



Investing in Nordic Property

The countries of the Nordic region are all different enough to offer investment diversification benefits, while together forming a coherent region that has a substantial position in the European property market.

For reasons given below, total property returns in the Nordic region are forecast to outperform the Eurozone average in the next five years, making investing in Nordic property well worth serious assessment.

Nordic property markets

Estimates from IPD place the Nordic region as the fourth largest commercial property investment market in Europe after Germany, the UK and France. Of the countries in Europe with an IPD index, the Nordic region accounts for approximately 14% of the total market size. Sweden is by far the largest market in the region, representing 45% of the investable stock.

In addition to being sizeable, all the Nordic markets have improved strongly with regard to transparency, professionalism and liquidity in recent years. According to the 2008 Real Estate Transparency index by Jones Lang LaSalle, Sweden is ranked as the 8th most transparent market globally. Finland, Denmark and Norway are also considered to be transparent markets, ranking 13th, 15th and 17th respectively. The increased professionalism and high transparency of the Nordic markets have increasingly resulted in interest from international investors.

The current global recession has naturally affected property markets in the region through re-pricing and weaker rental markets. However, the downturn of the property markets in the Nordic countries has not been synchronized, which demonstrates that the individual Nordic markets are all different and that diversification benefits can be achieved within the region. Differences in economic drivers, market structures, occupier markets and investor bases result in differences in property cycles, which can be exploited by active investors in the region.

Correlation of 'All Property' returns 2000 – 2008

	Denmark	Finland	Norway	Sweden	Germany	UK	USA
Denmark	1.00						
Finland	0.52	1.00					
Norway	0.77	0.78	1.00				
Sweden	0.63	0.88	0.81	1.00			
Germany	(0.36)	0.26	(0.15)	0.05	1.00		
UK	0.65	0.14	0.66	0.44	(0.47)	1.00	
USA	0.74	0.55	0.92	0.73	(0.39)	0.82	1.00

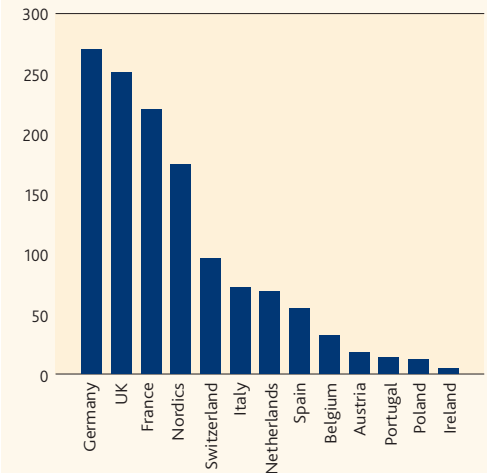
Note: A coefficient of 1 implies matched performance. 0 indicates no relationship, and negative numbers imply an inverse relationship. Source: IPD, Aberdeen Property Investors

Recent performance

All the featured Nordic economies have been hit hard by the sharp drop in global economic activity in late 2008 and the first half of 2009. As the Nordic region entered the financial crisis, the solid state of public finances placed the governments in a favourable position where they have been able to undertake large fiscal and financial measures without financing this exclusively with new debt. Hence, fiscal tightening when the economies escape the current squeeze can be more gradual than in countries where excessive amounts of new public debt are necessary to implement rescue packages. In general, the Nordic economies have fewer imbalances than the European average, which in our view contributes to a more positive medium-term outlook for the region.

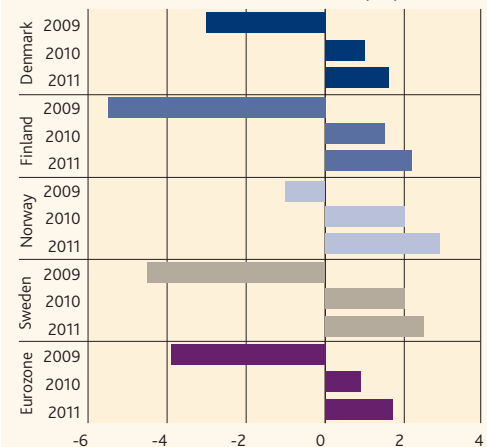
Tight financing conditions and increasing risk aversion among investors have resulted in dried up liquidity and relatively sharp re-pricing in the Nordic property markets. Transaction volumes in the first half of 2009 were down 70–80% compared to the corresponding volumes in 2008. Property investors in general only have appetite for core assets with low income risk, while owners of these assets have been reluctant to sell under current market circumstances. Despite expectations, there have been almost no forced sales yet, as investors and lending institutions have found alternative forms of dealing with rising loan-to-values and covenant breaches.

European commercial property market sizes* (€ billion)



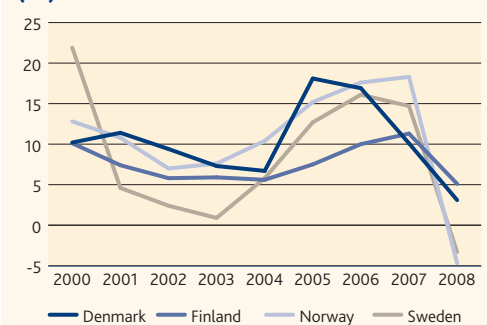
* Estimated volume of professionally managed stock 2008. Source: IPD

Real GDP forecasts 2009 – 2011 (%)



Source: Aberdeen Property Investors

IPD 'All Property' total return 2000 – 2008 (%)



Source: IPD

Investing in Nordic Property

The rise in prime yields has been slowing in 2009, and the worsening of rental markets has been the key driver of further falls in capital values.

Prime rents in the Nordic capitals fell by 8% on average in the first three quarters of 2009, led by Oslo and Stockholm, where prime rents declined by 14.7% and 8.9% respectively.

Market outlook

Low interest rates, improvements in the credit markets and reduced uncertainty for the real economies have increased risk appetite among property investors in the region. The number of distressed sellers in the region has been very limited, resulting in prime yields moving out less than earlier expected. There is evidence that prime Norwegian property is already showing signs of bottoming out in terms of capital values stabilising, with the other three markets expected to follow during the first half of 2010.

As tenant demand is expected to remain muted throughout 2010, priority for asset managers should be to secure income streams and avoid vacancies. There will still be potential to improve cash flows through active management, despite market rents in general coming under pressure. Prospects for rental growth from 2011 are supported by low development activity of new commercial property space and limited new supply coming to the market in 2012 and 2013, when also tenant demand is expected to pick up.

We forecast total property returns in the Nordic region in the coming 5 years to outperform the Eurozone. Our forecasts indicate an unleveraged total return of 7.1% per annum for the region in the period 2010–2014.

Aberdeen in the Nordics

Aberdeen is the leading property asset manager in the Nordic region with some 300 employees and €8.5 billion of assets under management in Denmark, Norway, Sweden and Finland.

In addition to managing Aberdeen's own pooled property funds – for each of the four national markets and two for the whole region – we manage segregated mandates on behalf of domestic and international investors.

Through our local presence in the 12 biggest Nordic cities we manage assets in all property sectors across the region. Our clients benefit from our unequalled access to investment opportunities and competitive local financing.

Our performance-driven Nordic team applies a proven structured investment process and strong transactions capability to create value for clients.

Important Information

FOR PROFESSIONAL USE ONLY

The content of this document, including any expression of opinion or forecast, has been obtained from or is based on sources believed to be reliable. The content may include projections or other forward looking statements regarding future events or future financial performance of countries and markets - actual events or results may differ materially. No guarantee is given as to the accuracy, adequacy or completeness of the content of this document and no responsibility is accepted for any loss arising from use of this document.

No part of this document may be copied or duplicated in any form or by any means or redistributed without the written consent of Aberdeen Property Investors.

Aberdeen Property Investors P.O. Box 3348, SE-103 67 Stockholm, Sweden

Tel: +46 8 412 80 00

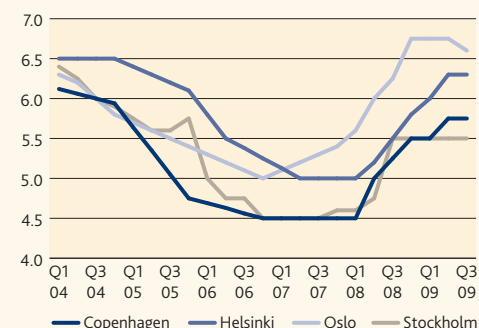
post@aberdeenpropertyinvestors.com

www.aberdeenpropertyinvestors.com

Aberdeen Property Investors is the dedicated property investment division of Aberdeen Asset Management PLC.

© 2009 Aberdeen Property Investors. All rights reserved

Prime office yields (%)



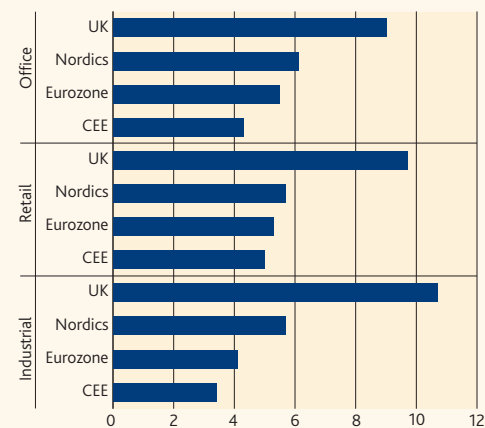
Source: Aberdeen Property Investors

Prime rents Q3 2009

	Office	Retail	Industrial	
Copenhagen	1,850	14,000	525	DKK/sqm/year
Helsinki	324	1,580	115	EUR/sqm/year
Oslo	2,900	14,250	1,050	NOK/sqm/year
Stockholm	4,100	16,300	1,050	SEK/sqm/year

Source: Aberdeen Property Investors

Rolling total returns Q2 2009 – Q2 2014 (% p.a.)



Source: Aberdeen Property Investors

Contact details

Pertti Vanhanen, Head of Nordic region and Eastern Europe

Telephone: +358 (0)10 3040 301

Email: pertti.vanhanen@aberdeenpropertyinvestors.com

Lars Flåøyen, Head of Nordic Research and Strategy

Telephone: +47 22 01 27 00

Email: lars.flaoeyen@aberdeenpropertyinvestors.com