



Property Snapshot

RETAIL

DENMARK | FEBRUARY 2009

Compensations under pressure

The economic crisis causes consumer reluctance. This meant a reduced retail sale in 2008 and expected lower consumption in 2009. The supply of retail shops has grown in many areas which means that the compensations (key money) are under pressure.

Increasing vacancy

A major decrease in the retail sale will imply that several shops will be forced to close or move. For prime locations this means many relocations and for the secondary locations this means increased vacancy rates.

Vacancy rates have increased by 0.5 basis points compared to fourth quarter and are now 4.2 per cent. Within one year vacancy rates have increased by 1.3 basis points. The vacancy rate in central

Copenhagen is 2.9 per cent and in the metropolitan area 3.2 per cent which is lower than the country average. The largest increase has been in South Jutland (1.5 basis points) which has already the highest level. In the area around Aarhus vacancy rates have been close to the country average.

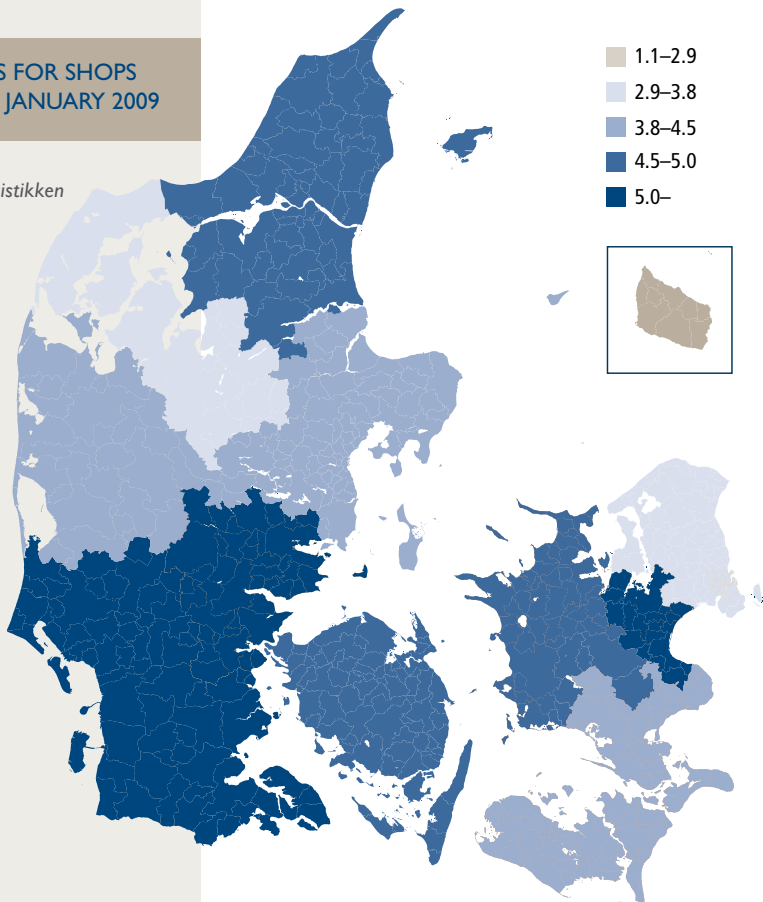
Stable market rent but increasing yields

The declining demand for premises due to the uncertainty in the economy has not yet resulted in a declining market rent. In areas with compensations (key money) the market rent will still be stable. Throughout the past years the demand for shops has exceeded the supply. Therefore the tenant demand for premises has been low. This will now change which means that compensations for some shops – even with prime locations – will be under pressure. Conversely, compensations for shops which satisfy the chain stores' requirements will still maintain a reasonable level.

The market rent is highest in Copenhagen with a rent of DKK 20,000 per sq. m. per year without expenses (prime location).

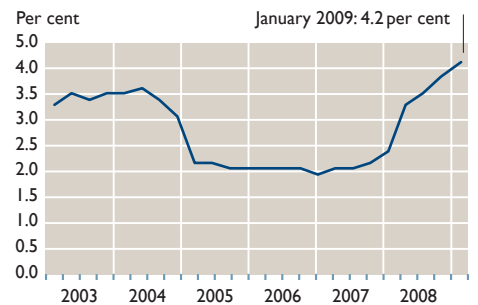
VACANCY RATES FOR SHOPS PR. REGION AT 1 JANUARY 2009

Source: Oline-Lokalebørs Statistikken



- 1.1-2.9
- 2.9-3.8
- 3.8-4.5
- 4.5-5.0
- 5.0-

VACANCY RATES FOR SHOPS IN DENMARK



Source: Oline-Lokalebørs Statistikken



The market rent is somewhat lower for the second largest cities in Denmark, where the rent reaches an amount of approx. 6,000 DKK per sq. m. per year.

Yields for shops (property) have increased. The lowest yields are now 4.75 per cent.

Trends

The slowdown of the economy has challenged a lot of shops. Consumption of clothing, electronics, furniture, domestic appliances and other durable consumer goods has dropped more than the consumption of foods. The newly launched stores which have invested in compensations and establishment particularly suffer from the downturn.

Some of the chain stores take advantage of the situation by relocating to newer and improved premises. Consequently, we expect quite a lot of replacements among the prime located shops and still a high demand for shops with prime locations with the right shape and size.

Slow economy

Almost all economic figures and forecasts currently reflects recession. Many companies are dismissing their employees and unemployment is increasing. The total number of compulsory sales and insolvencies is increasing. The economic growth has stopped. The latest figures on the GDP growth from Statistics Denmark show -1.3 per cent for 2008 (preliminary figures).

This means that the consumer confidence is currently very low. However, it has been stable for the last couple of months. Private consumption (seasonally corrected) has

MARKET BAROMETER AT 1 JANUARY 2009 WELL LOCATED SHOPS AT E.G. PEDESTRIANIZED STREETS								
MARKET RENT: DKK per sq.m. per year					YIELD			
	Prime	Standard	Poor	Trend	Prime	Standard	Poor	Trend
København	20,000	10,000	3,000	→	4.75%	4.75%	5.00%	→
Århus	6,250	5,000	3,500	→	4.75%	5.00%	5.25%	→
Odense	5,500	3,500	1,500	→	5.00%	5.25%	6.25%	↑
Aalborg	5,000	3,500	2,000	→	5.25%	5.50%	6.25%	↑
Triangle area	3,200	2,500	2,000	→	5.25%	5.50%	6.25%	→
Esbjerg	3,000	2,500	2,000	→	5.25%	5.75%	6.00%	→

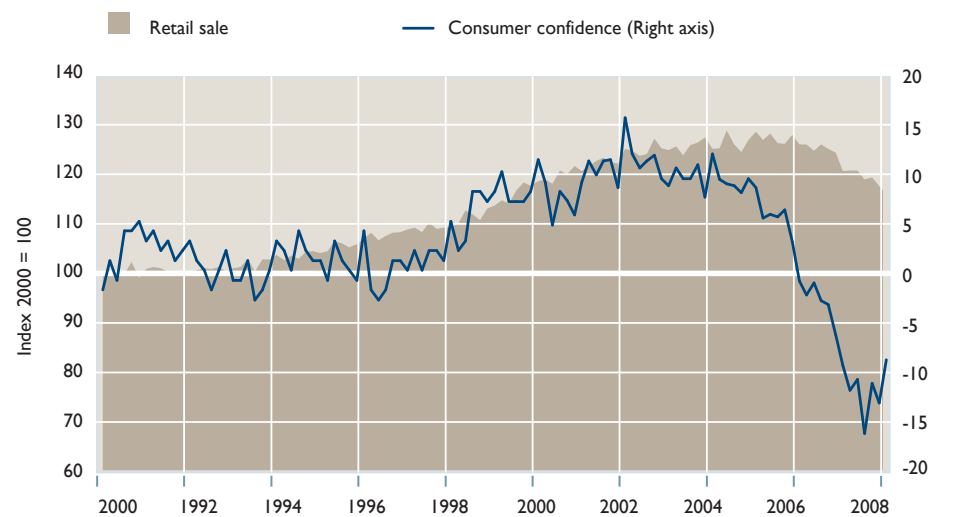
Source: Colliers

dropped during 2008 as has the retail sales. It is worth remembering that basically the level of consumption was high, partly stimulated by the increase in real estate prices. It will be interesting to see the impact of the new tax relief on consumers in 2009.

Danish economy is in an overall strong position. Employment is high; there is a surplus on the balance of payments and low public debt. This gives the Danes hope for a quite soft way through the crisis, since it is easier for the government to stimulate the economy – e.g. by public investments, tax reforms etc.

EXCHANGE RATE:
DKK/EURO: 7.45
(February 2009)

CONSUMER CONFIDENCE AND RETAIL SALES IN DENMARK



Source: Statistics Denmark and own calculations

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