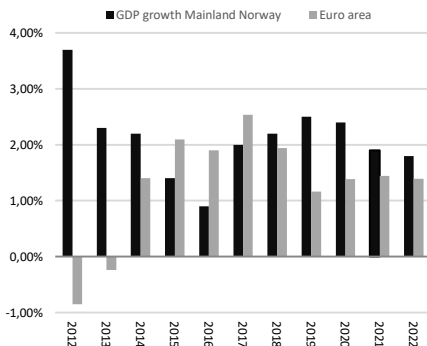


Malling & Co Project Finance has acquired Badehusgata 33-39 in Stavanger. The building consists of ~ 21 000 m<sup>2</sup> office space. The transaction is arranged as a "club deal".

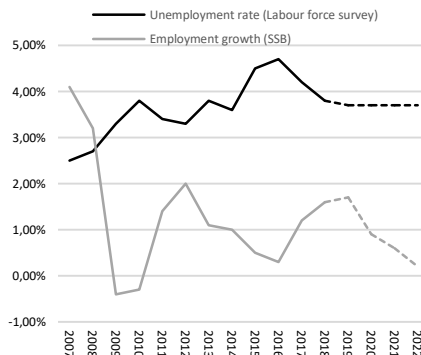


### GDP: Mainland Norway vs. Eurozone



Source: Statistics Norway (December 2019)/IMF World Outlook (October 2019)

### Labour market Norway



Source: Statistics Norway (December 2019)

## Latest figures Norway

- In Statistics Norway's (SSB) newest outlook (December), GDP-growth estimates for Mainland Norway were adjusted upwards from their September forecast. They estimate the 2019 growth at 2.5 %, and 2.4 % in 2020. We believe these estimates will be adjusted down as the November growth came in lower than anticipated 9 January. GDP-growth is also expected to slow down further in 2021 and 2022, to 1.9 % and 1.8 % respectively.
- The unemployment rate (LFS) measured in October (average Sep-Nov) was reported at 3.8 %, thus remaining unchanged from the previous three-month period (July-Oct). Employment is showing a slight increase of 1 000 employees over the same period.
- After adjusting the key policy rate upwards by another 0.25 % in September, the NCB kept it stable at 1.50 % in October. No further hikes were signalled for the short term, and SSB's newest outlook predicts that the key policy rate will remain unchanged going forward.
- Money market rates (3M NIBOR) is currently at 1.87 % (COB 10 Jan.), which is up approx. 17 bps. since the Market update in September.
- The NOK weakened further against the EUR during the last months of 2019 but is now back to trading at approx. 9.9 EUR/NOK.
- Both CPI and CPI-ATE increased by 2.2 % on average during 2019, down from 2.7 % and 1.6 % respectively in 2018. The 12-month rolling growth shows a gradual decrease in inflation throughout 2019 with CPI ending at 1.4 % in December 19.

### Latest lease contracts

Tenant	Address /Cluster	Size (m <sup>2</sup> )
Schibsted	Akersgata 55/ Inner City	~ 32 000
Høgskolen Kristiania	Urtegata 9/ Inner City	~ 15 800
Finn.no	Grensen 5-7/ Inner City	~ 10 500
Unknown	Langkaia 1/ Kvadraturen	~ 5 600
Astrup Fearnley	Dronning Eufemias gate 8/ Bjørvika	~ 5 300
Ferd	Dronning Mauds gate 10/ CBD	~ 3 100

### Latest transactions

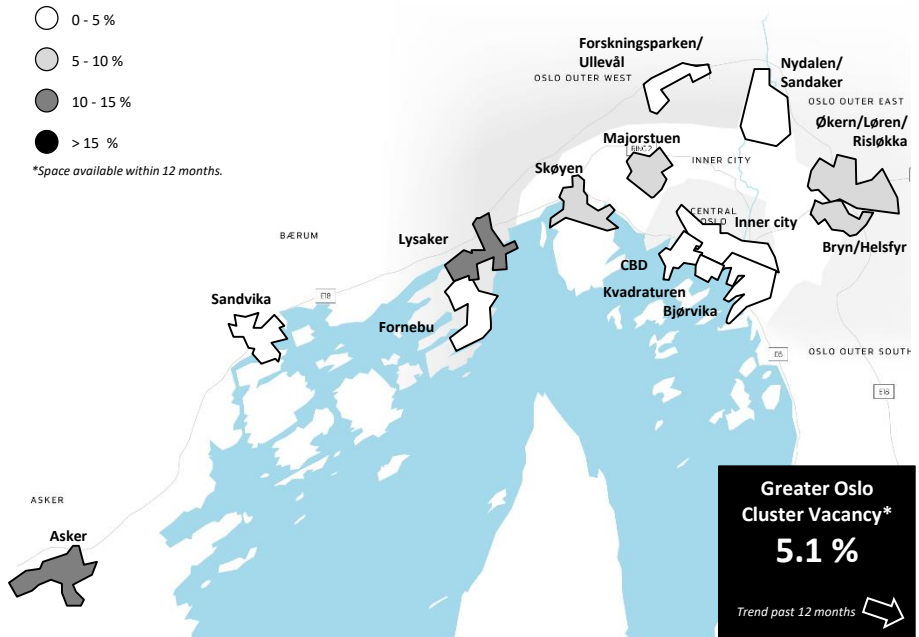
Buyer	Address	Size <sup>1</sup> (NOK million)
Whitehelm Capital	Selvaag land portfolio	3 400
Storebrand EF Norge KS	Scandic Helsfyr Hotel	1 100
Njord Securities	Anton Jenssens Gate 2	600
KLP	Ranheimsveien 9	500
Malling & Co Project Finance	Badehusgata 33-39	430

<sup>1</sup>Deal size may be rounded due to confidentiality

### Vacancy\* in office clusters in Greater Oslo (December 2019)

- 0 - 5 %
- 5 - 10 %
- 10 - 15 %
- > 15 %

\*Space available within 12 months.

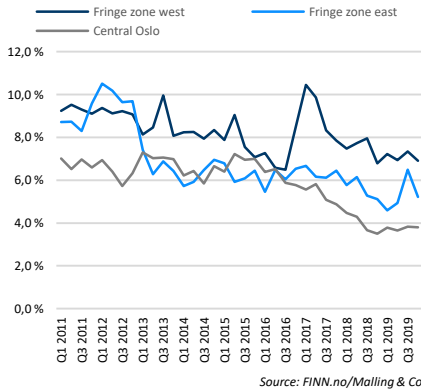


Greater Oslo Cluster Vacancy\*

**5.1 %**

Trend past 12 months

## Office vacancy development, Greater Oslo



## Indicative office rents in Oslo (NOK/m<sup>2</sup>/yr.)

Office cluster	Prime rent*	Normal rent**
CBD (Vika/Aker B./Tjuvvh.)	5 600	3 200 – 3 800
Bjørsvika	4 400	3 200 – 3 500
Inner City	4 000	2 800 – 3 400
Skøyen	3 300	2 300 – 2 700
Lysaker	2 400	1 800 – 2 100
Nydalen/Sandaker	2 600	1 800 – 2 100
Bryn/Helsfyr	2 400	1 700 – 2 100
Økern/Løren/Risløkka	2 200	1 200 – 1 700
Fornebu	1 950	1 450 – 1 650

Source: Malling & Co

\*Prime rents are consistently achievable headline rental figures that relate to a new, top located, high specification unit of a standard size commensurate demand within the predefined market area. The prime rent reflects the tone of the market at the top end, even if no new leases have been signed within the reporting period. One-off deals that do not represent the market are discarded.  
 \*\* Normal rents reflect the interval where most contracts are signed in the specified market area.  
 \*\*\* Normal yield is defined as the net yield of a well maintained building situated in the fringe zone with strong tenants on a 5 – 8 year lease contract.

## Residential assets – The new favourite CRE segment?

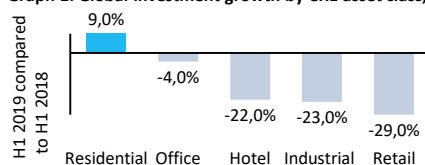
Investment in “alternative” residential assets continue to increase globally, at a time when investment into other real estate asset classes is declining. The sector is benefiting from investor focus on operational assets and favourable structural changes in demand.

Investment in commercial real estate globally declined by 10 % in H1 2019 compared to H1 2018, according to Savills Research and RCA. Both economic and political headwinds have impacted investor sentiment, while supply has generally remained low as investors buy to hold. In the search for income producing assets, investors are shifting their focus towards operational-type assets. The main target is multifamily housing (apartment building with rental apartments), followed by student and senior housing. Investment in the residential segment increased by 9 % in H1 2019, at a time when investment into other asset classes declined (see graph 1 below).

Office is still the largest asset class globally, with an estimated total investment volume of approx. \$375 bn. in H1 2019 (see graph 2). Residential is the second largest, totalling to approx. \$255 bn. This was three times the investment volume of hotels and 50 % greater than retail and industrial respectively. Over the last five years, residential investment volume has risen rapidly. On average, the annual growth rate in the period was almost 12 %, resulting in a total increase of 56 %. With this development, it is safe to say that residential assets have shifted from “alternative” to mainstream.

In Norway, many investors are “hunting” for office properties, resulting in significantly higher demand than supply. Moreover, few are willing to put their money in retail assets, so this is no longer an alternative for many. Residential assets can therefore serve as a valuable alternative to office and retail. We believe this segment will be one to watch in 2020. But partly limited by regulations and tax benefits of owning, local politics, the attractiveness will vary greatly on a regional level.

Graph 1: Global investment growth by CRE asset class, %

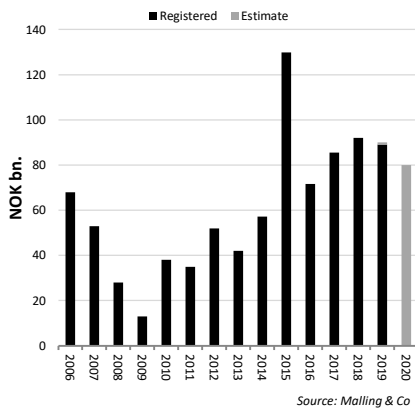


## Key facts real estate (Office Oslo)

	PER JAN. 2020	PER JAN. 2019
Prime yield	3.65 %	3.75 %
Normal yield***	5.10 %	5.10 %
5 yr. swap rate (COB 9 Jan.)	1.95 %	1.81 %
Average of 15 % highest rents in Oslo, NOK/m <sup>2</sup> /yr. (Q4)	3 940	3 720
Office contracts signed, m <sup>2</sup> (Oslo) (Q4)	248 460	171 130
Largest office contract, m <sup>2</sup> (Oslo) (Q4)	28 700	8 400
Avg. contract length, yrs. (Oslo) (Q4)	4.8	4.7

Source: Malling & Co/DNB Markets/Six/Areastatistikk

## Transaction volume (>50 NOK million)



# Commercial Real Estate

## Oslo office market

- Office vacancy in Greater Oslo remained at a low level in the fourth quarter. Vacancy in Central Oslo averaged at 3.8 % in Q4 2019, while the eastern and western fringes ended at 5.2 % and 6.9 % respectively.
- Average rents based on signed office leases rose by 9 % in central Oslo and 6 % in the fringe office clusters comparing 2019 with 2018. However, there are major differences between specific clusters, with Bryn-Helsfyr having the strongest growth.
- Increased net new construction in 2020 and 2021 is expected to have an upwards effect on vacancy in the coming year. However, the increase might be slightly cushioned by demand from preceding years' employment growth that has been temporarily absorbed by running leases.
- We expect rental growth in 2020 to be lower than in 2019, with most of the growth coming in the first half. Central Oslo is expected to maintain a rental growth of approx. 5 % in 2020, supported by low vacancy and stable demand. However, we expect a more moderate growth of around 2-3 % in most of the fringe clusters.

## Transaction market

- The preliminary tally for 2019 shows a transaction volume of NOK 89 billion and 286 transactions after yet another strong finish to the year in the fourth quarter. We will thus without a doubt see the final volume come in above NOK 90 bn. and thus on the higher end of our projection for 2019 of NOK 85-95 bn. The positive sentiment among investors, and the deal flow is looking to be very positive for continuing the liquid market into 2020.
- Office was the largest segment with a 46 % share in 2019. The second largest segment was industrial at 24 %, still driven by demand for logistics assets, and pulling ahead from retail which was at a 17 % share.
- Greater Oslo has close to a 50 % share of the market by volume, and other regions outside of the major tier two cities had a little more than a 30 % share by volume. Of the tier two cities, Bergen has had a very good year, and is at more than a 10 % share of the volume.
- The prime office yield estimate is at 3.65 % for CBD, and pressure is currently on the downside of this. Prime office in the fringe areas are at 4.20 % and 4.35 % for Helsfyr and Lysaker, respectively. Prime logistics is now at 4.80 % and Prime retail is now estimated at 4.15 %. Meaning that the gap between prime retail and prime logistics has closed in by 25 bps over the past 12 months to 65 bps, compared to a gap of 130 bps 24 months ago.