Nordic
Credit
Rating

Swedish Real Estate

Capital allocation choices may weaken credit quality in 2026

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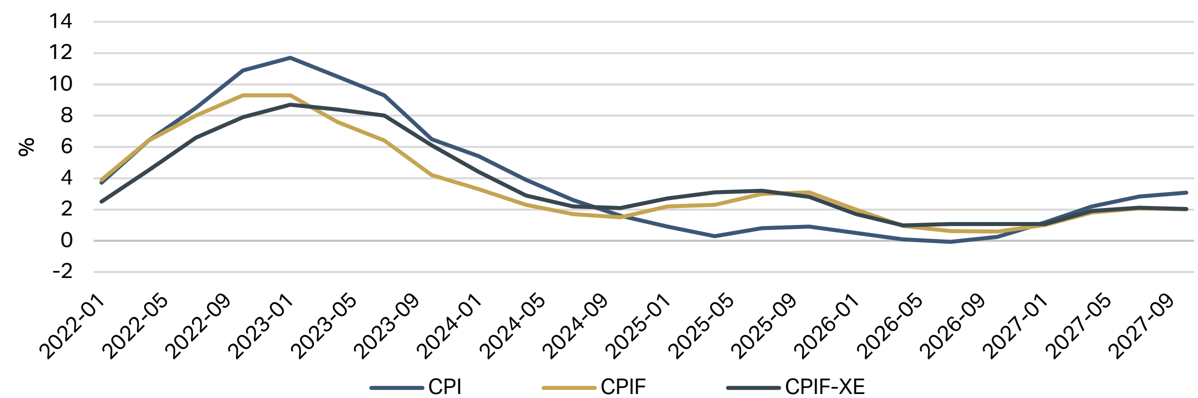
Macroeconomy

Increased pricing pressure may drive two interest-hikes in 2027

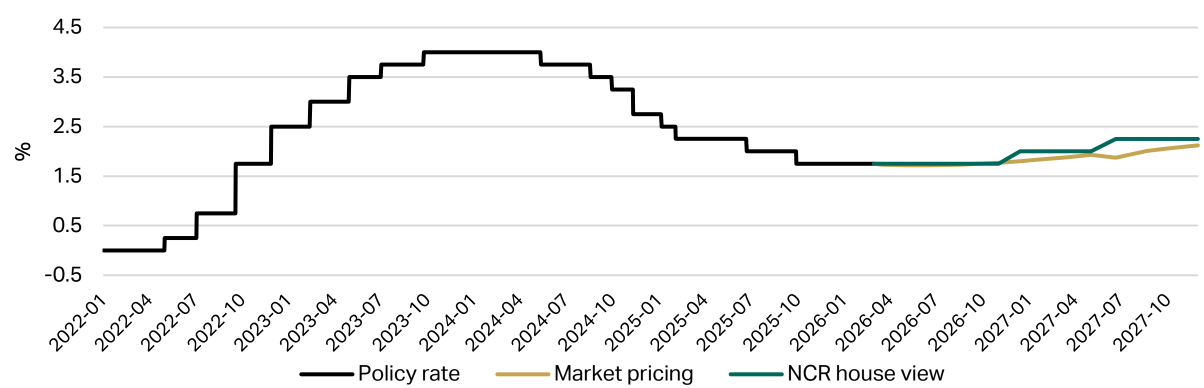
Limited upside to operating cash flows

- The Swedish economy is expected to strengthen in 2026, supported by domestic demand and public investment.
- Geopolitical risks and higher fiscal spending may raise inflationary pressures, potentially resulting in two interest rate increases in 2027.
- Rising real wages and lower inflation in essential goods, driven by temporary value added tax relief, are expected to bolster household purchasing power.
- Discretionary sectors are likely to benefit from higher consumer spending, which may help limit downside risk to occupancy.
- Public investments in defence, security and transport are expected to support demand for properties within related supply chains.
- Limited or no rent indexation is expected for 2027, as current pricing data indicate no significant inflationary pressure ahead of the October reference point.
- In contrast to the 2022 inflation shock, we expect greater visibility on price pressures and reduced supply-chain uncertainty to support favourable financing conditions, with no material widening of credit spreads.

Swedish inflation statistics, 2022–2027e



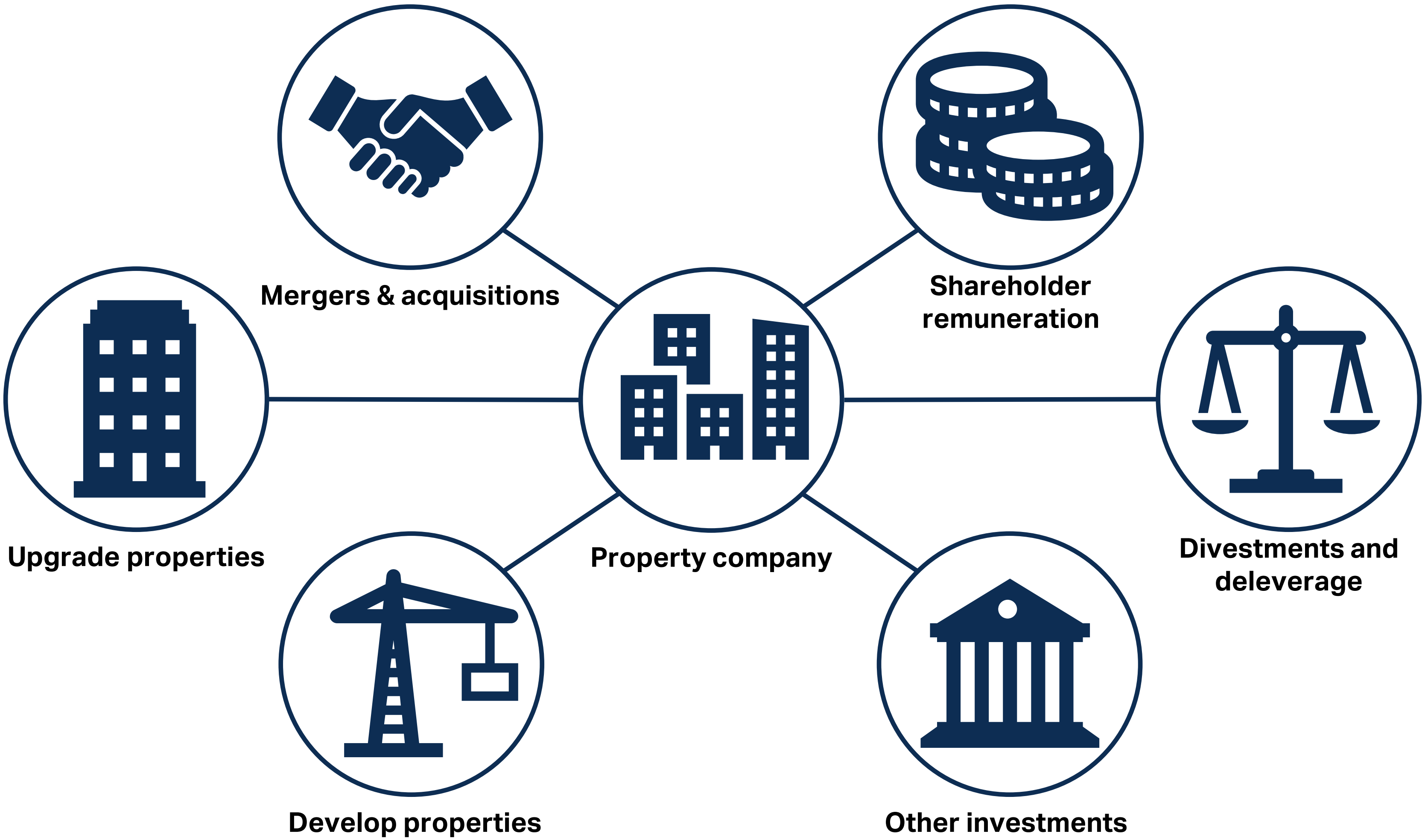
The Swedish central bank policy rate, 2022–2027e



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.

Capital allocation

A real estate company's credit profile is ultimately defined by its strategic choices



Source: NCR.

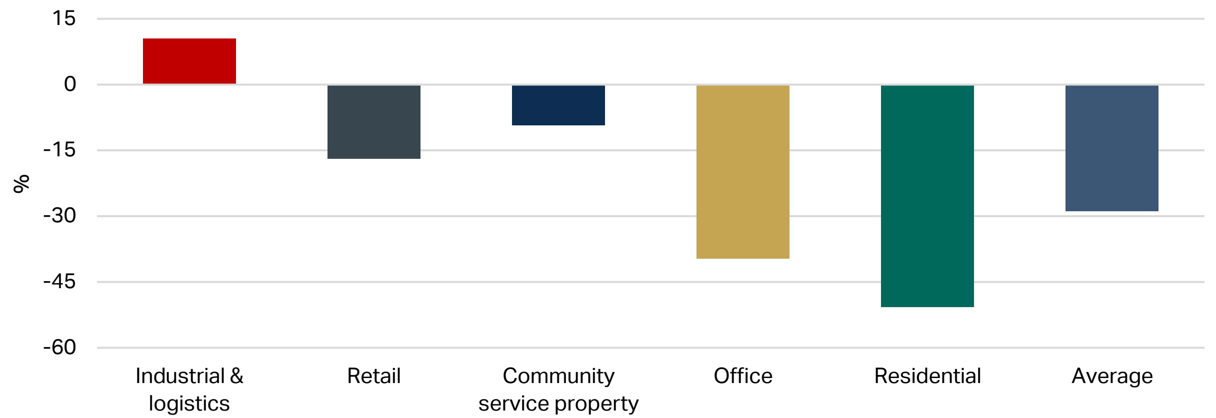
Capital allocation in the listed sector

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

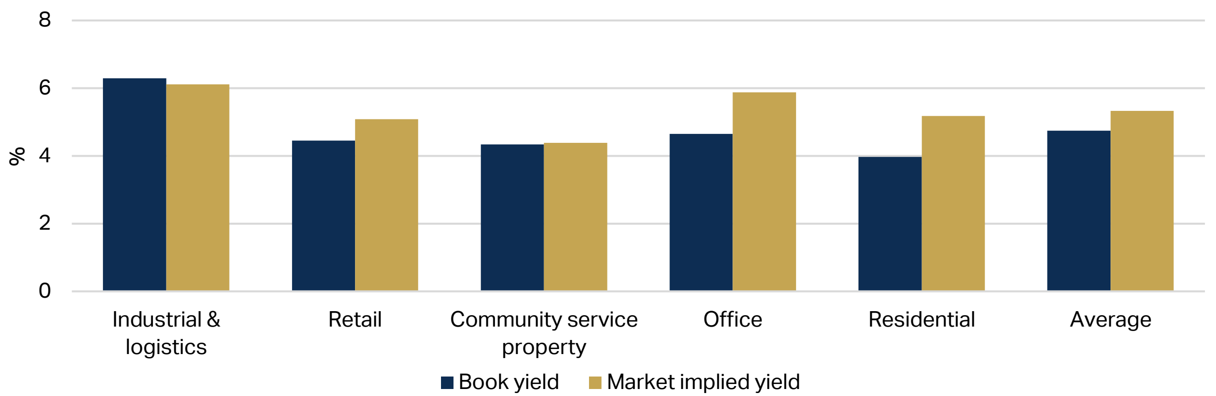
Focus on reducing NAV discounts

- Issuers repurchased shares in 2025 amid significant NAV discounts, particularly in the office and residential sectors.
- NAV discounts force a trade-off between buybacks and development, as acquisitions are unattractive unless yields exceed market implied levels.
- Weak development yields strengthen the case for buybacks.
- Castellum funded its share buybacks by selling SEK 5.6bn of assets to AP7 at a 9% premium and now plans to repurchase up to SEK 3.4bn of shares, viewing buybacks as its most value-effective use of capital.
- Industrial and logistics issuers largely avoid these trade-offs and will continue value-accretive acquisitions and development, and remain more willing to raise equity.
- Buybacks are expected to increase to narrow NAV discounts, which may weaken financial profiles by increasing interest rate risk. Persistent discounts could also trigger M&A, consolidation, or public-to-private transactions, as acquiring whole companies may offer better returns than buying individual assets.

Share premium (+) and discount (-) to net asset value by segment, 9 Mar. 2026



Book yields and implied yields from share buybacks by segment, 9 Mar. 2026[1)]



Source: fbindex (37 listed real estate managers), companies and NCR. 1) Forward-looking earnings capacity used where available. NAV-Net Asset Value.

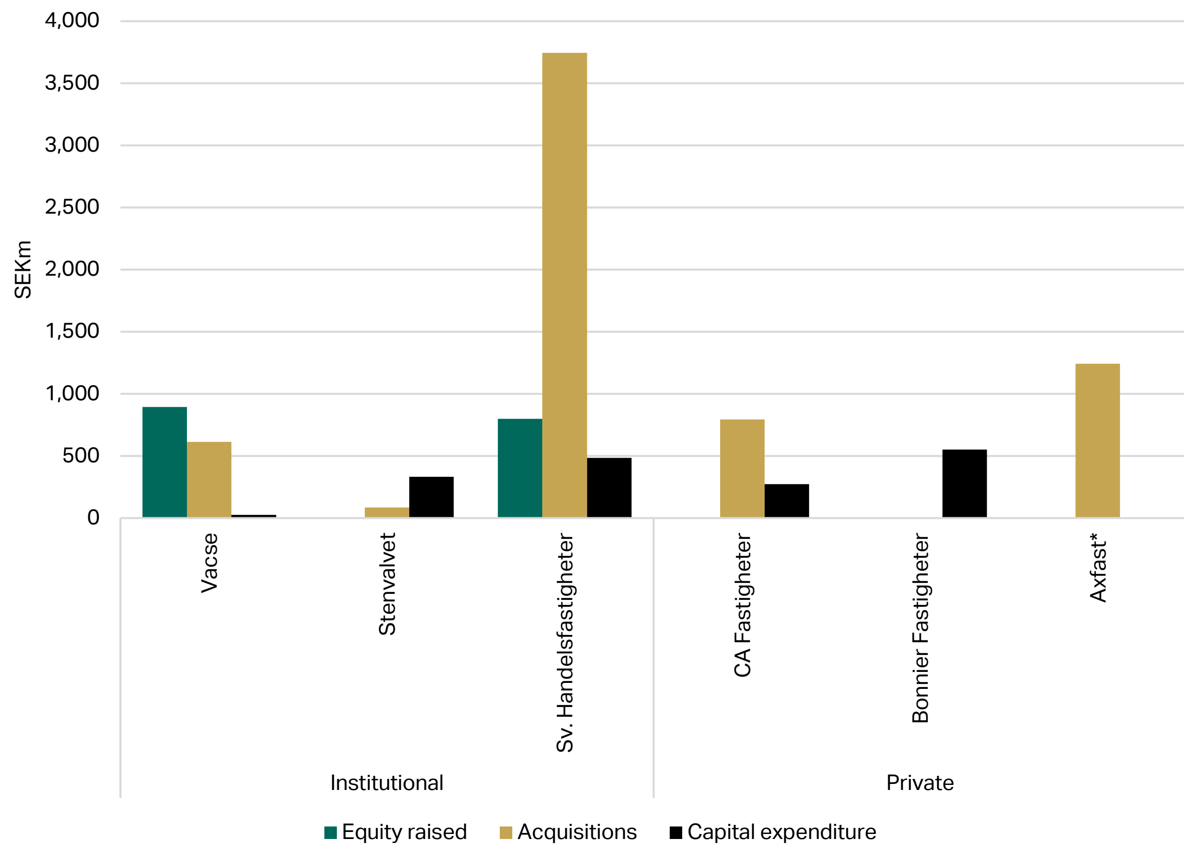
Capital allocation in the unlisted sector

Share buybacks are not a consideration, controlled growth with owner support ahead

Well-positioned for growth

- Unlisted, institutionally owned issuers are insulated from public-market valuation pressures. As a result, capital allocation is guided by long-term mandates and governance rather than short-term equity pricing signals.
- Sometimes, their return objectives prioritise stable, bond-like income streams over maximising total returns.
- In privately held companies with multiple owners, buybacks primarily address liquidity needs rather than as a tool for value creation.
- Institutional backing allows timely equity injections, supporting growth without exposure to public-market sentiment.
- Long-term ownership reduces pressure for immediate shareholder distributions and supports reinvestment in higher return assets or projects.
- As a result, institutionally backed issuers are expected to remain among the most active direct investors in 2026, prioritising growth over buybacks and strengthening business risk profiles through greater diversification.

NCR-rated equity raised, acquisitions and investments of unlisted issuers[1)]



Source: NCR and companies. Based on latest available information, includes 2025 results and recently announced acquisitions. *Axfast is derived from annual accounts and include both capital expenditure and acquisitions.

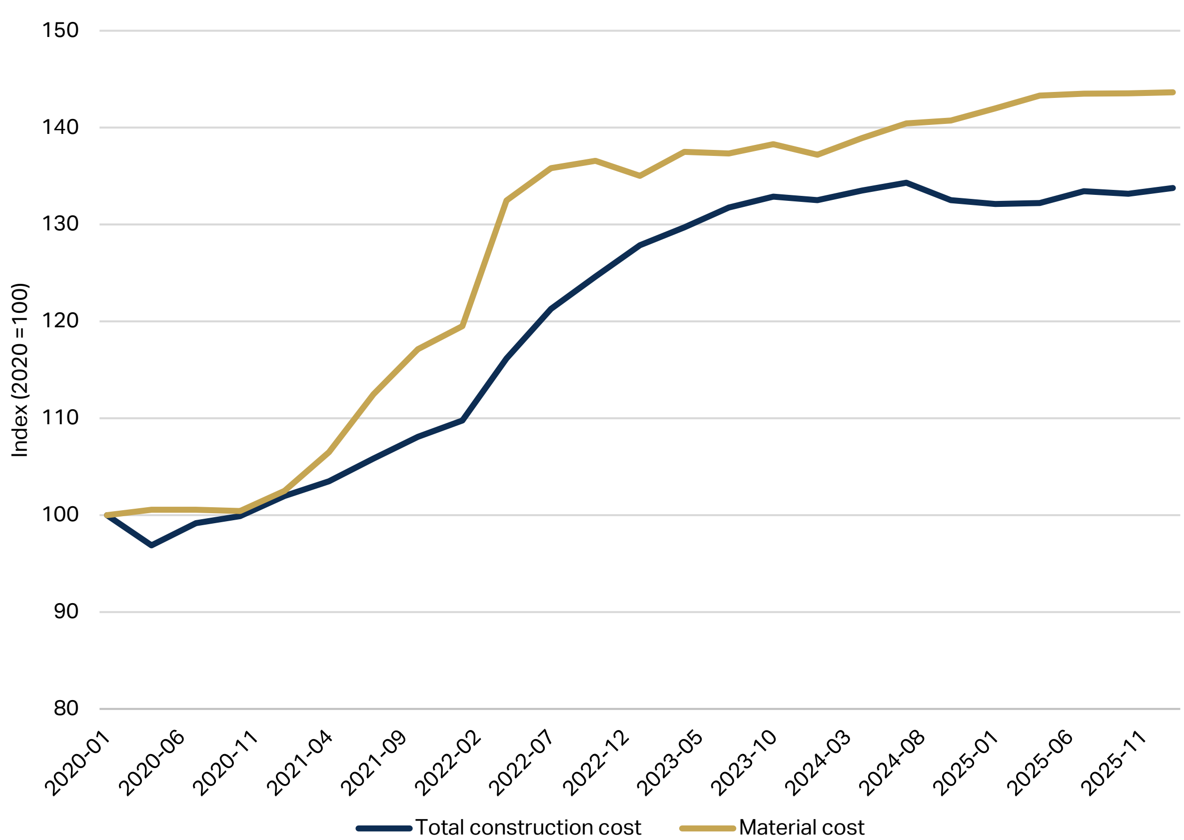
Capital allocation to project development

High construction cost and scarcity of buildable land limit development opportunities

Growth constrained by cost inflation

- Development remains a key growth lever for both discounted listed issuers and expanding unlisted issuers.
- Growth is constrained by scarcity of buildable land and limited value-accretive projects, making buybacks comparatively more attractive for listed issuers.
- High construction and land costs reduce project viability and heighten uncertainty around tenants' ability to absorb higher rents, making renovations an attractive low-cost alternative to lift rental levels.
- Issuers are increasingly using risk sharing JVs with purchase commitments at completion to reduce upfront capital needs.
- JV structures help contain development risk through non-recourse financing, lower cash flow exposure and reduced balance sheet committments.
- Some JV agreements include debt guarantees, creating contingent liabilities that could increase leverage if triggered.
- Demand for community service properties remains strong, supported by ageing population and public sector investments.

Construction cost development for multi-tenant buildings, 2020–Jan. 2026



Source: NCR and SCB. JV–Joint venture.

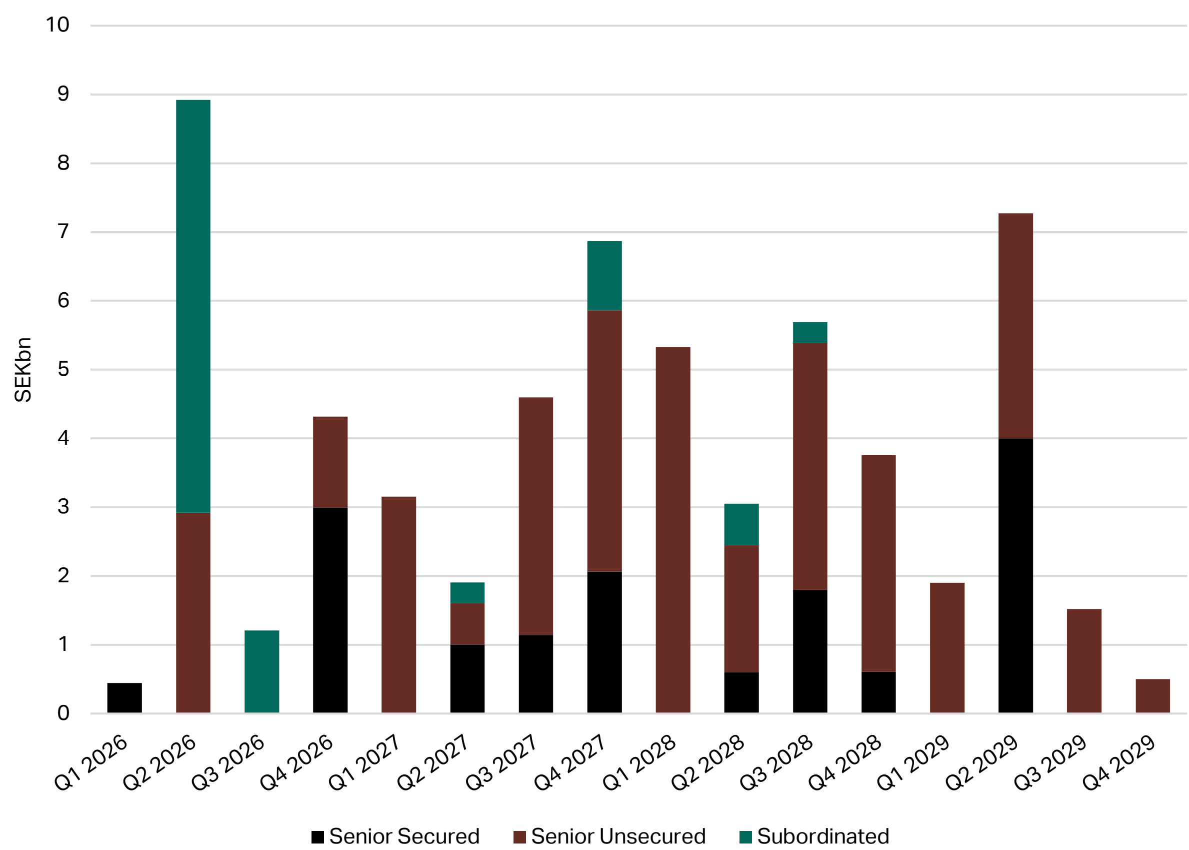
Capital allocation to strengthen balance sheet

Deleveraging through asset sales to restore flexibility and resilience

Balance sheet governance impact risk

- Refinancing risk remains manageable in today's supportive market conditions, although structural pressures persist for certain issuers.
- Issuers with stretched balance sheets are expected to be net sellers, using disposal proceeds to repay debt, as deleveraging offers greater value than alternative uses of capital.
- Unconstrained issuers are expected to pursue asset-rotation, selling lower-yielding assets to redeploy released equity into higher-return opportunities, improving portfolio quality and balance-sheet flexibility.
- Governance weaknesses at some issuers can lead to cash leakage or misaligned capital allocation, undermining deleveraging efforts and bondholder protection.
- Weaker funding sentiment could push vulnerable issuers toward non-payment or material negative term amendments, both treated as default under NCR's rating principles.[1)]

Non-investment grade bond maturities Swedish real estate, 2026–2029



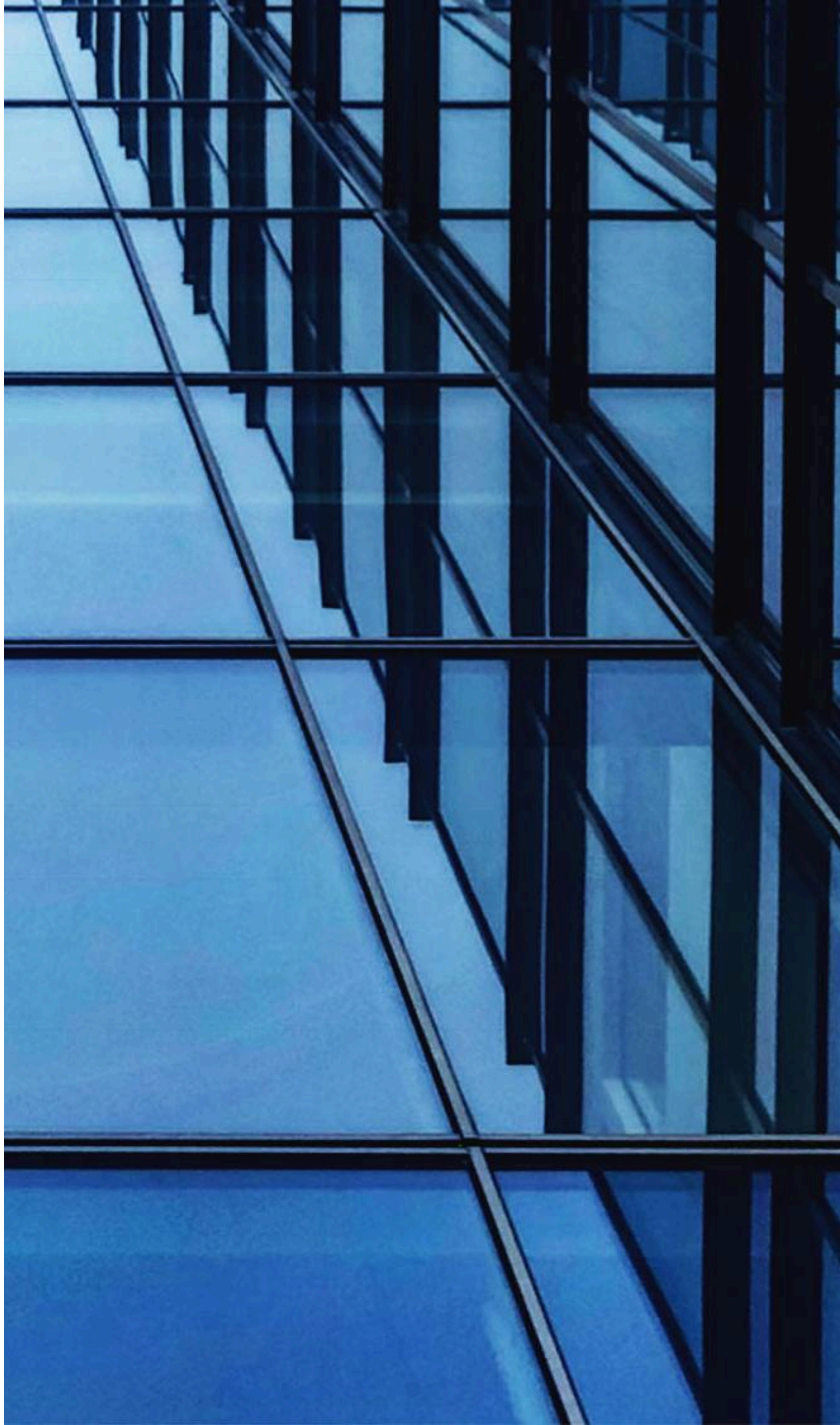
Source: NCR and Stamdata. Subordinated bond maturities are set to first call date. 1) Rating Principles, publ. 14 Feb. 2024.

Nordic Credit Rating

Capital allocation

Key takeaways and credit implications

- Capital allocation decisions will be a key driver of divergent credit outcomes in 2026.
- Financing conditions remain supportive, but rental growth is expected to be modest and interest coverage is likely to peak. Some issuers are increasing interest rate risk ahead of anticipated hikes in 2027.
- With shares trading at NAV discounts, listed issuers are prioritising buybacks, increasing cash outflows and raising cash flow leverage, which may weaken financial risk profiles.
- Unlisted issuers benefit from institutional owners that inject equity when needed, containing financial risk and supporting growth through acquisitions and investments.
- Limited availability of buildable land and elevated construction costs leave only a subset of viable projects, often at rents that test affordability. The few that proceed standout generate cash flow yields versus acquisitions.
- Issuers with weaker balance sheets are likely to remain net sellers, using divestments to deleverage but stay exposed to market sentiment shifts. Stronger issuers rotate assets, sell lower-yielding properties to increase capacity for more value-accreditive opportunities.



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NCR public real estate ratings

Detailed public real estate ratings[1)]

Issuer	BANE NOR EIENDOM	VACSE	Axfast	Heba	INTEA.	STENVALVET	Svenska Handelsfastigheter	Bonnier Fastigheter	SA Fastigheter AB	OBOS Eiendom	platzer fastigheter	STENHUS	STENDÖRREN
Long-term rating	A	A-	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	Residential	Public	Public	Retail	Office	Residential	Retail	Office	Retail & Industrial	Logistics
Portfolio size (SEKbn)	28.1*	11.0	24.7	13.9	25.7	16.3	21.7	19.4	15.4	18.8	30.1	13.9	15.2
Avg. remaining lease term (yrs)	5.6	9.0	4.6	-	8.5	4.6	5.4	2.6	2.6	5.1	4.0	6.3	4.2
Financial risk assessment	bbb	a-	bbb+	bbb-	bb+	bbb-	bbb-	bbb-	bb+	bb+	bb+	bb-	bb-
EBITDA/ net interest (x)	2.2	4.8	2.7	2.4	2.8	2.7	3.2	2.3	3.1	1.7	2.6	2.1	1.8
Net debt/ EBITDA(x)	10.3	7.1	10.6	16.6	10.5	10.2	9.3	12.8	12.4	13.4	10.4	10.7	11.5
Net LTV (%)	36.4	29.9	31.5	47.0	46.4	48.4	51.8	39.9	47.5	45.7	49.6	54.4	55.0

1) As of 30. Jan 2026. Based on latest available data. All metrics adjusted in line with NCR methodology. *NOKbn.

Rating actions and research

Recent rating actions and research from Nordic Credit Rating

Rating actions

- Platzer Fastigheter Holding AB (publ) 'BBB-' long-term issuer rating affirmed; Outlook stable, 3 Feb. 2026.
- Stendörren Fastigheter AB (publ) 'BB' long-term issuer rating affirmed; Outlook stable, 15 Dec. 2025.
- Vacse AB (publ) 'A-' long-term issuer rating affirmed; Outlook stable, 7 Oct. 2025.
- LSTH Svenska Handelsfastigheter AB (publ) long-term issuer rating raised to 'BBB'; Outlook stable, 3 Oct. 2025.
- Stenhus Fastigheter i Norden AB (publ) 'BB' long-term issuer rating affirmed; Outlook stable, 29 Sep. 2025.
- 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.

Relevant research

- Heba Full Rating Report, 3 Mar. 2026.
- Swedish real estate snapshot (Q4 2025): Transaction activity surges and capital efficient growth initiatives pave the way for 2026, 3 Mar. 2026.
- Svensk Fastighetsfinansiering Full Rating Report, 9 Feb. 2026.
- Share buybacks may weaken Swedish real estate managers' financial risk profiles in 2026, 17 Dec. 2025.
- NCR Comments: Platzer Fastigheter Holding AB (publ) rating and outlook unchanged following announcement of share buyback, 10 Dec. 2025.
- NCR Comments: Intea Fastigheter AB (publ) 'BBB' rating unchanged following equity issue, 27 Nov. 2025
- Swedish real estate snapshot (Q3 2025): With wallets wide open, deal flow ramps up, 24 Nov. 2025.
- Vacse Full Rating Report, 10 Nov. 2025.
- Bonnier Fastigheter Full Rating Report, 6 Nov. 2025.
- NCR Comments: Heba Fastighets AB (publ) 'BBB' rating and outlook unchanged following revised expectations on financial development, 27 Oct. 2025.

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