

# MARKETBEAT

## SWEDEN INDUSTRIAL SNAPSHOT

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION



Q3 2011

### OVERVIEW

After the good economic performance seen in the Swedish economy over the first half of the year, the austerity measures introduced in many of Sweden's European export markets have slowed the country's exports and so a slower than expected economic expansion over the second half of the year is anticipated but Sweden remains one of the strongest economies in Europe. Domestic consumption remains robust and continues to fuel industrial production which is still anticipated to grow by 8.9% in 2011, and thus staying marginally above the level recorded in 2010. This has helped keep the property market moving, with both prime rents and yields maintaining a steady trend during Q3.

### OCCUPIER FOCUS

The industrial occupier market has been active over the course of the Q3 and demand for new, grade A properties remained significant. One of the more significant deals of the quarter was the leasing of 20,000 sq.m of logistics space by Beijer Byggmaterial AB in Stockholm's Märsta submarket, with the industrial areas of Västberga, Jordbro, Rosersberg or Arlanda also attracting notable levels of demand. While market conditions are improving developers continue to take a cautious approach towards committing to new construction compounded by the still tight lending conditions. The majority of new developments are built on a non-speculative basis, which has helped maintain downward pressure on the overall vacancy rate.

### INVESTMENT FOCUS

The quarter's most notable deals were the portfolio sale of two logistics schemes in the wider Malmö and Gothenburg areas for a combined sum of Skr 216 million (approximately €24m) and a single asset transaction worth Skr 275 million (around €31m) involving the sale of a Lidl owned warehouse in the Svinsta logistic area, Northwest of Stockholm to Arena Real AB. Both transactions further support the trend that the – predominantly domestic – interest in acquiring industrial assets is still focused on new and high specification assets with long leases to secure tenants as opposed to second hand or outdated stock.

### OUTLOOK

Underpinned by the strong economic outlook, the final quarter of the year is expected to remain dynamic on the occupier side, with the prime segment continuing to drive the market. Prime rents are likely to register positive growth of between 2-3% before the end of 2011. This would bring Stockholm's rental growth to around 10% for the year. On the investment side, the ongoing demand for prime space is expected to see prime yields move further in as 2012 draws closer.

### MARKET OUTLOOK

PRIME RENTS:	Prime rents on the rise as occupiers seek to secure the top quality units.	↗
PRIME YIELDS:	Marginal compression for best units possible in the short term as demand outweighs supply.	↘
SUPPLY:	The only developments in the pipeline are for built-to-suit requirements.	→
DEMAND:	The economic growth should remain above the EU average, supporting healthy demand.	↗

### PRIME INDUSTRIAL RENTS – Sep 2011

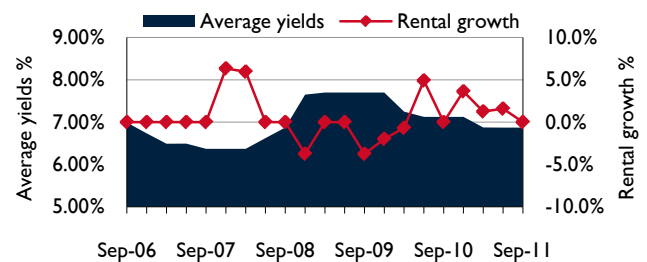
	Skr sq.m/yr	Prime Rent		Compound(p.a) % Growth	
		€ sq.m/yr	US\$ sq.ft/yr	5yr	1yr
Stockholm	1,025	111.2	13.86	2.6	7.9
Gothenburg	800	86.8	10.82	2.7	6.7
Malmö	775	84.1	10.48	2.1	3.3

### PRIME INDUSTRIAL YIELDS (Net) – Sep 2011

	Prime Yield (%)			10 year	
	Current Quarter	Last Quarter	Last Year	High	Low
Stockholm	6.75	6.75	7.00	8.50	6.00
Gothenburg	7.00	7.00	7.25	10.00	6.75
Malmö	7.00	7.00	7.25	10.00	6.75

With respect to the yield data provided, in light of the lack of recent comparable market evidence in many areas of Europe and the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

### RECENT PERFORMANCE



Source: Cushman & Wakefield LLP, 2011

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