STATUS OF GREEK REAL ESTATE MARKET

Various parameters, such as the overall economy, the trends in the real estate market and the consumer spending patterns among others, affect the business risk of each real estate market. On a property level the parameters that affect the involved business risk include but not limited to, the financial profile of the tenants, the lease period, and the lease terms. When the risk is reduced then the yield is reduced and consequently, the value of the property increases.

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Economic Overview

While the effects of the COVID-19 pandemic have been broadly similar for individuals, families, societies, and economies globally, the policy responses have varied significantly between countries. The human costs of this deadliest crisis since the pandemic flu of 1918–19 have been devastating. The increasing death toll in most countries in Europe from the spreading virus—even after the initial flattening of the curve—will have long-lasting, worldwide consequences for livelihoods, as countries impose strict lockdowns that include travel restrictions and business shutdowns. These restrictions—more targeted—will continue in the winter as the infections continue to increase. Public health systems have been stretched to their limits and governments focus on measures such as shutdowns, mask-wearing, social distancing, and contact tracing, while the search for treatments for symptomatic infected individuals and an effective vaccine are intensified.

Most governments around the world are attempting to come to terms with the economic and societal damage to incomes, employment, social relations, etc., brought by this crisis. Unemployment levels have risen dramatically and many of the jobs lost may disappear forever, while workers who were recalled or work remotely are experiencing cuts in hours and wages; many such jobs are in the hardest hit sectors, such as manufacturing, services, arts and entertainment, travel-related activities, and financial services. Many commentators suggest that before the end of this crisis, we should expect more job losses to occur as demand decreases and relaxed fiscal and monetary policy stances ultimately come to an end. In addition, the economic damage extends to increases in private debt, indicating difficult long-term implications.

In the case of Greece, the pandemic abruptly ended a fragile recovery of the country's economy, and a severe contraction is projected, with real GDP falling by 10.4 percent in 2020. Some of the fiscal stimulus programs are expected to be funded by government reserve funds and European-funded structural programs to have been implemented, offsetting some of the pandemic's distortions. To date, there is no evidence of a significant impact from any of the programs announced and/or implemented. It could be argued, however, that matters might have been worse if no governmental action had been taken at all.

After the summer, the COVID-19 contagion started again, and in October the average number of deaths attributed to the virus was higher than in the pandemic's first wave in March (Figure 1), prompting the government to take further action in restricting economic activities for the winter months. Moreover, more government attention has turned to the challenged public health system and the risks it entails as infection and hospitalization rates spiked again beginning in October. Given the impact of this second wave of contagion, not only in Greece but in all European countries, the European Commission (2020) has revised downward its growth projections for 2021, and prospects for the beginning of a recovery before the end of 2020 have died **out.**

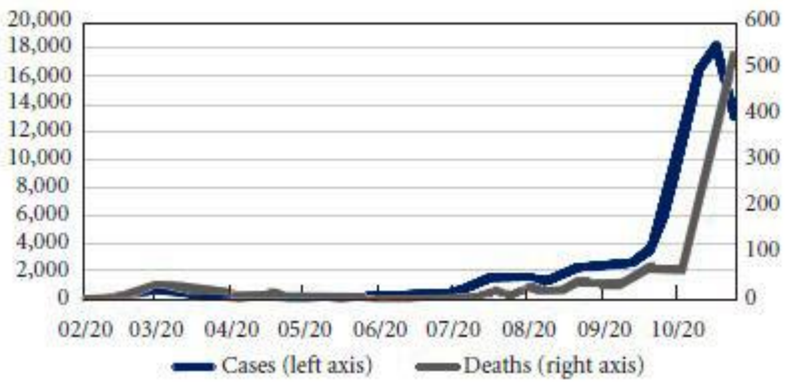


Figure 1 Greece: New Cases and Deaths Attributed to COVID-19

Source: Wikipedia

Recent Evidence on the Impact of the Pandemic

The data now available for the first half of 2020 have indeed confirmed the contraction we projected, with a fall in real GDP of 15.2 percent year-over-year in 2020Q2, following a contraction of 0.5 percent in the first quarter. Data on GDP and its components for 2020Q3 are not available yet, but receipts from tourism from the balance of payments show a fall of €5.8 billion (75 percent!) for July and August against the previous year, and a fall of 13 percent year-over-year in the exports of goods for the same months. The worsening trend in travel receipts continued in September as well. The Bank of Greece reported that for the period of January to September 2020, travel receipts amounted to €3.5 billion, versus €16.1 billion in the same period in 2019—a decline of 78.2 percent—while there were 6.2 million fewer foreign visitors year-over-year.

The industrial production index in August 2020 was 3 percent below the same month from the previous year, while the volume index in retail trade in July was 2.7 percent below its previous level year-over-year. Even though the pandemic seemed to have come to an end in 2020Q2, neither trade nor domestic demand restarted once the emergency measures taken to reduce contagion were lifted.

The gross value added in the first half of 2020 decreased for the majority of sectors. Specifically, the "wholesale and retail trade-catering-accommodation, etc." sector experienced a significant decrease of 19.5 percent, greater than the EU average. A drop greater than the EU average is also observed in the arts (-22.3 percent), professional, scientific, technical, and administrative activities (-12.7 percent), financial activities (-8.3 percent), and agriculture (- 6.8 percent). The real estate management sector, which is twice the size of the European average, shrank marginally by -0.7 percent.

Significant exceptions to the Greek economy's general contraction in production were observed in the construction and public administration sectors. These sectors have a large share in the total value added of the Greek as well as the European economies. More specifically, the construction sector in Greece recorded a notable increase of about 20.6 percent, accelerating the positive dynamics it has developed in the last two years, while public administration increased its production value by 1.1 percent, mainly to meet the increased demand for health care.

Moreover, in 2020Q3, turnover fell by 15.8 percent, as compared to the same quarter of 2019. In fact, turnover in the finance and the food and accommodation sectors was reduced by 47.2 percent and 50.4 percent, respectively. In manufacturing, turnover fell by almost 13 percent, while in logistics the fall was equal to 31.3 percent. On the other hand, the public administration sector's turnover increased by 10.6 percent.

We turn our focus now to the 205,980 Greek firms whose activities were suspended in March. Alongside the attrition in the accommodation and food sectors, which experienced a decrease of 31 percent and 61 percent, respectively, it is commonly known that the arts and entertainment sectors suffered a very severe blow from the pandemic. The decrease in the number of art and entertainment firms, the activity of which was suspended, was equal to 45.1 percent, in addition to the decrease in film and gaming firms, which was even higher to the tune of 61.6 percent.

Regarding the effects in the financial sphere of the economy, the deleveraging of the household sector continued steadily during the first nine months of 2020. Net new loans toward households declined by €165 million per month on average (Figure 2). Nonetheless, the drop has been somewhat mitigated since April, presumably due to the reduction of income flows. This is also reflected in the rise of the amounts in arrears. According to the latest data provided by the Bank of Greece, in March and June arrears increased by more than €200 million. This also applies to the nonfinancial corporations (NFCs), the arrears of which increased by €565 million in March, €663 million in June, and another €797 million in July. Yet, net new loans granted to them rose significantly since March. Given the reduction of investment in the same period, new credit aimed at providing liquidity due to the higher state of uncertainty.

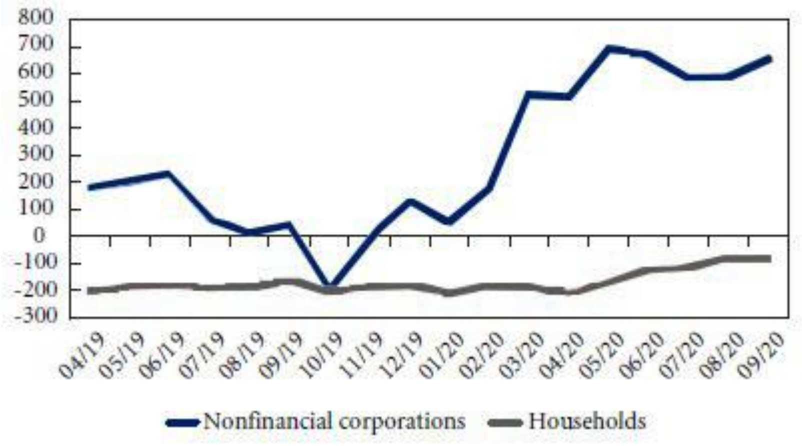


Figure 2 Greece: Net New Loans Granted by Domestic Financial Institutions (€ millions, four-period moving average) Source: Bank of Greece

This is also reflected in the evolution of their stock of deposits, which were increasing quite modestly prior to the pandemic's outbreak (Figure 3). Since March, their growth rate has risen considerably. Between February 2019 and February 2020, deposits were growing at a rate of 0.8

percent since March, the growth rate increased to 4.1 percent. On the other hand, the steady growth of household deposits slightly slowed after the first lockdown. The corresponding growth rate fell from 0.52 percent to 0.36 percent. It appears, then, that households rely more on their deposits to finance consumption and meet their debt service obligations.

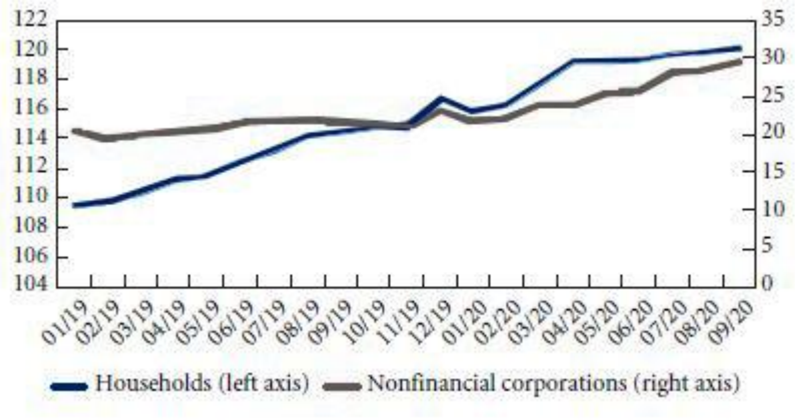


Figure 3 Greece: Deposits of Households and Nonfinancial Corporations (€ billions)

Source: Bank of Greece

Given all of the above, the economic impact of the pandemic crisis could potentially destabilize the financial sector. The current financial state of both households and NFCs is fragile, given the reduced cash flows and the associated illiquidity. The reduction of nonperforming loans (NPLs) stopped in 2020Q2 (Figure 4).

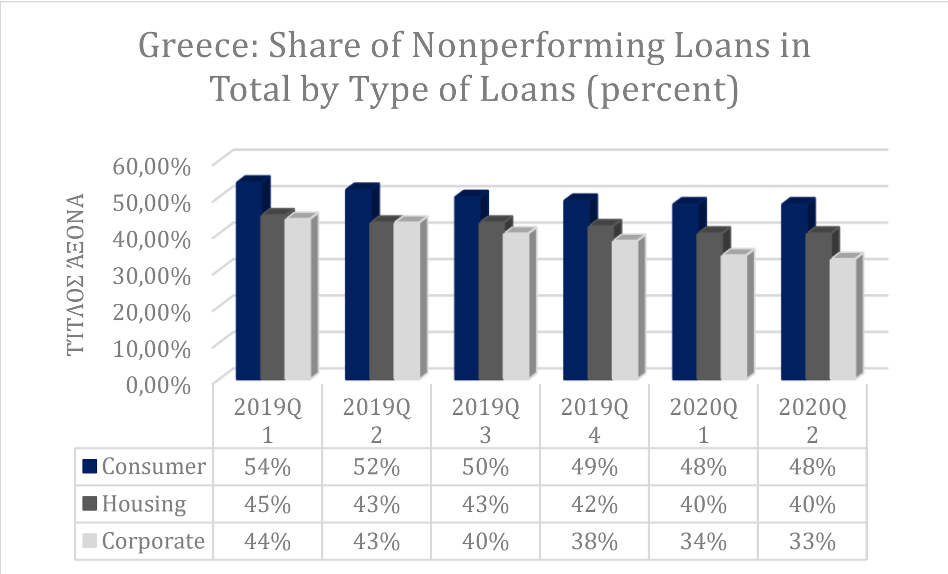


Figure 4 Greece: Share of Nonperforming Loans in Total by Type of Loans (percent)

Source: Bank of Greece

This is particularly evident for consumer and housing NPLs, while the reduction in corporate NPLs was marginal. The private sector's illiquidity is expected to increase as more lockdowns are expected to continue though spring 2021.

The consequences of this induced financial fragility will be unequal, given that a significant part of the population is already in financial distress. At the time of this writing, 1,517 foreclosure auctions had been scheduled to take place through the end of the year. The overall financial distress led Greek authorities to announce that during the lockdown all enforcement measures will be suspended and there will be a further delay of the auctions. Even if the delay relieves those who are in an unfavorable financial situation, the issue of private debt still hangs over the Greek economy. The private sector's stock of loans in arrears (€234 billion) comprise €106 billion owed to the public sector and €92 billion to banks and other financial institutions managing private debt, while the rest of €36 billion are arrears toward insurance companies.

Households' worsening conditions in an already fragile environment and the NFCs' illiquidity are expected to have a contagion effect on the balance sheet of the financial sector. In fact, one of the four largest banks in the Greek banking sector, Piraeus Bank, is already facing financial distress. Profits in 2020Q3 dropped sharply as compared with the previous quarter on the back of higher loan impairment provisions and weaker trading income. The bank, which is 26.2 percent owned by the Hellenic Financial Stability Fund (HFSF), a bank rescue fund, reported a net profit from continued operations of €3 million, down from net earnings of €85 million in the second quarter. Piraeus Bank reported that loan impairment provisions rose 10 percent quarter-over-quarter to €175 million between July and September, up from €160 million in the second quarter. There is a high chance that the bank will be nationalized, increasing the HFSF's holding in it from 26.2 percent to 61.3 percent. If the nationalization does take place, it will be for a short period, with procedures toward a share capital increase starting immediately, so as to strengthen private investors' participation in the bank, along with its loans shifting to the development of a "bad bank" contemplated by the Bank of Greece.

Given the above, in order to reduce the possibility of a liquidity squeeze and improve the private sector's financial conditions, appropriate fiscal measures ought to be in place. Much of the current fiscal measures are dedicated to the provision of loans to firms; loans that, on the one hand, provide liquidity, but on the other fuel insolvency dynamics. In this respect, it would be more appropriate to provide liquidity to both the household and NFC sectors through grants and subsidies. In this report, we update our previous analysis in light of new statistical evidence and discuss the prospects for the Greek economy over the 2021–22 period, conditional on the availability of additional European funding and the implementation of adequate investment and employment strategies.

Projections for 2021-22

Baseline Projection

The properties of any macroeconomic model are seriously affected by a major shock to both supply and demand, such as the one given by the pandemic and the shutdown of most economic activities. Moreover, with quarterly data, so far we only have two observations in the available sample for evaluating the pandemic's impact, which are too few to obtain a reliable estimate of possible modifications in the parameters governing the model's behavioral equations. We have, therefore, chosen to restrict the estimates to the pre-pandemic part of the sample and to use our first round of model simulations to obtain a measure of the gaps between the actual components of GDP in the first two quarters of 2020 and the model's predictions for that same period. In this way, we evaluate that private expenditure in Greece has been €1.7 billion (5 percent) below what would have been predicted on the basis of its key determinants in 2020Q1, and €4.3 billion (14 percent) lower in Q2. Exports of goods were also lower by €1 billion (16 percent) in the second quarter compared to the model prediction. These values are the basis on which we can evaluate the deviation of private expenditure and exports due to the pandemic, on top of the effects that the shutdown has imposed on income, wealth, and the other determinants of GDP components.

In order to project the model variables over the 2020–22 period, we assume that, after a brief improvement in 2020 Q3, private expenditure will suffer a hit in Q4 similar to that registered in Q2. We further assume that the shutdown's effects will be gradually reduced in the first half of 2021 and the situation will gradually improve starting in 2021 Q3.

Our fiscal policy variables are assumed to stabilize by the projected end of the shutdown's effects in 2021 Q2, and we further assume that public expenditure will be lowered in Q3, when emergency funds to offset the shutdown would no longer be needed and concerns about the size of the public deficit would again be taken into account.

In line with our previous projection, we assume that monetary authorities will continue to guarantee an accommodative monetary policy. The determinants of foreign demand for Greek exports of goods and services, including tourism, are taken from the latest projections from the IMF's October 2020 "Economic Outlook."

On the basis of these assumptions, the model projects a fall in real GDP of 10.8 percent in 2020: given the more pessimistic assumptions emanating from additional shutdowns in response to the second wave of COVID-19 infections, our projections are somewhat worse compared to the 10.4 percent contraction we projected in May. Since the impact of the new shutdowns will also be felt in the first half of 2021, our projected recovery is also more feeble than that previously projected (see Table 1).

	2019	2020	2021	2022
Baseline				
Real GDP (growth rate)	1,90	-10,80	3,40	5,30
Gov. total surplus (percent of GDP)	1,00	-10,60	-10,10	-7,40
Gov. primary surplus (percent of GDP)	3,90	-7,50	-6,80	-4,20
Current account (percent of GDP)	-2,10	-5,60	-7,60	-7,00
External balance (percent of GDP)	0,90	-3,50	-5,40	-4,90
Scenario 1: Recovery Fund				
Real GDP (growth rate)	1,90	-10,80	6,10	8,60
Gov. total surplus (percent of GDP)	1,00	-10,60	-8,80	-5,00
Gov. primary surplus (percent of GDP)	3,90	-7,50	-5,70	-2,00
Current account (percent of GDP)	-2,10	-5,60	-5,50	-3,10
External balance (percent of GDP)	0,90	-3,50	-3,30	-1,20
Scenario 2: Job Guarantee Program				
Real GDP (growth rate)	1,90	-10,80	6,80	9,90
Gov. total surplus (percent of GDP)	1,00	-10,60	-9,10	-5,60

Gov. primary surplus (percent of GDP)	3,90	-7,50	-6,00	-2,70
Current account (percent of GDP)	-2,10	-5,60	-5,50	-3,30
External balance (percent of GDP)	0,90	-3,50	-3,40	-1,40

Table 1 Greece: Key Indicators under Alternative Scenarios

Source: Values data

Scenario 1. Recovery Funds

Our new recovery fund scenario assumes that Greece will start receiving its share of grants from the European budget in 2021Q3. We assume that €2 billion will be spent each quarter until the end of the simulation period in 2022. Should European funds materialize with the timing and size we estimate, our projection shows a more sustained recovery in 2021 and especially in 2022; GDP might, however, accelerate, if the new stimulus triggers additional investment from private investors. On the other hand, European funds will have to be channeled to predefined targets, which may not necessarily match the Greek economy's priorities given their extremely high level of unemployment. We therefore evaluate the impact of a public service job guarantee program in a second scenario, similar to the one proposed in Antonopoulos et al. (2014), and to which we turn next.

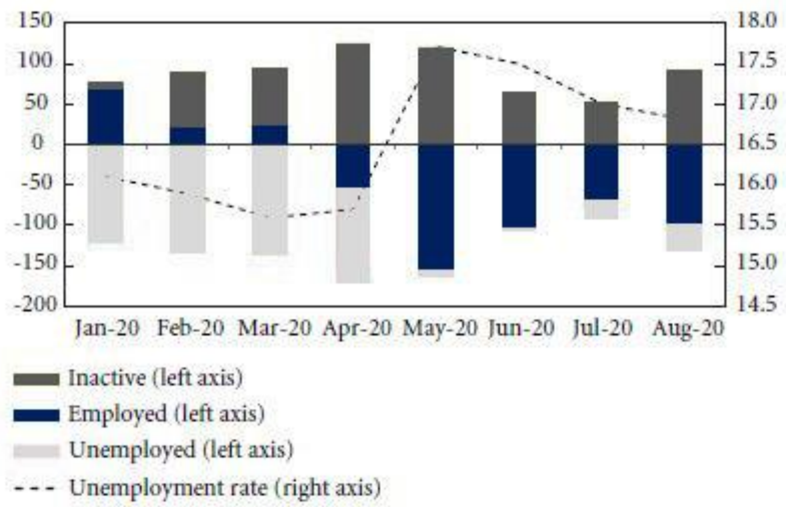


Figure 5 Greece: Change of Employed, Unemployed, and Inactive Persons (thousands of people, year-over-year) and the Unemployment Rate (percent)

Source: ELSTAT

Scenario 2. Increasing Employment

The most recent (August 2020) seasonally adjusted employment numbers show an unemployment rate of 16.8 percent, with more than 770,000 people looking for a job. Despite the large number of unemployed persons, the picture is far from being indicative of the current labor market conditions. Employees in suspension for a duration that exceeds three months and/or receive less than 50 percent of their wage are registered as inactive. This explains the surge of inactive persons since April, as denoted in Figure 5. It is, therefore, far more important to focus on employment, on which the first lockdown in March had a severe effect. Compared to the respective months in 2019, employment was reduced by 50,000 persons in April 2020 and 155,000 persons in May. Since then, changes in employment remain in negative territory and, given the renewed lockdown, are expected to remain so until the end of the year.

Furthermore, the brunt of the adjustment during the pandemic crisis has been laid mostly on flexible forms of employment. During the first lockdown more than 30,000 persons in part-time and temporary employment lost their jobs (INE GSEE 2020a). Between March and September of 2020, layoffs exceeded new hires; net flows of flexible contracts have declined at a -7.5 percent rate. By contrast, net flows of full-time jobs have been positive. The intense procyclical movement of flexible employment is a clear indication of the labor market's precarious nature. For instance, in 2020Q2, the share of employees reporting an income of €0–200 rose from 1 percent to 12 percent (INE GSEE 2020b). Once the economy is set for recovery, part-time and nonpermanent employment growth is expected to resurge, following the pattern that prevailed prior to the pandemic when more than half the new jobs were part-time or time-limited contracts. We wait to see what direction the European funds will take so as to determine how much and in what form employment will grow, since the restructuring of production to more capital-intensive sectors is imperative. This de facto implies slower growth in employment once the economy recovers, thereby reinforcing the risk of stubbornly high unemployment characterized by a significant part of jobs being of low quality.

The prospects in the labor market can be improved significantly by implementing an employment scheme that would absorb the bulk of unemployed and inactive workers by offering quality jobs. For this reason, in scenario 2 we evaluate the impact of a public job guarantee program where the government, through its local authorities and in collaboration with non- profit institutions, will provide a job at a minimum wage to anyone currently unemployed, able, and willing to work (Antonopoulos et al. 2014).

We assume the program will start in 2021Q2, progressively employing 75,000 people each quarter at a monthly unit cost of €700, which should cover both a minimum wage of €650 and associated overhead costs. We assume that the program will expand to a maximum of 300,000 people by 2022Q1, with an associated cost of €630,000,000 per quarter.

The impact on key economic variables is reported in Table 1. As denoted in Table 1, the baseline scenario projects a decline in the current year's GDP growth to -10.8 percent, worse than our previous projection and those of the government, IMF, EC, and OECD, while the primary budget deficit increases to 7.5 percent of GDP. The corresponding numbers for 2021 and 2022 project GDP growing at 3.4 percent and 5.3 percent, respectively, with primary budget deficits at 6.8 percent and 4.2 percent of GDP. The effects of the COVID-19 pandemic and the necessary government lockdowns resulted in the end of the private sector's deleveraging process, as shown in Figure 2. The private sector's stock of debt remains abnormally high and does not bode well for an economy in recession.

Conclusion

Governments around the globe have changed their fiscal and monetary policy stances to shore up businesses and jobs. The European Central Bank has increased its stimulus programs dramatically and has urged the EC to relax fiscal policy to support member states' efforts to combat the COVID-19 pandemic and its economic consequences. Once approved, the Next Generation funds, notwithstanding some member states' objections, would be one important initiative toward achieving this goal. Wealthier member states than Greece (i.e., Germany, France, and Spain) have enacted large emergency fiscal measures toward this goal. The non wealthy countries (including Greece) have also provided emergency programs, but more numerous and effective ones need to be established. In this report, we urge that European funds be used for shoring up employment, not only of the officially unemployed, but also for those who are marginally attached to the labor market. We propose enlarging the scale of the current Public Benefit Programs—established back in 2016 with favorable results—for the programs' beneficiaries and the broader economy. Our second alternative scenario shows the impact on GDP growth—depicted in Table 1 and Figure 6—and employment of such an augmented employment program.

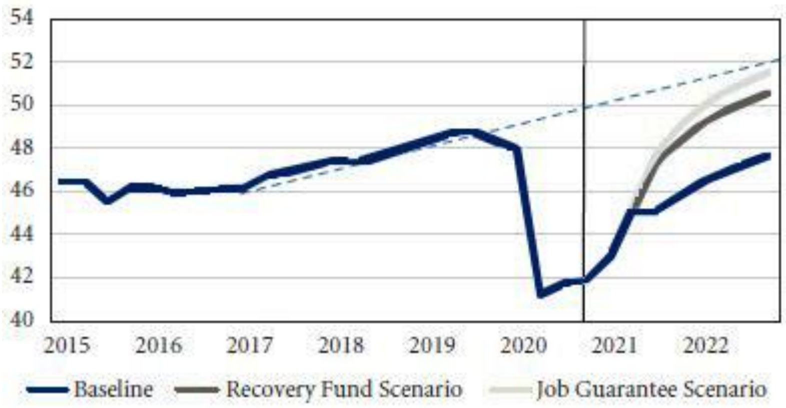


Figure 6 Greece: Real GDP under Alternative Assumptions (€ billions, 2 010 prices)

Source: Values data

The results of our projections for the "business as usual" (baseline) scenario are not very encouraging and, while more pessimistic than most other projections, show that a V-shaped recovery is not in the cards. The other two alternative scenarios bring Greece much closer to a V-shaped recovery, but still not very close to their precrisis real growth trend.

The Recovery Funds scenario projections differ from those of our earlier report in being more pessimistic for 2021—in concert with the emergence of the virus's second wave and the economic consequences of business shutdowns and further employment loss—and more optimistic for 2022, anticipating that the deployment of the Recovery Funds will begin in 2021Q3.

A more robust GDP growth rate and the consequent growth in employment can be realized with the combined effects of the Recovery Funds together with an enhanced public benefit jobs program, as illustrated in the projections for scenario 2 (Table 1 and Figure 6). It is this mix of policies that can gain traction and bear fruit in putting the Greek economy on a path to sustainable and inclusive growth.

OFFICE MARKET OVERVIEW

Demand during 2020 was driven for new office constructions of Grade A quality with green features or for redevelopment projects of older Grading offices to Grade A. We expect demand to continue rising in 2021 for Class A assets, while on the other hand we expected demand to decrease for Class B and lower quality offices. The lack of quality office spaces to satisfy corporate demand and the outdated stock resulted to a high number of refurbishments and renovations. Owners further realized that by repositioning these assets they were able to increase both rental and asset values. End occupiers were also willing to pay a premium in the rent in order to secure spaces in these types of assets.

In Athens, asking rental rates of office stock inside the CBD ranged between €17 - €25/ sqm /month, with the highest prices being recorded in Syntagma Square and at central spots along Vasilissis Sofias Avenue. In Kifissias Avenue and for high-profile properties, the asking monthly rents ranged between €18 - €25/m2/month. In the main areas of Sygrou Avenue, rents for new or newly renovated properties vary between €16 to €18 /sqm /month. The office sector is expected to remain active in main submarkets and rental rates are expected to increase further for Grade A properties. Vacancy rate of Grade A properties in Marousi and CBD is estimated at less than 3%, while vacancy rates on Grade A properties in the core submarkets varies between 5% - 7%. Vacancy rates for Grade B properties range between 13%- 17% with the lowest rate documented in Piraeus.

According to our opinion and given the number of transactions and the nature of the market as a buyer's market, it is estimated that for the prime points of the main markets the yields ranged from 6.75% to 7.75%. There were investors who were willing to complete transactions at lower levels in expectation of a recovery in rents and values in the coming years. According to our opinion, the office sector is expected to drive investments interest throughout the year. As a consequence of the increasing competition for the best products, and lack of such product on offer, compression of prime yields is expected in 2021.

We believe that the lack of stock of high-quality buildings, combined with the further aging of existing commercial real estate, creates significant prospects for the office industry. Especially, at the North Suburbs of Attica, where there are still vacant land plots there is a significant increase in building activity. One of the big office building projects in pipeline is the first greenfield project of Prodea located in Fragoklissias Street in Marousi. It is going to be a state-of-the-art, bioclimatic, five-storey building with a superstructure of 7,000 sq. m., basement - auxiliary spaces of 7,000 sq. m. and about 200 parking spaces. In the same street (Fragoklissias) there is another development concerning an office building of 4,000 sq. m., with underground parking comprising of 100 places. In close proximity, in Dervenakion Street in Marousi, Sarantis Group is developing an office building to house its activities. It is going to be consist of five floors, two basements and a total building area of approximately 2,800 sq. m. It is estimated that it will be completed in November 2021. The renovation of the office building of Trastor in Michalakopoulou has been completed and is ready to be leased. the modern office building consists of: ground floor, area 1,486 sq. m., which houses the lobby, restaurant and offices, 6 floors of offices of modern specifications, with a total area of 8,149 sq. m., an amphitheater, meeting rooms and warehouses on the -1 floor, with a total area of 1,486 sq. m. and 120 parking spaces in the underground parking.

In the South suburbs, in Syngrou Avenue there are also new office building developments. The biggest project is the development of a new green office building in the junction of Syngrou Avenue and Lagoumitzi streets. The superstructure is estimated to be approximately 15.000 square meters. Generali has already obtained almost 50% of the building (area of 8.000 square meters) to house its offices when the building is completed. The transaction price came up to approximately 25 million euros.

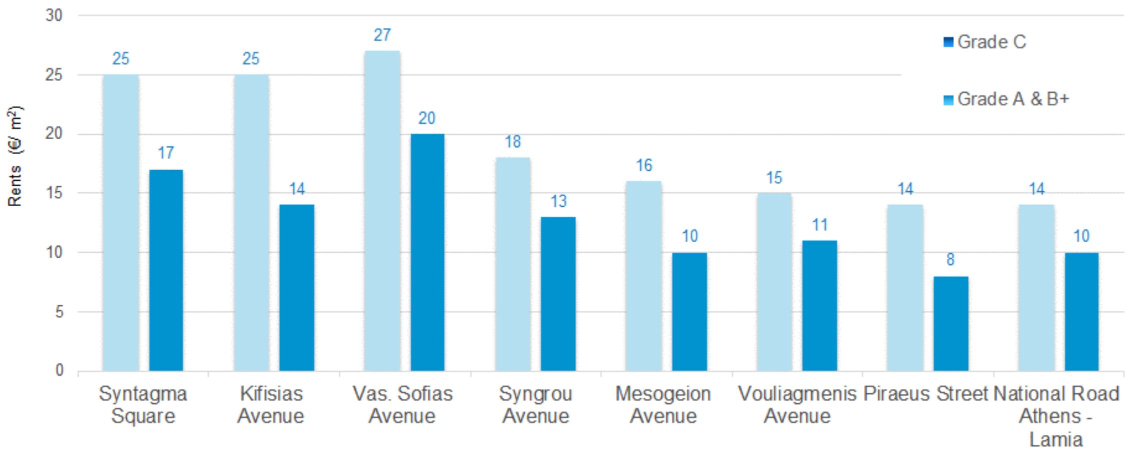
Respectively, the building, with an area of approximately 10 thousand square meters, of the former headquarters of Eleftherotypia in Neos Kosmos, whose renovation is being completed by Dimand, has been leased to a multinational group.

In Pireos street there is also intense activity. The next big project concerns the utilization of the building complex at 252 Piraeus Street in Eleonas, in the Municipality of Tavros, where Viohalco group was located since 1937. The project, with a budget of 117 million euros, will be developed in an area of 70 acres. In addition, Ten Brinke company is developing a commercial park on the plot of 15 acres at the junction of Piraeus Street and Kifissos Avenue at the height of Neo Faliro, where, until 1997, the headquarters of the Packaging Industry SA was located. (ΒΙΣ).

In Piraeus, the major project is the complete restoration of Piraeus Tower. The project is expected to be completed in 2033 and it is expected to be the landmark of the city. On the ground floor, there will be developed approximately 6,500 sq. m. for commercial uses, dining area on the 19th and 20th floor and in the rest of the building one of the most modern office complexes in the country is expected to be developed.

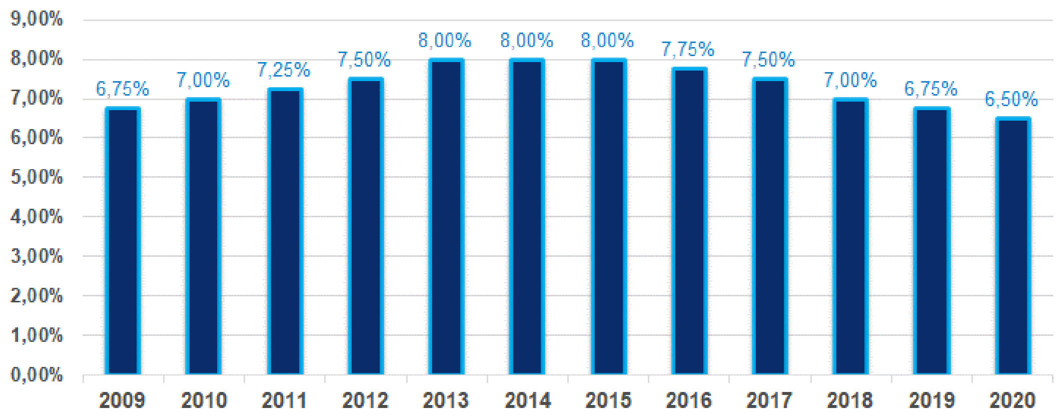
Given all the above, we expect that the rents for first-class offices will remain stable in the coming quarters, at an average of 23 Euros per sq. m. the month, while old-fashioned offices will not be in demand or will need to be radically renovated to modernize. As mentioned earlier we predict that in the next years there will be an increased demand for “green” office complexes. As far as, Covid-19 concerns, we are of the opinion that despite the remote working system, there will be no significant drop in rental values of prime office buildings.

Asking Rents in Athens (Grade A & B+ and C Buildings)



Source: VALUES

Prime Office Yield Evolution



Source: VALUES

SUBMARKET	INVENTORY (SQM)	AVAILABILITY (SQM)	OVERALL VACANCY RATE (%)	YTD OVERALL TAKE-UP(SQM)	UNDER CONSTR (SQM)	PRIME RENT (€/SQM /MNTH)	PRIME YIELD
CBD & CBD periphery	1.750.000,00	160.000,00	9,14	10.000,00	26.000,00	25,00 €	6,00
Athens North East (Kifisias Ave, Attiki Odos, Mesoghion Ave)	1.850.000,00	125.000,00	6,76	2.000,00	14.600,00	20,00 €	6,25
Athens North (E75)	60.000,00	12.000,00	20,00	1.500,00	5.000,00	13,00 €	7,20
Athens South (Syngrou, Vouliagmenis Ave)	1.000.000,00	70.000,00	7,00	2.000,00	15.000,00	17,50 €	6,70
Piraeus Port	280.000,00	40.000,00	14,29	2.000,00	15.000,00	15,50 €	7,00
Other	150.000,00	30.000,00	20,00	2.500,00	8.000,00	13,00 €	8,00
TOTALS	5.090.000,00	437.000,00	8,59	25.000,00	83.600,00	15,42 €	6,90

Market Statistics -VALUES database

PROPERTY	SUBMARKET	TENANT	SQM	TYPE
Confidential	CBD fringe	Consultancy	7.000	New lease
E75	Athens North	Pharmaceutical	1.370	New lease
Kifisias Ave	Athens North East	Pharmaceutical	760	New lease
Paiania	Athens East	Seafood	3.000	New lease
Athinon Avenue	Athens Fringe	Technology	704	New lease
Nation Road Athens – Lamia, Kifisia	Athens North	Manufacturing	950	New lease

Kifisias Ave.	Athens North	Energy	800	New lease

Key Lease Transactions Q3 / Q4 2020 - VALUES database

PROPERTY	SUBMARKET	TENANT	SQM	PRICE €
Syngrou Ave 97 and Lagoumitzi str, Athens	CBD fringe	Generali (pre - agreement)	7.000	Confidential
Ethnikis Antistaseos str 72, Chalandri	Kifisias Ave	Prodea Reic	7.137,32	16.900.000,00
Amfiaraou Str 44-46, Athens	CBD fringe		1.829,12	

Key Sale Transactions Q3 2020- VALUES database

RETAIL MARKET OVERVIEW

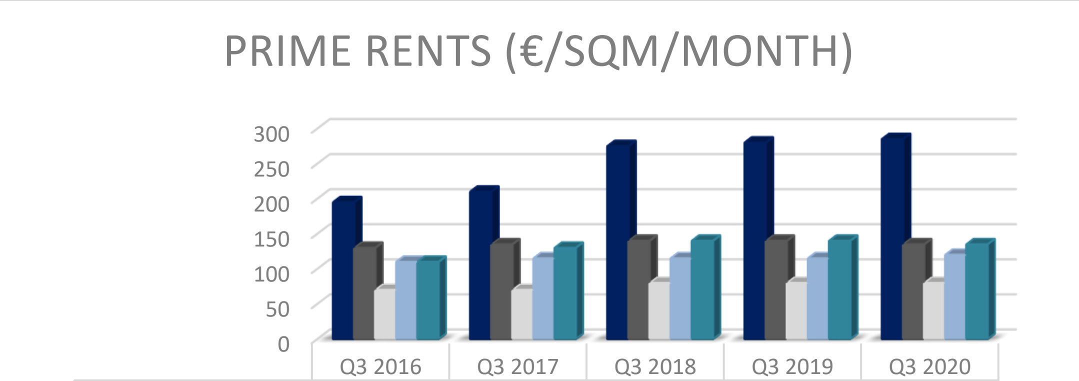
Following a good year, 2020 was characterized by stability in retail activity in prime areas and slight decrease in many secondary retail areas across Greece. In the center of Athens, Ermou Street experienced another year of 100% occupancy. From Syntagma Square to Aeolou Street, there was no vacancy of readily available retail units during the year. Rents were stabilized at high levels despite and even if some businesses ceased their activities, there was intense interest for the vacant properties, and they got leased fast and in good terms.

The sharp decline in tourist arrivals this year due to the current health crisis affected the retail market. As part of the extraordinary measures taken by the Greek government to support pandemic-hit businesses, tenants of commercial properties are paying 60% of the agreed rent during the lockdown period. Businesses in these sectors have already called for additional arrangements to facilitate payment of their rents and the renegotiation of their leases, with a view to a downward adjustment of rents for the next quarters. In some cases, mostly concerning big retail chains, lower rents also result from the practice of linking rent to turnover. This trend is expected to become stronger going forward in the area of commercial rentals.

At the same time, an increasing number of consumers are turning to e-commerce stores, a trend that seems to be perpetuated after the pandemic, pushing retail chains to adjust their plans in relation to their physical store network.

At the present time, in the worst position are the restaurants, such as bakeries, cafes, etc., as well as the entertainment industry. During the third quarter, the first small corrections in rental prices were recorded. What is totally indicative of what is happening in the retail market sector is that the National Bank has announced that it will close 41 branches by January 2022, while Piraeus Bank will close another 53 branches throughout Greece. Banks tend to rent real estate in the most commercial areas of each district. It is considered almost certain that the potential rent for these properties will be lower than what he received until today given the current conditions.

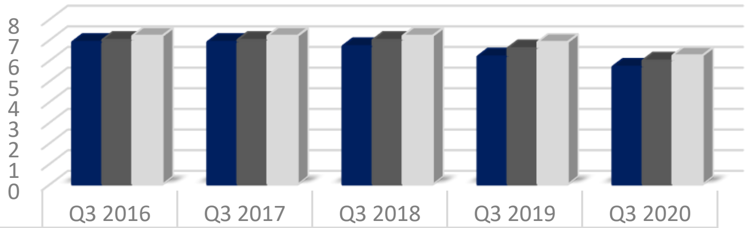
On the optimistic side there is still interest in retail sector and it is being proved by the recent transactions. Cosmos Sport chain opened its new store, with an area of almost 1,000 sq. m., on Ermou Street, while it plans to operate another store in Nea Smyrni within the first quarter of 2021. IKEA chain started operating its first store, area of 1,800 sq. m., in the area of Piraeus, at the junction of Gounari and Tsamadou streets.



	Q3 2016	Q3 2017	Q3 2018	Q3 2019	Q3 2020
Athens CBD-Ermou	195	210	275	280	285
Thessaloniki-Tsimiski	130	135	140	140	135
Pireaus	70	70	80	80	80
Kifisia	110	115	115	115	120
Glyfada	110	130	140	140	135

Figure 1: Prime Rents (€/SQM/Month)

PRIME YIELDS (%)



	Q3 2016	Q3 2017	Q3 2018	Q3 2019	Q3 2020
Athens CBD-Ermou	6,9	6,9	6,7	6,2	5,7
Thessaloniki-Tsimiski	7	7	7	6,6	6
Glyfada	7,2	7,2	7,2	6,9	6,25

Figure 2: Prime Yields (%)

MARKET	REGION	CONSUMER PROFILE	PRIME YIELD (%)	PRIME RENT (€/SQM/MONTH)
Ermou	Athens CBD	Mass market and tourists	5,50	285,00 €
Kolonaki	Athens CBD	Up market and tourists	6,50	95,00 €
Glyfada	Athens South	Mass market and tourists	6,25	135,00 €
Kifissia	Athens North	Mid to up market	6,40	120,00 €
Piraeus	Piraeus	Mass market and tourists	6,40	80,00 €
Thessaloniki-Tsimiski	Thessaloniki CBD	Mass market and tourists	6,00	135,00 €
Patras	Patras	Mass market	6,50	60,00 €
Heraklion	Crete	Mass market and tourists	6,50	95,00 €

Table 1: High Street statistics

PROPERTY	SUBMARKET	TENANT	SQM	TYPE
101, Tsimiski & Pavlou Mela str	Thessaloniki	Zackret	626	New lease
90, Tsimiski str.	Thessaloniki	Dust & Cream	300	New lease
17, Metaxa & Dousmani str.	Glyfada	Gregio	60	New lease
34, Metaxa str.	Glyfada	Shoes Retailer	150	New lease
27, Metaxa & 16, Lambraki str	Glyfada	Wine Bar	115	New lease
65, Ermou & Aiolou str.	Ermou	Cosmos sport	990	New lease

Table 2: Key lease Transactions Q3 2020

PROPERTY	SUBMARKET	MAJOR TENANT	GLA SQM	DEVELOPER
KIFISSOS Building (former Mouzakis textile)	West Attica	Leroy Merlin, Intersport Outlet & Mc Donald's	15.000	Hines
RIVER WEST SC (extension)	West Attica	Decathlon, Moustakas toys and F&B concepts	21.000 extension under construction, (Est. Q2 2021)	Viohalco S.A

Table 3: Key construction completions YTD 2020

TOWN	SHOPPING CENTRE STOCK (SQM)	SHOPPING CENTRE PIPELINE (SQM)
Athens	350.000	195.000 till 2025
Thessaloniki	133.500	0
Larissa	26.700	0
Corinth	15.000	0
Other	79.800	0
GREECE TOTALS	605.000	195.000

Table 4: Shopping center market statistics

LOGISTICS Market Overview

There has been a dramatic increase in demand for logistic properties during the last trimester of 2020, which remains strong the 1st trimester of 2021. Approximately 64.000,00 sq.m. of logistic properties have been under construction during 2020 providing investments of approximately 210 million euros, with average rent for prime logistic properties at 4,25 euros/sq.m. per month. Soon, significant investments are expected from major transport companies with E.U. to support this market trend.

In the sector of major infrastructure projects, significant investments are expected by the Chinese company named COSCO, located in the port of Piraeus. This project is planning to create an environment where Athens could be described as an important transit hub in Europe, managing large quantities of goods channeled into the European market from East and Middle East.

Aspropirgos and Magoula are prime areas for logistic investments, while further increase is expected in secondary areas such as Inofyta and Markopoulo.
In Grade A areas of logistics there was an increase on rental demand combined by a downward trend in yields. In Grade B areas, rent demand was stable and yields had a downward trend. There is great demand for Grade A logistics properties, which is not supported by the current supply.

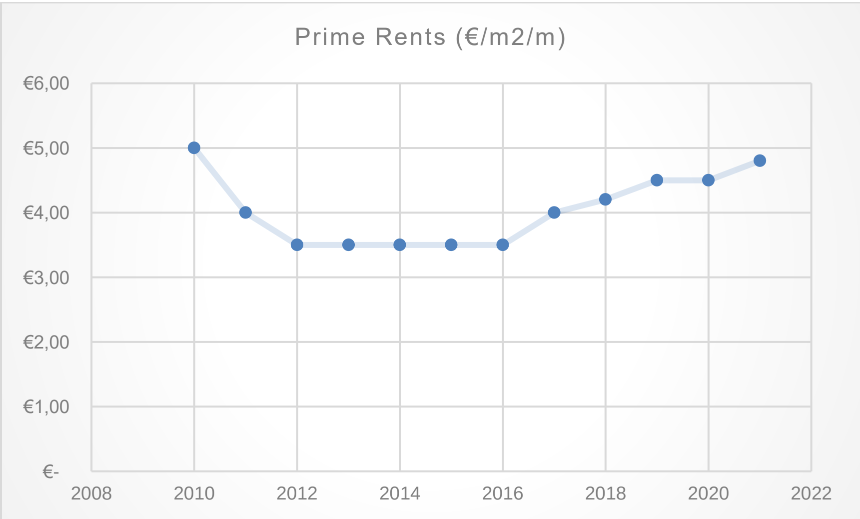
In terms of the demand, there has been significant activity in the market, with new lease agreements of area sizes for rent ranging between 500 sq.m. and 2.000 sq.m. . There is demand even for 10.000 sq.m. buildings, in areas where 3PL companies are planning to develop new projects, with additional uses, including office spaces.

The demand for modern logistics and date centers is high, in contrast to the zero demand of industrial buildings for industrial use. Properties with easy access to main roads, highways, ports or airports are ideal for exploitation.

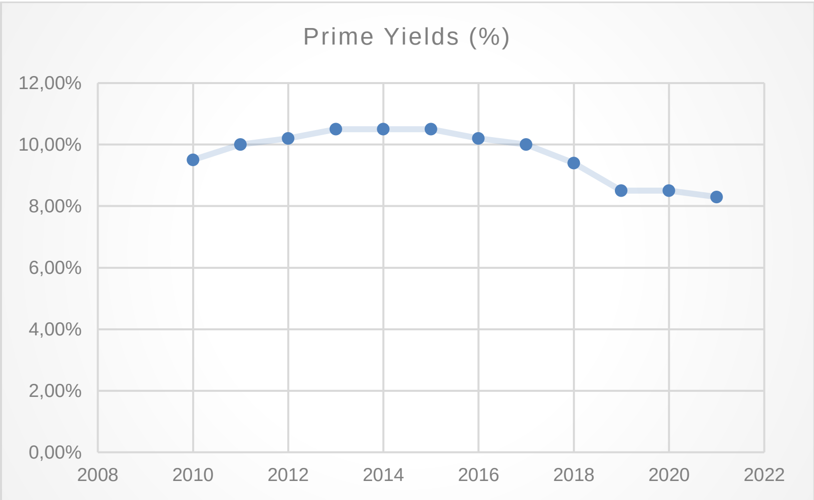
The ownership-to-rent ratio has changed in recent years, as more and more businesses prefer renting to owning. It is recalled that almost 60% of commercial enterprises have privately owned storage areas, a size corresponding to 90% of home ownership in Greece.

The Fourlis group is developing a new logistics centre, an investment of 11 million euros to serve the sportswear stores Intersport and The Athlete’s Foot.

Evolution of rents for prime industrial properties.



Source: VALUES Database



Source: VALUES Database

Deals 2020 – 2021.

Transaction Date	Buyer	Property type / Use	Price (millions)	Surface (thousand sq.m.)	Region	Comments
7/8/2020	Briq Properties Reic	Storage Area/ Industrial	€ 12,00	20,70	Aspropirgos	Construction in private land plot
7/8/2020	Trastor Reic	Storage Area/ Industrial	€ 15,45	25,00	Aspropirgos	Tenant Seagull SA
4/11/2020	Ten Brinke Hellas	Storage Area/ Industrial	N/A	24,00	Thessaloniki	Sindos
16/11/2020	Briq Properties Reic	Storage Area/ Industrial	€ 2,03	27,39	Aspropirgos	3 Storages
15/12/2020	Briq Properties Reic	Storage Area/ Industrial	€ 29,14	58,64	Mandra	80% SarmedWareHouse
8/3/2021	Trastor Reic	Storage Area/ Industrial	€ 6,90	11,63	Aspropirgos	Region "Dio Pefka"