Norwegian real estate: From rate shock to the next phase

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Norwegian commercial real estate companies have adapted to sharply higher financing costs in recent years but their capacity to absorb the impact of rates remaining high through 2027 varies. Our sample of companies shows how the sector performed between 2019 and 2025, with a special focus on the dramatic rise in interest rates during 2022 and 2023. Interest coverage weakened and property values came under pressure, but outcomes varied considerably across the peer group. This recent history shows that credit resilience depended not on insulation from higher rates, but on companies' ability to adapt and the time available to do so.

CPI-linked rental growth softened the impact, while interest-rate protection delayed the pass-through of higher market rates. Asset disposals, investment deferrals or more selective capital allocation also helped preserve financial headroom, alongside other management actions. However, improved cash-flow leverage did not always coincide with lower LTV, illustrating why earnings capacity, leverage, interest-rate exposure, and financial flexibility need to be assessed together. Some pressure may still feed through as legacy hedges expire and debt is refinanced.

CORE TAKEAWAYS

- **Interest coverage weakened materially, although the impact varied.** Median interest coverage (ICR) declined to 1.9x in 2024 from 3.4x in 2021, before recovering modestly to 2.1x in 2025. Differences in leverage, operating performance and effective borrowing costs contributed to significant variation across the peer group.
- **Rental growth and interest rate protection bought companies time to adapt.** CPI-linked leases supported earnings, while hedging delayed the pass-through of higher market rates. Asset disposals, lower investment and other management actions also helped preserve financial headroom.
- **Cash flow and asset-based leverage did not always move together.** Several companies improved net debt/EBITDA while LTV increased, illustrating how stronger earnings or deleveraging can improve cash flow leverage even as higher yields pressure property values.
- **Not all rate effects have been absorbed.** Refinancing at higher costs and the expiry of legacy hedges could further pressure interest coverage, while companies must balance renewed investment with maintaining financial headroom.

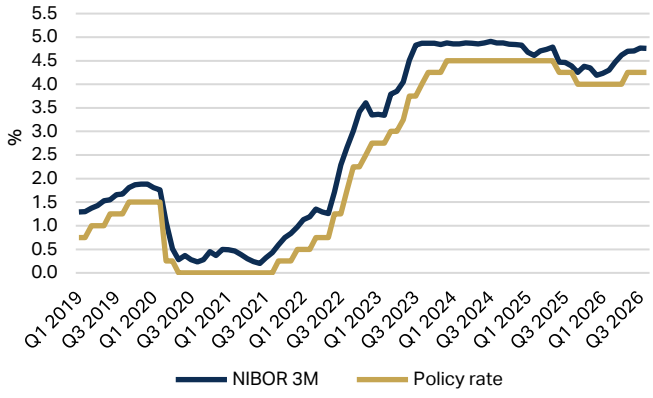
YIELD REPRICING WAS GRADUAL DESPITE SHARPLY HIGHER RATES

Norwegian real estate companies entered the period with historically low financing costs. Market rates rose rapidly from 2022, increasing required returns and putting pressure on property values. Oslo prime office yields adjusted with a lag, and valuation declines were spread over several reporting periods.

Low transaction volumes made property values less transparent and may have contributed to the gradual pace of repricing. Reported valuations therefore relied more heavily on changes in yield and cash flow assumptions than on observable transactions.

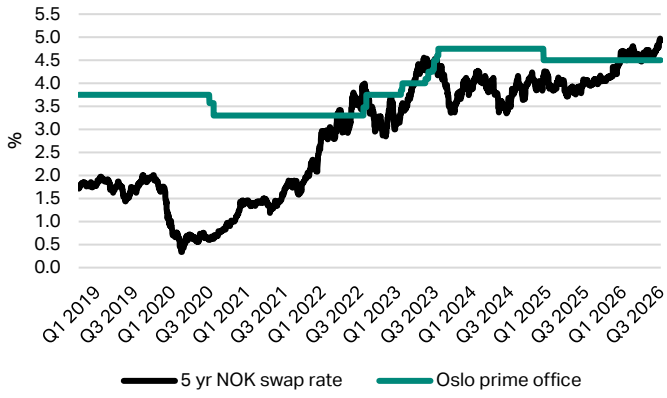
Recent market forecasts suggest that higher rates could renew valuation pressure into 2027. Estimates vary, with Entra's Q3 2026 consensus indicating an Oslo prime office yield of around 4.9%, while Malling expects 5.25%. We therefore see scope for continued pressure on property values even if nominal rental income continues to grow.

Figure 1. Norwegian interest rates, 2019 – Q3 2026



Source: Statistics Norway.

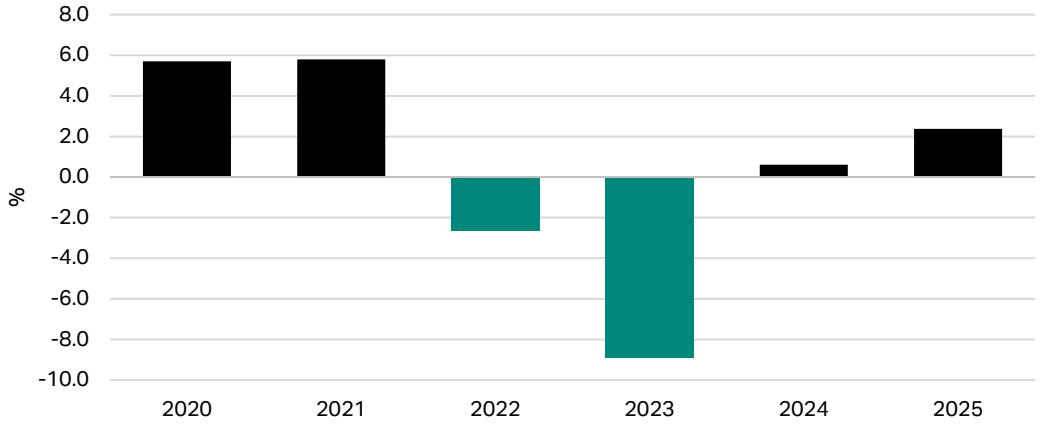
Figure 2. Prime office yield and swap rate, 2019 – Q3 2026



Source: CapitalIQ, Akershus Eiendom, NCR.

The companies' fair-value data show the shift clearly. Valuation gains during the low-rate period turned negative as yields repriced before recovering modestly in 2024–2025. As valuation gains became less supportive, operating performance and disciplined capital allocation became more important to credit resilience.

Figure 3. Median fair value adjustments among the peer group, 2020–2025

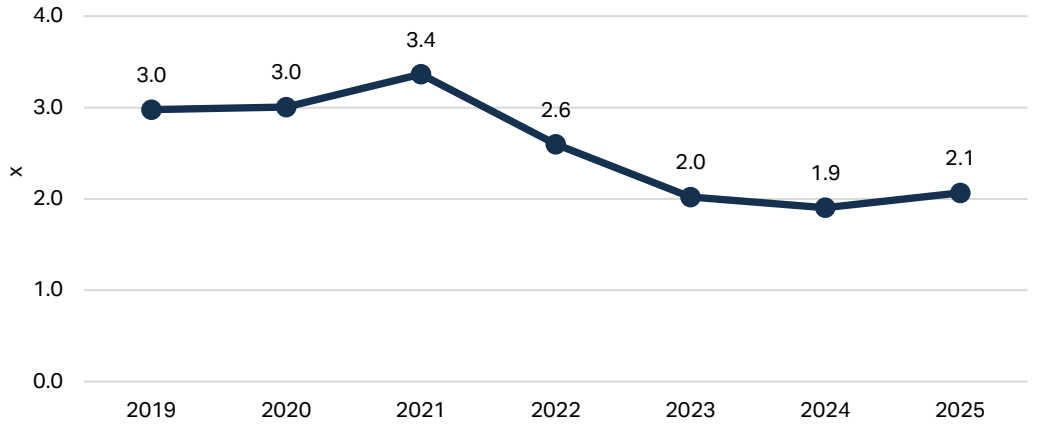


Source: companies and NCR.

HIGHER RATES WEAKENED COVERAGE, BUT THE IMPACT VARIED

Higher financing costs materially weakened interest coverage. CPI-linked rental growth provided a partial offset, while interest rate protection affected the timing and extent of the decline. The modest recovery in median ICR in 2025 indicates some capacity to absorb higher interest expense but does not necessarily mean borrowing costs have fully repriced.

Figure 4: Median interest coverage of the peer group, 2019-2025

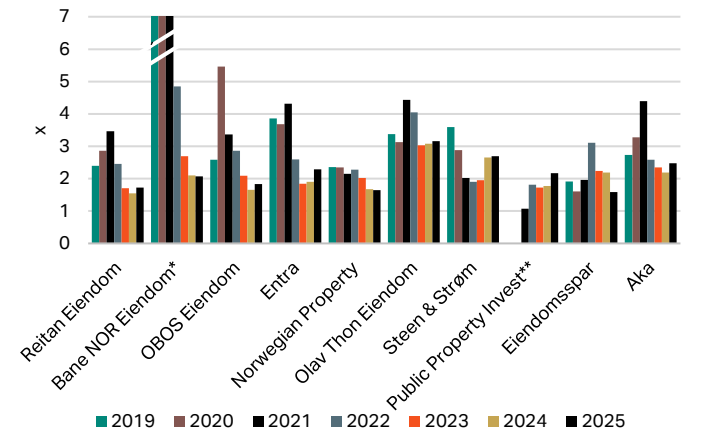


Source: companies and NCR.

Company-level outcomes differed considerably. Effective borrowing costs varied by companies' funding structures and interest rate protection, while differences in leverage and operating performance affected their capacity to absorb higher financing costs.

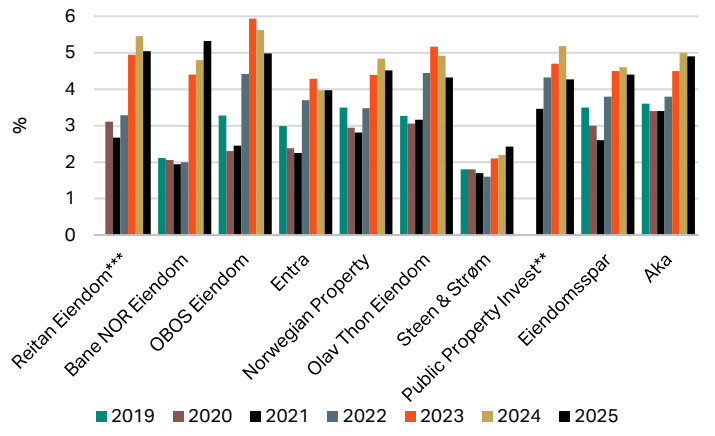
Bane NOR Eiendom's interest coverage fell rapidly as elevated development activity increased debt ahead of completed property sales, while the impact of higher rates was more muted for Steen & Strøm due to conservative interest rate hedging.

Figure 5. Interest coverage, 2019–2025



Source: companies and NCR. *ICR for BNE in 2019-21 were 14.8, 10.2, 13.8, respectively. **PPI was established in 2021.

Figure 6. Average interest rate*, 2019–2025

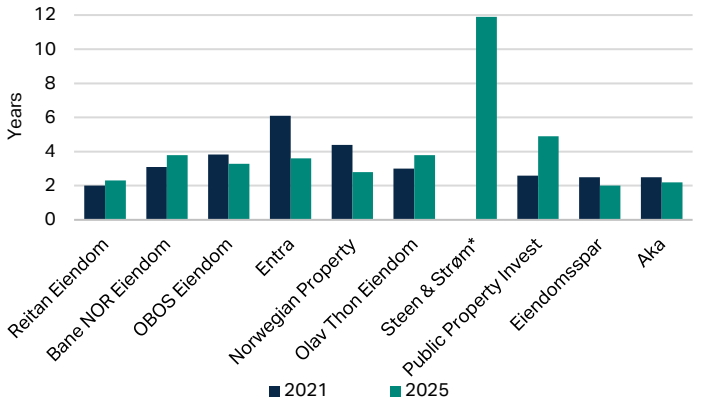


Source: companies and NCR. *As reported, calculation methods may vary. **PPI was established in 2021. ***Reitan Eiendom's average interest calculated as interest expense divided by average interest-bearing debt during each year (2019 not available).

Steen & Strøm maintained extensive protection throughout the period, while Olav Thon Eiendom had a relatively stable hedging profile. Reitan Eiendom and OBOS Eiendom generally had lower hedging ratios, in addition Reitan's average interest rates reflect that a significant share of their overall debt resulted from large acquisitions at near-peak interest rates. Differences in the level, duration and pricing of protection contributed to varying speeds of repricing in borrowing costs. We therefore expect interest coverage to remain sensitive to the expiry of legacy hedges and the refinancing of debt.

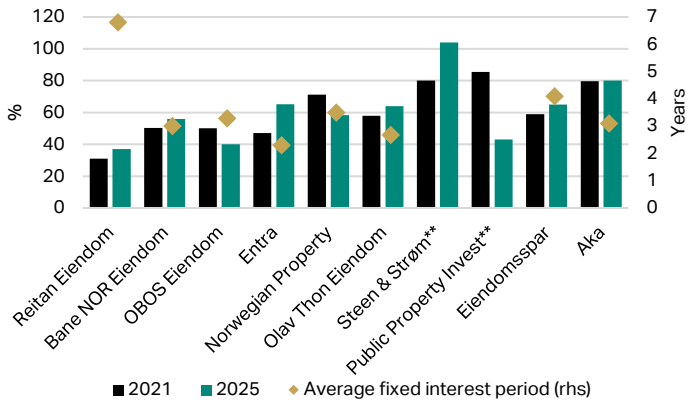
While interest-rate hedging remained broadly stable across the peer group, the duration of that protection shortened. On a like-for-like basis, the average fixed-interest period declined to around 3.6 years in 2025 from 5.1 years in 2021, with most companies reporting shorter durations. Separately, UNION's market data show a similar trend, with an average fixed-interest period of 2.8 years in Q3 2026, down from 3.8 years two years earlier.

Figure 7. Average debt maturity, 2021 vs. 2025



Source: companies and NCR. *2021 data not reported.

Figure 8. Hedging ratio, 2021 vs. 2025, and average fixed-interest period*, 2025



Source: companies and NCR. *As reported; calculation methods may vary. **Average fixed-interest period 2025 not reported.

Recent reporting indicates that borrowing costs were still repricing in 2026, with Entra and Olav Thon Eiendom among the companies reporting higher average interest rates, although comparable data are not available across the full peer group. For Steen & Strøm, longer-standing interest-rate protection continued to delay the full pass-through of higher market rates. UNION's Q3 2026 bank survey indicated an all-in lending rate of around 6.3% for the bulk of new commercial real estate lending, comprising a five-year swap rate of 4.82% and an average bank margin of 152bps. At the same time, strong liquidity in the investment-grade bond market supports refinancing access. However, around NOK 43bn of bond debt among Norwegian real estate issuers is due to mature by the end of 2028, and replacing legacy funding at prevailing market rates could increase borrowing costs.

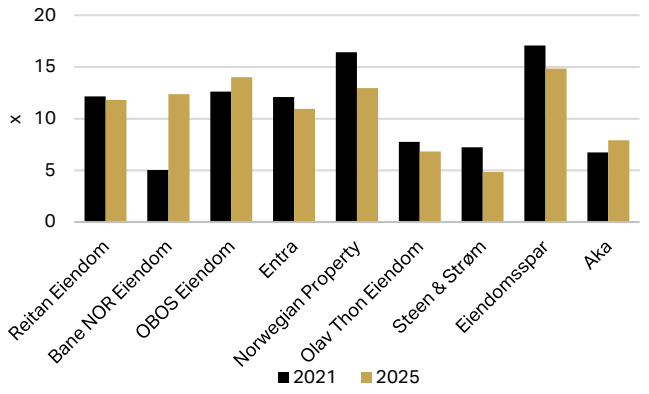
CASH FLOW AND ASSET BASED LEVERAGE MOVED IN DIFFERENT DIRECTIONS

Cash flow and asset-based leverage did not always move in the same direction. Norwegian Property and Entra improved net debt/EBITDA between 2021 and 2025, while their LTVs increased, showing that earnings growth and targeted divestments can improve cash flow leverage even as higher yields put pressure on asset-based leverage. Steen & Strøm strengthened both metrics and ended 2025 with comparatively low leverage. OBOS Eiendom invested actively, with leverage increasing during a more development-intensive period.

Company-level outcomes also reflected different capital allocation strategies, as some companies prioritised balance-sheet headroom while others used strong balance sheets to invest. Entra's sizeable 2024 divestment supported debt repayment and balance-sheet headroom. Reitan Eiendom was among the buyers and used retained financial capacity to invest.

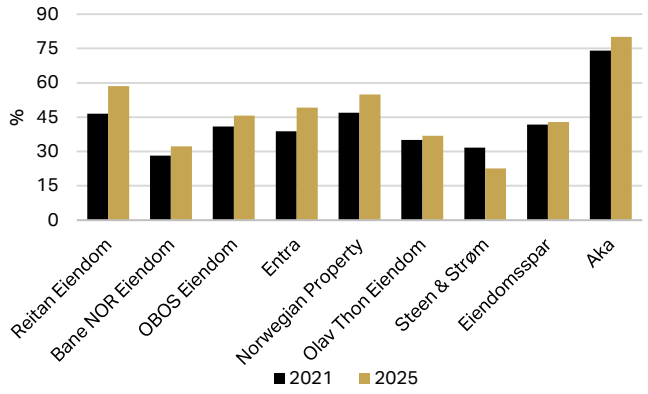
The divergence between cashflow and asset-based leverage matters because the two measures capture different dimensions of credit risk. Stronger cash-flow leverage supports debt-servicing capacity, while lower LTV preserves asset-based headroom, funding access and flexibility to absorb valuation declines or execute disposals. We expect the ability to fund investment without materially weakening leverage or financial headroom to be an important differentiator in the next phase of the cycle.

Figure 9. Net debt/EBITDA, 2021 vs. 2025



Source: companies and NCR.

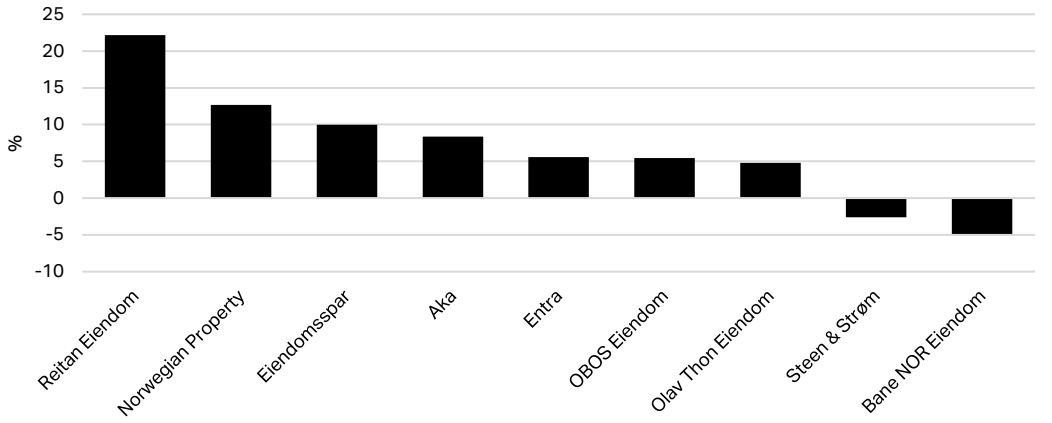
Figure 10. Net LTV, 2021 vs. 2025



Source: companies and NCR.

Figure 11 shows wide variation in EBITDA growth across the peer group. Stronger earnings provided a buffer against higher interest expense, but the credit benefit depended on whether earnings growth outpaced debt growth. Reitan Eiendom is a good illustration. The strongest EBITDA growth in the peer group helped offset higher debt. Conversely, Steen & Strøm maintained comparatively strong leverage and interest coverage despite limited EBITDA growth, supported by lower leverage and interest rate protection. With automatic indexation likely to provide less incremental support than during the inflation surge, differences in underlying rental growth, occupancy and operating performance across segments will drive varying credit outcomes.

Figure 11. EBITDA CAGR, 2019–2025



Source: companies and NCR.

HOW RECENT PERFORMANCE IMPACTS OUR VIEW OF THE SECTOR

The companies examined adapted to higher rates rather than being insulated from them. Rental growth and interest-rate protection bought time, while capital allocation decisions helped preserve financial headroom.

No single metric consistently captured credit resilience. Improving cash flow leverage sometimes coincided with higher LTV, while stronger EBITDA growth did not necessarily translate into better credit metrics. Hedging ratios also remained broadly stable even as fixed-interest periods shortened, highlighting the importance of duration and pricing. We therefore assess credit resilience through these measures in combination rather than relying on any single ratio.

Looking into 2027, we expect earnings durability and financial headroom to become more apparent as some of the buffers that supported companies through the rate cycle weaken. With less support from valuation gains, CPI-linked rental growth, and legacy hedges, operating performance and cash generation will differentiate credit performance of Norwegian real estate companies.

NCR-RATED NORWEGIAN REAL ESTATE ISSUERS

The following table summarises NCR's ratings on Norwegian real estate issuers as of 19 Nov. 2026.

Figure 12. NCR ratings on Norwegian real estate companies, 19 Nov. 2026

Issuer	Category	Long-term issuer rating	Outlook
Bane Nor Eiendom	Public	A	Stable
OBOS Eiendom*	Retail	BBB-	Stable

See NCR's company reports for details. *OBOS Eiendom's rating includes one notch of support from OBOS BBL.

RELEVANT RESEARCH

(i) Norwegian real estate faces uncertain operating conditions, 22 Apr. 2025.
(ii) Nordic Credit Rating publishes amended Corporate Rating Methodology, 11 Nov. 2026.

RECENT RATING ACTIONS

(i) Bane Nor Eiendom 'A' long-term issuer rating affirmed: Outlook stable. 07 May 2026

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