

Norway - Oslo

Key performance Indicators (Q2 2023)

Prime Yield

4.20%

Change YoY bps : 90

Prime Rent

kr 6,500.0

Change YoY: 8.3%

Average Rent

kr 2,787.5

Change YoY: 9.3%

Take Up sqm (Quarterly)

163K

YTD: 413K

Vacancy Rate

6.71%

Change YoY: 1.44%

Typical Lease Terms

3-5 Years

Typical Rent-Free Period:
0-6 months

Completions in sqm

0

YTD: 7,300

Total Stock in sqm

10,198K

Occupied Stock: 9,513K

Forecast Completions

123K (2023)

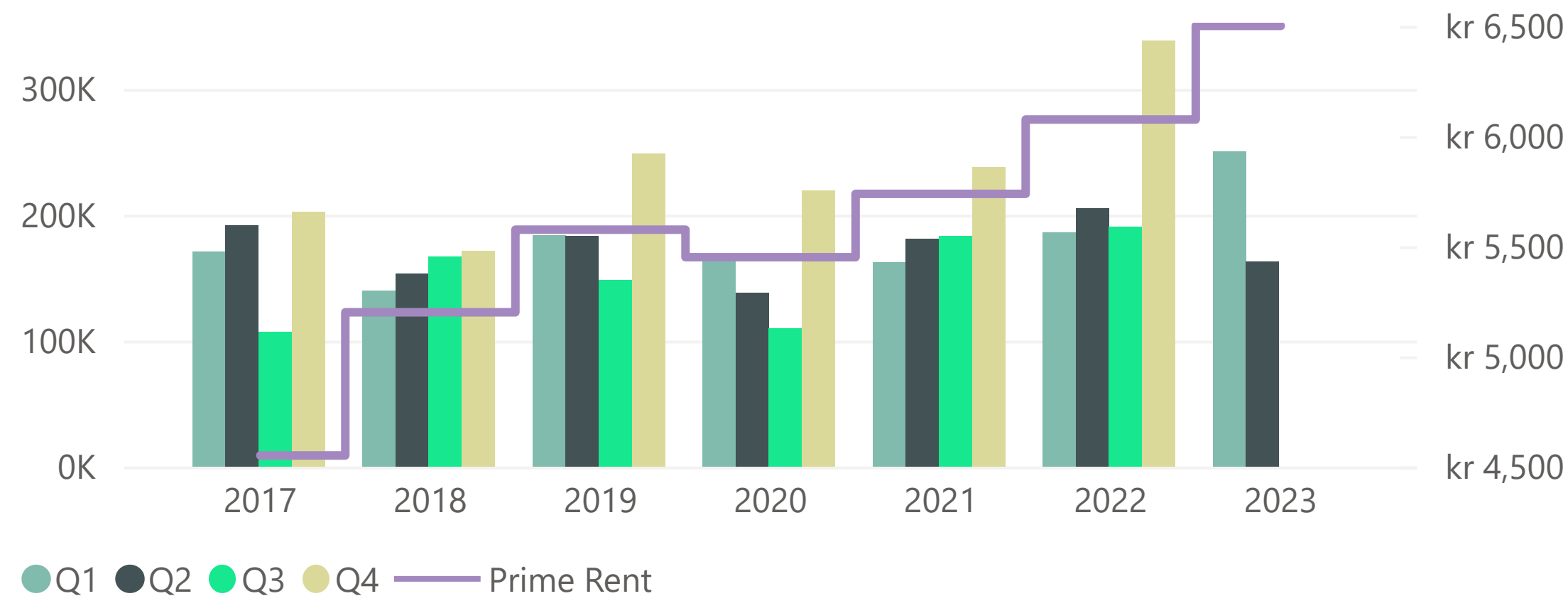
(2024): 156K

After a couple of exceptional quarters, the Oslo office leasing market is starting to show signs of slowing down. In the first half of the year, take-up was 5.6 percent higher than the same period last year. However, the momentum is turning as Q2 take-up of 162,960 sqm is down 20.6 percent YoY. This might be an effect of the tightened monetary policy, and the next quarters will show if the office demand has shifted downwards.

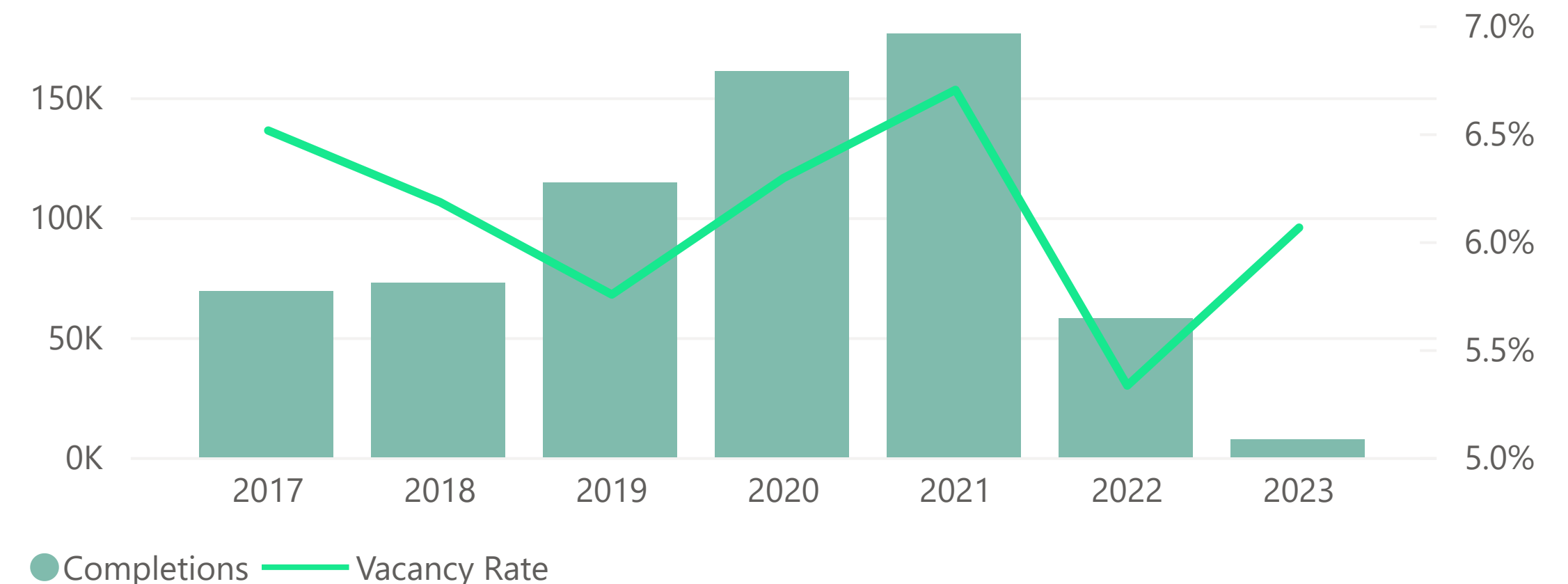
Economic activity has slowed down, as expected, with GDP growth of only 0.2 percent in Q1. We expect both GDP and mainland GDP to grow by 1.0 percent in 2023. Inflation has been stickier than expected as the 12-month inflation rate was estimated to be 6.4% in June. We expect that CPI inflation will gradually decrease towards the end of the year, with an estimated average CPI inflation rate of 5.8 percent for 2023, and an average of 5.1 percent in Q4.

The average office rent in Oslo rose by 1.3 percent QoQ and 9.3 percent YoY, with Grade A rents increasing at a faster rate of 2.3 percent QoQ and 11.9 percent YoY. Prime rent remains at NOK 6,500 per sqm per year. The Oslo office vacancy has been stable at around 5-5.5 percent the last year but jumped to 6.7 percent at the end of Q2. Some of the increase is explained by expected vacancy coming at Snarøyveien 20 and Filipstad Brygge 1 next year. The development activity is expected to remain low, with only 53,000 sqm of completed new developments anticipated.

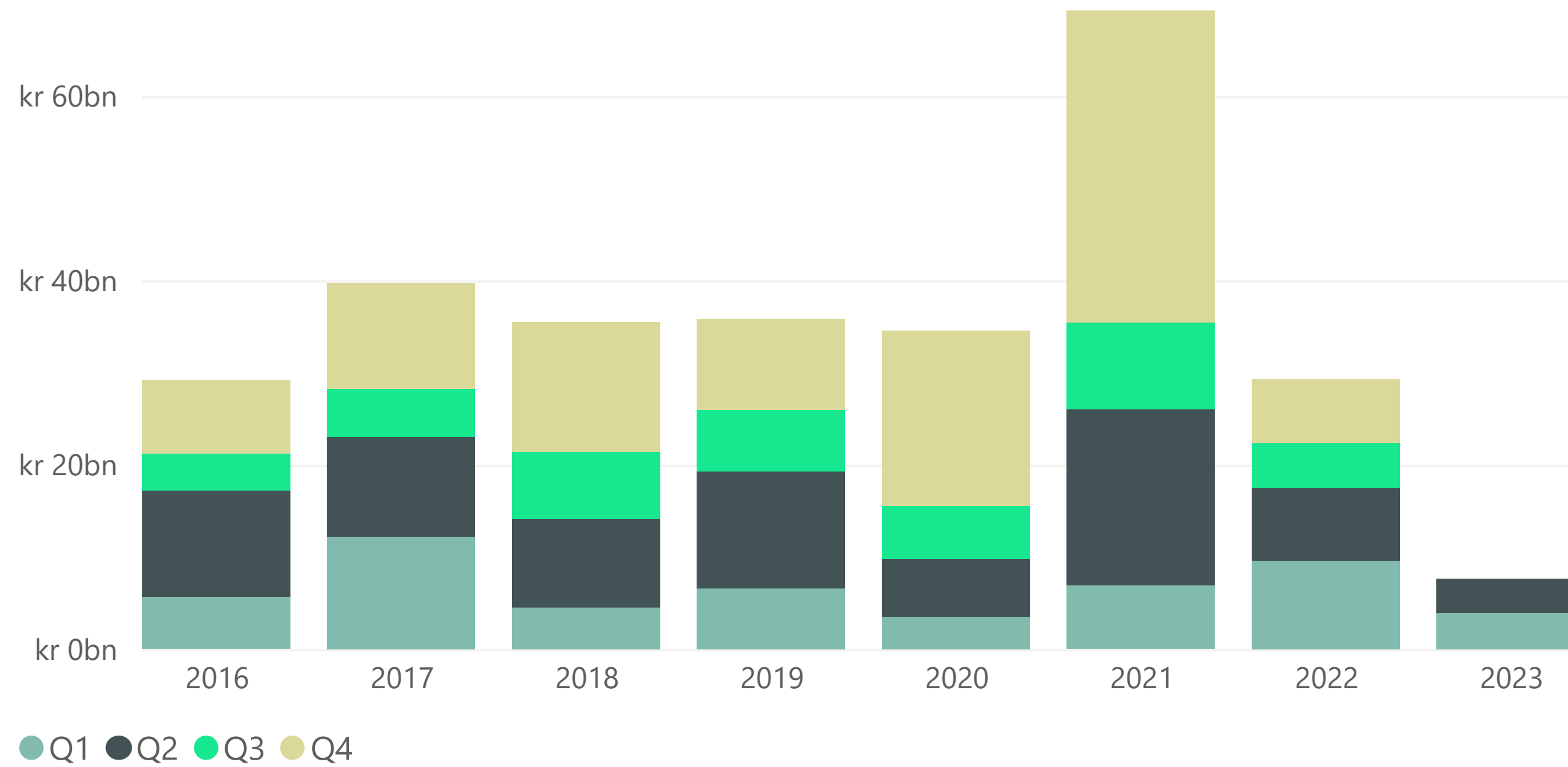
Market Trend (Take-up | Prime Rent)



Development Activity (Completions | Vacancy Rate)



Norway Office Investment Volumes



Like the overall Norwegian CRE investment market, the office investment volume has significantly contracted so far this year. The total investment volume of NOK 3.7 billion in Q2 is similar to Q1, but down 53 percent YoY.

Since the beginning of 2022, the prime office yield has increased by 95 bps, reaching its current level of 4.20 percent. Interest rates have continued to rise throughout Q2 and the summer, putting additional pressure on yield levels. Currently, we are expecting prime office yield to soften towards 5 percent in the coming quarters.

The most significant office transactions in Q2 2023 include NREP’s acquisition of Akersgata 51 & Tordenskiolds gate 6 for close to NOK 1.5 billion from Entra, a Union fund’s purchase of Grensen 3 and Thunes vei 2 for close to NOK 900 million from Tryg, and NIAM’s purchase of Helsefy Panorama from Bryn Eiendom for an undisclosed fee.

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