

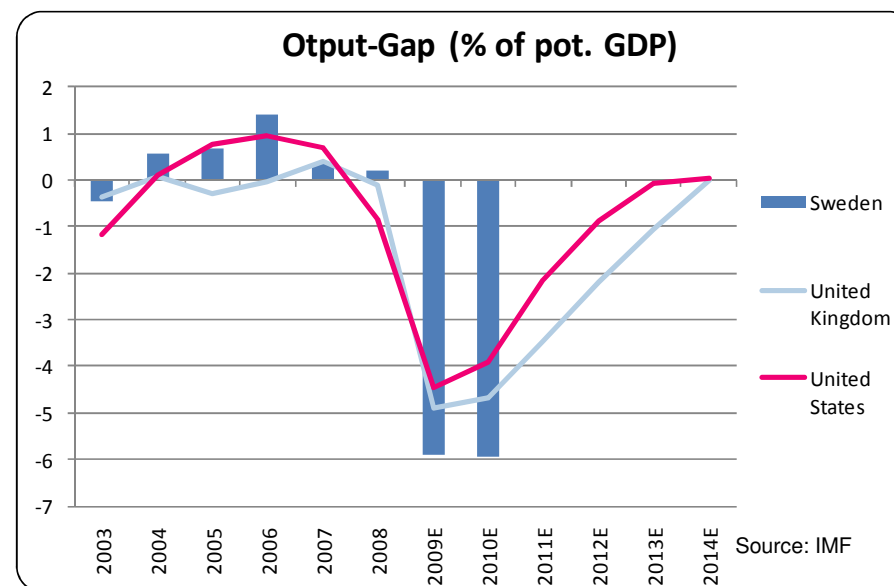
MACRO ECONOMY

LOW RISK OF INFLATION

NEWSEC

The Full Service Property House

- **Economic recovery** - The world economy bottomed out during the summer of 2009, largely due to expansionary fiscal and monetary policies
- **Asia and Latin America** are expected to become the new engines in the world economy - the recovery will be slow in the US and UK
- **Low inflationary pressure** - Despite an economic recovery 2009-2010, the global output-gap is not expected to disappear until 2012-2013
- **Normalising credit market** - The credit market remains rigid, but normalises gradually and is expected to be normal in late 2011



THE NORDIC REGION

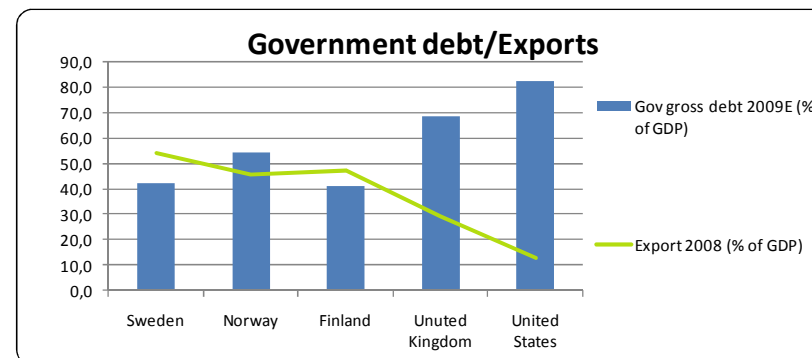
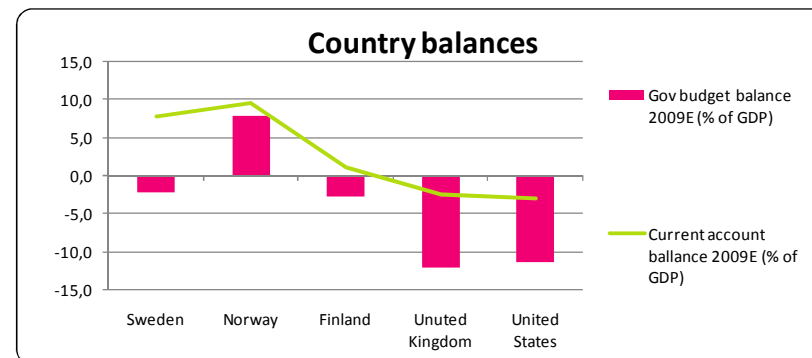
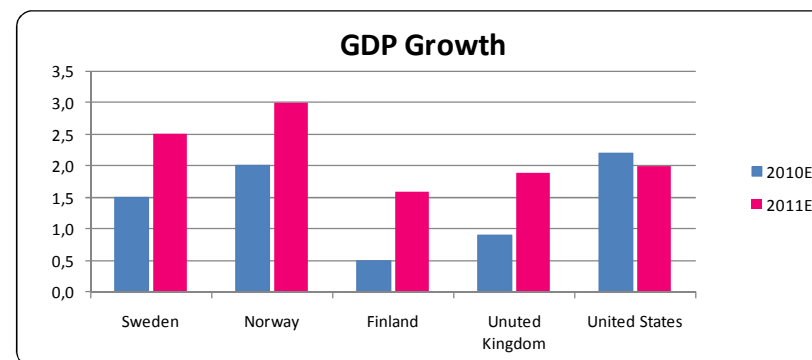
GOOD POTENTIALS OF A SMOOTH RECOVERY

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The Full Service Property House

- Good potentials of a smooth recovery
 - Balanced economies - Low governmental debt and stable domestic saving
 - No inflated bubbles - Absence of housing bubbles and an intact banking system

- High and stable long-term economic growth
 - Innovative economies - Top-ranked by World Economic Forum, IMD, The Economist, NAM and Boston Consulting Group
 - Knowledge based industries - large R&D expenditures
 - Social security - Well developed education, social security and health systems
 - Population growth - Higher expected population growth than EU and the OECD during the coming decad



Source: Newsec/European Commission/DnB Nor

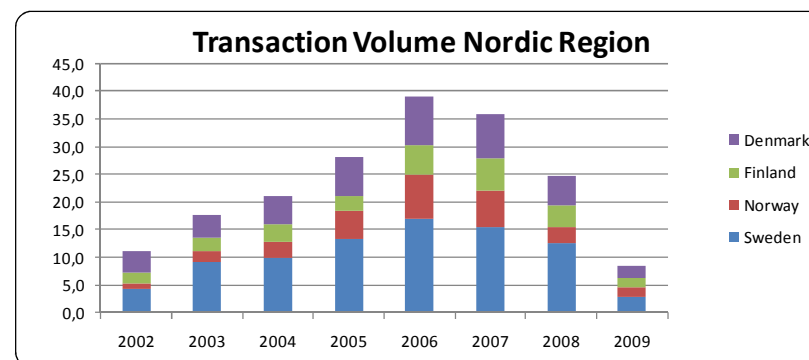
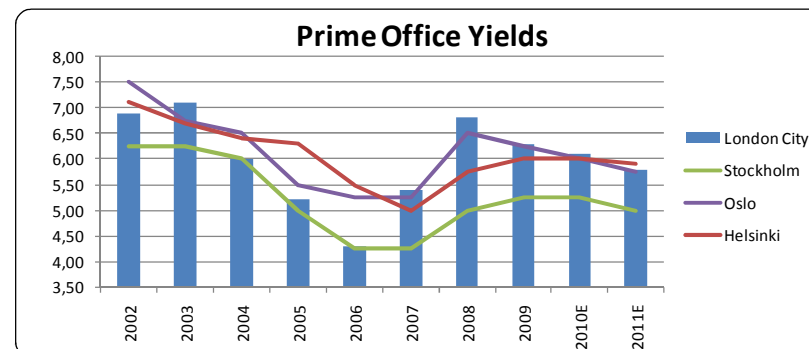
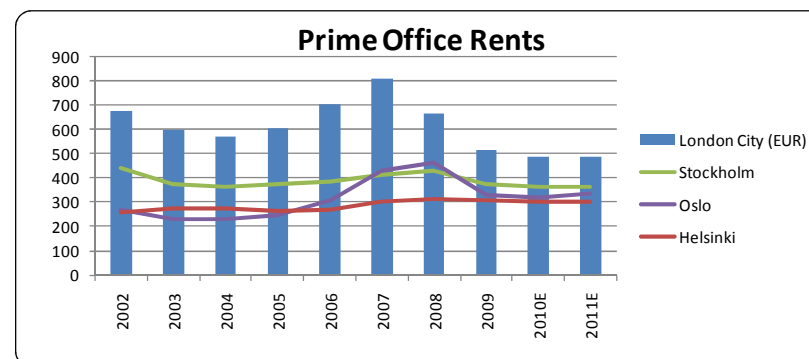
THE NORDIC PROPERTY MARKET

RETURNING LIQUIDITY – RECOVERING PRICES

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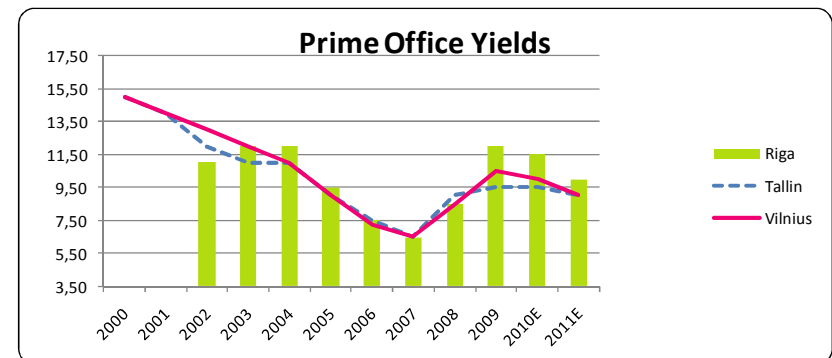
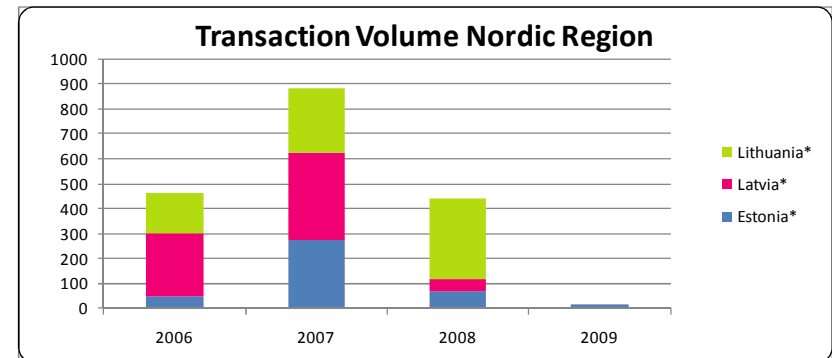
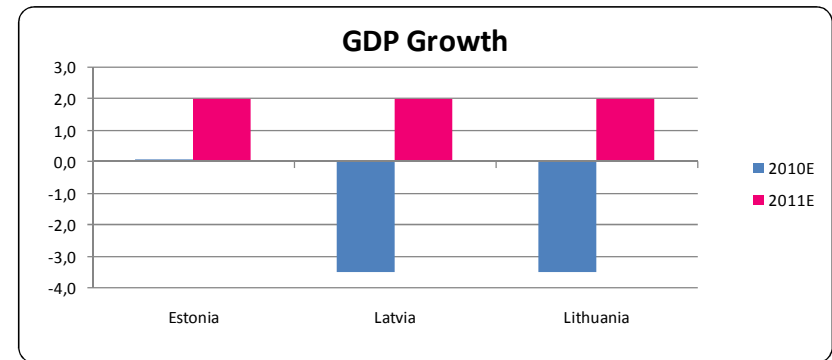
The Full Service Property House

- **Absence of distressed sellers** – gives small price-fall
- **Increasing liquidity** – improvements during the second half of 2009 due to gradually improving financial market and higher investor risk appetite
- **Lower future liquidity** - In the future, higher bank interest rate margins are expected to generate lower liquidity than before the credit turmoil
- **Prices are starting to bottom out** - There is a window of opportunity in 2010-2011 - prices are expected to start to increase as liquidity returns to the market



THE BALTIC PROPERTY MARKET HITTING ROCK BOTTOM

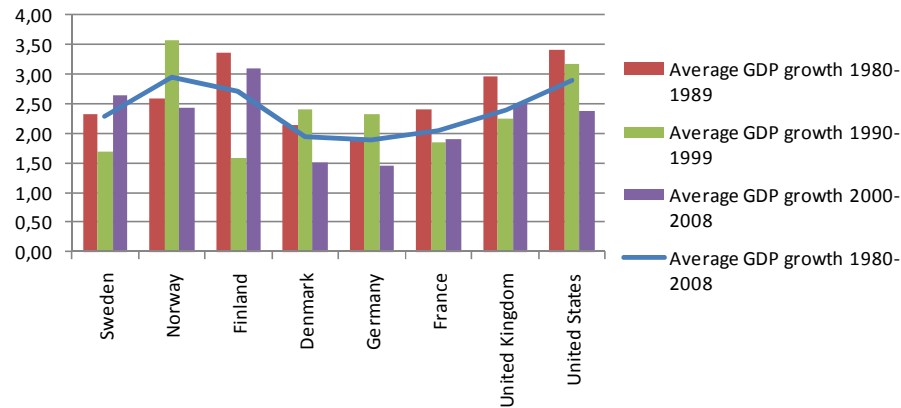
- Deep recession - excessively leveraged economies with asset-bubbles
- Internal devaluation – Wage cuts to restore competitiveness
- Latvia most affected - due to a large budget deficit, its unwillingness to embark on economic reforms
- Estonia is in a better position - due to good government finances and greater will for reform
- Lithuania is lagging behind - the boom of recent years came to an end in 2008 and the country sustained a large GDP drop in 2009



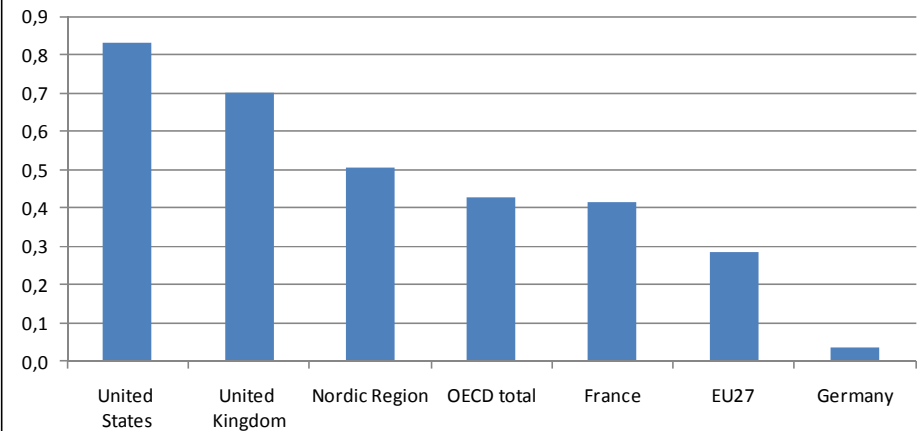
NORDIC PROPERTY MARKET OVERVIEW

MACRO ECONOMIC OVERVIEW – PERFORMANCE REVIEW

Historical GDP Growth



Average Annual Population Growth 2008-2020



GDP performance 1980-2008

