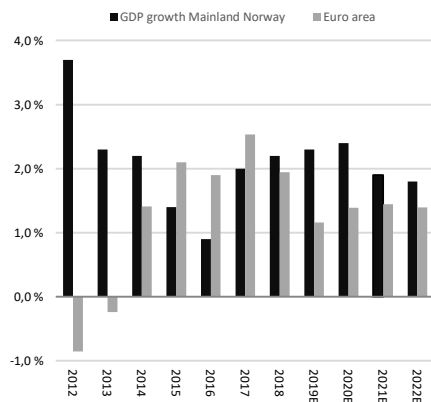




Malling & Co Corporate Real Estate was the advisor for Statsbygg in the sales process of the 12 700 m² development plot at Huseby, Oslo

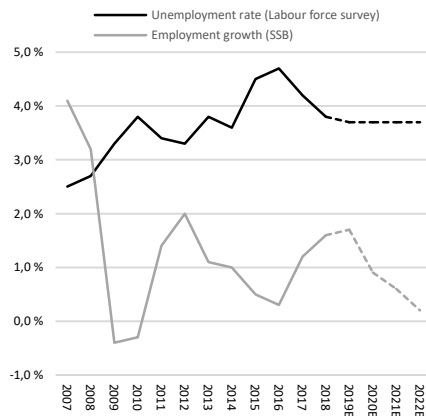


GDP: Mainland Norway vs. Eurozone



Source: Statistics Norway (Feb 2020)/IMF World Outlook (Oct 2019)

Labour Market Norway



Source: Statistics Norway (Dec 2019)

Economic Outlook

- GDP-growth for Mainland Norway came in at 2.3 % for 2019 compared to 2.2 % in 2018. This is, as we expected, lower than what SSB predicted in their last outlook from December 2019 (2.5 %). Among other reasons, weak consumer spending and industrial production in the fourth quarter contributed to the lower than anticipated growth. We also expect the growth-estimate for 2020, which is currently at 2.4 %, to be revised downwards in SSBs next economic outlook.
- The unemployment rate (LFS seasonally adjusted) for November (avg. Oct-Dec) was measured at 4.0 %, which is up 20 bps from the previous three-month period (avg. Sep-Nov).
- Employment in Norway increased by 0.9 % between Q4 2018 and Q4 2019, an increase of 23 500 people. Oslo had the highest growth of 1.9 %. This is however much lower than in 2017 and 2018, when employment in Oslo grew by 2.4 % and 2.9 % respectively. Moreover, looking at the last three-month period for Norway overall (avg. Oct-Dec), employment decreased by -0.4 % in November. We expect employment to slow down further going forward. Read more about this in our special topic on the next page.
- The key policy rate has been kept stable at 1.50 % since it was last revised upwards in September 2019. In January, the NCB signalled that further changes were unlikely in the short-term.
- The 12-mos. change in CPI came in at 1.8 % for January (2019/2020), an increase of 40 bps from January 2019 (2018/2019). CPI-ATE increased by 2.9 % over the same period.

Vacancy (Jan 2020) and Indicative Office Rents in Greater Oslo

Cluster	Vacancy	Normal Rent**	Prime Rent*
Asker	11.2 %	1 600 – 1 800	2 150
Sandvika	2.0 %	1 600 – 1 850	2 250
Fornebu	4.8 %	1 450 – 1 650	1 950
Lysaker	12.7 %	1 800 – 2 100	2 400
Skøyen	8.4 %	2 300 – 2 700	3 300
Forskningsparken/Ullevål	0.5 %	1 700 – 2 000	2 300
Majorstuen	9.3 %	2 200 – 2 600	3 100
Vika/Aker Br./Tjuvholmen	5.4 %	3 200 – 3 800	5 600
Kvadraturen	2.6 %	2 500 – 3 200	3 800
Inner City	3.9 %	2 800 – 3 400	4 000
Bjørvika	1.5 %	3 200 – 3 500	4 400
Nydalen/Sandaker	1.7 %	1 800 – 2 100	2 600
Økern/Løren/Risløkka	3.1 %	1 200 – 1 700	2 200
Bryn/Helsfyr	7.4 %	1 700 – 2 100	2 400

Key Facts: Real Estate (Office, Oslo)

	FEB 2020	FEB 2019
Prime Yield	3.60 %	3.75 %
Normal Yield***	5.05 %	5.05 %
5Y SWAP (COB 17.02.2020)	1.76 %	1.80 %
10Y SWAP (COB 17.02.2020)	1.81 %	2.05 %
EUR/NOK (18.02.2020)	10.0584	9.7564
CPI 12-mos. change (Jan/Jan)	1.8 %	3.1 %
Ave. Rent* Top 15 % (Q419)	3 940	3 720

* / ** / *** Explanation on next page.

Rents are quoted as NOK/m²/yr. Source: Malling & Co

Rents are quoted as NOK/m²/yr. Source: Malling & Co/DnB/Six/Arealstatistikk/SSB

Latest Lease Contracts

Tenant	Address/ Cluster	Size (m ²)
IF Forsikring	Drammensveien 264 / Lysaker	~ 18 000
ABB	Snarøyveien 30 / Fornebu	~ 14 000
Codan Insurance	Verkstedveien 3 / Skøyen	~ 3 400
Oslo Origo	Stortorvet 10 / Inner City	~ 3 300
Norsk Helsenett	Drammensveien 288 / Lysaker	~ 1 500

Source: Malling & Co

Latest Transactions

Address	Buyer	Size ¹ (MNOK)
Vitaminveien 1B	Ferd Eiendom	275
Fornebuveien 50	Vika Project Finance	190
Straume Teknologipark	Lie Gruppen	140
Stortingsgaten 10	Wahl Eiendom	100

¹Deal size may be rounded due to confidentiality

Source: Malling & Co

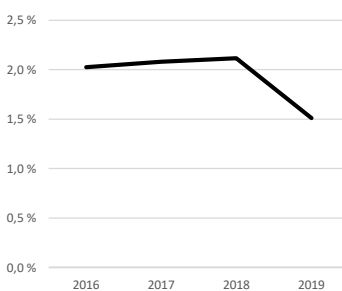
Special Topic: Slowing growth in wage-earners in the second half of 2019

Over the past four years, we have seen a strong employment growth in the Greater Oslo region (Oslo, Asker and Bærum). The growth accelerated from 1 % in 2016, to 2 % in 2017 and peaked at 3 % in 2018 (YoY). The employment growth has created additional demand for office space and is probably the most important factor behind the decreasing office vacancy and increasing office rents seen over the past three years. The registered employment figures for 2019 were published by Statistics Norway on 14 February. Employment growth came in at 2 % for the region, meaning that growth has reversed back to 2017-levels.

Looking at what to expect for 2020, with reduced growth in 2019 compared to 2018, we wanted to investigate how and when the growth changed over the past year. If growth started high, and decreased over the period, this could indicate a further slowdown into 2020. We looked at the quarterly statistics of wage earners from Statistics Norway published 12 February. They are related to the general employment numbers mentioned above; however, they exclude sole proprietorship but include foreign workers on short-term engagements. The figures are based on the "A-melding" meaning that they include a full count of the population, and not only a representative sample.

Since employment is seasonally varying, we had to be cautious when comparing changes between quarters. However, we should be able to compare changes between quarters within one year, with changes between quarters from previous years. Investigating growth in wage earners between Q2-Q4 from 2016-2019, we found that the 2019 growth was the weakest among the respective years. This indicates that employment growth slowed significantly during the second half of 2019. Doing a similar analysis on the first half of 2019 revealed that growth peaked sometime between the second half of 2018 and the first half of 2019. As the employment-growth slowdown appears to be a recent development, we can expect it to continue into 2020. This is expected to affect office demand, with some lag.

Change in wage earners Q2-Q4, 2016 - 2019 (Oslo, Asker, Bærum)

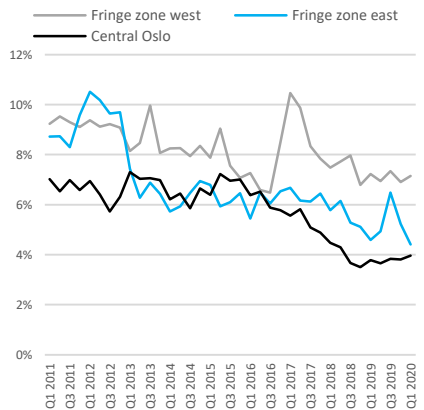


* Prime rents are consistently achievable headline rental figures that relate to a new, top located, high specification unit of a standard size commensurate demand within the predefined market area.

** Normal rents reflect the interval where most contracts are signed in the specified market area.

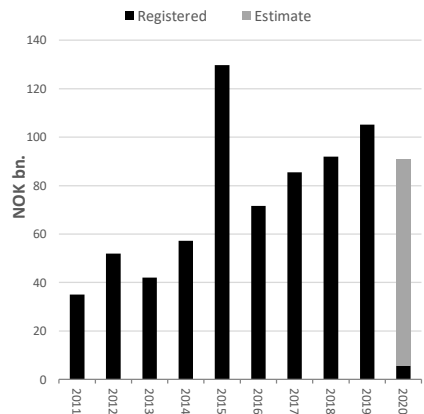
*** Normal yield is defined as the net yield of a well maintained building situated in the fringe zone with strong tenants on a 5 – 8 year lease contract.

Historical Office Vacancy, Greater Oslo



Source: Malling & Co

Transaction Volume (>50 MNOK)



Source: Malling & Co

Commercial Real Estate

Oslo office market

- As expected, 2020 started off with continued low vacancy in Greater Oslo. Per February the Greater Oslo vacancy is measured at 5.0 %. In central Oslo the vacancy is currently 4.0 %, while it is 7.2 % and 4.4 % in the Western and Eastern fringe, respectively.

- Vacancy at VAB has increased somewhat in 2020. Much of this increase is related to the inclusion of VIA (Q1 2021), where 8 000 m² is still being advertised as vacant. VIA also gets most of its tenants internally from VAB. Some of the space that will be vacated upon its completion, are now being added to the market of leasable space.

- After an almost record high signing volume in 2019, we expect 2020 to be more moderate as contract expiry is expected to fall substantially in 2021 and 2022.

- As stated in our last market update, we expect office rents to continue their growth in the first half of 2020. Thereafter, a gradually increasing vacancy, along with weaker employment growth is likely to slow down rental growth from H2 2020 and forward.

Transaction market

- Our tally for 2019 shows a transaction volume of NOK 105 billion and 311 transactions, but with a note that NOK 9 billion is from the Norwegian part of Hemfosas Nordic portfolio picked up by SBB. Regardless of the portfolio being included or not, we have seen the second highest volume ever recorded in Norway.

- 2020 has as expected been off to a good start, and the volume recorded is currently NOK 5.6 billion and 27 transactions. Our prediction for the full year 2020 is at NOK 85 billion.

- There has been some interesting developments in the yields from the third to the fourth quarter of 2019. Our Q4 2019 transaction survey held in January revealed that the investors now estimate Prime office yield down 5 bps to 3.60 % for CBD, and we agree. While the investors believe in flat development the next 12 months, we are not ruling out a slight downwards revision later in the year.

- Prime office in the fringe areas are at 4.20 % and 4.40 % for Helsefy and Lysaker, respectively. Meaning the yield has stayed flat at Helsefy, while Lysaker has seen a slight increase of 5 bps.

- In the Industrial/logistics segment investors revised their yield estimates in our Q4 survey. Prime logistics is now estimated at 4.65 %, a downwards revision of 15 bps since the last quarter. Similar moves in estimates were observed for normal logistics in the fringes around Greater-Oslo, with normal yields dropping 10-20 bps depending on the cluster.