



Commercial Property Market Determining Indicators

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Alliance Partner

Contents

- Three sectors
 - *Office*
 - *Retail*
 - *Industrial*
- Bank of Greece has extensively analysed first two
- A quick overview of offices and retail followed by a lengthier presentation of the industrial (logistics) sector



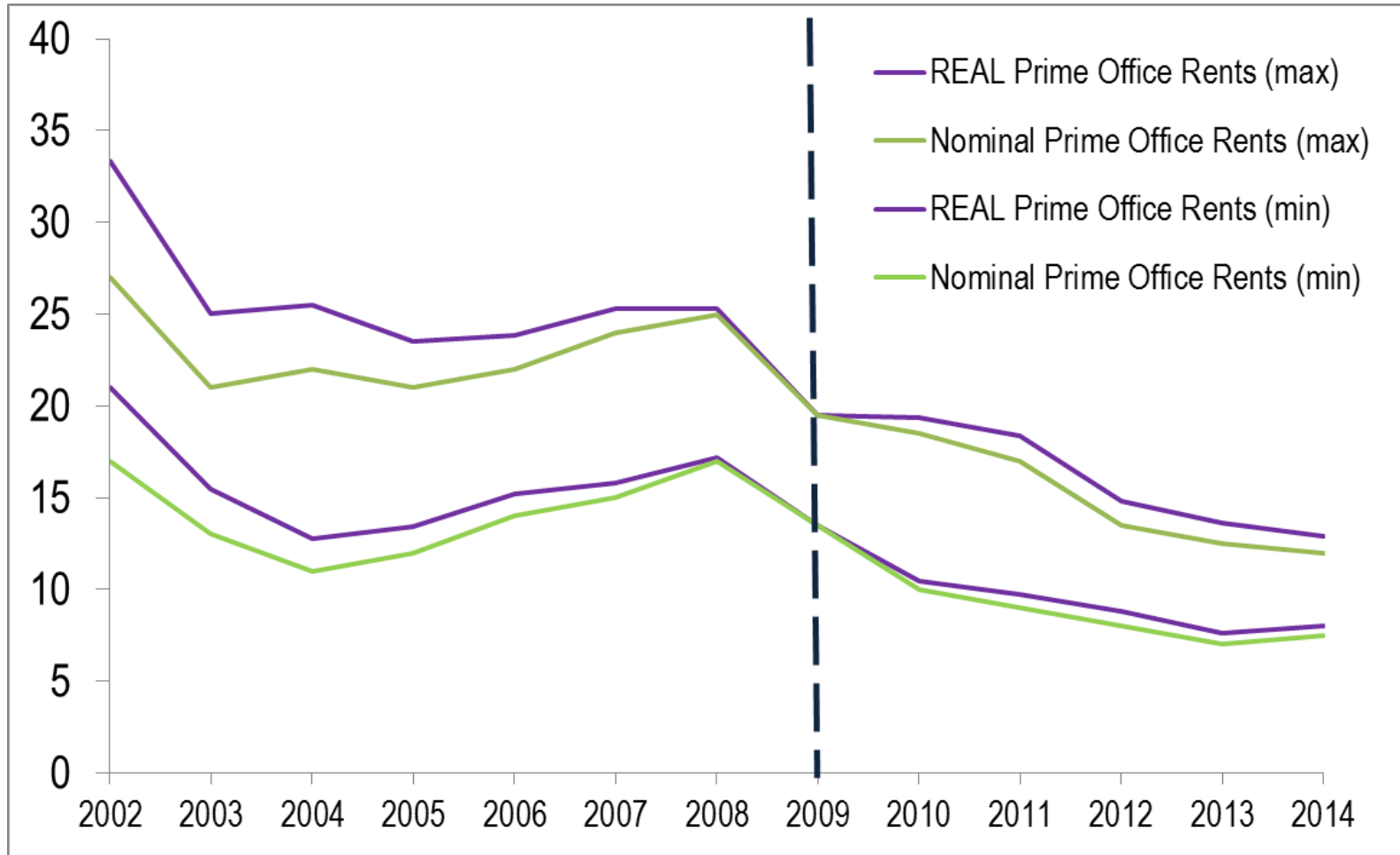
Offices

- Macroeconomic factors are more important determinants than micro, real-estate specific parameters
- Ours is a not-so-mature market hence office rents are more influenced by the general economic situation and business confidence
- How important is the role of inflation and the distinction between nominal and real rents?



Athens North - Office Rents – Nominal vs Real Levels

2002 - 2014



Source: Athens Economics Ltd - Jones Lang LaSalle, March 2015

Offices

Correlations

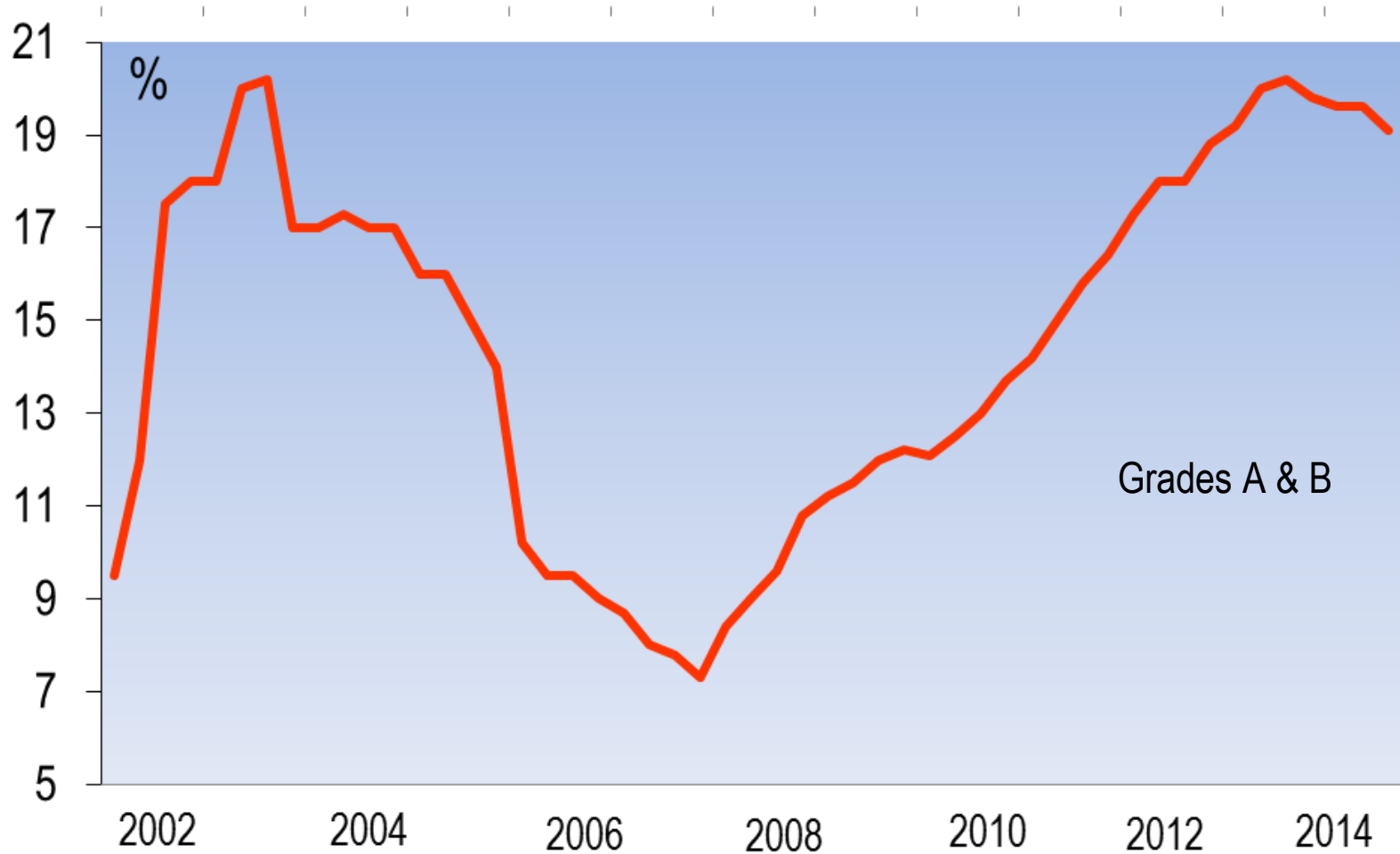
- Real office rents are positively and highly correlated with the following parameters:
 - Retail volume index (-2)
 - Industrial production index (-1)
 - 12-month deposit rates
 - Gross fixed capital formation as % of GDP (-1)

Offices

Correlations

- They are also negatively and highly correlated with:
 - Unemployment rate
- And negatively but less strongly correlated with:
 - Current inflation
- Insofar as real estate variables are concerned:
 - There is a negative but not very strong correlation with current % change in office stock
 - And a negative, albeit not statistically significant, correlation with the vacancy rate

Prime Office Vacancy Rate in Greater Athens



Source: Athens Economics Ltd - Jones Lang LaSalle, March 2015

Retail

- Retail has been hard hit by the recession
- Malls have weathered the storm better than the high street
- First three quarters of 2014 recorded some encouraging facts: new leases, new brands hitting the malls
- Vacancy rates are 5–10% in best locations but c. 30% in secondary ones



Retail

Correlations

- Real high street rents are positively and strongly correlated with:
 - Industrial production index
 - Retail volume index (-2)
 - Gross fixed capital formation as % of GDP
 - GDP
 - Banking sector employment (-1)
 - 12-month deposit rates
- They are negatively and highly correlated with:
 - Unemployment rate (-1)

Industrial (Logistics)

- This sector relates to logistics rather than manufacturing plants; the latter are contracting in numbers and are largely owner-occupied
- Rents have dropped significantly in recent years but seem to be stabilizing while the gap between prime and secondary product is very distinct and actually widening



Greater Athens Warehousing & Logistics:

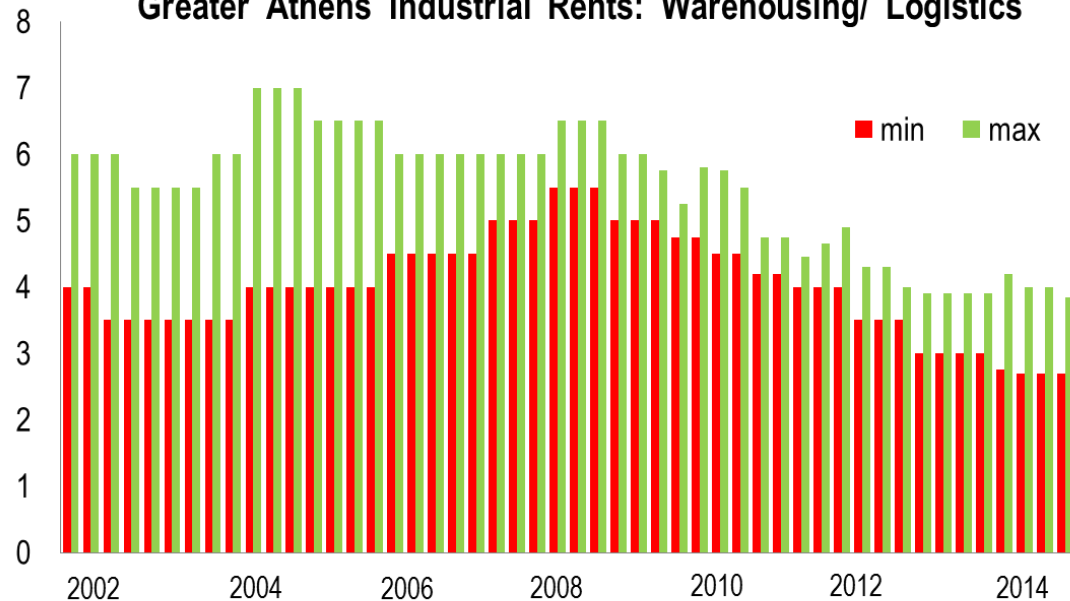
Main Areas & Stock 2014



Greater Athens Warehousing & Logistics:

Leasing Activity

Greater Athens Industrial Rents: Warehousing/ Logistics



Source: Athens Economics Ltd - Jones Lang LaSalle, March 2015

- This market has been busy over the past couple of years but rents have dropped in the aftermath of the recession.
- Rents have sharply fallen from their 2008 peak (€ 5.50 – 6.50/ sq m/ month) to € 2.70 – 3.85/ sq m/ month today although certain outliers in the € 6 – 7/ sq m/ month band still exist.
- Renegotiations are a frequent occurrence while the vacancy rate does not exceed 15% in Thriassio, the most popular location in Greater Athens. It is estimated to exceed 25% in Inofyta, less popular on account of its bigger distance from the city centre.

- One of the main features of the market today is a serious mismatch between supply (older buildings, < 5,000 sq m) and demand (higher spec buildings, > 10,000 sq m).

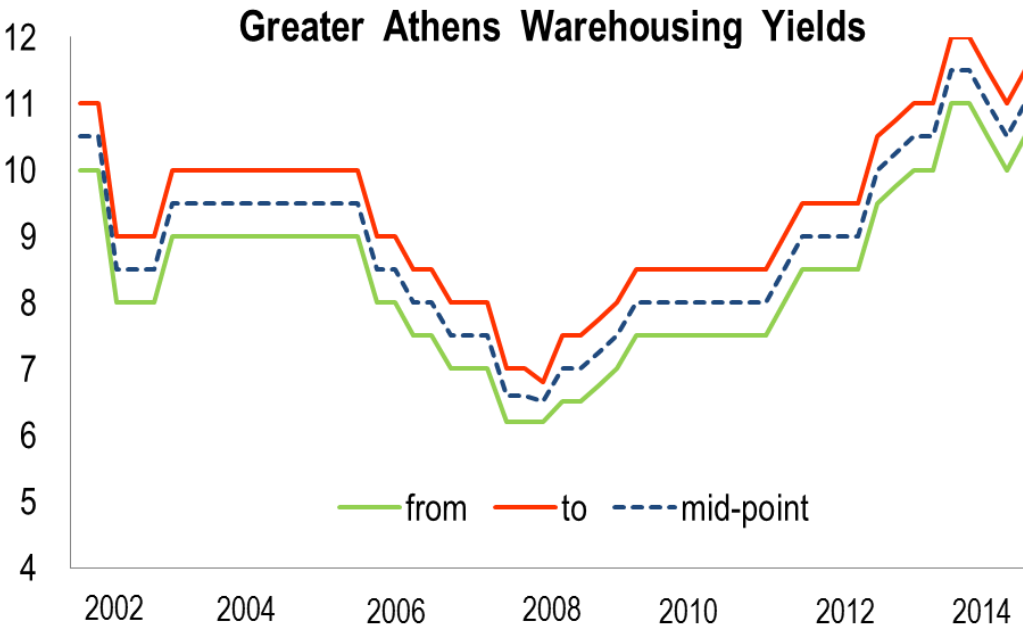
Industrial (Logistics)

Correlations

- Real logistics rents are positively and highly correlated with:
 - Industrial production index
 - GDP change (-1)
 - Gross fixed capital formation as % of GDP (-1)
 - Retail volume index (-2)
 - Inflation
 - 12-month deposit rates
- They are also negatively and strongly correlated with:
 - Unemployment rate

Greater Athens Warehousing & Logistics:

Investment Activity



Source: Athens Economics Ltd - Jones Lang LaSalle, March 2015

- This sector was until recently totally neglected by investors and any purchases related to owner-occupation.
- In 2014 Q1 the situation took a turn for the better, though, with Grivalia Properties (a REIT owned 42% by Fairfax) purchasing two grade A facilities with first class covenant (a) 18,555 sq m @ € 8.32 mn (net initial yield is 11.8%) and (b) 12,260 sq m @ € 5.88 mn (net initial yield is 12%).
- The above has triggered a significant amount of interest from several quarters; we are currently aware of two specialized funds seriously exploring this market.

Thank you

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