

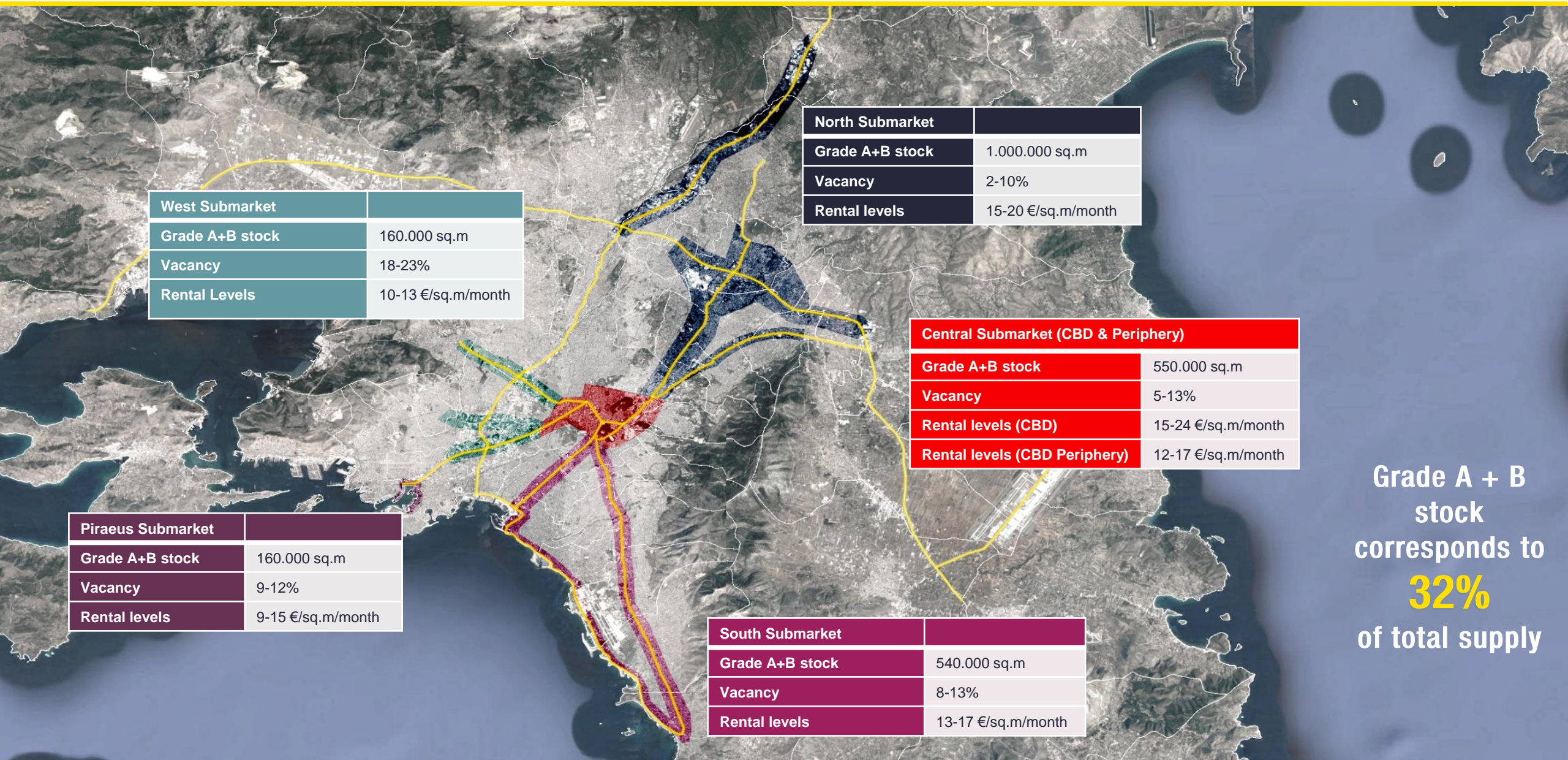
# Overview of the Athens office market in 2019

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May 2020



# Core Office Submarkets



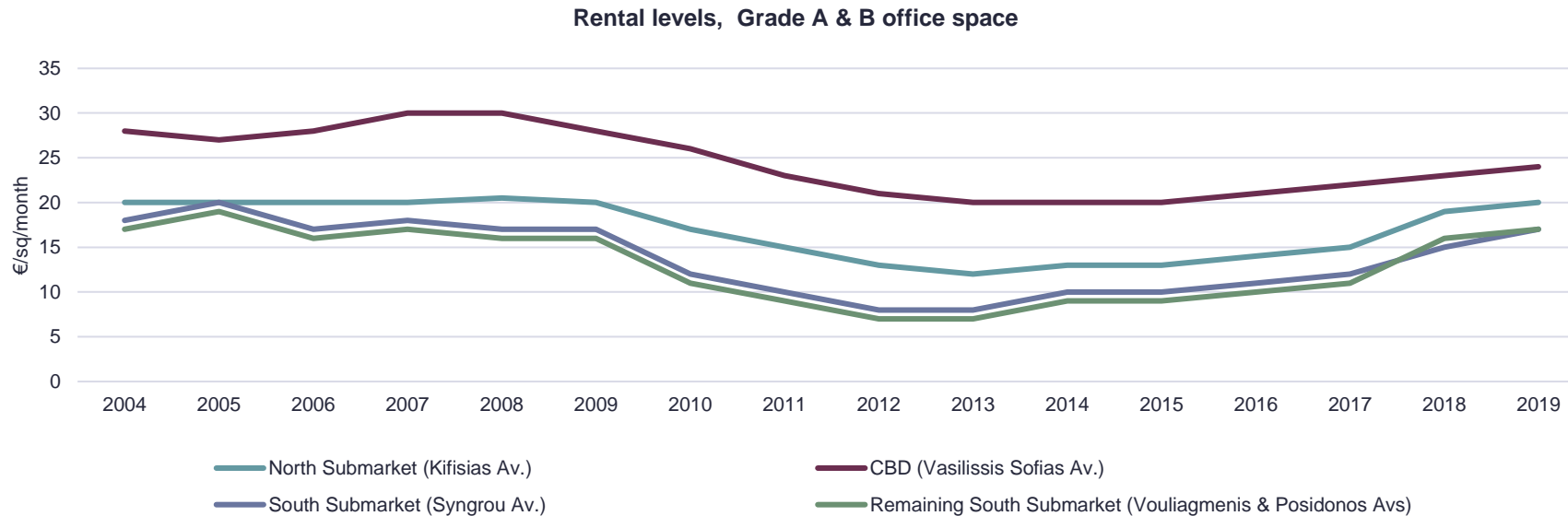
Grade A + B  
stock  
corresponds to  
**32%**  
of total supply

# Supply and Demand

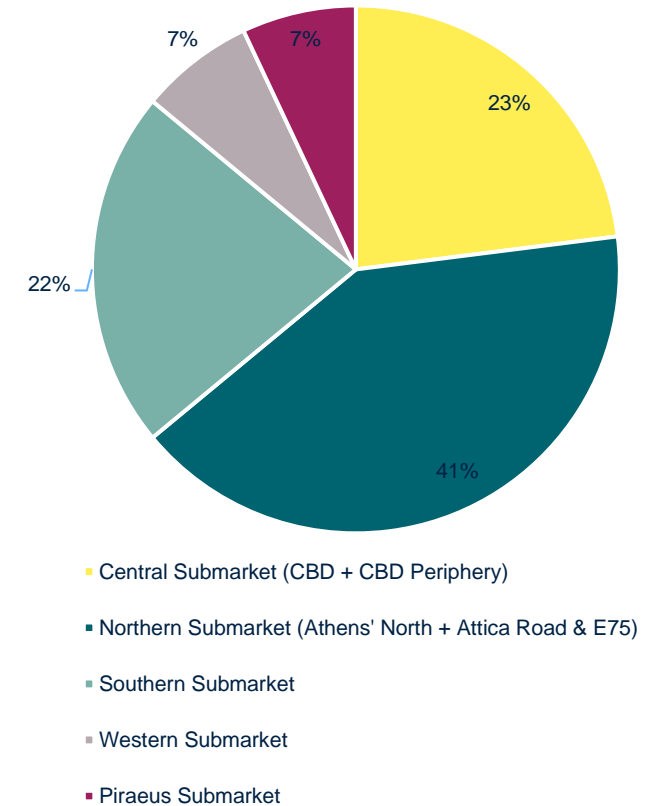
## Key drivers of demand in 2019 come from:

- **Business Process Outsourcing** trends which have been reflected by the demand coming from firms orientated to both online support and e-commerce industries. They formed the strongest demand and became pivotal players during 2019, since their average requirement for modern office space was c.2,000 sq. m while in many cases exceeded 5,000 sq. m.
- **Corporate Relocations** in newly built and prime offices in terms of location, accessibility and specification with special emphasis paid on the sustainability levels achieved through the construction process followed (i.e. LEED & BREEAM certificate).
- **Gradual increase for modern offices by domestic corporations:** The Athenian market witnessed demand for office space with lower specifications, that could be transformed and reconstructed in order to operate co-working space or serviced offices. Companies such as “Spaces” and “Regus” started to show strong presence in the market.

The market witnessed a change in the interest for office space as the demand increased for larger offices exceeding 1,500 sq. m. In some cases we observed international corporations looking for c. 10,000 sq. m. of available space in a single building.



**Spatial division of Athens' office stock, Grade A & B**



The total office stock for Grade A & B buildings is approximately **2.6 m sq.m.**



# Rental Levels

## Rental Levels at core sub-markets

Occupational markets have experienced higher rental levels comparing to 2018. We observed that achievable rents are significantly higher for prime properties in the **CBD**, ranging between **15€ to 24€/sqm/month**. The gap is mainly related to the age, the state of repair and the quality of the available stock.

The **Athens-North sub-market** maintains some high level of attractiveness with regards to demand for prime properties. Kifissias Avenue remains in the driving seat offering high quality stock albeit of a certain age with prime “Grade A” properties leased for **15-20€/sqm/month**. On the other hand, there are certain lease agreements which are set at marginally **higher levels**.

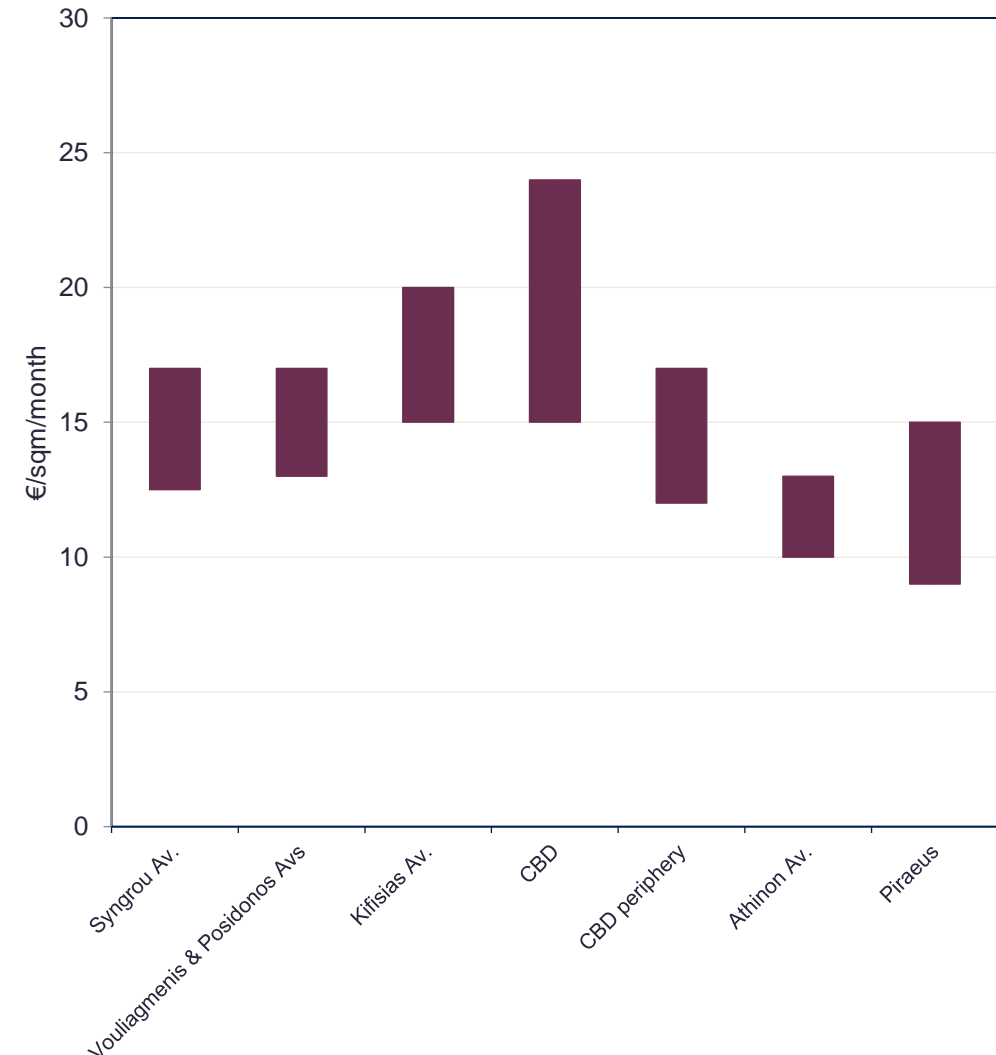
The **Athens-South sub-market** has witnessed some increasing demand from both domestic and international occupiers with **Syggrou Avenue** experiencing rents for office suites of high specification averaging at **14.5€/sqm/month**. At the same time supply for newly developed offices remains at quite low levels. On the contrary, **Poseidonos** and **Vouliagmenis Avenues** situated in the so-called Athenian Riviera provide a wider mix of uses with the presence of both residential and retail space. The supply for **Grade A office space is relatively higher** in these two avenues in comparison to Syngrou Avenue, with rental levels for the respective office types being in the order of **13-17€/sqm/month**.

The **Piraeus submarket** witnessed an incredible amount of new office development something that led demand from sizeable occupiers towards this part of Greater Athens. Consequently, rents for Grade A and B offices in Piraeus’ are currently set in the order of **9€-15€/sqm/month**. With Cosco’s increasing presence in the area, the newly built “PAPASTRATOS” commercial district development, and the proposed refurbishment of “Piraeus Tower”, business activity is expected to grow fast in the forthcoming years placing Piraeus back on the office map of the city. Consequently, rents for quality offices, which currently remain at a limited offer, are expected to stabilise closer to the upper level of the rental range.

Regarding the **CBD periphery** rental levels range between **12€ and 17€/sqm/month**. Lower rental levels refer to lower quality stock which is accommodated in converted apartment buildings that are dispersed in city fringe locations.

The **Athens-West sub-market** has shown compressed rental levels that lie between **10 and 13€/sqm/month** for Grade A and B offices, **developed in the last 10-15 years**. The western parts of the city are lagging behind in terms of connectivity with the rest of the city due to the limited transport infrastructure. This has led to a lower office development process and therefore to lower demand levels.

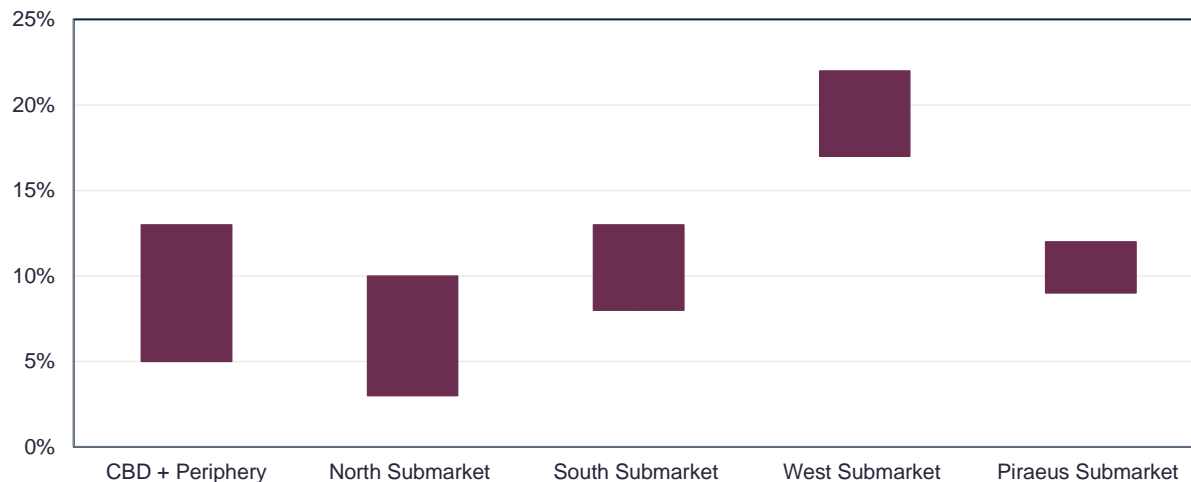
Rental Levels for Grade A & B office space in Athens, 2019



# Take-up and Vacancy Rates

- Lack of new developments resulted in the take-up of existing quality stock coming with a higher rent. The aged building stock, the relatively limited number of resource efficient real estate and the gradual space take-up in higher specification properties have resulted in lower vacancy rates in prime office locations in Athens over the last two years with both Grade A and B stock exhibiting an increasing take-up trend.
- From the beginning of the economic crisis in 2007, we observed a gradual increase in vacancy rates for both Grade A and B offices in Athens. This trend was disrupted within the second half of 2014 where we did observe an improvement in Greece's economic sentiment, which nonetheless from the elections in January 2015 onwards until the Referendum in July and the consequent election in September of the same year worsened significantly. From 2016 onwards demand for office space has slowly started to increase, and the vacancy rates started to decrease in prime areas that have been significantly affected because of the recession. However, from the H2 of 2018 onwards, the economic sentiment has been gradually improving which can be partly evidenced in lower vacancy rates particularly for Grade A offices, and the new office stock that has been created within 2019 in Kifisias avenue sub-market and the refurbishment and repositioning of certain outdated office buildings in the CBD, South and Piraeus submarkets.

Vacancy Rates for Grade A & B office space per sub-market, 2019



- The considerably lower vacancy rates for grade A offices is largely attributed to a limited available office stock of high specifications in Athens' major submarkets. This low availability of Grade A office stock explains the deviation in current vacancy levels comparing to Grade B and other inferior quality spaces.
- Vacancy dropped in the **CBD** and for 2019 is estimated at c. 2-4% for Grade A office stock compared to 2018 which was at 3%-5% and around 10-13% for Grade B (2018 → 12%-14%).
- Increasing demand for grade A office space in **Piraeus** during 2019, dropped vacancy rates at historic low levels of 4%-7% (2018 → 5%-8%), showing an overall decrease of 2%. Grade B vacancy rates were stabilized at around 10%-12%.
- The **South** witnessed interest for office space in prime & core locations, mainly along the prime thoroughfares of Poseidonos, Vouliagmenis and Syggrou Avenues, the so called "South Triangle", while vacancy rates for Grade A space dropped around 1% since 2018 and currently stand at around 4%-7%.
- The **West** didn't quite follow the trend of increasing absorption, thus vacancy levels for Grade A space remained higher compared to the other Athenian sub-markets and were set in the order of 9%-12%. Vacancy rates for Grade B office space maintained a high plateau of around 19%-22%,
- **The decreasing vacancy rates in the CBD and the North Precinct, prove that demand for high quality office space in prime office areas of Athens could support some consistent growth.**

# Investment Market

## Yields

The Athenian office market observed intense yield compression in 2019. The CBD maintained the first place with impressively low yields, followed by the North sub-market. The south witnessed an average decrease of c. 25 bps in the overall yield range with still many opportunities on stock. Last year's pleasant surprise was Piraeus which attracted various investments, that pushed yields to new historic lows at 7.00%. The West, continued to show low levels of interest and had no significant change on its yield levels.

Sub-market	Yield Level
CBD	5.50% - 6.50%
North	6.25% - 7.00%
South	6.50% - 7.50%
West	7.50% - 8.00%
Piraeus	7.00% - 7.50%

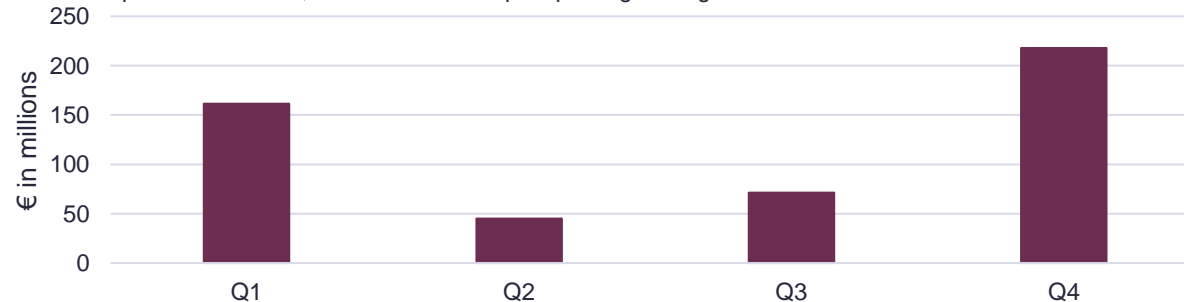
- The table above, exhibits the yield levels of the most important sub-markets of Athens for prime office space. We observed some transactions in 2019 that were finalised with even lower yields in both CBD and North sub-markets.

## Transaction Volume

The most important investors who showed increased activity were Real Estate Investment Companies (REIC) such as Prodea, Trastor (which showed great mobility last year), Orilina and some foreign private equity funds such as Brooklane Capital, Dromeus Capital Group. Hines continued its careful investment program in Greece.

The above mentioned REICs and Funds were involved in transactions exceeding €460 million in 2019.

- During Q1 we observed investment transactions reaching €150 million, with the most important ones being the acquisition of portfolio "ALTION" consisting of 5 prime office buildings in the CBD and the North sub-markets by Brook Lane Capital for a total ticket of €95.3 mln and the acquisition of 25 Ermou str in Nea Kifissia (North submarket) by Orilina Properties for €25.7 mln.
- In Q2 we observed the lowest number of transactions taking place with the total transaction volume being around €45 mln. The most important acquisitions were the 4 Gravias & Granikou str office building by Trastor for c.€12 mln in Athens North and the office building at 23 Vas Sofias Avenue in the CBD by Hines for c.€9 mln.
- During Q3 the number of transactions picked with a total value exceeding €70 mln and the most important acquisitions being the two office acquisitions at 6 Othonos str for €13.5 mln and 1 Sekeri str for €13.1 mln in the CBD by Dromeus Capital and Papageorgiou Foundation respectively, as well as the €10 mln acquisition of Prodea Investments for 24,000 sq.m space in the South sub-market which is expected to be redeveloped in due course.
- The last quarter (Q4) was the most intense period of the year with pivotal and important deals; thus increasing transaction volumes at c. €220 mln. Among the most notable deals were that of 80 Michalakopoulou str (CBD) for c.€25 mln by Trastor and the portfolio acquisition of 4 prime office buildings totaling c.37,000 sq.m that Prodea put in the market, with Dromeus Capital placing the highest bid for c.€93 mln.





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Disclaimer: This document has been prepared solely for information purposes with regard to the current state, trends and prospects of the Greek office property market. This report and research has been conducted prior COVID-19's pandemic outbreak in Europe. The present document does not constitute an investment recommendation or strategy proposal addressed to its recipients or to the public. The facts stated and estimates and opinions given have been obtained from or are based upon sources believed to be reliable. However, they have not been independently verified by Kentriki Property Valuers & Consultants, *Private Company* with distinctive title Savills Hellas, *Private Company*. As such, neither the Company nor any of its officers, employees or agents make any representation or warranty, express or implied, is made nor responsibility of any kind accepted either as to the truth, accuracy, completeness or correctness of the information stated herein, or that material facts have not been omitted. The Company, its directors, managing directors and employees, do not undertake, regardless from the circumstances, any liability for any investment strategy, transaction of investment pursued on the basis of the present document. Any opinion expressed in this document is a matter of judgement at the time of writing and is subject to change without notice. The present document does not create the obligation of the Company to constantly update, renew or adopt in any way the present document to new market conditions. The reproduction or communication in any way of the present document to third parties without the consent of the Company is prohibited. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of Kentriki Property Valuers & Consultants, *Private Company* with distinctive title Savills Hellas, *Private Company*.