

Market Outlook: Yield Compression Won't Save You This Time

● The Deal Room | Pitcher's Corner · 2nd floor | 11:10–11:35 | 



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Higher real rates point to rising prime office yields, not compression

Stine Thomle Karlsen of Malling showed that Norway's income and wage growth has kept Norges Bank committed to its 2% inflation target, and that it has raised its real policy rate projection for the third consecutive report. The prime office yield has historically followed the real 10-year swap rate but has not yet done so, and closing that gap implies further yield expansion of approximately 50-75 bps. For offices, Malling expected zero employment growth, a real fall in rents in 2026 and positive real growth from 2027. Construction costs have outpaced CPI by more than 8% since 2022, and high break-even rents constrain new supply, which should keep vacancy stable. In housing, new homes are too expensive relative to existing ones, and building at Swedish prices was presented as the only viable path forward.

KEY TAKEAWAYS

- Norges Bank raised its real policy rate projection for the third consecutive report, keeping it above neutral.
- Closing the gap to the real 10-year swap rate implies prime office yields rising about 50-75 bps.
- Falling new construction from 2027 should keep Oslo office vacancy stable despite zero employment growth.
- New homes cost too much relative to existing ones; cutting build costs was presented as the viable path.
- Transaction volume has reached NOK 52 bn in 2026, with retail the most traded segment.

**50–75
bps**

further prime office yield expansion implied if the gap to the real swap rate closes