

Akershus Eiendom - newsletter

January 2021

Capital markets

An estimated volume of NOK 11 billion / Euro 1.06 billion were announced executed or went under offer during December, taking the total volume for 2020 to NOK 110 billion / Euro 10.62 billion as per time of writing (2019: NOK 103 billion / Euro 9.95 billion).

Investment sentiment remains strong going into 2021, with the real estate market still proving resilient to the effects of the ongoing pandemic and being a continued preferred asset class in a low interest rate environment. Yield predictions vary among market participants, but several argue for further yield compression in 2021. We are cautious to predict a further yield compression (down ~ 50 bps second half of 2020) – repricing was largely fuelled by record low SWAP-rates, but these have notably come up in recent months. Effect is however cushioned by downward pressure on credit margins and, so far, funding costs remain stable.

The office sector is still performing strong and remain a very attractive target among investors, while global investment trends targeting logistics, build to rent, student housing etc is also very much present in Norway, although somewhat limited by available deals.

Both Castellum and SBB announced revised improved voluntary offers for Entra ASA just prior to Christmas, and following the early announcement of Q4 appraisals, which displayed a quarterly increase of 8.1% in underlying property value, resulting in an EPRA NAV of NOK 185 (NOK 160 per Q3), Castellum - and SBBs offers now reflect a share price of NOK 185 and NOK 190, respectively. Both offers are a mix of cash and new issued shares in the respective companies. The board of Entra will provide the company's shareholders a recommendation by January 29th at the latest. In addition, Swedish Balder Fastigheter, through several share purchasers, now holds 15% of the share capital in Entra.

Several other notable transactions took place during December, among others Niam fund V's divestment of its Norwegian shopping centre portfolio and Bulk Infrastructure's strategic partnership with BentallGreenOak. Please review list below for more recent deals.

Office prime cap rates

Oslo **3.30 %** ▼ 20 bps

Regional **4.00 %** ► 0 bps

Change last quarter

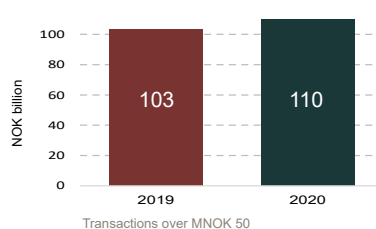
Segments prime cap rates

Logistics **4.25 %** ▼ 25 bps

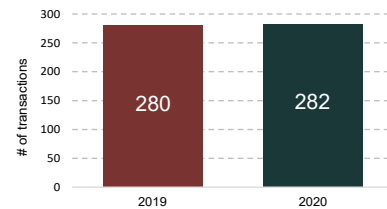
Retail **3.75 %** ► 0 bps

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
Development portfolio Furuset	Closed	Q4 2020	Other	Oslo Eastern Fringe	58,000	~ 2,000	n.a.	JV (Lerka / Wahl / Linstow)	SPV by Clarksons Platou
Akersgata 16	Closed	Q4 2020	Office	Oslo CBD	5,000	Not Disclosed	Not disclosed	Aberdeen Standard Investment	Promenaden (MARK)
Niam Shopping centre portfolio (3 centres)	Closed	Q4 2020	Retail	Regional	n.a.	~1,200	~ 7%+	Scala Eiendom / CC Eiendom	Niam fund V
Project Quality Living - Ulven	Closed	Q4 2020	Build to rent / PRS	Oslo Eastern Fringe	12,500	936	3.71% (reversionary)	Quality Living Residential	OBOS
Bulk Infrastructure - JV / Capital raise	Closed	Q4 2020	Infra / datacentres	Regional	Not disclosed	1,500	Not disclosed	BentallGreenOak	Bulk Infrastructure
Logistics portfolio	Closed	Q4 2020	Logistics	Greater Oslo	Not disclosed	~ 1,200	Not disclosed	SPV by Realkapital Investor	Various
Krona	Under offer	Q4 2020	University college	Kongsberg	36,000	1,360	4.2%	SPV by Pareto Securities	Apotekernes Hus AS
Middelthunsgate 29	Closed	Q4 2020	Office	Oslo CBD (west)	21,600	1,396	4.1%	SPV by DNB Markets	SPV by NRP

Macro

- The Nov-Nov CPI indexed (indexation basis for most lease contracts) came out a disappointing 0.7%, 110 bps below expectations. With the roll-out of the vaccine and a gradual re-opening of the country over the next 6-months, a temporary inflationary pressure is likely to take in place in 2021 - fuelled by exuberant consumers and bottleneck effects.
- 2020 proved to be another record year for house prices with a nationwide annual growth in house prices of 8.7%, and 12% for Oslo.
- Retail sales volumes rose by 2.9% MOM in November 2020, adjusted for normal seasonal variations.
- NIBOR has surged upwards in recent months primarily due to an increase in the money market premium. The increase in the money market premium is related to lower overall bank liquidity having pushed up NOK FX swap prices. Because NIBOR is constructed as a FX swap rate, this is reflected in the money market premium.
- Equity prices on the Norwegian index OSEBX as well as Norwegian long-term yields have advanced in recent months. The gains appear to have largely been driven by positive vaccine news and a higher oil price.

Interest rates

	Latest	m-o-m change	3 m change	y-o-y change
3y swap	0.74 %	0.11 %	0.17 %	-1.23 %
5y swap	0.96 %	0.10 %	0.27 %	-0.96 %
10y swap	1.28 %	0.09 %	0.30 %	-0.69 %
Key policy rate	0.00 %	0.00 %	0.00 %	-1.50 %
1m NIBOR	0.36 %	0.11 %	0.08 %	-1.28 %
3m NIBOR	0.50 %	0.15 %	0.13 %	-1.27 %
6m NIBOR	0.55 %	0.12 %	0.19 %	-1.34 %

Exchange rates

	Latest	m-o-m change	3 m change	y-o-y change
USD/NOK	8.49	-3.1 %	-8.2 %	-3.4 %
EUR/NOK	10.44	-2.4 %	-4.0 %	6.1 %
SEK/NOK	104.00	0.1 %	0.0 %	11.2 %
DKK/NOK	140.00	-2.2 %	-4.3 %	-4.5 %
KRW/NOK	0.78	-3.4 %	-2.3 %	3.7 %

Macroeconomic indicators

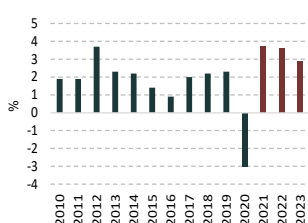
	2019	2020E	2021E	2022E	2023E
GDP mainland Norway	2.30 %	-3.00 %	3.70 %	3.60 %	2.90 %
CPI	2.20 %	1.30 %	2.50 %	2.40 %	2.10 %
Employment	1.60 %	-1.60 %	0.70 %	1.50 %	0.80 %
Unemployment	3.70 %	4.80 %	4.50 %	3.90 %	3.90 %

Source: Statistics Norway

Other indicators

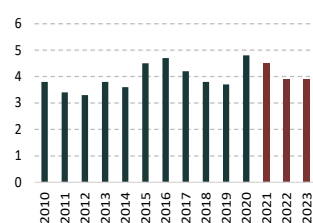
	Latest	m-o-m change	3 m change	y-o-y change
CCI	-11.5	n.a.	-1.50	-15.50
PMI	51.90	0.00	-1.50	1.00
Oil price	51.66	1.40 %	32.00 %	-24.80 %
Residential Oslo (NOK / sq. m.)	79,178	1.70 %	4.00 %	12 %
Residential Norway (NOK / sq. m.)	44,736	-	0.34 %	8.70 %

GDP change (%)

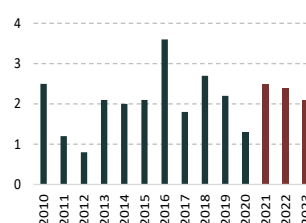


Source: Statistics Norway

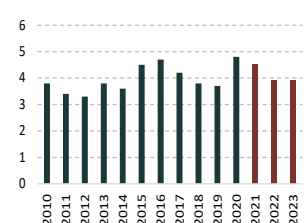
Employment change (%)



CPI (%)

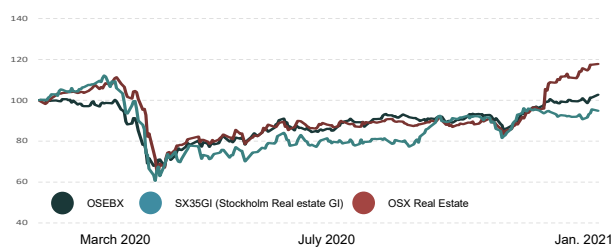


Unemployment rate (%)



Equity markets

Indices



Source: Oslo Børs

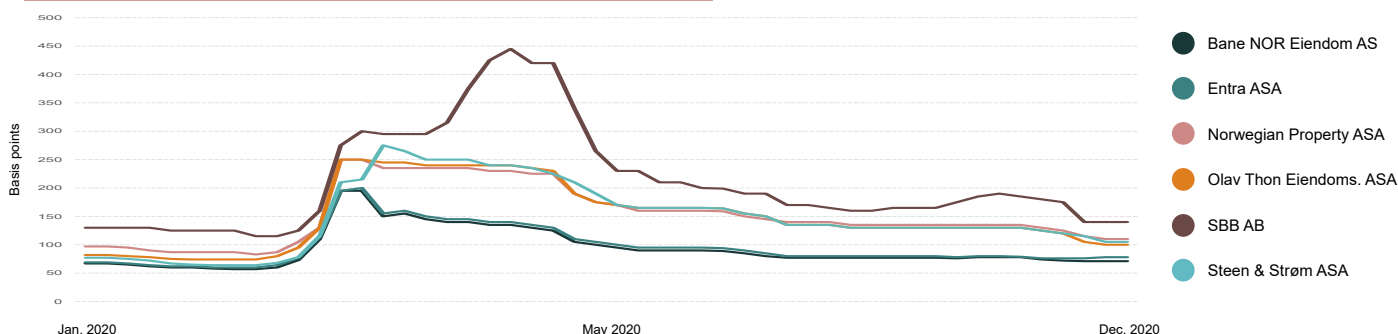
Selected Nordic Equities

Asset	Latest	Last week (%)	Last mnth. (%)	YTD. (%)	Discount to NAV*
Entra	194	1 %	9 %	0 %	5 %
NPRO	13	2 %	6 %	0 %	-18 %
Olav Thon	178	5 %	10 %	-3 %	-40 %
Pandox	138	-2 %	1 %	-5 %	-21 %
Selvaag Bolig	58	4 %	13 %	1 %	n.a.
SBB	29	0 %	0 %	0 %	18 %
Solon	38	6 %	0 %	4 %	n.a.
Self Storage Group	26	-1 %	0 %	0 %	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

Looking back on 2020, we can conclude that the office leasing market has also been very resilient, all things considered. Take-up has overall been remarkably strong, while vacancy currently stands at a moderate 6.3% (+1.3% y-o-y) and there has been no or little effects on market rents. Government stimulus packages and limited new speculative development have both cushioned most effects of covid-19 so far.

Statistics Norway's forecast for 2021 is a recovery that will take the economy back to year end 2019 levels, while forecasts suggests stable unemployment and moderate employment growth (expected to accelerate in 2022). We expect gradual improvement in office demand, but a moderate increase in vacancy due to new supply, and particularly on the eastern fringe of Oslo. Rent levels are not expected to move much.

Office prime rents

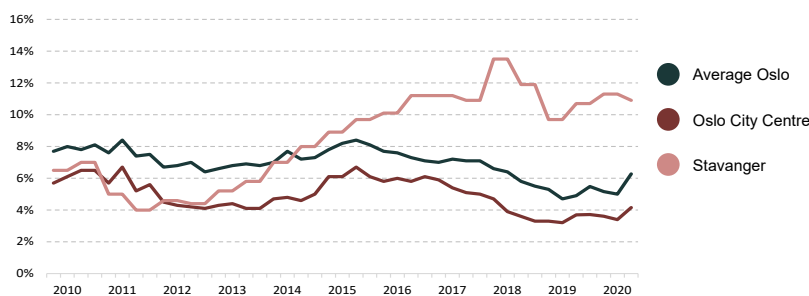
Oslo CBD	NOK 4,750	▶ NOK 0
Oslo Fringe	NOK 2,000 - NOK 3,500	
Stavanger	NOK 3,250	▶ NOK 0

Segment prime rents

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

Change last quarter

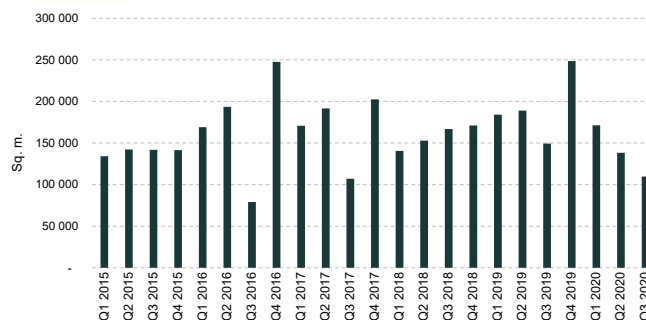
Vacancy



Selection of new leases

Address	Tenant	Sq. m.	WALT (years)	Sub-market
Schweigaards gate 15	Nortura	3,900	10	Office
Ruseløkkveien 26	Södeberg & Partners	2,142	10.5	Office
Vollsveien 9-11	Aas-Jakobsen AS	4,213	10	Office
Vollsveien 9-11	Vianova	2,123	10	Office
Økernveien 94	NIVA	6,678	5	Office

Take-up



Source: Arealstatistikk