

# Logistics Market Report 2016

## Greater Oslo Area





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## SUMMARY

Last year, Colliers International conducted the first publically available «Logistics report» for the Norwegian commercial real estate market. Looking on roughly a year on, there have been a few minor changes in a market that ever so often is referred to as “stable”.

The most significant development is that the yield has dropped quite significantly, especially in in the prime areas such as Ski (Regnbuen), Skedsmo (Berger) and Groruddalen. At present, we believe that the prime yield is 5.5 %, a drop of approximately .5 % during the past year. A yield of 5.5 % is only obtainable in properties with long leases which include a tenant with a strong covenant as well as a very good quality building.

As such, it is quite clear that the “re-pricing” we discussed and anticipated would come in last years report has certainly taken place as we have indeed seen a very significant yield drop,

especially concerning prime properties. The rents however, have remained very stable for several years. The prime rents within this sector is now NOK 1 250,- per sqm which is a very minor increase on last year, and indeed the past 10 years. As the yields have dropped significantly in the last few years, while the rents has remained stable, it is questionable as to how much more the yield can drop, as long as the rents does not increase. Additionally, we do not believe that rents will increase significantly going forward. This is mainly due to xx

The vacancy rate is currently ~ 10 %, down approximately 1 percentage point in the past year. What we discovered is that the vacancy rates within each area is highly volatile and will differ vastly from year to year. This is due to most areas being relatively small and as such a few larger vacancies will have a significant impact on the vacancy rate. We have seen several such

exemples in this years’ report for instance at Lørenskog which has gone from close to 0 % vacancy to a rather high vacancy rate. However, the total vacancy rate is as previously stated, stable.

The transaction volume in 2015 was down from 2014 if we look strictly at logistics and warehouse property. However, if we include other industrial related property, the total volumes in these two years are quite similar.

For 2016 we do expect a transaction volume for the logistics sector at NOK 6 – 8 bn. The demand is very high for fully developed properties. If the supply is adequate, we might see transaction levels above these levels.

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## OVERVIEW AND DEFINITIONS

### OVERVIEW

The counted stock of logistics property is a result of a thorough count of logistics developments in the Greater Oslo region. We have updated the stock with a few small alterations compared to our 2015 report, also including a few conversions and new developments. However, the total stock remains more or less the same as last year.

The definition of “logistics buildings” is developments that are primarily planned and zoned as “Warehouse/Storehouse and other types of storage space”. We have done every possible measure to ensure that as much logistics property as possible has been counted and included in the total stock.

Developments that are currently under construction have been included. Planned projects that has yet to commence construction has been excluded from the stock and will be included at the start of a new lease or as soon as a new tenant could theoretically accept tenancy and make us of the property within the same day.

The total stock of logistics property in the Greater Oslo area is by our estimation close to 2.7 million m<sup>2</sup> where Groruddalen represents the largest area in our respective definition of the areas.

Although the area is still the largest in terms of sqm, there is little new development in the area and a considerable amount of the stock is old and a portion of this is more or less dead stock.

### VACANCY

The vacancy rate is defined as “marketed logistics space divided on the total logistics stock”. As opposed to the office sector where vacant space is readily marketed, logistics space in Norway is not as widely advertised. Consequently, the actual vacancy might in some areas be higher to what we are able to document in this report.

The vacancy rate in the different areas differs significantly from close to 0 % vacancy to other areas with over 30 %. The stock in certain areas is quite small and large vacancies in one of the buildings may provide a very high vacancy rate, only to decrease drastically when the specific letting situation is resolved. Furthermore, most of the areas with very low vacancy rates are of newer development where the majority of the buildings are occupied by larger single tenants which naturally ensure lower vacancy rates.

The current vacancy rate for the logistics sector in the Greater Oslo area as a whole is currently ~ 10 %. This is a decrease of 1 percentage points compared to our 2015 report. We see that most areas are quite volatile which is due to the size of each area which causes problems while looking at historical vacancy statistics for each area.

We will revisit this theme next year when we have obtained more data concerning the areas. The areas are volatile due to the relative small stock in the various areas and therefore a few larger vacancies will have large implications on the

on the vacancy rate for each area. Consequently, we anticipate Groruddalen to be the most stable area due to is also being the area with by far the largest amount of stock. However, in the past year we have seen a significant decrease in the vacancy rate in Groruddalen.

Furthermore, we observe that most tenants move quite freely from one area to another. It is not comparable to the office sector where tenants are much more loyal to an office area due to a variety of reasons. In the logistics sector, there are several areas in different locations that offer the same qualities and consequently, a tenant moves much more easily from one area to another.

### AREAS

For the purpose of this report, we have, as we did in our 2015 included 13 different logistics areas in the Greater Oslo area. These are all located no more than an hours drive and less than 70 km from the Oslo city centre. Varying in size, these are nonetheless the major logistics hubs in Norway, in addition to some larger developments in Stavanger in the west of Norway. The latter will not be covered in this report.

The areas that will be featured in this report are the following:

Groruddalen, Lørneskog, Gardermoen/Kløfta, Berger, Regnbuen / Ski, Skedsmo, Gjelleråsen, Vestby, Vinterbro, Moss, Drammen, Lier og Rud.

## RATING

Our Colliers Rating is used by Colliers International to assess the perceived attractiveness in each sub area by prospective tenants and investors. There are several factors behind this assessment. Primary factors include; location, communication links, willingness by municipality to facilitate further Logistics development and land value.

## DESCRIPTION OF THE AREAS

What these areas have in common is that that are preferably located in the vicinity of important points of communication. Throughout the Oslo area, the main highways are the Europe road 18 (E18) , Europe road 6 (E6) and Europe road 16 (E16).

All of the areas are either linked to one or more of these. Other important means of communication and transportation is the Oslo Airport located to the North of Oslo at Gardermoen, approximately 40 minutes from the city centre, as well as the ports in Moss and Drammen and to a decreasing extent, the Port of Oslo.

As we identified in last years report, some of our defined logistics areas are located in urban areas and are diminishing rather quickly in size. The area of Groruddalen remains the largest logistics hub in terms of sqm, however, are continuously diminishing in size due to annexations and conversions from logistics and industrial land to more residential, retail and office focused use.

One such development which we also noted last year is the large scale development taking place at Økern which is now well under way. On the other hand, we have several more rural municipalities that are vying for more logistics development such as Vestby and Moss that have compiled strategies in their respective municipal plans in order to become increasingly attractive for developers of logistics property.

## POPULATION GROWTH DEVELOPMENT

According to the population projections by Statistics Norway, the population growth in the forthcoming decades will be strongest in the counties of Oslo and Akershus area which is estimated to have a significant growth in both Domestic as well as International terms. The ongoing problems in the petroleum sector and the uncertain macro economic outlook has not yet halted the Greater Oslo area's residential market which is performing well above the national average and is showing strong growth.

Thus, each and every one of our scrutinized areas lies within the fastest growing region in the country where the continuous urbanization and influx of people facilitate further development and / or redevelopment of residential and commercial property.

This arguably gives us reason to believe that the logistics sector in the Greater Oslo Region will expand considerably in the years to come as demand will only continue to increase.





## MACRO ECONOMY

The Norwegian economy is in the midst of a turbulent period mainly caused by the vast drop in the oil price and consequent downturn in petroleum related activity. The North Sea oil price is currently at \$ 40 a barrel, considerably lower than most estimates that was given only one year ago. This is however, a significant increase from the bottom at the end of January at around \$ 28 per barrel.

In our 2015 report, we anticipated based on external estimates that the oil price would increase to any where to \$ 65 to \$ 75 during the course of 2015. We wrote a year ago, that the effects of the volatile oil prices remained to be seen. The most immediate effects on the Norwegian economy have been apparent with a strong increase in unemployment, especially in the Western part of Norway, low real income growth and a significant decrease of the NOK.

At the time being, much of the effect is quite local, and commercial businesses in the Oslo area outside of the petroleum sector has not been nearly as heavily affected as for instance those in the county of Rogaland in the West. Additionally, it is important to note that there are several counter cyclical implications of the collapse in the oil price as well. Several of the other business sectors in Norway is thriving because of these implications, for instance the fishery and tourism sector which is greatly benefiting from the low NOK.

The expected GDP growth for 2016 is 2 % and Statistics Norway estimates further growth in 2017 and 2018.

## INVESTMENTS

In our 2015 report, we anticipated a strong year in terms transaction volume in the Logistics sector. The basis for this anticipation was strong interest from International buyers as well as many strong domestic players in addition to attractive yield levels compared to other sectors within commercial real estate as well as other asset classes. However, with the result in hand, we are able to conclude that the volume in fact did not meet our expectations.

In terms of actual volume, the size was decent seen in a historical perspective. However, in terms of share of the total transaction size, the Logistics sector significantly lagged behind in 2015 due to the record transaction volumes in other sectors, especially in the retail sector as well as office properties.

The end transaction volume in the logistics sector was also lower compared to what we saw in 2014 and the considerable decrease in volume has been surprising to us as we had expected a strong transaction year for the logistics sector. The year ended with a transaction volume little more than half compared to 2014, while the total transaction volume for commercial real estate doubled from 2014 to 2015.

Admittedly, there have been a few large transactions, especially “Herøya Industripark” which is more of a production facility as opposed to storage / warehouse which is our primary definition of logistics property within this report. This transaction would have contributed significantly to the logistics transactions volume with its’ NOK 1.75bn. There were a few other industrial production facilities as well which would have added to the logistics transaction total. Furthermore, the second largest logistics transaction of the year was one perhaps not commonly referred to as a logistic development, namely Schibstedts’ printing works in Nydalen which was sold for NOK 1.050 bn to Obos from Pareto. This property however, had to our knowledge a significant share of storage / warehouse within the property. The fate of the printing works is more than likely going to be residential development.

The interest for logistics property in Norway generally, and in the Oslo area especially, is in our opinion still strong. The drop in yields has been stronger in both the retail and office sectors compared to the logistics sector and the yield-gap is considerably wider as well. The leases for logistics property are often longer and with single or few tenants which is very attractive these days. The focus on e-retailing and the increased demand for logistics property is also fueling the interest for logistics property. The general anticipation is that the



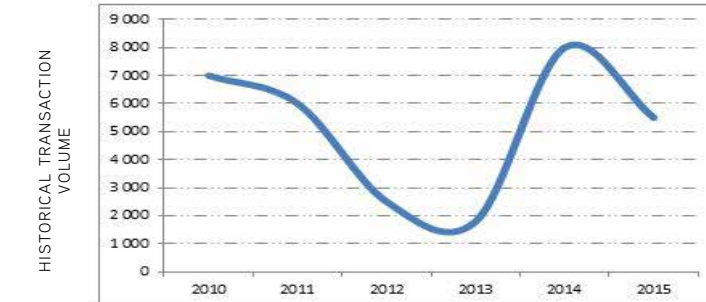
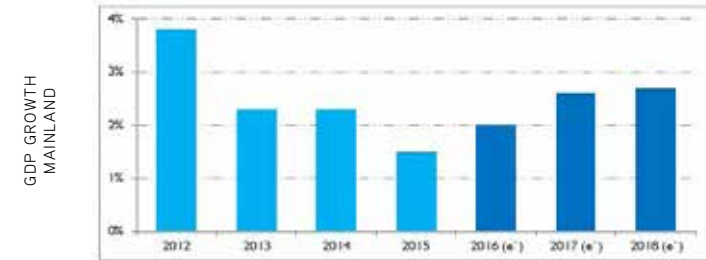
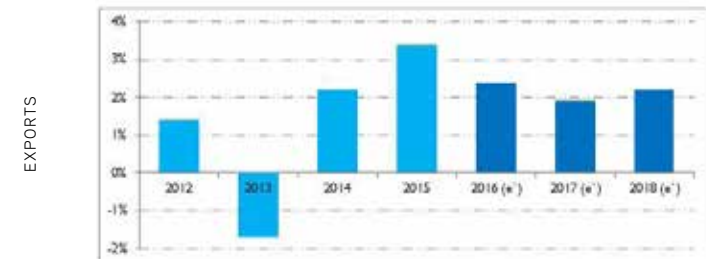
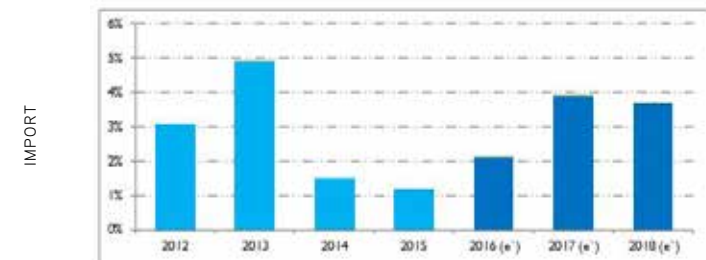


demand for the Logistics sector is going to increase further moving forward as e-commerce continues to grow in market share.

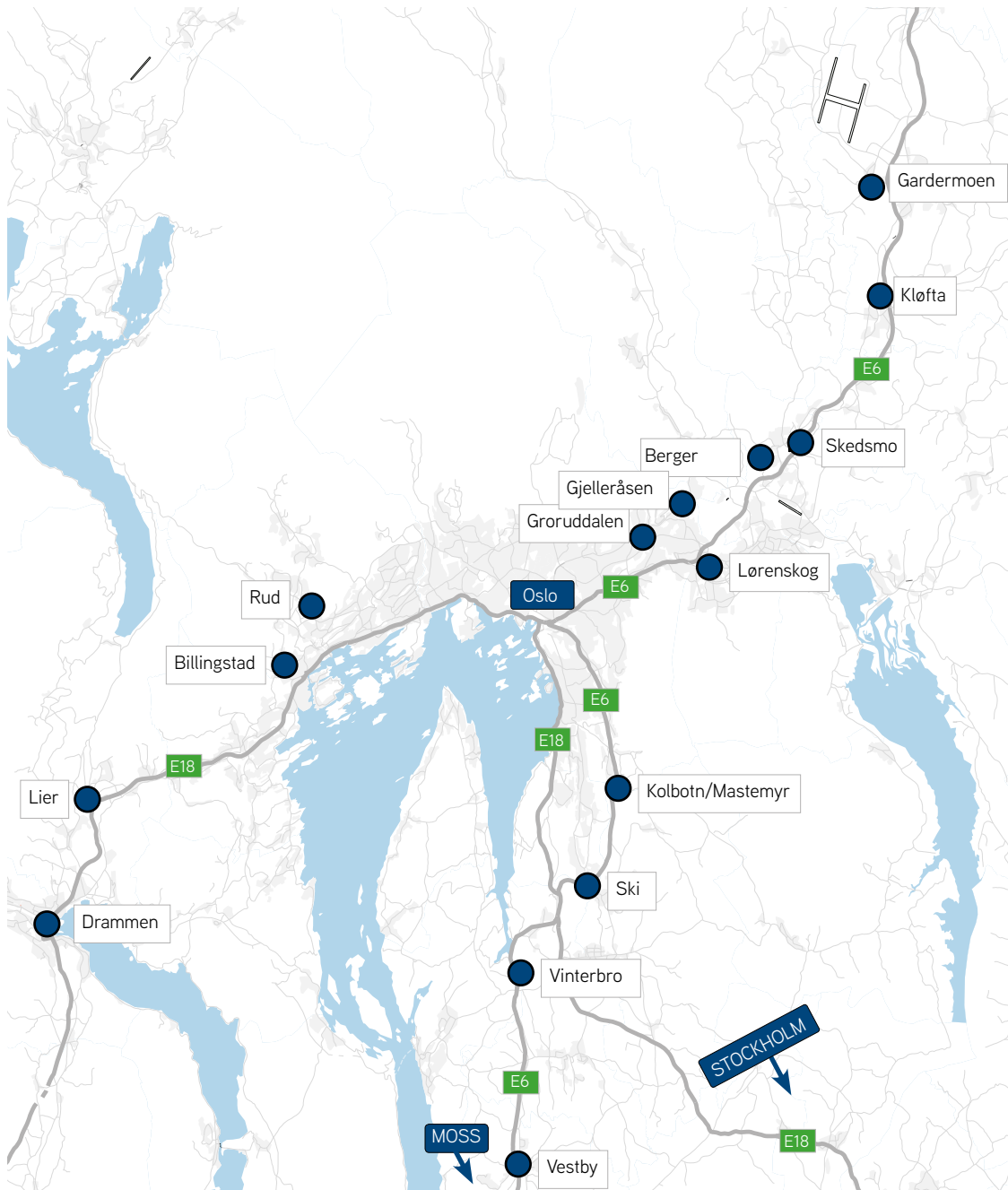
Furthermore, the development in the residential sector within the areas surrounding the primary logistics hubs are still working as some sort of hedge for logistics property in the sense that the residential prices are steadily increasing and much of the logistics stock are to some degree liable as residential development which is much more cost intensive.

The demand for secondary logistics property remains rather “laissez-faire” with restricted demand. What is proving most troublesome for these properties is the trouble of obtaining financing for these secondary properties and / or locations. We have seen several prospective deals falter due to lack of financing in the past six months and all indications are currently that this will continue going forward.

Our expected transaction total for 2016 is between NOK 6 and 8 bn. The demand is high, and prospective buyers are trying their best together with brokers to find appropriate deals. The interest in the prime segment is very high, however, these properties are hard to find. As a consequence of the high demand, there is certainly a possibility of an even higher transaction volume within the logistics sector at years end.







## LOGISTIC HUBS GRATER OSLO AREA

AREA	MUNICIPALITY	PRIME RENT (NOK / SQM.)	VACANCY RATE ( % )	PRIME YIELD ( % )	COLLIERS RATING
Groruddalen	Oslo	1 250	13	5, 5	A
Ski	Ski	1 150	9	5, 6	A
Vinterbro	Ås	950	0	6, 2	B
Drammen	Drammen	900	7	6, 3	B
Lier	Lier	800	30	6, 7	C
Rud	Bærum	1 100	12	6, 5	B
Lørenskog	Lørenskog	1 100	13	5, 8	A
Skedsmo	Skedsmo	1 100	11	5, 70	A
Gjelleråsen	Nittedal	950	6	6, 25	B
Gardermoen / Kløfta	Ullensaker	950	3	6	B
Vestby	Vestby	850	7	6, 5	C
Moss	Moss	750	24	7	C

## GRORUDDALEN

Groruddalen is the largest logistics area in the Greater Oslo region in terms of sqm and with its' close proximity to the city centre, it has maintained its' popularity amongst tenants as well as contractors and developers and is the area with the highest rent per sqm in Norway. This has arguably more to do with its location rather than the general standard and quality of the buildings as a large portion of the existing stock are of older standard with lower loading capacity, terminals and ceiling heights. Increasing land values in the area as well as the Municipality of Oslo's general unwillingness to accommodate more logistic property within the city limits is impeding most future large scale developments in Groruddalen.

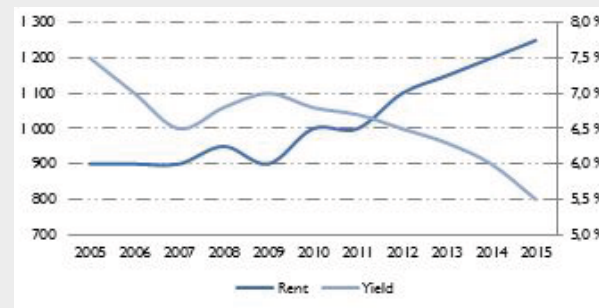
As residential prices has skyrocketed, Groruddalen is one of the areas in Oslo with the sharpest increase in residential prices, more and more obsolete logistics and industrial stock has been are being removed or converted into alternative use, mainly residential. We expect this trend to continue going forward as the municipality is generally very positive towards redeveloping old logistic properties as well as many land owners which will see increased value for their properties with alternative use in this area.

The overall attractiveness of Groruddalen as a logistics area is clearly reflected in the rental prices within this area with normal good quality buildings let at +/- NOK 1 000,- per sqm. Prime properties may obtain rents as high as NOK 1 250 per sqm for storage / warehouses and somewhat higher for office space in combination buildings. This makes Groruddalen the most expensive logistics area in Norway.

In the past year we have seen a considerable decrease in the prime yield for the area which has dropped from around 6 % to 5,5 %. This is a drop

p we have seen earlier in the office and retail markets, but has now also found its way to the logistics market. A yield of 5,5 % however requires a new development in the best location in Groruddalen with a strong covenant on a long, 15 year + lease.

The vacancy rate in the area has dropped from 20 % to 13 % in a little more than a year. Furthermore, a few of the larger vacancies actually has a tenant until 2017. The drop of 7 percentage points is significant, however, it is important to note that a year ago, a lot of the vacancy originated from Østre Aker vei 264 (Coop's old main storage) which is no longer advertised. Excluding this development from last year's vacancy rate would have resulted in a similar vacancy rate as we see today.



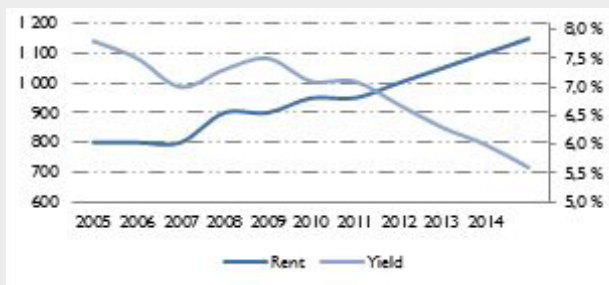
PRIME RENT (NOK/SQM.)	1 250	↑
VACANCY RATE (%)	13	↓
PRIME YIELD (%)	5, 5	↓
COLLIERS RATING	A	↘

## SKI

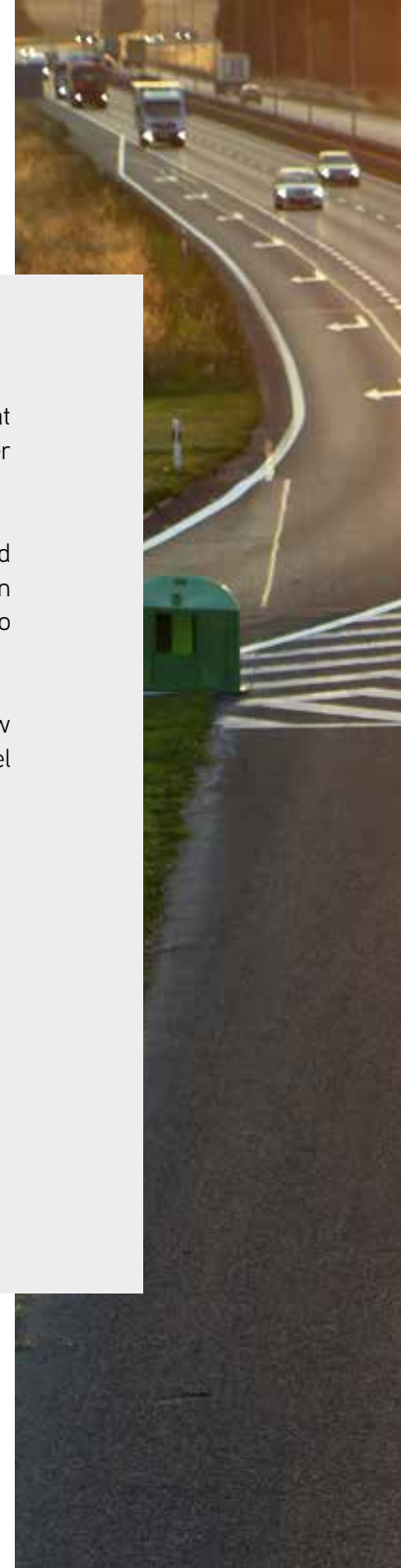
In the municipality of Ski there are two primary logistic hubs, Regnbuen in the northern part of the district and Ski in the southern end. Regnbuen is generally considered as one of the preeminent logistic areas within the Greater Oslo region as a large part of the building stock consists of newer developments with high quality standards, occupied by large and strong tenants. The area has undergone several large-scale developments in recent years, yet there is still an abundance of available land plots in the area that are waiting for anchor tenants before the owners and developers are able to start construction and the area is highly popular for new large scale development due to its' location and possibilities. The municipality is still strongly supporting further logistics development in the area and as we have seen compared to last years report, the stock in the area has indeed increased.

The logistics areas at Ski has excellent communication links, easy access points and adjacent location to Oslo which all makes this area a well sought after destination for developers and tenants in the logistics industry. The area's general popularity can be seen in the historical development of the obtained rents as they have steadily increased during the past decade. In recent years, we have also seen a significant drop in the yield levels in the area, a development that has continued since last year. With a prime yield level at 5.6 %, we believe that we might see prime yields of 5.5 % in this area in 2016 and towards 2017 given the proper tenant with a substantial lease length.

The vacancy in the logistics areas in Ski has increased from 5 % to 9 %. While reviewing what is actually vacant in the area, we believe that the vacancy will decrease towards 5 % again going forward. The overall rents in the area has also increased, with the prime rents now as high as NOK 1 150,- per m<sup>2</sup>.



PRIME RENT (NOK/SQM.)	1 150	↑
VACANCY RATE (%)	9	↑
PRIME YIELD (%)	5, 6	↓
COLLIERS RATING	A	→



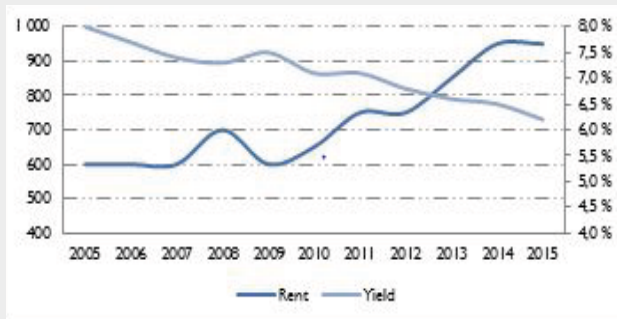
## VINTERBRO

Vinterbro is located in the municipality of Ås just south of Oslo and is characterized for its' rural landscape with large land reserves. The logistics area at Vinterbro is one of the smaller ones in terms of stock in the Greater Oslo region and is concentrated alongside the European route E18. The area is however rapidly increasing in volume as a logistics hub and is an exiting area going forward with its good location in relation to Oslo.

The logistic properties in the area have been developed in recent years and have thus generally a standard of high quality with good ceiling heights and plenty of loading capacity. There remains considerable amount of land available for further development in the area, and we anticipate this will materialize in the near future. The municipality plan states that Ås is positive towards further logistics development, although it also communicates that it is paramount to conserve existing arable land.

At the area of Vinterbro, we were actually unable to find any vacancies at present and the vacancy rate is 0 % accordingly. This excludes prospective new developments that will be located in the area which however is not vacant either now or within the year. The yield level of 6.2 % means that the yield level in the area has been quite stable since last year.

The prime rent in the area is NOK 950,- per m<sup>2</sup>, a slight increase from last year.



PRIME RENT (NOK/SQM.)	950	➔
VACANCY RATE (%)	0	⬇
PRIME YIELD (%)	6, 2	➔
COLLIERS RATING	B	➔

## DRAMMEN

Drammen has since the early 2000's undergone rapid urban development and has been significantly altered to what was then referred to as "Norway's largest junction". Today, Drammen has become a vibrant city with one of the highest residential prices in Norway as well as it has become an attractive location for many businesses. However, there remains several logistics areas in the Drammen area with the main hubs located to the west and east of the city centre. In the south east we find the dock area and further to the east there is logistics development towards Lier. In the west we find the logistics development towards Nedre Eiker along the river Drammenselva.

The port of Drammen is one of the largest and most important in Norway, often regarded as the main automobile port in Eastern Norway. There is however, a current strategy aimed to transform the dock areas into other purposes than storage facilities. The municipality plan nonetheless states that Drammen is eager to maintain and further strengthen its' position as one of the most important logistics hubs in the Greater Oslo region.

The rent for logistics developments has increased rather significantly since the mid-2000s. However, in the past year the rents in Drammen has remained at NOK 900,- per m<sup>2</sup> for prime logistics property in the area. Although the rents have not increased much in the past year, we expect this to change as Drammen remains very popular and with the planned redevelopment of the E18 towards Oslo as well as the port of Drammen, we see Drammen as a vital logistics area going forward.

The vacancy rate has decreased from 12 % to 7 % in the past year while the prime yield level has only decreased slightly from 6.4 to 6.3 %.

PRIME RENT (NOK/SQM.)	900	➔
VACANCY RATE (%)	7	➔
PRIME YIELD (%)	6,3	⬇
COLLIERS RATING	B	➔



## LIER

The logistics area in Lier is located contiguous to Drammen and many regard the two as cohesive areas. However, for the purpose of this report we have chosen to define Lier as an independent area. The logistics developments of Lier are primarily located at Lierstranda next to the port of Drammen. The municipality of Lier has strong traditions of being one of the foremost agriculture municipalities in Norway, consequently there is considerable amount of land within the municipality borders. With its' relative proximity to Oslo, good communication links along the E18 main highway and the municipality's ambition to attract logistics developments. There is a lot of land which would be well suited for storage buildings. Lier has the potential to become an increasingly important logistics hub going forward.

The area of Lier draws quite heavily on its' adjacent location to Drammen as well as its good communication links towards Oslo. Currently, Drammen stands out as the more popular destination although it is slightly farther away from Norway and has more traffic. If there is further progression with the plans for the E18 highway, it will be a huge boost for Lier as a logistics hub in the future. The road works regarding the E18 to the west of Lier is complete. With similar possible developments in the more vital Eastern section in the next few years, Lier could become a prime area given the availability of land and potential for larger development schemes. There are several possible developments at Lier which is zoned and regulated. We find it probable that Lier as a logistics area will become more vital going forward.

The current prime rent in Lier is NOK 800,- which means that the prime rent has remained stable during the past year. The prime yield also remains as 6,7 %. What has increased however is the vacancy rate from 21 % to 30 %. 30 % vacancy is high, however, the stock in Lier remains quite small for the time being, and a few larger vacancies will cause a strong impact on the total vacancy rate.

PRIME RENT (NOK/SQM.)	800	→
VACANCY RATE (%)	30	↑
PRIME YIELD (%)	6,7	→
COLLIERS RATING	C	↗





## RUD

With a mix of large and small logistics developments, Rud is one of the smaller hubs in the Greater Oslo region in terms of volume of stock. The area also consists of quite a few retailers such as furniture and car dealerships and has several residential neighbourhoods close by. The logistics developments at Rud are found in the north west in the municipality of Bærum which boasts some of the highest residential prices in the country and is otherwise known for its' office markets, especially in areas such as Fornebu/Lysaker and Sandvika.

Such factors put pressure on the logistics areas in Bærum as land prices are among the highest in Norway and thus yield for redevelopments of industrial and logistics space. The municipality is generally reluctant towards expanding the existing stock of industrial and logistics buildings in order to preserve the municipality's status as an "affluent community". The logistics developments at Rud are likely to be under pressure for alternative use going forward.

Rud is located only 20km from Oslo by the main highway E18 and the E16 from Sandvika and this location makes the area categorically attractive for market participants in the logistics sector. One drawback however, is that this particular section of the road is known to cause heavy traffic congestions. The adjacent location to Oslo nonetheless makes this area one of the more expensive logistics areas in the Oslo region with sharp, but stable rents and acuminating yields.

The current prime rent in the area is ~ NOK 1 100,- per m<sup>2</sup> which means that the rents has been stable for the past year. The prime yield also remains at 6,5 % while the vacancy rate has decreased slightly to from 15 % to 12 %.

PRIME RENT (NOK/SQM.)	1 100	➔
VACANCY RATE (%)	13	⬆
PRIME YIELD (%)	5, 8	⬇
COLLIERS RATING	B	⬆



## LØRENSKOG

Located by the E6, only 15 km from the Oslo city centre, Lørenskog is among the most popular logistics areas in the Greater Oslo region due a large part to its' excellent location with access to good communication links to Oslo and the Greater Oslo region as a whole. There are several good quality properties in the area with some very large developments such as Postens's main logistics distribution centre of roughly 80 000 sqm. Most of the developments are based around Røykåsen, Solheimsveien and Skårersletta.

According to the municipality plan, Lørenskog wants to remain focused on facilitating logistics and industrial development, although there is limited supply of land available for further development. Due to the ongoing urbanization of the area, residential developments are becoming increasingly attractive and have thus led to higher land prices, making it more difficult to build new logistics developments as well as preserve old developments as they are increasingly under pressure to be converted in to alternative use which makes it increasingly difficult to make new logistics developments in this area liable. We believe that the population growth and continued urbanization will cause an upsurge in developments of obsolete logistics buildings in favour of residential and office developments in Lørenskog.

Lørenskog are one of the more expensive logistics areas in terms of prime rent due to its' location as well as several high quality properties. The rents are now NOK 1 100,- per m<sup>2</sup> which is a slight increase from last year. Concerning the yield level however, we have seen a considerable decrease from 6.1 % to 5.8 %. At the same time, the vacancy rate has increased significantly. In last years' report, the vacancy rate was only 1 % as there were almost nothing available. Today, due to a few vacancies, the vacancy is now 13 %. It is important to keep in mind that the vacancy rate in an area such as Lørenskog only needs a few larger developments either being released on to the market or let to alter the vacancy rate significantly.

PRIME RENT (NOK/SQM.)	1 100	↗
VACANCY RATE (%)	13	↗
PRIME YIELD (%)	5,8	↘
COLLIERS RATING	A	↗



## SKEDSMO

There are several logistics areas in Skedsmo, yet the principal area is Berger which is one of the premier logistics in the Greater Oslo region. Two other important areas in Skedsmo are Kjeller to the west and Lillestrøm to the east. Berger is located north in the municipality. At Berger, there are some larger plots available for developers who are seeking tenants within the logistics sector.

Land prices are however increasing quite considerably within this area. The industrial sector has been the predominant source of labour within the municipality, although the prevailing trend indicates that a diminishing share of jobs relate to the industry and logistics sector. The current strategy in the municipality plan states that the focus ahead lies in developing more office related businesses rather than logistics related industries.

Skedsmo is viewed as one of the prime logistics areas in Norway and Berger especially is worthy of a top rating. The communication links to Oslo and surrounding areas makes it highly attractive to most prospective tenants.

Recent lettings for new development at Berger indicate that the rent levels have increased in the space of the last few years. A new development was recently let with an average price of NOK 1 350,- per sqm. However, it is important to note that this includes some office space and that the rent for the logistics space is somewhat lower. Another development was let at NOK 1 100,- with a smaller share of offices. In any event, the rents have increased with roughly 10 % during the past year. The prime yield as well has dropped significantly and is now 5,7%.

The vacancy rate has been quite stable, with a small increase from 8 to 11 %.

PRIME RENT (NOK/SQM.)	1 100	↑
VACANCY RATE (%)	11	↑
PRIME YIELD (%)	5,7	↓
COLLIERS RATING	A	→



## GJELLERÅSEN

Gjelleråsen is located to the north east of Oslo in the municipality of Nittedal and the area in general consists of modern developments with some large high quality buildings. It is a rural district without a natural population centre, although Rotnes serves as the municipality centre with a railway station and town hall.

According to the municipality plan, Nittedal has an ambition to prioritize logistics development in the area. In our opinion Gjelleråsen has plenty of potential to become an even more acknowledged logistics hub. The municipality has a rather large land bank as well, such that future logistics developments could be easily facilitated. The communication links has also become quite good in the area in recent years.

The current prime rent ~ NOK 950,- per m<sup>2</sup>, a slight increase from last year. Gjelleråsen has the potential to become one of the prime logistics hubs going forward and we reckon there is considerable upside potential in both rents and yields in this area.

The yield level is currently 6,25 % and the vacancy rate is 6% which means that Gjelleråsen all in all has been in a state of “status quo” during the past year.

PRIME RENT (NOK/SQM.)	950	↗
VACANCY RATE (%)	6	→
PRIME YIELD (%)	6,25	↘
COLLIERS RATING	B	↗



## GARDERMOEN AND KLØFTA

To the south of Oslo Airport lies Gardermoen Business Park where the majority of the Gardermoen areas' logistics developments are located. There are some developments further south at Kløfta as well as in Ullensaker which draws upon Gardermoen as a logistics hub. The existing stock primarily consist of recent developments of high quality and the area is expected to increase in size as there are significant amounts of land available in this district, probably more than in any of the other areas in the Greater Oslo region. As one of the fastest growing municipalities in Norway in terms of population, Ullensaker is popular for its easy commute to Oslo in addition to the prosperous job market that was created postliminary the opening of the OSL Airport some 20 years ago. the municipality plan states that one of the main objectives of the local government is to facilitate and arrange for commercial land, including logistics.

As the area forge ahead, we expect that the prime rent and yield will follow suit. The area is popular amongst developers as well as tenants and given its good qualities we find it reasonable to believe that its popularity will increase in the years to come.

The current prime rent is NOK 950 per m<sup>2</sup> while the prime yield remains at 6 %. Due to the fact that the area attracts several strong tenants in new developments on long contracts, we have seen a few examples of transaction activity here at such low yields

Since most of the logistics properties are of recent development with leases that has yet to expire, the vacancy rate is notably low at only 3 % which is only an increase of 1 % since last year. With the rapidly growing municipality and its focus on stimulating further developments of commercial real estate, especially within the logistics sector, we find it probable that Gardermoen will develop into an even more significant logistics hub in the future.

PRIME RENT (NOK/SQM.)	950	➔
VACANCY RATE (%)	3	➔
PRIME YIELD (%)	6	➔
COLLIERS RATING	B	➔



## VESTBY

Vestby is strategically located between the two main highways, making it an ideal location for logistic properties. The logistics hubs in Vestby are concentrated in the south of the municipality centre in areas such as Deliveien and Delitoppen. A great deal of the space has been developed rather recently and consequently the majority of the developments are of high quality. Vestby has already established itself as a significant logistics haven and both developers and tenants are able to find large parcels of available land in this area. The municipality is favorable towards further development of the logistics sector as well.

The prime rent in Vestby has increased at a solid rate for the past years and is currently around NOK 850 per m<sup>2</sup>. In spite of Vestby being a popular logistics destination, rents are somewhat lower than that of comparable areas, largely due to its distance from Oslo. Amid the current development of the area we find it credible to expect further growth in rent levels going forward.

As prime rent has increased we have seen a concurrent compression of the prime yield from last year which at present is 6.5 % compared to 6,7 one year ago. The vacancy rate in Vestby has increased from close to nothing at 2 % to now approximately 7 %. The area is dominated by larger tenants on long leases and we expect that a few of the current vacancies will be shorted rather quickly.

Given the municipality's favorable attitude towards logistic developments and the overall attractiveness of the area, we believe that Vestby will attract new tenants from areas such as Groruddalen and that the area will continue to grow as a logistics hub.

PRIME RENT (NOK/SQM.)	850	↗
VACANCY RATE (%)	7	↗
PRIME YIELD (%)	6,5	↘
COLLIERS RATING	C	↗



## MOSS

There are three principal logistic hubs in Moss; The dock area, Årvollskogen and Solgaard Skog located to the west, south east and north east respectively. Since the 19th century industry has played a vital role in the development of Moss with its port becoming increasingly important as the port of Oslo is downplaying its role as a national logistics hub. The port of Moss is of considerable size and cater to both commercial and public transport as well as the adjacent Rygge Airport.

With its proximity to the main highway E6 and its sizeable port, Moss is a natural region for logistic developments. According to the municipality plan, Moss will prioritize further development of the logistics sector in the region. The existing stock consists of both older and newer developments of varying quality. Based on the good connectivity with E6 and E18 along with its easy access to both the sea- and airport, we believe Moss' role as a logistic hub will become increasingly important in the years to come.

Moss is still one of the cheaper main areas in the Greater Oslo region and we find it reasonable to believe that there is a growth potential in the rental prices for logistic properties. The prime rent has increased during the course of the past 5 years and is currently at NOK 700-750 per sqm while the prime yield at present is 7 %. The vacancy rate at Moss has gone down from 37 % to 24 % after several of last years vacancies has been filled. The port of Moss will continue to play a crucial role as Moss continues to position themselves as an important logistics hub in the future.

PRIME RENT (NOK/SQM.)	750	↗
VACANCY RATE (%)	24	↘
PRIME YIELD (%)	7	↘
COLLIERS RATING	C	↗



## DEVELOPMENT POTENTIAL

As we identified in our report last year, seen in a historical perspective, we easily identify that the logistics and industrial hubs in the Oslo region has steadily moved away from city centre lastly with Kværnerbyen and the Port of Oslo. This is a common trait in most major cities in the modern world. As time has passed, these areas have been converted to either residential or other commercial use, such as offices, residential and retail property.

Areas such as Aker Brygge, and more recently Bjørvika, Sørenga and Tjuvholmen were previously key logistics and industrial areas which have been developed into vital and very popular downtown areas of Oslo. Outside of the downtown area, we have seen similar developments at Nydalen and currently at Økern.

20 years ago, most of the logistics development in the Greater Oslo area was located in and around Groruddalen outside of the city centre. While this area remains the logistics hub with the largest stock, new developments are mainly taking place elsewhere as residential prices

has soared in Groruddalen. This has caused an influx of new logistics property, mainly in the county of Akershus, as well as Moss in the County Østfold and Drammen and Lier in Buskerud County. Moss and Drammen also has important seaports which is handling a lot of the Oslo market.

In general, Norway has a very scattered population and there is no lack of land outside of the inner city of the larger metropolitan areas.

Consequently, we believe that the history of moving less capital intensive industries such as the logistics sector further away from the city centre will continue going forward. As land prices increases also in areas of for instance Akershus, it will become increasingly difficult for more logistics development also in these areas.

A couple of issues that will contribute to counteract this development are the importance of infrastructure in this sector as well as a lot of available land in areas close to current logistics hubs which is currently zoned for industrial and logistics use.

Norway has a challenging topography and as a result, the infrastructure situation concerning communication links is more challenging compared to most European countries. It is vital that the main logistics hubs are located in close proximity to main highways such as the E6 and E18.

Secondary roads could in general pose a challenge for heavy motor vehicles. Norwegian rail systems are also generally outdated. Trains crossing the boarder from Sweden to Norway are forced to limit their travel speed significantly due to varying railway standards. However, there is currently being invested record sums by the government to improve the infrastructure.

In general, the railway systems that exists in the Greater Oslo area are located close to the main highways. The main sea ports are also in the process of being removed from Oslo with the constructions and redevelopment of the Bjørvika / Sørenga and Filipstad areas making the ports at Moss and Drammen increasingly important.

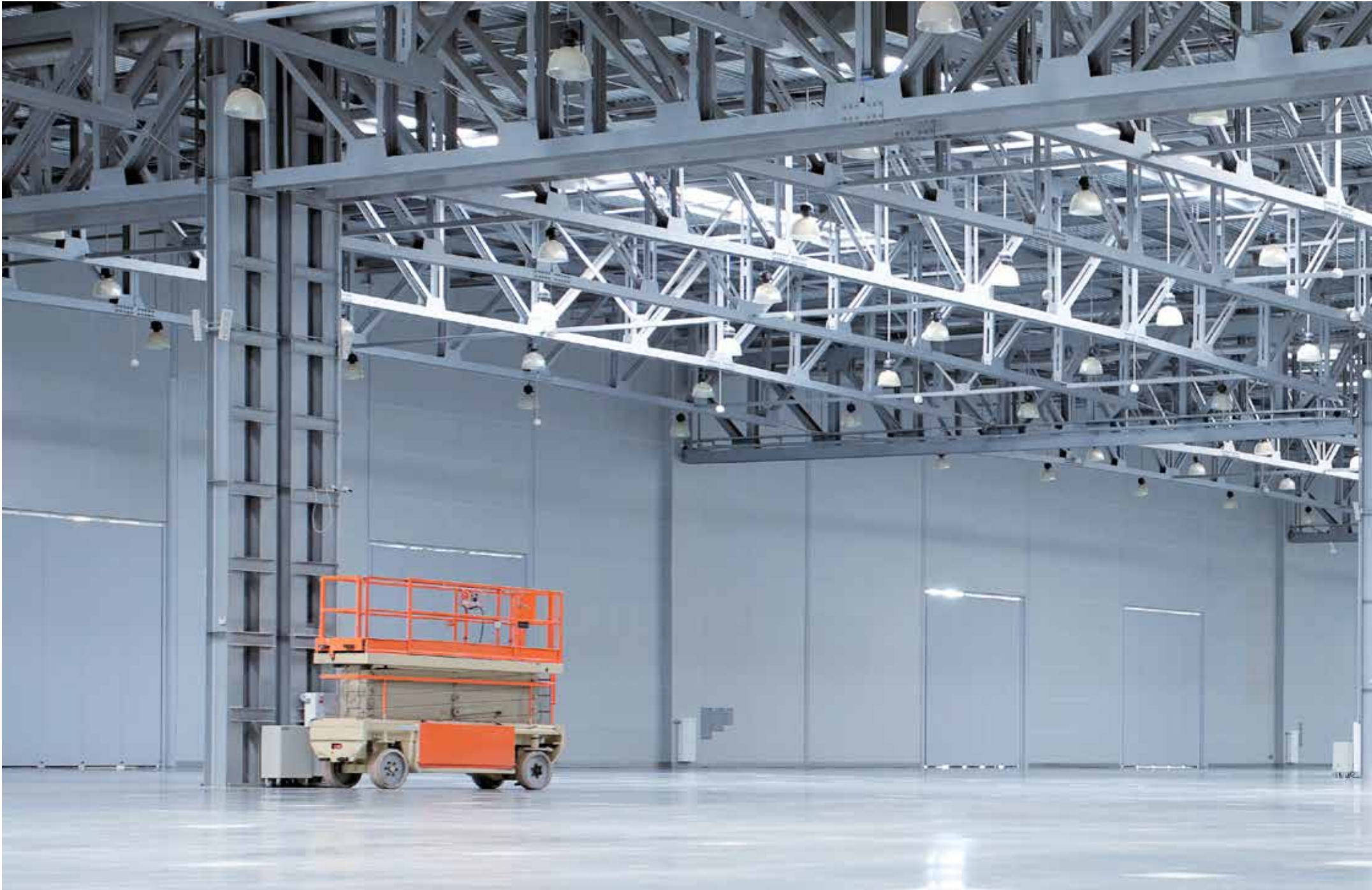


In the main areas such as Regnbuen, Drammen, Vestby, Gardermoen and Gjelleråsen there is still an abundance of land available with a lot of building potential.

Although residential prices in the area has been increasing quite rapidly along with strong population growth during the past couple of years, the prices in this area are at the moment located nowhere near the central parts of Oslo.

All in all there are several of the new logistics hubs with room to grow significantly and we believe that much of the new demand for logistics will be located here in areas such as Vinterbro, Gardermoen and Vestby. The logistics stock in areas such as Groruddalen will continue to decrease relative to the total stock. As land and alternative use prices continue to increase in areas such as Rud, Lørenskog and Groruddalen, this will continue to act as a “hedge” for investors looking for opportunities within the logistics sector.





## CONSTRUCTION COSTS

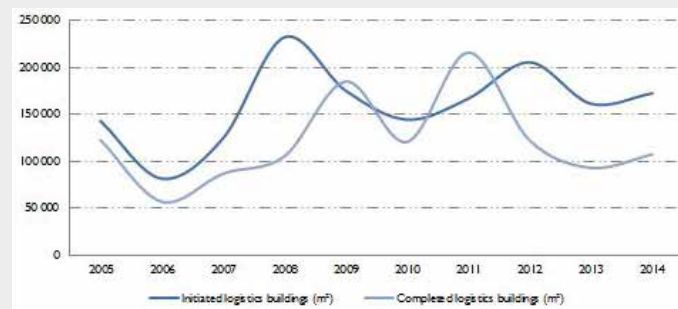
There are varying estimates regarding construction costs in Norway. Somebody includes land cost as well as construction costs while others only include the shell of the building. As a going rate however, we suggest NOK 8000,- per sqm for “standard” logistics developments in Norway. Comparatively, the construction cost for logistics development in Sweden varies from project to project according to Colliers International in Sweden. Depending on the project, the construction costs in Sweden is SEK 5000 – 7000,- per sqm.

## LAND COSTS

Land costs in Norway, as in any other country differs greatly from area to area. From roughly NOK 800,- per sqm in areas such as Vestby. Prices per sqm of land in an area such as Regnbuen may cost around NOK 2500,- per sqm. In an area liker Berger in Skedsmo, the price is somewhere around NOK 1500,- per sqm. The land cost in an area such as Groruddalen should be close to NOK 3000,- per sqm if not more. This is for gross land. However, it will also vary within the same area depending on location. Comparing this to Sweden we found that according to our colleagues in Colliers International in Sweden, land costs on the outside of Gothenburg vary between SEK 800 – 1200,- per sqm. Outside of Stockholm, the prices are around SEK 2000,- per sqm for industrial land.

## CONSTRUCTION OF LOGISTIC PROPERTY IN NORWAY

For Norway as a whole, the initiating and completion of logistics buildings are fairly stable, altering slightly from year to year.



## FORECAST

As we find ourselves at the first half of this year, we feel certain that the % logistics sector share of transactions will increase. The sector remains very popular amongst international as well as domestic investors. Within the logistics sector, investors find long leases and single tenant buildings which are very attractive.

The yield levels remain attractive although there is no immediate increase in sight for the rents. The rents in Norway are already quite high compared to other countries, mainly Sweden, which ensures that the rents in the Oslo region can not increase too quickly. We expect prime rents to remain in the area of NOK 1 200,- per sqm +, and only small increases in more secondary property. Furthermore, there is supply of land in good locations in the Greater Oslo region and we believe that many tenants would be liable to move from one area to another, as long as the distance to central Oslo is more or less the same. Furthermore, we believe that the salient e-commerce will provide an even further demand for logistics property.

E-commerce is lagging in Norway, however, is quickly increasing. This will add strongly to the demand as well as increase the speed of which logistics property in the Greater Oslo region is developed.

The macro economic situation in Norway is challenging, however, SSB and others believes that the situation will begin to turn in 2017 and onwards and that we will see an economic upturn. Although the real estate market is performing well, it is probable that this will only further boost this sector.

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## ABOUT COLLIERS INTERNATIONAL

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## OUR SERVICES

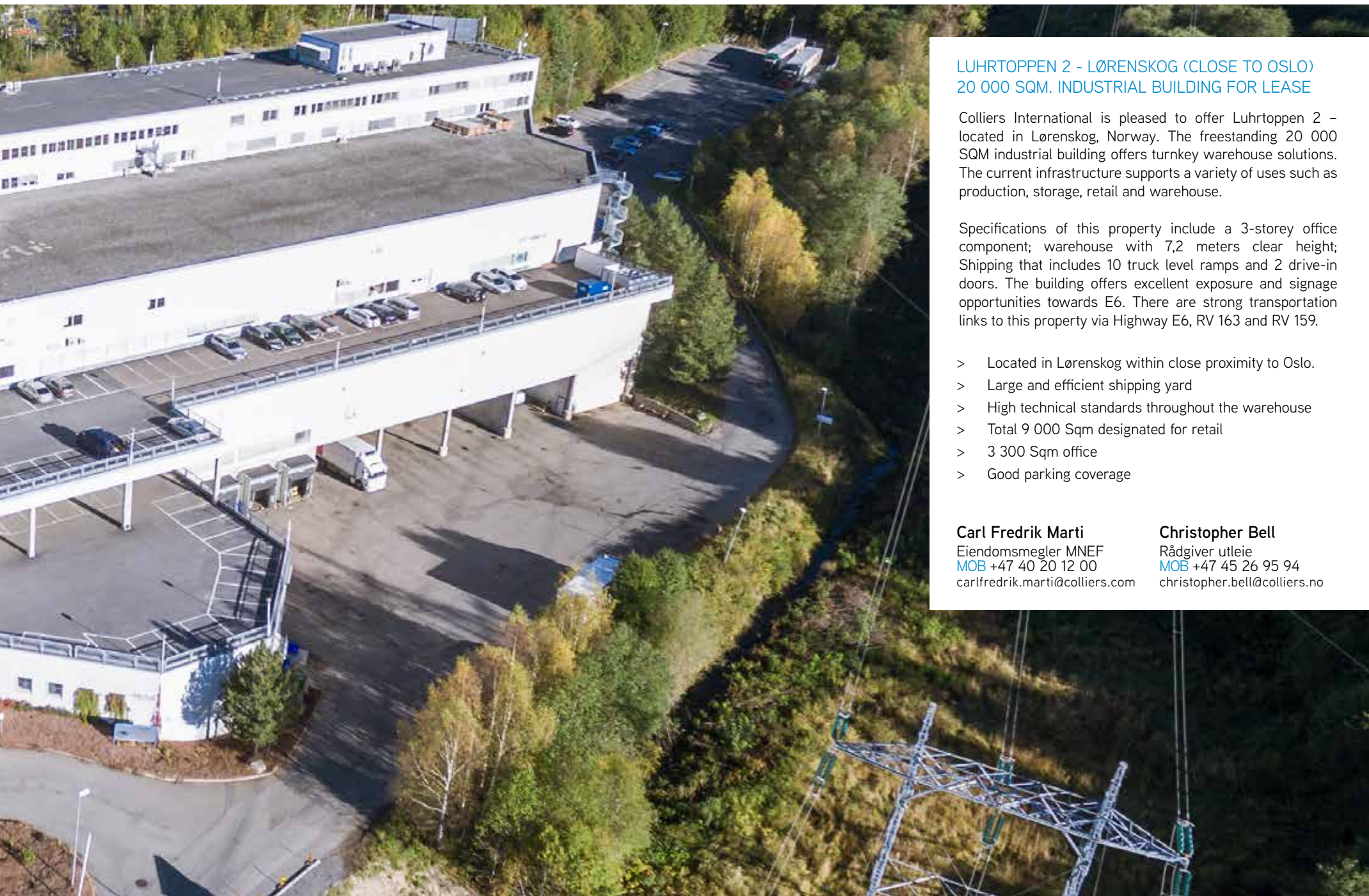
The foundation of our service is based in the strength and depth of our specialists. Through careful listening and a system of uncovering client needs, we understand the subtle business drivers behind key real estate decisions. We design truly customised services to transform real estate - often one of the largest expenses for a business - into a competitive advantage.

We do that as professionals who know our communities and industries inside and out. Whether you are a local firm or a global organisation, we provide creative solutions and ease in managing all of your real estate needs.

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## LUHRTOPPEN 2 - LØRENSKOG (CLOSE TO OSLO) 20 000 SQM. INDUSTRIAL BUILDING FOR LEASE

Colliers International is pleased to offer Luhrtoppen 2 – located in Lørenskog, Norway. The freestanding 20 000 SQM industrial building offers turnkey warehouse solutions. The current infrastructure supports a variety of uses such as production, storage, retail and warehouse.

Specifications of this property include a 3-storey office component; warehouse with 7,2 meters clear height; Shipping that includes 10 truck level ramps and 2 drive-in doors. The building offers excellent exposure and signage opportunities towards E6. There are strong transportation links to this property via Highway E6, RV 163 and RV 159.

- > Located in Lørenskog within close proximity to Oslo.
- > Large and efficient shipping yard
- > High technical standards throughout the warehouse
- > Total 9 000 Sqm designated for retail
- > 3 300 Sqm office
- > Good parking coverage

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**KARIHAUGVEIEN 100 - OSLO**  
**14 000 SQM. OFFICE AND STORAGE FOR LEASE**

Colliers International AS is pleased to offer Karihaugveien 100 – located in Oslo, Norway. The freestanding 14 000 SQM industrial building offers more than 7 acres of fenced and secured shipping yard. The current infrastructure supports a variety of uses such as distribution, production and warehouse solutions.

Specifications of this property include a 3-storey office component of 2 047 SQM; a clear height that varies from 3,4-5 meters; Shipping that includes 86 truck level cross docks and 1 drive-in door- for access to the lower warehouse. There are strong transportation links to this property via Highway E6, RV 163 and RV 159.

- > Centrally located between Lørenskog and Oslo
- > Large and efficient shipping yard over 7 acres
- > Good parking coverage

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# Logistics Market Report 2016

## Greater Oslo Area

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