

GREECE Office Market Snapshot

First Quarter | 2017



Overview

The markets are under strain due to the ongoing uncertainty in which they operate, as a result of the protracted negotiations for the completion of the 2nd review of the bailout programme as well as the sharp increase in the tax burden in 2017. This is reflected in the weakening of the economic climate and the sharp drop in consumer confidence, in February 2017. Office take-up in Athens continues to be modest in Q1 2017 and rents were stable, while incentive packages are common.

Occupier focus

Occupier demand and activity levels were at same levels as in Q4 2016 with more renewals agreed rather than new transactions and low transaction volumes. Kifissias Avenue and the Athens CBD area are attracting the majority of interest, as occupiers continue to take advantage of low rent levels and upgrade to better space.

Investment focus

Greek REICs continued to be active in Q1. A major deal of the quarter was Grivalia Properties Reic acquiring 50% of an undivided interest over a 31,100 sq.m mixed-use property located at 340, Syngrou Avenue in Kallithea, with an office element of 13,950 sq.m. The offices are vacant and the total price was €13.20 million. ICI Reic purchased a 2,719 sq.m office building in Glyfada for €3.4 million while Pireos Bank acquired a 2,411 sq.m office building in Athens CBD along Korai str. Trastor Reic acquired an office and retail building in Kifisia for €2.54 million.

Outlook

Development activity in the office sector is still very limited and therefore the existing stock is getting old with increased fit out costs for occupiers. The tight supply of class A properties should ensure rental and capital values remain stable for prime office assets, with an upward trend. Increased activity in the hospitality sector puts in the radar central buildings for change of use to hotels. Institutional local Investors are expected to continue focusing on low risk prime assets and while yields are expected to remain stable, there may be some modest compression for the best prime properties.

MARKET INDICATORS

Market Outlook

Prime Rents:	Prime rents forecast to remain stable, due to a shortage of good quality product.	▶
Prime Yields:	Generally stable but some compression possible as investor interest intensifies for quality schemes.	▲
Supply:	Limited development activity; secondary supply is expected to rise as excess space is released.	▼
Demand:	Slowing improving but expected to remain weak until there is more economic and political certainty.	▶

Prime Office rents – March 2017

LOCATION	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Athens (Syntagma Square)	17.00	204	20.6	0.0	-5.9
Athens (Kifissias Avenue)	15.00	180	18.2	7.1	-3.4
Athens (Piraeus)	11.00	132	13.3	22.2	-1.7

Prime Office yields – March 2017

LOCATION (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Athens (Syntagma Square)	8.00	8.00	8.20	9.80	6.20
Athens (Kifissias Avenue)	8.00	8.00	8.20	9.80	6.20
Athens (Piraeus)	8.20	8.20	8.40	10.20	7.00

With respect to the yield data provided, in light of 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

