

GREECE

Retail Market Snapshot

Third Quarter | 2015



Overview

Capital controls, new austerity measures imposed as part of the country's third bailout and a mountain of non-performing loans have increased the credit risk and deteriorated the profitability outlook of Greece's banks. Activity in the retail property market remains subdued, with occupiers, developers and investors still very wary. The last quarter of 2015 will be crucial as Greece is set to receive up to €25 billion of international money to recapitalise its banks.

Occupier focus

Occupier demand is driven mainly by local independent food and drink operators, who are targeting smaller units in prime high streets and shopping centres in Athens. There are signs that certain national and international retailers are considering expansion in select locations, although many are expected to remain in "wait and see" mode until the political and economic outlook becomes clearer. There is some selective demand for modern retail space, especially in shopping centres, but demand is virtually non-existent for secondary streets. Prime rents were stable across all retail segments in Q3, with the exception of some very prime segments, which saw modest increases from smaller stores over the quarter.

Investment focus

Retail investment demand remains very weak, despite the relative high yields on offer. Many domestic equity backed buyers still favour looking abroad for opportunities, while there is little or no demand from core international investors. Some Greek REIC's and international opportunity funds have been searching for well-priced properties and portfolios of NPL's with asset management potential, but few deals have been completed in recent quarters, mainly due the still large divergence in price expectations between buyers and sellers. Prime yields were largely unchanged across all retail segments in Q3, although it is difficult to estimate current yield levels, due to the lack of investment activity.

Outlook

Most forecasters predict that the political uncertainty and future spending cuts and tax hikes will limit any significant improvements in domestic demand and consumer spending until 2017. Consequently, activity in the retail property market is expected to remain muted. Prime retail markets in Athens and Thessaloniki are expected to be the best performers, although markets elsewhere are forecast to weaken further.

MARKET INDICATORS

Market Outlook

Prime Rents:	Generally stable, but secondary rents expected to fall further.	▶
Prime Yields:	Under pressure to rise as investors demand larger discounts due to ongoing economic uncertainty.	▶
Supply:	Limited new supply in the pipeline over the medium term.	▶
Demand:	Weak; expected to rise across most markets following banks' recapitalisation	▶

Prime Retail Rents – September 2015

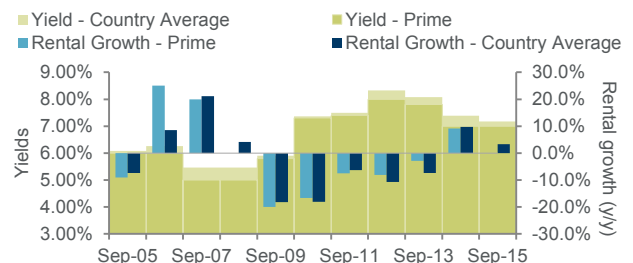
HIGH STREET SHOPS	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Athens (Kolonaki-Tsakalof)	90	1,080	112	0.0	-5.6
Athens (Ermou)	180	2,160	224	0.0	-2.1
Athens (Glyfada-Metaxa)	110	1,320	137	0.0	-2.5
Athens (Kifisia-Kolokotroni)	110	1,320	137	4.8	-2.5
Athens (Piraeus-Sotiros)	70	840	87	7.7	-2.6
Thessaloniki (Tsimiski)	125	1,500	156	4.2	-1.5

Prime Retail Yields – September 2015

HIGH STREET SHOPS (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Athens (Kolonaki-Tsakalof)	7.50	7.50	7.80	8.50	5.50
Athens (Ermou)	7.00	7.00	7.00	8.10	5.00
Athens (Glyfada-Metaxa)	7.20	7.20	7.50	8.60	5.50
Athens (Kifisia-Kolokotroni)	7.20	7.20	7.50	8.60	5.50
Athens (Piraeus-Sotiros)	7.50	7.50	7.50	8.60	6.00
Thessaloniki (Tsimiski)	7.00	7.00	7.00	8.60	5.75
SHOPPING CENTRES (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
Country prime	Q	Q	Y	HIGH	LOW
Country prime	8.30	8.30	8.30	9.00	6.00

With respect to the yield data provided, in light of the lack of recent comparable market evidence in many areas of Europe and the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

Recent performance



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