volume for the year ended at SEK 154 billion, a little higher than the SEK 151 billion volume seen in 2017. Q3 2018 proved to be particularly strong, with the highest transaction volume in any Q3 since the financial crisis, while Q4 also saw a stellar result being achieved. 2019 has gotten off to one of the stronger starts in years, and Newsec forecasts that transaction volume in 2019 will be almost as strong as in 2018, meaning the commercial real estate market will be relatively unhindered by the weaker macroeconomy. Instead, a strong hindrance to larger transaction volumes being achieved continues to be the lack of suitable

prime properties on the market, with the average deal sizes continuing to rise as a result. Further, going into 2019, Newsec continues to expect a large number of structural deals to take place, such as Vonovia's acquisition of Victoria Park, Klövern's acquisition of Agora, or EQT's bid on shares in Stendörren, all of which occurred in 2018. Moreover, international interest in the Swedish market is expected to remain high, with wide interest stemming from the Nordics, Europe and beyond.

Contact:

Alexandra Lövgren
alexandra.lovgren@newsec.se
Adam Tyrcha
adam.tyrcha@newsec.se



Interesting occurrences on the Swedish property market in 2018:

OFFICES REBOUND – BUT RESIDENTIAL STRENGTHENS MORE

Following the office sector's lowest share ever taken in 2017, where the sector only accounted for 17 per cent of transaction volume, offices rebounded a little in 2018, finishing the year at 22 per cent of transaction volume. Though this is still one of the lowest shares ever taken by the office market, it does represent a substantial increase compared to the 2017 volume. Nevertheless, residential, which surpassed offices for the first time in 2017, has continued to strengthen, going from 26 per cent of transaction volume in 2017 to 34 per cent in 2018. Therefore, it remains likely that residential will continue to account for a larger share of transaction volume than offices in the future.

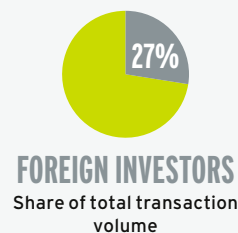
lucrative compared to previous years, with many developers holding off on committing to new projects. Indeed, in 2018, construction of approximately 53,000 apartments begun, which is a 16 per cent decrease compared to 2017. However, the newly appointed government's suggestion to allow newly produced rental apartments to be free from rent regulations could serve to increase housing production in the long run, with more actors potentially choosing to build rental housing, rather than cooperative apartments, in future. This could also serve to remedy the housing shortage which persists in many areas in the rental market segment.

STRONG OFFICE PIPELINE IN THE SUBURBS

The office sector has continued to grow in many of Stockholm's prime suburbs, including the Solna/Arenastaden area in particular. For the past few years, the area's office stock has experienced growth rates exceeding 6 per cent per year, and 2019 looks set to be a year in which a further 7 per cent is added to the stock. The strong growth of the area as an office sector hub has led to many noteworthy tenants leaving dated premises in Stockholm's inner city and relocating to modern facilities in the suburbs, including a number of government agencies, as well as major companies such as Fortum, Academic Work, Telenor, and AGA Gas (owned by Linde).

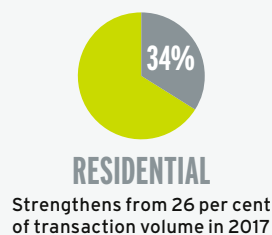
FOREIGN INVESTORS THE STRONGEST IN YEARS

Accounting for 27 per cent of transaction volume in 2018, foreign investors took their largest share of transaction volume since before the financial crisis. 2018 saw a rise in investment from beyond the Nordics, with a number of large transactions with German buyers in particular, as well as continued high interest from inter-Nordic investors. Sweden is expected to continue to attract buyers from a wide range of countries in 2019.



HOUSING DEVELOPERS STRUGGLE

Stagnant or falling prices for cooperative apartments and villas have led to many housing developers struggling to make ends meet, with many new cooperative apartments being sold at a heavily discounted rate, or remaining unsold. This has led to the production of cooperative apartments being relatively less



GOOD RETAIL IS THRIVING – BUT MANY BRANDS STRUGGLE

Retail accounted for just 13 per cent of transaction volume in 2018, one of the lowest volumes in years. Good retail, however, continues to be in high demand, with many prime shopping centers and high street retail in attractive locations doing well and attracting investors, tenants and shoppers. For example, a number of upscale and international retailers such as Barbour, Cartier, Chanel, Jimmy Choo, and Lululemon have recently opened locations in central Stockholm and are thriving. A number of retail brands are struggling, however, often owing to ineffective adaptation to the rise of e-commerce. Major brands that have gone bankrupt or are in crisis include Best of Brands, Boomerang, BR Leksaker, Gallerix and Marc'O-Polo. A number of other major players, including H&M, IKEA, Indiska, JC, Kappahl, Lindex, MQ, Odd Molly and Teknikmagasinet have also closed down many locations or are attempting to rebrand.

THE NORWEGIAN PROPERTY MARKET

NEW SEGMENTS AND LOCATIONS BECOME POPULAR

2018 was another strong year for the Norwegian economy, with a GDP growth rate of 1.7 per cent. 2019 looks to be a slightly stronger year in terms of the economy as a whole, with a projected growth rate of 2.0 per cent. The real estate market in 2018 was also strong, with a transaction volume of NOK 87 billion, divided across 296 transactions, a result in line with 2017. Newsec believes 2019 will be no different, and will continue to build on

a decade of high transaction velocity and record pricing.

It is worth noting that 2018 had a passive start with rising interest rates, a lack of funding and pricing deviations between buyers and sellers in the market. However, the market experienced considerable momentum towards the summer, which has continued into 2019. There is very little suggesting that activity will subside in

2019, and Newsec predicts a transaction volume for the year of around NOK 85 billion. This is primarily a result of the strong development on the market in the last few quarters, as well as continued high interest from a wide range of domestic and foreign investors.

Contact:
Oyvind Johan Dahl,
ojd@newsec.se

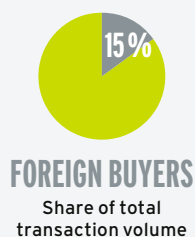


»In 2019, core office yields are likely to remain steady with a slight increase towards the end of the year«

Interesting occurrences on the Norwegian property market in 2018:

FOREIGN INVESTORS REMAIN INTERESTED

There is continued high interest from international investors who are looking to invest in Norway. Both old, well-established players, as well as a steady stream of new foreign players remain active in the market. 2018 ended with international investors accounting for 15 per cent of the total transaction volume, slightly below the long-term average. Newsec does not consider this to be indicative of decreased international interest, but rather a number of coincidences as well as the willingness of local buyers to value assets higher than the foreigners. International investment in Norway is likely to increase in 2019, as international and particularly Asian capital looks to invest more in Norway.



properties. Moreover, interest in the logistics and industrial segment is also on the rise, accounting for 21 per cent of the market in 2018, the highest in years.

INTEREST RATES CONTINUE TO RISE

The key interest rate rose from 0.5 per cent to 0.75 per cent in 2018. In 2019, the interest rate is expected to rise further. Meanwhile, margins on bank loans are also falling. Bank financing remains available, but most investors are increasingly having to get used to an LTV of 60 per cent, rather than 70 per cent.

PRIME YIELDS UNDER PRESSURE

Prime yields continue to be under upward pressure as financing costs increase. In 2019, core office yields are likely to remain steady with a slight increase towards the end of the year. Meanwhile, the retail segment continues to struggle, and we expect to witness some yield expansion. Logistic and industrial properties, however, remain attractive to investors and will likely remain at current levels.

INVESTMENT MOVES OUT OF OSLO

Interest for properties in secondary and tertiary markets has increased, and will continue to push values upwards in 2019. Many European regional funds are beginning to look to Bergen, Trondheim and Stavanger, as Oslo becomes more expensive and it becomes increasingly difficult to seek out adequate returns. Both international and domestic investors have made a number of major purchases in 2018, in locations including Sandvika, Kristiansand, Bodø, Bergen and Stavanger.

RESIDENTIAL REMAINS POPULAR BUT NEW SEGMENTS ON THE RISE

There continues to be high demand for residential projects. Newsec notes that areas outside of Oslo with strong population growth are in demand, including areas such as Ski and Ås. These areas are beginning to appear more stable than the Oslo market. Furthermore, other property types are also enjoying increased investor interest. Investors are developing an appetite for public properties such as pre-schools, schools, hospitals and other similar

THE DANISH PROPERTY MARKET

E-COMMERCE BOOSTS INTEREST IN INDUSTRIAL PROPERTY

The Danish economy continues to be robust, with a GDP growth rate of around 1.8 per cent in 2018. The political environment in Denmark remains stable, and although there will be a general election in June 2019 at the latest, this is unlikely to have much lasting impact on the Danish economy or real estate market. The outlook for the Danish real estate market 2019 is positive after the second best investment year ever in 2018. There is still high activity on the property investment market despite a slight decline from 2017 to 2018. Total volume for 2018 landed at DKK 74 billion – only exceeded by the prior record year of DKK 87 billion.

Great interest in property investments comes from both Danish and foreign investors. The prime located properties in the largest cities see particularly high demand, and competition from primarily German, Swedish and US investors is massive. Supply is relatively limited in relation to Denmark's neighboring countries, and as prices have also increased over the past few years, the duration of acquisition processes is longer compared to twelve months ago. Investors continue to see the Danish market as attractive, as the total return on investment is expected to be a few percentage points higher than the bond market, while also being less volatile than the stock market.

Contact:

Morten Jensen
morten.jensen@newsec.dk

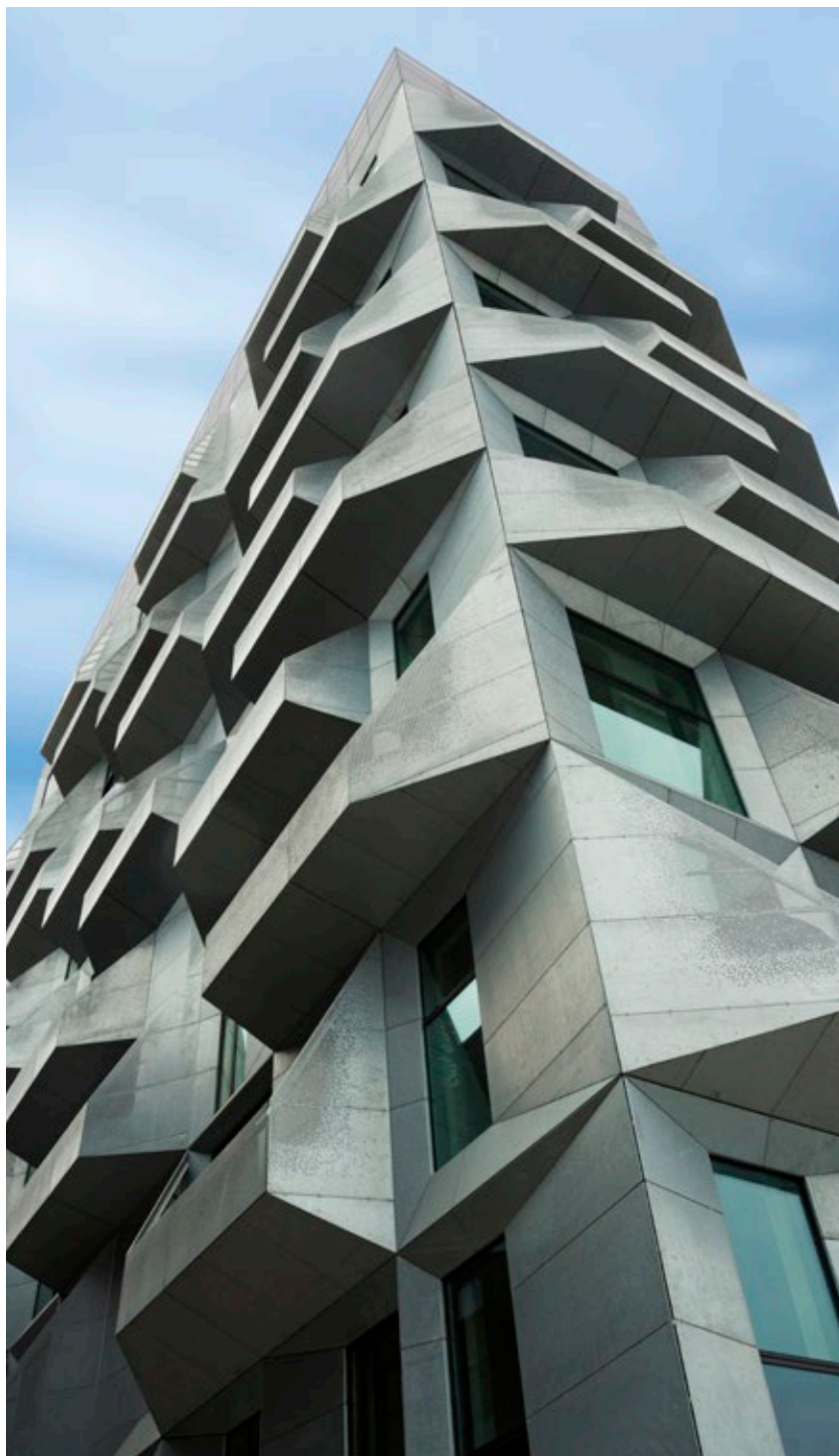


Photo: Shutterstock

»Online trading and technology have helped to create high demand for industrial and logistics properties«

Interesting occurrences on the Danish property market in 2018:

INTERNATIONAL AND DANISH INVESTORS SHARE THE MARKET EQUALLY

Foreign investors view the Danish real estate investment market as attractive, and the split between Danish and international investors was fifty-fifty in 2018. It is the stable political environment, the continued economic growth and low interest rates which especially contribute to a safer Danish real estate market compared to other European markets. Although foreign investment activity has decreased compared to 2017, the share of the market taken by foreign investors remains one of the highest in the Nordics. Foreign investors are particularly interested in large residential portfolios as well as prime location retail and office properties, but also portfolios of retail and logistics properties.



INTERNATIONAL VS DANISH INVESTORS

A fifty-fifty split in 2018

step with the general development of tourism and demand for hotel accommodation in Copenhagen. Lonely Planet awarded Copenhagen the "Best in Travel 2019" title, which is likely to bring benefits to both hotel and restaurant owners in the coming year.

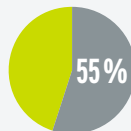


INDUSTRIAL & LOGISTICS

Increase in the share of total transaction volume 2018

SECONDARY COMMERCIAL PROPERTIES ATTRACT DOMESTIC INVESTORS

For secondary commercial properties, there is also good activity, especially in cities around Greater Copenhagen, like Brønshøj, Glostrup and Karlslunde, where 2018 saw a number of transactions in the price range of DKK 40 million to DKK 120 million. Danish investor interest has also spread beyond Greater Copenhagen, into East Jutland. Nevertheless, Copenhagen and Greater Copenhagen still account for approximately 55 per cent of the transaction market.



GREATER COPENHAGEN

Share of the total transaction volume in 2018

E-COMMERCE CONTRIBUTES TO INCREASING INVESTMENT INTO INDUSTRIAL PROPERTIES

The share of investment volume taken by industrial and logistics properties almost doubled from 4.5 per cent in 2017 to 8.0 per cent in 2018. Online trading and technology have helped to create high demand for these properties among both investors and users. In addition, it is expected that yield levels will be adjusted downwards and rent levels upwards in the coming years, as prices for these assets are lower compared to Denmark's German and Swedish neighbors. Owing to

the relatively low prices and strong infrastructure, investment activity within this segment is high, with a number of transactions ranging between DKK 40 million to DKK 400 million conducted in 2018.

INTEREST FOR HOTELS CONTINUES TO RISE

Hotels continue to experience increased interest, especially among Danish institutional investors. Investor interest in hotels is also in



THE FINNISH PROPERTY MARKET

OFFICES AND LOGISTICS THRIVE IN FINLAND

The Finnish economy started 2019 very differently to last year. Excessive expectations and the uncertainty created by several risks resulted in turbulence in stock markets. Exports and investments have also weakened considerably from Q2 2018. These factors have previously been the primary drivers of Finnish growth. As a result, growth projections for 2019 have been significantly lowered, to approximately 1.5 per cent, a decline from the 2.4 per cent growth rate posted in 2018. Nevertheless, Finland is more or less moving towards the long-term average in GDP growth. A parliamentary election is scheduled to be held on the 14th of April 2019, but is

unlikely to have any immediate impact on Finland's economy.

The turbulence of the stock market in late 2018 and early 2019 has not been reflected in the property investment market. Investment demand remains strong and record transactions took place in late 2018 in Helsinki city centre. The total volume in 2018 amounted to EUR 9.3 billion. Demand appears to be remaining strong this year, not only in the metropolitan area but also in the Turku and Tampere economic regions. Therefore, Newsec's projection is that liquidity will remain high, resulting in a transaction volume of around EUR 7.5 billion in Finland.

Investment demand will be focused on offices and the logistics sector in 2019. Investors favour offices near city centres and transport hubs as well as logistics properties with good investment criteria. They are also willing to pay well for the right properties, and record prices were seen for both these sectors in 2018. The sector facing the most challenges is retail. Retail will continue to undergo major changes in 2019, and finding successful areas and properties takes a special sort of care and vision.

Contact:

Olli-Pekka Mustonen
olli-pekka.mustonen@newsec.fi

Interesting occurrences on the Finnish property market in 2018:

INVESTORS ARE GETTING CREATIVE

The yields for core properties have decreased, but higher risk core plus properties have also experienced yield compression. A number of international investors have widened their scope beyond the Helsinki region, looking instead to other major growing cities in Finland. As a result, transaction volumes have surged beyond Helsinki, and properties outside Helsinki have also seen their yields fall.

INTEREST RATES ARE A CAUSE FOR CONCERN

Concerns about interest rates are increasingly becoming more widespread. Market participants have more or less recognized the risk of increasing interest rates and have previously not been overly worried about this. However, suggestions that the rates may increase faster

than expected have caused some fears to spread. The European Central Bank chose not to increase the key interest rate at its latest meeting in July, but there have been some indications that they may choose to do so sooner than towards the end of 2019, as was previously expected.

COMPETITION INTENSIFIES AMONG SHOPPING CENTRES

A huge influx of supply on the shopping centre market will increase the level of competition between shopping centre owners. Supply on the retail market will increase substantially over next few years in the Helsinki metropolitan area as new shopping centres are constructed. Increasing competition may result in changes in the vacancy rates and rents. Older shopping centres with poor connections to public

transportation will be the ones most likely to struggle, as customers look instead to newer, more modern establishments.

A HALO EFFECT FOR LOGISTICS

A transforming retail market has a halo effect on logistics and prime yields have decreased significantly, while rents in prime areas have seen steady increases. Indeed, the yield levels for prime logistics have broken records, and have now begun to reach the same levels seen in many other Nordic countries. Logistic markets are primarily benefiting from e-commerce and improving economic conditions. There is surging demand for smaller logistics hubs near city centres, enabling increased deliveries of online sales to customers.

THE ESTONIAN PROPERTY MARKET

GROWTH ACROSS ALL REAL ESTATE SEGMENTS

Estonia remains one of the fastest growing economies in the European Union. In 2018, the country's GDP grew at a rate of 3.4 per cent. The economic growth is reflected in the many thriving real estate segments. Many new office projects are in the pipeline and are expected to be completed in 2019-2020. Rent prices and vacancy rates have remained stable, as demand for modern office premises is high and competition is fierce. The retail sector also continues to grow as well. With an increasing num-

ber of competitors and fears of market oversaturation, the biggest trend in the Tallinn retail market is investing into more entertainment and leisure options to attract customers. Similar to the office market, retail rents and vacancy rates have remained stable, although there is a small risk of vacancy increase and downward pressure on rents due to the high supply. Yields for prime office properties remain at 6.25 per cent, while prime retail and industrial remain at 6.75 and 7.75 per cent, respectively.

In 2018, the total transaction volume in Estonia reached EUR 150 million. Surprisingly, the market consisted almost entirely of local investors, who primarily purchased office premises located in Tallinn.

Contact:

Gintaras Tolocka
g.tolocka@newsec.lt
Adomas Biveinis
a.biveinis@newsec.lt



Photo: Shutterstock

»Estonia's strong growth and technological advancement continues to be attractive to international investors«

Interesting occurrences on the Estonian property market in 2018:

FAVOURABLE ECONOMIC CONDITIONS

Estonia's strong growth and technological advancement continues to be attractive to international investors. The country has the highest FDI inflow as a percentage of GDP out of the three Baltic countries; this remains at around 5 per cent. The unemployment rate is also the lowest in the region, at around 5 per cent. Problems that the country may face in the future are similar to those of its neighboring countries, as increasing wages and cost of debt could affect investment activity as well as yield compression.



central area of Tallinn, near the harbour passenger terminals. It is expected to be completed in 2019. The Porto Franco premises include a shopping centre, office space and CityBox hotel. The total GBA of the project is going to be around 150,000 sqm. The value of the project is more than EUR 150 million.

GROWING TALLINN HOTEL MARKET

In Tallinn, increasing tourist flows attract international hotel brands and developers. Recently, the French hotel chain AccorHotels Group announced that it is going to invest over EUR 12 million into building a new hotel in the Tallinn city centre. The hotel, with 190 guest rooms, will be located at Juhkentali st 22. Construction work is currently in progress. The hotel is going to open in spring 2019, and will be operated under the AccorHotels Ibis brand. It is forecast that the number of hotels in the coming years will continue to grow, as Tallinn remains the main hub in the country.

AN INNOVATIVE SHOPPING CENTRE OPENS

The T1 shopping centre was opened towards the end of 2018, adding approximately 55,000 sqm of GLA to Tallinn's retail stock. The four-floor building is located at the edge of Lasnamäe, the largest city district in Tallinn. Existing retail players are choosing to innovate owing to increasing competition on the Tallinn retail market. This includes adding cinemas, bowling alleys, fitness centres, kids' centres and a larger variety of restaurants, among other things.

Tallinn. In the CBD, the "Skyon" 26 floor high-rise office building construction will begin in the first quarter of 2019. This class A building will be constructed according to the LEED Gold standard, with a GLA of 8,200 sqm. In total, it is expected that in the coming years, the office stock will increase by more than 10 per cent.

CHANGING CITY SKYSCAPE

Two office buildings were completed in Tallinn in the second half of 2018. The larger of the two was a new addition to the Technopolis Ülemiste complex, with a GLA of 16,500 sqm, in the outskirts of

NEW DEVELOPMENT BY THE HARBOUR

The multifunctional complex Porto Franco is currently under construction. The building is situated in the

THE LITHUANIAN PROPERTY MARKET

A RECORD-BREAKING YEAR

In 2018, the Lithuanian economy grew by 3.6 per cent. The economy looks strong with medium inflation, low unemployment rate and consistent wage growth. Positive economic development has translated well into the real estate market. Office take-up remains high in both Vilnius and Kaunas, with large international IT and finance companies at the forefront of relocation and expansion activities. Low class A vacancy rates are fuelling competition in the prime office sector, which in turn is keeping rents stable. The office market is in a transition phase, with a record number of new office centres set to open in 2019. The

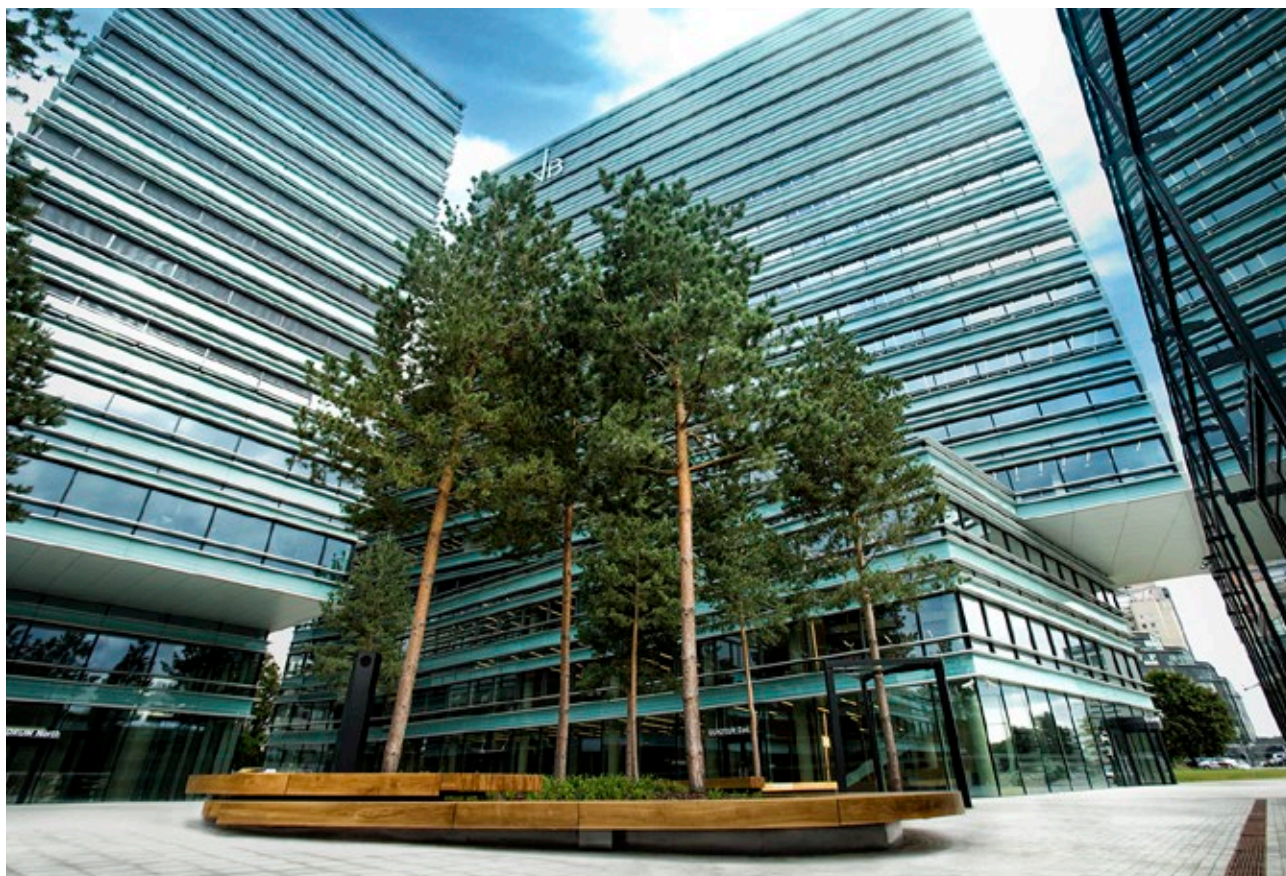
market remains active in terms of investment activity as well – the total transaction volume in 2018 was EUR 400 million, which is the highest ever recorded annual investment volume.

Further, in February 2019, Swedish property company Eastnine purchased the S7 office complex in Vilnius for EUR 128 million, in the largest ever office investment transaction in the Baltic states, highlighting the attractiveness of the Lithuanian market to Nordic and other international investors. Indeed, the largest purchases continue to occur in the office and retail segments. The

prime office yield remains at 6.25 per cent (though some transactions can attract even lower yields, e.g. the purchase made by Eastnine was made at a yield of 5.80%), while prime retail and industrial yields remain at 6.75 and 7.75 per cent respectively.

Contact:

Gintaras Tolocka
g.tolocka@newsec.lt
Adomas Biveinis
a.biveinis@newsec.lt



»In 2018, the total investment volume in Lithuania was EUR 400 million, which is the highest ever recorded annual investment volume«

Interesting occurrences on the Lithuanian property market in 2018:

FAVOURABLE ECONOMIC CONDITIONS

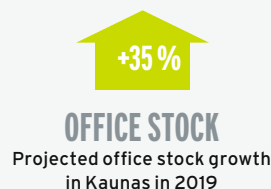
In 2018, retail turnover growth in Lithuania was 7 per cent – one of the highest levels in the European Union. Consumption continues to drive the economy: GDP growth remains above 3 per cent, while the inflation rate remains around 2 per cent. These and other indicators show stable and steady growth. A tight labour market is driving wage growth both in the public and private sector, which has had a positive effect on net migration. In the last five years, average wage growth was 7 per cent, which is one of the highest rates in the European Union.

OFFICE TAKE-UP REMAINS HIGH

Pre-lease agreements have become common in Lithuania, as large international and domestic companies plan office demand in advance. Most of the contracts signed for 1,000 sqm or more are relocations to buildings opening in 2019 or 2020. The market is mostly driven by relocation to and expansion in prime office spaces, with the CBD being the most attractive location both for development of new buildings as well as office take-up activity.

RECORD HIGH INVESTMENT ACTIVITY

In 2018, the total investment volume in Lithuania was EUR 400 million, which is the highest ever recorded annual investment volume.



The market's growth has been driven both by domestic and international investors, the latter being responsible for the largest real estate transactions. For example, the retail segment attracted South African NEPI Rockcastle, which purchased the Ozas shopping mall in Vilnius for a record EUR 125 million. The outlook for 2019 also looks strong, following Eastnine's acquisition of the S7 office complex for EUR 128 million. Beyond this, investors have begun diversifying their portfolios with investment into other cities besides the capital city Vilnius, such as Kaunas, Klaipeda and Panevezys. It is forecast that in the near future, banks may begin to become more

cautious when financing investment activities. The growing cost of debt in the upcoming years could stop yield compression which has lasted almost ten years.

TOURISM FUELS GROWTH

The number of tourists has been rapidly growing for the past five years. 2018 marked a record 20 per cent growth in the number of aircraft passengers in Lithuanian airports. This development has fuelled economic growth as well as development in the real estate sector. The hotel market is growing, with large international players such as Hilton, Marriott, Radisson, Moxy and Ibis seeing increased demand in Vilnius and Kaunas. The sector is becoming increasingly more competitive, as it used to be driven primarily by local players.

ACTIVE YEAR AHEAD

2019 is forecast to be another record year in the office segment, with as much as 15 and 35 per cent office stock growth in Vilnius and Kaunas, respectively. The market remains in the transition phase. Older office buildings have to either increase flexibility of lease terms or renovate in order to stay competitive in the quickly changing speculative office market. The retail segment is also changing, as large players renovate existing shopping malls and introduce new concepts and technology.

THE LATVIAN PROPERTY MARKET

INTENSE DEVELOPMENT IN RIGA

Following a strong 2017, where the Latvian economy grew by 4.6 per cent, 2018 saw Latvia continuing to grow at a rapid rate. The final GDP growth figure was as high as 5.1 per cent in 2018 – one of the highest rates in the European Union. The situation in Latvia is similar to that in the other Baltic countries – the economy is growing quickly but there are certain warning signs, as banks are increasingly becoming cautious about project financing. Nevertheless, the real estate sector remains active. Both local and foreign market players invest mostly in the office and retail

sectors in Riga, as the capital remains the only major economic hub. The city is set to grow by about 90,000 sqm of modern office stock, forecast to be commenced in 2019–2020. Falling vacancy rates for both class A and B premises show demand for new premises. Historically, class A made up just 15 per cent of all stock, but this proportion is expected to increase in the coming years. The office segment is particularly appealing to investors, too – the Riga office segment accounted for 60 per cent of transaction volume. The retail segment in Riga is modernizing as well, with the threat

of a strong Lithuanian competitor, Akropole, developing a shopping centre in Riga inspiring local players to change. The prime office yield remains at 6.75 per cent, while prime retail and industrial yields remain at 7.00 and 8.00 per cent respectively.

Contact:

Gintaras Tolocka
g.tolocka@newsec.lt
Adomas Biveinis
a.biveinis@newsec.lt



Photo: Shutterstock

»With development activity occurring in different parts of the city, Riga is seeing a number of office clusters beginning to form«

Interesting occurrences on the Latvian property market in 2018:

FAVOURABLE ECONOMIC CONDITIONS

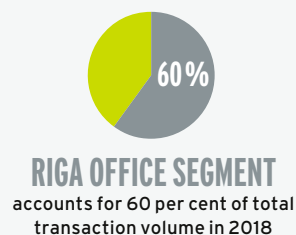
In 2018, Latvia showed signs of healthy long-term growth. The inflation rate is above 2 per cent, where it is forecast to remain in the coming years. The unemployment rate is decreasing and the labour market is becoming tighter – a tendency seen in all of the Baltic countries. Increasing wages improve well-being of citizens, but could affect international investors who consider the Baltic countries a good fit to minimize operating costs.

ACTIVE INTERNATIONAL INVESTORS

In the near future, Lithuanian investors amongst others are planning to invest more than EUR 600 million in real estate in Riga. Owing to a relatively small amount of local investors and an underdeveloped office market, Riga remains attractive to international players. Large-scale investors such as Hanner, Lords LB Asset Management, Capitalica Asset Management and Vilniaus Prekyba intend to invest in the office, retail and residential real estate sectors.

OFFICE CLUSTER FORMATION

With development activity occurring in different parts of the city, Riga is seeing a number of office clusters beginning to form. There are speculations as to which part of



the city will become central to business activities. The Skanste area remains a prime candidate with plans to develop several different business campuses. However, the west bank of the Daugava river is most likely to become the prime office cluster, as several developers have invested in land plots and plan on developing modern business centres.

AGITATION IN THE RETAIL SECTOR

Development of the Akropole shopping mall, set to open in 2019, has prompted existing market players in Riga to consider renovations and extensions. With a gross building area of 97,500 sqm, Akropole is

intended to be the most modern shopping mall in the city. Owing to the imminent increase in competition, existing retail players are investing in new entertainment activities as well as expanding their selection of brands.

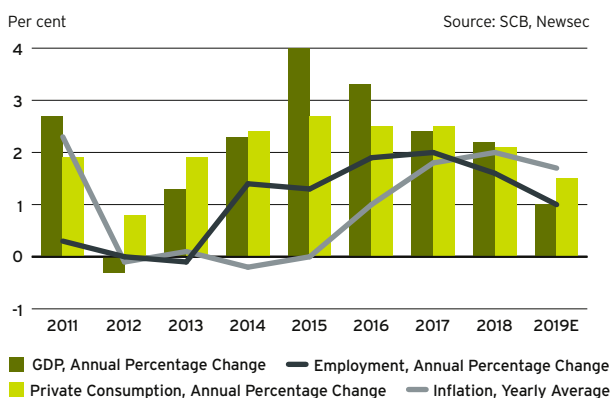
TORNAKALNS DEVELOPMENT

The public and private sector join forces in a large-scale university campus development in the Tornakalns area in Riga. With two facilities already in operation, the area in Tornakalns will become the main centralized campus of the University of Latvia. At the moment, the total area of the buildings is 38,500 sqm. By 2022, plans are for the area to consist of 130,000 sqm. The university development project is part of a public modernization effort in order to increase efficiency of real estate usage.

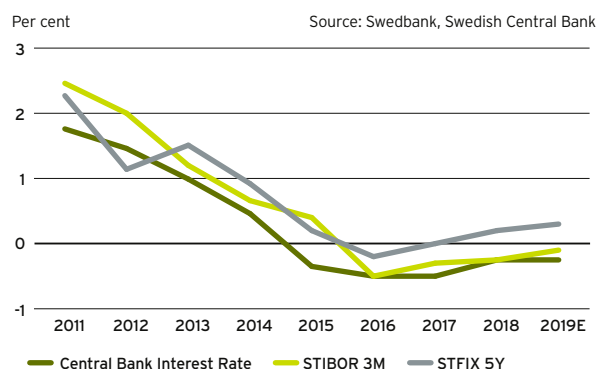
MACROECONOMIC DATA

Sweden

Economic Indicators

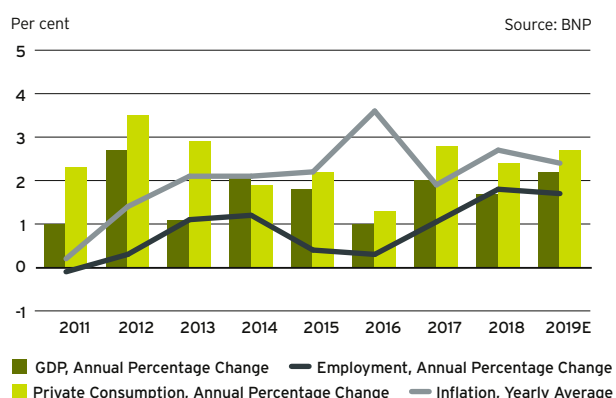


Interest Rates

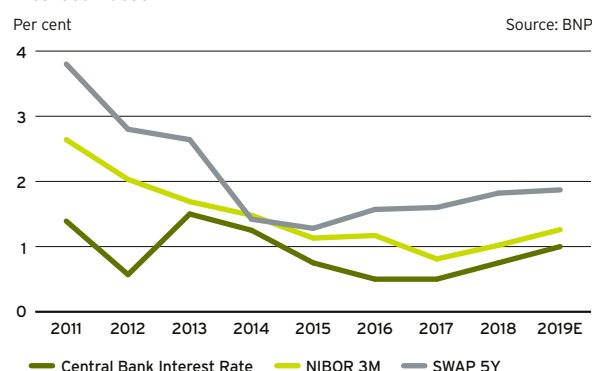


Norway

Economic Indicators

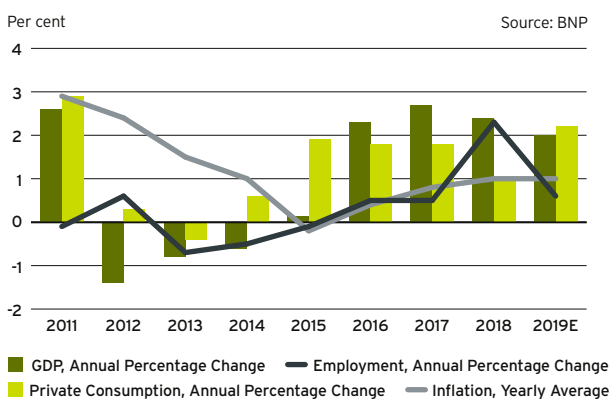


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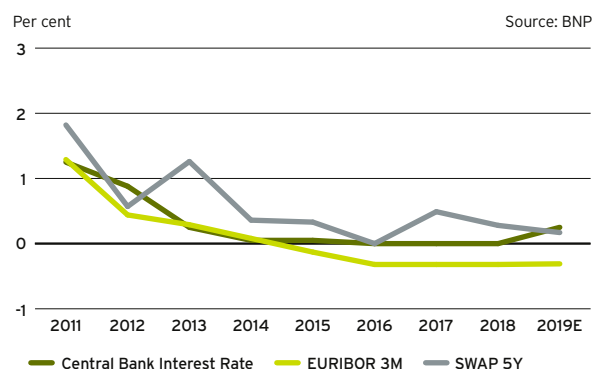


Finland

Economic Indicators



Interest Rates

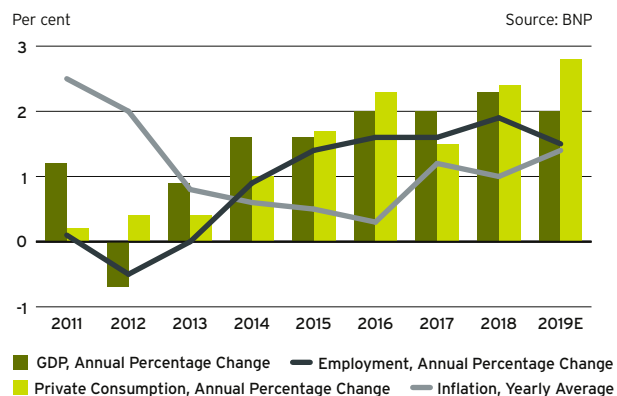


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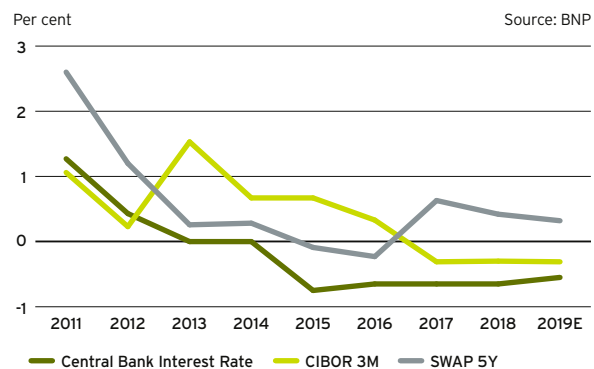
alexandra.lovgren@newsec.se

Denmark

Economic Indicators

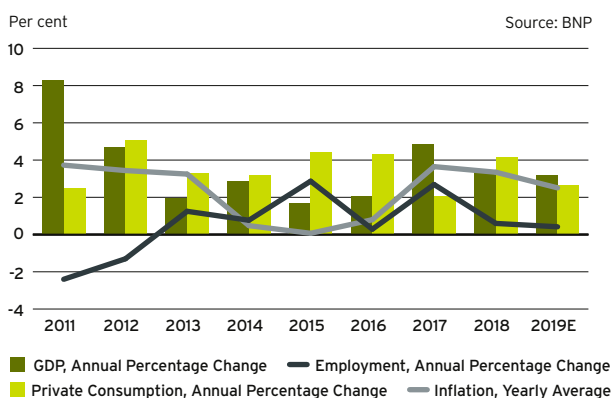


Interest Rates

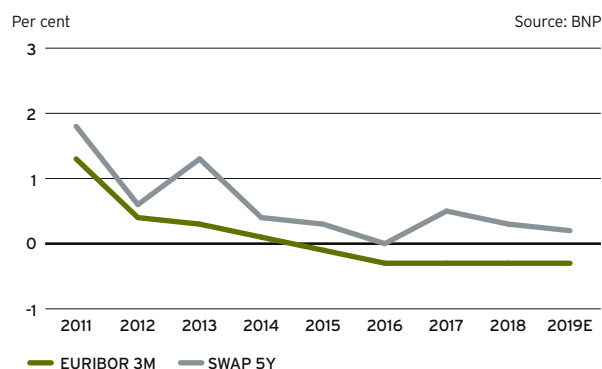


Estonia

Economic Indicators

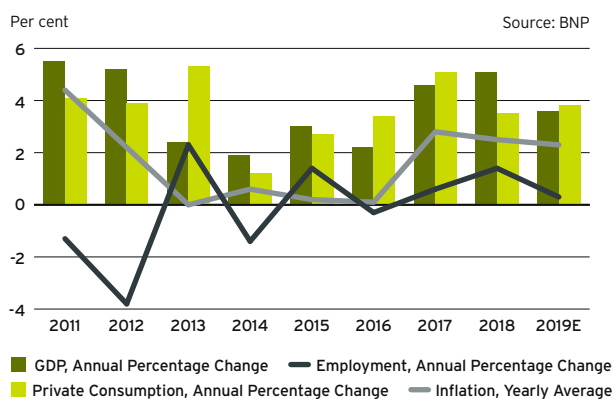


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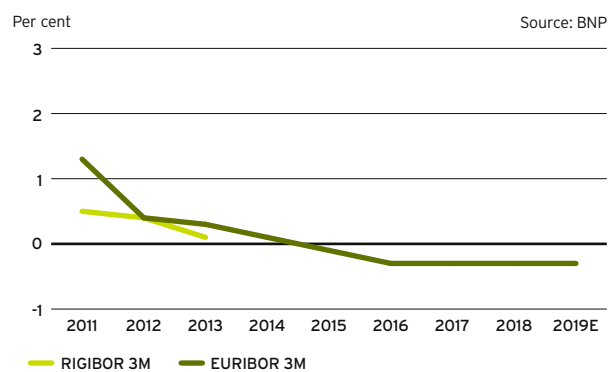


Latvia

Economic Indicators



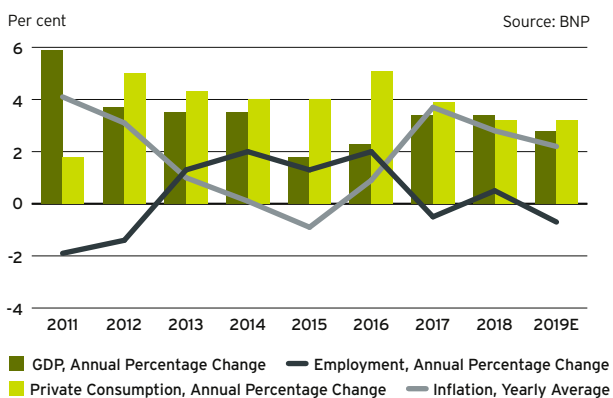
Interest Rates



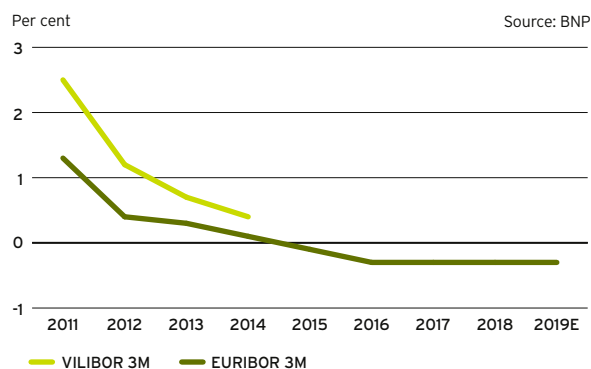
MACROECONOMIC DATA

Lithuania

Economic Indicators

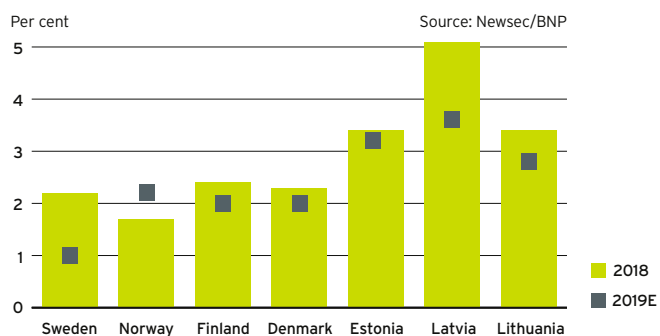


Interest Rates



GDP Growth

GDP Growth 2018–2019E



PROPERTY DATA

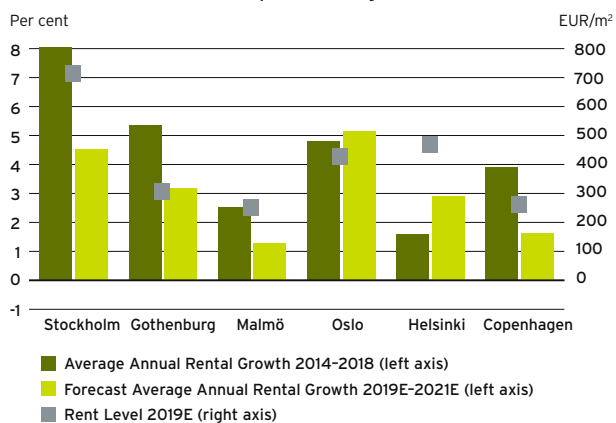
BUY THE
COMPLETE
FORECAST

alexandra.lovgren@newsec.se

Office rents

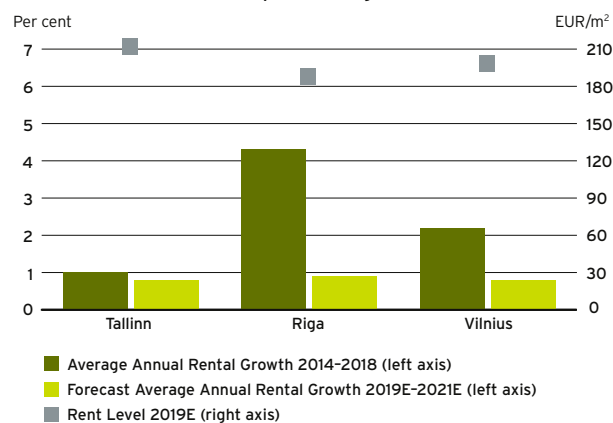
Prime Office Rents (CBD) | Nordic Region

Source: Newsec



Prime Office Rents (CBD) | Baltic Region

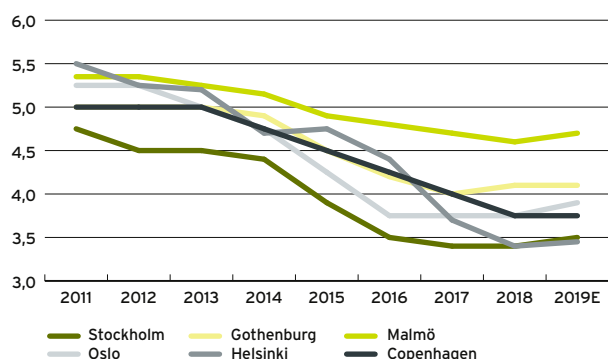
Source: Newsec



Office yields

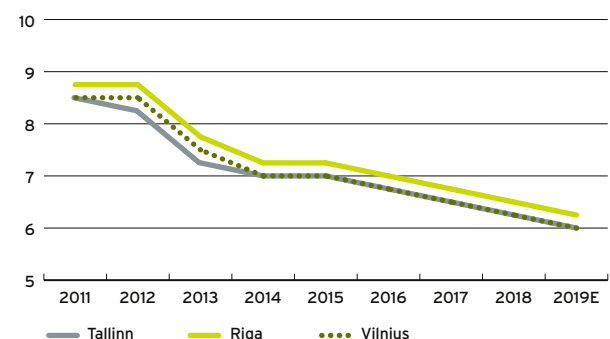
Prime Office Yields | Nordic Region

Source: Newsec



Prime Office Yields | Baltic Region

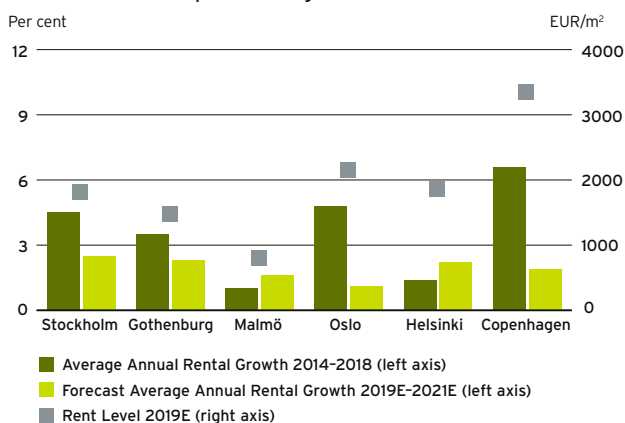
Source: Newsec



Retail rents

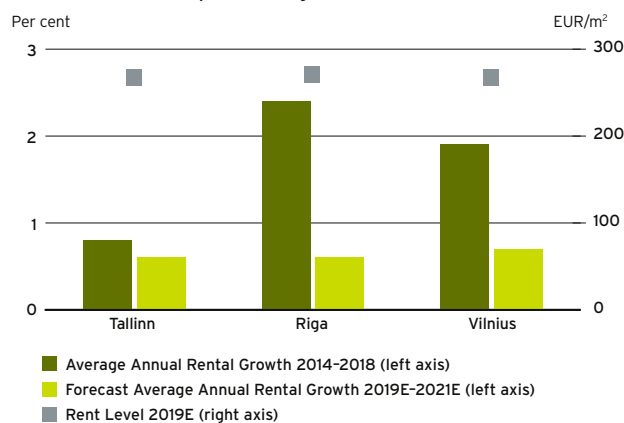
Prime Retail Rents | Nordic Region

Source: Newsec



Prime Retail Rents | Baltic Region

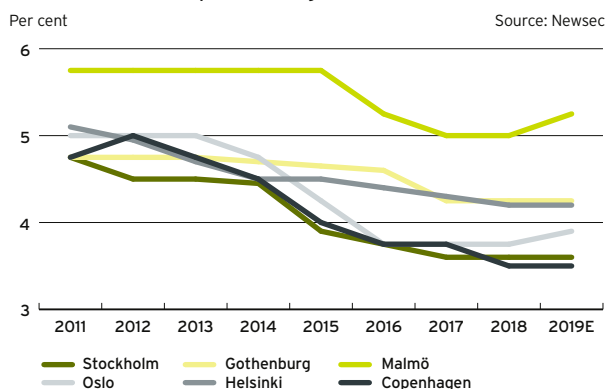
Source: Newsec



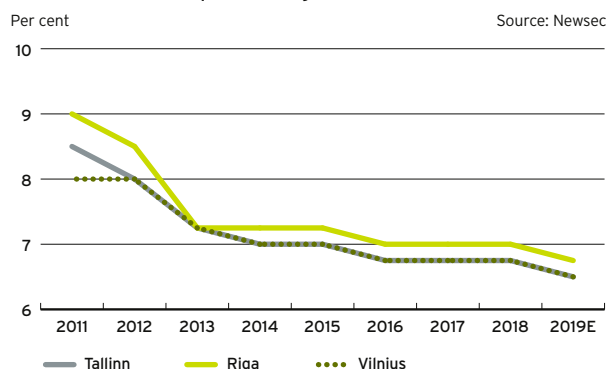
PROPERTY DATA

Retail yields

Prime Retail Yields | Nordic Region

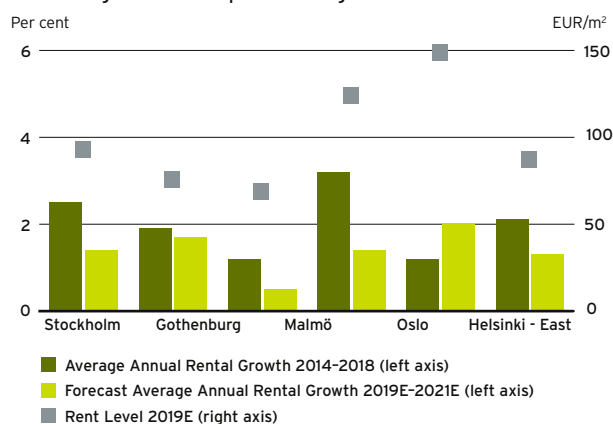


Prime Retail Yields | Baltic Region

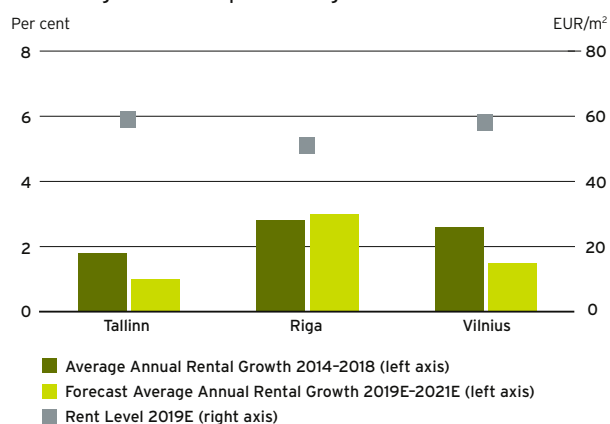


Logistics rents

Prime Logistics Rents | Nordic Region

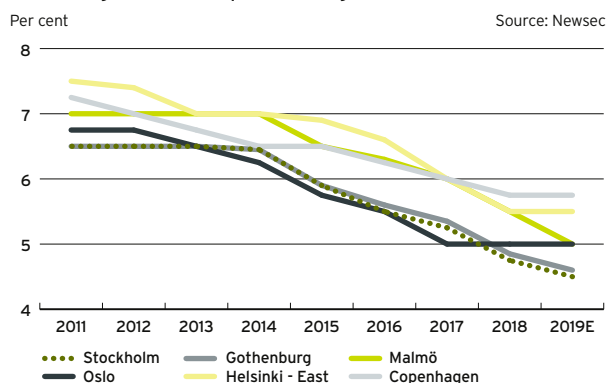


Prime Logistics Rents | Baltic Region

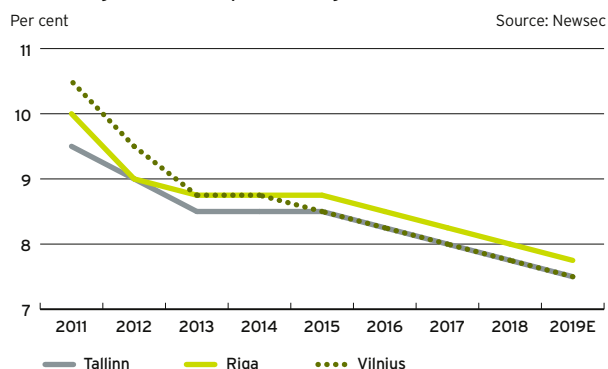


Logistics yields

Prime Logistics Yields | Nordic Region



Prime Logistics Yields | Baltic Region

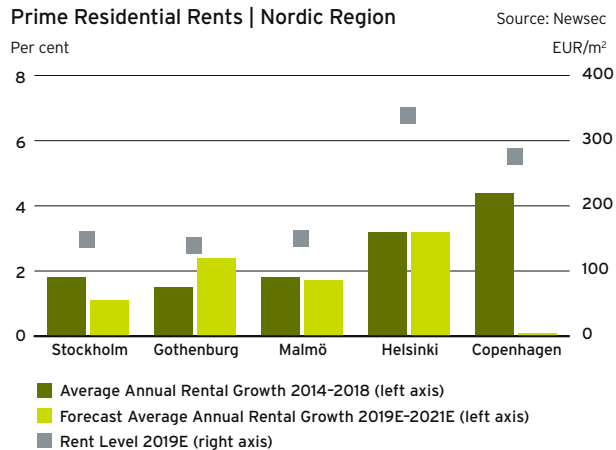


BUY THE
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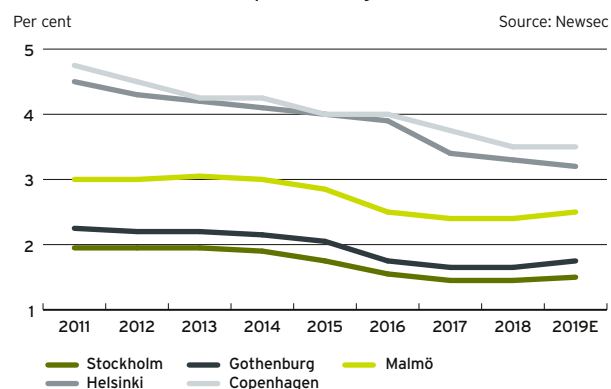
alexandra.lovgren@newsec.se

Residential rents

Prime Residential Rents | Nordic Region

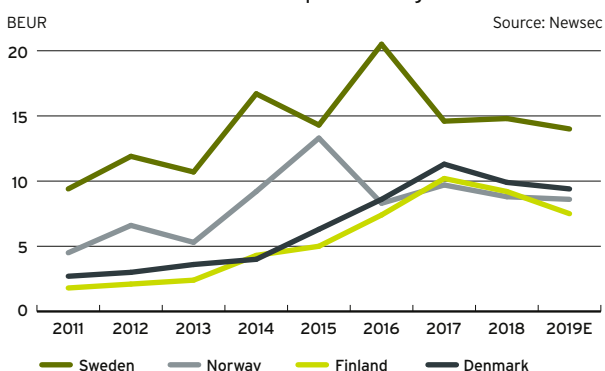


Prime Residential Yields | Nordic Region

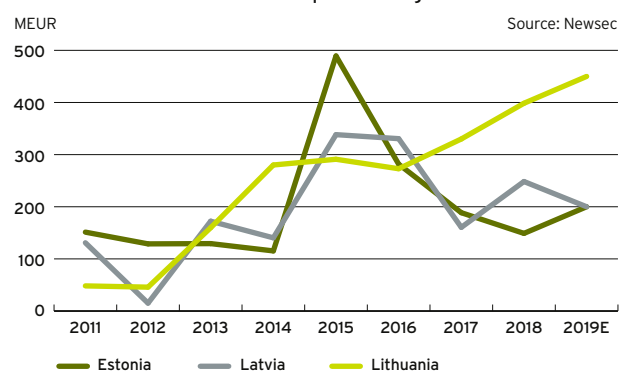


Annual transaction volumes

Transaction Volumes – Annual | Nordic Region

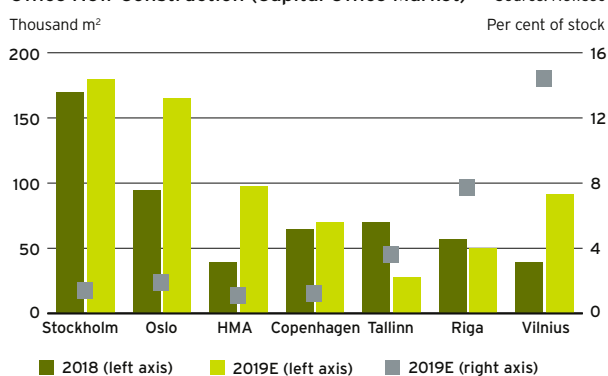


Transaction Volumes – Annual | Baltic Region



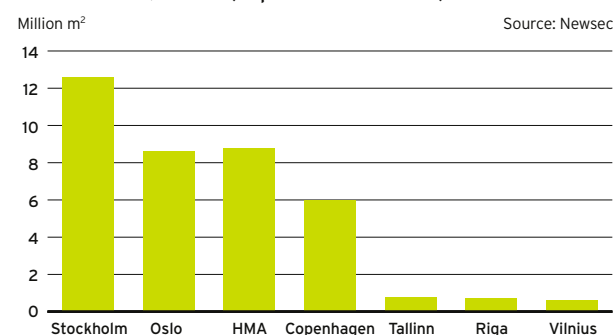
Office new construction

Office New Construction (Capital Office Market)



Office stock

Office Stock Q4 2018 (Capital Office Market)



DEFINITIONS

Offices

- In the Nordic region, the forecast refers to new or newly refurbished modern and flexible office premises with normal area efficiency.
- In Finland, the forecast refers to office premises with normal area efficiency in office buildings in office areas.
- The size of the premises is assumed to be around 1 000 m².
- In the Baltic region, the forecast refers to new or newly refurbished stand-alone modern business centres.
- In Sweden the market rent includes heating and excludes Property Tax.
- In Finland the market rent includes heating and Property Tax.
- In Norway and Denmark the market rent excludes heating and Property Tax.
- In the Baltic region the market rent excludes all applicable taxes.

Retail

- Rent levels refer to attractive, modern High-Street or centrally located shopping-centre retail premises with a prime location on the High Street or in the shopping centre.
- In Norway, rents refer only to shopping centres.
- The rents do not refer to premises used for groceries and daily necessities (except in the Baltic region).
- The size of the premises is assumed to be around 250 m².
- The rent excludes heating and Property Tax in all Nordic countries except Finland where heating and Property Tax are included.
- In the Baltic region the market rent excludes all applicable taxes.

Logistics

- In the Nordic region the size of the premises is assumed to be 5 000–20 000 m² with 5–10 years lease agreement.
- In the Baltic region the size of the premises is assumed to be from 3 000 m² with 3–5 years lease agreement.
- In the Nordic region the rent excludes heating and Property Tax.
- In the Baltic region the market rent excludes all applicable taxes.

Residential

- The forecast refers to attractive locations.
- The standard assumes buildings constructed in the late 1990s and with an apartment area of around 60–70 m².
- The rent includes heating and Property Tax.

Exchange rates

All rents and transaction volumes are calculated using exchange rates from January of each respective year.

NEWSEC'S MARKET REPORTS

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alexandra.lovgren@newsec.se

Thanks to Newsec's comprehensive knowledge we are able to offer a number of analysis and segment market reports which give you a valuable summary of the property market.



Market Report
Residential



Market Report
Construction Rights



Market Report
Future Growth Markets



Market Report
Office



Market Report
Logistics



Market Report
Projects



Market Report
Retail



Market Report
Public Properties



Sedis Report



Newsec's
Transaction List



Valueguard

Access Newsec's market report portal here: <https://www.marknadsrapporter.se/store>

THE FULL SERVICE PROPERTY HOUSE IN NORTHERN EUROPE

Newsec – The Full Service Property House in Northern Europe – is by far the largest specialised commercial property firm in Northern Europe.

Newsec manages more properties and carries out more transactions, more lettings and more valuations than any other firm in Northern Europe. Through this great volume, and the knowledge and depth of our various operations, we acquire extensive and detailed knowledge of the real estate market. In turn, we can quickly identify business opportunities that create added value.

Our prime market is Northern Europe, but through our alliance membership with BNP Paribas Real Estate, we offer our services on the global market. This makes Newsec Northern Europe's only full service property house, and provides us with a unique ability to forecast the future.

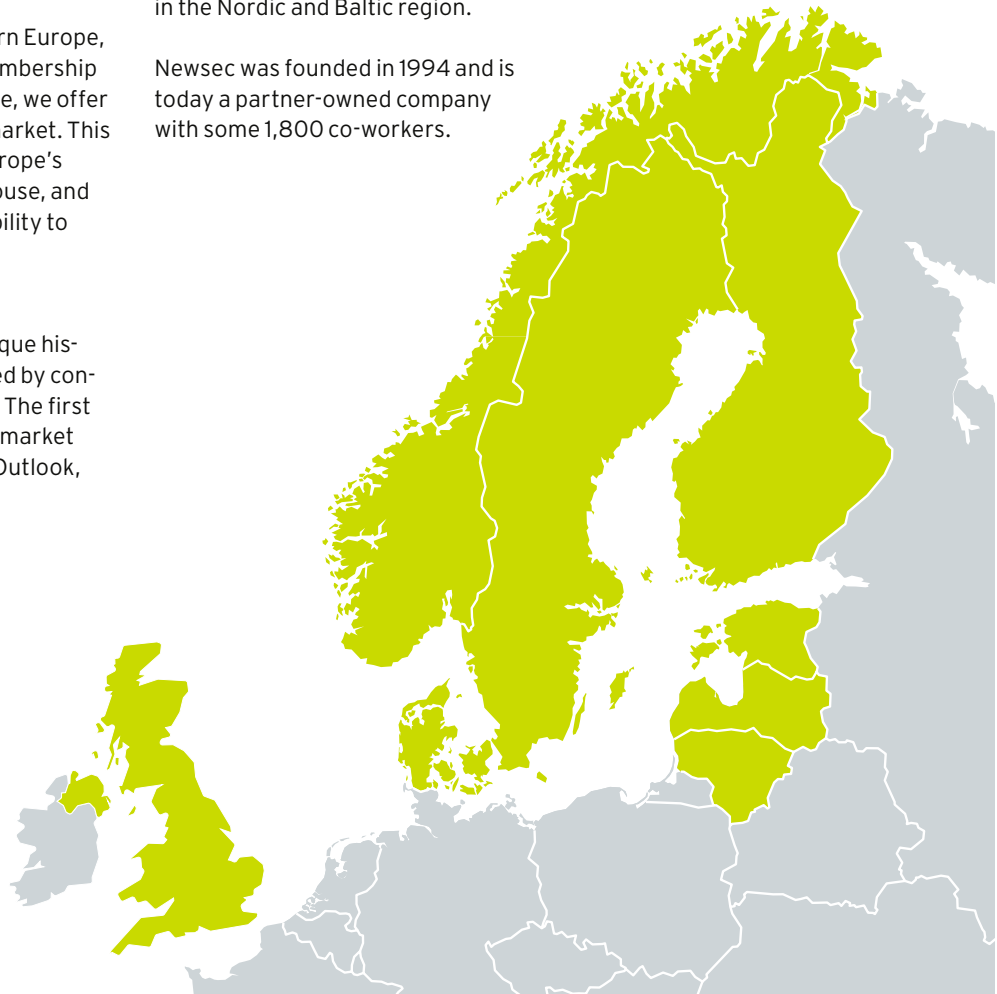
A history of growth

Newsec is the result of a unique history of growth, characterised by constant originality of thinking. The first issue of the comprehensive market analysis, Newsec Property Outlook, was published in 2001.

The Group expanded internationally into Finland in 2001, Norway in 2005, the Baltic countries in 2009 and Denmark in 2016. The Norwegian asset and property management companies First Newsec Asset Management and TM Partner were acquired in 2012. In 2013, Newsec acquired Jones Lang LaSalle's Swedish property management operation. In 2017, Newsec grew with the acquisitions of Norwegian Basale and Danish Datea, further strengthening the position within Property Asset Management. In 2018, Newsec opened a London office to assist international investors interested in the Nordic and Baltic region.

Newsec was founded in 1994 and is today a partner-owned company with some 1,800 co-workers.

spread across the seven Nordic and Baltic countries. Newsec has approx. EUR 45 billion under management and annually signs lease agreements of approx. 1 million square meters, management transactions of some EUR 3.3 billion and does real estate valuations with an underlying property value worth almost EUR 165 billion. Thanks to large volumes and local presence combined with in-depth understanding of a range of businesses, Newsec has a unique expertise of the real estate market in northern Europe.



CONTACT AND ADDRESSES

Sweden

info@newsec.se

Stockholm

Stureplan 3
P.O. Box 7795
SE-103 96 Stockholm,
Sweden
Tel: +46 8 454 40 00

Stockholm

Humlegårdsgatan 14
P.O. Box 5365
SE-102 49 Stockholm,
Sweden
Tel: +46 8 55 80 50 00

Gothenburg

Sankt Eriksgatan 5
P.O. Box 11405
SE-404 29 Göteborg,
Sweden
Tel: +46 31 721 30 00

Gothenburg

Kungssportsavenyn 33, 5 tr
SE-411 36 Göteborg,
Sweden
Tel: +46 31 733 86 00

Öresund Office

Davidshallsgatan 16
SE-211 45 Malmö,
Sweden
Tel: +46 40 631 13 00

Norway

info@newsec.no

Oslo

Filipstad Brygge 1
P.B. 1800 Vika
NO-0123 Oslo,
Norway
Tel: +47 23 00 31 00

Trondheim

Beddingen 8, 3. etg.
NO-7042 Trondheim,
Norway
Tel: +47 98 67 (24t)

Denmark

Newsec Advisory in Denmark

info@newsec.dk

Copenhagen

Silkegade 8
1113 Copenhagen
Tel: +45 33 14 50 70

Aarhus

Banegårdspladsen 20
8000 Aarhus C
Tel: +45 87 31 50 70

Newsec Property Asset Management in Denmark

datea@datea.dk
+45 26 01 02

Lyngby

Lyngby Hovedgade 4
2800 Kgs. Lyngby

Aarhus

Viby Ringvej 2B, #.
8260 Viby J

Næstved

Ringstedgade 24, 1.tv
4700 Næstved

Finland

info@newsec.fi

Helsinki

Mannerheiminaukio 1 A
P.O. Box 52
FI-00101 Helsinki,
Finland
Tel: +358 207 420 400

Tampere

Aleksanterinkatu 32 B
FI-331 00 Tampere,
Finland
Tel: +358 207 420 400

Estonia

info@newsec.ee

Tallinn

Roseni av. 7
EE-10111 Tallinn,
Estonia
Tel: +372 664 5090

Latvia

info@newsec.lv

Riga

Vilandes av. 1-16
LV -1010 Riga
Tel: +371 6750 84 00

Lithuania

info@newsec.lt

Vilnius

Konstitucijos ave. 21C,
Quadrum North, 8th floor
LT-09306 Vilnius,
Lithuania
Tel: +370 5 252 6444

United Kingdom

London

Henry Wood House 2
Riding House Street
W1W 7FA London

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IN NORTHERN EUROPE