

Akershus Eiendom - newsletter

October 2020

Capital markets

A record volume close to NOK 16 billion has gone under offer during the last month. Several announced marketing campaigns have been pulled at an early stage, as investors have successfully pre-empted processes at levels premium to ask.

The record volume is partly due to 3 larger deals under offer: C-Log (logistics Oslo Airport), Tjuvholmen allé 1-5 (CBD office) and Telegrafan (CBD office) – together amounting to more than NOK 7 billion and all pre-empted at an early stage.

The effects of lower interest rates are now making its full impact on pricing and market consensus is that the prime office yield is down 25 bps to 3.5%, with yields still under pressure. Yield compression is not limited to prime CBD assets, but seen across the board for assets on long lease terms and secured against good credits.

Office prime cap rates

Oslo **3.50 %** ▼ 25 bps

Regional **4.00 %** ► 0 bps

Change last quarter

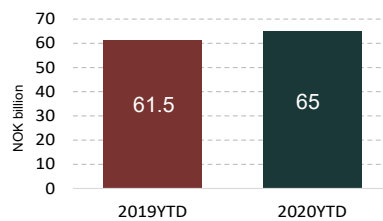
Segments prime cap rates

Logistics **4.50 %** ▼ 37.5 bps

Retail **3.75 %** ► 0 bps

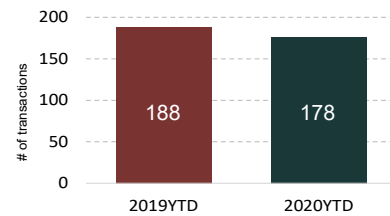
Change last quarter

YTD transaction volume (BNOK)



Transactions over MNOK 50

YTD # transactions



Latest transactions

Asset	Status	Quarter	Asset type	Location	Gross property value (MNOK)	Cap rates	Purchaser	Vendor
Telegrafan, Kongens gate 21	Under offer	Q3 2020	Office	Oslo CBD	Undisclosed	Undisclosed	Undisclosed	Tristan / Malling / Vedal
C-Log Gardermoen (COOP Logistics)	Under offer	Q3 2020	Industrial/logistics	Gardermoen, Ullensaker	Undisclosed	Undisclosed	Undisclosed	Møller Eiendom / Stokke Industrier
Tjuvholmen allé 1-5	Under offer	Q3 2020	Office	Oslo CBD	Undisclosed	Undisclosed	Canica Eiendom	Eiendomsspar
Anthorn B Nielsen Portfolio	Closed	Q2 2020	Office/development	Oslo CBD / regional (dev)	~3,000	n.a.	Balder Fastigheter AB	Anthorn B Nielsen Eiendom
Hieronymus Heyerdahls gate 1	Under offer	Q2 2020	Office	Oslo CBD	~1,225	n.a.	Ferd Eiendom	CBRE GI
Nydalen allé 35	Closed	Q2 2020	Office	Oslo Fringe	625	4.60 %	Canica Eiendom	Syndicate (Arctic Sec)
Statens Hus Lillehammer	Closed	Q2 2020	Office	Regional - Lillehammer	950	5.00 %	Syndicate (Njord Sec)	Syndicate (Clarksons)
Herbarium	Closed	Q1 2020	Office/retail	Stavanger	913	4.25 %	Syndicate (DNB Markets)	Øgreid Eiendom

Macro

- Norges Bank has held the interest path unchanged for 2021, while raising it marginally for 2022. First hike is still expected for second half of 2022.
- Core CPI inflation runs at close to 4%, but likely to level out as the NOK has strengthened
- Retail sales have been thriving since the re-opening of the country in May but dropped 5% in August. However, still 9% above pre-Covid levels.
- Following improved July numbers from domestic travels, number of hotel guests, unsurprisingly, came down again in August; 40% on a y-o-y basis.
- House prices continued up 1.3% in September – 5.8% y-o-y growth.

Interest rates

	Latest	m-o-m change	3 m change	y-o-y change
3y swap	0.53%	-4 bps	-4 bps	-125 bps
5y swap	0.65%	-5 bps	-5 bps	-104 bps
10y swap	0.93%	-6 bps	-7 bps	-75 bps
Key policy rate	0.00 %	-	-	-150 bps
1m NIBOR	0.23 %	+13 bps	-3 bps	-141 bps
3m NIBOR	0.28 %	+5 bps	-7 bps	-153 bps
6m NIBOR	0.37 %	-4 bps	-9 bps	-157 bps

Exchange rates

	Latest	m-o-m change	3 m change	y-o-y change
USD/NOK	9.505	6.27%	-2.24%	2.01%
EUR/NOK	11.094	4.66%	1.96%	9.5%
SEK/NOK	104.77	3.65%	2.16%	13.25%
DKK/NOK	149.31	4.6%	2.03%	9.80%
KRW/NOK	0.0079	6.63%	1.41%	4.72%

Macroeconomic indicators

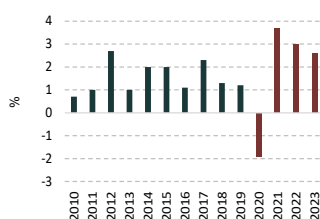
	2019	2020E	2021E	2022E	2023E
GDP	1.20 %	-1.90 %	3.70 %	3.00 %	2.60 %
CPI	2.20 %	1.5 %	2.9 %	2.1 %	2.3 %
Employment	1.60 %	-2.00 %	0.40 %	1.40 %	1.20 %
Unemployment	3.70 %	4.90 %	4.50 %	4.30 %	4.10 %

Source: Statistics Norway

Other indicators

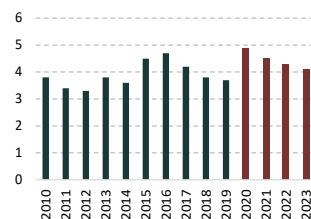
	Latest	3 m change	y-o-y change
CCI	-6.6%	+1%	-21.6%
PMI	50,3	4,1	-0,1
Oil price	39,48	-6,15%	-33,2
Residential Oslo (NOK / sq. m.)	79,089	4,6%	6,1%
Residential Norway (NOK / sq. m.)	46,428	1,1%	4,3%

GDP change (%)

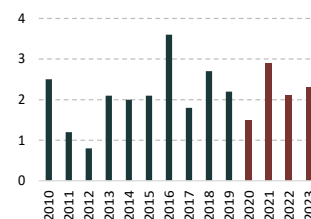


Source: Statistics Norway

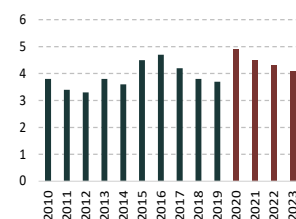
Employment change (%)



CPI (%)

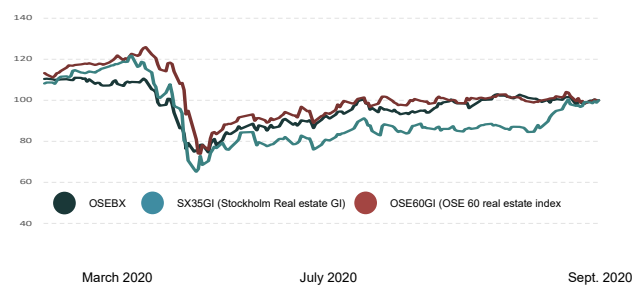


Unemployment rate (%)



Equity markets

Indices



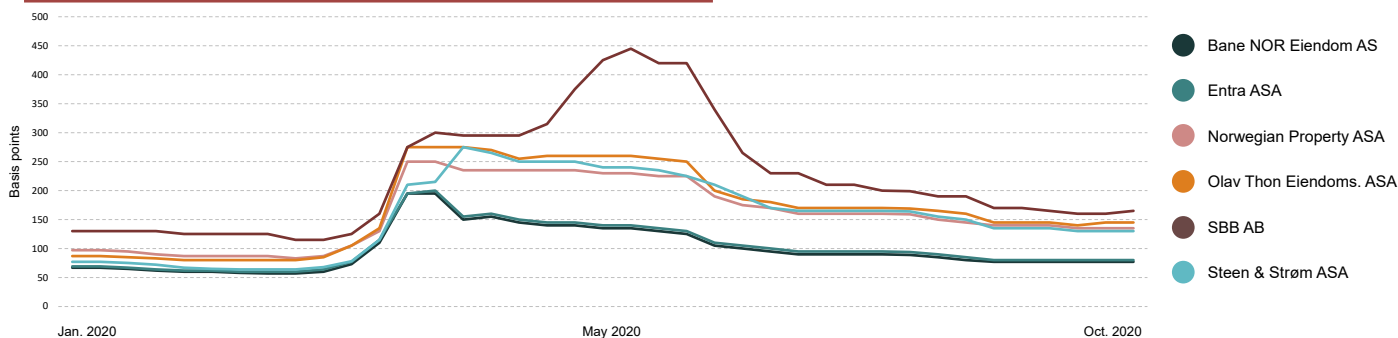
Selected Nordic Equities

Asset	Latest	Last week (%)	Last mnth. (%)	YTD. (%)	Discount to NAV*
Entra	131.2	4.4 %	3.5 %	-8.9 %	-15.9%
NPRO	11.4	0.9 %	-1.7 %	-16.7 %	-29%
Olav Thon	151.5	1.3 %	-5.3 %	-6.0 %	-48%
Pandox	114.4	0.0 %	9.0 %	-44.9 %	-44,2%
Selvaag Bolig	53.0	-1.5 %	3.6 %	4.6 %	n.a
SBB	26.3	5.6 %	11.1 %	16.7 %	32,2%
Solon	33.4	1.2 %	10.6 %	-16.1 %	n.a
Self Storage Group	24.7	0.4 %	2.1 %	-10.8 %	n.a

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

Debt markets

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



Leasing market

Despite the surrounding uncertainty, Akershus Eiendom is currently experiencing high activity and is involved in several larger leasing processes. Arealstatistikk, a third-party data provider is yet to release its third quarter data, but the data for the first two quarters of 2020 shows that office take-up is down 18 % y-o-y, currently standing at approximately 300,000 sq. m.

Vacancy is trending somewhat upwards, partly driven by increased supply due to completion of development projects in 2020 and 2021. However, the vacancy levels are still low in a historical context. Top rents are slightly lower than pre-covid levels in the prime CBD area, while some sub areas such as Kvadraturen is experiencing rental growth q-o-q.

Note that Arealstatistikk include renegotiations in its take-up figures, which distorts numbers. Arealstatistikk will release figures for the third quarter mid-October.

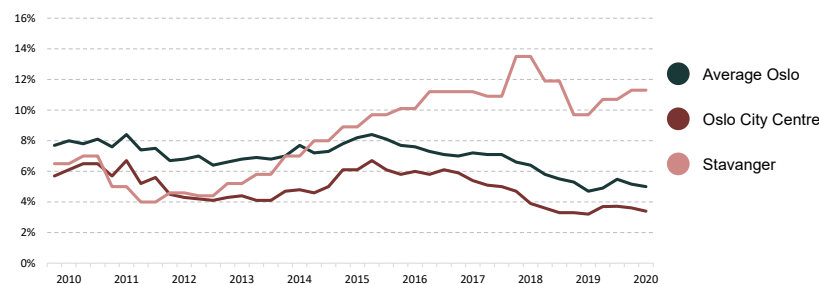
Office prime rents

- 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

Address	Tenant	Sq. m.	WALT (years)	Sub-market
St. Olavs Plass 5	WSP Norway	3,770	10	Office
Karenlyst Allé 10-12	Norges Gruppen	15,500	12	Office
Dronning Mauds gate 10	Insenti	1,200	10	Office

Take-up

