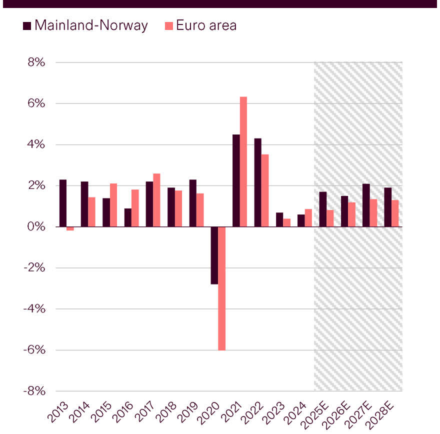
Malling

MARKET UPDATE

September 2025

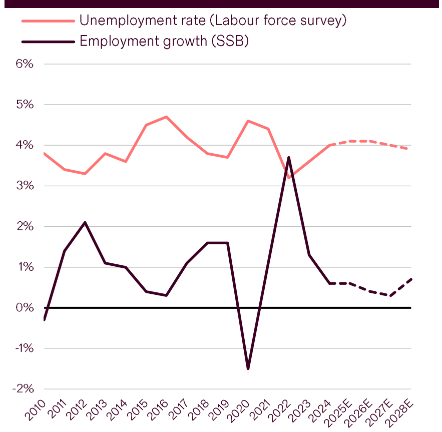
Malling has been appointed as the exclusive sell-side advisor for the Agder Police District HQ in Kristiansand. The property forms part of the Quadrum project and is strategically located at the gateway to the city. The building comprises 17 505 sqm and is fully let to public tenants.

GDP: Mainland Norway vs. Euro area



Source: Statistics Norway Outlook (Jun. 25), IMF WEO (Apr. 25)

Labour market Norway



Source: Statistics Norway (Aug. 25)

Economic Outlook

- Global growth is hovering around 3 %, despite large differences between countries, sectors and segments. While geopolitical risks are lingering, recent US trade deals have lowered downside risks and hence growth is seen to hold up over the next years also supported by recent interest rate cuts from central banks and more fiscal spending from governments. This combination, however, is also causing some tension in government bond markets, as longer-dated yields have once again increased, and yield curves have steepened. September has proved once again to be a troublesome month for global equity markets, still at elevated levels, while credit spreads remain historically tight.
- In Europe, growth has stabilized but remains modest. The euro area is projected to expand by a little more than 1 % in 2025, with inflation closer the 2 % target. The ECB has left the deposit rate at 2 %, a level they consider to be around a normal level. Fiscal support and improved household purchasing power suggest growth could accelerate somewhat next year.
- Recession fears on the US economy proved in the short term to be overblown. Inflation is still expected to increase markedly on the back of fresh tariffs coming into effect. Clearer signs that the labour market is cooling is adding to uncertainties of the economic developments in the US economy over the coming years.
- The Norwegian economy remains highly diverse. Oil and public sectors are still growing at a healthy speed, while the private mainland economy has stagnated the past three years. Overall, Mainland GDP has grown a little more than expected recently, also boosted by increased household consumption. With core inflation still in the 3s, Norges Bank is seen to normalize the policy rate only very gradually, potentially with a new rate cut in September.

Office vacancy per Aug. 2025 (Aug. 24) and Indicative Office Rents (Aug. 25) in Greater Oslo

Cluster	Vacancy	Normal rent*	Prime rent**	Typical project asking rent***
Asker	9 % (7 %)	1 800 – 2 000	2 400	3 200
Sandvika	7 % (7 %)	1 900 – 2 200	2 600	3 200
Fornebu	12 % (6 %)	2 000 – 2 500	2 700	3 200
Lysaker	9 % (5 %)	2 400 – 2 800	3 200	3 500
Skøyen	7 % (7 %)	3 200 – 3 800	4 300	4 500
Forskningsparken/Ullevål	4 % (0 %)	2 200 – 2 800	3 200	3 500
Majorstuen	2 % (1 %)	3 000 – 3 700	4 800	5 000
Vika/Aker Br./Tjuvholmen	8 % (8 %)	4 500 – 5 500	6 500	7 000
Kvadraturen	4 % (7 %)	3 200 – 4 000	5 000	5 300
Inner City	8 % (7 %)	3 400 – 4 000	5 000	5 300
Inner City East	8 % (8 %)	3 000 – 3 600	4 300	4 500
Bjørvika	2 % (1 %)	4 500 – 5 000	6 000	6 200
Nydalen	4 % (9 %)	2 300 – 2 800	3 200	3 500
Økern	16 % (14 %)	2 000 – 2 500	2 600	3 400
Helsfyr/Ensjø	9 % (12 %)	2 200 – 2 600	2 900	3 500
Bryn	9 % (11 %)	2 000 – 2 500	2 650	3 000

* / ** / *** / **** For explanation, please see Link

Rents are quoted as NOK/m^2/yr. Source: Malling

Key Facts: Real Estate (Office, Oslo)

	Sep. 2025	Sep. 2024
Prime Yield	4.50 %	4.75 %
Normal Yield****	5.20 %	5.40 %
5Y SWAP (COB 05.09)	3.87 %	3.43 %
10Y SWAP (COB 05.09)	3.95 %	3.41 %
EUR/NOK (COB 05.09)	11.75	11.79
CPI 12-month change (Jul. 2025)	3.3 %	2.8 %
Average Rent Top 15 % (Q2 25)	5 200	4 660

Rents are quoted as NOK/m^2/yr. Source: Malling/Eikon/Arealstatistikk/SSB

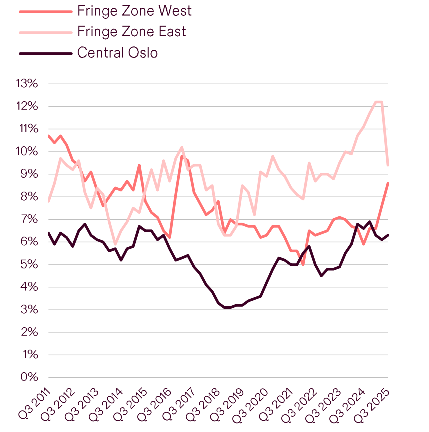
Number formatting: SI Style (English version)

Latest Lease Contracts

Tenant	Address/ Cluster	Size (m²)
Kripos	Nils Hansens vei 25	~ 19 500
Drammen kommune	Drammen helsepark	~ 17 500
Den franske skolen	Snarøyveien 30	~ 8 000
Sykehusbygg HF	Sognsveien 72	~ 3 300

Source: Malling

Office Vacancy, Greater Oslo



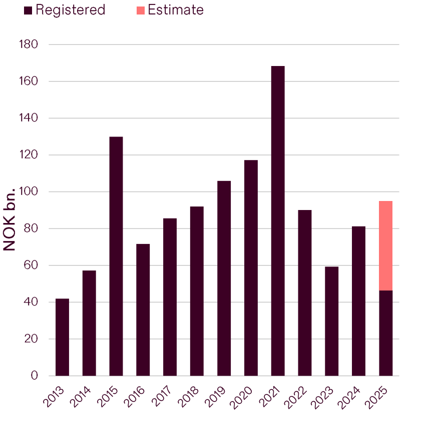
Source: FINN.no, Malling

Latest Transactions

Address	Buyer	Size [1] (MNOK)
Horisont Shopping Mall	Midgard Gruppen	~ 1 000
Moseidsletta 32	Nordisk renting	~ 950
Nydalen allé 35	Nordea Liv	635
Støtvig Hotel	Several Investors	500

[1]Deal size may be rounded due to confidentiality. Source: Malling

Transaction Volume (>50 MNOK)

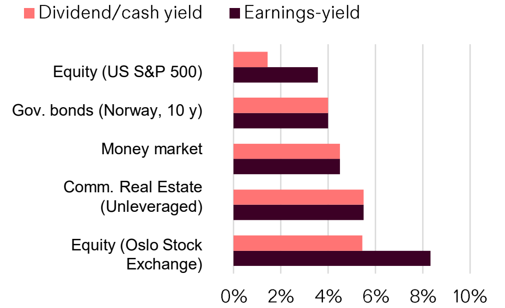


Source: Malling

Special topic: Does commercial real estate offer competitive returns?

Recently, pundits have flagged concerns about the profitability of investing in commercial real estate. The returns are not attractive enough, chief economist in Sparebanken1 Markets Harald Magnus Andreassen, warned. Real estate professionals have countered, claiming there are big opportunities. Of course, prospective returns are in the eye of the beholder, but let us look closer at this subject anyway.

One way to gauge the expected return is to look at the current yield for each asset class. Super safe Norwegian government bonds now offer a 4.0 % yield to maturity, while shorter term bonds (2Y) offer 3.7 %. While not exactly mouthwatering, bonds offer the best (nominal) return since 2011. Stocks offer a lower yield, as measured by dividend yield, than bonds. The dividend yield on American large cap stocks is near record low of 1.4 %. Norwegian stocks offer 5.4 %, well above safe bonds.



Source: LSEG; Malling, FactSet

Retained earnings make earnings grow, so the more appropriate yield for stocks is therefore the earnings yield (the inverted Price/Earnings-ratio). Still, American stocks, as measured by the S&P 500, offer only a paltry 3.6 %, which is below government bonds. Norwegian stocks are priced at an earnings yield of 8 %.

While not perfectly comparable, stable (unleveraged) Norwegian commercial real estate offers yield in the region of 5.0 % to 6.0 %. How does real estate fare in this race? Again, it is in the eye of the beholder, and not least the beholder's growth assumptions. One must be very bullish on growth to invest in US stocks at these levels, but much less so for Norwegian stocks, and even less for real estate.

In the end, it boils down to growth assumptions for both revenue and costs. At the moment, neither looks very rosy for real estate, but the industry is cyclical, and we are probably approaching (or just turned) the bottom. Long term investors will therefore find value in commercial real estate. The (surprisingly) low prime yield for Oslo (4.5 %) may very well be attributed to "safety first" thinking for long term capital preservation, as seen by the statements by the wealthiest families. Owning good quality real estate in one of the major cities in Norway, may after all, be a good hedge in case of market turmoil.

Commercial Real Estate

The Leasing Market

- Average signed office rents in Greater Oslo reached 3 120 NOK/m²/year in Q2 2025, representing a 4.7 % increase compared to Q2 2024. Growth has primarily been concentrated in the premium segment. The top 15 % of contracts increased by 12 %, while the lowest 15 % recorded a decline of 3 %.
- Signing activity has remained subdued during the first half of 2025, falling below expectations given known lease expiries through 2027. In absolute terms, Q2 2025 marks the weakest second quarter since 2020, and before that 2015, according to Arealstatistikk data. This development underscores tenants' increasing caution in decision-making and may also suggest that rental levels in certain submarkets are too high.
- Office vacancy in Greater Oslo reached 7.5 % in August 2025, up 0.4 percentage points from August 2024. While aggregate vacancy levels have been relatively stable, the fringe zones have show marked movements. Vacancy in the western fringe rose by 1 percentage point from Q2 to Q3 2025, while the eastern fringe dropped by almost 3 percentage point, largely due to the expiration of several listings on premises that still remain vacant. Consequently, we expect vacancy rates in the eastern fringe zone to increase the next months.
- New office construction is set to decline after above-average 2025 figures. Rising construction costs and higher yields have increased break-even rents for new buildings about 80 % since 2021, limiting future supply.
- Despite a recent uptick in the unemployment rate for both NAV and AKU (Labour force survey) figures, we expect both office rents and vacancy rates in Greater Oslo to remain stable over the coming 12 months.

The Investment Market

- Global investment volume for H1 2025, as measured by MSCI RCA, stood at USD 379 billion, broadly flat compared to the same period last year.
- Globally, in Q2 2025, office was the only segment to record higher investment compared to Q2 2024, with a 12 % increase. Overall, total investments in Q2 2025 declined by 6 % year-on-year. Looking at H1 investment activity, all sectors were broadly flat on the year compared to the same period last year.
- Domestically, transaction volume year-to-date stands at nearly NOK 47 billion, distributed across 150 transactions. Equity-heavy investors continue to dominate the real estate investment landscape both internationally and in Norway, with syndicates also making a comeback.
- The residential sector in Norway has witnessed significant activity growth compared to previous years. The residential market accounts for 16 % of transactions YTD, compared to 8 % of all transactions in 2024.
- The estimated prime office yield remains steady at 4.50 %, supported by recent market transactions and survey data. The outlook for the next 12 months is expected to remain stable, as very gradual policy rate cuts are considered to be already priced into the yield gap expectations.

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