

# GREECE Office Market Snapshot

Third Quarter | 2018



## MARKET INDICATORS

### Market Outlook

Prime Rents:	Shortages of quality supply allied with higher demand expected are likely to fuel rent hikes.	▼
Prime Yields:	The interest from local Reics remains strong. Room for slight yield compression, as investor interest intensifies for quality schemes.	▲
Supply:	Supply under development expected to increase in the long term.	▶
Demand:	Demand will continue to trend in line with current levels.	▶

### Prime Office rents – September 2018

LOCATION	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Athens (Syntagma Square)	18.50	222	24.1	8.8	-1.5
Athens (Kifissias Avenue)	16.50	198	21.5	10.0	1.3
Athens (Piraeus)	13.00	156	16.9	8.3	6.5

### Prime Office yields – September 2018

LOCATION (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Athens (Syntagma Square)	7.50	7.95	8.00	9.80	7.00
Athens (Kifissias Avenue)	7.75	7.95	8.00	9.80	7.00
Athens (Piraeus)	8.00	8.00	8.20	10.20	7.50

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



## Overview

After nearly a decade of tough negotiations, Greece exited its third bailout program on 21 August 2018. Albeit the steady improvement in macroeconomic conditions and positive sentiment, doubts still remain over the long-term sustainability of the country's debt load. Other challenges include the high volume of non-performing loans and the elevated rate of unemployment. Turnover in Greece's tourism sector continued to increase in the second quarter of 2018, up by 11.5 percent, compared with an increase of 7.3 percent in the corresponding period of 2017.

## Occupier focus

During the third quarter of 2018 the Athens office market continued to follow a positive trend although take up for the third quarter was lower compared to second quarter of 2018 due to smaller size of transactions. There is an absence of take up in excess of 4000 sqm in Athens market and the quality of the leased premises is becoming an increasingly important factor for occupiers to consider in their relocation's decisions. On the supply side the availability of office space is limited with no speculative construction projects under way. Prime rents have seen some positive growth over the past six months largely driven by the lack of quality supply than any significant shift in occupiers' patterns.

## Investment focus

Although investor's appetite is healthy, volumes in the third quarter of the year were down in relation to previous quarter. There is rising interests for offices and the breadth of investor interest is increasing maintaining downward pressure on prime yields. During third quarter Grivalia Properties Reic acquired the remaining fifty percent of Piraeus Port Plaza 1's shares controlling now 100% of PPP1, and forty-nine percent of Piraeus Port plaza 2. It is a unique property in Piraeus port which was former part of the "Papastratos" facilities. The asset will be converted and upgraded from a former industrial facility into a modern, energy-efficient office complex. Trastor Reic also acquired 781 sq. m. offices at Politeia Business Complex.

## Outlook

The office sector is expected to remain active. Core assets will be the most requested, although the limited availability of prime product is promoting new investment strategies oriented towards the redevelopment of existing buildings and its change of use to hospitality or residential uses. As a consequence of the increasing competition for the best products, further compression of prime yields is expected by year end.

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## Key Occupier Transactions

PROPERTY	SUBMARKET	TENANT	SIZE (SQ.M)	TRANSACTION TYPE
Athens	Syngrou Ave	Boehringer Ingelheim	2.170	New lease
Athens	Kifisias Ave	Siemens Health Initial	1.004	New lease
Athens	Kifisias Ave	General Mills	404	New Lease

Source: Cushman & Wakefield

## Key Investment Transactions

PROPERTY	SUBMARKET	SELLER / BUYER	YIELD	PRICE € MILLIONS
Piraeus Port plaza 1&2	Piraeus	DIMAND/GRIVALIA REIC	na	7.49
Filellinon 18	Kifisias	RED DEVELOPMENT/BRIQPROPERTIES REIC	8	1.0
Politeia Business centre	CBD	PRIVATE/TRASTOR	na	0.96

Source: Cushman & Wakefield, Real Capital Analytics

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