

DENMARK

Industrial Market Snapshot

First Quarter | 2017



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 characterized by being less flexible, less appealing to future users and with tenants on shorter lease contracts.

Occupier focus

Due to a slight increase in the supply, the vacancy rate in the Greater Copenhagen area has risen marginally to 2.6% in the first quarter of 2017.

Greater Copenhagen is still the main focus area of occupiers, but we have seen an increased interest in Jutland in the area around Vejle, Kolding and Fredericia.

Investment focus

During the first quarter of 2017 we have seen a high investment activity in this sector amounting to DKK 1 bn, with foreign investors dominating. The growing demand from foreign investors for prime logistic/storage properties have compressed the yield to a level around 6.50%. Especially prime properties in Greater Copenhagen and in Jutland are in high demand.

Outlook

To satisfy the increasing demand for prime properties, Copenhagen Airport intends to develop 170,000 sq.m logistics park surrounding the airport, while Køge Municipality also aims to release a new batch of 800,000 sq.m land for logistics purposes.

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.

MARKET INDICATORS

Market Outlook

Prime Rents:	No short term change in rents expected.	▶
Prime Yields:	Compression of yield 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 – March 2017

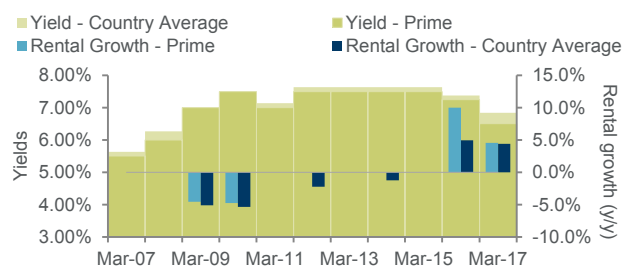
LOGISTICS LOCATION	DKR	€	US\$	GROWTH %	
	SQ.M YR	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Copenhagen	575	77.3	7.81	4.5	2.8
Aarhus	425	57.1	5.78	6.3	1.2
Odense	325	43.7	4.42	0.0	-1.5

Prime Industrial Yields – March 2017

LOGISTICS LOCATION (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Copenhagen	6.50	6.75	7.25	7.50	5.50
Aarhus	7.00	7.25	7.50	7.75	5.75
Odense	7.50	7.50	7.50	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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