



**MILLSKVARTALET**

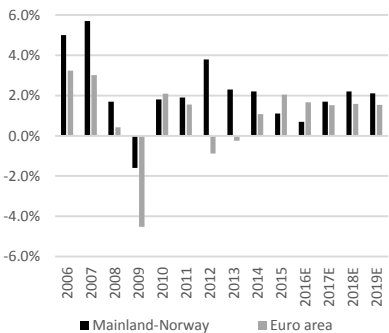
Malling & Co Corporate Real Estate acted as sell-side advisor in the transaction of the residential development property centrally located in Oslo.



**Latest figures Norway**

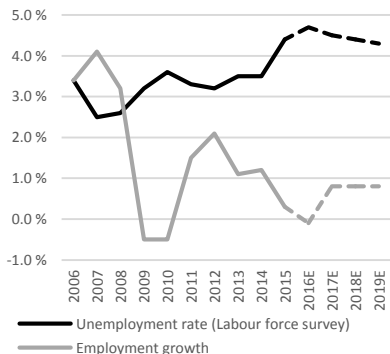
- Unemployment numbers from October (Labour Force Survey) measured unemployment at 4.8 %. This is slightly down, 0.2 percentage points, from the previous non-overlapping 3-month period, but within the survey error margin.
- The oil price has risen significantly since November and is currently hovering around 55 USD/barrel. Statistics Norway expect that higher oil price will cause the Norwegian krone to appreciate further in 2017.
- The new development in the US political and economic climate may cause interest rates to rise in the US. Along with global economic development this is putting pressure on interest rates in Norway as well. The effect is already seen in long term NOK interest rates.
- The key policy rate has remained at record low level of 0.5 % since March 2016, and is expected to remain close to this level until 2019. Despite sluggish economic growth, the central bank has refrained from further cuts in fear of financial instability caused by a booming housing market.
- The Norwegian housing market is hotter than ever, especially in Oslo, where the housing prices increased by 23.3 % over the past 12 months (December). Stavanger is down 2.6 % over the same period, while Norway as a whole increased by 12.8 %, According to Statistics Norway, the growth is expected to diminish throughout the year.

**GDP: Mainland Norway vs. Eurozone**



Source: Statistics Norway/IMF

**Labour market Norway**



Source: Statistics Norway

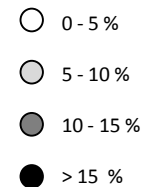
**Latest lease contracts**

Tenant	Address	Size (m <sup>2</sup> )
NHST Media Group	Christian Krohgs gate 16	~ 10 000
The Directorate of Norwegian Customs	Strømsveien 96	~ 9 000
The Directorate of Norwegian Customs	Tollbugata 1A	~ 8 500
Nemko	Philip Pedersens vei 11	~ 4 800
Ice.net	Nydalsveien 18	~ 3 500

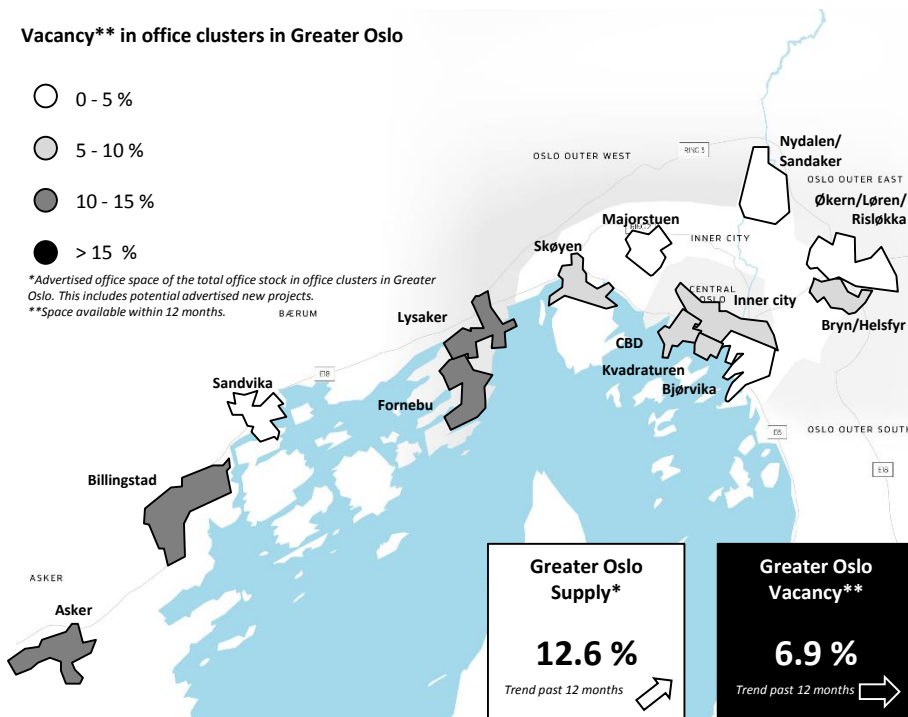
**Latest transactions**

Address	Buyer	Size (MNOK)
Koksa	Selvaag/Mohn	1 551
Gullhaug Torg 4	SBB	~1 100
Lillestrøm Torv	DNB Sca. Property Fund	800
Tjuvholmen Allé 16	KLP	772
50 % Horisont Senter	Coop	558

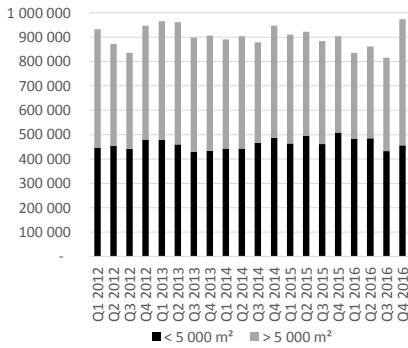
**Vacancy\*\* in office clusters in Greater Oslo**



\*Advertised office space of the total office stock in office clusters in Greater Oslo. This includes potential advertised new projects.  
\*\*Space available within 12 months.



## Advertised office space in Oslo (m<sup>2</sup>)



Source: FINN.no/Malling & Co

## Key facts real estate

	PER JAN. 2017	PER JAN. 2016
Prime yield	3.80 %	4.20 %
Normal yield***	5.75 %	6.00 %
5 yr. swap rate (per 15 January)	1.50 %	1.15 %
Average of 15 % highest rents in Oslo, NOK/m <sup>2</sup> /yr. (Q4)	3 280	3 170
Office contracts signed, m <sup>2</sup> (Oslo) (Q4)	247 510	141 490
Largest office contract, m <sup>2</sup> (Oslo) (Q4)	17 060	10 200
Avg. contract length, yrs. (Oslo) (Q4)	5.5	3.9

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

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

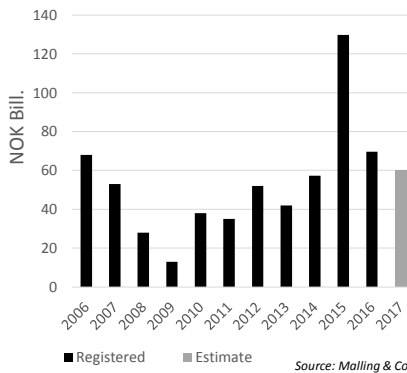
Office cluster	Prime rent*	Normal rent**
CBD	4 800	2 800 – 3 200
Skøyen	3 000	2 000 – 2 300
Inner city	3 500	2 100 – 2 600
Bjørsvika	3 500	2 700 – 3 000
Lysaker	2 300	1 700 – 1 900
Fornebu	2 150	1 500 – 1 700
Nydalen/Sandaker	2 300	1 500 – 1 700
Økern/Løren/Risløkka	2 200	1 000 – 1 500
Bryn/Helsfyr	2 250	1 550 – 1 750

\*Prime rents are consistently achievable headline rental figure that relates to a new, well 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.

## Transaction volume (>50 MNOK)



Source: Malling & Co

# Commercial Real Estate

## Office letting market

- While office vacancy has declined during 2016, total office supply (including unbuilt new developments) within our defined office clusters has increased during 2016. Several new office projects have entered the market after the summer.
- The vacancy rate has remained stable at low levels throughout 2016. The average monthly measured vacancy rate during 2016 was 6.9 % compared to 7.6 % in 2015.
- Latest numbers from Arealstatistikk revealed record high volume of signed lease agreements in Q4. This follows the record low volumes in Q3, probably explaining much of the high volume seen in Q4.
- Rents in central Oslo are increasing significantly. Despite volatile quarterly numbers, the overall trend of increasing rents in central clusters is in line with our expectations.

## Transaction market

- 2016 ended the year with a registered transaction volume of more than NOK 69.6 billion divided into 231 transactions, and Q4 was by far the best quarter with NOK 28.6 billion in volume. Although the volume is significantly less than in 2015, the volume is historically still a very high volume and a sign of the volumes to expect as the "new normal". Another sign of this is the number of transactions which is comparable to 2015. We forecast a total transaction volume of NOK 60 billion in 2017.
- We estimate the prime office yield to be 3.80 %, while the estimate for normal property is 5.75 %.
- Oslo is the largest region by volume, with 40 % of the market. Bergen has had a remarkable year with a historical high volume, and more than a 10 % share of the volume.
- The two most prominent segments have been office, making up roughly 45 % of the volume, and retail making up roughly 20 % of the total transaction market.
- The share of international buyers in terms of volume at the end of the year is a little more than 10 %, down from a 35 % share at the end of 2015. This is quite a bit lower than what we projected for the year, and it must be noted that it is not an accurate representation of the interest we register from foreign investors.

## Topic of the month: Office prime yield and prime rent in selected European cities

In order to compare key figures around Europe with the Norwegian market, we have gathered prime rents and yields from our alliance partner Savills in the table below for easy comparison. The benchmark is simple, but is a good indication of trends and drivers in different markets. However, one should remember that there are slightly different definitions of prime rents and prime yields in the different markets. However we may notice that yield compression has been present in all markets except London, affected by Brexit, and Amsterdam staying flat.

\*Oslo prime rents have been adjusted to align with Savills' prime definition

Q3 2016

Q3 2015

City	Prime yield	Prime rent €/m <sup>2</sup> /year	Prime yield	Prime rent €/m <sup>2</sup> /year
Paris	3.00 %	762	3.50 %	787
London	3.50 %	993	3.00 %	1 312
Munich	3.50 %	420	3.80 %	408
Berlin	3.70 %	323	4.00 %	288
Stockholm	3.75 %	610	4.00 %	514
<b>Oslo*</b>	<b>3.80 %</b>	<b>419</b>	<b>4.20 %</b>	<b>405</b>
Copenhagen	4.00 %	322	4.25 %	295
Milan	4.00 %	500	4.50 %	490
Helsinki	4.20 %	422	4.50 %	419
Vienna	4.20 %	306	4.50 %	312
Amsterdam	4.20 %	375	4.20 %	365