

GR Research 2023



SPOTLIGHT

Savills Greece Research

Athens Office Market

KENTRIki



Economy • Submarkets • Rental Rates • Investment • Pipeline • Market Outlook

Economy

Greece has experienced an unprecedented fiscal and financial crisis in recent years followed by robust growth rates after the covid era.

This downward trend, which was reported in the country's GDP, has stopped in 2017 showing growth compared to previous years.

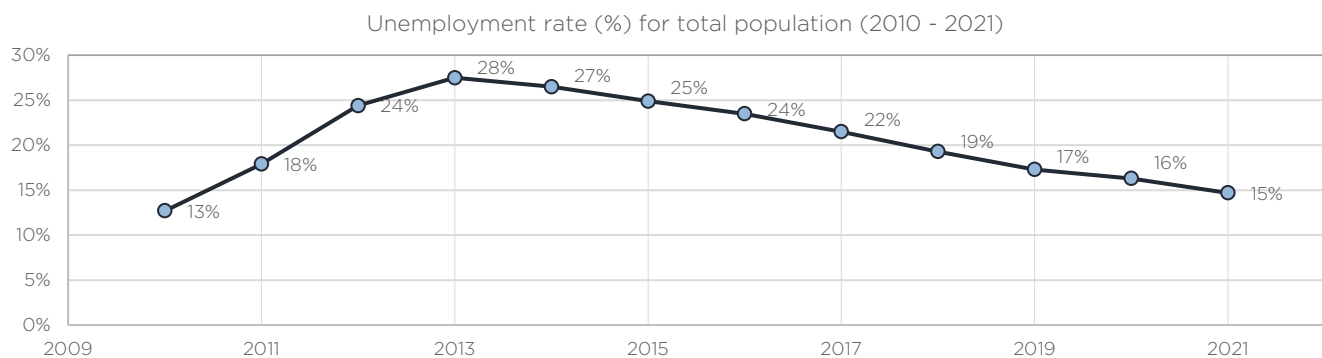
The country achieved a robust recovery in 2021, with soaring foreign direct investment and growth of 8.3%. Although the Covid-19 pandemic seems to have paused this upward trend, according to forecasts a significant GDP growth is expected at least until 2026. More specifically, according to Enterprise Greece projections for

2022 have been revised upwards, based on rising investment and consumer spending, with projected growth exceeding 4.5%, one of the fastest growth rates in Europe.

The good course of the economy is also reflected in other relevant indices such as the unemployment rate. According to relevant data, the index for 2021 is the lowest since the beginning of the financial crisis. These positive signs are also reflected in the investment sector, with a foreign investment

record, particularly in the areas of innovation, technology, real estate and hospitality.

More specifically, it is estimated that approximately 80% of the investment funds of REICs' have already been directed or are intended to be directed to the Greek market. According to data from the Bank of Greece, approximately the largest percentage of their capital was placed in offices, showing the maturity of the market.



Source: Savills Hellas Research/ Enterprise Greece

The Athens office market can be characterized in relation to corresponding European markets. Thus, in the market there are A*, A and B spaces which are modern quality spaces with green features (regardless of location), older office spaces in central axes of metropolitan Athens, and older unrenovated spaces in secondary axes respectively.

ESG and sustainable development in general (as global trends for increased demand for office space with green features) seems to be followed by the Greek market, however there is a significant lack of offices that meet these specifications. An additional criterion in office spaces search is the possibility of a hybrid work environment as a result of the pandemic.

It is noted that about 380,000 sq.m. of new offices are expected to be added to the existing market (until 2025), without taking into account offices spaces which will be created within the Hellinikon project. Moreover, the upgrading of the existing stock is expected to have a crucial role in the market.

Submarkets

1 Centre of Athens

The center of Athens, consists of the CBD and the CBD periphery. The Centre is mainly characterized by old stock; however, with exceptional connectivity. Most offices are old and therefore of Grade B specifications as they were developed in the '70s -' 80s. The trend is for refurbishment and repositioning of older, Grade B buildings in order to achieve higher environmental standards and to facilitate a modern workplace.

2 North Submarket

The North submarket is the most popular and mature office sub-market of the city in terms of stock and quality of offer with the focal locations being along and around Kifissias Av., along certain stretches of Attiki Odos and the National Road E75. Kifissias Avenue is a prime office “corridor” therefore has not suffered any particular pressure from COVID -19. This is well-proven by the sustainability of rents at constantly high levels and the appetite shown by both domestic REICs and private equity funds for new office developments with high standards.

3 South Submarket

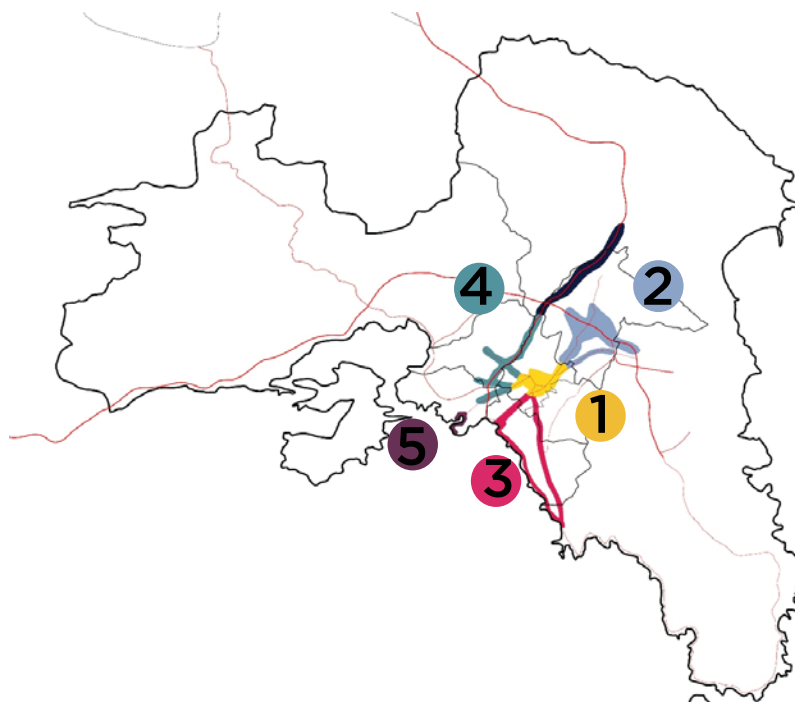
The South submarket or the “Southern Triangle”, mainly comprises most of its stock along and around three main thoroughfares namely Syngrou Av., Vouliagmenis Av. and Poseidonos Av. The submarket continued to attract good quality occupiers, due to improvements in infrastructure but also due to the significant development appeal of the Southern Sector of Athens and most importantly of the Athenian Riviera. The South sector is characterized mainly by privately owned office buildings due to the presence of insurance and shipping companies with the investment product being on the rise.

4 West Submarket

The West submarket can be considered as one currently attracting fair interest something which is reflected by the size and quality of stock, although it has great potential for the creation of a modern office hub. It is rather difficult to change its image in terms of levels of demand for both investors and occupiers, unless there will be some strategic change that will generate dynamic growth capable of overturning the established image of degradation. Such a development may be the case of the “Votanikos Project”.

5 Piraeus Submarket

Piraeus is an emerging office area, with significant stock, featuring occupiers primarily from the shipping industry as well as from the web-assistance sector. The area of Papastratos has emerged as the main recipient where the new investments are gathered with the addition of > 50,000 sq.m. of modern offices (over the last 4 years), and the formation of sustainable work environment following a massive urban regeneration plan. This is a great example of how a single strategic investment through “adaptive re-use” of old industrial buildings, can change the image of an entire submarket.



💡 Currently prime rents in the two biggest and most important submarkets the CBD and North have increased in the order of 4.1% and 10% respectively compared to the achievable rents in Q4 of 2019. 💡

Rental Rates

Occupational markets have experienced a stabilization of rental levels during the pandemic but after Q1 2021 an increase in achievable rental levels was observed compared to that of 2020. To this end, achievable rents are significantly higher for Grade A and B properties compared to that before the pandemic.

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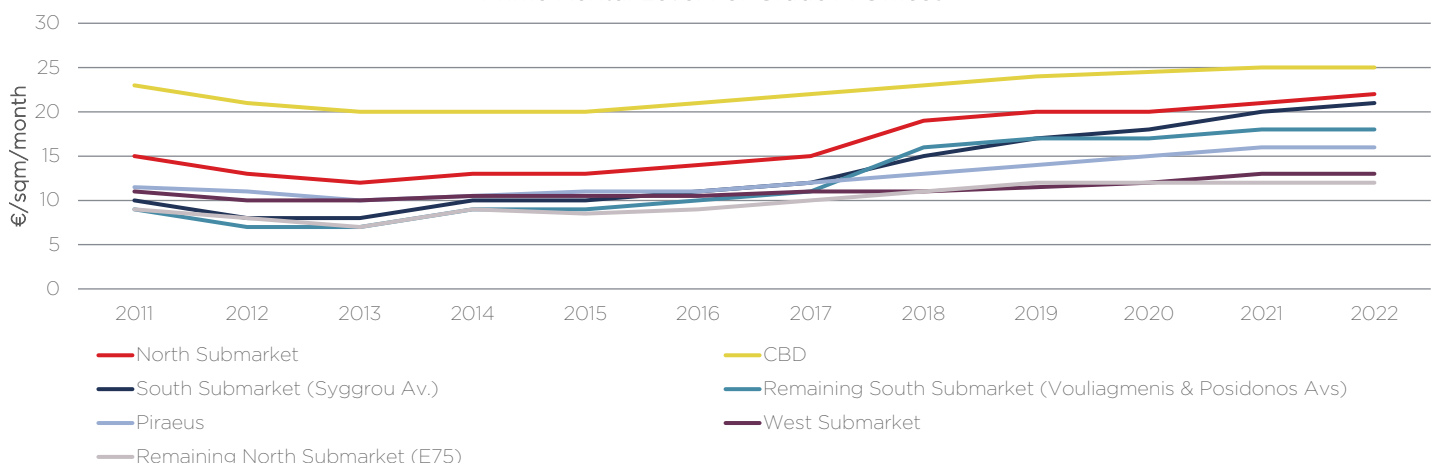
The increase in office rents in relation to corresponding European markets is a result of the particularly low supply of modern certified spaces and the eagerness of users for corresponding buildings.

The difference in rents between high-end spaces with green features and older spaces in secondary areas seems to be

starting to widen significantly, as this is now the product that both occupiers and investors are asking for.

It is worth noting that due to the fiscal conditions that are a consequence of the Russia-Ukraine war, the values for Grade B offices are expected to decline, for Grade A they are expected to stabilize, while for Grade A+ an interruption, albeit temporary, in the value growth rate is expected.

Prime Rental Level For Grade A Offices



Source: Savills Hellas Research

Investment

Athens market appears to be unaffected by current trends on workplaces caused by the changes in the work model, mainly due to lack of quality office spaces where investment interest is mainly focused.

The most active investors in the market at the moment are the Greek REICs, which perform the largest volume of transactions. However, the rise of inflation, the increase in energy and

construction costs, as a result of the conflict between Russia and Ukraine, is expected to reduce the pace of new developments in the office market, albeit temporarily.

As an example, we note that construction cost for an office space with LEED certification was increased by 40% over the last 12 months as a result of high inflation pressures and problems in the supply chain. These conditions seem to

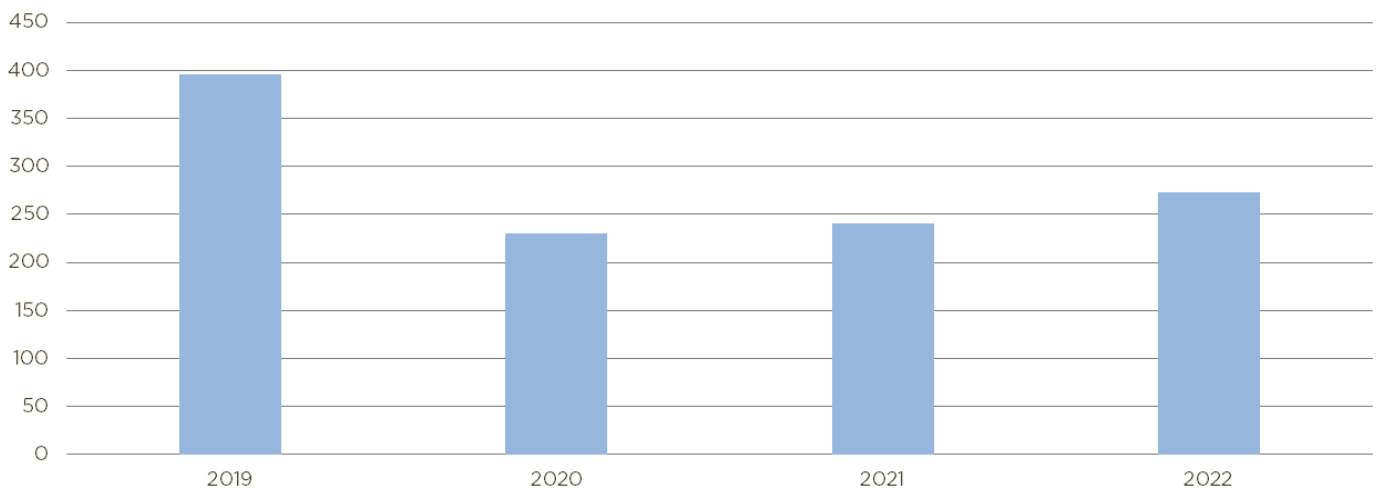
prevent the absorption of the stock of non-high standard offices, slowing down (even temporarily) the development of new ones.

Yields have remained stable through the year, although the high uncertainty levels of investors are still in place due to the conflict that exists in European territory. Below the yields of the major submarkets are exhibited:

Sub-Market	Prime Yield (Grade A-B)
CBD	5.50% - 6.50 %
CBD Periphery	6.25% - 7.25%
North	6.00% - 7.00%
South	6.50% - 7.25%
West	7.50% - 8.00%
Piraeus	7.00% - 7.50%

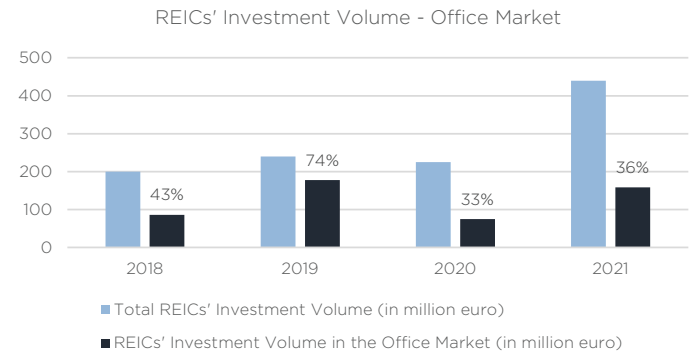
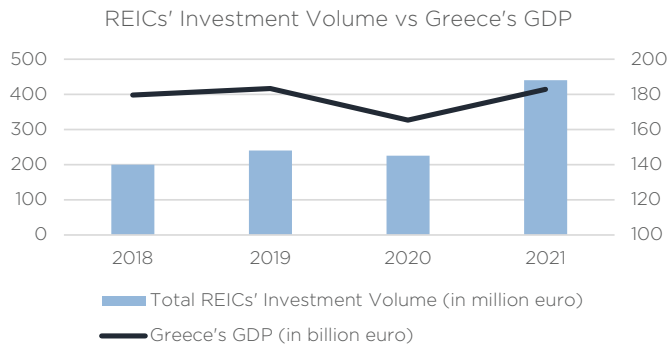
In 2022, we observed a significant amount of office transactions taking place showing a rebound after the COVID-19 pandemic which affected the office property segment, thus in 2022 the total volume was improved compared to 2020 and 2021 although not reaching the level of 2019. We observed a total investment volume of c. €275 mln in 2022 showing an increased appetite from investors for this asset class, as an increase on the total volume was recorded in the order of c. 13% Y-o-Y.

Office Transaction Volume



Source: Savills Hellas Research

Offices Spotlight 2023



Source: Bank Of Greece



Pipeline

Due to the lack of new supply, developers and investors have now changed their strategies and instead of purchasing investment assets that are fully leased, they are developing high specification (Grade A*) green office buildings in order to achieve higher rental levels and meet the needs of international end-users which have become more demanding.

Until 2025 it is expected that c. 380,000 sq.m of Grade A and A* office space will be developed with a pre-occupied percentage in the order of 27.5% (c.105,000 sq.m).

Indicative projects that will be completed within this period are below:

Project Name / Adress	Submarket	Estimate Completion Year	Total Size	Certification
Kaizen Campus	North	2022	7,500.00 sqm	LEED Gold
Fragkoklisias & Aigialeias str.	North	2022	14,000.00 sqm	LEED Platinum
Syggrou Avenue & Lagoumitzi	South	2022	15,600.00 sqm	LEED Gold
Piraeus Tower	Piraeus	2023	16,000.00 sqm	LEED & WELL
65 Kifissias Ave.	North	2024	22,550.00 sqm	LEED & WELL
The Grid	North	2025	49,000.00 sqm	LEED Gold

Market Outlook

The market is showing great mobility with most institutional investors strengthening their presence. The smaller REICs are entering a phase of maturity and along the improvement of economic conditions they start to expand their portfolios with larger scale and different type of assets.

Successful developers followed by REICs and private equity funds continue their investment activity in the main sub-markets such as Kifissias Av., Syggrou Av., Piraeus and Athens South while deploying new development strategies in upcoming areas around the CBD such as Votanikos around the new stadium of Panathinaikos. Increasing activity is observed between developers in prime CBD locations and CBD Periphery (e.g., Vas. Sofias Ave., Alexandras Ave., T.Vassou str. etc.). In the south sub-market new developments are expected along Vouliagmeni Av., in and around Hellinikon project.

The majority of REICs have directed a significant part of their funds to new developments. Private Equity Funds follow

a similar strategy, also proceeding with the refurbishment of buildings in prime sub-markets. Large private equity funds are following an aggressive real estate acquisition strategy and intend to allocate “fresh” funds to the Greek market. They also proceed with the acquisition of large NPL portfolios including several good quality office buildings, focusing on their refurbishment and repositioning in the market.

The market also attracts a number of family offices and smaller scale private equity funds through their local investment teams who are searching for opportunities in the order of €3.0 - €10 mil. Finally, the government is also interested in promoting some strategic sites (e.g., PYRKAL) in order to create a government hub with buildings relocating 9 Ministries who currently occupy 127 buildings in Greater Athens. The size of the new government buildings in PYRKAL will exceed 300,000 sq.m.





Savills Hellas

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As well as undertaking individually commissioned research projects and providing support to the service departments of Savills, we also publish a series of highly respected research reports.

Head Of Office

Dimitris Manoussakis

Head of Office, Head of Valuations
+30 21 0699 6311
dman@savills.gr

Agency & Advisory

Konstantina Dotsikas

COO, Director, Residential RE Agency
+30 21 0699 6311
k.dotsikas@savills.gr

Loukas Papathanasiou

Senior Associate, Commercial RE Agency
+30 21 0699 6311
l.papathanasiou@savills.gr

Danae Tsakiris

Director, RE Advisory & Agency
+30 21 0699 6311
d.tsakiris@savills.gr

Research

Konstantinos Lykostratis

Senior Associate, Asset Mngt & Research
+30 21 0699 6311
k.lykostratis@savills.gr

Panagiotis Manoussakis

Associate, Valuation, RE Advisory & Research
+30 21 0699 6311
pman@savills.gr

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Athens

Head Office
64 Louise Riencourt Str.
115 23 Athens

+30 21 0699 6311
kentriki@savills.gr

Thessaloniki

53 Vasileos Irakleiou & Karolou
Ntil 54623 Thessaloniki

+30 21 0699 6311
thessaloniki@savills.gr

Corfu

26 Guilford street
49100 Corfu Island

+30 21 0699 6311
corfu@savills.gr

