

PRESS RELEASE
March 10, 2010

Newsec Property Outlook, Spring 2010:

Time to enter the Northern European property market
- as a new window of opportunity begins to open

The transaction volume on the Northern European property market ended up at EUR 8.5 billion in 2009. This compares with EUR 25.2 billion in 2008 and EUR 36.8 billion in 2007. However, in mid 2009 the trend of decreasing liquidity was broken and activity started to increase. The volume in the second half of 2009 was EUR 5.8 billion, more than twice that of the first half. The recovery in the Baltic countries is lagging behind the Nordic countries, and transaction activity in the Baltic area is still close to zero.

More about this - and other interesting trends on the Northern European property market - is presented in the Spring 2010 issue of *Newsec Property Outlook*, published by the Northern European property advisor Newsec.

After experiencing a tough 2008/2009, we started to see some positive signals during the second half of last year. The world economy bottomed out during the summer, activity on the leasing market turned upwards during the autumn and liquidity on the investment market recovered, resulting in increasing transaction volumes. Although the volumes are still low, the signs became more obvious during the last quarter of 2009 and in Sweden the volume more than trebled compared to the first and the second quarters. The increasing activity on the leasing market stabilised the downturn in market rents, and the forecast is that we have now passed the largest drop.

- “As a result of an improving financial market, rising transaction volumes and stabilising market rents, Newsec now expects yields to have reached their highest levels, and in 2010 and 2011 we will see the first recoveries on the Northern European property market,” forecasts Marie Bucht, Head of Advice at Newsec.

If you are aware of current trends, this is the time to enter the market since we are currently in the beginning of the recovery from the global recession, a recession that has affected all the Nordic and Baltic countries. However, the recovery is not equally distributed among the property submarkets and segments, and the market is still characterised by selectivity.

- “Residential properties in Sweden form one of the segments that have been identified as having exceptional potentialities during coming years, and the segment is heading towards a smooth recovery because of its stable cash-flows. The potentialities of residential properties are not unrecognised by investors; in fact, Newsec currently has over 100 prospective investors in residential properties in regional Swedish cities,” says Marie Bucht.

Market rents stabilising throughout the region

In Stockholm rents fell by 5-10 percent in most submarkets outside the CBD and by 15 percent in the CBD during 2009. Market rents are expected to fall a little further – but as the largest fall is judged to have occurred already, rents are expected to stabilise in 2010. In Helsinki the smallest falls have so far been in the CBD and other prime office submarkets, and in Copenhagen the effects on rents are moderated by the drastic slowdown in new construction. However, in both cities market rents are expected to keep on decreasing in 2010 and then stabilise in 2011. The pattern for office rents in Oslo CBD is different. The rents rose strongly during recent years, almost doubling between 2005 and 2008. Rents then fell significantly in 2009 but have now started to stabilise and in 2011 a recovery is expected.

In Tallinn rental discounts of over 10-20 percent when renewing leases are common, but the situation stabilised somewhat by the end of 2009 when most of the tenants had already relocated or negotiated lower rent levels. In Riga the rental decline peaked in mid 2009, but then continued at a slower pace during the autumn, and due to increasing vacancies the forecast is for continuing rent decreases in 2010. In Vilnius the overall rent level has decreased by 30-35 percent compared to the peak in 2007/2008. The largest drop occurred in late 2008 and early 2009, and Vilnius office rents are expected to remain stable during 2010.

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Newsec is *The* Full Service Property House in Northern Europe with 20 offices in 8 countries. Newsec offers services to property investors as well as corporate clients who lease or own premises for their own use. The company has over 600 professionals and has recently been advisors in transaction deals with a value of over 9 billion euro. Annually we value properties for more than 65 billion euro and we manage over 1,000 properties with a total value of 10 billion euro. In addition, we have an international network of about 6,000 consultants all over the world. This makes us the only Full Service Property House and gives us a unique capability to predict the future.

About *Newsec Property Outlook*. *The Newsec Property Outlook* is published twice a year and this is the 15th edition of the publication. The *Outlook* covers the property markets of Sweden, Finland, Denmark, Norway and the Baltic countries. *The Newsec Property Outlook* is compiled and published by the property advisor Newsec and is available for reading, ordering and downloading on www.newsec.com.