

DENMARK

# Retail Market Snapshot

First Quarter | 2017



## Overview

The retail segment is highly dependent on consumers' purchasing power and consumer confidence. Overall, consumer figures look good despite retail sales decreasing by 0.1% in February and the retail sales in the period December to February being 1% below the corresponding period last year. The yield level is currently stabilizing at low levels for high street retail space, while rent levels are at all-time highs.

## Occupier focus

Strøget, Amagertorv and Købmagergade are the primary high streets in Copenhagen and are still experiencing high demand. The high monetary value of Amagertorv has had a positive spillover effect on the adjacent streets, which has led to noticeable development in a close radius hereby. The last part of Strøget towards City Hall Square has not seen much of the mentioned effect. The area has suffered from consistent developments in City Hall Square for several decades, but with a forthcoming completion of the site, and with the letting to the British retail-chain JD Sport, it could consequently lead to the final turnaround of Strøget.

Zone A rents on prime high street have been stable in the first quarter of 2017 on DKK 23,000/sq.m/year and we expect a small increase over the course of 2017.

## Investment focus

During the first quarter of 2017 we have seen a high investment activity on the Copenhagen high streets, especially on Strøget and Købmagergade with the property fund Hines being a primary investor. A notable transaction during Q1 was Terra Firma's acquisition of McDonalds Denmark's retail portfolio and lease contracts across Denmark for approx. DKK 1 bn. The retail market is still mainly driven by foreign investors.

We have seen a compression of the yield in Aarhus and Odense, and the all-time low prime yield levels are expected to remain stable in 2017.

## Outlook

We expect a continued high demand for both high street properties and other retail units to continue in 2017 after a busy Q1.

## 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 well 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 - March 2017

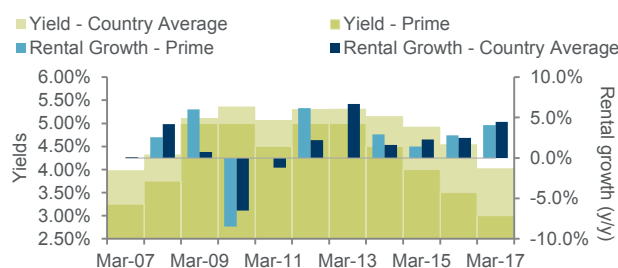
HIGH STREET SHOPS	DKR	€	US\$	GROWTH %	
	SQ.M YR	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Copenhagen	23,000	2,553	258	4.1	2.2
Aarhus	7,000	772	78	4.5	3.8
Odense	5,000	538	54	0.0	2.1

### Prime Retail Yields - March 2017

HIGH STREET SHOPS (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Copenhagen	3.00	3.00	3.50	5.00	3.00
Aarhus	4.00	4.25	4.75	5.25	4.00
Odense	5.25	5.50	5.50	5.75	4.50
SHOPPING CENTRES (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Country prime	4.25	4.25	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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