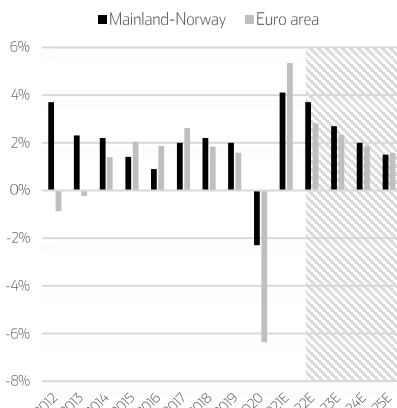


Malling & Co Leietakerrådgivning has advised BDO with developing their future Workplace strategy and the search for new office space, resulting in a new lease contract for 11 000 m2 office space in Bygdøy Allé 2.

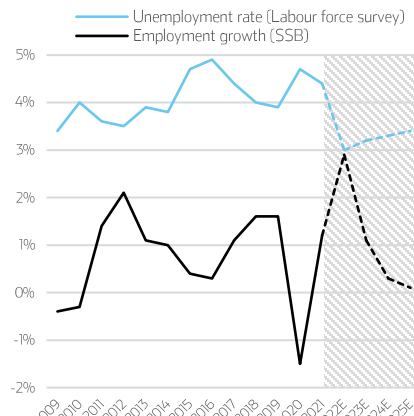


GDP: Mainland Norway vs. Euro area



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. Newer mainland GDP-forecasts from The central bank of Norway (NB) and DNB Markets in August are lower than SSB's forecast, 1.1 % and 0.8 % for 2023, respectively. There has been a growth of 0.7 % in mainland GDP during the first half of Q3.
- NB increased their key policy rate by 50 bps to 1.75 % in August. The policy rate forecast in the Monetary Policy Report 2/22 (MPR) has an estimated policy rate top of 3.10 % by the 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 shows unemployment rate at 3.2 % for April 2022. This is equal to the 3.2 % measured in March, seasonally adjusted.
- The 12-month CPI change in July was 6.8 %, and the CPI-ATE was 4.5 %. This is higher than the CPI forecasts stated in the latest MPR 2/22 at 5.1 % and 3.2 %, 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 1.6 % nominally in June (down 0.2 % seasonally adjusted). Sharp increases in interest rates is expected to ease off the price growth going forward.

Office vacancy (July 2022) and Indicative Office Rents (Q3 2022) in Greater Oslo

Cluster	Vacancy	Normal Rent**	Prime Rent*
Asker	7 %	1 600 – 1 800	2 150
Sandvika	7 %	1 500 – 1 800	2 300
Fornebu	8 %	1 500 – 1 800	2 300
Lysaker	3 %	1 950 – 2 300	2 500
Skøyen	9 %	2 700 – 3 200	3 900
Forskningsparken/Ullevål	1 %	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	4 %	2 800 – 3 600	4 250
Inner City East	6 %	2 300 – 2 800	3 500
Bjørvika	1 %	3 500 – 4 300	5 200
Nydalen/Sandaker	8 %	2 000 – 2 400	2 700
Økern	5 %	1 500 – 2 000	2 450
Helsfyr/Ensjø	3 %	1 900 – 2 200	2 500
Bryn	15 %	1 700 – 1 950	2 100

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

Rents are quoted as NOK/m²/yr. Source: Malling & Co

Key Facts: Real Estate (Office, Oslo)

	Sep. 2022	Sep. 2021
Prime Yield	3.45 %	3.25 %
Normal Yield***	4.55 %	4.65 %
5Y SWAP (COB 01.09)	3.63 %	1.43 %
10Y SWAP (COB 01.09)	3.49 %	1.57 %
EUR/NOK (COB 01.09)	10.0	10.3
CPI 12-month change (July)	6.8 %	3.0 %
Average Rent Top 15 % (Q2 22/21)	4 310	4 100

Rents are quoted as NOK/m²/yr. Source: Malling & Co/Eikon/Arealstatistikk/SSB

Latest Lease Contracts

Tenant	Address/Cluster	Size (m ²)
NBT	Dyrskueveien 13 / Kløfta	~ 14 500
BDO	Bygdøy Allé 2 / VAB	~ 11 000
TBA	Nedre Vollgate 11 / VAB	~ 5 900
Norselab	Nedre Slottsgate 5 / Kvadraturen	~ 2 100

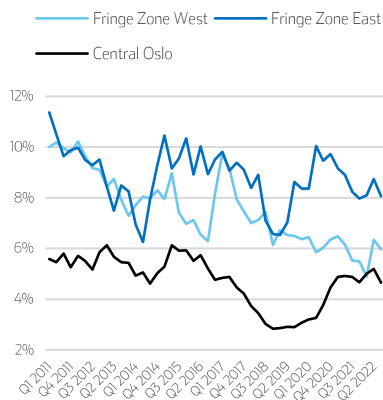
Source: Malling & Co

Latest Transactions

Address	Buyer	Size ¹ (MNOK)
Tjelta Eiendom: 22 industrial properties	ORO / Forus Eiendom	2 000
Portfolio: 27 industrial properties	Asset Buyout Partners	650
Kronprinsens gate 9	Arctic Securities	575
75 % of Maxbo Hamar	Utstillingsplassen Eiendom	300

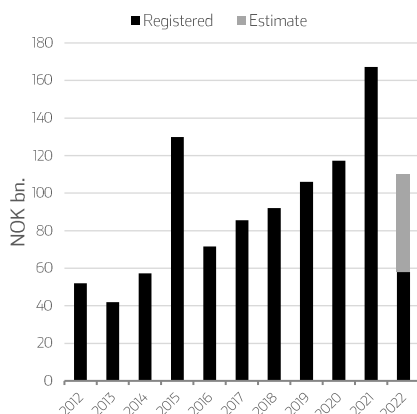
¹Deal size may be rounded due to confidentiality. Source: Malling & Co

Historical Office Vacancy, Greater Oslo



Source: Malling & Co/FINN.no

Transaction Volume (>50 MNOK)

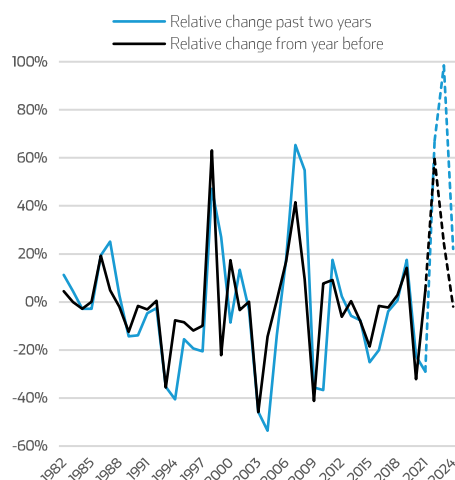


Source: Malling & Co

Special Topic: Record high relative increase in lending rates

Over the past year, inflation measured as the 12-month rolling CPI-change has risen to new highs. Both the Central Bank of Norway (NB) and other central banks have been challenged by inflation not seen for decades, much driven by record high energy prices. The energy market is particularly stretched in Europe, and prices are expected to remain high and probably increase further as we approach the colder season, putting further pressure on CPI-rates over the coming year. NB has signalled several rate increases over the coming meetings, and the expected rate from the MPR 2/22 from June indicates a key policy rate top at 3.1% by the end of 2023. The CPI forecasts from this report for June and July has already been well overshoot. In the middle meeting in August, where NB increased the monetary policy rate by 50 bps to 1.75 %, they signalled that there is a risk of faster and higher increases ahead. As long as inflation comes in higher than expected and the labour market remains strong, the mandated action is to increase the key policy rate further until inflation is tamed and under control. Interest rate market forward rates have risen sharply in the short term lately, indicating that the market expects central banks to react with consecutive hikes over the next year to address the high inflation.

To show the relative effect of rate hikes on lending rates we can expect over the next years relative to historical changes, we have been looking at the time series of average lending rates in Norwegian banks from 1980 until 2021 (yr. end) from Statistics Norway. In addition, we have estimated forward lending rates based on the Policy rate curve and historical average spread between policy rates and average lending rates from 2002-2021. As yields on CRE and housing come from record low levels, the relative change in interest rate costs are relevant when studying the effects of the expected rate hikes over the coming years. This shows that the relative changes in interest rate cost for borrowers will be the highest we have seen in this context over two years in 2023, and almost touching the 1-year change seen in 1998.



Commercial Real Estate

Greater Oslo leasing market

- Arealstatistikk Q2 office rent report, shows a clear sign of increasing office rents in Greater Oslo, with almost 11 % growth comparing 1H 2022 to 1H 2021.
- The difference between office contracts starting and contracts expiring over the past four quarters shows a net take-up of around 100 000 m² office space, confirming the strong demand for office space reported by our leasing agents.
- The number of wage earners in Oslo, Asker and Bærum municipality increased with 8.1 % from Q2 2021 to Q2 2022 according to SSB. This increase reflects the strong employment growth fuelling demand for space.
- Record high energy prices is not only affecting CPI, but also affects common costs heavily. However, this effect will come into play over the coming months as common costs paid on account will normally be adjusted in Q4.
- Arealstatistikk just released their new report on industrial leases (logistics) in Greater Oslo. Average rents reported in 1H 2022 are 7 % higher than 2H 2021. However, given the natural spread in lease prices, we need more data to conclude the actual market growth.
- Demand for logistics space remains strong despite slowdown in online shopping from the peak during the pandemic, and hence reduced demand from online retailers in specific. However, demand remains strong among other tenants in this segment, especially 3PL-providers.

Investment Market

- We have registered a high transaction volume YTD of approximately NOK 58 billion spread over more than 200 transactions. The tally is a continuous process, and due to the nature of the current market, deals noted on bid-acceptance may terminate with a higher probability than seen over the past years.
- Our full year transaction volume for 2022 estimate remains in the interval NOK 100-120 billion as a slowdown is expected in the remaining months of the year, compared to previous years.
- Further increase in interest rates scare investors and affect business cases on the buy side significantly. While the NOK 5Y SWAP rate currently stands at 3.7 %, 3M NIBOR fwd rates have passed 4 % in 6M to 3Y, squeezing returns and pushing yields upwards.
- New inflation numbers for August at 10. September and the new interest rate decision and monetary policy report from NB on 22. September will be key events for money market rates over the coming weeks.
- Prime office yield was estimated at 3.45 % in our Q2 Yield and sentiment survey at the end of June. We remain this as our official estimate, but we are expecting to adjust our estimate upwards over the coming months.