Norway - Oslo

Key performance Indicators (Q1 2023)

Prime Yield

4.10%
Change YoY bps : 85

Prime Rent

kr 6,500
Change YoY: 16%

Average Rent

kr 2,752.5
Change YoY: 10.2%

Take Up sqm (Quarterly)

250K
YTD: 250K

Vacancy Rate

5.41%
Change YoY: -0.33%

Typical Lease Terms

3-5 Years
Typical Rent-Free Period: 0-6 months

Completions in sqm

7,300
YTD: 7,300

Total Stock in sqm

10,211K
Occupied Stock: 9,659K

Forecast Completions

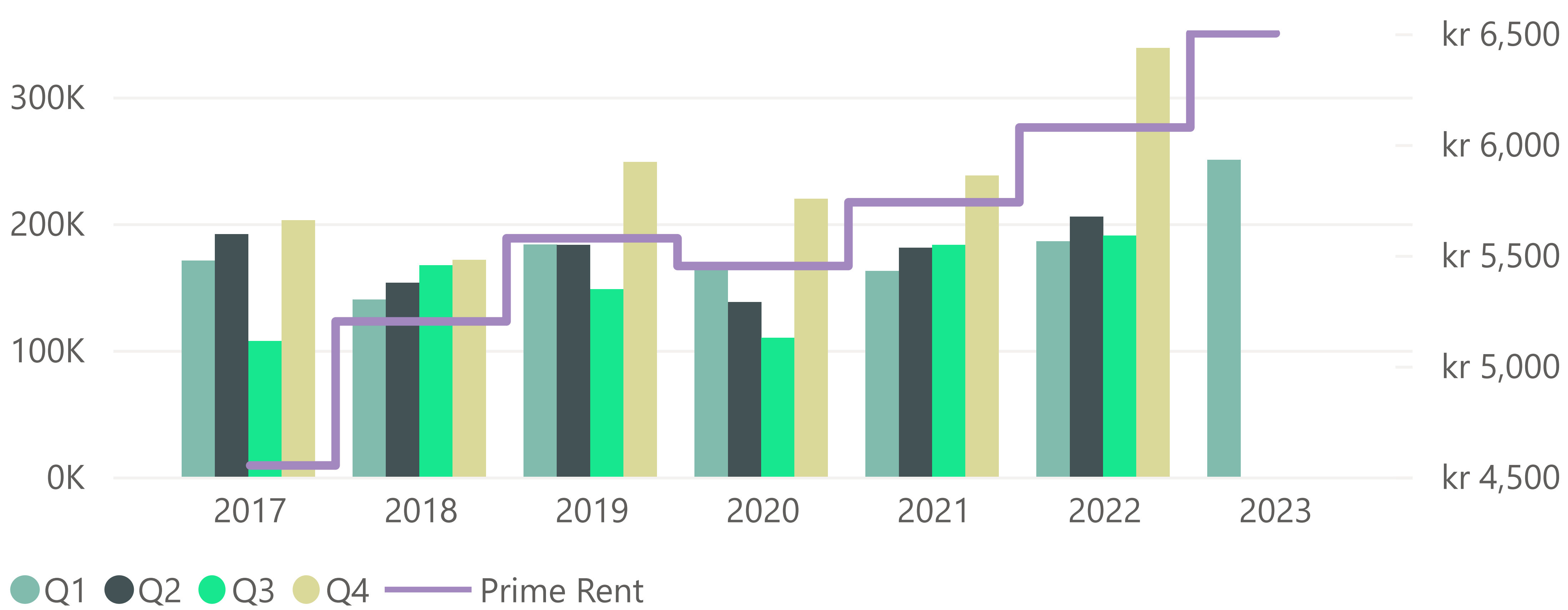
138K **(2023)**
(2024): 161K

The Oslo office leasing market maintained its positive momentum from an exceptional 2022, with a take-up of 250,030 sqm in Q1 2023, marking a YoY increase of 34.6 percent. The high demand for office space, low vacancy rates, and limited new development are exerting pressure on rental levels. However, we expect economic activity and office demand to grow at a slower pace in 2023, with projected GDP and mainland-GDP growth of 1.2 and 1.3 percent, respectively.

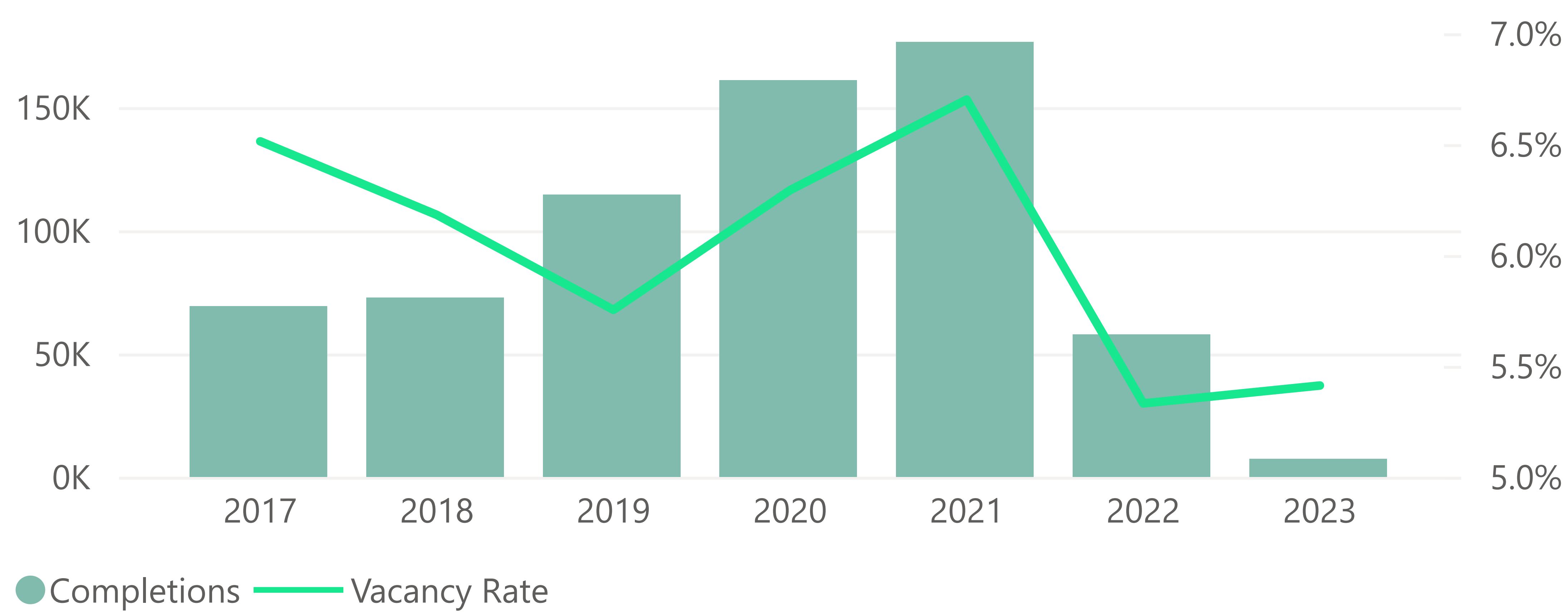
CPI inflation peaked at 7.5 percent last fall but has since started to decline. As of March 2023, the estimated 12 month inflation rate is 6.5 percent, with a further decrease expected in the upcoming quarters. The recent significant reduction in gas prices has caused electricity prices to drop, which has had a positive impact on the inflation outlook for 2023. We anticipate that inflation will remain elevated in the short term before gradually decreasing towards the end of the year, with an estimated average CPI inflation rate of 4.6 percent for 2023, and an average of 3.6 percent in Q4.

The average office rent in Oslo rose by 1.8 percent QoQ and 10.2 percent YoY, with Grade A rents increasing at a faster rate of 3.6 percent QoQ and 10.7 percent YoY. The prime rent increased by 16 percent YoY and currently stands at NOK 6,500 per sqm per year. The office vacancy rate has stabilized at around 5.0-5.5 percent over the past four quarters and was estimated at 5.4 percent in Q1. The low supply of new office space will alleviate the upward pressure on vacancy rates due to decreased demand. The development activity for 2023 is expected to remain at low levels, with only 53,000 sqm of completed new developments anticipated.

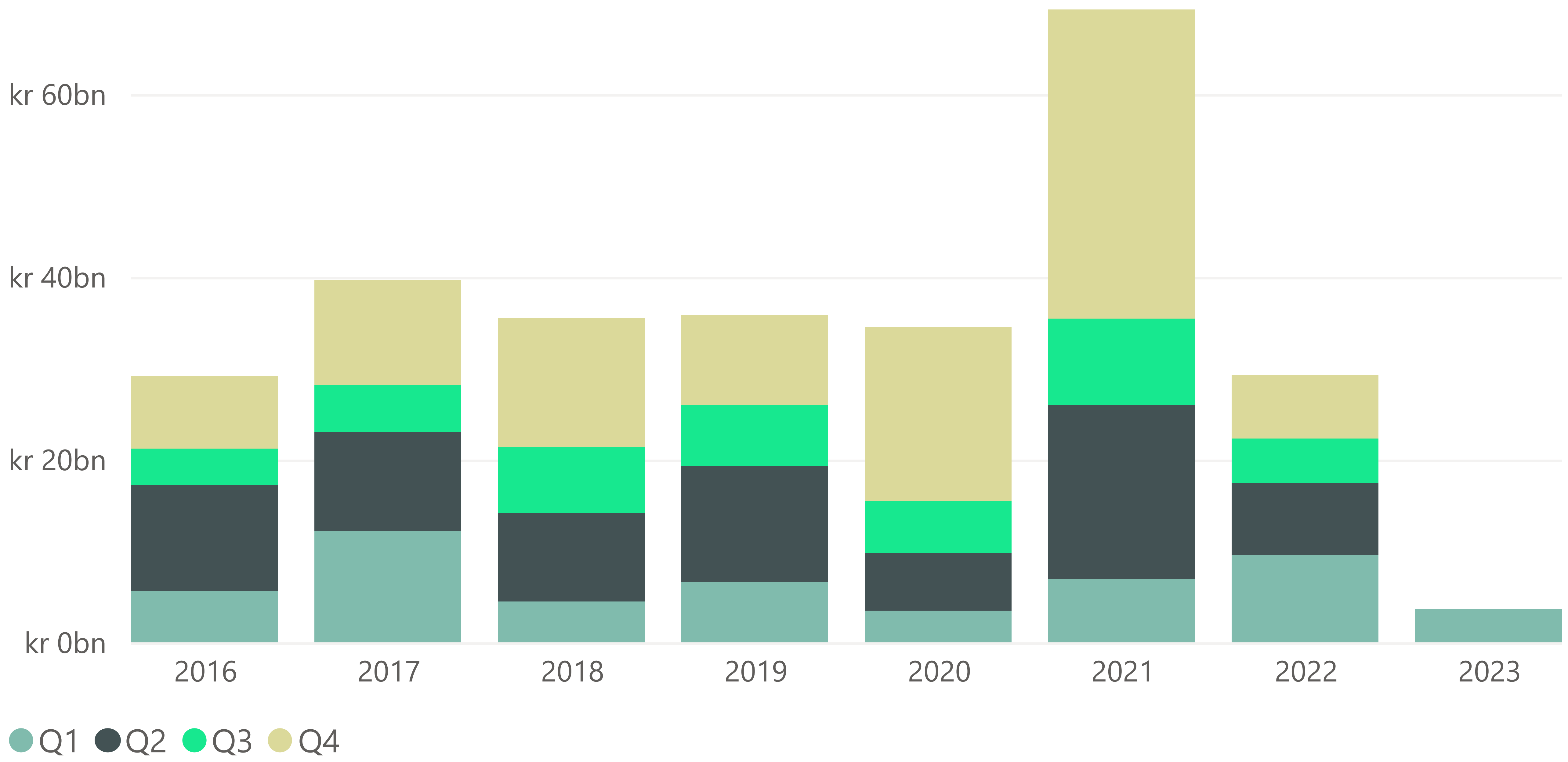
Market Trend (Take-up | Prime Rent)



Development Activity (Completions | Vacancy Rate)



Norway Office Investment Volumes



Similar to the overall Norwegian CRE investment market, the office investments sector had a slow start in 2023, with a total volume of NOK 3.7 billion, a YoY decrease of 61.7 percent. The unemployment rate averaged a record-low 3.2% in 2022 but is expected to rise to 3.8% this year. However, we anticipate that the unemployment rate will remain low in the years ahead.

Since the beginning of 2022, the prime office yield has increased by 85 bps, reaching its current level of 4.10 percent. In the upcoming quarters, we expect a further rise in yields, with prime yields expanding slightly more than secondary yields. Although activity is predicted to remain low over the summer, there is a potential for higher activity in H2 as the repricing progresses, and the gap in price expectations between buyers and sellers narrows.

The most significant office transactions in Q1 2023 include KLP's acquisition of the centrally located Munkedamsveien 62 in Vika from Deka Immobilen for NOK 684 million and an Arctic syndicate's purchase of Østre Aker vei 19 from Neaco Holding for NOK 370 million.

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