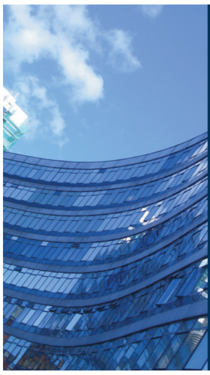

# MARKETBEAT

## NORWAY OFFICE SNAPSHOT

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

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## OVERVIEW

The Norwegian office market continued to move down over the quarter. Rents held firm despite difficult market conditions and an uncertain domestic economy. However, there has been an increase in landlord incentives, such an increase in rent free periods. The investment market was subdued with very few transactions occurring over the quarter.

## OCCUPIER FOCUS

Occupier demand has continued to decline, and the activity within the sector is from companies consolidating their space requirements undergoing cost rationalization. Therefore, there will be an increase in sub-letting space entering the market, primarily in the City Centre in the first instance.

Vacancies are on the rise and we are noticing a higher amount of space available to sub-let, perhaps due to occupiers reducing headcounts. Supply levels remain low with a number of planned schemes being postponed or even cancelled. Most new developments are scheduled for completion between 2010 and 2013.

## INVESTMENT FOCUS

The availability of finance is the key reason for the stalled investment market. There have hardly been any transactions recorded since the latter half of 2008. Investors with available means of finance have decided to adopt a 'wait and see' attitude and await market stability. However, yields have held firm for the third consecutive quarter, a possible indication that the bottom of the cycle has been reached.

## OUTLOOK

Yields levels are expected to continue to rise over the course of the year, with any stability not anticipated until 2010. The occupational market is closely linked to the domestic economy, therefore any improvement will depend of the speed and strength of the economic recovery. The most active tenants at the moment are those involved in cost cutting and space rationalisation. This trend is expected to continue for year or so, especially within Oslo most of the service based companies are based.

## MARKET ACTIVITY

Vaktservice AS are developing an office building in Brobekk, Oslo. The building will be 14,800 sq.m costing SEK160 million.

### MARKET OUTLOOK

| | | |
|---|---|---|
| PRIME RENTS: | Rents are falling as demand declines and the market faces increased supply. | ↘ |
| PRIME YIELDS: | With investor interest non- non existent, yields are expected to rise further. | ↗ |
| SUPPLY: | There will be a slight increase in supply as office space becomes available. | ↗ |
| DEMAND: | Set to decline as economic fundamentals continue to decline. | ↘ |

### PRIME OFFICE RENTS – Jun 2009

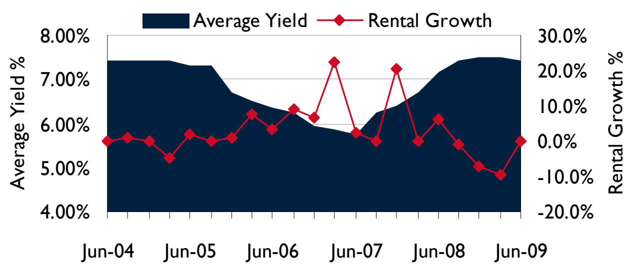
| | Prime Rent Nkr sq.m/yr | € sq.m/yr | US$ sq.ft/yr | Compound(p.a) % Growth 5yr | 1yr |
|---|---|---|---|---|---|
| Oslo | 3,500 | 388 | 50.5 | 13.6 | -25.5 |

### PRIME OFFICE YIELDS – Jun 2009

| | Prime Yield (%) Current Quarter | Last Quarter | Last Year | 10 year High | Low |
|---|---|---|---|---|---|
| Oslo | 6.50 | 6.75 | 6.40 | 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. 2009*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