THE FULL SERVICE PROPERTY HOUSE

DETAILED KNOWLEDGE MAKES THE DIFFERENCE

NEWSEC PROPERTY OUTLOOK SPRING 2012

NEWSEC

SWEDEN | FINLAND | NORWAY | DENMARK | ESTONIA | LATVIA | LITHUANIA

CONTENTS

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Executive Summary

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LOCAL GROWTH AND LOW GLOBAL INTEREST RATES MAKE PROPERTIES IN OUR REGION AN ATTRACTIVE INVESTMENT

What are the prospects for the future on the Nordic and Baltic property market? Domestic demand will be increasingly important in the Nordic region during coming years – propelled by strong government finances, the absence of asset bubbles and a stable banking system – and both the Nordic and the Baltic economies will keep on growing despite the sluggish world economy.

In this report we will argue that the combination of local growth and low global interest rates will generate stable cash flows for well-located properties in our region. At a time when large amounts of capital are searching for safe returns, this will generate attractive returns on the Nordic and Baltic property market, see pages 8-15. The property market has an advantage over other types of assets in that it is less volatile than the stock market while producing more attractive yields than the bond market. Although fundamental changes are occurring on the global financial market, resulting in lower credit availability, selectivity by banks and high interest-rate margins during coming years, we argue that the effects will be more moderate in our region than in other parts of Europe, see pages 16–17. Looking further ahead, it is a well-known fact that property investments can never be made on "country averages" – growth can always be localised to specific regions, and investment in properties is by nature local. On pages 18–21 we discuss the importance of population growth to a region's long-term development on the property market. Overall, we conclude that property investment in our region seems an increasingly appealing investment choice for investors who have started to question old rules of thumb regarding what is safe and what is not. Within the total market, residential properties and wind power stand out as two particularly interesting investment options, see pages 22–27.

RESIDENTIALS IN FINLAND PRODUCE THE BEST RISK-ADJUSTED RETURN

On pages 28–31 we show that the Nordic property market has a significantly lower total return than the Baltic market. However, as risk on the Nordic market is also significantly lower, the segments with the best risk-adjusted return will be found there. The Finnish market stands out from its Scandinavian peers with expectations of a strong total

"In 2012, the 'Safe Haven' strategy will be the most common among investors as the property market everywhere will be characterised by a flight to safety"

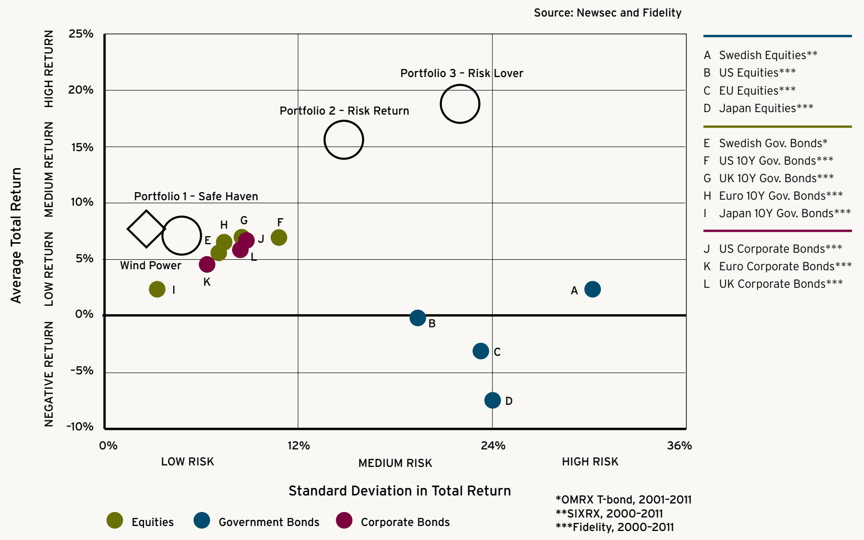
return combined with low volatility – and we argue that the segment with the very best risk-adjusted return during coming years will be residential properties in good locations in and around Helsinki. Overall, however, all property segments with stable cash-flows that are linked to the Nordic domestic demand will perform strongly. Apart from residential these also include logistics linked to private consumption. On the Baltic property market our projections show that the segment with the best risk-adjusted return is prime offices in Tallinn, which have a total-return development in line with Baltic retail and office properties in general, but with a considerably lower risk. However, the segment with the strongest expected total return performance – but also the highest risk of all Nordic and Baltic segments in the survey – is prime logistic properties in Riga.

PORTFOLIO OPTIMISATION – FINDING THE OPTIMAL RISK/ RETURN COMBINATION

Although residential properties in Finland is expected to be the best-performing segment in our survey, the answer to the question of where best to invest on the property market depends to a large extent on each investor's willingness to accept risk. Generally, the higher the risk an investor is willing to take, the larger the share of the portfolio that should be invested on the more risky Baltic property market. To illustrate this, we have outlined three model portfolios on page 28 with different levels of risk. The first portfolio, "Safe Haven", is a diversified portfolio with attractive return and low risk and consists mainly of residential properties in Finland and Sweden. The second portfolio, "Risk Return", includes a larger share of offices and logistics, partly in the Baltic region. The third portfolio, "Risk Lover", is a well-diversified portfolio of logistic, retail and office properties in the Baltic region and produces high return but with high risk attached.

In 2012, the "Safe Haven" strategy will be the most common among investors as the property market everywhere will be characterised by a flight to safety. In this context, the Nordic property market seems to stand out with its stable returns and low risk. Within the market, residential properties and wind power then stand out as two particularly interesting investment options in today's risk-averse environment.

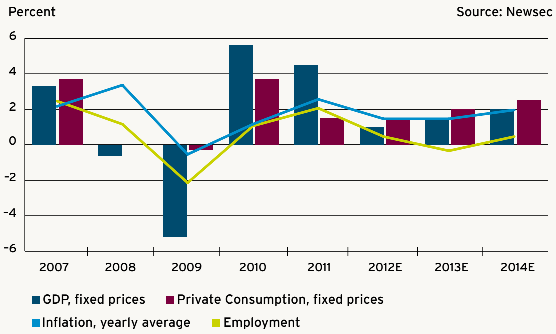
Total Return vs Risk | Overview



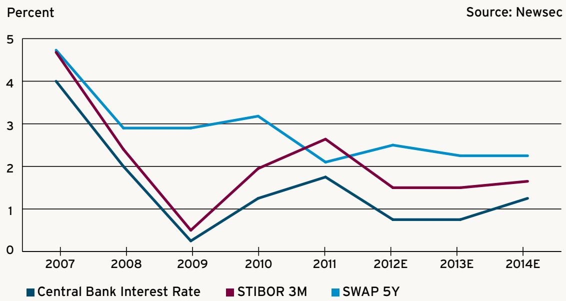
Macroeconomic Data

SWEDEN

Economic Indicators

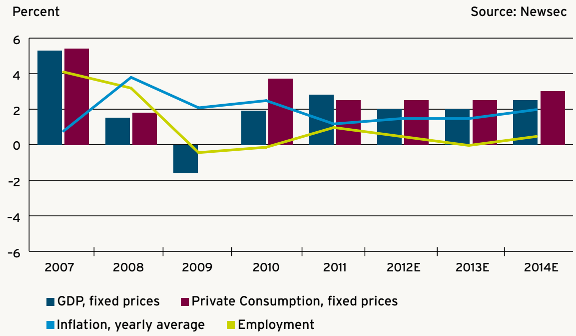


Interest Rates



NORWAY

Economic Indicators



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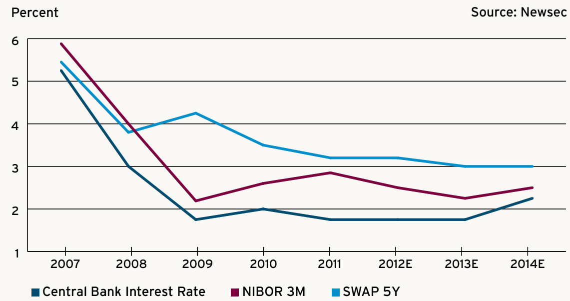
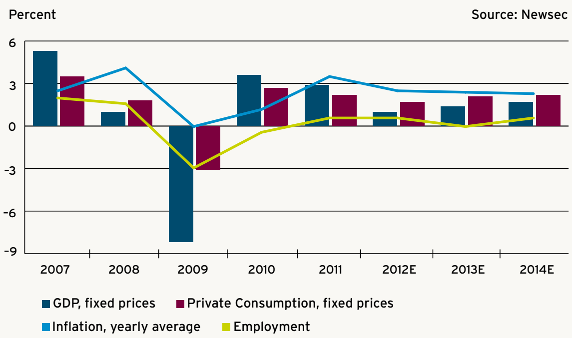
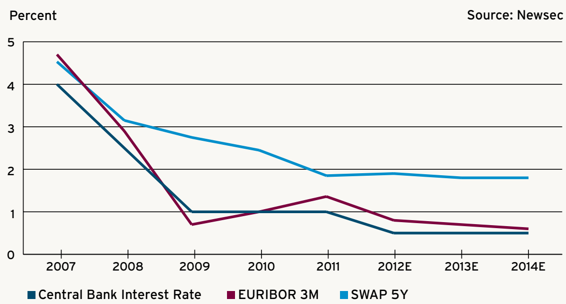


FINLAND

Economic Indicators

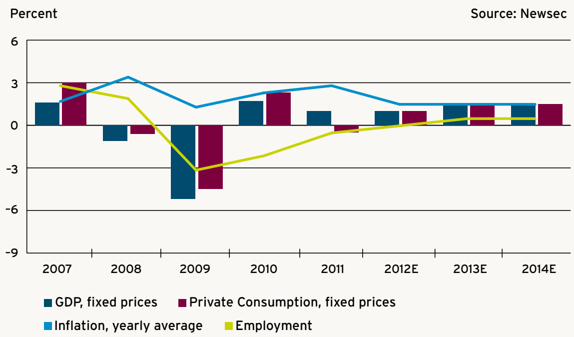


Interest Rates

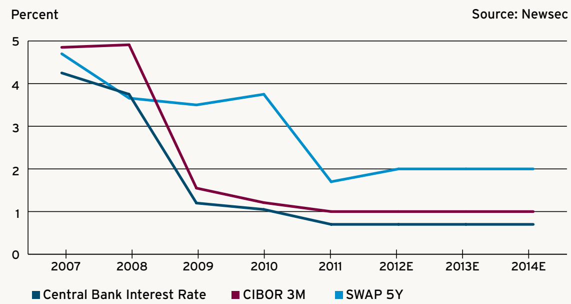


DENMARK

Economic Indicators

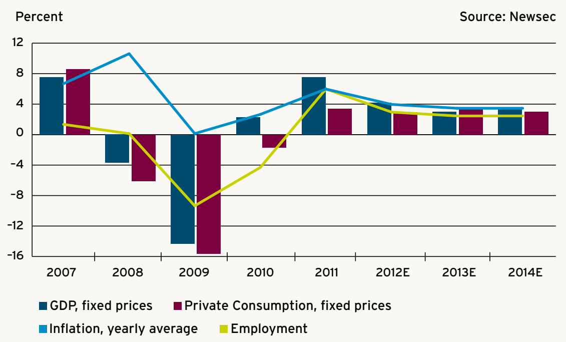


Interest Rates

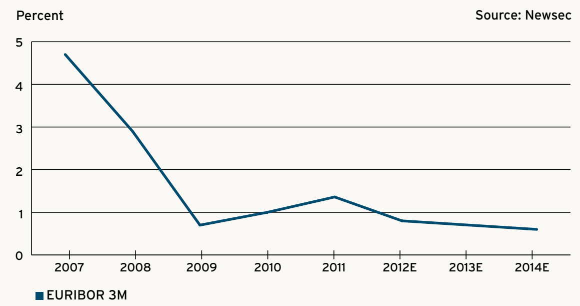


ESTONIA

Economic Indicators

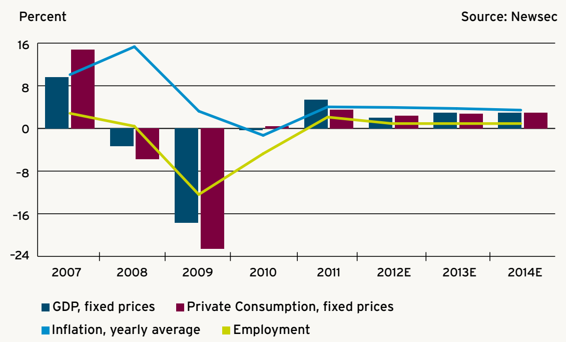


Interest Rates

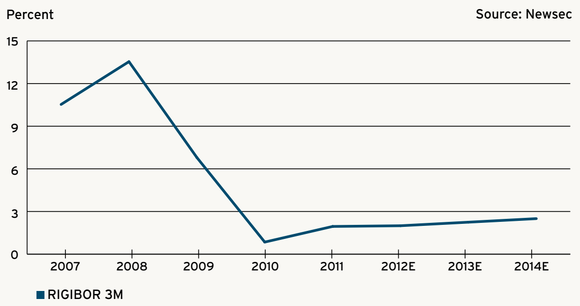


LATVIA

Economic Indicators

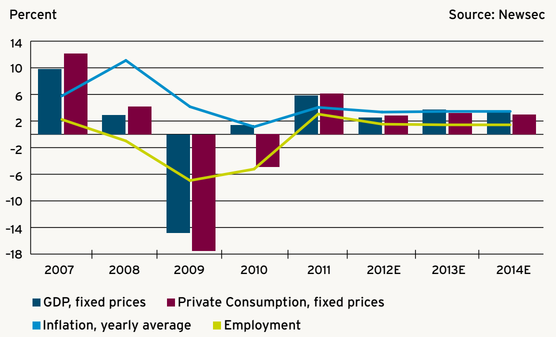


Interest Rates

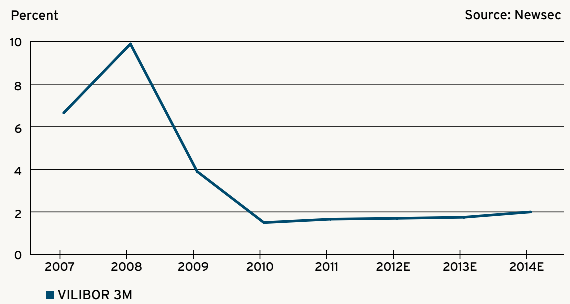


LITHUANIA

Economic Indicators

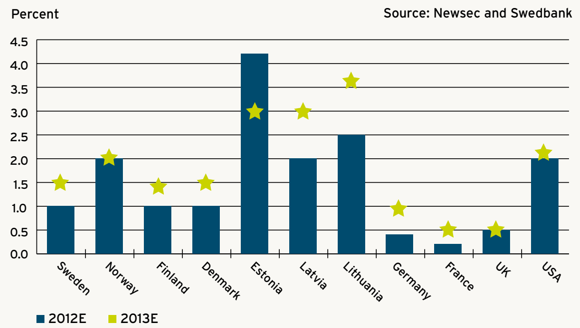


Interest Rates

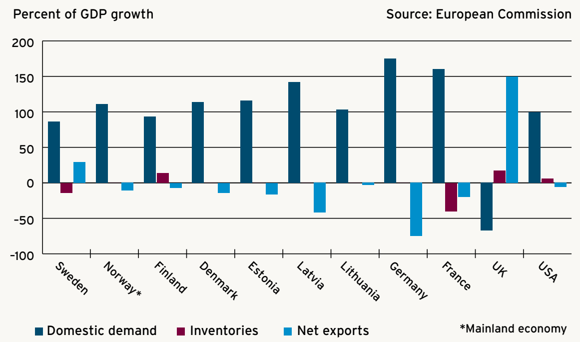


SELECTED COUNTRIES

GDP growth 2012-2013



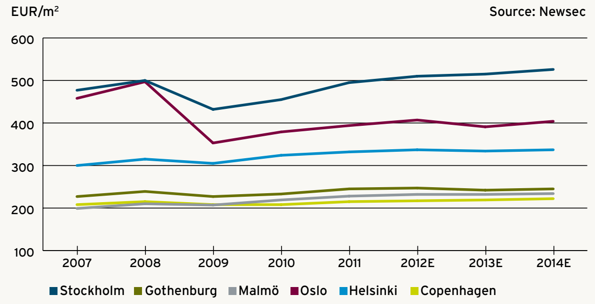
Contribution to GDP growth 2012



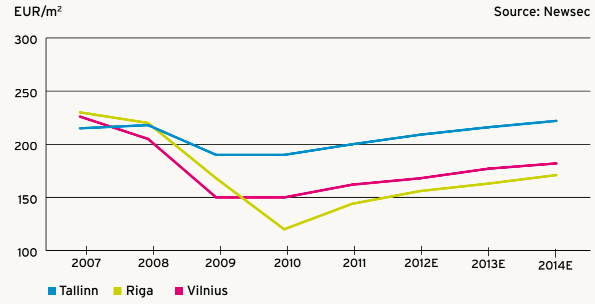
Property Data

OFFICE RENTS

Prime Office Rents (CBD) | Nordic Region

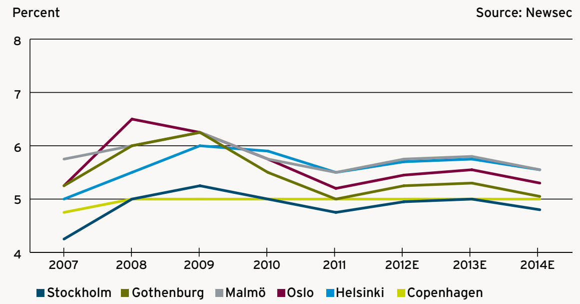


Prime Office Rents (CBD) | Baltic Region

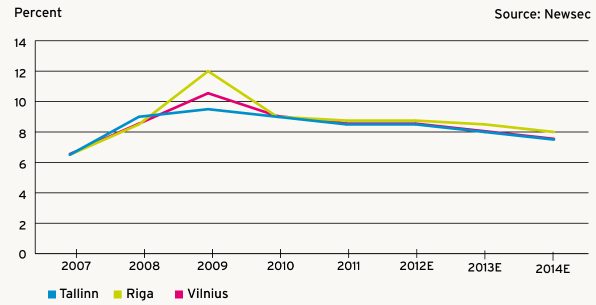


OFFICE YIELDS

Prime Office Yields (CBD) | Nordic Region

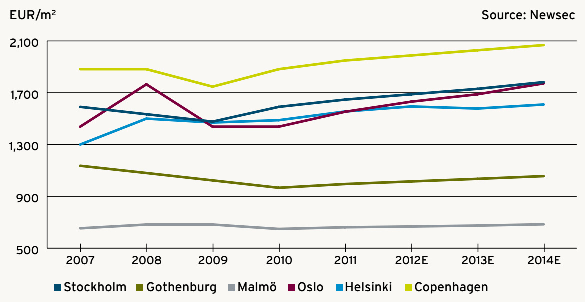


Prime Office Yields (CBD) | Baltic Region

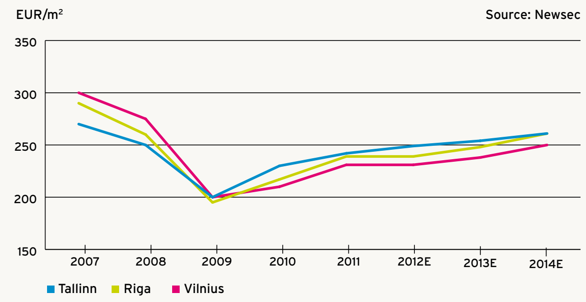


RETAIL RENTS

Prime Retail Rents | Nordic Region

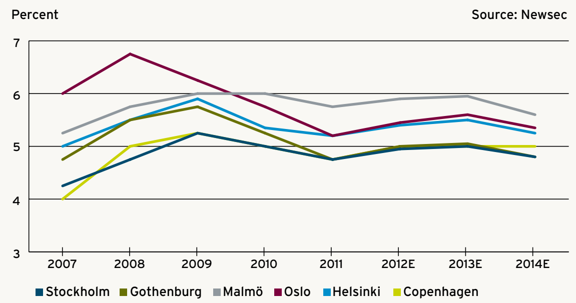


Prime Retail Rents | Baltic Region

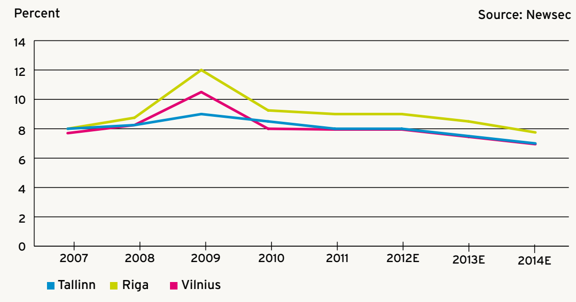


RETAIL YIELDS

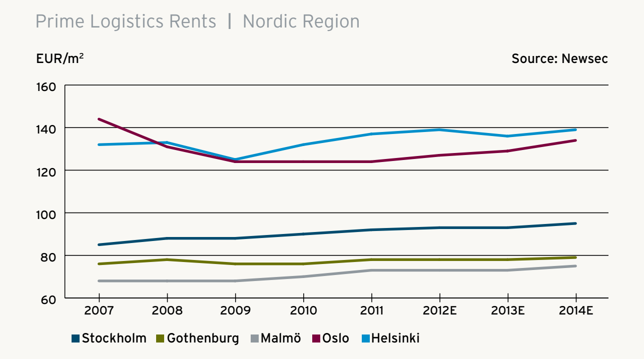
Prime Retail Yields | Nordic Region

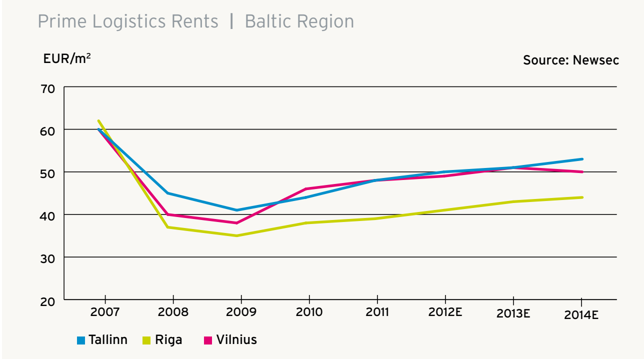


Prime Retail Yields | Baltic Region

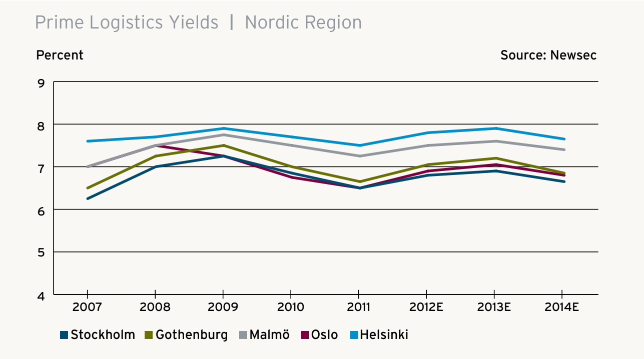


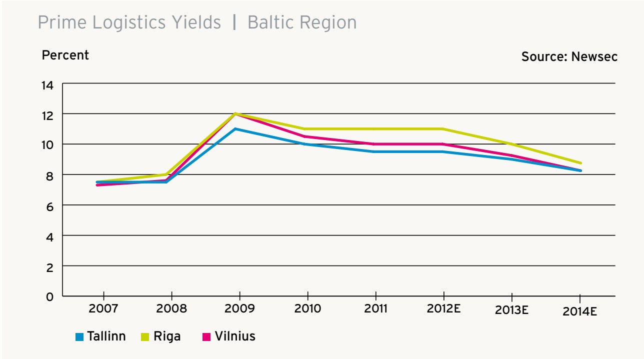
LOGISTICS RENTS



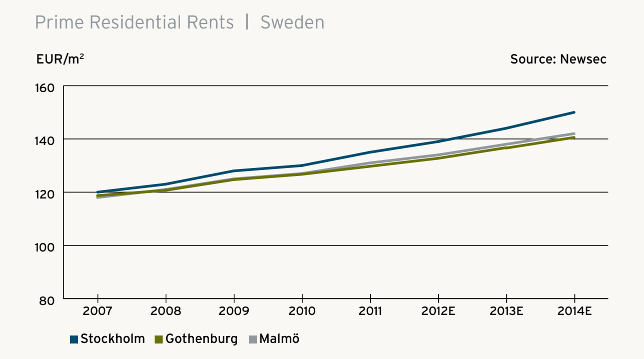


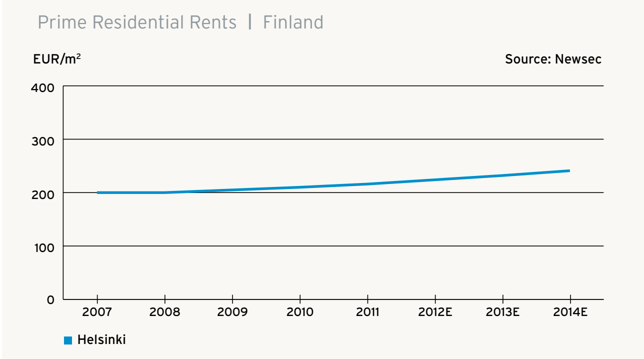
LOGISTICS YIELDS



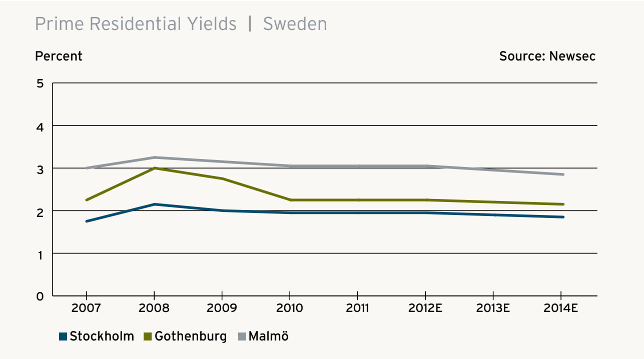


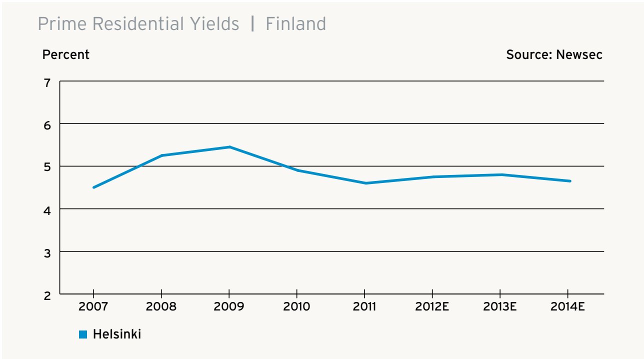
RESIDENTIAL RENTS





RESIDENTIAL YIELDS





THE NORDIC AND BALTIC REGION

SLOW GLOBAL GROWTH GENERATES CONTINUOUSLY CHEAP CAPITAL

Newsec's primary markets.

The economic recovery of the last few years was in many ways an illusion, and the world economy stands before an extended period of slow growth. Both US and European politicians will make the necessary decisions to avoid a deep global depression in coming years, but the process will be characterised by disagreement, scepticism and reluctance – and the market turbulence will persist throughout 2012.

In the short term the global economy will be characterised by fiscal austerity and credit crunch in Europe, political gridlock in the USA and slowdown in Asia and Latin America. Expansive monetary policy in combination with limited fiscal stimulations will keep growth in the USA reasonably high despite a still-crippled housing market and an elevated level of unemployment. However, the weak development in the euro area in combination with an economic slowdown in China, India and Brazil will result in weak global GDP growth in 2012. As the credit turmoil in the euro area starts to settle and banks resume their lending, global growth will slowly rebound in 2013–2014.

SLOW GLOBAL GROWTH IN THE MEDIUM TERM

In the medium term, however, the global economy is heading towards an extended period of slow growth. A fundamental problem of the world economy is the stubborn current-account imbalances – both between developed and emerging economies and within the euro area. When US and European corporations and households started to deleverage after the last financial crises, governments stepped in to bailout banks and keep up growth. This generated a combination of soaring sovereign debt and ongoing current-account deficits – and transformed the private debt crisis into a sovereign debt crisis. For a country to maintain its current-account deficit either the government or the private sector must run a deficit with the surrounding world. As the rich-world private sectors are unlikely to return to deficit, the only way for indebted governments to improve their finances is to increase net exports. Since the global current-account balance always sums up to zero, this implies that countries in surplus must increase their consumption – otherwise there is a risk that the global economy ends up in a negative spiral of austerity and sluggish growth. This global rebalancing is necessary and will take place during the coming years, but the process is expected to result in increasing protectionism and will hamper growth.

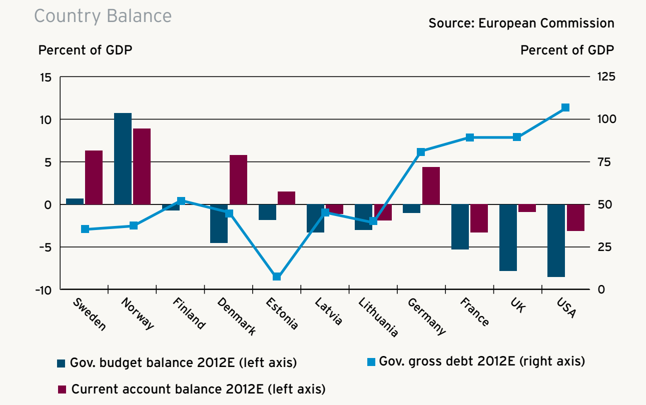
> "The Nordic region seems to stand out from the rest of the developed world with its strong growth and stable macroeconomic fundamentals"

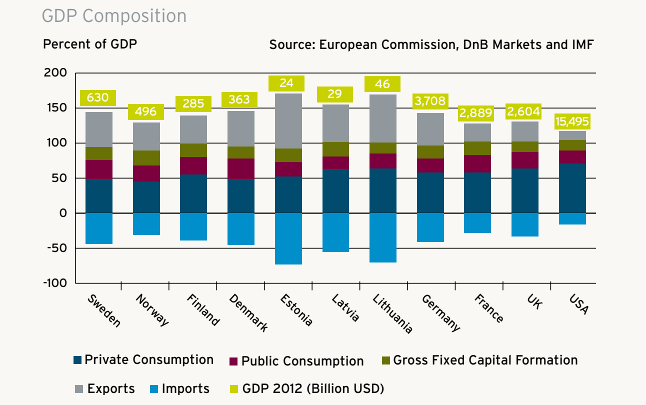
A second factor is that the emerging economies in Asia and Latin America will not be able to keep on propelling the world economy during coming years. These economies will continue to grow significantly faster than the developed world. However, they need to change their growth models if they are to take the step from middle-income to high-income economies. They need to increase domestic consumption, counteract corruption, develop their financial markets, create measures to contain inflation, and impose democracy and the rule of law – processes that are necessary but are long and exhausting. All in all, the slow global growth will keep down inflation pressure and reduce the world's demand for investment. Since the cost of capital is the result of the demand for investment and the supply of savings, this suggests that real interest rates will remain low for several years to come.

THE NORDIC ECONOMIES – LOCAL GROWTH AND GLOBAL INTEREST RATES

The Nordic economies have shown strong development during recent years, and the region seems to stand out from the rest of the developed world with its strong growth and stable macroeconomic fundamentals. Norway has its buoyant oil and gas sector while Finland and Sweden have competitive export industries. In addition low sovereign debts, transparent economies, an intact banking system and consumers with sound personal finances produce a rare combination of stability and growth potentialities.

The Nordic economies are export-dependent – around half the Nordic GDP consist of exports, of which a large proportion goes to the EU – and the global downturn will affect the region in 2012. However, economic growth in the region will be resilient and domestic demand is expected to be an increasingly important growth engine. The region's strong fundamentals are expected to result in a period where local growth is combined with low global





> “As the internal imbalances are solved, the Baltic region is expected to continue its progress up the economic ladder”

interest rates imported from outside – a combination that generates strong potentialities for the property market.

THE BALTIC REGION – CONTINUING PROGRESS UP THE ECONOMIC LADDER

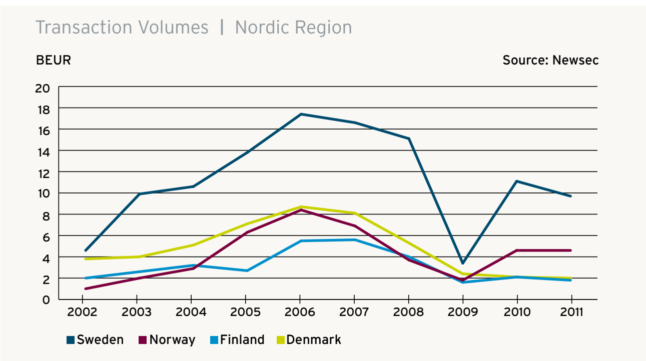
The Baltic countries have shown a strong recovery from the deep recession of recent years, which was generated by excessively leveraged households, asset-bubbles and reduced domestic competitiveness. These problems have gradually been solved through internal devaluation and increased competitiveness. Exports have been the single most important engine but domestic demand is now starting to increase in importance. Estonia is showing the fastest recovery due to improving competitiveness, its ability to reform and good government finances. Confidence in the country's economic recovery was also strengthened by the adoption of the euro in 2011. Latvia and Lithuania have experienced export-led recoveries partially driven by entries to new foreign markets and are expected to keep on growing. Moreover, a noticeable growth of domestic consumption in Lithuania during the second half of 2011 is expected to continue during coming years. Although the recovery will be weakened by the global downturn and the region's weak demographic development, competitiveness is improving. As the internal imbalances are solved, the region is expected to continue its progress up the economic ladder.

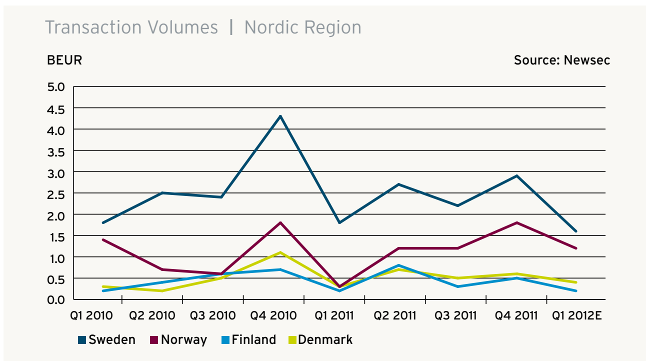
CURRENT-ACCOUNT SURPLUS AND SOLID BANKS ADD STABILITY ON THE CREDIT MARKET

Newsec expects inflation and short-term interest rates to remain low for some years to come. Banks are tightly linked to their national governments, however, and are therefore highly affected by the European sovereign debt crises. European banks need to improve their capital ratios by June 2012, but having seen their shares tumble during 2011 they generally prefer to reduce their risk-weighted assets before taking in fresh capital. This reduction in banks' assets, in combination with the general liquidity problems in the European banking system, has reduced credit availability during 2011 for small and medium-sized European companies especially – a trend that will continue in 2012 and only start to abate in mid 2013.

Several major European lenders have already left the property market, and the credit shortage will hamper the development of the market in 2012–2013. However, the Nordic and Baltic regions are in better positions than Continental Europe due to two main factors. First, the Nordic banks, which also dominate the Baltic credit market, have low exposure to the peripheral euro countries, which will improve the banks' ability to lend. Second, the Nordic countries are benefiting from positive current-account balances, which add stability to the regional credit supply since they provide an ability to replace credit from abroad with domestic savings.

The Nordic and Baltic property markets will, however, see lower credit availability, selectivity by banks and elevated interest-rate margins during 2012–2013. These developments all generate com-





"The transaction market has been dominated by financially strong investors such as institutions and well-consolidated property companies"

petitive advantages for large investors with good track-records which not only have continuous access to bank funding but can bypass the banking sector by issuing corporate bonds. Access to capital will be one of the most important factors for investors during coming years and the property market is expected to be increasingly dominated by equity investors and institutional investors with access to funding.

FALLING TRANSACTION VOLUMES – BUT THE NORDIC MARKET STAYS LIQUID

In 2010 and the first half of 2011, transaction volumes rebounded strongly on the Swedish and Norwegian property markets, while the development was more hesitant in Finland and Denmark. Although the sovereign debt crisis made banks and investors increasingly risk-averse during the second half of 2011, liquidity has held up well in Sweden and Norway, while activity has fallen slightly in Finland. In Denmark transaction activity has continued to be weak in 2011. Cash flows are strong for core assets and the transaction market has been dominated by financially strong investors such as institutions and well-consolidated property companies. Good banking relationships and access to the corporate bond market have become even more important during the autumn as the European debt crises have escalated.

Foreign investors were active on the Swedish property market until mid 2011, especially in the retail segment, but foreign investments fell during the autumn and the transaction market was instead dominated by domestic institutions and property companies. In Finland the main focus of international investors during the first half of 2011 was prime office assets in Helsinki. A majority of the investors were equity investors from Sweden and Germany.

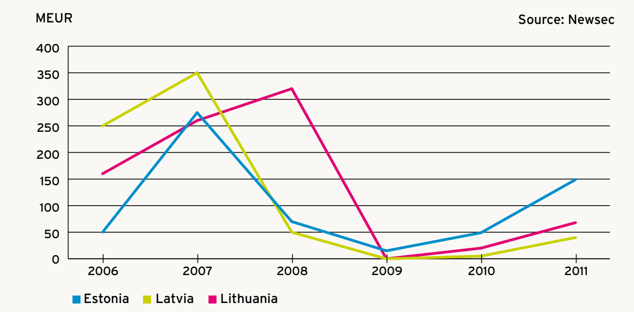
Although transaction volumes are expected to fall all over the Nordic region in 2012, the property market will still be rather liquid – especially for prime assets – due to the strong economic fundamentals, the stable banking system and the high market transparency.

INCREASED TRANSACTION ACTIVITY IN THE BALTIC REGION

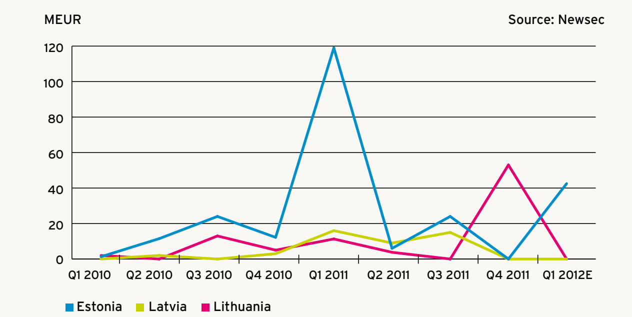
Up to the end of 2010 the Baltic property market was mostly explored by local investors such as private companies and small funds. Interest from opportunistic Scandinavian and Russian buyers has increased during 2011, which has contributed to rising transaction volumes, but these are still a long way from the figures seen in 2007–2008. Large institutional investors are still reluctant to enter the Baltic market; nevertheless market stabilisation began in 2010 and Estonia's adoption of the euro has already helped to attract some international players during 2011.

In 2012 the Baltic property market will face the same challenges as in 2011. The three countries did not experience the fast market recovery that was seen in some other Central and Eastern European countries in 2010–2011, and property market yields are expected to show stable development in 2012.

Transaction Volumes | Baltic Region



Transaction Volumes | Baltic Region



"A majority of the new construction projects in coming years is expected to be environmentally certified"

HIGH DEMAND FOR NEW SPACE-EFFICIENT OFFICES IN GOOD LOCATIONS

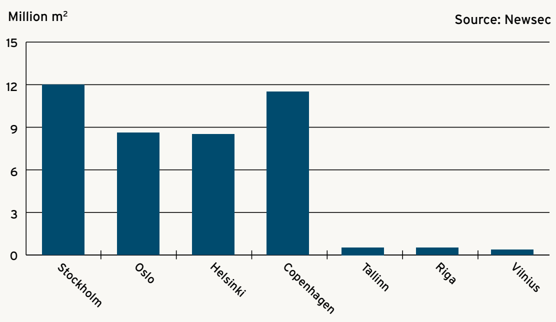
Space-efficiency is one of the key features sought after by tenants. The cost per employee is what matters, which is why landlords can charge a higher rent per square metre for space-efficient premises. A strong upward trend in employment has generated an increasing demand for high-quality office space in Stockholm, and has pushed vacancy levels below those of 2008. This has resulted in a seller's market in Stockholm CBD. Prime office rents increased by about 15% in total during 2010–2011 and are expected to keep on growing during coming years, although at a slower pace. Oslo CBD is a volatile rental market and rents increased by just over 10% in total during 2010–2011. The strong Norwegian economy will generate continuing, but slowing, rental growth in 2012 – followed by a fall in 2013 due to slower economic growth and increasing supply of office space. In Finland too there is a stable demand for prime offices and prime rents are rising. However, the rental markets in both Helsinki and Copenhagen are characterised by high stability, and CBD rents grew by moderate totals of 8–9% and 3–4% respectively during 2010–2011. All in all, the demand for prime office premises is high in the Nordic region. Although a relatively low amount of new office space came onto the market in 2011, a large number of projects were initiated and the supply reaching the market will be significantly higher in 2012. The property sector's impact on the environment is becoming increasingly important for both investors and tenants, and a majority of the new construction projects in coming years is expected to be environmentally certified.

The recession in the Baltic region had extensive effects on the labour market, with significant falls in wages and high unemployment. However, the Baltic labour market has now started to recover and prime office vacancies have decreased substantially since the end of 2009, mainly due to the low supply of high-quality office premises. Office rents stabilised in Tallinn and Vilnius in late 2009, while Riga followed suit in 2010. All three cities then experienced increasing prime rents in 2011. In Tallinn and Vilnius the construction of new office space has gained some momentum mainly due to a substantial decrease in vacancies. Several projects will be delivered to the market in 2012 although most are completions of previous years' projects. Some new projects have been initiated but banks will be selective in financing new projects during coming years as the financial crisis is still fresh in their memory. Despite this, in Vilnius around 20,000 m² of office premises will be initiated in 2012 without key tenants.

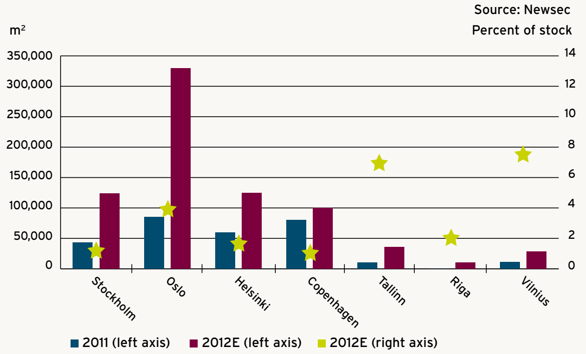
STABLE DOMESTIC DEMAND GENERATES GOOD FUNDAMENTALS FOR HIGH-QUALITY RETAIL

Apart from Denmark, the Nordic countries had a strong retail trade turnover during 2009–2010. Although growth lost its momentum in Sweden in 2011,

Office Stock 2011 (capital office market)



Office New Construction (capital office market)



"The retail market in the Baltic countries has shown stable signs of recovery since mid 2010"

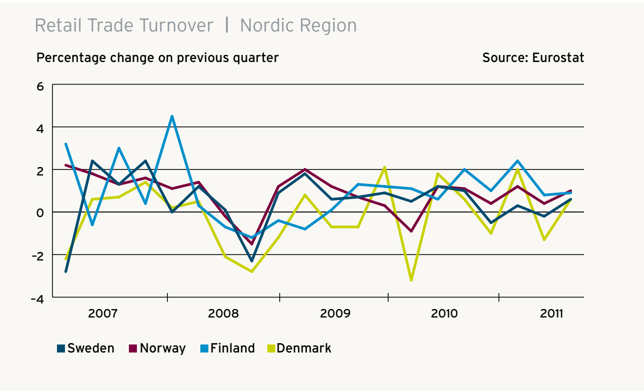
the sluggish global economy will make domestic demand in the Nordic region an increasingly important Nordic growth engine. Private consumption is the main component of domestic demand and will be propelled by low interest rates, stable employment and increasing real incomes in 2012–2014. Backed by the ongoing urbanisation process this will result in a growing urban population that also consumes more per capita. All in all, this is creating the fundamentals for a steadily increasing demand for high-quality retail premises in good locations in the major Nordic cities during the next few years.

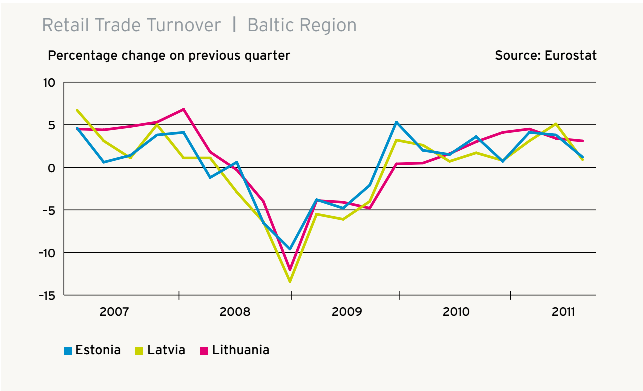
The retail market in the Baltic countries has shown stable signs of recovery since mid 2010. The previous fall in retail trade turnover came to a halt in early 2010 and turnover has increased steadily since then. With gradually increasing wages and slowly declining unemployment, private consumption has increased in 2011, although retail sales remain modest compared with activity before the financial crisis. Vacancies in the most successful shopping centres on the Baltic retail market are close to zero as demand has been high recently. Along with rising rents, landlords are now removing the discounts for prime retail which were used to attract or keep their tenants during the recession. On the other side of the coin are low-quality shopping centres and retail premises in secondary locations which are struggling with high vacancies and no prospects of rising rents.

PRICES HAVE STABILISED ON THE NORDIC PROPERTY MARKET – BUT INVESTOR DEMAND FOR PRIME ASSETS IS STRONG

The property value increases in the Nordic region seen in recent years will stabilise in 2012 as rental growth is slowing and yields are starting to shift upwards. As prime property cash-flows will be stable during 2012–2014, yields will mainly be affected by limited credit access, expectations of slower rental growth and general economic insecurity. Prime assets have outperformed secondary assets during recent years and that trend is expected to continue as the investor demand for safe cash-flows will only grow stronger, a process that will result in larger spreads between prime and secondary properties.

Due to the sluggish global economy, properties linked to domestic demand will have the strongest performance during coming years. Residential properties in good locations in the major cities in Sweden and Finland will rise in price due to low interest rates, real income increases and population increase. Office premises will also perform well during coming years, even if property prices will fall slightly in 2012–2013. Although rental growth will slow down, the service sectors in the major Nordic cities are expected to keep on growing and generate a continuous demand for high-quality office premises. Retail, and logistics connected to the retail sector, will also show stable development and, even if prices decline somewhat in





> "Domestic demand will be increasingly important in the Nordic region during coming years"

2012–2013, total returns will be positive. Except in Denmark, where household finances are still impaired by the property bubble of earlier years, Nordic households are fundamentally strong and private consumption is expected to be one of the most important growth engines in coming years.

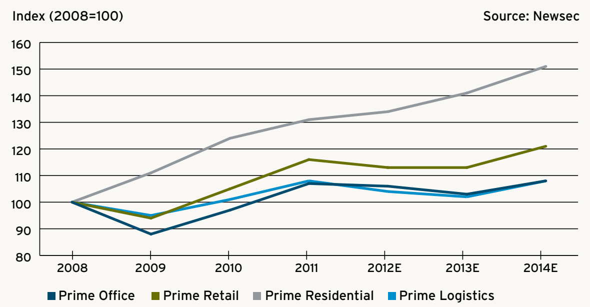
LOWER RISK PREMIUM ON THE BALTIC PROPERTY MARKET

Property prices in the Baltic region fell sharply when the property bubble burst in 2008–2009, but the recovery started in 2010–2011 for prime assets. In 2011, yields fell due to clear signs of an economic recovery and significantly lower interest rates. There is still a significant shortage of high-quality premises – especially prime offices – on the Baltic property market and there will be a great need for new construction during coming years. Over time the Baltic property market is expected to converge with the Nordic market as the current risk premium connected to the region will gradually decline. It is reasonable to assume that risk premiums will move from today's figures of 3.5%–4% towards 2% or 2.5% during the coming decade. However, this process will be temporarily halted during 2012 due to the looming European credit crunch, selectivity by banks and risk-aversion among investors.

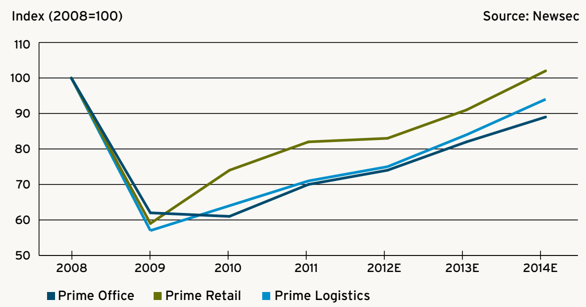
THE NORDIC AND BALTIC REGION – A SAFE HAVEN IN A TURBULENT WORLD

What then are the prospects for the future? Domestic demand will be increasingly important in the Nordic region during coming years – propelled by strong government finances, the absence of asset bubbles and a stable banking system – and the Nordic and Baltic economies will keep on growing despite the sluggish world economy. This will generate a stable rise in both employment and consumption, and thereby stable cash flows for well-located properties of high quality in all the major cities. The property market also has an advantage over other types of assets in that it is less volatile than the stock market while producing more attractive yields than the bond market. All in all, there are large amounts of capital around the world searching for safe returns. However, the options are few and investors have started to question old rules of thumb regarding what is safe and what is not. In this environment the Nordic property market seems an increasingly appealing investment choice.

Capital Growth Index | Nordic Region



Capital Growth Index | Baltic Region



"The Nordic and Baltic region – a safe haven in a turbulent world"

A CREDIT MARKET IN TRANSFORMATION

Property is a capital-intensive industry that is highly dependent on interest rates and investors' access to funding. In the next few years, however, the global financial market will go through major changes which are crucial for the future development of the Nordic property market.

THE ERA OF CHEAP CAPITAL CONTINUES

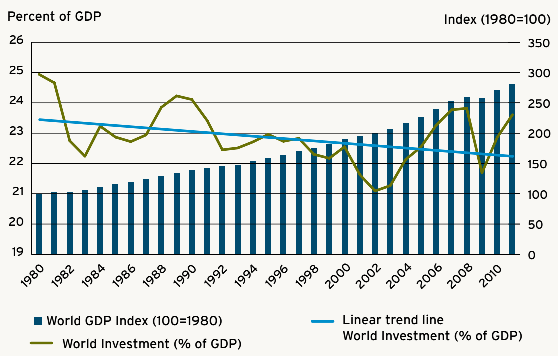
The interest rate is the price of money and is determined by the supply of savings and the demand for investments. For 30–40 years global investment demand has shown a declining trend and global investments have fallen from around 25% of GDP in the 1970s to around 22–23% in recent years, representing a fall of around EUR 1.2 trillion in the figure for 2012. At the same time the global willingness to save has been high, especially in emerging economies. Since the cost of capital depends on both the demand for investments and the supply of savings, the developments of recent decades have resulted in steadily falling real interest rates.

Investment demand is highly correlated to economic growth and, as the world economy is in a period of slow growth, investment demand is expected to remain low for years to come. Further ahead, the low investment demand will continue to be satisfied by continuing high willingness to save. Although this tendency will be global, the emphasis will shift from the emerging countries to the developed world due to the rich-world's need for fiscal and private austerity, in combination with pension systems that are generally underfinanced. This suggests that real interest rates will remain low for the foreseeable future – and this will provide a continuous flow of cheap capital to the property market with a continuously high gap between real bond yields and prime property yields.

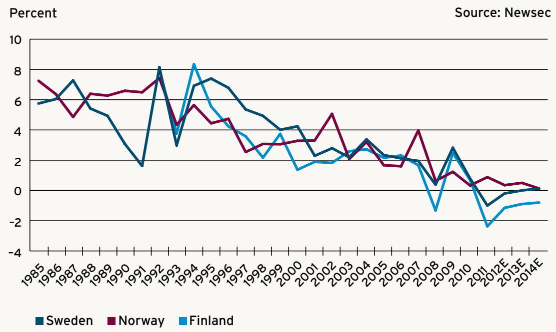
GOVERNMENT DEBT SUBSIDIES WILL DECLINE...

In recent decades western banks have been able to provide households and companies with credit at subsidised prices. There are two main reasons. First, companies are able to deduct their credit costs but not the dividends they pay to their shareholders, which

World Investment and GDP



Long-term Real Interest Rate



"Although capital will continue to be cheap during coming years, not everyone will benefit from it"

has generated tax advantages for debt over equity. Second, the risk premium of bank bonds does not generally reflect the real credit risk; this is because large financial institutions are often systemically important and therefore considered by governments as too big to fail. According to the Modigliani-Miller theorem there should be no price difference between equity and debt. Although this theory is not applicable in reality as it assumes a perfectly efficient market, symmetric information and no taxes, it may still say something about the future. Western authorities have now started to reduce their subsidies of financial institutions by requiring higher capital buffers and liquidity reserves and imposing rules to isolate risky investment activities from retail banking. This indicates that reality may take a few steps towards the Modigliani-Miller theorem during coming years, with declining price differences between debt and equity as a result. Such a structural shift will increase the advantages for property investors to fund larger parts of their business with equity.

...AND CREDIT WILL BE HARD CURRENCY

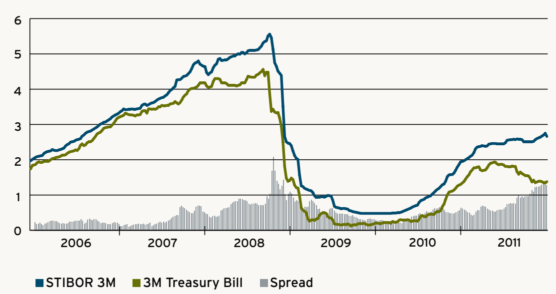
Although capital will continue to be cheap during coming years, not everyone will benefit from it. Banks are tightly linked to their own governments and are therefore greatly affected by the European sovereign debt crises. European banks need to improve their capital ratios by June 2012, but having seen their shares tumble in 2011 they generally prefer to reduce their risk-weighted assets before taking in fresh capital. This reduction in bank assets, in combination with the general liquidity problems in the European banking system, has reduced credit availability during 2011 for small and medium-sized enterprises especially. In 2012 the trend will be enhanced by major refinancing needs in both the property sector and the sovereign debt market, and will only be partly offset by the ECB three-year liquidity injections. The trend is not expected to abate before early 2013 when the turmoil in the euro area starts to settle. These developments all generate competitive advantages for large investors with good track-records, which not only have continuous access to bank funding but can bypass the banking sector by issuing corporate bonds. Access to capital will be one of the most important factors for investors in 2012–2013 and access to funding will be hard currency.

CURRENT-ACCOUNT SURPLUSES AND SOLID BANKS ADD STABILITY TO THE NORDIC PROPERTY MARKET

Several major European lenders left the property market in 2011, including Société Générale and Eurohypo, and the European property market will be hampered by shortage of credit in 2012–2013, with high bank interest-rate margins and substantial equity demands. However, the Nordic and Baltic regions are in better positions than Continental Europe due to two main factors. First, the Nordic banks, which also dominate the Baltic credit market, have low exposure to the peripheral euro countries, which will improve the banks' ability to lend during 2012–2013. Second, the Nordic countries are benefiting from positive current-account balances, which add stability to the regional credit supply since they provide an ability to replace credit from abroad with domestic savings.

The Nordic and Baltic property markets will see lower credit availability, selectivity by banks and high interest-rate margins during coming years, but the effects will be more moderate than in other parts of Europe. Nevertheless, the property market is expected to be increasingly dominated by equity investors and institutional investors with easy access to funding.

Swedish Interbank Rate vs Treasury Bills



POPULATION GROWTH IS THE LONG-TERM MARKET DRIVER

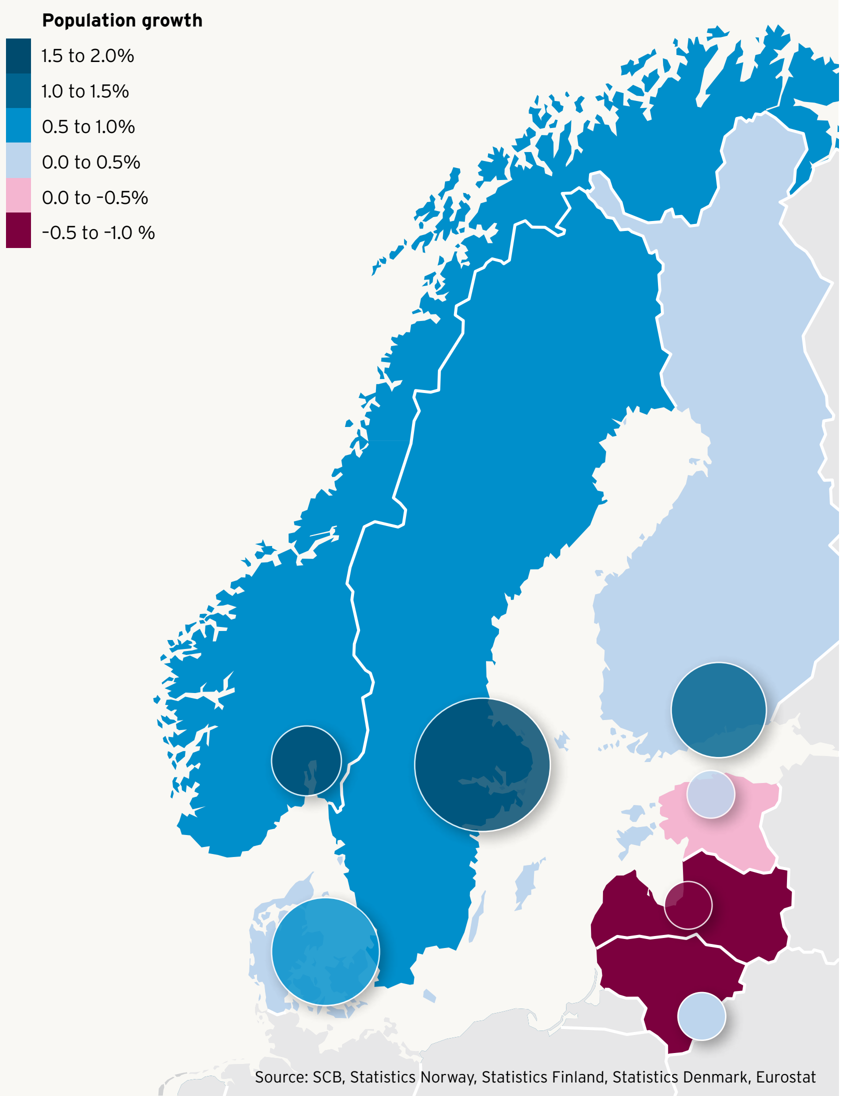
The population growth of a region is one of the most important factors affecting how the property market will develop in the long term. Regions with a strongly rising population are also pacesetters in a country's economic development, both through the population growth directly and also because regions with strong population growth have a higher per capita productivity than other regions.

In the Nordic and Baltic region the countries differ markedly in their population trends. In the period 2005–2010, Norway and Sweden had the strongest population growth, at 5.5% and just over 4% respectively, while population growth in Denmark and Finland was just over 2%. In the same period all three Baltic countries had a falling population, a trend that has persisted for a long time.

THE DEVELOPMENT OF THE CAPITAL IS IMPORTANT FOR THE WHOLE COUNTRY

In the Nordic and Baltic countries a relatively large proportion of the population lives in the capitals – around 30% in Denmark, Finland and Latvia and nearly 40% in Estonia. It is mainly in Sweden and Lithuania that there are other cities that can compete to some extent with the capitals, and in these

The Nordic and Baltic Region



Source: SCB, Statistics Norway, Statistics Finland, Statistics Denmark, Eurostat

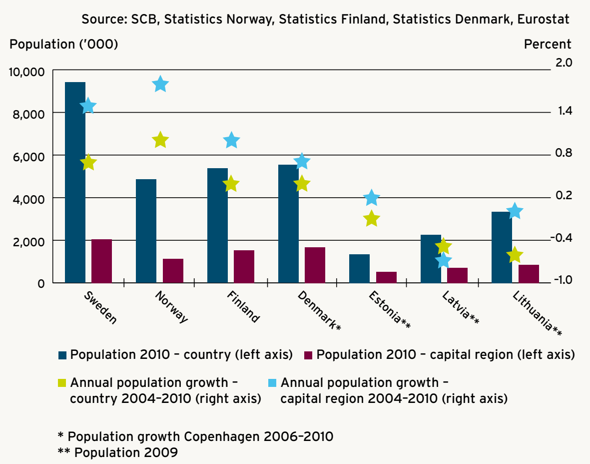
"Regions with a strongly rising population are pacesetters in a country's economic development"

countries the capitals account for a share of about 20–25% of the population. The regions containing the capitals are therefore very strong. Apart from being the country's administrative centre the capital is also the location for a high proportion of the major companies' headquarters. The capital is also the country's financial centre where the major banks' head offices, the stock exchange and the branches of international financial companies are located. Population growth in the capital regions in the Nordic and Baltic region is also significantly higher than in the countries as a whole. During the five-year period 2005–2010, the Nordic capitals had in principle double the population growth of the countries as a whole. Tallinn and Vilnius also had positive population growth even though Estonia and Lithuania as a whole had a declining population.

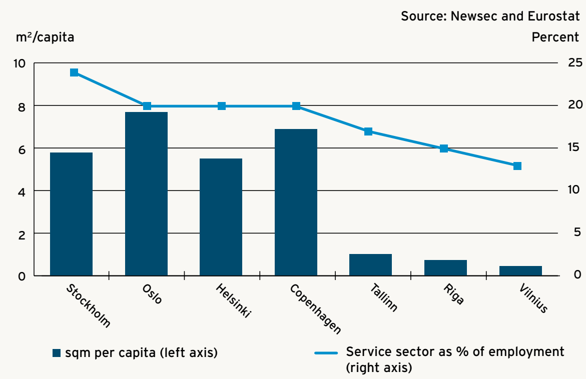
The importance of the capital regions as engines in their countries' economies is further emphasised by the fact that both the per capita Gross Regional Product and the pace of growth are higher than in the rest of the country. To an ever-increasing extent job vacancies are created in these regions. The new jobs created also lie higher up the value chain and are mainly in office-intensive sectors. It is therefore important for the whole country's future that the major cities are given the opportunity to go on developing.

Developed economies like the Nordic countries have a relatively high office stock per capita, which is explainable because the service sector forms a large and increasing proportion of the number of people employed. The office stock in the Nordic capitals represents an order of magnitude of about 5 to 8 m² per capita. The Baltic capitals have considerably smaller office stocks, representing only 0.5 to 1 m² per capita. As the Baltic economies develop, it is reasonable to suppose that the proportion of people employed in the office

Population Development



Office Stock per Capita



> "With ever-increasing commuting distances for many people, it becomes correspondingly more important to locate offices in the immediate vicinity of communications hubs"

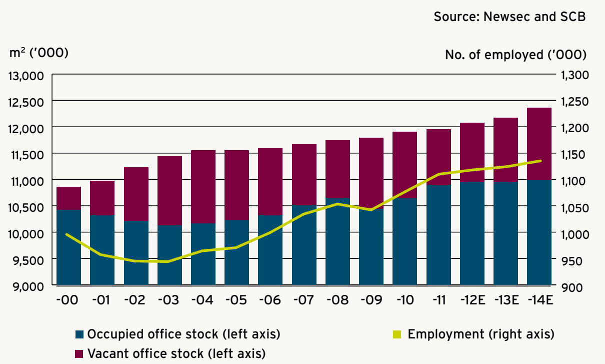
sector, and hence the demand for modern office premises, will increase. Over time, therefore, conditions exist for an expanding office market in the Baltic capitals. However, a key issue for the Baltic countries, and perhaps for Latvia in particular, is that the trend of steadily declining population can be broken.

GOOD COMMUNICATIONS AND SPACE EFFICIENCY ARE KEY FACTORS

When a city grows, great demands are also placed on the expansion of communications and other infrastructure so as to make it possible, for example, to live in places further away and commute to work from them. With ever-increasing commuting distances for many people in a growing region, it becomes correspondingly more important to locate offices in the immediate vicinity of communications hubs. In the past twenty years new office districts have grown up round the major cities. In districts with substandard communications we are now seeing increasing problems with vacancies, even in times when the rental market is otherwise strong. Many districts are located with direct links to major radial highways and are therefore readily accessible by car. Locations of this type have attracted many companies, but the lack of rail communication links is becoming increasingly significant. When infrastructure and communications extend our major cities, attractive new office districts close to new communications hubs are created – locations that will compete very strongly against areas with inadequate communications. Districts that are sited close only to major road links will continue to serve a function as good office areas for companies in some industries, but will face increasing difficulties when competing against new office districts that also have good underground and rail communications. In addition it will only be through well-planned public transport systems that we will create the conditions for growing cities to meet future environmental demands by reducing journeys to work by car.

A growing city with a growing service sector and limited construction of new office space also leads to a trend of rising rent levels in the best locations, even though market rents may vary greatly over an economic cycle. Increasing rent levels also provide strong incentives for a more efficient use of office space. For example, over the past ten years the office space utilised in Stockholm has increased much more slowly than employment in the region. In this period the number employed in the region rose by 16% while the office space uti-

Office Supply & Demand | Stockholm



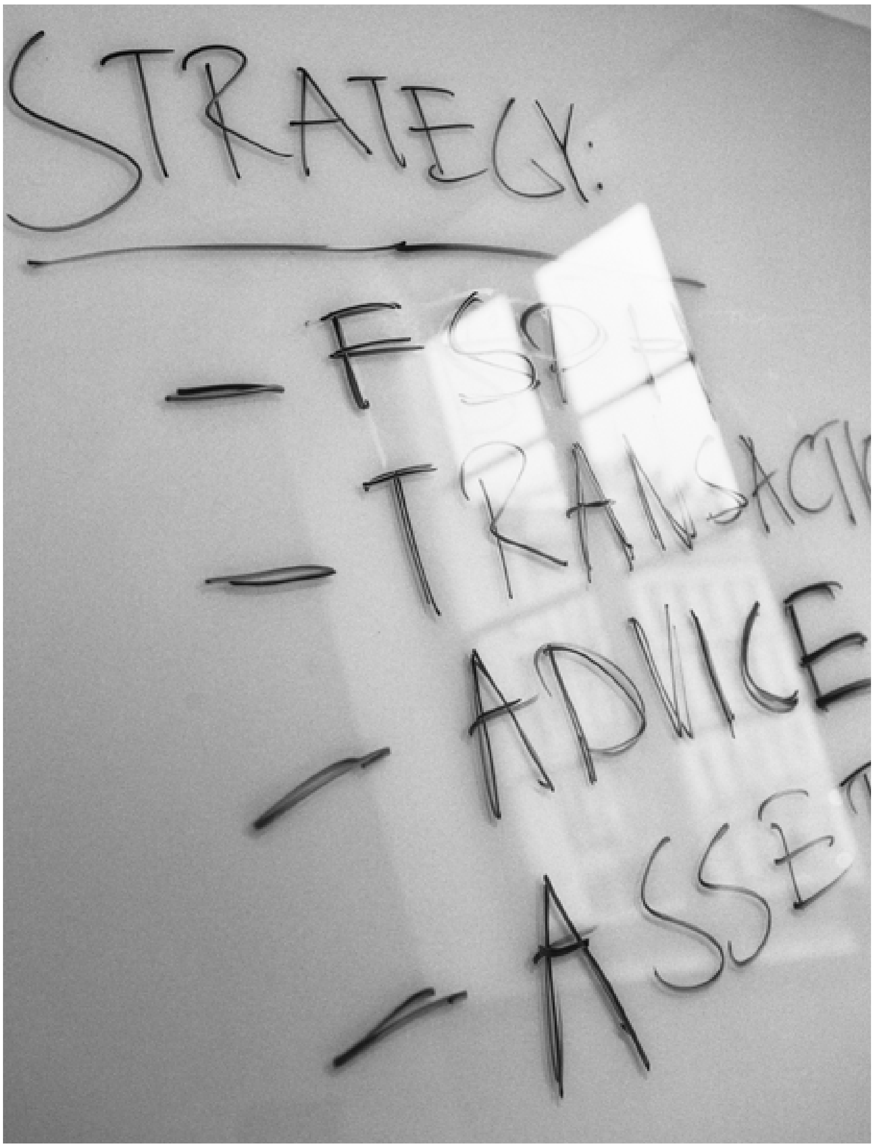
“A limited office stock in the Baltic cities creates conditions for an expanding office market”

lised rose by only 5.5%. Since the majority of employment growth took place in the office-intensive sector, the trend is actually even more striking than the figures indicate. In the Stockholm CBD the average office space per employee has fallen from slightly over 20 m^2 to about 17 m^2. Future rental growth will therefore depend even more on buildings' space efficiency.

FUTURE CHALLENGES

The challenges that the Nordic and Baltic capitals face are thus of very different characters. A limited office stock in the Baltic cities creates conditions for an expanding office market as the economies move into growing office-intensive sectors, but this depends on the negative population trends being broken and the populations of all the capital regions increasing.

For the Nordic capitals on the other hand, the challenge is to create communications infrastructures that will enable these regions to develop in ways that promote the development of the whole country.



IT'S ALL ABOUT SAFE CASH-FLOWS

THE GLOBAL FLIGHT TO SAFETY BENEFITS FIXED ASSETS IN THE NORDIC REGION

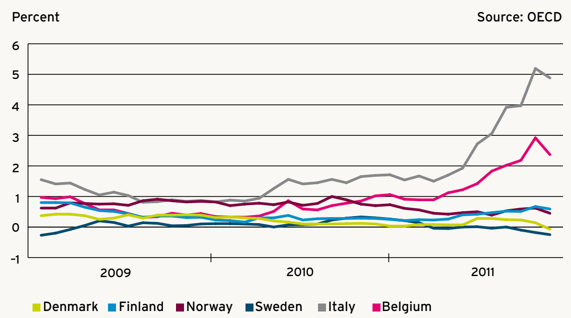
The second half of 2011 has been characterised by a flight to safe havens by investors all over the world, although risk willingness increased somewhat after the ECB's three-year liquidity injections in December. Gold has soared to its highest value ever, and both Japan and Switzerland have been forced to intervene on their foreign-exchange markets to keep down the values of their currencies. It has been increasingly difficult for both peripheral countries in Europe and for companies with subprime investment grade to borrow, and yield spreads between prime and non-prime government bonds have soared (see chart). In addition European banks, which need to improve their capital ratios by June 2012, have started to reduce their risk-weighted assets – a move that further increases the spread between assets with high and low risk. The substantial risk-aversion among investors will also be enhanced by major refinancing needs in 2012 – in both the property sector and the sovereign debt market – and is not expected to abate until mid 2013, when the turmoil in the euro area will start to settle.

In this context, the Nordic economies seem to stand out from the rest of the developed world with their strong growth and stable macroeconomic fundamentals. Competitive export sectors, commodity assets, low sovereign debts, current-account surpluses, an intact banking system and consumers with sound personal finances produce a rare combination of stability and growth. Although the global downturn will affect the Nordic region in 2012 through the region's large export sectors, economic growth will be resilient and domestic demand is expected to be an increasingly important growth engine. All in all, the combination of local growth and low global interest rates will generate strong fundamentals for fixed assets in the Nordic region during coming years, where residential properties and wind power stand out as two particularly interesting investment options.

THE NORDIC RESIDENTIAL MARKET – UNDERSUPPLY AND LOW INTEREST RATES GENERATE STRONG INVESTOR DEMAND

Residential properties in prime locations in the major Nordic cities are one asset class that combines the ability to preserve value with stable cash-flows. The value development of prime residential property in Stockholm has a high correlation with the price development of gold (see chart). The main

Long-term Interest Rate Spread (over German Bund)



> "Residential properties in prime locations in the major Nordic cities are one asset class that combines the ability to preserve value with stable cash-flows"

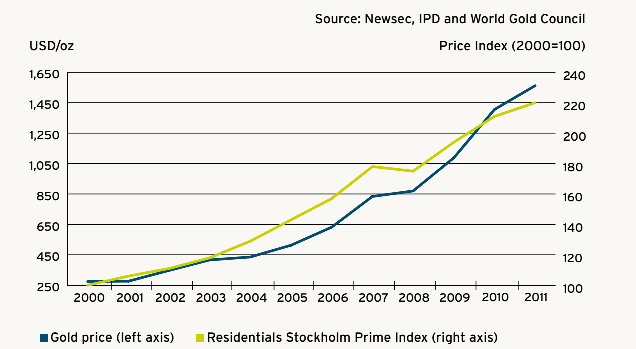
attraction of gold is as a value preserver in times when the risks of inflation or credit losses are elevated, a quality which is shared by prime residential properties in the major Nordic cities. However, in contrast to gold, prime residential properties also produce stable, inflation-protected cash-flows – a benefit that will increase the asset's attractiveness in 2012–2013 due to the turbulent global economy and high risk-aversion.

The stable cash-flows have been recognised by investors and there is currently a substantial demand for residential properties. In Sweden the share of residential real-estate transactions in the total transaction volume increased from around 15% in earlier years to a peak of about 30% in 2009–2010 and ended at slightly above 20% in 2011 – and the market here has been dominated by institutional investors. In Finland, where domestic pension companies are an important source of capital, the share of residential transactions in the total transaction volume increased from just above 10% in 2010 to over 15% in 2011.

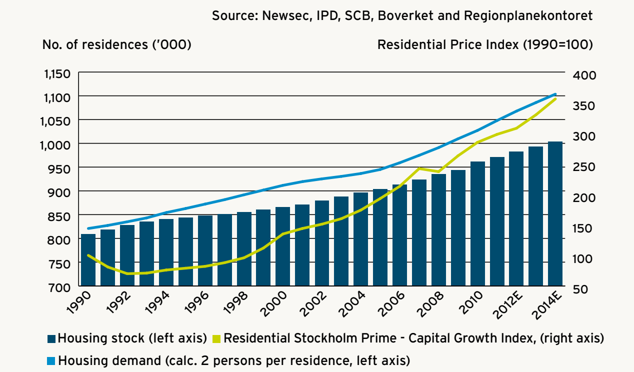
Sweden has a divided housing market. One part of the market, the commercial residential market, has regulated rents and consists of rented apartments; the other part, the owner-occupied market, is unregulated and consists of condominiums and single homes. Housing prices have tripled since the early 1990s and – despite a decline of 5–10% in the major cities in 2011 – prices are expected to show a slow but stable growth in coming years due to a combination of low real interest rates, urbanisation, real income growth and limited new supply. The regulation of one part of the market has generated extraordinarily stable cash-flows for prime properties, and yields in attractive locations with high housing prices are largely driven by the opportunity to convert rental-apartment properties into condominiums. In central Stockholm yields are currently 2.0%, in Gothenburg 2.5% and in Malmö around 3.0%.

Housing prices have also been soaring in Finland in the past few years.

Spot Gold Price (USD) and Residential Price Development



Residential Supply and Demand | Greater Stockholm Region



"Apart from the safe cash-flows on the Nordic residential markets there are also good potentialities in the medium and long term"

Prices peaked in mid 2011 and have declined slightly since then, although annual growth in the Helsinki Metropolitan Area remained positive at about 3%. The supply of small apartments is significantly lower than demand, although demand has fallen back recently. Rents for small apartments in the major cities are expected to increase during coming years, while rents for large apartments are expected to remain at the current level. Residential yields have historically been lower than for other property segments and government rent subsidies put a downward pressure on yields. In central Helsinki yields are currently about 4.6%, while yields for prime assets yields are even lower – close to 3.5%.

A COMBINATION OF SAFE CASH-FLOWS AND FUTURE POTENTIALITIES

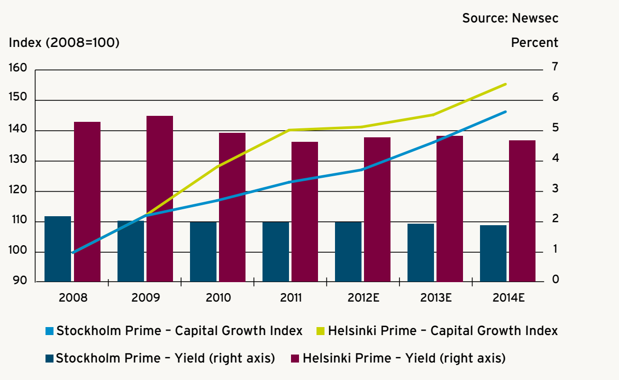
Although the private and commercial parts of the housing market are different, they are fundamentally driven by the same factor – people's demand for quality housing – a demand that is expected to increase steadily in the major cities during coming years. Apart from the safe cash-flows on the Nordic residential markets, which generate large investor demand and sufficient liquidity, there are also good potentialities in the medium and long term, especially on the Swedish market. In the medium term there is always a potential in the possibility of conversion into condominiums in good locations in major Swedish cities. In the long term there is also a potential in the gap between market rent and the regulated rent on the Swedish residential market. Under a law implemented in 2011 regulating the negotiation of residential rents, the municipal property companies will no longer set the upper limit for rental increases for the entire market. Although the new law will not generate market rents, the gap between regulated and market rents will not persist for ever. In time, rents in good locations in the larger cities will move towards market rents.

WIND POWER – ATTRACTIVE RISK-ADJUSTED RETURN FOR INSTITUTIONAL CAPITAL

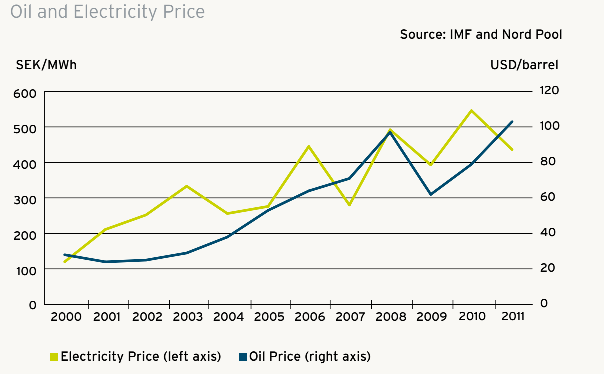
Wind power is a relatively new investment asset class that over time produces predictable cash-flows. Wind power has evolved to become a large-scale source of renewable energy production and an important part of the Swedish energy mix. In the past it was difficult to acquire energy production infrastructure such as large hydro plants or nuclear plants. In contrast, wind power has become an energy infrastructure which is open for investment to a wide range of national and international players.

In the last decade most of the energy production infrastructure has been owned by a few large utilities, which have benefited from constantly increasing energy prices driven by increasing prices of commodities and the intro-

Residential Capital Growth and Yield



Oil and Electricity Price



> "The International Energy Association expects global demand for energy to increase by 35–40% between 2008 and 2035 and renewable energy production to triple"

duction of CO_2 emission rights. Over the past ten years the average Swedish electricity price increased by approximately 8% a year, while the cost of crude oil increased by about 16% a year. The price-determining mechanism for Nordic electricity lies in the cost of the last source of energy used to meet demand. Since wind power has the lowest marginal cost of all energy sources, the demand for wind power will always supersede other energy sources, including both nuclear and fossil fuels. Under normal circumstances coal functions as the price-determining mechanism. Since the coal price is strongly correlated to other commodities and also involves a cost for carbon emission rights, these are key drivers for the long-term price development of electricity.

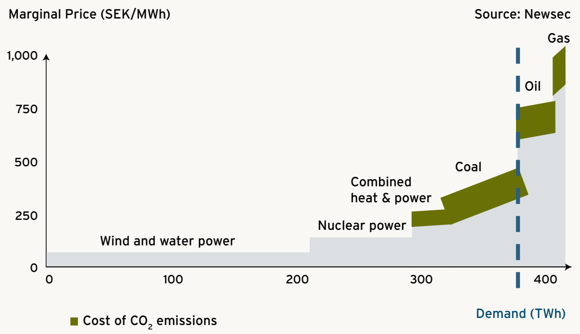
The International Energy Association expects global demand for energy to increase by 35–40% between 2008 and 2035 and renewable energy production to triple. Despite great opportunities for renewable energy, fossil fuels will continue to dominate global energy production in order to satisfy the rising energy demand. This necessitates significant investments in existing oil fields, in new prospecting and in the use of unconventional oil sources, which should put upward pressure on oil prices and thereby on coal and electricity too.

ELECTRICITY PRICES ARE EXPECTED TO KEEP ON INCREASING

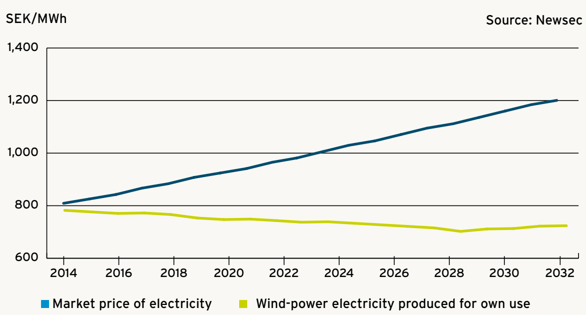
A weak economy and imports of carbon credits from outside the EU have led to a current oversupply of carbon credits and artificially low carbon prices. However, this is predicted to change in the next few years and a cumulative deficit is predicted by 2020. According to Bloomberg New Energy Finance, prices are forecast to rise from current levels of EUR 12–13 per tonne of CO_2 to EUR 60–90 per tonne of CO_2 in 2020. More restrictive allocation of carbon emission rights could bring yet higher prices. In the Nordic region, direct dependence on fossil fuels is expected to decrease because of rapid new construction of wind power and new nuclear power plants. However, via further integration with the European electricity markets through new interconnecting cables, the Nordic region is expected to have the opportunity to export renewable energy to countries where domestic production is harder to achieve. Several large cables are already planned between the Nordic region, continental Europe and the UK.

Expectations of rising electricity prices – in combination with the new opportunity for institutional capital to establish its own energy production through wind power – will create an opportunity for institutions to acquire attractive risk-adjusted returns from a new category of infrastructure investment previously only available to a few utilities. Beside the sale of electricity itself, revenues from wind

Marginal Electricity Price Set On Nord Pool Spot



Comparative Electricity Cost over Time



> "When expected price development and residual value are considered, the returns become considerably higher"

farms are also obtained through the sale of electricity certificates, the two together amounting to approximately SEK 700/MWh. The certificates are the means provided by the government to ensure that national and EU growth targets for renewable energy are achieved. They are financed directly by consumers through their electricity bills, which are about 2% higher. The electricity certificates are thus not funded through taxes; in fact they actually bring the government tax revenue since consumers pay tax and VAT on the certificates. The operational costs of running a wind farm are relatively low as the wind is free of charge. Total operational costs are often less than SEK 150/MWh. This can often produce operating cash flows with annual returns before debt service exceeding 10%, and unleveraged IRRs (without considering any residual value and not assuming any real price increases for electricity and electricity certificates) of 6-8% over 20 years. When expected price development and residual value are considered, the returns become considerably higher. Internationally, in countries where wind power development has advanced further than in Sweden, institutional capital is increasingly challenging utilities for large-scale energy infrastructure investments in wind farms.

WIND POWER GENERATES AN OPPORTUNITY TO BECOME INDEPENDENT OF CHANGING COMMODITY PRICES

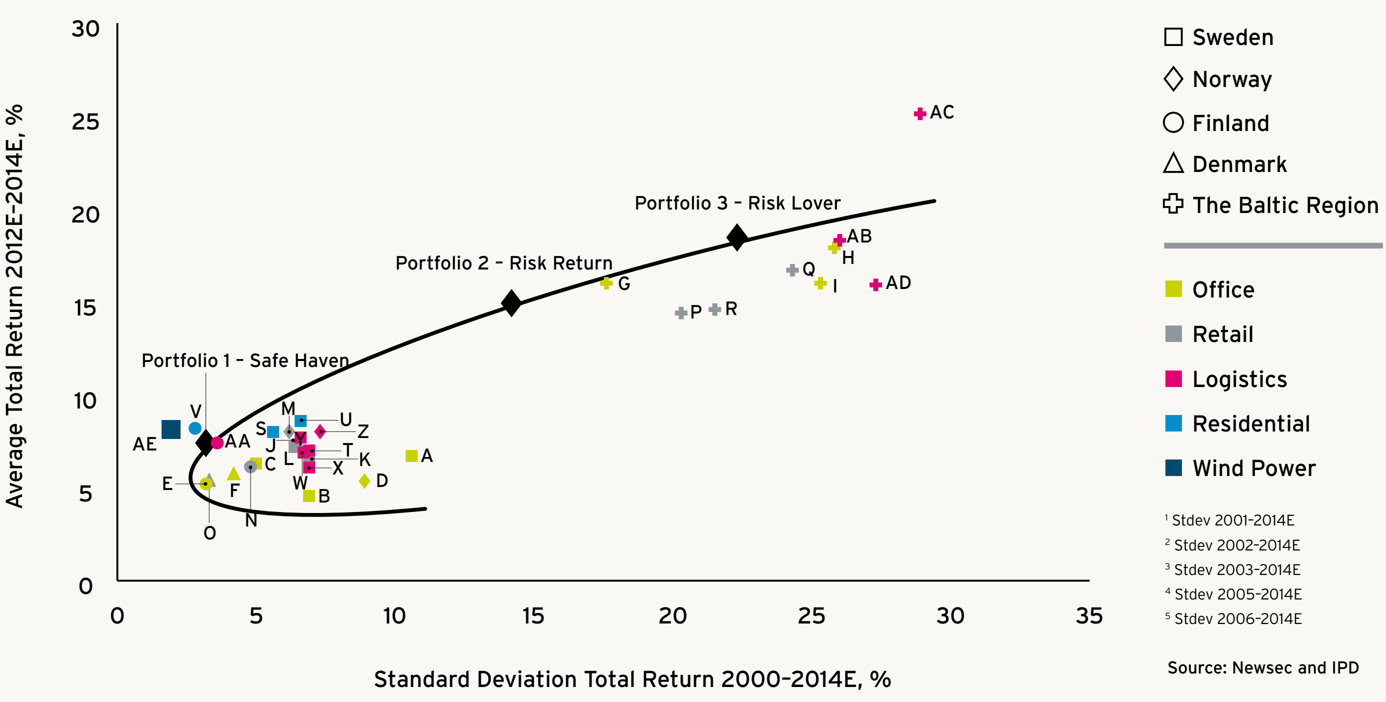
For large energy consumers such as energy-intensive manufacturing industry, real-estate companies and IT companies, this also creates an opportunity to become independent of changing commodity prices (and hence electricity prices) through their own wind power production. Producing wind power electricity for their own consumption means that the cost of electricity will be set by the operational costs of running the wind farm, plus repayments and interest on debt. Instead of rising and very volatile electricity prices, this will provide foreseeable and declining electricity prices during an assumed lifetime for the infrastructure of at least 20 years. The risk-adjusted returns from such investments should generally be even higher than the returns from selling electricity and electricity certificates. Examples of players who have invested in wind power with this objective include Google, IKEA, VindIn (Boliden, Holmen, Cementa, LKAB and Stora Enso), Wallenstam and a number of Swedish municipalities.

Newsec expects that Swedish institutional capital, like its international peers, will increasingly seek direct investments in wind farms as a class of infrastructure asset with cash flows that are predictable over long periods of time. Over the coming years institutional capital and large energy consumers are expected to contribute increasingly to a very welcome diversification in the ownership of energy infrastructure, and a path toward a green and sustainable energy system.

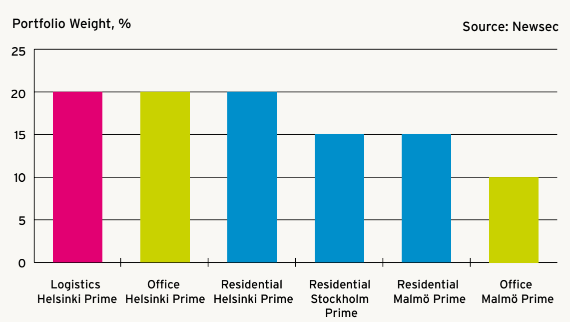
"Newsec expects that Swedish institutional capital will increasingly seek direct investments in wind farms as a class of infrastructure asset with cash flows that are predictable over long periods of time"

WHERE TO INVEST ON THE NORDIC AND BALTIC PROPERTY MARKET?

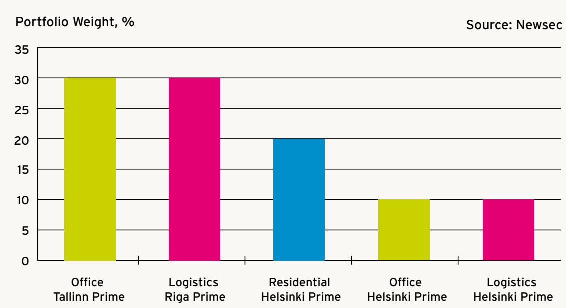
Total Return vs Risk



Portfolio 1 | Safe Haven



Portfolio 2 | Risk Return



When answering the question "Where should I invest on the Nordic and Baltic property market?" it is important to consider the expected future development of total return in relation to the risk in each submarket. Based on historical total-return data since the early 2000s (Newsec data for the Baltic region and IPD data for the Nordic region), Newsec has assessed the risk level for each property segment by calculating the standard deviation in both the historical and the forecast future total return. The assessed risk has then been set in relation to each segment's expected development of total return for 2012-2014. This procedure makes it possible to plot average total return against risk in the Nordic and Baltic property segments – and also to calculate risk-adjusted return.

A Office Stockholm Prime
B Office Gothenburg Prime
C Office Malmö Prime
D Office Oslo Prime
E Office Helsinki Prime
F Office Copenhagen Prime
G Office Tallinn Prime[3]
H Office Riga Prime[3]
I Office Vilnius Prime[2]

J Retail Stockholm Prime
K Retail Gothenburg Prime
L Retail Malmö Prime
M Retail Oslo Prime
N Retail Helsinki Prime[1]
O Retail Copenhagen Prime
P Retail Tallinn Prime[4]
Q Retail Riga Prime[5]
R Retail Vilnius Prime[4]

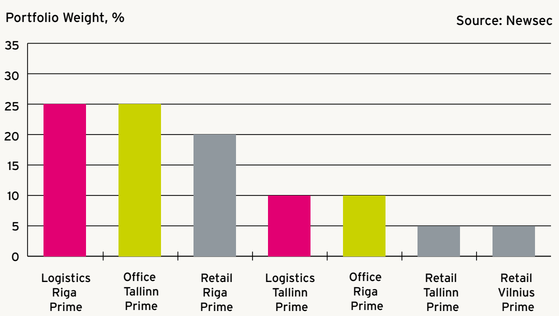
S Residential Stockholm Prime
T Residential Gothenburg Prime
U Residential Malmö Prime
V Residential Helsinki Prime

W Logistics Stockholm Prime
X Logistics Gothenburg Prime
Y Logistics Malmö Prime
Z Logistics Oslo Prime[3]
AA Logistics Helsinki Prime
AB Logistics Tallinn Prime[4]
AC Logistics Riga Prime[5]
AD Logistics Vilnius Prime[4]

AE Wind Power Sweden

There are clear differences both between property segments and between countries in the Nordic and Baltic region. The Nordic property market has a significantly lower risk than the Baltic market, but total return is also lower. The strong development of total return seen in the Nordic region in recent years will slow down in 2012 because rental growth is slowing and yields are starting to shift upwards. Since cash-flows for prime properties will be stable during 2012–2014, yields will mainly be affected by limited credit access, expectations of slower rental growth and general economic insecurity. The Baltic property market is riskier, but is expected to converge with the Nordic market over time, and total return for prime properties is therefore expected to be strong. When identifying the best-performing property segments, investors need to consider the expected future total return in relation to the risk in each submarket. After all, investments are all about optimising risk-adjusted return.

Portfolio 3 | Risk Lover



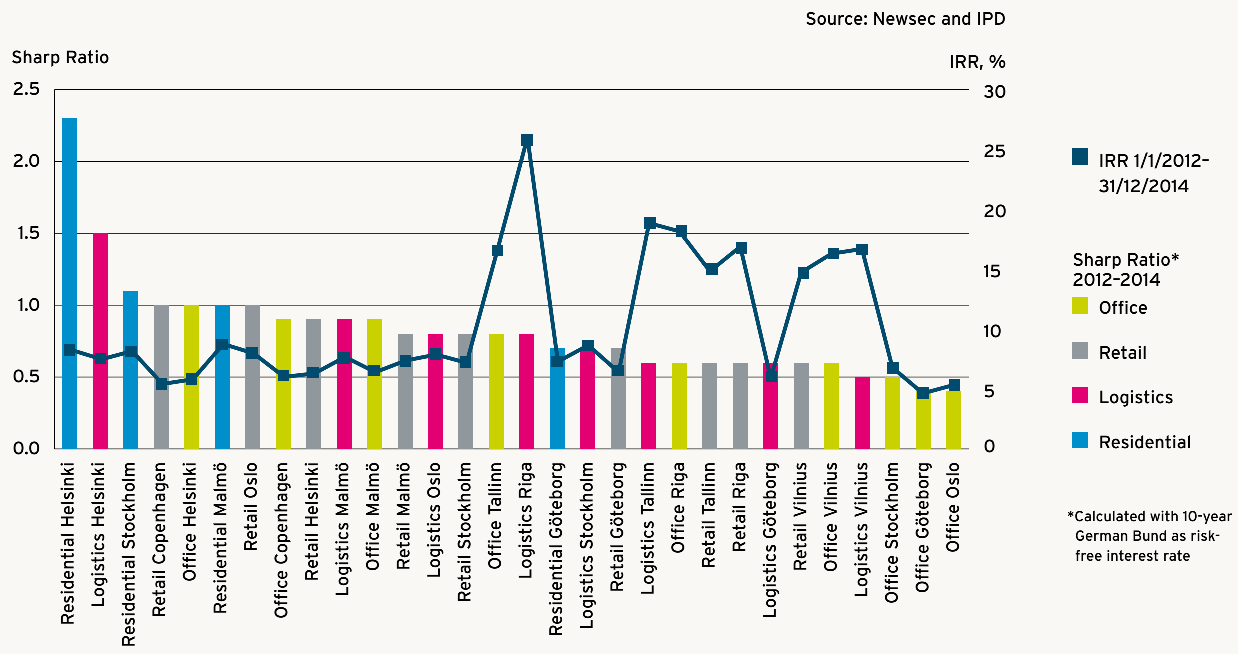
THE NORDIC REGION – RESIDENTIALS HAVE THE BEST RISK-ADJUSTED RETURN

The Nordic property market in general offers low risk and a stable total return – and the Finnish property market stands out with expectations of a strong total return combined with low volatility. Norway and Sweden generally have a similar, or only slightly lower, total return but a somewhat higher risk. However, in these countries the risk-adjusted return is still highly competitive in an international perspective because of the stable cash-flows. Due to the combination of a sluggish global economy and strong economic fundamentals in the Nordic region, properties with a strong link to domestic demand will have the best risk-adjusted return during coming years. The best performers in 2012–2014 will be residential properties in good locations in the major cities in Finland, propelled by a stable demand resulting from low interest rates, rising real incomes and population increase. However, Swedish residential properties will also have a strong risk-adjusted performance, which is further strengthened by the fact that the historical volatility comes mainly from annual variations in the last decade's strong price development.

Except in Denmark, where household finances are still impaired by the property bubble of earlier years, Nordic households are fundamentally strong and private consumption is expected to be one of the most important growth

> "Overall, the best performers will be property segments with stable cash-flows that are linked to domestic demand"

Sharp ratio/Internal Rate of Return | 2012–2014



engines during coming years. Retail, and logistics connected to the retail sector, will therefore perform well and, even if property values fall somewhat in 2012–2013, total return will remain positive. The office segment is expected have a slightly weaker risk-adjusted return, and property values will fall slightly in 2012–2013 due to slowing rental growth and a slight rise in yields. However, the service sectors in the major Nordic cities will keep on growing and generate a continuous demand for high-quality office premises. All in all, due to the economic downturn, property segments with higher volatility – like offices – will have a lower development of total return. The high historical standard deviation in the total return, which is due to the relatively high volatility in rents, will then further push down risk-adjusted returns. Overall, the best performers will be property segments with stable cash-flows that are linked to domestic demand, which include not only residential properties but also retail and logistics connected to private consumption.

THE BALTIC REGION – LOGISTICS IN RIGA HAS THE STRONGEST INTERNAL RATE OF RETURN

Over time the Baltic property market is expected to converge with the Nordic market as the current risk premium linked to the region will gradually decline. However, this process will be temporarily halted during 2012 due to the looming European credit crunch, selectivity by banks and soaring risk-aversion among investors. The Baltic property market has a higher overall risk that the Nordic market, but the expected development of total return is also expected to be stronger.

The trend in rents for high-quality properties in good locations is expected to be favourable and the yield compression is expected to continue in 2013–2014 as the credit turmoil in the euro area starts to settle. The segment with the best risk-adjusted return on the Baltic property market is prime offices in Tallinn, which have a total-return

> "The Baltic property market has a higher overall risk than the Nordic market, but the expected development of total return is also expected to be stronger"

development in line with Baltic retail and office properties in general, but with a considerably lower risk. In general Latvia was harder affected by the recession in 2008–2009 than Estonia and Lithuania, and the risk on the property market is therefore higher, especially in property segments with lower market liquidity like logistics. The segment with the highest risk – but also the best expected development in total return – is therefore prime logistic properties in Riga.

WIND POWER – COMBINING ATTRACTIVE RETURN WITH LOW RISK

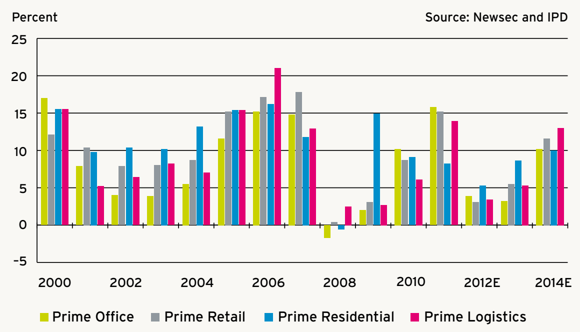
Expectations of rising electricity prices will create an opportunity for institutions to acquire attractive risk-adjusted returns when investing in wind power. Wind-power assets can often produce operating cash flows with annual returns before debt service exceeding 10%, and unleveraged IRRs (without considering any residual value and not assuming any real price increases for electricity and electricity certificates) of 6–8% over 20 years. When expected price development is considered, the returns become considerably higher and risk-adjusted return is generally in line with, or better than, the best-performing property segments. Internationally, in countries where wind power development has advanced further than in Sweden, institutional capital is increasingly challenging utilities for large-scale energy infrastructure investments in wind farms.

PORTFOLIO OPTIMISATION – FINDING THE OPTIMAL RISK/RETURN COMBINATION

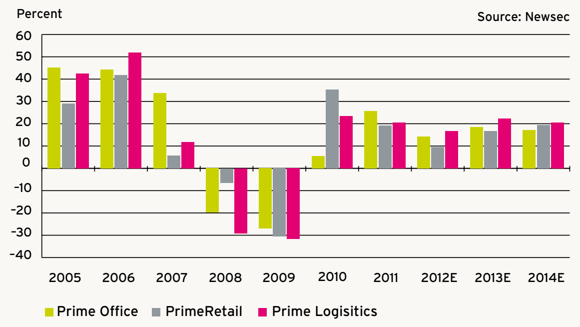
The answer to the question of where best to invest on the property market depends to a large extent on each investor's willingness to accept risk. It is possible to draw an effective frontier on the Nordic and Baltic property market (see chart on page 28) which identifies the best possible total return for each level of risk. Generally, the higher the risk an investor is willing to take, the larger the share of the portfolio that should be invested on the more risky Baltic property market to achieve the best possible total return. To illustrate this, Newsec has outlined three model portfolios with different levels of risk. The first portfolio, "Safe Haven", is a diversified portfolio with good return and low risk and consists mainly of residential properties in Finland and Sweden. The second portfolio, "Risk Return", includes a larger share of offices and logistics, partly in the Baltic region. The third portfolio, "Risk Lover", is a well-diversified portfolio of logistic, retail and office properties in the Baltic region and produces high return but with high risk attached.

In 2012, the "Safe Haven" strategy will be the most common among investors as the property market everywhere will be characterised by a flight to safety. In this context, the Nordic property market seems to stand out with its stable returns and low risk. Within the market, residential properties and wind power then stand out as two particularly interesting investment options in today's risk-averse environment.

Total Return | Nordic Region



Total Return | Baltic Region



THE FULL SERVICE PROPERTY HOUSE

Today the Group has its own operations in six countries, about 500 employees

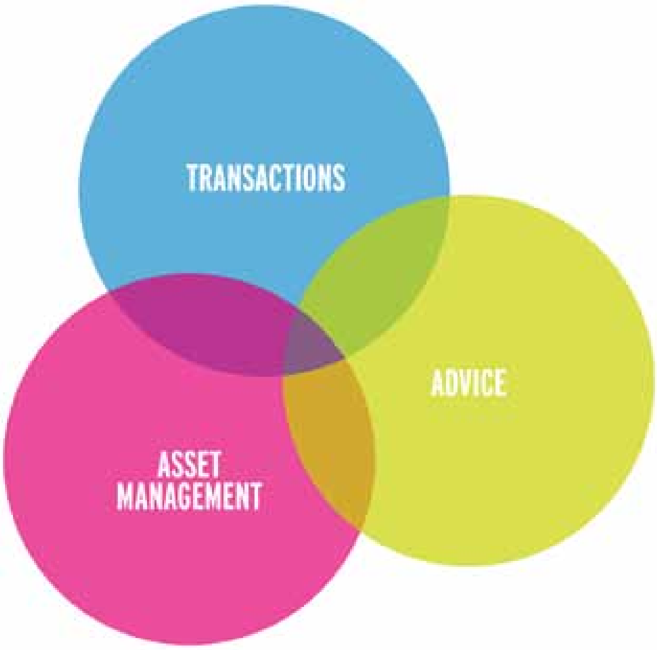
Newsec – The Full Service Property House in Northern Europe – offers a comprehensive range of services within the business areas of Advice, Asset Management and Transactions to property owners, investors and occupiers of premises. Newsec was founded in 1994 and is owned by its partners. Today the Group has its own operations in six countries, about 500 employees and annual revenue of over EUR 65 million.

Every year we carry out hundreds of successful assignments for our clients. Through this great volume, and the breadth and depth of our various operations, we acquire extensive and detailed knowledge of the real estate market. This means in turn that we can quickly see business opportunities that create added value and are able to give the most accurate and reliable picture of the market.

Newsec is the result of a unique history of growth, characterised by constant originality of thinking. The first issue of the comprehensive market analysis Newsec Property Outlook was published in 2001.

The Group expanded internationally into Finland in 2001 and Norway in 2005. Newsec then acquired the Finnish real estate and asset management company Tallberg Toimitilajohto Oy in June 2005. The Norwegian full service company Eiendoms-Consult AS was acquired in 2006. The Baltic full service company Re&Solution was acquired in 2009.

Our prime market is Northern Europe, but through our well-maintained international network of consultants we can offer our services on the global market. This makes Newsec Northern Europe's only full-service property house, which provides us with a unique ability to forecast the future.



Newsec offers a comprehensive range of services within the business areas of Advice, Asset Management and Transactions.

NEWSEC ADVICE

The key to giving the most accurate and reliable advice about the future is specialist knowledge in all areas that affect the property market. Through extensive research and unique forecasting methods we offer professional advice in areas such as property acquisition, investment, business development and capital development projects. Newsec is the leading property advisor in Northern Europe for property owners, investors and corporates.

Our Northern European analysis and valuation unit, of about 70 professionals, is the largest in the market and has access to more information than any other player.

NEWSEC ASSET MANAGEMENT

Newsec Asset Management is the leading asset manager in Northern Europe. We employ more than 400 professionals and have offices throughout Northern Europe. Since we are also the market leader in letting, we help to minimise vacancies in your property stock. This means that our property administrators and managers know when to sign long or short lease contracts. By virtue of our size we are able to purchase goods and services at advantageous prices. For our clients this means lower prices and better financial returns. This enables us to offer you the highest-quality and most cost-effective service.

NEWSEC TRANSACTIONS

Newsec offers tailor-made property-related financial and strategic advisory services and is one of the fastest-growing consultancy firms for property transactions in Northern Europe. With over 40 professionals specialising in investment and corporate finance, we have deep knowledge and long experience of the transaction market in Northern Europe. Newsec has a unique updated database of 4,000 investors with specific needs, which means that we can find the right buyers for specific projects in the most efficient way possible.

"The first issue of the comprehensive market analysis Newsec Property Outlook was published in 2001"

DEFINITIONS

OFFICES

- In the Nordic region, the forecast refers to new or newly refurbished modern and flexible office premises with normal area efficiency.
- In Finland, the forecast refers to office premises with normal area efficiency in office buildings in office areas.
- The size of the premises is assumed to be around 1,000 m².
- In the Baltic region, the forecast refers to new. or newly refurbished stand-alone modern business centres.
- In Sweden the market rent includes heating and excludes Property Tax.
- In Finland the market rent includes heating and Property Tax.
- In Norway and Denmark the market rent excludes heating and Property Tax.
- In the Baltic region the market rent excludes all applicable taxes.

RETAIL

- Rent levels refer to attractive, modern high-street or centrally located shopping-centre retail premises with a prime location on the high street or in the shopping centre.
- In Norway, rents refer only to shopping centres.
- The rents do not refer to premises used for groceries and daily necessities (except in the Baltic region).
- The size of the premises is assumed to be around 250 m².
- The rent excludes heating and Property Tax in all Nordic countries except Finland where heating and Property Tax are included.
- In the Baltic region the market rent excludes all applicable taxes.

LOGISTICS

- In the Nordic region the size of the premises is assumed to be 5,000–20,000 m² with 5–10 years lease agreement.
- In the Baltic region the size of the premises is assumed to be from 3,000 m² with 3–5 years lease agreement.
- In the Nordic region the rent excludes heating and Property Tax.
- In the Baltic region the market rent excludes all applicable taxes.

RESIDENTIAL

- The forecast refers to attractive locations.
- The standard assumes buildings constructed in the early 1990s and with an apartment area of around 60–70 m².
- The rent includes heating and Property Tax.

EXCHANGE RATES

All rents and transaction volumes are calculated with exchange rates from January 2012.

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