



# Logistics Market at a Glance | 2019

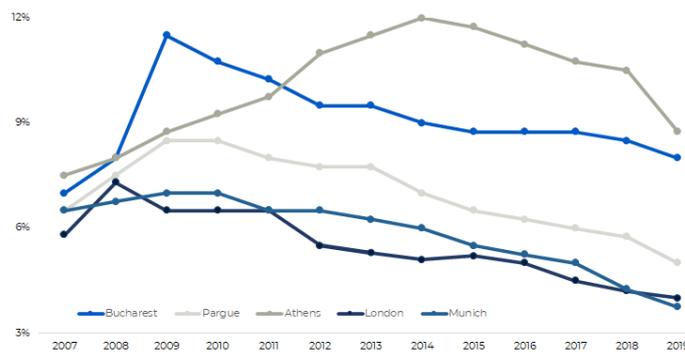
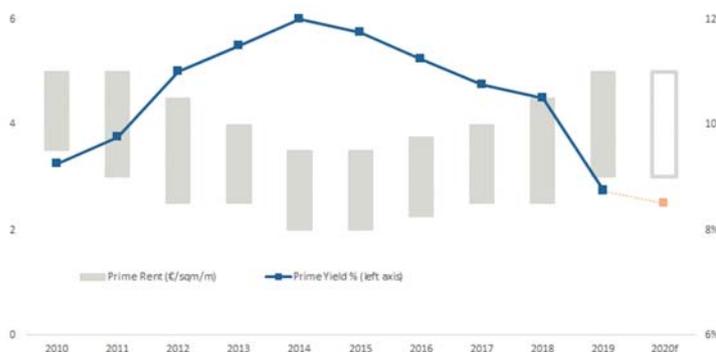
## Market Indicators

	2016	2017	2018	2019	2020f	Market Low	Market High
Prime <sup>1</sup> Rent (€/sqm/m)	3,75	4	4,5	4,75	4,5-5	3 (2014)	7,5 (2006)
Prime Yield (%)	11,25%	10,75%	10,5%	8,75%	8,5%-9%	7,5% (2006)	12% (2014)

**Prime Rent:** Stable during 2019, continuing a slight upward trend since 2014 (market bottom). The lack of quality supply shall keep this trend in the short-term. The prime rental rates will boost up only when new modern facilities will be developed, and the demand significantly increased. Rent for sub prime location or Grade B logistics ranges from €1-3/sqm/m

**Prime Yield:** During 2019, the prime yields significantly compressed due to the increased investment activity and the limited supply of prime facilities.

**Vacancy Rate:** Below 5% for prime logistics, close to 10% or higher according the location for Grade B facilities.



**Supply:** Very low construction activity in the last decade. Only a few small facilities are in the pipeline, mainly owner occupied or turn-key projects for specific users. Lack of large and high-quality properties. Grade A is less than the 30% of the current logistics stock. Increase of the development activity is expected in the near future. The existing market primarily consists of facilities built by local constructors (mostly pre-2010) or owner-occupied facilities.

**Demand:** Retail sector, e-commerce and 3PLs are the main drivers of the logistics market, looking for modern, quality and custom-made spaces. The future infrastructure investment activity (Piraeus & Thessaloniki Port, Thriaseio Freight Center, Gonou camp) shall boost the Greek logistics market and attract the interest of foreign investors. High demand for modern and larger than 20,000sqm facilities.

**2020:** The effect of Covid-19 will be modest for prime logistics in Greece. The greater market prospects (location, new infrastructure projects, Asian markets, e-commerce growth), the lack of quality supply and the limited investment opportunities (in all RE markets) shall keep the market close to the 2019 levels in the worst-case scenario. Grade B facilities will be significantly hit from the expecting global economic recession.

A trend for smaller satellite w/h may be emerging but the economics are not in favor.



## Geographic & Product Coverage

As a common practice, 3PL providers have developed and currently operate their warehouses and distribution centers primarily in Attica/Voiotia and Thessaloniki. Similarly, big retailers and manufacturers mainly operate their logistics facilities and warehouses in the same regions.

		Distance to Port	Rail Service	Ease of Access	Infrastructure
A. <b>Attica</b>	The prime logistics market in Greece.				
<b>Attica West</b> (Magoula, Aspropyrgos, Mandra, Eleusina)	The largest logistics market of Attica. Accommodates the major 3PL providers. Direct access to national roads, Attiki odos and connection to the Piraeus container terminal (Neo Ikonio).	Piraeus: 20km Elefsina: 52km Corinth: 68km	Yes, in Aspropyrgos Connecting to Corinth, and the North	Very Good	Good
<b>Attica North</b> (Schimatari, Inofita, Avlonas)	>30% of Attica logistics stock. Easy access to national road and country's railway line.	Piraeus: 65km Elefsina: 71km Corinth: 105km	Yes, in Inofyta connecting to Piraeus and the North	Very Good	Good
Attica East (Spatha, Markopoulo, Peania)	Immediate access to Athens International Airport and the Attiki Odos road. Mostly warehouses and logistics centres of wholesalers and retail companies.	Piraeus: 40km Elefsina: 52km Corinth: 112km	No cargo	Very Good	Average
Athens North (Ag. Stefanos, Metamorfofi, Kifissia, Krioneri)	Old Stock, close to the city and direct access to the national road.	Piraeus: 32km Elefsina: 40km Corinth: 95km	Yes, in Agios Stefanos connecting to Piraeus and the North	Good	Very Good
Piraeus (Perama, Drapetsona, Agios I. Rentis)	Very limited stock of quality supply. Lack of available space for development. Direct access to Piraeus Port.	Piraeus: 0km Elefsina: 6km Corinth: 112km	Yes, multiple	Average	Good
B. <b>Thessaloniki</b> (Sindos, Kalochori, Oreokastro, Ag. Athanasios.)	Mainly comprised of warehouse facilities, only few with logistics amenities. Old and highly outdated stock.	Thessaloniki: Max 30km	Yes, multiple	Good	Good
C. <b>Secondary</b> (Patra, Volos, Kavala, Igoumenitsa, Alexandroupoli)	Ports that can connect Europe, Asia, Middle East, Balkans and North Africa. The investment in Alexandroupolis port shall transform it to an important port-logistics hub, especially for energy related products.	Close to a regional port	Yes	Good	Average

## Main Transaction 2019 & 2020

Year	Location	Surface (sqm)	Amount (€m)	Price/sqm(€)	Yield	Condition	Investor	Description
2019	Attica West	17,756	12,5	704,0	8,4%	Grade A	Brook Lane Capital	<ul style="list-style-type: none"> <li>Fully let to creditworthy tenants</li> <li>NOI c. €1,05m (including photovoltaic park in the roof of the warehouse).</li> </ul>
2019	Attica West	5,200	2,57	494,2	Est. ≈ 10%	Grade A- Under Development	Prodea	<ul style="list-style-type: none"> <li>Forward purchase</li> <li>Pre-agreement with the developer, delivery estimated in Q3 2020</li> <li>Pre-leased to creditworthy tenants</li> <li>Discussion for 2<sup>nd</sup> phase extension (2<sup>nd</sup> warehouse in the same plot)</li> </ul>
2019	Attica West	5,679	3,07	541,2	7,3%	Grade B	Trastor REIC	<ul style="list-style-type: none"> <li>Fully let to creditworthy client</li> </ul>
2020	Attica West	4,925	1,1	223,4	Est. ≈ 10%	Grade B	Trastor REIC	<ul style="list-style-type: none"> <li>Preferred bidder, pre-agreement in Sep 2019</li> <li>Singing of final agreement in Feb 2020</li> </ul>
2020	Attica West	36,000	21,6	600	7,5%	Grade A Newly Built	Trastor REIC	<ul style="list-style-type: none"> <li>Fully let to creditworthy client</li> <li>Pending signing</li> </ul>
2020	Attica West	<b>Plot of</b> 57,259	3,46		9% (incl. Development Risk)		Briq Properties	<ul style="list-style-type: none"> <li>PLOT Acquisition for Development. GBA of 22,900</li> <li><b>Bought at €150/GBA</b></li> <li>Own Used by Infoquest</li> </ul>

## 3PL Logistics Market

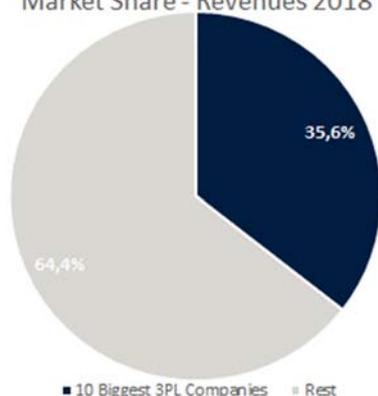
The 3PL companies provide a full range of supply chain services. The most significant part of their income originates from warehousing and distribution activities, as well as from the organization and management of road transportation.

A significant percentage of 3PL providers offer more specialised added value services, like packaging, repackaging, and labelling, whereas leading companies offer innovative solutions by expanding their portfolio of services in the fields of reverse logistics, procurement, supplier management and ICT.

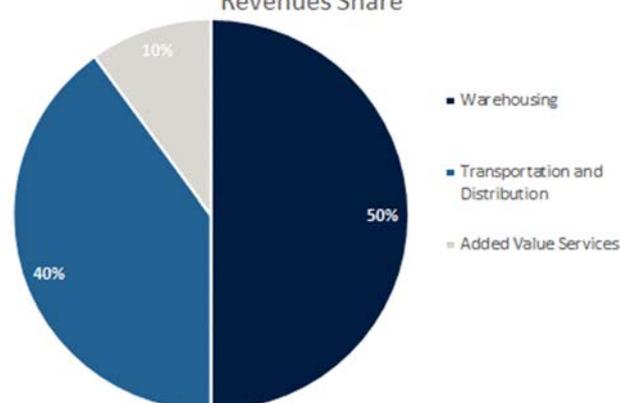
The sector comprises of a large number of medium and small-sized companies that operate in a highly competitive environment. However, in recent years, we have witnessed the rise in size and importance of the largest national and multinational 3PLPs in Greece, **but still the sector is highly fragmented.**

Business relationships between 3PL providers and their clients are generally based on medium to long-term contracts, which help the logistics providers in designing their logistics network, operations, and investment plans more efficiently.

Market Share - Revenues 2018



Revenues Share



## Inventio Market Peek

The logistics Market reaches its bottom between 2014 – 2015, when there was no investment activity recorded, while rental rates were at its historical lows and the sector yield at its historical high (c. 12%). The reaction from its bottom, it was a combination of the slightly improvement of the Greek Economy and the realization that Greece has the potential to be a transshipment hub to and from Europe, Africa, and Middle East.

In the last year, foreign (funds) and local investors (REICs) are competing for the acquisition of good logistics facilities (size, location, Grade A). The lack of quality stock (size, grade,) drove to the decrease of yield for prime spaces (still higher than most European capitals). Rental rates also increase while occupancy in Grade A properties remains high. The Greek logistics market is still immature, characterized by substantial lack of quality supply and owner-occupied facilities.

Until 2012, the sector was driven by the domestic demand and needs while gradually from 2012 and onwards the impact of international trade is becoming more important. COSCO's investment to the Port of Piraeus, the privatizations of Trainose and the partially privatization of the port of Thessaloniki may play a significant role to the transformation of the sector.

The upward trend continued in H1 2020 as the sector, especially the prime logistics is not negatively influenced from Covid-19. The market prospects (Asian Markets seeking safe gateways for their products to reach European markets, e-commerce growth, located in the crossroads of international trade routes, advanced infrastructure, improving road network, privatized airports, seaports, and railway network) and the implementation of the announced developments will boost the sector's performance.

In the short term, rental rates and prime yield are forecasted to remain stable for quality supply.

## Covid-19 Impact

It is still too soon to predict the real impact of COVID-19 in the Greek real estate markets especially since many opposing forces form the expectations.

The current situation differs from all other due to the lock down of the economy either locally or globally, which may reappear latter in the year for an unknown period.

The excess liquidity and the security of the real estate provides a cushion to the excess and extreme volatility of the financial markets. Combined with the low rates of central banks the end result is artificially low RE yields overall.

The rapid growth of logistics activity in recent years, partly linked to the expansion of e-commerce, will continue as e-commerce strengthens and consumer confidence positively progresses. The Covid-19 experience may bring the need for smaller satellite warehouses at the borders of major cities to make distribution faster. As such the logistics RE is expected to withstand any pressure on yields.

The logistics market is expected to continue to grow, and both operators and retailers will closely follow how e-commerce performs.

The Greek logistics market has some peculiarities which driving us to the following assumptions regarding the impact of Coronavirus to the market.

The construction activity was very low during the last decade, absorbed mainly to owner occupied or pre-let, turn-key projects for specific investors. This trend was expected to continue for the next couple of years with no big new facilities in the pipeline, restraining any drop at the rent level or yields for prime logistics. The only real impact could be the postponement of some developments.

The lack of sizeable and quality supply in combination with the low vacancy (below 5%) for Grade A logistics, is not allowing real room for relocations or rent renegotiations from tenants.

On the other hand, Greek economy will be hit hard again. The increase of unemployment and the lower disposable income will lead to a weaker internal demand. The lack of liquidity of Greek enterprises, combining with limited bank financing will drive a lot of them to close or significantly restrain their activities. The Government reaction will play an important role for the duration of this recession and the recovery of the economy in the near future. The EU support package of €73bn, will arrive in late H1-2021 and will be split in 3-4 years.

The above will mainly affect Grade B and smaller facilities in the short term. Tenants will seek for relocation to cheaper facilities or consolidate their activities to one warehouse if possible. Prime logistics will be influenced less except if the Greek Economy enters to a second round of lasting recession in 2022.

Nevertheless, investments in RE and Logistics are inevitable and especially for the installation of automation infrastructure for the storage and management of products. In addition, there will be investments aimed at improving, but also increasing the fleet of vehicles (especially for couriers and e-commerce). It is noticeable that e-commerce share in Greece is c. 5%-7% comparing to more than 20% in Europe, so a double-digit increase of e-commerce is expected at least for the 5-7 next years.

The final impact of covid-19 in Greek logistics market will depend on:

- Government support to Greek enterprises
- Duration for economy to return to normality
- Liquidity of the market
- Maintenance of high demand for large and prime facilities
- Increasing trend of e-commerce
- Implementation of new infrastructure
- Demand from local and foreign investors for investing in Greek logistics Market

### 1. Prime: Grade A, great condition and location, modern facilities

Sources: Elstat, Eurostat, Bank of Greece, The Foundation for Economic & Industrial Research, The World Bank.

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