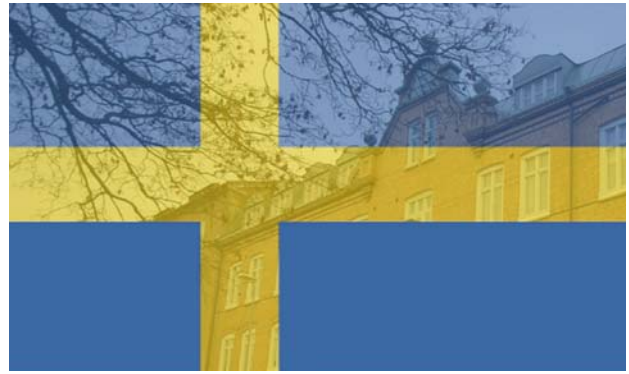


# Evanridge Swedish Property LLP Newsletter



Spring 2006

## Evanridge hits local paper in Sweden.

Huw, Bill and Nigel outside the 17 apartments in Trollhatton, part of a portfolio of properties acquired by Evanridge on behalf of the ESP Fund in January. The portfolio also includes 3 commercial buildings.



## Evanridge Swedish Property Fund News

Following the successful completion of the Fund's first acquisition in January, outlined above, Evanridge Properties have looked at a number of potential investment opportunities for the Fund and as a result have commenced negotiations on two residential deals, that look to have the potential to fit within our investment criteria.

The first deal consists of over 100 apartments near the area in which the Fund has already invested we believe there is potential for creating exceptional value in this property. At present the apartments have some vacancies, our aim would be to refurbish the vacant apartments and get them fully let over the two years thus adding considerably to the rental income and capital

value. Our research also shows that the location is set for considerable infrastructure improvement and as a result there is potential for some serious capital appreciation in this property.

The other deal under consideration comprises more than 130 good quality apartments with low vacancy rates in excellent locations. The apartments are in a town east of Gothenberg in Western Sweden; a picturesque and thriving commuter town with excellent road and rail links to Gothenberg..

We will be in Sweden in the first week of March to take a further “in depth” look at these properties as well as meeting with property agents to look at some more potential investments for the Fund.

The Fund remains open at present and is now approaching £2.5million of investor equity with further indications of £500,000 that put it well on the way to our £5 million initial target.

There is at present no definite date for the final closing of the Fund to new investors. We have a number of issues we have to take into account regarding the closing date.

Foremost amongst these, is that we have an obligation to make sure that all investors are treated equally. In practice the absolute maximum could be regarded as the end of the first accounting period (December 2006) It is likely however that the Fund will close before the end of June.

Movements in exchange rates between Sterling and the Krona can have a major effect on the value of property purchased and consequently early investors could have their overall investment return diluted by later investors coming in at a significantly different exchange rate. This is something that we and the FSA Operator, Ogier are watching closely and we could be forced to close the Fund to new investors at short notice if the Krona strengthened significantly against Sterling.

The other side of the coin is that new investors to the Fund spread the fund administration costs thus increasing the potential return for existing investors.

We will endeavour to let everyone know the closing date as soon as it has been decided. However we cannot guarantee that you will be informed of the closing date in sufficient time to take action to complete an application. We will not be able to accept anyone who has not sent their money in before the closing date even if they have informed Evanridge or the Fund operator, Ogier, of their intention to invest.

We will be holding further investor meetings in during March and April if anyone would like us to revisit an area please don't hesitate to contact Nigel at [nigel@evanridge.net](mailto:nigel@evanridge.net) or telephone 01437 741206, mobile 07773 424875 or contact Bill at [bill@evanridge.net](mailto:bill@evanridge.net) or telephone 01437 763294, mobile 07887 911662.

We have recently taken advantage of some free publicity and have had an article by Debbie James featured in the "Farmers Weekly". Our aim is to increase the profile of The Evanridge Swedish Fund using this type of article. Articles have also appeared in the local Trollhattan paper and a Property Newsletter covering the whole of Sweden. For reasons linked to the nature of the Fund for FSA regulations these articles tend to refer to Evanridge Properties rather than to the Fund itself.

## Swedish property values tempt Welsh investors

Two Welsh milk producers are taking the principles of off-farm investment to a new level by inviting farmers to place up to £10m in the Swedish property market.

Nigel Evans and Bill Ridge, who both run spring-calving dairy herds in Pembrokeshire, have created a limited liability partnership with a former tax consultant, Huw Evans, to acquire Swedish investment property.

They are investing their own money and inviting other farmers to put in a minimum of £50,000 each.

The partners freed themselves from their on-farm commitments to research the project for two years. They investigated the potential of several eastern European countries

before deciding on Sweden because of the attractive stage of the property cycle within the country.

Sweden experienced a property boom and bust in the 1990s, but prices were still low compared with other European countries, said Mr Evans, who in partnership with his wife, Sue, has a 200-cow herd at Spittal Cross Farm, near Haverfordwest. "There have been some rises in property values, but they still have some way to go."

The two dairy farmers have already achieved success with a smaller commercial property syndicate. Mr Ridge, who runs a 350-cow organic dairy herd at Vaynor Farm, Narberth, with his wife, Sarah, said: "On the back of that we had interest from other farmers who were



Nigel Evans (left) and Bill Ridge are tapping into rising Swedish property values.

keen to get involved in something similar."

Due to the number of investors who expressed an interest, coupled with a legal obligation to comply with the Financial Services legislation, they established the Evanridge Swedish Property Limited Liability Partnership.

The pool stands at £2.5m, but the partnership is confident investment will increase considerably before the fund closes. Non-recourse loan capital from Swedish banks combined with investor capital could give a total fund value of up to £50m.

The partners will manage the fund on behalf of farmers and will be paid an annual fee of 1% of the property value.

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### Swedish Outlook

The extract below makes interesting reading and is taken from a report from the Riksbank (the Swedish central bank) looking at economic activity and house prices in Sweden.

"With regard to developments in house prices, the assessment is still that Swedish house valuations are relatively reasonable. Fundamentals such as rising disposable incomes and falling interest costs could to a large extent explain the observed price trend. The demand for housing is expected to grow more rapidly than the supply. However, developments in house prices in Sweden vary considerably from region to region. Prices in metropolitan regions have risen by a significantly larger amount than for the country as a whole, although prices in the Stockholm region have stagnated over the past two years. There has also been a steeper price rise for tenant-owned apartments than for single-family dwellings.

It is difficult, at present, to envisage any tendencies towards imbalances that could lead to a substantial fall in prices. Some form of unforeseen event, such as changes in regulations or macroeconomic shocks, would probably be necessary to cause prices to fall sharply. The fact that interest rates will rise in the long term should be included in household expectations and can hardly be regarded as an unforeseen event in any

economic scenario.

The market for apartment buildings has also been characterised by rising prices since 1994. Regulations such as those on utility value, and the system of central rent negotiations, normally leads to stable, even developments in the prices of apartment buildings. However, the conversion of rental properties into tenant-owner associations has resulted in recent years in relatively sharp price rises for apartment buildings. Price developments can, of course, be affected by changed conditions such as a substantial increase in new construction or a rapid decline in demand. However, a low level of housing construction and a high demand for housing, particularly in metropolitan regions, indicates that this will not be the case.”

### **Swedish Economy (From Jones Lang Lasalle Spring market report on the Nordic States)**

The Swedish Economy continues its steady recovery with an improving GDP, achieving 2.7% growth in 2005 with growth of 3.2% forecast for 2006. Household consumption showed steady improvement throughout 2005 and this trend is set to continue in 2006. Continued economic recovery is expected, with factors such as low interest rates, rising disposable income and a strengthening market all contributing to this improvement. The market for Swedish exporters remains tough but they are expected to gain increased market share in 2007.

During the economic downturn in Sweden between 2001 and 2004, the number of hours worked fell steadily and reached a low point in early 2005, as the economy strengthened this figure has improved considerably during 2005. Unemployment continues to fall, albeit slowly and is expected to drop to 5.2% by the end of 2006.

Inflation remains low, circa 0.8% and will continue to be well below the government’s maximum limit for the next couple of years.

### **Property Market**

The Swedish property investment market continues to grow, with a large number of transactions taking place during 2005 including several over 1Billion SEK. Foreign investors continue to be active in the market with the likes of Whitehall, Keops, Alecta, Oppenheim and the Blackstone Group all having made recent purchases. Swedish investors have also been prominent with Fabege, AP Fastigheter, Kungsleden, Tornet and Diligent all active in the market. Property values rose throughout 2005 and this trend is set to continue throughout 2006.

The current economic climate with low interest rates and a stable underlying economy plus transparent market, low transaction costs and better returns than in other European markets means Sweden continues to be an attractive investment location.

### **Recent News**

The Riksbank (Swedish central Bank) raised the “repo” rate (base rate) to 2% on the 23<sup>rd</sup> February 2006. The following is a newspaper report on the meeting of the Financial Policy Committee, which sets interest rates.

#### **Sweden's Riksbank raises interest rate**

Published: 23rd February 2006 10:48 CET

Sweden's Riksbank raised its most important interest rate, the repo rate, by 0.25 percentage points to 2% on Thursday. The decision was made at Wednesday's financial policy meeting.

"The forecasts described in the Inflation Report indicate low inflationary pressure and that it might be possible to increase the repo rate at a slightly slower rate in future, compared with the interest rate path on which the forecasts are based," wrote the Riksbank in a statement.

The bank also said that market expectations of future interest rate increases have also been adjusted downwards somewhat over the past few days.

"The rise was entirely expected. They had signalled that it would happen so it was no great surprise," said Peter Kaplan, chief analyst at Handelsbanken, to TT. "On the other hand you could say that it's a big step from what you normally do when inflation is this low. Normally when inflation is at this low level - and, what's more, has surprisingly fallen - you reduce interest rates."

But the rise was prompted by strong growth and continued increases in the level of employment, said Kaplan, who added that the Riksbank would probably be cautious with future increases.

"For households the effect will be limited. The fixed interest rates really won't be affected," said Robert Bergqvist, chief analyst at SEB Merchant Banking.

He added that the Riksbank was a little softer in its view of inflationary pressure than it had been before.

"Despite the fact that Swedish market conditions are developing in a positive and strong way, no great inflationary pressure is being generated and that means that the Riksbank has considerable freedom to respond with interest rates how it wants," he told TT.

"It doesn't look like it will be house prices which determine the interest rate path in future - rather, it will be inflationary pressure. Households can count on continued low interest rates."

The Riksbank reported that GDP growth in Sweden amounted to more than 3 per cent during the third quarter of 2005, compared with the corresponding period in 2004.

"Most indications are that the economy continued to expand at a rapid rate also at the end of 2005. Over the coming years, household consumption is expected to grow at a slightly more rapid rate than was forecast in the December Inflation Report, as the labour market situation is expected to improve and income to increase," wrote the bank.

Corporate investment and exports are also expected to continue to rise at a relatively rapid rate.

The last decade's increasing productivity appears to have continued in 2005, noted the Riksbank.

"All in all, there is reason to expect slightly higher average GDP growth in the Swedish economy than was anticipated in the earlier assessment."

**Finally**

We would like to take this opportunity to thank those of you already participating in Evanridge Swedish Properties LLP for your investment. However, if you are still considering investing and have any questions you would like answered, please do not hesitate to get in touch.

Bill Ridge  
Huw Evans  
Nigel Evans

**Risk Warning**

The attention of Members and prospective members is drawn to the fact that the Fund is committing to investments of an illiquid nature in Swedish real estate which may prove difficult to realise in the short term, such investments may be difficult to value and may involve an above average level of risk. Similarly there is no available public market for interests in the Fund and no such market is expected to develop in the future.

The attention of prospective Members is drawn to the risk factors referred to in the Funds Information Memorandum.