



Arbitrage
Real Estate Advisors

ATHENS
**OFFICE MARKET
OVERVIEW**
2016



MARKET OUTLOOK 2017

Eurozone membership uncertainty, political risk and migration crisis seem to have been the main barriers hindering international investors from looking at allocating capital in local real estate market. On the other hand, local experts are advocating that the market is now merely standing at its lowest point, almost 50% of where it was almost a decade ago. And if combined with the latest agreed reform agenda, part of the latest bailout agreement and the increasing investors' appetite in acquiring non-performing real estate loans of major Greek banks, one can only look at the near future in a more optimistic way.

Key market determinants for the year ahead

A successful second bailout assessment review in the beginning of Q2 2017 would improve economic stability and could lead to a further stabilization of the domestic banking system and thus increase commercial and investment activity.

The active management of non-performing loans (NPLs) of the 4 systemic banks could lead to successful disposal of big real estate asset backed corporate loan portfolios to experienced investors that follow a more hands-on approach.

Completions of strategic asset privatizations including DESFA (gas distribution), TRAINOSE (railways), OLTH (Thessaloniki Port) and AIA (Athens airport) would increase commercial and investment activity.

Kick-off of the development of the former Hellinikon airport to turn the area into a world class metropolitan park with mixed use facilities, covering 2 million m² in total. An investment budget of more than € 4,5 billion is expected for the next 10 years.

Planned public and private investment co-funded by EU funds and major international development banks (EIB, EBRD) in large scale urban regeneration programs could reshape derelict areas, develop new city hubs and result in capital appreciation in neighbouring building stock.

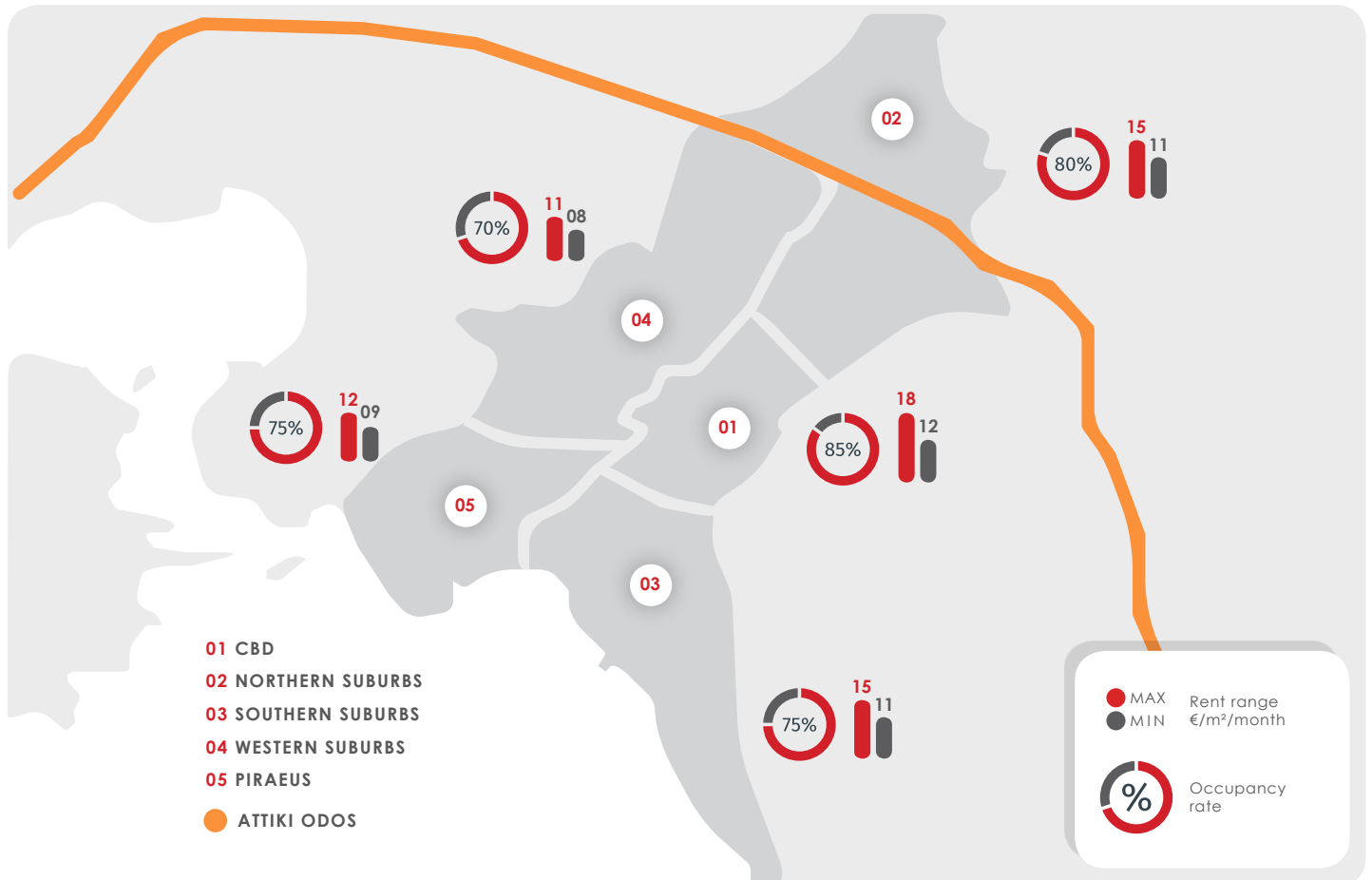
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MARKET SNAPSHOT

Activity in the market mainly focused on lease renegotiations, occupied space consolidation and relocation to office spaces near metro stations, urban rail transit or major roads.

ATHENS



Following the first half of 2016, investor's interest continued its downward trend during H2 2016 as a consequence of the prolonged economic uncertainty. Activity in the market mainly focused on lease renegotiations, occupied space consolidation and relocation to office spaces near metro stations, urban rail transit or major roads. In relative small part of the market, there was an upward trend in demand due

to targeted requests and limited supply. In general, average quality and specifications (i.e. Grade B and C) offices in secondary locations experienced additional rent reductions as a result of tenant pressures during lease renegotiation. On the other hand, rents of good quality and high specifications (i.e. Grade A) prime offices remained unchanged.

OFFICE MARKET TRENDS

According to Arbitrage RE analysts, the demand for office space in 2016 focused mainly on newly constructed buildings of high specification standards, with a total area of up to 3,000 m² and an average area per floor ranging from 300 m² to 500 m². The Central Business District (CBD) and Northern Suburbs were Athens's areas that attracted the most interest from tenants that were seeking for prime office space.

During the second half of 2016, rents in Grade A offices ranged between € 12 to € 17/m²/month, whereas for Grade B and C offices rental prices were significantly lower between €5 to €9 /m²/month. In retrospect, office rents have declined almost 50% since the pre-economic crisis period (prior 2009).

Gross initial yields for offices in prime locations ranged between 7.5% and 8.5%. Corresponding yields 8 years ago ranged between 6.5% and 7.0%, with a record low between 5.5% and 6.0% during 2006-2007.

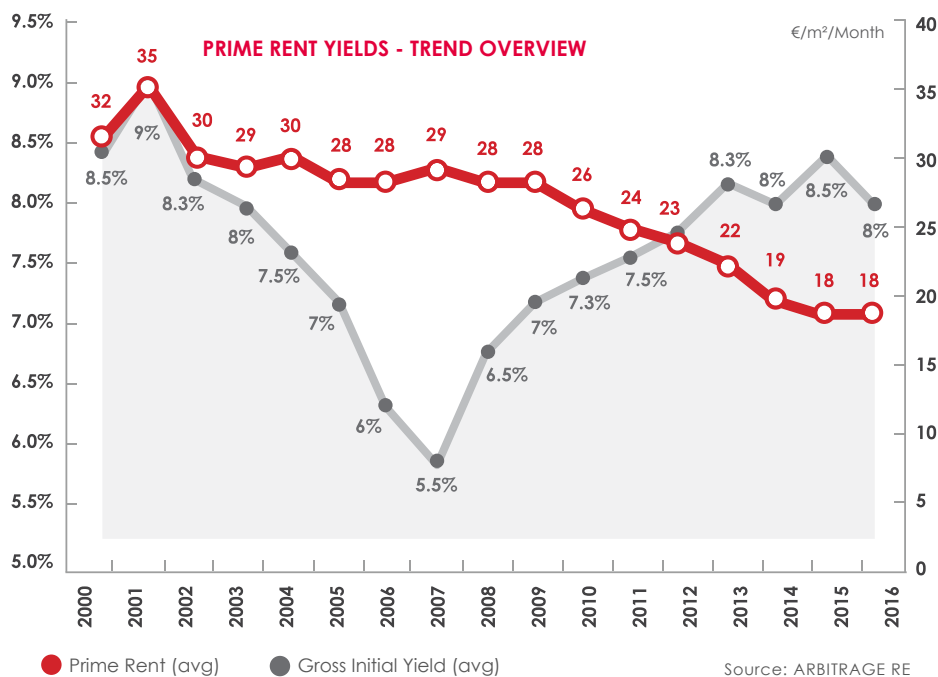
The office market in general is witnessing a considerable lack of high specifications modern buildings with contemporary reception areas, energy efficient and bioclimatic design and flexible open plan working spaces. It is also characterised by high vacancy rates ranging from 20% to 40% depending on the building characteristics and its vicinity to central business districts. The highest vacancy rates are found in offices located in mixed use and aged buildings located in secondary locations.

The most recent Grade A office developments and building upgrades projects are presented below:

OFFICE MARKET TRENDS IN ATHENS

Grade	Rent	Yield	Demand	Supply
A'	↗	→	↗	↘
B'	↘	↗	↘	→
C'	↘	↗	↘	↗

Source: ARBITRAGE RE



CURRENT DEVELOPMENT PROJECTS

PROJECT	LOCATION	TOTAL AREA (m ²)	OCCUPIER	ESTIMATED COST (€)
OTE STATE KERAMEIKOS	Meg. Vasileiou St., Kerameikos	10,855 m ²	O.T.E SA	4,700.000
Neratziotissa Office Complex	Marousi, Attica	4,400 m ²	Lease Plan	13,500.000
"PAPASTRATOS" Building Reconstruction	Piraeus, Attica	43,100 m ²	-	14,000.000
Green Plaza	280 Kifisias Avenue, Marousi	18,029 m ²	-	8,000.000
Office Complex	Kallithea, Attica	29,350 m ²	Anangel Maritime	46,850.000

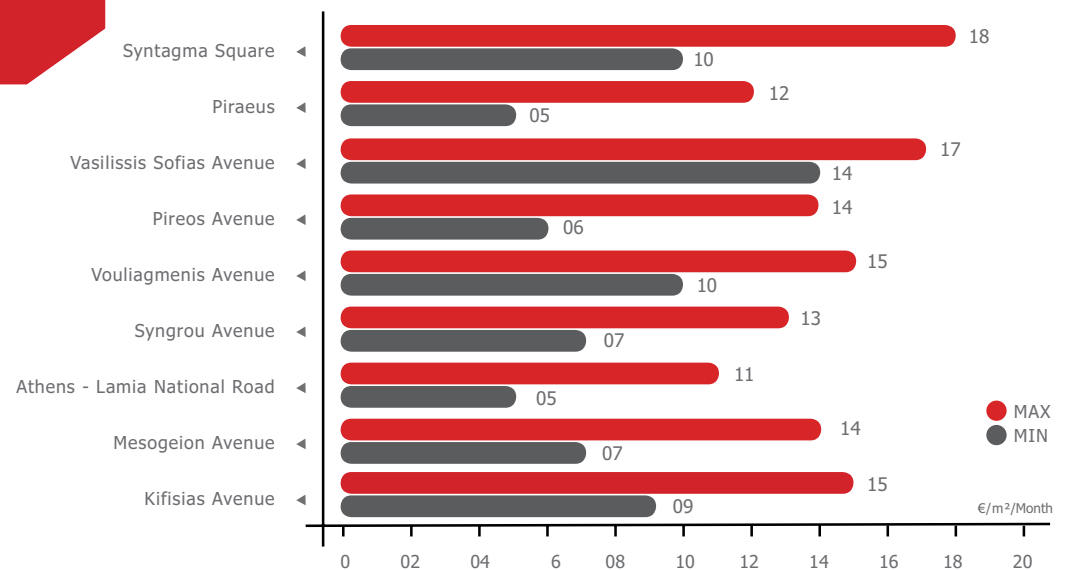
Source: ARBITRAGE RE



MAIN ATHENS OFFICE MARKET AREAS

A summary of rent variations by area is presented below.

Prime Rent Market View H2 2016



Source: ARBITRAGE RE

CENTRAL BUSINESS DISTRICT (CBD)

The office market in Athens's Central Business District (CBD) varies greatly compared to the rest of Athens, as demand is impacted by the quality of available building stock and its maintenance status, location, age, ease of access and proximity to public transportation.

There has been greater demand for office space on major road axes (e.g. Vasilissis Sofias Ave., Vasileos Konstantinou Ave., etc.) and within the commercial district formed by Omonia, Syntagma and Monastiraki squares. Higher rents are asked in the areas of Kolonaki, Syntagma and Vasilissis Sofias Avenue. Rents in Grade A offices range from €12 to €18/m²/month,

while vacancy rates range from 10% to 15%. Potential tenants for office spaces in CBD come mainly from law, insurance and consulting firms, as well as from financial services looking for prime locations.

Demand for office spaces in secondary locations within CBD has stabilized. More specifically, rents for offices in Ambelokipi, Ilisia and Pangrati range from €6 to €10/m²/month, whilst vacancy rates remain relatively high, averaging close to 25%. The demand is weaker along the road axes leading to Piraeus and the National Road, such as Pireos Avenue and Iera Odos. Asking office rents in the range from €5 to €8/m²/month.



MAROUSI OFFICE BUILDING

NORTHERN SUBURBS

In the northern suburbs of Athens, there was an increased demand for Grade A office space, mainly for self-contained prime office buildings on major road axes in Kifisias Avenue, Mesogeion Avenue and Attiki Odos. Specifically, in the areas of Psychiko, Chalandri and Marousi, rental values range from €11 to €15/m²/month for prime offices, with areas between 500 and 1,000 m².

An upward trend in demand has been recently recorded for office spaces at the interchanges of Athens-Lamia National Road, due to their ease of access with rents ranging between €7 and €11/m²/month. More precisely, in the areas of Nea Kifisia and Kalitaki, there has been an increased demand for office spaces between 1,000m² and 4,000m². Businesses located in the aforementioned areas specialise mainly in sectors such as Supply Chain Management and Product Distribution, Communication and Multimedia, Information Technology, Computer Science and Construction.

Demand for Grade B office space has decreased, especially in secondary locations, where asking rents range from €5 to € 10/m²/month. Due to the limited supply of newly built and good quality office spaces, lower rental values are seen in offices located in the areas of Iraklio, Nea Erythraia and Agia Paraskevi .

In regards to occupancy rates, vacant spaces in Grade A offices are between 10% and 15%, while the relative rate in Grade B offices is higher, between 20% and 25%.

SOUTHERN SUBURBS

The office market in the southern section shows a different profile compared to the rest of municipal Athens due to the specific characteristics of these suburbs. Proximity to the seafront and the shopping centre of Glyfada play an important role. Office spaces located on the coastal Poseidonos and Vouliagmenis Avenues, in central Glyfada or near Elliniko and Argyroypolis metro stations, are considered to be in prime locations and offices are usually of good quality and self-contained. Asking rents for offices in the abovementioned locations range from € 11 to € 15/m²/month.

Demand for Grade A offices spaces in the southern suburbs comes mainly from corporates seeking for high visibility and ease of access. Demands comes also from a certain category of corporate owner occupiers who choose to locate and invest in the area based on special criteria like shipping companies that locate their headquarters in areas close to their main shareholders' residence (e.g. Voula, Vouliagmeni and Glyfada).

Asking rents for Grade B office spaces range between €6 and €10/ m²/month. Demand relates to spaces found mainly in mixed-use buildings. These offices are found in the areas of Alimos and Elliniko in secondary locations, such as Iasonidou, Kiprou and Argyroupoleos Avenues. Finally, it is worth noting that the vacancy rates in the Southern suburbs continue to be above 25%.

During the second half of 2016, investor interest for office spaces in Syngrou and Poseidonos Avenues, close to the areas of Nea Smirni and Kallithea, was revived. The recorded dynamic could be largely attributed to the new developments that are coming into the market, such as the Stavros Niarchos Foundation Cultural Centre (SNFCC), the upgrade of certain Athens's landmark buildings, like the conversion of the former "FIX" factory into the National Museum of Contemporary Art (NMCA) as well as the plans of the Prefecture of Attica (where Athens belongs) for the development of the coastal front. This dynamic is also due to the increase in business and investment activity in the hotel sector .

Finally, the recent sale of Astir Palace Vouliagmeni FDI to the Jermyn Street group and the redevelopment of Astir Palace Marina, are also positively influencing the commercial real estate market within the coastal line. These developments are expected to further improve the conditions in the real estate market and provide opportunities for new high specifications office developments in prime locations.



STAVROS NIARCHOS
FOUNDATION CULTURAL CENTRE

WESTERN SUBURBS

The office market in Athens's western suburbs shows a strong variance in terms of rental values, vacancy rates and available building stock. Location matters, better performing assets are those closer to Kifissos, Athinon Avenues and Attica Road. Asking office space rents in buildings located on these main road axes range from € 5 to € 11/m²/month. Occupier demand comes predominantly from industrial and logistic firms seeking for ease of access and proximity to warehouses and industrial buildings. Grade B offices are primarily in secondary central roads, such as Thivon, Eth. Makariou and Dekelias. Asking rents for Grade B office spaces range from €4 and € 8/m²/month. Generally, vacancy rate are above 30%.

PIRAEUS

The Piraeus office market is concentrated close to the port, within the main business district and along the main coastal roads of Akti Miaouli and Akti Kondili. Asking rents range from € 5 and € 12/m²/month, according to property specifications, location and maintenance status. Lower rates are asked for office spaces in secondary locations over 30 years old of average specifications. Higher rents are requested for office spaces of good construction quality and maintenance status, which are located in close distance from Piraeus Port Authority (PPPA) and have a frontage to the main port.

In the past, Piraeus office stock was used as the head office of a series of international shipping companies, whose presence had a sharp decline from 2010 due also to the economic crisis. As mentioned recently by the Hellenic Federation of Enterprises (SEV), UK's forthcoming exit negotiations with the European Union could become to some extent an opportunity for Piraeus to attract additional legal, insurance and financial service firms in the shipping industry as an alternative to the City of London. Piraeus is currently home to a considerable amount of small and medium sized shipping management companies and to a significant number of regional international corporate offices involved in the industry. Together with the emergence of Piraeus as an important regional transit centre, this may act as a good starting basis for attracting additional corporate activity, which could lead to an increased demand for office space .

AKTI MIAOULI PIRAEUS PORT



INVESTMENT ACTIVITY

In the tables below we present investment activity related to lease and sale transactions of office spaces in Athens, as sourced from Arbitrage RE database.

LEASE TRANSACTIONS IN ATHENS

ADDRESS-REGION	PROPERTY TYPE	TOTAL AREA(m ²)	CONSTRUCTION YEAR	RENT (€/m ² /month)	LESSEE	TRANSACTION PERIOD
196 Kifisias Avenue, Chalandri	Office Spaces 4th - 5th Floors	500	1995	10,00	Medical Company	Q1 2016
270 Kifisias Avenue, Chalandri	Office Space on 1st Floor	330	1980s	9,00	PWC	Q2 2016
280 Kifisias Avenue, Chalandri	Office Space on 2nd Floor	500	2002	11,00	Marketing Company	Q1 2016
56 Kifisias Avenue, Marousi	Office Space on 1st Floor	970	1990s	10,00	Selonda S.A.	Q2 2016
3 Achaia Street, Nea Kifissia	Office Building	12,210	2007	6,00	Singular Logic (MIG GROUP)	Q1 2016
Lysikratous Street & Evripidou, Kalithea	Office Building	10,310	-	8,70	Attica Group	Q2 2016
58 Ag. Konstantinou St. & Kifisias Avenue, Marousi	Office Space on 1st Floor	880	2008	10,80	Christian Dior	Q4 2016
Lampsakou St., Athens	Office Building	1,490	2000	13,00	BNP Securities Services	Q4 2016
3 Gravias St. Marousi	Office Building	880	1980s	8,70	PQH	Q4 2016
24B' Kifisias Avenue Marousi	Office Spaces 1st - 2nd Floors	1,490	2001	15,00	Medical Company	Q4 2016

SALES TRANSACTIONS IN ATHENS

ADDRESS-REGION	PROPERTY TYPE	TOTAL AREA (m ²)	CONSTRUCTION YEAR	SALE PRICE (€)	BUYER	TRANSACTION PERIOD
68 Vasilissis Sofias Avenue, Athens	Ground Floor Office Space	3,990	2007	11,250.000	Grivalia REIC	Q1 2016
24B Kifisias Avenue, Marousi	Office Building	6,525	2001	8,250.000	BB Energy	Q1 2016
340 Kifisias Avenue, Chalandri	Office Space	1,090	1990s	1,870.000	Private Individual	Q1 2016
18-20 Amarousiou – Chalandriou St., Marousi	Office Building	19,700	2007	14,300.000	Grivalia REIC	Q4 2016

Source: ARBITRAGE RE



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