

GR Research 2023



**SPOTLIGHT**

*Savills Greece Research*

# Athens Industrial Logistics Market

KENTRIki



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# Economy

Greece's Economy is now showing steady growth, following the unprecedented contraction it experienced in previous years.

As can be seen from the relevant graphs for the country's GDP (Gross Domestic Product), the downward trend stopped in 2017, with the economy experiencing again positive growth rates as of 2018. Despite the fact that the Covid-19 pandemic temporarily paused this upward trend, according to forecasts a significant GDP growth is expected at least until 2026.

Economic activity grew at very high rates in 2021 and the first quarter of 2022, making up for

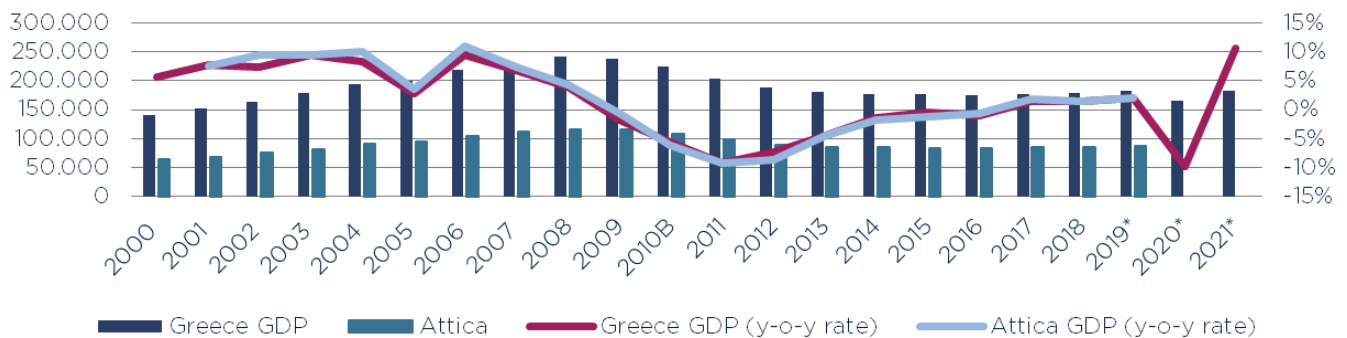
2020's losses due to the pandemic. Furthermore, a relaxation of restrictions further benefited overall economic conditions.

In particular, in 2021 real GDP increased by 8.3%. The rise in private consumption, the acceleration of public consumption, the increase in private investment, but also the rapid recovery of exports of goods and services contributed to this. As it appears from relevant data, Attica holds the largest part of the country's GDP.

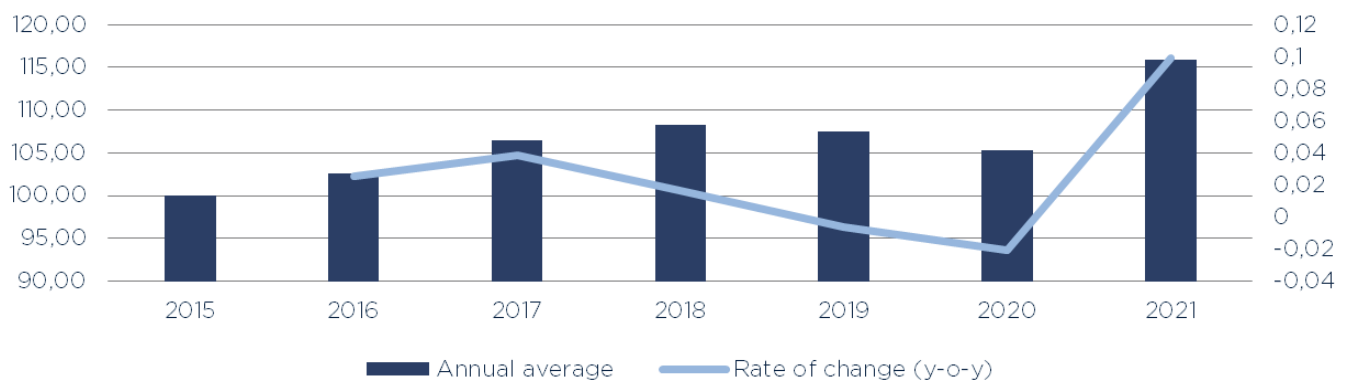
Similarly, the industrial sector has significantly grown in recent years. The Index of Industrial Production of the Country shows exponential increase (except for 2020 when the greatest effects of the pandemic were recorded). The growth of the economy is also evident through numbers on annual exports.

Although the pandemic momentarily stopped their growth rate, exports for 2021 have exceeded 2019 levels.

GDP (in million euros - current prices) (ELSTAT, 2021)



Industrial Production Index IPI (base year=2015) (ELSTAT, 2021)



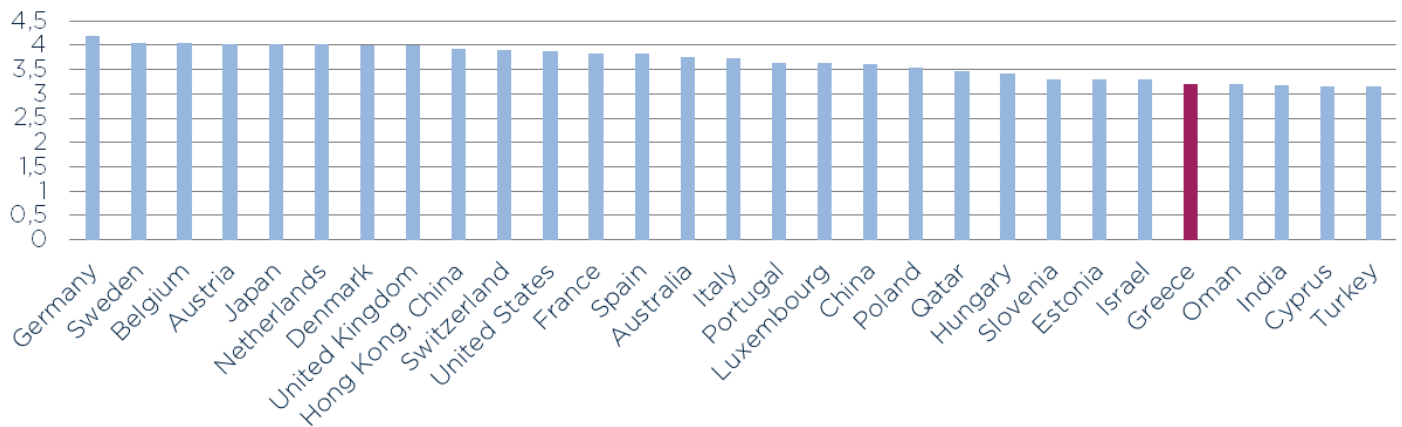
# Impact

Greece is located on the global maritime transport corridor connecting Asia with Europe, as well as in the southern zone of the European transport region, being an important gateway to Europe. In this context, Greece's favorable geographical position makes the country particularly attractive for investments in the supply and transport sectors, taking advantage of the increasing trade flows.

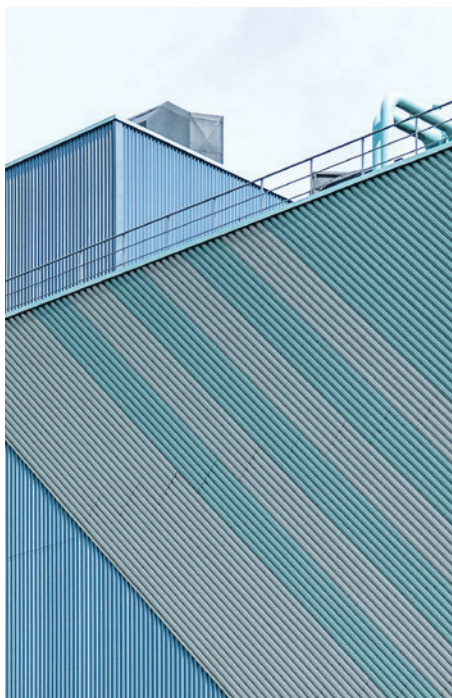
The Greek supply chain sector ranked only 42nd among 160 countries in 2018, based on the World Bank's Logistics Performance Indicator (LPI) (World Bank, 2021) revealing opportunities for further growth. It is noted that according to the corresponding data of the World Bank for 2014, Greece was placed 44th, showing all the efforts made since then for further development.

Following the same Index and focusing on Balkan and Mediterranean Sea countries, Greece is a major logistics hub, ranking 6th in 2018 in terms of performance, before Cyprus and Turkey and after France, Spain, Italy, Slovenia and Israel.

LPI Score



Source: World Bank



According to surveys, the transport and storage economic sector contribute 10.8% to the GDP each year, below the European Union average of 13.0%, thus indicating further growth potential. Focusing on the Logistics sector, its importance and further growth dynamics are evident from its high contribution to the country's GDP reaching from 6% of Greece's GDP in 2017 to 9.5% (6.3% concerning services to third parties (3PL), and 2.8% in-house services of manufacturing and commercial companies (in-house logistics)).

For 2021 the turnover index for the storage sector amounted to 138.7 points (120 points for 2020, base year = 2015, ELSTAT, 2021) showing the further significant growth trend of the sector. It is noted that the Covid-19 pandemic period paused this growth (by disruptions

in all modes of freight transport services and movement of goods, long waiting times for freight vehicles at borders and stopping of cargo flights), but judging from next year's data this was temporary, revealing the dynamics of the industry.

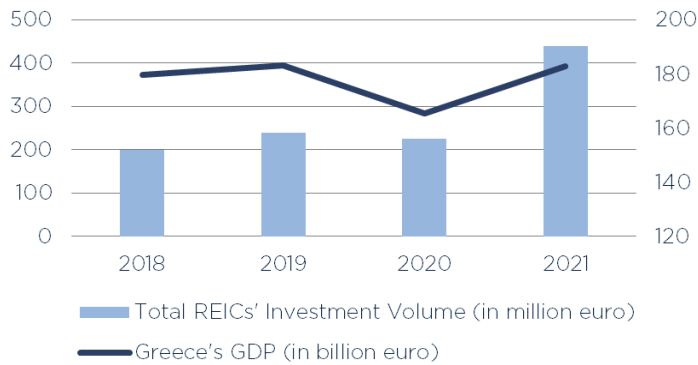
This is mainly due to the strengthening of e-commerce which the Covid-19 pandemic has led to. Businesses are trying to cope with this new reality probably leading to the reopening of vacant warehouse buildings and/or big box retail assets. Focusing on 3PLs, it is noted that outsourcing is limited to 25%, when in the EU it approaches 80% revealing further development dynamics of the industry, also acclaiming a significant number of companies that have chosen the in-house logistics so far.



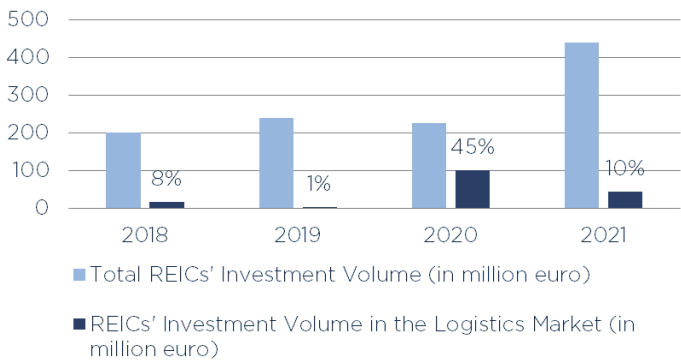


Following relevant data, Transportation & Logistics along with Agri-food are the top 2 sectors for investments in Greece. The buoyant demand for logistics services has been witnessed by the growing interest in space expansion and active acquisitions by logistics players, Real Estate Investment Companies (REICs), Private Equity Funds and 3PLs.

REICs' Investment Volume vs Greece's GDP



REICs' Investment Volume - Logistics Market



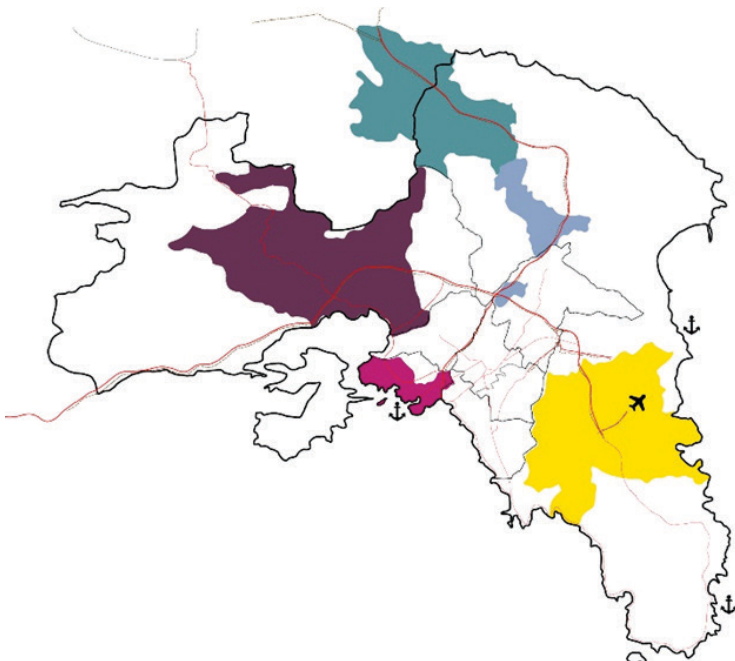
Source: Bank Of Greece



# Stock

In Q1/2022, there was about 15 million sq.m. of warehouse/logistics space in greater Attica region with the bulk of existing stock concentrated in the West Attica district (Aspropyrgos area) with close proximity to intense productive and business activities.

This popular submarket has strategic location offering good transportation coverage. Other in-demand warehouse/logistics space are mainly located in entrance points to the city of Athens in North and East of Attica, in the region of Viotia and to a lesser extent in Piraeus, close to the port facilities.



Attica West – Thriassio Pedio		
Mandra	Magoula	
Elefsina	Aspropyrgos	
Rental Level	3.50- 5.00 €/sq.m./month	
Yield Level	Grade A	Grade B
	7.50% - 8.00%	8.25% - 8.75%

Attica North		
Likovrisi	Kato Kifissia	Krioneri
Metamorphosi	Agios Stefanos	
Rental Level	3.50 – 5.00 €/sq.m./month	
Yield Level	Grade A	Grade B
	7.75% - 8.25%	8.50% - 9.25%

Attica South - Messogeia		
Spata	Airport	Peania
Koropi	Markopoulo	
Rental Level	2.50- 4.00 €/sq.m./month	
Yield Level	Grade A	Grade B
	8.00% - 8.50%	8.75% - 9.25%

Viotia		
Schimatari	Oinofita	Avlonas
Rental Level	2.50 – 3.50 €/sq.m./month	
Yield Level	Grade A	Grade B
	8.25% - 8.50%	8.75% - 9.25%

Piraeus		
Perama	Agios I. Rentis	
Drapetsona	Port	
Rental Level	2.25 – 3.25 €/sq.m./month	
Yield Level	Grade A	Grade B
	8.00% - 8.50%	8.75% - 9.25%





# Pipeline

The constant increase in operation, manufacturing and 3PL companies causes strengthening in demand for modern and efficient storage spaces as existing spaces are not adequate, or do not meet safe storage criteria. At the national level, only 4% of the commercial/manufacturing companies have warehouses of more than 20,000 sq.m., while for logistics companies about 30% of them manage storage spaces larger than 45,000 sq.m.

Thus, it seems that logistics service providers manage large warehouses

compared to users who choose inhouse logistics, with a significant increase in their storage capacity over time.

Some indicative projects currently taking place are: a new distribution center in the area of Aspropyrgos where the developer company will construct high-end storage areas of approximately 40,000 sq.m with prospects of increasing to at least 60,000 sq.m. The first stage (c.25,000 sq.m) of this development was completed earlier this year, while the second stage will start construction at the end of 2022.

A domestic REIC, after gathering a total land of 78,700 sq.m, is planning on developing a large storage and distribution center with a total area of 31,300 sq.m.

Moreover, the same company is planning to develop a cold storage logistics center with a total area of 22,000 sq.m again in the area of Aspropyrgos. Lastly, a different domestic REIC is planning to develop a large warehousing center (approx. 55,000 sq.m.) in the area of Eleusina at a recently acquired land plot of 62,000 sq.m.

Project Name	Submarket	Land Plot (sqm)	Purchase Price (€)	Warehousing to be developed (sq.m.)	Development Value (€)
"Hull Logistics Park"	Attica - West	290,000	150,000,000	123,000	N/A
Distribution Center	Attica - West	103,000	6,500,000	60,000	N/A
Dorida Ktimatiki	Attica - West	78,700	N/A	31,300	29,400,000
Distribution Center	Attica - West	111,000	5,856,000	39,800	N/A
Distribution Center	Attica - West	62,000	N/A	55,000	N/A

The above remarks along with the increase in e-commerce adoption, has made more developers seize the opportunity to venture into logistics real estate. It is estimated that by 2023, total investments of EUR 150 mln of an area of 300,000 m2 will be launched for the development of new logistics facilities of modern standards.

# Transactions



The Investment volume of industrial and warehousing transactions witnessed some significant increase since the COVID-19 pandemic outbreak. The most important and active investors investing in the Greek Market are primarily the Greek REICs, international private equity funds and family offices.

In 2020 the total investment volume for industrial properties was in the order of c. €150 mln, whereas in 2021 we witnessed a decrease in transactions of industrial

assets with the total volume being in the order of c. €100 mln, although this does not mean that investors not fill comfortable with the prospects of the market.

The reason is that major players changed their investment strategy and instead of buying fully leased warehouses (for which there is limited offer anyway), they are acquiring large land plots in order to develop high specification logistics centres (Grade A\*) with

sustainability certifications (LEED or BREEAM) in order to meet the demand by international end-users and achieve higher rental levels.

In 2022, the appetite from investors continued with many transactions taking place and the volume reaching c.€ 277 mln. the highest that the sector has recorded over recent years.

The table exhibits the most important transactions that took place in 2022.

Period	Project	Submarket	Size (sq.m.)	Buyer	Value (€)
Q4 2022	Portfolio	Various	110,500	Confidential	74,000,000
Q3 2022	“Pousi – Chatzi” Ermou str, Peania	Attica - East	12,390	Confidential	5,800,000
Q2 2022	Industrial Park Sxisto, Piraeus	Piraeus	9,780	Confidential	5,710,000
Q2 2022	Industrial Building, Apropyrgos	Attica - West	17,700	Trastor REIC	12,950,000
Q1 2022	Industrial Building, Megara	Attica – West	13,000	Confidential	4,350,000

# Market Outlook

The Greek logistics market offers higher yields compared to the mature European countries, although still lower than all Balkan Countries. Relevant data show that yields in the Greek logistics market will continue to be compressed although at lower pace due to the inflationary environment, highlighting the progressive maturity of the market and the increasing demand for modern 3PL stock.

Rents are expected to continue moving upwards in 2023 as a result of increasing demand and lack of modern large scale logistics units. As a result, prime rents are likely to experience a 10% hike exceeding the levels of €5.00 per sq.m. per month for prime ambient warehouses

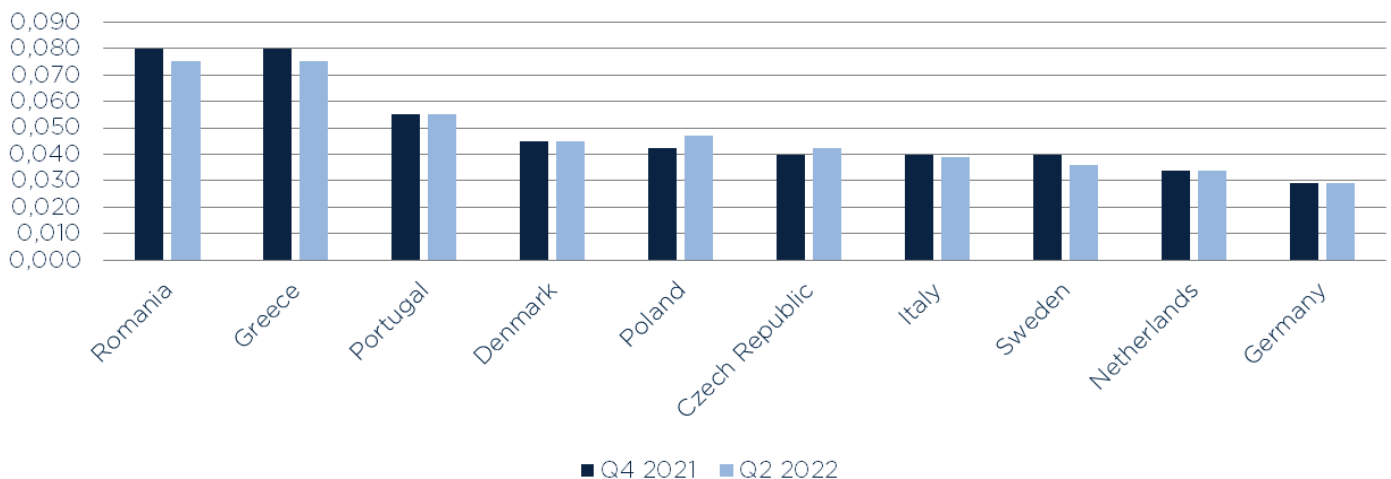
and €6.50 per sq.m. per month for deep freeze and cooling facilities in the areas of Aspropyrgos, Mandra-Magoula and Elefsina (west of Greater Athens). Vacancy rates for prime logistics will remain extremely low during 2023 as a result of persisting demand from occupiers for modern product with high specifications.

By and large, investors will continue seeking to acquire land plots and older industrial assets in order to satisfy the positive momentum which comes as a result of the country's economic growth and its increased strategic importance as a transport hub and gateway of products from Asia and other parts of the world to Europe. Another reason boosting this

trend is the increasing importance of e-commerce in the business development of many retail chains. Acquisitions of land plots and older industrial assets will be followed by developments and/or refurbishments which are expected to fulfill ESG criteria as a result of the "green" strategies that almost all main investors have committed to follow.

Although there are headwinds in the global economy the Greek Logistics market will remain resilient and continue its good performance during 2023, offering investors solid grounds for competitive yields and sustainable rental levels.

European prime logistics yields



Source: Savills Research

- Logistics investments are a magnet for both domestic REICs as well as for other investors (private equity, etc.) due to the prospects for rental and capital value increases strengthened by the dynamics raised as a result of the pandemic (as there was a big shift in e-commerce) and the upgrade of the port of Piraeus,
- Currently there are few large-scale logistics and distribution facilities across the country. A large part of the current stock can be found in areas designated for industrial and warehousing facilities, although offering small scale logistics facilities in the order of 2,500-5,000 sq.m.
- Supply of warehouses in Attica's market is following an increasing trend in order to meet the demand that exists in the market. Specifically, more than 130,000 sq.m. are expected to be developed and delivered by Greek major REICs during 2022-2023.
- The demand for warehouse space with high specifications for which supply is limited is much higher than it is for space with lower level of specifications (as operation and maintenance expenses are set at considerably lower levels).
- Environmental and new technology policies comprising the new "green" logistics market are expected to have a crucial role in upcoming investment strategy.









## Savills Hellas

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