

Press Release

Hamburg, 1 July 2010

Report “Real Estate Market Nordic Countries 2010”

Slump in office and retail rents tailing off in Sweden and Denmark – rents still falling in Finland

According to the report "Real Estate Market Nordic Countries 2010" recently published by DG HYP, the phase of falling rents on the office and retail real estate market in Denmark and Sweden should come to an end during the current year. Rental levels in 2010 in both segments are likely to be down only slightly on the previous year. However, office and retail rents are expected to fall further in Finland in 2010, due to the economic situation.

The economies of the Nordic region – comprising Sweden, Denmark and Finland – were also affected by the global economic and financial markets crisis: gross domestic product in Sweden and Denmark shrank by around 5 per cent in 2009 and by just under 8 per cent in Finland. However, these three countries posted very dynamic growth by Western European standards from 1997 to 2007 – averaging around 3 percent annually. This is compared with German gross domestic product, which succeeded in rising by only 1.6 per cent annually in the same period.

Stockholm office rents expected to rise in 2011

The decline in office rents in the Swedish capital should have emerged from the doldrums early this year. Office rents in 2010 are expected to be down only slightly on last year's level. The completion of some new-build projects this year is likely to lead to another increase in the vacancy ratio in the greater Stockholm region. Because the Swedish economy is heavily dependent on exports, the development of the global demand plays an essential role in the outlook for office rent development. Provided that domestic demand remains solid and foreign trade momentum picks up, the rents for office real estate in Stockholm could rise again slightly in 2011. The national average is weaker, with the rents for office real estate in good

locations expected to fall by 2 to 4 per cent, followed by stagnation in the coming year.

Copenhagen: phase of falling office rents is over

The phase of falling rents should have come to an end on the Danish office real estate market. The outlook for Danish rents is somewhat better than for Sweden, even though the relationship between the office market cycles remains very close. Office rents in the Danish capital are expected to stagnate year-on-year, due to the low vacancy ratio, which was below the national average last year. Low-priced rents by international standards are another positive factor. Office rents in Copenhagen are expected to stagnate this year and to be slightly lower nationwide than the previous year.

Decline in Helsinki office rents is decelerating

The sharp decline in demand for office space significantly drove up the vacancy ratio in Helsinki to 10.4 per cent in 2009 (2008: 8.2 per cent). Demand is likely to fall further this year, which will probably lead to an increase in the vacancy ratio to around 12 per cent. Office rents in Helsinki increased by 3.2 per cent annually in the period from 1997 to 2007, reflecting a considerably more dynamic development than the national average. On account of the ongoing general economic recession and a significant increase in vacancies, office rents in prime locations fell by around 6 per cent in 2009 throughout Finland. A decline of 3 to 5 per cent nationwide is expected for the current year, with rents in Helsinki expected to fall by around 5 per cent. Another slight decline is also anticipated for the Finnish capital for 2011, whilst office rents are expected to stagnate nationwide in the year ahead.

Stockholm: considerable floor space available – no further decline in rents in 2010

Whilst the supply of retail floor space in Stockholm increased by more than 50 per cent since 1999, retail sales also showed a marked 30 per cent increase, strongly above international standards. This resulted in a marked increase of around 30 per cent in rents for retail floor space in good locations in the Swedish capital in the last ten years. However, rents in 2009 for retail floor space in first-class locations were low by international standards, largely due to the large volume of space on offer

relative to the number of inhabitants. At roughly 4.5 million sqm, the retail real estate market is about four times as large as those of Copenhagen and Helsinki, with 1.1 million sqm each. The general economic recession forced concessions from retail real estate landlords, so that rental levels declined by 1.8 per cent during 2009, representing a slight decline over the previous year. Since retail rents are already low, the large volume of space on offer is unlikely to lead to further declines in rent on an annual average. The slight deterioration in productivity per unit area last year – on the back of the fall in retail sales during the period – is expected to improve again already in Stockholm in the current year and might possibly lead to a slight increase in rents in 2011.

Copenhagen: retail rents expected to rise in 2011

Since 1999, retailers in Copenhagen have enjoyed a considerably stronger increase in sales compared with their German counterparts – even though the growth of around 20 per cent was somewhat weaker than in Stockholm. In addition to the very good employment situation, another positive factor for the Danish capital is the comparatively low supply of retail floor space relative to the number of inhabitants: with retail floor space of 1.8 sqm per inhabitant, Copenhagen has the lowest supply among the cities analysed here. Due to the significant increases in rent in recent years in particular, retail rents in the Danish capital fell by 2.8 per cent past year. However, the downward trend in rents should have meanwhile come to an end. Given that rental concessions were still being made at the start of this year, rents in 2010 are likely to fall only slightly – by around 1 per cent below last year's level, after which they should rise again in the coming year.

Retail rents in Helsinki are set to decline further

The 20 per cent increase in retail sales in Helsinki since 1999 matched that of Copenhagen and significantly exceeded Germany's big cities. Because of the general economic weakness in Finland in the current year however, retail sales are expected to stagnate in 2010. The volume of retail floor space in Helsinki has grown slightly more than in Copenhagen in the last ten years, so that at 1.9 sqm, the volume of retail floor space per inhabitant is also somewhat higher in the Finnish metropolis. The rents for retail floor space in good Helsinki locations have climbed by 30 per cent since 1999, with the increase matching the rise in Stockholm during the

same period. However, rental levels are clearly higher than in the Swedish capital. Owing to another decline in economic output at the start of the year and the growing supply of retail floor space in the course of the year, retail rents in Helsinki are likely to fall again – by around 2 per cent in 2010, and to stagnate next year.

In cooperation with DZ BANK Research, DG HYP regularly analyses developments on the real estate markets in its target countries. The current report "Real Estate Market Nordic Countries 2010" is available for download from our website www.dghyp.de. Alternatively, we can send you a copy upon request.

About DG HYP:

DG HYP is the real estate bank within the German Cooperative Financial Services Network, and also one of Germany's leading issuers of asset-covered bonds (*Pfandbriefe*). Commercial real estate lending is the Bank's core expertise; with loans to public-sector entities being pursued as an additional line of business. DG HYP's commercial real estate business comprises its activities in the cooperative banking sector, acting as a product provider to the cooperative banks, as well as direct business with German and international real estate investors. In our German core market, we have a presence throughout the country with six centralised real estate locations. Our representative offices in New York, London, Paris and Warsaw, or the country desk for the Nordic Countries, provide an advisory service for international real estate financing projects. Furthermore, we accompany our clients for cross-border business to the Benelux countries, to Austria, Switzerland, the Czech Republic and to Slovakia. Visit our website at www.dghyp.de to find out more about DG HYP.

DG HYP media contact:

Uwe Kirchner
DG HYP Deutsche Genossenschafts-Hypotheckenbank AG
Rosenstrasse 2
20095 Hamburg, Germany
Phone: +49 40 3334-2318
Fax: +49 40 3334-2912
E-mail: uwe.kirchner@dghyp.de