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# Global Markets Division Commercial Real Estate Market - Sweden

How does a suffering market affect banks?

Iron Condor strategy on Svenska Handelsbanken

Vienna, 23<sup>rd</sup> of June

### **Team Overview**

### Global markets division

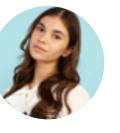




Justus Rahmel Head

Real Estate Market

Trade structure





- Real Estate Market
- Supply/Demand



Thomas Kaltenböck Analyst

- Real Estate Market
- Peer Group Analysis



Philip Löhr Analyst

Real Estate Market



Julija Letnik Analyst

- Introduction
- Market Environment



 B.Sc. Business Administration  B.Sc. Business and Economics  B.Sc. Business and Economics  B.Sc. Business and Economics  B.Sc. Economics and Business Agenda



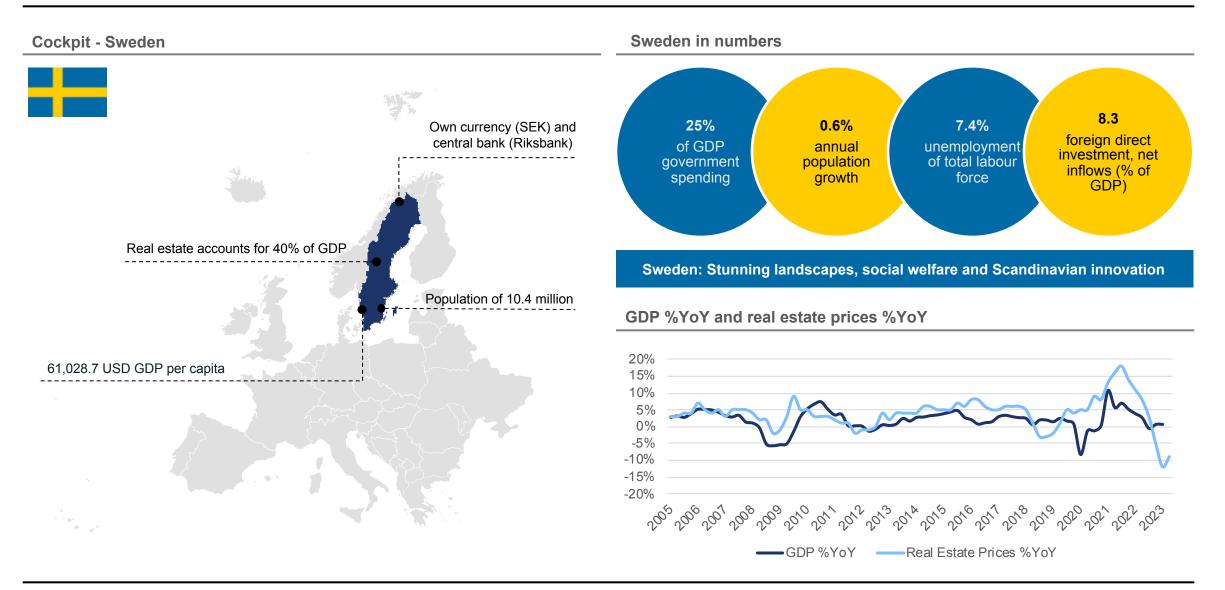
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## Introduction

#### Sweden at the beginning of a recession

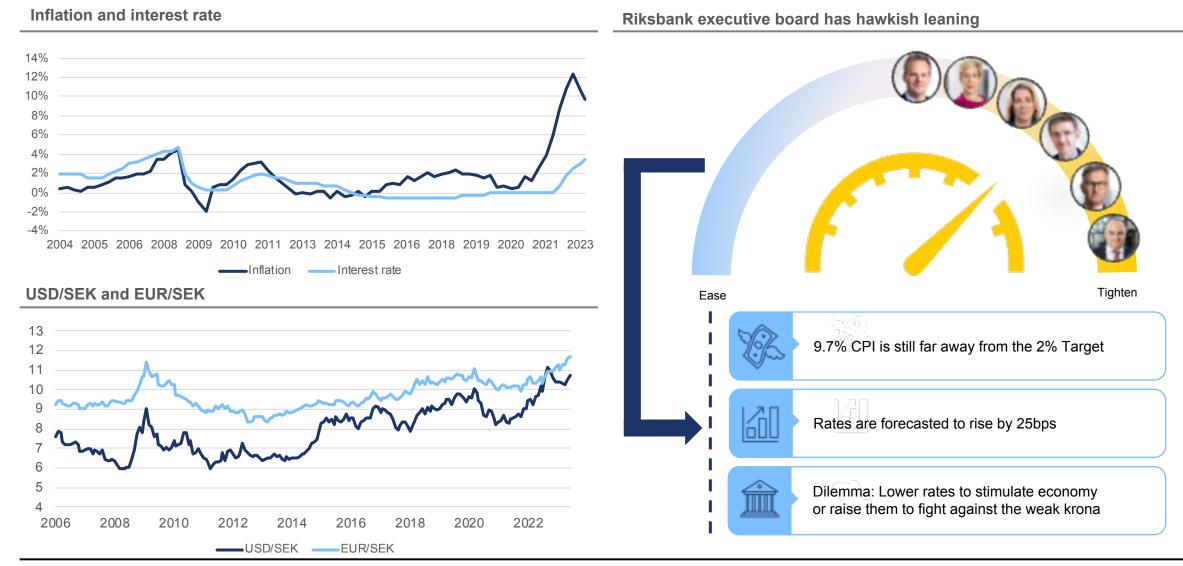




### **Market Environment**



### The Riksbank's quandary: high inflation, weak economy and currency challenges



Source: Sveriges Riksbank, Trading Economics, Bloomberg Finance L.P.

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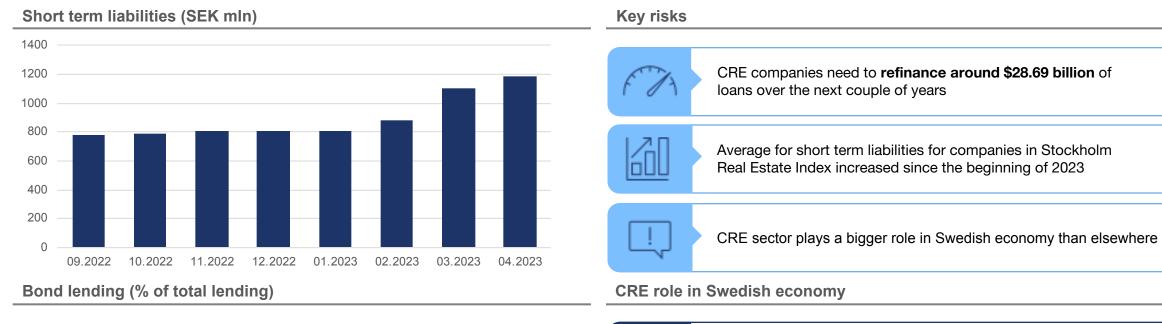
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Commercial Real Estate (CRE)

### Commercial property



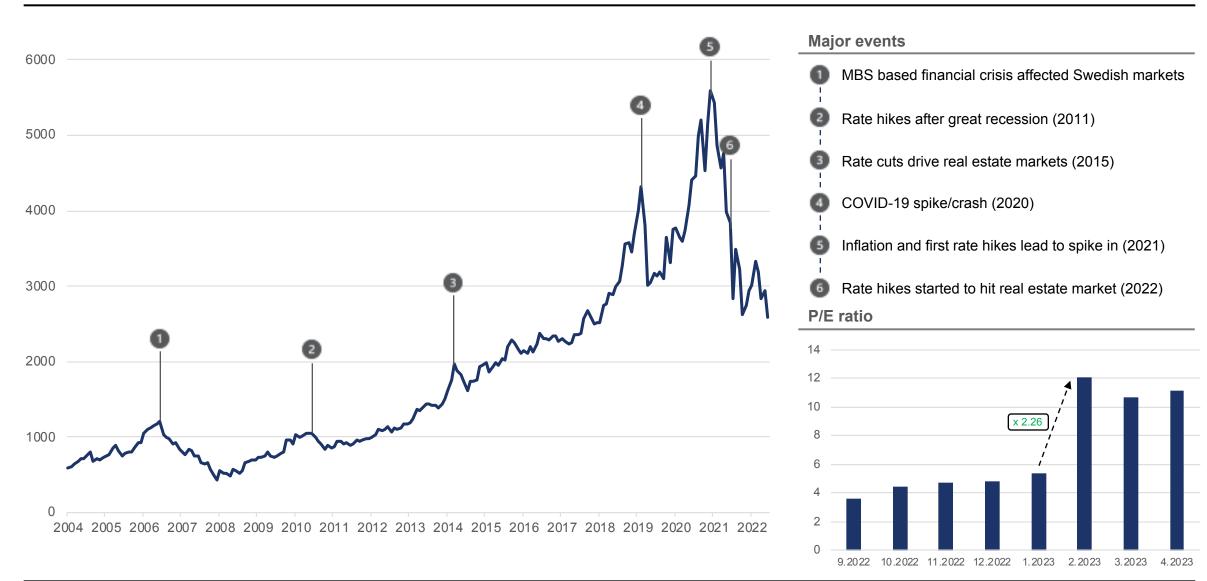




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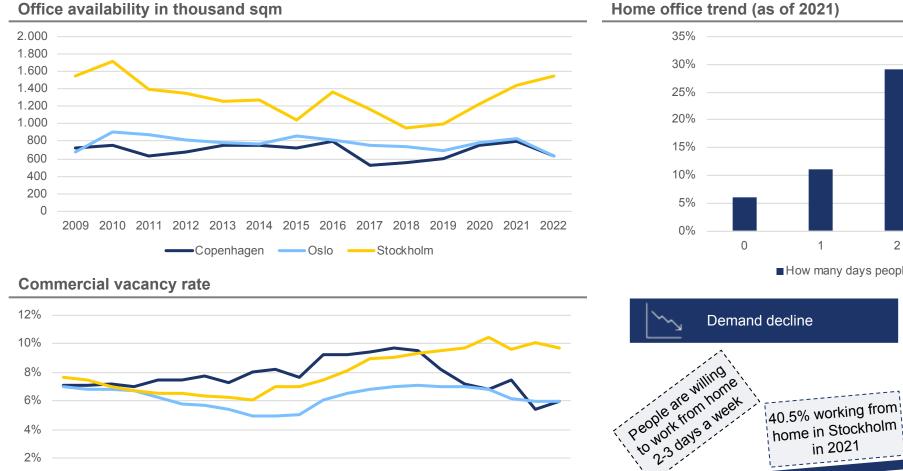
Source: Bloomberg Finance L.P., Financial Times, Reuters

### A picture of the peer group (SX8630PI Index)



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### Supply and demand balance



2 3 4 5 How many days people are willing to work from home

home in Stockholm in 2021

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Source: Bloomberg Finance L.P., Statista

2019

2020

2021

2022

2018

4%

2%

0%



2023

Demand growth



### Future outlooks for supply and demand are not promising

_L	Unit: Sq.m, periodicity: quarterly - forecast - vacancy rate (office)												
	City	2023 Q1	2022 Q4	2022 Q3	2022 Q2	2022 Q1	2021 Q4	2021 Q3	2021 Q2	2021 Q1	2020 Q4	2020 Q3	
	СРН	0	0	0	-1	-1	0	0	0	0	0	0	
	Oslo	0	0	-1	-1	-1	1	1	1	1	1	1	
	STH	1	1	1	-1	-1	-1	0	0	0	0	0	

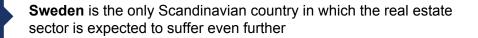
#### Unit: Sq.m, periodicity: quarterly - forecast - office rent

City	2023 Q1	2022 Q4	2022 Q3	2022 Q2	2022 Q1	2021 Q4	2021 Q3	2021 Q2	2021 Q1	2020 Q4	2020 Q3
СРН	0	1	0	0	0	0	0	0	0	1	0
Oslo	0	0	0	0	0	0	0	0	0	0	0
STH	-1	-1	-1	0	1	1	0	0	0	0	0

### Interpretation 0 1 -1 Future value is expected Future value is expected Future value is expected to remain stable to decrease to increase Vacancy rate for offices is expected to increase further and the office rent is expected to decrease even further



**Supply** still seems to **outpace demand** (based on prices) which drives these forecasts



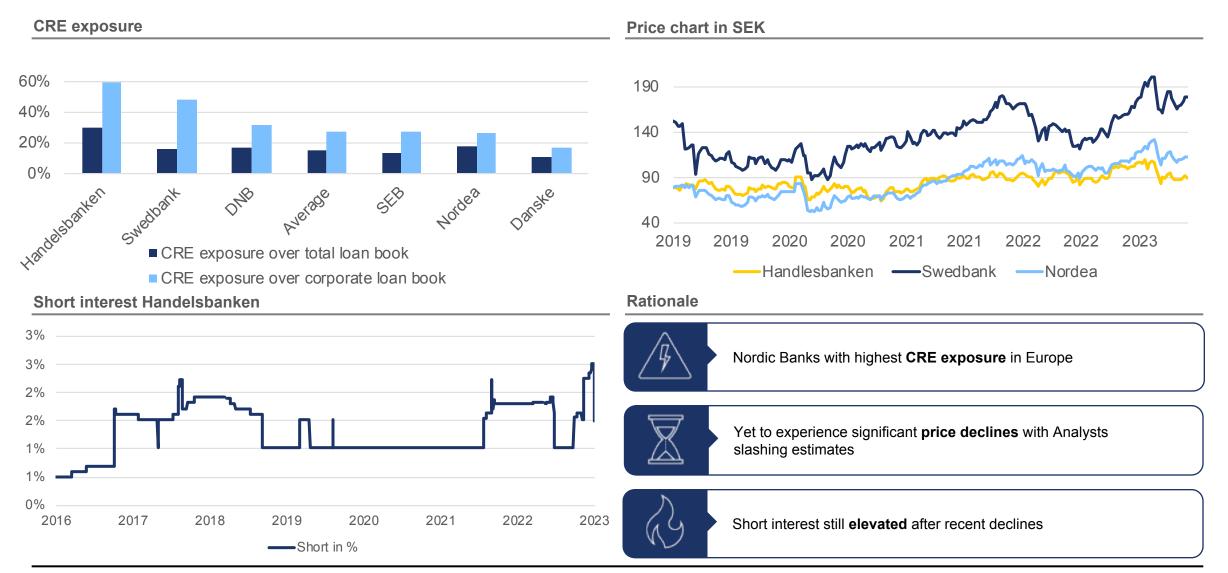
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## **Banks Exposure to CRE**

### Banks with highest exposure to CRE





## **Peer Group Analysis**



### Top 6 Swedish/Scandinavian banks

Peer Group Analysis Scandinavia	Year	Total assets (tsd USD)		Liquid assets (including available for sale & held to maturity) (tsd USD)		Gross loans & advances to customers / Customer deposits (in percent)	
Median		335,011,258		91,523,719		139.63	
Standard Deviation		131,460,129		62,365,672		19.88	
Average		407,704,096		110,830,358		142.99	
NORDEA BANK ABP	2022	634,460,306	1	245,968,508	1	127.27	5
DANSKE BANK A/S	2022	539,714,702	2	107,211,206	2	161.01	2
SKANDINAVISKA ENSKILDA BANKEN AB (*)	2022	338,803,899	3	91,659,199	3	115.50	6
SVENSKA HANDELSBANKEN AB	2022	331,218,618	4	64,079,002	6	174.92	1
DNB BANK ASA	2022	328,238,447	5	139,064,000	4	140.05	3
SWEDBANK AB	2022	273,788,604	6	125,243,156	6	139.21	4

## **Trade Structure**



### Placing an iron condor on Svenska Handelsbanken SHBA in December 2023

Iron Condor SHBA and Payoff diagram for one share of a contract

Position	Expiration	Strike Price			
HBA 12/15/23 C93.19		SEK 93.19	Break Ev	ven Net Cr	redit Max Loss
SHBA 12/15/23 P83.87	Dez 25, 2023	SEK 83.87			
IBA 12/15/23 C102.51	Dez 25, 2023	SEK 102.51	97.6 – 7	9.6 + SEK 3	88.04 - SEK 543.90
SHBA 12/15/23 P74.55		SEK 74.55			
			<ul> <li>14141414141414141414</li> </ul>		
108 106 104 102	100 98 96	94 92 90 88	3 86 84 82	80 78 7	76 74 72 70
108 106 104 102	100 98 96	94 92 90 88	3 86 84 82	80 78 7	76 74 72 70

Current price

#### **Trade Description**

#### **Iron Condor**

- Bearish strategy including short volatility
- Simultaneous purchase and sale of call and put options
- Limited potential loss

#### **Current figures**

- Current price: 92.18 SEK\*
- Break Even Range: 97.6 79.6
- Max profit: CP 8.87% / + 0,89%

#### **Payoff at expiration**

- Max profit if SHBA trades between SEK 84 – 93
- Max loss if SHBA trades at SEK 75 or below / at SEK 103 or above

\*as of June 20th, 2023

Source: Bloomberg Finance L.P.

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Source Name	Link	Date of Retrieval	Used for
Yahoo Finance	https://finance.yahoo.com/quote/SEK=X?p=S EK=X&.tsrc=fin-srch	24.05.2023	USD/SEK graph
Yahoo Finance	https://finance.yahoo.com/quote/EURSEK%3 DX/history?period1=1136073600&period2=16 84886400&interval=1mo&filter=history&freque ncy=1mo&includeAdjustedClose=true	24.05.2023	EUR/SEK graph
Inwezz	https://invezz.com/de/news/2023/04/14/usd- sek-gibt-nach-da-schwedens-inflation-dxy- index-zuruckgehen/	14.05.2023	Market Environment Outlook
Statista	https://www.statista.com/statistics/659051/real -estate-price-index-in-sweden/	13.05.2023	Real Estate Market
Bloomberg Finance L.P.		13.05.2023	Real estate Market 1/3 (SX8630PI Index)
Bloomberg Finance L.P.		13.05.2023	Real Estate Market 1/3 (P/E ratio)
Bloomberg Finance L.P.		13.05.2023	Real estate Market 2/3 (Office availability in thousand sqm)



Source Name	Link	Date of Retrieval	Used for
Bloomberg Finance L.P.		24.05.2023	Real estate Market 2/3 (Vacancy rate (office))
Bloomberg Finance L.P.		24.05.2023	Real estate Market 3/3 (Unit: Sq.m, Periodicity: Quarterly - Forecast - Vacancy rate (office))
Bloomberg Finance L.P.		24.05.2023	Real estate Market 3/3 (Unit: Sq.m, Periodicity: Quarterly - Forecast - Office rent)
Bloomberg Finance L.P.		24.05.2023	YoY %GDP
BankFocus		16.06.2023	Peer Group Analysis
Yahoo Finance	https://finance.yahoo.com/quote/SHB- A.ST?p=SHB-A.ST, https://finance.yahoo.com/quote/SWED- A.ST?p=SWED-A.ST, https://finance.yahoo.com/quote/NDA- SE.ST?p=NDA-SE.ST	16.06.2023	Banks Price Chart
Riksbank	https://www.riksbank.se/en- gb/statistics/search-interestexchange- rates/policy-rate-deposit-and-lending-rate/	16.06.2023	Interest Rate historical data
Trading Economics	https://tradingeconomics.com/sweden/interest -rate?continent=africa/forecast	16.06.2023	Interest Rates Forecast

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Source Name	Link	Date of Retrieval	Used for
Reuters	https://www.reuters.com/business/finance/com mercial-real-estate-biggest-risk-swedish- banks-central-bank-says-2023-01- 31/#:~:text=Commercial%20property%20com panies%20need%20to.loans%20at%20much %20higher%20rates.	02.06.2023	Refinancing debt for CRE companies
Reuters	https://www.reuters.com/business/finance/com mercial-real-estate-biggest-risk-swedish- banks-central-bank-says-2023-01-31/	02.06.2023	Lending to CRE companies
Financial Times	https://www.ft.com/content/97b03a7e-a70f- 48a2-b048-332b53edccf3	02.06.2023	Lending to CRE companies
Statista	https://www.statista.com/statistics/1295767/sw eden-attitude-after-covid-19/	16.06.2023	Home office trend
Eurostat	https://ec.europa.eu/eurostat/web/products- eurostat-news/-/ddn-20221108-1	02.06.2023	Home office trend
Riksbank	https://www.riksbank.se/globalassets/media/ra pporter/ppr/fordjupningar/engelska/2022/2209 20/higher-interest-rate-sensitivity-in-the- swedish-economy-article-in-monetary-policy- report-september-2022.pdf	02.06.2023	Interest Rate comparisons between countries
The World Bank	https://data.worldbank.org/country/SE	16.06.2023	Macroeconomic Environment in Sweden



Source Name	Link	Date of Retrieval	Used for
Bloomberg Finance L.P.		20.06.2023	Trade structure
SHORTEUROPE.COM	https://shorteurope.com/details_company.php ?company=Svenska%20Handelsbanken%20 AB%20(publ)&land=sweden	16.06.2023	Short interest Svenska Handelsbanken
Riksbank	https://www.riksbank.se/globalassets/media/ra pporter/fsr/fordjupningar/engelska/2017/comm ercial-properties-and-financial-stability-article- in-the-financial-stability-report-may-2017.pdf	21.6.2023	Market Environment

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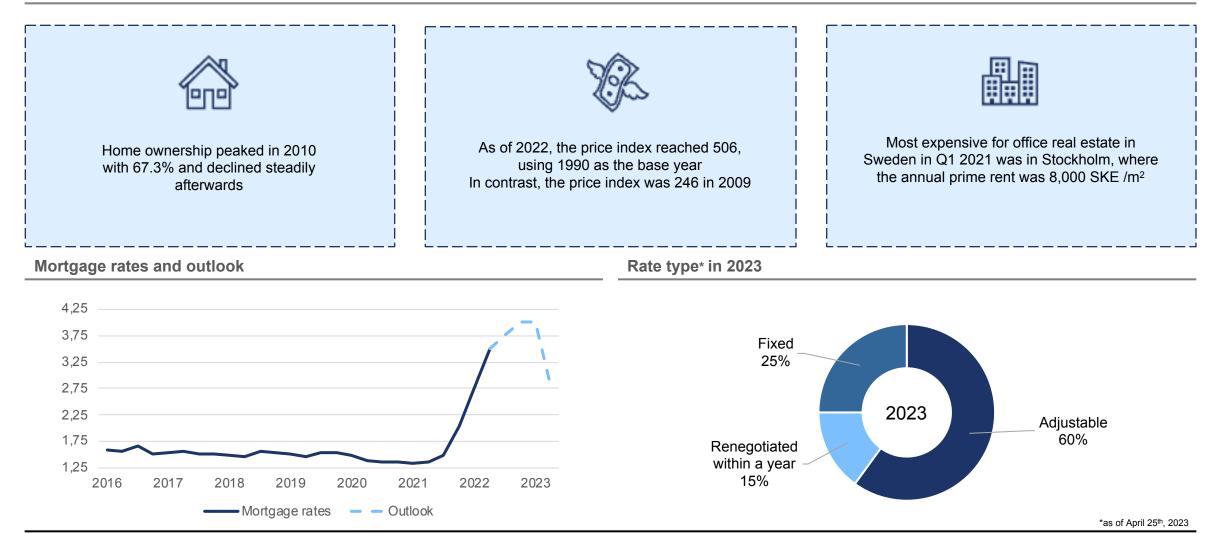
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#### From peaks to pockets: home ownership and mortgage rates in flux

Facts and figures



## **Peer Group Comparison**

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