

DENMARK

Office Market Snapshot

First Quarter | 2018



MARKET INDICATORS

Market Outlook

- Prime Rents: Expected to increase in the CBD. ▶
- Prime Yields: Yields are expected to remain at the current low levels for prime assets in the CBD. ▶
- Supply: Lack of available space in the CBD areas are currently not offset by development in the peripheral areas, where approx. 387,000 sqm is under construction. ▶
- Demand: Demand anticipated to continue momentum as competition for CBD space remains fierce. ▶

Prime Office rents – March 2018

LOCATION	DKR	€	US\$	GROWTH %	
	SQ.M YR	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Copenhagen (Harbour Area)	1,900	255	29.6	2.7	1.1
Copenhagen (City)	1,850	248	28.8	5.7	2.3
Copenhagen (Ørestaden)	1,450	195	22.6	7.4	3.9
Aarhus	1,325	178	20.7	0.0	2.0
Odense	1,000	134	15.6	5.3	2.7

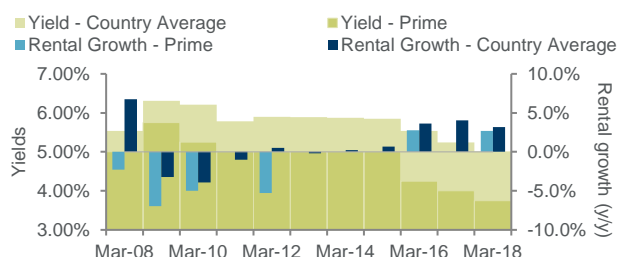
Prime Office yields – March 2018

LOCATION (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Copenhagen (Harbour Area)	3.75	3.75	4.00	5.75	3.75
Copenhagen (City)	3.75	3.75	4.00	6.00	3.75
Copenhagen (Ørestaden*)	5.50	5.50	5.50	6.75	5.50
Aarhus	4.50	4.50	4.75	6.25	4.50
Odense	6.50	6.50	6.50	6.75	6.00

NOTE: * 8 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



Overview

Investor focus within the office segment continues to be high. Most of these investors consist of real estate companies and property funds who constitutes more than 50% of the investments in recent transactions. The occupiers are also active, as we see fierce competition for space in the Copenhagen CBD which is both increasing rental prices and forcing many occupiers towards the outer parts of Copenhagen.

Occupier focus

We are observing an increasing trend amongst companies, who want to reshape their office space with the goal to increase flexibility for their workers and reduce costs. This demand is trending for various reasons. Firstly, companies rely more on contractors or temporary project workers. Secondly, technology advancement has made it easier for employees to work on-the-go, or from home. As a result, property owners need to be aware of this trend as demand for smaller office areas, and an open plan environment is likely to increase even further.

Investment focus

The investment volume in Q1 2018 have reached approx. DKK 3.6 bn. for offices in Denmark. Especially one transaction has dominated the total volume of the first quarter - Codanhus on Gammel Kongevej in Copenhagen which was sold to Swedish Klövern for DKK 1.44 bn. and consist of 41,000 sqm of office space.

By the end of 2017, yields for prime office locations was at 3.75% and have remained at that level through Q1 2018. The demand for prime office leases in the CBD continues to be high and as a result we have observed a slight increase in prime rent levels for offices in the CBD district and the Copenhagen northern harbour area. Moreover, the current vacancy rate for offices in the CBD is at 5.7%, which is the lowest registered since the financial crisis.

Outlook

The total amount of office space in the CBD is static, hence competition for CBD space is expected to remain fierce, which can result in a continued increase in rent levels. Moreover, development within the office segment in Copenhagen is still a big factor, as the total amount of office areas contributed in the Copenhagen area is expected to be approx. 387,000 sqm within the next few years.

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LOCATION	BUILT STOCK (SQ.M)	AVAILABILITY (SQ.M)	VACANCY RATE (%)	TAKE-UP (SQ.M)	TAKE-UP YTD (SQ.M)	UNDER CONSTRUCTION (SQ.M)
Copenhagen (Greater Copenhagen incl. centre)	11,719,900	914,622	7.60	196,570	196,570	387,200
Copenhagen (Centre)	5,824,100	338,922	5.70	90,130	90,130	0
Copenhagen (Overall)	11,719,900	914,622	7.60	196,570	196,570	387,200

Source: Cushman & Wakefield

Key Occupier Transactions

PROPERTY	SUBMARKET	TENANT	SIZE (SQ.M)	TRANSACTION TYPE
Carlsberg Byen – Bohrsgade 35	Copenhagen W	Accenture A/S	6,690	New lease
Skt. Petri Passage 5	CBD	Heimstaden	1,335	New lease
Masnedøgade 20	Copenhagen E	Vision of Scandinavia	948	New lease
Bryggernes Plads 17	Copenhagen W	Brandmovers	842	New lease
Strandgade 4	CBD	Chainanalysis	595	New lease

Source: Cushman & Wakefield

Key Investment Transactions

PROPERTY	SUBMARKET	SELLER / BUYER	YIELD	PRICE € MILLIONS
Codanhus – Gl. Kongevej 60	Copenhagen W	DADES/Kløvern	N/A	193
Grundtvighus - Vester Voldgade 17	Copenhagen W	KAB/CapMan	N/A	32
Studiestræde 38	CBD	Unknown/Blackstone	N/A	32
Stationsalleen 40	Greater CPH	Unknown	N/A	23
Trekronergade 126	Valby	C.W. Obel Ejendomme/Niam	N/A	17

Source: Cushman & Wakefield, Real Capital Analytics

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