

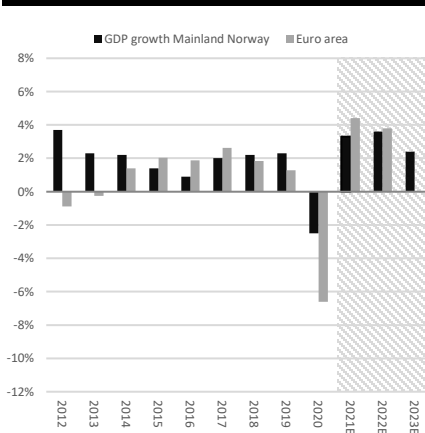
Malling & Co Tenant Representation was Bain & Company's advisor for their expansion in Kronprinsesse Märthas Plass 1.



Economic Outlook

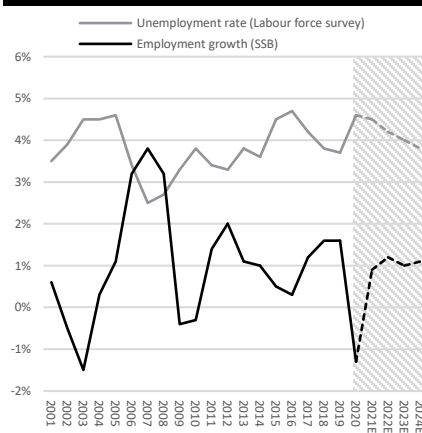
- The slow start to the year with stricter infection control measures in Norway further decreased the GDP Mainland figure by 0.5 % in February, adjusted for normal seasonal fluctuations. SSB's December forecast of 3.7 % Mainland GDP-growth in 2021 was reduced to 3.3 % in March, while growth in the following years is expected to be 3.6 % and 2.4 % for 2022 and 2023, respectively.
- Side-effects from the AstraZeneca and J&J vaccines has currently placed the distribution on hold in Norway. An exclusion of these in the vaccine program might defer the expected spike in economic activity, as well as the timing for the projected key policy rate uplift.
- The reorganization of the Labour Force Survey (LFS) took place at the turn of the year. Preliminary figures show that number of employees will see the largest change given the new arrangement. The LFS unemployment rate was 4.8 % in Q4 2020. SSB expects the rate to be 4.5 % in 2021, and gradually drop below 4.0 % by 2024 (estimates per March 2021).
- The ongoing growth in housing prices eased slightly with 1.2 % (1.1 % seasonally adjusted) in March compared to 2.0 % in February, according to Eiendom Norge. Looking back, the national 12-month growth of 12.5 % is at the same level as the record year of 2016. In Oslo, prices fell by 1.2 % in March, a first-time drop since April 2020.
- CPI fell by 0.3 % from February to March 2021. In the same period, CPI-ATE increased by 0.3 %. SSB expects the CPI-ATE to shift towards the target inflation rate of 2.0 % due to a stronger NOK throughout most of last year.

GDP: Mainland Norway vs. Eurozone



Source: Statistics Norway Outlook (March 2021) IMF WEO (April 2021)

Labour market Norway



Source: Statistics Norway (March 2021)

Office vacancy (March 2021)* and Indicative Office Rents (Q1 2021) in Greater Oslo

Cluster	Vacancy	Normal Rent**	Prime Rent*
Asker	9 %	1 600 – 1 800	2 150
Sandvika	2 %	1 600 – 1 800	2 150
Fornebu	10 %	1 400 – 1 600	1 900
Lysaker	9 %	1 800 – 2 100	2 350
Skøyen	9 %	2 300 – 2 700	3 200
Forskningsparken/Ullevål	0 %	1 700 – 2 000	2 300
Majorstuen	3 %	2 000 – 2 600	3 200
Vika/Aker Br./Tjuvholmen	8 %	3 600 – 4 200	5 600
Kvadraturen	6 %	2 500 – 3 200	3 800
Inner City	6 %	2 800 – 3 400	4 100
Bjørsvika	1 %	3 200 – 3 500	4 200
Nydalen/Sandaker	6 %	1 800 – 2 100	2 400
Økern/Løren/Risløkka	7 %	1 200 – 1 700	2 100
Bryn/Helsfyr	10 %	1 700 – 2 100	2 350

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

Number formatting: SI Style (English version)

Key Facts: Real Estate (Office, Oslo)

	APR 2021	APR 2020
Prime Yield	3.25 %	3.65 %
Normal Yield***	4.75 %	5.05 %
5Y SWAP (COB 16.04)	1.32 %	0.71 %
10Y SWAP (COB 16.04)	1.70 %	0.95 %
EUR/NOK (COB 16.04)	10.0	11.3
CPI 12-month change (March)	3.1 %	0.7 %
Average Rent Top 15 % (Q121/20)	3 740	3 900

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

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Latest Lease Contracts

Tenant	Address/Cluster	Size (m ²)
Crayon	Gullhaug Torg 5 / Nydalen	~ 13 500
Sopra Steria	Stenersgaten 1-3 / Inner city	~ 10 500
Aas Jacobsen / ViaNova ++	Vollsveien 9-11 / Lysaker	~ 10 000
Hitachi ABB Power Grids	Valle View / Bryn/Helsfyr	~ 3 700

Source: Malling & Co

Latest Transactions

Address	Buyer	Size ¹ (MNOK)
Fyrstikkalléen 1	N/A	Est. 2 375
Strandveien 4-8	Clarkson Platou	Est. 1 250
HiT - Terningen	Arctic	1 141
Fornebuveien 5	Zurhaar & Rubb	Est. 102

¹Deal size may be rounded due to confidentiality

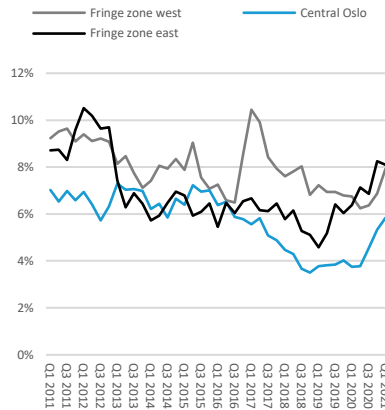
Source: Malling & Co

Special Topic: The post covid office market - what we know thirteen months down the road

We have now passed the thirteen months mark since the pandemic officially claimed a lockdown of Norway in March 2020. Over that time, discussions about the future of the office, and working remotely from home, has come up weekly, if not daily, in the media. In our view, the question is still highly relevant, and we argue that conclusions cannot be made quite yet. We are simply not yet in a "post Covid" situation. We need to observe long term consequences of working remotely, and last but not least, observe the flow of workers when all restrictions are lifted. However, we are seeing some signs of the following conclusions at this point:

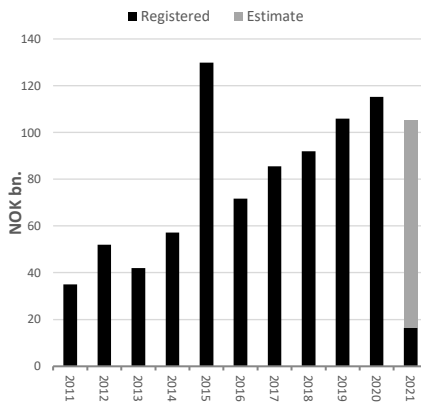
- Employers will be more open to offer employees the flexibility of working from home in the future. As working from home has proven to be functioning for most office work.
- Most surveys suggest that business related travel will be significantly reduced, hence creating a demand for better and more space suited for video-meetings.
- Surveys also show that employees themselves report increasing efficiency working from home. This should in our view be a reminder to landlords and advisors on office layout that the office, that is built for the purpose of enabling efficient office work, often fails to deliver just that. Hence, qualities important for employees' efficiency at work, such as access to undisturbed space, should perhaps come to increased focus in space programming after the pandemic.
- Increased work from home and flexibility, does not equal less demand for office space in the longer perspective. While some tenants are taking that assumption in their new lease already, most are more reluctant and will observe the flow of workers getting back to normal. This is likely a wise decision, as the statistical game of defining peak demand is difficult, and easier to observe when things are getting back to normal.
- In the short term, we believe office demand will boost significantly when restrictions are lifted. Firstly, firms seem to have postponed hiring due to difficulties of onboarding when everyone are working from home. This might unlock underlying employment growth within businesses that are doing quite well under current restrictions. Secondly, tenants with expiring contracts have been reluctant to take action. The natural office leasing cycle is disturbed, and the risk of a ketchup effect seems very high.

Historical Office Vacancy, Greater Oslo



Source: Malling & Co/FINN.no

Transaction Volume (>50 MNOK)



Source: Malling & Co

Commercial Real Estate

Oslo Office Market

- Arealstatistikk released new office rent data on 19 April, showing a 9 % decrease in average rents for signed lease agreements Q1 2021 vs. Q4 2020. In our view this change is mostly due to the composition of leases in the dataset rather than decreasing rents, which is also supported by discussions with our leasing team.
- The office market is still marked by the restrictions and lockdowns that intensified over the first quarter of the year. Tenants are reluctant to make decisions under uncertainty, affecting the composition of rental data available.
- The total volume of signed lease agreements was 159 970 m² with 194 contracts in Q1, according to Arealstatistikk. This is slightly lower than in Q1 2020. We expect a boost in activity when restrictions are lifted (see special topic below).
- Vacancy in Greater Oslo ended at an average of 7.0 % in March 2021.
- Confirmed new construction volume is now estimated at 58 800 m² for 2023, including projects such as Aker Tech House, Thune Eureka and Fridtjof Nansens vei 12. Confirmed new construction in 2024 is currently 30 000 m². Helgerudkvartalet, involving both residential and office space, recently started building in Sandvika, with an estimated completion in 2024. Moreover, Vollsveien 9-11 at Lysaker recently secured five new tenants, due to move in 2024.

Transaction Market

- The year-to-date volume is registered at NOK 16.4 billion. Addressing the small ongoing debate of the Q1 volume being lower than last year, and that it is a sign of the market slowing down and investors losing their appetite for CRE; We can firmly state that our view and the investors' view is quite the contrary. Although the volume is slightly lower than Q1 last year, it can easily be attributed to a randomness effect that also fails to look at the number of transactions when assessing the demand side.
- The pipeline for 2021 continues to be among the strongest we have ever seen, and we also know of a few very large deals that are currently in, and a few that are coming to market soon. Worth keeping in mind here is the effect of the third wave of Covid-19 on both the slower speed of ongoing processes, and some processes being delayed until restrictions are assumed to be lifted over the summer. A very similar situation to what lead to the strongest H2 ever recorded last year.
- Not privy to disregarding the interest rates that have increased, we would also point to these having decreased again along with the forward rates over the past month. The prime office yield estimate is at 3.25 % for CBD, a continued flat development from previous quarters. We keep our full year estimate for 2021 at NOK 105 billion.