

GR Research 2024



SPOTLIGHT

Savills Greece Research

Athens Office Market

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Submarkets ● Vacancy Rates ● Rental Levels ● ESG ● Investment Market ● Trends & Challenges

Overview

The office sector has witnessed an uptick in demand in recent years. This has translated into a growing demand for office spaces, particularly in prime locations of Athens. As the Greek economy stabilizes and investor confidence improves, companies, both domestic and international, are showing renewed interest in setting up or expanding their operations in Athens. This increased demand has been driven by sectors such as technology, finance, consulting, and shared services.

Prime locations within Athens, such as the central business district and areas with good transport links and amenities, continue to be highly sought after by businesses.

It's important to note that the Covid-19 pandemic has had an impact on the office sector, with remote work arrangements and shifts in work patterns influencing the demand for office spaces. The above trends indicate a positive trajectory and the dynamic nature of the office sector in the Greek real estate market in Athens. With improving economic conditions, technological advancements, increased investment, evolving work dynamics, and a focus on employee well-being the office sector is expected to continue growing and adapting to meet the changing needs of businesses and professionals in the coming years.

Submarkets

1 North Submarket

The North submarket is the strongest and most mature office submarket of Athens in terms of stock and quality, with focal locations along and around Kifissias Ave., and along certain stretches of Attiki Odos and the National Road E75. Kifissias Avenue is a prime office "corridor" therefore has not suffered any pressures during the pandemic. This is well-proven by the unaffected high rental levels and the appetite shown by both domestic REICs and private equity funds for new office high standard developments.

2 Center Of Athens

The centre of Athens submarket consists of the CBD and the CBD periphery, mainly characterized by old stock; however, with exceptional connectivity. The office stock in the area is to a great extent obsolete and therefore of Grade B specifications mostly developed in the '70s -' 80s. On the other hand, there is a growing trend for refurbishment and repositioning of Grade B buildings focusing on modern workplaces with higher environmental standards.

3 South Submarket

The South submarket, also known as the "Southern Triangle", mainly comprises of office stock along and around three main thoroughfares namely Syggrou, Vouliagmenis and Poseidonos Avenues. This area attracts high-profile occupiers, primarily because of the significant development appeal of the Southern Sector of Athens and the Athenian Riviera which has led to infrastructure improvements. The South submarket is mainly characterized by privately owned office buildings (insurance and shipping companies) with the investment activity being on the rise, a trend that will be particularly enhanced by the developments in the Ellinikon, the largest regeneration project in Europe.

4 West Submarket

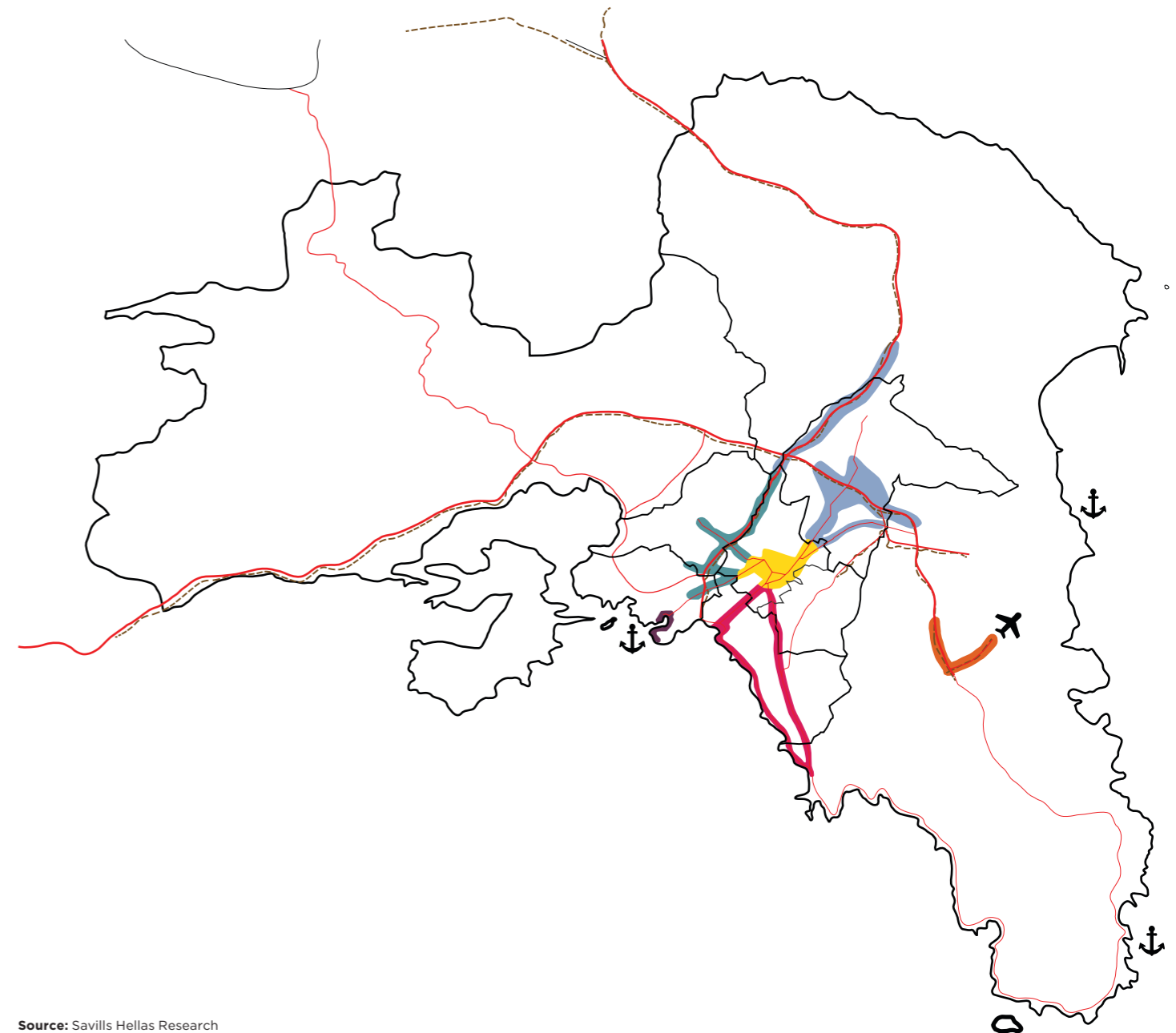
The West submarket is currently attracting modest interest, reflected in the size and quality of stock. Although the area's office potential is great, it yet remains unappealing to both investors and occupiers as recorded by demand levels. Nevertheless, strategic interventions and government initiatives (e.g. "Votanikos Project") are expected to overturn the area's dynamics and generate increasing growth.

5 East Submarket

The East submarket holds a modest share in the Athenian office market, with the available stock being of lower specifications. The only Grade A scheme is located in close proximity to the airport, stretching over 30,000 sq.m. The market is believed to be the next hot spot for large scale office investments, with new important projects in the pipeline (e.g. Cambas Project).

6 Piraeus Submarket

Piraeus is an emerging office submarket, featuring occupiers primarily from the shipping and the telecommunications industry. Following a massive regeneration plan organized by a private development company, the available stock is now mainly concentrated in the "Papastratos" area with new investments complementing the dynamic offering with more than 50,000 sq.m. of modern offices. The latter is a great example of how strategic investments can shape a submarket.



Source: Savills Hellas Research

savills.gr/insight-and-opinion

Vacancy Rates

The limited supply of “green” certified buildings and the growing demand and absorption of high-quality office spaces have led to lower vacancy rates of Grade A offices in almost all Athens’ submarkets over the last two years. In addition, the Grade B stock located at strategic locations in the city (i.e., near metro stations, highways, etc.) and the CBD are showing satisfactory absorption levels mainly by small companies with average size requirements (standing at 250 - 500 sq.m.) looking for well-located office spaces.

Focusing on the CBD and CBD periphery, limited supply of new quality offices has led to low vacancy rates (solely for Grade A office spaces) in the order of 3%. Piraeus is currently witnessing strong appetite by foreign occupiers; thus, the compressed vacancy rates observed for Grade A office spaces are expected to further squeeze in the year to come, especially due to the fact that not too many new developments are in the pipeline.

- The lowest average vacancy rate is observed in the North submarket, which is the prime business area of Athens. Areas close or around the Attiki Odos and Kifissias Ave. junction (the so-called “Daktylidi”), Soros and Kifissias Avenue are of great interest to many foreign and domestic businesses. The average vacancy rate is in the order of 7% showcasing the strong demand primarily for Grade A but also the satisfactory demand levels for Grade B stock.
- Average vacancy rate for the CBD and its periphery stands at 8%, for both Grade A & B stock. It is noted that the majority of the stock is of lower specifications, since most of it was developed in the 60s and 70s. Demand is focused on well-located assets in focal points of the city, as well as refurbished in buildings which have been environmentally upgraded, offering lower operational expenses.
- The South submarket witnessed an improved demand since last year, leading to lower average vacancy rates not surpassing 9%.
- The limited presence of high-profile users (a trend established before the economic crisis) and the low attractiveness of the Western Athens submarket for both end users and investors has resulted in a rather poor performance over the last decade. As a result, vacancy rates for Grade A and B offices are constantly moving at high levels of c. 19%, thus maintaining a negative position in the whole Athenian office market.

Rental Levels

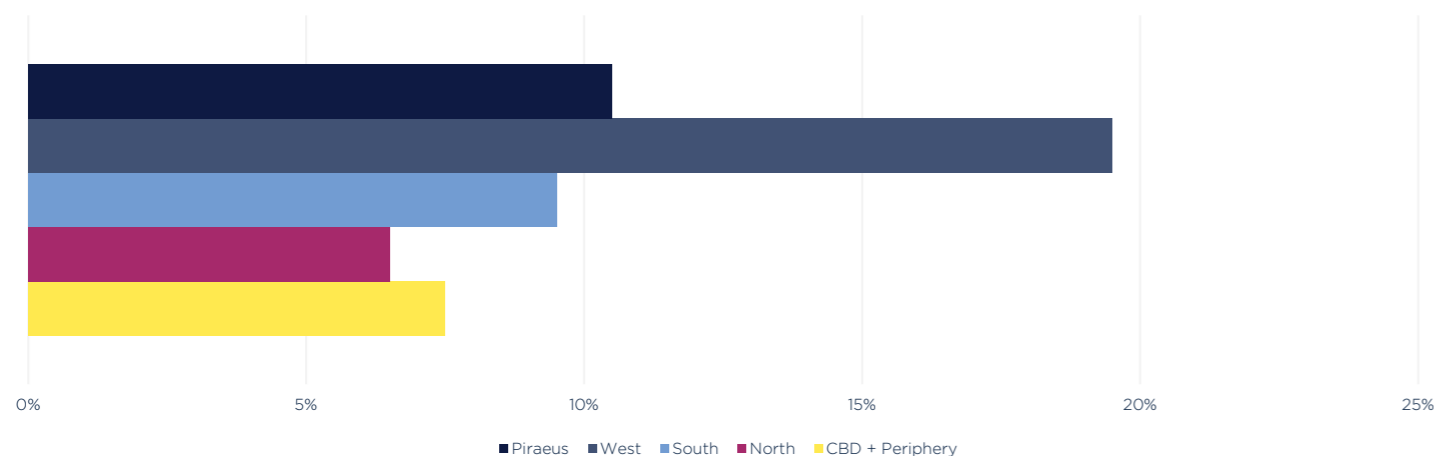
Athens remains a relatively cost-effective option compared to other European cities. The competitive rental rates, combined with the improving business environment, make Athens an attractive destination for companies seeking affordable office spaces. Thus, the office market, coupled with the lack of quality supply and the drastically increasing demand for Grade A assets, is expected to show resilience and a stable pattern of growth in the forthcoming years.

As demand for office spaces increases, rental levels in prime locations have surged, reaching again the pre-crisis high levels. In fact, all major submarkets experienced an increase of rental levels over the last 12 months, with many areas reaching a peak especially with regards to prime office stock. This is in contrast with the rest of Europe, where the majority of the cities are facing rent reductions in the aftermath of the pandemic and as work from home or a hybrid work model is becoming the new norm.

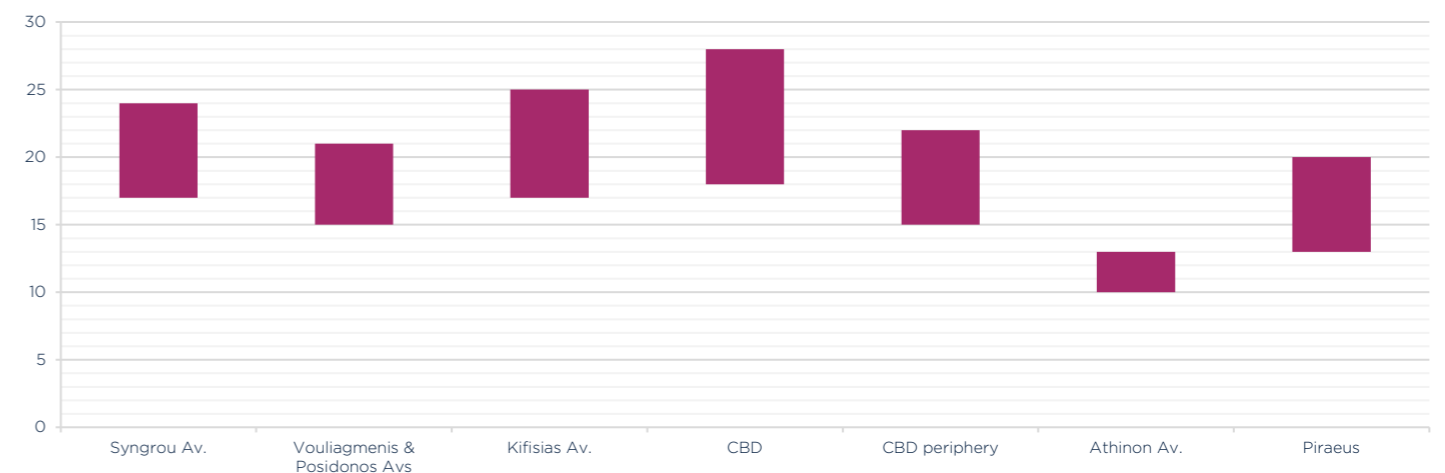
More specifically, the Athen’s office market has experienced a stabilization of rental levels during the pandemic, with considerable growth observed after the seize of lockdowns. To this end, achievable rents have increased and are significantly higher for Grade B and A properties located in the CBD, ranging between 18€ to 28€/sq.m./month respectively. The gap in rental performance is mainly related to the age, the design and specifications, the state of repair and the quality of the available stock in the two categories.

The Athens North submarket maintains high levels of attractiveness regarding demand for prime properties. Kifissias Avenue remains on the driving seat, offering high quality stock although with some age due to the limited number of office schemes that were developed during the financial crisis, with Grade B and Grade A offices achieving rental levels at c. 17€ to 25€/sqm/month respectively. On the other hand, certain lease agreements for brand new schemes are set at higher levels exceeding 26.0€/sqm/month for sustainability certified office spaces (i.e. LEED, BREEAM, WELL).

Average Vacancy Rate of Grade A&B office space, 2023



Rental Levels for prime office space, in Athens’ core submarkets, 2023 (€/sqm/month)



ESG



Recently, the ‘green’ certified buildings trend is observed in the domestic market, with investors adopting ESG criteria into their new schemes reaching new height with regards to rental value for their investment properties. Thus, most of the new developments currently in place are looking into a ‘green’ building specification (i.e., LEED or WELL).

This trend mostly relates to domestic institutional investors and property funds (operating in Greece) with large commercial portfolios, or global corporations with significant in size owner-occupied assets. Furthermore, these entities are investing in upgrading their lower specification assets in order to benefit both financially and operationally. It has been recorded that these assets are commercially more attractive and branded as environmentally friendly.

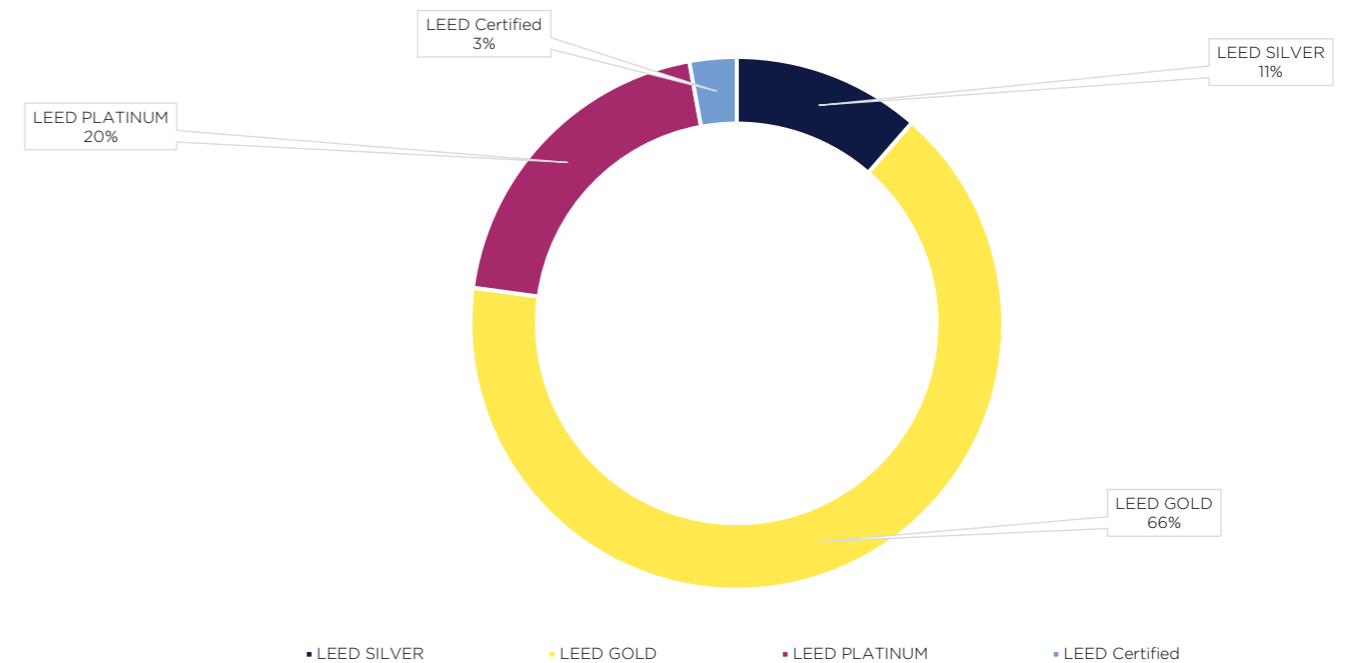
The most known relative certification in Greece is LEED (Leadership in Energy and Environmental Design) created by the American Green Building Council (USGBC), while another important certification gaining more attention recently is the WELL certification which looks more into the “S” component of ESG and tries to improve the well - being of the users in the building.

Furthermore, due to this global trend of “green” buildings new terms are coming up in real estate language. “Green-premium” refers to properties with green specification that reach new heights with regards to rental pricing, while “brown-discount” refers to properties that don’t include green specification leading to a discount in their achievable rental prices as demand for this kind of assets is decreasing constantly.

Properties with the best sustainability certifications typically have lower energy consumption and thus reduce operating costs for the tenants. On the landlord side, this provides an incentive to invest more in the buildings, thus charging higher rents reflecting the value of sustainable and energy efficient facilities.

The increasing awareness of properties’ sustainability and environmental footprint will not only influence landlords and investors, but also drive a wider transformation within the construction and property industry. The expectation of more sustainable and energy efficient buildings will lead to further innovation, development of green technologies and new standards for construction and property management in the future.

Total LEED Certified Office Buildings 2023



Source: Savills Hellas Research/USGBC

Investment Market

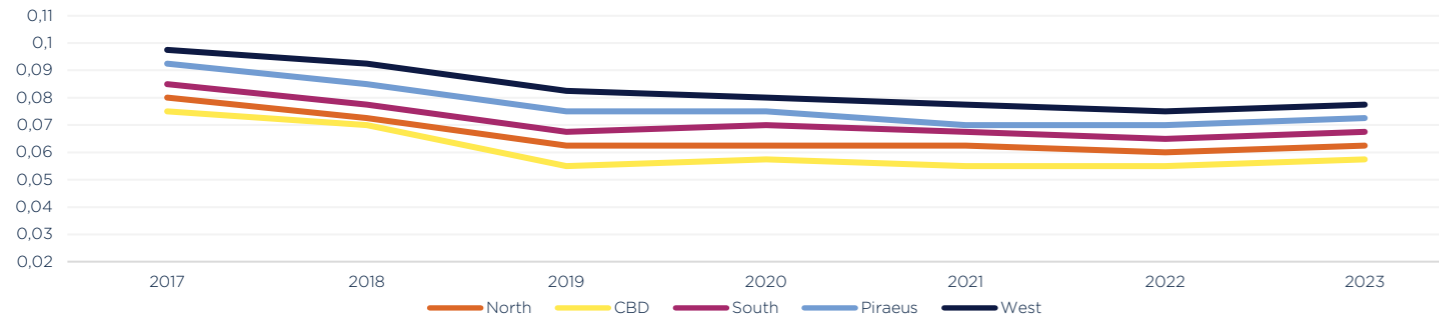
In contrast with all other European office markets, yields remained stable until the first half of 2023 in the Athens submarkets. The European negative momentum affected the Greek office market from Q3 2023 onwards, with the year closing with a slight increase noticed in prime yields of approximately 25 bps. Such an increase in yields is linked to the high inflation pressures that both the European and Greek economy is facing, thus creating hindrance to investors' appetite.

So far, the Athens office market appears to be relatively unaffected by the prevailing trends in workplaces, mainly due to the lack of quality offices, which is the type of product that institutional investors focus their interest. Currently, the most active institutional investors in the market are the Greek REICs, performing the largest volume of transactions.

- Yields remained stable in H1 2023 for Grade A office spaces, with CBD yields standing at levels close to 5.75% for top quality stock, located in prime spots such as Syntagma square, Vassilisis Sofias and Amalias Avenue.
- The North submarket witnessed major interest during last year and especially for office spaces located along Kifissias Ave., and the area around Dactylidi. Currently, the average yield for prime properties is in the order of 6.25%, although there were transactions closing at even lower levels (c. 5.50%) in the beginning of 2023 for properties meeting ESG criteria.

- The South submarket attracted great interest from both international and domestic investors. Currently the highest demand for office space is focused on Syggrou and Poseidonos avenues. Yields for recently developed office buildings are in the order of 6.75%, although there were transactions closing at lower levels (c. 6.25%).
- The revamped Piraeus office market, after years of degradation is now experiencing again transactions closing at reduced levels in the order of c.7.25%, while new developments currently in place around the port (e.g. Piraeus Tower, Papastratos), are expected to further forge yield compression.
- The West submarket is characterized by a slow moving investment activity and as a result follows a similarly slow downward trend with regards to yield levels, with the prime yields reaching a plateau in the order of 7.75%. These yield levels are rather satisfactory for international investors who are planning to place this market in their future investment strategies.

Prime Yields of offices, per submarket



Submarket	Prime Yield (Grade A - B)
CBD	5.75 % - 6.75 %
CBD Periphery	6.50 % - 7.50 %
North	6.25 % - 7.25 %
South	6.75 % - 7.50 %
West	7.75 % - 8.25 %
Piraeus	7.25 % - 7.75 %

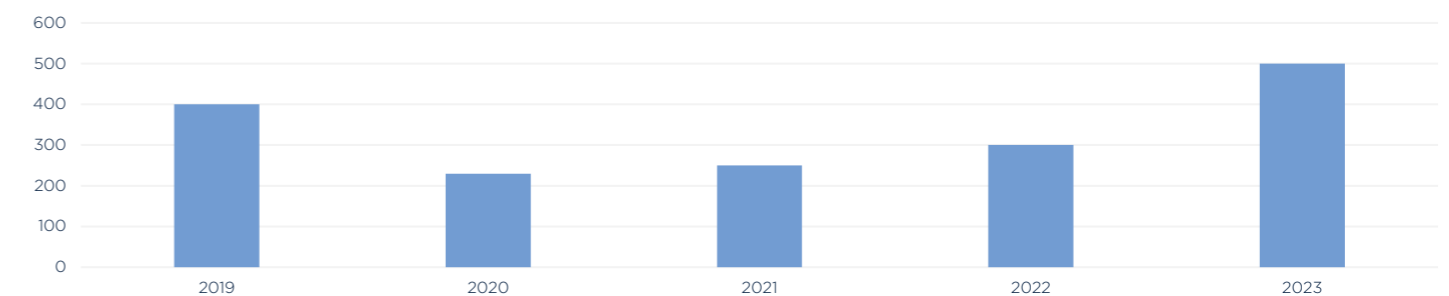
Source: Savills Hellas Research

The Greek government has implemented various initiatives and incentives to attract businesses and foreign investors to the country. These include measures to simplify bureaucracy, streamline licensing procedures, and tax incentives for certain investment activities. These initiatives further contribute to the positive sentiment, encouraging especially foreign corporations to establish new offices in Athens. International investors and REICs have shown interest in the Athens office market, often bringing expertise, capital, and international networks, contributing to the development of modern office spaces. Their investments help revitalize existing office buildings or construct new, state-of-the-art office complexes that meet the requirements of contemporary businesses.

The most important and active investors are primarily the Greek REICs, international private equity funds and family offices such as: Prodea, Trastor, Orilina Properties, BRIQ, as well as Grivalia Management through Eurobank (ex-Grivalia REIC), Brook Lane Capital, Dromeus Capital Group, Ten Brinke etc. The above-mentioned institutional investors and private equity funds were involved in office transactions that reached c. €500 mln. in 2023. The investment volume is the highest that was recorded in recent years, showcasing the appetite of investors for offices and the market's need for high-quality stock. In this context, a characteristic large-scale portfolio transaction was that of Project "Skyline", which was acquired in Q1 2023 for €438 mil, with approximately 37% of the total number of assets in the portfolio being offices located all over Greece.



Office Transaction Volume, over the last 5 years



Source: Savills Hellas Research

Trends & Challenges



- **Workspace flexibility**

Followed by the Covid-19 pandemic, the rise of remote work and flexible office solutions have influenced the Athens office market. Co-working spaces and serviced offices have gained popularity, catering to startups, freelancers, and businesses seeking agile and cost-effective workspace options. Some traditional office buildings have also started offering flexible lease terms and shared amenities to adapt to changing work dynamics. This trend has influenced office space requirements, with businesses reevaluating their office layouts and considering flexible workspace solutions that can accommodate a mix of in-person and remote work.

- **Technology**

Technology is playing a crucial role in modern office spaces. The integration of smart building systems, high-speed internet connectivity, secure data networks, video conferencing capabilities and advanced communication infrastructure are becoming standard requirements for businesses. Office spaces that offer state-of-the-art technology capabilities have a competitive edge in attracting tenants.

- **ESG - (Sustainability and Well-being)**

There is a growing emphasis on sustainability and employee well-being in office design and construction. Developers and tenants are increasingly focused on energy efficiency, green building certifications, and creating healthy work environments. Thus, environmentally friendly practices, energy-efficient systems, and renewable energy solutions are implemented to reduce the carbon footprint of office spaces. Green building certifications such as LEED (Leadership in Energy and Environmental Design) are also becoming more prevalent. Moreover, features like natural lighting, open spaces, and amenities promoting

physical and mental well-being (such as fitness centers, meditation rooms, outdoor spaces, and recreational areas) are becoming important factors in office spaces enhancing the work environment and promoting a healthy work-life balance for employees.

- **Emphasis on Collaboration and Community**

Office spaces in Athens are increasingly designed to foster collaboration, creativity, and community engagement. Collaborative areas, shared spaces, and amenities such as cafes, lounges, and event spaces are continuously incorporated. These features promote interaction among employees and create a sense of community within the office environment.

- **Health and Safety Considerations**

The Covid-19 pandemic has heightened the focus on health and safety in office design and operations (health and safety certifications for office buildings). Businesses and developers are implementing measures such as improved ventilation, touchless technology, and flexible layouts to ensure the well-being of occupants. The implementation of health and safety protocols has become a priority for both tenants and landlords. Certifications such as WELL Building Standard and Fitwel are being sought after, as they provide guidelines and best practices for creating healthy indoor environments that prioritize air quality, sanitization protocols, and occupant well-being.

- **Collaboration with Educational Institutions**

There is a growing trend of collaboration between office developers and educational institutions in Athens. This includes partnerships with universities and research centers to create innovation hubs and co-working spaces that foster collaboration between businesses, startups, and academia.



Savills Hellas

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