

Property Snapshot

INVESTMENT

DENMARK | MAY 2009



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Possibilities for financing slightly improved

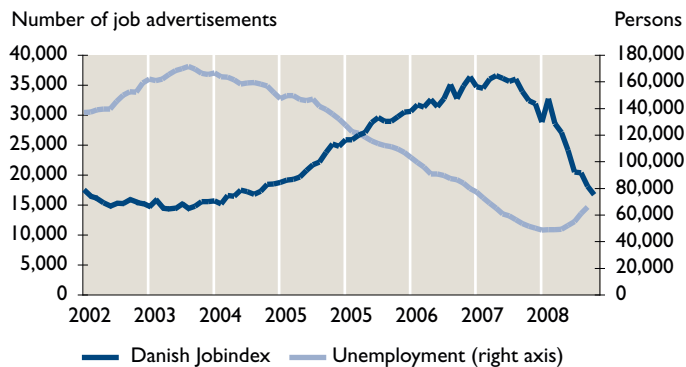
There are still difficulties in getting funding due to the financial crisis. But the decline in the interest rate and economic stimulus plans increase the opportunities.

Decline in economic activity

Throughout the second half of 2008 Denmark experienced a dramatic decline in real economic activity, which has also been the case in a number of other countries. What started out to be a credit crisis, only affecting the financial sector, developed into a real economic crisis.

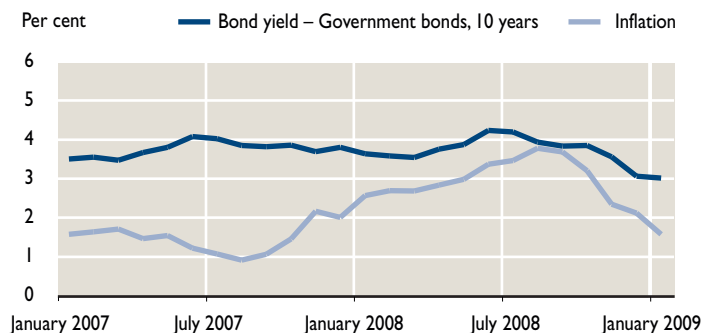
The preliminary figures of Statistics Denmark show a decline in growth of 1.3% in 2008. This growth rate seriously slowed down during the second half of 2008. The crisis arose quite suddenly – and, as mentioned, now showing a negative growth rate in 2009. Currently, various forecasts predict a negative growth of close to 1% in 2009 and a slightly positive growth rate in 2010.

NUMBER OF VACANCIES AND UNEMPLOYMENT



Source: Statistics Denmark and Danish Jobindex

RENT LEVEL AND INFLATION



Source: Statistics Denmark

The decline in economy has also led to fewer employed people and thus higher unemployment. Unemployment in Denmark, however, is still very low, both seen in a historical perspective and when comparing to other countries. An indicator of the future development is the number of jobs being advertised on the internet, which is assessed by Dansk Jobindex (a Danish job database). The number of job advertisements started to decline some time before unemployment started to increase. In January 2009 the number of job advertisements was reduced by 50% compared to January 2008. Dansk Jobindex does not predict that this development will change soon.

The Danish Government has carried out a variety of initiatives in order to help push the economy. The latest initiative was a growth package, including tax deductions, which was passed on 1 March 2009.

Very low interest rate

Inflation has declined quickly concurrently with the substantial recession in the economies. The latest figures show an inflation of 1.8% (measures from March 2008 to March 2009). Consequently, inflation is kept below 2% as wished.

Also within the EU as a whole inflation declined. This means that the central banks have lowered their interest rate levels considerably. Most recently the European Central Bank lowered the interest rate levels by 25 percentage point to 1.25% at a meeting in the beginning of April 2009.

And at the same time the Danish Centralbank (Danmarks Nationalbank) chose to lower the interest rate by 2.25% to 1.75%. Consequently, there is still quite a gap between the Danish and the European interest rate level.

MARKET BAROMETER AT 1 APRIL 2009 | MARKET RENT AND YIELD FOR THE PRIMARY LOCATIONS

Market rent: DKK per sq.m. per year

	RETAIL				OFFICE				INDUSTRIAL & LOGISTICS			
	Market rent	Trend	Yield	Trend	Market rent	Trend	Yield	Trend	Market rent	Trend	Yield	Trend
Copenhagen	20,000	↓	5.00%	↑	1,800	→	5.50%	→	575	→	7.00%	↑
Aarhus	6,250	→	5.00%	→	1,800	→	5.75%	→	450	→	7.00%	↑
Odense	5,500	→	5.25%	→	950	→	6.25%	→	350	→	7.25%	↑
Aalborg	5,000	↓	5.50%	↑	1,200	→	6.25%	→	400	→	7.50%	↑
Triangle area	3,000	→	5.25%	→	900	→	7.00%	→	350	→	8.00%	→
Esbjerg	2,800	→	5.25%	→	810	→	7.00%	→	325	→	8.25%	→

Source: Colliers Hans Vestergaard

Improved financing possibilities

When the credit crisis peaked in the autumn of 2008 the possibilities of financing real estate projects were practically non-existent. Regardless of the health of the single projects most banks were very reluctant towards projects of the real estate business. Two bank packages have been passed (one at the beginning of October 2008, another in the middle of January 2009). These are to ensure capital of the banks.

Irrespective of the measures taken to ensure available funds the banks continue to be very reluctant when it comes to lending policies. However, lately banks have demonstrated their willingness to discuss property projects again.

Due to the difficulties obtaining financing, the number of potential customers on the market has been fewer than usual during the past months. For instance there have only been few providers of real estate projects. Some consolidated real estate companies have been active just as pension funds and wealthy individuals have been able to acquire, while the more aggressive real estate companies were stopped by the lack of credit possibilities.

The demand for yield increased during the past nine months. This is a direct consequence of the altered demand situation that has gone from full activity to quite the opposite. Particularly for properties in secondary locations there has been an increasing demand for yield. The uncertainty about the state of the economy had led to an increased demand for stable operating revenue that is obtained with quality properties in primary locations

The development is reflected by an increasing yield gap. There has been increased focus on the risk of real estate investments. From 2006–2008, on the other hand, there was a very small yield gap and overweening confidence in the real estate market.

Continuing stable user markets but uncertainty in the economic development

The substantial growth in economy during the past few years has led to an increased demand for office premises, industrial & logistic premises and retail shops. There has also been a substantial demand for dwellings. However, the situation has changed significantly since the vacancy rate for all segments has increased. The vacancy rate for office premises is not very high considered in a historical perspective. The share of vacant premises for production and logistics continues to be very low. There is a decreasing demand for properties with secondary locations and which are not up to date.

EXCHANGE RATE:

DKK/EURO: 7.45
(August 2009)

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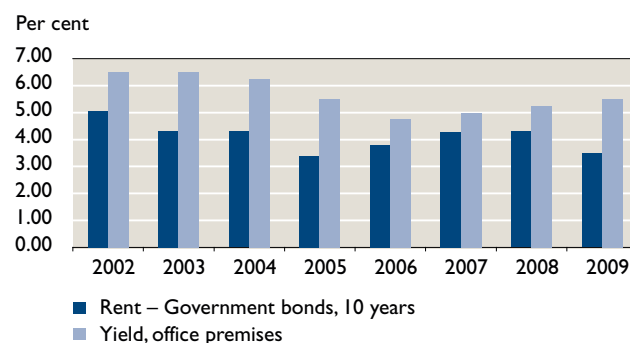
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YIELD GAP



Source: Colliers Hans Vestergaard and The National Bank