MALLING & CO MARKETS

MARKET REPORT SUMMER / FALL 2019

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STILL STANDING STRONG

In our previous report half a year ago, we discussed some of the possible risks that could affect the CRE market in 2019. So far we can conclude that no surprises have occurred and the market has developed along the expected trends that we presented back then. While office rents are increasing, retail is seeing rental decreases and secular trend shifts towards the struggling physical retail and strong competition from e-commerce, both domestic and international in origin. The transaction market is still strong, but with more buyers than sellers the lack of product is still persistent in the market. The grand picture is hence a continued very strong CRE market also for 2019.

The key driver is still the very strong office market, a steady train heading for further rental increase and lower office vacancy throughout 2019. The latest positive employment numbers are a result of the economic growth combined with the ongoing urbanisation that is triggering growth particularly in the Oslo-region. This was the region with the strongest employment growth in 2018, which seem to continue into 2019. This is causing a noticeable take-up of office space that is slowly affecting vacancy rates. Increased employment has a slow but steady push effect on the demand side, but can be difficult to pinpoint from other random variations in the take-up numbers. We are now expecting the office market to remain strong well into 2020.

As mentioned in the ingress, the flipside of the story is retail, and the perfect storm has picked up momentum in the retail segment. Fashion, which is typically the largest tenant group in high streets and shopping centres, is heavily affected by the retail shifts towards e-commerce, and downsizing and consequently reduced margins from physical operations. In our view, we will see more retailers reduce their exposure and cut costs in a way that will heavily hurt the landlords of high streets and shopping centres. The focus on costs and availability among consumers proves challenging for physical retail. We are expecting retail rents in high streets and shopping centres to reduce by as much as 25 % - 50 % over the coming years.

The transaction market continues a steady course into 2019, even after the days of yield compression came to an end. While some might point towards a negative flow of funds by foreign investors, we believe an important distinction on the foreign investors and their sentiment towards the Norwegian market is separating those with experience from Norway, and those without. We are seeing many investors that have divested Norwegian CRE to re-appear on the buy side in new attractive deals. Although not the case now, any potential shift in international investor demand from Norway to other Nordic countries, would be far outweighed by demand from domestic investors.

With the residential market in Oslo and Norway in general seeing record high number of transactions, prices remain rather flat into 2019, much helped by slowly increasing key policy interest rates. Strong employment growth in the Oslo area creates not only the need for offices, but also more housing units. So far, interest rate hikes have had very limited effects on the interest rate swaps affecting financing costs on commercial real estate, but that might change and potentially affect yields. While offices remain sharp in pricing due to a strong leasing market, the retail assets is increasingly being punished by higher yields due to a much weaker outlook on future rental growth.

We hope you enjoy our latest market report. Remember that Malling & Co is here to support you in all your commercial real estate needs, including transaction support, tenant representation, development, energy and environment services, research services, rental services, valuations, and property and asset management.

ANDERS BERGGREN
CEO — EIENDOMSHUSET MALLING & CO

MACRO – NORWAY

Closer ties to global development

GDP for mainland Norway expanded by 2.2 % in 2018 and increased by 0.6 % during the period December-February relative to September-November 2018. The latest full-year estimate for 2019 from Statistics Norway (SSB) is still set at 2.4 % for mainland Norway, which is considerably higher than the long-term growth trend of 2.0 %. The latest available projection for 2020 and 2021 is 2.3 % and 2.0 % respectively, while in 2022 the estimate has been adjusted down to 1.9 %. In other words, the estimate for 2019 stays the same as in our previous report, while for 2020 it has increased by 10 bps. The estimate for 2021, however, has been adjusted downwards since our last report by 20 bps and is estimated to continue downwards into 2022. The current drivers of GDP growth are higher petroleum investments that will boost the Norwegian economy, along with strong employment outlooks and a very weak NOK, thus supporting Norwegian global competitiveness.

GDP growth

SSB's estimate from March projects that mainland GDP growth will be 2.4 % in 2019, 2.3 % in 2020, 2.0% in 2021, and 1.9 % in 2022. DNB Markets' forecast from April is however a bit more negative. Both DNB Markets and SSB estimate GDP growth to be 2.4 % in 2019, however, for 2020, DNB Markets has lowered its forecast to 2.1 %, hence 20 bps lower than that projected by SSB. DNB Markets continues its projected decrease into 2021 and 2022 by estimating a GDP growth of 1.9 % and 1.8 % respectively, both 10 bps below that of SSB. Nevertheless, these figures are more optimistic than that suggested by DNB Markets at the time of our previous report. Its main reason for increasing its projections is that it no longer believes a US recession to be the most likely long-term scenario, although it still considers the risk of a medium-term downturn to be approx. 30 %. Moreover, it has also taken into consideration the substantial increase in oil investments and more stable inflation forecasts. The Norwegian Central Bank regional network survey 1/2019 reports continued growth amongst enterprises, with an annual output growth close to 2.9 %. It further elaborates that commercial services, through increased oil investments, digitisation and high public investments, are the main contributors to growth. The weak growth in retail and increased online shopping on foreign websites is reported to be having a negative effect on growth.

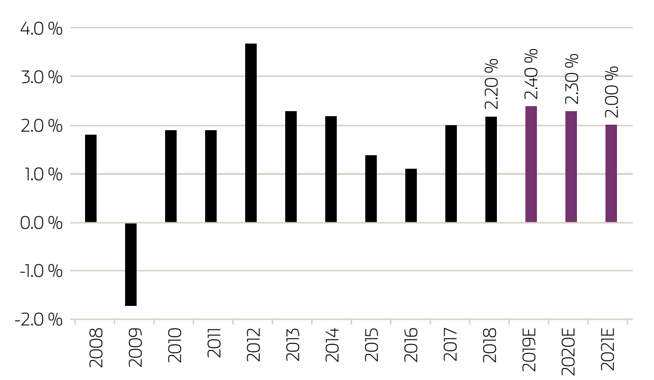
Oil prices

The Brent crude oil price is down slightly from our last report and is currently close to USD 70 per barrel. After the oil price drop in 2014, it reached a new high at USD 86 per barrel in October last year, however it dropped rapidly thereafter, culminating in USD 50 per barrel on Christmas Eve. The forward market is now pricing Brent Crude Oil for the end of 2019 at USD 68 per barrel, while the current pricing for year-end 2020 is USD 64 per barrel. On the other hand, DNB's oil price estimate for 2019 is set at USD 70 per barrel and USD 75 per barrel in 2020.

Oil investments

At the time of our last market report, SSB projected further increases in oil investments. It forecast NOK 175 billion for 2019 and close to NOK 190 bn in 2020 and 2021. However, in the February update it adjusted its estimates downwards by 1.4 % to NOK 172.7 bn in 2019. Moreover, SSB now estimates investments to be NOK 158.5 bn in 2020, although it points out that the current estimate may increase, depending on whether or not further uncertain developments are realised. Oil related investments ended at NOK 151.8 bn in 2018.

MAINLAND GDP GROWTH NORWAY



Source: Statistics Norway (March 2019)

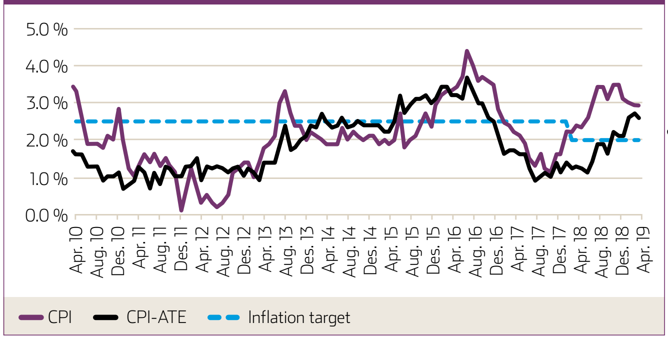
THE LABOUR MARKET 2007 – 2018 WITH FORECASTS UNTIL 2022 (LABOUR FORCE SURVEY. SEASONALLY ADJUSTED NUMBERS)

Source: Statistics Norway (May 2019)

MAIN FIGURES (ANNUAL PERCENTAGE GROWTH UNLESS OTHERWISE NOTED)	2018	2019E	2020E	2021E	2022E
Consumption in households etc.	2.0	2.2	2.3	2.3	2.3
General government consumption	1.5	1.8	1.8	1.6	1.6
Gross fixed investment	0.9	4.7	1.2	1.0	1.1
– Extraction and transport via pipelines	3.3	12.9	-0.6	1.0	1.5
– Gross investments mainland Norway	0.7	2.1	1.7	1.0	1.0
Exports	-0.8	1.0	5.4	3.3	2.2
– Traditional goods	2.5	3.8	3.5	3.6	3.5
– Crude oil and natural gas	-4.8	-1.4	10.3	4.5	0.9
Imports	0.9	3.3	1.6	1.8	2.1
GDP	1.4	2.0	3.1	2.2	1.8
Unemployment rate (level)	3.8	3.7	3.7	3.7	3.6
Employed persons	1.5	1.2	0.7	1.0	0.6
CPI - yearly growth	2.7	2.3	1.7	1.9	2.1
Core inflation (CPI-ATE)	1.6	2.3	1.9	2.1	2.2
Wages per standard man-year	2.8	3.3	3.5	3.6	3.6
Real after-tax lending rate, banks (level)	-0.7	0.2	1.0	1.1	0.9
NOK per euro (level)	9.60	9.76	9.76	9.76	9.76
Current balance (Bn. NOK.)	286	300	377	392	394
Current balance (in % of GDP)	8.1	8.1	9.7	9.7	9.4

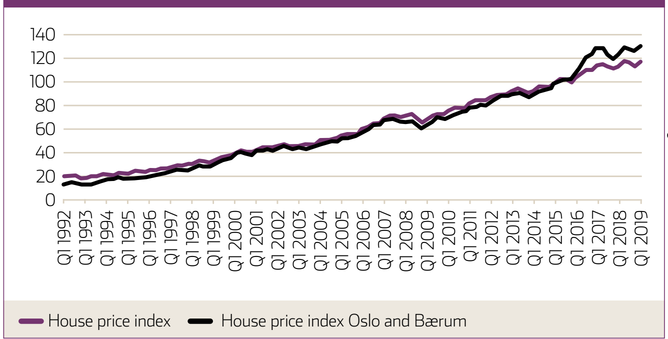
Source: Statistics Norway (March 2019)

INFLATION (12-MONTH CHANGE)



Source: Statistics Norway

HOUSE PRICE INDEX (2015 = 100)



Source: Statistics Norway

Key policy rate
After adjusting the key policy rate upwards to 0.75 % in September 2018, the Norwegian Central Bank (NCB) kept the rate stable until March 2019, when it was raised a further 25 bps to 1.0 % as expected. The NCB's assessment is that both economic growth and capacity utilisation are above normal, and that underlying inflation is somewhat higher than targeted inflation. House prices are increasing modestly, as higher interest rates and global uncertainty are offset by growth in income and employment. The NCB reports that further increases will be introduced gradually. DNB is expecting the key policy rate to be hiked further upwards at the next meeting in June.

CPI
The 12-month CPI increase was 2.9 % in March 2019, considerably higher than the target of 2.0 %. Core inflation peaked at 3.5 % in November and December (YoY), as the inflation rate was boosted by a sharp rise in electricity prices. As these prices will most likely decline through 2019, it will contribute to a reduction in inflation.

Currency
Statistics Norway expects the NOK to remain flat in value over the coming three years with NOK/EUR at 9.76 in 2019 – 2022. DNB, on the other hand, projects NOK/EUR to be a lot stronger than SSB is forecasting at NOK 9.40 12 months from now. As at COB on 9 May, the EUR traded at NOK 9.87, USD at NOK 8.80, and GBP at NOK 11.44.

Unemployment
According to the Labour Force Survey (LFS), unemployment decreased by 7 000 from August (average of July-September) to February (average of January-March), bringing the unemployment rate down from 4.0 % to 3.8 %. Total workforce numbers have remained stable over the period. Register-based unemployment issued by NAV (the Norwegian Labour and Welfare Administration) was 2.2 % in April, down from 2.5 % a year ago (seasonally adjusted).

Employment
The latest employment rate in Norway is 67.7 %. This corresponds to a growth rate of 1.5 % in 2018. The employment growth rate is estimated to be 1.2 % in 2019, while growth in 2020-2022 is projected to be just below 1.0 % on average.

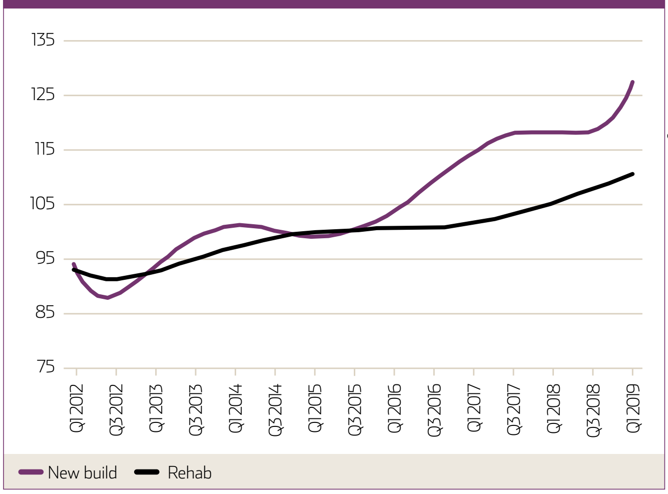
Wages
Wage growth has increased in previous years, but remains at a moderate level. Negotiations for wage settlements in 2019 ended on 1 April, and the negotiating parties expect the concluded agreement to achieve 3.2 % wage growth for the manufacturing sector. This forecast will serve as a benchmark for other settlements. According to DNB, its forecast for total wage growth has been increased by 20 bps to 3.3 %, and it expects wage growth to stabilise at this rate in the medium term.

The stock market
The Oslo Stock Exchange broad index (OSEBX) started the year at above 803 points, and reached a year high of just above 894 on 23 April (as at 9 May), thus failing to close above 900 so far in 2019. The OSEBX index stands at 859 at the close of 9 May, down almost 9.2 % since the all-time high of 946, and up around 7.0 % from the beginning of the year.

Residential prices
The April release of the Norwegian residential real estate statistics showed that prices increased by 0.8 % nominally from March. Seasonally adjusted this means a flat development, and, thus, the moderate price development is continuing. So far this year, activity levels have been very high, with an even higher number of transactions for the year to date than the record year in 2018. Low unemployment and an increasing labour force will continue to support the demand side, although it will constitute a smaller driver than the negative impact from interest rates, should the announced rate increases from the Norwegian Central Bank take full effect on mortgage rates.

Consumption growth
According to Statistics Norway, private consumption fell by 20 bps to 2.0 % from 2017 to 2018. Backed by the expected growth in wages, consumption growth is, however, forecast to increase back to 2.2 % in 2019, and another 10 bps to 2.3 % in 2020 – 2022.

PRODUCTION INDEX FOR CONSTRUCTION (2015 = 100)



Source: Statistics Norway

MACRO – GLOBAL

Trade frictions amid retracting economic expansion

Global economic activity slowed notably in the second half of 2018, mirroring a convergence of drivers in major economies, which has had a negative effect on global growth. As a result of these developments, according to the IMF World Economic Outlook (WEO), global growth is now projected to slow to 3.3 % in 2019 (3.6 % in 2018), before returning to 3.6 % in 2020. Growth was revised down relative to the October 2018 WEO for 2019 and 2020 by 40 bps and 10 bps, respectively. China has seen a decline in growth, following a combination of required regulatory tightening to rein in shadow banking and an increase in trade tensions with the US. The eurozone economy has lost more momentum than expected as consumer and business confidence weakened. Germany is experiencing a slowdown in its core industry; Italy is seeing decreased investments as sovereign spreads have widened and external demand, especially from emerging Asia, has softened. Trade tensions increasingly took a toll on business confidence and financial market sentiment worsened late in the year for advanced economies, weighing on global demand. Conditions have eased in 2019 as the US Fed has signalled a more accommodative monetary policy stance, but markets are in turmoil again as a more pessimistic outlook looms over a potential trade deal between the US and China after yet another twitter rant by the US president. However, a projected pickup in the second half of 2019 is predicated on an ongoing build-up of policy stimulus in China, recent improvements in global financial market sentiment, the waning of some temporary drags on growth in the euro area, and a gradual stabilisation of conditions in stressed emerging market economies. Yet, risks to global growth remain skewed to the downside.

Sweden

The Swedish economy came in 10 bps below the IMF projection for 2018 at 2.3 % growth. However, the projected growth for 2019 has been revised down significantly from a smaller drop of 10 bps to a drop now of 110 bps to 1.2 % for the full year, before increasing back up to 1.8 % in 2020. In the longer term, the IMF projects Swedish GDP growth to remain on the lower end in a ten-year historical perspective at 1.9 % in 2021 and at 2.0 % for 2022 and 2023. The Swedish Central Bank (SCB) has, in light of this, become more dovish after a longer period of forecasting rate increases to come, and a perhaps too optimistic view of the inflation outlook in the past few years. This also took the market by surprise when the SCB then finally changed course and announced large downgrades in its inflation and interest rate forecasts, while announcing the decision to keep the key policy rate at -0.25 % at the end of the April meeting.

The Eurozone

The economy in the Eurozone came in 20 bps below the IMF projection for 2018 at 1.8 % growth. However, the projected growth for 2019 has been revised from a already significant drop of 40 bps to now drop 50 bps to 1.3 % for the full year, before inching back up to 1.5 % in 2020. The eurozone slowed more than expected as multiple events across countries caused weakening consumer and business sentiment. Fiscal policy uncertainty and growing concerns about a no-deal Brexit weighed heavily on investment spending within the eurozone. These unfortunate circumstances are following a period where the uptick in 2017 in the eurozone economies is all but wiped out as exports softened considerably while weak intra-eurozone trade aggravated poor sentiment across the region. The European Central Bank (ECB) has been forced to keep interest rates on its main refinancing operations, marginal lending facility and deposit facility unchanged at 0.00 %, 0.25 % and -0.40 % respectively, and is signalling an even more dovish approach than earlier, making it clear that interest rates will remain at their present levels for an extended term and that they will continue to do everything in their power to keep the fragile economic recovery in the eurozone afloat.

The UK

The UK economy came in at the IMF projection for 2018 at 1.4 % growth, while the projected growth for 2019 has been revised down by 30 bps to 1.2 % for the full year 2019, before increasing back up to 1.4 % in 2020. In the longer term, the IMF projects the UK GDP growth to remain sluggish at 1.5 % in 2021 and at 1.6 % for 2022 and 2023 respectively. A hard Brexit was once again avoided at the last minute, this time extending the deadline till October of this year to reach an agreement. Although a bit odd, yet another extension is seen as somewhat of a relief as the signals from parliament is becoming clearer on not accepting anything but a soft Brexit, reducing the risk of the tumults that is sure to follow in the wake of a hard Brexit. However, the Bank of England (BoE) is signalling a hawkish approach to the situation, and central banks that have taken this stance in today's global economic climate are few and far between. After maintaining the key policy rate of 0.75 % at the May meeting, BoE has been quoted in its latest statement on the minutes that "the monetary policy response to Brexit, whatever form it takes, will not be automatic and could be in either direction. The Committee will always act to achieve the 2 % inflation target".

The US

The US economy came in at the IMF projection for 2018 at 2.9 % growth, while the projected growth for 2019 has been revised down by 20 bps to 2.3 % for the full year 2019, before dropping further to 1.9 % in 2020. In the longer term, the IMF projects the US GDP growth to remain well below 2.0 % growth at 1.8 % in 2021 and at 1.6 % for 2022 and 2023. Since our last report, the Fed has become dovish after a period of a markedly hawkish stance after the new Chairman of the Fed began his tenure, which we commented on in our last report. A downward sloping yield curve is historically an indicator of a US recession, which markets are following closely, and we can

ANNUAL GDP GROWTH (PERCENT)	2018	2019E	2020E	2021E	2022E	2023E
Global	3.6	3.3	3.6	3.6	3.6	3.6
The US	2.9	2.3	1.9	1.8	1.6	1.6
EU 28	2.1	1.6	1.7	1.7	1.6	1.6
The Eurozone	1.8	1.3	1.5	1.5	1.4	1.4
Advanced economies	2.2	1.8	1.7	1.7	1.6	1.6
Emerging and developing Europe	3.6	0.8	2.8	2.9	2.9	3.1
Germany	1.5	0.8	1.4	1.5	1.4	1.3
France	1.5	1.3	1.4	1.5	1.5	1.5
The UK	1.4	1.2	1.4	1.5	1.6	1.6
Sweden	2.3	1.2	1.8	1.9	2.0	2.0
Denmark	1.2	1.7	1.8	1.6	1.6	1.6
Italy	0.9	0.1	0.9	0.7	0.6	0.6
Japan	0.8	1.0	0.5	0.5	0.5	0.5
China	6.6	6.3	6.1	6.0	5.8	5.6
Russia	2.3	1.6	1.7	1.7	1.6	1.6
Middle East and North Africa	1.4	1.3	3.2	2.8	2.8	2.8

Source: IMF World Economic Outlook (April 2019)

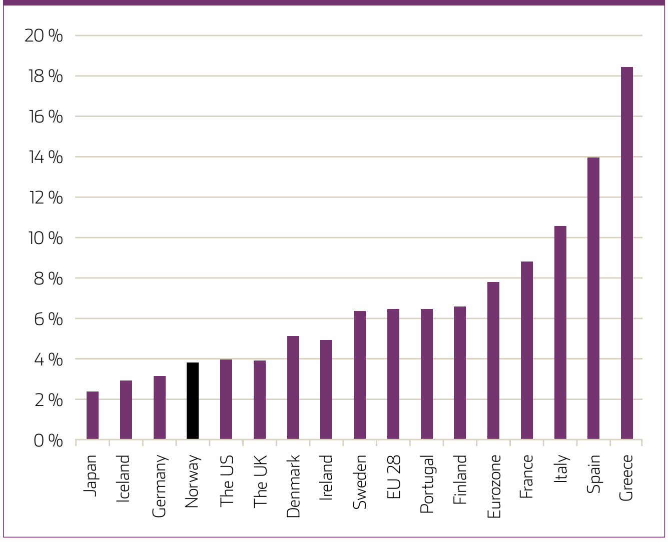
OLE DEVIKS VEI 2-4-6, OSLO
Malling & Co Project Finance has acted as buy-side advisor for Tristan Capital Partners in the aquisition of Ole Deviks vei 2-4-6 at Bryn. Malling & Co Project Finance will be Tristan Capital Partners' joint-venture partner and asset manager during the holding period.

see signs that investors are in agreement on the signals from the Fed and preparing for slower economic growth as markets are now pricing in an 80 % probability of the Fed cutting interest rates by year-end. At the May meeting, the target range for the federal funds rate was maintained at 2.25 - 2.50 % citing its mandate to foster maximum employment and price stability in a climate where global economic and financial developments, and muted inflation pressures could trigger adjustments to support these outcomes.

Emerging markets

The challenges in advanced economies, mentioned in the sections above, led to GDP growth coming in at 4.5 % for 2018, 20 bps lower than the projection from the IMF in our last report. This will carry over into the first half of 2019, putting a damper on the full year projection for 2019 at 4.4 %, although activity is expected to pick up significantly in the second half of the year. The improved momentum for emerging markets and developing economies is thus projected to continue into 2020, primarily reflecting developments in economies currently experiencing macroeconomic distress. By contrast, the activity in advanced economies is, as we have argued above, projected to continue to slow gradually as the impact of US fiscal stimulus fades and growth tends toward the modest potential for the advanced economies group.

UNEMPLOYMENT RATE IN SELECTED COUNTRIES/AREAS (LFS)



Source: Eurostat Q1 2019

OSLO OFFICE MARKET

Employment and demand for office space

Another year with significant employment growth ahead

The trends discussed in our previous report, with stronger employment growth in Greater Oslo than other parts of the country, appears to be continuing. We are also seeing that 37 % of the increased employment in Oslo over the past year has come from workers commuting into Oslo. This trend has been observed for several years and confirms the effects of the public transport initiatives seen over the past years. The employment growth is one of the main reasons why office vacancy continues to decrease in Oslo. The employment outlook is still very positive and it seems as though the risks we discussed in our previous report have not materialised and that employment and office demand growth will continue into 2020.

Two years of strong employment growth to continue into 2019

While unemployment rates have flattened for the whole country at around 3.8 %, according to the LFS survey, absolute employment is increasing. Registered unemployment for Oslo and Akershus is as at April 2019 2.6 % and 2.0 % respectively. The corresponding number for the whole country is 2.3 %. According to registered employment, we have seen an increase in employment with workplace in Oslo at above 14 000 measured Q4 2017 vs. Q4 2018. The corresponding growth from 2016 to 2017 was just above 11 000. The relative increase in employment in Oslo and Akershus (Oslo's surrounding county) was 3.0 % and 3.4 % respectively, and was the highest in Norway both in absolute and relative numbers. The growth seems set to continue into 2019 as Q1 wage-earner numbers from Statistics Norway released in the beginning of May (also based on the "A-ordning" source) show an increase of about 12 000 over the past four quarters (Q1 2018 vs. Q1 2019), corresponding to a growth of 3.1 % over the same period.

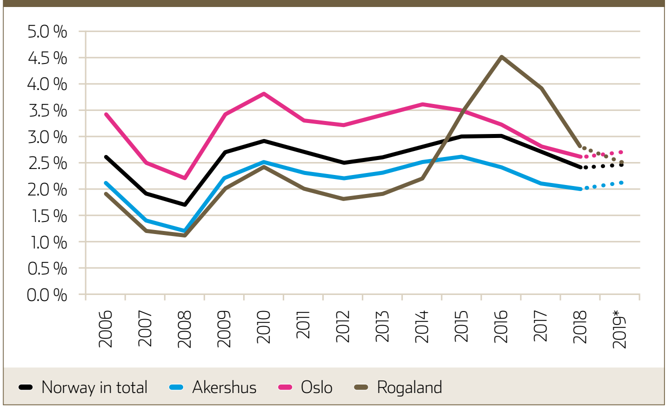
The increase in employment comes from both increased commuting and increased employment among Oslo residents. Commuting to Oslo comes mainly from the surrounding municipalities/suburbs of Oslo. The increase in employment is creating a need for additional office space, some of which will find its way into vacant desks in existing leases or vacant space in serviced office concepts. Employment is also particularly strong within typical office-intensive professions.

Rogaland (Stavanger region), has also experienced strong employment growth, rising 2.3 % from Q4 2017 to Q4 2018. This is positive for the region that was seriously affected by the oil price drop back in 2014. However, employment numbers from Rogaland should be considered carefully, as Statistics Norway has changed the geographical allocation of offshore workers from Q2 2018 from a separate category to the mainland. Rogaland also had a high number of foreign employees temporarily that are not visible in the employment numbers, which only includes those with Norwegian citizenship.

Strong employment outlook for Oslo and rest of the country

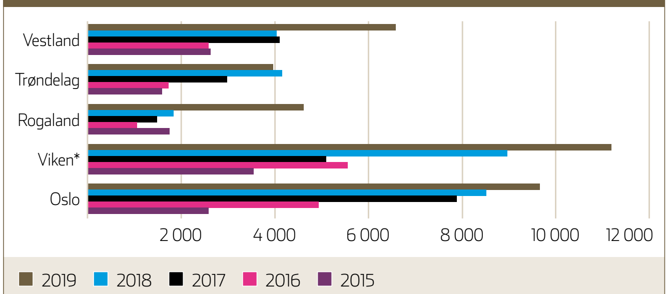
Forward-looking employment surveys, with a very local focus, tend to be inaccurate and lacking. However, the overall outlook from the latest NAV survey released on 9 May points towards a further strong increase in employment nationwide and in Oslo. According to the survey, Oslo is

REGISTER BASED UNEMPLOYMENT



Source: Norwegian labour and welfare administration

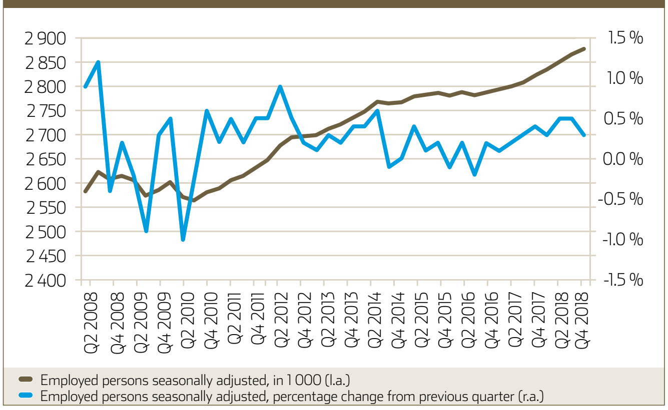
ESTIMATED LACK OF WORKFORCE, (# PERSONS)



*Viken 2015–2018 includes combined results from Østfold, Akershus and Buskerud (county merger). We have not made adjustments for changes in geographical allocation of municipailities to boundary counties. All numbers are estimates based on a survey on a sample of responding employers, and the associated 95 % confidence interval for the results are available in NAV's report.

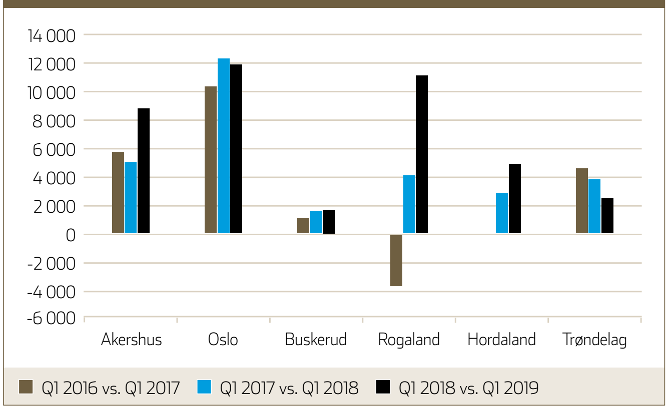
Source: NAV Bedriftsundersøkelse 2015-2019

NATIONAL ACCOUNTS, QUARTERLY EMPLOYMENT



Source: Statistics Norway

CHANGE IN WAGE-EARNERS PER COUNTY Q1 VS. Q1



Source: Statistics Norway

likely to see the second strongest growth (in absolute numbers) over the coming year with a reported labour shortage of almost 9 700, the highest seen for many years. By comparison, numbers reached 11 600 in 2007.

The official estimates from NAV from January for employment growth in 2019 come in at 8 000 new jobs, but considering the latest business survey conducted by MEOS, we believe growth will be closer to what we saw in 2018, at around 14 000. The Manpower Employment Outlook Survey (MEOS) for Q2 2019, which identifies net expected staffing for the next quarter (the percentage of employers anticipating an increase in hiring subtracted from the percentage of employers expecting to decrease), reports a national net outlook of + 5 % for Q2 2019, down from + 8 % seasonally-adjusted for Q2 2018. In Greater Oslo, the survey becomes a lot less accurate, although we have noted that net results in this area for Q2 2019 are steady at 8 % compared with Q2 2018, indicating that employment is continuing to increase at the same pace as last year. The regional network survey by the Norwegian Central Bank also continues to report a positive outlook for employment at around 0.5 % in the coming three months, which is in line with the growth reported over the past year (survey period January-February). This indicates a growth in employment in line with that expected in 2018. By way of conclusion, there should be room for significant employment growth in Oslo for another year, as the proportion of employed people aged between 15 – 75 may well increase compared to the historical high (2008), due to Oslo's rising population and an expected increase in commuting. However, there are a few risks worth mentioning, especially that many employers are reporting an increasing lack of skilled labour, which could limit employment growth despite increased demand and capacity within the workforce.

High office space take-up anticipated in 2019 and into 2020

As always, the demand for office space is not necessarily directly linked to overall increased employment, as there is some slack in several of the links. Such links could also affect office demand long after employment growth has materialised, as long as the employers continue to report a positive outlook on employment. In 2018, actual employment growth in Oslo was stronger than anticipated, which could mean another year with strong office take-up as long as the outlook remains solid. Based on current estimates and that typical office leasing professions lead the way in employment growth, we could see an additional net take-up of between 150 000 – 250 000 m² during 2019 in Greater Oslo. That being said, we must still keep an eye on the possible risks of a less positive outlook within certain sectors, especially retail, which could affect office take-up further down the road. The rise of several serviced office space providers has increased the take-up of office space over the past years, and as these providers could pick up some of the slack, they are also expected to continue their expansion and hence still have positive net effects on take-up.

KONGENS GATE 21, OSLO

Malling & Co Næringsmegling has leased the entire 20 000 m² office-part of the building to four tenants.

Office search mapping

From high demand in 2018 to a slower 2019

The total registered office search volumes for 2018 ended at 307 000 m² for Greater Oslo, an 8-year high. As expected, office search activity has fallen in 2019 with 31 office searches so far, totalling only approximately 47 500 m². The searches in 2019 have been led by smaller tenants and, hence, the average size is down. We have only seen one search above 10 000 m². Since the overall search demand is primarily a combined consequence of contract expiry profiles and timing among tenants, the underlying growth in office demand from increased employment is not necessarily a significant factor in terms of overall search volumes.

Fewer large contracts expiring means fewer large searches

Search volumes (in m²) are, in general, affected by the structure of expiring lease agreements for large tenants. As expiry volumes will be about 30 % lower than the 10-year average for contracts above 5 000 m² in 2021 and 2022, the demand stimuli from large contracts on the move are less prominent in 2019. However, increased office demand and increased employment creates an overall excess of demand on the marginal demand rate. The positive momentum is also potentially motivating tenants who are currently in the process of increasing their future space requirements as the economic outlook improves. However, the employment growth of 3 % seen in Oslo in 2018 is difficult to distinguish from other random variations in demand seen in search volumes historically. We are also seeing signs of tenants with targets to move in 2023 already investigating market opportunities. More than 260 000 m² office space above 5 000 m² in size is currently known to be expiring in 2023, but most of these searches are expected to launch later this year or in 2020.

Some large searches from 2018 still unresolved

Schibsted's search for 20 000 – 45 000 m² in central Oslo at the very end of 2018 is one of the largest fishes still swimming in the sea right now, after UDI signed a 16 000 m² lease in NCC Property Development's project Valle View (Helsfyr). KPMG (12 000 – 14 000 m²), which posted a search in October 2018 and EY's search (8 000 – 12 000 m²) this March, are also still ongoing processes without any official result. Many of the processes launched last year have been resolved, like Telia/Get, Fylkesmannen in Oslo and Akershus, and Swedbank. As always, we are also tracking several companies looking for new premises without launching an official search, many of which have ended up re-negotiating their current premises.

A cocktail of few large searches and low vacancy

The search market is of special interest for developers, as it is the main source for large lease contracts needed to initialise new projects requiring an anchor tenant. For a developer, both timing and size needs to match the project to be attractive. Most of the office searches seen in 2018, and so far in 2019, are aiming for a contract start-up by the end of 2020. Just under 100 000 m² of the search volume still registered as unresolved is aiming for 2021 and 2022. However, the Schibsted Media Group search for 20 000 – 45 000 m² office space is aiming for the very end of 2022, leaving few other new build initiators for 2021 and 2022. This expectation has been drawn from the expiry profiles and has primarily been caused by random variations. Despite having seen a decent number of large searches over the past three years, this has not triggered a significant amount of new builds to serve the underlying positive in net take-up, leaving vacancy rates to drop significantly from 9 % in 2012 to 5 % in 2019. Despite higher construction volumes next year, the activity is not enough to counteract the increased marginal net take-up. Since this is combined with few large tenants in the process of searching and still very limited speculative construction, the office market will see low vacancy rates for a couple of years unless the speculative construction increases. We also believe that the low vacancy rates cause many tenants to stay in their current premises, since they have fewer alternatives and are being offered decent extensions from their current landlords, who risk expensive fit-outs and vacancy periods between tenants. If this theory holds, the low vacancy could encourage less movement among large tenants (new build initiators) and hence keep vacancy lower for a longer time.

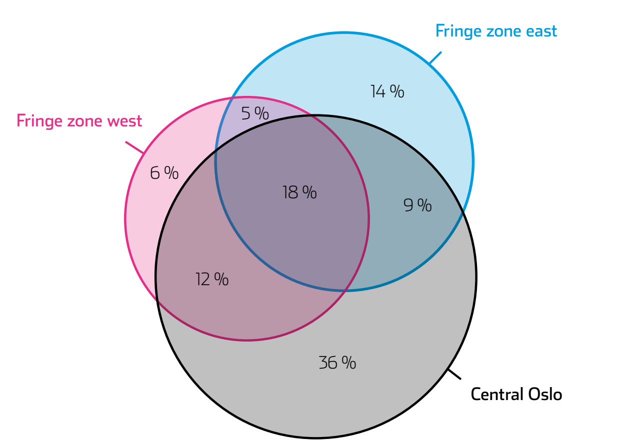
Still exceptional demand for central Oslo

Despite modest search volumes (in m²) with limited statistical value so far this year, we are still seeing Central Oslo being very strong in demand. As much as almost 60 % of demand as of April 2019 is aiming for central Oslo only, while 90 % specify Central Oslo amongst their choices. Only 5 % of the search volume is searching for western fringe only, while none are aiming for eastern fringe only. As vacancy rates are record low in central Oslo, and rents are on a rising trend, we believe many of the best fringe clusters just outside the city centre will see increased demand from tenants pushed out of the expensive city centre. We expect the demand at cluster like Bryn – Helsfyr, Nydalen and Lysaker to increase over the coming years as vacant space is scarce.

About the analysis and database

Tenant representation agents map tenants' requirements regarding location and facilities and manage the actual search for new commercial space. This applies to office space, combined premises, and retail and warehousing/logistics premises. Larger tenants are more likely to use tenant representation agents, but many small and medium-sized enterprises also obtain assistance during their relocation processes. We register and systematise all active property searches covering the Greater Oslo area. This makes it possible to analyse one of the main sources for take-up in the market. Our figures show that rental searches account for between 15 % and 50 % of the total annual volume (measured in square metres) of signed office lease agreements. Our analysis of market searches goes back to 2009 and includes more than 1 550 searches to date – two thirds of which are pure office market searches. This enables us to study the demand side trends in detail, and to help our clients to offer and invest in the right project for the end user.

OFFICE SEARCHES GREATER OSLO 2018-2019*, SIZES AND OVERLAP

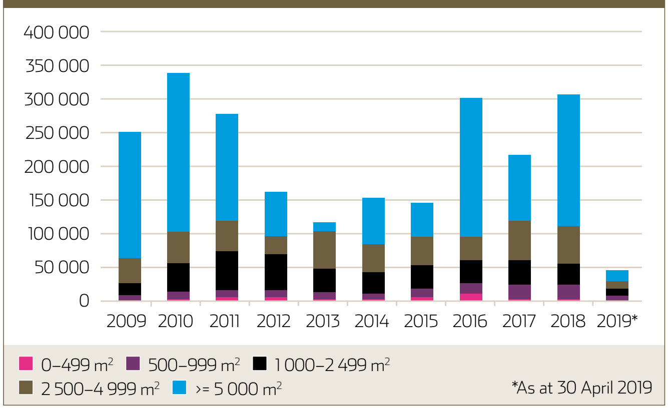


*As at April 2019

Source: Malling & Co / NEmeet

URTEKVARTALET, OSLO
On behalf of Eiendomsspar AS, Malling & Co Næringsmegling has been commissioned to lease 50 000 m² office space to new tenants in Urtekvartalet.

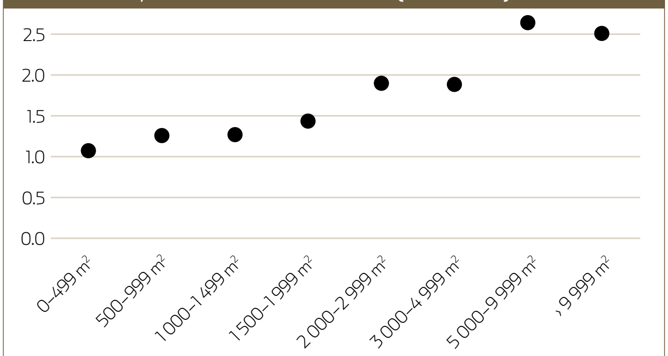
OFFICE SPACE SEARCHES GREATER OSLO 2009–2019* (M²)



*As at 30 April 2019

Source: Malling & Co / NEmeet

AVERAGE YEARS* BETWEEN PUBLICATION OF MARKET SEARCH AND DESIRED LEASE STARTUP, DIVIDED INTO SIZE SEGMENTS (2018–2019**)



Same year = 0.5. **As at 30 April 2019

Source: Malling & Co / NEmeet

Construction activity in Greater Oslo

High new construction volumes over the next few years

After a long period of low net construction volumes, we are entering a period of substantial increases in new office space. High profile projects that have been or will be completed this year are, for example, Eufemia, Skøyen Atrium III and the new Orkla HQ. Nevertheless, the expected new construction volume in 2019 is moderate (approx. 99 000 m²), compared to the 2020 gross estimate of approx. 180 000 m². After 2020 however, the pre-lease of new constructions is likely to slow down due to a decline in the expiry of large contracts. This is likely to have a negative impact on the number of projects being initiated and perhaps push more projects out in time. Therefore, we expect that the high new construction volumes will last for the next couple of years, before slowing down.

The confirmed new construction volume for 2020 has increased since our last report, as several of the projects have secured anchor tenants. For example, the second stage of NCC's multistage development at Helsfyr (Valle View) secured UDI as the anchor tenant earlier this year and is now estimated to be completed in 2020. However, demolition is reducing the net construction volume for 2020 somewhat, mostly because the demolitions attached to the building of the new government quarter are scheduled for 2018 – 2020. The net construction volume for 2020 is therefore estimated to be approx. 105 000 m², while the gross new construction volume is estimated at approx. 180 000 m². This is a substantial increase compared to the volumes we have seen for the past 3 – 4 years and may have an impact on vacancy.

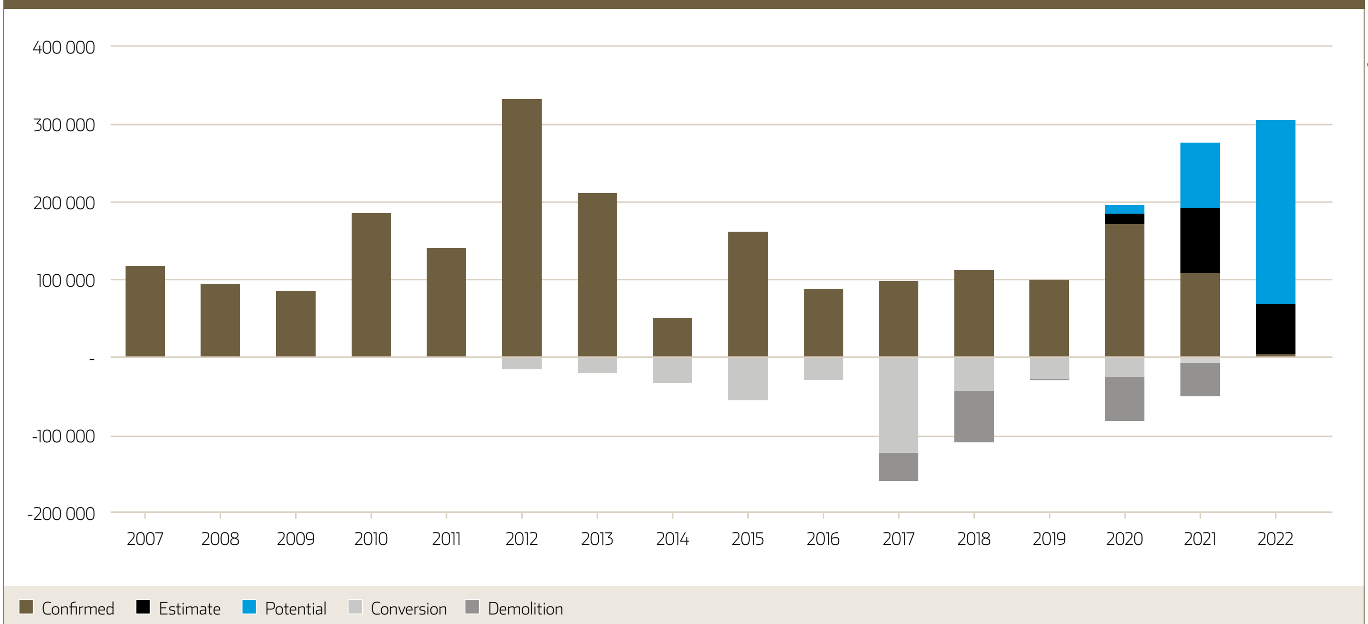
Currently, the large new construction volume appears to stretch into 2021. There are only three confirmed projects as of now, however they make up approx. 100 000 m² in new office space in total, and the volume of potential new constructions is high for 2021. On the other hand, the expiry of large contracts will slow down after 2020, so the competition for anchor tenants is likely to be fierce. In addition to moderate expiry volumes, there is some uncertainty about the duration of the currently high employment growth. Some projects originally estimated to be completed in 2021 may therefore be postponed slightly due to a lack of anchor tenants. Moreover, a slow-down in the economy would likely mean that even fewer developers would be eager to take on the risk of building on speculation. Nevertheless, there exists an overhang from the surprisingly high employment in 2018, which might absorb a lot of space in 2019 and 2020, and trigger some new constructions.

The eastern fringe zone still has the highest volume of all potential new constructions, however many of the projects in the pipeline at Økern are on hold pending the new area plan for Hovinbyen and Haraldrud. The projects running alongside Østre Aker vei are highly dependent on what will happen to the road, making them uncertain and subject to change. Nevertheless, the confirmed gross volume to be completed in the eastern fringe over the next couple of years is approx. 215 000 m². Two of these projects are being built on speculation (Freserveien 1 and Lørenveien 65) and, excluding these, there is still around 50 000 m² available for lease. The large construction volumes in the Inner City cluster consists mostly of the multiple new constructions that will be built along with the new central station and the new government quarter. These projects are, however, estimated to materialise much further into the future.

Project definitions

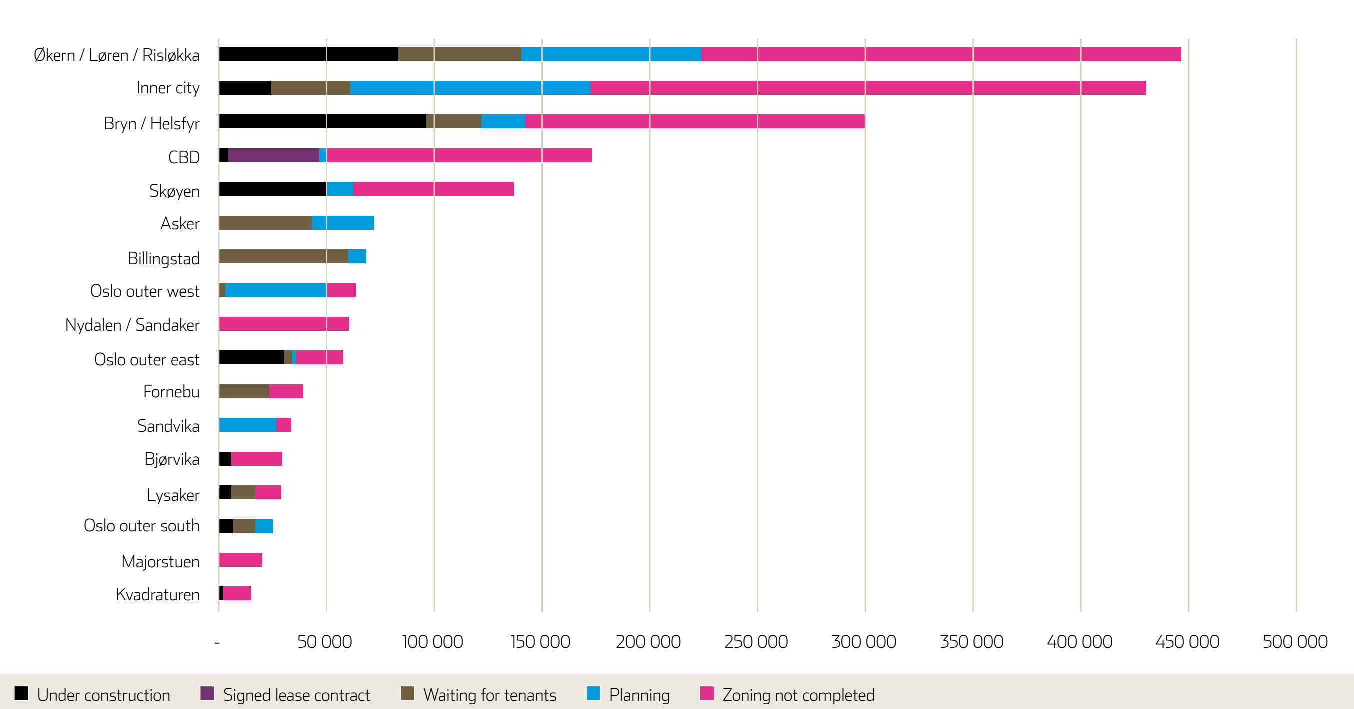
The confirmed volume includes all new constructions that are zoned and will be initialised either because they have secured an anchor tenant or because they will build on speculation. The likely volume includes all projects that are zoned, which we deem as attractive enough to secure tenants. Potential volumes include all projects in the pipeline, including projects that are currently in zoning or at planning/idea stage, hence this group is highly uncertain and subject to changes.

COMPLETION OF NEW OFFICE BUILDINGS IN GREATER OSLO AND EARLIEST POSSIBLE COMPLETION OF PROJECTED NEW OFFICE BUILDINGS (IN M²)



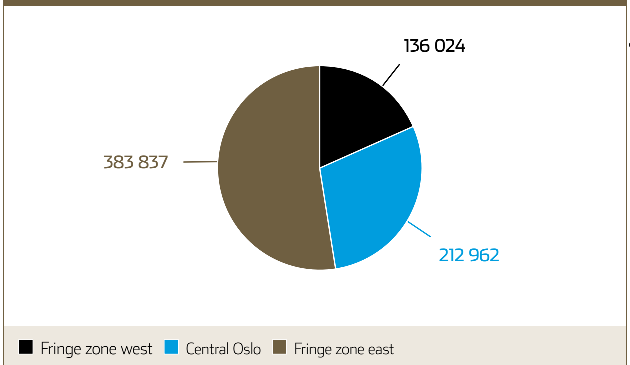
Source: Malling & Co

OFFICE CONSTRUCTION VOLUMES SPLIT BY STATUS AND CLUSTER (M²)



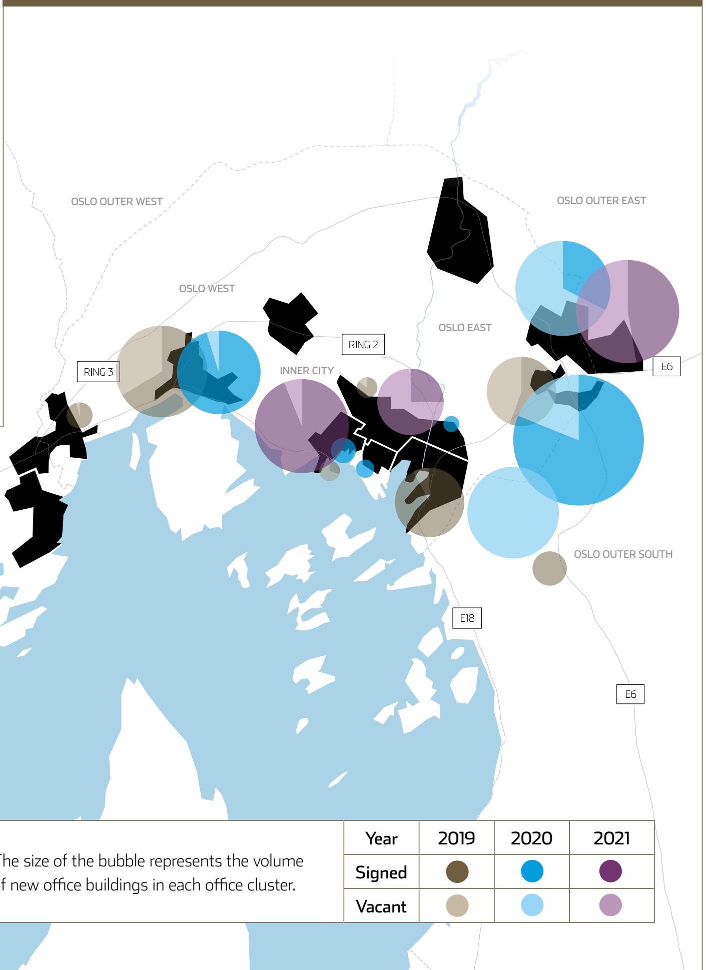
Source: Malling & Co

CONFIRMED AND ESTIMATED COMPLETIONS OF NEW OFFICE SPACE THE NEXT FIVE YEARS, SPLIT BY CITY AREA (M²)



Source: Malling & Co

CONFIRMED NEW OFFICE BUILDINGS THAT WILL BE FINALIZED 2019–2021

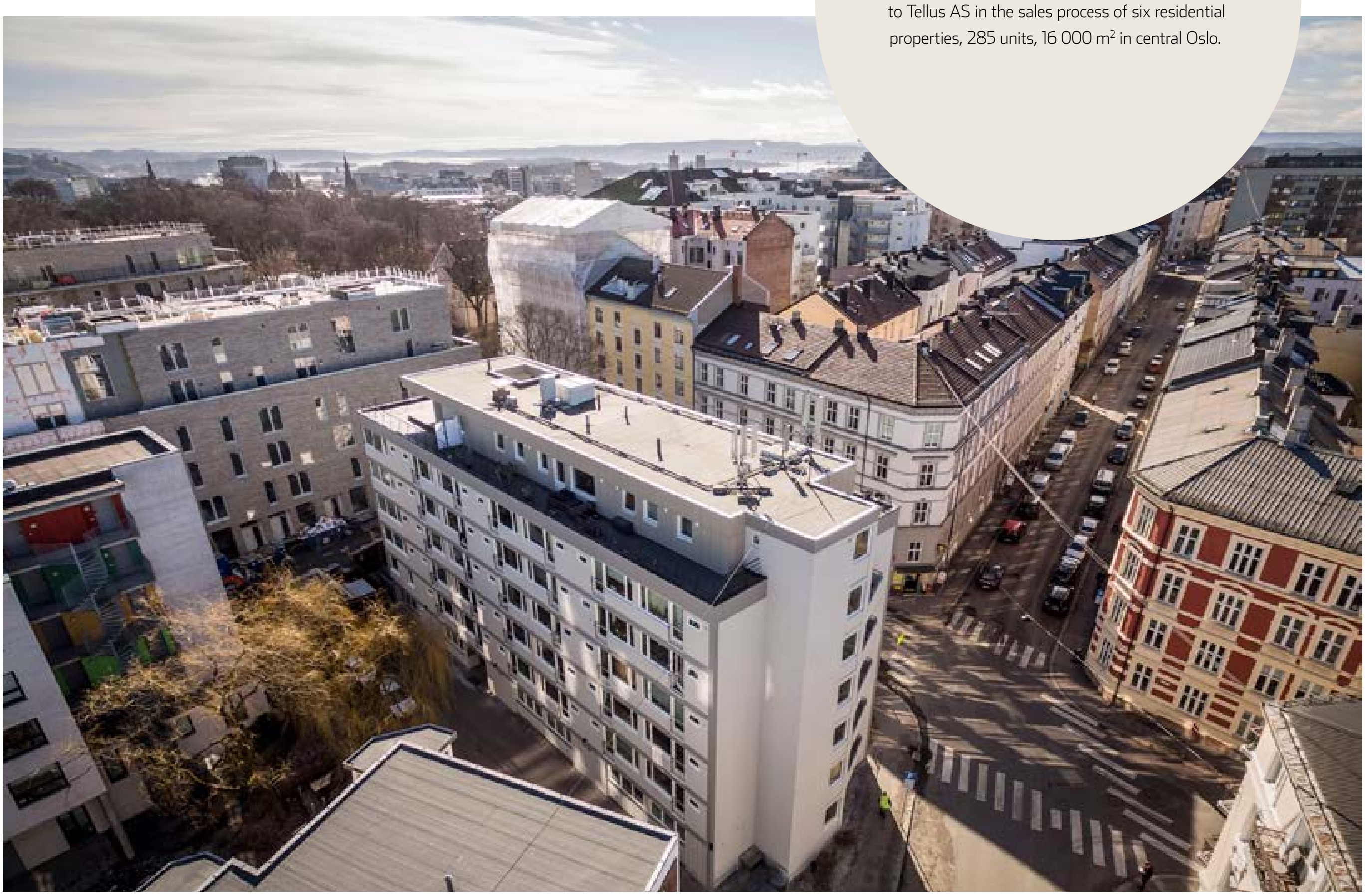


Source: Malling & Co

E.C. DAHLS BRYGGERI, TRONDHEIM

Malling & Co Corporate Real Estate, along with Norion, were advisors to Ringnes Norge AS on the divestment of a 53 700 m² residential development project in central Trondheim.

Illustration: ARC Arkitekter



RESIDENTIAL PORTFOLIO, OSLO

Malling & Co Corporate Real Estate is advisor to Tellus AS in the sales process of six residential properties, 285 units, 16 000 m² in central Oslo.

Supply and vacancy in Greater Oslo

Continued low vacancy but growing pressure from increasing net construction levels

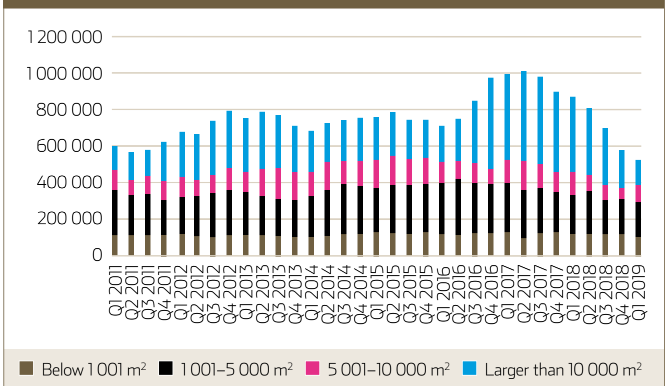
Vacancy in Greater-Oslo has stayed at record low levels since the autumn of 2018 and ended at 5.1 % in March 2019. While vacancy has stayed approximately the same since our last report, supply has decreased by approx. 230 bps, indicating that many of the new constructions in the market are filling up (supply currently at 6.5 %). Vacancy is especially low in central Oslo (3.8 %), while the eastern fringe is not far behind with a vacancy of 4.1 %. The scarce office supply in the city centre has increased demand in attractive fringe clusters and the result is a positive spill-over effect on vacancy and rent levels in certain areas. The western fringe has the highest vacancy of 8.0 %. This is still mostly due to high vacancy in Asker (11 %) and Billingstad (13 %), but also due to a substantial increase in the vacancy at Skøyen (11 %).

Vacancy in Greater Oslo is low in general, however the availability of space in central Oslo is particularly scarce, with vacancy levels ranging from barely 2 % in Bjørvika to 5 % at Majorstuen. Office space demand has always been high in central Oslo, particularly in the small- to medium-size range. Available space in this range is, however, becoming increasingly expensive and difficult to find, especially for high-standard buildings. This is one of the main reasons for the high rental growth we have seen for sub-prime buildings and locations in central Oslo in the past six months.

Overall, the most difficult space requirement from tenants to satisfy in central Oslo now is office space above 5 000 m², which makes up only 7 % of total vacancy and 10 % of total supply in central Oslo. As a result, large tenants must broaden their searches to include attractive fringe clusters, which is effectively reducing vacancy and increasing rents outside of the city centre. For example, vacancy at Bryn-Helsfyr has fallen 300 bps to 5 % since October 2018. Somewhat surprisingly, the vacancy at Skøyen has increased from 6 % to 11 % since October 2018. This is, however, mainly due to new constructions entering the vacancy, as they are within 12 months of being completed (e.g. Drammensveien 147, Harbitzalléen 3). Nevertheless, we expect the vacancy at Skøyen to decrease somewhat as it is considered one of the most prestigious alternatives to an already full city centre.

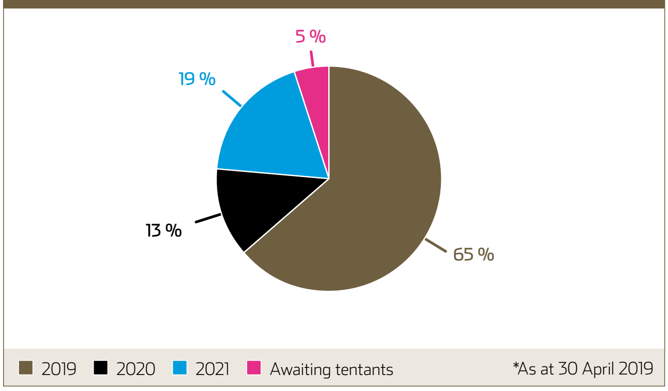
Net construction has increased considerably for 2020, compared to historical levels, where approx. 73 % of the projects are pre-let. However, developers will have to find tenants with expiry in 2020 for the remaining 27 % (approx. 50 000 m²), most of whom most likely have already signed elsewhere or renegotiated. Moreover, two of the projects being completed in late 2020 are being built on speculation and might take time to fill. Nevertheless, we are modifying our earlier prediction of increases in vacancy in late 2019. Instead, we predict that vacancy will stay low throughout 2019 and into 2020 before potentially increasing somewhat in late 2020. Employment in 2018 ended up being almost twice as high as projected and the absorption of office space was not nearly large enough to cover this increase sufficiently. The result is an overhang of tenants needing additional space, which is likely to kick in and absorb a lot of space in 2019 and 2020, either due to contract expiry or immediate need.

OFFICE SPACE FOR RENT IN DEFINED OFFICE CLUSTERS (M²) PER SIZE INTERVAL



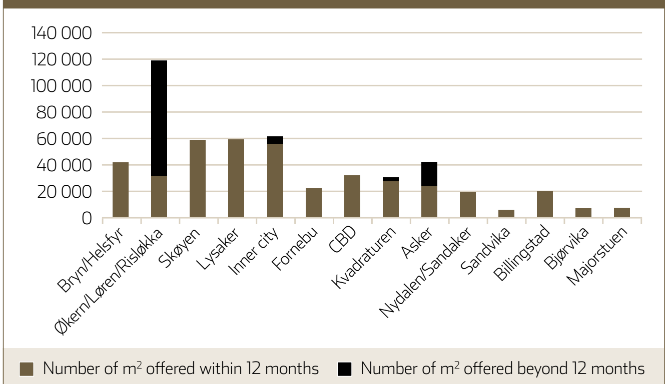
Source: Malling & Co/FINN.no

AVAILABILITY OF OFFICE SPACE ABOVE 2 000 M² OFFERED AT FINN.NO*



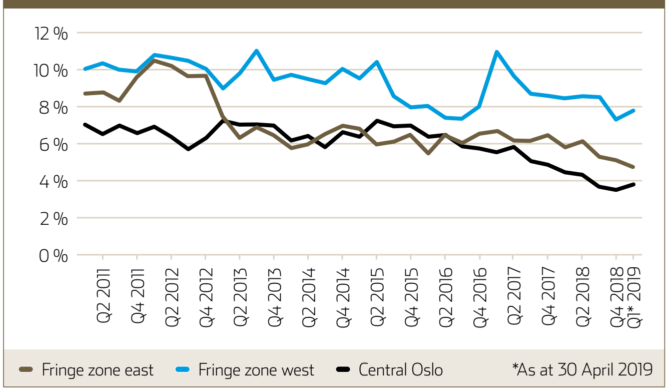
Source: Malling & Co/FINN.no

OFFICE SPACE FOR RENT DIVIDED INTO OFFICE CLUSTERS PER APRIL 2019 (M²)



Source: Malling & Co/FINN.no

VACANCY IN CENTRAL OSLO, EASTERN AND WESTERN FRINGE ZONE



Source: Malling & Co/FINN.no

SOFIENBERGGATA 17, OSLO
On behalf of Agra AS, Malling & Co Næringsmegling has leased the office floors in Sofienberggata 17 to the advertising agency ANTI, and the ground floor has been leased to the restaurant Bon Lio.

How we measure supply

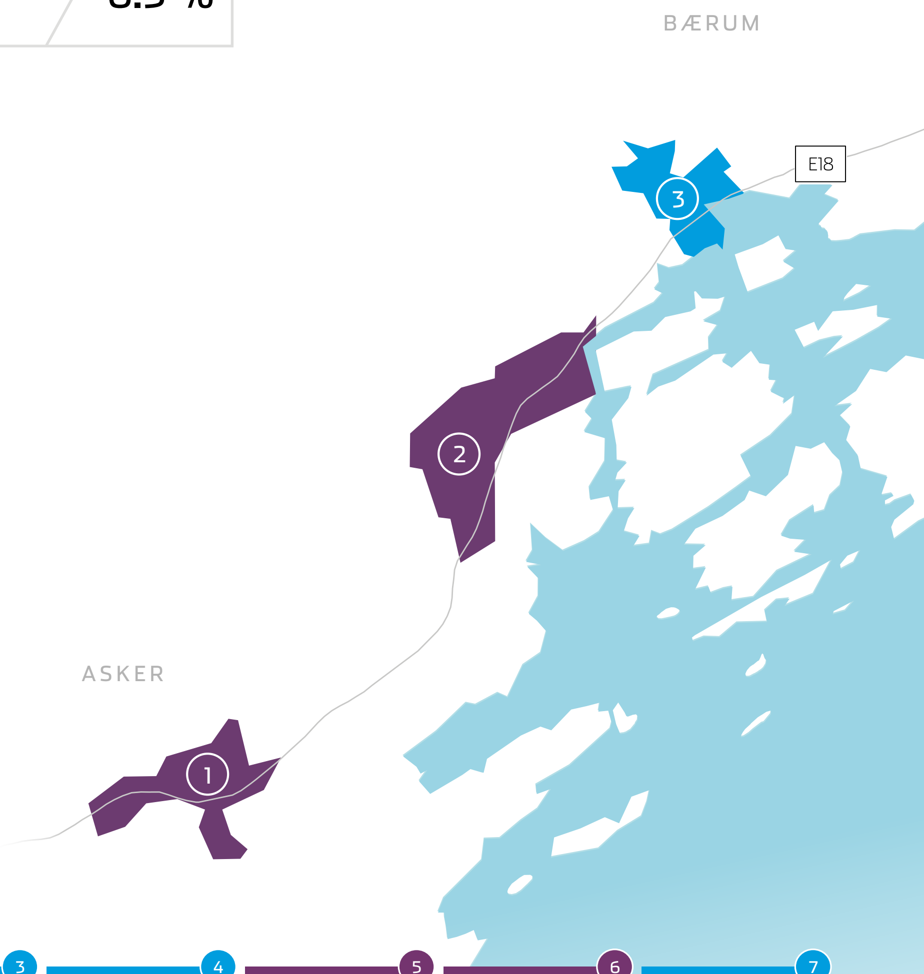
When analysing the supply side of the rental market, we wish to be able to describe what is available for prospective tenants, not only vacant space. We therefore split the total offered office space into two definitions: supply and vacancy. Supply includes all projects and vacancies, regardless of delivery date, while vacancy comprises only existing or new projects available for delivery within 12 months from the date of measurement. In more detail, we define supply as all office space that is available in the market, including existing buildings and new constructions. Projects offered to tenants looking for space via specific processes, but which are not listed as available on the online marketplace FINN.no, are not included in the figures. However, these projects usually end up listed on FINN.no eventually, which means that the potential supply may be higher than that reported in these figures, but vacancy is a more exact measure. Including a measure of available new office projects explains possible discrepancies in a simple supply/demand relation looking only at rents and vacancy.

Vacancy* and supply**

* Advertised office space within 12 months at FINN.no of the total office stock in Greater Oslo.
** Advertised office space at FINN.no of the total office stock in Greater Oslo. This includes potential advertised new projects.

VACANCY* IN DEFINED OFFICE CLUSTERS – Down approx. 1.2 percentage points past 12 months — **5.1 %**

SUPPLY IN DEFINED OFFICE CLUSTERS** – Down approx. 4.4 percentage points past 12 months — **6.5 %**

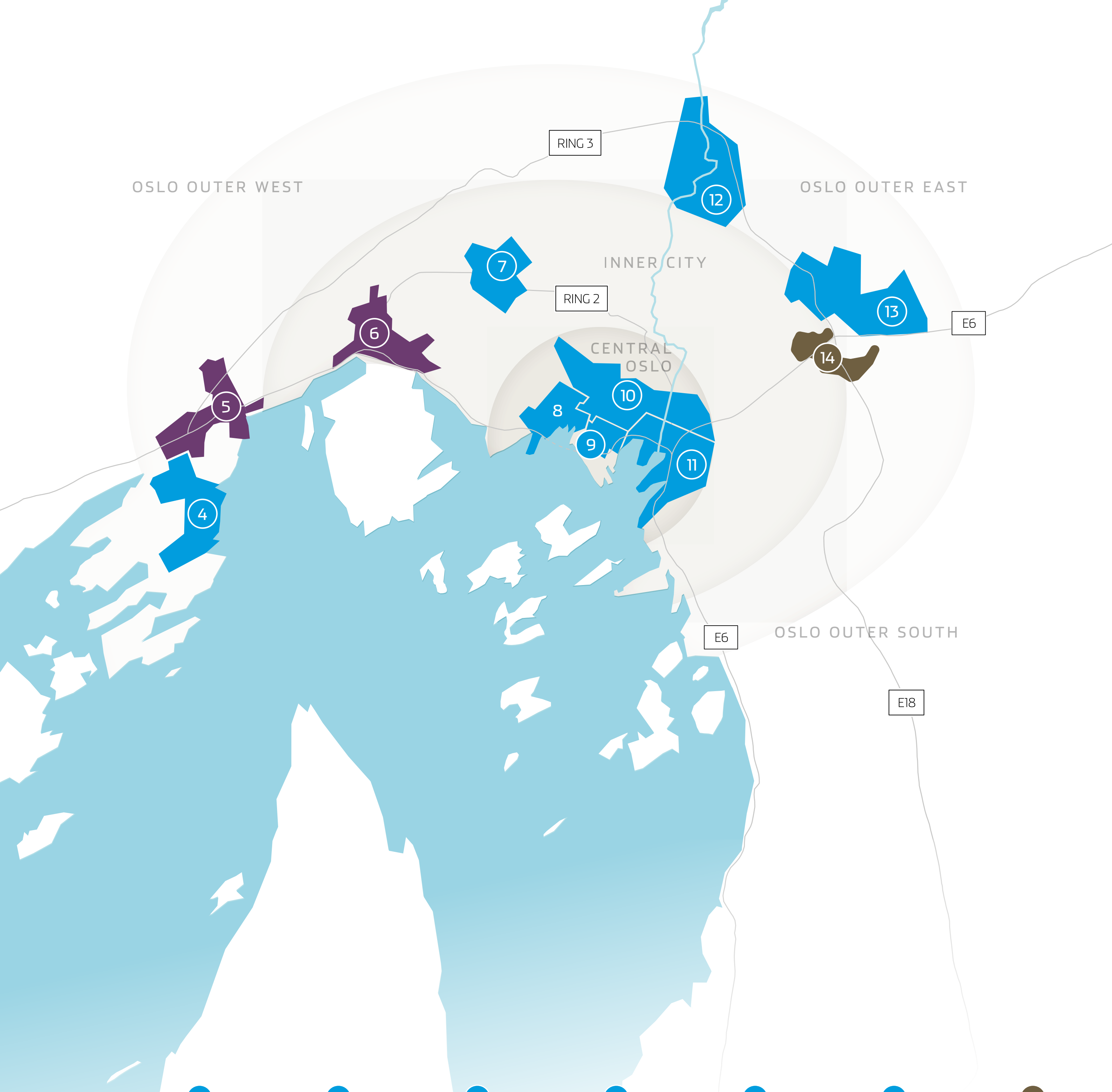


Map colour indicates vacancy rates per April 2019

0–5 % 5–10 % 10–15 % Above 15 %

➡ Indicates trend past 6 months (> 1 percentage points change)

	Cluster	Vacancy rate per April 2019	Trend	Supply rate per April 2019	Trend
1	ASKER	11 %	↘	20 %	↘
2	BILLINGSTAD	13 %	↗	13 %	↗
3	SANDVIKA	2 %	↘	2 %	↘
4	FORNEBU	4 %	↘	4 %	↘
5	LYSAKER	11 %	↘	11 %	↘
6	SKØYEN	11 %	↗	11 %	↘
7	MAJORSTUEN	5 %	→	5 %	→



8 CBD	9 KVADRATUREN	10 INNER CITY	11 BJØRVIKA	12 NYDALEN / SANDAKER	13 ØKERN / LØREN / RISLØKKA	14 BRYN / HELSFYR
4 % VACANCY RATE PER APRIL 2019	4 % VACANCY RATE PER APRIL 2019	3 % VACANCY RATE PER APRIL 2019	2 % VACANCY RATE PER APRIL 2019	4 % VACANCY RATE PER APRIL 2019	4 % VACANCY RATE PER APRIL 2019	5 % VACANCY RATE PER MAY 2019
4 % SUPPLY RATE PER APRIL 2019	5 % SUPPLY RATE PER APRIL 2019	4 % SUPPLY RATE PER APRIL 2019	2 % SUPPLY RATE PER APRIL 2019	4 % SUPPLY RATE PER APRIL 2019	14 % SUPPLY RATE PER APRIL 2019	5 % SUPPLY RATE PER MAY 2019

Source: Malling & Co/FINN.no

Further development of the rental market
Rental growth continues into 2020

The drivers: Positive for rental growth

- *Economic growth is picking up speed:* Leading indicators show continued optimism and economic growth is expected to stay above trend both this year and next year.

- *Strong employment growth in Oslo:* Employment numbers show considerable growth in Oslo and several indicators are pointing towards continued growth in 2019. Employment growth is almost at 2007 levels in absolute numbers. Many of the sectors expecting to lead the employment growth are typical office-using sectors.

- *Vacancy is down:* Vacancy in office clusters has continued on a downward trend over the past six months and will stay low despite increased construction.

- *Less slack in existing stock:* 10-15 years back, most companies would typically lease extra space to prepare for growth. Now the trend of minimising excess space is creating little additional room for increased employment within existing premises. We are already seeing tenants having too little space within their contract period and some even before moving in.

- *Net construction volumes relatively low:* Despite increased new construction by the end of 2020, the increase in employment is high enough to neutralise new construction. The lack of large tenants to initiate new construction finalised in 2022 and 2023 will curb new construction.

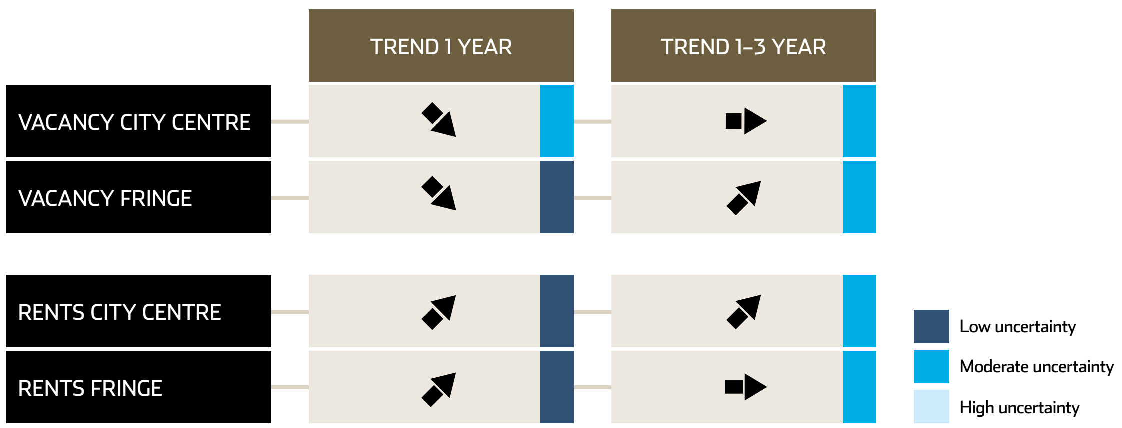
- *Higher breakeven rents for new construction:* Flattening yields and higher construction costs create higher breakeven rents. Large key tenants who are considering new built-to-suit premises will face higher breakeven rents from developers. This will also push rents on existing stock.

- *Public transport as a key driver:* The city centre is especially attractive among tenants, but we are seeing increasing interest for fringe office clusters with proximity to public transport. Urban environment is still important for tenants.

- Stable residential market: Residential market activity is high, but prices are 3 % higher than 12 months ago (Oslo), although activity is 8 % higher than last year (as at April). With stable residential prices and increasing office rents, the value gap will close and, hence, the motivation for conversion will reduce from levels seen in the previous four years.

Risks

- Structural changes within retail could affect the office market from the employment side and the supply side, as we may see conversions from retail to office space.
- International growth may cease with increased turmoil and trade wars, accompanied by the uncertain outcome of Brexit.



Source: Malling & Co Spring 2019

Short-term forecast (1 year): Increasing rents
- City centre rents are continuing to increase by 10 % on a four-quarter rolling average.
- We expect similar rental increases to spread to the fringe office clusters over the coming 12 months, especially for the best locations.
- Vacancy is expected to stabilise, as construction in 2020 will increase from this year's level and counteract strong employment.

Long-term forecast (1-3 years): Rental increase to continue, but more slowly
- City centre rents will continue to grow – high demand will neutralise new supply. However, rental differences between city centre and fringe areas will push demand out to the western and eastern fringes.
- Increased construction, also in the city centre and attractive office clusters in the fringe

KRISTIAN AUGUST GATE 15, OSLO

Malling & Co Leietakerrådgivning has advised Sector Asset Management AS in signing their new office (1 143 m²) overlooking the city on the top floor of Tullinkvartalet.

The rental market

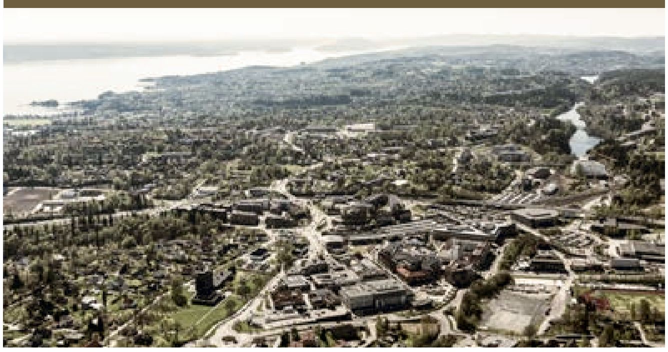
Greater Oslo

In the following section we have summarised the status within our defined office clusters in Greater Oslo. We have provided a table with estimated normal* and prime* rent levels as well as supply** and vacancy** for every office cluster. We have also included a short section with the latest news for each cluster. The main source for estimating monthly vacancy and supply is a list from Norway's dominant marketplace FINN.no, which we have further processed through algorithms. Utilising these numbers, we find that total supply for all our defined office clusters has decreased from 10.9 % to 6.5 % over the past 12 months. Vacancy, space available within 12 months, has decreased from 6.4 % to 5.1 % in the same period.

A SELECTION OF THE LATEST MAJOR LEASE CONTRACTS

Tenant	Moving to address / Office cluster	Moving from address / Office cluster	Space m² (rounded)
Telia / Get	Lørenfaret 1 / Økern / Løren / Risløkka	Sandakerveien 140 / Nydalen/Sandaker	~ 21 000
Utlendingsdirektoratet	Innspurten 11D (Valle View) / Bryn/Helsfyr	Hausmanns gate 21 / Inner City	~ 16 000
Utdanningsetaten	Fyrstikkalléen 3 / Bryn / Helsfyr	Grensesvingen 6 / Bryn/Helsfyr	~ 5 200
Swedbank	Ruseløkkveien 26 / Vika / Aker Brygge / Tjuvholmen	Filipstad Brygge 1 / Vika/Aker Brygge / Tjuvholmen	~ 5 200
Nordic Office of Architecture	Kongens gate 21 / Kvadraturen	Sørkedalsveien 6 / Majorstuen	~ 4 800
Bane Nor	Kongens gate 21 / Kvadraturen	Inner City	~ 4 400
OMG AS	Kongens gate 21 / Kvadraturen	Stortorvet 10 / Inner City	~ 3 500
Techstep Nordic AS	Brynsalléen 4 / Bryn/Helsfyr	Brynsveien 3 / Bryn/Helsfyr	~ 2 100

ASKER



	Per April 2019	Per April 2018
Normal rent (NOK/m²)*	1600 - 1800	1 500 – 1 700
Prime rent (NOK/m²)*	2150	2 150
Supply**	20 %	25 %
Vacancy**	11 %	14 %

Comment: Asker is still among the clusters with highest vacancy in Greater Oslo (11 %) and supply is just below 20 %. The main reason that vacancy is this high is still Lensmannslia 4 with 11 300 m² in vacant space. In Q1 2019, Fredensborg acquired one of the plots in the Føyka-Elvely project with a development potential of approx. 7 500 m² of residential and office space. The full project, however, will not include much office space, but instead up to 700 new residential units. Asker Tek, which was completed in 2018, is now almost fully leased with only 2 300 m² still available. The new construction Asker Genera is still in the market for tenants with 18 500 m².

BILLINGSTAD

	Per April 2019	Per April 2018
Normal rent (NOK/m²)*	1250 – 1500	1250 – 1500
Prime rent (NOK/m²)*	1 800	1 800
Supply**	13 %	15 %
Vacancy**	13 %	15 %

Comment: There is still very little activity related to office space at Billingstad. Most of the new projects involve the demolition of office and commercial buildings, as well as the new construction of residential units. This change towards becoming a residential area is reflected in the high vacancy among office buildings, which is the highest in Greater Oslo as at Q1 2019. Moreover, as the office stock at Billingstad is already quite low (151 000 m²), it is very sensitive to changes in vacancy. The vacancy at Billingstad is mostly due to Olav Brunborgs vei 6 and Billingstadsletta 83, both of which have been in the market for a while.

**See definition of «normal» rent and prime rent on page 26.*
***See definition of supply and vacancy on page 18.*

SANDVIKA

	Per April 2019	Per April 2018
Normal rent (NOK/m²)*	1 600 – 1 800	1 500 – 1 700
Prime rent (NOK/m²)*	2 250	2 150
Supply**	2 %	5 %
Vacancy**	2 %	5 %

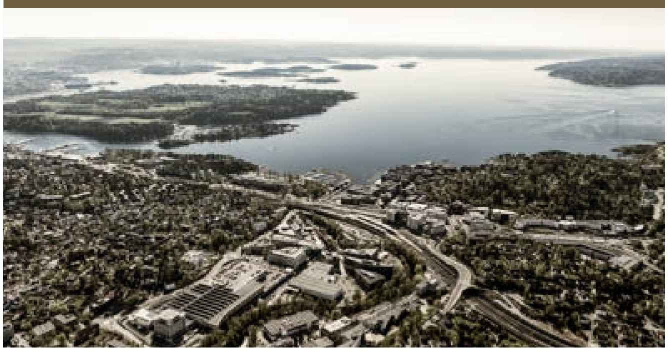
Comment: The vacancy in Sandvika is currently one of the lowest in Greater Oslo and there are currently no new constructions being advertised to contribute to supply. The largest available office space currently in the market is barely 1 600 m^2 in Industriveien 46-48. In February, it was announced that Viken bought Leif Tronstad plass 7, where they plan to demolish the existing structure and erect a new office building to house their new headquarters. The main new construction project in Sandvika is Sandvika East, which comprises four new city blocks. The building will be completed in two stages and will include approx. 26 000 m^2 of office space, out of 102 000 m^2 in total.

FORNEBU

	Per April 2019	Per April 2018
Normal rent (NOK/m²)*	1 450 – 1 650	1 400 – 1 600
Prime rent (NOK/m²)*	1 950	1 950
Supply**	4 %	7 %
Vacancy**	4 %	7 %

Comment: Vacancy at Fornebu is currently low, as there is very little space advertised in the market. However, there is some hidden vacancy at Fornebu that is not included in the vacancy. By hidden vacancy we mean unoccupied space that is not offered in the market for various reasons. Most of the new construction projects at Fornebu are still on hold, awaiting the long-expected metro line. The line has, however, been postponed further and is expected to be finalised in 2027 at the earliest. The new area-zoning that is being developed for Fornebu is restricting construction somewhat, as it does not encourage continued development of large "headquarters". Therefore, we expect future developments to be smaller than what we have seen historically.

LYSAKER



	Per April 2019	Per April 2018
Normal rent (NOK/m²)*	1 750 – 1 950	1 700 – 1 900
Prime rent (NOK/m²)*	2 400	2 350
Supply**	11 %	14 %
Vacancy**	11 %	14 %

Comment: The vacancy at Lysaker has decreased by approx. 300 bps since October 2018. Eastern Lysaker, which is further away from the train station, has the highest vacancy of approx. 15 %. The lowest vacancy, on the other hand, is in the northern part of Lysaker where Mustad plans to build Lilleakerbyen (approx. 5 %). Lilleakerbyen will include both residential, retail and office space, and building will begin in 2021 at the earliest. There are several new construction projects in the pipeline at Lysaker, however most of them are early projects and will not be built until 2022 – 2023. Philip Pedersens vei 11, however, was completed earlier this year and its twin Philip Pedersens vei 9 is available for tenants with completion in 2021 at the earliest.

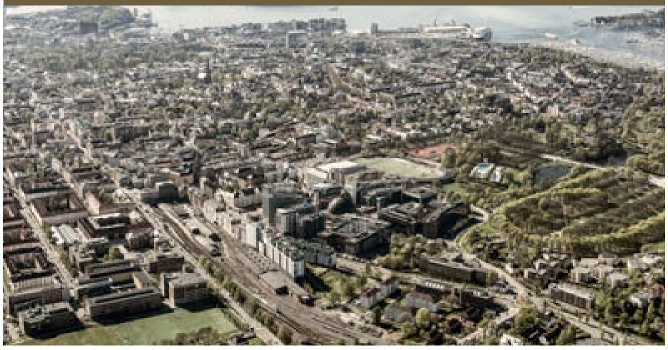
SKØYEN

	Per April 2019	Per April 2018
Normal rent (NOK/m²)*	2 200 – 2 600	2 000 – 2 400
Prime rent (NOK/m²)*	3 200	3 000
Supply**	11 %	15 %
Vacancy**	11 %	7 %

Comment: The vacancy at Skøyen has increased considerably since our October report. Some of the projects that are expected in 2020 entered the vacancy in Q1 2019 and, as a result, supply has come down while vacancy has increased. However, as central Oslo is filling up, we do not expect the vacancy at Skøyen to stay high for long, as Skøyen is considered one of the most prestigious areas among the fringe clusters. Skøyen's attraction is also reflected in its rent, which has increased considerably in the last year. There are several projects in the pipeline at Skøyen, however most of the projects are on hold pending the development of the new E18 and the new area-zoning at Skøyen.

**See definition of «normal» rent and prime rent on page 26.*
***See definition of supply and vacancy on page 18.*

MAJORSTUEN



	Per April 2019	Per April 2018
Normal rent (NOK/m²)*	2 100 – 2 500	1 850 – 2 200
Prime rent (NOK/m²)*	3 100	2 800
Supply**	5 %	4 %
Vacancy**	5 %	4 %

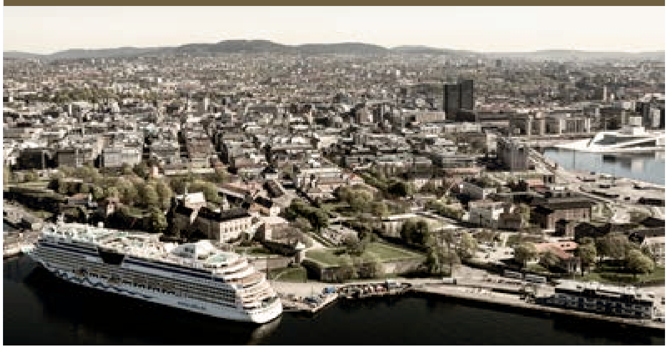
Comment: The vacancy at Majorstuen has been relatively stable for the past five years. It is a very small office cluster with only a few large buildings, making vacancy highly sensitive to changes. There are no new office developments to be realised at Majorstuen at any time soon, but we expect a few minor refurbishments. However, KPMG's contract in Sørkedalsveien 6 is expiring in a few years and may potentially trigger a refurbishment. Fridtjof Nansens vei 12 is still under zoning for the demolition and new construction of a larger office building. The big project at Majorstuen, however, is Ruter's plan for the areas above the metro station, outlining a construction volume of approx. 100 000 m^2. The project was, however, negatively received by building authorities and will most likely be reduced.

CBD

	Per April 2019	Per April 2018
Normal rent (NOK/m²)*	3 000 – 3 600	2 900 – 3 500
Prime rent (NOK/m²)*	5 600	5 400
Supply**	4 %	10 %
Vacancy**	4 %	8 %

Comment: In October, we reported that office rents in the CBD had increased substantially. This has continued into 2019 and the top rents are now estimated to be approx. 5 600 NOK/m^2 It is not, however, only high standard buildings that have seen increases in rent, but also office space of lower standards. This is likely to be a symptom of the very low vacancy central Oslo is experiencing in general. Vacancy has dropped to below 5 % after several years in the 5 – 10 % range. The refurbishment at Dronning Mauds gate 10 is expected to be completed later this year and the new construction "VIA", which is almost fully let, is expected to complete in 2021 with a total of 55 000 m^2 of office and retail.

KVADRATUREN



	Per April 2019	Per April 2018
Normal rent (NOK/m²)*	2 300 – 2 900	2 100 – 2 800
Prime rent (NOK/m²)*	3 400	3 400
Supply**	5 %	8 %
Vacancy**	4 %	3 %

Comment: For a long time, Kvadraturen was characterised by several older and lower standard buildings and, in recent years, has undergone multiple upgrades and refurbishments. This trend appears to be continuing with several more refurbishments in the pipeline. As central Oslo is filling up, Kvadraturen is one of the most popular areas aside from the CBD and Bjørvika and has seen substantial increases in obtainable rents over the past year. However, normal rent is highly dependent on the size and standard of the relevant office space and may vary greatly inside the cluster. The transformation of making most of Kvadraturen car-free is starting in 2019, which we believe will benefit both vacancy and rent levels.

INNER CITY

	Per April 2019	Per April 2018
Normal rent (NOK/m²)*	2 600 – 3 000	2 400 – 2 800
Prime rent (NOK/m²)*	3 900	3 900
Supply**	4 %	4 %
Vacancy**	3 %	4 %

Comment: Being the largest of our defined office clusters, with a stock of approx. 1.6 million m^2, the inner city is also the cluster that has received the most office searches from tenants. The sub-sections of the cluster are quite different, stretching from the royal castle in the west to Grunerløkka and Grønland in the east. The areas surrounding Karl Johans gate have proven particularly popular and have seen major rental growth in the past year. With multiple new constructions surrounding Oslo Central Station in the pipeline, as well as the new government quarter, the inner city accounts for one of the largest new construction volumes in Greater Oslo. However, the timeframe is long.

**See definition of «normal» rent and prime rent on page 26.*
***See definition of supply and vacancy on page 18.*

BJØRVIKA

	Per April 2019	Per April 2018
Normal rent (NOK/m²)*	3 200 – 3 400	2 800 – 3 200
Prime rent (NOK/m²)*	4 200	4 000
Supply**	2 %	1 %
Vacancy**	2 %	1 %

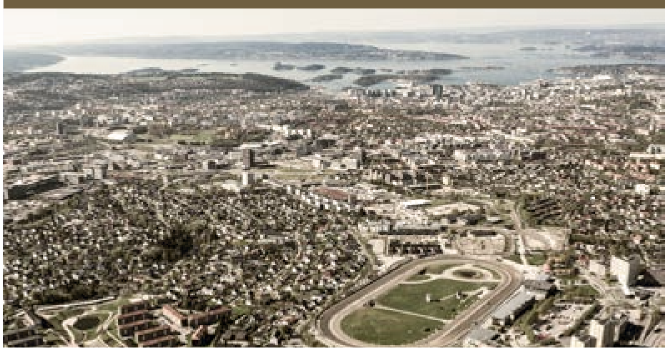
Comment: Bjørvika, being a relatively new and small area, is the cluster in Oslo with the lowest vacancy. After several years of development, the cluster is close to being completed. When Eufemia is finished next year, the cluster's first building (DEG8/the PWC building) will become vacant and undergo extensive refurbishment, with the intention of creating a multi-tenant building. Bjørvika has, in a short time, become a second CBD, which is reflected in the rents obtained over the past year. The tenant mix who are considering Bjørvika have now become more similar to the typical CBD. Most of the ground floors in the cluster were recently sold to Madison International Realty, and it will be interesting to follow the execution of the company's business plan by the management partner Carucel Eiendom.

NYDALEN / SANDAKER

	Per April 2019	Per April 2018
Normal rent (NOK/m²)*	1 750 – 1 950	1 600 – 1 800
Prime rent (NOK/m²)*	2 400	2 350
Supply**	4 %	4 %
Vacancy**	4 %	4 %

Comment: Nydalen has had relatively stable and low vacancy for the past several years. After the metro station opened in 2004, it has also been one of the highest priced fringe clusters. However, rent did not increase as much as experienced by many others in Q1 2019, although this is most likely due to the sample quality of the leased buildings, which varies greatly. There are several new constructions expected from 2022 onwards, most of them still in the zoning phase. However, most of the expected projects are multipurpose constructions and only partially office.

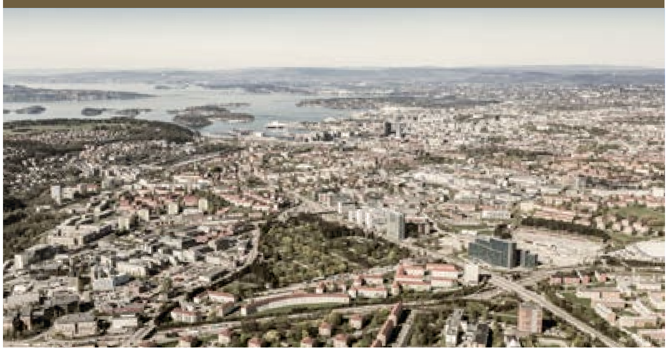
ØKERN / LØREN / RISLØKKA



	Per April 2019	Per April 2018
Normal rent (NOK/m²)*	1 200 – 1 700	1 000 – 1 500
Prime rent (NOK/m²)*	2 200	2 200
Supply**	14 %	23 %
Vacancy**	4 %	4 %

Comment: Vacancy at Økern is very low compared to its supply level. New construction is the main focus here, with projects like Østre Aker vei 60, Økern Portal, Lørenveien 65 and Karvesvingen 5. The cluster is largely characterised as being under development. Although the potential construction volume is great at Økern, many of the projects are on hold awaiting the long-expected completion of the area-zonings for Hovinbyen and Haraldrud. As a result, many of the projects are currently somewhat uncertain. Going forward, we expect vacancy at Økern to increase slightly as new constructions are eventually included in the vacancy with space that has not been pre-leased. For example, Lørenveien 65 is being built on speculation and will enter vacancy in Q2 2019 (finalised Q2 2020).

BRYN / HELSFYR



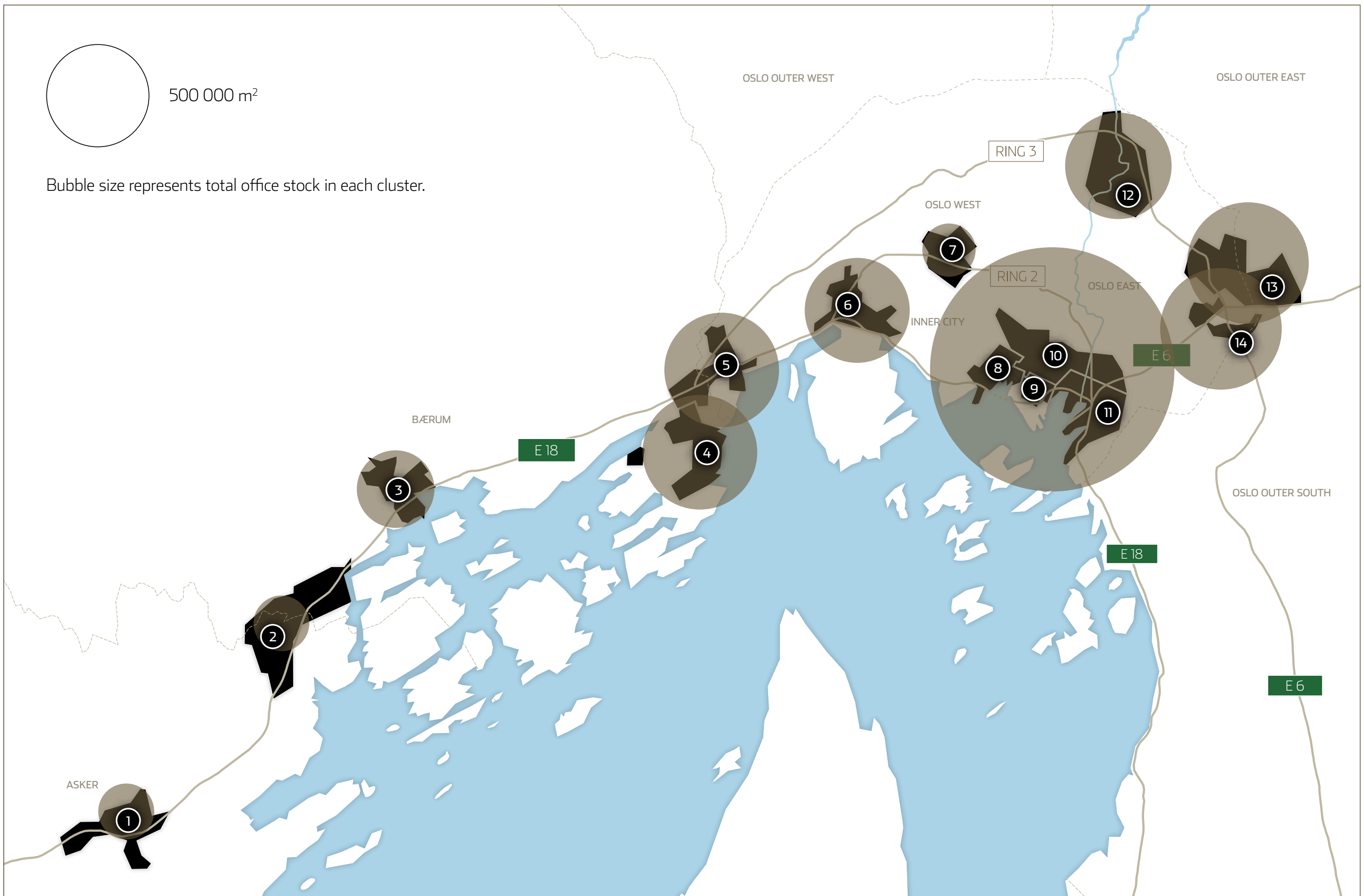
	Per April 2019	Per April 2018
Normal rent (NOK/m²)*	1 600 – 1 950	1 600 – 1 800
Prime rent (NOK/m²)*	2 350	2 350
Supply**	5 %	19 %
Vacancy**	5 %	10 %

Comment: Bryn-Helsfyr saw a long-expected increase in rents during the last part of 2018 and early 2019. Vacancy in the cluster is down. It is, however, important to note that vacancy is considerably lower at Helsfyr compared to Bryn. Helsfyr is becoming a mature office cluster after several years of large developments. NCC's Valle Wood will be completed this year and it was recently announced that the second stage (Valle View) will start construction this year after securing the Norwegian Directorate of Immigration - UDI - as an anchor tenant. Going forward, however, it is expected that Bryn will have the highest construction volumes, both when it comes to office and residential.

**See definition of «normal» rent and prime rent on page 26.*
***See definition of supply and vacancy on page 18.*

OFFICE RENTS: MALLING & CO ESTATE AGENT CONSENSUS (NOK/M²/YEAR)					
#	Office cluster	«Normal» rent*	△ Normal rent past 12 months	Prime rent**	△ Prime rent past 12 months
1	Asker	1 600 – 1 800	6 %	2 150	0 %
2	Billingstad	1 250 – 1 500	0 %	1 800	0 %
3	Sandvika	1 600 – 1 800	6 %	2 250	5 %
4	Fornebu	1 450 – 1 650	3 %	1 950	0 %
5	Lysaker	1 750 – 1 950	3 %	2 400	2 %
6	Skøyen	2 200 – 2 600	16 %	3 200	17 %
7	Majorstuen	2 100 – 2 500	14 %	3 100	11 %
8	CBD	3 000 – 3 600	9 %	5 600	4 %
9	Kvadraturen	2 300 – 2900	7 %	3 400	0 %
10	Inner city	2 600 – 3 000	8 %	3 900	0 %
11	Bjørvika	3 200 – 3 400	10 %	4 200	5 %
12	Nydalen / Sandaker	1 750 – 1 950	9 %	2 400	2 %
13	Økern / Løren / Risløkka	1 200 – 1 700	17 %	2 200	0 %
14	Bryn / Helsfyr	1 600 – 1 950	4 %	2 350	0 %

Source: Malling & Co



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

SØRKEDALSVEIEN 8, OSLO
Malling & Co Energi og Miljø has contributed to the property obtaining a BREEAM-In-Use certificate with the grade "Excellent". The property is owned by Oslo Pensjonsforsikring and managed by Malling & Co Forvaltning.

STAVANGER

Still affected by high office vacancy rates

The unemployment rate in the Stavanger-region, which saw a massive increase after the oil price drop in 2014, is no longer that much higher than in other parts of the country. Employment increased by 2.3 % from Q4 2017 to Q4 2018. In addition, we have observed an increase in foreign workers not registered as citizens in Norway in the region, a group that has historically been important in this region due to the Oil & Gas sector's international relevance. The oil price remains strong at between USD 70 – 80 per barrel, although we have heard talk among Norwegian politicians about foreign investors starting to worry about environmental issues. This is considered to be one of the reasons behind the reservations among investors about investing in this sector in Norway, which again is linked to the continuous weak Norwegian krone. In terms of the office leasing market, the vacancy in some of the clusters is still too high to expect any upward movement rent-wise, other than in Stavanger city centre where vacancy rates are low and new high-grade supply is lacking.

Employment market still improving

The registered unemployment rate measured by the Norwegian Welfare Administration (NAV) showed unemployment at 2.4 % for Rogaland county in April 2019. The corresponding figure in April 2018 was 2.9 %, and in April 2017, 4.3 %. In addition, the number of foreign employees not registered in Norway has increased from 5 305 in 2015 to 7 232 in 2018 (Q4). However, the number is still much lower than its peak of 10 125 in 2014, the year when the oil price dropped from above USD 110 per barrel to below USD 50 per barrel. Statistics Norway's yearly numbers for changes in registered employment (see page 8) confirms this trend in the region with employment growth at 2.3 % from Q4 2017 to Q4 2018 (2.3 % is the adjusted number for changes in measurement in 2018). The quarterly LFS survey from SSB confirms a slightly higher employment growth in the region of 3.2 % from Q1 2018 to Q1 2019. (The LFS survey is notably inaccurate as it is survey-based). With historically high employment rates in Rogaland of above 72.7 % of the population aged 15 – 74 back in 2013, the current number of 68.4 % (Q4 2018) leaves additional room for employment growth of around 15 000 employees, taking the 2013 peak as the benchmark. In addition, there is potential for an increase in foreign workers, which overall could increase office take-up significantly.

Office letting market

Compared with the figures from our last report, vacancy in Stavanger has increased somewhat from just above 13 % in October 2018 to just below 15 % in March/April 2019, measured as an average for all the office clusters in the region. Forus is still the vacancy leader (in absolute numbers) with an estimated 23 % vacancy in March/April 2019, which is about the same as a year ago. There are still a few buildings that are not active in the market and most of these are located at Forus where high vacancy rates are creating less motivation for landlords to compete with the already flooded office market. Other clusters like the city centre and Hinna are seeing normal vacancy rates of between 10 % - 11 %. We are still focusing on the fact that much of the vacancy in the region is concentrated around a few very large assets. 19 buildings at Forus have 3 000 m^2 or more vacant space and the total vacant space in these buildings amounts to approx. 157 000 m^2, or 75 % of the vacancy in this cluster. Market rents at Forus are still very low and trades at around NOK 700 – 900 NOK per m^2/year on short-term leases, led by sublet space. Our agents believe rents have bottomed out, although we still believe Forus will remain on low rents due to the amount of vacant space. Compared to our previous report, overall rents have remained stable. Our top rent estimate in the prestige segment in the city centre still stands at NOK 3 100 per m^2, in line with the top rents also seen in Bergen. Our local agents believe that the city centre and Hinna will be the most likely areas to see rent increases in the coming years due to limited supply and a shortfall in accessible public transport. There are still very few tenants searching for premises in Stavanger. In contrast to the Oslo market, which is very active in office searches, only a couple of smallersearches have been posted in the Stavanger market as of late. In contrast to the active Oslo market, the office search market in Stavanger is very quiet and most searches are for mixed use and storage. One likely explanation is that landlords are keeping their existing tenants happy and preventing them from searching. They are also working more proactively to attract tenants before they even prepare a search. With the demand observed over the past six months and considering current vacancy levels, vacancy rates will probably stay high for several years. This market will be affected by the fact that it has too many large office assets compared to the size of the region. For decades, the many large companies related to the Oil & Gas sector in the region have created the asset structure of some very large complexes at Forus, something which is quite out of sync with the other requirements and structures of the rest of the region.

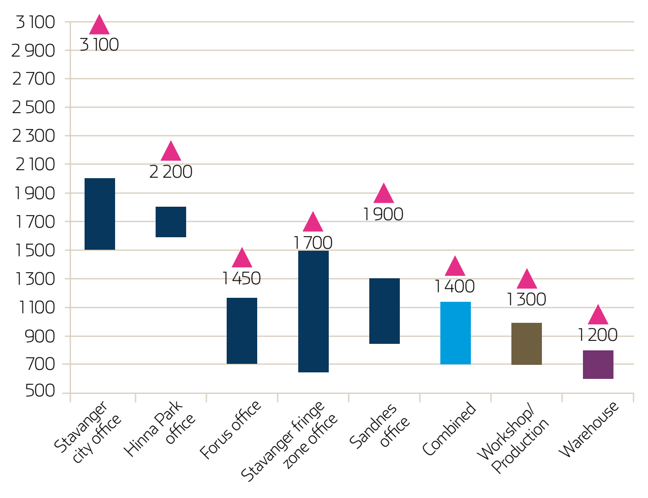
Latest lease agreements

- While Conoco Phillips chose to re-negotiate at Risavika on a new lower rent, the market is awaiting Aker's decision regarding their current lease at Hinna, or whether they are considering moving to Paradis closer to the city centre.
- Seabrokers will upgrade 32 000 m^2 in Vestre Svanholmen 1 when Vår Energi AS moves from two other locations. The company has already signed a new 15-year lease
- Aibel extended its lease in Vestre Svanholmen 14 due to increased activity
- Roxel co-located from three locations to Kanalveien 2 at Forus in a 6 300 m^2 lease
- Xait and Time & Date will move into Kanalsletta 4 in June, accounting for 2 400 m^2 of the property.

New Developments

- SR-Bank's new HQ "Finansparken" is currently ongoing, due to be finalised this year.
- Kopholen 14, a 8 800 m^2 new build at Forus, will be finalised in 2020, fully let on a 10 year lease to NAV Rogaland.
- Byfjordparken (Tenants BI Business School and Stavanger municipality) is due to complete by mid-2019.
- Herbarium, a new urban city centre development designed by Snøhetta on a 0.5 hectare plot for office and retail, will be completed in October 2019.

INDICATIVE RENTS IN THE STAVANGER REGION DIVIDED INTO AREAS AND SECTORS (NOK/M²/YEAR)



"Normal" rent ▲ Top rent *See definition of prime and «normal» rent at page 26.

Source: Malling & Co

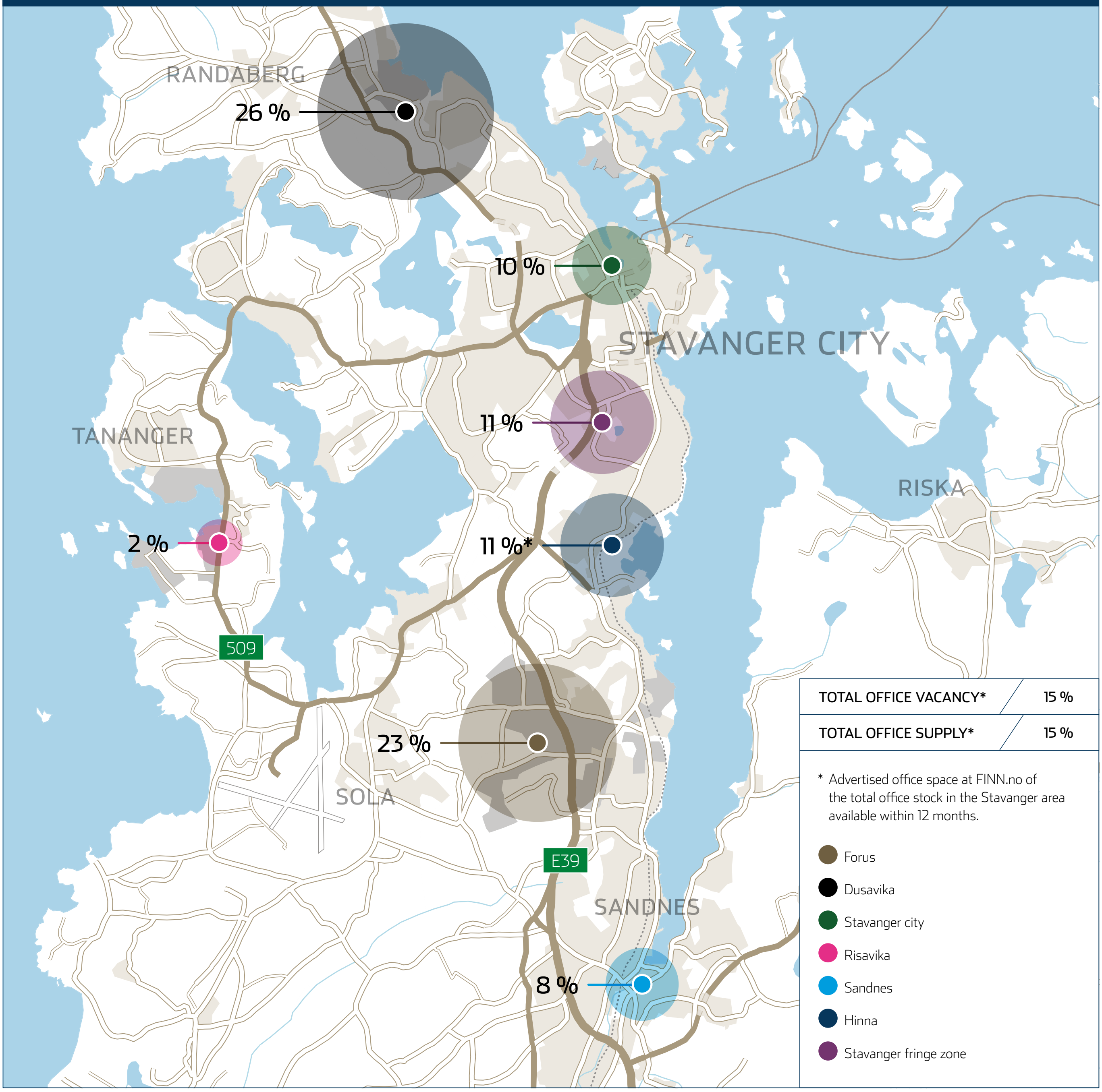
Investment market

We have registered just over NOK 2.3 billion in transaction volumes for the year to date, split between 12 transactions (above NOK 50 million). In our previous report we noted the interest from investors and their attention being especially focused on the city centre or long-lease properties. With the outlook for Stavanger improving quarter on quarter, so has the investment horizon widened. We have now observed activity across the region and across all segments, even in the Forus area.

Recent major transactions in the region

- Norwegian Property has sold the Forus properties Grenseveien 19 and 21, Maskinveien 32 and Svanholmen 2 to Ola Soppeland, Ole Sandvold and Vidar Rossland for MNOK 237.
- A syndicate by Njord Securities has bought Risabergvegen 3 at Sola outside Stavanger from local investors for MNOK 230. The 11 200 m² office property is leased to Schlumberger for around MNOK 14 a year and has a WAULT of close to 12 years.
- The Pareto syndicate has bought Østervåg 7 and Østervågkaien 1A in Stavanger from UNION Eiendomsinvest and Jo Capital for MNOK 143. The 4 460 m² office property has rental income of MNOK 8.79 and is leased to Asplan Viak and Sporty Intersport, among others, with a WAULT of 6.6 years.

OFFICE VACANCY*

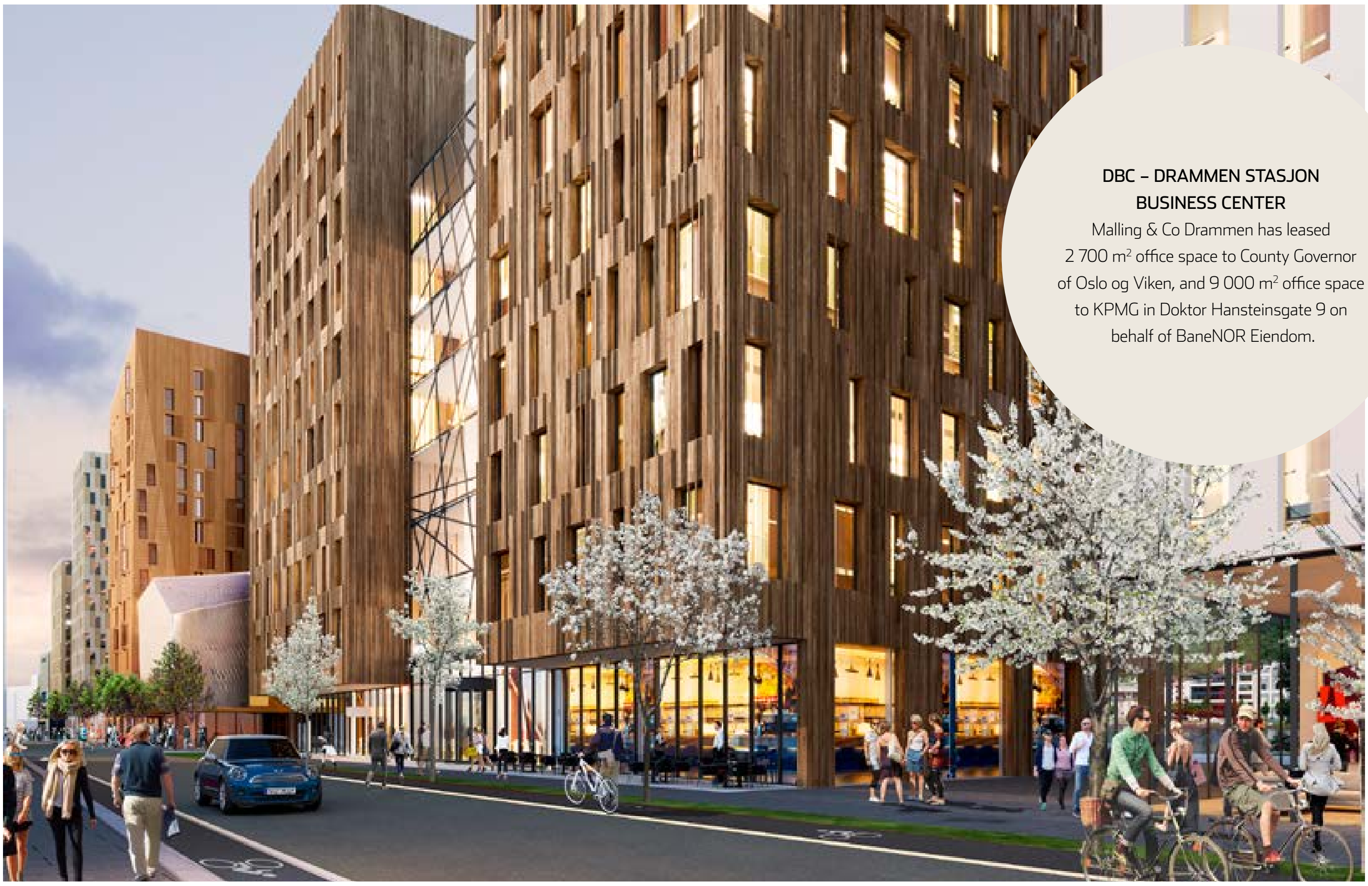


Source: Malling & Co/FINN.no

KANALARMEN 12, STAVANGER
Malling & Co Project Finance has acquired Kanalarmen 12 in Stavanger which consists of 10 700 m² of office, production and storage facilities – and arranged a "club deal" on behalf of its investors.

GJELLEBEKKSTUBBEN 3, LIERSKOGEN

Malling & Co Drammen was advisor to Lani Invest AS in the sales process of a 4 800 m^2 retail building, at Liertoppen close to Drammen.



DBC – DRAMMEN STASJON BUSINESS CENTER

Malling & Co Drammen has leased 2 700 m^2 office space to County Governor of Oslo og Viken, and 9 000 m^2 office space to KPMG in Doktor Hansteinsgate 9 on behalf of BaneNOR Eiendom.

DRAMMEN

Our Drammen office is again reporting a very high level of activity in the region, back at levels seen in 2016 and 2017. The city is located less than 40 km west of Oslo and can be categorised as something between a city and a suburb of Oslo. The city capitalises on its seaside location and role as a hub for both railways and the main road systems connecting all major cities and densely-populated areas on the west side of Oslo. The total stock of 1 300 commercial properties in the Drammen area (including Nedre Eiker and Lier) comprises around 750 000 m² of office space, 600 000 m² of retail premises and 800 000 m² of industrial/logistics/mixed-use premises. Vacancy in Drammen is around 7.3 % office space and 2.2 % for industrial/logistics premises.

The rental market

In our last market report we were able to report on good activity in the region, but at a slightly lower level than in the previous two years. As we headed into spring this year, we can safely say that the activity level in the rental market is back up at a very high level .

The urban area around Strømsø has changed significantly as the Quality Hotel River Station nears completion along with the conference centre. The entire project will be completed and open towards the end of this year. Immediately next door, DBC - Drammen station Business Center is taking shape, with 13 000 m² of office space along the banks of the river. BaneNOR Eiendom is behind the development of both these projects. The leading Nordic developer of innovation hubs, The Creators Community, is in the same area, also developing a 4 000 m² main hub for the innovation community in Drammen along with local partner Vestaksen Eiendom AS. All of these developments will be significant contributors to the further development of the urban qualities in this part of the city.

Office

During spring 2019, a number of new larger leasing agreements were signed with both public and private tenants in Drammen. Among the more prominent contracts signed were Fylkesmannen i Oslo & Viken and KPMG, both at DBC - Drammen station Business Center. The Trysilhus contract was also signed and C.O. Lundsgate 56 and Bangeløkka Næringspark will be moved into upon completion in Q3 2021.

Our mapping shows that there will be several larger lease expiries going forward, although the supply side of centrally located new builds and refurbishment projects on the Strømsø side of the river is also increasing. Of the more prominent are Union Eiendomsutviklings Portalen, Christensen Eiendoms TV5 and Obligo Real Estates T-2. Combined, these cases alone total more than 20 000 m², a major addition to the supply side. With more competition the developers will be challenged to offer the best office projects in order to attract the most sought-after tenants in Drammen.

Logistics

The development of the "Fjord city" concept, the gateway to Drammen from Oslo, continues to trigger activity. Several companies are required to relocate, prompting the realisation of more development projects. There is also an increasing number of mixed-use tenants originating in the Oslo region who are seeking strategic locations in the western corridor and along the major transport arteries. The areas of Liertoppen and Kobbervikdalen are of particular interest in this context. Nærbakst is an example of such a player, which is now moving from Oslo to Tranby along with 140 employees.

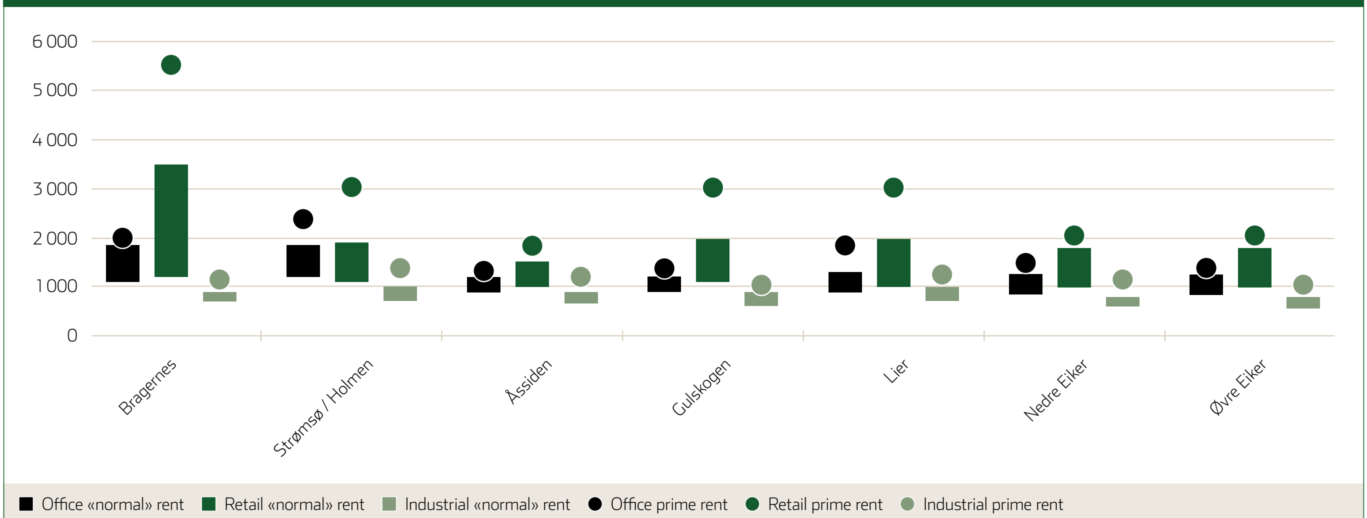
The vacancy for logistics and mixed use properties in the Drammen region is at a very low 2.2 %, well below what we would define as the structural vacancy level. Within the vacancy numbers there are, however, slight variations worth mentioning. Existing logistics and mixed-use properties up to 1 000 m² have for a long time been very low, or close to zero. In practical terms, vacancy exists in the time it takes to fit out the premises between one tenant moving out and the new tenant moving in. For larger properties of over 1 000 m² it can sometimes take slightly longer and the key here is very often the proximity to the main throughways.

Retail

We are seeing large differences within the retail segment between different geographical concepts. City centre retail is now experiencing lower levels of new establishments and there are more vacant spaces than when our last market report was published. Decentralising factors such as parking restrictions, increased e-commerce and competition from shopping centres outside the city centre are the likely contributors to the challenges facing retailers in the city centre.

In the longer term, we believe that the positive influence from the new residential projects in the city will help to soften some of the above challenges. More people will translate into a higher footfall and enable

INDICATIVE RENTS IN THE DRAMMEN REGION – OFFICE, RETAIL AND INDUSTRIAL (NOK/M²/YEAR)



*See definition of prime and «normal» rent at page 26.

Source: Malling & Co

consumer-facing establishments in ground level premises. We can already see food and beverage concepts increasing in the city centre. An example of this is the Danish-owned concept, the Old Irish Pub. And several other foreign concepts are also reaching out to scout the Drammen area more closely, as they can see a potential in opening up their establishments here and will want to sign leases in the near future.

There is still good demand for retail space with exposure adjacent to the main throughways.

The transaction market

The number of transactions has, so far in 2019, been roughly on par with 2018, although the average deal size is somewhat lower. The segment with the highest demand is logistics and mixed-use properties. The mixed-use properties are primarily located in the fringe areas with a combination of warehouse/workshops and office or salesfloor. Pure core properties are attractive, although the willingness to pay for these properties among investors has dropped slightly. Value add properties are seeing a higher willingness to pay, as organisations are seeking not only the real estate exposure, but also the work associated with bringing out the full value potential of these properties. The investor universe in the region is increasing and there is an even wider composition of backgrounds and investment capabilities than seen before. Local players have built up financial muscle over time, and are as always very active, accompanied by more regional and domestic players, as the supply side is still inhibiting the transaction market in first and second tier cities across Norway. This effect is, of course, also driving a larger number of local investors to seek exposure outside the region as well. For the financially driven and domestic players in the region, the lot size still matters, as they will seldom look at projects below MNOK 120.

Land

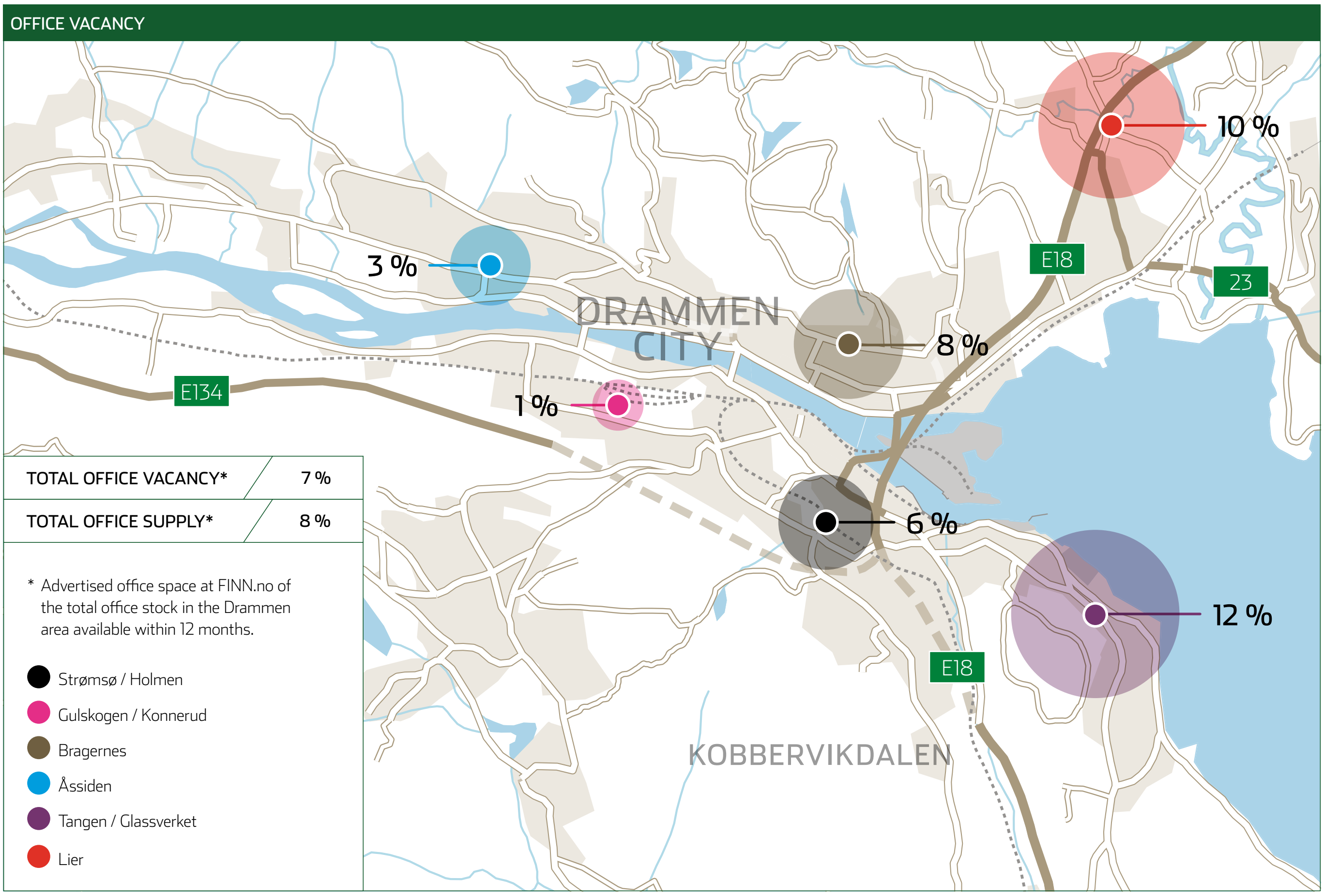
The demand for land is very high, but there are only a few plots available close to the city centre and investors are having to look to the fringe areas for greenfield opportunities. Vestaksen Eiendom is behind the development of 500 000 m^2 of commercial and retail space along Europe road 134, between Hokksund and Kongsberg. The business park will face Fiskumvannet and Eikeren and be called Fiskumparken. Development is scheduled to commence sometime this year, and the plan is for it to become an innovative, future-oriented business park, attracting new companies and visitors to the Drammen region. The park will offer space to players within retail, food and beverage, logistics, technology and industry.

Latest lease agreements

- Fylkesmannen i Oslo og Viken has signed a lease agreement for 2 700 m^2 at Drammen station Business Center.
- KPMG Norge has signed a lease agreement for 900 m^2 at Drammen station Business Center.
- Tomra Butikksystemer has signed a lease agreement for 1 400 m^2 of mixed-use space at Gjellebekkstubben 10 in Lier.
- Trysilhus has signed a lease agreement for 2 500 m^2 at C.O. Lundsgate 56 and Bangeløkka Business Park. The property is expected to be completed in Q3 2021 and totals 5 000 m^2.

Latest transactions

- Grønland 1 at Strømsø, an office building of 5 000 m^2 and a development potential of a 2 500 m^2 car park has been sold.
- A mixed-use new build property for Tomra covering 1 700 m^2 at Gjellebekk-stubben 3 at Liertoppen has been sold.
- Gjellebekkstubben 12, a new build logistics property of 7 600 m^2 has been sold. The tenant is Automatpack.



Source: Malling & Co/FINN.no

OSLO RETAIL

Continued downwards pressure on rents and increased vacancy

Over the past year, retail has been facing stronger headwinds and discussions are now focused on how much damage the storm will cause. It is not only shopping centres that are experiencing lower revenues per m^2, but we are also seeing a flattening of retail volumes in general. Last year, Virke reported an increase in retail bankruptcies of 15 % relative to the previous year. The online shopping index, however, increased with approx. 13.0 % between 2017 and 2018, while retail in general (including Norwegian online shopping) increased by only 1.1 % in the same period, leaving physical retail to blame. The challenges facing retail have reached the high streets of Oslo and the result is increased vacancy and substantial decreases in rents.

Continued pressure from e-commerce – fashion is suffering

Physical retail is experiencing increased competition from online shopping due to the ease of ordering goods online. According to Virke, revenue in e-commerce has grown by 5 – 8 times as much as revenue in physical retail since 2012 (see figure below). The clothing and shoe category, in particular, is suffering as a result of e-commerce. The category is among the largest segments offered online and, in 2018, as much as 58 % of sales in the fashion category were made online, according to DIBS. As a result, revenue growth for physical retail in fashion has reached negative levels (-2.9 % in 2018) and margins are being squeezed (SSB, Virke). It is important to note that the fashion category is among the most established tenants on the high streets and in shopping centres in Norway. Therefore, these figures have had, and are still having, a great impact on the vacancy of historically popular high streets in Oslo and their rent levels. We expect a continued downwards pressure on retail rents in 2019.

Changing retail characteristics both domestically and globally

As the structure of how we spend our disposable income changes, so are the characteristics of physical retail units. For example, we are seeing an increasing amount of smaller niche concepts taking up space in retail units of approx. 100 m^2. It is not only in Norway that we are experiencing the effects of a tougher retail environment. For example, we have received reports from London on how rents on the most popular high streets are decreasing, especially for larger units. Moreover, they report that the average size of vacant retail units has increased from around 150 m^2 to 815 m^2 (2014 – 2018) and that new establishments are mostly either niche clothing stores or health/beauty concepts. Large fashion institutions such as Zara have reported that they are changing their strategy more towards e-commerce and will cut back fixed costs. This is very similar to what our retail brokers are experiencing in Oslo and Norway in general.

Continued growth in Food & Beverage resulting in tougher competition

In addition to e-commerce taking over much of the retail market, consumers are increasingly prioritising their disposable income on experiences rather than physical goods. While sales in physical retail in Norway only grew by 2.6 % between 2011 – 2018, restaurant sales grew by 6.4 % (SSB). There was an increase in new F&B establishments in Oslo in 2018, which appears to be continuing into 2019 (see list below). However, many argue that the segment is facing the threat of over-establishment, as competition among restaurants is growing. It is becoming increasingly important for restaurants to stay on top of the current food trends in order to attract customers. But as the trends are shifting more rapidly now than before, this can be a challenge. In 2018, 72 F&B concepts in Oslo filed for bankruptcy, according to Statistics Norway.

- Some current F&B trends to be aware of:
  - *Health and environment:* There has been an increase in the number of so-called flexitarians (part-time vegetarians). Local produce is also increasingly popular, both due to concerns over loss of nutrients and emissions.
  - *Convenience:* Consumers shop more for clothes online, but globally they also order more food online.
  - *Hybrids:* The combination of canteen and public restaurants has existed for a while (e.g. Edda, Bjørvika). They are, however, becoming increasingly popular as a way to effectively utilise the ground floors of office buildings and open up traditional office areas to the public.

Structural challenges are putting a damper on retail transactions

The challenges facing retail are affecting the retail investment market greatly. Some investors have tried to sell, unsuccessfully, while others have chosen to ride out the storm. Retail transactions make up only 9 % of the total transaction volume so far this year and, according to our investment survey, just under 15 % of investors are looking to buy retail property in the next 12 months. The prime yield for high street retail today has increased by 40 bps to 4.0 % from the record low yield seen just 18 months ago and normal retail yields are currently at 5.3 %. Yet, the consensus suggests another 20 bps increase in the next 12 months for both high street and normal retail assets.

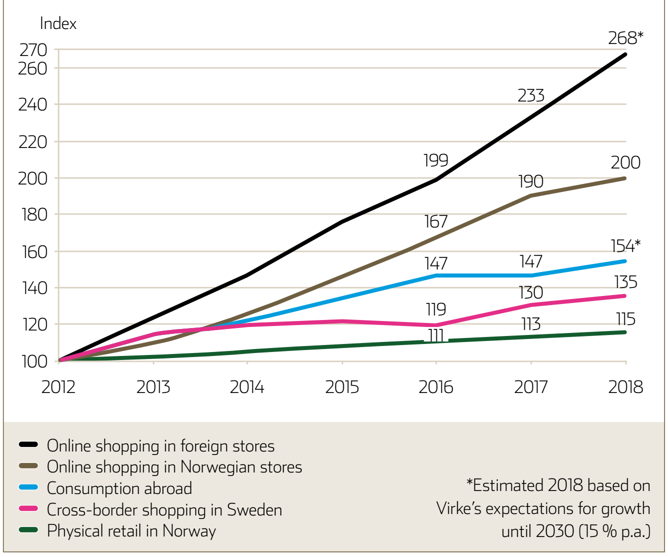
New establishments in retail and F&B

- Cavour women: Cavour is expanding into womenswear, taking over Torshov Sports' former retail unit at Vika Terrassen.
- Mulberry is moving from Akersgata to Nedre Slottsgate in Q2 2019 and will operate out of Steen & Strøm, similar to Gucci, Balenciaga and Valentino.
- Holzweiler is taking over Hugo Boss' old unit in Prinsens gate.
- The Danish budget concept Normal.no will open a store in Bogstadveien 1.

New high-profile F&B establishments

- Amerikalinjen: Multiple new restaurant and bar concepts on the ground floor at the newly refurbished "Boutique-Hotel".
- Restaurant Kød: coming up from Denmark to Kvadraturen.
- Listen to Baljit: New Indian restaurant at Solli plass.
- Restaurant Haakon: A canteen-restaurant hybrid in the CBD.
- Teatro terrasse: Will expand onto the rooftop when the two additional floors are completed in 2020.
- Rumoured that Nodee will expand with a night club on the 13th floor in Bjørvika.

RETAIL SALES INDEX, (2012 = 100) IN VARIOUS CHANNELS



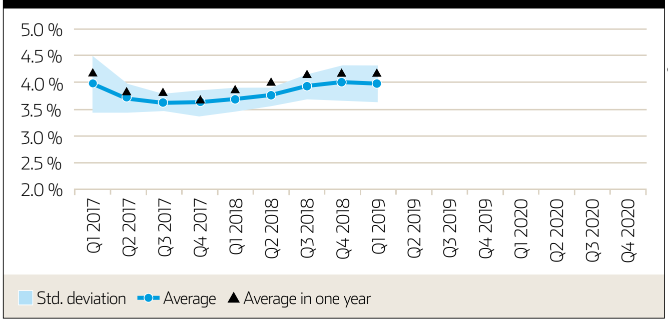
*Estimated 2018 based on Virke's expectations for growth until 2030 (15 % p.a.)

Source: SSB, Norges Bank, Virke analyse

LILLE GRENSEN 5, OSLO

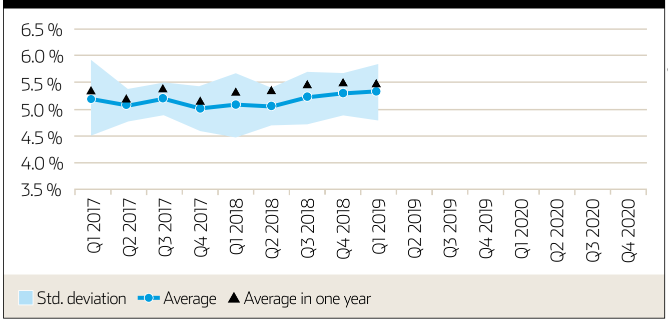
Malling & Co Eiendomsutvikling has been managing the project on behalf of CapMan Real Estate. The project consists of rehabilitation of four floors between 400 – 600 m² each, two floors of which are soon completed, and two floors which are currently still available for new tenants.

TRANSACTION SURVEY NET YIELDS ON MARKET RENT – PRIME HIGH STREET RETAIL



Source: Malling & Co

TRANSACTION SURVEY NET YIELDS ON MARKET RENT – NORMAL HIGH STREET RETAIL



Source: Malling & Co

INDUSTRIAL & LOGISTICS

Investments are soaring while rents are boring

Vacancy trending down while rents stay flat

The vacancy in our defined logistics clusters and areas in Greater Oslo is 5.2 %. Put into perspective, this is a vacancy level on par with the vacancy seen in the Oslo office market. Diving further into our four defined subdivisions reveals a vacancy of 4.3 % in the Northern region, 9.2 % in the Southern region, 2.2 % in the Western region and 4.8 % in the Central region. Yet, we are still unable to find any evidence of the low vacancy level creating any upwards pressure on rent levels like we saw in the office market when it reached these relatively low vacancy levels. Most established logistics hubs are continuing to see a flat development in rents, although we have adjusted our normal rent estimates where we believe that the rent "floor" has increased. So, although we are seeing many companies expanding their current premises or developing new sites, supply remains ample and rent levels continue to be a factor in the price of construction and financing terms. Our rent estimate for prime logistics spaces remains firm at NOK 1 250 m²/year.

Although vacancy is low, tenants are still in a position to have every need catered to when selecting new premises. Another option, which we are witnessing more and more, is to construct their own premises to fit their exact needs before signing a long lease for a sale leaseback structure. The most recent example is Flower Direct, who signed a 15-year lease at their new development at Berghagen and then sold the 2 700 m² property to Ragde Eiendom.

The supply of new efficient space at relatively moderate rent levels is a constant risk factor in the reletting of existing properties. Having the right mix of office to warehouse space is especially important for mixed-use tenants and many otherwise suitable properties are discarded due to the office section being too large. These properties could quickly end up sitting vacant longer than necessary while the owner waits for the "perfect" tenant to absorb all of the office space alongside the warehouse facilities. Newer logistics facilities are addressing this issue in an altogether different fashion. The offices are no longer constructed with the logistics facilities and the office users get to sit in a more central office cluster instead.

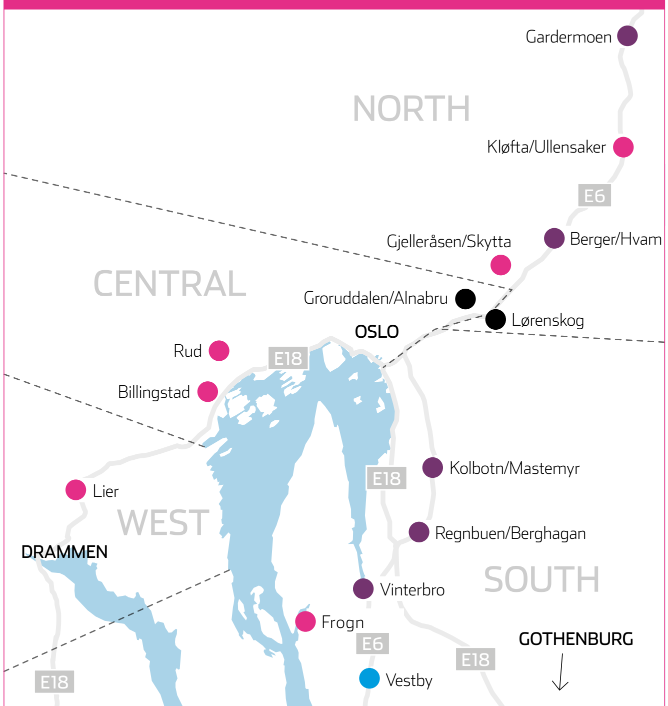
I think I'll help myself to a second serving

According to our investor survey, logistics is the second most sought-after segment after office. Almost 40 % of investors are intending to increase their exposure towards the logistics segment, while almost another 50 % are intending to maintain their current exposure over the next 12 months. Just below 15 % of investors are planning on reducing their exposure and become net sellers of logistics over the same period. This demand has also prompted yield outlooks to remain stable. The prime yield for logistics has seen a flat development since our last report and is still estimated at 4.90 %. However, the future outlook has been reduced by 5 bps to just a marginal increase of 5 bps to 4.95 % over the coming 12 months.

Yield levels for normal logistics have followed a similar trend and is marginally down from our previous report, with expectations of a marginal 5 bps increase over the next 12 months. Our estimate for the average normal yields are all down by 10 bps since our last report and similarly the 12-month outlook is a marginal increase of 5 bps for all three areas. At Kløfta it is now estimated at 5.65 %, while the future outlook for yields 12 months out is thus 5.70 %. At Lier we estimate the average normal yield at 5.80 % and the future outlook for logistics yields to undergo a similar marginal increase to 5.85 %. Our estimate for the average normal yield at Vestby is 5.75 %, with the future outlook for logistics yields thus being 5.80 %.

Logistics is still selling like hotcakes among investors and our estimates of the transaction pace to total market value are now indicating that the transaction volume is five times higher than the segment's relative share of the total market would suggest. Keeping with the trend of seeing retail and logistics as opposites in the current structural change climate, we can add that the same exercise shows that retail transactions, so far this year, only constitute half of what the relative value of the segment would suggest. The number of industrial transactions for the year to date is 17, amounting to NOK 5.6 billion in total.

LOGISTICS CLUSTERS IN GREATER OSLO



INDICATIVE RENTS INDUSTRIAL/LOGISTICS (NOK/M²/YEAR)

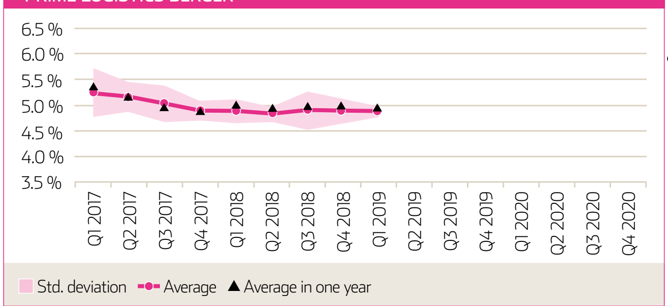
Area Category	Ceiling 4-6 metres (heated, high standard)	Ceiling > 6 metres (heated, high standard)
● (black)	900 – 1 000	1 150 – 1 250
● (purple)	700 – 900	800 – 1 150
● (pink)	700 – 900	750 – 1 000
● (blue)	500 – 700	650 – 850

Special fit-outs for requirements not covered in a standard building will be added to the rents above based on an annuity calculation, with an interest rate typically within 6-8 %. The rent is set based on tenant solidity and usefulness for other tenants. The annuity length is based on the lease length. Examples of special fit-outs include: Floors capable of handling heavy loads, automated storage systems, air and climate specifications (e.g. fruit storage and freezing), cranes and other fixed machinery, etc. Properties with cross-docking capabilities generally command higher rents, often linked to land prices and current yields, but as a rule these buildings are generally 30-40 % more per m² than a regular storage unit.

Source: Malling & Co

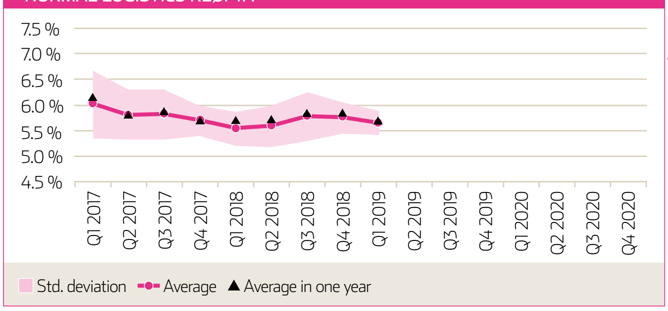
FOLKE BERNADOTTESVEI 38, BERGEN
Malling & Co Eiendomsutvikling has been managing the project on behalf of Nordea Liv. The project has included new facades on three blocks and rehabilitation of about 5 000 m² tenant areas.

TRANSACTION SURVEY NET YIELDS ON MARKET RENT – PRIME LOGISTICS BERGER



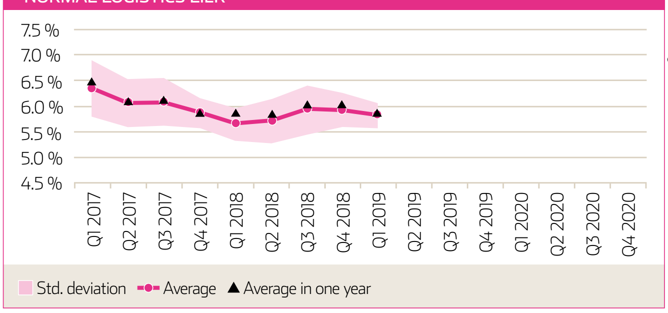
Source: Malling & Co

TRANSACTION SURVEY NET YIELDS ON MARKET RENT – NORMAL LOGISTICS KLØFTA



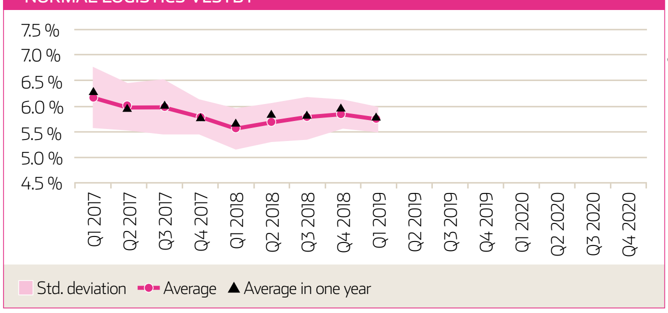
Source: Malling & Co

TRANSACTION SURVEY NET YIELDS ON MARKET RENT – NORMAL LOGISTICS LIER



Source: Malling & Co

TRANSACTION SURVEY NET YIELDS ON MARKET RENT – NORMAL LOGISTICS VESTBY



Source: Malling & Co

THE TRANSACTION MARKET

Betting on lower interest rates or higher rents

So far this year, we have registered a total transaction volume of NOK 26.4 billion*, split between 66 transactions*. Although the yield compression value creation is a thing of the past, the transaction market is off to another good start. So far, the first half of 2019 is looking to be just as good as the previous four years. The demand for continued exposure towards Norwegian commercial real estate is high. Our investor survey shows that close to 60 % of investors are intending to be net buyers in the coming 12 months, where as a meagre sub 10 % are intending to be net sellers in the same period. In light of this, it is no surprise that the yield has continued to follow a rather flat development curve for a prolonged time and the outlook for our investor survey is showing that the same trend will continue. There are, however, very clear distinctions between highly sought-after segments such as office and in part also industrial, while retail is a more ambivalent segment for a majority of investors. With these underlying drivers we predict that Norwegian CRE will be well on the way to achieving our full-year estimate of NOK 80 – 90 billion for 2019.

Banks are gearing up for competition

2019 got off to a very good start and the banks have played a major role in facilitating the high investor demand. Banks are now highly competitive and a decreasing margin has kept the total cost of financing at low levels. The period in which sharp increases in swap rates were observed has been moderated in pace, the drivers for which we will cover in more depth in our macroeconomic sections of this report. It also seems that the banks have been more willing to look at slightly higher LTVs than we have observed over the past few years; something we believe is an effect of several factors, including a brighter outlook for the domestic macro indicators, but also to a larger degree a sign of fierce competition between the banks. The other source of debt, the bonds market, is still in play. Although the growth in the overall outstanding commercial real estate bond-financed debt seems to have subsided, there are still transactions being financed by bond issues alongside refinancing cases.

Our outlook for the financing market continues to look strong and there are fewer signs to support our previous concerns that an increase in interest rates will dampen the availability of financing. This is also supported by the slew of central banks who reduced their forward interest rate curves. And although the Norwegian Central Bank is among the lone exceptions in this global dovish sentiment led on by the Fed, this time we firmly believe that Norway is by no means an island. There are clear limits to how out of sync Norwegian interest rates can become before the economy is affected negatively.

Flat yields in Oslo and the spreads compressing for second tier cities

Our survey-based investigation into investor expectations for yield and investor intentions shows, as we covered initially, that the demand for commercial real estate continues to be high. Our investor survey shows that close to 60 % of investors are intending to be net buyers in the coming 12 months, where as a meagre sub 10 % are intending to be net sellers in the same period - leaving just under 40 % of investors intending to keep their exposure neutral. Breaking down each of the segments we can see that office is close to mirroring the overall commercial real estate exposure with just over 60 % intending to increase their office exposure, while just under 40 % are intending to keep their exposure neutral. None of the investors in the survey have intentions of decreasing their exposure towards the office segment. This is a very strong signal that office will remain a target for acquisitions and that the yields for office will remain under pressure. Our estimate from the investor survey reiterates the office prime yield of 3.75 %, a level maintained since Q1 2018. Expectations 12 months out are, however, slightly down by 5 bps on expectations last quarter, to 3.85 % in 12 months. Normal office yields in the city centre are estimated at 4.20 %, with a minor 5 bps increase expected over the next 12 months. These expectations are aligned with our fundamental research on future yield development.

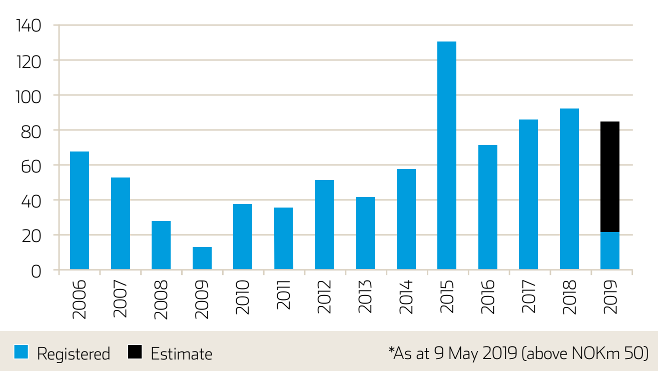
For the fringe office clusters of Lysaker and Helsfyr, we estimate a prime yield of 4.35 % and 4.25 %, respectively. This continues the trend in which we see the eastern fringe cluster of Helsfyr establishing itself as a slightly more attractive office cluster than its counterpart Lysaker in the western fringe. The difference is even clearer when we look 12 months out, as Helsfyr is expected to increase just 5bps to 4.30 %, while Lysaker is expected to increase by 10 bps to 4.45 %. For normal office yield, developments have remained fairly stable for now, with Helsfyr decreasing by 5 bps to 5.00%, 10 bps lower than Lysaker, which increased by 5 bps to 5.10 %. The gap between the two is expected to remain the same, where the outlook for both clusters is an increase of 10 bps over the coming 12 months to 5.10 % and 5.20 %, respectively. The low levels as seen in office yield in Oslo are continuing to have a trickle-down effect on long lease office properties in second and third tier cities. We have, for instance, seen multiple examples of sub 4.00 % prime yield levels in Bergen, which means that the prime yield spread to Oslo is almost wiped out.

In logistics, the investor outlook shows that close to 40 % of investors are intending to be net buyers in the coming 12 months, whereas close to 50 % are intending to maintain their neutral exposure in the same period, leaving just over 10 % of investors intending to be net sellers and reduce their exposure to the segment. The prime yield for logistics has seen a flat development since our last report and is still estimated at 4.90 %. However, the future outlook has been reduced by 5 bps to just a marginal increase of 5 bps to 4.95 % over the coming 12 months. Yield levels for normal logistic properties have followed a similar trend and are marginally down from our previous report, with expectations of a marginal 5 bps increase over the next 12 months. Our estimate for the average normal yield is now 5.75 %. The logistics segment is still performing very well and demand from investors is high. Alongside the office segment that has close to a 60 % share of the transaction market, logistics constitutes almost 30 % of the total transaction volume so far in 2019.

The structural challenges in retail are putting a significant damper on the investment market, where retail makes up less than 10 % of the total transaction volume. Investor intentions are, according to our survey, a reflection of this, as just under 15 % of investors are looking to be net buyers of retail properties in the coming 12 months. Just over 60 % seem to be weathering the storm and keeping their exposure neutral, while close to 25 % are intending to be net sellers of retail. Prime yield for high street retail has risen to 4.00 % and the outlook is suggesting another 20 bps increase over the coming 12 months. Couple this with a reduction in rents by up to 20 %, with rental decreases expected to continue, and the outlook looks gloomy. Normal retail yields are not faring much better at the moment, having risen another 10 bps since our last report to 5.30 % Our investor survey shows expectations of an increase of a further 20 bps over the coming 12 months to 5.5 %, although we are a lot more bearish and expect the increase over the next 12 months to be at least 30 – 40 bps.

*As at 9 May 2019 (above NOKm 50)

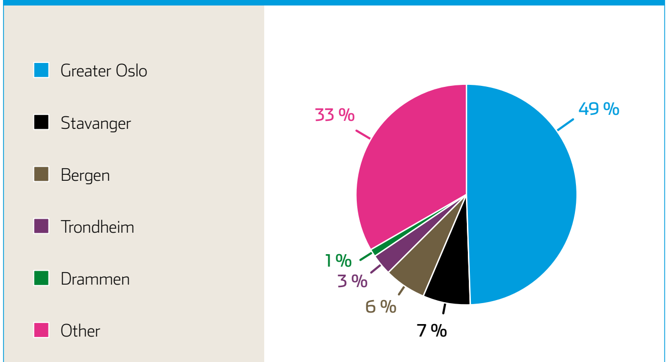
VOLUME DEVELOPMENT IN NOK BILLION* (TRANSACTION VOLUME LARGER THAN NOK 50 MILLION)



*As at 9 May 2019 (above NOKm 50)

Source: Malling & Co

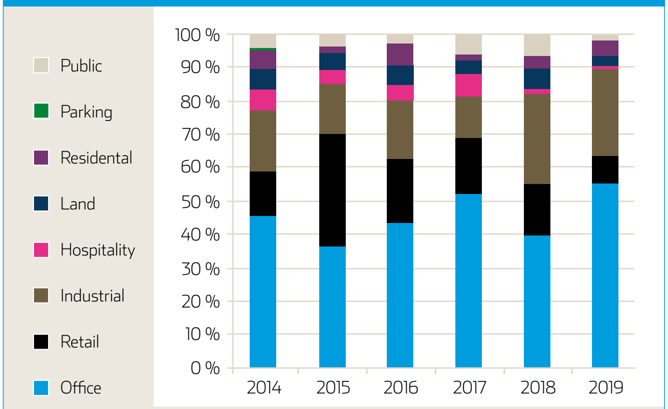
REGIONAL SPLIT OF THE TRANSACTION MARKET 2019* BY VOLUME



*As at 9 May 2019 (above NOKm 50)

Source: Malling & Co

PERCENTAGE SPLIT TRANSACTION VOLUME BY SEGMENT 2019*



*As at 9 May 2019 (above NOKm 50)

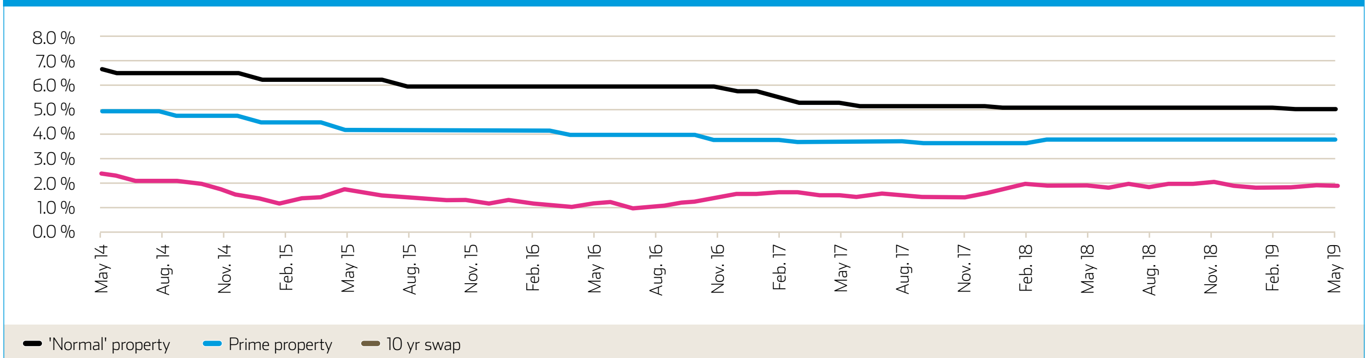
Source: Malling & Co

NET PRIME YIELD IN SELECTED EUROPEAN CITIES

CITY	PRIME YIELD (OFFICE)	△ FROM LAST REPORT
Munich	2.90 %	▲ 0 bps
Paris	3.00 %	▲ 0 bps
Amsterdam	3.50 %	▲ 25 bps
Helsinki	3.50 %	▲ 0 bps
Vienna	3.50 %	▲ 0 bps
Stockholm	3.50 %	▲ 0 bps
Milan	3.50 %	▲ 0 bps
London	3.75 %	▲ 50 bps
Oslo	**3.75 %**	**▲ 0 bps**
Copenhagen	4.00 %	▲ 0 bps

Source: Malling & Co / Savills

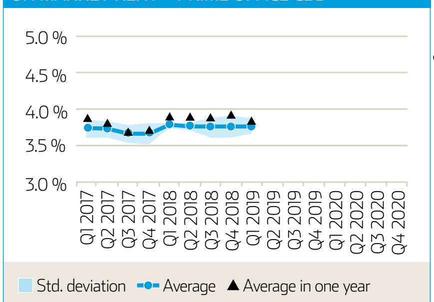
YIELD DEVELOPMENT PAST 5 YEARS



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

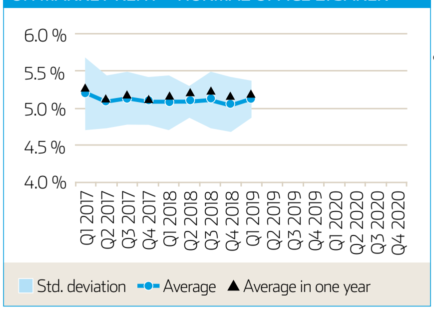
Source: Malling & Co/DNB Markets

TRANSACTION SURVEY NET YIELDS ON MARKET RENT – PRIME OFFICE CBD



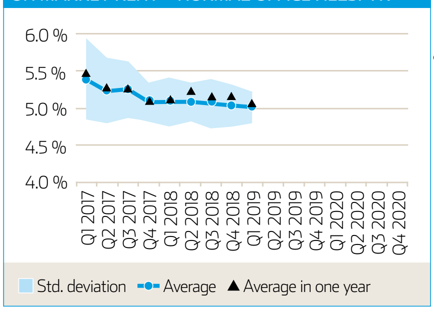
Source: Malling & Co

TRANSACTION SURVEY NET YIELDS ON MARKET RENT – NORMAL OFFICE LYSAKER



Source: Malling & Co

TRANSACTION SURVEY NET YIELDS ON MARKET RENT – NORMAL OFFICE HELSFYR



Source: Malling & Co

SPECIAL TOPIC

What Workers Want 2019: Europe

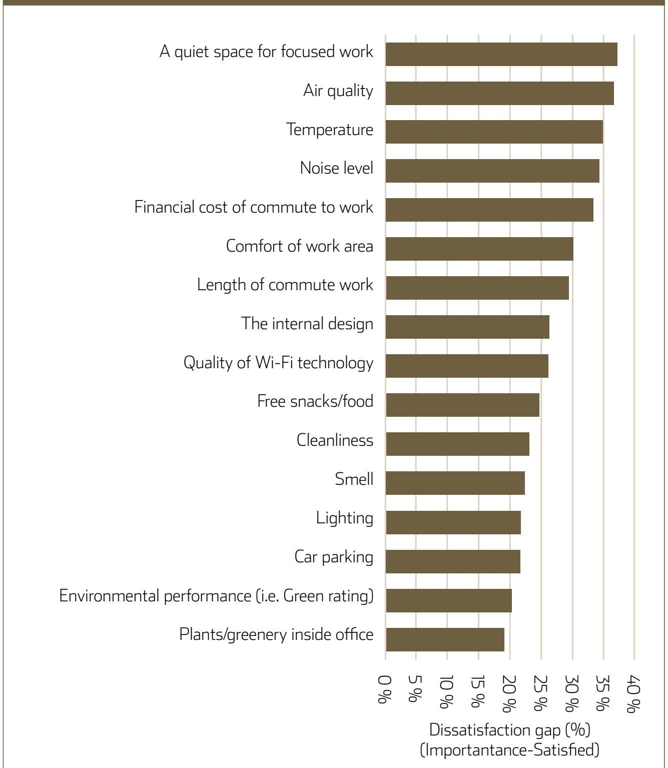
MIKE BARNES
ASSOCIATE – EUROPEAN RESEARCH,
COMMERCIAL RESEARCH
SAVILLS

This is the fourth edition of Savills' What Workers Want survey, and the first covering 11 of our European office markets- France, Germany, Ireland, Italy, Netherlands, Norway, Poland, Portugal, Spain, Sweden and the UK, with over 11 000 respondents. The survey investigates workers' wants and needs from their workplace- what is important, what they are dissatisfied with, and most importantly, what needs to be improved in order for tenants to attract and retain talent in the workplace. As the war for talent and skills intensifies, businesses are increasingly using their real estate as differentiator.

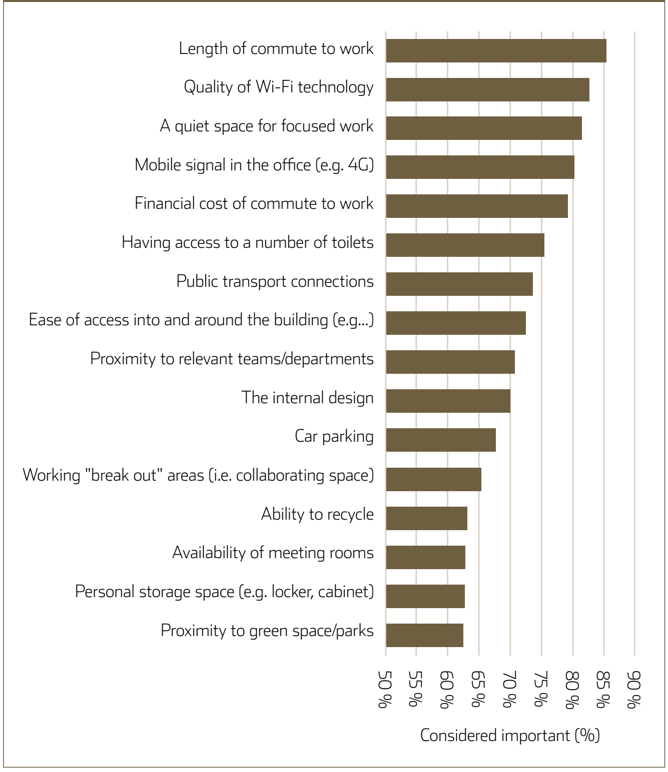
Getting the basics right

A clean, comfortable, secure workplace is a basic requirement for office workers and these were considered among the most important factors in our survey. Despite this, Air Quality, Temperature and Noise level were among the factors workers were most dissatisfied with (importance %-satisfaction %). Occupiers and landlords need to give more consideration to these as 'easy wins' in order to provide workers with a comfortable environment as a minimum, but must also go above and beyond to draw workers in to the workplace.

WHAT FACTORS ARE WORKERS LEAST SATISFIED WITH?



WHAT ARE THE MOST IMPORTANT FACTORS FOR YOUR IDEAL WORKPLACE?



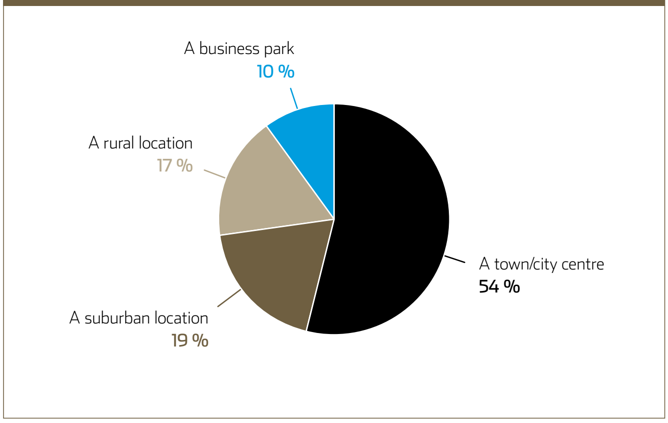
Beyond the basics

Looking beyond what are the basic requirements from the workplace, the most important factors for workers include commute length and commute costs, appropriate tech infrastructure and a choice of quiet working spaces, collaborative break-out areas and meeting rooms.

Where to work and type of workspace

In terms of location, 54 % of office workers would most like to spend the majority of their working time in a town/city centre. Local amenities, good public transport links, business clusters and "buzz factor" are all drivers behind the preference for city centre working. However, despite popular belief, our survey respondents show that there is very little variation in preference by age. 57 % of 25 – 34 year olds most prefer working in a city centre, against 55 % of age 55+. At country level, Swedish (65 %) workers most wanted to work in city centres, against Dutch (45 %) workers who have the weakest preference for a city centre workplace.

WHERE WOULD YOU MOST LIKE TO SPEND THE MAJORITY OF YOUR WORKING TIME?



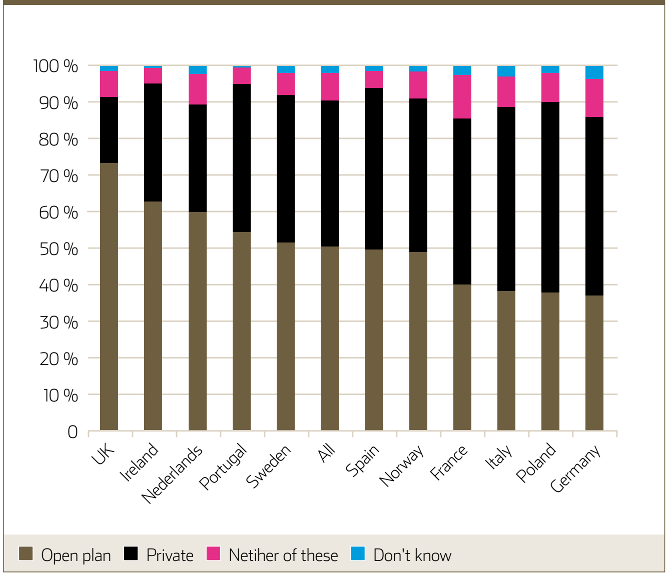
Open plan and private workspaces will have advantages and disadvantages for both tenants and workers, especially noise levels. 58 % of workers in private workspace are satisfied with the noise levels, against only 47 % who work in open plan workspace. Our survey results show that a higher proportion of British workers work in open plan offices, and unsurprisingly, are also the least satisfied with the level of noise in the office. German and Polish workers however, are more satisfied with their noise levels and work in more private layouts.

In fact, when asked where workers would most like to spend the majority of their working time, over half (52 %) would like to work at their own dedicated desk, followed by 18 % who want to work from home. Only 4 % of respondents would want to work the majority of their time at a serviced office, whereas standing desks (6 %) and hot desking (7 %) were also popular.

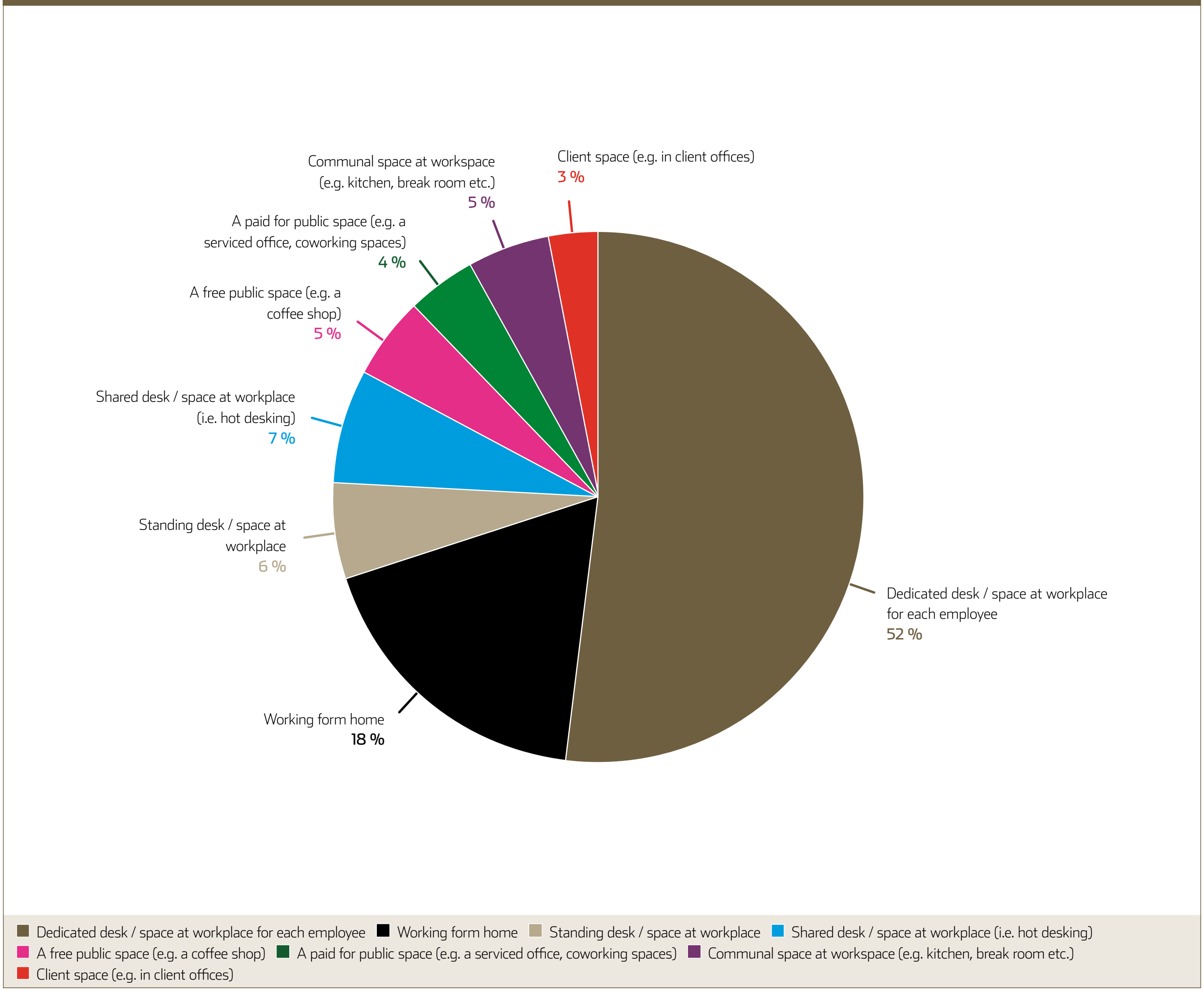
Norwegian (67 %) workers preferred their own dedicated working space more than any other country, while Portuguese (35 %) workers were more flexible and willing to work elsewhere.

What is important though, is for workers to have the choice to move around the office and have access to the space which they feel most productive.

WICH OF THE FOLLOWING BEST DESCRIBES YOUR CURRENT WORKPLACE?



WHAT ARE THE MOST IMPORTANT FACTORS FOR YOUR IDEAL WORKPLACE?



The commute

Length of commute to work was the most important factor for workers' ideal workspace, with 85 % of Europe's workers considering this to be of high importance.

Analysing commuting patterns across Europe, 44 % of commutes take more than half an hour each way. French and Dutch workers commute the furthest distances, with approximately 50 % of workers commuting over half an hour. In Portugal however, only 32 % of workers' commutes last over half an hour, which will make the daily commute more manageable for these workers and less of an influence on moving jobs.

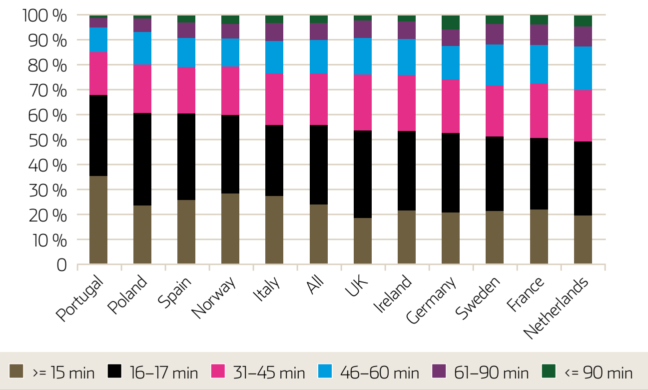
The financial cost of commuting to work was also high on the agenda, with 79 % considering this to be of high importance. 38 % of Swedish workers were satisfied with the financial cost of commute to work, against 56 % of Dutch workers who were satisfied, however, this was partly due to a high proportion of our Dutch respondents who reported cycling to work. Choosing a workplace with good public transport links, sufficient car parking and changing/ shower facilities are of course important to meeting a range of workers' needs. Human Resources (HR) and Heads of Real Estate for businesses are now increasingly collaborating when deciding on their company's next real estate moves.

Productivity trap

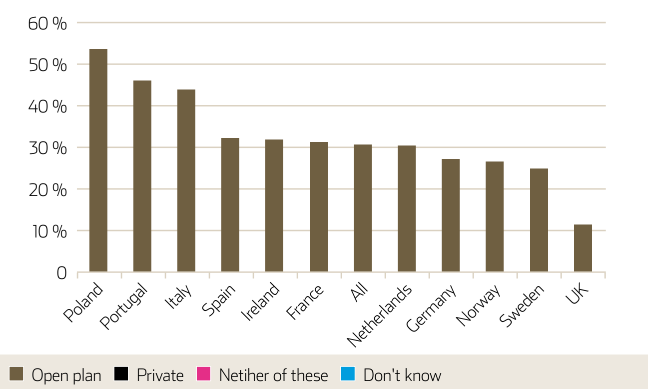
As well as retaining talent, employers must be focussed on utilising their workforce most effectively in order to get the best results. The workplace has a key role to play in this. Of the workers whose workplace permits hot desking, 32 % feel hot desking has a positive impact on their productivity levels, though 30 % believe hot desking has a negative impact on their productivity levels. Workers in the Real Estate (42 %) and IT (41 %) sectors reported hot desking increases their productivity more than in Healthcare (21 %) and Public Services/ Government (22 %).

What is striking is the impact workers feel hot desking has on their productivity between countries. 54 % of Polish workers believe hot desking has a positive impact on their productivity, against only 12 % in the UK. Employers must engage regularly with their employees in order to find a working style to meet their needs.

HOW LONG DOES YOUR COMMUTE TAKE?



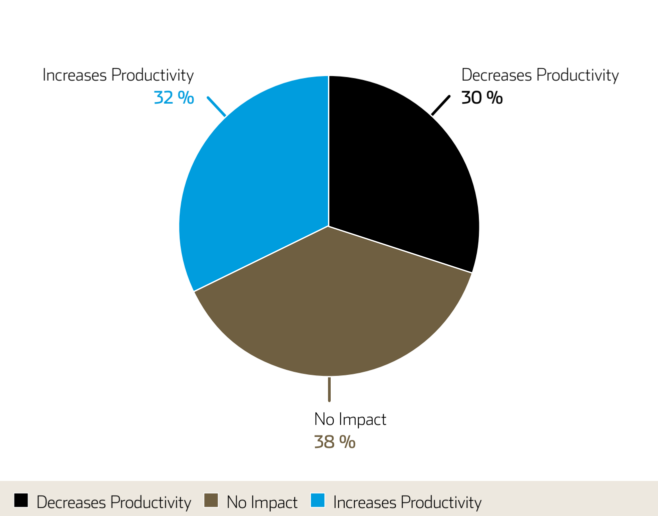
WORKERS THAT FEEL HOT-DESKING INCREASES PRODUCTIVITY (%)



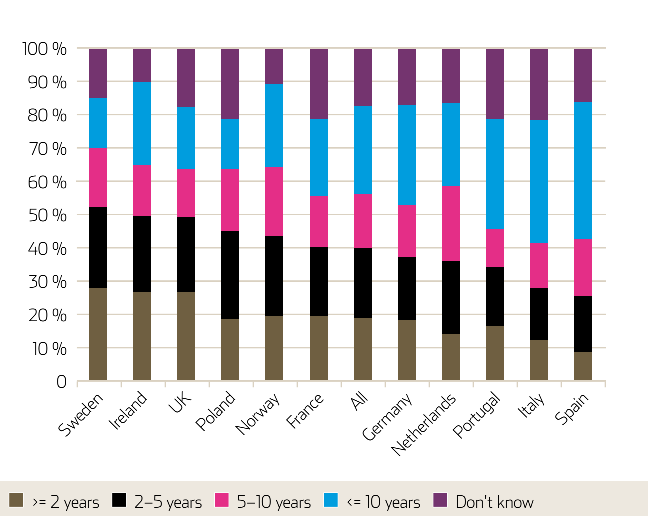
Loyalty

In the 2019 edition of What Workers Want, we asked workers how long they expect to stay with their current employer. 40 % of Europe's workers expect to leave their current job within the next five years and our results show that Swedish (52 %), Irish (49 %) and British (49 %) workers are most likely to leave their current employer within the next five years. On the other hand, Spanish (25 %) and Italian (28 %) workers are the least likely to leave within the next five years.

WHAT IMPACT DO YOU FEEL HOT-DESKING HAS ON YOUR PRODUCTIVITY?



HOW LONG DU YOU EXPECT TO STAY WITH YOUR CURRENT EMPLOYER?



Indeed, the nature of employment contracts in each country and sector has a role to play in this. Respondents within the Creative/Media (49 %) sector are more likely to leave within the next five years, whilst Legal (34 %) and Government (33 %) sector workers are less likely to leave during this time.

The length of commute (17 %), personal workspace (17 %) and internal design (16 %) featured as the factors workers most want to change. With more flexible working styles including hot-desking and serviced offices, workers feel they do not have the ability to change and manage their own personal workspace, despite the fact that the majority of workers prefer their own dedicated workspace. Interestingly, line managers (15 %) and colleagues (10 %) collectively contributed a quarter of the factors that office workers would most like to change.

However, if workers were offered the same financial package for a job elsewhere, workplace location (47 %) the future colleagues (47 %) and the working culture (40 %) of the future job are the factors which influence decision making the most, rather than the internal design of the building (15 %) or external building design (7 %). Besides earnings potential, people, rather than places are the key determinants.

What next for the workplace?

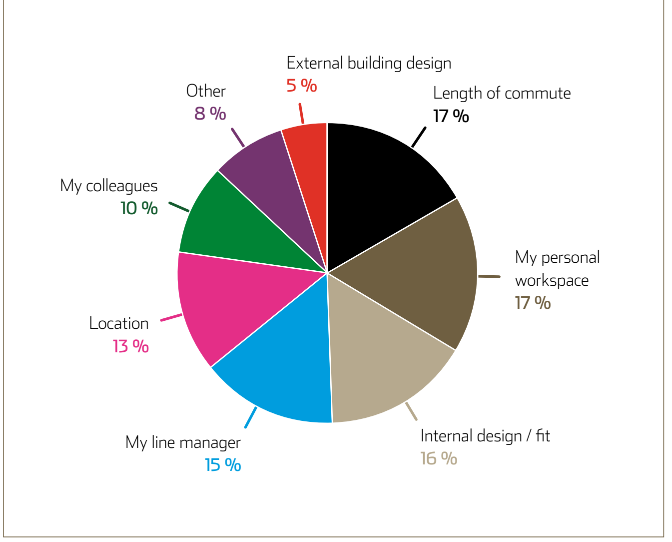
So what must the office do to reinvent itself and continue to remain relevant? 37 % of office workers reported that they would find a workplace smartphone app useful, driven by workers in Portugal (65 %) and Spain (65 %). Services include access to and from the building, booking meeting rooms, laundry services, engaging with work events and parcel deliveries. The next steps will include tracking movement of colleagues within the building which will prove a useful tool for management to work out which teams should be located in close proximity to each other.

As the lines between live, work and play become blurred, workers are demanding more from their workspace at their fingertips. Quality of Wi-Fi technology was the second most important factor for the workforce, however this also featured in the top ten factors workers were most dissatisfied with.

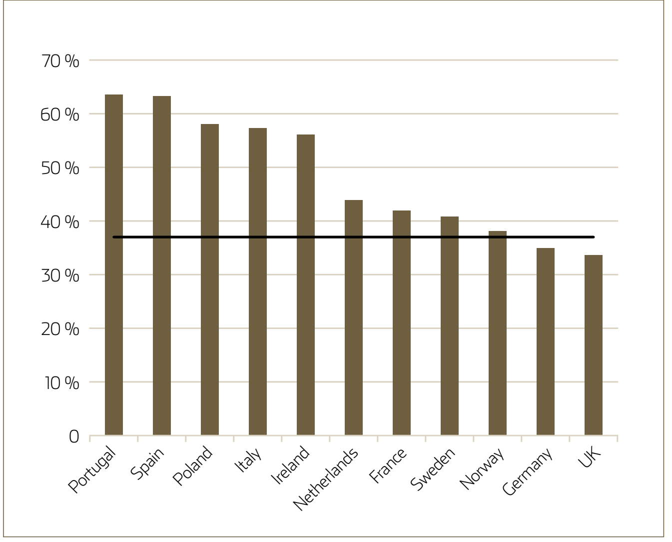
Over 50 % of 18 – 34 year olds consider parcel delivery to be of high importance, against less than 30 % of over 55 year olds, with millennials shifting their purchasing patterns online. Parcel delivery service is an increasing demand of workplace as a service and the way tenants use space on the ground and basement floors needs to be able to meet workers' needs. The UK and Netherlands have the highest proportion of online retail as a percentage of total retail sales across Europe, however, workers from these countries are among the least satisfied with the provision of a parcel delivery service in the workplace. Tenants need to be aware of their employee demographics thus, requirements from the workplace.

The environment continues to play an important role in worker wellbeing. The majority of workers felt that a) ability to recycle (63 %), b) public realm (62 %), c) environmental performance of the building (58 %) and d) plants/greenery inside the office played an important role in their ideal workplace. However, 12 % of Europe's workers reported that the workplace has an overall negative impact on their mental health. Internal design, fit-out and colour of walls and furniture can all play an important role towards the wellbeing agenda and retaining talent in the workplace.

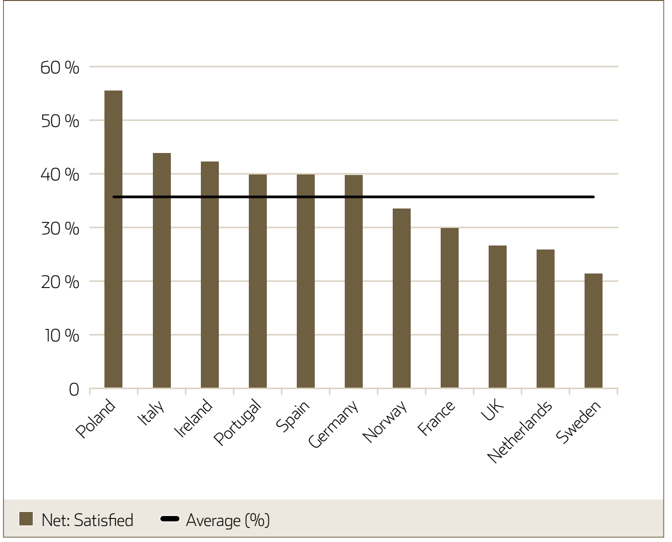
WHICH ONE WOULD YOU MOST LIKE TO CHANGE ABOUT YOUR WORKPLACE?



HOW USEFUL WOULD YOU FIND A WORKPLACE SMARTPHONE APP?



SATISFACTION WITH PARCEL DELIVERY AND COLLECTION LOCKERS



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