Q1 2019

Cushwake Investor Confidence Index

– Norway

CUSHMAN & WAKEFIELD | Realkapital

70%

of all investors have an objective to be net buyers in the coming six months while only 7 percent are sellers

The Cushwake Investor Confidence Index includes survey responses from nearly **50** investment professionals together representing around NOK **350 - 400bn** worth of Norwegian CRE. The index monitors expectations for the next six months.

The survey's broad coverage reflects the interest for non-biased analysis and increased transparency. Furthermore, the degree of coverage ensures the findings are representative reflections of current investor confidence in the Norwegian CRE market.

We will continue to conduct the survey bi-annually, allowing us to track changes in confidence, to interpret what they mean for the market and to determine how best to respond when making investment decisions.

Thanks to all participants!

Persistent strong investor demand

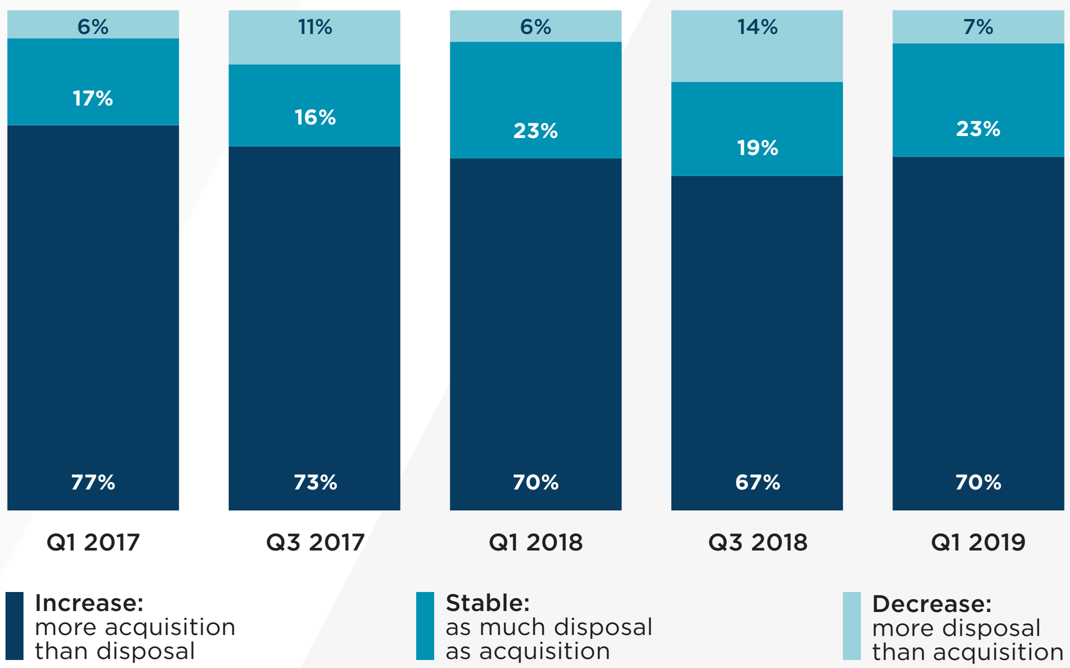
Almost all buyers and hardly any sellers

This cycle continues to see an extraordinary level of capital targeting real estate. 70 percent of all investors have an objective to be net buyers in the coming six months, heavily encouraged by persistent strong demand from office occupiers and a consequent rise in asset values. This finding reinforces consistently strong results going back to index inception in Q1 2017.

While core real estate strategies remain attractive, demand outstrips supply. This continues to keep yields under pressure and challenges investors to deploy capital and achieve their desired returns. Unable to source core assets, investors are continuing increasingly to accept additional risk in terms of secondary locations or assets, letting risk, development risk and/or redevelopment projects that create core assets in top markets.

This mirrors the broader European view with lower prime yields and a narrowing gap between prime and secondary.

What is your objective with regards to the size of your portfolio during the next 6 months?



Office occupiers' market keeps strengthening

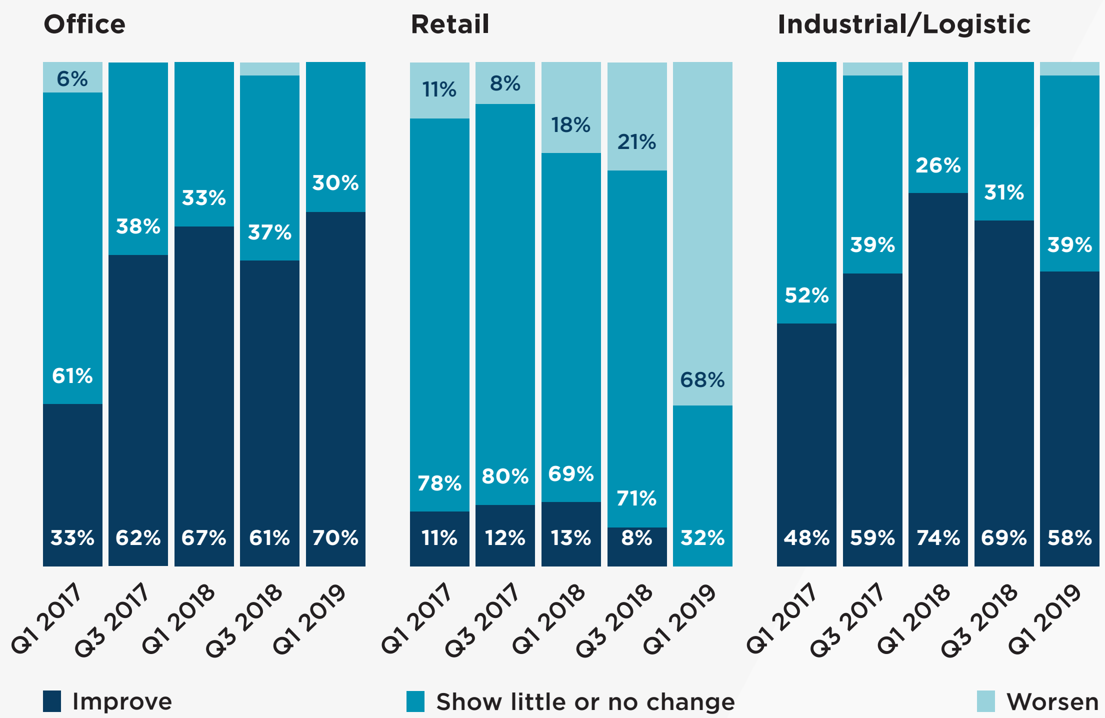
...but a strong negative shift for the retail market

70 percent of all investors expect improved demand from office occupiers in the coming six months. This represents an increase from already strong results observed over the past 18 months. Economic growth, limited development and a reinforced view by occupiers of offices' strategic importance all support the positive short to mid-term outlook. However, forecasters have a more mixed long-term view given a combination of potential development catch-up, greater adoption of agile- and co-working, the switch from manpower to technology and increased utilisation of office space.

Regarding retail, investors views are very different from the office sector and we have seen a dramatic shift in investors expecting occupier demand to weaken. This is driven by a series of poor figures, negative headlines, lower share prices and increased number of bankruptcies amongst retailers. Physical retail will continue to play a very important role also in the future, but there are concerns about tenants' ability to pay premium rents and the fact that space requirements may be reduced.

The industrial and logistics sector continues to strengthen its run and most investors expect to see a continued rise in demand for logistics space.

With regards to the occupier market during the next 6 months, demand will:



Continued low yield expectations for office

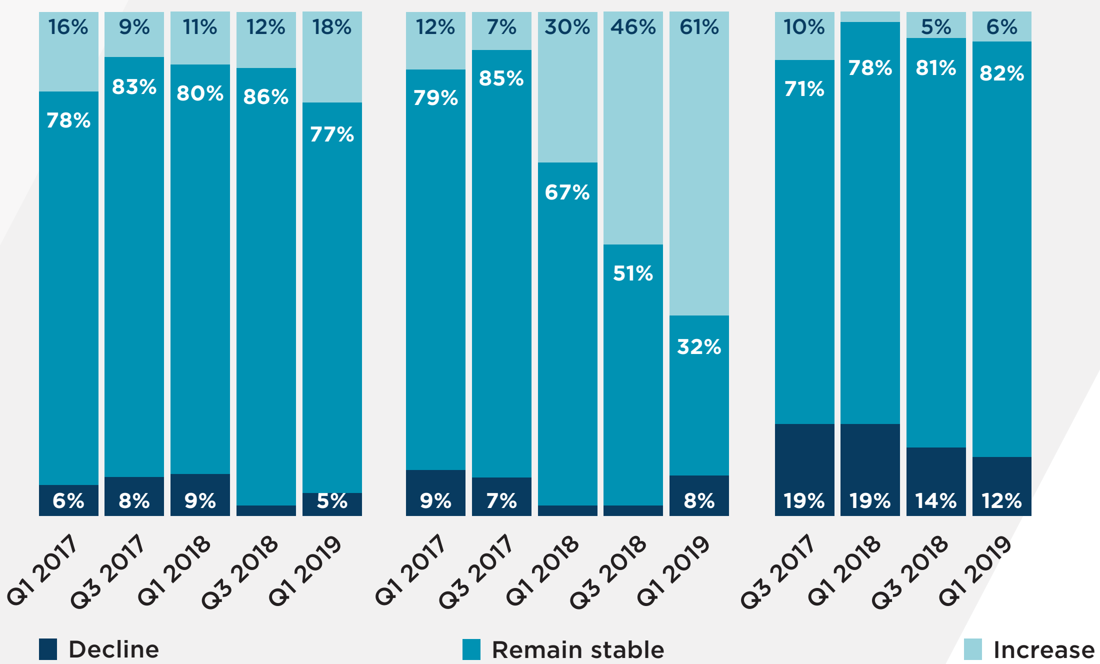
...but reinforced concerns over retail yields

Most investors believe office yields have levelled out and will be unchanged in the near future. Nearly no one believes office yields will compress further. These findings echo what has been recorded over the last few years as the “lower for longer” scenario.

“Lower for longer” is also largely reflected within the logistics sector, while a shrinking minority still expect a further decline in yields.

On the other hand, we continue to see a dramatic shift in retail where more than 60 percent of all investors expect a further increase in retail yields during the next 6 months. This is indeed very significant but not surprising given the negative view on retail occupiers’ demand, combined with investors arguably being spooked over late cycle concerns.

With regards to the development of market yields during the next 6 months, they will:

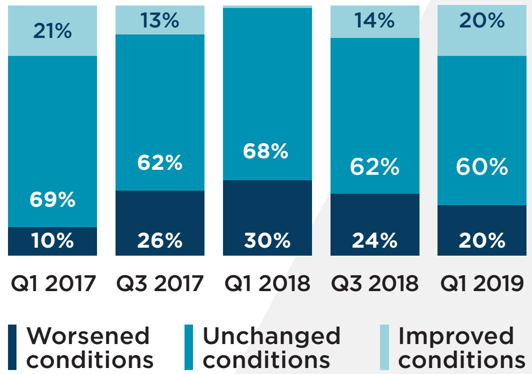


Positive view on own portfolio

Rising rents are the biggest contributor

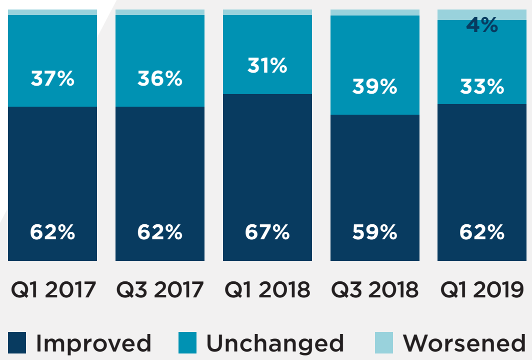
Financing
The outlook for financing gradually improved throughout 2017 into early 2018 and we saw a growing base of investors believing in improved financing conditions. That has now changed and we see a growing minority concerned over future financing conditions. However, there is a relatively stable majority of around 2/3 of all investors expecting unchanged financing conditions.

What is the outlook for your financing compared with your current financing?

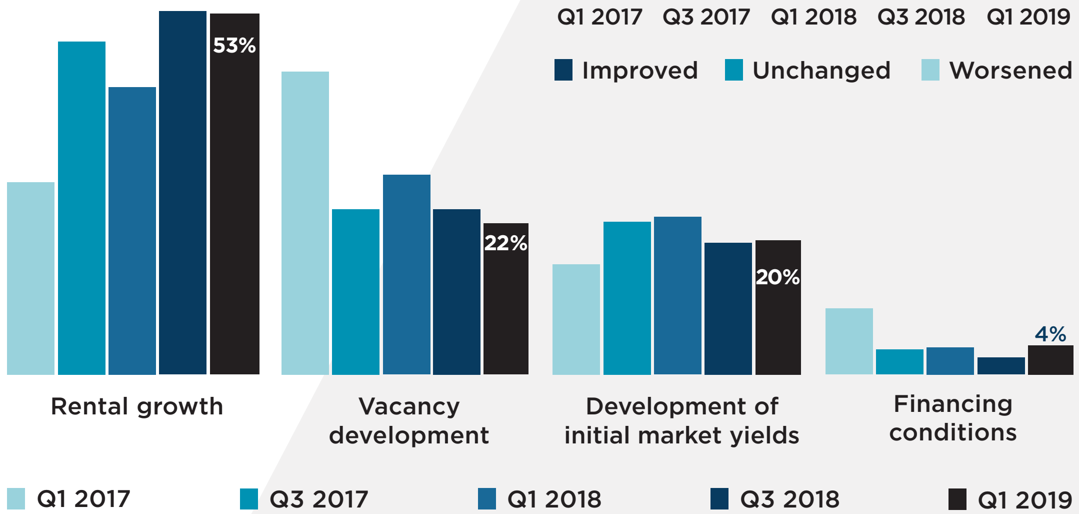


Portfolio outlook
62 percent of the investors believe their portfolio will improve in value over the coming six months. This remains fairly stable from previous observations and indicates continued optimism as to market fundamentals. The key drivers for value improvements are expected to be rental growth and a continuing drop in vacancy rates.

How do you see the value of your portfolio developing during the next 6 months (aside from any acquisition/disposal)?



What is the most important factor influencing the development in the value of your portfolio?



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