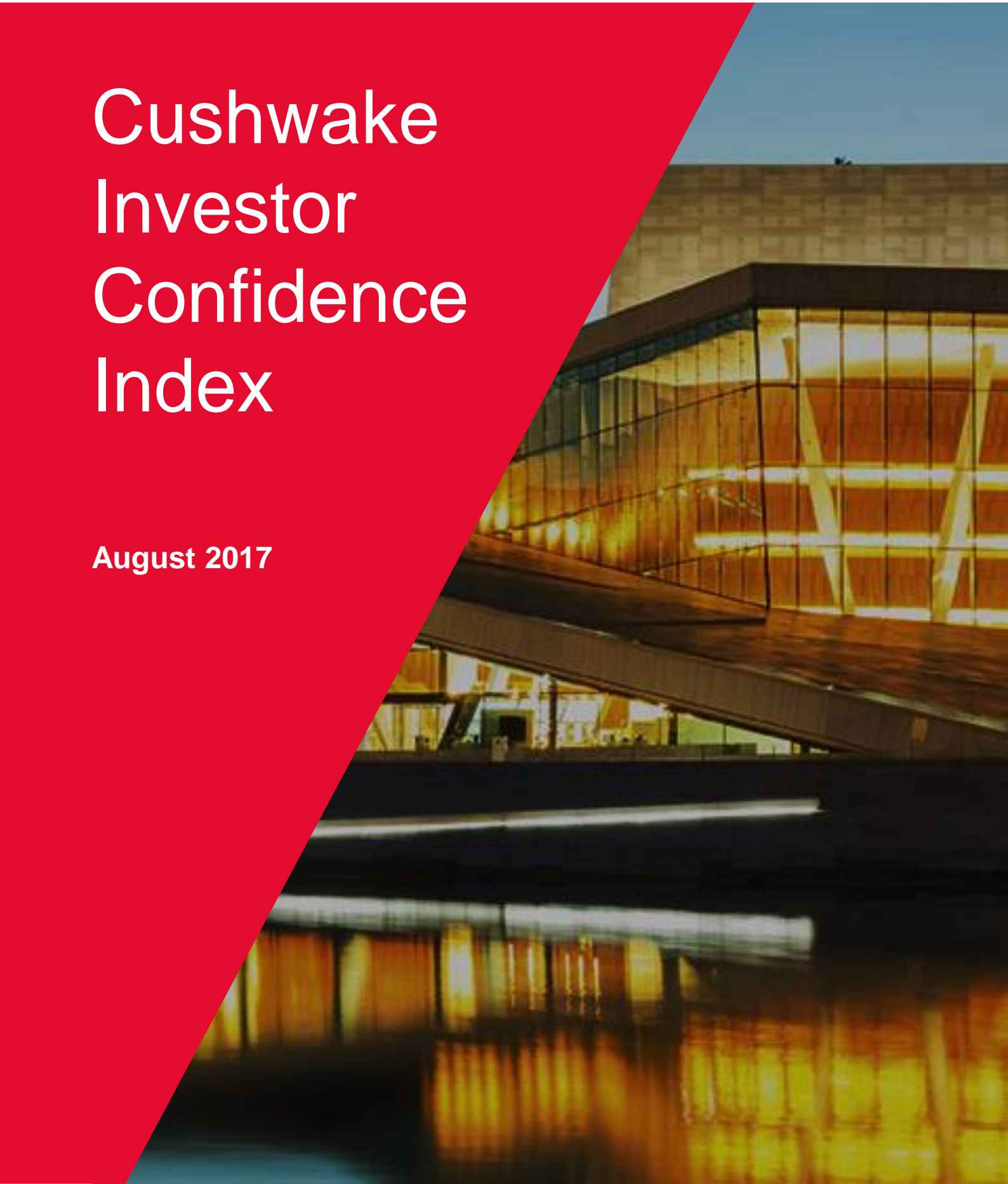


# Cushwake Investor Confidence Index

**August 2017**



# 73%

*of all investors has  
an objective to be net  
buyers in the coming  
six months*





The Cushwake  
Investor  
Confidence Index  
includes responses

from over **50**  
investment professionals  
together representing  
around NOK

**350 - 400bn**

worth of Norwegian CRE. The  
index monitor expectations for the  
next six months.

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

We will continue conducting the survey on a bi-  
annual basis allowing us to track changes and interpret  
what these means for the market and how to best  
respond when making investment decisions.

*Thanks to all participants!*

# Persistent strong investor demand

## Majority wants to be net buyers

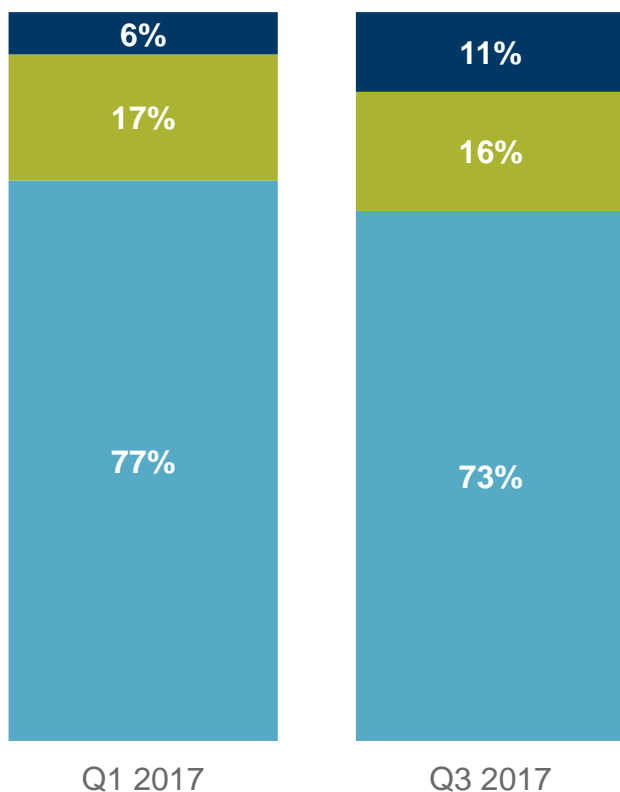
This cycle continues to see an extraordinary level of capital targeting real estate. 73% of all investors have an objective to be net buyers in the coming six months, partly driven by expectations of further increase in occupier demand and in turn raising asset values. This is an reinforcement of the January results.

While core real estate strategies remain attractive, demand outstrips supply. This continues to put yield under pressure and

challenges investors to deploy capital and achieve their desired returns. Unable to source core assets, investors are increasingly accepting 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 narrowing gap between prime and secondary.

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



- Decrease: more disposal than acquisition
- Stable: as much disposal as acquisition
- Increase: more acquisition than disposal

*“The pace of growth appears to have moderated globally but the Nordics are holding up with yet a high Wall of Money available for the region”*

*– Great Wall of Money, Nordic edition -*

# Strong boost for the office occupiers market

## Retail is moving sideways and positivism around logistics

The majority of investors have positive expectations for the rental market over the coming six months. This is not surprising and both Areal Statistikk and Entra konsensusrapport, amongst others, support this view. The combination of economic growth, increased occupier demand, limited development and conversion to residential all supports the positive short to mid-term outlook. However, forecasters have a more mixed view as we get closer to 2020 given a combination of development catch-up, adaption of agile- and co-working, technology vs. manpower and increased utilisation of office space.

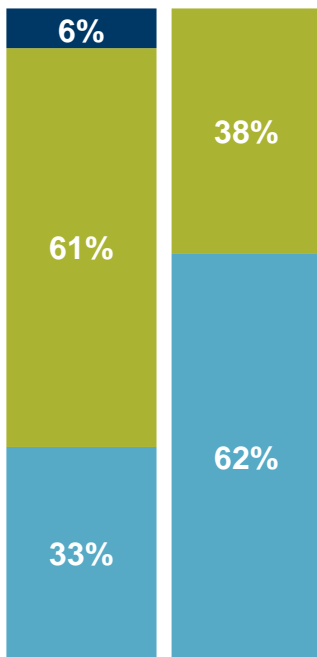
An overwhelming majority of investors expecting retail occupier demand to move sideways. This in turn suggest potential changes in bricks and mortar strategies have not, at least yet, materialised in less demand for retail space. However, this will be an area to follow with interest over the years to come. Look up our report [Nordic Shopping Centre - a preview of the future](#) to get an overview of expected trends.

Industrial and logistics continues it's moderate strong run and closer to 60% of the investors expect to see continued rise in demand for logistic space.

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



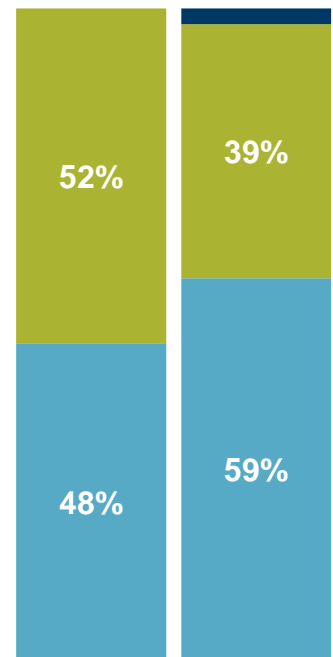
### Office



### Retail



### Industrial/Logistic



■ Improve ■ Show little or no change ■ Worsen

# Stable yield expectations

...but 20% of investors believe in declining industrial/logistics yield

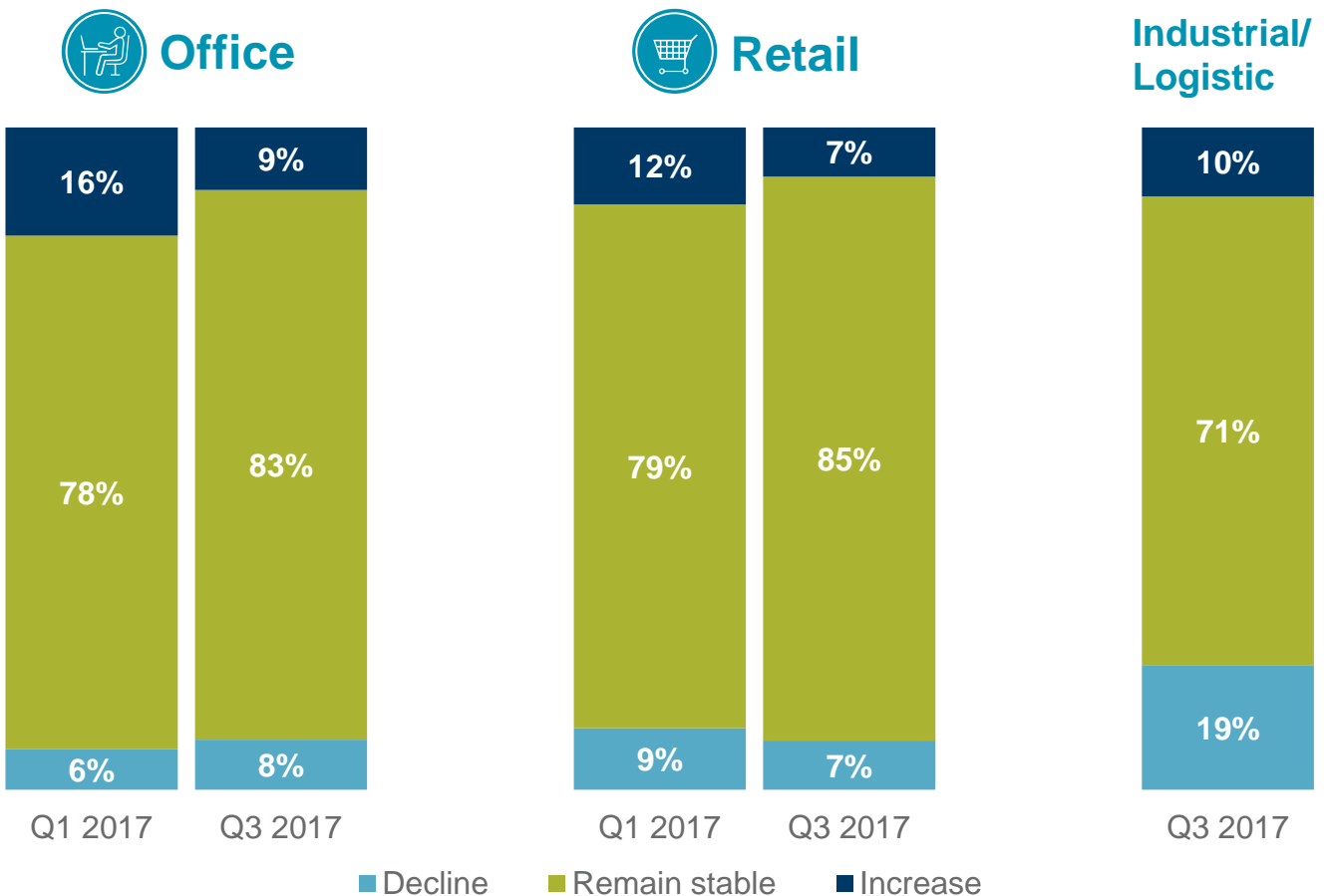
Most investors believe yields has flattened and will stay that way. Only a minority of 7-8 percent believe office or retail yields will compress further, and 10 percent or less, depending on sector, foresee an increase within the next six months. However, there are some optimism around the industrial yield. A possible explanation is as e-commerce fears are dogging bricks-and-mortar retail, industrial and logistics assets present a credible diversification alternative for institutional investors.

Given the large appetite to continue invest,

and shortage of assets, we might see an increased acceptance for risk and a narrowing gap between prime and secondary. However, this is not evident from the survey and area to monitor closely.

Changes in interest rates, financing conditions and expectations to traditional asset classes, amongst other observations, will impact investors view going forward. The index will track this on a bi-annual basis.

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



# Positive view on own portfolio

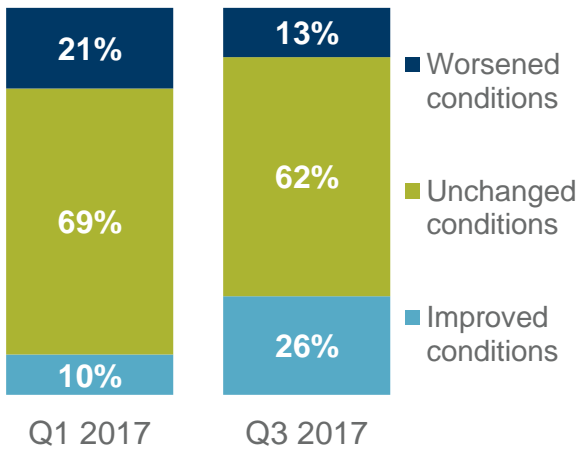
## Increasing rents are the biggest contributor

### Financing

Most investors believe conditions for property financing will stay unchanged from today. However there is a significant change, since January survey, in those respondents who believe conditions will improve.

The unchanged view is supported by Norges bank lending policy survey indicating financing conditions will move sideways in the quarter to come. Yet, this is the first time since 2014 lending policy are not reported to be tougher, so we might be moving towards policies supporting the 26 percent minority believing in improved conditions.

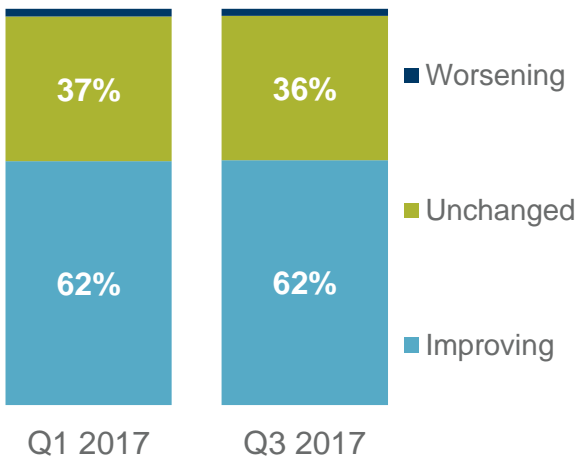
What is the future outlook for your financing compared with your current financing?



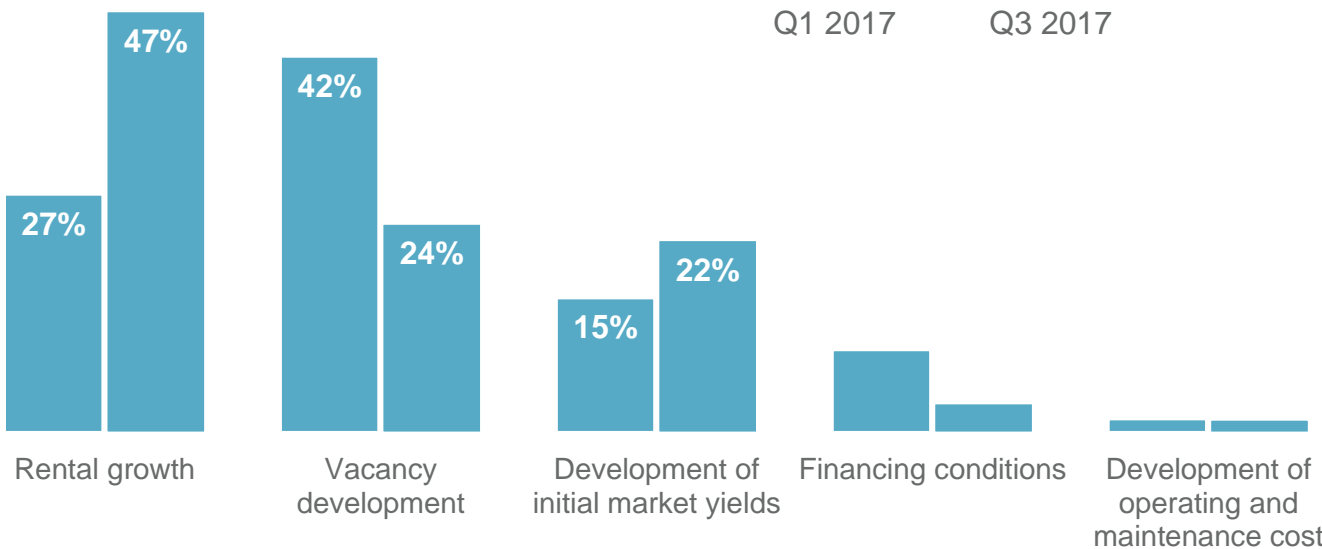
### Portfolio outlook

As already mentioned 73% of the investors has an objective to be net buyers. Furthermore 62% of the investors believe their portfolio will improve in value (aside from acquisitions & disposals) over the coming six months. The key driver for value improvements are expected to be rental growth followed by drop in vacancy rates

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



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



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