

DENMARK

# Industrial Market Snapshot

Fourth Quarter | 2016



## Overview

For a long period – since the financial crisis - the market for industrial, warehousing and logistics properties has been characterized by low activity and a stable yield development. However, during the last 2 years, the market has begun to develop more positively with rising rents and declining yields for prime warehouse/logistics facilities. The prime market is characterized by up-to-date logistics properties with tenants on long lease contracts, while secondary warehouse properties on the other hand are characterized by being less flexible, less appealing to future users and with tenants on shorter lease contracts.

## Occupier focus

As a result of a growing demand, the vacancy rate in the Greater Copenhagen area has fallen significantly over the course of 2016, and fell to 2.5% - the lowest level seen since the financial crisis.

Greater Copenhagen is still the main focus area of occupiers, where there were some leases above 2,000 sq m. However, take-up was distributed all over the country and remains along the same results seen in the previous quarters in 2016.

## Investment focus

During 2016, the volume of capital invested in the sector equated to DKK 4 bn – equal to the volume of 2014 and 2015 together, showing that the investor interest for logistic/storage properties have gained momentum. Following the financial crisis, the yield level increased to a level of around 7.50-7.75%, where it has been steady until recently. During the last 18-24 months we have begun to notice a downward slide in the prime yields to a level of 6.75-7.25%.

## Outlook

We expect the current positive trajectory within the segment to continue as appetite for prime grade investment product should remain strong and continue to support market momentum. However, the segment is historically comprising a small share of the investment market, which is not expected to change.

## MARKET INDICATORS

### Market Outlook

- Prime Rents: No short term change in rents expected. ▶
- Prime Yields: Stable yield levels expected in the short term. ▲
- Supply: Low vacancy rates and limited new supply are anticipated to persist in the short-term. ▶
- Demand: A steady appetite for owner occupier purchases expected to continue. ▶

### Prime Industrial Rents – December 2016

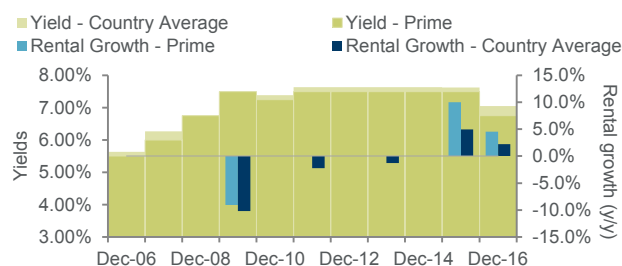
| LOGISTICS LOCATION | DKR     | €       | US\$     | GROWTH % |          |
|--------------------|---------|---------|----------|----------|----------|
|                    | SQ.M YR | SQ.M YR | SQ.FT YR | 1YR      | 5YR CAGR |
| Copenhagen         | 575     | 77.3    | 7.58     | 4.5      | 2.8      |
| Aarhus             | 400     | 53.8    | 5.27     | 0.0      | 0.0      |
| Odense             | 325     | 43.7    | 4.28     | 0.0      | -1.5     |

### Prime Industrial Yields – December 2016

| LOGISTICS LOCATION<br>(FIGURES ARE NET, %) | CURRENT | LAST | LAST | 10 YEAR |      |
|--|---------|------|------|---------|------|
|  | Q       | Q    | Y    | HIGH    | LOW  |
| Copenhagen                                 | 6.75    | 7.00 | 7.50 | 7.50    | 5.50 |
| Aarhus                                     | 7.25    | 7.50 | 7.75 | 7.75    | 5.75 |
| Odense                                     | 7.50    | 7.50 | 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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Lior Koren

Associate Partner, Chief Analyst  
Amaliegade 3, 5. sal, Copenhagen, 1256, Denmark  
Tel: +45 33 13 13 99  
[lk@red.dk](mailto:lk@red.dk)  
[cushmanwakefield.com/red.dk](http://cushmanwakefield.com/red.dk)