

January 2024

Rental growth continued in 2023

We are still experiencing high leasing activity in the office market in Oslo. This has contributed to pushing office rental prices further upward throughout Oslo in 2023. The rental price growth for the past year was both stronger and broader than we anticipated at the beginning of the year.

High leasing activity

Office vacancy in Oslo has remained consistently low over an extended period, largely due to strong employment growth and low supply of new office space in recent years. Both the pandemic and current high interest rates have contributed to low construction activity.

At the same time, there has been historically high activity in the office leasing market in Oslo over the past two years, with substantial volumes of signed lease agreements. This is confirmed by Akershus Eiendom's space demand survey, showing positive demand for office space in all years since the pandemic.

Of the leases signed in 2023, an unusually high percentage consists of renegotiations, especially in the city center. Among leases exceeding 1,500 sqm, renegotiations make up just under 70 percent of the volume registered by Akershus Eiendom in 2023. The high proportion of renegotiations can likely be explained by low office vacancy, especially in the central areas, resulting in few good alternatives. This has given existing landlords a strong position, leading to renegotiations on favorable terms. The high inflation in recent years has also contributed to renegotiations starting from relatively high levels.

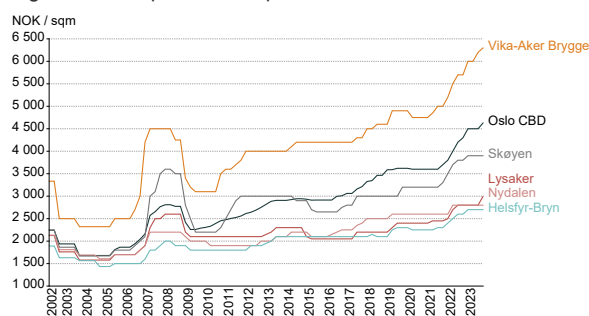
Continued rental price growth

Despite weaker GDP growth throughout the past year, persistent strong demand for office space, coupled with a strained supply side, has pushed rental prices further up.

The strongest rental price growth has been observed in the city center, largely due to a clear trend where an increasing number of companies consider a central location strategically important.

This has led to competition for the best spaces with the right location.

Figure: Rental price development in Oslo



The highest growth has been in the rent for offices with "high standards" in Vika/Aker Brygge, rising from 5,700 NOK per square meter at the beginning of last year to 6,300 NOK per square meter at the beginning of 2024, according to our observations.

This represents an increase of 11 percent throughout 2023. In other central areas, prices have increased by an average of around 6 percent in the same period, slightly stronger than the CPI. However, it is not only in the city center that we have observed rental price growth. Our market observations show an increase in prices in nearly all established office areas in Oslo. In the fringe areas, we have, on average, experienced rental price growth of just under 5 percent throughout 2023, with the west axis leading in the strongest growth.

After an extended period of strong rental price growth in Oslo, we expect that the rental price peak has now been reached. Based on our main scenario, we anticipate that rental prices will remain stable at high levels going forward. With a continued strained supply side in the short term, we foresee that rental prices may significantly increase again once the economic downturn has passed.

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Photo: Magent Fotografer | Knut Neerland