

DENMARK

Retail Market Snapshot

First Quarter | 2016



Overview

The Danish economy continued to expand during the first quarter of 2016, with the annual retail sales growth rate increasing from 0.1% in January to 1.9% in February. The retail segment is highly dependent on consumers' purchasing power and overall consumer confidence, which although decreased during the last few quarters, remain positive.

Occupier focus

The Copenhagen high street retail market is highly attractive to retailers and therefore highly competitive for new entrants wanting to open new units. However, the high level of activity recorded in the last year did not continue through to the first quarter of the year, which recorded the lowest level of take-up for several years. While prime shopping centre rents remained stable in Q1 2016, high street rents increased by 2.8% year-on-year and are expected to increase further in the short to medium term. A lack of prime high street space and high rental values in core high street locations is leading to growing demand in alternative locations, resulting in some upward rental pressure in neighbouring streets. The high street Købmagergade continues to develop into a significant shopping hub, with its lower section now considered prime location. Supply remains very limited with developers focusing on redeveloping and refurbishing existing schemes rather than on building new ones.

Investment focus

While local investors are adapting to the increased competition, foreign investors, especially property funds and users, are increasingly present in the market and continue to account for the majority of the trading activity. There is also growing demand for attractively priced assets in suburban locations. Highly leveraged international investors have become more active in recent years and are targeting dominant shopping centres, while there is also growing appetite for small and medium-sized shopping centres, especially those that offer asset management opportunities. The availability of prime stock is limited and, with demand gradually strengthening, yields are under downward pressure - particularly for high street assets.

Outlook

Demand for high street units is expected to remain strong. With the increase in competition, yields are expected to decrease further, which could ultimately result in a decrease in the number of retail deals transacted on the market.

MARKET INDICATORS

Market Outlook

Prime Rents:	Prime high street rents expected to rise in 2016; generally stable elsewhere.	▼
Prime Yields:	Downward pressure for prime high street locations; stable for other retail assets.	▲
Supply:	Limited new supply in prime retail locations, with no new projects in development pipeline for 2016-2017.	▶
Demand:	Strong demand for prime retail locations; improving in secondary markets.	▼

Prime Retail Rents - March 2016

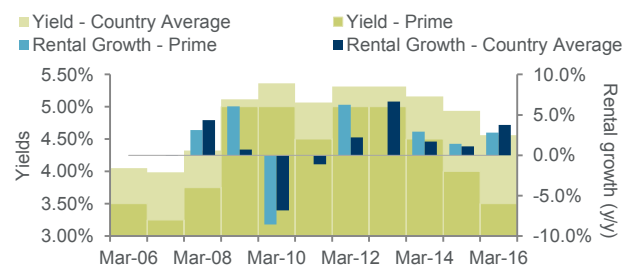
HIGH STREET SHOPS	DKR	€	US\$	GROWTH %	
	SQ.M YR	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Copenhagen	18,250	2,447	252	2.8	2.7
Aarhus	5,500	738	76	0.0	3.0
Odense	4,000	536	55	11.1	1.6

Prime Retail Yields - March 2016

HIGH STREET SHOPS (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Copenhagen	3.50	3.60	4.00	5.00	3.00
Aarhus	4.75	5.00	5.25	5.25	4.25
Odense	5.50	5.50	5.50	5.75	4.50
SHOPPING CENTRES (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
Country prime	5.50	5.75	6.00	6.00	4.25

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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