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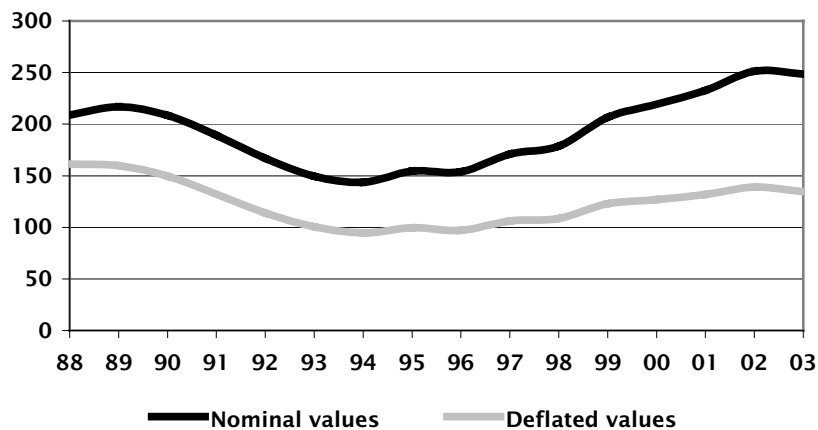
THE GREATER COPENHAGEN PROPERTY INVESTMENT MARKET

Commercial property prices down by 1.2% in 2003

After a period of steady price increases on commercial property in Greater Copenhagen from 1994 to 2002, prices fell in 2003.

The Sadolin & Albæk property price index for the Greater Copenhagen area shows that prices fell by 1.2% in 2003 following an 8% increase in 2002.

Price index for commercial property (index 100 = Q3 1984)



Source: Sadolin & Albæk

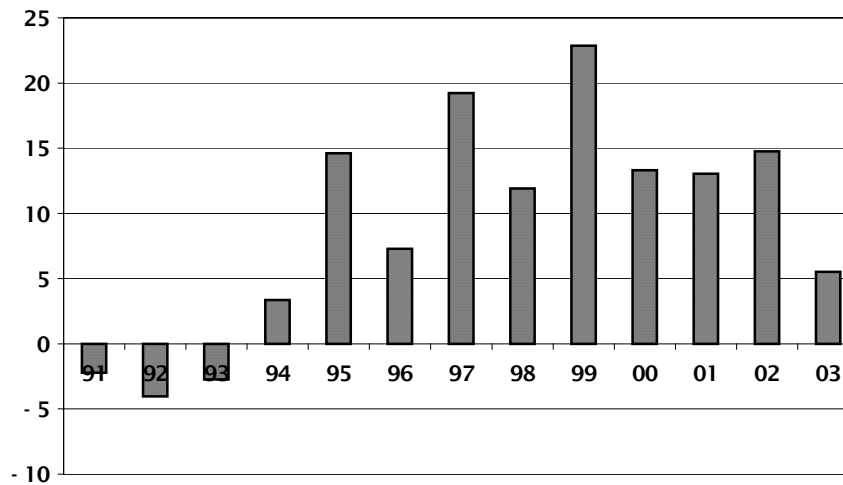
This trend is the result of weak economic developments with GDP growth of less than 0.5%.

Falling employment, a logical corollary of meagre growth, has led to an increase in vacancies and lower rents, particularly in the office, warehousing and industrial property markets. Although investors' net initial yield requirements remain largely unchanged, increasing vacancy rates and lower rents have driven down prices.

Overall property investment return at 5.5% in 2003

The direct yield on property investments was around 6.7% in 2003, fully in line with the level for 2002. Consequently, the overall return on property investments in the Greater Copenhagen area – the sum of the direct yield and the change in value – was 5.5% in 2003, declining significantly relative to the 2002 overall property investment return of 14.8%, the lowest level since 1994.

Annual overall property investment return on the property investment market

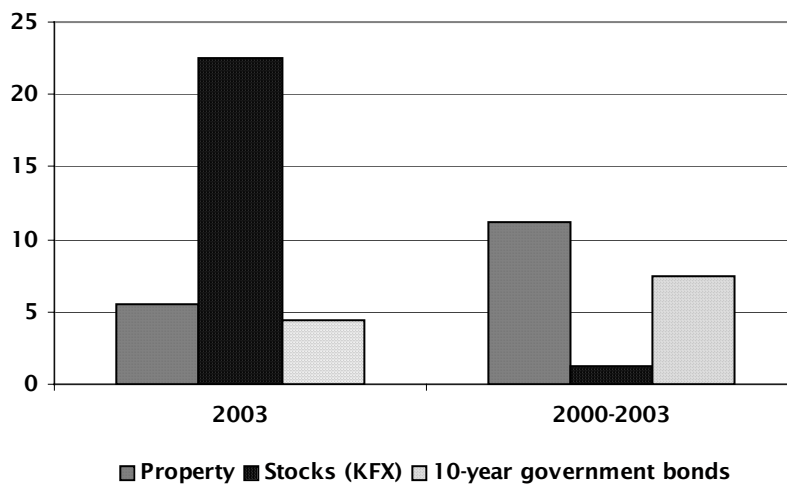


Source: Sadolin & Albæk

Overall property investment return outperformed the return on bond investments albeit being much poorer than equity investments

In 2003, the overall return on bond investments was slightly lower than the return on property investments, while the return on equity investments was significantly higher in 2003.

Annual overall percentage investment return on property, stocks and bonds



Source: Sadolin & Albæk

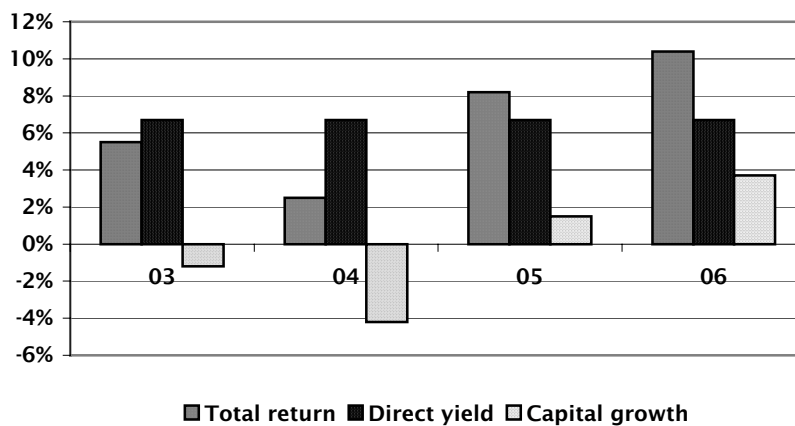
In the period 2000-2003, the overall property investment return was, however, well above the return on equity investments, which generated substantial negative returns in 2001 and 2002.

These figures are well in line with the general trend that the equity market is more susceptible to fluctuations in the economy than the property market. The equity increase in 2003 was hence driven by expectations of an impending economic recovery which, as we know from experience, will only feed through to the property investment market at a later date.

2004 set to become yet another dull year for the property market

Our forecasting model for the commercial property market, based on an empirical study of the historical correlations between property market prices and a large number of macro-economic data, indicates that 2004 is set to become yet another relatively dull year for the property market.

Forecast for overall return, direct yield and capital growth in the commercial property market



Source: Sadolin & Albæk

As appears from the figure above, we expect, based on the poor employment trends, a repeat of the moderate overall property investment returns in 2004. On the other hand, our 2005 and 2006 forecasts indicate that the market will bottom out in 2004 and that investments made in the relatively sluggish property market in 2004 may prove quite lucrative in the long term.

Foreign investors have become a force to be reckoned with in the Copenhagen property market

Concurrently with several important Danish institutional investors increasing their portfolios of foreign property investments, primarily in the form of indirect investments, foreign investors gained a stronger foothold on the Greater Copenhagen property market in 2003.

Out of a total commercial and investment property turnover estimated at just over DKK 10 billion in 2003, international investors, primarily from Germany and the USA, accounted for more than 35%. The interest shown by foreign investors was triggered by the

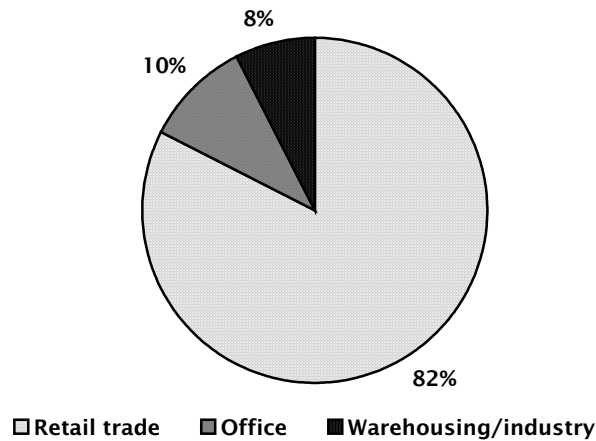
fact that, despite a moderate decline in prices, the Danish property market significantly outperformed quite a number of other European property markets and by expectations that the market will recover in the relatively short term.

Foreign investors focusing particularly on major retail properties

Foreign investor interest is focused on all commercial property sectors, that is, office, warehousing/industrial and retail facilities.

However, the retail property segment has proved to attract the vast majority of international investments.

Sector breakdown of foreign property investments in Greater Copenhagen (2003)

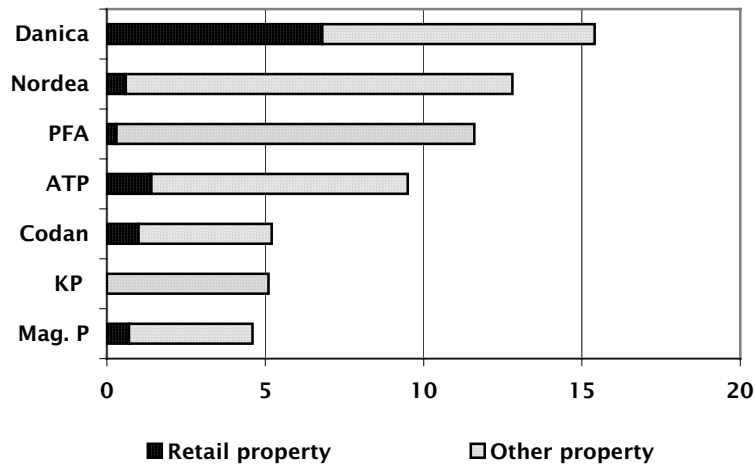


Source: Sadolin & Albæk

As appears from the above figure, the retail property segment accounted for a staggering 82% of international investments in 2003. The reason for this is hardly deliberate strategic decisions but rather that this segment held a potential for very large investments with only little competition from Danish institutional investors.

The exposure of Danish institutional investors in the retail property market is very diverse. Apart from Danica, which for historical reasons holds a very large portfolio of shopping centres, the major pension funds and insurance companies have placed relatively small portions of their property investments in retail property.

Institutional investor exposure in various segments (DKK billion)



Source: Sadolin & Albæk

From a property management point of view, retail property, and particularly shopping centres, is considerably more complex than office property. Optimising the return on retail property requires a strong degree of specialist competencies as well as a willingness on the part of the investor to make ongoing investments in upgrading and developing the property. These factors are probably the main reason why many Danish institutional investors are reluctant towards this market segment.

We believe that foreign investors in the Danish retail property market are fully aware of the requirements they face when making such investments. Based on expectations of a fair increase in consumer spending in 2004, driven by tax cuts, the introduction of interest-only mortgage loans and continued low interest rates, we believe that the retail property market will develop more favourably in 2004 than the office, warehousing and industrial markets.

Increased turnover in the market for warehousing and industrial property

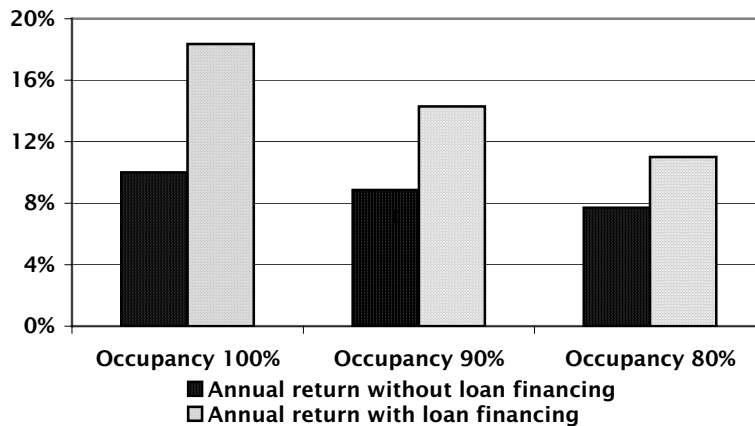
During 2002 and most of 2003, turnover of warehousing and industrial property was relatively sluggish. In the light of the low interest rates, the sellers' price expectations were often out of touch with the purchasers' yield requirements. Because this market is generally dominated by private investors, the banks' reluctance to finance property used for warehousing and industrial purposes had an adverse effect on the rate of turnover.

However, we have recently seen an increase in the turnover of warehousing and industrial property. The market continues to be dominated by private investors and small property companies, but foreign investors are also showing an interest in this market spurred by the highly attractive net initial yields of more than 10% in many cases obtainable from property of a more secondary qual-

ity let on short-term leases.

With an adequate element of loan financing, investments in such portfolios may potentially generate a very high return on the capital invested, even when a certain level of vacancy is anticipated.

Annual return on a typical industrial property portfolio at different occupancy rates



Source: Sadolin & Albæk

The figure above shows the net initial yield obtainable on a typical portfolio of warehousing and industrial property at different occupancy rates without loan financing and with 65% financed at an interest rate of 5.5%. In the Greater Copenhagen market for warehousing and industrial property, we have seen a total vacancy of 3.6%, equivalent to 96.4% occupancy. Although investors should expect somewhat higher vacancy rates on portfolios of a more secondary quality, the return on such property investments seems very attractive indeed.

Property companies and private investors dominate the office property investment market

The low rate of new office developments has resulted in very few investment opportunities in the form of new, pre-let office property projects. On the other hand, turnover of older office property let on leases with varying terms has been quite high due, among other things, to the sell-out of EjendomsSelskabet Norden’s property portfolio.

In 2003, this market was to a very large extent dominated by property companies and private investors, who are slightly less risk averse than institutional investors, and who are confident that the office market will recover within a relatively short period of time. This expectation seems quite well-founded, as office vacancies are again showing a slightly downward trend.

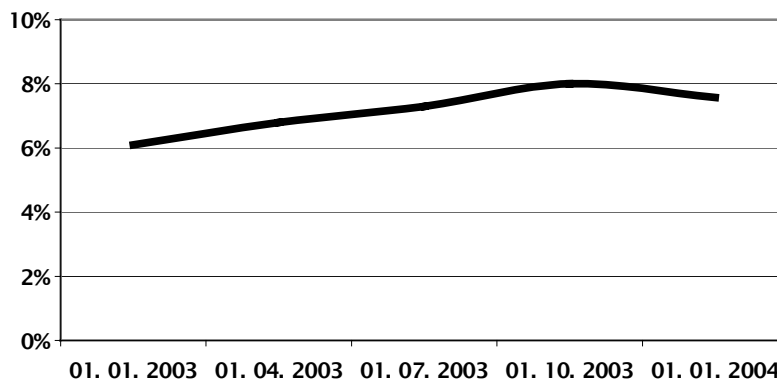
THE COPENHAGEN OFFICE RENTAL MARKET

Slight decline in office vacancy rates

Office vacancies in the Greater Copenhagen area, which were around 2.4% in 2001, stood at approximately 8.0% at the end of Q3 2003.

We are, however, pleased to note that vacancy rates are tracing a slightly falling trend again due to increased demand for office space.

Office vacancy rates in the Greater Copenhagen area



Source: Oline-Lokalebørs Statistikken

As appears from the figure above, vacancy rates for office space in Greater Copenhagen fell to approximately 7.6% during the past quarter. With low volumes of new office developments expected in the years ahead and employment set to increase slightly during the same period, we believe that vacancy rates will decline further in the coming quarters.

The decline in vacancies is most pronounced for leases of less than 1,000 sq. m., while we have not seen any noticeable decline in vacancy rates for larger adjoining office facilities. It should be noted, though, that the number of office leases of more than 5,000 sq. m. offered to let has declined considerably, presumably due to some large premises being converted for residential purposes.

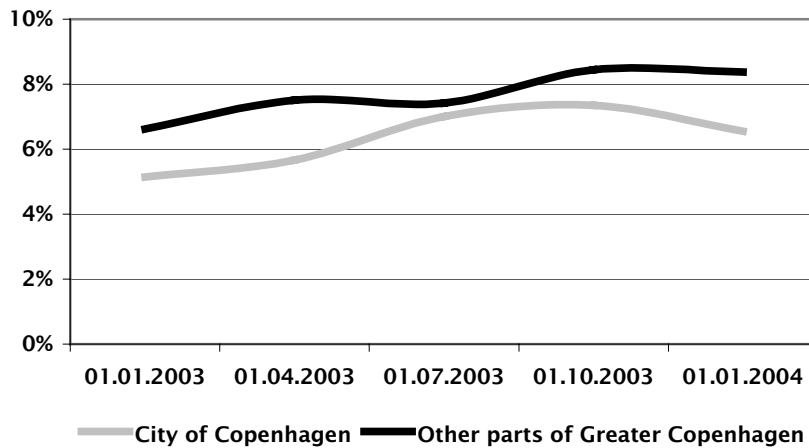
Decline in vacancies most pronounced in the CBD

The decline in vacancy rates has been much more pronounced in the City of Copenhagen and accordingly in the CBD than in the rest of Greater Copenhagen.

As a result, office vacancies in Greater Copenhagen outside the City of Copenhagen fell by a moderate 0.07 percentage point,

whereas vacancy rates in the City of Copenhagen fell by as much as 0.80 percentage point to 6.55%, a decline of almost 11% in just three months.

Office vacancy rates in the Greater Copenhagen area

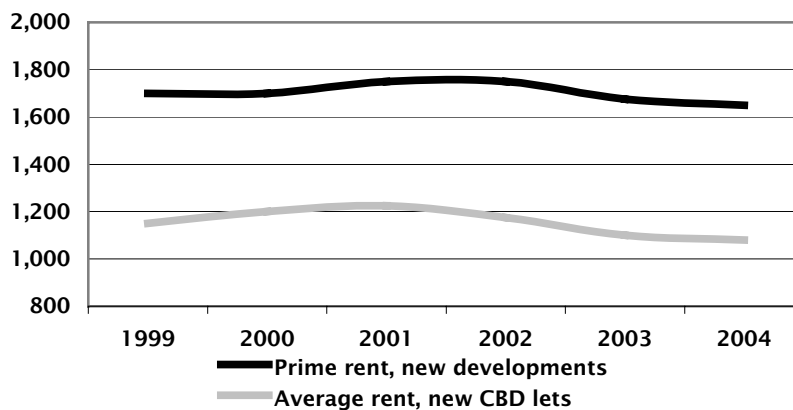


Source: Oline-Lokalebørs Statistikken

Increased demand for leases prevents further rent decline

In recent months, we have seen an increase in the demand for larger leases, including prime leases of between 1,000 and 3,000 sq. m. particularly in prime locations, leading us to expect stabilising office rents, especially in the CBD and in the central harbour areas.

Office rents in Copenhagen (DKK/sq. m. per year, excluding taxes and operating expenses)



Source: Sadolin & Albæk

On the other hand, recent years' trend of large office occupiers relocating to modern facilities in the new harbour areas and in Ørestad will undoubtedly continue.

Consequently, there is hardly reason to expect significant rent increases in the market for office leases in the CBD – or in other parts of Greater Copenhagen for that matter – in the foreseeable future.

THE COMMERCIAL PROPERTY MARKET IN AARHUS

Aarhus – Denmark's most important commercial property market outside Greater Copenhagen

The property market in Aarhus is the most important Danish market outside the Greater Copenhagen area. This is primarily owing to the fact that Aarhus is Denmark's second largest city and to its central location in Jutland which provides a natural base for companies and departments serving the significant Jutland market. Other reasons are Aarhus' status as a centre for higher education with population and business growth rates above the national average and the city's ability to attract quite a large number of R&D-intensive businesses.

Whereas employment in Denmark rose by 7.6% from 1994 to 2002, the figure for Aarhus was 11.1% during the same period. During this period, the increase in average personal income for Aarhus also significantly outperformed the national average.

Aarhus retail sales are also outperforming the national average. From 1995 to 2001, the city's retail sales increased by 4.5% p.a. on average, whereas the overall increase in Denmark was approximately 3.5% p.a.

Many new office developments, especially around 2001, have created some excess capacity

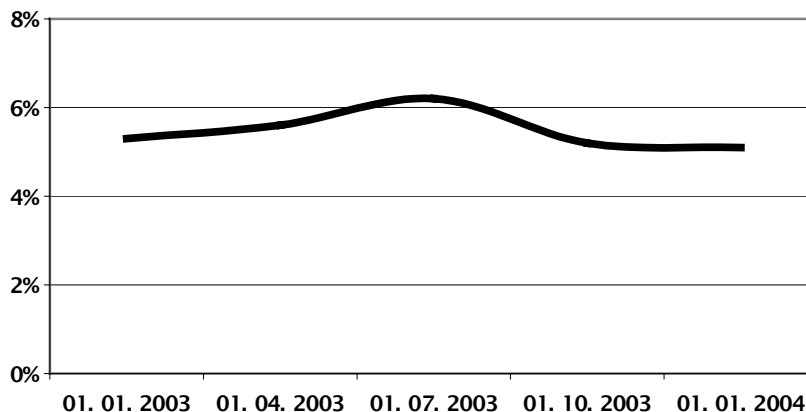
In an estimate spanning a number of years, average new office developments in Aarhus are calculated to total more than 30,000 sq. m. annually, equalling approximately 1.3-1.4% of the total office space of around 2.3 million sq. m.

Around 2001, the rate of new office developments was, however, much higher, and although most of the new developments were pre-let, we have seen some vacancy in recent years.

New developments declined significantly already in 2002, and as a result office vacancies have been relatively stable during the past year, most recently even showing a falling trend.

Office vacancies in the County of Aarhus peaked in mid-2003 at around 6.2%. As appears from the figure below, vacancies had, however, dropped to 5.2% by the end of 2003, the lowest level in more than 12 months.

Office vacancy in the County of Aarhus

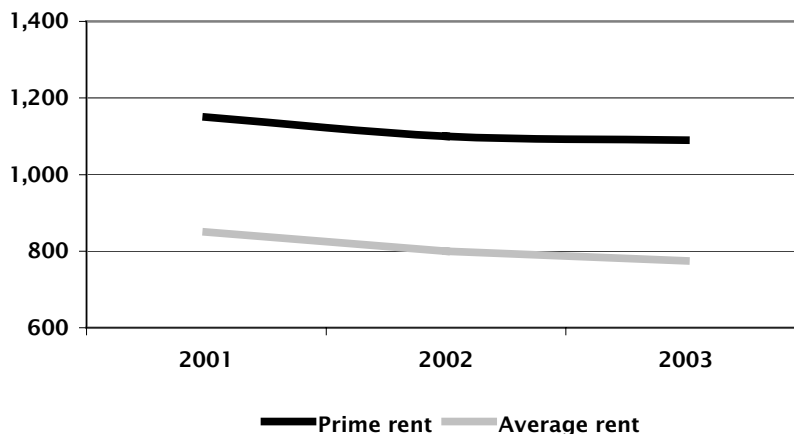


Source: Oline-Lokalebørs Statistikken

Office rents down but prime rates unlikely to decline further

As a result of relatively weak activity in the rentals market, rents have been declining since 2001, not least within leases of a more secondary quality.

Office rents in Aarhus CBD (DKK/sq. m. per year)



Source: Sadolin & Albæk

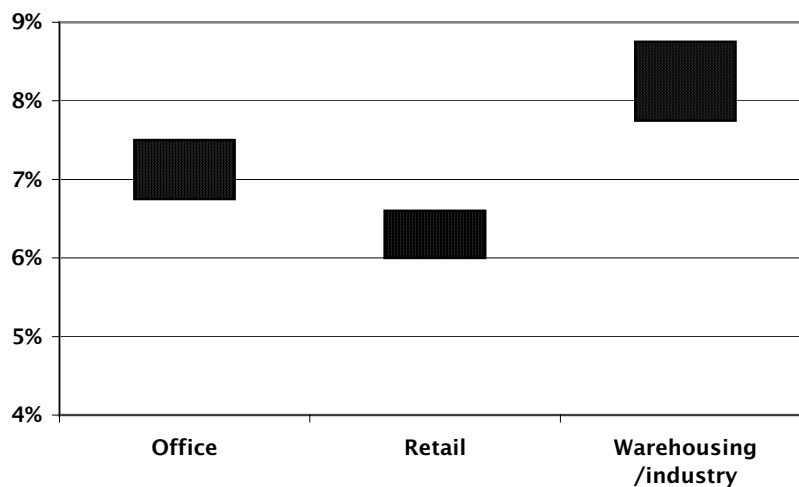
We believe that the rent level for office leases of a more secondary quality in Aarhus CBD may decline further due to the clear tendency of more and more companies demanding new and more modern office premises. We therefore see reason to assume that

prime office rents in Aarhus will stabilise and that market rents for modern office premises with good space utilisation may increase over the next 12-24 months.

Net initial yield requirements for property investments in Aarhus marginally higher than in Copenhagen

The Aarhus property investment market is to a very large extent dominated by local investors, but Danish institutional investors have also shown a healthy interest in the market for prime office and retail property in particular. This makes for good liquidity in the market, and investor net initial yield requirements are only marginally higher than in the Greater Copenhagen area.

Net initial yield requirements for prime investment property in Aarhus



Source: Sadolin & Albæk

Within secondary property in terms of quality and location we even sometimes see transactions at net initial yields lower than those obtainable for comparable property in Greater Copenhagen. Presumably, this is mainly due to the supply of investment property being lower than local demand.

INTERNATIONAL PROPERTY MARKETS

In this issue of our NewsLetter, we have chosen to focus on the UK property market, which was very attractive in 2003, not least for Danish private investors and limited partnerships finding the very long-term leases and resulting highly attractive financing opportunities offered by this market appealing.

To a Danish investor used to investment property let on leases

with a term of up to 10 years, property let on leases with a term of 25 years or more is obviously extremely attractive.

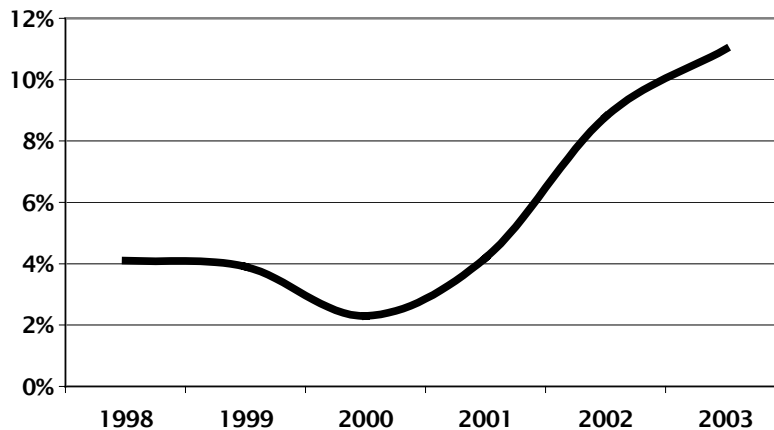
Despite strong economic trends in the UK, office vacancies have increased significantly

In 2003, the UK economy performed quite well as compared with the continental European economies, which generally experienced or were on the verge of recession.

Handsome growth in consumer spending, driven not least by very substantial increases in house prices and the resulting possibilities of mortgaging home equity, is an important factor in this connection. At the end of 2003, the Bank of England found it necessary to raise short-term interest rates in an attempt to curb price increases in the housing market.

Nevertheless, and despite a booming equity market, office vacancies in central London continue to rise.

Office vacancies in central London



Source: ONCOR International

As a result of the high vacancy rates, new developments have declined, and vacancies are therefore expected to become stagnant in 2004.

Market rents down by more than 20%

As in previous cycles, office rents in London have reacted strongly to these developments. During the 2000-2001 boom, annual increases in market rents for new lettings were between 20-25% p.a. In 2003, however, market rents fell by more than 20%.

As a consequence of the very long-term leases with upward only rent reviews such a decline in rents has no direct impact on the cash flows generated by an investment property let on a long-term

lease.

The dramatic market rent increase in 2000-2001 and the corresponding dramatic decline in 2003 pinpoint an important problem when investing in UK property. In the UK, rents are normally not indexed, and an improvement of investors' current cash flows is therefore subject to rent increases at the rent reviews that normally take place at predetermined times every five years.

An investor letting an office property in central London which had a rent review in 2001 will typically have achieved a substantial rent increase applicable for the remainder of the very often long security of tenure. Had the rent review been held in 2003, the investor would not have achieved nearly the same cash flow increase, and he would therefore have had to accept his rent remaining unchanged until 2008. Accordingly, this investor would have to live in the hope that the rental market will be at its peak the next time a rent review is due.

Stable net initial yields on prime office property let on long-term leases

The weak rental market has had no appreciable effect on the investment climate or on the price level of property let on long-term leases. Consequently, the net initial yield on prime investment property let on long-term leases is stable at 6.25-6.50%. The market is to a very large extent dominated by foreign investors demanding strong cash flows that seem attractive relative to the level of interest rates.

Prices on property subject to high vacancy rates or let on short-term leases, on the other hand, have obviously declined significantly, and there is no doubt that more speculative investors are now ready to enter the market for this type of much more risky property investments.

Retail property market significantly outperformed office property market

The majority of Danish private investors in the UK market are looking for retail property because their investments are motivated to a large extent by tax considerations.

A logical corollary of the positive trend in consumer spending is that the retail property market has performed much better than the office property market. In fact, we have seen a slight increase in average market rents, and retail property prices have typically risen by 5-10%.

However, investing in this market is not without its risks. The favourable developments in the retail trade are to a large extent attributable to low interest rates and surging house prices, allowing UK home owners to mortgage their considerable home equity to finance increased spending.

However, analysts are increasingly warning against the risk of a

collapse in an overheated housing market. If this situation materialises, it would seriously affect consumer confidence and, hence, consumer spending.

Therefore, investors in the UK market for retail property should in our opinion be extremely careful not to base their investments on expected rent increases from rent reviews to be held within the next 12-36 months.

In connection with high-leverage property investments in the UK, we often experience that the annual income from net property operations is insufficient to service the loans. Since rental income is not indexed, a positive cash flow less loan financing costs will not be achieved until a rent review has secured an adequate rent increase. If such an increase does not materialise at the first rent review, the investor may risk generating a negative cash flow after financing costs for a period of between six and nine years.

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