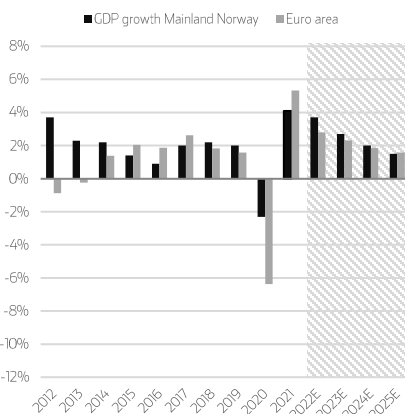


**Malling & Co Næringsmegling has signed a lease agreement with reMarkable in Fridtjof Nansens vei 12 at Majorstuen for approx. 17 000 m<sup>2</sup> office.**

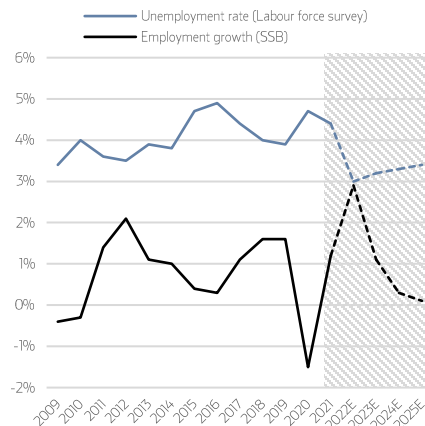


## GDP: Mainland Norway vs. Eurozone



Source: Statistics Norway Outlook (June 2022), IMF WEO (April 2022)

## Labour market Norway



Source: Statistics Norway (June 2022)

## Economic Outlook

- Statistics Norway (SSB) published in June updated Economic Trends with an estimated growth in mainland GDP in 2022 at 3.5 %. The growth is expected to fall gradually to 2.7 % in 2023, and 2.0 % and 1.1 % in 2024 and 2025, respectively. They are pointing out that high inflation, increasing interest rates and weaker growth among Norway's trading partners will slow down growth over the coming years.
- The Norwegian central bank increased their key policy rate by 50 bps to 1.25 % in June. They also increased the policy rate forecast further in the Monetary Policy Report 2/22 (MPR) with an estimated policy rate top of 3.10 % by the year end of 2023. High activity, little spare capacity and high inflation are explanatory factors for the interest rate hike.
- The strong labor market continues as the 3-month rolling average seasonally adjusted figures from SSB's Labor Force Survey show unemployment rate at 3.2 % for April 2022. This is slightly up from the 3.1 % measured in March, seasonally adjusted.
- The 12-month CPI change in June was 6.3 %, and the CPI-ATE was 3.6 %. This is higher than the CPI forecasts stated in the latest MPR 2/22 at 5.6 % and 3.4 %, respectively. If inflation continues above expectations and target, there is a risk of even higher interest rate forecasts, like the increase we saw from MPR 1/22 to 2/22.
- Nationally, residential housing prices decreased by 0.3 % nominally in June (up 0.3 % seasonally adjusted). Sharp increases in interest rates is expected to ease off the price growth going forward.

## Office vacancy (May 2022) and Indicative Office Rents (Q2 2022) in Greater Oslo

Cluster	Vacancy	Normal Rent**	Prime Rent*
Asker	14 %	1 600 – 1 800	2 150
Sandvika	1 %	1 500 – 1 800	2 300
Fornebu	8 %	1 500 – 1 800	2 300
Lysaker	3 %	1 950 – 2 300	2 500
Skøyen	8 %	2 700 – 3 200	3 900
Forskningsparken/Ullevål	2 %	1 800 – 2 500	2 700
Majorstuen	2 %	2 400 – 2 700	3 450
Vika/Aker Br./Tjuvholmen	5 %	3 800 – 4 600	6 000
Kvadraturen	6 %	2 900 – 3 600	4 000
Inner City	6 %	2 800 – 3 600	4 250
Inner City East	7 %	2 300 – 2 800	3 500
Björvika	1 %	3 500 – 4 300	5 200
Nydalen/Sandaker	10 %	2 000 – 2 400	2 700
Økern	6 %	1 500 – 2 000	2 450
Helsfyr/Ensjø	4 %	1 900 – 2 200	2 500
Bryn	17 %	1 700 – 1 950	2 100

## Key Facts: Real Estate (Office, Oslo)

	July 2022	July 2021
Prime Yield	3.45 %	3.25 %
Normal Yield***	4.60 %	4.75 %
5Y SWAP (COB 11.07)	2.99 %	1.33 %
10Y SWAP (COB 11.07)	3.06 %	1.50 %
EUR/NOK (COB 11.07)	10.24	10.31
CPI 12-month change (June)	6.3 %	2.9 %
Average Rent Top 15 % (Q2 22/21)	4 310	4 100

\* / \*\* / \*\*\* For explanation please see Link

Rents are quoted as NOK/m<sup>2</sup>/yr. Source: Malling & Co

Rents are quoted as NOK/m<sup>2</sup>/yr. Source: Malling & Co/Eikon/Arealstatistikk/SSB

Number formatting: SI Style (English version)

## Latest Lease Contracts

Tenant	Address/Cluster	Size (m <sup>2</sup> )
reMarkable	Fridtjof Nansens vei 12 / Majorstuen	~17 000
Amedia	Tollgaarden / Inner City East	~ 8 550
Manpower (renegotiation)	Sundtkvartalet / Inner City East	~ 4 900
Xeneta	Posthuset / Inner City East	~ 2 100

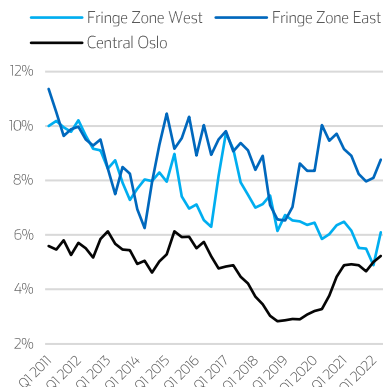
Source: Malling & Co

## Latest Transactions

Address	Buyer	Size <sup>1</sup> (MNOK)
2 shopping centres and 25 % of a third	Aurora Eiendom	2 600
Portfolio: 5 properties	Public Property Invest	1 943
50 % of two office properties	Reitan Eiendom	1 727
Last part of Adamstuen	Linstow	1 360

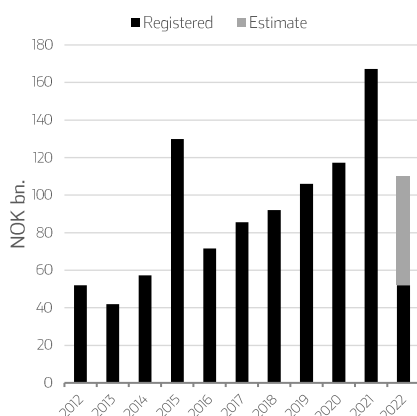
<sup>1</sup>Deal size may be rounded due to confidentiality. Source: Malling & Co

## Historical Office Vacancy, Greater Oslo



Source: Malling & Co/FINNO

## Transaction Volume (>50 MNOK)



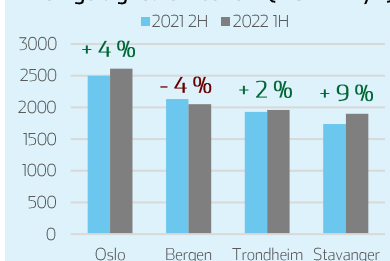
Source: Malling & Co

## Special Topic: The office leasing market across Norway's largest cities per 1H 2022

While rising interest rates are scaring off some investors in the real estate market, especially for listed office CRE-companies in Sweden and Norway, the office leasing market is proving strong. Leasing prices were up from the second half of 2021 to the first half of 2022 in three of the four largest cities in Norway (simple NOK/m<sup>2</sup>/year average of all signed leases). The largest increase was witnessed in Stavanger, where the average lease price increased by almost 10 %. The growth was 4 % in Oslo and 2 % in Trondheim, whereas Bergen experienced a negative trend of -4 %. In Oslo, the geographically weighted leases showed even stronger growth, further supported by our leasing agents reporting a very strong market in first half of 2022. Approx. 391 000 m<sup>2</sup> of office space were signed in Oslo in H1 2022, which is the highest H1 volume ever recorded by Arealstatistikk, supporting strong demand. There are several factors that can explain the strong office leasing market:

- Throughout the pandemic, many companies **postponed decision making** regarding office premises to observe how office would be used in the new "normal". Post Covid, companies have had to "catch up", leading to a strong activity in 2021 continuing into the first half of 2022.
- In addition, **employment growth has been exceptionally strong** post Covid. As per May 2022, the number of wage earners has increased by 5.6 % y/y in Norway according to SSB preliminary numbers. Employment growth creates needs for more office space.
- The **oil and gas sector has seen a particular boost** over the first half of 2022, driven by among others the war in Ukraine. The demand for office space has thus been very high in regions exposed to oil and gas, including Stavanger and the western fringe zone in Oslo.
- High **increase in construction costs and increasing yields on office premises** is increasing the marginal product in the market dramatically.
- In Oslo, **construction activity was below average in 2021 and is expected to continue below average over the period 2022-2024**. Newbuild volume is particularly low in 2022, at approx. 18 000 m<sup>2</sup> in contrast to the 2010-2021 average of approx. 146 000 m<sup>2</sup>. This is limiting the volume available for tenants over the coming years.

### Average signed office rent (NOK/m<sup>2</sup>/yr.)



## Commercial Real Estate

### Oslo Office Market

- Arealstatistikk just released Q2 2022 numbers for average rent of signed office leases in Greater Oslo at 2 670 NOK/m<sup>2</sup>/year. Despite high random variations in quarterly numbers, the strong numbers in Q1 and Q2 combined yields a 4.4 % growth in the first half of 2022 compared to the second half of 2021, and around 7 % growth geographically weighted. Average signed office rents in greater Oslo are now around 10 % higher than registered first half of 2021.
- Office rents are up in more or less all parts of the market, but western fringe like Lysaker and Outer West continues with the strongest half year growth.
- The volume of signed leases measured as a 12-month rolling volume is record high landing at 811 960 m<sup>2</sup> of signed leases as of Q2 2022. The record comes despite several large contracts that we know haven't been reported due to signature very close to quarter end. The volume is therefore likely to come in high also in Q3.
- Despite the high volume of signed office leases, average office vacancy levels have increased slightly in Q2 due to some new projects coming to market. Much of the added space is however of lower standard in less attractive areas.
- Construction activity forecasts for 2022 is still at only 18 100 m<sup>2</sup> of confirmed new office space. Confirmed construction volumes for 2023 and 2024 are more optimistic, at 71 200 m<sup>2</sup> and 88 300 m<sup>2</sup>, respectively.

### Investment Market

- We have registered a high transaction volume for the first half of 2022 of approximately NOK 52 billion spread over somewhat below 200 transactions. This tally is not yet finished and might go higher as transactions closed before 30 June are reported over the summer.
- Our full year transaction volume for 2022 estimate remains in the interval NOK 100-120 billion.
- High inflation and increasing interest rates are still concerns for investors. While the NOK 5Y SWAP rate peaked at almost 3.5 % late June, the NOK 5Y SWAP rate has fallen to just below 3 % at the time of writing. Fear of recession is a likely explanation of falling expectations in interest rates. However, the market still expects a higher key policy rate than indicated by the Central Bank until mid 2023.
- Indicative credit spreads for CRE in the bond market are significantly up from levels seen in the end of last year.
- Our Q2 22 Investor Yield and Sentiment Survey was just closed showing investor sentiment slightly down with an overall net buyers exposure next 12 months at 63 %, down from 66 % in Q1.
- Prime office yield is now estimated at 3.45 %, expected to increase to 3.75 % in 12 months. Yields on other segments and risk classes are also up between 5-20 bps.
- Yields are expected to continue increasing by 30-45 bps across all risk classes and segments according to investors responding to our survey.