The Retail Market in Sweden
Total European retail investment volumes 2012 vs. annual average 2008-2012 (€ millions)
Source: Jones Lang LaSalle

Average 2008 - 2012

2012

UNITED KINGDOM

FRANCE

GERMANY

NETHERLANDS

BELGIUM

SWITZERLAND

AUSTRIA

CROATIA

ITALY

SPAIN

IRELAND

DENMARK

SWEDEN

UKRAINE

ROMANIA

BULGARIA

GREECE

ESTONIA

FINLAND

RUSSIA

LITHUANIA

SWEDEN

POLAND

TURKEY

UNITED KINGDOM

FRANCE

GERMANY

NETHERLANDS

BELGIUM

SWITZERLAND

AUSTRIA

CROATIA

ITALY

SPAIN

IRELAND

DENMARK

SWEDEN

UKRAINE

ROMANIA

BULGARIA

GREECE

ESTONIA

FINLAND

RUSSIA

LITHUANIA

SWEDEN

POLAND

TURKEY

UNITED KINGDOM

FRANCE

GERMANY

NETHERLANDS

BELGIUM

SWITZERLAND

AUSTRIA

CROATIA

ITALY

SPAIN

IRELAND

DENMARK

SWEDEN

UKRAINE

ROMANIA

BULGARIA

GREECE

ESTONIA

FINLAND

RUSSIA

LITHUANIA

SWEDEN

POLAND

TURKEY

UNITED KINGDOM

FRANCE

GERMANY

NETHERLANDS

BELGIUM

SWITZERLAND

AUSTRIA

CROATIA

ITALY

SPAIN

IRELAND

DENMARK

SWEDEN

UKRAINE

ROMANIA

BULGARIA

GREECE

ESTONIA

FINLAND

RUSSIA

LITHUANIA

SWEDEN

POLAND

TURKEY

UNITED KINGDOM

FRANCE

GERMANY

NETHERLANDS

BELGIUM

SWITZERLAND

AUSTRIA

CROATIA

ITALY

SPAIN

IRELAND

DENMARK

SWEDEN

UKRAINE

ROMANIA

BULGARIA

GREECE

ESTONIA

FINLAND

RUSSIA

LITHUANIA

SWEDEN

POLAND

TURKEY

UNITED KINGDOM

FRANCE

GERMANY

NETHERLANDS

BELGIUM

SWITZERLAND

AUSTRIA

CROATIA

ITALY

SPAIN

IRELAND

DENMARK

SWEDEN

UKRAINE

ROMANIA

BULGARIA

GREECE

ESTONIA

FINLAND

RUSSIA

LITHUANIA

SWEDEN

POLAND

TURKEY

UNITED KINGDOM

FRANCE

GERMANY

NETHERLANDS

BELGIUM

SWITZERLAND

AUSTRIA

CROATIA

ITALY

SPAIN

IRELAND

DENMARK

SWEDEN

UKRAINE

ROMANIA

BULGARIA

GREECE

ESTONIA

FINLAND

RUSSIA

LITHUANIA

SWEDEN

POLAND

TURKEY

UNITED KINGDOM

FRANCE

GERMANY

NETHERLANDS

BELGIUM

SWITZERLAND

AUSTRIA

CROATIA

ITALY

SPAIN

IRELAND

DENMARK

SWEDEN

UKRAINE

ROMANIA

BULGARIA

GREECE

ESTONIA

FINLAND

RUSSIA

LITHUANIA

SWEDEN

POLAND

TURKEY

UNITED KINGDOM

FRANCE

GERMANY

NETHERLANDS

BELGIUM

SWITZERLAND

AUSTRIA

CROATIA

ITALY

SPAIN

IRELAND

DENMARK

SWEDEN

UKRAINE

ROMANIA

BULGARIA

GREECE

ESTONIA

FINLAND

RUSSIA

LITHUANIA

SWEDEN

POLAND

TURKEY

UNITED KINGDOM

FRANCE

GERMANY

NETHERLANDS

BELGIUM

SWITZERLAND

AUSTRIA

CROATIA

ITALY

SPAIN

IRELAND

DENMARK

SWEDEN

UKRAINE

ROMANIA

BULGARIA

GREECE

ESTONIA

FINLAND

RUSSIA

LITHUANIA

SWEDEN

POLAND

TURKEY
In recent years, it has not only been Sweden’s economic growth which has surpassed most other countries in Europe – this has also been the case with retail sales growth. Latest forecasts for Sweden suggest retail sales growth of 2.6% per annum for the period 2014 to 2017, compared with 1.3% per annum in the same period for Western Europe (Source: Oxford Economics). Healthy economic growth and consumer spending have encouraged new, international retailers to establish in the market including Apple, Sephora and Hamley’s all of whom entered the Swedish market in 2012.

As with most markets Sweden has seen a ‘flight to quality’ by many retailers for new retail space in recent years. This has been in response to both a tougher economic climate and the rise in internet shopping putting pressure on retailer’s physical retail space. As a result prime units have shown higher rental growth than secondary stock and we expect this trend to continue.

While the majority of shopping centre developments which have recently opened or will do so in the near future are extensions or refurbishments of existing stock, there are two very significant new shopping centres which deserve special mention. Firstly, Steen & Ström’s Emporia shopping centre on the outskirts of Malmö which opened in October 2012. Emporia has 200 shops, restaurants and cafés and is one of the largest shopping centres in Sweden at 93,000 sq m. In the autumn of 2015, Unibail-Rodamco will open its 100,000 sq m Mall of Scandinavia in the Solna area in the north of Stockholm. With 250 shops and restaurants as well as a 15 screen cinema, it will be Sweden’s largest shopping centre.

Sweden’s relatively strong economy and transparent property market have made the country attractive for international retail property investors with around 80% of transactions in the second half of 2012 being cross-border. Sweden has proven to be an extremely liquid retail investment market, regularly finding itself in the top 5 most traded markets. In 2012 it was ranked 3rd in Europe after the UK and Germany – particularly impressive considering that Sweden’s population is just 9.6 million. Yields for prime retail property investment product have remained relatively stable over the last year or so and our forecasts suggest that this will remain the case in the short to medium term.

To summarise, Sweden’s economic and retail sales growth rates have well exceeded the European average for many years and this trend shows no sign of abating any time soon.
European macro-economic backdrop

European instability results in subdued 2012 performance, whilst 2013 offers better prospects, with a glimmer of hope ahead as the Eurozone show signs of stabilising.

Some progress to stabilise the Eurozone was achieved during 2012, but the process has been slow and erratic. The risk of a Eurozone break-up lingered through 2012, which negatively affected business and consumer confidence, investment decisions and transaction timetables across Europe. The situation in Southern Europe remains finely balanced and presents major potential downside risk for the whole of the European economy.

**Economic Polarisation: An on-going theme**

Economic conditions across Europe continue to be extremely diverse which in turn resulted in the deepening polarisation of the European retail investment market. Across the European Union, GDP growth for 2012 was -0.3% (Source: Oxford Economics). The Eurozone, however, saw a larger contraction in GDP of around -0.5%.

Those countries outside the Eurozone continue to outperform their counterparts, either marginally, as with the UK, or significantly in the case of Sweden, Norway and Poland, which are all to be found towards the top of the 2012 GDP growth chart. The growth economies of Turkey and Russia slowed as expected, but robust domestic demand maintained growth of around 2.6% and 3.3% respectively for 2012.

Multi-speed retail sales growth

Across the European Union and the Eurozone, retail spending is estimated to have fallen by 0.5% and 1.1% respectively in 2012, as household purchasing power continues to decline.

As with GDP growth, there is huge disparity at a disaggregated level, with retail sales forecasts for 2012 ranging from -12.3% in Greece to +6.8% in Russia. Perhaps surprisingly, sales have slowed recently in two of the strongest retail markets in Europe, with only 1.1% growth in Turkey, and a 0.5% decline in Poland in 2012 (following flat growth in 2011). The slowdown is however, forecast to be temporary in both markets.

2013: A year of muted growth

The European Union is forecast to show marginal positive GDP growth of around 0.1%, driven by economic performance in non-Eurozone countries, whilst the Eurozone is forecast to have a second consecutive year of contraction in 2013 at -0.2%. The differential is partly due to a relatively robust recovery forecast for the UK, driven by a gradual improvement in consumer demand, as real incomes benefit from higher employment and lower inflation.

The macro picture remains fragile and polarised across Europe, and we expect economic conditions to remain challenging in most markets. However, as we will go on to explore, at a micro level, there are hotspots which retailers and investors are recognising and exploring across Europe and Sweden is most certainly one of them.
Sweden – the good news continues…

Historically low interest rates have been stimulating business investment and a strong public purse has enabled the Swedish government to avoid extensive economic austerity measures...

Sweden sits at the heart of the Nordic region as well as being close to Germany, Poland and the Baltic countries. With a growing population of 9.6 million, Sweden is the largest of the Nordic countries. The majority of the population live in the mid and southern parts of the country where the country’s largest cities, Stockholm, Gothenburg and Malmö are situated. Urbanisation is occurring in Sweden, with population growth rates generally highest in the country’s larger urban areas and low or negative in rural areas.

Despite the relatively small population, Sweden is home to many internationally recognised companies such as IKEA, Ericsson, ABB, AstraZeneca, H&M and Skanska. The country benefits from a highly educated and skilled workforce and the number of technology and innovation based companies continues to grow. Sweden has one of the most internationalised economies in the world and is substantially export-oriented with exports accounting for 49% of total GDP. More than 22% of exports are within the Nordic region while close to 50% goes to the rest of Europe. Germany and Norway are the main trading partners representing 18% and 8% of total exports respectively. Sweden is part of the European Union but maintains its own currency.

**GDP growth**

GDP growth in Sweden has been strong during recent years totalling 6.3% in 2010 and 3.9% in 2011. During 2012, GDP grew at a more stable level than that experienced during the years following the financial crisis amounting to 0.8% (Source: SCB). The largest contributors to GDP growth during 2012 were household consumption (2.9%) and gross fixed capital formation (2.5%). Looking forward, GDP is expected to grow by 0.9% in 2013 and the forecast for 2014-2017 is 2.4%, exceeding the European average.

Main drivers for this impressive growth includes increasing exports, household consumption and business investment, which have all been assisted by relatively low interest rates and the government’s expansive economic policies. These have been financed by a strong public purse which has enabled the Swedish government to avoid implementing extensive economic austerity measures required in many Western Countries.
The Retail Market in Sweden

Retail drivers

Sweden consistently enjoys retail sales growth ahead of European averages and this is forecast to continue driven by population growth, a stable economy and positive consumer confidence.

The labour market

Unemployment in Sweden is increasing, albeit gradually. At the end of 2012 the unemployment rate was 7.7% however by the end of 2013 it is expected to have increased to 8.3% and is expected to remain at this level in 2014. The gradual increase in unemployment during 2013 may slightly subdue retail sales growth. Somewhat weaker demand for Swedish exports due to the weak economy of many of Sweden’s trading countries as well as the increasing strength of the Swedish Krona implying more expensive exports have had an impact on employment in the Swedish industrial sector in particular.

Politics

Sweden enjoys a politically stable climate. The majority of the 20th century was dominated by the Social Democratic party, however in 2006 there was a change in government from Social Democratic rule to the Conservatives. In the last general election in 2010 the Conservative government was re-elected.

Interest rates

Following the recession of 2008 and 2009, the Riksbank (Swedish Central Bank) cut the policy interest rate significantly to 0.25% in July 2009. Since September 2010, as the economy improved, the policy interest rate was gradually increased reaching 2.0% in 2011. Because of the weak development in the rest of Europe and to ensure continued growth and a target inflation rate of 2.0%, the Swedish Central Bank has gradually lowered the policy interest rate, reaching 1% in December 2012. This level was unchanged at the latest decision in February 2013. The interest rate is expected to remain at this level during 2013 and increase slightly to 1.2% in the beginning of 2014 (Source: Swedish National Bank, March 2013).

Swedish Government Bond 10 year yields

The Swedish Government 10 year bond yield in Quarter 4 2012 was 1.5% which is considered low in an international context. In comparison, the UK Government 10 year bond yield was 1.8%, 1.4% for Germany and 2.1% for France (Source: Oxford Economics). Sweden’s low yield reflects the market’s strong confidence for the country’s economic health.

Inflation

The change in inflation during the last 12 months to February 2012 was -0.2%. The main contributing factor to this negative inflation was lower interest costs for owner occupied housing (-12,4%), contributing a 0.7 percentage unit decline. Lower electrical costs (-5.8%) contributed a -0.3 percentage unit. Opposing factors to the decline included higher prices for groceries (2.2%) and higher prices for clothing and shoes (2.9%) representing an increase by 0.3 and 0.2 percentage units respectively (Source: SCB, March 2013).

Population growth

Sweden’s population totals nearly 9.6 million. During the past twenty years Sweden has witnessed stable population growth with the 6th highest population growth of the EU 27 averaging 0.5% per annum. This compares with the EU average of 0.3% per annum over the same period. The last 5 years have witnessed an even higher average annual growth rate for Sweden of 0.8%. This increase is being driven by immigration along with higher birth rates and lower mortality.

The global trend of urbanisation is also occurring in Sweden and the highest population growth was concentrated around the larger cities (primarily Stockholm, Gothenburg and Malmö) and university towns. Sweden’s age structure development is similar to many European countries, forecasting a trend of the age group 0-40 gradually constituting a lower proportion of the whole population.

Disposable income and private consumption

Sweden has consistently benefitted from growing disposable incomes, even during the recession years of 2008 and 2009 due to lower taxes, lower loan costs and decreasing inflation. The disposable income growth rate increased by 2.5% in 2012 while private consumption grew by 1.5%, with the forecast for 2013 being 2.1% and 2.0% respectively. It remains to be seen whether the continued volatility in the world economy will force a downward revision of these forecasts but even if this is the case, it is likely that the figures for Sweden will compare favourably to many other European countries, given the country’s current stronger economic fundamentals.

Consumer confidence

Swedish consumer confidence declined during 2012, however recent months have seen a positive development – a pattern similar to that seen in Europe. Reasons for this increase include the actions of the ECB and European politicians which have reduced the risk for a new financial crisis in the short to medium term. Sweden’s current consumer confidence and the historical average are shown in a European context in the graph overleaf.
Retail sales in Sweden

Retail sales in Sweden are forecast to outperform most other European countries, which will continue the trend witnessed for many years.

During 2012, retail sales increased by 2.1% in nominal prices, of which daily goods increased by 3.3% and non-daily goods increased by 1.1%. In 2013 it is forecast that total retail sales in nominal terms will grow by 2.1% of which non-daily goods will increase by 1.5% and daily goods will increase by 3.0% (Source: SCB). A modest economic recovery in Europe over the next few years is likely to have a positive effect on Swedish retail sales, although the weak pace of the economic growth forecast is unlikely to translate into a spectacular performance, albeit the growth of the e-commerce component of total retail sales will outperform the average growth rate considerably. In 2012, e-commerce within retail grew by 14% and we expect 2013 to show a similar rate of growth.

Looking forward, Swedish retail sales are forecast to increase by 2.6% during the period 2014-2017 compared to 2.5% for the European Union (Source: Oxford Economics, March 2013). During the initial months of this year, the confidence of Swedish households and businesses has improved and retail sales experienced a strong increase. This is an indication that the economy is approaching an upturn after an autumn period with somewhat lower activity.
Retailer trends - micro decisions required

International retailer expansion continues, although for the “right space” in the “right place”. Focus is on the underlying micro, rather than macro-economic context, a trend that is mirrored by investors.

Jones Lang LaSalle’s recent report, Destination Europe 2013, explored the presence and expansion of international retailers in the key European city markets. The report highlighted that:

- London is the most attractive location for international retailers, based on the presence of the top 250 international retailers in the key European retail markets. Major European cities are first ports of call for international retailers, and London, which is a particularly retail friendly market, is often the springboard into Europe.

- Other European cities successfully attracting international retailers include the core established retail markets of Paris, Milan, Madrid, Rome and Munich. This further highlights the micro over macro argument, as four of the markets in the top 10 of our index are located in countries with challenging macro-economic outlooks. These are local markets where the fundamentals are so strong (large, wealthy, growing populations, with a good stock of modern retail space), that they defy economic prospects at a national level.

- A pick-up in retailer expansion has also been observed recently in regional German cities and the Benelux countries. After entering core major markets, retailers are selectively expanding into strong regional cities, then into growth markets. Borders are becoming less of a barrier, and retailers are capitalising on new growth opportunities. Retail investment broadly mirrors this trend.

- The markets of Moscow, St Petersburg, Istanbul, Prague, Warsaw and Kiev are burgeoning retailer growth markets. With a patchy and subdued growth outlook for some Western and Southern European markets, Eastern Europe provides some attractive expansion opportunities for retailers with established and successful retail businesses. Retail sales in Istanbul, for instance, are forecast to grow by 45% between now and 2020.

Looking ahead, the trend towards increased penetration of international brands across Europe will accelerate over the coming years, as expansion strategies for many retailers focus on top tier cities and dominant shopping centres. Retailers with a strong and translatable proposition should explore international expansion, whilst appreciating and mitigating the risks. But it’s not just about expansion.

Whilst the retail industry is globalising at a fast pace and expansion at is at the forefront of the agenda, retailers are also under growing pressure to improve profitability and margins, which often means rationalising portfolios and sifting out non-performing stores. Whilst this will undoubtedly involve some retailers exiting countries, more often, decisions will be more micro in nature, either at a city level, or more granular still. Centres with weaker fundamentals, poor growth prospects and management will be exited regardless of macro-economic prospects.

The Scandinavian markets remain relatively untapped from an international retailer perspective despite market opportunity. Stockholm, however ranked above all of the Nordic capitals in our 2012 International Retail Attractiveness Index as retail sales volume is forecast to increase by some 25% for Sweden in the period to 2021 (Source: Oxford Economics).

The retail market is dominated by a relatively small number of large chains. This is especially true for the volume dependent retailers of clothing, furniture and food, where it is common for several different chains to have the same owner. The daily goods market is dominated by the major chains of ICA, Coop and Axfood. Swedish H&M is the second largest global clothing retailer with around 2,600 shops in 40 countries and IKEA, the World’s largest furniture retailer has some 340 stores in 38 countries. The success of IKEA and H&M illustrates that the Swedish retail market is mature and innovative and can compete well in the international market.

The retail market in Sweden is open to foreign operators and is largely unregulated regarding retail establishment. Sweden has traditionally been dominated by domestic brands, however in recent years dynamic new brands have entered the Swedish market with further expansion plans in 2012. These included French cosmetics chain Sephora, Apple which opened its first Swedish unit in Täby Centrum and British toy retailer Hamley’s.

One of the more significant trends noted in 2012 was the changing face of the sport and leisure sector. With the arrival of XXL Sport (Norway) and Decathlon (France) in 2012, this market is becoming more competitive with both of these retailers focusing on low prices with a wide variety of stock. Existing Swedish sports chains have been forced to change their format in an attempt to successfully compete. We expect that the development of the sports and leisure retail sector is likely to follow that seen in the home electronics sector in recent years whereby strong and expansive entrants such as Media Markt created intense competition and meagre profits resulting in retailer casualties including OnOff and Expert.
## Jones Lang LaSalle cross border retailer index 2012

Source: Jones Lang LaSalle

<table>
<thead>
<tr>
<th>City</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>London</td>
<td>1</td>
</tr>
<tr>
<td>Paris</td>
<td>2</td>
</tr>
<tr>
<td>Moscow</td>
<td>3</td>
</tr>
<tr>
<td>Milan</td>
<td>4</td>
</tr>
<tr>
<td>Madrid</td>
<td>5</td>
</tr>
<tr>
<td>Rome</td>
<td>6</td>
</tr>
<tr>
<td>Munich</td>
<td>7</td>
</tr>
<tr>
<td>St Petersburg</td>
<td>8</td>
</tr>
<tr>
<td>Prague</td>
<td>9</td>
</tr>
<tr>
<td>Barcelona</td>
<td>10</td>
</tr>
<tr>
<td>Istanbul</td>
<td>11</td>
</tr>
<tr>
<td>Berlin</td>
<td>12</td>
</tr>
<tr>
<td>Hamburg</td>
<td>13</td>
</tr>
<tr>
<td>Vienna</td>
<td>14</td>
</tr>
<tr>
<td>Amsterdam</td>
<td>14</td>
</tr>
<tr>
<td>Frankfurt</td>
<td>16</td>
</tr>
<tr>
<td>Athens</td>
<td>16</td>
</tr>
<tr>
<td>Antwerp</td>
<td>18</td>
</tr>
<tr>
<td>Warsaw</td>
<td>19</td>
</tr>
<tr>
<td>Lisbon</td>
<td>19</td>
</tr>
<tr>
<td>Düsseldorf</td>
<td>19</td>
</tr>
<tr>
<td>Brussels</td>
<td>22</td>
</tr>
<tr>
<td>Zurich</td>
<td>23</td>
</tr>
<tr>
<td>Kiev</td>
<td>23</td>
</tr>
<tr>
<td>Stockholm</td>
<td>25</td>
</tr>
<tr>
<td>Dublin</td>
<td>26</td>
</tr>
<tr>
<td>Cologne</td>
<td>26</td>
</tr>
<tr>
<td>Valencia</td>
<td>28</td>
</tr>
<tr>
<td>Budapest</td>
<td>29</td>
</tr>
<tr>
<td>Bucharest</td>
<td>30</td>
</tr>
<tr>
<td>Zagreb</td>
<td>31</td>
</tr>
<tr>
<td>Lyon</td>
<td>32</td>
</tr>
<tr>
<td>Copenhagen</td>
<td>32</td>
</tr>
<tr>
<td>Manchester</td>
<td>34</td>
</tr>
<tr>
<td>Bilbao</td>
<td>35</td>
</tr>
<tr>
<td>Marseille</td>
<td>36</td>
</tr>
<tr>
<td>Turin</td>
<td>37</td>
</tr>
<tr>
<td>Seville</td>
<td>37</td>
</tr>
<tr>
<td>Glasgow</td>
<td>37</td>
</tr>
<tr>
<td>Stuttgart</td>
<td>40</td>
</tr>
<tr>
<td>Bordeaux</td>
<td>41</td>
</tr>
<tr>
<td>Lille</td>
<td>42</td>
</tr>
<tr>
<td>Liverpool</td>
<td>43</td>
</tr>
<tr>
<td>Belgrade</td>
<td>44</td>
</tr>
<tr>
<td>Oslo</td>
<td>45</td>
</tr>
<tr>
<td>Birmingham</td>
<td>45</td>
</tr>
<tr>
<td>Ankara</td>
<td>45</td>
</tr>
<tr>
<td>Bratislava</td>
<td>48</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>49</td>
</tr>
<tr>
<td>Leeds</td>
<td>49</td>
</tr>
<tr>
<td>Helsinki</td>
<td>51</td>
</tr>
<tr>
<td>Cardiff</td>
<td>52</td>
</tr>
<tr>
<td>Belfast</td>
<td>53</td>
</tr>
<tr>
<td>Gothenburg</td>
<td>54</td>
</tr>
<tr>
<td>Nottingham</td>
<td>55</td>
</tr>
<tr>
<td>Edinburgh</td>
<td>56</td>
</tr>
<tr>
<td>Malmö</td>
<td>57</td>
</tr>
</tbody>
</table>

(Average representation = 100)
Mall of Scandinavia, Stockholm
100,000 sq m

Under development by Unibail Rodamco
Due for completion in 2015
MOOD, Stockholm
10,000 sq m
Developed by AMF
Completed in 2012

Emporia, Malmö
93,000 sq m
Developed by Steen & Ström
Completed in 2012
Retail supply dynamics

The retail development pipeline was not materially impacted during the financial crisis resulting in a relatively healthy supply of major retail schemes.

The Swedish shopping centre market is one of the most mature and well-developed markets in Europe. Shopping centres have been evident in a similar format to those we see today since the 1950s. Indeed at more than 450 sq m per 1,000 inhabitants the density of shopping centre space is amongst the highest in Europe. This is partly explained by the harsh climate as well as the relatively under developed high street. Nationwide, 32% of retail sales in the non-daily goods market occur in shopping centres, and in Stockholm this figure is closer to 50%.

**Shopping Centre development pipeline**
Retail development is currently relatively high in Sweden with a number of on-going and recently finished retail developments. The financial crisis did not particularly subdue the retail development in the country, resulting in the pipeline for new shopping centre openings / extensions in the coming years being above the annual 5 year average. Steen & Ström’s Emporia shopping centre on the outskirts of Malmö opened in October 2012 and was the largest shopping centre to open last year.
Emporia with its 200 shops, restaurants and cafés, is now one of the largest shopping centres in Sweden with a lettable area of 93,000 sq m of which retail amounts to 68,000 sq m. In Stockholm, AMF opened the 10,000 sq m MOOD-gallerian in the heart of the CBD. Retailers include Ralph Lauren, Alessi, Timberland, G star Raw, Best of Brands and Royal Copenhagen, however the main anchors are high end restaurants and bistros. In 2013, over 100,000 sq m of additional shopping centre space will open in Sweden, with the largest addition being the extension of the Mobilia shopping centre in Malmö.

There are a number of notable shopping centre development schemes underway in the Stockholm region. Unibail-Rodamco is completing a 28,000 sq m extension and refurbishment programme at its flagship Täby Centrum in the city’s northern suburbs. IKANO is developing a 20,000 sq m shopping centre in the Kungens Kurva out of town retail area to the south of the city close to the IKEA store, as well as in Hornstull, Södermalm in Stockholm Inner City, including 11,000 sq m of retail with an emphasis on fashion and lifestyle as well as food and drink.

However it is the development of Mall of Scandinavia to the north of the CBD that will constitute the most significant addition to the Stockholm retail market. This new 100,000 sq m shopping centre being developed by Unibail-Rodamco is due to open in the Autumn of 2015 and will be Sweden’s largest shopping centre. It will include a 15 screen cinema, retailers yet to be established in the Swedish market, luxury brands which today are only to be found in Stockholm CBD’s high end retail streets and an attractive restaurant and leisure offering.

Retail warehouse parks in Sweden
Retail warehouse parks have expanded rapidly over recent years, both on greenfield sites and through the redevelopment of former warehouse / light industrial areas. The largest retail parks are Kungens Kurva and Barkarby in the Stockholm area, both anchored by an IKEA which is common for large retail parks in Sweden. The recently opened IKEA store and adjoining two storey shopping centre built by IKANO in the Erikslund area of Västerås together total 80,000 sq m and is an example of IKANO’s recent strategy of developing a shopping centre connected to an IKEA store.

Other significant retail park schemes in the pipeline for 2013 and 2014 include a further 20,000 sq m at Kungens Kurva, Stockholm, 20,000 sq m at Norra Backa, Borlänge, an extension of 10,000 sq m at Port 73 in south Stockholm and over 20,000 sq m at Solås Centre, Jönköping. The largest addition of retail warehouse accommodation in 2013 and 2014 will be in Torp, Uddevalla with an IKEA store and other retail development amounting to 60,000 sq m of additional space.

Retail property will evolve
In order to retain and develop its value, retail property stock needs to evolve to reflect current lifestyles, socio-economic conditions, multi-channel retailing and increasing competition.

The statistics outlined earlier show that both out of town retail as well as shopping centres will continue to grow in Sweden. In order to survive the increased competition and continue to be successful, shopping centres and retail parks will need to not only attract well known retailers, but will also need to differentiate themselves from the competition by providing a selection of the following: an increased leisure and entertainment offer, a more attractive shopping environment, unique retail tenants, better marketing and improved convenience. In order to be successful, local suburban shopping centres will need to focus on providing a more attractive, personal and time saving environment where the local population are able to efficiently shop, carry out errands and socialise. While every town centre has a unique atmosphere, the success of town centre retail will need to be assisted by more convenient parking and public transport as well as further improvement of the town centre environment to compete with the increasing number of out of town retail and shopping centres.

As online sales continue to grow apace and take an increasing share in retail sales, retailers will need to adapt their physical stores to become show rooms as well as traditional retail units. Retailers space requirements are changing and property owners will need to adapt their retail property portfolio to reflect this. Social media will become increasingly important in order for retail areas to more successfully brand themselves and understand customers opinions and trends.
Retail Investment Market

Sweden remains a liquid, transparent investment target for both domestic and international investors, currently driven by a stable growing economy.

Sweden – A Top 5 European market again
As in previous years Sweden once again experienced considerable trading and was in the top 3 European markets with €1.5 billion of retail property traded in 2012 albeit 13% down on 2011. This represented a 8% share of total transaction volume. Despite the relatively small population Sweden regularly appears in the top 5 most transacted markets due to constant investor demand and relatively stable supply of product. This demand for retail investment opportunities is driven by the sound economic outlook, strong retail performance and market transparency.

Of the total retail transaction volume, shopping centres were by far the dominating property type with a 64% share. Three recorded transactions all exceeding SEK1 billion contributed strongly to this share.

Retail warehouse transactions took a 30% share of the total retail volume which Retail warehouse – Solus units was the largest with 21% of total volume. The sector has seen more investor demand in 2012 which coupled with availability and product saw an increase of 26% in traded volume.

Volume by geographies 2012
Source: Jones Lang LaSalle

Product type by volume 2012
Source: Jones Lang LaSalle

Source of capital 2012 - all sectors
Source: Jones Lang LaSalle

Source of capital 2012 - retail
Source: Jones Lang LaSalle
**Investors**

Institutions, predominantly pension funds, were the most active buyers in the market during 2012 representing a 37% share of total retail volume. There has been a significant increase of foreign institutions in the market thanks to the economic fundamentals, retail sales performance and consumer confidence figures. In addition, the highly transparent market makes Sweden an attractive investment destination for foreign institutions when evaluating possible investment geographics.

Also on the vendor side institutions showed high activity during 2012, representing a 55% share of total retail transaction volume. A main contributing factor to this high share was the divestment of Kista Galleria by DNB Livsforsikring ASA.

**Transactions**

The acquisition of **Kista Galleria, Stockholm**, by CPP Investment board together with Finnish listed sector specialist Citycon for €528 million was the most significant transaction of the year and the largest single asset transaction ever recorded in Sweden. This was CPPIB’s first investment into Sweden and the deal is indicative of equity investors’ continuing desire to partner with sector specialists. Kista Galleria comprises of 90,000 sq m lettable area of which 60,000 sq m constitutes retail.

The vendor DNB, Norway’s largest financial services group had recently purchased its Oslo headquarters. This transaction highlights that institutional vendors will release products at the right price.

Listed shopping centre specialist Eurocommercial sold **Burlöv Center, Malmö** to Grosvenor and in turn purchased two retail properties in Halmstad, southern Sweden, with the aim to create a new destination shopping centre for the region. Burlöv Center is a regional shopping centre in the Malmö region comprising 42,200 sq m of retail space anchored by the daily goods retailer COOP Forum. Purchase price for the transaction was €133 million reflecting a net initial yield of approximately 5.5%.

Dutch retail specialist **Redevco** divested their entire Swedish portfolio to UK based Rockspring Property Investment Managers who made their first retail investment in Sweden. The portfolio consisted of a mix of retail warehouse and shopping centre assets with a total transaction volume of €79 million.

It is our view that the prime shopping centre yield remains stable at 5.5% whilst retail warehouse demand has reduced slightly resulting in the prime yield moving out to around 6.25%.

**Purchaser type by volume**

Source: Jones Lang LaSalle

Whilst the office investment market is very much dominated by domestic investors the retail market has been much more open with some of the largest shopping centre owners being Unibail-Rodamco (France), Eurocommercial (Netherlands) and Steen & Strøm/Klépierre (France). As mentioned above 2012 saw strong interest from foreign investors for shopping centres in particular. Inflow of foreign capital represented 21% of total traded volume which is an increase compared to the year previous when the same share amounted to 14%. Foreign investment in Swedish retail has been stable during recent years and equivalent to a share of 63% of traded volume in 2012.
Jones Lang LaSalle Key Deals
2011 and 2012

2012 - Kista Galleria
Stockholm

Acquisition advice provided to CPPIB and Citycon

€526m
Jones Lang LaSalle advised Rockspring PIM when acquiring the entire Redevco portfolio in Sweden. The Retail Capital Markets team showed in-depth knowledge of the market and asset when acquiring our first retail investment in Sweden. Both the local and Pan-European team’s professional approach and attention to detail ensured that we concluded the deal in a timely and successful manner. We would not hesitate to recommend using the Swedish Retail capital markets team and will be using them for other acquisitions in the future.

Jo De Clerk, Partner
Rockspring Property Investment Managers
2011 - CK3 Shopping centre portfolio
Stockholm

Acquired on behalf of AMF

€400m+

2011 - Vinkeln 3, Kungens Kurva
Stockholm

Sold on behalf of IVG

€50m
“Retail is a specialist area and a core business line for Grosvenor Fund Management. In selecting advisors we look for a combination of an understanding of the industry and capital markets coverage to complement our own teams. In 2012 we used JLL’s European retail investment team to help us with the sale of 102 rue de Rivoli in Paris and the acquisition of Burlöv Center in Malmö. In both cases they were able to apply these two skills to produce clear and logical arguments that resulted in successful conclusions.”

Giles Wintle, Managing Director
Grosvenor Fund Management, Europe
Contacts

Sweden

Antony Pastiroff  
Retail Capital Markets  
antony.pastiroff@eu.jll.com  
+46 (0)8 453 51 88

Fredrik Tellefsen  
Retail Development and Leasing  
fredrik.tellefsen@eu.jll.com  
+46 (0)8 453 51 83

Ulrich Ahlquist  
Retail Property Management  
ulrich.ahlquist@eu.jll.com  
+46 (0)8 453 50 14

Benjamin Rush  
Retail Research  
benjamin.rush@eu.jll.com  
+46 (0)8 453 50 49

European

James Brown  
EMEA Retail Research and Consulting  
james.brown@eu.jll.com  
+44 (0)203 147 1155

Shelley Matthews  
EMEA Retail Capital Markets  
+44 (0)207 399 5240  
shelley.matthews@eu.jll.com

Jones Lang LaSalle Offices

Stockholm  
Box 1147  
111 81 Stockholm

Visiting Address:  
Lästmakargatan 20  
Tel: +46 (0)8 453 50 00  
Fax: +46 (0)8 453 53 10

Gothenburg  
Box 1058  
405 22 Gothenburg

Visiting address:  
Lilla Bommen 6  
Tel: +46 (0)31 708 53 00  
Fax: +46 (0)31 708 53 10