

Akershus Eiendom - newsletter

November 2020

Capital markets

An estimated NOK 19 billion in asset value was either closed or went under offer in October, taking the YTD volume to NOK 84 billion. Most market participants predict year end volumes to come close to or surpass 2019 volumes. SPVs originated by syndication sponsors continue to be very active with a share of close to 50% of the volume under offer (overall 30% share).

The October volume includes the telecom giant Telenor's divestment of their HQ to the domestic listed property company Norwegian Property ASA. With a reported property value of NOK 5.4 billion it reflects a net initial yield shy of 6%. The acquisition establishes Fornebu as a third strategic area for NPPO, in addition to CBD and Nydalen. Oslo and surrounding areas are the main drivers of volume, but notable transactions are also taking place elsewhere. One example being Sparebanken Vest's sale & leaseback of their HQ in Bergen city centre to the domestic pension fund KLP for a reported NOK 1.6 billion.

Further, pressure on yields is not limited to central city areas, but also present in fringe / regional areas, as long as requirements of long WALT and strong credit are met. NOI-yields in the range 4-4.25% are now observed for very long duration assets, but with secondary locations.

Office prime cap rates

Oslo **3.50 %** ▼ 25 bps

Regional **4.00 %** ► 0 bps

Change last quarter

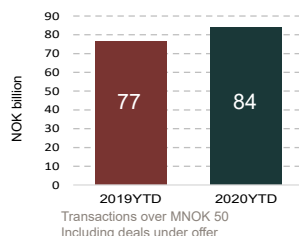
Segments prime cap rates

Logistics **4.50 %** ▼ 37.5 bps

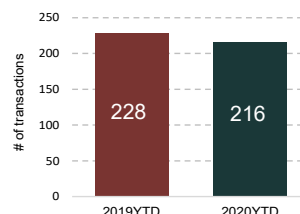
Retail **3.75 %** ► 0 bps

Change last quarter

YTD transaction volume (BNOK)



YTD # transactions



Latest transactions

Asset	Quarter	Asset type	Location	Area (sq.m.)	Gross property value (MNOK)	Cap rates	WALT	Purchaser	Vendor	Status
Snaroyveien 30	Q4 2020	Office	Fornebu, Oslo	198 438	5 450	5.84%	n.a.	Norwegian Property	Telenor	Closed
Jonsvollkvartalet	Q4 2020	Office	Bergen	20 600	1 620	3.56%	n.a.	KLP Eiendom	Sparebanken Vest	Under-offer
NVE Majorstuen	Q4 2020	Office	Oslo, Majorstuen	21 606	1 396	4.09%	5.6	SPV (DNB Markets)	SPV (NRP)	Under-offer
Neptune	Q3 2020	Residential projects	Oslo, Western fringe	n.a.	n.a.	n.a.	n.a.	Profier	Neptune Properties	Closed
Trekantomten	Q4 2020	Commercial land plot	Oslo CBD	3 850	n.a.	n.a.	n.a.	n.a.	Statsbygg	Under-offer
Krona	Q4 2020	Other	Kongsberg	38 709	n.a.	n.a.	15	SPV (Pareto Sec)	NAF Gardene/Apotekerne	Under-offer
Grensevingen 2-20	Q4 2020	Office	Helsfyr-Brynn	27 765	1 200	4.10%	6	SPV (Arctic Sec)	Nordea Liv	Under-offer
COOP Log HQ	Q3 2020	Industrial/logistics	Gardemoen, Ullensaker	86 000	~3 000	3.90%	20	NREP	Møller Eiendom / Stokke Industrier	Under-offer
Tjuvholmen allé 1-5	Q3 2020	Office	Oslo CBD	15 000	~2 000	3.30%	6.2	Canica Eiendom	Eiendomsspar	Under-offer
Anthon B Nielsen Portfolio	Q2 2020	Office/development	Oslo CBD / regional (dev)	32 000	~3 000	n.a.	n.a.	Balder Fastigheter AB	Anthon B Nielsen Eiendom	Closed
Hieronymus Heyerdahls gate 1	Q2 2020	Office	Oslo CBD	14 000	1 225	n.a.	6.4	Ferd Eiendom	CBRE GI	Closed

Macro

- Norway is not been immune to what has been referred to globally as the 2nd wave of the Covid-19 virus. The government has imposed new restrictions, particularly in Oslo, but not reflecting a full lockdown. Compared to most countries Norway still score in the lower end with respect to both casualties and new infected (although 'R' is once again rising).
- The registered unemployment rate published by NAV (ordinary unemployment) fell from 3.7% in September to 3.5% of the labour force in October. However, unemployment is still 1.5% - points higher than pre-crisis level. According to the September forecast of Statistics Norway (SSB), unemployment is expected to stay above 4% for the next three years.
- The credit indicator (C2) rose marginally to 4.7% YOY in September, continuing upwards since 4.5% in June.
- Norway's annual inflation rate inched down to 1.6 percent in September 2020, from 1.7 percent in the previous month and below market expectations of 2 percent.
- House prices surged 1.3% in September and likely continued in October as inventory of unsold homes having declined rapidly with low interest rates doing its work.

Interest rates

	Latest	m-o-m change	3 m change	y-o-y change
3y swap	0.56%	+5 bps	+7 bps	-135 bps
5y swap	0.69%	+8 bps	+14 bps	-117 bps
10y swap	0.96%	+7 bps	+15 bps	-93 bps
Key policy rate	0%	-	-	-150 bps
1m NIBOR	0.43	+19 bps	+26 bps	-118 bps
3m NIBOR	0.40%	+5 bps	+11 bps	-145 bps
6m NIBOR	0.49	+14 bps	+4 bps	-149 bps

Exchange rates

	Latest	m-o-m change	3 m change	y-o-y change
USD/NOK	9.54	1.9 %	2.7 %	4.3 %
EUR/NOK	11.11	0.1 %	4.3 %	9.9 %
SEK/NOK	107	1.9 %	4.0 %	14.2 %
DKK/NOK	149	-0.1 %	4.1 %	12.1 %
KRW/NOK	0.82	1.2 %	5.7 %	6.1 %

Macroeconomic indicators

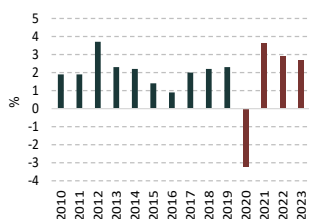
	2019	2020E	2021E	2022E	2023E
GDP mainland Norway	2.3 %	-3.20%	3.60%	2.90 %	2.70 %
CPI	2.20 %	1.5%	2.9%	2.1 %	2.3 %
Employment	1.60 %	-2.00 %	0.40 %	1.40 %	1.20 %
Unemployment	3.70 %	4.90 %	4.50 %	4.30 %	4.10 %

Source: Statistics Norway

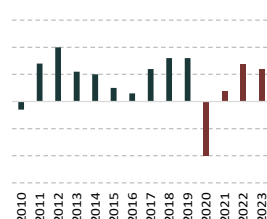
Other indicators

	Latest	3 m change	y-o-y change
CCI	-6.6	-3.2	-22.6
PMI	53.4	10.1	-1.5
Oil price	37.86	-13.2%	-35.5%
Residential Oslo (NOK / sq. m.)	79,089	4.6%	6.1%
Residential Norway (NOK / sq. m.)	46,428	1.1%	4.3%

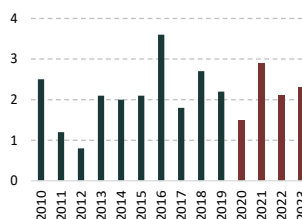
GDP change (%)



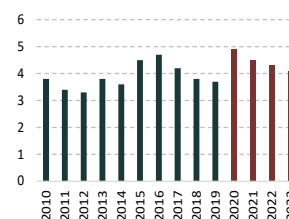
Employment change (%)



CPI (%)



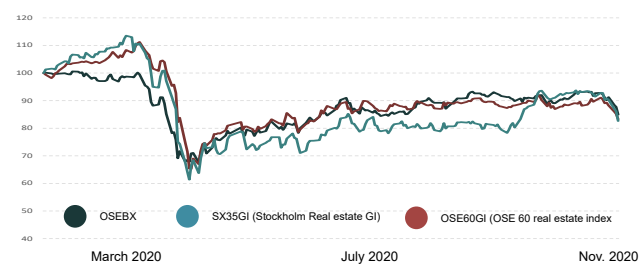
Unemployment rate (%)



Source: Statistics Norway. Next update 11 December 2020.

Equity markets

Indices



Source: Oslo Børs

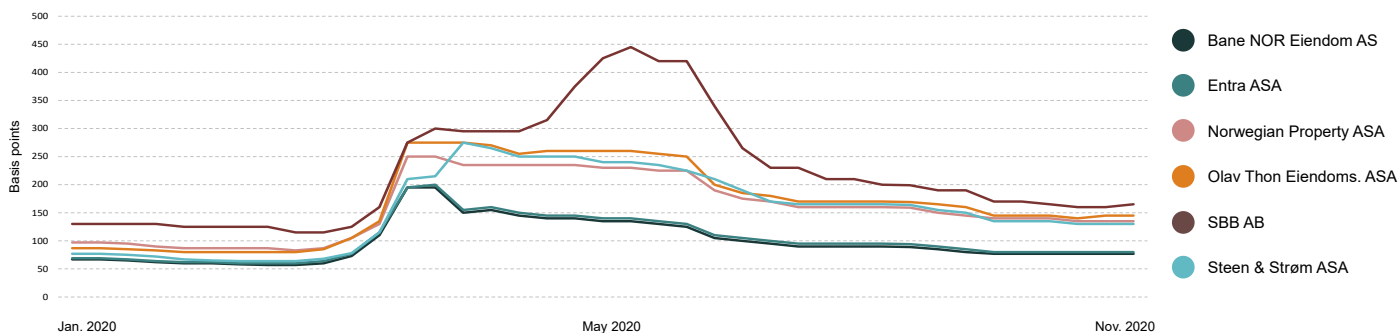
Selected Nordic Equities

Asset	Latest	Last week (%)	Last mnth. (%)	Last YTD. (%)	Discount to NAV*
Entra	121	-7 %	-7 %	-18 %	24 %
NPRO	11	-4 %	-1 %	-20 %	31 %
Olav Thon	131	-7 %	-6 %	-22 %	55 %
Pandox	87	-14 %	-15 %	-58 %	50 %
Selvaag Bolig	46	-5 %	-7 %	-38 %	n.a.
SBB	24	-11 %	-14 %	5 %	-18%
Solon	31	-5 %	-5 %	-22 %	n.a.
Self Storage Group	22	-6 %	-8 %	-22 %	n.a.

*Price/NAV is based on NAV reported in Q2/Q3 2020

Debt markets

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



Source: DNB Markets

Leasing market

- Strong leasing activity in the first month of Q4. Akershus Eiendom has negotiated several contracts during October, among them Ernst & Young and Schjodt Advokatfirma, signing new leases in Stortorvet 7 and Tordenskiolds gate 12.
- Overall Oslo office vacancy increased to 6.3% in Q4, primarily driven by some large projects in Oslo's eastern fringe coming close to completion. However, the City center vacancy remains stable around 4%.
- Arealstatistikk reports 135 signed contracts covering a total of 109,730 sq. m in Q3 2020 compared to 149,320 sq. m. divided on 180 contracts. The current volume year-to-date is down ~18 percent compared to the corresponding period last year. Note that some large contracts were important drivers of the 2019 volume.

Office prime rents

Oslo **NOK 4,750** ▼ NOK 150

Oslo Fringe **NOK 2,000 - NOK 3,500**

Stavanger **NOK 3,250** ► NOK 0

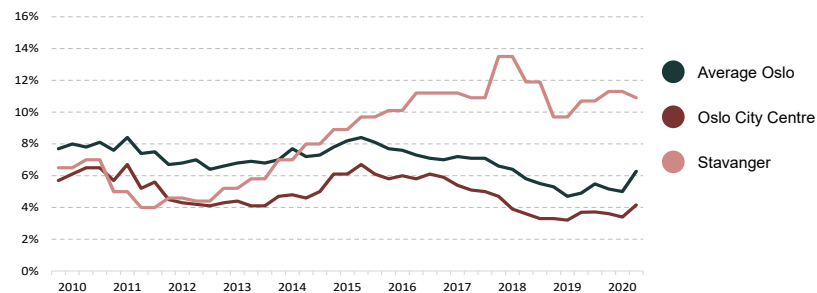
Segment prime rents

Logistics **NOK 1,200** ► NOK 0

High-street Retail **NOK 20,000** ► NOK 0

Change last quarter

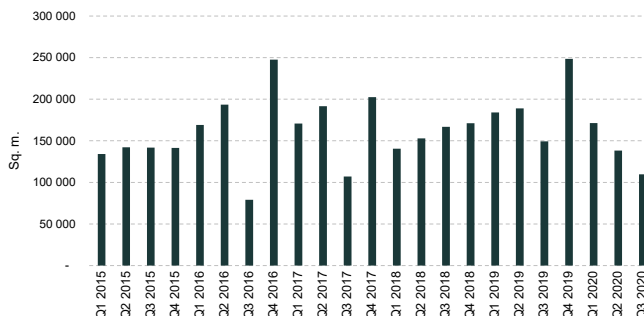
Vacancy



Selection of new leases

Location	Tenant	Sq. m	WALT (years)	Sub-market
Stortorvet 7	Ernst & Young AS	8,961	~16	Office
St Olavs plass 5	Oslo Pensjonsforsikring	3,450	10	Office
Tordenskiolds gate 12	Advokatfirmaet Schjodt AS	11,250	10	Office
Universitetsgata 7-9	Knowit	7,200	7	Office

Take-up



Source: Arealstatistikk