

Nordic Investment MarketView

Q1 2014

CBRE Global Research and Consulting



INVESTMENT CHANGE FROM Q1 2013
+16%



INVESTMENT CHANGE FROM Q4 2013
-37%



INVESTMENT, RELATIVE TO Q4 AVG. 2010-2013
+10%

A CONFIDENT START TO YEAR - NORDIC PROPERTY INVESTMENT VOLUME € 4.7 BILLION IN Q1 2014, UP BY 16% COMPARED TO Q1 2013

Nordic Investment Turnover

Q1 2014	QoQ	YoY
Total	↓	↑
Office	↓	↑
Retail	↓	↓
Industrial	↑	↓
Residential	↓	↑
Other	↓	↑

Prime Office Yields

Q1 2014	QoQ	YoY
Copenhagen	→	→
Helsinki	↓	↓
Oslo	→	↓
Stockholm	→	→

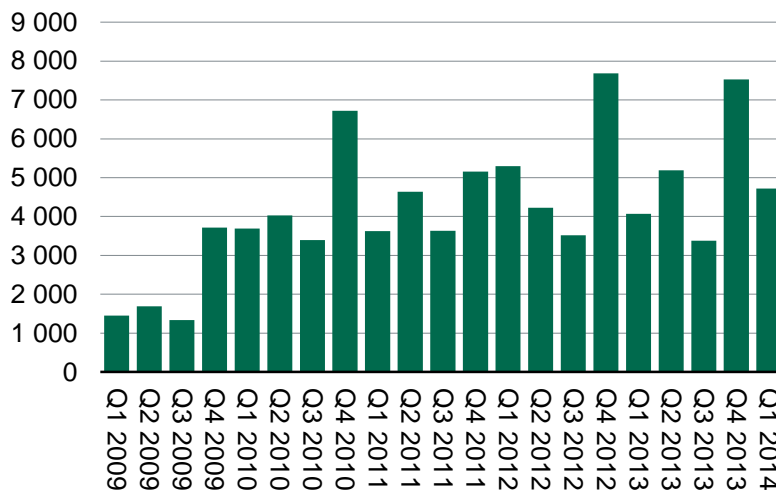
Prime Retail Yields

Q1 2014	QoQ	YoY
Copenhagen	→	↓
Helsinki	↓	↓
Oslo	→	↓
Stockholm	→	→

Prime Industrial/Logistic Yields

Q1 2014	QoQ	YoY
Copenhagen	→	→
Helsinki	↓	→
Oslo	→	↓
Stockholm	↑	→

Chart 1: Nordic Investment 2009-2014 (€m)



Source: CBRE Research

Economic output continues to grow across the Nordic region, ahead of the EU average. Finland returns to positive growth. The Nordics continues to outperform the EU average.

Economic growth outlook increased to 1.6% for the region. The most significant change was Finland's economic growth outlook returning to positive territory and Denmark's growth prospects jumping from 0.4% in 2013 to 1.5% in 2014.

Sweden continues to lead the pack with economic growth of 2.1%, closely followed by Norway at 1.9%.

The economic growth forecasts for the region continues to be positive, when compared to the EU average of 1.0%.

Nordic region property investment Q1 was € 4.72 billion, 16% up on Q1 2013 and 10% up on the five year Q1 average (€ 4.28 billion)

Q1 regional investment activity was driven particularly by robust transaction activity in Sweden (up 89% on Q1 2013) and Finland (up 134% on Q1 2013). Swedish & Finnish Office deals were the main Nordic Market drivers as well as Norwegian industrial transactions.

As well as continued strong buying by domestic investors, we have seen a marked increase in interest from international investors in the region, some of whom have never previously invested in the Nordics, though are looking for a counter-weight to holdings in the main markets of mainland and southern Europe.

NORDIC INVESTMENT

International investors, who at times perceived the region to be expensive in comparison to some other European markets, are increasingly seeing greater value for money across the region, on a risk-adjusted returns basis, especially as access to debt and finance terms continues to improve across all of the region's markets.

Q1 2014 Country investment volumes vary across the region

There were significant differences between the four Nordic investment markets in terms of volume traded.

Sweden led with € 2.84 billion of transactions, followed by Norway (€ 730.0 million), Finland (€ 700 million) and Denmark (€ 539.0 million) in Q1 2014.

Offices contributed to 47%, other contributed 17%, Residential 16%, Industrial 12% and Retail 7% of all transactions in the region.

The lack of availability of quality product, coupled with a shortage of larger lot sizes for many international investors, continues to hold back potential transaction volumes across the region.

Local buyers continue to dominate transaction activity

Within the region, local buyers still tend to dominate, though increased international capital expected.

In Q1 we have seen a significant increase in cross-border activity within the region, particularly in Finland and Norway.

In Q1 the share of international investors (led principally by Swedish and German investors) was approx. 56% of all transactions in Finland, showing a significant resurgence in interest in Finland.

Similarly, the share of international investors in Norway jumped to 22% of Norway's total investment volume.

The interest shown by Swedish investors in Denmark continues to grow, with Swedish companies concluding 2 out of 3 of the most significant transactions in Denmark in Q1 2014.

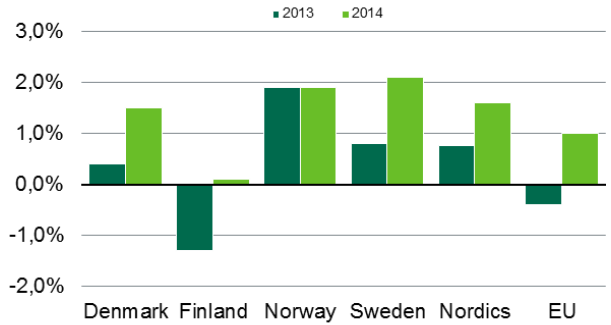
Prime yields across the Nordics – continued stability

Prime yields were largely unchanged across the region in Q1 2014.

The most significant change in prime yields was an inward shift in Helsinki Office yields from 5.2% in Q4 2013 to 4.6%, confirmed by a number of recent office transactions in Helsinki's CBD.

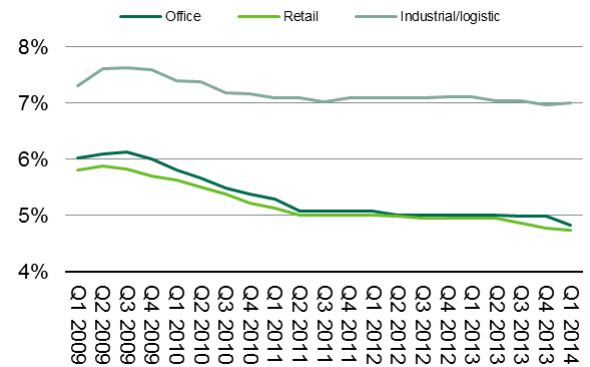
We expect that prime yields will remain broadly stable in 2014.

Chart 2: Economic Growth Outlook 2013-2014



Source: Oxford Economics

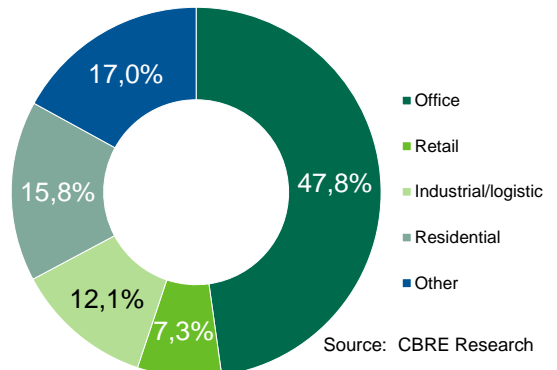
Chart 3: Nordic Prime Yield Index 2009-2014



Indices are unweighted averages of the four Nordic capital cities

Source: CBRE Research

Chart 4: Nordic Investment by Sector, Q1 2014



Source: CBRE Research

Prime Yields	Office	Retail	Industrial/logistic
Copenhagen, DEN	5.00	4.50	8.00
Helsinki, FIN	4.60	5.00	7.20
Oslo, NOR	5.25	5.00	6.30
Stockholm, SWE	4.50	4.50	6.50

Source: CBRE Research

Chart 5: Danish Investment 2012-2014 (€m)

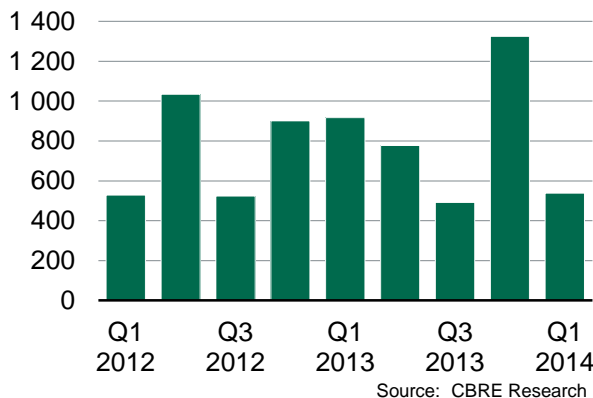


Chart 6: Danish Investment by Sector, Q1 2014

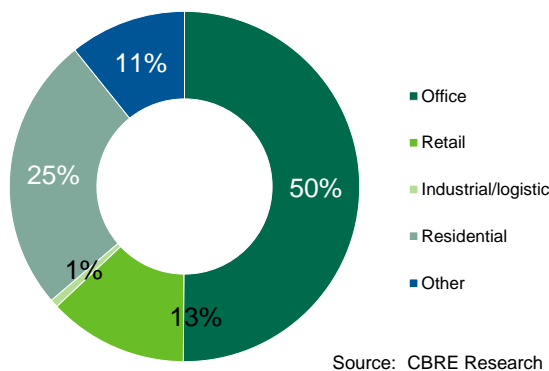
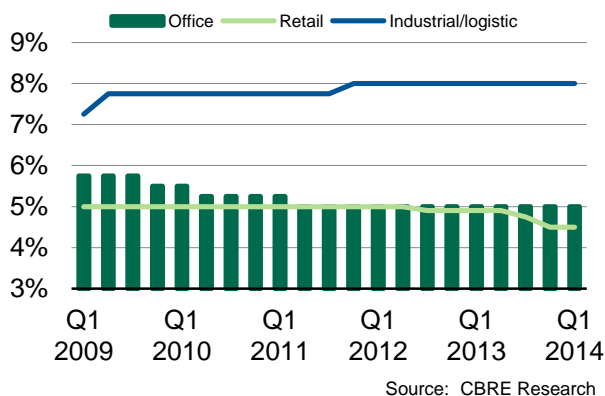


Chart 7: Copenhagen Prime Yields 2009-2014



Cph Occupier Market Trends	Demand	Vacancy	Prime Rent
Office	↑	↓	→
Retail	↑	→	→
Industrial/logistic	→	→	→

Source: CBRE Research

Investment

After a very strong fourth quarter, the investment activity in Q1 2014 slowed down to € 539 million. Although this figure represents a 59% drop q-o-q, i.e. 41% drop y-o-y, it is very much in line with the historical average for the first quarter. Q1 2013 volume was boosted by one very large shopping centre transaction, which alone accounted for € 383 million.

Offices were the most traded property type in Q1, with 50% share in the total investment volume. Residential properties retained investors interest holding a 25% share.

Investors interest in prime properties is strong. Especially core prime retail has witnessed a strong surge in interest over the last year, resulting in prime yield compression. The trend is expected to remain strong throughout 2014. Investment in Greater Copenhagen was some € 394 million, only 4% down compared to the same period last year. The share of transactions in Copenhagen CBD accounted for 30% of the total volume. We estimate the cross-border share of investment volume to 35% in Q1 2014.

Deals

Below are some major deals concluded in Denmark.

FairWay House in Ørestad sold to NIAM

Niam acquired a modern, 16,700 sq. m. large office building in Ørestad, Copenhagen. The building was constructed in 2009 and is almost fully leased to multiple tenants. The sales price was not disclosed, but is estimated to be at € 38 million.

Source: NIAM press release – 19th March 2014

Wihlborgs acquires four office buildings in Ballerup

Wihlborgs has acquired four office properties in Ballerup from Magistrenes Pensionskasse for € 34 million. Vacancy at the time of purchase was 50% (total area 39,000 sq. m.), while the initial yield reported was 5.0%. Wihlborgs has consequently signed a lease agreement with Schneider Electric Denmark for 14,000 sq. m., i.e. the entire property at Lautrupvang 1. The property will be fully refurbished before Schneider moves their operations in 2015. An initial lease agreement is signed for a period of 12 years.

Source: Wihlborgs press release – 12th February 2014

M. Goldschmidt Ejendomme take over Trekronegården

A 12,000 sq. m. large property composed of commercial (60% share) and residential space (40% share) was traded for € 33 million. At the time of purchase, some 3,100 sq. m. of office space was vacant.

Source: M. Goldschmidt Ejendomme press release – 13th February 2014

Investment

The Finnish property investment market witnessed a refreshing start for the year as the positive development which started during Q4 2013 continued. The transaction volume in Q1 was circa € 0.7 billion, which is more than double compared to Q1 2013.

Within Q1, offices were the most traded single asset type, representing 33% of the total volume. The "Other" property sector, including mainly healthcare and mixed-use assets contributed for 47 % of the investments.

The share of foreign investors (mainly Swedish and German) was approximately 56% of the total transaction volume in Q1, indicating that the Finnish market is becoming increasingly interesting to International investors.

Deals

Below are some of the major deals concluded in Finland.

▪ Deka acquires Sanoma's HQ in Helsinki CBD

German Deka Immobilien's fund has acquired the Sanomatalo office property in downtown Helsinki from Sanoma Plc. For a price of € 176 million. The seller continues to occupy the Headquarters premises with a long term lease agreement.

Source: Rakennuslehti – 5th March 2014

▪ SATO bought 126 apartments in Espoo and Vantaa from ICECAPITAL for € 23.1 million

SATO Plc has acquired 126 apartments from ICECAPITAL Housing Fund I Ky. The apartments are located in 3 properties of which 2 are located in Kilo, Espoo and one in Tikkurila area in Vantaa. The average size of the apartments is 55 sq m.

Source: SATO release – 28th February 2014

▪ Trevian divests a healthcare portfolio of 15 assets for € 100 million to Hemsö

Trevian Care I Ky, a real estate equity fund managed by Trevian Asset Management Oy, has signed an agreement to sell a portfolio comprising of 15 care assets to Swedish investor Hemsö Fastighets AB. The size of the divestment is around € 100 million and the closing of the deal takes place in March 2014.

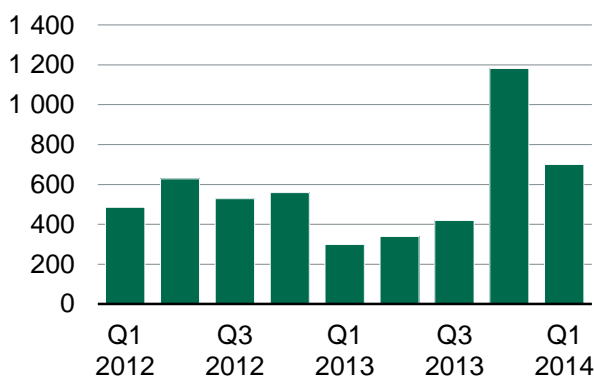
Source: Trevian release – 17th February 2014

▪ Sanoma sells properties in Vantaa for € 65 million to Swedish Sagax

Sanoma has sold its Sanomala printing facility and office properties located in Martinlaakso, Vantaa as well as office and production properties located in Koivuvaara, Vantaa to Swedish AB Sagax. Sanoma will remain as a lessee in the properties, with a long-term contract for the Sanomala facility.

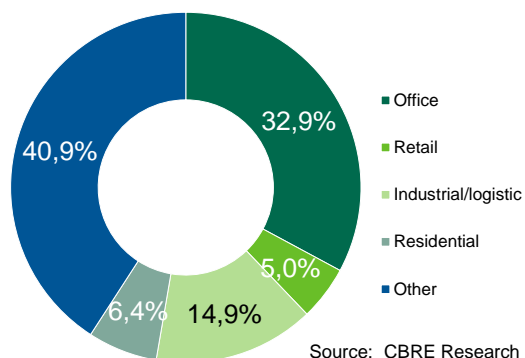
Source: Sanoma release – 17th January 2014

Chart 8: Finnish Investment 2012-2014 (€m)



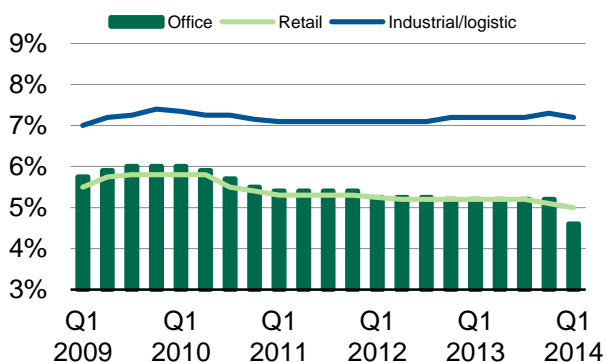
Source: CBRE Research

Chart 9: Finnish Investment by Sector, Q1 2014



Source: CBRE Research

Chart 10: Helsinki Prime Yields 2009-2014

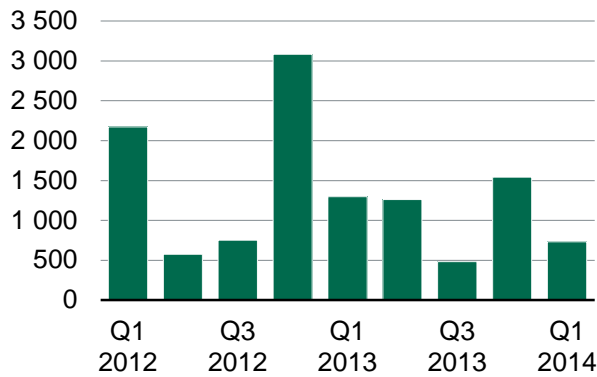


Source: CBRE Research

Helsinki Occupier Market Trends	Demand	Vacancy	Prime Rent
Office	→	↑	→
Retail	→	→	→
Industrial/logistic	↓	→	→

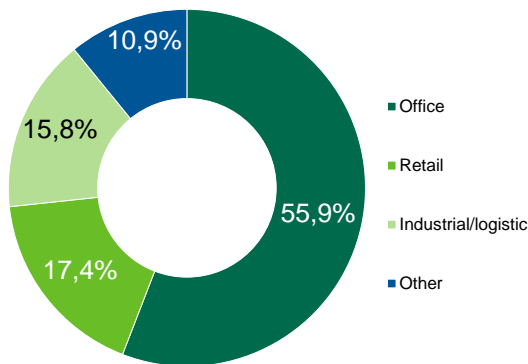
Source: CBRE Research

Chart 11: Norwegian Investment 2012-2014 (€m)



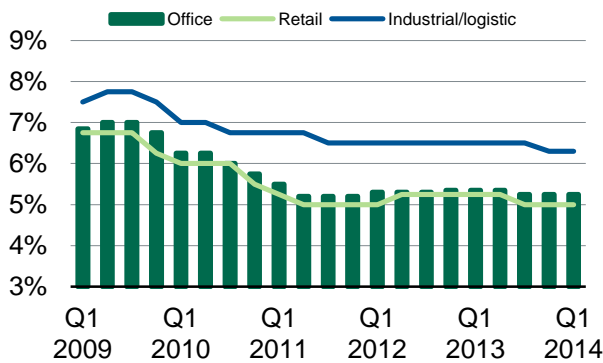
Source: CBRE Research

Chart 12: Norwegian Investment by Sector, Q1 2014



Source: CBRE Research

Chart 13: Oslo Prime Yields 2009-2014



Source: CBRE Research

Oslo Occupier Market Trends	Demand	Vacancy	Prime Rent
Office	→	↑	→
Retail	→	→	→
Industrial/logistic	→	→	→

Source: CBRE Research

Investment

Total investment volumes for Q1 in the Norwegian market was approximately NOK 6.1 billion (€ 728 million). This is a 38% drop from Q1 2013 and a 53% drop from Q4 2013.

Although the market remains dominated by domestic investors, international interest materialized with three of the major deals transacted in Q4 concluded by overseas investors. This represent approximately 22% of the total transactions in Q1.

Prime yields remains flat with the prime office yield estimated at 5.25%, prime retail yield at 5.00% and prime logistic yield estimated at 6.30%. The vacancy rate increased slightly to 7.3% from 7.2% in Q4 2013.

Deals

Below are some of the major deals concluded in Norway during this quarter:

- ### W.P Carey acquires Siemens' HQ in Østre Aker vei 90

W.P. Carey acquired Østre Aker vei 90 from Winta Eiendom and F.G Eiendom for a reported price of NOK 520 million. The office building located in the outer east part of Oslo is leased by Siemens. The annual gross rent is reportedly NOK 36 million while the net yield believed to be 6.6%.

Source: *Finansavisen* – 28th February 2014

- ### Nordea Liv sells Hoffsvveien 70 B / C

Nordea Liv sold Hoffsvveien 70 B / C to NRP Finans for approximately NOK 400 million. The properties comprise a lettable area of 15 000 sqm as well as 200 parking places. This gives a price per sq. m. of slightly below NOK 27 000 and a estimated net yield of 6.9%.

Source: *NRP Finans AS press release* – 26th March 2014

- ### Aberdeen Property Nordic Fund I acquires Bogstadveien 2

The property was acquired from Håvi AS and OJ Sandven Eiendom AS for ca NOK 200 million. The 1969 sq. m. property is fully rented to Anton Sport, Tatler and Ollis Optikk and the remaining rental period is 7 years.

Source: *NeNyheter* – 1st April 2014

- ### Pembroke Real Estate acquires Colloseum Park

Salto Eiendom and CentraGruppen have sold Colosseum Park to Pembroke Real Estates for a reported price of NOK 185 million at an estimated net yield of approx. 5.8%.

Source: *Salto Eiendom press release* – 3rd March 2014

Investment

There has been a robust start to 2014. Total volume for Q1 ended up at SEK 25 bn, which is close to a 90% increase in transaction volume when compared to the same quarter 2013 (SEK 13.2 bn).

The sector spread remained stable with office and residential representing 49% and 20% respectively. However, Q1 saw a shift in ranking between retail and industrial, in which the industrial segment took third place, with a volume of about SEK 3.5 billion, representing 13% of total investment volume. This is largely thanks to the Volvo portfolio transaction, which largely comprised of industrial and storage accommodation.

Geographically, Sweden's three largest cities (Stockholm, Gothenburg & Malmo) dominate the market, contributing about 70% of the total transaction volume with Stockholm representing 48% (39%, Q4 2013).

The domestic's share of the transaction volume remains high at 91% for Q1.

Sweden is perceived as safe and attractive market to invest into and the continued interest from international capital is significant. We therefore expect new entrants into the Swedish market and a net buying trend in 2014.

With the improving financing possibilities we see a renewed interest from both national and international capital seeking interesting returns on capital.

The demand for direct property exposure is far greater than the supply of available objects in some markets and segments. We predict that 2014 will be characterized by continued high demand for investments considered safe such as inner city objects, residential and commercial properties in prime locations with secure cash flow.

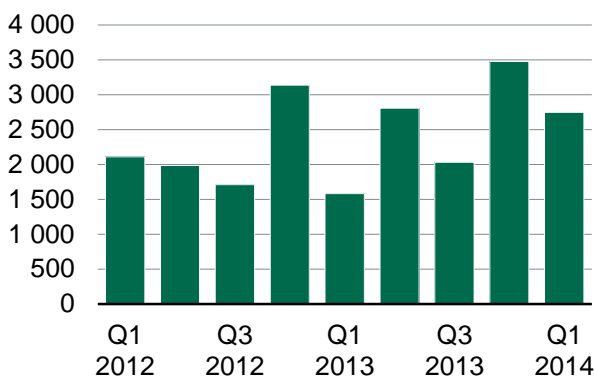
Promoted by a general positive market sentiment and available financing, we expect growing demand for higher yielding assets in more secondary markets as well as objects considered more opportunistic which will help increase liquidity and have a positive effect on yields.

Deals

Below are two major deals concluded in Sweden.

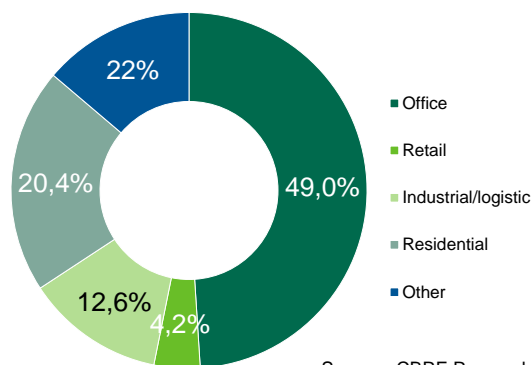
- The Carlyle Group's divestment of Globen City and Startboxen 3.**
 Total lettable area amounts to around 140,000 sq. m. mainly of office space. Buyer was Swedish listed property company Klöverm. Price SEK 3.8 billion.
Source: Klöverm – 10th March 2014
- Söderport Fastigheter acquires a portfolio from AB Volvo at the price of over SEK 2.2 bn.**
 The portfolio comprises of 322,000 sq. m. mainly of industrial, storage and office use. The majority is located in Gothenburg but also in other parts of Sweden, Finland and Denmark.
Source: Sagax – 28th March 2014

Chart 14: Swedish Investment 2012-2014 (€m)



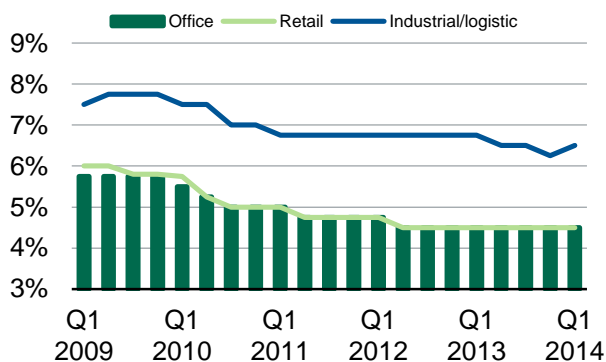
Source: CBRE Research

Chart 15: Swedish Investment by Sector, Q1 2014



Source: CBRE Research

Chart 16: Stockholm Prime Yields 2009-2014



Source: CBRE Research

Sthlm Occupier Market Trends	Demand	Vacancy	Prime Rent
Office	→	→	→
Retail	→	→	→
Industrial/logistic	↑	↓	→

Source: CBRE Research

MAJOR NORDIC INVESTMENT TRANSACTIONS Q1 2014

Property	Market	Property type/Sector	Price (€ m)	Buyer
FairWay House	Denmark	Office	38	NIAM
Offices Ballerup	Denmark	Office	34	Wihlborgs
Trekronergården	Denmark	Office/Residential	33	M. Goldschmidt Ejendomme
Residential Portfolio, wider Copenhagen	Denmark	Residential	49	undisclosed
"Sanomatalo" – Sanoma HQ	Finland – Helsinki	Office	176	Deka Immobilien Fund
126 apartments	Finland – Espoo & Vantaa	Residential	23	SATO
15 care properties	Finland – Nationwide	Care	100	Hemsö
"Sanomala" & "Koivuvaara" properties	Finland – Vantaa	Industrial	65	Sagax
Østre Aker vei 90	Norway	Office	68	W.P Carey
Hoffsveien 70 B / C	Norway	Office	53	NRP Finans Syndicate
Økern Torgvei 30	Norway	Logistics	26	Selvaag Bolig
Bogstadveien 2	Norway	Retail	26	Aberdeen Property Nordic Fund I
Colosseum Park	Norway	Retail	24	Pembroke Real Estate
"Globen City" & Startboxen 3	Sweden - Stockholm	Office	417	Klövern
"Sthlm Crown" Brädstapeln 15	Sweden - Stockholm	Office	258	Areim II
Portfolio Volvo	Sweden - Gothenburg	Mixed Use	241	Söderport Fastigheter
Kallebäck 17:2	Sweden - Gothenburg	Office	92	Pareto Securities AB
Portfolio Office	Sweden - Other	Office	71	Castellum

Q1 2014 - DEAL OF THE QUARTER

ONCE A QUARTER, WE FOCUS ON ONE DEAL THAT THE NORDIC CAPITAL MARKETS TEAM FEEL STANDS OUT FROM THE REST. FOR Q1, WE LOOK BACK TO THE SALE OF THE AB VOLVO PORTFOLIO, WITH ASSETS IN SWEDEN, DENMARK AND FINLAND

Portfolio Summary

An industrial and logistics portfolio largely focussed on Gothenburg, though a sprinkling of assets in Denmark, Sweden & Finland

Principal tenant in the portfolio is Volvo Cars (owned by Geely)

Purchaser; Söderport & Sagax

Seller; AB Volvo

Size; 322,000 sq. m.

Price; SEK 2.2 billion

CBRE Sweden was advisor to AB Volvo



Aerial photo showing the Gothenburg AB Volvo Portfolio with Gothenburg harbour in the background.

AB Volvo sells a €235 million industrial and office portfolio sale – with assets located in Sweden, Finland and Denmark

CBRE's Swedish Capital Markets team, in collaboration with EMEA Capital Markets and GCS U.K. Petroleum & Automotive, recently delivered the sale of a 322,000 sq. m. mixed office and industrial portfolio. The purchaser was the Swedish company Söderport (jointly owned by listed Swedish property companies Hemfosa and Sagax).

The majority of the portfolio (269,500 sq. m.) is located in Gothenburg, Sweden, was acquired by Söderport, while an additional portfolio with assets spread across Sweden, Denmark and Finland (79,700 sq. m.) was acquired solely by Sagax.

The total sales price was SEK 2.2 billion and the transaction is expected to have a SEK 900 million positive impact on AB Volvo's operating income in the second quarter of 2014.

CBRE's acted in one of the most challenging industrial portfolio sales in recent years to take place in the Nordics, bearing in mind the portfolio's focus on Gothenburg and the tenant weighting to Volvo Cars.

For Capital Markets or sector specific enquiries in the Nordic Region, please contact John Routledge in the first instance:

CBRE Nordic Region

John Routledge

Director, CBRE

Mäster Samuelsgatan 42

111 57 Stockholm

t: +46 8 4101 87 28

e: john.routledge@cbre.com



For expert advice across the Region, please contact CBRE's in-country Heads of Capital Markets:



CBRE Sweden

Daniel Andersson

Head of Capital Markets
CBRE

Mäster Samuelsgatan 42

111 57 Stockholm

t: +46 3525 5142

e: daniel.andersson@cbre.com



CBRE Norway

Anders Mørland

Head of Capital Markets
CBRE Atrium

Dronning Mauds Gate 10

N-0250 Oslo

t: +47 9303 4888

e: am@cbre.no



CBRE Finland

Harri Saravuo

Head of Capital Markets
CBRE

Erottajankatu 9 B

FIN-00130 Helsinki

t: +358 (0)40 1959 082

e: harri.saravuo@cbre.com



CBRE Denmark

Mikael Glud

Executive Director
CBRE

Rued Langgaards Vej 6-8

DK-2300 Copenhagen

t: +45 7022 9601

e: mikael.glud@cbre.com



The Nordics

The Nordic countries consist of Denmark, Greenland, the Faroe Islands, Finland, Åland, Iceland, Norway and Sweden. The Faroe Islands and Greenland are both part of the kingdom of Denmark. Åland is part of the republic of Finland.

The focus of this report is on the four main countries in the Region; Denmark, Finland, Norway and Sweden and their capitals; Copenhagen, Helsinki, Oslo and Stockholm.

KEY CONTACTS – RESEARCH

For more information about this Regional MarketView, please contact:

CBRE Sweden Research

Cecilia Gunnarsson

Research Analyst
Sweden Research
CBRE

Mäster Samuelsgatan 2
111 57 Stockholm

t: +46 8 4101 8757

e: cecilia.gunnarsson@cbre.com

CBRE Norway Research

Igor Petkovic

Research Analyst
Norway Research
CBRE Atrium

Dronning Mauds Gate 10
N-0250 Oslo

t: +47 9303 4888

e: ip@cbre.no

CBRE Finland Research

Tiina Kykyri

Senior Analyst
Finland Research
CBRE

Erottajankatu 9 B
FIN-00130 Helsinki

t: +358 50 530 4664

e: tiina.kykyri@cbre.com

CBRE Denmark Research

Dragana Marina

Head of Research
Denmark Research
CBRE

Rued Langgaardsvej 6-8
DK-2300 Copenhagen

t: +45 3525 5142

e: dragana.marina@cbre.com

+ FOLLOW US



GOOGLE+



FACEBOOK



TWITTER

Global Research and Consulting

This report was prepared by the CBRE Nordic Research Team which forms part of CBRE Global Research and Consulting – a network of preeminent researchers and consultants who collaborate to provide real estate market research, econometric forecasting and consulting solutions to real estate investors and occupiers around the globe.

Disclaimer

CBRE Sweden AB confirms that information contained herein, including projections, has been obtained from sources believed to be reliable. While we do not doubt their accuracy, we have not verified them and make no guarantee, warranty or representation about them. It is your responsibility to confirm independently their accuracy and completeness. This information is presented exclusively for use by CBRE clients and professionals and all rights to the material are reserved and cannot be reproduced without prior written permission of CBRE.