

## Overview

The Danish economy is currently experiencing an upturn with a forecast from The Danish National Bank in GDP growth to be 1.4% in 2017, due to especially private consumption, which is expected to drive GDP in the near future. The unemployment rate in the Copenhagen Area has slightly decreased, and is expected to decrease even further in 2017, which will lead to an increasing demand for office properties.

## Occupier focus

The high demand for offices in Copenhagen has slightly decreased the supply of offices with 30 bp in the last quarter of 2016. Companies are targeting modern leases in CBD and has led to a slight uplift in the rent in CBD and some surrounding areas such as Ørestaden. An example of the increasing demand is Commercial Real Estate Danmark's new lease of approx. 1,100 sq.m at Kanonbådsvej 12A in CBD. Newer large office properties with common facilities are becoming more popular as the concept offers flexible leases in attractive surroundings, which attracts companies in all sizes.

## Investment focus

Investment activity in the office segment in Q4 reached approx. €1 billion in transaction volume and was dominated by Danish investors with a share of 67%. In Q4, the office investment activity was propped by Castellum's acquisition of Norrporten, which included a 109,000 sqm. office-portfolio with an estimated price of approx. €429 million. Real estate companies was the most active buyers in Q4 with 54% of the transaction volume with their main focus being on well-located properties in the harbour submarkets in Copenhagen and CBD. The high demand for prime office properties, together with the low supply, pressure the investors to seek towards more peripheral areas around Copenhagen. We have seen a compression of the prime yield level towards 4.10% over the last quarter and we expect the yield to move towards 4.00% in 2017.

## Outlook

The economic growth forecasts have been revised upward for Denmark to 1.40% in 2017 and 1.50% in 2018. This is due to the private consumption, which is expected to drive GDP in the near future, while export is also expected to contribute positively. This is likely to have an impact on the real estate market but the full effects of this is unknown at the moment.

## MARKET INDICATORS

### Market Outlook

Prime Rents:	Expected to remain stable in the short term.	▼
Prime Yields:	Yields largely expected to remain unchanged for with the exception of prime product in the CBD.	▲
Supply:	The declining amounts of space recorded in the CBD areas are off set by development in the periphery.	▲
Demand:	Demand is anticipated to gain momentum as competition for CBD space remains fierce.	▼

### Prime Office rents – December 2016

LOCATION	DKR	€	US\$	GROWTH %	
	SQ.M YR	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Copenhagen (Harbour Area)	1,850	249	24.4	2.8	0.5
Copenhagen (City)	1,750	235	23.1	6.1	1.2
Copenhagen (Ørestaden)	1,350	182	17.8	3.8	2.4
Aarhus	1,250	168	16.5	4.2	0.8
Odense	900	121	11.9	2.9	0.6

### Prime Office yields – December 2016

LOCATION (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Copenhagen (Harbour Area)	4.10	4.15	4.25	5.75	4.10
Copenhagen (City)	4.10	4.15	4.25	6.00	4.00
Copenhagen (Ørestaden)*	5.50	5.50	5.75	6.75	5.50
Aarhus	5.00	5.25	5.50	6.25	5.00
Odense	6.50	6.50	6.50	6.75	5.75

NOTE: \* 7 yr record

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

