

# Q3 2020

Oslo, 16 October 2020



# Agenda

---

## **Highlights in the quarter**

---

Operations and market

---

Financial update

---

Closing remarks

---

Q&A

---

# Highlights in the quarter



Universitetsgata 2 and St. Olavs plass 5

## Key figures:

(NOK million)	Q3 20	Q3 19
Rental income	589	577
Net income from property management	383	360
Net value changes	918	471
Profit before tax	1,354	900

## Key events:

- Net letting of 7 million
- Ongoing yield compression, significant positive portfolio value changes
- Preparing for start of two new redevelopment projects

# Agenda

---

Highlights in the quarter

---

**Operations and market**

---

Financial update

---

Closing remarks

---

Q&A

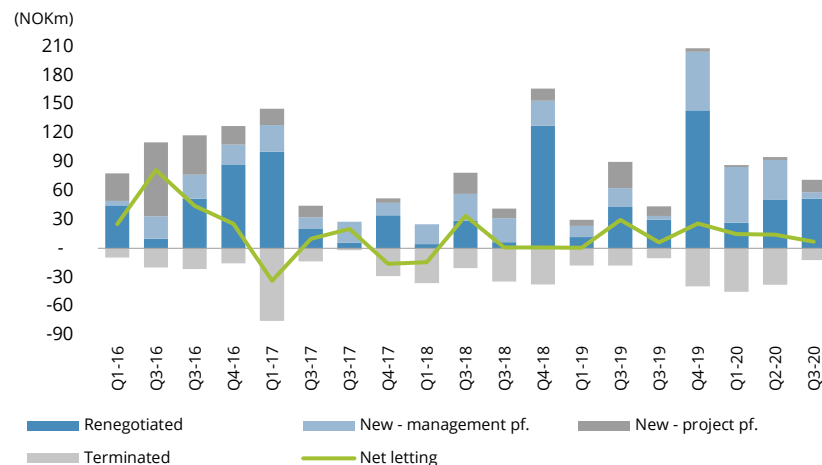
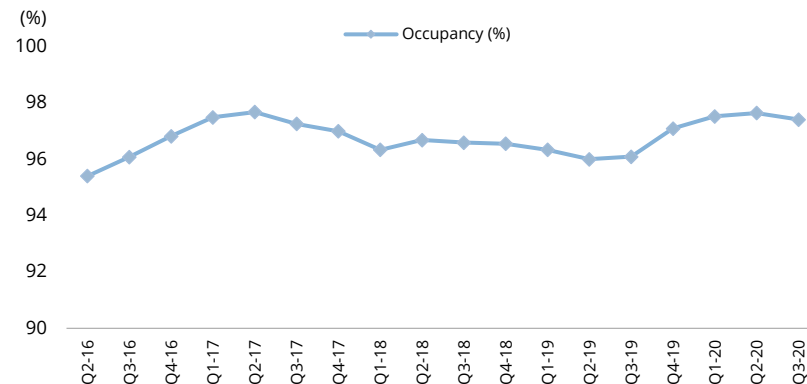
---

# Letting and occupancy

- New and renewed leases of 71 million (31,800 sqm)
- Terminated contracts of 12 million (6,500 sqm)
- Net letting of 7 million
- Occupancy at 97.4 %
- WAULT at 6.9 yrs (6.9 yrs incl. project portfolio)



## Largest new and renegotiated contracts:

Property	Tenant	Sqm	Contract
Papirbredden, Drammen	University of South-Eastern Norway	19,300	New/Renegotiated
St Olavs plass 5, Oslo	WSP Norway	3,800	New
Konggata 51, Drammen	Vestre Viken HF	3,500	Renegotiated



\* Net letting = new contracts + uplift on renegotiations – terminated contracts

# Status ongoing projects

	Ownership (%)	Location	Expected completion	Project area (sqm)	Occupancy (%)	Estimated total project cost <sup>1)</sup> (NOKm)	Of which accrued <sup>1)</sup> (NOKm)	Yield on cost <sup>2)</sup> (%)
<b>Redevelopment</b>								
Kristian Augusts gate 13	100	Oslo	Q4-20	4 300	100	304	284	5.0
Universitetsgata 7-9	100	Oslo	Q3-21	21 900	86 	1 235 <sup>3)</sup>	839	5.9 <sup>3)</sup>
Universitetsgata 2 - Rebel	100	Oslo	Q3-21	28 100	37 	1 650	1 326	5.6
<b>Refurbishment</b>								
Grønland 32	100	Drammen	Q2-21	5 000	100	158	99	7.0
Hagegata 22-24	100	Oslo	Q4-21	10 100	100	433	363	5.5
<b>Total</b>				<b>69 400</b>		<b>3 780</b>	<b>2 912</b>	

<sup>1)</sup> Total project cost (Including book value at date of investment decision/cost of land)

<sup>2)</sup> Estimated net rent (fully let) at completion/total project cost (including cost of land)

<sup>3)</sup> New contract signed in October will increase project cost and slightly affect yield on cost.

# Preparing for start of new project at St. Olavs plass 5 Oslo

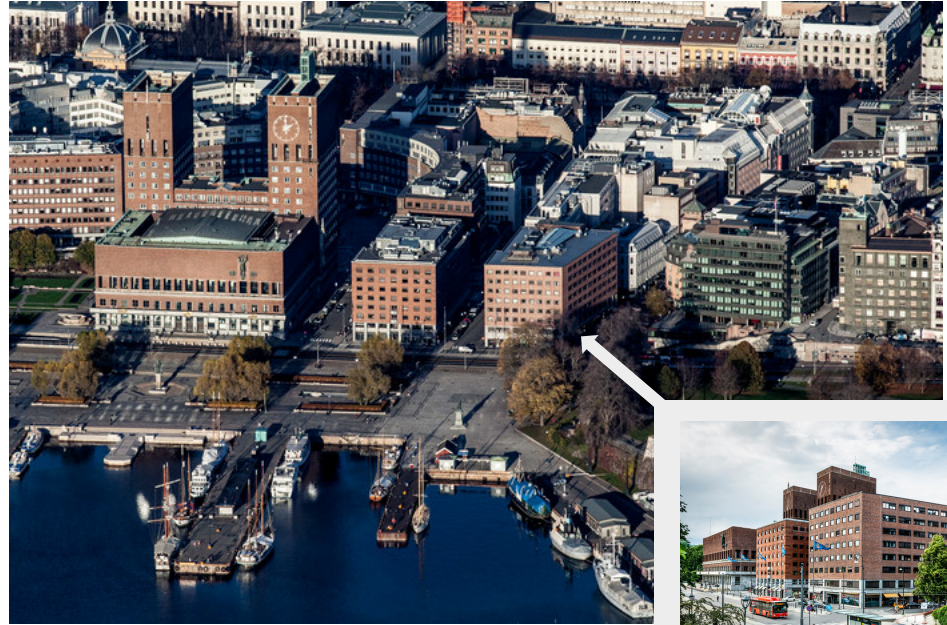
- Redevelopment of large office building in Oslo city centre
  - 16,500 sqm, acquired in 2019
  - Part of the Tullin cluster
  - BREEAM-NOR Very Good
- 21 % pre-let to WSP Norway
  - Ongoing negotiations for another 27 %
- Estimated project cost: ~1.2 bn (incl. initial value)
- Estimated yield-on-cost: ~ 4.8 %
- Expected completion: Q3 2022



*St. Olavs plass 5, Oslo*

# Preparing for start of new project in Tordenskiolds gt 12 in Oslo

- Redevelopment of large office building
  - 13,000 sqm
  - Prime location in Oslo CBD
- 92 % pre-let to law firm Schjødt
- Estimated project cost: 1.2 billion (incl. initial value)
- Estimated yield-on-cost: 4.4 %
- Expected completion: Q3 2022



*Tordenskiolds gate 12 in Oslo*





# Significant project pipeline driving growth

Finalised zoning / in the market ~ 143,000 sqm



**Schweigaardsgt. 15  
Oslo**  
Redevelopment  
22,800 sqm  
Status: Zoned  
Marketing ongoing



**Stenersgata 1-3  
Oslo**  
Redevelopment  
16,000 sqm  
Status: Zoned  
Marketing ongoing



**Spire Helsfyr  
Oslo**  
New-build  
20,000 sqm  
Status: Zoned  
Marketing ongoing



**Møllendalsveien 6-8  
Bergen**  
Redevelopment  
14,500 sqm  
Status: Zoned  
Marketing ongoing



**Nygårdsgaten 91-93  
Bergen**  
New-build  
12,000 sqm  
Status: Zoned  
Marketing ongoing



**Jørgen Kanitz gate  
Sandvika**  
New-build  
~ 12,000 sqm  
Status: Zoned  
Marketing ongoing



**Holtermannsv. 1-13 II  
Trondheim**  
New-build  
~ 20,600 sqm  
Status: Zoned  
Marketing ongoing



**Holtermannsv. 1-13 III  
Trondheim**  
New-build  
~ 15,500 sqm  
Status: Zoned  
Marketing ongoing



**Kongens gate 87  
Trondheim**  
Redevelopment/add-on  
~ 10,000 sqm  
Status: Zoned  
Marketing ongoing

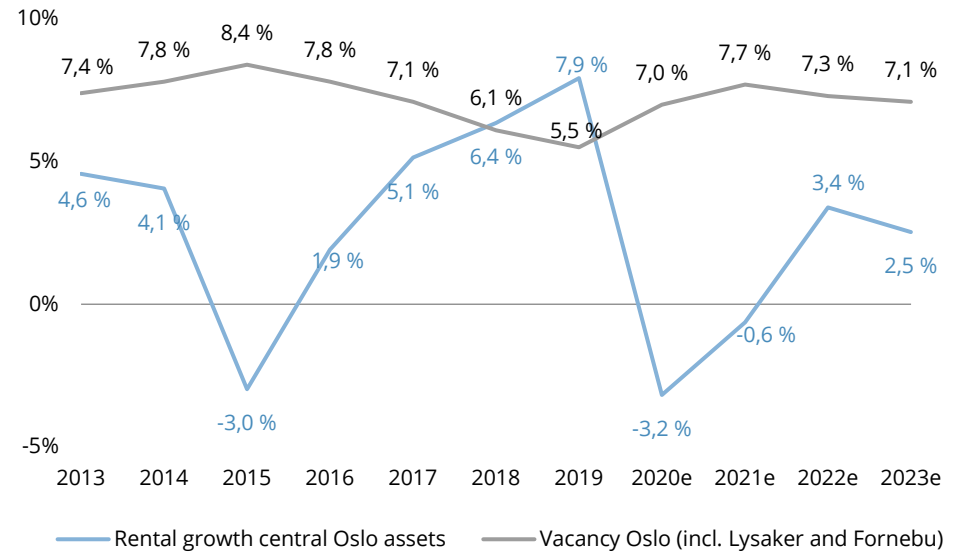
Zoning ongoing / early stage ~ 240,000 sqm

# Market development

## Rent and vacancy

- Norway remains open with relatively limited Covid-19 cases
- GDP expected to fall by 3.1 % in 2020 and increase by 4.4 % in 2021\*
- Office market in Oslo;
  - Expecting more normalised vacancy levels
  - Slight decrease in overall rent levels
  - Limited new building activity in central Oslo
- Office market in regional cities;
  - Stable vacancy and activity in both Bergen and Trondheim
  - More challenging in Stavanger

Market rental growth and vacancy in Oslo



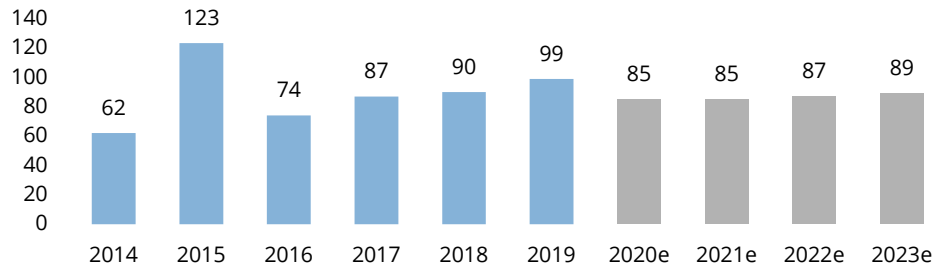
Source: Entra consensus report. Q3 2020, average of estimates from leading market specialists in Norwegian market. Nominal rental value growth

# Market development

## Transactions and yields

- After a slow Q2, activity is back in the transaction market
- Lower interest rates stimulate residential and commercial markets
  - Financing market open and well functioning
  - Attractive pricing for low credit risk
- Ongoing yield compression
  - Prime yield in Oslo down from 3.7 % to 3.5 %
  - Strong demand for attractive properties with long leases

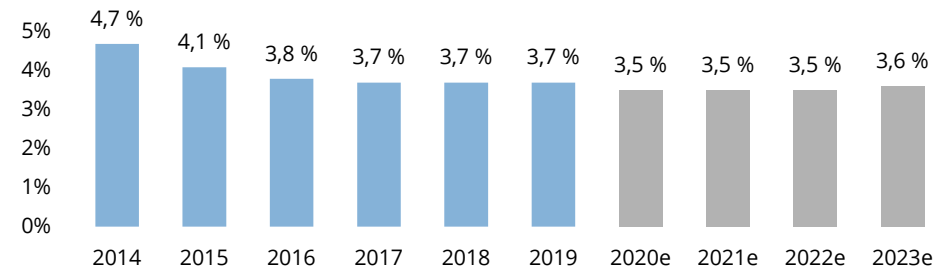
## Total transaction volume (NOKbn)\*



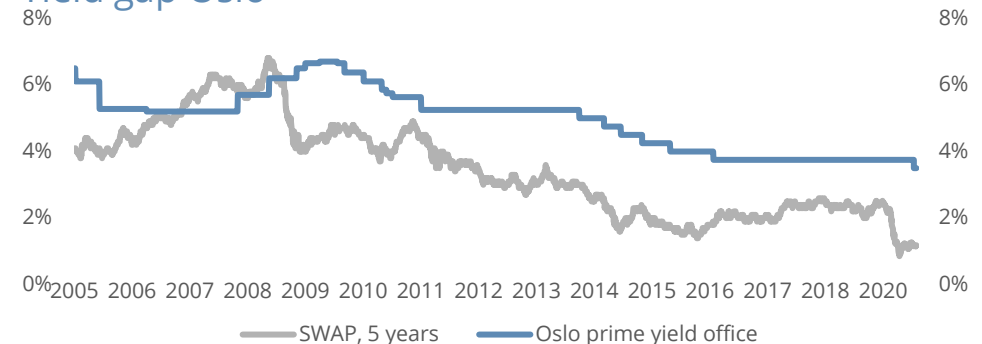
\* Source: Entra consensus report Q3 2020. Estimates from leading market specialists in Norwegian market

\*\* Source: Akershus Eiendom/JLL

## Prime yield Oslo\*



## Yield gap Oslo\*\*



# Agenda

---

Highlights in the quarter

---

Operations and market

---

**Financial update**

---

Closing remarks

---

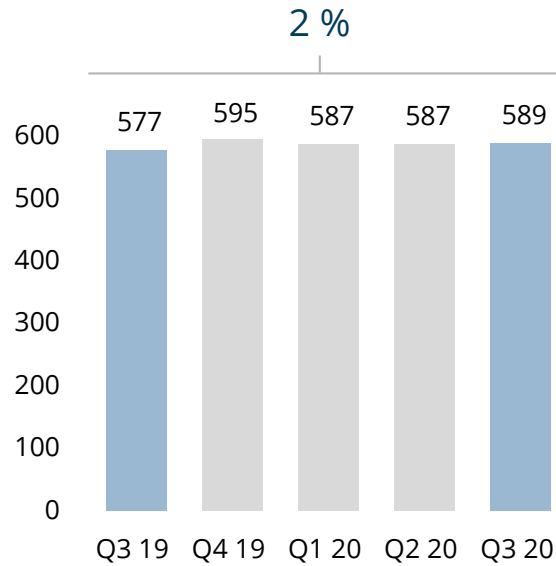
Q&A

---

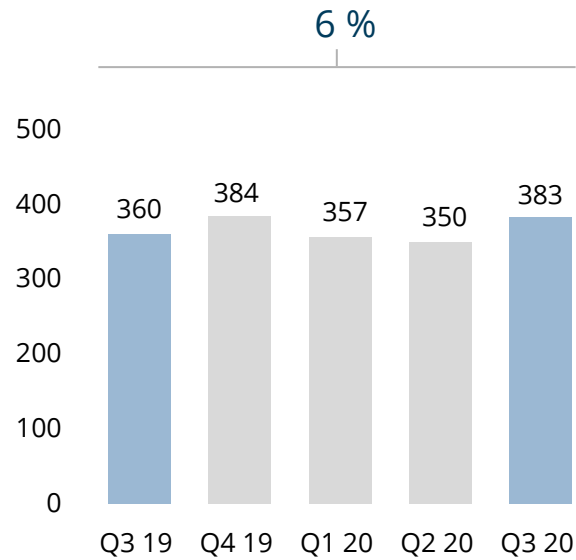
# Key financials

NOK million

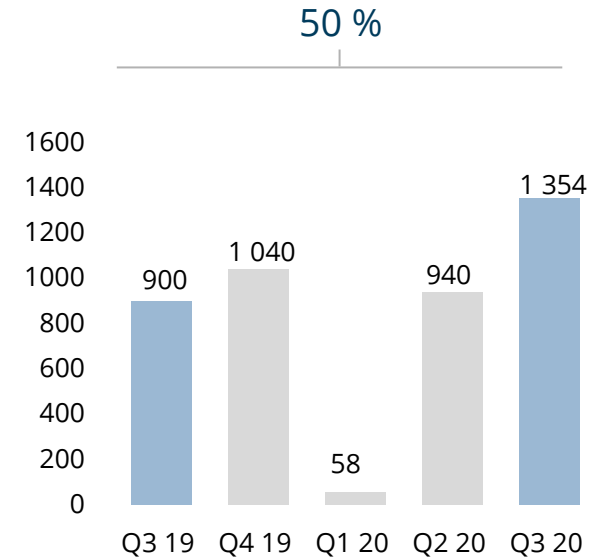
## Rental income



## Net Income from Property Management



## Profit before tax

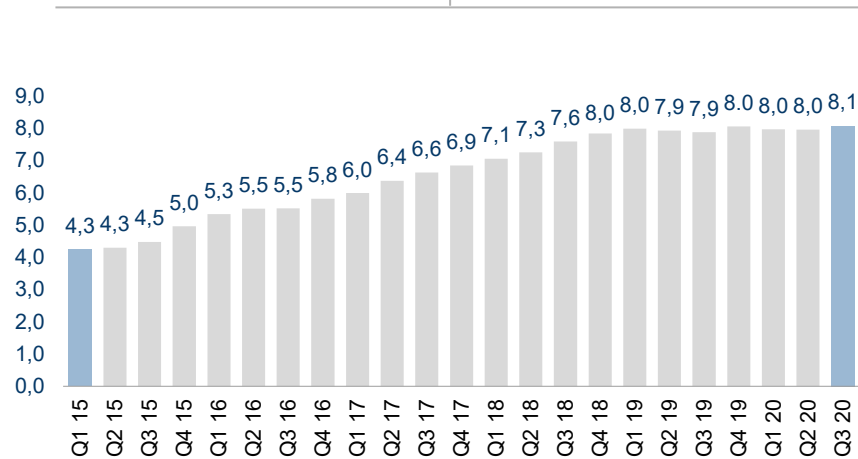


# Key financials per share

NOK per share

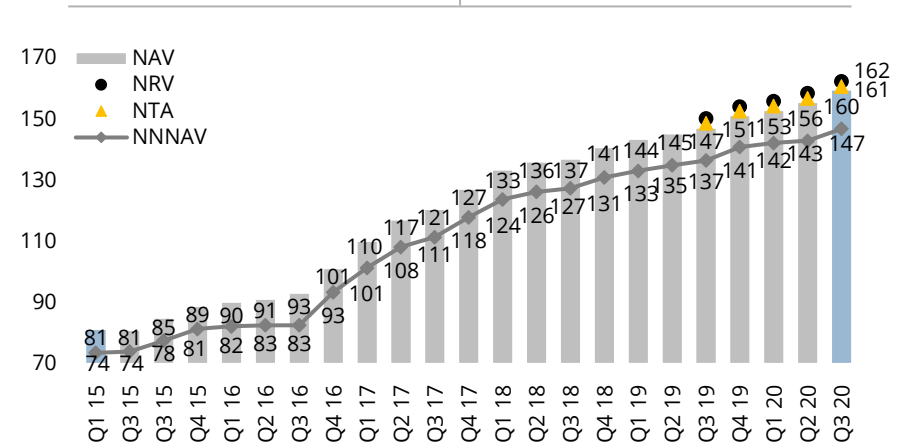
## Cash Earnings\*

CAGR: 12 %



## EPRA NRV / NTA / NAV / NNNAV

CAGR (NAV): 12 %



\* Annualised, rolling four quarters

## Very limited Covid-19 effects on the accounts

- Total impact of 14 million (1.3 % of revenues) in Q2 and Q3
- Q4 payments due on 1 October collected at normal levels

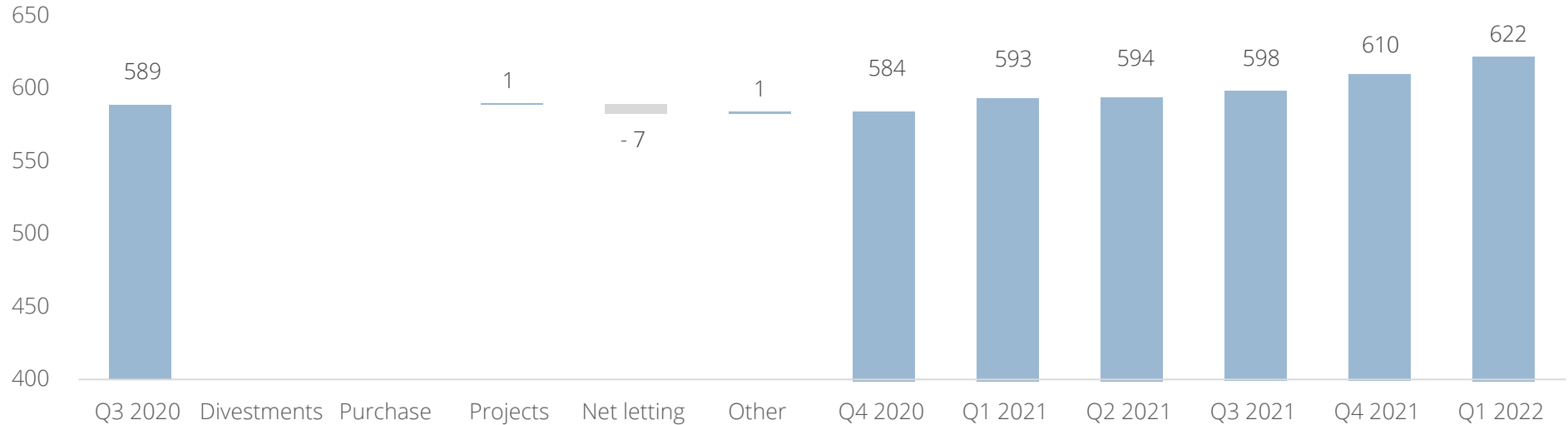
# Profit and loss statement

All amounts in NOK million	Q3-20	Q3-19	YTD Q3-20	YTD Q3-19	2019
Rental income	589	577	1 763	1 743	2 338
Operating costs	-46	-47	-154	-140	-189
<b>Net operating income</b>	<b>543</b>	<b>530</b>	<b>1 609</b>	<b>1 602</b>	<b>2 149</b>
Other revenues	31	100	69	241	300
Other costs	-20	-90	-42	-217	-260
Administrative costs	-42	-41	-131	-131	-171
Share of profit from associates and JVs	53	69	92	224	312
Net realised financials	-129	-139	-417	-410	-551
<b>Net income</b>	<b>435</b>	<b>429</b>	<b>1 179</b>	<b>1 309</b>	<b>1 780</b>
<b>- of which net income from property management</b>	<b>383</b>	<b>360</b>	<b>1 089</b>	<b>1 087</b>	<b>1 471</b>
Changes in value of investment properties	892	483	1 511	1 439	1 909
Changes in value of financial instruments	26	-12	-339	-53	46
<b>Profit before tax</b>	<b>1 354</b>	<b>900</b>	<b>2 351</b>	<b>2 694</b>	<b>3 735</b>
Tax payable	-3	-3	-13	-9	-11
Change in deferred tax	-283	-174	-489	-492	-498
<b>Profit for period/year</b>	<b>1 068</b>	<b>723</b>	<b>1 850</b>	<b>2 194</b>	<b>3 225</b>



# Rental income development based on reported events\*

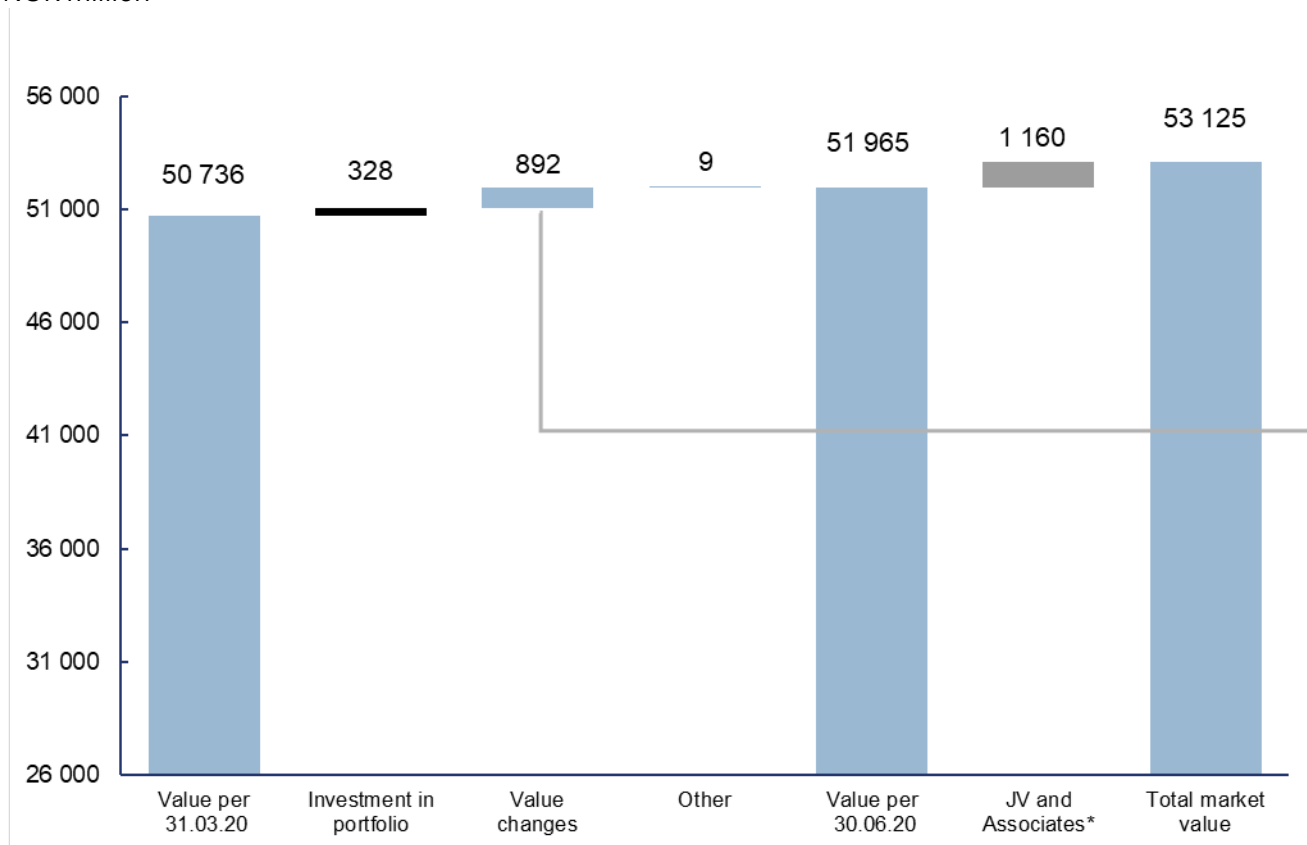
NOK million



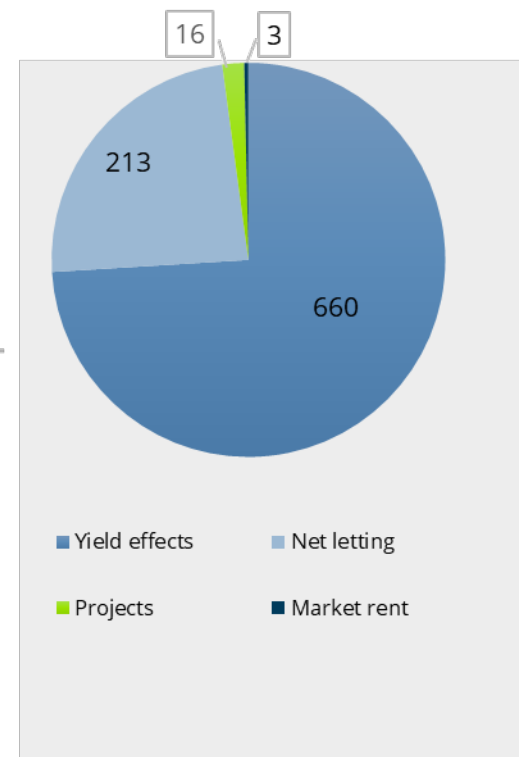
\* Does not constitute a forecast; aims to demonstrate the rental income development based on all reported events; does not reflect letting targets on either vacant areas or on contracts that will expire, and where the outcome of the renegotiation process is not known

# Investment property value development

NOK million



\* Entra's share of gross market value of JVs and Associates (book value equity = 500 million)



# Financing activity in the quarter

- Re-opened existing seven-year 500 million green bond loan
- Refinanced commercial paper loans of 400 million
- Extended 8,250 million of bank facilities, new average time to maturity of 4.4 yrs

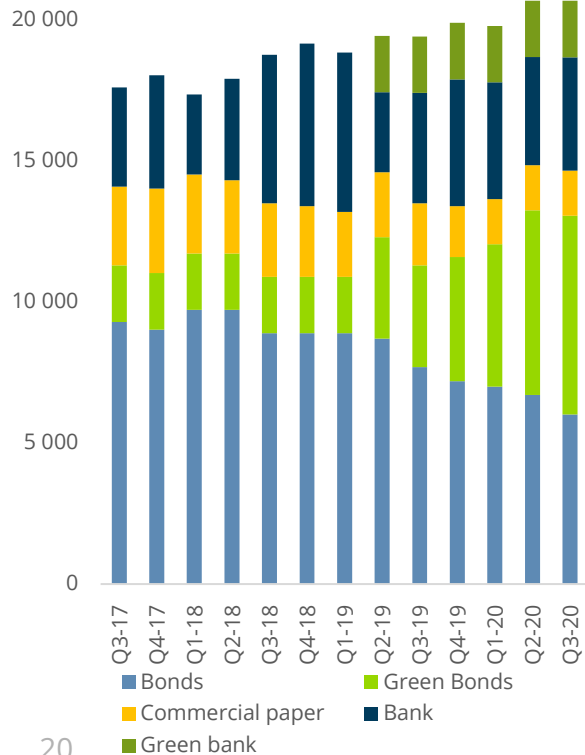
## Maturity profile and composition interest bearing debt

Maturity profile	0-1 yrs	1-2 yrs	2-3 yrs	3-4 yrs	4+ yrs	Total	%
Commercial papers (NOKm)	1 600	0	0	0	0	1 600	8
Bonds (NOKm)	812	1 200	4 100	1 195	5 750	13 057	63
Bank loans (NOKm)	0	0	728	3 378	1 920	6 025	29
<b>Total (NOKm)</b>	<b>2 412</b>	<b>1 200</b>	<b>4 828</b>	<b>4 573</b>	<b>7 670</b>	<b>20 682</b>	<b>100</b>
<b>Unutilised credit facilities (NOKm)</b>	<b>0</b>	<b>0</b>	<b>1 500</b>	<b>1 410</b>	<b>4 250</b>	<b>7 160</b>	
Unutilised credit facilities (%)	0	0	21	20	59	100	

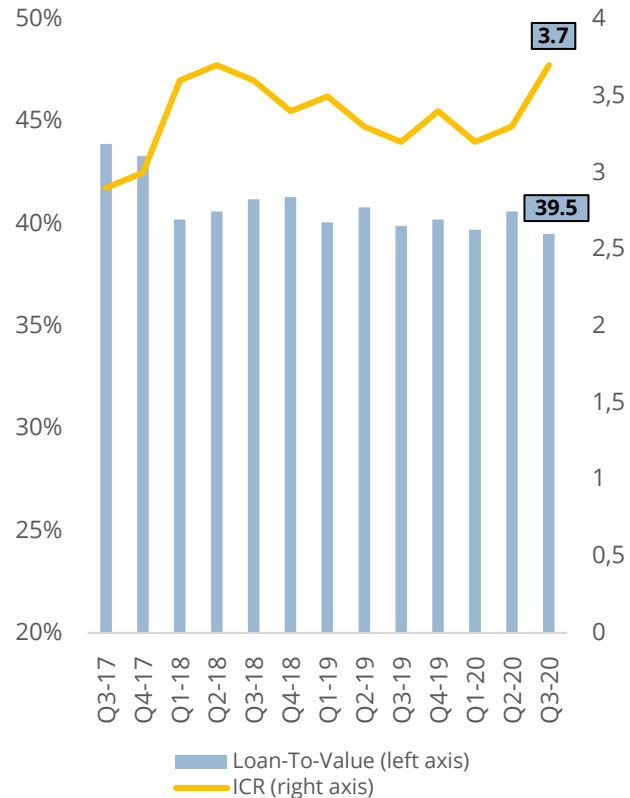
# Financial update

## Financing mix

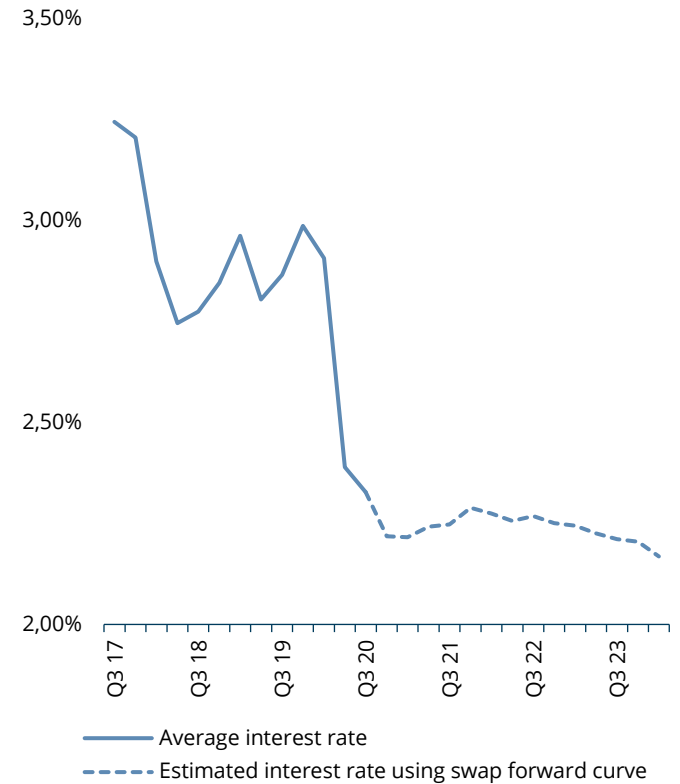
NOK billion



## LTV and ICR



## Development in avg. interest rate



# Agenda

---

Highlights in the quarter

---

Operations and market

---

Financial update

---

**Closing remarks**

---

Q&A

---

# Closing remarks and outlook

- Reduced interest rates causing ongoing yield compression
- Central, attractive properties with long term cash flows in favor
- Covid-19 reinforcing trend towards flexibility
  - Favoring professional property owners and managers
  - Ability to help tenants understand and adapt to future workplace solutions
- Solid letting activity, expecting to start up several new projects in the coming quarters
  - Preparing for start of two new projects (29,500 sqm)



*Tordenskioldsgate 12, Oslo*



Next event  
4<sup>th</sup> quarter results  
February 12, 2021

For more information see [www.entra.no/investor-relations](http://www.entra.no/investor-relations)