Swedish Real Estate

Strong financing climate in an uncertain environment

16 Sep. 2025

Gustav Nilsson
Credit Rating Analyst

Elisabeth Adebäck
Credit Rating Analyst

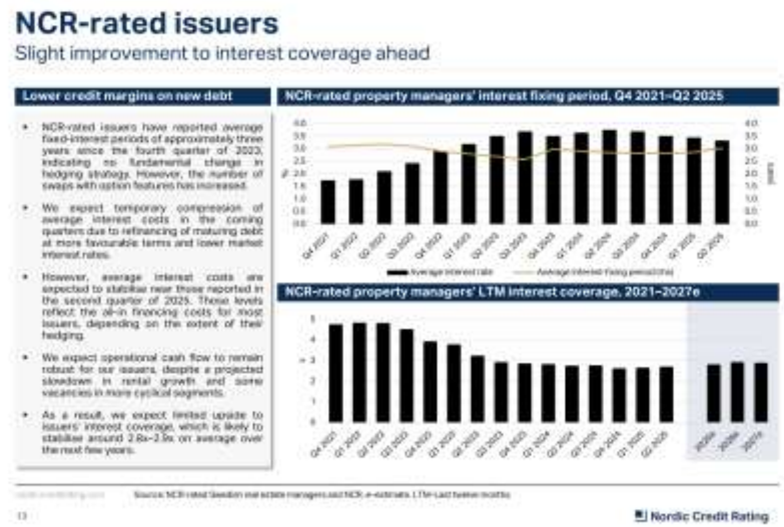
nordiccreditrating.com

Executive summary

Financing conditions to remain strong

Lower credit margins on new loans expected to improve interest coverage

- Financing conditions are expected to remain strong despite the uncertain macroeconomic environment, with credit margins on borrowings in some cases being lower than prior to the announcement of US tariffs.
- We expect limited upside to interest coverage, reflecting our outlook for modest rental growth and stable market interest rates. Improvements to interest coverage expected to be driven by lower credit margins on new loans.
- Transaction volumes are expected to increase. Project activity is likely to remain limited outside of community service and logistics subsectors.
- Early indications of increased search activity among prospective tenants in more cyclical segments could lead to a more visible recovery in net letting by year-end 2025.
- However, we expect some short-term negative impact on occupancy, and that rental levels may be adjusted to reduce vacancies, which could weigh on rental growth.
- While we expect a recovery in the broader real estate sector, we believe community service properties and residential properties face lower downside risk to income streams and more favourable growth trajectory.



Nordic Credit Rating

NCR public real estate ratings

Detailed public real estate ratings[1)]

Issuer	BANE NOR EIENDOM	VACSE	Axfast	CATENA	Heba	INTEA	STENVALVET	Bonnier Fastigheter	SP	[illegible]	OBOS	platzer	STENHUS	STENDÖRREN
Long-term rating	A	A-	BBB	NR (BBB)**	BBB	BBB	BBB	BBB-	BBB-	BBB-	BBB-	BBB-	BB	BB
Outlook	Stable	Stable	Stable	-	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable
Business risk assessment	bbb+	a-	bbb-	-	bbb+	a-	bbb+	bbb-	bbb-	bbb-	bb+	bbb-	bb+	bb+
Primary property type(s)	Public	Public	Office	Logistics	Residential	Public	Public	Office	Residential	Retail	Retail	Office	Retail & Industrial	Logistics
Portfolio size (SEKbn)	28.1*	11.0	25.6	-	14.0	25.4	16.2	20.1	15.7	21.4	16.9*	29.6	13.6	15.2
Avg. remaining lease term (yrs)	5.8	9.2	4.9	-	-	8.1	4.7	2.6	2.6	5.3	5.1	4.0	6.1	4.2
Financial risk assessment	bbb	bbb+	bbb+	-	bb+	bb+	bbb-	bbb-	bb+	Bbb	bb+	bb+	b+	b+
EBITDA/ net interest (x)	2.2	4.7	2.6	-	2.4	2.4	2.6	2.2	3.1	3.0	2.1	2.4	2.0	1.8
Net debt/ EBITDA(x)	11.9	7.6	10.8	-	16.5	11.4	10.3	13.9	12.2	9.5	13.3	11.0	10.4	11.8
Net LTV (%)	42.3	30.8	31.9	-	46.8	46.9	48.7	43.6	46.0	52.2	42.1	49.6	53.6	54.7

1) As of 16 Sep. 2025. All metrics adjusted in line with NCR methodology. *NOKbn. **Catena's rating was affirmed and withdrawn on 28 Feb. 2025.

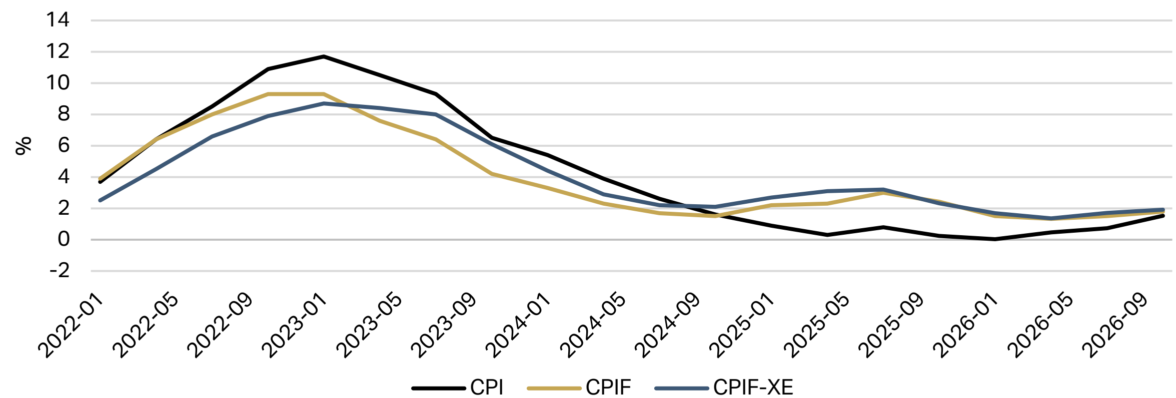
Macroeconomy

Disinflation supports stabilisation of policy rates

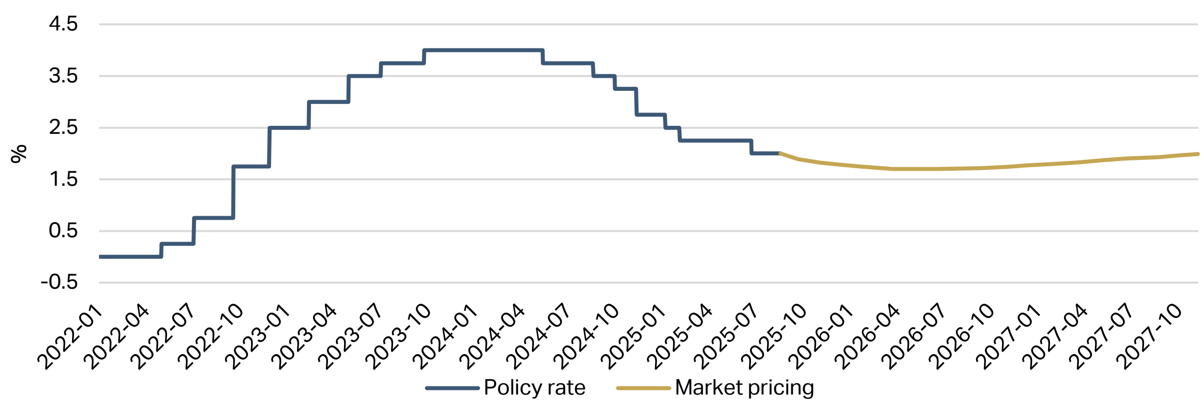
Limited upside to cash flows

- Inflationary pressures have eased, reflecting a weaker economy, a stronger Swedish krona, and cautious household spending.
- The volatile global macroeconomic environment is likely to persist, potentially affecting demand, investment and purchasing power negatively.
- US tariffs expected to have limited impact on Swedish inflation. However, potential redirection of goods from other continents with increased price competition could result in disinflation and weaker economy.
- Macroeconomic uncertainty is expected to negatively affect demand in more cyclical property segments in the short term, impacting rental levels and occupancy. Signs of recovery may emerge by year-end 2025, with the economy expected to strengthen in 2026.
- We expect lower inflation to limit rental growth from CPI-indexed contracts.
- Interest rates are expected to remain near current policy levels, limiting potential improvements in issuers' interest coverage.

Swedish inflation statistics, 2022–2026e



The Swedish central bank policy rate, 2022–2027e



Source: SCB, Konjunkturinstitutet, the Swedish central bank, SEB and NCR. CPI–Consumer price index. CPIF–Consumer price index with fixed interest rates. CPIF-XE–Consumer price index excluding energy with fixed interest rates. e–estimate.

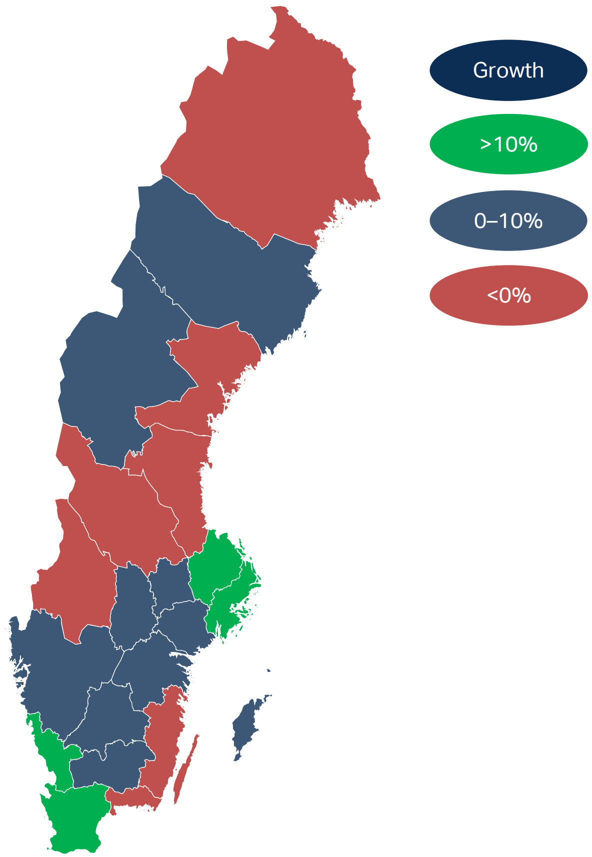
Demographic trends Sweden

Demographic development set to impact demand for elderly care facilities

Ageing population shifts demand

- Sweden's population is projected to increase by 7.3% in total between 2024 and 2050, with the highest growth anticipated in Stockholm, Uppsala, Halland, and Skåne.
- However, growth is primarily driven by an ageing population. The number of people over 64 is projected to rise by 28% by 2050.
- At the same time, the population under the age of 15 is expected to decline by 1%, while the 15–64 age group is projected to increase by 3%.
- We expect the demographic shift to drive higher demand for elderly care and healthcare facilities, supporting rental rates and occupancy levels.
- In most counties, demand for preschools and school facilities may decline and some facilities may need to be repurposed.
- In our view, larger Swedish cities and their surrounding areas have stronger foundations for long term demand across most property types, supported by higher population density and growth.

Population projection growth by Swedish county, 2024–2050e



County	Growth, % (total)	Growth, % (>64 years)
Uppsala	18.9	38.8
Stockholm	11.5	53.3
Halland	11.0	33.5
Skåne	11.0	35.9
Västra Götaland	8.6	28.7
Södermanland	7.3	25.9
Västerbotten	6.2	12.9
Västmanland	6.0	23.2
Östergötland	5.8	23.2
Örebro	5.5	19.9
Gotland	5.2	14.7
Jönköping	4.6	20.9
Kronoberg	4.3	18.3
Jämtland	2.7	7.6
Värmland	-0.3	7.4
Kalmar	-0.9	9.7
Dalarna	-3.2	5.2
Gävleborg	-3.4	6.5
Blekinge	-4.3	9.6
Norrbotten	-6.9	-2.2
Västernorrland	-7.9	1.0
Sweden total	**7.3**	**27.9**

Source: SCB and NCR. e–estimate.

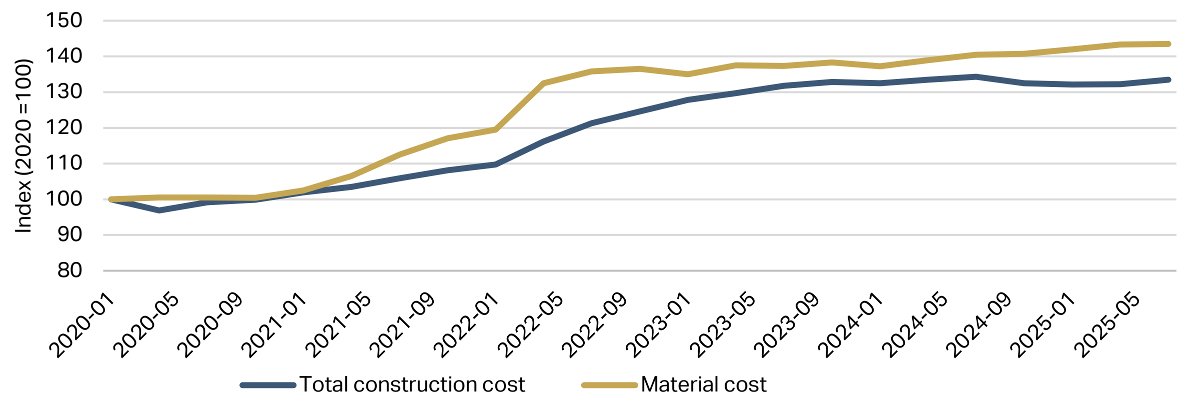
Residential

From shortage to oversupply?

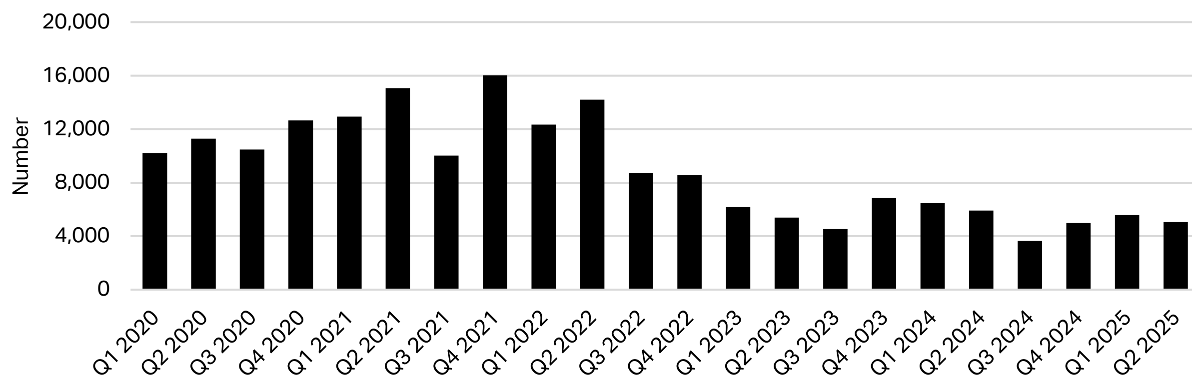
Existing stock positioned for growth

- Since 2020, total construction costs have increased by approximately 33%, while material costs have risen by about 44%. The sharp rise in costs has resulted in new builds commanding significantly higher rents to be profitable.
- Although the national supply of rental apartments is trending towards a deficit, companies report longer lead times for finding tenants for new builds. This is because rental levels exceed a large share of prospective tenants' willingness to pay, contributing to the lowest number of construction starts in ten years.
- We expect higher prices for new builds and reduced demand for these units to support demand for existing apartments.
- This has led many companies to prioritise upgrading existing apartment stock over investing in new builds, as renovations typically offer higher returns. After renovation, rental rates remain competitive with new builds.
- We continue to view the residential segment as strong, despite a shortage of affordable residential properties.

Construction cost development, 2020–Jul. 2025



Construction starts in Sweden, 2020–Q2 2025



Source: company reports, SBAB, Public Housing Sweden and NCR.

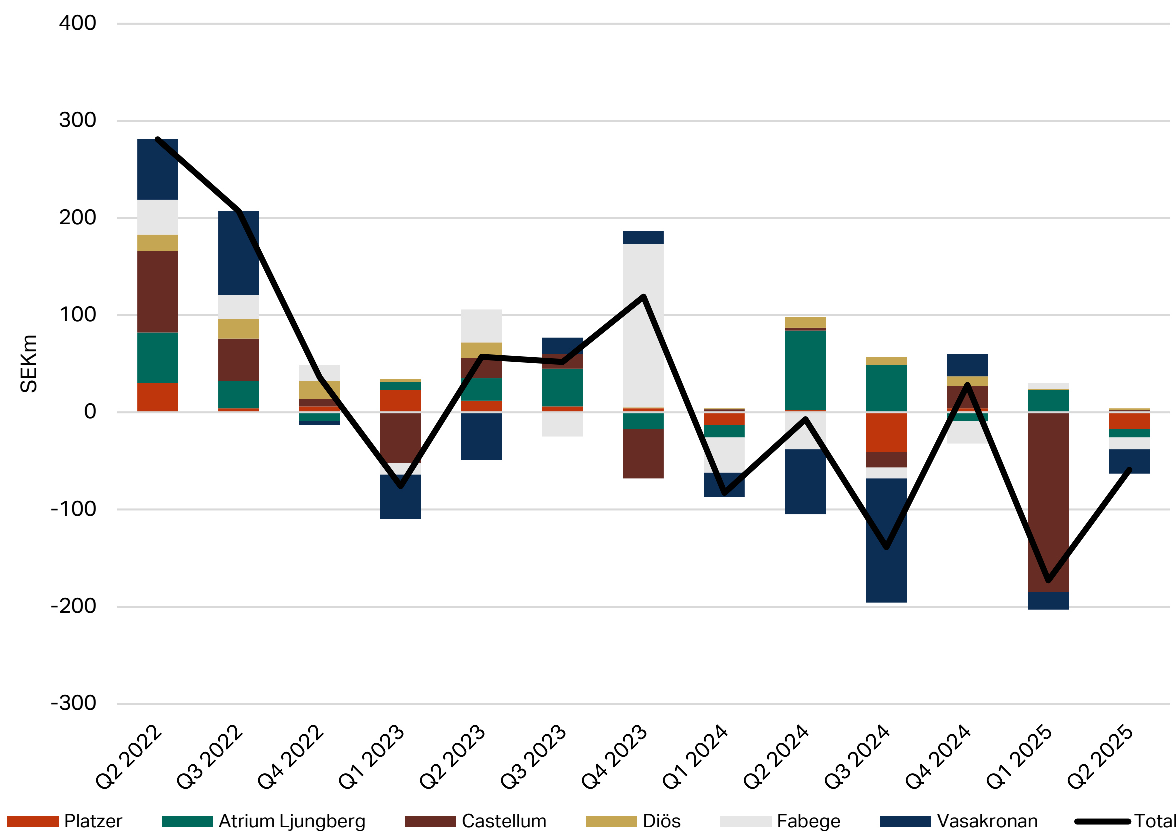
Offices

Expectations of more visible recovery in rental growth and net letting by 2026

Rental growth under pressure

- Vacancies have continued to rise in the office segment as economic activity has slowed, leading to softer like-for-like rental growth.
- Cautious market sentiment and increased market supply are intensifying competition for tenants, resulting in a decline in rental levels for some companies.
- Tenants are reassessing their space requirements, with some key tenants relocating to more central areas while also reducing their office space.
- We expect longer contracts that were signed before the pandemic to be more affected by downsizing considerations than those signed during or after the pandemic.
- We believe centrally located, modern premises are better positioned than secondary locations to maintain occupancy.
- We expect net letting to begin recovering by year-end 2025, with a more pronounced recovery during 2026.

Swedish office property managers net letting, Q2 2022–Q2 2025



Source: company reports and NCR.

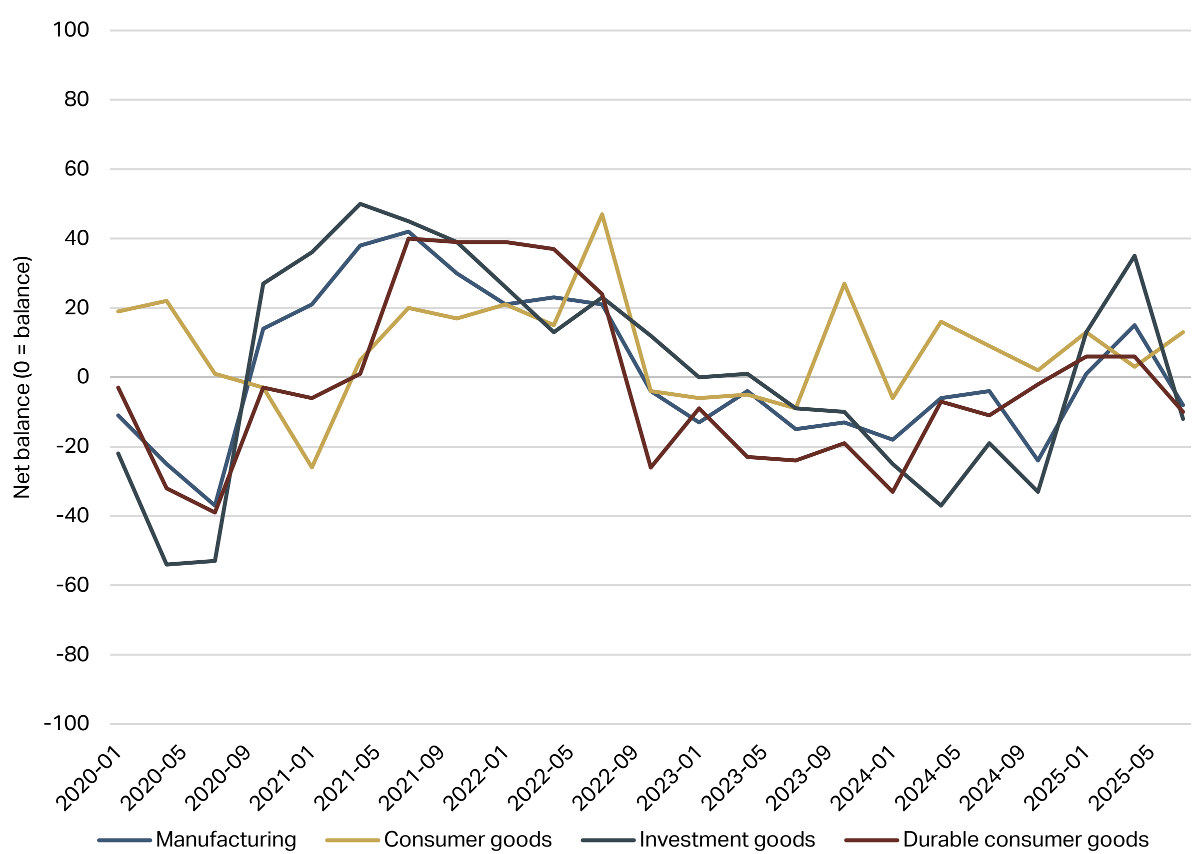
Industrial & logistics

Longer lead times for new-builds, but demand for existing premises remains robust

Cautious tenants may impact rents

- We expect structural growth in the logistics segment driven by increased e-commerce volumes. Although vacancies have been rising, this is primarily due to new supply. We anticipate that vacancies will decline as economic conditions improve.
- Order inflows slowed down for manufacturing since the announcement of US tariffs in April. Order intake remains stable, with no clear signs of expansion or contraction, supporting demand for existing premises.
- Net letting in the segment was positive in the second quarter of 2025, with logistics and industrial property managers reporting like-for-like growth.
- Tenants remain cautious, resulting in longer lead times for contract signings and commitments to new builds.
- We expect demand for existing properties to remain robust, supported by positive structural trends. However, if macroeconomic conditions deteriorate, vacancies may increase and rental growth could slow.

Net inflows of new orders past three months, 2020–Jul. 2025



Source: company reports, Konjunkturinstitutet and NCR.

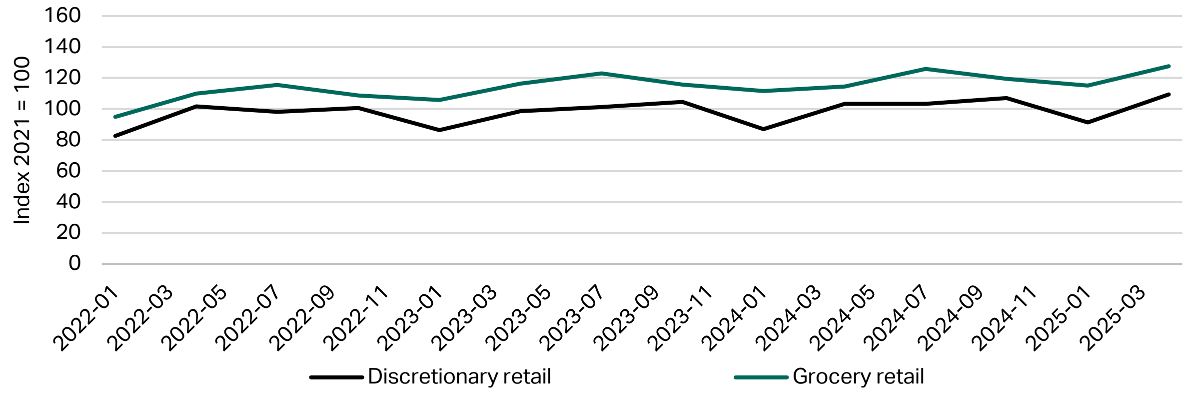
Retail

Signs of recovery as consumption rebounds

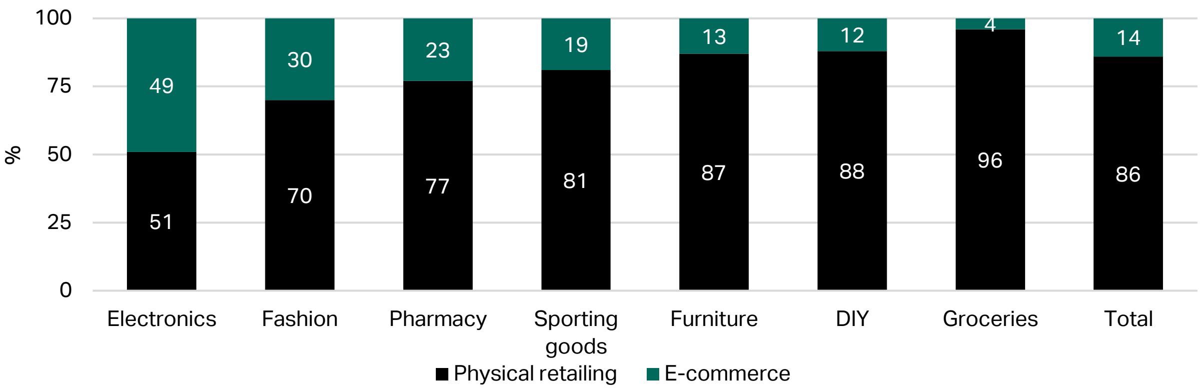
Structural trends may affect tenants

- Turnover in the discretionary and grocery retail sector rose in the first half of 2025, indicating early signs of recovery.
- In Jul. 2025, the total number of corporate defaults declined sharply, while defaults in the retail segment remained largely unchanged. We expect tenants in certain subsegments to struggle with profitability, which may affect default rates.
- We expect growing competition from online channels in undifferentiated discretionary segments.
- Challenges in achieving profitability in pure online grocery retailing have resulted in low e-commerce penetration within the subsector. In contrast, grocery retailers are leveraging synergies at physical outlets, supporting demand for their existing premises.
- We view grocery and discount retailers as well positioned compared with other retail segments, given low substitution risk from e-commerce and generally stronger counterparties. The impact on the discretionary retail may be mitigated by the adoption of omnichannel strategies.

Turnover in the retail sector, 2020–Jun. 2025



Swedish consumer spending by sales channel and segment, 2024



Source: SCB, Postnord and NCR.

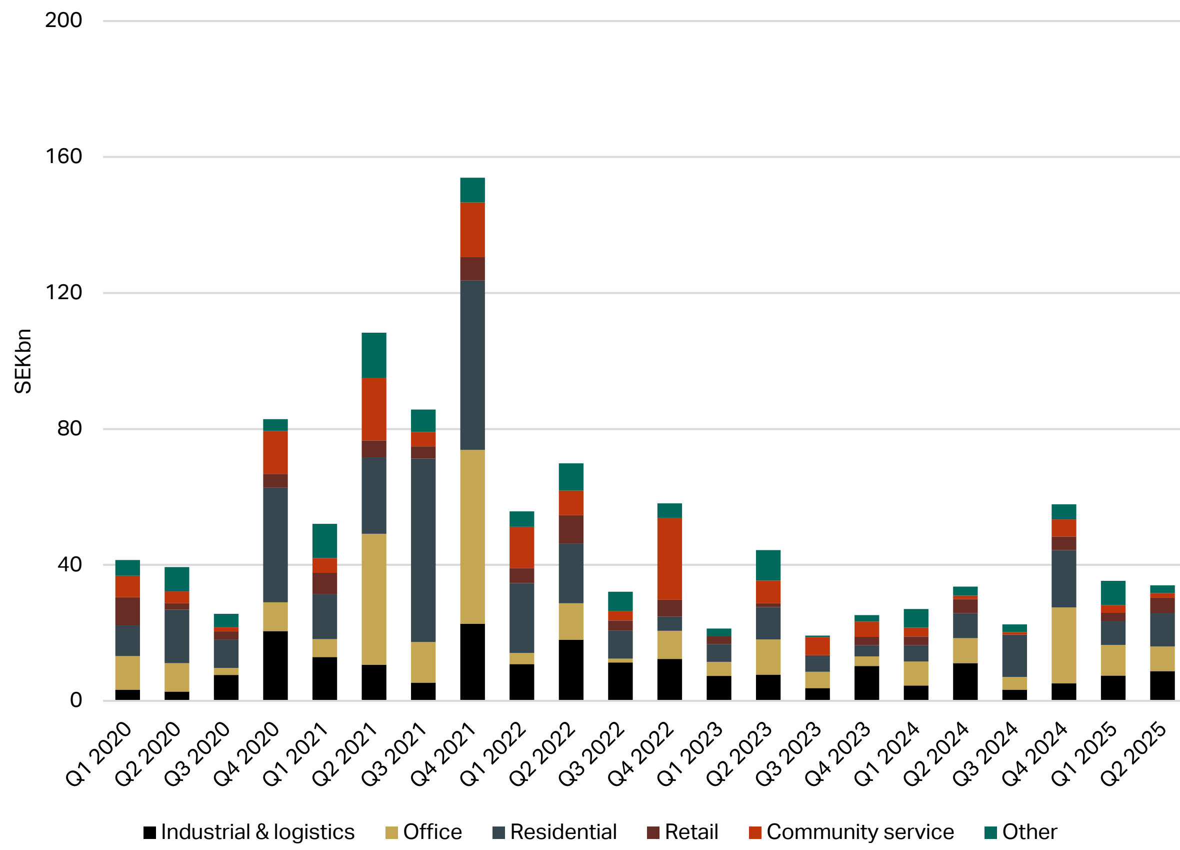
Transaction market

Geopolitical uncertainty hangs like a wet blanket over transaction volumes

Book values likely to be validated

- The Swedish transaction market totalled SEK 150bn over the past twelve months, including SEK 69bn in the first half of 2025. This represents a rebound in transactions compared with the previous two years.
- We believe that increased geopolitical uncertainty following the US tariff announcement by the US on the 2 Apr. 2025 has resulted in reduced risk sentiment, likely leading to lower transaction volumes.
- We expect transaction volumes to increase if uncertainty recedes and the geopolitical environment becomes more predictable.
- Residential and office properties remain the strongest transactional segments, accounting for 31% and 28% of transaction volumes over the past twelve months, respectively. These segments continue to demonstrate higher liquidity than others, though interest in the industrial and logistics segment is increasing.
- We expect most transactions to validate book values, given favourable credit conditions. We do not anticipate significant changes in property values.

Swedish property market transaction volumes, 2020–Q2 2025



Source: Newsec and NCR.

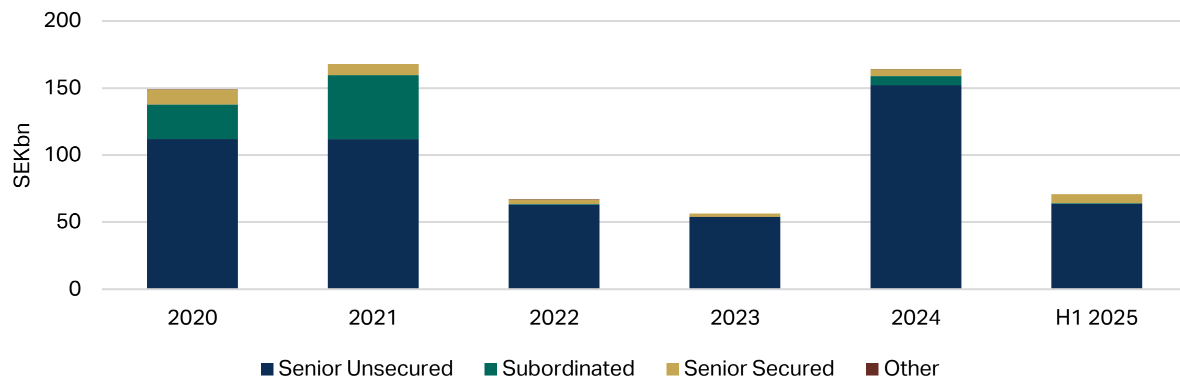
Capital market financing

Despite macroeconomic uncertainty, access to capital is expected to remain strong

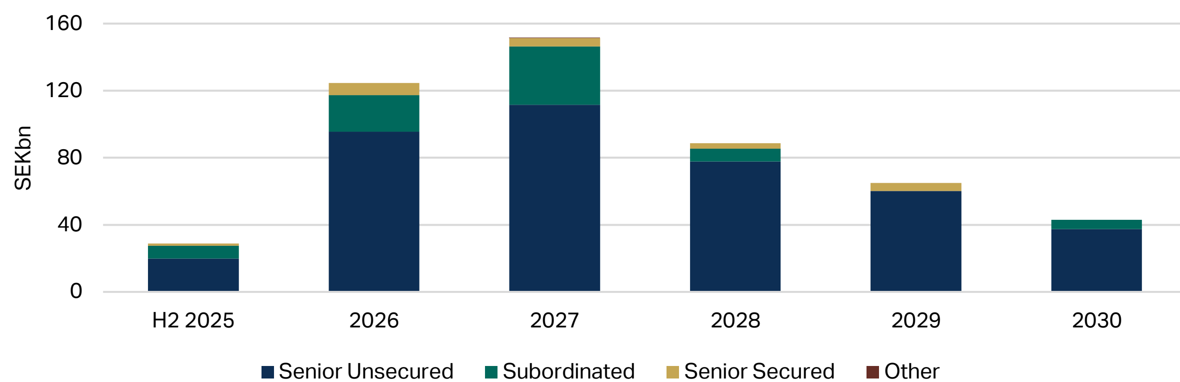
Strong access to funding

- During the first half of 2025, Swedish real estate companies issued approximately SEK 71bn in bond debt, 91% of which comprised senior unsecured bonds. This is about SEK 10bn higher than in H1 2024.
- Refinancing needs for 2025 have largely been addressed in the first half of the year, leaving only SEK 29bn set to mature in the second half.
- We believe some issuers are seeking to take advantage of the favourable financing environment to refinance 2026 maturities in the near term.
- Financing conditions are expected to remain strong, with capital markets accessible at low credit margins, encouraging increased use of capital markets funding.
- Hybrid bond issuance remains low, with some issuers choosing to issue equity to repay these bonds at the first call date.
- We expect issuance of hybrid bonds to remain low, with most issuers likely to repay hybrids at the first call date using proceeds from divestments or new equity.

Bonds issues Swedish real estate, 2020–H1 2025



Bond maturities Swedish real estate, H2 2025–2030



Source: Stamdata and NCR.

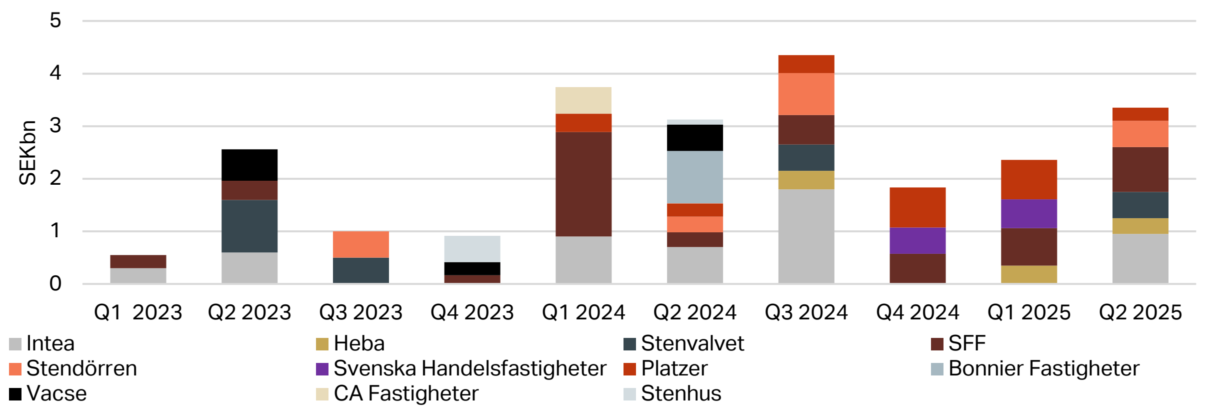
Capital market financing

NCR-rated issuers face limited bond maturities in the next 12 months

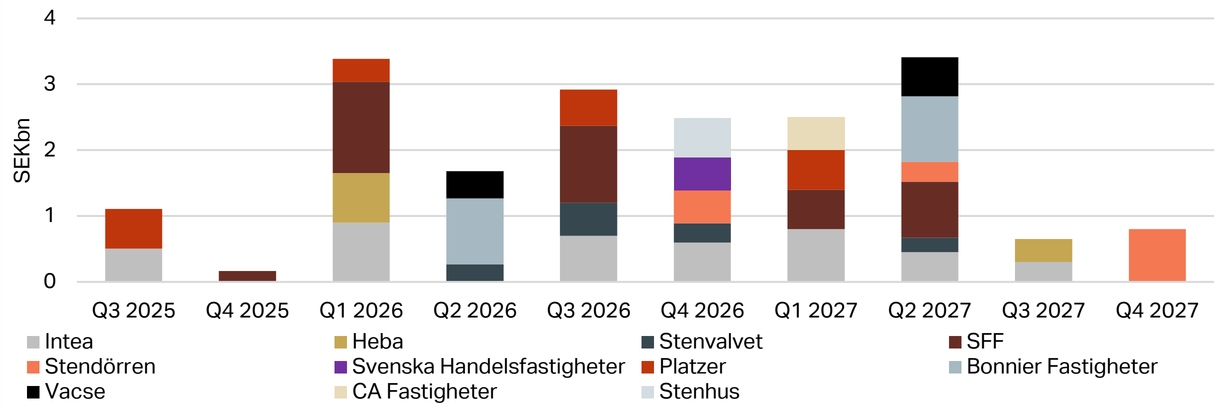
Return to capital markets

- NCR-rated issuers have experienced a strong rebound in issued capital markets debt since the start of 2024, as financing conditions have improved significantly following two years of elevated spreads and increased reliance on bank financing.
- Ample access to financing has led issuers to increase their outstanding capital markets debt as a share of total financing. NCR-rated issuers have issued SEK 6bn in the first half of 2025 and approximately SEK 19bn since the beginning of 2024.
- 42% of total outstanding capital markets debt of NCR-rated issuers matures in this next 18 months. Most of the maturing debt is from investment grade issuers, which generally have access to credit facilities to meet upcoming maturities if needed.
- We expect issuers to access capital markets and issue longer-dated bonds to extend their debt maturity profiles.
- We currently view refinancing risk as low, but sentiment could shift quickly if there is a significant deterioration in the macroeconomic environment.

Bonds issues NCR-rated Swedish real estate, 2020–Q2 2025



Bond maturities NCR-rated Swedish real estate, Q3 2025–Q4 2027



Source: Stamdata and NCR.

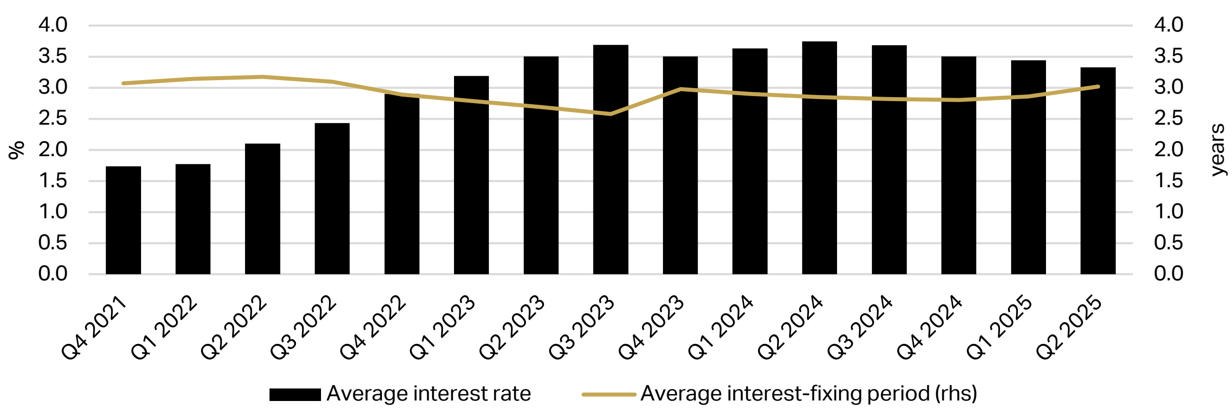
NCR-rated issuers

Slight improvement to interest coverage ahead

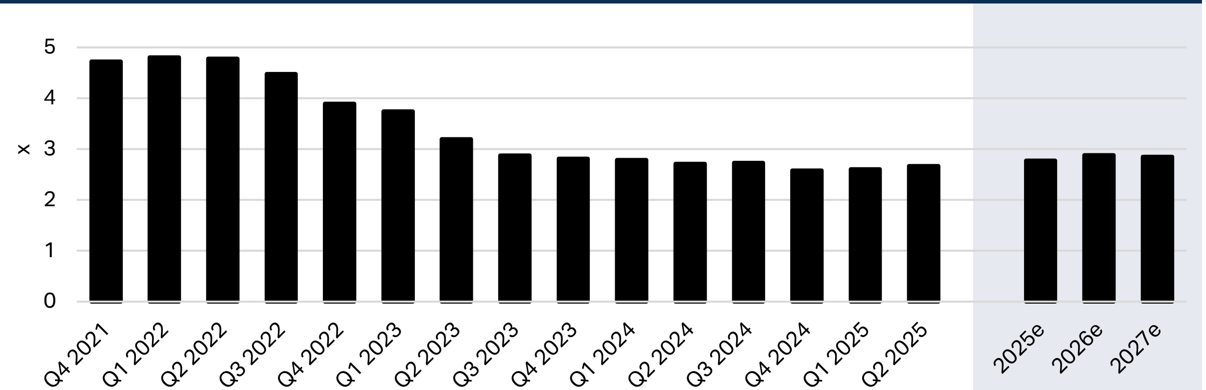
Lower credit margins on new debt

- NCR-rated issuers have reported average fixed-interest periods of approximately three years since the fourth quarter of 2023, indicating no fundamental change in hedging strategy. However, the number of swaps with option features has increased.
- We expect temporary compression of average interest costs in the coming quarters due to refinancing of maturing debt at more favourable terms and lower market interest rates.
- However, average interest costs are expected to stabilise near those reported in the second quarter of 2025. Those levels reflect the all-in financing costs for most issuers, depending on the extent of their hedging.
- We expect operational cash flow to remain robust for our issuers, despite a projected slowdown in rental growth and some vacancies in more cyclical segments.
- As a result, we expect limited upside to issuers' interest coverage, which is likely to stabilise around 2.8x–2.9x on average over the next few years.

NCR-rated property managers' interest fixing period, Q4 2021–Q2 2025



NCR-rated property managers' LTM interest coverage, 2021–2027e



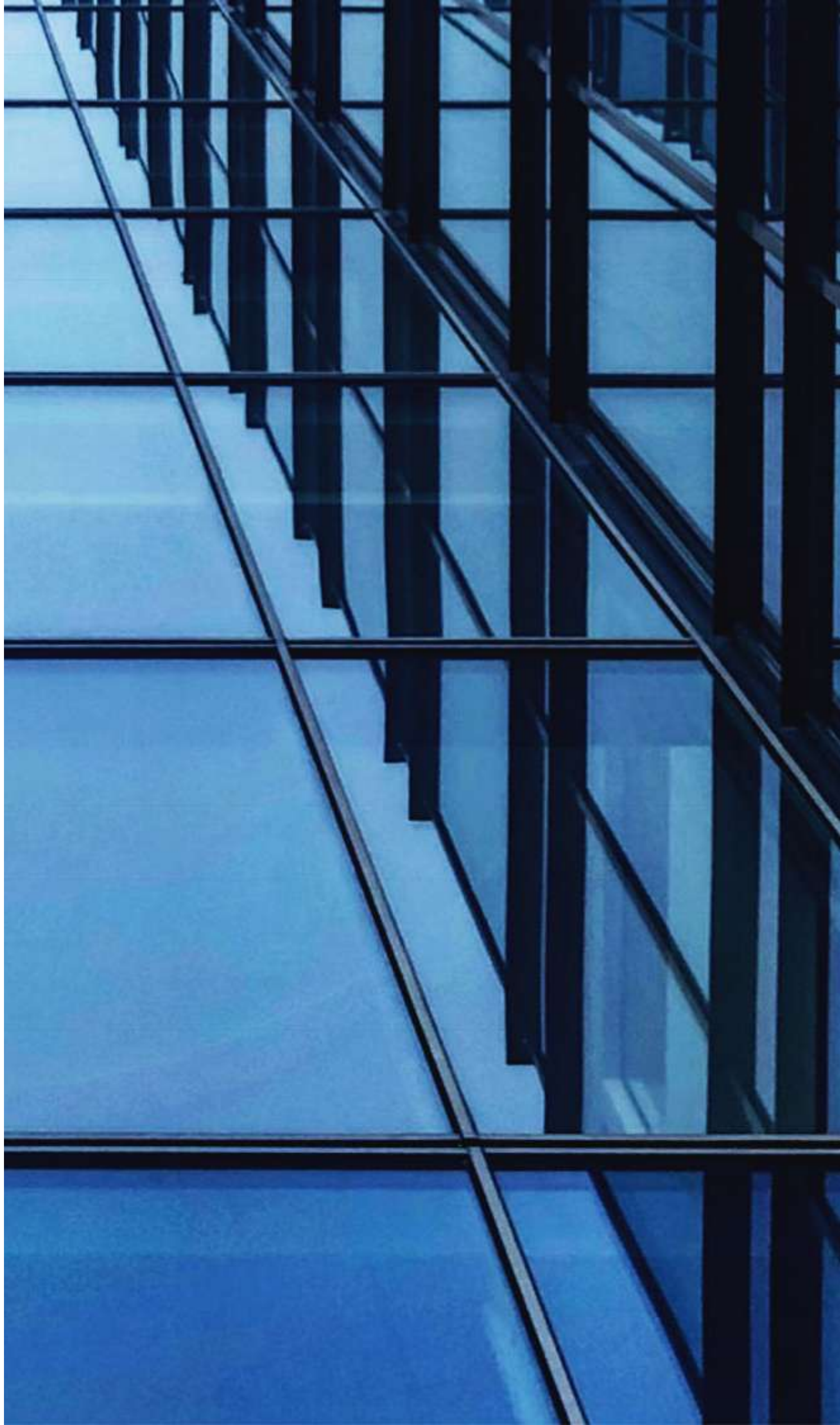
Source: NCR-rated Swedish real estate managers and NCR. e–estimate. LTM–Last twelve months.

Nordic Credit Rating

Outlook

Looking ahead...

- Average interest costs are expected to stabilise near current levels as they reflect the all-in financing cost for most issuers.
- We expect some temporary compression of average interest costs in the coming quarters, driven by refinancing of maturing bonds and bank debt at more favourable terms.
- We expect limited improvement in issuers' interest coverage, reflecting our outlook for modest rental growth and stable market interest rates.
- We expect a broader recovery in the real estate sector, with community service properties and residential properties showing particularly strong trends in the coming years.
- Early indications of increased search activity among prospective tenants in more cyclical segments are expected to support net letting by year-end 2025, with a more pronounced recovery anticipated in 2026. However, sentiment remains sensitive to macroeconomic uncertainty.
- There may be short-term negative effects on occupancy and rental levels.
- We expect modest changes in property values, primarily driven by rental growth and cost control, with transactions supporting book values.



Rating actions and research

Recent rating actions and research from Nordic Credit Rating

Rating actions

- Intea Fastigheter AB (publ) 'BBB' long-term issuer rating affirmed; Outlook stable, 14 May 2025.
- Fastighets AB Stenvalvet 'BBB' long-term issuer rating affirmed; Outlook stable, 14 May 2025.
- CA Fastigheter AB 'BBB-' long-term issuer rating affirmed; Outlook stable, 11 Apr. 2025.
- Comparison of Swedish industrial and logistics property managers, 1 Apr. 2025.
- LSTH Svenska Handelsfastigheter AB (publ) 'BBB-' long-term issuer rating affirmed; Outlook stable, 11 Mar. 2025.
- Heba Fastighets AB (publ) 'BBB' long-term issuer rating affirmed; Outlook stable, 4 Mar. 2025.

Relevant research

- Swedish real estate snapshot (Q2 2025): Compressing credit margins upon refinancing expected to improve interest coverage, 1 Sep. 2025.
- Platzer Full Rating Report, 16 Jun. 2025.
- Swedish real estate snapshot (Q1 2025): Strong access to capital contains financial risk, 27 May 2025.
- Intea Fastigheter AB (publ) 'BBB' rating unchanged following equity issue, 22 May 2025.
- Comparison of Swedish industrial and logistics property managers, 1 Apr. 2025.
- NCR comments: Vacse AB (publ) 'A-' rating unchanged following addition of new owner and equity issue, 1 Apr. 2025.

Nordic real estate contacts

Nordic
Credit
Rating

Gustav Nilsson
Credit Rating Analyst
gustav.nilsson@nordiccreditrating.com
+46 735 420 446

Elisabeth Adebäck
Credit Rating Analyst
elisabeth.adeback@nordiccreditrating.com
+46 700 442 775

Sean Cotten
Chief Rating Officer
sean.cotten@nordiccreditrating.com
+46 735 600 337

Gustav Liedgren
Chief Executive Officer (Commercial)
gustav.liedgren@nordiccreditrating.com
+46 736 496 543

Disclaimer

If you have questions or comments about our policies, please contact us at: compliance@nordiccreditrating.com