

DENMARK

Industrial Market Snapshot

Fourth Quarter | 2017



MARKET INDICATORS

Market Outlook

- Prime Rents: No short term change in rents expected. ▶
- Prime Yields: Yield is expected to decline in the short term. ▲
- Supply: Low vacancy rates and limited new supply are anticipated to persist in the short-term. ▲
- Demand: A steady appetite from investors is expected to continue. ▼

Prime Industrial Rents – December 2017

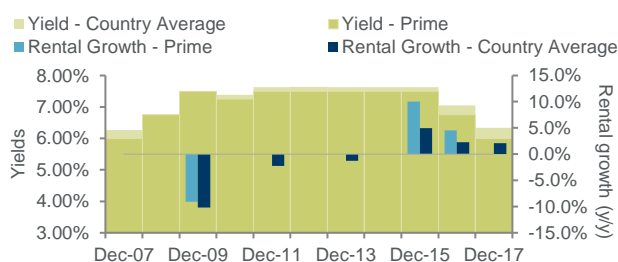
LOGISTICS LOCATION	DKR	€	US\$	GROWTH %	
	SQ.M YR	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Copenhagen	575	77.2	8.61	0.0	2.8
Aarhus	425	57.1	6.37	6.3	1.2
Odense	325	43.6	4.87	0.0	-1.5

Prime Industrial Yields – December 2017

LOGISTICS LOCATION (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Copenhagen	6.00	6.00	6.75	7.50	6.00
Aarhus	6.50	6.50	7.25	7.75	6.50
Odense	7.00	7.00	7.50	7.75	6.50

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



Overview

The demand for industrial and logistic assets have been growing in recent years and we see increased interest from investors towards this segment as they believe that the risk adjusted returns are looking more attractive compared to other segments within residential, office, and retail, where yields have reached all-time lows.

Occupier focus

The vacancy rate in the Greater Copenhagen area has remained stable around 2.2% in 2017, which is considered low.

Main logistics and industrial centres in Jutland are Fredericia, Brabrand near Aarhus, Horsens and the Triangle region between Kolding, Vejle and Fredericia. The most attractive logistic locations on Zealand are Copenhagen Airport and Scandinavian Transport Centre near Køge, Høje-Taastrup and Greve.

Investment focus

Investment activity in the industrial segment in Q4 had a transaction volume of approx. DKK 800 M, which consisted of approx. 69% foreign investors. More than half of the volume included a sale and lease back structure, which amounted to DKK 465 M.

The transaction activity in Q4 was propped by M7 Real Estates investment on behalf of M7 EREIP IV's acquisition of 117,000 sq m, including prime industrial and logistic assets placed in Greater Copenhagen, the island of Funen, and the Triangle area in Jutland, which amounted DKK 520 M. Most of the assets are single let and have been acquired through sale and leaseback structures.

Outlook

In Copenhagen area, the prime yield is currently 6.00%, but further yield compression is expected in the short-term to around 5.75%. In the Triangle Region between Kolding, Vejle and Fredericia, the prime yields are at a level of 6.25%.

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Lior Koren

Partner, Chief Analyst
 Amaliegade 3, 5. sal, Copenhagen, 1256, Denmark
 Tel: +45 33 13 13 99
lk@red.dk
cushmanwakefield.com/red.dk