



MICROSOFT CO-LOCATION

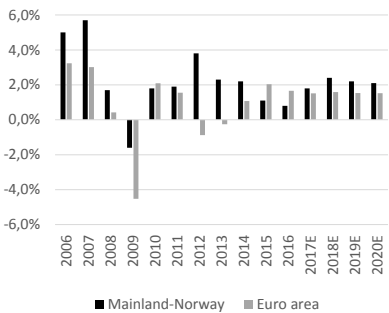
Malling & Co Leietakerrådgivning assisted Microsoft in the search for new office premises, and the signing of a lease agreement for approximately 9 600 m² in Bjørvika, Oslo.



Latest figures Norway

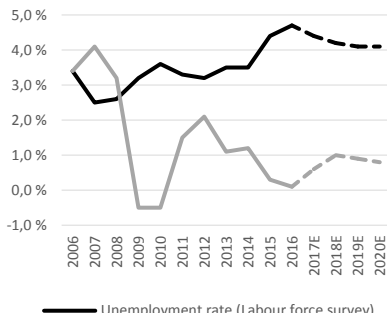
- Latest estimate for yearly GDP-growth for Mainland Norway 2016 is 0.8 %. However, growth is expected to end at 1.8 % this year and above 2.0 % in the coming years.
- The unemployment rate has been trending downwards and ended at 4.2 % (LFS) in January (avg. Dec.-Feb.). Employment is quite stable, but is expected to increase slowly with 0.6 % this year and slightly higher in the coming years.
- The key policy rate was cut to a record low level of 0.50 % in March 2016, and has been stable since. The Norwegian Central Banks' expected interest rate path was revised slightly down, and remains flat until 2019.
- Money market rates are down from December peak and the 3-month NIBOR rate is now just below 1.00 %.
- The NOK is at historically weak levels, and coupled with low wage growth this means stronger competitiveness for Norwegian exporters.
- According to Statistics Norway, inflation is likely to be substantially lower in 2017 than in 2016. The CPI was 3.6 % in 2016, while the projections for 2017 is 2.0 %.
- The oil price has fallen towards USD 50 per barrel since the beginning of March. Statistics Norway projects an average oil price of USD 56 per barrel in 2017, with the price rising gradually to USD 64 per barrel towards the end of 2020.

GDP: Mainland Norway vs. Eurozone



Source: Statistics Norway/IMF

Labour market Norway



Source: Statistics Norway

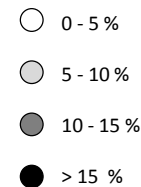
Latest lease contracts

| Tenant | Address | Size (m ²) |
|-------------------|-------------------------------------|------------------------|
| Helsedirektoratet | Vitaminveien 4, Nydalen | ~ 11 200 |
| Microsoft | «Eufemia», Bjørvika | ~ 9 600 |
| Omsorgsbygg | Grenseveien 80, Helsefy | ~ 6 500 |
| Vinmonopolet | «Diagonale», Bjørvika | ~ 4 000 |
| EnterCard | Dronning Eufemias gate 6B, Bjørvika | ~ 3 300 |

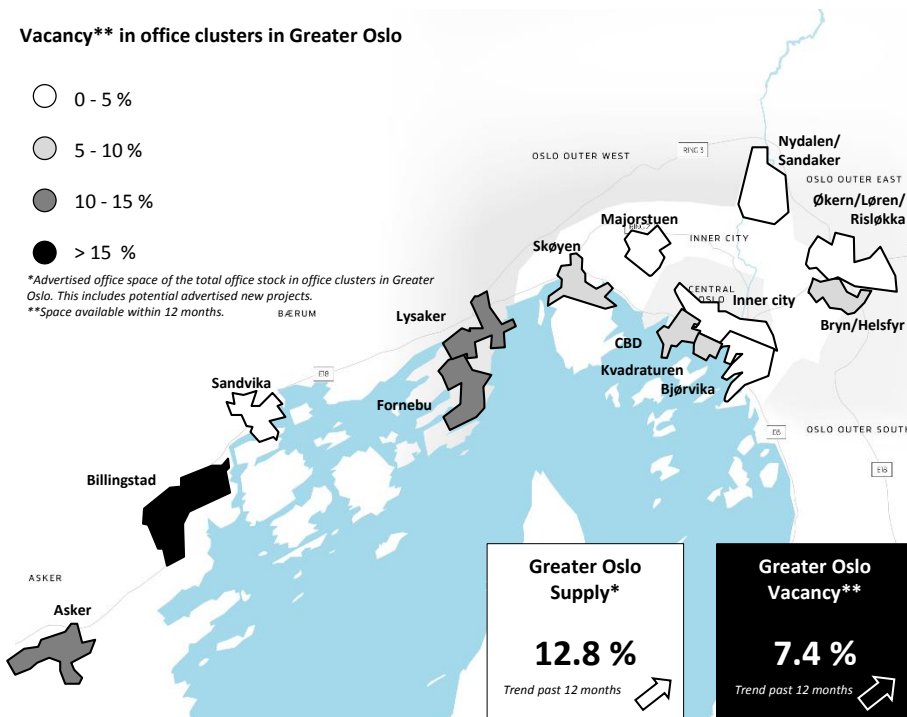
Latest transactions

| Address | Buyer | Size (MNOK) |
|-------------------------------------|-----------------------|-------------|
| Dronning Eufemias Gt. 30 | SBB | 4 300 |
| Karls Johans Gate 12 / Kirkegata 32 | CBRE Global Investors | Est. 1000 |
| Strandveien 4-8 | Oslo Areal | 920 |
| Entra Portfollo Kristiansand | SBB | 863 |
| Mediegården Stavanger | Nordea Liv | 777 |

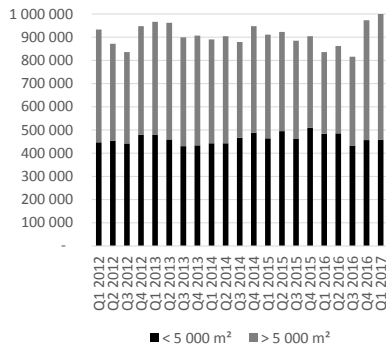
Vacancy in office clusters in Greater Oslo**



*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 (m²)



Source: FINN.no/Malling & Co

Key facts real estate

| | PER MAR. 2017 | PER MAR. 2016 |
|---|---------------|---------------|
| Prime yield | 3.80 % | 4.20 % |
| Normal yield*** | 5.75 % | 6.00 % |
| 5 yr. swap rate (at 31 march) | 1.52 % | 0.97 % |
| Average of 15 % highest rents in Oslo, NOK/m ² /yr. (Q4) | 3 280 | 3 170 |
| Office contracts signed, m ² (Oslo) (Q4) | 247 510 | 141 490 |
| Largest office contract, m ² (Oslo) (Q4) | 17 060 | 10 200 |
| Avg. contract length, yrs. (Oslo) (Q4) | 5.5 | 3.9 |

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

Indicative office rents in Oslo (NOK/m²/yr.)

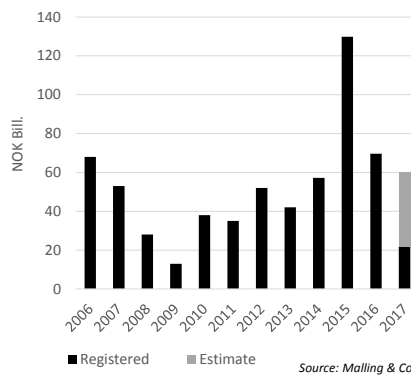
| Office cluster | Prime rent* | Normal rent** |
|----------------------|-------------|---------------|
| CBD | 4 800 | 2 800 – 3 200 |
| Skøyen | 3 000 | 2 000 – 2 300 |
| Inner city | 3 500 | 2 100 – 2 600 |
| Bjørvika | 3 500 | 2 700 – 3 000 |
| Lysaker | 2 300 | 1 700 – 1 900 |
| Førnebu | 2 150 | 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 market

- The office vacancy level (office premises available within 12 months) decreased slightly towards the end of 2016. The average monthly measured vacancy rate during 2016 was 6.9 per cent, while the monthly average in Q1 2017 was 7.1 per cent. Vacancy has increased mainly in western office clusters causing average vacancy to increase.
- The supply rate increased significantly during the second half of 2016, due to several new office projects entering the market. A few of the projects are built on speculation, i.e. Vitaminveien 4 in Nydalen and Torggata 15 in the city centre.
- Our counting shows that net supply of office space will be slightly negative in 2017. This is due to low building activity and high conversion to other uses, mainly residential. The construction activity is expected to increase in the next few years. Several large tenants are still looking for new premises, possibly triggering more new projects.
- The activity in the rental market increased towards the end of 2016, however the economy is growing slowly and tenants are focusing on space reductions, leaving estimated net absorption around zero.

Transaction market

- Transaction volume YTD stands at NOK 21.9 billion divided into 61 transactions. With Q1 just passed, this is the highest number of transactions recorded in Q1 over the past 5 years, and only beaten by Q1 2015 volume of NOK 24.6 billion. Our full year projection of NOK 60 billion remains, but is under pressure for upwards adjustment if the pace continues.
- We keep our estimates for yield firm, with the prime office yield currently estimated at 3.80 %, and the estimate for normal property at 5.75 %. The strong demand for attractive properties have put pressure on yields for prime logistics with long leases estimated around a yield of 5.25 %.
- For Q1 2017, transactions outside of the major cities is the largest region by volume, with 45 % of the market. Oslo has the second largest regional share with 40 % of the volume. All other regions have a share below 10 %.
- 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.
- Driven by several large transactions, the international share of the volume stands at around 45 % of the volume so far in 2017. We do expect this share to be reduced slightly as the year progresses.

Topic of the month: A strong residential market is increasing office rents

All time low interest rates and limited supply of property have contributed to significant growth in property values in Oslo, both residential and commercial. The Oslo residential prices increased 23 % from January 2016 to January 2017, and a continuing yield compression has increased the commercial real estate values up to 10-15 % for the best assets. As interest rates flattens out, how will prices develop in 2017?

All property development is dependent on the same basis ingredients, available land and capital. The price increases when the supply of land is scarce and the price of money is falling. When residential prices in Oslo increase, most of this growth can be assigned to the plot. With current residential prices in Oslo, potential residential development exceeds the development value of other use, including conversion costs, with a large margin. The risk of vacancy at the end of the current lease period may suddenly be turned into an interesting conversion to residential. This pressure on prices also motivates the politicians to consider higher residential utilization for several areas in the city, as well as considering new areas previously considered not suitable for residential. Residential prices have therefore affected the value of commercial property on several levels. However, residential prices showed signs of weaker development last month.

The consensus points towards further growth in office rents through 2017 and we anticipate rents to become an important value driver in 2017. The highest growth is expected in central office areas close to public transportation hubs. Rental growth is pushed further by residential conversion that reduces competition among remaining office buildings.

