

GR Research 2024



SPOTLIGHT

Savills Greece Research

Athens Industrial & Logistics Market

KENTRIKI



Submarkets ● Vacancy Rates ● Rental Levels ● Yields & Transactions ● Trends & Challenges

Overview

The logistics real estate sector has experienced a surge in demand over recent years, reflecting the growing need for well-equipped and strategically located logistics spaces. The stabilization of the Greek economy strengthens investor confidence making Athens a favorable destination for establishing or expanding their logistics operations. This heightened demand is particularly evident in sectors such as e-commerce, transportation, warehousing, and distribution.

Prime locations within Athens play a pivotal role in the logistics real estate market. Areas with excellent transport links and access to key amenities are highly sought after by businesses. These locations provide close proximity to major transportation hubs, including ports, airports, and major

highways, facilitating efficient supply chain management and seamless distribution networks.

The future of the logistics real estate sector in Athens looks promising, driven by positive economic conditions, technological advancements, and evolving consumer demands. The ongoing investments, emphasis on sustainability, and the continuous development of infrastructure and transportation networks further contribute to the sector's growth and adaptability. Athens is poised to remain a dynamic and attractive destination for businesses seeking optimized logistics operations and strategic market presence in the years ahead.

Submarkets

1 Athens North

During industrialization period after WW2, this submarket (Lykovrissi, Kato Kifissia, Krioneri, Metamorphosi and Agios Stephanos areas) was considered a great location for warehousing and industrial facilities due to the close proximity to the city of Athens, but more importantly due to its positioning close to E75 National Highway, which connects the capital with Thessaloniki and the rest of mainland Greece. The industrial stock in the area, although considered good in terms of technical specification is obsolete enough, mostly since it was developed in the 80s and 90s.

2 Attica South-Messogeia

This submarket (Spata, Airport, Paiania, Koropi, and Markopoulo areas) boasts its good proximity to the airport of Athens and is an alternative industrial/warehouse location of Greater Athens. In this context, it offers more competitive rents than Thriassio Pedio and Kryoneri, and it is an upcoming market to alternative investments of industrial nature such as data centers.

3 Athens West

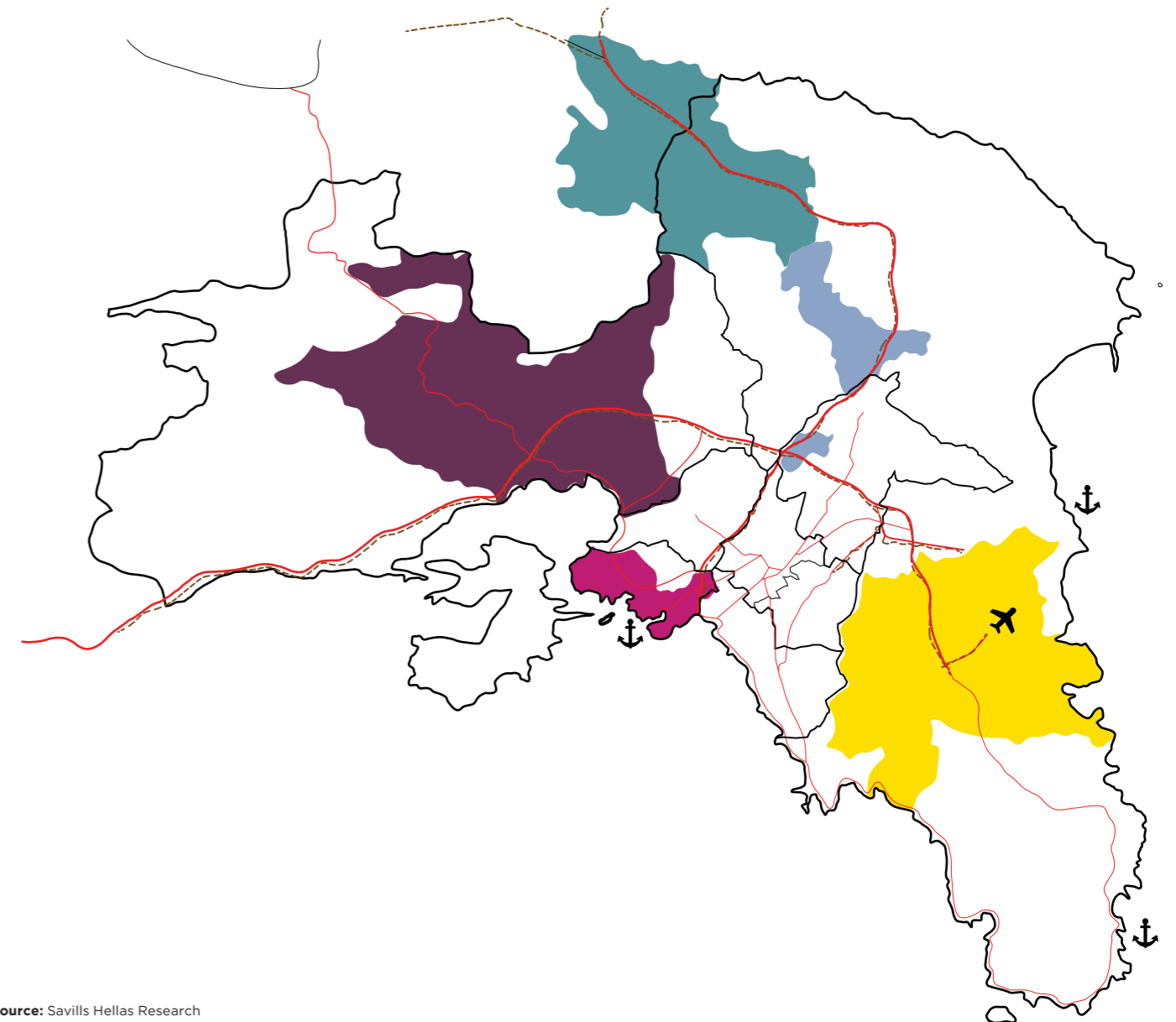
This submarket refers to Thriassio Pedio comprising Mandra, Magoula, Elefsina and Aspropyrgos, all areas with a historically high concentration of industrial uses. Thriassio Pedio is strategically located close to the city of Athens but also close to the port of the capital, Piraeus. The area has obtained appropriate planning terms; thus, demand from both end-users and developers/investors is on high levels. It is noted that most of the state-of-the art facilities that offer the latest technologies in supply-chain operations are found in this submarket.

4 Viotia

Viotia submarket consists of Schimatari, Avlonas and Oinofita areas and is considered as a secondary market. The stock is mainly characterized of fair quality of specification as the majority of supply was developed in late 90s' to early 00s'. It is noted that few investments are recorded in this submarket since most of the investors in the sector are focused on the other submarkets giving priority to the Athens West area.

5 Piraeus

This submarket (Perama, Agios Ioannis Rentis, Drapetsona and Port areas) is mainly characterized by old warehousing facilities developed in the 60's and 70's albeit with great accessibility to other parts of the city and especially the areas of Thriassio Pedio. The proximity to the port and Athens' city center offer great potential especially for last-mile logistics.



Source: Savills Hellas Research

Vacancy Rates

“ The positive investment potential that appeared in the logistics sector as a consequence of the pandemic shock which resulted to a shift in e-commerce, and the upgrade of the port of Piraeus which operated as a hub port in the Southeastern Mediterranean for the commercial flows coming from Asia, are magnets for both domestic REICs as well as for other investors (private equity, family offices etc.) to turn their strategies towards this sector. ”

Further growth is expected in the logistics industry in the future especially for the sub-sectors of e-commerce, tourism and new technologies, the primary sector, manufacturing, energy, as well as health and medicine (EEL, 2022). Moreover, c. 30% of the companies mention the “green” logistics as their direct investment strategy, including the reduction of energy consumption in the business premises, the reduction of fuel consumption, the recycling of materials but also the reduction of the carbon footprint in transport. The above indicate the type of warehouses that will be required by investors in the forthcoming years (in terms of specifications and amenities, i.e. chilled warehouses).

Demand Drivers:

- The main demand driver is the expansion of logistics firms to Grade A properties (in terms of location and specifications), combined with cost rationalization. It is noted that rents still remain at attractive levels compared to other European cities, even though an increase of 33% was recorded in the prime achievable rents of Grade A facilities since 2019.
- Average size requirements, in terms of demand, stand at c. 5,000 - 7,500 sqm, while an increasing number of users that are seeking facilities exceeding 10,000 sqm is recorded.
- Location In terms of distance from production centres, consumers and transportation nodes is another important factor for logistics facilities. Depending on the occupier, favorable locations are mostly characterized by direct access to motorways, or close proximity to rail or port.



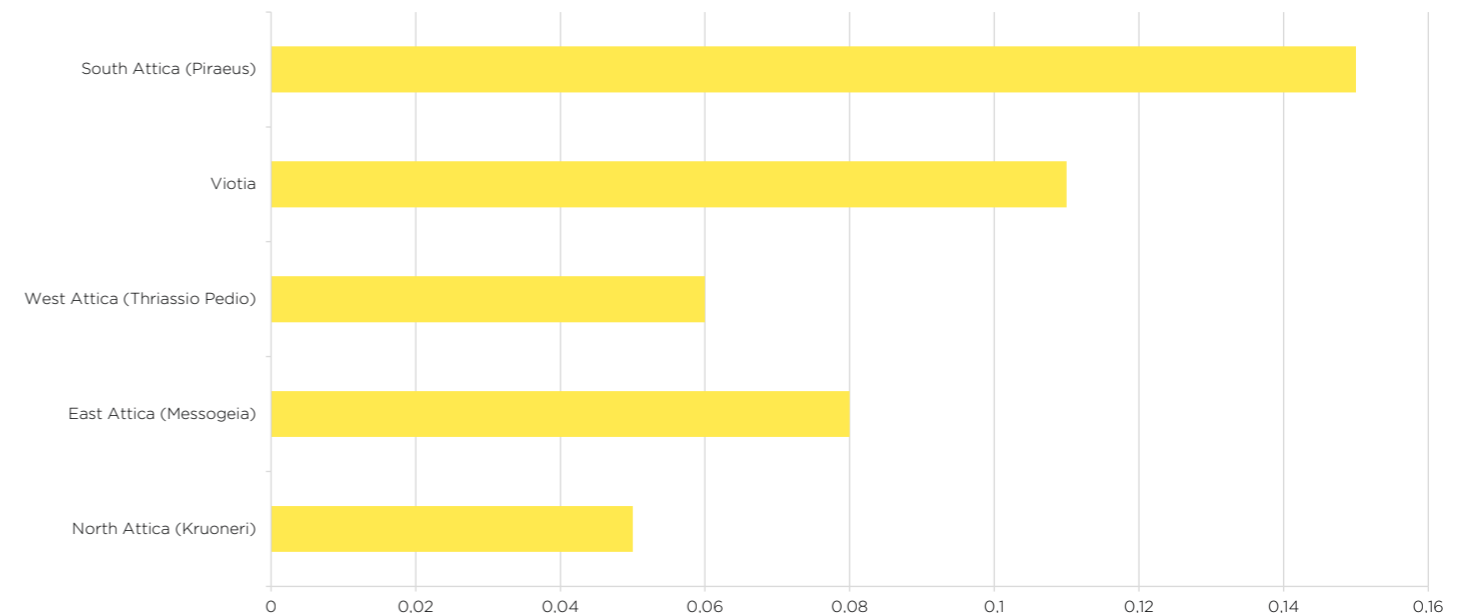
Although demand for high specifications warehouses is strong (as operation and maintenance expenses are set at considerably lower levels), supply is yet extremely limited, with most of the newly developed warehousing facilities situated in the Athens West submarket (i.e. Thriassio Valley). This submarket is favorable for end-users and investors as it offers adequate available land, appropriate planning terms and proximity to most parts of the city.

Improving “last mile” delivery times (last storage point to the consumer) offering a competitive advantage for businesses, makes warehousing, especially high-end, significantly attractive. In this context, a number of real estate acquisitions by investment companies, parallel to respective project implementation, has been recently recorded.

“ Over the last couple of years, demand for newly developed warehousing facilities skyrocketed, leading to decreased vacancy rates in core submarkets such as Thriassio Pedio, Kryoneri and Mesogeia. High levels of end-user interest for Grade A logistics have led to record rental levels, reaching pre-crisis levels. Thus, vacancy rates for Grade A facilities developed in 2021 and 2022 stand at 0%. This is also supported by pro-occupational levels which are strong even 6 months prior to the completion of projects. ”

- Thriassio Pedio (Athens West) established as the prime location for investments in the logistics sector, with an overall vacancy rate in the order of 6%, for both Grade A and B stock. The low vacancy rate levels are linked to the proximity to the city of Athens, the good accessibility to the port Piraeus, and the favorable planning terms further increasing the attractiveness of the area pushing demand levels further up.
- Athens North, mainly Kryoneri, a much smaller submarket in terms of total stock availability compared to Thriassio) has one of the lowest vacancy rates currently standing at 5%. The relatively low rate is mainly due to the location of the submarket offering great accessibility to both the city of Athens and the National Highways leading to other regions of the country.
- Piraeus is currently witnessing great levels of interest although its vacancy rate stands much higher than all other submarkets currently at 15%, mainly because of the old stock it offers which doesn't meet the requirements of end users (both domestic and foreign).
- Mesogeia, is a submarket that during the last year observed relatively good interest from end-users. The current vacancy rate of 8% is projected to drop in the upcoming years as continuous increase in demand mainly for data centers, is observed.
- In Viotia submarket, vacancy rates currently stand at 11% mainly because of its secondary position in the sector, due to its old average stock which does not meet contemporary needs, and the low pace for new developments.

Vacancy rate for Grade A & B warehouses in Attica's major submarkets



Source: Savills Hellas Research

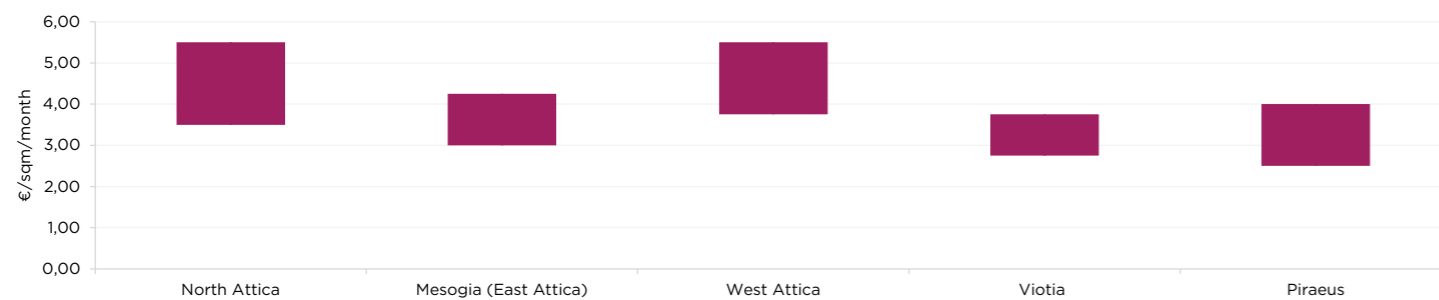
Rental Levels

“ The continuous capital invested in the market during the last couple of years led to an upscale of the downgraded (in terms of stock quality) market leading to significant increases in rental levels for industrial & logistics facilities. More specifically, newly developed properties achieve record levels of rent similar to pre-crisis levels (i.e. 2007 average rent per sq.m. 5.25€/sqm/month), showing a strong rebound of the overall economy and the specific real estate sector. ”

- The north submarket is one of the most prominent logistics markets of the country, and therefore achieves rental prices for Grade A stock approx. 5.50 €/sqm/month while Grade B stock has been recorded to achieve rents in the order of 3.50 €/sqm/month. Accessibility along with the relatively limited supply stock offered in the submarket resulting to low vacancy rates, are the basic parameters shaping the above rental levels.
- The west submarket is the area that has attracted the highest levels of capital invested in the sector over the last years. It has also recorded the highest growth in rental prices since the beginning of 2019, with average recorded rents for Grade A stock being in the order of 5 €/sqm/month (H1 2023). ESG certified buildings have achieved higher rents in the order of 5.50€/sqm/month, while for Grade B stock the highest rental levels recorded during 2023, is in the order of 3.75€/sqm/month.
- The increasing demand, as a result of the progressive change of the profile of the east submarket towards the technological industrial sector, is expected to scale up growth in both rental prices and development activity in the forthcoming future. Currently the prime rent for Grade A stock is in the order of 4.25€/sqm/month, while Grade B stock rental levels currently stand at 3.0 €/sqm/month.
- Piraeus submarket is still performing at low rental levels in the order of 3.50 – 4.0€/sqm/month for the best stock available. Although supply is mainly characterized by outdated stock and buildings were constructed in the 1990s, the area has significant growth potential as it is literally next to the port. It is noted that a major increase of cargo activity has been recorded over the last 5 years placing Piraeus port in the top tier of European ports. Thus, some further sector growth is expected in the upcoming years, following the overall positive activity of the commercial property market in the area.
- Prior to the economic crisis in 2008 Viotia logistics and industrial submarket recorded good levels of capital invested, thus placing itself as a good alternative to Athens West, a trend that led to an increase in the stock availability. This stock is currently outdated and of lower specifications when compared to that in the other competitive submarkets. The lower demand, which has a direct impact on pricing levels, is linked to end-users mostly seeking facilities placed either close to the city fringe or close to focal points such as the port. Thus, rental levels for prime stock currently stand at 3.5 €/sqm/month, with lower specification Grade B stock rental levels being in the order of 2.5 €/sqm/month.

As observed, rental levels for cold storage units range approximately 40%- 50% higher than the above ranges referring to ambient warehouse facilities in each submarket.

Rents for Grade A & B warehouses, Attica 2023



Source: Savills Hellas Research

Investment Market

In 2023, the industrial/logistics real estate sector continued moving in positive grounds with a total investment volume of c. €305 mln, surpassing 2022's record volume of €280 mln. The above metric coupled with the extensive development pipeline of Grade A stock in Attica region, exhibits the positive momentum of the sector currently witnessed in the country. It is estimated that in the next couple of years approximately 470,000 sqm of new modern warehousing space will be delivered in the Athenian market from Greek REIC's and private equity funds' investments. This trend shows the increased levels of demand for certified storage space that currently exists in the domestic market.

By and large, investors will continue seeking to acquire land plots and older industrial assets in order to satisfy the positive momentum which comes as a result of the country's economic growth and its increased strategic importance as a transport hub and gateway of products from Asia and other parts of the world to Europe. This trend has led to the continued compression of yield levels and the increase of rents per m², with prime rental levels for Grade-A warehouses for this year to be set at 5.25 €/sqm/month, as previously mentioned.

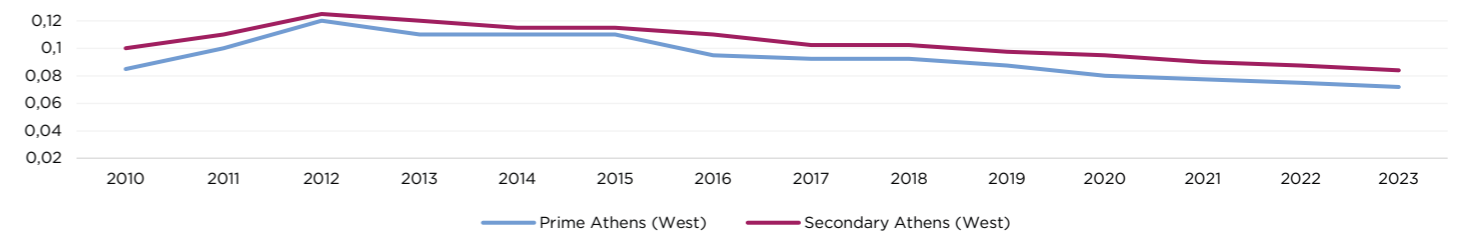
With regards to achievable yields, there has been a drastic decrease due to the increased appetite that exists along with the inflow of large volumes of capital over the last couple of years. Currently the prime yield is averaging in the order of 7.25%, with an approximate decrease of 25 bps when compared to last years' prime yield. Certain high-profile transactions closed at even lower levels in the order of 7.00%, showing the strength and resilience of this specific sector, and the prospects of further growth in the upcoming years.

Some indicative transactions that took place in the past 12-month period are analysed below. During H1 of 2023, a major domestic REIC announced the acquisition of a logistics and distribution centre in the area of Aspropyrgos (West submarket) with a total surface of 59,000 sqm featuring 4 self-contained warehousing buildings with the "ticket" reaching c. € 38.1 mln. Furthermore, two more transactions took place during Q2, the first regarding the acquisition of a logistics centre of a total surface of c. 22,000 sqm for approximately € 9.65 mln, and the second of a logistics building with a total surface of 11,300 sqm reaching c.€ 9.1 mln (both in the area of "Thriasio Pedio", West submarket). Another deal that took place showing the increased interest for investments in logistics is the acquisition of an old industrial building along Kifissou Avenue with a total surface of 11,000 sqm for € 12.2 mln, in order to operate as a last mile logistics facility.

It is also noted that after many years of delay, the Hellenic Railway (OSE) logistics park "Thriasio 1" development with 235,000 sqm of modern logistics space is progressing, after the amendment of the initial agreement between Gaiaose and the concessionaire. In the same area, the American Fund HIG has acquired building facilities and the land area of the former "Steel Industry of Greece" expected to be transformed into a distribution and logistics hub (comprising a private port as well), in a total future development of 120,000 sqm of high-tech warehousing facilities. The total capital invested by HIG is expected to reach €400 mln. And will receive the form of a strategic investment.

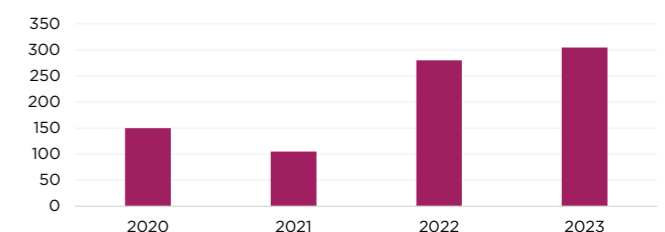
Although there are still headwinds in the global economy due to the high interest rates environment fueled by the persisting inflation, the Greek Industrial/Logistics market follows the Greek strong growth of the economy. Thus, it remained resilient and continued its good performance in 2023 offering investors solid grounds for competitive yields and sustainable rental levels.

Historic yield levels, prime and secondary warehouses in Attica



Submarket	Prime Yield (Grade A - B)
West	7.25 % - 8.25 %
North	7.50 % - 8.50 %
East	7.75 % - 8.50 %
Piraeus	7.75 % - 8.75 %
Viotia	8.25 % - 8.75 %

Investment Volume, over the last years



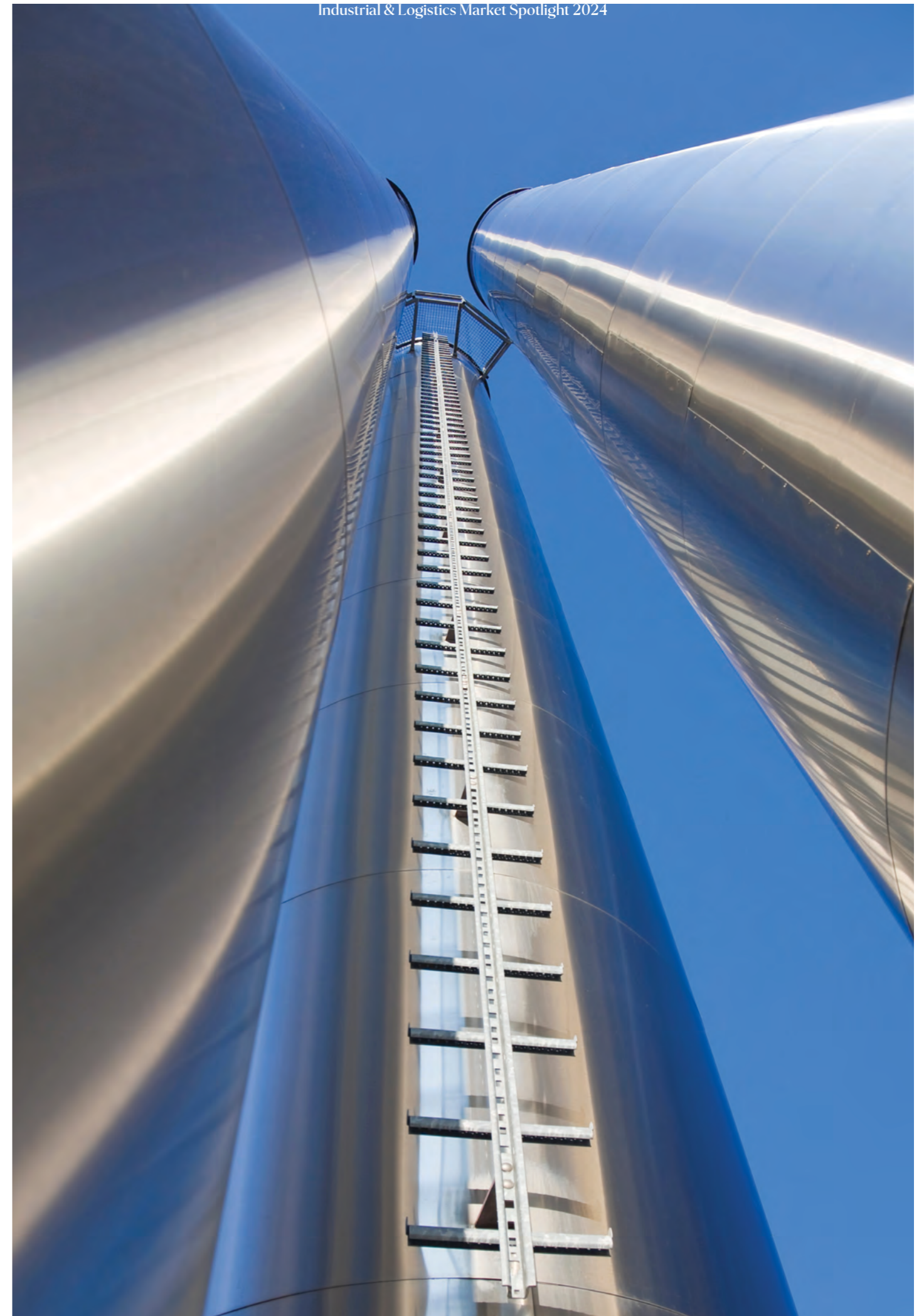
Trends & Challenges

Covid-19 Effects

- 81% of companies stated that the operation of the supply chain was significantly affected by the pandemic (Optimum, 2020). More specifically, logistics witnessed a heavy decline caused by lower demand, supply chains disruption and travel restrictions after the COVID-19 outbreak, amid shortages of containers and a significant contraction in freight transport in automotive logistics, air cargo volumes and cargo volumes of maritime shipping. Moreover, 66% of companies surveyed, believe that the pandemic will increase overall operating costs in the long run (O. MIND CREATIVES & OPERATIONS CENTER, 2020).
- The negative influence seems to be a momentary pause in the growth of the industry, as most involved parties see this period as a trigger for better organization. As stated, all planned strategic investments are being implemented normally, with emphasis given on areas such as digital transformation, environmental upgrading and employee training (EEL, 2022).
- The logistics sector played and will continue to play a crucial role in battling the pandemic, by strongly supporting the inclusive, safe and sustainable movement, storage and flow of COVID-19 vaccines globally and in Greece.
- A positive side-effect of the pandemic was the strengthening of e-commerce. Businesses are trying to cope with this new reality probably leading to the reopening of vacant warehouse buildings and / or big box retail assets. Thus, the pandemic likewise helped stimulate e-commerce in Greece, spurred businesses to upgrade and expand their online presence, and paved the way for the digital transformation of the country.

Sustainability

- Sustainability is a growing priority for investors, employees, consumers and the public, and companies are adopting initiatives to help achieve goals and objectives in this critical area.
- The European Green Deal, which aims to switch to renewable energy sources and reduce fossil fuel use, includes a set of measures concerning preferred modes of transport, their fuels, supply chain organization, and institutional framework (eg high-speed rail).
- New technologies such as Artificial Intelligence (AI), 5th generation (5G) wireless networks, intelligent transport systems, robotic process automation are expected to play an active role in the development of the industry.
- The majority of companies in the industry believe that reducing energy consumption combined with the recycling of materials and the carbon footprint are the most important actions to protect the environment. As stated, environmental policies concern the reduction of operating costs while at the same time can be used as a marketing tool (EEL, 2022).
- It is worth noting that industry players believe that the positive environmental footprint of a company is expected to develop into an inelastic condition, for access to bank loan resources (ESMS) or inclusion in the new NSRF (National Strategic Reference Framework) (Baltas, 2021).





Savills Hellas

Savills Hellas Research provides advice and analysis to a range of clients for almost every property sectors. Our advice, analysis and forecasting assists both public and private sectors in proper decision making. Our research work covers a wide range of projects and is as diverse as development feasibility studies, relocation consultancy, business development strategy and investment advice, by utilising comprehensive analysis, presentation and illustration tools such as data mapping and catchment analysis.

As well as undertaking individually commissioned research projects and providing support to the service departments of Savills, we also publish a series of highly respected research reports.

Head Of Office

Dimitris Manoussakis
Head of Office, Head of Valuations
+30 21 0699 6311
dman@savills.gr

Agency & Advisory

Konstantina Dotsikas
COO, Director, Residential RE Agency
+30 21 0699 6311
k.dotsikas@savills.gr

Loukas Papatthanasiou
Senior Associate, Commercial RE Agency
+30 21 0699 6311
l.papatthanasiou@savills.gr

Danae Tsakiris
Director, RE Advisory & Agency
+30 21 0699 6311
d.tsakiris@savills.gr

Research

Konstantinos Lykostratis
Associate Director, Asset Mngt & Research
+30 21 0699 6311
k.lykostratis@savills.gr

Panagiotis Manoussakis
Senior Associate, Valuation, RE Advisory & Research
+30 21 0699 6311
pman@savills.gr

This document has been prepared solely for information purposes with regard to the current state, trends and prospects of the Greek office property market. 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.

Athens

Head Office
64 Louise Riencourt Str.
115 23 Athens

+30 21 0699 6311
kentriki@savills.gr

Thessaloniki

53 Vasileos Irakleiou & Karolou
Ntil 54623 Thessaloniki

+30 21 0699 6311
thessaloniki@savills.gr

Corfu

26 Guilford street
49100 Corfu Island

+30 21 0699 6311
corfu@savills.gr



KENTRIKI

savills

International
Associate