

GREECE Office Market Snapshot

Third Quarter | 2019



MARKET INDICATORS

Market Outlook

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

Prime Office rents – September 2019

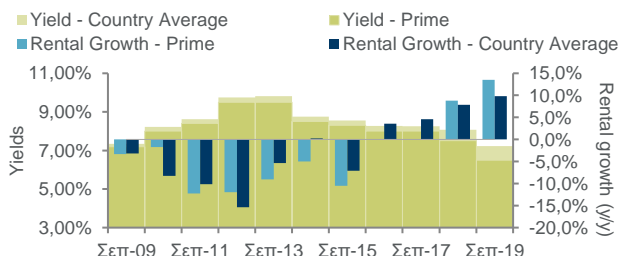
LOCATION	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Athens (Syntagma Square)	21.00	252	26.4	13.5	2.0
Athens (Kifissias Avenue)	17.50	210	22.0	6.1	3.1
Athens (Piraeus)	14.50	174	18.3	11.5	8.8

Prime Office yields – September 2019

LOCATION (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Athens (Syntagma Square)	6.50	6.90	7.50	9.80	6.50
Athens (Kifissias Avenue)	7.00	7.10	7.75	9.80	7.00
Athens (Piraeus)	7.25	7.35	8.00	10.20	7.25

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

Although still weak Greece's economic recovery is underway and forecasted to grow by about 2% annually for the next three years. Kyriakos Mitsotakis has been sworn in as Greece's prime minister after his centre-right party regained power raising hopes of a return to growth and stability in Greece. The available data for economic sentiment, key business sectors, as well as consumer confidence during July-August, in conjunction with the positive impact from the phasing-in of fiscal expansion measures, point to an acceleration in GDP growth to above 2% in 2019. As a result of economic slowdown seen in many countries tourism revenue seems to stabilize at the 2018 levels, on an annual basis, despite the strong start to the year.

Occupier focus

Third quarter 2019 activity and vacancy rates remained stable in Athens compared to previous quarter with the prime vacancy rate level in Athens to be below 5% given low quality of available stock and fragmented supply. The increasing demand for prime office space affected the asking headline rents in Athens, to an average prime rent of 21 €/sq.m in CBD and 17,5 €/sq.m in Kifissias Ave and the trend is for further increase. The total inventory in class A segment is anticipated to increase with the delivery of Class A office premises of 65,000 m2 of GLA that are set for completion by the end of 2021. Kifissias Ave had the highest share of take up followed by CBD this quarter and TMT's was the most dynamic sector, followed closely by company services.

Investment focus

In the year of 2019 investment activity is expected to record an historic volume. The good response of the investors to the office sector comes from increase of supply with prime product offered for the first time after 10 years in Athens city. The result is added pressure in yields that may compress further and keep on levels around historical lows. Local Reic's, investment firms, family offices and private investors keep strongly interested in prime office assets in Athens although secondary locations with good tenants and high spec are also of significant interest.

Outlook

Economic fundamentals for office occupancy will keep on performing well in 2019. Some speculative projects will enter the market serving a demand looking for high-quality space. We forecast rents increasing in their prime segment and even in secondary buildings in good locations. Investment intentions keep strong and there is liquidity for new transactions mainly by local private and institutional investors.

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