The Norwegian Commercial Property Market

Presentation for Technopolis

November 5, 2013
Agenda

Introduction to Akershus Eiendom

The Norwegian economy

Oslo leasing market

The investment market
Akershus Eiendom AS

Akershus Eiendom AS is an independent property advisor focusing on all types of commercial property:
- offices
- logistics/warehouse facilities
- shops/shopping centres
- hotels
- land plots

Akershus Eiendom has advised its clients on sales, leasing, development, research, valuations and other areas of the commercial property business since 1992.

Akershus Eiendom has during the past five years handled sales transactions for properties of a total value of 30 billion NOK, and has handled leasing of 845,000 m² of office space.
Akershus Eiendom: Business areas & market shares

Managing Director
Per Kumle

Marketing

Backoffice

Leasing
Ole Christian Iversen
Head of Leasing
Leasing agent, primarily for landlords.
Mainly office and logistics in and around Oslo
Market share 40-50%

Capital Markets
Petter Nylend
Head of Capital Markets
Sales agents, primarily for property owners and construction companies.
Mainly office in Oslo, but also logistics, retail, and hotels around Norway.
Market share 20-25%

Research & Valuation
Ragnar Eggen
Head of Research
Erik Andre Bratt
Head of Valuation
Valuation of all kinds of commercial property for funds, property companies and others. Both regular and ad-hoc valuation projects.
Advisory and research for the property market in general.
Market share 25-30%
Akershus Eiendom: Market leader

Akershus Eiendom - Market leader in all segments

Key figures

Akershus Eiendom: Value of properties sold per year, bNOK

Akershus Eiendom: Leasing volume per year, 1,000 m²
International partner – Jones Lang LaSalle

- Akershus Eiendom has had a formal cooperation agreement with Jones Lang LaSalle for 11 years
- The cooperation includes transactions, services for key clients, and research

Jones Lang LaSalle Europe and Middle East

- 4,200 people in 57 corporate offices across 24 countries
- 600 directly reimbursable client site staff
- Market leading capital markets business with €115 billion of transactions since 2005
- Largest 3rd party property management agent with 25.9 million m² under management
- Supported by the Industry’s leading research capability with over 90 research professionals in the region
Transactions carried out by Akershus Eiendom

Sørkedalsveien 6 540 MNOK
Middelthunsgate 17 700 MNOK
Karl Johans gate 12 / Kirkegata 23-25 537MNOK
Avantor/Industrifinans- porteføljen 2.290 MNOK
Pilestredet Park 7450 MNOK
Middelthunsgate 17 700 MNOK
Esindredropagate 3
Sjølyst Arken 974 MNOK
Ibsen kvartal 1,220 MNOK
Avantor/Industrifinans-porteføljen 2.290 MNOK
Oslo Plaza Hotell 1,200 MNOK
Strømsveien 102 545 MNOK
Sjølyst Arken 974 MNOK
Ibsen kvartal 1,220 MNOK
Oslo Plaza Hotell 1,200 MNOK
Tjuvholmen Allé 1-5 875+ MNOK
K2 Fornell 945 MNOK
Statoil Regional HQ 3 200 MNOK
Bjørvika felt B10a (PwC) 570 MNOK
KLP-bygget, Felt B10b, Bjørvika 1200 MNOK
KLP-bygget, Felt B10b, Bjørvika 1200 MNOK
KLP-bygget, Felt B10b, Bjørvika 1200 MNOK
Bjørvika felt B11b (Visma) 920 MNOK
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The investment market
Norwegian economy makes moderate headway

**Status:**

- Growth primarily stimulated by domestic demand, and large investments in the petroleum sector in particular
- Traditional Norwegian exports expected to pick up from 2015

<table>
<thead>
<tr>
<th>Deviation analysis GDP Norway (M)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Estimate</strong></td>
</tr>
<tr>
<td>Feb 12</td>
</tr>
<tr>
<td>Jun 12</td>
</tr>
<tr>
<td>Sep 12</td>
</tr>
<tr>
<td>Des 12</td>
</tr>
<tr>
<td>Feb 13</td>
</tr>
</tbody>
</table>
Employers expectations of future employment

Business leaders expected change in employment in 1 year

Status
- Survey includes answers from over 500 business leaders

Source: Norges Bank/TNS Gallup/Perduco
Employment forecasts have weakened during 2013

Change in total employment, Norway, 1990-2016E

Source: Statistics Norway and DNB Markets
Unemployment

Unemployment 2002-2013
(Seasonally adjusted figures)

Source: NAV
Long interest rates at all time low

Source: DnBNOR / Central Bank of Norway

Status:
The key policy rate was kept unchanged on the last policy meeting
From Q1 2010 the order backlog for new buildings have been growing.

A decline is expected from 2H 2013 due to a decline in new home sales.
Construction costs for commercial property

Estimated construction cost 2005-2014E

Average turnkey cost for standard new Oslo office space, ex VAT

<table>
<thead>
<tr>
<th>Costs per m²</th>
<th>Forecast: 10% decline until June 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>8,000</td>
<td></td>
</tr>
<tr>
<td>10,000</td>
<td></td>
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<tr>
<td>12,000</td>
<td></td>
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<tr>
<td>14,000</td>
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<tr>
<td>16,000</td>
<td></td>
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<tr>
<td>18,000</td>
<td></td>
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<tr>
<td>20,000</td>
<td></td>
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<tr>
<td>22,000</td>
<td></td>
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<tr>
<td>24,000</td>
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</tbody>
</table>

Source: Akershus Eiendom
The Central Bank of Norway’s lending survey

Non-financial corporate demand for lending

Banks’ lending to commercial real estate

Banks’ lending practices (total)

- Demand for credit is still increasing among corporations
- Banks’ credit standards are more tightened
- Lending to the commercial property sector is more tightened

Explanation of the survey:
- Banks participating in the survey answer using a scale from 1 to 5. Large changes get twice the weight as small changes
- Answers are weighted with respect to the participant’s share of the household and business lending market
- Net numbers appear on a scale from -100 % and 100 %

Source: Norges Bank’s lending survey
Consumption growth has slowed down

Index of household consumption of goods, 2005-2013
season adjusted volume index, 2005=100

Consumption year-on-year growth
Total commodity consumption

Source: Statistics Norway,
Retail spending has levelled out

Norwegian retail volume index, 2005-2012
season adjusted volume index, 2005=100

Source: Statistics Norway,
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Oslo leasing market

The investment market
Oslo: main types of property

- Inner city east
- Inner city north
- Inner city west
- CBD
- Helsfyr-Bryn
- Økern
- Ryen
- Inner city north
- Sinsen-Storo-Kjelsås-Grefsen
- Oslo outer east
- Oslo outer west
- Oslo outer south
- Lysaker
- Majorstuen
- Skøyen
- Ullevål

- Office
- Office and retail
- Logistics
- Combination
- Mostly residential

Regions:
- Fornebu
- Bygdøy
- Sjursøya
Oslo office areas and volumes, 2013
Oslo office rents, various segments

Oslo office rents, 1986-2013 (Nominal NOK)

Prime
High std CBD
Newer space CBD
Good std CBD
High std Skøyen
High std west fringe
High std east fringe
Older, ineffective space

Kilde: Dagens Næringsliv/Akershus Eiendom
Siste tall tilgjengelig: November 12
Rent levels, real NOK 1986-2012

OFFICE RENTS 1986-2013
(Real 2013 NOK)

Prime
High std CBD
Newer space
Good std CBD
High std west fringe
High std east fringe
Older, ineffective space

Source: Dagens Næringsliv/Akershus Eiendom
### Office rents, October 2013

<table>
<thead>
<tr>
<th>Location</th>
<th>Normal (NOK/m²)</th>
<th>High (NOK/m²)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inner city west</td>
<td>2800 / 3300</td>
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</tr>
<tr>
<td>Skøyen</td>
<td>2300 / 2800</td>
<td></td>
</tr>
<tr>
<td>Lysaker</td>
<td>1800 / 2300</td>
<td></td>
</tr>
<tr>
<td>CBD</td>
<td>1550 / 2000</td>
<td></td>
</tr>
<tr>
<td>Ullevål</td>
<td>1800 / 2300</td>
<td></td>
</tr>
<tr>
<td>Nydalen</td>
<td>1300 / 1900</td>
<td></td>
</tr>
<tr>
<td>Oslo outer east</td>
<td>1000 / 1650</td>
<td></td>
</tr>
<tr>
<td>Oslo outer west</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inner city east</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inner city west</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Majorstuen</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Økern</td>
<td></td>
<td></td>
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<tr>
<td>Alna-Ulven</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sinsen-Storo-Kjelsås-Grefsen</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Helsfyr-Bryn</td>
<td></td>
<td></td>
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<tr>
<td>Lysaker</td>
<td></td>
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<tr>
<td>Fornebu</td>
<td></td>
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<tr>
<td>Bygdey</td>
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<tr>
<td>Sjursøya</td>
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</tbody>
</table>
### Top 10 new lease contracts

#### De 10 største i hele 2012

<table>
<thead>
<tr>
<th>Company</th>
<th>Lease Area (m²)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government, Kongens gate 8/18</td>
<td>18.000</td>
</tr>
<tr>
<td>Kværner, Drammensveien 264</td>
<td>16.000</td>
</tr>
<tr>
<td>KLIF, Grensesvingen 7</td>
<td>12.000</td>
</tr>
<tr>
<td>Statoil F&amp;R, Schweigaards gate 16</td>
<td>10.500</td>
</tr>
<tr>
<td>Aller Media, Hasle Linje</td>
<td>9.400</td>
</tr>
<tr>
<td>Statens Pensjonskasse, Drammensv. 134</td>
<td>9.200</td>
</tr>
<tr>
<td>Oslo Kommune, Storgata 51</td>
<td>8.500</td>
</tr>
<tr>
<td>Opera Software, Gjerdrums vei 19</td>
<td>7.000</td>
</tr>
<tr>
<td>NAV, Waldemar Thranes gate 84-98</td>
<td>7.000</td>
</tr>
<tr>
<td>Lindorff, Hoffsvieien 70B</td>
<td>6.000</td>
</tr>
</tbody>
</table>

#### De 10 største så langt i 2013

<table>
<thead>
<tr>
<th>Company</th>
<th>Lease Area (m²)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aker Solutions, Fornebuporten</td>
<td>26.000</td>
</tr>
<tr>
<td>Orkla (sublease), Nedre Skøyen vei 26</td>
<td>18.600</td>
</tr>
<tr>
<td>Government, Akersgata 64-68</td>
<td>18.000</td>
</tr>
<tr>
<td>Lundin, Strandveien 4-8</td>
<td>13.500</td>
</tr>
<tr>
<td>Technip, Lysaker Polaris</td>
<td>13.200</td>
</tr>
<tr>
<td>Wiersholm, Stranden 1</td>
<td>11.000</td>
</tr>
<tr>
<td>Sweco, Drammensveien 260</td>
<td>10.200</td>
</tr>
<tr>
<td>NAV, Økernveien 94</td>
<td>10.000</td>
</tr>
<tr>
<td>Bymiljøetaten, Hasle Linje</td>
<td>9.500</td>
</tr>
<tr>
<td>Kværner, Fornebuporten</td>
<td>8.000</td>
</tr>
</tbody>
</table>
New Oslo office projects, confirmed, 2013-2016

- Siemens
- Fredrik USA’s embassy
- Aller Media
- YSI/Tine
- Østen-sjøvn 27
- SSB
- Yara
- Storgata 14-18
- Silur-veien 2
- NSB
- Deloitte
- DNB Del 3
- R.S. Platou
- Byg 2
- Byg 3
- Light colours indicate vacant space

2013: 147,000 m²
2014: 61,000 m²
2015: 133,000 m²
Oslo office development, 2002-2013

Office development, greater Oslo, 2002-2012
including known projects 2013-2015

New construction of office space, m²

- Asker/Bærum
- Oslo East
- Other Oslo west
- Fornebu
- CBD

Oslo office vacancy: 7.0 % as of October 2013

Oslo outer west
- Sinsen
- Storo
- Kjelsås
- Nydalen
- Ullevål
- Nydalen
- Ullevål

Oslo outer east
- Økern
- Alna-Ulven
- Oslo outer east

Oslo outer south
- Lysaker
- Fornebu
- Ryen

Oslo outer west
- Økern
- Alna-Ulven
- Helsfyr-Bryn
- Bryn
- Majorstuen
- Inner city west
- Inner city north

Oslo outer east
- Økern
- Alna-Ulven
- Helsfyr-Bryn
- Bryn
- Majorstuen
- Inner city west
- Inner city north

Oslo inner city
- Inner city west
- Inner city east

Oslo outer south
- Lysaker
- Fornebu
- Ryen
- Inner city west
- Inner city east

Legend:
- >20%
- <20%
- <17,5%
- <15%
- <12,5%
- <10%
- <7,5%
- <5%
- <2,5%
Oslo office vacancy, 2002-2017E

Office Vacancy in Oslo measured in m² and %

Vacancy level by the start of the year
Net new office space added
Change in demand (absorbed space)

Kilde: Akershus Eiendom
Oslo office vacancy 2002-2017E

Office Vacancy in Oslo measured in m² and %

Forecast as of October 2012

Vacancy level by the start of the year
Net new office space added
Change in demand (absorbed space)

Kilde: Akershus Eiendom
Oslo office vacancy, 2002-2017E

Office Vacancy in Oslo measured in m² and %

Vacancy level by the start of the year
Net new office space added
Change in demand (absorbed space)

Kilde: Akershus Eiendom
Oslo: historic growth and forecast 2011-2014E

2011

Annual nominal rental growth

Forecast 2013

Forecast 2014

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Buyers and sellers in 2012

Buyers:
- Property companies: 35%
- Private investors: 18%
- Insurance/Pension funds: 14%
- Foreign investors: 4%
- Remaining: 13%

Sellers:
- Property companies: 37%
- Foreign investors: 19%
- Pension funds: 13%
- Private investors: 8%
- Remaining: 19%
- Owner occupier: 4%
Prime yield transactions (office properties on long leases)

Interest rates and prime transaction yields 2002-2012

10Y Prime yield curve
10y SWAP
10y Gov.Bond
Transaction yield
Property value has moved sideways since 2009

Value, all Norwegian commercial property, 2005-2012

Index 2005=100. Real values, average of all segments nationwide

Index 1999=100

2005 2006 2007 2008 2009 2010 2011 2012
Our own indexes show flat value development

Akershus Eiendom’s value indexes for commercial property

- Rising rents
- Higher refurb costs
- Tight financing

- Oslo office, 10-year lease
- Oslo office, 2-4-year lease
- Larger shopping centres, Norwegian cities
- Greater Oslo logistics, 10-15-year lease

Index: Share of value measured by end of 2007
