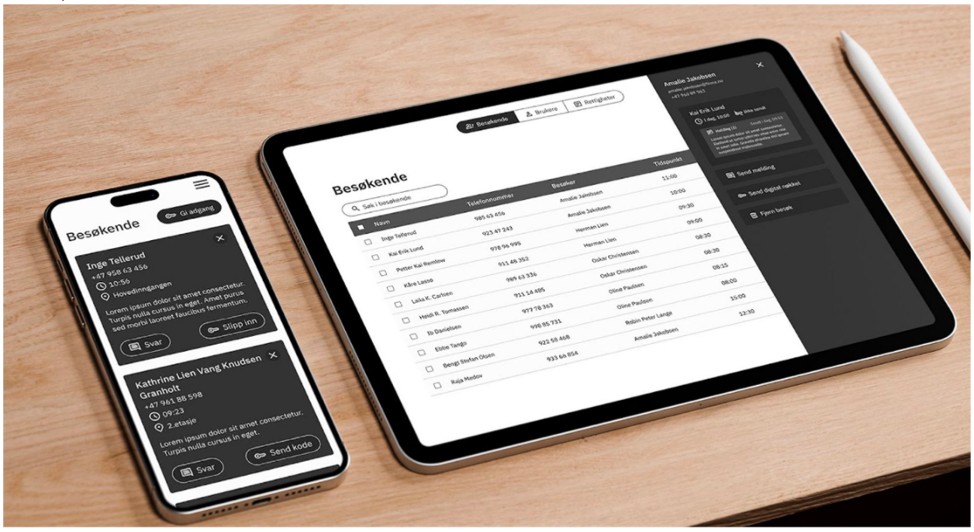
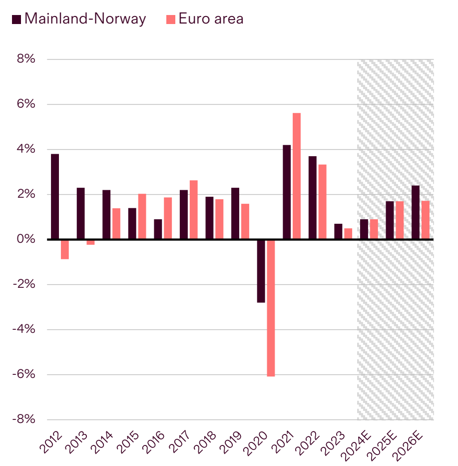
MARKET UPDATE
Mar 2024

Malling, Entra, and Storebrand Eiendom have jointly established the company Welcome Workdays. The company offers a digital platform to manage properties in a smarter and more future-oriented way, ensuring that office users have an overview of everything they need at the workplace.

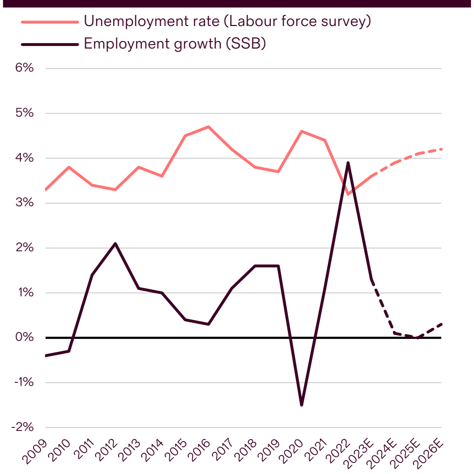


GDP: Mainland Norway vs. Euro area



Source: Statistics Norway Outlook (December 2023), IMF WEO (January 2024)

Labour market Norway



Source: Statistics Norway (December 2023)

Economic Outlook

- While we saw a significant drop in long term interest rates in Q4 2023, rates have again increased as the market has lost the belief in the ample series of rate cuts that was priced in at the end of last year.
- In the US, FED's policy rate is likely at its peak for this tightening cycle given that inflation remains under control. FED is signalling rate cuts at some point this year, but later and fewer cuts compared to earlier market expectations. They remain highly data dependent.
- On the upside risk for the rate decision in Norway on 21 March, we have identified increased estimates for oil Investment for 2024, higher than expected GDP-growth in Q4 2023 and the housing market performing slightly better than expected in the MPR 4/23. Also, higher interest outlook abroad pushes the curve upwards.
- On the other hand, stronger NOK in Q1 than expected and CPI slightly below target in December and January, as well as slightly lower growth in wages than expected in 2023 overall, counts on the downside.
- Our main scenario is no change in the Key policy rate by Norges Bank in March, and our main outlook for the remaining decisions in 2024 is no or at best one late rate cut. As indicated by the rate curve, we even see a risk for another hike in 2024, dependent on data relative to NB's economic forecast.
- The Norwegian labour market remains robust, with the unemployment rate, as measured by the Labour Force Survey stands at 3,9 % in January. The registered unemployment rate measured by NAV was 1.9 % in February seasonally adjusted, and 2.1 % unadjusted. National accounts for employed persons (seasonally adjusted) increased by 0.7 % compared to Q4 2022.

Office vacancy per Feb 2024 (Feb 23) and Indicative Office Rents (Mar 24) in Greater Oslo

Cluster	Vacancy	Normal rent**	Prime rent*
Asker	9 % (11 %)	1 700 – 1 900	2 200
Sandvika	13 % (9 %)	1 900 – 2 400	2 650
Fornebu	13 % (7 %)	2 000 – 2 300	2 700
Lysaker	4 % (6 %)	2 300 – 2 700	2 900
Skøyen	7 % (8 %)	3 000 – 3 700	4 200
Forskningsparken/Ullevål	0 % (0 %)	2 200 – 2 800	3 200
Majorstuen	3 % (1 %)	2 900 – 3 500	4 200
Vika/Aker Br./Tjuvholmen	6 % (5 %)	4 500 – 5 500	6 500
Kvadraturen	6 % (5 %)	3 200 – 4 000	4 750
Inner City	7 % (6 %)	3 200 – 4 000	4 900
Inner City East	8 % (6 %)	3 000 – 3 600	4 000
Bjørvika	0 % (0 %)	3 800 – 4 600	5 400
Nydalen	7 % (7 %)	2 300 – 2 800	3 100
Økern	6 % (6 %)	2 000 – 2 300	2 600
Helsfyr/Ensjø	10 % (4 %)	2 100 – 2 500	2 750
Bryn	13 % (17 %)	2 000 – 2 300	2 500

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

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

Key Facts: Real Estate (Office, Oslo)

	Mar. 2024	Mar. 2023
Prime Yield	4.70 %	4.00 %
Normal Yield***	6.05 %	5.40 %
5Y SWAP (COB 06.03)	3.99 %	3.54 %
10Y SWAP (COB 06.03)	3.76 %	3.41 %
EUR/NOK (COB 06.03)	11.4	11.1
CPI 12-month change (January)	4.7 %	7.0 %
Average Rent Top 15 % (Q4 23/22)	4 790	4 510

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

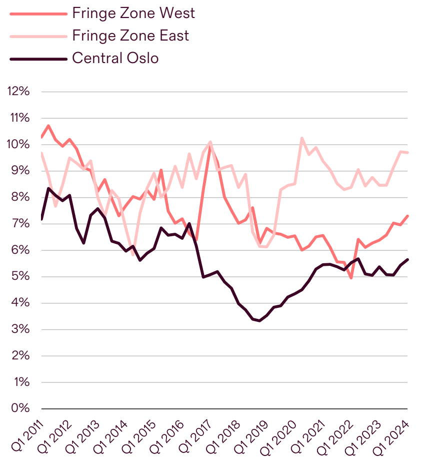
Number formatting: SI Style (English version)

Latest Lease Contracts

Tenant	Address/cluster	Size (m^2)
Yara	Verkstedveien 1 Skøyen	16 000
CMS Kluge Advokatfirma (extension)	Bryggegata 6 CBD	~ 5 775
DLA Piper (extension)	Stranden 5 CBD	~ 5 300
UNE	Storgata 38 Inner city east	~ 5 200

Source: Malling

Office Vacancy, Greater Oslo



Source: Malling/FINN.no

Latest Transactions

Address	Buyer	Size [1] (MNOK)
Entra-portfolio (Trondheim)	E C Dahls Eiendom	6 450
49 % of Wilog	Nrep	N/A
Tjuvholmen allé 11	KLP	844
Residential-portfolio (Bergen)	Bo Coliving	~500

[1]Deal size may be rounded due to confidentiality. Source: Malling

Transaction Volume (>50 MNOK)

Source: Malling

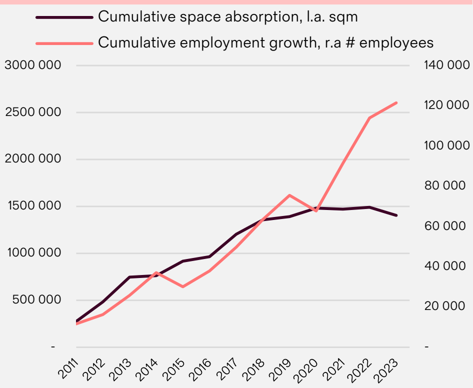
Special Topic: Booming office market in Oslo in a couple of years?

To better understand the relationship between take-up, employment growth, vacancy rates, and net new construction, we have analysed these metrics over the past 15-20 years. By testing various models of interdependence, our findings indicate:

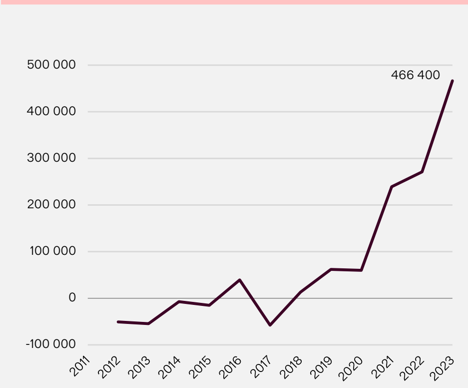
1. The demand for new office space, which arises from employment growth, typically lags by 5-7 years. This demand accounts for approx. three-quarters of the take-up observed in our model.
2. The remaining quarter of demand can be attributed to the employment outlook for the forthcoming year, meaning that the demand for space often occurs one year prior to hiring.

According to this model, there appears to be an unrealised demand for around 470 000 m^2 of office, which is around ¾ of the current vacant space. Due to increased construction costs and yields, the breakeven rent for additional space is, in many instances, up to 30 % higher than current market rents. Nonetheless, due to timing effects and a subdued economic forecast for the coming years, the office market is likely to experience a few slow years before a potential boom. A period of slow market activity also tends to limit new construction, thereby enhancing the prospects for a future boom. The graphs below illustrate the disparity between employment growth and office take-up, as well as the accumulated unrealised demand according to our demand model. If you believe the demand for offices will return to normal levels, the current market sentiment seems highly favourable for investing.

Cumulative employment growth in Greater Oslo* relative to the measured office take-up.



Modelled unrealised demand for office space in Greater Oslo*, m^2



In this context Greater Oslo = Oslo, Asker and Bærum, covering our 16 office clusters. Employment numbers are based on workplace location

Commercial Real Estate

The Leasing Market

- 2024 started off moderate in terms of lease searches as January was well below 2022 and 2023 levels. However, February was strong compared to last year. In total, the lease search volume as of January and February ended slightly below the previous 10/year average.
- While the search activity in the first two months of 2023 was heavily affected by large searches above 10 000 m^2, 2024 so far is characterized by searches in the middle range. Lease searches of 1 500 m^2 - 4 999 m^2 and 5 000 m^2 - 9 999 m^2 constituted 27 % and 38 % of the search volume, respectively.
- The vacancy in Greater Oslo is currently measured to 7.1 %, an uptick of 1.1 percentage points from February 2023. See our market update from January for possible explanations as to why the vacancy has increased despite a booming employment market and low construction volumes.
- Compared to the fringe zones, Central Oslo has a low vacancy measured to 5.9 %. Fringe zone west is currently at 7.7 % while fringe zone east has the highest vacancy level of 9.0 %, strongly affected by Bryn at 12.6 % and Helsfyr/Ensjø at 9.9 %.
- In the industrial and logistics segment, the vacancy in Greater Oslo is at 4.6 % of the total stock. Out of the four areas that constitutes Greater Oslo, Central has the lowest vacancy at 2.9 %. North is also below average, and is at 4.5 %, while South and West is at 6.1 % and 5.1 %, respectively.
- Our current forecast for confirmed newbuild volume in Greater Oslo is an addition of 61 000 m^2 in 2024, 226 000 m^2 in 2025, and 128 500 m^2 in 2026. Despite an expected increase in the construction pipeline, the 3-year net construction of office space remains low in historical context.

The Investment Market

- The transaction volume so far this year is approximately NOK 11 billion, higher than at the same time in 2023 when the transaction volume was 7 billion.
- Around the turn of the year, several significant deals were signed, coinciding with relatively low interest rates that seemed to continue declining. It is the deals completed during this period, such as Entra's sale of its portfolio in Trondheim and the sale of 49 % of Wilog, that have contributed to a high transaction volume relatively speaking.
- The optimism that was evident at the beginning of the year somewhat stagnated when interest rates increased again in January, and investors now seem to expect that rate cuts are more distant than initially anticipated. Nevertheless, investors still express a desire to make investments in 2024.
- Although the volume so far this year has been higher than expected, our estimate for the transaction volume in 2024 remains at a moderate NOK 60 billion. We anticipate relatively low activity in the first half of the year and believe that market optimism will lead to increased activity over the summer.
- Compared to October 2023, the market has improved slightly, mainly because the gap between the selling side and the buying side has narrowed somewhat, while interest rate uncertainty has been reduced.

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