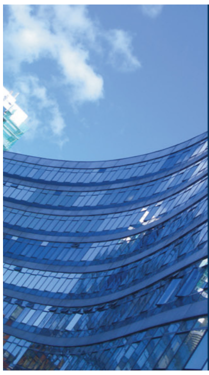


MARKETBEAT

NORWAY OFFICE SNAPSHOT

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

CUSHMAN & WAKEFIELD®
Global Real Estate Solutions

Q3 2011

OVERVIEW

The Norwegian economy experienced positive growth over the quarter, with GDP rising in the mainland and a strong currency curbing inflation. These positive economic fundamentals have translated into healthy office market activity. Indeed, Q3 saw a marked rise in employment, real wages and income size, which has lead companies to expand their hiring, thus stimulating further demand. As a result, rents in Oslo have continued to increase over the quarter, albeit at more marginal levels than that witnessed in Q2, with the most notable rise in the Oslo West submarket.

OCCUPIER FOCUS

Although increasing activity was registered over the quarter, high supply levels have hampered its positive effects on the office market. A good portion of stock must be absorbed before increased demand and competition for office space can place any significant upwards pressure on rents, although there were some rent rises in Oslo's prime locations. Although supply levels are quite high, availability levels have been steadily declining over the past year, which points to higher absorption rates and improving market conditions. The overall vacancy rate fell by just about 50bp since the beginning of the year, despite the rise of completions put onto market this quarter. Concerning development, the vast majority of schemes are pre-let, with the amount of speculative construction slowly dwindling throughout 2011.

INVESTMENT FOCUS

The prominent rise in investor activity witnessed last quarter dampened slightly, with office investment returning to the quieter figures witnessed in previous quarters. The office market has traditionally been the sector of choice for capital, representing about 55% of the total quarterly volume. Demand in the market remains for low risk assets with longer lease terms, and foreign investment held a larger stake in the investment volume than seen in previous quarters, albeit at a reduced level to domestic buyers. Yields followed the trajectory witnessed throughout 2011, hardening by 25bp across all submarkets.

OUTLOOK

Although declining oil prices are likely to restrain significant economic activity, GDP should continue to rise on the mainland and fuel further economic growth. Norway's healthy labour market should be sustained, with unemployment rates falling and, consequently, companies continuing to expand and require additional office space. The gradually falling vacancy rate is expected to continue this trajectory. Continued stock absorption, coupled with higher demand, is anticipated to put an upward pressure on rents.

MARKET OUTLOOK

PRIME RENTS:	Rents should continue to climb on the back of sustained demand.	↗
PRIME YIELDS:	Yields should level for the rest of 2011 but expected to harden further in 2012.	↘
SUPPLY:	Stable for the short term due to the limited speculative development pipeline.	→
DEMAND:	Healthy demand anticipated as the year draws to a close.	↗

PRIME OFFICE RENTS – Sep 2011

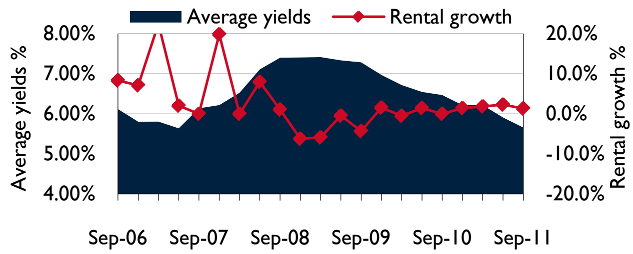
	Prime Rent			Compound(p.a) % Growth	
	Nkr sq.m/yr	€ sq.m/yr	US$ sq.ft/yr	5yr	1yr
Oslo	3,650	463	57.8	7.0	14.1

PRIME OFFICE YIELDS (Net) – Sep 2011

	Prime Yield (%)				
	Current Quarter	Last Quarter	Last Year	10 year High	10 year Low
Oslo	5.25	5.50	6.00	8.00	4.50

With respect to the yield data provided, in light of the lack of recent comparable market evidence in many area of Europe and the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

RECENT PERFORMANCE



Source: Cushman &Wakefield LLP. 2011

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