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Real Estate Advisors

# ATHENS **OFFICE MARKET REPORT** NOVEMBER 2018



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## MARKET OUTLOOK

The local commercial real estate market showed solid signs of recovery during 2017 and until Q3 2018, mainly driven by renewed lease activity and investment in prime assets of higher specifications. We expect the office real estate market recovery to continue and start including certain secondary assets.

### Key market determinants for the year ahead

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 vacancies in prime offices. This is expected to lead to new developments in prime commercial real estate and more retrofit upgrades in the existing office building stock.

The attractive cap rates compared to other European markets, coupled with the possible strengthening of corporate tenants interest for expansion or transfer to new more modern office space, could offer incentives to attract investment capital for upgrading existing or development of new modern office buildings.

The exit from the economic adjustment program, which took place in August, is expected to improve the macro economic outlook and strengthen the country's growth potential. This might lead to further investment in the domestic market, sustained demand for new

corporate lettings in better office space and thus attract additional development capital in the local commercial real estate market.

The active management of the major local banks' NPLs and REO portfolios is expected to yield opportunities for further investment in the sector, predominantly through the sale of commercial real estate to private investors, willing to follow a more hands-on approach with targeted investments in upgrade capex.

The rise of shared economy is changing local office space requirements. This is also driven by the presence of many small enterprises (SMEs) in the service sector and the arrival of new promising Greek startups in the broader ICT sector. We, therefore, expect the demand for co-working spaces with personalized services and flexible lease arrangements to increase and their space take up to spread notably.

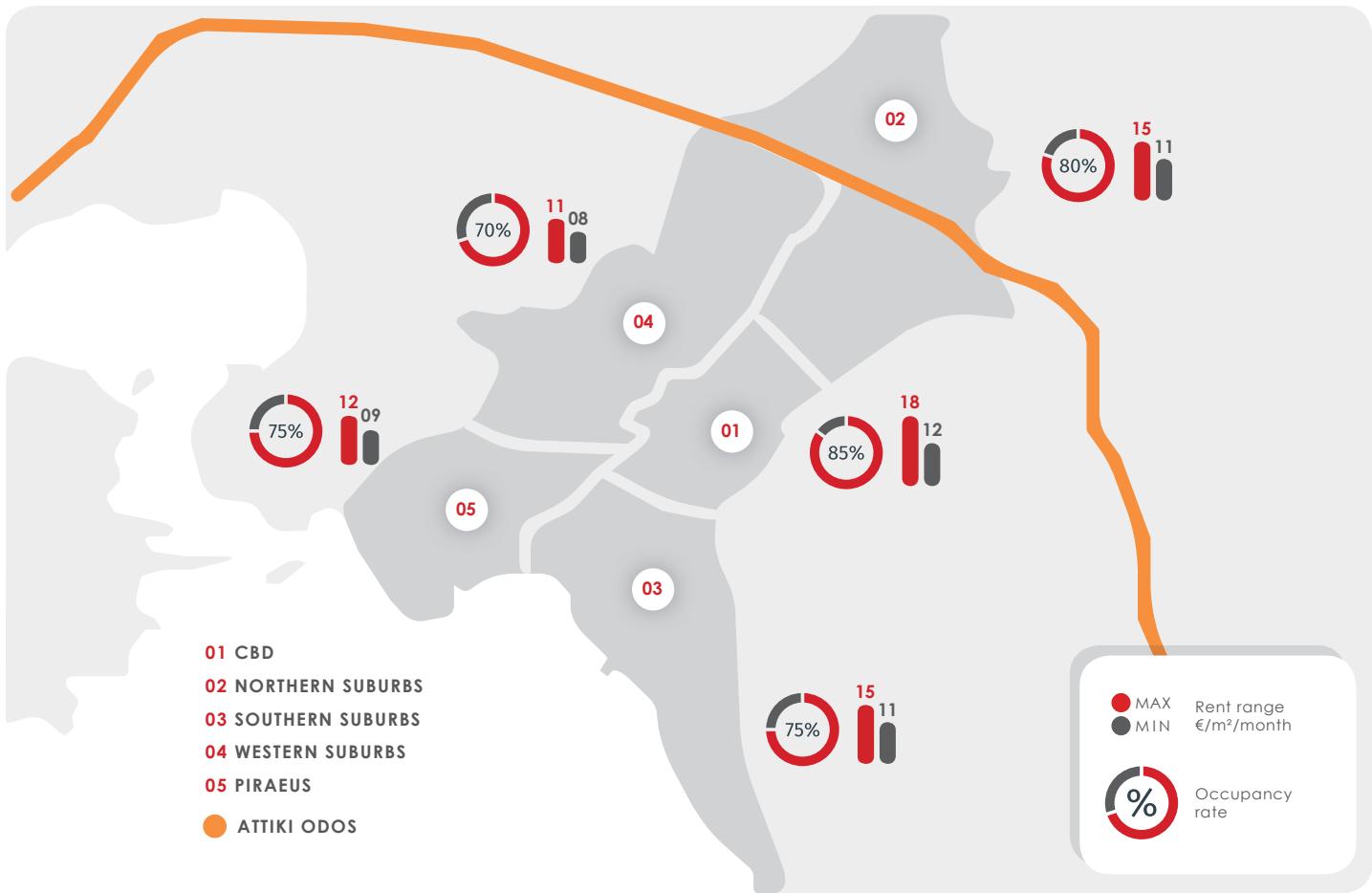
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# MARKET SNAPSHOT

Activity in the office market was dominated by corporate lettings driven by relocations or expansions in better and more central buildings, renovations of existing occupied and semi vacant office spaces, acquisition of prime office space, as well as on selected new office developments as a result of the limited availability of quality office building stock on the main business district locations.

## ATHENS



Commercial interest in the office market had experienced some very steep decline since 2008 and until 2016, during the recession years. This was reverted during 2017 and showed further upward signs in the first quarters of 2018.

During 2017 and in 2018, renewed interest and activity were recorded for office spaces in Syngrou and Poseidonos Avenues (in the section close to Syngrou), mainly due to new urban project developments, such as the Stavros Niarchos Foundation Cultural Center (SNFCC), the Faliro coastal front regeneration, retrofit investments in existing large 5\* hotel assets and the operation of the National Museum of Contemporary Art (EMST) in the old Fix building.

The corporate letting interest mainly came from new financial services and consultancy firms, promising technology start-ups and shipping companies. Rents for high standards office spaces in advantageous locations (A grade) experienced an upward trend due to the lack of available stock and new supply. This led landlords of well-located properties to start investing in the renovation of existing spaces, incorporating new technologies and adopting better efficiency standards.

In Athens, renegotiations of existing rents and relocations were recorded mainly in secondary office properties located near public transport, metro stations and main roads. This trend stemmed from the low and, in some areas, almost zero availability of prime office spaces.

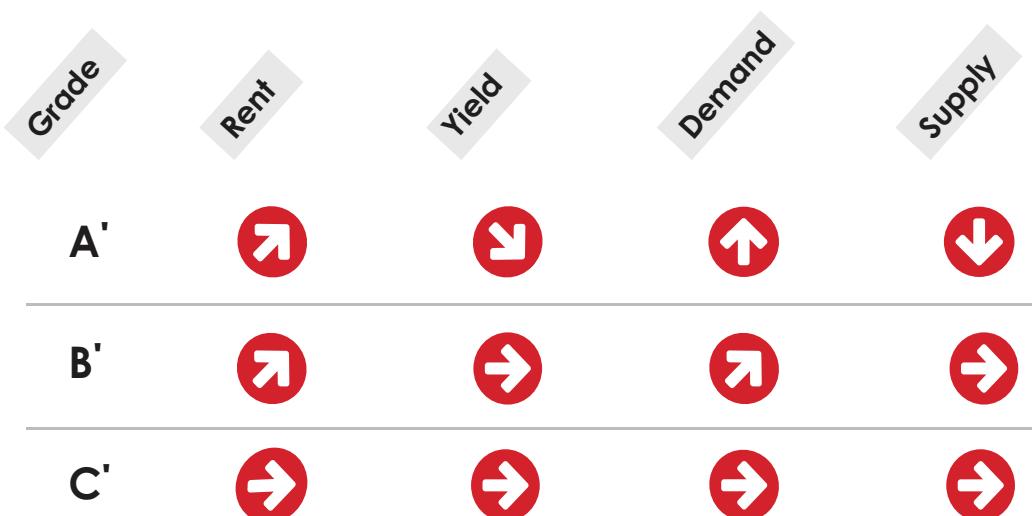
The lack of liquidity by certain landlords also led in the acceptance of attractive tenant incentives in cases where the needed renovation work would be carried out and paid by the tenant. Rents of well-maintained office spaces located in less central districts (B grade) increased in general, whilst rents of lower quality standards office space in less advantageous commercial areas (C grade) remained stable.

The main characteristic of the office space market remains the lack of high-specification and sustainable commercial buildings that meet contemporary standards like modern reception areas, flexible use spaces, higher energy efficiency and bioclimatic designs.

Due to its (lack of) quality, the available office stock continues to be characterized by empty spaces, reaching in certain locations vacancies of more than 25%. The latter relates in particular to aged office space in mixed-use buildings in secondary office markets.

This is also because a very large amount of commercial assets was built before 1990 and the vast majority requires retrofitting, modernization and improvements on their functionality and efficiency. Good quality office spaces located in high visibility sites and very commercial roads tend to be the exception and it is not coincidental that their vacancies do not exceed 10%.

## OFFICE MARKET TRENDS IN ATHENS



Source: ARBITRAGE RE

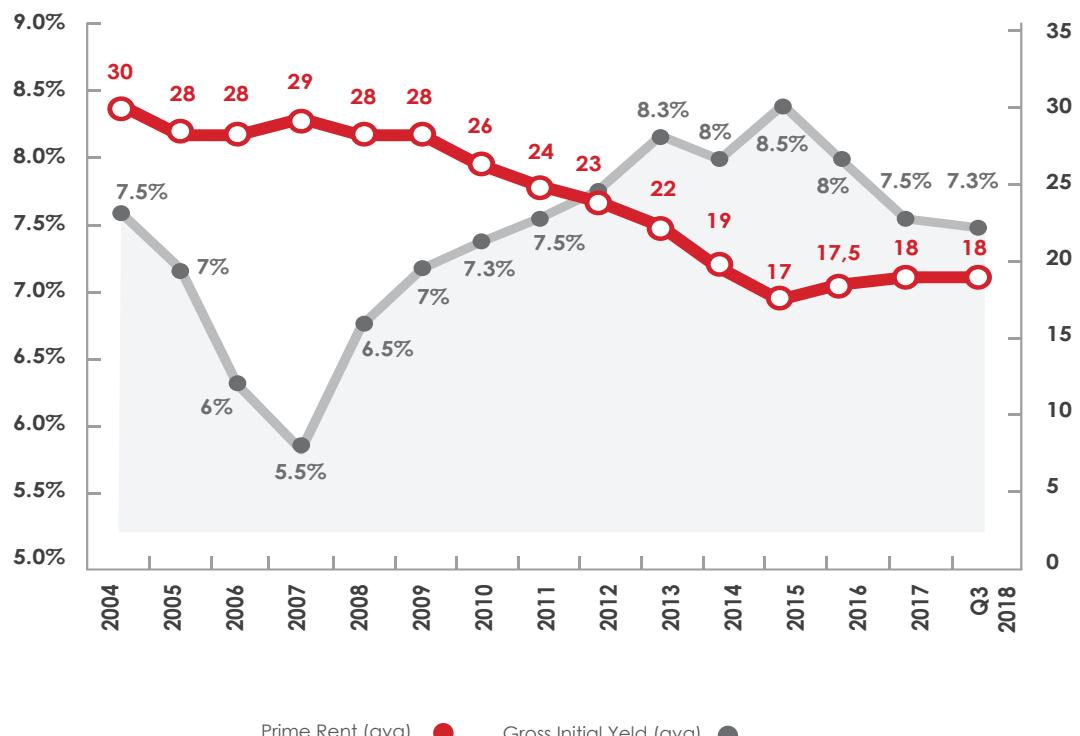


## ATHENS SUBMARKET TRENDS

### YIELDS

Cap rates for office spaces in prime business areas were between 7-7.5%, showing a notable compression compared to 2016. Worth noting that the lowest cap rates were recorded during 2006-2007 at about 5.5% -6.0%.

PRIME RENT & YIELDS – TREND OVERVIEW



Source: ARBITRAGE RE

## LEASES IN SUMMARY

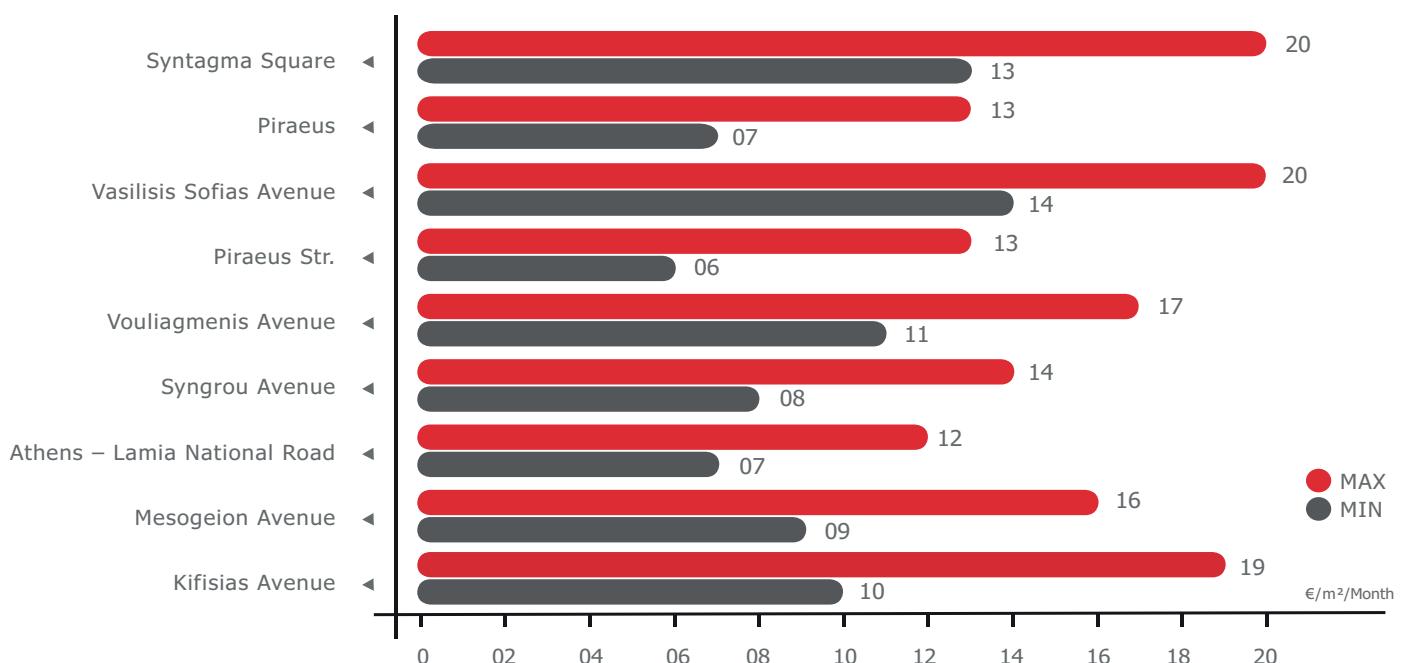
According to our sources, the demand for office spaces in 2017 and up to the 3<sup>rd</sup> quarter of 2018 was mainly focused on spaces between 300m<sup>2</sup> and 1,500m<sup>2</sup>. The Center of Athens (CBD), the axis of Kifissias Avenue and southern part of Syngrou Avenue were the areas where the interest in quality office spaces concentrated.

In 2017 and up to the 3<sup>rd</sup> quarter of 2018, the rents in A and B grade offices increased and averaged between €16-21/m<sup>2</sup>/month and €8-14/m<sup>2</sup>/month respectively, while for C grade offices, the corresponding prices remained stable and between €6-9/m<sup>2</sup>/month. Worth also noting that the above

positive and stabilization trend is an apparent differentiation compared to last years, when the office rents had reached a decrease up to 50% compared to pre-crisis levels (before 2009).

The chart below summarizes average rents by Athens office submarket.

**ATHENS OFFICE SPACES AVERAGE RENTS FLUCTUATION 2018**



Source: ARBITRAGE RE

Below is a more detailed description of the market trends in 2017 and 2018, for each part of Athens, regarding Grade A and B office spaces.

### CENTRAL BUSINESS DISTRICT

Main factors affecting the demand in Athens's Central Business District relate to the available building stock, buildings age and state of maintenance, accessibility and proximity to public transportation.

Demand is mainly concentrated on the main roadways (e.g. Vasilissis Sofias, Amalias and Syngrou Avenues, Panepistimiou and Stadiou Streets) as well as around Kolonaki and Syntagma Square. The highest asking rent rates are recorded in the areas of Kolonaki, Syntagma Square and Vasilissis Sofias Avenue. Specifically, for Grade A buildings, rents range from €13-20/m<sup>2</sup>/month and vacancy rates between 10%-15%. Interest comes mainly from law practices, insurance brokers and consulting firms as well as banks and financial institutions.



Demand for office spaces located in secondary markets remained relatively stable. In particular, in the areas of Ambelokipoi, Ilisia and Pangrati, rents range between €6-10/m<sup>2</sup>/month. Accordingly, the demand along Piraeus Street and Iera Odos Street is lower and interest in office spaces has declined significantly. Rental values there, range between €6-8/m<sup>2</sup>/month.

### NORTHERN SUBURBS



In the northern suburbs of Athens, the demand was increased, especially for A-grade standalone office buildings with façades on main roadways such as Kifissias Avenue, Mesogeion Avenue, Amaroussiou-Chalandriou Avenue and Ethnikis Antistaseos Avenue. More specifically, in the areas of Psychiko, Halandri and Maroussi, rental rates ranged from €11-18/m<sup>2</sup>/month for office spaces of good construction quality and for spaces between 300m<sup>2</sup> and 1,500m<sup>2</sup>.

An increase in demand for office spaces also remains in the areas of Nea Kifissia and Kalitaki, close to the interchange with Athens-Lamia National Road. This trend was first recorded 2 years ago.

The ease of access to the motorway seems to be the main reason behind it. Average asking rents for office space in close distance from the interchange, ranges between €7-11/m<sup>2</sup>/month. Specifically, demand for office spaces in these areas is focused on properties with areas between 1,000m<sup>2</sup> – 4,000m<sup>2</sup>. Interest originates mainly from corporate occupiers active in the logistics, automotive, multimedia, IT and construction industries.

Demand for Grade B office spaces has also increased in secondary areas, with the average rents ranging between €7-11/m<sup>2</sup>/month depending on specifications and proximity to main public transportation hubs. The majority of lower rental values is found in the areas of Heraklion, Nea Erythraia and Agia Paraskevi, where is also limited supply of new and high standards offices.

Regarding vacancy rates in the Northern Suburbs, for Grade A and high visibility offices, vacancies are below 10%, while for lower grade offices and in secondary locations the corresponding rate goes up to c.25%.

## SOUTHERN SUBURBS

Due to the area's characteristics, demand and supply of office spaces, as well as rental values, vary according to each asset's characteristics and micro location. Key features of the market include proximity and easy access to the beach front and to upscale residential neighbourhoods and high prominence shopping districts such as Glyfada and Vouliagmeni. Asking rents for Grade A standalone buildings located on Poseidonos or Vouliagmenis Avenues, within the commercial business district (CBD) of Glyfada, and in close distance from Elliniko and Argyroupoli metro stations, range between €11- 17/m<sup>2</sup>/month.

Interest for Grade A offices comes mainly from businesses seeking to lease prominent and easy-to-access office properties located in or close to Glyfada and Alimos. Other areas are selected by tenants and owner-occupiers based on non-strictly commercial rational. For example, a couple of corporate headquarters of shipping companies are situated in Voula, Vouliagmeni and Glyfada,

Asking rents for Grade B office spaces, located mainly in mixed-use buildings of limited prominence, range from €7- 11/m<sup>2</sup>/month. These assets are located on secondary axes of Alimos and Elliniko, such as Iasonidou, Kiprou and Argyroupolis Avenues. Vacancies in these areas have remained stable the past years and continue to be over 25%.



## WESTERN SUBURBS

The office market of the western suburbs of Athens includes Metamorphosi, Peristeri, Nea Philadelphia and Nea Ionia. In these areas, rental rates show significant variation, corresponding to the characteristics of each submarket.

On the major roadways, such as Kifissos Avenue, Athinon Avenue and Attiki Odos, rents for office spaces vary between €5-11/m<sup>2</sup>/month. Interest is coming from businesses seeking for large spaces and accessible headquarters and with proximity to public transportation and the national motorways.

The main office stock relates to Grade B space, mainly located along the aforementioned roads, as well as on secondary streets such as Dekeleas, Eleftheriou Venizelou and Lambrou Katsoni. Vacancies are mostly over 30%.

## PIRAEUS

The demand for offices in the area of Piraeus is focused on the city's CBD, its Port and along the city's main seafronts (e.g. Akti Miaouli, Akti Kondili, etc.). Asking rental rates range from €7 -13/m<sup>2</sup>/month.

The lowest prices concern office space of more than 300m<sup>2</sup>, in buildings of more than 25 years of age and of average construction specifications. Such buildings are located mainly on secondary streets, but in close distance from Piraeus's CBD. These commercial areas have been mostly affected by the economic crisis of the past 8-9 years. Highest rental rates concern Grade A office spaces well maintained and of good standards, located very close or adjacent to the Port of Piraeus. Rental values for these office properties range between €10-13/m<sup>2</sup>/month.

Most of the office take up in Piraeus has come from national and foreign companies active in shipping and relevant logistics sectors. Their presence in the city of Piraeus is still relative prominent despite the difficult economic years the city has experienced since 2010. The situation is also currently improving due to major infrastructure works in public transportation and in the port (long leased and operated by Cosco). In general, the transformation of city of Piraeus to a major European freight transit hub, vessels and cruise home port, large logistics and also commercial center is expected to set the basis for additional activity in the commercial, hospitality and residential property market that may consequently lead to increased demand from businesses to occupy office space in the area.





## FLEXIBLE WORKING SPACES & CO-WORKING

Labor market requirements have changed considerably in recent years towards flexibility, personalized services, shorter leases, controlled costs and therefore reduced business risk. This new reality has led to an increasing demand for flexible offices, a growing global trend of recent years.

These working spaces are tailored to modern business needs and unlike traditional office space users can share facilities, office equipment, furnishings, telecoms and services, such as secretarial or technical support, with employees from other organizations and corporates housed together in the same building. These areas tend also to encourage networking, synergies, interaction and exchange of views on markets of interest between young and small companies with larger and older ones.

In the first half of 2018, the proportion of flexible space in Europe exceeded on average 7.5% of the total stock, up from 7.2% in 2017 and three times the corresponding figure recorded in 2016. Since the first half of 2018, more than 820,000 m<sup>2</sup> of office space has been used as flexible business premises, with the largest co-working market being London, followed by Paris and Berlin.

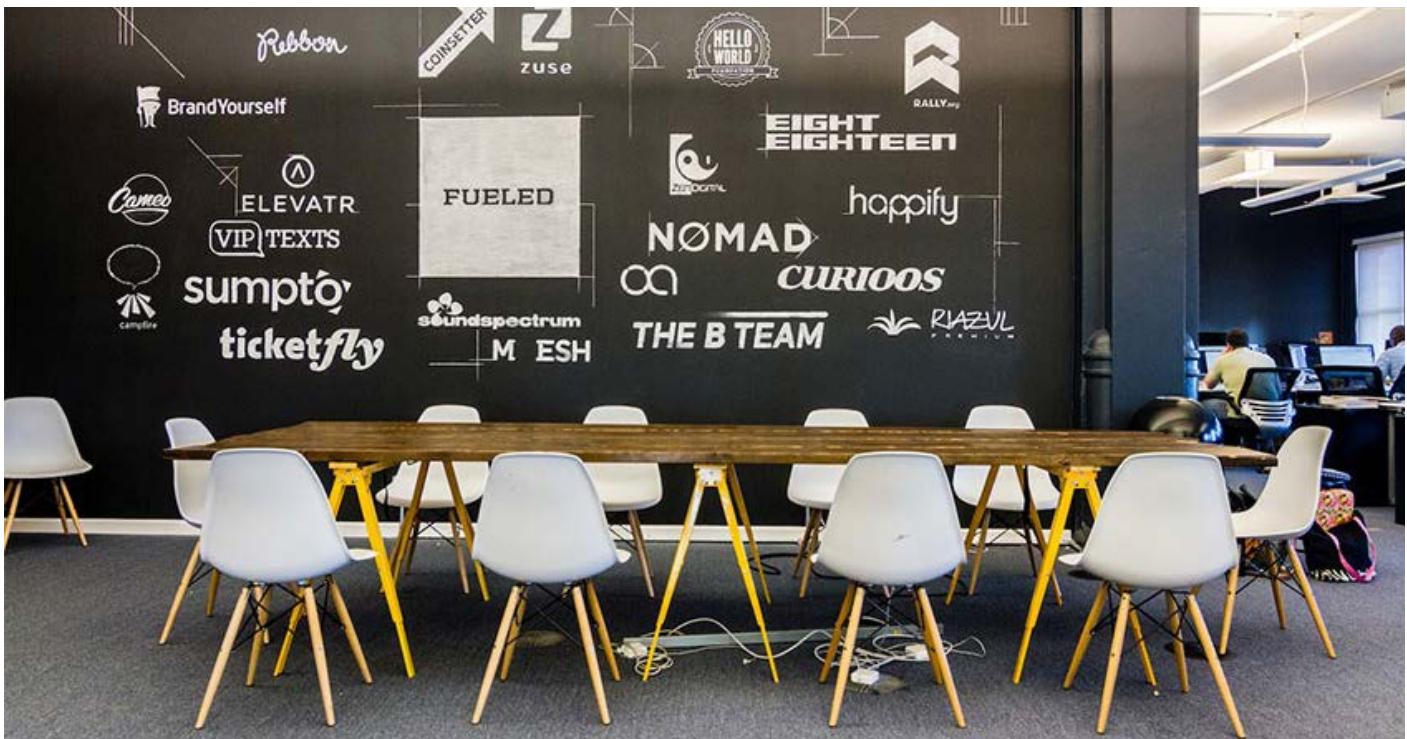
In Greece such spaces are usually preferred by freelancers, start-ups, small and/or growing services firms, technology and media companies and generally, companies whose

concept and identity match modern environment. The venues are also addressed to major local and multinational corporates that need extra office space to house new and innovative business units.

Numerous providers of flexible business premises operate in the global marketplace. The largest international operators are WeWork and the IWG group (of which some members are: Regus, Spaces, No18, Basepoint, Open Office, Signature). Other world-class companies are: Talent Garden, Impact Hub, Your Alley, Knotel, District Cowork, Make Office, Industrious Office, Techspace, Serendipity Labs, Green Desk and SomeCentral.

Close to 20 centers are already operating in Athens and the tendency is for these spaces to expand and grow in coverage, size and number. For example, the IWG brand Spaces opened on July 2018 its second flexible office space center in "Green Plaza" building at Maroussi with its first center already operating on Ermou Street in Tournikioti alley.

Moreover, IWG aims in the next years to set up 15 new business centers in Athens and other major cities such as Thessaloniki, Volos, Rhodes, Heraklion and Patra. As a first step, IWG cooperates with OTE Estates in 2 of its properties, one at Solonos Street in central Athens and another at Thessaloniki center, with an aim to convert them into modern flexible workplace centers.



Pricing for the above services is applied based on a variety of criteria to better serve users' needs and provide flexible, customized choices. The fee depends on the days, months or years of use while it is also correlated to the number of people who will use the premises and the type of premises required.

Indicatively, in the center of Athens, price, calculated on a single-month basis, may range between €70-350/person/month, while this cost appears to be decreasing proportionally based on the total period of use and the number of users, reaching a range between €5-€13/person/month for a 24 months agreement.

In general, there is always a risk on co-working places often locked into long-term leases of 10 years or more, since their business model relies mainly only on short-term leases, making them susceptible to dropping occupancies in a potential economic downturn. Recent international real estate studies show that investors think positive about buildings with 15%-30% co-working space. Once a co-working space operator leases and occupies above 40% of the total office building area, the investors may begin to consider discounting the real estate asset's value. This certainly remains to be tested in the early stage growth Greek co-working market.

In flexible office spaces multiple services are available such as:

- Co-Working Stations
- Dedicated desks and spaces
- Shared areas and synergy desk
- Virtual office
- Serviced offices
- Meeting rooms and boardrooms
- Workshops, seminars & events spaces
- Correspondence and administration
- P.O. boxes
- Registered office address
- Direct telephone line
- Secretarial support services
- Concierge services
- Mentoring & Coaching

The following table summarizes indicative companies that operate flexible offices in Athens and the suggestive charges.

BRAND NAME	ADDRESS – REGION	INDICATIVE CHARGES
<b>TZAFERI 16</b> <small>TZAFERI 16*</small>	16 Tzaferi Str., Gazi	€245/person/month
 ATHENS PLACE	4 Irous Str. & Kreontos Str., Kolonos	1 month - €150.00/person
 THE CUBE	8 Kleisovis Str., Athens	Hot desk/Open plan: 1 day - € 15/person 1 month - € 170/person  Dedicated desk: 1 month - €200  Private desk: €500/month/2 persons
 IMPACT HUB ATHENS	28 Karaiskaki Str., Athens	Hot desk/Open plan: Daily pass - €12.4 40h/month/person - €74.4 80h/month/person + 4h use of meeting room - € 111.6 Unlimited use/month/person + 8h use of meeting room - € 210.8 Monthly membership fee - € 22.32 (community benefits + 10h open plan use)
 THE FOUNDATION	2 Evristheos, Gazi	Hot desk/Open plan: Daily pass - € 18.6/person € 186/month/person
 ORANGE GROOVE	5 Vassileos Konstantinou, Zappeio	1 person : €100/month 2 persons: €80/person/month 3 persons: €65/person/month 4 persons: €50/person/month 5 persons: €45/person/month  Discount 50% for startups after 1st year of use
<b>SPACES.</b> <small>SPACES</small>	56 Ermou Str., Trounikiotis alley, Athens	€10.7 - €14.8/person/day – on 24-month contract basis
	117 Kifissias Ave & Agiou Konstantinou, Maroussi	€9.00 - €12.30/person/day on 24-month contract basis
 REGUS	2-4 Mesogeion Str., Tower of Athens 20th & 21st floor, Ampelokipoi	€8.10 - €11.10/person/day on 24-month contract basis
	24 Lagoumtzi Str., Maroussi	€4.70 - €10.00/person/day on 24-month contract basis
	166A Kifissias Ave & Sofokleous Str., Athens	€4.90 - €6.70/person/day on 24-month contract basis



## SUSTAINABLE BUILDINGS, ENERGY EFFICIENCY & RETROFITTING

"The green certification trend in the prime Greek office buildings market with the adoption of globally acknowledged standards, like LEED, demonstrates in practice that the real estate market, including the local institutional investors, is strongly convinced that sustainability is not only required but it is also an opportunity for capital gain appreciation and increases marketability. The big challenge now is, however, the prospect to expand this trend in the existing small and medium-sized commercial properties which, as a result of the crisis in the real estate market, need upgrading to regain competitiveness"

**Charalampos Giannikopoulos, Managing Director, DCarbon**

"Considering the age profile of the existing building stock and the low ratio of new commercial building development in Athens [during the past 10 years] as well as that existing commercial buildings are facing, inter alia, combining related challenges such as [adapting to] climate change, occupants' productivity and wellbeing enhancement and access to affordable and reliable maintenance, energy and other utility services, the necessity to retrofit and upgrade the existing stock is considered of great importance"

**Alice Korovesi, Founding Member & COO, INZEB**

### IN GENERAL

According to the United Nations, buildings account for one third of the world's greenhouse gases while other credible research indicate that most of the people's time is spent indoors. This means that buildings have a profound impact on environment, human health, wellbeing and productivity. Therefore, high-performance, sustainable office buildings are moving beyond energy efficiency to provide health and wellness features to employees, promoting also the enhancement of their productivity.

As a general principle, sustainable office buildings ensure higher standards, lower operating costs, improved resource efficiency and appropriate working conditions. A "green"

certified office building stands out for the effective use of natural light, eco-friendly materials, common and open spaces, the implementation of clean technologies for thermal and cooling comfort, its water recycling infrastructure as well as the use of localized renewable energy sources. They also tend to be easily accessible by public transportation and other environmental friendly means (e.g. biking) and promote comfort, health and wellbeing to its occupants and visitors. These characteristics make them more appealing to large corporate tenants and prominent organizations and hence more marketable and transactable.

## QUALITY OF GREEK COMMERCIAL BUILDING STOCK

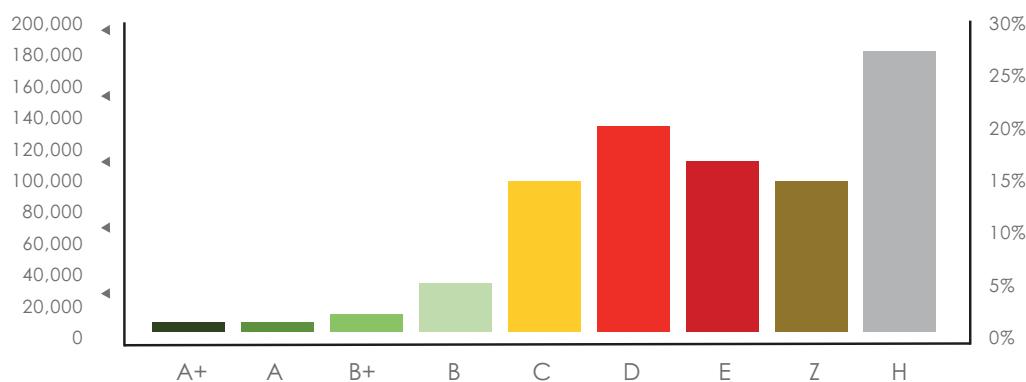
The current building stock in Greece consists of 4.1 million buildings approximately, of which 300,000 are commercial and industrial. The majority of the buildings was constructed before 1980, before strict thermal insulation regulations were adopted and energy-saving technologies and materials were widely implemented.

Therefore, Greece is characterized by an outdated building stock with low levels of energy performance efficiency and it does not come as a surprise that buildings in Greece account for 45% in the final energy consumption compared to an average of 40% at the EU level.

The building stock is categorized into three basic periods. More specifically:

- thermal unprotected buildings constructed before 1980 (almost 72% of the total building stock);
- buildings constructed from 1981 to 2000 (c.22% of the total), when a gradual application of thermal insulation systems and energy efficiency improvement measures took place;
- buildings built after 2001 (around 6% of the total building stock), when new energy-saving technologies were developed and started getting widely implemented.

### BUILDINGS CLASSIFICATION BASED ON EPCs



Source: Ministry of Environment - Editing: ARBITRAGE RE

According to the Energy Efficiency Regulation of Buildings (known as KENAK), buildings are classified into 9 energy classes (also known as energy ratings) according to their energy performance. The classes start from A+ and end to H. Class A+ to B+ buildings are considered of higher energy efficiency, Class B to D of medium to low, while Class E to H buildings of very low energy efficiency. An indicative feature of energy efficiency in Greece is the fact that only 3.2% of all buildings have high energy efficiency features, while around 60% of them belong to the lowest energy efficiency classes.

Therefore, there is no doubt that modernizing the commercial office buildings to become more energy efficient will bring significant benefits, such as:

- reduced utility and maintenance bills and improved indoor comfort levels for businesses
- greater resource efficiency, better comfort and lighting and thus increased productivity

## GREEN CERTIFICATION TRENDS

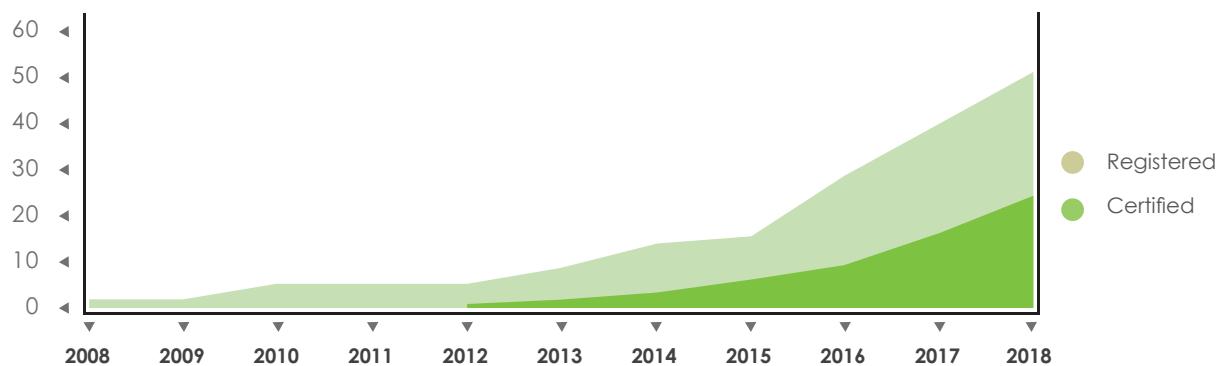
For the above reasons, a trend of green retrofitting and energy efficiency upgrading has been observed in the Athens office market during the recent years. It involves mainly the listed Real Estate Investment Companies (REIC), who are starting to follow a more sustainable property investment approach, adopting gradually higher sustainability standards. The upgrade focus has been more on prime assets to improve their environmental performance and pass on lower service charges and utility costs to tenants.

Currently, the most popular international certification in Greece for environmental (green) performance in office

buildings is LEED (Leadership in Energy and Environmental Design) issued by the US Green Building Council (USGBC). Another well-known certification system used is BREEAM, published by the UK Building Research Establishment (BRE).

The first LEED (level Gold) certified building in Greece was in March 2013. It was the Karella Office Park in Paiania, owned by NBG PANGAEA REIC and leased to OTE Group. In general, several office buildings have received green certifications in recent years in Athens and more are in the pipeline to get certified within the coming years.

**REGISTERED & CERTIFIED BUILDINGS 2008-2018**



Source: DCarbon - Editing: ARBITRAGE RE

Notable “green” office buildings in the wider Athens market are:

ASSET	LOCATION	CERTIFICATION	CERTIFICATION DATE	LANDLORD/INVESTOR	TENANTS
KARELA OFFICE PARK	Paiania, Attica	LEED GOLD	March 2013	NBG PANGAEA REIC	COSMOTE
OFFICE COMPLEX AT TAVROS	25 <sup>th</sup> March Str., Tavros, Athens	LEED for Operations & Maintenance	December 2015	GRIVALIA PROPERTIES REIC	Eurobank
MULTI-LET OFFICE BUILDING AT MAROSSI	8 Sorou Str., Maroussi	LEED for Operations & Maintenance	December 2015	GRIVALIA PROPERTIES REIC	Tetrapak, GE Medical System, Intralot, Marsh
HQ OFFICE BUILDING AT MAROSSI	69 Kifissias Str., Maroussi	LEED for Operations & Maintenance	June 2016	GRIVALIA PROPERTIES REIC	Oriflame
GREEN PLAZA OFFICE COMPLEX	Kifissias Ave & Agiou Konstantinou Str., Maroussi	LEED GOLD for Core & Shell	February 2017	GRIVALIA PROPERTIES REIC	Eurobank, AIG, Spaces, Hellas Direct
OTE ESTATE KERAMEIKOS BUILDING	Elasidon Str. & Stratoniakis Str., Kerameikos	LEED GOLD	June 2017	NBG PANGAEA REIC	OTE Group
COMMERCIAL BUILDING IN ATHENS CENTRE	68 Vas. Sofias Ave., Athens	BREEAM EXCELLENT	June 2017	GRIVALIA PROPERTIES REIC	Bank of America, Alvarez & Marsal, BlackRock, Mitsubishi
ARCANIA BUSINESS CENTER	Maroussi	BREEAM VERY GOOD	November 2017	GRIVALIA PROPERTIES REIC	Roche Diagnostics, Viva Wallet, Elpedison, Sony
OFFICE COMPLEX AT MOSCHATOS	27 Kyprov Str., Moschato, Attica	LEED	December 2017	GRIVALIA PROPERTIES REIC	Eurobank
ANANGEL MARITIME HEADQUARTERS BUILDING	216-226 Doiranis Str., Kallithea	LEED PLATINUM	August 2018	AGEMAR S.A.	Anangel Maritime

Source: DCarbon - Editing: ARBITRAGE RE



## COMMERCIAL & INVESTMENT ACTIVITY

The tables below present recent indicative lease and transactional activity in the Athens office market.

### INDICATIVE OFFICE SPACES LEASE TRANSACTIONS

ADDRESS – LOCATION	PROPERTY TYPE	TOTAL AREA (m <sup>2</sup> )	RENT (€/m <sup>2</sup> /month)	TENANT	TRANSACTION PERIOD
01. 350 Syngrou Ave, Kallithea	Office Spaces on 2 <sup>nd</sup> Floor	507	6,71	EPSILONNET	Q1 2017
02. 78 Kifissias Ave, Marousi	Office Spaces on 1 <sup>st</sup> and 2 <sup>nd</sup> Floor	420	7,14 and 8,81 respectively	MARITIME COMPANY	Q1 2017
03. 41-45 Marinou Antypa Str., Hrakleio	Office Spaces on 1 <sup>st</sup> Floor	830	7,23	CARDLINK <sup>1</sup>	Q1 2017
04. 8 Sorou Str, Marousi	Office Building	10.971	12,00	MARSH ΕΠΕ	Q2 2017
05. Kifissias Ave & Katehaki Ave*	Office Building	1.500	6,67	MARINE TRAFFIC	Q2 2017
06. 50 Agiou Konstantinou Str, Marousi	Office Spaces on 1 <sup>st</sup> Floor	457	12,00	LIDL <sup>1</sup>	Q2 2017
07. 350 Syngrou Ave, Kallithea	Office Spaces on 2 <sup>nd</sup> Floor	507	6,71	EPSILONNET	Q3 2017
08. 24 Kifissias Ave, Marousi	Office Spaces on 3 <sup>rd</sup> and 4 <sup>th</sup> Floor	1.240	17,00	PRAXIA BANK	Q1 2018
09. 66 Kifissias Ave, Maroussi*	Office Spaces on 1 <sup>st</sup> Floor	784	15,18	DOBANK	Q2 2018
10. Kifissias Ave & Agiou Konstantinou Str., Maroussi (Athens Plaza complex)	Office Spaces on the Groundfloor and 1 <sup>st</sup> Floor	2.000	15,00 <sup>2</sup>	SPACES	Q2 2018
11. 14 Amfitheas Ave, Palaio Faliro	Office Spaces on the 1 <sup>st</sup> Floor	450	12,00	EUROINS	Q2 2018
12. Alexandras Ave, Ampelokipoi	Standalone Office Building	4.100,00	8,00	BCA  ZEPOS & YANNOPOULOS	Q3 2018
13. 280 Kifissias Str., Chalandri	Office Spaces on the 4 <sup>th</sup> Floor	1.000,00	12,00		Q3 2018

Source: ARBITRAGE RE

\*Arbitrage RE acted as brokerage advisor

1. Price might include parking spaces

2. The property was delivered to the tenant in cold cell condition

## INDICATIVE OFFICE SPACES SALE TRANSACTIONS

No	ADDRESS – REGION	PROPERTY TYPE	TOTAL AREA (m <sup>2</sup> )	SALE PRICE (€)	BUYER	TRANSACTION PERIOD
01.	269 Kifissias Avenue, Kifissia	Office Building	1,0302.27	2,539,420	TRASTOR	Q1 2017
02.	59 Karamanli Str, Marousi	Office Building	935.00	1,850,000 <sup>3</sup>	KONKAR SHIPPING AGENCIES SA	Q1 2017
03.	152 Vouliagmenis Avenue, Glyfada	Mix Use Building	2,719.00	3,412,000	INTERCONTINENTAL INTERNATIONAL REIC	Q1 2017
04.	62-64 Kifissou Avenue, Peristeri	Office Building	15,000.00	19,800,000	REGION OF ATTICA	Q2 2017
05.	1 Filellinon Str. & Othonos Str., Athens	Office Spaces on 4 <sup>th</sup> and 5 <sup>th</sup> Floor	748.00	1,577,841 <sup>4</sup>	TRASTOR	Q4 2017
06.	340 Syngrou Avenue, Kallithea	Office Building	13,950.00	27,560,000	GRIVALIA PROPERTIES	Q2 2017
07.	3 Agiou Andrea, Agia Parakevi	Office Building	1,544.27	2,100,000 <sup>3</sup>	TRASTOR	Q4 2017
08.	42 Poseidonos Avenue, Kallithea	Office Building	1,907.47	1,100,000	BRIQ PROPERTIES DROMEUS CAPITAL FUND	Q4 2017
09.	Alexandras Avenue & Kifissias Avenue	Office Spaces on 4 <sup>th</sup> Floor	921.00 <sup>3</sup>	2,350,000	DROMEUS CAPITAL FUND	Q1 2018
10.	66 Kifissias Ave, Maroussi	Office & Retail Building	33,534.00 <sup>3</sup>	23,600,000	DROMEUS CAPITAL FUND	Q1 2018
11.	5 Grigoriou Lampraki Str., Glyfada	Office Spaces	1,570.00 <sup>4</sup>	5,080,000 <sup>3</sup>	GRIVALIA PROPERTIES REIC	Q1 2018
12.	49 Agiou Konstantinou Str., Marousi	Office Spaces on 3 Floors	4,715.42	6,500,000	TRASTOR	Q1 2018
13.	50 Agiou Konstantinou Str., Marousi	Office Spaces	5,470.00	7,500,000	GRIVALIA PROPERTIES REIC	Q2 2018
14.	2 Omirou Str. & Stadiou, Athens	Standalone multilevel building	4,500.00	10,000,000	GRIVALIA PROPERTIES REIC	Q2 2018
15.	515 Mesogeion Avenue, Agia Paraskevi	Standalone building	5,069.53	4,250,000 <sup>3</sup>	TRASTOR	Q2 2018
			917.00	1,910,000 <sup>3</sup>	TRASTOR	
16.	4 Theofanous Str., Athens	Office Spaces on 6 <sup>th</sup> floor	838.00	2,450,000	INTERCONTINENTAL INTERNATIONAL REIC	Q2 2018
17.	3 Haritos Str. & 6 Spfsippou Str., Kolonaki	Standalone Building	3,589.00	7,493,558	INTERCONTINENTAL INTERNATIONAL REIC	Q2 2018
18.	18 Zekakou Str. & Karamanli Str., Maroussi	Office Building	781.67	965,000	TRASTOR	Q2 2018
19.	109-111 Mesogeion Str., Athens	Office Spaces on 7 <sup>th</sup> Floor	3,000.00	5,800,000	TEN BRINKE HELLAS	Q3 2018
20.	102 Vas. Sofias Str., Ampelokipoi	Standalone Building	14,427.00	10,890,000	DIMAND S.A. with the participation of GRIVALIA PROPERTIES REIC DROMEUS CAPITAL FUND	Q3 2018 <sup>5</sup>
21.	10-16 Minoos Str. & Ilia Iliou, Neos Kosmos	Standalone Office Building	5,469.00	6,300,000		Q4 2018
22.	16 Kifissias Avenue & Chalepa Str, Maroussi*	Office Building with Groundfloor Retail Shop				To be finalized within 2018

Source: ARBITRAGE RE

3. Price might include parking spaces, other ancillary areas and communal spaces.

4. Including some mixed uses

5. A pre-agreement has been signed between DIMAND S.A. and GRIVALIA PROPERTIES REIC to form a joint venture for the completion of all necessary refurbishment and retrofitting works



## DEVELOPMENT PIPELINE

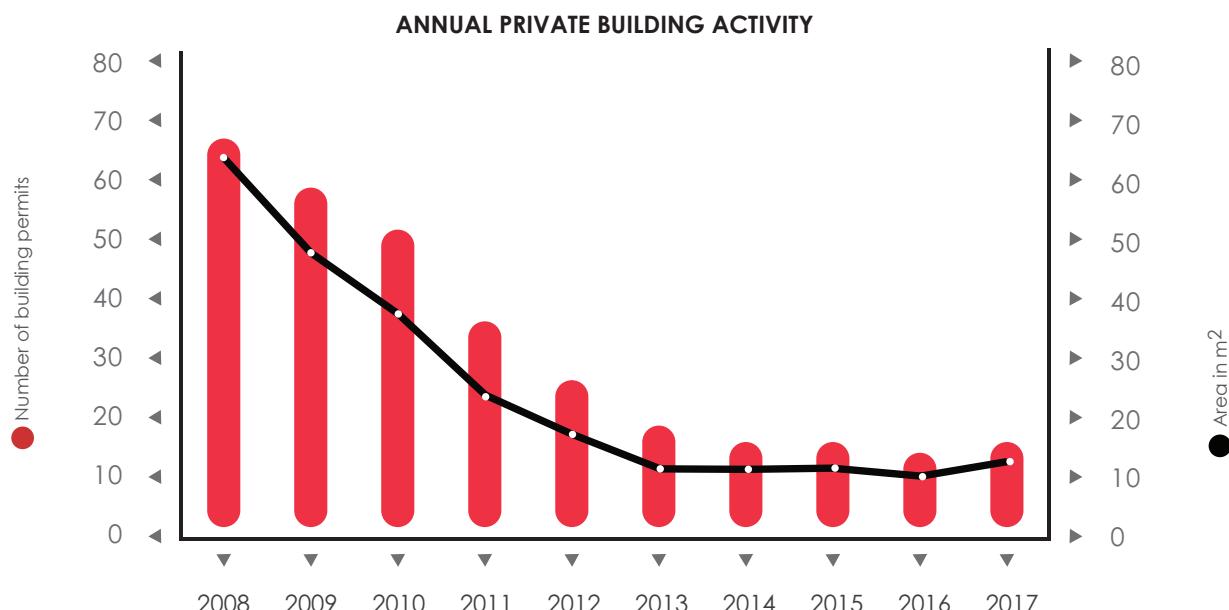
### ANNUAL PRIVATE BUILDING ACTIVITY

The lack of new and modern office building stock is mainly a result of the decrease in construction activity during the economic downturn of the past 10 years. The recession in the Greek economy led to the shrinking of the domestic activity of international and local businesses and therefore to weak demand for new office space.

Consequently, speculative commercial real estate development business plans got postponed or abandoned altogether and until 2016 only a handful of new office buildings came to the market. In addition, new increased real estate holding and income taxes were imposed and main

planning bureaucratic barriers remained making even harder to risk any (re)development business activity.

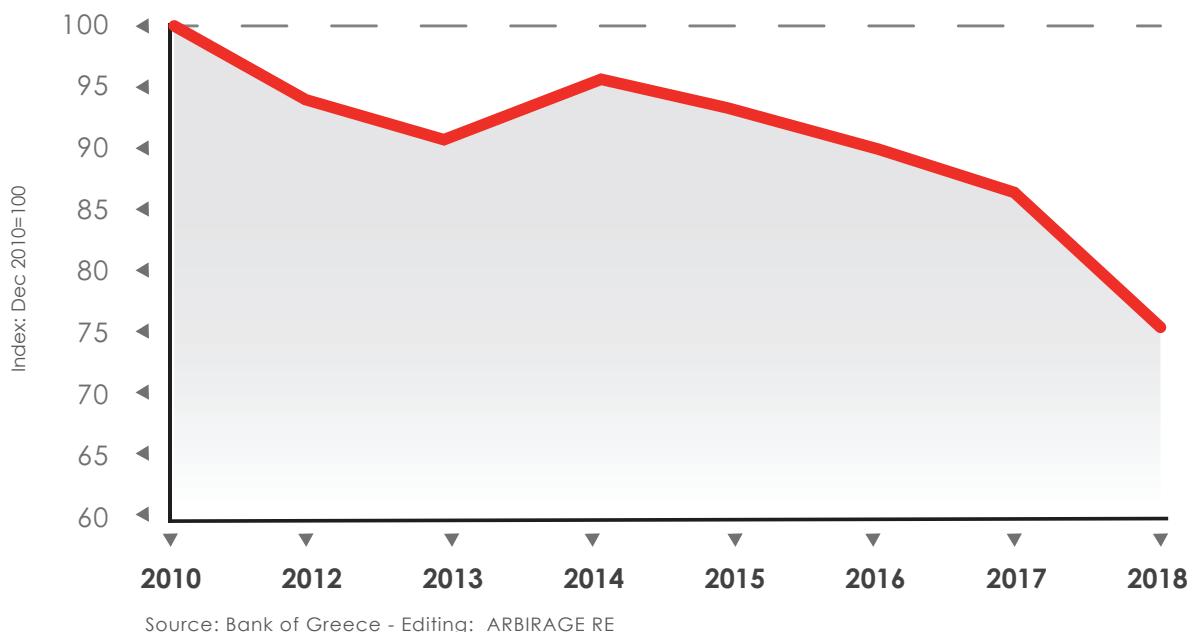
This was also evidenced by the bank financing of the construction industry, which includes commercial real estate development like new office buildings. Based on data from Bank of Greece, the domestic systemic banking system reduced its exposure to the construction sector by 25% since 2010 when Greece signed and began to implement its Economic Adjustment Program funded by Eurozone countries, the European Stability Mechanism (ESM), the European Central Bank (ECB) and the International Monetary Fund (IMF).



According to the latest data from the sectoral study conducted by ICAP ([www.icap.gr](http://www.icap.gr)), the construction sector, which contributed 8.3% to GDP in 2006, reached only 2.2% in 2016. The fall in building activity was also underlined by the continuous and steep fall in the number of registered building permits during the same period.

The following chart clearly points out the decreasing annual private building activity during 2008-2017, with the decline in volume of new building permits exceeding 80% in total.

#### LOCAL BANKS EXPOSURE TO CONSTRUCTION LENDING IN GREECE



Given also the lack of a significant number of available plots for the development of new office complexes in prime CBD locations in Athens, such as Vassilissis Sofias Avenue, Kifissias Avenue around Maroussi, Syngrou Avenue, Akti Kondili and Akti Miaouli Streets in Piraeus, the interest was only in refurbishments and retrofitting of existing buildings.

However, since the second quarter of 2017, investment in new development projects started to rise driven by mainly by lack of available good quality commercial building product and lowered vacancies in existing higher standard and primary located office buildings. This was also evidenced by the data published by the Hellenic Statistical Authority.

The licenses issued for private building activity in the country in the year 2017 increased by about 9% compared to 2016. This upward trend is maintained in 2018. As an example, in the first half of 2018 there was a further increase of 7.5% compared to the equivalent period of 2017.

In summary, the lack of modern, high standard and sustainable corporate office buildings in Athens, the gradual lease up of the available prime units, the aged commercial building stock, coupled with the very low development activity in the last 10 years have created an opportunity for renovation investment in existing buildings or new greenfield and brownfield developments of modern and sustainable certified office buildings.

However, the main challenge still remains; a maintainable increase in office space demand from domestic and international corporate tenants because of growing business activity and consequently expansion of their workforce. The undoubtedly required new development of high standard office buildings in Athens is, therefore, expected to follow a sustainable recovery of economic activity.



## PROJECTS

As a result, some notable commercial real estate development and major refurbishment projects commenced the past two years and a few, mostly renovations and upgrades of existing building, have been successfully completed and brought in the market. The following are noted:

WORK	ADDRESS/AREA	LANDLORD/ DEVELOPER	COMPLETION	TOTAL AREA (m <sup>2</sup> )
Office Building via reconstruction of "PAPASTRATOS" former industrial facilities 1 <sup>st</sup> building block	Agios Dionyssios Peiraeus	GRIVALIA PROPERTIES REIC/DIMAND <sup>6</sup>	COMPLETED 2017	16,000
Multistorey Office Building AGEMAR Headquarters	216-226 Doiranis Str., Kallithea	Angelicoussi Shipping Group	Completed 2018	30,000
Office Building	26 Apostolopoulou Str., Chalandri	VIOCHALCO (Noval A.E.)	November 2018	10,100
Multistorey Office Building	Paradeissou Str. & Artemidos Str., Chalandri	MYTILINEOS	December 2018	22,000
Multistorey Office Building	115 Kifissias Avenue, Athens	VIOCHALCO (Noval A.E.)	Q2 2019	39,700
Buildings Complex via reconstruction of "PAPASTRATOS" former industrial facilities 2 <sup>nd</sup> & 3 <sup>rd</sup> building block	Agios Dionyssios Peiraeus	GRIVALIA PROPERTIES REIC/DIMAND	2021	43,000

Source: ARBITRAGE RE

<sup>6</sup>. GRIVALIA PROPERTIES REIC has acquired 49% while a pre-agreement has been signed for the acquisition of the rest 51% upon the completion of property's retrofitting

<sup>7</sup>. Several developments are in the pipeline, such as hotel units, furnished apartments, multipurpose facilities, retail shops, underground parking areas and PAPASTRATOS museum



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