THE RENTAL MARKET

AUTUMN 2025

UNION

How are office rents developing?

Signals from the rental market are mixed. On one hand, weak growth in office employment and more efficient use of space are leading to weak demand growth and higher office vacancy. Signing volumes are modest, and processes are taking relatively long time.

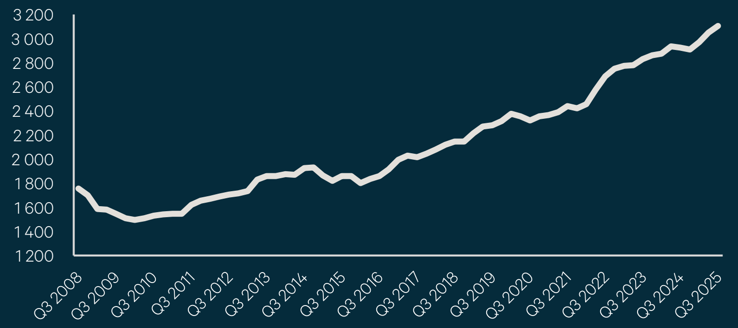
On the other hand, many contracts are achieving high rental prices, and rent statistics indicate that rent levels are now ticking upwards after flattening out last autumn. **So, we see weak fundamentals, but relatively good prices.**

This paradox is due to high construction and capital costs. We are experiencing cost-driven rental growth, which means one must be much more nuanced when interpreting the statistics than before:

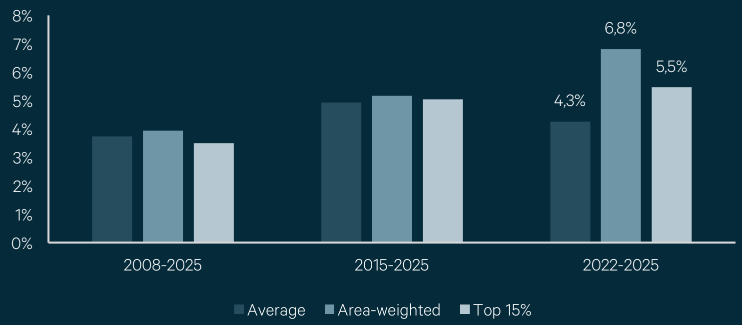
- Attractive buildings undergoing major upgrades and attracting tenants with high payment capacity achieve solid rents in new contracts. By "solid," we mean compared to the previous contract, not necessarily compared to the capex level.
- Mediocre properties and renegotiations without adaptations typically do not achieve higher rents than before.
- Less attractive properties may experience falling rents.

In the rental statistics, we can see this development as the average rent and area-weighted rent increased equally from 2008–2025, while the largest leases have increased faster than the rest of the market in recent years. What characterizes the large leases? They more often trigger major renovations or adaptations.

Average rent in new office contracts (NOK/m²)*



Rent growth in different periods for offices in Oslo (CAGR)



Source: Arealstatistikk *Two-quarter average, geographically weighted.

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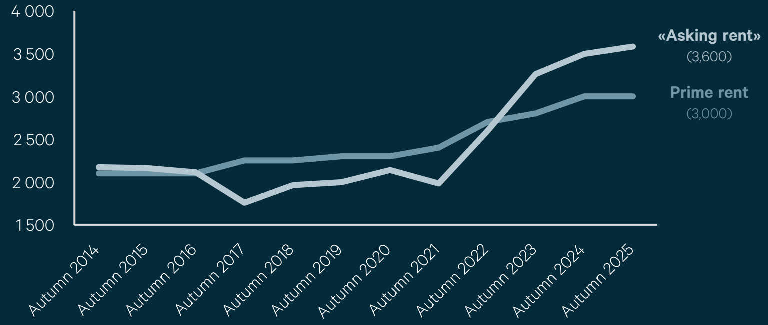
What can we expect going forward?

The market is more nuanced than before, making it harder to give a general picture of developments. Overall, we have revised down the forecast for rental growth in the coming years. In the long term, high construction costs and normalized interest rates push rent levels up, while weak employment growth and rising office vacancy pull in the opposite direction.

Construction and adaptation costs have risen faster than rents for a long time. The fact that rent levels have not kept pace with the costs of building and adapting buildings will likely force higher rents over time for properties that are attractive in the rental market.

We believe there will be greater differences in development between attractive and less attractive properties in the coming years, where high-quality properties in good locations will see positive development, while outdated buildings in less favorable locations will struggle. This is not a uniquely Norwegian phenomenon but is observed in many European capitals.

Calculation example for new office building at Helsfyr (NOK/m²):



Average nominal growth in office market rent in Oslo

Source: UNION, Arealstatistikk

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New construction is mainly driven by public tenants

The development in the office construction market has been predictable in recent years, with little change. It is challenging to make new projects profitable in today's market, reflected in moderate construction volumes.

After several years with few project starts, completion volumes are increasing in 2025, mainly due to projects decided years ago. Increased supply of new space, combined with weaker demand, has contributed to office vacancy rising by 2 percentage points since 2022—to 7.5%, the highest level since 2016.

In 2025, about 125,000 m² of office space will be completed, while 2026 is expected to see nearly 100,000 m².

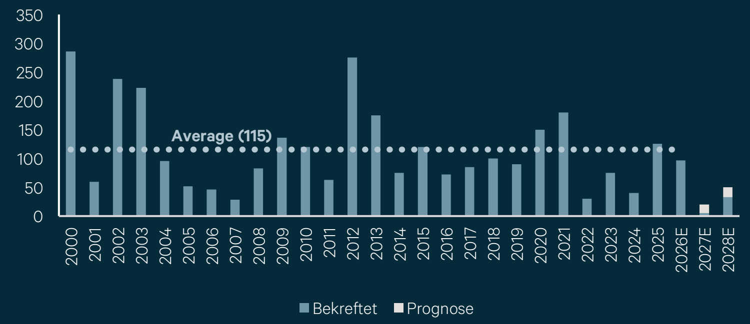
From 2027, the volume is expected to drop sharply.

- Profitability in new projects is challenging—the gap between today's prime rents and the rent level needed to justify new construction is significant. At Helsfyr, for example, the difference is about NOK 600 per m² (see slide 3).
- There are also fewer attractive plots and new construction projects available than in 2010–2021, as several established office areas are now more developed.
- Even though growth in the Norwegian economy is expected to strengthen somewhat, employment growth remains low.

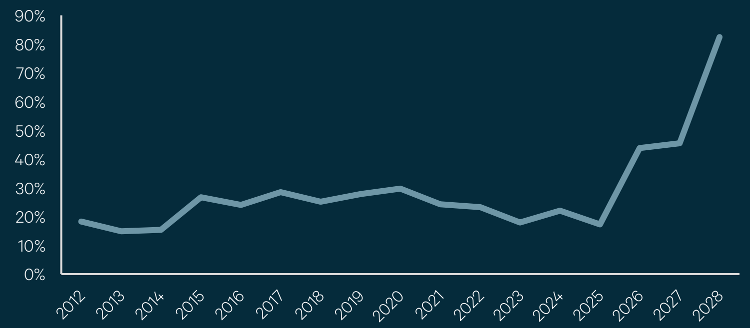
Even though growth in the Norwegian economy is expected to strengthen somewhat, employment growth remains low. The fact that anything is being built at all right now is mainly due to public tenants, as they account for almost all new construction volume completed from 2026–2028. By comparison, such tenants accounted for 23% of new construction volume from 2010 to 2025.

Going forward, it is less likely that the state will be the main driver behind new office buildings. Public tenants have clear goals to be more space efficient and reduce their environmental footprint, and there is increased awareness that reuse is often more environmentally friendly than new construction. Therefore, it is reasonable to assume that the public sector will also be more cautious about triggering new office buildings in the future.

Completion of new office space in Oslo, Asker, and Bærum (1,000 m²)



Share of public tenants in new-build volume (average last three years)*



Source: UNION *Includes companies wholly owned by the state. Listed companies where the state has a stake are classified as private tenants here.

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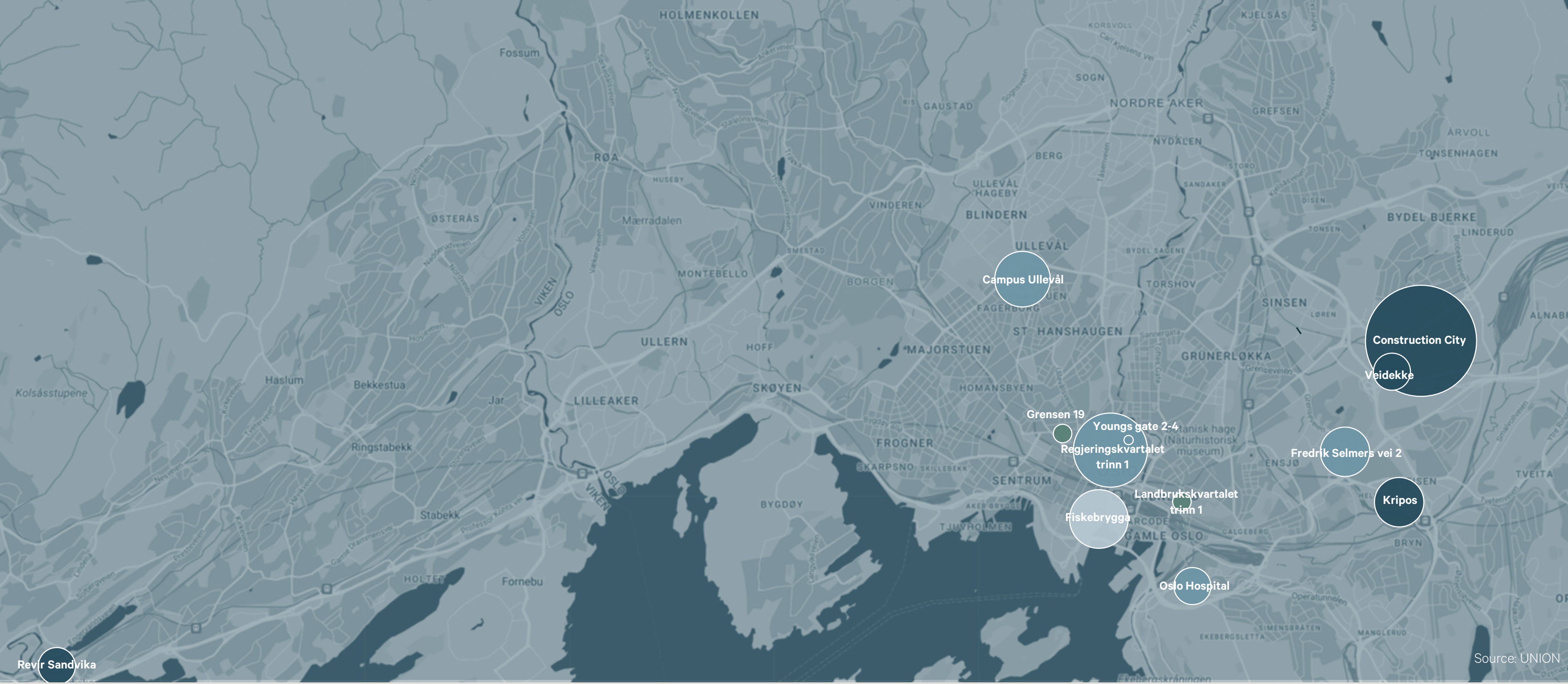
Office construction projects – confirmed



Source: UNION

Confirmed completion: 2025 | 2026 | 2027 | 2028

Ca. 10,000 m² | **Ca. 20,000 m²** | **Ca. 30,000 m²** | **Ca. 40,000 m²**

Limited impulses on the demand side

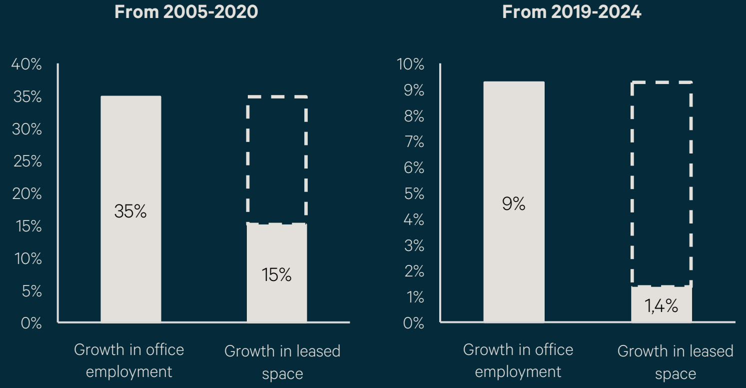
Macro forecasters expect growth in the Norwegian economy to strengthen from this year, and the upswing is already visible in the quarterly national accounts. The return to growth is welcome, but compared with the pre-pandemic trend, the economy remains well behind schedule. While GDP growth is picking up, the outlook for employment growth is relatively modest.

Towards 2028, average annual employment growth is projected at around 0.75 percent, well below the 1.2 percent average recorded since 1996. One reason for these subdued expectations is that many employers have likely retained staff through the recent slowdown. Although unemployment has risen somewhat since 2022, the increase mainly reflects a growing labour force rather than widespread layoffs. Consequently, many companies may be able to increase revenues without expanding their workforce proportionally.

At the same time as the "engine" of space demand appears weak, space efficiency continues to improve. From 2005 to 2020, a 1 percent increase in office employment corresponded to a 0.43 percent rise in leased office space. Between 2020 and 2024, however, that growth in leased area fell to 0.16 percent. In other words, the relationship between office employment growth and leased area growth has weakened by 63 percent.

Growth in GDP Mainland Norway and employment

Growth in office employment and leased space



Source: UNION, Statistics Norway

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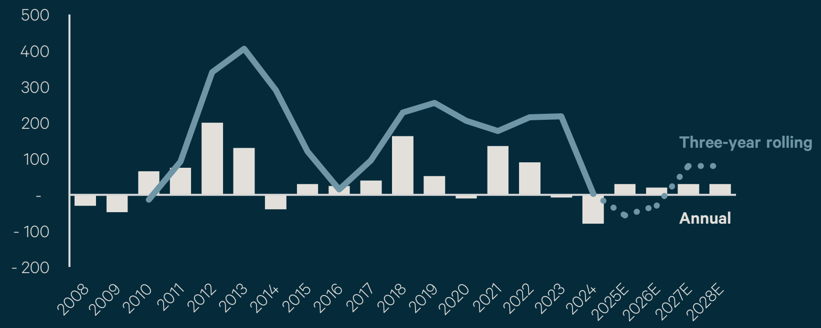
Limited impulses on the demand side

The market has experienced two consecutive years of negative growth in office space demand. Over the coming years, we expect a modest improvement, returning to slightly positive territory. This aligns with the anticipated strengthening of economic growth. However, uncertainty remains regarding the extent of further space efficiency gains, and we cannot rule out the possibility of even weaker demand growth.

Growth in office space demand in Oslo, Asker and Bærum (1,000 m²)



Source: UNION

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Tenants are using less space

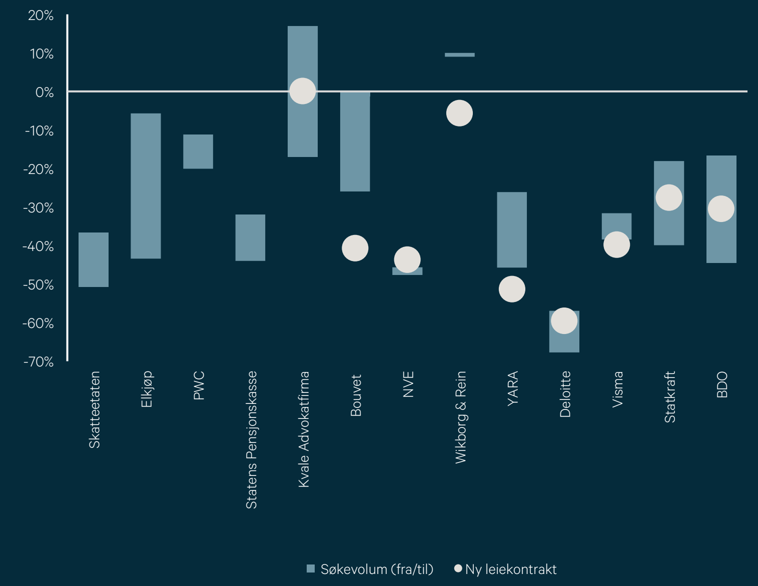
The trend of tenants increasing space efficiency when relocating continues to characterise the office market. A good example is the Norwegian Public Service Pension Fund (Statens pensjonskasse). When they last searched for new office premises 14 years ago, they were seeking around 8,000 m² for approximately 350 employees and eventually signed for just over 9,200 m². This spring, they were again in the market, this time looking for 7,000–8,500 m² – up to 2,200 m² less than their current space. During the same period, their headcount has increased to about 475 employees, a rise of roughly 35 per cent. In practice, this means they have become substantially more space efficient.

The graph on the right examines a selection of larger tenants that have been active in the search for new office premises over the past couple of years. Based on the space they are seeking (or have signed for) and the change in headcount since their previous lease, the analysis shows that these 13 tenants have on average, improved their space efficiency per employee by 32 per cent.

However, there are significant differences between individual organisations, underscoring that the degree of efficiency varies depending on industry, work practices, organisational development, and how densely the workforce was previously accommodated.

A consistent trend, though, is that tenants often lease the same or slightly less space than before, despite growth in staffing levels in the meantime. This contributes to the lack of strong demand impulses in the market.

Change in space per employee compared with previous lease (2023-2025)



The figure illustrates the change in space per employee compared with the level at the time of the previous lease agreement. The columns show the range of space per employee observed in searches for new office premises, while the dots represent the actual change in space use where a new lease has been signed. The calculations account for changes in headcount between the previous lease signing and the current situation, ensuring that the development in space utilisation reflects actual staffing changes over the period. Positive values indicate an increase in space per employee, while negative values indicate a reduction.

Source: UNION, NEMEET, Create Insight

Space efficiency in public sector leases

The public sector's efforts to promote more cost-efficient and sustainable office premises are also clearly felt in the market. Between 2019 and 2024, the number of office-based employees in the public sector in Greater Oslo increased by an average of 1.7 per cent per year. Based on the public sector's maximum space standard of 23 m² per employee, this corresponds to an additional space requirement of approximately 121,000 m².

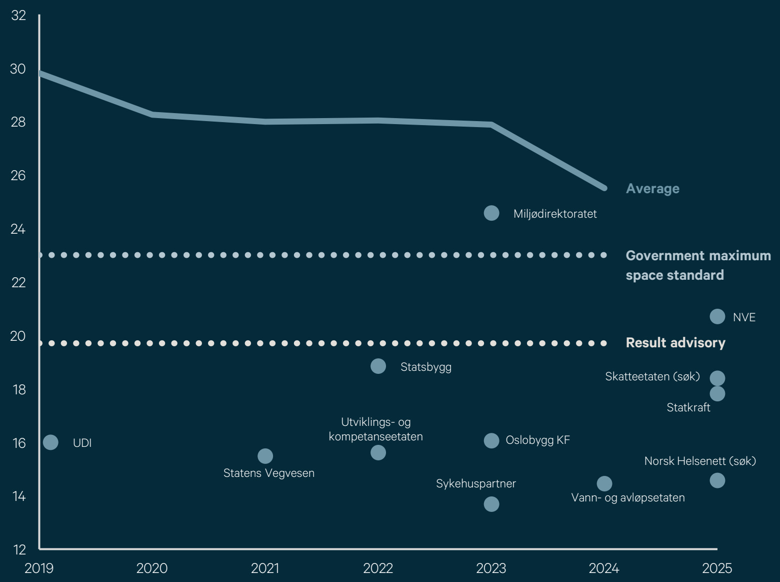
At the same time, total leased office space has decreased by 6.8 per cent – also equivalent to 121,000 m². The net effect is therefore that demand for office space in the public sector in Greater Oslo has remained virtually unchanged, despite an overall 8.9 per cent increase in office employment.

Average space utilisation in the public sector currently stands at 25.5 m² per employee, still above the 23 m² benchmark. If the entire portfolio operated at the same efficiency level as the public standard, total space use could be reduced by around 10 per cent, corresponding to approximately 162,000 m².

A full 76 per cent of public-sector office premises are leased from private landlords, particularly in the largest cities. In Oslo, centrally located offices account for nearly half of the public sector's office expenditure, and upcoming lease renewals in these areas are likely to involve smaller footprints. At the same time, it is reasonable to assume that Oslo is already furthest along in this process, given the large concentration of major occupiers and a highly efficient leasing market.

By October 2025, Statsbygg is expected to finalise new principles for more cost- and space-efficient office solutions within the public sector. For landlords, this implies a need for clearer positioning, more flexible concepts, and greater emphasis on quality and sustainability to retain public-sector tenants.

Average space per employee in public sector offices (m², Norway)



Source: UNION, Statsbygg, Create Insight

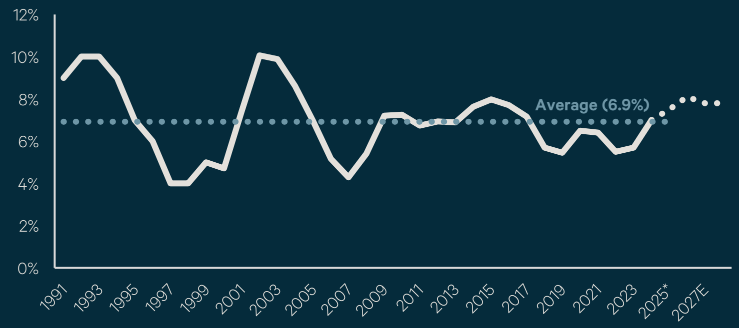
Weak office space demand pushes vacancy rates up

Office vacancy has continued to rise throughout the year. As of the third quarter, the vacancy rate in Oslo, Asker and Bærum stands at 7.5 per cent. Vacancy has risen by more than 2 percentage points since 2022, reaching its highest level since 2016. The rise is broadly based, with vacancy increasing in both the eastern and western fringe areas, as well as in the city centre. There are two main factors driving the increase in office vacancy:

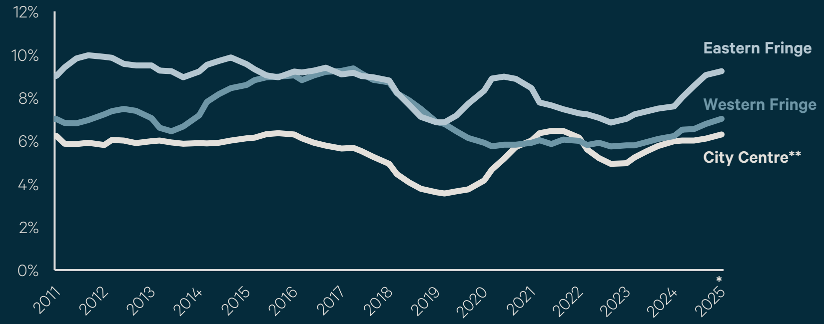
- A higher volume of new completions in 2025 and 2026 compared with recent years. As tenants relocate into new premises, the vacated space is steadily being added to the vacancy statistics.
- Negative growth in office space demand. This means that vacancy is rising even though new supply remains moderate.

After two years of negative demand growth, we expect demand to turn slightly positive this year. However, growth is not expected to be strong enough to absorb all the new space being added to the market. Overall, we anticipate that office vacancy will continue to rise into next year, peaking at just above 8 per cent.

Office vacancy in Oslo, Asker and Bærum



Office vacancy by cluster (four-quarter rolling average)

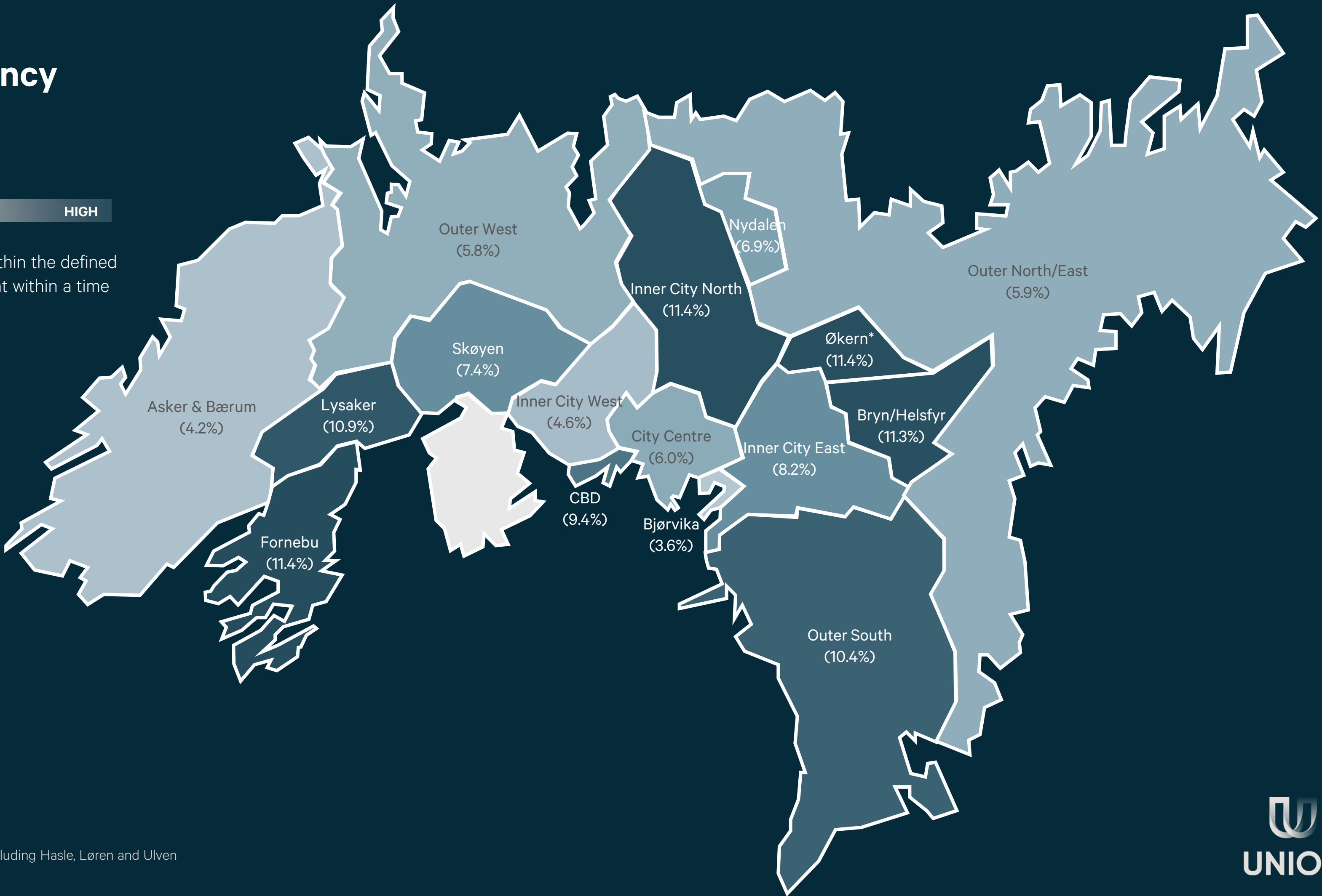


Source: UNION *At Q3 2025 **Including the inner city

Office vacancy

LOW HIGH

Proportion of the area within the defined office zones that is vacant within a time horizon of 12 months.



Source: UNION *Including Hasle, Løren and Ulven

Several office submarkets face upside risk to vacancy over the coming years

With the completion of several major new-build and refurbishment projects this year and next, a number of large office spaces are being vacated that are not yet reflected in current vacancy statistics. This represents a potential upside risk to vacancy rates in several submarkets.

The completion of the first phase of the Government Quarter in 2026 will result in significant space being released in the city centre and Nydalen. Government ministries are vacating around 110,000 m². Several of the buildings, however, will not be immediately available to the market. Victoria Terrasse, for instance, will first be sold, and its future use has not yet been determined. Nevertheless, we estimate that approximately 50,000 m² will become available to the market over the coming years, and this space is not yet included in today's vacancy figures.

The Western Fringe is another area where several large office buildings have recently been, or soon will be, vacated.

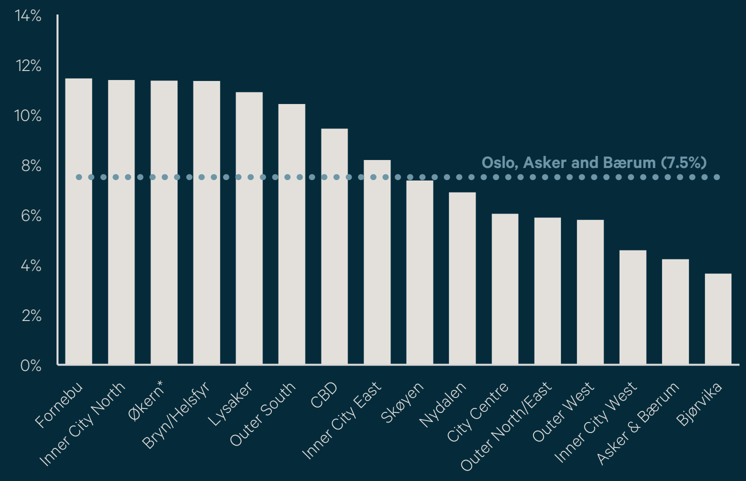
- At Skøyen, Visma is relocating from roughly 20,000 m², while an additional 17,500 m² will become available once the former Veidekke offices are refurbished.
- Meanwhile, Statkraft is moving from Lilleakerveien to Fiskebrygga, which will free up more than 30,000 m² at Lysaker.

These spaces are expected to have a notable impact on office vacancy levels in the Western Fringe, particularly if several of the buildings become available to the market at the same time.

The Eastern Fringe currently has a vacancy rate 1.4 percentage points higher than the West. This is due to the higher new-build activity and the fact that much of the new space is already included in current vacancy figures. Still, there are two larger properties due to be vacated in connection with upcoming completions in 2025 and 2026: the former Ministry of Justice and Public Security offices in Nydalen and the National Criminal Investigation Service (Kripos) premises at Bryn, together adding up to about 36,000 m² of vacant space.

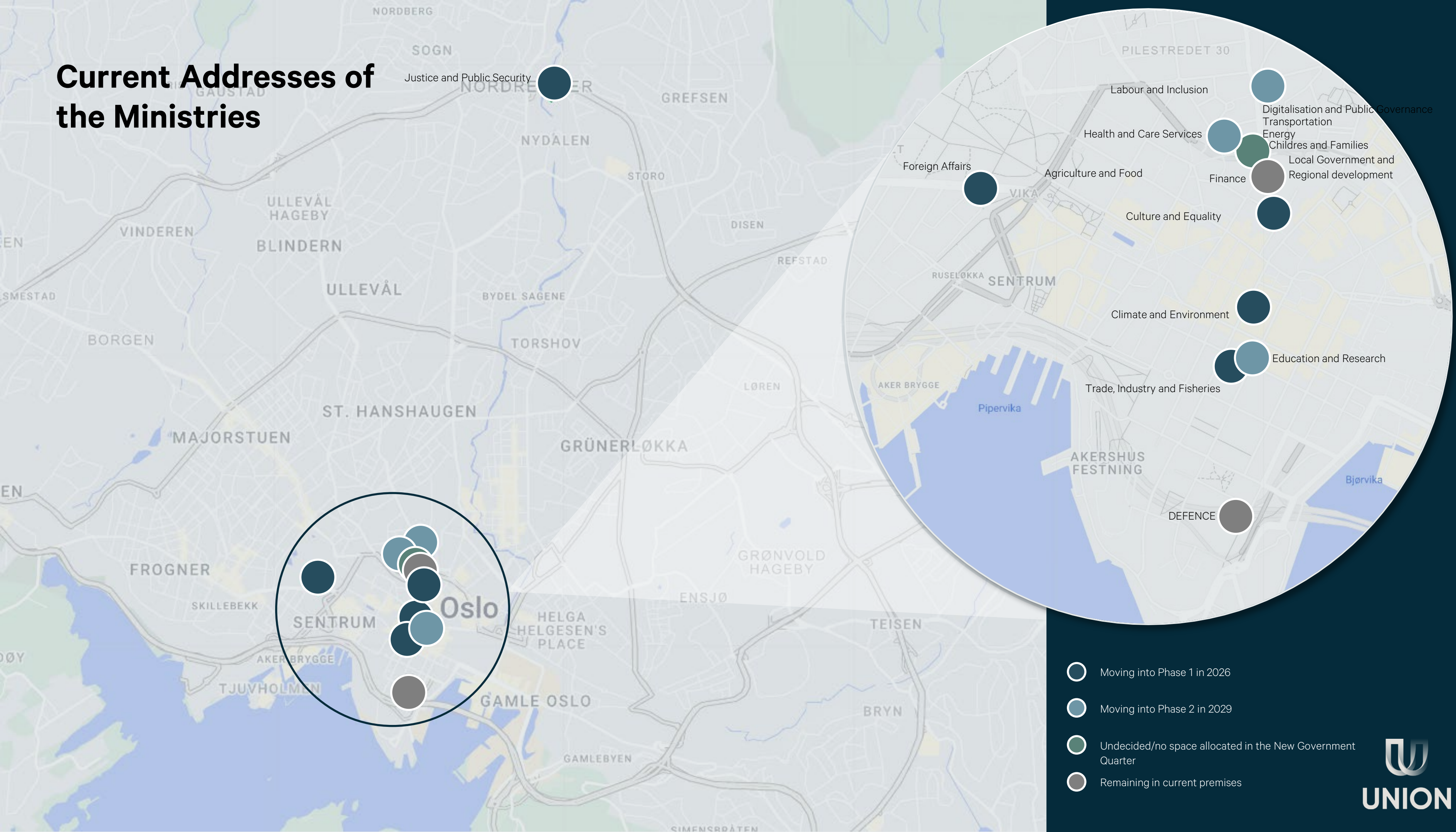
Taking these developments together, the relative increase in vacancy is expected to be strongest in the Western Fringe, while the absolute vacancy level will likely remain higher in the Eastern Fringe.

Office vacancy by cluster (at Q3 2025)



Source: UNION *Including Hasle, Løren and Ulven

Current Addresses of the Ministries



- Moving into Phase 1 in 2026
- Moving into Phase 2 in 2029
- Undecided/no space allocated in the New Government Quarter
- Remaining in current premises

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Rent level and office vacancy per area

RENT LEVEL (NOK/M^2/YEAR)	PRIME RENT	HIGH STANDARD	MODERATE STANDARD	VACANCY	Δ 6 MONTHS
CBD	6,800	5,500 – 6,300	3,700	9.4%	1.0%
Bjørvika	5,900	4,500 – 5,400	3,400	3.6%	-0.3%
Øvrige sentrum	5,400	3,700 – 4,600	2,600	6.0%	1.8%
Indre vest	5,300	3,500 – 4,500	2,300	4.6%	0.4%
Indre nord	3,200	2,200 – 2,800	1,600	11.4%	0.1%
Indre øst	4,100	2,500 – 3,200	1,600	8.2%	0.4%
Skøyen	4,400	3,000 – 4,000	2,500	7.4%	0.7%
Lysaker	3,400	2,300 – 2,800	1,700	10.9%	2.5%
Fornebu	2,600	1,800 – 2,400	1,400	11.4%	-1.8%
Nydalen	3,200	2,200 – 2,900	1,600	6.9%	-3.2%
Bryn / Helsfyr	3,000	2,200 – 2,800	1,400	11.3%	-1.4%
Økern, Hasle, Løren, Ulven	2,900	2,000 – 2,400	1,400	11.4%	-2.9%
Ytre vest	2,000	1,500 – 1,700	1,400	5.8%	1.1%
Ytre nord og øst	1,900	1,500 – 1,700	1,200	5.9%	1.1%
Ytre syd	1,800	1,400 – 1,600	1,200	10.4%	1.7%
Asker & Bærum	2,700	1,800 – 2,400	1,200	4.2%	0.2%

Source: UNION

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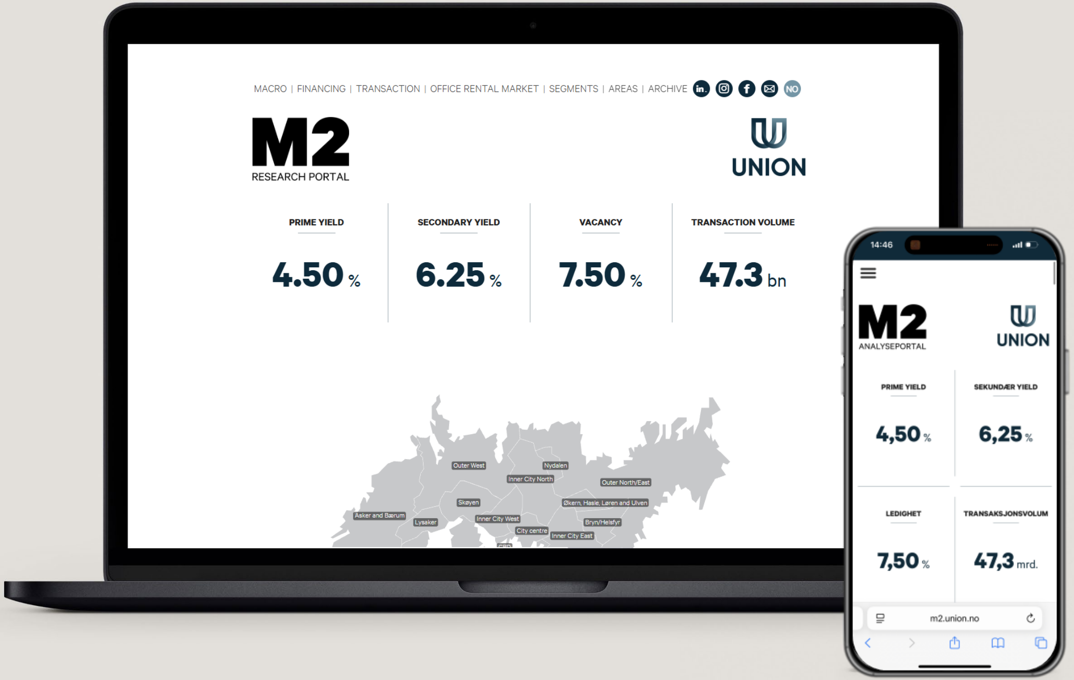

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