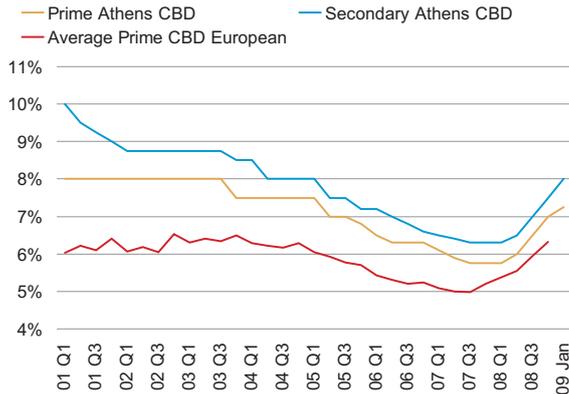


Athens Office market report

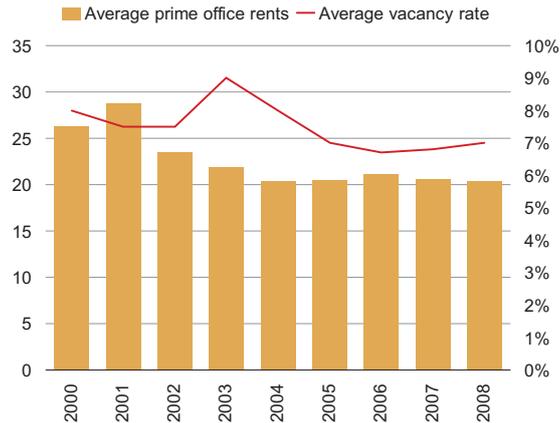
Winter 2008-2009

Athens CBD office yields



Source: Savills

Average rents and vacancy rate for Grade A-B space



Source: Savills

“Lack of transaction activity has created uncertainty in the market regarding pricing, however we believe that the stability of the occupational market should keep prime office yields in the region of 7.5%-8.5%.”

Dimitris Manoussakis (Managing Director)



- We estimate that the total office stock in Athens is in the region of 6m sqm, excluding public sector accommodation. Less than 40% of the total supply is Grade A-B stock.
- Total take-up of Grade A-B space (>800sqm deals) is estimated to be in the region of 125,000sqm for the whole year, 11% lower compared to the previous year.
- Development activity peaked two years ago, but slowed down significantly in 2007 and 2008 due to the shortage of sites and the economic slowdown.
- Average prime rents have remained stable in the main Athens submarkets over the past two years demonstrating only slight rises in submarkets with strong demand and low availability of space.
- Achievable prime office yields are 150 to 200 basis points higher compared to 2007 and they range between 7.25% and 8.0%.
- Given the stability in the occupational market for high quality product we believe that prime office yields will stay in the region of 7.5%-8.5%.

Economy

Economy

According to the latest European Commission (EC) forecasts for the Greek economy, economic activity decelerated in 2008, mainly due to weakening domestic demand but is estimated to have continued to grow above the Euro area average at around 3.0%.

Private consumption has benefited from continued employment and wage growth over the past few years growing by 4.3% on average since 2001. In a context of deteriorating confidence and financial uncertainty this growth is estimated to have slowed down to 2.4% in 2008.

The weakening of the housing sector has had a negative impact on investment, and to has brought about a contraction of construction activity, especially dwellings. Although corporate investment remained high in the first half of 2008, according to the EC it has declined in the second half. The forecast for public consumption growth is that it will decelerate from the unusually high levels of 2007 and return to long term trends. In spite of the gradual erosion of competitiveness, a deteriorated external environment and slowing economic activity in the Euro area, exports increased by 3.7% in 2008, mainly towards extra-EU trading partners. Imports on the other hand are falling in line with domestic demand.

Outlook

The EC expects the Greek economy to be significantly affected by the international economic crisis and to decelerate further to just 0.2% in 2009, supported by domestic demand. In a context of uncertainty in the global markets, tightening credit conditions would induce a further slowdown in private consumption, while investment should contract further.

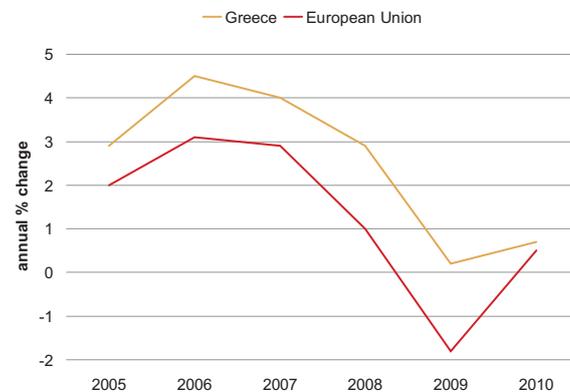
The deceleration of economic activity will lead to almost flat growth in job creation until 2010. The decline in unemployment observed in recent years is accordingly expected to end and the unemployment rate will increase.

Following the developments in oil and commodity markets, inflation (HICP) accelerated in the first three quarters of 2008 and is projected at 4.2%. Inflationary pressures are expected to ease in 2009 reflecting the expected stabilisation of oil prices. However rising wages and unit labour costs will cause a deterioration in profits.

Merchandise exports are expected to decline in 2009, while transportation and tourism are also increasingly vulnerable to the adverse international outlook.

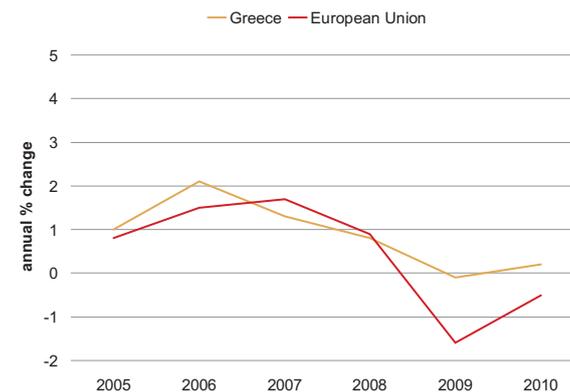
Public finances remain fragile. The deficit stayed above 3% of GDP in 2008, and is expected to reach 3.75% of GDP in 2009. In 2010 it is projected to exceed 4% of GDP.

GDP growth



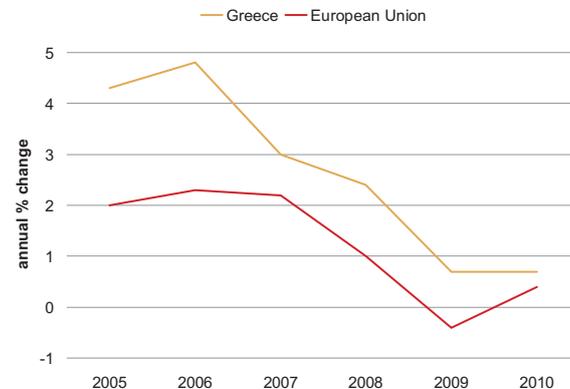
Source: European Commission

Total employment growth



Source: European Commission

Private consumption expenditure growth



Source: European Commission

Main office submarkets

Leasing market

Main office submarkets

We estimate that the total office stock in Athens is in the region of 6m sqm, excluding public sector accommodation. Less than 40% of the total supply is Grade A-B stock and is concentrated in the five main Athens office submarkets as analysed below.

Central Business District (CBD)

The CBD of Athens is a tightly defined area around Syntagma Square and along the main adjacent streets. Traditionally the old CBD attracts public administration, law and financial companies. The availability of high class offices in this segment is very low, with the vacancy rate below 3.5% for Grade A-B accommodation.

Mid-Town

Tight supply in the CBD has shifted demand to the fringe of the city centre defined as Mid-Town in our analysis. This submarket is located mainly North of the city centre in the region of Ambelokipi. Although still a densely built up area, it has offered more opportunities for the development of medium scale modern office buildings over the past years. Total Grade A-B stock is in the region of 120,000sqm and the vacancy rate approximately 10%.

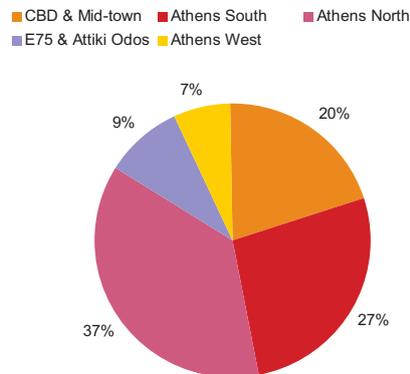
Athens North

We define as Athens North the office submarkets along Kifissias and Messogion Avenues that lead to the Northern suburbs of Athens and are connected to Attiki Odos ring road that leads to the airport. Kifissias Avenue has become the most sought after location for corporate offices in Athens. The development of modern accommodation with larger floorplates and parking space and the improvement of infrastructure have attracted major occupiers pushing the availability of space below 5% of stock. The total supply of Grade A-B accommodation along Kifissias and Messogion Avenues is in the region of 640,000sqm.

Athens South

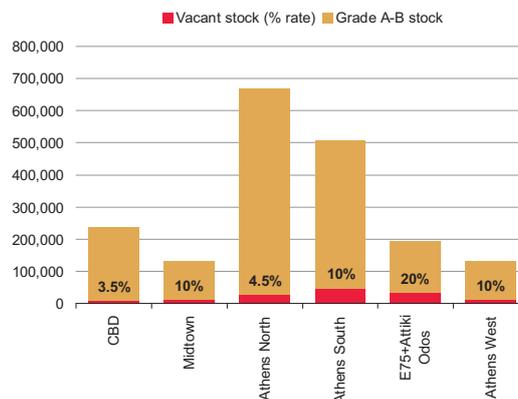
Athens South comprises the office submarkets along Syngrou, Posidonos and Vouliagmenis Avenues that lead to the coastal suburbs of Athens. Insurance and shipping companies have been the main occupiers in this area. Since the beginning of the decade the office stock has increased by more than 60% reaching almost 460,000sqm at the end of 2008. This development activity was driven by and large by owner-occupiers building their own premises especially along Syngrou Avenue. The overall vacancy rate for Grade A-B stock in Athens South is around 10% and it concentrates mainly in older, smaller buildings.

Office stock per submarket



Source: Savills

Grade A-B stock and vacancy rate per submarket



Source: Savills

E75 - Attiki Odos (ring road)

This is one of the emerging submarkets in the Athens region. Since the relocation of some corporate headquarters after the completion of the new ring-road in 2004 it has become an alternative location for occupiers that need large-scale accommodation and they do not consider public transport accessibility as a major prerequisite. Business, industrial and media companies are the main types of tenants at the moment. A number of new developments over the past few years have been built-to-suit and today, more speculative schemes have come onto the market pushing the overall vacancy rate to almost 20%. Development activity is expected to increase further, especially north of 'Metamorfofi' junction in E75. Currently the total Grade A-B stock is about 160,000sqm.

Athens West

Athens West is another developing submarket of Athens, which emerged from the regeneration process along Piraeus Avenue as well as the development activity that attracted the relocation of the Athens Stock Exchange at Athinon Avenue. Financial and banking

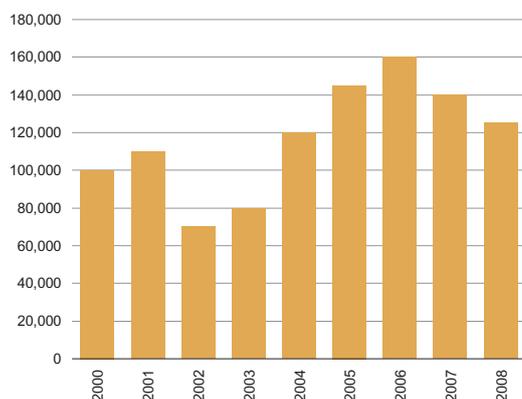
Demand and Supply

services as well as public administration are the most common occupiers in this submarket. The expansion of the Metro network and the availability of larger sites create the potential for the expansion of this office submarket, although the environment still requires further uplift in order to attract more prestigious occupiers. So far, the current stock of Grade A-B buildings is in the region of 120,000sqm and the vacant quality space about 10% of the stock.

Demand and take-up

Economic uncertainty and the slowdown in business activity has had a negative impact on leasing activity in 2008 with fewer deals and slower decision making process. Total take-up of Grade A-B space (>800sqm deals) is estimated to be in the region of 125,000sqm for the whole year, 11% lower compared to the previous year. Banking, telecommunications, media and insurance sectors continue to underpin the leasing activity with significant requirements. Around half of the take-up regards pre-lets and owner occupation acquisitions. Compared to the previous years the level of pre-lets has dropped significantly as some companies delay their expansion or consolidation plans until the economic prospects become clearer. On the other hand, there are still significant outstanding requirements from the public sector that is still under the process of rationalisation.

Grade A-B office take-up in main submarkets



Source: Savills

Supply and vacancy rate

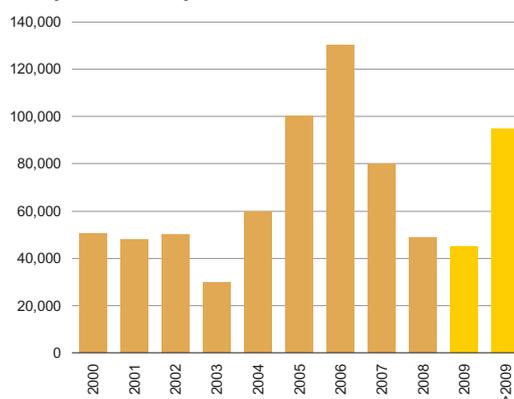
The total Grade A-B office stock in the submarkets analysed above does not exceed 1.75m sqm. Almost 65% of the stock is located in the two key office submarkets of Athens North and Athens South. The average vacancy rate for this quality of stock has slightly increased to 7.0% in 2008, due to the slower absorption rates.

Development activity peaked two years ago, however it slowed down significantly in 2007 and 2008 on the one hand due to the shortage of available land for

construction and on the other hand following the falling trend of economic growth, especially over the past 12 months. In 2008 development completions of Grade A buildings in the submarkets analysed did not exceed 55,000sqm of which around 60% is already committed.

Regarding the current development pipeline there are around 140,000sqm of new office projects (>1,000sqm) under construction or announced. We estimate that about one third of this space will be completed over the next two years, while a significant number of new projects may be postponed either due to the lack of funding or until a pre-let is secured. Almost one third of the planned new developments is located in the submarket E75-Attiki Odos.

Development completions in main submarkets



Source: Savills

Rents

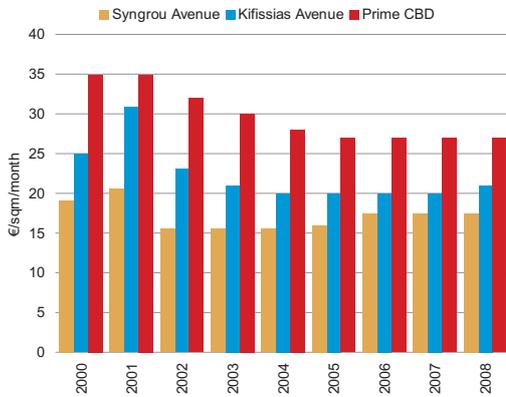
Average prime rents have remained stable in the main Athens submarkets over the past two years demonstrating only slight rises in submarkets with strong demand and low availability of space. The overall average achievable prime rent is currently €20.50/sqm/month ranging from €17.50/sqm/month in Syngrou Avenue to €28.00/sqm/month or more for the limited Grade A space in the CBD (Syntagma Square). Prime rents off the prime CBD locations are considerably lower due to the lack of availability of high quality buildings and hence low demand for these locations. Prime rents continue to rise for prime accommodation along Kifissias Avenue, as the current availability of space is low.

Achievable average prime rents (Q4 2008)

	CBD	Mid-Town	Syngrou Avenue	Kifissias Avenue
Euro /sqm /month	27.0	16.0	17.5	21.0
Annual rental growth	0.0%	-11.0%	0.0%	5.0%

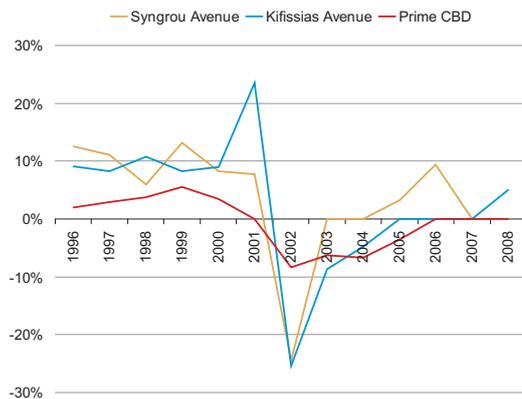
Investment market and outlook

Historic prime office rents per submarket



Source: Savills

Historic prime rental growth per submarket



Source: Savills

Investment market

Following two years of strong investor interest and high competition for limited product, which led to sub 6.0% prime office yields in 2007, 2008 was the year of the end of yield compression. In line with the international trends, transaction activity has slowed down significantly since the tightening of lending conditions and the increase of borrowing rates within the course of 2008. Greek REITs, national and international property funds and wealthy individuals have been the main players in a market that has been characterised by limited number of transactions and small lot sizes. The size of the market has also limited the number of international players active in Greece and as a result yield compression has not been as dramatic as in other European markets with higher competition. Currently the cost of borrowing and the exposure of the office sector to the international economic and financial instability implies that achievable prime office yields are 150 to 200 basis points higher compared to 2007 and range between 7.25% and 8.0%. Due to the lack of comparable evidence there is uncertainty in the market and these pricing levels are vulnerable to market sentiment.

Achievable prime office yields

	CBD	Kifissias Avenue	Syngrou Avenue
Prime yield January 2009	7.25%	7.75%	8.0%
Prime yield January 2008	5.75%	5.8%	6.8%

Source: Savills

Outlook

After a decade of strong employment growth in Greece and the Athens region in particular, 3.8% pa on average, the slowdown in economic activity is going to have a negative impact on the creation of new jobs as well. According to Experian Service sector employment in the Athens region will contract by 0.2% in 2009.

Based on the above projections and market indications we expect that demand for office space will weaken in 2009. Nevertheless, we believe that some large-scale requirements will persist driven by consolidation activity in the market and the new needs for space that creates. Some public sector driven enquiries may also support market activity. As we expect the development completions to slow down significantly over the next two years, and new projects to be put on hold due to tight credit conditions, we do not anticipate a significant change in vacancy.

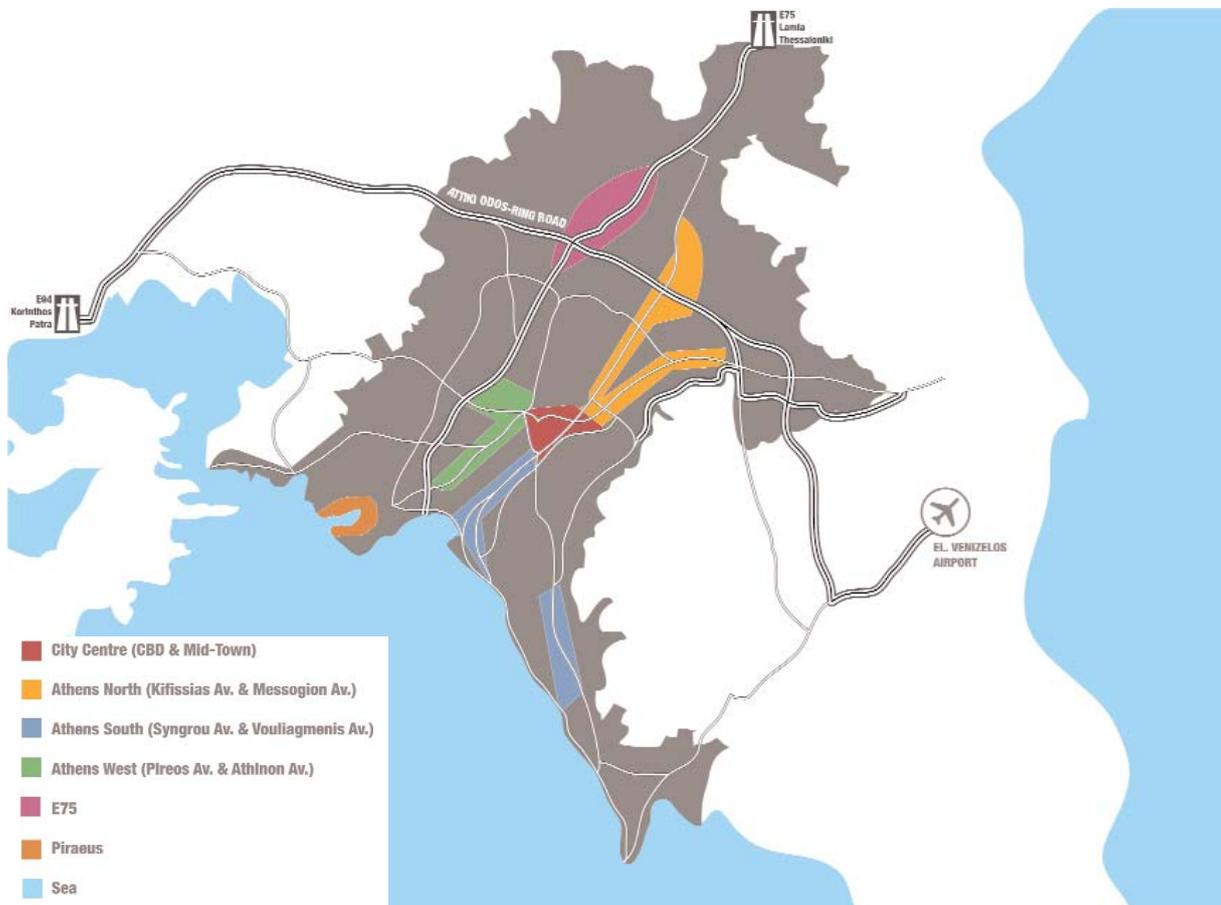
Given the stability in the occupational market for high quality product we believe that prime office yields will stay in the region of 7.5%-8.5%, reflecting mainly the higher cost of capital. Secondary and distressed assets should be more at risk for further yield decompression. Increasing financial obligations caused by the international economic and business downturn may lead in 2009 to some distressed sales that could attract the interest of equity buyers.

Development pipeline per submarket



Source: Savills

Athens survey area



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