



07

THE TRIANGLE REGION

PROPERTY MARKET REPORT 2007

CONTENTS

Introduction	4
Sadolin & Albæk	5
Location Denmark	9
Location Triangle Region	11
THE INVESTMENT MARKET	
Price index for the Triangle Region property investment market	15
The office property investment market	17
The retail property investment market	19
The industrial/logistics property investment market	23
THE OCCUPATIONAL MARKET	
The office occupational market	25
The retail occupational market	30
The industrial/logistics occupational market	33
Practices and definitions	38



THE TRIANGLE REGION
PROPERTY MARKET
REPORT 2007

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 Triangle Region is one of the foremost regional growth centres in Denmark. In step with its expanding catchment area and population growth, the region is seeking to lift the level of training, gearing the workforce for a more knowledge-based business environment. In terms of transport and infrastructure the Triangle Region enjoys a truly ideal and central location, right by Denmark's largest hub on the European road transport axis stretching across central Europe, the Øresund region and Scandinavia. By expanding the road network and zoning for attractive business locations, the Triangle Region is attracting an increasing number of especially industry and logistics orientated companies.

Like the rest of the country, the Triangle Region property market has benefited from the strong economic growth and high employment levels seen in Denmark. Both domestic and international businesses have started to settle on a larger scale in the development areas of the region. DanmarkC at Fredericia is the largest commercial development area in Denmark, comprising nearly 1,500 acres (all of six million sqm) of land. Both office, retail and industrial/logistics users are searching for additional space, which has pushed down overall vacancy rates.

The 2006/2007 trend in the Triangle Region 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 Triangle Region property investment market, where both national and international investors will be market players. Both the ports, towns (Kolding, Vejle and Fredericia) and the business districts harbour great development potential, not only in terms of urban and business development but also new construction.

This market report by Sadolin & Albæk offers an updated overview of general economic trends and of the commercial property market segments in the Triangle Region, 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 the Triangle Region.

It is based on data and market information that we believe to be reliable. Whilst every effort has been made to insure 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, November 2006

Sadolin & Albæk • ONCOR International

SADOLIN & ALBÆK



Jytte E. Nielsen

Carsten Gøtz Petersen, Director



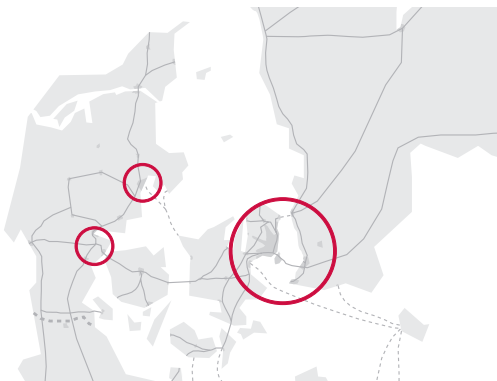
Thomas Køhl Christensen

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.



Tommy Johansen

Ole Hjorth

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

Stockholm

Berlin

Prague

Vienna

Zagreb

Rome

Warsaw

Bratislava

Budapest

Helsinki

Tallinn

Riga

Vilnius

Bucharest

Sofia

Athens

Kiev

Triangle Region

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 TRIANGLE REGION

- Substantial 6.2% population growth in Vejle County over the last decade
- Regional new job gains placing the Triangle Region among the top job-creating regions outside Greater Copenhagen
- In the course of the last ten years, several initiatives to strengthen educational facilities and knowledge-based businesses have restructured the composition of the workforce in the region in favour of the service industries

Located in the eastern part of central Jutland, the so-called Triangle Region is encompassing the three major provincial towns of Vejle, Kolding and Fredericia. Thanks to its ideal geographical location in tandem with the excellent infrastructure between the towns and easy access to the remaining European motorway grid, the Triangle Region is a very attractive business area.

Moreover, all three towns are ports with substantial harbour-related activities, and *Billund Airport*, which is the second-largest airport in Denmark, is situated a mere 20-minute drive to the west of Vejle.

In terms of geographical area, the Triangle Region is currently expanding because Horsens north of Vejle and Middelfart near Fredericia are now included in the regional business development plans. Also part of Vejle County, Horsens and Middelfart have seen population growth of nearly 7% and in excess

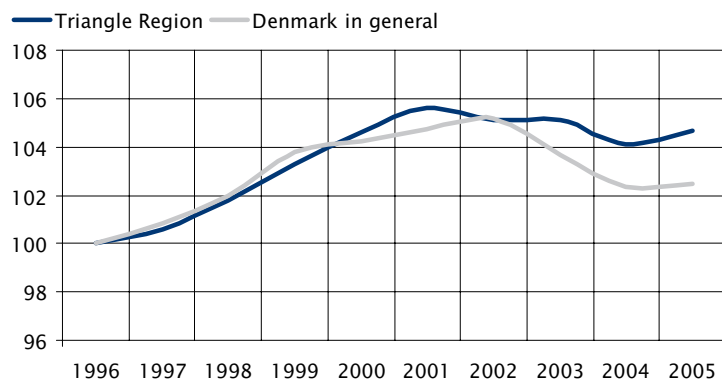
of 8% respectively over the last decade relative to the national average of about 3.4%.

In the Triangle Region, the majority of office and retail premises are situated in the town centres and in out-of-town business districts or parks in the proximity of main arterial roads. In both market segments development activity is very brisk, which can be partly accredited to the *DanmarkC* business development area. Being one of the foremost growth centres in Denmark, the Triangle Region is able to offer large plots of land for new building to accommodate all types of businesses. Formerly, rents in the region were typically somewhat below and net initial yields above the Copenhagen and Aarhus levels. However, the increase in regional demand has spurred activity levels and prompted price increases accordingly. Within the office, retail and industrial/logistics segments new construction is booming, and both domestic and international companies and chains subscribe to a bright outlook on the growth potential of the Triangle Region.

Population

Today's population of Vejle County is some 361,000, more or less corresponding to that of the Triangle Region. Over the last decade, Vejle County has seen strong population growth of 6.2%. Further growth in the order of 3.8% is projected for the next decade, which is the third-highest rate on the national top-ten, topped by Aarhus with 4.6% growth.

Employment (index 100 = 1996)



Source: Statistics Denmark

Labour market

The Triangle Region is considered one of the foremost economic growth centres in Denmark. With the strong population outlook also follows an increased workforce. In Vejle County the workforce today counts 238,000 with an 1.3% increase forecast for the next decade. The Triangle Region is attracting labour from extensive parts of Jutland and Funen.

From 2004 to 2005, employment levels improved by 0.53% in Vejle County to 185,000, whereas the national growth rate averaged a mere 0.14%. Like the rest of Denmark, the Triangle Region is experiencing a general trend towards workplaces shifting from traditional industry to the liberal and service-oriented trades. The regional business community is

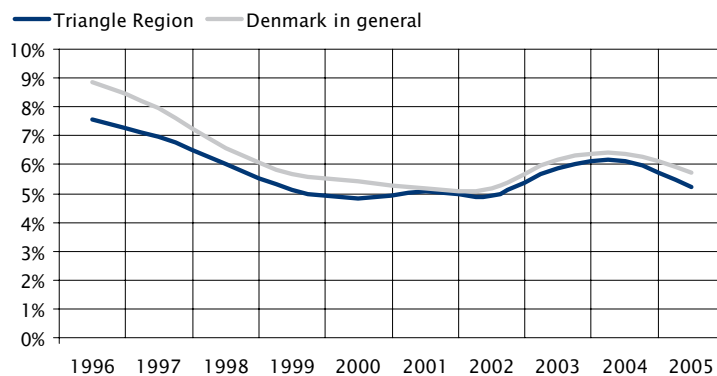
characterised by food manufacturing, stainless steel production, transport and distribution as well as agriculture being the primary industries, although the aim is to expand competencies within the IT, energy and environmental industries.

Vejle County primarily provides short and medium-term educational facilities. Both situated in Kolding are the two regional institutions of higher education, viz. the *University of Southern Denmark* and design school *Danmarks Designskole*, which enrol students from the entire county. There are plans to expand the range of educational institutions in the Triangle Region so as to lift the educational level, thereby accommodating an increasingly knowledge-based business environment, and also to attract higher numbers of young residents.

Personal income

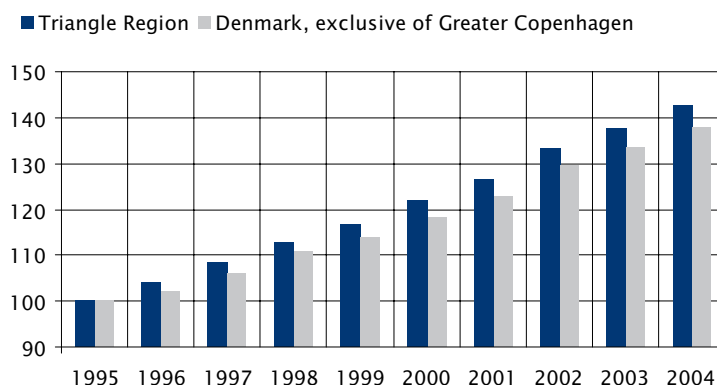
In 2005, income levels in the County of Vejle continued to exceed those of remaining Denmark outside Copenhagen. This reflects a strong business culture and high level of activity, but also the fact that the Triangle Region boasts a high number of inhabitants as well as an expanding catchment area, with long-distance commuters. The population of the Triangle Region enjoys a strong spending power, which the region's retailers are benefiting from.

Unemployment



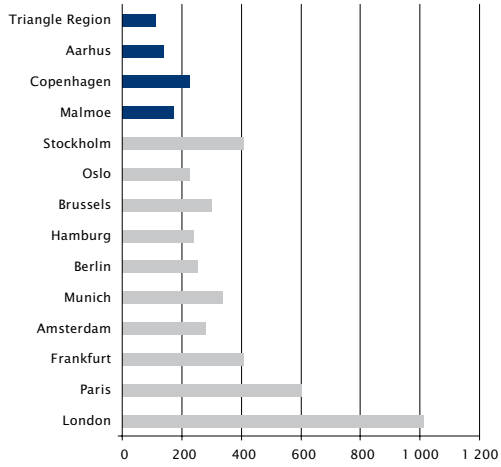
Source: Statistics Denmark

Personal income (index 100 = 1995)

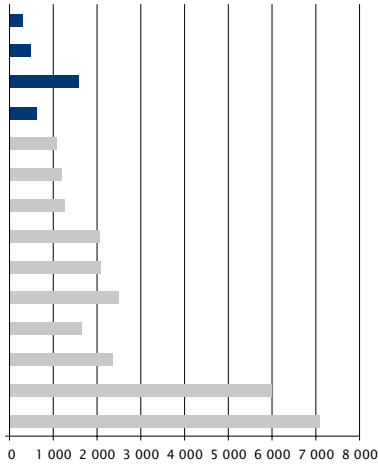


Source: Statistics Denmark

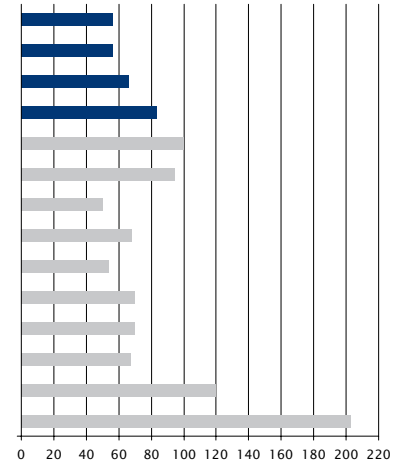
Prime office rents
(EUR per sqm per annum)



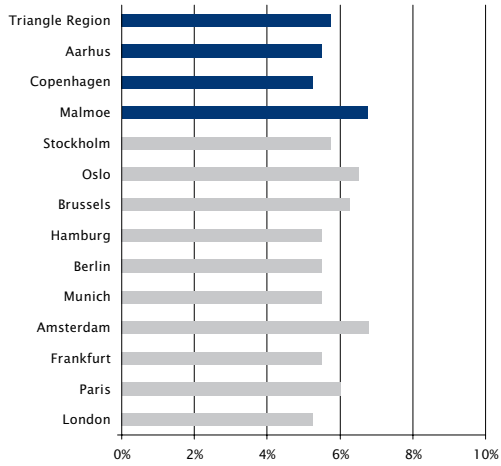
High street retail rents
(EUR per sqm per annum)



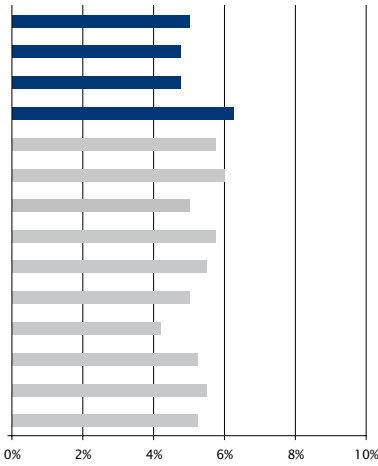
Prime industrial rents
(EUR per sqm per annum)



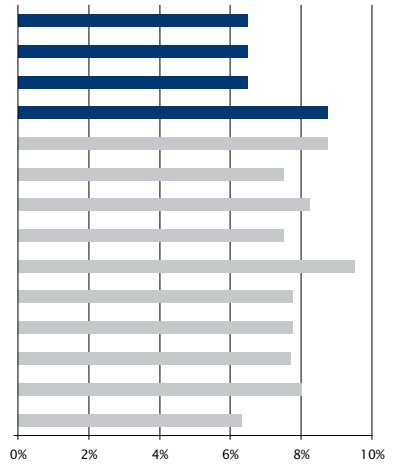
Prime investment yields, office



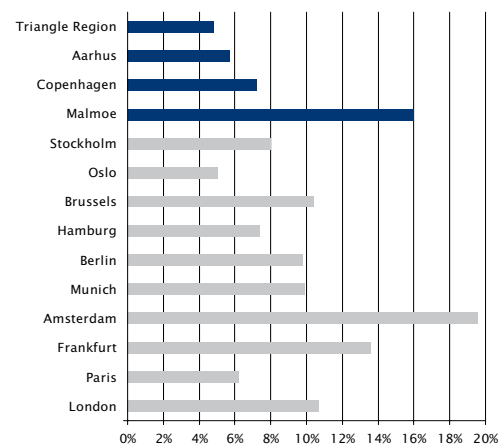
Prime investment yields, retail high street



Prime investment yields, industrial



Overall office vacancy rates



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

PRICE INDEX FOR THE TRIANGLE REGION PROPERTY INVESTMENT MARKET

- Exceptionally high capital growth of 12.9% in 2005
- Steady long-term increase in transaction volumes
- The former 'provincial bonus' on property investments in the Triangle Region is gradually ceasing

The Triangle Region is one of the foremost growth centres in Denmark. An increasing number of investors are becoming aware of the region's development potential and the obvious advantages offered by its central location. As a result, demand for investment properties in the region has picked up considerably.

In 2005, total property investment returns in the Triangle Region saw a marked increase to a level of 19.1%. This is attributable to substantial price hikes and consequently strong capital growth. Between 2001 and 2004 total property returns were tracing a downward trend on account of the decline in capital growth.

Capital growth has fluctuated somewhat over the past five years. Bouncing back from its 2004 low of 0.4%, it rose to 12.9% in 2005. Last year's exceptional jump in capital growth is a result of low interest rates and strong investment demand for investment properties in the Triangle Region. Furthermore, the 2005 level greatly exceeds the annual average level of 5.7% in the period from 2001 to 2005.

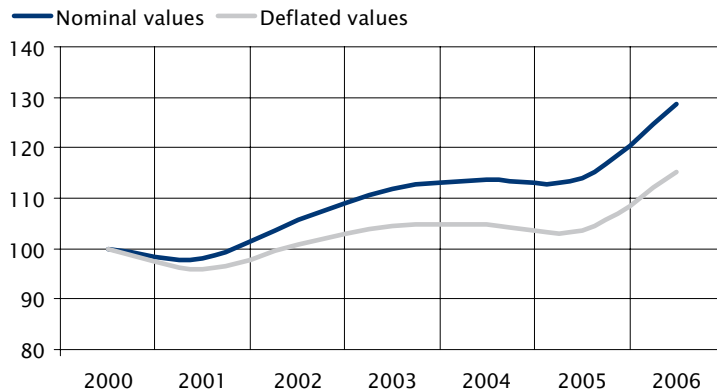
INVESTMENT

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

OCCUPATIONAL

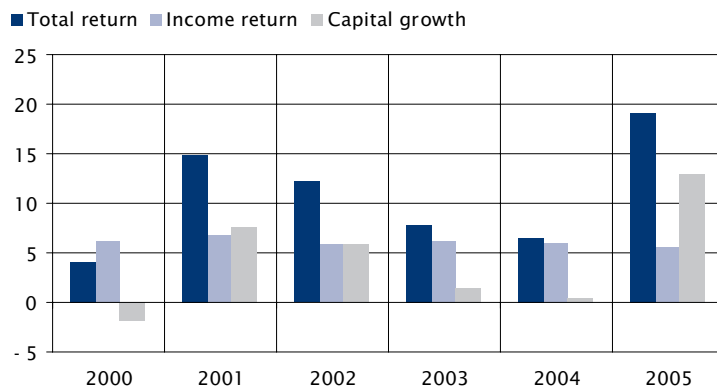
PRACTICES AND DEFINITIONS

Commercial property price index, Triangle Region (index 100 = 2000)



Source: DEI/IPD

Total return, income return and capital growth (in %) for commercial property in the Triangle Region



Source: DEI/IPD

INVESTMENT

Property price index

Office

Retail

Industrial/logistics

OCCUPATIONAL

PRACTICES AND

DEFINITIONS

Income return has remained relatively stable at around 5.6% over the last five-year period, and this trend seems to continue.

As mentioned, the Triangle Region 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 served to curb net initial yield requirements in the region, with yield levels now standing only slightly above the Aarhus and Copenhagen levels, as well as spurring commercial property prices in general. In 2005 transaction volumes in the Triangle Region amounted to more than DKK 2bn (EUR 270m). From 2000 onwards, the volume was climbing at a steady pace until peaking in 2004 with nearly DKK 2.2bn (EUR 300m). The decline in transaction volumes in 2005 was prompted by a marginal decline in average single-transaction prices.

In 2005, the total number of commercial starts and ongoing commercial construction schemes increased by more than 30% on 2004, now extending to some 486,000 sqm floor space. Sites in the proximity of the E45

and E20 motorways and in particular sites facing the motorway have become very sought-after and are today snapped up. In the course of the next couple of years large-scale business districts will emerge. We foresee no dramatic increase in prices over the next 12 months, given the ample supply of available development opportunities, but once there is a shortage, prices will most likely go up.

As an important traffic hub in Denmark with a great availability of commercial space the Triangle Region compares favourably with Copenhagen and Aarhus, although the customary 'provincial bonus' - previously granted to developers and investors when investing in the Triangle Region - is largely eliminated.

In the short term, the Triangle Region is projected to witness stable price movements, again given the ample supply of land. In the long term, however, prices will gradually go up. In step with the attractive front-row sites with motorway proximity being sold off, investment property prices are subsequently bound to rise as supply is outstripped by demand.

THE OFFICE PROPERTY INVESTMENT MARKET

- General decline in net initial yields on prime investment properties in the Triangle Region to a level of 5.5-6.0%
- Continuing on a steady downward trend, overall office vacancy levels have come down to 4.0% by the fourth quarter of 2006
- Stronger investment demand for office properties in decentralised locations
- Expectations of further decline in yield requirements on account of the Triangle Region attracting stronger investment demand and interest in general

The Triangle Region office stock is predominantly found in the town centres of Vejle, Kolding and Fredericia or in the out-of-town business districts. Generally speaking, demand for investment property in the Triangle Region has become stronger on account of the region's efforts to enhance its attractiveness. The trend seems to be for companies to either prefer office premises in the town centres or to relocate to newly built, more spacious and up-to-date offices, for instance as part of an overall corporate expansion scheme. More and more companies have come to realise the obvious advantages offered by the well-developed infrastructure of the region. This is also a contributing factor in the surge in demand for office space outside the town centres, and new construction is booming as a result. Tenants are demanding premises facing the main roads. In addition to the visibility aiding corporate branding, these locations offer easier road access for both staff, suppliers and visiting clients. With workplaces in the Triangle Region mainly taken up by highly educated labour, which is pooled from a large-scale regional catchment area, the companies depend on a strong infrastructure.

The increase in investment demand has pushed down net initial yield requirements to a level of 5.5-6.0% in 2006 on prime office investment properties both in central and decentralised locations. This is a decline of more than 100 bps on last year, with yields now approaching those on comparable prop-

erties in Aarhus and Copenhagen. The location of the offices – except for visibility from main roads and the motorway grid – is of minor importance, whereas the qualities of the premises and the surrounding infrastructure have become key issues.

Yields on secondary office properties experienced a substantial decline last year, i.e. by some 75-150 bps, reflecting the stronger investment demand as well as the reduced vacancy risk seen in this type of properties. Overall office vacancy rates have been gradually edging downwards over the past year. However, an increase was recorded in the third and fourth quarters of 2006, with office vacancy now standing at around 4.0% as a result, a historical low.

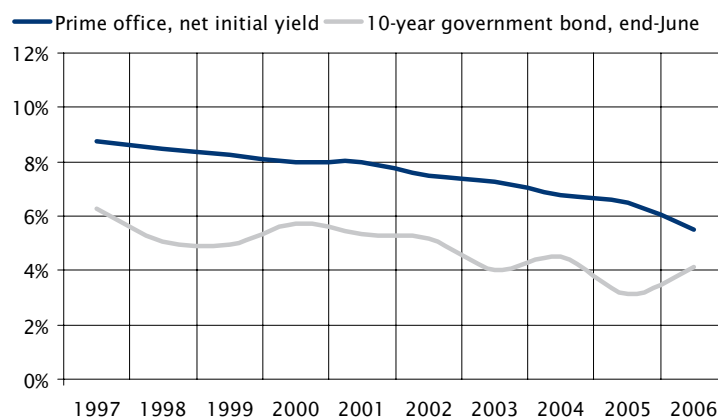
INVESTMENT

Property price index
Office
Retail
Industrial/logistics

OCCUPATIONAL

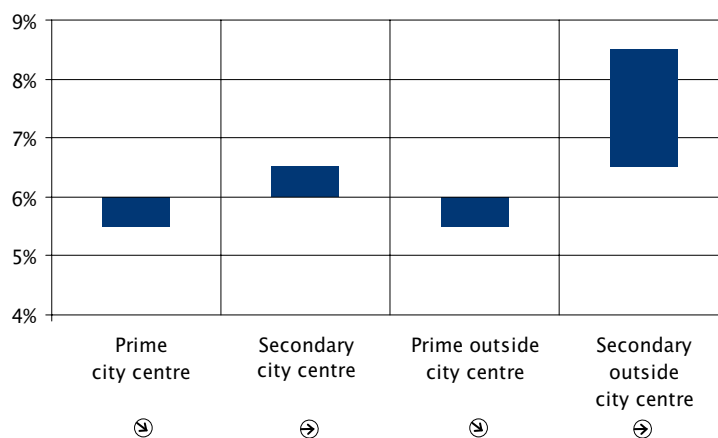
PRACTICES AND DEFINITIONS

Yield spread, Triangle Region



Source: Sadolin & Albæk

Net initial yields, office, Triangle Region



Source: Sadolin & Albæk

INVESTMENT

Property price index
Office
Retail
Industrial/logistics

OCCUPATIONAL

PRACTICES AND DEFINITIONS

Main players in the regional office investment property market are the local private investors because of their readiness to accept lower net initial yields due to in-depth market knowledge, although institutional investors recently seem to show stronger interest in the market.

In 2006, the yield spread, i.e. the gap between the yield on Danish 10-year government bonds and the prime yield (yield on prime office properties in prime locations, let on long leases), has hit a ten-year low. The spread has been narrowing gradually due to the steady decline in yield requirements, whereas the government bond yield has been fluctuating somewhat.

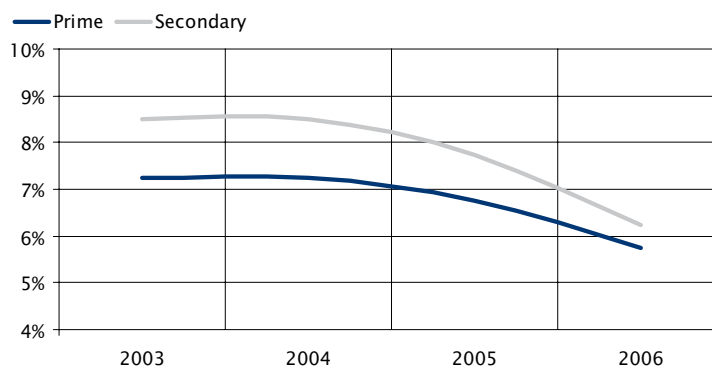
Demand for prime office properties in the Triangle Region seems set to continue on an upward trend, and a further decline in yield requirements is projected as a result. Net initial yields on secondary office properties are predicted to remain constant over the next 12 months, as tenants are discarding out-

dated offices in favour of new built-to-suit premises. Moreover, the older office stock tends to suffer from a certain measure of vacancy, which serves to keep rent levels stable on account of the higher vacancy risk.

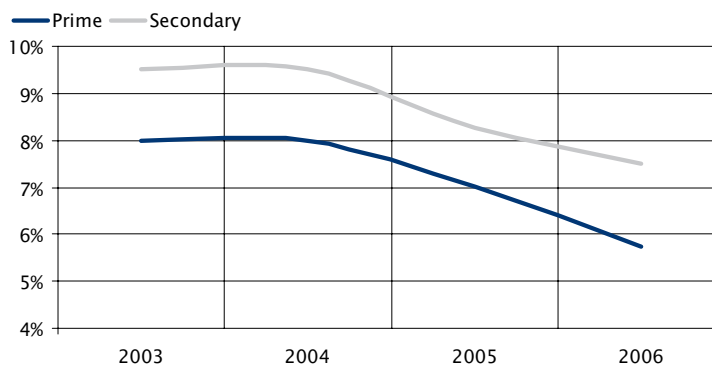
Recent key transactions include:

- Upon completion, *Bravida Danmark A/S* sold its new 1,300 sqm regional head-office premises at Vesterballevej in DanmarkC, south of Fredericia, to a private investor at an undisclosed price.
- *Nordicom A/S* acquired office properties extending to 5,650 sqm in total, situated at Birkemose Allé in Kolding, at a price of DKK 69.6m (EUR 9.3m).
- Property management company *ISP* acquired two office buildings, situated also at Birkemose Allé in Kolding and comprising 1,270 sqm and 815 sqm, at a price of DKK 14.7m (EUR 2m) and DKK 9.1m (EUR 1.2m), respectively.

Net initial yields, office, city centre, Triangle Region



Net initial yields, office, outside city centre, Triangle Region



Source: Sadolin & Albæk

THE RETAIL PROPERTY INVESTMENT MARKET

- *Surging demand has driven down investors' net initial yield requirements in general on retail investment properties in the Triangle Region*
- *Retail vacancy rates have plummeted by 1.0 percentage point over the last 12 months and with 2.3% now stand on a par with the Aarhus level*
- *Retail boom in Vejle including two shopping centres in the town centre of some 20,000 sqm and 30,000 sqm respectively*

Demand for retail investment properties has been surging in recent years. Retail vacancy rates in the Triangle Region have plummeted by 1.0 percentage point and now stand at 2.3% overall, which is on a par with Aarhus but slightly higher than in Copenhagen. Main investors in the retail investment property segment in the Triangle Region are private investors or tax-driven limited partnerships (in Danish *kommanditselskaber* or *K/S*).

Overall net initial yield requirements on retail properties in the Triangle Region have seen a marked decline over the last 12 months. Central locations have recorded a decline of some 100-125 bps, whereas it in decentralised locations has ranged between 50 and 125 bps on last year. This decline is attributable to the above-mentioned surge in demand in the Triangle Region at large owing to its enhanced attractiveness.

High-street properties

High-street retail premises are located in the main shopping street of Vejle and to some extent in the pedestrian streets in the Kolding town centre. The retail stock in Kolding suffers from a certain measure of vacancy, whereas Vejle has no vacancies to speak of, and retail tenants in Vejle are busy effecting improvements and relocations. The secondary retail units are situated outside the high street and in Fredericia. Nevertheless, Fredericia is undergoing a large-scale urban renewal and development scheme, which includes the renovation of the pedestrian grid and the establishment of a town square in front of the town hall to further bustling town life. Project completion is scheduled for the second half of 2007. In Vejle retailing is concentrated in one single street, whereas in Kolding and Fredericia it is scattered over several streets. As the retail property investment market in these two towns is less transparent, investments require in-depth local market knowledge and involve a higher element of risk.

Net initial yields on prime retail investment properties situated in Vejle and Kolding have come down by as much as 100 bps on last year. Given a net initial yield level of some 4.75% they stand slightly above the yield levels in Aarhus and Copenhagen, and are to be viewed in light of the surge in demand for this type of properties. Private investors and limited partnerships are the main investors in this segment.

INVESTMENT

Property price index
Office
Retail
Industrial/logistics

OCCUPATIONAL

PRACTICES AND DEFINITIONS

Net initial yields, retail, Triangle Region



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

Shopping centres

Kolding Storcenter, situated north of Kolding near Bramdrupdam, is the only regional shopping centre in the Triangle Region. It offers a wide range of articles and accommodates both domestic and international chains and retailers. Kolding Storcenter attracts customers from a large catchment area, somewhat to the detriment of retailers in the Kolding town centre. The four old local shopping centres of the region are found in Vejle and Fredericia. In Vejle, *Å-centret* and *Enghavecentret* are located in the town centre, whereas in Fredericia *Vest Center* and *Erritsø Butikstorv* lie slightly outside the town centre. Local shopping centres in Vejle as well as *Vest Center* in Fredericia suffer from a certain measure of vacancy.

Centrally at Nørregade in Vejle, Frederiksbjerg Ejendomme is constructing the shopping centre of *Mary's*. For instance, *Hennes & Mauritz* have taken a lease in *Mary's*, with scheduled shop opening in the late autumn 2006, whereas the remaining shopping centre is not due to open until October 2007. In the southern end of the pedestrian street the former *Kvickly* supermarket has been demolished to give way to another shopping centre, named *Bryggen* and developed by Steen & Strøm. Furthermore, a multi-screen cinema redevelopment, *Lido*, with seating for 926 cinema-goers in six theatres is opening just opposite, which will probably serve to attract a stronger customer flow to this part of the town centre. A/S Westergaard Arkitekter designed the cinema.

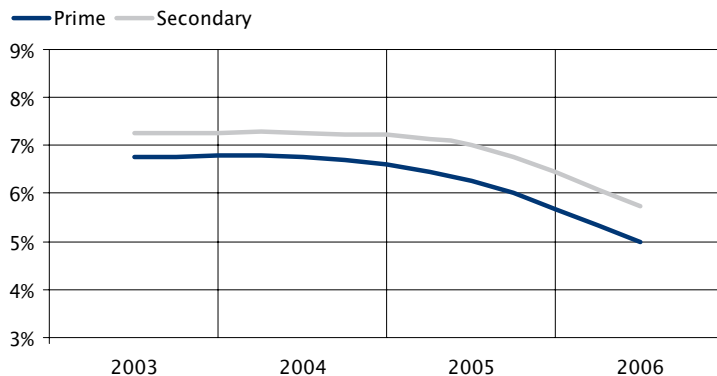
Retail warehouses

In the Triangle Region, retail warehouses are located along the major approach roads and at the ring roads. In Fredericia, retail warehouses are found along Vejlevej. Although vacancy is low, there is no new construction activity. *Lidl* has replaced a former automobile dealer at Vejlevej with a new supermarket, which opened in September 2005. Retailing along Vejlevej is catering to local demand, whereas the retail trade designated for business area CE1 (Kongens Kvarter) in DenmarkC will cater to a larger regional catchment area.

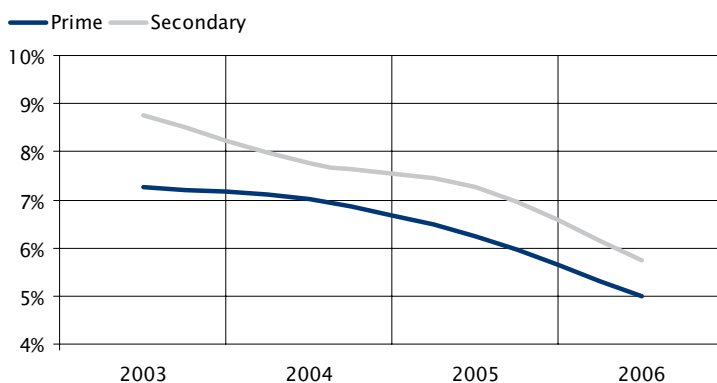
In Vejle, retail warehouses are found both in the business area in Vinding south of Vejle and along Horsensvej north of Vejle. Vinding is an old commercial district, to a certain extent predominated by automobile dealers.

Undergoing brisk development, the business area at Horsensvej today accommodates many large-scale retail chains. The development was initiated by *Bilka* and followed up by *Bauhaus* and *Plantorama*, with more and more retailers following suit, and this retail district now spans a good part of the Horsensvej area. In mid-2006 new completions in the area included premises for *Idémøbler/BoConcept*, *Garant Tæpper*, *Invita* and *Volvo* along Horsensvej, with further new construction underway.

Net initial yields, retail, high street, Triangle Region



Net initial yields, retail, retail warehouse, Triangle Region



Source: Sadolin & Albæk

At Kolding, a large-scale retail cluster has emerged around Kolding Storcenter. Retail tenants include domestic and Scandinavian retail chains, e.g. *Skousen*, *Jysk*, *Idémøbler*, *Elgiganten* and *Tæppeland*, and the number of vacancies is insignificant.

In general, development activity in this segment continues to be brisk. Horsensvej north of Vejle and the Vinding area in southern Vejle, as well as Vejlevej in western Fredericia and the sites around Kolding Storcenter all represent large-scale areas experiencing a boom in retail warehouse construction. Although many sites have been sold, in excess of 42 acres (170,000 sqm) of land are still for sale in Vejle's business districts, with the possibility of additional land being designated for commercial development.

Recent key transactions include:

- Private investor acquired a 1,150 sqm retail property at Torvegade in Vejle at a price of DKK 21.7m (EUR 2.9).
- Private investor acquired a 600 sqm retail property at Torvegade in Vejle at a price of DKK 18.5m (EUR 2.5m).
- *Keops A/S* acquired a 4,700 sqm mixed-use retail and warehouse property at Vejlevej in Kolding at a price of DKK 26.6m (EUR 3.6m).
- *Jem & Fix* acquired a 2,030 sqm retail property at Skomagervej in Vejle at a price of DKK 8.8m (EUR 1.2m).

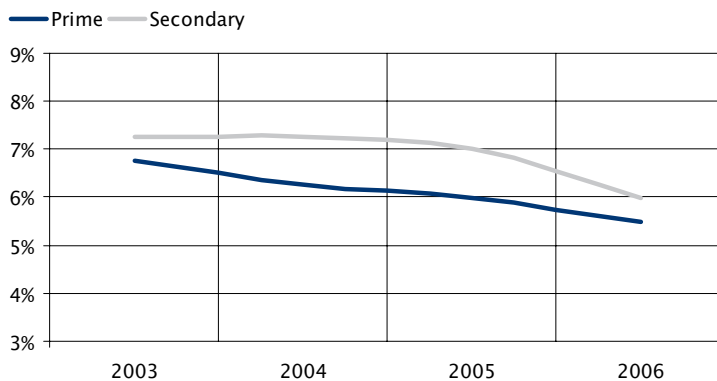
INVESTMENT

Property price index
Office
Retail
Industrial/logistics

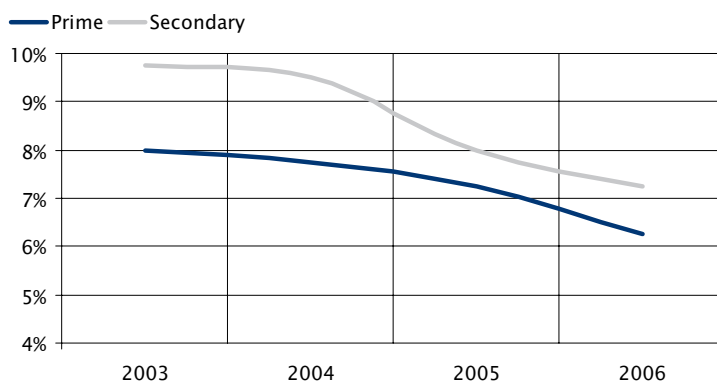
OCCUPATIONAL

PRACTICES AND DEFINITIONS

Net initial yields, retail, regional shopping centre, Triangle Region



Net initial yields, retail, local shopping centre, Triangle Region



Source: Sadolin & Albæk

THE INDUSTRIAL/LOGISTICS PROPERTY INVESTMENT MARKET

- Net initial yield requirements on prime properties let on long leases have come down to 6.0-6.75% in 2006
- Development activity is brisk in motorway locations in the Triangle Region
- DanmarkC has around 222 acres (0.9 million sqm) industrially designated land for sale out of a total land area of some 741 acres (3.0 million sqm) zoned for industry/logistics

In general, the Triangle Region industrial property investment market is characterised by owner-occupancy, but companies are increasingly inclined to opt for lease premises, which are owned largely by private investors.

Large plots of available greenfield space in the Triangle Region provide industrial companies with good expansion possibilities. Some companies in the region have in recent years chosen to simply relocate to newly completed, more up-to-date facilities in the locality rather than rebuilding existing premises. This has led to some vacancies in secondary industrial facilities located in the old industrial areas.

South-west of Fredericia, the business area of DanmarkC spans close on 1,500 acres (six million sqm) of land along the European motorway grid of the E45 and E20. It is divided into six sub-areas, mostly designated for industrial purposes. Nearly all sites facing the motorway have been sold, but sites in good locations off the motorway are still available.

In business sub-area E5 (Prinsessens Kvarter), designated for distribution, there are no more sites available at present, although at year-start 2007 some additional 775,000 sqm of land will be zoned, including 50,000 sqm in locations enjoying optimal motorway visibility and access to the railway system.

Net initial yield requirements on industrial properties let on long leases, and situated in new business locations like this, have come down to as little as around 6.0-6.75% in 2006, reflecting a more than 100 bp decline on last

year. The overall net initial yield requirements in the Triangle Region industrial property segment have gone down somewhat over the last 12 months. Secondary properties, let on short leases, have seen the sharpest decline, viz. in the order of 200 bps. This is fuelled by favourable trends in the letting market, with investors now opting even for properties that have been vacancy prone in the past.

With more than 162,000 sqm of industrial completions in 2005, the Triangle Region accounted for almost 10% of the aggregate national newbuilding activity of warehouse, industrial and similar space. In other words, demand is strong for industrial properties in locations with motorway proximity, and as a result the Triangle Region seems an obvious choice of location on account of its ideal infrastructure.

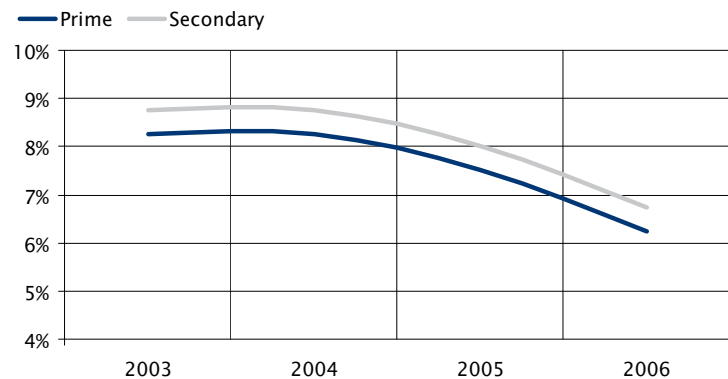
INVESTMENT

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

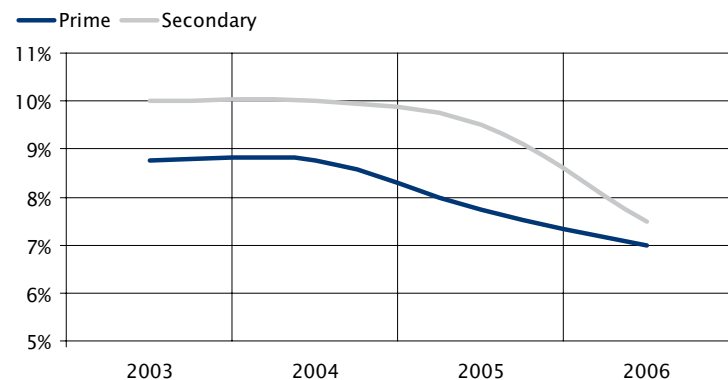
OCCUPATIONAL

PRACTICES AND DEFINITIONS

Net initial yields, industrial, long lease, Triangle Region



Net initial yields, industrial, short lease, Triangle Region



Source: Sadolin & Albæk

INVESTMENT

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

OCCUPATIONAL

PRACTICES AND DEFINITIONS

Also the ports of Kolding, Vejle and Fredericia are home to industrial facilities, although of an older date and relating to heavier industry. The port areas are predominated by traditional port-related industries, e.g. steel, concrete and shipyards. These operations are running smoothly and no material changes or redevelopment schemes are in the pipeline as far as the manufacturing industry is concerned. Nevertheless, the former site occupied by *Kemira*, manufacturer and supplier of fertilizers and industrial chemicals, in the eastern part of Fredericia opposite the shipyard, is going to be cleared to free some 60,000 sqm for urban renewal and development.

Recent key transactions include:

- Private investor acquired a 4,180 sqm industrial property at Bødkervej at a price of DKK 14m (EUR 1.9m).

- *Aberdeen Property Investors, API*, acquired a 10,300 sqm industrial/logistics property at Bødkervej in Vejle at a price of DKK 48.5m (EUR 6.5m).
- Cold-storage company *Coldstar ApS* acquired a 13,700 sqm industrial facility at Kristian Skous Vej in Vejle at a price of DKK 45m (EUR 6m).
- In two separate transactions, industrial properties of some 2,500 sqm each, situated at Islandsvej in Vejle, sold to private investors at a price of DKK 16.5m (EUR 2.2m) and DKK 12.7m (EUR 1.7m), respectively.
- A limited partnership acquired a 7,030 sqm industrial and warehouse property at Stakkesvang in Fredericia at a price of DKK 38.5m (EUR 5.2m).

Net initial yields, industrial/warehouse, Triangle Region



Source: Sadolin & Albæk

THE OFFICE OCCUPATIONAL MARKET

- In just 12 months, office vacancy rates have come down by 0.8 percentage point to an overall level of 4.07%
- Rent levels in secondary office properties have generally increased and a further increase is predicted
- With several business districts emerging outside Kolding, the commercial development of the knowledge-based professions is gaining momentum

International and domestic companies are increasingly opting for a location in the Triangle Region. In the town centres of Kolding and Fredericia, the office occupational market is relatively stagnant, whereas Vejle has evolved as an IT location with an increasing number of companies settling in new office premises in the town centre. The town centre of Vejle also houses companies within the liberal service trades and the financial sector.

In the business districts outside the town centres, however, development activity is brisk. Especially outside Kolding and in *DanmarkC* at Fredericia new business parks are shooting up and expanding at a rapid pace. Motorway proximity, modern office facilities and expansion possibilities are just some of the advantages topping the list when companies have to decide on a location. In the fourth quarter of 2006, the total office property stock in the Triangle Region comprises almost 1.1 million sqm. The type of companies settling outside the town centres varies considerably. Nevertheless, as a rule they have special transport requirements in common as well as a demand for large-scale facilities.

The rent levels commanded by prime office properties have remained relatively constant in the entire Triangle Region, although edging up marginally in secondary locations, as these areas are benefiting from the increase in demand witnessed also in *DanmarkC*, which is pulling up rents in general. It used to be, and to some extent still is, minor local companies taking office leases in the town centres. Today, major companies are settling

in the region, taking advantage of its commercial growth and typically demanding up-to-date facilities inside or outside the town centres.

Over the last 12 months, overall office vacancy rates in the Triangle Region have seen a steady 15%+ decline from a level of 4.8% in 2005 to 4.0% in the fourth quarter of 2006.

Vejle

(1) Central Vejle

Central Vejle office properties are located in two primary locations. East of the railway lies the *Havneparken* business complex, featuring office properties of a more recent date and offering up-to-date facilities and ample parking. *Havneparken* houses the new finance centre built by developer *KPC Byg*, occupied by five companies within the liberal professions and service-oriented trades, as well as a *Science Park of Southern Denmark*. The science park is dedicated to research in IT innovation, and multiple small and medium-sized IT companies and entrepreneurs are today able to rent space here. Vejle is one of Denmark's IT centres with 100+ IT company offices, which altogether employ almost 1,100 people. Most recent newcomers include *Camelot Innovation*, funded by US advertising and design firm *True North*, and *Eyecadcher Media*, moving into offices at *Sjællandsgade*.

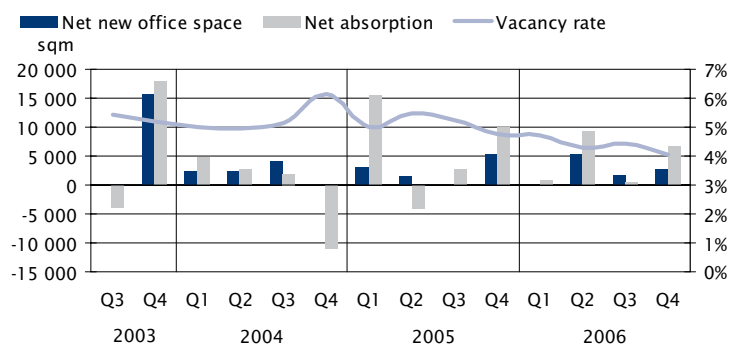
INVESTMENT

OCCUPATIONAL

Office
Retail
Industrial/logistics

PRACTICES AND DEFINITIONS

Net new office space, net absorption and vacancy rate, Triangle Region



Source: Oline-Lokalebørs Statistics

INVESTMENT

OCCUPATIONAL

Office
Retail
Industrial/logistics

PRACTICES AND DEFINITIONS

The second primary office location is situated on the far side of the town centre at Enghavevej and Flegborg, where large-scale office buildings similarly accommodate companies within the liberal professions and service-oriented trades, including e.g. *PricewaterhouseCoopers*, *Jyske Bank*, architects *JMP-arkitekter* and consulting engineers *Strunge & Hartvigsen Rådgivende Ingeniører A/S*.

Central Vejle offices command the highest office rent levels in the Triangle Region.

(2) Northern Vejle

Northern Vejle has traditionally been an industrial district, but in recent years several medium-sized and large companies have decided to locate here. However, existing offices are predominantly administrative ancillary units to production or warehouse facilities.

The strong expansion capacity of the area and the companies' ties to trade and logistics have been contributing factors in choosing this location outside central Vejle. There are still ample expansion possibilities, and several new buildings are under construction. For instance, *LogoPaint A/S*, specialising in 3D advertising boards, have acquired a site of some 12,000 sqm at Tysklundsvej with a view to constructing a production facility and administrative offices.

(3) Southern Vejle/Vinding

Like northern Vejle, southern Vejle, also named Vinding, used to be a distinctly industrial district. Some industry still remains, and so do even quite a few old industrial facilities. Recent years have seen an increase in the number of newcomers, and the properties in the area are now predominantly used for office administration and local sales branches of major domestic and international companies. At Ulvehalevej, Danfoss-owned *DEVI A/S* is expanding its existing 1,700 sqm premises by an additional 1,200 sqm. Along Fredericiavej there are several

small-sized office premises, which are fairly functional and witness only moderate changes.

Kolding

(4) Central Kolding

Office premises in central Kolding are mainly situated on upper floors above ground floor retail space in Kolding's extensive web of shopping streets. Office tenants mostly include companies within the liberal professions and service-oriented trades. Central Kolding suffers from a certain measure of office vacancy.

By upgrading the level of training in the community the plan is to safeguard a broad-based strong-knowledge local workforce. Kolding is not a distinctive office town, although several office premises are gradually emerging outside the town centre.

(5) Outside town centre

In eastern Kolding lies a small-scale business area benefiting from generally high building standards and easy access to both the town centre and the motorway system. This is a newly established business location with great development and expansion potential. Situated in the area at Birkemose Allé off Fynsvej is *Kolding Business Park*, extending to 16,000 sqm of floor space in total, and mainly housing knowledge-based companies and the liberal professions. Tenants include *Skanska* and *Danfoss*.

Along the south Jutland motorway and Vejlevej there are three business areas. The area around Ny Esbjergvej, in the southernmost location, has a few dated office buildings, and development is virtually non-existent. In the area east of Vejlevej, however, new construction activity has been brisk in recent years. Newcomers include *Palby Marine* with a new head-office building and several companies in the textile industry. Vacancy rates are very low.

On the other side of Vejlevej, two business areas have emerged more recently. To the south lies *Bramdrup Erhvervspark* and immediately further north *Industripark Bramdrup*. As part of Bramdrup Erhvervspark, *Company Park* directly borders on Vejlevej and is earmarked for a 50,000 sqm office development. This spring, developer NCC completed a multi-let office building known as Company House I, comprising some 6,500 sqm floor space, with existing tenants including *Canon Danmark A/S*, *VELUX A/S*, *NCC Construction Danmark A/S* and accountancy firm *H. Martinsen*. Another office building, Company House II, of 4,200 sqm is under construction, also by NCC, scheduled for completion at year-end 2007, with the first pre-lets already in place. Some additional 39,000 sqm building rights are still available on the almost 26-acre site (105,000 sqm).

Fredericia

(6) Central Fredericia

Central Fredericia is a typical provincial town, featuring a conventional mix of office, retail and residential premises. Central Fredericia office premises are typically found both on upper floors above ground floor retail units in the shopping streets and in the harbour areas. Tenants are exclusively minor local firms within the liberal and financial service trades. Office leases in the shopping streets are rarely vacant. Upon its conversion into offices, the old station building by the harbour has some vacancies, and the easternmost part of the harbour areas and former *Kemira* site is designated for clearance and subsequent urban development. Fredericia is no distinctive office location as such, which is reflected in quite low office rent levels relative to the neighbouring towns of Vejle and Kolding.

(7) DanmarkC/Taulov

Industry and trade developments primarily take place in areas outside central Fredericia. Literally situated in the centre of Denmark, the area dubbed DanmarkC spans the easternmost part of Fredericia, where the east, west, south and north bound motorways converge in the largest motorway junction in Denmark. Unlike central Fredericia, the DanmarkC area has been the preferred location of a series of major, non-local companies. Office premises in the area are mainly occupied by knowledge-based companies, e.g. the science park of *Videnpark Trekantområdet*, situated in DanmarkC. The science park has expanded by some 1,200 sqm, scheduled for occupancy in the autumn 2006.

Currently, a 3,200 sqm new office building is developed by *Bælthuset A/S*. Upon completion in February 2007 the building will be anchored by law firm *Trolle Advokatfirma*, taking a 2,000 sqm lease.

Furthermore, energy supplier *Energinet.dk* will relocate its headquarters to a new office development site between Kolding Landevej and the E20 motorway. The 15,000 sqm building will be ready for occupancy by year-end 2007.

In Taulov, which is part of DanmarkC, great expanses have been zoned to attract companies that require large quantities of space. The sites enjoy an optimal location with motorway proximity. Although predominantly housing transport companies, Taulov has a small number of office buildings, occupied by companies within the financial and liberal service trades.

INVESTMENT

OCCUPATIONAL

Office
Retail
Industrial/logistics

PRACTICES AND DEFINITIONS

INVESTMENT

OCCUPATIONAL

Office
Retail
Industrial/logistics

PRACTICES AND
DEFINITIONS

Typical office rent levels, Triangle Region

Prime rent levels						Market expectations
(Exclusive of operating costs)	2002	2003	2004	2005	2006	2007
Vejle						
(1) Central Vejle	850	825	825	850	850	↔
(2) Northern Vejle	775	750	725	725	725	↔
(3) Southern Vejle/Vinding	725	725	725	725	725	↔
Kolding						
(4) Central Kolding	825	800	825	825	825	↔
(5) Outside town centre	800	800	800	800	800	↔
Fredericia						
(7) Central Fredericia	675	650	650	675	700	↔
(8) DanmarkC/Taulov	750	775	775	800	800	↔
Secondary rent levels						Market expectations
(Exclusive of operating costs)	2002	2003	2004	2005	2006	2007
Vejle						
(1) Central Vejle	525	500	500	500	500	↔
(2) Northern Vejle	400	400	400	400	450	↗
(3) Southern Vejle/Vinding	400	400	400	400	450	↗
Kolding						
(4) Central Kolding	550	550	500	500	500	↔
(5) Outside town centre	450	450	400	400	400	↔
Fredericia						
(7) Central Fredericia	425	425	400	400	425	↗
(8) DanmarkC/Taulov	400	375	375	375	400	↗

Source: Sadolin & Albæk

Note: Market rents on pre-let office space in decentralised locations generally average a level which is at least 10% above prime rents in the area



THE RETAIL OCCUPATIONAL MARKET

INVESTMENT

OCCUPATIONAL

Office
Retail
Industrial/logistics

PRACTICES AND DEFINITIONS

- *Surges in consumer spending and employment levels have been instrumental in driving up retail rents and pushing down vacancy rates*
- *Retail vacancy rates have come down to an overall level of 2.37% by the fourth quarter of 2006, a more than three-year record low*
- *Boom in the new construction of shopping centres and retail warehouses to keep up with the increase in demand for retail space*

The Triangle Region retail premises are concentrated in the town centres of Vejle, Kolding and Fredericia, in shopping centres and to some extent in out-of-town retail warehouses. Retail units in the town centres are primarily occupied by local retailers and domestic retail chains. Nevertheless, it seems that the town centres are attracting an increasing number of Scandinavian retail chains, thereby also accommodating the customer demand for wider assortments. Shopping centres situated in the town centres of the Triangle Region also house local retailers and domestic chains, whereas the regional shopping centre of *Kolding Storcenter* has a mix of domestic, Scandinavian and to some extent international retailers and chains.

Owing to surges in consumer spending and employment levels, the retail trade has experienced an upturn in the Triangle Region. The favourable outlook has translated into a drop in retail vacancies from a level of around 3.3% in the fourth quarter of 2005 to 2.3% in the fourth quarter of 2006. The regional retail stock comprises more than 785,000 sqm of floor space, corresponding to one fourth of all retail premises in Jutland.

(1) High street

Vejle

Retailing in Vejle is concentrated in the pedestrian street running from *Søndergade* to the south to *Vestergade* to the north. In the

past the high street ended at *Nørretorv*, but has now been extended. The town centre of Vejle has seen a great transformation in recent years, making it a more attractive location and place to visit. Its catchment area is extensive, and as a result retail rent levels in this location are among the highest in the Triangle Region. The high street today houses both small local shops and large international retail chains. Because all shops are located in one single street, they benefit from a constant pedestrian flow, and demand for retail space in the actual high street is therefore substantial. Retail vacancies are non-existent in the high street, whereas there are some vacancies in the few side-street shops. Men's fashion retailers *Selected* opened a new 150 sqm chain outlet at *Torvegade* in August 2006.

Kolding

In Kolding, retail premises are found in a somewhat fragmented pedestrian grid spanning several streets. *Østergade*, *Søndergade*, *Torvegade* and *Helligkorsgade* have the highest concentration of shops. The geographical spread hardly offers ideal conditions for a cohesive central retail district. Furthermore, the town centre faces fierce competition from *Kolding Storcenter*. This has caused a certain number of vacancies in this area, although demand remains strong. In early 2006, for instance, the town centre saw five new shop and café openings, including a 65 sqm *Second Female* shop in January. Retailers in the city centre are predominantly domestic chains, with the exception of a few Scandinavian retailers, for instance *Hennes & Mauritz* and *Vero Moda*.

Fredericia

The pedestrian streets of *Danmarksgade*, *Gothersgade*, *Vendersgade* and *Jyllandsgade* constitute the prime retail area in Fredericia. Retailers in the area are typically local, but a couple of major retail chains such as *Fona*, *Only* and *Vero Moda* have shops in Fredericia.

The town centre of Fredericia is undergoing a large-scale urban renewal scheme as part of a project aimed at making the street environment more attractive to customers and retailers alike. All pedestrian streets will be resurfaced and a town square is established in front of the town hall. The entire project is scheduled for completion in 2007.

(2) Shopping centres

In the Triangle Region, the regional shopping centre of *Kolding Storcenter*, situated at Vejlevej just outside Bramdrupdam, is the largest shopping centre in Jutland in terms of sales area as well as turnover, which in 2004 amounted to almost DKK 1.7bn (EUR 225m). It features more than 120 specialty shops, a *Bilka* low-budget department store, a multiplex cinema and 2,500 free parking spaces. Retailers in Kolding Storcenter include many domestic and Scandinavian chains as well as international brands. Kolding Storcenter serves as a great retail magnet, attracting customers from an extensive catchment area. The shopping centre has only an insignificant number of vacancies, with units generally in strong demand. In early 2006, there were more than seven newcomers, including fashion retailers *Didi* and *Deres*, exclusive garden furniture designers *Trip Trap* and flatscreen retailers *Alfa View*. Relocating from the town centre, *Tiger* and *3mobil* have also moved into Kolding Storcenter.

The Triangle Region has four local shopping centres. *Erritsø Butikstorv* and *Vest Center* are located in Fredericia at Erritsø Bygade in southern Fredericia and at Vejlevej west of Fredericia, respectively. The former functions fairly well, whereas *Vest Center* suffers from a certain measure of vacancy and very limited footfall. The remaining two local shopping centres are situated in the town centre of Vejle. In *Å-centret*, supermarket chain *Superbest* is the customer magnet, but in all other respects it resembles *Vest Center* at Fredericia. Just behind *Å-centret* lies *Enghavecentret*, housing home-furnishings store *JYSK*, a *Fakta* supermarket, a *Panduro Hobby* warehouse and a bowling centre. This

shopping centre is well-run and popular, no doubt thanks to the range and popularity enjoyed by the individual retailers.

In future, the shopping centres in Vejle stand to face fiercer competition. In the late autumn 2006, the first phase of a new shopping centre opens in a central high-street location in Vejle. However, the retail units and cafés in the new centre – called *Mary's* – is expected to target a segment somewhat different to that of the existing shopping centres and may therefore have no or little direct effect on their sales figures as a result. *Mary's* features 20,000 sqm retail space and 50 units in total, with 65% of units pre-let. In a front-row location facing Torvegade, *Hennes & Mauritz* is scheduled to open a shop already late this autumn, whereas the remaining units are not scheduled to open until the centre is fully completed in October 2007. In addition, the former *Kvickly* site at the end of Søndergade next to *Å-centret* is being cleared to give way to the new *Bryggen* shopping centre. Upon its scheduled completion in the autumn 2007, *Bryggen* comprises 30,000 sqm, including 23,000 sqm of retail space, arranged over 70 specialty shops, 10 cafés and restaurants as well as a 4,600 sqm *Kvickly* department store, and 700 designated parking spaces. Opposite *Bryggen*, a cinema redevelopment, *Lido*, is opening in late 2006, probably also serving to attract footfall to this end of town.

Retail warehouses

In recent years, the Triangle Region has witnessed a substantial increase in the number of retail warehouses, and occupational demand is strong. There is some development activity, typically with pre-let agreements in place. The business areas in which the retail warehouses are located have typically emerged around large-scale food retail outlets enjoying easy access and high visibility from the ring roads or main roads. One of the largest clusters of retail warehouses is situated at Horsensvej north of Vejle, where *Bilka* was the first to settle.

INVESTMENT

OCCUPATIONAL

Office
Retail
Industrial/logistics

PRACTICES AND DEFINITIONS

INVESTMENT

OCCUPATIONAL

Office
Retail
Industrial/logistics

PRACTICES AND DEFINITIONS

IBI and architects *Årstidernes Arkitekter* are joint developers on a new retail warehouse at Horsensvej. Its phase one units, extending to 5,000 sqm retail space, are let to e.g. home furniture retailer *Dan-Bo Møbler* and kitchen unit retailer *Kvik Køkkener*, whereas phase two units are let by kitchen unit suppliers *HTH Gør Det Selv*, *HTH Køkkenforum*, furniture retailers *Farstrup Comfort* and HVAC wholesalers *Sanistål*. The third phase is yet to be completed in November 2006, and pre-let agreements are already signed by mobile phone operator *Sonofon* and *Würth Danmark*, retailers of fixing and assembly materials. The site on which the retail warehouse is erected comprises some six acres (25,000 sqm). This is a very successful retail warehouse area, and further development activity is brisk.

South of Vejle, in Vinding, lies another emerging retail warehouse cluster, previously a somewhat older retail area predominated by automobile dealers. In mid-2006, *TDC* opened a 600 sqm business centre at Boeskærvej in Vinding. This is just one of many retail-cum-office outlets in a minor business park under construction at the junction of Fredericiavej. In addition, machinery retailer *Maskinhandler Indkøbsring* has expanded by 5,000 sqm warehouse and showroom space facing Fredericiavej.

Bramdrupdam, where Bilka and Kolding Storcenter already serve as strong customer magnets, houses a number of the same retail chains as northern Vejle. The area known as *Retailpark Kolding* is undergoing rapid development. NCC recently sold a 3,600 sqm newly built retail property to EBH Ejendomme. This property represents the first stage of the retail warehouse of Butikscenteret Retailpark Kolding, with areas pre-let to *Silvan* and *Senge-specialisten*, and scheduled move-in dates in May 2007. In addition to this, Nordicom completed a 2,700 sqm retail complex just vis-à-vis Kolding Storcenter in March 2006, *Tæppe-land* being the first tenant to move in.

The area is experiencing considerable development, with several large retail chains settling or expanding existing premises in the locality.

In Fredericia there is as yet one retail warehouse cluster only, viz. facing Vejlevej and next to the shopping centre of Vest Center. Customer magnet *Føtex* off Vestre Ringvej has attracted other retail chains to this location, where there are hardly any vacancies. Nevertheless, the customer flow is moderate although Vejlevej is a heavily trafficked road.

A retail area is also emerging in DanmarkC. In February 2007, automobile dealers *ALD Bilsalg* is opening a new almost 5,000 sqm facility facing the first stretch of the Funen-bound E20 motorway.

Typical retail rent levels, Triangle Region

(Exclusive of operating costs)				2003	2004	2005	2006	2007	Market expectations
(1)	High Street	Vejle		1 000 - 2 200	1 000 - 2 200	1 000 - 2 200	1 200 - 2 500		↘
		Kolding		800 - 2 000	800 - 2 000	800 - 2 000	800 - 2 000		↔
		Fredericia		550 - 950	550 - 950	550 - 950	750 - 1 150		↗
(2)	Regional shopping centres*	Anchor food		1 100 - 1 500	1 100 - 1 500	1 100 - 1 500	1 100 - 1 500		↔
		Anchor		1 000 - 1 700	1 000 - 1 700	1 000 - 1 700	1 000 - 1 700		↔
		-300 sqm		1 400 - 3 700	1 400 - 3 700	1 400 - 3 700	1 400 - 3 700		↔
		300+ sqm		1 100 - 2 400	1 100 - 2 400	1 100 - 2 400	1 100 - 2 400		↔
	Local shopping centres	Anchor food		550 - 800	550 - 800	550 - 800	550 - 800		↔
		Specialty shops		500 - 950	500 - 950	500 - 950	500 - 950		↔
(3)	Retail warehouses			725 - 1 050	725 - 1 050	725 - 1 050	700 - 1 000		↔

Source: *Sadolin & Albæk*

* Rent levels for regional centres are for Funen and Jutland

THE INDUSTRIAL/LOGISTICS OCCUPATIONAL MARKET

- *The industry and logistics designated property stock in the region comprises almost 9.3 million sqm as at the fourth quarter of 2006*
- *Substantial development potential in DanmarkC/Taulov with business site areas of near on 1,500 acres (six million sqm)*
- *The Triangle Region is an important logistics hub, with transport centres situated in the regional ports, Danmarks Transportcenter in Vejle and Taulov Transportcenter*

Whereas industrial facilities formerly dominated the harbour areas, today's trend is for industrial companies to prefer to settle in business parks and out-of-town locations, which enjoy easier infrastructure access and offer more up-to-date facilities. However, there are still some old industrial estates, which are fairly successful, but not in attracting companies with up-to-date requirements of location and quality of space. Industrial companies benefit from the ideal geographical location of the Triangle Region and its excellent infrastructure. Ports, the port of Fredericia in particular, as well as a network of railroads and roads allow for easy access to all domestic destinations and to the rest of Europe.

The industrial/logistics property stock in the Triangle Region extends to almost 9.3 million sqm as at the fourth quarter of 2006, an increase of more than 150,000 sqm in just one year. Business development has therefore been substantial in recent years, and so has new job growth.

The Triangle Region industrial/logistics property market may be divided into the following sub-areas:

Vejle

(1) Harbour area

In general, it is fair to say that Vejle is not a distinctly industrial town. In the past most of the workforce was employed in the industrial sector, but employment patterns have

shifted towards office trades. Nevertheless, two large-scale industrial districts still remain north and south of Vejle, respectively.

Historically, the port of Vejle is an industrial port, but an increasing number of facilities are converted for office use. Traditional port-related activities have continued and the industrial facilities are not evolving as such in this location. Among the oldest and most prominent companies in the port is Denmark's largest grain milling company, *Cerealia Mills*, which plans to consolidate operations in the port of Vejle with a large-scale expansion. Completion of the expansion scheme is scheduled for May 2008 and budgetted at some DKK 400m (EUR 53.5m). This represents a rather atypical development scheme, as developments usually take place in other locations than the port where there is limited expansion potential.

Rent levels have remained stable over the last 12 months, with no prospects of a marked increase over the next year. This is due to the limited expansion capacity of the port, and although the port is a well functioning industrial location with very few vacancies, demand is weak. The Municipality of Vejle is planning an urban renewal scheme for the port areas, although projects are long-term.

(2) Northern Vejle

Northern Vejle is the largest industrial district in Vejle. A host of import firms, commercial enterprises and companies within the food industry is also a great asset to the town. *Danmarks Transportcenter (DTC)* is situated in northern Vejle. It is Denmark's largest centre of trade, manufacturing, services and transport. DTC features 60,000 sqm of floor space, let to multiple tenants for various commercial uses.

Northern Vejle is characterised by old industrial facilities, but not any significant vacancies. At Maribovej there is some newbuilding activity, for instance a warehouse and administrative building by developer *Hesø Udvikling* for occupancy by *Bak & Uhrenfeldt*, but there is still ample room for more building.

INVESTMENT

OCCUPATIONAL

Office
Retail
Industrial/logistics

PRACTICES AND DEFINITIONS

INVESTMENT

OCCUPATIONAL

Office
Retail
Industrial/logistics

PRACTICES AND DEFINITIONS

At Juelsmindevej several areas are redesigned for commercial purposes, and almost 22 acres (89,000 sqm) of land are for sale in the industrial districts of St. Grundet and Bredal for warehousing and service trades, etc. with special transport requirements. The export terminal of dairy giant *Arla Foods* is relocating from Kolding to this Vejle location, having outgrown its present Kolding facilities.

(3) Southern Vejle/Vinding

Southern Vejle in Vinding houses a mix of old and new industrial facilities. Vacancy in the warehouse and industrial segment is negligible, but even so industrial new construction is very slow. Around 21 acres (84,000 sqm) of land are for sale in the business area at Vinding.

Kolding

(4) Harbour area

The port of Kolding comprises a commercial port and two marinas. Companies in this location are mainly within the transport or industrial sectors. All in all, the port is home to some 50 businesses with more than 1,000 employees, including Kolding's largest employer *Smurfit Kappa Danmark*, *NCC Kemi*, *S.A. Christensen & Co.* and *4K-Beton*. Properties in this location are of an older date, but serve their purpose well and are fully occupied. Rent levels have edged up slightly over the last 12 months in this popular location where occupational demand is strong.

(5) Outside town centre

Outside the town centre of Kolding there are two industrial districts. To the north-west one industrial district is bounded by Esbjergvej, enjoying immediate access to the European motorway grid connecting to the E20 and E45. This area is an old industrial location, housing e.g. ice-cream manufacturers *Diplom-Is* and shipping company *Blue Water Shipping A/S*.

To the south of the town centre the second and smaller industrial district is situated. This area has a highly diverse industry structure, barring a predominance of companies within the steel industry. A few industrial companies reside in somewhat outdated head-office buildings. Although not one of the most appealing areas, it functions well as a business location. Both industrial districts described suffer from quite considerable vacancy, mainly in former built-to-suit head-office buildings, whereas vacancy is less pronounced in flexible properties that are easily divided into smaller units.

(6) Bramdrupdam

Kolding's largest industrial district is situated in Bramdrupdam, in close proximity to the E20 and E45 motorways. In Kolding this is the preferred location by large international companies. Thanks to the ideal infrastructure of the area, logistics and trading companies in particular have chosen to locate in Bramdrupdam, including *TNT* and *General Logistics Systems Denmark A/S*.

Finally completing the two-year construction of a 5,700 sqm warehouse and head-office building, automobile painters *Pierre.dk Autolakering* moved into their new premises in early 2006. In excess of 60 companies have settled in Bramdrupdam, but sites are still in good supply, enabling companies in the area to expand if and when required.

Fredericia

(7) Harbour area

In the past, Fredericia was known primarily for its heavy industry and its port. The port of Fredericia is Denmark's largest port in terms of freight volume, in 2004 amounting to 17.2 million tonnes. But the transformation process has started, making Fredericia one of the towns to be reckoned with in business. The harbour area continues to be somewhat marred by its history of heavy industry, but the port remains one of the largest and most

important ports of Denmark, of great importance to the business community and employment. The harbour area predominantly houses quite outdated and large-scale heavy-industry facilities, and some vacancies exist in the southern harbour area. The eastern harbour, Vesthavnen, is home to the shipyard of *Fredericia Skibsværft* and a *Shell* terminal. Wedged inbetween is the former Kemira site, which is up for sale. As part of an urban renewal scheme, the old factory buildings are marked for demolition to clear the site with a view to new construction for alternative purposes.

ADP (Associated Danish Ports A/S), owners of the port of Fredericia, are currently undertaking an extensive reconstruction and modernisation scheme in the port, incurring costs in the order of DKK 275m (EUR 36.8m). So far, the central port area, Centerhavnen, has seen the completion of a modern warehouse area designed for general cargo activities, and also access facilities have been improved. In anticipation of continued brisk development activity in the port-related industries, some 60,000 sqm are released for new port areas, including, in the longer term, for the erection of a new Ro/Ro terminal.

The port of Fredericia enjoys a central location in regard to the Triangle Region business community. Facilities for reloading from sea, road and rail are up-to-date and easily accessed, with DTC situated in Vejle and Taulov Transportcenter at DanmarkC.

(8) DanmarkC/Taulov

Literally situated in central Denmark, the area dubbed DanmarkC is the largest commercial development area in Denmark, offering the companies in the area high standards in terms of logistics, visibility, location and expansion potential. DanmarkC comprises six sub-areas, including four designated for knowledge-based industries, e.g. food refineries, distribution, lighter industry and manufacturing. The designated areas extend to

some 740 acres (three million sqm) out of a total of 1,500 acres (six million sqm), with in excess of 220 acres (900,000 sqm) still available. At year-start 2007, an additional 49 acres (200,000 sqm) will be included in the zoning. Owing to the ideal infrastructure, the area counts a number of large transport and logistics companies, for instance *Skanska Log*, *Danske Fragtmænd*, *Tip Trailer Rental A/S* and *Norfolkline*. Within the last 12 months, this location has seen several newcomers, including transport companies *Leman* and *Ib Karlskov Transport A/S*.

Taulov is an appealing industrial district to the south-east of Fredericia, alongside both the E20 and the railroad. Officially, Taulov is part of DanmarkC. The largest existing companies in the Taulov area include *Danske Fragtmænd*, *Post Danmark* and *Arla Foods*. Although completed only last year, the 5,100 sqm facility of metal wholesaler *Tibnor* is already expanding by an additional 1,000 sqm. The expansion scheme is scheduled for completion in late 2006. Also *Taulov Transportcenter*, a multi-terminal for reloading from rail to road, is located in Taulov. Occupying some 490 acres of land, this transport centre is important for Scandinavian and central European logistics in terms of transfer of goods from road to rail.

(9) Northern Fredericia

In Northern Fredericia, the industrial estate is bounded by the streets of Ydre Ringvej, Vestre Ringvej and Egeskovvej. The area is characterised by heavy industry and companies with large area requirements, for instance *Tuborg*, investing DKK 800m (EUR 107.1m) in a new high-storage facility and the modernisation of its brewery plant, scheduled for completion before year-end 2008. Furthermore, local oil refineries are located in northern Fredericia, including *Star Pipe* and *Shell*. The industrial estate in northern Fredericia is fully developed.

INVESTMENT

OCCUPATIONAL

Office
Retail
Industrial/logistics

PRACTICES AND DEFINITIONS

INVESTMENT

Typical industrial rent levels, Triangle Region

OCCUPATIONAL

Office

Retail

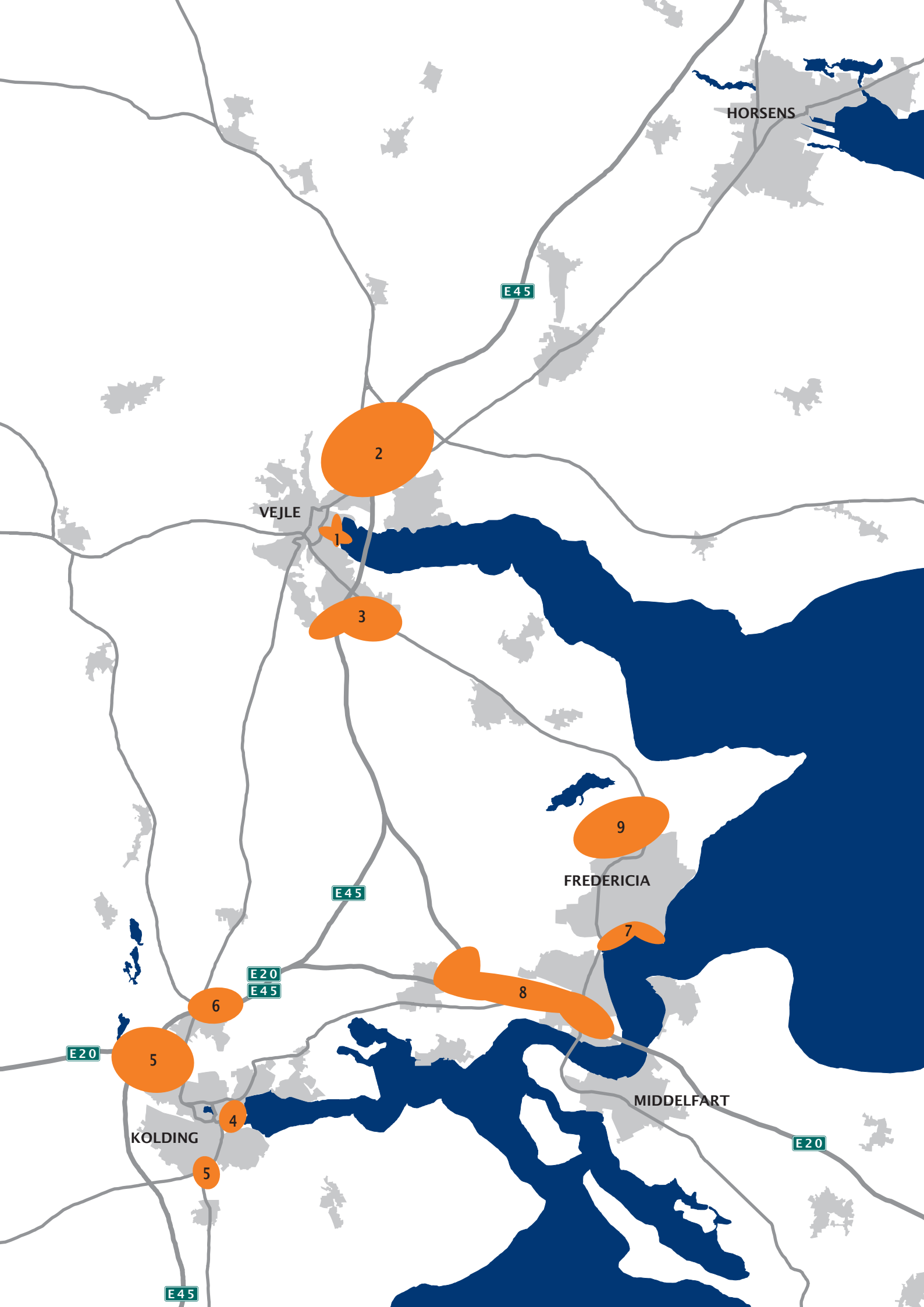
Industrial/logistics

PRACTICES AND
DEFINITIONS

Prime rent levels						Market expectations
(Exclusive of operating costs)	2002	2003	2004	2005	2006	2007
Vejle						
(1) Harbour area	300	300	350	375	375	↔
(2) Northern Vejle	350	350	375	400	400	↔
(3) Southern Vejle/Vinding	375	375	375	375	400	↔
Kolding						
(4) Harbour area	300	300	300	300	325	↔
(5) Outside town centre	375	350	350	350	350	↔
(6) Bramdrupdam	400	400	400	400	400	↔
Fredericia						
(7) Harbour area	350	350	350	350	350	↔
(8) DanmarkC/Taulov	350	350	350	350	375	↔
(9) Northern Fredericia	350	350	350	350	350	↔

Secondary rent levels						Market expectations
(Exclusive of operating costs)	2002	2003	2004	2005	2006	2007
Vejle						
(1) Harbour area	225	225	225	225	225	↔
(2) Northern Vejle	250	250	250	250	250	↔
(3) Southern Vejle/Vinding	275	275	275	275	275	↔
Kolding						
(4) Harbour area	225	225	225	225	225	↔
(5) Outside town centre	275	250	250	250	250	↔
(6) Bramdrupdam	300	300	300	300	325	↔
Fredericia						
(7) Harbour area	275	275	275	275	275	↔
(8) DanmarkC/Taulov	250	250	250	250	275	↔
(9) Northern Fredericia	275	250	250	250	250	↔

Source: Sadolin & Albæk



PRACTICES AND DEFINITIONS

INVESTMENT

OCCUPATIONAL

PRACTICES AND DEFINITIONS

Agents' and legal fees are typically subject to negotiation in Denmark and highly case-dependent. As for acquisition costs, it should especially be noted that the Danish transfer tax is only 0.6%, in 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

© Acknowledgement must be made for any quotations

Front page *Isbellahøj, northern Vejle*
Page 10 *Company House, Bramdrupdam*
 DanmarkC, Fredericia
 Old station building, Oldenburgsgade, central Fredericia
Page 14 *HTH Køkkenforum, Horsensvej, northern Vejle*
 Tibnor, Stakkesvang 13, northern Fredericia
 Maskinhandler Indkøbsringen, Fredericiavej, Vinding
Page 22 *Midtbo, Havnegade 22A, central Vejle*
 Isbellahøj, northern Vejle
 TDC Business Centre, Boeskærvej 11, Vinding

Photo: Per Gudmann

Print: Plæhn

Sadolin | **ALBÆK**

*Sadolin & Albæk A/S
Rosensgade 22
DK-8000 Aarhus C
Tel: +45 70 11 66 55
Fax: +45 86 20 60 19*

*Nikolaj Plads 26
DK-1067 Copenhagen K
Tel: +45 70 11 66 55
Fax: +45 33 32 72 96*

*E-mail: sa@sa-oncor.dk
Web: www.sadolin-albaek.dk
CVR No. 10525675*

ONCOR INTERNATIONAL