

## Status report 3rd quarter 2009 North Bridge Nordic Property AS

### MARKET COMMENTARY

In light of the marked fall in global value creation in 2009, this quarterly report opens with some comments on the expected trend in GDP in the years ahead. During the financial crisis consumer and corporate demand saw a huge fall in a short space of time, and hefty government stimuli packages became an important tool for regenerating economic growth.

Just as commercial property was negatively impacted by the crisis, we expect new economic growth to gradually influence commercial property in a positive direction. In the following table we show historical figures and Nordea's forecast for GDP growth:

<i>Trend in GDP (%)</i>	<i>2007</i>	<i>2008</i>	<i>2009E</i>	<i>2010E</i>	<i>2011E</i>
World (PPP)	4.8	2.4	-1.2	3.4	3.4
USA	2.1	0.4	-2.6	1.7	1.7
Euro countries	2.7	0.6	-3.5	2.1	1.6
Nordic countries	3.6	0.5	-3.1	2.4	2.1
Mainland Norway (non-oil)	6.1	2.6	-0.8	2.7	2.5
China	13.0	9.0	8.8	10.5	10.0

*Source: Nordea. Economic survey September 2009*

A period of strong economic growth across the world as a whole, and not least in Mainland Norway, was replaced by a steep downturn in the second half of 2008 and much of 2009.

The period of negative GDP growth now appears to be behind us, and the sober optimism we voiced in our last status report is now reflected in the GDP statistics. Most countries in Europe are now on their way out of recession, and in the US GDP growth for the third quarter 2009 is put at 3.5 per cent.

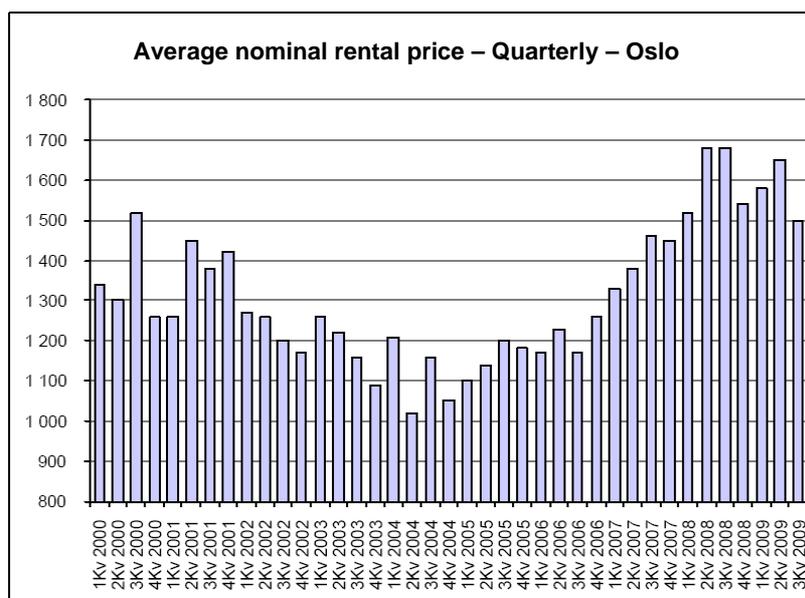
Our market view leans towards a return to "normal" for the world's economies, albeit over a period of time. Many causes for concern will persist, among them the much-discussed government financial deficits which of late have grown significantly to reach large proportions in many countries. Government authorities must at some point take steps to reduce general government indebtedness. How far this will curb the expected economic growth remains to be seen.

As previously mentioned, valuation of commercial property is largely a function of rental levels and yield. Changes in these factors can have a substantial impact on valuation. At the last valuation of NBNP's properties on 30 June 2009 a slight fall in rental prices was already taken into account. Market developments in the period to end-2009 will be crucial to whether the rental price component makes a negative or neutral contribution at the next valuation. A positive effect is unlikely.

In the initial phase of the financial crisis the commercial property segment in general saw a marked value fall due to higher yield. We now see clear signs of stabilisation or a slight fall in yield. Hence we do not rule out the possibility that the yield component may make a positive contribution at the valuation at end-2009. Increased transaction activity in the market was noted in the third quarter 2009.

A favourable period in the aftermath of the financial crisis has enabled banks to substantially increase margins on new and existing loans while the cost of their own borrowing has fallen steeply.

If the banks over a period improve their capital adequacy while avoiding excessive loan losses, a likely outcome will be stronger competition in the market for financing commercial property. This will most probably translate into improved funding terms and conditions for commercial property both in terms of credit margins and loan disbursements.



Source: Eiendomsverdi AS

Based on our unchanged outlook from the two previous quarters, we maintain that for investors with faith in the future of the Norwegian and Swedish economies the commercial property segment offers more exciting investment opportunities than it has for some time. Although we see a fairly limited selection of interesting properties at the right price for sale in the market, they do exist. NBNP's investment in Sømmergården is an example of such an investment opportunity in our view. Most sellers are probably still biding their time.

While the possibility of some fall in rental prices in the short term or continued high lending margins cannot be excluded, this must be viewed against the longer-term, positive forecasts of economic growth. We are now more confident that the present cycle has bottomed out, and believe that it will pay investors to assume risk over time.

## THE PROPERTIES

NBNP have undertaken a new investment since the last status report, and in November 2009 completed the acquisition of 40.6% of the shares of Sømmergården Eiendom AS which owns the commercial and office property Sømmergården in the centre of Sandnes. The property has a gross total area of 13,000 m<sup>2</sup>. Akademiet, the Norwegian Food Safety Authority, the Norwegian Correctional Services and AOF Sandnes are the largest tenants.

The largest shareholder, North Bridge Opportunity AS, has acquired 49.8% of the shares of Sømmergården Eiendom AS.

The position as regards the other properties is as follows:

### Innherredsveien (100%)

Replacement and upgrading of existing signage both outside and throughout the interior of the building is under way. This will improve navigability for the public and further add to the building's attractiveness.

### Trollåsveien (100%)

Areva T&D moved into renovated premises on 1 November.

All parking facilities have been upgraded, along with outdoor surveillance equipment. Two tenancies terminated in the third quarter, and the vacancy rate is now 19%.

### Klostergata (70.98%)

The construction project is proceeding as planned in terms of progress made and cost budget, and collaboration between the tenants, owner and developers is good. The construction process is regularly monitored through twice-monthly meetings involving the construction firm and subcontractors, tenants and owner.

### Ole Bullsgate (100%)

A prospectus and an animation video have now been prepared giving a fine presentation and visualisation of the planned new building. Meetings have been held with, and presentations given to, Sandnes municipality and other

potential tenants. The project has been well received, and potential tenants are being followed up. The rental situation in existing premises is favourable, ensuring valuable cash flow up to a possible construction start.

W&N i Västra Hamnen (100%)

Efforts are under way to find an industrial partner for the project. Financing has been extended to 30 March 2010.

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Sincerely yours  
North Bridge Nordic Property AS/  
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(Sign.)  
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