

Property Market Annual Report 2016 Greece



Eurobank

Property Services

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Executive Summary

- Prices remain on their downward path in the fourth quarter of 2016. More specifically, the residential property price index covering Greece recorded a fall of 1.7%, in comparison to the respective quarter of the previous year. Additionally, the index which tracks the prices of residential properties in Athens exhibited lower prices by 3.5%.
- On an average annual basis, the price fall in Greece was 2.9% during 2016 in comparison to 6.9% in 2015, while prices in Athens diminished by 5.0% in 2016, in comparison to 5.8% in 2015. In Thessaloniki, the respective changes were -3.0% for 2016 and -7.9% for 2015.
- Regarding the evolution of prices since 2008, which includes the peak numbers recorded, the indices highlight the considerable negative changes which have occurred since then. The cumulative fall of residential property prices in Greece was 38.7%, from the average price levels of 2008 up to the fourth quarter of 2016. For Athens, the respective fall recorded was 42.7%, while for Thessaloniki, it was 41.0%.
- There appears to be a slowdown of the negative price changes in 2016. It is observed that small negative changes, on an average basis, might be hiding some price increases for properties having interesting geographic and qualitative characteristics. Still, as in the recent past, the news flow or more specifically the economic events can easily prove expectations wrong and affect prices negatively, once again.
- As expected, in areas where, until 2008, prices increased considerably in comparison to more established local residential markets, without improvements of the characteristics which affect the attractiveness of the wider area taking place in tandem, ended up being hurt more during the crisis. Consequently, they remain as those areas where we find greater variability of prices from quarter to quarter.
- It is worth mentioning that a positive swing in the property market shall be more attainable through dealing with its inherent problems i.e. bureaucracy, uncertainty regarding applicable building regulations, the lack of transparent and coherent master plans in terms of land uses, in addition to the completion of Hellenic Cadastral Information System.
- Upward trends were detected in tourism sector. Hotels, secondary homes, marinas and waterfront development, noticed high demand from local as well as global investors. Demand located in Athens center, in the southern suburbs, as well as the touristic hot spots (mainly islands).
- A serious "trend" of new REIT companies was detected - more applications were made in early 2016, mainly driven by the property tax relief measures in effect at that time. However, the new law that came into effect later in 2016 and raised the tax rates for REIT companies has limited this dynamic.
- New privatization projects (OLP, Elliniko) and other development projects in the area of culture and education (development of the Stavros Niarchos Foundation Cultural Center) are expected to bring positive results in the real estate sector.

OFFICE MARKET

DEMAND – SUPPLY

Large companies showed a tendency to negotiate the rents of their properties during 2016. Still, despite the initial demand for more sqm, most transactions were signed for surfaces of around 500-1,500sqm. No new office developments broke ground, since there was neither adequate demand nor the corresponding availability of bank financing, which has led investors to turn to secondary, higher risk alternatives.

Additionally, there has been a continuing increase in older office space supply, attributed to either the financial default of the companies who occupied them or to relocations in search of a combination of lower rent, better quality of construction and better location. In 2015, the pressure towards downward rent renegotiations continued in a lower rate, signing deals for higher quality office space, close to public transport and of high visibility. Through this unwelcome “tendering process”, sellers have become more willing to negotiate and the buy-side has a negotiation advantage.

There were areas where demand for office space has increased. Such office space could be found along Vassilissis Sofias Avenue, the area of Syntagma Square, large parts of main transport routes such as Kifissias Avenue, Messogeion Avenue, Vouliagmenis Avenue, the National Highway, as well as the areas around urban and suburban rail transport stations or new development projects (for example the development of Stavros Niarchos Foundation Cultural Center). Also, interest for office space has remained low, but there was nevertheless a tendency to move higher due to low property prices.

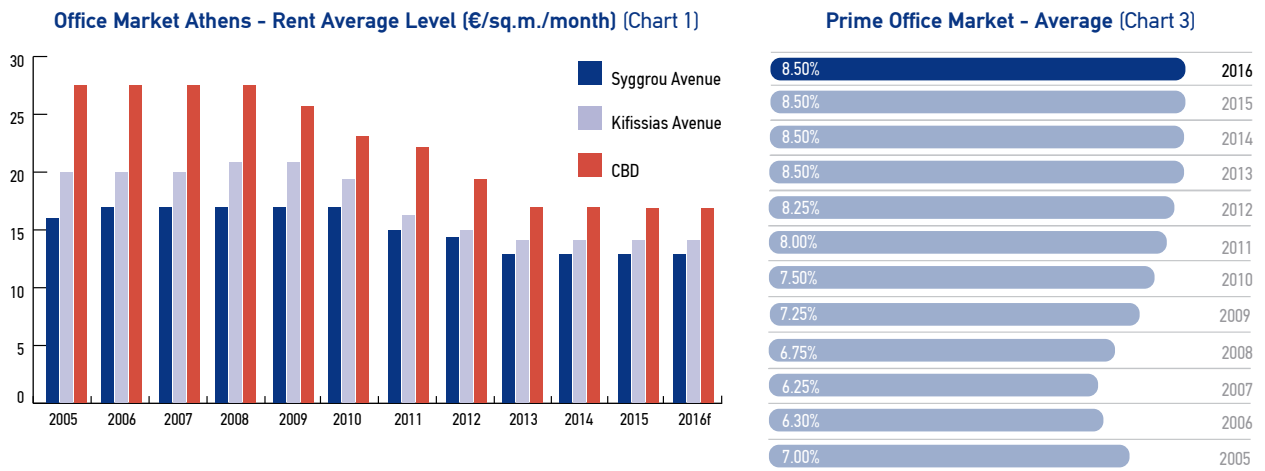
Only a few deals were completed in the office sector during 2016: Grivalia's acquired a Grade A office building on Vasilissis Sofia's Avenue, appr. 4.000sqm, Singular rented a B Grade office building appr. 8.000sqm on Kifissia Street in close proximity with National Road. In addition, Elpedison rented 1.600sqm on Kifissias Avenue, in Marousi, Trasys rented 1.300 sqm in the district of Chalandri and Servier rented 1.100sqm at Fragoklissias street in Marousi. Emirates rented an independent commercial building at the city centre at Athinas street.

PRICES – YIELDS

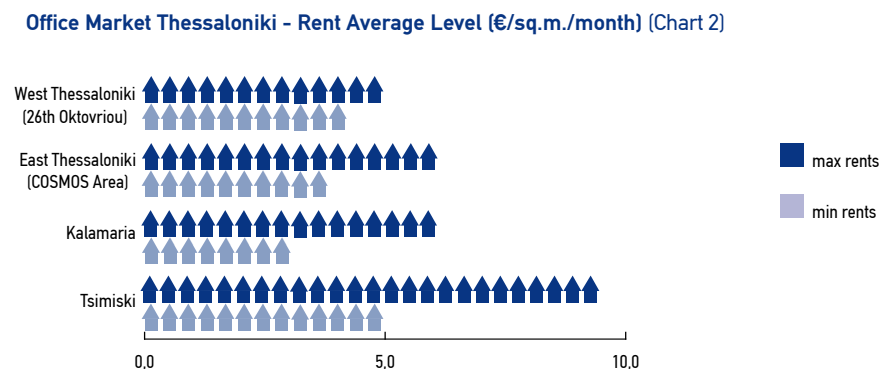
In cooperation with a large number of local brokers, EPS research results indicate that during 2016, office space rents in Athens CBD were in the range between €12 and €17/ sqm per month. More specifically, in close proximity to Syntagma square rents of €14-17/ sqm have been recorded. We had a closely similar picture around certain areas of interest on Vassilissis Sofias Avenue. On Kifissias Avenue monthly rents for prime properties ranged from €11/spm to €15/sqm while for older properties located in secondary locations, they have been between €7-9/sqm. In high interest areas of Syggrou Avenue, rents for new or recently refurbished offices have ranged from €10/sqm to €14/sqm, while a respective range for older properties was between €7 and €9/sqm.

Given the small number of completed transactions and the fact that currently buyers had a distinct advantage, it has been estimated that yields for prime locations in high interest markets hovered between 8.0-9.0%. It is worth mentioning that there has been a clear lack of investment-grade space in the market during the entire period covered by this report.

Office space owners did rent at market level rents but, in majority, were not willing to sell at lower prices when investor interest was expressed.



In Thessaloniki, rents for prime offices on Tsimiski Avenue as well as on Aristotelous Avenue have been between €5-8/sqm. In the greater area of Thessaloniki centre rents hovered between €3-5/sqm. In Kalamaria area office rents were in the range of €3-5/sqm, with the lower part of this range concerning building blocks in Agios Ioannis. In the area around Mediterranean Cosmos shopping centre at the east of the city, as well as in close proximity to the western entrance of the city, new office space has been developed. This includes Cosmos Office, Filippou Centre (east), Porto Centre, Limani Centre, Atrina (west), where rents have been between €4-5/sqm. In the west part of the city there was a large percentage of vacant office space. Finally, it is estimated that for prime offices in the main submarkets of Thessaloniki, yields ranged between 8.0% and 9.0%.



TRENDS

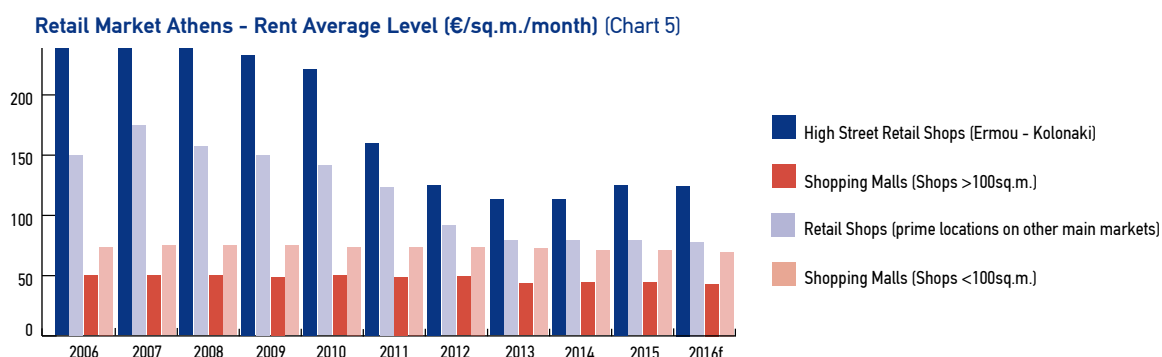
Taking into account the events which take place in Greece as well as internationally, it is expected that, at least in the short term, market players still kept their cards close to their chest, waiting for stabilization of the economic environment and of the tax rules. Prime office spaces have exhibited small increases in prices and rents due to their limited availability. When it comes to older office space, it should be noted that demand has remained considerably low with almost no transactions being completed. In general, prices were kept stable and approached the lower prices of the ranges described above.

RETAIL MARKET

DEMAND – SUPPLY

In 2016, high quality retail space of various sizes has been in the spotlight due to increased demand from clothing companies as well as food and beverage retail chains, such as bakeries. Shopping centres such as The Mall, Golden Hall, Mediterranean Cosmos and Athens Metro Mall have experienced significant demand and this adds pressure on main street locations. It should be noted that the largest retail companies were interested in the above listed shopping malls, resulting in extremely low vacancy rates. Still, prime locations such as Ermou Street in Athens CBD, Metaxa Street and Esperidon Square in Glyfada, Haimanta-Platonos-Papandreou Streets in Chalandri, Kasaveti-Levidou-Kolokotroni Streets in Kifissia, as well as Vassileos Georgiou Street in Piraeus, all exhibit increased demand which in turn pushed prices higher. In specific cases, we can detect rent increases, such as the touristic part of Ermou Street near Syntagma square.

In the centre of Athens, Kolonaki area exhibited signs of recovery, after a considerable period of negative growth in prices; on Voukourestiou Street there was strong demand without corresponding supply being available. Secondary retail markets on the other hand were still experiencing strong negative pressure, with demand coming only from small local players looking for lower rents at better locations. One needs to mention that demand from retailers was reoriented towards small to medium spaces, in an effort to better deal with operating expenses as well as property taxes. In 2016, regardless of the institutional investors, there was high demand for high-street small retail units (up to 50 m²) in local markets such as Glyfada from local individuals who seek for a long-term stable return investment.

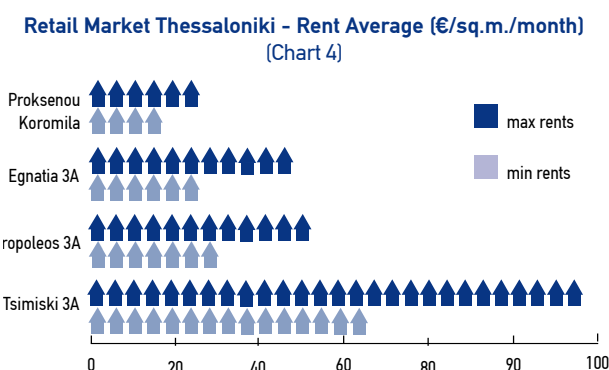


Some of the major deals that took place in Ermou were the following: Forever 21 rented 3.000sqm at Evagelistrias street, Tsakiris Mallas rented a new store of 400sqm and Therissos development rented a commercial building (Ermou 15) owned by Navy's property Fund. Gap has also relocated one of its stores at a 500sqm new store on Kifisissia Street, which was previously used as a local store of Alpha Bank. Media Markt has launched its new 1.500sqm store on Mesogeion Avenue at the district of Agia Paraskevi, with innovated services. AB supermarket also opened its new store on the same axis. Continuing its rapid growth, the Greek cosmetic chain DUST + CREAM created five new stores in crucial locations in the region of Attica (2 stores), Thessaloniki, Chania and the town of Kavala. Last but not least, the Danish JYSK opened its fifth store at the district of Acharnes.

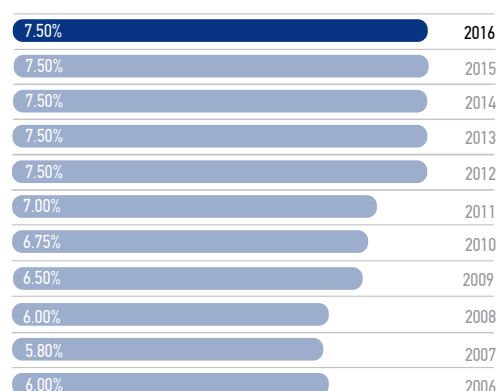
PRICES – YIELDS

In cooperation with a large number of local brokers, EPS research results indicate that, during 2016, prime retail locations in Athens CBD (mainly Ermou Street and Kolonaki) achieved rents of €100-140/sqm per month, while rents in the hot spots of other local markets moved around €90/sqm. Average rents in shopping centres for shops having a surface greater than 100sqm were in the range between €35 and €65/sqm, while for smaller shops, rents were in the range of €60-100/sqm. The areas where retail rents exhibited a better picture than the recent past still are Ermou Street, Chalandri, Kifissia and Glyfada. In these markets it is now relatively difficult to find noteworthy available space, especially when it comes to surfaces of 80-150sqm. It is estimated that in close proximity to retail hot spots, yields were between 7.25% and 8.00%, while in lower interest areas they were over 8.5%. Yields could be 7.00% to 7.50% for the prime real estate retail properties.

In the market for retail space of Thessaloniki, rents for main CBD areas were as follows: In the segment of Tsimiski Avenue between P.P. Germanou and Aristotelous Avenue rents hovered between €65 and 95/sqm, while in 2A, 1st and 3rd segments representing the remaining length of Tsimiski Avenue, rents were between €28 and €65/sqm; in its fringes, rents were between €15 and €25/sqm. In 3A segment of Mitropoleos Avenue (between Agias Sofias and Mitropolitou Iosif Streets) rents were in the range €25-47/sqm, while in 2A segment (remaining length of Mitropoleos Avenue) rents were in the range of €10-28/sqm. In 3A segment of Egnatia Street (Kamara area) rents were in the range between €22 and €45/sqm, while in 2A segment (remaining length of Egnatia Street) rents were between €12 and €22/sqm. Finally, rents on Proksenou Koromila Street hovered inside the range of €15-25/sqm. The average rent for shopping centres remained in the range of €14-55/sqm, depending on the position and the special characteristics of each retail space.



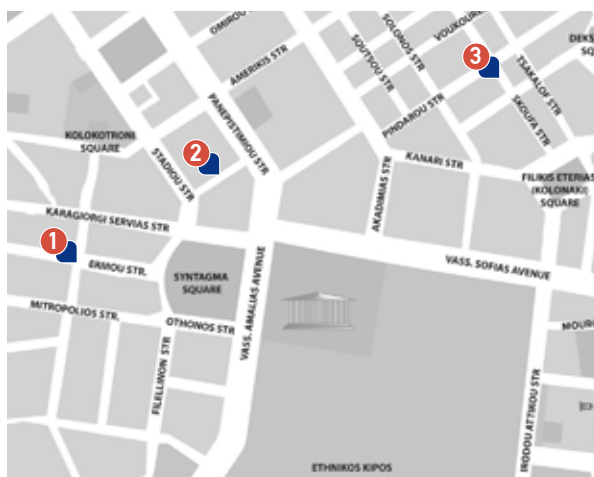
Prime Retail Market - Average (Chart 6)



TRENDS

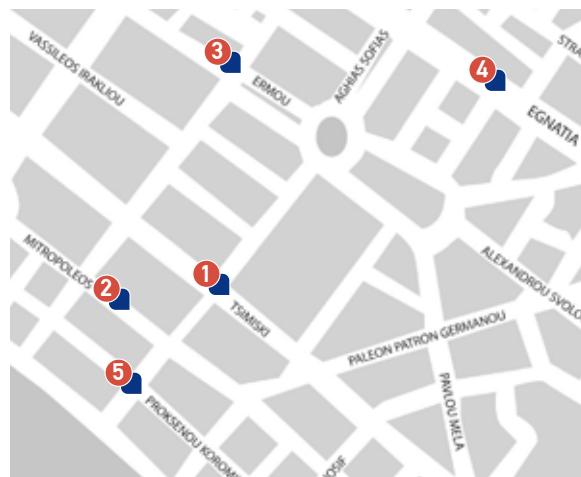
The stabilization of retail property prices recorded in 2015 continued during 2016. Supply was limited in the major markets during 2016, with prices remaining at almost the same levels. Moving forward, in 2017 it is expected that downward renegotiations of rents shall continue taking place in secondary locations, mainly due to increased levels of retail space supply, in combination with the persistently limited demand in these markets. Similar dynamics were recorded in the retail market the previous years. New investment activity in the retail market is considered probable, as also indicated by the planning of specific retail space developments in addition to those of multinational retail chains who have already completed transactions and continue their expansion in high end retail locations.

ATHENS (MAP 3)



- | | |
|-------------------------|--------------------|
| 1. Ermou Market | 3. Kolonaki Market |
| 2. Voukourestiou Market | (Skoufa) |

THESSALONIKI (MAP 4)



- | | |
|-----------------------|------------------------------|
| 1. Tsimiski Market | 4. Egnatia Market |
| 2. Mitropoleos Market | 5. Proksenou Koromila Market |
| 3. Ermou Market | |



LOGISTICS MARKET

DEMAND – SUPPLY

In the logistics property submarket, there has been limited investment activity in 2016. Supply for new logistics space has remained limited, primarily due to the unwillingness of developers to break ground without concrete prospects of signing with buyers or tenants, while at the same time limited big deals concerning such properties have been consummated.

During 2016 there has been an increasing trend in demand with prices and yields remaining in the same range as in the previous period for both industrial properties and warehouses. Modern warehouse space (large internal height, high standards of construction, support function offices, ramps etc) is increasingly sought after. Small to medium size warehouses (1,000-2,500sqm) are considered more attractive, thereby achieving rents of €1-2.5/sqm. €2.5-3.0/sqm (considering prime logistics spaces) and secondary 2.0-1.5 (considering secondary logistic spaces). Logistics properties of older construction and lower quality remain vacant. For these properties, despite the collapse of rents, which often reach levels close to €1/sqm, demand remains quite low. It is worth mentioning that the demand increased for logistic spaces along the National Highway (from Metamorfoosi to Krioneri) and decreased close to Attiki Odos and to Aspropirgos. Moreover, demand, regarding the logistics sector increased in Thessaloniki.

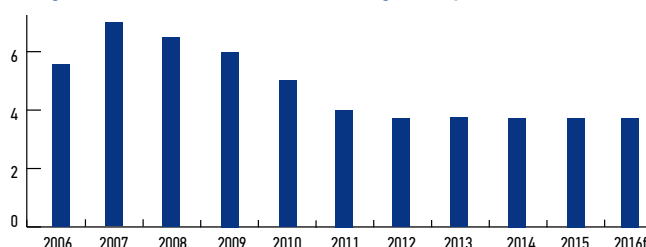
Demand was higher regarding well situated, high quality logistics spaces (Grade A) with specific characteristics (sufficient height, high-quality construction, available office spaces, ramps etc) that range between 500-2.000sqm or over 10.000sqm.

Major transactions included the acquisition of Lidl's logistics space in Gefyra (26.000sqm in a plot of 86.000sqm) by Panteliades Bros and the acquisition of Sidma SA in Sindos (plot of 36.000sqm) by EREN GROUP.

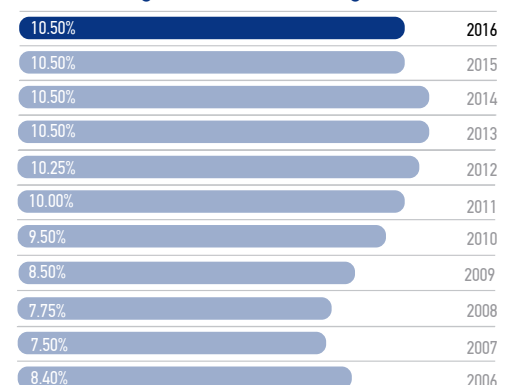
PRICES – YIELDS

Average rents in the primary areas of Attica remain stable in comparison with last year and remaining between €2.5 and €3.5/sqm per month. In standalone cases of modern properties, slightly higher prices are achievable depending on their location and specific characteristics. Considering yields, prime logistics spaces stood at 10.50% to 11.00% and secondary at 11.50% to 12.50%.

Logistics Market Athens - Rent Average (€/sq.m./month) (Chart 7)

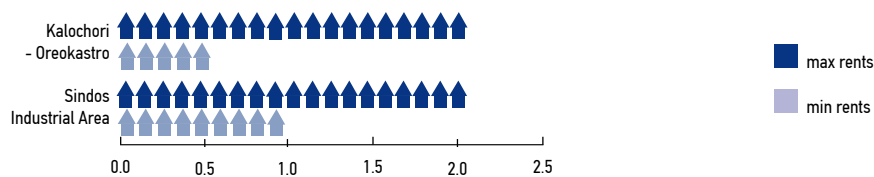


Prime Logistics Market - Average (Chart 9)



In the submarkets of Thessaloniki which usually draw the main interest, such as in Sindos industrial zone, average rents were between €1.0-2.0/sqm, while in Kalochoi and Oreokastro rents were between €0.5-2.0/sqm per month, with the high end of this range concerning higher quality properties. Yields for prime properties in the major logistics areas of Thessaloniki are at least as high as 10%, while for properties in secondary markets, yields are usually at least 11%. Major transactions include the acquisition of Lidl's logistics space in Gefyra (26.000sqm in a plot of 86.000sqm) by Panteliades Bros and the acquisition of Sidma SA in Sindos (plot of 36.000sqm) by EREN GROUP.

Logistics Market Thessaloniki - Rent Average (€/sq.m./month) (Chart 8)



TRENDS

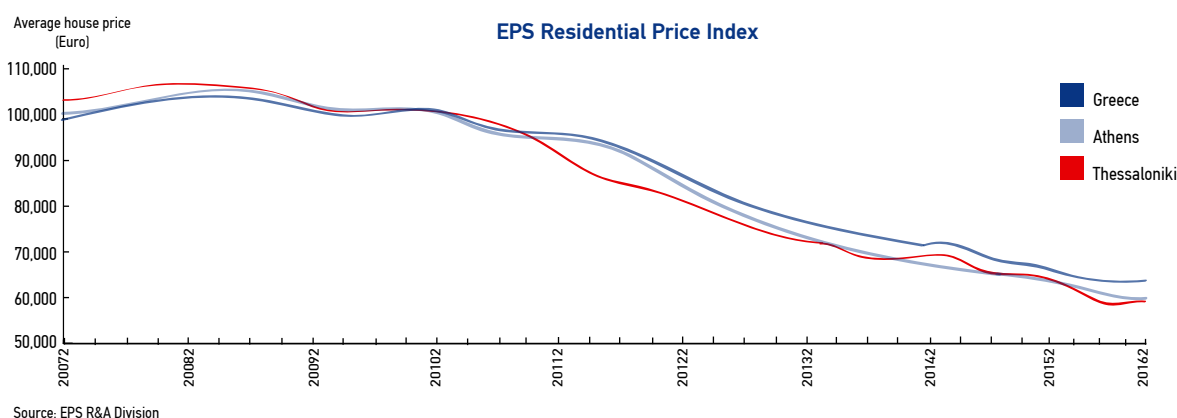
In the long term, it is expected that the realization of a series of infrastructure projects (completion of international auto routes connecting Greece with neighboring countries, improvement of rail network and upgrade of port infrastructure) will make national and international trade easier. Eventually it is expected that this will affect the logistics market in a positive way. This market is also expected to reap benefits from the creation of modern logistics clusters/hubs, a step which requires a clear designation of areas and land uses.



RESIDENTIAL MARKET

DEMAND – SUPPLY

Taking into account analysis of data collected in cooperation with a series of real estate brokers, areas where greater and more stable demand has been present kept being the prime area of the center of Athens (Kolonaki, Anaktora), southern suburbs (Glyfada, Voula, Vouliagmeni), as well as traditionally expensive areas such as Palaio Psychiko, Filothei, Kefalari, Kifisia and Politia. A similar landscape has been shaped in the secondary home market with higher demand being prevalent in tourist destinations such as Mykonos and Santorini. In Attica, the areas extending from Varkiza to Sounio experienced considerable buyer interest.



PRICES – YIELDS

According to the residential real estate market indices figures published by Eurobank Property Services, in 2016Q4 the residential property price index covering Greece recorded a fall of 1.7%, in comparison to the respective quarter of the previous year. Additionally, the index which tracks the prices of residential properties in Athens exhibited lower prices by 3.5%.

On an average annual basis, the price fall in Greece was 2.9% during 2016 in comparison to 6.9% in 2015, while prices in Athens diminished by 5.0% in 2016, in comparison to 5.8% in 2015. In Thessaloniki, the respective changes were -3.0% for 2016 and -7.9% for 2015.

Regarding the evolution of prices since 2008, which includes their peak numbers, the indices highlight the considerable negative changes which have occurred since then. The cumulative fall of prices in Greece 38.7%, from the average price levels of 2008 up to the fourth quarter of 2016. For Athens, the respective fall recorded was 42.7%, while for Thessaloniki, it was 41.0%.

In cooperation with a large number of local brokers, EPS research results indicate that during 2016 the following price ranges have been recorded for high demand areas of Athens.

In Thessaloniki, apartment prices remained stable in 2016, a change present in both old (over 30 years of age) and new apartments. Reaching to fully reliable conclusions in relation to where the market is moving can be difficult due to the extremely small number of transactions completed. In the following table, the majority of apartments is represented, i.e. old apartments of at least 30 years of age, of average construction quality and without considerably value enhancing views.

Price Sale Levels (€/t.μ.) - Prime locations		
Area	min	max
Kolonaki - Anaktora	1.900	7.500
P. Phychiko - Filothei	1.750	5.000
North Subs	1.500	4.000
South Subs	1.300	4.000
Country House / Secondary Residential	1.800	5.000

Area	Rent Prices (€/sq.m.) - Prime locations		Rent Prices (€/sq.m.) - Prime locations	
	min	max	min	max
Center (Touba, 40 Ekklesies)	3,0	7,0	900,0	1.500,0
Kalamaria	3,0	6,0	800,0	1.400,0
West Subs	2,0	5,0	500,0	900,0

The areas which experienced the greater demand are located in the center of Thessaloniki as well as the adjacent to the center. A significant number of owners seek to sell their properties because of high tax burden. This has led to an increase of supply in the center of Thessaloniki, which did not exist during the previous years. In other districts of Thessaloniki the number of transactions was limited and a great percentage of them were distressed. It is worth noting that certain submarkets are characterized by a significant downturn, such as the west part of the city.



Buyers concentrated their interest on smaller and older properties located in low to medium price areas near the city center. In areas that mainly consist of buildings constructed in the 1960s and 70s, apartment prices are taking a hit due to their age of construction.

In areas that mainly consist of buildings constructed in the 1960s and 70s, apartment prices are taking a hit due to their age of construction. In the center of Thessaloniki on the other hand, there is a consistently high percentage of homes being rented out to occupiers without an ownership interest in those assets. Such homes are also concentrated in residential developments completed after the year 2000, which are composed of new homes which the market has not absorbed yet.

TRENDS - FORECAST

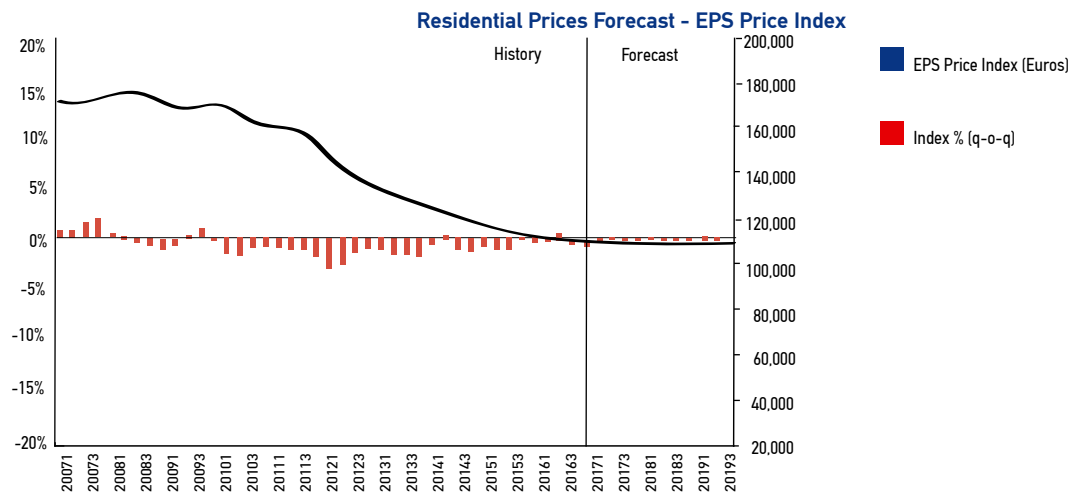
The reinstatement of “healthy” conditions in the residential market are in direct interplay with events taking place in the political landscape, the level of disposable income, employment as well as credit availability from banks. The rate of price decreases is expected to dissipate gradually in the coming years.

Looking forward, a gradual transition to a consistent positive growth is expected. 2019 is the year of interest, with an expected year-on-year growth rate of 0.02% in residential property prices. Still, actual events can affect prices considerably, both positively and negatively.

	Residential Property Prices growth (YoY)			
	2016a	2017f*	2018f*	2019f*
Residential Property Prices growth yoy	-2.92%	-1.36%	-0.18%	-0.02%

Source: EPS Research & Analytics Division
 *Provisional Data

After a long period on a downward path, residential prices seem to have reached a point where a turnaround seems feasible.



Source: EPS R&A Division




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