

DENMARK

Retail Market Snapshot

Second Quarter | 2016



Overview

The Danish economy continued along its positive trajectory, although GDP growth slowed down slightly, with 0.3% year-on-year growth in Q1, below the 0.6% preliminary estimate. The unemployment rate remained unchanged at 4.3% in May and consumer confidence improved to 4.4 in June from 3.2 in the previous month. Retail sales grew by 1.3% in March and 0.3% year-on-year in April 2016.

Occupier focus

Strong occupier demand for space on prime retail thoroughfares in Copenhagen, and in particular Strøget and Købmagergade is increasingly evident. However, limited stock availability and high rental values in core high street locations is forcing some retailers to consider alternative sites which maintains an upward pressure on rents on neighbouring streets. Secondary locations and dominant regional shopping centres are recording healthy and steady levels of demand, especially from newcomers entering the Danish market.

The availability of quality supply is limited and expected to remain so over H2 2016 with no shopping centre openings as developers focused on redevelopment and refurbishment of existing schemes rather than the construction of new schemes, giving landlords the opportunity to look at their tenant mix profiles. While rental levels in prime high street and retail park locations remained unchanged, rents on prime high street have continued to grow by 2.8% year-on-year in Q2 2016 as a strengthening in demand competes for limited space.

Investment focus

€173 million was invested into the Danish retail sector in Q2, and while this is a marginal increase on Q1 it marks a 56% fall on Q2 2015. Prime yields which are close to historic lows are expected to remain stable as rising numbers of investors look to make acquisitions and this is pushing some to look for attractively priced assets in suburban locations

Outlook

Core high street locations will continue to be in high demand by both occupiers and investors. This is expected to result in a sharpening in yields and the potential decline of the number of deals in the retail market as opportunities become harder to secure.

MARKET INDICATORS

Market Outlook

Prime Rents:	Positive rental growth on prime high streets and stable rents elsewhere is anticipated.	▼
Prime Yields:	Remaining under downward pressure for core high streets; stable for other retail segments.	▲
Supply:	Supply expected to remain limited with no new schemes currently under construction.	▶
Demand:	Sustained high demand for prime assets, with demand strengthening for secondary stock.	▼

Prime Retail Rents - June 2016

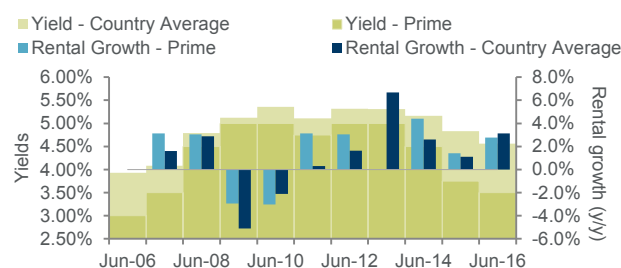
HIGH STREET SHOPS	DKR	€	US\$	GROWTH %	
	SQ.M YR	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Copenhagen	18,500	2,487	257	2.8	2.3
Aarhus	5,500	739	76	0.0	3.0
Odense	4,000	538	55	11.1	1.6

Prime Retail Yields - June 2016

HIGH STREET SHOPS (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Copenhagen	3.50	3.50	3.75	5.00	3.00
Aarhus	4.75	4.75	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	
	Q	Q	Y	HIGH	LOW
Country prime	4.50	4.75	5.00	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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