



06

AARHUS

PROPERTY MARKET REPORT 2006

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A stylized map of Denmark in light gray. A red circle with a central red dot highlights the location of Aarhus on the west coast of Jutland. The text 'AARHUS PROPERTY MARKET REPORT 2006' is centered to the right of the map.

AARHUS

PROPERTY MARKET
REPORT 2006

INTRODUCTION

Danish economy has experienced a steady upturn for the last three years now. In 2005, Danish GDP growth stood at 3.1%, a ten-year high. Although buoyant consumer spending has been the primary driver, the upturn is increasingly fuelled by strong exports and investment demand.

In step with the considerable economic growth, Danish unemployment levels have diminished by some 40,000 people. As at mid-2006, the unemployment rate was a mere 4.5%, a 30-year record low.

The city of Aarhus is one of the top growth centres in Denmark. The city boasts a host of educational institutions and is one of the largest transportation hubs in Denmark thanks to a large commercial port and good infrastructure, with easy access also to the motorway grid. A new motorway is currently being established between the E45 motorway at Tilst and Djursland. In order to minimise traffic obstructions as a result of the increasing activity level in the Port of Aarhus, it has been planned to build a harbour tunnel from below Marselis Boulevard at the harbour to Skanderborgvej. Similarly, a great number of transport activities will be centralised in a new transport centre at Edwin Rahrs Vej.

Like the rest of the country, the Aarhus property market has benefited from the strong economic growth and high employment levels seen in Denmark. Companies are enhancing their production capacity and the geographical expansion within the Aarhus business community is manifest in the city's developing districts. Both office and industrial users are searching for additional space, which has pushed down overall vacancy rates.

The 2006 trend in the Aarhus market includes growth in inhabitants and in workplaces, raising hopes of a continued bright outlook for the property market. We expect to see a continued internationalisation trend in the Aarhus investment market, where both national and international investors will be market players.

We believe the Port of Aarhus to possess a considerable development potential, not only in respect of port-related activities but also in terms of new construction. The ongoing concentration of logistics and port-related activities in the southern part of the harbour (Østhavnen) is set to free areas for the development of a whole new city district in the northern part, with a mix of offices and housing in a maritime setting in close proximity to central Aarhus. The redevelopment of the central harbour areas, involving 2 million sqm of space, is no doubt the largest development scheme in the region for the next 10 to 15 years and it is attracting attention from both domestic and international developers and investors.

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

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

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.

Aarhus, August 2006

Sadolin & Albæk • ONCOR International

SADOLIN & ALBÆK



Jytte E. Nielsen

Carsten Gørtz Petersen, Director



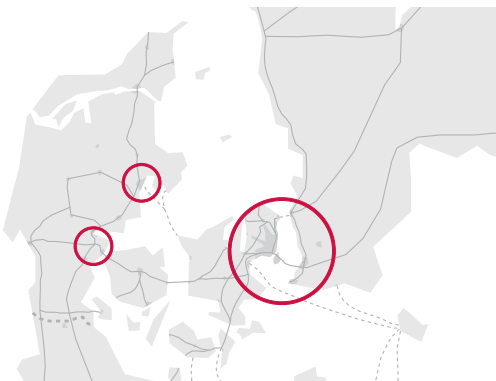
Thomas Køhl Christensen

Peter Winther, Partner, Director

In the 39 years 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

For a comprehensive listing of key contacts as regards specific services in Denmark and abroad we invite you to visit our website 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.



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.

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.

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.

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

Dublin

London

Brussels

Paris

Lisabon

Madrid

Amsterdam

Bern

Oslo

Berlin

Prague

Vienna

Rome

Stockholm

Helsinki

Tallinn

Riga

Vilnius

Warsaw

Bratislava

Budapest

Zagreb

Bucharest

Sofia

Athens

Kiev

Aarhus

Copenhagen

LOCATION DENMARK

- *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 Malmö 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 75% 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 international standards. 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.



LOCATION AARHUS

- Aarhus is the number-two city in Denmark, predicted to see the largest national population growth in the years ahead
- Because of its geographical location and the fact that its container port is the largest in Denmark, Aarhus is an important traffic hub
- Increasing number of attractive and state-of-the-art educational facilities help to ensure a well-educated workforce

Aarhus enjoys a geographical location in the heart of eastern Jutland in the centre of Denmark. Currently, the infrastructure in Aarhus is being expanded and improved for the benefit of the business sector at large. Thanks to its proximity to the European motorway grid, E45, linking Denmark with the rest of continental Europe, Aarhus is an important traffic hub. Aarhus is one of Denmark's largest ports, and with 4,000 people employed its container port is in the national lead. The port is an international centre for distribution and transport, which benefits both regional and local logistics companies alike. Five strong arterial roads carry the commuters from the suburban housing areas into their workplaces in the city.

Central Aarhus accommodates both international and local shops. The combination of shopping centres such as *Bruun's Galleri* at the main station, high-street shops and a busy café life serves to lend Aarhus a diversi-

fied and distinctive air, with the city in constant motion. Generally speaking, Aarhus has experienced a period of growth, both in terms of city life and employment.

Population

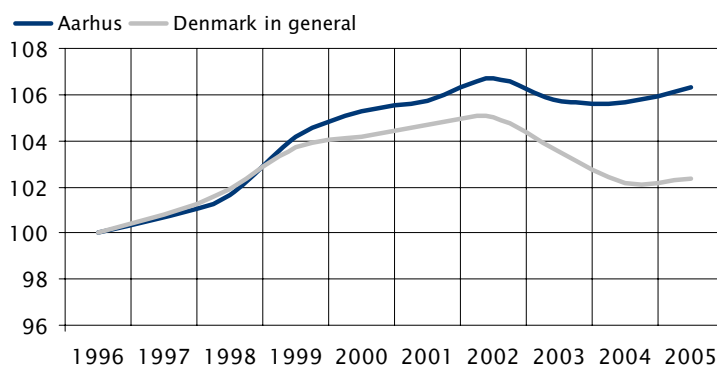
The County of Aarhus counts a population of some 661,000, including some 295,500 Aarhus residents. This makes Aarhus the second-largest city in Denmark. In the County of Aarhus, the workforce totals some 340,000 people.

Over the next decade, a population growth of 5.9% is forecast for the Municipality of Aarhus, expanding the potential workforce by some 10,000 people. Also the County of Aarhus is projected to see a 4.6% population growth over the same period. In terms of population growth, Aarhus is in fact believed to outrival any other Danish region over the next ten years.

Employment

Hosting a great number of educational facilities, Aarhus owes its higher than average unemployment rate to structural factors such as a higher unemployment rate among university graduates. The business sector benefits from the abundance of graduates, and measures are undertaken to ensure a swift and smooth transition between education and the business community.

Employment (index 100 = 1996)



Source: Statistics Denmark

The business sector in Aarhus is characterised by a number of highly specialised clusters. Clusters include the IT, biotech, med-tech, media and food industries. In recent years, focus has been on improving the environment for students and companies, including enhanced study facilities, to attract the young and to make studying and living in Aarhus more appealing.

Serving as an example of this, IT centre *Katrinebjerg* was established in northern Aarhus to further the innovative synergies between creative businesses and the academic environment of research and studies at the University of Aarhus.

Furthermore, employment in Aarhus has for a number of years been enjoying the general urbanisation trend, relocating workplaces to the major cities. In recent years jobs in the industrial sector have been replaced by jobs in the private service sector and retailing.

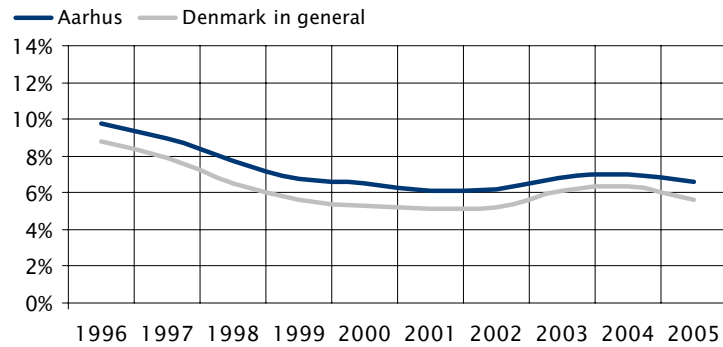
In Aarhus and environs there are nearly 30 places of higher education, including the *University of Aarhus*, the *Aarhus School of Business* and the *Danish School of Journalism*. More than 40% of the workforce in the County of Aarhus has completed college or university training, and as a result the workforce is highly educated.

Unemployment in the County of Aarhus dropped from a level of 6.1% in 2005 to 4.6% in the second quarter of 2006. This places Aarhus among the top new job-providing regions in Denmark ahead of the national average.

Personal income

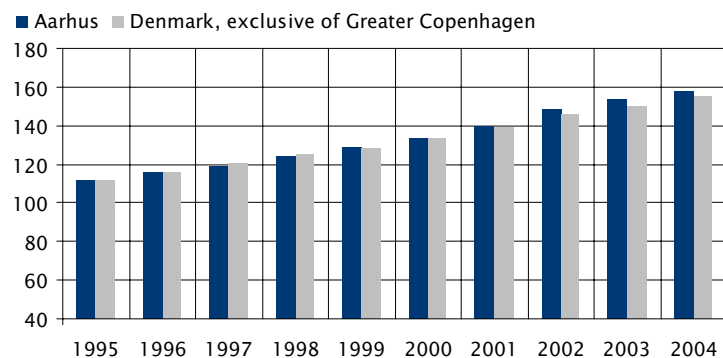
In 2005, income levels in the County of Aarhus continued to exceed those of remaining Denmark outside Copenhagen. This reflects a strong business culture and high level of activity, but also the fact that the Aarhus region enjoys a large catchment area of 661,000 residents with strong purchasing power, something that serves to benefit retail sales in Aarhus.

Unemployment



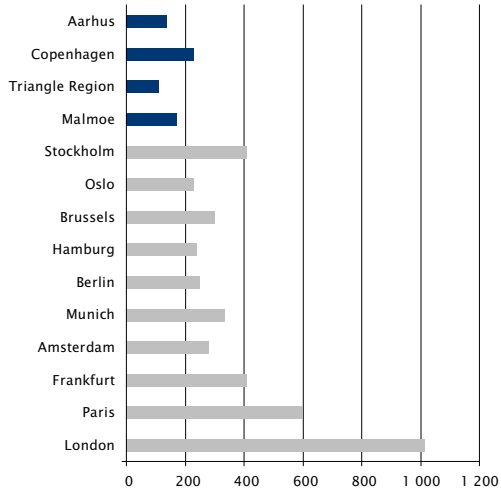
Source: Statistics Denmark

Personal income (index 100 = 1995)

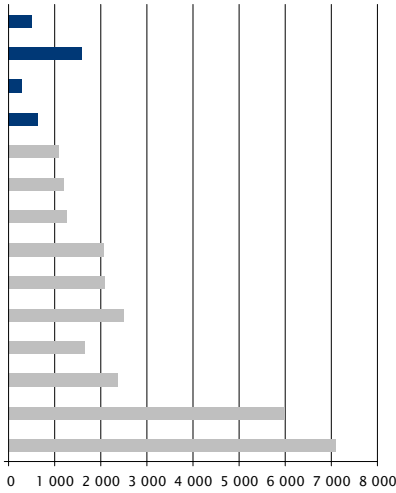


Source: Statistics Denmark

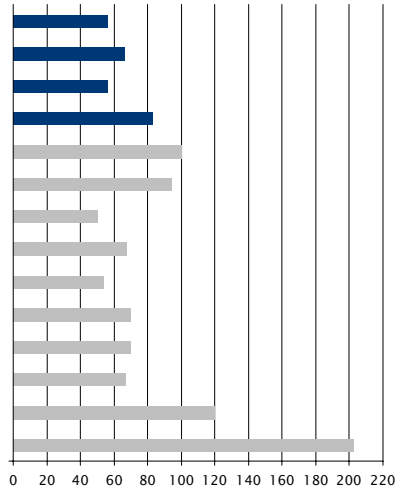
**Prime office rents
(EUR per sqm per annum)**



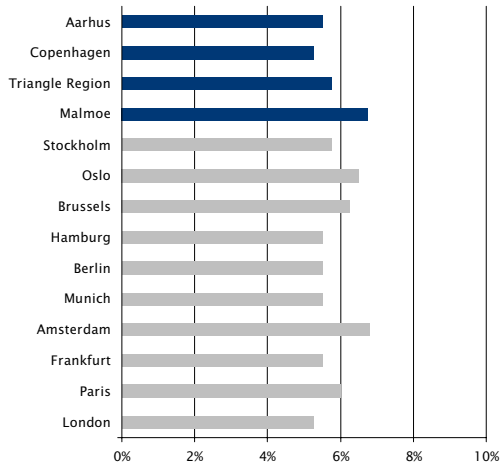
**High street retail rents
(EUR per sqm per annum)**



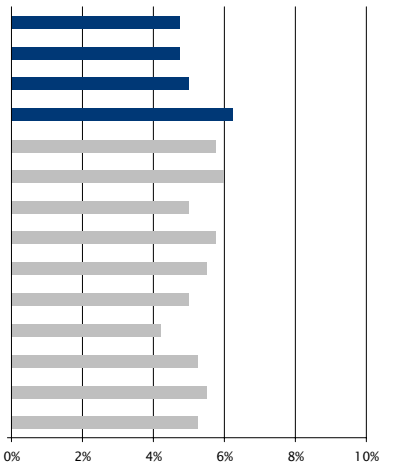
**Prime industrial rents
(EUR per sqm per annum)**



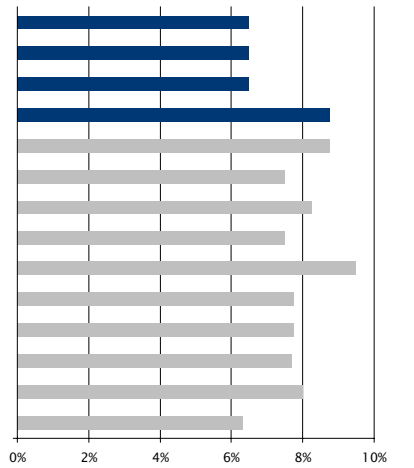
Prime investment yields, office



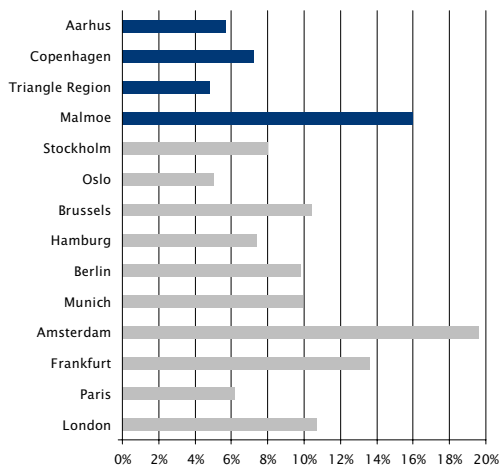
Prime investment yields, retail high street



Prime investment yields, industrial



Overall office vacancy rates



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



PRICE INDEX FOR THE AARHUS PROPERTY INVESTMENT MARKET

- Strong investment demand boosting increase in property prices
- Exceptionally high capital growth of 11% in 2005
- In just 12 months, transaction volumes surged to a total of DKK 5.2bn

In 2005, total investment property returns reached as much as 16.6%. This is the highest level recorded in the past five years and should be viewed in light of the exceptionally large capital growth of some 11%. The income return on property has remained stable at around 5.1% for the last three years.

The Aarhus investment property market has in general attracted considerable investment demand in recent years. Overall, this increase in demand in tandem with recent years' low interest rates has spurred property prices and served to curb net initial yield requirements in the Danish commercial property market.

As mentioned above, the surge in capital growth was exceptional in Aarhus in 2005. The 2005 figure of 11% greatly surpasses the average increase of some 3.5% recorded for Aarhus over the last five-year period. Further price increases are projected for 2006, but presumably in step with inflationary increases.

The substantial price hikes have also translated into a nearly 50% increase in transaction volumes, which in 2005 totalled almost DKK 5.2bn (EUR 697m). This figure has been steadily increasing for the last couple of years, but 2005 was in general a year with extraordinary growth in the property market. Whereas annual transaction volumes in 1995-2000 averaged DKK 2.4bn (EUR 322m), they have been up for the last five years to an average of DKK 3.8bn (EUR 209m), boosted largely by the 2005 figure. The number of transactions has increased somewhat, but the large hike in 2005 is primarily a result of soaring property prices.

In recent years, domestic and international investors have become aware of the opportunities and potential of the Aarhus property market, their appetites also whetted by the decline in interest rates, a capital abundance among investors and a lack of placement options in Copenhagen, which city however continues to attract most attention. The increased demand in the Aarhus property market has now largely caused the elimination of the previously customary 'provincial bonus', which could be achieved by placing investments in Aarhus rather than in Copenhagen, because the yields on investment property in Aarhus and in Copenhagen are more or less on a par.

Aarhus property prices are forecast to continue on a stable upward trend, supported by the favourable trend in employment, population growth and a short supply of investment possibilities.

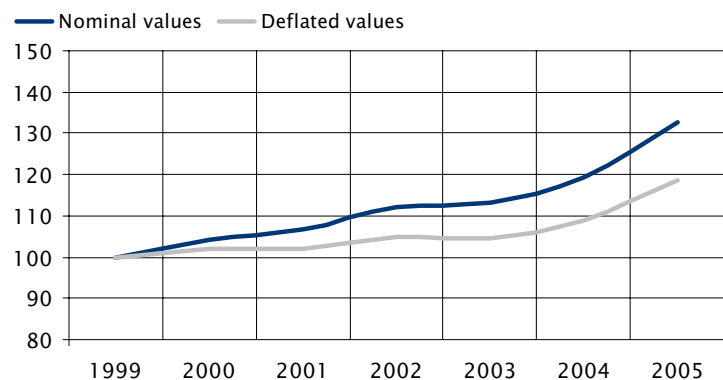
INVESTMENT

Property price index
Office
Retail
Industrial/logistics

OCCUPATIONAL

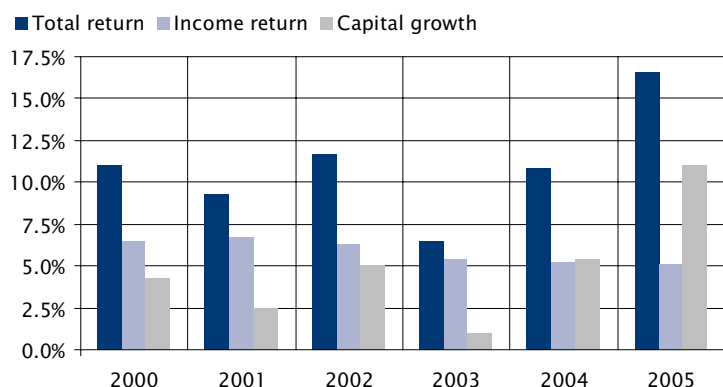
PRACTICES AND
DEFINITIONS

Commercial property price index, Aarhus (index 100 = 1999)



Source: DEI/IPD

Total return, income return and capital growth (in %) for commercial property in Aarhus



Source: DEI/IPD

THE OFFICE PROPERTY INVESTMENT MARKET

INVESTMENT

Property price index
Office
Retail
Industrial/logistics

OCCUPATIONAL

PRACTICES AND DEFINITIONS

- Prime office yield down to around 5%
- Investment property supply outstripped by demand
- Net initial yields on office properties in the harbour areas predicted to be below or on a par with levels in central Aarhus

Being a centre for growth, Aarhus is undergoing large-scale urban renewal and development. Companies in the liberal professions and service-oriented industries are typically relocating to premises closer to the city centre, whereas IT companies primarily tend to locate in northern Aarhus outside the city centre.

Aarhus has experienced an increase in investment demand over the last 12 months, which has prompted lower net initial yield requirements on the part of the investors.

Space-efficient investment properties for office use in central Aarhus continue to be in strong demand, and we note an exceptionally sharp decline in net initial yield requirements on this particular type of property, in the order of 75 bp, taking today's prime office yield down to a 5.0% low. Net initial yields on head-office properties in the city centre of Aarhus are consequently approaching the level of Copenhagen yields for comparable properties.

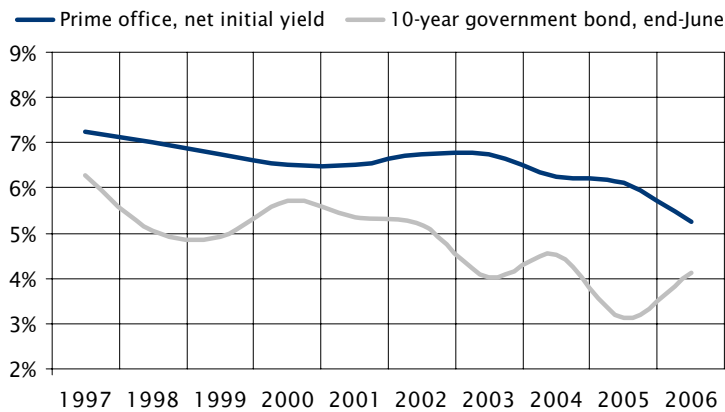
A similar trend is manifest in the new office developments on the outskirts of the city, for instance in Skejby (in northern Aarhus), and the drop in yield requirements is even more pronounced than on properties in the city centre, up to 125 bp, with net initial yields now standing at around the 5.5%-mark for prime office property.

Investors have shown an increased interest in office property investments outside the city centre, underpinning the fact that proximity to the city centre is of minor importance in Aarhus, which is a geographically limited market. Of decisive importance however are factors such as up-to-date layout, good space utilisation and ample parking facilities.

The cause of the decline in yield requirements lies in the stronger demand for up-to-date and easily partitioned office properties combined with the overall limited availability of investment opportunities.

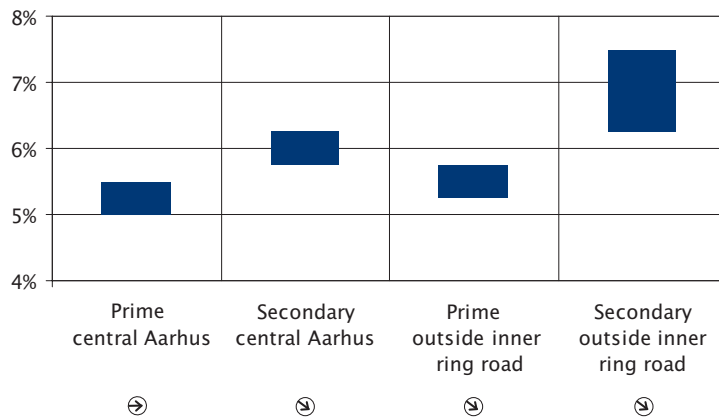
The main investors in central Aarhus are private and institutional investors, whereas office properties outside the inner ring road are primarily owned by local and domestic property companies and the occupying companies themselves (owner-occupiers).

Yield spread, Aarhus



Source: Sadolin & Albæk

Net initial yields, office, Aarhus



Source: Sadolin & Albæk

Situated close to the city centre, the northern part of the harbour areas is set to be the next scene for large-scale office development. A boulevard will serve as a demarcation line between housing to the east and commercial uses to the west. With the first office buildings scheduled for occupancy by mid-2008, the office area is on completion expected to appeal to companies within the liberal professions and service-oriented industries, today predominantly found in the city centre of Aarhus. The yield level for these office buildings is projected to be on a par with or below the existing level in central Aarhus.

Recent key transactions include:

- *Essex Invest A/S* acquired a 14,200 sqm mixed-use property in Viby at a price of DKK 104m (EUR 13.9m).

- *Keops A/S* acquired a 6,000 sqm mixed-use office and warehouse property at Olof Palmes Allé in the northern part of Aarhus at a price of DKK 66.9m (EUR 8.96m).

- A private investor acquired a 1,200 sqm mixed-use property at Frederiksgade in central Aarhus at a price of DKK 79.8m (EUR 10.7m) reflecting a net initial yield of about 5.0%.

- *Property Group A/S* acquired a 17,100 sqm mixed-use retail and office property at Gunnar Clausens Vej at Viby at a price of DKK 103m (EUR 13.8m) reflecting a net initial yield of 6.25%.

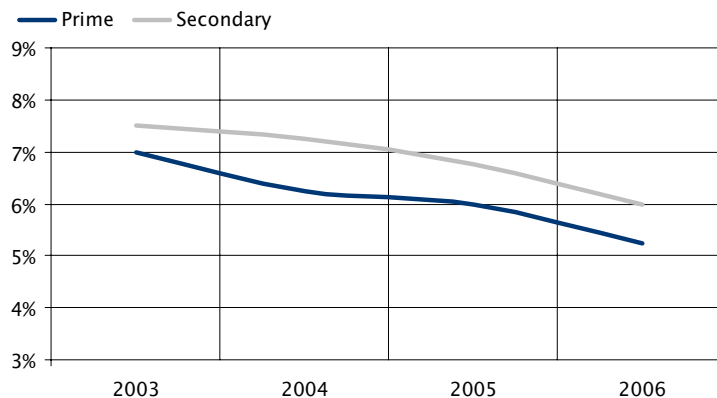
INVESTMENT

Property price index
Office
Retail
Industrial/logistics

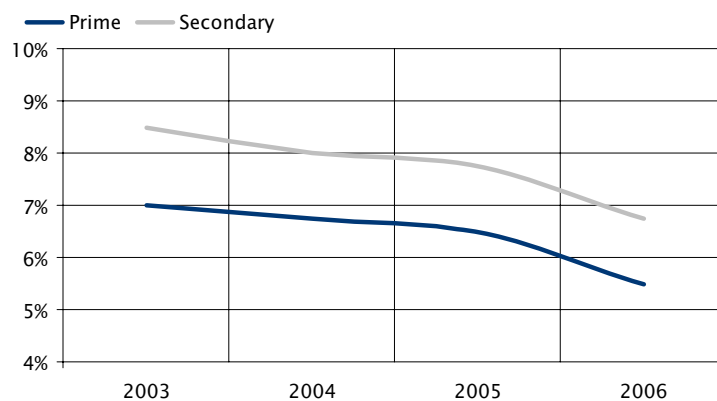
OCCUPATIONAL

PRACTICES AND DEFINITIONS

Net initial yields, office, central Aarhus



Net initial yields, office, outside inner ring road



Source: Sadolin & Albæk



THE RETAIL PROPERTY INVESTMENT MARKET

- *Strong demand and weak supply of retail property in the Aarhus city centre causing decline in yield levels to 4.25-5.0%.*
- *Skejby in northern Aarhus undergoing a positive transformation, which includes schemes to convert obsolete industrial properties for retail use and a new motorway construction linking Aarhus to Djursland*

The Aarhus retail property stock is primarily concentrated in the city centre as well as in shopping centres and a few retail parks on the outskirts of the city. Overall yields on this particular type of investment property have traced a downward trend in recent years.

High-street properties

Retail investment properties are primarily located in central Aarhus, and private investors own most of the high street properties. At Søndergade, the main high street in Aarhus, vacancies are virtually non-existent, while the shops in the side streets are prone to a certain rate of vacancy. Frederiksgade in particular is currently hit by restricted access from Busgaden and Åboulevarden. This is partly due to the still pending completion of construction works at Busgaden, and partly due to the ongoing efforts to open up the stream of Århus Å at Immervad, where Immervad has been replaced by a temporary wooden bridge with restricted passage.

The city's 'Latin Quarter' traditionally houses the more local shops, although the newcomers in recent years have included a great number of exclusive shops, making it a vibrant and bustling shopping district with a high footfall. The district still harbours great development potential, not least because of its location serving as a natural link between the established high streets of central Aarhus and the nearby new, mixed office and residential districts in the Port of Aarhus.

In September 2005, Aarhus-based department store *Salling* at Søndergade completed its reconstruction, including an extension by 7,800 sqm arranged over six floors and a renovation of the building's front. In the northern part of the city centre, at Telefon-torvet, lies the *Magasin* department store, overlooking the outdoor cafés along the banks of the Århus Å stream.

In the southern part of the city centre, on the other side of the main station and the shopping centre of Bruun's Galleri, the district around M.P. Bruuns Gade and Jægergårds-gade has been revived and turned more fashionable with a series of specialty shops and expensive residential flats in the old building stock.

INVESTMENT

Property price index
Office
Retail
Industrial/logistics

OCCUPATIONAL

PRACTICES AND
DEFINITIONS

Net initial yields, retail, Aarhus



Source: Sadolin & Albæk

Note: Net initial yields for regional shopping centres are for Funen and Jutland

INVESTMENT

- Property price index
- Office
- Retail
- Industrial/logistics

OCCUPATIONAL

PRACTICES AND DEFINITIONS

This trend has served as a contributing factor behind the general slump in yield levels in the city centre over the last 12 months, down to a level as low as 4.25-5.0%, which matches the level seen in the city centre of Copenhagen.

Shopping centres

There are more than ten shopping centres in Aarhus. The regional shopping centre of *Bruun's Galleri* in central Aarhus is attracting an increasing customer flow to the southern city centre and the area around the main station. Yield levels on shopping centres of this kind meet the levels seen on the best regional shopping centres in the capital region.

Also in the local communities the shopping centres fare very well. *Storcenter Nord* at Katrinebjerg recently completed a large-scale renovation and expansion scheme, adding

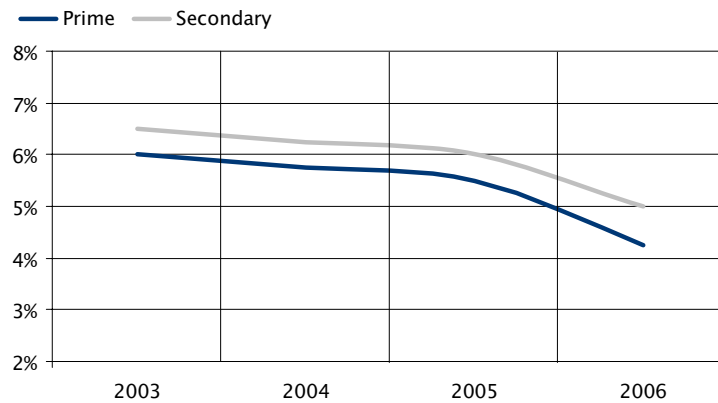
5,000 sqm to the centre's retail area. In late summer 2006, 20 new shops are scheduled to open, offering an array of articles ranging from textiles to technology appliances.

Vacancy rates in some of the local shopping centres slightly exceed those of the regional centres, and yield levels are slightly higher accordingly. The overall vacancy rate in shopping centres is down. Investments in shopping centres and department stores are predominantly effected by private investors and tax-driven limited partnerships ('kommanditselskab' in Danish, abbreviated K/S).

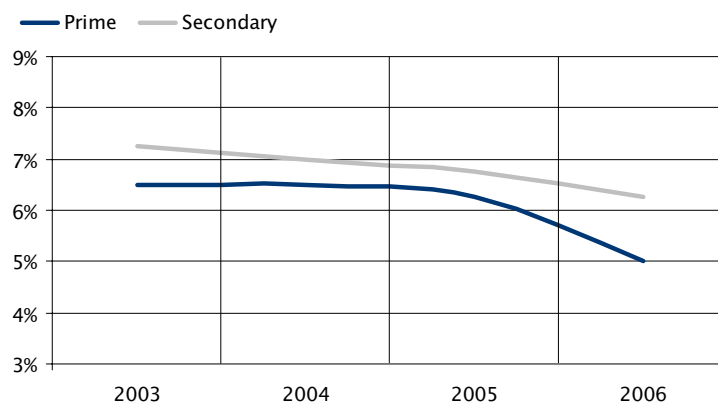
Retail warehouses

Retail warehouses also seem to enjoy increasing popularity in Aarhus. Tenant demand is strong and vacancies in this segment negligible as a result.

Net initial yields, retail, high street



Net initial yields, retail, retail warehouse



Source: Sadolin & Albæk

In Aarhus there are three major clusters of retail warehouses. Thanks to its motorway proximity, *Anelystparken* at Tilst serves as a considerable customer magnet. Vacancies are rare and currently *Mekonomen* is erecting an autotechnics centre in this location. In Viby at Skanderborgvej lies *Bauhaus*, which opened an 11,000 sqm shop in 2005, *Kvickly Xtra* and *Elgiganten*. There still remains further retail development potential in the area. At *IKEA* in Skejby, the conversion of a disused industrial facility for retail use is in the pipeline. It continues to be popular to convert outdated industrial properties with fronts facing Randersvej. The new motorway stretch north of Aarhus already has and will continue to have a positive influence on the development of the area.

Yield levels on retail warehouses in Aarhus have come down to a level of some 5.0% in 2006 over some 6.25% in 2005. Low interest

rate levels, a healthy demand and a weak supply of this type of investment property have helped to reduce yields. Investment demand remains strong, both on account of the tax-depreciation element of this type of investment and the low vacancy risk.

Recent key transactions include:

- In the *Anelystparken* area, two private investors in separate transactions acquired a 2,000 sqm property at Anelystparken at a price of DKK 17m (EUR 2.3m) and 1,900 sqm at Agerøvej at a price of DKK 14m (EUR 1.9m).
- Property company *CASA A/S* acquired a 1,730 sqm mixed-use retail and office property at Søndergade, the main shopping street in central Aarhus, at a price of DKK 111m (EUR 14.9m).

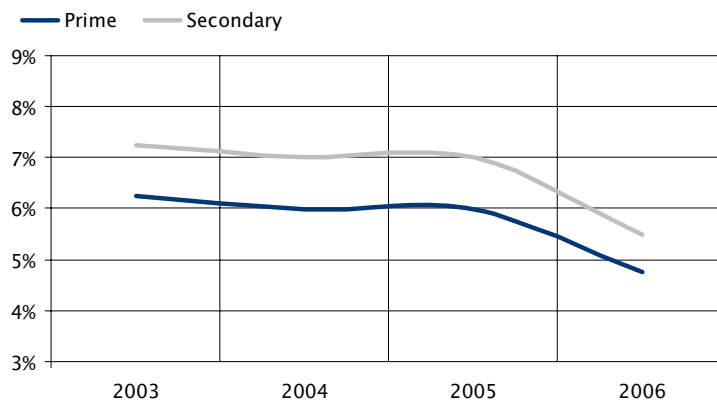
INVESTMENT

Property price index
Office
Retail
Industrial/logistics

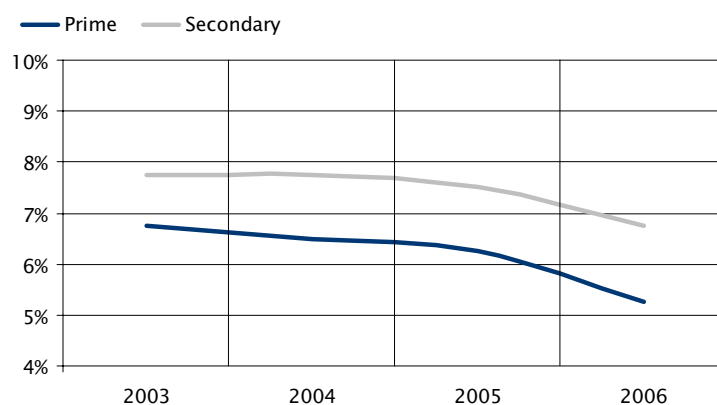
OCCUPATIONAL

PRACTICES AND DEFINITIONS

Net initial yields, retail, regional shopping centre



Net initial yields, retail, local shopping centre



Source: Sadolin & Albæk

THE INDUSTRIAL/LOGISTICS PROPERTY INVESTMENT MARKET

INVESTMENT

- Property price index
- Office
- Retail
- Industrial/logistics

OCCUPATIONAL

PRACTICES AND DEFINITIONS

- *Three-year record low vacancy rate of 1.7% serves to diminish vacancy risk*
- *Increasing conversion trend involving obsolete industrial properties inside the outer ring road*
- *Reduced property taxes attracting companies to Stilling and Søften in the neighbouring municipalities, which gain from the shift in preferred industrial locations*

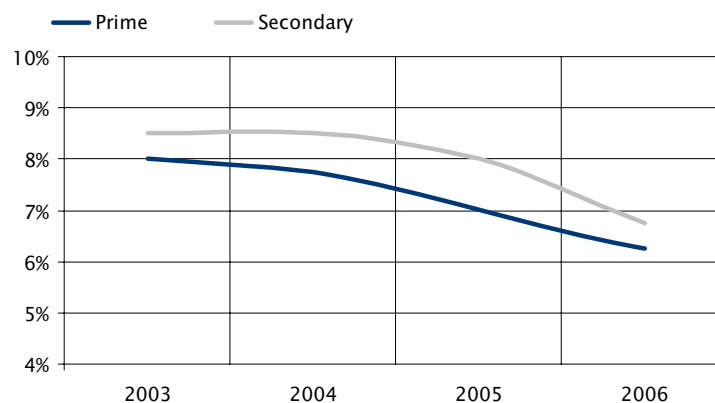
The Aarhus industrial property stock is concentrated in clusters around and outside the outer ring road and the harbour. There are a number of old and minor industrial estates in the western part of Aarhus at Brabrand and north of Aarhus at Lystrup and Skejby. South of Aarhus, Viby/Holme is home to several major domestic companies, and we see an increasing trend towards the conversion of obsolete industrial buildings into smaller residential or commercial units. In the new business parks shooting up in Søften and Stilling, logistics and distribution companies are erecting new and improved facilities offering more space.

For some years now, development activity has been brisk in Aarhus. The *Søften business park* north of Aarhus is the most recently emerged industrial and logistics area, and it has become a location coveted both by domestic and international companies that have large space requirements and demand industry-friendly infrastructure. With 15 new companies settled, new jobs have been created. Coupled with the projected population growth in the County of Aarhus, this further emphasises the notion of Aarhus as a growth centre.

Since year-end 2005, four land sales, comprising a total site area of 50,000 sqm, have been closed at Niels Bohrs Vej in Stilling, which is experiencing a similar transformation with many newcomers. Situated right at the E45 motorway, the infrastructure and visibility of the location is ideal.

On the far side of the motorway, at Randersvej near Skejby, the *Lisbjerg business park* offers industrial and logistics space. This area

Net initial yields, industrial, long lease



Source: Sadolin & Albæk

has not seen as much growth as has Søften, and only a few companies have settled in this location. Nevertheless, land developments have been concluded, the area now ready for new construction. The commercial clusters at Stilling and Søften have attracted far stronger demand than Lisbjerg. Most likely, it may be a crucial factor that companies in Lisbjerg, which is situated in the Municipality of Aarhus, are required to pay 5.75‰ of building taxes, while the companies in the other two locations, situated in the municipalities of either Hinnerup or Skanderborg, are exempt from building tax.

Today almost fully developed, the southern part of the Port of Aarhus is designated for industrial and logistics uses. The Port of Aarhus is Denmark's largest container port. Whereas the southern areas will thus accommodate industry, the northern areas are allocated for residential use and the liberal professions.

West of Aarhus at Edwin Rahrs Vej a new transport centre is in the pipeline, upon completion linking transport by rail and road.

In general, yield requirements on investment properties in Aarhus are higher in the industrial property segment than in the office and retail segments. Industrial vacancy rates in Aarhus improved from a level of 2.0% in the third quarter of 2005 to 1.7% in the third quarter of 2006, a three-year record low. The decline in vacancy has diminished the overall vacancy risk. Net initial yields on properties let to strong tenants on long leases have seen a continued downward trend for the last three years, now standing at 6.0%. Nevertheless, the yields on properties with short leases have taken the most dramatic plunge, in the order of some 200 bps.

New industrial construction has been quite considerable, but as the facilities typically are either for owner-occupation or pre-let, vacancy does not constitute a major problem in Aarhus.

Investors tend to prefer flexible properties that allow for easy conversion into smaller leases as opposed to built-to-suit facilities, which are difficult to re-let.

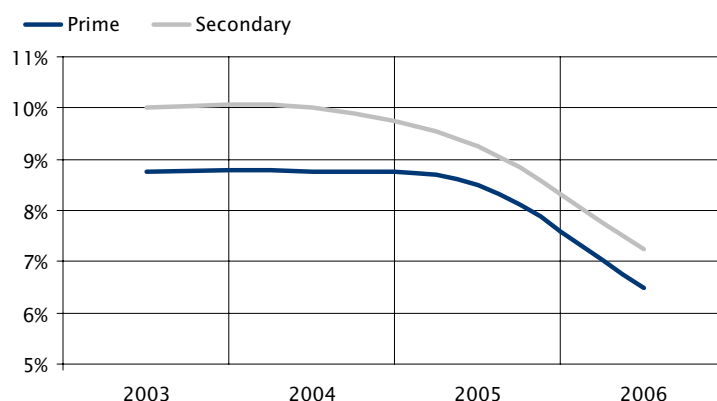
INVESTMENT

Property price index
Office
Retail
Industrial/logistics

OCCUPATIONAL

PRACTICES AND DEFINITIONS

Net initial yields, industrial, short lease



Source: Sadolin & Albæk

INVESTMENT

- Property price index
- Office
- Retail
- Industrial/logistics

OCCUPATIONAL

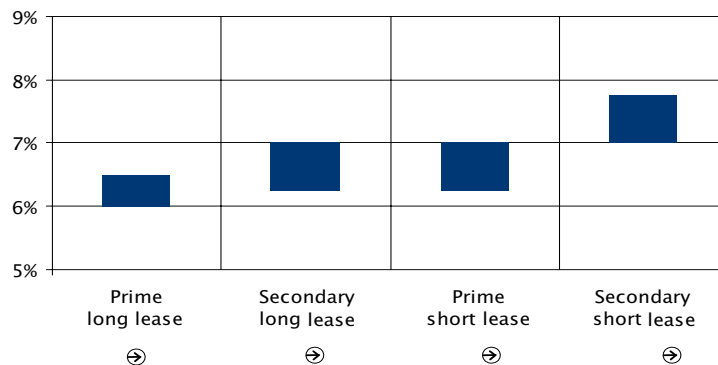
PRACTICES AND DEFINITIONS

Recent key transactions include:

- *Marselis Ejendomme* acquired a 3,000 sqm facility at Johan Guttenbergsvej at a price of DKK 10.0m (EUR 1.3m).
- *Vejslø Gruppen A/S* acquired a 2,400 sqm mixed-use property at Niels Bohrs Vej, Stilling, at a price of DKK 14.1m (EUR 1.9m) reflecting a net initial yield of approx. 6.25%.

- *Søstrene Grene* acquired a site at Gunnar Clausens Vej in Viby for a 4,800 sqm logistics centre for owner-occupation. Occupancy is scheduled for August 2006.
- *Foreningen Fast Ejendom* acquired a property portfolio with a total of 19,000 sqm with mixed-use properties located in Viby and Åbyhøj at a price of DKK 100m (EUR 13.4m) reflecting a net initial yield of approx. 7.0%.

Net initial yields, industrial/warehouse, Aarhus



Source: Sadolin & Albæk

THE OFFICE OCCUPATIONAL MARKET

- *Strong demand for office space in the city centre in particular has pushed down overall vacancy to 4.1%*
- *Redevelopment of harbour areas creates new commercial district, including 65,000 sqm office space with even further development potential*
- *Construction activity remains brisk in the Skejby area where some further 63,000 sqm may still be developed*

Domestic and international companies are increasingly seen to set up business in Aarhus. The trend is for companies within the liberal professions and the financial sector to settle in the city centre, which benefits from a larger availability of small-sized units in central locations. Outside the city centre, IT companies are located in several business clusters, which are currently witnessing considerable development. The northern part of the harbour areas is also evolving as a future business district offering high-standard office space, comparable with the best waterfront location in Copenhagen.

The overall office vacancy rate has fallen in Aarhus, in the third quarter of 2006 standing at 4.1%, the lowest rate for more than three years. The exceptional vacancy reduction can be ascribed to the effects of increased employment levels, fuelling demand for office space in Aarhus. In the city centre, office vacancies are virtually non-existent, whereas the old building stock outside the city centre suffers from a certain measure of vacancy, however, because the facilities typically fail to meet today's standards and are difficult to convert for alternative purposes and new tenants. Nevertheless, vacancy rates continue on a downward trend in Aarhus in general.

Rent levels have edged up slightly in central Aarhus, but remain stable outside the city centre and to some extent even show reductions. This may be explained by the increased demand for office space by the liberal professions in the city centre. In the more peripheral locations rents in the existing building stock have remained more or less stable as new office lets have primarily taken place as pre-lets in new office developments.

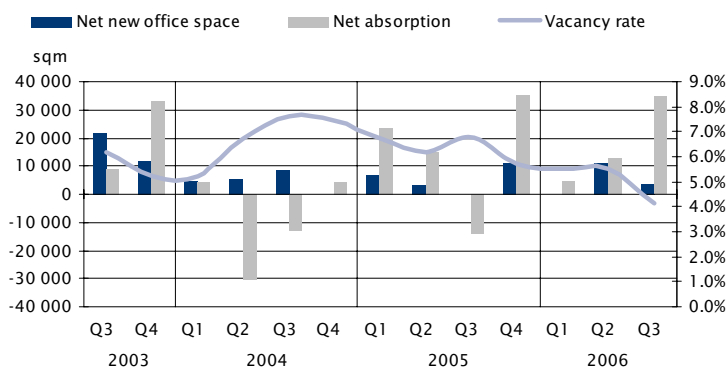
INVESTMENT

OCCUPATIONAL

Office
Retail
Industrial/logistics

PRACTICES AND DEFINITIONS

Net new office space, net absorption and vacancy rate, Aarhus



Source: Oline-Lokalebørs Statistics

INVESTMENT

OCCUPATIONAL

Office

Retail

Industrial/logistics

PRACTICES AND

DEFINITIONS

In the third quarter of 2006, office space in the County of Aarhus extended to almost 2.4 million sqm, of which the most important Aarhus sub-areas are listed below.

(1) Central Aarhus

It is primarily the less space-demanding branch offices of major Copenhagen-based companies that tend to locate in central Aarhus. Demand for smaller office premises in the city centre helps to push down vacancy rates, in turn driving up rent levels in this area. Central Aarhus is predominated by an old building stock, although more up-to-date properties and facilities will be available in the future upon completion of the harbour redevelopment scheme.

In central Aarhus, law firm *Lett Advokater* settled in an approx. 850 sqm office at Værk-mestergade next to the main station in October 2005, while architects *C.F. Møller A/S* are relocating to 3,300 sqm offices in Europa-huset by the harbour.

(2) The harbour areas

Close to the city centre, the northern harbour areas are designated for a new business area along the western side of the boulevard. As an office location the area is expected to appeal to companies operating within the liberal professions and service trades. The first stage of new office construction will comprise some 65,000 sqm commercial space. Representing an essential driver of Aarhus as a growth centre, the harbour areas have a very substantial development potential. The redevelopment of the area is expected to have an impact on the Aarhus business community at large, expanding the city centre and giving companies wider options of central premises. A certain number of relocations are believed to take place among the professions to the harbour, this area offering head-office premises in size exceeding those in the city centre as well as a more attractive waterfront location.

The first offices are scheduled for occupancy in summer 2008. Office rent levels in the Aarhus harbour areas are predicted to be somewhat higher than the level of central Aarhus, because the properties will offer more up-to-date premises, built to high specifications and meeting today's tenant requirements.

(3) Inner ring road

The northern part of the inner ring road at Katrinebjerg is home to the 10,000 sqm research facility of *Forskerparken*, taken into use in May 2006. Research in this facility spans the fields of IT, biotech and medtech. The facility has become an internationally acknowledged growth centre and houses many companies such as *AT-Orbital I/S* and *Vestas Wind Systems A/S*. The entire area is gradually transforming from a small-scale industrial location to a science park. Nearby, where Ndr. Ringgade and Randersvej meet, stands the *Nobelparken* complex, extending to some 55,000 sqm of mixed-use educational, commercial and residential space.

At *Frichsparken* off Søren Frichs Vej there are 46,000 sqm office space. Vacancy in this attractive redevelopment is low because the units are highly flexible and easily expanded or reduced in size and because the location benefits from good parking facilities, easy access to the city and approach roads as well as a nice environment.

Søren Frichs Vej sees an increasing number of office conversions of former industrial facilities. Formerly a purely commercial building, *Friskohuset*, at the corner of Daubjergvej and Vestre Ringgade, has been converted into a fitness centre and office use. In addition, the road haulage centre of *Arhus Fragtmandscentral* is relocating from Søren Frichs Vej between the two ring roads to Randersvej off the northern part of the outer ring road, freeing the Søren Frichs Vej facility for conversion into other purposes.

(4) Outer ring road

The area around Åby Ringvej and Viborgvej is an old commercial location with mostly large-scale head offices. Along the motorway towards Stilling, at Niels Bohrs Vej, a new commercial location has emerged, primarily with logistics facilities but also some offices.

Condigi, manufacturers of medical devices for hospitals and senior nursing care, is erecting a new 1,700 sqm head office, scheduled for completion in December 2006.

(5) Viby/Holme

In southern Aarhus between the towns of Viby and Holme, large head offices and major companies dominate the market for office space. Over the last 12 months, this commercial area, for instance in Viby, has seen quite considerable changes, with traditional industry disappearing and the commercial buildings bordering on the existing residential areas being converted for office and residential uses.

(6) Skejby

Randersvej situated in the northern part of Aarhus is in great transition. One of the most recent and largest office districts outside central Aarhus is found at Brendstrupgårdsvej off Randersvej. Several international companies, also within the IT industry, have opened offices in modern buildings. Another

63,000 sqm are still for sale, ready to house additional newcomers, and currently *Davidson Partner* is developer on 4,200 sqm new premises for the *State and University Library* in Aarhus. The premises will include 3,000 sqm archives and are scheduled for completion in late 2006. In addition, for scheduled occupancy in autumn 2007, developer *NCC* is erecting a 7,000 sqm office building without pre-let agreements. At Randersvej, *NRGi Danmark* is constructing new head-office premises of 4,500 sqm, scheduled for completion in early 2007. The area at Olof Palmes Allé used to suffer some vacancy, but has seen a remarkable revival and today offers great development potential.

(7) Grenåvej

Although heavy daily traffic today congests Grenåvej, it will ease off in future with the opening of the new motorway. There are only a limited number of attractive office properties and rather high vacancy rates in the area. The new motorway may well serve to upgrade the area by providing enhanced access, making it more attractive to companies, also because rent levels are low relative to the rest of Aarhus. The area borders on sought-after residential areas, which means that local companies have a nearby recruitment base of well-educated labour.

INVESTMENT

OCCUPATIONAL

Office
Retail
Industrial/logistics

PRACTICES AND DEFINITIONS

INVESTMENT

OCCUPATIONAL

Office
Retail
Industrial/logistics

PRACTICES AND
DEFINITIONS

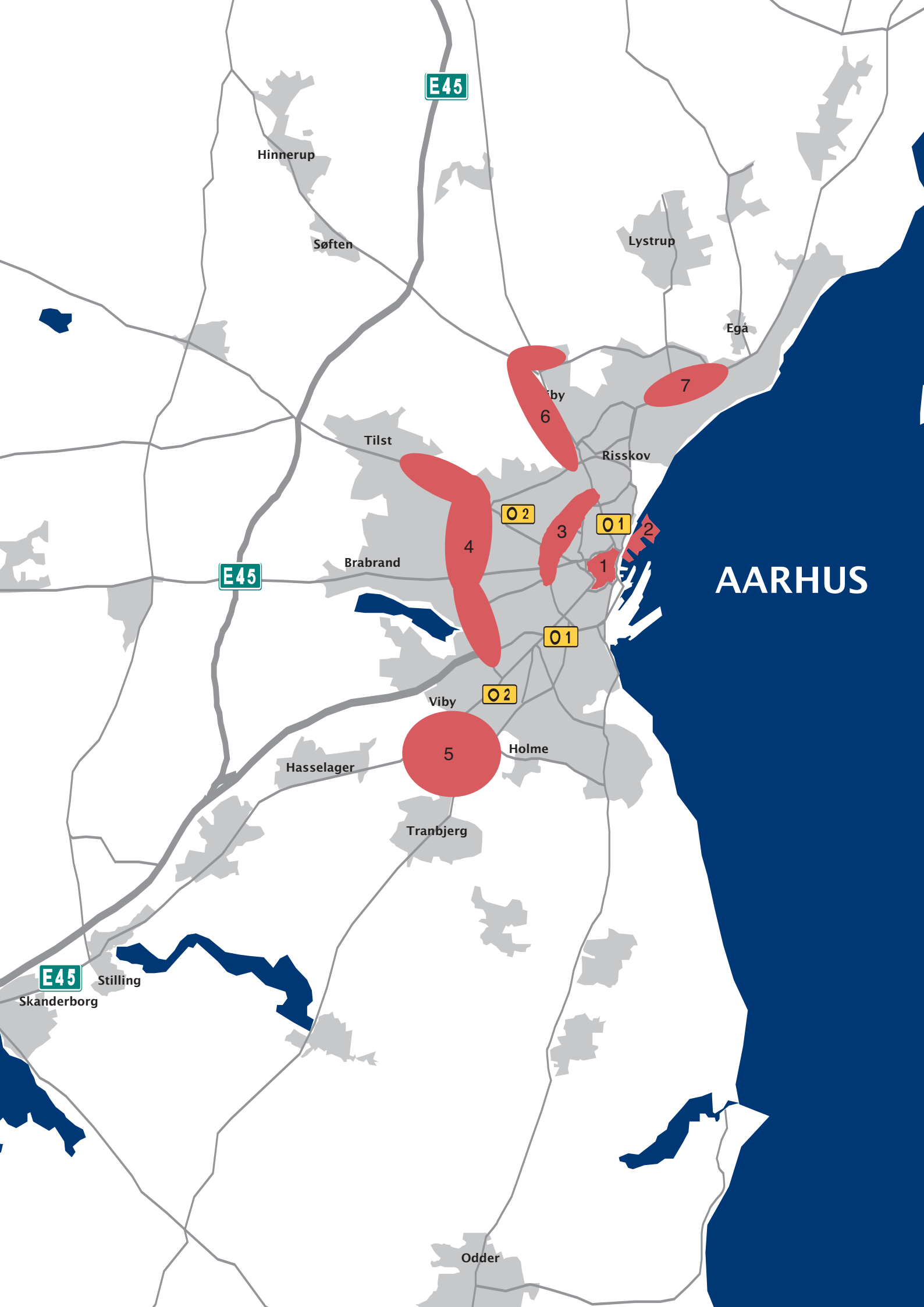
Typical office rent levels, Aarhus

Prime rent levels						Market expectations
(Exclusive of operating costs)	2002	2003	2004	2005	2006	2007
Central Aarhus and inner ring roads						
(1) Central Aarhus	1 100	1 100	1 000	1 050	1 100	↔
(2) The harbour areas*	na	na	na	na	(1 250)	↔
(3) Inner ring road	875	850	850	875	875	↔
Approach roads and outer ring road						
(4) Outer ring road	800	800	800	800	800	↔
(5) Viby/Holme	800	800	800	800	800	↔
(6) Skejby	900	900	900	875	900	↔
(7) Grenåvej	na	na	na	na	na	
Secondary rent levels						Market expectations
(Exclusive of operating costs)	2002	2003	2004	2005	2006	2007
Central Aarhus and inner ring roads						
(1) Central Aarhus	800	775	725	750	775	↔
(2) The harbour areas	na	na	na	na	na	
(3) Inner ring road	725	675	675	675	675	↔
Approach roads and outer ring road						
(4) Outer ring road	675	650	650	650	625	↘
(5) Viby/Holme	675	675	675	675	650	↘
(6) Skejby	725	700	700	725	725	↔
(7) Grenåvej	575	575	550	550	550	↔

Source: Sadolin & Albæk

Note: Market rents on pre-let office space outside the outer ring road generally average a level which is at least 10% above prime rents in the area.

* The harbour areas are under construction and are scheduled to be ready for occupation in 2008. For pre-let contracts, we estimate the market rent at approximately DKK 1,250 per sqm per year.



AARHUS

E45

E45

E45

Hinnerup

Søften

Lystrup

Egå

Viby

Tilst

Risskov

Brabrand

Viby

Hasselager

Holme

Tranbjerg

Stilling

Skanderborg

Odder



THE RETAIL OCCUPATIONAL MARKET

- *Surges in consumer spending and employment levels have been instrumental in driving up retail rents and pushing down vacancy rates*
- *Along with a continued dynamic shopping district along the main high street of Aarhus, the Latin Quarter and Bruun's Galleri are at either end serving as considerable customer magnets, targeting different segments*
- *Storcenter Nord expanding by 5,000 sqm to satisfy increasing demand for retail space in department stores*

In Aarhus, retail space is concentrated in the city centre and in shopping centres in the local communities. In the city centre, retailers are primarily major domestic and international chains, whereas the shopping centres feature a wider selection of both minor local shops and some major retail chains. Usually servicing one or more districts, shopping centres generally tend to be popular in Aarhus.

Rent levels for retail space in central Aarhus have seen an overall increase. The surge in employment levels and the resulting boost in consumer spending has had a positive impact on demand for retail space in Aarhus. Along Søndergade many shops have had their fronts and premises refurbished, and rent levels have also seen the steepest hikes in this area

relative to the other high-street areas. In shopping centres outside the city centre rents have remained stable or shown a slightly upward trend.

In the third quarter of 2006, the retail property stock in the County of Aarhus extended to nearly 1.5 million sqm in total, corresponding to roughly 50% of all retail space in entire Jutland. It is estimated that retail space in the Municipality of Aarhus accounts for about 40% of the aggregate county figure.

(1) The city centre

The shopping district in central Aarhus stretches from the southern side of the main station in a northerly direction down the main high street, *Søndergade*, ending up in the *Latin Quarter* to the north. Major international retailers are on an increasing scale seen to drive out the small local retailers from Søndergade, Ryesgade and Sct. Clemens Torv in central Aarhus. Footfall varies, as some shops are drawn back slightly from the main high street, while others in the front row enjoy a more prominent location.

In recent years, the shopping centre of *Bruun's Galleri* has drawn customers to the southern end of the city centre. The proximity to the main station gives the shopping centre a natural customer flow, making the centre's lease units much coveted by retailers.

INVESTMENT

OCCUPATIONAL

Office

Retail

Industrial/logistics

PRACTICES AND

DEFINITIONS

INVESTMENT

OCCUPATIONAL

Office
Retail
Industrial/logistics

PRACTICES AND DEFINITIONS

Side streets such as *Frederiksgade* are somewhat hit by the effects of the ongoing effort to uncover the stream at Immervad. Some shops are vacant, but the street has the potential for revival upon completion of the construction works. At Telefontorvet near the stream of Århus Å, consumer electronics retailer *Elgiganten* in October 2005 opened a 1,400 shop unit with some 600 sqm ancillary space in the newly completed *Essex Park* building. Such a central location represents a somewhat atypical choice for this specific type of retailer.

The districts in the northern part of the city in the Latin Quarter and south of the main station are seeing a steady influx of the more fashionable and well-established Danish retailers. Also a number of smaller, local and specialty shops are represented in this location. The districts have become increasingly popular in recent years, and the mix of shops and cafés, e.g. at the squares of Pustervig Torv and Store Torv as well as along the stream of Århus Å, serves to attract many visitors, giving these districts a vibrant and distinctive ambience. At the same time, this location is deemed a very attractive residential location. Residential new construction in the northern harbour areas will in all probability increase footfall in the Latin Quarter given the quite strong increase of local residents.

In early 2006 in the Latin Quarter at Volden, famous Danish textiles and footwear designer *Ilse Jacobsen* opened a shop and fine chocolate makers *SummerBird* opened a shop in the autumn 2005.

(2) Shopping centres

Most local communities of Aarhus have shopping centres, which all attract many customers. The regional shopping centre of *Bruun's Galleri* in the city centre continues to enjoy the most popular location.

The extension of *Storcenter Nord* in northern Aarhus is scheduled for opening in late August 2006. In 2004 the shopping centre posted turnover of DKK 650m (EUR 87.1m). *Storcenter Nord* is the primary local shopping centre in Aarhus, but its catchment area is to an increasing extent regional. Tenants in the 20 new shop units, extending to a total floor space of 5,000 sqm, include *Sonofon*, *Sportmaster*, *Bianco* and *Kaufmann*. Sales are expected to go up considerably as a result of the extension, with retail space expanding from 13,000 sqm to 18,000 sqm and a selection of 60 shops.

City Vest situated at Gudrunsvej in western Aarhus is the second largest local shopping centre with 59 shops arranged over 16,000

sqm retail space. The shopping centre is well-visited, its catchment area including Brabrand, Hasle and Åbyhøj. In 2004 the shopping centre posted turnover of DKK 504m (EUR 67.6m).

(3) Retail warehouses

Many of the large-scale retail warehouses are located in close proximity to the major arterial roads into the Aarhus city centre and the ring roads. These locations are easily accessible by car from the residential areas. Off the motorway in Tilst, *Bilka* and *Anelystparken* are located. *Toys'R'Us* and *Elgiganten* are just two out of multiple tenants in this location, and currently *Mekonomen* is erecting an auto-technics facility of 2,300 sqm. The extended motorway grid has served to increase footfall in *Bilka*, which has gradually become the largest retail warehouse in Denmark in terms of turnover.

South of the *Lisbjerg business park* at Randersvej lies a retail cluster of *IKEA*, *ILVA* and *Silvan*. In the immediate future we foresee a natural development of the area, where obsolete industrial properties facing the street are converted for retail purposes. The area is predicted to draw far more customers once the new motorway stretch opens to link the E45 motorway with Djursland.

In July 2005, *Bauhaus* opened an 11,000 sqm retail warehouse in Viby. Apart from *Bauhaus*, *Kvickly Xtra* and *Elgiganten* are represented in the area, with its catchment area including Viby and Højbjerg. The Viby area is outrivalled by other Aarhus districts in terms of retail warehouse clusters, and it is deemed feasible that the area will see an influx of additional retail warehouses in connection with the existing clusters or in their immediate vicinity.

INVESTMENT

OCCUPATIONAL

Office
Retail
Industrial/logistics

PRACTICES AND DEFINITIONS

Typical retail rent levels, Aarhus

						Market expectations
(Exclusive of operating costs)		2003	2004	2005	2006	2007
(1) Aarhus high street						
	(upper end)	1 800 - 3 700	1 700 - 3 700	1 800 - 3 800	2 000 - 4 300	↻
	Aarhus high street					
	(lower end)	1 400 - 2 200	1 300 - 2 100	1 400 - 2 200	1 500 - 2 400	↻
	Aarhus Latin Quarter	1 000 - 2 200	1 000 - 2 200	1 000 - 2 300	1 100 - 2 500	↻
(2) Regional shopping centres*	Anchor food	1 100 - 1 500	1 100 - 1 500	1 100 - 1 400	1 100 - 1 400	↻
	Anchor non-food	1 000 - 1 700	1 000 - 1 700	1 000 - 1 700	1 100 - 1 800	↻
	-300 sqm	1 400 - 3 700	1 400 - 3 700	1 400 - 3 700	1 500 - 4 000	↻
	300+ sqm	1 100 - 2 400	1 100 - 2 400	1 100 - 2 400	1 200 - 2 800	↻
	Local shopping centres					
	Anchor food	800 - 1 400	800 - 1 400	800 - 1 300	800 - 1 300	↻
	-300 sqm	1 000 - 2 200	1 000 - 2 200	1 000 - 2 200	950 - 2 200	↻
	300+ sqm	800 - 1 250	800 - 1 250	800 - 1 300	750 - 1 300	↻
(3) Retail warehouses		850 - 1 100	850 - 1 100	850 - 1 150	850 - 1 200	↻

Source: Sadolin & Albæk

* Rent levels for regional centres are for Funen and Jutland

THE INDUSTRIAL/LOGISTICS OCCUPATIONAL MARKET

INVESTMENT

OCCUPATIONAL

Office

Retail

Industrial/logistics

PRACTICES AND

DEFINITIONS

- *Upon redevelopment, the southern harbour areas of Aarhus are earmarked for industry and logistics, easy motorway access being provided by means of the new tunnel link*
- *Continued conversion trend prevalent in outdated commercial and industrial properties*
- *Building tax exemption in neighbouring municipalities has served to propel growth in Søften and Stilling*

The current market trend in the Aarhus industrial property market is for industrial facilities to relocate from the older industrial locations close to the city to the areas outside the outer ring road. In this location the infrastructure is better suited for the heavy traffic requirements of these companies, and compared to more central locations the proximity is here closer to the motorway grid in continental Europe as well as the new motorway stretch from the E45 to Djursland.

Aarhus is an important traffic hub in Denmark. The industrial sector is gradually shifting more and more towards logistics and distribution from more traditional manufacturing as such.

Nevertheless, the Municipality of Aarhus to some extent competes with several nearby municipalities to attract the most desirable companies. The *Søften business park* north of Aarhus and the commercial area at *Stilling* serve as two examples of flourishing business locations with great progress. However, both locations are found in minor municipalities situated near the Municipality of Aarhus and characterised by deliberate and focused business policies, typically including lower land prices than in Aarhus and exemption from building taxes. All things being equal, both factors translate into lower all-in rent costs, favouring the tenants, or higher returns, favouring the owners, as these business locations compare well with alternative locations in the Municipality of Aarhus, where properties typically trade at the same yield levels.

In the third quarter of 2006, the industrial property stock in the County of Aarhus extended to almost 10.7 million sqm in total – up by some 0.3 million sqm since the second quarter of 2005. Industrial space in Aarhus is mainly found in the following sub-areas:

(1) The harbour areas

The southern part of the harbour is being developed for industrial and logistics purposes, thereby displacing these uses from the northern part of the harbour. The Port of Aarhus is Denmark's largest container port and remains the most coveted industrial location. The Aarhus county transport sector employs about 10% of the total workforce, with Aarhus as an important traffic hub, linking transport by sea and road in Denmark. Upon the scheduled completion in 2012 of the tunnel link below Marselis Boulevard, connecting the harbour with Skanderborgvej, the infrastructure in the harbour areas in particular will ensure smooth transport of goods and people for the great benefit of Aarhus in general.

(2) Søren Frichs Vej

The area surrounding Søren Frichs Vej and the outer ring road is home to a number of small-scale industrial companies. Gradually replaced by lighter industries, traditional industry in the area is relocating to the outer parts of the outer ring road. This is an obvious opportunity to convert the areas off Søren Frichs Vej for other uses.

(3) Western Aarhus

Also the western part of the areas outside the outer ring road in Aarhus accommodates a number of small-scale industrial companies. However, newcomers increasingly include logistics companies. The area extends along the motorway and arterial roads on account of its obvious logistical advantage.

At Edwin Rahrs Vej industrial growth is manifest in the construction start in 2006 of a new transport centre, set to become the largest transport centre in Denmark. Half of the 80 hectares (200 acres) of land offered for sale by the municipality is earmarked for the

road haulage business *Århus Fragtmads-central A/S*, the site spanning half a kilometre along the Låsby motorway bound for Herning and the E45. The transport centre is scheduled for completion around 2010 or 2011. Its location at Årslev, some 5 km off the outer ring road and 9 km outside the city centre, enjoys direct access to the European motorway grid via the E45 junction.

(4) Viby/Holme

South of Aarhus, the area surrounding the outer ring road is characterised by small-scale industry. The building stock mainly consists of old and often large-scale facilities. On the near side of the ring road, the area at Chr. X's Vej is experiencing a relocation trend among industrial companies. The obsolete industrial buildings are reconstructed and subsequently converted for alternative uses. Quite a few old industrial companies have remained in the south-western end of Skanderborgvej in Hasselager, however, this area seeing little development.

At Gunnar Clausens Vej outside the outer ring road in Viby, low-price merchants *Søstrene Grene* have erected a new distribution and administration building for owner-occupation.

(5) Skejby/Risskov

In Skejby, the industrial community is still characterised by heavy industry, despite the gradual shift towards lighter industries. Developments in the *Lisbjerg business park* are slow, although the Municipality of Aarhus has already paved the way for additional companies to settle here. Today, the tenants of up-to-date facilities in the business park include *Bendt Brandt A/S*, non-food suppliers to catering centres, outdoor-clothing suppliers *Laksen A/S* and IT company *Blue Line A/S*. The business area at *Søften*, cf. (7) below, has nevertheless seen considerable developments, which may be attributed to the current building tax exemption in the Municipality of Hinnerup.

In addition, these developments may be explained by the ongoing motorway construction to link Djursland with the Jutland motorway grid of E45 in Tilst. Several companies have realised the advantages hereof, and as a result activity in the area is already picking up. The improved infrastructure is set to ease the transport of goods and labour. The 14 km long motorway stretch is scheduled for completion in 2008.

(6) Stilling

Further up the motorway, towards Skanderborg, at Stilling, the area is booming. With now more than 15 companies settled, including *RedGreen*, IT company *Kerfi* and wholesalers *DKI Group*, three new logistics headquarters are under construction. *Midtjysk Albyg* is currently building mixed-use production, warehouse and office premises for spice company *Dansø Handel*, scheduled for completion in autumn 2006. Given the high visibility of this area vis-à-vis the adjacent E45 motorway it is an ideal company location.

(7) Søften

Søften is situated in the northern end of Randersvej. This area has been upgraded and now offers up-to-date attractive properties and facilities. With space in ample supply, it is primarily manufacturing companies with extensive space requirements that are settling in the area. Existing major companies include both domestic and international businesses. The more than 15 companies in this location include *Bridgestone*, *Blue Water Shipping*, *Coca Cola* and DIY store *Råd & Dåd*.

In 2005-2017, 60.5 hectares (some 151 acres) of land have been designated for commercial use and the long-term development potential includes some additional 62.5 hectares (some 156 acres). The new motorway south of Søften is likely to have a positive influence on the business area, and it may have been a decisive factor in the land acquisitions concluded by four companies in this location since the start of 2006.

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PRACTICES AND DEFINITIONS

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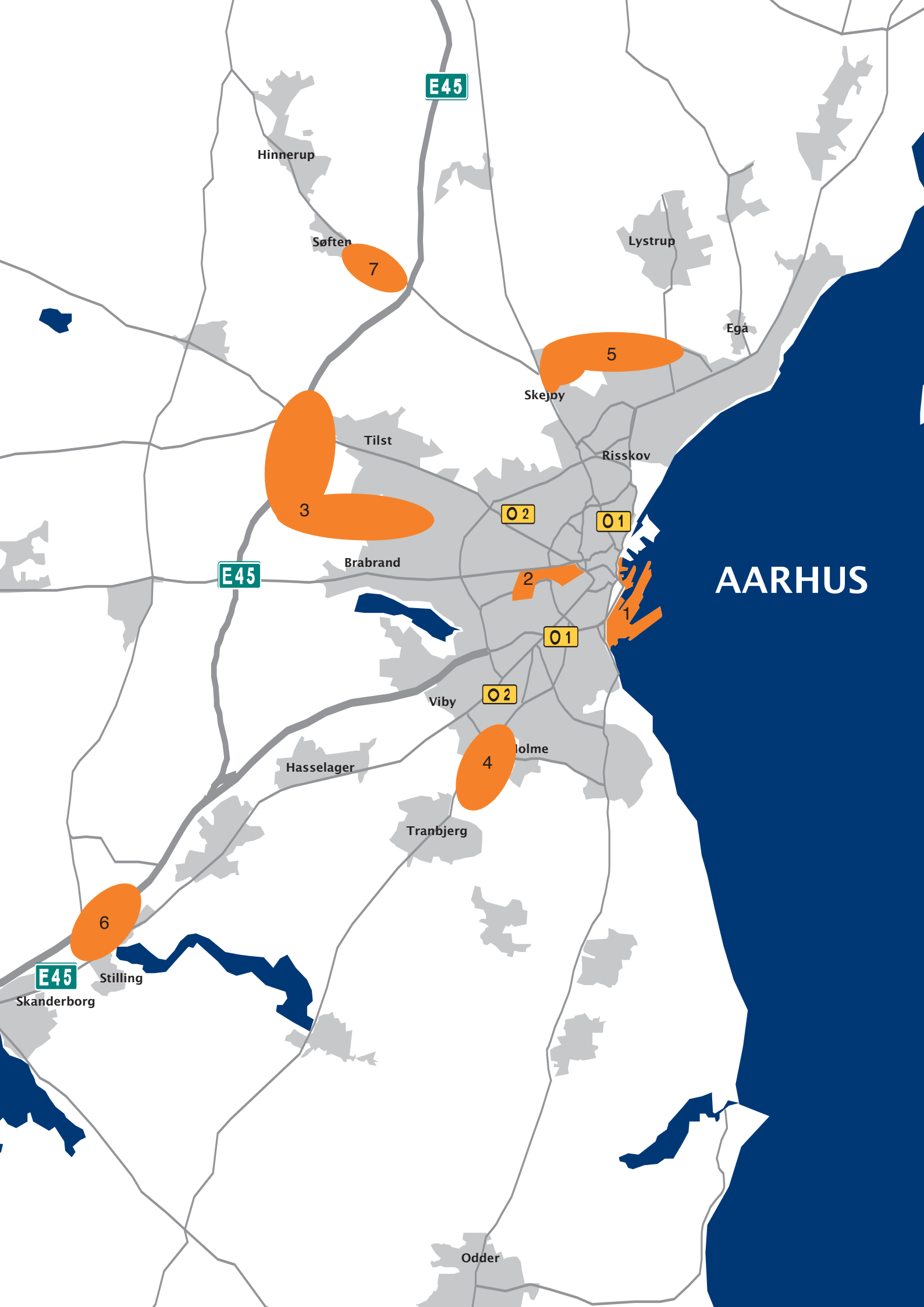
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PRACTICES AND
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Typical industrial rent levels, Aarhus

Prime rent levels						Market expectations
(Exclusive of operating costs)	2002	2003	2004	2005	2006	2007
Central Aarhus and inner ring roads						
(1) The harbour areas	425	425	425	425	425	↔
(2) Søren Frichs Vej	375	350	350	375	375	↔
Approach roads and outer ring road						
(3) Western Aarhus	375	375	375	375	375	↔
(4) Viby/Holme	350	350	350	350	350	↔
(5) Skejby/Risskov	375	375	375	375	375	↔
(6) Stilling	375	375	375	400	400	↔
(7) Søften	na	na	375	400	400	↔
Secondary rent levels						
(Exclusive of operating costs)	2002	2003	2004	2005	2006	Market expectations 2007
Central Aarhus and inner ring roads						
(1) The harbour areas	300	300	300	300	300	↔
(2) Søren Frichs Vej	300	300	300	300	300	↔
Approach roads and outer ring road						
(3) Western Aarhus	300	300	275	275	300	↔
(4) Viby/Holme	275	250	250	250	275	↔
(5) Skejby/Risskov	325	325	300	300	300	↔
(6) Stilling	275	275	300	300	300	↔
(7) Søften	275	275	300	300	300	↔

Source: Sadolin & Albæk



PRACTICES AND DEFINITIONS

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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 western Denmark split 50:50 between the parties and in eastern Denmark (including Copenhagen) payable by buyer.

Information provided in the table below 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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Fitness dk, Friskohuset, central Aarhus
Clemens Torv, central Aarhus
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Page 18 Lille Torv 6, central Aarhus
M.P. Bruuns Gade, central Aarhus
Page 30 Bendt Brandt, Lisbjerg business park
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