



Research Department

July 2016



Real Estate Market Trends

SOUTHEASTERN EUROPE



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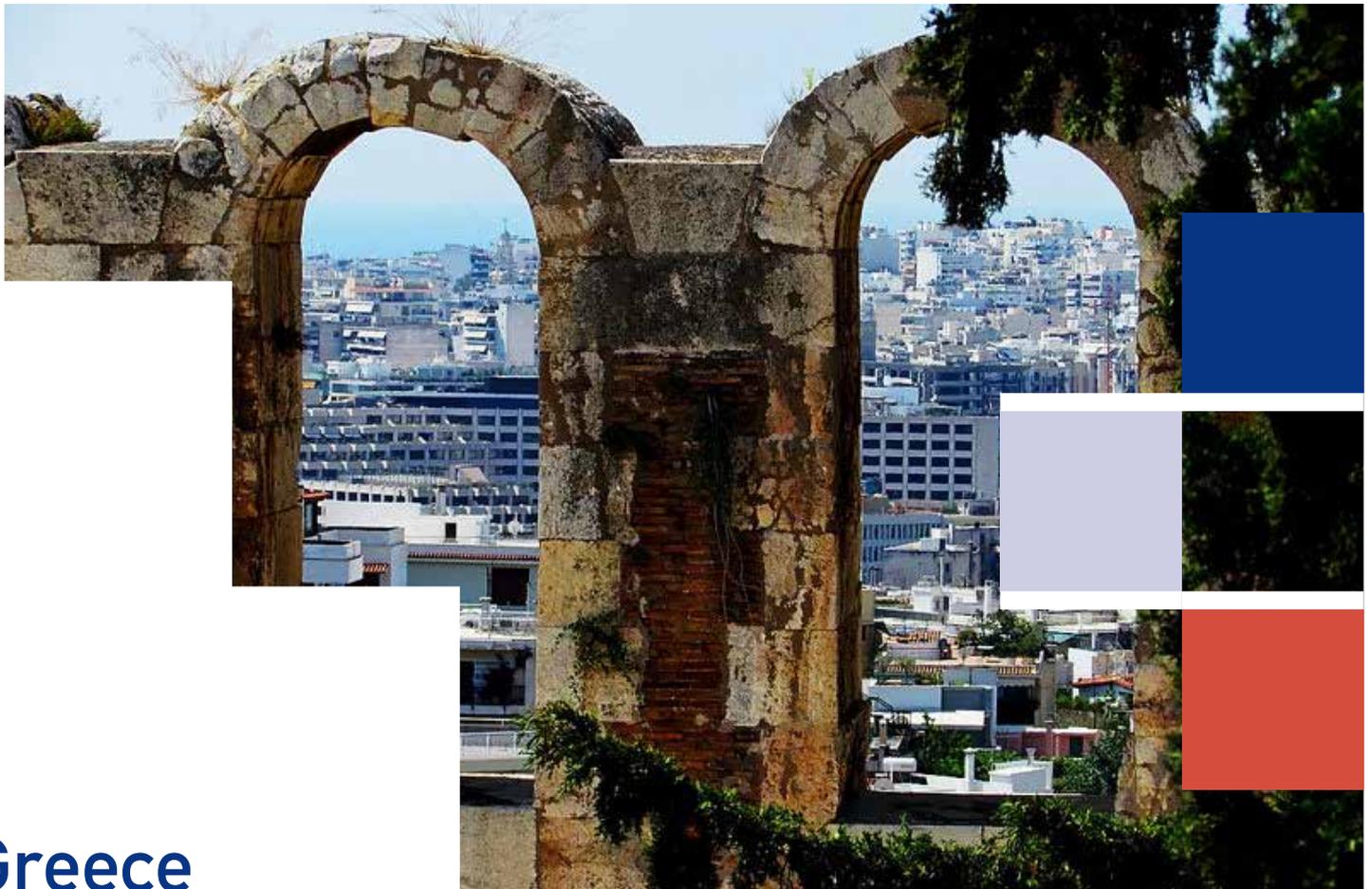
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Greece



Republic of Greece

Capital	Athens
Official language	Greek
Government	Unitary Parliamentary Republic
Total Area	131,990 km ²
Population (2011 census)	10,787,690
Currency	Euro (EUR)



RESIDENTIAL MARKET

In the residential market, the figures of the second quarter of 2016 indicated a stabilization of prices. Few transactions, lack of demand in sales, stable prices for all kinds of properties were witnessed.

• Demand

Although the demand was generally low, in the center of Athens (Kolonaiki area and residential Mansion Area) and in the South Suburbs, the trend was stable mainly because of the interest of Greek and foreign Investors (Chinese, Egyptians etc) who were interested to acquire a residence permit. More specifically, in order to gain the residence permit, foreign buyers have to buy properties which minimum cost of 250.000€. They were mainly interested in residences situated close to the sea. On the other hand, the interest of Greek buyers who live abroad, has been mainly focused on properties located in the center of Athens as well as Glyfada, Voula, Vouliagmeni.

The buyers remained cautious and did not move forward with transactions because of the uncertain economic and political prospects of the country, the taxation and the capital controls.

• Second/Holiday Home

As far as the Second/Holiday Home market was concerned, prices and supply remained at the same levels or declined slightly compared to the first quarter of 2016. Although the demand was still low, the prime holiday home locations of Mykonos, Santorini, Rhodes and Crete remained attractive to a large number of foreign buyers or Greeks who live abroad. Finally, there was a strong demand for medium/good quality homes for rent/per week or sale in Mykonos and Santorini, with high yield. The third quarter of 2016 was expected to be – due to the high touristic summer period- a very good time to invest in a Second/Holiday Home.

RETAIL MARKET

The rent for high quality retail spaces ranged from €100/m² to 140€/m². High Street retail market remained stable, although there were signs of modest increase in specific areas. Steady demand and vivid activity was observed in prime retail locations such as Ermou Street, Kifissia, Kolonaki and Glyfada. In shopping centers, demand also remained steady, although rents were more competitive and fluctuate at approximately 42€/m². The net yield for prime retail assets, fully-let to high quality tenants at prime locations, ranged between 7.25% and 8%, whereas in the case of shopping centers, the yields ranged between 8.25% and 9%.

• Demand

Demand has been stable regarding quality spaces for smaller units with high footfall traffic, generated both by new brands entering the market and looking for flagship location in Athens and older players trying to expand. There was also serious activity from national and international retailers for potential expansion in the larger secondary cities and islands. Also, steady demand has been witnessed in shopping malls. At the secondary submarkets the activity was limited, mainly driven from supermarkets, cafés and food sector in general.

MARKET TRENDS

Q2 2016

Commercial Market	Real Estate Market Trends April-July 2016			Yields
	Rent prices	Demand	Supply	
Retail	→	→	→	
Offices	→	→	→	
Logistics	→	→	→	

Source: Eurobank Property Services S.A.

• Supply

New supply of high end retail spaces was fairly stable, with limited new development. In the secondary submarkets the supply continued to increase rapidly.

• Yields

Yields for high street hovered between 7.25 - 8%, while for shopping centers between 8,25-9%.

OFFICE MARKET

The average rents for Class A units of standard size remained between 11 and €14/m². Prices of office spaces stood at 10/m², while for Grade B, grade C and D office spaces prices showed further decrease to €5-7/m², due to limited demand. Property agents have reported a recent decrease in office rents in multiple districts regarding older buildings, since the vacancy rates were high in this type of properties. Yields of 8 to 9% were expected by investors in order to buy a Grade A building, fully-let to high quality tenants in a prime location. These prime yields were expected to increase due to the lack of good quality properties, although this was yet untested. Overall, office activity was limited. Companies have decided to rationalize and reorganize their property portfolio, in order to reduce structural costs and postpone expansion plans until the economy stabilizes.

• Demand

Typical demand of 500 to 1.500m² for office space in Grade A buildings located mainly on Kifissia avenue and the city centre, near Syntagma, but overall demand expected to remain weak until there was more economic and political certainty. Very limited demand was witnessed for grade C and D office spaces. New interest has been noted for older buildings that can be renovated, for hotel or hostel use, at the historical center of Athens. Supply of Grade A offices in all major arterial road was fairly limited and new developments were not expected therefore supply continued to edge down and very few refurbished schemes were expected in the short term. Supply for secondary properties was expected to rise as excess space is released. Prime spaces' yield stood between 8-8,5%, while secondary spaces' yield was 9.5%.

LOGISTICS MARKET

Logistic market remained unstable throughout the second quarter of 2016. Rental prices also remained €2,5-3,5/m² for Grade A properties, although supply of newly constructed logistic spaces was still limited as developers look to pre-rent or pre-sell before commencing construction. Yields on logistic market remained up to 11,7%. The market was still mainly driven by built-to-suit which was limiting the fluctuation of rental levels and ensured the stability of the selling prices.

A standard size of 500m² to 2.000m² for warehouses, and over 10.000m² of logistics, of high quality and specification (Grade A), in the best market location, with 15% of office space, with 6 to 10m ceiling heights, has been the most popular demands. The supermarket chains have shown new demand for logistic spaces.

In the logistic market there was no speculative development in the market and very few pre-let development schemes under construction. The yield for prime spaces stood at 10%, while for secondary spaces it stood between 11,5% and 12%.

Greece - Yields

	Office yields	Logistic yields	Retail yields-pr	Retail yields-sec
2015-Q3	8.25%-9.00%	11.00%-11.50%	7.25%-8.00%	8.25%-9.00%
2015-Q4	8.25%-9.00%	11.00%-11.50%	7.25%-8.00%	8.25%-9.00%
2016-Q1	8.25%-9.00%	11.00%-11.50%	7.25%-8.00%	8.25%-9.00%
2016-Q2	8.00%-9.00%	11.50%-12.00%	7.25%-8.00%	8.25%-9.00%





Romania



Romania

Capital	Bucharest
Official language	Romanian
Government	Semi-presidential Republic
Total Area	238,391 km²
Population (2011 census)	20,121,641
Currency	Romanian leu (RON)



RESIDENTIAL MARKET

• Prices

As the market was recovering and the demand was slowly growing for prime locations, the prices were also experiencing slight improvements.

• Demand

The demand for premium properties had picked-up, with several new projects having higher sale prices compared with the previous period. Such a case was represented by Premio Exclusive City Center situated in Batistei Area. Demand for new loans was decreasing significantly, also affecting the demand for affordable houses overall.

• Supply

New deliveries for premium properties have increased in the past months, with several projects being delivered or being close to delivery, both in Bucharest and in the major cities around the country, such as Timisoara. The number of construction permits for residential buildings was rising, with an average increase of 4% at national level. New projects, with prices below €60,000 were also increased substantially compared to the last quarter.

• Second/Holiday Houses

Rental levels were relatively stable with the expectation of increasing in the third quarter due to the peak season. Although the high season was expected to increase demand, in the second quarter the registered trend has been quite stable, with few signs of increasing demand. Few new projects were announced on the market. Despite the high season expectation, in the last quarter, the supply was stable with most of the developers preferring the option to build-to-rent.

RETAIL MARKET

• Prices

Successful shopping centers had a high occupancy rate, triggering a stabilization of rent levels. The high street rents were also relatively stable versus the previous quarter.

• Demand

The demand for quality spaces with high footfall traffic was increasing. This was generated both by new brands entering the market and looking for flagship locations in Bucharest and from older players expanding in new locations outside the capital.

• Supply

The supply of retail spaces was again on the rise, with ParkLake and Veranda Mall in the final stages of construction and expected to be delivered in September. Outside Bucharest, in Piatra Neamt, NEPI was expanding its network with a new addition.

Romania - Yields

	Office yields	Logistic yields	Shopping centers yields	Retail yields-street retail
2015-Q3	8.00%-9.50%	9.00%-11.00%	8.00%-10.00%	8.00%-10.00%
2015-Q4	8.00%-9.50%	9.00%-11.00%	8.00%-10.00%	8.00%-10.00%
2016-Q1	8.00%-9.50%	9.00%-11.00%	8.00%-10.00%	8.00%-10.00%
2016-Q2	8.25%-10.50%	9.00%-11.00%	7.50%-10.00%	7.50%-10.00%

Source: Eurobank Research & Forecasting Division

MARKET TRENDS

Q2 2016

Residential Market	Real Estate Market Trends April-July 2016			Yields
	Rent prices	Demand	Supply	
Prime Location	↗	↗	↗	
Medium Low	→	→	↗	
Second/Holiday Home	↗	↗	→	
Commercial Market				
Retail	→	↗	↗	
Offices	→	↗	↗	
Logistics	→	↗	↗	

• Yields

Yields for high street spaces hovered between 7.5-10%, while for shopping center they stood between 7.5-10%.

OFFICE MARKET

• Prices

Most of the rents were kept on a stable level. Prices of older properties were characterized by further decreases.

• Demand

New tenants were relocating and are opening offices in newly delivered A-class buildings, such as Capgemini in Skanska Building C.

• Supply

The new hot area for offices in Bucharest - Orhideea - was receiving new additions of projects on a monthly basis. Hanner was the latest developer to announce a new project in the area.

LOGISTICS MARKET

• Prices

The market was still mainly driven by built-to-suit which is limiting the fluctuation of rental level and ensured the stability of the selling prices.

• Demand

The development of supermarket chains has continued, fueling the demand for logistic spaces in the eastern side of the country, after openings near Bucharest and in Transylvania. A good example was Penny market with the new center in Bacau.

• Supply

The logistic market was moving upwards with new delivery expected on the market, even on speculative level, such as the Bucharest Park project in western side of the capital.

• Yields

Yields for prime spaces stood at 9%, while for secondary spaces at 11%.



Serbia

Republic of Serbia



Capital	Belgrade
Official language	Serbian
Government	Parliamentary Republic
Total Area	88,361km²
Population (2010e)	9,024,164
Currency	Serbian dinar (RSD)



RESIDENTIAL MARKET

Regarding prime location residential properties, prices and demand were kept on a stable trend, while supply has increased. New projects have started, such as the first phase of "Garden Center" that consisted of 89 apartments, 94 underground spaces as well as an additional 100,000m² gross area. Two new projects located in New Belgrade would add more than 5,000 units in the current housing stock. Regarding the medium-low residential market, its main characteristic remained the further decline of prices and demand, while supply levels remained stable. As these constructions were more affordable to customers, many projects were in the pipeline. Finally, as for second/ holiday homes, supply followed the stabilization trend of previous quarters, while demand and prices decreased.

MARKET TRENDS

Q2 2016

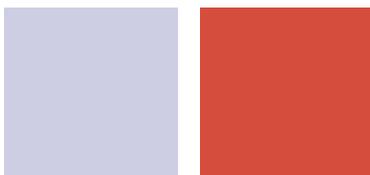
Real Estate Market Trends April-July 2016

Residential Market	Rental prices	Demand	Supply	Yields
Prime Location	→	→	↗	7
Medium Low	→	→	↗	8
Second/Holiday Home	→	→	→	8.50
Commercial Market				
Retail	→	→	↗	8.50
Offices	→	→	→	10
Logistics	→	→	→	10.50

Source: ERB Property Services d.o.o. Belgrade

RETAIL MARKET

In prime retail locations rental prices have not exhibited any major fluctuations and are in line with the previous quarter. Furthermore, demand for retail units also remained stable, while supply continued to follow an upward trend resulting from the evident increase of the vacancy rates. Supply of retail space has increased, since Belgrade Plaza has started the construction of its shopping center, which will have a GBA of 61.000m². Expected completion date is expected in the first half of 2017. In addition, Ikea has obtained all necessary documentation for the beginning of construction and has already started the necessary preliminary works. Regarding yields, they remained in the same levels as in the third quarter of 2015.



OFFICE MARKET

Rental prices as well as demand have slightly decreased. In the area of developments in the office market, no new projects have been launched. The new development of Nabigator Business center (22.000m² with 2020 parking spaces) was in the pipeline. Also, the project of Green square office building was completed, consisting of A+ office space, with 2,655m² NLA and a parking garage on three underground levels with 50 parking spaces. Vacancy rates for modern office space were currently around 6.5%. Yields remained stable.

LOGISTICS MARKET

In the field of logistics centers monthly rents as well as demand have followed downward trends. Only individual users/companies were using their own privately built centers. Yields remained stable.





Bulgaria



Republic of Bulgaria

Capital	Sofia
Official language	Bulgarian
Government	Parliamentary Democracy
Total Area	110,993.6 km ²
Population (2009e)	7,576,751
Currency	Lev (BGN)



RESIDENTIAL MARKET

Regarding the prime properties, residential property prices in Sofia were on the rise. According to information by Arco Real Estate (agent and developer), based on a recent transaction concluded by them, the average growth in Sofia stood at 4% since the beginning of 2016. Expected growth until the end of the year was 5%. The cumulative total price growth in Sofia since the recovery of the market was around 20%. The number of newly completed apartments in Bulgaria has risen from 1,951 units per quarter on average in 2015 to 2291 in Q1 2016. Data for Q2 2016 were still not available. Development of new buildings has significantly increased since the beginning of 2015 and as a result further increase in the number of completed residential units was expected until the end of the year. Residential properties in Sofia currently offered average rental returns of 5.4%. However, most buyers were interested in potential capital gains as a result of the growing market prices in Sofia. Rental income yield from residential properties was a less popular investment concept, especially among non-corporate buyers, although it was progressively getting more popular with the sharp cut in deposit interest rates.

• Second/Holiday Houses

Regarding winter holiday homes, the average purchase price of apartments in Bansko was €385/m² in Q1 of 2016, and the average overall purchase price is €25,000.

As far as the Sea holiday homes were concerned, transactions for prime properties on the beachfront were in the range of €800 - 1000/m² with high quality finishing works and furniture. Average quality properties in the first and second rows from the sea were in the range €650 - 800/m². While properties in secondary locations were around €500/m². Prices greatly depended on the type of property and available facilities. Residential market in secondary regions was less active, mostly due to negative population migration and lack of a sustainable income base of households.

RETAIL MARKET

• Prices

Prime rents in the shopping centers and on high streets did not change over the last quarter. The average prime shopping center rent was around €28/m² for small to medium size shops. Prime rents on Vitoshka Blvd. in Sofia were in the range of €40-45/m² for small to average sized shops at the most desirable spots with positive outlook until the end of 2016. In second-tier markets rents remained €12-16/m²/month.

• Demand

Demand for high-street locations was stable. Most of the leasing activity was related to relocations of brands looking for their best positioning on the market. Vacancy rates in shopping centers have risen slightly from 12.8% to 13.6% due to increase in retail stock as a result of the completion of San Stefano Plaza. Additional, availability came from the ongoing reconstruction of City Center Sofia. Outside Sofia, demand was volatile - mostly with seasonal characteristics in sea-side locations of Burgas and Varna and with slight improvements in Plovdiv.

Bulgaria - Yields

	Office yields	Logistic yields	Retail yields
2015-Q3	7.00%-8.50%	10.50%-11.50%	8.75%-9.00%
2015-Q4	7.00%-8.50%	10.50%-11.50%	8.75%-9.00%
2016-Q1	6.50%-8.50%	10.50%-11.50%	8.75%-9.00%
2016-Q2	6.50%-8.50%	10.50%-11.50%	8.75%-9.00%

Source: Property Services Sofia AD

• Yields

Prime shopping center yields were in the range of 8.75%-9.00%, while high-street retail seemed to be more attractive and potential buyers' pricing was based on target yields of around 8.00 - 8.50%. However local small investors tended to conclude deals even at yields below 8% in favor of expected increase in capital value of high street properties.

OFFICE MARKET

• Prices

Average asking rental rates for modern office space increased by 0.8% compared to 1Q of 2016 mostly due to Class B buildings in CBD and suburban areas. The gap between the asking rents for CBD and midtown areas was closing. The average asking rental levels remained between €10.00 and 14/m². Regarding Class A spaces yields stood at 6.50%, while for Class B spaces it was 8.50%.

• Demand

Supply in Sofia remained unchanged in the second quarter of 2016 - 1,795 million m² in class A and B. The pipeline of office space under active construction increased by 19,000m² to 175,000m². returning close to the levels observed in 2015. The sentiment among developers has improved considerably, as the market environment created preconditions for the start of new office projects.

• Yields

The positive investment sentiment continued in the second quarter of 2016. While no major investment deals with income generating activities were announced the overall activity remained high. Prime office yield in Sofia was around 9%. However, investors' perception of properties with long term international tenants and secured income was for even lower yields - around 8.5%.

LOGISTICS MARKET

• Prices

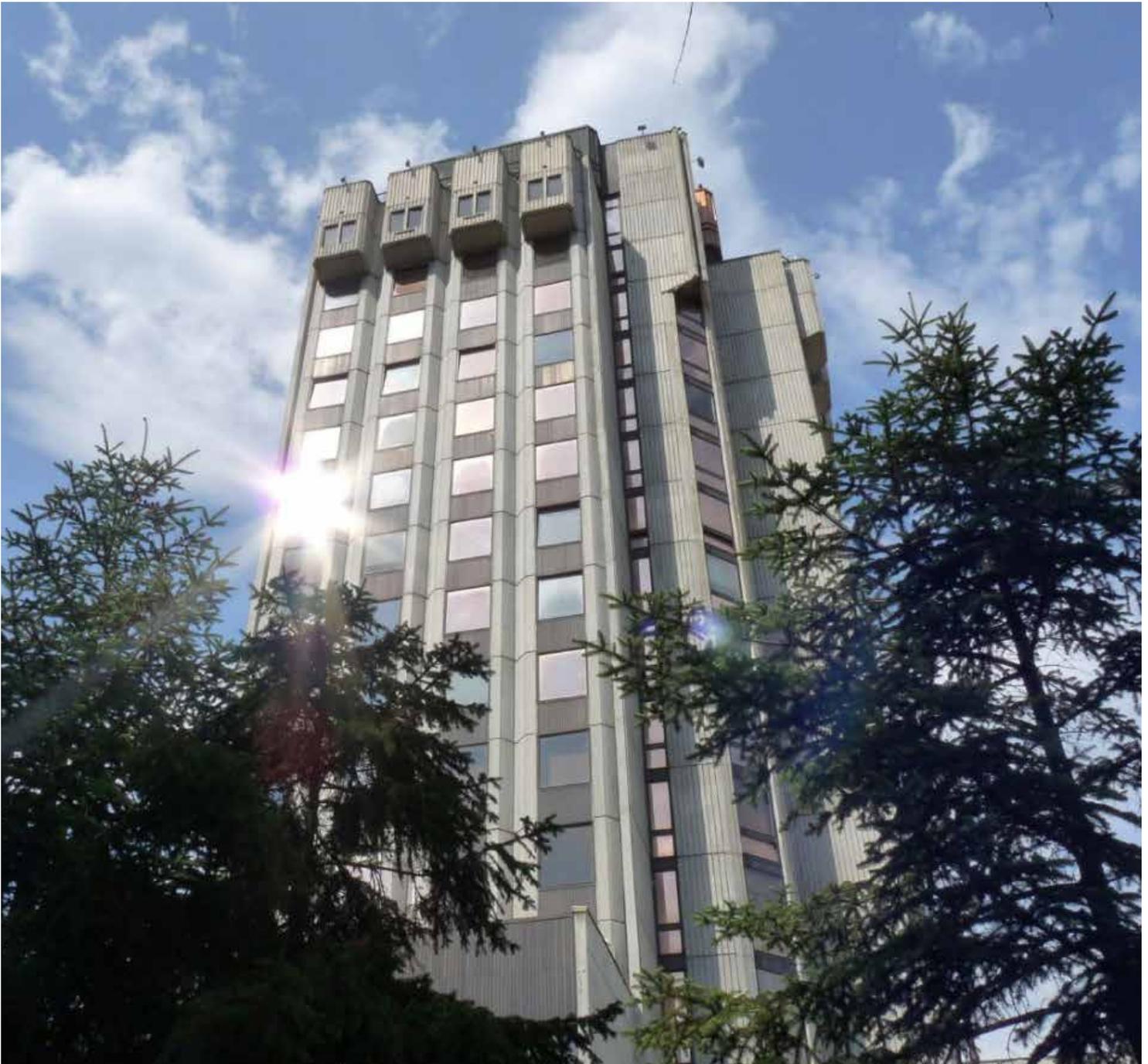
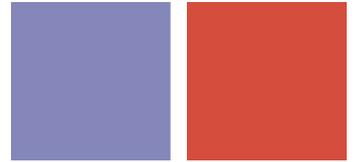
Logistics space rents have been stable over the last quarter after the recorded increase by 3% in the 1Q of 2016. Rents in prime logistics space in Sofia were around €4.25/m² and around Sofia Airport in the range between €4.50 and 5.00/m². Prime warehouse units rents started from €3.8/m² and from €2.5/m² in secondary locations. Sofia suburban locations (Airport, Bozhorishte, Elin Pelin) and Plovdiv remained among the most attractive locations.

- **Demand**

Demand for logistics and industrial space was focused in the areas of Sofia and Plovdiv. Many companies prefer built-to-suit properties. Leasing activity was focused on warehouses and properties which provide full logistics service.

- **Yields**

Yields of logistics areas were about 10.50-11.50%. In Sofia prime industrial yields fell to 10.50%. Still, the logistics market in Bulgaria was more built-to-suit and less investment asset market oriented. This is why pricing models were not solely based on yields.




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