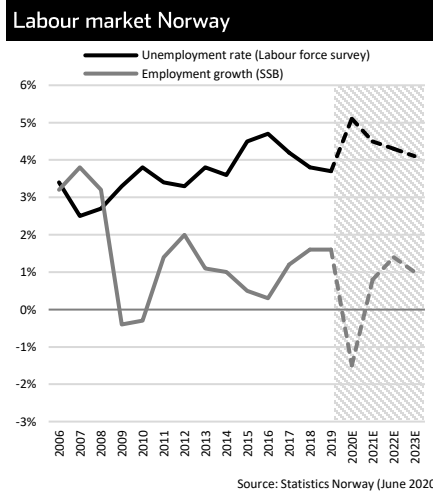
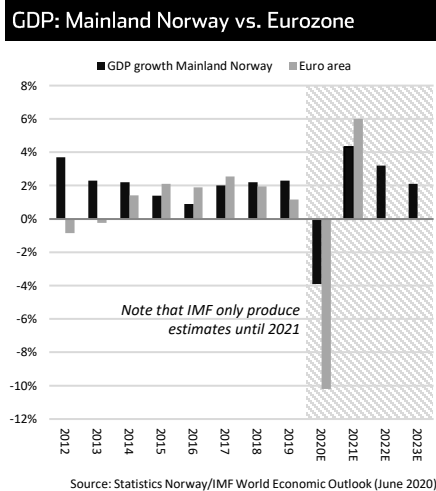
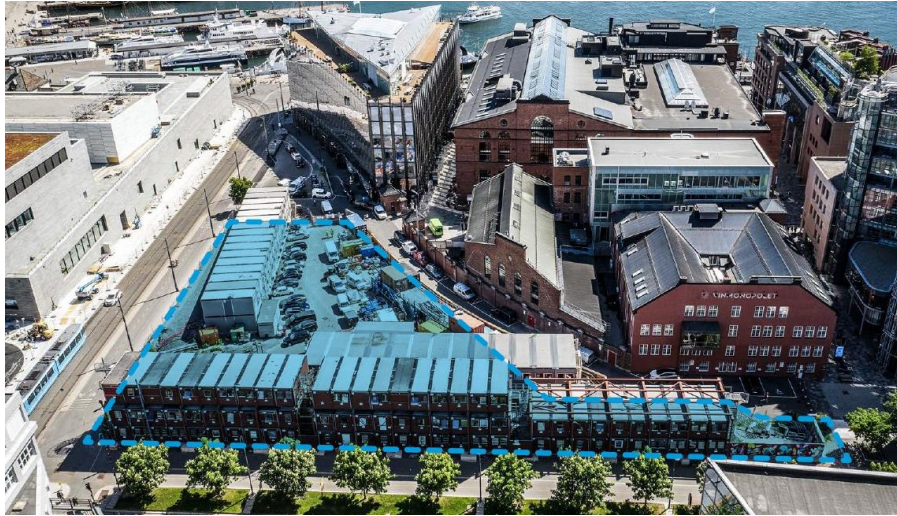


Malling & Co is engaged by Statsbygg as advisor for the upcoming sales process of the centrally located prime plot "Trekanttomten" in Oslo, CBD.



Economic Outlook

- The 3-month GDP-growth for Mainland Norway, at -5.7 % from February-April, illustrates the significant drop in economic activity due to Covid-19. However, in the last 4-6 weeks, economic activity has started to pick up again, and the economic outlook has improved compared to April.
- Statistics Norway (SSB) now projects mainland GDP at -3.9 % in 2020, whereas in April they predicted -5.5 %. The Norwegian Central Bank has also revised its GDP-estimates for 2020, now forecasting -3.5 %, compared to -5.2 % projected in May.
- NAV's register-based unemployment has improved greatly in recent months. Following Covid-19, more than 430 000 people registered as fully or partly unemployed (incl. temporary lay-offs). In June, approx. 215 000 people were registered, illustrating that the situation in the labour market has improved, mainly due to easing of restrictions allowing temporary laid-off employees to get back to work. SSB expects unemployment to end at 5.1 % in 2020.
- The key policy rate has been cut three times since mid March, down to 0 %. In the Committee's assessment, the overall outlook and risk balance imply a highly expansionary monetary policy stance. The Committee does not envisage making further cuts. The policy rate forecast implies a rate at the current level over the next couple of years, followed by a gradual rise as economic conditions normalise.
- The 12-mos. change CPI ended at 1.3 % in May. SSB expects CPI for 2020 overall to be 1.2 %, before increasing to 3.2 % in 2021.

Vacancy (June 2020) and Indicative Office Rents (May 2020) in Greater Oslo

Cluster	Vacancy	Normal Rent**	Prime Rent*
Asker	9.3 %	1 600 – 1 800	2 150
Sandvika	2.2 %	1 600 – 1 800	2 150
Fornebu	5.4 %	1 400 – 1 600	1 900
Lysaker	11.2 %	1 800 – 2 100	2 300
Skøyen	7.3 %	2 300 – 2 700	3 300
Forskningsparken/Ullevål	0.8 %	1 700 – 2 000	2 300
Majorstuen	3.1 %	2 200 – 2 600	3 300
Vika/Aker Br./Tjuvholmen	5.2 %	3 200 – 3 800	5 600
Kvadraturen	4.4 %	2 500 – 3 200	3 700
Inner City	4.7 %	2 800 – 3 400	4 000
Bjørsvika	0.7 %	3 200 – 3 500	4 400
Nydalen/Sandaker	4.2 %	1 800 – 2 100	2 500
Økern/Løren/Risløkka	8.5 %	1 200 – 1 700	2 100
Bryn/Helsfyr	9.2 %	1 700 – 2 100	2 400

Key Facts: Real Estate (Office, Oslo)

	JUL 2020	JUL 2019
Prime Yield	3.60 %	3.75 %
Normal Yield***	5.05 %	5.10 %
5Y SWAP (COB 03.07)	0.66 %	1.75 %
10Y SWAP (COB 03.07)	0.94 %	1.22 %
EUR/NOK (COB 03.07)	10.66	9.63
CPI 12-mos. change (May)	1.3 %	2.5 %
Ave. Rent* Top 15 % (Q2)	3 810	4 200

* / ** / *** For explanation please see [Link](#)

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

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

Latest Lease Contracts

Tenant	Address/ Cluster	Size (m ²)
Bydel Gamle Oslo	Hagegata 22-24 / Oslo east other	~ 10 100
Nexans	Freserveien 1 / Oslo outer east	~ 7 000
Dentsu Aegis	Kristian Augusts gate 23 / Inner city	~ 4 000
Zacco	Drammensveien 145-147 / Skøyen	~ 1 200

Source: Malling & Co

Latest Transactions

Address	Buyer	Size ¹ (MNOK)
Veidekke Eiendom	Fredensborg B/ NPRO/Union Fund III	N/A
Telenor Portfolio	Fredensborg, NorgesGruppen, FagerStad et.al	1 400
Herbarium	OPF	900
DBC – Office	DNB Markets	740

¹Deal size may be rounded due to confidentiality

Source: Malling & Co

Special Topic: Deep economic crisis – but the outlook has improved

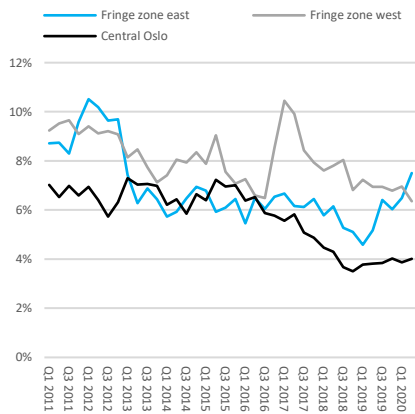
Even though the consequences of Covid-19 have led the Norwegian economy into a slump, the economic outlook has improved over the past 4-6 weeks. The infection rate has been reduced faster than first anticipated, resulting in infection prevention measures already being eased to a great extent. Additionally, the scope of the fiscal packages has increased and the all-time-low key policy rate at 0 % has had a larger affect than many expected.

The latest development has affected economic projections for the coming period. In June, Statistics Norway (SSB) published a revised forecast for main economic indicators. They project mainland GDP to decline by 3.9 % in 2020, which is 160 bps better than expected in their projections from April. Projected unemployment rate in 2020 has also improved, from a forecasted unemployment rate at 6.3 % in the projections from April to an expected rate at 5.1 % in the projections from June. In general, most indicators are revised upwards. The Norwegian Central Bank has also revised their forecasts for economic growth recently. According to their Monetary Policy report from June, The Central Bank expects mainland GDP to contract by 3.5 % in 2020, which is 170 bps better than the bank forecasted in their monetary update in May.

Despite an improved economic outlook in Norway, projections for the global economy has turned in the opposite direction. Global growth is projected at -4.9 % in 2020, according to the IMF's June estimates, which is 190 bps worse than first estimated in April. The COVID-19 pandemic has had a more negative impact on activity in the first half of 2020 than anticipated, and the recovery is projected to be more gradual than previously forecasted. Advanced economies are expected to decline by 8.0 % in 2020, while Emerging markets and Developing economies are expected to fall by 3.0 %. Lower international demand and low oil prices will affect economic development in Norway for years to come, even if the infection rate in Norway remains low.

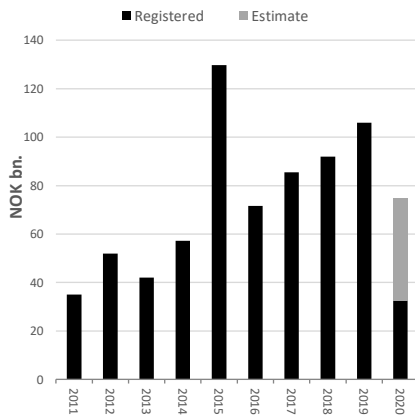
The positive drivers for commercial real estate in Norway has eased the concerns of investors, and we expect the outlook to remain as we detailed in our market report a month ago. This was also reflected in our transaction survey that closed just last week, with an overwhelming share of investors wanting to increase their CRE exposure. It must be emphasized that both SSB and the Central Bank have made their projections based on the assumption that the infection rate is kept at a low level going forward. The uncertainty related to the development of the virus is obviously high, also adding high uncertainty to the forecasts.

Historical Office Vacancy, Greater Oslo



Source: Malling & Co

Transaction Volume (>50 MNOK)



Source: Malling & Co

Commercial Real Estate

Oslo office market

- Office vacancy in Greater Oslo has increased in line with our expectations and was measured at approx. 6 % in June. The increase in vacancy was mainly caused by an increase in the eastern fringe. We currently expect vacancy to increase by an additional 200 bps, before topping out sometime in 2021.
- Approx. 185 000 m² new office space will be completed in 2020. New construction is still expected to be low in 2021 and 2022, with 58 000 m² and 54 000 m² respectively currently confirmed. Avantor recently decided to build Gullhaug Torg 5 on speculation, thus increasing expected volume somewhat in 2022.
- The volume of signed lease contracts (m²) was, as expected, considerably down in the second quarter. Signing volume ended at 138 000 m², making this the lowest second quarter since 2014.
- Average office rents was 2 320 NOK/m²/yr. in Q2 2020. This is down 4 % since Q1 2020. Average top 15 % rents fell by 2 % between Q1 and Q2 2020. Comparing H1 2020 to H1 2019 however, average rents are up 2 %. We expect office rents in Greater Oslo to fall by 6 % on average following the Covid-19 crisis.

Transaction market

- At the halfway point of 2020 we can happily report that the halt in mid-March only created a temporary effect on the investment market. Several processes were landed as we approached summer, and we have counted 103 transactions totaling NOK 32.7 bn. Even more positive is the pipeline we see ready to hit the market over the summer. Our transaction survey for Q2 2020 shows investors intending to increase their exposure to CRE in the coming 12 months is back up at 85 % from roughly 50 % of the surveyed investors the previous quarter, further supporting our view that we expect demand to remain solid over the coming 12 months. Our main scenario with the development for the reopening of society and the current state of the economy, is a total transaction volume of NOK 75 bn. for 2020.
- There is an even distribution of the type of investors and the share of the total volume so far in 2020, another sign of the CRE interest being solid. Office is the most sought-after segment with a roughly 35 % share, and is expected to increase its share as the year progresses.
- Our estimate for prime yield CBD office is 3.60 %, and marginal decrease of 5 bps from the previous quarter. Our transaction survey further shows that investors expect another decrease of 5 bps within the coming 12 months. Prime logistics is at a 4.45 %, down 10 bps from the previous quarter. Prime high street Retail is estimated at 4.55 %, an increase of 10 bps over the previous quarter.

Sources: IMF, SSB, NAV, The Norwegian Central bank, Malling & Co