

DENMARK

# Office Market Snapshot

Fourth Quarter | 2017



## MARKET INDICATORS

### Market Outlook

Prime Rents:	Expected to increase in some areas in Copenhagen.	▼
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.	▲
Demand:	Demand anticipated to gain momentum as competition for CBD space remains fierce.	▼

### Prime Office rents – December 2017

LOCATION	DKR	€	US\$	GROWTH %	
	SQ.M YR	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Copenhagen (Harbour Area)	1,850	248	27.7	0.0	0.5
Copenhagen (City)	1,800	242	27.0	2.9	1.8
Copenhagen (Ørestaden)	1,450	195	21.7	7.4	3.9
Aarhus	1,325	178	19.8	6.0	2.0
Odense	1,000	134	15.0	11.1	2.7

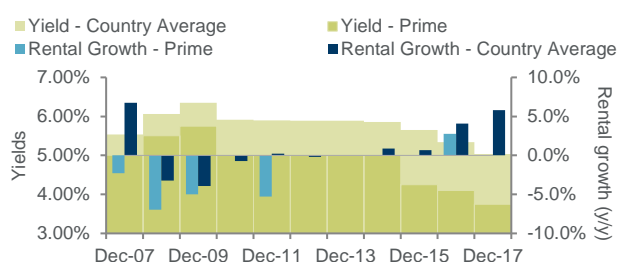
### Prime Office yields – December 2017

LOCATION (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Copenhagen (Harbour Area)	3.75	3.75	4.10	5.75	3.75
Copenhagen (City)	3.75	3.75	4.10	6.00	3.75
Copenhagen (Ørestaden*)	5.50	5.50	5.50	6.75	5.50
Aarhus	4.50	4.50	5.00	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

In 2017, the total transaction volume in the office segment reached a record high volume of DKK 17.8 bn., which is 24% of the total transaction volume. Danish investors were the most active investors in 2017 amounting to 59% of the volume in office investment. Real estate and property funds were the most active investor type. For the first time in recent years, we see a larger amount of transitions outside of the Copenhagen area. In 2017, 36% of office transactions were outside of Copenhagen area, while 2015 and 2016 was 16% and 14% respectively.

## Occupier focus

Open plan offices with common facilities are still trending. The concept is becoming more popular as the concept offers flexible leases in attractive surroundings. Property owners need to be aware of this when refurbishing and re-letting their properties as we see this trend continuing in 2018.

The unemployment rate in the Copenhagen Area has been stable over the course of 2017. The vacancy rate for Copenhagen City has decreased throughout 2017, reflecting stronger demand for office space.

## Investment focus

Q4 had the lowest activity in terms of office transaction volume in 2017, reaching approx. DKK 2.3 bn, with Danish investors contributing to 48% of the transaction volume. Real estate companies were the most active buyers in Q4 constituting 58% of the transaction volume with their focus being on prime office properties.

The transaction activity in Q4 was propped by Kløvern's acquisition of Porcelænshaven in Frederiksberg, which consists of 19,300 sqm on a long-term lease with Copenhagen Business School. The acquisition is estimated to a price of DKK 620 M

## Outlook

There is no office space scheduled to be delivered in CBD, hence competition for CBD space is expected to remain fierce and will force companies to look towards areas outside the CBD.

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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)	12,034,500	938,691	7.8%	339,530	737,970	391,200
Copenhagen (Centre)	5,946,000	338,922	5.7%	90,130	254,910	0
<b>Copenhagen (Overall)</b>	<b>12,034,500</b>	<b>938,691</b>	<b>7.8%</b>	<b>177,465</b>	<b>737,970</b>	<b>391,200</b>

Source: Cushman & Wakefield

## Key Occupier Transactions

PROPERTY	SUBMARKET	TENANT	SIZE (SQ.M)	TRANSACTION TYPE
Tuborg Boulevard 12	CPH Area	Ascendis Pharma	7,339	New lease
Rådhuspladsen 45	CPH V	Gallup A/S	2,276	New lease
Rued Langgaardsvej 6-8	CPH S	EXERP A/S	2,078	New lease
Lersø Parkallé 112.	CPH Ø	OK-Fonden	1,300	New lease
Adelgade 12, 4	CBD	AndCo A/S	1,204	New lease

Source: Cushman & Wakefield

## Key Investment Transactions

PROPERTY	SUBMARKET	SELLER / BUYER	YIELD	PRICE € MILLIONS
Kalvebod Brygge 32	CPH V	DSB / Genesta	N/A	70
Office Portfolio, 4 properties	CBD	Thylander / Jeudan	N/A	61
Porcælenshaven 16-28	CPH Area	Niam / Klövern	N/A	83
Skovbrynet 2	Lyngby	Statens Ejendomssalg A/S / N/A	N/A	27
Teknikerbyen 15-45	Virum	SEB / PensionDanmark	N/A	Est. 60

Source: Cushman & Wakefield, Real Capital Analytics

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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](mailto:lk@red.dk)  
[cushmanwakefield.com/red.dk](http://cushmanwakefield.com/red.dk)