

Share buybacks may weaken Swedish real estate managers' financial risk profiles in 2026

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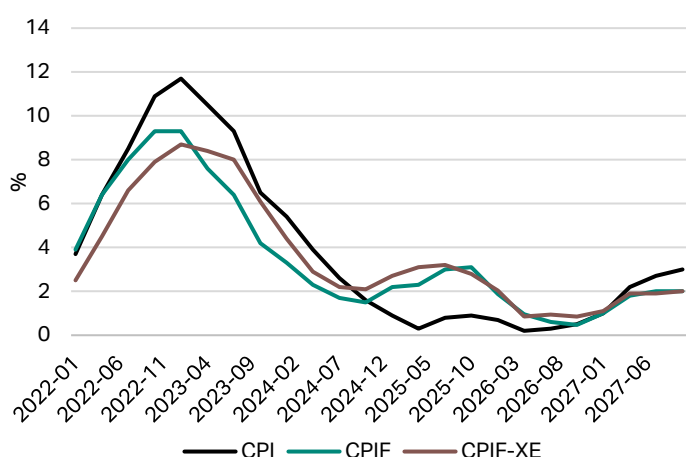
Nordic Credit Rating (NCR) expects Swedish real estate managers to demonstrate solid operational performance in 2026, with limited downside risk to occupancy supported by strengthening economic fundamentals. However, we anticipate rental growth will be low due to limited contribution from CPI-indexed contracts, with improved operating cash flows to be driven by higher occupancy in cyclical segments such as offices. The economic recovery and increased tenant demand are underpinned by stronger household purchasing power and expansionary fiscal policy.

With an improved economic outlook, we expect inflation to move towards the Swedish central bank's long-term target of 2%. To prevent a resurgence of inflation, we anticipate an interest-rate hike by end-2026, with a possible additional increase in 2027. We expect short-term improvements in issuers' interest coverage, driven by refinancing of debt on improved terms. However, we anticipate issuers' long-term average interest rates and net interest coverage to remain around current levels. We expect property values to increase marginally through 2026, primarily due to improved occupancy and cash flows. Many listed issuers are likely to intensify efforts to close the gap between net asset values and share prices through share repurchases, which may result in a weakening of some issuers' financial risk profiles.

KEY CREDIT THEMES FOR SWEDISH REAL ESTATE MANAGERS IN 2026

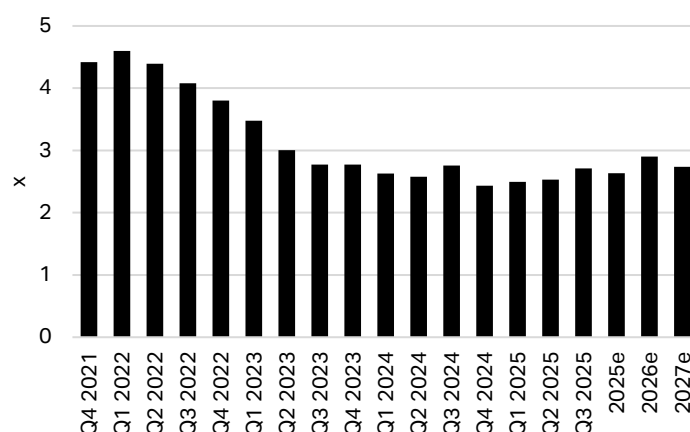
- Expected strengthening of economy in 2026 set to positively impact net letting and occupancy in cyclical segments, improving operating cash flows.
- Weakening key credit metrics as companies attempt to close the discrepancy between book values and share prices, compounded by an interest-rate hike by end-2026.
- Property values are expected to rise slightly in 2026, supported by stronger cash flows. The transaction market will likely be driven by premium-valued and institutionally backed real estate managers, while discounted listed issuers prioritise capital-efficient growth.

Figure 1. Swedish inflation statistics, 2022–2027e



Source: SCB and Nordea. 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.

Figure 2. NCR-rated issuers' average NCR-adj. EBITDA/net interest, 2021–2027e



Source: NCR-rated issuers and NCR estimates. e—estimate. Quarterly figures are based on last twelve month figures.

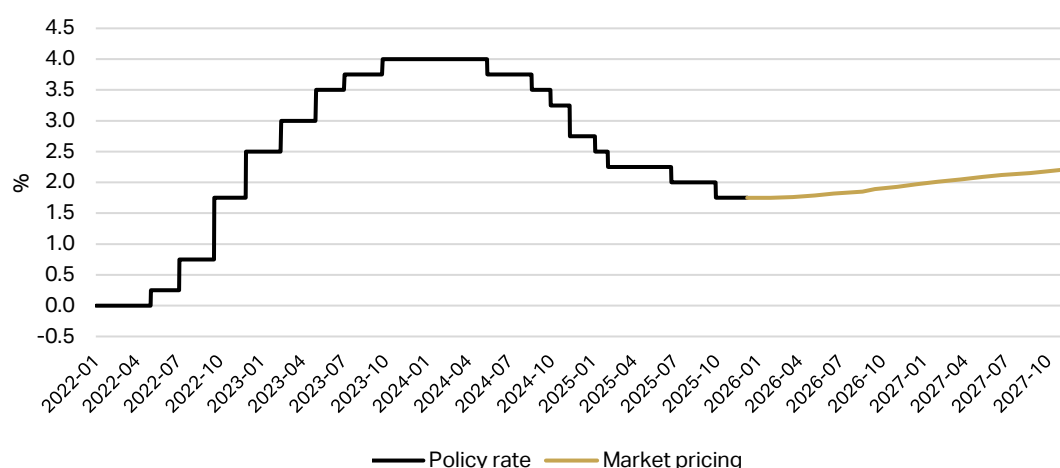
STRENGTHENING ECONOMY SET TO SUPPORT OCCUPANCY AND CASH FLOWS

Sweden's economy is expected to strengthen in 2026, driven by robust domestic demand and increased public investment. Household purchasing power should improve as lower inflation and stable wages support real incomes, while a temporary halving of food VAT from April 2026 will further ease price pressures. As a result, consumption is projected to rebound, benefiting tenants reliant on discretionary spending. Public investment, focused on defence, security, and transport infrastructure, will reach its

highest share of GDP since at least 1980, stimulating related supply chains. We believe stronger domestic demand will support letting activity in cyclical property types such as offices. Increased demand may also enable tenants to raise prices for consumers, heightening the risk of inflation surprises.

We believe the Swedish central bank will raise interest rates by 25bps at end-2026 and by a further 25bps in 2027 to prevent a resurgence of inflation. We expect inflation to remain low through 2026, approaching the central bank's long-term target of 2% by mid-2027. Rental contract indexation is typically based on October inflation, leading to indexation of approximately 0.9% in 2026 and lower adjustments for 2027 rents. Upside to interest coverage remains limited, as we expect lower credit margins on refinanced debt to be offset by higher market interest rates, resulting in stable interest coverage unless leverage increases.

Figure 3. The Swedish central bank policy rate, 2022–2027e

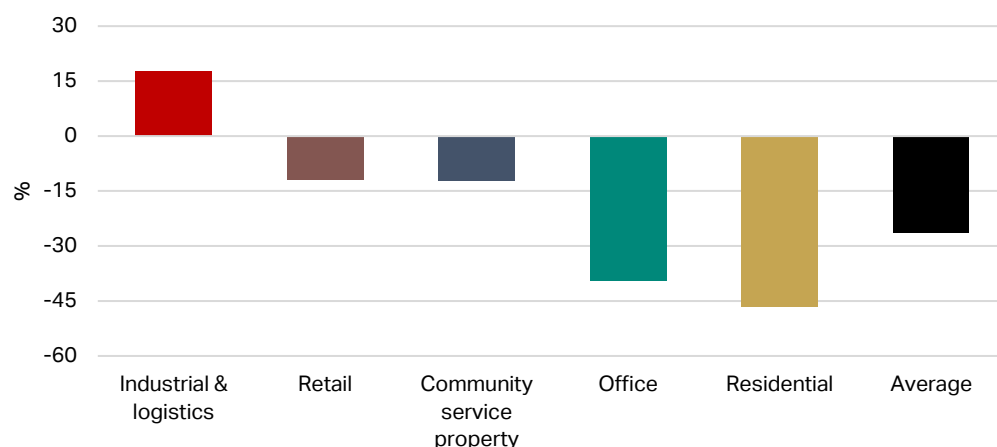


Source: the Swedish central bank and SEB.

SHARE REPURCHASES MAY WEAKEN FINANCIAL RISK PROFILES

As financing conditions have remained favourable through 2025, several listed issuers trading at a discount to net asset value have announced share buybacks to optimise capital structures and improve returns on equity. We expect increased repurchase activity in 2026, which may result in higher cash flow leakage in the sector and weaken financial risk profiles. While repurchased shares may be used for acquisitions or resold, we anticipate most will be cancelled. This reflects our view that companies have comparatively low incentive to hold shares as transaction currency due to uncertainty regarding their value as payment. It also reflects our expectations of larger positive impact on net asset value per share from cancelling.

Figure 4. Share premium (+) and discount (-) to net asset values by property segment, 16 Dec. 2025



Source: fbindex (37 listed real estate managers).

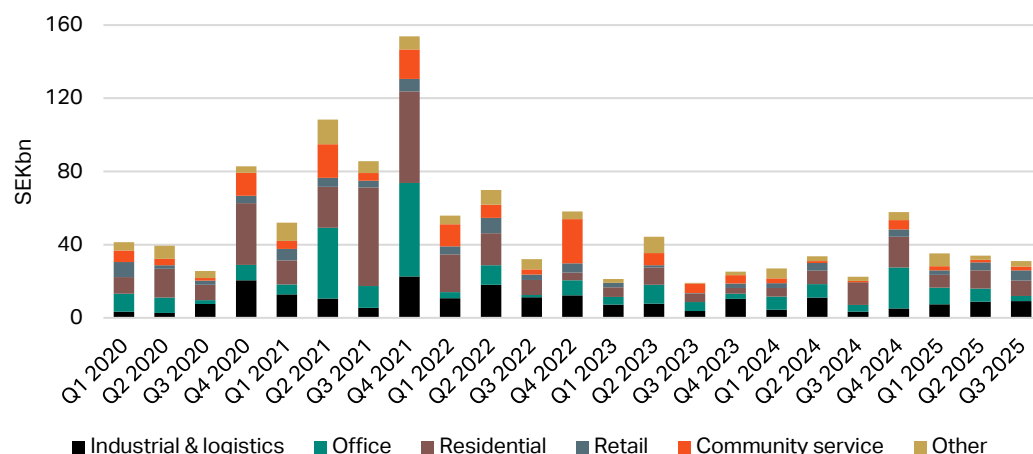
As of mid-December, the broader listed real estate sector traded at an average discount to net asset value of 26% (41% excluding those trading at a premium or near book value). The residential and office segments traded at the largest discounts, at 47% and 39%, respectively. The significant discount on residential properties reflects low property yields and comparatively thin cash flows to other segments, while the office segment has been affected by operational challenges and high vacancy rates. We view these large discounts as potential barriers to raising new equity capital, which constrains issuers' financial flexibility. However, share repurchases increase leverage and reduce cash available for debt service, which we view as a more tangible concern in the current financing environment.

Contrarily, the industrial and logistics segment traded at an average premium of 18% to net asset value. This segment is more growth oriented, with many issuers frequently accessing the equity market to finance acquisitions. We expect continued use of equity markets to manage financial risk and do not anticipate any share buybacks from this subsector.

PROPERTY VALUES TO REMAIN ROBUST DESPITE INCREASED FINANCING COSTS

Property values are expected to rise slightly, supported by an improved economic outlook and a rebound in cash flows from higher occupancy. Yields in direct market transactions are likely to remain stable, with the yield gap narrowing somewhat. We see limited potential for further compression of financing credit margins, and spreads may widen through 2026 depending on bond market liquidity. We do not expect higher market rates or wider credit spreads to materially increase refinancing risk or reduce transaction activity, as financing cost changes are anticipated to be more moderate and predictable than in 2022.

Figure 5. Swedish property market transaction volumes, 2020–Q3 2025



We expect listed real estate managers trading at a premium, as well as unlisted issuers, to drive transaction volumes in the direct market. Premium-valued listed managers benefit from greater access to equity capital, supporting growth ambitions, underpinned by resilient cash flows and higher yields in the industrial and logistics segment. In contrast, listed issuers trading at a discount are more likely to pursue capital-efficient growth, with increased focus on project development rather than acquisitions. However, we expect a few issuers in these segments to seek to increase scale rapidly, requiring acquisitions to meet growth targets. Unlisted issuers, less constrained by public market valuations, are expected to be particularly active in segments where pricing remains under pressure. Real estate managers backed by pension funds and institutional owners are likely to be among the most active participants in the direct market in 2026.

SUMMARY

We expect credit quality to weaken modestly through 2026 compared with 2025, driven by share repurchases and capital-efficient growth. However, most issuers are likely to remain within their risk limits. Economic recovery is expected to support resilient operating performance and a rebound in operating cash flow. Credit quality in 2026 will be driven mainly by issuer-specific developments and capital structure decisions, rather than market forces.

NCR-RATED SWEDISH REAL ESTATE MANAGERS

The following table summarises NCR's ratings on Swedish real estate managers as of 17 Dec. 2025.

Figure 6. NCR ratings on Swedish real estate managers

Issuer	Category	Long-term issuer rating	Outlook
Vacse	Community service	A-	Stable
Svensk FastighetsFinansiering	Mixed	BBB+	Stable
Axfast	Office	BBB	Stable
Stenvalvet	Community service	BBB	Stable
Heba	Residential	BBB	Stable
Intea	Community service	BBB	Stable
Svenska Handelsfastigheter	Retail	BBB	Stable
Bonnier Fastigheter	Office	BBB-	Stable
CA Fastigheter	Residential	BBB-	Stable
Platzer	Office	BBB-	Stable
Stenhus	Industrial & logistics	BB	Stable
Stendörren	Industrial & logistics	BB	Stable

See NCR's [company reports](#) for details.

RELEVANT RESEARCH

- (i) [NCR Comments: Platzer Fastigheter Holding AB \(publ\) rating and outlook unchanged following announcement of share buyback](#), 10 Dec. 2025.
- (ii) [NCR Comments: Intea Fastigheter AB \(publ\) 'BBB' rating unchanged following equity issue](#), 27 Nov. 2025.
- (iii) [Swedish real estate snapshot \(Q3 2025\): With wallets wide open, deal flow ramps up](#), 24 Nov. 2025.
- (iv) [NCR Comments: Heba Fastighets AB \(publ\) 'BBB' rating and outlook unchanged following revised expectations on financial development](#), 27 Oct. 2025.
- (v) [Strong financing climate for Swedish real estate companies in an uncertain environment](#), 16 Sep. 2025.
- (vi) [Swedish real estate snapshot \(Q2 2025\): Compressing credit margins upon refinancing expected to improve interest coverage](#), 1 Sep. 2025.

RECENT RATING ACTIONS

- (i) [Stendörren Fastigheter AB \(publ\) 'BB' long-term issuer rating affirmed; Outlook stable](#), 15 Dec. 2025.
- (ii) [LSTH Svenska Handelsfastigheter AB \(publ\) long-term issuer rating raised to 'BBB'; Outlook stable](#), publ. 3 Oct. 2025.

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