

CBRE RESEARCH | EMEA | NORDICS

REAL ESTATE MARKET OUTLOOK 2020

SWEDEN





04

GROWING CITIES

Continued strong urbanization and population growth



The Swedish population will grow by 6.6% until 2030. Urbanization will look different in the years to come, as the rural population in absolute numbers is no longer decreasing. Less people are in the “pension savings age” in Sweden than in a global perspective.

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ECONOMICS AND POLITICS

GDP growth slightly higher in 2020 than during 2019



A slightly stronger SEK is also expected, on average. Sweden remains one of the European countries with the best five-year GDP growth potential.

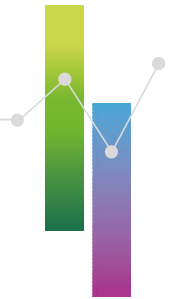
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CAPITAL MARKETS

Attractive returns relative to other asset classes will continue to appeal to investors

Investors will be pushed further out on the risk spectrum, with converging yields and narrowing risk premiums as a consequence. We believe in strong M&A activity in 2020.





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On the back of strong office employment growth and modest near-term supply, we believe rental growth will continue but at a slower pace in 2020. The tech sector, finance, public sector and business services will play dominant roles in take up in 2020.

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Convenience will continue to be key, whether it concerns fast deliveries or opening stores in transport hubs. Experiential Instagram-friendly environments will help drive footfall.

16 MULTIFAMILY

Residential construction will continue to be sluggish in 2020, impacting GDP growth. Investor interest in the sector will continue to be high in 2020 due to the stable risk-adjusted returns. Tightening laws against illegal subletting might make the headlines.

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Modest supply growth and steadily rising demand sets the stage for another year of modest but steady growth in the Swedish hotel market. The increase in global travel and consumer spending on experiences will continue to benefit the segment.

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We believe investor interest will continue to be high in 2020, as the sector remains an attractive alternative to government bonds. Delivering higher returns with similar countercyclical attributes, will continue to draw attention from market players.

22 DATA CENTRES

The Nordic region continues to attract the US-tech companies, with Denmark, Norway and Sweden continuing to benefit. There will be new large-scale data centers built in these countries during 2020



GROWING CITIES





EXPECTED DEVELOPMENT IN DEMOGRAPHICS

By 2030, Sweden is expected to have 687,000 more people in the population, corresponding to an increase of 6.6%. The share of the population aged 0–19 years will increase by 5.7%, whereas the population in working age (20–64 years) will only increase by 4.3%. At the same time, the part of the population aged 64+ will increase by 14.3%. This will be a large challenge for the pension system as well as for instance the healthcare system and municipality finances. The overall global trend is that we will continue to have a large chunk of the global population in the so called “pension savings age”, between 40–54. The trend is not the same in Sweden, here the share of population that is not in the pension savings age will increase instead. That means there will likely be a smaller increase in the inflow of capital to the Swedish institutions relative to global pension funds.

The challenge with the large increase in the population aged 64+ has already been partly addressed by the Swedish parliament, as the retirement age was recently increased to keep the share of population staying in the workforce up for longer.

It is often pointed out that Sweden has an aging population, and considering the above, this is true.

However, it is also worth pointing out that Sweden is one of the countries with the highest fertility rates in Europe (1.85); only France had a higher rate (1.92). (Source: World Bank, 2017)

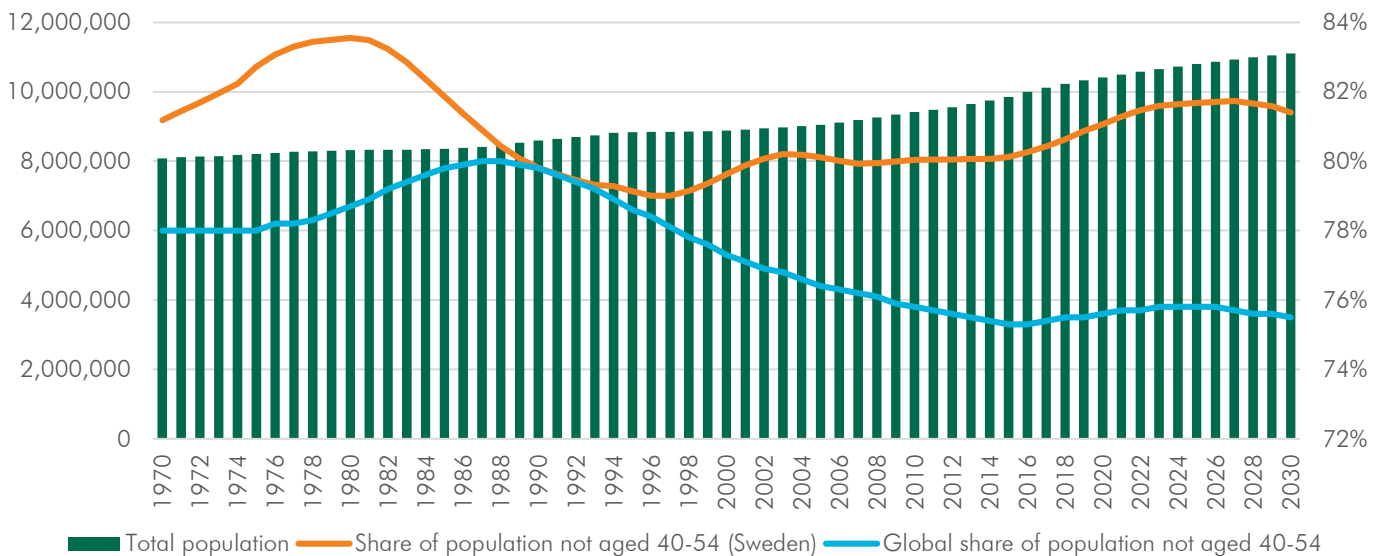
URBANIZATION

Urbanization has become more complex than before. If we look at urbanization as the relocation of inhabitants from rural areas into the cities, that kind of relocation in Sweden is more or less finished. Measured in absolute figures, the rural population is no longer decreasing. 85 % of the Swedish population lives in 1.3% of the country’s total area.¹

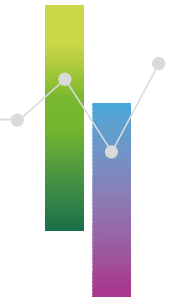
The domestic net migration has been negative for Stockholm, Gothenburg and Malmö since 2014. The cities’ growth comes from foreign net migration into the cities and positive birth rates. The population growth over the last 20 years has overall been concentrated to the three largest cities. 77% of the increase of the population in working age (16–64 years) going forward, will be in the three main counties. The largest increase will be in Stockholm, with 13%.

The population in the cities is also normally in working age, whilst the elderly to a larger extent live in rural locations. Young families move outside the city centers to get proximity to school, child care, nature and good communications, but there’s also a trend where young families stay in the city centers after having children.

FIGURE 1: Total population and share of population NOT aged 40 – 54 in Sweden vs. Global



1) Source: Boverket <https://www.boverket.se/sv/samhallsplanering/bostadsmarknad/bostadsforsorjning/flyttningar/urbanisering/>



STOCKHOLM'S INFRASTRUCTURE CHALLENGES

Property development in Stockholm is restricted by conservative viewings regarding the city scape. Size and design of any new or refurbished building is strictly controlled by the city not to compete or stand out in comparison to its surroundings. This has led to a relatively low urban density in the more central locations of the city. This leads to a larger need for investments in infrastructure than in more densely laid out cities as people and goods need to travel longer distances. The lower density also poses a larger challenge for retail and restaurants compared to many other European cities.

Going forward, an increased concentration of the population to the cities will increase the need to build with a higher density than we have done previously. The need will be greater to make more efficient use of land and already existing infrastructure. Increasing the efficiency of the current stock will likely be helped by the sharing economy. For instance, globally speaking, about 30% of urban land use is for car parks.¹ If car pools, self-driving vehicles and similar solutions become more common, this could certainly free up land for other uses.

Increased use of electrical cars for one, would free up large land areas that are today considered to be polluted with reference to noise, safety and exhaust gasses and therefore not possible to develop.

In the future, this could become a substantial hidden potential, which may be worth to keep in mind.

Digitalization also contributes with smart solutions for the sharing economy. For instance, it is possible to achieve a 30% higher output in the lodging industry from the same stock by way of increasing the efficiency of how properties are used. The digital economy offers several platforms through which this already is achievable. It is reasonable to expect that this development will spill over also to other sectors of the real estate industry.

NEW INFRASTRUCTURE IN 2030

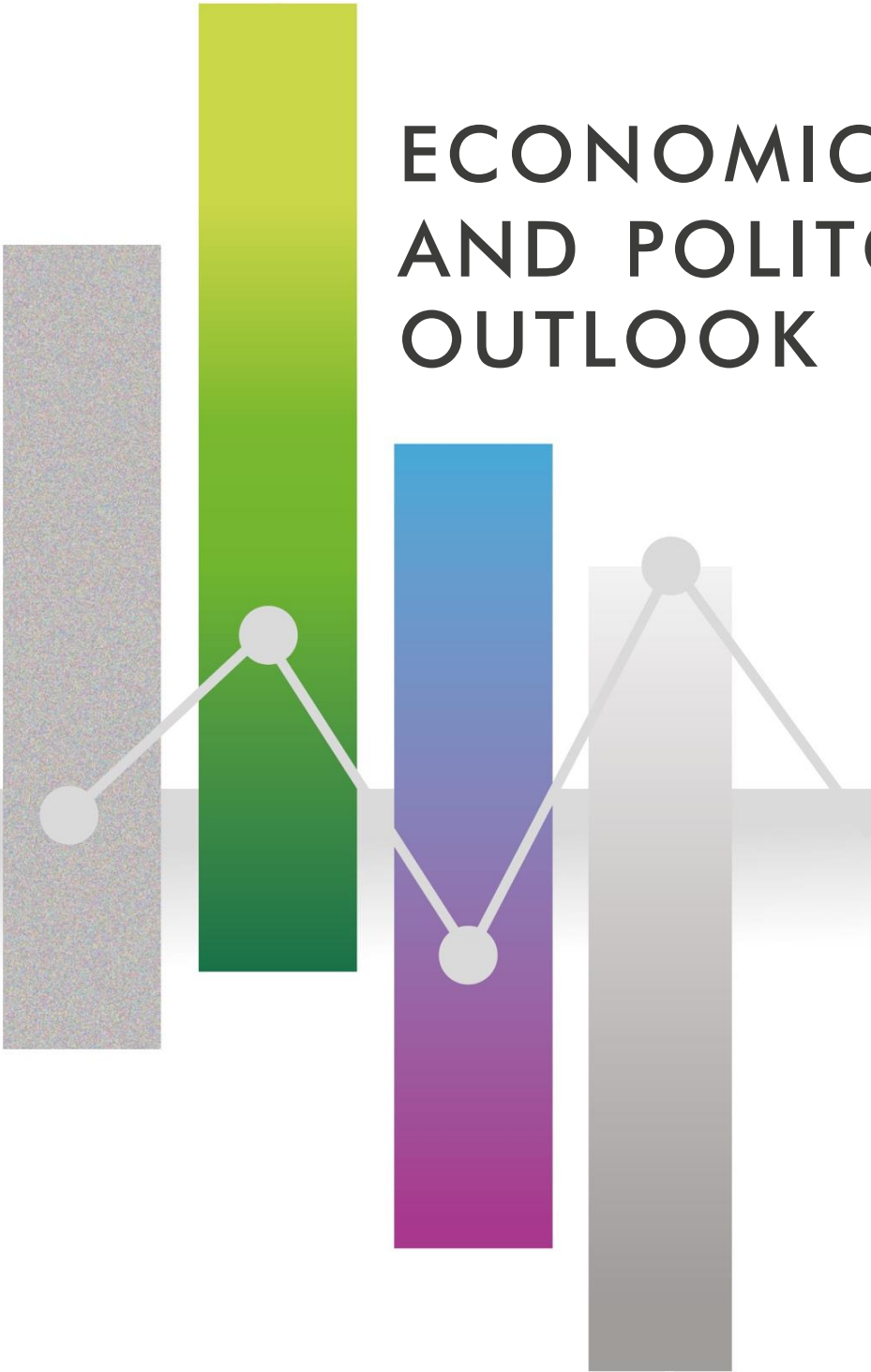
In Stockholm, the car use per 1,000 inhabitants is a lot lower than the country average, and has been on a quite stable level since 2000 (370 in 2018 vs. 477 nationwide). But even so, as the population is growing, so is the absolute number of cars.

Several large infrastructure projects are underway in Stockholm. Some of the largest that are scheduled to be finished by 2030 is the new underground extension (2025–2030), the light rail project named Spårväg Syd (2030), and the Stockholm Bypass (2028). This will have an important impact on the ability to travel north-south (and reverse) in the city, keep up with the population growth and hopefully, reduce or at least avoid an increase in traffic congestion.



1) University of Queensland has estimated that 30,000 km² in Europe and 27,000 km² in the US of urban land use is devoted to parking.

ECONOMIC AND POLITICAL OUTLOOK





2020 is expected to show a slightly higher GDP growth. Sweden remains one of the European countries with the best five-year growth potential.

SUMMARY

- GDP growth is expected to be slightly higher in 2020 than in 2019. Inflation is unlikely to reach the Swedish Riksbank's target
- Sweden remains among the European countries with the best five-year GDP growth potential
- Since the growth expectations are marginally higher for the Swedish economy, we expect the SEK to be slightly stronger against the EUR, on average, in 2020 than during 2019
- 2020 not likely to be an eventful year in domestic politics, with the next general elections in 2022. The nationalistic Swedish democrats with migration and tougher policies on crime at the top of the agenda continues to increase in polls

THE YEAR AHEAD

The Swedish households will likely receive nominally higher wage increases on the back of the negotiations made by the unions later in the spring. A tax decrease for the high income brackets came into effect from the 1st of January 2020, meaning 5% government tax will no longer be withdrawn from incomes exceeding 703,000 SEK in annual salary. About 380,000 people are affected.

However, real wage growth is expected to be weak in 2020 as the unemployment rate is high and inflation will be around 1.6%. Households are expected to continue to have a high savings rate and consequently slow domestic consumption growth.

The high unemployment rate, it's worth noting, is due to an increase in the supply of labor, and not a falling overall employment. "High" is also relative of course; it is higher than in Norway and Finland, but in line with the European Union and lower than the Euro Area.

The employment rate growth will likely not be as good as previously; for 6 years, the employment rate has grown faster than the population in working age.

The GDP growth is expected to increase from 1.2% in 2019 to 1.3% in 2020. Although the exports have had a tailwind from a weak currency, the manufacturing industry is slowing down, as indicated by the purchasing managers' index. The exports are also threatened by potential trade wars. Business investment is believed to increase slightly.

HOUSEHOLDS – ARE THERE CAUSE FOR CONCERN?

A lot of worry over household debt levels have been raised in the last few years, causing Sweden's Financial Supervisory Authority to rapidly introduce two new amortization rules on Swedish mortgages in 2016–2018. The credit restrictions have been estimated to lead to lower residential construction, thus lowering GDP with an estimated 0.5 percentage points. The increased household savings rate is also estimated to lower GDP with 0.5pp, which in total makes for a 1pp lower annual GDP growth.¹

What might be worrisome is that the household debt in % of disposable income has risen steadily all through the 2000's to 187% in 2018 (from 111% in 2000). It is not surprising, given the continuously falling interest rates in the same time period and increase in residential prices. The interest payment ratio as % of disposable income is simultaneously at a record low.

The household debt ratio as % of GDP is at 87% year-end 2018², which is high compared to the government debt level of 38.8%. However, when looking at the household balance sheet and calculate debt ratio in relation to total assets instead, the debt ratio is 20.3%², or 31.4% of financial assets. Household savings ratio is 15%, compared to 5% in the Euro Area.

1) Source: Sveriges Byggindustrier

2) CBRE Research, SCB, SEB Sparbarometer

CAPITAL MARKETS



Continuously favorable conditions for real estate, strong M&A activity and megatrends guiding investment decisions will be the hallmarks of 2020.

SUMMARY

- Continuously favorable conditions for real estate, with attractive returns relative to other asset classes
- Some yield compression for the best assets to be expected
- Converging yields and narrowing of relative risk premiums as investors are pushed further out on the risk spectrum
- Strong M&A activity will consolidate the sector further in 2020
- The currency will continue to be on weak levels from a historical perspective, even if it will likely average slightly higher in 2020 against the EUR. We believe international investors' share of investment volumes will remain high in 2020

INVESTMENT PROPERTIES

The comfortable real estate premium over government bonds will continue to attract investors in 2020. Some yield compression can therefore be expected for the very best assets and in specific asset classes.

The continuously low interest rate environment and strong liquidity will force investors to either reduce their return prospects, or push them further out in the risk spectrum with the adoption of value-add strategies. Yields will converge and narrow the relative risk premium inside the property asset class.

For the Swedish market, we believe strong M&A activity will consolidate the sector further in 2020. Companies with high valuations will buy lower valued companies and pay with shares.

For the office market, strong occupier demand will help achieve attractive returns despite slowing rental growth. Mega trends will guide investment decisions, such as e-commerce and the ageing Swedish population.

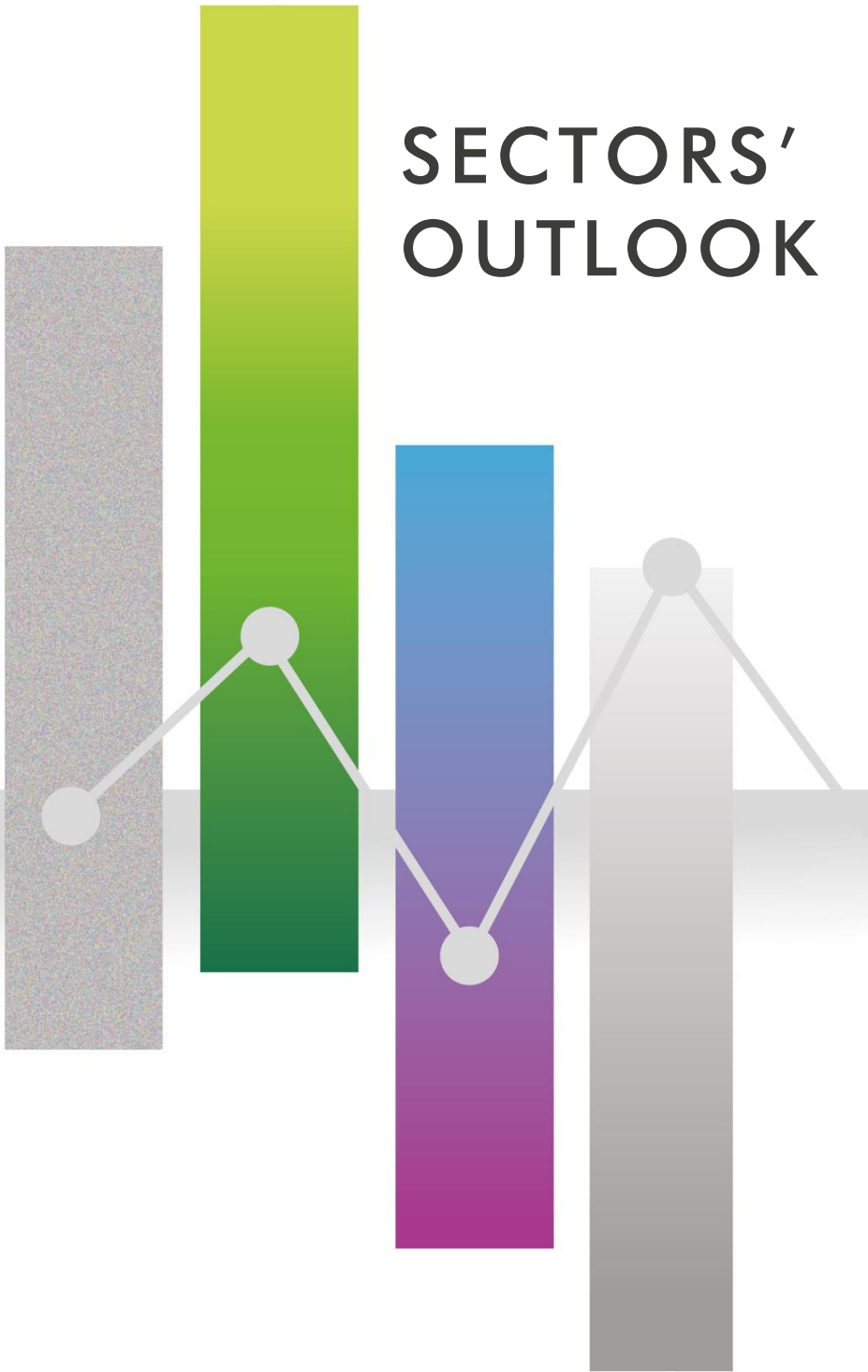
FINANCING

Sweden's Financial Supervisory Authority has issued a draft regulatory change to increase capital requirements for lending to commercial real estate. The suggested risk weights have been set at 35% for corporate exposures in commercial real estate and 25% for commercial residential properties. The government agency claims that the banks' internal credit risk models underestimate the risk due to a historically low interest rate environment. The change mainly applies to the three largest banks and corresponds to 3.6% of their current total capital requirement.

We believe the change will make little or no difference to the big property companies. Less compelling offers from the banks will likely mean that they will turn to the bond markets for financing instead, which are not affected by the new legislation. Smaller companies for which the bond markets is not an option, and with small needs for auxiliary services, will likely get more expensive financing, all else equal.

All in all, the legislation will potentially make it more difficult for the banks to compete for the best deals with the lowest risk.

SECTORS' OUTLOOK





DEMAND

The average office-based employment growth in Stockholm has been 2.8% between 2014–2018. In 2019 the figures dropped to 2.1%. The growth pace is expected to slow further to 1.8% between 2020–2024. The main reason is a slower growth in the overall economy. Even with this slowdown, Stockholm is expected to be among the top 10 cities with the fastest growing office based employment growth in Europe.

The largest slice of take up was represented by the tech and gaming industry in 2018; in 2019, the public sector and finance were the largest industries, followed by the tech sector in 3rd place.

SUPPLY GROWTH

A slower demand growth going forward is fortunately not too worrisome, because the supply response in the Stockholm office market has been very disciplined. In fact, adding some more office space to the current pipeline in the next few years would likely be healthy to keep up the city growth. 2020 pipeline looks set to be slightly stronger than 2019, but after that the pipeline is very thin.

The most important areas for new office construction in the city are in Hammarby Sjöstad, Hagastaden and Norra Djurgårdsstaden. On the back of slower demand growth but modest near-term supply, we believe rental levels will continue to grow but at a slow pace in 2020.

THE OFFICE OCCUPIER MARKET

2018–2019, 26% of total take up in Stockholm CBD and inner city has come from the technology, media and gaming industry. The gaming industry alone stood for 7%. It might surprise initially, but when taking a look at the industry itself, it's not so strange at all. Swedish gaming growth 2012–2017 has been fast; the number of companies have increased with 137% and the revenue with 257% to EUR 1.53 bn in 2017. Profits have soared with an astounding 1,047% and employees with 171%. In 2012, the gaming industry had 1,967 employees; in 2017, they were 5,338. One contributing factor may be that Sweden is Europe's second largest e-sport market by consumption (after Russia).

The global gaming market was valued at 138 billion dollars in 2018, an increase of 13.3%, and the Swedish gaming companies grew their revenues even faster at 15%. The fastest growing segment among the Western countries is the age group 46–65 years. The Swedish gaming companies are young; around 10 of them were established in the 90's, but over half of them were established in the last five years. Even more impressive is that most of these companies are profitable.

Two of the giants in this industry are of course Mojang (creators of Minecraft) and King (creators of Candy Crush). Candy Crush has been downloaded 3 billion times and is the most downloaded game in App Store ever.

“The Swedish gaming companies are young – over half of them were established in the last five years. Even more impressive is that most of them are profitable”



KEY TAKE AWAYS

- Stockholm demand growth will slow down in 2020 on the back of a slower growing economy, but the office employment growth in the city will remain being one of the fastest growing in Europe
- 2020 has a slightly larger pipeline than 2019, but even with the new supply coming to market, office occupiers will still have slim choices. Because of modest near-term supply, we believe rental levels will continue to grow but at a slower pace in 2020
- The tech sector will continue to play an important part for office take up in 2020, although we believe Finance, Public sector and Business services will take sizeable chunks of the market

DEMAND

With several Swedish companies at the forefront in the fintech industry, plenty of digital natives in the population and a great focus on improving the delivery experience, the stage is set for another year with healthy e-commerce growth. The increased need for last mile logistics to meet consumer expectations of fast deliveries will increase the demand for logistics space in city fringes.

Pockets of rental growth for retail premises can be found in the high street in Stockholm and in the best shopping centers. In city locations outside of prime, retail rents are under pressure. However, there is a floor for rents in central locations, as there are alternative uses to which the premises may be put. We have for instance seen some property owners converting retail locations into ground floor offices instead.

We believe e-tailers will continue to look at opening physical stores in the right locations, some using AI to do so. Statistics from the US show that physical stores drive online sales in the areas where they are set up, physical experiences create more loyal customers, and that customers that have visited physical stores spend more online.

The most successful online retailers have their own brands and products, do the distribution inhouse, are obsessed with the customer experience, and use influencers and create communities for marketing purposes.

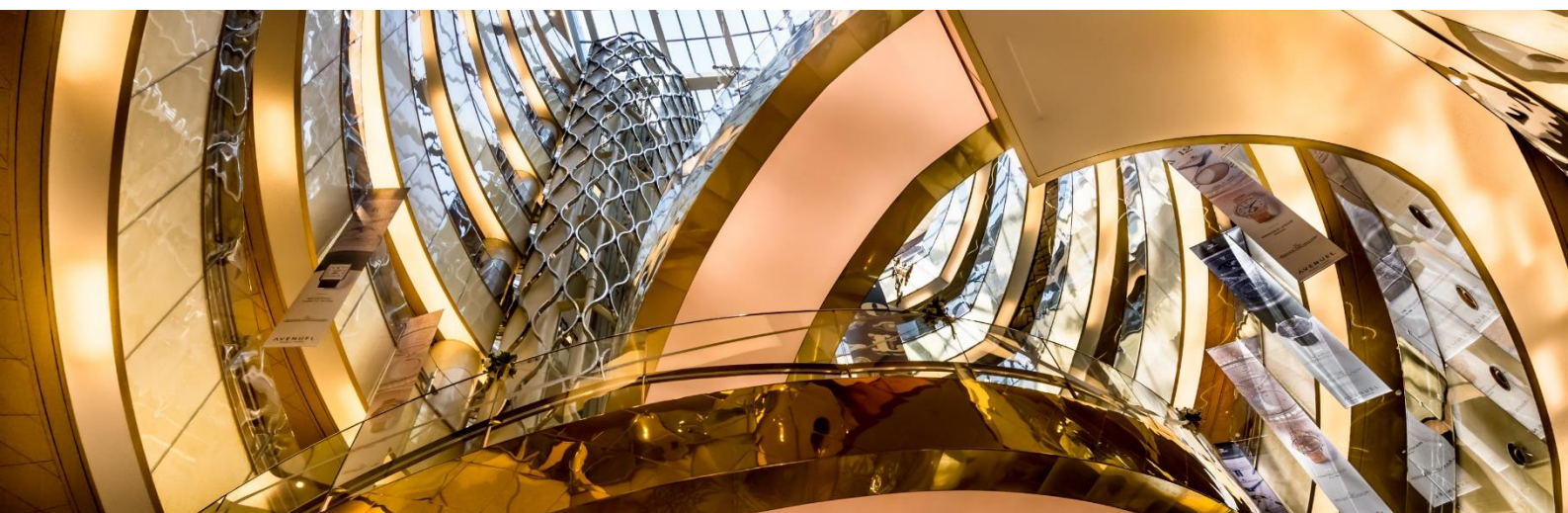
Several discount stores continue to expand their store chain network in big box areas and making healthy profits. They also experiment with opening smaller, centrally located units in the cities. The reason for opening central units is partly to have a showroom, partly to reach customers that do not own a car.

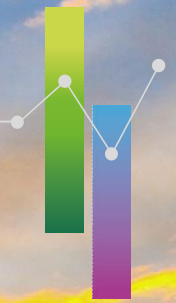
SUPPLY GROWTH

The supply response lag in logistics is shorter than for office, as logistics properties take shorter time to build. Responsiveness is also dependent on previous work regarding zoning in any given location, and the municipality's general preferences as they have the final say in what gets constructed within their administrative borders. As there is available land that can be used for logistics in less central locations, we believe fast supply response will continue to keep logistics rents flat in 2020. Tenants are more sticky than in the office segment for instance, as change of premises is a risky step to take as it can disrupt the overall business.

For retail, only 58,000 sq m new space is currently under construction nationwide with planned opening in 2020. Nearly all of it is either related to groceries or discount chains.

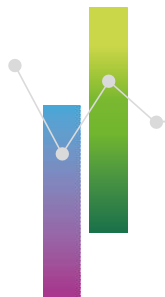
For property owners, it will be increasingly difficult with turnover rents as the boundaries between online and offline disappear. In a fast-changing consumer market, popups and shorter contracts will be increasingly important for tenants. Experiential retail and Instagram-friendly environments will increase in importance to attract consumers.





KEY TAKE AWAYS

- We believe there will be an increased use of AI in this sector in order to support trend detection, quantification, location of stores and warehouses, optimization of pricing and personalization
- Control of the distribution chain and having your own brand portfolio, social media marketing and the right mix of offline and online presence will be the hallmarks of successful retailers
- Convenience is key, whether it's fast deliveries or opening stores in locations which are in transport hubs. Experiential, Instagram-friendly environments will help drive footfall



MULTIFAMILY

DEMAND

The co-ops market bottomed out during 2019 after the fall in demand caused by the new amortization rules and increasingly restrictive credits from the banks. The outlook for 2020 is moderately positive, although major price increases are not expected as the demand curve remains shifted after the new rules were implemented.

The rental market has for the most part restricted rents below market, meaning vacancy rates remain virtually zero for the foreseeable future. New construction with higher rents (called “presumptive rents”) remain a small part of the total stock. Even though the presumptive rents are much higher than in the rent restricted stock, they are still below market.

SUPPLY GROWTH

The “investment support” (Sw. *investeringsstöd*) will continue in 2020. It is a government subsidy that can be received by constructors investing in new rental units. It is contingent on fulfilling certain conditions. The maximum normative rent allowed in Stockholm to receive the support, for instance, is 1,550 SEK/sqm/year.

Residential construction has stabilized during 2019 after the major decline in 2018. 51,000 apartments were construction-started in 2019 nationwide, and the forecast for 2020 is 50,000. It is high in a historical perspective, but still below the estimated need of 64,000. The construction-starts for co-ops has fallen substantially after the new amortization rules, while rental units have had a more modest decline, likely because of the investment support and the more stable demand.

However, long-term, the construction starts for co-ops and rental units have followed each other and the economic cycle closely. It is therefore likely that the current divergence in construction starts will converge again.

In Greater Stockholm, 13,500 apartments are forecasted to be started in 2020. Greater Gothenburg is forecasted to start 8,000, which is high in a historical perspective.

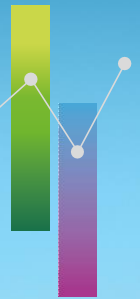
THE REGULATORY ENVIRONMENT

In many markets, regulations are impacting the passthrough from rental growth to income growth. In Sweden, regulatory changes seem to currently be in limbo with regards to rental restrictions. It is unlikely that there will be any major changes in 2020.

The law for rental units regarding illegal subletting and overcharging rent has been tightened from the 1st of October 2019. A tenant can now forfeit a rental contract by subletting without written consent from the property owner or overcharge the rent. A person can be imprisoned for two years if both of the above mentioned prerequisites are met or if a person is found out buying a leasing contract on the black market. The amount of rent that has been deemed as an overcharge, can be reclaimed by the sub-tenant retroactively for two years, instead of one year in the previous legislation. The background is the prevailing practice of kickbacks and illegal subletting of rental apartments. As the rent is kept below the market rent, the queue for a rental apartment contract becomes very long; the current average time to get a rental contract in Stockholm municipality is 12.2 years, and 10 years in Stockholm county.

Multifamily as a sector, with stable risk-adjusted returns and low volatility will continue to attract investor interest in 2020.





KEY TAKE AWAYS

- After a rough period, we believe in a slowly recovering co-ops market in 2020. Rental units will continue to have virtually zero vacancy rates
- Residential construction will continue to be sluggish in 2020, which impacts the GDP growth
- Illegal subletting and charging rent above what is allowed by law will be punished more severely, but not cure the underlying problem
- Investor interest for the sector will continue to be high in 2020 due to stable, risk-adjusted returns with low volatility



HOTEL

DEMAND

The demand for hotel nights have grown steadily in the last few years, on the back of a growing tourism into the Nordics. The growth in employment rate in the tourism industry has grown faster than the overall economy. The total employment increased with 19% between 2000-2018, whilst the employment in the tourism industry grew by 32%.

SUPPLY GROWTH

At the same time, the supply response has been disciplined over time, making it possible for players in the market to increase the income per available room. RevPar in Stockholm increased with 0.9% y-o-y until January 2020 with an average occupancy rate of 67.4%. For Gothenburg, the RevPar increased with 1.2% with an average occupancy rate of 72.3%.

The number of hotel rooms increased 4.6% y-o-y until October 2019 nationwide. The revenue per room increased modestly in a national context as well, in the same time period. Some of the new supply will be in infrastructure hubs, like the airports.

THE INVESTMENT MARKET

The investment volume for hotels reached 3.8 SEK bn in 2019, which was the strongest investment year since 2015. The largest deal was made by Balder, who acquired the high street property City Avenyn with Scandic as a large tenant.

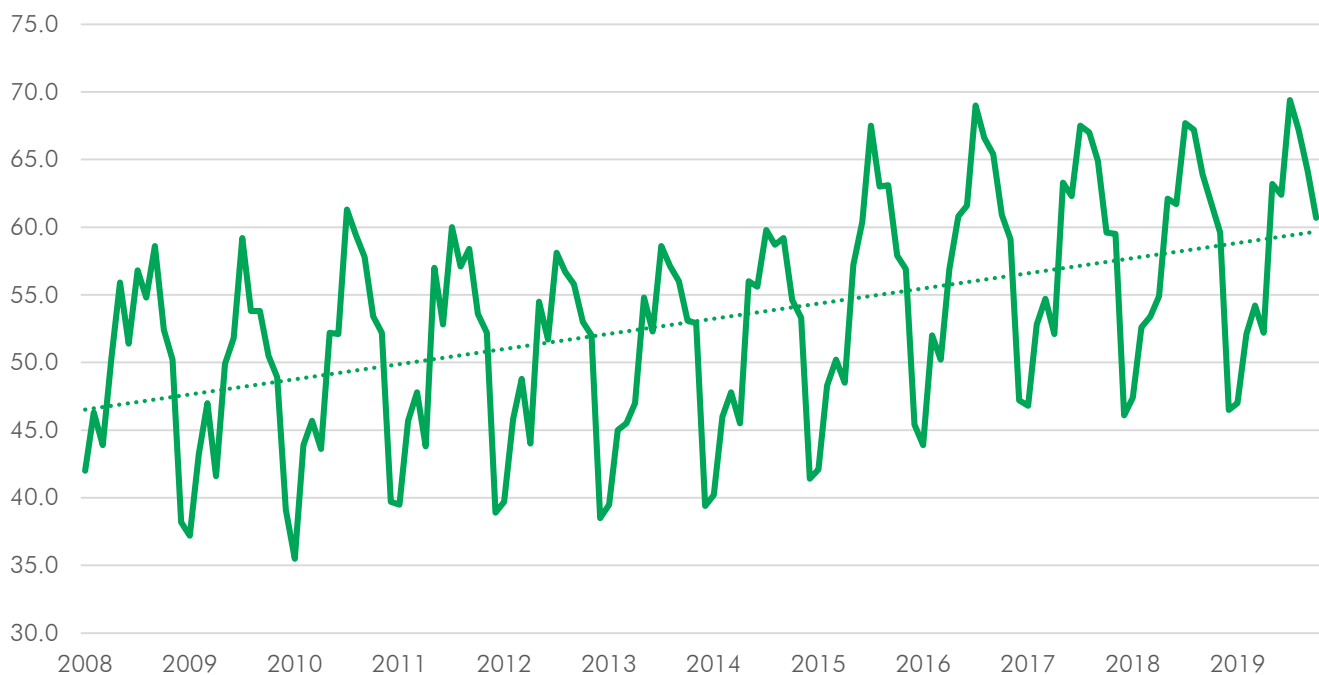
Another notable deal was the sale of the hotel Hasselbacken, located in Djurgården in Stockholm, which was acquired by POP House Sweden AB for 480 SEK million.

MEGATRENDS

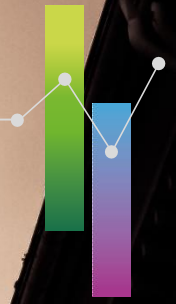
The increase in global travel and consumer spending on experiences are megatrends that are expected to continue, which will overall benefit the hotel segment. Increasing variable income will continue to be in focus, for instance through offerings in food and beverage.

As the Swedish currency is expected to remain on weak levels in a historical perspective through 2020, the domestic hotel industry may also benefit from higher levels of "staycation".

FIGURE 2: OCCUPANCY RATE, %, SWEDEN NATIONWIDE



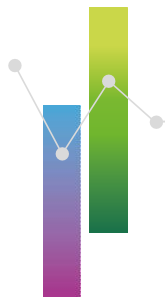
HOTEL



CLARION HOTEL MALMÖ LIVEA

KEY TAKE AWAYS

- Modest supply growth and steadily rising demand sets the stage for another year of modest but steady growth in the Swedish hotel market
- Operators will continue to look for ways to boost variable income, such as providing offers in food and beverage
- The increase in global travel and consumer spending on experiences are megatrends that will continue to benefit the hotel segment
- As the Swedish currency is expected to remain on weak levels in a longer term perspective, the domestic hotel industry may also benefit from higher levels of “staycation”



DEMAND

As previously mentioned, the forecasted demographic structure of the population will increase the demand for public service properties. Heavy investments in education, health and elderly care will be needed going forward.

However, it should be noted that the need is not evenly distributed across the country. The population in parts of the countryside is more elderly, while the working age population to a larger extent is located in the big cities.

If the demographics develop as forecasted, with working age population growing a lot slower than the elderly and the young, that means that costs will grow faster than income. The annual funding shortage for the municipalities will be SEK 43 bn by 2023, and SEK 90 bn by 2026. In 2019, the municipalities with the worst financial results are either rural or situated close to a larger city but without any larger commuting population.

The municipalities have some options available, like increasing the income taxes and lending money to cover their expected increase in costs. However, efficiency and productivity would likely also have to increase to close the gap. This might be a challenge – the municipality sector has actually added 100,000 employees since 2014.

Another option will be to sell off assets, like properties, to be able to make investments in the core tasks such as education and elderly care.

SUPPLY GROWTH

In the next 3 years, 1,000 new schools and kindergartens and 150 elderly care homes or care units need to be constructed. As pointed out earlier, the need is not evenly distributed nationwide. In some locations there will be a substantial shortage, and in others there might even be an oversupply.

THE INVESTMENT MARKET

For 2019, we underestimated the underlying demand for public sector properties, as investment volumes surged and several M&A deals were struck.

Investors in the segment have predominantly been domestic. Considering the large interest from foreign investors in Swedish rental apartments, it would be surprising if we didn't see more foreign investors entering the segment, as it has similar characteristics. It remains more likely that they would enter through a portfolio deal or through the stock exchange, as it will likely be more time consuming and create a smaller exposure to negotiate with municipalities one-on-one.

We believe interest will continue to be high in 2020, as public sector properties remain an interesting alternative to government bonds. Lower liquidity, but with a higher yield and similar countercyclical properties, will continue to hold attractions for investors.





KEY TAKE AWAYS

- We believe interest will continue to be high in 2020, as public sector properties remain an interesting alternative to government bonds
- The expected funding gap on the back of the demographic development might create interesting opportunities working with the municipalities
- Foreign investors likely to enter the scene, as the exposure to Swedish public sector properties holds similar attractions as the rental apartment sector, where we have seen foreign investors make sizeable investments

SUMMARY

- The rate of demand for data centre capacity across Europe is increasing rapidly. The large US-tech companies, that drive the sector, are increasing their utilization of both self-build (owned) and leased data centre capacity
- The Nordic region continues to attract the US-tech companies, with Denmark, Norway and Sweden continuing to benefit. There will be new large-scale data centres built in these countries during 2020
- Increased connectivity, through new fiber routes connecting the Nordics to both the US and China will help the region maintain its position as a strategic connectivity hub

MARKET DEVELOPMENT

The Nordic region is seeing significant growth in both the colocation (third-party outsourcing) market and the self-build market. The region continues to offer availability to both large parcels of land with data centre consent and an abundance of green power at a significantly lower cost than mainland Europe. These two aspects, along with fiber and connectivity, which are crucial to developing a data centre are constrained in some of the largest data centre hubs in mainland Europe.

Sweden itself is benefitting enormously. Cloud computing giants have made Sweden a priority location for them in the coming year, which will bring significant investment into the country and the region.

The growth in the sector has driven significant economic growth in the region and we have seen the growth and emergence of domestic data centre companies, challenging the more established international providers in the region.

Isabelle Kemlin, Business Unit Director for CBRE Data Centre Solutions, has witnessed the development of data centres that will have a positive impact on the region in 2020.

“We see an increased interest in the Nordic countries, both from data centre developers and international investors, with sustainability and carbon neutral energy as large drivers for looking at the Nordics.

It is forecasted that by 2025, humans will interact with a data centre every 18 seconds of their lives. In Europe, much of the computing power that sits behind these interactions will be housed in the Nordic region.”

KEY TAKE AWAYS

- The rate of demand for data centre capacity across Europe is increasing rapidly. The large US-tech companies, that drive the sector, are increasing their utilization of both self-build (owned) and leased data centre capacity
- The Nordic region continues to attract the US-tech companies, with Denmark, Norway and Sweden continuing to benefit. There will be new large-scale data centers built in these countries during 2020
- Increased connectivity, through new fiber routes connecting the Nordics to both the US and China will help the region maintain its position as a strategic connectivity hub



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