Norway - Oslo

KEY PERFORMANCE INDICATORS (Q3 2021)

Prime Rent
5,650kr (↑)
Yearly, per sq m
Change YonY: 5.31%

Average Rent
2,420kr (↑)
Yearly, per sq m
Change YonY: 3.31%

Prime Yield
3.25% (↓)
Lifetime investment
Change YonY: -0.35%

Typical Lease Terms
3-5 years
Typical Rent Free Period
0-6 months

Take Up
183K (↑)
Thousand sq m
745K Annual2Date

Vacancy Rate
6.59% (↑)
Of Total Stock
Change YonY:0.10%

Completions
138K (↑)
Thousand sq m
154K Annual2Date

Total Stock
10,105K (↑)
Thousand sq m
9,439K Occupied Stock

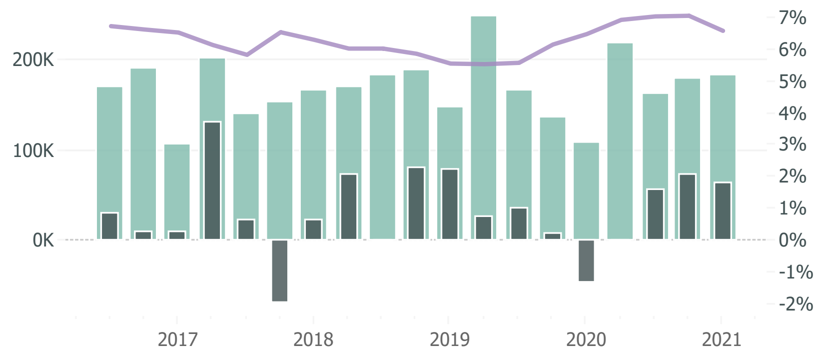
Forecast Completions
170K (2021)
Thousand of sqm
118K (2022) // 266K (2023)

The Oslo office market saw a rebound in activity over the summer, as many companies that postponed leasing decisions earlier in the pandemic are returning to the market. Leasing activity picked up significantly, particularly considering that Q3 typically is a weak quarter. Take-up in fact increased for the third quarter in a row since the trough in Q3 2020, resulting in the second strongest Q3 on record. It is worth noting that we have and continue to observe that occupiers' requirements of the office are changing with regards to quantity and type of space. As organizations determine their future working practices, they become increasingly focused on higher-quality assets offering flexibility, technology and wellness features.

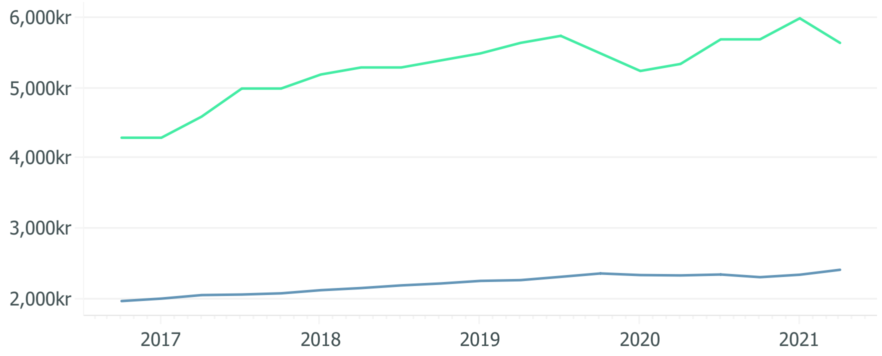
The continuing growth in the rental market slowed down in Q3. Most notably prime rent decreased 5.8 percent from NOK 6,000 to NOK 5,650 (still up 5.6 percent YoY). While average only slightly increased 1.5 percent to NOK 2,378 /up 1.6 percent YoY).

Office vacancy in Oslo decreased 50 bps from 7.1 to 6.6 percent in Q3. This is the first decrease in vacancy since the outbreak of COVID. The trend is forecasted to continue, but it is worth keeping an eye on the significant pipeline of speculative development completions coming into the market going forward. Compared to pre-COVID levels, the vacancy rate is still at an elevated level compared to 5.6 percent in Q4 2019.

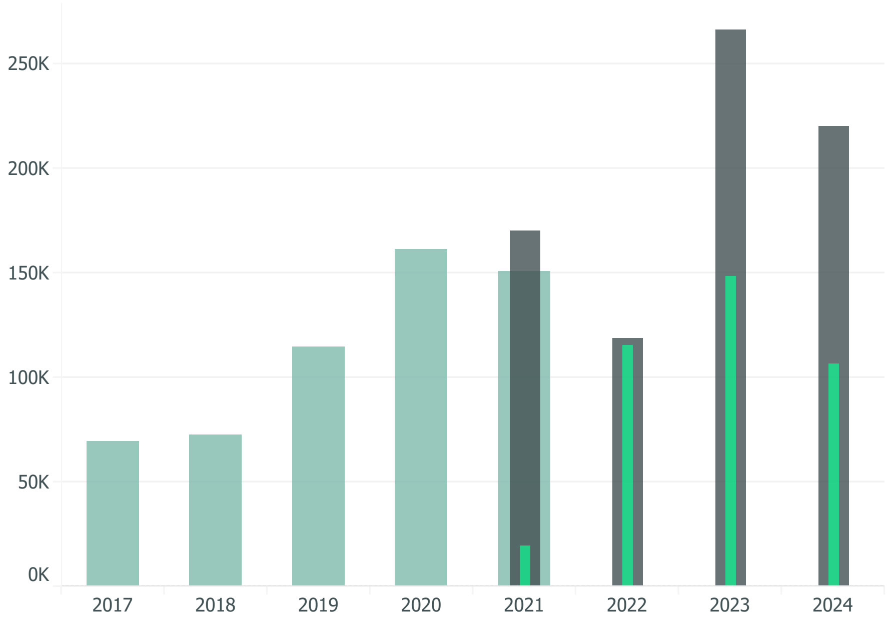
Market Trend (Net Absorption | Take-Up | Vacancy)



Rent Development (Prime | Average rent (Yearly/NOK/sq m))



Stock Development (Completions | Forecast | Forecast UC)



150,000 sqm of new office space has been completed YTD in Oslo per Q3, with the VIA development in CBD being the largest project (42,000 sqm). We forecast that completions will fall to 118,000 sqm in 2022, where about 55 percent are pre-let. New completions will rise sharply in 2023, currently forecast to more than 250,000 sqm. It is worth noting that geographical disparities exist - adjusted for current stock, the supply growth is significantly stronger in peripheral submarkets than central ones.

We have already seen it start and expect that vacancy will continue normalizing onwards. We expect that peripheral submarkets will be more affected by the supply growth than more central submarkets, particularly when considering occupier demand.Both investors and occupiers are sharpening the focus on Environmental, Social and Governance (ESG) considerations throughout all stages of the investment and leasing processes. Occupiers' preference for sustainable, 'future-proofed' office buildings will reflect in investors' interest. Going forward, this trend will be substantial.

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