COPENHAGEN | 2017

PROPERTY MARKET REPORT

Sadolin | ALBÆK

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Introduction

Activity in the Greater Copenhagen investment property market remains remarkably strong.

Previously considered relatively intransparent and dominated by domestic pension funds, the Danish investment property market has after the financial crisis developed into a highly active, mature and transparent market, attracting substantial interest from international investors.

Supported by Denmark's Triple A-rating, extremely low interest rates, an advanced and highly competitive mortgage financing system along with very low transaction costs, investment capital inflows are strong from Scandinavia, Europe, North America, the Middle East and Asia.

> Property transaction volume in the Greater Copenhagen area soared by 25% from 2015 to 2016, reaching a volume of almost DKK 50bn.

Prime yields continue to harden. However, we do not believe that the property market is close to, or even heading for, a bubble: Property investment values continue to be supported by underlying fundamentals, with Danish property assets offering attractive returns relative to other asset classes and international property markets. The property market is supported by a sound improvement in the economy in terms of low unemployment and strong consumer confidence.

However, risks are rising: Geopolitical uncertainty, the risk of trade barriers as well as other factors may have an adverse effect on an open export-driven economy like Denmark. Property values may be impaired in the process – also due to the mere fact that interest rates and yields will not stay low forever.

This 2017 market report by Sadolin & Albæk offers an overview of key economic trends and of the Copenhagen property market, including occupational and investment market information as well as details on transactions across sectors and submarkets.

The market report has been compiled to guide you in planning and making decisions involving investment property in Greater Copenhagen. It is based on market data that we believe are reliable. Whilst every effort has been made to ensure that the information provided in this market report is both accurate and complete, Sadolin & Albæk accepts no liability for factual errors.

Established in 1967, Sadolin & Albæk has for 50 years been a leading commercial and investment property adviser in Denmark. Including our affiliated companies, property asset management company Keystone Investment Management as well as property and facility management company Taurus, we count almost 100 professionals.

The Sadolin & Albæk group is dedicated to maintaining its position as the best commercial property agent, adviser and manager. Indeed, the success of our clients is the key to our success. Hence, we have one common goal: To add value to the business and success of our clients.

Copenhagen, February 2017
Sadolin & Albæk

Sadolin & Albæk partners
(left to right) Lau Melchiorsen, Carsten Gørtz Petersen, Peter Winther, CEO, Jan Kristensen, COO, and Christian Fladeland Pedersen.


VESTER VOLGADE 6, COPENHAGEN

Location Copenhagen

- Continued population growth and ongoing infrastructure schemes drive new construction and upgrades or conversions of old-stock properties
- Having the highest share of university graduates in the country, Copenhagen boasts a knowledge-based and unparalleled environment for businesses of all sizes
- Mounting foreign and domestic investor interest in the Copenhagen property market drives up transaction volume in the region to an all-time high

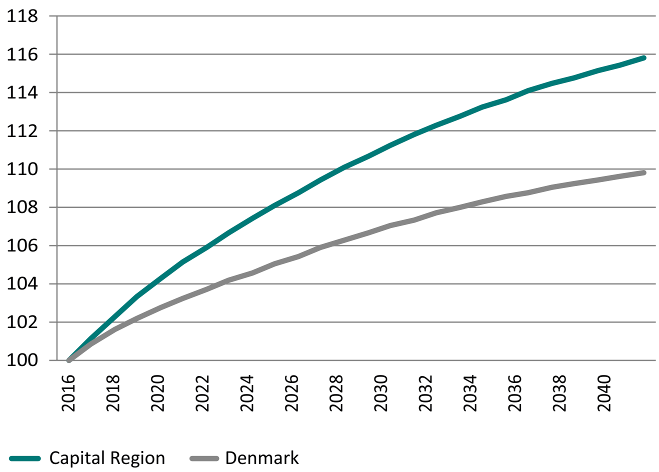
Copenhagen is the capital of Denmark, located on the island of Zealand and at the very heart of the Øresund region, including the southernmost part of Sweden. One of the most densely populated, affluent and dynamic regions in northern Europe, the Øresund region benefits from swift cross-border access to Sweden with the fixed link, Øresundsbron, connecting Copenhagen with Malmoe, and the sea link between Elsinore (Helsingør) and Helsingborg.

Copenhagen's excellent air- and seaports facilitate long distance and international commutes, and an extensive rail network and motorway grid, including the European motorway E20, ensure swift transport to all parts of Denmark and abroad. In Copenhagen, the Metro offers a strong central infrastructure and links to Copenhagen Airport. Upon completion, the ongoing expansion of the Metro line will further strengthen this infrastructure, connecting most city districts. The first phase of the expansion, CityRingen, is scheduled for commissioning in 2019. At Copenhagen Airport activity is also brisk: a new terminal to accommodate the rapidly increasing number of travellers is currently under construction.

The Capital Region of Denmark, broadly speaking encompassing Greater Copenhagen and the island of Bornholm, has a population of some 1.8 million. Combined, the Øresund region has close to 3.8 million inhabitants. The Capital Region is projected to see population growth of more than 15% over the next 25 years, making this the fastest growing region of Denmark. In fact, the forecast predicts more than 310,000 new residents in the Capital Region over the next 25 years.

Strong population growth is a key driver of growth in the housing and labour markets. As a result, new construction, urban renewal and redevelopment as well as infrastructure upgrade schemes are booming in Copenhagen, with brisk activity in the city's many new and attractive development areas, such as the Carlsberg City District (Carlsberg Byen), Ørestad and the Harbour Districts. Development schemes involve commercial and residential newbuilding along with conversions/upgrades of disused industrial or office facilities. The strong influx of new residents continues to exacerbate the already existing undersupply of residential space.

POPULATION FORECAST 2016-2040 (INDEX 100 = 2016)



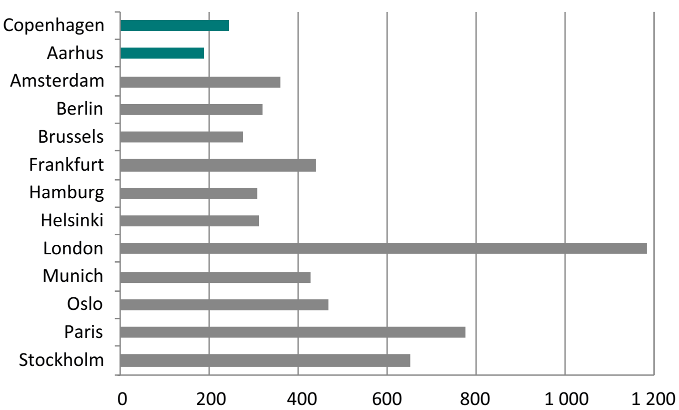
Source: Statistics Denmark

Despite a boom in new construction, we therefore expect sustained short and longer term undersupply of residential space. Activity in the office market also continues to grow, driven by stronger demand for office units of all sizes, with several new and up-to-date office facilities under construction as a result.

According to Eurostat, Danish GDP per capita exceeds the EU average by roughly 25%. In Copenhagen, GDP per capita exceeds the national average by 25%. In terms of education, the proportion of Copenhagen residents holding university or similar tertiary degrees exceeds the average equivalent recorded in other EU capitals by a staggering 74%. Similarly, the proportion of Capital Region residents having completed long-cycle higher education exceeds the national average by more than 70%.

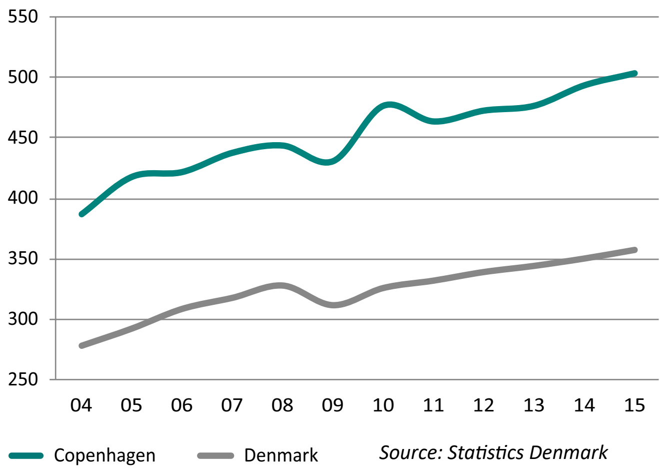
Copenhagen is considered the main driver of Denmark's economic growth as well as a European hotspot. In fact, in terms of technological know-how, political stability, a favourable business-operating environment as well as a transparent and liquid property market, Copenhagen ranks in the European top league. In 2015, JLL named Copenhagen the top city ahead of other 'New World Cities' that front the provision of energy-efficient and smart buildings,

PRIME OFFICE RENTS (EUR PER SQM PER ANNUM)



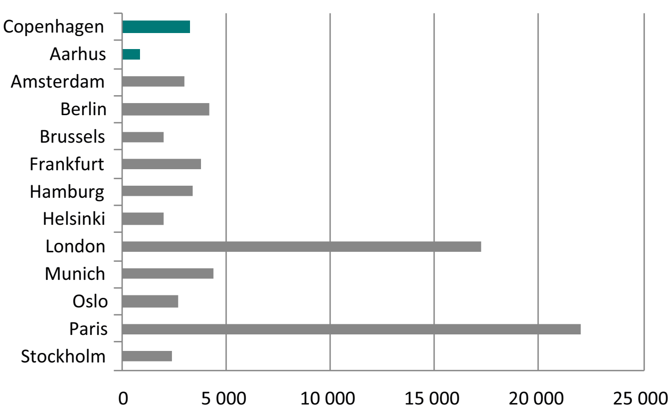
Sources: JLL and Sadolin & Albæk

GDP PER CAPITA (TDKK)



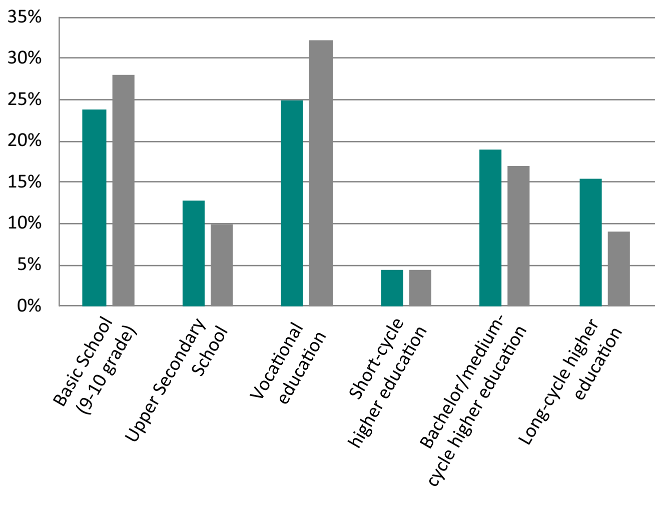
Source: Statistics Denmark

HIGH-STREET RETAIL RENTS (EUR PER SQM PER ANNUM)



Sources: JLL and Sadolin & Albæk

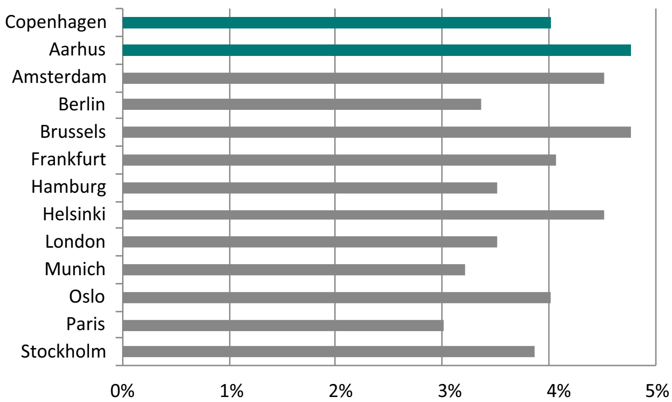
EDUCATION, CAPITAL REGION VS. DENMARK



Source: Statistics Denmark

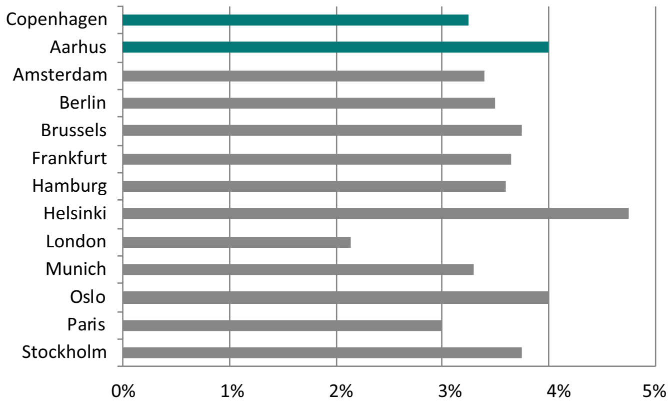
while addressing current issues such as liveability, sustainability and technological prowess, and in 2016, for the sixth year running, Copenhagen topped the European 'Ease of Doing Business Index' published by the World Bank. In addition, a new annual benchmarking report measuring the ability of cities to compete for talent, the Global Cities Talent Competitiveness Index (GCTCI), gives Copenhagen a top ranking ahead of 45 other cities, including San Francisco and London, on account of the city's ability to foster, attract and retain talent. In an international context, investors perceive the Danish investment property market as a safe haven thanks to its strong framework conditions and highly competitive, risk-adjusted returns. Besides exceptional stability in market rent levels and attractive net initial yields relative to other European capitals, a shift in investment patterns is the key determinant of the Copenhagen property market. Financial market turbulence and unattractive returns on low-risk liquid assets such as bonds have caused investors to increase their exposure to alternative investment assets, including investment properties. In 2016, transaction activity soared in the major cities in Denmark, with property investments in Greater Copenhagen exceeding pre-crisis volumes and reaching an all-time high.

PRIME INVESTMENT YIELDS, OFFICE



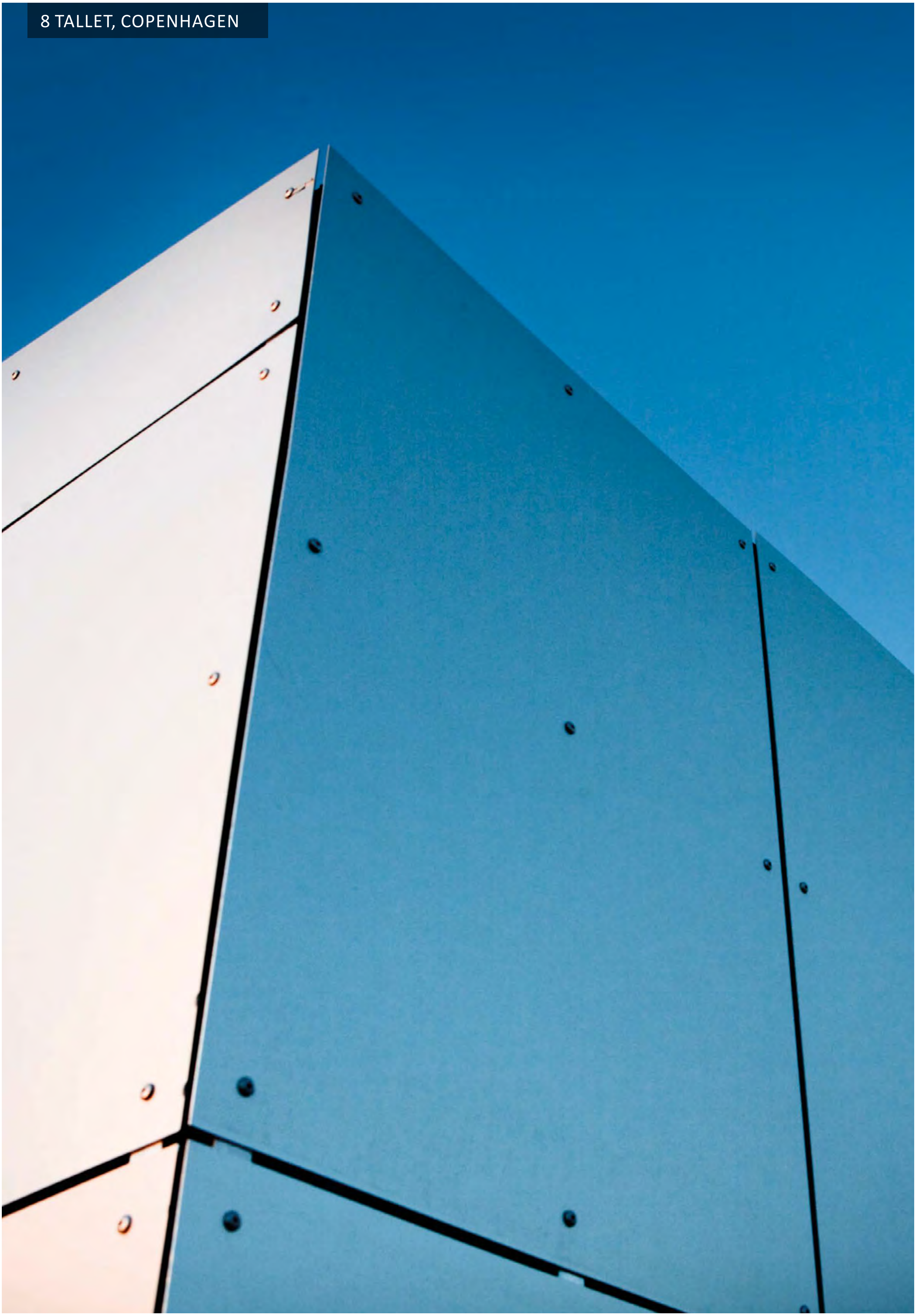
Sources: JLL and Sadolin & Albæk

PRIME INVESTMENT YIELDS, RETAIL



Sources: JLL and Sadolin & Albæk

8 TALLET, COPENHAGEN



Macroeconomic overview

- Consumer spending again a key determinant of economic growth
- Danish economic indicators are picking up, manifested in lower unemployment and higher purchasing power
- Outlook for Danish economy is bright, but global political turbulence may be looming ahead

GDP AND CONSUMER SPENDING

Denmark's economic recovery has now entered its fifth year. So far, the recovery has manifested itself mainly in employment growth, whereas Danish GDP growth has been modest. In 2016, GDP growth was driven mainly by sustained domestic consumer spending combined with surprisingly high public expenditure. On the other hand, the traditional growth driver, exports, was a disappointment in 2016.

As at end-Q4 2016, however, the outlook for Danish exports is bright: According to the Danske Bank export performance index, five of Denmark's main export markets are in fact improving, i.e. Sweden, China, the United States, Germany and the UK.

Danske Bank predicts GDP growth of 1.0% and 1.5% in 2016 and 2017, respectively. However, growth rates vary across regions, with the Capital Region of Denmark and the Central Jutland Region ranking as the premier growth centres, driven by strong GDP growth in Greater Copenhagen and Aarhus.

In the past almost 2 years, consumer confidence has been substantially restored, except for a decline at end-2016. However, this decline has not yet fed through to consumer spending; in fact, Danske Bank expects an increase of 1.8% in consumer spending in 2016, which is close to the 2.0% projected at year-start.

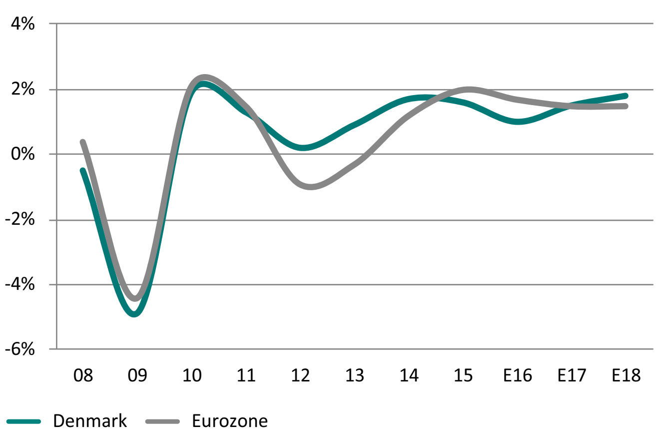
UNEMPLOYMENT

The Danish labour market is finally completely clear of the financial crisis, with fair increases in employment levels translating into lower unemployment rates. In the first half of 2016, some 27,000 joined the ranks of the employed, reflecting the same uptrend as seen in 2015, when the unemployment rate fell to 4.6% from 5.0% in the span of 12 months.

Danske Bank forecasts an increase in employment corresponding to some 66,000 people in total in 2017 and 2018 combined. As the current unemployment rate has presumably reached a structural level, the increase is believed to reflect an increase in the workforce as well.

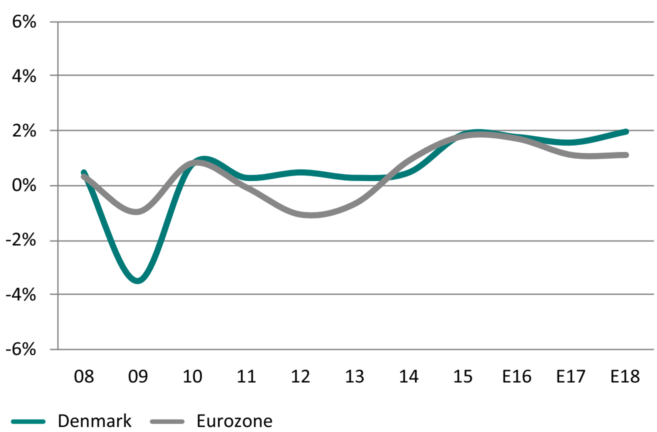
The stronger labour demand exacerbates the risk of bottlenecks and increased wage pressure. Indeed, the Danish manufacturing sector has seen a relatively steep increase in

REAL GDP (Y/Y CHANGE)



Sources: Eurostat and Danske Bank

CONSUMER SPENDING (Y/Y CHANGE)



Sources: Eurostat and Danske Bank

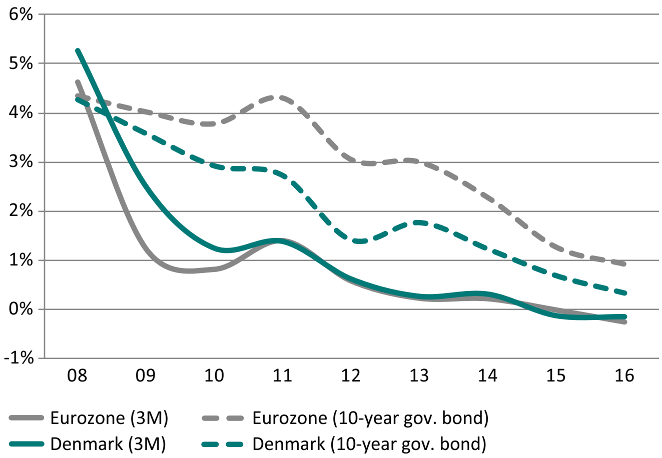
wages in the last four quarters compared to the movements seen in comparable countries abroad.

INFLATION

Like in 2015, Danish inflation was remarkably low in 2016. According to Danske Bank, the prices of services and wage growth continue to increase at a rate close to 2% p.a., indicating that the low inflation is driven largely by low energy prices as well as lower prices in the ICT and clothing industries.

Danske Bank expects 0.3% inflation in 2016, rising to 1.3% in 2017. In Europe, the European Central Bank (ECB) expects eurozone inflation to edge up to a mere 0.2% in 2016, followed by an increase to 1.3% in 2017.

SHORT-TERM INTEREST RATES (3M) AND 10-YEAR GOVERNMENT BONDS



Source: Eurostat

INTEREST RATES

In the United States, unemployment is nearing a structural level. Together with the pre-inauguration statements made by President Donald Trump in regard to infrastructure investments and tax cuts, this has driven up inflationary expectations and, by extension, market expectations for the US key interest rate.

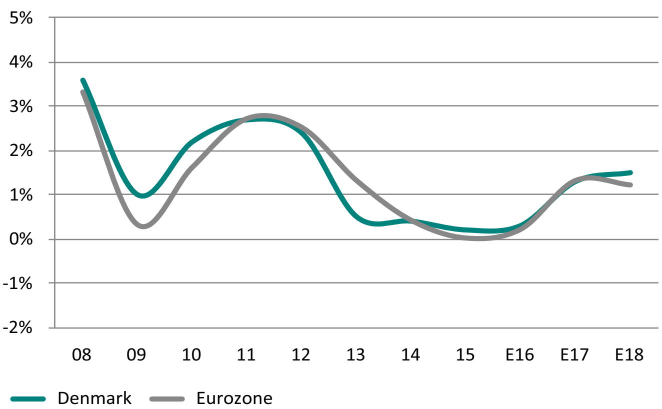
Recently, the ECB announced that it intends to continue its asset purchase ('quantitative easing') programme up until December 2017 as a minimum, although scaling down the monthly volume of asset purchases from EUR 80bn to EUR 60bn in April 2017. Combined with record low short-term interest rates of -0.3%, the ECB is applying most of its available tools to stimulate faster economic recovery and reach the long-term inflation target of 2%.

The DKK-EUR peg ties the interest rates determined by the Danish central bank, Danmarks Nationalbank, to those of the ECB. In view of Denmark's large current account surplus and the strong demand for Danish government bonds, it is plausible that Danish interest rate levels will remain lower than those of the ECB for a significant length of time.

In Q1–Q4 2016, the Danish benchmark yield, defined as the yield on a 10-year government bond, dropped from 0.61% to 0.21%. By comparison, the short-term interest rate dropped from -0.07% to -0.19% in the same period.

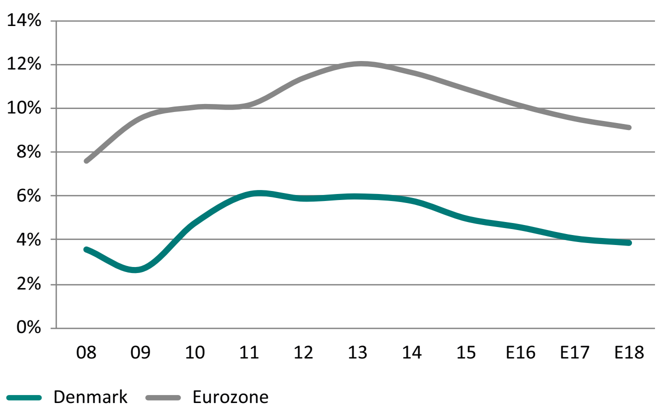
The medium-term outlook remains for sustained low short-term interest rates as European economies, including Denmark, are still in a recovery phase, as reflected in macroeconomic forecasts by low inflation rates and moderate GDP growth. An anticipated increase in the yield on 10-year US

INFLATION



Sources: Eurostat and Danske Bank

UNEMPLOYMENT RATES



Sources: Statistics Denmark, Eurostat and Danske Bank

MACROECONOMIC OUTLOOK 2016-2018

YEAR	GDP*	UNEMPLOY-MENT**	CONSUMER SPENDING*	EXPORTS*	INFLATION*	PUBLIC DEBT***	10-YEAR**** SWAP YIELD
Denmark							
2016	1.0	4.2	1.8	0.1	0.3	38.0	0.93
2017	1.5	4.1	1.6	2.2	1.3	37.2	1.60
2018	1.8	3.9	2.0	2.7	1.5	36.2	-
Eurozone							
2016	1.7	10.1	1.7	2.3	0.2	91.6	0.66
2017	1.5	9.5	1.1	3.0	1.3	90.6	1.35
2018	1.5	9.1	1.1	3.6	1.2	89.6	-

**) Growth (% y/y)*
***) % of workforce*
****) % of GDP*
*****) end-year rate*

Sources:
Eurostat and
Danske Bank

government bonds is expected to feed through to eurozone 10-year bond yields in 2017.

CONCLUSIVE REMARKS AND OUTLOOK

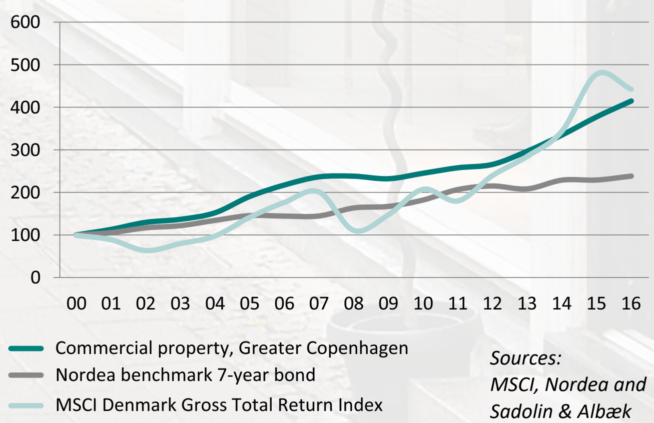
Denmark is a small and open economy that relies on international trade and, therefore, the Danish economy is also determined by developments in the global economy. As a result, recent years' global economic slowdown has affected Danish GDP growth, with y/y growth in 2016 projected at a mere 1.0%. Nevertheless, most Danish economic indicators are picking up, as manifested in lower unemployment and higher purchasing power, driven by an increase in real wages and homeowners' equities, which are also believed to be the key determinants of GDP growth in 2017.

Like in 2016, the outlook for 2017 is associated with some uncertainty, not least on account of a range of political developments that may slow the European growth momentum, e.g. the effects of Britain leaving the EU, the constitutional referendum in Italy and the outcome of the upcoming referendums in France and the Netherlands, the latter possibly resulting in a further manifestation of protectionism.

There is also a certain amount of economic uncertainty associated with future international trade, provided the new US administration succeeds in introducing custom barriers and in pulling out of trade agreements.

ØSTERGADE 15, COPENHAGEN

HISTORICAL RETURNS ON COMMERCIAL PROPERTY, STOCKS AND BONDS (INDEX 100 = 2000)



Sources: MSCI, Nordea and Sadolin & Albæk

AVERAGE RETURN AND RISK ON COMMERCIAL PROPERTY, STOCKS AND BONDS

	2016	1990-2016	
	Return	Return	Risk
MSCI Denmark, Gross Total Return	-7.4%	13.8%	25.2%
Nordea benchmark, 7-year bond	4.0%	8.0%	8.9%
Commercial property, Greater Copenhagen	9.9%	8.8%	7.6%

Sources: MSCI, Nordea and Sadolin & Albæk

The Sadolin & Albæk property price index

- Sustained uptrend in Greater Copenhagen commercial property prices driven by four consecutive years of capital gains
- Total average return on commercial property stood at 9.9% in 2016
- Commercial property returns outperformed stocks and bonds in 2016 as increased stock market volatility drove negative stock returns

In 2016, Greater Copenhagen commercial property prices continued to climb for the fourth year running. Due to the combination of geopolitical uncertainty in the UK and the United States and an uncertain economic outlook in Denmark and abroad, overall equity market volatility increased, causing domestic and international investors alike to flock to mature property markets in pursuit of attractive risk-adjusted returns. According to the Sadolin & Albæk property price index, Greater Copenhagen commercial properties yielded a total average return of 9.9% in 2016, driven by a compression of income return levels to around 4.9% and significant capital growth of 5.0%.

As at end-2016, investors in the Copenhagen high-street market had lowered their yield requirements to approximately 3.25%, or lower, while yields on top-quality office properties compressed to 4.00%. Driven down by historically low interest rates, massive placement requirements and a shortage of equally attractive investment opportunities, yields dropped to unprecedented lows in several segments of the Copenhagen property market. Yield compression remains the main driver of capital growth in most segments as occupational markets in general, except for the Copenhagen retail and residential segments, saw only moderate rental growth, if any, in 2016.

Having climbed for four years running, in nominal terms commercial property prices have reached a level well above the previous peak recorded in 2007. However, when factoring in inflation, Copenhagen commercial property prices still stand some 7-8% below 2007 prices.

Since 1985, average direct income return has ranged between 4.7% and 8.8%, whereas capital growth has fluctuated between -11.8% and 31.3%. From 1985 to 2016, the total return was negative only from 1991 to 1993 and again in 2009, whereas the average total return since 2000 has been 9.7%.

PROPERTY VS. STOCKS AND BONDS

When assessing the performance of Copenhagen commercial property, the return to risk reward offered by commercial real estate assets compared to other asset classes is a factor worth considering. We have compared the performance of commercial property to that of stocks and bonds by analysing total return indices for each of the asset classes, i.e. including reinvested dividends for the respective asset classes. For a gross index of the Danish stock market, we use total return data compiled by MSCI, and for government bonds Nordea's 7-year benchmark return. For the total return on commercial property, we use the Sadolin & Albæk property price index in which total return is comprised of income return and capital growth.

Since 1990, the total return on stocks has on average outperformed commercial property and bonds by approximately 500 bps and 580 bps, respectively. In terms of total return, commercial property in this period outperformed Nordea's 7-year benchmark by some 80 bps.

2016 marked the end of four consecutive years of rallying stock prices as the MSCI Denmark Gross Index saw a slight fall of 7.4% over the year. Stock markets witnessed substantial volatility on multiple occasions during the year: At year-start, concerns regarding a slowdown in Chinese economy shook all major indices. Prior to the June referendum, when Britain voted in favour of leaving the EU (Brexit), financial market volatility also increased, with further turmoil during the US presidential election campaign. Recently, however, financial markets appear to have rebounded to some extent, having seemingly come to terms with the election of Donald Trump.

Because of recent years' historically low interest rates, bond yields are producing relatively poor income returns. However, bond markets experienced some volatility in 2016 providing a short-lived window for minor capital gains. At year-end, the return on the Nordea benchmark bond was 4.00%, well below average commercial property returns.

The long-term average return yielded on stocks exceeds the average returns on property and bonds, but at the expense of significantly higher return volatility, as exemplified when comparing a 2015 return of 38.9% to the 2016 deficit of 7.4%. When calculating risk, measured as the standard deviation on each time series, the total return on stocks proves to carry more than three times the risk of commercial property in an analysis of times series dating back to 1990. Conversely, the total return on bonds carries only a slightly higher risk than commercial property investments in the same time period. Computing the Sharpe's ratio, a measure of risk-adjusted returns, for the three time series indicates that commercial property has significantly outperformed both stocks and bonds over the past 26 years.

According to an analysis of more recent data, including the performance of the three asset classes in a 16-year period from 2000 onwards, commercial property outperformed the other two classes until 2014. However, hikes in stock prices in 2014 and 2015 in fact made stocks the top-performing asset class overall in that time span. Although stocks saw a moderate decrease in 2016, overall returns in the period continue to dominate commercial property investments and bonds alike. Generally speaking, commercial property has produced fair returns during recessions, when stock markets are typically seen to plummet. Conversely, the commercial property market is slower to recover, lagging behind the stock markets in terms of pace and scale of recovery. As evident in 2016, the significant increases in stock returns in 2014 and 2015 have come at the expense of significant risk as clearly reflected in stock market volatility. Historical analyses of the three time series indicate that commercial property adds a significant risk diversification element to stock and bond portfolios.

From 2000 to 2016, stocks yielded an average total return of 13.1% and carried a corresponding risk of 25.5%, measured as the standard deviation of the yearly returns. By comparison, Nordea's 7-year benchmark bond yielded a return of 5.9% at a risk of 5.1%. Commercial property yielded an average return of 9.8% and carried a risk of only 6.5%.

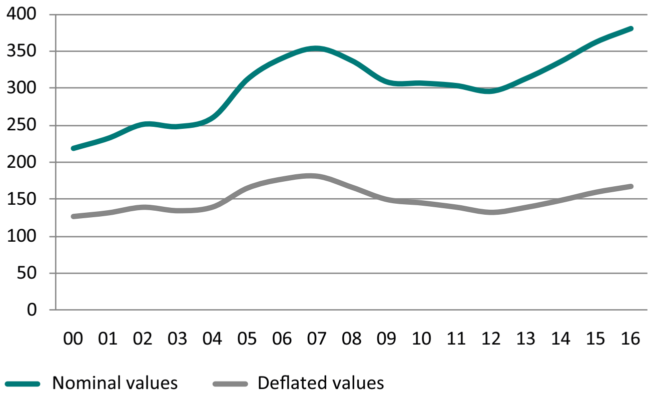
MODEL AND APPROACH

For both the Sadolin & Albæk property price index (capital growth) and the income return calculations, we have used a hedonic multiple regression analysis based on empirical analysis of data collected from more than 4,300 property sales and property valuations in the Greater Copenhagen area, all involving Sadolin & Albæk. The model covers all types of commercial property, but fixed implicit prices are applied for the various property characteristics, mainly location, use, state and condition/quality, suitability/rationality and economies of scale, as a corrective measure to account for the differences between individual properties.

In this context, the return applied is the average return, which denotes the most likely return or the return that investors may expect in a random year on the basis of historical returns. The average return should not be mistaken for the expected compound interest on investments or the geometrical average used to measure the compound return on an investment. The risk is measured by the standard deviation of the yearly returns, that is, the average deviation from the most likely return.

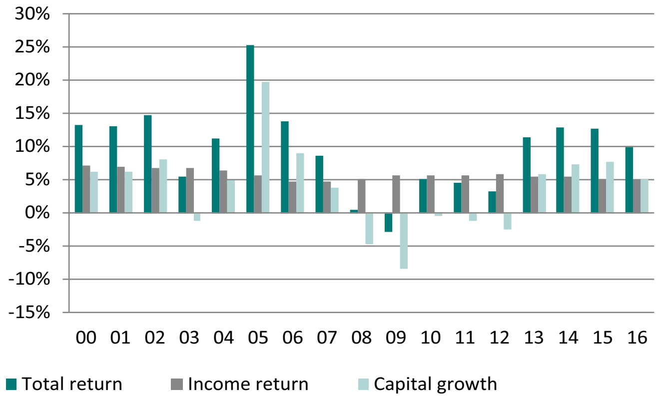
The risk measurement applied here thus provides information on the extent to which the return fluctuates around the expected average return. Please note that the Sadolin & Albæk property price index is based on observations recorded throughout the whole year and therefore the return computed is an average across the year.

SADOLIN & ALBÆK PROPERTY PRICE INDEX (INDEX Q3 1984 = 100)



Source: Sadolin & Albæk

TOTAL RETURN, INCOME RETURN AND CAPITAL GROWTH FOR COMMERCIAL PROPERTY IN THE GREATER COPENHAGEN AREA



Source: Sadolin & Albæk

Investment property market trends

- Record-high transaction volume in the Greater Copenhagen area driven by sharp increase in residential investments
- Yields expected to stagnate following general compression across all segments in 2016
- Copenhagen area investments account for all-time high of some 79% of total transaction volume

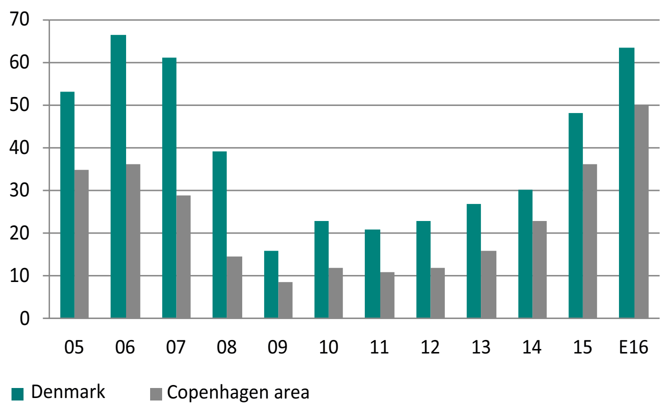
Transaction volume in the Danish property investment market totalled DKK 64bn in 2016, suggesting full recovery and return to the pre-crisis highs in the golden years of 2006–2007. In terms of regional activity, Greater Copenhagen continues to be the main locomotive, in 2016 accounting for some DKK 50bn worth of transactions, corresponding to some 79% of total transaction volume in Denmark. Unlike the scenario before the onset of the financial crisis, the overall increase in transaction activity has not caused a large-scale increase in allocations to provincial towns and cities. In 2007, when overall transaction volume matched that of 2016, some 53% of investments measured on volume took place outside Greater Copenhagen; in 2016, the proportion was a mere 21%. In general, the shift in geographical activity is largely attributable to a shift in the active investor community coupled with growing urbanisation; today, international investors, institutionals and large property companies account for the majority of transactions as private investors and small property companies have become less active players.

In recent years, international market players have become increasingly dominant investors, especially in the high-volume segment, today accounting for 45% of transaction volume and only 22% of the number of transactions with a volume in excess of DKK 25m. The increased presence of international investors with ties to more mature markets has generally served to professionalise the Danish investment property market.

Leading the field for the second year in a row, the (multi-family) residential property sector accounted for 41% of total transaction volume, marking an increase of 8 percentage points on 2015. However, the retail segment slowed, accounting for only 13% of total volume due to the absence of high-volume transactions. Although performing better in absolute terms, the office sector saw a similar slight decline from 32% to 28% as most major transactions involved residential property. Broadly speaking, we believe that had more prime investment opportunities been available across all segments, they would have been snapped up.

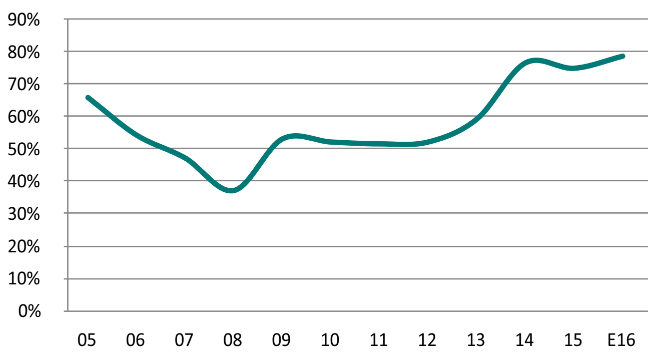
Although gaining some momentum with investors moving further out the risk curve, the secondary investment market remains sluggish as financing continues to be an issue. The slight increase in activity is driven mainly by institutional investors favouring office property offering long leases with secure cash flows over geographical location as prime yields have compressed below comfort level.

TRANSACTION VOLUME, DENMARK (DKK BN)



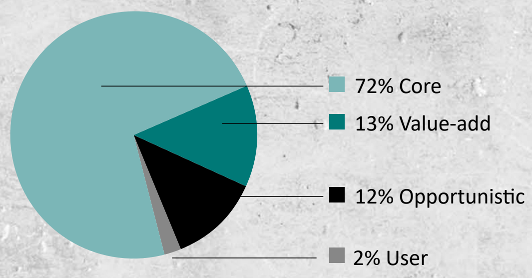
Source: Sadolin & Albæk

COPENHAGEN AREA TRANSACTIONS, SHARE OF TOTAL TRANSACTION VOLUME (%)



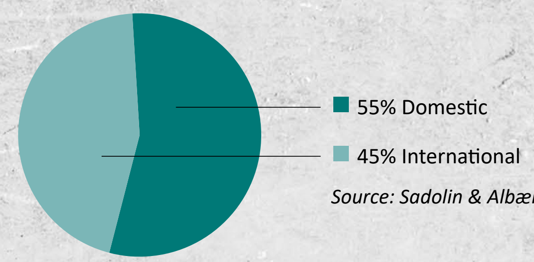
Source: Sadolin & Albæk

TRANSACTION VOLUME BY INVESTMENT TYPE, 2016



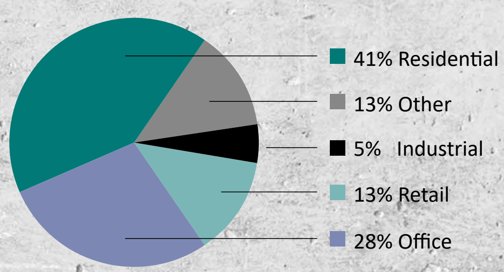
Source: Sadolin & Albæk

TRANSACTION VOLUME BY NATIONALITY, 2016



Source: Sadolin & Albæk

TRANSACTION VOLUME BY PROPERTY TYPE, 2016



Source: Sadolin & Albæk

On the back of significant value increases in the property sector since 2012, especially in the high-street retail and multifamily residential sectors, concerns have been raised that the market may be heading for a new bubble, bound to burst and inflict major losses on property investors and the financial sector.

Evidently, expansionary monetary policy on the scale adopted by the ECB has the potential to create asset bubbles. However, global inflationary expectations are increasing, hence rate hikes may be imminent. Increasing inflation accompanied by rate hikes will have a dual effect on property investments: Rate hikes will increase financing costs and improve the prospects of alternative bond investments, by extension lowering property returns in absolute terms, by exerting downward pressure on property values, and in relative terms, compared to other investment opportunities. On the other hand, higher inflation rates will increase index-linked rental growth, boosting income return.

On the back of meagre bond yields and a general lack of investment opportunities providing the same risk-adjusted returns as property investments, the investment property market has experienced historically high capital inflows with direct placement requirements rocketing to unprecedented levels. According to our projections, growing direct placement requirements and a generally more conservative approach to debt financing in many funds established in the last two or three years, combined with a predominance of institutional equity investors, have driven down overall debt financing to around the 40% mark, down by as much as 20 percentage points from 60% or so in 2006.

Should the bubble in fact burst, the investor community and the financial sector would be less severely hit than during the financial crisis due to the much lower level of debt financing today.

Following a few years of more lenient financing terms, yield compression and resulting price hikes have to some degree prompted a renewed tightening as mortgage banks recently adopted a more conservative approach to property valuations relative to market valuations, as a result lowering LTV ratios.

Still struggling to find satisfying returns in the bond markets and acceptable risk-adjusted returns in the stock markets, pension funds and other institutionals have been forced to reallocate funds to alternative investments, which has boosted demand for property investments.

As a result, prime yields across most sectors dropped by some 25–50 bps in 2016. Although most yields stand at an

all-time low, we see no reason to believe that yields have been driven lower than warranted by relative market fundamentals.

Yield compression has driven up price levels of core properties in all segments to a level that exceeds what investors with conservative income return requirements are willing to pay. Especially pension funds and other institutionals have indicated that prices have risen above comfort level in the prime segment. As a consequence, some institutionals have engaged in indirect investments acting as financing partners for development projects thereby reducing overall risk but at the expense of lower returns.

Property senior financing is available in both the domestic banking and mortgage-banking sectors and from international providers. In an international context, terms are extremely attractive with margins currently standing around some 50 bps and rarely above 100 bps, although finance providers seem highly selective in their assessment of funding options. In addition, pension funds have increasingly engaged in property financing.

Recent years have seen an increase in the use of sustainability certification schemes for new buildings, including DGNB certification, which is the most widespread in Denmark. According to Green Building Council Denmark, as at start-2017 some 33 properties, including 27 new completions, have received final DGNB certification, with silver to platinum scores. Certified buildings include the Rambøll head office at Ørestad, the Ernst & Young head office at Frederiksberg along with a range of other office buildings, some residentials and buildings for public use.

In particular the residential segment has seen mounting interest for DGNB certified buildings as institutionals like PensionDanmark and PKA have stated strategies that require newly built residential properties to be certified, although at the expense of lower initial returns as total construction costs are driven up by documentation costs and certification fees.

Office property investments

- Having touched the 4.00% mark, prime CBD office yields are expected to taper off
- Yield compression has caused domestic institutionals to discard CBD core properties, paving the way for the entry of internationals and domestic property companies
- Domestic institutionals becoming increasingly active in value-add and non-CBD segments

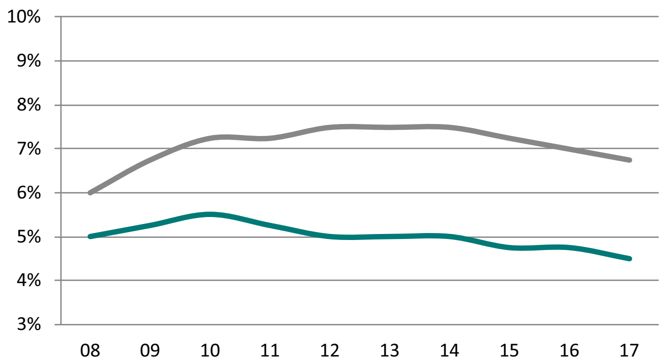
Following a year of fair growth in overall employment rates, especially focused in and around Greater Copenhagen, and slightly decreasing vacancy rates, investors have shown a stronger appetite for CBD office property investments. However, reluctant to accept prime yields of 4.00% on core products in this segment, domestic instutionals have been outnumbered by international investors and large domestic property companies.

Central Copenhagen transactions that underpin this yield level include the acquisition by Standard Life Investments of the Danske Bank head office at Holmens Kanal 2 and the acquisition by DADES of Kalvebod Brygge 1–3 and Under Krystallen 1, part of the Nykredit head office, sold in a sale and leaseback transaction for DKK 1,500m, and Jeudan's acquisition of two properties located at Bredgade, sold by Tryg at an estimated net initial yield of 4.00%. Against the backdrop of compressing CBD yields, domestic institutionals have been forced to pursue alternative fund placement by either shifting focus to non-CBD and provincial markets or moving out the risk curve into the value-add segment. For instance, PensionDanmark increasingly pursues a strategy targeting suburban and provincial properties that offer core cash flows and long lease contracts, thereby continuously securing yields above the 5.00% mark. Domestic institutionals generally appear more risk tolerant as yields have compressed.

We expect yield requirements on prime CBD office property to remain stable around the 4.00% mark. On one hand, demand is strong for office space in the CBD but, on the other hand, a vast amount of space may flood the market when Nordea Bank and potentially Danske Bank and Nykredit relocate from their current city centre head-office premises.

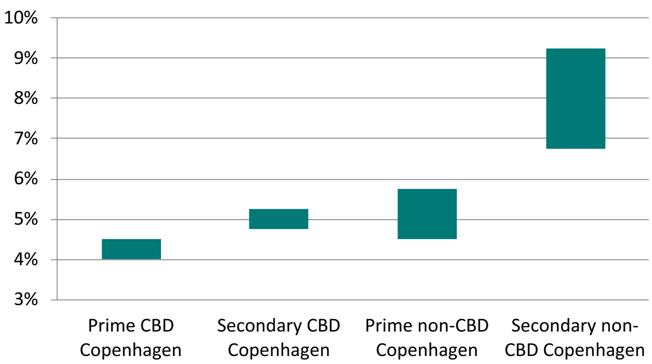
Given the abundance of development opportunities at Ørestad, Nordhavn, Scanport and Sydhavnen in decades to come and a pipeline of multiple large vacancies, we see no

NET INITIAL YIELDS, OFFICE, COPENHAGEN NON-CBD



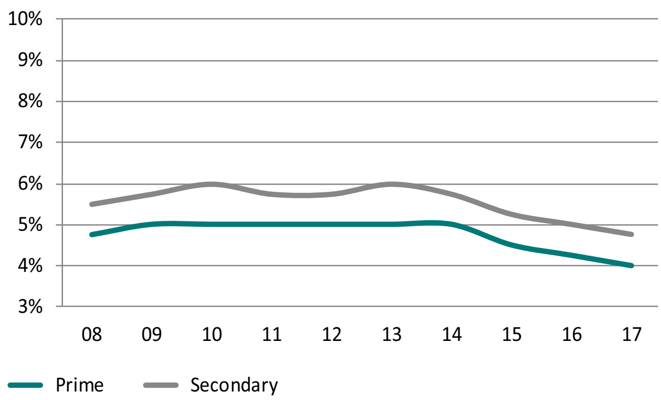
Source: Sadolin & Albæk

NET INITIAL YIELDS, OFFICE, COPENHAGEN



Source: Sadolin & Albæk

NET INITIAL YIELDS, OFFICE, COPENHAGEN CBD



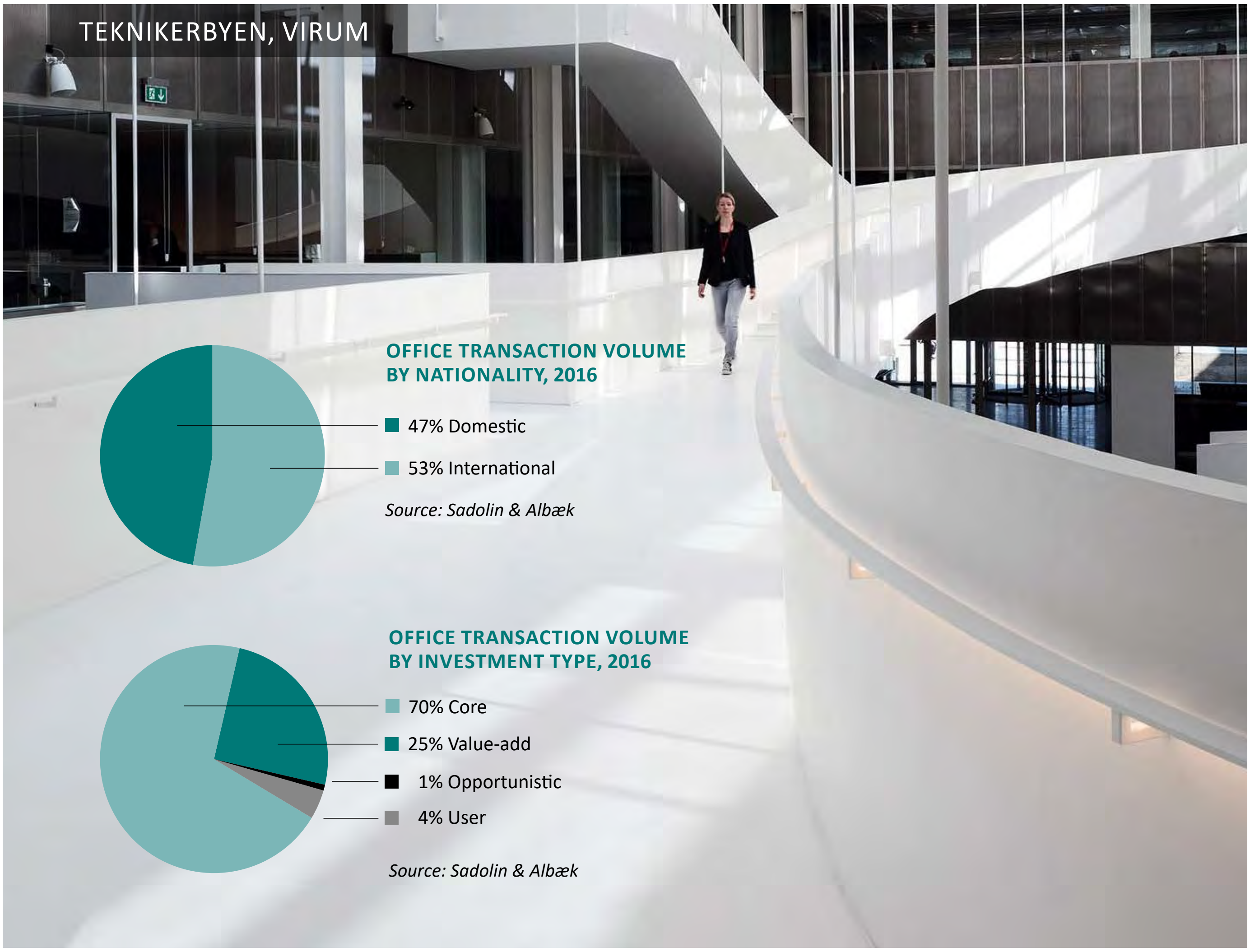
Source: Sadolin & Albæk

prospects of any increase in rent levels in the short to medium term. We believe that stagnating prime rents will halt further yield compression in the segment.

As office tenants continue to require more and more flexible and efficient space with easy public transport access, a great many outdated or poorly located properties are proving hard to re-let once vacated. In the CBD, this has spurred office-to-residential conversion as ownership prices have climbed to an all-time high. In addition, the CBD has seen some conversions for hotel or other leisure-related use. 2016 witnessed brisk activity in this segment, driven by domestic property companies willing to accept the risk. However, as office vacancy rates have gradually improved and yields have been driven down, the office conversion trend may be tapering off; The 'as is' value of properties has seen a sharp increase implying less attractive risk-adjusted returns associated with conversion schemes.

We believe that infrastructure is a key factor in future investments in the segment. For instance, the development of a light rail link along the Ring Road 3 is believed to spur office property investments in the corridor, stretching from Ishøj to Lundtofte through Lyngby. We expect yield compression as infrastructure improves. Another example is a tunnel linking Nordhavn with Amager, which will significantly improve access to Nordhavn.

Compared to other low-risk asset classes, Copenhagen prime CBD office properties continue to offer rather generous income returns. Due to the abundance of development opportunities in the segment, we expect current prime yields to remain constant around the 4.00% mark throughout 2017.



Retail property investments

- High-street yields have dropped to 3.25%, in some cases even lower
- Both the core and value-add high-street market segments continue to be dominated by international investors and UHNWIs
- The market for traditional value-add investments has slowed in response to a slump in overall yields

Following five years of continued compression, the prime yield in the Copenhagen high-street investment property market has hit an all-time low of some 3.25%, or even lower, relative to 5.00% in 2012. The segment remains highly liquid as both international core and value-add investors are eager to gain a foothold by securing the necessary volume and scale of operations.

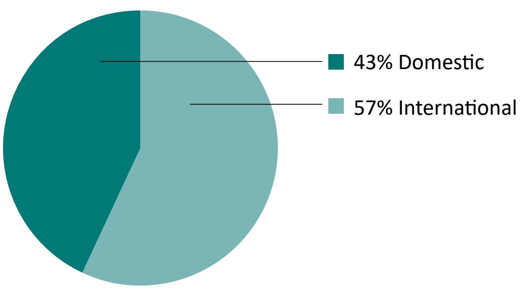
Indeed, the Copenhagen high street saw brisk activity in 2016, in particular in the small- or medium-volume investment brackets. The largest transaction involved the landmark building at Købmagergade 3, which houses international brand retailer Zara Home. AWDK acquired the property for an estimated DKK 430m, reflecting an estimated net initial yield of 2.85%. Another 2016 transaction also involved a landmark, viz. Amagertorv 2 let to Louis Vuitton, which sold to an international private investor in March for some DKK 200m, corresponding to almost DKK 250,000 per sqm, the highest level ever seen in the Copenhagen high-street investment market. The net initial yield was around 3.00%.

Other transactions included acquisitions by AXA Investment Managers, Bendtsen, AEW Europe and Standard Life Investments, primarily involving core high-street assets at prices reflecting yields well below the 4.00% mark. Overall, the 2016 transaction volume in Copenhagen high street is estimated at just shy of DKK 2.7bn, distributed on 11 transactions. So far, investor demand seems to remain strong in the segment, as exemplified by the mid-January divestment of five properties by Avignon Capital to US investor Hines, acting on behalf of German institutional Bayerische Versorgungskammer (BVK), at an estimated price of DKK 885m.

In view of the healthy state of the occupational high-street retail market in terms of climbing rent levels and vacancy rates below the 3.00% mark, we believe that this segment will continue to attract substantial international investor interest as prime core yields, although compressing, continue to greatly exceed those recorded in, say, London and Paris. So far, transactions at yields below the 3.25% mark have all involved iconic landmark buildings and UHNWIs on the buy-side. Such buildings are considered low-risk investments thanks to their unique location offering long-term wealth preservation.

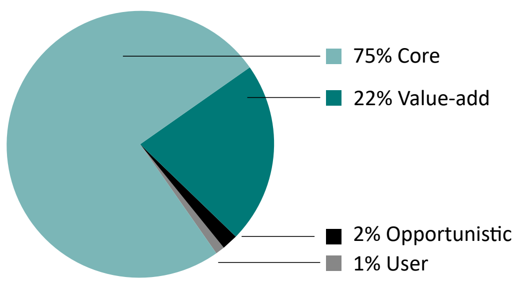
Value-add investments have tapered off as core investors have become increasingly willing to lower yield requirements to secure properties with some optimisation potential. Broadly speaking, yield compression has driven down risk-adjusted returns to a level unacceptable to most value-add investors. Unlike the high-street market, the non-CBD retail investment market remains slow with relatively weak transaction activity and yields reflecting a substantial re-letting risk. Typically owned by domestic institutionals with long-term investment strategies, prime shopping centres are rarely tested in the market. Nevertheless, we believe that such assets would attract substantial international investor interest even at yields below 4.25%.

RETAIL TRANSACTION VOLUME BY NATIONALITY, 2016



Source: Sadolin & Albæk

RETAIL TRANSACTION VOLUME BY INVESTMENT TYPE, 2016



Source: Sadolin & Albæk

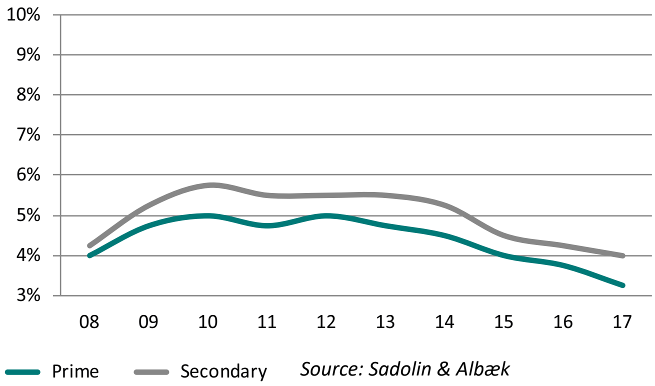
Secondary and local shopping centres are in much lower demand on a stand-alone basis, attracting interest exclusively from more specialised value-add investors, including Nordic Real Estate Partners (NREP) and Sinai Group, currently demanding yields of 6.25+% in the segment. The suburban retail market, including local shopping centres, is undergoing substantial structural changes, challenged by large-scale and high-quality shopping centres as well as by online sales. Overall, it is probably the Greater Copenhagen property market segment that offers the most significant value-add investment opportunities but also the highest element of risk. Broadly speaking, the number of suburban shopping centres is shrinking, except in locations with a larger catchment area where optimisation prospects are more favourable. In 2016, NREP and NPV acquired the local shopping centre Herlev Bymidte at an estimated net initial yield of 7.00% on the basis of significant redevelopment potential.

In April 2016, a major transaction involved a relatively new retail concept in Denmark, the BIG shopping centre in Herlev, newly developed by NREP and NPV. Offering a mix of big-box and top-brand retailers, BIG was acquired in a joint venture of CBRE Global Investment Partners and Portus Retail for DKK 1,120m, reflecting an estimated net initial yield of 5.25%. Although properties in the big box segment rarely change hands, we believe that investors have generally lowered their yield requirements on well-situated, well-managed core properties in this segment. As a result, yields could well drop below the 6.25% mark.

NET INITIAL YIELDS, RETAIL, COPENHAGEN

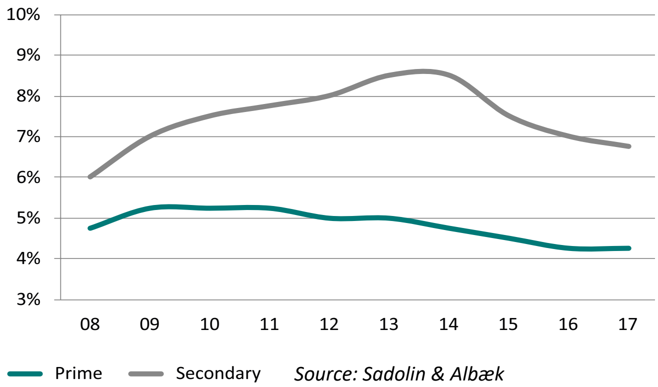
Source: Sadolin & Albæk

NET INITIAL YIELDS, HIGH-STREET RETAIL, COPENHAGEN



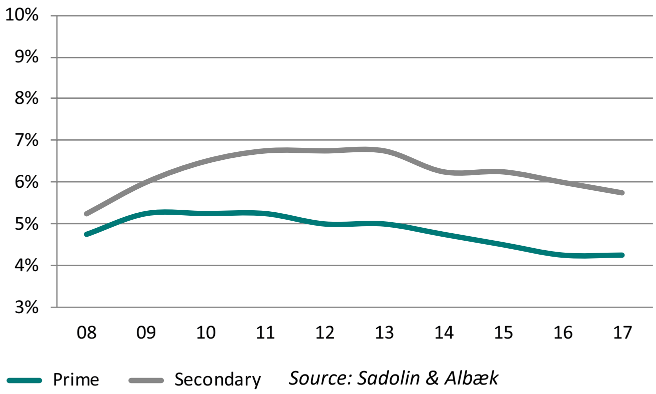
Source: Sadolin & Albæk

NET INITIAL YIELDS, LOCAL SHOPPING CENTRES, COPENHAGEN



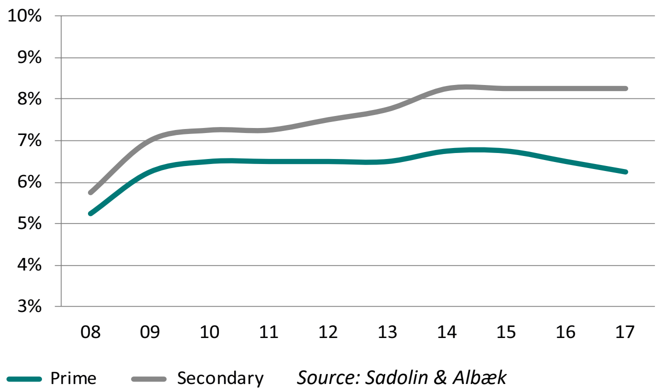
Source: Sadolin & Albæk

NET INITIAL YIELDS, REGIONAL SHOPPING CENTRES, COPENHAGEN



Source: Sadolin & Albæk

NET INITIAL YIELDS, BIG BOX PROPERTIES, COPENHAGEN



Source: Sadolin & Albæk

Industrial/logistics property investments

- Brisker transaction activity driven by a few specialised buyers active mainly in the sale-and-leaseback market
- Yield compression expected as transaction activity is spurred by growing supply
- Sustained e-commerce growth will create investment opportunities as distributors face last-mile distribution bottlenecks

Traditionally, the Greater Copenhagen industrial market has been dominated by owner-occupiers, and the investment market for this asset class has notoriously been thin as the majority of investors are highly specialised and seek substantial volume, effectively limiting the number of feasible transactions. Major current players include domestic property fund NREP, UK-based property fund M7 and recently also Standard Life Investments.

Recent activity has been driven by sale and leaseback transactions, with a number of companies shifting focus to core business activities by outsourcing property operations and management to specialised investors by divesting real estate assets. Although activity is indeed picking up, the advantages of this transaction type still remain relatively unexploited by all standards.

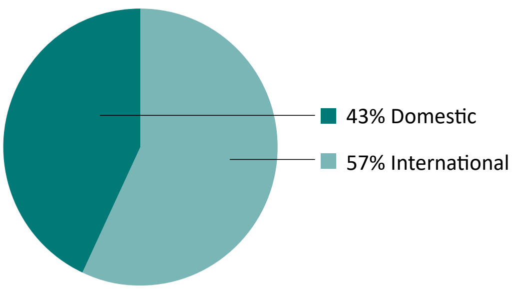
After all, prime logistics facilities currently trade at net initial yields of 6.00–6.50% or higher, virtually outperforming all other asset classes in terms of secure and attractive cash flows. We believe that the yield compression seen in other segments will broaden the investment horizon of both international investors and domestic institutionals, prompting an increase in activity especially in the logistics segment.

Currently, the prime yield on Greater Copenhagen properties let on long leases (10+ years) stands at 6.25% whereas comparable properties let on short leases command yields of approximately 7.25%.

One single high-volume transaction stood out in 2016: In March, Standard Life Investments acquired a portfolio of prime logistics properties known as the Danske Fragtmænd portfolio, comprising a reported 24 freight terminals. Structured as a sale and leaseback, the transaction closed at a price of DKK 1,160m. The estimated net initial yield was 6.50%. Another notable transaction was the acquisition by Pareto Securities of a warehouse/logistics facility at Ventrupparken 3 in Greve, south of Copenhagen. The property is a fully let, built-to-suit property let on a 15-year triple-net lease to Top-Toy.

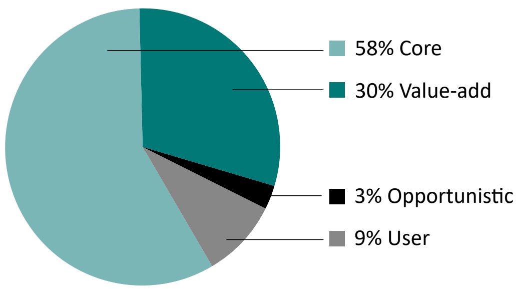
Sustained growth in online sales and increasing competition have served to create bottlenecks as distributors are facing a shortage of last-mile distribution facilities, especially in the vicinity of central Copenhagen. The potential supply of properties/turnkey projects is set to pick up as Copenhagen Airport plans to offer building rights of some 314,000 sqm non-airside but airport related logistics space on leased ground.

INDUSTRIAL/LOGISTICS TRANSACTION VOLUME BY NATIONALITY, 2016



Source: Sadolin & Albæk

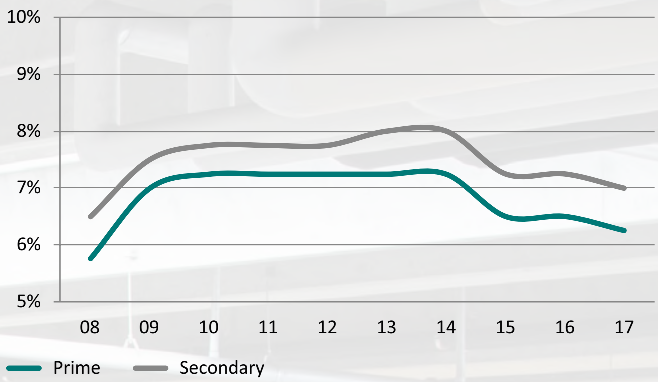
INDUSTRIAL/LOGISTICS TRANSACTION VOLUME BY INVESTMENT TYPE, 2016



Source: Sadolin & Albæk

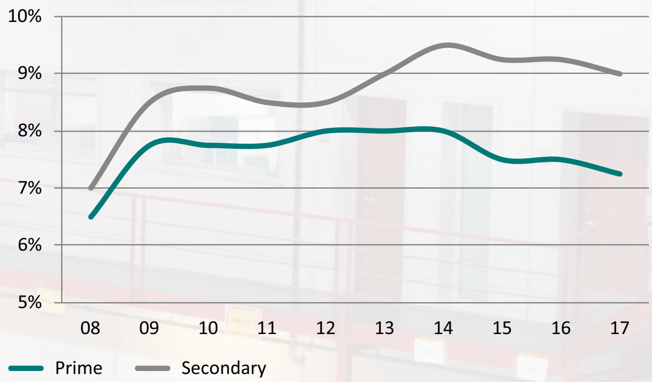
KYSTVEJEN 24-30, KASTRUP, COPENHAGEN CARGO CENTER

NET INITIAL YIELDS, INDUSTRIAL/LOGISTICS LONG LEASE, COPENHAGEN



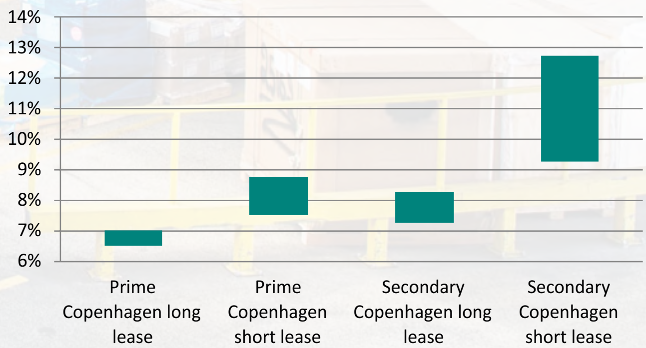
Source: Sadolin & Albæk

NET INITIAL YIELDS, INDUSTRIAL/LOGISTICS SHORT LEASE, COPENHAGEN



Source: Sadolin & Albæk

NET INITIAL YIELDS, INDUSTRIAL/LOGISTICS, COPENHAGEN



Source: Sadolin & Albæk

Key investment transactions

OFFICE

PROPERTY	DISTRICT	SELLER	BUYER	SQM	PRICE*	YIELD**
Norrporten portfolio***	Multiple	Second and Sixth Swedish National Pension Funds	Castellum	114 600	2 900	na
Project Novi (2 properties)***	Copenhagen V	Nykredit	DADES	42 679	1 500	na
Holmens Kanal 2 (Danske Bank)	CBD	Danske Bank	Standard Life Investments	49 065	1 400	4.10%
Project Circle	Ballerup	Tryg	Ness Risan & Partners	67 000	768	5.60%
Project Antenna (13 properties)***	Multiple	Unipension	Wihlborgs	102 068	705	na
Bredgade 40, 42 and 45	CBD	Tryg	Jeudan	18 188	665	4.00%
Kalvebod Brygge 47	Copenhagen V	PFA Ejendomme	M&G Real Estate	14 138	615	4.50%
Office portfolio***	Valby	De Forenede Ejendomsselskaber	Europa Capital	23 787	440	5.10%
Copenhagen Business Park, Stamholmen 143-161	Hvidovre	Valad Europe	NIAM	67 000	400	6.50%
Kongens Nytorv 6	CBD	Tryg	AAA United	7 218	353	na
Grønningen 1	CBD	Købstædernes Forsikring	Thylander Gruppen	7 000	220	na
Artillerivej 86	Copenhagen S	Private investor	TG Management/PFA	10 392	212	5.25%
Borgervænget 3-7	Copenhagen Ø	Property Partners	NIAM	16 090	209	6.25%
Strandboulevarden 130	Copenhagen Ø	Bonnier Publications	C.W. Obel Ejendomme	7 269	178	5.20%
Stationsalleen 40	Herlev	Lemvigh-Müller Ejendomme	PensionDanmark	8 337	169	5.25%
Bryggervangen 55	Copenhagen Ø	Baunsøe Ejd./ Levring & Levring	ATP Ejendomme	8 286	168	na
Niels Juels Gade 9-13	CBD	SEB Pensionsforsikring	ELF Ejendomme	7 849	155	4.95%
Frederiksgade 19	CBD	ATP Ejendomme	Nine United	4 703	151	na
Finsensvej 86	Frederiksberg	CapMan	KFI Erhvervsdrivende Fond	5 638	121	4.75%
Gullfossgade 4	Copenhagen S	Private investor	TG Management/PFA	7 159	116	na
La Cours Vej 7	Frederiksberg	ASE	Fokus Asset Management	5 630	107	6.25%
Amagerbrogade 150	Copenhagen S	Private investor	Estatepartner	6 190	106	6.10%
Snorresgade 17-19	Copenhagen S	Thylander Gruppen (TG 1)	Ældre Sagen	9 267	100	na
Nørre Farimagsgade 43-49	CBD	Business Danmark	Private investor	5 869	90	na
H.C. Andersens Boulevard 9-11	Copenhagen V	Jyske Bank	M. Goldschmidt Holding	3 346	87	4.25%
Ørestads Boulevard 61-63	Copenhagen S	Jeudan	Alma Property Partners	3 818	85	4.75%
Store Kongensgade 68	CBD	SEB Pensionsforsikring	Jeudan	3 905	81	4.00%
Niels Juels Gade 7	CBD	Danmarks Nationalbank	JØP/DIP	3 482	79	4.80%
Rahbeks Allé 21	Frederiksberg C	Maryland Capital Limited	M. Goldschmidt Ejendomme	3 327	72	4.65%
Nordre Fasanvej 113-115	Frederiksberg	NIAM	M. Goldschmidt Ejendomme	3 167	57	5.10%
Strandgade 27A	CBD	Arkitekternes Pensionskasse	Ejendomsselskabet Norden	3 433	57	na
Christianshusvej 181	Hørsholm	Ejendommen Christianshus	Fontaine Investor	5 467	54	9.40%
Bybjergvej 25	Skovlunde	University College Capital	Municipality of Ballerup	13 769	53	10.00%
Strandvejen 93	Copenhagen Ø	University College Capital	Carolineskolen (school)	3 810	50	na
Trekronergade 26	Valby	Ingeniørforeningen IDA	Private investor	2 500	38	6.10%
Englandsvej 51	Copenhagen S	Nordicom	Centaurus Holding	2 810	30	na
Rentemestervej 80	Copenhagen NV	Private investor	RM80	3 445	26	na
Møntmestervej 17	Copenhagen NV	Albatros III	REIT II	2 149	25	8.00%

RETAIL

PROPERTY	DISTRICT	SELLER	BUYER	SQM	PRICE*	YIELD**
BIG Shopping	Herlev	NREP	CBRE Global Investment Partners and Portus Retail	42 326	1 120	5.25%
High-street portfolio (5 properties)*** *sold in 2017*	CBD	Avignon Capital	Hines/BVK	11 700	885	na
Købmagergade 3	CBD	Standard Life Investments	AWDK	3 200	430	2.85%
Fætter BR/Toys 'R' US portfolio***	Multiple	Odin Holding	Standard Life Investments	40 352	485	6.00%
Carlsbergbyen, plot 8	Copenhagen V	Carlsberg Byen	Aberdeen Asset Management	7 500	382	4.50%
Frederiksberggade 1	CBD	Standard Life Investments	AXA Investment Managers	3 185	320	3.50%
Købmagergade 11	CBD	Patrizia	AEW Europe	2 938	295	3.90%
Bremerholm 1-3 et al.	CBD	MKA Ejendomme	Bendtsen	2 605	280	3.60%
Frederiksberggade 16	CBD	MP Pension	Standard Life Investments	4 364	275	3.60%
Frederiksberggade 34 & 38, Vestergade 29-31 & 33	CBD	Københavns Investeringsejendomme	Standard Life Investments	4 400	260	na
Herlev Bymidte	Herlev	Gudbjörg og Einar Honorés fond	NREP/NPV	14 808	250	6.75%
Vimmelskaftet 30	CBD	Neye Fonden	M&G Real Estate	1 831	234	3.90%
Fiolstræde 20	CBD	TT Partners	Lægernes Pensionskasse	4 342	230	4.25%
Amagertorv 2	CBD	Avignon Capital	Private investor	810	200	3.10%
Fiolstræde 3-5	CBD	NIAM	Nordic Choice Hotels	3 542	174	4.40%
Østergade 15	CBD	Limited partnership	AEW Europe	759	157	3.50%
Hovedbanegårdens shopping (Bernstorffsgade 16-22)	Copenhagen V	Nordea Ejendomme and Danica	DSB	2 399	na	na
Humlebækcentret	Greater Copenhagen	PDV Holding	TT Partners	9 057	121	7.10%
Skovlundecentret	Skovlunde	PDV Holding	Skovlunde Invest	12 580	108	7.35%

INDUSTRIAL/LOGISTICS

PROPERTY	DISTRICT	SELLER	BUYER	SQM	PRICE*	YIELD**
Danske Fragtmænd portfolio***	Multiple	Danske Fragtmænd	Standard Life Investments	184 000	1 180	6.60%
PostNord, Scandinavian Transport Center	Køge	PostNord	Pareto Securities	56 000	na	na
Ventrupparken 3	Greve	Odin	Pareto Securities	60 747	na	na
Maglebjergvej 22	Kongens Lyngby	Private investor	PFA Ejendomme	16 706	125	na
Greve Main 30	Greve	Greve Main	NREP	11 943	80	7.50%
Ryesgade 19	Copenhagen N	Private investor	ASX 94	7 105	50	na
Sydmarken 22-26	Søborg	Alco-Metal Holding	NIAM	4 019	31	8.00%
Meterbuen 19-21	Skovlunde	RT Ejendomme	De Forenede Dampvaskerier	8 100	30	4.50%
Meterbuen 25	Skovlunde	Private investor	Institutional investor	7 433	25	na
Brogrenen 3 & 6	Ishøj	M7 Real Estate	Private investor	4 566	22	na
Abildager 16	Brøndby	Flint Group	Wihlborgs	10 319	20	na

**) Prices quoted in DKK million (rounded figures)*
***) Yield in this context denotes estimated direct yield (approximate figure)*
****) Portfolio sale*

Source: Sadolin & Albæk

UPSALAGADE 6, COPENHAGEN

Residential property market

- Continued supply-demand imbalances but signs of improvement
- Continued surge in rents gives rise to growing affordability concerns
- Ownership market maintains strong growth rates but performance metrics point towards more stable future developments
- Prime-to-average rental gap is narrowing to a level considered unsustainable

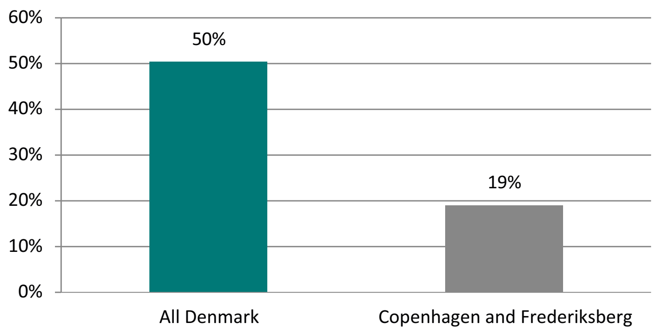
INTRODUCTION

The Danish residential market is characterised by a strong preference for ownership housing on a national level with every other Dane residing in ownership housing. In major cities, the ownership ratio is lower, most pronounced in the City of Copenhagen and the City of Frederiksberg (collectively known as Copenhagen) where the ownership ratio is just some 20%. This is due to a large stock of multifamily residential properties not divided into commonhold units and strict regulations that prevent conversion. However, strong activity in the new construction of multifamily properties divided into commonhold units has prompted a slow increase in the ratio.

An additional determinant of the low ownership ratio is the demographic composition of Copenhagen. As a centre for educational institutions and economic activity in Denmark, Copenhagen attracts a large number of students and job seekers who favour the flexibility of rental accommodation. Migration patterns have also prompted an increase in senior citizens and young families that have traditionally preferred this type of accommodation.

After several years of economic recovery, the ownership housing market has continued to improve on all metrics, with prices exceeding the record highs seen in 2006. Access to the ownership market has become limited as far as many residents are concerned due to price hikes and the tighter credit limitations imposed on finance providers. The high demand for rental accommodation is therefore fuelled both by preference and necessity, with certain demographic groups opting for flexible housing and some lower-income groups opting for rental accommodation because they do not have the means to enter the Copenhagen ownership market. These market conditions have driven up rent levels and churn rates.

OWNERSHIP HOUSING RATIOS, 2016



Source: Statistics Denmark

RESIDENTIAL BUILDING STOCK

In Copenhagen, the building stock in the residential market is dominated by multifamily properties, accounting for 89% of the total stock. This ties in with the fact that most Copenhagen dwellings, equivalent to 81%, are rented. Furthermore, the vast majority of Copenhagen dwellings belong to the so-called 'old' building stock, constructed before 1992 and governed by sections 5 to 14 of the Danish Residential Regulation Act (boligreguleringsloven). As illustrated in the figure below, all of 91% of Copenhagen flats predate 1990, and 81% predate 1964. Properties built before 1 July 1966 are in principle disqualified from conversion into commonhold units according to the Danish Act on Commonhold Units (ejerlejlighedsloven). However, this provision does not apply to residential properties that were in fact converted before 1977.

Most Copenhagen dwellings, corresponding to some 71% of the Copenhagen residential stock (in terms of no. of units), are relatively small-sized units in the 50–99 sqm range. Nevertheless, the current supply of units in this size bracket is greatly outstripped by demand. The imbalance is likely to prevail as current planning provisions favour the construction of larger units.

Prime market rents in this size bracket typically range between DKK 7,000 and DKK 16,000 per month, depending on location, unit size, quality, etc. Once rental prices per month exceed the DKK 16,000 mark, it tends to narrow the field of prospective tenants quite considerably, although this cap seems to have increased significantly in the last five years. In the past, the cap was DKK 10,000–11,000 per month.

The market for larger units also enjoys full occupancy rates and continues to attract demand, but the structural supply and demand imbalance is less pronounced in this segment. However, as more and more families with young children settle in Copenhagen, the demand for larger units grows, with particularly units of 125–175 sqm being popular. This is supported by planning provisions stipulating minimum flat sizes in residential newbuilding schemes, aimed at making new residential units suitable for families. As a result, new residential development schemes are increasingly catering to the family segment: In 2015, the completion of some 600 dwellings sized 125+ sqm added to the supply in this particular size bracket.

OUTLOOK FOR SUPPLY AND DEMAND

Changes on the demand side of the Copenhagen residential market are correlated mainly with demographic shifts, with e.g. changes in the composition of residents in terms of age groups determining future housing demand, i.e. type, size, location, affordability, etc. Copenhagen is projected to experience a large influx of new residents for years to come. According to Statistics Denmark, by 2040 the population growth is in actual figures estimated at 166,000, with 47,100 residents aged 0 to 17; 3,300 aged 18 to 29; 44,900 aged 30 to 49; 26,000 aged 50 to 65; and 44,900 aged 66+.

The estimated influx quoted above is lower than the 205,000 new residents originally forecast in 2015, marking a significant slowdown in population growth, caused mainly by a decline in the 18 to 29 age group (down from 16,200 in 2015), while the 50 to 65 age group is more constant. This may reflect the fact that rising living costs have served to drive out students and young families from Copenhagen in pursuit of more affordable housing.

Population growth is particularly strong in the next ten years. Growth in the 18 to 29 age group is set to increase in the next few years before tapering off, while the 30 to 49 age group is predicted to see sustained growth into 2038. For the 66+ age group the population forecast is quite interesting, with moderate growth for the next ten years followed by a virtual boom.

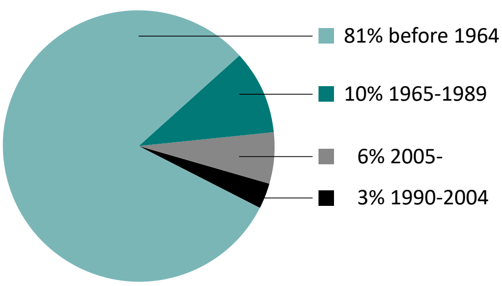
Needless to say, these demographic trends may drive the demand for different unit types and sizes. Current predictions are thus in favour of larger units preferred by families in the 30 to 49 age group. It is also interesting to note that the future demographic composition will include a higher number of residents in age groups that have a stronger purchasing power than ever seen before in Copenhagen.

The projected population growth by 2040 corresponds to total growth of 24%, which is believed to pose a structural challenge in terms of the supply and demand balance in the housing market. To meet the surge in demand, the level and scale of residential newbuilding must increase considerably in the years ahead.

In 2016, building activity continued to increase, with many new development projects initiated in the residential segment. In spite of this, residential construction was not able to match the increases in demand.

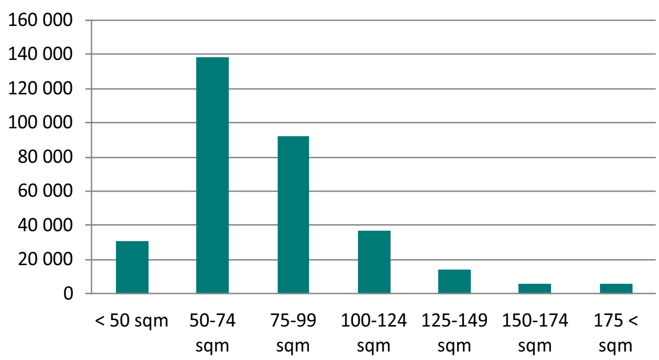
We estimated that some 325,000 sqm residential space was completed in 2016, a vast improvement on the somewhat disappointing 225,000 sqm completed in 2015. In fact, the level of building activity is nearing pre-crisis levels of 365,000 sqm residential completions annually.

CONSTRUCTION YEAR, COPENHAGEN FLATS, 2016



Source: Statistics Denmark

UNITS IN MULTI-DWELLING HOUSES BY SIZE, 2016



Source: Statistics Denmark

Looking at actual per capita area requirements, Copenhagen residents occupy approximately 45 sqm each on average. Based on a projected population increase of 12,400 in 2017, this would require added residential completions in the order of 560,000 sqm. In addition, despite the current undersupply of new space, per capita area requirements have in fact increased slightly. This trend could reflect demographic changes, including the market entry of age groups with larger space requirements, in addition to residential planning regulations raising average unit sizes overall.

According to our estimates based on the current construction pipeline, 370,000 sqm residential space is scheduled for completion in 2017. The largest constraint on residential newbuilding activity continues to be capacity shortage in the construction sector. As a result, we do not expect the volume of completions to exceed 350,000–375,000 sqm in the coming years due to a shortage of skilled labour and the substantial pipeline of construction projects in other segments. Unless foreign labour is introduced on a large scale, we consider this structural level of construction to remain flat for a length of time. It is important to note that residential new construction is not hindered by lack of capital: capital is in fact abundant. But because of the above-mentioned impediments, we expect only 50–75% of allocated capital to flow into residential newbuilding.

The City of Copenhagen holds a significant stake in residential newbuilding in Copenhagen, taking a highly proactive approach to framework provisions for residential development in new urban areas and old commercial areas. With the objective of supporting supply and preventing price bubbles, this approach is facilitated through the urban development company CPH City & Port Development (By & Havn), which owns most development sites in Copenhagen. In the past, the company has divested numerous residential building sites, and newbuilding schemes are now at advanced stages in all major development areas.

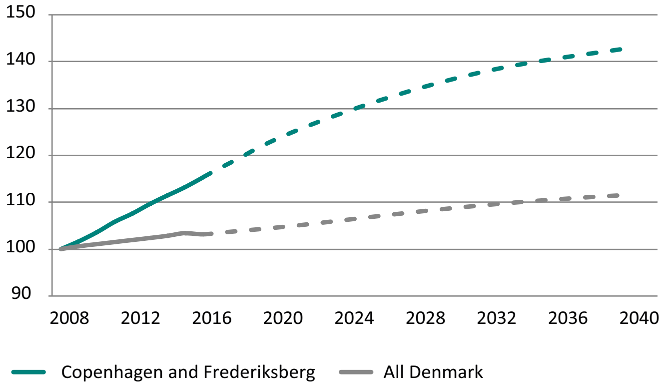
CPH City & Port Development is owned by the City of Copenhagen (95%) and the Danish State (5%) and is no ordinary commercial investor. The company has public responsibilities in connection with the areas in question as its goal is to secure the long-term development and value, along with aligning the master plan and visions adopted by the City of Copenhagen. Among other things, this has manifested itself in sticky asking prices, in turn translating into a very moderate number of building rights sales during weak investment cycles (2009–2013), great emphasis on buyers' ability to complete development projects and making sure that commercial building rights are not on a large scale converted for residential use for the purpose of short-term profit-taking.

Another source of added residential supply is office-to-residential conversion. Conversion schemes have been popular in recent years as the office market is still performing significantly below the residential market. We expect this trend to continue in 2017 but at a slower pace as the CBD office market has somewhat picked up. Having been slightly averse to a lenient approach in the past, fearing conversion schemes could jeopardise the framework conditions of businesses, the City of Copenhagen has in recent years realised that in terms of flexibility, space utilisation, energy efficiency, etc., the old CBD office stock is largely unfit to meet the requirements of future office users. In conclusion, it makes perfect sense to support conversion schemes in light of the accumulating undersupply of dwellings.

PRICE AND RENTAL VALUE DEVELOPMENTS

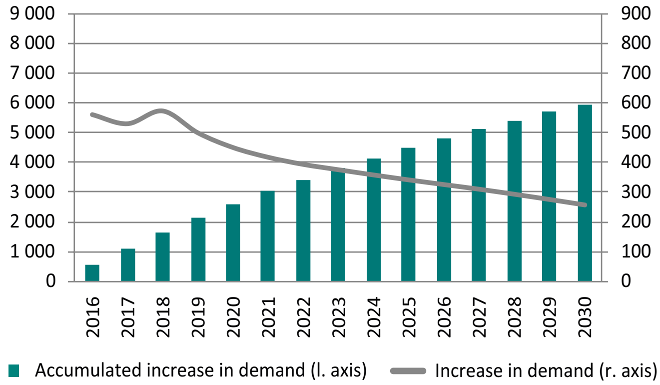
The upward price trend in the Copenhagen rental and ownership markets continued in 2016, with the structural imbal-

POPULATION FORECAST (INDEX 100 = 2008)



Source: Statistics Denmark

DEMAND PROGNOSIS, SQM ('000)



Sources: Statistics Denmark and Sadolin & Albæk ance between housing supply and demand putting the market under sustained pressure, although it somewhat eased as the year wore on. We suspect that price levels have begun to affect demand as an increasing number of Copenhagen residents are financially forced to move to the suburbs. The spread in prime versus secondary residential rents has narrowed with the growing desperation among residents looking for housing in and around Copenhagen.

RENTAL GROWTH NEARING STRUCTURAL LIMITS

A combination of several factors inflated rental prices to historic highs in 2016. In spite of a seemingly healthy market with virtually no vacancies and a steady demand outlook, prices had already made rental accommodation less affordable than ownership housing in 2014. Therefore, we have long expected that residents would opt for ownership housing longer term, which has been made especially attractive by low interest rates and prospects of further hikes in housing prices. However, despite low interest rates, first-time homebuyers find it difficult to enter the ownership market. As a result, 2016 was another year of strong growth in the rental market.

Like the spread in rents across segments, the spread between Copenhagen and the surrounding municipalities has also narrowed, indicating that excess demand is spilling over to these markets. The prime segment is limited by affordability concerns as a 140 sqm flat now commands a monthly rent in the DKK 20,000–25,000 range, which relatively few income groups can afford or indeed demand as such high-income groups would typically have the means and willingness to enter the ownership market. Demand for the most expensive rental flats is therefore fronted by expats or high-net worth individuals. These so-called HNWIs typically enter the rental market in pursuit of temporary/short-term accommodation, whereas old-age pensioners, having been owner-occupiers for most of their lives, value the flexibility of renting and enjoy the higher standard of living made possible when releasing home equity. Indeed, we see a higher number of expats and affluent pensioners, but the influx is still moderate compared to the supply of newly developed residential dwellings in the segment. As a result, a great share of the development in this segment is still believed to be offered for owner-occupation. The affordability constraint is also

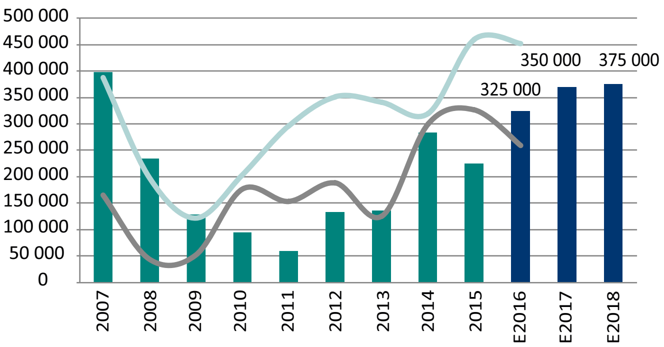
RENT LEVELS (DKK PER SQM P.A.) AND NET INITIAL YIELDS

District	Market rent DKK/sqm/ annum	E2017	Reversionary yield %	E2017
Copenhagen K	1 600 – 2 150	↗	3.75% – 4.00%	→
Copenhagen V	1 450 – 2 000	↗	3.75% – 4.25%	→
Frederiksberg C	1 600 – 2 100	↗	3.75% – 4.00%	→
Frederiksberg	1 450 – 2 000	↗	3.75% – 4.25%	→
Copenhagen Ø	1 450 – 2 000	↗	3.75% – 4.25%	→
Copenhagen N	1 350 – 1 850	→	4.00% – 4.75%	→
Copenhagen S	1 350 – 1 900	→	3.75% – 4.75%	→
Copenhagen NV	1 350 – 1 600	→	4.50% – 4.75%	→
Copenhagen SV	1 250 – 1 900	→	4.00% – 4.75%	→
Valby	1 300 – 1 750	→	4.25% – 4.75%	→
Vanløse	1 300 – 1 550	→	4.50% – 4.75%	→

Note: Flat sizes 80-100 sqm. Ground floor and penthouse units discounted.

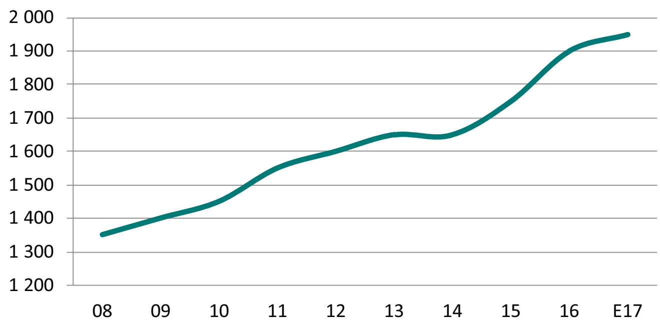
Source: Sadolin & Albæk

NEW CONSTRUCTION, COPENHAGEN (SQM SPACE)



Sources: Statistics Denmark and Sadolin & Albæk

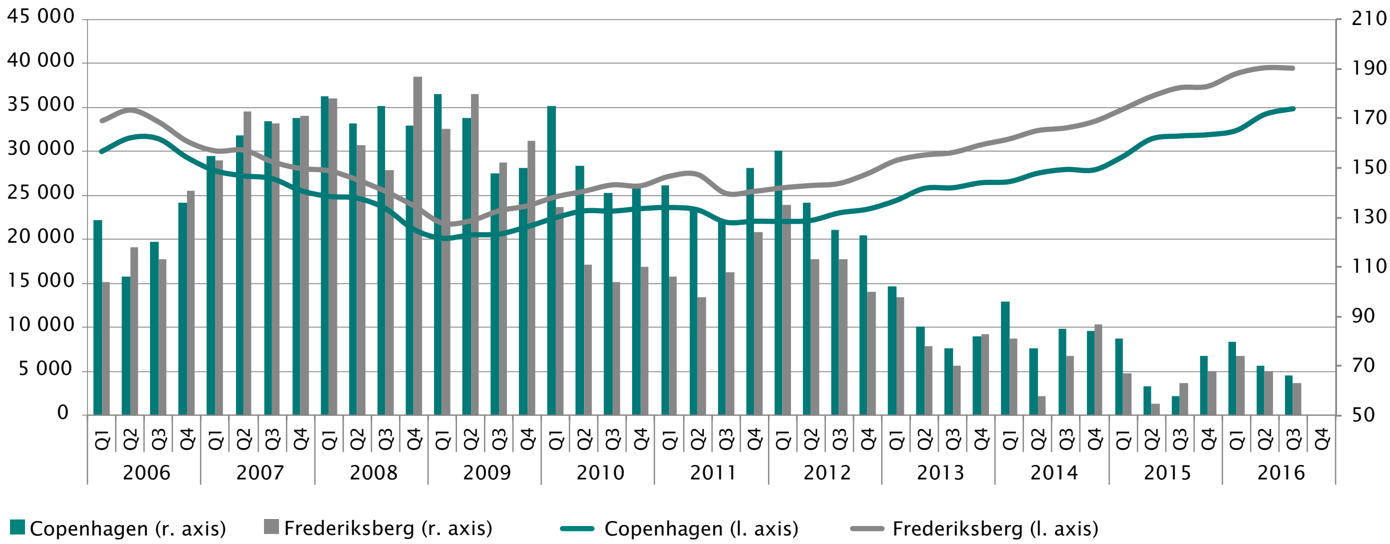
PRIME RESIDENTAL RENT LEVELS, COPENHAGEN (DKK PER SQM P.A.)



Note: Prime residential locations in Copenhagen (e.g. waterfront). Flat sizes 80-100 sqm. Ground floor and penthouse units discounted.

Source: Sadolin & Albæk

MOVEMENTS IN THE PRICES OF FLATS (DKK PER SQM) AND RESALE PERIODS (DAYS ON MARKET)



Source: Association of Danish Mortgage Banks

supported by an increasing average space per capita requirement, which reduces the rental growth prospects in terms of rental prices per sqm.

The current prime-to-average price spread in the rental market stands at some 15% while the equivalent spread in the ownership market is close to 50%. This discrepancy in spreads for rental versus ownership housing is not considered sustainable in the long term. Given that either the prime rent must increase or the average rent must stabilise/decrease for the gap to widen, it is worth noting the fundamental factors necessary to drive the change.

For the prime rent to overcome affordability concerns, the disposable income of Copenhagen residents must increase significantly or the rental preference become more pronounced in the high-income segment, which is still very owner-occupation dominated. Likewise, the trend towards flexibility must be strong enough to compete with the alternative that the ownership market provides. For the average rent to fall, it is necessary to reduce the structural supply and demand imbalance, which may well have become less pronounced but remains a major barrier. The only possible way to achieve balance is to provide an adequate supply of housing targeting this segment, or to await a change in migration patterns.

Our market rent estimates are based on market-conforming annual churn-rates of 20–35%. Higher rents may well be achievable temporarily if tenants desperately require immediate accommodation in a residential market characterised by severe undersupply, but are typically associated with higher churn rates as tenants relocate as more affordable accommodation becomes available.

In general, the outlook for the rental market remains favourable despite growing concerns about the structural drivers supporting the high growth rates in recent years. As a result, we expect more moderate rental growth of some 1–3% real growth in 2017, with prime rental growth expected to be at the higher end of the interval and average rental growth expected to be at the lower end of the interval.

THE MARKET FOR OWNERSHIP REMAINS LIQUID

The Copenhagen ownership market is considered a benchmark for the performance of the entire country. Following a long recovery period after the financial crisis, the market bounced back in early 2014, and prices have increased by 28% since then. In 2016, growth tapered off due to the introduction of financial regulatory measures, suggesting more stable future growth as prospects of decreasing interest rates have faltered.

Prices have increased in all districts, and with resale periods still short, the market seems to be liquid. The price surge follows a low in Q1 2009, equivalent to increases of 57% in Copenhagen and 70% in Frederiksberg. In Q3 2016, the square metre price averaged DKK 34,800 in the City of Copenhagen and DKK 39,400 in the City of Frederiksberg, topping the previous 2006 highs by 10% and 14%, respectively. From Q3 2015 to Q3 2016, average square metre prices increased by 10% in the City of Copenhagen and by 6% in the City of Frederiksberg.

Resale periods were slightly longer in 2016, averaging some 72 days in the City of Copenhagen and some 68 days in the City of Frederiksberg. Compared to 2015, the resale period is up by 5 and 6 days, respectively. The number of traded commonhold units (owner-occupied flats) remains high, signifying substantial market depth.

In Q1-Q3 2016, a total of 4,952 flats were sold in Copenhagen, down some 9% on the same period in 2015, when the corresponding figure was 5,441. This drop was mainly due to very brisk transaction activity in Q1 2015 supported by a sharp decline in interest rates in just a single quarter.

In general, the structural undersupply in the Copenhagen residential market, together with historically favourable mortgage rates should accelerate growth in the ownership housing market, all other things being equal.

The slowdown in price growth experienced from mid-2015 to date is due largely to regulatory measures introduced in the loan market. In autumn 2015, the Danish FSA expressed concerns of an imminent housing bubble, recommending that the availability of residential loans be limited by stricter credit requirements: Homebuyers must now put up a down-payment of minimum 5% and document the availability of disposable funds to sustain significant interest rate hikes.

The regulatory measures were also an attempt to limit speculation with lenders purchasing multiple flats by requiring the documentation of funds to cover the full debt servicing for at least 12 months on all loans. This has had a significant impact on the market for flats offered as forward-sales (projektsalg) as many homeowners wishing to purchase a new flat through a forward sale cannot document an ability to service two loans. This renders forward-sales agreements relatively cumbersome as they involve the immediate sale of the current home and temporary rental accommodation during the construction period of the new home.

In addition, the regulatory measures have proven effective in slowing the growth in ownership housing prices but have also prevented many income groups from entering the Copenhagen housing market. The spill-over effect is manifest in the rental market where tenant demand is stronger than ever. Forward sales in middle-market districts such as Ørestad have been hit hard by the regulations as demand is driven typically by middle-income bracket homebuyers.

The prices quoted below are average realised selling prices based on the prices of all owner-occupied flats, i.e. a mix of new and old flats in a specific district. Refurbished flats as well as new flats tend to trade at higher prices, depending on location. It should be noted that new residential unit sales account for a larger share of today's transaction activity than previously seen, meaning that the average quality of the stock traded in 2009 differs significantly from the quality of the stock traded in 2016. As a result, the surge in prices not only reflects improving market fundamentals, but also a change in quality of stock over time.

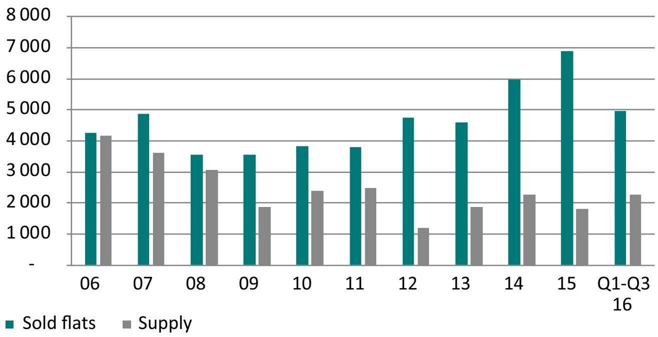
An analysis of the average prices realised in various districts reveals that some of the highest growth rates are recorded

AVERAGE REALISED PRICES (DKK PER SQM)

District	Q3 2015	Q3 2016	Change (pct.)
1000-1499 Cph K	42 100	46 300	10%
1500-1799 Cph V	38 800	41 700	7%
1800-1999 Frb C	41 400	44 800	8%
2000 Frb	35 300	37 500	6%
2100 Cph Ø	37 300	38 900	4%
2200 Cph N	34 400	37 500	9%
2300 Cph S	29 600	33 400	13%
2400 Cph NV	25 800	29 800	16%
2450 Cph SV	30 700	33 600	9%
2500 Valby	27 000	29 500	9%
2720 Vanløse	25 800	29 300	14%
City of Copenhagen	31 700	34 800	10%
City of Frederiksberg	37 200	39 400	6%

Source: Association of Danish Mortgage Banks

NUMBER OF SOLD FLATS VS. FLATS OFFERED FOR SALE, COPENHAGEN



Source: Association of Danish Mortgage Banks on the outskirts of Copenhagen, in districts such as Valby and Vanløse. Closer to the city centre, Copenhagen NV has also performed well, marking a significant change in the popularity of the area, which was previously considered unattractive. In general, demand for low- to middle-market housing in the vicinity of the city centre is exceptionally high.

Although the middle-market segment is attracting increased demand, the vast majority of Copenhagen development projects still target the high-income segment of the population and are based on rental and selling price assumptions derived from recent comparables, even if such high price levels are affordable only by a relatively small minority of Copenhagen residents. It remains uncertain how much this will feed through to demographic forecasts for Copenhagen, but recent data indeed show a change in moving patterns, with residents increasingly relocating from Copenhagen to the surrounding municipalities.

In 2015, for the first time since 2007, Copenhagen in fact experienced net population outflow due to migration. Zooming in on migration patterns in the Capital Region alone, Copenhagen suffered a net outflow of some 4,100 residents in 2015. In comparison, the corresponding 2011 figure indicated a net outflow of some 2,000 residents. Municipalities in the region gaining from this shift include Herlev, Gladsaxe and Hvidovre, hence the trend is still supporting increased urbanisation, but also shows that pricing is an important factor. Considering a 3–4 kilometre commute to the inner city versus an 8–15 kilometre commute, the trade-off in terms of much higher housing quality at the expense of a few kilometres has become very pronounced.

DEVELOPMENT AREAS

A number of large Copenhagen districts have been designated for redevelopment or urban renewal schemes in recent years, i.e. Ørestad, Sydhavnen, Valby, including the Carlsberg City District (the former site of the Carlsberg breweries), Nordhavn, Amager Strandpark, Islands Brygge Syd and Tuborg Syd.

ØRESTAD

Ørestad is a new Copenhagen mixed-use commercial and residential district situated on the island of Amager in the heart of the Øresund region, a mere three or four kilometres from the Copenhagen city centre. The district has six Metro stations, among them Ørestad station, which also provides regional train links to a wide catchment area, including Malmoe in Sweden.

Today, Ørestad has some 11,000 residents and more than 10,000 workplaces. Once fully developed, the district is projected to house 25,000 residents and more than 80,000 workplaces or student places. Ørestad is divided into four distinctive sub-districts, Ørestad Nord, Ørestad Fælled Kvarteret, Ørestad City and Ørestad Syd, which are developed at individual paces. The districts of Ørestad Nord and Ørestad City are all but fully developed, construction is underway in Ørestad Syd and Ørestad Fælled is still in the planning phase.

The development of Ørestad Fælled is controversial as the project involves part of the Amager Common nature preserve. Having decided on a master plan by the Vandkunsten firm of architects in October 2016, the next step is to agree on the local plan framework provisions. This process may face obstacles as grass-root organisations and politicians, including the current (Red-Green Alliance) Mayor of Technics and the Environment, are objecting to the project.

There is a total of 3.1 million sqm of projected building rights in Ørestad, more than two thirds of which have already been sold due to strong investor interest in the area. The district is expected to be fully developed within the next 15-20 years, with residential projects scheduled for completion already within the next 10 years. Residential building rights remain available mainly at Ørestad Syd, with some 130,000 sqm still waiting to be put on the market as By & Havn intends to limit the supply of new building rights until the infrastructure of the area has caught up. In addition, some 260,000 sqm building rights could become available at Ørestad Fælled, pending approval of the required planning provisions.

In 2016, investment activity was high, with the most prominent transaction being the sale of 150,000 sqm residential building rights to six syndicates, including pension funds as well as domestic and Nordic property funds.

SYDHAVNEN

Sydhavnen (the south harbour) is a harbour district about two kilometres south of the Copenhagen city centre, bordering on new office buildings, hotels, etc. Furthermore, it is in close proximity of the Fisketorvet Copenhagen Mall shopping centre on the Kalvebod Brygge waterfront. Sydhavnen has three development areas, i.e. Enghave Brygge, Teglholmen and Sluseholmen.

Today, the area has more than 5,000 inhabitants, a number that is expected to grow to 15,000 by 2025 when the area is fully developed, with the number of residential dwellings estimated at some 9,000 in total in addition to 23,000 workplaces. Sydhavnen will become part of the Copenhagen Metro grid in 2023, improving access to the area.

Sydhavnen is a highly popular place to live, attracting strong demand from young families in particular due to its attractive location, a new school and prospects of a new church and other institutions. In addition to the new Metro connection, a new combined road and footbridge will improve access to the district; the fixed link across Frederiksholmsløbet is scheduled to open in 2018, effectively connecting Sluseholmen to the south with Kalvebod Brygge to the north.

2016 saw the completion of several projects in the district, e.g. 91 student housing units at Teglhuset and rental flats at Teglværksbyen, Teglporten and Teglholm Havnepark. Construction activity remains brisk, with a strong pipeline of development schemes, including two projects by NPV at Enghave Brygge and multiple projects at Teglholmen. In fact, most of the district will likely be fully developed within the next 5 years.

Investment activity also picked up, and 2016 saw domestic pension fund AP Pension acquiring some 250 flats and entering into a financing agreement for the development of an additional 51,400 sqm at Enghave Brygge. At Teglholmen, Patrizia has also contracted several turnkey projects for delivery in 2017, comprising more than 300 residential units.

VALBY

Valby is located about three kilometres west of the Copenhagen city centre. To the east, the area borders on the vibrant district of Vesterbro and to the north on the affluent district of Frederiksberg. The area has undergone large-scale urban renewal for the past ten years or so, creating a popular city district that commands ownership and rental prices on a par with the levels recorded in some of the most attractive districts of Copenhagen. Apart from renewal schemes, two major redevelopment sites will shape the future of the district.

In early 2016, the 16-hectare former site of Grønttorvet was purchased by developer FB Gruppen in a joint venture with the PKA pension fund. The site will be developed with 234,000 sqm of primarily residential space, which translates into some 2,000 dwellings. Building commenced in mid-2016 and the area is expected to be fully developed in less than 10 years.

At the former site of F.L. Smidth, the redevelopment of the Valby Have allotment society continues. With the first stages of conversion for residential use completed in 2005–2010, the remaining stages are expected to be completed by 2020. When fully developed, the area will contain some 1,200 dwellings and 35,000 sqm commercial space.

In the southern part of Valby, Valby Syd, a large-scale conversion scheme has transformed industrial areas into attractive retail and office spaces. This has attracted several shops and firms operating in the service sector, including several government agencies, or creative industries. Together with the improved public transport access supported by the upcoming extension of the Copenhagen Metro and the Ringstedbanen rail link, connecting to Ny Ellebjerg station, this provides an ideal setting for attractive mixed-use residential and office premises.

Developers and investors in the area are leveraging the mounting demand for affordable housing by middle-income groups as the area meets their requirements of central location, accessibility and attractive urban living.

THE CARLSBERG CITY DISTRICT

The redevelopment of the former Carlsberg Brewery site is well underway, creating an entire new city district, the Carlsberg City District, with a distinctly urban ambience to outrival the neighbouring districts of Frederiksberg and Vesterbro. With planning provisions allowing for high-density building, the district is designed to offer an intimate setting of streets, squares and open spaces.

The district is located in close proximity to green spaces and will benefit from easy access to public transport with two new Metro stations scheduled to open in neighbouring districts in 2019 and the recent relocation of Enghave station (now Carlsberg station) to a more ideal location in the south-eastern part of the district.

Overall, the master plan adopted for this 25-hectare area allows for the construction of some 600,000 sqm floorspace in total, distributed on some 3,100 residential units, 30,000 sqm retail space and 220,000 sqm other commercial space, including the 55,000 sqm Campus Carlsberg of university college UCC completed in September 2016. The staged redevelopment schemes are expected to be completed in less than 10 years.

2016 saw brisk transaction and development activity: Retail areas at the new Carlsberg station were snapped up by investors, and a 155-room 4+-star boutique hotel and spa is scheduled for completion in 2019. Backed by a sizeable construction finance scheme provided by PKA, the development of the Carlsberg City District is now fully funded until 2022.

Residential development is brisk too, with the 88-flat residential tower of Bohrs Tårn, scheduled for completion at end-2017, and residential space currently under construction in the northern part of the district, along Rahbeks Allé and Pile Allé. The majority of residential dwellings developed in the area are commonhold units offered in off-plan sales.

NORDHAVN

The Nordhavn district comprises the Østre Gasværk site, Søndre Frihavn, Marmormolen and Nordhavn (the north harbour) itself, which enjoys an attractive waterfront loca-

Søborg
Hellerup
Tuborg Syd
Nordhavn
Østerbro
Brønshøj
Nørrebro
Copenhagen city centre
Frederiksberg
Carlsberg
Valby
Vesterbro
Amager Strandpark
Islands Brygge Syd
Amager
Sydhavnen
Hvidovre
Ørestad

tion just north of the Copenhagen city centre with easy access to Nordhavn station.

In the past, Nordhavn was predominantly home to a large part of the city's harbour-related industries, but today they only take up roughly half of the area. Since redevelopment start, the harbour areas of Søndre Frihavn have evolved into an attractive maritime city district offering residential and office space. Next follows the redevelopment of Nordhavn and Marmormolen, where the UN has centralised its Danish head-office activities.

The plan is for Nordhavn to become a densely built and sustainable city district where construction on the waterfront will serve to maintain a maritime ambience. Infrastructure is deemed essential for the development of the area, which will be linked to the Copenhagen Metro grid in 2019. Furthermore, the road of Nordhavnsvej is set to open in 2017, providing swift access to the regional road grid.

With 3.6 million sqm in total scheduled for completion in multiple stages, the scale of the Nordhavn development area is massive. Fully developed, the area may accommodate more than 40,000 residents and some 40,000 workplaces.

Currently, construction is well advanced for the Århusgadekvarteret area, which is to house some 7,000 residents and 3,000 workplaces. It is expected to be fully developed in a couple of years or so. All residential building rights have been sold both at Århusgadekvarteret and on the adjoining artificial island of Kronløbsøen, with 90,000 sqm or so in the pipeline for the next few years. At Redmolen, two sites of 12,000 sqm in total are earmarked for development upon decontamination. The remaining building rights at Nordhavn will come into play after the opening of the new Metro station in 2019.

AMAGER STRANDPARK

After a longer transition from a predominantly industrial location to an attractive new residential district, the eastern part of the island of Amager has undergone a remarkable transformation. As a result, this part of Amager today appeals even to those who in the past would never even consider becoming residents. Located along the coastline, this area has been successful in offering attractive dwellings nestled between the modern beach area of Amager Strandpark to the east and the Copenhagen Metro line to the west.

The planned building stock is predominately residential, including a mix of terraced and multifamily houses in three to seven storeys along with multiple high-rise buildings standing 12 to 21 storeys tall. Planning consent has been given to transform the industrial area along Krimsvej into a predominately residential neighbourhood. The master plan allows for the construction of some 140,000 sqm, with 50–75% designated for residential use.

So far, the first phase of the redevelopment scheme has progressed according to plan as more than 50% of the new space is completed or under construction.

North of Amager Strandpark, the former industrial area along Strandlodsvej and Ved Amagerbanen is also under development. The planning framework for the area along Strandlodsvej allows for the construction of some 90,000 sqm residential space while the provisions for Amagerbanen are still pending, but could possibly allow for the construction of some 75,000 sqm residential space.

Active developers in the area include Sophienberg Gruppen, Arkitektgruppen, ELF Development and CASA.

ISLANDS BRYGGE SYD

Well-positioned in continuation of the fully developed area of Islands Brygge, Islands Brygge Syd will comprise 190,000 sqm floorspace when fully developed, with 26,000–52,000 sqm designated for commercial use. The area is to include 1,600–1,800 residential units in multifamily and terraced houses. A new school with planned completion around 2020 is also underway.

The district is a former predominantly industrial area, targeting similar types of residents as Nordhavn, Enghave Brygge and Amager Strandpark, Islands Brygge Syd is considered a high-end residential area that appeals to young professionals as well as older couples that increasingly tend to move back to the city when the children leave home.

Active developers and investors in the area include Bonava, PensionDanmark, Walls and FB Gruppen.

TUBORG SYD

In 2015, Danica Pension acquired the only remaining building site to be developed in the attractive district of Tuborg Havn, located in Hellerup just north of Copenhagen. Comprising some 106,000 sqm, the site may be developed to hold 53,000 sqm residential space, distributed on 300–400 units. Once developed, the area is expected to fetch some of the highest residential prices in Denmark, in fierce competition with Nordhavn only two kilometres from the site. Danica Pension plans to complete developments in the area by 2020 with a mix of rental units and ownership units in off-plan sales. Large-sized residential projects in the vicinity include the high-end estates of Strandpromenaden (7,000 sqm) and Scherfigs Have (12,700 sqm), scheduled for completion in 2017 and 2018, respectively.

Residential investment property market

- Price hikes driven by rental growth and uptrend in ownership prices while prime yields will remain flat for the first time in six years
- Institutional investors moving further out the risk curve, entering development projects in early phases
- Increased activity from foreign pension-backed investors zooming in on the Copenhagen residential market

In 2016, the Greater Copenhagen market for residential investment property continued to be highly liquid and see substantial price hikes.

In Copenhagen in particular, the demand driven by sustained population growth and favourable demographic shifts has whetted investors' appetite for the rental and ownership markets alike. Coinciding with lagging building activity minimising the risk of vacancies, this makes for near-perfect investment conditions.

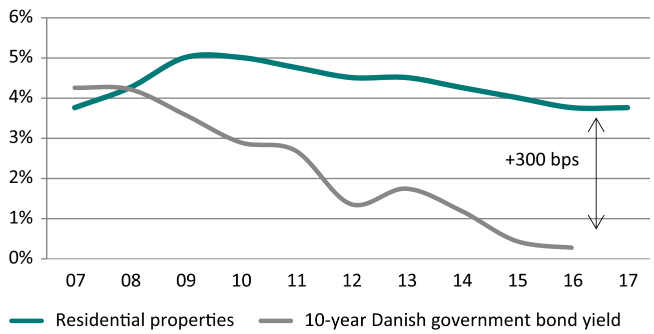
As a result, the first half of 2016 saw yield compression of 25 bps with prime yields down to the 3.75% mark. However, yields remained flat throughout the second half of the year as rents hiked to a level that dampened prospects of future rental growth. Investor demand remained high, driven by both domestic and international investors, with an increase in the demand of pension-backed international investors, such as Patrizia and CapMan, representing BVK. In pursuit of attractive risk-adjusted income returns, these investors have zoomed in on Copenhagen. This type of international investors has previously been very active in the retail segment and it is expected that the residential segment will attract similar interest in the coming years.

In the residential segment, 2016 transactions included old-stock acquisitions by pension funds, most notably PFA buying from Resolution Property (DKK 1.4bn), DIP/JØP/PFA from Carlsbergfondet (DKK 1.1bn) and Danica from InfraRed (DKK 630m).

Foreign investors were active as well, with high-volume transactions involving Patrizia on the buy-side in several forward purchases, totalling in excess of DKK 1bn, Catella Wohnen Europa acquiring a residential project from NREP (DKK 566m) and PGREI acquiring a portfolio of commonhold units from Aage V. Jensens Fonde (DKK 353m). Swedish property company Heimstaden was a particularly active buyer, with acquisitions from NIAM (DKK 1.8bn), Danica (DKK 980m), NREP (DKK 329m) and LB Forsikring (DKK 455m).

Pension funds are increasingly moving out the risk curve as competition has rendered attractive returns on traditional core investments a rare commodity. As a result, domestic institutionals with an appetite for newly built residentials prefer to either acquire turnkey projects off-plan or even enter in the development phase. Domestic pension fund Danica has in recent years acquired major development sites, including 125,000+ sqm of building rights at Sydhavnen (the Metro and Louis Poulsen sites), and at Tuborg Havn on the waterfront north of the city centre. PFA has purchased development sites at Nordhavn, PKA has allocated DKK 4.2bn to construction financing in the Carlsberg City District and participates in the development of Grønttorvet in Valby, while AP Pension has funded a DKK 1bn purchase of a development project at Enghave Brygge in Sydhavnen with additional construction financing commitments. PFA, PenSam and Topdanmark have also purchased an additional 25% of Carlsberg Byen from Realdania at end-2016. Investment strategies in the market for new residential multifamily properties vary. A property may be converted into commonhold units, with individual units successively divested in the ownership market. Alternatively, an investor may opt for a long-term residential letting strategy (buy-to-let). Investors in newly constructed residential properties have the flexibility of changing strategies as this type of property allows for conversion into commonhold units at a later date.

PRIME RESIDENTIAL YIELDS VS. GOVERNMENT BOND YIELDS



Sources: Danmarks Nationalbank, NASDAQ OMX and Sadolin & Albæk

Currently, most investors opt for the long-term letting strategy as soaring rental prices and historically low financing costs are producing highly attractive income returns on such investments at moderate risk, making them interesting alternatives to the historically expensive bond markets. Whereas sustained rent growth seems uncertain, continued price growth in the ownership market seems more robust. Investor sentiment may change quickly, with even a slight shift in future expectations prompting investors to pursue a different strategy.

Considering the narrow gap in prime-to-average rental prices, most investors realise that this is not a sustainable scenario longer term. Many investors have capitalised on the narrow gap by developing projects in the neighbouring municipalities and less central city districts of Copenhagen that command rental prices only slightly below the rent levels considered 'prime' in central city districts. This is notably seen in the development areas of Valby, Rødovre and Ørestad that have achieved success by catering to the middle-market segment. It is expected that more investors will show interest in this segment in the coming year.

THE OLD HOUSING STOCK

The properties belonging to the so-called 'old' housing stock make up most of the Copenhagen residential stock, in fact accounting for an estimated 80% or so. In spite of the overrepresentation, the old housing stock has in the past typically appealed to a limited number of market players with the asset management skills required to handle this types of properties. However, the segment has started to attract several new types of investors, including core investors. Old-stock residential properties are governed by the Danish Residential Rent Regulation Act (boligreguleringsloven), which regulates the rent fixing based on the cost of operating the property, hence the term cost-based rent. However, the rent of comprehensively modernised units may be fixed according to the so-called utility rent, which is significantly higher, but still below the market rent applicable to a new property.

The typical business plan for such a property is therefore not based on current rental income but rather future cash flows generated by the modernised units. Units may be modernised when tenants move out, typically at a cost of DKK 4,000–6,000 per sqm. In return, the annual rental income can often be lifted by DKK 800–1,100 per sqm, making the investment well worthwhile, when value increment is based on reversionary residential yields in the 3.75–4.50% range.

The risks associated with investing in this type of property are manifold. As units subject to cost-based rent are let significantly below the market rent for properties in comparable locations, tenants are reluctant to move. As a result, it can take years to realise the full rental income potential of a property. Furthermore, the projected utility rent is subject to uncertainty as it should be based on comparable modernised units in the area, the validity of which can be tested by – the subjective opinion of – a rent tribunal.

Due to the very low initial yields, old-stock housing has historically appealed to value-add investors who are ready to accept that virtually all cash flows in the initial years are reinvested in schemes to modernise units that become vacant, and who are willing to apply proactive asset management focus, in pursuit of total returns expected to exceed the returns achievable if pursuing a passive residential strategy. Broadly speaking, the investment period of these investors is typically 5–7 years as they mature the asset for the purpose of institutional exits.

In 2016, institutionals showed a tendency of wanting to get involved at an earlier stage, and major pension funds are now active in old stock assets with significant value-add potential. This is due to an increased willingness to accept lower initial income yields than before due to an investment environment characterised by low interest rates. As the spread in prime residential yields vs. government bond yields shows, the gap has only widened. Investments in old-stock properties typically produce yields of 2–3% the first years as some units are still to be modernised, turning into 3.75–4.50% reversionary yields once stabilised. Even net initial yields as low as 2% still make a more attractive investment than bonds; the upside is substantial, and more importantly, the risk profile of the income return at the initial cost-based rent level is non-existent.

Looking again at the return and risk profile of the old-stock housing, there are several characteristics that appeal to institutional investors. The investment horizon is typically longer and due to limited liquidity concerns, they are not that sensitive to delays in realising the rent potential of the properties as is the case for closed-ended value-add funds.

Since rental income from old-stock housing is either fixed according to cost-based rent or utility rent and thus well below market rent, this offers a hedge against the long-term affordability concerns we currently see in the market for newly built residentials. Furthermore, old-stock housing typically benefits from a central location in some of the most attractive districts of Copenhagen that will always remain in strong demand. Another advantage of old-stock housing is the availability of smaller units than in new developments due to planning restrictions. Such units are both sought-after and less demand-sensitive to hikes in the rental price per sqm. An equity based investor with a long investment horizon can thus be certain of long-term rising cash-flows with a highly attractive risk profile.

The continued concern with old-stock residential properties is the pre-emptive right granted to tenants. This right applies to all tenants of properties not divided into commonhold units, unless owned in a double holding structure.

The number of properties taken over by tenants exercising their pre-emptive right have increased in recent years as the residential market has strengthened and an increasing number of investors are becoming averse to allocating resources to the due diligence process if they fear that the property could ultimately be taken over by the tenants.

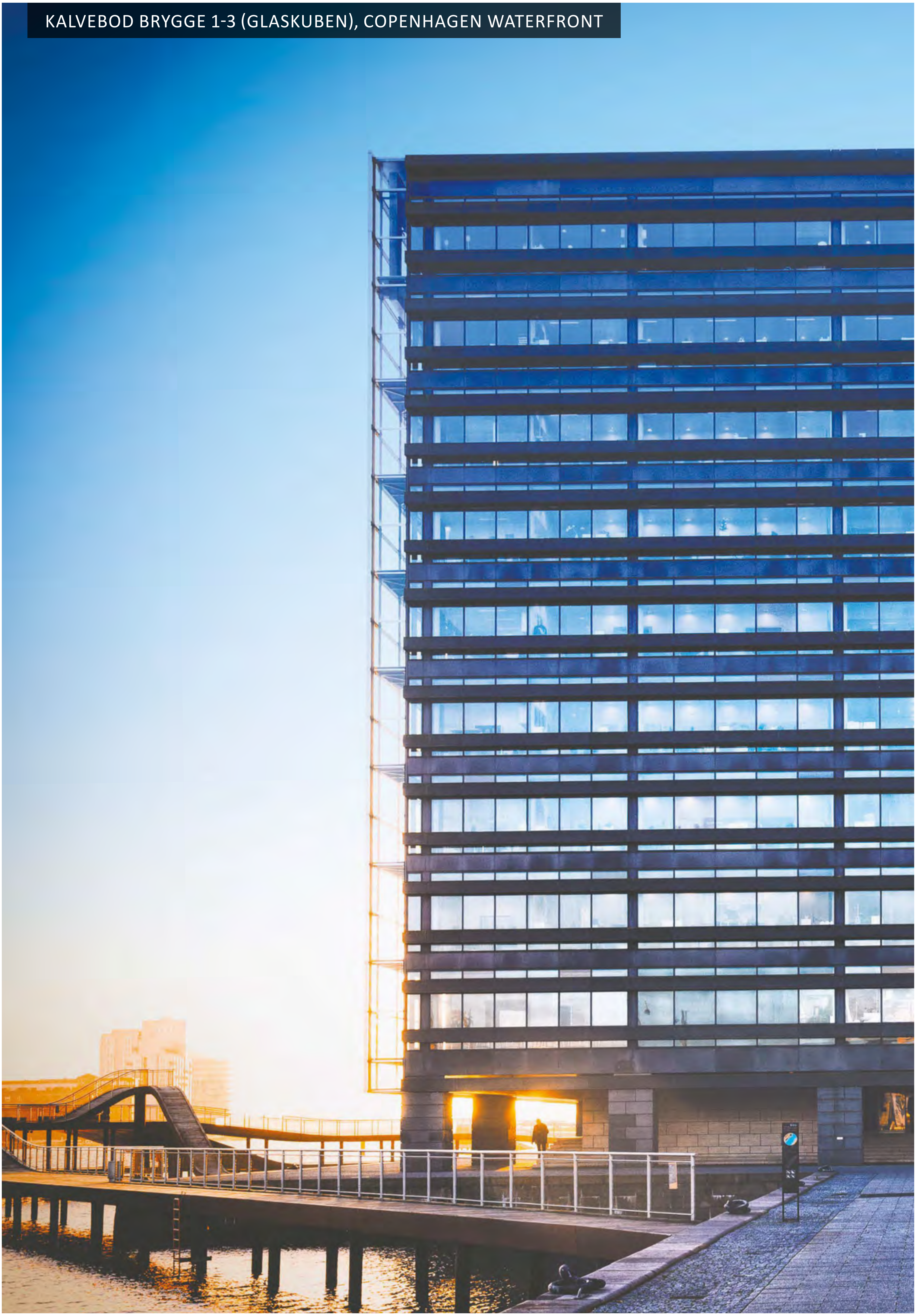
Key investment transactions

RESIDENTIAL

PROPERTY	DISTRICT	SELLER	BUYER	SQM	PRICE*	YIELD**
Project Kingdom portfolio (16 properties)***	Greater Copenhagen	Resolution Property	PFA Ejendomme	68 076	1 445	3.00%
Project Sixpack (6 properties)***	Greater Copenhagen	Carlsbergfondet	JØP/DIP/PFA	69 892	1 075	2.20%
Project Lando (3 properties)***	Copenhagen	Danica Pension	Heimstaden	29 000	980	na
Engholmene****	Copenhagen V	Khaldoun Tabari	NPV	75 101	950	na
STAY, Islands Brygge	Copenhagen S	Walls	AmTrust/Eurolinque	29 402	948	3.25%
Project Rey (9 properties)***	Copenhagen	Thylander Gruppen	DIP/JØP	33 225	901	3.75%
Sølvgade 40	CBD	Ejendomsselskabet Norden	Triton Development North/CBRE GIP	25 845	650	4.50%
Nordens Plads 4, Domus Vista	Frederiksberg	PKA/PenSam	Akelius	33 408	640	na
Strandholmen (3 properties)***	Copenhagen S	CASA	CapMan/BVK	19 523	630	na
Dieselvej 10	Copenhagen SV	Pensam/KPC/Sjælsø Management	Patrizia/BVK	16 876	na	4.25%
Alliancevej 14	Copenhagen SV	NREP	Catella Real Estate AG	14 850	566	4.00%
Bagsværd Solhusene	Bagsværd	Sophienberg Gruppen	DADES	17 200	550	4.60%
Telgholmens Østkaj 29	Copenhagen SV	West-Coast Real Estate	Patrizia	14 698	544	na
Project Penta (5 properties)***	Copenhagen	LB Forsikring/Semen Ejendomsaktieselskab	Heimstaden	19 753	455	2.20%
Portfolio (5 properties)***	Greater Copenhagen	Ungbo	Sampension	23 700	450	na
Portfolio (114 units)***	Greater Copenhagen	NIAM	Heimstaden	13 800	422	na
Project Cone (352 units)***	Greater Copenhagen	Aage V. Jensens Fonde	PGREI	27 503	352	3.10%
Portfolio (3 properties)***	Frederiksberg	NREP/North Property Asset Management	Heimstaden	9 472	329	2.75%
Portfolio (3 properties)***	Copenhagen	CapMan	Akelius	15 200	322	na
Strandlodsvej 61	Copenhagen S	Sophienberg Gruppen	Patrizia	7 100	235	na
Irmabyen	Rødovre	Elf Development	Bouwfounds Investment Management	8 120	232	na
Gyngemose Parkvej 2A-F	Søborg	Gyngemose Park II	Catella Real Estate AG	8 201	232	4.00%
Lyngby Søpark	Kongens Lyngby	Aberdeen Asset Management	Sampension	10 400	200	3.50%
Portfolio (3 properties)***	Copenhagen Ø	Thylander Gruppen	Secure Fondsmæglerselskab	13 719	198	2.55%
Strandvejen 201 et al.	Hellerup	Bricks	CapMan	7 370	187	2.00%

**) Prices quoted in DKK million (rounded figures) **) Yield in this context denotes estimated direct yield (approximate figure)*
****) Portfolio sale ****) Mix of building rights and ongoing construction scheme*
Source: Sadolin & Albæk

KALVEBOD BRYGGE 1-3 (GLASKUBEN), COPENHAGEN WATERFRONT



Office occupational property market

- Service and communication industries drive employment growth
- Accessibility becoming an increasingly important location parameter
- Quality continues to outrank luxury
- Office rental growth slowed by ample development opportunities

Against a backdrop of increasing employment levels in Denmark in general and Greater Copenhagen in particular, the outlook for the Copenhagen office occupational property market is bright.

Having traced a predominantly favourable trend for more than ten quarters, the Greater Copenhagen employment figure today slightly exceeds the level recorded in 2008, consolidating the Capital Region's status as Denmark's premier growth centre. Discounting Denmark's second-largest city, Aarhus, where growth has been strong too, the rest of Denmark has been slower to accelerate, although conditions have been improving lately.

In the Capital Region of Denmark, employment as measured by the absolute number of full-time equivalents (FTEs) rose by some 16,500 between Q3 2015 and Q3 2016.

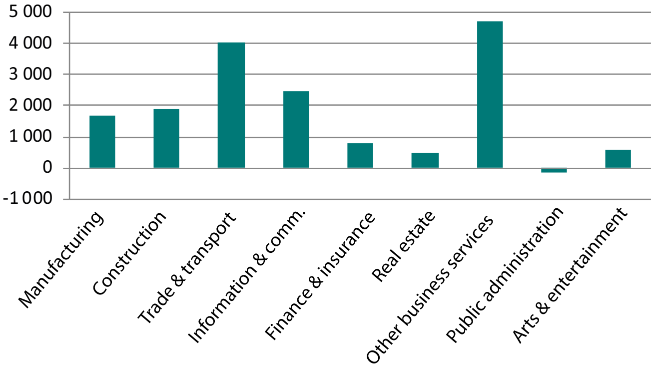
However, this number covers disparities between the individual categories used by Statistics Denmark: 'Public administration, education and health' saw a slight drop in employment while 'Finance and insurance', 'Real estate services' and 'Arts, entertainment and recreational activities' experienced minor increases. On the other hand, 'Trade and transport', 'Information and communications' and 'Other business services' account for all of 11,200 of the total increase.

The Greater Copenhagen office occupational market is set to benefit from the overall rise in office employment. However, the weak growth and in some cases slight decline in the number of people employed in the financial and public administration sectors are expected to affect the market to a certain degree. Both sectors are typically dominated by tenants with substantial area requirements and as a result, large-sized office properties could bear the brunt of the decline in these sectors in particular.

On 1 October 2015, the Danish government announced its plan to relocate some 3,900 public-sector workplaces from Copenhagen to provincial towns and cities. It was feared that the initiative would weaken occupational demand in Copenhagen, but with approximately 30% of relocations having taken place as of 1 October 2016, the impact on the office market has so far been very limited. Instead of translating into an actual increase in vacancy, the relocation scheme has more likely resulted in reduced capacity utilisation.

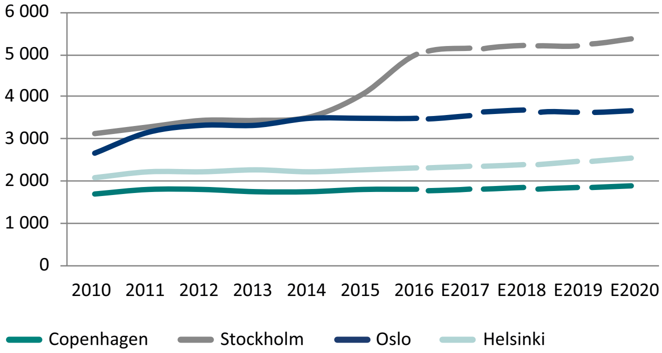
In fact, the office market seems much more affected by the favourable employment trend in other sectors, i.e. 'Information and communications', including the IT industry, and 'Other business services', including professional consultancies and the like. Employment growth has driven down office vacancy rates in prime locations, with demand for small and

EMPLOYMENT GROWTH BY SECTOR (Q3 2015 - Q3 2016)



Source: Statistics Denmark

PRIME OFFICE RENTS, SCANDINAVIAN CAPITALS (DKK PER SQM P.A.)



Sources: JLL and Sadolin & Albæk

medium-sized offices picking up significantly. This increase in demand slowly started to feed through to secondary locations in 2015, and to some extent prevailed throughout 2016. However, larger premises in more secondary locations are still struggling to attract tenants, especially in more peripheral areas, which are often lacking in efficient infrastructure and up-to-date office premises.

Secondary Copenhagen office locations such as Amager or Nørrebro are in demand with a wide range of businesses, including start-ups, smaller consultancy firms, architects and advertising agencies. As a result of office-to-residential conversion schemes, there are only few moderately priced premises available for these businesses in inner-city districts and the city centre, including the CBD, causing demand to shift to other locations. While demand has surged in the north-western district of Copenhagen, Copenhagen NV (Nordvest), and the Rådmandsgade quarter in Nørrebro in recent years, demand is now spilling over to former industrial areas of Amager and Valby. In both districts, former industrial facilities have been successfully converted into up-to-date office space while retaining a rough, unembellished exterior. This has helped keep maintenance and refurbishment costs relatively low, making it possible to offer high-quality leases at rent levels typically DKK 300–400 per sqm below the asking rents commanded by comparable leases in inner-city districts. Given their central city location, easily accessible by bicycle or public transport, unpretentious building design and reasonable rent levels, these premises appeal in particular to the businesses mentioned above.

With vacancy rates standing at 10.1% at the beginning of 2014, the improved letting market conditions have favourably impacted overall office vacancy rates in Copenhagen. This reinforces our perception of a recovering occupational market.

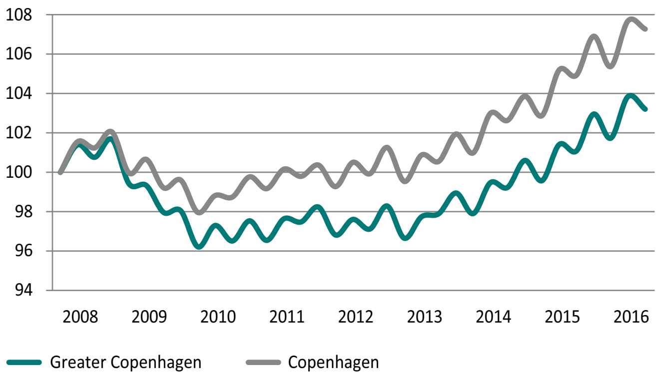
Vacancy rates have been driven down to 7.8% at end-2016, which is among the lowest levels recorded since end-2009. Discounting the development in 2015, when vacancy statistics became more comprehensive as a result of Ejendomstorvet.dk (formerly Oline.dk) opening up its commercial lease web portal to other players than property agents (resulting in a data breach), we maintain that the occupational market is picking up across Greater Copenhagen as a whole.

The increase in vacancy rates observed in Q1 and Q3 2016 is attributable to new office completions. In addition, a pipeline of development projects was announced in 2016, including a 50,000 sqm office scheme at Kay Fiskers Plads 2–4, Ørestad, as well as development projects in the Carlsberg City District and Sydhavnen. In Copenhagen, office vacancies are estimated at a total of some 460,000 sqm as at end-2016. Although the figure seems high, it is worth noting that just fifteen buildings account for one third, equivalent to roughly 165,000 sqm. These properties include functionally obsolete head-office buildings and premises marketed at rent levels well above the general rent levels in their respective areas.

The non-CBD office occupational market has been slower to pick up. Standing at 12.5% at start-2014, vacancy rates continued to soar throughout 2015, reaching a high of 13.3% at start-2016. However, a turnaround in 2016 drove down vacancy rates to 10.8% at end-2016 as some areas became popular back-office locations among office-intensive businesses, among others.

Non-CBD locations feature a large proportion of outdated properties that fail to meet today's tenant requirements of accessible, space-efficient and flexible office premises. The properties suffer from poor ceiling heights and poor daylight inflow, lack break-up potential and typically have inflexible

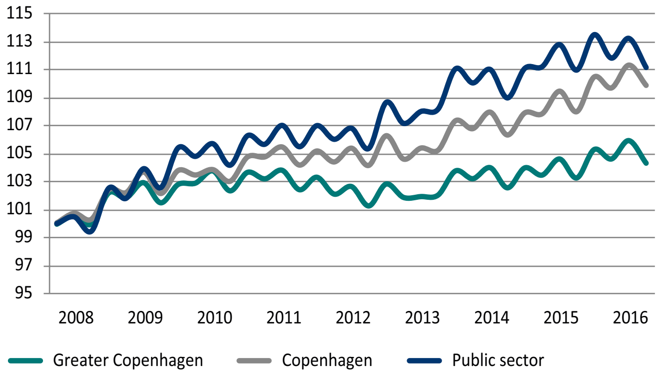
EMPLOYMENT INDEX (INDEX 100 = Q1 2008)



Source: Statistics Denmark

Note: Copenhagen in this context includes the City of Copenhagen, the City of Frederiksberg, the Municipalities of Dragør and Tårnby

EMPLOYMENT INDEX, TRADITIONAL OFFICE SECTORS (INDEX 100 = Q1 2008)



Source: Statistics Denmark

Note: Traditional office sectors in this context include the public sector, information and communications, finance and real estate

cabling, rendering conversion or refurbishment a costly affair. However, with the future light rail set to run through 11 municipalities along the Ring Road 3 corridor from Vallensbæk in the south to DTU (Technical University of Denmark) in the north, some non-CBD locations are expected to be reactivated. Glostrup, Ejby, Lyngby and Gladsaxe are set to become the four most prominent commercial growth centres, with Vallensbæk also coming into play. While the Ring Road 3 corridor is likely to appeal to a wide range of businesses in pursuit of affordable and space-efficient premises, it is still difficult to envision a full-scale re-branding of these secondary locations. However, prime locations may well attract significant demand; NCC and BOKA have successfully developed efficient and flexible premises in areas such as Herlev, Gladsaxe and Vallensbæk without the light rail in place. Nevertheless, it is still expected to be somewhat difficult for the market to absorb the very substantial pipeline of office premises currently being planned.

With recent years' increased focus on cost-consciousness, flexibility and efficiency, businesses have been zooming in on their overhead costs as well as the profile of their location. Several major financial sector players are planning to relocate from the CBD to less prestigious locations. Before 2008, they would most likely have moved to newly developed headquarters on the Copenhagen waterfront, Hellerup or Nordhavn. Nowadays, locations such as Ørestad are starting to top the list of preferred office locations, combining excellent scores on accessibility, price, flexibility and efficiency with an unpretentious image compared to more expensive and showy CBD locations. This trend has already motivated financial institution Nordea to place its new 40,000 sqm head office in Ørestad, and in 2016, Danske Bank and Nykredit sold their CBD headquarters in sale and leaseback transactions involving fairly short non-terminability periods. This signals a shift in the CBD occupational market that is expected to impact the letting market both short and long term. Thus, overall quality outranks luxury in the current market.

Although stronger demand and better economic conditions are seemingly improving the Copenhagen office occupational market, rental growth has been slow to pick up. With some 460,000 sqm vacant office space in Copenhagen and more than one million sqm vacancies in the entire Capital Region, developers are reluctant to develop new office premises unless they have secured pre-lets for significant parts of the project. Firstly, this is a consequence of some speculative development projects failing to attract tenants due to aggressive pricing, location and/or layout. Secondly, rental growth in Copenhagen has been stagnant over time, especially compared to Stockholm or Oslo, due to ample development opportunities in and around the city. This applies to a host of different locations with both prime and secondary development opportunities being available. The development of high-end office premises in Copenhagen is rendered difficult by the fact that it is hard to achieve the rent levels required to turn a profit on the projects. In addition, in terms of top rents, rental growth is virtually non-existent, with secure cash flows the only factor whetting investors' appetite.

Medium-priced, up-to-date office premises are in short supply in the Copenhagen office letting market, and considering the future commercial development in and around the city, developing such premises and putting them on the market could prove very beneficial. However, it is imperative that they are developed in consultation with tenants and with their requirements in mind to avoid massive vacancy issues due to overambitious pricing, inefficient layout or location issues.

In recent years, the market for office hotels has expanded, seeing the entry of several new market players, including B!ngs at Vesterbro, SoHo in the former meat packing district, Kødbyen, and La Oficina at Frederiksberg. Offering fully-serviced office spaces, the office hotels serve as a starting point for many one-man businesses and small start-ups, adding a new feature to the office occupational market. Given the concept's success, it could potentially affect the market for the smallest office leases. We expect this sub-market to grow in the years ahead.

COPENHAGEN CBD OFFICE MARKET

(1) THE GOVERNMENT DISTRICT NEAR THE PARLIAMENT BUILDINGS

The Government District houses a prominent stock of historical landmark buildings, exclusively used by public authorities and agencies as well as several ministries and government agencies. An actual letting market in the ordinary sense is therefore virtually non-existent, and the vacancy risk is limited due to the potential number of public-sector tenants in the downstream of central government.

On 1 October 2015, the Danish government announced the relocation of some 3,900 public-sector workplaces from Copenhagen to provincial towns and cities. When announced, the initiative was seen as a potential game changer that could jeopardise the district's track record of stability, but with approximately 30% of relocations implemented as of 1 October 2016, effects will seemingly be very limited.

(2) THE PEDESTRIAN DISTRICT

Comprising the Copenhagen high-street area and the medieval city centre, the Pedestrian District is characterised by a predominance of smaller office premises, with inefficient space layout a reflection of the design and age of the building stock.

Despite its central location in the CBD and easy access to Nørreport station, a hub for public transport, most of the office stock in the district is lacking in functionality, flexibility and cost efficiency. In addition, there is a significant shortage of available parking spaces in the district, which tends to curb office occupational demand. Overall, the district is not considered a prime office location compared to other CBD districts.

Following a continued trend, letting activity in the district has focused mainly on prime properties and locations, which has served to keep prime rents stable at DKK 1,350 per sqm p.a. in recent years. Having edged down since the financial crisis, the rent levels commanded by many secondary properties and locations stabilised at DKK 1,050 per sqm p.a. in 2016. Recent lease transactions include Elite Models Management taking 230 sqm and FSB Development taking 90 sqm at Østergade 55 as well as Grace Public Affairs taking 175 sqm at Amagertorv 1.

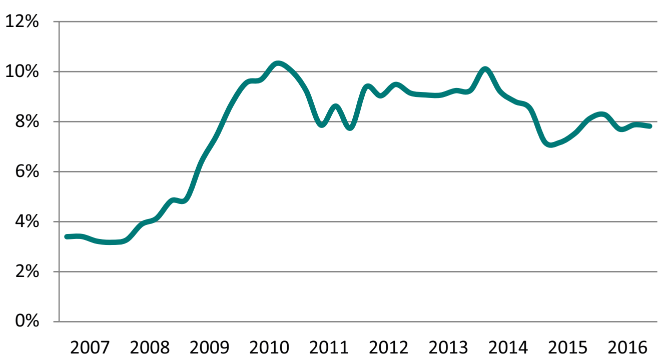
(3) THE BANKING DISTRICT

Located east of the Pedestrian District and just north of the Government District, the Banking District encompasses the areas surrounding Holmens Kanal and Kongens Nytorv. Traditionally among the preferred locations for banks and other financial institutions, the district houses Denmark's largest bank, Danske Bank, at Holmens Kanal, and the Danish central bank, Danmarks Nationalbank, at Havnegade. The district benefits from easy access to public transport at Kongens Nytorv offering multiple bus services and a Metro station, set to become a major hub when linking to the new Metro line, CityRingen, in 2019. The area is hampered by poor traffic conditions and scarce parking facilities, but the diversified building stock, easy access by public transport and diverse urban life give the district character, appealing to a wide range of businesses in pursuit of small and medium-sized office units.

The strong demand has kept prime rents constant at DKK 1,500 per sqm p.a. while secondary rents have risen to DKK 1,100 per sqm, underpinning the appeal of the district.

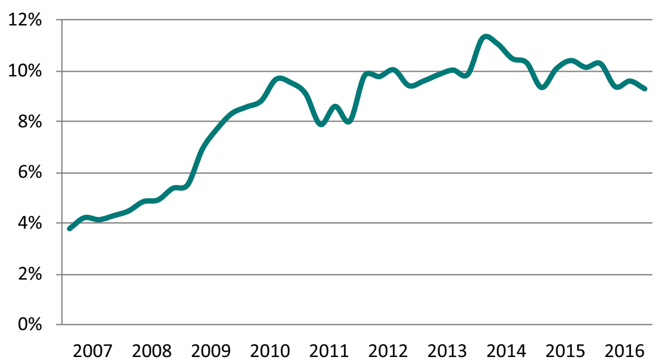
The district is predicted to transform in the coming years as Danske Bank has sold its headquarters in a sale and leaseback transaction to Standard Life Investments, involving a lease with non-terminability expiry in 2021. In addition, Dan-

OFFICE VACANCY RATE IN COPENHAGEN CBD



Source: Ejendomstorvet.dk

OFFICE VACANCY RATE IN GREATER COPENHAGEN, INCL. CBD



Source: Ejendomstorvet.dk

GAMMEL KONGEVEJ 74A, FREDERIKSBERG

marks Nationalbank recently laid off part of its workforce when decommissioning coin stamping and printing presses in a cost-cutting manoeuvre. Furthermore, the district has become an increasingly popular location for office hotels in recent years.

Recent letting activity in the district includes Tréville taking 280 sqm at Kongens Nytorv 20–22 and Make Sense Studios taking 155 sqm at Tordenskjoldsgade 21.

(4) FREDERIKSSTADEN

Centred around the Queen's residence, Amalienborg Palace, Frederiksstaden is considered a most prestigious CBD office location with an imposing building stock consisting of mansion and palace-style buildings with a modernised layout. Both historically and today, the district is preferred by law firms, professional and business service consultancies, financial institutions and shipping companies, including the A.P. Moller-Maersk Group, which is headquartered in Frederiksstaden. In addition, the district attracts art dealers with the street of Bredgade housing quite a few galleries.

Access by public transport is currently somewhat limited in the innermost parts of the district, but will improve greatly with the new Metro station at the Marble Church, Marmorkirken. The availability of parking facilities, on the other hand, is fairly good in the area considering its central location, not least thanks to the completion of Jeudan's underground parking facility at Kvæsthusmolen in 2016.

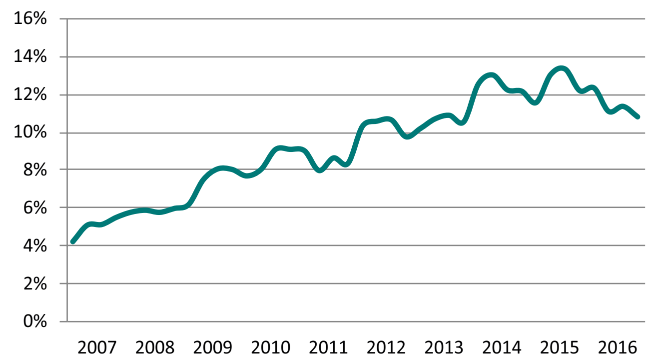
Sustained strong demand has helped to maintain prime rents at DKK 1,600 per sqm p.a., while secondary rents have edged up to DKK 1,200 per sqm p.a. The continuous demand and brisk letting activity can be attributed to the advantages of the district in terms of easy access, central location and prestigious building stock.

Recent lease transactions include Danske Bank taking 1,450 sqm at Hammerensgade 4, Snowman taking a 950 sqm lease at Klerkegade 10B and the Iraqui Embassy taking 780 sqm in the complex of Trekronergården. At Toldbodgade 33, The Danish Diabetes Association (Diabetesforeningen) has taken 715 sqm, and at nearby Toldbodgade 39, Peria Capital has taken 690 sqm. Letting activity has also been brisk at Amaliegade, with Storage4you taking 525 sqm and Pointer Search taking 465 sqm at Amaliegade 12 in addition to several minor office lets at Amaliegade 6.

(5) THE ROSENBORG DISTRICT

Surrounding Rosenborg Castle and the King's Garden, the Rosenborg District offers both large-scale office premises and smaller leases in older town houses with a relatively space-ef-

OFFICE VACANCY RATE IN GREATER COPENHAGEN, EXCL. CBD



Source: Ejendomstorvet.dk

ficient layout and modern exterior. Both Nørreport station and the Kongens Nytorv Metro station are in the immediate vicinity of the district, with Nørreport offering regional and S-train as well as Metro and bus services. Parking is scarce at street level, but some large-sized properties at Pilestræde and Vognmagergade have underground parking facilities. In addition, there is a public underground car park at Israels Plads. Traditionally, the district has been preferred by the media as well as government and quasi-government organisations, but the growing presence of shops and restaurants has had a positive effect on the overall appeal of the district.

The large stock of relatively cost-efficient office buildings with designated parking continues to attract demand, which has served to keep prime rents stable at DKK 1,450 per sqm p.a., while secondary rents have continued to climb to a new level of DKK 1,150 per sqm p.a.

Recent letting activity includes Vice taking a 1,340 sqm lease at Rosenborggade 15–17. Interstudio has taken a mixed-use office/showroom lease of 590 sqm at Kristen Bernikows Gade 6, while Darling Creative Studios has taken 405 sqm at Pilestræde 12E.

(6) THE CITY HALL AND CENTRAL STATION DISTRICT

Near City Hall Square (Rådhuspladsen) and Copenhagen Central Station, the office building stock is a mix of relatively efficient large-scale office domiciles with underground parking facilities and small to medium-sized offices in older multi-tenant buildings. The district benefits from excellent access by public transport, with the Central Station serving as an important hub, and the future Metro station at City Hall Square will further improve conditions. Considered a classic city-centre location, the district is home to major law firms, trade unions, industry associations and financial institutions. In addition, governmental and municipal agencies account for quite a large share of office users.

Sustained demand is keeping vacancy rates at a moderate level in the district. The current building stock is fairly flexible in terms of layout, facilitating conversions from single-cell to open-plan offices at a reasonable cost. This gives the district a competitive advantage over some of the other CBD areas. Axel Towers, one of the most spectacular development schemes in the area in recent years, is scheduled for completion in early 2017. Along with other users, it will house the head office of the Gorrissen Federspiel law firm. Together with Industriens Hus

KEY LEASE TRANSACTIONS, COPENHAGEN CBD, OFFICE

PROPERTY	DISTRICT*	LANDLORD	TENANT	SQM
Midtermolen 3	7	Alm. Brand	Configit	3 235
Hammerensgade 4	4	PFA Ejendomme	Danske Bank	1 450
Rosenborggade 15-17	5	Catella Real Estate	Vice	1 340
Kanonbådsvej 12A	7	Commercial Real Estate Denmark	Glyn Peter Machin	1 130
Klerkegade 10B	4	Kjæden	Snowman	950
Strandgade 4	7	C. W. Obel Ejendomme	Weoffice	915
Jens Kofods Gade 1	4	M. Goldschmidt Ejendomme	Iraqui Embassy	780
Toldbodgade 33	4	Tryg Ejendomme	Diabetesforeningen	715
Rådhuspladsen 59	6	FSB	Fahmy, Lindegaard & Sjö	715
Dronningensgade 68	7	Private housing co-operative	Universal Music	700
Toldbodgade 39	4	Thylander Gruppen	Peria Capital	690
Vesterbrogade 1L	6	DI, Confederation of Danish Industry	Dinero Regnskab	630
Axel Towers	6	ATP Ejendomme	Core Property Management	630
Indiakaj 20	7	Santa Fe Group	The EAC Foundation	625
Vesterbrogade 6D	6	Landbrug & Fødevarer	The Capital Region of Denmark	620
Skelbækgade 2-4 etc.	6	Commercial Real Estate Denmark	AdHoc Translation	610
Kristen Bernikows Gade 6	5	PFA Ejendomme	Interstudio	590
Vesterbrogade 1	6	DI, Confederation of Danish Industry	WiseGroup	590
Amaliegade 12	4	Property company	Storage4you	525

Source: Sadolin & Albæk

**) District number refers to table on p. 48* on the corner of Vesterbrogade and H. C. Andersens Boulevard, it has set new standards for prime rent levels in the district, with top rents of DKK 1,850 per sqm p.a., consolidating the district's status as the most expensive office location in Copenhagen. Secondary rents are tracing a similar upward trend, edging up to DKK 1,100 per sqm p.a.

However, the largest and most prominent construction scheme in the district is the upcoming development of the former post office site, Posthusgrunden, at Bernstorffsgade, which over time will add about 75,000 sqm of up-to-date office space to the existing office supply. The development of this site is expected to expand the CBD as well as enhance the district's position as a central Copenhagen office location.

Although vacancy is expected to increase in the short term when e.g. Gorrissen Federspiel relocates from its current premises in landmark building Dagmarhus, the district is believed to attract sustained demand, with the central location ideal also for hotel operations. As a result, there is a pipeline of several conversion schemes in the coming years, which will help to keep vacancy rates at a moderate level. Recent lease transactions include Dinero Regnskab taking 630 sqm and Booking.com 380 sqm at Vesterbrogade 1. Cofoco has taken 325 sqm at Vesterbrogade 17, Fahmy, Lindegaard & Sjö taking 715 sqm at Rådhuspladsen 59, The Capital Region of Denmark (Region Hovedstaden) taking 620 sqm at Vesterbrogade 6D and WorldManuals 440 sqm at Vesterbrogade 24.

(7) THE HARBOUR DISTRICTS

The Copenhagen Harbour Districts are characterised by prestigious buildings, offering large-scale and up-to-date office facilities. Whereas the southern districts enjoy easy access to the motorway grid and Copenhagen Airport, the northern districts are less fortunate. However, all districts benefit from a central location and are fairly well serviced by public transport, including S-train and bus services. As the buildings in these districts are of a more recent date compared to other parts of the CBD, they typically offer onground or underground parking facilities.

The most attractive office locations are the Langelinie area to the north, the inner harbour area of Christiansbro as well as Kalvebod Brygge and Havneholmen to the south. Formerly representing some of the top office rent levels in the country, prime rents in the Harbour Districts are still high but have edged down slightly, today outrivalled by the top rents commanded in the City Hall and Central Station District. The large supply of office development sites in attractive locations at Havneholmen and Nordhavn is well-balanced by strong demand, which is expected to keep rents constant. Planned development schemes include the Cph Highline project at Havneholmen and the office building known as Copenhagen

Spectrum (formerly HM2) on the corner of Mitchellsgade and Kalvebod Brygge. In addition, the ongoing construction of the BLOX project by Realdania, housing the Danish Architecture Centre (Dansk Arkitektur Center, DAC) and the office concept dubbed the Hub, will on completion in 2017 add to the districts' office supply.

In the past, the Harbour Districts have been coveted by large-scale office users, including financial institutions such as Nykredit and SEB along with professional consultancies, but a shift might be under way. Nordea plans to vacate its premises at Strandgade, which, all things being equal, will put some 40,000 sqm vacant office space on the market in the coming years. In addition, Nykredit recently sold its waterfront properties in a sale and leaseback transaction involving a five-and-a-half-year non-terminability period, reflecting an attempt to signal moderation and cut costs. Finally, the most expensive domiciles and large-scale offices have seen a decline in tenant demand, dampening rental growth in the districts.

In 2016, Købstædernes Forsikring acquired Arkitekternes Hus at Strandgade 27A for owner-occupancy. Recent lease transactions include yacht designer Glyn Peter Machin taking a 1,130 sqm lease at Kanonbådsvej 12A, Weoffice taking 915 sqm at Strandgade 4 and Universal Music taking 700 sqm at Dronningensgade 68. In the Langelinie area, lease transactions include Configit taking 3,240 sqm at Midtermolen 3 and The EAC Foundation (Det Østasiatiske Kompagnis Almennyttige Fond) taking 625 sqm at Indiakaj 20.

TYPICAL OFFICE RENT LEVELS, COPENHAGEN CBD

(EXCLUSIVE OF OPERATING COSTS AND TAXES)		(DKK/SQM/ANNUM)						CHANGE	MARKET EXPECTA-TIONS
		2012	2013	2014	2015	2016	**2017**	**2016–2017**	**2017**
(1) Government District	**Prime**	na	na	na	na	na	na	na	
	Secondary	na	na	na	na	na	na	na	
(2) Pedestrian District		1 400	1 350	1 350	1 350	1 350	1 350	0.0%	↗
		1 050	1 050	1 050	1 000	1 050	1 050	0.0%	→
(3) Banking District		1 500	1 500	1 450	1 450	1 500	1 500	0.0%	→
		1 150	1 100	1 100	1 050	1 050	1 100	4.8%	→
(4) Frederiksstaden		1 550	1 500	1 500	1 550	1 600	1 600	0.0%	↗
		1 150	1 100	1 100	1 100	1 150	1 200	4.3%	→
(5) Rosenborg District		1 400	1 400	1 400	1 450	1 450	1 450	0.0%	→
		1 100	1 050	1 050	1 000	1 100	1 150	4.5%	→
(6) City Hall and Central Station District		1 750	1 750	1 700	1 700	1 750	1 850	5.7%	→
		1 150	1 050	1 050	1 000	1 050	1 100	4.8%	↗
(7) Harbour Districts		1 800	1 800	1 750	1 750	1 800	1 750	-2.8%	→
		1 350	1 250	1 200	1 200	1 200	1 250	4.2%	→

Note: Rent levels quoted at the beginning of year. For location of district see map overleaf
Source: Sadolin & Albæk

STRENGTHS PROFILES OF INDIVIDUAL CBD AREAS, BASED ON PERFORMANCE SCORES ON FOUR SELECTED FRAMEWORK CRITERIA

	Government District	Pedestrian District	Banking District	Frederiks-staden	Rosenborg District	City Hall & Central Station	Harbour Districts
Efficiency	■□□□	■□□□	■■□□	■■□□	■□□□	■■■□	■■■■
Public infrastructure	■■□□	■■□□	■■■□	■■□□	■■■□	■■■■	■■■□
Parking	■□□□	■□□□	■□□□	■■■□	■■□□	■■■□	■■■□
Demand	■■□□	■■□□	■■□□	■■■□	■■■□	■■■□	■■■□

Note: One point denotes below-average performance, two points denote moderate performance, three above-average performance, four top performance
Source: Sadolin & Albæk

Harbour District
Frederiksstaden
Rosenborg District
Pedestrian District
Banking District
Harbour District
City Hall and Central Station District
Government District
Harbour District
Harbour District
M Metro station
S Train station

COPENHAGEN NON-CBD OFFICE MARKET

(1) ØSTERBRO/NORDHAVN

Located just north of Langelinie and the Copenhagen CBD, the district of Østerbro/Nordhavn offers a wide variety of office premises and can be split into two sub-districts. Nordhavn (north harbour) is one of the largest urban development sites in Denmark, upon completion expected to house 40,000 workspaces and 40,000 new residents. Offering up-to-date and space-efficient office space, it differs considerably from the more traditional city district of Østerbro, where the quality of the building stock varies.

ØSTERBRO

In this district, the prime office location stretches mainly along Dag Hammerskjölds Allé and Strandboulevarden, featuring several impressive mansion-style buildings. The area is favoured by embassies and non-profit organisations as it benefits from relatively close proximity to the Copenhagen city centre. Containing several large-scale offices built in 1960–1980, the area around Lyngbyvej/Lersø Parkallé is generally considered a less prestigious office location. Office leases in the area often fail to meet today's tenant requirements, including easy access to top-tier public transport, which further dampens demand. However, a few domiciles have been successfully converted into modern multi-user office properties, with the former Galle & Jessen factory at Vibenshus Runddel being a prime example. In addition, ATP Ejendomme has executed its acquisition strategy at the corner of Aldersrogade and Vibenshus Runddel, where several dilapidated properties have been pulled down to make way for new properties. Furthermore, the area will be upgraded in terms of public transport as the Metro CityRingen, scheduled for commissioning in 2019, will include several new stations at Østerbro. This will also help tie the district together as it is quite fragmented from a commercial point of view.

Recent lease transactions in the district include AS3 taking 745 sqm at Lersø Parkallé 38 and Schødt taking 260 sqm in the neighbouring property, Lersø Parkallé 40. In addition, Patchwork Group, newcomer to the area in 2015, extended its 880 sqm lease at Visbygade 16/Dag Hammerskjölds Allé 13 by 120 sqm in 2016.

NORDHAVN

Currently under development, the vibrant and prestigious new city district of Nordhavn houses several financial businesses and law firms, valuing the up-to-date, space-efficient and flexible office premises in the area and its ample parking facilities. With its proximity to the city centre and attractive waterfront location, Nordhavn is on the brink of becoming an extension of the existing Copenhagen CBD in competition with Kalvebod Brygge and Tuborg Nord further north. The district benefits from proximity to Nordhavn S-train station, and with two Metro stations opening in 2019, access to the entire Greater Copenhagen area will improve. In addition, the coming Nordhavnsvej will improve access to the northern part of the motorway grid.

Nordhavn is home to spectacular office buildings such as the highly sought-after Portland Towers, but the inner areas around Sundkrogsgade have been prone to some vacancy, with a combination of high rent levels and significant construction activity somewhat dampening demand. As a result, top rents have seen a slight decline over the past 12 months to DKK 1,700 per sqm p.a., while secondary rents have edged up to a level of DKK 1,100 per sqm p.a.

Commercial development will continue to be slow as no additional sites will be put up for sale until the Metro line is finished in 2019. However, domestic institutional PFA Pension owns several parcels of land on the easternmost peninsula of Redmolen, where construction is expected to commence in 2018.

(2) NØRREBRO

Situated north-west of the CBD, Nørrebro is first and foremost a mixed-use residential and retail district rather than a characteristic office area as the office premises in the district are of diverse quality with no distinctive office clusters or centres. When it comes to parking, Nørrebro faces some of the same challenges as other Copenhagen city districts as parking is fairly scarce considering the density of the area. Apart from Nørrebro S-train station, public transport services in the district are today largely limited to bus services. However, Nørrebro will become part of the Metro CityRingen, which will improve accessibility. While office premises generally fail to meet today's tenant requirements, Nørrebro appeals to many small and medium-sized creative businesses, including office users in the media and music industries.

As part of Nørrebro, Copenhagen Science City (CSC), is spearheading the development of the district as this new location focuses on health and life sciences, cleantech as well as information and communication technologies (ICT). Anchored by the University of Copenhagen, the Metropolitan University College and the Copenhagen University Hospital, CSC strives to create a strong knowledge and innovation community. As part of the masterplan, the stretch of Jagtvej between Tagensvej and Lyngbyvej/Nørre Allé is currently undergoing extensive redevelopment.

In the more run-down parts of Nørrebro and the north-western city district of Copenhagen NV, old industrial buildings are on a large scale converted for up-to-date office use, with the buildings typically retaining their original industrial-style exterior. This has given new life for instance to the Rentemestervej area of Copenhagen NV and Titangade/Sigurdsgade at Nørrebro. However, complete urban redevelopment will take time, and the process is projected to be ongoing for years to come.

Mounting demand has driven up top rents to DKK 1,250 per sqm p.a., while secondary rents remained constant in 2016. Recent lease transactions include Plenti taking 930 sqm at Rentemestervej 4–12 at Copenhagen NV, Holm Kommunikation taking 540 sqm at Ryesgade 3F, Nørrebro, and To Øl taking 435 sqm at Slotsgade 2. In addition, Nørrebrogade 45 has seen brisk activity with Hyvi and Bolig.dk each taking 205 sqm, Enemærke & Petersen taking 625 sqm, Primetime Kommunikation taking 800 sqm and LKG Night taking 250 sqm in the property. At Hillerødgade 30A–B, Green Mobility has taken 320 sqm and Amino Alpha 190 sqm.

(3) FREDERIKSBERG

Encircled by the City of Copenhagen, Frederiksberg constitutes a municipality of its own and is predominantly a vibrant residential district. It enjoys a location close to the CBD and is well serviced by the Copenhagen Metro with several existing stations and more to follow in 2019, once Metro CityRingen is operational. Another advantage of Frederiksberg is the superior availability of parking facilities relative to other central city districts.

Frederiksberg contains several pockets of office premises, with the area around Flintholm station establishing itself as a prime office location in recent years. Other areas include the Frederiksberg City Hall square with the Rialto landmark building serving as centrepiece and Gammel Kongevej/Vodroffsvej near the Copenhagen Lakes with Codanhus as the most prominent office building.

Development areas include the former DTU site at the corner of Bülowsvej/Ågade and an upcoming project by Copenhagen Business School (CBS) at Fasanvej, although the CBS project will feature a large share of educational facilities.

Prime rents as well as secondary rents remained constant in 2016.

(4) HELLERUP

Hellerup and Tuborg Nord on the waterfront are among the most attractive office areas north of the Copenhagen CBD, featuring a modern office building stock with parking facilities at street level or in underground parking lots. Access by car is fairly good, but the district lacks top-tier public transport as the main train station is not ideally situated vis-à-vis the office clusters of the district. There are no plans to link the district to the Copenhagen Metro.

Located some five kilometres north of the Copenhagen city centre and east of Ring Road 2, Tuborg Nord has for some time been a highly prestigious non-CBD office location with top rents almost on a par with the absolute peak levels recorded in the inner Harbour Districts. Tuborg Nord has traditionally been preferred by law firms, professional consultancies and financial institutions, but the location is increasingly competing with other office locations such as Nordhavn.

Compared to these rivalling office locations, Tuborg Nord is hampered by inferior infrastructure and is gradually ousted as one of the most sought-after office locations. This has driven up vacancy rates in both head-office buildings and other large-scale office premises. Due to non-competitive rent levels and high property taxes at Tuborg Nord, demand has shifted towards smaller offices in the older building stock in other areas of Hellerup.

Declining demand in Tuborg Nord has driven down prime rent levels to DKK 1,600 per sqm p.a., while secondary rent levels have continued to climb for the past 24 months.

Recent lease transactions include Formuepleje taking 1,100 sqm at Tuborg Havnevej 15. At Strandvejen 100, Flex Funding has taken 215 sqm, Fondsmæglerselskabet I & T 195 sqm and Bilfinger HSG 145 sqm.

(5) LYNGBY/GLADSAXE

Thanks to excellent motorway access, the Lyngby and Gladsaxe office locations have seen mounting demand for the past year. Located near the affluent residential districts of northern Zealand and a short distance from Copenhagen, the district offers lease opportunities for domestic and international companies in search for large-scale office premises. Furthermore, knowledge-intensive businesses prefer the location as DTU provides a large pool of highly skilled labour. As a result, businesses in the fields of IT, insurance and biotech have settled in the vicinity.

Accessibility is set to improve dramatically once the planned light-rail link along the Ring Road 3 corridor is operational. This will alleviate current public transport issues resulting from the fact that the S-train stations of the district are situated at some distance from the prime office areas. Parking is considered good in the area, mainly at street level. The district offers ample opportunities for new office construction on a small and large scale alike. In recent years, the Municipality of Lyngby-Taarbæk has been working intensely with a new concept dubbed ‘Vidensbyen’ (Knowledge City) aimed at promoting the municipality as the preferred location for

knowledge-intensive companies; indeed, Microsoft is one of the companies settling in Lyngby in recent years, bearing witness to the strength of the area as an important new office location.

After a slight slowdown in 2015, letting activity in the district bounced back in 2016. Letting transactions include Beierholm taking 12,000 sqm at Knud Højgaards Vej 9 as well as Crayon taking 2,300 sqm and Projectum 900 sqm at Tobaksvejen 4 (Gladsaxe Company House). In the former headquarters of Denmark's national broadcasting corporation, DR, Zublin and Bonava have each taken 1,540 sqm. At Vandtårnsvej 83A, Rosendahls has taken 1,245 sqm, Teva Denmark 1,160 sqm and Netsolutions 630 sqm. In addition, the advisory and inspection centre (Arbejdsmiljøcentret) of the Danish Working Environment Authority, WEA has taken 615 sqm at Dynamovej 11 and KFI 1,150 sqm at Gl. Lundtoftevej 5–7.

The strong demand for well-located and efficient office space served to keep both prime and secondary rents at a stable level in 2016.

(6) THE NORTH CORRIDOR

Covering large areas along the motorway to Elsinore (Helsingør), the north corridor stretches across office parks in Vedbæk, Hørsholm, Nivå and Kokkedal, dating mainly from the 1980s. Located close to the motorway, the district benefits from good access by car, whereas access by public transport is limited as the area is not connected to the S-train grid. Linking Elsinore in the north and Copenhagen in the south, the routing and stops of the coastal railway (Kystbanen) are not ideally located vis-à-vis the office areas in the north corridor, which are therefore hampered by relatively poor public transport options.

As a result of an outdated office stock with little new development and weak occupational demand, rent levels have come under significant downward pressure in recent years, but they seem to have stabilised at their current levels.

Innovative measures are called for to re-brand and revitalise the district. So far, the science and technology park of Scion DTU in Hørsholm has been a successful initiative. With supply ranging from single offices to large-scale office premises, activity has picked up in the business park and been fairly constant in recent years.

Other possible initiatives could involve the conversion of outdated office buildings to office hotels or similar concepts to attract new tenants.Recent lease transactions in the north corridor include Personal Networker taking 285 sqm at Skodsborg Strandvej 113.

(7) BIRKERØD/ALLERØD

Located some 25 kilometres northwest of Copenhagen, the district of Birkerød/Allerød includes several large-scale office areas of diverse quality, ranging from the obsolete to the more up-to-date. Some of the older office buildings served as ancillary office units in connection with industrial facilities. This property type has seen a decrease in demand over the past years as businesses have zoomed in on space-efficient and flexible premises. Despite being connected to the S-train grid at Allerød and Birkerød stations, access to public transport is deemed less than ideal vis-à-vis the office areas in the district. Previously preferred by the IT sector, the district is therefore typically discarded because of its lack of high-quality, space-efficient office premises close to public transport. As a result, vacancy rates have started to climb, driving down prime and secondary rent levels alike.

The district is facing increased competition from alternative locations closer to Copenhagen with superior accessibility and this has limited letting activity despite the availability of relatively up-to-date premises. Landlords/owners are required to upgrade existing office premises to match today's tenant requirements to enhance lettability. However, as other nearby districts offer a supply of modern office facilities, significant investments in outdated office properties may not yield an attractive return and this effectively puts the clamps on a potential redevelopment of the district. In spite of these challenges, rents for both prime and secondary properties remained constant but low in 2016.

Recent lease transactions include Master International taking 585 sqm at Bregnerød 144 and Regionsgården taking 425 sqm at Milnersvej 35B. In addition, the JuicePlus+ Company has taken 345 sqm at Banevænget 13.

(8) HERLEV/BALLERUP

The Herlev/Ballerup district has long been a preferred location for large-scale companies operating in the high-tech industries or financial services, with the Lautrupvang area attracting a great number of businesses. Tenants in the area include GN Store Nord, Nets, Bluegarden, IBM Danmark and

the district, especially in secondary locations. Infrastructure upgrade initiatives or investments in the properties are not expected to significantly improve the situation.

However, prime locations in the west corridor offer good accessibility and low rent levels, making the district a sought-after back-office location. The stronger demand for the more attractive office premises has driven up prime rents to DKK 1,100 per sqm p.a. after several years of stagnation. Secondary rents have stabilised at a level of DKK 600 per sqm p.a. over the past few years after a prolonged downtrend.

KMD. Furthermore, the district houses the successful multi-user property World Trade Center (WTC) Ballerup, with a 10,000 sqm expansion scheme possibly in the pipeline. In response to increased competition from office areas closer to Copenhagen, prime rents edged down to DKK 1,050 per sqm p.a. in 2015, but stabilised in 2016.

Recently, Lautrupvang has attracted also international newcomers operating in the high-tech industries. They are attracted by the synergies of the location, including easy access to customers, skilled labour and varying degrees of knowledge sharing. Ample space for start-ups is another advantage of the cluster. That said, the business park of Kong Svends Park in the neighbouring municipality of Egedal has attracted Novo Nordisk and Oticon in recent years, offering a location in the same league as Ballerup.

The less established office locations in the district have a relatively old building stock, constructed mainly in 1970–1990, and like in other suburban office locations, offices are commonly laid out as ancillary offices with adjoining industrial facilities. Due to the inflexible layout of most premises as well as limited remodelling options, these locations suffer from weakening demand, and rent levels are among the lowest in the Copenhagen area in general. Even with the future light-rail link in place, it is difficult to envision a full-scale reactivation of the more secondary locations.

Recent lease transactions include Renault Denmark taking 535 sqm at Industriparken 21A in Ballerup.

(9) THE WEST CORRIDOR

Stretching primarily across the towns of Glostrup, Brøndby, Albertslund and Høje-Taastrup, the west corridor contains a relatively outdated office stock with many properties pre-dating the 1990s. Ancillary office units in connection with industrial facilities dominate the district, and due to their age, the buildings often have a highly inflexible layout. In addition, the district contains a fairly large number of secondary office premises that attract little interest as they fail to meet today's tenant requirements. As a result, vacancy rates are soaring in

Recent lease transactions in the district include Haribo taking 2,130 sqm at Delta Park 40–46 in Vallensbæk Company House I and EFG taking 900 sqm at Vibeholms Allé 15 in Brøndby and ALD Automotive taking 3,245 sqm at Helgeshøj Allé 34 in Taastrup. In addition, Orange has taken a lease of 515 sqm at Sydvestvej 15 in Glostrup and Dansikring taking a 4,585 sqm lease at Hovedvejen 2, also in Glostrup.

(10) VALBY/CARLSBERG CITY DISTRICT

The district of Valby is currently undergoing massive transformation, with former disused industrial facilities giving way to new attractive mixed-use commercial and residential areas. For instance, the area around Gammel Køge Landevej is currently being lifted, with former industrial facilities being converted into attractive office premises while preserving their industrial exterior. With Ny Ellebjerg station as a future hub linking also to the Copenhagen Metro (as from 2023), the area around Carl Jacobsens Vej has started to attract newcomers, including the Danish Building & Property Agency (Bygningsstyrelsen) as well as acclaimed architect company Bjarke Ingels Group (BIG).

Bordering on Valby, Vesterbro and Frederiksberg, the site formerly used by the Carlsberg breweries is one of the most exciting urban development zones in Copenhagen. In the Carlsberg City District, educational facilities of 55,000 sqm have already been established. Most office premises are in the pipeline, but the office building known as Humlehuset has already been completed. Thanks to the brandnew Carlsberg station, the area benefits from easy access to public transport, and the Copenhagen city centre is reached within ten minutes.

The future Metro station at Tove Ditlevsens Plads will further improve conditions. Although parking facilities are established, the anticipated future population density in the neighbourhood could cause a severe parking strain. Driven by established large-scale educational facilities, development is proceeding at a rapid pace and both multi-user office premises and larger domicile buildings are scheduled for completion in the coming years.

Recent lease transactions in the Carlsberg City District include V2C Holding taking 875 sqm at Torveporten 2, Mikkeller taking 545 sqm in Humlehuset at Humletorvet 25 and Arkitema pre-letting 3,450 sqm in the landmark building of The Dipylon.

Overall, the prime office rent in the entire district climbed to DKK 1,150 per sqm in 2016, with secondary rents following suit to a level of DKK 750 per sqm p.a. These rent levels are spurred by the strong developments in the Carlsberg City District, where demand has been growing, with new and attractive office spaces commanding even higher rent levels. Given the location and characteristics of the district, rents are predicted to increase in the coming years.

(11) SYDHAVNEN

Having evolved as one of the most prominent Copenhagen office locations in the early to mid-2000s, Sydhavnen (the south harbour) suffered a severe blow during the financial crisis. In the golden 2000s, telecommunications companies flocked to new single-tenant properties on the waterfront at Sluseholmen and Frederikskaj. Both enjoy easy access to the Copenhagen road grid, the motorway grid and Copenhagen Airport, making them ideal locations considering the land prices at the time. However, the financial crisis caused these telecommunications companies to downsize or relocate. Coupled with an increasing emphasis on public transport access, vacancy rates began to surge in the district.

In recent years, conditions have improved, with educational institutions such as Aalborg University absorbing a substantial share of vacant office space. Connecting Sydhavnen with the remaining parts of Copenhagen, a bridge now spans the fairway of Teglværksløbet, and the Copenhagen Metro line will expand to the district in 2023. One Metro station is expected to open at Sluseholmen, which will serve to reposition the district as an attractive office location. Whereas activity in the district picked up in 2015, it somewhat slowed in 2016. Recent lease transactions include trade union ASE taking a 7,360 sqm lease at Frederikskaj and Grohe taking 840 sqm at Sluseholmen 8A, etc., and several small-sized lets in the office hotel situated at the same address.

(12) AMAGER, HAVNESTAD AND ØRESTAD

Located south of the Copenhagen CBD, the island of Amager benefits from close proximity to the Copenhagen city centre and excellent infrastructure, with easy access to the motorway grid, railway links, two Metro lines and Copenhagen Airport. Furthermore, the fixed links to Sweden and Avedøre Holme provide access to Scandinavia and large industrial areas, respectively.

Ørestad and Havnestad are dominated by up-to-date, space-efficient properties, whereas other parts of Amager contain a large share of older office and production facilities. Locations such as Islands Brygge and Prags Boulevard have seen a dramatic transformation, with industrial properties converted into up-to-date office premises but retaining many of their original features. This has served to reactivate a number of properties previously labelled partly obsolete, and demand has been strong. The old knitwear factory at Artillerivej with roughly 9,000 sqm of new office space was let within months, with IIH Nordic taking 1,600 sqm, Hello Group taking 1,585 sqm, and Dissing + Weitling Architecture and Kapacity each taking 905 sqm at this location. Nodes Group has taken 885 sqm, and additional newcomers include Tatoodo and Linkfire, each taking 695 sqm. At Prags Boulevard 80, Nordea IT has taken a lease of 4,845 sqm and Dyrberg/Kern 510 sqm. The Danish Building & Property Agency has taken 2,355 sqm in a more up-to-date property at Weidekampsgade 14 in the popular Islands Brygge area. At Amager Strandvej 390 ST Aerospace has taken a 625 sqm lease.

Ørestad has positioned itself as a key non-CBD office location and transport hub, still providing plenty of development opportunities. The location caters to the requirements of a wide range of tenants in terms of space-efficiency, flexibility and accessibility. Furthermore, the profile of the location is more low-key compared to some CBD areas, including Nordhavn, while still offering up-to-date office space at moderate rent levels. These factors have been crucial in establishing the area, and rents have been climbing since 2013. In 2016, this drove up prime rents to a level of DKK 1,450 per sqm p.a., marking a new high in the district.

Recent lease transactions at Ørestad include Vestas taking 5,500 sqm in the complex of Copenhagen Towers and Novo Nordisk taking 3,300 sqm at Ørestads Boulevard 114. Moviestarplanet has taken 1,770 sqm at Rued Langgards Vej 6–8 and E-Smiley has taken 525 sqm at Richard Mortensens Vej 61. In another part of Amager, in the former SAS property at Hedegaardsvej 88, Teleperformance has taken 1,690 sqm and FLC 360 sqm.

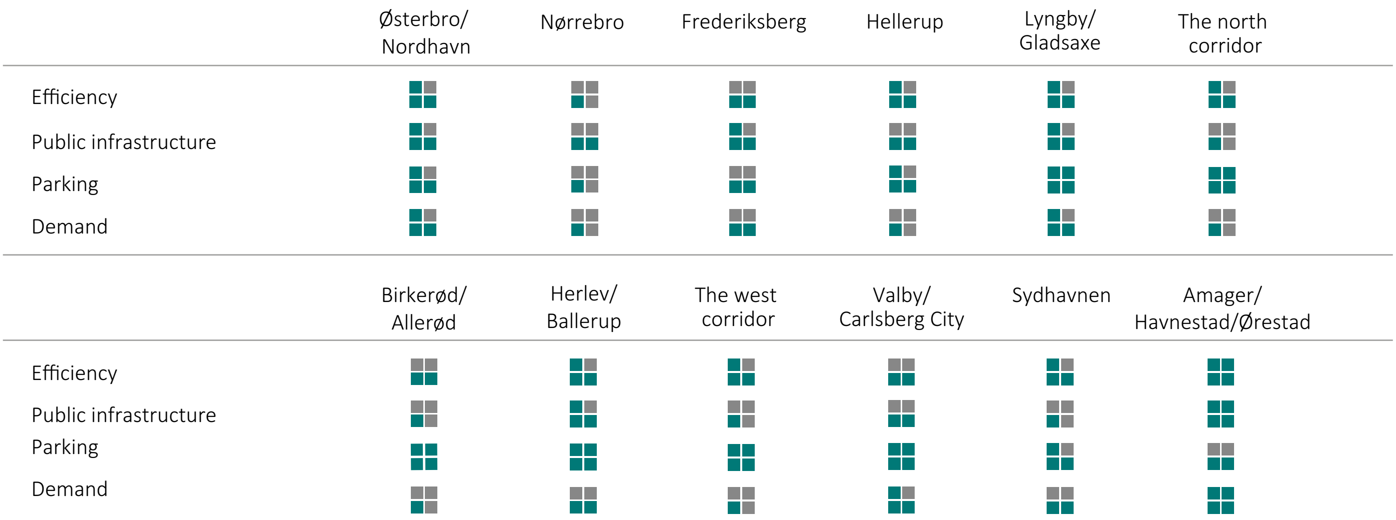
A new development area near Copenhagen Airport, Scanport, is currently emerging. With Ferring Pharmaceuticals deciding to relocate from Ørestad to Scanport, the location is expected to seriously challenge Ørestad in the coming years. Hoping to leverage the proximity to Copenhagen Airport, the fixed link to Sweden and the Metro line, Scanport plans to offer close to 100,000 sqm of commercial space on completion with a sizeable proportion for office use. Actual letting activity has yet to commence, but development is set to gain momentum in 2017 and 2018.

KEY LEASE TRANSACTIONS, COPENHAGEN NON-CBD, OFFICE

PROPERTY	DISTRICT	LANDLORD	TENANT	SQM
Knud Højgaards Vej 9	5	PFA Ejendomme	Beierholm	12 000
Frederikskaj 4	11	DADES	ASE	7 360
Ørestads Boulevard 114-118	12	Solstra Capital Partners	Vestas	5 500
Telegrafvej 6	8	Commercial Real Estate Denmark	Indoor Club	4 950
Prags Boulevard 80	12	Topdanmark	Nordea IT	4 845
Hovedvejen 2	9	Institutional investors	Dansikring	4 585
The Dipylon	10	Carlsberg Byen	Arkitema	3 450
Ørestads Boulevard 114	12	Solstra Capital Partners	Novo Nordisk	3 300
Helgeshøj Allé 34	9	Institutional investors	ALD Automotive	3 245
Weidekampsgade 14	12	Hafonn	Bygningsstyrelsen	2 355
Tobaksvejen (Company House)	5	PensionDanmark	Crayon	2 300
Delta Park 40-46	9	Saremo Properties	Haribo	2 130
Rued Langgards Vej 6-8	12	C. W. Obel Ejendomme	Moviestarplanet	1 770
Hedegaardsvej 88	12	PFA Ejendomme	Teleperformance	1 690
Göteborg Plads 1	1	PFA/ATP/PensionDanmark	Embassy of Germany	1 600
Artillerivej 86	12	PFA Ejendomme	IIH Nordic	1 600
Artillerivej 86	12	PFA Ejendomme	Hello Group	1 585
Gyngemose Parkvej 50	5	PensionDanmark	Zublin	1 540
Gyngemose Parkvej 50	5	PensionDanmark	Bonava (formerly NCC Bolig)	1 540
Vandtårnsvej 83A	5	NIAM	Rosendahls Print DesignMedia	1 245
Vandtårnsvej 83A	5	NIAM	Teva Denmark	1 160
Gl. Lundtoftevej 5-7	5	DADES	KFI Erhvervsdrivende Fond	1 150
Tuborg Havnevej 15	4	PKA	Formuepleje	1 100

**) District number refers to map on page 57.*
Source: Sadolin & Albæk

STRENGTHS PROFILES OF INDIVIDUAL NON-CBD AREAS, BASED ON PERFORMANCE SCORES ON FOUR SELECTED FRAMEWORK CRITERIA

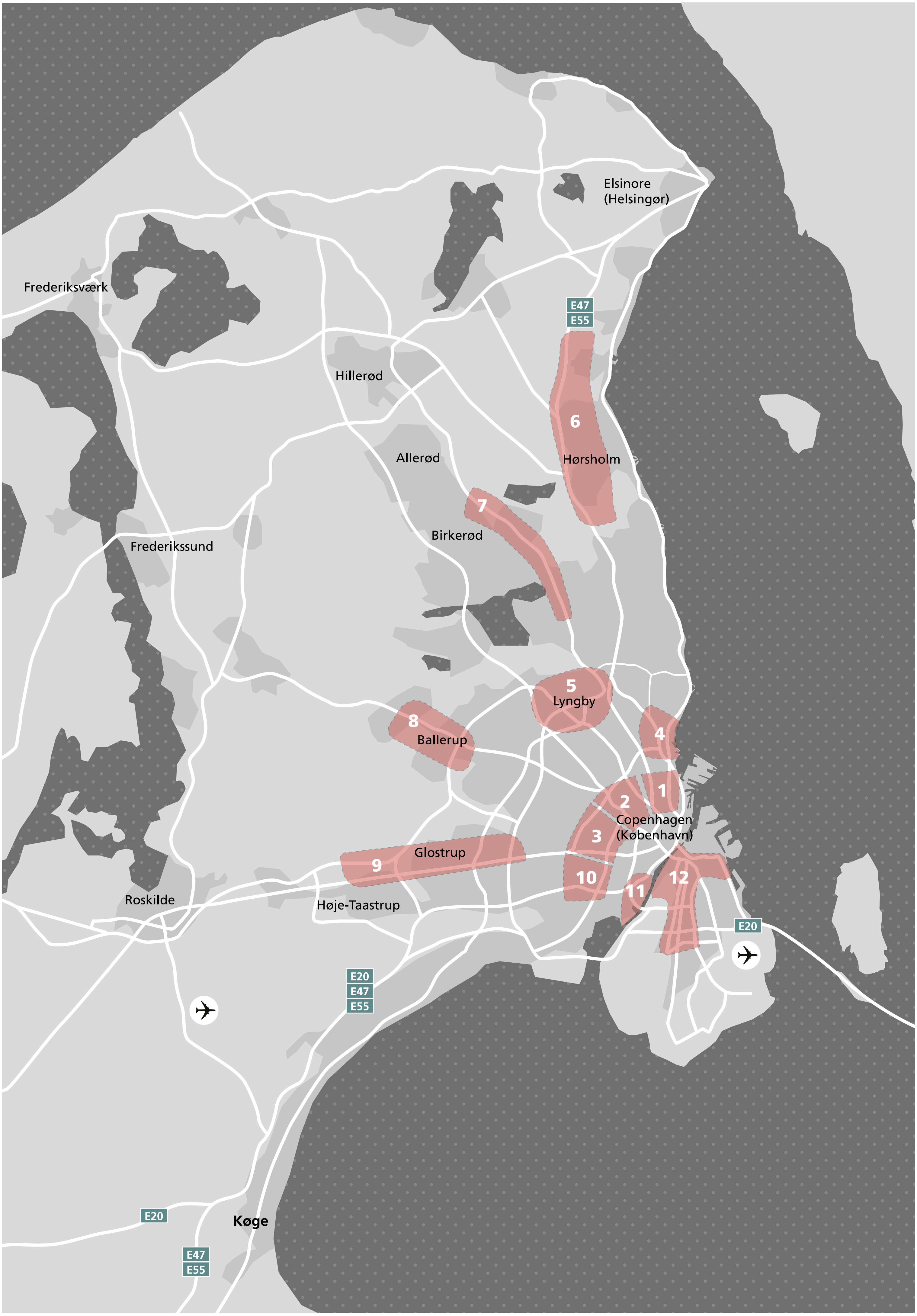


Note: One point denotes below-average performance, two points denote moderate performance, three above-average performance, four top performance
Source: Sadolin & Albæk

TYPICAL OFFICE RENT LEVELS, COPENHAGEN NON-CBD

(EXCLUSIVE OF OPERATING COSTS)		DKK/SQM/ANNUM						CHANGE	MARKET EXPECTA-TIONS
		2012	2013	2014	2015	2016	**2017**	**2016-2017**	**2017**
(1) Østerbro	**Prime**	1 750	1 750	1 750	1 750	1 750	1 700	-2.9%	→
	Secondary	1 100	1 050	1 050	1 050	1 050	1 100	4.8%	↗
(2) Nørrebro		1 200	1 200	1 200	1 150	1 150	1 250	8.7%	↗
			750	750	750	750	750	0.0%	↗
(3) Frederiksberg		1 300	1 300	1 300	1 350	1 350	1 350	0.0%	↗
			850	850	850	850	900	0.0%	→
(4) Hellerup		1 700	1 700	1 650	1 650	1 650	1 600	-3.0%	→
			1 150	1 100	1 050	1 050	1 100	4.5%	↗
(5) Lyngby/Gladsaxe		1 400	1 400	1 500	1 500	1 500	1 500	0.0%	→
			875	875	875	850	850	0.0%	→
(6) The north corridor		1 050	1 000	1 000	950	950	950	0.0%	→
			725	725	725	700	700	0.0%	→
(7) Birkerød/Allerød		1 050	1 000	950	950	900	900	0.0%	→
			700	700	650	650	650	0.0%	→
(8) Herlev/Ballerup		1 100	1 100	1 100	1 100	1 050	1 050	0.0%	→
			675	675	675	650	650	0.0%	→
(9) The west corridor		1 100	1 100	1 050	1 050	1 050	1 100	4.8%	→
			625	625	625	600	600	0.0%	→
(10) Valby/Carlsberg City District		1 000	1 000	1 000	1 050	1 100	1 150	4.5%	↗
			675	700	700	700	700	7.1%	↗
(11) Sydhavnen		1 250	1 250	1 250	1 250	1 300	1 250	-3.8%	→
			900	900	875	850	850	0.0%	→
(12) Amager/ Havnestad/Ørestad		1 250	1 250	1 300	1 300	1 350	1 450	7.4%	→
			900	900	925	900	900	5.6%	→

Note: Rent levels quoted at the beginning of year. Number in brackets refers to map overleaf
Source: Sadolin & Albæk


Elsinore
(Helsingør)
Frederiksværk
E47
E55
Hillerød
6
Allerød
Hørsholm
7
Birkerød
Frederikssund
5
Lyngby
8
Ballerup
4
1
2
Copenhagen
(København)
3
Glostrup
9
10
11
12
Roskilde
Høje-Taastrup
E20
E20
E47
E55
E20
Køge
E47
E55

Retail occupational property market

- Leisure and food sectors bolster a healthy retail market
- High-street market continues to prosper, driven by international brands
- Cutting-edge and shopping-experience concepts are gaining ground

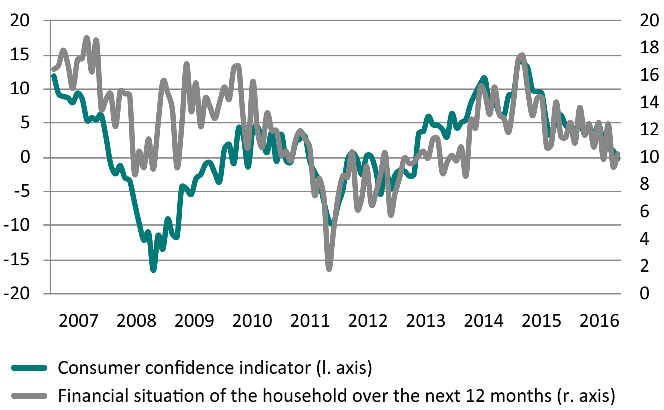
Containing a wide variety of retail shops, shopping centres, outlets and supermarkets, the Greater Copenhagen retail market is a fairly complex market. Despite weak employment growth, the Capital Region successfully weathered recent years' crises, while other parts of the country were hit harder. With transportation and luxury goods taking the brunt of the drop in consumer spending during the downturn, the Greater Copenhagen retail market in general has rebounded in recent years. Fuelled by a surge in population growth and tourism, high-street and leisure-related retail sales are soaring. This has given rise to a more internationally inspired development in the upper end of the market while also providing a solid base for rapidly expanding leisure and food sectors.

At end-2016, the Danish consumer confidence indicator hit its lowest level since mid-2013; however, it is still relatively strong compared to 2008–2013. Consumer confidence has been waning throughout 2016 and yet, the sharp drop in the final months of the year seems unwarranted. Despite the drop, consumers are generally fairly neutral when looking at the current and future economic situation. In terms of domestic households' own perception of their financial situation over the next 12 months, consumers remain confident and there are no immediate signs of a slowdown in household spending.

Like in 2015, the housing market continued to soar in 2016, boosting equity values. In addition, low inflation combined with general wage growth prompted a strong increase in real wages in 2016. For the past 12 months, DIY outlets and home furnishing stores have seen a 5% increase in sales, and several businesses relating to leisure and luxury goods have seen 5–8% increases. In comparison, overall retail sales have remained constant. In the same period, traditional supermarket and low-budget supermarket sales declined by 1–1.5%, which constitutes a negative shift as especially low-budget supermarkets have seen a surge in sales in recent years.

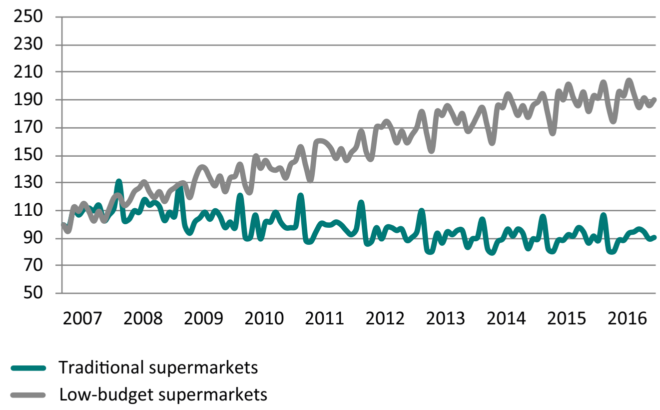
While still not a widespread trend, there are budding signs of a segregation of the retail market into a standard tier, where price is the key component, and an upper tier, where quality and shopping experience are all-important parameters. This trend has changed Strøget, Amagertorv, and the upper end of Købmagergade in Copenhagen, where scores of high-end newcomers have opened shops over the past two or three years. The strong activity seen in 2015 continued throughout 2016. As a result, activity at these locations is now spearheaded by international brands, valuing the Copenhagen high street as an important retail location while looking to leverage the increasing number of tourists visiting Copenhagen, given their larger propensity to spend money. However, the high-street market faces some competition from Copen-

CONSUMER CONFIDENCE INDICATOR



Note: Financial situation in this context means Danish households' own perception of their future financial situation. Source: Statistics Denmark

BREAKDOWN OF GROCERY SALES (INDEX 100 = 2007) BY SEGMENT



Note: The retail sales index is a seasonally adjusted value index. Source: Statistics Denmark hagen Airport as a shopping destination, offering also international brand retailers.

The market for leases suited for grocery/supermarket shops has seen exceptionally brisk activity over the past few years, driven by extremely strong demand from both domestic and international retailers keen on entering the Greater Copenhagen market. As these players are mostly organised in larger chains, their pronounced expansion strategy has led to the cannibalisation of many smaller retailers. This has put pressure on average rent levels in the segment for the past 12–24 months, with rents inching upwards in 2016. However, the expansion trend has also resulted in an oversaturation of this particular market, causing some grocery shops to close down. As a result, this market segment could be facing an increase in vacancy rates.

As Copenhagen and Frederiksberg have welcomed more than 100,000 new residents over the past nine years, the composition of residents in the city has gradually shifted. Residents aged 15–64 account for nearly 75% of population growth in Copenhagen and Frederiksberg relative to the national equivalent of around 30%. On a national level, residents aged 65+ account for a growth contribution rate of close to 90% whereas the corresponding figure is a mere 10% or so in Copenhagen and Frederiksberg combined. Furthermore, the population growth is driven by a substantial increase in the number of residents aged 20–29, made up of students and young active workers. Catering to the larger share of young residents, the central city districts have seen a strong increase in leisure-related areas abounding with restaurants, cafés and bars.

With the Copenhagen restaurant and food scene receiving widespread international acclaim, a new street-food and food-market trend has been developing in Copenhagen in recent years. Starting with Torvehallerne, a contemporary high-end edition of a traditional food fair, situated at Israels Plads near Nørreport station, the trend has branched out to other parts of the city, revitalising some parts and creating new hotspots. Copenhagen Street Food at Papirøen near Christianshavn has grown immensely popular in recent years, and the trendy waterside hangout of Halvandet on the northwestern waterfront of Refshaleøen has managed to establish itself in an area where such activities were unheard off just a few years ago. In the district of Vesterbro, the former shopping centre of Tove's Galleri is being converted into a food market aptly named Westmarket, scheduled to open in early 2017, and Verdenshjørnet, focusing on multi-cultural food, opened in November 2016 on the former Skoda site in Nørrebro. Along with a string of more conventional retail shops, this cutting-edge retail concept has invigorated several secondary or even tertiary locations in Copenhagen.

Furthermore, more traditional local shopping streets such as Østerbrogade, Nordre Frihavnsgade, Gammel Kongevej and Vesterbrogade have experienced an increase in the number of food or leisure-oriented shops.

Although the boom in the Copenhagen restaurant and food scene has benefitted many previously high-vacancy areas and locations, competition is fierce. According to a recent study by consultancy firm Deloitte, it is estimated that some 20% of Copenhagen restaurants are struggling financially. This could potentially trigger a renewed increase in vacancy rates in some locations, despite the fact that some leases were signed just 12 or 24 months ago. As a result, we recommend to monitor the situation in this particular market segment in the years to come.

CENTRAL COPENHAGEN RETAIL MARKET

(1) THE COPENHAGEN HIGH STREET RETAIL AREA

Made up of the pedestrian streets of Strøget and Købmagergade, the Copenhagen high street runs some 1.8 km with specific locations considered either prime or secondary. Prime high-street retail locations are typically found at Østergade, the Amagertorv square and the upper end of Købmagergade, defined as the stretch from Amagertorv to the Skindergade area. Secondary locations include the remaining parts of Strøget, terminating at Rådhuspladsen (City Hall Square), and the stretch of Købmagergade from Skindergade to Kultorvet and Frederiksborggade, including the Nørreport station area.

The Amagertorv area and the upper end of Købmagergade continued to thrive in 2016. Already featuring a mix of international brand retailers, the Illum department store has on completion of extensive remodelling works enhanced the quality of the area. In November 2016, Prada opened its flagship store at the corner of Illum facing Amagertorv, while the entire basement floor has been fitted to contain Eataly, an international chain of Italian food and drink merchants. Furthermore, the grand opening of the Illum rooftop, featuring six different restaurant concepts, was completed in spring. At Højbro Plads 4, near Amagertorv, international luxury brand Hermés is set to open its new flagship store in the summer of 2017, and Victoria's Secret opened its flagship store at Amagertorv 3 in the autumn of 2016, further strengthening the status of the area as a strong location for international brand retailers. At the upper end of Købmagergade, redevelopment activity has been brisk with the former post office and distribution centre, Købmagergades Postkontor, heading the field. In 2016, co-owners domestic pension fund PFA and Revco initiated a conversion scheme to develop high-end office and retail premises. In the former post office building, international cosmetic brand Sephora, a subsidiary

FREDEDERIKSBERGGADE 16, NEW YORKER, COPENHAGEN

of luxury conglomerate LVMH, has taken a 650 sqm lease to open a flagship store, and another international strong-covenant tenant has signed a pre-lease of 1,700 sqm, including 1,325 sqm retail premises. Once completed in the summer of 2017, the property is set to attract substantial customer flow. Hoping to tap into the area's significant footfall, brands such as Superdry, Rituals and Calvin Klein either opened shops in 2016 or signed lease agreements for shop openings in 2017.

Benefitting from direct Metro access in its basement, the Magasin du Nord department store at Kongens Nytorv has succeeded in retaining a strong customer flow, securing its position as a strong competitor to Illum.

Following considerable upgrade and development works, Nørreport station reopened at year-end 2015/2016, restoring access to the secondary parts of Købmagergade and Frederiksborggade, including the Kultorvet square. Although not a prime location near Amagertorv, the location attracts substantial footfall and visibility, with tenant demand remaining strong in 2016. As a result, several redevelopment schemes were initiated for completion in 2017 and 2018. Recent lease transactions in the area include a major international restaurant franchise business taking a lease at Frederiksborggade 5.

Despite some improvements, activity in secondary locations at Strøget remains rather sluggish. With no immediate synergy effects due to a fairly large mix of traditional retail shops, bars, restaurants and business services, retail brands do not value this part of Strøget to the same extent as the more established parts of the high street. In addition, existing retailers run more mainstream and low-end shops that are commonly found in e.g. shopping centres. However, investment transaction activity has picked up in the location and as a result, redevelopment activity has been increasing in 2016. Although the area is still partly affected by the ongoing construction of the Metro station at City Hall Square, new tenants in the area include JD Sports and Friends & Brgrs. Once the Metro station is completed, the area is set to benefit from the improved accessibility.

(2) THE COPENHAGEN LATIN QUARTER AND GRØNNEGADE/NY ØSTERGADE AREA

Surrounded by the streets of Strøget and Købmagergade towards City Hall Square, including Skindergade and Fiolstræde, as well as a host of side streets running off Strøget, the Copenhagen Latin Quarter contains a mix of small retail shops, bars, cafés, night clubs and restaurants. Backed by recent years' thriving Copenhagen food and restaurant scene, many new coffee shops, sandwich and juice bars as well as bakery shops have opened in the district. Reflecting the surge in demand and willingness to pay for such products, 2016 was no different with several new brands, including Coffee Industry Sweden in Fiolstræde, opening stores at the location.

Featuring a large proportion of period properties, the side streets running off the Copenhagen high street offer a wide range of specialty shops, cafés and restaurants. By providing alternatives to the international brand retailers at Strøget and Købmagergade, the side streets attract increasing activity, creating their own identity and adding to the bustling shopping environment in the city centre.

Including the streets of Pilestræde, Ny Østergade, Sværtegade, Kristen Bernikows Gade, Grønnegade and Christian IX's Gade, the area has had a steady, yet limited, supply of retail space, which has served to keep rent levels stable. However, due to the increasing popularity of the location, demand gradually outstripped supply in 2016, driving up rent levels for small and large units alike. In addition, newcomers to the streets closest to the high street, in particular Grønnegade and Ny Østergade, include strong-covenant tenants that have either failed to secure a high-street lease or are attracted by the lower rent levels commanded off Strøget. In recent years, the area has seen several newcomers, in 2016 including brands such as Love Stories, Suitsupply, Interstudio and Rapha.

(3) OTHER CENTRAL CITY DISTRICTS, INCLUDING FREDERIKSBERG

Comprising the districts of Østerbro (the east bridge), Nørrebro (the north bridge), Vesterbro (the west bridge) and Amagerbro (the bridge to Amager), 'brokvartererne', i.e. the 'bridge quarters', form a semi-circle around the Copenhagen high-street area. Furthermore, the sovereign municipality of Frederiksberg is considered a central city district in a retail context. In general, each of the districts have a main shopping street, local retail areas and a local shopping centre. The composition of residents varies considerably across the districts, but shops typically cater to local requirements, in particular in terms of grocery shops, along with specialty and fashion shops.

Following the trend from the overall retail market, the above city districts have seen a sharp increase in the number of specialty shops, including coffee shops, juice bars, bakery shops, cafés and restaurants. At prime locations, vacancy rates are very moderate and re-letting periods often short. Secondary locations, i.e. typically the locations situated the farthest from the Copenhagen city centre, account for the majority of retail vacancies in the districts.

Among the central city districts outside the high-street market, Frederiksberg stands out as a shopping destination, ahead of the thriving shopping streets of Gammel Kongevej and Falkoner Allé. In addition, the upscale avenue of Frederiksberg Allé, currently considered a slightly more secondary location compared to the above-mentioned streets, is expected to see increased footfall once a Metro station opens here in 2019. The district also features a high-performance shopping centre, Frederiksberg Centret, named the 'Best Nordic Shopping Centre' in 2016 by the Nordic Council of Shopping Centres.

Despite its success, Frederiksberg Centret has seemingly had no negative impact on retail sales at Gammel Kongevej and Falkoner Allé.

Østerbro also ranks as an important non-CBD retail location, fronted by the traditional shopping streets of Østerbrogade and Nordre Frihavnsgade, both providing a varied and high-quality offering of shops run by mainly local retailers and domestic brands. Furthermore, the district features a bustling restaurant and café environment. Retail vacancy rates in the area are moderate, with the supply of retail space fairly stable. But unlike Frederiksberg, the district does not boast a centrally located shopping centre.

In the district of Vesterbro, Vesterbrogade and to some extent also Istedgade are the main shopping streets. Over the past few years, Vesterbrogade has transformed from a traditional shopping street, and today it contains a large cluster of cafés and restaurants, especially on the stretch closest to the Copenhagen city centre. With the district counting numerous hotels near Copenhagen Central Station, the great many tourists in the area add to a solid customer base. Previously a rather run-down area, the street of Istedgade and some of its side streets have been significantly upgraded in recent years with Kødbyen (the meatpacking district) driving this development, making the location more vibrant and attractive. In addition, the future Metro station at Enghave Plads is expected to boost accessibility as well as the retail and leisure environment.

The districts of Nørrebro and Amagerbro feature more fragmented shopping streets, including both attractive shop clusters and less prominent locations. Covering a substantially longer stretch than their Østerbro and Vesterbro counterparts, the shopping streets of Nørrebrogade and Amagerbrogade offer a vast number of retail shops.

Both Nørrebro and Amagerbro have well-performing shopping centres: Anchored by the two supermarkets of Irma and Føtex, Amager Centret provides a wide range of shops with several strong-covenant tenants, including H&M and Tiger. The shopping centre benefits from excellent accessibility with Amagerbro Metro station located on its doorstep.

Near Nørrebro station, Nørrebro Bycenter offers a strong mix of domestic and international brands, including H&M, Jack & Jones and Sportmaster. The shopping centre contains no grocery shops or supermarkets, but supermarket chains such as Netto and Føtex are located nearby.

Nørrebro Bycenter benefits from its location in a densely populated neighbourhood. In addition, the upcoming Metro station at Nørrebro station will improve accessibility to the area. In a retailing context, the previously unattractive street of Jægersborggade in Nørrebro has evolved into a trendy hotspot in recent years, offering a mix of specialty shops, cafés, bakery shops and restaurants.

TYPICAL RETAIL RENT LEVELS, CENTRAL COPENHAGEN

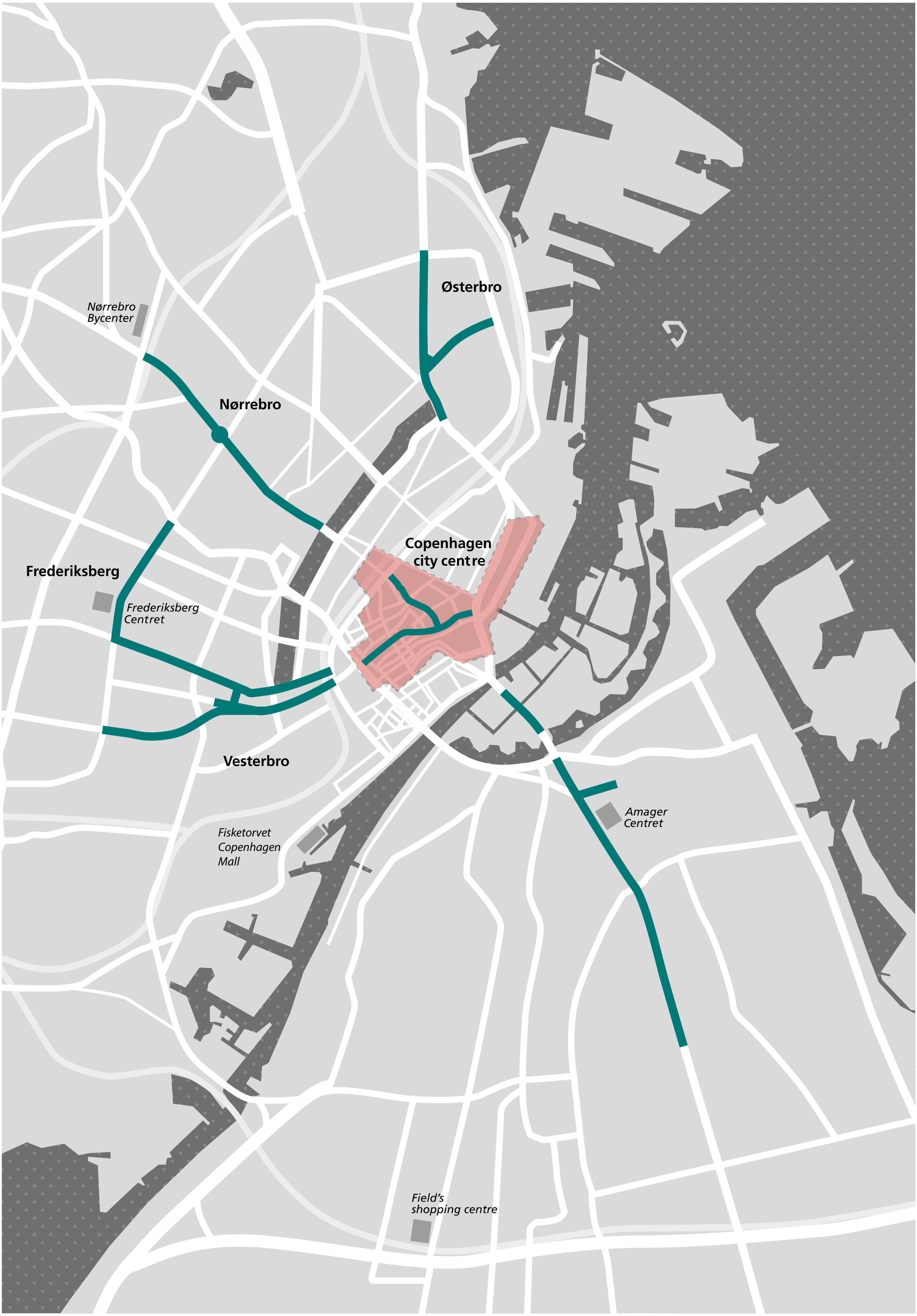
(EXCLUSIVE OF OPERATING COSTS AND TAXES)		(DKK/SQM/ANNUM)				MARKET EXPECTA–TIONS
		2014	2015	**2016**	**2017**	**2017**
(1) Copenhagen high street (upper end)	Area up to 100 sqm	15 000 – 22 000	16 000 – 23 000	16 000 – 23 000	16 500 – 24 000	→
	Area 100–300 sqm	13 000 – 20 000	14 000 – 22 000	14 000 – 23 000	14 500 – 24 000	→
	Area 300+ sqm	11 000 – 17 000	11 000 – 17 000	11 500 – 17 500	12 000 – 18 000	→
Copenhagen high street (lower end)	Area up to 100 sqm	7 500 – 14 000	7 500 – 14 000	8 000 – 14 000	8 000 – 14 000	→
	Area 100–300 sqm	7 000 – 13 000	7 000 – 13 000	7 000 – 13 000	7 000 – 13 000	→
	Area 300+ sqm	5 500 – 10 000	5 000 – 9 500	5 000 – 9 500	5 200 – 10 000	→
(2) Copenhagen Latin Quarter/Ny Østergade/ Grønnegade	Area up to 300 sqm	3 500 – 8 500	3 500 – 8 500	3 500 – 8 500	3 600 – 9 000	→
	Area 300+ sqm	3 000 – 5 800	3 000 – 6 000	3 000 – 6 000	3 000 – 6 500	↗
(3) Copenhagen other central city districts	Area up to 300 sqm	1 200 – 4 000	1 200 – 4 000	1 200 – 4 000	1 300 – 4 000	↗
	Area 300+ sqm	1 100 – 3 000	1 100 – 3 000	1 100 – 3 000	1 200 – 3 200	→

Note: Rent levels quoted at the beginning of year
Source: Sadolin & Albæk

KEY LEASE TRANSACTIONS, CENTRAL COPENHAGEN, RETAIL

PROPERTY	LANDLORD	TENANT	SQM
Købmagergade 33	PFA Ejendomme	na	1 325
Højbro Plads 4	Barfoed Group	Hermès	865
Købmagergade 26	Avignon Capital	Superdry	825
Frederiksberggade 1	AXA Investment Managers	JD Sports Fashion Denmark	800
Købmagergade 33	PFA Ejendomme	Sephora	650
Fiolstræde 22	Lægernes Pension	Horizons (Kilroy Denmark)	490
Pilestræde 12E	Patrizia	Interstudio	405
Købmagergade 29	Meyer Bergman	Rituals	405
Købmagergade 45	Standard Life Investments	Calvin Klein	395
Grønnegade 10	Kirkbi	Suitsupply	335
Store Strandstræde	PFA Ejendomme	Caravane	220
Gammel Mønt 5	Jeudan	ZV Denmark	195
Kristen Bernikows Gade 7	Patrizia	Rapha	195
Axel Towers	ATP/PFA/IP	Peter Beier	195
Suhmsgade 2	Danica	Emmerys	130
Grønnegade 16	Barfoed Group	Love Stories	110
Fiolstræde 26	Private investor	Glassnedkeren	90

Source: Sadolin & Albæk


Østerbro
Nørrebro
Bycenter
Nørrebro
Frederiksberg
Frederiksberg
Centret
Copenhagen
city centre
Vesterbro
Amager
Centret
Fisketorvet
Copenhagen
Mall
Field's
shopping centre

GREATER COPENHAGEN RETAIL AREAS

(1) GREATER COPENHAGEN HIGH-STREET MARKETS

In Greater Copenhagen, there are five towns and cities featuring traditional high-street markets, namely Elsinore (Helsingør), Hillerød, Lyngby, Roskilde and Køge, each with a fairly diverse offering of shops, pedestrian streets and, apart from Køge, a central shopping centre. However, a new pedestrian street aligned with shops is under construction in connection with the urban development scheme of Køge Kyst in Køge. With a location near Køge station, the street will connect the historical town centre and new development areas near the waterfront, with completion currently scheduled for early- or mid-2017. Although the retail markets in these towns and cities have a large catchment area and generally attract significant footfall, they have been affected by recent years' weak consumer spending, driving up retail vacancy and tenant turnover rates in some segments. Although the shopping centres have also been affected to some degree, they have proved better at retaining tenants and weathering the slowdown.

As a result of declining retail sales, the distinction between prime and secondary locations is becoming more and more evident. Among the above-mentioned towns and cities, Lyngby and to some extent Hillerød boast strong prime retail locations while the historical town centre of Køge is gaining traction. In 2016, rent levels for prime retail units saw a sharp increase in these locations while secondary locations continued to see sluggish demand but constant rent levels. Broadly speaking, the gap between prime and secondary rent levels has widened significantly, and the segregation process is expected to continue in the foreseeable future, with well-performing central shopping centres serving as important customer magnets. By funnelling customers to the city centre, prime locations in or around the shopping centres are strengthened to the detriment of more secondary locations.

(2) REGIONAL SHOPPING CENTRES

The Greater Copenhagen retail market has seven shopping centres that may be classified as regional on account of their ability to attract customers from a wider catchment area. These shopping centres offer a mix of conventional brands, retail chains as well as several high-profile brands and specialty shops, depending on the size, footfall and turnover of the individual shopping centres. In Copenhagen, Field's and Fisketorvet Copenhagen Mall constitute regional shopping centres. North of Copenhagen lies Lyngby Storcenter, to the west Rødovre Centrum, City 2 and Ro's Torv and to the south-west Waves in the town of Hundige.

All regional shopping centres in the Greater Copenhagen area are situated in highly visible locations near key traffic hubs, primarily close to main train stations. In addition to ample parking facilities and a wide selection of shops, the shopping centres offer restaurants, cafés and leisure-related activities. On the back of recent years' slowdown in retail spending, competition has increased in the segment, with the shopping centres effecting large-scale upgrade schemes to offer the right retail mix and other activities to retain tenants and customers.

Celebrating its 50th anniversary in 2016, Rødovre Centrum is one of the shopping centres to invest heavily in upgrades. Today, Rødovre Centrum has 136 shop units, a multiplex cinema and an indoor playground in addition to 2,700 parking slots with direct access to the shopping centre.

In May 2016, Rødovre Centrum disclosed its plans to expand by an additional 20 shop units and 600 parking slots, with completion of the first phase scheduled for autumn 2017 and further phases for spring 2018. In addition, the Municipality of Rødovre is currently planning to convert nearby commercial areas for residential use, expanding the catchment area. Rødovre Centrum posted retail sales of DKK 2.2bn in 2015.

With the addition of Copenhagen Designer Outlet to the existing shopping centre in 2014, City 2 in Høje-Taastrup has also invested heavily in recent years to reposition itself. Offering 88 shop units, City 2 continues to see somewhat sluggish letting activity, and although the outlet concept has attracted some domestic brands, it has yet to attract top-tier international brands. In 2015, City 2 posted retail sales of DKK 880m.

Located near the Metro station in Ørestad City, Field's comprises 79,300 sqm retail space and 125 shopping units in addition to a 9-screen multiplex cinema, a fitness centre and a restaurant/café floor. Offering excellent parking facilities with 3,000 parking slots, Field's recorded an additional 300,000 visitors in 2015, boosting retail sales to a level of DKK 2.65bn, up from DKK 2.5bn. As the southern parts of Ørestad are developed, the catchment area of the shopping centre is expected to increase.

Rated one of the top-performing shopping centres in Greater Copenhagen, Lyngby Storcenter comprises 34,000 sqm retail space, with 117 shop units and 1,200 parking slots. As part of the comprehensive 'Vidensby' initiative to brand Lyngby as 'The City of Knowledge & Urban Development', Lyngby Storcenter has expanded; in 2016, the Store Torv area was remodelled to function as food court with various eateries and cafés. In 2015, Lyngby Storcenter posted sales of DKK 1.7bn.

Enjoying a central city location on the Copenhagen waterfront, Fisketorvet Copenhagen Mall offers 105 shop units distributed on 39,000 sqm retail space. In addition to 2,000 parking slots, the shopping centre has Denmark's largest cinema, a 14-screen CinemaxX. Owned by Unibail-Rodamco, Fisketorvet posted retail sales of some DKK 1.2bn in 2015, down from DKK 1.6bn in 2014. However, the decline in sales is attributable to major refurbishment schemes. With IKEA planning to construct a large-scale home furnishings store right next to Fisketorvet, however, retail sales are expected to pick up again.

Owned by DADES, one of the largest shopping centre owners in Denmark, Ro's Torv in Roskilde comprises 47,000 sqm retail space, making it the fifth largest shopping centre in Greater Copenhagen. With 1,100 parking slots and 71 retail units, Ro's Torv posted retail sales of close to DKK 0.8bn in 2015, the same level as in 2014. However, a development project at Røde Port, involving some 25,000 sqm new retail space and currently in the planning stages, could affect Ro's Torv. However, the development is pending further discussions in early 2017.

Owned also by DADES, Waves in Hundige is anchored by supermarket chain Bilka and comprises 77,500 sqm retail space, 105 shop units and 3,200 free parking slots. Originally constructed in 1974 under the name of Hundige Storcenter, the old centre was demolished in 2009 to be rebranded. In 2015, Waves posted retail sales of DKK 1.6bn.

Despite facing declining retail spending, most regional shopping centres have successfully navigated through recent years' crises due to competent ownership and the fact that they are firmly established in their respective catchment areas. However, continued maintenance and upgrade investments are deemed necessary in order to retain customers and tenants.

(3) LOCAL SHOPPING CENTRES

The Greater Copenhagen market for local shopping centres is slightly more fragmented in the sense that there is a considerable difference in quality between prime and secondary facilities. Prime facilities are typically characterised by a central location in addition to proactive management with a continuous focus on the upgrades and tenant mix necessary in order to flourish. Often situated in slightly run-down shopping centres with a less attractive tenant mix and retail vacancies, secondary facilities face declining customer flows, which could potentially trigger a spiral-down effect.

Local shopping centres are typically anchored by one or more supermarket tenants. In addition, they often feature a varying range of specialty shops, including pharmacies, hairdressers, etc., catering to the needs of the local catchment area. In Greater Copenhagen alone, there are about 35 local shopping centres with an area of 5,000+ sqm and 35 units on average. Local shopping centres are mostly found near local traffic hubs such as Metro or S-train stations.

As customers usually prefer to shop for groceries in their local neighbourhoods, even secondary shopping centres are able to post moderate retail sales on the back of their supermarket anchor tenants. However, the smaller local shops tend to suffer as customers can purchase other items as part of planned trips to larger shopping centres or the high-street area. With their much smaller selection, local shopping centres lose out on these types of purchases.

Benefitting from a large and financially strong catchment area, Frederiksberg Centret ranks as a top-performing local shopping centre in Denmark. Following extensive expansion schemes in the past few years, the shopping centre features 88 quality units. Between 2014 and 2015, the number of visitors increased by a staggering 1.2m, from 6.2m to 7.4m, making it one of the most well-established shopping centres, positioned in the same league as the Magasin du Nord and Illum high-street department stores. As a result, it is approaching regional shopping centre status. As part of the expansion schemes, parking facilities and the offering of cafés greatly improved. In 2015, Frederiksberg Centret posted retail sales of some DKK 1.3bn.

In the district of Vanløse, construction of the new Kronen Vanløse shopping centre is well underway after years of delay. Scheduled for completion in the autumn of 2017, Kronen Vanløse will comprise some 25,000 sqm retail space, 400 car parking slots and 1,700 bicycle parking slots. Featuring 75 shop units and restaurants, more than 65% of retail space is already pre-let. The new shopping centre is likely to revive the area around the Metro station in Vanløse, which has been suffering from sluggish activity in recent years.

(4) BIG BOX SEGMENT

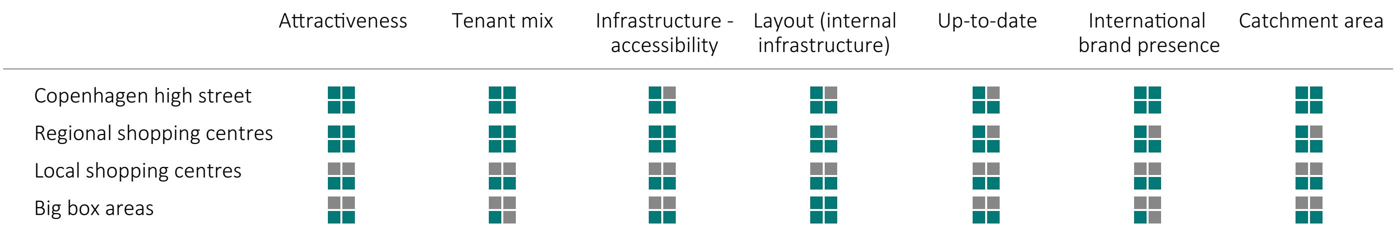
In Greater Copenhagen, big box clusters are located mainly at Lyngby/Gentofte, Høje-Taastrup and Ishøj, all anchored by IKEA or Ilva. Secondary locations are found at Gladsaxe, Rødovre, Glostrup, Albertslund, Valby and at Kirstinehøj on the island of Amager.

Since the financial crisis, the big box market has been challenged by dwindling consumer spending with various segments taking the brunt of the slump. Kitchen-unit and furniture retailers have experienced difficult years and even home-electronic retailers have been hit despite increasing demand for smartphones, tablets and similar devices. Recently, online sales have started to challenge these retailers and as a result, pick-up services are gaining traction in the big box segment. By combining large-scale strategically placed conventional shops with an e-commerce platform, home-electronic retailers such as Elgiganten and Power have established a new business model. The 'click-and-collect' model is also instrumental in positioning these retailers when it comes to seasonal sales such as Black Friday, which are becoming more popular in Denmark. In 2016, the estimated retail turnover on Black Friday alone exceeded the DKK 2bn mark.

The big box segment is still limited, but successful clusters tend to have a stronger mix of retailers, thereby establishing themselves in the local markets.

Opening in late 2015, the BIG shopping centre in Herlev features typical big box retailers such as Power, Harald Nyborg, Føtex, Jysk, Elgiganten, IDEmøbler and Silvan in addition to Netto, H&M and Sportmaster as well as a cinema, fitness centre and several eateries offering either fast food or restaurant dining. Having been operational for more than a year, the concept of mixing large-scale retailers with eating places and a cinema is proving to be a huge success. BIG benefits from easy access by means of private and public transport alike, providing also ample parking facilities. Judging by the success of BIG, it is expected that the concept will be tested in other locations, local planning allowing. However, no concrete plans or locations are in play in the Copenhagen area.

STRENGTHS PROFILES OF INDIVIDUAL RETAIL AREAS, BASED ON PERFORMANCE SCORES ON SEVEN SELECTED FRAMEWORK CRITERIA

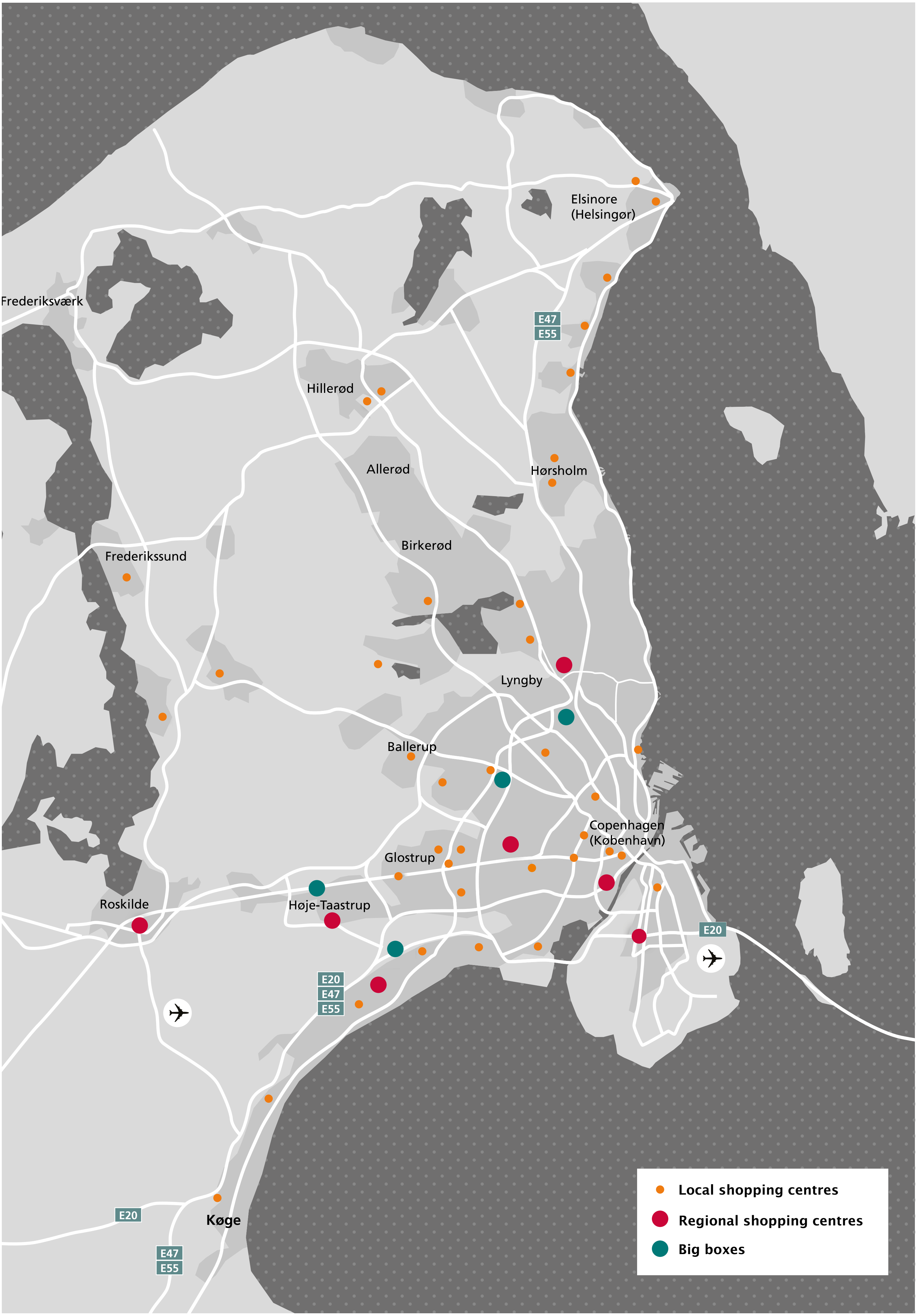


Note: One point denotes below-average performance, two points denote moderate performance, three above-average performance, four top performance
Source: Sadolin & Albæk

TYPICAL RETAIL RENT LEVELS, GREATER COPENHAGEN

(EXCLUSIVE OF OPERATING COSTS AND TAXES)		(DKK/SQM/ANNUM)				MARKET EXPECTA–TIONS
		2014	2015	**2016**	**2017**	**2017**
(1) Greater Copenhagen high street	Area up to 100 sqm	1 200 – 5 500	1 200 – 5 500	1 200 – 5 500	1 300 – 6 000	↗
	Area 100–300 sqm	1 100 – 4 400	1 100 – 5 000	1 100 – 5 000	1 200 – 5 500	↗
	Area 300+ sqm	950 – 2 800	950 – 3 000	950 – 3 000	1 000 – 3 300	→
(2) Regional shopping centres	Anchor food	950 – 1 900	950 – 1 900	950 – 1 800	950 – 1 800	→
	Anchor non–food	900 – 2 200	900 – 2 200	900 – 2 100	900 – 2 100	→
	Area up to 100 sqm	1 800 – 8 000	1 800 – 8 000	1 800 – 8 000	1 800 – 8 000	→
	Area 100–300 sqm	1 400 – 5 200	1 400 – 5 200	1 400 – 5 200	1 400 – 5 400	→
	Area 300+ sqm	1 100 – 4 400	1 000 – 4 400	1 000 – 4 600	1 000 – 4 600	→
(3) Local shopping centres	Anchor food	1 000 – 1 900	1 000 – 1 900	1 000 – 1 800	1 000 – 1 800	→
	Area up to 100 sqm	1 100 – 4 000	1 000 – 4 000	950 – 4 200	950 – 4 400	→
	Area 100–300 sqm	1 000 – 3 200	1 000 – 3 200	950 – 3 300	950 – 3 500	→
	Area 300+ sqm	800 – 2 400	750 – 2 400	700 – 2 600	700 – 2 800	→
(4) Big box properties	Area 300+ sqm	750 – 1 600	750 – 1 700	750 – 1 700	750 – 1 800	→

Note: Rent levels quoted at the beginning of year
Source: Sadolin & Albæk


Elsinore
(Helsingør)
Frederiksværk
E47
E55
Hillerød
Allerød
Hørsholm
Birkerød
Frederikssund
Lyngby
Ballerup
Copenhagen
(København)
Glostrup
Roskilde
Høje-Taastrup
E20
E20
E47
E55
E20
Køge
E47
E55
Local shopping centres
Regional shopping centres
Big boxes

Industrial/logistics occupational property market

- Global megatrends are driving demand
- Older and outdated industrial properties most prone to vacancy
- Low interest rate level continues to spur demand for owner-occupancy
- Large rental gap between existing old stock and new buildings due to construction costs

Increasingly driven by global megatrends, occupational demand for up-to-date and well-located logistics facilities picked up considerably in 2016. A strong emphasis on efficient cargo handling and fast delivery, growing globalisation, urbanisation and technological acceleration are adding to the requirements of up-to-date logistics facilities in terms of functionality and location.

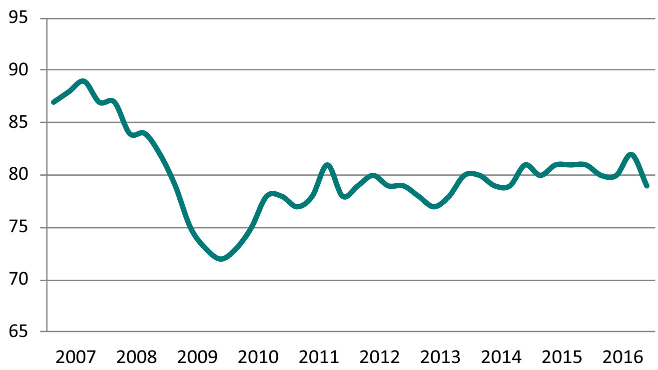
As technological progress is correlated with urbanisation, the efficiency of last mile distribution is becoming a key issue due to growing e-commerce, etc. Estimated to cover 25-30% of total transportation costs from factory to consumer, last mile distribution needs to be extremely efficient. In recent years, e-commerce has evolved to deal not only in traditional consumer goods but also groceries and a host of other products. Delivery within allotted time slots is crucial for these types of goods. Accordingly, centrally located goods terminals with an efficient layout and supply chain are required to make deliveries on time. As such properties are in scarce supply in Denmark, the added requirements are expected to spur the demand for up-to-date and efficient facilities.

Today's building stock in the market for industrial and storage/logistics properties is highly inhomogeneous in terms of construction year, location and efficiency, and, by extension, saleability, lettability and vacancy risk. In Greater Copenhagen, the overall industrial vacancy rate plummeted from a level of 5.2% at year-start 2016 to 3.5% at year-end, suggesting improved market conditions. However, the vacancy rate fails to reflect the massive difference in demand for up-to-date facilities versus older, outdated facilities. This applies in particular to production facilities typically tailored to the plant and machinery of previous tenants. In general, this market segment is characterised by a high level of owner-occupation. As a result, available data may not reflect actual vacancy rates.

With Denmark covering a relatively small geographical area compared to other European countries, businesses with storage facilities on Zealand or in eastern Jutland, in the so-called Triangle Region, are able to reach customers across the country within hours. Given the relatively short distances, a location with easy motorway access is key in terms of production and storage/logistics facilities.

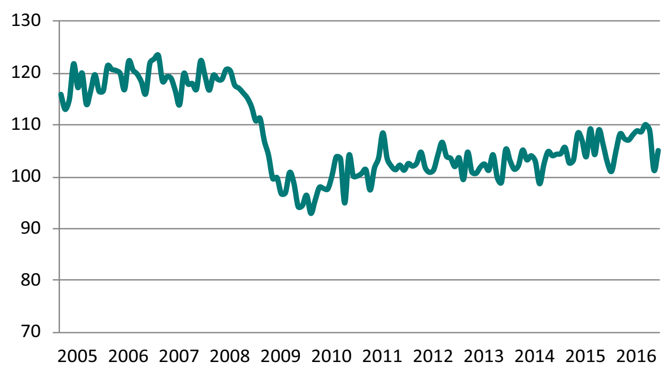
The south corridor running between Køge and Høje-Taastrup benefits from such easy motorway access (the E20), linking to Copenhagen, all parts of Zealand as well as Jutland, Sweden and Germany. As the corridor is an important location for industrial and storage/logistics facilities, local plan provi-

CAPACITY UTILISATION (%), DANISH INDUSTRY



Source: Statistics Denmark

PRODUCTION INDEX, DANISH INDUSTRY (INDEX 100 = 2010)



Source: Statistics Denmark

sions are up-to-date and in line with today's requirements. This allows for the construction of efficient facilities standing up to 30 metres tall in selected commercial districts sized for heavy-goods vehicles.

Typically located along the Ring Road 3 corridor west of Copenhagen, traditional Greater Copenhagen industrial districts start at Brøndby to the south, fanning out to Glostrup, Albertslund, Herlev and Gladsaxe. Other districts include Ballerup northwest of Copenhagen and Birkerød/Allerød to the north. A common feature of these districts is a large stock of built-to-suit facilities that fail to meet today's tenant requirements. Dating from the 1960s to 1980s, they typically comprise an ancillary office unit at the front and industrial/logistics facilities at the back. As such facilities are in very low demand, the districts are somewhat susceptible to structural vacancy.

Similarly, the industrial district of Avedøre Holme south of Copenhagen is marked by a substantial proportion of outdated facilities. Nevertheless, Avedøre Holme benefits from an outstanding location right next to the E20 motorway, effectively cutting transport times to Copenhagen. As the district is somewhat isolated from the surrounding residential areas, environmental concerns are slightly less of an issue. Given its strong logistics location, Avedøre Holme could become a popular district if newbuilding opportunities arise in the future. It is currently being discussed whether to expand Avedøre Holme. Such an expansion could boost the area.

Because the supply of up-to-date facilities in Køge and Høje-Taastrup is fairly limited, prime rents increased in 2016. Speculative construction of new logistics facilities continues to be almost non-existent due to the spread between capitalised values and construction costs. Although the gap has narrowed lately, new construction costs still exceed property market values based on market rent/yield calculations, unless factored in in a long lease. However, due to the recent increase in prime rents in combination with a slight decline in investors' yield requirements even for short leases, the gap is narrowing, paving the way for potential speculative development opportunities in the years ahead.

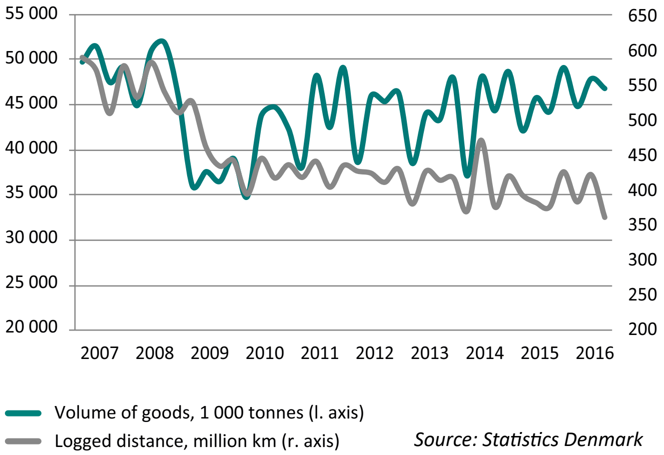
In the Copenhagen area, Copenhagen Airport offers airside lease opportunities for airport-related businesses, at present a fairly slim market segment. However, in 2016 demand increased and the past 12–24 months have seen newbuilding activity, driving up prime rents in this specialised segment.

LOGISTICS PROPERTIES

Encompassing terminal and warehouse facilities, the market for logistics properties has continued to pick up over the last 12 months with demand focusing on up-to-date, well-located and efficient facilities. As a result of global megatrends, demand is driven by the need for an efficient supply chain rather than the need for increased capacity. In terms of volume and logged distance in kilometres, domestic freight transport did not increase significantly in 2016, and although other modes of transport such as air cargo are used to transport goods, road transport continues to dominate the market for storage and logistics properties.

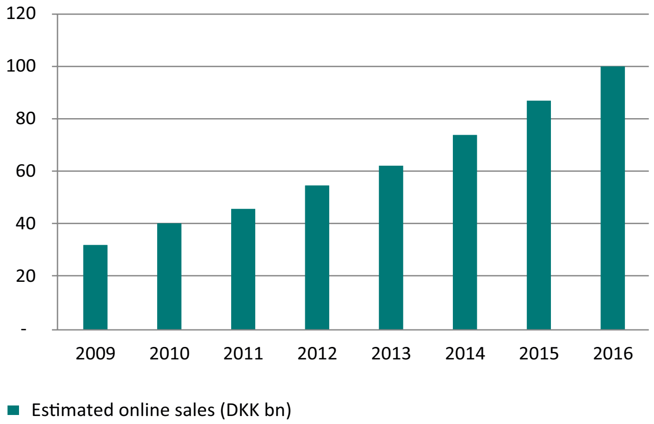
Measured in terms of the number of FTEs in the Capital Region, the transport sector has seen employment growth in recent years with the figure slowly approaching pre-crisis levels.

VOLUME OF GOODS VS. LOGGED DISTANCE IN KILOMETRES, DANISH ROAD TRANSPORT

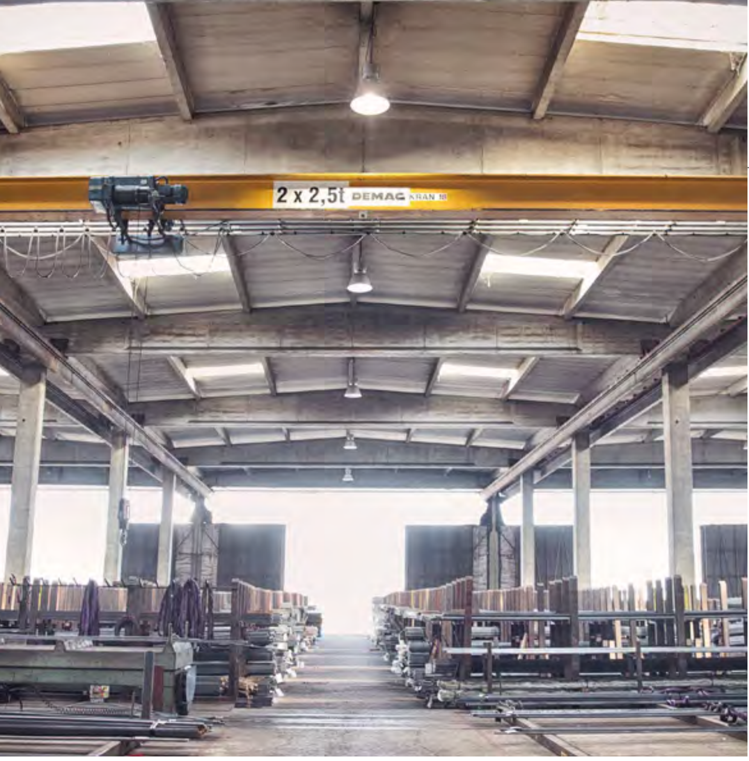


Source: Statistics Denmark

TURNOVER E-COMMERCE IN DENMARK



Source: FDIH



In 2016, the volume of domestic online sales is for the first time ever expected to exceed the DKK 100bn mark. However, goods-based online sales account for only 32% of total sales, while travels and services account for the remaining 68%. The continued surge in activity is making handling and distribution efficiency a key concern, especially considering the wide range of goods being purchased online. This is also reflected in the increased emphasis on last mile distribution as the time from purchase to delivery is becoming a key parameter. That said, online sales continue to be fronted by some of the largest players in the market, including Elgiganten and Power, offering 'click-and-collect' services. With large-scale storage facilities and central distribution terminals in place, these big box retailers are typically able to make direct deliveries without using domestic transit terminals.

At Køge, Scandinavian Transport Center (STC), continues to attract financially strong tenants looking for logistics facilities. Tenants include Dansk Supermarked, Lemvigh-Müller, Lidl, DKI Logistics and DHL. Pharmaceutical company Nomeco is constructing a new state-of-the-art facility to handle distribution to the domestic and Nordic markets. The facility is scheduled for completion by end-2017. In addition, Pareto Securities is building a 31,000 sqm warehouse hotel and adjoining 25,000 sqm goods terminal for PostNord. With STC seeing increased activity, prime rents in the area edged up in 2016.

At Høje-Taastrup, Copenhagen Markets (Grønttorvet) opened in April 2016, comprising three large-scale warehouses with a total area of 67,000 sqm. As the largest wholesale marketplace for fruit and vegetables in Scandinavia, Copenhagen Markets has attracted strong demand, and there are now plans for gradual expansion by an additional 36,000 sqm space in total.

INDUSTRIAL PROPERTIES

The industrial property market has been affected not only by the general economic slowdown, but also by a globalisation trend, with many businesses over the last 25 years moving production activities to areas with lower production costs. In addition, the market has been hit by accelerating obsolescence rates, underpinning the fact that production facilities are quickly becoming obsolete in today's environment as a result of production process automation. This has led to structural vacancy in this market segment as it is economically less feasible to undertake conversion or upgrade schemes of existing facilities rather than to construct new facilities in one of the newly developed commercial districts with motorway access. As the industrial market is therefore under pressure on several fronts, demand for industrial properties continued to be rather weak in 2016.

According to Statistics Denmark, industrial capacity utilisation continues to hover around the 80% mark, a level that has remained constant since early 2010. As the sector still harbours unutilised capacity, it is difficult to envision that an increase in output levels would directly spur the demand for industrial properties. As the sector continues to struggle with weak export growth rates, etc., it is expected to take time before market activity starts to rebound significantly. In 2016, the production index showed output levels on a par with the level recorded in 2015, suggesting that the accelerated output levels witnessed in recent years have stabilised.

STRENGTHS PROFILES OF INDIVIDUAL INDUSTRIAL AREAS, BASED ON PERFORMANCE SCORES ON FOUR SELECTED FRAMEWORK CRITERIA

	Birkerød/Allerød/ Hillerød	Ballerup/Måløv	Brøndby/Glostrup/ Herlev	The south corridor	Avedøre	Amager/Kastrup
Location	2	2	2	4	4	4
Efficiency	2	2	2	4	2	3
Infrastructure	2	2	2	4	3	3
Demand	1	2	2	3	2	2

Note: One point denotes below-average performance, two points denote moderate performance, three above-average performance, four top performance
Source: Sadolin & Albæk

From an international point of view, businesses with cross-border activities tend to centralise logistics and administrative units in large regional units. As many of the facilities belonging to the older building stock in the Ring Road 3/ Ring Road 4 corridors were originally built to cater to national needs, they are now deemed obsolete as globalisation has led to more regionally-centred transport and production. However, right-shoring, i.e. ensuring that production placement mirrors the best combination of production costs, efficiency and quality, could have a favourable impact on production facilities in Denmark. So far, demand centres on modern and efficient properties with sufficient technology to support a repositioning of production or flexibility to allow for easy conversion into up-to-date logistics/warehouse facilities.

In this respect, the traditional industrial property with an ancillary administrative unit at the front and production facilities at the back fails to meet today's requirements of layout, design and overall quality, effectively rendering it functionally obsolete in terms of sustainability and cost efficiency. Mostly built between the 1960s and 1980s, these facilities were often built to suit specific uses, making them difficult to remodel or convert for alternative purposes. Bearing in mind the prevailing low industrial rent levels, large-scale upgrade schemes are only rarely profitable, resulting in facilities with almost no appeal to new tenants. Instead, several facilities are discarded and highly vacancy prone, deteriorating the attraction level of entire districts. While infrastructure development schemes such as the light rail along the Ring Road 3 corridor can remedy the issue in some locations and revitalise others, more secondary locations are still expected to struggle significantly.

Today's tenants favour newly built production facilities, tailored to their specific requirements. Currently low interest rate levels make newbuilding a sound investment for industrial users as they can secure LTV ratios as high as 60% at interest rates markedly below the returns demanded by industrial property investors. This could motivate financially strong businesses to explore the possibilities of building premises for their own use.

Industrial rent levels remained stable in most districts in 2016. However, rents edged up in the south corridor and Amager/ Kastrup as these districts benefit from superior infrastructure compared to Ballerup/Måløv and Birkerød/Allerød/Hillerød. While rents have been put under increased pressure in these latter locations, rent levels have yet to drop.

KEY LEASE TRANSACTIONS, COPENHAGEN, INDUSTRIAL/LOGISTICS

PROPERTY	DISTRICT*	LANDLORD	TENANT	SQM
Scandinavian Transport Center	4	Pareto Securities	PostNord	56 000
Kornmarksvej 1	3	Tribona	Nemlig.com	6 675
Mileparken 10	2	Konbyg	Air Leisure UK	5 715
Sydmarken 5	3	Property company	Jespers Torvekøkken	5 375
Hammerholmen 17	5	HD Ejendomme	Chr. Hansen	5 300
Sydmarken 22-26	3	Uniscrap	Copenhagen Classic Garage	4 925
Priorparken 839	3	Commercial Real Estate Denmark	IAT	4 740
Meterbuen 28	2	Private investors	Godshotel og Transport	4 645
Mårkærvej 4	4	HBR Invest	ALD Automotive	4 535
Hørskætten 7	4	Nordea	Jens S. Transmissioner	4 415
Mileparken 2	2	Hobe Real Estate	Gavefabrikken	3 145
Midtager 9-11	3	Stilling Ejendom	FSU	2 700
Baldersbuen 36	4	Private investors	Philips Lighting Danmark	2 545
Priorparken 351	3	Private investors	Matas	2 270
Meterbuen 24	2	Private investors	HR Frugt Catering	2 200
Hassellunden 3	2	Stilling Ejendom	Nettolager	1 815
Kirstinehøj 23 A	6	Private investors	Efuma	1 360
Farverland 7	3	Norrecco	Nyscan Biler	1 345
Lyskær 13C	3	Private investors	HSHansen	1 020

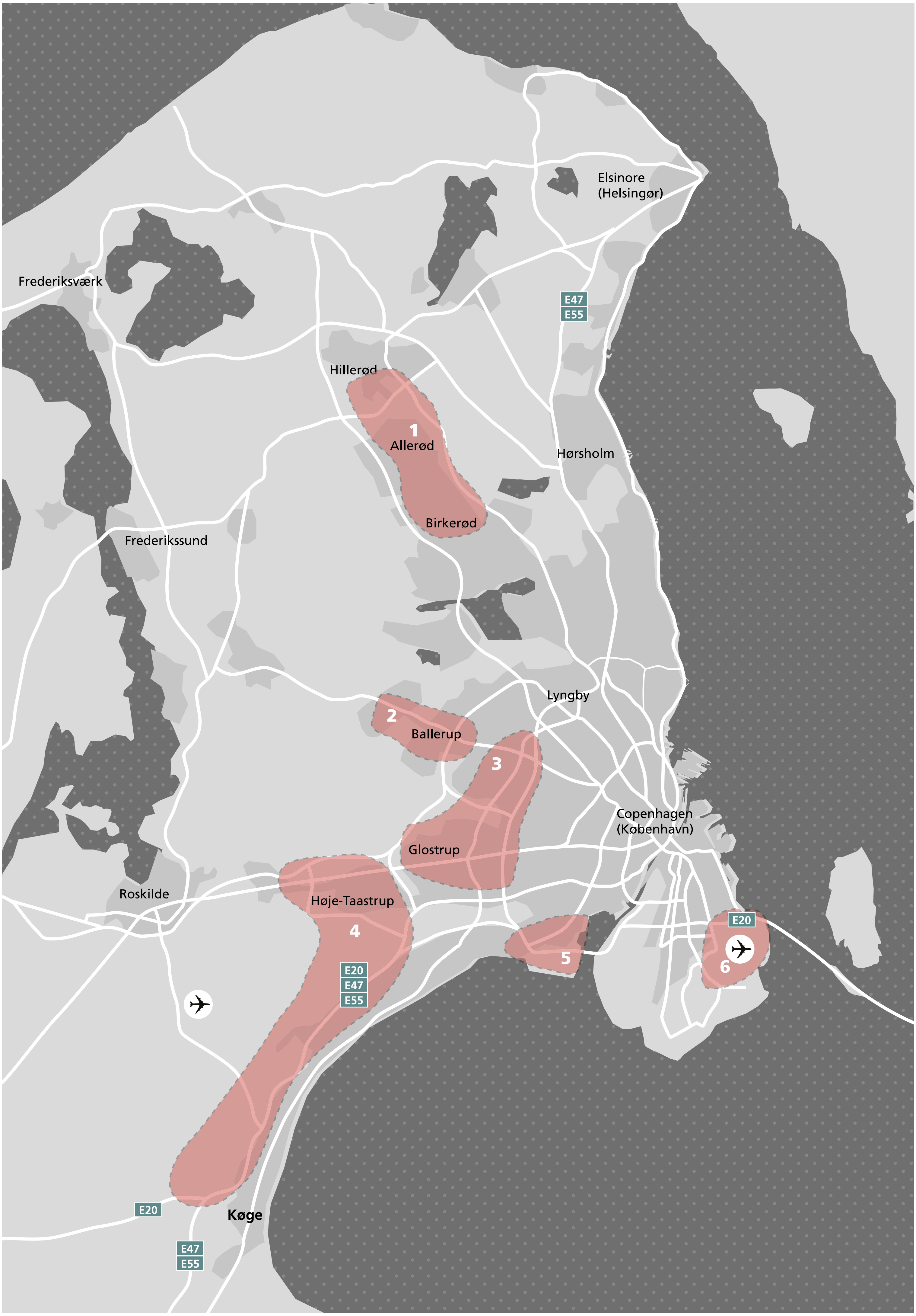
**) District number refers to map on p. 73*
Source: Sadolin & Albæk

TYPICAL INDUSTRIAL/LOGISTICS RENT LEVELS, COPENHAGEN

(EXCLUSIVE OF OPERATING COSTS AND TAXES)	(DKK/SQM/ANNUM)							CHANGE	MARKET EXPECTA-TIONS
		2012	2013	2014	2015	**2016**	**2017**	**2016–2017**	**2017**
(1) Birkerød/Allerød/Hillerød	**Prime**	475	475	475	450	450	450	0.0%	→
	Secondary	300	300	300	300	300	300	0.0%	→
(2) Ballerup/Måløv		475	475	475	450	450	450	0.0%	→
		300	300	300	275	275	300	9.1%	→
(3) Brøndby/Glostrup/Herlev		525	500	475	475	475	475	0.0%	→
		325	300	300	300	300	300	0.0%	→
(4) The south corridor		575	575	550	550	550	575	4.5%	↗
		375	350	325	325	325	325	0.0%	→
(5) Avedøre		575	550	525	525	525	525	0.0%	→
		325	300	300	300	300	325	8.3%	→
(6) Amager/Kastrup*		950	800	800	850	900	1 000	11.1%	→
		300	300	300	300	300	325	8.3%	↗

Note: Rent levels quoted at the beginning of year
**) Prime rents quoted for premises situated in the eastern part of Copenhagen Airport*
Source: Sadolin & Albæk


ULLSVEJ 5, KØGE


Elsinore
(Helsingør)
Frederiksværk
E47
E55
Hillerød
1
Allerød
Hørsholm
Birkerød
Frederikssund
Lyngby
2
Ballerup
3
Copenhagen
(København)
Glostrup
Roskilde
Høje-Taastrup
4
E20
5
6
E20
E47
E55
E20
Køge
E47
E55

KYSTVEJEN 24, KASTRUP - COPENHAGEN CARGO CENTER

Market practices

Agents' and legal fees are typically subject to negotiation in Denmark and highly case-dependent. As for acquisition costs, it should especially be noted that the Danish transfer tax is only 0.6%, in eastern Denmark (including Copenhagen) payable by buyer, in western Denmark split 50:50 between the parties.

Information provided in the table below is intended as a guide only and reflects 'typical market practice' as far as commercial and residential leases are concerned.

TYPICAL LEASING PRACTICES, DENMARK

COMMERCIAL LEASES		RESIDENTIAL LEASES	
Rent quoted in[1]	DKK per gross sqm p.a.	Rent quoted in[8]	DKK per gross sqm p.a.
Floor areas	Gross external	Floor areas[9]	Gross external
Lease term[2]	Negotiable	Lease term[10]	'For time and eternity'
Breaks	None	Breaks	None
Rent payment	Monthly or quarterly in advance	Rent payment	Monthly
Deposit[3]	3-6 months	Deposit and prepaid rent[3]	3-6 months
Basis of rent adjustment[4]	NPI	Basis of rent adjustment	NPI[11]
Frequency of rent adjustm.	Annual	Frequency of rent adjustm.	Annual
Rent review[5]	Every 4 years	Rent review[12]	Every 2 years
External repairs	Landlord	External repairs	Landlord
Internal repairs	Tenant	Internal repairs	Negotiable
Common parts[6]	Tenant (via S/C)	Common parts	Landlord
Building insurance	Tenant	Building insurance	Landlord
Property taxes	Tenant	Property taxes	Landlord
Subleasing	Negotiable	Subleasing[13]	Yes, 2-year max.
Right of assignment	Negotiable	Right of assignment	Yes, in a swap
Restoration[7]	Yes	Restoration	Negotiable
Pre-emption	Negotiable	Pre-emption[14]	Danish Rent Act

NOTES

1. Exclusive of VAT, 25%
2. An initial non-termination period of 3-10 years is customary, upon expiry of which the lease may be terminated on 6-12 months' notice.
   The landlord is only entitled to terminate the lease under special circumstances, cf. Sections 61 and 62 of the Danish Commercial Rent Act. It is important to note that in Denmark the expiry of the non-terminability period is not identical with lease expiry but simply denotes the date when the parties are entitled to terminate a lease with the stipulated notice.
3. Not in escrow
4. NPI = Net Price Index, minimum and maximum annual increase as per agreement
5. A review of the rent to market rent may be applied for by either party every four years but is not compulsory
6. S/C means Service Charge
7. The typical tenant restoration obligation is to put the space back to the original condition when leased
8. Not subject to VAT, 25%
9. For multi-let properties including a proportionate part of common parts, including stairs, lifts, etc.
10. Tenant typically entitled to terminate the lease on 3 months' notice
11. Applicable to buildings occupied after 31 Dec. 1991 subject to agreement.
    Rules of cost regulated rent control ('omkostningsbestemt husleje') may apply to buildings occupied prior to this date
12. Utility value review may be applied for by either party every two years. This mechanism applies if the lease is not governed by the rules of cost regulated rent control, cf. (11)
13. Alternatively 50% of the rooms in the flat if not more than 2 persons live in each room. The total number of residents may not exceed the number of rooms
14. Existing tenants in residential properties governed by the Danish Rent Act may have a pre-emption right to acquire the property in case of a direct or indirect sale

CHRISTIANSHAVNS KANAL, COPENHAGEN

About Sadolin & Albæk

Sadolin & Albæk is a market-leading commercial property adviser and agent.

We constantly strive to be recognised for our unrivalled skills, integrity, qualified and dedicated staff as well as for providing professional and accommodating client services. In Denmark as well as abroad, we draw on in-depth and comprehensive market knowledge. Coupled with our long-standing industry experience and cutting-edge analytical tools this helps us to create value for our clients.

We make every effort to maintain these high standards of quality and service throughout, when assisting our clients with commercial lettings, commercial property valuations, property investment strategies or transactions involving major commercial and investment properties. Sadolin & Albæk strives to be the foremost and largest supplier of value-based solutions in the market for commercial and investment properties.

We create value for our clients: We are always highly focused on ways to growing our clients' potential for achieving their goals, whether higher profitability or efficiency, increased or reduced exposure to real property, higher returns or reduced risk.

We deliver efficient and innovative solutions: We identify the best possible and viable solutions for our clients, and we are not averse to new ways of thinking and new approaches.

International alliance with strong partner: We work closely with JLL, our alliance partner with more than 200 offices in 75 countries worldwide. Thanks to this partnership, we are able to assist our Danish clients in international markets, too.

'Best in Class': Sadolin & Albæk has repeatedly been named 'Best Danish real estate advisor and consultant' by financial magazine Euromoney. The internationally acclaimed awards are based on international polls among peers in the property industry, starting back in 2005. Sadolin & Albæk has recurrently won several categories.

Sadolin & Albæk is a member of RICS, the Royal Institution of Chartered Surveyors, internationally acclaimed for its high valuation standards and practices.

Sadolin & Albæk offers a broad range of services in the following core business areas:

CAPITAL MARKETS

Qualified strategic advice on major property transactions.

Based on solid market expertise and an outstanding database compiled over decades, the highly qualified team making up Sadolin & Albæk Capital Markets offers clients advisory services relating to the acquisition and divestment of property companies, single properties and property portfolios.

ANALYSIS AND RESEARCH

In-depth market research and property valuations.

Based on extensive market knowledge, solid practical experience and a keen analytical mindset, our dedicated team of analysts prepares thorough market research and analyses. We provide our clients with a well-documented basis for decision-making whatever the assignment.

CORPORATE SOLUTIONS

Experience-based advice on optimising space utilisation.

Many businesses stand to gain substantial overhead savings from optimising their space utilisation, while improving standards for the benefit of employees and clients in the process. We help our clients clarify their demands and area requirements. On that basis, we identify the ideal solution and act as strategic facilitators in order to achieve the most favourable terms and conditions for our clients.

COMMERCIAL LEASING

Professional and dedicated commercial leasing.

Our experienced and proactive leasing team handles commercial leasing exclusively, with particular focus on office and retail premises. The team has accumulated an extensive and unrivalled insight into the industry and specialist knowledge of the commercial letting market, both of which we constantly strive to maintain and improve.

PUBLIC SOLUTIONS AND URBAN DEVELOPMENT

Strategic and commercial advice on urban development projects.

Placed in the cross field between political visions, building design and planning issues, urban development schemes are complex, with multiple factors determining their viability. Sadolin & Albæk helps to ensure that all key determinants are uncovered in order to provide a solid and well-informed basis for the project.

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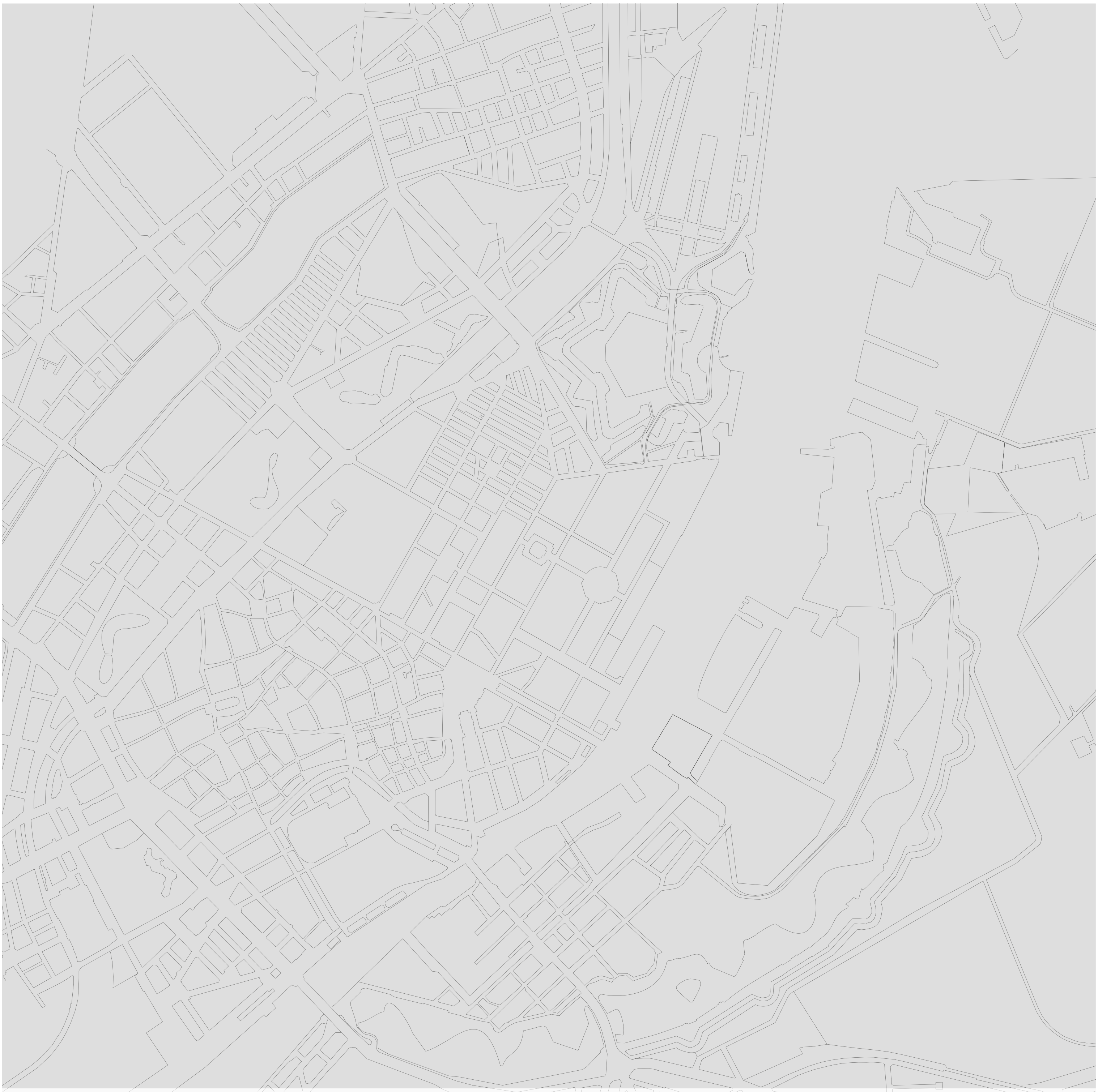
Definitions

CBD	Central Business District
Core property	Property associated with low risk in all respects
EUR	Applied rate of exchange EUR/DKK 7.4382, based on closing rates as at 6 December 2016
Net initial yield (%)	First year stabilised return on investment (less deposits, less transaction cost) based on rental income less operating costs. Yield figures compiled by Sadolin & Albæk are quoted at the end of year
Opportunistic property	Property with a substantial potential for added value, but associated with high risk, e.g. land sites producing no cash flows or high-risk development projects
na	Data not available or undisclosed
Prime rent	Refers to the best rent achievable in a top-quality building at locations that are considered top locations relative to their specific use (office, retail, industrial). Commercial rents are quoted in DKK per sqm p.a., exclusive of taxes and operating costs
Prime yield	The net initial yield on a prime property in a prime location, let on a 10-year lease with a financially strong tenant
Secondary yield	The net initial yield on a good standard property in a good secondary location, let on a standard (3- to 5-year) lease with an average quality tenant
Secondary rent	Refers to the best rent achievable in a good standard building at locations that are considered secondary relative to their specific use (office, retail, industrial). Commercial rents are quoted in DKK per sqm p.a., exclusive of taxes and operating costs
Value-add property	Property with a potential for added value, e.g. by means of redevelopment and proactive management, but associated with much higher risk than core property

MALTMAGASINET, CARLSBERG CITY DISTRICT, COPENHAGEN



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