

Real Estate Strategic Outlook: Nordics

Robust economic outlook clouded by risks

Policy support underpins recovery amid trade tensions

As of mid-2025, the Nordic region's growth outlook remains solid, supported by rising real incomes, improved business confidence, easing monetary policy and supportive fiscal measures, such as increased defence spending. Capital cities, most notably Stockholm and Copenhagen, are further supported by strong urbanisation and a concentration of high-productivity, innovation-driven firms attracting a young, skilled workforce.

However, heightened geopolitical tensions-particularly around the EU-US trade relations-pose a downside risk. Denmark's exposure to US trade, especially in pharmaceuticals, leaves it more vulnerable, though it is still expected to outperform alongside Sweden. Finland, by contrast, faces growth constraints due to an elevated government debt burden.

Income appears set to be a key performance driver

Importance of income places more attention on fundamentals

Yield stabilisation has largely continued into 2025 but expectations for near-term compression have faded amid heightened uncertainty and subdued investment activity. However, over a five-year horizon, we maintain a positive outlook for prime rental growth, supported by limited new supply and robust market fundamentals. Going forward, real estate performance will rely more heavily on income returns and a focus on supply-constrained markets with the potential for strong rent growth is important for performance. Any additional yield compression remains a potential upside.

Residential: living sectors a relative winner

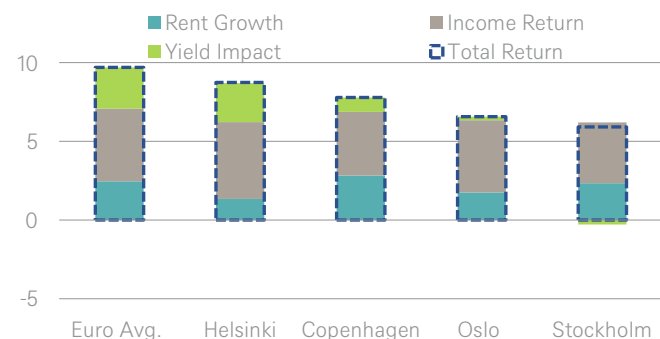
The living sectors continue to prove their relative resilience, with yield compression evident in both build-to-rent and student housing over the first half of 2025. Copenhagen remains a key focus, supported by a persistent supply-demand imbalance that underpins healthy rent growth. In commuter locations such as Brøndby and Glostrup, affordable build-to-rent may offer strong rental upside and potentially attractive risk-adjusted returns, supported by higher entry yields. In central locations, micro-living formats face fewer affordability constraints, making operational residential assets, such as co-living and student housing, more compelling.

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Office: Nordics markets expected to underperform

Helsinki's office market performance is hindered by elevated vacancy and subdued demand, alongside a weaker economic outlook, which will likely limit prime rental growth over the forecast period. In Stockholm and Copenhagen, prime rent growth is more in line with the European average but more moderate price correction over 2022 and 2023 has ensured pricing looks expensive in comparison to other European office markets. Indeed, at 4.2% in Copenhagen and 3.8% in Stockholm, current prime yield levels leave little room for compression.

Office Prime Total Return Forecast*, 2025-2029f (% p.a.)



*Gross total returns minus capital costs
Source: DWS, May 2025

Logistics: urban assets more insulated from tariff risks

US tariffs present clear headwinds for the logistics sector, with lower trade volumes and weaker consumer sentiment softening demand in the short term. However, urban logistics assets serving dense metro areas remain comparatively resilient, supported by constrained supply and sustained local demand. In the Helsinki Metropolitan Area, restrictive planning limits new development, and the redevelopment of aging stock may offer a sustainable entry point. In contrast, Stockholm faces rising vacancy due to recent supply influx, with is expected to limit rent growth in the near term. Tariff-related risks are arguably more pronounced in Denmark, due to its exposure to US trade, though longer-term prospects could improve with the 2029 opening of the Fehmarnbelt tunnel, improving connectivity with Germany.

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