Norway - Oslo

Key Performance Indicators (Q1 2022)

Prime Yield
3,25%
Expected Investment Returns
Change YonY: 0,00% pts

Prime Rent
5 600kr
Yearly, per sq m
Change YonY: -1,79%

Average Rent
2 498kr
Yearly, per sq m
Change YonY: 7,33%

Take Up
186K
Square Meter
186K Year2Date

Vacancy Rate
5,74%
Percentage of Stock vacant
Change YonY: -1,30% pts

Typical Lease Terms
3-5 years
Typical Rent Free Period
0-6 months

Completions
-
Square Meter
- Year2Date

Total Stock
10 154K
Square Meter
9 571K Occupied Stock

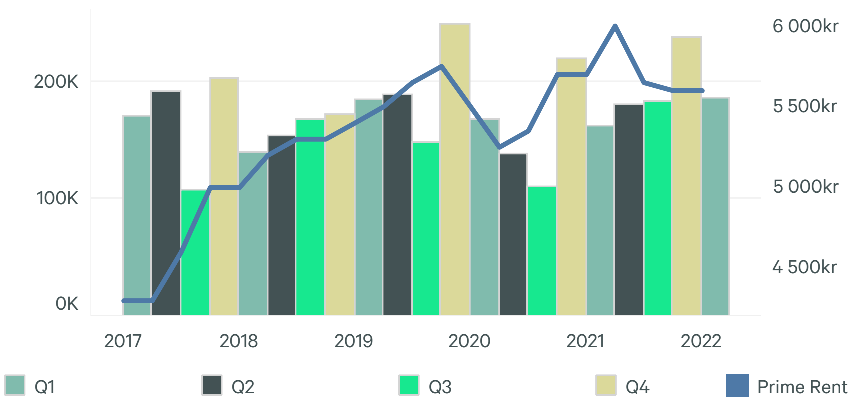
Forecast Completions
111K (2022)
Square Meter
161K (2023) // 96K (2024)

The Oslo office market continues to thrive as essentially all corona-related restrictions were lifted in Q1. Economic activity remains at a high level, and the unemployment rate has fallen to levels where companies are struggling to find qualified labor. Leasing activity picked up significantly during 2021, and the momentum has been preserved into 2022 as take-up increased by 14.3 percent YoY in Q1. Take-up of 185,970 sqm makes Q1 2022 the strongest first quarter on record.

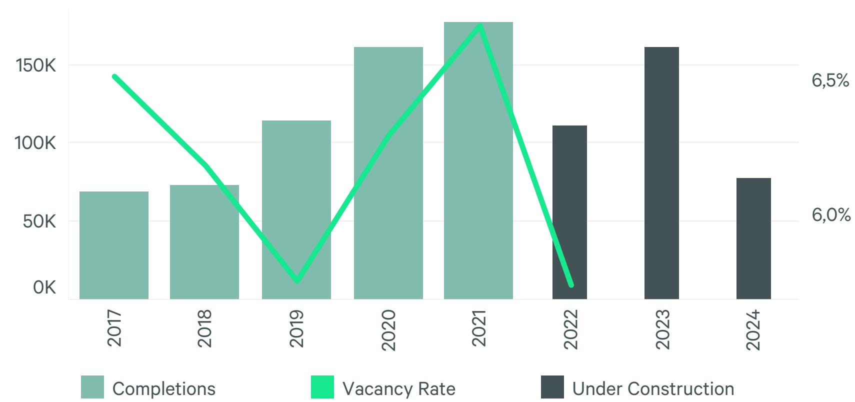
In light of strong office demand and elevated inflation there is no surprise that rents are moving upwards. The rental marked is up 2.9 % QoQ and 7.9 % YoY. We have to go back to 2017 to find similar levels of YoY growth. We forecast that rental growth will remain high throughout both 2022 and 2023. So far, we have not seen prime rent develop as positively as average rent. However, we see potential for a lagged growth due to a limited number of prime office lettings.

Oslo office vacancy decreased 40 bps from 6.1 to 5.7 percent in the first quarter, closing in on pre-pandemic levels. Vacancy has been steadily compressing since the peak of 7.1 percent in Q2 2021. We expect the trend to continue in the short term but could be under pressure by speculative developments coming into the market the coming years. We forecast that completions will fall to 111,000 sqm in 2022, where about 68 percent are pre-let. In 2023, we forecast completions to rise to 161,000 sqm, where about 35 percent are currently pre-let. These numbers includes both new- and redevelopments.

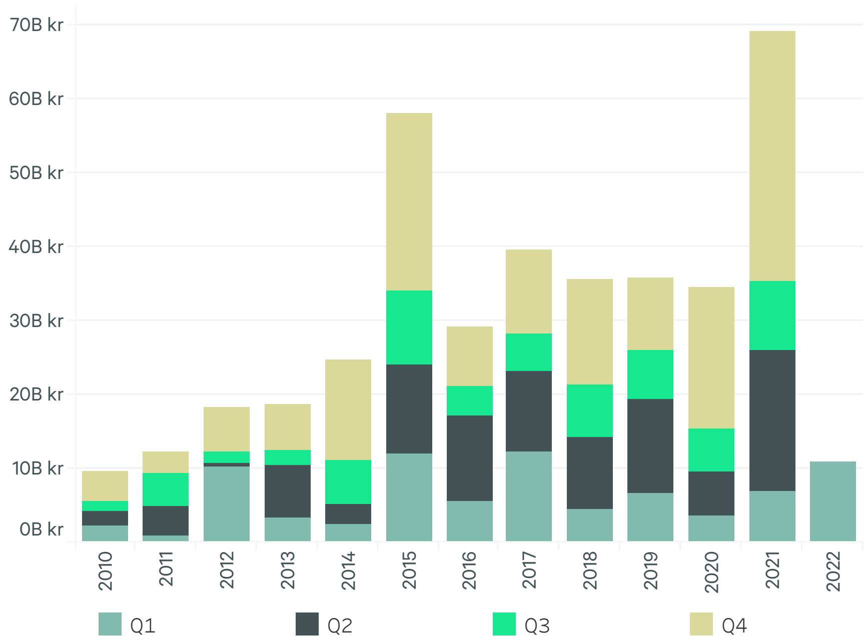
Market Trend (Take-Up | Prime Rent)



Development Activity (Completions | Vacancy Rate)



Norway Office Investment Volumes



Following what was an extraordinary year for the Norwegian CRE investment market, were volumes reached all-time high levels, the first quarter of 2022 continued at a good pace. Office investment volumes reached NOK 11.0 billion, making up 27 percent of the total CRE investment market. Although the QoQ growth was at -67.4 percent due to an extreme fourth quarter of 2021, the YoY growth was measured at 58.6 percent. There were no portfolio deals of significant value, but the most notable office transaction was NIAMs acquisition of the 26,000 sqm Gullhaug Torg 4 in Nydalen, Oslo.

Short-term interest rates started to rise in the latter half of 2021 and are expected to continue increase steadily until the end of 2023. As this increases the investor's cost of capital, we expect to see an upward effect on yield levels. Hence, we expect office yield to edge upwards in the coming years.

Environmental, Social and Governance (ESG) considerations are still in focus for both investors and occupiers. Occupiers' preference for sustainability, wellness quality and technology in office buildings will reflect in investors' interest going forward.

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