

Akershus Eiendom - newsletter

March 2021

Capital markets

Approximately NOK 8 billion of property value has entered exclusivity so far in 2021, in addition to several 2020-processes currently entering the final stages. Several large investment opportunities are in the preparation phase and will be brought to market in the near future.

Long interest rates have soared since September. The 10Y swap rate has almost doubled, whereas the 5Y swap rate has more than doubled. Just since the beginning of February, the 5Y swap rate have increased 25 bps. However, both banks and investors are reporting shorter financing. Combined with falling margins, the overall financing costs are rather unaffected. A continued upward pressure on interest rates is however expected to affect total financing cost going forward. Cap rates remain unchanged for now, despite the uncertainty associated with increasing interest rates. With a core inflation expected at 3%, the real rate is still significantly lower than Norway's main trading partners.

The transaction volume within retail properties such as larger shopping centres and high-street retail have been very limited after the first covid-19 breakout in March 2020, particularly caused by the low footfall and associated uncertainty in the short term. On the contrary, local shopping centres focusing on everyday goods and services have captured a large share of this footfall and hence market share. Observations of recently divested local centres, such as Strømsø Centre in Drammen where Akershus Eiendom acted as Canica's sell-side advisor, underlines this investor focus. Billingstadsletta 11 and Carl Berner Passasjen are other examples of local centres recently changing hands.

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

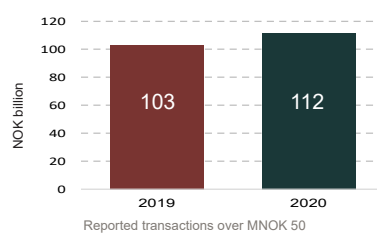
Segments prime cap rates

Logistics 4.25 % ▼ 25 bps

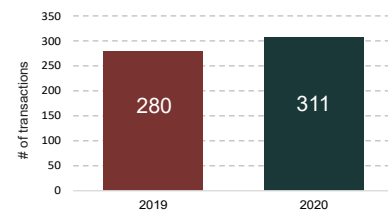
Retail 3.75 % ▶ 0 bps

Change last quarter

Transaction volume (BNOK)



Transactions



Latest transactions

Asset	Status	Quarter	Asset type	Location	Area (sq. m)	Gross property value (MNOK)	Cap rates	Purchaser	Vendor
Portfolio Drammen (retail park)	Closed	Q4 2020	Retail	Drammen	8,000	~750	n.a.	SPV by Front Real Estate	Realkapital/Aberdeen/Fevang
Portefølje - Kjøita	Closed	Q4 2020	Office	Kristiansand S	30,000	~480	n.a.	SPV by Fearnley Securities	Telenor pensjonskasse
Rakkestadveien 55 - Continental Askim	Closed	Q4 2020	Logistics	Askim	17,000	305	~5.2 %	Nordea Liv	SPV by Arctic Securities
Hasle Torg	Closed	Q1 2021	Retail	Eastern fringe	8,000	263	5.0 %	Ragde Eiendom	SPV by Carnegie
Østre Aker vei 18-22	Closed	Q4 2020	Industrial	Eastern fringe	10,300	245	~5.0 %	SPV by Vika Project Finance	Brick Utvikling AS og Bragemes Invest
Car Dealership Portfolio	Under-offer	Q1 2021	Alternatives	Porsgrunn, Skien	5,900	~225	~5.5 %	SPV by Vika Project Finance	Autostrada gruppen
Strømsø Centre	Under-offer	Q4 2020	Retail	Drammen	14,146	Not Disclosed	Not Disclosed	SPV by Realkapital	Canica
Philip Pedersens vei 1	Closed	Q4 2020	Office	Lysaker	14,342	Not Disclosed	Not Disclosed	NIAM	Fund (Union UREF III)
First Hotel Millenium (Tollbugata 25)	Closed	Q4 2020	Hotel	Oslo CBD	5,000	n.a.	n.a.	SPV by Oslo Finans	Flying Elephant AS / Host Millenium Oslo AS

Macro

- Norwegian inflation came out at 2.5% in January, well above consensus at 1.7%. The CPI adjusted for tax changes and excluding energy products, on the other hand, fell to a 10-month low of 2.7% but still above consensus at 2.4%.
- DNB Markets estimate Norges Bank to increase the policy rate in December this year, followed by three rate hikes in 2022.
- In 2022, Statistics Norway expects petroleum investments to be NOK 138.5bn, which is 8.9% lower than the estimate given in Q1 2021.
- February turned out to be one of the best months for the Norwegian housing market ever. Oslo recorded a price appreciation seasonally adjusted of 2.4% during February. Oslo and Norway's housing prices are now 15.2% and 9.7% higher than February 2020.
- The credit indicator (C2) increased 4.9% in January, 0.1% higher than consensus.
- Registered unemployment for February contracted by 0.1% to 4.3%.
- The crude oil price has risen ~14% over the past month and is now trading at ~\$67 a barrel. Goldman Sachs have lifted their target and expects the Brent Crude oil to trade at \$75 in the third quarter this year. Faster market rebalancing, lower expected inventories, and traders hedging against inflation are factors supporting Goldman Sachs bullish view on the oil price.

Interest rates

	Latest	m-o-m change	3 m change	y-o-y change
3y swap	1.01 %	0.16 %	0.37 %	-0.42 %
5y swap	1.36 %	0.26 %	0.49 %	-0.04 %
10y swap	1.77 %	0.30 %	0.58 %	0.27 %
Key policy rate	0.00 %	0.00 %	0.00 %	-1.50 %
1m NIBOR	0.31 %	0.01 %	0.05 %	-1.31 %
3m NIBOR	0.45 %	-0.02 %	0.10 %	-1.27 %
6m NIBOR	0.46 %	-0.04 %	0.03 %	-1.30 %

Exchange rates

	Latest	m-o-m change	3 m change	y-o-y change
USD/NOK	8.37	-2.6 %	-7.8 %	-9.9 %
EUR/NOK	10.23	-1.5 %	-4.8 %	1.0 %
SEK/NOK	101.60	-0.7 %	-3.3 %	6.0 %
DKK/NOK	137.53	-1.1 %	0.0 %	1.4 %
KRW/NOK	0.75	-3.8 %	-7.9 %	-3.5 %

Macroeconomic indicators

	2019	2020E	2021E	2022E	2023E
GDP mainland Norway	2.3 %	-3.0 %	3.7 %	3.6 %	2.9 %
CPI	2.2 %	1.3 %	2.5 %	2.4 %	2.1 %
Employment	1.6 %	-1.6 %	0.7 %	1.5 %	0.8 %
Unemployment	3.7 %	4.8 %	4.5 %	3.9 %	3.9 %

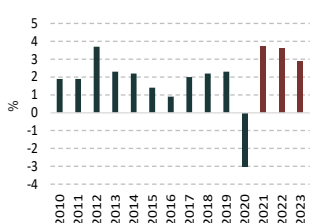
Source: Statistics Norway. Next update March 12th 2021

Other indicators

	Latest	m-o-m change	3 m change	y-o-y change
CCI	0.2	0.2	3.8	2.9
PMI	56.1	4.3	4.3	5.2
Oil price	67.6	14.6 %	37.9 %	31.2 %
Residential Oslo (NOK / sq. m.)	80,992	2.4 %	8.2 %	15.2 %
Residential Norway (NOK / sq. m.)	45,672	1.3 %	5.3 %	9.7 %

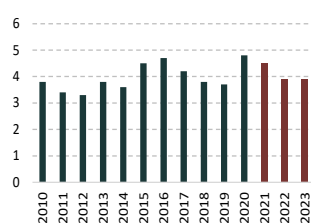
Source: Eiendom Norge, Opinion

GDP change (%)

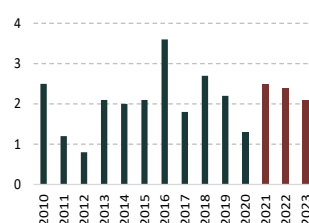


Source: Statistics Norway. Next update March 12th 2021

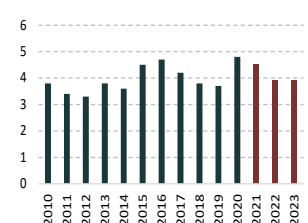
Employment change (%)



CPI (%)

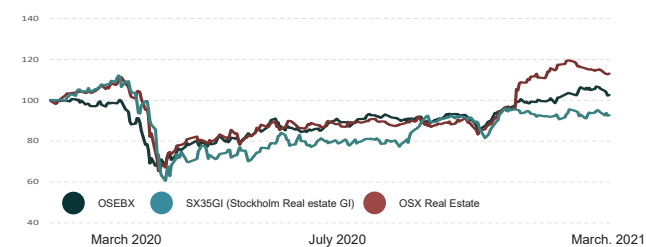


Unemployment rate (%)



Equity markets

Indices



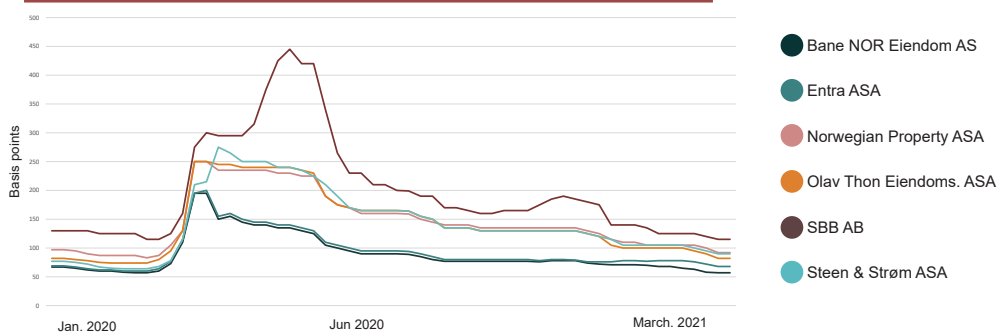
Selected Nordic Equities

Asset	Latest	Last week (%)	Last mnth. (%)	YTD. (%)	Discount to NAV*
Entra	179	-6 %	-6 %	-7 %	-4 %
NPRO	13	-1 %	4 %	-1 %	-27 %
Olav Thon	169	-1 %	1 %	-7 %	-47 %
Pandox	148	17 %	15 %	2 %	-12 %
Selvaag Bolig	57	4 %	10 %	-1 %	n.a.
SBB	26	-1 %	-4 %	-8 %	-7 %
Solon	36	-4 %	0 %	-3 %	n.a.
Self Storage Group	24	0 %	6 %	-6 %	n.a.

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

Debt markets

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



Leasing market

- Demand for office space in CBD persisted during the pandemic and rent levels have remained stable. A critical factor is the low volume of new space added in the city centre. The VIA project – one of the very few projects in the CBD area will add ~41,000 sq. m in 2021 and is almost fully let – seven months before move-in.
- In total ~160,000 sq. m of new supply is expected to enter the Oslo market in 2021. ~65% of this area is already occupied. However, most of the new supply is on the eastern fringe.

Office prime rents

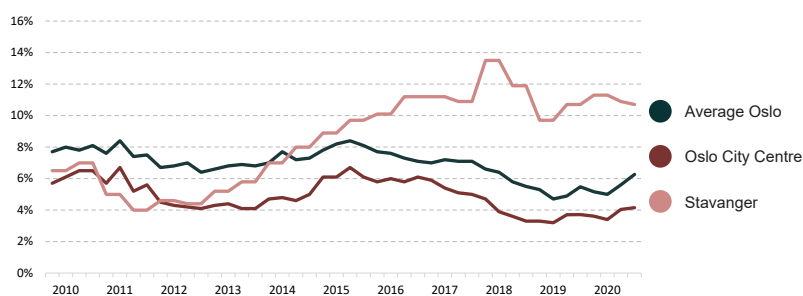
Oslo CBD	NOK 4,750	▶ NOK 0
Oslo Fringe	NOK 2,000 - NOK 3,500	
Stavanger	NOK 3,250	▶ NOK 0

Segment prime rents

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

Change last quarter

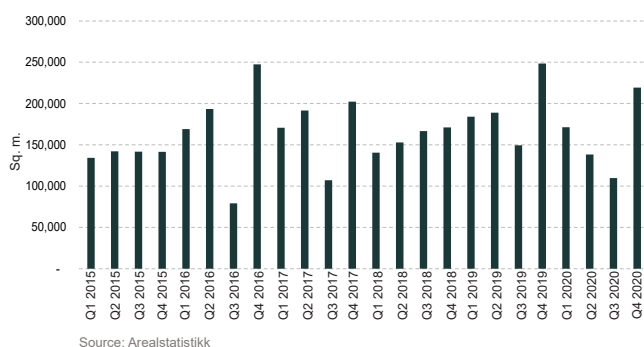
Vacancy



Selection of new leases

Address	Tenant	Sq. m.	WALT (years)	Sub-market
Grev Wedels plass 9	Innovasjon Norge	5,300	10	Office
Innspurten 11	Niras	~2,000	n.a.	Office
Holtermannsveg 1-13	Volue	~2,000	8	Office
Holtermannsveg 1-13	WSP	~2,000	8	Office
Lagårdsveien 6 (Stavanger)	Politiet	13,600	5	Police station
Strandveien 50	Freyr	~2,000	5	Office

Take-up



New supply - office

Project	Area (sq.m)	Expected completed	Area	Owner
Lørenfaret 1	55 000	Completed	Økern	Oslo Pensjonsforsikring
Freserveien 1	23 000	jul. 21	Indre by øst	OBOS
Valle View (Innspurten 13)	22 000	sep. 21	Helsfyr-Bryn	Valle Eiendom Holding
Ruselekkveien 26	41 000	okt. 21	CBD, Vika- Aker Brygge	Storebrand/Aspelin
Drammensveien 126	11 300	mar. 22	Skøyen	Fram Eiendom
Universitetsgata 7	19 800	mar. 22	City centre north	Entra ASA
Oksnøyveien 10	30,000	jun. 23	Fornebu	Aker Property Group