

DENMARK

Industrial Market Snapshot

First Quarter | 2016



Overview

Denmark's economic growth remains in positive territory; however, weak exports and shaky demand from the country's eurozone trading partners remain concerns and are what is seeing even more prominent economic growth falter.

Denmark's industrial market – generally less transparent than other property segments – saw little movement over the quarter and thus was stable. The big industrial cities of Køge and Roskilde close to Copenhagen receive significant developer interest, however, and this sustained development activity may help to push the market forward.

Occupier focus

Industrial take up in the beginning of 2016 was stable to that achieved in 2015, largely a result of the tenor of the market, which is focused towards owner-occupation sales of industrial premises rather than leasing. Similarly to last quarter, the pattern of activity was spread across Greater Copenhagen and Jutland. One of the most notable transactions in Q1 was PostNorden's new lease of just over 6,000 sq.m of space at Tobaksvejen 4 in Søborg, Greater Copenhagen. While the pace of take-up has remained steady, the pace of supply has followed a similar trajectory, with vacancy hovering near the 4.00% mark for the past few years. However, the developments at Køge and Roskilde when complete could provide a boost to supply levels.

Investment focus

Industrial investment was healthy in Q1 2016 and the Danish momentum appears to be picking up as opportunities present themselves to investors. As such, the previous domination by domestic players is changing with rising cross border investors. The standout deal of the quarter was UK investor Standard Life completing the acquisition of the Danske Fragtmænd distribution warehouse portfolio for just under €160 million.

Outlook

Although likely to see growth falter in the short-term, in the medium-term the Danish economy is expected to see positive GDP growth. Prime rents are unlikely to see any change as the preference for owner-occupation continues, keeping leasing activity at a minimum. However, with new space unlikely to come onto market in the short-term, sustained demand will keep supply levels afloat.

MARKET INDICATORS

Market Outlook

| | | |
|---------------|---|---|
| Prime Rents: | Limited leasing activity is expected to see prime rents remain unchanged. | ▶ |
| Prime Yields: | No dramatic changes anticipated in prime yield levels as investor interest steadies. | ▶ |
| Supply: | Low vacancy rates and limited new supply is anticipated to persist in the short-term. | ▶ |
| Demand: | A steady appetite for purchase-and-use industrial transactions is likely to continue. | ▶ |

Prime Industrial Rents – March 2016

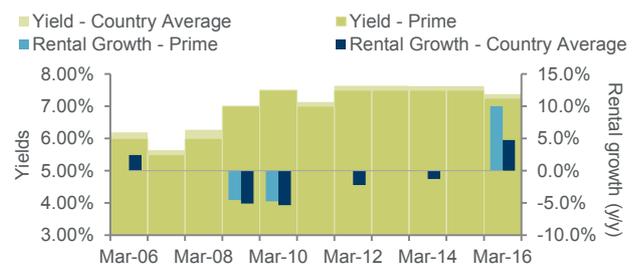
| LOGISTICS LOCATION | DKR | € | US\$ | GROWTH % | |
|--------------------|------------|------------|-------------|----------|-------------|
| | SQ.M YR | SQ.M YR | SQ.FT YR | 1YR | 5YR CAGR |
| Copenhagen | 550 | 73.8 | 7.59 | 10.0 | 1.9 |
| Aarhus | 400 | 53.6 | 5.52 | 0.0 | 0.0 |
| Odense | 325 | 43.6 | 4.48 | 0.0 | -4.1 |

Prime Industrial Yields – March 2016

| LOGISTICS LOCATION (FIGURES ARE NET, %) | CURRENT | LAST | LAST | 10 YEAR | |
|--|---------|------|------|---------|------|
| | Q | Q | Y | HIGH | LOW |
| Copenhagen | 7.25 | 7.50 | 7.50 | 7.50 | 5.50 |
| Aarhus | 7.50 | 7.75 | 7.75 | 7.75 | 5.75 |
| Odense | 7.50 | 7.75 | 7.75 | 7.75 | 5.75 |

With respect to the yield data provided, in light of the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

Recent performance



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