NORWAY MARKET SNAPSHOT - OSLO OFFICE - Q2 2021

Key Performance Indicators (Q2 2021)

Prime Rent
6 000kr (↑)
Yearly, per sq m
Change YoY: 750kr

Average Rent
2 348kr (↑)
Yearly, per sq m
Change YonY: 3kr

Prime Yield
3,25% (↓)
Return on investment
Change YoY: -0,55%

Service Charge
420kr
Yearly, per sq m
Norway Oslo

Take Up
181K (↑)
Thousand sq m
672K Annual2Date

Vacancy Rate
7,06% (↑)
Of Total Stock
Change YoY: 0,90%

Completions
12K (↓)
Thousand sq m
66K Annual2Date

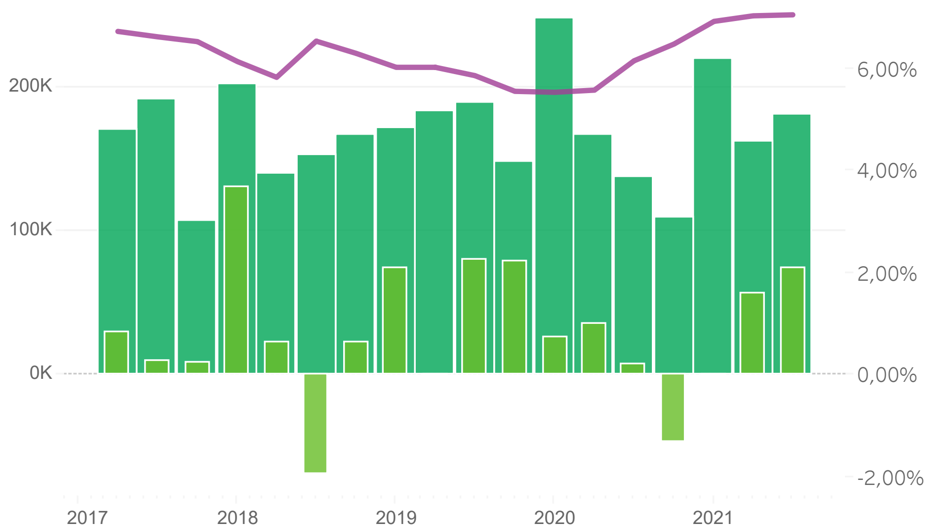
Total Stock
10 087K (↑)
Thousand sq m
9 375K Occupied Stock

Forecast Completions
133K (2021)
Thousand of sqm
213K (2022) // 167K (2023)

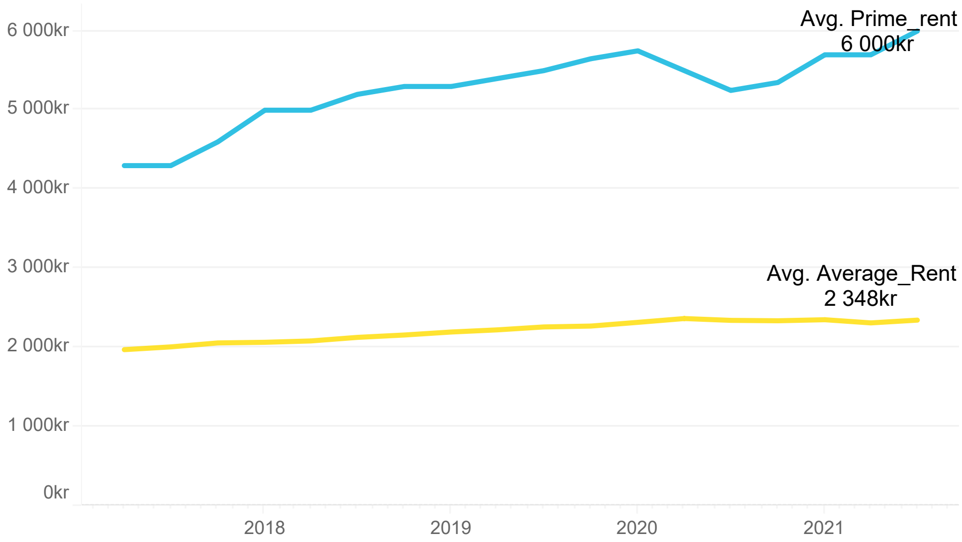
Performance Office Market - CBRE Insights

Despite the Oslo office leasing activity in Q1 being constrained by a new lockdown at the start of the year, as restrictions eased and the ongoing vaccination programme progressed the office market in Q2 rebounded. Take-up increased by 31 percent, which resulted in a strong quarter. It seems that both more tenants, particularly larger ones, have become comfortable entering lease commitments again. The number of signed leases in Q2 is the second highest since before the pandemic. The largest single lease signed in Q2 was of 19,680 sqm, also being the second largest signed lease since the start of the pandemic. Q2 also showed solid rental growth, with prime rent rising 5.3 percent to NOK 6,000 (up 14 percent YoY) and average rent rising 1.5 percent to NOK 2,348 (up 0.1 percent YoY). It is worth noting however, that recent leases in some submarkets outside the CBD and city centre show signs of weakness, underlining the trend of central submarkets generally faring better than peripheral ones through the pandemic. Office vacancy in Oslo increased a relatively benign 10 bps from 7.0 to 7.1 percent in Q2, somewhat driven by development completions coming into the market. This trend is forecasted to continue, as a significant amount of developments completions coming into the market in 2021-2022.

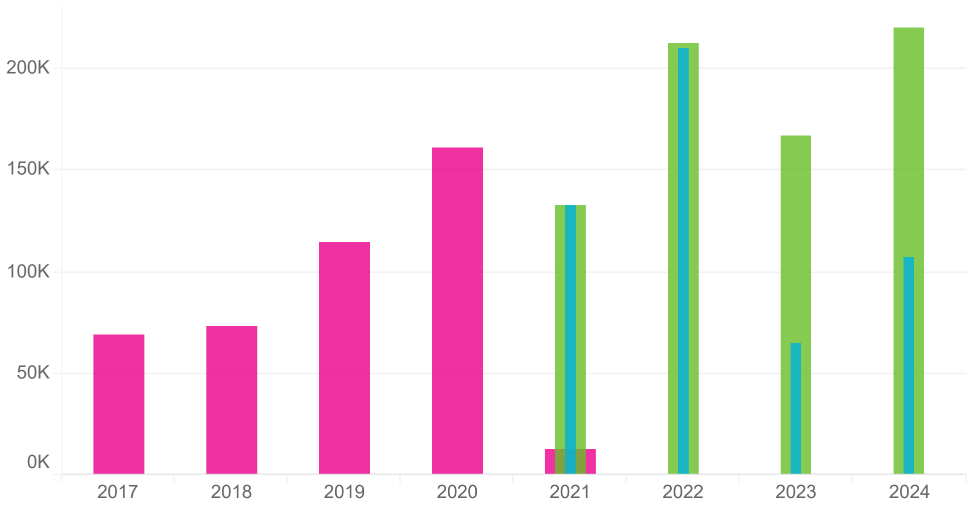
Market Trend (Net Absorption | Take-Up | Vacancy)



Rent Development (NOK Yearly, per sq m)



Stock Development (Completions | Forecast | Forecast UC)



Outlook Office Market

Office rents overall are expected to continue being under some pressure due to the significant development completions coming into the market, but mid-range rents look more vulnerable than prime. New completions in Oslo will rise sharply in 2022, to more than 200,000 sqm, from an expected 145,000 sqm in 2021. About 60 percent of the 2021 completions are pre-let, while about half of the 2022 completions are pre-let. Vacancy is expected to continue to rise due to the substantial amount of new developments. We expect that the effect from these completions partially will come with a lag, later in the year or next, as older properties that recently have been vacated might not come into the market straight away. It is worth noting that geographical disparities exist - we expect that that central submarkets will continue to be less affected by the supply growth as more peripheral submarkets. We also expect to see more evidence through 2021 of occupiers starting to execute portfolio and workplace strategies to position themselves for more distributed working and greater agility. Based on CBRE survey evidence, a high proportion of corporates are looking to reduce their office footprint, support increased remote working and start to shift towards more agile choice-based work patterns, including greater use of flex space. The impacts will not be immediate, and clear trends may take years to fully materialise, but they will represent a headwind to overall leasing demand going forward. Tenants will also favour higher quality, wellness-capable and tech-enabled buildings.

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