DENMARK

Retail Market Snapshot

Fourth Quarter | 2016

Overview

The retail segment is highly dependent on consumers' purchasing power and consumer confidence. Overall, retail sales increased by 4.60% in October and November, and 2.70% year-on-year in November 2016. The yield level is continuously subject to downward pressure for high street retail space and the rent levels are at an all-time high.

Occupier focus

Strøget and Købmagergade is the primary high street in Copenhagen and is still experiencing a high demand for prime retail space. The high rental level has reached an all-time high level and with the limited stock available, it is forcing some retailers to consider alternative sites that maintains an upward pressure on rents on neighbouring streets. The pressure is especially coming from high-end retailers that can afford the high street locations.

The landlords have sharpened their strategies and now seek to deliver the best possible conditions for international retailer on high streets in order to achieve as high a rent as possible.

Zone A rents on prime high street have grown by 5.50% over the course of 2016 and reached DKK 23,000 as an all-time high and we expect a small increase in the first quarter of 2017 as a strengthening in demand competes for limited space.

Investment focus

€421 million were invested into the Danish retail sector in Q4, which is 45% of the total volume in 2016. The retail market is still mainly driven by the high demand for high streets in Copenhagen and the appetite from foreign investors. Foreign investors constituted 66% of the transaction volume in Q4 and 64% in 2016 as a whole.

Prime yield level in Copenhagen is at a historical all time low on 3.00% and is 50 bp lower than Q3. This all-time low prime yield level are expected to remain stable as the Danish retail market is healthy with a steady investment activity.

Outlook

Demand for high street units is expected to be high by both investors and occupiers. Prime rents are expected to continue to increase slightly, while yields are expected to remain steady around 3.00%.

MARKET INDICATORS

Market Outlook

Prime Rents:	Positive rental growth on prime high streets and stable rents elsewhere is anticipated.
Prime Yields:	Expected to remain stable for core high streets as wel as other retail segments.
Supply:	Supply expected to remain limited with no significant new schemes currently under construction.
Demand:	Sustained high demand for prime assets, with demand strengthening for secondary stock.

Prime Retail Rents - December 2016

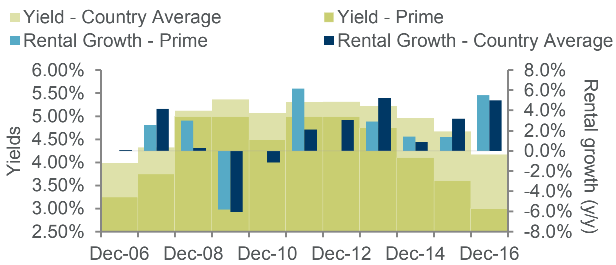
HIGH STREET SHOPS	DKR SQ.M YR	€ SQ.M YR	US$ SQ.FT YR	GROWTH % 1YR	5YR CAGR
Copenhagen	23,000	2,555	250	5.5	2.2
Aarhus	7,000	773	76	4.5	3.8
Odense	5,000	538	53	0.0	2.1

Prime Retail Yields - December 2016

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