

## **NORTH BRIDGE NORDIC PROPERTY AS**

### **STATUS RAPPORT - 1ST QUARTER 2009**

#### **INTRODUCTION**

Despite a challenging situation in both the Norwegian and Swedish economies, the cash flow properties in North Bridge Nordic Property's portfolio were on a stable trend in the first quarter of 2009 in terms of vacancy rates and rental incomes alike. The Group has floating interest on about 44% of its loan portfolio and consequently benefits from the steep decline in interest rates seen since September 2008 on a not insignificant share of the portfolio in both Norway and Sweden.

Substantial resources have been devoted to managing the challenges that have arisen at two of the Company's development projects at Sveberg and in Malmø, although a limited portion of the Group's capital is tied up in these projects.

On the development front, refurbishment of an office building at No. 5 Lyckebacken in Lund is on schedule, a favourable zoning decision by Sandnes municipal council allows for the construction of a new building of 21,500 m<sup>2</sup> in Ole Bulls gate, and an offer for a construction loan and long-term finance of the Klostergata project in Trondheim has been accepted.

The Company is well placed to navigate the current challenging market situation in a satisfactory manner, and thus create value for shareholders with a longer-term investment horizon. The next valuation is scheduled for 30 June 2009, and a general fall in rental prices looks set to bring a fall in property values since major changes in yield are not anticipated.

An account of financing and the capital situation was given in the previous quarterly report which is available at [www.northbridge.no](http://www.northbridge.no). There were no significant changes in the first quarter 2009.

#### **MARKET COMMENTARY**

The first quarter of 2009 saw a negative development in a number of key macroeconomic figures and ratios, and a high degree of uncertainty. A continued steep decline is in evidence in retail trade, investments, industrial production and order volume in western economies and elsewhere, although Norway has so far not felt the full brunt.

On the other hand powerful instruments in the form of sharp interest rate cuts and economic crisis packages are being applied to stimulate new economic growth. The first signs of reduced pessimism were visible in the second quarter 2009, and for stock exchanges to recover, rising commodity prices and higher long interest rates are used as indicators.

In the real estate industry the macro picture will impact adversely on demand for sites, and the general credit situation will also have a negative effect on project start-ups.

Rising vacancy rates are in evidence, particularly in the office segment, and analysts expect this trend to persist for a period. However, since there are many submarkets in the commercial property field, distributed across geographic locations and various segments, care should be taken not to give too much weight to the widest fluctuations, despite the heavy focus on them in the media. For example, statistics from Eiendomsverdi AS disprove the notion that office rental prices in general in the Vika/Aker Brygge district of Oslo have hovered around NOK 4,500 per m<sup>2</sup>. In fact this figure is correct for just a modest number of square metres: the average office rental price in the first quarter 2009 was about NOK 2,700 per m<sup>2</sup>.

Current commercial property pricing features high premiums due to increased risk, although this has mainly benefited lenders through higher interest margins. The consensus appears to be that yields will remain stable but that a broadly lower rental level may bring a further price fall in the commercial property segment. We are still not seeing the full effect of the wide-ranging economic stimuli that have been adopted, we have a banking market that is far from functioning normally, and optimists in the commercial property segment are few and far between.

Thus, while we anticipate falling rental prices in the short run we believe it would be inappropriate to draw a one-sided negative picture of future possibilities. One or more shifts in a positive direction on the macro and finance fronts would, separately or together, help to turn the consensus in a significantly more positive direction.

## **PROPERTY PORTFOLIO**

### **Sweden**

The rental market in Sweden poses a challenge in most segments. Industrial production has fallen sharply so far this year bringing layoffs, redundancies and an increasing number of bankruptcies. As a result decisions are protracted since decision-makers are affected by uncertainty. The general vacancy rate will rise as a consequence of the weak trend in the economy.

#### **Mejselgatan (100%)**

A building permit has been applied for to expand the present building by 400 m<sup>2</sup>. We hope the building administration will reach a final decision on the application by the summer. The property is fully let on a long-term contract.

#### **Nos. 3 and 5 Lyckebacken, Lund (100%)**

January 2009 saw the start of a total refurbishment of around 2,600 m<sup>2</sup> of office premises for Försäkringskassan (Sweden's Social Insurance Agency) at No. 5 Lyckebacken. The work is proceeding to plan. This fairly extensive refurbishment, with a cost ceiling of about NOK 24 million, will enhance the overall impression of Lyckebacken since the driveway frontage to the property is to be renovated.

ÅR Carton are expected to sign a small contract for further site area for offices/warehouse in the course of the second quarter 2009.

Axis have extended the existing contract by one year and we will negotiate with Axis alone on their possible expansion of production in Sweden.

#### **W&N i Västra Hamnen (100% as of 21 April 2009)**

Malmö Municipality have confirmed that the period allotted for completing the building, and avoiding a fine if this is not done, can at best be extended by 12 months, to 31 December 2010. Hence finding a partner for the project in its present form poses a challenge. Current financing runs to 30 June 2009, and an active effort is being made to find alternative solutions for W&N by that date. NBNP bought the remaining 50% of the shares in W&N on 21 April 2009 for SEK 100 from its former partner Wikeborg & Sander Arkitektur och Fastighetsutveckling AB's estate in administration.

#### **Norway**

##### **Sveberg (80%)**

On 22 April 2009 a conditional sale agreement between Sveberg Holding AS (SH) and Wahl Eiendom AS was announced by OTC posting. The agreement confirms the acceptance of a conditional offer from Wahl Eiendom AS (Wahl) for the purchase of 100% of the shares of Sveberg Utviklingsselskap AS (SU). The latter is wholly owned by the holding company SH, itself 80% owned by NBNP and 20% owned by Eriksen Eiendom AS.

Wahl have imposed several reservations for implementing the transaction. The parties have agreed that Wahl be given until 28 June 2009 to discuss these reservations. SU's creditors have accepted a temporary halt to payments until mid-June, although loans will be serviced. The current debt finance runs to 15 June 2009.

##### **Innherredsveien (100%)**

The property has a highly satisfactory occupancy rate and a mere 2% vacant floorage (510 m<sup>2</sup>). This figure includes recently contracted short-term rentals (two months' minimum) of about 400 m<sup>2</sup>.

##### **Trollåsveien (100%)**

Two new rental contracts were signed totalling 175 m<sup>2</sup> in the first quarter 2009. In May 2009 a 5 year contract was signed with a new tenant for the rent of about 900 m<sup>2</sup> of office space and 200 m<sup>2</sup> of warehousing on market terms. An agreement on internal relocation of existing tenants has also been signed which will produce a small net increase in rental income. Steps are being taken to secure further specific tenants with an overall need for about 500 m<sup>2</sup>.

##### **Klostergata (67%)**

A general permit of 5,568 m<sup>2</sup> (gross total area) for building A was granted on 2 April 2009, while a general permit of 1,055 m<sup>2</sup> (gross total area) is expected to be granted in mid-June 2009. Veidekke Entreprenør has been chosen as the turnkey contractor for the project. In April 2009 an offer of satisfactory debt finance for the project was received and accepted. Construction is scheduled to start in August 2009.

**Ole Bullsgate (100%)**

A new zoning plan for the entire property was adopted by Sandnes municipal council on 28 April 2009. The plan provides for the demolition of the existing building stock of about 6,000 m<sup>2</sup> and erection of a new six-storey building totalling around 21,500 m<sup>2</sup> of utility floor space. The zoning plan for the block was approved by the municipal council on 22 April 2009. Active steps are being taken to attract potential tenants. Of the existing building stock of 5,500 m<sup>2</sup>, about 4,500 m<sup>2</sup> are let to 14 tenants.

**ANNUAL GENERAL MEETING**

A general meeting will be held at North Bridge Nordic Property on 10 June 2009 at 15.00hrs in North Bridge Management AS's premises in Oslo.

Sincerely yours,  
North Bridge Nordic Property AS/  
North Bridge Management AS

(Sign.)  
Eivind Devold  
Managing Director

Oslo, 13 May 2009