

# GREECE

## Country Snapshots

First quarter | 2018

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GREECE

# Office Market Snapshot

First 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:	Room for slight yield compression, as investor interest intensifies for quality schemes	▲
Supply:	Supply under development expected to increase in the long term	▶
Demand:	There is occupiers trend for demand increase focused on prime locations and quality assets	▶

### Prime Office rents – March 2018

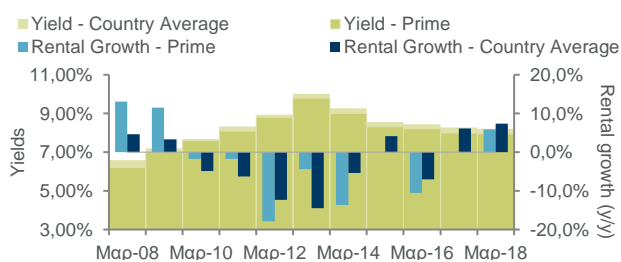
LOCATION	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Athens (Syntagma Square)	18.00	216	25.1	5.9	-3.9
Athens (Kifissias Avenue)	16.00	192	22.3	6.7	0.6
Athens (Piraeus)	13.00	156	18.1	18.2	6.5

### Prime Office yields – March 2018

LOCATION (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Athens (Syntagma Square)	7.95	8.00	8.00	9.80	6.40
Athens (Kifissias Avenue)	7.95	8.00	8.00	9.80	6.40
Athens (Piraeus)	8.00	8.20	8.20	10.20	7.20

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 a decade of recession, Greece is eyeing an exit from its third EU bailout programme. Recovery is set to be driven by tourism, with a record number of arrivals in 2017 and strong early bookings for 2018, along with increased domestic consumption. Occupiers remain cautious leading to low levels of demand with prime rents presenting increasing trend. Overall investment activity remained low over the quarter and development activity is still subdued.

## Occupier focus

Office space demand registered reductions in take-up in 2017 and the same trend continued in the first quarter of 2018 due mainly to absence of large deals. There is a shortage of available offices apt to satisfy corporate demand while quality remains a driver for demand with very limited development activity and dated stock. CBD and Kifissias Ave have been the most active submarkets, with the financial services and pharma the most aggressive sectors. The market continues to be characterized by small-size transactions. Notable transactions include the lease of an office building along Syngrou Ave to a hotel operation.

## Investment focus

The first quarter of 2018 saw 30 million invested into the office sector. Among the Reic acquisitions, Greek real estate investment company Trastor Reic, bought 80% ownership of Kronos Business Center, of 4,715 square meters for 6.5 million euros and Intercontinental Reic acquired 838 square meters offices in Kolonaki for 2.45 million euros. Core investment assets continue to be the most attractive for investors; however, due to limited availability of quality products, there is an increasing demand for value-added opportunities in core locations. High competition for prime assets is generating a compression of prime yields in major submarkets.

## Outlook

The office sector is expected to drive investments interest throughout the year. As a consequence of the increasing competition for the best products, and lack of such product on offer, compression of prime yields is expected in 2018. Activity expansion and space renovation is expected to be the main drivers for new letting contracts this year.

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## Key Occupier Transactions

PROPERTY	SUBMARKET	TENANT	SIZE (SQ.M)	TRANSACTION TYPE
Athens	Syngrou Ave	Hotel	5.300	New lease
Athens	CBD	Law office	542	New lease
Athens	Pireaus	Telekom	11.600	New lease

Source: Cushman & Wakefield

## Key Investment Transactions

PROPERTY	SUBMARKET	SELLER / BUYER	YIELD	PRICE € MILLIONS
Kronos business center	Kifisias Ave	Lamda Development/Trastor Reic	na	6.5

Source: Cushman & Wakefield, Real Capital Analytics

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GREECE

# Retail Market Snapshot

First Quarter | 2018



## MARKET INDICATORS

### Market Outlook

- Prime Rents: Prime rents stable, but rents falling further in secondary locations. ▶
- Prime Yields: Yields in prime high street and shopping centre locations anticipated to fall 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 – March 2018

HIGH STREET SHOPS	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Athens (Kolonaki-Tsakalof)	90	1,080	125	0.0	0.0
Athens (Ermou)	245	2,940	341	16.7	8.2
Athens (Glyfada-Metaxa)	120	1,440	167	0.0	3.7
Athens (Kifisia-Kolokotroni)	115	1,380	160	0.0	2.8
Athens (Piraeus-Sotiros)	80	960	111	14.3	9.9
Thessaloniki (Tsimiski)	140	1,680	195	7.7	5.9

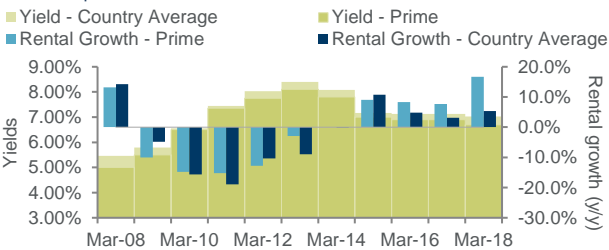
### Prime Retail Yields – March 2018

HIGH STREET SHOPS (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Athens (Kolonaki-Tsakalof)	7.10	7.20	7.20	8.50	5.50
Athens (Ermou)	6.70	6.80	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)	7.40	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	
	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 economic climate indicator climbed to 101 points in December 2017, from 95.1 in December 2016, a three-year high. This is a result of improved business expectations in industry and consumer confidence according to the latest report by Foundation of Economic and Industrial Research (IOBE), while Households' deposits rose for the sixth consecutive month in Nov. 2017. However the turnover of retail sales in Greece decreased by 0.8% in October 2017 compared the same period a year ago, with the overall volume index down by 1.1% over the same period according to statistics service ELSTAT.

## Occupier focus

Prime retail markets continue to attract the interest of both local and international retailers. During the first quarter of 2018 the Italian brand OVS clothes opened their first store along Tsimiski in Thessaloniki. Inglot cosmetics also expanded in Thessaloniki and Patras opening a flagship store. Selection Max Mara - Hugo Boss opened a store in Hania (Crete) and Funky Buda expanded in Mare West shopping centre in Corinth. Increased activity is also noted by DIY stores as Leroy Merlin is opening a 6,000sqm store in CBD as at May 2018 and a new 30,000 sqm Praktiker opens in Rafina.

## Investment focus

Following an active Q4 2017 in which the retail sector attracted around €38m in retail deals, representing 35% of total investment, in Q1 2018 retail investment was weak. NBG Pangaea Reic acquired a standalone commercial building along 66Ermou street for €5.7m and one in Kolonaki of 1,086 sqm for €3.75m. Trastor also acquired a store in Ermou for €2.5m. Investor demand is focused on well-positioned high street stores and supermarkets.

## Outlook

General outlook for retail property in Greece is positive, with the economic environment improving and leasing activity expected to be sound in 2018 benefitting from growth in private consumption and tourism increase. With lack of development activity, the overall vacancy rate in dominant shopping centres and prime high streets is expected to remain low. The lack of prime supply might limit the activity of potential investors despite the positive outlook.

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