

DENMARK

Cushman & Wakefield

Global Cities Retail Guide



Denmark is one of the most prosperous countries in Europe. Furthermore, Denmark is also a gateway to the Scandinavia or the Nordic region.

Danish consumers have a relatively affluent lifestyle. The majority is well informed with an eye for quality and good design. The population is mainly urban, with some 30% living in Copenhagen. Danes have access to excellent public services in health, education, and transport.

A survey by OECD (Organisation for Economic Co-operation and Development) showed that Danes have one of the highest scores in terms of life satisfaction of the countries surveyed. This suggests that Danish consumers shows trust in the market and are content with their way of life.

Denmark has proved to be an attractive destination for investment from several international retailers. Furthermore, there are also many strong domestic retailers in the market, including Bestseller with its many trading facias at home and abroad. Other Danish companies with international operations include Ecco, IC Companys, Pandora, Flying Tiger Copenhagen, Bang & Olufsen, Søstrene Grene, and Lego.



DENMARK OVERVIEW

DENMARK

ECONOMIC OVERVIEW

ECONOMIC SUMMARY

ECONOMIC INDICATORS*	2018	2019F	2020F	2021F	2022F
GDP growth	1.4	1.9	1.8	1.8	1.9
Consumer spending	2.3	1.8	2.0	1.8	2.2
Industrial production	2.1	3.3	1.9	2.0	1.8
Investment	5.1	-4.3	2.0	2.2	2.3
Unemployment rate (%)	3.9	3.7	3.8	3.8	3.8
Inflation	0.8	1.2	1.5	1.8	1.9
Kroner/€ (average)	7.5	7.5	7.5	7.5	7.5
Kroner/US\$ (average)	6.3	6.5	6.3	6.0	6.0
Interest rates Short Term (%)	0.0	0.0	0.2	0.5	0.7
Interest rates 10-year (%)	0.5	0.2	0.5	0.9	1.2

ECONOMIC BREAKDOWN

Population	5.8 Million (2018)
GDP (nominal)	US\$ 351.5 Billion (2018)
Public Sector Balance	0.0% Of GDP (2018)
Public Sector Debt	48.2% Of GDP (2018)
Current Account Balance	6.1% Of GDP (2018)
Parliament	Venstre
Head Of State	Queen Margrethe II
Prime Minister	Lars Lykke Rasmussen
Election Date	June 2015 (Parliamentary)

RETAIL SALES GROWTH: % CHANGE ON PREVIOUS YEAR

DENMARK	2018	2019F	2020F	2021F	2022F
Retail Volume*	2.1	2.9	2.7	2.4	2.3

NOTE: *annual % growth rate unless otherwise indicated. Figures are based on local currency and real terms. E estimate F forecast.

CITY	POPULATION (2019)
Copenhagen	623,404
Aarhus	345,332
Aalborg	215,312
Odense	204,182
Esbjerg	115,652



DENMARK LARGEST CITIES

DENMARK

RETAIL OVERVIEW

MAJOR DOMESTIC FOOD RETAILERS

Netto, Føtex, Bilka, (Dansk Supermarked), Kvickly, Fakta, Irma, Superbrugsen (Coop), Superbest

MAJOR INTERNATIONAL FOOD RETAILERS

Aldi, Lidl, Rema1000

MAJOR DOMESTIC NON-FOOD RETAILERS

Bang & Olufsen, Vila, Vero Moda, Name It, Selected, Jack & Jones (Bestseller), Lego, Søstrene Grene, Change, Bianco, Matas, Neye, Skagen Designs, Pandora, Inwear, Matinique, Saint Tropez, Samsøe Samsøe, Flying Tiger, Normal

INTERNATIONAL RETAILERS IN DENMARK (Selection)

Ikea, Zara, Vans, Gucci, Mulberry, Hermès, Burberry, North Face, H&M, Geox, Tiger of Sweden, , ACNE Studios, Lacoste, Christian Louboutin, Hilfiger, Armani, Max Mara, Louis Vuitton, Benetton, Hugo Boss, Aubade, Moncler, The Body Shop, Disney, New Yorker, Adidas Originals, Stella McCartney, Isabel Marant, BOYY, Michael Kors, Marimekko, Tod's, Valentino, Saint Laurent,

FOOD AND BEVERAGE OPERATORS

McDonalds, Burger King, Sticks 'n' Sushi, Joe & the Juice, Espresso House, Domino's, KFC, Ole & Steen, Emmery's, TGIF, Starbucks, Ma

TYPICAL HOURS

MONDAY-FRIDAY

10.00-19.00

SATURDAY

10.00-17.00

SUNDAY

10.00-17.00
(only select Sundays)

NEW ENTRANTS TO MARKET

Chanel	Uniqlo	Jimmy Choo	John Henric	Asics
R.M. Williams	Golden Goose Deluxe Brand			

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RETAIL SCENE

Denmark is one of Europe's smaller markets but it is a mature and competitive retail market. It is also one of the most innovative and dynamic retail markets in Europe.

Existing shopping centre (over 5000 sqm) space in Denmark exceeds 1.7 million sqm GLA. Shopping centre stock in Denmark is characterised by the relatively high number of smaller units in comparison to other European markets.

The retail warehouse market is a mature and well-established part of the retail economy, though retail warehouses are subject to stringent planning controls in edge and out of town locations along major roads.

There are only two factory outlet centres in Denmark; Premier Outlet Ringsted located in Ringsted, a 45-minute drive from Copenhagen and Copenhagen Designer Outlets which is connected to City 2 shopping centre. Premier Outlet Ringsted covers 13,200 sqm, with 60 retail units let to tenants including Hugo Boss, Nike, Levi's, Calvin Klein Underwear, Wolford, Puma, and Reebok. Danish brands at the factory outlet include Samsøe & Samsøe, Friis & Co, and Modström. Copenhagen Designer Outlets consists of 17,500 sqm and more than 80 units. This outlet is a significant international designer outlet in Europe, combining both international and Scandinavian brands under one roof.

E-commerce is on the rise in Denmark. Internet usage in Denmark is one of the highest in Europe, and this is further shown in the proportion of users that have shopped online. Almost three-quarters of the population have made an online purchase in the previous year. The frequency and the amount of money spent shopping online are steadily increasing in Denmark, especially among younger consumers, below the age of 25 years.

There are no restrictions on foreign companies either buying or leasing commercial property in Denmark. It is generally believed that the Danish lease structure is more orientated toward the tenant than the landlord. The leases are constantly rolling until the tenant gives notice, even though a 5 years lease contract is signed.

Many Danish retailers like the nature of the leases in Denmark, which gives retailers fixed rents for a four year period, with an annual indexation. After 4 years, it is possible to regulate the rent in order to correspond to the market rent.





DENMARK

SHOPPING CENTRES

TOP TEN SHOPPING CENTRES BY SIZE

NAME	CITY	SIZE (GLA SQM)	YEAR OPENED
Fields	Copenhagen S	74,000	2004
Waves	Greve	77,500	1974
City 2	Taastrup	68,000	1975
Kolding Storcenter	Kolding	60,000	1993
Rosengårdscentret	Odense	60,000	1971
Rødovre Centrum	Rødovre	48,700	1966
RO's Torv	Roskilde	47,000	2003
Fisketorvet	Copenhagen V	39,000	2000
Aalborg Storcenter	Aalborg	38,000	1996
Lyngby Storcenter	Lyngby	34,000	1973

DENMARK

KEY FEATURES OF LEASE STRUCTURE

KEY FEATURES OF LEASE	
ITEM	COMMENT
Lease Terms	Retail leases in Denmark are traditionally on-going until notice is given by the tenant or until the tenant wishes to assign the lease to another tenant, hence receiving key money. It is usual that the contracting parties agree on a non-termination period - typically 5 years from the tenant and 10 years from the landlord - could be less or more. The latter usually when letting to an anchor tenant. An overall guiding principle is the tenant giving X years and landlord 2xX years. Be aware though that the landlord in principle cannot break a lease contract unless the tenant does not fulfil his obligations according to the contract. One other break option for the landlord is to actually pay an economic compensation to the tenant in order to make the tenant leave, but this is rare hence the amount claimed by the tenant. A minor part of retail leases can be on a temporary basis.
Rental Payment	Rents are typically payable monthly or quarterly in advance. Turnover/percentage rents are seen in shopping centres and for smaller parts in the high streets. A security deposit is always required from the tenant - usually corresponding to 3-6 month's rent either in cash or as a bank guarantee. The security deposit does not only secure rent payment but also all other tenant obligations according to the lease contract.
Rent Review	Indexation each year is common practice and is usually combined with a minimum increase percentage of between 2-4%. Market rental review is common every 4 years, but the parties can agree otherwise when entering into a contract e.g. an extended period and neither part has to actually act according to the right to review the rent. From a landlord perspective this is often due to the annual indexation which more or less secures a steady market rent.
Service Charges, Repairs and Insurance	Service charges are usually paid in shopping centres but now, it is seen more often in the high street retail leases as well. The service charges cover the landlord's expenses in terms of security, cleaning, landscaping, external maintenance and insurance, servicing of elevators, property taxes etc. In addition an A/C payment covering water, heating, air conditioning, management fees etc. is paid. Internal maintenance and internal insurance are a tenant obligation handled and paid directly by the tenant. Electricity is paid directly to the supplier. Leases can be submitted to VAT or not. The landlord is responsible for external /structural matters in general (could be charged back via service charges). The tenant is responsible for internal matters.
Property Taxes and other costs	The local government authority charge the 'rates', the local property tax, which is payable on commercial property. The government sets rateable value every year. The property taxes are paid by the landlord and charged back via service charges or as a separate, additional cost to the rent paid by the tenant. VAT at 25% can be charged on rental payments.
Disposal of a Lease	Sub-letting is possible in approximately 50% of all lease contracts subjected to the landlord's approval. Assignment rights are very common in retail lease contracts and will be subject to consent or with a landlord's right to re-negotiate terms of the lease. A new tenant must be approved by the landlord both financially and within business capability - an approval which should not be unreasonably withheld. When the lease is terminated by the tenant, the tenant is responsible for re-instating the premises to the same condition as at the start of the lease subject to normal wear and tear unless assigned in which case the new tenant takes over these obligations. All tenant improvements must be approved by the landlord subject to the alteration covenant in the lease and the fact that approval should not be unreasonably withheld.
Valuation Methods	Shops are valued on a 'zoning' basis. The retail zoning principle recognises that the area at the front of the shop, adjacent to its primary window frontage (normally referred to as "Zone A or 1") is the most valuable in rental terms. In DK, it is rare to zone in more than 3 areas in the ground floor. Behind Zone A or 1, Zone B or 2 is found and the rate per square foot can usually be halved or 2/3. Last Zone C or 3 is usually 1/3 or more. Upper and lower sales floors are similarly valued as a proportion of the "Zone A" rate, with basement and/or first floor sales accommodation typically taken at 1/2 or 1/3 or less. Basement for stocking is usually rated 1/10 of the Zone A or 1 rent, but outside high street areas they can be up to 1/3 of the ground floor rent. There will occasionally be local variations to these rates, which will also depend on the quality and functionality of the accommodation, relative to the market norm. For corner units, it is usual to add a small percentage to the value of the ground floor, the amount of which will depend on the degree of overall prominence.
Legislation	The Danish Business Lease Act - Law no. 934 of December 20, 1999 and amendments. Leases must be in writing and the lease document forms the standard documentation required. A mandatory standard form of lease does not exist although a market standard is in place.

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WHAT'S NEXT

REDEFINING THE LANGUAGE OF
RETAIL & LEISURE



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