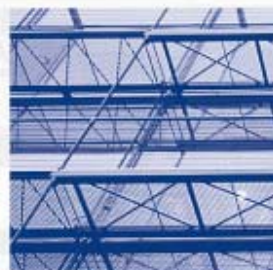


# THE COPENHAGEN RETAIL MARKET



Market update • October 2007

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## 1. Introduction to the Copenhagen retail market

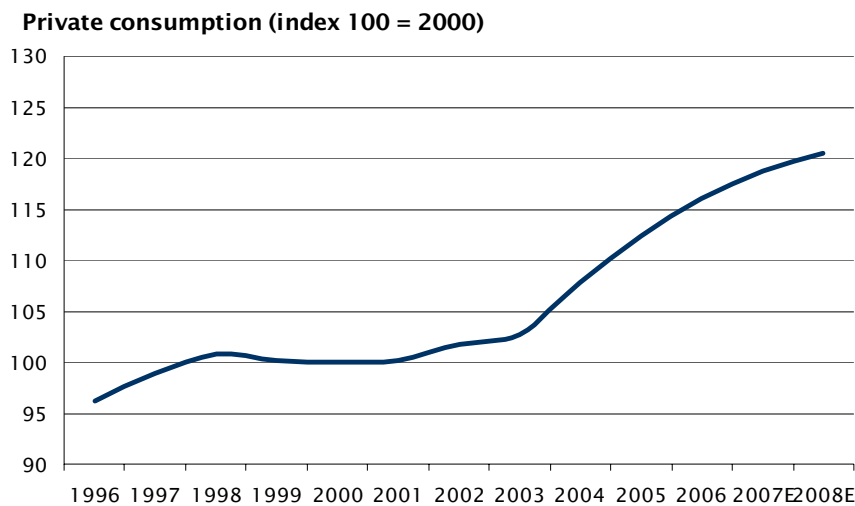
Owing also to its central geographical location in Scandinavia and ability to attract new residents as well as visitors from near and afar, Copenhagen has indeed succeeded in becoming a city that offers great conditions for living as well as for shopping and leisure activities. Formerly, Copenhagen was predominantly a centre for trade, but within the last decade or so it has evolved as a unique metropolitan city to be reckoned with. The Copenhagen retail market has benefited from a stronger focus on Danish design nationally and internationally as more and more Danish designers have managed to establish themselves with high-quality brands. Another important factor is the Danish tourist trade. Copenhagen offers a wide range of cultural events, and Denmark in general enjoys ready access by sea, air and land, following massive investments in infrastructure, including the bridge across the Sound to Sweden. Moreover, thanks to the excellent language skills of most Danes, with some 75% of the population speaking English, foreign tourists find it easy to stay in Denmark. Several available leisure-time options and a wide array of shopping facilities services serve to make Copenhagen a welcoming city, which satisfies all consumers' needs and targets all customer segments.

### **Danish economy**

The strong Danish fundamentals seen in the last couple of years have been driven primarily by historically low unemployment rates and climbing employment levels. In fact, the trend seems to be later retirement ages and even earlier graduation/job start ages. Demand for labour has not weakened, however, with the ensuing labour shortage pushing up wages and salaries. Homeowners have experienced strong equity values as house prices have been soaring, although in recent months price hikes have slowed somewhat. Furthermore, in recent years the Danish government's so-called tax stop has further enhanced the purchasing power of private households and thus boosted consumer spending.

Danish consumer spending has developed favourably for more than a decade, but has experienced a sharp increase since 2003 in particular, up by almost

13% from DKK 158.4m to DKK179.0m compared to an increase of 17.4% for the last decade as a whole.



Source: Statistics Denmark and Danske Bank

Over the last six months, however, the Danish property market has seen climbing interest rates and a slowdown in the previous surges in housing prices. This in turn has somewhat reduced the spending power of private households, slightly curbing consumer spending longer term and by extension affecting Danish retail trade, albeit on a minor scale. Private consumption is expected to stabilise or decrease slightly during the next 12 months as a result.

Nevertheless, in recent years the general increase in consumer spending has translated into a strong demand for retail units in Copenhagen, especially in the high-street areas and in the district known as the Latin Quarter/Grønnegade area. The trend moves towards the high-street area being increasingly dominated by international and Scandinavian retail chains, whereas more local and domestic shops tend to relocate in the side streets. Today, chains account for about 70% of retailers at Strøget. Retail rent levels are affected by this trend. High-street rent levels have edged up slightly as a result, while the stronger demand for retail units in the Copenhagen Latin

Quarter/Grønnegade area in particular has boosted rent levels over the last couple of years, with a projected further increase in the years ahead.

### **General overview**

In total, the retail property market of Copenhagen counts more than 4,200 shops. The Copenhagen city centre houses around 750 shops of which 590 are retailers.

Moreover, Greater Copenhagen has a considerable number of shopping centres; in fact, more than half of all Danish shopping centres are located in the Copenhagen region, and this number has in fact increased by more than 8% in one year. With two new shopping centres in the pipeline the number of shopping centres is set to increase. On a national level, the number of inhabitants per shopping centre is 56,000, but in the Copenhagen region it is as low as 43,000. In 2006, Danish shopping centres posted revenues of some DKK 50bn (EUR 6.67bn) in total, with about 50% generated in shopping centres located in the Copenhagen area. Parking facilities are important to customers, who are willing to accept a longer travelling distance if provided with a wider supply and variation in goods.

### **The Danish planning act**

As at mid-2007, Danish retailers are able to expand their stores and shops pursuant to the amended Danish planning act. Formerly, the size of retail facilities was restricted to 3,000 sqm gross floorspace for large-scale food retail outlets and to 1,500 sqm gross floorspace for non-food retail outlets. The amendment increases the upper area limits by 500 sqm of space, resulting in provisions for 3,500 sqm and 2,000 sqm of space respectively.

However, the new provisions involve restrictions (mainly) affecting retail outlets requiring unusually large quantities of space, which traditionally prefer to locate outside the central city districts. Following a redefinition, the list of goods requiring unusually large quantities of space includes only dealers in automobiles, caravans/mobile homes, yachts as well as garden centres with

nurseries and DIY outlets with timber sales and to some extent also furniture dealers. New restrictions of this nature may distort competition as chains such as Elgiganten, Jysk and Toys 'R' Us are experiencing limited localisation options.

## 2. The retail property occupational market

### 2.1 The high-street retail market in the Copenhagen city centre

The Copenhagen high-street retail market is located in the area between Rådhuspladsen (the City Hall square), Kongens Nytorv and Nørreport station. It consists of the two main pedestrian streets Strøget and Købmagergade, the former stretching 1.2 kilometres, which makes it the longest pedestrian shopping street in the world. The streets off the main high-streets have an abundance of shops and seem to be steadily spreading out to include new districts.

Shops in the high-street area are mostly Scandinavian and international retail chains, accounting for about 70%, and some local retailers. Among international retailers are *Hennes & Mauritz*, *Miss Sixty*, *Benetton*, *Burberry*, *Vero Moda*, *Diesel*, *Mango* and *Esprit*. At Østergade, the most exclusive part of Strøget between Kongens Nytorv and Amagertorv, high-profile shops offer brands such as *Gucci*, *Louis Vuitton*, *Hermes*, *Chanel*, *Sand*, *Hugo Boss*, *Mulberry*, *Max Mara*, *Georg Jensen* and *Bang & Olufsen*, and a majority of these shops have existed in this location for several years. Furthermore, the area accommodates the department stores of *Magasin*, *Illum* and *Illum's Bolighus*, and the new shopping venue of *Galleri K*, housing about 25 shops. Opening in the autumn 2006, Galleri K is facing Østergade and offers brands such as *Topshop*, *Day Birger et Mikkelsen*, *Mood*, *Adidas*, *Agent Provocateur* and *Replay*.

Local retailers increasingly tend to set up in the streets off the main high streets as shops offering specialty and to some extent customized articles prefer to diversify from the well-known chains in the high streets. The area running north of Strøget, near the City Hall and known affectionately as 'Pisserenden' ('Skid row'), is an example of this trend. The streets off Strøget and Købmagergade experience stronger footfall, which has served to attract additional local retailers. Rent levels in these areas have increased substantially (see table below). In keeping with the Danish seasons, department stores tend to experience strong footfall during winter, whereas the pedestrian streets attract the stronger traffic in summer. As a result, retailers often have shops in both locations.

## Typical retail rent levels, Greater Copenhagen

(DKK/sqm/annum)

(Exclusive of operating costs and taxes)		2002	2003	2004	2005	2006	2007	Market expectations 2008
(1) Copenhagen "High Street" (upper end)	Area up to 100 sqm	12,000-19,000	12,000-19,000	12,000-19,000	12,000-19,000	14,000-19,000	14,000-19,000	↔
	Area 100-300 sqm	9,000-14,000	9,000-14,000	9,000-14,000	9,000-14,000	12,000-15,000	12,000-15,000	↔
	Area 300 sqm +	6,000-12,000	6,000-12,000	6,000-11,000	6,000-11,000	8,000-12,000	8,000-12,000	↔
Copenhagen "High Street" (lower end)	Area up to 100 sqm	6,500-9,000	6,500-9,000	6,500-9,000	6,500-9,000	7,000-12,000	7,000-12,000	↔
	Area 100-300 sqm	4,000-8,000	4,000-8,000	4,000-8,000	4,000-8,000	5,500-10,500	5,500-10,500	↔
	Area 300 sqm +	3,500-5,500	3,500-5,500	3,500-5,500	3,500-5,500	5,000-8,500	5,000-8,500	↔
(2) Copenhagen City Latin & Grønnegade area	Area up to 300 sqm	1,200 - 3,300	1,200 - 3,300	1,400 - 3,800	1,400 - 3,800	2,200-6,500	2,500-6,500	↔
	Area 300 sqm +	1,200 - 1,800	1,200 - 1,800	1,200 - 2,500	1,200 - 2,500	1,300-5,000	1,500-5,000	↔
(3) Copenhagen other important shopping	Area up to 300 sqm	1,000 - 2,800	1,000 - 2,800	1,000 - 3,200	1,000 - 3,200	1,250-3,900	1,300-4,000	↔
	Area 300 sqm +	1,000 - 1,800	1,000 - 1,800	1,000 - 2,200	1,000 - 2,200	1,000-3,000	1,000-3,000	↔
(4) Provincial High Street	Area up to 100 sqm	1,800-3,600	1,800-3,400	1,800-3,400	1,800-3,600	1,800-3,600	1,800-3,600	↔
	Area 100-300 sqm	1,500-2,600	1,500-2,600	1,500-2,600	1,500-3,000	1,500-3,000	1,500-3,000	↔
	Area 300 sqm +	900-1,800	900-1,800	900-1,800	900-1,800	950-1,800	950-1,800	↔
(5) Regional shopping centres	Anchor food	1,200-1,600	1,200-1,600	1,100-1,400	1,100-1,400	1,100-1,600	1,100-1,800	↔
	Anchor non-food	1,400-2,200	1,400-2,200	1,400-2,200	1,400-2,200	1,400-2,200	1,400-2,400	↔
	Area up to 100 sqm	2,000-8,000	2,000-7,500	2,000-7,500	2,000-8,000	2,000-7,500	2,000-7,500	↔
	Area 100-300 sqm	1,500-5,000	1,500-4,500	1,500-4,500	1,500-4,500	1,500-4,800	1,500-4,800	↔
(6) Local shopping centres	Area 300 sqm +	1,200-3,500	1,200-3,500	1,200-3,500	1,200-3,500	1,200-3,500	1,200-3,800	↔
	Anchor food	1,000-1,800	1,000-1,800	900-1,500	900-1,500	900-1,600	900-1,800	↔
	Area up to 100 sqm	1,300-2,500	1,300-2,500	1,300-2,500	1,300-2,500	1,300-2,800	1,300-3,000	↔
	Area 100-300 sqm	1,100-2,000	1,100-2,000	1,100-2,000	1,100-2,000	1,100-2,200	1,100-2,400	↔
(7) Retail warehouses	Area 300 sqm +	800-1,650	800-1,650	800-1,650	800-1,650	800-1,700	900-1,800	↔
	Area 300 sqm +	1,000-1,700	950-1,650	950-1,650	950-1,850	950-1,850	950-1,850	↔

Source: Sadolin & Albæk

At Strøget and in the side streets, an increasing number of cafés and bars have opened in recent years, some chains even with several shops, e.g. *Barresso*. Entertainment and leisure facilities are mainly found at either end of Strøget, in the City Hall/Central Station area and in Nyhavn in particular. This vibrant shopping district is characterised by a mix of shops and cafés.

The Copenhagen city centre offers a comprehensive mix of international and domestic designer goods as well as home accessories and other articles/goods, entertainment facilities and services, earning Copenhagen a ranking as the number three best shopping city in the world according to *Sherman's Travel*. Thanks to Danish designers, international fashion houses and the department stores all situated close to and in the heart of the city centre, Copenhagen holds this position.

However, central Copenhagen suffers from a limited availability of parking spaces, albeit excellent public transport facilities somewhat compensate for this, for instance the Copenhagen metro line. It links either end of the pedestrian streets and makes the distance from outside the city centre to the city centre short, both in terms of physical and psychological accessibility. The Nørreport and Kongens Nytorv metro stations are on the same line, only a few minutes apart. Also, on foot the Copenhagen city centre is relatively easy to cover.

## 2.2 The Copenhagen Latin Quarter/Grønnegade area

The Latin Quarter/Grønnegade area is encircled by the main streets of Østergade and Købmagergade, and it is considered a prime shopping location, which is also reflected in the mix of shops. Both local residents and tourists seek out the upmarket retailers in this area, benefiting domestic and local designers as well as newcomers. Shops in the area include *A Pair*, *Kassandra*, *LaCoste*, *Perla*, *Georg Jensen Damask*, *M-Store*, *Gossip* and *Filippa K* in addition to a host of trendy cafés, bars and restaurants. A newcomer in Denmark, with the first coffee and juice bar, *Joe and the Juice*, opened in this location in 2002 and subsequently expanded with two outlets in Magasin and one in the Tivoli Gardens. In Kronprinsensgade, which also runs through this area, the concentration of fashionable and exclusive shops is among the highest in the Copenhagen Latin Quarter. Fashion and shoe shops include *Bruno and Joel*, *Alexandra*, *Flying A*, *Bruuns Bazaar*, *Stig P*, *Miss Sixty*, *OZ*, *Ilse Jacobsen*, *Feet Me* and *Notabene*. Although most of these shops are Danish shops, they too offer international brands, for instance *Marc Jacobs*, *Prada*, *Paul & Joe*, *Cacharel*, *Dolce & Gabbana*, *Stella McCartney*, etc.

Over the last decade, the area has expanded to now also include the street of Gothersgade. It seems that Bredgade, opening into Nyhavn, attracts an increasing number of shops and restaurants, among them *Umami* and *Madklubben Bistro De-Luxe*. The strong pedestrian flow heading for the cafés and restaurants in Nyhavn brings this area into play as a new shopping location. Bredgade is predominated by offices occupied by the liberal professions, some antique dealers and a few retailers.

The Krystalgade and Fiolstræde area between Købmagergade and Strøget is undergoing a transition. In the past, low-budget department store *Daells Varehus* was located in this area, but in 2004 it was replaced by five-star Hotel Sankt Petri at Krystalgade, which has revived interest for this location. Several shops have already settled in the area, including *Apartment No. 7*, *Wood Wood*, *Tiger of Sweden*, *ParisTexas* and *G-Star*. The area may well evolve as a new trendy shopping area in the Copenhagen city centre with further redevelopment potential.

Important retail areas in Copenhagen



### 2.3 Other important shopping areas in Copenhagen

The Copenhagen districts of Frederiksberg, Nørrebro, Amagerbro, Østerbro and Vesterbro constitute five important retail areas. Frederiksberg, Nørrebro and Amagerbro are characterised by local shopping centres and one or two main shopping streets, whereas Østerbro and Vesterbro both have one main shopping street.

#### *Frederiksberg*

Gammel Kongevej at Frederiksberg has seen remarkable changes in recent years. A wide assortment of almost all kinds of commodity types is available and standards have improved significantly. Among newcomers are *Vero Moda*, *Bertoni*, *Tiffany Lamper*, *Wolford* and *Sticks & Sushi*. The area still has a concentration of home furnishing and kitchen unit retailers as well as IT related shops.

The shopping centre of *Frederiksberg Centret* is located at Falkoner Allé, comprising 18,000 sqm of retail space. The shopping centre houses around 50 retailers, 10 units offering restaurants and personal care-shops and anchored by *Føtex* with a 3,200 sqm department store. Vacancies in Frederiksberg Centret are rare. Falkoner Allé has a mixed offering of shops, with a predominance of electronic equipment outlets, fashion shops and restaurants, serving as a good supplementary choice to the shopping facilities offered at nearby Gammel Kongevej.

Both Frederiksberg Centret and in part Gammel Kongevej benefit from their location next to the Copenhagen Business School, Frederiksberg Gymnasium and the Frederiksberg metro station. More than 15,000 students and staff visit the area daily, and the shopping centre has experienced an increase in footfall in recent years.

#### *Nørrebro*

In the Copenhagen district of Nørrebro, retailers are found in several minor clusters. Along Nørrebrogade, originating from the bridge of Dronning Louises Bro, several local and ethnic restaurants and shops are located, but it is the side streets that seem to be attracting the more trendy, albeit still local,

shops. The selection of cafés and restaurants is also broad, targeting young people in particular.

Nørrebrogade ends at the local shopping centre of *Nørrebro Bycenter*, comprising 10,000 sqm retail space. Many people visit this area every day as it is a traffic hub, also for public transport by rail and road. Stores in this district are mainly home furnishing stores like *Silvan*, *Fona*, *Imerco* and *Elgiganten* and specialty shops. Nørrebro Bycenter is the only shopping centre in Copenhagen not to house a convenience store. But then these are in ample supply in the local environment. The shopping centre was built in 1995 and has not been upgraded since, which gives it a slightly dated look. The same applies to the district at large, which is lacking in modernization schemes and investments. Nevertheless, vacancy rates are almost non-existent in the area, with rent levels tracing a stable trend.

#### *Amagerbro*

Amagerbrogade is the main shopping street on the island of Amager. But also Holmbladsgade has in recent years been revived with urban renewal schemes, paving the way for new shops and especially cafés. Within the last four or five years interest for this particular area has mounted, prompted also by the opening of the Amagerbro metro station. From being dominated by local retailers, the area now offers brands from domestic retail chains, e.g. *Hunkemöller*, *Triumph*, *Baresso*, *Vero Moda* and *Saint Tropez*. The local shopping centre of *Amager Centret* is situated in a very central location, between the two main streets of Amagerbrogade and Holmbladsgade, with excellent accessibility by both private and public transport. This shopping centre has 16,000 sqm of retail space, distributed on 60+ shops, including *Føtex*, *Hennes & Mauritz* and *Vero Moda*. Retailers in the nearby streets serve as a good complement to the shopping centre. Vacancy rates are low.

#### *Østerbro*

In the densely populated district of Østerbro, the main shopping street is Østerbrogade. It has been upgraded in recent years with an increasing number of more fashionable shops opening and offering a broader range of articles. The area is dominated by domestic and local trendy brands as well as Scandi-

navian shops. Østerbro has for years been characterised by a great number of cosy cafés and attractive restaurants and this now seems to be a permanent feature. In addition, Østerbro has a number of green spaces and small squares where cafés and restaurants are attracting an increasing number of customers to the area. Also, Nordre Frihavnsgade has been renovated within the last couple of years and has seen several newcomers among its shops. As seen in other districts of Copenhagen, this area is expected to enhance its shopping facilities.

### *Vesterbro*

Vesterbro is the Copenhagen district to have experienced the most dramatic changes during the last decade or so. Originally a predominantly low-income area, this district has earned a higher social status owing to extensive urban renewal schemes. Similar to the districts of Østerbro, Vesterbro and the Vesterbrogade area in particular have attracted several new retailers, local shops as well as domestic chains. Also, the area benefits from a substantial ethnic and cultural diversity, which makes it a very popular and trendy place to live and to visit. Vesterbro is also known for its many hotels. They ensure a great flow of tourists for the benefit of local retailers and restaurants. Moreover, the area benefits from its many young residents, which were able to find affordable housing in this district in the past. Owing to its popularity, however, the district is today commanding residential prices and rents on a par with other Copenhagen districts. Still, students and others in the low-income bracket still stand a better chance of securing less expensive housing in this area, which explains the predominance of young people. Typically, residents in this age bracket have a great impact on developing a new area with shops and cafés, as they typically are trend-setting and spend considerable time and money on shopping and café visits. In close proximity, the shopping centre of *Fisketorvet* is located on the waterfront, linking the area between Vesterbrogade and Kalvebod Brygge, and by extension bringing a larger part of Vesterbro into play. Developments at Vesterbrogade are also influenced by the street's proximity to Gammel Kongevej, which runs parallel to Vesterbrogade. Today, these two areas have almost merged into one.

## 2.4 The provincial high-street retail markets

Typical local high-street retail areas are found in the town centres of Lyngby, Hillerød, Roskilde, Køge and Helsingør (in English known as Elsinore). They all enjoy easy access from the motorway grid and the main roads. The areas are dominated by national retail chains and local shops. Vacancy levels are around the 1%-mark.

In *Lyngby* the main shopping streets are Klampenborgvej and Lyngby Hovedgade near *Lyngby Storcenter* and the department store of *Magasin Lyngby*. Main retailers in this location are domestic retail chains and local shops, serving as a good complement to Lyngby Storcenter by offering a broad range of shops, such as *Jackpot*, *Peak Performance* and *Bang & Olufsen*. The shopping area is located close to the S-train station. Also parking facilities are in ample supply both in the streets and at Lyngby Storcenter, providing 3,000 parking spaces.

*Hillerød*, located in the central part of northern Zealand, has with its two main pedestrian shopping streets and shopping centres become a central location for trade in the region. Local shops and a few domestic retail chains dominate the pedestrian streets, whereas the shopping centres of *SlotsArkaderne* and the newly built *Gallerierne*, opening in November 2006, attract an increasing number of domestic and Scandinavian retail chains to the town. Both shopping centres and the town centre draw customers from a large catchment area, and the ongoing development of the town centre reflects a stronger demand from the neighbouring town and areas.

*Roskilde*, a university city, is situated approximately 30 kilometres west of Copenhagen. The city and all its attractions, including the famous Roskilde Cathedral, draw people from the surrounding area as well as tourists, for the benefit of local retail sales. Shopping facilities in the city centre are located in one main pedestrian street and in side streets, offering a fairly wide mix of local shops and domestic/Scandinavian chains. The Roskilde city centre is complemented by the regional shopping centre of *Ro's Torv*.

Due to its location 40 kilometres south-west of Copenhagen, the shopping area of *Køge* primarily attracts customers from the nearby communities. Retailing is concentrated in three main pedestrian streets, convening in the central square of *Torvet*, and a few shops are located in the adjacent streets in central *Køge*. The shops are mainly local and domestic retail chains, but a number of local shops offer several brands from domestic and international brands. Traditionally, *Køge* has been a predominantly industrial location, and as a result retail sales have traditionally been limited. However, several local shopping centres are found in close proximity of the town centre.

*Helsingør (Elsinore)* is a port located in north-eastern Zealand. The town benefits greatly from its sea link to *Helsingborg* in Sweden, and many of the customers in *Elsinore* are therefore Swedish visitors. After all, the sea link from *Helsingør* to *Helsingborg* still enjoys the position as the best gateway between the Nordic region and the Baltic States with around 25% of all traffic being regional. In *Helsingør*, shopping areas are found in several locations in the pedestrian streets, offering a mix of local shops and domestic retail chains. In the town centre of *Helsingør* and in close proximity to the pedestrian streets, the shopping centre of *Helsingør Bycenter* is located. The centre has 28 specialty shops, including a 2,700 sqm *Føtex* store, and 560 parking spaces. Within the last decade the town has evolved from a very local shopping district dominated by local retailers to a still local but more diversified shopping environment with more retail chains. Some of the local shops offer high-profile and international brands. This development is expected to continue, albeit on a smaller scale. *Helsingør* attracts customers from the northernmost part of Zealand, where residents typically enjoy a strong purchasing power.

## 2.5 The regional shopping centres

Regional shopping centres in Greater Copenhagen include *Field's* in *Ørestad*, *Fisketorvet* on the waterfront close to the Copenhagen city centre, *Lyngby Storcenter* to the north of Copenhagen, *Rødovre Centrum*, *Ro's Torv* and *City 2* to the west and to the south of Copenhagen *Hundige Storcenter* and *Ishøj Bycenter*.

In general, regional shopping centres are located near major traffic junctions and train stations. Unlike the local shopping centres, the regional centres to some extent attract “daytrippers” by car as they offer specialty stores and convenience stores as well as restaurants and overall leisure facilities targeting customers in groups and families in particular.

In 2006, the average annual turnover in regional shopping centres was DKK 1,605m (EUR 214m), equivalent to an average turnover of DKK 41,147 (EUR 5,486) per sqm sales area.

The most recently built and largest regional shopping centre in Denmark, *Field's*, is situated in Ørestad between the Copenhagen city centre and Copenhagen Airport. Thanks to its easy access from the motorway grid or by metro in addition to a broad range of 120 specialty shops and four anchor shops, including a 12,000 sqm *Bilka OneStop*, *Elgiganten*, *Magasin* and *Stadium*, the shopping centre appeals to customers from a wide catchment area. Like all of the other regional centres, parking facilities are excellent: Field's has 3,000 designated parking spaces. The shopping centre is well functioning but some vacancies are found, but then the centre extends to all of 67,400 sqm retail space. In 2006, Field's posted the largest turnover among the shopping centres in Copenhagen, viz. DKK 2,500m (EUR 333m).

*Fisketorvet* is situated on a waterfront site south of the Copenhagen city centre. It comprises 123 shops and a 10,000 sqm cinema. Out of the total 55,000 sqm, 37,000 sqm are used for retail sales. Shops include *Hennes & Mauritz*, *Stadium*, *Føtex*, *Electric City*, *Silvan* and *Bahne*. In September 2006, a new bicycle/pedestrian bridge was constructed to facilitate and shorten the way to the shopping centre from the opposite side of the port, i.e. the district of Islands Brygge on the island of Amager.

*Lyngby Storcenter* enjoys a central location at the street of Klampenborgvej, between the two northbound motorways of E45 and 201 (to Birkerød). The centre houses 114 shops with 28,000 sqm retail space in total. In 2006, retail sales averaged approximately DKK 56,000 (EUR 7,452) per sqm, and vacancies are rare. Next to Lyngby Storcenter, the department store of *Magasin Lyngby*

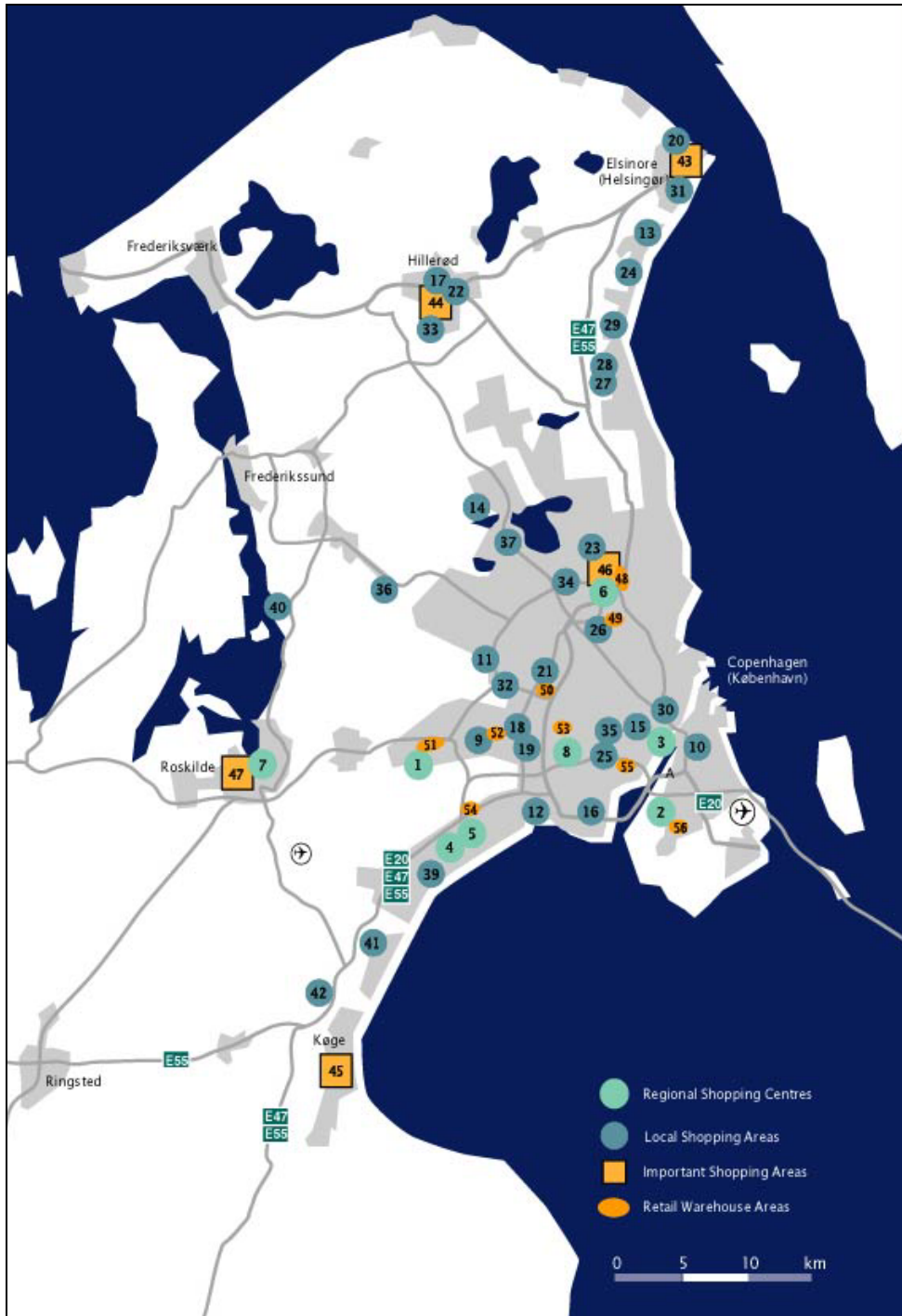
is situated with approximately 11,000 sqm net retail space and in excess of 4,600 sqm parking facilities. Magasin Lyngby has several high-profile shops which serve as a good complement to Lyngby Storcenter and the local high-street area.

*Ro's Torv* is located approximately 2 kilometres off the Holbæk motorway. Together with Field's and Fisketorvet, *Ro's Torv* is one of the most recently built regional shopping centres and at year-end 2007 the centre will expand from 20,000 sqm to around 28,000 sqm retail space. Upon completion of the expansion scheme, *Ro's Torv* will contain 96 shops in addition to the already existing cinema, restaurants, cafés and offices. An increasing number of new entries by international chains are expected to attract customers from a much wider catchment area. Accordingly, retail sales are expected to almost double from the 2006 turnover, standing at DKK 550m (EUR 73.3m).

The four centres of *Rødovre Centrum*, *City 2*, *Hundige Storcenter* and *Ishøj Bycenter* are all of an older date, i.e. from the 1960s and 1970s. They are located within a radius of 7 kilometres, which seems to work for the benefit of them all as they attract a strong customer flow to the area in general. The centres are dominated by local shops and domestic retail chains, and vacancy rates are low. *Rødovre Centrum* was the last regional shopping centre to expand. In spring 2006, *Rødovre Centrum* re-opened with almost 4,500 sqm additional retail space and 12 new shops. Within the next couple of years, the 51,000 sqm shopping centre of *Hundige Storcenter*, situated south of Copenhagen, will experience some development in terms of renovation and expansion. Upon completion in 2009, the centre will total some 67,000 sqm retail space. With more than DKK 62,200 (EUR 8,300), *Ishøj Bycenter* has the highest turnover per sqm sales area.

All the centres have been upgraded either by renovation or by expansion in recent years. Except for *Fisketorvet* and *Ishøj Bycenter*, all regional shopping centres have development plans.

Retail locations in the Greater Copenhagen area



Note: For a complete list of the retail locations shown in the map, please see pages 26-27

## 2.6 The local shopping centres

Local shopping centres are often located close to train stations and in residential areas, whereas visits to regional shopping centres typical require a car. Trade in local shopping centres is dominated by convenience goods as shopping must be easy for customers who do not own a car. Therefore, local shopping centres are typically anchored by convenience stores and offer some specialty shops.

Generally speaking, the local shopping centres complement the regional shopping centres, which offer a broader supply of specialty shops with a wider assortment, thereby catering to different consumer needs and requirements. On average, the number of shops selling convenience goods account for almost 25% of retail space in the local shopping centres, whereas clothes and fashion shops account for more than 35% of retail space. Vacancy rates are very low, and as demand for retail space in shopping centres continues to be strong, the local shopping centre segment is expected to see construction and development activity in the years ahead.

In the 26 local shopping centres, where retail space exceeds 5,000 sqm, gross lettable areas (GLA) typically range between 5,000 sqm and 22,000 sqm, the average GLA comprising about 11,000 sqm. The average turnover of local shopping centres is around DKK 460m (EUR 61.3m), topped by Frederiksberg Centret with DKK 1,019m (EUR 135.9m).

In *Hillerød* north of Copenhagen newly completed shopping centre *Gallerierne* opened in November 2006. It is owned by *Foreningen Ei Invest Nordisk Retail*. It comprises 22,000 sqm space and around 30 shops, ranging from convenience stores to several specialty shops – both domestic and a few international ones, such as *Hennes & Mauritz*, *Stadium*, *Benetton*, *Arnold Busck* and *Esprit*. Interest from prospective newcomers is strong and vacancies are non-existent in *Gallerierne* as a result.

Also situated in *Hillerød* is the shopping centre of *SlotsArkaderne*, owned by *Danica Ejendomme A/S* and recently undergoing refurbishment and expansion by 6,000 sqm. On re-opening in June 2007, the centre has 24,000 sqm retail

space with some 47 shops in total. Among the nine newcomers are *B-young*, *Peak Performance*, *Imerco*, *Intersport*, *Selected*, *Søstrene Grene* and *Kaufmann*. Close to the town centre, a third shopping centre is under construction, namely *Herluf Trolles Torv*, which will consist of 32 residential units and seven shops, distributed on 2,400 sqm retail space. The retail units are scheduled to open in October 2008.

An additional two new shopping centres are under construction and scheduled to open in the Copenhagen area, in the autumn 2007.

North of Copenhagen in the upmarket residential location of Hellerup, *Braaten + Pedersen* is developing a shopping centre, *Waterfront*, near the waterfront at Tuborg Havn. According to the project outline, the centre will contain around 35 shops, cafés and a fitness centre. Prior to the opening of this 16,000 sqm shopping centre in late September 2007, pre-let agreements were signed with e.g. *Hennes & Mauritz*, *Inspiration*, *Netto*, *B.O. Bøger*, *Matas*, *Triumph*, *Baresso* and *Søstrene Grene*

In Valby west of Copenhagen, *Spinderiet*, a 42,500 sqm new shopping centre, is scheduled to open in September 2007. Besides fifty to sixty shop units and restaurants, the centre will contain offices, residential units and leisure facilities. Almost all units are pre-let, with shops including *Hennes & Mauritz*, *Vero Moda*, *Fakta*, *Jysk*, *Kvickly*, *7-eleven* and *Inspiration*.

Almost half the local shopping centres have development plans in near future.

## 2.7 The retail warehouse market

The retail warehouse concept is a popular, albeit only moderately developed market concept in the Copenhagen market. The nine main retail warehouse areas in the Greater Copenhagen are located in proximity of main and ring roads and the motorways. The retail warehouse areas in Kongens Lyngby/Gentofte and in Høje Taastrup are the most popular in terms of customer flow, which may be explained by their locations and the type of stores,

viz. *Ilva* and *IKEA*, as the only two of their kind in Zealand. Additionally, the areas also host an outlet of the toyshop chain *Toys 'R' Us*, among others.

The other seven retail warehouse areas are situated in Gladsaxe to the north of the Copenhagen city centre and to the west in Rødovre, the Glostrup and Albertslund areas along Roskildevej, and southernmost in Ishøj. Closer to the Copenhagen city centre, in Valby, there is a minor retail warehouse area at Gammel Køge Landevej, and finally on Amager in the town of Kastrup there is a retail warehouse area at Kirstinehøj south of the town centre.

These retail warehouse areas have a mix of kitchen unit retailers, furniture stores, electronic stores, garden centres and car dealers. Outlets include *Bauhaus*, *Elgiganten*, *HTH Køkkencenter*, *Jem & Fix*, *Biva*, *Jysk*, *T. Hansen*, *Silvan* and *Kvik Køkkener*. All of these seven retail warehouse areas attract a fair number of customers, but in the Rødovre area some vacancies are found.

Building activity in the Copenhagen retail warehouse market is somehow slow, which to some extent is caused by the existing supply by the numerous shopping centres in the region, also offering some of these brands and outlets. Nevertheless, development is gaining momentum as *SjælsøGruppen* has a new retail project in the pipeline for Gammel Køge Landevej in the Hvidovre/Valby area. Also Roskildevej is experiencing some new construction activity.

Retail warehouse chains require locations with ring road or motorway proximity, where visibility and easy access are good. Prior to the recent amendment of the Danish planning act, all types of retailers were allowed to settle in out-of-town locations. Although the upper area limits for retail space in large-scale food retail outlets have increased, the amendment shortens the list of outlets categorised as dealing in goods that require unusually large quantities of space. Previously large-space food outlets were confined to 3,000 sqm of retail space, but are now allowed to extend to 3,500 sqm. Similarly, the upper area limit of non-food outlets was extended by 500 sqm to 2,000 sqm. However, the redefinition of space-demanding goods excludes dealers in kitchen units and white goods, and as a result these outlets are forced to locate in the central city districts. Rents are typically higher and the availability of large-size

premises scarce, which serves to give these outlets a competitive disadvantage. Home furnishing stores are permitted to settle in out-of-town locations subject to certain conditions.

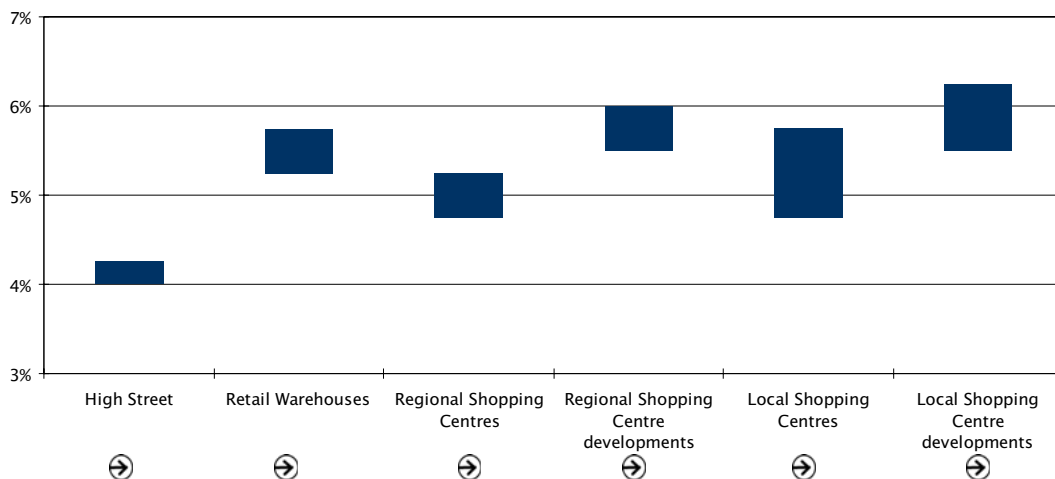
It is believed that the amendment of the Danish planning act is likely to have a negative effect on further development in this segment for some of the above-mentioned retail warehouse outlets.

### 3. The retail property investment market

A lack of investment opportunities caused by the planning restrictions imposed on retail developments in the city centre has pushed up prices for retail investment properties in Greater Copenhagen. Similarly, an increase in occupational demand for retail units has pushed up rent levels. Rent levels are expected to climb even further, prompting lower net initial yield requirements on the part of the investors.

Within the last couple of years, net initial yields on high-street retail properties have hit a historical low, standing at around 4%. Overall, net initial yields on retail properties have decreased accordingly in the same period, now standing below the 7%-bracket.

#### Net initial yields, retail



Note: Arrows indicate market expectations for 2008

Source: Sadolin & Albæk

In previous years, the retail property investment market was dominated by tax-driven limited partnerships (in Danish *kommanditselskaber, K/S*), but the balance has shifted in the Copenhagen retail investment market as high net-worth private investors are taking charge. The decline in net initial yields in

tandem with the slight increase in interest rates has served to narrow the so-called yield spread and cool the interest of these high-leverage investors. This has made it difficult for tax-driven limited partnerships to remain competitive compared to property companies and wealthy private investors. In 2006, property companies accounted for almost 50% of all investment property acquisitions worth DKK 100m+ (EUR 13.33m). In 2007, the Copenhagen high-street market has apart from the aforementioned high net-worth private investors attracted the interest of developers seeking properties with a potential for establishing retail space also on the first floor or in the basement.

In the local shopping centre segment, the investors used to be exclusively private investors. This year, *Jeudan* entered the retail property market in addition to the office segment. It is likely that other property companies will follow suit in future. On the owner side, the regional shopping centre segment in Copenhagen is dominated by major property companies, e.g. *DADES*, institutional investors and foreign investors specialised in retailing. In general, shopping centres only trade very rarely.

Tax-driven limited partnerships are turning to investments in the retail warehouse segment instead. The reason for this shift is the still positive yield spread, enabling these investors to achieve a somewhat higher net initial yield on retail warehouses compared to the other retail property segments. Low yields in the high street and shopping centre segments have made tax-driven limited partnerships pull out of this market as their high-leverage strategy is no longer advantageous. They are expected also to look abroad seeing that Danish net initial yields on retail property are decreasing and interest rates are increasing.

In 2006, the 98 largest shopping centres in Denmark were owned by 66 different owners, *Danica* accounting for around 23% of gross lettable areas and 26% of retail sales. In general, retail investment properties are very popular as vacancy rates are very low and units relatively easy to re-let.

## 4. Key retail transactions

Property	District	Usage	Seller	Buyer	Sqm	Price MDKK	Yield	Year
Magasin Lyngby	Lyngby	retail	Baugur	Stodir	28,200	Undisclosed		2006
Illum	CBD	retail	Baugur	Stodir	28,000	Undisclosed		2006
Various	Various	retail	SH Investering A/S	Jeudan	100,000	1,700	5.50%	2007
Hundige Storcenter	Hundige	retail	Schaumann Properties	DADES	28,000	1,300	5.10%	2007
Pilestræde (Berlingske)	CBD	office/retail	Ejendomsselskabet Norden	Jeudan	23,000	700	4.75%	2007
Waterfront, Tuborg Nord	Hellerup	retail	Carlsberg	DADES	32,000	600	4.75%	2006
Rådhuspladsen 45-47	CBD	office/retail	Property Group	Oskar Jensen Gruppen	7,500	500	3.25%	2007
Axeltorv 4	CBD	retail	Thylander, St. Frederikslund	Centerplan	15,000	390	Vacant	2006
Axeltorv 4	CBD	retail	Scala Holding	Thylander, St. Frederikslund	15,000	340	Vacant	2006
Østergade 60	CBD	retail	Property Group	Stodir	1,800	230	3.30%	2006
Østergade 60	CBD	retail	Kirkbi	Property Group	1,800	210	3.60%	2006
Frederiksberggade 24	CBD	retail	MP Pension	Oskar Jensen Gruppen	4,000	208	3.45%	2007
Amagertorv 29	CBD	office/retail	Property Group	Prio Fyn	5,700	200	3.00%	2007
Ny Østergade (4 properties)	CBD	retail	Property Group	Rolf Barfoed A/S	4,300	175	3.50%	2007
Købmagergade 22	CBD	office/retail	A/S Difko Købmagerhus	Oskar Jensen Gruppem	4,300	168	3.50%	2007
Frederiksberggade 19	CBD	office/retail	Bertoni A/S	CASA A/S	730	100	4.00%	2007
Store Strandstræde 8-16	CBD	office/retail/residential	LD	Dansk Ejendomsanalyse	4,156	98	4.50%	2006
Chr. D. IX's Gade 7	CBD	office/retail	CPM Invest	Dansk Ejendomsanalyse	2,912	94	3.75%	2007
Frederiksberggade 12	CBD	retail	Rolf Barfoed A/S	Abel Skovgård Larsen	900	70	4.00%	2006
Gammel Kongevej 120	Frederiksberg	retail/residential	Private	Rolf Barfoed A/S	2,100	62	4.00%	2006
Østergade 10	CBD	retail	Peter Bodum A/S	Private	700	56	na	2006
Hillerødgade 30	København N	office/retail	SJ Gruppen	CW Obel	6,200	55	4.60%	2007
Skindergade 27	CBD	office/retail/residential	HSN Nordbank	Dansk Ejendomsanalyse	1,800	55	4.25%	2006
Vangede Bygade 41-45	Hellerup	retail	Bristen Invest	Borch Invest	2,400	50	4.50%	2006
Søborg Hovedgade 66	Søborg	retail	CPM Invest	Henrik Ørbekker	1,629	36	4.25%	2007
Skindergade 29	CBD	office/retail/residential	HSN Nordbank	Dansk Ejendomsanalyse	1,196	28	3.75%	2006
Bjerggade 18	Helsingør	retail/residential	PBU Bolig A/S	Nero Invest	1,750	23	3.70%	2007

## 5. List of retail locations (cf. location map on page 18)

### Regional shopping centres

- 1 City 2
- 2 Field's
- 3 Fisketorvet
- 4 Hundige Storcenter
- 5 Ishøj Bycenter
- 6 Lyngby Storcenter
- 7 Ro's Torv
- 8 Rødovre Centrum

### Local shopping centres

#### *Region Hovedstaden (Capital Region)*

- 9 Albertslund Centrum
- 10 Amager Centret
- 11 Ballerup Centret
- 12 Brøndby Strand Centret
- 13 Espergærde Centret
- 14 Farum Bytorv
- 15 Frederiksberg Centret
- 16 Frihedens Butikscenter
- 17 Gallerierne
- 18 Glostrup Butikstorv
- 19 Glostrup Storcenter
- 20 Helsingør Bycenter
- 21 Herlev Bymidte
- 22 Herluf Trolles Torv – under construction/opens in October 2008
- 23 Holte Midtpunkt
- 24 Humlebæk Centret
- 25 Hvidovre Stationscenter
- 26 Høje Gladsaxe Centret
- 27 Hørsholm Midtpunkt
- 28 Kongevejscentret (Hørsholm)
- 29 Nivå Center
- 30 Nørrebro Bycenter
- 31 Prøvestenscentret
- 32 Skovlunde Centret
- 33 SlotsArkaderne
- 34 Sorgenfri Torv
- 35 Spinderiet – under construction
- 36 Stenløse Center
- 37 Værløse Bymidte
- 38 Waterfront

#### *Region Sjælland (Zealand Region)*

- 39 Greve Midtby Center
- 40 Jyllinge Butikscenter
- 41 Solrød Center
- 42 Ølby Centret

### Important shopping areas

- 43 Helsingør Bymidte
- 44 Hillerød Bymidte

- 45 Køge Bymidte
- 46 Lyngby Bymidte
- 47 Roskilde Bymidte

**Retail warehouse areas**

- 48 Lyngby
- 49 Gladsaxe
- 50 Jyllingevej
- 51 Høje Taastrup
- 52 Glostrup
- 53 Rødovre
- 54 Ishøj
- 55 Valby
- 56 Kirstinehøj