

CITYCON NORWEGIAN ASSET TOUR 22.09



Brief market update by Pangea Property Partners



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| 2 | Property market | 20 |
| 3 | Retail market | 27 |



INTRODUCTION

- General information

GENERAL INFORMATION

| | |
|------------------------------|---|
| Population/work force | 5.2 million / 2.7 million |
| Area | 385,178 (km ²) / 148,718 (mi ²) |
| Capital of Norway | Oslo |
| GDP (2014) - Total | USD ~500bn |
| - GDP per capita | USD ~95,000 |
| Government | Unitary parliamentary constitutional monarchy |
| - Monarch | Harald V |
| - Government in charge | Coalition between the Conservative party (C) and the Progress Party (PRP) |
| - Prime Minister | Erna Solberg (C) |
| Corporate gains tax | 27 % |
| Member of | European Economic Area (EEA), NATO, United Nations (UN), WTO |
| Currency | Norwegian Krone |
| Time zone | CEST (UTC/GMT +1 hours) |



GEOGRAPHICAL OVERVIEW



Norway has a total population of 5.2 million and a work force of 2.7 million (52 %)

NORWEGIAN ECONOMIC OUTLOOK

- Consumption remaining steady, GDP growth picks up by 2017 and unemployment no higher than 4.6 %

| Real economy (growth in %) | 2014 | 2015E | 2016E | 2017E | 2018E |
|--|------------|------------|------------|------------|------------|
| Gross domestic product | 2.2 | 1.4 | 1.2 | 2.2 | 2.0 |
| Mainland Norway | 2.2 | 1.3 | 1.8 | 2.9 | 2.5 |
| Household consumption | 2.0 | 2.6 | 1.8 | 3.0 | 2.7 |
| Government spending | 2.7 | 2.3 | 2.6 | 2.2 | 2.3 |
| Gross investments | 0.6 | -2.8 | 0.0 | 3.0 | 2.3 |
| Extraction and pipeline transport | -1.7 | -11.6 | -10.3 | -8.5 | -5.5 |
| Mainland Norway | 1.7 | 0.5 | 3.6 | 6.5 | 4.2 |
| Industry | 0.2 | -1.0 | 3.6 | 6.9 | 4.9 |
| Housing | -1.6 | 0.2 | 3.5 | 5.4 | 4.9 |
| Government | 8.2 | 3.5 | 3.8 | 7.1 | 2.3 |
| Demand from Mainland Norway ¹ | 2.1 | 2.1 | 2.4 | 3.6 | 2.9 |
| Export | 2.7 | 2.2 | 1.8 | 1.7 | 1.9 |
| Crude oil and natural gas | 1.5 | -0.1 | -0.5 | -0.2 | 0.3 |
| Traditional goods | 2.3 | 5.8 | 4.4 | 3.6 | 3.3 |
| Import | 1.9 | 3.0 | 2.5 | 2.9 | 2.9 |
| Traditional goods | -0.3 | 2.2 | 2.7 | 3.6 | 4.0 |

¹) Private consumption + government spending + gross fixed investment in Mainland Norway

²) CPI-ATE is CPI adjusted for tax changes and excluding energy products

| Labour market and prices (%) | 2014 | 2015E | 2016E | 2017E | 2018E |
|-------------------------------------|------------|------------|------------|------------|------------|
| Unemployment | 3.5 | 4.4 | 4.6 | 4.2 | 4.1 |
| Annual wages | 3.1 | 2.8 | 2.9 | 2.8 | 3.0 |
| CPI (used for adjustment of leases) | 2.0 | 2.1 | 2.9 | 2.0 | 1.8 |
| CPI-ATE ² | 2.4 | 2.6 | 2.5 | 1.9 | 1.8 |
| Export prices, traditional goods | 4.1 | 3.3 | 0.2 | 1.3 | 1.5 |
| Import prices, traditional goods | 5.5 | 4.4 | 1.8 | 1.0 | 1.0 |
| Housing prices | 2.7 | 5.7 | 2.7 | 4.3 | 2.2 |

- GDP growth back to 2.2 % by 2017
- CPI steady between 2.0-2.5 % - expected at 2.9 % in 2016
- Household consumption to grow by 2.6 % in 2015 and 3.0 % in 2017
- Gross investments in the oil sector decreasing by ~10 % next 2 years
- Unemployment expected to peak at 4.6 % and stabilize just above 4 %
- Annual wage growth remains stable around 3 % going forward

Norwegian inflation expected at 2.0-2.5 % going forward – 2.9 % in 2016

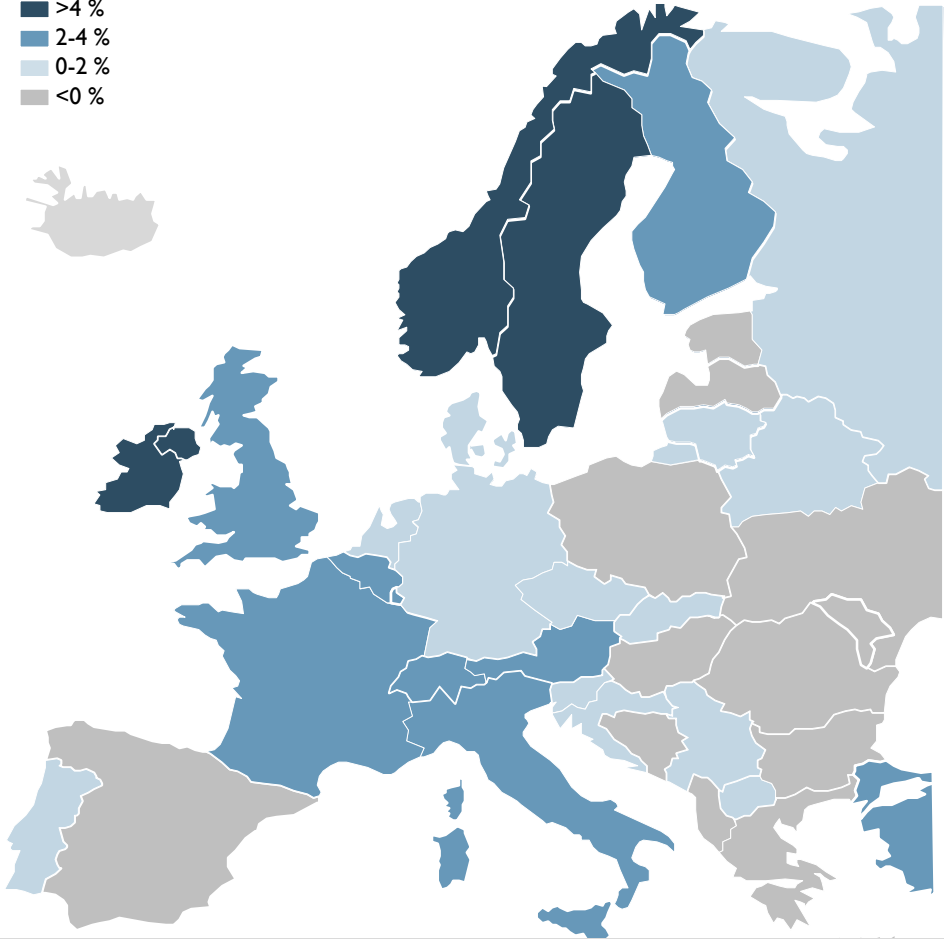
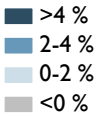
NORWEGIAN DEMOGRAPHICS

- Strong population growth mainly driven by net migration

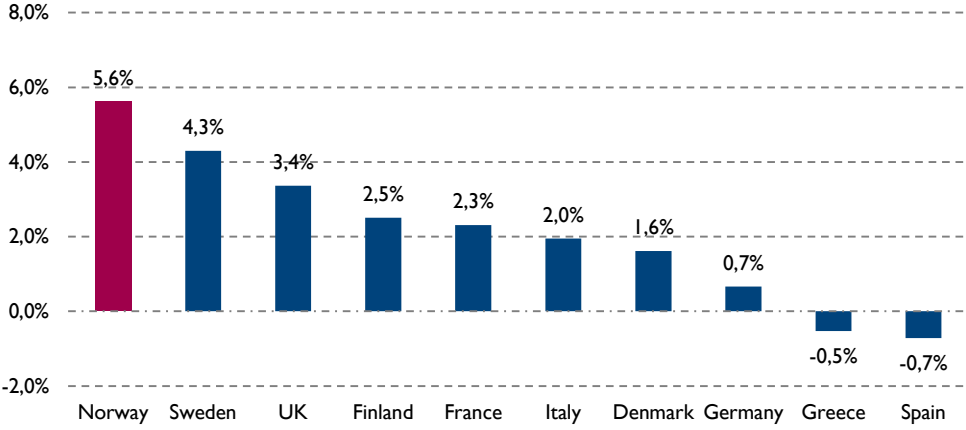
COMMENTS

- Norway has among the strongest population growth in Europe driven by:
 - Positive net births (increasing birth ratio, aging population)
 - Positive net migration (more people coming to than leaving Norway)
- Norwegian population estimated to grow by 1.1 % (represents +50,000 inhabitants) per annum up to 2020
- Oslo is among the fastest growing metropolitan areas in Europe
- Total population of Norway expected to pass 5.5 million people by 2020

FORECASTED POPULATION GROWTH, EUROPE (2015-2020F)



FORECASTED POPULATION GROWTH, EUROPE (2015-2020F)



Norway has among the strongest population growth in Europe

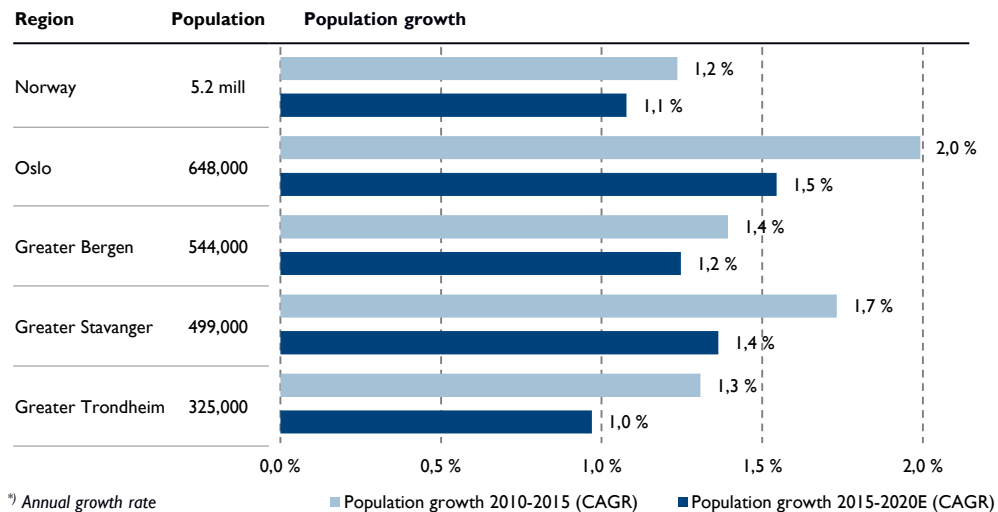
NORWEGIAN DEMOGRAPHICS (CONT'D)

- Oslo driving the population growth in Norway

GENERAL TRENDS

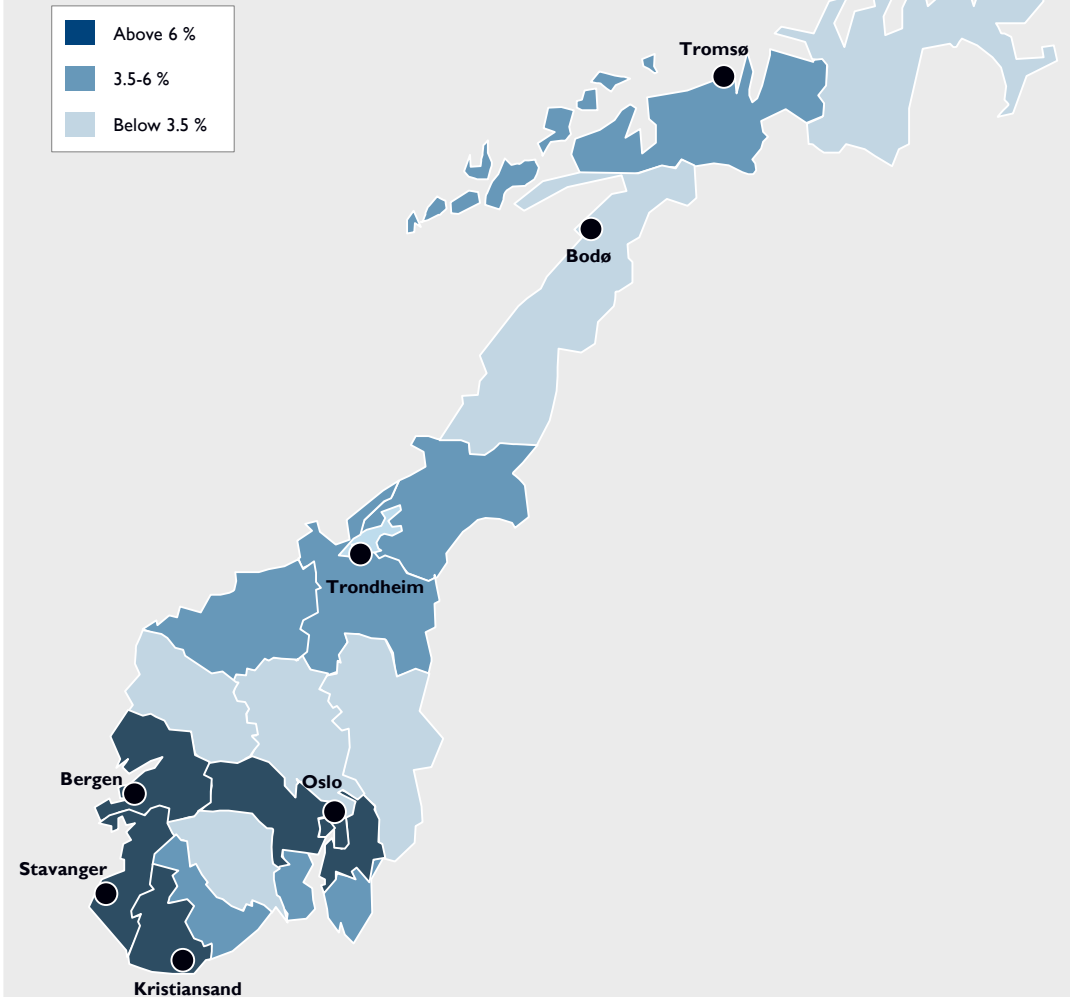
- Norway is experiencing steady population growth going forward, with an annual growth rate of ~1.1 % until 2020
- Immigrants account for a large part of this growth, and today, the immigrant population (including their children born in Norway) amounts to about 15 % of the total population
- The major cities of Norway are accounting for the highest growth rate, with Oslo in the lead, expected to grow by more than 8 % by 2020

POPULATION GROWTH IN LARGER NORWEGIAN CITIES*



* Annual growth rate

POPULATION GROWTH NORWAY (2015-2020F)

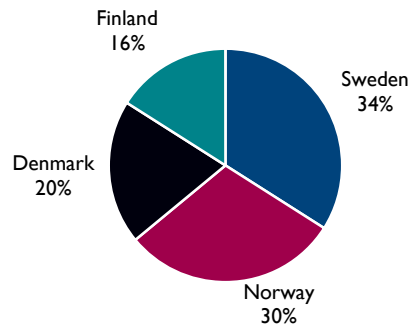


GROSS DOMESTIC PRODUCT

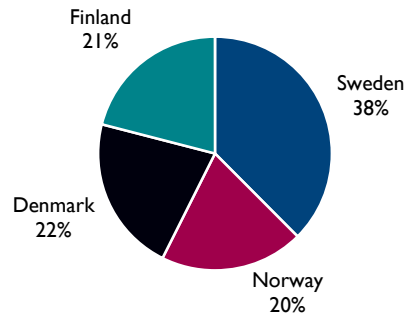
- Oil and gas exports provide a GDP per capita above European average

NORDICS IN EUROPEAN CONTEXT

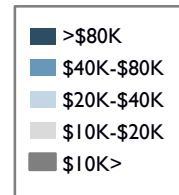
NORDIC GDP 2014 – US ~1,700bn (13 % of Europe)



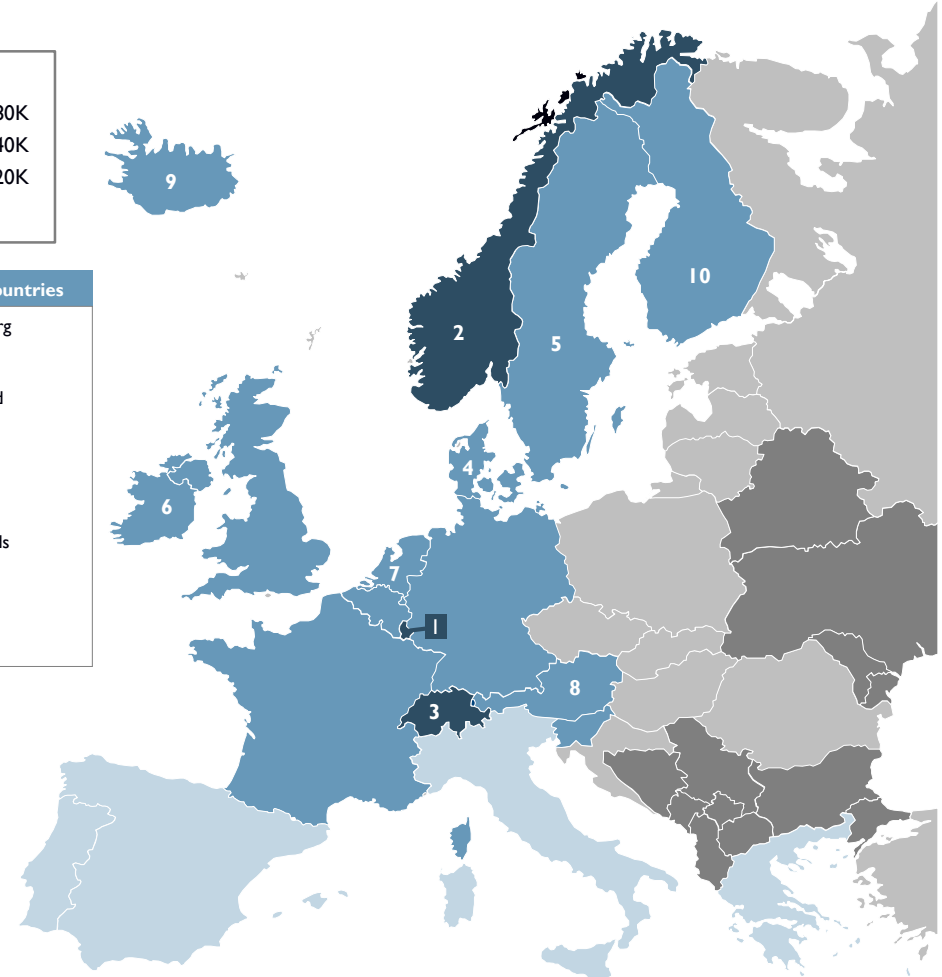
NORDIC POPULATION – 26 mill (5 % of Europe)



GDP PER CAPITA IN EUROPE (2014)



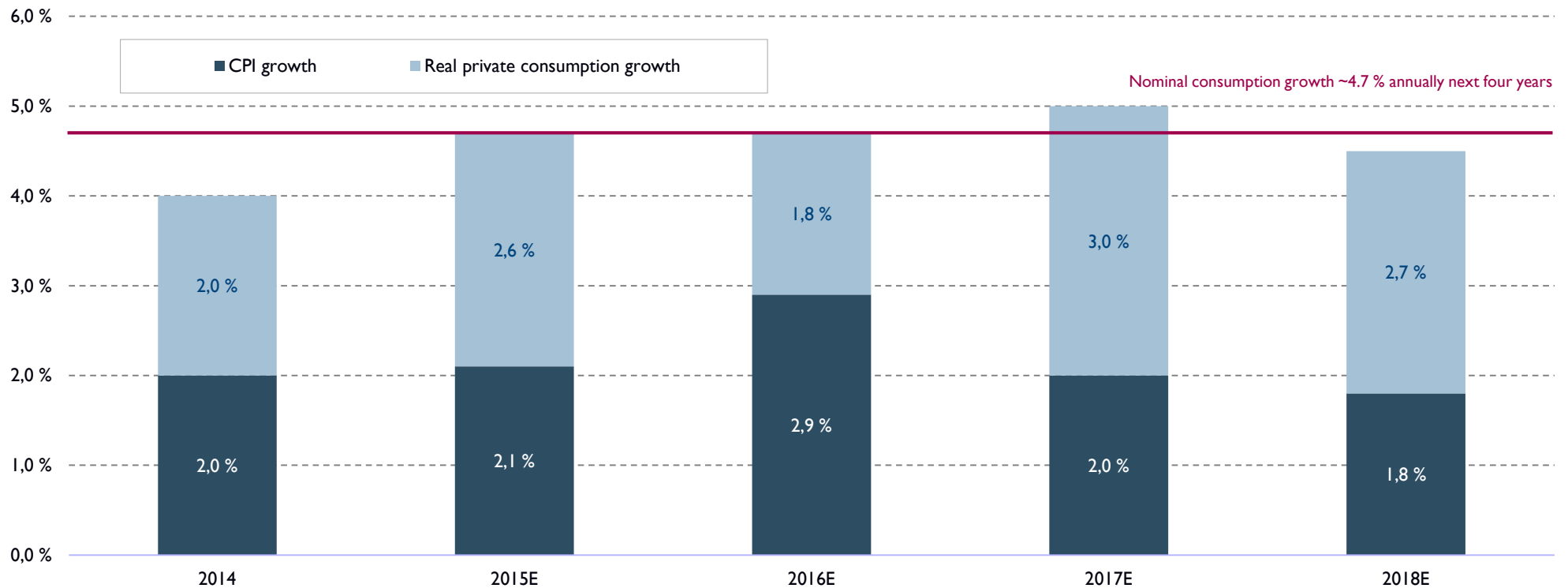
| Top ten countries | |
|-------------------|-------------|
| 1 | Luxembourg |
| 2 | Norway |
| 3 | Switzerland |
| 4 | Denmark |
| 5 | Sweden |
| 6 | Ireland |
| 7 | Netherlands |
| 8 | Austria |
| 9 | Iceland |
| 10 | Finland |



Norway has the second highest GDP per capita in Europe and accounts for ~1/3 of the Nordic economy

CONSUMPTION GROWTH

- Strong consumption growth in Norway in the coming years



Contributing factors for real consumption growth going forward

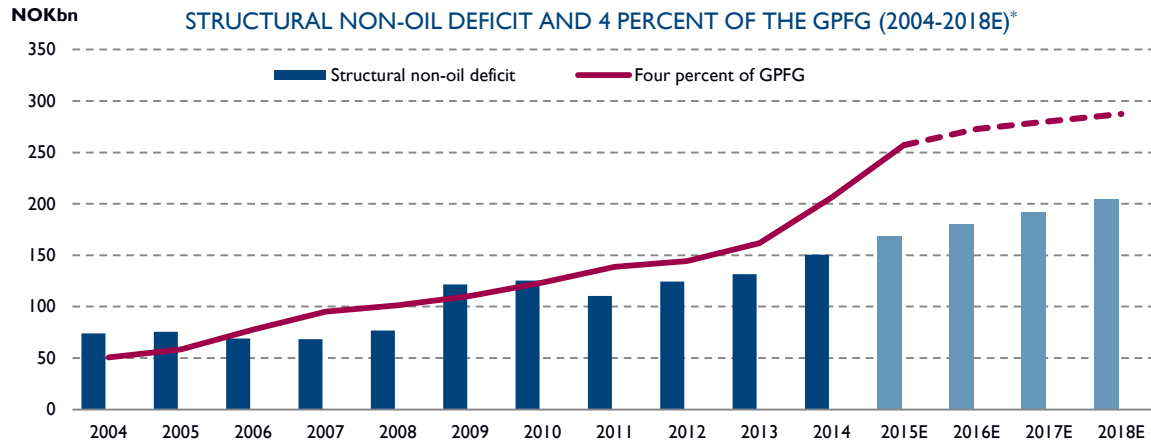
- Real wage growth estimated at around 3 % annually next four years
- Population growth in Norway projected at annually 1.1 % towards 2020
- Unemployment is not expected to go beyond 4.6 % despite drop in oil prices

Norwegian consumption expected to have a nominal growth of ~4.7 % annually over the next four years

PETROLEUM FUND, IMPORTS AND EXPORTS

- Gas and petroleum exports provides Norway with one of the largest sovereign wealth funds in the world

THE GOVERNMENT PENSION FUND GLOBAL (GPFG)



* Displayed in constant 2015 prices.

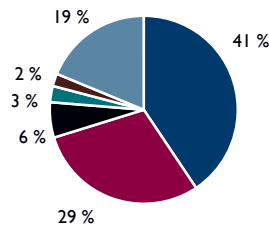
The Government Pension Fund Global (GPFG)

- Facilitating and long-term management of Norwegian petroleum revenues
- One of the largest sovereign wealth funds in the world
- Does not make investments in Norway
- Budgetary rule
 - Within a business cycle, the government may only spend the expected real return of the fund (estimated at 4 %)
 - Budgetary rule helps gradually phase petroleum revenues into the economy

Norwegian fiscal policy is supported by one of the largest sovereign wealth funds in the world (US ~880bn as of June 2015)

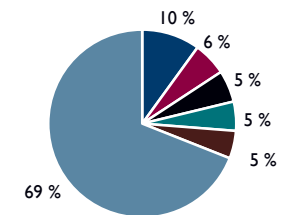
TOP 5 EXPORTS 2014

| | | |
|--------------------------------|----------|--------|
| 1 Petroleum | USD 56bn | 40.6 % |
| 2 Gas | USD 41bn | 29.6 % |
| 3 Fish/seafood | USD 8bn | 6.1 % |
| 4 Non-ferrous metals | USD 4bn | 2.8 % |
| 5 General industrial machinery | USD 3bn | 2.2 % |
| 6 Others | USD 26bn | 18.7 % |



TOP 5 IMPORTS 2014

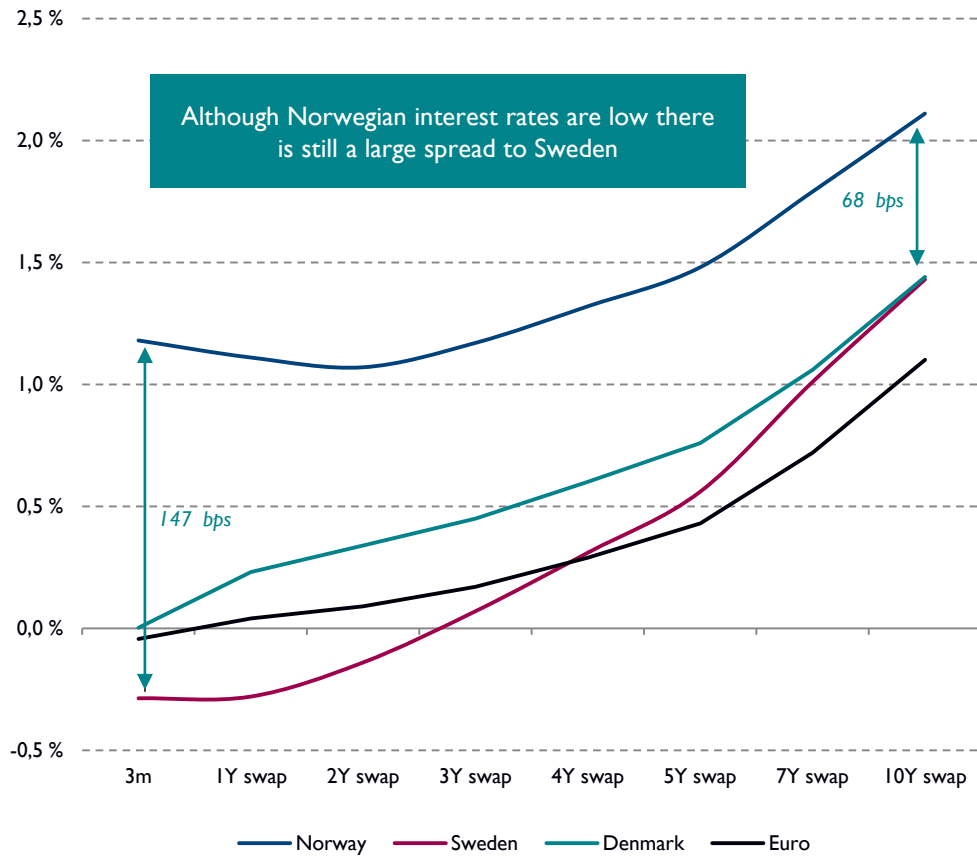
| | | |
|---------------------------------------|----------|--------|
| 1 Road vehicles | USD 9bn | 10.0 % |
| 2 General industrial machinery | USD 5bn | 5.8 % |
| 3 Electrical machinery | USD 5bn | 5.5 % |
| 4 Other transport equipm. incl. ships | USD 4bn | 5.0 % |
| 5 Petroleum, petroleum products | USD 4bn | 4.8 % |
| 6 Others | USD 59bn | 69.0 % |



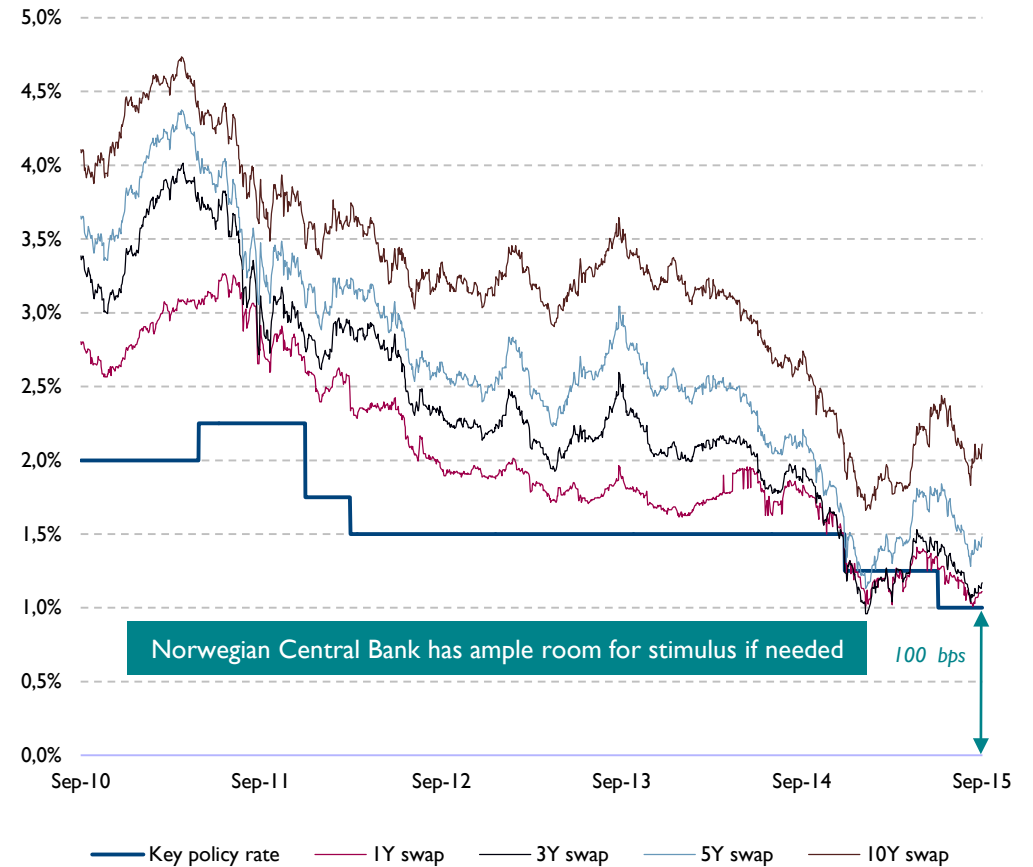
INTEREST RATES

- Norwegian interest rates are historically low, but still a large spread to the rest of the Nordics

INTEREST RATE TERM STRUCTURE – NORDICS



MAIN INTEREST RATES IN NORWAY (2010-2015)



Norwegian Central Bank has ample room for stimulus if needed

HISTORICAL FX RATES

- Norwegian and Swedish krone vs Euro last 10 yrs



IMPLICATIONS FOR SEKTOR ACQUISITION

PROS

- A weaker krone results in **imported inflation** – Norway has among the highest inflation rates in Europe (2016-prognosis at 2.9 %)
- Norwegians now reduce their traveling and shopping trips, thereby **spending more in Norwegian shopping centers**
- A weaker currency helps Norwegian exporting industries

CONS

- Short-term valuations and earnings trajectory for Sektor as a part of Citycon
- Weaker krone hurts Norway's import-based industry (hurting, for example, shopping center tenants)

NOK has seen depreciation in recent months, but analyst consensus expects gradual appreciation in the next twelve months

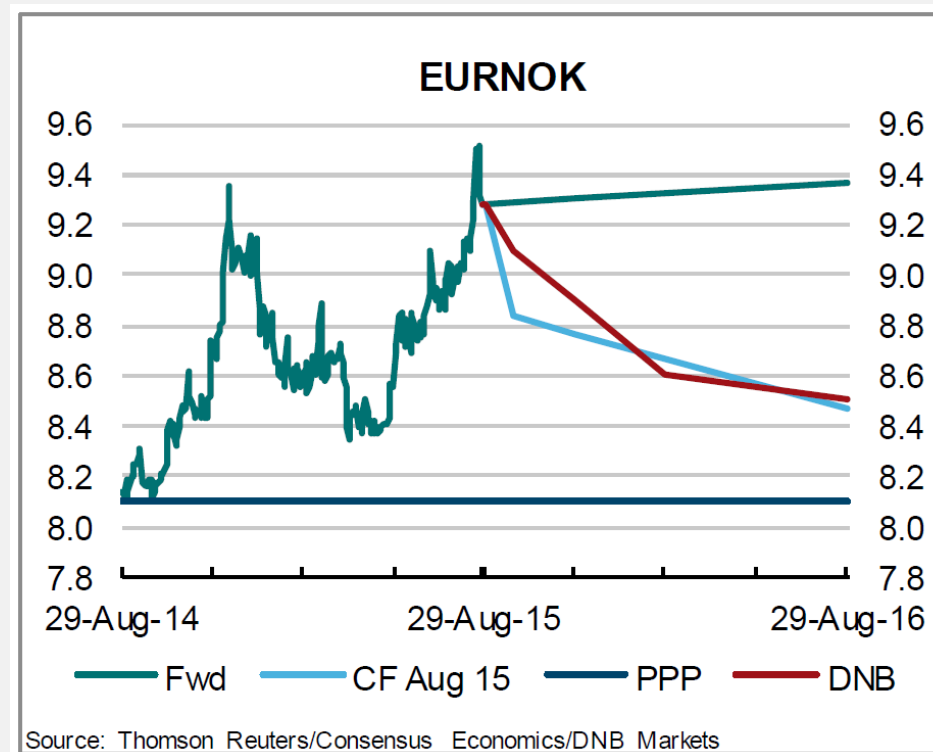
FX FORECAST FROM DNB MARKETS

- NOK was recently revised down, but with expectations of gradual improvement going forward

FROM DNB MARKET'S LATEST FX REPORT IN AUGUST:



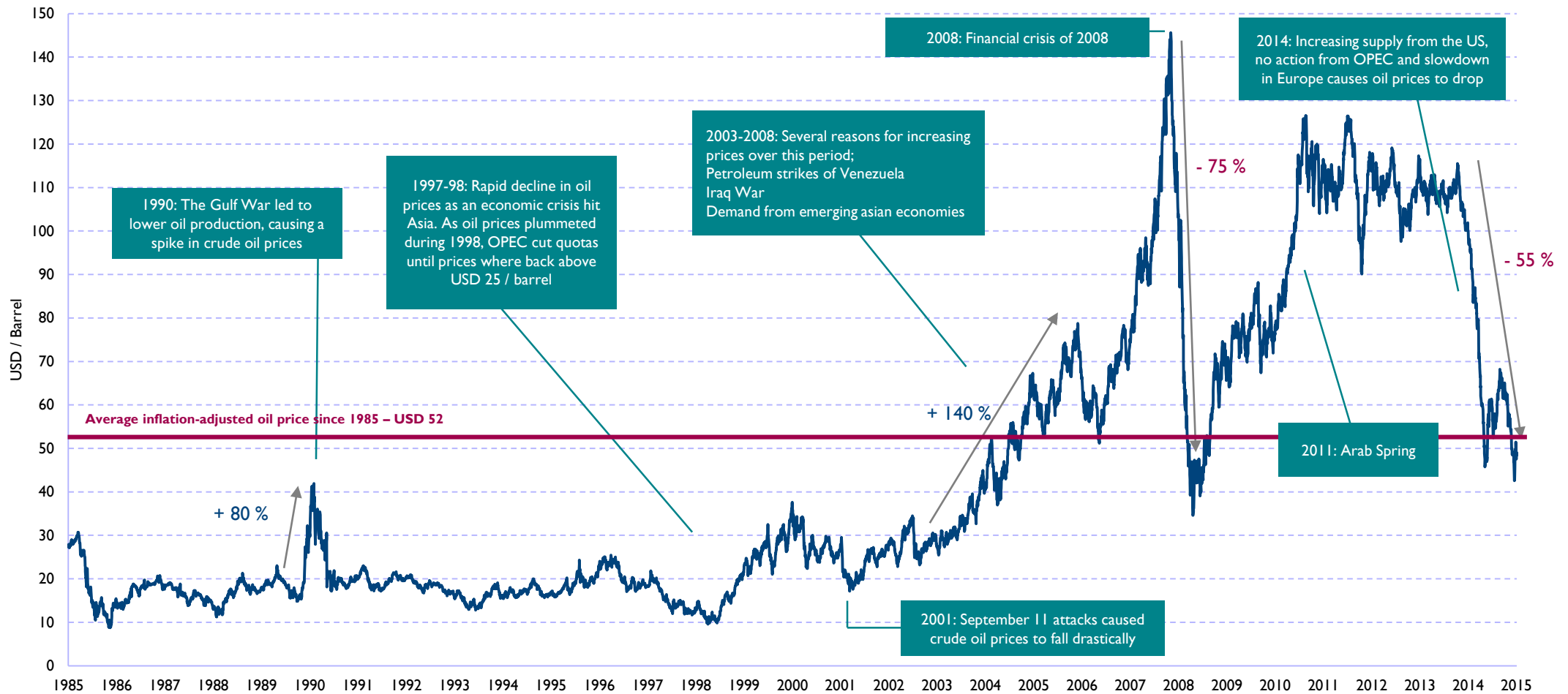
- Our NOK score is revised down from - 0.33 to -0.83 this month.
- The score indicates a negative view on the NOK going forward.
- We expect the NOK sentiment to improve gradually going forward, as we expect oil prices to pick up and commercial demand for NOK to resurface.
- However, sentiment will remain weak for some time, as the ripple effects of the oil induced slowdown becomes evident and Norges Bank cut rates, making any strengthening of the NOK gradual.



| EURNOK | 1 month | 3 months | 12 months |
|-------------|---------|----------|-----------|
| DNB Markets | 9.10 | 8.90 | 8.50 |
| Consensus | 8.84 | 8.76 | 8.47 |
| Forward | 9.29 | 9.30 | 9.37 |

HISTORICAL OIL PRICE DEVELOPMENT (BRENT)

- Oil prices highly volatile to geopolitical events, especially in the Middle East



Despite a 55 % drop in oil prices, we are currently at a 30-year historical average

PETROLEUM SECTOR EMPLOYMENT

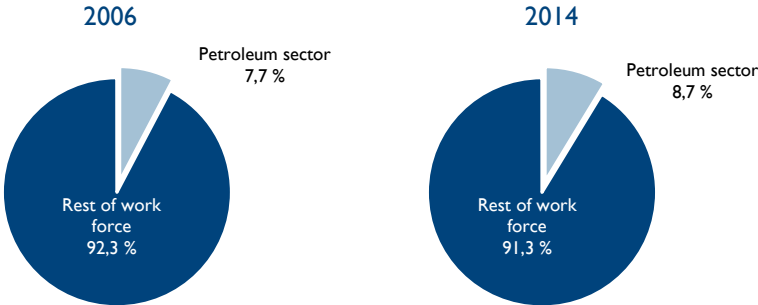
- Petroleum sector employment account for about 8-9 % of the Norwegian work force

EMPLOYMENT IN THE PETROLEUM SECTOR

- Since the oil price started dropping in the Summer of 2014, Norway has experienced increasing unemployment growth, although from a very low level of around 3.5 %
- Latest unemployment figures from Statistics Norway report of unemployment rate at 4.5 % - a 50 bps increase so far in 2015
- Although the petroleum sector accounts for some 20 % of Norway's GDP, number of employed people in the sector only amount to 8-9 % of the total work force



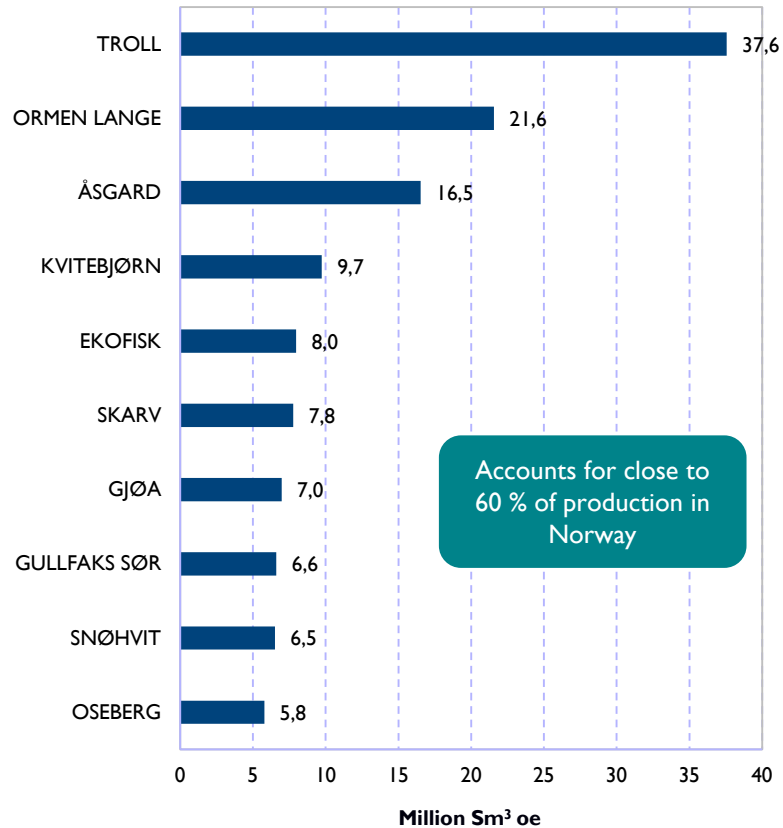
PETROLEUM SECTOR'S SHARE OF TOTAL WORK FORCE:



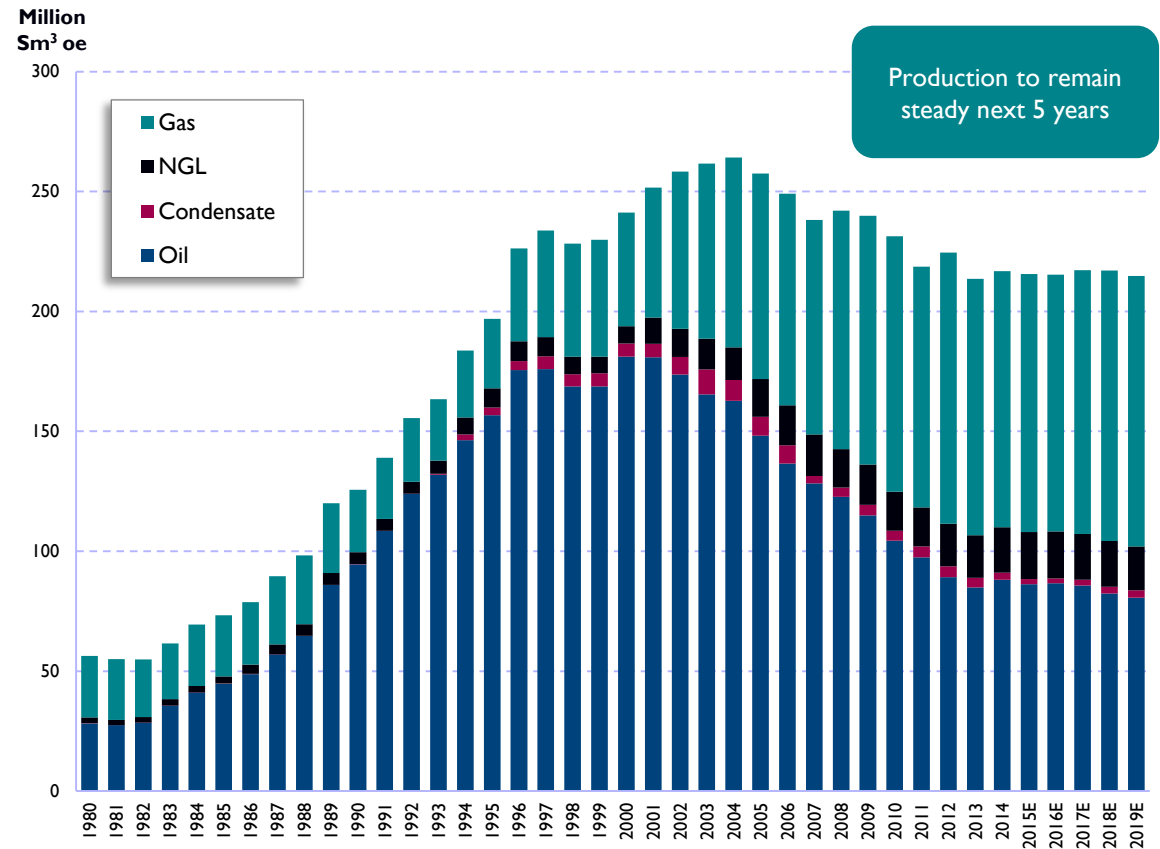
NORWEGIAN CONTINENTAL SHELF

- Drop in oil price has limited effect on production next five years

10 MOST-PRODUCING OIL FIELDS IN NORWAY (2014)



HISTORICAL AND EXPECTED PRODUCTION IN NORWAY (1980-2019E)

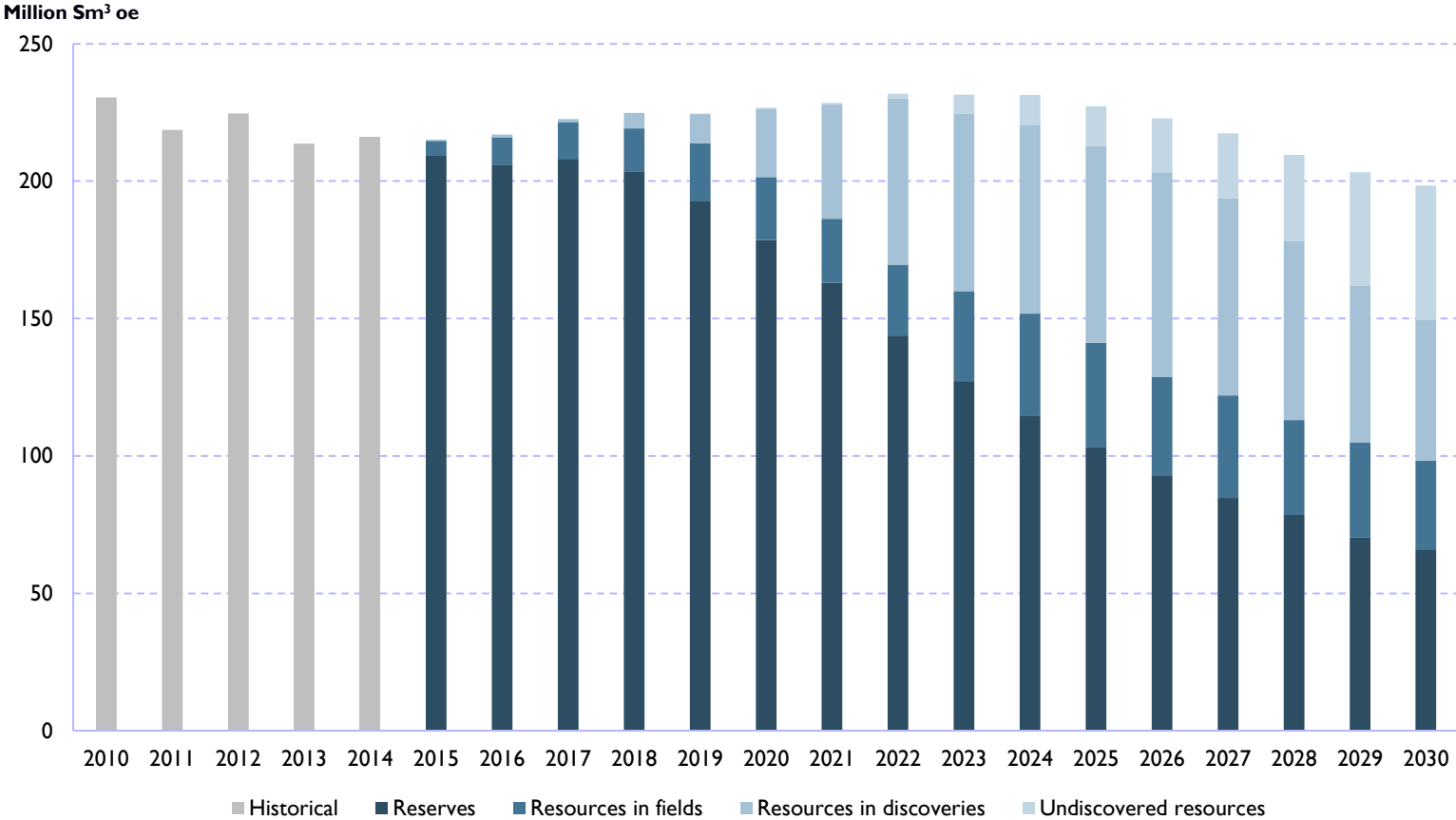


Production on the Norwegian Continental Shelf to remain steady next five years

NORWEGIAN CONTINENTAL SHELF (CONT'D)

- Expected production based on resource categories

HISTORICAL AND EXPECTED PRODUCTION OF OIL AND GAS IN NORWAY, DIVIDED BY RESOURCE CATEGORY (2010-2030)



Note: These figures are based on a resource report, which is published every other year by the Petroleum Directorate. The latest report was published in March of 2014

Stable production going forward with significant resources on the Norwegian Continental Shelf



BREAK-EVEN FOR DEVELOPING OR EXPECTED OIL FIELDS

- 80 % of development in the North Sea will be profitable with an oil price between 40-60 dollars / barrel

BREAK-EVEN OIL PRICE AND TOTAL RESOURCES*

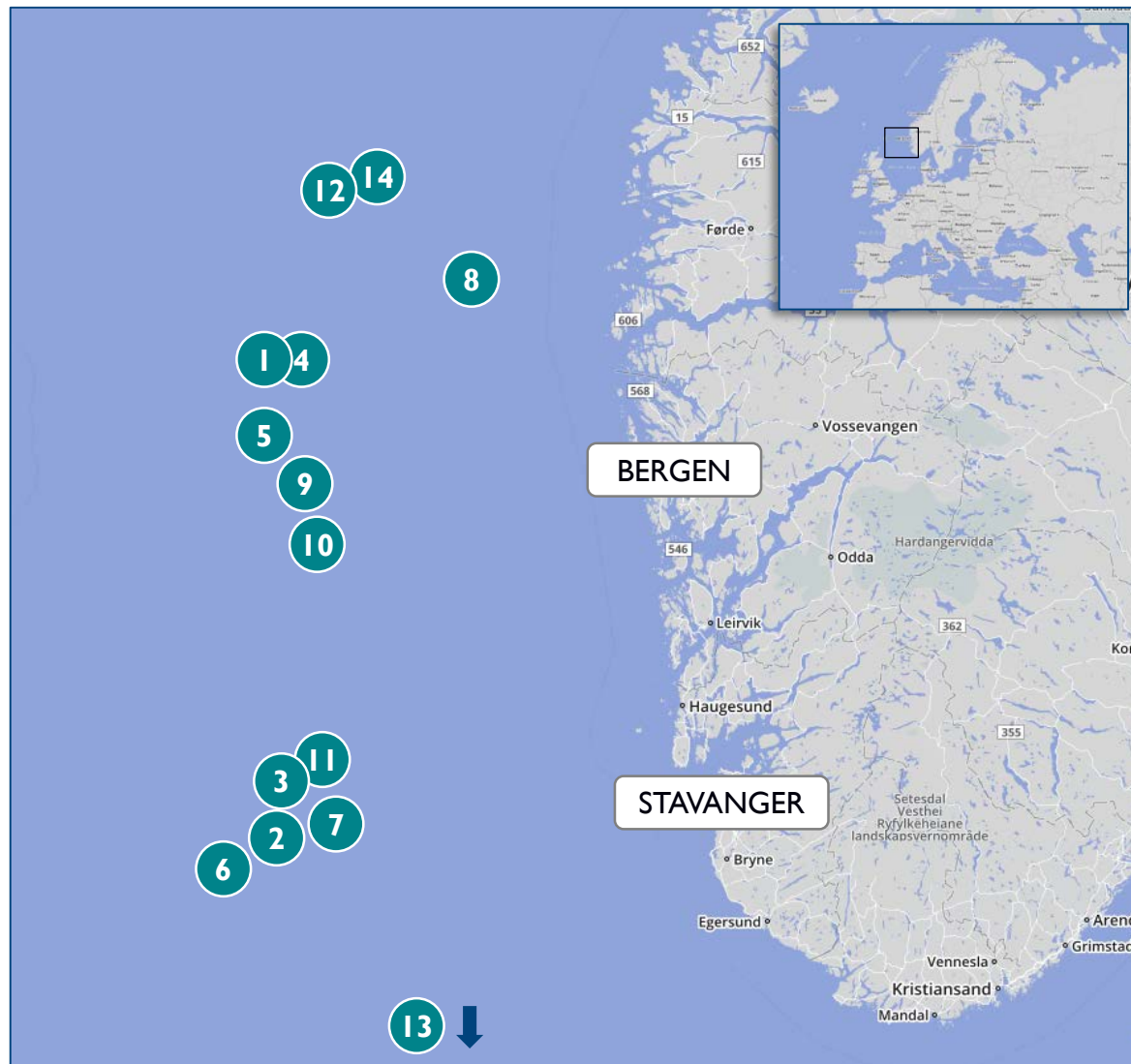
| Nr Field | Type | Operator | Resources (mill. Sm ³ oe) | Break-even price (USD) | Planned development and operation | Start-up year |
|-------------------------|------------|----------------|--------------------------------------|------------------------|-----------------------------------|---------------|
| 1 | Gas | Statoil | 23 | 21 | 2012 | 2015 |
| 2 | Oil | Lundin | 191 | 32 | 2012 | 2015 |
| 3 | Oil | DNO | 190 | 55 | 2013 | 2016 |
| 4 | Gas | Statoil | 79 | 60 | 2015 | 2017 |
| 5 | Gas | Total | 154 | 65 | 2012 | 2017 |
| 6 | Oil | Statoil | 300 | 43 | 2013 | 2017 |
| 7 Johan Sverdrup | Oil | Statoil | 2,460 | 41 | 2015 | 2020 |
| 8 | Oil | Wintershall | 139 | 67 | 2016 | 2021 |
| 9 | Oil | Statoil | 77 | 45 | 2019 | 2022 |
| 10 | Oil | Centrica | 90 | 80 | 2018 | 2022 |
| 11 | Oil | Statoil | 73 | 65 | 2016 | 2022 |
| 12 | Oil | Statoil | 247 | 79 | 2018 | 2023 |
| 13 | Gas | Statoil | 85 | 95 | 2019 | 2023 |
| 14 | Oil | Total | 67 | 82 | 2020 | 2024 |

* Sorted by start-up year



Source: Rystad Energy, Norwegian Petroleum Directorate

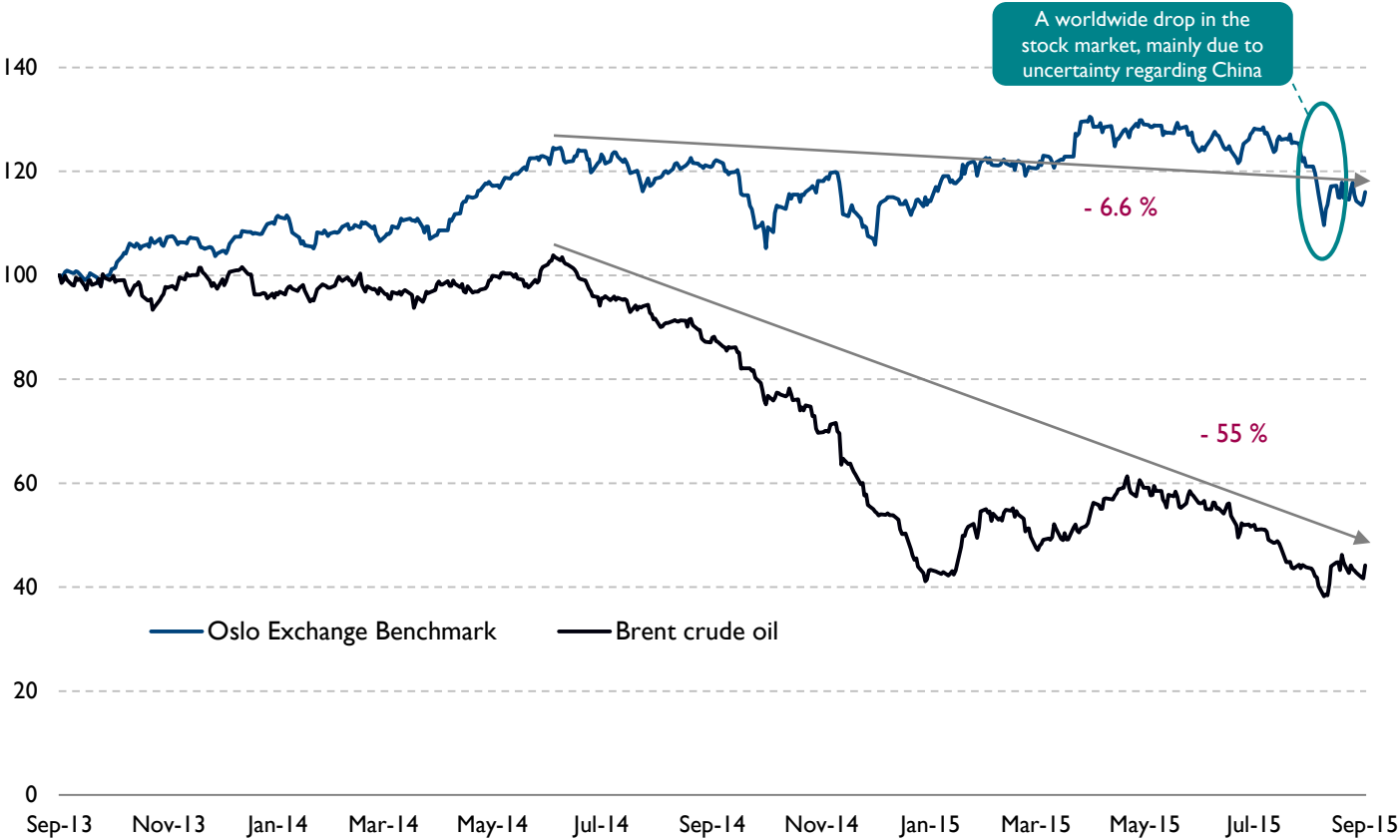
CURRENTLY DEVELOPING OR EXPECTED DEVELOPED OIL AND GAS FIELDS IN NORTH SEA



NORWEGIAN EQUITIES VS OIL PRICES

- Oslo Stock Exchange fairly unaffected by drop in oil prices

The development in oil prices and Oslo Stock Exchange last two years (indexed)



Norwegian equities have remained stable despite a 55 % drop in oil prices

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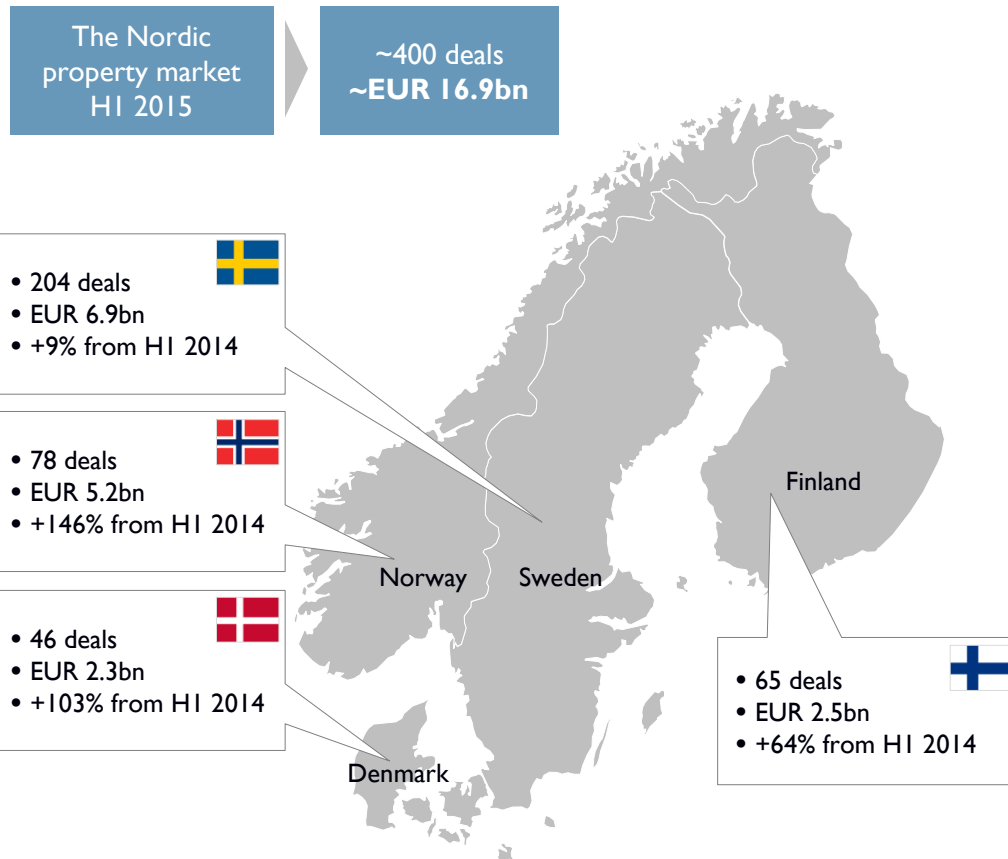
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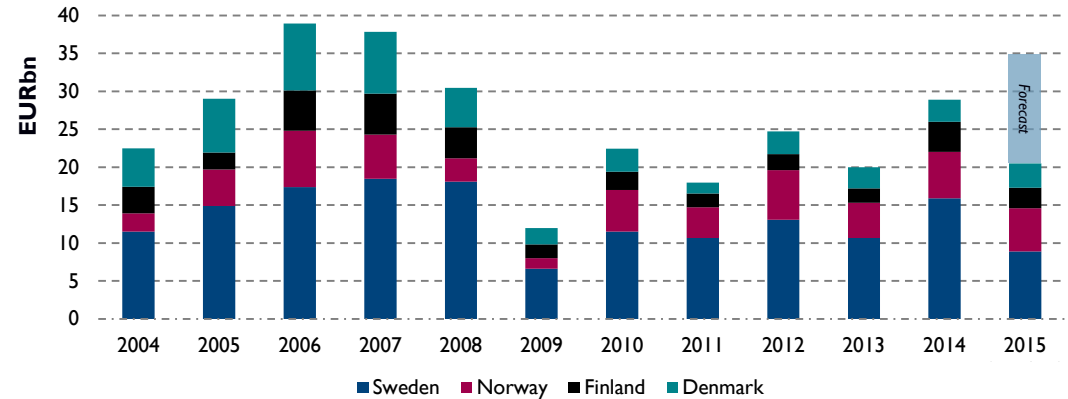
NORDIC TRANSACTION MARKET

- Strong first half of 2015 across the Nordics – Norway increased volume by ~150 % from HI 2014

NORDIC TRANSACTION MARKET SNAPSHOT (HI 2015)

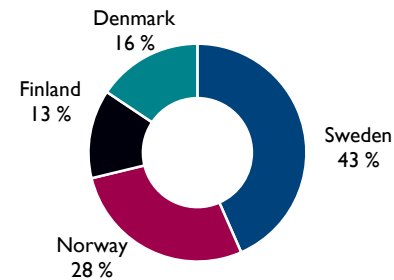


TRANSACTION VOLUME (2004-HI 2015)



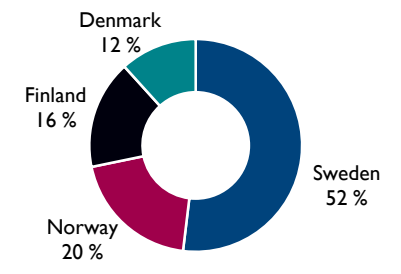
VOLUME BREAKDOWN (HI 2015)

Total transaction volume €16.9bn



DEALS BREAKDOWN (HI 2015)

Number of deals ~393



Comment: Based on transactions above €5m in property value

High transaction volume in the Nordics reaching almost EUR 17bn in HI 2015 – 55 % higher than HI 2014

NORDIC TRANSACTION MARKET

- One of the most liquid regions in Europe

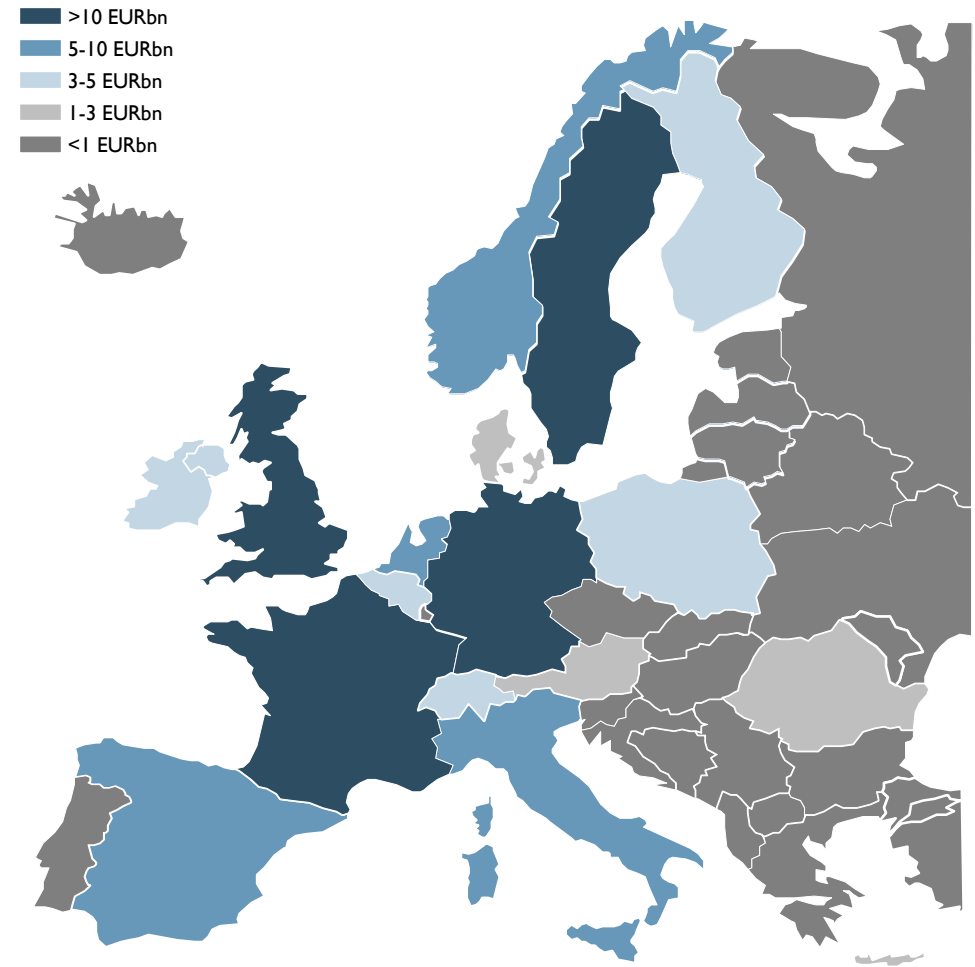
TRANSACTION VOLUMES 2014

| # | Country | EURbn |
|--------------|-------------|--------------|
| 1 | UK | 79.3 |
| 2 | Germany | 40.0 |
| 3 | France | 23.8 |
| 4 | Sweden | 15.9 |
| 5 | Netherlands | 9.8 |
| 6 | Norway | 6.1 |
| 7 | Spain | 5.5 |
| 8 | Italy | 5.1 |
| 9 | Ireland | 4.5 |
| 10 | Finland | 4.0 |
| 11 | Belgium | 3.4 |
| 12 | Poland | 3.1 |
| 13 | Switzerland | 3.0 |
| 14 | Denmark | 2.6 |
| 15 | Austria | 2.4 |
| 16 | Romania | 1.1 |
| 17 | Luxembourg | 1.0 |
| 18 | Portugal | 0.7 |
| 19 | Turkey | 0.7 |
| 20 | Hungary | 0.6 |
| - | Other | 1.6 |
| Total | | 214.3 |

TRANSACTION VOLUMES 2013

| # | Country | EURbn |
|--------------|-------------|--------------|
| 1 | UK | 65.0 |
| 2 | Germany | 30.6 |
| 3 | France | 15.1 |
| 4 | Sweden | 10.7 |
| 5 | Switzerland | 5.2 |
| 6 | Netherlands | 4.9 |
| 7 | Norway | 4.7 |
| 8 | Italy | 3.9 |
| 9 | Poland | 3.1 |
| 10 | Belgium | 2.5 |
| 11 | Denmark | 2.2 |
| 12 | Spain | 2.1 |
| 13 | Finland | 1.9 |
| 14 | Ireland | 1.9 |
| 15 | Austria | 1.8 |
| 16 | Turkey | 1.4 |
| 17 | Greece | 1.1 |
| 18 | Luxembourg | 0.9 |
| 19 | Romania | 0.5 |
| 20 | Ukraine | 0.4 |
| - | Other | 1.6 |
| Total | | 161.3 |

LARGEST EUROPEAN PROPERTY MARKETS (2014)



The Nordics account for 13-14% of total European transaction volume

CROSS-BORDER INVESTMENTS

- Large interest in the Nordics among international investors

| LAST 12M | SWEDEN | NORWAY | FINLAND | DENMARK |
|----------------------|---|---|---|---|
| CROSS-BORDER DEALS | <p>Domestic buyers 77% International buyers 23%</p> | <p>Domestic buyers 54% International buyers 46%</p> | <p>Domestic buyers 72% International buyers 28%</p> | <p>Domestic buyers 65% International buyers 35%</p> |
| INTERNATIONAL BUYERS | | | | |
| PAN-NORDIC BUYERS | | | | |

NORWEGIAN TRANSACTION MARKET

Fund liquidations and M&A activity boosts transaction levels for 2015

MARKET COMMENTS

Transactions

- ~80 transactions totaling NOK ~60bn in H1 2015
- Largest property transaction ever recorded in Norway – Citycon acquired Sektor Gruppen for NOK 12.3bn in May
- Prime yields in Oslo CBD are now at 4.25 %
- Expected total volume for 2015 up to NOK 90-100bn

Buyers and Sellers

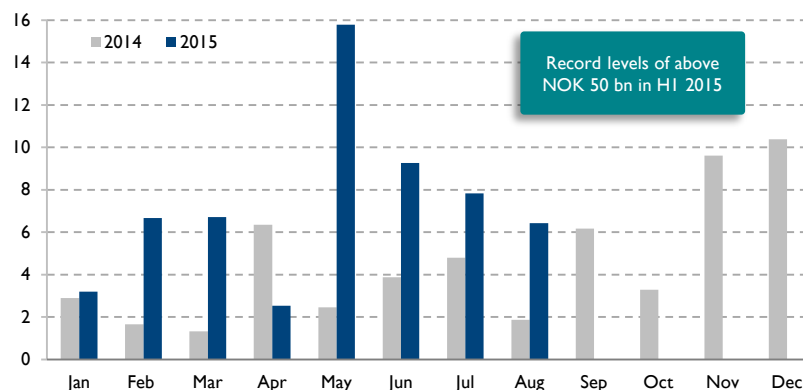
- International investors account for 45 % of H1 volumes vs 27 % for 2014
- Increasing consolidation in the shopping center market, with two large corporate transactions

Financing

- Banks' funding costs have stabilized somewhat since the beginning of the year.
- Prime assets can attract bank financing up to ~70 % LTV, at attractive credit margins
- Secondary assets will typically be financed up to 60 % LTV, with margins in the range of 175-200 bps
- Increased interest for alternative financing sources and especially secured bond structures

TRANSACTION VOLUMES

Monthly volume (NOKbn)



Annual volume (NOKbn)



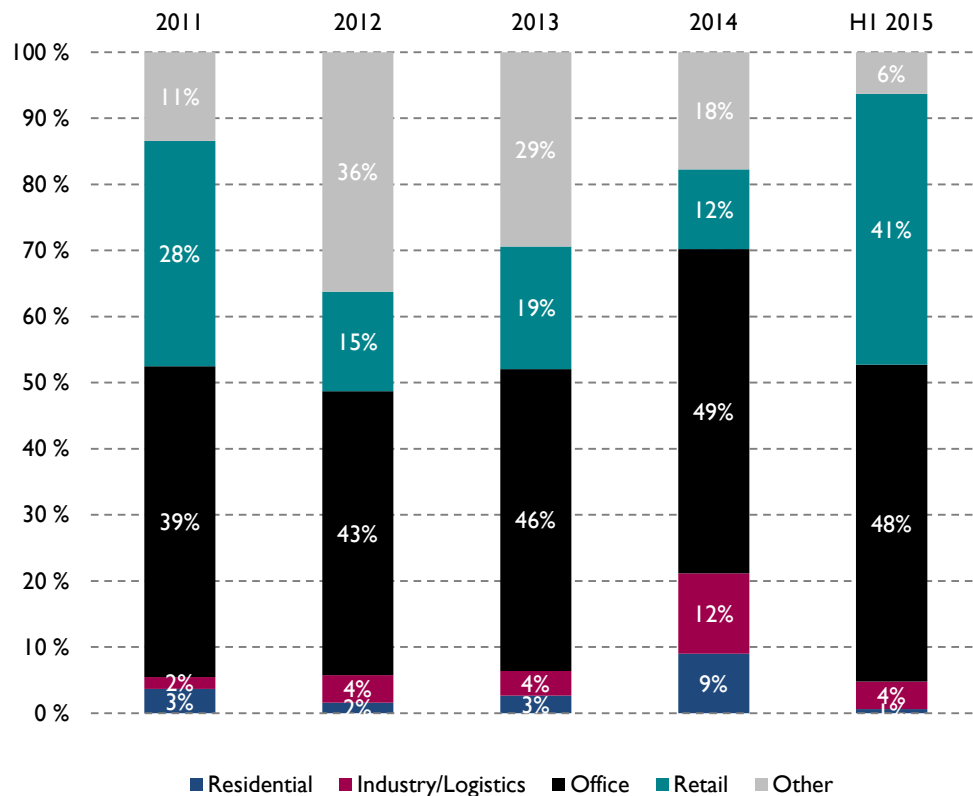
LARGEST TRANSACTIONS (2014-H1 2015)

| Transaction | NOKbn | Seller | Buyer |
|---------------------------------|-------|-------------------|------------------------------|
| Sektor Gruppen | 12.3 | SEKTOR GRUPPEN | CITYCON |
| Salto Eiendom | 5.0 | SALTO EIENDOM AS | SCHAGE |
| Fortin portfolio | 4.7 | FORTIN PROPERTIES | STARWOOD CAPITAL GROUP |
| Obligo portfolio (Norway) | 3.7 | AGASTI HOLDING | Blackstone |
| 75 % of Storebrand Eiendomsfond | 3.7 | Fund structure | Partners Group |
| Aberdeen Norge II | 3.6 | Fund structure | ALP |
| Statoil HQ (Stavanger) | 2.5 | Statoil | ColonyCapital |
| 60 % of Statoil HQ (Fornebu) | 2.2 | KOKSA et al. | MADISON INTERNATIONAL REALTY |

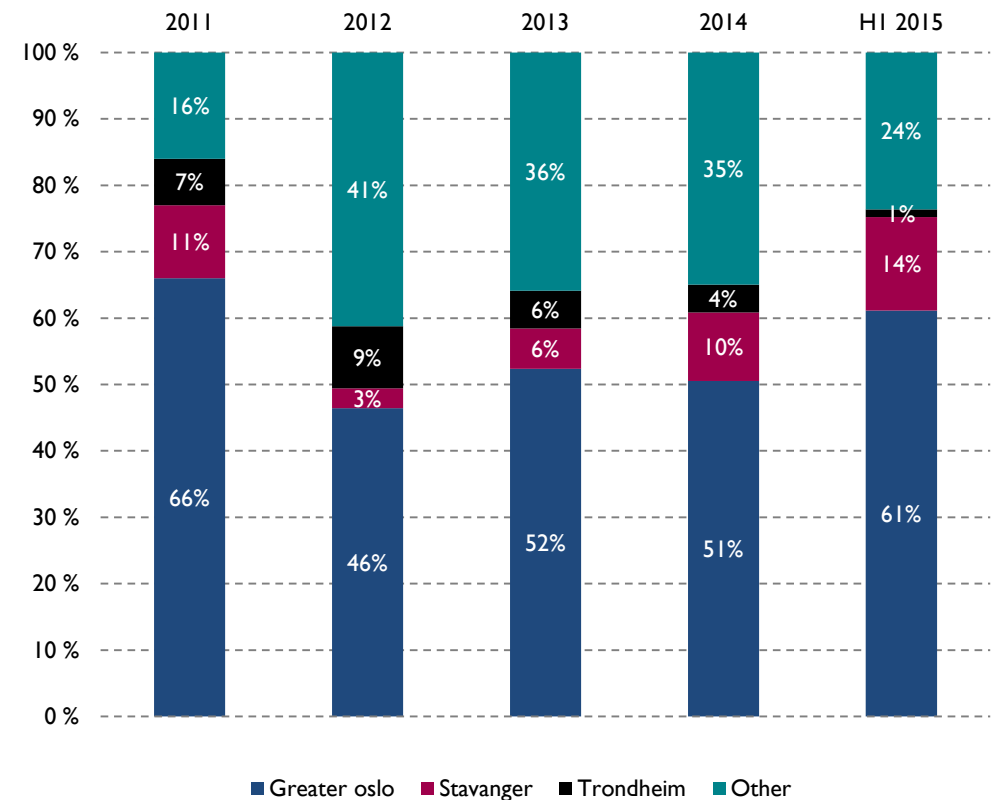
TRANSACTION MARKET BREAKDOWN

- Which markets and sectors are most popular?

SEGMENT BREAKDOWN (2011-HI 2015)



GEOGRAPHICAL BREAKDOWN (2011-HI 2015)*



* Excluding widely geographically spread portfolios

High volumes in retail segment during 2015 due to corporate transactions

Oslo has maintained stable transaction volume over the last years

INTERNATIONAL INVESTORS VERY ACTIVE IN NORWAY

Close to NOK 50bn of capital from international investors during the last 24 months

MARKET COMMENTS

- During the last two years, international investors have been increasingly more active in the Norwegian transaction market
- Foreign investors accounted for ~30 % of acquisitions in 2014
 - So far in 2015 their share is up to 45-50 %
- Mostly PE funds, institutions and other financial players
- American investors account for some 40 % of the international capital
- Several fund structure liquidations in the past year has provided the opportunity to build platforms in Norway
- Key concern among many international investors is in-place management or quality of local, external, asset managers
- Hemfosa was the first Swedish industrial player to seriously enter Norway – many other companies and institutions in Sweden are now looking at Norway as well

ACQUISITIONS MADE BY INTERNATIONAL INVESTORS LAST 24M

| Company | Country | Investments made last 24M | # Properties | Estiamted value (NOKm) |
|---|-------------|--|--------------|------------------------|
| Citycon | Finland | Sektor Gruppen Portfolio– 20 properties | 20 | 12.300 |
| Partners Group | Switzerland | 75 % of Storebrand Eiendomsfond, 4 properties | 34 | 5.300 |
| Starwood Capital Group | USA | Fortin portfolio (Norway) | 27 | 4.700 |
| Blackstone Real Estate Partners Europe IV | USA | Norwegian part of Obliogo | 16 | 3.700 |
| Madison International Realty | USA | Oslo high street, Statoil HQ in Oslo | 10 | 3.000 |
| Hemfosa Fastigheter | Sweden | Building with public tenants and 13 kindergarten | 21 | 3.100 |
| W. P. Carey | USA | Two properties in Stavanger and two in Oslo | 4 | 2.700 |
| Colony Capital | USA | Statoil HQ in Stavanger | 1 | 2.500 |
| Cyrus Capital Partners | USA | ~43 % of Aberdeen Eiendomsfond Norge II ASA | 18 | 2.100 |
| Technopolis | Finland | Office portfolio at Fornebu, Oslo | 3 | 1.300 |
| Pembroke Real Estate | USA | Majorstuen (Oslo) Office and retail | 2 | 800 |
| Tristan Capital Partners | UK | Grensen 5-7 in Oslo | 1 | 630 |
| Deka Immobilien | Tyskland | Bekkestua shopping mall | 1 | 500 |
| 90 North Real Estate Partners LLP | UK | Combination building outside of Oslo | 1 | 500 |
| Meyer Bergman | UK | Office property in Oslo | 1 | 300 |
| Patrizia Immobilien | Tyskland | Lille Grensen 5 in Oslo | 1 | 220 |
| Total – American investors | | | 78 | 19.300 |
| Total – European investors | | | 70 | 26.850 |
| Total – International investors | | | 148 | 46.150 |

International investors have been driving down transaction yields and creating high liquidity in the Norwegian property market

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NORWEGIAN SHOPPING CENTER MARKET

- Introductory comments

NORWEGIAN SHOPPING CENTER MARKET

- The total shopping center stock in Norway (excl. centers below 5,000 sqm in retail area) was 292 centers totaling some 4.6 million sqm of retail premises in 2014
 - **Sektor's portfolio* close to 9 % of total retail stock above 5,000 sqm**
 - Average shopping center size 15,500 sqm (retail space)
- For shopping centers with turnover above NOK 200m, ownership is highly consolidated among the top 5 shopping center companies and the major life insurance companies

*) Includes owned and partly-owned shopping centers

Norwegian lease contracts for retail premises

- A typical Norwegian lease contract portfolio for retail space normally has a fixed (CPI adjusted) lease (minimum rent) plus a small turnover element
- Typical lease duration is 3-5 years, mainly with no tenant protection for an automatic extension, but an option to prolong at market terms
- Common costs, including a relative share of common space, are normally covered by tenants



REGULATION OF SHOPPING CENTER SUPPLY

- Regulations to reduce development of new shopping centers

“SHOPPING CENTER STOP”

- In 1990, the Norwegian government introduced regulations aimed at strengthening local communities and cities by reducing the amount of new retail establishments outside urban areas. The regulations were dubbed “shopping center stop”
- The provision states that, without the consent of the local government, it is not allowed to develop shopping centers above 3,000 sqm. This also applies to retail extensions
- «Shopping center stop» effectively reduces the potential supply of greenfield development of new shopping centers



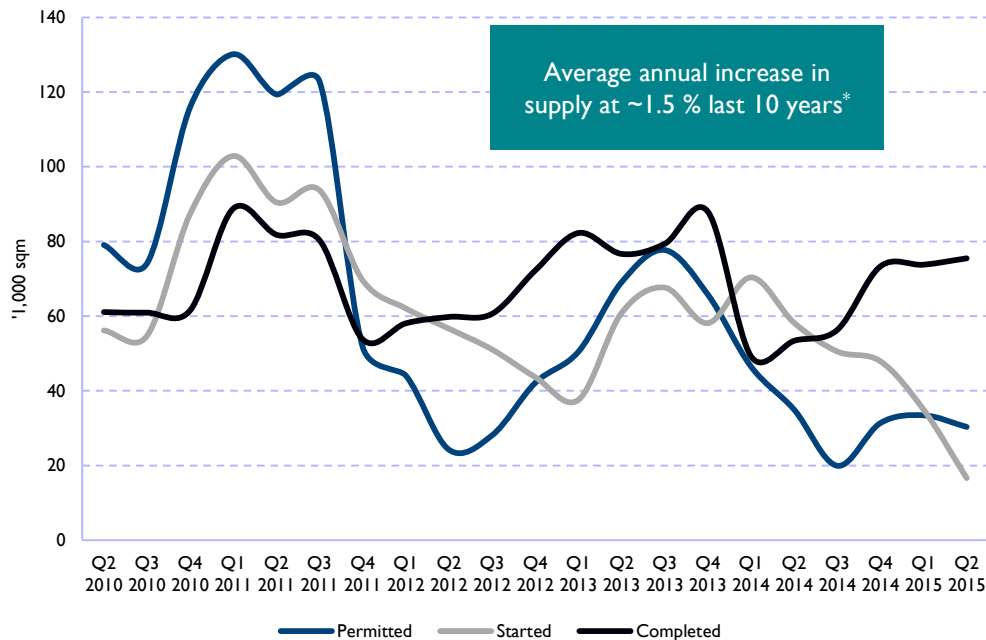
SUPPLY AND DEMAND

- Regulations for new development and strong household economy supports a positive demand gap

SHOPPING CENTER SUPPLY

- Construction of shopping center premises has seen a drop since 2013 of close to 40%. Equivalent drop in number of permitted sqm of retail in the same period. **On average, about 65,000 sqm of shopping center area is completed each year in Norway**

Construction of shopping center space in Norway 2010-2015 (4 qtr moving average)

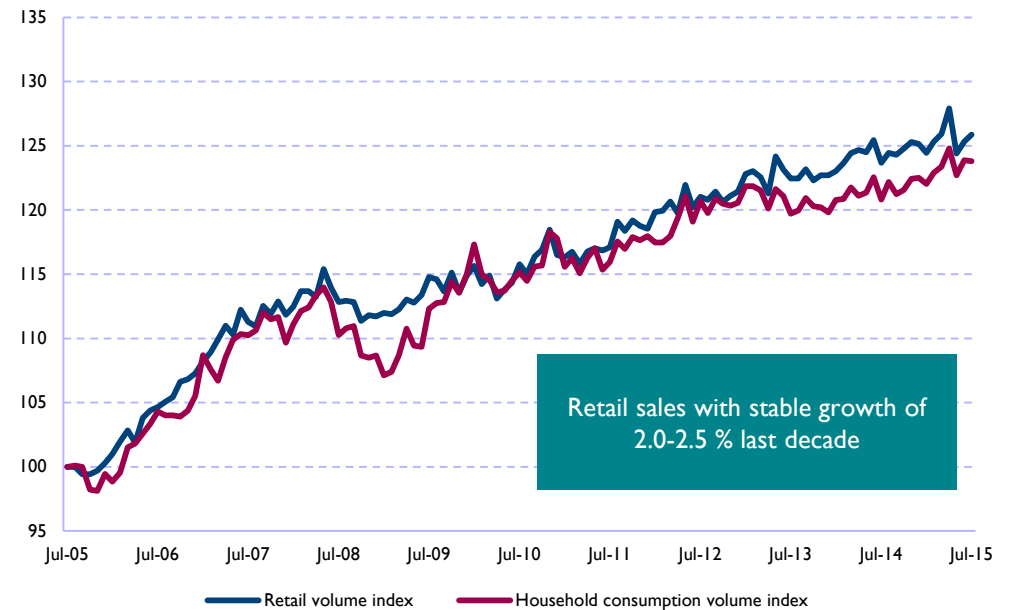


* Not considering reduced supply from shopping center premises taken out of the market

RETAIL DEMAND

- Both retail and private consumption has had a stable growth over time. The average growth rate has been respectively 2.4% and 2.3% in the past decade. **In 2015 and 2016 SSB is expecting a retail growth of 2.1% and 2.6% respectively.**

Retail sales vs household consumption monthly growth rate (2005-2015, July 2005 = 100)



Attractive circumstances for shopping center owners, with a ~100 bps positive gap between growth in supply and demand

SHOPPING CENTER OWNERS

- Highly consolidated ownership in the larger urban areas of Norway

TOP INDUSTRIAL PLAYERS

| Company | Main shareholder | No of shopping centers* | Turnover 2014 (NOKbn) |
|----------------------|-----------------------------------|-------------------------|-----------------------|
| Olav Thon / AMFI | Olav Thon Foundation | 75 | 58.7 |
| Citycon | Gazit Globe, CPP Investment Board | 24 | 13.0 |
| Steen & Strøm Norway | Klépierre, APG | 12 | 11.0 |
| Salto Eiendom | Schage Eiendom | 19 | 5.7 |
| OBOS Forretningsbygg | OBOS Foundation | 7 | 3.6 |

- Olav Thon and AMFI is, combined, by far the largest owner and operator of shopping centers in Norway. Olav Thon / AMFI currently owns 9 of the 15 largest centers in Norway
- Sektor Eiendomsutvikling was acquired by Finnish Citycon in 2015 from Johan Johannson, Varner Gruppen (Varner family), Home Invest (Petter Stordalen) and NIAM (through Nordic IV fund), making Citycon the second largest shopping centre owner in Norway
- Salto Eiendom, a 19 shopping centre portfolio, was wholly acquired by Schage Eiendom, its prior main shareholder, in Aug. 2015 from Varner Kapital, Ava Invest et al.

TOP INSTITUTIONS/FUNDS

| Company | Type | No of shopping centers* | Turnover 2014 (NOKbn) |
|-------------------------|----------------|-------------------------|-----------------------|
| Storebrand | Pension | 8 | 8.5 |
| DNB Liv | Pension | 7 | 7.7 |
| Aberdeen Property Funds | Property Fund | 6 | 5.3 |
| KLP Eiendom | Pension | 5 | 3.0 |
| NIAM | Private Equity | 4 | 2.0 |

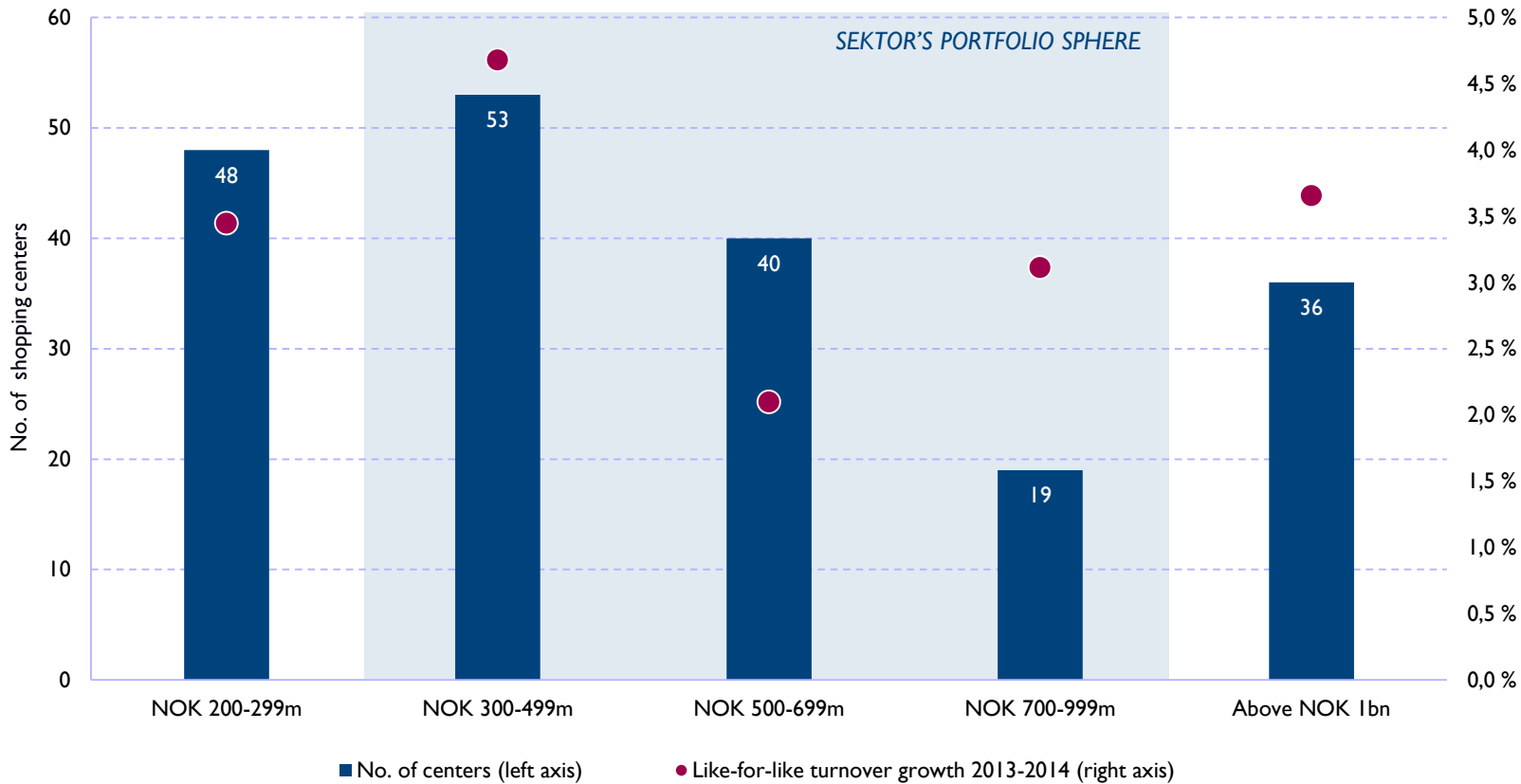
- As the Norwegian pension funds have continued to focus their property portfolios, they have been net sellers of shopping center assets in later years. Storebrand divested 7 shopping centers in 2012 for close to NOKbn 3.5, while DNB divested a NOK 2.1bn portfolio to Sektor (now Citycon) in the same year, comprising 3 assets
- Aberdeen restructured its retail portfolio in 2015 by selling 2 shopping centres, Jærhagen and Cityterminalen. The latter was sold from Aberdeen Norge II to Aberdeen Norge I

* Owned- wholly or partly

SHOPPING CENTER UNIVERSE

- An analysis of the 235 largest shopping centers in Norway

NUMBER OF SHOPPING CENTER AND RESPECTIVE TURNOVER GROWTH, DIVIDED BY TURNOVER CATEGORY



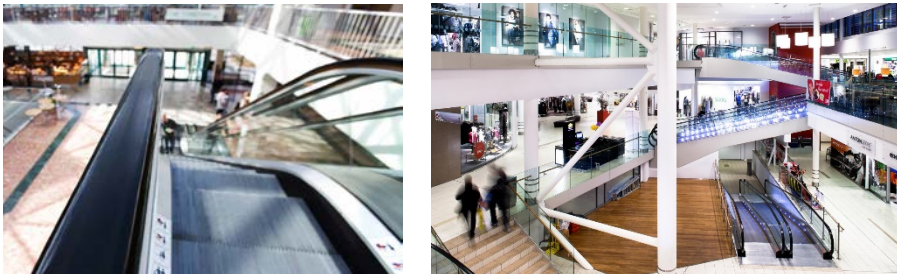
Sektor's portfolio sphere had a total turnover growth of 3.2 % from 2013-2014

TURNOVER DEVELOPMENT IN 2015 (CONT'D)

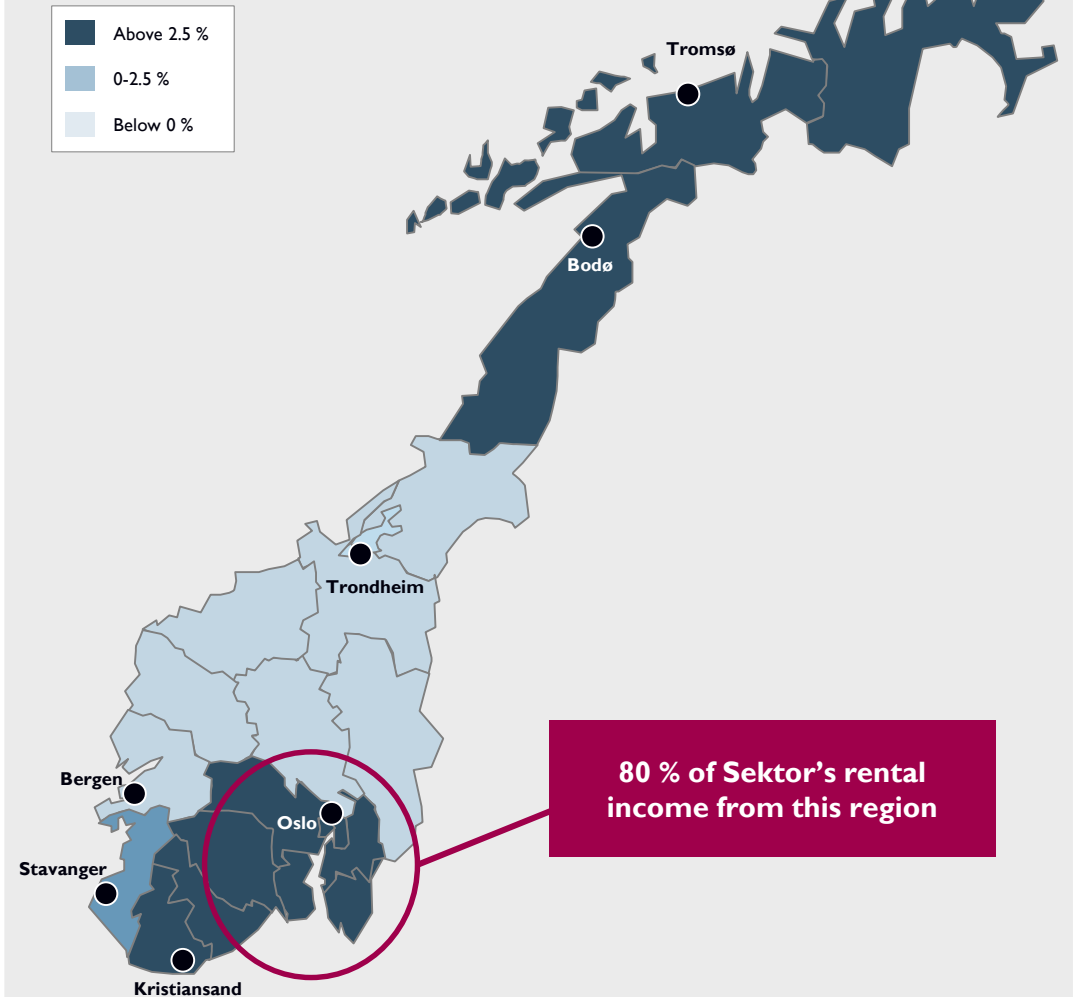
- An analysis of the 235 largest shopping centers in Norway

TURNOVER DEVELOPMENT IN 2015

- Total growth in turnover so far in 2015 has been 5.7 %
 - Adjusting for changes in supply brings it to 2.1 %
- Regional shopping centers have performed best, with an adjusted growth of 2.8 % compared to last year
- Oslo and Northern Norway have been the geographical winners, with an adjusted growth of 3.3 % and 4.8 %, respectively
- Sports equipment and furniture have had a turnover growth of around 10 % so far this year, compared with 2014
- Internet shopping grew by 16 % from 2014



Turnover between Jan-Aug in 2015 vs 2014



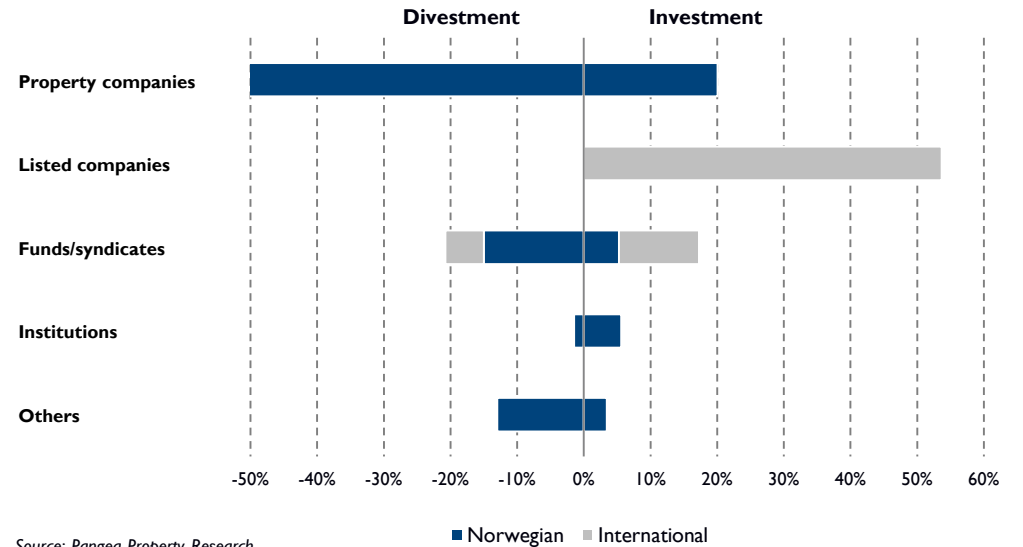
RETAIL TRANSACTION MARKET

Higher development the last twelve months

TRENDS AND DEVELOPMENT

- Total transaction volume for retail property during the last 12 months amounts to NOK 24bn. The majority of the volume comes from the sale of major real estate portfolios and companies
- Foreign buyers accounted for almost NOK16bn. Finnish Citycon's acquisition of Sector Group was the largest contributor to this NOK 12.3bn. Other foreign players like Deka Immobilien, Madison and W.P. Carey has also been active during the past year.
- Apart from the sale of Sector Group, there has been little activity. KLP Eiendom bought Solsiden Shopping in Trondheim as part of Aberdeen Property Fund Norway II.

TRANSACTION MARKET THE LAST 12 MONTHS, MEASURED BY INVESTOR TYPE



EXAMPLES OF TRANSACTIONS (2014-2015)



| | |
|-------------------------------|----------------------------|
| Buyer: | Madison Int. Realty |
| Seller: | Schage Eiendom |
| Estimated value (NOKm) | 750 (50 %) |
| Size (m²) | 33,000 |

Madison acquired 50% of Steen & Strøm in September 2014. They held previously a 30% stake through Oslo High Street Shopping Portfolio



| | |
|-------------------------------|---------------------|
| Buyer: | W.P. Carrey |
| Seller: | Coop Eiendom |
| Estimated value (NOKm) | 724 |
| Size (m²) | 27,500 |

American W.P. Carrey bought «SmartClub» building at Alnabru in Oslo from Coop Property in May 2015. Coop Obs is the biggest tenant and accounts for 64 % of rental income.



| | |
|-------------------------------|--------------------------|
| Buyer: | KLP Eiendom |
| Seller: | Aberdeen Norge II |
| Estimated value (NOKm) | 1300 |
| Size (m²) | 55,000 |

As part of the closing of the property fund Aberdeen Property Fund Norway II sold Solsiden to KLP Eiendom.

Source: Pangea Property Research

CLOSING REMARKS

- Broad outlook going forward

- **Private consumption** – stable and growing, supported by low unemployment, wage- and productivity growth and healthy state finances
- **Focus on content and convenience** – increased emphasis on asset management and development skills
- **E-commerce**; partly competitor and partly supplementary
- **Strong investor interest and broad investor spectrum**; Scala/Wahl Eiendom to Klepierre/Citycon, different size, content and location, different type of skill sets going forward
- **Grocery anchored centers** – securing footfall during the whole week – Norwegians do grocery shopping every day or every second day – not once a week!

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