

## Overview

The Danish economy is currently experiencing an upturn and is according to The Danish National Bank expected to grow 1.6% in 2017. The GDP-growth is especially driven by private consumption. The unemployment rate in the Copenhagen Area has slightly decreased and is expected to decrease even further during 2017, which will lead to an increased demand for office properties.

## Occupier focus

Open plan office properties with common facilities are becoming more popular as the concept offers flexible leases in attractive surroundings. Several noteworthy leases in newer flexible office properties took place in the end of 2016. The Danish accounting firm Beierholm let MT Højgaard's former domicile in Søborg of 12,000 sq.m and the union ASE let the former domicile of Mercedes Benz of 7,360 sq.m in the south harbor.

The finishing of Axel Towers in central Copenhagen with a total leasable area of 18,060 sq.m prime office space took place in Q1 with 15,586 sq.m prelet mainly to the law firm Gorrissen Federspiel.

We are still experiencing a high demand for prime office space in the center of Copenhagen, but the supply do not meet the demand.

## Investment focus

Investors have been very active in Aarhus and its surrounding areas with five transactions in Q1 worth more than DKK 1 bn. Vestas' sale-and-lease back transaction with Sampension as the buyer was the largest in Aarhus amounting to DKK 750 million.

We have seen a compression of the prime yield level towards 4.00% over the last quarter and we expect to continue to see the prime office yield remain around this level during 2017.

## Outlook

To accommodate the high demand for prime office space in Copenhagen, approx. 88,000 sq.m office space is schemed to be delivered mainly in the Copenhagen area in 2017.

However, none of these are in the CBD area, so the competition for CBD space is expected to remain fierce and will force companies to seek towards other areas than CBD.

## 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 offset by development in the periphery.	▲
Demand:	Demand is anticipated to gain momentum as competition for CBD space remains fierce.	▼

### Prime Office rents – March 2017

LOCATION	DKR	€	US\$	GROWTH %	
	SQ.M YR	SQ.M YR	SQ A.FT YR	1YR	5YR CAGR
Copenhagen (Harbour Area)	1,850	249	25.1	0.0	0.5
Copenhagen (City)	1,750	235	23.8	6.1	1.2
Copenhagen (Ørestaden)	1,350	181	18.3	3.8	2.4
Aarhus	1,325	178	18.0	6.0	2.0
Odense	950	128	12.9	5.6	1.7

### Prime Office yields – March 2017

LOCATION (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Copenhagen (Harbour Area)	4.00	4.10	4.25	5.75	4.00
Copenhagen (City)	4.00	4.10	4.25	6.00	4.00
Copenhagen (Ørestaden)*	5.50	5.50	5.50	6.75	5.50
Aarhus	4.75	5.00	5.25	6.25	4.75
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

