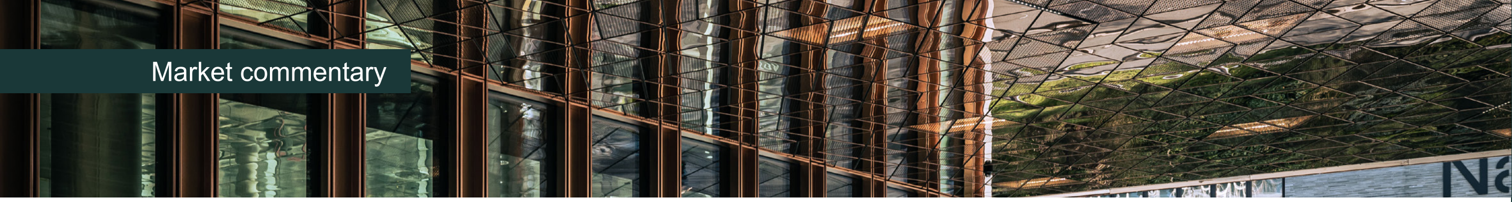

Logistics report Greater Oslo region

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Demand remains high in the rental market for warehousing/logistics property. Rents have been further boosted in 2022 following a robust rise in 2021. In the city centre our logistics projects have recorded rents of up to NOK 2,500 per m2/year, which is higher than high-quality office rents in the same areas. There are multiple reasons for this.

Online retail has accelerated the need for more warehousing space and is undoubtedly the key factor behind rising warehouse rents. Another important reason is the lack of centrally located warehouse space. This is partly a consequence of the urban development plans for Hovinbyen, which includes the areas of Ensjø, Økern, Vollebekk and Breivollbyen. These neighbourhoods are either already undergoing development or have been designated for future development. They were previously home to a number of light industrial businesses, which have now moved to areas such as Groruddalen, Lillestrøm and Bryn.

Businesses in several different industries also appear to be recognising the value of being close to their customers as a way of cutting shipping costs and meeting their clients' expectations for fast delivery and short commutes for employees living in the big cities. The emergence of new technologies and new concepts in various sectors has also bolstered the already growing interest in traditional city centre warehouse spaces with high ceilings. Examples include 24/7 shops/ wholesalers, testing and preparation centres for electric cars and other businesses providing healthcare and lifestyle services. These tenants have joined the battle for central warehouse spaces, and they are willing to pay for it.

All of these factors have played a part in reducing the supply of available logistics property which, in turn, has driven several businesses towards the fringes of Greater Oslo. We are now seeing vacancy rates of only 2 per cent for centrally located warehousing space (up to 6,000 m2). The lack of available space in the city centre has spurred the emergence of new logistics hubs and the expansion of existing hubs along the axes away from the centre. Activity levels remain high on the northern, southern and western axes, too. Businesses are also keen to establish themselves in new locations in typical logistics hubs in Mastemyr, Regnbuen, Ytre Enebakk and Vestby and in the western corridor in areas such as Bærum, Røyken, Lier and Drammen. As a result of the sharp increase in building cost for new wearehouse facilities, we have throughout the year observed an upward pressure on rent levels. Average rent levels in the logistics hubs along the axes out of Oslo, have increased some NOK 100-120 per sq.m./year since the start of the year.

New warehousing and logistics properties incorporating ever more advanced technology are being built in the latter locations, a trend driven by the need to optimise the supply chains and the increased focus on sustainability. In line with our February analysis, many businesses have also moved from the just-in-time to the just-in-case principle for goods handling, something which has served to further drive up demand for warehouse space.

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