

# SWEDISH LOGISTICS MARKET OVERVIEW

AUTUMN/WINTER 2023



# “Is the logistics market in Sweden at a crossroads?”



**Maryrose David**  
Head of Research  
+46 73 634 5113  
maryrose.david@savills.se

For as long as most of us can remember, the supply of modern logistics space in Sweden has been unable to meet demand. What has come to define this decade, is the great amount of new logistics space continuously added to the stock. Between the years 2010–2019, the newly constructed logistics volume averaged c. 500,000 sqm lettable area per year, while the annual figure for the period 2020–2024 is estimated to be c. 1,100,000 sqm per year.

As of Q3 2023, the total investment volume for logistics and industrial amounts to SEK 12 billion, which is a decrease of -55% compared to the same period in 2022 and -43% to the five-year average. Even though the investment activity has decreased, the amount of upcoming logistics space remains at an all-time high. Approximately 1.4 million sqm is being added to the stock in 2023, of which 46% is built on a speculative basis. The question follows, is the retroactive undersupply enough to support take-up of the upcoming stock, or is the logistics market in Sweden at a crossroads where, for the first times in decades, upcoming supply will surpass the demand?

With rapidly changing market conditions, it is important to understand occupiers' views on the future. Therefore, for this report, Savills Research has chosen to focus on occupiers' perspectives and sentiment. This includes questions regarding potential business expansion, building and rental agreement preferences and ESG requirements, among others.

I hope you enjoy the reading.

## Contents

**4–5**  
**HOT TOPICS**  
Savills has listed the factors that characterise the current logistics market in Sweden.

**6–13**  
**THE INVESTMENT MARKET**  
A summary of the European and Swedish investment market.

**14–29**  
**THE SWEDISH LOGISTICS MARKET**  
A summary of the logistics market in Sweden.

**30–37**  
**SAVILLS OCCUPIER SURVEY**  
An examination of Occupiers' views on the logistics market.



# What's up with the Swedish logistics market?

Savills Research has listed the factors that characterise the current logistics real estate market in Sweden.

## The third largest sector in terms of investment volume

With investment volumes totalling SEK 12 billion, and accounting for 17% of the total investment volume, the logistics and industrial sector had the third-largest share of total investment volume as of Q3 2023 in Sweden. International investors have increased their presence in the Swedish investment market for logistics and industrial real estate, accounting for 60% of the total volume during the same period.

## The vacancy rates vary

Vacancy levels for the modern logistics stock vary dramatically across Sweden's logistics markets. Based on the results from Savills' vacancy study per October 2023, there is a clear trend that regions with higher volumes of logistics development also experience higher vacancy rates. Certain local markets with a historically low logistics stock also experience spikes in vacant lettable space, as speculatively built development reach completion.

## Yield adjustments

Given the market sentiment between 2017 and early 2022, the Swedish logistics market experienced a significant yield compression. As of Q3 2023, the prime logistics yield was estimated to 4.95%, an increase of 155 bps since Q1 2022. The logistics sector was the quickest to re-price with yields adjusting further than other sectors, a trend also observed across Europe.

## A high volume of speculatively built logistics developments

Completions of modern logistics stock in 2023 will remain on par with last year's volume, amounting to an estimated 1.4 million sqm at year-end. The share of new developments which were initiated speculatively, is at a record high, amounting for 46% of total completions during 2023 (the five-year average is 24%). The significant proportion of completed speculative developments in 2023 that remain unleased suggests the possibility of a short-term oversupply of logistics space in specific regional markets.

## Ecommerce on a decline

While the surge in ecommerce during 2021 was pandemic-driven, the subsequent decline is attributed to high inflation and rising interest rates, impacting households' purchasing power in 2022. Ecommerce in Sweden experienced its first downturn. As of August this year, ecommerce turnover has decreased by 4% compared to 2022. Conversely, there is an increase in the amount of ecommerce packages, suggesting a preference for cost-effective online shopping. Given that online retail has significantly contributed to the increasing demand for logistics services, its continued development will highly impact the sector.

## Rental levels are stable

Historically, logistics rent in Sweden have been stable, despite the high volume of new development in recent years. Up until Q1 2022, competition between developers stymied rental growth, and in some cases led to declines in certain markets, as a consequence of lower construction costs and positive assumptions regarding exit yield. Since Q1 2022, the most sought-after and supply-restricted logistics markets are now experiencing a rental growth, while markets with more vacant space have remained steady, or at the best in line with CPI.

## Inflation driving CPI-indexation

In a recent Savills survey, 74% of the respondents expressed that they have been affected by rising rental costs. Results also show that 78% of the respondents' lease agreements are fully CPI-indexed. However, only 43% answered that their rental contracts were fully indexed in 2022, indicating some leniency on the contracted lease terms after agreements were made with the property owners.

## Occupiers' view on ESG

The European research team at Savills recently showcased that the ESG agenda is more urgent among investors than occupiers. Nonetheless, even if a property's ESG credentials ranked relatively low on occupiers' priorities, carbon performance, energy efficiency and renewable energy ranked highly on their ESG building requirements. Savills concludes that agents and landlords who can communicate the cost-saving nature of their ESG rated stock will, in the long term, be able to reduce void times and achieve higher headline rents.

## Increased construction costs

Aside from rising land values, the primary explanation for the increase in construction costs is the rising material prices. As a result of these cost dynamics, logistics occupiers have become more accepting of higher rental levels, consequently driving up market rents in some logistics markets. Savills estimates that the construction costs for new logistics facilities increased throughout 2021 but have since stabilised since mid-2022.



# THE INVESTMENT MARKET



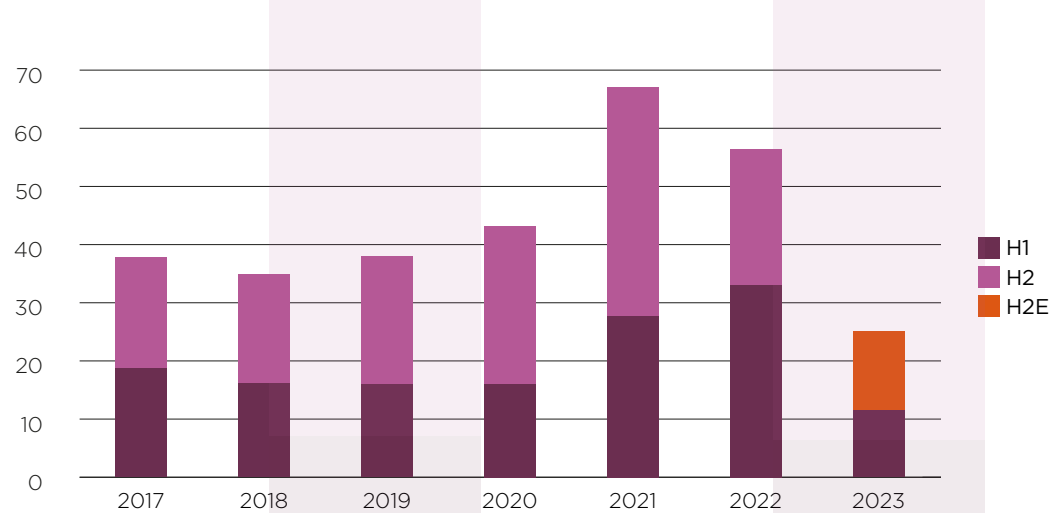
# Slight increase in investment volume for European logistics market

However, a swallow does not make a summer

Investment volumes for European logistics real estate totalled €6.3bn – a decline of 54% year-on-year and 36% below the Q2 five-year average. Notably, this represents an increase of 23% compared to Q1 2023, but we would caution that one swallow does not make a summer. This brought total investment into logistics assets in H1 to €11.5bn, a decline of 65% year-on-year. Although markets expect the ECB base interest rate hike in September to be the final hike this cycle, their commentary warned that inflation may remain “too high for too long”.

With investors adjusting to declining property values this year, the sector’s share of total H1 investment volumes edged down from 20% in 2021 and 2022 to 19% in 2023. Notably, this is still well ahead of the average of 13% in the three years before the pandemic. Uncertainty and challenging credit conditions have led to a sharp fall in investment volumes in the sector in the short term and, as shown by our results, led to investors becoming much more discerning in potential investments.

EUROPEAN LOGISTICS TRANSACTION VOLUMES € billion



**“Almost a quarter of investors who participated in our most recent *European Logistics Census* believe they are underweight in logistics real estate, with 76% of respondents expecting to allocate more or a similar amount of capital into logistics this year.”**

Andrew Blennerhassett, European Research Analyst, Savills UK

In terms of challenges to deploying capital into the sector, investors ranked market pricing as the greatest hurdle, jointly followed by difficulty in obtaining credit and a lack of suitable logistics stock to invest in. We would draw two conclusions from this. Firstly, the investor market will likely remain slow in the second half of the year until buyer and vendor expectations come more in line with each other. Secondly, upon reaching this inflection point, there will be significant competition for limited stock that satisfies investors’ requirements.

While we do not yet have an updated picture of European investment volumes in Q3 2023, we can glean some insights from historical trends. In a typical year, we could compare the average seasonal split between H1 and H2 investment volumes to project a rough year-end total. With H1 typically accounting for 45.8%, we would expect to see investment in the region of €13-14bn in the H2. This would bring year-end investment totals to c. €25bn in 2023. These are not normal times, however, and we would expect to see investment

remain muted in the second half of the year, and there is potential for year-end volumes to be well below this.

While markets do not foresee interest rate cuts until Q3 next year, the fact that the next move is likely to be downwards may prove catalytic for investment and will be important for market pricing and activity over the next six months. Crucially, an end to interest rate hikes represents the removal of one reason not to buy now, and buyers’ eyes will now turn to rental growth prospects and capex concerns – a return to the typical asynchronous recovery that we are used to in the commercial property market. The recovery in demand will inevitably focus on sectors where buyers can combine solid rental growth expectations (in a flat-lining economy) and some yield hardening over the next five years. In this regard, solid market fundamentals and projected rental growth are likely to lead to prime logistics assets being at the forefront of this recovery in demand.



# The Swedish investment market

The Swedish investment market has experienced an apparent decline in volume compared to previous years. Buyers' incentives to invest have decreased and sellers are reluctant to sell below their book values. This has driven a divergence in pricing expectations on both sides of transactions. However, the parties are gradually reaching a common understanding of current prices given the market backdrop.

In 2023, the investment market started with a historically weak Q1 with a total volume of SEK 15 billion. Even though the investment market saw more activity in Q2, mainly within some of the high-yielding residential sub-sectors. The total H1 volume amounted to SEK 48 billion, approximately 57% lower than the five-year average.

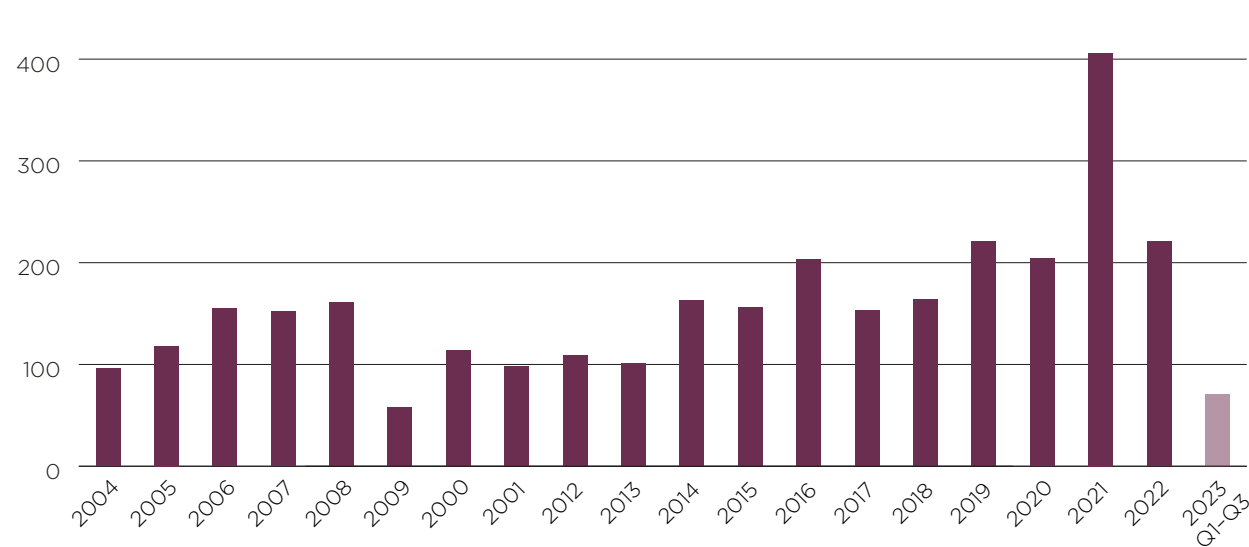
Transaction volumes totalled SEK 70 billion per Q3 2023, which is 60% lower than the five-year average for the period and 55% lower than Q3 2022. The decline in the market is also evident in the number of completed transactions during the period, which reached 61, compared to the five-year average of 120.

The decrease in investment volumes is mostly explained by the fact that sellers and buyers have experienced difficulties in agreeing on the pricing of the market, especially in the previously lower-yielding sectors, given the increase in financing costs.

**SEK 70 billion**

Approximate investment volume Q1-Q3 2023

TOTAL TRANSACTION VOLUME PER Q3 2023 SEK billion



**“Signs indicate that base rates are nearing peak and inflation appears to be declining. This stabilisation is expected to underpin investor confidence onwards.”**

Carolina Herling, Head of Investment, Savills Sweden

Foreign investors accounted for 34%, approximately SEK 24 billion of the total transaction volume as per Q3 2023, compared to a five-year average of 26%. Patrizia, BlackRock, AXA and Logicor were some of the non-Swedish investors active in the Swedish market. Savills has noticed that, in addition to the current active foreign investors, further investors are interested in the Swedish real estate market but are awaiting further price shifts and yield stabilisation.

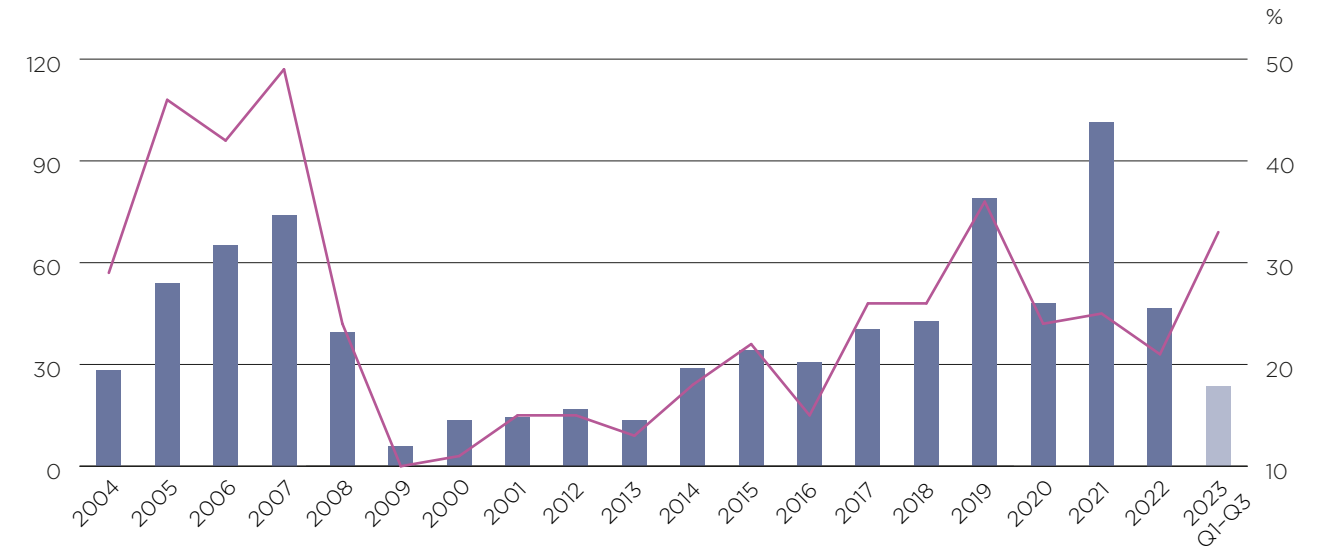
Commercial funds have been the largest net buyers since Q3 2022. The biggest (non-M&A) deal during Q3 2023 was conducted by NREP, which purchased two office properties in Stockholm and

Sundbyberg from Fabega. The deal amounted to SEK 3.4 billion. NREP has been an active buyer during the year and has completed a total of seven deals\* during the first three quarters. These deals totalled to SEK 15 billion\*\*, which corresponds to approximately 22% of the total transaction volume.

**34%**

Share of foreign investors Q1-Q3 2023

TRANSACTION VOLUME FOREIGN BUYERS PER Q3 2023 SEK billion, share %



\*Deals made by Invela, Altura and Logicens are included  
 \*\* Estimated by Savills Research



# Logistics real estate remains on investors' radars

The rapid repricing within the Swedish logistics sector can be attributed to the yield contraction observed between 2019 and 2022, as well as the sector's robust fundamentals, which continue to attract investors.

With an investment volume of SEK 12 billion, accounting for 17% of the total investment volume, the logistics and industrial sector has the third largest share in total investment volume during the first three quarters of 2023. The average deal size in 2023, for both logistics and industrial properties, totalled SEK 278 million, which is in line with the five-year average for the sector. The four largest transactions in 2023 were all portfolio transactions and accounted for SEK 4.4 billion, equivalent to 38% of the total investment volume in the sector. The average logistics deal size amounted to SEK 518 million, which can be compared to the preceding 10-year average of SEK 450 million.

International investors have steadily expanded their share in the Swedish investment market for logistics and industrial real estate. In 2022, foreign investors accounted for 35% of the investments in logistics and industrial properties. During the first three quarters of 2023, the share of foreign investors amounted to 60%.

**SEK 12 billion** **60%**

Investment volume Industrial & Logistics Q1-Q3 2023

Share of foreign investors within the sector Q1-Q3 2023

**TRANSACTIONS VOLUME INDUSTRIAL & LOGISTICS** SEK billion, share %



**NUMBER OF TRANSACTIONS INDUSTRIAL & LOGISTICS**



**“Despite rapid price fluctuations, transactions have continued in the Swedish logistics and industrial sector, demonstrating its resilience and a sustained confidence in its future outlook.”**

Marcus Kindbom, Joint Head of Valuation Savills Sweden

## Commercial funds are the most active buyers

As for the market as a whole, commercial funds are the primary net buyers in the Swedish investment market, and the logistics and industrial investment market is no exception. As shown in

the table below, unlisted property companies and developers remain the main net sellers. Developers have further established their position as net sellers, which is driven by the high volume of development that has taken place over the past years.

**NET BUYERS & SELLERS INDUSTRIAL & LOGISTICS SECTOR** incl. M&A-deals, SEK million







# THE SWEDISH LOGISTICS MARKET



# Sweden's logistics market overview

Sweden possesses the largest logistics market in the Nordic region. The country's central location and large economy have made it the preferred choice among international companies looking to concentrate their distribution and warehousing activities in Northern Europe.

## The Nordic Trade Triangle

One of the many strengths of the Nordic region is its well-established intermodal transport system that links the capital cities of each country together. This transportation system is known as the 'Nordic Trade Triangle' and includes infrastructure such as motorways, railway connections, airports, and ports. The trade triangle also provides a swift connection to the rest of continental Europe through the southern node of Sweden.

The infrastructure within the Nordic Trade Triangle holds a pivotal role in the strategic framework of the Nordic countries. This significance is emphasised by the fact that over 80% of Sweden's population and businesses are situated within this region.

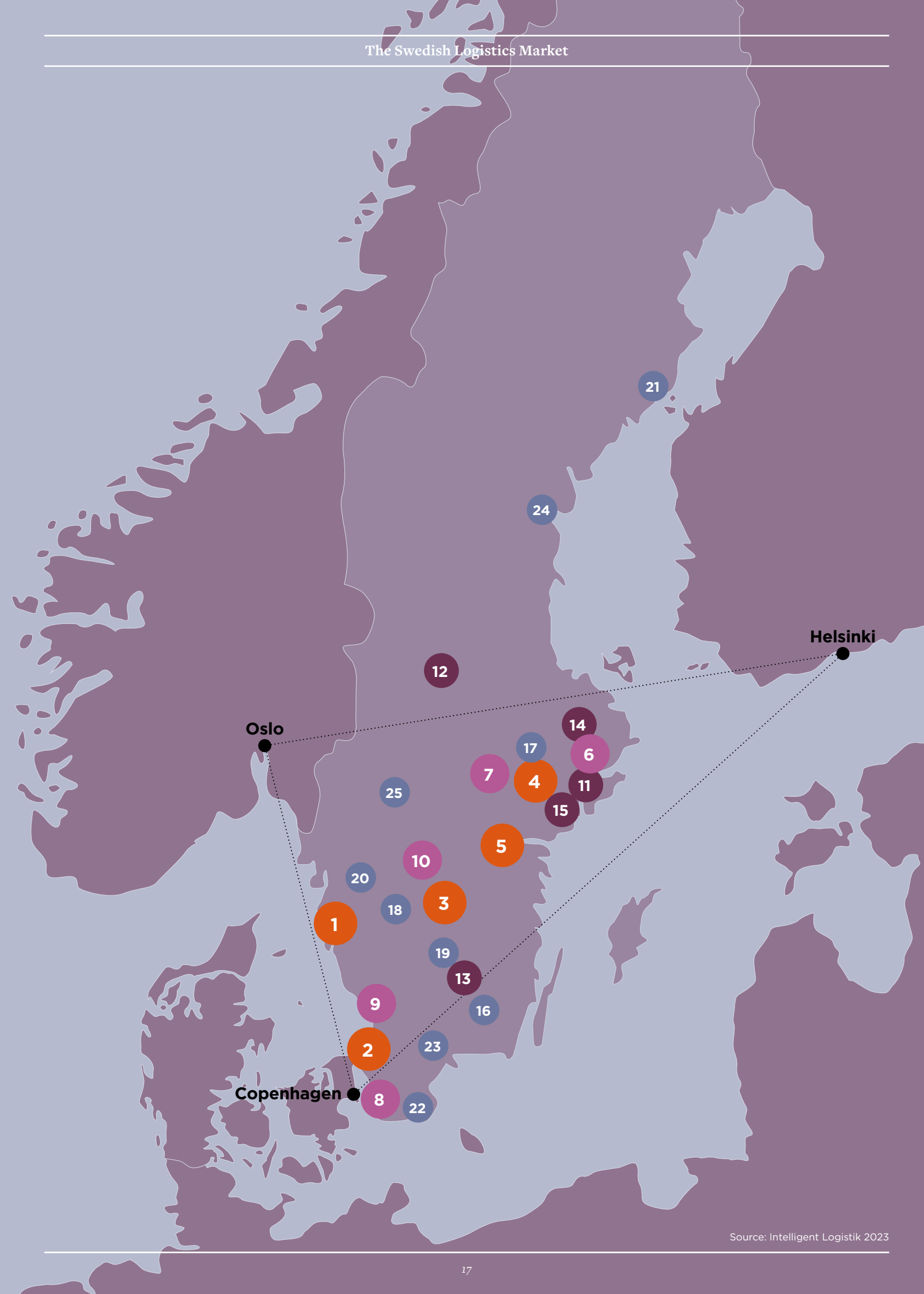
## Top Logistics Locations in Sweden

For logistics real estate, location is of particular importance. Various parameters determine the optimal location for a logistics property, such as proximity to consumer markets and labour. Since 2005, the trade magazine Intelligent Logistik annually lists Sweden's best logistics locations. Over the years, the list has grown from 15 to 25 locations, and the criteria have been added and refined to follow the trends that affect where new stock is located. The list combines strict criteria such as infrastructure, freight flows, land access, logistics stock, and establishments with softer values such as access to logistics expertise and a regional co-operation climate. As seen in the map to the right, central, and southern Sweden dominate the list.

## Sweden's Top 25 Logistics Regions 2023

1	Gothenburg region	●
2	Helsingborg region	●
3	Jönköping region	●
4	Eskilstuna region	●
5	Östgöta region	●
6	Stockholm North	●
7	Örebro region	●
8	Malmö region	●
9	Halmstad region	●
10	Skaraborg region	●
11	Stockholm South	●
12	Mid-Sweden	●
13	Växjö region	●
14	Uppsala region	●
15	Katrineholm region	●
16	South-East Sweden	●
17	Västerås region	●
18	Ulricehamn region	●
19	Värnamo region	●
20	The three city region*	●
21	Umeå region	●
22	Ystad region	●
23	North-East Skåne	●
24	Sundsvall region	●
25	Karlstad region	●

\*Sw: Trestadsregionen



Source: Intelligent Logistik 2023



### Sweden's modern logistics stock

Sweden's total modern logistics stock amounts to approximately 11,500,000 sqm, with the highest volumes located in Northern Stockholm, which has a market share of 14%. The Gothenburg region is the second-largest market with a 12% market share. Warehouse and distribution hubs are primarily concentrated in the southern regions, benefiting from a well-developed transportation infrastructure and ports that support international trade.

The demand for logistics properties has surpassed the supply in recent years, especially in southern and central Sweden due to their proximity to Sweden's major population centers and markets. Consequently, many logistics facilities have been developed along major highways connecting Stockholm, Gothenburg, Helsingborg, Malmö, and the Jönköping region.

Savills defines the modern logistics stock as properties with reference or construction years from 2007 and onwards.

Note that Savills Research's definition of which municipalities are included in the respective region, differs from Intelligent Logistik's definition.

	REGION	TOTAL STOCK	SHARE
1	Stockholm North	1,585,000	14%
2	Gothenburg	1,425,000	12%
3	Jönköping	1,355,000	12%
4	Helsingborg	1,026,000	9%
5	Eskilstuna	666,000	6%
6	Stockholm South	659,000	6%
7	Östgöta	617,000	5%
8	Borås	582,000	5%
9	Örebro	578,000	5%
10	Halmstad	551,000	5%
11	Malmö	542,000	5%
12	Västerås	339,000	3%
13	Uppsala	286,000	2%
14	Skaraborg	261,000	2%
15	Växjö	241,000	2%
16	South-East Sweden	165,000	1%
17	Mid-Sweden	140,000	1%
18	Nyköping	108,000	1%
19	Värnamo	91,000	1%
20	The three city region	87,000	1%
21	Ulricehamn	86,000	1%
22	Umeå	84,000	1%
23	North-East Skåne	38,000	0%
24	Karlstad	15,000	0%
25	Sundsvall	13,000	0%
27	Ystad	-	0%
	<b>Total</b>	<b>11,500,000</b>	







# Have we reached the peak for new logistics volume?

A major characteristic of the Swedish logistics market in previous years has been the strong demand for modern logistics properties among occupiers, driving construction activity to the high levels that can now be observed. However, the current struggles with increased construction costs, a wait-and-see attitude among investors and occupiers, and rising interest rates, should not go unnoticed.

## Construction activity remains at record highs

2022 was an historic year for logistics construction in Sweden, with a record of c. 1.4 million sqm of modern logistics being completed. Estimated completions of newly built stock in 2023 is currently set to be in line with last year, with an additional 1.4 million sqm being finished this year. Looking ahead, the pipeline for developments with estimated completion during 2024 currently contains c. 1.3 million sqm of new logistics space.

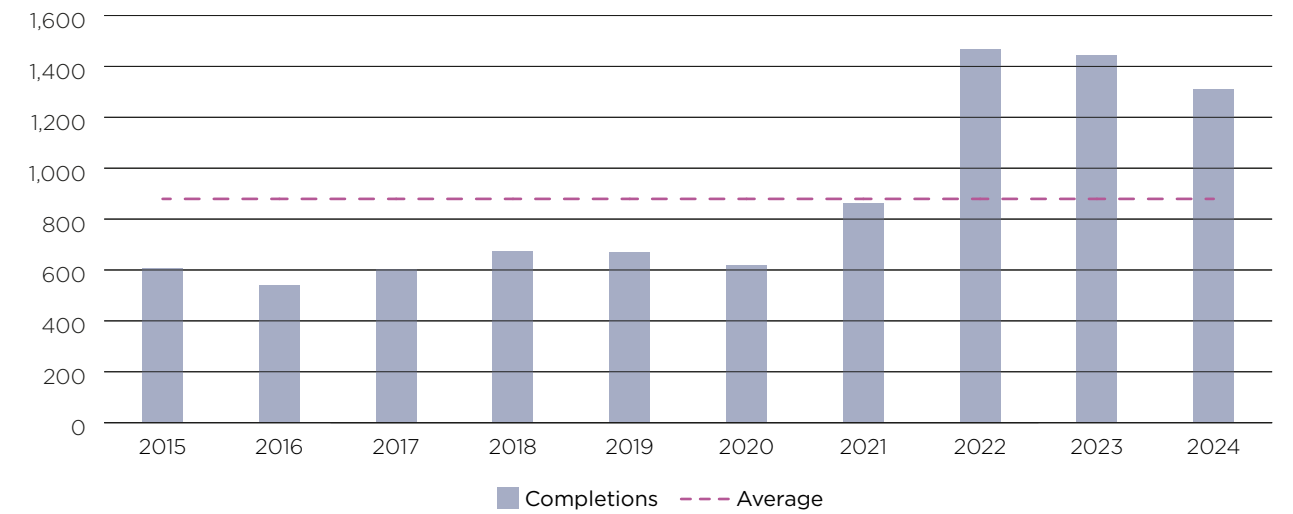
## Speculative development has increased

Speculative developments' share of the pipeline is at a record high, accounting for 46% of the total construction in 2023. This value is above the five-year average of 24%. The Stockholm region holds the largest share of the speculative stock for 2023, with 87% of the total completed stock

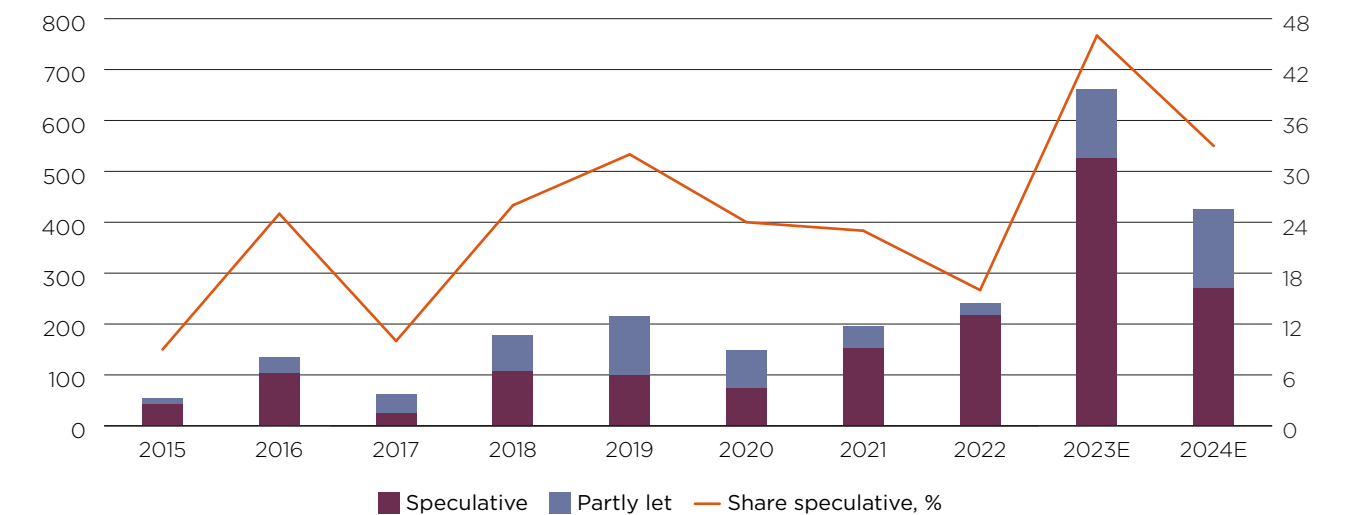
for the region being built speculative. In previous years, the share of speculative stock has been around 43% in Stockholm, expressed as a five-year average. The share of new developments built on a speculative basis in 2024 is expected to amount to 83%.

The high share of speculative developments in 2023 and seemingly in 2024, could indicate that there might be an upcoming over-supply of logistics space. The potential over-supply could stem from the previously experienced under-supply of modern logistic space, coupled with low vacancies from previous years, which has driven many developers to act simultaneously. This indicates that developers are building at a higher frequency than the current demand expressed by occupiers. Given the amount of speculative development coming to the market in 2023 and potentially in 2024, we might experience longer void periods for the new logistic spaces.

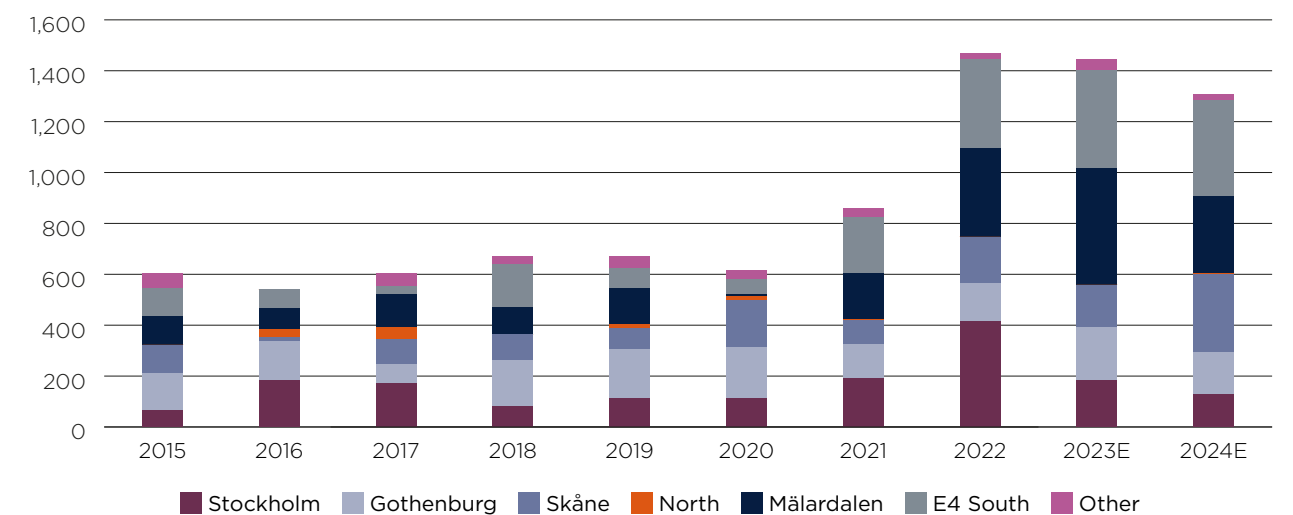
NEW DEVELOPMENTS OF WAREHOUSE & LOGISTICS PROPERTIES 5,000 SQM+ (000' sqm)



SPECULATIVE DEVELOPMENTS IN SWEDEN 5,000 SQM+ (000' sqm)



NEW DEVELOPMENTS PER REGION 5,000 SQM+ (000' sqm)





# A deeper look into the logistics vacancies in Sweden

The Swedish logistics market has been characterised by low vacancy levels and high construction activity, driven by demand for modern logistics space. Savills' latest vacancy study showcases that regions with higher volumes of logistics development also experience higher vacancy rate.

Savills has conducted an extensive research on the vacancy levels in Sweden's prime logistics regions. Vacancies have been measured for both modern and older logistics stock. Savills defines the modern stock as properties with reference or construction year from 2007 and onwards. Respective regions and their following vacancy levels are displayed in the table on page 23, expressed as values in both square metres (sqm) and percentages (%). Savills' vacancy study cover the prime logistics regions, constituting 85% of the total logistics stock in Sweden. The measurement is per year-to-date.

The study showcases that the current vacancy rate for the modern stock in Sweden's prime logistics regions is approximately 6.1%. When including the project developments that has not yet been pre-let with estimated completion in 2024, the theoretical vacancy rate is estimated to approximately 11.0%\*.

## Open vacancy levels vary across Sweden's logistics markets

Stockholm North and Gothenburg region, the two largest markets in Sweden in terms of stock, have current vacancy rates of 5% and 1% respectively. Jönköping, the third-largest region in terms of total market share, has an open vacancy of around 8%. In terms of older logistics stock, the Malmö and Helsingborg regions have the highest volumes of open vacancy. Vacancy in the old stock is expressed in square metres.

Stockholm North has the largest upcoming vacancy within the modern stock, totalling approximately 154,000 sqm. The Eskilstuna region (including Strängnäs) has the second-largest upcoming vacant space of around 91,000 sqm. The upcoming vacan-

cies are a combination of both speculative developments with completions in 2024 and modern space with tenants moving out during the same period.

## Higher development volumes might equate to higher vacancy levels

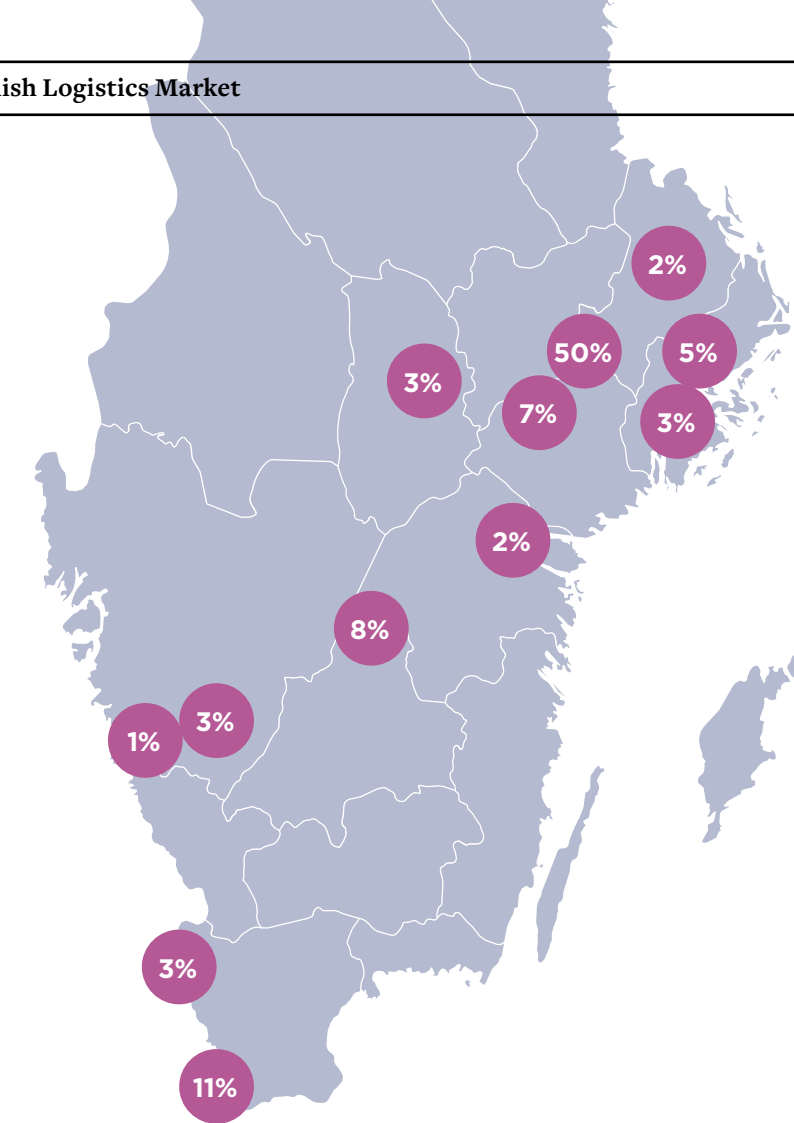
From the results of the vacancy study, there is a clear trend that regions with higher volumes of speculative logistic development, currently have high vacancy rates. Some vacancy is favorable and a noteworthy factor that contributes to diversity within the Swedish logistics market. The vacancy rates are also influenced by the varying levels of success that different municipalities achieve in facilitating land availability for development.

For example, three major projects recently completed in Enköping, make up 56% of the modern stock in *the municipality*. Given that these projects were built speculatively and remain vacant after completion, there is an overall high open vacancy level in the Enköping region (including the municipalities Köping and Västerås), totalling 50%. The high vacancy rate might be a short-term occurrence, as the region has not been a well-established logistics hub and has historically seen only limited development of modern stock. As occupiers expand their footprint across Sweden, the region could become a more attractive choice for expansion. Indeed, an acute shortage of old logistics stock shows that the area would otherwise be significantly under-supplied.

The Malmö region has the second largest open vacancy, amounting to around 11%. The high vacancy is a combination of tenants moving out from modern facilities and speculatively built projects that has not yet been let.

**“A great amount of speculative developments completed in 2023 and early 2024, are found in Stockholm North and Mälardalen. These markets will remain appealing for occupiers, even though the timeline for achieving full occupancy may surpass the initial expectations.”**

Magnus Pettersson, Senior Advisor Industrial & Logistics Leasing, Savills Sweden



VACANCY (YTD)	OPEN (%)	OPEN (sqm)		UPCOMING (sqm)	
		Modern	Old	Modern	Old
<b>Stock</b>					
<b>Enköping region</b>	50%	170,000	-	37,000	-
<b>Malmö region</b>	11%	62,000	136,000	30,000	37,000
<b>Jönköping region</b>	8%	112,000	43,000	21,000	42,000
<b>Eskilstuna region</b>	7%	44,000	5,000	91,000	-
<b>Stockholm North</b>	5%	79,000	13,000	154,000	57,000
<b>Borås region</b>	3%	18,000	23,000	-	5,000
<b>Stockholm South</b>	3%	20,000	15,000	47,000	8,000
<b>Helsingborg region</b>	3%	29,000	89,000	46,000	-
<b>Örebro region</b>	3%	15,000	6,000	20,000	-
<b>Östgöta region</b>	2%	15,000	23,000	-	10,000
<b>Uppsala region</b>	2%	6,000	-	-	9,000
<b>Gothenburg region</b>	1%	18,000	55,000	68,000	-

## DEFINITIONS

**Open/current vacancy** - all available space in buildings that are included in the current modern stock

**Upcoming/future vacancy** - all space in buildings that are included in the current modern stock that will become available up until 2024

## DISCLAIMER

Savills' vacancy study is based on the collection of data from public sources, advertisements, and communication with property owners. Savills Research has conducted a comprehensive analysis of vacancies in prime logistics locations in Sweden, however, it's possible that slight variations in actual vacancy rates may occur.

\*Excluding BTS-projects

Source: Savills Research

# The award for fastest re-pricing goes to logistics

The European logistics sector was the quickest to re-price after the market slowdown in 2022. Yields adjusted more than the other sectors, by 90 bps on average across Europe since the peak in Q1 2022.

The fast yield adjustment in Europe only partly compensates for the sharp yield contraction recorded between 2019 and 2022 (-112 bps). This, along with the strong fundamentals of the sector that continue to attract investors, explains the rapid adjustment of the market. In Q4 2023, Savills expect prime logistics yields to reach approximately 4.90% on average across Europe.

## Sweden does not differ from the rest of Europe

Strong market fundamentals between 2017 and early 2022 drove significant yield compression in Sweden over the period, with prime logistics yield falling from 5.25% to 3.40% (average annual decrease of 45 bps).

Compared to other sectors, the prime logistics yield in Sweden was also the quickest to adjust to the new environment with higher interest

rates and a higher cost of debt. As of Q3 2023, the prime logistics yield is estimated at 4.95%, reflecting an increase of 155 bps since Q1 2022.

## Positive rental development in recent years

Historically, logistics rents in Sweden have been stable, despite the high level of new development. The stable rental levels were primarily driven by a significant increase in competitiveness between developers, lowered building costs, and underlying assumptions regarding exit yield. Between 2015 and 2019, the prime logistics rent amounted to SEK 950 per sqm. Since 2020, the prime rent has increased by 16% in the most sought-after and supply-restricted logistics markets.

As of Q3 2023, the prime logistics rents in Sweden are SEK 1,100 per sqm. In the Gothenburg and Malmö regions, the prime logistics rent is estimated at SEK 900 per sqm. In other regional cities (prime logistics areas), the prime rent is estimated to be SEK 750 per sqm.

## Inflation-hedged rental system

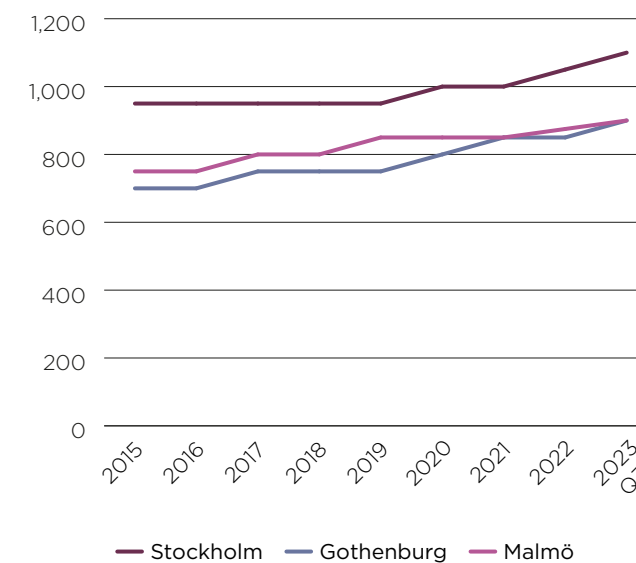
The most common way to index lease agreements for different European countries per sector is using an inflation-hedged rental system. In Sweden, the vast majority of commercial real estate rental contracts are CPI-linked; this indicates an inflation hedge for Swedish property owners. Usually, the logistics and industrial rental agreements are linked 100% to CPI, which, during times of high inflation, is beneficial for the property owners.

**“The Swedish logistics sector underwent a rapid repricing, with yields adjusting more swiftly than in other sectors, a trend also observed across Europe.”**

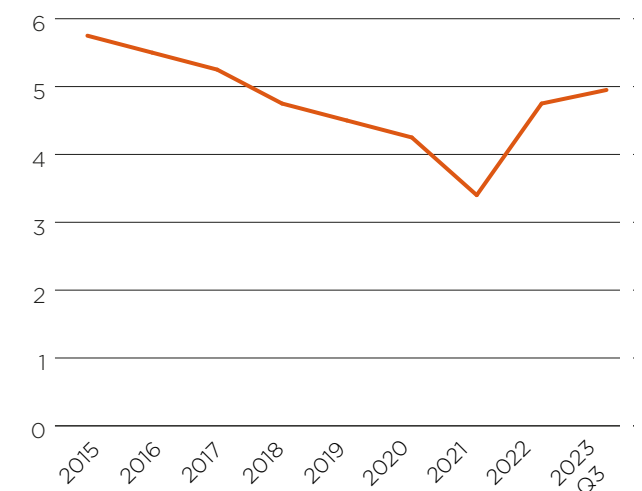
Jakob Dingertz, Director Investment Savills Sweden



PRIME LOGISTICS RENTS SEK/sqm



PRIME LOGISTICS YIELD IN SWEDEN %





# Online or Offline: Is there a trend shift on the rise for ecommerce?

Ecommerce is one of the main driving forces for the logistic market. During the pandemic, many households opened their doors to ecommerce for the first time, and the market experienced record sales growth. This has not been the case over the last 18 months.

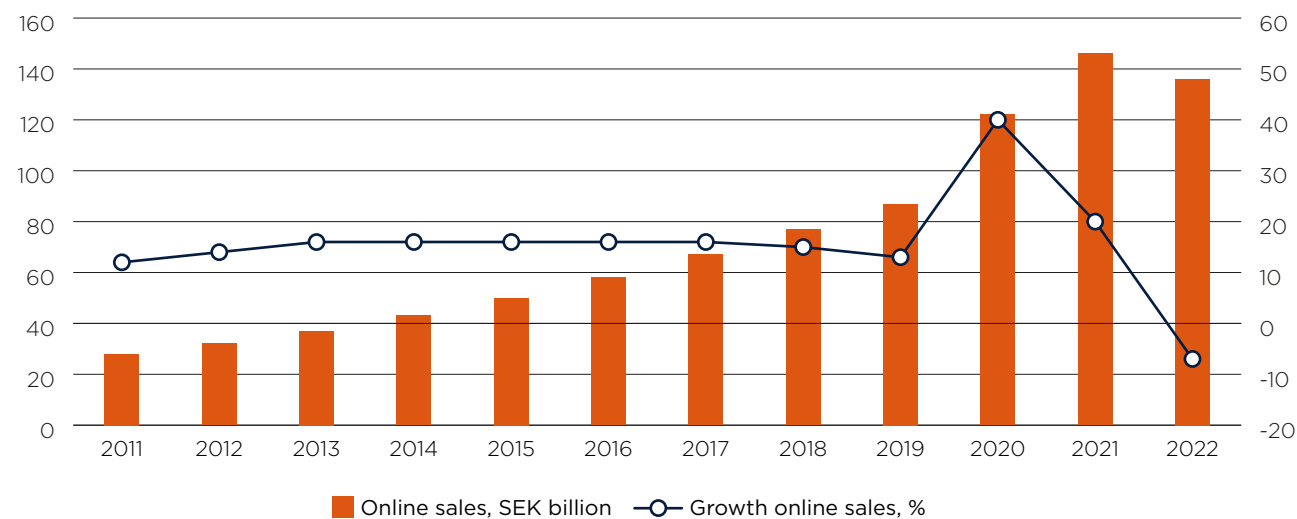
## Ecommerce sales in Sweden decline in 2023...

Historically, taking a broader look into how online sales have developed throughout the years, 2022 was the second-highest year of online sales turnover, amounting to SEK 136 billion, after 2021, which had an online sales turnover of SEK 146 billion.

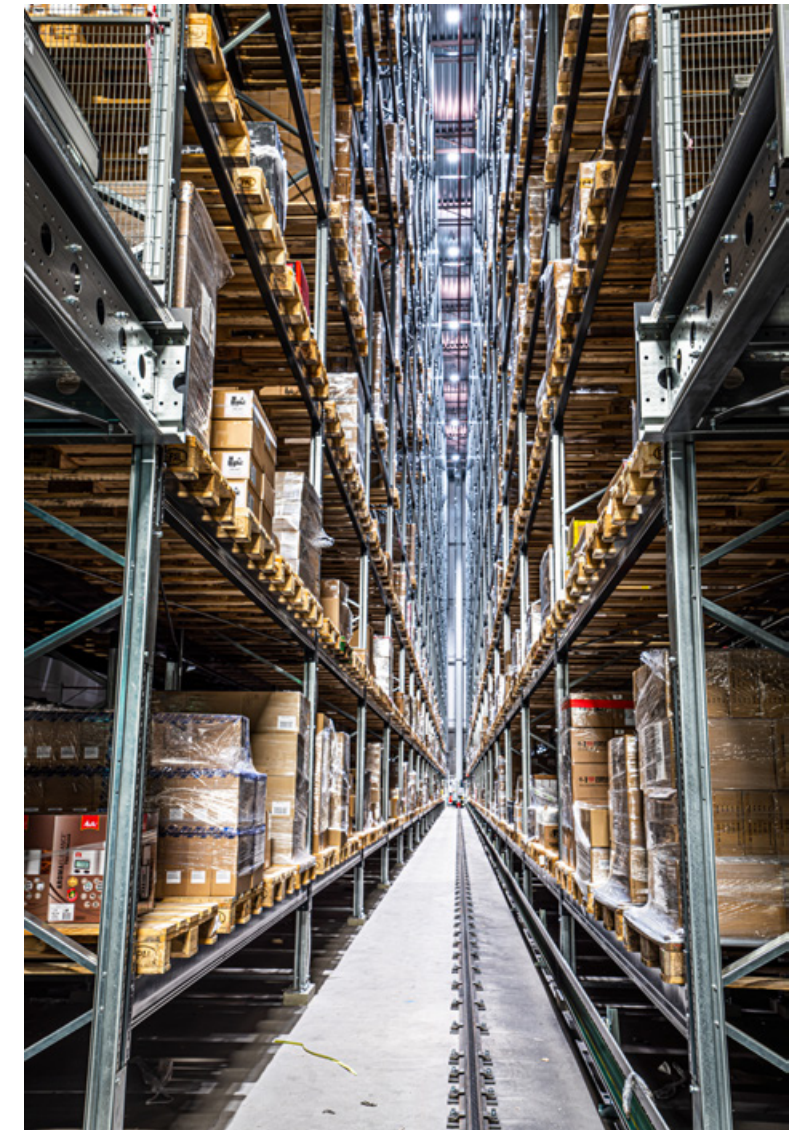
Postnord noted in their latest E-barometer report that 2022 was the first year that ecommerce sales turnover recorded negative development since they initiated their E-barometer in 2006, which was driven by an end to Covid-era restrictions. As of August, ecommerce has seen a negative trend in Sweden, where online sales overall have decreased in six out of eight months in 2023, corresponding to a decrease of 4%.

During spring 2023, a new index was launched by industry associations in the transport industry. The index, Parcel Index (*Sw. Paketindex*), includes the development of the ecommerce parcel market in Sweden. The latest report shows that during Q1 2023, the amount of ecommerce packages increased by 3.1% compared to the same quarter in 2022. A total of 47.9 million packages were sent from ecommerce to private individuals. However, the parcel volume has been decreasing since 2022, indicating that consumers are choosing to buy cheaper goods rather than refraining from shopping online.

ONLINE RETAIL SALES SWEDEN SEK billion, %



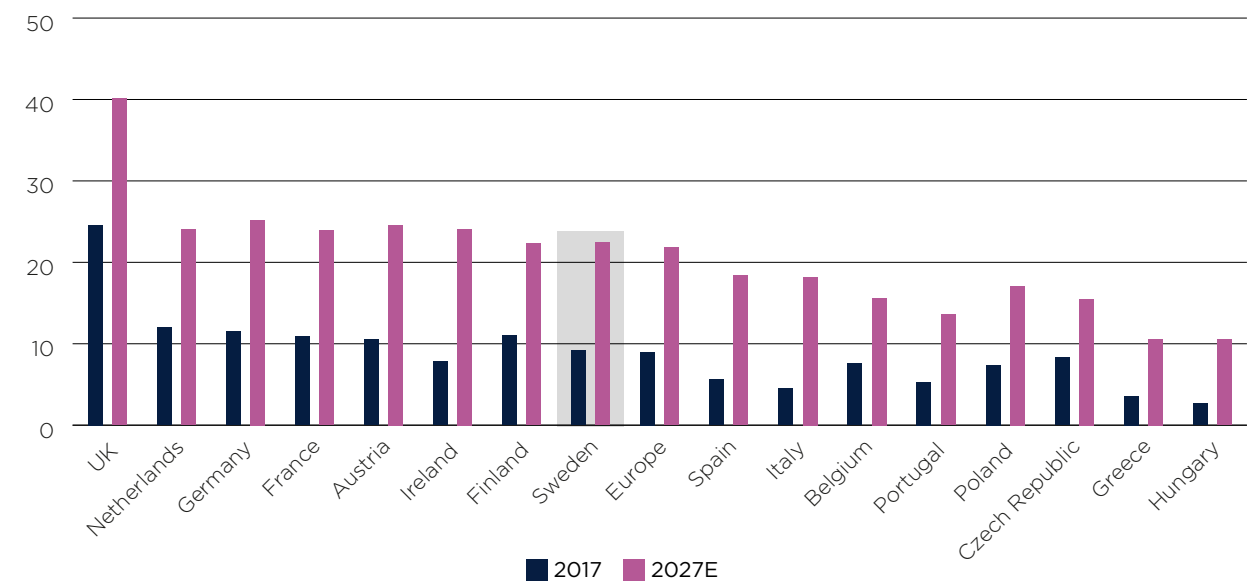
Source: Statista, HUI, Svensk Handel, E-Barometern, Handelsfakta, The Swedish Post and Telecom Authority, Savills Research



## ... but is expected to rise in the future

As 2023 has progressed negative economic prospects and a cost-of-living crisis has eaten into overall retail demand. In the short-run this is likely to cause some pain for 'e-tailers' who over-expanded during the pandemic. The reality is that ecommerce as a trend is here to stay due to demographic effects: younger generations more likely to shop online in the future than older generations and as more younger consumers enter the workforce and see their disposable incomes rise, this will naturally lead to growth in ecommerce. In the interim we would not expect to see significant expansion from online retailers in Q4 2023 or 2024 until there is a significant and sustained improvement in the broader economy. According to Statista, the market penetration of ecommerce in Sweden is expected to grow at an annual growth rate of around 8.7% between 2023-2027.

ONLINE MARKET PENETRATION 2017-2027E, share %





# Artificial Intelligence: On the road to revolutionising the logistics real estate market

AI-generated picture, Adobe Stock

Since the spectacular advancements in artificial intelligence and the latest breakthrough of the AI chatbot ChatGPT, artificial intelligence is gaining a larger market presence. Various industries are implementing AI-technologies to help with efficiencies and not the least in commercial real estate where AI is making a significant impact.

## Main considerations for implementing artificial intelligence in your daily operations

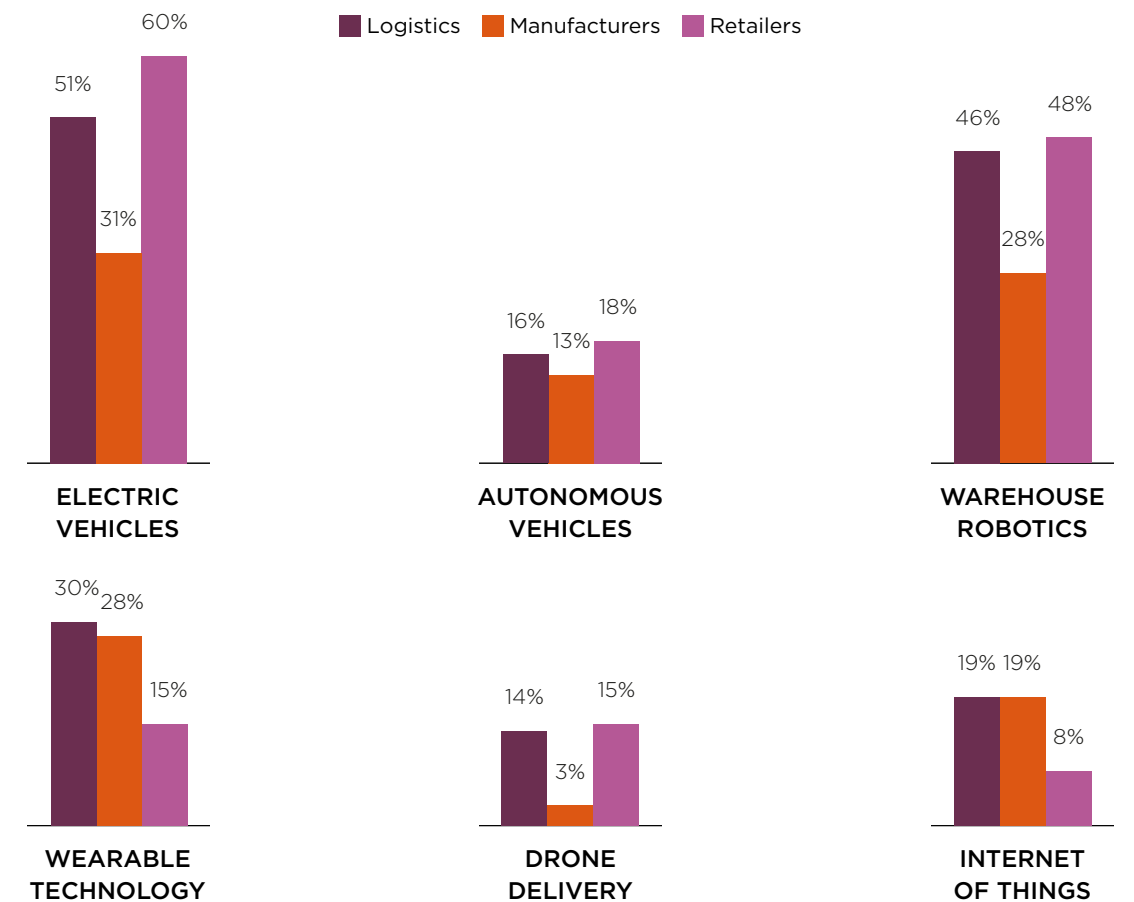
Faced with a highly unpredictable environment, occupiers' supply chains are experiencing and recognising the potential of digital transformations brought by AI. The European Research team at Savills has highlighted some key applications of AI in supply-chain and logistics management for occupiers.

AI-based technology can be used in the forecasting and predicting demand. By analysing market trends, weather conditions, historical sales data, and random external disturbances, AI can enhance occupiers' inventory planning and restocking. AI-based technology can also aid predicting maintenance needs by monitoring facilities and

equipment in real-time, helping to mitigate possible disturbances and issues in the daily workflow before they occur. Additionally, AI-technologies offer real-time visibility into the entire supply chain process enabling the identification of potential bottlenecks or delays and allowing companies to take proactive steps.

Automation, optimisation, and transportation for warehouses are also on the rise due to significant developments in AI. This includes technologies such as robots, drones, forklifts, trucks, and more. In the latest Savills Research study, occupiers were asked about the increased efficiency in their supply chain operations and which technologies they have adopted or invested in. The table below showcases which technologies occupiers are implementing in their own supply-chains by occupier type.

## Share of occupiers that have invested in different supply chain technologies over the past 12 months





# SAVILLS OCCUPIER SURVEY



# The Swedish logistics market from occupiers' perspective

To determine the status of logistics occupiers, Savills Research conducted an extensive survey. Results show that rising rents, reduced access to labour, and changes in international trade are significant concerns for occupiers. What is considered imperative in new establishments is access to highways and a capable workforce. Rental discounts, flexible lease terms, and rental contracts lasting 3-7 years are also preferred.

Understanding occupiers' intentions and gaining insights into occupiers key challenges and opportunities is crucial for any property owner. Therefore, Savills Research conducted a comprehensive logistics occupier survey. Presented in the following chapter is an overview of the questions. The survey consisted of seven different categories, with 3-6 questions in each. The categories and their respective questions varied from topics such as expansion plans, sustainability, and lease agreements, etc.

In total, 32 key occupiers in the Swedish market participated in the survey, comprising Logistics operators (47%), Retail and Wholesale (31%), and Industrial occupiers (22%). 56% of the respondents were Swedish headquartered occupiers, and 44% were international occupiers. The occupiers who participated in the survey were on average larger in terms of revenue. A total of 66% of the respondents reported revenue of at least SEK 500 million in 2022. Among these, 44% of the respondents stated that their company generated revenues of more than SEK 2,000 million in 2022.

## WHICH OCCUPIER CATEGORY DO YOU BELONG TO? Share of responses, %



- Logistics operator: 47%
- Retail and wholesale: 31%
- Industrial: 22%



# 1.

## Expansion plans

Regarding occupiers' plans to expand their operations, 35% responded that they are planning expansion. Of the respondents with ongoing expansion plans, logistics operators were the primary occupiers who answered affirmatively. Regarding location, 44% of participants identified Mälardalen as their primary target for expansion, and 22% selected Greater Stockholm as their main target. Approximately 11% of the respondents have plans to expand outside of Sweden. Among those planning expansion, 44%

stated that they intend to establish a presence in non-traditional logistics hubs.

**“The logistics industry displays substantial variations in vacancy rates among different regions and cities. Concurrently, mid-sized 3PL-firms are contacting us seeking help to attract additional customers or tenants in larger cities with significantly lower vacancy rates.”** says Kristian Sundborn, Senior advisor Industrial & Logistics Leasing Savills Sweden

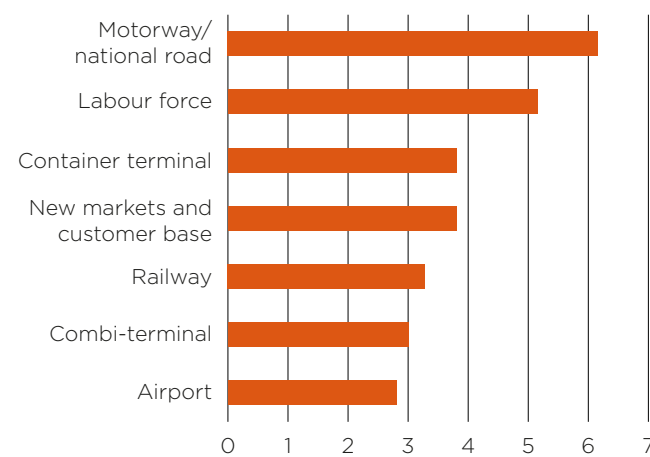
# 2.

## Factors that are most important for new establishments

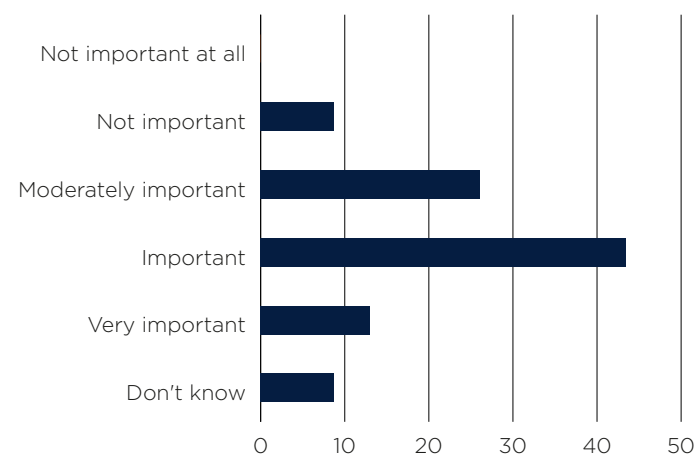
Savills' survey results suggest that the most important factor when establishing new markets is access to a highway. The second most important

factor is access to a vast and capable workforce. What respondents ranked as least important in new establishments is access to an international airport.

**WHICH ARE THE MOST IMPORTANT FACTORS WHEN CONSIDERING NEW ESTABLISHMENTS?**  
(Score 1-7, where 7 is most important)



**HOW CRUCIAL IS IT TO BE ABLE TO INCREASE OR DECREASE LET AREA IN NEW ESTABLISHMENTS?** Share of responses, %



# 3.

## Reputation, long-term ownership and built in energy solutions are paramount for occupiers

It has become increasingly important for occupiers that the developer or property owner has a good and well-established reputation. A total of 81% of the respondents answered that the reputation of the owner is imperative, and 74% of the respondents also indicated that the owner's long-term perspective on property ownership is

important. In terms of built-in energy solutions and technology to aid the occupier in their daily operations, 85% of the respondents have expressed the importance of pre-installed energy solutions such as solar panels, and 70% emphasised the paramount need for battery stations.

# 4.

## Sustainability remains an ambition

With volatile energy and fuel prices, companies have become more focused on advancing sustainability efforts. Occupiers were asked whether their businesses have time-based sustainability goals, and 56% of the respondents stated that they do.

When ranking how important sustainability is for the occupiers' business in new establishments, 85% expressed that the aspect is important or very important. Regarding improving the sustainability standards of a facility through tenant improvements, 41% answered that this would be a plausible course of action.

From a rental perspective, 48% of the respondents claimed that they would accept higher rents for a green-certified facility. Concurrently, 41% of the respondents expressed that they would require a rental discount if the facility did not meet sustainability standards or requirements.

**“ESG regulations pose a two-fold role for landlords, representing both a challenge and an opportunity. Landlords who prioritise adapting to evolving occupier demands and emphasise quality will reap the benefits”** says Lena Sylvén, Joint Head of valuation Savills Sweden

**ARE YOU WILLING TO PAY A HIGHER RENT FOR A CERTIFIED FACILITY?** Share of responses, %



Yes: 48%  
No: 30%  
Don't know: 22%



## 5.

### The CPI-indexation

74% of the respondents expressed that they have been affected or moderately affected by rising rent. Results from Savills survey indicates that 78% of participants reported the majority of their rental contracts are CPI-indexed. However, a closer

examination reveals that only 43% confirmed their rental contracts were fully CPI-indexed in 2022. This suggests some leniency on the contracted lease terms after agreements were made with the property owners.

## 6.

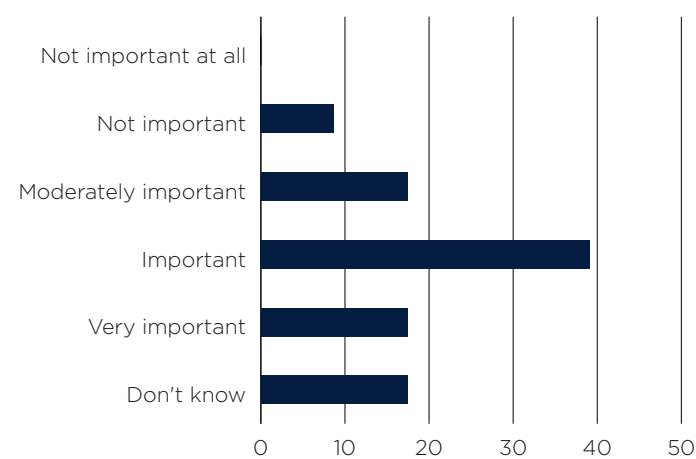
### Discounts and flexible lease agreements are favoured

56% of the respondents expressed that a rental discount was important or very important when signing new leases. The flexibility of being able to increase or decrease logistics space in new establishments is also deemed important to the majority of the occupiers.

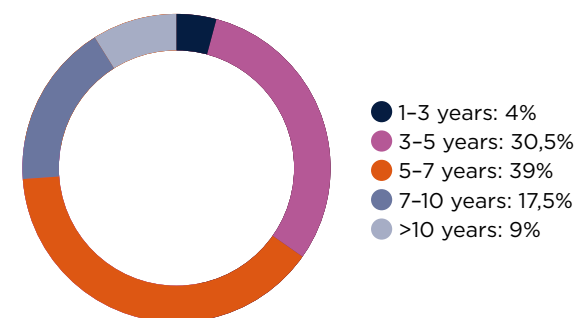
The preferred lease length for new rental contracts falls within the range of 3-5 and 5-7 years,

with approximately 70% of the respondents favoring these lease durations. Only 9% of the respondents expressed a preference for ten-year lease or more when signing a new rental contract. 78% of the respondents also expressed that their average lease length has not been shortened over the past five years.

**HOW IMPORTANT ARE RENTAL DISCOUNTS WHEN SIGNING A NEW LEASE?** Share of responses, %



**WHAT IS YOUR PREFERRED LEASE LENGTH?** Years



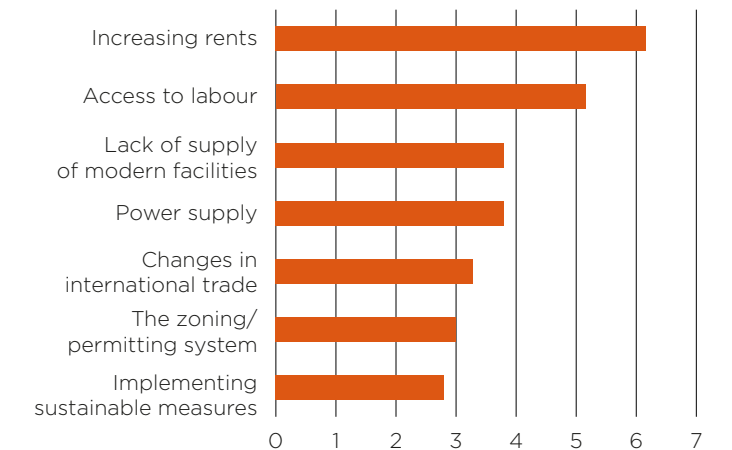
## 7.

### Occupiers' concerns

Rising rents and reduced access to labour are the biggest concerns for occupiers. Changes in international trade closely follow as a primary concern, and this could indicate that more occupiers are considering re-shoring their manufacturing to more advantageous locations in the future. This would be a positive development for developers, as re-shoring would increase the demand for additional logistics space.

Furthermore, the lack of modern buildings and an efficient power supply are also key considerations. However, achieving the business's sustainability goals remains a lower priority among occupiers' concerns.

**WHICH FACTORS ARE YOU MOST CONCERNED ABOUT?** (Score 1-7, where 7 is most important)





## Authors

### RESEARCH



**Maryrose David**  
Head of Research  
Savills Sweden  
+46 73 634 51 13  
maryrose.david@savills.se



**Miranda Jenkins**  
Research Analyst  
Savills Sweden  
+46 73 8448 03 17  
miranda.jenkins@savills.se



**Kevin Mofid**  
Head of EMEA Logistics Research  
Savills UK  
+44 203 618 36 12  
kmofid@savills.com



**Andrew Blennerhassett**  
UK & EMEA Logistics Research  
Analyst, Savills UK  
+44 7977 149 770  
andrew.blennerhassett@savills.com

### VALUATION



**Lena Sylvén**  
Joint Head of Valuation  
Savills Sweden  
+46 70 358 33 07  
lena.sylvén@savills.se



**Marcus Kindbom**  
Joint Head of Valuation  
Savills Sweden  
+46 70 873 76 83  
marcus.kindbom@savills.se



**Rickard Carls**  
Associate Director Valuation  
Savills Sweden  
+46 76 946 81 00  
rickard.carls@savills.se

### AGENCY



**Rikard Lindkvist**  
Head of Industrial & Logistics  
Leasing, Savills Sweden  
+46 76 894 45 91  
rikard.lindkvist@savills.se



**Magnus Pettersson**  
Senior Advisor Industrial &  
Logistics Leasing, Savills Sweden  
+46 72 244 32 39  
magnus.pettersson@savills.se



**Kristian Sundborn**  
Senior Advisor Industrial &  
Logistics Leasing, Savills Sweden  
+46 70 340 80 65  
kristian.sundborn@savills.se

### INVESTMENT



**Carolina Herling**  
Head of Investment  
Savills Sweden  
+46 73 600 17 91  
carolina.herling@savills.se



**Jakob Dingertz**  
Director Investment  
Savills Sweden  
+46 73 149 84 21  
jakob.dingertz@savills.se





**Savills Research** We provide bespoke services for landowners, developers, occupiers and investors across the lifecycle of residential, commercial or mixed-use projects. We add value by providing our clients with research-backed advice and consultancy through our market-leading global research team.

Savills plc: Savills plc is a global real estate services provider listed on the London Stock Exchange. We have an international network of more than 600 offices and associates throughout the Americas, the UK, continental Europe, Asia Pacific, Africa and the Middle East, offering a broad range of specialist advisory, management and transactional services to clients all over the world. This report is for general informative purposes only. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent. While every effort has been made to ensure its accuracy, Savills accepts no liability whatsoever for any direct or consequential loss arising from its use. The content is strictly copyright and reproduction of the whole or part of it in any form is prohibited without written permission from Savills Research.