

GREECE

Industrial Market Snapshot

First Quarter | 2016



Overview

The prolonged period of political instability continues to negatively impact the economy which has shrunk by a quarter and unemployment has risen to above 25%. In addition, following nearly four months of tortuous negotiations, Greece has reluctantly agreed to an additional €5.4 billion of fiscal tightening over the next three years as part of the country's third bailout.

Occupier focus

Like all other property sectors in Greece, the industrial sector is suffering from a loss of occupier confidence, with many manufacturing and logistics operators deciding to put expansion plans on hold until the headwinds facing the economy dissipate. Any leasing activity is being driven by relocations or renegotiations as some firms pursue cost optimisation strategies to take advantage of the weak market fundamentals. They are doing this by either moving to more modern, cost efficient space or by renegotiating existing leases to secure more favourable terms. Supply has stabilised in most markets, with any rise attributed to the release of space by current occupiers. There is no speculative development in the market and very few pre-let development schemes under construction. While developers are clearly very cautious, the availability of development financing has largely dried up, with lenders unwilling to make funds available given the fragility of the occupational market. Prime rents were unchanged in Q1.

Investment focus

China's state-run shipping giant, Cosco is planning to bid for a majority stake in Piraeus Port with the aim to turn Piraeus into a leading international transit hub from Asia to Europe. Such a deal and the associated investments in developing new space should help attract further international distributors to Piraeus and, subsequently, the potentially improving occupier fundamentals could help kick-start the investment market following a period of inactivity.

Outlook

The outlook for the Greek industrial market is bleak as business and investor confidence is weak. Any development activity is expected to be linked to the deal at Piraeus, where the government has called for a tender for creating a cargo center of 235,000 sq.m at the terminal at Thriasio, near Athens.

MARKET INDICATORS

Market Outlook

Prime Rents:	Rents stabilization is anticipated for 2016 for prime logistics and industrial space.	▶
Prime Yields:	Against very limited evidence prime yields are expected to remain stable or even fall for prime product due to lack of category A stock on offer.	▶
Supply:	Even though the development market has stalled secondary supply rises as occupiers release space.	▼
Demand:	The limited levels of activity are driven by relocations with no new requirements registering interest.	▶

Prime Industrial Rents – March 2016

LOGISTICS LOCATION	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Athens	4.00	48.0	4.94	0.0	-2.3

Prime Industrial Yields – March 2016

LOGISTICS LOCATION (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Athens	11.70	12.00	11.00	13.50	7.30

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



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