



# Commercial real estate and financial stability

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# FI's assignment

## Financial stability

- capital requirements
- liquidity

## Consumer protection

- mortgage cap
- interest rate information

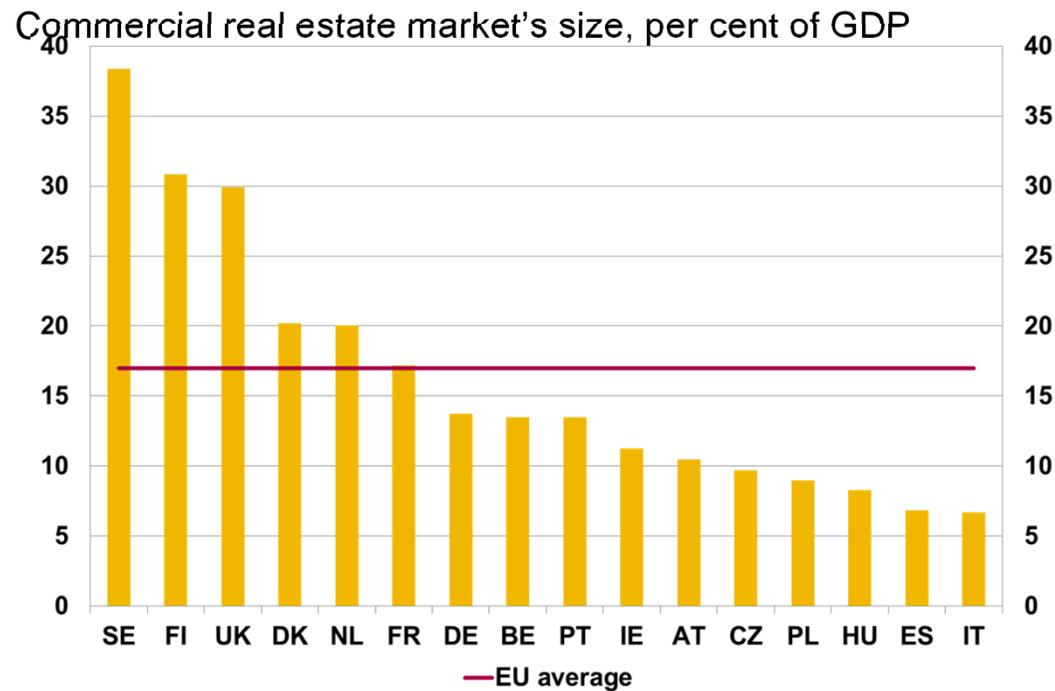
## Counteract financial imbalances

- amortisation requirement

# Commercial real estate and financial stability

- Financial stability risks
- Cyclical
- Banks have extensive lending to the sector
- Large role in financial crises

# Large Swedish market



Note: The market's size is calculated by estimating the value of the commercial real estate market owned by professional real estate investors.

Source: MSCI.



# Economic boom

Low interest rates

High growth

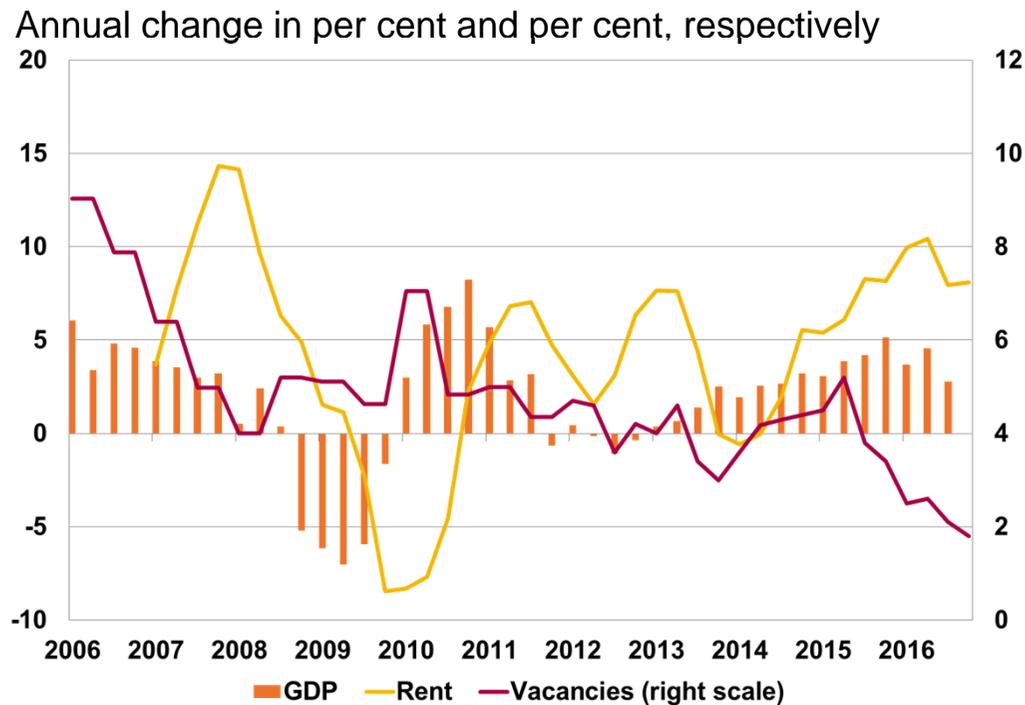
Greater demand

Low vacancies

Higher rents

Rising property prices

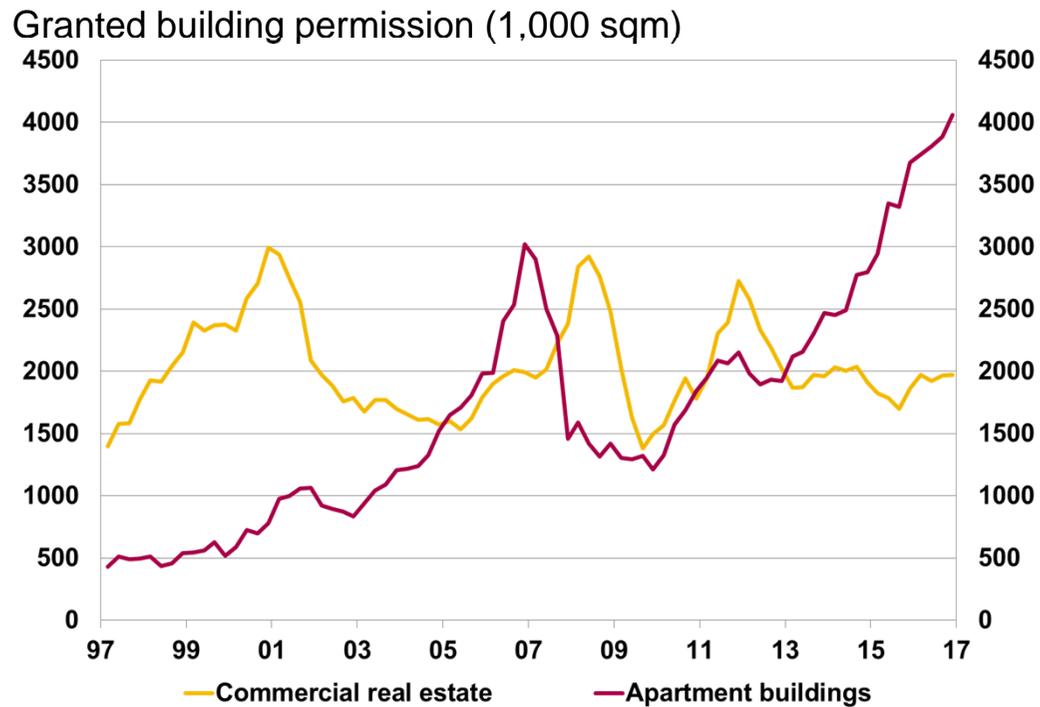
# Stable economy



Note: Office rental growth and degree of vacancies refers to Stockholm CBD (Central Business District).  
Source: Strateg and Statistics Sweden



# Record-high construction



Note: Commercial real estate includes offices, stores, hotels, restaurants, industrial property and warehouses.

Source: Statistics Sweden



# Economic downturn

Lower growth

Reduced demand

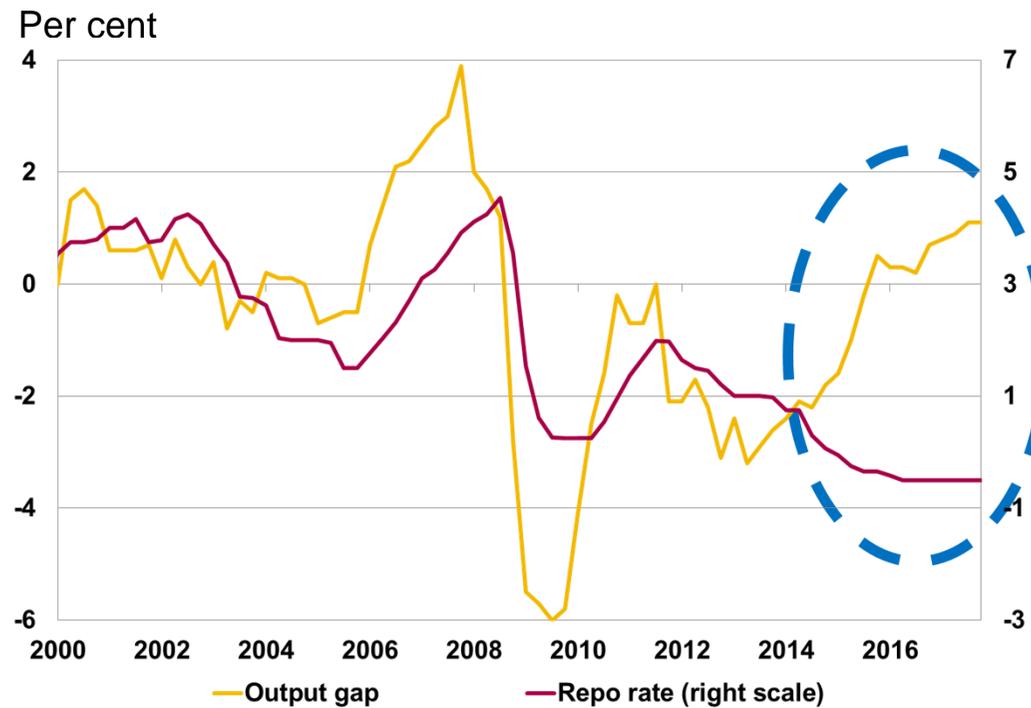
Higher vacancies

Lower rents

Interest rates?

Lower property prices

# Strong economy



Note: The GDP gap refers to the GDP's deviation from estimated GDP as a per cent.

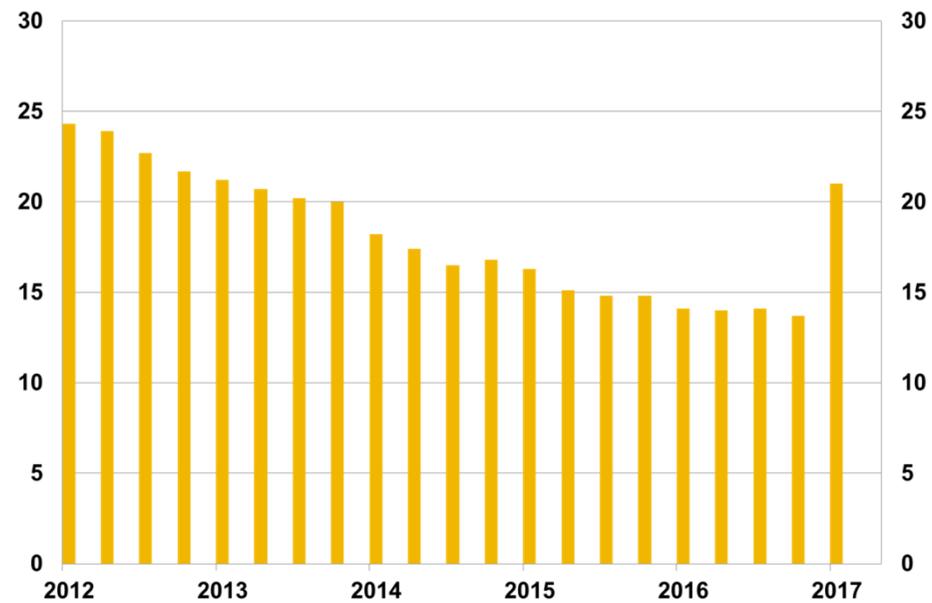
Source: Konjunkturinstitutet

# What does FI do?

- Supervision of credit risk management – FI's core activity
- Banks' capital requirements
- Risk weights

# Higher risk weights

Average risk weight for lending for commercial real estate, per cent



# Summary

- 60 per cent of the major banks' lending is for real estate – private and commercial
- Initial buffers, create resilience
- Unique interest rate level creates risks
- Cause to be vigilant

