

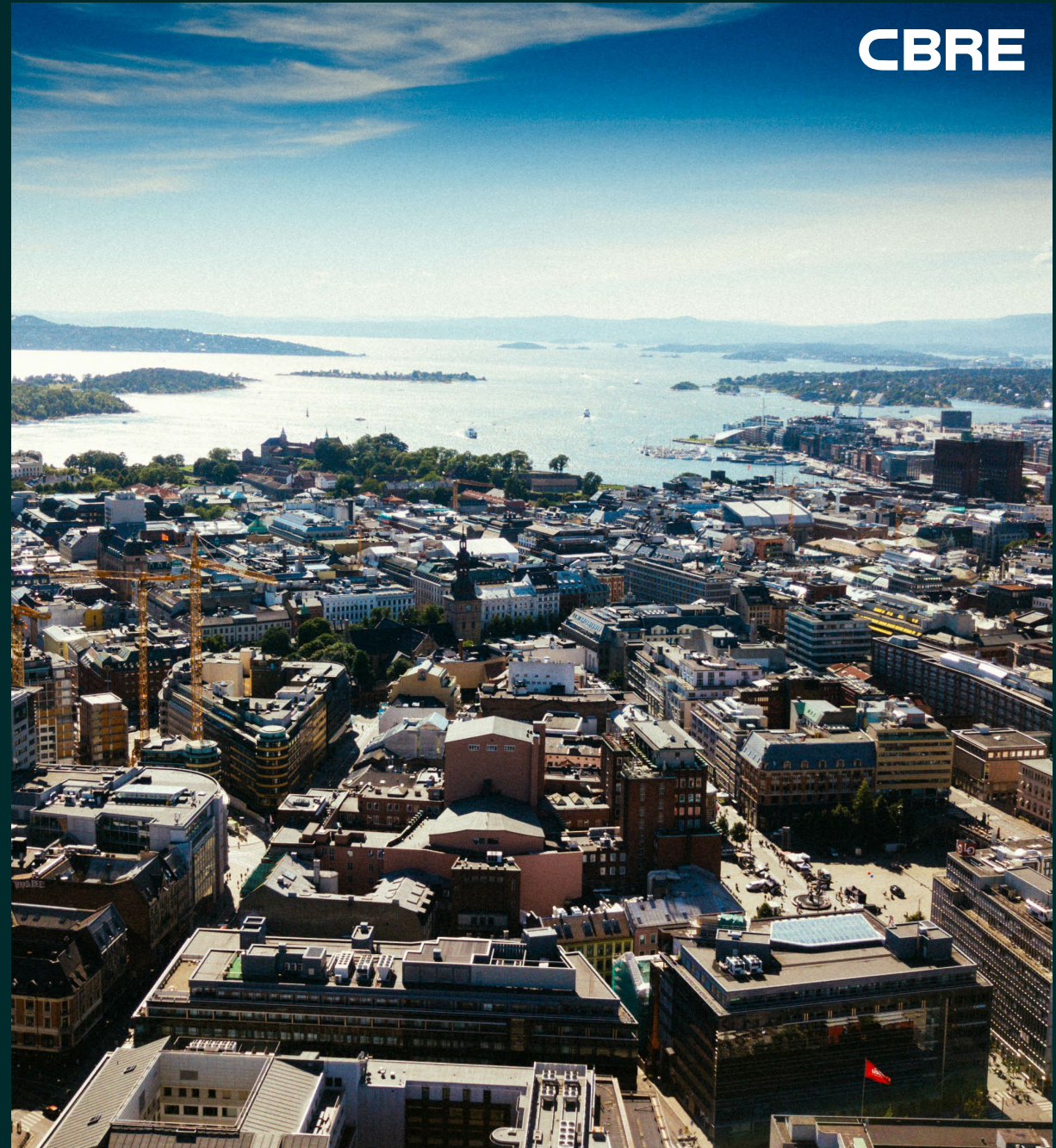
Intelligent Investment

# Market Outlook 2025

REPORT

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Norway  
REAL ESTATE  
CBRE RESEARCH



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# Executive Summary

The Norwegian economy has experienced moderate growth since mid-2022, influenced by successive interest rate increases, spiking inflation, and subdued business demand, which have collectively hindered economic activity. Norway's GDP grew by 3.2% year-over-year, and 0.9% for the mainland economy in 2024; while inflation continued to cool down to 2.2% in 2024. The Norwegian economy is expected to grow by a meager 0.8% and inflation will cool down further to 1.2% in 2025. The interest rate path may have peaked, But Norges Bank has decided to maintain the interest rate with the first cut is said to come in March 2025.

Investment volume in Norway increased by 45% year-over-year reaching NOK 80 billion in 2024. 2024 was a year with some significant transactions primarily driven by all-equity buyers acquiring prime assets, especially in the office sector. This trend also led to prime yields slightly compressing for office properties, while all other sector prime yields were mostly stable throughout the year. Office was the largest sector with some larger lot sized transactions in early 2024, which took the office sector's share of total investment to over 40%. Industrial and logistics sector saw another active year in 2024 with 27% of the total investment. Domestic investors were again active in the Norwegian real estate market, closing 80% of the total volume, and the all-equity investors were actively deploying more capital into real estate.

The financing market is beginning to show signs of recovery, which is an important factor for the wider real estate investment recovery. We are at the turning point of the economic cycle, and the sentiment in the investor market is once again becoming optimistic, which is expected to increase activity in the Norwegian real estate market in 2025.



Introductory Note by  
**Jussi Niemistö**  
Head of Research  
Nordics

## New upcycle starting in 2025

Following more than two years of challenging economic conditions, Norway's economy is set to recover in 2025, supported by stabilizing interest rates, rising real disposable incomes, and easing inflation.

In addition to the improving economic outlook, the financing market is beginning to show signs of recovery, which is an important factor for the wider real estate investment recovery.

We are at the turning point of the economic cycle, and the sentiment in the investor market is once again becoming optimistic, which is expected to increase activity in the Norwegian real estate market in 2025.

# 01

# Economy

The Norwegian economy has experienced moderate growth since mid-2022, influenced by successive interest rate increases, high inflation rates, and subdued international demand, which have collectively hindered economic activity. The Norwegian economy grew by 3.2% year-over-year in 2024, 0.9% for the mainland economy; while inflation continued to cool down to 2.2% in 2024.



# Key takeaways

## 01

The Norwegian economy has experienced moderate growth since mid-2022, influenced by successive interest rate increases, high inflation rates, and subdued international demand, which have collectively hindered economic activity. Norges Bank has announced that it expects to lower the KPR in March 2025, something which could have a positive effect on growth.

## 02

Consumers will have greater spending power due to lower inflation, which will support growth across Europe. Reduced global trade, which may occur for a multitude of reasons, is a key risk to our growth projections. Lower domestic demand and weakening business sentiment are also risks to occupational demand.

## 03

The Norwegian economy is expected to grow by a meager 0.8% and inflation will cool down further to 1.2% in 2025. The interest rate path may have peaked, But Norges Bank has decided to maintain the interest rate with the first cut is said to come in March 2025.



# Optimism driven by interest rate expectations fuelling GDP growth

## Gradual recovery for the economy

Despite a continuing weak Norwegian Krone, inflation has been coming down throughout 2024 and after a surge in energy prices leading to increasing costs in almost all sectors, the falling energy prices have also led to a fall in goods prices and a strong fall in core inflation.

Norges Bank has raised the policy rate significantly to tackle high inflation since 2021 and has kept the policy rate at 4.5% from the end of 2023. Higher interest rates have cooled down the economy and led to declining inflation. Unemployment has edged up from the 2022 lows. Inflation is now closer to Norges Bank's target at 2%.

Norges Bank kept the higher interest stable throughout 2024, something that took much of the real estate market by surprise.

Currently, Norges Bank has signaled a cut of the policy rate in March 2025, but several analysts have questioned whether this will happen, as it is looking like inflation might pick up and swap rates are on the way up.

Moving towards the election in 2025, it is likely strengthening the NOK and increasing private disposable income will be significant campaign issues, and with strengthening support to the far-right alternatives, tax cuts and benefit cuts is a definite possibility.

## Norges Bank expects KPR down in March

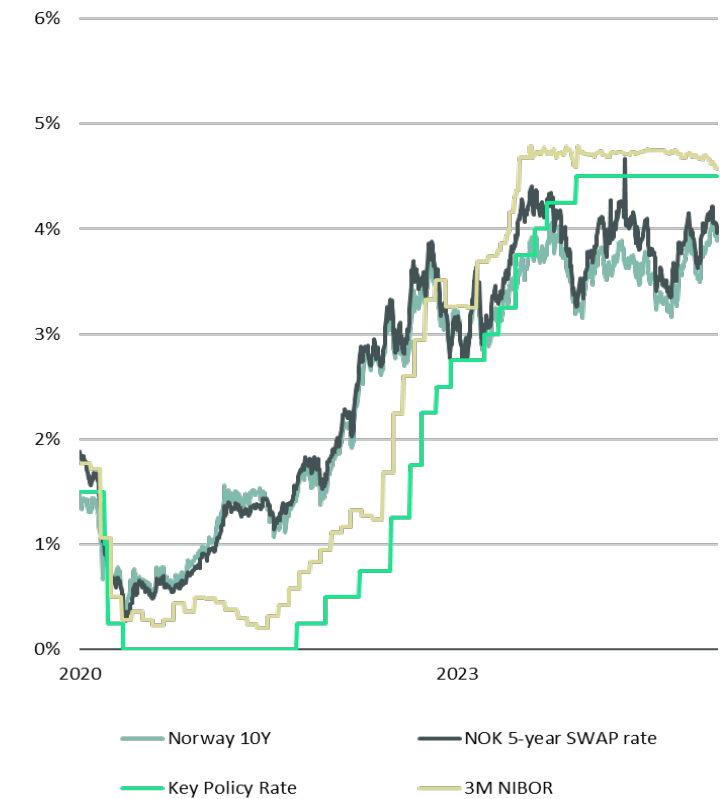
Norges Bank said in its January 2025 interest rate decision that its Monetary Policy and Financial Stability Committee decided to maintain the policy rate at 4.5 percent. Governor Ida Wolden Bache indicated that a reduction is likely to occur in March. The rate has been stable since December 2023 after significant increases to combat high inflation and falling NOK exchange rates. Consumer price inflation has been lower than expected, and fewer rate cuts are anticipated globally.

## Global uncertainty increases downside risks

There remains an elevated level of global uncertainty, which keeps the downside risks to the recovery high. Changes in trade policies across the globe would affect Norwegian export levels, particularly outside the oil and gas sector. An additional risk comes from political uncertainty in some of the large European economies. The political uncertainty in Germany and France, on top of the new U.S. Government trade policies, creates a risk to growth in 2025 if they were to dampen consumer and business sentiment and spending.

Geopolitical uncertainty remains a risk as an escalation of the conflict in the Near East or the continuing of the conflict in Ukraine could keep higher commodity prices for longer, which would drive continuing profits in the Oil and gas sector.

Figure 1: Interest rates, 2020-2024



Source: CBRE Research

# Improved economic outlook for 2025

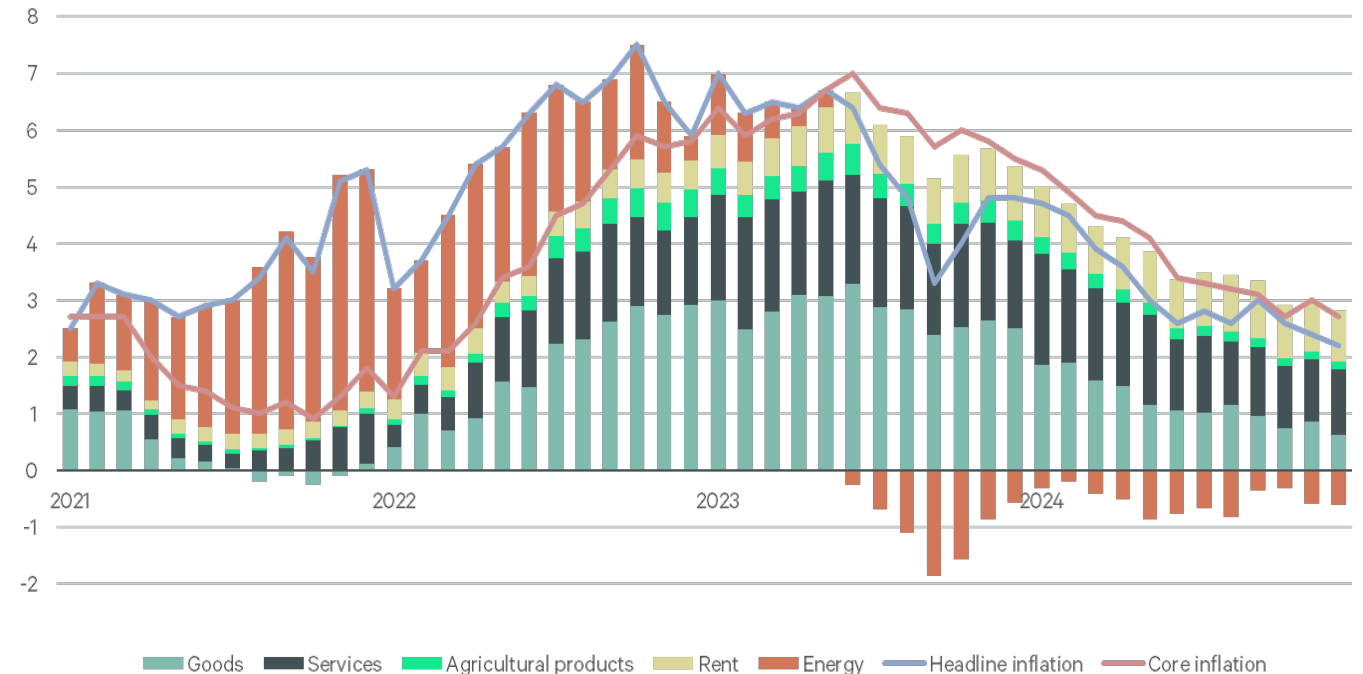
## Norway is well-positioned for stronger growth in 2025

The Norwegian economy has experienced only moderate growth since mid-2022, influenced by successive interest rate increases, high inflation rates, and subdued international demand, which have collectively hindered economic activity. Inflation reached a peak of 7.5% in October 2022 but has since declined significantly, with a 12-month growth rate of 3.2% reported in November 2024. Looking ahead, an expected increase in real wage growth, coupled with lower interest rates and persistent growth in public demand, is anticipated to stimulate economic activity.

Real GDP growth for Mainland Norway is expected to be subdued at 0.8% in 2025 and increase to 0.9% in 2026 and 2027.

Petroleum investments are anticipated to fall by 0.9% in 2025. Housing investments are projected to decline by 9% in 2025, with recovery, which was expected to commence in 2025, delayed until 2026. Public consumption is forecasted to grow at approximately 2.8% year-on-year, and the unemployment rate is expected to stabilize around 4.0% in Q3 2024. Inflation was at 3.2% in 2024, estimated to decrease to 2.1% in 2025 and 1.8% by 2027, while the Norges Bank policy rate is expected to fall to 3.5% by 2026 and 2027. The current account balance is anticipated to decline from 18.2% of GDP in 2024 to 12.2% in 2027.

Figure 2: Decomposition of CPI, 2021-2024



Source: Statistics Norway

# Optimism driven by interest rate expectations fuelling GDP growth

## Gradual recovery for the economy

Household consumption, which constitutes approximately half of Mainland Norway's GDP, has shown weakness but is projected to rise substantially due to an anticipated increase in disposable real income and real wealth. Specifically, disposable real income is expected to grow by about 4.5% in 2024 and continue to rise by approximately 3.5% annually from 2025 to 2027. Business investments (“næringsinvesteringer”) have historically been at elevated levels but are expected to stabilize at current rates through 2027. Petroleum investments are projected to peak in the coming year, with a growth rate of 10.6% in 2023 and similar growth anticipated for 2024; however, a decline of 4-5% per year is expected in 2026 and 2027. In contrast, housing investments (“boliginvesteringer”) are forecasted to decrease by nearly 20% in 2024, with a rebound anticipated in the latter half of 2025, during which housing prices are projected to rise by 4-5% annually until 2027.

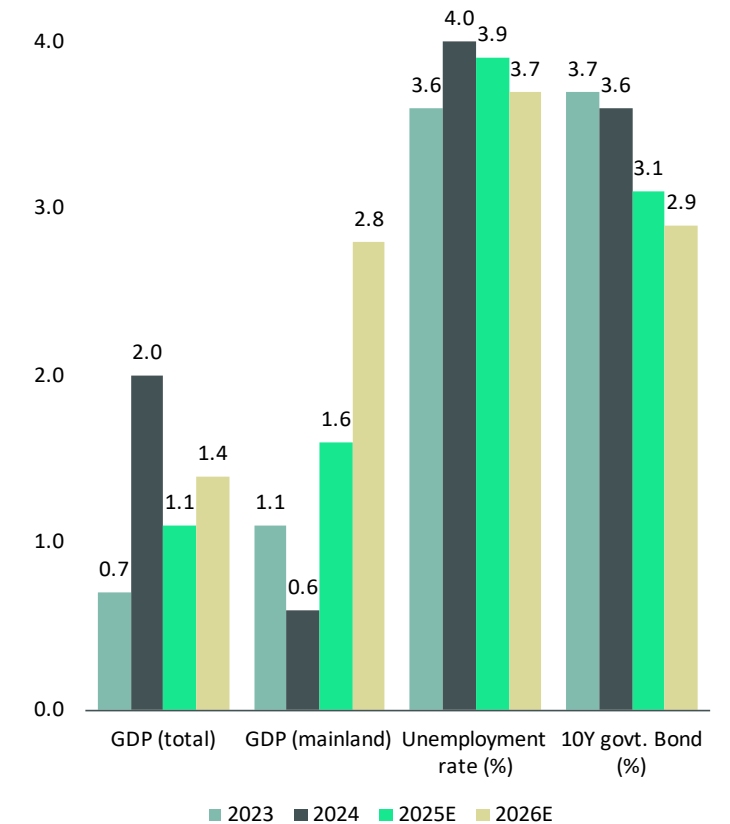
Public consumption and investment have shown substantial growth, with an estimated structural oil-adjusted budget deficit of NOK 460 billion anticipated for 2025. Public consumption growth is expected to maintain a rate of around 2% annually. A notable emphasis is placed on increasing defence spending, including the acquisition of F-35 fighter jets and efforts to meet NATO's defence spending target of 2% of GDP.

## Macro indicators show some optimism

Norges Bank has set the policy interest rate at 4.5%, with the first-rate reduction expected in early 2025. The policy rate is projected to decrease to around 3.5% by 2026 and 2027. The consumer price index (CPI) is expected to rise by 3.2% in 2024, gradually declining to 2.4% by 2027. Inflation, as measured by CPI-JAE (CPI adjusted for tax changes and excluding energy), is also anticipated to fall to 2.4% by 2027. The trade surplus has diminished from record highs due to falling oil and gas prices; however, it remains significantly positive, bolstered by strong returns from the oil fund. Exports from Mainland Norway are expected to grow slightly faster than demand from trading partners, indicating an increase in market shares abroad, while import growth is projected to be moderate.

Following an increase, the unemployment rate has stabilized at approximately 4% in the third quarter of 2024 and is expected to remain at this level through 2027. Employment growth has been modest, with a slight increase anticipated to align with population growth, while labour force participation remains high.

Figure 3: Key economic figures, 2023-2026



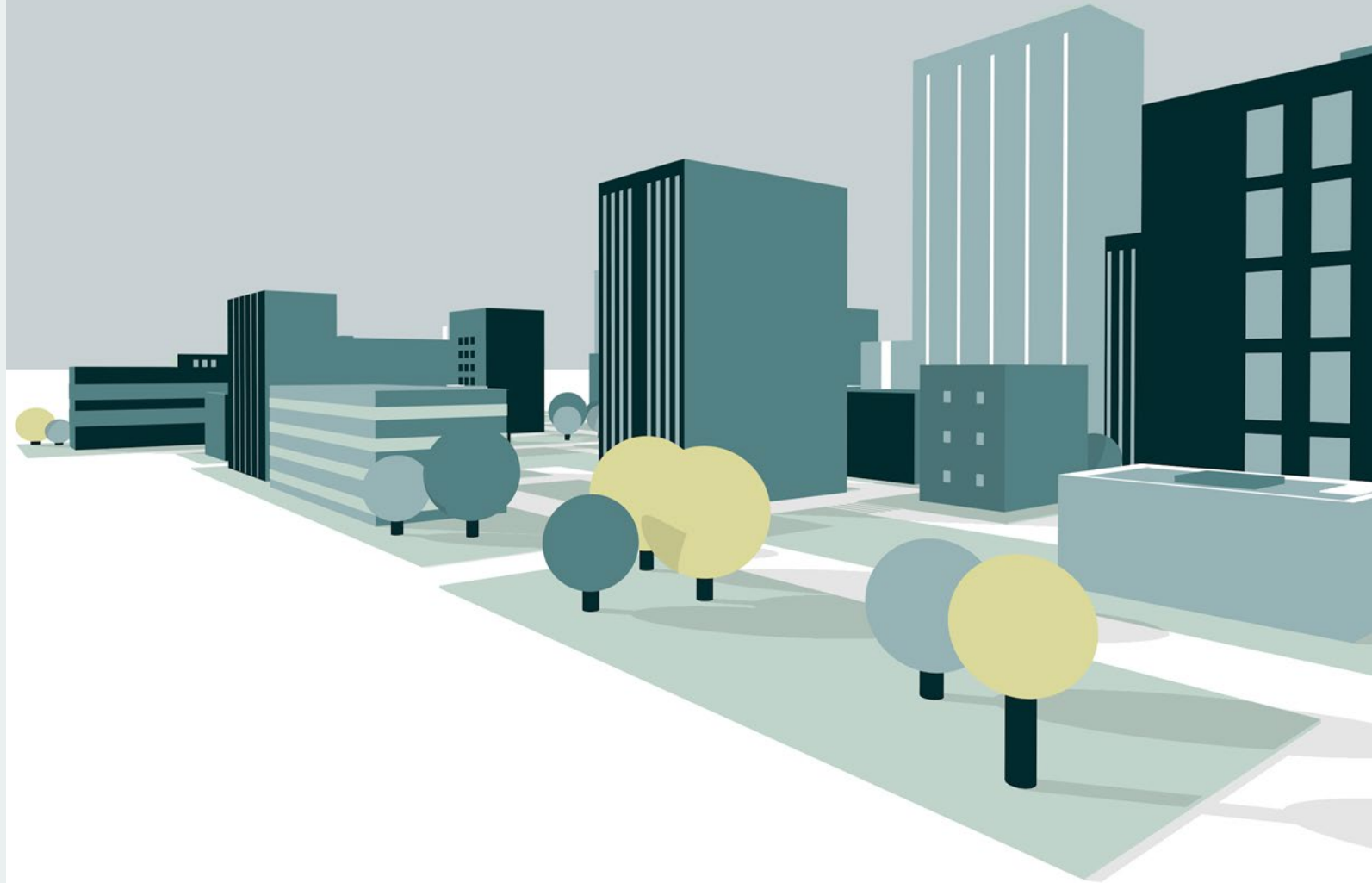
Source: CBRE Research

## 02

# Capital Markets

The Norwegian prime real estate investment market recovered somewhat in 2024, with secondary and tertiary markets lagging. However, there is still a large distance between buyers and sellers outside of prime markets.

The market for Core assets at or around prime yield will continue to be dominated by equity buyers as debt market improvements are lagging behind other countries.



# Key takeaways

## 01

The Norwegian real estate investment market is showing signs of recovery, but is lagging behind other markets. The price expectations for sellers in secondary and tertiary markets will have to come down to be able to reach higher transaction volumes, particularly in the office segment, as the financing gap is hurting owners in these segments.

## 02

Building costs are still too high to build office properties in most of Norway, while I&L rates support new builds in and around most larger cities. Despite the spread for prime and secondary yields increasing, most long-term office investments remain profitable as the five-year total return is still in positive territory.

## 03

The spread between interest rates and prime yields isn't allowing for debt-financed transactions in the prime segment, and thus the prime and near-prime office market is dominated by equity buyers and will continue that trend in 2025. This will continue to grow the gap.



# The investment market in Norway showing signs of recovery

## Equity buyers dominated the investment rebound in 2024

Investment volume in Norway increased by 45 percent year-over-year reaching NOK 80 billion in 2024

2024 was a year with some significant transactions, primarily driven by those who are least affected by the interest rates. Equity buyers with spare cash have bought in the prime and near-prime markets, leading to prime yields slightly compressing for office properties. While all other yields were held stable mostly through the year

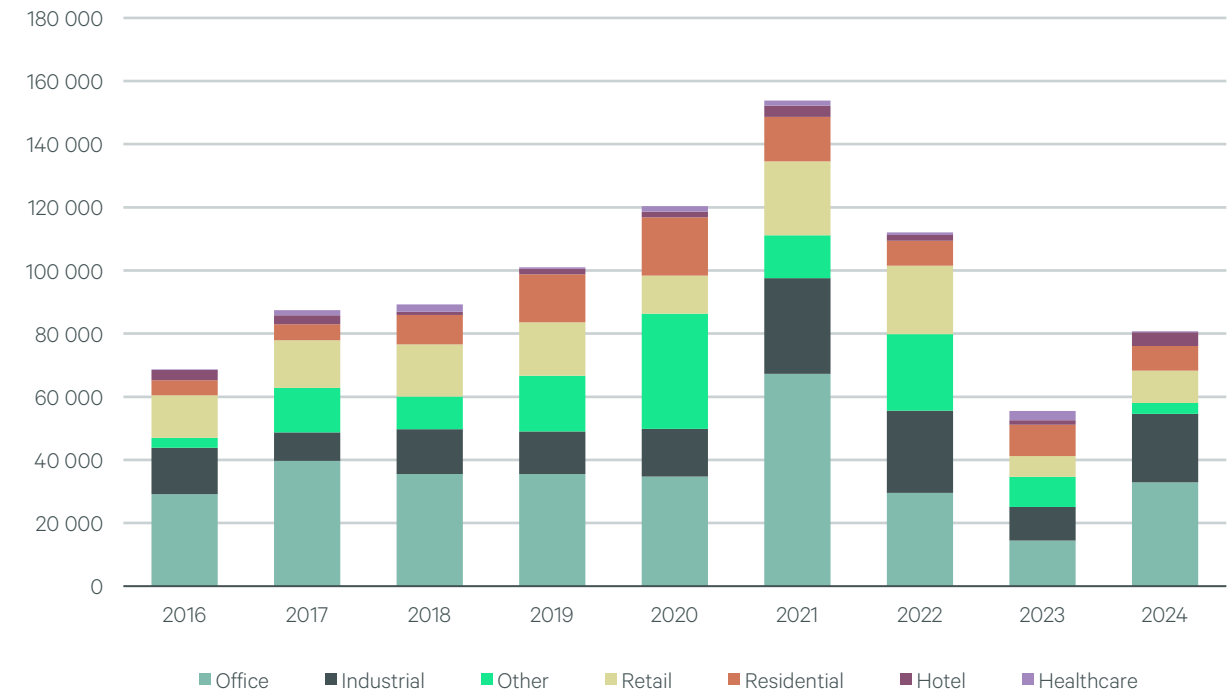
Office was the largest sector, with some large transactions in the beginning of the year dominating the transaction market.

Norwegian investment market benefited from the agile domestic investor base that reacted swiftly to falling interest rates, and the domestic capital share of total investment was again high in 2024, while cross-border share reached a mere 10% of total investment in 2024, significantly below the 5-year average (24%).

The largest transactions of 2024 included

- Entra sold its Trondheim portfolio of office buildings to Reitan-owned EC Dahls Eiendom for NOK 6.45 billion
- WILOG sold 49% of its 130,000 sqm warehouse portfolio to NREP for more than NOK 3 billion
- Logistea bought KMC Properties with their portfolio of mainly industrial properties for NOK 3.3 billion

Figure 4: Investment volume in Norway by sector (Million NOK)



Source: CBRE Research, December 2024

# Debt gap pushing sales in 2025

## Waiting for the turn to better in the financing market

Over the past three years, escalating interest rates have driven yields higher, significantly influencing the performance of real estate investments. However, the spread has significantly decreased.

A lot of sellers held a wait-and-see attitude in 2024, hoping for interest rate cuts, which could yield compression after capital values experienced a downward trend throughout 2023.

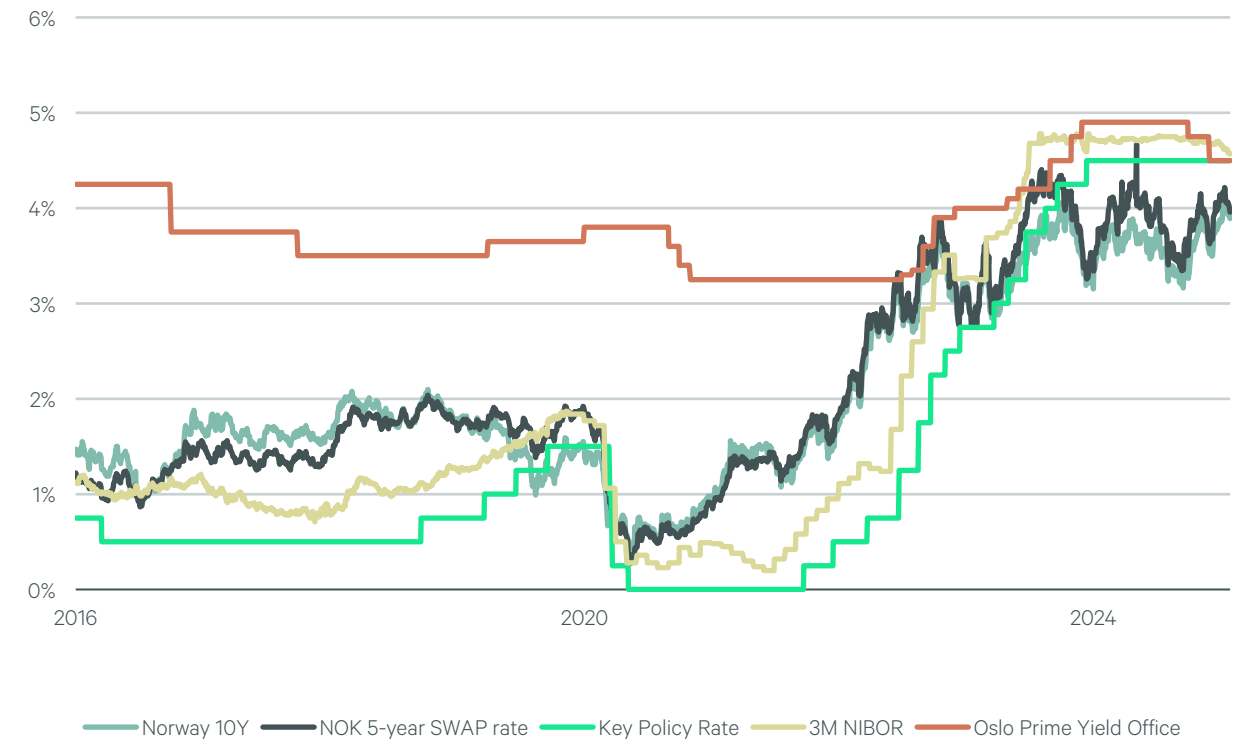
The Norwegian commercial real estate market is currently seeing a notable presence of forced sellers, primarily due to refinancing challenges. This trend is anticipated to continue into 2025, as many property owners confront a debt gap. This situation arises from refinancing efforts that involve lower loan-to-value ratios, diminished property values, and increased interest rates, leading to necessary sales related to refinancing.

While we have observed various distressed situations in the market, we have yet to see a corresponding decline in pricing, largely due to the significant influx of domestic capital that supports property values.

Despite the spread for prime and secondary yields increasing, most long-term office investments remain profitable as the five-year total return is still in positive territory.

Our analysis suggests that we are approaching the conclusion of yield expansion also in the secondary and tertiary markets. We expect that prime capital values most likely have reached their lowest point, and will be increasing somewhat going forward.

Figure 5: Prime yield vs interest rates.



Source: CBRE Research, December 2024

# Building costs still increasing, but less now

## Building costs do not support office newbuilds

In the real estate sector, construction costs are on the rise, reflected in a 3.8% increase in the housing construction cost index from December 2023 to December 2024.

Both material and labour costs rose in 2024 but by significantly less than in previous years. Statistics Norway report that the cost of building single-family homes made of wood jumped 4.1%, while apartment blocks saw a 3.2% increase.

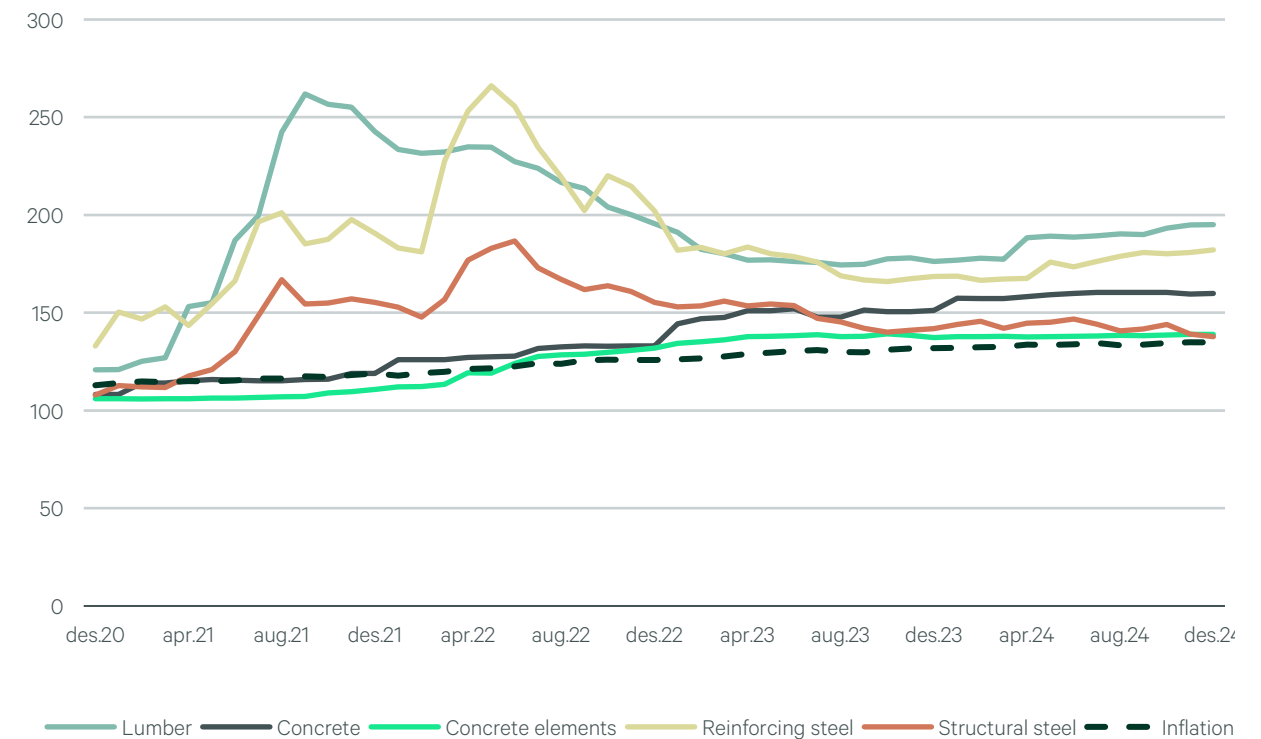
We saw significant price fluctuations in key materials: lumber prices surged by approximately 10% since December 2023, and reinforcing steel rose by 8.1%. In contrast, structural steel prices declined by 2.9%. Overall, the annual growth in total construction costs has steadily decreased from 8.7% in 2022 and 4.4% in 2023 to 3.8% in 2024, indicating a shifting landscape for commercial construction financing.

Based on current trends, it is reasonable to predict that construction costs will continue to rise in 2025, albeit at a potentially slower pace than in previous years.

Despite the reduced cost growth, it is unlikely that the cost level will allow for starting large-scale office development projects outside the prime areas.

I&L rents, particularly in secondary areas, have increased in part to catch up to allowing newbuilds and larger refurbishments. However, with increasing vacancy it seems unlikely to continue in 2025 unless other factors improve significantly.

Figure 6: Building cost index by category and general inflation (2015=100).



Source: Statistics Norway

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# 03

# Office

Norwegian prime office investment saw a strong rebound in 2024. Prime rents have flattened and have not increased since 2Q 2025.



# Key takeaways

01

If the Key Policy Rate (KPR) is not reduced in March 2025, it is unlikely that the market will experience significant yield compression throughout the year. This is primarily due to the sustained high interest rates, which restrict equity buyers from making acquisitions at lower yields.

02

Syndicators are expected to become more active and competitive in the office segment in 2025, although they are likely to continue partnering with only one or two investors at a time. This trend may lead to a more dynamic but selective investment environment in the office market.

03

There is anticipated to be an uptick in lease renegotiations as high adaptation costs make relocations expensive for both landlords and tenants. This trend may result in landlords shifting adaptation costs onto tenants, leading to investment leases rather than incorporating these costs into base rent.



# Equity capital fuelling the recovery in prime office investment

## Equity buyers will continue to dominate the prime office market

Equity buyers continue to dominate, including family offices, pension funds, and insurance companies that do not require financing. There was a high transaction volume in Q4 2024, but several of them had been in the works for a long time, as lead times seem to be increasing significantly over previous years.

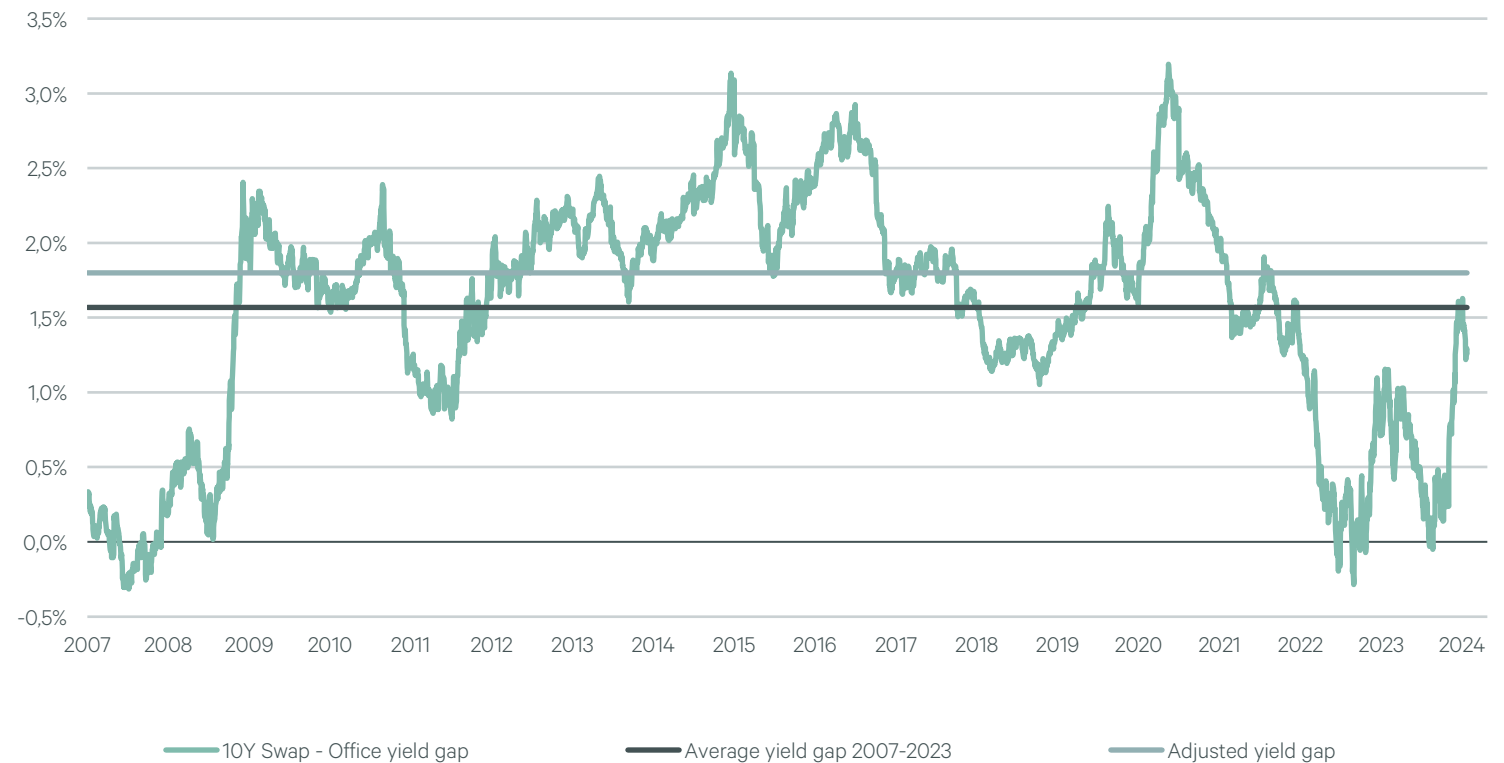
Multiple transactions were recorded around and below the prime yield, which has caused some division in the market regarding the view on prime yield. Most brokers hold on to the view of 4.5 percent despite several deals with NIY near and some even below this level.

However, the CBRE's view is that the continuing high interest does not support sustained yield compression as long as only equity buyers are able to make acquisitions in this market.

If the KPR is not reduced in March 2025, we are unlikely to see much yield compression in that year.

Syndicators have started to become more active and competitive in the office segment again, but it is common for them to have only one or at most two investors with them.

Figure 7: Historical 10Y swap rate (%) and yield gap (%).



Source: CBRE Research, December 2024

# Grade A office demand waning

## Grade A offices see demand flattening

The demand picture for the office occupier market has calmed somewhat in Oslo. It is taking longer to rent out office units, and growth has tapered off.

Total market rents increased 4 percent in 2024, with no increase in the last six months. Grade A property rents fell by 2 per cent year-on-year with zero movement in the last two quarters.

## Demand and supply in the office market

There is a solid office demand, and while signings are falling from 2023, the 12-month rolling average is still at a sensibly high level compared with the past.

The supply of new-built office premises continues to stay low, with roughly 60,000 sqm of new office stock expected to be completed in 2024. However, a few large, specialized projects nearing completion in the next two years will inflate the expected supply.

Construction City (78,000 sqm, 2025e), the first three phases of the new Government Quarter (63,800 sqm, 2026e), Oslo Science City (34,000 sqm, 2026e), and the new Life Science building at the University of Oslo (97,450 sqm, 2026e) account for 87.6 percent of the expected supply in Oslo in 2025-2026.

## Outlook for offices in 2025

We anticipate that the office leasing market will stabilize in 2025, with rental rates remaining steady and experiencing slight increases, despite recent challenges. An uptick in lease renegotiations has been noted, largely due to high adaptation costs making relocations expensive for both landlords and tenants. Particularly in secondary markets, rental agreements offer little flexibility for extensive customization. Consequently, landlords are likely to continue shifting adaptation costs onto tenants as an investment lease rather than incorporating these costs into the base rent, which has been the common practice in the past.

The upcoming developments, such as the completion of Construction City and the anticipated move of the Government Quarter in 2026, are expected to create additional office space in specific areas of the city. Completions are projected to increase to ca. 110,000 sqm in 2025, but apart from the anticipated completion of Construction City (70 percent of the expected volume), activity is sparse.

This could present an opportunity for tenants looking to relocate, especially those willing to accept fewer modifications, potentially leading to advantageous leasing agreements.

Figure 8: 12 month rolling total - sqm signed - Oslo

Figure 8: Average nominal rent - Category A - Quarter - Oslo

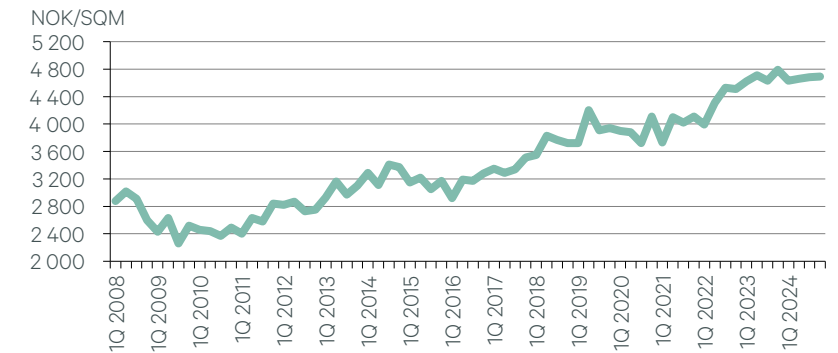
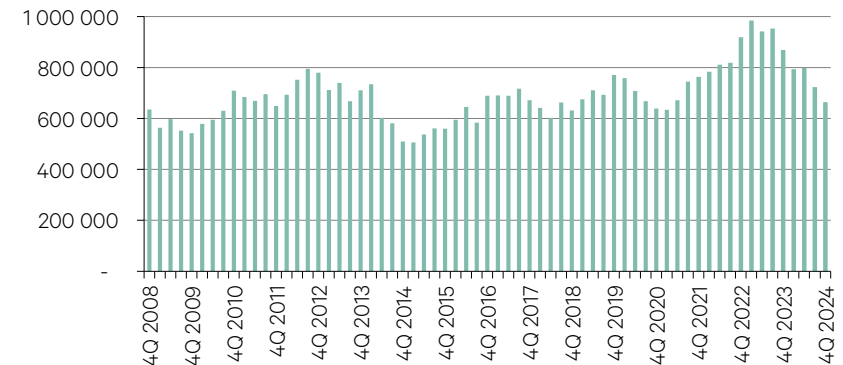


Figure 9: 12 month rolling total - sqm signed - Oslo



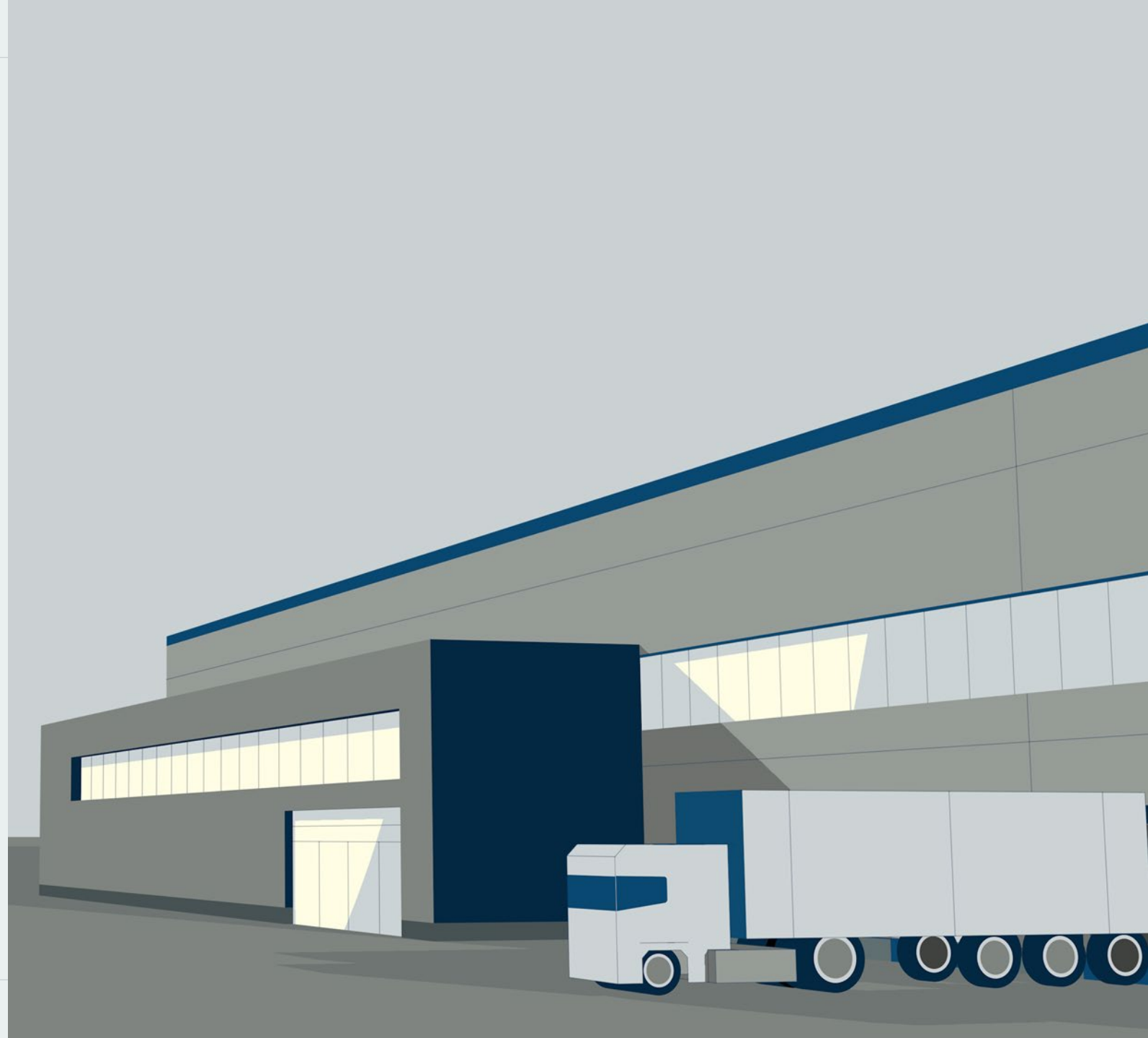
Source: Arealstatistikk, January 2025

# 04

## Industrial & Logistics

Leasing activity for newbuilds improved during the second half of 2024, and we expect these tailwinds to continue in 2025.

Vacancy rates on existing properties will still see some upward pressure from very low levels.



# Key takeaways

01

Prime yield compression – we see the potential for a modest yield compression as interest rates start to fall.

02

Strong fundamentals albeit with somewhat increased vacancy and pressure on rents in the short term.

03

ESG credentials properties are unable to attract prime yield unless ESG credentials are met.

04

Data centre demand to increase offering alternative use of I&L land and supporting land values.



# Logistics take-up drops in 2024, vacancy up in 2025

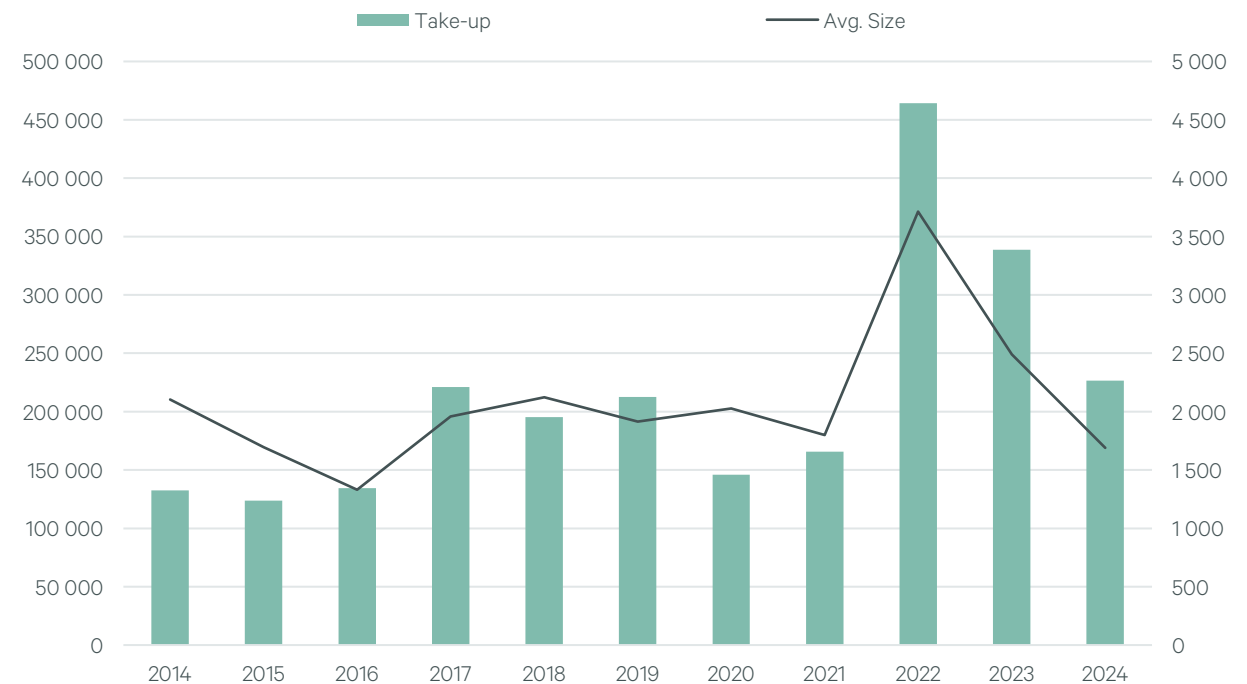
## Vacancy rates increasing from low levels

The Industrial and Logistics market is currently experiencing a notable increase in vacancy rates, although this is occurring from a historically low baseline. Prime properties, characterised by their desirable locations along the northern and southern corridors around Oslo and quality construction, continue to attract interest in both the rental and transaction markets. However, older and outdated buildings face significant challenges as banks, investors, and tenants increasingly prioritise Environmental, Social, and Governance (ESG) criteria.

In 2024, Arealstatistikk recorded 137 signed contracts covering over 226,000 square meters, representing a 33% decrease compared to 2023. The average contract size has contracted to approximately 1,700 square meters, significantly smaller than the agreements made in 2022 and 2023. This shift highlights a trend towards more flexible and smaller spaces in response to evolving market demands.

In summary, prime locations remain resilient while the market faces challenges, particularly for older properties. Property owners must adapt to the changing landscape, emphasising tenant retention and exploring innovative solutions to navigate the evolving demands of the real estate sector.

Figure 10: Logistics take-up Oslo Region - >150 sq m, >200 NOK/sq m, >24m lease length



Source: Arealstatistikk, January 2025

# Investment volumes are up due to increased size of deals

## Growth, but not without complications

The investment market grew significantly in 2024, based on deal volume, not an increased number of deals, showing that buyers and sellers have come closer than they were in 2023.

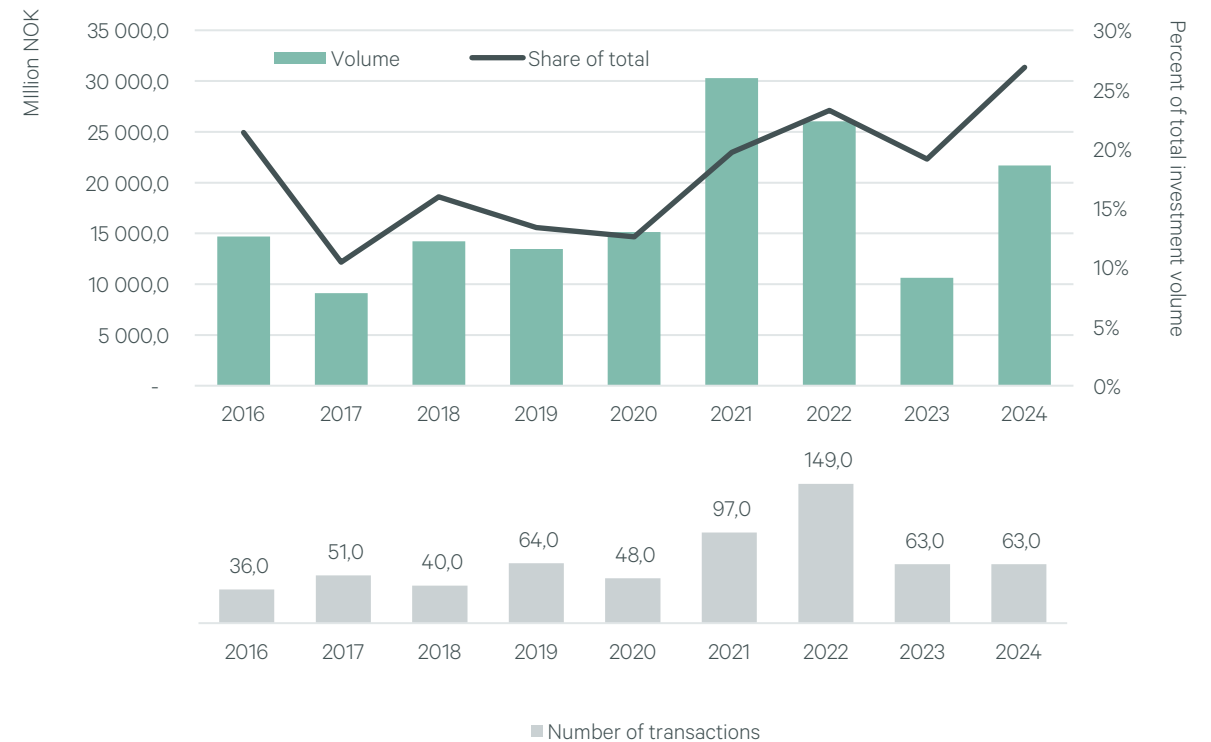
The warehousing and logistics sector has seen a notable increase in available space throughout 2024. High interest rates are exerting downward pressure on rental prices as tenant profit margins shrink. Previously, vacancies were often linked to expired contracts, evolving space requirements, or corporate consolidations. However, the current landscape is further complicated by:

- Bankruptcies within the sector.
- Rezoning of logistics properties for residential use, now on hold. The properties are back on the market.

- E-commerce operators finding it increasingly unprofitable to maintain their own warehouses, resulting in a shift towards outsourcing logistics operations to third-party logistics providers (3PL).
- As a direct consequence of these factors, it has become imperative for property owners to focus on tenant retention.

The pipeline for new developments has slowed significantly, primarily due to high construction costs, rising uncertainty among businesses, and increasing yield expectations. Currently, the majority of new development opportunities along the northern corridor are concentrated around Gardermoen and Aussenfjellet. In the southern corridor, zoned land is available in Drøbak, Enebakk, Vestby, and Moss, presenting potential for future projects.

Figure 11: Investments in Industrial and Logistics real estate



Source: CBRE Research, December 2024

05

# Retail

Falling interest rates and improving real incomes are expected to boost retail sales and consumer spending in 2025. Retail investment will focus on necessity-driven assets, such as grocery and hard discount-anchored retail parks and big boxes.



# Key takeaways

01

High street - smaller transactions and tenant turnover show positive trends, particularly in the luxury segment, which is stabilizing after rapid growth.

02

Grocery actors are aggressively pursuing prime locations, contributing to consistent turnover growth in the grocery sector, with discount chains gaining popularity and tenants focusing on climate-efficient buildings.

03

Shopping centres are experiencing good turnover growth, although some tenants, especially in fashion, face squeezed margins and a rising bankruptcy rate in the food and beverage industry.

04

The investor landscape is currently limited, but there is an emerging interest from non-industrial players in the retail transaction segment



# Retail investment to pick up in 2025

## High street retail is performing well on business as usual

It appears that there is good interest and turnover growth from tenants. The luxury segment has seen incredible growth in rents but now seems to be levelling off. Nedre Slottsgate in Oslo has managed to achieve the highest concentration of luxury retail in Europe on a single street.

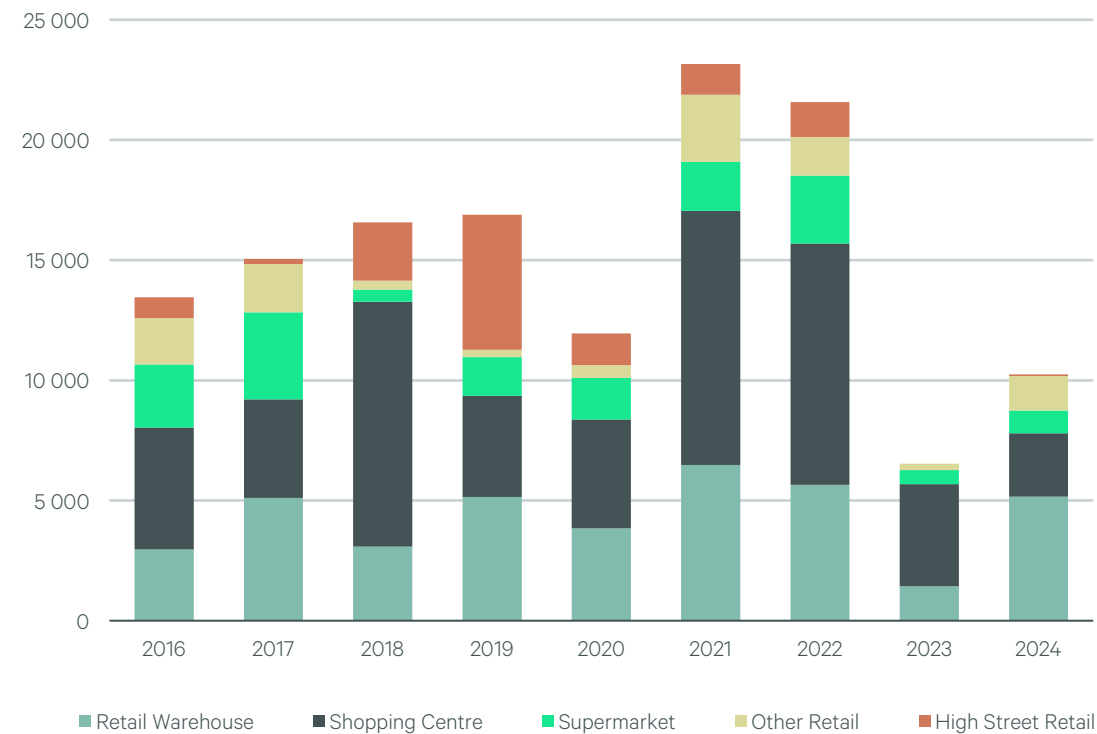
Like in the rest of Europe, car dealerships are pulling back, and it remains to be seen if other retail players are willing to absorb the rent from these. An interesting trend is that the increased bankruptcy rate for Food & Beverage is making it expensive for property owners to switch between concepts.

## Grocery chains competing for good locations

Rema and NG appear to be quite aggressive in securing new prime locations. There is still good growth in turnover. Discount chains are unsurprisingly the favourites, and we have seen several conversions from the high-quality Meny supermarkets to the discount brand Kiwi.

Tenants are concerned with climate-efficient buildings. There is increased and generally good interest in the segment—here you get some of Norway's strongest tenants at reasonable yields. Grocery is probably the only segment where new construction is economically viable.

Figure 12: Retail investment volumes by subsector in Norway 2016 – 2024 (NOK million)



Source: CBRE Research, Q4 2024

# Consumer spending rebound aids retail sales in 2025

## Shopping centres continue to deliver good revenue growth

In the shopping centre space, margins are squeezed for some tenants, especially in fashion. Further, the bankruptcy rate for F&B has increased.

Home & Cottage recently announced bankruptcy, while discount stores like Normal are doing well. Like in the office sector, there is a large and growing difference between prime and secondary pricing.

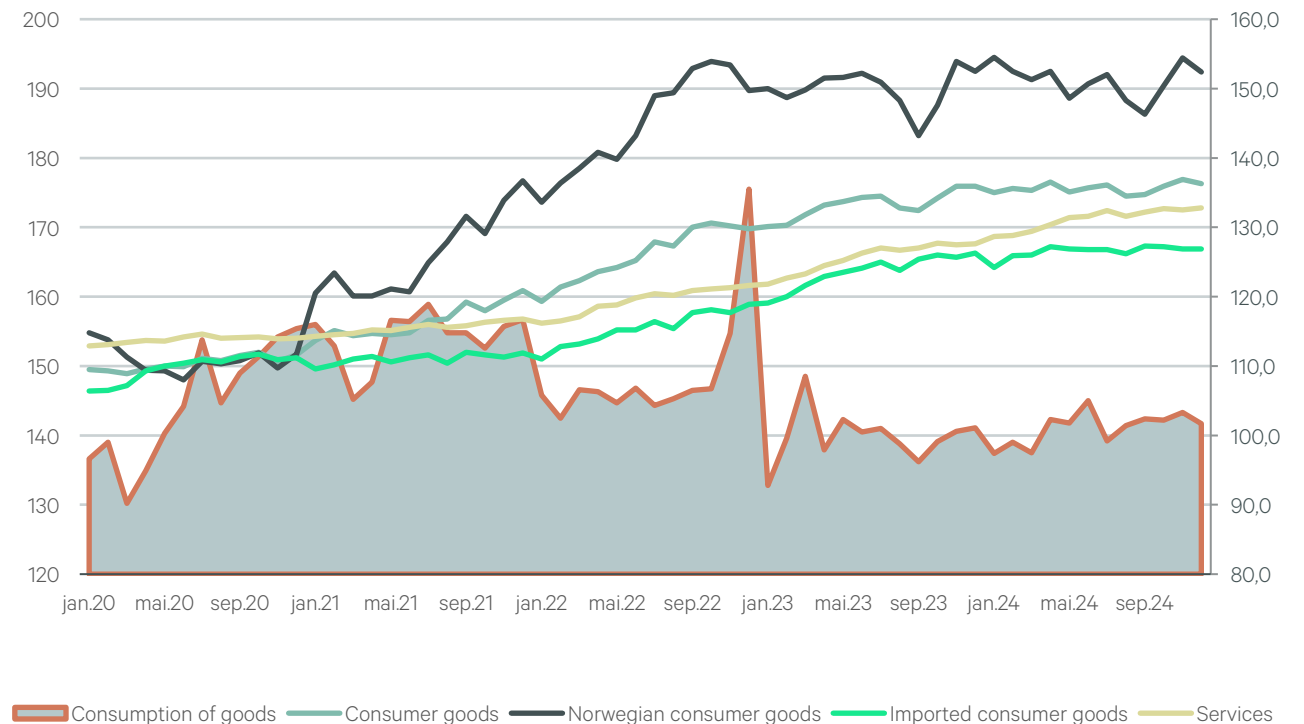
Generally, the property class has proven to be robust. Despite threats from e-commerce, the pandemic, economic hardship, and rising interest rates, it is still performing well. To some degree the line between physical and

online retail is blurring; it's all about being where the customer is and offering as seamless a shopping experience as possible. This is evident in the statistics, where the proportion of stores with both physical and online presence has increased.

## Retailers are planning expansion

As a result of improving consumer fundamentals, leasing activity is expected to strengthen throughout 2025, as occupiers realise expansion plans across all retail asset types. In the [CBRE European Retail Occupier Survey 2024](#), 72% of retailers indicated that they plan to expand their store portfolio in the short term.

Figure 13: Consumption of good index and consumer goods and services price index (2015=100)

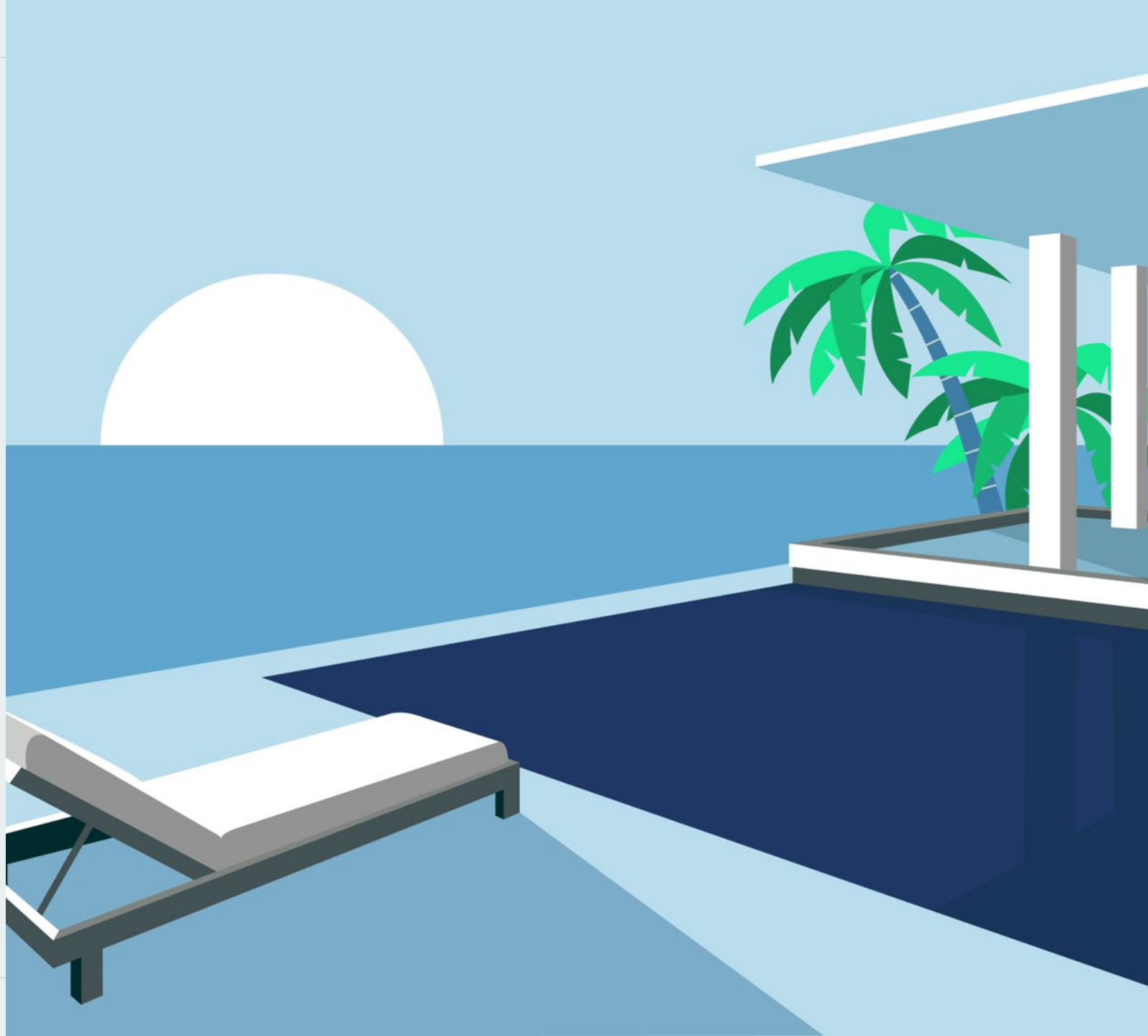


Source: Statistics Norway

## 06

# Hotels

The outlook for the Norwegian hotel sector is positive, with higher transaction activity expected in 2025. Continued strong hotel performance, particularly in Tromsø and Bergen, is expected. Strong international demand is projected to sustain positive RevPAR growth through 2025.



# Key takeaways

01

More hotel transactions will be completed in 2025 than in the past two years combined. Owner-operators will be most active, but more traditional core money will also return to the scene.

02

The presence of key determinants of leisure traffic will continue to benefit Norwegian hotels: a cool and clean climate, accessible natural beauty, a relatively weak currency, and fun cities.

03

Building costs remain high, and construction financing remains dear, so few new large hotels will open.

04

In all, 26 airports across Europe allow you to fly directly to the small, Arctic city of Tromsø this winter season, and the effect on the Arctic hotel market is noticeable. The city is expecting an increase in hotel capacity by 13% in 2025 and a further 10% in 2026.



# Strong operational performance

The Norwegian hotel market showed strong operational performance in 2024, with significant growth in RevPAR\* across several key cities.



## Oslo

RevPAR increased by 6.3% yoy and was 32.1% higher compared to 2019.

## Bergen

RevPAR increased by 14.2% yoy and was 56.6% higher compared to 2019.

## Stavanger

RevPAR increased by 14.4% yoy and was 68.8% higher compared to 2019.

## Tromsø

RevPAR increased by 22.6% yoy and was 60.4% higher compared to 2019, making it the market leader in RevPAR.

\*revenue per available room

# Tourism increasing significantly into 2025 – Larger players and smaller destinations winning out

Despite high interest rates and unique taxation issues, Norway’s hotel market enjoyed impressive demand growth in 2024. However, Oslo and Trondheim still lagged pre-pandemic occupancy levels by 1.5% and 2.7%, respectively. The robust demand growth in Tromsø, which outpaced supply, highlights the dynamic market conditions. Notable transactions in Norway included NREP’s acquisition of Comfort Hotel Karl Johan in Oslo and Pandox’s purchase of the Radisson Blu Hotel in Tromsø.

As shown by Figure 14, international travellers have not alone been responsible for the growth in demand: the share of foreign overnights in the last twelve months declined compared to 2016. US guests, armed with strong US Dollars, have come in large numbers, while Asian visitors, and the Chinese in particular, have gone elsewhere if they have travelled at all.

## Smaller locations are gaining ground

In addition to the prevailing trend of rising prices and occupancy rates across most destinations, there are emerging opportunities for smaller and lesser-known locations.

There is also a growing interest in travel to less commercialized destinations, where travelers can immerse themselves in nature, culture, and local

cuisine. This trend favors extended stays in these areas, allowing visitors to seek tranquility and unique experiences outside major urban centers and tourist hotspots.

Further, climate-conscious travelers are also on the rise, favoring cooler summers or more reliable winter snowfall, which enhances occupancy during shoulder seasons—a trend that is already showing improved utilization (occupancy/pricing).

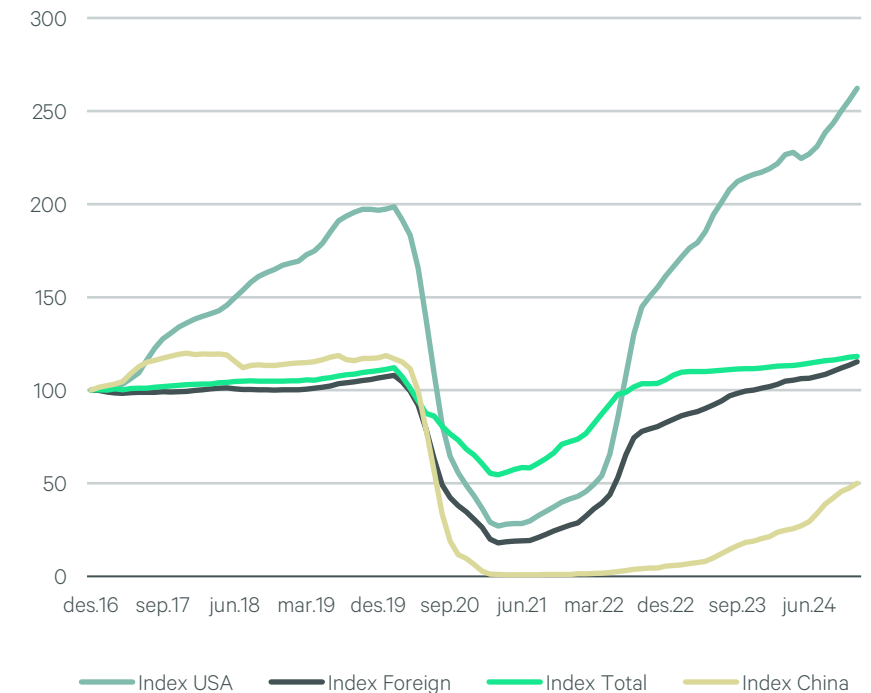
## Larger players coming

We expect entry of more international and professional players in the market, both in terms of hotel ownership and branding. For instance, Strawberry is diverging from the norm by phasing out the Choice brand Clarion Collection in favor of its own Home Hotels brand.

With an increasing influx of international guests, there could be significant interest among independent hotels in pursuing franchise affiliations to strengthen their market position.

Additionally, we may witness a consolidation among smaller hotel chains, enabling them to present themselves as larger entities and thereby enhance their market power with suppliers.

**Figure 14:** Hotel overnights index in Norway by origin, Rolling 12 month average (Dec 2016=100)

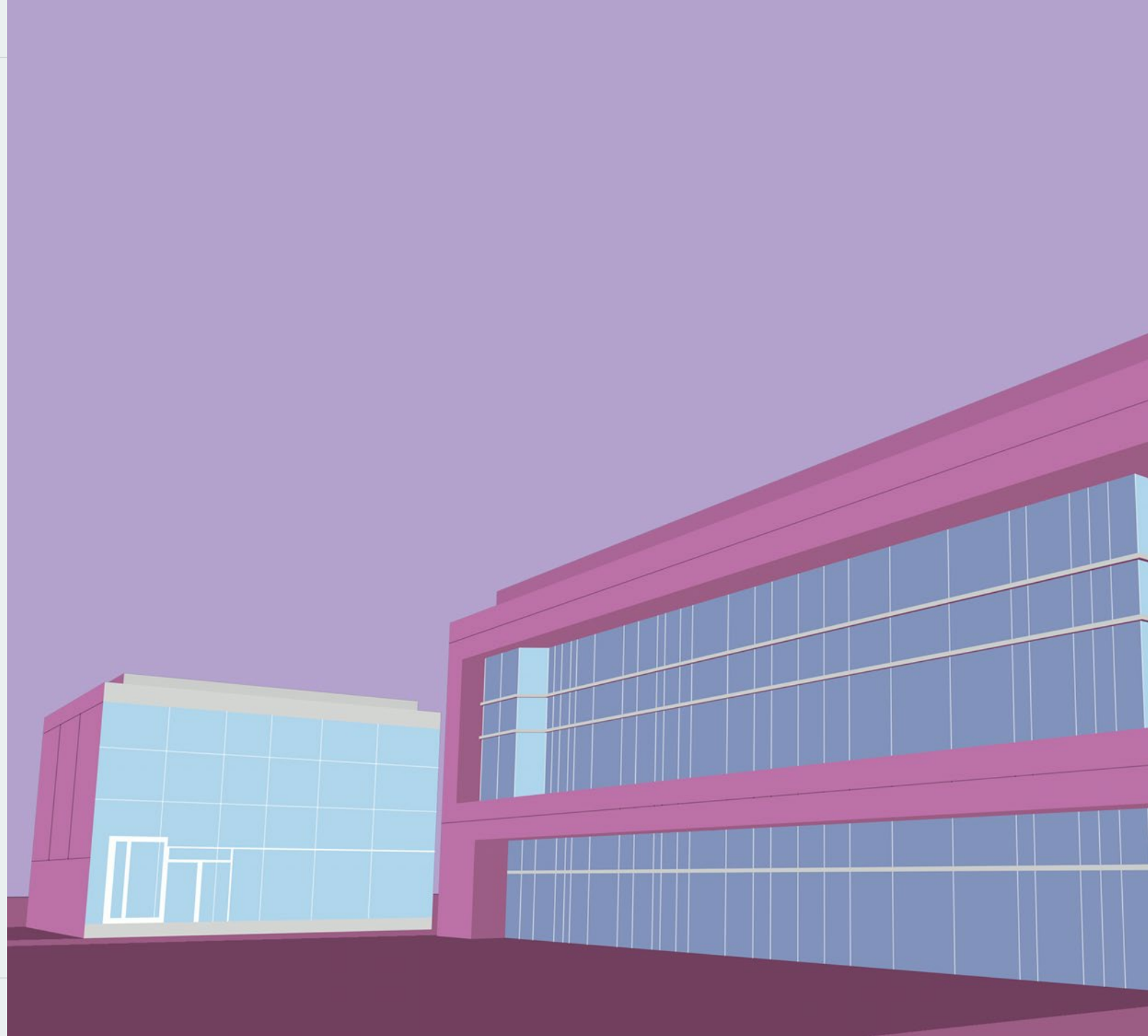


Source: Statistics Norway

07

# Data Centres

Lack of availability in primary markets and expectation of power availability are causing the demand for new data centre capacity to expand into Norway and other smaller markets. Norway is a suitable and attractive secondary market for new data centre investment because of its low cost of electricity, good availability of power and land, strong governmental support and high supply of available renewable energy.



# Key takeaways

01

Lack of availability in primary markets is causing the demand for new capacity to expand into smaller markets where their requirements can be met. Norway and the Nordics are seeing this growing demand in data centres with several large announcements of new data centre locations already in 2024.

02

Norway and the Nordics are suitable and attractive secondary markets for their lower cost of electricity, good availability of power and land, strong governmental support and especially the high supply of available renewable energy.

03

Data centres in the Nordic countries have become attractive to GPU-as-a-service providers. This reflects the fact that, in some cases, the available power and land to build new, large data centres are sometimes more readily available in Norway and other Nordic countries than in the larger European markets. As a result, we expect to see more deals to let multiple MWs of colocation data centre capacity to GPU-as-a-service providers in 2025.



# AI demand to spur growth in the Nordic data centres

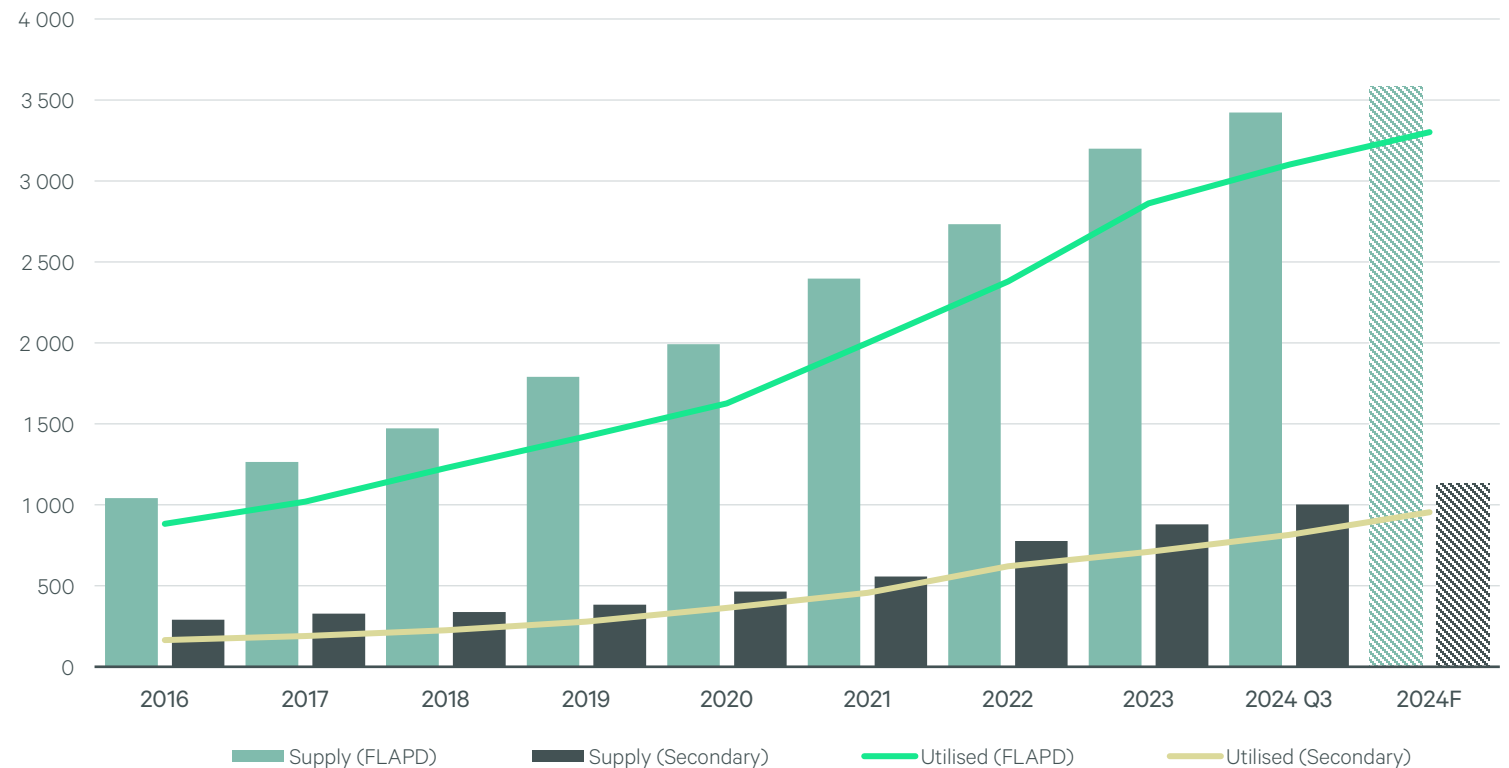
## Seeing growing demand from data centre players

By the end of 2025, London and Frankfurt are projected to comprise 2.5GW of capacity, nearly half of Europe’s total data centre supply. Over 70% of European demand is expected in the primary FLAPD markets. However, available space is likely to decrease for the fourth consecutive year due to high demand and challenges in delivering new facilities, such as limited land and power. This shortage in primary markets is driving demand for new capacity into smaller secondary markets like Norway, where their requirements can be met.

Some of the large investments announced in 2024 are:

- Google – Skien, Norway, EUR 600 million investment, expected to be operational by 2026
- Telenor, Hafslund, and HitecVision are investing NOK 2.4 billion in Skygard in Oslo, first center expected to be operational by the first half of 2025.
- Bulk Infrastructure has secured a 4 billion kroner equity investment from the American investment firm BGO

Figure 15: European market supply and utilisation, 2016–2024F (MW)



Source: CBRE Research, Q3 2024

07  
Data  
Centres

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Norway and the Nordics are suitable and attractive secondary markets for their lower cost of electricity, good availability of power and land, strong governmental support and especially the high supply of available renewable energy.

Data centres in the Nordic countries have become attractive to GPU-as-a-service providers. This reflects the fact that, in some cases, the available power and land to build new, large data centres are sometimes more readily available in Norway and other Nordic countries than in the larger European markets such as Paris. As a result, we expect to see more deals to let multiple MWs of colocation data centre capacity to GPU-as-a-service providers in 2025.

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AI providers need large quantities of data centre capacity in areas where low-cost renewable power is more readily available. Requests are expected to come mostly from well-funded technology service providers and AI start-ups as opposed to hyperscalers. The former are wholly dedicated to the provision of services based on AI technology and, therefore, need capacity in significant quantities now.



# 08

# Sustainability

Owners and occupiers of commercial real estate will face significant challenges when trying to navigate the complex regulatory landscape, as new directives come into effect. Assets with good sustainability credentials are likely to experience enhanced cash flow stability and greater yield compression.



# Key takeaways

## 01

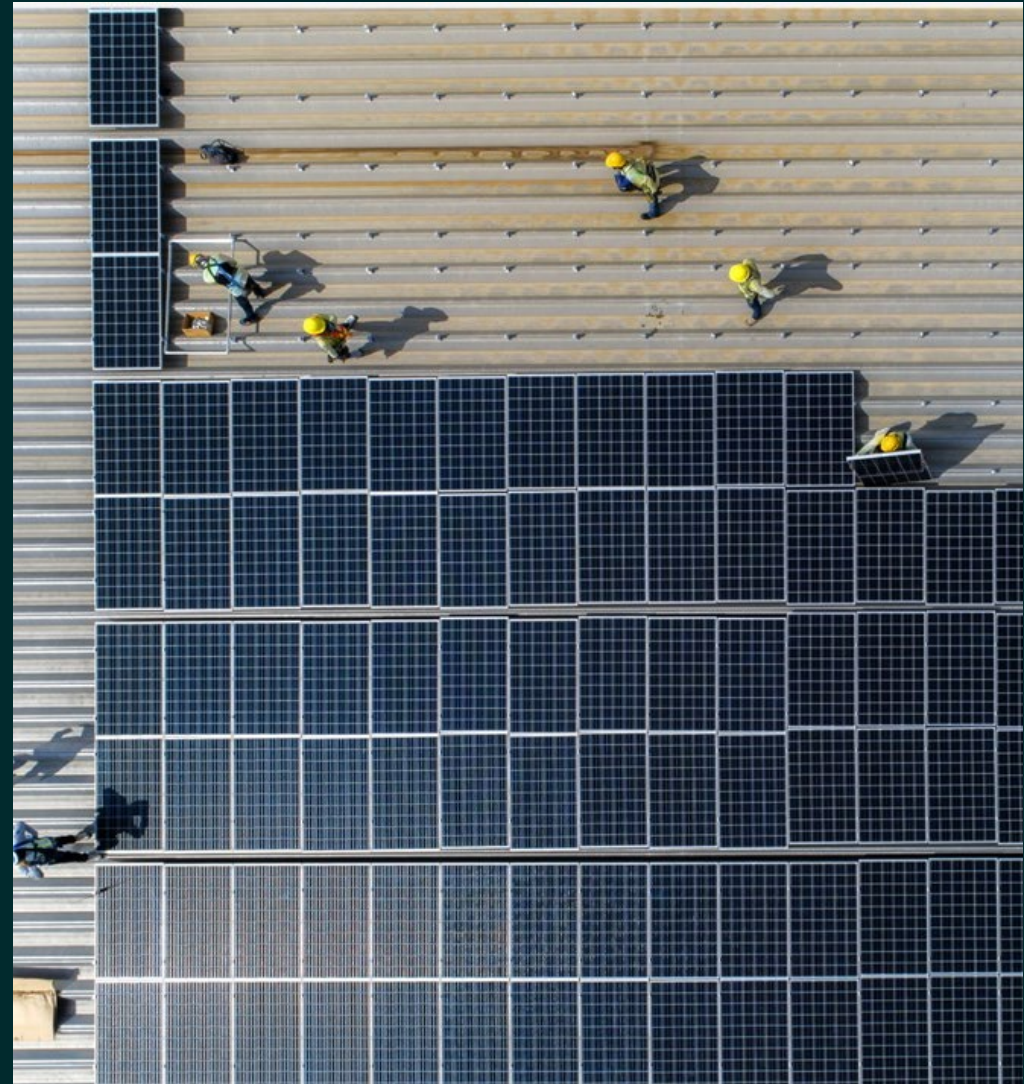
Investors will have to publicly disclose and implement their climate transition plans aimed at retrofitting assets to align with the Net Zero Carbon Pathway, as mandated by European legislation. Additionally, investors must address the financial implications associated with adaptation to prospective climate-related risks.

## 02

In 2025, the first group of companies will commence reporting in accordance with the European Sustainability Reporting Standards (ESRS) for the fiscal year 2024. Additionally, the implementation of Basel IV will introduce further complexity to the real estate investment landscape.

## 03

The EU's Corporate Sustainability Reporting Directive (CSRD) and the recently passed Corporate Sustainability Due Diligence Directive (CS3D), will require companies in scope to publicly disclose their climate transition plans and implement them to the best of their ability. This reinforces the need for corporations to have a robust transition plan to achieve climate goals.



# Navigating the uneven recovery

European real estate investment markets are expected to see a gradual but uneven recovery in 2025, as some sectors are expected to perform better than others. Investment decisions will be increasingly influenced by various elements of asset quality – including sustainability.

In this context, there will be more emphasis on delivering sustainability attributes to enhance asset value, and particularly in mitigating the risks associated with future obsolescence.

The current pricing landscape presents a strategic opportunity to drive transformation. Assets failing to comply with sustainability standards are likely to suffer downward repricing, due to the scale of investment required for refurbishment to meet these standards.

## Shift in perception likely to affect values

Sustainability features are increasingly viewed as industry norms rather than optional enhancements. As a result, some occupiers are willing to pay rental premiums for such assets, and to seek discounts for non-compliant properties. Investors are often willing to pay more for assets with strong sustainability features because they expect improved cash flow and returns through superior rental growth, depreciation, and yield. However, value might come from better tenant quality, faster leasing, and improved occupancy rates, rather than just rental income itself.

Assets with good sustainability credentials are likely to experience better cash flow stability resulting from improved tenant retention and, consequently, lower vacancy rates and operational costs. We expect a sharper compression of yields for assets with high sustainability credentials.

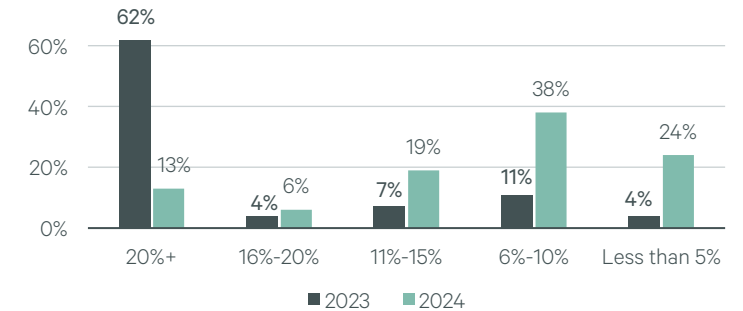
## Financing strategies will evolve

Lending institutions are expected to implement incentives and strategies aimed at financing retrofitting.

There will be considerable variation in local market practices, depending on the maturity of the market and the robustness of financial institutions. Conversely, in line with their aim of reducing the carbon footprint of financed portfolios, financial institutions will be selective in approving refinancing for assets requiring upgrades.

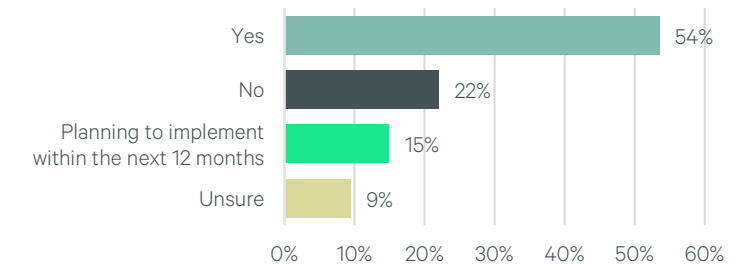
CapEx requirements, along with strategies for securing this financing, will be on investors' and landlords' agendas. A clear valuation of transition risk is essential for investors to be able to formulate a compelling business case for sustainability initiatives. Ultimately, property owners and investors require assurance that any proposed investments will augment the value of the property.

**Figure 16:** Premium certain investors are willing to pay to acquire assets that meet sustainability standards (2024 vs. 2023)



Source: CBRE European Investor Intentions Survey 2024

**Figure 17:** Are lenders willing to offer margin stepdowns for assets with strong ESG credentials?



Source: CBRE European Lender Intentions Survey 2024

# Complex reporting landscape

## CSRD reporting will become mandatory for many

The EU's Corporate Sustainability Reporting Directive (CSRD) and the recently enacted Corporate Sustainability Due Diligence Directive (CS3D) mandate that eligible companies publicly disclose their climate transition strategies and execute them as fully as possible.

The CSRD will require compliance from approximately 50,000 companies, collectively representing 75% of the total turnover of EU enterprises. This will pose significant challenges, as the processes of data collection and third-party auditing will require corporates to commit substantial time and resources.

## BASEL IV comes into force on 1 January

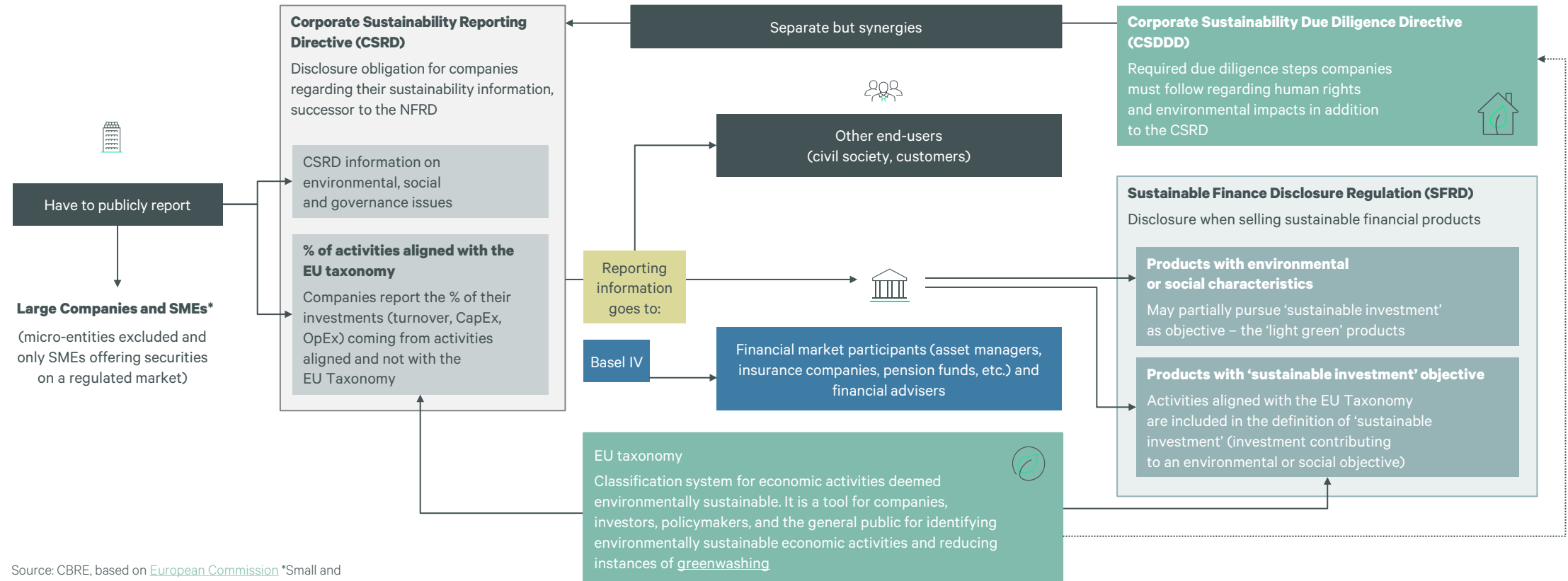
The Basel IV reforms are set to be implemented in 2025 and will introduce significant changes to credit risk management. Specifically, they will constrain the use of internal risk models and require an increase in bank's capital.

This could restrict capital for commercial real estate, if increased capital requirements force banks to raise more equity or lend less, leading to higher costs for borrowers. The reforms will likely have a disparate impact in different regions, due to regional differences in banks' use of internal models for calculating risk. Basel IV will also establish a new framework for property valuation, recommending that national supervisory authorities develop specific evaluative criteria.



# EU disclosure requirements for real estate investments

Figure 18: The regulatory landscape of corporate sustainability in the EU



Source: CBRE, based on [European Commission](#) \*Small and Medium-sized Enterprise

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