



**NAI FirstPartners**

# Market Report 1 / 2015

- Changes in the Norwegian economy
- Record figures in 2014 – continuing pressure in the transaction market
- Challenges in the rental market
- A very strong market in UK / London

## Changes in the Norwegian economy

Entering 2015, the Norwegian economy is characterized by change. Moving away from previous years' strong growth in oil-related industries, and towards more traditional trades. The overall GDP growth remains moderate, under pressure from an oil industry that will continue to be our most important industry, however reducing its activity gradually. Unemployment will increase slightly as a result of the economic growth becoming too weak to provide enough work for all, while growth in wages will come down.

Macro prognoses Norwegian economy	2013	2014	2015	2016	2017
GDP	0,7	2,2	0,4	0,5	1,0
GDP mainland	2,3	2,6	1,0	1,1	1,5
Wage growth	3,9	3,1	3	2,5	2,5
CPI	2	2,1	2,6	1	1
CPI-ATE	1,6	2,5	3,8	1	1
Unemployment December	3,5	3,7	4,5	5	5,5
3 months NIBOR, December	1,8	1,5	1,2	1	0,75
House price growth, NEF, year average	5,5	2,5	4	2,5	2,5
Oil price, December 3 months Brent, USD	90	60	70	70	70
NOK/USD, end of year	6,08	7,43	7,5	7,16	6,8
NOK/EUR, end of year	8,38	9,03	8,21	7,72	7,65
I-44	93,7	102	96,2	91	90

Source: Eika Gruppen

The number of employed will continue to increase, but at a slower pace than before. Oil investments will have reduced demand for labor, while employment in the public sector will only increase. The spending of oil revenues, measured by the oil-adjusted budget deficit, is expected to increase by about 10 to 15 billion per year during the forecast period.

Inflation will subside as the NOK stabilizes, and the temporarily strong growth in import prices we are currently experiencing will lapse. The long-term inflation should converge to the Euro countries, about one percentage point per year.

Housing prices, which last year grew weaker than household incomes, will this year catch up what it has been lagging behind. In most of the kingdom we will get a growth in housing prices of 5-10 per cent, but there is still considerable uncertainty about developments in the Agder counties

and Rogaland. In these areas prices might decline towards the end of the year.

Norges Bank is expected to gradually reduce their key rates, so that the NOK may remain weak in the coming years. We expect to see one reduction of the key policy rate per year until 2017, stabilizing at 0.5 pct. The NOK is expected to strengthen from the current abnormally weak level with a cumulative appreciation of about 10 percent in the coming year.

### 5 years Swap NOK



Risks are many, ranging from the further fall in oil prices, to a potential breakdown of the European Monetary Union. Here in Norway chances are good that the industries, politicians and central bank will cooperate well. Both in order to solve today's challenges related to necessary restructuring of national industries, and to cope with unexpected emergencies that may arise.



Chief Economist Jan L. Andreassen  
at Eika Gruppen

### Key figures macro 2015

Central Bank of Norway – key policy rate	1,25 %
Construction cost index – change from last year	3,3 %

# Transactions

2014 was marked by considerable activity in the last 6 months and total market turnover totaled well over NOK 70 billion - including Entra's IPO and Fortin's Norwegian portfolio. Keeping the Entra figures out of the equation, the registered volume was just shy of NOK 60 billion.

The high activity in the transaction market by the end of 2014 has continued into 2015. This is partly due to some transactions that were not put in place before the New Year, but largely explained by the great interest for commercial property with the favorable market conditions.

With low interest rates and pressure on margins in the banks, financing is both affordable and accessible. Banks experience fierce competition for the customers.

In 2014, we saw prime yield in the office segment come down to approximately 4.7 %. In 2015 we will probably experience pressure down towards 4.5 % for the best objects.

"Normal yield" in the office sector, which in Q4 last year was approximately 6.5 %, has come down to 6.25 %. For warehousing and logistics we will see that the yield on good properties approaches 6 %.

Foreign players are still present in the market, but perhaps not as active as in the last part of last year. In 2014, foreign capital accounted for approximately 27 % of the registered transaction volume. It is higher than ever be-

fore, and it is reported that Norway has come on the list of many of the larger international players. So far this year it is particularly Swedish actors, including Hemfosa, which have distinguished themselves with larger purchases.

A weak dollar against other currencies strengthens foreign investors' interest. On the other hand we will supposedly experience reluctance from some due to the volatility in the oil sector and the effects this may have for the real estate market over time.

Among the players in the market there is an expectation of about the same levels in 2015 as last year. So far this year (Mid February), there is registered a total turnover volume of approximately NOK 8 billion spread over 20+ transactions.

We expect that several funds and syndicates will consider selling in the time to come.

## Main drivers in the transaction market in 2015

- Available equity exists and the investors are willing to take risk.
- Low interest rates and accessible financing.
- Returns on alternative investments are lower - investments in commercial property can give very good return on equity at the current low interest rates and loan disbursement - even with decreasing yield levels.
- Many will enter the market, perhaps also some new players.

## Recent transactions

The Oslo area	Date	Approx. m <sup>2</sup>	Type	Seller	Buyer	Price NOK mill	Yield
Lilleakerveien 4 A	Oct. 14	9.000	Office	Private investor(s)	Mustad Eiendom	205	~6
Økernveien 9	Oct. 14	14.680	Office	Syndicate	Syndicate	390	~7
Lørenveien 68	Oct. 14	11.700	Office	Storebrand Eiendomsfond	Oslo Pensjonsforsikring	240	6,7
Nycoveien 2	Nov. 14	9.200	Development	GE Healthcare AS	Veidekke ASA		-
Hans Møller Gasmanns vei 7	Nov. 14	11.000	Development	Anthon B. Nilsen	Akershus Energi/Bulk Eiendom	300	-
Lørenveien 37 (Nortura HQ)	Nov. 14	7.000	Office	Nortura	Ragde Eiendom	158	7,3
Økernveien 11-13	Nov. 14	12.000	Office	Syndicate	Bergens Komm. Pensjonskasse	300	
Schweigaardsgate 21-23	Nov. 14	30.000	Office	Rom Eiendom	KLP Eiendom	1.750	~4,7
Christian Krohgs gate 32	Nov. 14	11.200	Development	Aberdeen Asset Mgmt	Anthon B Nilsen/ OBOS Forretningsbygg		-
Bolette Brygge 1	Dec. 14	3.900	Office	Group of investors	City Finansiering	~375	4,5
Karl Johans gate 14/Kirkegata 23-25	Dec. 14	17.300	Retail	Genesta Nordic Baltic Real Estate	AVA Eiendomspartner	755	5
Grensen 17	Dec. 14	6.500	Retail	Madison/Søylen Eiendom	Meyer Bergman Euro. Partners II	280	~4,5
Storgata 10 A+B	Dec. 14	8.600	Retail/Office	fam. Haraldsen	Eiendomsspar	200+	
Drammensveien 211-213	Jan. 15	11.000	Office	Egil Stenshagen	DTZ Corporate Finance	220	
Haslevangen 45/47	Jan. 15	15.500	Office	Haslelund Bygg AS	Syndicate (Platou)	195	7,5
Grenseveien 95	Jan. 15	10.500	Office	DNB Liv	Aberdeen Eiendomsfond Norge I		
Kalbakkveien 6	Jan. 15	8.000	Retail	Gunnar Landgraff Eiendom AS/Cognito	Private investor	110	6,5
Sannergata 2	Feb. 15	20.000	Office	Syndicate (Pareto)	Hemfosa Fastigheter AB	680	~6,6
Comfort Hotel Xpress Youngstorget	Feb. 15	172 rom	Hotel	Wenaasgruppen	Ragde Eiendom	175	6
Gaustadalleén 21	Feb. 15	35.000	Office	Oslotech	Syndicate	~700	6,05
Karl Johans gate 13	Feb. 15	1.933	Retail	Aberdeen Eiendomsfond Norge II	Søylen Eiendom	~100	5
Sinsenveien 45-49, Lørenvangen 22, plot within Ring 3	Feb. 15		Development	Multiple	Selvaag (Sinsenveien: Collaboration w/ Veidekke)	550	-



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Norway excl. Norway	Date	Approx. m <sup>2</sup>	Type	Seller	Buyer	Price NOK mill	Yield
Haakon Vlls gate 14, Trondheim	Oct. 14	37.000	Development	Forsvarsbygg	Koteng Eiendom	77	-
Gamle Trysilveg 1 (Postgården), Elverum	Oct. 14	1.700	Retail	ICA Eiendom Norge AS	Sektor Eiendomsutvikling	~25	-
SAS Technical base, Gardermoen	Oct. 14	60.000	Warehouse/Office	SAS	Oslo Pensjonsforsikring	650	
Verksgata 1 A, Stavanger	Oct. 14	10.700	Office	DNB Livsforsikring	Syndicate	240	6,5
Markens gate 9, Kristiansand	Nov. 14	4.800	Office	Sparebanken Sør	Private investorer	157	~6,5
Moseidsletta 122, Forus	Nov. 14	20.400	Office/Warehouse	Hitec Vision	W.P. Carey Inc.	685	
FMC Kongsberg Subsea HQ, Kongsberg	Nov. 14	25.400	Office	SG Finans	Syndicate (Arctic)	362	7,5
Høgslundveien 49, Skedsmo	Nov. 14	25.000	Office/Logistics	Syndikat (DNB Markets)	90 North RE Partners OBO Al-Tijaria JV Arzan Financial Group	450	~6,5
Kong Olav Vs plass 4, Bergen	Nov. 14	1.694	Retail/Office/Residential	Bara Eiendom	Nye Dickens AS	92	4,2
Munkegata 26/ 30/40 (Residence-kvartalet), Trondheim	Nov. 14	11.370	Office	Sparebank 1 Midt-Norge	4 investorer inkl. Odd Reitan	307	6,5
Jåttåvågen 10-12 (Aker building), Stavanger	Nov. 14	66.000	Office	Syndicate	NIAM Fund V	1.500	6,8
Destilleriveien 11 (Arcus HQ), Nittedal	Nov. 14	51.500	Industrial/Logistics	Gjelleråsen Eiendom	Ragde Eiendom/Canica	1.200	~6,1
Toveien 28, Vestby	Dec. 14	30.500	Logistics	Storebrand Livsforsikring	NRP Finans AS		~7,5
Strandgata 41 (Posthuset), Tromsø	Dec. 14	6.533	Development	Entra Eiendom	Pellerin	70	-
Sluppenveien 14, Trondheim	Dec. 14	25.000	Office/Warehouse	Posten Eiendom	Heglund Holding	200	7,5
Coop Logistics building, Gardermoen	Dec. 14	52.000	Logistics	Coop Eiendom	Syndicate	1 200-300	
Fuglesangen Næringspark, Skedsmo	Dec. 14		Logistics	NRP Eiendom 2010 AS	Cordea Savills Nordic Logistics Fund		~7,25
Kilden Opplevelsessenter, Tønsberg	Dec. 14	12.500	Other	Nordea Næringseiendom	Syndicate	100-120	
Lagårdsveien 61, Stavanger	Dec. 14	16.000	Hotel	KLP Eiendom		160-170	~7,5
Rlmgvålvegen 3-7, Trondheim	Dec. 14	3.700	Retail	Pareto Eiendomsinvest	Lord Eiendom	52	8
Skansegaten 2 (Tollpakkhuset), Stavanger	Dec. 14	4.379	Other	Entra Eiendom	Camars Eiendom	110	
Grønnegata 122, Tromsø	Dec. 14	6.664	Development	Entra Eiendom	William Eiendom	72	-
Brotorvet senter, Bamble	Dec. 14	35.500	Retail	O. G. Ottersland	LL Holding & Sorco	~500	7,25
Torget 1, Bergen	Dec. 14	478	Retail	Kløver Eiendom	Thore Arild Økland Invest	46	5,22
Fortin portfolio, 27 properties	Dec. 14	220.000	Office/Retail/Logistics	DNB NOR Eiendomsvest I	Starwood Capital Group	4.600-700	
Cicignon Sykehus, Fredrikstad	Dec. 14	55.000	Development	Sykehuset Østfold	Kan Cao	130	-
Industrial property, Aurskog	Jan. 15		Industri	07 Aurskog AS	Harlem Eiendom AS	55	~8
Nygårdskrysset Næringspark, Ås	Jan. 15		Retail	Coop Eiendom	Syndicate (Pareto)	300-400	
Portfolio, 6 properties, Lillestrøm, Moss & Fredrikstad	Jan. 15	63.000	Office/Offentlig	Entra ASA	Hemfosa Fastigheter AB	1.375	
Olav Ingstadsvei 12, Bærum	Jan. 15	11.250	Industrial	RBS Nordisk Renting	NRP Finans AS	~139	~7
Dronningens gate 30/Rådhusgata 3, Bodo	Feb. 15	7.600	Industrial	Tine SA/Bodo kommune	Malerhaugen/John Martin Berglund	52	
Lysaker Polaris, Lysaker	Feb. 15	26.000	Office	NCC Property Development	Storebrand Eiendomsfond KS	785	6
Rygge Storsenter, Rygge	Feb. 15	25.000	Retail	Aberdeen Property Funds	Thon Reitan AS	175	
Høgskolen i Østfold, Fredrikstad	Feb. 15	30.400	Public	Syndicate	Hemfosa Fastigheter AB	723	
Aibel Building, Bergen	Feb. 15	15.000	Office	Ferd Eiendom	Fund (Union)	570	~5,9

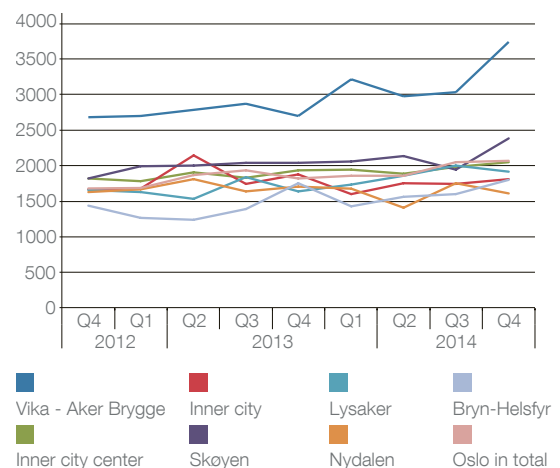
## The Rental Market

It is mainly balance in the rental market in metropolitan Oslo, but there are clear signs of increased vacancy. The total activity in the rental market at the beginning of 2015, has as expected not increased from a relatively moderate level of activity in 2014. Based on figures from Arealstatistikk, we can state that there will be fewer contracts expiring on larger areas and a lower number of anticipated movements in the rental market this year compared to the good years of 2012 and 2013. Nevertheless, we expect a decent activity level - driven by new needs, desire for better premises and/or location, and other factors that motivate firms to relocate.

It may become harder to rent out premises. The activity will likely be characterized by sobriety and caution - many tenants will "sit on the fence". But this will also provide opportunities for some. Landlords may have to fight more than before to sign the "best" tenants.

- Rents on signed contracts declined in Q4 2014 for the first time in five quarters, the average price in Oslo closed at NOK 1 960 pr. m<sup>2</sup>/year, down from NOK 2 040 pr. m<sup>2</sup>/year in the previous quarter.
- Volumes of signed leases in 2014 are the lowest Q4 volumes signed since the beginning of the period from 2008, both measured in square meters (144 070 m<sup>2</sup>) and numbers (198 signed contracts). The reason is that there are relatively few lease agreements to expire in 2015 and 2016, causing lower volumes of new signed lease agreements.
- According to Arealstatistikk the top segment (prime CBD) levels out on NOK 3 350 m<sup>2</sup>/year. Vika-Aker Brygge closed unchanged compared to the previous quarter at NOK 3 170 pr. m<sup>2</sup>/year, while the rest of the city center experienced a slight decline of 2 % to NOK 2 060 pr. m<sup>2</sup>/year.
- The total number of projects to be completed in 2015 is according to Eiendomsspar's Oslo study, estimated to 218 000 m<sup>2</sup> compared to only 93 000 m<sup>2</sup> in 2014. All new buildings are generally leased out - little of the space is without lease contract and in reality very little of it subject to speculation.
- We estimate office space vacant in Oslo entering 2015 to be just under 8 %. There are relatively large differences between the various regions.
- Uncertainties related to the Norwegian economy, and in particular consequences of the downsizing in the oil industry may lead to increased vacancies in the coming years.

Average nominal rent levels by zone - office



Source: Arealstatistikk AS

The low price of oil will initially mean a lot for the rental market in the areas where the oil sector is strongly represented. This will for the Oslo area, mostly affect the west corridor from Lysaker and beyond, as well as Stavanger, Bergen and their surroundings.

There will be increased vacancy in the office sector, which in turn leads to the need for sublease. This means downward pressure on rent levels.

This being said, it is necessary to also highlight some positive tendencies. The Norwegian economy is not necessarily bad because of the recent development in oil prices - we are after all not entirely dependent on oil prices. Possibly the recent developments may help to strengthen other industries and our competitiveness in other areas?

With low oil prices and a favorable currency situation, other Norwegian cross-border activities may experience a "boost" in other business areas. This may in turn have positive spin-offs, also for the real estate market.

It is therefore a general expectation of strong population growth in the Oslo area in the years to come, with a corresponding demand for more housing and jobs, and necessary infrastructure and service functions associated with this. In a long-term stable growth trend, we should after so many years be prepared for some periods of "corrections".

#### The rental market in Tromsø

The rental market in Tromsø is currently characterized by many providers of future vacant space.

Most of this area is planned developments which will gradually be introduced to the rental market.

We are experiencing an increased shift from old to new, which results in increased nominal average rent, but also lower operating and shared costs. The focus on energy efficient constructions increases significantly. Decline in oil prices do not influence the sentiment among tenants, this because the expected oil boom "luckily" had not yet really started in the region before the price of raw materials dropped.

#### Rent levels in the Oslo area

Office

Area	10 % highest	10% lowest	Expected development
CBD	4.600	2.700	▶
Bjørvika	3.500	2.700	▶
Sentrum	3.000	1.800	▶
Kvadraturen	2.600	1.500	▶
Skøyen	3.100	1.900	▶
Lysaker	2.400	1.500	◀
Nydalen	2.400	1.500	▶
Bryn / Helsfyr	2.100	1.400	▶
Hasle / Økern	2.100	1.400	▶

Warehouse

Category	10 % highest	10% lowest	Expected development
Lager - Category A	1.200	800	▶

Retail

Category	10 % highest	10% lowest	Expected development
Oslo - Category A	25.000	7.000	◀

#### Rent levels Tromsø

Office

Area	10 % highest	10% lowest	Expected development
Tromsø	2.100	1.350	▶

#### Recently signed leases

Adress	Type of contract	Tenant	Approx. m <sup>2</sup>
Stensberggata 25-27 (Holberg Terrasse)	Office	Bydel St. Hanshaugen	3.500
Hoffsveien 1 C	Office	Joint Collaboration	1.000
Strømsveien 96	Office	Statens legemiddelverk	6.500
Sørkedalsveien 8	Office	Bouvet	5.400
Kai Bygning 1	Office	Google Norway	2.500
Drammensveien 288	Office	Bayer	4.400
Stortingsgaten 30	Office / Healthcare	Volvat Medisinske senter	800
Sandvika Business Center	Office	Skatt Øst	3000
Grenseveien 92	Office	Skala Prosessteknikk	1.500
Schweigaards gate 16	Office	Dinamo	1.500
Sandakerveien 116	Office	Evolve	532
Hamangskogen 60	Office / Healthcare	Bærum kommune Helse og Sosial	1.685



## News from NAI FirstPartners

### Employees



#### Oslo

**Gøril Bergh** is new academic manager and partner from January 2015. Gøril has worked at NAI FirstPartners previously, in the period 2003 - 2007. She will be working primarily with transactions, valuations and consulting. Gøril has worked with real estate since 1996 and primarily commercial property. She has a broad property experience both from management, commercial brokerage, facilitation/purchases and sales related to financial estate projects including from Orkla Finans, Telenor Eiendom and Foss & Co Næringsmegling. Gøril came from Foss & Co Næringsmegling AS as head of the transactional department. She holds an associate degree in Real Estate and a bachelor in Marketing, both from BI Norwegian Business School.



#### Tromsø

**Kåre Hansen** has been appointed property consultant from January 2015. Kåre graduated IT economist and computer engineer. He was previously head of the education department of Telenor in Tromsø, and demerged the division into a separate entity. Former owner, manager and instructor for KunnskapiNord AS and regional director of Imente Fagskole with public procurement as his field. He also holds extensive experience from negotiations, IT and management.

### Projects in process

We work with a diverse range of projects, and will here present a few examples of our recent solutions as well as ongoing missions.

#### Leasing

##### Work in process

- Rental of trade areas in Vika Terrassen in cooperation with the landlord Storebrand Property. Vika Terrassen is under full renovation to be revitalized, read more on page 9.
- Bergehus / Frøyas gate 15, approx. 700 m<sup>2</sup> office.
- Aslakveien 14, rental of a total of about 4 000 m<sup>2</sup> office space and some warehouse.

See our whole rental portfolio at [www.nai.no](http://www.nai.no) – and please read our rental voucher Ledge Lokaler No. 1/2015.

#### Tenant representation

##### Solutions

- Visma - Dikeveien 56, Fredrikstad, approx. 3 500 m<sup>2</sup>.
- BDO AS Dep. Lillestrom - Kanalveien 2, Lillestrøm, approx. 1 500 m<sup>2</sup>.
- BDO AS Dep. Gardermoen - Balder Alle 2, Gardermoen, approx. 1 200 m<sup>2</sup>.

##### Work in process

- For Andvord Graphic AS, search for approx. 8 500 m<sup>2</sup> industrial space w/ warehouse and office space.
- For Synnøve Finden AS, search for approx. 3 000 m<sup>2</sup> refrigerated and dry storage space.
- For Aggreko AS, search for approx. 1 000 m<sup>2</sup> warehouse/workshop + 3 000 m<sup>2</sup> paved outdoor area.

## Transaction

We mention here a small selection of what we are currently dealing with. Our mission and mandates regarding purchase and sale should generally not be discussed in the media while they are in process. We will be happy to present what we have to offer of projects and new opportunities - and possibly what we can do for you.

We have sales processes both within the office property, warehouse and logistics and retail property, - as well as land and development projects.

Furthermore, we have various purchase mandates from both Norwegian and international players.

### Work in process

#### *Strandvegen 13, Tromsø - for Entra Eiendom*

The property is approximately 11 600 m<sup>2</sup> and has only public companies as tenants. Yearly income approximately NOK 14.8 million. Weighted average remaining lease term of 9.2 years. We have dialogue with several potential buyers. The rest of the large and central complex of about 28 520 m<sup>2</sup> is owned by the county

#### *Frydenlundsgt. 8, Oslo*

In Frydenlundgt. 8 at St. Hanshaugen we will shortly introduce sales of 16 residential sections totaling approximately 1 030 m<sup>2</sup> parking area, a sale that also includes a larger proportion of an undeveloped loft. The market for townhouses and apartments is currently perceived as "hot", and it is expected great interest for apartments in such an attractive area. Asking price is ca. 60-65 million.

#### *REC Wafer Norway AS, its bankruptcy estate*

The work with sale of the proportion of the properties that were used by REC Wafer Norway AS is in good progress and we have more than a handful interested in whole and/or significant parts of the buildings of approximately 63 000 m<sup>2</sup>. Among the interested are both Norwegian and international industrial companies.

Herøya Industripark is in a unique position in Norway as a well run business park with a diversity of businesses with high productivity and a high competence level. Approximately 80 companies are located here - in different sizes

Herøya

and industries - from industrial and maintenance companies with several hundred employees, to smaller entrepreneurial companies with a few employees. In total, about 2,500 people have their daily work place at Herøya.

#### *Ullensaker Municipality - advice and assessment of municipal properties*

NAI Firstpartners, commissioned by Ullensaker municipality has searched through a defined scope of municipal properties at a higher level, aiming to shed light on alternatives and with focus on the advantages and disadvantages associated with potential sale of properties. We have helped to elucidate the properties development potential and relevant risk factors associated with the municipality's further involvement in the development process. NAI Firstpartners has also conducted a simplified valuation of the respective properties. The report was delivered to the municipality just before Christmas 2014 and was very well received by both politicians and administration of the municipality.

#### *Storgata 10 A + B*

NAI Firstpartners has been purchase adviser for Eiendomsspar at the acquisition of Storgata 10 A and B, as well as the acquisition of Storgata 8 last summer. Total values were NOK 200+ million and about NOK 70 million respectively.

## Valuation and Analysis

Valuation is the basis for planning of the transaction, financing of property purchases, refinancing, presentation when financing in the bond market, share issues in property companies/funds, IPOs, reporting to investors, etc.

We undertake independent valuations and analyses of commercial real estate, portfolios or companies. Our clients are both institutional investors, large and small property owners and other market players. We have clients in the public and private sectors, Norwegian and international. We have many of Norway's leading companies on our customer list.

We use proven methodologies for valuation, combined with our experience and market knowledge. Report designs can be adjusted to customer preferences.







Vika Terrassen

## Vika Terrassen

NAI FirstPartners has entered rental collaboration with Storebrand Eiendom, as they are making good progress with rehabilitation of the shopping street and shops in Vika Terrassen.

The shopping street consists of 3 properties in Ruseløkkveien - Haakon VII gate 10, Ruseløkkveien 1 and 3, and Ruseløkkveien 14.

Vika is currently ranked as one of the capital's most attractive areas for office and retail space. Norway's only interior design center, House of Oslo, is located at the end of Vika Terrassen and is a popular and visited center for those seeking the latest in interiors and designs. Vika is also a center for culture, with the concert hall, Vika cinema and the Stenersen Museum as its closest neighbors.

Aided by the tenants, Storebrand Property has a vision to enthruse the neighborhood, city, and quality-conscious visitors from around the world who want to shop and dine in the relaxing setting of dedicated specialists.

Vika Terrassen should simply be "a living urban space where you find quality, with enthusiastic experts and specialists."

Please address enquiries regarding interest in the project and vacant premises to NAI Firstpartners Næringsmegling, represented by Sabine Jennica Bartler and Michael Færden.



Atelier Rude, 1964

# Foreign Impulses

## UK Commercial Property – A Brief Overview

Throughout 2014, UK Commercial property delivered strong returns across all of the various sectors and regions. This was driven by investor appetite for real estate, particularly prime assets, which continued to outstrip supply. The result was a rapid increase in prices, the likes of which, we have not witnessed since early 2007.

Investor demand was principally driven by the UK Pension Funds and Retail Funds. The latter saw dramatic inflows of cash, which in some instances was running at between £5.0m-£10.0m per day. Given restrictions on cash weightings, this money had to be invested in the market as quickly as possible. The result was competition amongst the funds, who all wanted similar prime assets which drove yields downwards.

As demand continued to increase, so investor confidence improved and more secondary product became acceptable.

Other investors in the UK market included overseas opportunity funds, particularly from the United States and the Middle East. Generally, these investors were seeking bigger assets with a premium being paid for anything above £50.0m, particularly portfolios.

Overseas investors included the likes of Harbert, Blackstone, Oaktree and Benson Elliott all of whom were able to obtain debt finance, which was another characteristic that returned to the market in 2014. As the year progressed debt became more available and loan to value ratios which had been as low as 50-55 % increased to levels of 65-75 %, dependent upon quality of real estate and also pedigree of the borrower. This enabled new debt financed purchasers to enter the market, attracted by the positive arbitrage between all in funding costs of circa 4.00 % and property yields.

With regards to sellers, these were somewhat limited but included a number of the opportunity style investors who were able to crystallise their profits from rising prices. Many had purchased in 2009-2012 when prices were extremely low, and the yield shift in 2014 enabled them to achieve their business plans 12-18 months ahead of schedule.

Other vendors included property companies, who were again looking at profit taking and some of the UK Funds seeking to churn and upgrade the quality of their portfolio.

Prospects for 2015 remain strong, with an improving occupational market and a vast wall of money seeking to invest. Investors continue to become less risk adverse, as evidenced by the increasing number of transactions outside London. Given the combination of supply-demand imbalances, the resultant weight of money will continue to exert downward pressure on yields.

### Taxation

The UK Local Property Tax system is the most expensive in the world. It is based on rental values and rebased every five years, the last time in 2010 (based on April 2008 values). The next revaluation/rebasing exercise was due in April this year but the Government has postponed this to April 2017 (when the new valuation date will be April 2015).

It is important to note, however, that the last date for appeals against the assessments that can be backdated to April 2010 has effectively been brought forward to 31 March 2017. *This means that if you have not already reviewed your rating assessment, you should do so in the next few weeks, or risk losing up to five years' worth of refunds/overpayments.* Any appeals made after 31 March this year will only be effective in terms of refunds from 1 April 2015.

Contact us at NAI FirstPartners for assistance in reviewing your rating assessment. We can put you in contact with our colleagues in the UK.

### Yields, United Kingdom

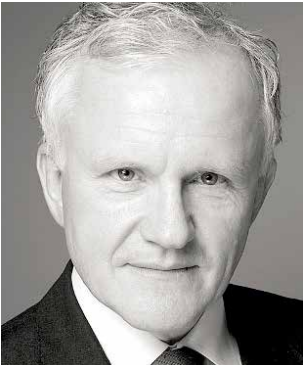
Property Type	Yield
Prime Shops	4,50
Good Secondary Shops	6,50
Prime Shopping Centres	4,75
Good Secondary Shopping Centres	6,25
Retail Parks: Prime – open Planning user	4,25
Retail Parks: Prime – restricted Planning user	5,85
Retail Parks: Secondary	6,75
Prime Offices: Core ++ eg. West End	3,75
Prime Offices: Core eg. City	4,50
Prime Offices: M25 / South East	5,50
Prime Offices: Major Provincial	5,50
Offices: Secondary	11,50
Prime Distribution Unit	5,00
Prime Industrial Estates (Core + eg. Greater London)	5,25
Prime Industrial Estates (Core- eg. Ex Greater London)	5,75
Secondary Industrial Estates (20 years old)	9,00

Demand - driven by the UK funds, specifically retail funds who have significant cash to invest. Also Overseas buyers for Central London with debt purchasers returning to the market due to improved bank liquidity, premium for lot size - particularly from the US.

Supply - improvement in the amount of property coming to the market, lot of profit taking particularly from property companies and some UK funds, albeit more problematic assets being sold.

Text and table from Gerald Eve LLP, London





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NAI FirstPartners is a commercial real estate brokerage and consulting company and was established in 2000. The company is independent and partner owned.

We create solutions and implement real estate projects for clients across the country. We specialize in investments, sales, lettings, acquisitions and tenant representation as well as valuations, market research, analysis and consultancy.

We add value for our clients through:

- Expertise
- Experience
- A well-developed network of contacts
- Being solutions orientated and fully engaged
- Reliability

It is our goal to be the preferred supplier for our customers - in a trusting, long-term and diverse working relationship.



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