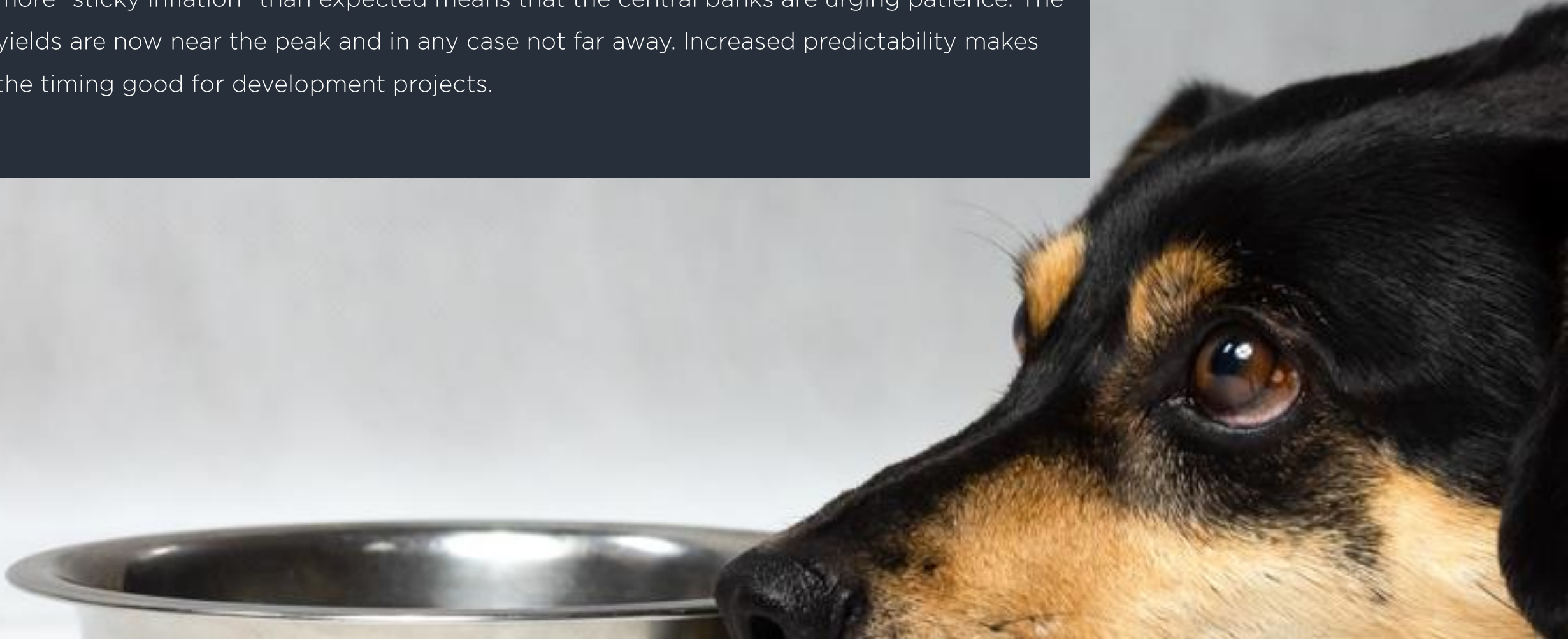




# MARKET UPDATE Q1 2024

The Norwegian economy is approaching a freezing point, while the economy in the USA is still going at high speed. The markets are waiting for the first interest rate cuts. Slightly more "sticky inflation" than expected means that the central banks are urging patience. The yields are now near the peak and in any case not far away. Increased predictability makes the timing good for development projects.





## REAL ESTATE VALUES TO REVERSE NEGATIVE TREND

The market is waiting for the first rate-cuts from the central banks. The central banks on their side is urging the market participants to be patient. The growth in the Norwegian economy has slowed, although at a high activity level. Inflation is slowly coming down, but the core inflation rate is way above target. We expect to see the first of two rate cuts in September. A strong labour market and sticky inflation in the US have pushed long-term interest rates higher. Landlords' revenues are supported by solid rental markets. Increased purchasing power lay the basis for renewed growth in retail trade. Yields moving sideways, low vacancy, and rental growth make 2024 the year where the development in real estate values again turn positive.

## MARKET UPDATE

Q1 2024

### MACRO

- Labour market still tight – the decline in inflation has slowed a bit
- The market is expecting 3-4 rate cuts in the US and two in Norway

### TRANSACTION MARKET

- Transaction volume of NOK 60 billion in 2023
- Prime yield unchanged at 4.75% - has reached the peak

### OFFICE MARKET

- Solid office market – increasing employment and few new builds
- Rents moved sideways on average, but increased for the top segment

### RETAIL

- Surprisingly robust household economy
- The decline in consumption comes to an end

### LOGISTICS

- Still solid rental market
- Prime yield unchanged at 5.75%

### RESIDENTIAL

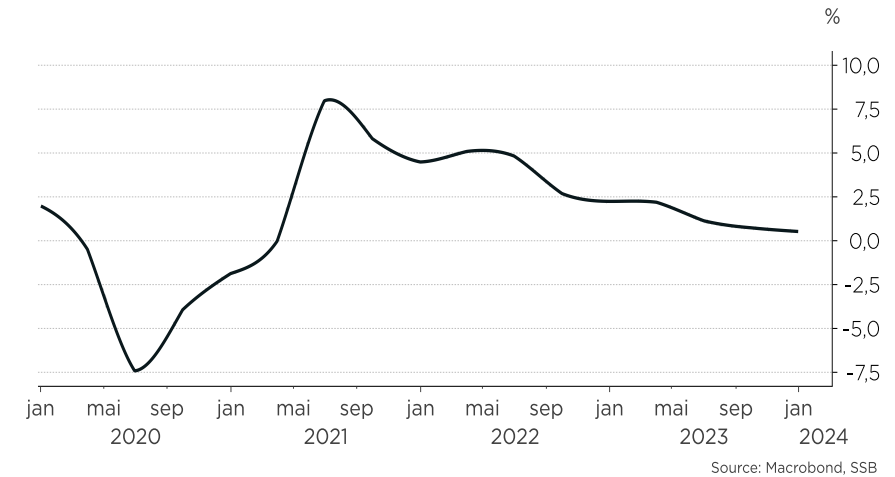
- Prices for existing housing continue to rise
- Timing seems good for development projects – waiting for first rate cut

## MACRO

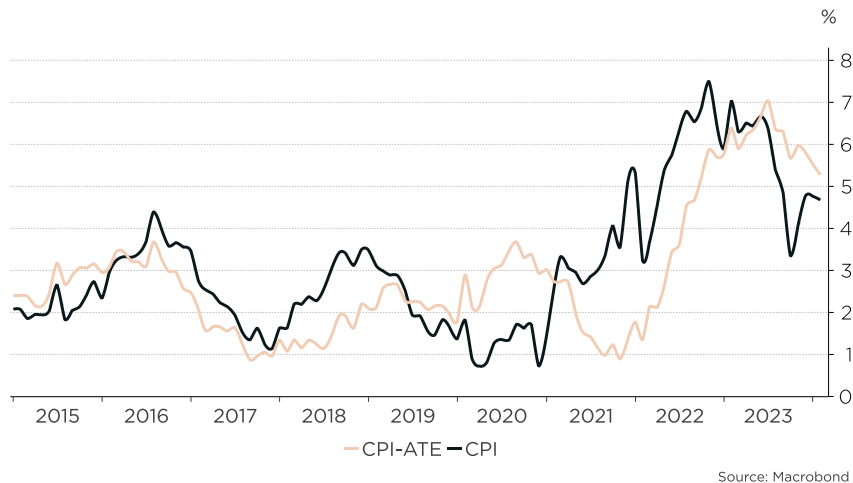
### Central banks urge patience

- Norwegian households and businesses are proving resilient in the face of higher interest rates.
- Weak GDP growth of 0% in the last two months of 2023, driven by downturns in residential construction and private consumption
- Solid labour market with unemployment rate at 1.9% in February
- Year-on-year inflation rate was 4.7% in January, and there are doubts about how quickly the inflation will come down
- 5Y SWAP has increased to 4.1%

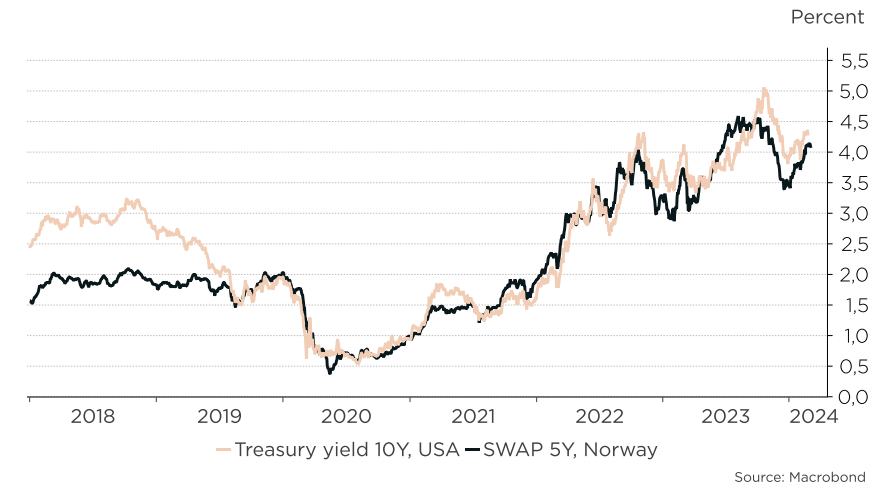
GDP MAINLAND NORWAY. VOLUME GROWTH (Y/Y)



CPI AND CPI-ATE. NORWAY



LONG-TERM INTEREST RATES. NORWAY AND USA

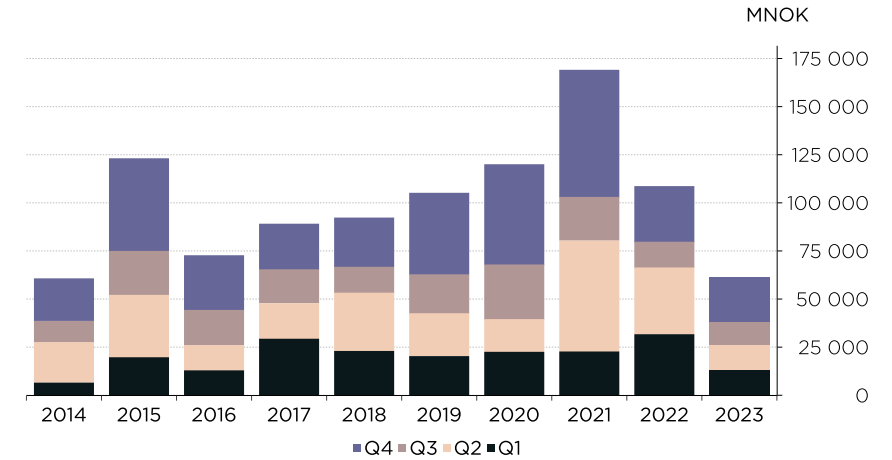


## TRANSACTION MARKET

### Yields have reached their peak

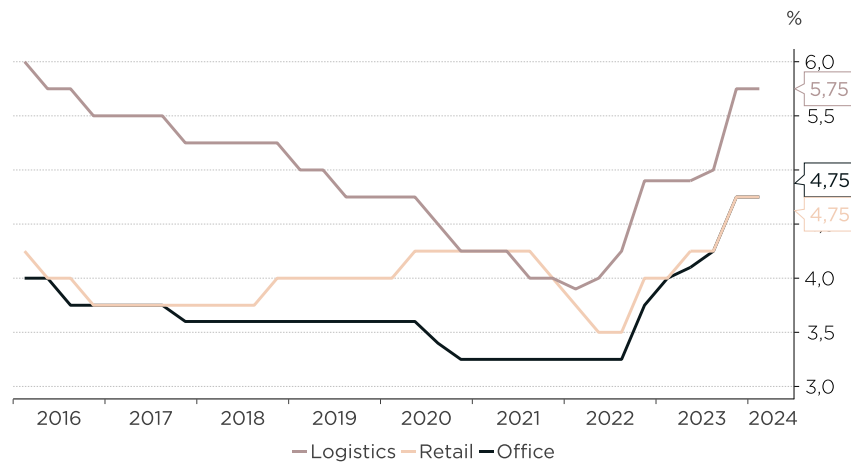
- Low transaction volume of 60 billion NOK in 2023
- Prime yield stable at 4.75%
- Transactions are still being triggered by need for improved liquidity and solidity
- Interest rate uncertainty is still hampering activity
- Yields have reached the peak

TRANSACTION VOLUME



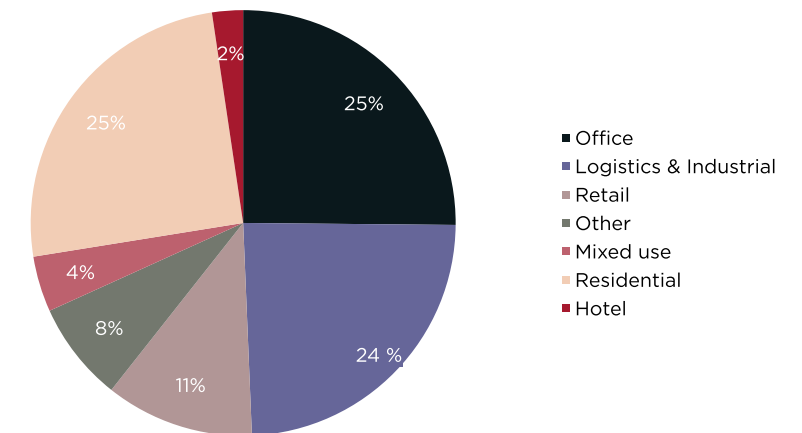
Source: CWR

PRIME YIELD



Source: CWR

TRANSACTION VOLUME BY SEGMENT (2023)



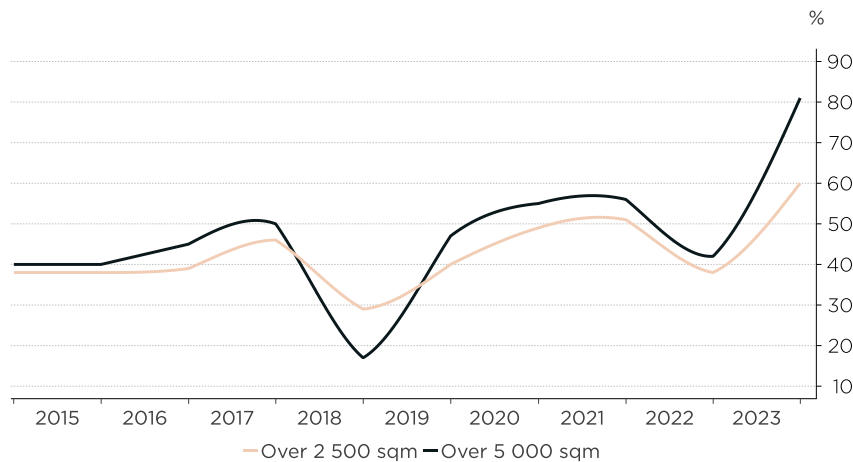
Source: CWR

## OSLO OFFICE MARKET

### Solid office market at lower speed

- Solid labour market in “office occupations”
- High share of renegotiations, especially for large contracts
- High volume of leases signed
- Continued rental growth in 2023, but no growth in Q4
- The high cost involved with construction and refurbishing pushing rents further
- Office vacancy unchanged at 6.50%

SHARE OF RENEGOTIATION. OSLO.



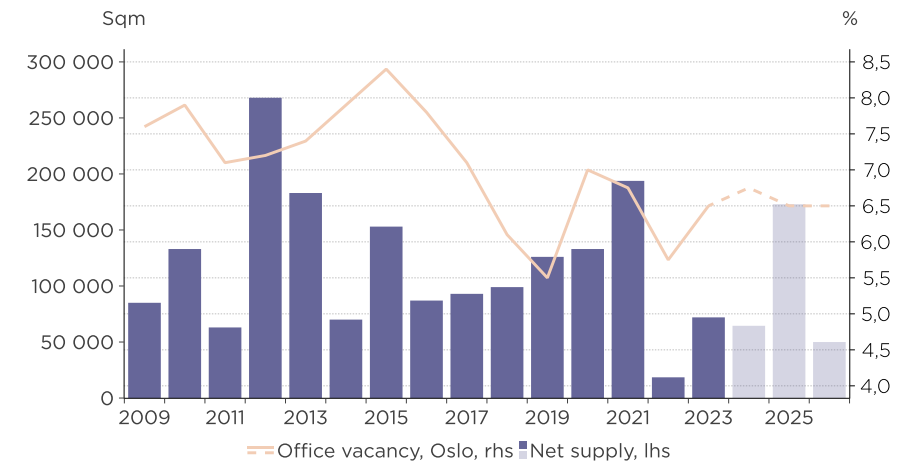
Source: Arealstatistikk

RENTAL GROWTH OFFICE (Y/Y). 3 Q. MOVING AVG. OSLO



Source: Arealstatistikk

OFFICE VACANCY AND NET SUPPLY. OSLO



Source: CWR



# OFFICE MARKET OSLO

## LYSAKER

Prime rent: 3 200  
High std: 2 900 - 2 600  
Moderate std: 1 850  
Prime Yield: 5,50 %  
Vacancy: 5 %  
\*New construction 24-26:  
12 000 m<sup>2</sup>

## FORNEBU

Prime rent: 2 600  
High std: 2 400 - 2 100  
Moderate std: 1 500  
Prime Yield: 5,90 %  
Vacancy: 19 %  
\*New construction 24-26:  
0 m<sup>2</sup>

## SKØYEN

Prime rent: 4 350  
High std: 4 250 - 3 500  
Moderate std: 2 800  
Prime Yield: 5,15 %  
Vacancy: 7 %  
\*New construction 24-26:  
0 m<sup>2</sup>

## CBD

Prime rent: 6 500  
High std: 6 200 - 5 500  
Moderate std: 4 000  
Prime Yield: 4,75 %  
Vacancy: 7 %  
\*New construction 24-26:  
0 m<sup>2</sup>

## MAJORSTUEN

Prime rent: 4 500  
High std: 4 100 - 3 500  
Moderate std: 2 600  
Prime Yield: 5,25 %  
Vacancy: 2 %  
\*New construction 24-26:  
0 m<sup>2</sup>

## CITY CENTER

Prime rent: 5 100  
High std: 4 700 - 4 000  
Moderate std: 2 900  
Prime Yield: 5,00 %  
Vacancy: 8 %  
\*New construction 23-26:  
95 000 m<sup>2</sup>

## CBD2

Prime rent: 5 600  
High std: 5 100 - 4 600  
Moderate std: 4 000  
Prime Yield: 4,90 %  
Vacancy: 1 %  
\*New construction 24-26:  
0 m<sup>2</sup>

## HELSEFYR

Prime rent: 2 900  
High std: 2 800 - 2 400  
Moderate std: 1 850  
Prime Yield: 5,75 %  
Vacancy: 10 %  
\*New construction 24-26:  
34 000 m<sup>2</sup>

## ØKERN/HASLE

Prime rent: 2 800  
High std: 2 700 - 2 200  
Moderate std: 1 600  
Prime Yield: 5,75 %  
Vacancy: 7 %  
\*New construction 24-26:  
95 000 m<sup>2</sup>

## BRYN

Prime rent: 2 650  
High std: 2 400 - 2 100  
Moderate std: 1 600  
Prime Yield: 6,00 %  
Vacancy: 10 %  
\*New construction 24-26: 19 000 m<sup>2</sup>

## NYDALEN/STORO

Prime rent: 3 150  
High std: 2 900 - 2 400  
Moderate std: 1 950  
Prime Yield: 5,50 %  
Vacancy: 10 %  
\*New construction 24-26:  
0 m<sup>2</sup>



## OSLO OFFICE OUTLOOK

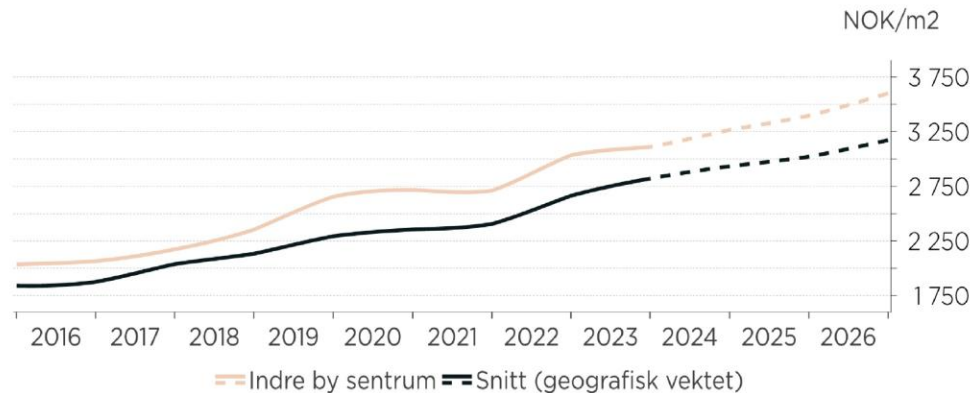
Norway's economy is cooling. Mainland GDP growth is abating and was 0.2% (y/y) in Q4. Investments in the oil&gas sector boost growth, while real estate construction and retail dampen it. The policy rate was raised to 4.50% in December. Norges Bank signals one rate cut in December, while the market expects two cuts during the year. Inflation is sticky and core inflation was 5.3% in January. 5-year SWAP has increased from around 3.3% at year end to 4.1% now. The number of employed people in Oslo&Bærum increased by 1.6% in 2023. The growth rate is expected to decrease to around 0.5% in 2024 and around 1% in 2025.

	VACANCY*	CITY CENTER VACANCY*	RENT GROWTH	CITY CENTER RENT GROWTH	PRIME YIELD*	NET SUPPLY
<b>2023</b>	6,50 %	5,75 %	6,0 %	3,0 %	4,75 %	72 000 sqm
<b>2024e</b>	6,75 %	6,0 %	4,0 %	5,0 %	4,75 %	64 500 sqm
<b>2025e</b>	6,50 %	5,75 %	3,0 %	4,0 %	4,50 %	173 000 sqm
<b>2026e</b>	6,50 %	5,75 %	5,0 %	6,0 %	4,50 %	50 000 sqm

\*At year-end

## RENTS

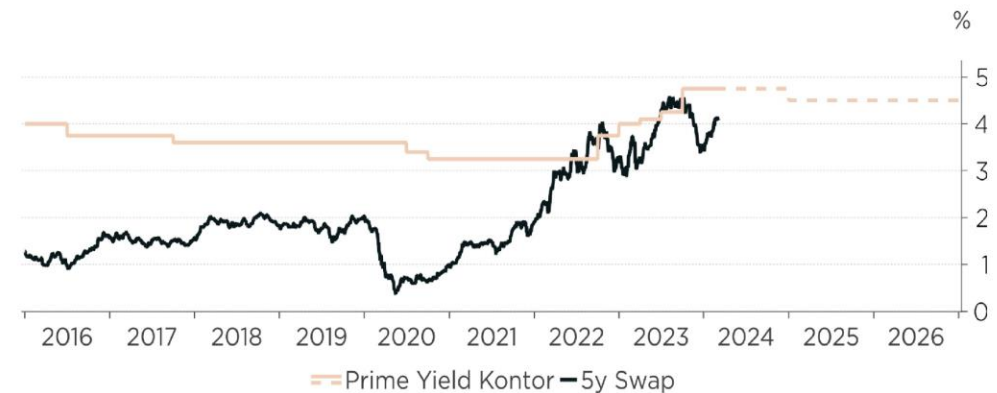
Continued growth in the number of office workers, high inflation and increased construction costs are driving rents upward. Office vacancy is unchanged at 6.5%. Rents were on average 6% higher in 2023 than 2022. We expect rental growth of 4% in 2024. The CPI adjustment in January 2025 is expected to be around 3.6%. High construction and financing costs make adjustments for tenants expensive and lead to postponements of new buildings. Many companies have raised their prices with corresponding higher revenues. This makes them capable of dealing with higher rents.



Source: CWR, Arealstatistikk

## YIELDS

A challenging financing market has driven yields up, while a solid rental market has slowed the yield increase. Prime yield increased to 4.75% in Q4, and the remaining yields were correspondingly raised. Multiple transactions confirm this yield level, and we expect the yield to remain stable throughout the year. The Norwegian 5-year SWAP rate has increased to 4.1%, but we expect the long-term interest rates to fall when the first rate cuts take place in the US. Solid rental markets ensure the decrease in property values stops and might turn to rising values in the fall. Higher real rates lead to prime yield staying above 4% in the prognosis period.



Source: SEB, CWR



## REGIONAL CITIES

### Continued rental growth

#### BERGEN

- Vacancy at 9% due to significant new-build activity in 2023
- 5% rental growth in 2023
- Rental growth in the top segment to stagnate as new-build activity slows
- Low transaction volume and prime yield unchanged at 5.25%

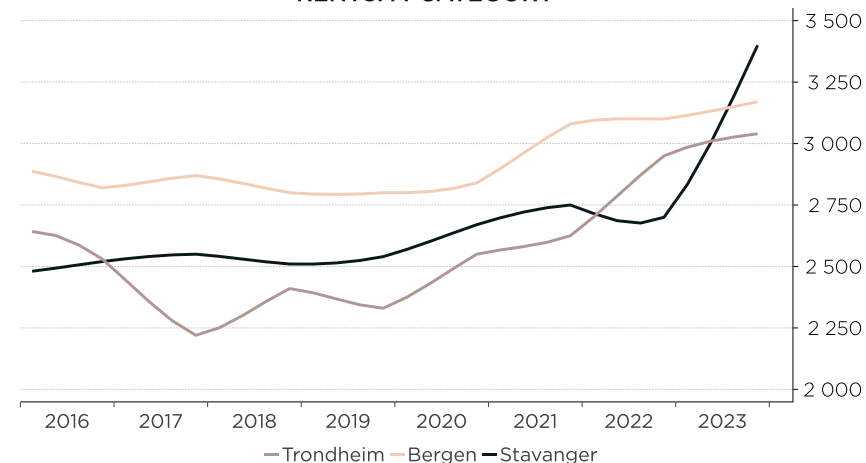
#### TRONDHEIM

- Vacancy increased to 6.50%, but significantly lower in city centre (3%)
- 5% rental growth in 2023
- Last year's transaction volume already surpassed due to Entra deal
- Prime yield increased to 5.50%

#### STAVANGER

- Tight labour market – unemployment rate only 1.9% in February
- Slow transaction market and prime yield unchanged at 5.75%
- Strong rental growth of 13% in 2023

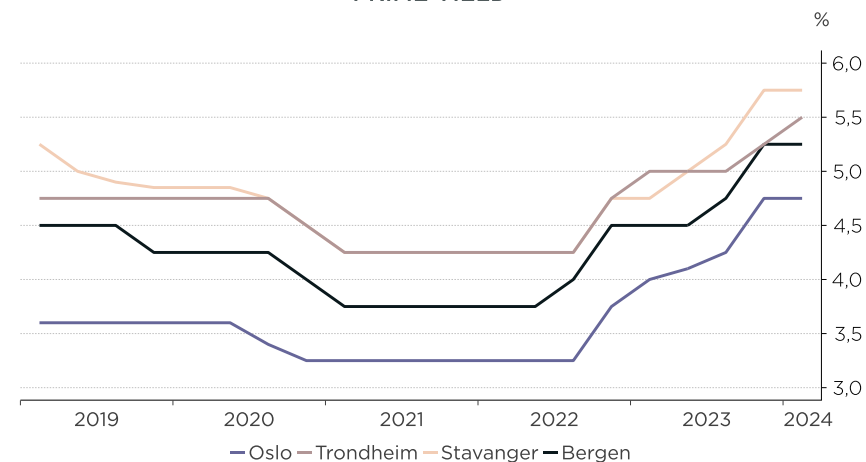
RENTS. A-CATEGORY\*



\*A-category is top 15% of rents

Source: Arealstatistikk

PRIME YIELD



Source: CWR

## RETAIL

- Only a small decrease in private consumption
- Retail companies are expecting a significant decrease in activity in the first quarter of 2024
- Households remain resilient despite high inflation and interest rates
- Real wage growth and potential interest rate cuts will slow the decrease in consumption

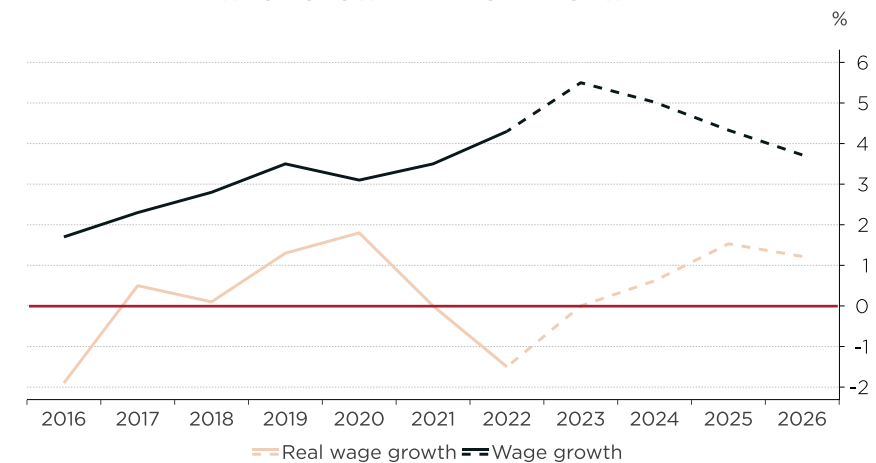
RETAIL SALES INDEX. VOLUME



PRIVATE CONSUMPTION



WAGE GROWTH. ANNUAL. NORWAY



## LOGISTICS

### Rental market still solid

- Strong rental growth in the first half of 2023 was followed by no growth in the second half
- Prime yield unchanged at 5.75%
- Represented 24% of total transaction volume in 2023 and continues to be a liquid segment
- E-commerce still at high levels

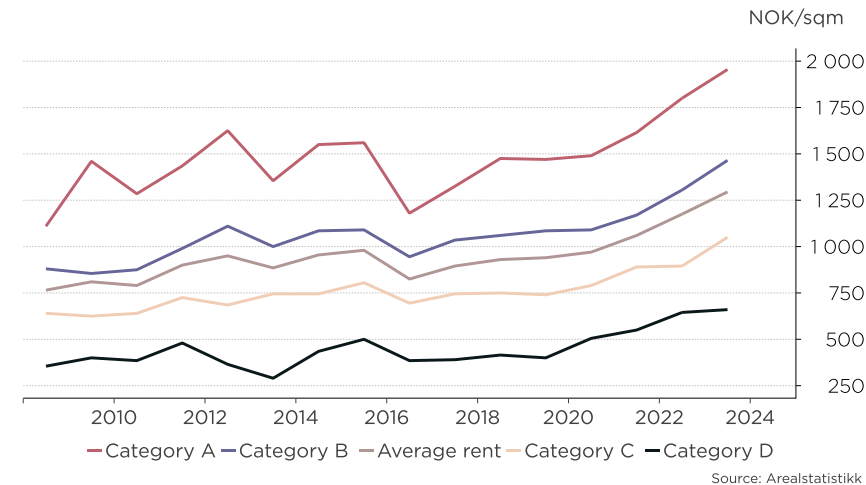
### Logistics rent in Greater- Oslo. 2H 2023

Area*	Average rent	25% Highest	Mid 50%	25% Lowest
Oslo West	1 330	1 830	1 290	870
Oslo South	1 200	1 570	1 210	800
Oslo North	1 440	1 960	1 400	1 000
Goruddalen	1 260	1 890	1 200	780

**Table 1:** \*Oslo West is the western corridor towards Drammen. Oslo North includes Lørenskog, Lillestrøm, Kløfta, Jessheim, and Gardermoen. Oslo South includes Ski, Moss, Langhus, and Drøbak.

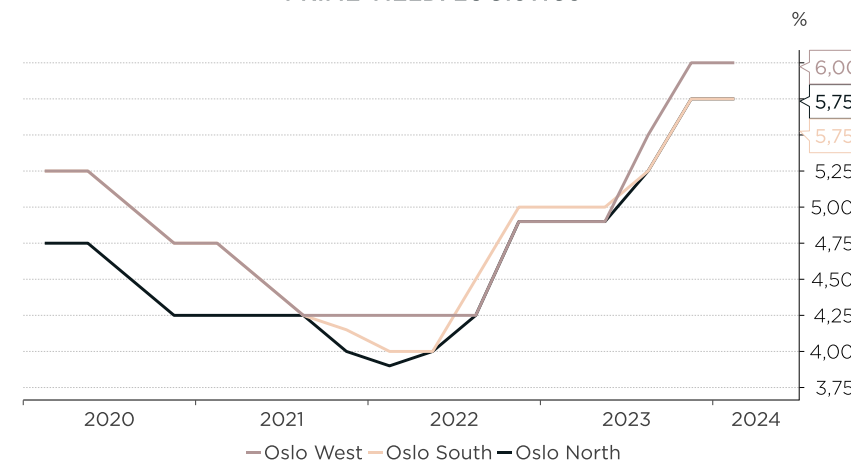
Source: Arealstatistikk.

### RENTS. LOGISTICS. GREATER OSLO



The categories show the following average rents: A-category (top 15%), B-category (50-85%), C-category (10-50%), D-category (bottom 10%).

### PRIME YIELD. LOGISTICS



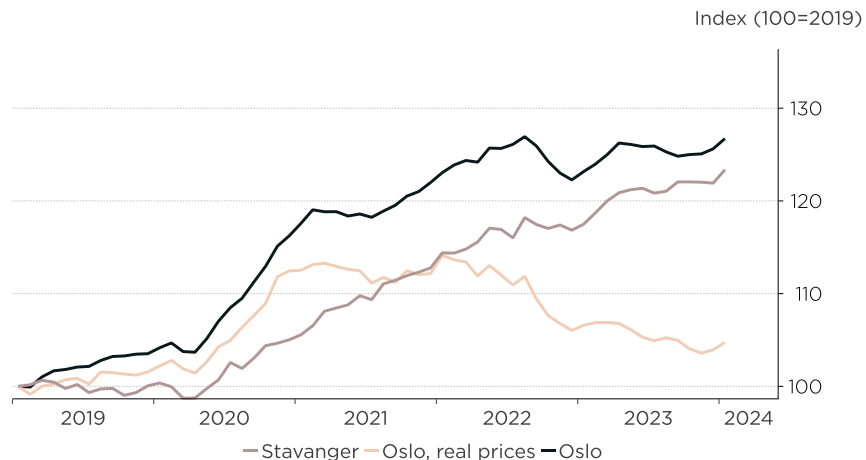


## RESIDENTIAL

### Solid market for existing housing

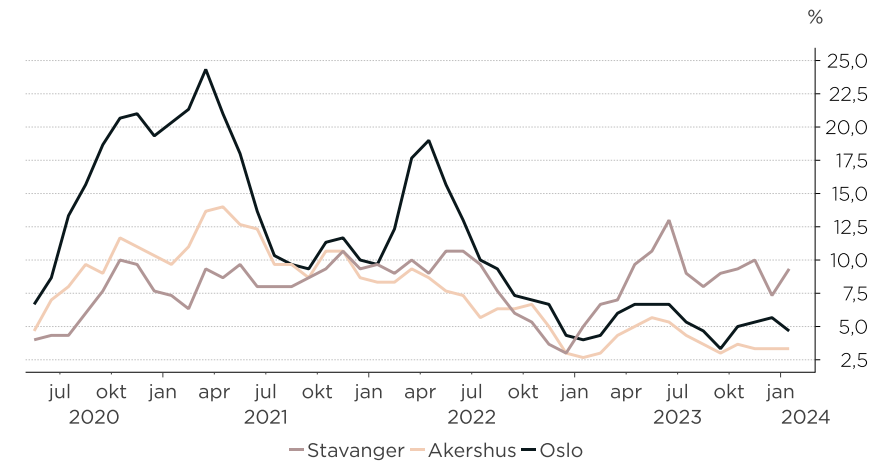
- Prices for existing housing continue to surprise positively, and are now on level with the peak from the spring of 2023
- Rental growth is driven by high demand and increased costs for landlords
- The market for new housing has been hit hard by the high interest rates
- The timing to purchase development projects seems good

HOUSING PRICES. MONTHLY



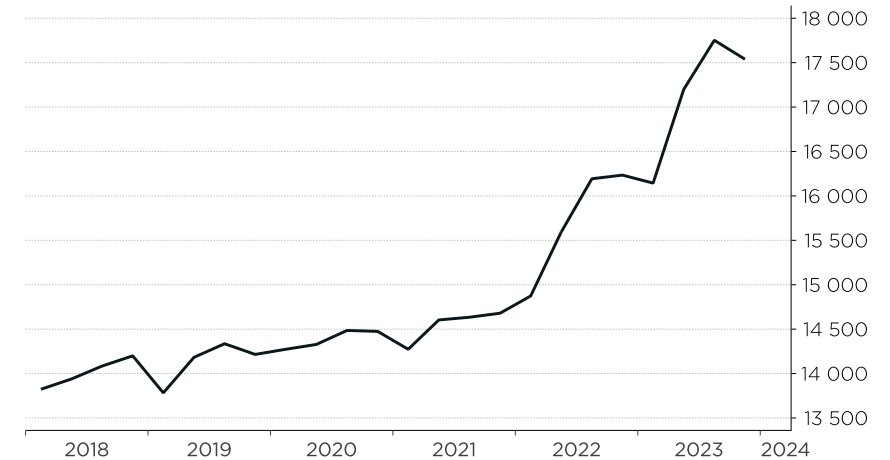
Source: Eiendom Norge

SALES RATE. THREE MONTH MOVING AVERAGE. HOUSING



Source: Haawi Analyse

AVERAGE MONTHLY RENT. APARTMENT. OSLO



Source: Boligbygg



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