

GREECE

Country Snapshots

Second quarter | 2017

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GREECE Office Market Snapshot

Second Quarter | 2017



MARKET INDICATORS

Market Outlook

Prime Rents:	Prime rents forecast to remain stable, with upward trend.	▼
Prime Yields:	Generally stable but some compression possible as investor interest intensifies for quality schemes.	▲
Supply:	Limited development activity and prime supply.	▶
Demand:	Slowing improving but expected to remain weak until there is more economic and political certainty.	▶

Prime Office rents – June 2017

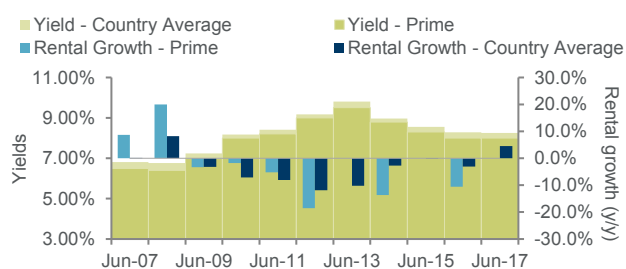
LOCATION	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Athens (Syntagma Square)	17.00	204	21.1	0.0	-5.0
Athens (Kifissias Avenue)	15.00	180	18.7	0.0	-2.7
Athens (Piraeus)	12.00	144	14.9	33.3	1.8

Prime Office yields – June 2017

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



Overview

Delays in concluding the latest bailout review had increased uncertainty and slower economic growth of 1.5% is expected this year. Caution on behalf of occupiers and rather low level of activity characterize the market while prime rents were unchanged over the quarter with increasing trend for prime good quality space. While there is an increasing number of owner occupier led investment deals, overall investment activity remained low over the quarter and development activity is still subdued.

Occupier focus

The level of demand remains generally limited and is concentrated to modern good quality space. Development is still subdued due to lack of demand and nervousness of banks to finance any real estate project. Rents are anticipated to pick up slightly due to short supply of good quality office space. Secondary space is increasingly in demand which should begin to see the current relatively high vacancy rates in the secondary segment reduce in the near to medium term. There is a trend to convert grade C offices in the CBD to hotels.

Investment focus

Major players in the investment market continue to be domestic (institutional), whose preference is for prime product in central locations. Prime assets are sought after and attract several bidders and this has helped prime yields to hold firm. Neratziotissa office building developed by Dimand of 5,500 sq.m has been acquired for owner occupation marking one of the largest office transactions of this quarter.

Outlook

With current outlook, business confidence will remain subdued. Well located high quality space will be sought after by both occupiers and investors alike. 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. The spread between prime and secondary yields will tend to increase further.

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Key Occupier Transactions

PROPERTY	SUBMARKET	TENANT	SIZE (SQ.M)	TRANSACTION TYPE
Athens	CBD Fringe	Travel agency	1,964	New lease
Athens	Kifisias Ave	Advertising company	1,500	New lease
Athens	CBD Fringe	State authority	1,964	New lease
Athens	CBD Fringe	Consultants	1,000	New lease

Source: Cushman & Wakefield

Key Investment Transactions

PROPERTY	SUBMARKET	SELLER / BUYER	YIELD	PRICE € MILLIONS
n/a	n/a	n/a	n/a	n/a

Source: Cushman & Wakefield, Real Capital Analytics

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GREECE

Retail Market Snapshot

Second Quarter | 2017



MARKET INDICATORS

Market Outlook

- Prime Rents: Stable rental level in prime locations, but rents falling further in secondary locations. ▶
- Prime Yields: Yields in prime high street and shopping centre locations anticipated to harden in the medium term. ▲
- Supply: Limited supply, with no new projects in the immediate development pipeline. ▶
- Demand: Occupier and investor demand is anticipated to improve in the medium term. ▼

Prime Retail Rents - June 2017

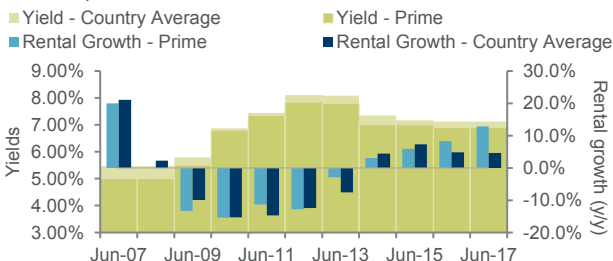
HIGH STREET SHOPS	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Athens (Kolonaki-Tsakalof)	90	1,080	112	0.0	-2.1
Athens (Ermou)	220	2,640	274	12.8	5.3
Athens (Glyfada-Metaxa)	120	1,440	149	4.3	2.7
Athens (Kifisia-Kolokotroni)	115	1,380	143	4.5	0.9
Athens (Piraeus-Sotiros)	75	900	93	7.1	3.9
Thessaloniki (Tsimiski)	135	1,620	168	3.8	4.2

Prime Retail Yields - June 2017

HIGH STREET SHOPS (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Athens (Kolonaki-Tsakalof)	7.20	7.20	7.20	8.50	5.50
Athens (Ermou)	6.90	6.90	6.90	8.10	5.00
Athens (Glyfada-Metaxa)	7.20	7.20	7.20	8.60	5.50
Athens (Kifisia-Kolokotroni)	7.20	7.20	7.20	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	8.10	8.10	8.30	9.00	6.00

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Recent performance



Overview

The Greek turnover index in retail sales recorded an increase of 4.6% and the volume index by 3% in April 2017 compared to the same month a year ago, after an upwardly revised 1.2% decline in March according to statistics service ELSTAT. Retail sales were led higher by books and stationary, pharmaceuticals, supermarkets, foods and fuels. The drop in certain categories sales is attributed to the uncertainty created in the market by the delay in closing the second bailout review. Lamda development announced in June its decision to buy HSBC Property's 50 percent stake in The Mall Athens for €200 million, and take full ownership, reflected its optimism about Greece's economic outlook. Lamda Malls is 32% owned by Varde Partners. A new law has been voted allowing retail stores in central Athens, Thessaloniki and tourist areas to be open on Sundays for six months of the year during tourist season.

Occupier focus

Big international retailers continue to invest in the Greek market. Jysk opened several new stores during the second quarter; Public stores, the largest Greek retail network of technology and entertainment opened a concept store in Kolonaki; H&M opened two stores in Agia Paraskevi and Larissa; Media Markt announced a new store in Patras, 3INA opened its third store in Greece and Womens secret and Springfield opened a new store in Chalandri.

Investment focus

The retail sector dominated in the second quarter with the acquisition of four Sklavenitis super market stores of 75,000 sq.m by Pangaea Reic for €47 million and the acquisition of 31.7% of Lamda Malls by Global investment firm Varde Partners for €61.3 million. Although the investor appetite is high for both the prime assets and those more opportunistic well located with redevelopment potential the transactional activity is rather low due to limited product on offer.

Outlook

A slightly better outcome is expected for 2017 due to better fundamentals in the economy and household consumption forecast to increase over the medium term. There is increased interest for prime stores in all prime high street retail locations while shopping centre development has been thin on the ground. The outlook for secondary markets is less certain as occupiers and investors re-assess risk.

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GREECE

Industrial Market Snapshot

Second Quarter | 2017



MARKET INDICATORS

Market Outlook

- Prime Rents: Stable in 2017 for prime logistics and industrial space with upward trend due for quality space ▶
- Prime Yields: Stable, amid very limited transactional evidence. The best properties may see some modest compression. ▶
- Supply: Limited for prime space in the short term but rising secondary supply. ▲
- Demand: Increased activity mainly for small to medium size space. ▼

Prime Industrial Rents – June 2017

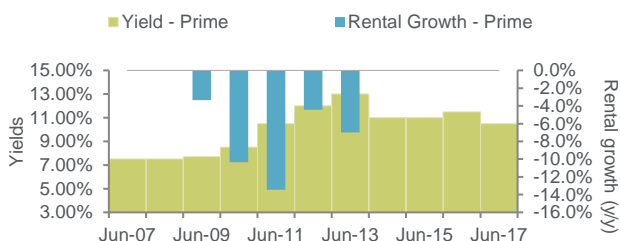
LOGISTICS LOCATIONS	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Athens	4.00	48.0	4.98	0.0	-1.4

Prime Industrial Yields – June 2017

LOGISTICS LOCATION (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Athens	10.50	11.00	11.50	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



Overview

Business conditions in the Greek manufacturing sector improved in June, albeit to a marginal degree as per IHS Markit Economics. Behind the uptick were increases in new orders and output. Purchasing activity decreased again, but to only a fractional extent. Firms remained confident of an increase in their output over the coming 12 months. Driving the improvement in the Greek manufacturing sector was a rise in new orders for only the second time in almost three years. The rate of expansion, however, was fractional overall with reports of higher client demand largely counterbalanced by those of political instability. The logistics sector also continues to register a positive trend.

Occupier focus

Active requirements appear to be rising and overall take-up in Q2 2017 was satisfactory. During the past quarters the logistics occupational market in Greece recorded strong activity levels. Take-up, both in terms of leasing and owner-occupier transactions, recorded a strong increase compared previous year. Prime rents were stable in Q2 and no uplift is expected until demand levels significantly improve. Overall, the Aspropyrgos greater region continues to be the most active, accounting for the highest level of activity.

Investment focus

Domestic players are more active with the most significant deal to be MOTOR OIL acquisition of storage installations located at the area of New Karvali close to the city of Kavala. The value of the transaction will be approximately €15 million. Furthermore, Turkish company Ekol Logistics, a 3PL supplier with companies in 15 countries, has announced plans for further investment in its Greek network.

Outlook

The longer term outlook for the industrial market appears positive, due to the enhanced presence of Cosco in the port of Piraeus. Demand from occupiers tends to be for modern tailor-made spaces. The majority of demand derives from the retail sector, e-commerce and 3PLs. From an investment perspective, the logistics market will continue to attract operators with different risk profiles and the attention is mainly focused on prime products.

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