

## Nordics Outlook

The Nordic economies are projected to outperform the Eurozone average in growth by 2025, with Sweden and Denmark leading the region. This growth is driven by real income gains boosting consumer spending, improved confidence across sectors, and lower interest rates stimulating investment.

Monetary policy across the Nordic countries is becoming increasingly accommodating as inflation reaches or falls below the 2% target. Sweden's Riksbank, which has already acted faster than its peers in cutting rates, is expected to lower rates further to 2.0% by mid-2025. Alongside supportive fiscal measures, this is a key factor behind Sweden's relative outperformance and underpins its stronger growth outlook.

In contrast, Norway's central bank is expected to begin easing policy with its first rate cut in Q1 2025. However, it is likely to proceed at a slower pace due to persistent core inflation and a historically weak currency.

Meanwhile, economists' views vary on the pace and extent of the European Central Bank rate cuts, whose decisions influence Denmark's central bank and directly impact Finland's monetary policy. The lower range of forecasts currently suggests a potential deposit rate of just 1.5% by the end of 2025.

A more accommodative monetary policy environment is likely to create a more favourable environment for commercial real estate investment across the Nordic region. Sweden remains the largest investment market in the Nordics, with total investment volumes expected to improve next year. Domestic investors have been driving much of the recent activity, but further anticipated rate cuts in 2025 are likely to provide additional impetus for cross-border investment. The significant swap rate differential between Stibor and the rates in the UK and US could support cross-border activity.

The logistics and living sectors across the Nordic region are set to remain in strong demand, underpinned by structural trends. In Sweden, the logistics market is forecast to experience modest yield compression as core capital returns to the sector. Moreover, the Fehmarn Belt Tunnel, which will improve connectivity between the Nordic region and Central Europe, is expected to unlock new logistics opportunities in the longer-term.

The growing adoption of digital technologies, driven by advances in artificial intelligence, is increasing the need for data infrastructure. According to Knight

Frank Research, Norway's industrial real estate market is bolstered by its sustainable energy resources and favourable regulations, making it an increasingly attractive destination for data centres.

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Sources: Knight Frank Research, Croisette Real Estate Partner, Oxford Economics, Capital Economics