



MALLING & CO MARKETS

## MARKET REPORT SUMMER 2015



# “HIGH” ON LOW INTEREST RATES

Residential property prices are up by 7.9 %\* on average for the past year (april/april) in Norway, while transaction volumes for commercial real estate are beyond 2007-levels, and this time around at high watermark price levels. At Malling & Co, we believe the time has come to raise the question – where is the real estate market heading?

In our last market report in January, Malling & Co predicted continued high investment activity. So far, this prediction has held true – and we still believe in further strong activity.

Even though yields are pushed down by low interest rates and correspondingly lower required rates of return, investors consider real estate to be a much safer haven at a considerably more attractive yield than most alternatives. The residential market and housing prices in Oslo are up by 11.4 %\* (m/m) last year, only to be beaten by Tromsø, up by 14.6 %\*. At the other end of the scale, we find Stavanger with a moderate increase of 1.3 %\* in housing prices, evidently impacted negatively by low activity in the oil sector. Never the less, and as a whole, low interest rates have had a heavy impact on housing prices.

However, we see some clouds on the horizon, but at the current time, we do not really know how hard it will hit us. The downturn in the oil and -service sector is starting to affect the Norwegian economy. Statistics Norway released unemployment figures on 30 April, which suggested an unemployment rate of 4.1 %, up 0.7 percentage points compared to last year. The Bank of Norway confidence index shows expectancy of zero growth in production and employment over the next three months. In addition, we find similar evidence in other figures, indicating a slowdown in the Norwegian economy. As we all know, rain usually comes after several sunny days. However, as for now, the investment market seems rather unaffected. Although even cheaper financing and lower interest rates may push yields down even further, the underlying rental market and macro numbers might become evident as a cooling agent. If so, investors will most likely become nervous and more reluctant. Weaker growth in salaries and employment, as well as a general economic slowdown, will most likely affect the residential market as well. The office market in the Oslo region has shown some signs of weakening, as rents in certain clusters are dropping. In addition, yields are down to a level where Oslo stands out as less an attractive market compared to other European cities. This is why we ask if we are close to the peak?

However, we still see several opportunities in the market, and expect a lot of activity in both the rental market and transaction market before the summer-holidays in July.

Please enjoy our latest market report, and do not forget that Malling & Co are here to support you in all your needs in dealings with commercial real estate, whether asset management, transaction support, tenant representation or rental services.

*\*Sources: Eiendom Norge, FINN.no and Eiendomsverdi*



PETER T. MALLING  
CHAIRMAN — EIENDOMSHUSET MALLING & CO

# CONTENTS

|   |    |
|---|----|
| Introduction .....                          | 2  |
| Macro .....                                 | 4  |
| Oslo office rental market .....             | 8  |
| Stavanger .....                             | 28 |
| Drammen .....                               | 30 |
| Oslo retail .....                           | 32 |
| Industrial & Logistics .....                | 36 |
| The transaction market .....                | 38 |
| Energy and environment (in Norwegian) ..... | 40 |
| About Malling & Co .....                    | 42 |

# MACRO – NORWAY

## RESTRUCTURING THE ECONOMY

The lower oil price has taken its toll on the Norwegian economy. Statistics Norway (SSB) anticipates that the mainland GDP growth will be 1.1 % in 2015, and that the economic growth will stabilize at just above 2 % in the following years. SSB believes that the economic dip will be short-lived, which is reflected in the estimates for the unemployment rate. The unemployment rate is expected to peak at a modest 4.1 % in 2016. However, uncertainty about the future is high.

› SSB estimates that the mainland GDP growth will be 1.1 % in 2015, 2.2 % in 2016 and 2.4 % in 2017.

› Despite weak numbers so far in 2015, the central bank opted not to cut the key policy rate from 1.25 % at its May meeting. Its forward guidance indicates that the rate will be cut in June – in line with what most analysts expect. DNB Markets predicts that the policy rate will be cut further to 0.75 % by the end of the year.

› Although only a slight increase in the unemployment rate is expected, the employment growth is estimated to be weak in the coming years. 2015 and 2016 will be characterized by more or less unchanged employment, before the employment is estimated to increase by 1.0 % in 2017.

› DNB Markets is slightly more pessimistic as it expects unemployment to peak at 4.5 % in 2017.

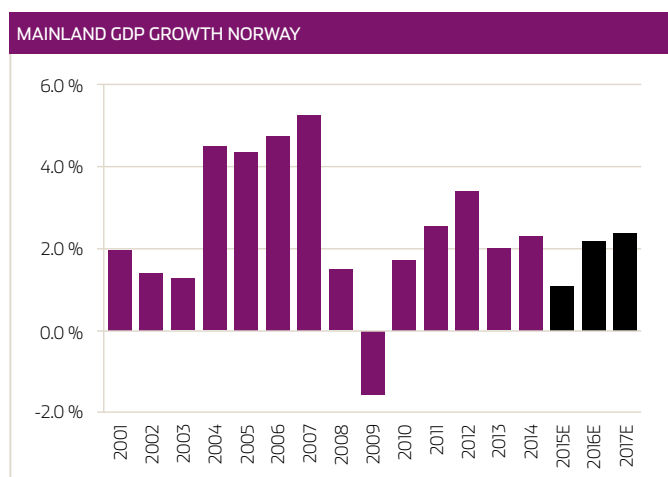
› The oil price has fallen to lower levels since the summer of 2014. The spot price of Brent Crude oil bottomed out at USD/barrel 46.80 in January 2015. Since then, the price has increased somewhat, and as at 15 May, the spot price on Brent Crude oil is USD 66.81.

› DNB Markets has mapped the labour force reductions in the Oil sector since 2013. Their last update published in April 2015 concludes that about 15,000 workers have been dismissed so far – approximately 5,000 since the start of 2015.

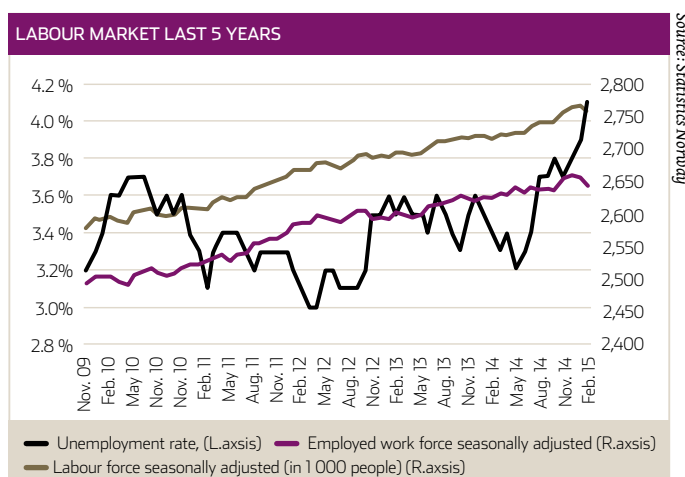
› The significant labour force reductions in the Oil sector affects the regions differently. In particular, the outlook for the Stavanger region – which has had the lowest (registered) unemployment rate in Norway over the last few years – is worsened.

| MAIN FIGURES (ANNUAL PERCENTAGE GROWTH)          | 2014  | 2015E | 2016E | 2017E | 2018E |
|--|-------|-------|-------|-------|-------|
| Private spending                                 | 2.1   | 2.1   | 2.2   | 2.4   | 2.3   |
| Public spending                                  | 2.5   | 2.5   | 2.4   | 1.8   | 2.5   |
| Gross investments in capital goods               | 1.2   | -3.6  | 1.1   | 3.5   | 3.2   |
| – gross investments, mainland-Norway             | 1.8   | 1.4   | 4.2   | 5.3   | 3.9   |
| – gross investments, oil                         | 0     | -15.9 | -8.1  | -2.3  | -0.1  |
| Export   | 1.7   | 1.7   | 1.7   | 1.6   | 2     |
| – Oil & Gas                                      | 0.9   | -0.5  | -0.1  | -0.2  | 0.3   |
| – traditional goods                              | 2.7   | 5.1   | 3.8   | 3.8   | 3.9   |
| Import   | 1.6   | 1.8   | 2.8   | 1.3   | 2.6   |
| GDP  | 2.2   | 0.9   | 1.7   | 1.9   | 2.2   |
| GDP mainland-Norway                              | 2.3   | 1.1   | 2.2   | 2.4   | 2.7   |
| Unemployment rate                                | 3.5   | 3.9   | 4.1   | 3.9   | 3.8   |
| Job vacancies                                    | 1.1   | 0.8   | 0.6   | 0.9   | 1     |
| Employed labour force                            | 1.1   | 0.2   | 0.3   | 1     | 1     |
| CPI - yearly growth                              | 2     | 2.3   | 2     | 1.7   | 1.7   |
| Core inflation (CPI-ATE)                         | 2.4   | 2.7   | 1.9   | 1.7   | 1.7   |
| Yearly salary incl. pension cost - yearly growth | 3.1   | 2.9   | 3.1   | 3.1   | 3.4   |
| Operating balance (Bn. NOK.)                     | 266.7 | 162.3 | 171.5 | 200.8 | 210   |
| Operating balance (in % of GDP)                  | 8.7   | 5.2   | 5.3   | 5.9   | 6     |

Source: Statistics Norway



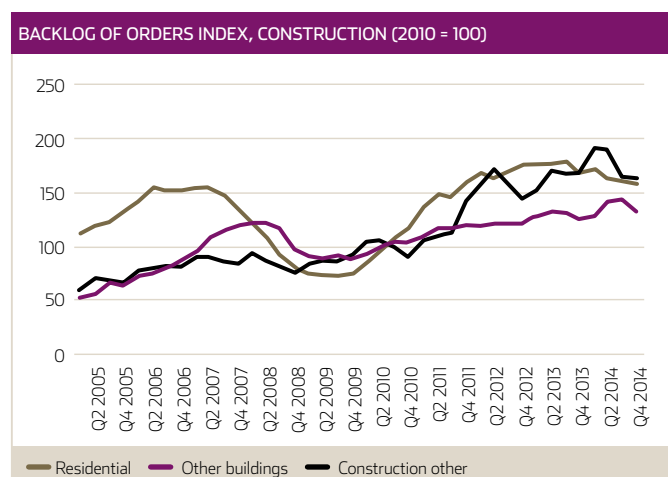
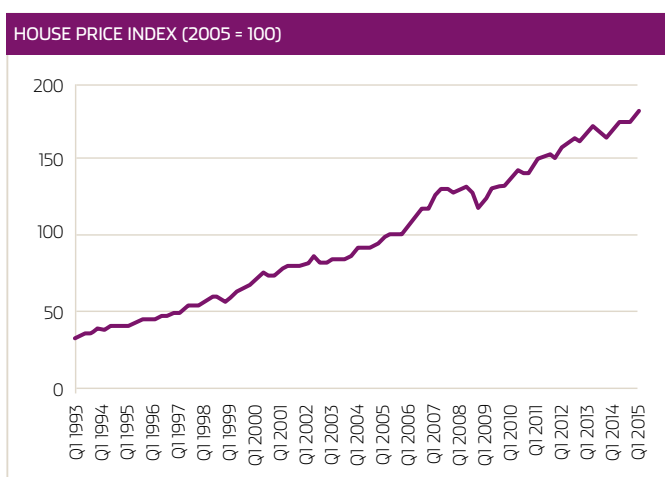
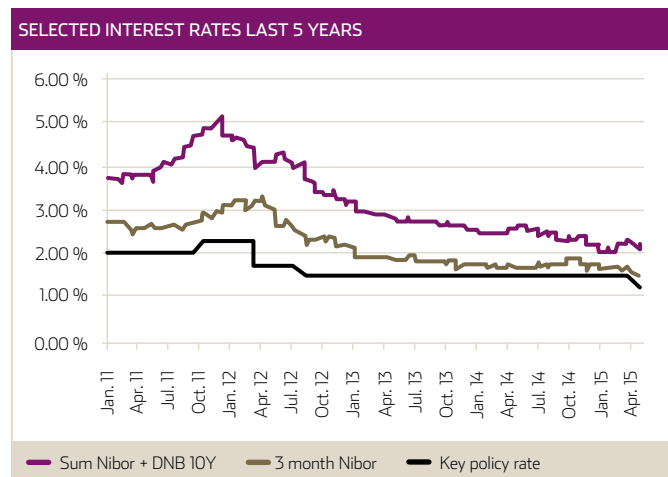
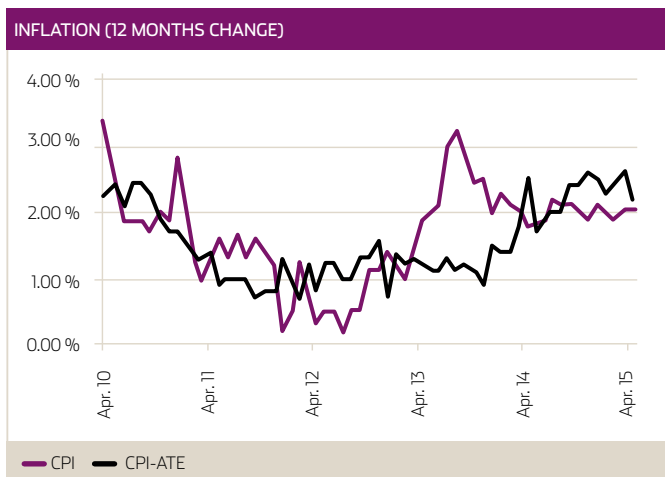
Source: Statistics Norway



Source: Statistics Norway

- › However, there are positive spill-over effects from the slowdown in the Oil sector. Construction sector companies, most recently Skanska, report that access to engineers is better now that the demand from the oil companies has lowered. Nevertheless, it seems unlikely that the economic growth will be strong enough – in the short term – to absorb all the workers dismissed in the Oil sector.
- › The inflation rate is running close to the central bank’s target. In April, the CPI and the CPI-ATE were 2.0 % and 2.1 %, respectively. In the short term, the depreciation of the NOK raises inflation, while lower wage growth is likely to reduce inflation in the longer term.
- › The wage growth – an important factor behind consumption – is expected to decline after a prolonged period of high growth rates. The real wage growth is estimated to fluctuate around 1 % in the near future.
- › The 12 month growth in the retail segment’s (excluding sales of motor vehicles) turnover was 2.7 % in March 2015. Norwegians’ purchasing power remains attractive (SSB).
- › After rock-bottoming out in mid-December, the NOK has appreciated somewhat. As at COB on 15 May, the EUR traded at NOK 8.37 and USD at NOK 7.31.
- › Although the Oslo Stock Exchange is fairly oil-dominated, the broad index (OSEBX) has risen by almost 13 % so far this year (as at 15 May).

- › A mixture of persistent low inflation and subdued economic growth has resulted in low interest rates in the Western world. Although economic growth and inflation have been higher in Norway, the low interest rates are affecting the domestic market. However, interest rate swaps have increased significantly since mid-April and as at 15 May the 10Y swap rate and the 5Y swap rate are 2.22 % 1.78 %, respectively. These rates are 30-40 basis points higher than levels in mid-April.
- › In their semi-annual macro analysis, Handelsbanken claims that the number of residential units for sale has declined by 15 % to 20 % over the past year. This supports the claim that the increasing house prices are a result of a weak supply side rather than mainly a surge in demand.
- › The increasing housing prices are a concern for Norwegian policy makers. In March, the Ministry of Finance instructed the Financial Supervisory Authority to suggest measures to be taken in order to cool down the housing market. Restrictions on the duration of loans as well as a stricter stress test scenario have been suggested.
- › The analysts at DNB Markets expect that the stricter regulation of the housing market will impact prices; they predict that prices will decline by 4.5 % over the next 3 years, partly due to the unanticipated sharp increase so far in 2015.



# MACRO – GLOBAL

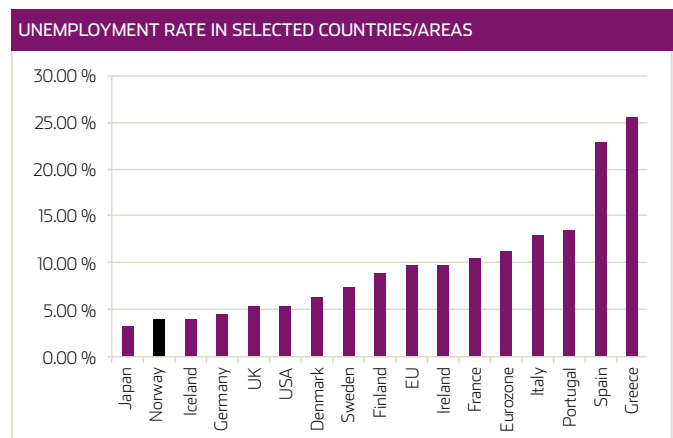
## A WORLD STIMULATED BY QUANTITATIVE EASING AND LOW INTEREST RATES

Although the economic activity in the Western economies has gained momentum, the interest rates remain very low. “This time is different” has been a less accurate saying before, but the seemingly persistent low inflation – and thus low interest rates – is a game-changer for investors seeking returns. The responses of several central banks have involved rapid balance sheet expansions, and only time will tell whether they are able to reach their targets; if they do, the risk of creating a bubble will be a high price to pay in any case.

- › The IMF projects the global GDP growth to be 3.5 % in 2015.
- › The Swedish central bank has cut the key policy rate into negative territory and also initiated a quantitative easing program. The loose monetary policy does not reflect the GDP growth figures. The IMF predicts that this figure will be 2.7% in 2015, while inflation, on the other hand, is close to zero. This, accompanied by low interest rates elsewhere in Europe, has forced the Swedish central bank into action.
- › The Eurozone recovery continues, albeit at a slow pace. The economic activity has picked up due to low oil prices as well as the depreciation of the Euro. The GDP growth in the Eurozone is predicted to be 1.5 % in 2015 and 1.6 % in 2016.
- › In the wake of the ECB’s large-scale asset purchase program, American investors are borrowing more from European banks, according to Handelsbanken. This has led to an appreciation of the USD against the Euro, which in turn has led to marginally higher short term interest rates in Norway since the NIBOR is based on the USD.
- › The economic growth in the UK has been strong since the autumn of 2013. The unemployment rate is 5.6 %, but – as is the case for Sweden – the economic activity has not manifested itself in tighter monetary policy as the inflation figures remain low.
- › After a weak first quarter of 2014, the US economy grew rapidly. The average annualized GDP growth in the last three quarters was 4.0 %, according to the IMF. The strong economic growth is reflected in the unemployment rate: in March, unemployment was 5.5 % – down from 5.7 % in January. GDP growth is predicted to be 3.1 % in both 2015 and 2016.
- › The strong numbers are affecting the Federal Reserve’s decisions. Of the Federal Open Market Committee’s 17 policymakers, 15 expect that rate increases will start in 2015.
- › In general, the yields on the Eurozone’s government bonds are close to zero, more or less regardless of their duration. The country that stands out is Greece. The country’s creditworthiness is significantly lower than the other countries’, and there is a significant risk that Greece will exit the Eurozone in the near future.
- › Turning to Asia, Japan’s export sector is expected to reap the benefits of a depreciating yen. In the longer run, both private consumption and investments are expected to push the economic growth up to 1 % in the near future.
- › Economic growth in China is now more subdued. The housing market represents a risk to the economy with the continuing declining prices. The statistical bureau has estimated that the annualized growth in first quarter of 2015 was 7 %. However, Citibank believes that the estimates are too optimistic as it believes the growth was “only” 4.6 % in the first quarter of 2015.

| ANNUAL GDP GROWTH (PERCENT)    | 2014 | 2015E | 2016E | 2017E | 2018E |
|--------------------------------|------|-------|-------|-------|-------|
| Global                         | 3.4  | 3.5   | 3.8   | 3.8   | 3.9   |
| USA                            | 2.4  | 3.1   | 3.1   | 2.7   | 2.4   |
| EU 28                          | 1.4  | 1.8   | 1.9   | 1.9   | 1.9   |
| Euro area                      | 0.9  | 1.5   | 1.7   | 1.6   | 1.6   |
| Advanced economies             | 1.8  | 2.4   | 2.4   | 2.2   | 2.1   |
| Emerging and developing Europe | 2.8  | 2.9   | 3.2   | 3.3   | 3.4   |
| Germany                        | 1.6  | 1.6   | 1.7   | 1.5   | 1.3   |
| France                         | 0.4  | 1.2   | 1.5   | 1.7   | 1.8   |
| UK                             | 2.6  | 2.7   | 2.3   | 2.2   | 2.2   |
| Sweden                         | 2.1  | 2.7   | 2.8   | 2.7   | 2.5   |
| Denmark                        | 1.0  | 1.6   | 2.0   | 2.1   | 2.2   |
| Italy                          | -0.4 | 0.5   | 1.1   | 1.1   | 1.1   |
| Japan                          | -0.1 | 1.0   | 1.2   | 0.4   | 0.7   |
| China                          | 7.4  | 6.8   | 6.3   | 6.0   | 6.1   |
| Russia                         | 0.6  | -3.8  | -1.1  | 1.0   | 1.5   |
| Middle East and North Africa   | 2.4  | 2.7   | 3.7   | 4.4   | 3.9   |

Source: IMF World Economic Outlook



Source: Eurostat



**GRENSEN 5-7, CENTRAL OSLO**

*Malling & Co Eiendoms kapital advised Tristan Capital Partners acquiring the retail and office building centrally located in Oslo.*

*Photo: Nye Bilder*

# DEMAND IN THE RENTAL MARKET

## ECONOMIC DOWNTURN CREATES A WEAKER EMPLOYMENT MARKET

Employment obviously has a large impact on the office rental market. Forecasts from Statistics Norway indicate employment growth close to zero in 2015 and 2016, but they still believe that an upturn will be seen by the end of 2016.

### Moderate growth in employment until 2017

The Manpower Employment Outlook Survey identifies net expected staffing (see definition at the bottom of the page). According to the second quarter 2015 survey, the strongest net employment outlook of +9 % is expected within medium-sized companies (50-249 employees). Compared to the first quarter 2015 survey, they now report positive outlook in all size categories, including the large category (250 employees or above). On the other hand, year on year comparison shows a weakening outlook for employment by 4 percentage points, reflecting the weakened outlook for the Norwegian economy.

### Weak expectations among businesses in the Greater Oslo area

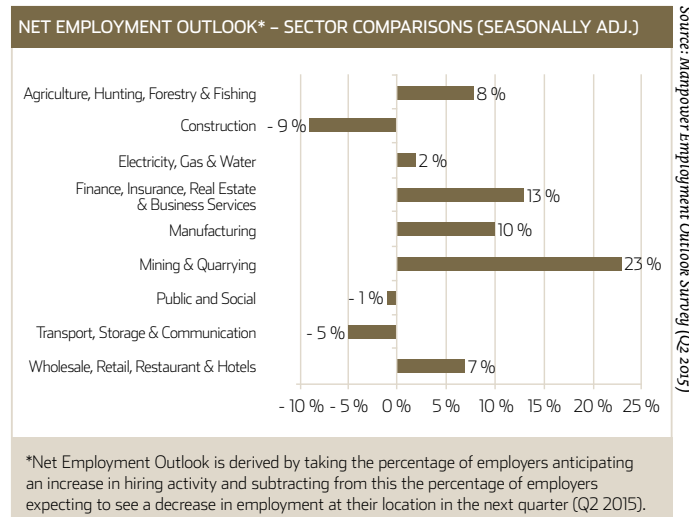
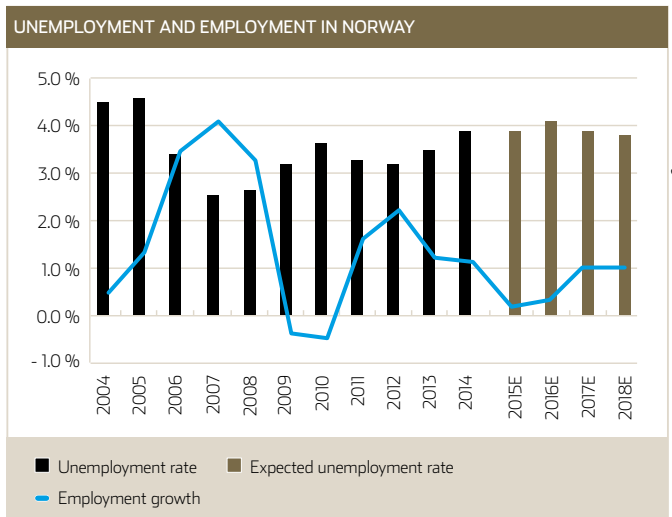
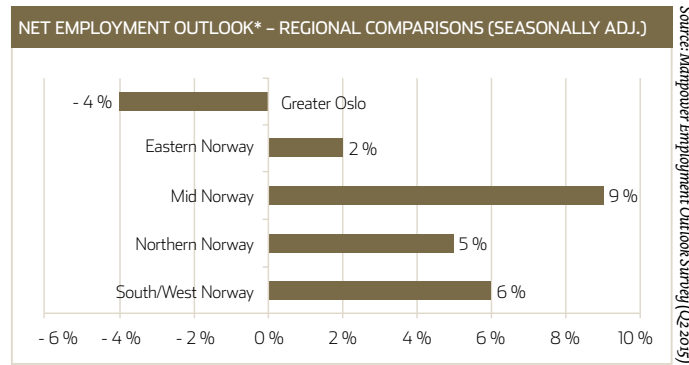
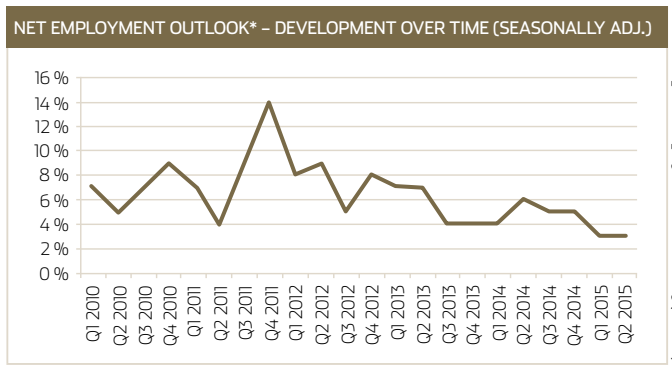
According to employers in the Greater Oslo area who report a muted net employment outlook of -4 %, this is the weakest area in the second quarter 2015 survey. The Mid-Norway area reports a net outlook of +9 % and is the strongest area. Despite the net employment decrease of 2 percentage points year on year in the South/West region, and the fact that unemployment reported from NAV in the Stavanger region is increasing, the South/West area still reports a positive net employment outlook of 6 %.

### Weaker employment within public, construction and Oil & Gas

Three of the nine sectors in the Manpower survey, "Construction", "Public and Social" and "Transport", report a negative net employment outlook, while the six other sectors report positive outlook. Surprisingly, Mining & Quarrying (including the Oil & Gas sector) can report a net outlook of +23 %, which is not in line with the latest numbers from Statistics Norway (SSB) who report a 65 % decrease in vacant positions in the same sector. Manpower themselves have commented that their numbers probably show a more positive trend than what other indicators show. The other sectors are more in line with the trend seen in SSB's counting of vacant positions, which overall is at the 2010 level for the first quarter of 2015.

### Lack of growth in office demand

Numbers and statistics from different sources support the overall impression that most tenants are reluctant to hire more employees and rent more space. At the same time, we see some companies downsizing and planning or already starting to sublet office space. This is particularly seen in the western fringe of Greater Oslo, in addition to Stavanger. Based on the current demand and growth indicators, we cannot find evidence for growth in demand in the office letting market in the short term.



\*Net Employment Outlook is derived by taking the percentage of employers anticipating an increase in hiring activity and subtracting from this the percentage of employers expecting to see a decrease in employment at their location in the next quarter (Q2 2015).





20 GAS STATIONS, GREATER OSLO

*Malling & Co Corporate Real Estate is assisting in the sale of 20 gas stations in the Greater Oslo area.*

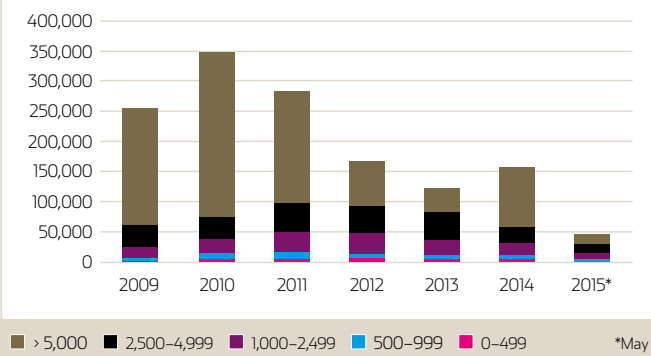
**STRØMSVEIEN 96, HELSFYR**

*Malling & Co Leietakerrådgivning assisted Statens Legemiddelverk in the search for a new office and laboratory, and the establishment of a lease for approximately 6,500 m<sup>2</sup> at Strømsveien 96*

*Illustration: SJ Arkitekter/Rift*

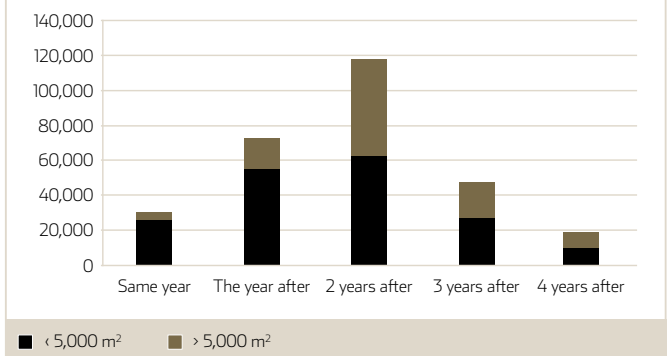


**OFFICE MARKET SEARCH DATA 2009 – 2015 (M<sup>2</sup>)**



Source: Malling & Co

**DISTRIBUTION OF TIME BETWEEN PUBLICATION OF MARKET SEARCH AND DESIRED LEASE STARTUP (M<sup>2</sup>)**



Source: Malling & Co

## TENANT REPRESENTATION: MARKET SEARCH FOR OFFICES IN OSLO RELOCATION PROCESSES ARE PUT ON HOLD

Tenant Representation agents map tenants' requirements regarding location and facilities and manage the actual search for the new commercial space. This applies to offices, combined premises, retail and warehousing/logistics. Larger tenants are more likely to use Tenant Representation agents, but many small and medium-sized businesses also receive assistance during their relocation processes. We register and systematize all market searches covering the Greater Oslo area. This makes it possible to analyse one of the main sources of demand in the market. Our figures show that rental searches account for between 17 % and 49 % of the total annual volume (measured in square metres) of signed office lease agreements. Our analysis of market searches goes back to 2009 and includes almost 800 searches to date, of which over 500 are pure office market searches.

### Tenants are postponing relocation processes

Measured by the number of square metres, offices represent about 70 % of all rental market searches from 2009 until May 2015, while combined premises constitute most of the remaining demand. In 2014 and 2015, the average size for an office search is about 2,000 m<sup>2</sup>, and this number is somewhat higher for combined premises. In 2010, the average space in each office rental search was around 4,500 m<sup>2</sup> and the corresponding figure for 2013 was only 1,500 m<sup>2</sup>.

The Greater Oslo market is small, and only a few large tenants move every year. This also creates significant random variations in the number of large contracts available in the market every year. On the other hand, the market is highly predictable because the contract terms are more or less known by our research team. Very few tenants searching for areas smaller than 1,000 m<sup>2</sup> use tenant representation agents when relocating, which means that the expiration of smaller leases do not have the same effect on search volumes as the expiration of larger leases. Several major tenants have leases that expire between 2018 and 2019, so the volume of rental market searches is expected to increase in coming years, as many large tenures are approaching their expiration dates. On the other hand, the economic downturn, mainly caused by the reduced activity in the Oil & Gas sector, is putting processes on hold, and several tenants have decided to extend current lease agreements for a short period to await future market conditions. This effect may shift the predicted rhythm in the market, and can create opportunities for property owners in a few years if the predictions of economic recovery hold true.

### Larger tenants start searching early – but the trend may change

As pointed out in earlier reports, we see that larger tenants start their search for new office space earlier than smaller tenants do. According to our analyses for the period January 2014 to the present, 80 % of the tenants utilising more than 5,000 m<sup>2</sup> start two to four years before the desired start of the new lease. Searching processes for less than 5,000 m<sup>2</sup> start later; more than 80 % of tenants start their search the same year or the year before. We see a steady decrease in the number of searches for areas greater than 5,000 m<sup>2</sup> that start more than two years before desired occupancy. As pointed out earlier, short extensions of existing lease agreements may affect this historic trend in the coming years, and may create a sudden demand for larger spaces if tenants are re-starting their relocation processes. Understanding and mapping these trends enables us to predict demand based on known contract expiration profiles.

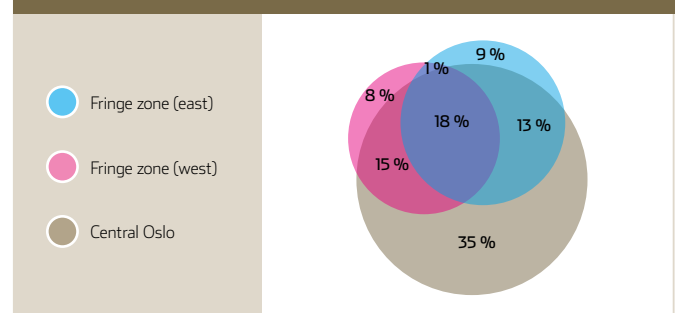
### Public sector, IT/Telecom and Oil & Gas related companies are important tenants

According to our data from 2009 to present, public sector tenants make up 13 % of rental market searches in terms of the number of square metres, and they are the largest single sector. In 2014, public sector tenants accounted for approximately 22 % of rental market searches measured in square metres. Because the market is small, it is difficult to see trends within sectors not caused by randomness. On the other hand, we see from the dataset all the way back to 2009 that tenants within the public sector, Oil & Gas and Oil service, as well as IT/Telecom, are the largest office users in the market.

### The city centre is more popular than the city fringe

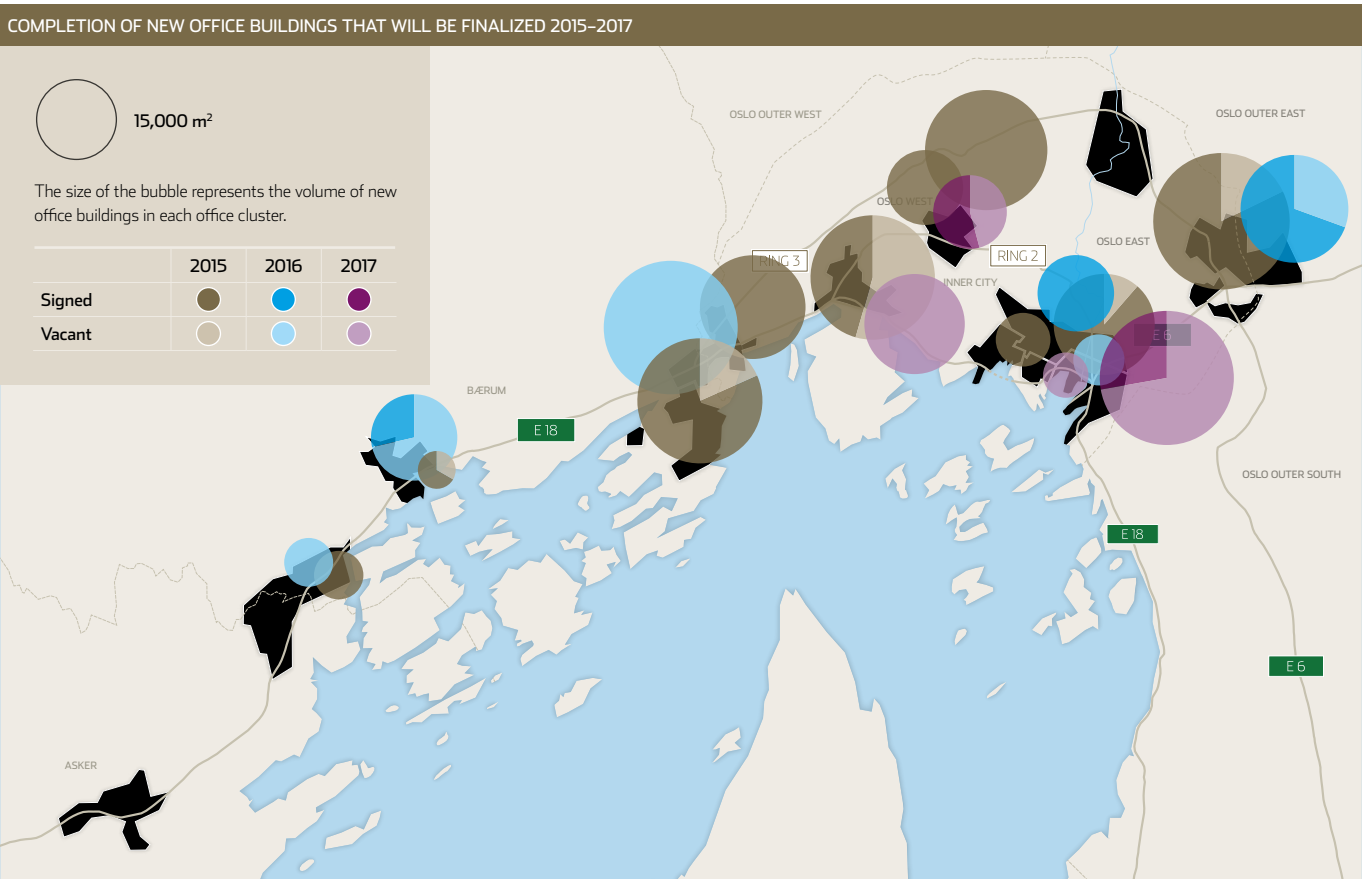
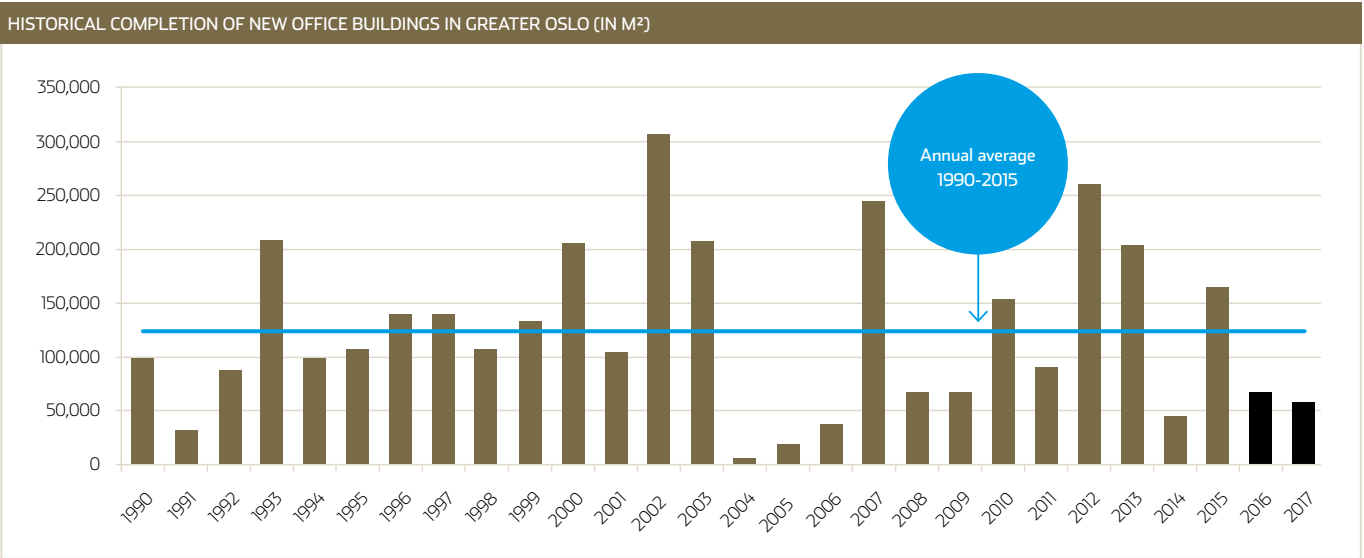
Since 2009, Malling & Co has identified the most popular areas in Greater Oslo that tenants specify in their searches. The city centre is defined here as the area within Ring Road 2 (includes Skøyen). It appears that more than 80 % of all rental searches specify city centre areas as the desired location for their offices, while 41 % and 43 %, respectively, look at fringe areas in the west and east. Of the rental searches, 35 % only want city centre locations, while 18 % are only interested in fringe areas. Of all rental searches, 19 % mention both city centre areas and fringe areas in their rental market searches. However, only 1 % of all rental searches request both fringe areas in the west and east, but not the city centre. This analysis indicates how desirable centrally located office buildings are for tenants in the market for new premises. Nevertheless, around 40 % of the total volume of signed lease agreements are signed for the fringe zones, according to Arealstatistikk. This may be due to high rent levels in the city centre. Even so, we are still seeing that the percentage of tenants entering into contracts in the city centre has increased steadily since 2011.

AREA MAPPING OFFICE SEARCH 2009 – MAY 2015



## CONSTRUCTION ACTIVITY IN GREATER OSLO LOWER BUILDING ACTIVITY IN 2016 AND 2017

In 2015, almost four times as many square metres of new office space will be completed, compared to 2014. Leases have been signed for 85 % of this space, indicating that the level of speculative construction is low. Our latest count shows only two new projects in the pipeline since the last report; Dronning Eufemias gate 42 and Dronning Eufemias gate 6 B in Bjørnvika, both relatively small buildings of around 4,000 m<sup>2</sup>. The projects are expected to be completed in 2016 and 2017 respectively, but as at May 2015, no tenants have signed lease contracts.



### New construction projects

There are two main reasons for the low construction volume in 2016 and 2017. The first and most important one is that few large tenants are moving in the coming years, according to the expiration of lease contracts statistics. The second reason is the weaker economic outlook that affects the labour market and tenants' incentive to start a costly moving process. Large companies are needed as anchor tenants to fill up new projects, and these are harder to attract in the current market.

Most of the construction projects are in developing areas in the eastern fringe zone. At Økern/Løren/Risløkka more than 150,000 m<sup>2</sup> of office space is under construction or waiting for tenants to sign a lease contract before building starts. Another 150,000 m<sup>2</sup> are in a projection phase, and zoning is not completed for yet another 400,000 m<sup>2</sup>. The extensive changes to the road network in the area are near completion, leaving the traffic chaos as history. The "Lørenbanen" metro line is under construction, with completion scheduled for the start of 2016. The Økern district transformation will develop into a new suburb in the next 20-30 years, similar to the transformation we have seen in Nydalen. We believe that the large volume of planned office buildings in the eastern fringe zone will maintain the strong supply offering of property available in the fringe zone in the next few years, and thus limit the rental growth in the competing fringe zones.

The supply of available office space in the western fringe zone has increased during the last few months. Several tenants are subletting parts of their space due to workforce reductions, especially in the Oil service sector. This puts many new construction projects on hold. The largest development space in the western axis of Greater Oslo is Fornebu. The entire Aker Group, around 4,000 employees, will move into two new buildings at Fornebuporten when they are completed in June 2015 and June 2016. These buildings together comprise 52,000 m<sup>2</sup> of office space.

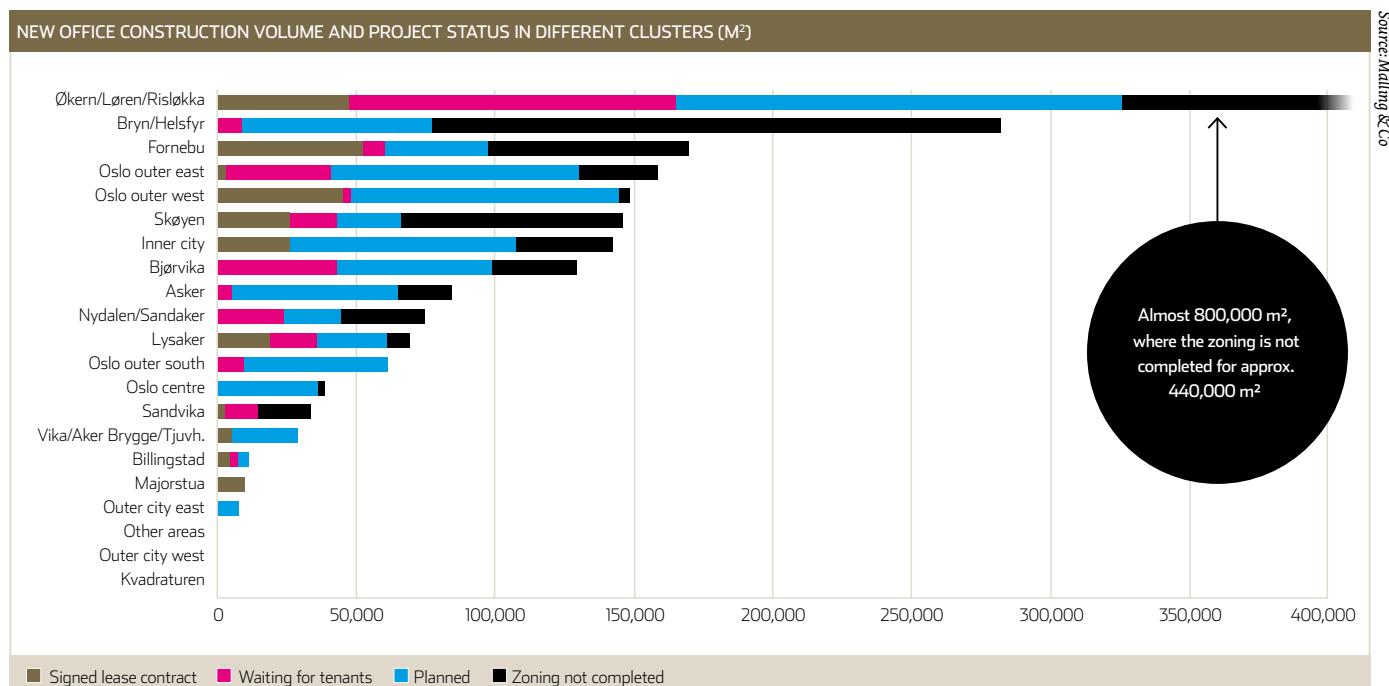
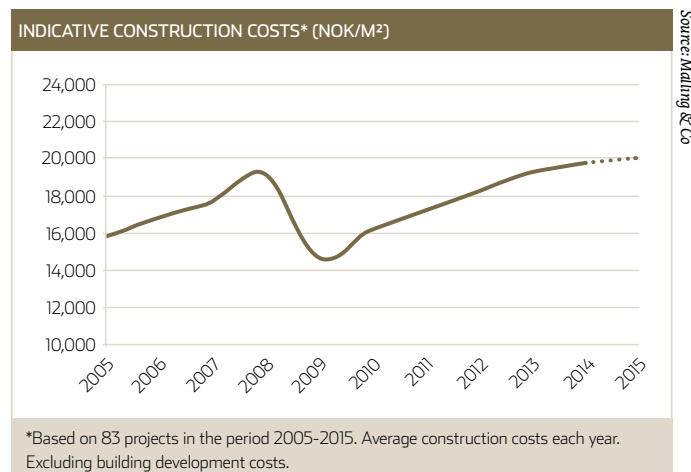
In central Oslo, Bjørvika is starting to take shape now that the "Barcode" is approaching completion and the official opening of Dronning Eufemias gate is right around the corner. "Diagonale" (15,000 m<sup>2</sup> of office space and "Eufemia" (19,500 m<sup>2</sup> of office space) make up more than 70 % of the

available space in the area. The building process depends on tenants, and the earliest completion is in 2017. Two smaller buildings (around 4,000 m<sup>2</sup>), Dronning Eufemias gate 42 and Dronning Eufemias gate 6 B, will be completed in 2016 and 2017, respectively.

### Construction costs

In early 2014, construction costs appeared to be on their way down for the first time since 2009. The low level of activity in the housing market has recovered since then, and we find ourselves now at a historically high level. The sharp increase we have seen since 2009 has been caused by higher margins, increased labour costs, higher material costs and stricter technical specifications.

Still, few new office constructions are expected after 2015. Planned new constructions typically take 18-24 months to complete after signing the contract, so it is still possible for more buildings to be completed during the course of 2016 and 2017, but we see this as unlikely in the current market. We are expecting low levels of new completions until 2019, as economic development and moving processes with large tenants are expected.





HAV EIENDOM, PLANNED ENERGY CENTRAL IN BJØRVIKA

*Malling & Co Energi og Miljø have assisted HAV Eiendom in the business case for central heating and cooling in Bjørvika.*

*Illustration: KIMA Arkitektur*





**STOA VEST, ARENDAL**

*Malling & Co Corporate Real Estate is handling the sale of a retail park (22,500 m<sup>2</sup>) in Arendal.*



## SUPPLY IN THE RENTAL MARKET

### INCREASING SUPPLY IN THE WESTERN FRINGE ZONE

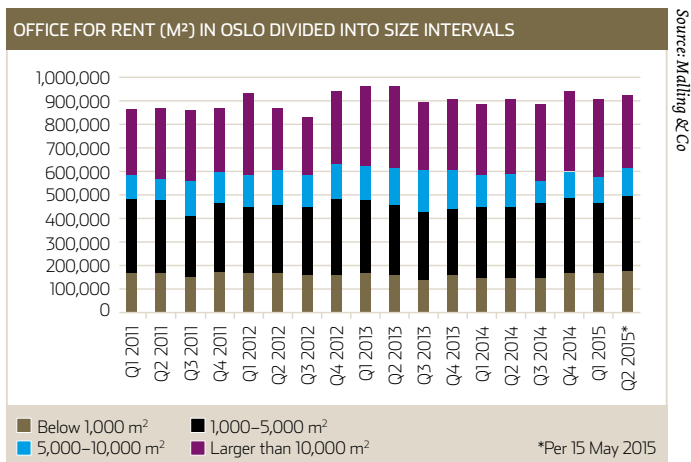
We define supply as everything that is available in the market, including existing buildings and new constructions. The supply is expanding, possibly due to the low space absorption in the rental market last year. There are also some projects that are offered in specific processes to tenants looking for space, but that are not available in the online marketplace, FINN.no. This means that the supply side still has a lot in stock if the market is ready to absorb it. Our list of potential new building projects is long, and will affect the market for many years to come. Vacated buildings that will be totally refurbished form a significant part of the supply. Tenants in most segments therefore have a large number of projects to choose from.

The number of existing and potential new constructions forms a significant part of the market supply. Following a weak construction volume in 2014, 2015 is expected to be characterized by a larger volume. Approximately 165,000 m<sup>2</sup> is expected to be finalized in the Oslo region in 2015. Thus, the supply is likely to increase in the short term, but the low construction volumes in 2016 and 2017 provide a possibility for rental growth in the long term. As the expectations for economic growth are revised down, the development in the letting market is more or less constantly being questioned.

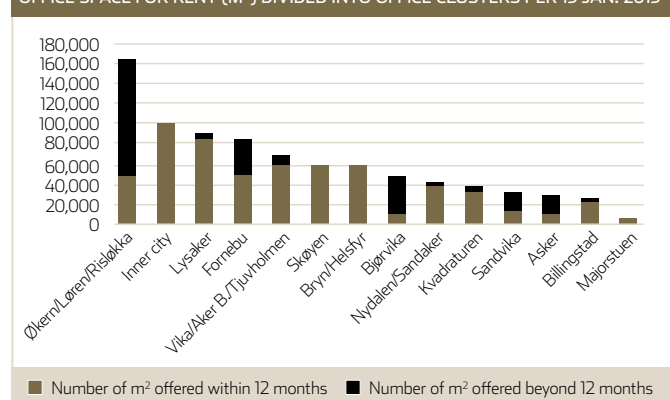
As at 15 May, the supply rate in Greater Oslo available outside the 12-month perspective is 260,000 m<sup>2</sup>, according to FINN.no. This represents 30 % of the total supply in the office clusters in Greater Oslo. Økern, an up-and-coming office cluster in the eastern fringe zone, is the area with the most available space, both in relative and absolute terms. The area is in a transformation phase and the infrastructure has received a boost with a new road system and improved metro options. Both new construction and total renovations will lift the area. Furthermore, Fornebu has contributed to increasing the supply in the western fringe zone in the past 12 months. The area has struggled to attract tenants, partly due to the lack of public transport facilities and the strong competition with Lysaker. However, the area is slowly taking shape now that Aker will gradually move all its 4,000 employees to Fornebuporten (in June 2015 and June 2016, respectively) and with the opening of the new shopping centre, "Fornebu S", last October.

The supply in the western fringe zone has increased significantly over the past months. Our mapping of the tenants in the axis shows that 18 % of the tenants are in the Oil & Gas sector, and are directly affected by the lower oil price. Furthermore, these tenants are highly adaptive, so

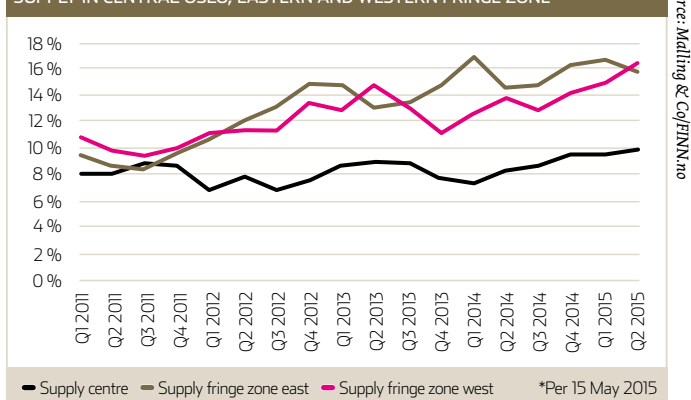
an increase in the vacancy rate could be quite short-lived. Subletting is a threat to rental prices since the tenant in general is more inclined to accept lower rents. However, we do believe that companies which are in the process of reorganizing will reduce the workforce before they sublet. DNB Markets claims that about 15,000 workers have been dismissed in Norway's oil-related companies since 2013, and several companies have signaled that they will reduce the workforce further. Thus, we expect subletting to be an increasingly important part of the supply ahead.



OFFICE SPACE FOR RENT (M<sup>2</sup>) DIVIDED INTO OFFICE CLUSTERS PER 15 JAN. 2015



SUPPLY IN CENTRAL OSLO, EASTERN AND WESTERN FRINGE ZONE

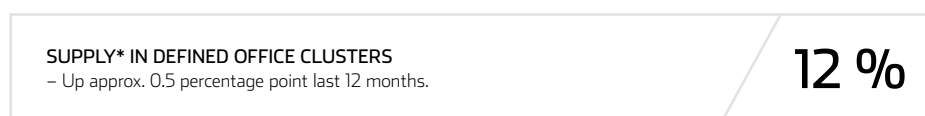
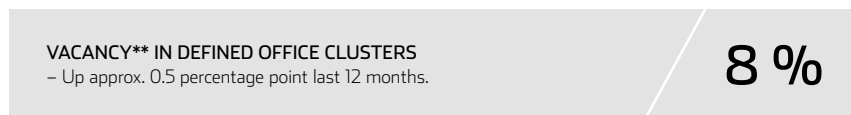


## VACANCY\*\* AND SUPPLY\*

\*Advertised office space at FINN.no of the total office building mass in Greater Oslo. This includes potential advertised new projects.

\*\*Advertised office space within 12 months at FINN.no of the total office building mass in Greater Oslo.

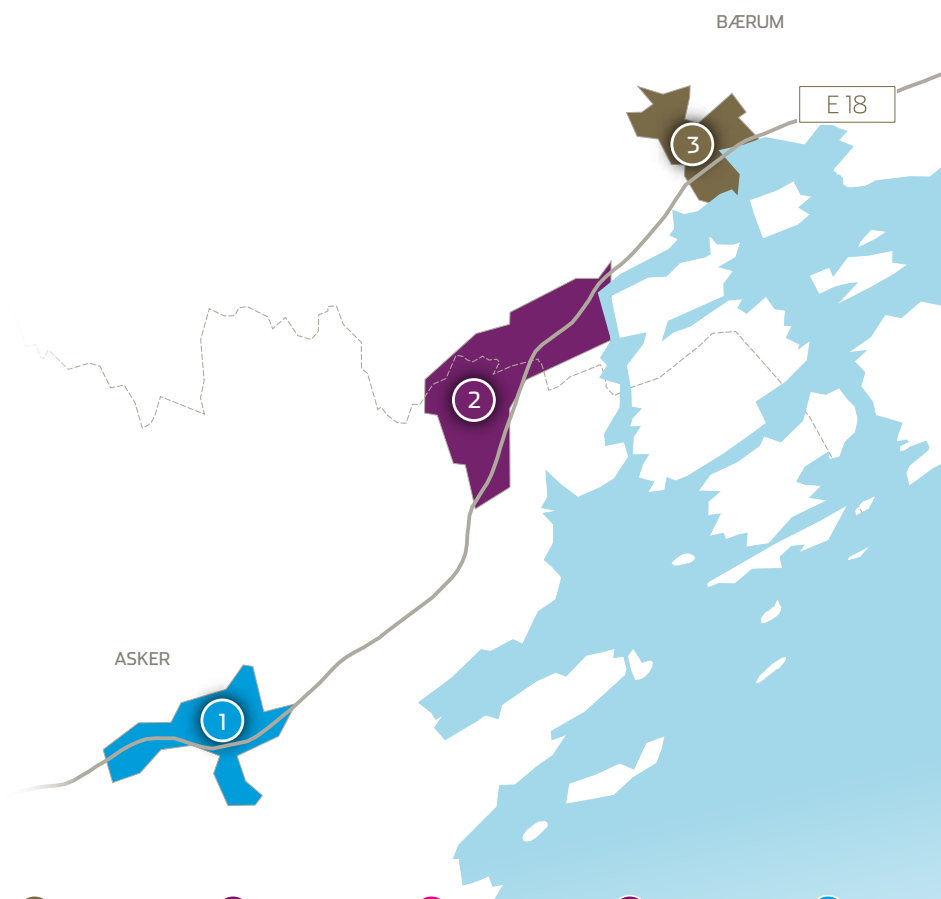
\*\*\*Includes recently expired ads.



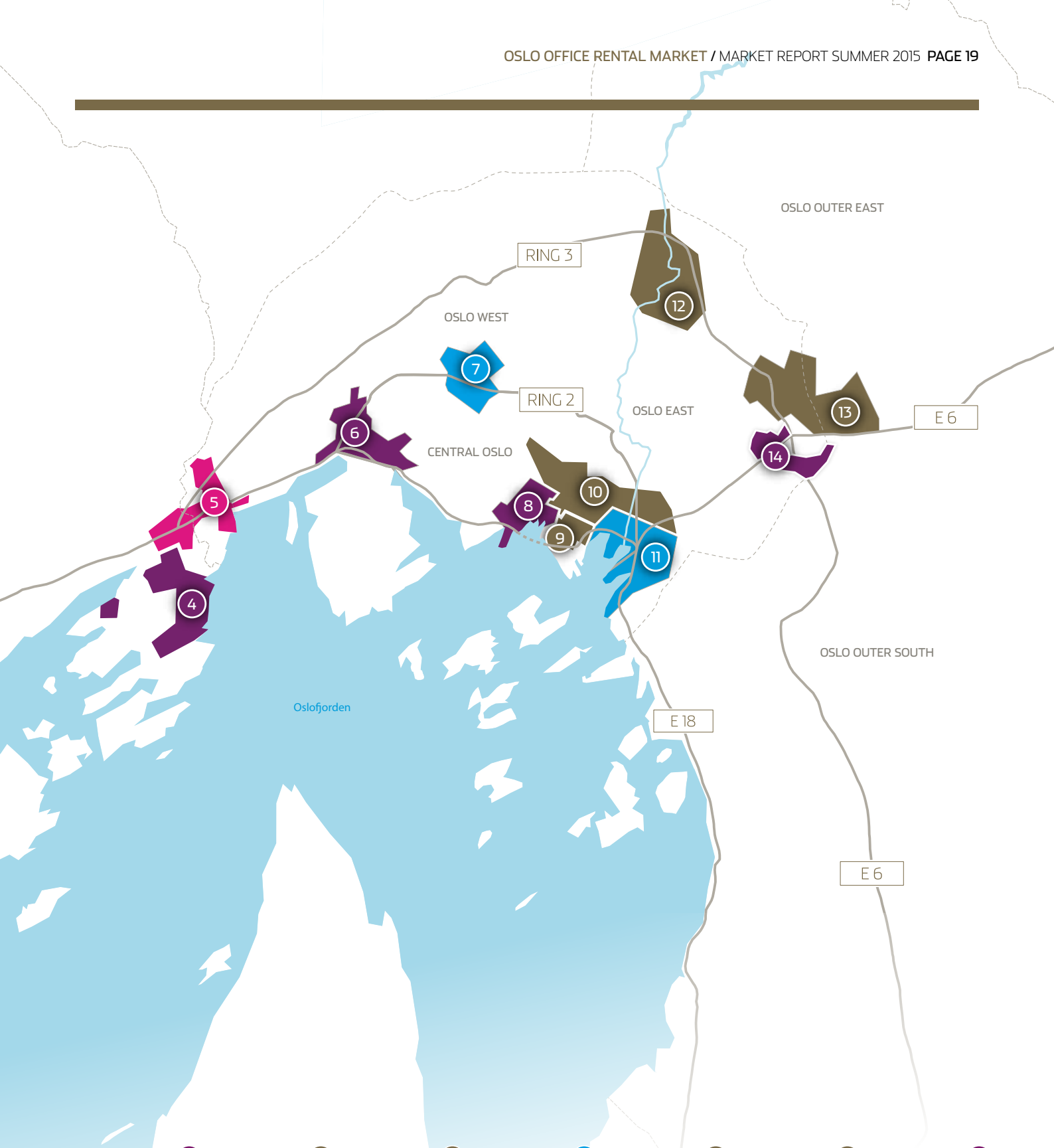
Map colour indicates vacancy rates per May 2015

- 0-5 %
- 5-10 %
- 10-15 %
- Over 15 %

➡ Indicates trend last 6 months.



| Cluster       | Vacancy Rate (May 2015) | Supply Rate (May 2015) | Trend (Last 6 Months) |
|---------------|-------------------------|------------------------|-----------------------|
| 1 ASKER       | 4 %                     | 18 %                   | Up                    |
| 2 BILLINGSTAD | 14 % <sup>***</sup>     | 16 % <sup>***</sup>    | Down                  |
| 3 SANDVIKA    | 5 %                     | 14 %                   | Down                  |
| 4 FORNEBU     | 12 %                    | 22 %                   | Up                    |
| 5 LYSAKER     | 15 %                    | 17 %                   | Up                    |
| 6 SKØYEN      | 14 %                    | 14 %                   | Right                 |
| 7 MAJORSTUEN  | 4 %                     | 4 %                    | Right                 |



| Region                          | Vacancy Rate (May 2015) | Supply Rate (May 2015) |
|---------------------------------|-------------------------|------------------------|
| VIKA/AKER BRYGGE/TJUVHOLMEN (5) | 14%                     | 17%                    |
| KVADRATUREN (9)                 | 5%                      | 6%                     |
| INNER CITY (10)                 | 7%                      | 7%                     |
| BJØRVIKA (11)                   | 4%                      | 22%                    |
| NYDALEN/SANDAKER (12)           | 7%                      | 7%                     |
| ØKERN/LØREN/RISLØKKA (13)       | 8%                      | 28%                    |
| BRYN/HELSEFYR (14)              | 10%                     | 10%                    |

Source: Malling & Co/FINN.no

## FURTHER DEVELOPMENT OF THE RENTAL MARKET SUBLETTING INCREASES SUPPLY AND IS HALTING RENTAL GROWTH IN THE SHORT TERM

- › Space absorption is strongly correlated with economic growth, and with low growth prospects for the Norwegian economy in 2015, it seems that the available space in the market will increase in the short term. Statistics Norway (SSB) anticipates that the mainland GDP growth will be 1.1 % in 2015, and that the economic growth will stabilize at just above 2 % in the following years.
- › Low employment growth in 2015 and 2016 obviously has a large impact on the office rental market. SSB believes that an upturn will be seen by the end of 2016.
- › The city centre is still the most demanded area among tenants. Only 18 % of all rental searches are solely interested in the fringe zone, but the main motivation for choosing the fringe zone is a lower rent level.
- › Several companies have decided to sublet their spaces. This particularly applies to tenants with activities related to Oil & Gas, located in the west axis, who are transitioning from absorbing space to subletting space they do not use. This hampers rental growth in the short term in this region.
- › With few players building on speculation, and several companies postponing their relocation processes, an attractive rental market may be created in the longer term if economic growth and demand increase.
- › Based on the current demand and growth indicators, we cannot find evidence for growth in office rents in the short term.





**FORNEBUPORTEN, FORNEBU**

*Malling & Co Forvaltning is responsible for the financial management of the offices totalling 67,000 m<sup>2</sup>.*

*Illustration: Dark Arkitekter*

## THE RENTAL MARKET GREATER OSLO

In order to map the state of the rental market, we track the activity on Norway's dominant online marketplace, FINN.no. Utilizing these numbers, we find that the total supply (as a percentage of the total volume) in our defined office clusters has varied between 11 % and 12 % over the last 12 months. The supply includes new builds and is not time-constrained. The largest construction projects in the Oslo area are Østre Aker vei 90 (75,000 m<sup>2</sup>), Østre Aker vei 60 (40,000 m<sup>2</sup>) and Fornebu Technoport (36,000 m<sup>2</sup>). If we limit our analysis to the vacancy rate, defined as the office locations available within 12 months, we have experienced a slight increase by 0.5 percentage points over the past 12 months. The largest vacant office locations are Lysaker, Billingstad and CBD as at May 2015. The office supply – in absolute terms – is greatest at Økern/Løren/Risløkka, Central Oslo and Lysaker. In relative terms, the office supply is greatest at Økern/Løren/Risløkka, Bjørvika and Fornebu.

### A SELECTION OF THE LATEST MAJOR LEASE CONTRACTS/RENEGOTIATIONS

| Tenant                 | Address                 | Office cluster       | Moving from            | Space                  |
|------------------------|-------------------------|----------------------|------------------------|------------------------|
| Bydel Bjerke           | Ulvenveien 88           | Økern/Løren/Risløkka | Økernveien 145         | ~ 8,500 m <sup>2</sup> |
| Statens Legemiddelverk | Strømsveien 96          | Bryn/Helsfyr         | Sven Oftedals vei 6    | ~ 6,500 m <sup>2</sup> |
| Codan Forsikring       | Verkstedveien 3         | Skøyen               | Extention              | ~ 4,800 m <sup>2</sup> |
| Skattedirektoratet     | Fredrik Selmers vei 4   | Bryn/Helsfyr         | Expantion              | ~ 3,700 m <sup>2</sup> |
| Skatt Øst              | Elias Smiths vei 14-26  | Sandvika             | Otto Sverdrups plass 3 | ~ 3,000 m <sup>2</sup> |
| SATS Elixia            | Nydalsveien 28          | Nydalen/Sandaker     | Nydalen allé 37 A      | ~ 2,000 m <sup>2</sup> |
| Questback              | Bogstadveien 54         | Majorstuen           | Løvenskiolds gate 26   | ~ 1,700 m <sup>2</sup> |
| Vitec Midas            | Biskop Gunnerus gate 14 | Inner city           | Askerveien 61          | ~ 1,500 m <sup>2</sup> |

### ASKER



|                                    | Per May 2015  | Per May 2014  |
|------------------------------------|---------------|---------------|
| Normal rent (NOK/m <sup>2</sup> )* | 1,600 - 1,800 | 1,400 - 1,600 |
| Prime rent (NOK/m <sup>2</sup> )*  | 2,100         | 2,000         |
| Supply**                           | 18 %          | 4 %           |
| Vacancy**                          | 4 %           | 4 %           |

#### Comment:

The prime rent and the normal rent have somewhat increased over the last 12 months. However, the supply has increased due to Oxer Eiendom's new build project in Drengsrudbekken 5-11 (18,000 m<sup>2</sup>) and Ferd Eiendom's project in Hagaløkkveien 26, "Asker Tek" (14,500 m<sup>2</sup>). Therefore, we expect no further rent increases in Asker in the near future.

### BILLINGSTAD



|                                    | Per May 2015  | Per May 2014  |
|------------------------------------|---------------|---------------|
| Normal rent (NOK/m <sup>2</sup> )* | 1,250 - 1,500 | 1,250 - 1,500 |
| Prime rent (NOK/m <sup>2</sup> )*  | 1,700         | 1,700         |
| Supply**                           | 16 %          | 17 %          |
| Vacancy**                          | 14 %          | 17 %          |

#### Comment:

The cluster is characterized by big box retail and smaller logistics properties. There are several large big box retailers in the area, such as IKEA, Elkjøp Mega Store and Megafliis. Conversions from combination properties to retail and residential projects are planned in several areas, earliest construction starts in 2017-2018. In Lilleåsen 2, Billingstad Utvikling is building a new office building of 3,100 m<sup>2</sup>.

\*See definition of «normal» rent and prime rent on page 26.

\*\*See definition of supply and vacancy on page 18.

## SANDVIKA



|                                    | Per May 2015  | Per May 2014  |
|------------------------------------|---------------|---------------|
| Normal rent (NOK/m <sup>2</sup> )* | 1,600 - 1,800 | 1,400 - 1,650 |
| Prime rent (NOK/m <sup>2</sup> )*  | 2,250         | 2,250         |
| Supply**                           | 18 %          | 18 %          |
| Vacancy**                          | 5 %           | 9 %           |

**Comment:**

The rents in Sandvika have increased somewhat over the past 12 months. Increased activity, however supply is low in the SME segment. The first construction phase (10,000 m<sup>2</sup>) of Sandvika Business Center in Elias Smiths vei 11-26 has been initiated, and will be completed by Q4 2016 when Skatt Øst move into 3,000 m<sup>2</sup>. Skatt Øst are moving from Otto Sverdrups plass 3, in Sandvika.

## FORNEBU



|                                    | Per May 2015  | Per May 2014  |
|------------------------------------|---------------|---------------|
| Normal rent (NOK/m <sup>2</sup> )* | 1,500 - 1,700 | 1,400 - 1,600 |
| Prime rent (NOK/m <sup>2</sup> )*  | 2,150         | 2,150         |
| Supply**                           | 22 %          | 14 %          |
| Vacancy**                          | 12 %          | 5 %           |

**Comment:**

The vacancy at Fornebu has increased over the past few months. Statoil is subletting almost 8,000 m<sup>2</sup> at Martin Linges vei 33. The first construction phase of Fornebuporten (Widerøeveien 5) will soon be completed. The second construction phase, which also constitutes 26,000 m<sup>2</sup> of office space, will be completed in 2016. 5,000 m<sup>2</sup> in the first construction phase is still vacant.

## LYSAKER



|                                    | Per May 2015  | Per May 2014  |
|------------------------------------|---------------|---------------|
| Normal rent (NOK/m <sup>2</sup> )* | 1,800 - 2,000 | 1,600 - 1,800 |
| Prime rent (NOK/m <sup>2</sup> )*  | 2,350         | 2,350         |
| Supply**                           | 17 %          | 17 %          |
| Vacancy**                          | 15 %          | 16 %          |

**Comment:**

In the wake of the worsened outlook in the oil sector, questions have been raised about Lysaker's office market. Since a high proportion of the tenants in the west axis have some connection to the oil industry, we believe that the rent level will develop moderately. "Lysakerbuen" (12,000 m<sup>2</sup>), Fornebuveien 7-13, will be refurbished for new tenants after Sweco moved to Drammensveien 260 in Q2 2014 (10,000 m<sup>2</sup>).

## SKØYEN



|                                    | Per May 2015  | Per May 2014  |
|------------------------------------|---------------|---------------|
| Normal rent (NOK/m <sup>2</sup> )* | 2,100 - 2,400 | 2,100 - 2,400 |
| Prime rent (NOK/m <sup>2</sup> )*  | 3,300         | 3,300         |
| Supply**                           | 14 %          | 13 %          |
| Vacancy**                          | 14 %          | 13 %          |

**Comment:**

Verkstedsveien 1 (26,000 m<sup>2</sup> office) has just recently been completed. Statens Pensjonskasse, Sektor Eiendom and Expo Nova are tenants, while 14,000 m<sup>2</sup> of office space are still vacant. Schage Eiendom is planning a new office building in Drammensveien 145-147, with expected completion in Q2 2017. Considering the high vacancy rate in the west axis, we believe that the rent level will develop moderately.

\*See definition of «normal» rent and prime rent on page 26.

\*\*See definition of supply and vacancy on page 18.

## MAJORSTUEN



|                                    | Per May 2015  | Per May 2014  |
|------------------------------------|---------------|---------------|
| Normal rent (NOK/m <sup>2</sup> )* | 1,800 - 2,000 | 1,800 - 2,000 |
| Prime rent (NOK/m <sup>2</sup> )*  | 2,800         | 2,500         |
| Supply**                           | 4 %           | 1 %           |
| Vacancy**                          | 4 %           | 1 %           |

**Comment:**

Statoil Fuel & Retail is moving from Sørkedalsveien 8 to Schweigaards gate 16 this summer (7,600 m<sup>2</sup>). Sørkedalsveien 8 will be refurbished and expanded by 9,300 m<sup>2</sup>. Bouvet will rent 5,400 m<sup>2</sup>. Majorstuen is a small office cluster, with the lowest vacancy and supply rate in Greater Oslo, both in absolute and relative terms. The National Police Directorate will move into a new build in Fridtjof Nansens vei 16 at the end of 2015.

## VIKA/AKER BRYGGE/TJUVHOLMEN



|                                    | Per May 2015  | Per May 2014  |
|------------------------------------|---------------|---------------|
| Normal rent (NOK/m <sup>2</sup> )* | 2,800 - 3,200 | 2,700 - 3,300 |
| Prime rent (NOK/m <sup>2</sup> )*  | 4,800         | 4,700         |
| Supply**                           | 17 %          | 11 %          |
| Vacancy**                          | 14 %          | 11 %          |

**Comment:**

In the wake of the refurbishment of 100,000 m<sup>2</sup> of retail and office space, Aker Brygge has experienced a massive lift. The refurbishment of Dronning Mauds gate 11 (10,500 m<sup>2</sup>) will be completed in 2016, while the "twin building" at Dronning Mauds gate 10 will most likely be refurbished in 2018. Ruseløkkveien 26 (59,150 m<sup>2</sup>) is rented on a short term contract until the start of 2017, when the building will either be refurbished or demolished.

## KVADRATUREN



|                                    | Per May 2015  | Per May 2014  |
|------------------------------------|---------------|---------------|
| Normal rent (NOK/m <sup>2</sup> )* | 1,800 - 2,250 | 1,800 - 2,300 |
| Prime rent (NOK/m <sup>2</sup> )*  | 2,800         | 2,800         |
| Supply**                           | 6 %           | 11 %          |
| Vacancy**                          | 5 %           | 9 %           |

**Comment:**

A specific characteristic of Kvadraturen is that the office standards vary quite significantly, something that is reflected in the rents. Furthermore, a new infrastructure system under construction will strengthen the cluster's ties to the other parts of the city centre, like CBD and Bjørnvika. Tollbugata 8 (6,200 m<sup>2</sup>) will be refurbished and ready for new tenants from the autumn of 2016. The property is owned by Stor-Oslo Eiendom. Among others, Plasilin has signed a lease agreement in Kongens gate 1.

## INNER CITY



|                                    | Per May 2015  | Per May 2014  |
|------------------------------------|---------------|---------------|
| Normal rent (NOK/m <sup>2</sup> )* | 2,100 - 2,500 | 2,000 - 2,400 |
| Prime rent (NOK/m <sup>2</sup> )*  | 3,500         | 3,500         |
| Supply**                           | 7 %           | 6 %           |
| Vacancy**                          | 7 %           | 5 %           |

**Comment:**

Vitec Midas, Sigma, Ellos and EH Consult have recently signed lease contracts in Biskop Gunnerus gate 14 (Posthuset) for a total of 2,700 m<sup>2</sup>. Statoil Fuel & Retail is moving to Schweigaards gate 16 this summer (7,600 m<sup>2</sup>).

\*See definition of «normal» rent and prime rent on page 26.

\*\*See definition of supply and vacancy on page 18.



## BJØRVIKA



|                                    | Per May 2015  | Per May 2014  |
|------------------------------------|---------------|---------------|
| Normal rent (NOK/m <sup>2</sup> )* | 2,700 - 3,000 | 2,700 - 3,000 |
| Prime rent (NOK/m <sup>2</sup> )*  | 3,500         | 3,500         |
| Supply**                           | 22 %          | 8 %           |
| Vacancy**                          | 4 %           | 0 %           |

**Comment:**

The city cluster, which along with Økern has undergone the most rapid transformation in recent times, continues to expand. Dronning Eufemias gate 42 (4,250 m<sup>2</sup>) and Dronning Eufemias gate 6 (3,700 m<sup>2</sup>) will be completed in 2016 and 2017, respectively. The construction of "Diagonale" (15,000 m<sup>2</sup> office) and "Eufemia" (19,500 m<sup>2</sup> office) has yet not started.

## NYDALEN/SANDAKER



|                                    | Per May 2015  | Per May 2014  |
|------------------------------------|---------------|---------------|
| Normal rent (NOK/m <sup>2</sup> )* | 1,500 - 1,700 | 1,500 - 1,700 |
| Prime rent (NOK/m <sup>2</sup> )*  | 2,200         | 2,300         |
| Supply**                           | 7 %           | 7 %           |
| Vacancy**                          | 7 %           | 7 %           |

**Comment:**

Avantor and SATS Elixia are moving into newly refurbished offices in Q4 2015. The owner, Avantor, has plans for a new building in Maridalsveien 319-321. Avantor is the largest owner in Nydalen, with approximately 50 % of the total office area. The rental level and the supply of office area have been relatively constant in the last 12 months, and the development ahead is expected to be fairly unchanged.

## ØKERN/LØREN/RISLØKKA



|                                    | Per May 2015  | Per May 2014  |
|------------------------------------|---------------|---------------|
| Normal rent (NOK/m <sup>2</sup> )* | 1,000 - 1,500 | 1,400 - 1,600 |
| Prime rent (NOK/m <sup>2</sup> )*  | 2,200         | 2,100         |
| Supply**                           | 28 %          | 31 %          |
| Vacancy**                          | 8 %           | 9 %           |

**Comment:**

The area has undergone a massive transformation in recent years. The great variation in office rents indicates that building standards vary substantially. Concerning the supply, Økern is the area with the largest supply rate – both in terms of absolute and relative sizes. 70 % of the supply consists of new build projects that will not be completed within a 12 month period.

## BRYN/HELSEFYR



|                                    | Per May 2015  | Per May 2014  |
|------------------------------------|---------------|---------------|
| Normal rent (NOK/m <sup>2</sup> )* | 1,550 - 1,750 | 1,550 - 1,750 |
| Prime rent (NOK/m <sup>2</sup> )*  | 2,200         | 2,100         |
| Supply**                           | 10 %          | 7 %           |
| Vacancy**                          | 10 %          | 5 %           |

**Comment:**

In contrast to what the Økern area has experienced in recent times, several contracts have been signed in this office cluster. The Directorate of Taxes is renting 3,700 m<sup>2</sup> more in addition to 29,000 m<sup>2</sup> in Fredrik Selmers vei 4. The Norwegian Medicines Agency will move into 6,500 m<sup>2</sup> in Strømsveien 96 by the end of 2016.

\*See definition of «normal» rent and prime rent on page 26.

\*\*See definition of supply and vacancy on page 18.

| OFFICE RENTS: MALLING & CO ESTATE AGENT CONSENSUS (NOK/M <sup>2</sup> /YEAR) |                                   |                |              |                |                             |  |
|--|-----------------------------------|----------------|--------------|----------------|-----------------------------|--|
| #  | OFFICE CLUSTER                    | «NORMAL» RENT* | PRIME RENT** | FUTURE OUTLOOK | △ PRIME RENT LAST 12 MONTHS |  |
| 1  | ASKER                             | 1,600 – 1,800  | 2,100        | ➡              | 5 %                         |  |
| 2  | BILLINGSTAD                       | 1,250 – 1,500  | 1,700        | ↘              | 0 %                         |  |
| 3  | SANDVIKA                          | 1,600 – 1,800  | 2,250        | ➡              | 0 %                         |  |
| 4  | FORNEBU                           | 1,500 – 1,700  | 2,150        | ↘              | 0 %                         |  |
| 5  | LYSAKER                           | 1,800 – 2,000  | 2,350        | ↘              | 0 %                         |  |
| 6  | SKØYEN                            | 2,100 – 2,400  | 3,300        | ➡              | 0 %                         |  |
| 7  | MAJORSTUEN                        | 1,800 – 2,000  | 2,800        | ➡              | 12 %                        |  |
| 8  | VIKA/AKER BRYGGE/TJUVHOLMEN (CBD) | 2,800 – 3,200  | 4,800        | ➡              | 2 %                         |  |
| 9  | KVADRATUREN                       | 1,800 – 2,250  | 2,800        | ➡              | 0 %                         |  |
| 10   | INNER CITY                        | 2,100 – 2,500  | 3,500        | ➡              | 0 %                         |  |
| 11   | BJØRVIKA                          | 2,700 – 3,000  | 3,500        | ➡              | 0 %                         |  |
| 12   | NYDALEN/SANDAKER                  | 1,500 – 1,700  | 2,200        | ↘              | -4 %                        |  |
| 13   | ØKERN/LØREN/RISLØKKA              | 1,000 – 1,500  | 2,200        | ↘              | 5 %                         |  |
| 14   | BRYN/HELSEFYR                     | 1,550 – 1,750  | 2,200        | ↘              | 5 %                         |  |



\* Normal rents reflect the interval where most contracts are signed in the specified market area.

\*\* Prime rents are consistently achievable headline rental figure that relates to a new, well located, high specification unit of a standard size commensurate demand within the predefined market area. The prime rent reflects the tone of the market at the top end, even if no new leases have been signed within the reporting period. One-off deals that do not represent the market are discarded.



HAGALØKKVEIEN 26, ASKER

*Ferd Eiendom commissioned Malling & Co  
Næringsmegling to lease 14,500 m<sup>2</sup> of office space  
in a new construction in Asker*

*Illustration: Oxivisuals*

# STAVANGER

## COOLDOWN IN THE OIL INDUSTRY A CHALLENGE FOR THE REAL ESTATE MARKET

The commercial property market in Stavanger differs from the market in Oslo. The rental market is primarily driven by the Oil & Gas sector and related services. Due to a booming oil industry throughout the last decade, there has been a subsequent increase in demand for new space. Consequently, high construction activity of new office buildings has supplied the market with a sufficient amount of space during this period. This is evident in areas like Forus, where several large new projects have been erected over the last 10 years.

The expected decline in petroleum investment in 2015, combined with the declining oil price and the oil companies' subsequent focus on reducing costs, has taken its toll on the lease market. As a result, many tenants are subletting space, and in areas like Forus we observe several large premises with significant vacancy. This sudden drop in demand and excess supply has put a downward pressure on achievable rents, a trend we expect to continue in the in the near future. At the same time, a large volume of available plots creates a limit for increasing rents. On the other hand, we believe some areas with proximity to existing infrastructure and public transport will win the battle in a challenging market.

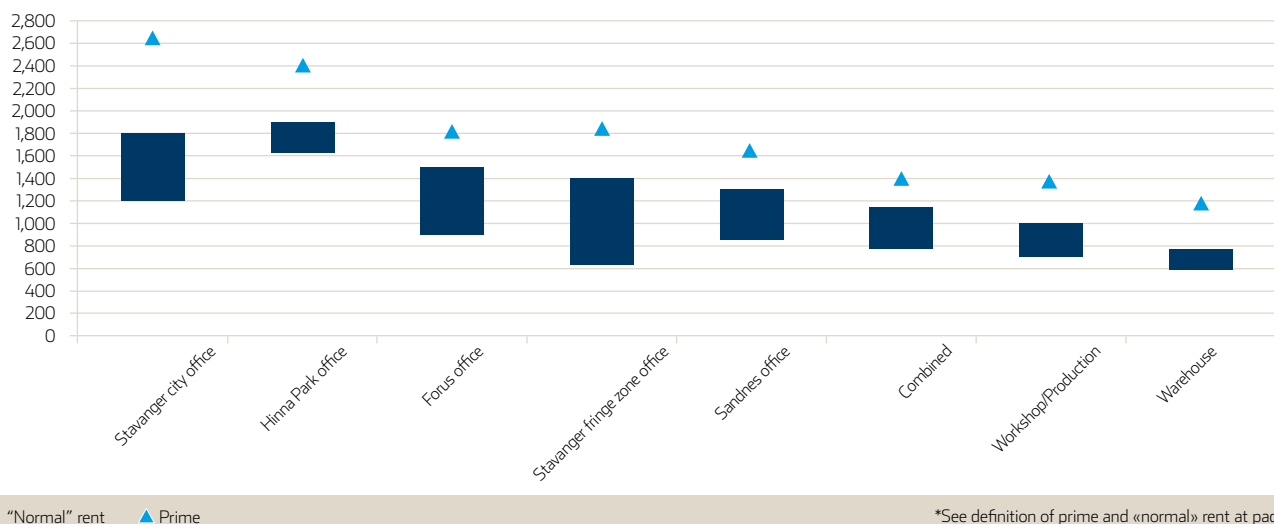
### Latest news from the Stavanger region

- › The engineering and construction company Aibel's search for a new head office in Stavanger is in its final phase. They are looking for 17,000 m<sup>2</sup>, with occupancy in late 2016. They got around 30 offers in the process. Aibel currently occupies a building of 25,000 m<sup>2</sup> at Forus.
- › In 2014, Telenor and BP were looking for office space. They received over 40 offers each, which reflects the high supply within the region. Telenor signed a five year lease for 2,550 m<sup>2</sup> with Norwegian Property at Badehusgaten 37 and BP decided to stay.
- › According to NAV (the Norwegian Labour and Welfare Administration) statistics from March, the Rogaland area now has 7,674 unemployed persons of working age, around 3.0 % of the workforce. The number of unemployed persons has increased by 42 % from March 2014 to March 2015. Many analysts expect unemployment to increase further.
- › According to rumours and the available Investment Memorandum, Statoil ASA is about to divest their existing HQ in Stavanger/Forus to an international

investor. Colony Capital is the most likely buyer, at around NOK 2.4 billion. Along with W.P. Carey's purchase of the Apply HQ and Total's headquarters in Dusavika, Colony is another large US-based buyer in the region.

- › We have registered a transaction volume of NOK 2.9 billion in the Stavanger region so far in 2015, spread across four transactions. This only includes transactions over NOK 50 million. The Statoil transaction, which must be the best evidence of prime yield, has according to rumours ended at a yield of around 5.7 %. Normal yields are now between 7.0 % and 8.0 %.
- › Building activity in the Stavanger region is slowing down, but some projects, like the Golf Tower, will be finalized in the second quarter. Golf Tower still has 7,500 m<sup>2</sup> of vacant office space.
- › ROM-Eiendom is about to start the construction of step one (20 000 m<sup>2</sup>) in the Lagårdsveien-project at Paradis, expected to be finalized spring 2017. They will start constructing as soon as more than 50 % of the project is prelet. According to the developer, they have almost reached this threshold.

OFFICE RENTS IN THE STAVANGER REGION DIVIDED INTO AREAS AND SECTORS (NOK/M<sup>2</sup>/YEAR)

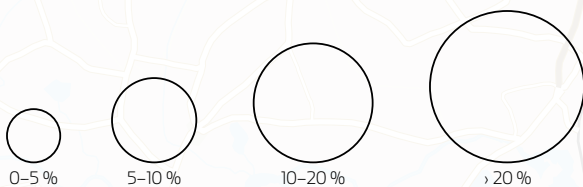
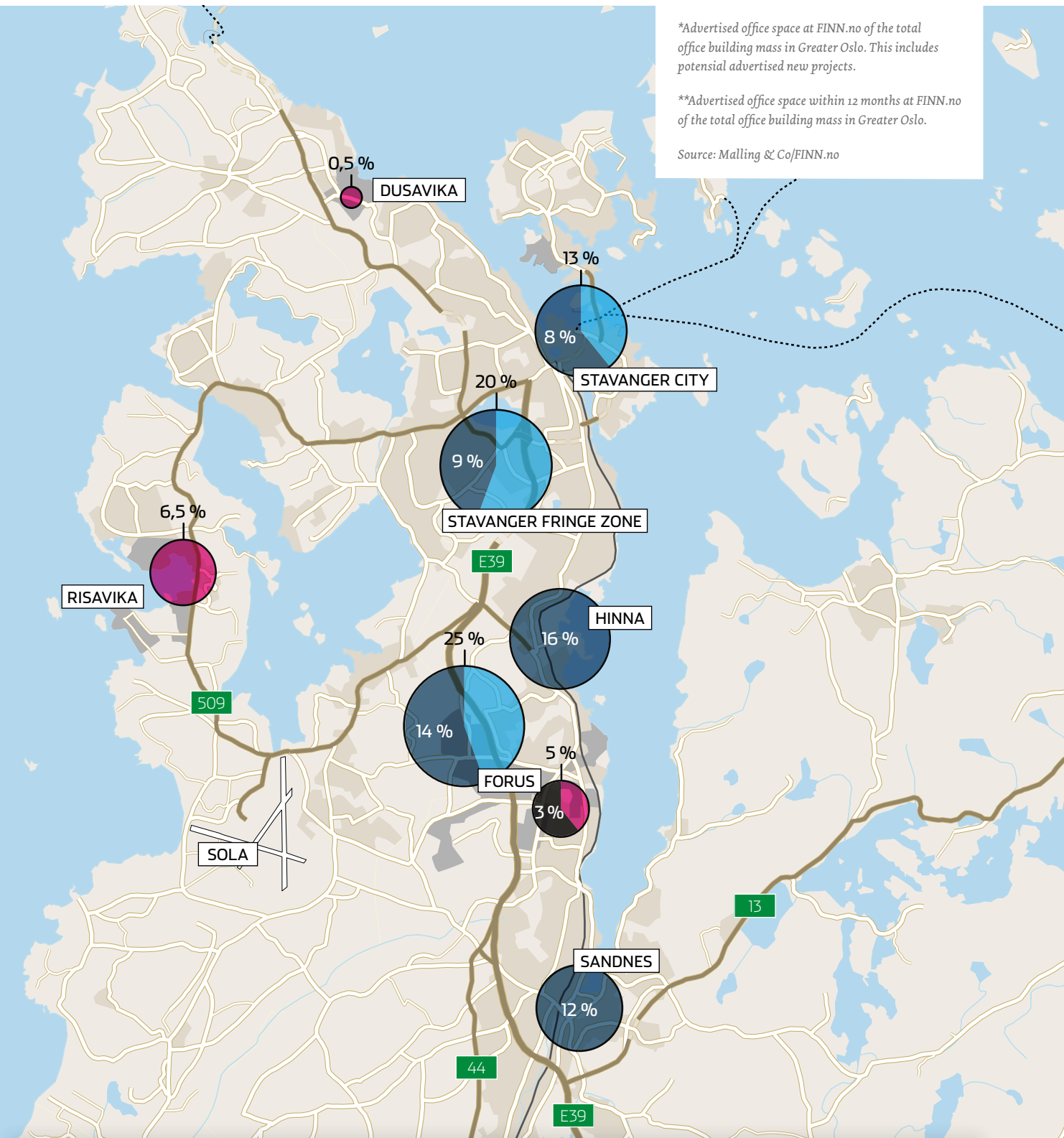


\*See definition of prime and «normal» rent at page 26.

\*Advertised office space at FINN.no of the total office building mass in Greater Oslo. This includes potential advertised new projects.

\*\*Advertised office space within 12 months at FINN.no of the total office building mass in Greater Oslo.

Source: Malling & Co/FINN.no



|                    | OFFICE     | WAREHOUSE/COMBINED |
|--------------------|------------|--------------------|
| Additional supply* | Light Blue | Pink               |
| Vacancy**          | Dark Blue  | Black              |

# DRAMMEN

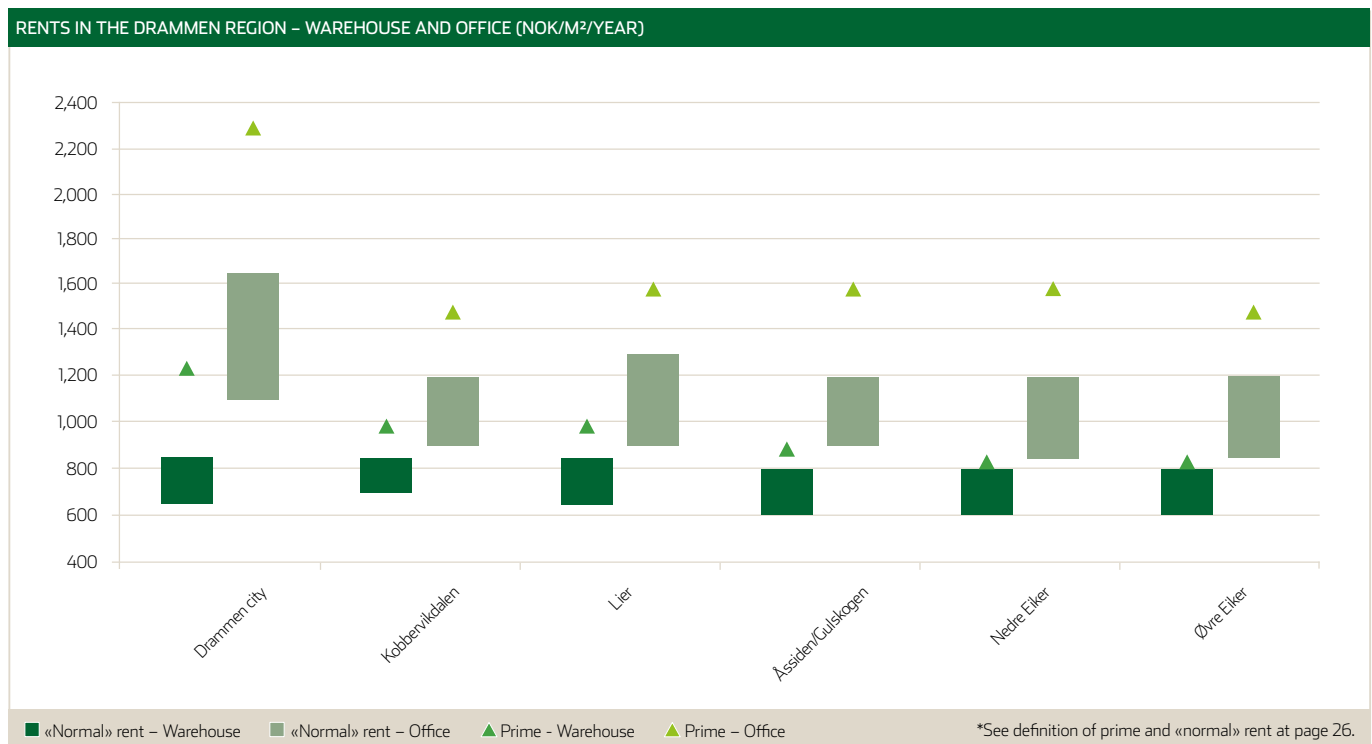
## BENEFITING FROM THE SPILLOVER EFFECT FROM HIGH INVESTMENT ACTIVITY IN OSLO

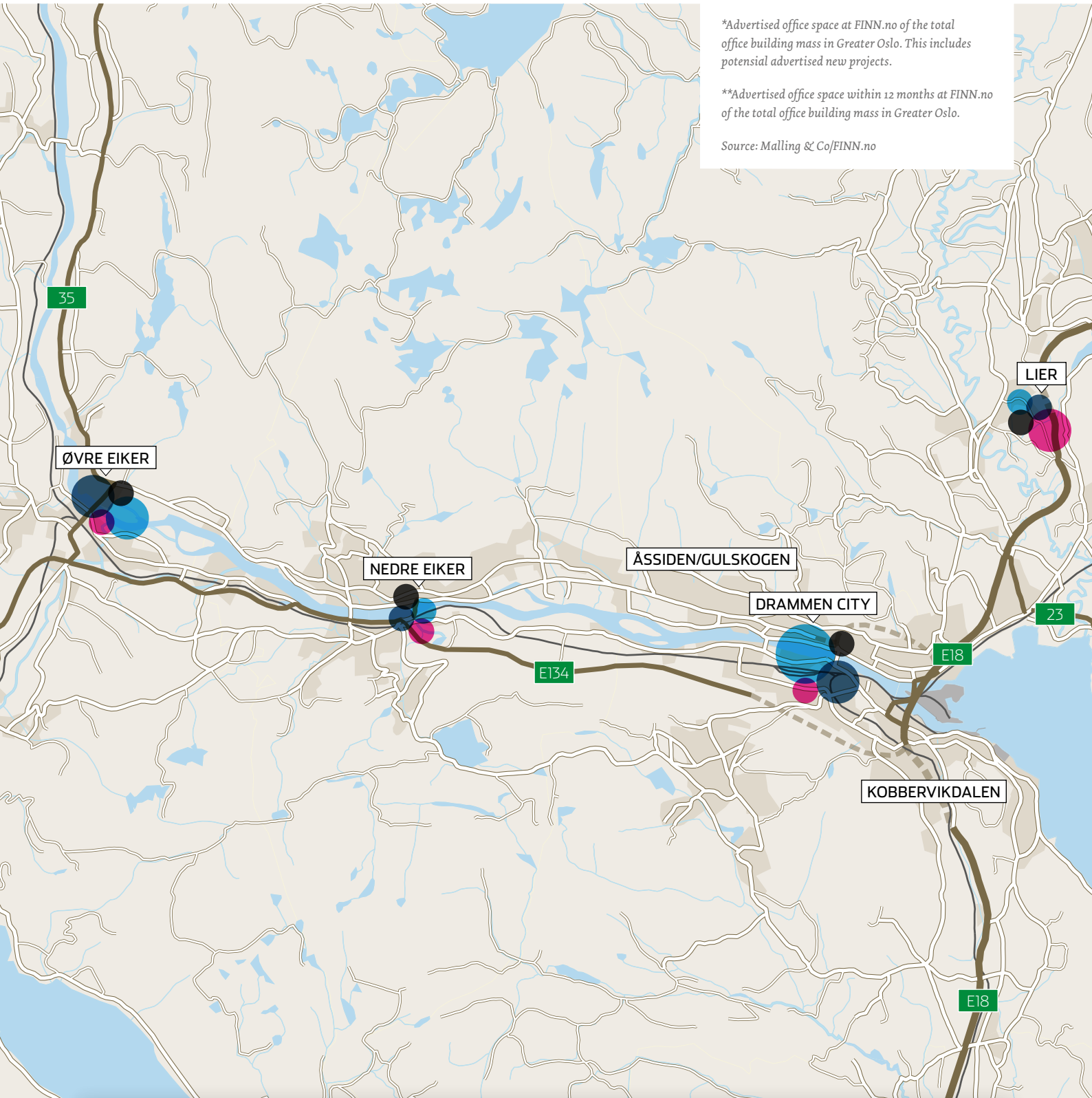
2015 started with good activity in the rental market and we expect the high level of activity to continue throughout the year since there are multiple processes running. An increasing number of companies are expanding and demanding more space, higher standards, flexibility and effectivity. This creates more activity in the market. Still, there are few companies from out of town looking at Drammen as an alternative.

Several large new build projects are expected in the coming years, i.e. Bj. Bjørnson gate 110 (8,900 m<sup>2</sup> of office, retail and/or manufacturing space). Grønland 67 (11,000 m<sup>2</sup> office) is under construction at Union Brygge, and will be completed in January 2016. Fiskum Industrial will establish a major business park along the E134 in Øvre Eiker. The area is approximately 800 decares, and the plot sales are expected to start in autumn 2015. Oxer recently sold Øvre Strandgate 2, an office building in central Drammen, at a yield of 5.4 %.

Several contracts of a significant size have recently been signed. Motorpart (Motorgruppen) is moving into former Kid Interiør's main warehouse in Knud Schartum gate 7 at Gulsbogen (6,300 m<sup>2</sup> storage/logistics). Furthermore, Motorforum (Motorgruppen) will open a 2,600 m<sup>2</sup> dealership in Ingvald Ludvigsens gate 21 at Åssiden. Golder Associates has signed a lease contract in Ilebergveien, and the rent is 1,250 NOK/m<sup>2</sup>/year for 870 m<sup>2</sup>. Fagmøbler (2,750 m<sup>2</sup>), Riis Bilglass (410 m<sup>2</sup>) and Snap Drive (300 m<sup>2</sup>) are opening new stores in Ingeniør Rybergs gate 44. Joe and the Juice is opening at Bragernes Torg 6. The rent is 3,250 NOK/m<sup>2</sup>/year for 250 m<sup>2</sup>.

Office rents in central areas of Drammen vary between 1,100 - 1,650 NOK/m<sup>2</sup>/year in existing premises. New building is in the range of 1,650 to the top rent of 2,300 NOK/m<sup>2</sup>/year. Warehouse rents vary between 650 - 850 NOK/m<sup>2</sup>/year in the Drammen region. In central retail properties we observe rents of around 1,500 - 1,800 NOK/m<sup>2</sup>/year.

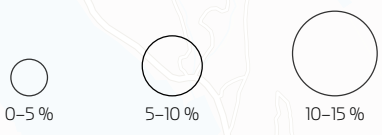




\*Advertised office space at FINN.no of the total office building mass in Greater Oslo. This includes potential advertised new projects.

\*\*Advertised office space within 12 months at FINN.no of the total office building mass in Greater Oslo.

Source: Malling & Co/FINN.no



|               | OFFICE         | WAREHOUSE/COMBINED |
|---------------|----------------|--------------------|
| Total supply* | ● (light blue) | ● (pink)           |
| Vacancy*      | ● (dark blue)  | ● (black)          |

# OSLO RETAIL

## NORWEGIAN PURCHASING POWER ATTRACTS INTERNATIONAL BRANDS

International fashion brands have discovered Norwegians' strong purchasing power, and have had a major impact on making Karl Johans gate Norway's most expensive street for retail premises. Norwegian retail is affected by the general trend in the Norwegian economy and the weak international economy. Compared to other countries, Norway has managed well during the economic downturn, which also may have encouraged the interest among international brands. A somewhat weaker growth in the economy is expected to pick up slowly by the end of 2016.

### Lower oil price weakens the purchasing power

The lower oil price has led to a weakening of the Norwegian krone. This affects importers' and individuals' purchasing power, but strengthens Norwegian competitiveness of trade. The mainland economic growth is expected to be lower in 2015 than in 2014 and the unemployment rate is expected to increase gradually. This will contribute to curbing wage growth in 2015. Time lagged effects of the interest rate cut in December and expectations of a further decline in 2015 contribute to lower interest rates ahead. This, in addition to easing taxation, will increase household income.

### Moving after 150 years

After more than 150 years in "Postgården" at Stortovet, Christiania GlasMagasin moved to a new location in Lille Grensen 5 in March. The store is approximately 1,600 m<sup>2</sup> and runs over three floors. The shopping centre is now refurbishing the first and second floors (2.-3. etg.). Thune, which has been at the same location for 150 years, recently moved out of Øvre Slottsgate 12. The store moved to Egertorget, right across the street, and a new flagship store is opening in Stortingsgaten 6 at the end of May. Thune will also re-open their store at Aker Brygge in the middle of May.

### Refurbishment of shopping areas

Paléet, Aker Brygge, Steen & Strøm Magasin and Østbanehallen have all opened their refurbished spaces in the past months. Both Paléet and Steen & Strøm Magasin created a special "food court" in the basement, a new phenomenon in Norway that seems to be well received. Several new shops have opened in the newly renovated street, Bogstadveien/Hegdehaugsveien. Nudie Jeans, Kähler and Superdry are opening their new flagship stores in the Bogstadveien area in April. The shoppers are slowly but surely coming back to the shopping street.

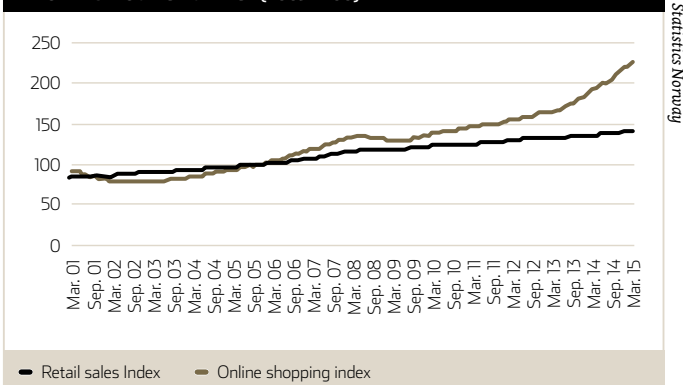
### Online shopping continues to take market shares

Consumers' shopping habits have changed in line with technology in recent years. According to Statistics Norway, turnover from online shopping increased by 16.8 % from 2013 to 2014, while regular high street trade increased by only 3.4 % in the same period. According to the trade organization Virke, both the electronics industry and the sports industry are experiencing higher competition from online shopping stores. An increasing number of chains, in different kinds of industries, are now focusing on e-commerce in addition to physical retail. A driver for growth in parts of the industry is commitment to supplementary services, for example service and maintenance related to the sale of skis and bicycles.

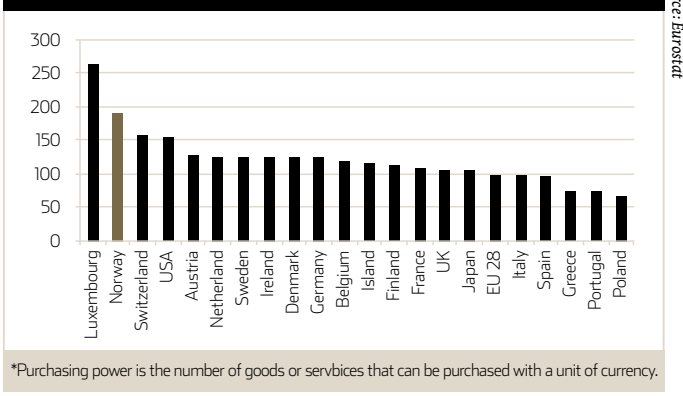
Oslo has become an attractive city for international fashion brands. An increasing number of international fashion brands have become aware of Norway's opportunities in recent years. Luxury boutiques such as Gucci,

Bottega Veneta, Burberry and Marc by Marc Jacobs have recently opened their first stores in Norway, and are located very close to each other around Egertorget. International fashion brands are conscious of location and in particular the other shops that are in the vicinity. With a growing number of high-end fashion brands in Oslo's shopping streets, we believe it will become even more attractive for new international brands to open new stores in Norway.

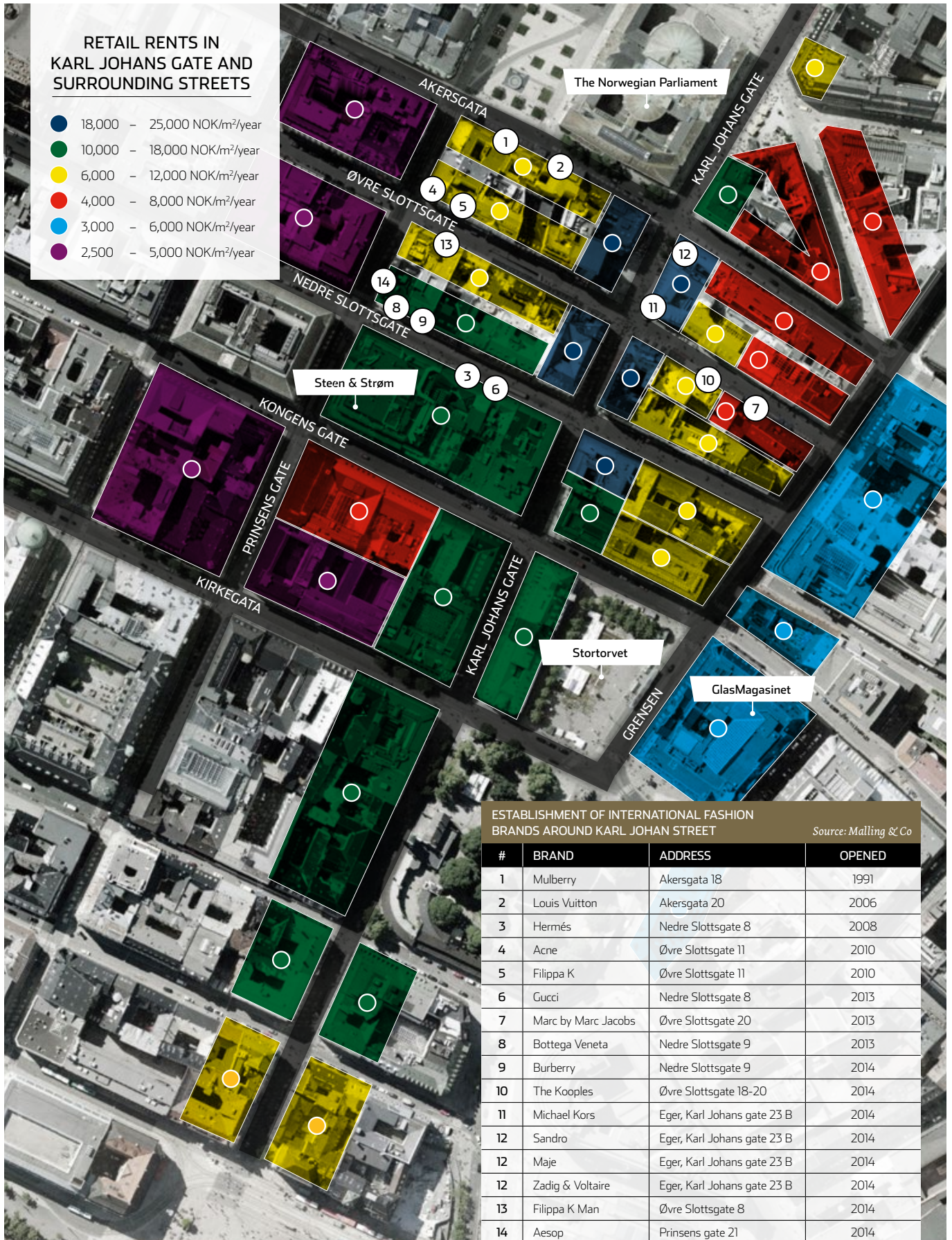
RETAIL SALES (EXCEPT CARSALES) AND INTERNET SHOPPING INDEX, 12 MONTHS MOVING AVERAGE (2005 = 100)



PURCHASING POWER PARITY INDEX\* 2013 (EU 28 = 100)









MAGNUS POULSSONS VEI 7, LYSAKER

*Malling & Co Næringsmegling has been commissioned to lease approximately 9,500 m<sup>2</sup> of the totally modernized office building.*

*Illustration: Rift*



# INDUSTRIAL & LOGISTICS

## HIGHER, CHEAPER AND FASTER IN LOGISTICS

### An attractive investment asset

The unusual combination of low interest rates and sound macroeconomic conditions has resulted in solid returns on property investments. The industrial/logistics segment is no exception, and has attracted a number of investors. According to our register, the investment volume in the segment increased by more than 200 % from 2013 to 2014, and we have seen some additional transactions completed this year as well. The most notable deal completed so far in 2015 is Pareto PF's sale of Schibsted printing works to OBOS, which will be a residential conversion project in the future. Although the activity in the transaction market has been quite high for a prolonged period of time, the rental market is less active. Few large lease agreements have been signed in recent times, which is likely to restrain the supply of attractive investment assets in the near future. Nevertheless, the long duration of the existing lease agreements is attractive to investors. Before Christmas, the main distribution centre of COOP was acquired at a net initial yield of approximately 5.7 %. The relatively low return is accepted due to the 20-year-long triple net lease agreement.

### The Oslo region is the hotspot in the distribution network

The importance of the Oslo region in Norway's distribution centre is reflected in the region's share of the investments made in the logistics segment. This concentration is partly due to the region's geographical location and partly due to its strong concentration of consumers. Of Norway's approximately 5.2 million inhabitants, roughly 35 % reside in the Greater Oslo region. Concerning the supply chain, about 80 % of the imported general cargo enters Norway through the Oslo region. Of these goods, 61 % are transported on the road system, 28 % are shipped in by sea, while 11 % is transported on the railroad system. An explicit political ambition is to transport more goods by sea and on the railroad system, but it remains to be seen whether this will be achieved. The road network is likely to be an important part of the infrastructure, something that is reflected by the fact that all the considerable logistics clusters in the Oslo region are located in proximity to either/both the E6 and E18. In any case, the Alnabru freight terminal in the northern parts of the municipality of Oslo will continue to be an important part of the distribution network in Norway.

### Rent levels are stable

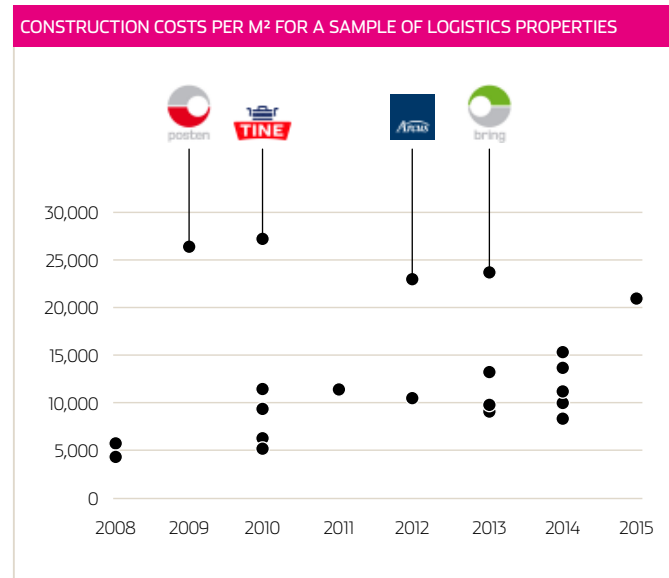
The annual rent level per m<sup>2</sup> per year on standard new builds ranges from 1,000 NOK in Groruddalen to 600-700 NOK in Vestby/Gardermoen. However, the greatest variation in the rent level is due to differences in the properties' specifications. We know of rents close to 2,000 NOK/m<sup>2</sup>/year, but these levels are a result of extensive building specifications and/ or a large land plot relative to the building mass. In general, the rental growth has been low but stable for a considerable time. We do however see that low activity in the tenant market and an increasing amount of professionalized third-party logistics (3PL) providers in the market - which operate with low margins - are a threat to the rent level. Furthermore, the 3PL providers have contracts that usually stretch over 2-3 years, which translates into a lower willingness to commit to long lease contracts. This short commitment and immediate demand makes it difficult for developers to justify the erection of new buildings.

### Construction costs are stabilizing

In the wake of more standardized building modules, such as the ones offered by Bulk Eiendom, construction costs have fallen somewhat. As pointed out earlier, the logistics/industrial buildings may vary from very standard storage units to custom-made buildings according to tenants' specifications. This is also evident from the diagram on the right hand side. If we concentrate on the lower band of the observations, it seems that the construction costs for standard new builds are stable at between 8,000 and 10,000 NOK/m<sup>2</sup>. This is in line with the stable rent level we see, since the rents are a function of the total construction costs.

### An endless supply of land - but not of buildings

Several of the municipalities surrounding Oslo have zoned vast numbers of land plots for logistics purposes. In particular, the areas in the northern and southern corridor of Oslo that enjoy proximity to the central road network (E6) have attracted the interest of the various actors in the logistics market. The land prices vary a lot in the region: From as low as about 700 NOK/m<sup>2</sup> for construction-ready land at Vestby to close to 2,000 NOK/m<sup>2</sup> at Berger. However, it should be noted that the market for land plots zoned for logistics/industry is characterized by few transactions, which complicates the estimation of a market price. In contrast to the supply of land plots, the supply of constructed new builds is low. This is largely due to the low numbers of lease contracts signed in the last two years, as few developers build on speculation in the logistics segment. Fabritius, Ferd, NCC, Bulk Eiendom, Bunde and Thon Eiendom are all ready to initiate the construction of logistics properties both north and south of Oslo.



**Outlook: A sharper division between the best and the rest**

Norwegian consumers' strong purchasing power is attractive to a number of logistics parties. The solid purchasing power is founded on an elevated wage level, which affects the costs logistics operators carry. This incentivizes a higher degree of automated processes, which COOP's new main distribution centre is a good example of. We therefore anticipate a sharper division between modern (with standardized ceiling heights) and older buildings. Furthermore, the growing share of e-commerce in the retail segment is anticipated to affect the attractiveness of logistics properties. An increased focus on minimizing costs might result in more outsourcing to the Gothenburg area. In that case, cross-docks in the Oslo region will be valued highly, and thus logistics buildings situated on large plots will be attractive.

Regarding infrastructure investments, the Alnabru freight terminal is planned to be expanded in the near future. Land plots in this area will in any case be valuable as the location is attractive for residential projects as well. There are also plans to build a freight terminal in Vestby, but this process is in its infancy. The new E18, the road connection to Stockholm, will hopefully be finalized by 2024, and will increase the attractiveness of Ski/Regnbuen. Last, Moss port has established itself as a considerable import sea port. UNIL, one of the largest wholesale grocery distributors, stated Moss port as an important factor for choosing to relocate to Våler in 2009.



LOGISTICS CLUSTERS IN GREATER OSLO



Source: Malling & Co

# THE TRANSACTION MARKET

## RETURNS REMAIN ATTRACTIVE

So far this year we have registered a total transaction volume of NOK 27.9 billion\*, divided into 63 transactions\*. As we predicted last year, foreign investors have continued to increase their presence in the Norwegian market. As at 15 May, foreign investors account for more than 30 % of the total transaction volume. The more pessimistic economic outlook has not yet manifested itself in more risk aversion, and the economic slowdown is expected to be relatively short-lived. This unusual combination of relatively solid macroeconomic conditions and low funding costs makes commercial real estate attractive: Life insurance does not get the same returns elsewhere (at an equal risk profile); syndicates enjoy the beneficial funding conditions; foreign investors are here to stay; and the professional property companies are active as always.

### Office, the flavour of choice

As always, the office segment is the most attractive investment class. So far in 2015, approximately a third of the total transaction volume involves office properties. Investments in the retail segment are increasing, and (as at 15 May) account for just below 30 % of the total 2015 volume. It should be noted that the latter size is driven primarily by the larger portfolio deals such as the sale of the Salto group. Nevertheless, Norwegian consumers' purchasing power remains attractive to investors. Concerning the regions, the Oslo area remains the centre of attention for most investors: of the NOK 27.9 billion invested in Norwegian property, roughly 57 % involves properties in the Oslo region.

### The demand exceeds the supply

As mentioned in the introduction, the demand for commercial real estate remains strong. The opposite is true for the supply in the prime segment. Furthermore, we have registered several portfolio deals. We do however believe that this is an arbitrary event, rather than a fundamental change in demand: Property funds are being liquidated and retail portfolios have been sold. We also see that the so-called "cash flow" properties are attractive to investors. This is best illustrated by the bidding process for Statoil's HQ

at Forus. Here, investors had a choice between a 10, 12 or 15 year lease agreement. All the potential investors chose the latter agreement. The fact that the supply in the prime segment is so low might result in investors seeking returns from the secondary assets. Last year represented a surge in the logistics segment, with the investment volume in the segment ending up at approximately NOK 6.4 billion. So far in 2015 we have not seen the same interest.

### Funding costs remain low

One of the most important drivers behind the active transaction market is the low funding costs. After a strong year for bond financing in 2013, banks became increasingly competitive throughout 2014. The margins on a project with a moderate risk profile and a loan-to-value ratio of 75 % can be as low as 125 bps. These low margins, accompanied by declining swap rates, have reduced the funding costs for investors. Although it seems likely that the funding costs will remain low, there is downside risk. According to the Norges Bank lending survey, banks have been more restrictive on lending to commercial real estate, and the tight policy is expected to continue in the near future.

### Prime yield at 4.50 %

As mentioned earlier, the combination of solid macroeconomic conditions and low interest rates is quite unique. This has led to high demand for investment assets that offer returns at an acceptable risk. KLP's acquisition of Schweigaards gate 21-23 last autumn at a yield of 4.75 % illustrates the market's willingness to pay for properties, and we know of foreign investors who have stated that they are willing to accept a yield of 4.50 % for "trophy assets". Hence our estimate of the prime office yield in Oslo. Concerning the normal yield, we estimate this to be 6.25 %. As opposed to the situation prior to the financial crisis in 2008, there is a substantial difference between prime and secondary assets. We believe that this is a sign of strength, as it indicates a more correct pricing of assets.

### High activity expected in the rest of 2015 – more uncertainty ahead

The high investment activity experienced in 2014 has so far continued in 2015. Although property yields have declined somewhat, funding costs have declined more, thereby resulting in a greater yield gap. It is tempting to say that the yields therefore will fall further so that the yield gap is "reduced", but the Norwegian market is becoming expensive relative to other markets. In Stockholm, the prime yield is only 25 bps lower than in Oslo despite a 5Y swap that is about one percentage point lower. In the wake of the increased economic uncertainty, investors might be unwilling to pay more for Norwegian property.

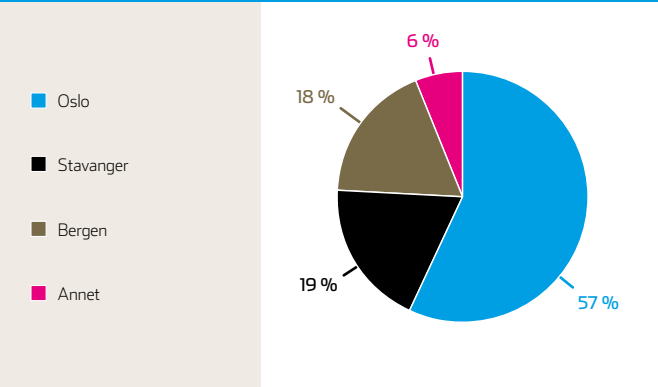
| NET PRIME YIELD IN SELECTED EUROPEAN CITIES |                      |
|---|----------------------|
| CITY  | PRIME YIELD (OFFICE) |
| London                                      | 3.50 %               |
| Paris                                       | 3.75 %               |
| Munich                                      | 3.85%                |
| Zürich                                      | 3.85 %               |
| Stockholm                                   | 4.25 %               |
| Berlin                                      | 4.50 %               |
| <b>Oslo</b>                                 | <b>4.50 %</b>        |
| Copenhagen                                  | 5.00 %               |
| Helsinki                                    | 5.00 %               |
| Rome  | 5.00 %               |
| Glasgow                                     | 5.50 %               |

Source: Cashman & Wakefield/Malling & Co

\*As of 15 May (above NOKM 50)

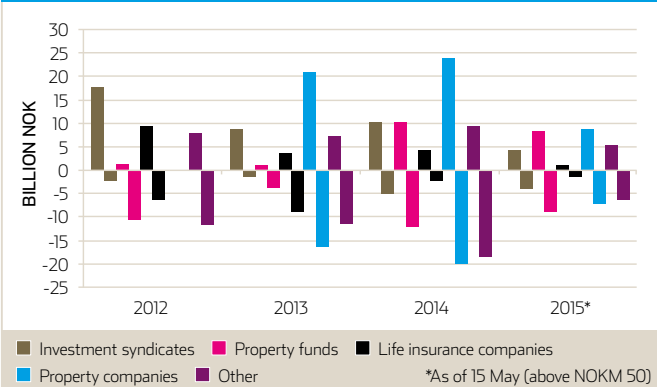
TRANSACTION VOLUME PER REGION

Source: Malling & Co



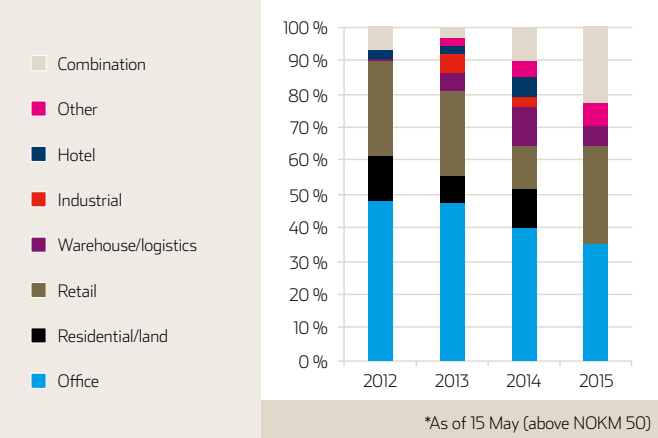
TRANSACTION VOLUME DIVIDED INTO BUYER/SELLER TYPE

Source: Malling & Co



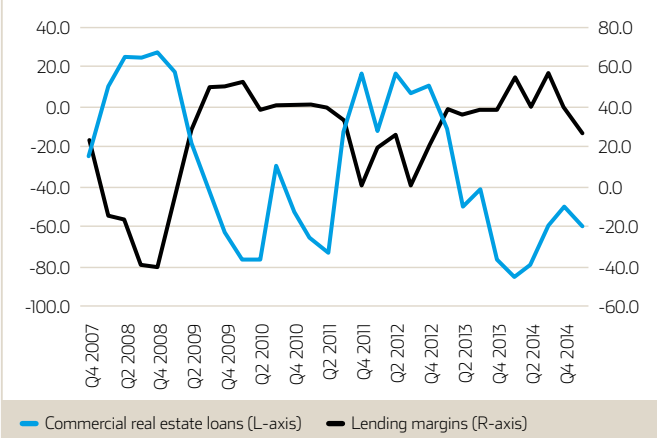
PERCENTAGE SPLIT TRANSACTION VOLUME BY SEGMENT

Source: Norges Bank lending survey



FINANCING CONDITIONS (NET SURVEY RESULTS)

Source: Norges Bank lending survey



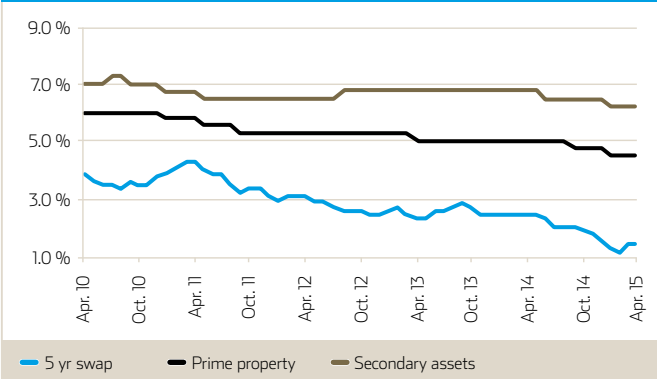
VOLUME GROWTH IN BILLION NOK (TRANSACTIONS LARGER THAN NOK 50 MILLION)

Source: Malling & Co



YIELD DEVELOPMENT PAST 5 YEARS

Source: Malling & Co/DNB Markets



SELECTED MAJOR TRANSACTIONS 2015

Source: Malling & Co

| PROPERTY (ADDRESS/NAME)                | TENANT              | SELLER                         | BUYER                            | SIZE (NOK MILLION, PROPERTY VALUE) |
|--|---------------------|--------------------------------|----------------------------------|------------------------------------|
| Aberdeen Eiendomsfond Norge II         | Mixed               | Aberdeen Eiendomsfond Norge II | To be confirmed, ongoing         | Estimated: 3,800                   |
| 75 % of Storebrand Eiendomsfond        | Mixed               | Storebrand Eiendomsfond        | Partners Group (Swiss)           | ~3,700                             |
| Statoil HQ, Stavanger                  | Statoil             | Statoil ASA                    | To be confirmed, ongoing         | Estimated: 2,400                   |
| 6 properties in Østfold and Lillestrøm | Mixed public        | Entra ASA                      | Hemfosa Fastigheter AB           | 1,375                              |
| Schibsted printing works Nydalen       | Schibsted           | Pareto Project Finance         | OBOS Nye Hjem                    | ~1,000                             |
| Høgskolen i Østfold                    | Høgskolen i Østfold | Pareto Project Finance         | Hemfosa Fastigheter AB           | ~700                               |
| Technip HQ, Lysaker                    | Technip             | NCC Property Development AS    | Storebrand Eiendomsfond Norge KS | 785                                |

# ENERGI OG MILJØ

## FRA FESTTALE TIL BUNNLINJE

I denne rapporten har vi spurt leder for Malling & Co sitt siste tilskudd på tjenestesiden: Energi og Miljø ved Stein Randby, om å gi oss sitt syn på hvordan miljøambisjonene kan konkretiseres til konsekvens for bunnlinjen i selskapene. Samtidig gir vi han litt plass for å fortelle kort om hva vi kan tilby til våre kunder.

Noen ganger kan det være en fordel å være ute av en bransje for en periode for å klarne blikket. Som nyutdannet NTH-er tidlig på 90-tallet jobbet jeg med næringsbygg i en periode der energieffektivisering hadde høyt fokus i både bransje og media. Siden har jeg jobbet nesten 20 år i energi- og industrisegmentet, bransjer der energi er en viktig innsatsfaktor med stor økonomisk betydning for selskapenes bunnlinje. Miljø er en hygienefaktor som selskapene må ha på plass av hensyn til både omdømme og krav fra kjøperne av varer og tjenester.

### Stein Randby, Malling & Co Energi & Miljø

#### Formell utdanning:

Sivilingeniør fra NTNU og Kraftanalytiker fra NHH. Hovedfag i varmepumpeteknologi og termiske fag.

#### Erfaring:

4 år som rådgiver mot næringsbygg og nesten 20 år på både byggherresiden og som rådgiver mot energi- og industrisektoren.



### Våre observasjoner

Vår oppfattelse er at eiendomsbransjen har for lite fokus på reell energieffektivisering og mulige besparelser på bunnlinjen. Det er riktignok et stort fokus på miljø gjennom ulike miljø-sertifiseringsordninger som BREEAM NOR, LEED, Green Star, Miljøfyrtårn med flere, og pålagte myndighetskrav som Tekniske forskrifter (TEK 10) og Energimerking av bygg, men ikke samme fokus på konsekvensen for bunnlinjen i selskapene (både leietaker og gårdeier). Vi savner oppmerksomhet rundt bestiller-rollen, både i forbindelse med utviklingsprosjekter/nybygg og i forvaltning av eksisterende bygningsmasse. Dagens oppmerksomhet gis i stor grad til nevnte standarder og myndighetskrav, som alle er basert på teoretiske beregninger av både de tekniske installasjonene og byggene sin ytelse. Bunnlinjen skapes dessverre ikke av sertifikater på veggen, men av faktiske resultater bygget leverer i driftsfasen.

### Bunnlinjen

I praksis er det hvordan byggene planlegges, spesifiseres, anskaffes, prosjekteres, bygges, overleveres, følges opp og driftes som avgjør en vellykket energieffektivisering. I tillegg er samspillet mellom byggeier og leietaker/bruker helt avgjørende for byggets samlede energiytelse. En forenklet fremstilling av prosessen fra prosjektstart til bygg som tas i bruk kan se slik ut

Forstudie

Spesifikasjon

Anskaffelse

Prosjektering

Bygging

Overlevering

Drift

Først når man fokuserer på disse fasene med tilhørende prosesser påvirker en selskapets bunnlinje. Her er det stort potensiale for tilbakelæring fra prosjekt til prosjekt, men dette krever en systematisk tilnærming.

### Hvor feiles det?

Mange av disse prosessene er generiske mellom ulike bransjer, og med vår kjennskap til energi- og industrisektoren, er det påfallende mange likheter. Vi har sett noen typiske feil som gjøres i byggeprosjekter som påvirker byggets energibruk betydelig.

### 1. Forstudie

#### 1.1 Overvurdering av behov

Det er et paradoks at en først gjennomfører en teoretisk beregning av byggets energi- og effektbehov i henhold til en standard (NS3031) med mål om å komme så lavt som mulig, for siden å overdimensjonere de samme anleggene som skal sikre byggets energiforsyning.

Årsaken til denne feilen er som oftest at både rådgiver og entreprenør ønsker å være på den «sikre» siden. Ingen ønsker å bli ringt en kald vinterdag eller varm sommerdag med beskjed om at anleggene ikke dekker behovene.

I nesten samtlige av de prosjektene vi har gjennomgått med hensyn til å gjøre en energirevisjon av forretningscasen, er både energi- og effektbehovet overvurdert i innledende fase. Dette medfører at selskapene påfører seg selv unødvendig høye kapitalkostnader, får anlegg med dårlige virkningsgrader på grunn av mye del-last kjøring, og har tilhørende uforholdsmessige høye drifts- og vedlikeholdskostnader. Spesielt kostbart blir dette når byggets kjølebehov overvurderes. Med den norske sommeren er brukstiden for anleggene kort og det er kun noen få timer i løpet av et år å allokere kostnadene til. Kapitalkostnaden utgjør i størrelsesorden 80 % av samlet energikjøpskostnad, og prisen for kjøling er i flere av de tilfellene vi har sett på nesten det dobbelte av hva den burde være.

#### 1.2 Svak beslutningsstøtte

I forbindelse med vår etterregning av ulike anlegg ser vi at investeringsbehovene undervurderes, at det legges til grunn en for høy alternativ kostnad for energikjøp og at kostnadene til forvaltning, drift og vedlikehold (FDV) legges for lavt. Når dette kommer i tillegg til et overdimensjonert anlegg med urealistiske forventninger til energisalg, blir konsekvensene for bunnlinjen katastrofal. Ett av prosjektene vi har regnet på var solgt inn med en investeringsramme på 20 millioner og internrente på nesten 30 %,



mens samlet investering endte på nesten 50 millioner og internrenten på 1,4 %.

Eiendomshuset Malling & Co har i samarbeid med en annen bransjeaktør samlet en mengde data for investeringer, drift- og vedlikeholdskostnader fra gjennomførte prosjekter i en database. Dette representerer et verdifullt bidrag til beslutningsstøtten utover erfaringsdata for energi- og effektforbruk samt pris på ulike energibærere.

## 2. Spesifikasjon

“Du får som fortjent – ikke som bestilt”. Dette er vårt utgangspunkt når vi drøfter viktigheten av en god spesifikasjon. I energi- og industri-segmentet spesifiseres det til minste detalj, all den tid maskiner, utstyr og energisystemer slår rett inn i verdikjeden for kvalitet og kostnad. Vi opplever ikke samme fokus i forbindelse med næringsbygg og energisentraler.

Vi mener bransjen har overlatt for mye ansvar til entreprenørene og ikke er tydelige nok med hensyn til egne valg og prioriteringer. Det kan være fristende å hoppe over denne fordyrende fasen med tanke på kjøp av rådgivning, men prisen viser seg å bli svært høy. Vi ønsker med dette ikke å fordele skyld, men tvert i mot oppmuntre byggherrene/forvalterne til å ta større ansvar og bli en verdig sparringspartner for entreprenørene. Kunden må vite hva han skal ha for at leverandørene skal ende opp med fornøyde kunder.

Vi anbefaler våre kunder som et minimum å lage;

- › A – en tydelig funksjonsbeskrivelse
- › B – forståelige systemtegninger (P&ID)
- › C – instrument-, signal- og motorlister
- › D – en plan for måling og visning av både byggets og anleggenes ytelse
- › E – en plan for overtagelse med oppfølging av funksjon, ytelse og kvalitet
- › F – en plan for oppfølging av garantier (ved overtagelse og etter 1-2 års drift)

## 3. Overlevering og Drift

“Å måle er å vite”. Like selvsagt som det er uttalt, men allikevel svært lite fokusert i praksis. De fleste næringsbygg har både målere og et energioppfølgningssystem (EOS), men da først og fremst som en hygienefaktor eller etter krav forankret i økonomisk rapportering. Utover dette brukes dette verktøyet i liten grad til å dokumentere byggets energiytelse, få oversikt for vesentlige energiaspekter, konstruktivt grunnlag for dialog med leietaker/bruker eller oppfølging av garantier.

Forutsatt at måling og visning er fokusert i spesifikasjonen av bygget og dets tekniske anlegg, har man et effektivt verktøy til å følge opp garantier og optimalisere bygget i driftsperioden. Verdien av garantier gir seg selv, mens aktiv oppfølging av energibruk i driftsfasen ofte kan utgjøre en besparelse på mellom 10 % og 20 % av samlet energibruk, alt avhengig av før-tilstand. Typiske felleskostnader varierer fra 100 – 400 kr/m<sup>2</sup>/år og energibruken fra 60 – 245 kr/m<sup>2</sup>/år. Energi utgjør med andre ord 50-60 % av felleskostnadene, og vil i mange sammenhenger være å regne som en “lavthengende frukt” uten vesentlige investeringer. For et forretningsbygg på 10 000 m<sup>2</sup>, en gjennomsnittlig energibruk på 275 kWh/m<sup>2</sup>/år og en energipris på 70 øre/kWh, vil en besparelse på 15 % gi en årlig besparelse på nærmere 300 000,- NOK. I tillegg kommer effekten dette vil ha for byggets klimaavtrykk.

### Malling & Co tilbyr kompetanse på energi og miljø

Eiendomshuset Malling & Co har lang erfaring med forvaltning av eiendom og optimalisering av energibruk i forbindelse med driften av byggene.

Nå ønsker vi å ta en aktiv rolle i våre kunders utviklingsprosjekter og ytterligere forsterke vårt engasjement for eksisterende bygningsmasse. Våre tjenester kan deles i tre, der alle har til hensikt å skjøte på byggherrens kompetanse og/eller bidra med økt kapasitet;

#### 1. Forprosjekt/skisseprosjekter/beslutningsgrunnlag

De viktigste rammene for et prosjekt defineres i denne fasen og vi vil fokusere på å gi kunden et robust og grundig beslutningsgrunnlag for eventuelle videreføring.

- › Resultat: Riktige beslutninger.

#### 2. Spesifikasjon og oppfølging av garantier

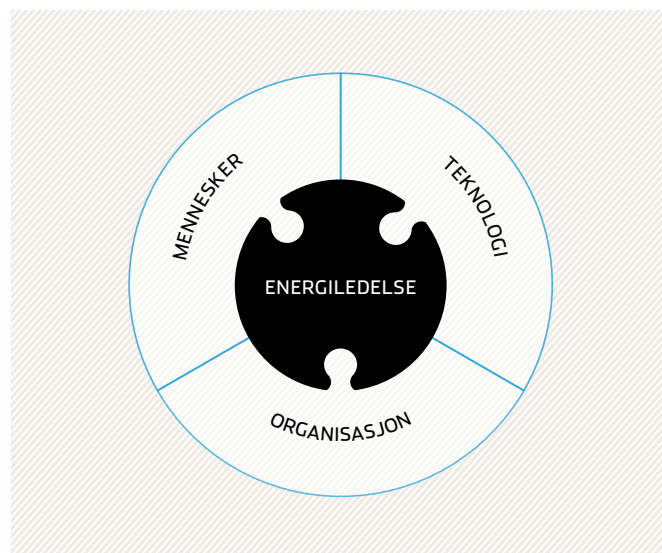
“Du får som fortjent – og ikke som bestilt”. Vi ønsker å bidra til gode samspillmodeller der du som kunde kan være tydelig på din bestilling og at dine samarbeidspartnere og leverandører vet hva som kreves.

- › Resultat: “Du får som bestilt” og har kostnadseffektive forsikringer i form av garantier.

#### 3. Optimalisering av bygg i drift

De fleste selskaper har som mål å etablere en kultur for kontinuerlig forbedring. Når man snakker om “kultur” kommer man ikke rundt menneskene, og i forbindelse med energiledelse er det introdusert en figur som viser samspillet mellom organisasjon, mennesker og teknologi.

De fleste ledelsessystemer strander på manglende forankring i ledelsen og/eller fokus over tid. Det er store utfordringer knyttet til kommunikasjon og involvering.



Vi i Malling & Co er opptatt av lærende organisasjoner og tilbakeføring av erfaring og kompetanse fra prosjekt til prosjekt og organisasjon til organisasjon. Vi bistår derfor mer enn gjerne som motor i en slik prosess og sparringspartner på både faglige, mellommenneskelige og økonomiske dimensjoner.

- › Resultat: En vesentlig reduksjon av byggherre- og/eller felleskostnader, et bedret omdømme og fornøyde leietakere.

# ABOUT MALLING & CO

WE OFFER SERVICES THROUGHOUT THE ENTIRE SUPPLY CHAIN AND BENEFIT FROM SYNERGIES BETWEEN THE UNITS

## KEY FACTS

- › Eiendomshuset Malling & Co is among Norway's leading advisor and service provider within the field of commercial real estate. We have acquired our knowledge and experience over more than 50 years.
- › Our two divisions, Markets and Management, have a total workforce of approximately 140 employees. We offer services in the fields of management, rentals, transactions, valuations, analysis, consulting, tenant representation, and project management.
- › Eiendomshuset Malling & Co and its subsidiaries are an alliance partner of the globally leading real estate advisor, Cushman & Wakefield.

## ALLIANCE PARTNER

### CUSHMAN & WAKEFIELD

Cushman & Wakefield was established in New York in 1917 and is now one of the world's leading providers of real estate services. The company currently has more than 16,000 employees in more than 256 offices and 60 countries. Its head office is currently located in New York, but the EMEA area is controlled from London.



## EMPLOYEES AT MALLING & CO MARKETS



MALLING & CO MARKETS

WWW.MALLING.NO

### MALLING & CO DRAMMEN



**Petter Warloff Berger**  
Manager  
M: + 47 934 81 725  
E: pwb@malling.no



**Marius Vilhelmshaugen**  
Estate Agent  
M: + 47 982 39 620  
E: mv@malling.no



**Stian Espedal**  
Estate Agent  
M: + 47 936 01 910  
E: se@malling.no



**Anne Berit Mork**  
Accounting  
M: + 47 905 56 763  
E: abm@malling.no



**Sverre B. Lund**  
T: + 47 32 21 37 00  
E: sbl@malling.no

### MALLING & CO STAVANGER



**Kristian Kleiberg**  
Lawyer/Subject coordinator  
M: + 47 930 90 177  
E: kk@malling.no



**Torill Skrettingland**  
Manager/Senior Estate Agent  
M: + 47 917 77 814  
E: ts@malling.no



**Kurt Inge Nybru**  
Estate Agent  
M: + 47 915 23 026  
E: kurt.nybru@malling.no



**Jan Varhaug**  
Estate Agent  
M: + 47 908 91 678  
E: jv@malling.no

**Malling & Co Drammen AS**  
Erik Børresens Allé 9  
Postbox 361 Bragernes, 3001 Drammen

**Malling & Co Stavanger AS**  
Kongsgaten 24  
Postbox 861, 4004 Stavanger

MARKETS



**Peter T. Malling Jr.**  
Managing Partner  
M: + 47 481 50 481  
E: ptm.junior@malling.no



**Marianne Johannessen**  
Head of Marketing  
M: + 47 950 53 635  
E: mj@malling.no



**Tore Bakken**  
Partner/Sales and Marketing Dir.  
M: + 47 900 40 250  
E: tba@malling.no



**Mads Mortensen**  
Managing Partner  
M: + 47 922 90 666  
E: mads@malling.no



**Didrik Carlsen**  
Advisor  
M: + 47 994 97 575  
E: dc@malling.no



**Torjus Mykland**  
Project Analyst  
M: + 47 400 19 144  
E: tm@malling.no

PROJECT FINANCING/BUYSIDE ADVISORY

LANDLORD REPRESENTATION



**Fredrik Sommerfeldt**  
Managing Partner  
M: + 47 91 60 91 61  
E: fs@malling.no



**Øyvind Meisingset**  
Partner/Senior Estate Agent  
M: + 47 907 54 597  
E: om@malling.no



**Dag Tønder**  
Partner/Senior Estate Agent  
M: + 47 917 44 870  
E: dt@malling.no



**Ole-Jacob Damsund**  
Estate Agent  
M: + 47 970 20 644  
E: ojd@malling.no



**Erik Enersen**  
Estate Agent  
M: + 47 970 77 589  
E: ee@malling.no



**Thomas Andersson**  
Estate Agent  
M: + 47 922 90 000  
E: ta@malling.no

RESEARCH AND ADVISORY



**Trude S. Aspelin**  
Market Analyst  
M: + 47 922 55 946  
E: tsa@malling.no



**Eirik Sæberg**  
Estate Agent  
M: + 47 416 63 307  
E: es@malling.no



**Mats Rufsvoll Norrman**  
Business Developer  
M: + 47 901 36 080  
E: mnr@malling.no



**Haakon Ødegaard**  
Partner/Head of Research  
M: + 47 938 14 645  
E: ho@malling.no



**Andreas Staubo Boasson**  
Senior analyst  
M: + 47 986 05 209  
E: asb@malling.no



**Herman Ness**  
Senior analyst  
M: + 47 99 54 44 88  
E: hn@malling.no

CORPORATE TRANSACTIONS



**Ann Kristin Aure**  
Analyst  
M: + 47 986 14 518  
E: aka@malling.no



**Bård Stang-Lund Valasjø**  
Partner/ Property development  
M: + 47 400 00 901  
E: bsv@malling.no



**Stein Randby**  
Partner/Energy and Environment  
M: + 47 901 24 162  
E: sr@malling.no



**Anders K. Malling**  
Partner/Advisor transactions  
M: + 47 934 98 883  
E: am@malling.no



**Morten A. Malling**  
Managing Partner/Advisor  
M: + 47 934 98 882  
E: mmm@malling.no



**Henrik Wolf Meedom**  
Advisor transactions  
M: + 47 416 23 733  
E: hwm@malling.no

TENANT REPRESENTATION



**Tore-Christian Haukland**  
Partner/Advisor transactions  
M: + 47 993 84 787  
E: tch@malling.no



**Jens Christian Mellbye**  
Advisor transactions  
M: + 47 976 74 353  
E: jcm@malling.no



**Lars Lund**  
Advisor transactions  
M: + 47 970 55 083  
E: ll@malling.no



**Thomas Frogner**  
Partner/Senior Advisor  
M: + 47 400 38 191  
E: tf@malling.no



**Oluf M. Geheb**  
Partner/Senior Advisor  
M: + 47 911 56 547  
E: og@malling.no



**Nora B. Brinchmann**  
Partner/Senior Advisor  
M: + 47 918 93 015  
E: nb@malling.no



**Anne G. Kolstad Skogheim**  
Senior Advisor  
M: + 47 908 71 351  
E: aks@malling.no



**Lars Simen Paulgaard**  
Advisor  
M: + 47 474 73 655  
E: lsp@malling.no



**Ruben Krantz Kringstad**  
Business Developer  
M: + 47 980 57 262  
E: rkk@malling.no



**Anneli Bagne Ingebo**  
Project manager  
M: + 47 907 87 026  
E: abi@malling.no

HQ Oslo  
Eiendomshuset Malling & Co AS  
Dronning Mauds gate 10  
Postboks 1883 Vika, 0124 Oslo



MALLING & CO MARKETS

Eiendomshuset Malling & Co

Dronning Mauds gate 10, Postbox 1883 Vika, NO-0124 Oslo

T: +47 24 02 80 00 — F: +47 24 02 80 01 — E: [post@malling.no](mailto:post@malling.no) — [www.malling.no](http://www.malling.no)

