Malling

Market report
Winter 2026/2027

The Slow Squeeze

Rising yields and slower growth put cash flow centre stage

Four years into a period of unusually favourable terms of trade, Norway is richer than ever. Yet much of the private mainland economy continues to struggle. High interest rates and repeated cost shocks have delayed the recovery, while pressure on property owners continues to build. We have raised our yield estimates across nearly all commercial real estate sectors, lifting prime office yields to 5.0%, with larger increases expected for the normal office segment. Meanwhile, our rental growth expectations have weakened. The margin for disappointment has narrowed.

At Malling, we see macroeconomic and financial conditions as central to the property market outlook. Recurring shocks and persistent uncertainty make assessing the most likely scenarios increasingly important.

A recovery that keeps moving further away

Strong petroleum earnings, wage growth and public spending have supported national growth despite weak private mainland activity. The prolonged Iran war has brought another improvement in Norway's terms of trade, but also renewed cost pressures. Wage growth and inflation should moderate, although perhaps more slowly than previously anticipated.

Norges Bank faces an uncomfortable trade-off between controlling inflation and supporting activity. We expect another rate hike by early next year, with risks more balanced thereafter. Since summer, we have lowered our forecast for mainland growth, mainly reflecting weaker expected household consumption and a slower recovery in housing investment.

Time itself is becoming part of the problem. Even if market rates stabilise, cheaper financing gradually expires as loans and interest rate hedges mature. For many property owners, borrowing costs will continue to rise while rental growth remains subdued. What initially appeared to be a cyclical adjustment has become a prolonged test of balance sheets and cash flows.

The repricing is gathering pace

Transaction activity is moving sideways, but investor preferences are changing. Exceptional demand from unleveraged investors supported prime office prices in 2025, while debt financed buyers increasingly favour higher yielding retail and logistics assets.

Observed transaction yields have risen sharply, partly reflecting this change in transaction composition. But underlying pricing is also adjusting. We have raised yield estimates across nearly all segments, with greater upward pressure on normal properties than prime assets. Differences in financing constraints, real estate fundamentals and investor demand are driving the widening gap.

Higher yields put pressure on existing valuations, with less expected rental growth to offset the repricing. Yet they also improve opportunities for new investors. Attractive initial cash returns, resilient income and modest capital expenditure requirements are becoming increasingly important to investment decisions.

Income matters, but so does resilience

Offices face the greatest challenges. Employment in office related industries has weakened, particularly in Oslo, while vacancy and refurbishment needs remain elevated. So far, the slowdown appears primarily cyclical rather than evidence of widespread AI displacement. Weak demand makes it difficult to compensate for higher yields through rental growth alone.

Retail, logistics and hospitality remain our preferred sectors, although their outlook has also softened. Their relative advantages include stronger income prospects and, particularly for retail and logistics, attractive initial cash yields and lower investment requirements. Changing sector conditions also create opportunities to reposition properties, including converting suitable offices into hotels.

The outlook is not without risks. Rising real incomes should support consumption, but households may choose to save more and reduce debt rather than increase spending. Meanwhile, prolonged weakness in private employment could further undermine office demand. The income growth needed to support property returns cannot be taken for granted.

Our central view remains that income growth must do the heavy lifting. After four years of persistent pressure, higher yields and more moderate rental growth expectations have made the task harder. But repricing is also restoring opportunities for investors who can combine attractive initial cash yields with sustainable income growth and disciplined capital expenditure. The longer the squeeze lasts, the more important those differences will become.

Feel free to reach out if we can assist you. Our extensive in-house data warehouse is, as always, open for exploration or visit our website for our latest research and reports.

Malling's scheduled sector reports

December	Residential
February	Hospitality
March	Logistics
April	Office
June	Market report Summer 2027

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The House View

Malling has been appointed by Oslo Pensjonsforsikring to identify a new operator for a planned new conversion of Kongensgate 18 in Oslo from offices to an Upscale/Luxury hotel centrally located in Kvadraturen. The project includes approximately an opportunity for 200 rooms and outward-facing restaurants and commercial spaces at street level. The building, with a total of 16,500 sqm, will undergo a full refurbishment and repositioning.



The House View
Macro & Markets

Persistent inflation and higher rates weigh on mainland growth

The Norwegian economy is set for another period of subdued growth, with mainland GDP expanding by less than 1% in both 2026 and 2027. Declining petroleum investment is becoming a drag on growth, while public spending continues to provide support. High interest rates constrain private investment, and employment growth is slowing, although unemployment is expected to rise only gradually.

The recovery in domestic demand is proving weaker than anticipated. Household consumption should benefit from rising real incomes, but higher borrowing costs and continued deleveraging limit spending growth. Housing investment remains subdued, while business investment is recovering only gradually. Stronger growth in household related sectors offers better prospects for retail and hospitality than for offices.

Inflation remains the main hindrance to lower interest rates. Higher energy prices, strong wage growth and persistent domestic cost pressures keep underlying inflation near 3% through 2027. The stronger NOK provides some relief, but with limited scope for further appreciation, additional disinflationary support from the currency is likely to fade. A prolonged energy shock could generate renewed inflationary pressure. Norges Bank has signalled greater willingness to tolerate weaker growth to bring inflation down, and we expect another rate hike to 4.75% early next year, with risks more balanced thereafter.

For commercial real estate (CRE), the outlook remains challenging. 5-year swap yields are expected to stay elevated, while lower bank lending margins provide only partial relief. High financing costs continue to constrain investment and valuations, leaving income growth, rather than yield compression, as the main driver of property returns.

Mainland growth to remain below 1% through 2027

Real economy projections

	2025	2026e	2027e	2028e
Mainland GDP	*1.7*	0.9	0.9	1.2
Output gap, level	*0.1*	-0.2	-0.6	-0.9
Employment	*0.7*	0.5	0.4	0.4
NAV u.rate, level	*2.1*	2.1	2.3	2.3
AKU u.rate, level	*4.5*	4.5	4.6	4.7

Annual change in %, if not otherwise stated
Sources: SSB, NAV, Malling & Macrobond

Inflation stays above target as costs remain elevated

Prices and cost projections

	2025	2026e	2027e	2028e
CPI	*3.0*	3.3	3.2	2.4
CPI-ATE	*3.1*	3.0	2.9	2.4
Wages	*4.9*	4.4	4.2	3.7
Construction costs	*4.0*	5.4	3.6	3.0
House prices	*5.9*	2.5	3.0	4.5

Annual change in %, if not otherwise stated
Sources: SSB, Eiendom Norge, Malling & Macrobond

Households cool as policy rate exceeds wage growth

Detailed real economic projections

	2025	2026e	2027e	2028e
Consumption	*2.7*	1.0	1.6	1.6
Housing inv.	*-3.6*	0.6	0.5	2.8
Business inv.	*2.7*	0.9	2.4	2.2
Petroleum inv.	*7.2*	-3.7	-2.5	-2.4
Public demand	*1.4*	1.6	2.0	1.7
Exports	*5.8*	0.6	-0.2	1.1
Imports	*3.8*	2.0	1.5	1.8

Annual change in %, if not otherwise stated
Sources: SSB, Malling & Macrobond

High interest rates and a strong NOK ahead

Financial market projections

	2025	2026e	2027e	2028e
Policy rate	*4.0*	4.5	4.8	4.5
3m Nibor	*4.1*	4.8	5.0	4.8
5y swap	3.9	4.6	4.6	4.4
CRE bank spread, pp.	*1.8*	1.5	1.6	1.7
EURNOK, level	*11.8*	10.4	10.5	10.5

%, if not otherwise stated. End of year
Sources: Norges Bank, Malling & Macrobond

The House View
Commercial Real Estate

Income growth favours household sectors as yields rise

Norway's economic divergence is increasingly reflected in commercial real estate. Weak private mainland growth, subdued employment and persistently high interest rates weigh on property demand and valuations, as we have again increased yields on most segments. Meanwhile, rising real household incomes support retail and hospitality, although continued deleveraging limits the upside.

Offices face the most challenging outlook. Weak employment growth and reduced hiring in office related industries are expected to keep vacancy elevated, limiting rental growth despite subdued new supply. Higher financing costs and moderating demand from unleveraged investors add pressure to valuations. We have increased prime office yields to 5.0% and expect yields to rise further in 2027, while normal office yields are now seen at 5.85%. The spread between normal and prime yields should continue to increase as well.

Retail and logistics offer more resilient income prospects. Improving household purchasing power supports retail rents, while logistics benefits from consumption growth and structural demand. Nevertheless, yields are increased somewhat as financing costs remain elevated. Hospitality should continue to perform well, although RevPAR growth is expected to moderate towards 2–3% as capacity expands and occupancy stabilises.

Residential rental growth remains strong, supported by limited new construction and continued conversions of rental properties into owner occupied housing. With rental supply shrinking, we expect rents to outpace inflation in the years ahead. Across sectors, the combination of elevated yields and divergent income prospects reinforces our preference for assets offering resilient cash flows and limited capital expenditure requirements.

Office: Weak demand and higher yields weigh

Office sector

	2025	2026e	2027e	2028e
Average rent*	5.3	2.2	3.2	2.8
Vacancies*, %	7.9	8.2	8.6	8.9
Floor area supply**	197.0	164.0	26.0	49.0
Prime yield, CBD, %	4.5	5.0	5.3	5.0
Normal yield, CBD, %	5.2	5.9	6.5	6.3

Annual change in % if not stated otherwise. *Greater Oslo, **Net,1000m2
Sources: Arealstatistikk, Malling & Macrobond

Industrial & logistics: Rental growth and stable vacancy

Industrial & logistics sector

	2025	2026e	2027e	2028e
Average rent*	-1.7	2.4	2.5	2.9
Vacancies*, %	5.0	5.2	5.0	5.0
Floor area supply**	270.0	135.0	185.0	205.0
Prime yield*, %	5.5	5.5	5.8	5.5
Normal yield*, %	6.3	6.3	6.5	6.3

Annual change in % if not stated otherwise. *Greater Oslo, **Net,1000m2
Sources: Malling & Macrobond

Hospitality: Growth moderates from strong levels

Hospitality sector

	2025	2026e	2027e	2028e
ADR*	6.6	3.3	3.2	3.0
Occupancy rate*, %	66.5	66.5	66.0	66.0
RevPAR*	10.1	3.3	2.4	2.2
Room supply*, ***	0.6	0.7	1.5	2.0
Prime yield**, %	4.8	4.8	5.0	4.8

Annual change in %, if not stated otherwise.*Travel regions, **Oslo data, ***Net, in 1000s. Sources: SSB, Malling & Macrobond

Retail: Real income growth supports rents

Retail sector

	2025	2026e	2027e	2028e
Average rent	5.0	4.0	3.5	3.0
Vacancies*, %	4.2	4.3	4.4	4.4
Prime yield*, %	5.7	5.8	6.0	5.8
Normal yield*, %	6.7	6.9	7.2	7.0

Annual change in %, if not stated otherwise. *Oslo data
Sources: Norges Bank, Malling & Macrobond

Transactions: Sideways next year

Transaction volumes

	2025	2026e	2027e	2028e
Norway	90.0	85.0	85.0	95.0

bn NOK
Sources: Malling & Macrobond

Residential: Shrinking rental supply boosts rental growth

Residential sector

	2025	2026e	2027e	2028e
Average rent*	4.5	5.0	4.5	4.0
Secondary share*, %	13.5	11.0	10.0	9.5
Housing supply*, **	2124	2000	2000	2350
Prime yield*, %	3.8	4.1	4.3	4.3

Annual change in %, if not stated otherwise. *Oslo data. **Units
Sources: Eiendom Norge, NEF, Ambita, SSB, Malling & Macrobond

The House View
The Malling Matrix

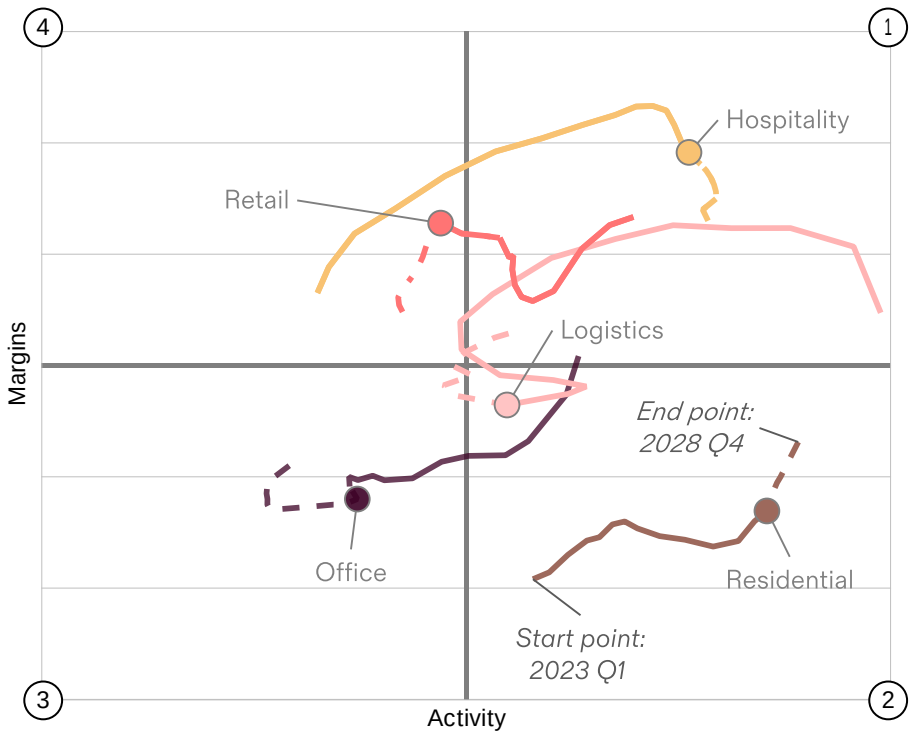
Household sectors outperform as office fundamentals weaken

The purpose of the matrix is to identify which sectors are currently operating in a more favourable environment, combining strong demand and healthy margins, and which face cyclical or structural headwinds. Our aim is to allow investors and property owners to track how shifts in macroeconomic conditions affect sector performance and to reposition portfolios accordingly. However, it is not a measure of financial performance, including valuation, cash flow or balance-sheet strength, nor of tax-related issues.

This framework positions the main commercial real-estate sectors, office, industrial & logistics, hospitality, retail, and residential, within a two-dimensional matrix that captures market activity and operating margins based on our projections from the previous pages. Each sector's relative position reflects the interplay between demand dynamics (vacancies, capacity utilisation or market share) and profitability conditions (rental income relative to construction, operating and financing costs).

The overall outlook points to household-related sectors poised to outperform over the coming years. This growth will still be led by retail and hospitality, both of which benefit from relatively favourable market conditions despite a projected continued compression in margins. Logistics is also set to ride the retail tailwinds, though existing spare capacity must be absorbed before margins expand. Conversely, the office sector still faces headwinds, as elevated vacancies and weak employment growth dampen overall performance. Finally, in the residential sector, a sharp decline in secondary-market shares has drastically tightened conditions, driving up rental prices and margins, albeit from a historically weak baseline.

The Malling Matrix: The four quadrants of commercial real estate performance



Framework design

X-axis, market activity: Captures the economic pulse of each segment, such as vacancies, occupancy rates, market shares or capacity utilisation.

Y-axis, margins: Reflecting the profitability environment, with the relationship between income and operating costs.

The four quadrants:
1) Scarce capacity, strong margins: expansionary phase.
2) Scarce capacity, weak margins: overheating phase.
3) Ample capacity, weak margins: contraction phase.
4) Ample capacity, strong margins: defensive phase.

Each indicator is normalised to a historical average. **Solid lines** are last four years, **round dot** is current situation, and **broken lines** are our projections for the next three years.

Indicator methodology

Each sector's activity and margin position is derived from time-series indicators that capture its underlying fundamentals. In the calculation of costs, we assume a 50% loan-to-value ratio to capture the impact of financing costs. The series is updated quarterly, using publicly available data and Malling's extensive in-house datasets. The approach is intentionally simplified to avoid unnecessary technical complexity.

Activity indicators: *Office*: Vacancy rate, Greater-Oslo. *Retail*: Norges Bank's regional network survey, national. *Hospitality*: Occupancy rate, national. *Logistics*: Vacancy rate, Greater-Oslo. *Residential*: Secondary homes' market share, Oslo.

Margin indicators: *Office*: Average rent / cost ratio, Greater-Oslo. *Retail*: EBITDA and turnover rents / cost ratio, national. *Hospitality*: EBITDA and RevPAR / cost ratio, national. *Logistics*: Average rent / cost ratio, Greater-Oslo. *Residential*: Rental price / cost ratio, Oslo.

The House View
Scenarios: Income, Cost & Activity

Two alternative paths for energy prices and global financial markets

Norway's economic outlook remains sensitive to developments abroad. We consider two scenarios that could materially change Norway's inflation, interest rates and CRE outlook relative to our baseline (50% probability).

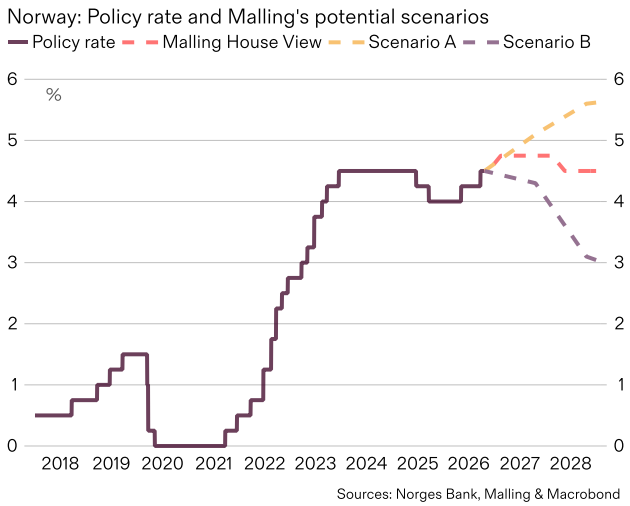
Scenario A (30% probability): A prolonged commodity boom. Rising energy and commodity prices strengthen Norway's terms of trade, supporting wage growth and expansionary fiscal policy. Persistent inflation prompts further rate hikes from Norges Bank, while higher global rates increase financing costs.

The sector implications are uneven. Higher household incomes support retail and hospitality, although cost pressures squeeze margins. Logistics faces weaker activity as borrowing and operating costs rise, while offices remain vulnerable to subdued employment growth. Residential profitability is constrained by elevated financing and construction costs, despite continued pressure on rental supply.

Scenario B (20% probability): A global equity correction. A US technology sell-off triggers a broader market downturn and a weaker dollar. Alongside an earlier reopening of the Strait of Hormuz, reduces energy prices and inflationary pressures, weakening Norway's terms of trade but allowing faster rate cuts.

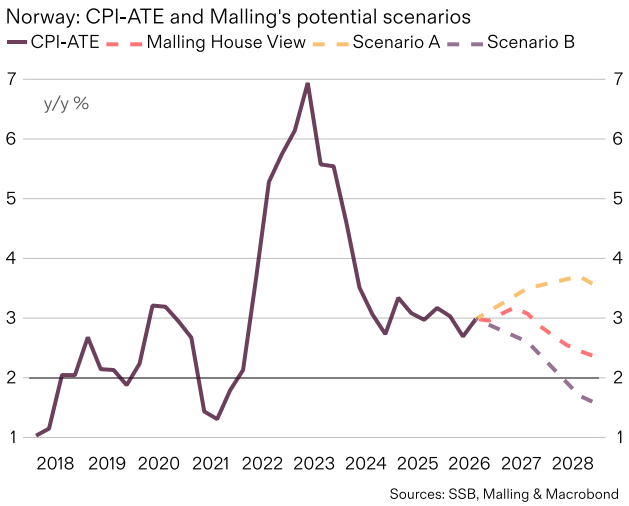
Lower borrowing costs support investment, housing activity and interest sensitive property sectors. Office and logistics markets could benefit from improving financing conditions, although weaker global demand and financial market uncertainty may delay the recovery. Retail and hospitality face softer income growth, partly offset by lower costs and financing rates. The overall effect depends on whether disinflation outweighs the slowdown in economic activity.

Policy rate: A) *more hikes* vs. B) *more cuts*



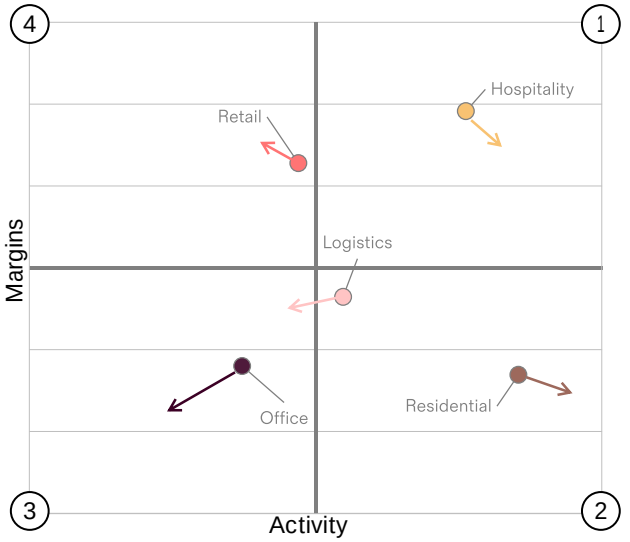
Sources: Norges Bank, Malling & Macrobond

Inflation: A) *Nearing 4%* vs. B) *falling to 2% target*

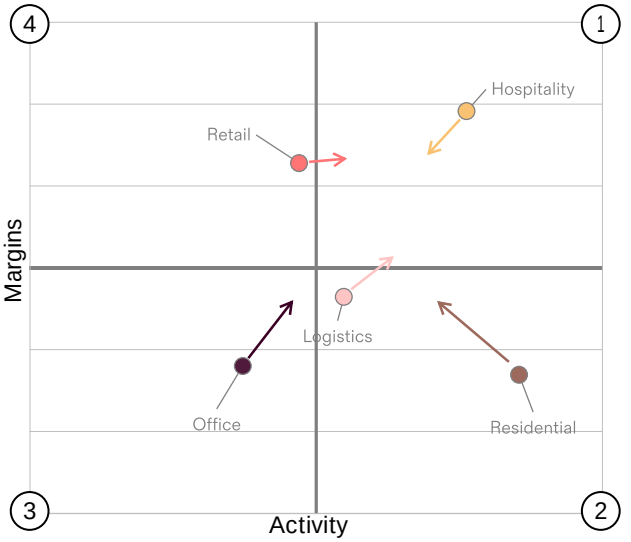


Sources: SSB, Malling & Macrobond

Scenario A: Necessity winners on high real rates



Scenario B: Interest rate sensitive-driven recovery



Households

Rising incomes support spending, but future purchasing power is fading

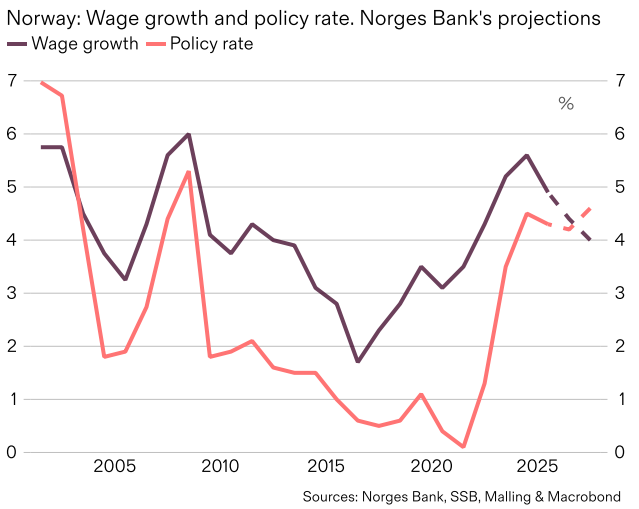
Norwegian households are facing a fundamental shift in financial incentives. For more than two decades, wage growth generally exceeded the effective cost of borrowing, allowing households to accumulate debt without necessarily increasing their debt burden relative to income. That era is now coming to an end. With Norges Bank expecting policy rates to exceed wage growth, future income has become considerably less valuable in today's terms.

The distinction between current and future income is essential. Real disposable income continues to rise, supported by solid wage growth, helping explain why household consumption has remained relatively resilient. Historically, spending has closely tracked current disposable income, even as higher mortgage rates have weighed on purchasing power.

Borrowing and housing investment, however, depend more heavily on expectations of future income and its discounted present value. Our model, based on a 30-year income horizon, suggests that higher interest rates relative to wage growth have sharply reduced the present value of future earnings. This is consistent with the decline in household debt accumulation, housing investment and real house prices.

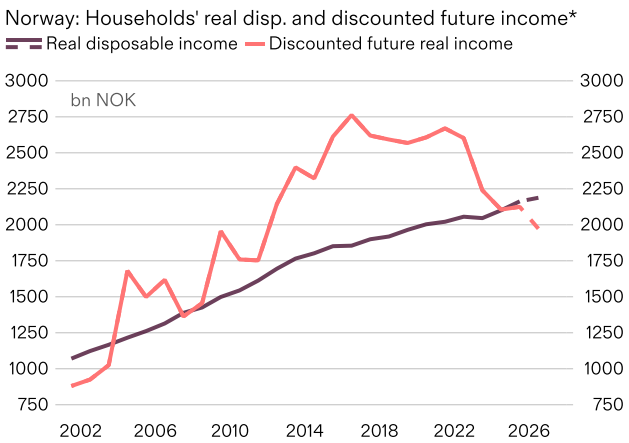
The implications are important. While current income growth supports household spending, higher borrowing costs weaken the incentives to invest and accumulate debt. This helps explain the divergence between relatively resilient consumption and subdued housing activity, with little prospect of a meaningful reversal unless interest rates decline relative to income growth.

Interest rates set to exceed wage growth



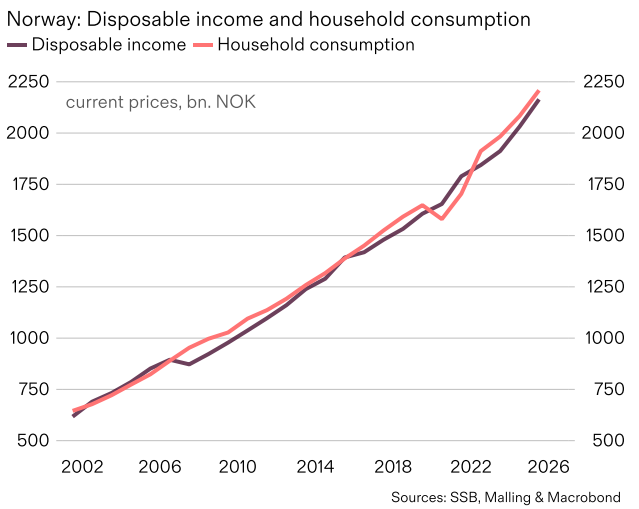
Sources: Norges Bank, SSB, Malling & Macrobond

Higher interest rates erode the value of future income



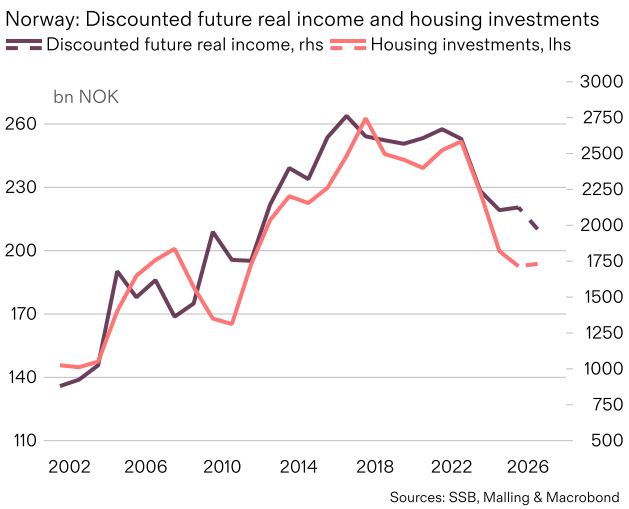
*Estimated present value of future real income over a 30 year horizon, using wage growth and interest rates as proxies for income growth and discount rates, excluding dividends.
Sources: SSB, Malling & Macrobond

Consumption tracks current disposable income



Sources: SSB, Malling & Macrobond

Housing investment follows discounted future income



Sources: SSB, Malling & Macrobond

The House View | Special Topic
Households

Deleveraging may have further to run, putting consumption at risk

Households have reduced debt relative to disposable income as credit growth has lagged income growth. Yet balance sheets may not be fully adjusted to higher interest rates.

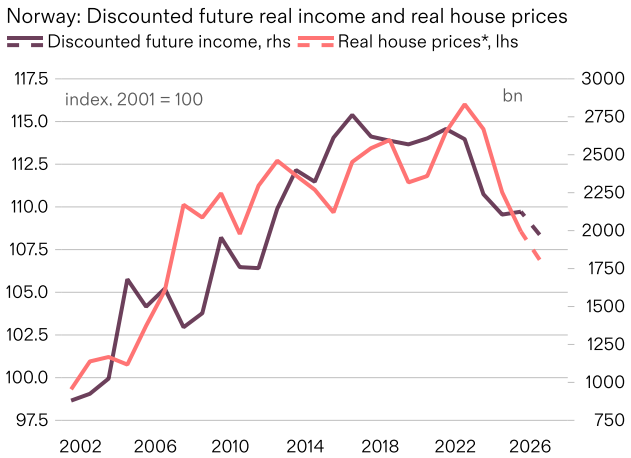
The decline in discounted future income tells a different story. When debt is measured against the present value of future earnings rather than current income, our estimates suggest that leverage has increased. Households may thus be less indebted relative to today's income, but more indebted relative to future income available to service debt.

The pressure is also evident in debt servicing costs. Despite lower debt to income, households spend a historically high share of income on interest and principal repayments. With interest rates expected to remain elevated, further deleveraging may be needed to restore financial flexibility.

So far, the adjustment has primarily affected borrowing and housing investment rather than consumption. Yet incentives are changing. Higher interest rates relative to wage growth favour saving and debt reduction, while our measure of discretionary net saving shows that households have already adjusted their financial behaviour.

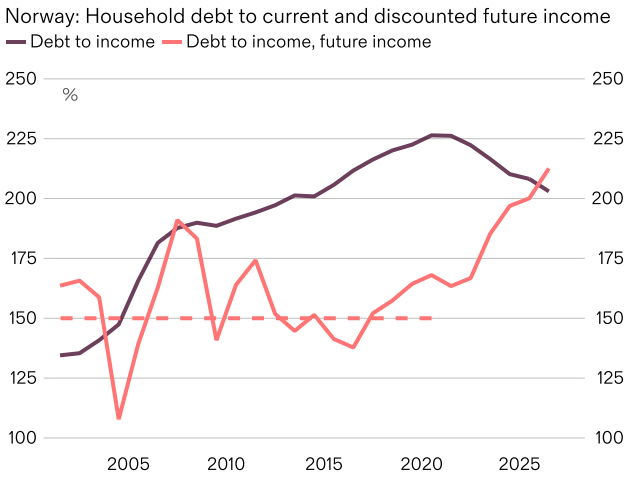
This creates downside risk to our consumption outlook. Higher discretionary saving does not necessarily imply falling consumption, particularly as real incomes continue to grow. However, a larger share of income may be directed towards financial savings and debt reduction, limiting consumption growth. The adjustment to higher interest rates may therefore be far from complete.

Real house prices track future income expectations



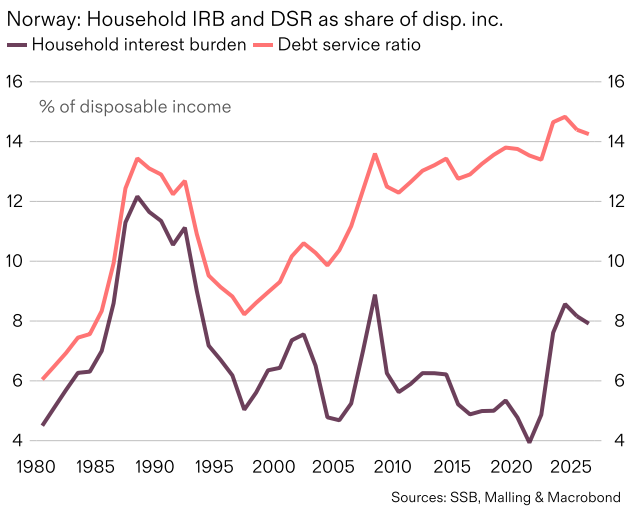
*deflated by disposable income. Smoothed 2 years
Sources: SSB, Malling & Macrobond

Household deleveraging may be far from over



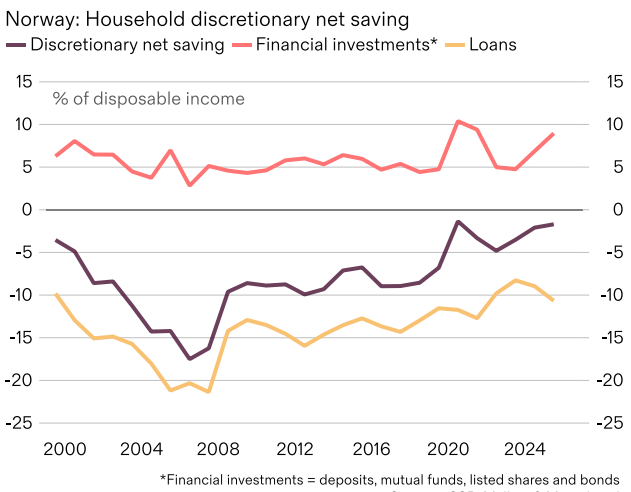
Sources: SSB, Malling & Macrobond

Debt servicing costs remain historically high



Sources: SSB, Malling & Macrobond

Households increasingly favour saving over borrowing



*Financial investments = deposits, mutual funds, listed shares and bonds
Sources: SSB, Malling & Macrobond

The World Around Us

Malling has been appointed as the letting advisor for Nedre Skøyen vei 2 on behalf of Continental Eiendom – a total of approx. 13,000 sqm that will become available when Multiconsult moves out in early 2028.





Steen & Strøm Department Store, Oslo. Malling is managing the project to upgrade Level 2. The floor covers approximately 2,400 sqm and the first phase of the project, covering approximately 850 m², is scheduled to open to the public in mid-November 2026. Steen & Strøm is a historic department store in the heart of Oslo.

The World Around Us

Norway vs Trading Partners

Strong terms of trade lift incomes, but not mainland growth

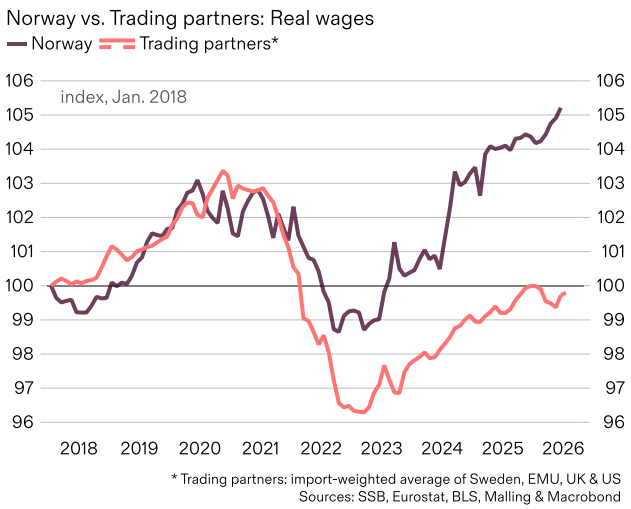
Norway's improved terms of trade since 2022 have created a striking divergence from its main trading partners. Higher commodity prices have boosted Norwegian incomes and wages, yet failed to translate into stronger real economic growth. Instead, mainland activity has lagged, while mortgage rates have risen markedly above those abroad.

Four years after the initial windfall, Norway's terms of trade are again improving as oil and gas prices have risen over recent months. This time, however, the global backdrop is different. Rising government debt, persistent deficits and higher borrowing costs are forcing several countries to reconsider fiscal priorities, while Norway continues to enjoy substantial fiscal flexibility.

Norwegian public finances remain exceptionally strong, even as the proposed budget implies a non-oil deficit of around 12.5% of Mainland GDP. With the Government Pension Fund Global having grown substantially, fiscal spending remains well within the 3% rule. However, the minority government must secure parliamentary support from its budget partners, raising the prospect of additional spending commitments during negotiations.

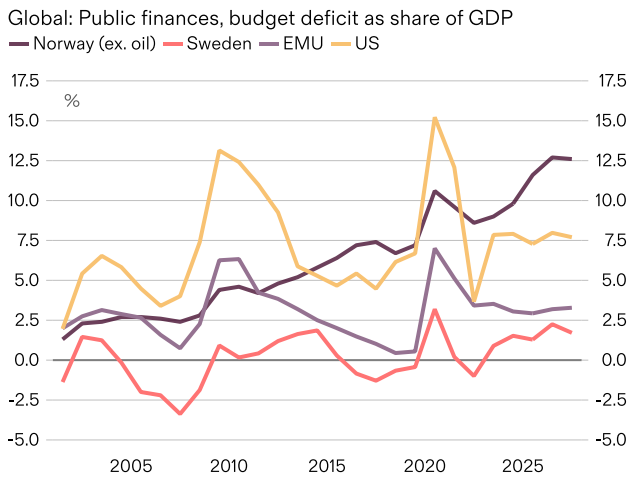
Looking ahead, we expect Norway to remain an income winner, with stronger real wage growth and public spending than among its main trading partners. However, with inflation remaining stubbornly above target, interest rates are likely to stay substantially higher. The result is a continued divergence between a resilient public and petroleum sector and a more subdued private mainland economy, where interest sensitive activity struggles to regain momentum.

Norwegian real wages still on the rise



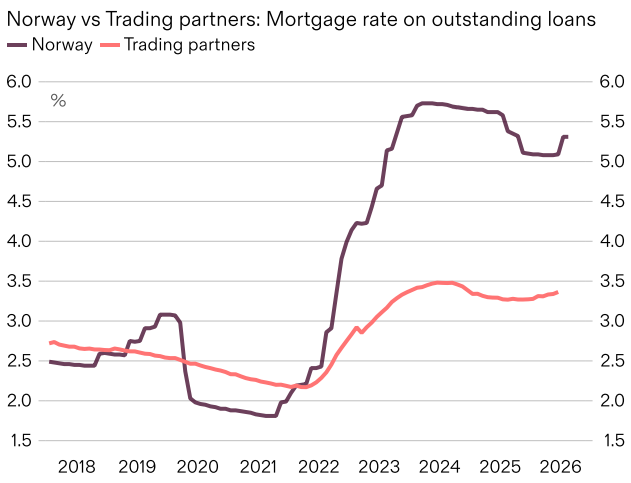
* Trading partners: import-weighted average of Sweden, EMU, UK & US
Sources: SSB, Eurostat, BLS, Malling & Macrobond

Norwegian public finances are strong and utilised



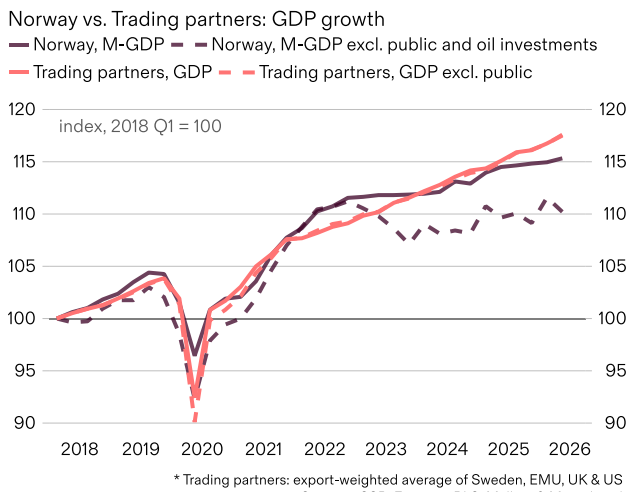
Sources: FIN, OECD, Malling & Macrobond

Mortgage rate in Norway diverging from trading partners



Sources: SSB, Malling & Macrobond

Norwegian real growth lagging trading partners



* Trading partners: export-weighted average of Sweden, EMU, UK & US
Sources: SSB, Eurostat, BLS, Malling & Macrobond

The World Around Us
Commodities

Prolonged cost pressures push construction costs higher

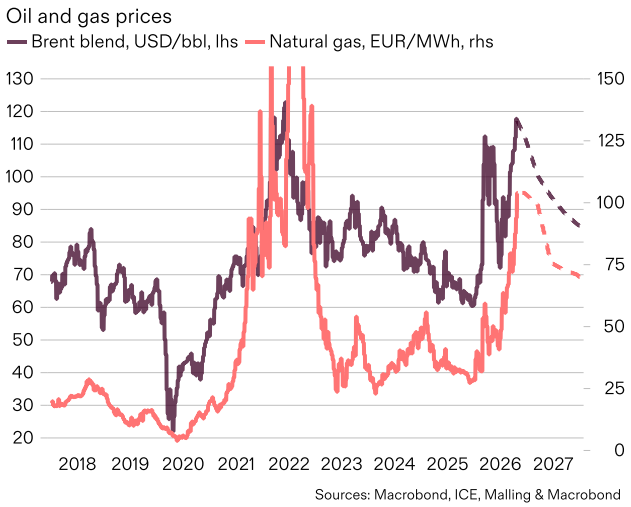
Commodity markets have entered a prolonged period of heightened volatility, with the Iran war continuing to disrupt global energy supplies. Oil prices remain around USD 100 per barrel, while European gas prices have risen sharply as LNG disruptions and lower inventories tighten the market ahead of winter. Unlike the broad energy crisis of 2021 and 2022, the economic impact is likely to be more uneven, with the duration of supply disruptions and normalisation of trade through the Strait of Hormuz remaining key uncertainties.

Supply chains signalling cost pressures are already present. Global supply disruptions are again feeding into Norwegian producer prices, indication that some of the disinflationary impulse from imported goods is fading. A stronger NOK provides some relief, but higher transportation, energy and input costs are likely to keep pressure on business margins.

Electricity and gasoline are again affecting households differently. While *Norgespris* shields consumers from large swings in electricity prices, the temporary fuel tax reductions have expired, leaving gasoline prices more exposed to global energy markets. Businesses remain exposed to volatile power prices, particularly in southern Norway, where regional differences and elevated forward prices add further uncertainty.

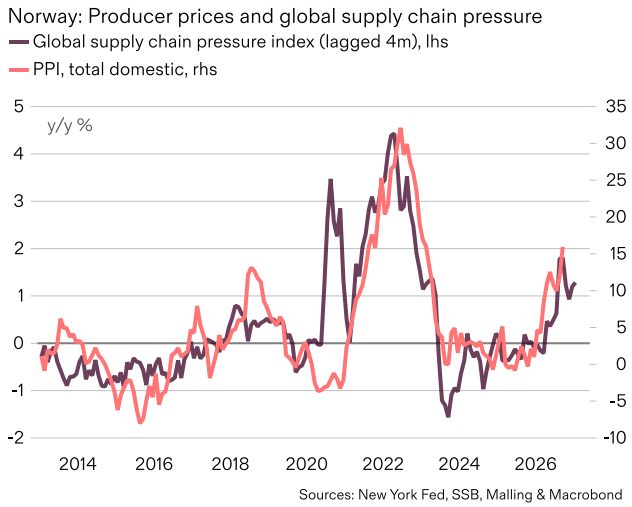
Construction costs are set to rise further as renewed energy and material price pressures add to already elevated labour costs. With construction economics still challenging, another round of cost inflation will push break even rents higher and delay new developments. For existing properties, however, rising replacement costs may provide some support for valuations.

Energy prices surge as Middle East disruptions persist



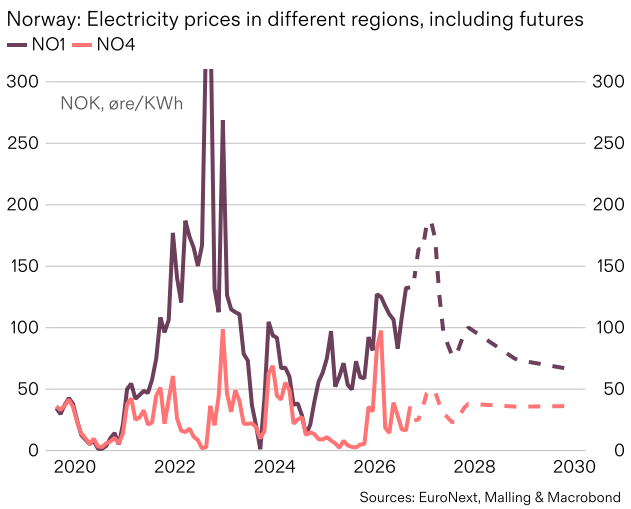
Sources: Macrobond, ICE, Malling & Macrobond

Supply chain pressures feed into Norwegian prices



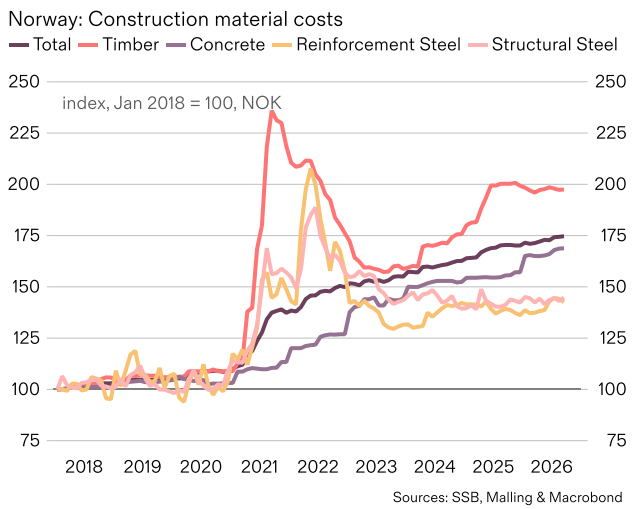
Sources: New York Fed, SSB, Malling & Macrobond

Power prices differ, while *Norgespris* shields households



Sources: EuroNext, Malling & Macrobond

Construction costs face renewed upward pressure



Sources: SSB, Malling & Macrobond

The World Around Us
Financial Markets

Expensive markets meet higher rates and a stronger NOK

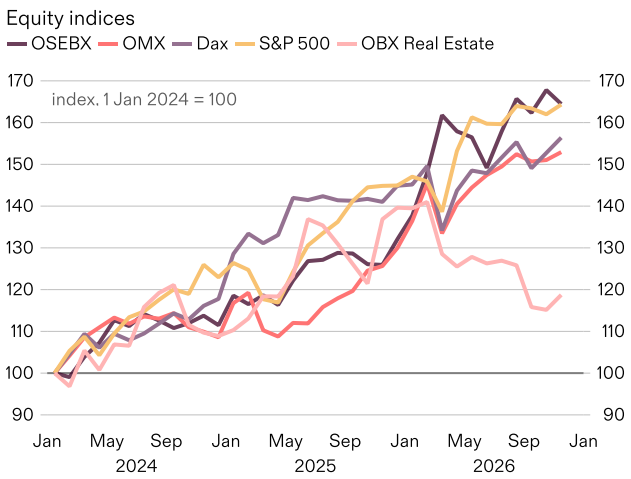
Financial markets have remained remarkably resilient despite prolonged geopolitical uncertainty and higher interest rate expectations. Global equities continue to trade near record highs, supported by strong earnings and AI related optimism, while volatility has remained relatively contained. However, stretched valuations and tight credit spreads are increasingly being questioned, particularly as the scale and profitability of AI investments come under scrutiny. A broader repricing of risk could therefore spill over from equities into credit markets, with implications for financing conditions.

Oslo Børs has reached new highs, supported by energy, defence and shipping, while real estate stocks have sharply underperformed. Higher long term financing costs, weaker office fundamentals and rising property yields continue to weigh on valuations, highlighting the growing divergence between equity markets and commercial real estate.

Norwegian swap yields remain high compared to trading partners. Since our previous Market Report, however, the repricing has been more pronounced abroad, reflecting higher global rate expectations. With Norges Bank expected to keep policy rates elevated, or lift them further, downside risks to Norwegian swap yields are increasingly linked to developments abroad, particularly if persistent cost pressures begin to weigh on global growth.

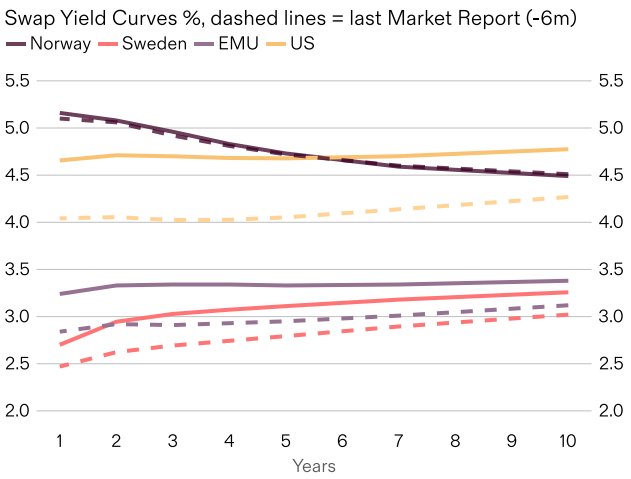
The NOK has strengthened markedly against the euro, despite interest rate differentials suggesting otherwise. This partly reflects euro weakness amid growing concerns over French sovereign debt, with investors seeking higher quality assets. If fiscal and political uncertainty in Europe ease, the euro could recover, potentially reversing some of the NOK appreciation. Looking ahead, we therefore see limited potential for further NOK strengthening.

Equity markets rally, while real estate stocks lag



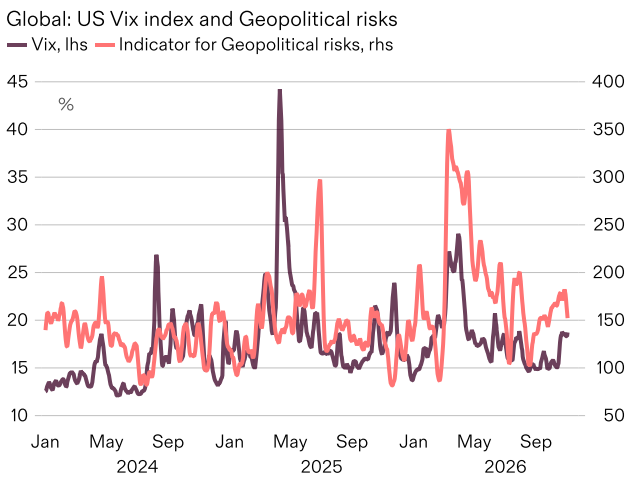
Sources: S&P Global, Malling & Macrobond

Strong repricing of global swap yields



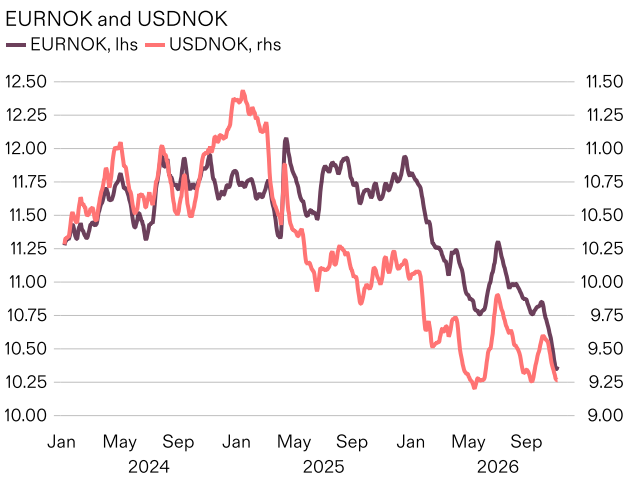
Sources: SEB, Malling & Macrobond

Elevated geopolitical risks, normalised equity volatility



Sources: CBOE, Malling & Macrobond

Flight to quality for NOK as political turmoil hits the euro



Sources: Malling & Macrobond

The World Around Us
Commercial Real Estate

Recovery remains uneven across markets and sectors

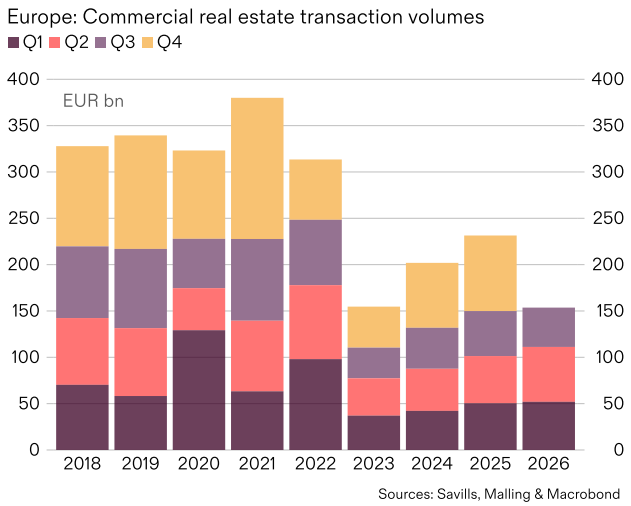
European commercial real estate activity is recovering, but at an uneven pace. Transaction volumes over the first three quarters of 2026 are modestly above last year, although still well below previous peaks. Finland stands out with a sharp rebound, while Sweden and the UK show decent improvements. Meanwhile, Germany, France and Norway continue to lag, demonstrating how financing conditions and investor appetite differ considerably across markets.

European office prime yields have largely stabilised following the repricing of 2022 and 2023, but recent developments suggest renewed divergence. Paris and Helsinki have seen yields move higher, while London and the Scandinavian capitals have remained more stable. With longer dated interest rates rising again, upward pressure on yields arise. Investors remain selective, favouring prime assets with secure income streams and limited investment requirements.

Listed real estate markets tell a similar story. Global equities have continued to rally, while real estate stocks have substantially underperformed. Within the sectors, retail REITs have delivered strong returns, supported by resilient consumption, whereas office REITs have struggled with weaker demand and higher financing costs. Industrial REITs have performed somewhat better than offices, but still trail the broader equity market.

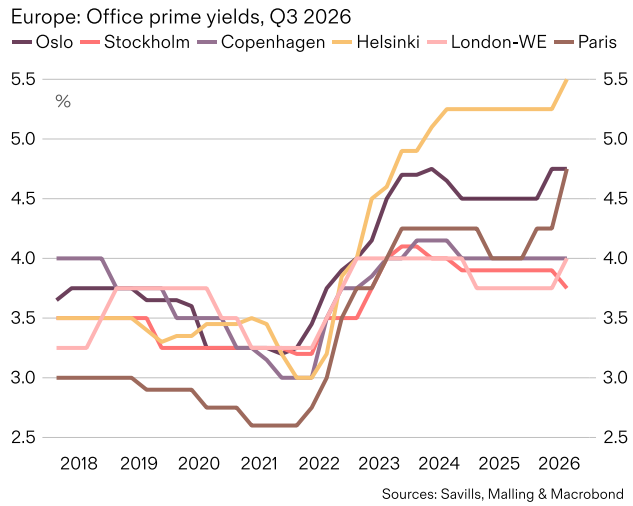
The Nordic picture is equally divergent. Swedish and Norwegian real estate equities have both underperformed their domestic stock markets as higher swap yields weigh on valuations. Overall, transaction liquidity is gradually returning, but capital remains selective. The recovery is increasingly determined by sector fundamentals, income growth and financing conditions rather than a broad improvement in investor sentiment.

European transactions recover modestly



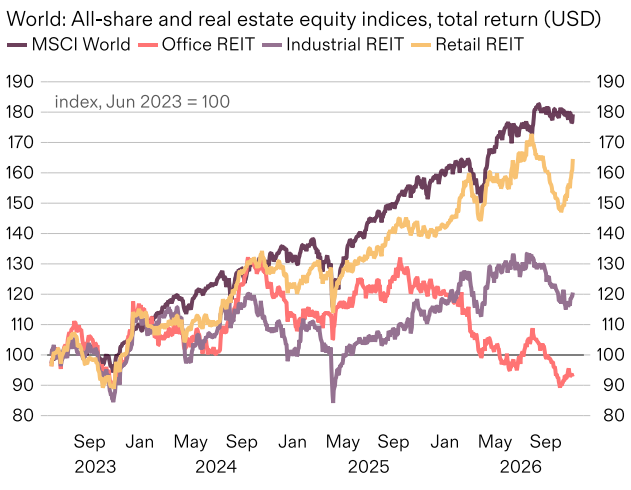
Sources: Savills, Malling & Macrobond

Upward pressure on office prime yields in Europe



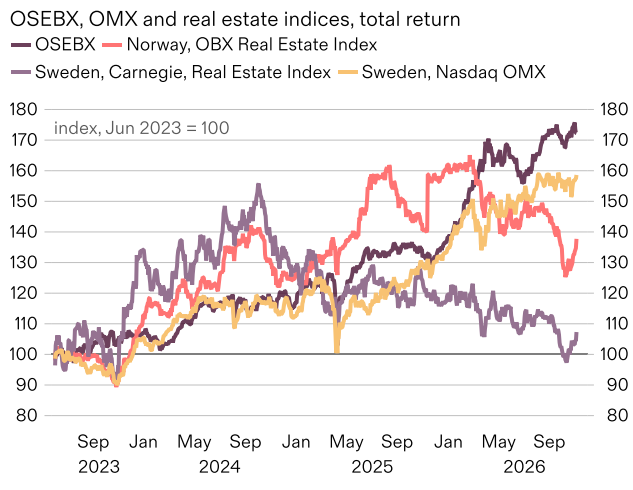
Sources: Savills, Malling & Macrobond

Retail outperforms as office REITs struggle



Sources: MSCI, Malling & Macrobond

Nordic real estate equities lag broader markets



Sources: Oslo Stock Exchange, SIX, Nasdaq OMX Nordic, Malling & Macrobond

Norway

Malling has been appointed by Periscopus AS to manage the sale of Holmen Fjordhotell in Asker, situated on the waterfront of the Oslofjord, about 20 kilometres west of Oslo city centre. The property comprises approx. 17,140 sqm, including 172 rooms and approx. 30 meeting and conference rooms.



Norway
Real Economy

Record national wealth, but increasingly uneven growth

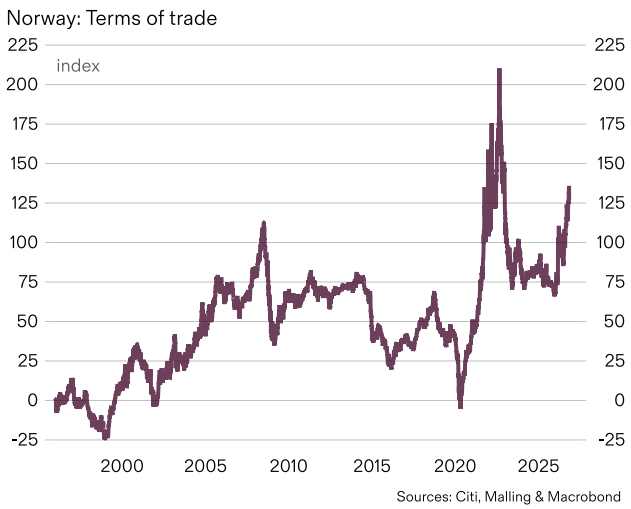
Norway's terms of trade have improved markedly again, extending the income windfall from higher commodity prices. Yet stronger national income has not translated into equally strong real growth. Petroleum activity and public demand continue to support the economy, while interest sensitive sectors struggle.

The anticipated rotation from oil investment toward housing is proving slower than expected. Higher oil prices have prolonged the investment cycle, although activity is projected to decline gradually. Household consumption should continue to grow as real incomes improve, but elevated mortgage rates limit the upside, and we question a strong rebound next year. Housing investment remains particularly weak, with high construction costs and a persistent new build premium delaying recovery.

The divergence is also visible in our estimated EBITDA series for CRE-related business sectors. While operating surpluses in office related industries have tracked CPI, retail and hospitality have seen substantially stronger growth, supported by resilient consumer spending. This suggests greater capacity to absorb higher rents in household related sectors, reinforcing our view that their rental growth prospects are more favourable than in offices.

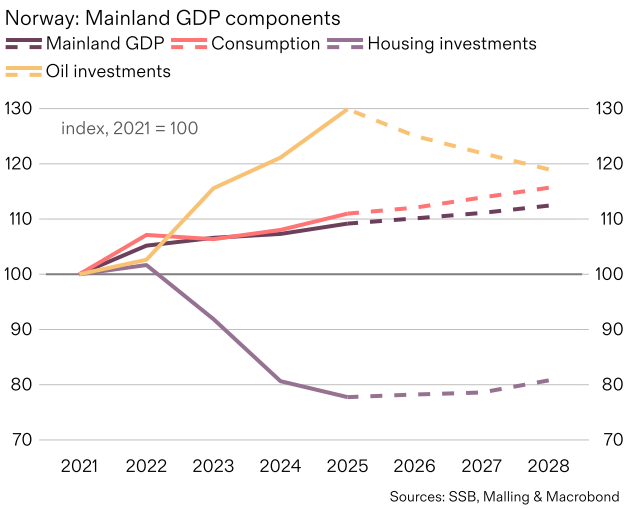
Importantly, economic weakness has not translated into a broad corporate downturn, with bankruptcies remaining relatively contained despite sluggish mainland growth. Looking ahead, we expect slower growth than in the previous report, and with substantial sector differences. The main risk is that persistently high interest rates now leads to increased household savings and labour market layoffs.

Norway's terms of trade extend the income windfall



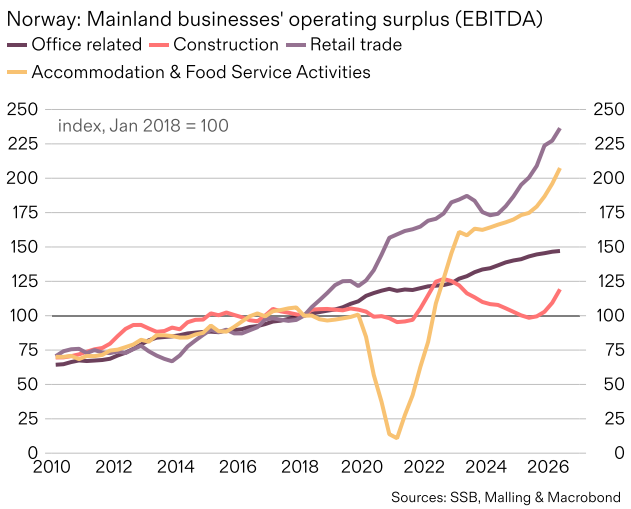
Sources: Citi, Malling & Macrobond

Oil investment stays high, while housing struggles



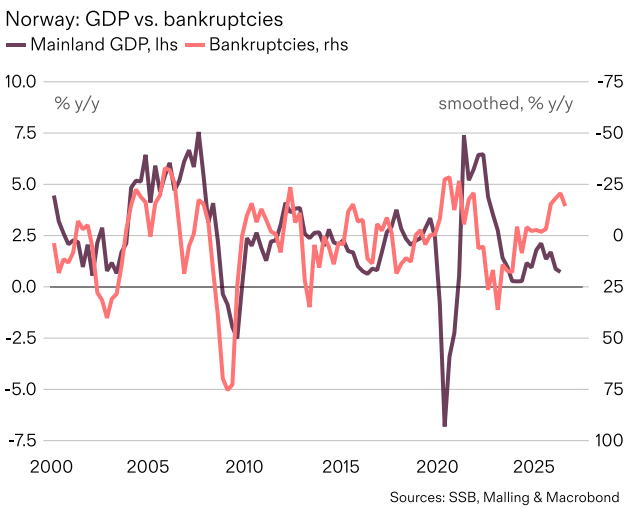
Sources: SSB, Malling & Macrobond

CRE related EBITDA show widening sector differences



Sources: SSB, Malling & Macrobond

Bankruptcies are low, also compared to GDP growth



Sources: SSB, Malling & Macrobond

Norway
Labour Market

Labour demand normalises, but wage growth remains elevated

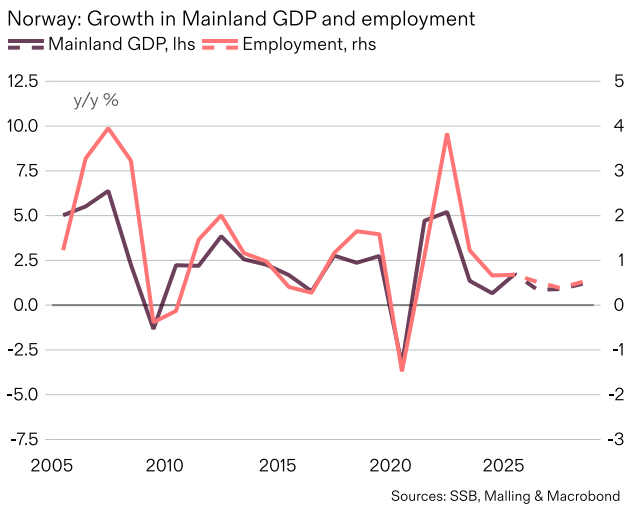
Employment is expected to grow broadly in line with mainland GDP, but at a slower pace than previously projected. Job vacancies have returned to pre-pandemic levels, particularly in office related industries, signalling weaker hiring demand and limited prospects for a meaningful rebound in office employment. With labour supply continuing to expand, unemployment is expected to edge higher over the coming years.

Regional differences remain, with unemployment somewhat lower in oil-related coastal regions than further inland. Interestingly, the recent decline in registered unemployment has been driven by immigrants and job-training programs, particularly reflecting developments among Ukrainian refugees. NAV data suggest that improved labour market integration and fewer new arrivals have contributed. This suggests that falling headline unemployment does not necessarily signal renewed labour market tightness.

Labour market tightness has largely normalised, consistent with Norges Bank's Regional Network. Yet wage growth remains unusually high, roughly 1 percentage point above what historical relationships with labour market tightness would suggest. Strong income generation in the exposed sector, supported by favourable terms of trade, continues to feed through to wage settlements across the wider economy.

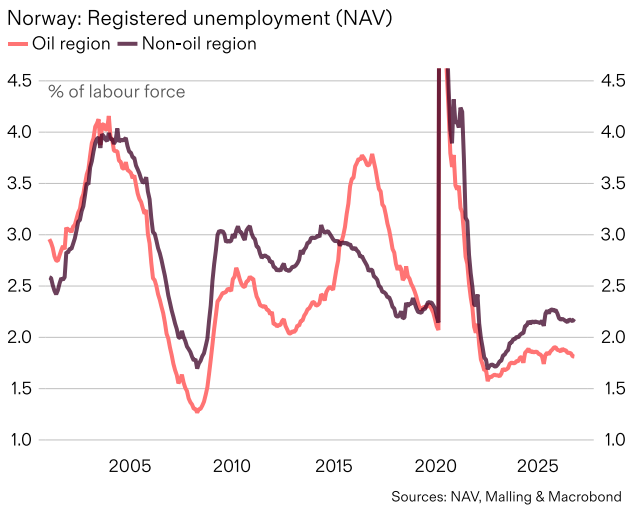
The result is a labour market reflecting Norway's economic divergence since 2022. Strong national income generation continues to support wages and purchasing power, while hiring demand in the private mainland economy remains subdued. For commercial real estate, this points to continued weakness in office demand, despite relatively resilient household consumption and stronger prospects for retail and hospitality.

Employment growth slows, unemployment to edge up



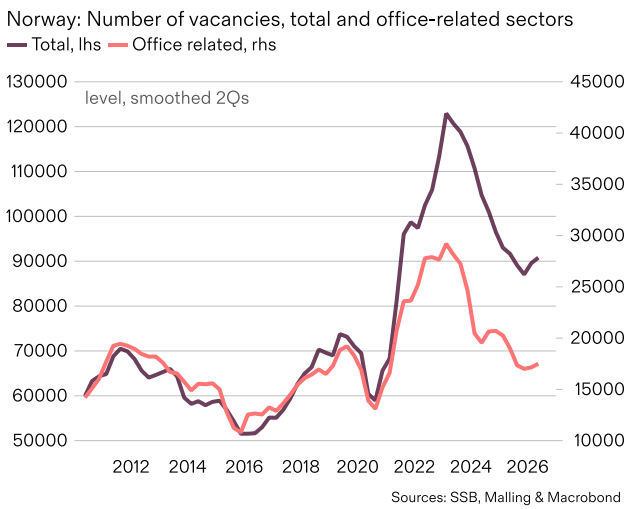
Sources: SSB, Malling & Macrobond

Regional unemployment differences remain



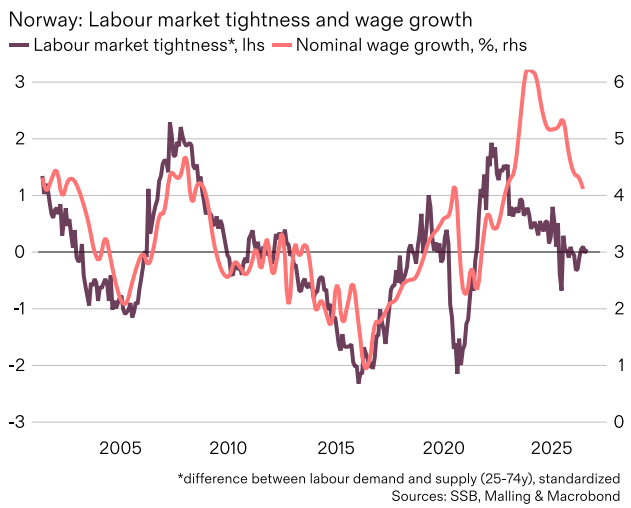
Sources: NAV, Malling & Macrobond

Office related vacancies return to pre pandemic levels



Sources: SSB, Malling & Macrobond

Wage growth high despite normalised labour markets



*difference between labour demand and supply (25-74y), standardized
Sources: SSB, Malling & Macrobond

Norway
Inflation

Stronger NOK offsets global cost pressures, but domestic inflation persists

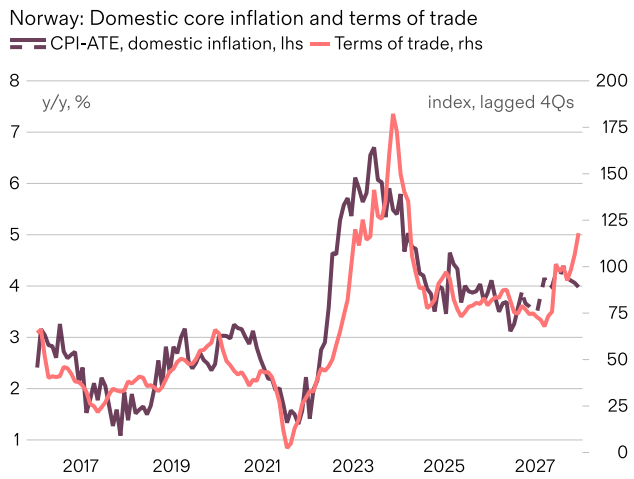
Two opposing forces are shaping Norway's inflation outlook. Higher energy prices and favourable terms of trade continue to support wage growth and domestic inflation, while a stronger NOK dampens imported price pressures. Historically, improvements in Norway's terms of trade have been closely followed by higher domestic inflation, suggesting that the latest energy shock may take time to fully feed through.

The transmission works through several channels. Higher energy prices increase transportation and production costs, gradually feeding into consumer prices. At the same time, strong income generation in the exposed sector supports wage settlements across the broader economy. This helps explain why domestic inflation remains elevated despite normalising labour market conditions.

Imported inflation, meanwhile, faces opposing impulses. The stronger NOK has reduced prices at the border relatively quickly, but renewed global cost pressures are likely to offset some of these gains. As during the previous energy shock, higher international producer prices may therefore keep imported inflation above levels implied by currency developments alone, while domestic cost pressures feed through more gradually.

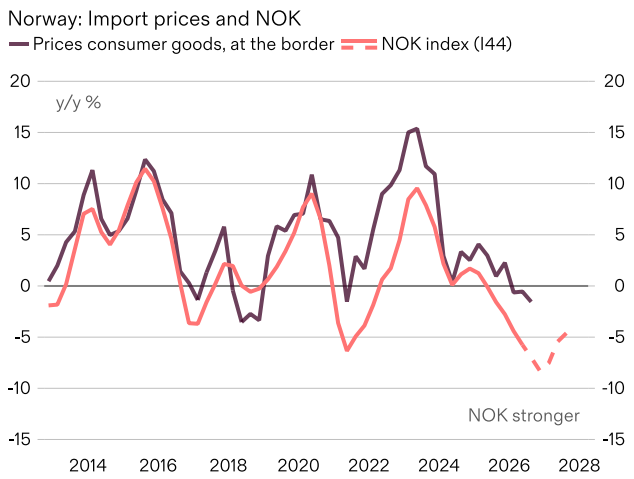
Looking ahead, we expect inflation to remain close to 3% over the coming year before gradually declining. Changes in electricity prices and fuel taxes are creating considerable volatility in headline CPI this winter, while the risk to core inflation remains tilted to the upside through 2027, despite somewhat lower wage growth. The main uncertainty is how long the Iran war and disruptions through the Strait of Hormuz will persist, potentially keeping inflation elevated for longer than anticipated.

Favourable terms of trade fuel domestic inflation



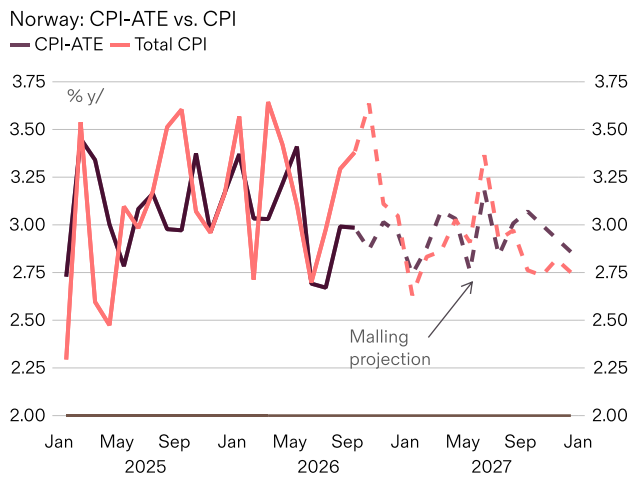
Sources: <Property Source not found.>, Malling & Macrobond

Stronger NOK dampens imported price pressures



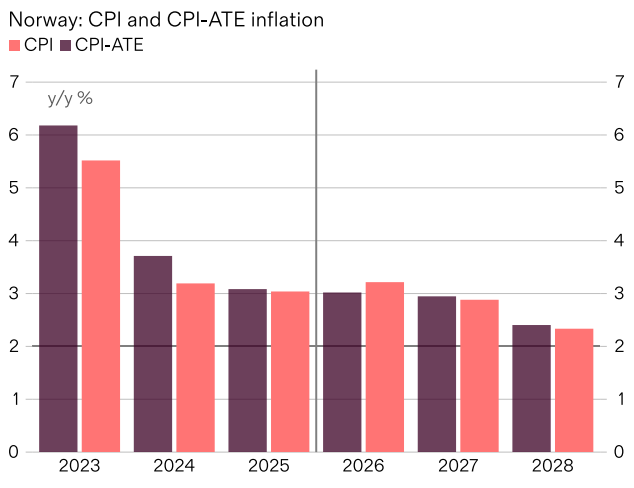
Sources: SSB, Malling & Macrobond

Headline inflation will be volatile over the coming months



Sources: SSB, Malling & Macrobond

Inflation expected to stay near 3% through 2027



Sources: SSB, Malling & Macrobond

Norway
Interest Rates

Persistent inflation risks could force Norges Bank to tighten further

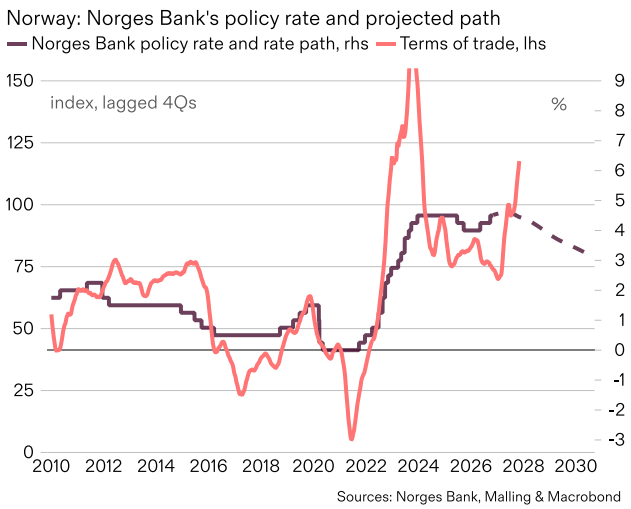
Norges Bank has signalled a stronger determination to bring inflation back to target, even at the expense of weaker growth and higher unemployment. With inflation already above target for several years, the Bank has explicitly stated that renewed inflationary pressures may warrant a more forceful monetary response. We expect one further hike to 4.75% next year, with upside risks concentrated around if the Iran war continues to push energy prices higher and cost pressures spread through the Norwegian economy.

The risks are particularly pronounced given Norway's favourable terms of trade, which continue to support wage growth and public spending. Higher input costs may also feed into domestic prices with a lag, while a stronger NOK provides only partial relief. Norges Bank has already lifted its projected real policy rates by around 1 percentage point since December last year, signalling less tolerance for persistent inflation, even as mainland activity and labour demand remain subdued.

Longer dated swap yields have continued to rise, reflecting both domestic policy expectations and higher global rates. 5-year forward swap rates have increased by around 40bps since our previous Market Report, while a rolling five-year hedging portfolio is set to exceed 4% in early 2027. Further monetary tightening would add pressure to financing costs and property valuations.

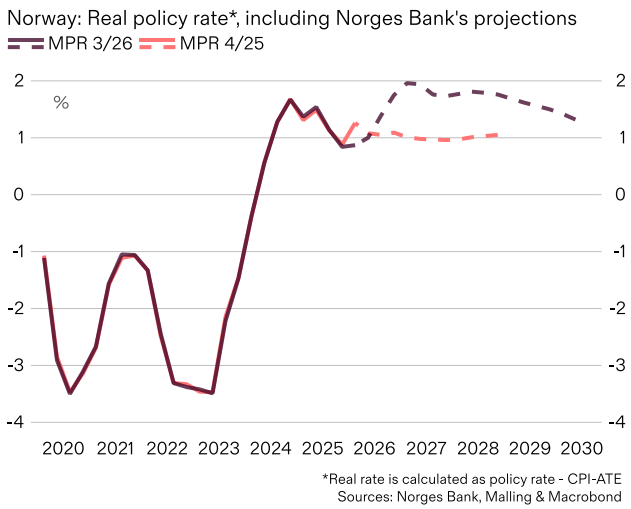
The main relief comes from banks. Subdued credit demand, limited losses and strong competition to deploy capital have compressed margins on secured CRE lending to historically low levels. This has partly offset higher swap yields, but leaves limited scope for further relief if underlying interest rates continue to rise.

Norges Bank may need to tighten further



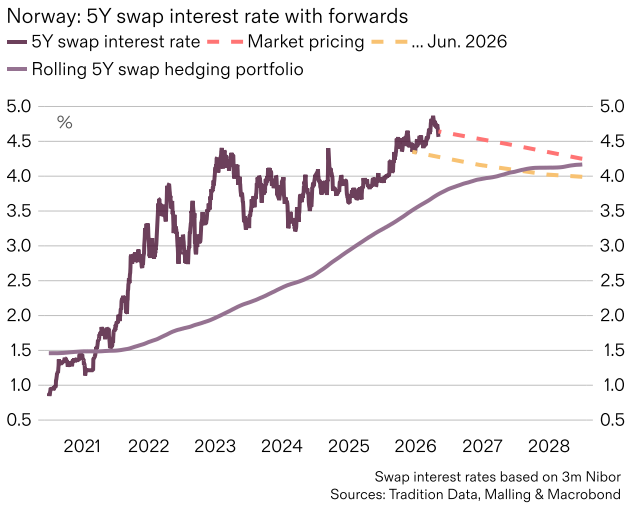
Sources: Norges Bank, Malling & Macrobond

Norges Bank now projects markedly higher real rates



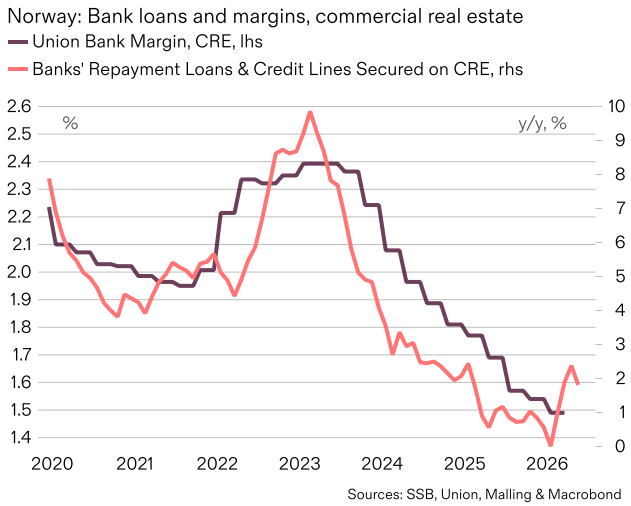
*Real rate is calculated as policy rate - CPI-ATE
Sources: Norges Bank, Malling & Macrobond

Higher swap yields gradually feed into funding costs



Swap interest rates based on 3m Nibor
Sources: Tradition Data, Malling & Macrobond

Bank margins offer some relief from higher swap yields



Sources: SSB, Union, Malling & Macrobond

Investment Market

Malling Investments has acquired Midtåsen nursing home at Nordstrand in Oslo from Union Real Estate Fund on behalf of Malling Core Plus II.





Malling Investments has acquired Rema 1000 Torshovdalen from Øgreid Eiendom on behalf of Malling Handelseiendom.



Malling Investments acted as buy-side advisor to Höegh Eiendom in the acquisition of Tollbugata 17 from Opulens Eiendom.

Investment Market
Transactions

Transaction activity more sideways, but the market looks different

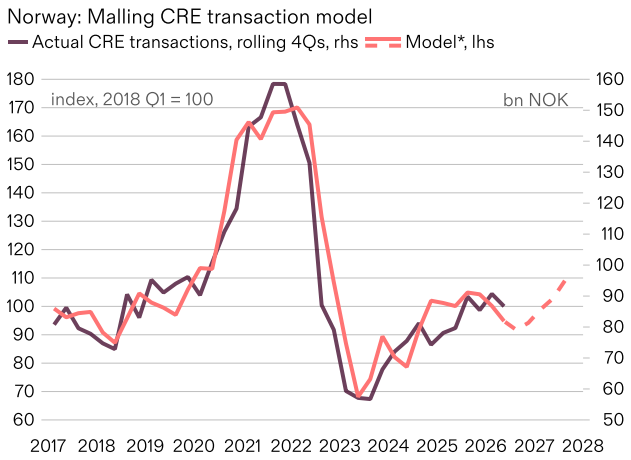
Norwegian CRE transaction volumes have been broadly sideways since last year. Our transaction model points to a modest development in volumes, although the recovery remains muted compared with the previous cycle. Pressure on property values and challenging market conditions could weigh on activity, while elevated financing costs continue to constrain debt financed acquisitions.

The composition of transactions is changing more noticeably than aggregate volumes. Offices account for a considerably smaller share than their historical average, despite a sizeable contribution from a few larger portfolios this year, while retail has become the largest sector. Industrial and logistics remain relatively stable, and residential transactions continue to contribute to activity. These changes suggest that investors are increasingly selective about initial yields and expected income growth.

The geographical distribution has also shifted. Greater Oslo represents a smaller share of transactions than historically, while activity elsewhere has gained ground. This may partly reflect investors seeking higher yielding properties outside the capital, although differences in sector composition also matter. The resulting geographical yield differences are explored on the following page.

Investor participation is becoming more balanced after the exceptional activity of unleveraged investors in 2025. These funds have turned net sellers year to date in 2026, while leveraged investors and other professional property companies remain active. Foreign investors continue to account for a limited share. Looking ahead, we expect transaction volumes to develop sideways through next year, with the mix of assets and buyers likely to matter as much as the overall recovery.

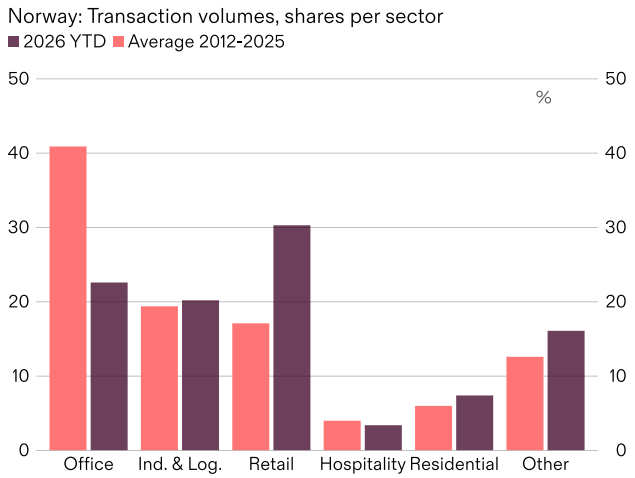
Transaction volumes expected to recover gradually



* Model is a regression of value development from five syntetic model companies for each sector

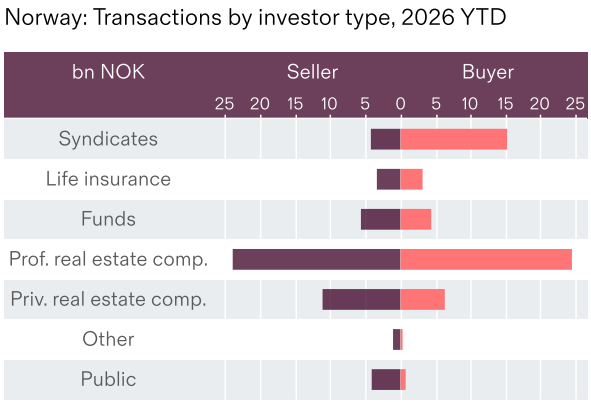
Sources: Malling & Macrobond

Retail gains share while office activity declines



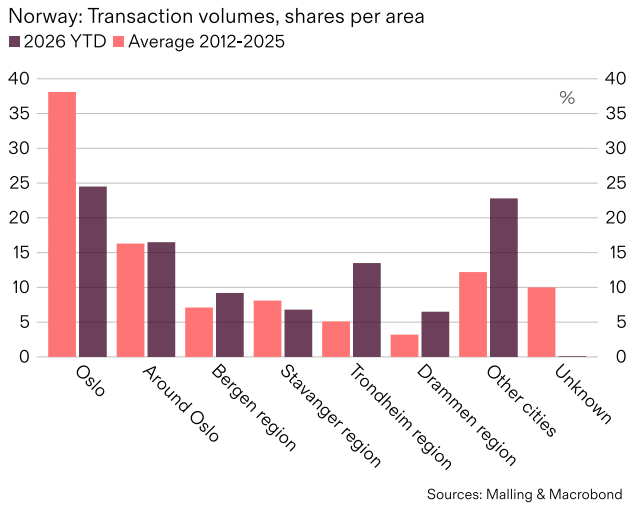
Sources: Malling & Macrobond

Syndicates are net buyers, acting as transaction advisors



Sources: Malling & Macrobond

Transaction activity shifts beyond Greater Oslo



Sources: Malling & Macrobond

Investment Market
Transaction Yields

Higher transaction yields reflect a changing investment market

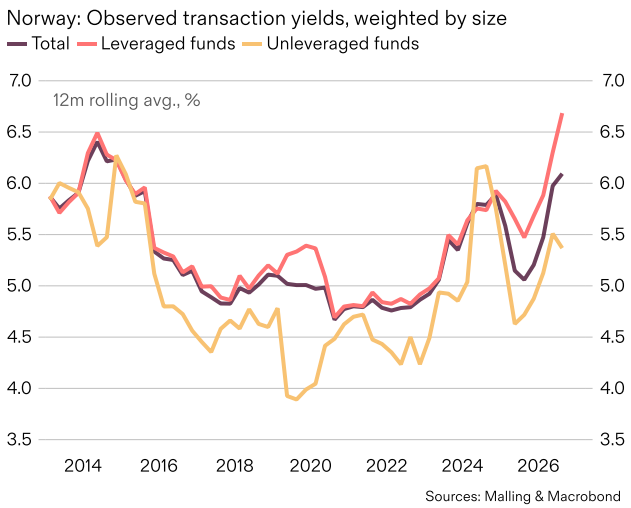
Observed transaction yields have increased by around 1 percentage point over the past year. Part of this reflects an unusually low starting point in 2025, when large acquisitions by unleveraged investors in lower yielding segments weighed on average transaction yields. The subsequent increase therefore reflects changes in both pricing and the composition of properties being traded.

Our yield estimates help distinguish these effects. Compared with the Winter 2025/2026 report, average sector yields for 2026 have increased by 28bps. When weighted by the respective transaction mix, the increase reaches 53bps, with 25bps attributable to sector rotation. Importantly, current observed transaction yields are broadly consistent with our transaction weighted level estimates.

Higher financing costs have encouraged leveraged investors to favour assets with stronger initial cash yields, particularly retail and logistics. This is also reflected in the spread between transaction yields and financing costs, which has returned towards normal levels after becoming unusually narrow last year. The adjustment does not necessarily imply an equal rise in yields for comparable properties.

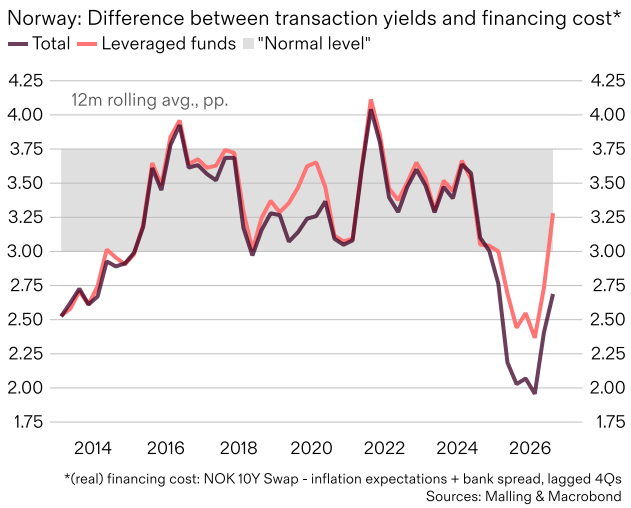
Geographical differences have also become more pronounced. The transaction yield premium outside Greater Oslo has widened substantially and remains elevated even after adjusting for sector composition. This suggests that differences in location, property characteristics and investor demand are becoming increasingly important. The overall picture is one of greater market differentiation, rather than uniform repricing.

Transaction yields are up around 1pp over the past year



Sources: Malling & Macrobond

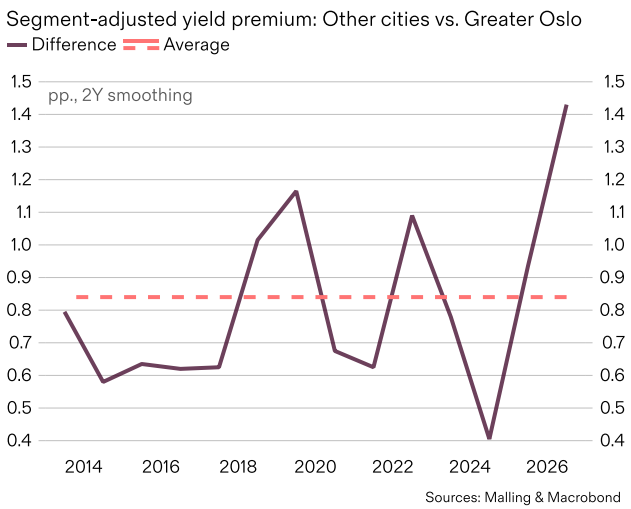
Yield spreads over financing costs normalise



*(real) financing cost: NOK 10Y Swap - inflation expectations + bank spread, lagged 4Qs

Sources: Malling & Macrobond

Regional yield premium widens sharply



Sources: Malling & Macrobond

Segment shift drives almost half of the yield rise

Norway: Transaction yield decomposition, % (change in pp)

%	Average yields, 2026	Weighted transaction yield, 2026
Market Report Winter 2025/'26	5.36	5.38
Market Report Winter 2026/'27	5.64	5.90
Change (pp)	**0.28**	**0.53**
of which: yield level change		*0.28*
of which: segment shift effect		*0.25*

Investment Market
Unleveraged Funds

Unleveraged capital remains important, but last year's buying activity has faded

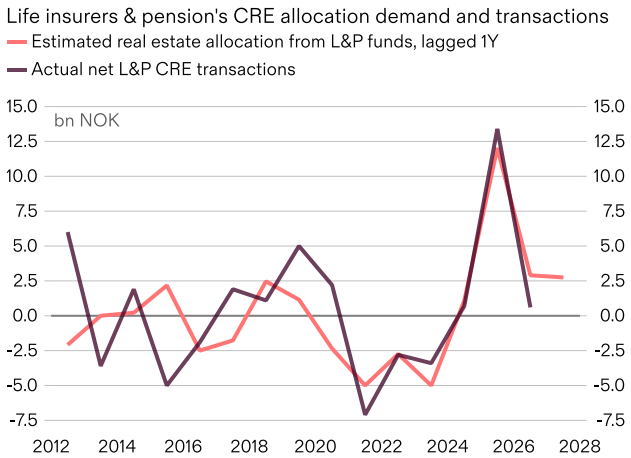
Unleveraged investors remain an important source of capital in Norwegian commercial real estate. They include life insurers and pension funds (L&P), as well as real estate equity funds. While both invest without relying on debt, their investment behaviour differs. L&P funds often rebalance portfolios according to target allocations, influenced by relative returns on equities, bonds and property, alongside pension premium inflows. Equity funds are generally less constrained by such rules, with capital inflows that are harder to predict.

To assess L&P investment demand, we have simulated a representative fund and its allocation needs over time. The model tracks historical transactions reasonably well and suggests that the exceptional buying activity in 2025 was unlikely to persist. Both the model and actual transactions indicate modest net purchases so far in 2026, representing a sharp slowdown from last year.

Future demand is highly sensitive to relative asset returns. With property returns currently around 4%, even a moderate equity market correction could trigger net property sales as L&P funds rebalance their portfolios. Conversely, strong equity returns combined with falling property values would create substantial additional buying needs. The sensitivity illustrates how shifts in financial markets can influence CRE demand even without changes in the underlying property outlook.

The contrast between investor groups is becoming more visible in sector allocations. Unleveraged investors continue to favour offices, while leveraged buyers increasingly target retail and logistics, seeking stronger initial cash yields. This helps explain why unleveraged capital has supported office valuations despite elevated financing costs, and why a decline in their buying activity could put further upward pressure on office yields.

L&P allocation demand falls sharply after 2025



*Adjusted for DNB HQ transactions in 2015 and 2019
Note: 2026 is annualised YTD data. Sources: Malling & Macrobond

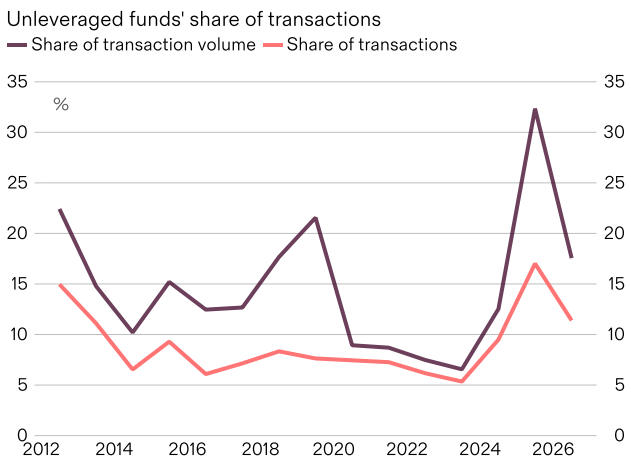
Relative returns drive L&P net property buying next year

Life insurers & Pension fund's net CRE flows, % of fund value
By equity and property return. Negative value = net selling.

Property return ↓ \ Equity return →	-10.0%	-5.0%	0.0%	5.0%	10.0%
-10.0%	9.1%	11.9%	14.6%	17.4%	20.2%
-5.0%	4.0%	6.6%	9.3%	11.9%	14.5%
0.0%	-0.6%	1.9%	4.4%	6.9%	9.4%
5.0%	-4.7%	-2.3%	0.0%	2.4%	4.8%
10.0%	-8.5%	-6.2%	-3.9%	-1.7%	0.6%

Note: Assumes one-year rebalancing to target weight, no tolerance band.
Source: Malling

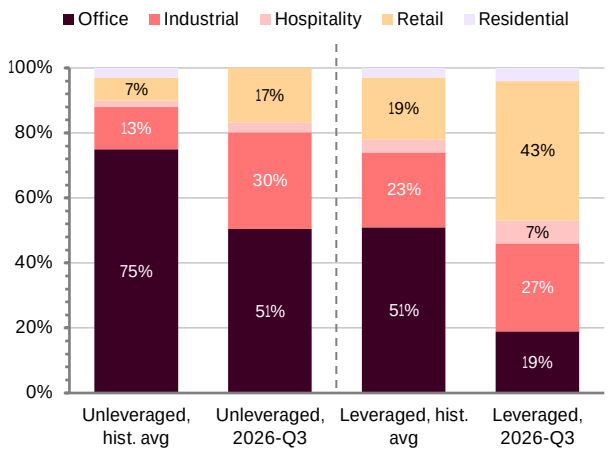
Unleveraged funds retreat from record buying activity



*Unleveraged funds = Life insurers, pensions and real estate equity funds
Note: 2026 is annualised YTD data. Sources: Malling & Macrobond

Leveraged buyers increasingly favour retail and logistics

Segment shares of transaction volumes.
Historical average 2013 Q1 - 2025 Q4 vs. rolling 12m to 2026 Q3.



Investment Market
Portfolio Management

Higher financing costs reshape the economics of property investment

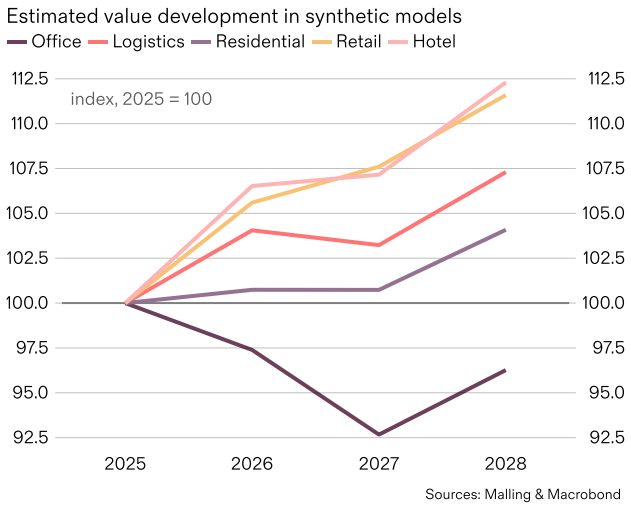
Differences in financing economics help explain the changing composition of transactions. Our synthetic property companies compare expected value growth, operating cash flows and total returns across office, logistics, retail, hospitality and residential assets. By modelling both unleveraged ownership and a standard 50% LTV structure, we can assess how financing changes the relative attractiveness of each sector.

Our forecasts favour retail, logistics and hotels over the coming years, supported by stronger income growth and more attractive initial yields. For leveraged investors, however, the initial cash yield becomes particularly important. At prevailing borrowing costs, interest expenses consume much of the income generated by lower yielding assets, leaving limited cash flow to equity holders.

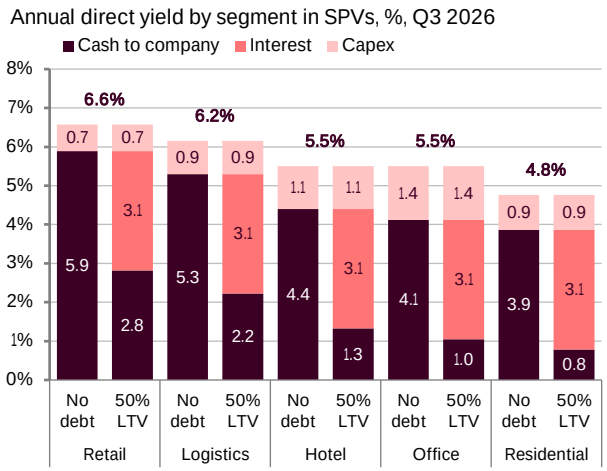
Retail and logistics offer a more favourable combination of cash yield and expected returns for leveraged buyers. Differences are less pronounced for unleveraged investors, who are less constrained by debt servicing. These comparisons are not definitive investment rankings, as rental growth, capital expenditure, vacancy and changes in property values can materially alter realised returns.

Financing constraints reinforce the distinction. Based on ICR, banks have stronger incentives to finance transactions in sectors offering higher initial cash yields. Existing owners may face different constraints, reflecting historical financing terms and changes in property values. Together, these mechanisms help explain why leveraged investors are increasingly looking beyond offices, even as unleveraged capital continues to support selected prime assets.

Expected property values diverge across sectors

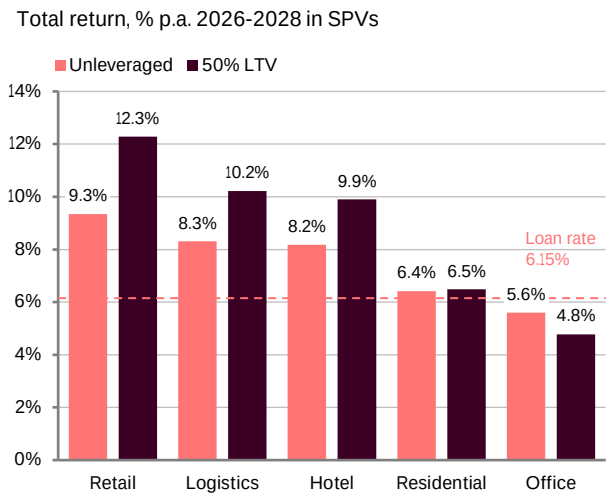


At 50% LTV, interest takes most of the cash yield

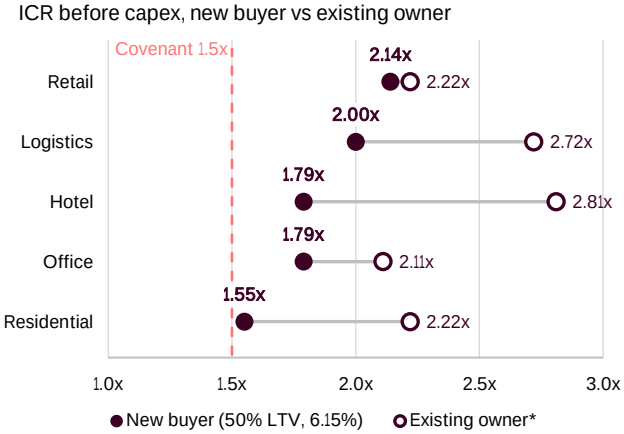


Interest = 6.15% loan rate × 50% LTV. All figures are annual, in % of property value.
Source: Malling

Office returns struggle to justify borrowing costs



Interest coverage favours higher yielding sectors



*Owner since 2018: actual LTV 34–51% and 5.6% rate, last four quarters.
New buyer/refinancing: 50% LTV and 6.15%.

Investment Market
Yields

Office yields are adjusting to weaker investor demand

Office yields have remained surprisingly resilient despite elevated financing costs and weakening leasing fundamentals. However, investor interest has fallen to historically low levels, among both leveraged and unleveraged buyers. The exceptional demand from equity rich investors in 2025 has faded, while higher borrowing costs, weaker income prospects and substantial capital expenditure requirements have made investment cases increasingly difficult to justify at previous yield levels.

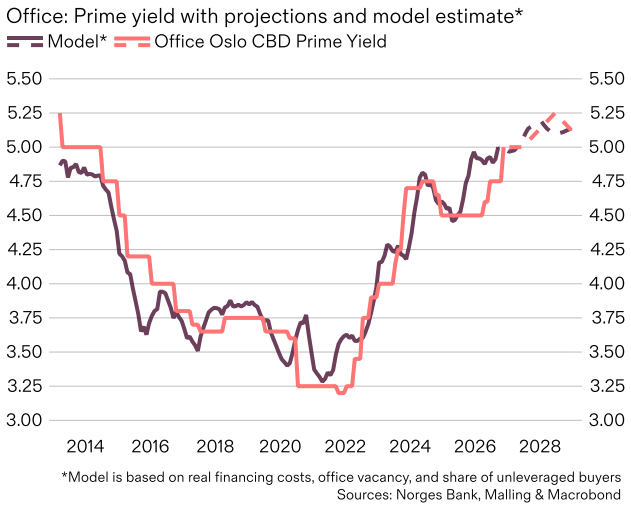
We have therefore revised our prime office yield to 5.0%, reflecting a normalisation of risk premia and growing evidence that higher yields are needed to attract a broader pool of buyers, and transactions. Individual properties may still transact below this level, particularly where high quality meets specific investor demand. Such transactions are not unusual, but we believe they are increasingly less representative of prevailing market conditions.

Our updated yield model incorporates office vacancy and the share of unleveraged investors in transactions, alongside financing costs and other fundamentals. It supports further upward pressure on yields, with a more pronounced adjustment for normal office assets than for prime assets. We thus expect the yield spread within the office market to widen.

Relative pricing across sectors is changing as well. Logistics benefits from comparatively resilient demand, while retail offers stronger initial cash yields and more favourable income prospects. Both remain exposed to higher financing costs, but their investment economics are generally more attractive to leveraged buyers.

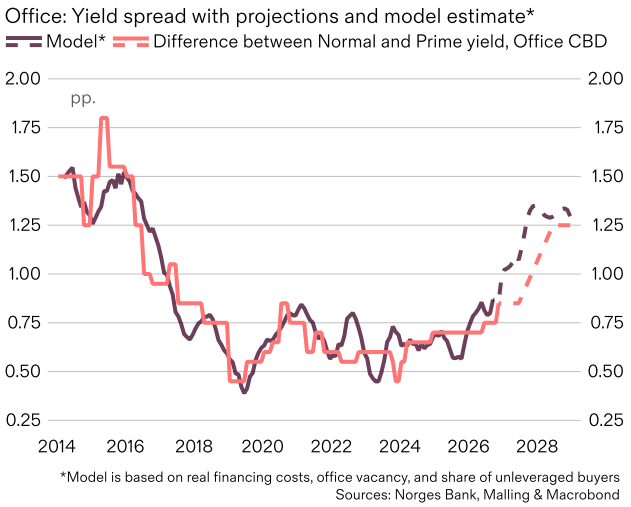
The adjustment is not uniform as property quality, income resilience and financing structure remain decisive, while renewed demand from unleveraged investors could limit further increases in prime yields.

At 5%, prime office yields are expected to rise further



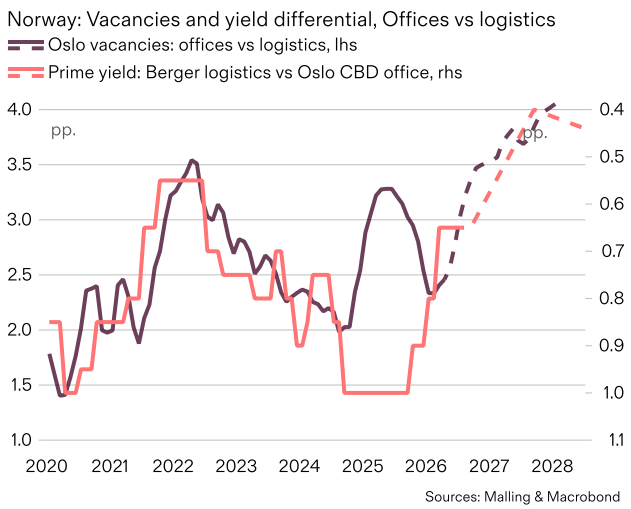
*Model is based on real financing costs, office vacancy, and share of unleveraged buyers
Sources: Norges Bank, Malling & Macrobond

Higher funding cost widen the normal-prime yield spread



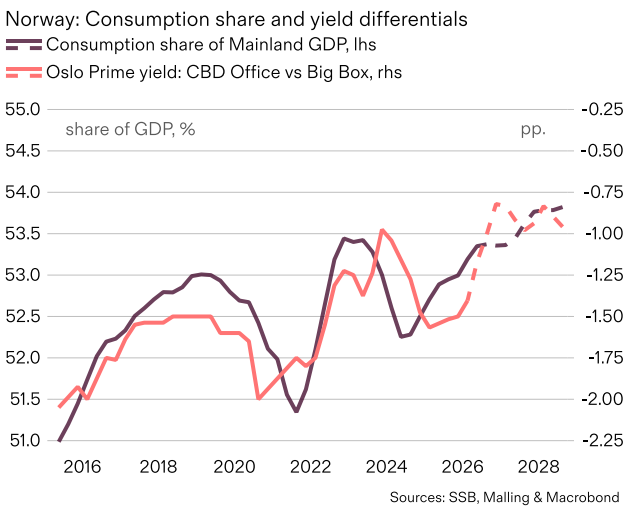
*Model is based on real financing costs, office vacancy, and share of unleveraged buyers
Sources: Norges Bank, Malling & Macrobond

Vacancy differences widen relative yield spreads



Sources: Malling & Macrobond

Retail fundamentals support relative yield valuations



Sources: SSB, Malling & Macrobond

Sectors

Malling has been appointed to manage the sale of Bjørkelangen Retail Park in Aurskog-Høland, east of Oslo. The park comprises approx. 13,500 sqm of modern big-box retail space on a total of approx. 52,000 sqm site, offering development potential.





Malling has been appointed by Norda Partners to manage the sale of Vognvegen 34 in Eidsvoll, a light industrial property 10 minutes' drive from Oslo Airport. The property comprises approx. 3,800 sqm on a 33,000 sqm site and is mainly let to Implenia.

Sectors
Office

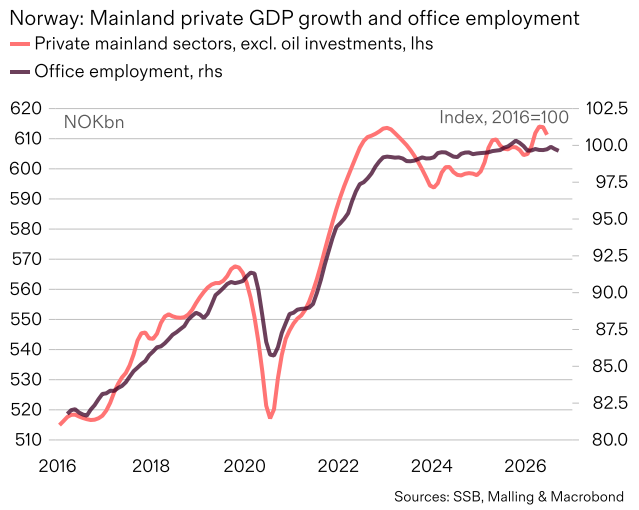
Office demand under review: What is driving the softer trend?

Office demand has become a central question for investors: to what extent will AI adoption or home-office policy erode the need for existing office space? Employment data show a tight link to the economic cycle, represented by the private mainland sectors excluding oil investment. As part of the cyclically sensitive economy, office employment has co-moved with this activity, while economic growth has remained broadly stable over the past three years.

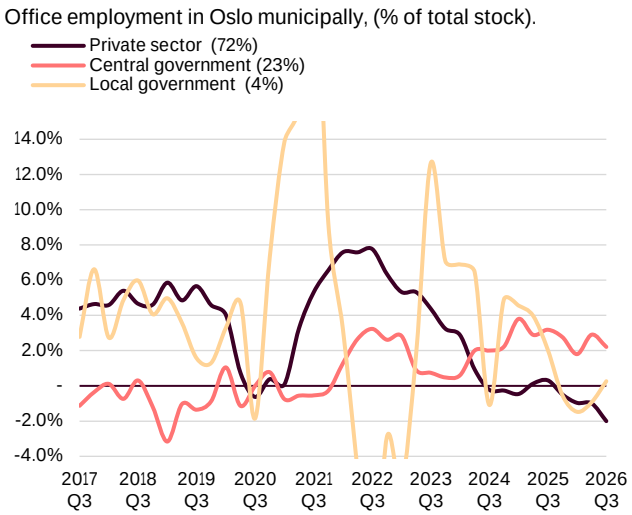
Office employment in Oslo has contracted year to date in 2026, as private sector weakness outweighs continued public sector growth, with central government providing the largest positive contribution. The deceleration in private sector employment since the 2022 peak may point to a cyclical rather than structural slowdown, given policy rate hikes of 3.75 percentage points in less than two years. Separating the cycle from AI implementation is difficult, but the sector breakdown shows flat or negative annual growth in all sectors, apart from central government, real estate & insurance, and advertising & PR.

A Norwegian implementation of an AI exposure analysis, based on the ILO's work on generative AI and jobs*, and KI-indeksen**, shows little effect so far. The slowdown affects both highly and less exposed industries, pointing towards interest rates and the cycle rather than AI. Effects are likely to arrive with a lag, however, and with 64% of CBD employees working in sectors currently recording declining employment, the risk lies ahead. AI effects are therefore unlikely to be visible in the data at this stage, but may emerge as adoption broadens. A counterweight is the tightening of home-office arrangements, which may sustain office demand by raising attendance.

Office employment co-moves with private mainland GDP



Oslo office employment has contracted YTD in 2026



Employment change from Q3 2025 – Q3 2026 in Oslo

Office-related employment in Oslo. Grouped by NACE codes. SSB data. 2026 Q3

Sector NACE-code	Employees	Annual change	Annual change (%)	Contribution (pp)
Central government 84 (central)	32,869	1,075	3.4%	+0.53
Real estate & insurance 65, 68	14,252	470	3.4%	+0.23
Advertising & PR 73	4,984	222	4.7%	+0.11
Banking & finance 64, 66	18,241	1	0.0%	+0.00
Local government 84 (local)	6,845	-26	-0.4%	-0.01
Energy 06, 09, 35	4,967	-162	-3.2%	-0.08
Legal & consultancy 69, 70, 74	23,074	-590	-2.5%	-0.29
Business support 79, 82, 94	19,691	-603	-3.0%	-0.30
Engineering & R&D 71–72	22,907	-615	-2.6%	-0.30
IT & telecoms 61–62	35,432	-620	-1.7%	-0.30
Media & information 58–60, 63	18,289	-1,114	-5.7%	-0.55
Total sample	**201,551**	**-1,962**	**-1.0%**	**-0.96**

Clusters' sensitivity to sectors with declining employment

Our office clusters' exposure to declining sectors

Cluster[1]	Total employees	Employees in declining sectors	Share in declining sectors
Inner City Center	43,426	28,165	64.9%
CBD	28,447	18,161	63.8%
Kvadraturen	16,042	10,131	63.2%
Inner City Center East	14,913	9,195	61.7%
Bjørvika	15,308	7,896	51.6%
Majorstuen	7,858	2,962	37.7%
Fringe West (total)	53,089	44,104	83.1%
Fringe East (total)	30,071	17,272	57.4%
Total	**209,154**	**137,886**	**65.9%**

1. Based on "a-meldingen"

*International Labour Organization, Generative AI and Jobs (2025). **kiindeksen.no

Sectors
Office

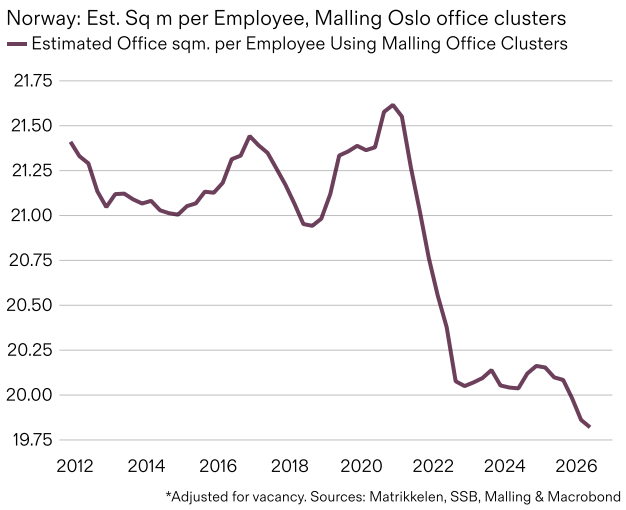
Repricing of the office yields with vacancy rising and lower demand

The dynamics of the office market continue as a headwind for the sector. A sector that previously acted as a first pick for CRE, is now regarded as out of flavour for several actors as the dynamics have shifted. Office assets are repricing as unleveraged capital places greater emphasis on diversification, which dampens demand. We have raised our prime office yield estimate to 5%. In addition to limited occupier demand, rising vacancy and prospects of rental income growth expectations represent a continued headwind.

Demand across the Greater Oslo region is expected to underperform national employment growth. With offshore activity, largely concentrated along Norway's west coast, and public-sector demand remaining key economic drivers, employment growth in Greater Oslo is projected to remain subdued. Estimated office space per employee has declined slightly to below 20 sqm. We expect this downward trend to continue gradually. This reflects a growing tendency among occupiers to reassess future expansion requirements and make more efficient use of existing space through modern workplace strategies and more flexible office solutions. Constrained demand is expected to lead vacancy to rise from current levels, albeit with notable variation across clusters. Higher construction costs translate into a higher break-even rent, supporting the current vacancy level, with several projects postponed due to insufficient rent levels.

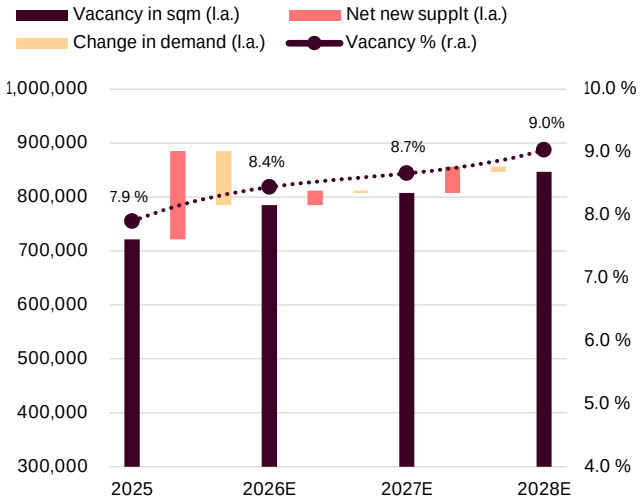
The project pipeline for coming years sits below the historical net average for Greater Oslo, with additions of around 25,000 sqm next year and confirmed additions of approx. 50,000 sqm in 2028. With limited demand and vacancy elevated, a real decline in office rents is projected for 2026, followed by a modest real growth thereafter.

Office space utilisation continues to adjust

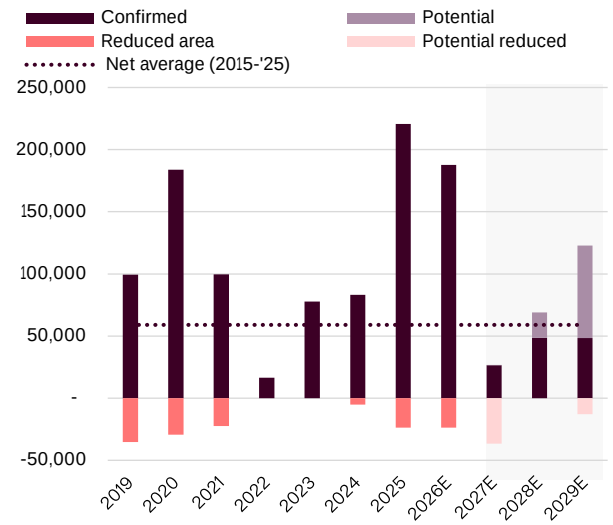


*Adjusted for vacancy. Sources: Matrikkelen, SSB, Malling & Macrobond

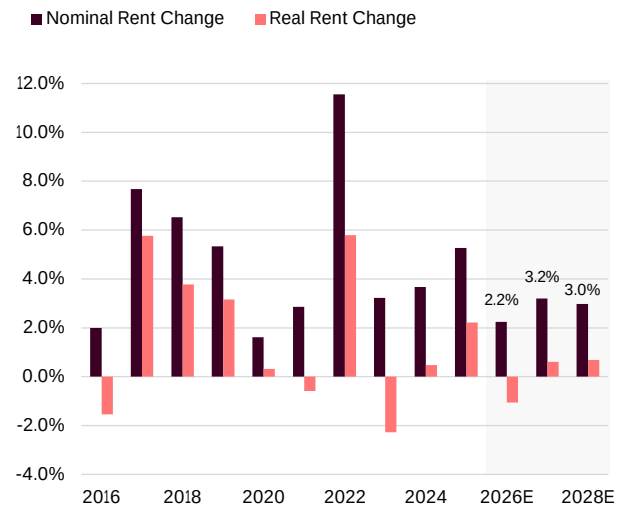
Vacancy expected to increase for the next years



New supply is expected to be limited the next years



Rental growth projected to exceed CPI from '27 onwards



Sectors
Industrial & Logistics

Better prices and bigger plots - the domino effect persists

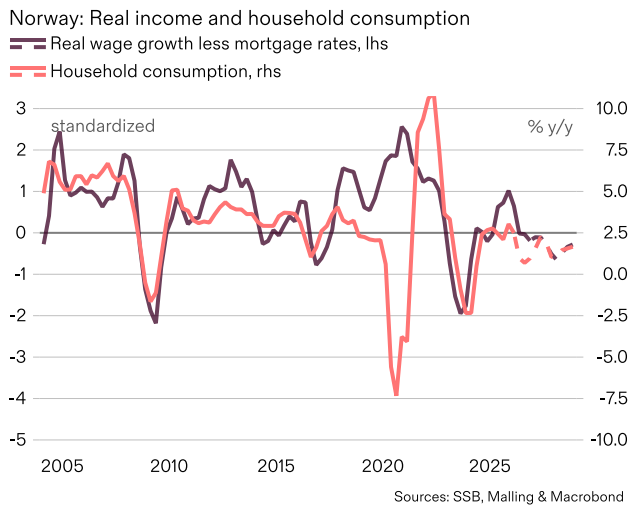
Norway's logistics sector enters the forecast period with demand fundamentals that are moderately softer than the previous forecast, though still with current headwinds. Elevated mortgage costs continue to weigh on household purchasing power, partly offset by real wage growth, leaving the net position marginally below its long-run average. The trajectory, however, remains positive, and household purchasing power feeds directly into goods consumption and, by extension, occupier demand for warehouse space.

Trade activity reinforces this outlook. Import and export volumes, excluding energy-related trade, have traced logistics vacancy and rental conditions with notable consistency over time. With household consumption growth and trade volumes to remain firm, occupier demand is expected to slightly improve for the Greater Oslo region, though the domino effect persists.

The occupier market remains divided. Cost-sensitive tenants are relocating outward along the E6 and E18 corridors, where rental levels and larger plots offer greater operational efficiency. A trend expected to exert upward pressure on rents along these axes over the forecast period. A core of occupiers retains central locations to preserve workforce proximity, with both segments underpinning continued take-up across the wider region.

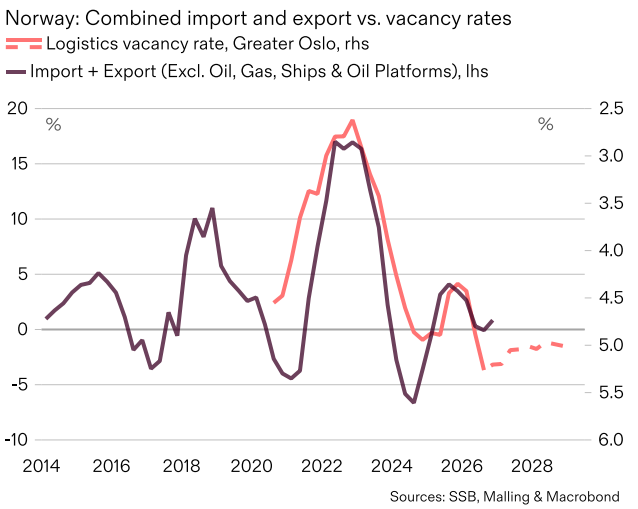
Geopolitical uncertainty provides structural support through nearshoring, defence-related activity and contingency stockpiling. Data centre investment operates as a distinct asset class, driven by proximity to power infrastructure. It reflects a plot-driven trade. While it competes for zoned land in certain locations, it is not expected to materially influence warehouse vacancy or rental conditions along the primary transport axes in Greater Oslo.

Households' purchasing power slightly below average



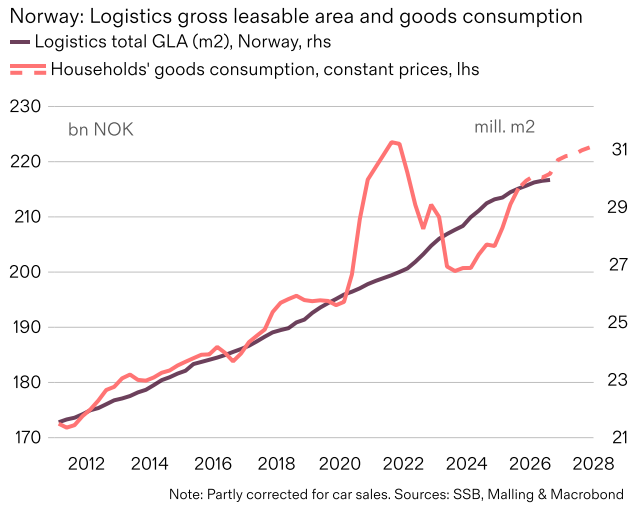
Sources: SSB, Malling & Macrobond

Vacancy rate set to stabilise on trade activity tailwinds



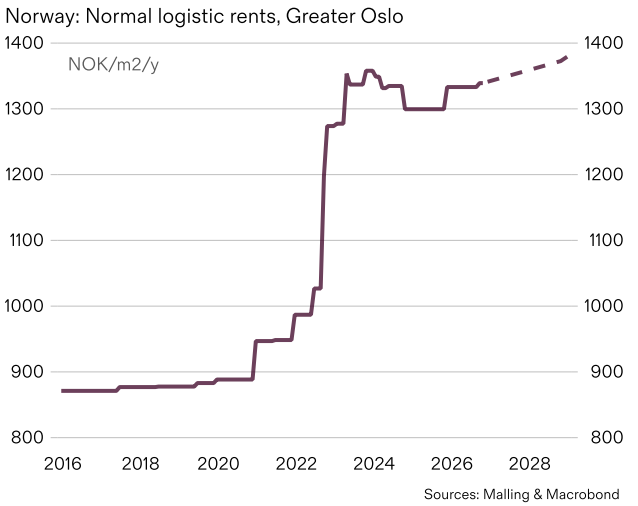
Sources: SSB, Malling & Macrobond

Goods consumption outlook suggests more GLA needed



Note: Partly corrected for car sales. Sources: SSB, Malling & Macrobond

Outer clusters lifting nominal rent growth in Oslo region



Sources: Malling & Macrobond

Sectors
Retail

Retail demand supported by a modest consumption tailwind

Household consumption growth should support a broad range of retail formats, from shopping centres and big box retail to high streets and grocery stores. However, high mortgage rates and softer expectations for future income growth may favour essential goods over discretionary purchases. The cyclical backdrop therefore favours everyday retail spending over more debt financed activity.

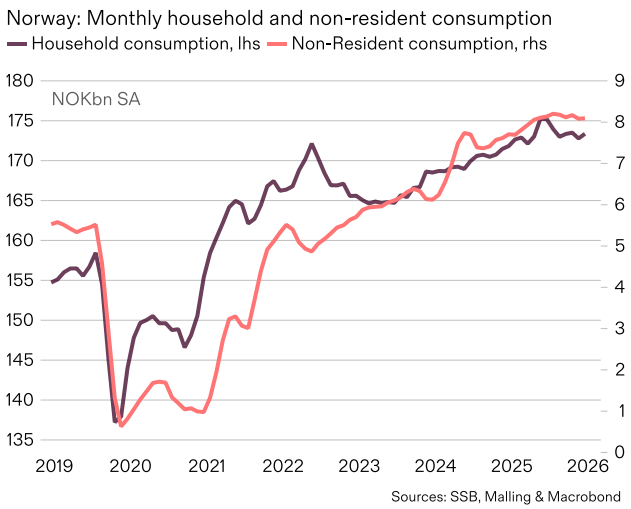
Spending by foreign visitors provides additional support, although the benefits remain concentrated in high street retail rather than spreading evenly across the sector.

Retail sales volumes and bankruptcies tend to move in opposite directions. As sales growth has lost some momentum this year, bankruptcies have edged higher. Following the post-pandemic normalisation, the recent increase suggests renewed pressure on weaker operators rather than a broader deterioration in the sector.

Omnichannel retailers continue to outperform pure online operators, as consumers increasingly value both digital and physical shopping options. Many of the retailers driving online growth also require physical premises, supporting occupier demand. Changes to import duties on low-value parcels could provide an additional benefit to domestic retailers.

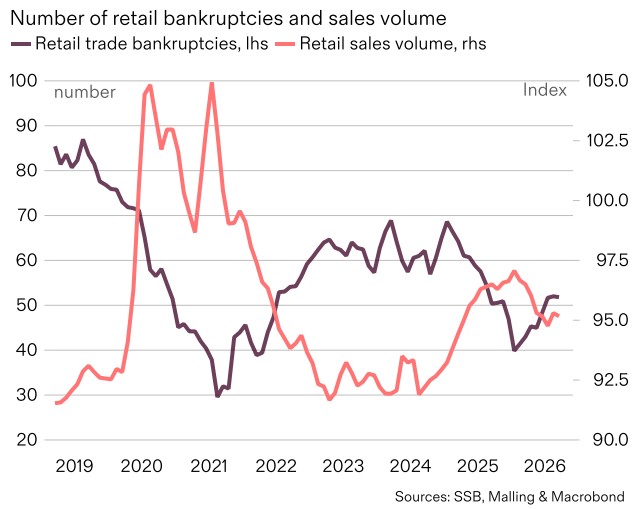
Retail rents have historically tracked nominal household consumption, suggesting room for further growth if spending holds up. Slower imported goods inflation and a weaker US dollar should support retail margins, even if lower price inflation moderates nominal turnover growth.

Twin-consumption tailwinds for retail



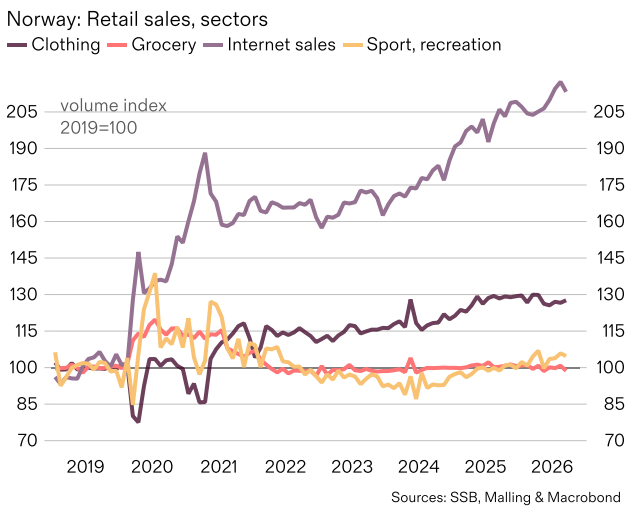
Sources: SSB, Malling & Macrobond

Bankruptcies move inversely to retail volumes.



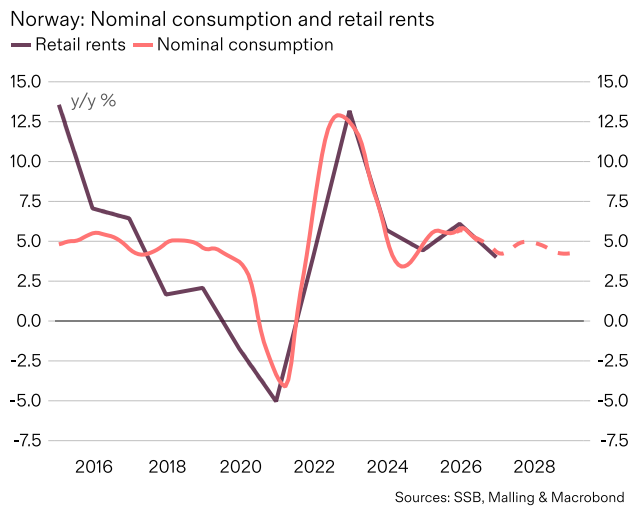
Sources: SSB, Malling & Macrobond

Internet sales outpace traditional retail segments



Sources: SSB, Malling & Macrobond

Retail rents track nominal consumption



Sources: SSB, Malling & Macrobond

Sectors
Hospitality

Record levels, with the outlook more delicately balanced

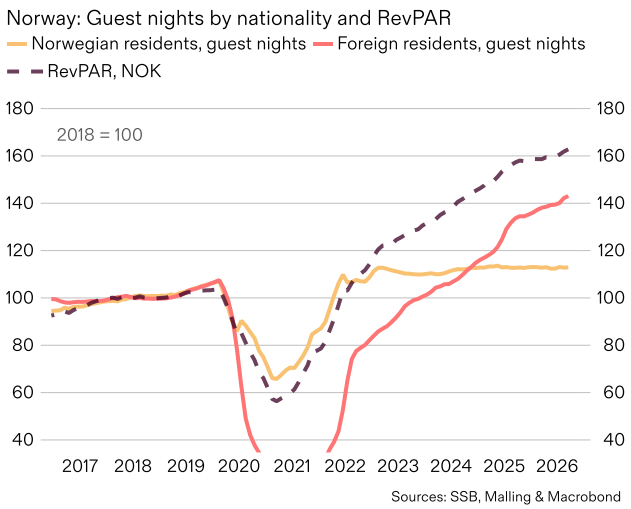
The Norwegian hospitality sector continues to build on successive record years, with occupancy and ADR advancing across multiple regions and driving sustained growth in accommodation revenue. Foreign guests now account for approximately one third of all guest nights, with Tromsø and Oslo recording the highest concentration of international visitors, at year-to-date averages of 54% and 42% respectively.

RevPAR has been closely correlated with foreign visitor volumes, underpinned in part by the NOK's decade-long depreciation, which reduced the relative cost of visiting Norway while constraining outbound travel. The NOK has appreciated against major currencies since the start of the year, but this has yet to show up in foreign guest night data, a dynamic worth monitoring. Weighted occupancy has remained resilient. Despite projected supply additions, occupancy is expected to consolidate above post-pandemic levels, implying gradual absorption of the hotel pipeline. Steady foreign guest nights should support RevPAR resilience and yield stability.

Calculated rent to owner per sqm shows that hotel rents have recovered fully from the pandemic and have outpaced office rents since 2023, with a substantial gap remaining. This strengthens the case for office-to-hotel conversions in the Oslo region and robust investor demand.

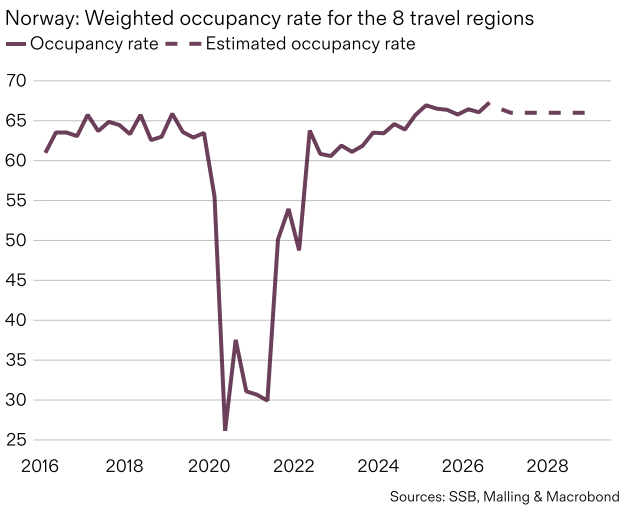
A material deterioration in foreign visitor volumes remains the principal downside risk, while potential Airbnb regulation offers upside to hotel demand. The effect would be most pronounced in Tromsø, where listings outnumber hotel rooms, and any tightening beyond current rules warrants monitoring. Set against this, the 3% municipal accommodation levy from 2027 is a modest structural headwind, though the near-term RevPAR drag should remain manageable.

Foreign residents continue to drive demand and RevPAR



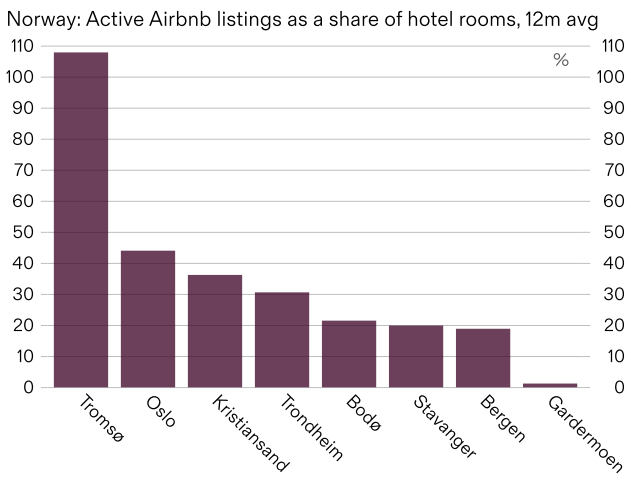
Sources: SSB, Malling & Macrobond

Occupancy rate set to stabilise at high levels



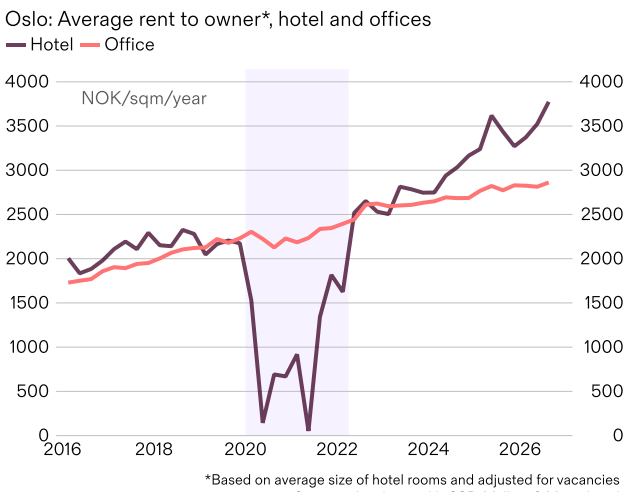
Sources: SSB, Malling & Macrobond

Airbnb regulation remains a potential upside risk



Sources: AirDnA, Malling & Macrobond

Hotel rents outpacing offices, raising converting debate



*Based on average size of hotel rooms and adjusted for vacancies
Sources: Arealstatistikk, SSB, Malling & Macrobond

Sectors
Residential

Structural supply squeeze across the Oslo residential market

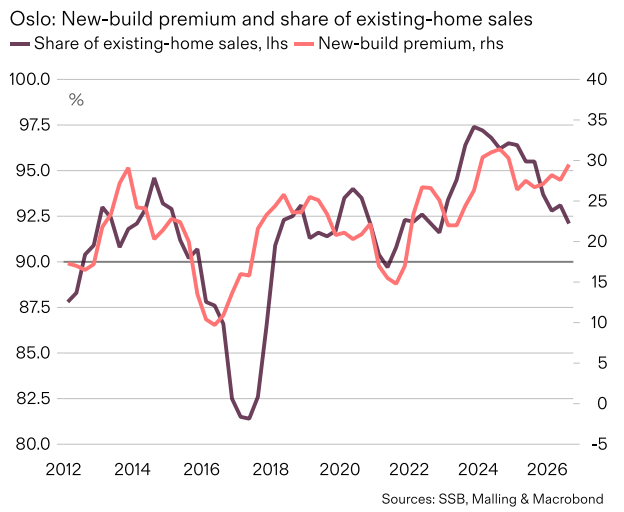
The Oslo residential market remains under pressure. Persistently elevated construction, operating and financing costs continue to weigh on the sector, sustaining a new-build premium that constrains sales volumes and buyers' appetite, a structural consequence of households' limited willingness to absorb a premium that has yet to compress.

Cost pressure is simultaneously eroding the secondary housing market. Oslo's secondary housing share has declined to historically low levels as financing and operating costs (amplified by successive rate increases) have outpaced rental income growth, leaving many owners with negative or marginal cash flows depending on leverage structure. An evolving tax structure has compounded the pressure, accelerating the conversion of rental stock into owner-occupied units and housing cooperatives.

The combination of conversion and subdued transaction activity in Oslo has driven days on market to levels not seen since the financial crisis, reflecting a buyer base increasingly cautious on pricing and affordability. Given the underlying dynamics, the supply is not expected to meaningfully improve in this cycle, though geographic divergence is becoming more pronounced, with the western coast demonstrating considerably greater resilience. Oslo's extended time on market carry broader implications for the development pipeline, keeping new-build economics under pressure and constraining housing starts.

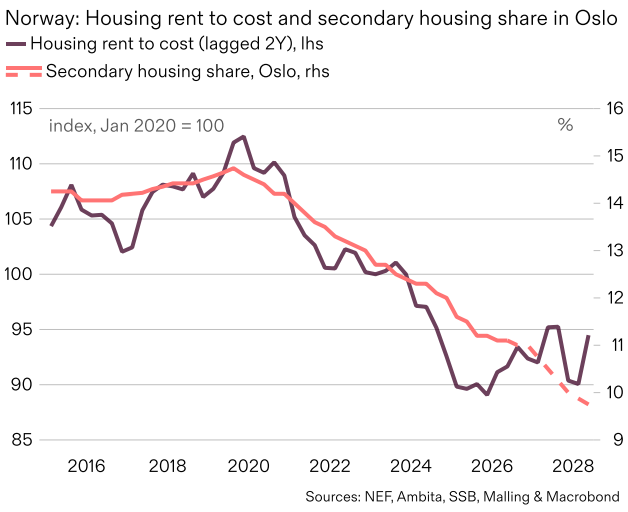
The principal near-term consequence is upward pressure on rents. With occupier demand remaining firm and rental supply edging lower, housing rents are projected to outpace wage growth over the near term.

New-build premium continues to weigh on sales



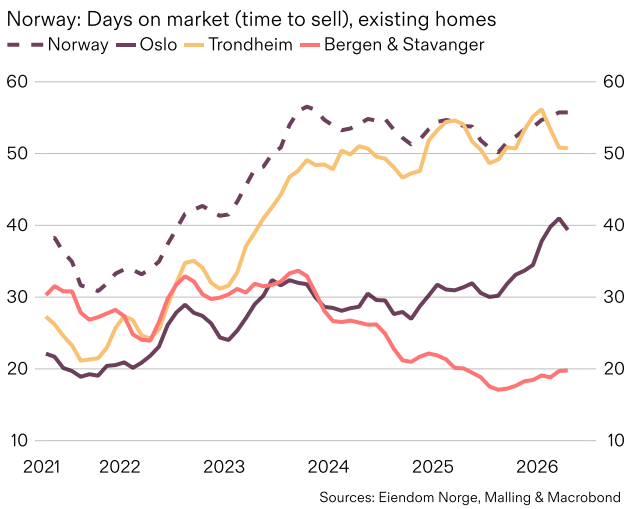
Sources: SSB, Malling & Macrobond

Cost pressure suppressing secondary market share



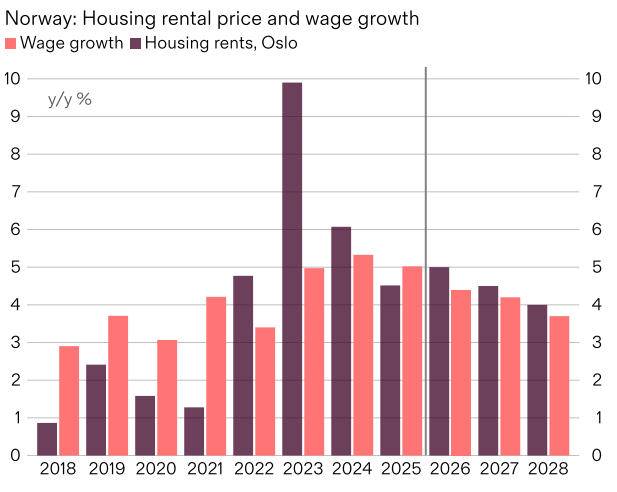
Sources: NEF, Ambita, SSB, Malling & Macrobond

Days on market in Oslo at its highest since GFC



Sources: Eiendom Norge, Malling & Macrobond

Housing rents expected to exceed wage growth



Sources: SSB, Eiendom Norge, Malling & Macrobond

Regions

Malling acted as letting advisor for the top floor of DBC – Drammen Stasjon Business Center. The property is owned by a fund managed by Clarksons, and Bouvet has leased approximately 575 sqm.





Malling acted as letting advisor for Bentsrudveien 6 in Holmestrand. The property is owned by EA Smith, and Procorr has leased approximately 3,250 sqm.

Regions
Trondheim

Strong transaction activity but easing in the office and hospitality market

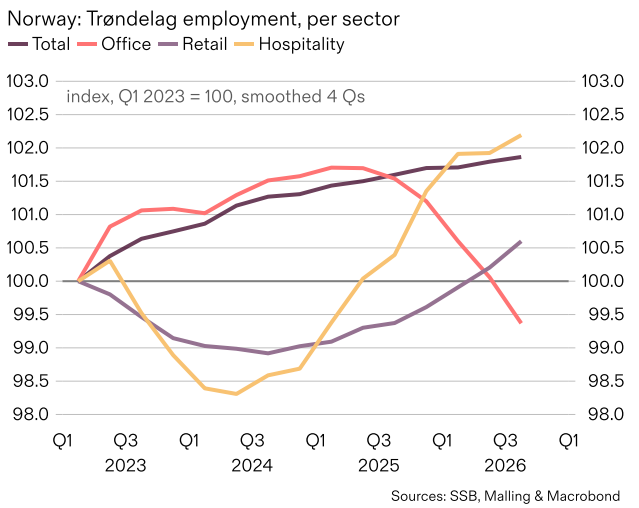
Year-to-date transaction volume in Trøndelag has seen solid, surpassed only by 2024 total volumes. With almost NOK 8 billion across 19 deals comprising 24 assets, the transaction volume marks a clear improvement on the NOK 4.5 billion average.

Office employment in Trøndelag has eased substantially and is now below 2023 levels, making it the only sector to record falling employment in recent years. The office vacancy rate has been rising since 2023, and we project this trend to continue. Reflecting this, both average and top-segment office rents fell back from their 2025 highs in the first half of 2026. Should office employment continue on this trajectory, we see downside risk to the office rents in the coming years. However, a material gap between prime rents and typical project rents continues to constrain new development viability, and a meaningful rental uplift will be required before a marked increase in new office buildings becomes feasible. The office market conditions remain tenant-favourable, a dynamic expected to persist over the forecast period.

The hospitality market in Trondheim has seen a correction year to date, following a stronger 2025. RevPAR is down 5%, compressed by a significant 22% year-on-year decline in the conference segment. Domestic travellers have recorded the lowest level year-to-date since 2023. Compared with the other travel regions, Trondheim has underperformed in RevPAR year to date.

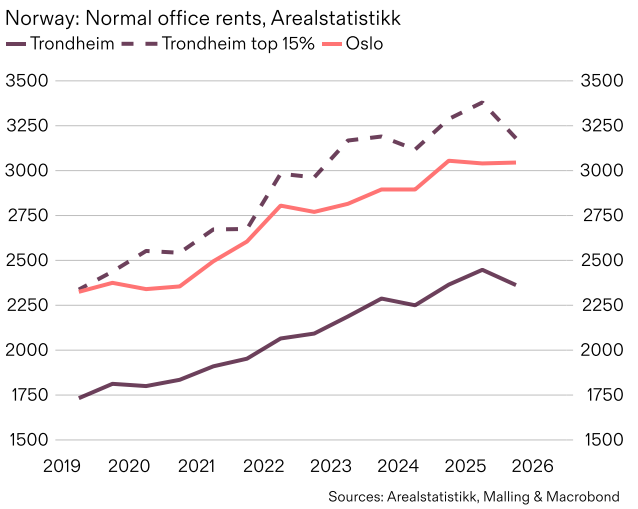
Residential prices have been broadly flat for five years, reflecting a balanced market in which rental yields are higher, and sell-offs less prevailing than in Oslo.

Office employment eased back to 2023 levels



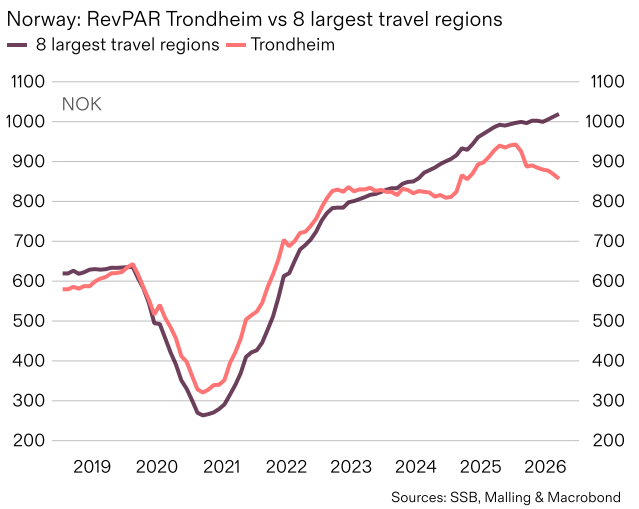
Sources: SSB, Malling & Macrobond

Rental levels edging down from 2025 highs



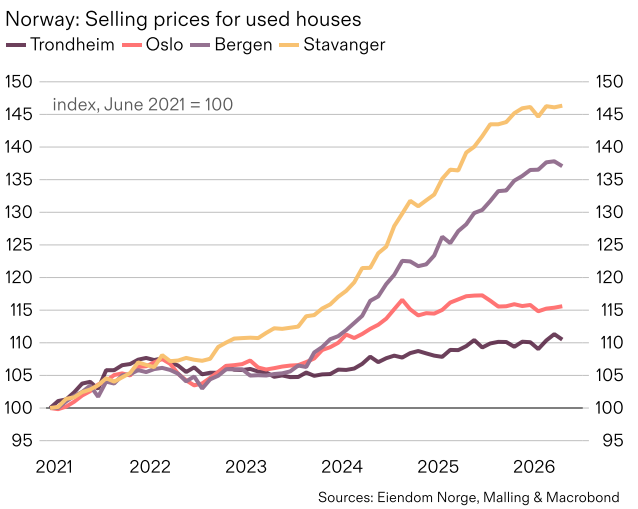
Sources: Arealstatistikk, Malling & Macrobond

Lower RevPAR mainly due to conference segment drop



Sources: SSB, Malling & Macrobond

Trondheim house prices with small changes



Sources: Eiendom Norge, Malling & Macrobond

Regions
Bergen

Parts of this section have been provided by WPS Næringsmegling in Bergen.
To check out more detail about the CRE market in Bergen → wps.no

Strong regional fundamentals underpin Bergen's property market

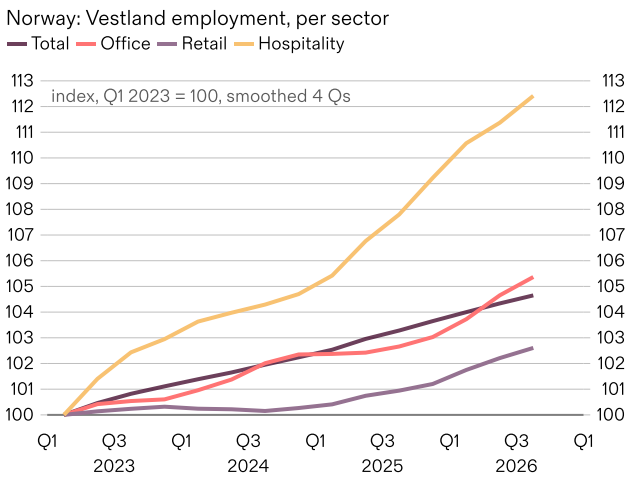
Bergen continues to benefit from some of the strongest underlying demand fundamentals in Norway, supported by activity across the wider energy and tourism sectors. This provides an important foundation for the regional economy and feeds through to demand across the commercial property market. Employment has increased across all sectors, indicating broad-based growth in the local labour market. Hospitality has been a particular area of strength, with rising employment largely attributable to continued growth in tourism and leisure-related demand.

Within the office market, conditions at the prime end have shown signs of stabilisation during H1 2026. Similar to the trend observed in Oslo, demand remains more concentrated in prime stock, with a widening rental differential between the best-quality premises and the wider market. Occupier requirements remain selective, with greater emphasis on building quality, location and specification. While this continues to support prime rental levels, conditions across secondary stock remain more subdued.

Bergen's hotel market has recorded one of the strongest RevPAR performances nationally, with growth of approximately 9%. Occupancy reached 93% in August, reflecting particularly strong seasonal demand. Leisure travellers account for around two-thirds of total overnight stays, underlining the importance of tourism as the principal driver of hotel market activity.

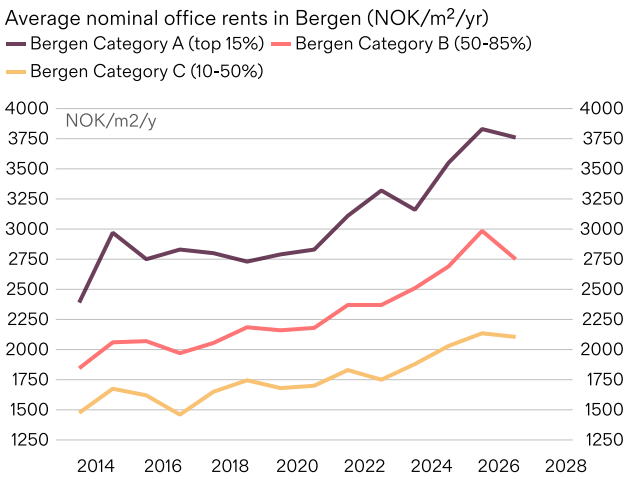
The residential market also remains robust, with strong house price growth and intense competition for existing homes. This contrasts with Oslo and broader national trends, highlighting Bergen's relative strength across several property-related sectors.

Strong employment development in the Bergen market



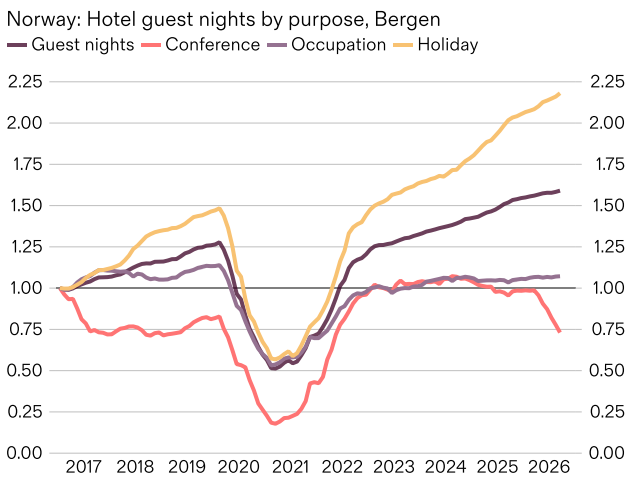
Sources: SSB, Malling & Macrobond

Nominal office rents levelled some off in first half



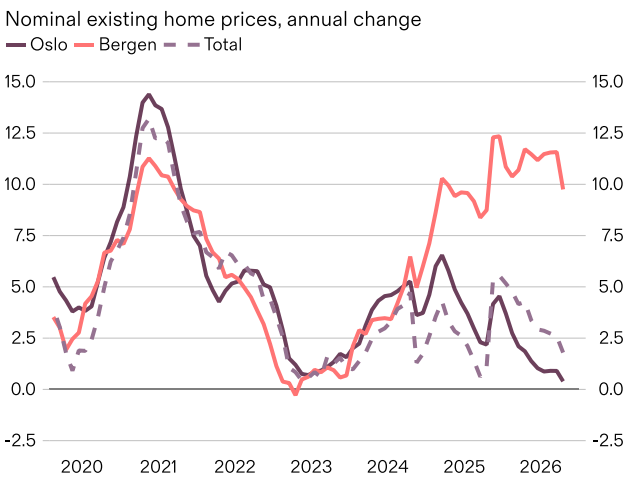
Sources: Arealstatistikk, Malling & Macrobond

Positive trajectory led by continued leisure growth



Sources: SSB, Malling & Macrobond

Bergen residential market with solid growth



Sources: Eiendom Norge, Malling & Macrobond

Regions
Stavanger

Oil cycle easing points to gradual market normalisation

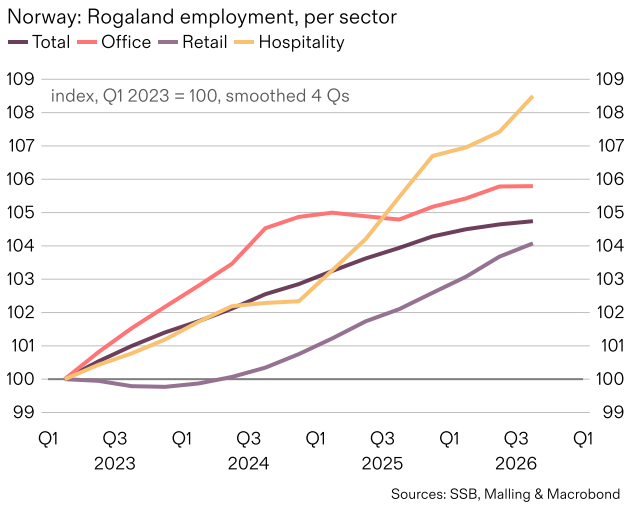
Employment growth across Rogaland has remained positive, although the pace of expansion varies across sectors and geographical areas. Hospitality has recorded the strongest recent increase, potentially reflecting a combination of underlying tourism demand and temporary activity associated with major events, including the biennial ONS conference. However, this growth is less apparent in the year-to-date figures, pointing to a more moderate underlying trend.

The regional economy remains closely linked to oil and offshore activity, with the substantial increase in oil investment since 2020 supporting energy-related employment and generating wider spillover effects across commercial property, business services and the residential market.

Oil-related employment is likely to respond with some delay to lower investment levels, potentially moderating office demand over time. Stavanger prime office yields have broadly converged with Oslo in recent years, although a gradual widening in the differential is anticipated as the outlook for oil investment becomes less favourable. Any adjustment is expected to be measured rather than abrupt.

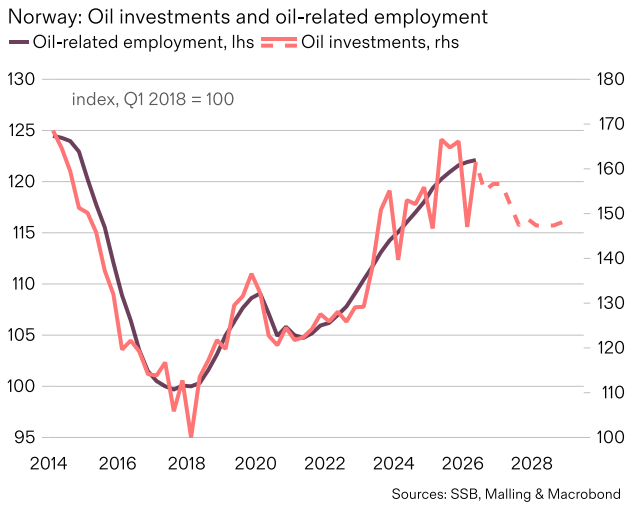
In the residential market, house prices have continued to rise, while construction starts have softened, indicating a more cautious supply response despite favourable pricing conditions. The current cycle also appears more measured than the previous oil-driven downturn, with companies demonstrating greater discipline in their investment plans. This may help limit the extent of any negative spillover effects on the wider property market.

Hospitality employment with recent growth



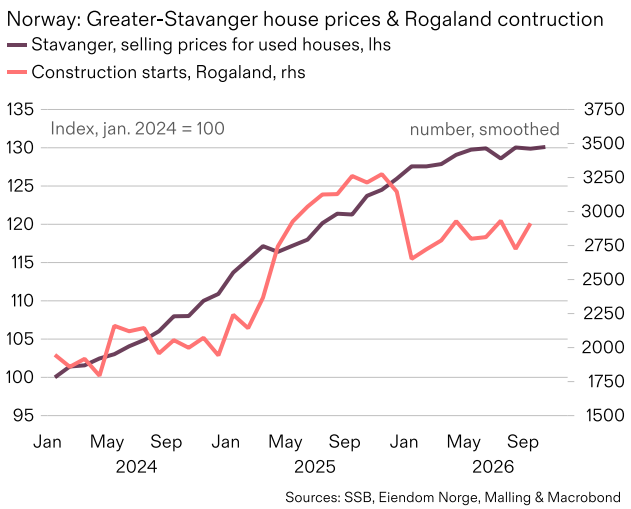
Sources: SSB, Malling & Macrobond

Office employment growth expected to ease slightly



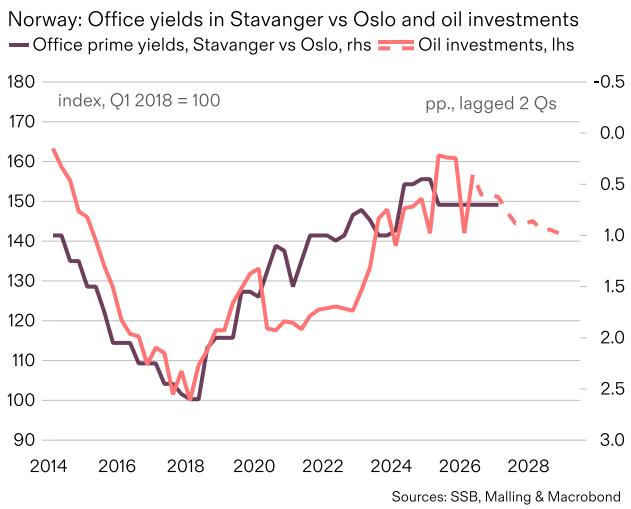
Sources: SSB, Malling & Macrobond

Construction starts diverge from house price growth



Sources: SSB, Eiendom Norge, Malling & Macrobond

Outlook for a widening in prime office yields as in Oslo



Sources: SSB, Malling & Macrobond

Regions
Drammen

Rising investor interest highlights the strength of the E18 corridor

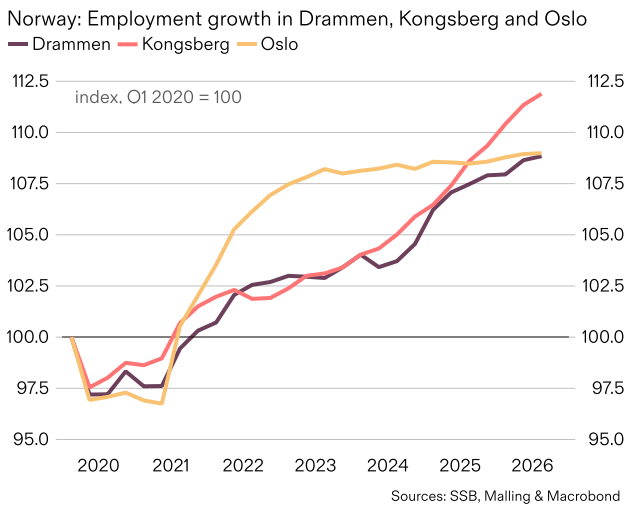
The Drammen office market remains stable, supported by steady leasing activity and continued demand from both public and private occupiers. While employment growth in Drammen remains modest, developments in Kongsberg's labour market and the expanding defence industry are becoming increasingly relevant to the wider region. Drammen benefits from its proximity to this growing industrial cluster, offering businesses access to specialist environments alongside a broader recruitment base and competitive premises.

Central government accounts for 49% of office employment in Drammen, giving the market a distinct profile compared with Greater Oslo. As the only office-based sector currently recording employment growth, central government provides an important source of resilience. This concentration may help cushion Drammen against weaker employment trends in more cyclical private-sector industries, supporting a comparatively robust underlying demand base.

Transaction volumes across the western corridor and along the E18 have reached new highs, reflecting growing investor interest in the region. Higher yields relative to central Oslo continue to attract leveraged investors seeking stronger returns, while the presence of established retail, trade and logistics clusters provides a solid underlying foundation for activity. The combination of yield-driven investor interest and demand for strategically located commercial properties is strengthening the corridor's position in the wider investment market.

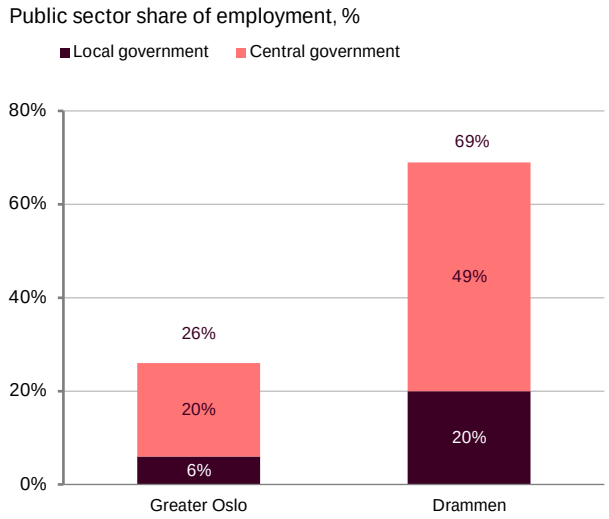
The logistics market remains well supported, with demand underpinned by the region's strategic location and industrial activity. Following a period of strong growth, we expect rental levels to consolidate gradually, with scope for modest further increases as demand continues to absorb available space.

Employment has been on the rise in Drammen

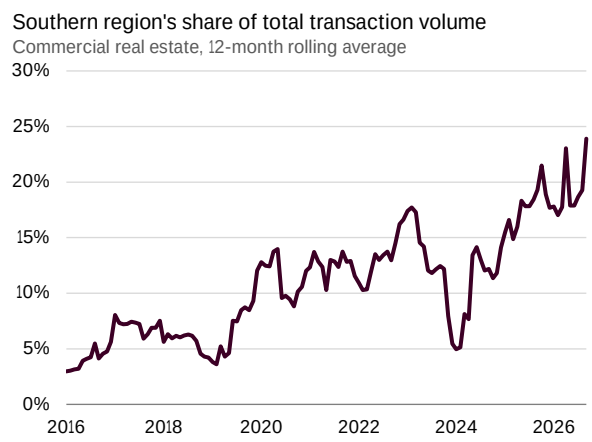


Sources: SSB, Malling & Macrobond

High share of central government support demand

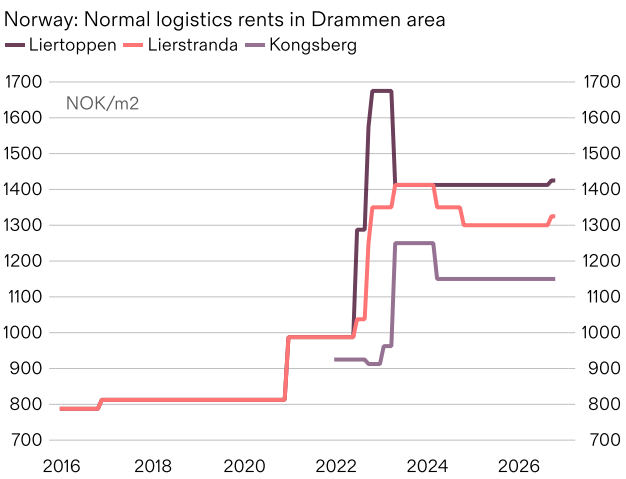


Increasing transaction activity along the E18-corridor



Southern region: Lier, Drammen, Kongsberg, Vestfold, Telemark and Agder
Source: Malling

We expect logistics rents to rise modestly ahead



Sources: Malling & Macrobond

Team

Malling advised Nordea Liv Eiendom throughout the procurement and implementation of an 850 kWp rooftop solar PV installation at Stavanger Bilpark. The system is expected to produce approximately 710,000 kWh of renewable electricity annually and supports the property's long-term sustainability objectives.





Malling advised Malling & Co Eiendomsfond on the replacement of the cooling system at Mariboes gate 13 in Oslo. The new installation utilizes propane (R290) as a natural refrigerant, delivering an energy-efficient and future-proof solution with a substantially lower climate impact.

Malling & Co Research and Valuation

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Malling & Co Research and Valuation is an integrated division of Malling, the market's most innovative and complete commercial real estate advisor. The division consists of 15 analysts and advisors who manage our research product and house view and support clients both directly and in collaboration with the firm's Capital Markets, Investments, and Property Management divisions.

Working across the entire Malling organisation provides us with deep insight into all aspects of the commercial real estate market, as well as a strong commercial understanding that underpins our research, valuation and advisory services. Our extensive coverage of the Norwegian commercial real estate market serves as the foundation for our work.

Core services include:

- Strategic advisory for single assets and portfolios
- Tailored market research
- Certified valuation services for all types of commercial and development properties
- Market data at property and cluster level
- Bespoke financial modelling
- Commercial advisory
- Rental value assessments
- Profitability and scenario analyses

We tailor the scope and complexity of our deliverables to each property and client's needs. Our objective is to create value by identifying opportunities and challenges and proposing initiatives that drive value creation.

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