

MARKETBEAT

DENMARK

Office Q4 2023



5.7%
Vacancy Rate

YoY
Chg

12-Mo.
Forecast

88K
Take-Up sqm

2,200 DKK
Asking Rent, PSM

Source: Ejendomstorvet &
C&W I RED

ECONOMIC INDICATORS Q4 2023

937K
Copenhagen
Employment

3.50%
Copenhagen City
Unemployment Rate

2.90%
Denmark
Unemployment Rate

Source: Statistics Denmark

OVERVIEW

The Danish office market continues to be impacted by the fact that the new high interest rate level has resulted in a spread between the sellers and buyers price expectations, which have led to a significant slowdown in investment activity since the summer of 2022. With a share on 39% of the total volume in 2023, the residential segment continues to be the largest segment. Both the logistics and the office segments reached a share on 20% of the total volume. Thus, there was close competition between the two segment, with only a few hundred thousand in difference separating the segments from claiming the positions as the second and third-largest segments of the year – but the logistics segment won.

OCCUPIER FOCUS

After several years in which the office market was on a high with upward pressures on the rent levels and low vacancy rates, many players in the office market entered 2023 with apprehensions and concerns about a coming recession and an increasing share of remote work. Fortunately, we continued to see a strong tenant demand in large parts of the office occupier market in 2023 resulting in stable to slightly increasing rent levels and only slightly increasing vacancy rates. However, we also clearly saw that the market had shifted from nearly being a "one-size-fits-all" market to one where the tenants not only had many demands for their leases but where there were significant differences in those demands.

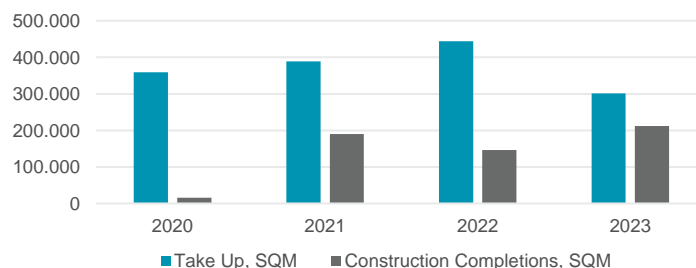
INVESTMENT FOCUS

In 2023, we saw a rather limited investment activity, which is due to a combination of the current market uncertainties (especially the interest rate hikes) and the fact that investors are globally becoming more cautious about investing in office properties, as there (especially in the USA) is a high uncertainty about the future on the occupier market (expectations of increasing vacancy rates, decreasing market rents, etc.). Therefore, although the prime yield level has increased from around 3.00% in Q1 2022 to 4.50% in Q4 2023, the investment activity remains very limited.

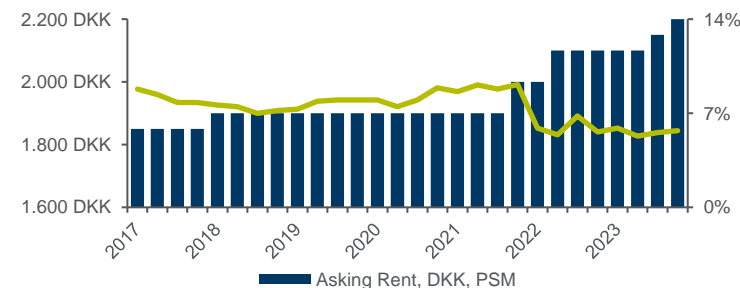
OUTLOOK

Overall, we expect to see a leasing activity in 2024 that is on level with 2023. However, the office market is expected to become more polarized, where both tenants and investors will have increasingly specific demands. On the occupier market, we expect the tenants to continue making non-negotiable demands in terms of their leases' location and physical features. Therefore, we expect to see an increasing difference in the tenant demand for primary and secondary leases in 2024, where rent levels are expected to be increasing for the best leases (modern leases located centrally in Copenhagen, but for the secondary leases (older properties on less strong locations) the rent levels are expected to remain stable or decrease slightly. For the investment market, we expect that yields have more or less peaked as investors have adjusted to the new higher interest rate level. Furthermore, more we expect to see a focus on prime properties in Copenhagen, and that it will continue to be difficult to attract foreign capital to the Danish office segment.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT





MARKET STATISTICS

SUBMARKET	BUILT STOCK (SQ.M)	AVAILABILITY (SQ.M)	OVERALL VACANCY RATE (%)	TAKE-UP (SQ.M)	YTD TAKE-UP (SQ.M)	UNDER CONSTRUCTION (SQ.M)	PRIME RENT (LOCAL CONVENTION)	PRIME YIELD*
Copenhagen (Greater Copenhagen incl. Centre)								
- Copenhagen City Centre	6,710,800	418,100	6.20%	12,151	72,674	-	2,200 DKK	4.50%
- Greater Copenhagen	11,151,000	638,800	5.00%	88,023	301,131	-	-	-
- Northern Copenhagen	1,415,500	79,100	5.40%	-	-	-	1,400 DKK	5.00%
- Eastern Zealand	647,600	19,200	3.00%	-	-	-	1,100 DKK	6.00%
Copenhagen TOTALS	13,214,100	737,100	5.70%	88,023	301,131	457,707	2,100 DKK	4.50%

*Rental rates reflect a net level

KEY LEASE TRANSACTIONS 2022-2023

PROPERTY	SUBMARKET	TENANT	SIZE (SQ.M)	TYPE
Strandgade 3	Copenhagen C	Netcompany	23,906	New lease
Kalvebod Brygge 1	Copenhagen W	Jyske Bank	22,300	New lease
Emdrupvej 72	Copenhagen NW	Københavns Kommune	10,600	New lease
Orienthuset	North Harbour	Accura + Denmark export and investments fund	16,666	New lease
Kampmannsgade 2	Copenhagen W	Devoteam + Salesforce + others	8,390	New lease

KEY SALES TRANSACTIONS 2022-2023

PROPERTY	SUBMARKET	SELLER / BUYER	SQ.M	PRICE / DKK P SQ.M
Codanhus	Frederiksberg C	Corem / AP Pension	30,008	1,300M / 39.0K
Kammeradvokaten HQ	Copenhagen W	Corem / AP Pension	30,714	1,200M / 38.7K
SAS Portfolio	Copenhagen S	PFA Ejendomme / Wihlborgs	97,154	1,075M / 11.0K
Carlsberg Portfolio	Copenhagen W	Udviklingsselskabet Carlsberg Byen / ATP Ejendomme	21,419	965M / 45.1K
Njalsgade Complex	Copenhagen S	ALFA Development / PenSam	25,767	750M / 29.1K

KEY CONSTRUCTION COMPLETIONS 2022-2023

PROPERTY	SUBMARKET	MAJOR TENANT	SQ.M	OWNER / DEVELOPER
Postbyen	Copenhagen W	Danske Bank	73,000	Danica Ejendomme A/S
HUB One	Copenhagen S	Multi-tenant property	50,047	KLP Ejendomme / Hoffmann A/S
Nordø	North Harbour	CIP, Bech Bruun	30,500	PFA Ejendomme A/S
Woods Augusthus	Copenhagen S	ZeroNorth	24,000	NREP / NREP
Trælsthølm	North Harbour	AP Pension, Nykredit	25,000	AP Pension & Nykredit / AP Pension

LOCAL MARKET RESEARCH LEAD

Anne Sofie Ravn Christensen

Head of Research

+45 53 53 50 77

asr@cw-red.dk

cushmanwakefield.com / red.dk

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