

# Nordic Investment MarketView

Q4 2012

CBRE Global Research and Consulting



INVESTMENT, CHANGE FROM Q3 2012  
113%



INVESTMENT, CHANGE FROM Q4 2011  
45%



INVESTMENT, RELATIVE TO Q4 AVG. 2010-2011  
26%

## NORDIC PROPERTY INVESTMENT SOARS IN Q4 2012 - INVESTMENT AT ITS HIGHEST LEVEL SINCE 2008

### Nordic Investment Turnover

Q4 2012	QoQ	YoY
Total	↑	↑
Office	↑	↑
Retail	↑	↑
Industrial	↑	↑
Residential	↑	↓
Other	↑	↑

### Prime Office Yields

Q4 2012	QoQ	YoY
Copenhagen	→	→
Helsinki	↓	↓
Oslo	↑	↑
Stockholm	→	↓

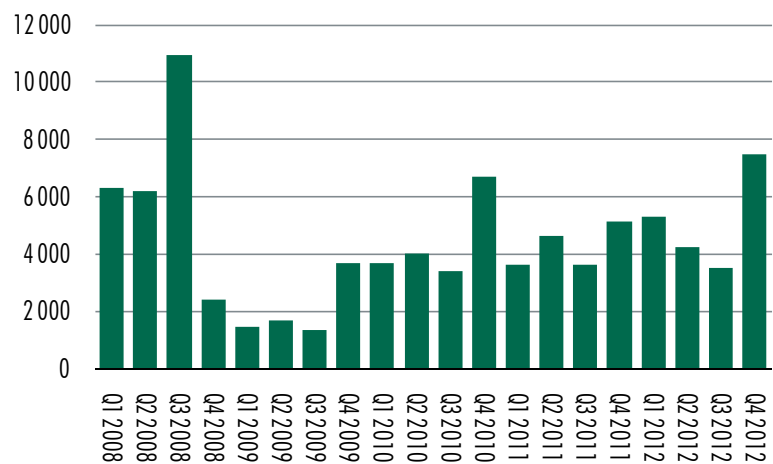
### Prime Retail Yields

Q4 2012	QoQ	YoY
Copenhagen	→	↓
Helsinki	→	↓
Oslo	→	↑
Stockholm	→	↓

### Prime Industrial/Logistic Yields

Q4 2012	QoQ	YoY
Copenhagen	→	→
Helsinki	↑	↑
Oslo	→	→
Stockholm	→	→

Chart 1: Nordic Investment 2008-2012 (€ mio.)



Source: CBRE Research

### Nordic investment at its highest level since 2008

Economic activity in the region is abating and GDP growth is seen to slow down in 2013. Still, contraction is not expected in any of the Nordic countries this year.

Commercial real estate volume in the Nordic region totalled € 7.5 billion in Q4 2012. Investment volume, which was the highest recorded since Q3 2008, was boosted by a number of very large transactions in Norway and Sweden. Investment in 2012 reached € 20.5 billion - a 20% increase from 2011.

Retail property represented 38% of the Nordic investment volume. The high level, both in absolute and relative terms, was mainly the result of a handful very large deals in Norway and Sweden. The relative share of other property types fell but this should be seen in the context of the high total investment level. Year-over-year investment volume increased in absolute terms for almost all property types.

Domestic investors were the main buyers in the region. Intra-regional investment was, as so often before, the most predominant source of cross-border activity.

Prime yields remained largely unchanged across the region. Office yields are still relatively low. Seen over a six year period (including the pre-crisis years of 2006-2007) prime office yields are below average in all Nordic countries. The same is the case with retail yields, except for Copenhagen. In contrast, current industrial and logistic yields tend to be at, or above, average yield levels seen over the period 2006-2012.

# NORDIC INVESTMENT

## Converging growth within the region in 2013

Economic activity in the region is abating and GDP growth is seen to slow down in 2013. Still, contraction is not expected in any of the Nordic countries this year. The regional slowdown is the result of lower growth in Norway and Sweden and higher growth in Denmark and Finland. Within the region this trend will bring about convergence in national growth rates. Public finances remain relatively well contained and all Nordic countries maintained their triple-A ratings on government debt.

## Investment surges to its highest level since 2008

Commercial real estate volume in the Nordic region totalled € 7.5 billion in Q4 2012. It is an ordinary feature that investment activity rises towards year-end, but transaction volume in Q4 2012 was unusually high, even considering the "seasonal effect". Investment volume, which was the highest recorded since Q3 2008, was boosted by a number of large transactions in Norway and Sweden. Investment in 2012 reached €20.5 billion - a 20% increase from 2011.

## Retail investment boosted by a handful deals

Retail property represented 38% of the Nordic investment volume. The high level, both in absolute and relative terms, was mainly the result of a handful very large deals (€100+ million) in Norway and Sweden. The relative share of other property types fell but this should be seen in the context of the high total investment level. Year-over-year investment volume increased in absolute terms for almost all property types. Office remained a popular target for property investment across the region, especially in Denmark. Residential remained an important investment product in Sweden, Denmark and Finland. Industrial property investment saw a moderate increase too, but the liquidity in this market remained fairly low.

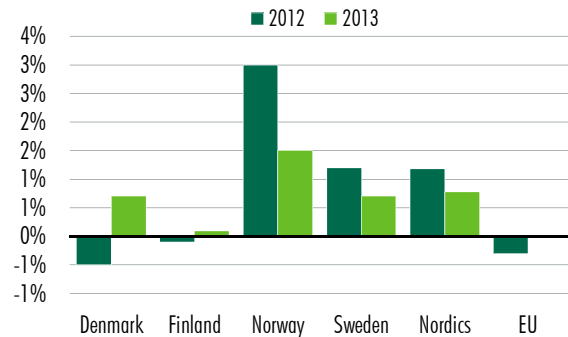
## Nordic markets dominated by domestic and intra-regional investors

Foreign investors were involved in some of the largest transactions in all of the Nordic countries, but domestic investors were the main buyers in the region. Intra-regional investment was, as so often before, the most predominant source of cross-border activity.

## Prime yields largely unchanged

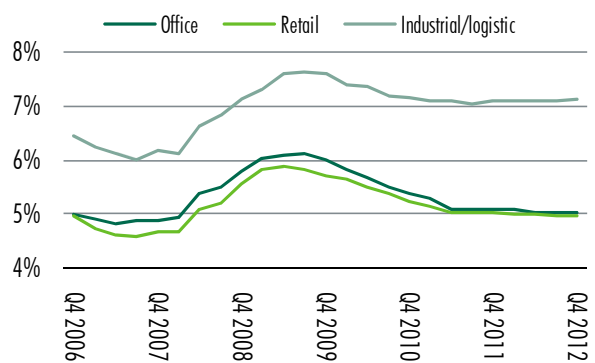
Prime yields remained largely unchanged across the region. Office yields are still relatively low. Seen over a six year period (including the pre-crisis years of 2006-2007) prime office yields are below average in all Nordic countries. The same is the case with retail yields, except for Copenhagen. In contrast, current industrial and logistic yields tend to be at, or above, average yield levels seen over the period 2006-2012.

Chart 2: Economic Growth Outlook 2012-2013



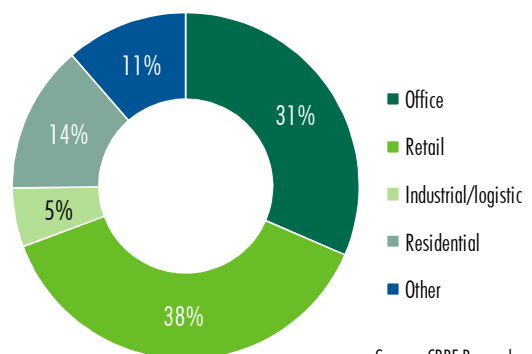
Source: Oxford Economics

Chart 3: Nordic Prime Yield Index 2006-2012



Indices are unweighted averages of the four Nordic capital cities Source: CBRE Research

Chart 4: Nordic Investment by Sector, Q4 2012

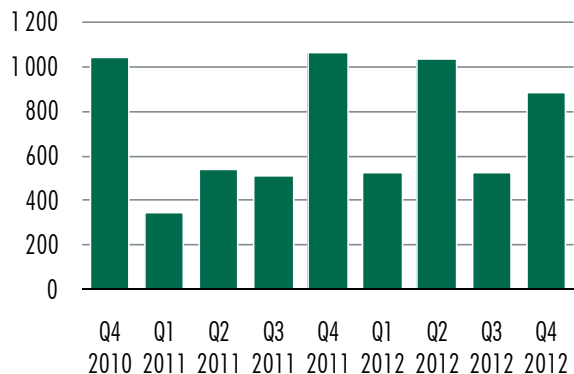


Source: CBRE Research

Prime Yields	Office	Retail	Industrial/logistic
Copenhagen, DEN	5.00	4.90	8.00
Helsinki, FIN	5.20	5.20	7.20
Oslo, NOR	5.35	5.25	6.50
Stockholm, SWE	4.50	4.50	6.75

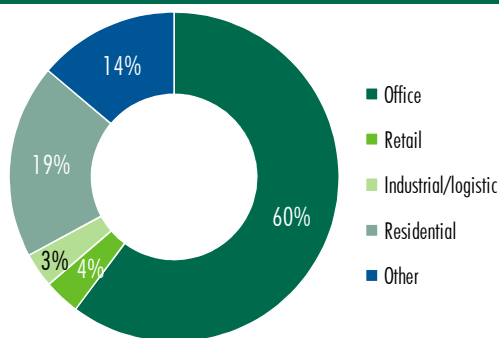
Source: CBRE Research

**Chart 5: Danish Investment 2010-2012 (€m)**



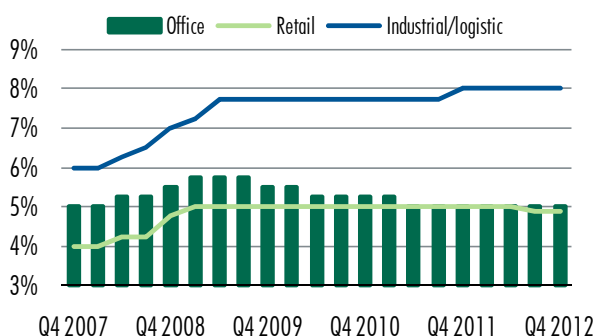
Source: CBRE Research

**Chart 6: Danish Investment by Sector, Q4 2012**



Source: CBRE Research

**Chart 7: Copenhagen Prime Yields 2006-2012**



Source: CBRE Research

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

Source: CBRE Research

## Investment

Investment totalled DKK 6.6 billion (€ 880 million) in Q4. The investment market remained fairly active for prime property in the largest cities. As usual, transaction activity rose towards the end of the year, but investment fell compared to Q4 2011. The year-on-year decrease was, to a large extent, due to less residential investment activity. The slowdown interrupts an upward trend seen since Q2 2011.

Office attracted most interest from investors, but residential remained a significant investment object too. Danish institutional investors were the main buyers. Cross-border investment represented 15-20% of the investment volume, with Swedish, German and UK property funds and property companies amongst the main foreign investors.

There was no indication of a general shift in prime yields, which continue to be held fairly low by investor demand crowding in on the primary segment. The situation was the opposite for secondary real estate, where investor demand remained very limited and pressure on yields persisted.

## Deals

Below are some of the major deals concluded in Denmark.

- PensionDanmark, Lægernes Pensionskasse and Nordea launch real estate joint venture**

Three Danish pension funds have teamed up to own and build Nordea Bank Denmark's new headquarters in Copenhagen, in a DKK 1.3 billion (€ 174 million) joint investment. Commercial pension provider Nordea Life & Pension and labour-market pension funds PensionDanmark and Lægernes Pensionskasse have bought a construction plot in the Ørestad district.

Source: IPE release – 15. November 2012

- Pandox acquires four hotels in Denmark**

Pandox has acquired four hotels in Denmark, offering a total of 728 rooms, via its stakeholder company Norgani. The acquisition price is DKK 580 million (€ 78 million). This hotel portfolio includes three hotels in Copenhagen – Scandic Hvidovre, Scandic Glostrup, First Copenhagen – and Scandic in Kolding.

Source: Pandox release – 20. December 2012

- Nordic Real Estate Partners makes first commitment for its NREP Nordic Retail 2 fund**

Nordic Real Estate Partners (NREP) has committed to acquire Taastrup Torv, a food anchored shopping center located in Taastrup, a growing suburb of Copenhagen, for DKK 195 million. Taastrup Torv is a new 9,000 sq m food anchored local shopping center that is under construction and will open in August 2013.

Source: NREP release – 8. October 2012

## FINLAND

### Investment

Real estate investment volume in Finland increased in Q4 and was approximately €560 million. Office was the most traded asset type in Q4, representing 45% of the total transaction volume, followed by residential. The total transaction volume in 2012 was close to €2.2 billion compared to circa €1.8 billion in 2011.

The market was mainly dominated by Finnish investors. The only major transaction done during the quarter by an international investor was when Cordea Savills acquired an office property in Ruoholahti area in Helsinki. International investors are still interested in investing in Finland, especially in prime office properties and retail properties with a very good location. However, there is a lack of prime products available in the market which, at least partly, explains the decreasing market activity of foreign investors.

### Deals

Below are some of the major deals concluded in Finland.

- **Nokia sells its headquarters in Espoo to Exilion Capital**

Nokia sold its headquarters to Exilion Capital in Keilaniemi, Espoo. The purchase price was €170 million. The size of the building is 48,000 sq m. Nokia will continue its operations in the building.

Source: Nokia release – 4. December 2012

- **Technopolis buys YLE's premises in Tampere**

Technopolis acquired the premises from YLE, the Finnish Broadcasting Company, in Tampere. The purchase price was €22.3 million. YLE will stay in the premises on a 20 years lease contract.

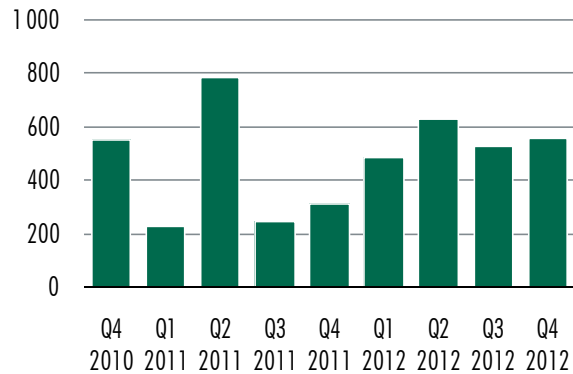
Source: YLE release – 17. October 2012

- **Keva acquired a retail property in Tampere**

Keva acquired a shopping center called Lielähtikeskus from NCC in Lielähti area in Tampere. The leasable area of the property is over 13,300 sq m and the purchase price was €45 million. The final purchase price will depend on the leasing of the remaining premises in the building. The shopping center will open its doors in April 2014.

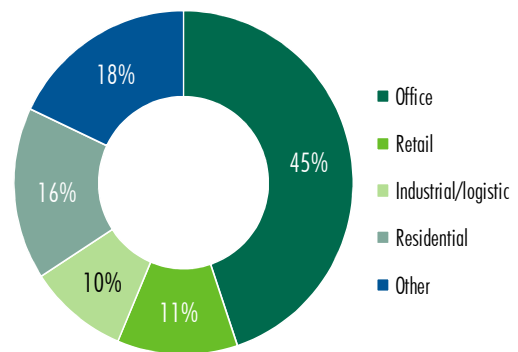
Source: NCC release – 21. December 2012

**Chart 8: Finnish Investment 2010-2012 (€m)**



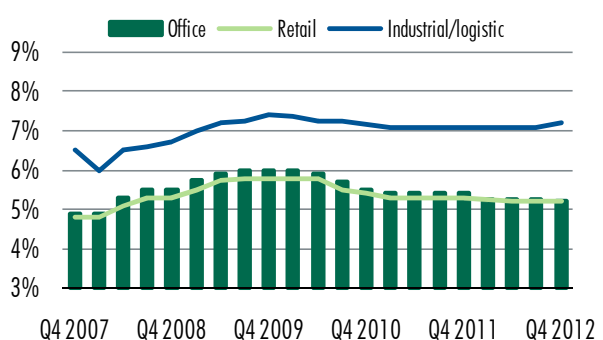
Source: CBRE Research

**Chart 9: Finnish Investment by Sector, Q4 2012**



Source: CBRE Research

**Chart 10: Helsinki Prime Yields 2006-2012**

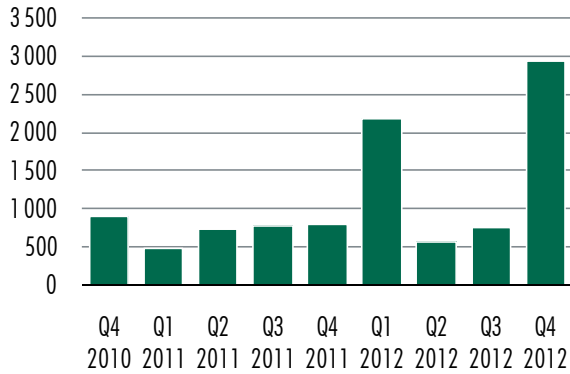


Source: CBRE Research

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

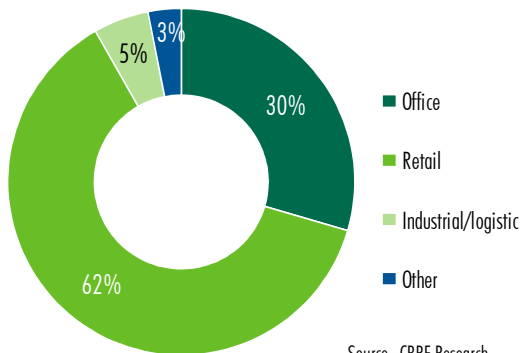
Source: CBRE Research

**Chart 11: Norwegian Investment 2010-2012 (€m)**



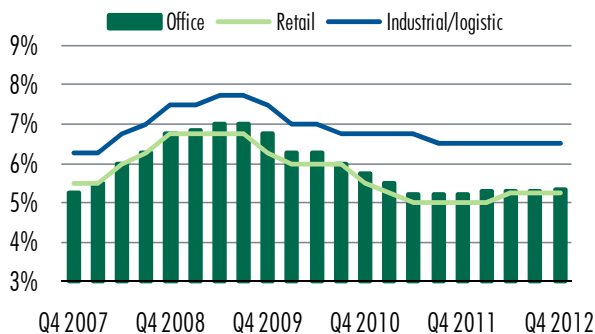
Source: CBRE Research

**Chart 12: Norwegian Investment by Sector, Q4 2012**



Source: CBRE Research

**Chart 13: Oslo Prime Yields 2006-2012**



Source: CBRE Research

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

Source: CBRE Research

## Investment

Investment activity improved noticeably in Q4, with several large deals being concluded. Recorded volume amounted to approximately NOK 21.5 billion (€ 2.9 billion), up from NOK 5.5 billion (€ 750 million) in Q3. The turnover was influenced by high transaction activity within the retail sector which accounted for approximately 62% of the total turnover. Office transactions accounted for approximately 30% of the volume.

About half of the largest transactions in 2012 were concluded in Q4. Among them were the Sektor Gruppen transaction, which was one of the biggest transactions ever recorded in the Norwegian market, and the sale of Statoil's new HQ in Fornebu.

Prime yields continue to remain fairly flat across sectors, while prime rent increased slightly for office.

## Deals

Below are some of the major deals concluded in Norway.

- **IT Fornebu sells Statoil HQ**

The newly built Statoil headquarters in Fornebu was sold in December for about NOK 3.2 billion in what is believed to be the biggest single asset transaction in the Norwegian market. It was acquired by a mix of domestic and international investors at an initial yield of around 6%. The deal was partly financed through a NOK 2 billion bond issue. The seller, IT Fornebu, will keep 30% ownership share in the building.

Source: IT Fornebu release – 21. December 2012

- **Sektor Gruppen bought by group of investors.**

A group of domestic buyers bought Sektor Gruppen for about NOK 7 billion. The seller, NIAM, kept 27.5% ownership in the new holding company. Sektor Gruppen - who owns, manages and operates shopping malls - is currently the second largest shopping center company in Norway.

Source: Sektor release – 8. November 2012

- **Sektor Gruppen acquire additional shopping centers.**

Sektor Gruppen added three additional shopping centers to their portfolio with the acquisition of Oasen shopping mall in Bergen, Sjosiden in Horten and Storbyen in Sarpsborg. The price was about NOK 2.2 billion with an estimated yield of around 6.2%. The seller was DNB Eiendomsholding AS.

Source: Sektor release – 28. December 2012

# SWEDEN

## Investment

The transaction market ended the year stronger than it began, and the proportion of foreign buyers increased during 2012. Real estate investment in Sweden was SEK 26.9 billion (€ 3.1 billion) in Q4 2012. The single largest transaction in Q4 was Kista Galleria sold for SEK 4.6 billion. The seller was DNB Livsforsikring ASA, the buyers were Citycon and Canadian CPPIB, owning 50% each through a joint venture. The purchase price is one of the highest ever for a single property in Sweden.

A noticeable trend in 2012 was that the proportion of large structural transactions surged. These transactions (totalling more than SEK 25 billion) are transactions between companies within the same ownership structure and transactions involving parts of property companies or properties. These transactions, however, are excluded from the transaction volume, according to CBRE's definition. The transaction volume for 2012 ended at SEK 80 billion (excl. structural transactions). The transaction market in 2012 showed a historically large diversification in terms of interest for different categories of properties. Attractive downtown real estate in major cities traded at almost record levels, while properties and markets considered secondary exhibited very low liquidity, thus increasing yields and decreasing prices. The main reason for the difference between primary and secondary is its appeal to completely different buyers with various financing strategies

## Deals

Below are some of the major deals concluded in Sweden.

### ■ Niam acquires office property in Stockholm

Niam has acquired the office property Klara Strand, Blekholmen 1 (close to the Central Station) for approx. SEK 1.1 billion from Skanska. The 34,000 sq m building was built in 1994 and includes office space with business houses, a conference center and shops.

Source: Niam – 21. December 2012

### ■ Hufvudstaden acquires property in Gothenburg

Hufvudstaden has acquired Nordstaden 8:26, located in Nordstan Shopping Centre, from AMF Pensionsförsäkring. The price was SEK 1,265 million. The lettable floor space is approx. 20,700 sq m, comprising 11,400 sq m office and 8,900 sq m for shops and restaurants. The property is almost fully let.

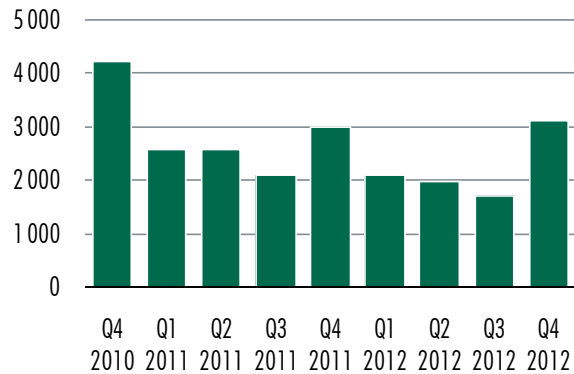
Source: Hufvudstaden release – 30. November 2012

### ■ Willhem buys properties for SEK 2.4 billion from Akelius

The deal comprises 46 properties with a total area of approx. 194,000 sq m. The properties, mostly built in the 1950s and 1960s, are located in three of Sweden's growth areas; Karlstad, Linköping and Västerås.

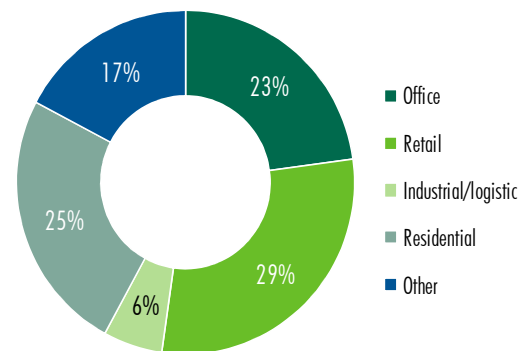
Source: Willhem – 22. October 2012

Chart 14: Swedish Investment 2010-2012 (€m)



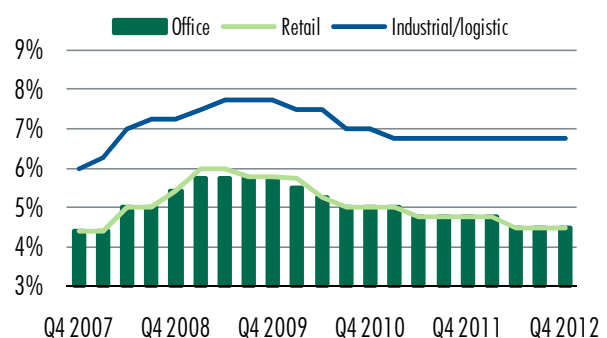
Source: CBRE Research

Chart 15: Swedish Investment by Sector, Q4 2012



Source: CBRE Research

Chart 16: Stockholm Prime Yields 2006-2012



Source: CBRE Research

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

Source: CBRE Research

## MAJOR NORDIC INVESTMENT TRANSACTIONS Q4 2012

Property	Market	Property type/Sector	Price (€m)	Buyer
Nordea Denmark headquarters	DEN - Copenhagen	Office	174	Nordea Liv & Pension, Lægernes Pensionskasse, PensionDanmark
UCC Campus	DEN - Copenhagen	Mixed Use	134	UCC, Udviklingselskabet Carlsbergbyen
Scandic Hotels (4 hotels - Copenhagen, Glostrup, Hvidovre, Kolding)	DEN - Nationwide	Hotel	78	Pandox
Bolværket/Teglholmen	DEN - Copenhagen	Residential	67	Pensam
Taastrup Torv/Taastrup Stationscenter	DEN - Taastrup	Retail	25	NREP
Rosenborg Annex	DEN - Copenhagen	Office	...	Catella Real Estate AG
Nokia headquarters	FIN - Espoo	Office	170	Exilion Capital
Lielahiti shopping center	FIN - Tampere	Retail	45	Keva
YLE 's premises	FIN - Tampere	Office /TV-studios	23	Technopolis
Ruoholahdenkatu 23	FIN - Helsinki	Office	27	Cordea Savills
Sektor Gruppen	NOR - Nationwide	Retail	950	Home Invest/Varner Invest AS/Joh. Johansson AS (NIAM)
Statoil headquarters	NOR - Oslo	Office	434	Consortium of buyers
Shopping centre portfolio in Bergen/Sarpsborg/Horten	NOR - Nationwide	Retail	299	Sektor Fund I
Bryn Senter/Kuben Senter	NOR - Oslo/Hønefoss	Retail	163	Salto Eiendom
Industrial portfolio	NOR - Nationwide	Industrial	104	Aker Solutions
Kista Galleria	SWE - Stockholm	Retail	533	Citycon and CPPIB
46 residential properties in Karlstad, Linköping, Västerås	SWE - Nationwide	Residential	278	Willhem
Inom Vallgraven 8:26	SWE - Gothenburg	Mixed use	147	Hufvudstaden
Triangeln	SWE - Malmö	Retail	139	Vasakronan
Blekholmen 1	SWE - Stockholm	Office	128	Niam
Klamparen 10	SWE - Stockholm	Office	112	KLP Eiendom
Sweden, other	SWE - Sweden, other	Retail	90	AREIM
Heden 46:2, Ullevi Skrapa	SWE - Gothenburg	Office	67	Alecta



### 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.

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