JLL Nordic Outlook

Autumn 2022 | Focus: *logistics*

Contents

Hello

The first half of 2022 has been a brutal reminder of the impact of the higher cost of capital on financial markets, in combination with a softer outlook for the economy for real assets and listed real estate companies. Inflation has continued to rise, and already high inflation prints have been replaced with even higher prints throughout the year. To contain inflation, central banks have started tightening their monetary policies more than previously guided and they are determined to do what it takes to stop inflation getting out of hand. Funding costs are also up due to deteriorated liquidity in the capital markets for real estate corporates. Nordic banks are still showing good appetites for lending but are primarily focusing on existing relationships. The premium to net asset value (NAV) in the listed real estate sector has come under pressure in the Nordics, and markets today trade at around 30 percent discount for a median listed real estate company*–well below the 16 percent average premium, which we recorded in the Spring 2022 edition of this report only six months ago.

In the property market, all segments are being affected by higher funding costs and lower loan-to-value parameters. A strong rental market for community service, logistics and prime office properties bodes well for these segments to mitigate higher yield requirement with higher rents. Residential rental properties are among the segments with a major decline in return requirement post COVID-19 and are under some pressure today. The retail and hotel market remains under pressure, although within these segments there continues to be pockets of strength.

> *“Polarisation among asset classes has increased, outlook for net operating income growth will set the tone for total return.”*

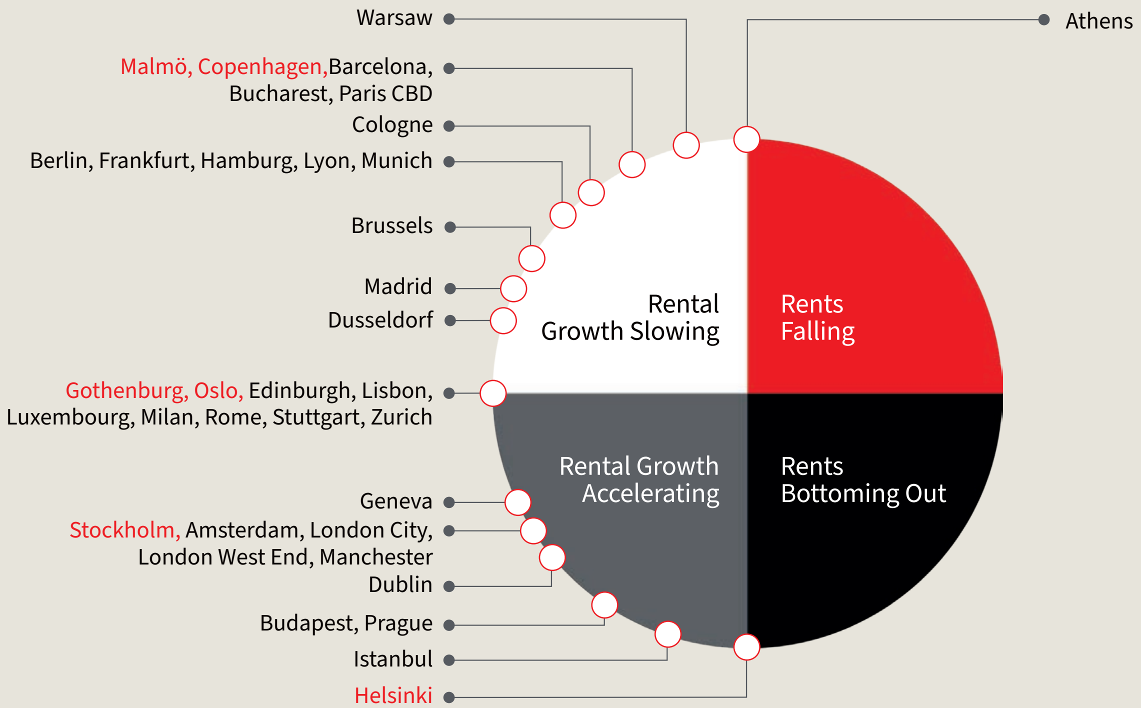
In this edition of the JLL Nordic Outlook, we cover the Nordic office, logistics, retail and residential markets and review developments in investment and capital markets. The theme for this report is devoted to the outlook for the logistics market, both in terms of supply and demand. The sharp increase in recent years of new build logistics space and in particular the amount of speculative development has increased recently. JLL argues that the higher share of unlet projects follows a trend seen in the rest of Europe. Supply chain disruption is also adding to short-term demand among importers and production companies in Sweden. JLL expects that the demand for higher inventory will be seen in logistics take-up over the coming 6-12 months, supporting record-high production starts and rental growth, while mitigating for recessionary cycle risks.

The central banks' focus on battling inflation, with less consideration for the entire economy and growth, has led to recession worries and a lower outlook for GDP growth. Weak consumer confidence indicators add downside risks, albeit with a continued high employment balance on the upside. We expect continued high volatility going forward as different investors adjust return requirements and continue to focus on core low risk assets, owing to the uncertain economic environment and less capital available for high-risk projects. Moving forward in 2022, the return outlook looks mixed, supporting a 7-10 percent higher CPI adjustment factor in Sweden for 2023 – a 30 year high. Real estate assets have historically stood firm in an inflation-induced market, as can be expected of real assets, and we see no reason why this should change.

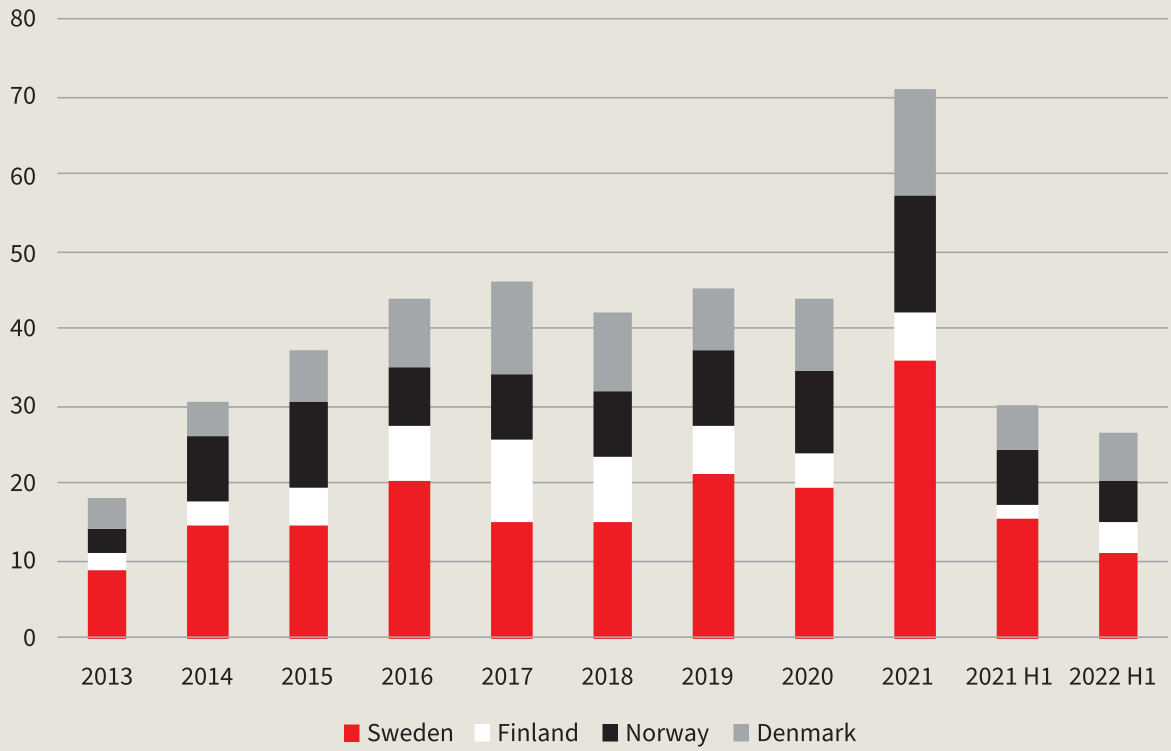
Niclas Höglund
Head of Research
JLL Sweden

** as per 9 September 2022*

JLL Property Clock Q2 2022



Nordic Investment Volumes (€ bn)



Source: Akershus, EDC and JLL

Macroeconomic conditions and listed property market

“Interest rates have continued to go up despite the lower outlook for growth, in response to the determination among central banks to battle inflation.”

Macroeconomic conditions

The general economic environment has come under pressure across the Nordics and Europe, owing to rising cost inflation pressure and rising interest rates. Outlook for GDP growth in 2023 are expected to remain in positive territory albeit on a lower level than seen in our Spring report.

The war in Ukraine has put accelerated upward pressure on inflation linked to raw energy and transport costs and there are also signs of salary inflation. To contain inflation, central banks have started tightening their monetary policy more than previously guided and they are determined to do what it takes to stop inflation getting out of hand. Inflation expectations are up by 3.9 percent to 5.2 percent across the Nordics and also in the Eurozone for 2022, and inflation expectations are also up by 0.8 percent to 1.6 percent for 2023.

The sharp increase in interest rates will be compensated by inflation over time through index-linked changes to rents. Strong growth in rents balance on the positive for 2023. However, the combination of potential lower outlook for real GDP growth and higher interest rates could prove negative since they increase the risks for higher vacancies and might limit market rental growth across cyclical sectors in 2024.

Listed property sector in the Nordics

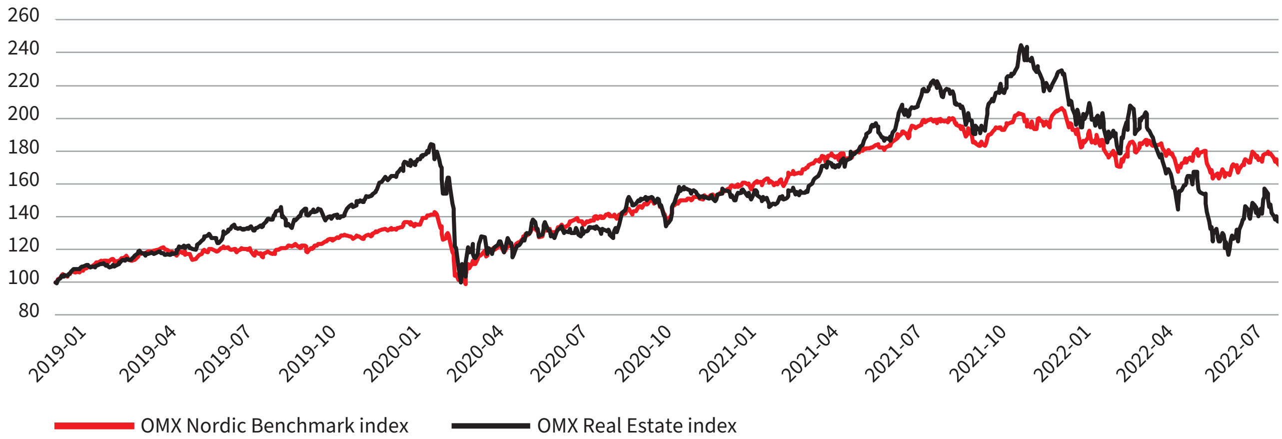
The listed property sector in the Nordics consists of more than 40 companies listed on Nasdaq OMX and Nasdaq First North, with a total property value of €155 billion and a market capitalisation of €56 billion. The sector is currently valued at 34 percent discount to NAV (median*) which implies a 15 percent discount to total asset value. The sector performance is down 40 percent year-to-date (9 September 2022) despite higher asset values, and today's valuations stands in sharp contrast to our Spring 2022 report which recorded 15 percent premium to NAV and 8 percent premium to total asset value. When we compare companies with different types of property assets, industry/logistics-related companies continue to trade at premium to assets while all of the other segments trade at historically high discount to assets and NAV.

“There is a sharp turn in sentiment from the listed sector owing to rising funding costs and refinancing risks.”

In the 2021 editions of our JLL Nordic Outlook reports we argued that the rebound in multiples would support consolidation. 2021 transactions clearly confirmed the consolidation trend and companies with properties worth €17 billion have been consolidated in M&A transactions, mainly by other listed companies. This year, there is today less room for consolidation, held back by higher funding costs and a soft bond market. Preference in the listed market relates to industry/logistic while all the other segments are incentivized to reduce exposure owing to the discount levels. Operational synergies and project revaluation potential could however act as a fundamental for consolidation across segments as 'company-specific' factors to improve cash flow will be rewarded when expectations are low.

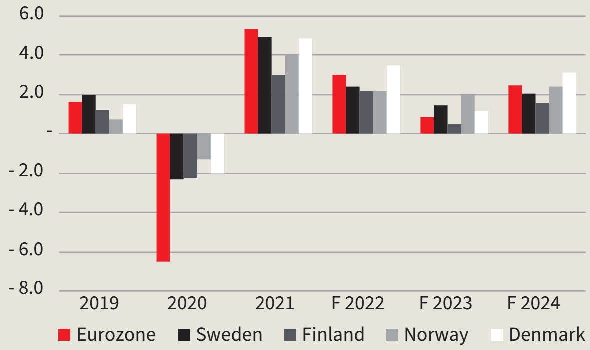
** As of 9 September 2022*

Performance listed market



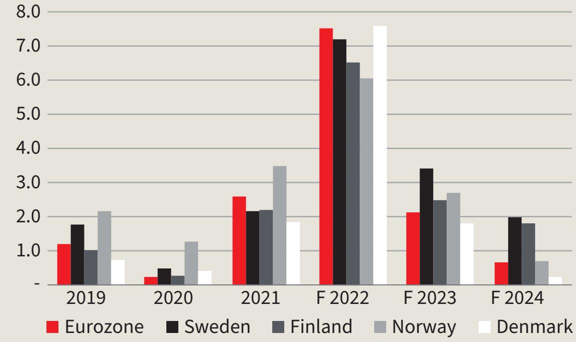
Source: Nasdaq and JLL as of 9 September 2022

GDP Growth (%)



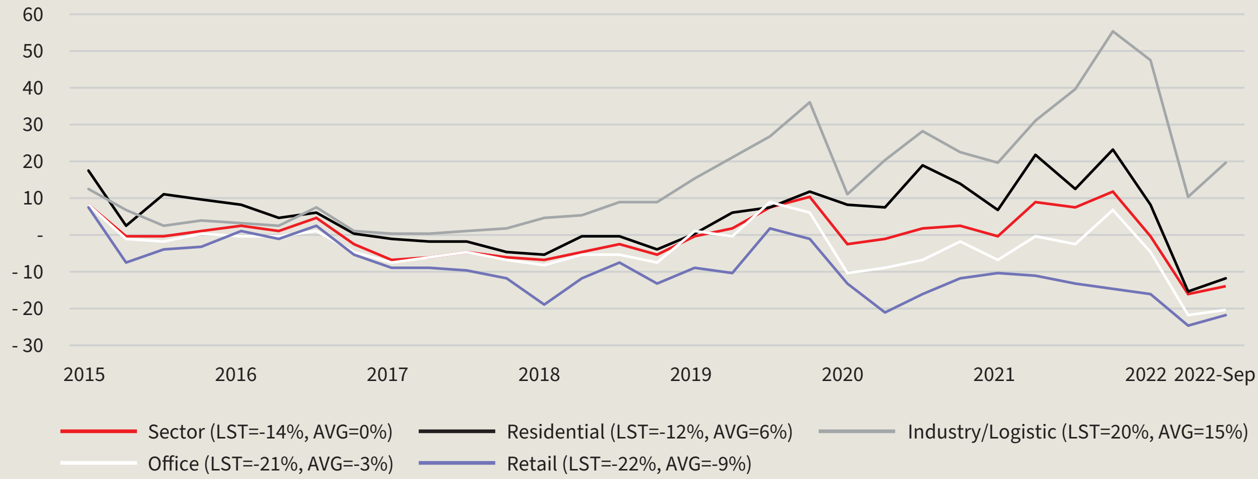
Source:Oxford Economics and JLL

CPI Inflation (%)



Source:Oxford Economics and JLL

Premium (+) / discount (-) to assets (%)



Source: Sedis AB, Nasdaq and JLL as of 9 September 2022

Premium/Discount to Assets

Source: Sedis AB, Nasdaq and JLL as of 9 September 2022

Interest rate and credit market

Higher interest rates are here to stay! In 2022 we have seen soaring inflation forcing central banks to tighten their monetary policies, leading to higher interest rates.

Inflation has continued to rise, and already high inflation prints have been replaced with even higher prints throughout the year. U.S. inflation was as high as 9.1 percent in June and European and Swedish inflation prints are not far behind. To contain inflation, central banks have started tightening their monetary policies.

The Fed raised rates by 75 basis points (bps) in July taking the Fed Funds to 2.25 – 2.50%. In September ECB also raised rated by 75 basis points (bps) taking total raises to 1.25% this year. The President of ECB, Christine Lagarde, did not give any specific guidance to where exactly policy rates will end up except them being inflation data driven indicating that the inflation is more in focus rather than economic development. Further, she estimated that rates will be raised at least two times and max four times before they are at desired level. Currently market is pricing ~2.5% Euribor rates in the Spring 2023.

The Fed raised rates by 75 basis points (bps) in July, ECB and Riksbanken raised rates by 50 bps in June, which was more than previously guided, and central banks are determined to do what it takes to stop inflation getting out of hand. “There must be no doubt about our determination to return inflation to our target of two percent.”, says Stefan Ingves, Riksbanken. We could expect the Riksbank to raise the Policy rate by 75 bps on their next meeting published on 20 September 2022.

The central banks’ focus on battling inflation, with less consideration for the entire economy and growth, has led to recession worries. These recession worries have intensified over the summer and have led to lower interest rates in the long end. Markets are pricing sharp rate hikes in the short end but rate cuts, already planned for next year, will create an inverted yield curve where longer rates are lower than shorter.

To quote Stefan Ingves again: “The age of low interest rates seems to be over.” The question is how high can they become before recession becomes a larger problem than inflation?

80%

Decrease of issuance of real estate bonds in Q3 compared to Q3 last year

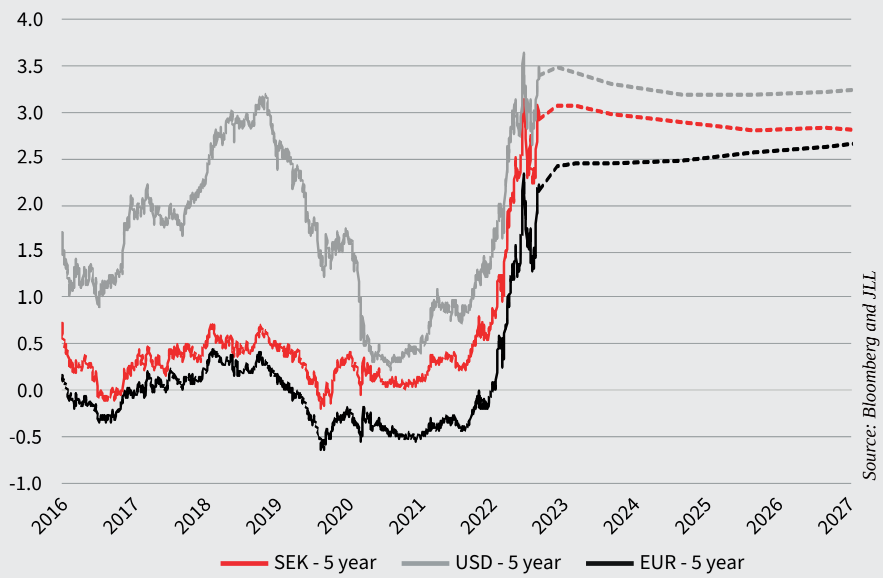
Credit market

High inflation and the Russian invasion of Ukraine have contributed to a deteriorated liquidity in the capital markets for real estate corporates. During some parts of the last few months liquidity has almost been non-existent for less creditworthy real estate issuers as investors have sought more secure placements in public and institutional-owned companies. The liquidity shortage in both the commercial paper and bond markets has pushed spreads upwards significantly.

> *Financing terms for real estate investors have tightened notably.*

EEMELI LEHTO
HEAD OF DEBT & FINANCIAL ADVISORY
HELSINKI , FINLAND

5-year swap and forward rates in SEK, USD and € (%)



Market pricing of spreads in the bond market for many Swedish investment grade rated issuers went up from 100 bps to 350-500 bps in the spring and early summer. We have seen some recovery since then, but the spreads are still at elevated levels. The turmoil of the bond market has had a major impact on the availability of financing for the Swedish real estate market, which has tens of issuers and has seen significant volumes of debt financing raised (slightly below 750 billion SEK including Hybrid bonds) from the SEK and international bond markets.

This is clearly a game changer, especially for investment grade rated companies, as bank financing has become the more attractive alternative. This situation will, in the long run, cause headaches for some of the rated companies as an increased amount of bank financing will decrease the level of unencumbered assets, which is one of the criteria for an investment grade rating. The Nordic banks are still showing decent appetites for lending but are primarily focusing on existing relationships. Even though financing is still available, they are now more cautious about offering higher levels of leverage, particularly for low yielding segments. It has also, during recent months, become more prevalent for some of the Nordic banks to require stringent hedging in the loan agreement. The issue of bond market access and pricing in the bond market is more pronounced in Sweden than in Finland. However, as the major banks are operating in both Sweden and Finland and are looking at the sector exposure at a Nordic level, this means that the lenders will be likely prone to selectiveness in real estate exposure in both the Swedish and the Finnish markets, in anticipation of needing to possibly support the Swedish bond issuers in upcoming bond redemptions. Obviously, the bank market is not able to absorb all of the financing raised from the bond market and the question is how quickly the bond market will be able to function normally again and if there will be other alternative financing sources available.

In Finland, the bond market as a source of financing is limited to only a few issuers and hence the impact to the Finnish market from the real estate bond market disturbance comes mostly through the spill over effect of the bank lenders becoming more cautious. Furthermore, even though the Finnish market has enjoyed relatively lower underlying EUR rates than the Swedish SEK market rates, the higher rates started to tighten the financing conditions for real estate investors in Finland in the late spring. In similarity with Sweden, this is most visible through the banks offering only lower LTV levels, especially in lower yielding assets with less of a cash flow buffer for financing expenses. This is despite the data on real estate markets showing that the market has remained more upbeat in Finland than in Sweden.

Outlook

The volatility in the rates is also complicating the lenders' financing processes, even the daily rate moves, which means that the loan metrics can change materially between the credit decision and the closing of a loan transaction. This has led to some cases being left on the table or postponed until some stability and predictability of the all-in financing expenses are found. Hence, only the stabilising, albeit higher rates, will have a positive impact on the overall market in the coming months.

Financing is still available, but we expect polarisation to continue in the debt market. Good, solid core financing cases are still well received among the traditional bank lenders, whereas trickier sectors and value-add cases more often will need to source financing from alternative sources. While the Nordic banks have become more watchful of the sector, many international banks and alternative lenders now see this as a potential opportunity as their relative competitive position improves. Several alternative lenders still have good capacity to lend to the sector and are looking at cases where they could employ capital at slightly higher margins. Furthermore, apart from the international alternative lender activity we are also likely to see new Nordic alternative lenders launching debt financing strategies to the market.

Joakim Nirup
Head of Debt & Financial Advisory

Eemeli Lehto
Head of Debt & Financial Advisory Helsinki, Finland

Investment market Sweden

Investment volumes for the first half of 2022 were down by 30 percent year-over-year and the volume ended on SEK 107 billion. Mergers and acquisitions among listed companies contributed with SEK 20 billion in the first half of 2022 which represents a significant part of the volume (19 percent). When we adjust for M&A, volumes are up by 5 percent year-over-year. Pricing has been mixed with continued high prices in recorded transactions, while ongoing investor sentiment has been clearly under pressure owing to the sharp increase in interest rates and lower loan-to-value (LTV) from secured financing in the Nordic banks. Many transactions have been put on hold over the summer and await clarity around current trends in the capital markets and rate increases from central banks. All sectors are impacted, although segments with high visibility to rental growth linked to CPI adjustments can partly compensate for increasing funding costs and mitigating the negative value impact. The residential market is particularly tough at the moment, owing to limited visibility for rental growth in the short term and changes in the regulatory environment related to new build rental growth. Community service properties and logistic properties are doing better, followed by the cyclical segments of office, retail and hotels.

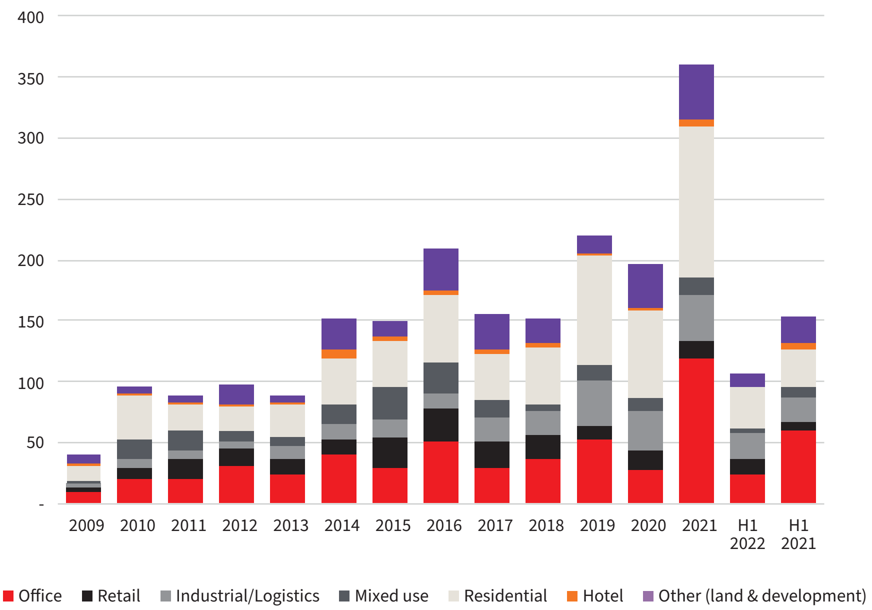
Investment market

Interest costs have risen sharply in Sweden, linked to amended policy among the central banks. To contain inflation, central banks have started tightening their monetary policies more than previously guided and they are determined to do what it takes to stop inflation getting out of hand. Funding costs are also up due to deteriorated liquidity in the capital markets for real estate corporates. Nordic banks are still showing good appetites for lending but are primarily focusing on existing relationships. Even though their appetites are still good they are now more cautious about offering higher levels of leverage, particularly for low yielding segments.

Rising funding costs have clearly put pressure on the yield requirement to compensate for the higher costs and lower availability of funding. Our prime yield estimates are up for all segments in the second quarter of the year, related to sentiment-based evidence linked to ongoing transactions and discussions. We expect yield requirements to continue to increase in the second half of 2022 which, for most segments, will be partly compensated by record-high outlook for rental growth in 2023, linked to Consumer Price Index adjustments from October to October.

Mixed demand from both international and local investors, in combination with a sharp shift in sentiment in the listed sector (which is currently trading at record high discount-to-NAV compared with large premiums in H2 2021 add uncertainty to the market and imply 11 percent lower asset values, all things being equal. Strong employment and a strong rental market, in combination with high visibility for rental growth could indicate that investment activity would set to stabilise below SEK 200 billion. These will be down from the M&A induced volumes in 2021 (SEK 370 billion) but it would still be at the same level at we saw in 2019 and 2020.

Investment Volumes Sweden (SEKbn)



Source: JLL

Financial highlights

-30%

Transaction volumes of SEK 107bn in H1 2022

-11%

Discount-to-NAV

Daniel Anderbring
Head of Capital Markets Sweden

> *Higher yield requirement is mitigated by higher CPI linked rental growth.*

DANIEL ANDERBRING
HEAD OF CAPITAL MARKETS SWEDEN

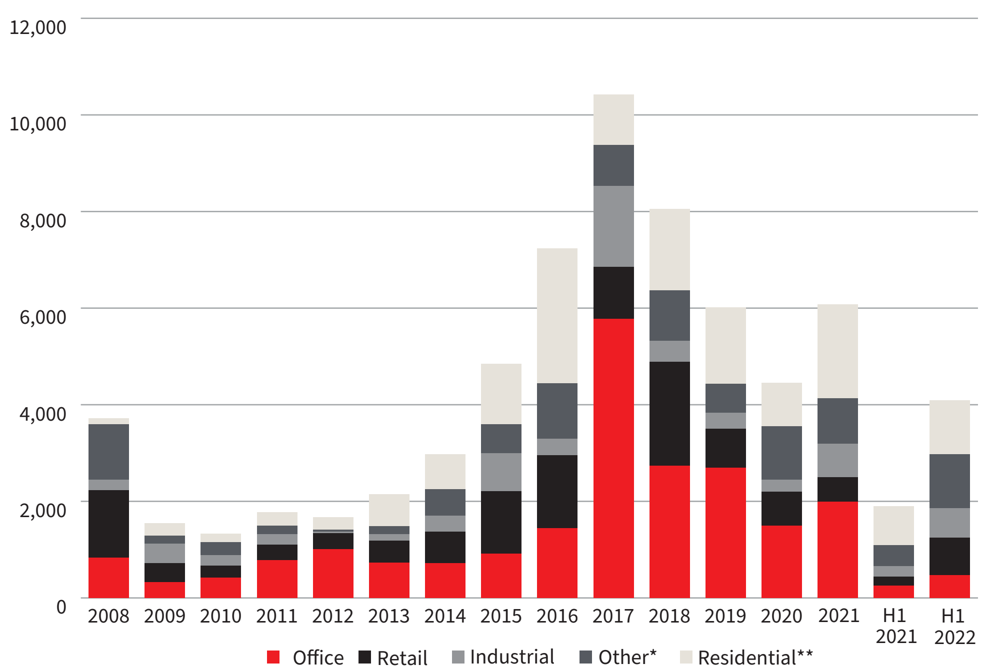
Investment market Finland

Market activity continued to increase over the first half of 2022, with total investment volume reaching €4.1 billion in this period. Residential and healthcare accounted for the largest shares of investment volumes with 27 percent and 25 percent, respectively.

Investment activity is showing signs of a slight slowdown going into H2, which is in part a reaction to the remarkably high activity seen in H1 2022. Supply-side shocks, including supply chain challenges and the war in Ukraine, have increased inflationary pressure on the economy. Consequently, central banks are curbing inflation by increasing interest rates, which in turn is increasing uncertainty in the real estate investment market. Higher underlying interest rates, combined with moderately higher margins offered are bringing all-in financing costs significantly higher than earlier in the year. Simultaneously, banks are also offering notably lower LTVs for clients to maintain enough cash-flow buffer over financing costs.

The current uncertainty in the market is causing upward pressure on yields during H2, especially on the tightest priced sectors. This follows a slight outward movement of around 5 bps, which was realised during the first half of the year in several segments. Although record prices may have already been seen in the market, demand has remained stable, especially for safer assets and segments, as investors are continuously looking to employ capital. Despite market uncertainty, the outlook for the rest of 2022 is cautiously positive and we expect a slowing but still healthy level of investment activity.

Investment Volumes Finland (m€)



Source: JLL
** Includes JLL categories: Mixed-use, Hotel, Alternatives, Healthcare and Student Housing*
*** Source of residential transactions: KTI 2008-2019*

Financial highlights

4.1 €bn

Total investment volume 115 % higher in H1 2022 than in H1 2021

1.1 €bn

Residential was the most significant sector with a share of 27% of the total investment volume in H1 2022

Tero Uusitalo
Head of Capital Markets Finland

"The remarkably high investment activity at the beginning of the year shows signs of slowing down in the latter half of 2022."

TERO UUSITALO
HEAD OF CAPITAL MARKETS, FINLAND

Focus Logistics predictions

The logistic real estate market remains very strong, backed by structural demand. The outlook for rental growth is strong across the Nordic countries, which creates fundamentals to compensate for current higher costs, both related to production costs and financing costs.

In this focus article we discuss value drivers for the sector and, in particular, elaborate on the additional structural growth potential related to near–shoring. The case presented related to the Swedish market indicates that higher inventory is raised as the main solution among more than 50 percent of manufacturers and importers, a figure which has more than doubled over the last six months. Speculation build in the Swedish market is sharply up, which JLL argues is owing to similar trends in Europe and current strong demand. The higher share of speculation also tends to underpin the rental growth outlook in the short term. However, it could increase volatility and higher vacancy outlook, with changes in demand, cyclical and/or structural. Currently, the visibility for rental growth remains firm across the Nordic countries and in Europe–in part mitigating rising production and financing costs.

JLL predictions for the industrial and logistics (I&L) segment are: ***Supply chain risk diversification, E-commerce, Urban logistics, Sustainability, Cold storage*** and ***Resilient characteristics.*** We will discuss some of these predictions and compare the Swedish new build market characteristics with the rest of EMEA and reflect on the potential impact of near–shoring initiatives in the Swedish market.

Supply chain risk diversification

As supply chain risks remain elevated due to disruptions from Brexit and a series of nationally disconnected lockdowns, occupiers and investors will look to increase the resilience of their supply chains. They will move to combined just-in-time/just-in-case inventory management that will fuel additional demand for warehouse space to store higher safety stock levels (+5-6 percent). An increase in near–shoring suppliers will be required to give greater responsiveness to customer demand. Diversifying global supply chains through just-in-case inventory management and near–shoring suppliers is expected to generate additional demand for warehouse space at the top of supply chains.

E-commerce

E-commerce will continue to be the fastest growing occupier segment. In the short term, e-commerce growth has slowed, owing to difficulties comparing the quarter after strong growth in 2020-2021. However, the long-term outlook remains favourable. The e-commerce share of total EMEA take up could reach 30 percent during 2022, driven by large fulfilment centres, parcel hubs and local parcel delivery centres, 'last mile' depots and micro fulfilment, facilities for online grocery fulfilment and dark kitchens (which produce delivery-only meals). In the coming years, strong growth will likely need to consolidate and there is room for Third Party Logistic (TPL) operators to add productivity to the industry, which could compensate for current market volatility and rising costs.

Resilient characteristics

Capital allocations to European logistics will continue to rise as the asset class demonstrates strong resilience and superior performance; already increasing from 16 percent of transactions during the first three quarters of 2020 to approximately 20 percent in 2021. Resilient logistics real estate will be characterised by a secure income stream (strong tenant covenant and/or relatively long term to lease expiry); tenants in robust business sectors (e.g. food / internet); modern, well-specified, sustainable buildings with access to good transportation infrastructure; buildings in locations that are characterised by limited supply and strong competition for land and buildings that are well-positioned to service customers, including for 'last mile' urban logistics.

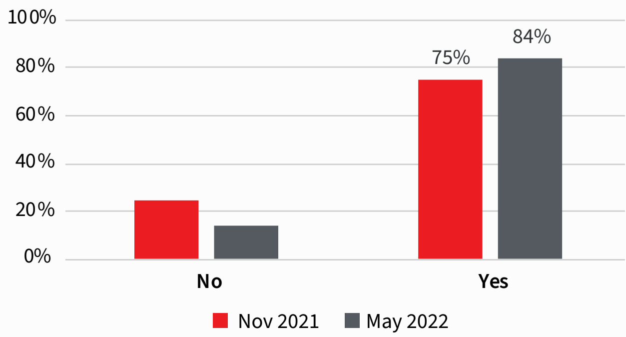
CASE STUDY

Build for speculation and structural demand from near-shoring in Sweden: Supply chain diversification is among the value drivers that add structural growth potential to demand. Near–shoring is clearly on the agenda in the Nordics and this case study discusses near–term drivers for Swedish companies. Given that approximately 50 percent of Swedish GDP relates to exports, the need for inventory for both importers and exporters/manufacturers is clearly in focus post COVID-19 and as a result of supply chain disruption related to the ongoing war in Ukraine.

The starting point for this discussion relates to the sharp increase in project starts in the Swedish market with no tenants signed, projects known as: 'build for speculation'.

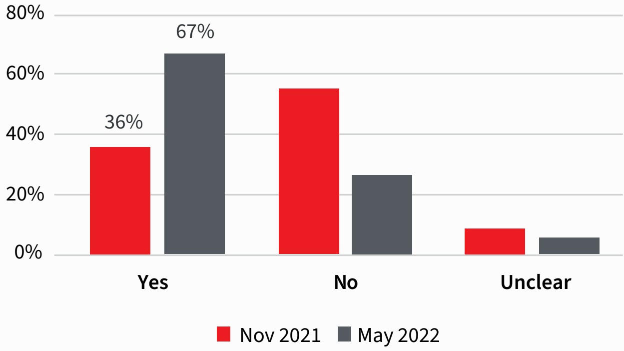
The Confederation of Swedish Enterprise (Sw. Svenskt Näringsliv) conduct regular studies in which they monitor how companies perceive these issues. In their recent study (May 2022), more than 80 percent of the respondents said they experience difficulties when importing/producing the goods and services they desire, up from 75 percent in November 2021.

Does your company experience difficulties when importing/ producing the good and serviced you desire?



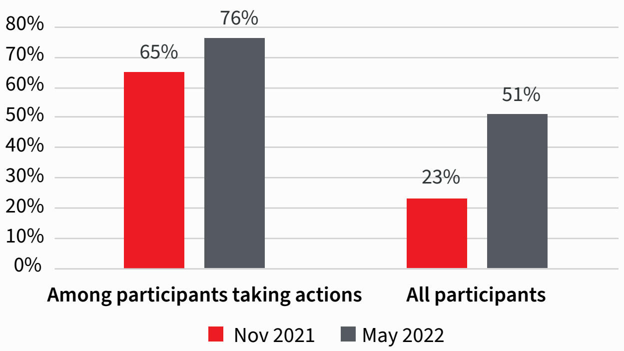
More importantly, the number of respondents that have taken or are about to take action to mitigate disturbance has risen sharply from below 40 percent to close to 70 percent.

Has your company taken action or does it plan to take action to mitigate disturbance in delivery chains?



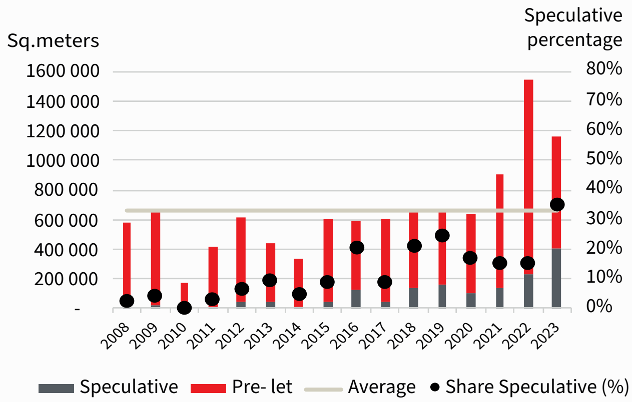
Among the actions taken, inventory increase is cited as the most important solution by the companies and the survey indicates that more than 50 percent of the total respondents (May 2022) have taken action or are about to take action to increase the inventory, which is up from only 23 percent in November 2021. This is a substantial improvement and JLL expects to see evidence in take-up related to near–shoring activities in our industrial database during 2022.

Action: Increase the inventory



JLL statistics related to on project starts (Distribution warehouses greater than 5,000 square metres) clearly show that the propensity to start projects with no tenants signed has sharply increased during 2021-2022. The share of projects with no tenants for finalisation in 2023 today stands at 35 percent of completions, which is a sharp increase compared to the 15 percent start on speculation for finalisation in 2022 and the 10 year average of 14 percent.

Project finalisation of Distribution Warehouse greater than 5,000 square metres in Sweden and share of speculative build



JLL argues that the combination of increased visibility to demand, together with a sharp increase in construction costs, currently explains the normalisation of speculative starts on a higher level. In our broader research in EMEA, this trend started three years ago and is also linked to the potential to achieve higher rents and meet current demand with space available, compared with signing leases prior to construction start. A key risk with a higher speculative share clearly relates to changes in demand that could imply higher general vacancies. Current vacancies remain very low, according to JLL estimates, and the normalisation of speculative build on a higher level has created a boost to prime rents asked by developers/tenants, which is a normalisation to the trends visible outside of EMEA. If we combine near–shoring investment potential with short–term need for higher inventory and the medium to long–term positive outlook for e-commerce, the structural growth outlook remains favourable. Most of the rental contracts in the Nordics are based on CPI adjustments with no cap, which will also likely support like-for-like rental growth of 7-9 percent in 2023, which, in part, will compensate for current increases in financing costs and, in part, mitigate current increases in yield requirements. However, landlords need to monitor tenant profitability since some tenants might come under pressure owing to general cost increases, especially if they operate with fixed cost contracts or see a risk in refinancing in part related to working capital. The strong demand and outlook for industrial and logistics space buildings remain on the agenda across the Nordics and JLL argues for high visibility in rental growth, backed by the demand outlook in combination with the need to compensate for both higher production costs and financing costs in general.

> *Nearshoring/reshoring are now firmly on the agenda for a growing number of companies to safeguard supply chains.*

LISA GRAHAM, DIRECTOR & HEAD OF EMEA I&L RESEARCH

Office rents in Europe 2022–2026

Strong European leasing activity was recorded in the second quarter of 2022, despite market uncertainties. Take-up totalled 2.6 million square metres, up +22 percent year-over-year and 1 percent above the 5-year second quarter average.

The impact of the COVID-19 pandemic on office markets is now waning, with many companies adopting a 'hybrid' working model. Companies are re-thinking their strategies, in many cases reducing their office space requirements.

European office vacancy remained unchanged at 7.2 percent during the second quarter of 2022, although it is likely to soften slightly towards year-end. Nine of the 23 index markets recorded an increase in vacancy during the second quarter of 2022, most notably Dublin (+90 bps to 12.1 percent), Stockholm (+60 bps to 11.5 percent), Frankfurt (+60 bps to 8.5 percent) and Rotterdam (+60 bps to 6.6 percent).

The market-wide trend in corporate consolidations and prime space relocations will likely place further pressure on aggregate vacancy levels for the remainder of 2022. European completions reached 1.1 million square metres during the second quarter, down 21 percent from Q1 2022 and down 12 percent year-over-year. Most significant contributions came from Berlin (167,000 sq m), Hamburg (129,000 sq m), Munich (118,000 sq m) and Paris (99,000 sq m).

With rising material and energy costs, labour constraints and supply chain pressures, construction costs remain high. Although this has caused conservatism in decision making amongst developers, some markets have started seeing a pick-up in activity levels as planning permissions move forward to address the large supply gap.

The European Office Rental Index increased during the second quarter of the year (+1.3 percent quarter-over-quarter). At 3.6 percent, annual European office rentals are now above the 5-year average of 3.3 percent. Rental increases were witnessed in 13 of the 23 Index markets, led by Dublin (+8.3 percent quarter-over-quarter), Prague (+8.3 percent quarter-over-quarter), Dusseldorf (+5.3 percent quarter-over-quarter), and Rotterdam (+4.1 percent quarter-over-quarter). Across all other European index markets prime rents remained stable.

Robust demand for best-in-class office space, along with tight vacancies, will see continued growth in prime rents across most core markets. The weighted European office yield softened by 10 bps (quarter-over-quarter) to 3.15 percent during Q2 2022, slowing capital value growth.

At city level, yields softened across 10 index markets, with biggest movements recorded in Paris (+25 bps to 2.75 percent), Stockholm (+25 bps to 3.25 percent), Budapest (+25 bps to 5.00 percent) and Warsaw (+25 bps to 4.75 percent). All remaining index markets saw no yield change from the previous quarter.

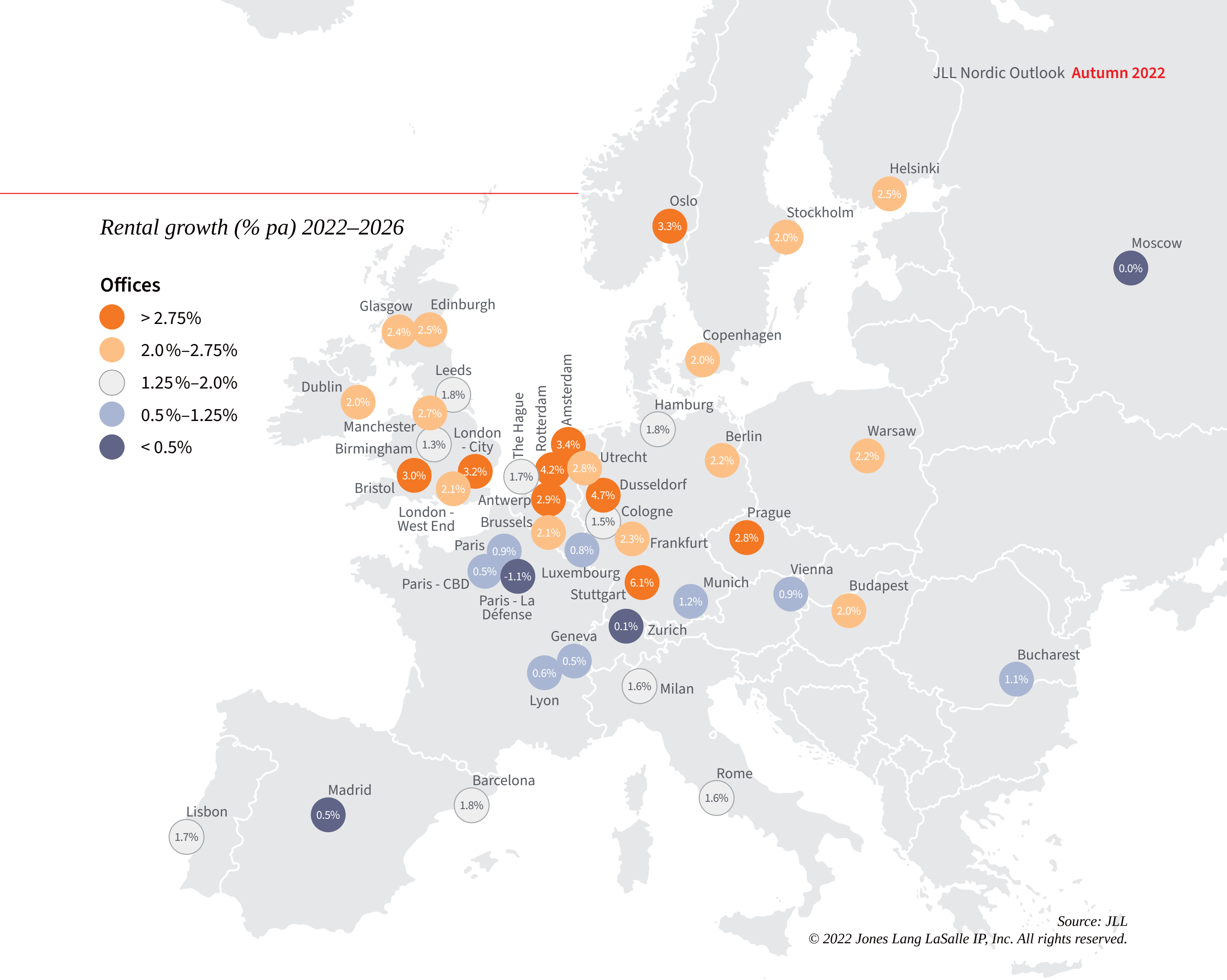
> *"Robust demand for best-in-class office space along with tight vacancies will see continued growth in prime rents across most core markets."*

ALEX COLPAERT,
HEAD OF OFFICE RESEARCH JLL EMEA

7.2 %
European office vacancy
H1 2022

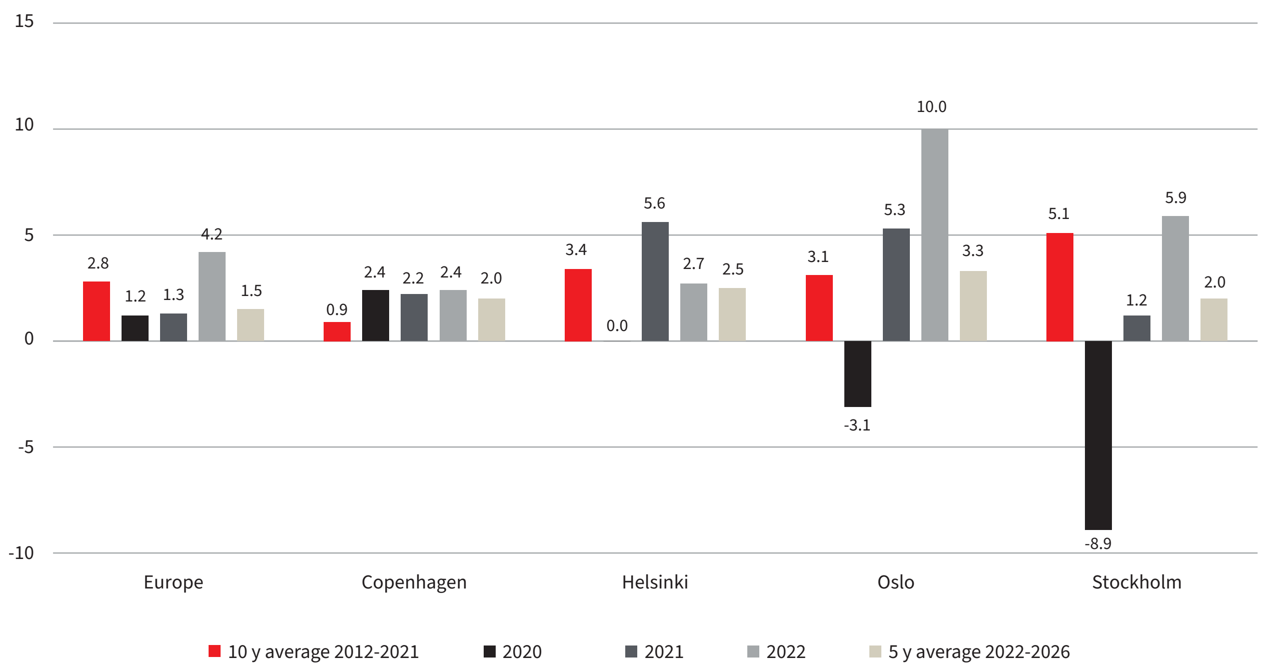
+3.6 %
European prime office
rental growth
year-over-year

Rental growth (% pa) 2022–2026



Source: JLL

Yearly percentage rental growth on the office market (%)



Source: JLL

Office Nordic

The recovery after the COVID-19 pandemic continues to be visible among rental markets across the Nordics, with higher take-up and strong demand for high-quality space. Sharply rising interest rates and higher production costs for projects, in combination with a softer outlook on the general economy, tips the balance on the negative side, although there are limited visible effects in the reported transactions. Rising funding costs will impact subsegments differently across the Nordic office market and JLL expects a flight to safety into the core segment and growth capitals, while value add and lower growth regions will likely need higher equity and yield requirements to compensate for cost increases and higher risks.

Indications show that tenants are willing to spend more on quality premises, which is partly mitigated by the need for less space per employee, owing to the hybrid workspace model. All in all, we continue to see solid demand for sustainable space in prime locations, with a premium for flexible leases. CPI- linked lease agreement will act as a supportive factor to rental growth into 2023, although a weaker outlook for the economy will likely increase polarisation between assets, linked to quality of property, location and tenants.

"Investment appetite remains favourable for core properties with high visibility for rental growth."

Thomas Persson
Head of Capital Markets
Nordic

Financial highlights

-36.50%

Investment volumes for the office segment in the Nordics in H1 2022

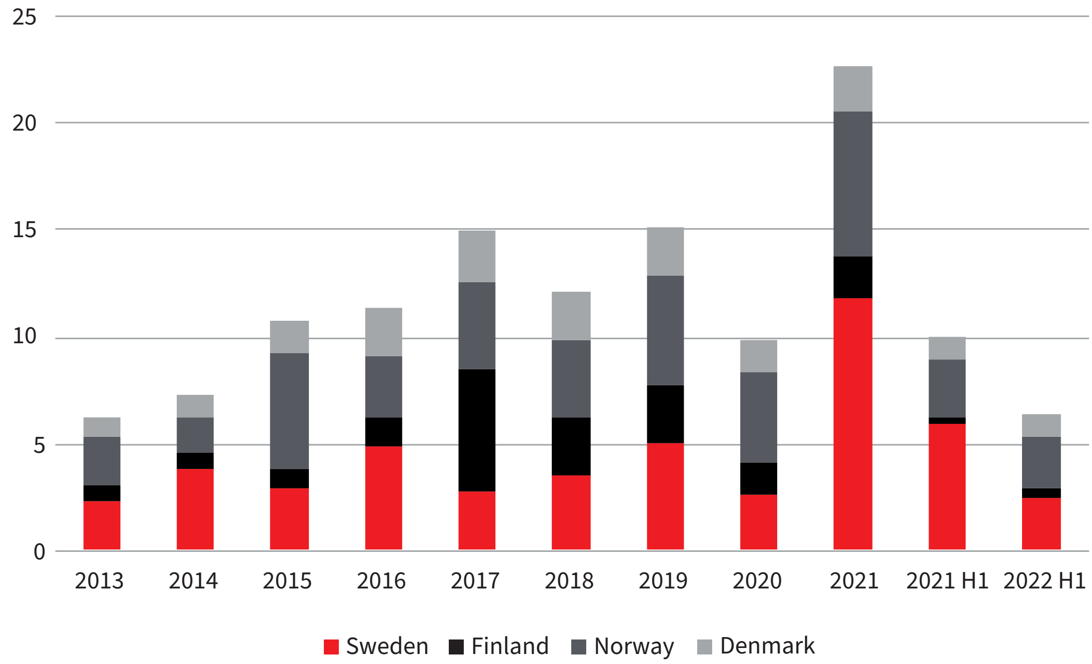
19.0 €bn

Investment volumes for the office segment in the Nordics over the last 12 months (EURbn)

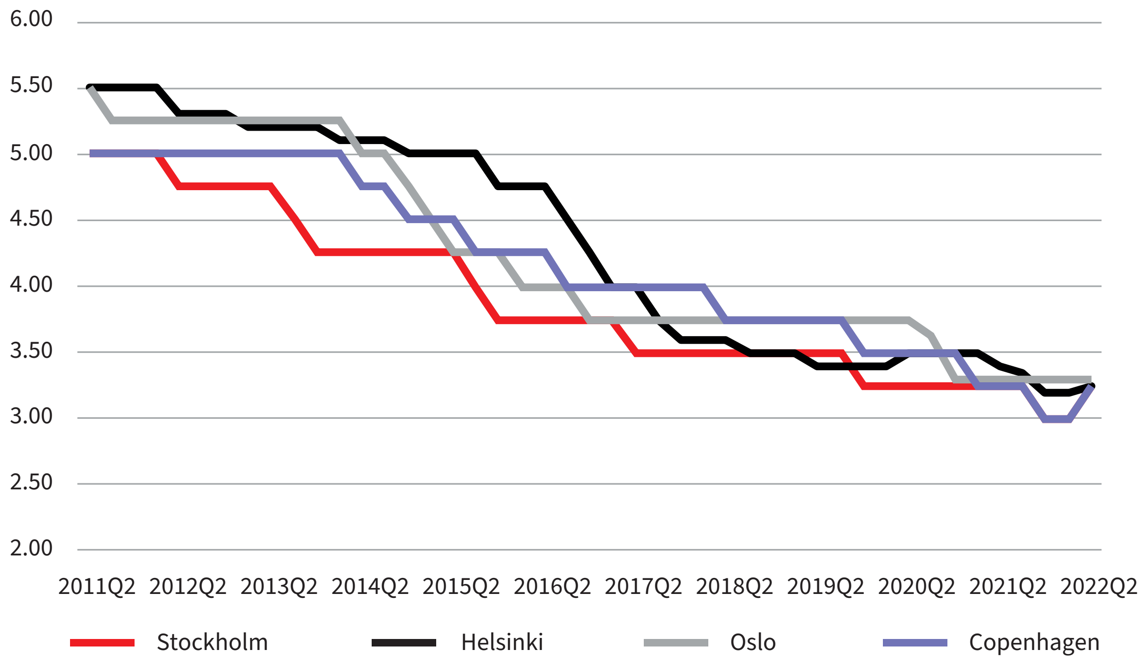
3.26%

Average Nordic prime office yield up 13bp y/y

Investment Volumes for office segment (€ billions)



Office prime yield Nordic capitals (%)



Source: Akershus Eiendom, EDC and JLL

Office Stockholm

The Stockholm office market continued its strong recovery with increasing total take-up during the second quarter of 2022. Demand for centrally located properties of high standard remains high and vacancy rates in the CBD continued to fall in the second quarter of 2022, albeit at a slower pace than in the previous quarter. The high demand combined with reduced vacancy rates and market sentiment made us raise our prime estimated rents slightly for all submarkets during the first half of 2022.

Investment market

The first half of 2022 was strong from a historical perspective with an investment volume of over SEK 24 billion in the office sector, placing office as the second biggest sector after residential in the first half of 2022. During the second quarter, interest rates and total funding costs increased following rate hikes caused by inflation worries. Owing to sentiment factors related to ongoing transactions, yields have been raised in all submarkets by 25 bps, resulting in the yield for Stockholm prime CBD reaching 3.25 percent in the second quarter of 2022. We expect there to be an upward pressure on yields throughout the year.

Tenant market

The demand for modern, sustainable premises in prime locations continued to grow in the first half of 2022 as many companies tried to get their employees to come back to the office after the COVID-19 pandemic. 82 percent of the total take-up took place in the most central submarkets (CBD, Rest of Inner City and Hagastaden) during the first half of the year, confirming the strength in these rental markets. However, tenants are clearly willing to pay for better premises and we expect further mix improvements from the refurbishment of old premises into co-working flexible space.

Funding status

The softer outlook for the economy, in combination with rising funding costs, is having a negative impact on loan to value levels (LTV), particularly for value add and non-core properties. Funding costs and LTV from Nordic banks will be linked to the type of property owners and tenants as the banks prioritise existing relationships.

Sustainability

Sustainability continues to be an increasingly important aspect, both for tenants and investors. The returns outlook for sustainable investments is favourable, owing to quality improvement and the prospect of lower operating expenses and yield contraction.

Outlook for 2022

We expect the investment market to decrease during the second half of 2022 as many transactions got postponed and investors are waiting for the market to stabilise. CPI-adjusted rental values at record-high levels, in combination with a more stable financing market could increase the investment appetite towards the end of 2022. The core segment stands relatively strong while the softer economic outlook, together with rising financing costs, needs to be compensated by rising yield requirement, mainly related to the non-core and value add segments.

> *“Visibility for rental growth is in focus for investors to support attractive returns.”*
>
> **LINDA SANDSTEDT, SENIOR DIRECTOR CAPITAL MARKETS**

Office properties H1 2022

→ ↗ ↘ **Short-term forecast**

	CBD	Rest of Inner City	Hagastaden	Adjacent Suburbs	Kista	Solna / Sundbyberg
Vacancy rate	6.0%	8.9%	14.8%	9.9%	24.8%	11.7%
	→	→	↘	↗	→	→
Prime rent (SEK/m2/y)	8,700	5,600	5,050	3,500	2,400	3,400
	→	→	→	→	→	→
Prime yield	3.25%	3.85%	3.85%	4.10%	5.60%	3.85%
	↗	↗	↗	↗	↗	↗

Source: Citymark (vacancy) and JLL

Financial highlights

-59%

TRANSACTION VOLUMES H1 2022 VS H1 2021

-19%

TAKE-UP H1 2022 COMPARED WITH H1 2021

Linda Sandstedt
Senior Director
Capital Markets

Erik Skalin
Head of Agency

Office Gothenburg

The Gothenburg office market has been strong in recent years, mostly fuelled by low vacancies, a strong rental market and limited completion of new supply. The outlook for Gothenburg is now more mixed. Higher vacancy rates and a record-high stock of new completion might limit the growth for the rest of 2022 and into 2023. However, currently the rental market demand for new, environmentally friendly spaces remains firm and higher signed rents are boosting the average rental value in the regions, owing to mix. Polarisation in the rental market bodes well for investments in the older stock when the new buildings are finalised, although short-term vacancies might increase further if landlords don't invest to upgrade the status of the properties.

Investment market

Rising financing costs, in combination with a weaker economic outlook, is having a negative impact on sentiment. This has been reflected in our prime yield estimates for all submarkets, with 25-35 bps during the second quarter of 2022. Sentiment weakened significantly during the end of the second quarter and although it was stabilising towards the end of the summer, yield estimates may need to be revised further unless the market situation stabilises.

> *"The strong demand for best locations is backed by visibility for rental growth and cash flow."*

SARA VESTERLUND, CAPITAL MARKETS SWEDEN

Tenant market

Take-up levels reduced during the first half of 2022 compared to a strong second half in 2021. Vacancy rates on an aggregated level increased by 0.1 percent. Looking at submarkets, CBD showed a weak second quarter with an increase in vacancy rates of 2.5 percent units during the first six months of 2022. Prime rental levels remained strong however, supported by mix effects related to new build properties.

Funding status

The softer outlook for the economy, in combination with rising funding costs, is having a negative impact on loan to value levels (LTV), particularly for value add and non-core properties. Funding costs and refinancing LTV from Nordic banks will be linked to the type of property owners and tenants as the banks prioritise existing relationships.

Sustainability

Sustainability as a requirement for investors has increased in recent years and is now becoming one of the most important aspects, as companies work hard to reduce their CO_2 footprint and become more environmentally friendly. This makes the return outlook for sustainability improvement investments favourable.

Outlook for 2022

We expect rents to remain stable, with a favourable outlook throughout the rest of 2022 and 2023, mainly owing to a continued strong demand for new built together with coverage for CPI adjustments. Selective demand for the best locations and higher return requirement than Stockholm add relative strength and should limit downside risks in the investment market for 2022.

Office properties H1 2022

→ ↗ ↘ Short-term forecast

	CBD	Rest of Inner City	Norra Älv-stranden	Mölndal	R. of Hisin-gen[1]	E.Goth-enburg[2]	W.Goth-enburg[3]
Vacancy rate	11.2%	7.8%	6.3%	7.6%	16.4%	17.4%	21.3%
	↘	→	→	→	↘	→	↘
Prime rent (SEK/m2/y)	4,150	3,400	2,800	2,500	2,000	2,500	1,300
	→	→	→	→	→	→	→
Prime yield	3.75%	4.15%	4.60%	5.35%	5.60%	5.10%	6.35%
	↗	↗	↗	↗	↗	↗	↗

[1] Rest of Hisingen, [2] Eastern Gothenburg, [3] Western Gothenburg

Source: Citymark (vacancy) and JLL

Financial highlights

4,150

SEK 4,150 PER SQ.M.
PRIME RENT GOTHENBURG
CBD IS UP 12% Y-O-Y

-16%

TAKE-UP H1 2022
COMPARED WITH H1 2021

Sara Vesterlund
Senior Director
Capital Markets

Office Malmö/Lund

The spring and early summer showed a more cautious office market than we've seen in recent years, especially after a strong recovery phase following the COVID-19 pandemic. The cautious market is presumably linked to the current economic situation and rising interest rates. Vacancy rates have stayed on stable levels compared to both Stockholm and Gothenburg, indicating that the rental market remains attractive and bodes well for the market to remain stable for the remainder of the year.

Investment market
Office market turnover remained under pressure, down 25 percent on a rolling 12 months compared to a year prior. Our prime yield estimates have been adjusted upwards with 25 bps for every submarket, due to sentiments and current market conditions rather than transaction-based evidence.

Tenant market
Take-up has been more stable compared to Stockholm and Gothenburg. The total take-up was down 7 percent in the first half of 2022 compared with the first half of 2021. Vacancy levels have also continued to be stable and have increased by 0.1 percent in the last 12 months. The stability can partially be correlated with the low volume of new build being completed and added to the stock in the past 12 months.

Funding status
The softer outlook for the economy, in combination with rising funding costs, is having a negative impact on loan to value levels (LTV), particularly for value add and non-core properties. Funding costs and refinancing LTV from Nordic banks will be linked to the type of property owners and tenants as the banks prioritise existing relationships.

Sustainability
There is a strong focus among investors on property certification and investments to reduce CO_2 footprints. The return outlook for investments in still favourable as it reduces operating costs. Certifications also add a quality angle to the properties which can support increased rental levels, which might prove to become all the more important when yields go up.

Outlook for 2022
We expect rents to remain stable with a favourable outlook and a key focus on new build in good locations. The interest from international investors has primarily been in the logistics and residential segments, but now there's potential for the interest to spill over into the office segment. We see upside potential for rental growth in prime buildings with long lease agreements mitigating impact from higher yield requirement linked to higher funding costs.

> *"Higher yield requirements and lower rents bode well for risk appetite to strengthen."*
>
> **DANIEL ANDERBRING, HEAD OF CAPITAL MARKETS SWEDEN**

Office properties H1 2022

→ ↗ ↘ **Short-term forecast**

	CBD	Rest of Inner City	Västra Hamnen	Adjacent Suburbs	Lund
Vacancy rate	8.3%	8.8%	9.6%	13.6%	8.2%
	↘	→	↘	↘	→
Prime rent (SEK/m2/y)	3,100	2,500	2,500	2,800	2,300
	→	→	→	→	→
Prime yield	4.25%	5.00%	5.00%	4.50%	5.25%
	↗	↗	↗	↗	↗

Source: Citymark (vacancy) and JLL

Financial highlights

1.2 SEK bn
TRANSACTION VOLUMES H1 2022

-7 %
TAKE-UP H1 2022 COMPARED WITH H1 2021

Daniel Anderbring
Head of Capital Markets Sweden

Office Helsinki

The already delayed recovery of office demand was fully expected to commence during the first half of 2022. Fears for further COVID-19 lockdowns diminished, and office users appeared confident in committing to the new era of office use. Unfortunately, the economic implications of Russia's attack on Ukraine raised fears of a recession, rising energy costs and inflation which have postponed the recovery once again. On a positive note, in 2021 companies were unaware of their office requirements, but now it only seems a matter of timing rather than need.

Investment market

During the first half of 2022, demand remained high for core office properties, with aggressive competition for the best assets. Simultaneously, transaction volumes and prices in the office segment are expected to be negatively affected by changes in availability and terms of financing, as well as rising operating expenses.

> *“Despite the economic uncertainties, the investment and tenant markets have remained active, but mainly focused on high-quality assets.”*

KLAUS KOPONEN, HEAD OF MARKETS, FINLAND

Tenant market

Despite the political and financial headwinds, the tenant market remained active but was mainly concentrated in good quality assets and locations with proximity to public transport and urban amenities. Companies appeared more aware of their requirements for premises, but with a degree of uncertainty for the long term. Requests for shorter maturities with options to exit or expand were more common. Higher tenant acquisition costs, a reduction in overall demand due to downsizing and competition for good quality tenants have resulted in challenging market conditions for landlords, putting pressure on real returns. This dynamic is expected to continue in the second half of the year.

Funding status

There is strong demand and very competitive financing available for prime offices with long weighted average unexpired lease terms and solid tenants. However, some caution on the very low valuation yields on these assets has had an impact, resulting in the highest LTVs currently available, ranging from 55–60 percent. Furthermore, bank financing remains very selective, meaning that non-prime offices face some challenges in sourcing cheap financing.

Sustainability

The current political and environmental climate is increasingly favourable for the promotion of ESG. Clear benefactors are the environmental initiatives and energy-saving measures, becoming more profitable through soaring energy costs and fears of supply shortages. In addition, reliance and affiliations with governments, companies and individuals considered non grata are now under tighter scrutiny, and companies must re-evaluate their ESG strategies.

Outlook for 2022

Despite the challenging market conditions, we expect the positive tenant activity to continue or improve in the second half of the year. Downsizing due to hybrid work and relocations to more accessible submarkets are expected to be popular themes. Although this may reduce the overall demand for offices, we expect it to lead to further polarisation between core and non-core assets. Prime assets in prime locations will be best equipped to succeed under these conditions.

Office properties H1 2022

→ ↗ ↘
Short-term forecast

	CBD	Ruoholahti, Helsinki	Keilaniemi, Espoo	Aviapolis, Vantaa
Vacancy rate	9.0%	13.0%	6.3%	14.2%
	→	→	→	→
Prime rent (€/m2/y)	456	300	300	234
	↗	→	→	→
Prime yield	3.25%	4.40%	4.00%	5.60%
	↗	↗	↗	→

Source: JLL

Financial highlights

3.25%

THE YIELD HAS TURNED TO A SLIGHT INCREASE DURING H1 2022

+86%

TRANSACTION VOLUME HIGHER IN H1 2022 THAN IN H1 2021

Klaus Koponen
Head of Markets , Finland

Office Oslo

Norway is experiencing high economic activity, particularly in office-based industries, which in turn is driving up demand for office space. Combined with low levels of new supply, office rent levels in Oslo are set to increase by between 5 and 12.5 percent in 2022, depending on the micro location.

Investment market

Market sentiment remained strong into 2022. However, throughout spring and summer, the markets have been going through a period of uncertainty due to geopolitical unrest, high inflation and rising interest rates. As of August, the recorded transaction volume stands at NOK 53 billion. This is in line with the volume from previous years, disregarding last year's outlier. The number of transactions this year has been high compared with last year, but the average deal size has been considerably lower. As usual, office assets are the most traded assets, accounting for 44 percent of the total market.

Tenant market

Despite all the uncertainty, the Norwegian economy is performing well and unemployment rates have rarely been lower. Vacancy levels are very low, at 3.9 percent for CBD locations and at 5.1 percent for Oslo overall. Office-based sectors are growing, which has led to high demand for office space.

Prime rent for Oslo CBD now stands as NOK 5,500 per square metre, compared to NOK 4,850 per square metre a year ago. Outside the city centre, we expect to see slightly lower growth at 10 percent in Oslo west and 5 percent in Oslo east. We expect rents in the Oslo city centre to grow by as much as 12.5 percent this year. Next year, GDP and employment figures are expected to fall sharply from current levels. We then expect rent increases to slow down, and it will probably not be possible to up rents by more than CPI in Oslo.

Funding status

Higher financing costs are perceived very differently by different investor groups. The most interest-sensitive investors such as syndication sponsors, leveraged funds and transaction-driven property companies have driven liquidity and contributed to the transaction records we have seen in the last two years. These investors should be the first to lose their competitive edge when financing costs start to rise, something which could slow down liquidity in the market ahead.

Sustainability

Sustainability is increasingly considered a differentiating factor, particularly for investors and property owners. In our most recent ESG survey, the majority of investors state that they are willing to pay a premium for the most innovative environmentally friendly buildings. They mainly attribute this motivation to being able to meet tenants' expectations in the future and to manage risk.

> *"Expected rent increases will soften the value drop in the city centre, having an especially positive effect on properties with short leases."*

KARI DUE-ANDRESEN, HEAD OF RESEARCH, AKERSHUS EIENDOM

Outlook for 2022

As a result of the aforementioned factors, there are signs of market repricing, and our prime yield forecast suggests an increase of 20 basis points from the current level of 3.3 percent in the fourth quarter this year. We also expect prime yield to increase by a further 25 points by the end of the first quarter next year. Over the next 12 months we therefore envisage that prime yield will return to pre-pandemic levels. This would be a muted and delayed yield increase compared with what interest rate expectations alone would suggest. We believe this is sensible, given the attractiveness of commercial real estate relative to other asset classes and the amount of capital still in search of property.

Office properties H1 2022

→ ↗ ↘ Short-term forecast

	CBD	Rest of inner city	Outer city west	Outer city east/ north/south
Vacancy rate	3.00%	3.90%	7.30%	8.60%
	→	→	→	↘
Prime rent (NOK/m2/y)	5,500	3,200	3,700	2,800
	↗	↗	→	→
Prime yield	3.30%	4–4.75%	4.25–5%	4.25–5%
	↗	↗	↗	↗

Source: Akershus Eiendom

Financial highlights

5,500

NOK 5,500 PER SQ.M.
PRIME RENT OSLO CBD IS UP BY NOK 500 SINCE THE BEGINNING OF 2022

3.30%

PRIME YIELD REMAINS STABLE, DESPITE ONGOING INTEREST RATE HIKES, BUT WE EXPECT THIS TO INCREASE BY THE END OF Q4 2022

Kari Due-Andresen
Head of Research,
Akershus Eiendom

Office Copenhagen

The hybrid working model appears to be gaining traction in Denmark, favouring offices that provide flexibility. Employment is steadily rising, particularly in office-related industries, increasing demand for office space.

Investment market

Demand for modern, sustainable prime assets continues to be high but also centrally located assets in the traditional CBD area are experiencing high demand from investors and tenants alike. On the other hand, demand for assets located in Ørestaden are significantly lower and thus modern facilities do not make up for location. Yields for prime assets are stabilised at around 3.00 percent in both the old and new CBD. Prime office assets appear to be less sensitive to fluctuating interest rates, due to the Danish pension funds being very active in the segment. Office transaction volume for the first half of 2022 is thus slightly higher than in 2021.

“There is uncertainty about the future due to the macroeconomic environment, but demand is still strong at the moment.”

THOMAS RIIS, LICENSED REAL ESTATE AGENT, MRICS, CHARTERED SURVEYOR

Tenant market

The tenant market is strong–especially in the old and new CBD. Flexibility is currently the key word, as tenants are demanding flexible lease terms and are reluctant to engage in lengthy contracts. Demand is driven by historical low unemployment. The outlook for the tenant market is therefore good. Uncertainty continues to persist regarding how prevalent hybrid office work will be and if it will lower demand for office space in the future.

Funding status

Financing conditions are affected by the current interest hikes. This mainly concerns leverage, whereas general conditions are unchanged and thus investors continue to be able to secure financing.

Sustainability

ESG is becoming increasingly important, and for institutional investors, certification has become a necessity for new office properties, where just a few years ago it was seen only in niche properties with a specific focus on sustainability. This is driven by the public’s increased focus on ESG responsibility and affects tenants and investors alike. Clearly, the focus is driven by the CO_2 footprint and extensive use of energy of the building stock, which makes it one of the key focus areas in terms of creating a more sustainable future. Regulation is also expected to increase momentum towards sustainability. It therefore seems realistic that regulation will increase in the short to medium term.

Outlook for 2022

The Danish market is desirable for foreign investors and demand for prime properties remains high. However, it is not without uncertainties. The impact from increasing interest rates and their potential impact on the economy, and thus companies’ ability to invest and grow, remains to be seen.

Office properties H1 2022

→ ↗ ↘ Short-term forecast

	Old CBD	New CBD Waterfront	Rest of Copenhagen	Ørestad	Greater Copenhagen
Vacancy rate	4.37%	10.04%	9.25%	8.52%	5.79%
	↗	↗	↗	↗	↗
Prime rent (DKK/m2/y)	2,150	2,100	1,850	1,650	1,650
	→	→	→	→	→
Prime yield	3.25%	3.25%	3.50%	4.00%	4.00%
	↗	↗	↗	↗	↗

Source: EDC

Financial highlights

3.00%

PRIME YIELD FOR CORE OFFICE PROPERTIES IN COPENHAGEN CBD

4.37%

VACANCY RATE FOR OFFICE PROPERTIES IN COPENHAGEN OLD CBD, Q2 2022

Thomas Riis
Licensed Real Estate Agent, MRICS, Chartered surveyor

Nordic Retail

Retail continues to face uncertainties. Tenant ability to pay is being pressured from both reduced purchasing power and rental growth as many contracts are linked to CPI indexation. This is giving companies with retail assets a challenge to find a good balance between rental growth and discounts.

Investment volumes in the Nordics were up 48 percent in the first half of 2022 compared to the same period in 2021. While the sector continues to be out of favour among many investors, sentiment has been very mixed, with high interest in grocery-anchored retail, while interest in shopping centres remains under pressure.

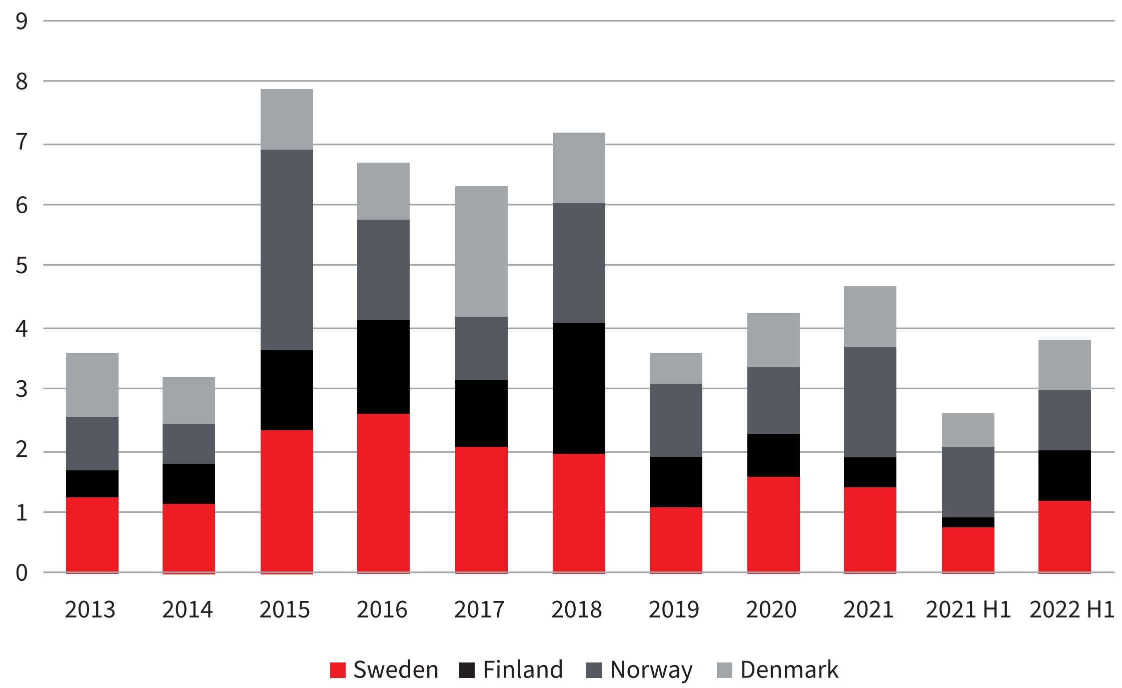
3.50%

Average prime Retail yield requirement across the Nordics

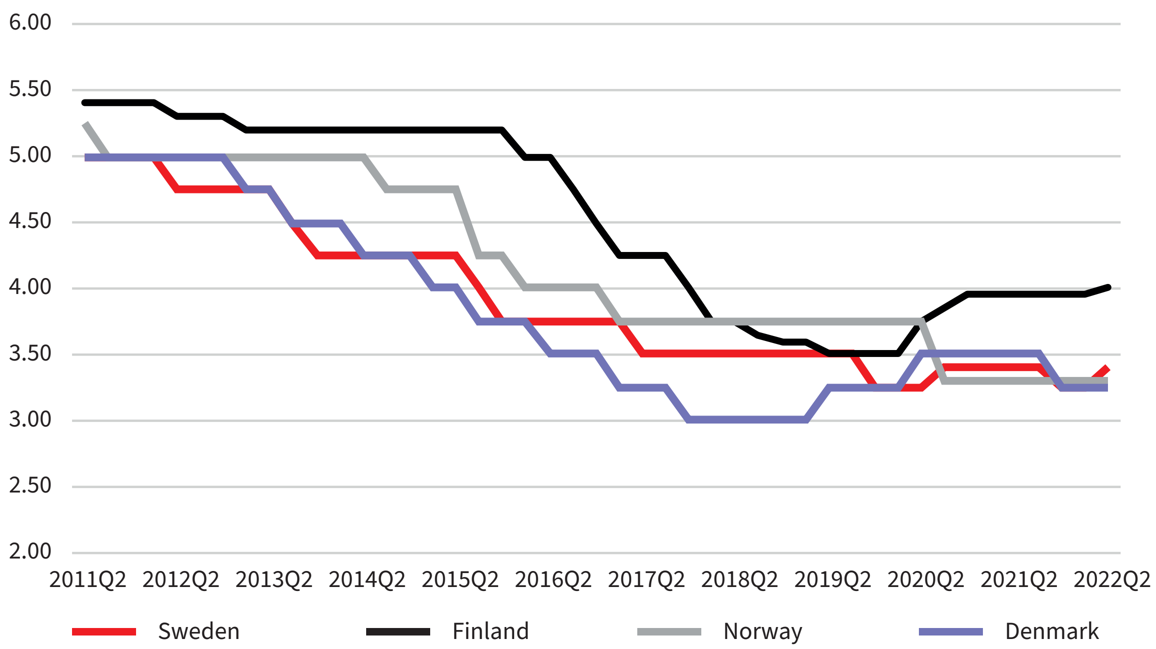
5.9 €bn

Investment volume retail properties in the Nordics in the past 12 months

Investment Volume Nordic retail properties (€ billions)



Retail prime yield Nordic capital cities (%)



Source: Akershus Eiendom, EDC and JLL

Sweden Retail

Polarisation in the Swedish retail market continued in the first half of 2022 and will most likely continue going forward as well. Retail warehouses containing groceries and out-of-town locations remain strong, while shopping centre and high street retail segments continue to see difficulties.

Investment market

The investment market for retail continued to be volatile in 2022 as expected, with mixed drivers for transactions. This trend is expected to continue. We see big differences within the market with retail containing groceries continuing to show high demand and lower yields, while external shopping malls continue to struggle, with vacancies and lower rent levels compared to pre-pandemic levels.

Tenant market

A weaker outlook and downwardly revised growth figures for e-commerce gives retailers a little breathing space as they continue to have a hard time in 2022. Micro location is becoming increasingly important for tenants as they renegotiate to get more flexible leases. Reduced consumer confidence, together with a weaker economic outlook, will put even more pressure on the sector for the rest of the year.

Funding status

Banks and capital markets remain restrictive regarding both capital availability and pricing for the retail segment. Earnings visibility remains crucial for higher LTV, which probably will put pressure on them for the rest of the year as consumer confidence is at a record low level.

Sustainability

We expect to see more initiatives to reduce CO_2 footprints by landlords and tenants as they work hard to optimise the flow of goods and adaptions to integrate circular economic initiatives to their operations.

Outlook for 2022

The uncertainty for retail continues in 2022, driven by continued supply problems, a weaker economic outlook and rising inflation. Already pressured tenants might have difficulties with current CPI development, which makes it crucial for real estate companies with retail assets to find a balance between rental growth and discount.

5.2%

Total retail sales growth over the past 12 months according to HUI

5.15%

yield up 25bp y/y
Shopping centre yields up in the last 12 months

"Retail offers high yield properties with a higher earnings outlook."

Daniel Anderbring
Head of Capital Markets Sweden

Finland Retail

5.25%

Shopping centre prime yield increased by 5bps in H1 2022

777 m EUR

Transaction volume of the retail sector in H1 2022

"How much more can retail take? First the pandemic and now new cost inflation crisis and diving consumer confidence."

Mikko Kuusela
Senior Director / Valuation & Strategic Consulting

In the first half of 2022, the polarisation in the retail market continued both in the success of tenants and in investor appetite for low-risk assets. Uncertainty is however increasing, as tenant ability to pay is challenged from two sides: high inflation which weakens purchasing power, and gross rent increases following rent reviews linked to cost-of-living indexation.

Investment market

During the first half of 2022, Finnish investors dominated on the buy-side, and several larger transactions were made. Most of the transacted assets were necessity-based and had limited downside risk in rent levels and proved performance.

Tenant market

Increasing costs and reduced consumer confidence has made tenant decision-making more careful. The trend in rent levels has been downwards, especially among fashion retailers, together with a strong preference for shorter leases across sectors. The largest tenants are also aware of their negotiation power and can, to some extent, dictate their terms.

Funding status

Availability of funding is at a relatively good level for assets with reliable tenants, but for properties that need larger development, it is harder to find funding.

Sustainability

The importance of sustainability as a differentiating factor has continued, becoming a critical criterion for investors and owners. Currently, ESG is growing in importance among the tenant space as well, who often require or prefer active ESG strategies.

Outlook for 2022

For investors with deployable capital in the market, retail has for long been an under-valued sector, leaving room for investors with capability to look beyond current challenges.

Norway Retail

The Norwegian consumer has started to return to the long-term trend of spending more on services and less on goods. Retail leasing activity has picked up and the high activity in the retail investment market has continued.

Investment market
There has been continued high activity in the retail investment market so far in 2022, and retail transactions account for 18 percent of the total Norwegian transaction market as of the end of August. Given the sharp rise in interest rates, prime yields on shopping centres and big box facilities have been adjusted up by 25 and 50 bps respectively. Prime yield for high-street retail remains stable.

Tenant market
After a longer period of low activity in the retail leasing market in Norway, activity has finally started to pick up. Luxury and Electric Vehicles (EV) continue to be the most active players in the Norwegian market. However, some processes are currently stopped due to financial uncertainty. Signed contracts and current processes continue to support a stable rent development in the Oslo high-street market.

Funding status
The appetite for retail assets remains good so far in 2022, particularly within shopping centres that account for almost 60 percent of the total retail transaction volume.

Sustainability
The consumer continues to demand sustainable options and retailers need to increase their ESG focus to gain competitive advantage.

Outlook for 2022
In the short term, high inflation and the rapid rise in interest rates is expected to weaken overall consumption, including online shopping. Online shopping is expected to return to its former pace.

18%

So far in 2022, retail accounts for 18% of the total transaction volume

20,000 NOK/sq. m.

Stable high-street prime rent

"EV and luxury may lead the way to an expansion recovery in 2022."

Remi N. Olsen
Head of Retail
Akershus Eiendom

Denmark Retail

3.25%

Prime yield for high-street Copenhagen locations

2.68%

Vacancy rate for retail in Copenhagen

"Retail has regained lost grounds post COVID-19, but uncertainty is present due to low consumer confidence and interest hikes."

Frank Heskjær
Head of International Retail

Demand has regained momentum post COVID-19. However, uncertainties are looming due to high inflation and historically low consumer confidence.

Investment market
Regained momentum and confidence in the retail sector is reflected in the transaction volume that is likely to surpass 2021. The transaction volume for 2022 has been driven by several large transactions e.g., Jeudans acquisition of Gallery K, as well as grocery store acquisitions by CIBUS Nordic Real Estate and W.P. Carey.

Tenant market
Demand is high for the best locations resulting in very limited availability–especially in the largest cities. Strong demand is also reflected in significant drops in vacancy rates post COVID-19. However, vacancy levels seem to be increasing slightly now, signalling some uncertainty regarding the future.

Funding status
Financing conditions are affected by the current interest hikes. This mainly concerns leverage, whereas general conditions are unchanged and thus investors continue to be able to secure financing. However, it can be difficult to obtain financing for retail in decentral and lesser attractive locations, apart from grocery and warehouse parks.

Sustainability
Adapting to a greener and more sustainable future is increasingly important following the general focus on ESG policies. However, this mainly concerns development and to a lesser degree existing stock.

Outlook for 2022
The outlook is characterised by uncertainty. Investment activity could currently go both ways, being very susceptible to development in interest rates and thus monetary policy. Apart from this, the underlying sentiments are positive, with grocery stores being in high demand. Prime assets and warehouse parks also continue to experience healthy demand.

Logistics Nordic

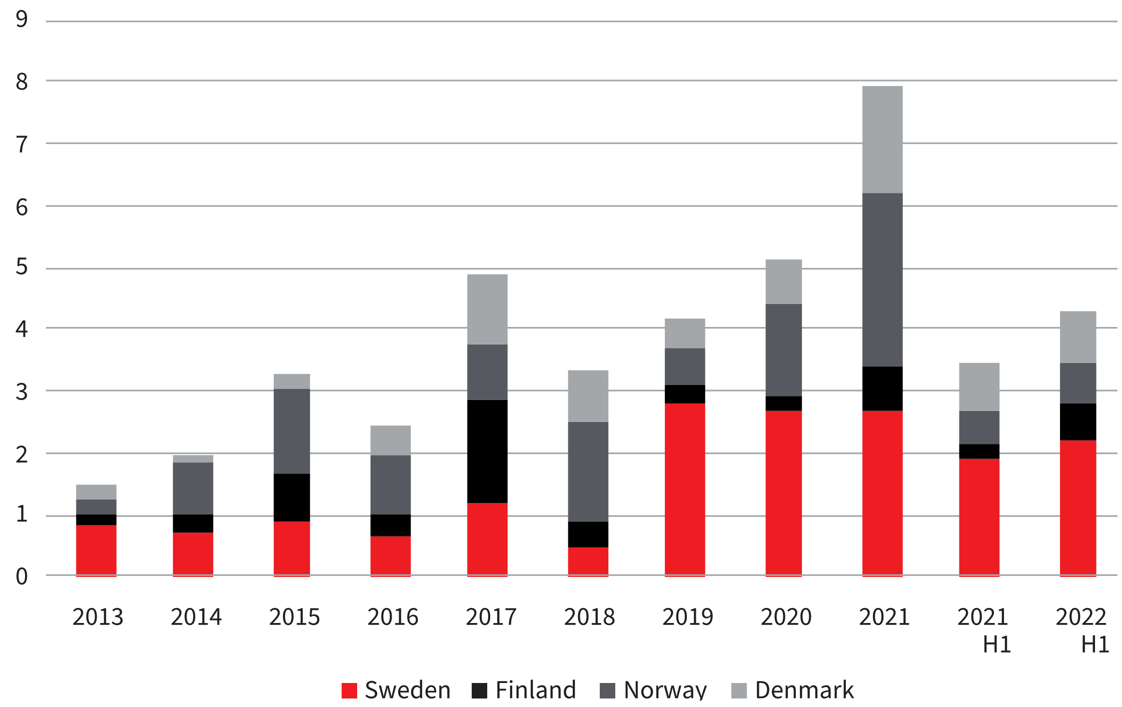
The logistics market in the Nordic region remains strong, fuelled by the structural growth drivers powered by e-commerce, which clearly accelerated during the COVID-19 pandemic.

We continue to see accelerated risk appetite for logistic and industrial investments during the year, which is likely also to be linked to more favorable access to capital (equity, bonds and banks). Long duration rental contracts in a growing sector, in combination with current record-low funding costs, remain the key value drivers to return and interest among investors across the Nordics. We also expect investors to continue expanding into industry-type buildings, supported by strong fundamentals for rental growth and development potential, and the subsequent higher return potential. Supply growth and strong tenants are both factors that have held back rental growth potential for prime logistics, while very strong take-up and rising construction costs create a basis for rents to increase more than inflation in the coming years. Logistics properties remain among the favoured property types for 2022, and we believe they will create the basis for further lower yield requirements across geographies, despite slightly higher nominal interest rates, supported by development potential in growth regions across the Nordics.

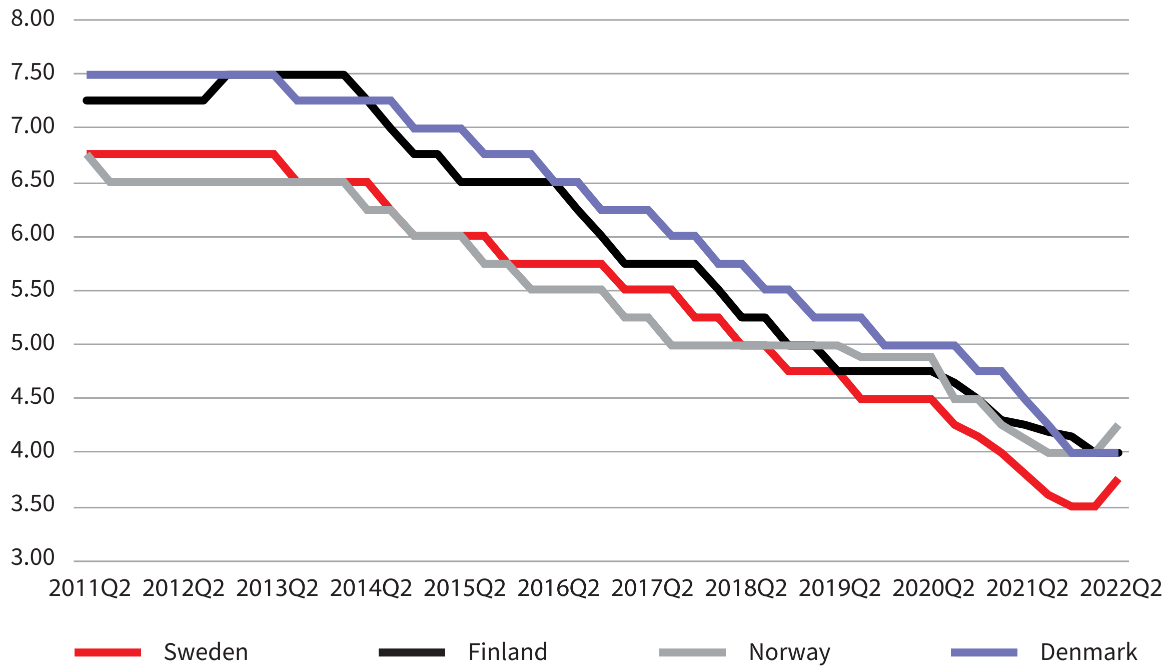
+25 %
y/y
Investment market for Logistics segment in Nordics in H1 2022 compared to H1 2021

+12 bp
y/y
Average yield up to 4.00 percent in Q2 2022

Investment market Nordic logistic segment (€ billions)



Logistics prime yield across Nordic (%)



Source: Akershus Eiendom, EDC and JLL

Logistics Sweden

The listed sector has for a long time favoured the logistics and industrial sector, and trades are at a NAV premium of approximately 50 percent today, compared with -27 percent for the sector median. Logistics and industrial properties are backed by structural demand and inflation will most likely favour the sector moving forward.

Investment market
Rising interest rates and geopolitical uncertainty have affected the investment market and accelerated during the second quarter. However, there is still a robust demand for modern logistics and industrial assets in strong locations with solid tenants.

Tenant market
There were record levels of take-up in 2021, however the rate has somewhat slowed in H1 2022 but is still at high levels. There is a continued demand from tenants within retail and e-commerce as well as in logistics and distribution.

Funding status
The softer outlook for the economy, in combination with rising funding costs, has had a negative impact on all properties. Funding costs and refinancing LTV from Nordic banks will be linked to the type of property owners and tenants as the banks prioritise existing relationships.

Sustainability
ESG has become a hygiene factor for an increasing share of investors who are leading the way, although all will need to adapt to ensure liquidity moving forward. Over 30 percent of the developments with completion in 2022 have a green code certification.

Outlook for 2022
Yield will soften during the last part of 2022. However, there is still a large capital pool looking for investments and investment volumes will likely be supported by larger portfolios and new developments, albeit with adjusted return requirement, in part mitigated by a strong outlook for rental growth in capital areas.

3.75 %

Up 25 percentage points y/y
Yield requirement prime logistics

1.55

million sq m, up 70% y/y
New logistic developments with completion 2022

“There is robust demand for logistics from both investors and tenants.”

Lena Grimslätt
Senior Director
Capital Markets Sweden

Logistics Finland

8.50

€/sq m/month
Logistics prime rent increased by 0.25 €/sq m/month in H1 2022

602 m€

Transaction volume of L&I sector in H1 2022

“Despite economic uncertainties, the L&I market has remained active and liquidity is excellent.”

Kimmo Kostiainen
Director, Valuation & Strategic Consulting

With the prevailing lack of available logistics supply, investors have turned their focus more towards the light industrial sector, and the yield gap between prime logistics and light industrial assets has decreased considerably. With several large portfolio deals, the strong transaction momentum in the logistics and industrial (L&I) sector continued during the first half of 2022.

Investment market
Transaction activity remained high in the first half of 2022, and the total volume reached € 602 million, triple the volume of the first half of 2021 and nearly 80 percent of the total volume in 2021. The high volume was driven by several large light industrial portfolio transactions.

Tenant market
The occupier demand increased during the first half of 2022. The combination of high demand, low vacancies and soaring construction costs are creating upward pressure on rent levels.

Funding status
Availability of funding remains good, although funding costs have increased with rising interest rates.

Sustainability
The role of sustainability continues to grow, while spiking energy costs accelerate energy investments and shorten the payback period.

Outlook for 2022
While the economy is facing challenges and inflation is running rampant, the amount of dry powder in the market remains high. With rising interest rates, yields are shifting to align the property markets to the current economic climate. Yet, the long-term outlook of the L&I sector remains favourable and investor demand is likely to remain high. However, the realised L&I investment activity might once again be tamed by the lack of available supply.

Logistics Norway

Increased demand for logistics space, together with a limited supply side, has resulted in significant pressure on rents. In the transaction market, the segment is undergoing a period of repricing as financing costs have risen.

Investment market

There is still a strong interest in logistics property, but yields are moving upwards in line with other segments as a result of increased funding costs. The yield gap between prime office and prime logistics is expected to decrease to just 1.0 percentage point, compared to the pre-pandemic yield gap of 1.15 percentage points, as logistics property has become more attractive in recent years.

Tenant market

The leasing market is very liquid with an urgent demand for centrally located storage facilities. Premium storage rents surpass office rents in certain areas outside the city centre. New entrants, such as electric car manufacturers, have established both preparation centres and repair shops in traditional logistics properties and have a high willingness to pay for prime locations.

Funding status

Financing costs have increased considerably and international capital that dominated the logistics segment last year, with a share of 45 percent, has a limited presence of approximately 15 percent this year.

Sustainability

With energy prices skyrocketing over the past year, many companies are seeking solutions to reduce energy demand. Rooftop solar systems are expected to boom in the coming years with Norway's 10 largest solar cell systems all installed on industrial and logistics properties outside Oslo and Bergen.

Outlook for 2022

In the near term, e-commerce growth is expected to normalise as consumption of services picks up in the wake of the COVID-19 pandemic. Thus, we believe rents will stabilise in the short-term after a period of strong growth. The outlook remains favourable further ahead when consumer goods and e-commerce sales find their way back to their rising, long-term trend.

4.25%

Prime yield up 25 bps in Q3 2022

9.1

NOKbn
Investment volume H1 2022

"Supply chain resilience remains top of mind for many tenants, resulting in increased warehouse demand."

Erik Mikael Johnsen
Analyst Department: Research and Valuation, Akershus Eiendom

Logistics Denmark

4.00%

Prime yield down from 4.50% 12 months ago

1.3%

Lowest nationwide vacancy rate ever recorded

"Demand continues to exceed supply."

Thor Heltborg
Partner, Director

Heightened e-commerce levels have driven the demand for logistics and warehouse properties over the past two years. Increasingly, the fragility of supply chains and the 'just-in-time' optimisation have become exposed, leading market players to increasingly adopt a 'just-in-case' manufacturing system.

Investment market

Logistics and warehouse properties have seen an increase in their share of total transaction volume and that trend is expected to continue in 2022. At 4 percent, prime yield remains attractive in a Nordic and European context.

Tenant market

Tenant demand remains strong and much higher than supply. This has resulted in record-low vacancy levels at 1.3 percent. Many firms are unable to acquire or let properties that fulfil all their demands and are thus relegated to sub-optimal solutions. Additionally, supply in several old stock industrial areas is decreasing, as residential development is taking over.

Funding status

Funding for the warehouse and logistics segment has traditionally been very difficult in Denmark. Despite the rise in transaction volume and investor interest, it remains the most difficult segment to attain funding for.

Sustainability

Sustainability is becoming more than just a buzzword, as rising energy costs have increased the importance of energy efficient buildings.

Outlook for 2022

The outlook for logistics and warehouse properties in Denmark remains very positive, characterised by strong, unabated demand and low supply. Transaction volume can be expected to exceed or be close to last year's record volumes.

Residential Nordic

The Nordic residential market remains strong, based on reported transactions, but it has become mixed with regards to investment sentiment. A regulated rental market in Sweden and changes in the regulatory environment, regarding presumptions-based new build rents, have put negative pressure on the sentiment related to Sweden. A sharp increase in funding costs and less availability to funding add further pressure on yield requirements. Activities to reduce costs and improve rental growth on specific properties/ portfolios will attract interest and add value across the Nordics.

14 €bn

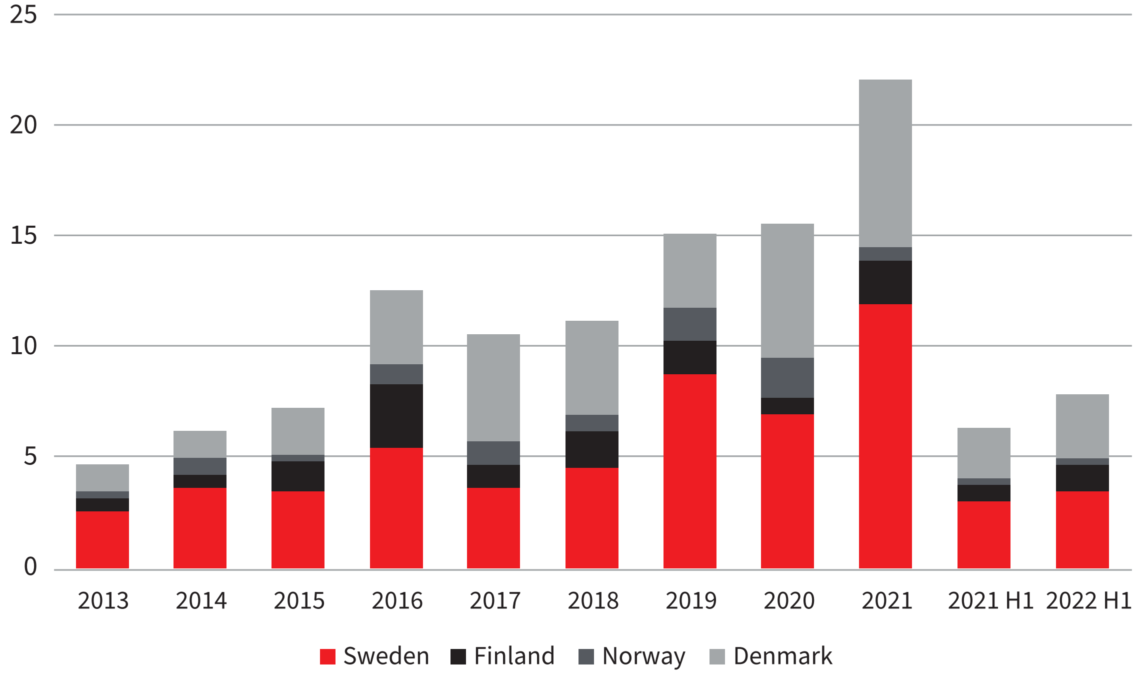
Investment volume for the Residential segment in the Nordics in the past 12 months

International investors have grown in importance during the last few years, primarily focusing on the new-build sector, which offers certified buildings with lower operational costs and maintenance. We expect flight to safety factors to support the sector in the medium term and have also started to see a broader interest from Stockholm to the regional growth cities across the country. Listed Nordic residential companies today trade at an average discount-to-NAV of close to 20 percent, which implies a discount-to-assets of approximately 10 percent and stands in sharp contrast to the premium-to-NAV of 37 percent which was highlighted in our spring report six month ago. The multiple contraction among listed companies reflects a sharp shift in sentiment, although still trading at a lower discount than for all of the companies. Performance, however, has changed and trades among the weakest sub sector so far in 2022, after being one of the strongest segments in 2021 and in 2020. The outlook for the sector has changed to mixed. Rising funding costs imply a negative bias to yield requirements across the Nordic countries, although risks for vacancies and stable cash flow underpin sector sentiment in the medium term, especially considering a softer outlook for the Nordic economies adding relative strength compared with cyclical segments.

+24%

Investment volume for the Residential segment in the Nordics H1 2022 vs H1 2021

Investment Volume Nordic residential properties (€ billions)



Source: Akershus Eiendom, EDC and JLL

Residential Sweden

The residential market is under pressure owing to rising funding costs and increased construction prices. Furthermore, recent court cases regarding development of rents for new builds (i.e. presumption rents) are adding further uncertainty to the market. The investor market is still strong in terms of many investors being keen on placing capital within sector, however changed financing conditions will likely imply higher yields and short-term pressure on investment volumes.

Investment market
The residential investment market was up 18 percent in H1 2022 compared to H1 2021. The Swedish transaction market recorded the second highest investment volume in Europe in 2021 and although the first half remains firm, the outlook for the remainder of the year is more uncertain, owing to higher return requirements among buyers in the market to compensate for higher funding costs.

Tenant market
Falling supply rates will continue to support pent-up demand. The market is regulated and hence will not receive the same level of inflation protection as other commercial segments in the years to come.

Funding status
Banks continue to be willing to finance residential property assets, albeit with higher spreads and reduced LTV levels. The combination of higher nominal interest rates and rising spreads act negatively on interest coverage ratios and debt yield parameters, which have accelerated in the second quarter.

Sustainability
ESG factors have clearly grown in significance and are today very important to both domestic and international investors. The new EU taxonomy for sustainable activities, with higher demand on reporting, is likely to lead market players to an even more ambitious sustainability path.

Outlook for 2022
We have seen a clear shift in investor sentiment towards the end of the second quarter, owing to a sharp increase in funding costs and a relatively soft rental growth outlook. The low-risk characteristics will likely improve relative sentiment when rates stabilise and/or the economy softens, while the short-term outlook for 2022 has turned cautious.

2nd

2nd investment volume of all Europe 2021

~3.50%

Prime yield for new build multifamily buildings in Stockholm

"Higher funding and construction costs are putting pressure on investors' and developers' feasibility models."

Filip Sköldefors
Senior Director
Capital Markets
Sweden

Residential Finland

3.10%

Helsinki prime yield, expected to face upwards pressure in the future due to increased financing costs

1.1 bn€

The most traded segment in H1 2022 with a share of 27% of total investment volume

"Residential was the top segment in the first half of 2022, despite macroeconomic uncertainties."

Tero Uusitalo
Head of Capital Markets

Residential remains one of the top segments in the real estate investment market, which has been impacted by changes in macroeconomics, especially by volatility in financing costs and high inflation during the second quarter 2022.

Investment market
The residential market has remained active and foreign investors have increased their presence in the Finnish market in the first half of 2022 despite the macroeconomic uncertainties. Economic turbulence has put pressure on residential yields, which were at a record low in early 2022. The changes in financing costs were rapid during the second quarter, impacting the ongoing sales processes.

Tenant market
The supply of rental apartments has been higher than the pre-COVID-19 levels in certain cities' submarkets. Nevertheless, recovery from the pandemic is progressing as students have been returning to their respective university cities. Long-term demand for rental apartments in the growth centres is supported by their growing population.

Funding status
Overall, financing for residential assets and portfolios in growth centres widely available, however, lenders have decreased their maximum LTV levels and some lenders are more selective. The highest volatility in financing costs seems to be stabilising and hence lowering risks for all parties.

Sustainability
The significance of sustainable solutions is increasing continuously and is driven by investors, shareholders, and occupiers. New development is especially driven by sustainable aspects, which are a prerequisite for certain investors.

Outlook for 2022
Investor demand for residential is expected to remain at a stable level, with financing costs and the overall impact of inflation affecting pricing in H2. Yet, investors have a significant amount of dry powder to deploy.

Residential Norway

The strong transaction market for residential property experienced during 2021 has continued in 2022. However, the transaction volume for residential land plots remains lower than what we have seen historically. Prices for new homes have increased by 4.4 percent since August 2022.

Investment market

Despite increasing interest rates, investor demand for residential property remains strong. Transaction volume in the private rented sector is currently on track to reaching the record-high volume we observed in 2021. The transaction volume for residential land plots remains low and the volume we have seen so far in 2022 is one of the lowest we have seen in recent years, with multiple interesting opportunities entering the market. This is mostly due to few large land plots being available in the market.

Tenant market

The Norwegian private rented sector continues to be a small part of the total housing market, as close to 80 percent of Norwegian households own their own homes. The share of the population renting is larger in the biggest cities. Recent interest hikes and further increases going forward might lead to more people wanting or having to rent their homes. Rental prices in the biggest cities have increased by more than 5 percent so far in 2022.

Sustainability

There is a focus on constructing new homes in a sustainable and environmentally friendly manner, and with even better energy efficiency, especially due to the current high energy prices. However, such measures are often costly and contribute to higher residential prices.

Outlook for 2022

We believe that the investor demand for residential property, both in the private rented sector and for development property, will remain strong going forward. Due to increasing interest rates, we believe that the demand from end customers might slow down somewhat during the second half of 2022 while, as a result, tenant demand might increase, putting even more pressure on rent levels.

6.9%

Increase in residential prices in Oslo (y-o-y) since August

9.8%

Residential properties share of transaction volume since August 2022

"Increasing interest rates might slow demand from end users."

Kari Due-Andresen
Chief Economist/
Head of Research,
Akershus Eiendom

Residential Denmark

3.00%

Prime yield for new residential properties in Copenhagen

8,719

persons
Population growth in Copenhagen Municipality July 1, 2021–July 1, 2022

"Investor demand for residential property is expected to remain strong in the coming months."

Michael Thodsen
Partner, Licensed Real Estate Agent, MRICS,
Chartered surveyor

The residential market continues to remain the most popular investor segment in Denmark, as demand remains high from investors and tenants alike.

Investment market

The residential investment market reached a record high transaction volume last year, and the first half of 2022 has exceeded the 2021 transaction volume for the same period, as investors see the segment as a safe haven from inflation, among other things.

Tenant market

Demand remains high for a variety of factors and is not expected to abate anytime soon. Demographic fundamentals cause growth in urban centres. An increasing share of households are choosing to rent instead of owning. Finally, the hybrid working model has become more prevalent, increasing demand.

Funding status

Funding has become more difficult: Not only have rates risen in the past months, but the loan-to-value ratio (LTV) has also decreased. Where LTV may have been 60 percent a year ago for a given investor and property, LTV is likely to be 50 percent now.

Sustainability

Sustainability and particularly energy consumption has a greater focus from investors, tenants and regulatory bodies. The Danish government has announced a major plan to replace gas heating in approximately 400,000 households in Denmark, which are currently heated using natural gas. Up to 30-50 percent of those homes are most suitable for conversion to district heating and will be switched over on a continual basis until 2028 under the plan.

Outlook for 2022

If the transaction volume trajectory continues, we will yet again see record transaction volumes in the residential sector. Niche residential products such as senior housing, student housing, co-op living, and others are expected to become more prevalent.

One JLL

Services in Sweden

JLL is a world leader in real estate services, powered by an entrepreneurial spirit. We are in business to create and deliver value for our clients in a complex and constantly changing world.

JLL is a leading professional services firm that specialises in real estate and investment management. Our vision is to reimagine the world of real estate, creating rewarding opportunities and amazing spaces where people can achieve their ambitions. In doing so, we will build a better tomorrow for our clients, our people and our communities. JLL is a Fortune 500 company with operations in over 80 countries and a global workforce of nearly 92,000 employees. JLL is the brand name, and a registered trademark, of Jones Lang LaSalle Incorporated.

For further information, visit *www.jll.com* or *www.jllsweden.se*.

Linus Ericsson, CEO JLL Sweden
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Capital Markets

Through proactive and inventive advice, our Capital Markets team creates value and makes transactions happen in the Nordic real estate market. We have an experienced transaction team, all of whom are passionate about real estate. Our edge is a unique combination of competence within transaction advisory services, corporate finance and financing through our Capital Markets team, together with the Debt & Financial Advisory team. Capital Markets has a broad knowledge base with strong local representation and a global network to help you succeed with your transactions, regardless if it is local transactions, cross border transactions, mergers & acquisitions or equity raising.

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Debt & Financial Advisory

JLL Debt & Financial Advisory offers leading-edge financial advice with a primary goal to help clients find the best available financial solution for their investments and to manage their debt portfolios efficiently. JLL Debt & Financial Advisory is authorised by the Swedish Financial Supervisory Authority to trade in securities, which allows us to provide a full range of financial advice on conventional bank loans, mezzanine financing, derivatives as well as raising funds from financial markets in the form of certificates or bonds. After the acquisition of HFF, JLL is the leading debt advisor globally.

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Agency

At Agency we offer leasing and development advisory to property owners, and strategic advisory and tenant representation to corporates. JLL Leasing helps property owners find the right tenants for vacant premises and helps them make the right investments for commercially viable leasing terms. With our specialist expertise in the office, warehousing & logistics, and retail segments, we provide accurate, detailed knowledge upon which to base strategic decisions. JLL Tenant Representation helps corporates with their strategic real estate issues during establishment or relocation. We provide advisory during the process of finding premises that best support specific business operations through an inspiring occupational environment at an efficient rental cost. Our strength lies in our extensive market knowledge due to our local and global presence, which unlocks added value for our clients.

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Valuation & Strategic Analysis

Knowledge of a real estate's market value is a prerequisite for a successful property transaction—whether an investor is buying or selling. JLL Valuation & Strategic Analysis provides essential input during property transactions, for mortgages and financial statements, or when reporting to the MSCI Global Property Index. Our valuation team is certified in accordance with both national and international standards. We appraise all types of commercial real estate, from office and industrial/logistics facilities to retail premises and apartment buildings.

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Research

JLL Research produces accurate, relevant analysis that underpins strategic decisions and contributes to successful property transactions. We monitor and measure current market trends and collect data on, for example, vacancy rates, take-up volumes and rental levels. For the past 20 years, we have compiled unique data sets. No matter what the property type—logistics facility, office space or retail premises—you can be sure that we will add knowledge and depth to your decision-making.

Niclas Höglund, Head of Research
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Project & Development Services (P&DS)

JLL P&DS offers strategic advisory and project management services during office changes or property development. Our goal is to ensure that projects are profitable for our clients and that they are implemented efficiently. Our experienced project managers possess broad knowledge of the processes involved in construction, technology (IT, security and AV), architecture/ interiors and change management. Guiding organisations through the process of either developing their property or implementing changes in their office (relocation or refurbishment) is an integral part of our core business.

Maximilian Keysberg, Head of Project & Development Services
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Services in Finland

JLL Finland offers Capital Markets, Debt and Financial Advisory, Valuations, Strategic Consulting, Leasing, Tenant Representation, Asset Management and Development & Design Services to domestic clients and international investors in, and occupiers of, real estate in Finland. Our extensive global platform and in-depth knowledge of local real estate markets enable us to serve as a single-source provider of solutions for the full spectrum of our clients' real estate needs.

Capital Markets

Our Capital Markets team is the market leader in property transaction advice, delivering tailored solutions and providing strategic advice to clients looking to acquire or sell properties or portfolios. We advise our clients in both sell and buy side transactions across all property sectors, combining first-hand knowledge and comprehensive market data with rigorous analysis to maximise value and deliver results.

Tero Uusitalo, Head of Capital Markets Finland
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Valuation & Strategic Consulting

Our expertise encompasses valuation of single assets and portfolios to complex development schemes and ranges from shopping centres to residential properties. Valuations are carried out in accordance with International Valuation Standards (IVS), RICS Valuation Standards and local AKA/KHK guidance. Our strategic consulting services include data-driven advice on high-level investment strategies, portfolio planning, market entry strategies, asset-level business plans and commercial due diligence. For occupiers, we provide network, location, and real estate strategies.

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Debt and Financial Advisory

Our debt team is dedicated to helping clients to find the best possible financing, regardless of that being a senior term loan, a construction facility, mezzanine financing, a bond or a commercial paper program. The service encompasses procuring financing for acquisitions and developments, arranging and negotiating the terms of refinancing, assessing and optimising the portfolio capital structures as well as developing or updating financial risk management and hedging strategies. JLL is the leading real estate debt advisor in Europe, which enables us to reach to broad European debt markets and financing sources.

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Leasing

Our Leasing team is the number one leasing agent in the Helsinki Metropolitan Area and is best known for offering tailored leasing solutions for landlords and investors to maximise the profitability of their investment. We specialise in office, logistics and retail properties with services ranging from traditional leasing to facelifts, property development and property branding.

Klaus Koponen, Head of Markets
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Tenant Representation

Our Tenant Representation team provides corporates and public institutions with strategy, services and technology that enhance the performance of their workplaces, real estate, and people. Our mission is to create and shape the future of workplace and real estate for our clients. We advise our clients in all aspects of their workplace and real estate matters to secure optimal functional and financial outcome. Due to our Global reach, we can provide these advisory services to clients that have international real estate portfolios.

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Development & Design

Our Development & Design services consists of three service lines: Property Development Services, Project Management & Design Services and Workplace & Design services. With our three service lines, we help property owners in creating and executing a new revolutionary step for their properties. We design and execute minor and major renovation projects, help our customers analyse their current work environments and create a new work environment best suited to the user's future business needs.

Tomi Tiainen, Head of Development & Design
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Asset Management

Our Asset Management service is aimed at both domestic and foreign real estate investors. We provide a holistic and result oriented approach to asset management. As part of the service, we create portfolio and property-specific strategies for leasing and property development, identifying the potential for profit and value creation. The portfolio's strategy is achieved by leading e.g., leasing, key customers, Property Management service providers and ESG development professionally.

Julia Aarni, Head of Asset Management
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Services in Denmark

EDC Poul Erik Bech

EDC Poul Erik Bech was founded in 1978 and currently has 140 employees located across Denmark in 19 commercial business centres. Hard work, ethics and a solid business sense are the three pillars on which the company was founded in 1978. EDC Poul Erik Bech is primarily owned by the Poul Erik Bech Foundation, which supports non-profit organisations where volunteer enthusiasts make a difference for children.

EDC International Poul Erik Bech

EDC International Poul Erik Bech is the one point of entry for international clients, which ensures efficient communication and services tailored to your business. EDC International Poul Erik Bech will ensure that the best team is assembled for the job, whether these are local estate agents or external business partners.

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Services

- Capital markets
- Buyside advisory
- Due diligence
- Corporate solutions
- Letting and tenant representation
- Project development
- Valuation
- Research
- Property management

Services in Norway

About Akershus Eiendom:

Akershus Eiendom was established in 1992, offering services within transactions and leasing advisory of Norwegian commercial real estate.

The company has taken part in many of the largest transactions in the Norwegian commercial real estate market. In 1997, the company established a separate leasing department in order to focus further on the Oslo office leasing market, and in 2001 the department for research and valuation was added to the organisation. In 2015, the tenant representation department was started.

In 2001, Akershus Eiendom entered into a cooperation agreement with JLL, one of the world's leading commercial real estate agents. The cooperation has led to considerable synergies between the companies both in tenant representation, research and large transactions advisory.

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Services

- Capital markets
- Buy- and sell-side advisory
- Due diligence
- Leasing
- Tenant representation
- Project development
- Valuation
- Research

Property Data Definitions

Prime Office Rent

Represents the top open-market rent that could be expected for a notional office unit of the highest quality and specification in the best location in a market, as at the survey date (normally at the end of each quarter period). The rent quoted normally reflects prime units of over 500 square metres of lettable floor space, which excludes rents that represent a premium level paid for a small quantity of space. The Prime Rent reflects an occupational lease that is standard for the local market. It is a fair rent that does not reflect the financial impact of tenant incentives, and excludes service charges and local taxes. It represents JLL's market view and is based on an analysis/review of actual transactions for prime office space, excluding any unrepresentative deals.

Prime Yield

Represents the best (i.e. lowest) 'rack-rented' yield estimated to be achievable for a notional office property of the highest quality and specification in the best location in a market, as at the survey date (normally at the end of each quarter period). The property should be let at the prevailing market rent to a first class tenant with an occupational lease that is standard for the local market. The prime initial net yield is quoted, i.e., the initial net income at the date of purchase, expressed as a percentage of the total purchase price, which includes acquisition costs and transfer taxes. The Prime Yield represents Jones Lang LaSalle's 'market view', based on a combination of market evidence, where available, and a survey of expert opinion.

Vacancy

Vacancy represents completed floor space offered on the open market for leasing, vacant for immediate occupation on the survey date (normally at the end of each quarter period), within a market. It includes all vacant accommodation inclusive sub-letting space irrespective of the quality of office space, or the terms on which it is offered. Vacancy excludes 'obsolete' or 'mothballed' office property, i.e. floor space held vacant and not being offered for letting, usually pending redevelopment or major refurbishment.

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