



Nordic Real Estate Review

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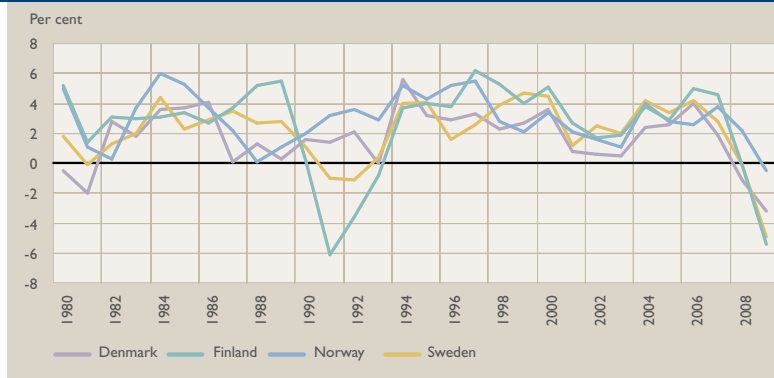


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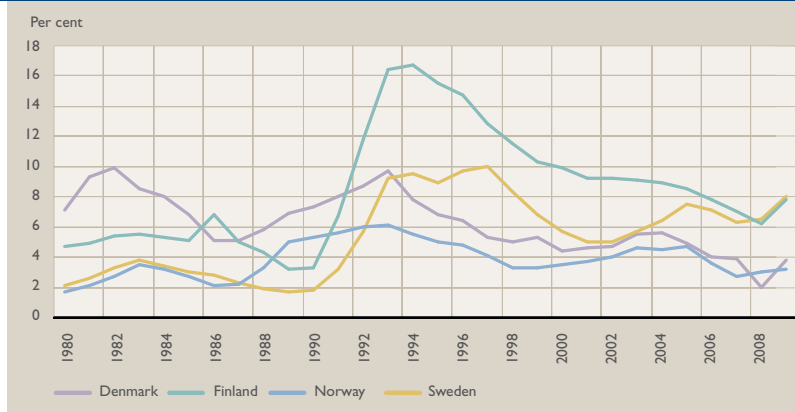
Executive summary

ECONOMIC GROWTH



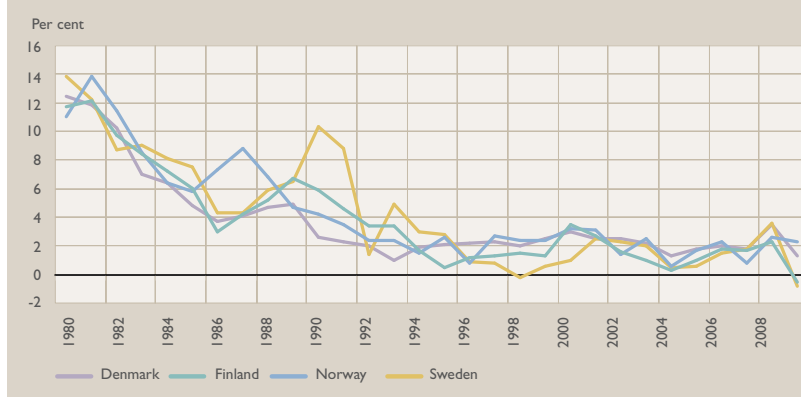
Source: Nordic Statistics and expected values

UNEMPLOYMENT RATE



Source: Nordic Statistics and expected values

INFLATION RATE



Source: Nordic Statistics and expected values



Denmark

The Danish economy is still affected by the credit crisis and the import and export fell remarkably since summer 2008. The unemployment rate has also risen dramatically after being on a record low level for years. But economic forecasts expect stabilization during 2010 and small indications of improvements have already appeared – for example stabilization in exports and house prices. Thus less pessimism can be traced among the Danish companies and consumers.

The ongoing difficult market has caused an increase in yields and now also in vacancy rates for all types of properties. The characteristics of the players in the investment market have shifted to buyers who are in the position to bring a much higher level of equity into a deal than seen before, as is the case for institutional type buyers and well consolidated real estate investment companies. The Danish market has seen only a few transactions over the last six months of 2008 and for the first half-year of 2009. Since the summer period it seems that the number of transactions will increase due to greater wiliness and stabilization in the market. Financing is though still a deal breaker.



Sweden

Although the outlook for the Swedish economy is slightly less gloomy today than a few months back, the downturn of the economy has now transpired on the occupier markets, which are now experiencing a slowdown in demand for space. As a result property owners are now faced with decreasing rental levels and increasing vacancy rates for all property types.

The investment market continues to suffer from the difficulty to source financing for property investments and competition from alternative investments. Investment transactions during the first half of 2009 were both fewer and primarily concerned single assets. Subsequently, the liquidity on the market has been very low so far this year. Furthermore, the current market situation benefits institutional investors and smaller local investors, while highly geared investors show low activity.



Norway

Like almost any other country the economic growth in Norway has decreased the last year (2.2 per cent in the first six month compared to 2008). Growth in GDP increased in the second quarter of 2009 due to increased expenditures from households and government final consumption. Also the unemployment has increased a little, but the economic slowdown hasn't affected the labour market yet.

The vacancy rates have increased in 2009 – people are in a general wait-and-see attitude in the market. The occupier market is slower and decisions take longer time. Several building project is put on hold waiting for the recovery. Even though, the supply has risen, rents are decreasing, but good locations in Oslo keep their rent level.



Finland

The Finnish economy changed radically in 2008 due to the export orientated economy faced decreasing foreign demand. The export collapsed and large-scale layoffs especially in industry has weakened the prospects for the households in 2009.

In the investment markets, foreign investors with aggressive leverage have been passive whereas domestic insurance companies and funds accounts for almost all transactions. Due to the changed market situation, net yield requirements have increased for all asset classes. However, financing has slowly recovered and it seems that investment market is slightly improving.

The rental markets have slightly improved during 2009 and the number of new office lease agreement has increased. Sub letting has become more common as tenants are seeking savings resulting in a decrease for office space. Due to increasing supply of available floorspace, tenants have good possibilities to negotiate better lease terms than seen before.



Denmark

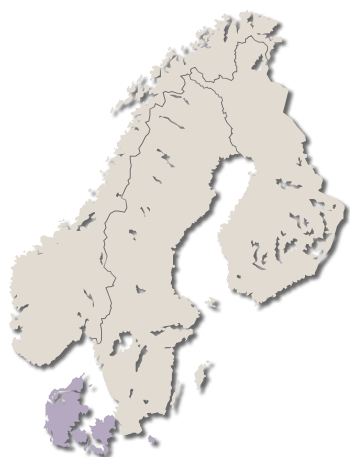
The Economy

The Danish economy has been hit by the international credit crisis. However the Danish economy is still pretty strong contra other European economies. Unemployment has increased some from a record low level. Since summer 2008 (where the level was lowest) the unemployment has increased from 1.8 to 3.7 per cent (July 2009). This is the same level as in mid 2006 and still a low unemployment rate by European standards. It is however expected that the unemployment level will increase further.

In 2008 the growth in GDP was negative (-1.2 per cent). The growth has not been negative since 1993, and it should be compared with the standard level at over 2 percent. Growth is also forecasted to be negative for the full year of 2009. Economic forecasts expect the economy to stabilize in 2010.

The GDP has been hit by a major slowdown in the private consumption as well as the slowdown in the international trade. Export and import was stable in the first quarters of 2008 but fell strongly in the last quarter. During 2nd quarter of 2009 the import and export have stabilized, but the level was 20 per cent under the level in summer 2008.

The interest rate in Denmark is at a record low level at 1.35 per cent. Still however, there is a minor gap to the interest rate set by the European Central Bank due to the defends by The Central Bank of Denmark, The Central Bank in Denmark of the Danish Krone in order to maintain a fixed rate of exchange towards the Euro.



Key variables | Denmark

Gross Domestic Product pr. inhabitant (2008, EURO)	42,300
Expected growth in GDP, 2009 (per cent)	-3.3
Interest rate (August 2009, per cent)	1.35
Population (2009)	5,511,451
Capital	Copenhagen
Population in capital region (2009)	1,700,000
Employed (2009)	2,776,429
Unemployment (July 2009, per cent)	3.7
Exchange rate DKK/EUR (September 1st 2009)	7.44

Source: Nordic Statistics etc.

The Investment Market

In 2006 and 2007 the property market was very active. There were many transactions and properties gave high return due to price increases. In Copenhagen this applied particularly to the residential market. Prices for owner occupied housing in the area around Copenhagen have increased since 1994 and very dramatically since 2003. In 2007 the market changed and the prices started to fall. The market for residential investment properties to a large extent followed the same pattern.

The number of transactions at the investment market fell in 2008 and 2009, especially in the second half of 2008 and first half of 2009. Throughout 2008 it was increasingly hard to get funding even for solid projects due to the credit crisis, and this is still the case to a certain extent. The low interest rate has not fully worked through to real estate investors, since the interest margin has increased.

The number of insolvent companies has dramatically increased, giving rise to a larger share of transactions of properties under pressure. The players in the market have shifted towards buyers who are in the position to bring a much higher level of equity into a deal than seen before, as is the case for institutional type buyers and well consolidated real estate investment companies. The difficult market has caused increases in initial yields for all types of asset classes during 2008 and 2009 and the distinction between the primary and secondary market has grown.

Since the summer period it seems that liquidity and the number of transactions will increase due to greater willingness and stabilization in the market. Financing is still a deal breaker, however several investors are starting to reenter the market.

Large Transactions in 2009

- The Danish property company C.W. Obel has acquired an office building in Ballerup from the user for DKK 153 million. The building is approx. 11,000 sq.m. The yield was approx. 6.5 per cent.
- A portfolio of 20 retail properties was acquired by a private property company from the user. The total price was DKK 113 million.
- The department stores Magasin and Illum was bought by Icelandic investment bank Straumur and investor Alshair Fiyaz.
- Aberdeen Property Investors has acquired two office properties at 5,000 sq.m. each situated in Copenhagen city and Gentofte. The yields are 5.75 and 6.75 respectively. Part of the purchase price has been paid with shares in a fund managed by Aberdeen Property Investors. The vendor is a local Danish pension fund.
- Several sales of larger housing investment properties, for example on Frederiksberg Allé in Frederiksberg/Copenhagen – 2,100 sq.m. sold for 28.5 million DKK.

Office

The number of vacant office space has increased during 2008 and 2009. For Denmark in total 1.51 million sq.m. were vacant at the beginning of July 2009. It corresponds to 6.8 per cent of the building stock.

Due to the uncertain economic situation, the demand for office space has decreased slightly. Most firms are reluctant towards signing new lease contracts for larger office premises. There are still a lot of movements in the market. Many firms focus on cost efficiency and therefore are seeking to relocate.

The gap between primary and secondary locations has increased. For prime locations the slowing down of the economy does not have a large effect on demand. However, for secondary locations the vacancy is increasing and the market rents are under pressure. Increasingly the tenants expect discounts – e.g. periods without rent.



In Copenhagen there is quite a lot of new office space in the pipeline. The development of a new Ørestad area, which is still under development, gives rise to a lot of new square metres. There are also projects in the harbour areas. Some of the projects have not been started yet, and it is uncertain how many projects that will be cancelled as all speculative development has been put on hold. Still it is expected that the vacancy will increase further due to the downturn in the economy and the supply of new projects coming to the market. In Aarhus new developments are also taking place in the harbour areas. Two projects, including offices, are under way, while the completion of the other projects is uncertain at present time.

Retail

This economic recession with decreasing employment has meant a lot of uncertainty and has caused the consumer confidence to go down to a record low level (the lowest for 18 years) in 2008. The retail trade has suffered. Consumer confidence was at its lowest in October 2008 and has since then recovered. The recession follows a very strong period for the retail sector. During the last few years the economy was booming and private consumption increased. The development has given rise to a lively shopping environment with large retail chains expanding and a large variety of independent shops.

The share of vacant shops has increased during 2008 and 2009. In July 2009 4.7 per cent of the shops were recorded empty. When the vacancy was at its low point in 2006 it was 1.7 per cent. The share is lower in the capital region (3.0 per cent). The vacant shops are primarily located in smaller cities or at other secondary locations. In the primary locations only premises which do not fulfil the optimal requirements by the retail chains are currently vacant. There is still strong demand from local and international retail chains for the top prime location.

The market rent is under pressure, but still stable at primary locations. For primary locations the compensations (key money) are under pressure. Only premises with perfect location and fitting still have sizable compensations.

The economic situation has reduced plans for new shopping centre developments. In 2008 Bryggen opened in Vejle, as did Mary's. The second phase of the Mary's development is expected to start in 2009 including plans for unique town surroundings. The largest centre in Jutland is opening in Aalborg in November 2009 (Friis). In the capital region a new centre (28,000 sq.m.) is scheduled for opening in 2010 in Frederikssund. Furthermore a couple of projects in the city centre are under planning and some regional centres are expanding.



Industrial and Logistics

The share of vacant properties for industrial and logistics assets has been very low in 2007 and 2008. Recently the share has increased – but the level is still low at 2.9 per cent (July 2009). The level is almost the same around Copenhagen as in the rest of Denmark. Most of the vacant buildings are quite small and not up-to-date.

Around Copenhagen further development is hampered by the lack of vacant land. Some of the municipalities are reluctant to allow logistics assets within their borders since they create quite a lot of traffic and fewer workplaces compared with other industries. This shortage of vacant land gives an upward pressure on the market rent. The economic slowdown with decreasing foreign trade and consumption has however put the market for logistics on hold position for now, and also put down-ward pressure on the market rent. Tenants expect discounts – e.g. rent free periods.

The supply of infrastructure, i.e. specifically motorways, is essential for location of logistics. Important projects in Denmark are the construction of the bridge over Femern Belt to Germany as well as a number of extensions of the motorways. Excellent logistics has helped Kjøge, located somewhat south of Copenhagen, with a strong development area that has and will see strong activities for the years to come. The development of Scandinavian Transport Centre is still going on with inclusion of land and the extensions of the harbour area.

Hotel

The economic slowdown challenges the hospitality industry in Denmark. Before the slowdown, the hotel sector experienced an active period with an increasing number of hotel stays. This specifically applies to the time period from 2003 to 2007. To a large extent the development has been dominated by Danish guests – in 2008 they accounted for 56 per cent of the bed nights. Especially in Copenhagen there has been a large increase in the number of bed nights.

In the fourth quarter 2008 and first half of 2009 the demand from both leisure and business went down, e.g. the number of bed nights at hotels in Denmark fell over 12 per cent in the first half year of 2009 compared to 2008. As firms continue to cut down expenses the demand in the second half of 2009 is expected to be limited. But at least in Copenhagen, some big events will give rise to higher demand (e.g. United Nations Climate Change Conference in December).

The number of hotel rooms has been fairly stable since 2004. Currently, however, several hotel projects are under way – especially in the capital region. The new hotels account for very different trends, e.g. both luxury and budget accommodation are proving popular to meet the demand from both business and leisure consumers.

The new and often larger hotels are normally owned by professional investors and are operated by large mainly Nordic or Danish hotel chains. The development has started in Copenhagen but will supposedly spread to the rest of Denmark in the future. It is difficult for private persons to compete with the international chains due to their lack of economies of scale.



VACANCY RATE (per cent)

City	Retail	Office	Industry
Copenhagen	2.8	7.4	0.5
Aarhus	4.4	7.9	4.1
Odense	5.1	6.8	4.0
Aalborg	4.3	4.6	1.8
Triangle area	6.8	6.6	2.3
Esbjerg	6.8	6.6	2.3

Source: Oline-Lokalebørs Statistikken

MARKET BAROMETER (rent and yield for prime location) at 1 July 2009

City	Retail				Office				Industrial			
	Market rent	Trend	Yield (per cent)	Trend	Market rent	Trend	Yield (per cent)	Trend	Market rent	Trend	Yield (per cent)	Trend
Copenhagen	2,680	↓	5.00	↑	240	→	5.50	→	75	→	7.50	→
Aarhus	840	↓	5.00	→	220	→	5.75	→	55	→	7.00	↑
Odense	740	→	5.25	→	130	→	6.50	→	45	→	7.25	→
Aalborg	600	↓	5.50	↑	160	↓	6.25	→	55	↓	7.25	↑
Triangle area	405	→	5.25	→	120	→	7.00	→	45	→	8.00	→
Esbjerg	375	→	5.25	→	110	→	7.00	→	45	→	8.25	→

Market Rent: Per sq.m. per year (Euro) | Source: Colliers



Sweden

The Economy

The first signs of a stabilisation of the economic situation have resulted in a slightly more positive outlook for the development of the Swedish economy over the coming years. The Swedish economy is expected to perform poorly in 2009 and forecasts suggest that GDP growth will decrease significantly to -5 per cent for the full year. However, through expansive fiscal policies by the Swedish government and an anticipated increase in exports, the Swedish economy is expected to recover slowly and show modest growth already in 2010.

The weak development of the Swedish economy during the first half of 2009 caused

the Swedish Riksbank to continue to cut the repo rate in order to stimulate the economy. Subsequently, the Riksbank cut the repo rate by another 25 basis points to 0.25 per cent in the beginning of July. The Swedish Riksbank does not anticipate any further cuts in the repo rate, and the first increase is not expected to take place until the second half of 2010.

Inflation has slumped following the drop in demand and cuts in interest rates and turned negative in March. Year on year July CPI amounted to -0.9 per cent, primarily due to decreasing interest rates for private house loans and decreases in prices for gasoline and clothes. According to the latest report by



Key variables Sweden	
Gross Domestic Product pr. inhabitant (2008, EURO)	30,700
Expected growth in GDP, 2009 (per cent)	-5,0
Interest rate (July 2009, per cent)	0.25
Population (2009)	9,302,133
Capital	Stockholm
Population in capital region (2009)	2,000,000
Employed (2009)	4,484,100
Unemployment (July 2009, per cent)	7.9
Exchange rate SKK/EUR (September 1st 2009)	10.22

Source: Nordic Statistics etc.

the National Institute of Economic Research (NIER) the inflationary pressure is expected to remain low over the next two years.

The labour market has continued to soften and the percentage of unemployed in Sweden is expected to climb to 11-12 per cent over the next 18 months. The industrial sector has so far been most affected. Only during the second quarter of 2009 the sector suffered a drop in employment by a remarkable 10 per cent, and approx. 1/5 of the work force within the sector is unemployed. The business services sector has not been unaffected but has managed to hold up surprisingly well.

Household consumption has decreased significantly over the last year. For 2008 consumption fell by 0.2 per cent and is expected to fall further in 2009. However, confidence indicators for both households and retail companies have strengthened during the summer. According to the latest report by SEB, the bank anticipates that the expansive fiscal policy by the Swedish government will mitigate the negative effects that the softening labour market will have on household consumption, resulting in a growth of household consumption by 1.5 per cent and 2.0 per cent in 2010 and 2011 respectively.

The Investment Market

The activity on the Swedish investment market was still much suppressed during the first half of 2009, and the total transaction volume showed a significant drop compared to the equivalent period in previous years. During the first half of 2009 the total transaction volume only amounted to approx. SEK 10.7 billion. The office sector attracted most capital of all property types, equivalent to approx. 35 per cent of the total investment volume or approx. SEK 3.7 billion. Cross-border transactions accounted for approx. 37 per cent of the total transaction volume, of which purchases by international investors amounted to approx. SEK 1.8 billion.

Institutional investors dominate among purchasers, especially in the major cities, while local property owners/investors are the most active in mid-sized and smaller Swedish cities.

In a more risk adverse environment banks have decreased their funding of property transactions, which is still very much a restraining factor that keeps the investment volume down.

Investor demand is strongest for the prime segment, partly due to overall higher risk aversion among investors and partly due to the difficulty financing secondary products. Consequently, the yield spread between prime and secondary products has continued to increase.

Weakening occupier markets are now challenging property owners as this translates into negative impacts on property values and work to push yields upwards, especially for secondary products and locations. Low interest rates and strong inflation indexation for 2008 have thus far had a mitigating effect and many property owners have benefited from increasing positive cash flows. Although some owners have breached their loan to value covenants, banks are reluctant to force sales when there is cash flow to cover interest and amortization, and as a consequence there are few distressed sellers on the market.

Large Transactions in 2009

- Norwegian institution KLP acquired Radisson SAS Royal Viking, one of the most prestigious hotels in Stockholm, from RBS Nordisk Renting in May. The property totals 26,400 sq.m. and has an excellent location at the Central Station.
- The Swedish institution AMF acquired a fully let CBD office building totalling 25,600 sq.m. from German open-ended fund Grundbesitz Global.
- The German property fund IVG acquired a newly built suburban office property totalling about 12,000 sq.m. from Swedish developer Skanska for SEK 400 million.
- Swedish institution AFA acquired a 4,800 sq.m. refurbished CBD office building from Swedish property company Fabège for SEK 299 million.





Office

The demand for office space has continued to decline in Sweden's three major cities Stockholm, Gothenburg and Malmö due to the global economic downturn. During the first quarter in 2009, the sum of rented office space has declined severely, mainly in Gothenburg, but also in the other cities. Gothenburg is Sweden's Detroit, with car manufacturers Saab and Volvo including their sub industries, all heavily affected by the collapse in global demand for new cars. Unemployment is expected to rise further during 2010 and the employment figures to revive again in 2011, of course with an effect on the levels of vacancies and office rent.

The rent levels in the ordinary market in the CBD area in Stockholm have fallen with 10-15 per cent during the last 6 months. In addition to this, subletting of office space has become more common, with rent levels far below the ordinary market. The vacancy level has risen and is now approx. 11 per cent in the greater Stockholm area. Gothenburg and Malmö vacancy rates are slightly lower, at about 8 and 9 per cent respectively. Prime locations are slightly less affected. The "flight to quality" still holds with several examples of companies leaving older buildings for new or completely refurbished buildings, often with environmental advantages as one of the main reasons.

There are some projects recently or soon to be completed, many of them located near Stockholm's Central Station. The demand in this area has risen significantly the past few years; many refer to the Western parts of City as the new prime location. Out of the approx. 56,000 sq.m. office space that will be created in the CBD area during the up-coming year, nearly 43,000 sq.m. are located within this area. If the plans presented earlier this year by the city of Stockholm and real estate owner Jernhusen actualizes, there could be another 500,000 sq.m. of office space and residential units covering the railway depot of the Central Station. Other strongly expanding areas are Värtan in the east and the western parts of Kungsholmen in the west.

Retail

Demand for retail premises in city locations has decreased in general but there is still demand for prime units in prime locations. Secondary locations are now facing decreasing rental levels in order to find tenants for vacant premises. Vacant units in secondary locations are now becoming a more common feature in most regional cities.

Many of the best retail units in the city are transferred to new tenants through the transfer of the lease contract. The transfer fee, also referred to as key money, has in principal been halved the last year for units located on the high street of the major cities. For units in secondary locations key money no longer is being paid.

Popular shopping centres in and just outside the city centre are having more difficulties finding new retail tenants for vacant units located above or below the ground floor.

Demand for premises in retail parks is very low and potential tenants are adopting a wait and see attitude. The large players are very restrictive with new establishments. The retail chains are primarily focussing on shifting from secondary to prime locations.

There is little interest from developers to start new projects, and in 2009 there will be no major expansions. New developments are now rather postponed until the market conditions are more favourable.

The vacancy rate is expected to increase further for retail units in secondary city locations. A similar development is expected also for units in retail parks, where it will be increasingly difficult to find new tenants.

The unemployment rate is expected to continue to increase in Sweden over the next 18-24 months. This negative development will act to dampen household consumption. The negative effect is partly compensated by very low interest rates, tax cuts and a recovery of the stock market, a recovery that almost has restored the household wealth. The newly adopted tax deduction for private households for refurbishing their homes has initially had a very positive effect for residential renovation, which to a large extent is financed by loans.



Industrial and Logistics

The logistics real estate market is still immature compared to central Europe with an absence of speculative developments and a stock of modern logistic properties which almost entirely is made of built-to-suit properties. In the last eight years only four speculative developments have been built compared to the entire stock of nearly 80 developments.

The rental levels and other legal terms in a lease contract are not driven by demand from the tenants. This means that the rent for build-to-suit developments is driven by demand from yields by investors. Rental levels follow the yield levels and have now stabilized at SEK 600-650 and 7.75-8.25 per cent.

Most logistic developments are located in areas outside of the traditional locations, but as city regions Jönköping, Stockholm and Gothenburg are considered to be the most popular areas.

The recession has made decisions concerning strategic issues regarding new establishments and logistic locations to be postponed into the close future (6 months) and almost no new developments have been started since September 2008. However, the underlying demand from tenants exists and some activity is expected during the autumn/winter of 2009.

During the last 6 months there has been a pressure on rents on the second-hand market and on secondary buildings due to the increased vacancy rate. Several tenants, as well as property owners (and banks), value a cash-flow and can accept rents up to 50 per cent lower than market rent during a short time. This pressure on rents is expected to remain during 2010 but will only have a minor impact on new developments.

VACANCY RATE (per cent)

City	Retail	Office	Industry
Stockholm	2.0	11.0	5.0
Gothenburg	1.0	8.0	5.0
Malmo	3.0	9.0	5.0

Source: Colliers

MARKET BAROMETER (rent and yield for prime location) at 1 July 2009

City	Retail				Office				Industrial			
	Market rent	Trend	Yield (per cent)	Trend	Market rent	Trend	Yield (per cent)	Trend	Market rent	Trend	Yield (per cent)	Trend
Stockholm	880-1175	↓	5.50-6.00	↑	380-410	↓	5.50-6.00	↑	65	→	7.75-8.25	→
Gothenburg	490-685	↓	6.00-6.50	↑	165-195	↓	6.00-6.50	↑	65	→	7.75-8.25	→
Malmo	390-585	↓	6.00-6.50	↑	185-205	↓	6.00-6.50	↑	55	→	7.75-8.25	→

Market Rent: Per sq.m. per year (Euro) | Source: Colliers



Norway

The economy

Preliminary figures from national accounts show that the gross domestic product (GDP) for Norway increased in the second quarter of 2009. The slowdown in gross fixed capital formation and in exports of traditional goods has ceased, while both household and government final consumption expenditure has increased.

The GDP was up by 0.3 per cent in the second quarter after falling in the previous two quarters, according to seasonally-adjusted figures. Increased household and government final consumption expenditure contributed significantly to the growth, while gross fixed capital formation in extraction of oil and gas had a particularly negative impact on the GDP. The economic downturn in the past year has contributed to a drop in the GDP by 2.2 per cent in the first half of 2009 compared to the same period in 2008.

Increased activity in service industries, particularly in business services, wholesale

and the retail trade, post and telecommunications – as well as in general government – contributed to the growth in GDP.

For the fourth quarter in a row, value added in manufacturing fell. The reduction in the second quarter was 1.4 per cent. However, compared with the two previous quarters, the decrease was less pronounced. Large parts of manufacturing have been hit by the lower international activity during the latter quarters. From the first to the second quarter, units producing chemical and mineral products and machinery and other equipment particularly reduced their activity. Value added in production of wood and wood products, however, was up after several quarters of reductions.

The drop in production of electricity had a negative impact of approximately 0.2 percentage points on the GDP. Value added in construction was down by 0.8 per cent, but the drop was less pronounced than in the previous two quarters.



Key variables Norway	
Gross Domestic Product pr. inhabitant (2008, EURO)	59,382
Expected growth in GDP, 2009 (per cent)	-0.6
Interest rate (July 2009, per cent)	1.82
Population (2009)	4,825,500
Capital	Oslo
Population in capital region (2008)	1,400,000
Employed (2009)	2,596,000
Unemployment (July 2009, per cent)	3.1
Exchange rate NOK/EUR (September 1st 2009)	8.61

Source: Nordic Statistics etc.

However, the total GDP was down by 1.3 per cent in the second quarter as a result of reduced value added in extraction of oil and gas.

The level of employment and unemployment kept stable from February to May. The unemployment rate amounted to 3.1 per cent of the labour force in May.

Adjusted for seasonal variations the Labour Force Survey (LFS) shows that the number of unemployment increased by 2.000 people from February (as measured by the average of the three months from January to March) to May (as measured by the average of the three months from April to June). This is within the error margin of the LFS. The unemployment rate was 3.1 percent of the labour force in May, the same as in February.

Seasonally-adjusted figures for those registered unemployed and on government initiatives to promote employment with the Labour and Welfare Organisation (NAV) increased by 11.000 in the same period.

The Investment Market

The transaction market for commercial real estate in Norway reached its peak in 2006/2007 with a volume of approx. NOK 68 billion and NOK 53 billion. During 2008 (NOK 28 billion) and first half of 2009 the market declined rapidly and expected transaction volume in 2009 will be around NOK 12-13 billion. So far we have registered a transaction volume of approx. MNOK 5.600*.

The Norwegian commercial real estate market has, nevertheless, been through a fantastic growth period over the last 5 years. At first, yields were depressed by the significant drop in interest rates. In the second phase, yields stayed at these low levels despite increased funding costs, but backed by strong rent increase expectations. In 2008, however, it all ground to a halt, yields pushed upward and reality returned to the market. The reasons are well known and the origin is the financial crisis. The oil fuelled Norwegian economy has done reasonably well over recent years, but with the set-backs in international economies, Norway too had to take a hit in 2008.

The start of 2009 was more or less a continuation of the sluggish market of 2008. Volumes the first half year have been low, the investors are reluctant to push yields

downwards and the market has been dysfunctional. The market is characterized by vendors who have high price expectations that do not reflect the market, and buyers who have lower willingness to pay because of lower financial gearing and a general negative market outlook. Further, the market has experienced that the financial institutions have avoided forced sales and have had a longer perspective resulting in reduced possibilities to do good bargains as seen in previous depressions.

Even though interest rates and the credit risk have decreased significantly during 2009, prime yields stay at 6.7 per cent. Main reasons are the bank's increase in risk premium/margins and loans, if offered, are offered at high rents. Further the banks have increased their equity requirements and the willingness for long term loan agreements are low.

As we move into the second half of 2009 we register a more positive atmosphere in the market. Investors are more optimistic, the interest rates are historical low and there are many indicators that the bottom is reached. So far in the second half of 2009 we have registered a transaction volume of approx. MNOK 1.400*.

However, the investors are still waiting for increased funding availability. A result of a more functional credit market is expected to be increased transactions volumes and lower yields.

Few transactions have been completed in 2009, but the ones that have indicates that the yield has increased significantly in the transaction market. Transactions made at a level of 4-5 per cent in 2006/2007 have now been corrected to a level of 6.5-7 per cent. This applies to good properties in the CBD area. Good, relatively new office buildings in Greater Oslo with a good tenant situation should count on a yield level of around 7-7.5 per cent.

There is a similar situation in the combined use and logistics market. Yield has moved from a low of 6-6.5 per cent to a level of 7.5-8.5 per cent. In this sector too there have been few transactions. For prime logistics buildings with long leases and good tenants one can expect somewhat similar yields.

According to our prognoses, 2009 will be a year with few transactions compared to recent years and prices/yield level will



Large Transactions in 2009

- NIAM bought Pirsenteret (5 properties) in Trondheim from Aberdeen Property Investors. Price: MNOK 1.256*
- Union Gruppen bought the Eitzen building in Oslo from Camillo Eiendom AS (Eitzen Group). (September – price not official)
- “Unknown” bought Wilh. Wilhelmsen HQ at Lysaker (greater Oslo) from Wilh. Wilhelmsen. Price: MNOK 550*
- FG Eiendom AS bought WesternGeco Bldg from Birger N. Haug Holdings AS. Price: MNOK 555*
- UBS Real Estate bought the Astrup Fearnley-Bldg in Oslo from Norwegian Property ASA. Price: MNOK 713



remain at the same level. We do believe that the yield-level is at its peak, and the velocity of the decrease will depend mostly on the credit market and the assumption that rates will remain low.

We believe the current market offers unique opportunities, and buyers will be presented with a lot of quality assets offered at attractive cap rates.

Office

The rental market in Oslo has seen a positive trend over the last 5-6 years. During the period 2006-2007, growth was strong and a levelling off was seen early in 2008. The major changes came in the second half of 2008. Since then the trend has been downward.

Vacant office space has increased from about 4 per cent in first quarter 2009 to around 6 per cent at the end of the first half. Previously, vacant space in the Oslo area of between 9 and 11 per cent at the end of 2009 was being forecasted. As noted, last quarter's trend was somewhat more positive than had been feared. Vacant space at year end somewhat less than 9 per cent is therefore to be expected. Currently there is forecasted a levelling off to around 8-9 per cent in the first half of 2010.

An important reason for the increase in vacancies is a general wait-and-see attitude in the market. Fewer contracts have been entered into and those that have been signed are for smaller areas. New buildings coming onto the market and an increasing sub-letting market have also contributed. Up to now, bankruptcies have had little effect. There is expected a further increase in sub-letting in the future. Additionally there is expected an increase in closures and bankruptcies, although the risk of this is decreasing.

Given the international financial unrest of the past year, several building projects have been put on hold and fewer new building projects are being started. In spite of the trends, Oslo nevertheless has several large, ongoing building projects. The largest single buildings are the new head office for the Norwegian bank DnB NOR in Bjørvika, the new head office for Statoil at Fornebu and the life insurance and pension company Storebrand's new head office at Lysaker. Besides these, there is also a good deal of building generally in Bjørvika, Helsfyr and Tjuvholmen. The area of Nydalen is also under constant development.

The greatest risk of empty premises are forecasted for the CBD, including Aker Brygge where both Storebrand and DnB Nor are going to vacate. Vacancies will also increase on the city outskirts. There is less risk of vacancy in the city centre, Oslo West, Skøyen, Nydalen and other popular areas with properties of a high standard and good communications.

Property on offer in the Oslo area is increasing. The website www.finn.no, which is the market's largest market database, shows a big rise in both the number of premises and total area on offer from the end of 2008 to the end of the first half of 2009.

Rents in the Oslo area have been decreasing. Hardest hit has been the CBD with Vika-Aker Brygge falling 7 percent in the last six months, from NOK 2,624 to NOK 2,450 per sq.m (*) and by 14 per cent in the last year, according to figures from Eiendomsverdi Næring. A-category (highest 15 per cent) CBD has fallen by as much as 26 per cent in the last year, from NOK 4,510 to NOK 3,330 per sq.m. However, the market has not only been negative; in certain parts of the city centre we can see a rise in rents. Popular areas with a low vacancy rate, such as Nydal and Skøyen, still show a positive trend. For Oslo as a whole, on the other hand, there have been seen a small 2 per cent fall in the last year; average rent in the Oslo area is now NOK 1,630 per sq.m. To summarise, it is clear that rents are decreasing, while good areas in the city centre except CBD and the central core are keeping up a good level under the circumstances.

Rents in Bergen were increasing up until mid 2008. Rents levelled out in the third quarter of 2008 and since then have been going down. Rents in Bergen did not see the same increase as Oslo in the period 2005 to 2008, which helps to prevent the fall expected in Oslo. The vacancy rates have increased and a further increase is expected. There has also been much new building in Bergen, which may increase vacancies towards the level seen in Oslo. Rents in Bergen CBD are currently around NOK 1,800 per sq.m.

Good rents are still being achieved in Stavanger. The oil and gas sector is still strong and is helping to maintain a good rental market. The market is however very dependent on the oil and gas sector. A downturn in this sector could have a marked effect on vacancies and rents.

In the future it is expected to see a continued decrease in rents in Oslo generally but, if there is drawn comparisons with earlier decreases, indications are that there will be seen a further differentiation in rents, based on location and standard. According to Eiendomsverdi Næring, rents in Oslo are about 35 per cent above the last low point in 2003/2004, when adjusted for inflation.

Some important causes of changes in rents, aside from increased vacancies, can be found in how the financial crisis has affected different industries. The financial sector has seen a substantial weakening in activity and employment and consequently in willingness to pay. At present the oil and petroleum related industries, IT and telecom are managing well, which is still being reflected in the good rents in certain popular areas.

A further decrease in rents is expected over the next quarters due to increased vacancies and a lack of new company start ups. However, there is not expected to be seen any long term negative trend. Activity in the market is still good.

Retail

Retail sales have increased steadily over the last decade. Retail shops have increased almost 60 per cent in this period (Statistics Norway), although there can be seen greatest growth in typical low-price concepts. Because, even though purchasing power per capita in Norway is among the world's highest, Norwegians generally buy few highend goods and also the time of financial decline leads to increased sales of budget products.

In the present market, we can see that consumers are changing their spending habits: they are becoming more price conscious and are buying fewer capital goods such as houses, cars and boats. Instead, they are spending their money on textiles, household and other consumer goods.

In many ways the two first quarters of the present year saw little movement. If the figures are split up, it can be seen that the best tendencies in food retailing showed a 5.6 per cent increase during this period, while the average growth for all industries was only 1.4 per cent. Vinmonopolet's wine and spirits sales followed these figures closely with a 5.2 per cent increase, a natural result

in such a period. Florists (average) also had good figures, with as much as 4.7 per cent growth and towards the end of the period textiles also showed very good growth, ending the first half year with growth of about 2.5 per cent. Textile prices have been falling (as in the last 10 to 15 years), so these growth figures indicate that textiles have been doing well.

All the losers during the first half year had a substantial drop in sales in common. Electricians ended up with a drop of 9.1 per cent, building supplies of 9.0 per cent, furniture of 7.0 per cent and books also with a 7.0 drop. This is very weak, although much of the downturn began towards the end of the previous year, which gives difficult figures to compare with.

There are however positive signs for these sectors for the future, seen for example in a strong and abnormally good July 2009. Although, there is not yet confirmed figures from Statistics Norway, it appears that all in all July will be better than June, which will be a first. This can be partly explained by a weak June (weaker than 2008), as well as strong growth in the shopping centres in July. This last is often connected with the weather.

The increase for the shopping centres was very high. Food retailers increased by as much as 7 per cent, clothes by 10 per cent, specialist shops by 12 per cent and house and home, which also includes the above mentioned losers from the first half year, by as much as 14 per cent during this summer month.

It will be interesting to follow trends in sporting goods. Historically there are few figures for this sector, seen in isolation. 2009 however started very well and kept this up for several months. However much of this trend was reversed towards the end of the first half year. This sector will always be dependent on good weather in any one season for success, but there are signs that indicate positive tendencies for the second half of the year.

On the basis of the above and of very low figures for the second half of 2008, it may be expected that the retail trading will show much more positive tendencies in the second half of 2009 than in the same period in 2008.





Sources: Statistics Norway, Eiendomsverdi Næring, Real Capital Analytics www.rcanalytics.com, Colliers International

* based on USD/NOK 6,50

(*) The figures from Eiendomsverdi Næring are based on start up date.

As with the rest of the property market, we can see that the market is slower, decisions are taking much longer, it takes longer to find tenants and it takes longer to get development projects through the public Planning and Environment Committee.

The shopping centres are taking an even larger proportion and grew by about 2.6 per cent in the first half of 2009. The fifty largest centres now represent a quarter of all retail sales in Norway (corrected for petrol and car sales). The ownership structure of Norway's shopping centres has been stable for many years. Steen & Strøm (owned by a joint venture of Klepierre and ABP), the Olav Thon Group, Amfi and Sector have been behind most new projects and property management. However some ownership changes have taken place. Amfi is now mainly owned by the Olav Thon Group and is a subsidiary company in the group. Amfi ASA is still operated as a separate entity.

In the smaller sector of small shopping centres, ownership and management is still in the hands of a number of smaller players. Almost 350 centres are counted as independent, but there can also be seen a tendency here towards joint ownership and management.

There can be seen a more rigorous application of the 1997 legislation which says that units of more than 3,000 sq.m cannot be established outside central areas (which are defined in county planning). There is knowledge of building projects that have been stopped because of this law. At the moment the law only applies to retail trading, but not for goods that require volume.

On the other hand, there has also been seen developments of parts of towns that were previously industrialised into retail areas (like Alnabru in Oslo). Here it is expected in future to see a collection of large retail parks that are largely intended to give value for money.

When it comes to cross-border shopping between Sweden and Norway, there

has been seen a levelling off after a long period of very strong growth. The most recent trends, however, show that this is increasing again. The shopping centres and retail parks operated by the major players from Norway will take an even larger segment of this market. At the same time, there are several projects under development in places like Töcksfors, Svinesund/Strømstad and Charlottenberg that are expected to attract many customers. If the economy continues to decline it is expected to see cross-border shopping being looked on as a more politically correct way for consumers to save money.

Rents in Oslo range from NOK 2,000 per sq.m for secondary streets up to NOK 18,000 per sq.m in main high streets such as Bogstadveien/Hegdehaugsveien and Karl Johans gate. In these highend areas, rents have remained relatively stable for a while, but are now showing greater falls. More vacancies are seen and rents are down below NOK 10,000 per sq.m.

Industrial and Logistics

Activity in the rental market for warehouse and logistics properties has seen a decline in the last 12 months. There has been observed falling building costs, with falling rents as a consequence. This means that in the last six months it has been possible to achieve more favourable rents for new buildings compared with existing buildings and demand for new buildings has therefore been increasing.

It has also been noted that those involved in third party logistics are facing problems with overcapacity. Since these have been responsible for much of the demand in the logistics market in recent years, this has had a dampening effect on demand.

In Oslo and Akershus the market rent for good logistics buildings is NOK 800 to NOK 1,000 per sq.m per year.

VACANCY RATE (per cent)

City	Retail	Office	Industry
Oslo	2.0	4.0	6.0

Source: Colliers

MARKET BAROMETER (rent and yield for prime location) at 1 July 2009

City	Retail				Office				Industrial			
	Market rent	Trend	Yield (per cent)	Trend	Market rent	Trend	Yield (per cent)	Trend	Market rent	Trend	Yield (per cent)	Trend
Oslo	1,395	→	7.50	→	265	↓	6.50	→	105	→	8.00	→

Market Rent: Per sq.m. per year (Euro) | Source: Colliers



Finland

The Economy

Forecasts regarding the Finnish national economy were positive as late as in the beginning of 2008. The strong export orientated national economy seemed to avoid all the hits from the global financing crisis, but forecasts of the Finnish economy began to get worse in the summer 2008. In the third quarter export started to decrease and in the last quarter of 2008 it nearly completely stopped. At the same time lack of financing began to be a bigger issue for companies and investors as a result of the global financial crisis.

The Finnish economy contracted substantially in the first quarter this year. However, the economic low pressure is expected not to deepen furthermore. Along with collapse in foreign trade, industrial production will continue to decrease considerably. Domestic demand is also forecasted to decline for the rest of 2009.

In 2007 the GDP growth was 4.4 per cent and 2008 it was approx. 0.9 per cent. In 2009, estimations for GDP change are between -3.5 and -6.5 per cent.



Key variables Finland	
Gross Domestic Product pr. inhabitant (2008, EURO)	34,800
Expected growth in GDP, 2009 (per cent)	-5.5
Interest rate (August 2009, per cent)	1.3
Population (2009)	5,326,314
Capital	Helsinki
Population in capital region (2008)	1,000,000
Employed (2009)	2,497,000
Unemployment (July 2009, per cent)	7.7

Source: Nordic Statistics etc.

Large Transactions in 2009

- Swing Life Science Center office, EUR 120 million (Q2/2009)
- Portfolio of office and retail properties, EUR 50 million (Q2/2009)
- Two logistics properties in Vantaa, EUR 20 million (Q2/2009)
- Portfolio of four retail properties in Helsinki and Tampere, EUR 50 million (Q1/2009)
- Sport and wellness center in Helsinki, EUR 37 million (Q1/2009)
- Old mill premises in Hamina, EUR 40 million (Q1/2009)



The situation in the labour market deteriorated fast at the beginning of 2009 and unemployment is escalating rapidly. At the end of 2008 the unemployment rate was 6.3 per cent. Currently the unemployment rate is 7.7 per cent and it is expected to rise towards 9.0 per cent at the end of 2009 and up to 10 per cent at 2010 according to the latest economic forecasts.

A historically low interest level and low inflation mean growth in purchase power for those who can maintain their jobs and avoid unemployment. Inflation has decelerated rapidly. The price level will decrease towards the end of the year and for this year the average will remain at the same level as 2008.

The Investment Market

In 2006 and 2007, the volume of transactions was approx. EUR 6 billion decreasing to EUR 4 billion in 2008. The global financial crisis has affected the real estate investment market and transaction volumes have decreased radically compared to the years 2006-2008 due to the uncertain economic situation and the lack of financing. The investment market volume in the first half of 2009 decreased by approx. 75 per cent compared to the corresponding period last year. The transaction volume in first half of 2009 was approx. EUR 700 million.

The foreign investment demand has decreased some 40 per cent. The buyers at current time are mostly domestic institutional investors partly due to the lack of dependents of financing required. Active investors are still waiting for the price reductions and possible forced sales – which has not occurred in the Finnish market.

From 2004 to 2007 yields in prime CBD retail and office premises decreased from 6.5 per cent to 4.75 per cent. Due to the altered market situation, reduced loan capacity of banks as well as general uncertainty the markets is still redefining their course. Yields in prime locations have increased by approx. 0.5 to 1.0 percentage points, and no decline is to be seen in near future. Buyers is expected to be more cautious in the future.

Office

The rental level in the office markets has increased during the last two years. At the same time vacancy rates, especially for the prime properties have decreased. Also all new office space has been constructed in the Helsinki Metropolitan area and in some other major cities. Old office stock with more challenging locations have suffered from high vacancy rates and low rental level. In the Helsinki Metropolitan area, the average vacancy rate is currently approx. 8.0 per cent and in the CBD approx. 5.0 per cent. In some areas in the Helsinki Metropolitan Area vacancy rate is currently even 25 per cent.

The rental market has not yet been remarkably affected by the market situation. However, tenants have a strong bargaining position, and can negotiate tenant improvements and attractive rental levels. Rental levels are more flexible in older buildings, whereas other issues are discussed for new premises. A common strategy is to negotiate some free months in the beginning of the rental period, or to discuss tailored modifications.

Rental market will be more challenged in the near future. The demand is expected to fall and a lot of new premises will come to the market. Sub-letting is more common when companies reduce their costs and minimise their total amount of office space.

The prime rent in the Helsinki CBD area is approx. EUR 27 per sq.m. per month. In the other major cities, rental level varies between EUR 13 and EUR 17 sq.m. per month. Increasing sub-letting and vacancy rates put pressure on the rent.

Retail

New retail space production has been at a remarkable high level during the last four years especially in the larger cities. The demand has also been noticeably high resulting in low vacancy rates. In the Helsinki Metropolitan area the vacancy rate for the prime retail space is approx. 2.0 per cent. In some sub markets, e.g. in Tampere and Oulu CBD area, the vacancy rate has been approx. 1.0 per cent.

There is a tendency that some box shop retail assets in some sub markets are facing problems



with increasing vacancy and low demand from the retail chains. Tenants are more careful when making decisions regarding new out of town retail premises. Consumer confidence has decreased since 2007, however the total retail trade volume increased with approx. 7.0 per cent during 2008.

Currently, there are several large scaled retail projects in the pipeline by local and international developers.

Industrial and Logistics

The industry and logistics markets have remained quite stable over 2009. Vacancy rates are relatively low especially for modern premises and rental levels have increased slightly. Real estate investors are showing greater demand in logistic assets than industrial. There is a tradition for that large industrial and logistic properties in Finland are mainly owner-occupied with a low level of sale and leaseback within this asset class.

In the industry and logistics markets the most significant change was the opening of a new cargo harbour in Helsinki. The new harbours affect on logistic allocation

within the Helsinki Metropolitan area and consequently on new developments has been quite large. At the moment, vacancy rates are at a low level of approx. 2.5 per cent in all the major cities.

New construction in the Helsinki metropolitan area is located in and around the airport area. Other new development projects are mainly found outside the Helsinki metropolitan area.

Hotel

From 2006 to 2008 the number of hotel rooms increased by approximately 2,000 rooms in the Helsinki Metropolitan Area. The main reason for new capacity is the increased number of foreign tourists. The trend has been the same in the other cities and especially in Lapland where the investments also have been remarkable.

The annually utilization rate has been approx. 70 per cent in Helsinki and the average price of EUR 105 per night.

VACANCY RATE (per cent)

City	Retail	Office	Industry
Helsinki	2.0	8.0	2.5
Tampere	1.5	7.0	1.5
Turku	4.0	8.5	2.5
Oulu	1.0	5.0	3.0

Source: Colliers

MARKET BAROMETER (rent and yield for prime location) at 1 July 2009

City	Retail				Office				Industrial			
	Market rent	Trend	Yield (per cent)	Trend	Market rent	Trend	Yield (per cent)	Trend	Market rent	Trend	Yield (per cent)	Trend
Helsinki	1,700-1,900	→	6.25	↑	330	↓	6.75	→	120	→	8.50	↑
Tampere	960	→	7.00	↑	170	→	7.25	↑	90	→	9.00	↑
Turku	840	→	7.25	↑	150	→	7.50	↑	85	↓	9.50	↑
Oulu	960	→	7.50	↑	150	→	7.50	↑	90	↓	9.75	↑

Market Rent: Per sq.m. per year (Euro) | Source: Colliers



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