

Akershus Eiendom - newsletter

February 2021

Capital markets

The investment market is still finalising deals from December. We have counted 2020 transactions for NOK 111.8 billion / EUR 10.76 billion. The average deal size is up from previous years with 27 assets traded above NOK 1 billion / EUR 96.24 million during 2020, explained by large deals such as Telenor HQ, JV between Anthon B. and Balder, Læringsverkstedet and Veidekke Eiendom among several others. Placing power remains high among several types of investors, but the syndication sponsors have been remarkably active - with a share amounting to ~35% of the acquisition volume in 2020, and representing the most active investor type. Cross-border deals accounted for ~13% of the total volume, compared to ~16% previous year.

As a consequence of a very strong investor sentiment for logistics assets and recent comps, we have revised our prime yield estimate for logistics assets down 25 bps to 4.25%. We hold a positive outlook for 2021, driven by limited number of available assets and strong focus from both domestic and foreign investors. The 2020 transaction volume for logistics properties ended at NOK ~13 billion (10-year average: NOK 7 billion) divided between 54 transactions (10-year average: 34 transactions). Nevertheless, office remains the most liquid segment with a 40% share of the total transaction volume in 2020.

Finally, the Swedish listed property company Balder now holds just above 25% of the outstanding shares in Entra – up 5% from last month. Balder and the other main shareholder Folketrygdfondet have both declared that they do not intend to entertain any of the current offers from SBB and Catellum.

Please review the list below for more recent details.

Office prime cap rates

Oslo 3.30 % ▶ 0 bps

Regional 4.00 % ▶ 0 bps

Change last quarter

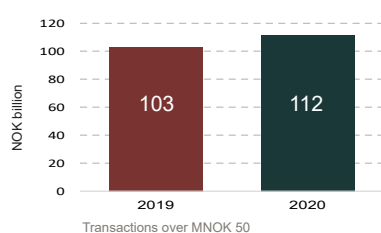
Segments prime cap rates

Logistics 4.25 % ▼ 25 bps

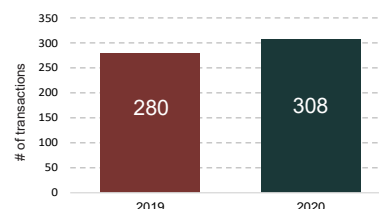
Retail 3.75 % ▶ 0 bps

Change last quarter

YTD transaction volume (BNOK)



YTD # transactions



Latest transactions

Asset	Status	Quarter	Asset type	Location	Area (sq. m)	Gross property value (MNOK)	Cap rates	Purchaser	Vendor
Kongens gate 8	Closed	Q4 2020	Office	Kvadraturen	2,120	1000	n.a.	Union/Fram	SPV by Arctic Securities
Byfjordparken, Stavanger	Closed	Q4 2020	Office	Stavanger	56,000	800	5.20 %	SPV by Pareto Securities	GMC Eiendom
Pilestredet Park 7	Closed	Q4 2020	Office	Inner city north	10,120	670	3.58 %	SPV by Colliers	Industrifinans
Follo politthus	Closed	Q4 2020	Office	Ski	10,199	570	-4.35 %	SPV by Njord Securities	SPV by Pareto Securities
Philip Pedersens vei 1	Closed	Q4 2020	Office	Lysaker	14,342	Not Disclosed	Not Disclosed	NIAM	Fond v/Union (UREF II)
Karl Johans gate 12j	Closed	Q4 2020	Office	Oslo CBD	4,500	500	3.33 %	Fond v/Malling	Victoria Eiendom
Sandvika Business Center	Closed	Q4 2020	Office	Sandvika	10,500	400	4.69 %	Fond v/Union (CORE)	SPV by NRP
Horten Handelspark (Trimveien 33, 35 og 41)	Closed	Q4 2020	Retail	Horten	n.a.	380	n.a.	Tellus Eiendom	Folksom / Coop Norge Eiendom
General Birchs gate 16	Closed	Q4 2020	Logistics	Adamstuen	13,000	250	3.99 %	Self Storage Group	Berg-Jacobsen Holding AS
Christian Kroghs gate 10	Closed	Q4 2020	Office	Oslo city centre	5,439	n.a.	n.a.	Oslo Areal	OBOS
C. O. Lunds gate 18-24	Closed	Q4 2020	Retail	Drammen	8,000	n.a.	n.a.	Front Real Estate, Anthon B Nilsen, Coop Norge	Realkapital Investor

Macro

- Due to a third lock down in the Norwegian economy, the recovery is now being held back by higher infection rates and stricter containment measures. Despite a third lock down, vaccination is in progress, and economic activity is expected to rise during 2021.
- As expected, Norges Bank's Executive Board decided to leave the key policy rate unchanged at 0% at the meeting in January.
- Norway's annual inflation increased to 1.4% (20 bps above expectation at 1.2%) in December 2020 from an unexpected low of 0.7% in the previous month.
- The seasonally adjusted unemployment rate declined to 5% in the fourth quarter of 2020 from 5.2% the previous quarter. The unemployment rate came out 20 bps below expectations at 5.2% but is still significantly higher than the pre-covid-19 level of ~3.5%.

Interest rates

	Latest	m-o-m change	3 m change	y-o-y change
3y swap	0.81 %	0.07 %	0.24 %	-0.99 %
5y swap	1.02 %	0.06 %	0.31 %	-0.71 %
10y swap	1.37 %	0.09 %	0.53 %	-0.42 %
Key policy rate	0.00 %	0.00 %	0.00 %	-1.50 %
1m NIBOR	0.30 %	-0.05 %	-0.13 %	-1.34 %
3m NIBOR	0.47 %	-0.02 %	0.03 %	-1.30 %
6m NIBOR	0.51 %	-0.04 %	0.02 %	-1.38 %

Exchange rates

	Latest	m-o-m change	3 m change	y-o-y change
USD/NOK	8.59	0.7 %	-5.3 %	-7.5 %
EUR/NOK	10.39	-1.2 %	-3.3 %	16.1 %
SEK/NOK	102.29	-1.8 %	-2.6 %	8.6 %
DKK/NOK	139.07	-2.4 %	-5.2 %	4.6 %
KRW/NOK	0.78	0.0 %	-3.8 %	1.7 %

Macroeconomic indicators

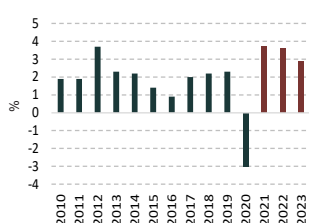
	2019	2020E	2021E	2022E	2023E
GDP mainland Norway	2.30 %	-3.00 %	3.70 %	3.60 %	2.90 %
CPI	2.20 %	1.30 %	2.50 %	2.40 %	2.10 %
Employment	1.60 %	-1.60 %	0.70 %	1.50 %	0.80 %
Unemployment	3.70 %	4.80 %	4.50 %	3.90 %	3.90 %

Source: Statistics Norway

Other indicators

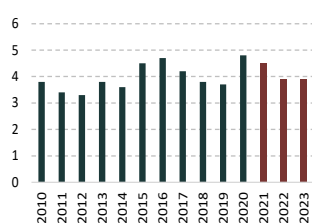
	Latest	m-o-m change	3 m change	y-o-y change
CCI	-11.5	n.a.	-1.5	-15.5
PMI	51.9	-0.1	-1.5	1.9
Oil price	55.7	9.5 %	42.9 %	-7.1 %
Residential Oslo (NOK / sq. m.)	79,754	1.3 %	5.7 %	13 %
Residential Norway (NOK / sq. m.)	45,445	0.7 %	3.1 %	8.6 %

GDP change (%)

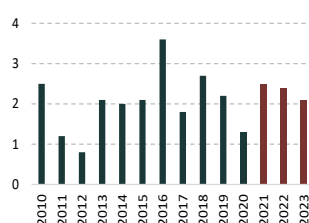


Source: Statistics Norway

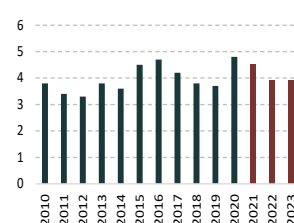
Employment change (%)



CPI (%)

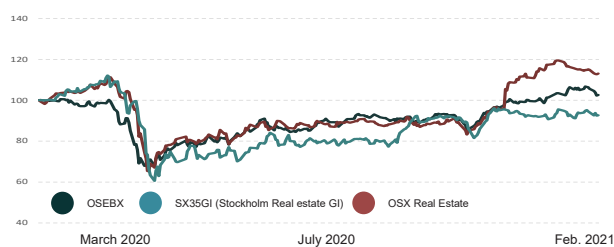


Unemployment rate (%)



Equity markets

Indices



Source: Oslo Børs

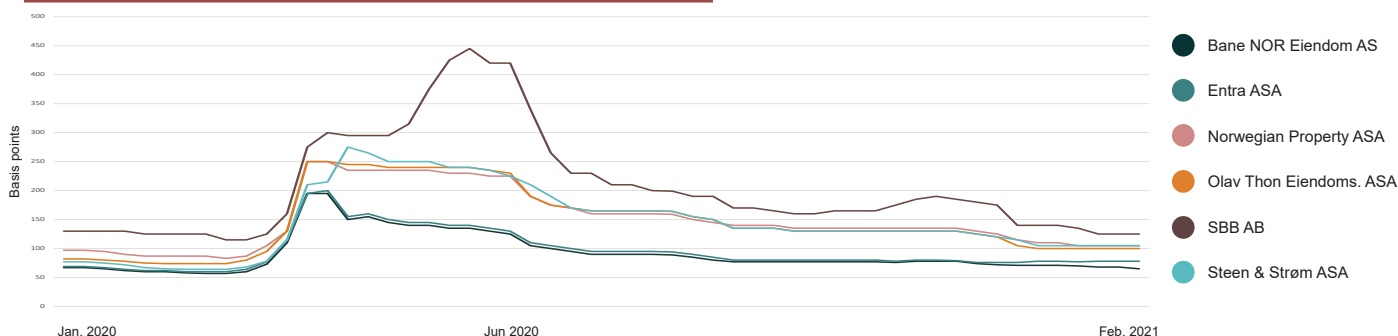
Selected Nordic Equities

Asset	Latest	Last week (%)	Last mnth. (%)	YTD. (%)	Discount to NAV*
Entra	191	1 %	9 %	0 %	3 %
NPRO	13	-2 %	-3 %	0 %	-21 %
Olav Thon	171	-1 %	-2 %	-7 %	-43 %
Pandox	128	-12 %	-13 %	-14 %	-27 %
Selvaag Bolig	52	1 %	-8 %	-10 %	n.a.
SBB	27	-2 %	-5 %	4 %	12 %
Solon	35	-3 %	3 %	-5 %	n.a.
Self Storage Group	23	-4 %	-13 %	-12 %	n.a.

*Price/NAV is based on NAV reported in third quarter 2020

Debt markets

Credit spreads - 5Y tenor - indicative levels over 3-month NIBOR



Source: DNB Markets

Leasing market

The average rent level for signed leasing contracts in Oslo was NOK 2,470 per sq. m. The recent four-quarter moving average is now exceeding the corresponding period in 2019 by 1.6%. Arealstatistikk also reports 261 contracts signed during fourth quarter covering a total of 219,280 sq. m, down ~11% compared to Q4 2019. However, accumulated volume last four quarters equals 638,560 sq. m which is just below the moving average of 648,827 sq. m in the recent five-year period.

Office prime rents

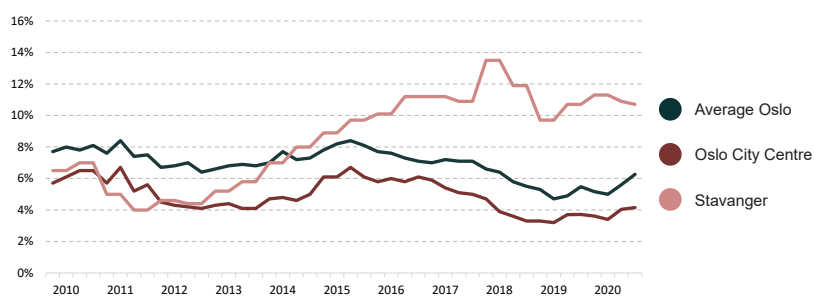
Oslo CBD	NOK 4,750	▶ NOK 0
Oslo Fringe	NOK 2,000 - NOK 3,500	
Stavanger	NOK 3,250	▶ NOK 0

Segment prime rents

Logistics	NOK 1,200	▶ NOK 0
High-street Retail	NOK 20,000	▶ NOK 0

Change last quarter

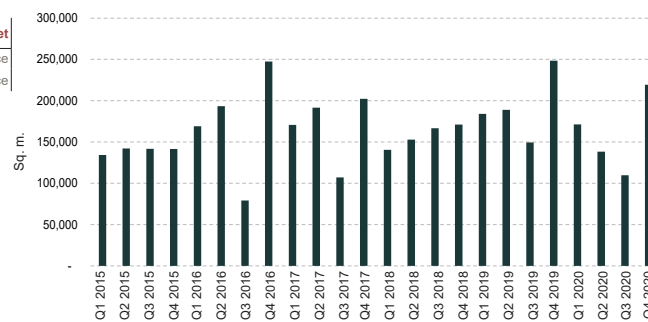
Vacancy



Selection of new leases

Address	Tenant	Sq. m.	WALT (years)	Sub-market
Biskop Gunnerus' gate 14A	Sopra Steria	7,000	10	Office
Stenersgata 1	Sopra Steria	10,500	10	Office

Take-up



Source: Arealstatistikk