

MARKET UPDATE Q3 2024



**CUSHMAN &
WAKEFIELD**

Realkapital

MARKET UPDATE

Q3 2024

RATE CUTS LAY THE BASIS FOR INCREASED REAL ESTATE VALUES

Several interest rate cuts before Christmas are expected in the US and there will probably be another rate cut in the Eurozone in September. Economic growth in Norway has stalled at a high activity level. Inflation is on its way down, but core inflation remains above target. Our trading partners' interest rate cuts might make a cut in Norway possible in December. Lower inflation rate and more subdued growth in the US have caused long-term interest rates to fall. Interest rates are still very inflation sensitive. Landlords' revenues are supported by robust leasing markets. Increased purchasing power lay the basis for renewed growth in retail sales towards the end of the year. The transaction market has passed its trough, driven by stable yields, lower long-term interest rates, increased liquidity and solid leasing markets.

MACRO

- Economic activity level supports leasing markets
- Fall in long-term interest rates and rate cuts expected from trading partners

TRANSACTION MARKET

- Real estate values and market liquidity have passed their trough
- Prime yield unchanged at 4.75% - to remain stable throughout the year

OFFICE MARKET

- Solid office market – moderate rental growth and unchanged vacancy
- Increased activity in leasing and searching markets

RETAIL

- Signs of improvement for retail companies
- Private consumption moving sideways

LOGISTICS

- Slower rental growth
- Liquid segment with interest from domestic and international investors

RESIDENTIAL

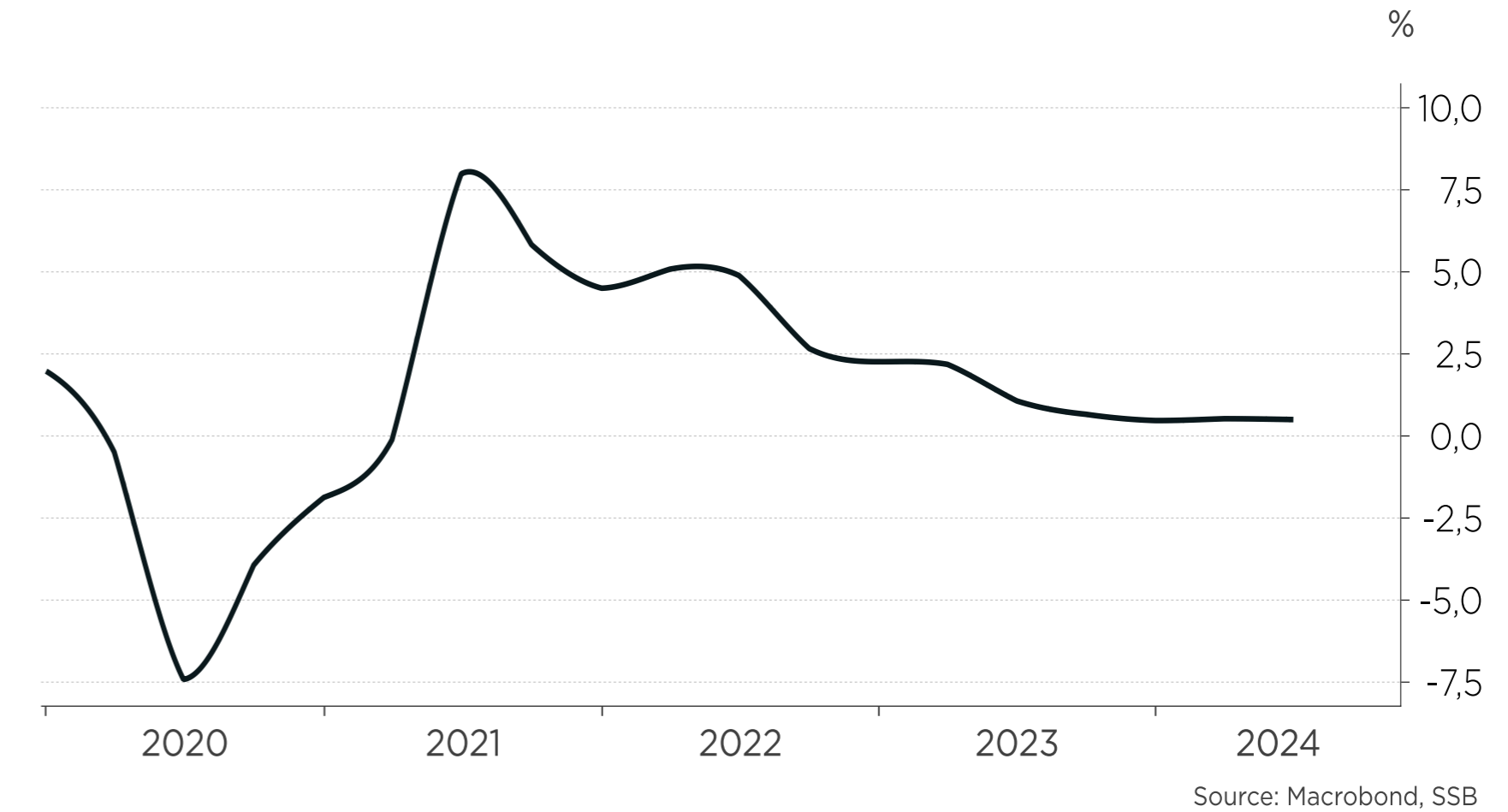
- Slower existing housing price growth, real prices down in Oslo since 2022
- New housing sales are past their bottom

MACRO

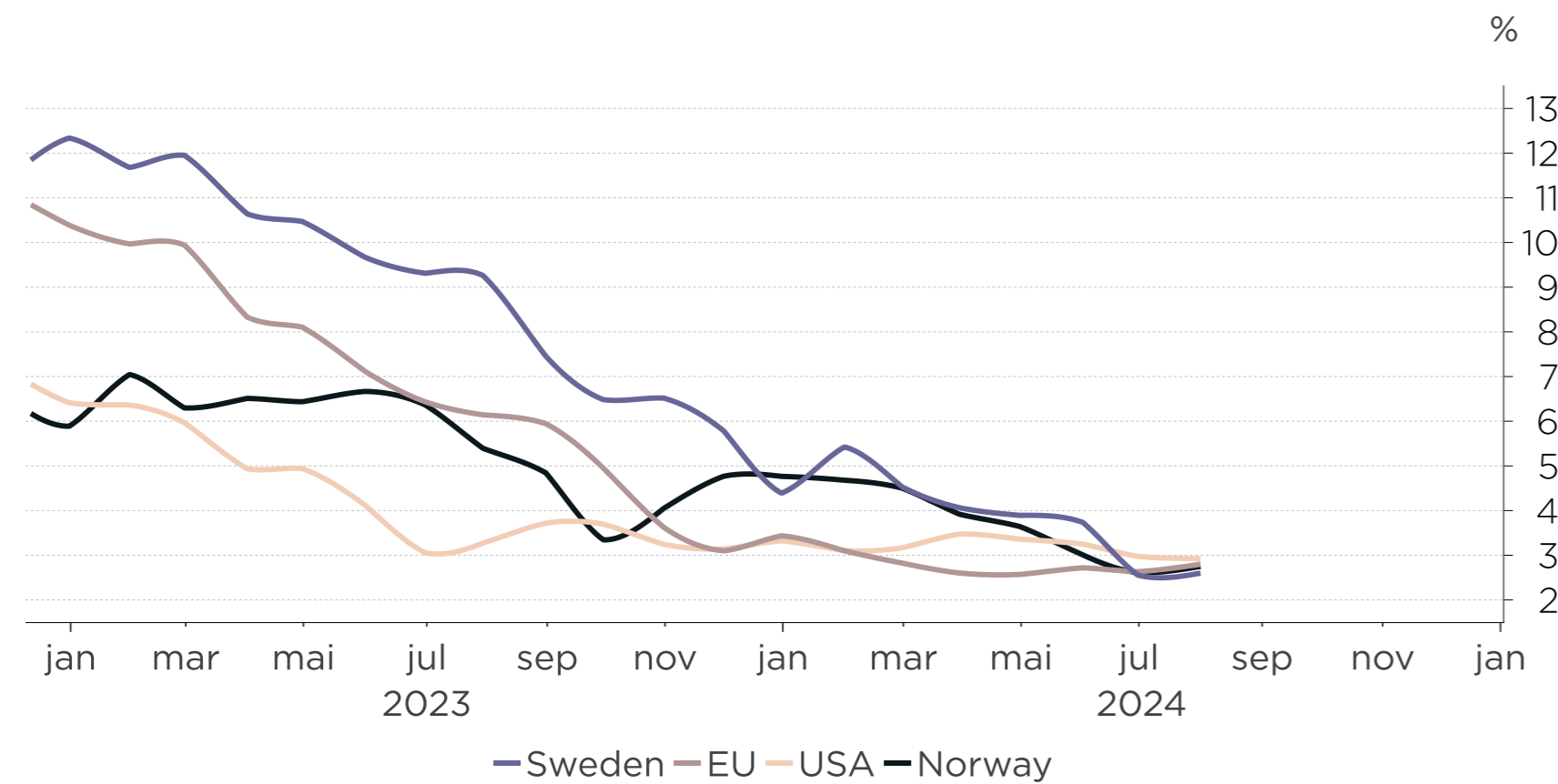
Interest rate cuts to come from our trading partners

- Unemployment rate has slowly increased to 4.0%
- We have revised our estimate for the CPI adjustment of rents in 2025 from 3.0-3.5% to 2.8-3.3%
- More rate cuts to come in Sweden and the eurozone, and the US to start cutting in September. Norway to delay rate cuts and first cut to happen in December at the earliest
- NOK 5Y SWAP has declined significantly to ~3.50%. We expect it to stay in the range 3.50-3.75% through the year

GDP MAINLAND NORWAY. VOLUME GROWTH (Y/Y)



CPI 12-MONTH CHANGE. NORWAY AND IMPORTANT TRADING PARTNERS



INTEREST RATES. NORWAY

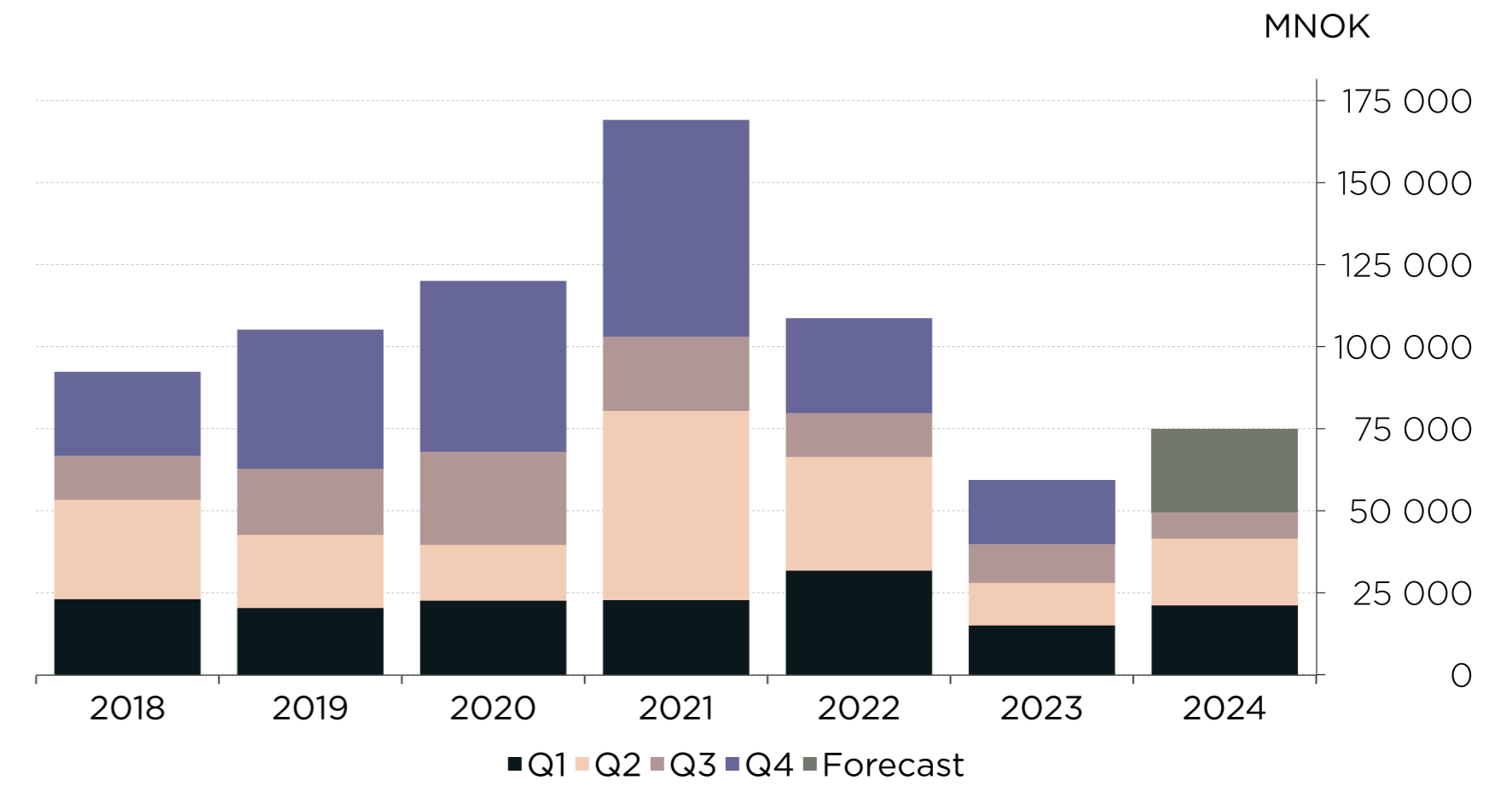


TRANSACTION MARKET

Market is past its trough

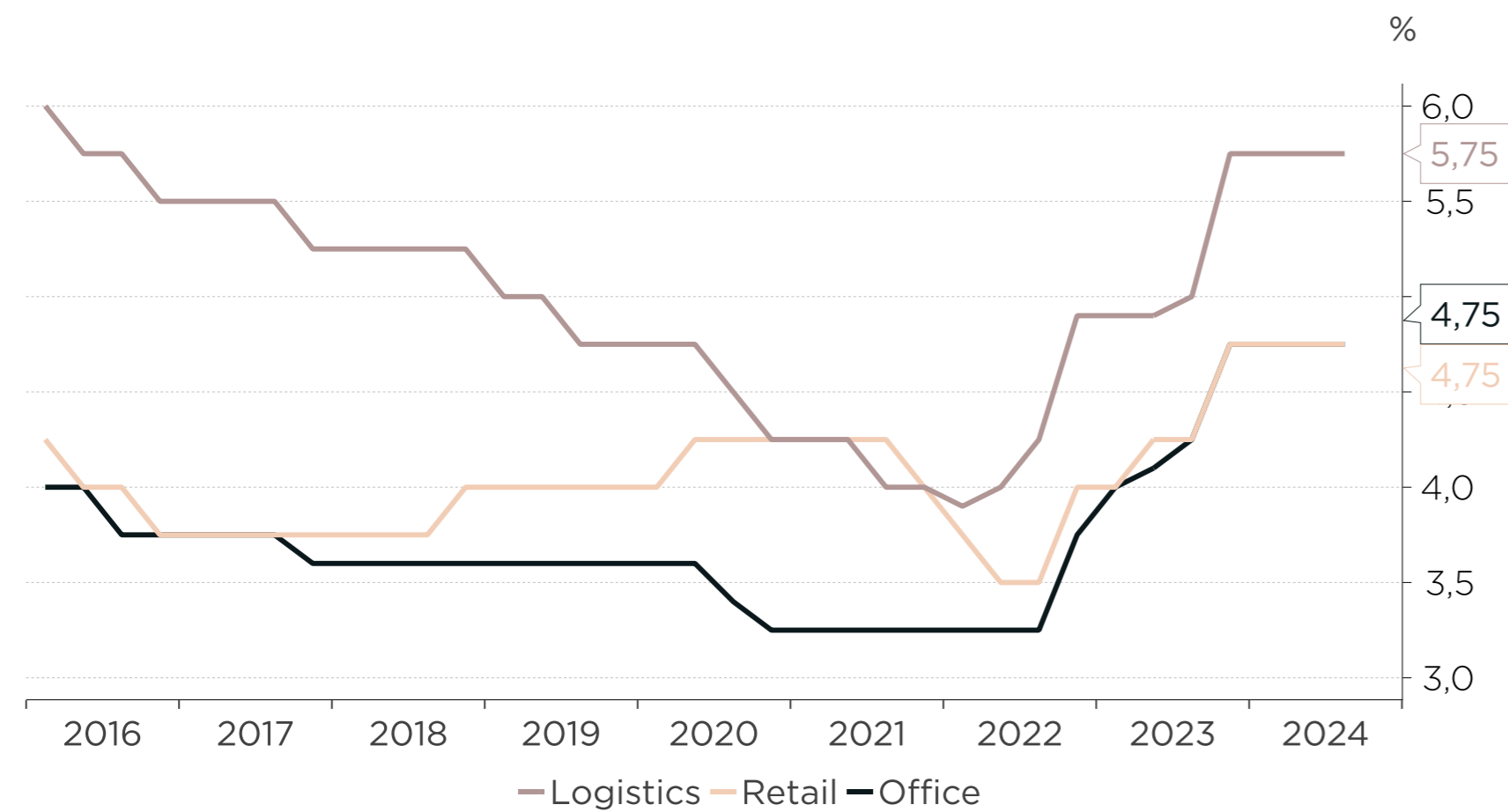
- Transaction volume of almost 50 billion NOK YTD – significantly higher than at the same time last year
- Volume still being driven by the large transactions, but activity is picking up for smaller transactions as well
- Improvement in the financing market
- Long-term interest rates have declined, and 5Y SWAP is back at the level it was at the start of the year
- Prime (office) yield stable at 4.75%

TRANSACTION VOLUME



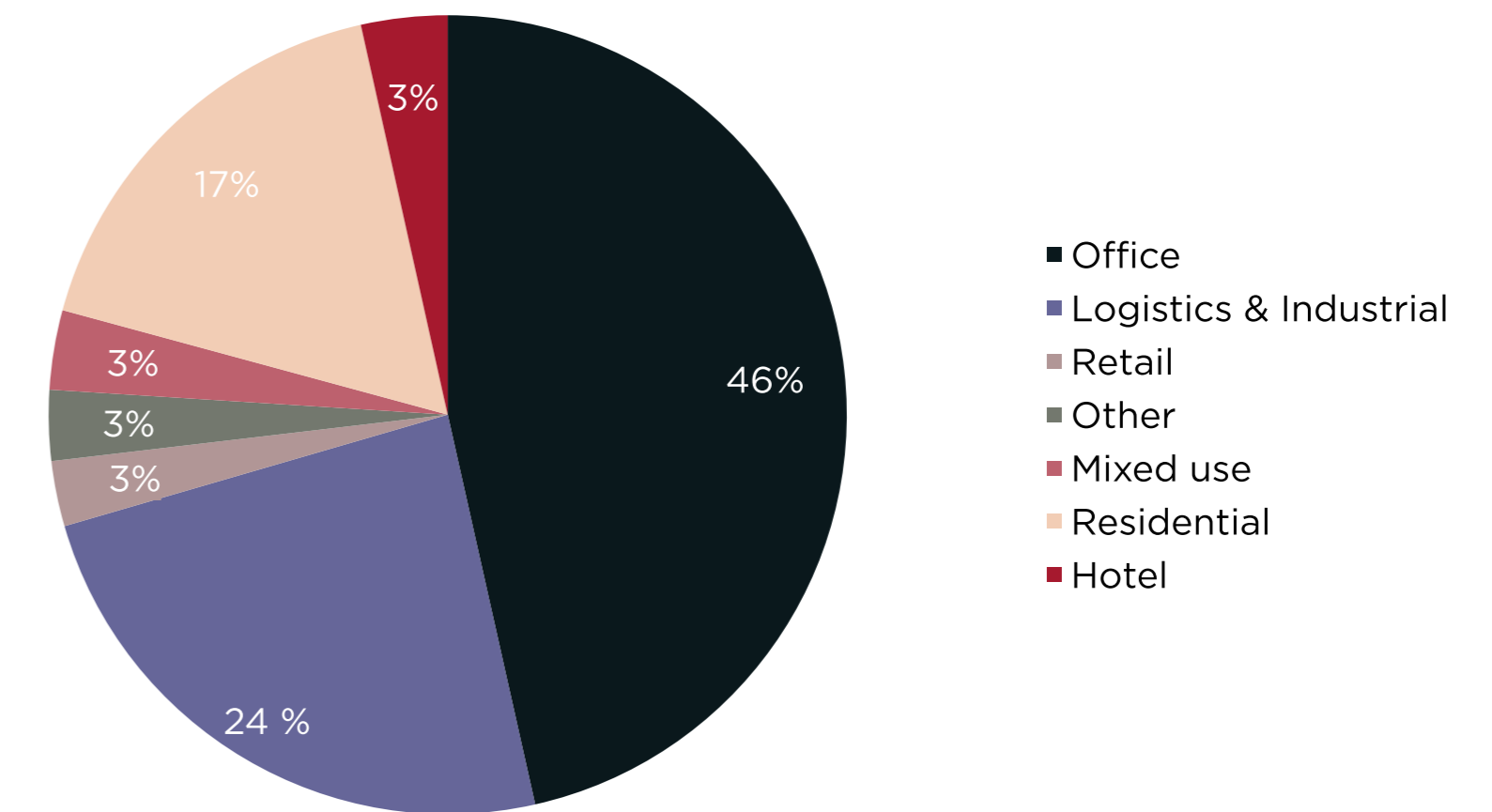
Source: CWR

PRIME YIELD



Source: CWR

TRANSACTION VOLUME BY SEGMENT (2024)



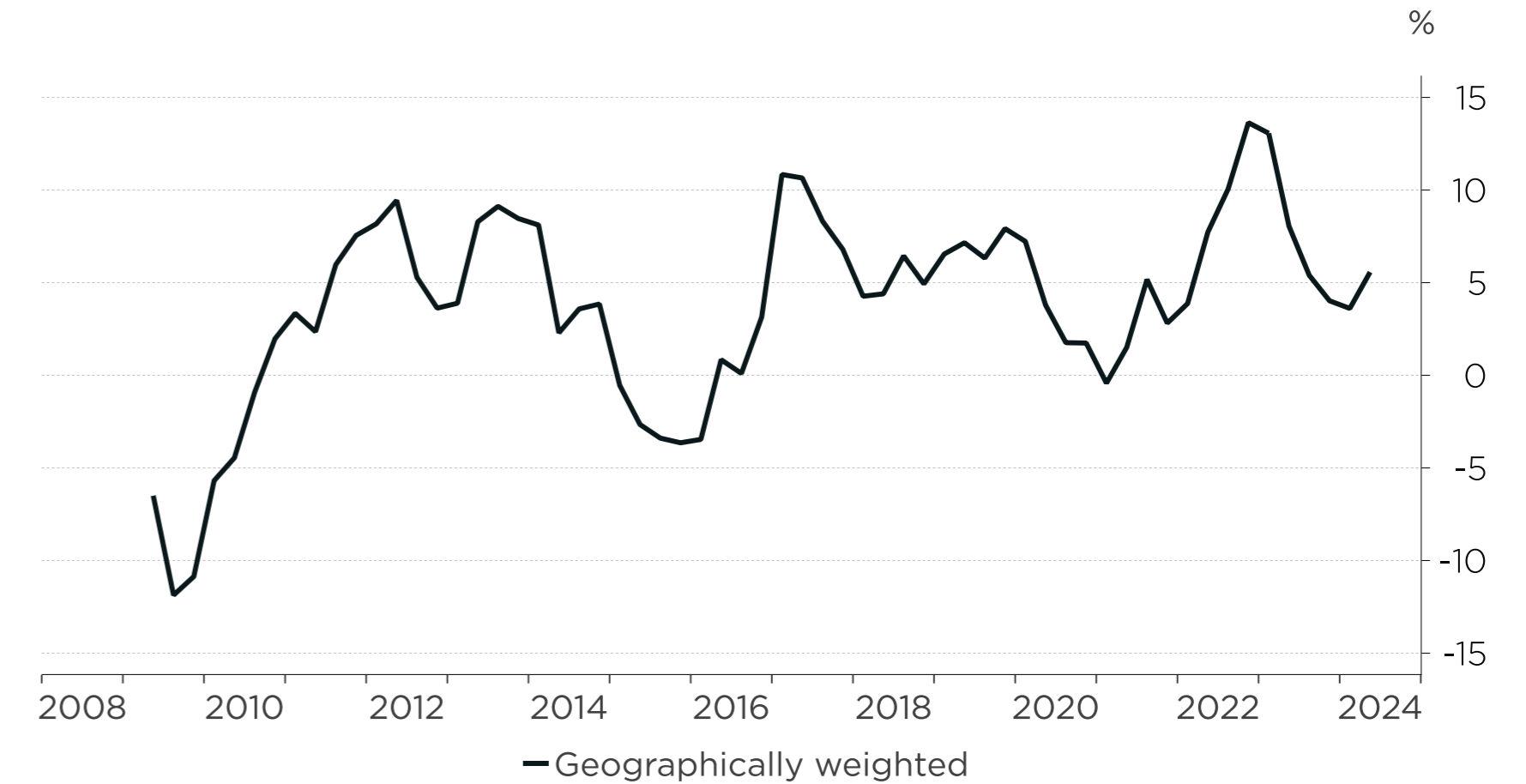
Source: CWR

OSLO OFFICE MARKET

Solid office market

- Moderate rental growth of 3% in Q2 and 6% (y/y)
- Office vacancy unchanged at 6.50%, we expect a slight increase at the end of the year
- Labour market continues its soft landing
- Increased activity in the leasing and searching markets
- “Flight to quality”: high demand and willingness to pay for high quality offices at central locations

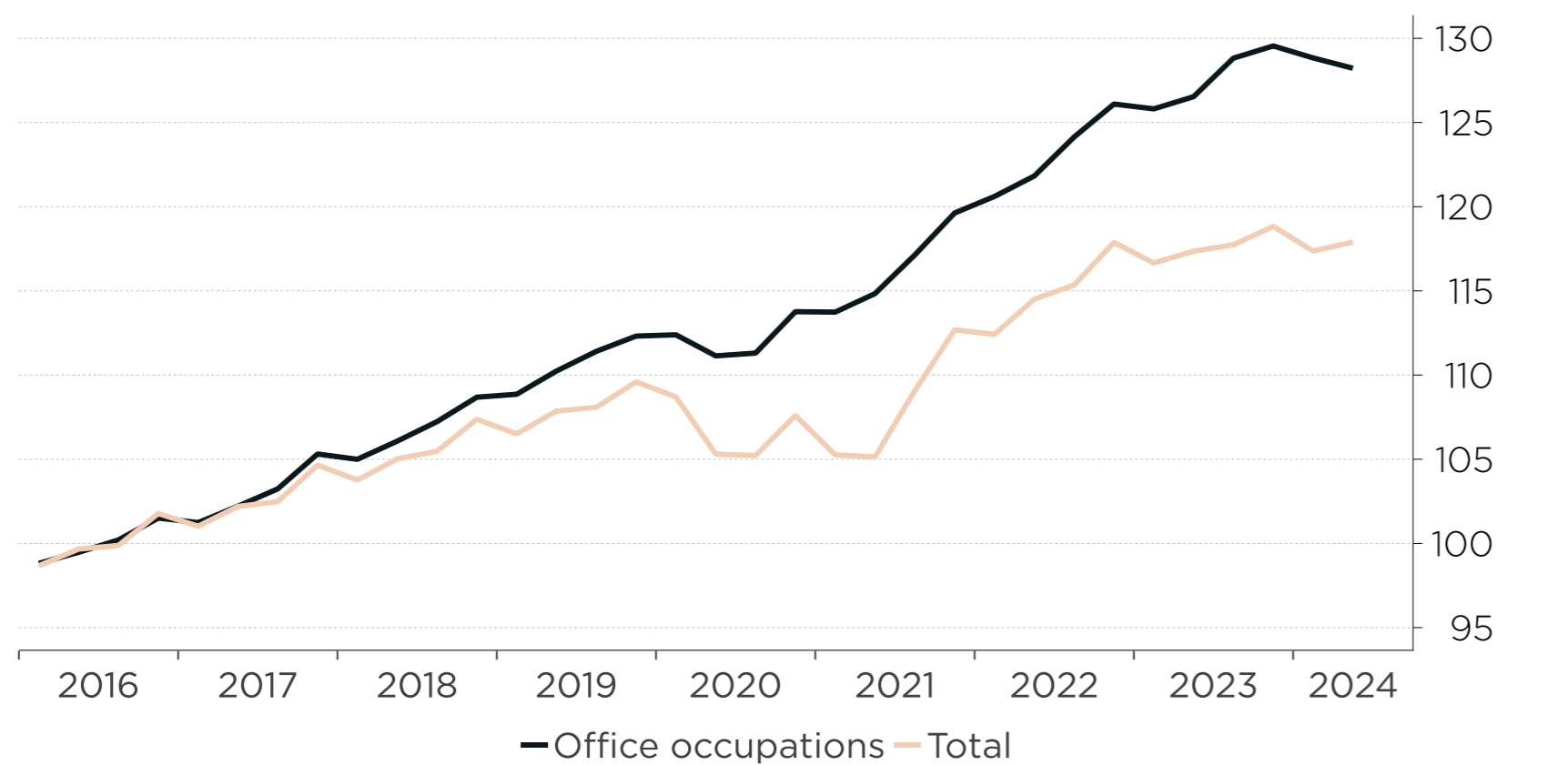
RENTAL GROWTH OFFICE (Y/Y). 3 Q. MOVING AVG. OSLO



Source: Arealstatistikk

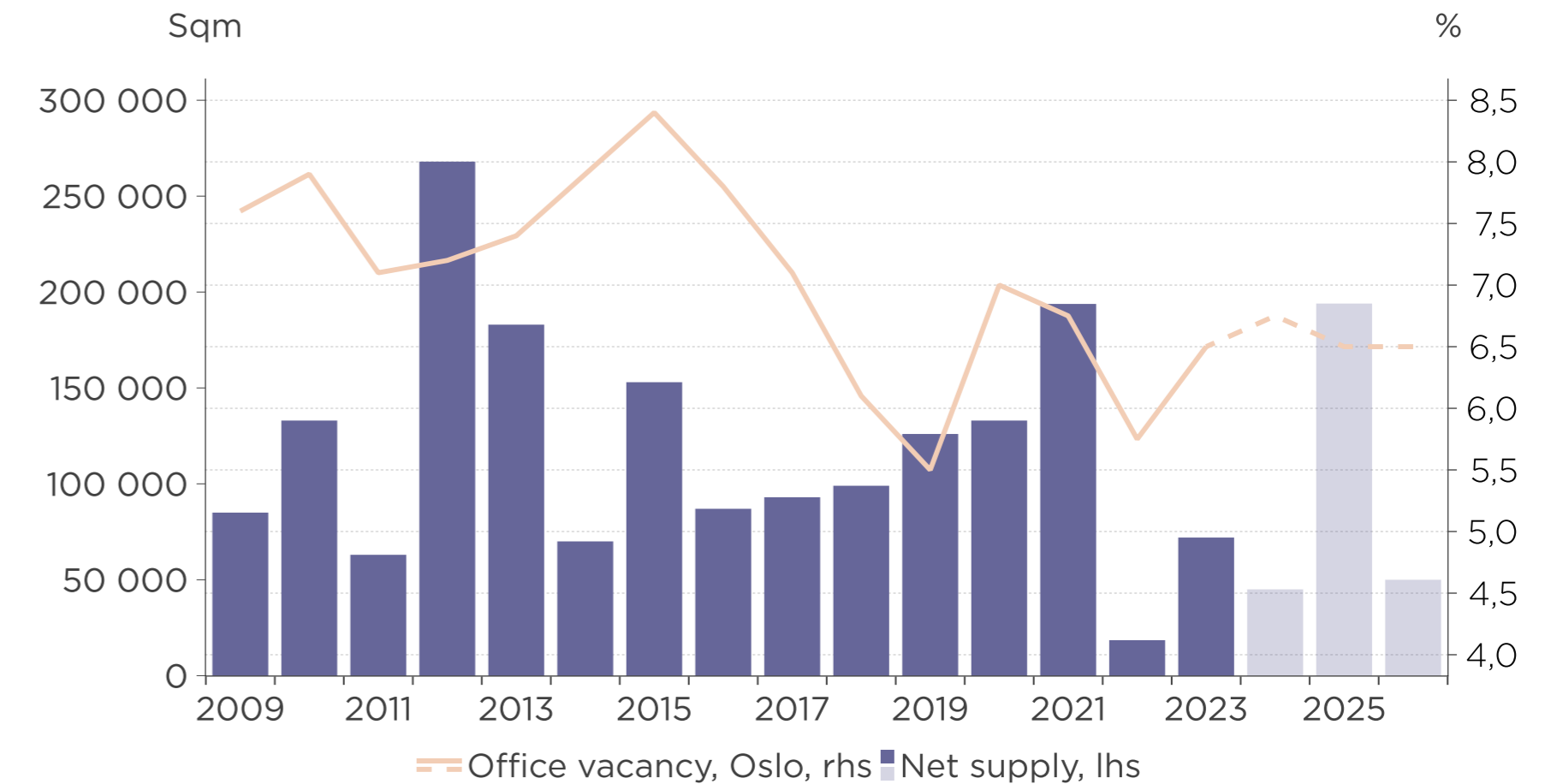
NUMBER OF EMPLOYEES. OSLO (SEASONALLY ADJUSTED)

Index (2016=100)



Source: SSB

OFFICE VACANCY AND NET SUPPLY. OSLO



Source: CWR

OFFICE MARKET OSLO

LYSAKER

High std: 2 700 - 3 200
Moderate std: 2 100
Prime Yield: 5,50 %
Vacancy: 5 %
*New construction 24-26:
0 m²

FORNEBU

High std: 2 100 - 2 400
Moderate std: 1 500
Prime Yield: 5,90 %
Vacancy: 17 %
*New construction 24-26:
0 m²

SKØYEN

High std: 3 500 - 4 250
Moderate std: 2 800
Prime Yield: 5,15 %
Vacancy: 7 %
*New construction 24-26:
0 m²

CBD

High std: 5 600 - 6 400
Moderate std: 4 300
Prime Yield: 4,75 %
Vacancy: 7 %
*New construction 24-26:
0 m²

MAJORSTUEN

High std: 3 500 - 4 100
Moderate std: 2 600
Prime Yield: 5,25 %
Vacancy: 3 %
*New construction 24-26:
0 m²

CBD2

High std: 4 800 - 5 400
Moderate std: 4 200
Prime Yield: 4,90 %
Vacancy: 2 %
*New construction 24-26:
0 m²

CITY CENTER

High std: 4 100 - 4 900
Moderate std: 3 200
Prime Yield: 5,00 %
Vacancy: 8 %
*New construction 23-26:
85 000 m²

HELSEFYR

High std: 2 400 - 2 900
Moderate std: 1 900
Prime Yield: 5,75 %
Vacancy: 11 %
*New construction 24-26:
44 000 m²

NYDALEN/STORO

High std: 2 400 - 2 900
Moderate std: 1 950
Prime Yield: 5,50 %
Vacancy: 10 %
*New construction 24-26:
0 m²

ØKERN/HASLE

High std: 2 200 - 2 700
Moderate std: 1 600
Prime Yield: 5,75 %
Vacancy: 10 %
*New construction 24-26:
95 000 m²

BRYN

High std: 2 100 - 2 600
Moderate std: 1 600
Prime Yield: 6,00 %
Vacancy: 8 %
*New construction 24-26: 19 000 m²

REGIONAL CITIES

Solid rental growth

BERGEN

- Low transaction volume and prime yield unchanged at 5.25%
- Vacancy at 8.5%, but varies significantly between areas
- Strong rental growth from 2023 to H1 2024 in the top segment of 11%

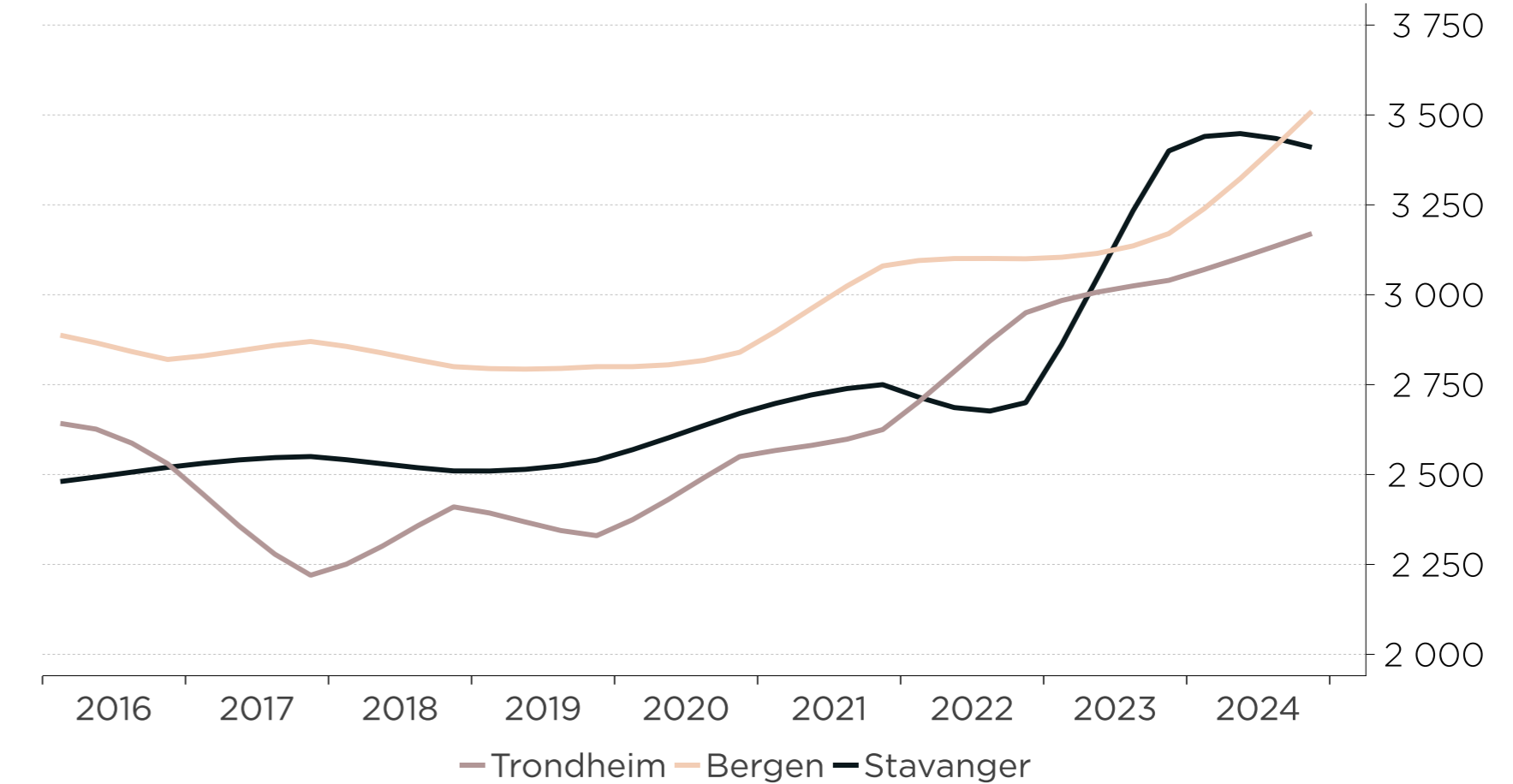
TRONDHEIM

- Slow transaction market in general, but Entra deal drives volume
- Low vacancy at 6.50%
- Prime yield unchanged at 5.50%

STAVANGER

- Prime yield unchanged at 5.75%, although the very best buildings would achieve a lower yield
- Vacancy at its lowest since 2014 at 7.50%
- Solid rental growth of 6% from 2023 to H1 2024

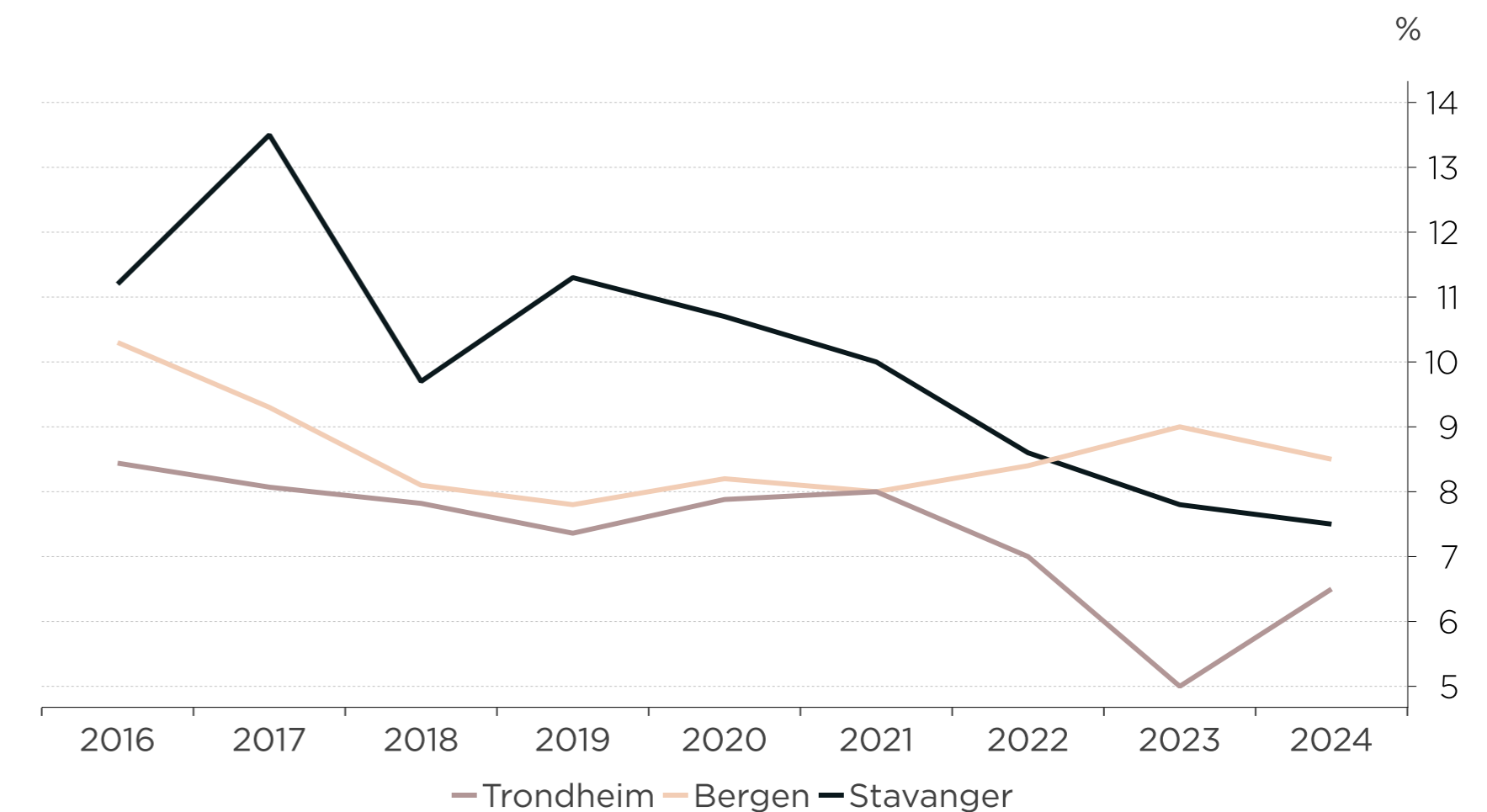
RENTS. CATEGORY A*



*Category A is top 15% of rents

Source: Arealstatistikk

OFFICE VACANCY



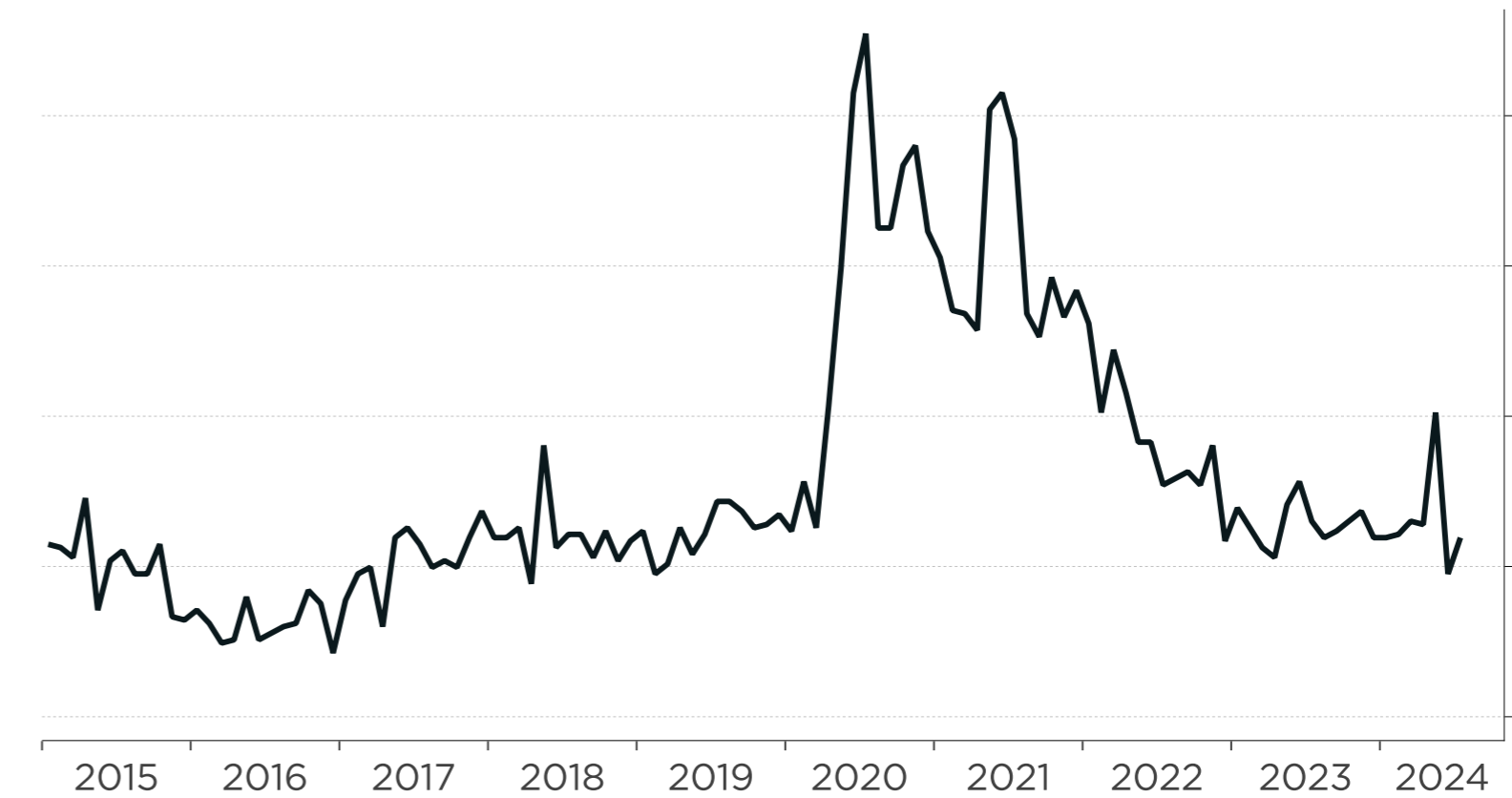
RETAIL

Resilient households

- Retail companies now expecting a slight increase in sales volumes, after two years of declining volumes
- Real wage growth and a tight labour market keep households overall resilient
- Solid performance from shopping centres so far this year
- High interest from international brands to establish stores in Norway

RETAIL SALES INDEX. VOLUME

Index (2015=100)



Source: Macrobond, SSB

PRIVATE CONSUMPTION

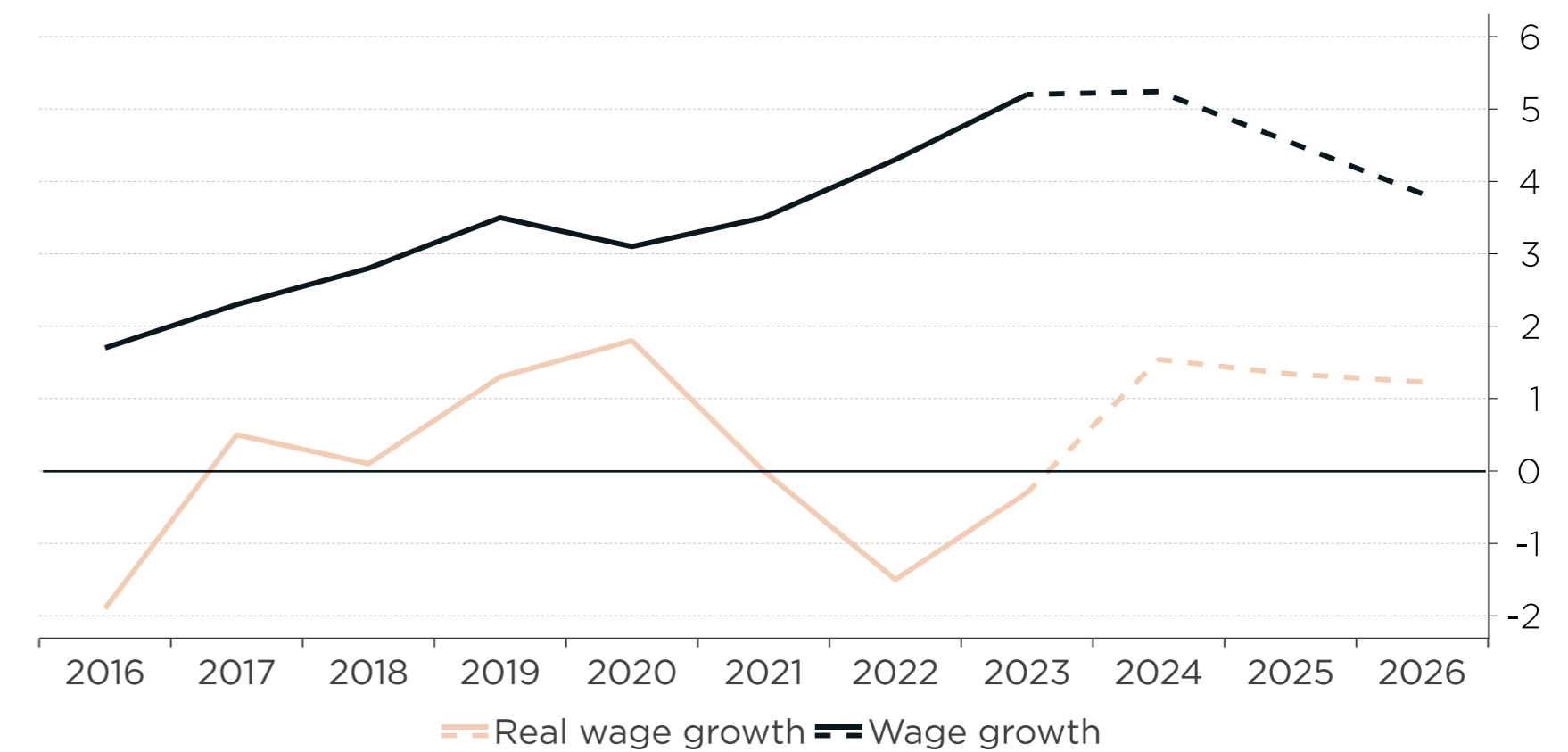
bNOK



Source: Macrobond, SSB

WAGE GROWTH. ANNUAL. NORWAY

%



Source: Norges Bank, Macrobond

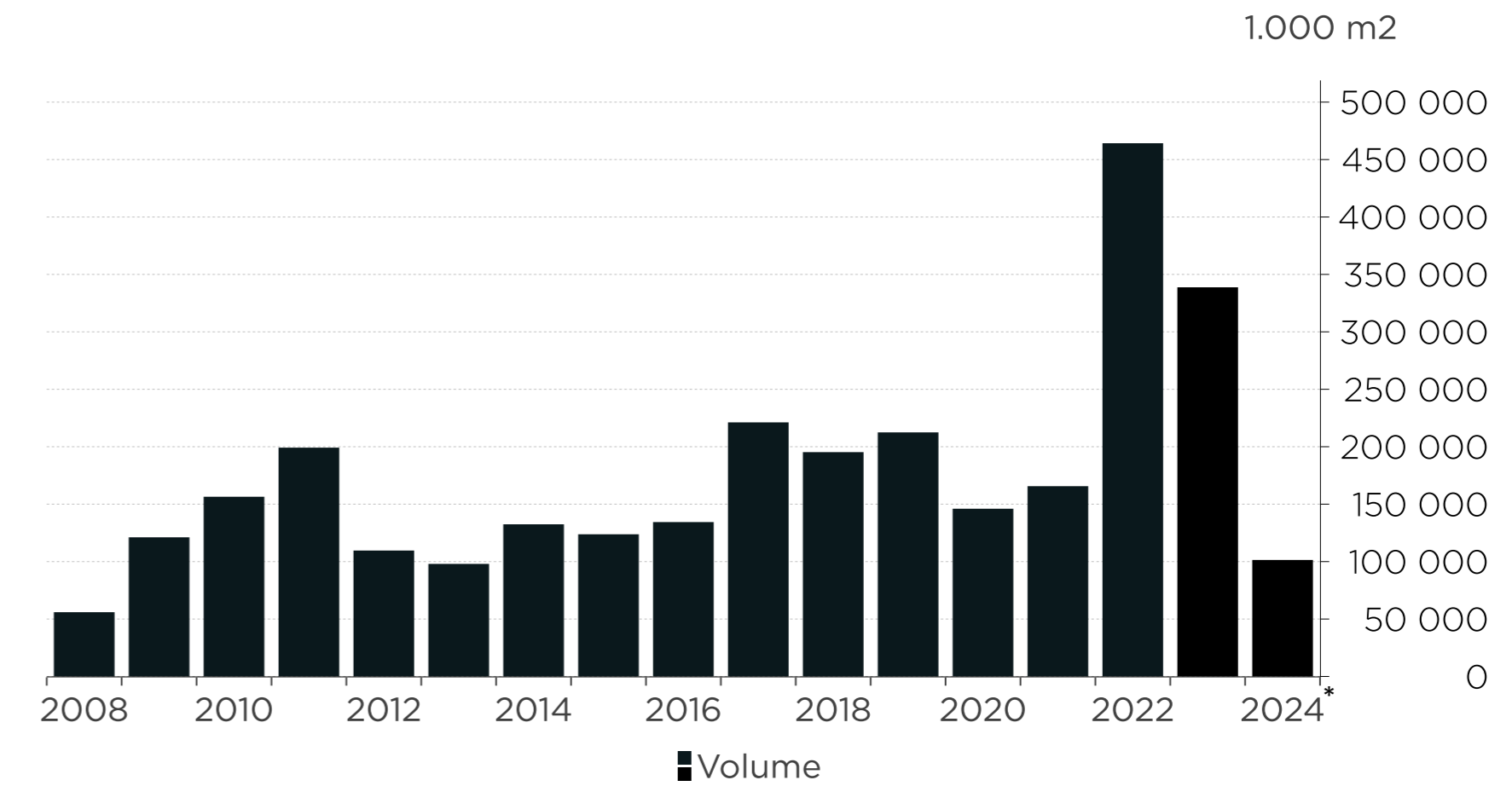
*NOK=Norwegian currency

LOGISTICS

Slower rental growth

- Slower rental growth (4% y/y), but rents established at high levels
- We expect a CPI adjustment of rents in 2025 of 2.8% – 3.3%
- Somewhat weaker demand and higher vacancy
- Prime yield unchanged at 5.75%
- Segment continues to be liquid and attract interest from both domestic and international investors

LOGISTICS. SIGNED LEASES. GREATER OSLO



Source: Arealstatistikk
*H1 2024

Logistics rent in Greater Oslo. Q2 2024*

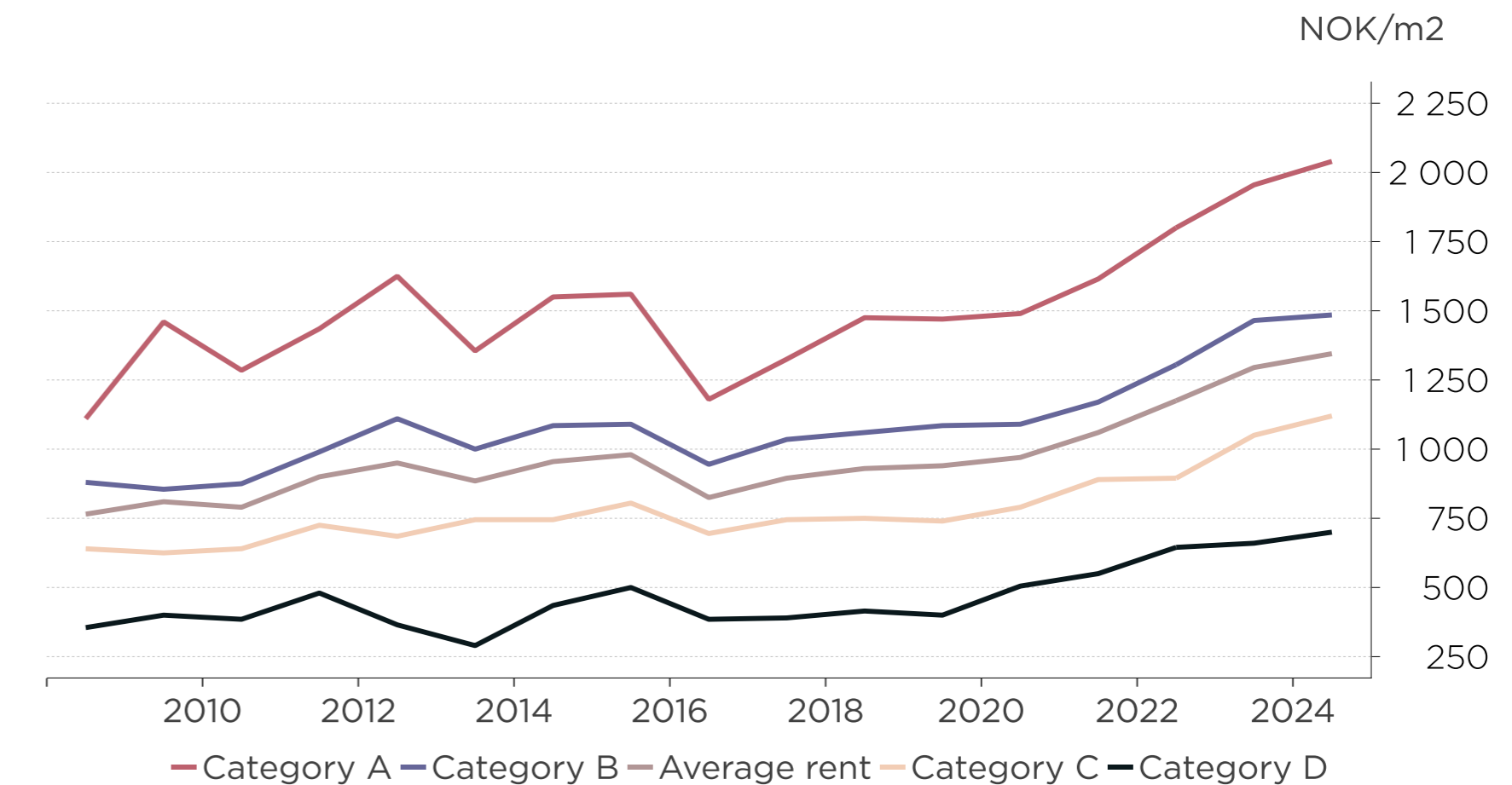
	AVERAGE RENT	25% HIGHEST	MID 50%	25% LOWEST
Oslo West	1 260	1 890	1 220	710
Oslo South	1 210	1 540	1 230	800
Oslo North	1 370	1 810	1 350	960
Groruddalen	1 230	1 810	1 170	780

* Leases signed during the last 12 months, as of 30.06.24.

** 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



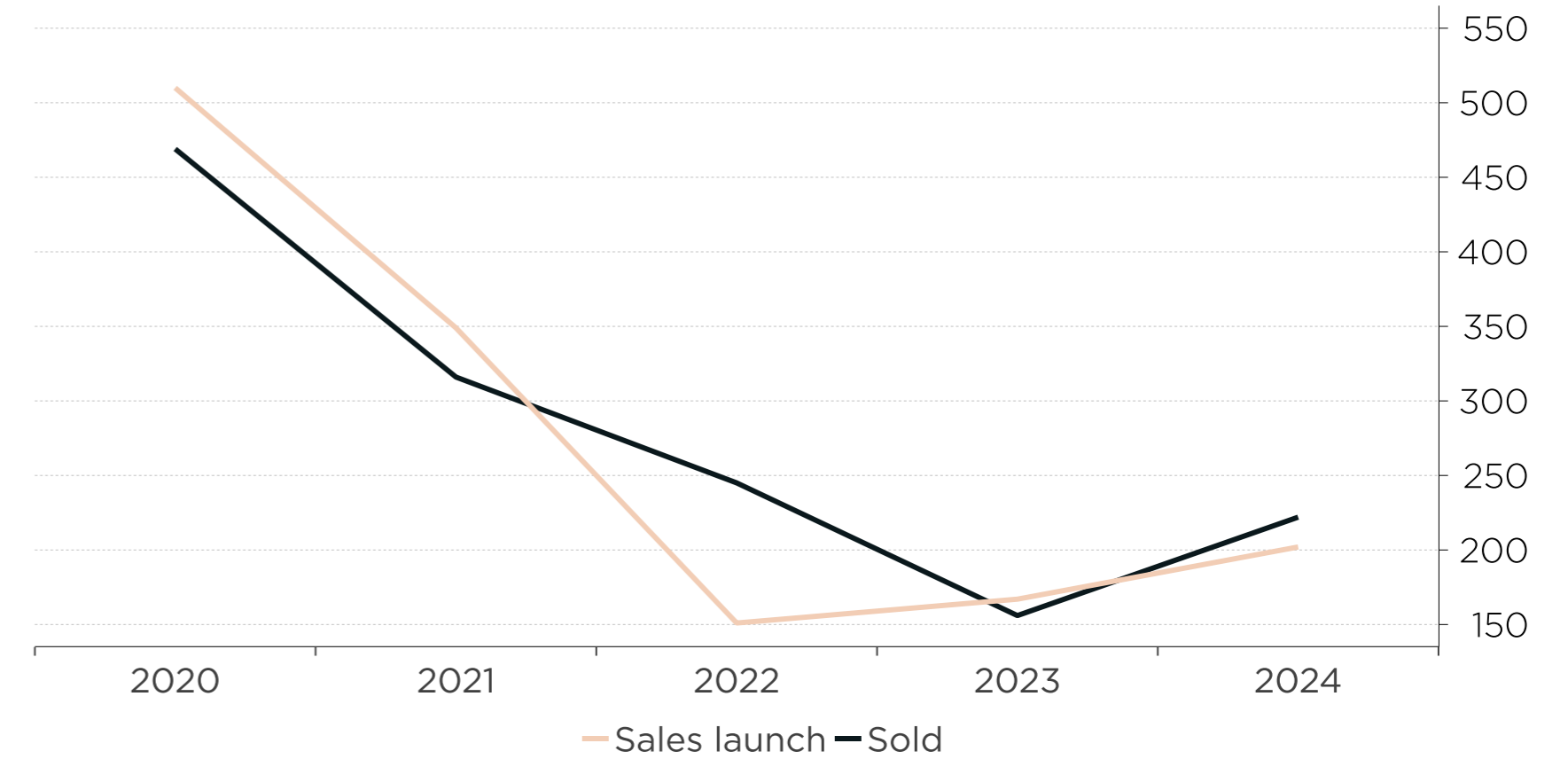
Source: Arealstatistikk

RESIDENTIAL

Solid market but lower pace for existing housing prices

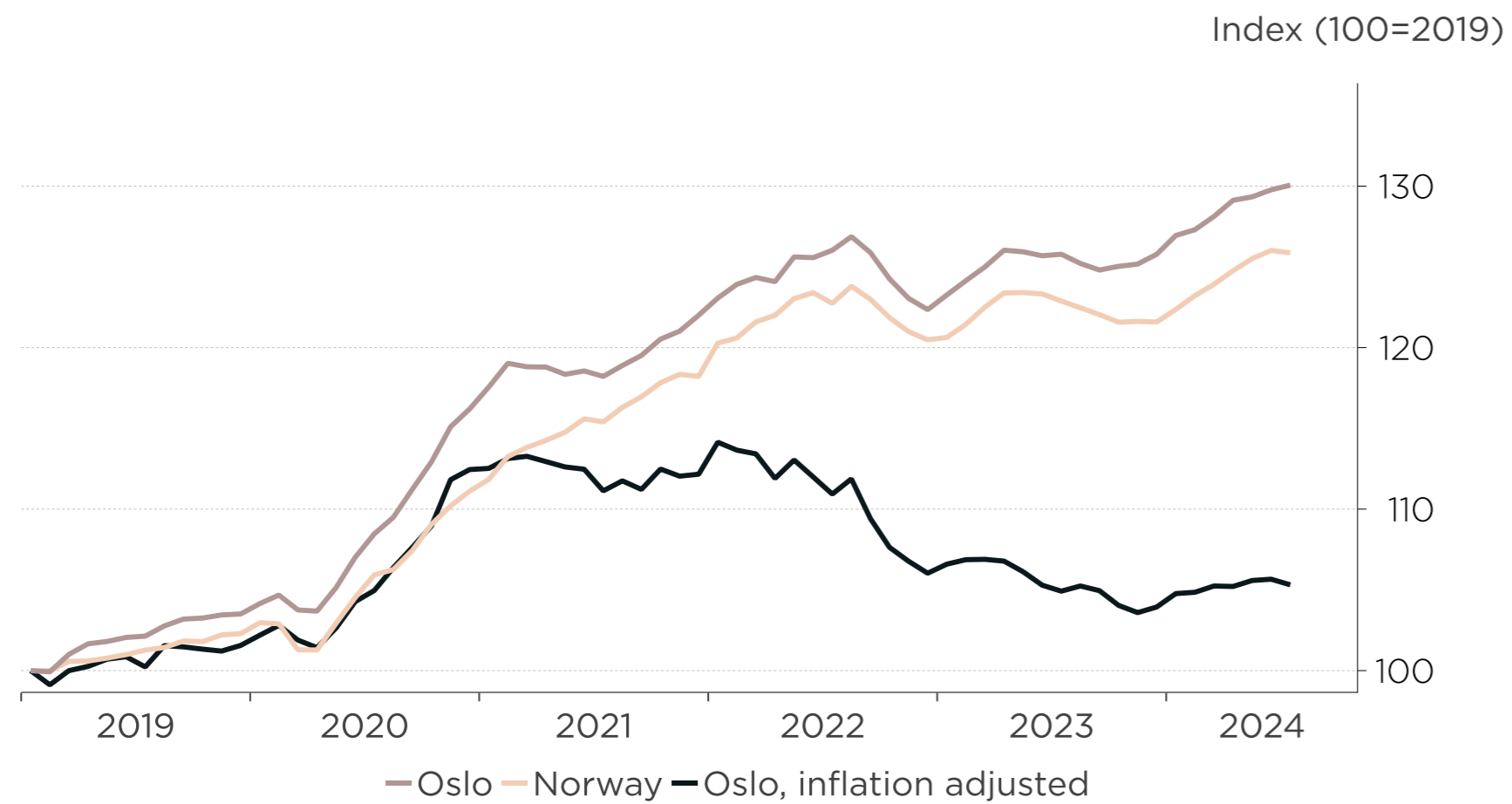
- The growth in existing housing prices has slowed
- Low risk of a fall in prices due to the strong labour market
- The market for new housing has passed its trough, but the market remains selective
- New housing is mainly still a buyer's market
- Strong rental growth in Q2 (7-8% y/y), and demand will keep pushing rents higher

NEW APARTMENTS WITH SALES LAUNCH AND APARTMENTS SOLD
3 MONTH MOVING AVERAGE, AS OF AUGUST



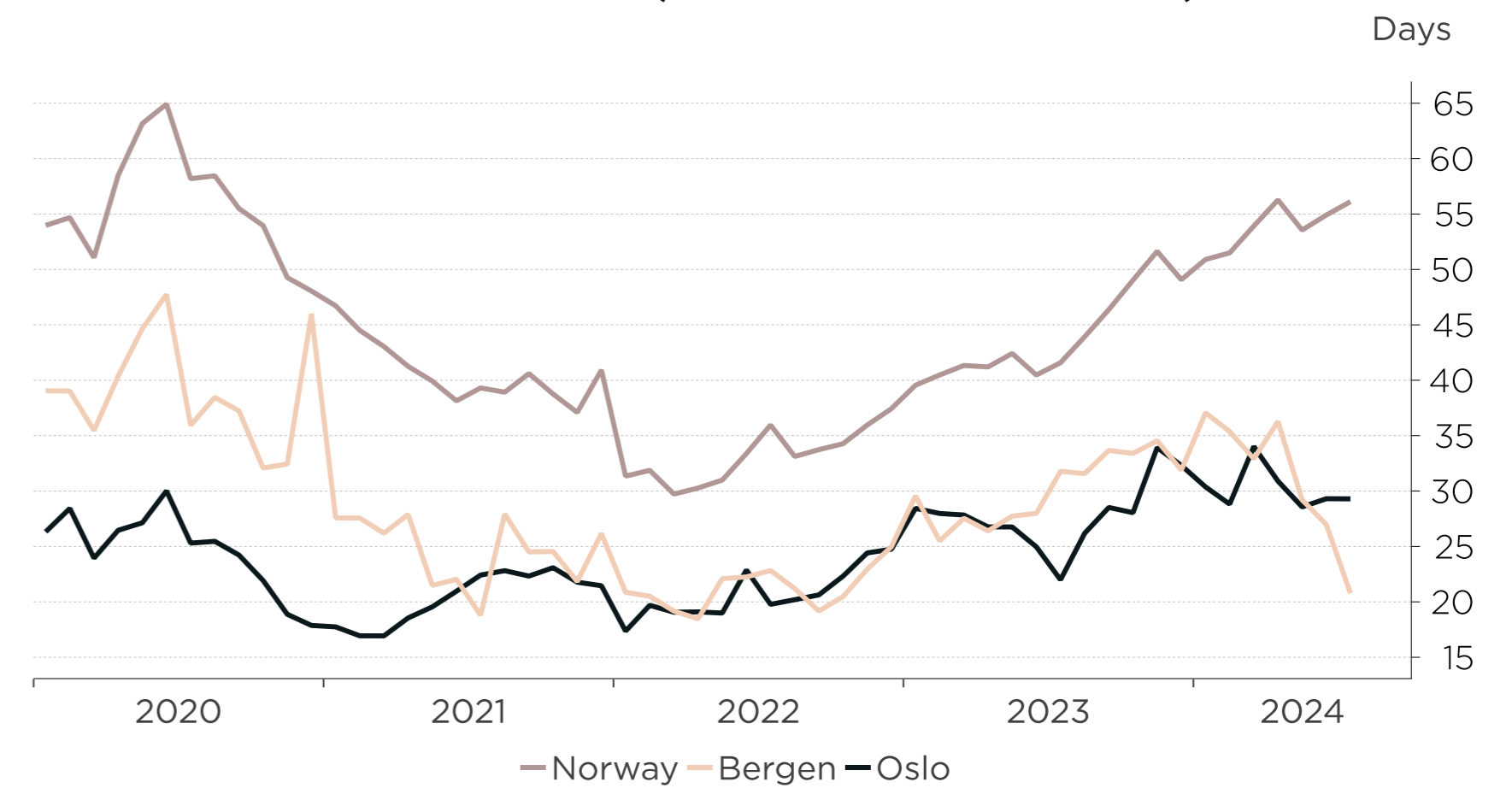
Source: Plot.ai

HOUSING PRICES. MONTHLY



Source: Eiendom Norge, SSB

TIME ON MARKET (SEASONALLY ADJUSTED)



Source: Eiendom Norge, Macrobond



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