06

COPENHAGEN AND MALMOE

PROPERTY MARKET REPORT 2006

Sadolin | ALBÆK

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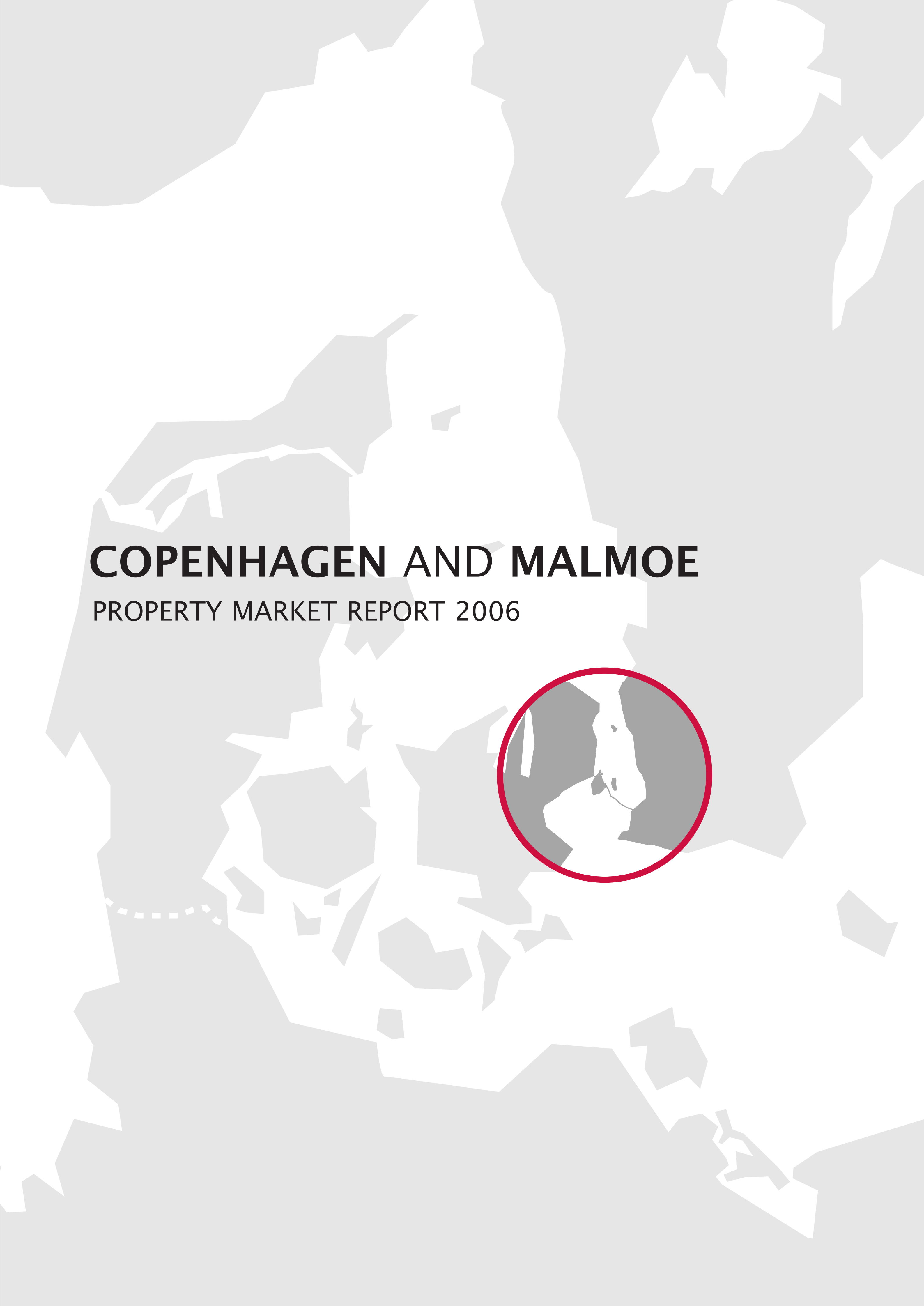
PROPERTY MARKET REPORT 2006



INTRODUCTION

Indeed, 2005 was a good year for Danish economy and for the Greater Copenhagen property market. The Danish 3% GDP growth was fuelled by both strong exports and buoyant consumer spending, and at year-end 2005, the unemployment rate was a mere 5.4%.

Despite strong growth and a boom in consumer spending, Danish economy continues to generate a solid surplus on the trade and payment balances, while inflation as well as interest rates remain low. Also public finances are in extremely good shape, generating a surplus equal to 2.5% of GDP.

Needless to say, the Greater Copenhagen commercial property market has benefited immensely from the strong economic growth and high employment levels in Denmark. Expanding companies require more space, and both office and industrial take-up levels have increased, pushing down vacancy rates substantially.

So far, the trend has prompted neither substantial rental growth, nor any major increase in development activity. There is however every reason to believe that this will materialise in due course.

A recovery in occupational market conditions combined with historically low interest rates will boost investment values. This is definitely also the case in the Greater Copenhagen property market. In certain segments of the market, net investment yields have tightened by 100 bps or more, and capital gains have been considerable. International investors have entered aggressively on the scene, and turnover in the commercial property investment market has increased significantly.

This 2006 market report by Sadolin & Albæk offers an updated overview of general economic trends and of the Greater Copenhagen and Malmoe commercial property markets, including occupational and investment market information as well as details on important transactions in various sectors and sub-markets.

For their extremely valuable input to this market report, Sadolin & Albæk would like to thank

- The Property Association of Denmark (Ejendomsforeningen Danmark, the trade organisation for rental property and property management),
- Danske Bank, Economics Department,
- Copenhagen Capacity, Agency for Investment and Development of Trade and Industry in Greater Copenhagen, and
- NewSec Analys AB, Stockholm and Malmoe.

In particular, we would like to thank our colleagues at NewSec in Malmoe for their valuable input concerning the commercial property market in Malmoe.

This market report has been compiled to guide you in your planning and decision-making in respect of commercial property in Greater Copenhagen and Malmoe.

It is based on data and market information that we believe to be reliable. Whilst every effort has been made to ensure that the information supplied in this market report is both accurate and complete, Sadolin & Albæk does not assume any responsibility for factual errors.

For occupiers, developers, investors, and financiers, commercial property activities involve substantial exposure to a complex and dynamic market. In particular in a booming market, decision-making on leasing, development and financing activities, acquisitions and disposals should be based on advice of the highest professional calibre.

Sadolin & Albæk is at your disposal.

Copenhagen, February 2006
Sadolin & Albæk • ONCOR International

SADOLIN & ALBÆK

Jytte E. Nielsen *Carsten Gørtz Petersen, Director* *Thomas Køhl Christensen* *Peter Winther, Partner, Director*

Since its inception in 1967, Sadolin & Albæk has firmly established a market-defining position within commercial property consulting in Denmark.

Anchored in our integrity and independence, we strive to provide honest and objective services and to create value for our clients. Our staff is a symbiosis of experienced professionals, including a member of the Royal Institution of Chartered Surveyors (RICS), and highly educated researchers with degrees in law, finance and economics providing for an organisation endowed with the resources to lift any assignment.

Sadolin & Albæk has offices in Copenhagen and Aarhus. We are mainly focused on the commercial property markets in Copenhagen, Aarhus and the Triangle Region, but our track record includes a number of large assignments in all corners of the Danish commercial property market.

INVESTMENT SALES AND ACQUISITIONS

INVESTMENT AND FINANCIAL CONSULTING

COMMERCIAL PROPERTY LEASING

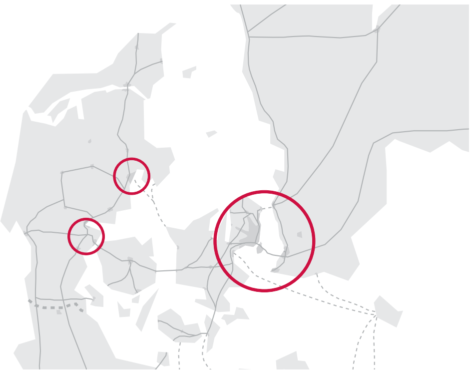
CORPORATE REAL ESTATE SERVICES (CRES)

VALUATIONS

DEVELOPMENT CONSULTING

MARKET STUDIES AND RESEARCH

INTERNATIONAL PROPERTY SERVICES



Sadolin & Albæk publishes market reports on Copenhagen/Malmoe, Aarhus and the Triangle Region, all of which are considered important growth centres in Denmark

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For a comprehensive listing of key contacts as regards specific services in Denmark and abroad we invite you to visit our web site www.sadolin-albaek.dk

Kurt Albæk, Senior Partner *Jan Kristensen, Partner* *Rikke Wümpelmann* *Peter Frische, Partner*

SALES AND ACQUISITIONS

Office, retail and industrial
Hotels and residential complexes
Portfolios and developments

At Sadolin & Albæk the sales department is the backbone of our organisation. Servicing an array of commercial property investors daily, our sales professionals are at the forefront of the latest market trends. We have business ties reaching into every strategic level across the industry, just as our historic presence in the market facilitates access to virtually any decision-maker. Our extensive network makes us a frequently used mediator between international investors and the commercial property market in Denmark.

CORPORATE REAL ESTATE SERVICES (CRES)

Reducing property related costs
Flexibility to pursue business strategy
Sale and leaseback

CRES is increasingly demanded by Danish corporates focusing on profit margins. Relying on our many years of experience from the commercial property market, we help clients develop strategies for their property portfolios. Sadolin & Albæk steps in as a project manager, consulting with clients throughout the process of optimising budgets and carrying out adopted strategies. Representing large corporate tenants, Sadolin & Albæk assists with commercial lease reviews, sale and leaseback and planning expansion strategies.

INVESTMENT AND FINANCIAL CONSULTING

Property asset-backed securities
Property fund set-up
Portfolio analysis and strategy

In demand today are property asset-backed securities creating relatively higher return/risk ratios or offering diversification gains through indirect investment vehicles. Working with clients issuing property asset-backed securities, Sadolin & Albæk takes commercial responsibility for the issue. With several successful issues in recent years, we are positioned as the market leader in this field. Sadolin & Albæk adopts a proactive approach when we advise investors.

COMMERCIAL PROPERTY LEASING

Landlord representation
Tenant representation
Lease valuations

Through our broad client base we seek to serve landlords' needs to lease out vacant space. Our experience tells us that the best deals are made by matching landlords and tenants in a manner that benefits both parties equally. We base our leasing services on an ongoing dialogue. Our philosophy is to know as much as possible about the individual client's requirements in order to present perfectly tailored solutions. Our tenant representation concept includes negotiations with property owners with a view to optimising our client's options.

Morten Schultz *Andreas Grønbæk* *Kaare Christensen* *Andreas Albæk* *Jeanette Rosenberg* *Asger E. Kurth*

VALUATIONS

Full-scale valuations
Pre-valuations
Desktop valuations

At Sadolin & Albæk we value more than DKK 23bn (EUR 3bn) worth of commercial property each year in compliance with the international guidelines provided by RICS. Valuations include individual properties and sites as well as portfolios and development projects. Our client base is comprised of domestic and foreign institutions, private investors, owner-occupiers, government and municipal bodies as well as major international banks and property-financing companies.

MARKET STUDIES AND RESEARCH

Market reports and NewsLetters
Property market indicators
Urban development studies

At Sadolin & Albæk we allocate extensive resources to maintaining a level of knowledge which is second to none in the industry. By creating a foundation for understanding current trends in the Danish commercial property market and its players, our market reports and studies target a broad client base, including major international investors, credit institutions and corporations. Our urban development studies serve public authorities at the policy level.

DEVELOPMENT CONSULTING

Development and redevelopment strategies
Feasibility studies
Project valuations

Our in-depth knowledge of trends in the commercial property market makes us an invaluable partner in successful development projects. Working closely with the client, we offer strategic advice to promote a proactive stance in the development process. When performing feasibility studies, we provide developers with the foundation on which to undertake projects with the highest probability of success. Further project valuations help clients budget cash flows and profit margins.

INTERNATIONAL PROPERTY SERVICES

ONCOR International

For almost 20 years, Sadolin & Albæk has been a member of ONCOR International, a major global organisation of professional commercial real estate consultants. Our international organisation enables us to serve our clients not only in our local market, but also in every other significant market around the globe.

Through ONCOR International, we have business associates in more than 200 markets throughout the United States, Canada, Europe, Asia, South Africa, and Latin America.


Reykjavik
Oslo
Stockholm
Helsinki
Tallinn
Riga
Vilnius
Copenhagen
Dublin
London
Amsterdam
Berlin
Warsaw
Kiev
Brussels
Prague
Paris
Bratislava
Vienna
Budapest
Bern
Zagreb
Bucharest
Sofia
Madrid
Lisabon
Rome
Athens

- *Denmark is a highly developed and well-functioning society with a dynamic, knowledge-based business sector and a high level of public services*
- *Owing to its central location and excellent infrastructure, Denmark serves as an important gateway from the Nordic countries to eastern and central Europe*
- *A skilled workforce and a flexible labour market enhance Denmark's competitive power*

Denmark is centrally located in Europe, just north of Germany. Bridges across the Little Belt and the Great Belt, linking the islands of Zealand and Funen to Jutland, make it possible to reach Germany and most of Europe by land from nearly every location in Denmark. Furthermore, the completion of the *Øresundsbron* in 2000 provided a 16-kilometre fixed link between Copenhagen and Malmoe and hence between Denmark and the rest of the Nordic region. In general, the Danish infrastructure and public transport system are considered to be among the best in the world.

Some 5.4 million people live in Denmark. In general, the Danish workforce is highly educated, creating a strong recruitment base for domestic businesses. Approximately two in five students in a juvenile year class will proceed to institutions of higher education. In fact, more than one in five members of the Danish workforce overall have completed further education, and three in four of the population speak English. Danish businesses primarily excel within the food, pharmaceutical, biotech and medical device industries as well as the communications and information industries.

During the last couple of years, the focus on research and development (R&D) has intensified in Denmark, and compared with other European countries Denmark is now believed to be at the forefront of this trend. On average, 1.9% of GDP was earmarked for R&D in Euroland in 2004, whereas Denmark allocated more than 2.6% of GDP. The Danish government intends to boost annual R&D expenditure to a level of at least 3.0% of GDP by 2010.

Danish businesses benefit from a very flexible labour market. Layoffs can be accomplished within a very short period of time and the cost to the employer is minimal compared with other countries. All in all, this strengthens the competitiveness of the Danish companies and contributes to making the Danish businesses rank among the most adaptable in the world.

In 2005, the favourable Danish framework conditions were acknowledged by the Economist Intelligence Unit. Based on parameters such as infrastructure, business environment, political and institutional settings as well as macroeconomic stability, Denmark was rated the number one country in the world in which to do business in 2005-2009.

MACROECONOMIC OVERVIEW

- *Domestic demand persists to boost economic growth in the Øresund region*
- *Real unemployment has reached the lowest level in 30 years*
- *Interest rates are expected to increase during the next 12 months*

The economy in the Øresund region, comprised of Copenhagen and Malmoe, is in great shape. The year 2005 recorded growth in Danish GDP of nearly 3%, and the outlook for 2006 and 2007 predicts growth rates in the 2%-bracket. In 2005, Danish GDP growth greatly exceeded the general trend in Euroland. However, Euroland growth is predicted to pick up in 2006 and 2007, thereby boosting Danish exports. Copenhagen is the primary growth driver in the Øresund region.

Domestic demand in particular continues to fuel the positive economic trend in the Øresund region as well as in Denmark in general. In 2005, Danish consumer spending grew by 4.2% against just 1.3% in Euroland. Over the next couple of years, consumer spending is expected to slow slightly in the Øresund region while increasing slightly in Euroland.

By year-end 2005, real unemployment in Denmark had reached the lowest level in three decades. Nevertheless, a further improvement is predicted in 2006 and 2007. In 2005, the unemployment rate in Euroland stood at 8.6%, which is nearly 300 bps above the level in Denmark. The low unemployment rate in Denmark could, however, entail future bottleneck problems in the labour market, where especially the construction industry already suffers from insufficient spare capacity.

Inflation, currently standing at some 2% in both Euroland and Denmark, is expected to rise moderately in Denmark in 2006 and 2007, while remaining at approximately the same level in Euroland.

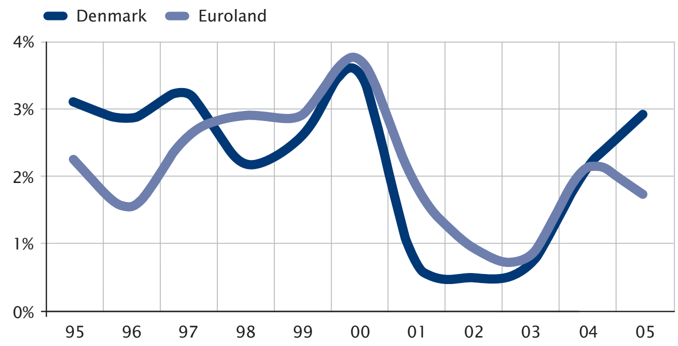
The Danish krone is pegged to the euro at a fluctuation band of ±2.25%. Consequently, the level of both 3-month interest rates and Danish 10-year government bonds follows the eurobonds rather closely. Projections indicate that the narrow yield gap will be maintained. Furthermore, an increase in both the short and long interest rates is projected for the next 12 months.

Macroeconomic outlook, 2005-2007

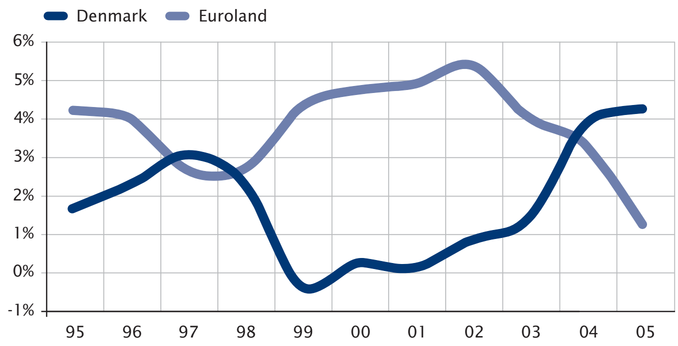
Year	GDP*	Consumer spending*	Employment (1,000)	Unemployment	Inflation*	DKK/EUR	3-month interest rates	10-year interest rates
Denmark								
2005	2.9	4.2	2,550	5.7	1.9	7.45	2.1	3.4
2006	2.5	2.3	2,565	5.2	2.1	7.44	2.2	3.7
2007	2.0	1.9	2,576	5.1	2.3	7.44	2.9	4.0
Euroland								
2005	1.4	1.3	135,278	8.6	1.9	7.45	2.2	3.4
2006	2.3	1.7	136,789	8.4	2.1	7.44	2.2	3.7
2007	1.9	1.8	138,478	8.3	2.3	7.44	2.9	4.1

**) Growth (% y/y)*
Source: Danske Bank, the Danish Economic Council and OECD

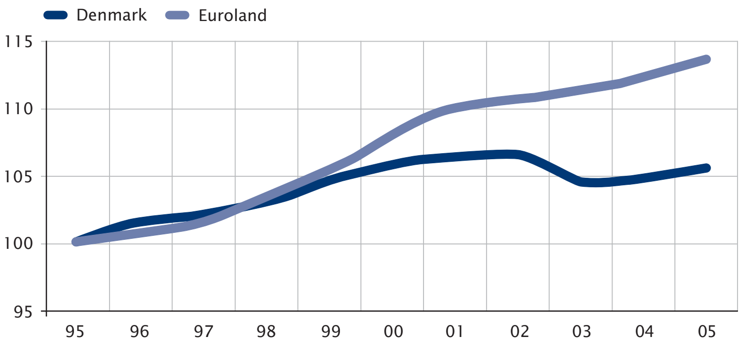
GDP (growth % y/y)



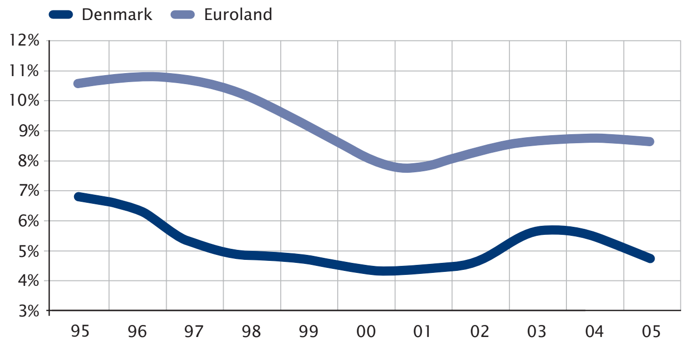
Consumer spending (growth % y/y)



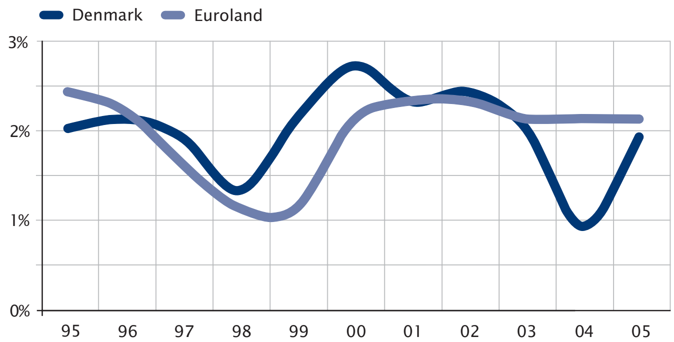
Employment (index 100 = 1995)



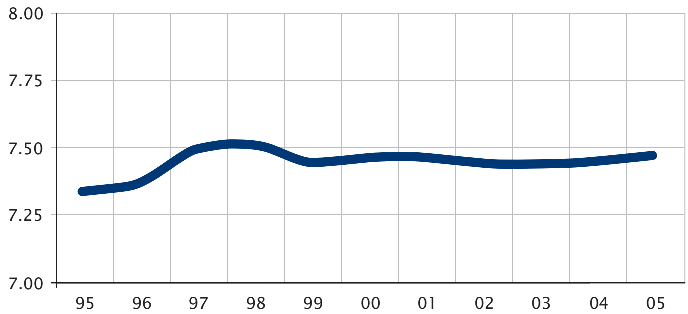
Unemployment rates



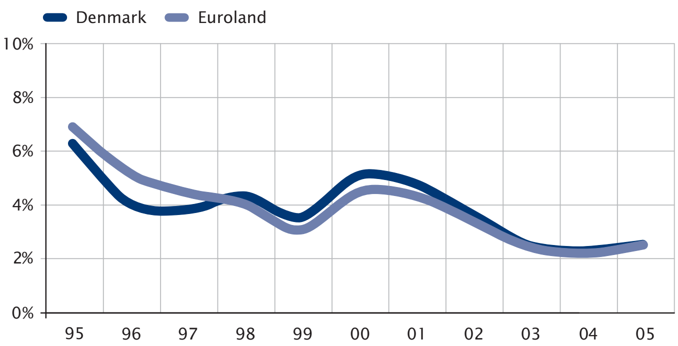
Inflation (growth % y/y)



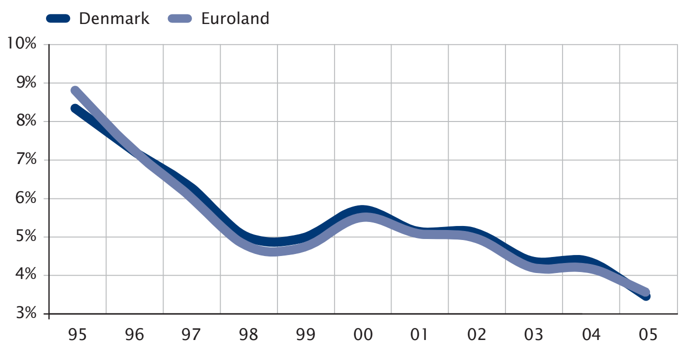
DKK/EUR exchange rate



Short-term interest rates (3 months)



Long-term interest rates (10-year government bond)



Sources: OECD, Eurostat, Danske Bank and Statistics Denmark

LOCATION COPENHAGEN/MALMOE

- *Massive infrastructural investments strengthen the integration in the Øresund region*
- *Leading European science centre, especially within the pharmaceutical and medical device industries*
- *Prime investment yields in Copenhagen and Malmoe remain competitive compared with other European cities*

The Øresund region is considered one of the strongest European growth centres. The most dominant city in the region is Greater Copenhagen with 1.8 million citizens, followed by Malmoe with a population of almost 270,000.

Approximately 3.6 million people live in the Øresund region. In fact, more than one in five Danes and Swedes live in the Øresund region. Overall, the region accommodates some 170,000 businesses. The concentration of businesses is prompting an increase in the ranks of commuters to the region by 15-20% each year, and Malmoe is attracting a higher number of new residents than any other Swedish location.

An excellent infrastructure facilitates easy access to international destinations. Two international airports are situated in the region, viz. *Copenhagen Airport* in Kastrup and *Malmoe-Sturup Airport*. Owing to some 19 million passengers each year and flight connections to more than 120 international destinations, Copenhagen Airport is the busiest airport in northern Europe.

Within the Øresund region, travelling is also swift and uncomplicated thanks to extensive investments made in good infrastructure. As mentioned, the completion of the bridge across the Sound, *Øresundsbron*, made access between Denmark and Sweden much easier and faster. Regional investments in infrastructure further include the fairly new Copenhagen Metro, which is scheduled for expansion by a further line in 2015, as well as the initiated construction of the city tunnel in Malmoe, scheduled for completion in 2009.

The Øresund region has a solid and highly educated workforce totalling some 1.8 million people. This provides the Øresund region with the largest recruitment base in the Nordic region. At the same time, the region is a leading European science centre. Fourteen universities and colleges situated in the region count a total of 12,000 researchers, 6,500 PhD-students and some 140,000 ordinary students.

The recruitment potential attracts a strong concentration of companies within the telecommunications, IT, pharmaceutical and biotech industries. Today, approximately 10,000 IT businesses and 300 life-science businesses are located in the Øresund region.

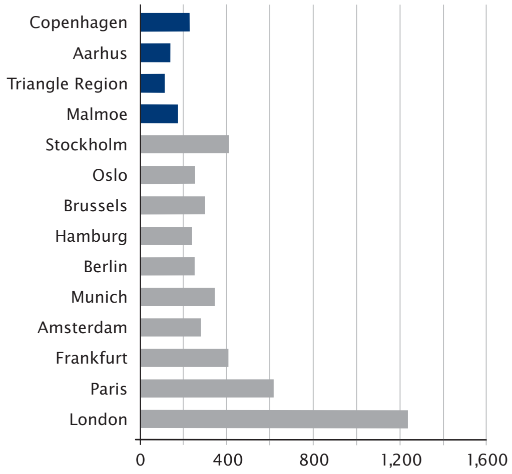
In Copenhagen, prime office rents are currently almost on a par with rents in Oslo, Berlin and Hamburg, while greatly exceeded by Stockholm, Frankfurt, Paris and London.

Prime retail rent levels on high-street locations in Copenhagen are high compared to cities like Stockholm, Oslo, Brussels and Amsterdam.

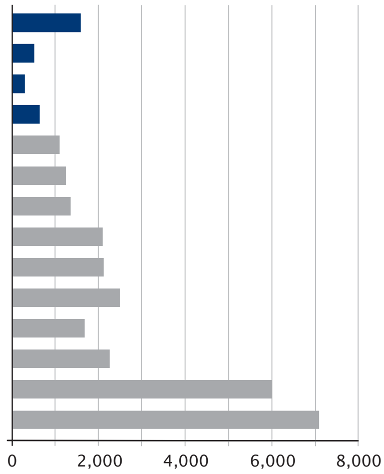
Generally speaking, prime industrial rents differ very little between large European cities. Rents in Copenhagen are considered to be on an average level. However, Malmoe – and Stockholm – are seeing higher rents for industrial premises than Copenhagen.

Regardless of the type of premises, rent levels in Copenhagen have been very stable historically. For instance, for office premises the typical deviation from the average rent level is not higher than 10% seen over a 20-year period. In tandem with the stable rents, generally low Danish vacancy rates allow for internationally highly competitive and favourable risk/return ratios on property investments.

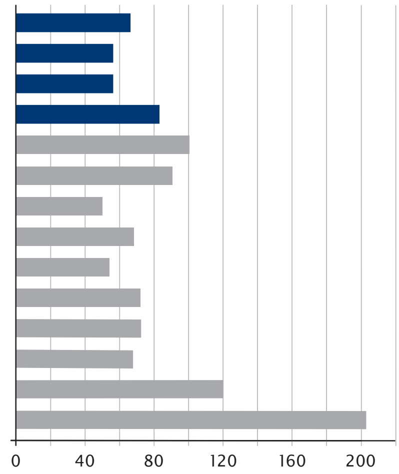
Prime office rents
(EUR per sqm per annum)



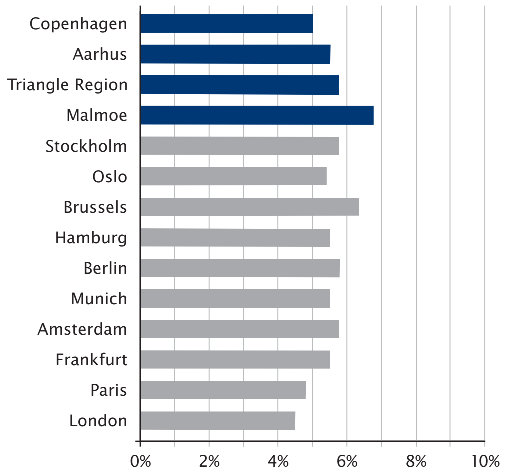
High street retail rents
(EUR per sqm per annum)



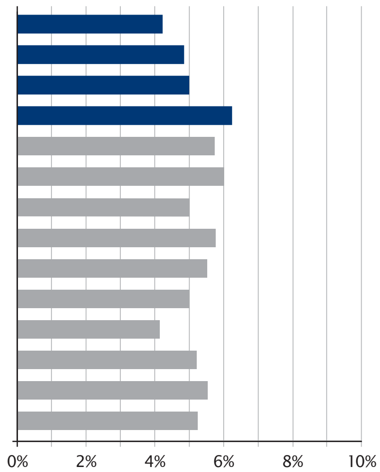
Prime industrial rents
(EUR per sqm per annum)



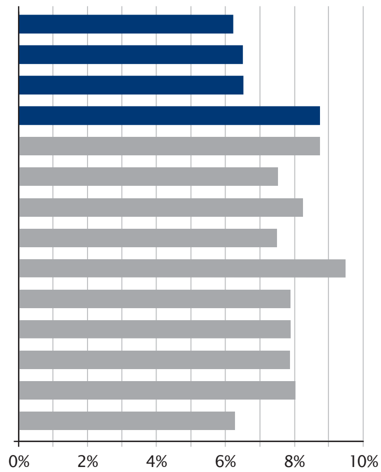
Prime investment yields, office



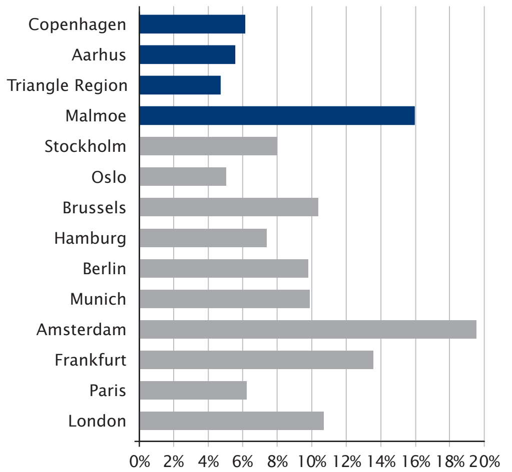
Prime investment yields, retail high street



Prime investment yields, industrial



Overall office vacancy rates



Sources: Sadolin & Albæk • ONCOR International and NewSec Analys AB

- *Capital returns on commercial property in Greater Copenhagen at 19.8% in 2005*
- *Total return on commercial property at 26.2% in 2005*
- *Commercial property outperformed the total return on long-term mortgage bonds in 2005*

All in all, 2005 turned out to be a prosperous year for investors in the Greater Copenhagen commercial property market. The total return on commercial property stood just above the 25% mark, spurred by capital gains approaching 20% in 2005. Not since the mid-1980s has the commercial property market experienced such rapid growth.

In 2005, rising commercial property prices were driven by a decline in net initial yields and a marginal increase in rents towards the end of the year. The positive outlook for Danish economy, including an expanding labour market and strong liquidity due to low interest rates, has boosted investment demand.

Even though interest rates have come down in step with net initial yields in 2005, the sharp rise in capital values is expected to even out in 2006 as the 'yield gap' narrows. Expected higher rent levels due to an improved occupational property market could, however, sustain capital values at the current high level.

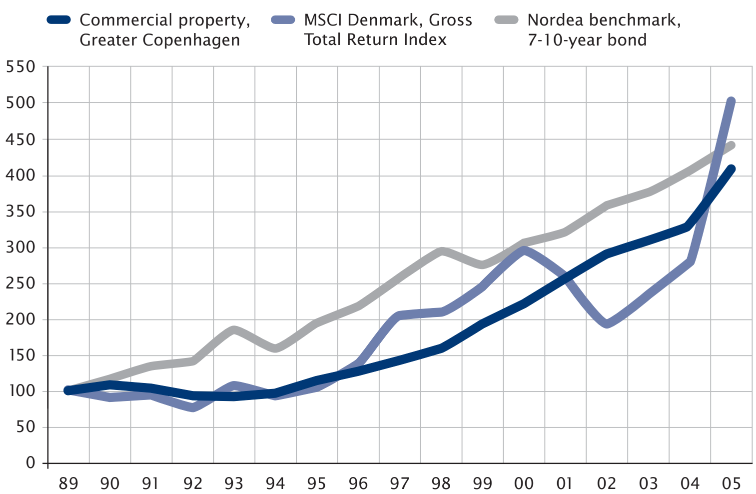
By year end, average net initial yields declined by approximately 90 bps to 5.5%, which is the lowest historical yield level ever recorded in the Sadolin & Albæk price index.

Since 1985, net initial yields have ranged between 5.5% and 8.8%, whereas capital growth has fluctuated between -11.8% and 31.3%. From 1985 to 2005, the total return was negative only from 1991 to 1993, whereas the average total return since 1995 has been 14.5%.

Property vs. stocks and bonds

To provide a more accurate comparison of Copenhagen commercial property's performance against stocks and bonds, we have decided to use a total return index of the Danish stock market in our analysis. This allows us to compare total returns, that is, including reinvested dividends for all three asset segments. We use total return data compiled by *MSCI Barra* for a gross index of the Danish stock market, and for bonds *Nordea's* calculated 7-10-year benchmark bond return. For total return on commercial property in 2005 we use the Sadolin & Albæk property

Historical returns on commercial property, stocks and bonds (index 100 = 1989)

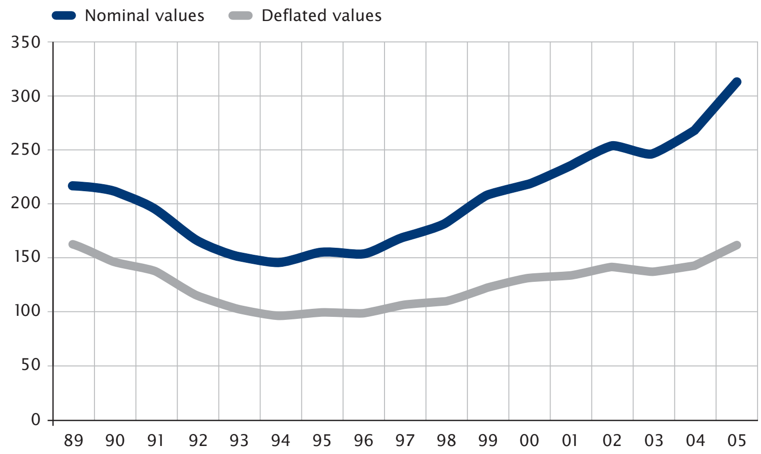


Sources: MSCI Barro, Nordea, and Sadolin & Albæk price index in which total return is comprised of net initial yields at the beginning of the year and capital gains recorded till year-end. Time series observations for the three asset segments used in our analysis date back to 1989.

In the 16-year span covered by Sadolin & Albæk, the total return on stocks has outperformed commercial property and bonds by more than 500 bps each year. In the same period, commercial property has yielded a total return marginally higher than the Nordea 7-10-year benchmark bonds. The 2005 scenario was similar with stocks yielding a total return of more than 44.0%, while the total return on bonds stood at approximately 8.5% as interest rates edged down.

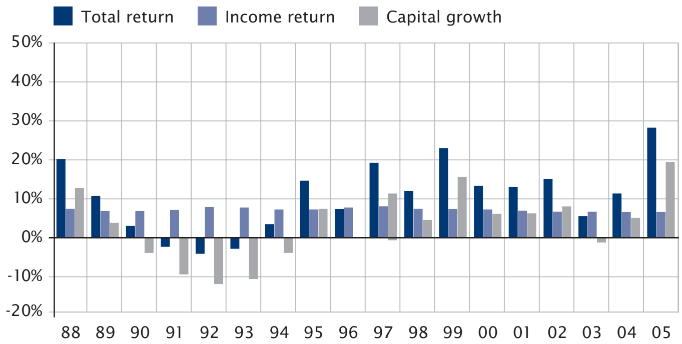
However, encompassing risk measured as the standard deviation on each time series, the total return on commercial property has performed on a par with stocks and bonds over the period. This means that even though the total return on stocks has outperformed the total return on commercial property, stock returns have also fluctuated considerably in the period.

Sadolin & Albæk property price index (index 100 = Q3 1984)



Source: Sadolin & Albæk

Total return, net initial yield and capital growth (in %) for commercial property in the Greater Copenhagen area



Source: Sadolin & Albæk

Looking at the past five or six years, commercial property has outperformed stocks and bonds. This can be explained by the downturn in global stock markets in 2001-2002, but also by the fact that strong liquidity in the market has made investors switch to more long-term investment strategies such as property holdings. Meanwhile, commercial property provides a significant risk diversification element in stock and bond portfolios.

From 1989 to 2005, stocks yielded an average total return of 14.9%, but carried a corresponding risk of 25.3%. In comparison, 10-year government bonds yielded a return of 9.8% against a risk of 9.9%. Commercial property yielded an average return of 9.9%, but carried a risk of only 8.7%.

Model and approach

For both the Sadolin & Albæk property price index (capital growth) and the net initial yield calculations we have used a hedonic multiple regression analysis based on empirical analysis of data collected from some 1,700 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, 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.

- *Booming investor appetite for investment property*
- *The prime office yield in CBD currently stands at around 5.0%*
- *Aggressive bidding for prime property motivates growth in available products, and transaction activity has increased dramatically*
- *International investors are setting the scene within portfolio acquisitions*
- *Private investors and property companies out-bid domestic institutionals, who are increasingly underweight in property assets*

From time to time, international investors in particular have complained about lack of liquidity and sluggish turnover in the Greater Copenhagen office property investment market. However, 2005 proved their complaints to be unfounded.

Over a 12-month period, international investors have invested in excess of DKK 7bn (EUR 938m) in the Copenhagen property market. These investors include Icelandic *Baugur Group*, investing almost DKK 4bn (EUR 536m), mainly in CBD property, Swedish *Norrporten*, investing some DKK 2bn (EUR 268m) in mainly up-to-date office property, and *Aberdeen Property Investors*, acquiring a portfolio of suburban office properties from Swedish *Skandia*.

But also domestic investors have been extremely active. Property companies *DADES, Jeudan, C.W. Obel A/S* and *Rolf Barfoed A/S*, and property fund *Norden* each invested between DKK 0.5bn and DKK 1.0bn (EUR 67-134m), primarily in mixed-use and office buildings in CBD and waterfront locations.

The Central Business District (CBD) market

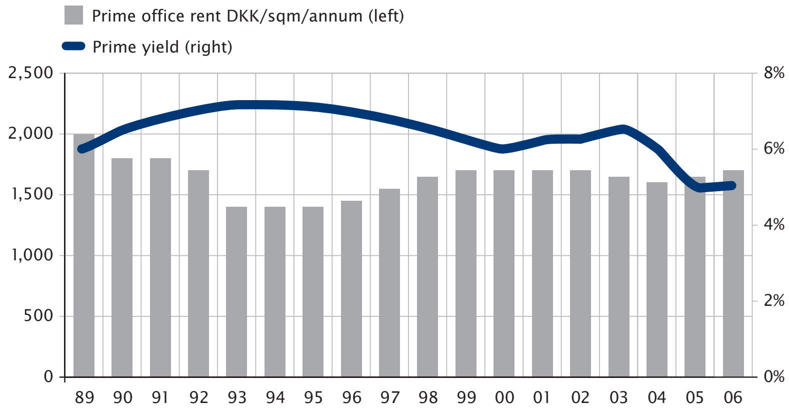
By year-end 2004, prime investment yields on CBD office property stood at 6.0%. One year later the prime yield had decreased by more than 100 bps. Even secondary buildings let on short leases attract investor interest at net initial yields close to the 5.0% mark.

As a result, the yield spread between net initial yields on prime CBD office property and the Danish 10-year government bond narrowed considerably in 2005. Demand in the market remains influenced by an abundance of liquidity in the hands of investors, and the improvements in occupational demand and rents have whetted investor appetites even more.

In 2005, transaction activity involving single properties increasingly tended to be effected 'off market', through aggressive bidding by one investor to the owner of a property. Portfolio transactions are still mainly conducted 'on market' however, giving the seller plenty of advantages to play off one prospective buyer against another.

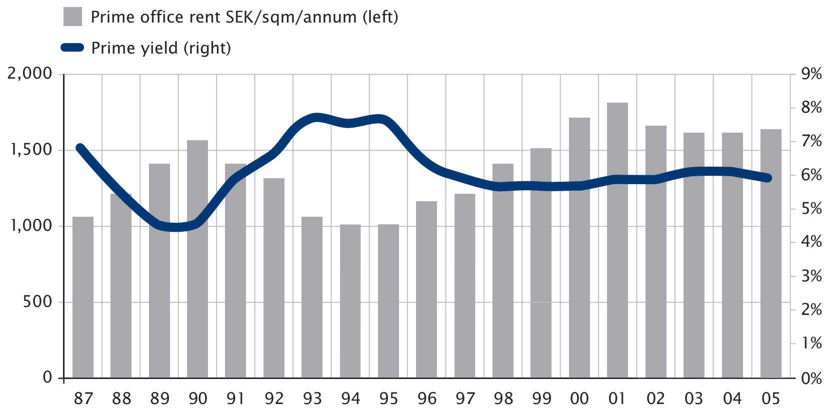
The secondary office property segment within CBD has experienced brisk investor activity. Investors have anticipated improved performance of secondary property on account of employment growth and its natural corollary of increased letting activity and lower vacancy rates. Net initial yields in the secondary office property market have decreased to approxi-

Rents and yields in Copenhagen



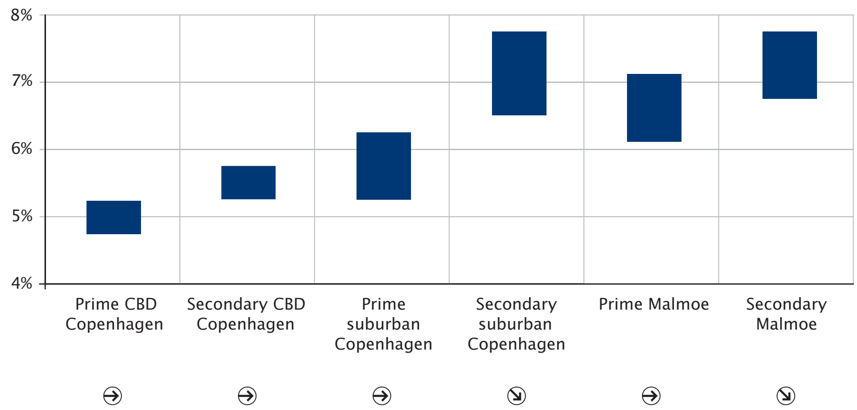
Source: Sadolin & Albæk

Rents and yields in Malmoe



Source: NewSec Analys AB

Net initial yields, office, Copenhagen and Malmoe



Sources: Sadolin & Albæk (Copenhagen) and NewSec Analys AB (Malmoe)

INVESTMENT
Property price index
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Key transactions
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OCCUPATIONAL

PRACTICES AND DEFINITIONS

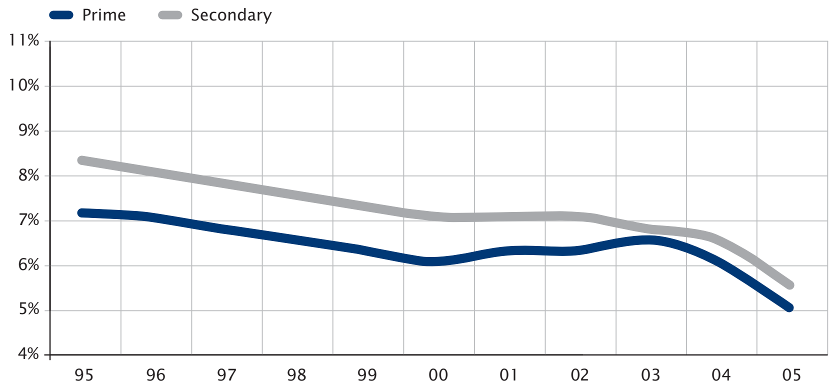
mately 5.25%. Outdated secondary office property mainly remains vacant, and some conversions to residential use were seen in 2005.

Suburban markets

Generally, the suburban office property investment market has been influenced by strong demand from a broad investor segment. The short supply of investment property in the Copenhagen CBD has driven investors into the suburban markets.

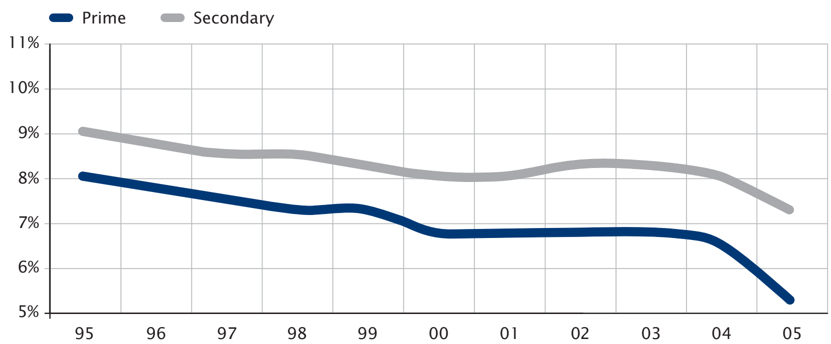
Investment activity outside CBD has been dominated by large transactions involving foreign investors *Aberdeen Property Investors*, *Teesland iOG* and *Norrporten*. But also prime locations such as Hellerup north of Copenhagen witnessed substantial investor activity when Danish flagship brewery *Carlsberg* sold a number of properties in the Tuborg Havn waterfront area to property companies *DADES* and *C.W. Obel A/S*. Prime office yields outside CBD had decreased to 5.25% by year-end 2005.

Net initial yield, office CBD, Copenhagen



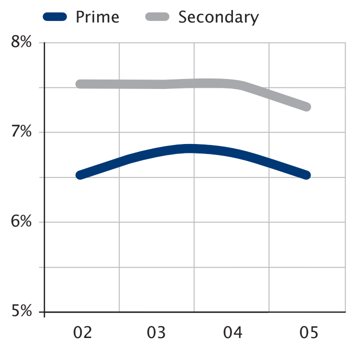
Source: Sadolin & Albæk

Net initial yield, office outside CBD, Copenhagen



Source: Sadolin & Albæk

Net initial yields, office, Malmoe

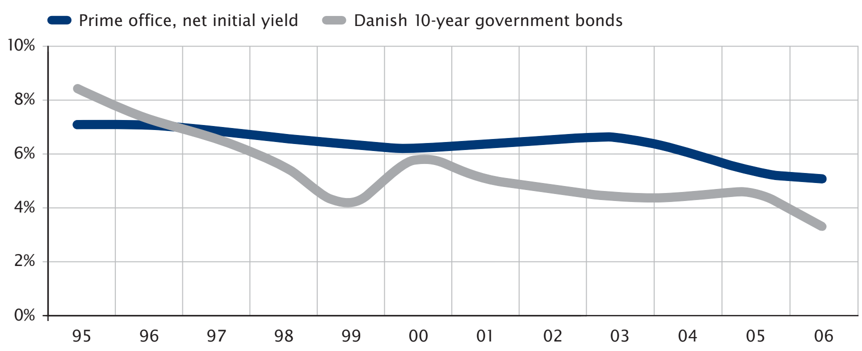


Source: NewSec Analys AB

Investment activity in secondary office locations picked up in 2005. Investors unable to find investment property in prime locations turned their focus to secondary locations. Property companies and private investors have spearheaded this trend. The improved labour market has slowly increased letting activity in secondary locations and investors are seeking to take advantage of the reversionary potential that properties in such areas may harbour. Secondary office yields have come down to approximately 6.50%.

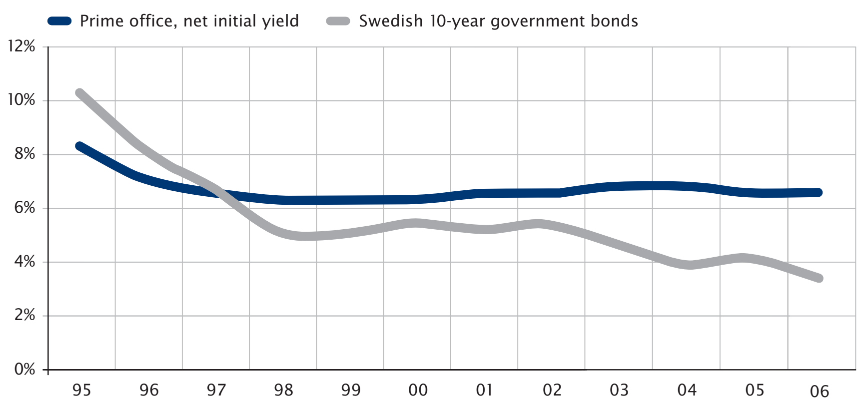
In recent years, international investors have shown interest in the investment markets in Stockholm and Gothenburg. Traditionally dominated by Swedish investors, the Malmoe property investment market also attracted stronger international investor interest in 2005. As a result, net initial yields edged down to approximately 6.50% in the second half of the year. Among others, Danish property group *Keops* and Norwegian investment fund *Acta* have been active players in the Malmoe market.

Yield spread, Copenhagen



Source: Sadolin & Albæk

Yield spread, Malmoe



Source: NewSec Analys AB

- *Lack of investment opportunities and stronger investment demand pushing up prices in all retail segments*
- *Strong demand, but only a few large high-street transactions recorded at prime yields in the 4.25% to 4.5% range*
- *High net worth private investors dominate the high-street market*

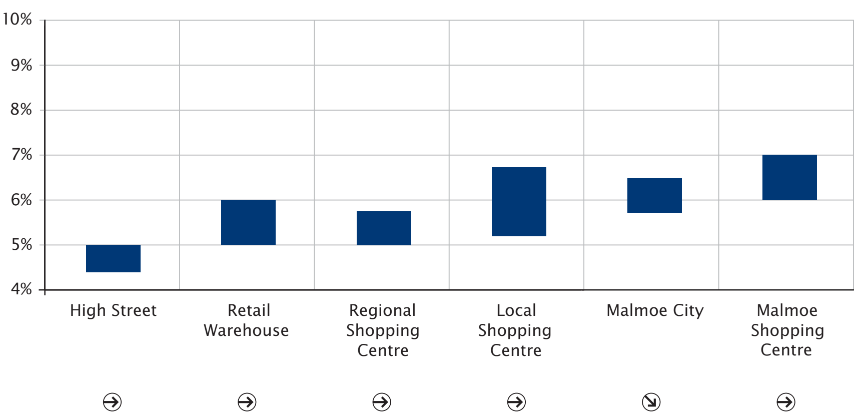
In 2005, the retail investment market in Copenhagen was characterised by strong demand, but a lack of investment opportunities. A few large transactions have however come to market in high-street locations. Traditionally, tax-driven limited partnerships (in Danish *kommanditselskaber, K/S*), have set the market, but in 2005 high net worth private investors have accounted for a number of noteworthy acquisitions. One such transaction was *JBJ Group*'s acquisition of one of Copenhagen's most attractive landmark properties in Amagertorv, housing among others prestigious Danish retailer Royal Scandinavia.

Other notable transactions included Icelandic *Baugur Group*'s acquisition of department stores *Illum* and *Magasin*, both located at the upper end of the Copenhagen high street. Baugur Group purchased an 80% stake in Illum from *Merrill Lynch*, whereas Magasin was purchased in a stock transaction from *A/S Th. Wessel & Vett*. Midway between the Illum and Magasin department stores, shopping arcade *Galleri K* is scheduled for completion in 2006 by domestic developer *Keops*, partly owned by Baugur Group.

Net initial yields on high-street property are currently recorded as low as 4.25%. The lack of high-street investment opportunities is driving investors into secondary market segments. In secondary retail locations, yields currently stand at approximately 5.0%.

For years, the construction of retail shopping centres in Denmark was slowed by restrictive legislation. In 2004, this legislation was relaxed, and since then developers have sold several projects which have been or will be initiated in 2005 or 2006. Notable transactions include the acquisition by domestic property fund *Foreningen ei Invest Nordic Retail* of shopping centre *Gallerierne* in Hillerød and the acquisition by domestic property company *DADES* of *Spinderiet* in Valby. In Roskilde,

Net initial yields, retail, Copenhagen and Malmoe



Sources: Sadolin & Albæk (Copenhagen) and NewSec Analys AB (Malmoe)

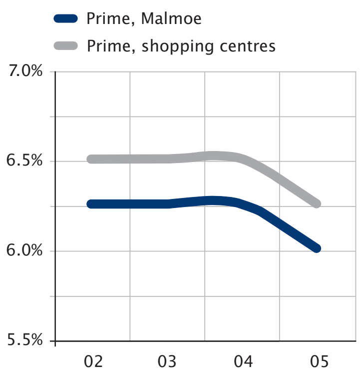
domestic property company *Essex Invest A/S* purchased shopping centre *RO's Torv*, which is scheduled for expansion by some 16,000 sqm before year-end 2007.

Net initial yields on shopping centres were pushed down to approximately 5.00%-5.25% in 2005. Yields in retail warehouse segments have fallen due to demand from especially tax-driven limited partnerships.

In 2005, the retail investment market in the Malmoe area has seen strong activity on the part of domestic as well as international investors, willing to bid up prices considerably. Especially, a few transactions in the shopping centre segment were notable. Danish property group *Keops* acquired *Center Syd*, located in Löddeköpinge some 30 kilometres north of Malmoe. Swedish property company *Brinova* acquired local shopping centre *Oxie* south-east of central Malmoe.

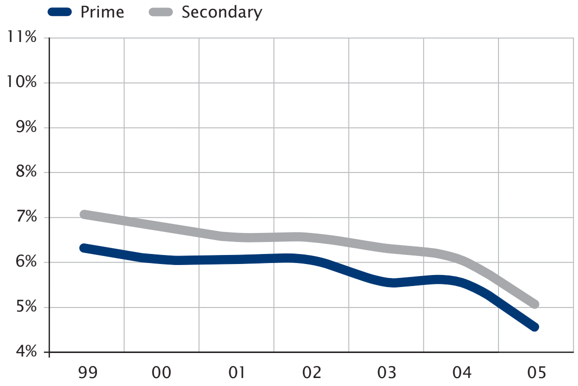
The strong demand for investment property has pushed down yields on retail property in central Malmoe as well as in the shopping centre segment. By year-end 2005, yields in the Malmoe city centre had fallen to 5.75% and shopping centres were trading at 6.0%.

Net initial yields, retail, Malmoe

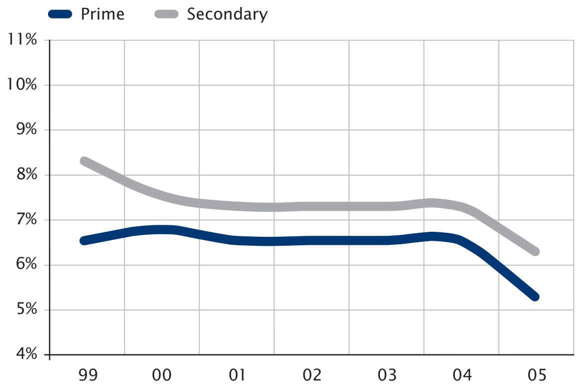


Source: NewSec Analys AB

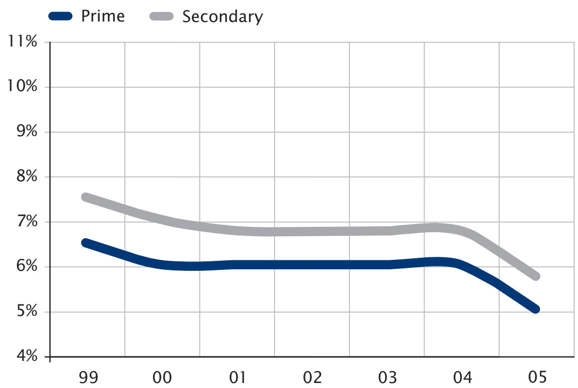
Net initial yield, high-street retail, Copenhagen



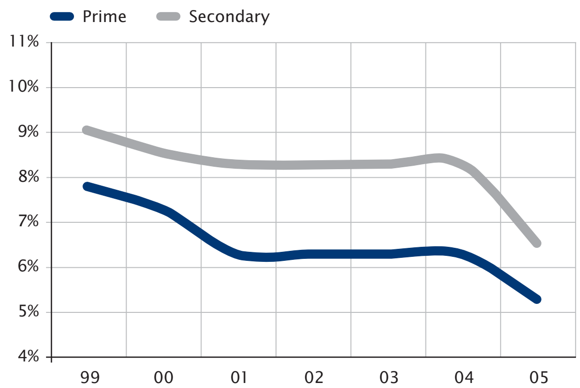
Net initial yield, retail warehouse, Copenhagen



Net initial yields, regional shopping centres, Copenhagen



Net initial yields, local shopping centres, Copenhagen



Source: Sadolin & Albæk

- *Transaction activity in the industrial property sector slowing due to lack of available investment opportunities*
- *Net initial yields on prime industrial property edging down by 50 bps to 6.25-6.75%, whereas secondary buildings typically trade at yields in the 7.0% to 8.0% range*
- *The industrial investment market is increasingly dominated by specialised property companies*

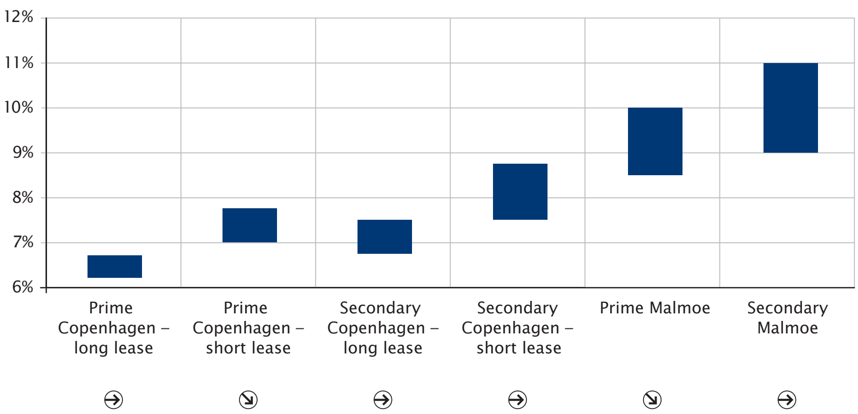
Despite strong investment demand on the part of both domestic and international investors, and contrary to general property market trends, transaction activity in the industrial sector slowed substantially from 2004 to 2005.

Low interest rates and a slightly more favourable occupational market have made property owners more reluctant to sell at current market prices. Also, institutionals and property companies, irrespective of their declared strategic decision to leave this market, are reluctant to sell. Their reluctance is mainly motivated by the fact that they consider it difficult to re-invest in other sectors of the commercial property market at competitive yields.

Whereas the investment market for single-let property with long leases continues to be dominated by domestic tax-driven limited partnerships, the market for multi-let property of a more secondary nature is dominated by specialised portfolio investors such as *Teesland iOG*, property fund *Foreningen Fast Ejendom*, and a group of privately held property companies.

Investor appetites for such secondary products have driven down yields substantially, and

Net initial yields, industrial/warehouse, Copenhagen and Malmoe



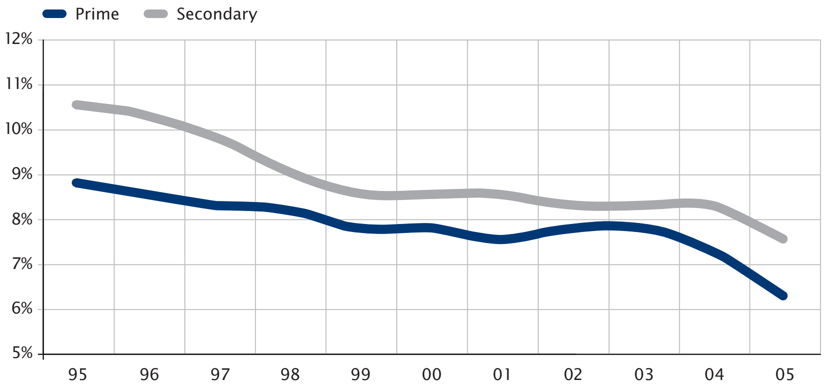
Sources: Sadolin & Albæk (Copenhagen) and NewSec Analys AB (Malmoe)

transactions at net initial yields as low as around 7.0% have been reported, leaving only a slight margin to prime yields of around 6.25%.

In Malmoe, the strong economic growth in the region has boosted investor demand in general, also for industrial property. At the same time, a growing awareness of the region's excellent location and logistics advantages is attracting an increasing number of logistics businesses to the area. An expanding occupational market in turn attracts investors to the region. Consequently, investor demand is backed by a strong economic outlook and favourable framework conditions.

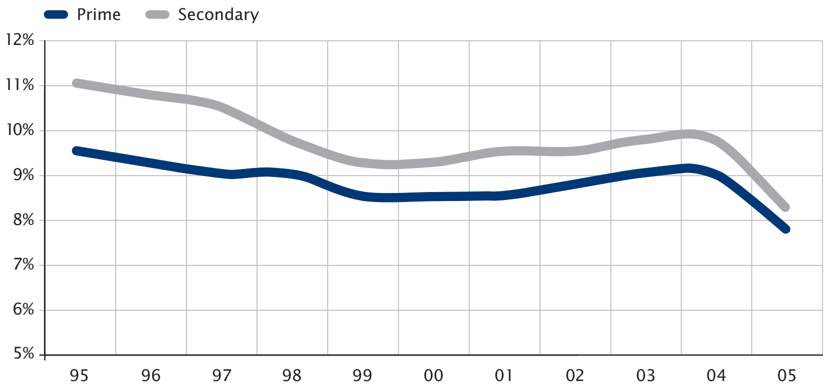
In 2005, prime industrial yields in Malmoe edged down to 8.5%, whereas secondary yields remained stable around the 9.0% mark.

Net initial yield, industrial, Copenhagen, long lease



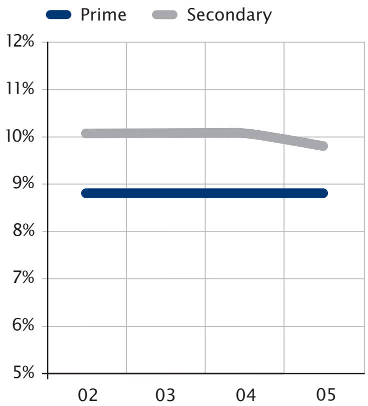
Source: Sadolin & Albæk

Net initial yield, industrial, Copenhagen, short lease



Source: Sadolin & Albæk

Net initial yields, industrial, Malmoe



Source: NewSec Analys AB

Key investment transactions

Office

Property	District	Usage	Buyer	Seller	Sqm	Price MDKK	Yield*)
Portfolio (31 properties)	Mainly CBD	Mixed use	Stodir	Atlas Ejendomme	150,000	Undisclosed	
Portfolio (7 properties)	Suburban	Office	Aberdeen Prop.	Skandia Insurance	70,000	1,000	6.00%
Portfolio (7 properties)	Hellerup	Office	DADES/C.W. Obel A/S	Carlsberg Ejendomme	43,000	1,000	5.50%
Kay Fiskers Plads 11	Ørestad	Office	Norrporten	Private	23,000	Undisclosed	
Portfolio (3 properties)	Mainly CBD	Office	Norrporten	Skanska	42,000	716	5.50%
Stamholmen 147-157	West corridor	Office	Teesland iOG	Danske Bank	68,000	450	na
Pilestræde 26-34	CBD	Office, etc.	Norden	Berlingske	23,000	400	na
Portfolio (12 properties)	CBD	Mixed use	Rolf Barfoed A/S	St. Frederikslund	18,200	395	4.50%
Vognmagergade 8	CBD	Office/education	Private	Sjælsø Gruppen	15,500	325	5.25%
Vandtårnsvej 108-110	Gladsaxe	Office	Nordea & Tryg Ins.	Akticon	19,000	270	5.50%
Søndre Fasanvej 7	Frederiksberg	Office	Private	Private	11,500	265	5.00%
Scandiagade 8	Sydhavnen	Office	Rolf Barfoed A/S	Ness, Risan	11,000	220	6.25%
Jarmers Plads 7	CBD	Office	Realea A/S	Danske Bank	12,300	na	Vacant
Hamnen 21:149	Västra Hamnen	Mixed use	PEAB	Celsius	90,000	224	na
Strandvejen 158	Hellerup	Office	Private	Oticon	9,000	200	na
Linde Alle 5a-25	North corridor	Office	Sjælsø Gruppen	PFA Pension	16,000	200	na
Scandiagade 8	Sydhavnen	Office	Ness, Risan	Keops	11,000	190	6.80%
Støberigade 12	Sydhavnen	Office	Norrporten	MT Højgaard	10,000	185	5.50%
Slotsholmsgade 1	CBD	Office	Atlas Ejendomme	Pension fund	11,000	170	Vacant
Portfolio (7 properties)	Malmoe/Lund	Mixed use	Kungsleden	Undisclosed	na	142	na
Sankt Annæ Plads 13	CBD	Office	Jeudan	TK Development	8,200	140	Vacant
Söderport 9, Kamelen 14	Malmoe	Mixed use	Undisclosed	Kungsleden	15,600	140	8.30%
Skovlytoften 33	Holte	Office	Private	Keops Development	12,000	Undisclosed	
Sjællandsbroen 2-6	Sydhavnen	Office	Private	Norden Property Fund	18,000	130	Vacant
Høffdingsvej 32-36	Valby	Office, etc.	Private	Private	13,500	124	6.25%
Bilen 4 (part of it)	Västra Hamnen	Office	Alecta	NCC	na	125	na
Carlsbergvej 34	Hillerød	Office/education	Private	Private	8,100	123	5.90%
Bilen 5 (part of it)	Västra Hamnen	Office	Alecta	Midroc	na	120	na
Halmtorvet 29	Vesterbro	Office, etc.	Private	Nomeco	14,800	111	na
Nya Vayyentornet 3 (portfolio)	Lund, Sweden	Office	Acta	The Blackstone Group	na	na	na
Portfolio (Kolga 4, Måsarna)	Malmoe/Lund	Office	Wihlsborg	Whitehall	6,000	100	na
Portfolio (3 properties)	Harbour area	Office	Jeudan	Misc.	5,500	100	na
Portfolio (3 properties)	CBD	Office	Jeudan	KP Pension	7,800	100	5.50%

Retail

Property	District	Usage	Buyer	Seller	Sqm	Price MDKK	Yield*)
RO's Torv shopping centre	Roskilde	Retail	Essex Invest	Keops	24,300	Undisclosed	
Østergade 52 (Illum)	CBD	Retail	Baugur Group	Merrill Lynch	24,000	1,240	6.80%
Spinderiet (shopping centre)	Valby	Retail (project)	DADES	TK Development	18,000	660	6.00%
Center Syd	Malmoe	Retail	Keops	SkansTornet	37,000	503	na
Gallerierne (shopping centre)	Hillerød	Retail (project)	ei Invest Nordic Retail	Philipsen A/S	20,200	356	5.50%
Amagertorv 10	CBD	Retail	JBJ Group	MP Pension	10,000	260	3.80%
Lyngby Hovedgade 80-82	Lyngby	Retail	DADES	Essex Invest	6,200	220	5.25%
Vimmelskaftet 36-38	CBD	Retail	Ltd. partnership	Private	3,000	213	4.75%
ILVA	Svågertorp	Retail	Ejendomsvækst	Skanska	10,000	194	7.12%
Østergade 33-35	CBD	Retail	Ltd. partnership	Private	2,000	160	4.40%
Østergade 16	CBD	Retail, etc.	Rolf Barfoed A/S	Private	3,500	125	4.30%
Amagertorv 2	CBD	Retail	Ltd. partnership	Ltd. partnership	900	115	4.25%
Helsingørsgade 10	Hillerød	Retail, etc.	Ltd. partnership	Ltd. partnership	4,500	113	5.25%

Industrial

Property	District	Usage	Buyer	Seller	Sqm	Price MDKK	Yield*)
Tempovej 35	Ballerup	Industrial	Keops	Essex Invest	23,300	120	6.00%
Portfolio (3 properties)	Ballerup/Glostrup	Industrial	Stones Invest	Caclauriis	8,300	90	7.00%
Naverland 7-11	Glostrup	Industrial	Teesland iOG	Ltd. partnership	22,400	84	8.00%
Portfolio (5 properties)	Glostrup	Industrial	For. Fast Ejendom	Private	6,600	83	7.50%
Gl. Køge Landevej 78-82	Valby	Industrial	Kay Wilhelmsen Dev.	Keops	10,000	69	6.00%

**) Yield in this context denotes estimated direct yield*



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MARKET PLAYERS

INVESTMENT
Property price index
Office
Retail
Industrial/logistics
Key transactions
Market players

OCCUPATIONAL

PRACTICES AND DEFINITIONS

- *Institutional investors with large market shares remain reluctant to compete for less than prime properties*
- *International investors move aggressively to secure foothold in the investment market*
- *Property companies cashing in on the strong investment market*
- *Private investors continue to dominate retail investment markets, narrowing the yield spread in the segment*

In 2005, especially a number of major portfolio transactions stood out in the Copenhagen and Malmoe investment markets. Particularly, Icelandic property company *Stodir*'s purchase of 31 properties, formerly owned by Danish property company *Atlas Ejendomme*, was spectacular. Although the purchase sum remains undisclosed, this transaction is believed to constitute one of the largest property transactions in the past five years. Controlling the Stodir properties, *Baugur Group* also purchased from *Merrill Lynch* the *Illum* department store in a central high-street location. With additional indirect property investments through stock acquisitions in Danish developer companies *Keops* and *Nordicom*, Baugur Group was the most active market player in the Copenhagen and Malmoe region in 2005.

Institutional investors

Domestic pension funds and life insurance companies continue to be the largest property owners in the Danish property investment market. However, in 2005 this investor segment remained relatively passive in the increasingly competitive market.

In fact, the number of available prime properties let on long leases and matching institutional investment strategies was scarce in 2005, greatly limiting transaction activity. However, indications are that this investor segment is likely to become more active once new office construction takes off in the development areas, presumably in 2006.

International investors

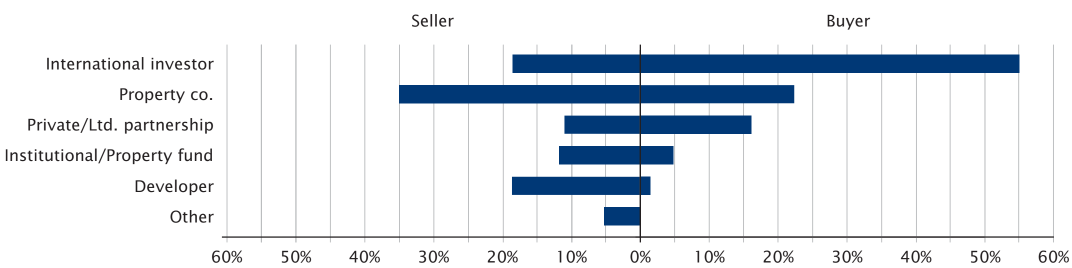
Several international investors, fronted by Baugur Group, have shown an interest in the Danish property investment market over the last 12 months. Although international investors remain relatively specialised, Baugur Group has demonstrated, with Stodir's acquisition of the Atlas Ejendomme portfolio, its intentions to establish a broad presence in the property market. Also, international funds have made significant purchases, including the purchase by *Aberdeen Property Investors* of seven properties in suburban Copenhagen at a price of DKK 1bn (EUR 134m).

Swedish property company *Norrporten* added to international investor activity with a CBD property portfolio acquisition and a significant single property transaction in Ørestad.

Property companies

Domestic property companies became net sellers in 2005, backed by Stodir's acquisition of Atlas Ejendomme. However, a high level of activity has been the general trend for property companies which have been able to take advantage of the fierce competition for prime property among institutional, international and private investors.

Transaction volume (transactions exceeding DKK 100m), Greater Copenhagen*



**) Not including land acquisitions*
Source: Sadolin & Albæk

Property companies have also effected noteworthy acquisitions in 2005. One remarkable portfolio transaction took place in Tuborg Havn in Hellerup, one of the most important office locations outside Copenhagen CBD, where property companies *C.W Obel A/S* and *DADES* purchased seven properties from property company *Carlsberg Ejendomme* for an amount close to DKK 1bn (EUR 134m) in 2005.

Private investors

Private investors, generally in the form of tax-driven limited partnerships, have dominated the retail investment market where tax incentives have spurred fierce competition and a fall in net initial yields. The 2005 acquisition volume in the Danish market for limited partnerships is estimated at DKK 4-5bn (EUR 536-670m), and the average value of projects has increased rapidly over the past years.

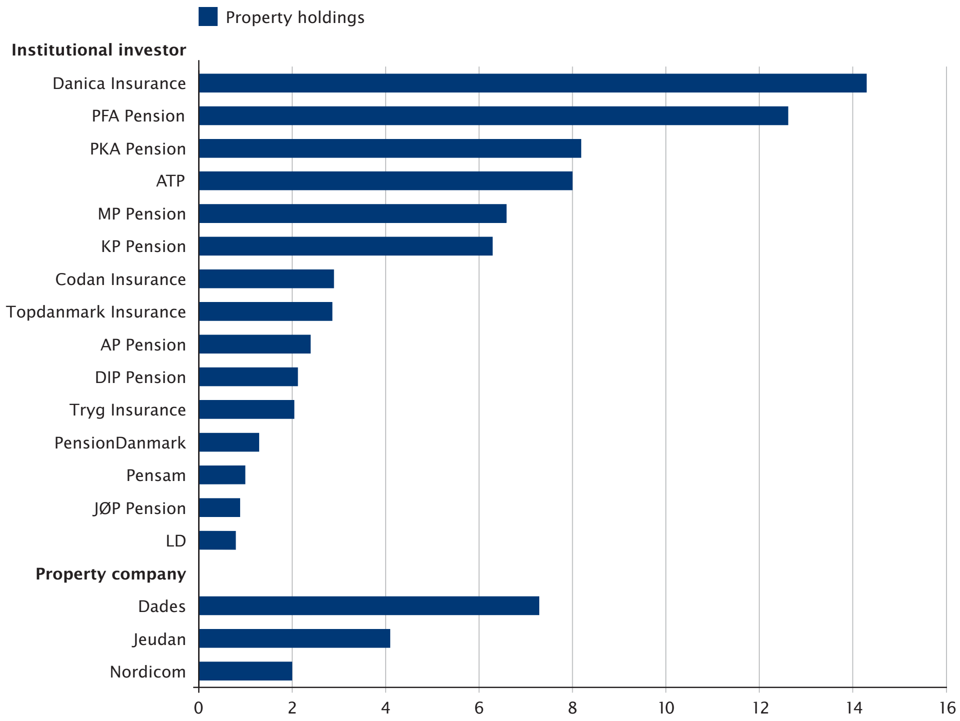
The property investment market is also experiencing growing interest from private investors in general. Several single property transactions were recorded in high-street locations in 2005, and the general housing shortage in central Copenhagen has resulted in projects to convert outdated office premises for residential use.

Developers

Similar to property companies, developers were net sellers in 2005. This was a consequence also of the current market, where international and private investors targeted prime products. Secondary property investments acquired in previous years are currently being re-sold at significantly higher prices.

Except for some activity in the secondary market, very few acquisitions by developers were recorded in 2005. However, in late 2005 and early 2006 developers have made considerable land acquisitions in southern Ørestad, mainly for residential construction. Also in late 2005, *NCC* acquired a site in central Ørestad to develop 230,000 sqm of commercial space.

Property holdings for major property investors (DKK bn)



Source: Sadolin & Albæk

- *Owing to office take-up picking up in 2005, overall office vacancy decreased by 170 bps to 6.1% in 2005*
- *Overall office vacancy projected to edge down further in the course of 2006*
- *The supply of large units (5,000+ sqm) was almost fully absorbed in 2005*
- *Average office market rents increased in the third and fourth quarters of 2005*
- *New office construction continues at a slow pace, but is expected to pick up in late 2006*

In the second half of 2005, vacancy rates in the office occupational market discontinued the upward trend seen in previous years. During the first six months of 2005, vacancy rates in Copenhagen increased marginally, but in the third quarter rates dropped by 170 bps. Take-up in the second half of 2005 was fuelled by healthy labour market prospects and a resulting increase in letting activity and limited new construction. Attractive office units meeting modern tenant requirements were among the first to be absorbed, while remaining units typically failed to meet the required standards in terms of flexibility and installations.

In 2005, new office construction space returned to the last decade's long term average of around 150,000 sqm p.a. Decreasing vacancy rates and a historically high uptake of land in development areas in 2005 may herald an upcoming surge in construction activity.

Today's market is witnessing new developments being based on 5-year pre-let agreements. Furthermore, indications from developers suggest that some construction on speculation could occur in the short term, prompted by the strong investment market. However, consensus in the building industry is that a surge in new construction is not likely to materialise until late 2006/early 2007.

A limited number of schemes to convert office space for residential use were completed in 2005. At year-end, ongoing conversion projects of some 50,000 sqm were recorded in Copenhagen. Similarly, a few conversion schemes were undertaken in suburban locations in 2005. However, the conversion trend is not as profound as expected.

Following a 7.0% drop in 2004, average rent levels stabilised in the first half of 2005, and in the second half average rent levels edged up marginally. The average rent level is expected to continue on an upward trend in 2006, because expansive demand will have absorbed all spare capacity, forcing companies to seek new space.

New office space on the central waterfront now commands prime rents of some DKK 1,650 (EUR 221) per sqm p.a., exclusive of operating costs, whereas the medieval part of the Copenhagen city centre is seeing prime rents of DKK 1,250 (EUR 167) per sqm p.a. and secondary rents of DKK 900-1,100 (EUR 120-147) per sqm p.a.

In the course of 2005, vacancy rates edged down slowly, and in late 2005 vacancy rates in suburban Copenhagen stood at 6.1%.

In volatile office locations dominated by the IT and telecommunications sector, such as *Ballerup* and *Sydhavnen* (the south harbour), rent levels edged up in the second half of 2005. Market rents have remained flat in locations less susceptible to cyclical changes and have even fallen in peripheral locations.

The Ørestad and other areas offering office development potential

The Greater Copenhagen office market is characterised by a substantial number of available sites, zoned for office use, in strong locations, in particular between the city centre of Copenhagen and Copenhagen Airport, but also in attractive waterfront locations.

Despite a boom in residential building, *Ørestad*, the new large urban development site located in the area between the city centre and Copenhagen Airport, saw limited office construction activity in 2005. The decline in vacancy rates in Ørestad has been in sync with the overall trend, and the 30,000 sqm newly constructed *KLP* building is now fully let. *KLP*

Ejendom will now start construction on its second office project in the area. In addition, *Sjælsø Gruppen* has announced plans to develop a 125,000 sqm *'World Trade Center'* in Ørestad. In early 2006, construction company *NCC* signed an agreement to develop 230,000 sqm for office and other commercial purposes.

Other important office development areas in attractive locations in Greater Copenhagen include:

- *Havnestad*, a waterfront site on the western part of Amager. In this area, primarily the new development of multi-family housing continues to account for activity, whereas new office construction has come to a halt. Major developers in this area include a consortium of domestic developer *Sjælsø Gruppen* and *Doughty Hanson & Co*, and domestic developer *Nordkranen* in a joint venture with US *Carlyle Group*. Vacancy rates in Havnestad have declined, and no units of 5,000+ sqm are available.

- *Havneholmen*, a waterfront site immediately south of the city centre where *Skanska* plans to develop 16,000 sqm for *Aller* and 12,000 sqm on speculation in near future. The development potential of the area reaches some 100,000 sqm.

- The *Danlink* site at Nordhavnen (the north harbour), which is being developed for office and residential purposes by a consortium of *TK Development* and the *Port of Copenhagen*. To the north of this area, additional sites are available at Kalkbrænderihavnen, developed by *Sjælsø Gruppen*, and at Tuborg Havn, developed by *Carlsberg*.

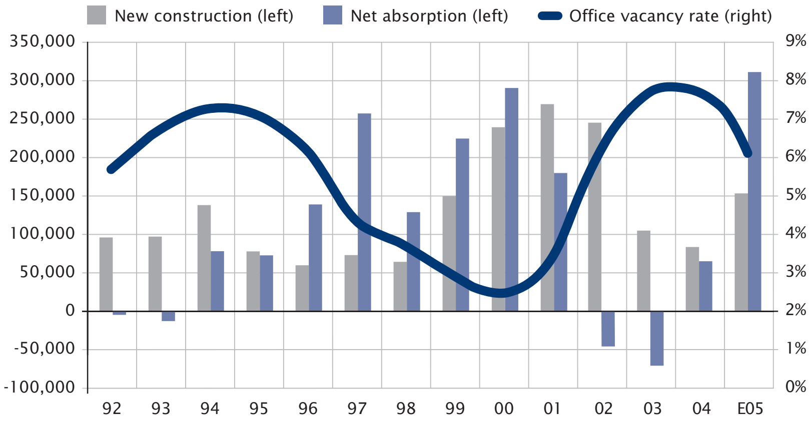
- *Sydhavnen* (the south harbour) where a number of developers offer built-to-suit office projects. Also in this area, residential development activity remains brisk.

- *Scanport*, a 100,000 sqm office development near Copenhagen Airport.

Similarly, development projects in Malmoe include:

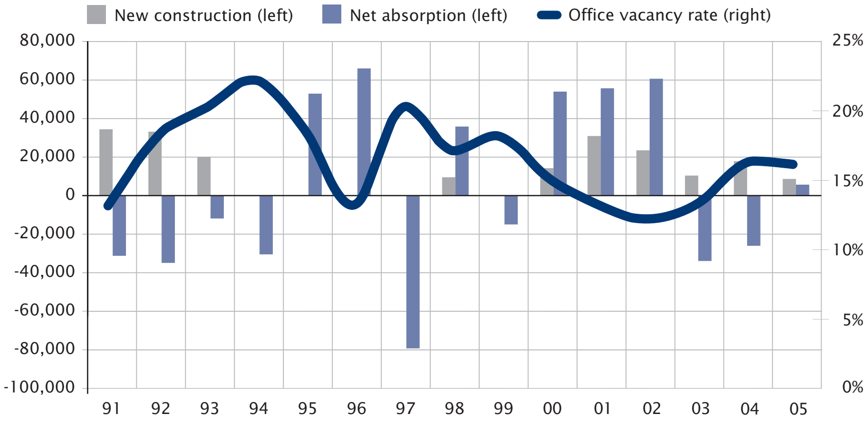
- *Västra Hamnen* (the west harbour) is already a well-established office location competing with traditional office areas in CBD. Development is ongoing in the area, which saw a number of residential completions in 2005. Activity in Västra Hamnen includes a large project of approximately 43,000 sqm for the *University of Malmoe*. Also, several major office and residential projects are being developed in the area. Office projects under construction will comprise some 15,000-25,000 sqm. Several projects are still in the pipeline.

Net absorption, completions (sqm office space) and vacancy, Copenhagen



Sources: The Danish Centre for Forest, Landscape and Planning under the Ministry of the Environment, Oline-Lokalebørs Statistics, and Sadolin & Albæk

Net absorption, completions (sqm office space) and vacancy, Malmoe



Source: NewSec Analys AB

The Copenhagen CBD office market

- *CBD letting activity picked up in 2005. Within CBD, activity has been concentrated on small-sized units, and demand is driven primarily by service sector expansions*
- *CBD office vacancy has decreased and the supply of available up-to-date office units is becoming increasingly scarce*
- *Rents have remained flat and are considerably lower in CBD than in the harbour areas*

Vacancy rates in the CBD office market dropped to 5.8%, rendering CBD the sub-area with the highest take-up rate in 2005. A continued decrease in vacancy rates is predicted in 2006, driven by space demand by the business service and public sectors in particular.

Copenhagen CBD remains a preferred location for many small and medium-sized office users, especially within the professions and the public service sector, who seek to take advantage of the benefits offered by a central location in terms of accessibility by public transport and attractive surroundings with a unique city atmosphere rather than modern office premises in new office locations with less ambience. As office units are generally small in CBD, companies requiring more space typically expand by securing neighbouring units or by relocating to larger premises in the area. Also, average rent levels have become increasingly competitive in CBD, thereby attracting new businesses.

Large space users still prefer waterfront or suburban locations, where new, flexible buildings with adequate space and parking facilities are available.

Take-up in new office buildings along the CBD waterfront remains strong. At fairly stable rents in the order of DKK 1,650 (EUR 221) per sqm p.a., exclusive of operating costs, such buildings attract substantial interest from office users, mostly within the financial sector and professional services requiring flexible and space-efficient prime-quality premises and adequate parking facilities. Only minor units remain available.

Old buildings in the city centre command substantially lower rents, meaning that very good quality space commands rents at the level of DKK 1,200 (EUR 161) per sqm p.a., exclusive of operating costs. Secondary office space is typically available at rents below DKK 1,000 (EUR 134) per sqm p.a.

The CBD office market may be divided into the following sub-areas:

(1) The Government District near the parliament buildings

Government departments, etc. exclusively occupy this part of central Copenhagen. Thus, an office letting market does not exist in this part of the city. In the table on page 32, 'na' denotes that information is 'not available'.

(2) The Pedestrian Area

This medieval part of Copenhagen offers the most prestigious retail locations in the city. Office premises are generally small and located on upper floors of older buildings and this area should not be considered a prime office location. Virtually no parking facilities are available in this area.

Although a certain vacancy is recorded in this area, the office market benefits from the fact that most units are rather small and hence meet the typical requirements for city centre office space, but landlords face increasing investments in upgrading such units to current tenant requirements.

(3) The Banking District

This area, just north of the Government District, accommodates the Danish central bank as well as the head office of Denmark's largest bank, Danske Bank.

Especially Holmens Kanal and Kongens Nytorv are considered prestigious office locations, primarily for banks and other financial institutions. In addition, government institutions unable to find premises within the Government District tend to prefer this area. Vacancy in the area remains low, mainly because of the stable presence of government users.

(4) Frederiksstaden

Located around the Queen's residence, Amalienborg Palace, to the north of the medieval part of Copenhagen, Frederiksstaden is traditionally considered a significant and prestigious CBD office area. The office stock generally consists of period mansion buildings or palace style buildings, many of which have been renovated to high standards. Law firms, financial institutions, shipping companies and organisations traditionally dominate the area. The area continues to record a relatively high vacancy as a consequence of previous years' relocation trend to more modern premises in the harbour and elsewhere.

The largest individual office user in this area, *A.P. Moller Maersk Group*, completed a 14,000 sqm corporate head-office expansion in 2005.

(5) The Rosenborg area

This centrally located office area, close to the pedestrian streets and enjoying easy access from Nørreport Station, remains a good office location for a broad range of tenants, including the media, banks, government and quasi-government organisations and embassies. An advantage of this area is the availability of larger lot sizes of relatively modern first-class office space with adequate parking facilities.

Letting activity has been substantial in 2005, including approximately 18,000 sqm being let to the *City of Copenhagen* at Vognmagergade.

(6) The City Hall and Central Station area

Much of this area was developed in the 1960s and thus contains a considerable number of large-scale, relatively modern buildings with underground parking facilities.

Major occupiers are law firms, chartered accountants, organisations, including trade unions, and financial institutions.

Letting activity in the area was rather brisk in 2005. Recent transactions include *Kammeradvokaten* (the Legal Adviser to the Danish Government) taking approximately 9,000 sqm, and the *Ministry of Cultural Affairs* and affiliated agencies taking some 9,800 sqm at H.C. Andersens Boulevard 2.

(7) The harbour areas

The harbour areas with excellent traffic connections to the motorway network and Copenhagen Airport should currently be considered the most important CBD office locations.

The harbour areas are characterised by highly prestigious first-class development schemes that command high rent levels. The entire area has been redeveloped over the past eight to ten years, but there are still a number of individual sites left. The most attractive office locations are *Nordhavnen* to the north, the inner harbour area of *Christiansbro* as well as *Kalvebod Brygge* to the south.

Letting activity continues to be strong in this area. No units of 5,000+ sqm are available, and smaller units offered to sub-let are generally rapidly absorbed.

Typical office rent levels, Copenhagen CBD

Prime rent levels (Exclusive of operating costs and taxes)	(DKK/sqm/annum) 2000	2001	2002	2003	2004	**2005**	Change **2004-05**	Market expectations **2006**
(1) Government District	na	na	na	na	na	**na**	**na**	**na**
(2) Pedestrian Area	1,200	1,300	1,250	1,200	1,150	**1,150**	**0.0%**	↗
(3) Banking District	1,500	1,500	1,400	1,350	1,250	**1,250**	**0.0%**	↗
(4) Frederiksstaden	1,500	1,500	1,350	1,300	1,250	**1,300**	**4.0%**	↗
(5) Rosenborg area	1,450	1,450	1,300	1,300	1,200	**1,250**	**4.2%**	↗
(6) City Hall and Central Station area	1,500	1,500	1,350	1,350	1,250	**1,250**	**0.0%**	↗
(7) Harbour areas	1,700	1,750	1,700	1,650	1,600	**1,650**	**3.1%**	↗

Secondary rent levels (Exclusive of operating costs and taxes)	(DKK/sqm/annum) 2000	2001	2002	2003	2004	**2005**	Change **2004-05**	Market expectations **2006**
(1) Government District	na	na	na	na	na	**na**	**na**	**na**
(2) Pedestrian Area	1,000	1,050	1,000	1,000	950	**950**	**0.0%**	↗
(3) Banking District	1,250	1,300	1,200	1,150	1,100	**1,100**	**0.0%**	↗
(4) Frederiksstaden	1,250	1,250	1,150	1,100	1,000	**1,000**	**0.0%**	↗
(5) Rosenborg area	1,100	1,150	1,050	1,050	950	**1,000**	**5.3%**	↗
(6) City Hall and Central Station area	1,200	1,200	1,150	1,100	1,000	**1,000**	**0.0%**	↗
(7) Harbour areas	1,450	1,475	1,350	1,350	1,250	**1,300**	**4.0%**	↗

Key lease transactions, office CBD

Property	District*	Landlord	Tenant	Sqm
Vognmagergade 8	(5)	Sjælsø Gruppen	City of Copenhagen	18,000
Kalvebod Brygge 28	(7)	DSB	SEB	14,000
H.C. Andersens Boulevard 2	(6)	Deloitte Foundation	Ministry of Cultural Affairs	9,800
Kampmannsgade 2 (Shell)	(6)	ATP	Legal Adv. to the Danish State	9,000
Højbro Plads 8-10	(2)	ATP	Johan Schlüter (Attorneys)	3,000
Gyldenløvesgade 11	(6)	ATP	Danish Civil Law Directorate	2,000
Rådhuspladsen 75	(6)	C.W. Obel A/S	Spar Nord	1,272
Adelgade 15-19	(5)	MP Pension	Co + Høgh	1,150
Landemærket 10	(2)	Egmont	SEB	1,100

**) Number in brackets refers to map overleaf*
Source: Sadolin & Albæk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The Greater Copenhagen and Malmoe office areas

- *Average suburban vacancy rates edged down to 6.4%*
- *In the fourth quarter of 2005, take-up increased substantially, and new construction stands to accelerate in 2006*
- *In strong suburban locations, rents are increasing, but in more secondary locations rents remain flat*

During 2005, vacancy rates decreased to 6.4%. Suburban vacancy rates stand at a level marginally higher than CBD vacancy rates. The suburban office market has also benefited from the improving employment figures in 2005.

First and foremost, volatile submarkets such as *Sydhavnen* and *Ballerup*, both dominated by the IT and telecommunications sectors and particularly hard hit by the economic downturn in 2001-2004, have seen brisk letting activity. Major office lets in *Sydhavnen* include the *Danish Tax Authorities* (13,500 sqm), and commercial broadcasting company *TV2* (8,700 sqm).

On the other hand, the market in traditionally more stable suburban markets, such as *Lyngby/Gladsaxe*, remains rather flat, and in certain peripheral office locations rents continue to be extremely depressed, and tenant incentives are substantial.

New office construction was relatively slow outside CBD in 2005. However, some investments in new educational facilities were made by places of higher learning. Meanwhile, as vacancies are becoming more scarce in good suburban areas, construction activity may well pick up in 2006-2007.

Prime rents in suburban harbour areas north of the city centre remain at the same level as prime rents in the central harbour areas, i.e. around DKK 1,650 (EUR 221) per sqm p.a., exclusive of operating costs. In other good suburban locations, modern office space is generally available at rents of DKK 1,100-1,250 (EUR 147-167) per sqm p.a., and office space of a more secondary quality continues to be available at rents as low as DKK 675-750 (EUR 90-100) per sqm p.a., exclusive of operating costs.

The Malmoe office occupational market is smaller than its Copenhagen equivalent. However, because integration in the Copenhagen and Malmoe region has intensified, the two markets are increasingly moving in sync. This development is further backed by strong economic activity in either country. Vacancy in the Malmoe office market remained constant in 2005 at a level of around 15.0%. One reason for the relatively high vacancy levels in Malmoe is a high unemployment rate, standing at 8.8%, which is more than 300 bps above the Swedish national average.

Vacancy rates in the Malmoe office market are expected to edge down in 2006, as a result of the strong economic climate in the region spurring employment levels. Additional improvements of the already modern infrastructure in Malmoe are also set to help businesses in the region.

Development activity in the office market is mainly located in the harbour area of *Västra Hamnen*, which is becoming an attractive office location in competition with more traditional office locations in Malmoe CBD. Focus on Västra Hamnen reflects that vacancy rates in this location, averaging approximately 9.0%, are below the overall vacancy level in Malmoe. In terms of new office space, the number of completions was lower in 2005 than the past five years' annual average level, but is expected to pick up slightly in 2006.

Malmoe rent levels edged up in 2005. The prime office rent in Malmoe is currently SEK

1,550-1,625 (EUR 166-174) per sqm p.a., exclusive of operating costs, whereas rents for secondary office space are typically in the range of SEK 1,100-1,200 (EUR 118-129). Prime office net initial yields fell by 50 bps to 6.25% in 2005, with secondary yields standing at around 6.75%, down by some 50 bps.

(1) Østerbro

This district immediately north of the city centre remains a popular office location, dominated by embassies, non-profit organisations and companies in the service industries, including management consultants, etc. Recent office lets include 4,300 sqm to *Rigspolitiet* (the Danish National Commissioner of Police).

Over the past decade, Østerbro as an office location has expanded into the northern harbour areas. In today's market, significant development potential remains in sub-areas around *Kalkbrænderihavnen* and *Sundkrogsgade*. Several projects are scheduled for construction start in 2006.

The area offers easy access by car from the upmarket residential areas north of Copenhagen, and the vacancy rate in this area is probably lower than in any other sub-market.

(2) Nørrebro

Nørrebro to the north-west of CBD is a mixed-use district with extensive residential areas of quite diverse quality and various office locations scattered throughout the area.

The office stock in this area is of diverse quality and age. In today's market it should be considered a secondary office location with limited appeal to office users.

(3) Frederiksberg

Frederiksberg, to the west of CBD, is also a mixed-use district with extensive residential areas of quite diverse quality and various office locations scattered throughout the area. Furthermore, the Frederiksberg area benefits from a large concentration of institutions of higher education.

Frederiksberg has a number of attractive development areas located in connection with the new *Metro* line, connecting this area with the Copenhagen city centre and Ørestad.

(4) Hellerup

Over the last five to ten years, the *Tuborg Havn* (Tuborg harbour) area in Hellerup, some five kilometres north of the city, has been developed into one of the most prestigious suburban office locations, commanding rents almost on a par with rents in inner harbour CBD areas. Tuborg Havn is located directly on the waterfront and has attracted a number of high-profile occupiers, recently also shipping company *Dampskibsselskabet Torm*, and a *Regus* business centre.

(5) Lyngby/Gladsaxe

The Lyngby and Gladsaxe areas, some ten kilometres north of the city, are strong suburban office locations that benefit from excellent motorway access, especially from the attractive residential areas north of Copenhagen. Companies in the IT sector, insurance companies and consulting engineers seem to have a particular preference for these areas. In this connection, it is worth mentioning that *DTU* (the Technical University of Denmark) is located in Lyngby.

In 2005, *Novo Nordisk Engineering* signed a 19,000 sqm pre-let agreement and *Eniro Danmark A/S* took 7,500 sqm in this area.

(6) The north corridor

The north corridor, along the motorway to Elsinore, features a number of office developments in Vedbæk, Hørsholm and Kokkedal, mostly dating from the 1980s. Office letting activity is yet to take off in the north corridor. Meanwhile, the conversion of offices for residential purposes is expected to gain momentum over the next few years.

(7) Birkerød/Allerød

The Copenhagen/Hillerød corridor includes major office areas of varying quality, ranging from rather outdated office buildings from the 1960s and 1970s in Birkerød to modern high-quality buildings.

This corridor is a preferred location for the IT sector and may therefore be considered somewhat susceptible to cyclical changes. However, recently companies within the pharmaceutical industry have expanded in the area. New office lets include *Unomedical* (6,000 sqm), and *Johnson & Johnson* (2,900 sqm).

(8) Herlev/Ballerup

By far the most important office market in Herlev/Ballerup is the *Lautruppark* area. Originally developed in the 1970s as 'The Silicon Valley' of Copenhagen, it remains a preferred office location for large-scale high-tech sector users as well as insurance companies. The area is probably the most volatile sub-market in Greater Copenhagen, experiencing a boom in 1998-2000 followed by a slump from 2001 onwards.

In 2004, however, the area witnessed a bubble of rather brisk letting activity, which faded somewhat in 2005, particularly due to the lack of available space. Rent levels have come up in the second half of 2005, and developers with existing plots of land are sizing up the area for potential new construction.

(9) The west corridor

Vast industrial estates with adjoining office facilities were developed in Glostrup and Brøndby in the 1960s, whereas Albertslund and (especially) Høje Taastrup were developed in the 1980s as industrial and back-office locations.

Over the last five years, Glostrup regained a position as a good, mid-priced suburban office location, benefiting from excellent access by both private and public means of transportation. Høje Taastrup, however, continues to suffer from rather high vacancy rates and declining rent levels, even for good-quality, up-to-date office space.

(10) Valby

Years ago, major development schemes were planned for this former mixed residential and outdated industrial area. As a secondary back-office location, the area nevertheless remains an attractive affordable alternative to CBD and the northern suburbs. Especially, recent years' infrastructural improvements have eased accessibility to the area.

(11) Sydhavnen (the south harbour)

Dominated by telecommunications companies, the Sydhavnen district is close to CBD and offers excellent traffic connections to the motorway network and Copenhagen Airport.

The area is considered one of Copenhagen's most important suburban office development locations. In 2005, the office market in Sydhavnen soared, office lets including the *Danish Tax Authorities* (13,500 sqm), and commercial broadcasting company *TV2* (8,700 sqm).

(12) Amager, Havnestad and Ørestad

The island of Amager benefits from excellent infrastructure with motorway and railway connections to the Copenhagen city centre and the bridge to Sweden, the new Metro line, and Copenhagen Airport. The area has now positioned itself as an attractive suburban office location. Nevertheless, office development opportunities in the area remain substantial.

In 2005, *KLP Ejendom* let approximately 15,000 sqm of space in its development project in Ørestad to multiple tenants, including *Dell* (8,000 sqm). KLP will now start construction of the second 30,000 sqm phase of its office development in Ørestad. Also, *Sjælsø Gruppen* has announced plans for a 125,000 sqm *'World Trade Centre'* in this location, and in late 2005 *NCC* made a land acquisition in central Ørestad with a view to developing 230,000 sqm primarily for office use. Phase one of the construction of new premises for *DR* (the Danish national broadcasting company) in northern Ørestad was completed in late 2005, ahead of schedule. The project adds approximately 40,000 sqm of new commercial space to the development area.

(13) Malmoe city centre

The property stock in the Malmoe city centre is diverse with several buildings dating from around 1900 and buildings erected in the 1960s and onwards. Over the last decade, new construction activity has been sluggish, among other things due to the market situation caused by the Swedish property crisis. As a result, a large part of the city's commercial building stock is more than 20 years old. Mostly service companies, banks and other financial agents have set up business in the Malmoe city centre.

(14) Malmoe Västra Hamnen (western harbour)

Originally, Västra Hamnen was one of Malmoe's largest industrial areas. The area is still characterised by the buildings erected for *Kockum's* activities and the *SAAB* factory. Today, Västra Hamnen is Malmoe's most important development area, equal in size to the central parts of the city. The *University of Malmoe* has educational facilities in the area, which many companies consider an advantage because of the proximity to a well-educated workforce. In 2005, additional university facilities are under construction on *Universitetsholmen* in Västra Hamnen. Due to the number of new construction starts, Västra Hamnen is the area in Malmoe with the most modern office stock.

(15) Malmoe inner ring road area

A great many logistics companies have chosen to locate alongside the inner ring road, but this area also has a number of service companies, some of which are in the IT and telecommunications sectors. Some office premises are also located in connection with warehouse and/or industrial premises. The buildings mainly date from the 1970s and 1980s.

Key lease transactions, office outside CBD

Property	District*	Landlord	Tenant	Sqm
Vandtårnsvej 108-110 (project)	(5)	Akticon	Novo Nordisk Engineering	19,000
Havneholmen (project)	(11)	Skanska	Aller	16,000
Sluseholmen 8	(11)	Danica Insurance	Danish Tax Authorities	13,500
Teglholm Allé 16	(11)	MP Pension	TV2	8,700
Arne Jacobsens Allé 15-17	(12)	KLP Ejendom	DELL	8,000
Sydmarken 44	(5)	Skanska	Eniro Danmark A/S	7,500
Amager Strandvej 108	(12)	Kirkbi A/S	TDC Kabel	7,500
Lautrupvang 3	(8)	MP Pension	Tellabs	6,600
Stamholmen 110	(9)	Essex Invest	Glenco A/S	6,000
Stationsparken 25	(9)	DADES	El-Tel	5,300
Sandtoften 9	(5)	MP Pension	Novo Nordisk	5,000
CF Richs Vej 107	(3)	Pensam	ScanJour A/S	5,000
Hedegårdsvej 88	(12)	SAS (sublessor)	Citibank	5,000
Roholmsvej 19	(9)	Mäckler Property Dev.	Konica Minolta	4,800
Bryggervangen 55	(1)	Private	Nat.Com.for the Police (SØK)	4,300
Lautrupvang 3C	(8)	Ementor (sublessor)	GN Netcom	3,800
Bregnerødvej 133	(7)	DADES	Johnson & Johnson	2,900
Arne Jacobsens Allé 15-17	(12)	KLP Ejendom	Accenture	2,600
Arne Jacobsens Allé 15-17	(12)	KLP Ejendom	GlaxoSmithKline	2,600
Islands Brygge 55	(12)	Tryg Insurance	Speednames:Business	2,500
Automatikvej 1	(5)	Tryg Insurance	Regus House HQ	2,500
Islands Brygge 55	(12)	NCC Property Dev.	SKI	2,100
Scherfigsvej 7	(1)	Private	The Danish State	2,000
Skovlytoften 33	(6)	Keops	G.R.A.S. Sound & Vibrations A/S	2,000
Hørkær 12	(8)	ATP	T-Pack	1,600
Arne Jacobsens Allé 15-17	(12)	KLP Ejendom	UCB Pharma Nordic	1,500
Skovlytoften 33	(6)	Keops	Aqua A/S	1,300
Skovlytoften 33	(6)	Keops	Lenovo Danmark Aps	1,200
Skovlytoften 33	(6)	Keops	Dansk Geo-ServEx A/S	1,200
Bistruphave 3	(7)	Keops	7-Technologies A/S	1,100
Prags Boulevard 80	(12)	TopDanmark Insurance	Telia	1,000
Arne Jacobsens Allé 15-17	(12)	KLP Ejendom	Medtronic	1,000
Arne Jacobsens Allé 15-17	(12)	KLP Ejendom	Novo Nordisk	1,000
Skovlytoften 33	(6)	Keops	Sennheiser Nordic A/S	1,000

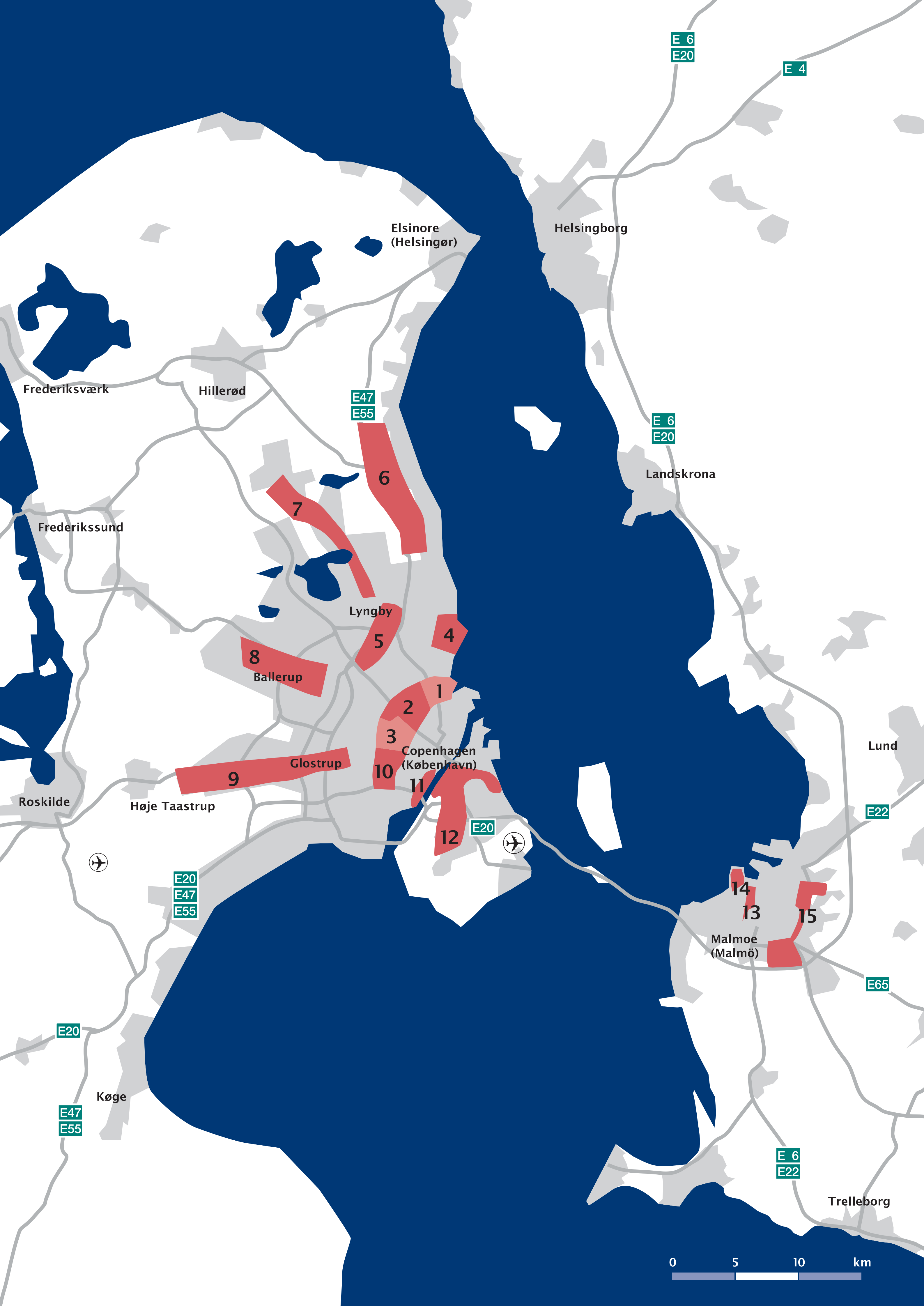
**) Number in brackets refers to map on page 41*
Sources: Sadolin & Albæk

Typical office rent levels, Copenhagen outside CBD and Malmoe

Prime rent levels (Exclusive of operating costs and taxes)		(DKK/sqm/annum) 2000	2001	2002	2003	2004	**2005**	Change **2004-05**	Market expectations **2006**
(1)	Østerbro	1,600	1,600	1,650	1,600	1,550	**1,600**	**3.2%**	↗
(2)	Nørrebro	1,050	1,100	1,050	1,000	950	**950**	**0.0%**	→
(3)	Frederiksberg	1,050	1,100	1,100	1,100	1,050	**1,150**	**9.5%**	↗
(4)	Hellerup	1,500	1,550	1,550	1,550	1,550	**1,600**	**3.2%**	↗
(5)	Lyngby/Gladsaxe	1,250	1,300	1,250	1,200	1,200	**1,200**	**0.0%**	↗
(6)	The north corridor	1,100	1,100	1,000	1,000	1,000	**1,050**	**5.0%**	→
(7)	Birkerød/Allerød	1,050	1,150	1,100	1,050	1,000	**1,000**	**0.0%**	↗
(8)	Herlev/Ballerup	1,100	1,150	1,100	1,050	950	**1,050**	**10.5%**	↗
(9)	The west corridor	1,050	1,100	1,000	1,000	950	**1,000**	**5.3%**	→
(10)	Valby	850	850	950	950	950	**1,000**	**5.3%**	→
(11)	Sydhavnen	1,300	1,400	1,400	1,300	1,200	**1,250**	**4.2%**	↗
(12)	Amager/Ørestad	1,400	1,400	1,400	1,250	1,200	**1,250**	**4.2%**	↗
		(SEK/sqm/annum)							
(13)	Malmoe city centre	1,700	1,800	1,650	1,600	1,600	**1,625**	**1.6%**	↗
(14)	Malmoe Västra Hamnen	1,300	1,500	1,450	1,450	1,450	**1,500**	**3.4%**	↗
(15)	Malmoe inner ring road	950	1,050	1,000	1,000	1,000	**1,000**	**0.0%**	→

Secondary rent levels (Exclusive of operating costs and taxes)		(DKK/sqm/annum) 2000	2001	2002	2003	2004	**2005**	Change **2004-05**	Market expectations **2006**
(1)	Østerbro	1,100	1,150	1,100	1,050	1,000	**1,050**	**5.0%**	↗
(2)	Nørrebro	750	775	750	750	725	**750**	**3.4%**	→
(3)	Frederiksberg	750	775	750	775	800	**850**	**6.3%**	↗
(4)	Hellerup	1,150	1,150	1,100	1,100	1,100	**1,150**	**4.5%**	↗
(5)	Lyngby/Gladsaxe	975	975	950	950	900	**950**	**5.6%**	↗
(6)	The north corridor	850	900	850	800	800	**800**	**0.0%**	↗
(7)	Birkerød/Allerød	850	875	850	800	750	**775**	**3.3%**	↗
(8)	Herlev/Ballerup	800	825	800	775	725	**750**	**3.4%**	↗
(9)	The west corridor	775	800	775	750	700	**675**	**-3.6%**	→
(10)	Valby	700	725	725	725	700	**725**	**3.6%**	↗
(11)	Sydhavnen	1,200	1,200	1,200	1,100	1,000	**1,050**	**5.0%**	↗
(12)	Amager/Ørestad	1,050	1,050	1,000	950	900	**950**	**5.6%**	↗
		(SEK/sqm/annum)							
(13)	Malmoe city centre	1,350	1,400	1,250	1,200	1,200	**1,200**	**0.0%**	→
(14)	Malmoe Västra Hamnen	1,100	1,200	1,100	1,100	1,150	**1,150**	**0.0%**	→
(15)	Malmoe inner ring road	850	950	850	850	850	**850**	**0.0%**	→

Sources: Sadolin & Albæk (Copenhagen) and NewSec Analys AB (Malmoe)



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INVESTMENT

OCCUPATIONAL
Office
Retail
Industrial/logistics

PRACTICES AND DEFINITIONS

The central Copenhagen retail area

- *Sustained increase in private consumption fuels retail space demand in the Copenhagen city centre*
- *Brisk letting activity in the Copenhagen high-street market and adjacent streets*
- *Prime high-street units continue to attract strong demand by international retailers*

Exceeding expectations, Danish consumer spending increased by 4.2% in 2005. The massive increase in 2005 followed a strong increase of 3.8% in 2004, providing for a thriving Danish retail market. This development was mainly boosted by the introduction of interest-only home mortgages, enabling private households to improve their liquidity. In addition, the Danish government's so-called tax stop was followed up by real cuts in taxes and dues, which enhanced the purchasing power of private households and thus consumer spending. Obviously, both factors continue to influence Danish consumer spending also in 2006, although its growth rate is expected to slow to 2.3%.

Vacancy rates in CBD edged down in the course of 2005 to a level of approximately 1.4% at year-end. High-street units, even if large, in locations enjoying high footfall are typically easily re-let, whereas units away from the main pedestrian flow may experience re-letting periods of several months.

Average rent levels remained flat in the first half of 2005, but in the second half of the year an upward tendency became apparent.

In 2005, *Puma* opened its first flagship store in the square of Amagertorv in a Copenhagen high-street location. Additionally, newcomers in 2005 included *Sportsmann Gruppen A/S* and *New Yorker* also with new high-street flagship stores, the store of *New Yorker* extending to 2,600 sqm in a landmark building.

The trend of local retailers being replaced by international and national retail chains continues. Examples of other retailers that located on Strøget and Købmagergade in 2005 are international design furniture chain *Natuzzi*, which opened another shop in regional shopping centre Field's in Ørestad, fashion retailers *Triumph, Blend She, Sparkz, Soaked in Luxury* and *Joe Boxer*. Furthermore, in the high-street market, *Ozio* opened a designer shoes shop and *Carla F* opened a second shop. In the upper end of Copenhagen high street, Danish jeweller *Hvelplund* opened a shop in 2005.

Accordingly, the interest from international and domestic retailers for prime retail units in the pedestrian streets of Strøget and Købmagergade remains strong. Also, the development of shopping arcade *Galleri K* between the department stores *Illum* and *Magasin* is creating new lease opportunities on Strøget.

In the past couple of years, an increasing tendency on the part of cafés and bars to prefer high street locations has been apparent. On the square of Vimmelskaftet, British pub *Beefeater* has opened next to *Baresso* and the *Irish Rover Pub*, which opened in 2004. In the square of Amagertorv *Nazaza Coffee* also opened in 2005.

More specialised local retailers typically prefer locations in the Copenhagen Latin Quarter and Grønnegade district around the high-street area. As far as high-street property owners are concerned, this signals a positive development: Retail chains are able to pay higher rents than local retailers. On the other hand, landlords in the Latin Quarter and Grønnegade area also stand to gain as local retailers are able to pay higher rents than the typical alternative tenants previously dominating the area. At the same time, local retailers have helped upgrade this area, making it more attractive.

The retail market in Copenhagen can be divided into a number of sub-categories. For typical retail rent levels, please see below:

(1) The high-street retail market in the Copenhagen city centre

This market is concentrated in the pedestrian street area, Strøget, running from Rådhuspladsen (City Hall Square) to Kongens Nytorv, and Købmagergade, linking Strøget with Nørreport Station.

This area accommodates both department stores and local as well as major international retailers. The most exclusive part of Strøget is located in the area between Kongens Nytorv and Amagertorv. This area has a wide range of high-profile shops offering brands such as *Gucci, Louis Vuitton, Hermès, Versace, Burberry, Donaldson, LaCoste, Donna Karan, Mulberry, Chanel, Hugo Boss, Sand, Georg Jensen, Bang & Olufsen, Sand* and *Max Mara*.

In 2005, the *Illum* department store refurbished parts of its ground floor premises to accommodate Scandinavian designers, including *J. Lindebergh, BZR Bruuns Bazaar, Philippa K* and *Day Birger et Mikkelsen*. Also at ground floor level, *Samsung* has taken a front unit, focusing on high-end consumer electronics. In neighbouring department store *Magasin*, international toy shop *Hamleys* opened in 2005.

International retailers on Strøget and Købmagergade include *Zara* with a three-storey flagship store, *Hennes & Mauritz* with two three-storey mega-shops and two minor shops, *Esprit* with two shops, *Dressmann, Stadium, Diesel, Mango* and *Benetton*. Furthermore, *Monsoon* has two shops, a major and a minor unit. In 2005, notable high-street newcomers were *Puma, New Yorker, Hvelplund, Triumph* and *Natuzzi*.

Retail chains dominate the high-street area, accounting for some 60% of the shop units, and an even greater percentage in terms of space occupied.

The competition for units on both Strøget and Købmagergade has increased, and in most cases key money is paid.

(2) The Copenhagen Latin Quarter and Grønnegade area

The Latin Quarter/Grønnegade area encircles Copenhagen's high-street area and is dominated by local independent retailers, occupying some 80% of the shops in this area, as opposed to e.g. about 40% in the Copenhagen high-street area.

The new trend-setting local retailers have typically chosen locations in close proximity to Strøget and Købmagergade. The further the distance from these main shopping streets, the less exclusive/trendy the shops tend to be.

Characteristically for the area, it accommodates a large number of the more exciting cafés and restaurants. In general, restaurants and amusement areas are located at either end of Strøget, viz. in the City Hall/Central Station area and in Nyhavn.

(3) Other important shopping areas in Copenhagen

There are five important retail areas outside the Copenhagen city centre, viz. Østerbro, Nørrebro, Frederiksberg, Vesterbro and Amagerbro. Each area represents a local residential district, characterised by multi-storey housing and located close to the city centre. Except for Frederiksberg, trade in these areas is predominantly local.

Frederiksberg differs from the other districts in that it attracts considerable regional trade thanks to its concentration of furniture and kitchen retailers and, in Falkoner Allé, a major concentration of IT related shops targeting private consumers. Also, Frederiksberg is home to *Frederiksberg Centret*, one of the most important local shopping centres, comprising some 18,000 sqm of retail space.

Shopping centres also deserving mention are *Amager Centret* at Amagerbro comprising approximately 20,000 sqm of retail space, and *Nørrebro Bycenter* at Nørrebro comprising approximately 12,000 sqm. Both are typical local shopping centres, and especially the centre on Amager has been in operation for quite a number of years.

Typical retail rent levels, central Copenhagen

(Exclusive of operating cost and taxes)			(DKK/sqm/annum) 2003	2004	**2005**	Market expectations **2006**
(1)	Copenhagen High Street (upper end)	Area up to 100 sqm	12,000-19,000	12,000-19,000	13,000-19,000	→
		Area 100-300 sqm	9,000-14,000	9,000-14,000	11,000-14,000	→
		Area 300 sqm+	6,000-12,000	6,000-11,000	8,000-11,000	→
	Copenhagen High Street (lower end)	Area up to 100 sqm	6,500- 9,000	6,500- 9,000	7,000-11,000	→
		Area 100-300 sqm	4,000- 8,000	4,000- 8,000	5,500- 9,500	↗
		Area 300 sqm+	3,500- 5,500	3,500- 5,500	4,500- 7,500	↗
(2)	Copenhagen City Latin & Grønnegade area	Area up to 300 sqm	1,200- 3,300	1,400- 3,800	1,800- 4,500	↗
		Area 300 sqm+	1,200- 1,800	1,200- 2,500	1,200- 3,500	↗
(3)	Copenhagen other important shopping areas	Area up to 300 sqm	1,000- 2,800	1,000- 3,200	1,200- 3,800	→
		Area 300 sqm+	1,000- 1,800	1,000- 2,200	1,000- 2,800	→

Key lease transactions, high-street, retail

Property	Landlord	Tenant	Sqm
Frederiksberggade 16	MP Pension	New Yorker	2,668
Vimmelskaftet 39-41	Ltd. partnership	Sportsmann Gruppen	1,900
Vimmelskaftet 35	Nordea Ejendomme	Natuzzi	1,200
Vimmelskaftet 39-41	Ltd. partnership	Change	900
Amagertorv 7	Private	Puma	500
Frederiksberggade 15	Sweater Market	Aldo Shoes	392
Østergade 47	A Fonnesbech A/S	Triumph	247
Amagertorv 31	Frank Brøndum	Blend She	232
Købmagergade 30	Ltd. partnership	Soaked in Luxury	218
Købmagergade 38	Dansk Ejendomskapital	Sparks	140
Købmagergade 55	Kirkbi A/S	Joe Boxer	124
Frederiksberggade 6	Ltd. partnership	Ozio	65

Source: Sadolin & Albæk

Østerbro
Nørrebro
Bycenter
Nørrebro
3
3
3
Frederiksberg
Frederiksberg
Centret
Copenhagen
city
2
1
3
Vesterbro
Fisketorvet
shopping centre
Amager
Centret
3
Amagerbro
Ørestad
Field's
shopping centre

The Greater Copenhagen and Malmoe retail areas

- *Sustained increase in consumer spending fuels demand from retailers for premises in local high streets and central shopping centres*
- *International retailers still showing strong interest for prime high-street and shopping centre locations*
- *Construction activity in local shopping centre segment*

In general, all retail segments in Greater Copenhagen have benefited from recent years' high levels of consumer spending. In the suburbs and in decentralised locations, retail chains and local retailers dominate the central high streets.

Vacancy rates in the retail market remained almost flat at approximately 1.2% throughout 2005. Remaining vacancies must be seen as structural, and even the strong consumer spending in this period has not been able to improve vacancy rates further.

In 2005, the suburban retail market also felt the increased attention from international retail chains preferring either high-street locations or local and regional shopping centre locations. Outside Copenhagen, this development is predominantly manifest in the shopping centre segment, which has been revitalised with several new centres and major modernisations in recent years. Projects in Valby and Hillerød are under construction, and yet another project is planned for development on the waterfront in development area Tuborg Havn, close to central Hellerup. Due to a relaxation of the Danish planning legislation, these new shopping centres are established in proximity to city centres. Nevertheless, on account of the continued ceiling stipulated for retail space also in central locations, the competition for available units has not weakened, and vacancy rates in local shopping centres consequently remain low.

Recent years' construction activity within the shopping centre segment is prompted by structural changes, including the formation of retail clusters over the past decades. This trend has been most pronounced in the provincial towns of Greater Copenhagen.

Average rent levels edged up slightly in the second half of 2005, as demand from newcoming retail chains put an upward pressure on rent levels. New construction has not yet been able to satisfy demand for retail space.

Retail trade in the Malmoe market has benefited from a 2.5% growth in Swedish consumer spending. Consumer spending is expected to sustain this growth rate throughout 2006, and retailers are likely to continue to record high sales.

Over the past decade, Swedish retailing has been concentrated in large shopping centres and out-of-town retail warehouses. Although two major projects are planned for construction in the Malmoe area, construction activity was sluggish in 2005. As the supply of new retail space has remained low in the Malmoe area and demand for further retail space was strong throughout 2005, vacancy continued to edge down, now standing below the 3% mark.

In recent years, retail rent levels have been increasing with the improved turnover, but in 2004 rents only rose marginally, and in 2005 the rent level remained constant over the year. In Malmoe, retail rents on high-street units have reached a level around SEK 5,750 (EUR 616) for the best units.

The retail market in suburban Copenhagen and Malmoe can be divided into a number of subcategories. For typical retail rent levels, please see below:

(1) The provincial high-street retail markets

Typical local high-street retail areas are found in the town centres of Elsinore, Hillerød, Roskilde and Køge.

(2) The regional shopping centre market

The regional centres are *Lyngby Storcenter* to the north, *Rødovre Centrum, City 2* and *RO's Torv* to the west, *Hundige Storcenter* and *Ishøj Bycenter* to the south, *Fisketorvet* close to the city centre and *Field's* in Ørestad east of the city centre. Field's is the largest shopping centre ever built in Denmark, developed by a consortium of domestic player *TK Development* and Norwegian company *Steen & Strøm*.

As current Danish planning legislation leaves little room for new developments of large out-of-town shopping centres, the regional shopping centres in Denmark primarily originate from the 1970s. The development in shopping centre revenues and the increased retail market share of this particular segment have motivated several shopping centres to expand or to refurbish existing premises. Hundige Storcenter is upgrading the facilities connecting to the main centre and the S-train station, and entertains possible expansion plans. Ishøj Storcenter has upgraded its entrance facing the S-train station, Rødovre Centrum is undergoing yet another expansion by 4,000 sqm with tenants such as supermarket *Føtex*. Also shopping centre RO's Torv expands by 16,000 sqm to almost 40,000 sqm in total. This upgrading and expansion trend in the regional shopping centre segment is expected to continue over the next couple of years.

The sales area of the regional shopping centres in Greater Copenhagen ranges between approximately 20,000 sqm and 70,000 sqm. The average sales area is around 40,000 sqm and sales per sqm averaged approximately DKK 33,000 (EUR 4,423) in 2004.

(3) The local shopping centre market

Local centres or local shopping areas do not compete with regional centres to any significant extent. Rather, the two complement each other, covering different consumer needs. The strength of local centres is that they offer an opportunity for daily purchases of convenience goods, while the strength of regional centres is their range of specialities.

Local centres are typically located close to S-train stations as most of their trade is in convenience goods. Shopping must be easy for consumers who do not have a car. Local centres are therefore predominantly occupied by convenience stores, typically supermarkets and a few specialised shops, e.g. bakers, greengrocers and butchers.

New construction of local shopping centres reflects a trend towards a tenant mix increasingly resembling that of regional centres. Furthermore, in terms of size measured in sales area, the local shopping centre projects all lie in the top range. This is partly due to the restrictions imposed on the construction of large out-of-town shopping centres. Currently, a number of local shopping centres are in the pipeline, viz. in Valby *'Spinderiet'*, in Hellerup *'Waterfront'*, and in Hillerød *'Gallerierne'*.

The rented area in local shopping centres typically ranges between approximately 4,500 sqm and 20,000 sqm, the average sales area comprising approximately 10,000 sqm. Sales per sqm averaged approximately DKK 37,800 (EUR 5,066) in 2004.

(4) The retail warehouse market

The retail warehouse concept is a popular, albeit only moderately developed, concept in the Copenhagen market. Prime locations are two motorway locations, in *Lyngby/Gentofte* to the north of the city, and in *Taastrup* to the





FERRING
FERRING


NEWYORKER


west, where retail warehouse parks are anchored by *Ikea*.

The restrictions imposed on further development of out-of-town retail centres also affect the retail warehouse market, stipulating an upper limit of 3,000 sqm for supermarkets and a maximum sales area of a mere 1,500 sqm for non-food retailers.

(5) The retail market in Malmoe city

The retail market in Malmoe is concentrated around the pedestrian streets of Södergatan and Södra Förstadsgatan between Stortorget to the north and the *Triangeln* shopping centre to the south. Generally, the best retail locations are found in the stretch from Stortorget via Södergatan past S. Förstadskanalen to Södra Förstadsgatan. The market is expected to be strengthened considerably in connection with the construction of the city tunnel projects that will improve accessibility by public transport to the city centre, e.g. by an underground station at Triangeln. Transportation in the city tunnel is scheduled to commence in 2010.

There has been an improvement in the range of shops, and large retail chains such as *Hennes & Mauritz, Duka* and *Sisters* are present, and brands with own outlets, like e.g. *Hugo Boss, Armani* and *Zara*, have established shops here in recent years.

Restaurants and cafés are predominantly located in the area around Lilla Torg and in and near the shopping centre of *Hansacompagniet*.

In 2005, shopping arcade *Citygallerian* opened in Storgatan. The shopping arcade is conceptual in the sense that focus is mainly on customers aged 20-28, and it is the first of is kind in Malmoe. Among the 16 shops in the centre are *H&M, Denim for Girls, Pilgrim, '3', Only, Bertoni, Guaya*, and *Triumph*.

(6) The shopping centre market in Malmoe

Regional shopping centres are located around Malmoe. Ten kilometres north of the city, in Burlöv, lies *Burlöv Center*, a large-scale shopping centre where several of the major retail chains have outlets. A very well-established shopping centre, called *Center Syd*, is located in Löddeköpinge, approximately 30 kilometres north of Malmoe. The area has expanded substantially in recent years and a considerable number of new shops have opened in the area. On the outskirts of Lund shopping centre *Nova* adds to the Malmoe area's retail, and north of Malmoe, just outside Helsingborg (some 70 kilometres from Malmoe), lies *Väla Centrum*, also a well-established shopping centre.

As far as local shopping centres are concerned, the most central shopping centres in Malmoe are *Caroli City, Hansacompagniet* and *Triangeln* at the end of the pedestrian part of Södra Förstadsgatan. Here, small retail units mix with the major clothing shops. Shopping centres competing with the city retailers are *Mobilia* and *Jägersro* where major shops like *Jysk Bäddlager*, *OnOff* as well as major food chains and others are represented.

Several shopping centres are now located within a short distance of each other, a factor that may have a negative impact on rent levels and vacancy rates due to fiercer competition. This mainly applies to the older shopping centres that have not been upgraded and therefore have an outdated and less appealing layout.

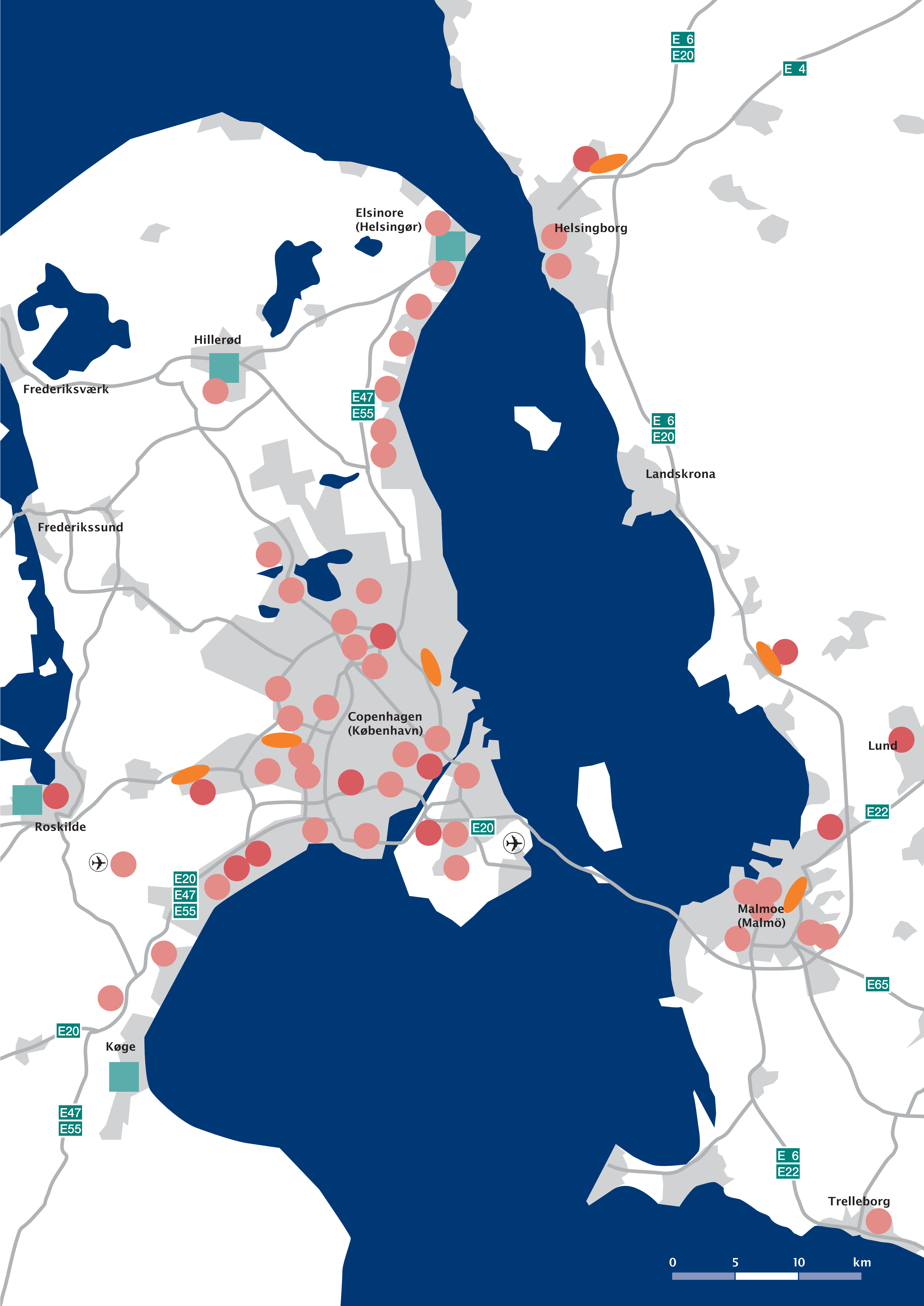
Typical retail rent levels, Greater Copenhagen and Malmoe

(Exclusive of operating cost and taxes)		2003 (DKK/sqm/annum)	2004 (DKK/sqm/annum)	**2005** (DKK/sqm/annum)	Market expectations **2006**
(1) Provincial high street	Area up to 100 sqm	1,800- 3,400	1,800- 3,400	1,800- 3,600	→
	Area 100-300 sqm	1,500- 2,600	1,500- 2,600	1,500- 3,000	→
	Area 300 sqm+	900- 1,800	900- 1,800	900- 1,800	→
(2) Regional shopping centres	Anchor food	1,200- 1,600	1,100- 1,400	1,100- 1,400	→
	Anchor non-food	1,400- 2,200	1,400- 2,200	1,400- 2,200	→
	Area up to 100 sqm	2,000- 7,500	2,000- 7,500	2,000- 8,000	→
	Area 100-300 sqm	1,500- 4,500	1,500- 4,500	1,500- 4,500	→
	Area 300 sqm+	1,200- 3,500	1,200- 3,500	1,200- 3,500	→
(3) Local shopping centres	Anchor food	1,000- 1,800	900- 1,500	900- 1,500	→
	Area up to 100 sqm	1,300- 2,500	1,300- 2,500	1,300- 2,500	→
	Area 100-300 sqm	1,100- 2,000	1,100- 2,000	1,100- 2,000	→
	Area 300 sqm+	800- 1,650	800- 1,650	800- 1,650	→
(4) Retail outlets	Area 300 sqm+	950- 1,650	950- 1,650	950- 1,850	→

(Exclusive of operating cost and taxes)	2003 (SEK/sqm/annum)	2004 (SEK/sqm/annum)	**2005** (SEK/sqm/annum)	Market expectations **2006**
(5) Malmoe City High Street	2,250- 5,250	3,000- 5,750	3,000- 5,750	↗
Malmoe City secondary location	1,200- 2,200	1,200- 2,200	1,200- 2,200	→
(6) Regional shopping centres	1,800- 2,500	1,800- 2,800	1,800- 2,800	↗
Local shopping centres	1,300- 3,000	1,500- 3,500	1,500- 3,500	↗

Sources: Sadolin & Albæk (Copenhagen) and NewSec Analys AB (Malmoe)

Local shopping centres
Retail outlets
Regional shopping centres
Provincial high street



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THE INDUSTRIAL/LOGISTICS OCCUPATIONAL MARKET

- *Decline in vacancy rates to a level of around 2.7%*
- *Average rents edged up marginally in 2005*
- *Demand for new space focused on the logistics sector*
- *Low vacancy rates and high consumer spending warrant imminent development activity in the logistics sector*

The Copenhagen and Malmoe area is the most important logistics location in the Scandinavian market. Conventional industry is slowly being replaced by distribution facilities and the high-tech and med-tech industries. The transformation becomes especially apparent when looking at the composition of new completions, which are predominantly designated for distribution.

In 2005, vacancy rates plummeted in the industrial occupational market. At year-end, vacancy rates had stabilised at 2.7%, reflecting a 140 bp drop over the year. Nevertheless, industrial vacancy rates in the Copenhagen area remain above the national average. Traditional industrial locations west of Copenhagen are being transformed to become more accommodating to logistics companies. The overall positive occupational demand for industrial space in the Copenhagen area is a consequence of logistics companies expanding facilities to meet strong consumer demand.

Meanwhile, supply of industrial space has been restricted by a slow-down in new construction as companies tend first to utilise their spare capacity. However, a continued fall in vacancy rates and a prolonged boom in consumer spending could spur the new construction of logistics facilities in late 2006. The remaining stock of vacant industrial space mainly comprises traditional industrial units. Converting outdated production facilities for distribution purposes has proved more complex than expected. Up-to-date logistics companies have certain requirements to the space efficiency of distribution facilities, which former production units cannot accommodate. In this context, traditional production facilities benefiting from a fairly attractive logistics location are likely to be purchased for demolition, giving way to modern facilities meeting today's demands in terms of efficiency. In particular, traditional industrial areas west and south of Copenhagen enjoy an excellent location for logistics purposes. Consequently, a surge in new construction for logistics purposes would likely occur here.

Prime rents have responded to the decline in vacancy rates by increasing marginally in the second half of 2005. Rent level increases have been most pronounced in the prime property segment, especially in the areas north and west of Copenhagen. In the south corridor secondary rent levels have been increasing, narrowing the gap to the prime rent level. This development is a result of certain structural characteristics. For instance, the industrial areas north and west of Copenhagen accommodate a number of large-scale obsolete facilities, which fail to meet the requirements of modern logistics companies. Rent levels for such facilities remained flat in 2005, whereas smaller facilities in the area are in demand on account of the strong consumer market. In the south corridor, the difference between prime and secondary facilities is not as pronounced, and secondary rent levels have therefore been able to climb, while prime rents have remained stable.

Development in the industrial occupational sector in Malmoe must be seen in a regional context. Logistics companies choose to settle in the region because of its excellent infrastructure and strategic location at the gateway to Scandinavia. These framework conditions have meant that logistics businesses increasingly prefer the Malmoe area to Stockholm and Gothenburg. Logistics companies in the area service both local and regional markets, which benefited from strong economic growth in 2005. As a result, the entire region remains an attractive and expanding logistics location.

In 2005, prime rent levels in the industrial occupational market remained flat at a level of approximately SEK 850 (EUR 91) per sqm p.a. exclusive of operating costs.

(1) The Birkerød/Allerød/Hillerød corridor

Benefiting from a highly educated workforce, the area is especially popular with companies in the high-tech industry, e.g. data communications, software development, med-tech and biotechnology.

The high-tech production industry has to a certain extent suffered from the outsourcing of production to cheap labour countries, whereas the pharmaceutical industry continues to expand domestic production.

Biogen Idec is developing a 44,000 sqm biotech production facility in Hillerød on a site acquired years ago. The facility is scheduled for occupancy in 2008.

(2) The Ballerup/Måløv area

The western part of Ballerup and the Måløv area are relatively popular locations for light manufacturing and distribution. Some letting activity in small industrial units was seen in 2005.

(3) The Brøndby/Glostrup/Herlev area

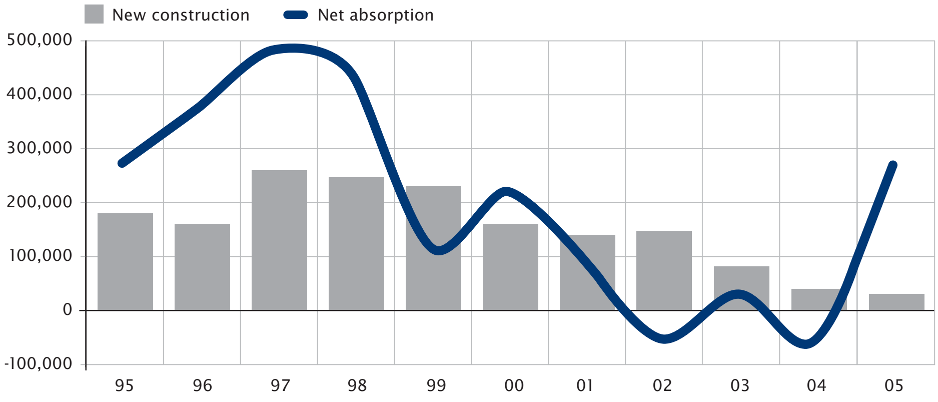
This area, west of Copenhagen, along the ring motorway, was to a large extent developed between the 1960s and the 1980s, and has traditionally attracted a wide range of manufacturing companies. In these areas some larger production facilities remain vacant, but the market continues to enjoy a rather healthy demand for small industrial units. A few large lets were also observed in 2005.

(4) The south corridor [1]

The areas along the south corridor enjoy excellent motorway connections to Copenhagen, Copenhagen Airport, Sweden, and the rest of Denmark. Hence, these areas are especially popular with the distribution industry and manufacturing companies focusing on road distribution aspects.

Letting activity in the south corridor was somewhat more subdued in 2005 than in 2004. However, activity remains high around the *Scandinavian Transportation Centre* in Køge,

Net absorption and completed construction (sqm industrial space), Copenhagen



Sources: The Danish Centre for Forest, Landscape and Planning under the Ministry of the Environment, Oline-Lokalebørs Statistics, and Sadolin & Albæk where *Prologis* has secured a large site with a view to pre-letting and developing in phases a modern distribution centre, which will comprise in excess of 100,000 sqm of space in total. In 2005, construction of a new logistics facility for *LMG Lemvigh Müller* was initiated in this location. The facility is scheduled for occupancy in 2006. The company is relocating from Sydhavnen, an old industrial area in the southern port of Copenhagen, which is turning into a residential and office location.

(5) Avedøre [2]

Industrial location Avedøre was developed in the 1980s. The area was developed to ease demand for industrial space in other industrial locations, such as Brøndby/Glostrup/Herlev. The area is close to being fully developed, and is characterised by relatively large units, which are typically more up-to-date than the stock in traditional industrial areas. Avedøre is located along the E20 motorway south of central Copenhagen. The proximity to the motorway makes the area attractive to logistics businesses.

(6) Amager/Kastrup [3]

The area is located in close proximity to Copenhagen Airport, and the fixed link, Øresundsbron, connecting Copenhagen and Malmoe. Due to its location in connection with the airport, the area hosts a number of logistics and service related businesses whose main focus is cargo handling. The quality of location varies significantly within this area. Especially the east area of Copenhagen Airport has been developed with state-of-the-art cargo handling facilities.

Consequently, this area commands the highest industrial rent levels in Copenhagen.

(7) Malmoe, Östra Hamnen (eastern harbour)

The eastern harbour area in Malmoe is dominated by warehouses and light production facilities. A number of large logistic companies, including *ASG* and *Bilspedition*, are located in the area.

(8) Malmoe, Bulltofta/Valdemarsro

A substantial number of DIY stores and car dealers are located in this area along the ring road around the Malmoe city centre. Furthermore, IT and other service companies are typical occupiers in the area, and many of them combine office, warehouse and light production facilities.

(9) Malmoe, Fosie

A large number of well-known companies are located along Agnesfridsvägen, the central road in the area. Most of the building stock was developed in the 1970s and 1980s. In spite of low vacancy rates in the existing stock, building sites are available in Fosie.

1) Compared to the Copenhagen and Malmoe property market report 2005, we have revised our geographical definition of the south corridor. Hence, the area has been separated into two, i.e. the south corridor and Avedøre, formerly the easternmost part of the south corridor. Also, the south corridor has been extended to include areas along the southern part of the E20 to Køge.
2) In this market report, Avedøre has been defined as a new, separate industrial location, cf. Copenhagen and Malmoe property market report 2005, which describes the area as part of the south corridor.
3) Amager/Kastrup has emerged as a new industrial location, cf. Copenhagen and Malmoe property market report 2005.

Typical industrial rent levels, Copenhagen and Malmoe

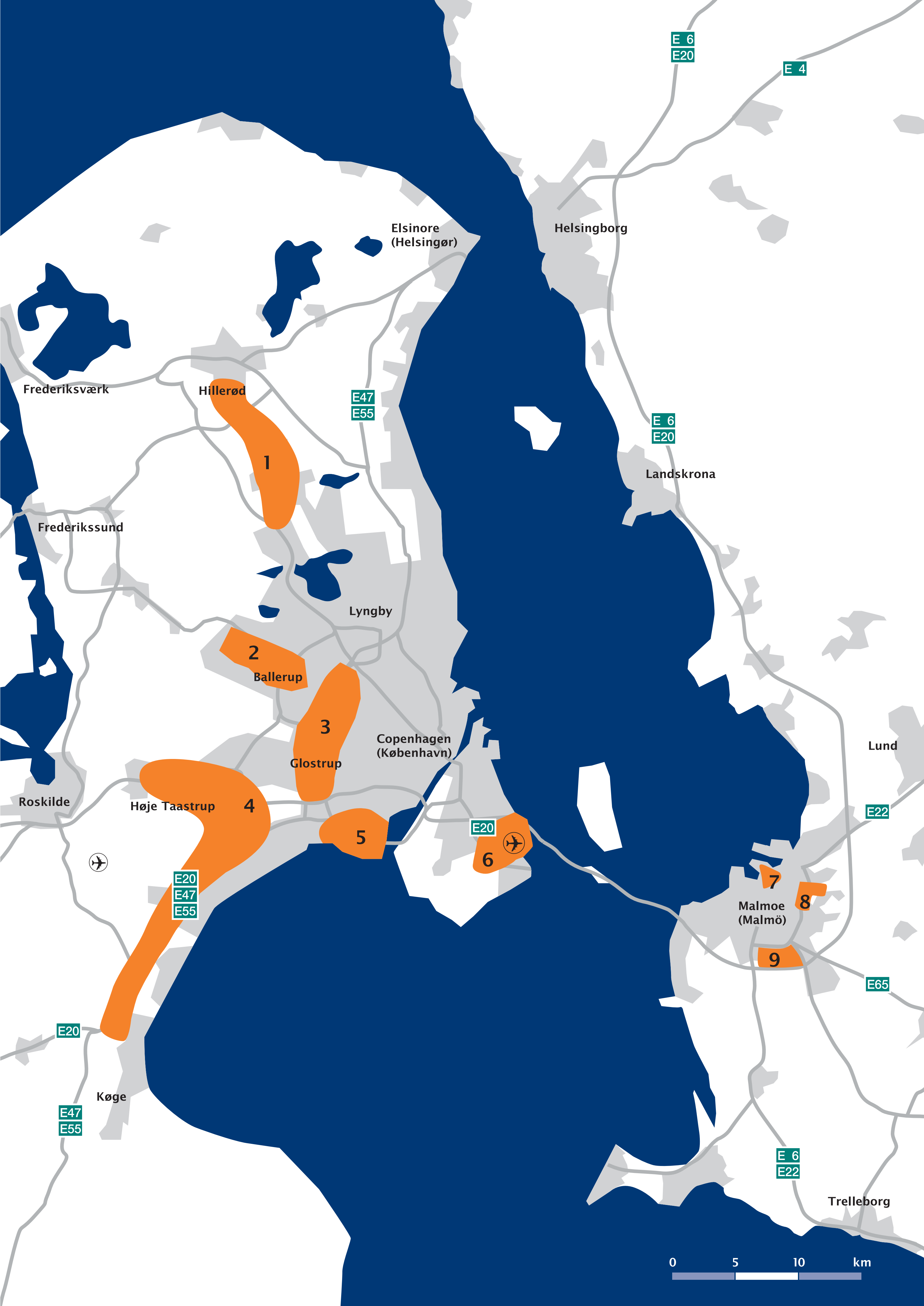
Prime rent levels (Exclusive of operating costs and taxes)	(DKK/sqm/annum) 2000	2001	2002	2003	2004	**2005**	Change **2004-05**	Market expectations **2006**
(1) Birkerød/Allerød/Hillerød	525	525	525	500	450	**475**	**5.6%**	↗
(2) Ballerup/Måløv	525	525	525	500	450	**475**	**5.6%**	→
(3) Brøndby/Glostrup/Herlev	525	525	525	475	425	**450**	**5.9%**	→
(4) The south corridor	550	550	550	525	500	**500**	**0.0%**	↗
(5) Avedøre	550	550	525	500	500	**500**	**0.0%**	→
(6) Amager/Kastrup	1,000	1,000	950	925	900	**900**	**0.0%**	→
			(SEK/sqm/annum)					
(7) Östra Hamnen	500	500	500	500	500	**500**	**0.0%**	→
(8) Bulltofta/Valdemarsro	850	850	850	850	850	**850**	**0.0%**	↗
(9) Fosie	650	650	650	650	650	**650**	**0.0%**	↗

Secondary rent levels (Exclusive of operating costs and taxes)	(DKK/sqm/annum) 2000	2001	2002	2003	2004	**2005**	Change **2004-05**	Market expectations **2006**
(1) Birkerød/Allerød/Hillerød	400	400	375	375	325	**325**	**0.0%**	→
(2) Ballerup/Måløv	425	400	400	350	325	**325**	**0.0%**	→
(3) Brøndby/Glostrup/Herlev	425	400	375	350	300	**300**	**0.0%**	→
(4) The south corridor	400	400	400	375	325	**350**	**7.7%**	→
(5) Avedøre	400	400	375	375	350	**350**	**0.0%**	→
(6) Amager/Kastrup	400	400	400	375	325	**350**	**7.7%**	→
			(SEK/sqm/annum)					
(7) Östra Hamnen	300	300	300	300	300	**300**	**0.0%**	→
(8) Bulltofta/Valdemarsro	500	500	500	500	500	**500**	**0.0%**	↗
(9) Fosie	350	350	350	350	350	**350**	**0.0%**	↗

Key lease transactions, industrial/logistics

Property	District*	Landlord	Tenant	Sqm
Taastrup	(3)	Danbyg	Bax Global	15,000
Greve Main 30	(4)	Private	Bunzl A/S	5,000
Telegrafvej 6	(2)	Næstved Ejd. A/S	Undisclosed	3,000
Fabriksparken 14	(3)	Sub letting (undisclosed)	Chr. Berg A/S	2,800

**) Number in brackets refers to map overleaf*
Sources: Sadolin & Albæk (Copenhagen) and NewSec Analys AB (Malmoe)



E 6
E20
E 4
Elsinore
(Helsingør)
Helsingborg
Frederiksværk
Hillerød
E47
E55
E 6
E20
Landskrona
1
Frederikssund
Lyngby
2
Ballerup
3
Copenhagen
(København)
Lund
Glostrup
Roskilde
Høje Taastrup
4
E22
5
E20
6
7
8
Malmoe
(Malmö)
E20
E47
E55
9
E65
E20
Køge
E47
E55
E 6
E22
Trelleborg
0
5
10
km

PRACTICES AND DEFINITIONS

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 is intended as a guide only and reflects 'typical market practice' as far as commercial leases are concerned.

Typical leasing practice, Denmark

Rent quoted in (1)	DKK per gross sqm p.a.
Floor areas	Gross external
Lease term (2)	Negotiable
Breaks	None
Rent payment (in advance)	Monthly or quarterly
Deposit (months) (3)	3-6
Basis of rent adjustment (4)	NPI
Frequency of rent adjustm.	Annual
Rent review (5)	Every 4 years
External repairs	Landlord
Internal repairs	Tenant
Common parts (6)	Tenant (via S/C)
Building insurance	Tenant
Property taxes	Tenant
Subleasing	Negotiable
Right of assignment	Negotiable
Restoration (7)	Yes

Definitions

Net initial yield (%)	First year stabilised return on investment (less deposits, less transaction cost) based on rental income less operating costs
Prime office rent	Typically refers to centrally located units of 500 sqm+ and newly constructed or built to good specifications
Secondary office rent	Typically refers to less centrally located units that do not qualify as 'prime'
Prime industrial rent	Typically refers to new units of some 1,000 sqm, with 10-15% or less office content in a prime location
Secondary industrial rent	Typically refers to less centrally located units that do not qualify as 'prime'

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*
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*
6. *S/C means Service Charge*
7. *The typical tenant restoration obligation is to put the space back to the original condition when leased*

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