












NAI Hellas



2015

Logistics Market Report

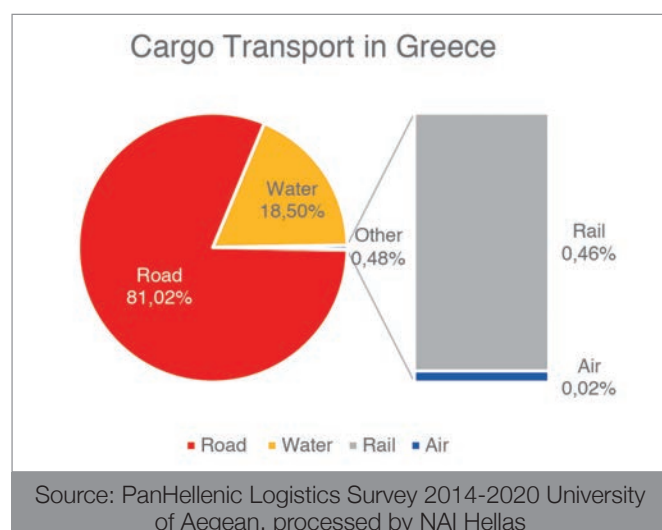


-  METROPOLIS
-  PRIMERY NATIONAL POLES
-  SECONDARY NATIONAL POLES
-  AIRPORTS
-  PORTS
-  NATIONAL ROADS
-  NATIONAL ROADS UNDER CONSTRUCTION
-  RAILWAY
-  RAILWAY UNDER CONSTRUCTION

Efficient and reliable **logistics services** are essential to the effective distribution of goods in a market. The location of logistics activities and the infrastructure to support them are the most important components for the competitiveness of the sector. According to the World Bank, a logistics zone should be viewed as an integrated space whose competitiveness is determined by a variety of factors: connections with backbone transport infrastructure (rail, road, airport and ports); access to a qualified workforce; charges (fees and taxes) for services; proximity to complementary activities (horizontal integration); distance from the consumer and end-markets; potential for two-way transport (to avoid empty loads on return trips); cost of land and construction; social, environmental and political risks.

Greece is geographically and economically advantageously located. Being the South-eastern most point of mainland Europe with 45 airports (15 international), over 140 seaports (16 international) and access to European road and rail corridors, Greece has the potential to become Europe's primary gateway.

Road transport is the dominant means of freight transportation in Greece due to the small distances between its major cities, the country's geomorphology as well as the, until now, general lack of comprehensive rail network.



In the EU Cohesion Policy 2014-20, Greece was granted a total of €26.0bil. from the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund (CF). According to the Operation Programme €4.3bil. will be allocated for the development of infrastructure, environment and sustainable development. The objectives of the transport sector program are to promote integration of basic infrastructure (road, rail, ports and airports), the promotion of combined transport and modernisation of the transport system, improving road safety and the development of sustainable and ecological urban transport. For the same

sector, an additional €783.0mil. was granted via the Regional Operational Programmes.

Road Network

During the past decade, Greece's road network has been substantially improved. The main motorway artery PATHE (E75) that links the southern port of Patras with Athens and Thessaloniki and then connects Greece with Central Europe via the European road E79, has been undergoing continuous upgrades to that of high standards. Egnatia Odos motorway (E90), one of the largest infrastructure projects in Greece, recently connected the northern part of the country from the eastern port of Igoumenitsa to Alexandroupoli in the west and the Turkish borders.

The third major motorway system in the pipeline in Greece is the Ionian Odos motorway that will connect the whole of western Greece from Igoumenitsa to Patras, linking three ports (Igoumenitsa, Astakos and Patra) and three airports (Ioannina, Preveza and Araxos).

Airports

Greece has 45 airports; 15 international, 26 domestic and 4 municipal airports. The Athens International Airport that opened in 2001 is an ultramodern facility. It is considered to be one of Europe's best airports, with immediate access to rail and road networks. A number of Greece's airports are undergoing significant infrastructure and facility upgrades while there are provisions for the construction of new airports. In the meantime, the privatisation of 14 regional airports is underway.

Seaports

Greece has over 140 ports that serve passengers and cargo, 16 of which are international. Piraeus is the main cargo port of the country followed by Thessaloniki, Patras and Igoumenitsa ports. Port infrastructure in Greece is constantly being upgraded and improved to meet the needs of cargo shipping. Greece has very good maritime connectivity; the country ranks 25th in the world according to the Linear Shipping Connectivity Index (LSCI). From 2011 (69th place) to 2012 (54th place), the country's LSCI ranking showed significant improvement due to improved maritime connectivity that was a result of reforms that led to the growth of trans-shipment activities in Piraeus.

► Piraeus Port

Piraeus Port is one of the busiest ports in Europe. In 2013 the port was the 10th fastest developing port globally. A €380 mil. investment by COSCO, a multinational enterprise specialising in global shipping and modern logistics, was recently completed in Pier II and an additional €230.0mil. investment began in January 2015 and is expected to be completed by 2018. Important changes will be made to the technical features of the port allowing for the serving of 24,000 TEU capacity vessels (the biggest in

the Mediterranean Sea). COSCO's investments in the port of Piraeus's Piers II and III increased freight inflows from the Far East. Piraeus's container terminal flow increased by 15.3% in 2013, given the completion of works in the west part of Pier III.

Piraeus Container Terminal (in mil. TEUs)				
		2012	2013	2014
Piraeus Port Authority S.A. (PPA)	Pier I	0.62	0.64	0.59
Piraeus Container Terminal S.A. (PCT)	Piers II & III	2.10	2.51	2.98
Total TEUs		2.74	3.16	3.57

Piraeus has become one of the most important transit ports internationally and plays a primary role in China's plans for Greece and the Balkans and is slowly transforming into Asia's southern corridor into Europe. COSCO plans to invest a further €600.0mil. on the western side of Pier III that will allow the total transportation of 7.5mil. TEUs p.a. for Piers I, II and III, bringing Piraeus to rank among the top five ports in Europe. Moreover, the 'P3' alliance between Maersk, MSC and CMA-DGM maritime groups plan to use fewer but larger capacity ships (of almost 18,000 TEUs) that will benefit Piraeus's port as it will be one of the few ports that can serve ships of such size with its new super-post cranes.

Phase one of the sale of 51% of Piraeus Port Authority (PPA) has been completed, with three investors – Cosco Group Ltd, APM Terminals (subsidiary of Moller & Maersk) and International Containers Terminal Services (ICTSI) having passed the phase two. The port's competitiveness is expected to further increase with the recently completed railway connection to the freight centre 'Thriassio Pedio' which will increase the multi-modal container traffic going through the Piraeus container terminal.

► Thessaloniki Port

Thessaloniki's port is a natural gateway for the regional economies (Bulgaria, Romania and FYROM). The port has the capacity to manage 600k – 800k TEUs p.a. Emphasis is given to transit activities that translate into €1.5 - €2.5bil. revenues for the local region. Investment interest has also been apparent in the sale of 51.0% of the Thessaloniki Port Authority (THPA) where eight international companies are considering entering the bidding process, including APM Terminals, Mitsui & Co and International Container Terminal Services (ICTSI).

► Igoumenitsa Port

The port of Igoumenitsa is currently undergoing significant upgrade works. It experienced a 10.0% increase in the number of visitors and cargo in 2014. Enhancement works of 'Phase C1' include the construction of new platforms, dredging of existing ones, a cargo terminal and possibly a container terminal. 'Phase C2' includes plans for the development of two ring piers and infrastructure for rail connection (Ra-Ra).

Railway Network

The Greek railway system is essentially north to south and connects Patras, Athens and Thessaloniki. Emphasis has been placed on upgrading its infrastructure (tele-commanding and signalling works are underway) with improvements of the rail bed and the laying of new tracks to minimise transport times, as the main priorities. In recent years TRAINOSE (subsidiary company of the Hellenic Railways Organisation) has been undergoing significant reforms to increase its position in freight transportation and has recently attracted new business. Every week three trains leave from COSCO's facilities for Central Europe (Hungary, Slovakia and the Czech Republic). The agreement between TRAINOSE and PCT (COSCO's subsidiary) has a five days delivery clause and the first tests managed to deliver cargo in just three days. The deal calls for transport of 20,000 TEUs annually but demand can reach ten trains per week or 100,000 TEUs p.a.

In May 2015, completion of connecting the new cargo terminal of Alexandroupoli's port to the railway network was achieved. The project involved a 1,770 m rail line which cost



Igoumenitsa Port

€3.1 mil. The project connects the cargo terminal with the rest of the European railway network which allows for the logistics chain to bypass the Bosphorus.

Moreover, the EU is financing the European Rail Freight Corridor 7 (RFC7) which will connect Athens to Prague via seven different European countries and aims to offer reliable transport services based on harmonised technical and procedural requirements. RFC7 will cross Prague, Vienna, Bratislava, Budapest, Bucharest and Constanța. The rail-corridor guarantees an effective liaison between Central and South-eastern Europe as well as Asia, via the ports in the Black Sea and the Aegean.

Rail is an important and competitive mode of transport for medium to long-term shipping and is essential to enhance Greece's chances of becoming a gateway to the EU. Greece ranks 29th in the EU in terms of cargo volume being transferred via rail. Volumes are modest compared to other EU countries hence, there is much room for improvement.

Greater Attica Region

Within the greater Athens area, the Attica motorway has substantially changed road transport in and around the capital and is an important logistics route, as it connects the airport with logistics centres, ports and rail stations.

A landmark infrastructure project was completed in 2013 – that of the new 17km railway line for cargo transit. This new line connects the container terminal of Piraeus (Neo Ikonio) from COSCO's facilities with Thriassio Pedio. The €143mil. investment significantly reduces transport times for goods from the Mediterranean and Asia to Europe

and allows for the movement of 350,000-420,000 TEUs p.a. The project will achieve significant synergies once the freight centre in Thriassio Pedio is completed. The 588 acres of land belonging to GAIOS with a buildable area of 235,000m² will offer logistics and processing facilities and merge with the 1,450 acres belonging to OSE, that will include a rail service complex (terminals, customs office, container management stations). The development has attracted interest from a number of international investors such as COSCO, Grivalia and Goldair. Thriassio Pedio will become a freight centre of international repute that will increase rail freight significantly and help the country become a major gateway.

Thessaloniki Region

The city of Thessaloniki and its port are directly linked to two Pan-European Corridors of intermodal transport IV and X, that connect Greece with Germany, the Czech Republic, Austria, Slovakia, Hungary, Romania, Bulgaria and Turkey via corridor IV and with Austria, Slovenia, Croatia, Serbia and FYROM via corridor X. Also via the Egnatia Odos, Greece is connected indirectly to Corridor IX with access to Helsinki, Kiev, and Bucharest.

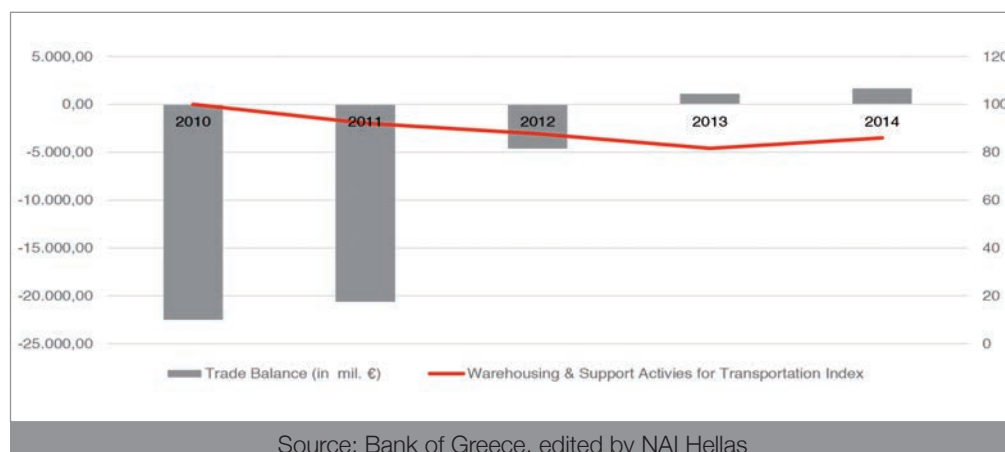
Similar to Thriassio Pedio, the ex-military camp 'Gonou' has been allocated by the government for the development of a logistics park in northern Greece. The site has access to national motorways and the Egnatia Odos. As such, connection to the Balkan countries, Europe and Turkey is immediate. Moreover, the site is located next to the railway's sorting station and can be connected to the rest of the railway network. Most importantly, the site is next to the industrial zone of Sindos and only 5 km away from the port of Thessaloniki.



Pan-European Corridors

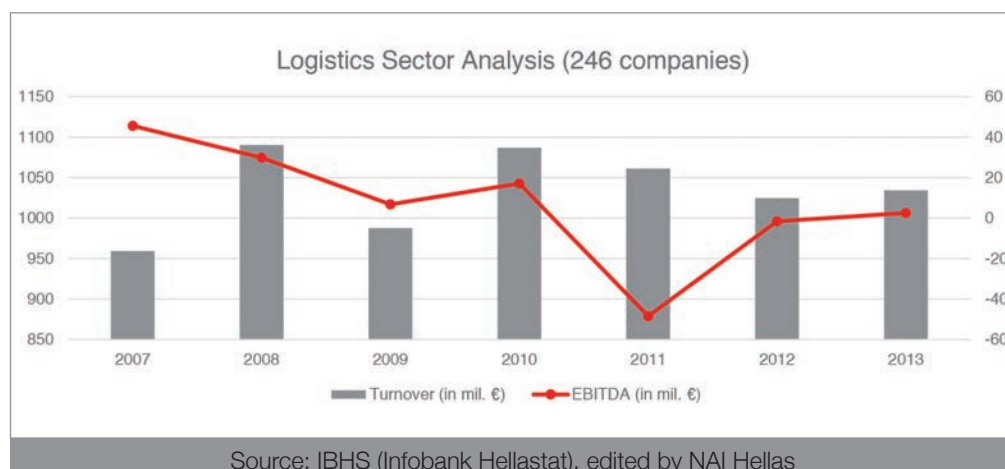
Overview

The logistics market in Greece contributed 10.8% to GDP in 2013 and according to the Ministry of Infrastructure, Transport and Networks, turnover of the sector stood at €1.2bil. The Greek logistics sector showed significant growth during the 1998-2008 period with turnover rates increasing yoy. Factors contributing to growth were the increase in outsourcing of logistics services, the constant IT progress in transportation and storing of goods, the growing economy until 2008, as well as the expanding strategies of several companies of the sector.



The economic recession that began in 2008 brought fiscal measures that significantly reduced consumption, production, exports and imports. This immediately resulted in the reduction of the logistics sector as demand for goods transportation fell dramatically. Yet the beginning of 2014 brought the first signs of recovery with a 5.5% yoy increase, compared to the devastating 7.0% decline experienced from 2012 to 2013. According to the World Bank, Greece's 2014 logistics performance ranks 44th out of 160 countries in terms of quality of services, cost efficiency and quality of transport infrastructure, with the Logistics Performance Index (LPI) reading of 3.20 units. In 2012 Greece was ranked 69th with the LPI at 2.83 units¹.

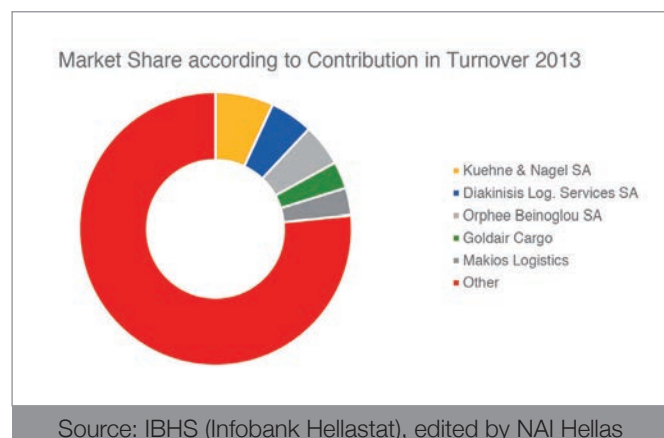
The logistics sector in Greece includes a number of international 3PL (3rd Party Logistics) companies specialised in managing goods (storage, preparation and distribution) and many small-medium enterprises (SMEs) offering a smaller range of services. Logistics companies in 2013 showed an annual increase in turnover of 1.8% and a 12.8% growth in EBITDA. Total sector EBITDA in 2013 amounted to €68.8mil. Profits before interest for the sector amounted to €2.53mil. and the average gross profit margin increased to 23.9%.



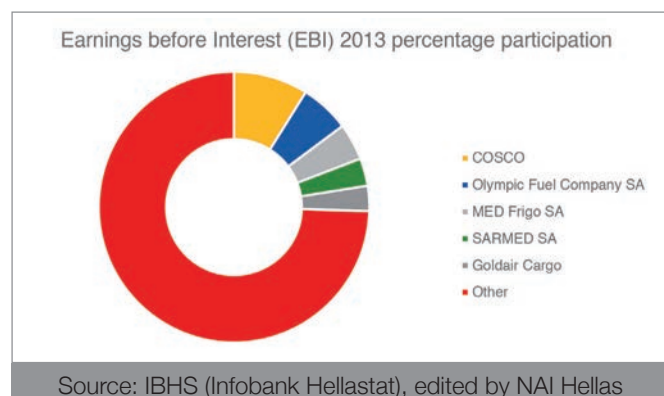
¹ The World Bank conducts logistics performance ranking surveys every two years.

In 2013, approximately seven out of ten companies in the industry reported a profit (166 companies in the 246 sample), with 55.0% of those profitable businesses showing profit increases from the previous year.

The five largest logistics companies represent 23.0% of the industry's total turnover in the sample. The market's leading company Kuehne & Nagel, had a market share of 7.0%, followed by Diakinisis and Orphee Beinoglou, each with a market share of 5.0%.



The top five most profitable companies represent 25.0% of the sample's earnings before interest. In 2013, COSCO was the most profitable logistics company in Greece accounting for 9.0% of earnings, followed by the Olympic Fuel Company (OFC) with 6.0% and MED Frigo with 4.4%.



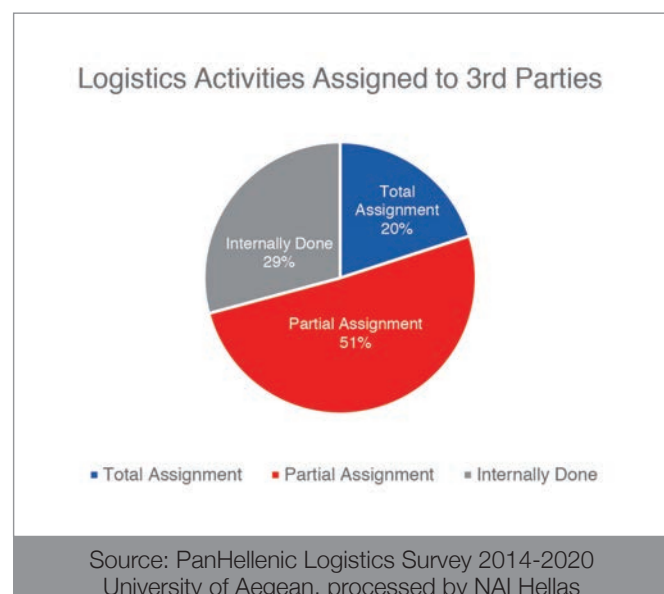
The sector's overall improvement in profitability in 2013 was a result of efforts to cut operational expenses by a number of 3PL providers. In the process of reducing operational expenses, companies renegotiated lower rental levels for their property portfolios.

Outsourcing Logistics Services - 3PLs

According to the World Bank, efficient global logistics providers operate in Greece but they are only partially integrated with the rest of the Greek economy. Global players present in the local market are Kuehne & Nagel, DHL, Shenker, Geodis, Panalpina and Express. Together with a few Greek companies, they operate efficient

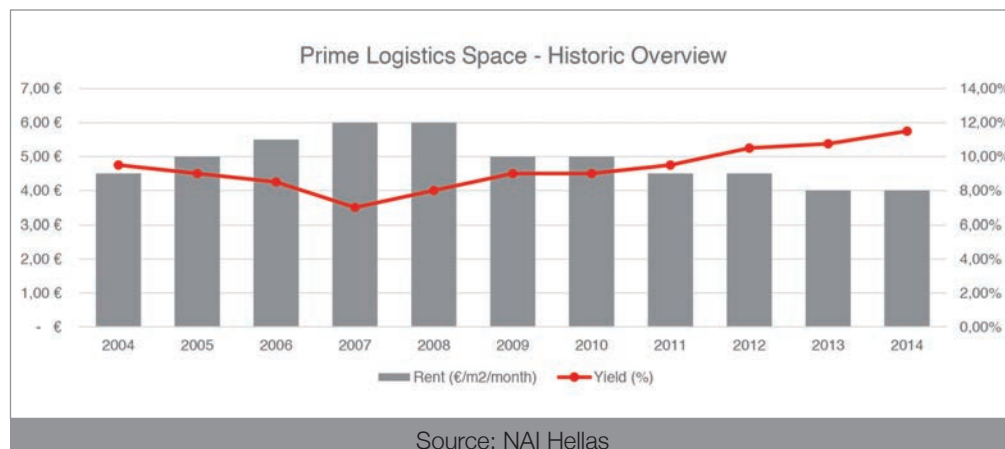


supply networks and provide their clients with timely and cost efficient deliveries between Greece and the rest of Europe, from and to their logistics centres in the Attica and Thessaloniki regions. The use of outsourced logistics services in Greece is 23.0% comparatively low to that of the European average of 49.0%, according to the Hellenic Federation of Enterprises (SEV). This is partly due to regulatory constraints that hinder the development of modern commercial transport and logistics services. Typically outsourced logistics account for 80.0%-90.0% of all transport expenditure, yet in Greece this amounts to only 20.0%.



Overview

The logistics property market which closely followed the growth of the Greek economy, increased considerably during the period 2005-2008, driving prime rents from €4.00/m²/month in 2004 to as high as €6.00/m²/month in 2008 for high quality logistics space in some areas. By 2009 the economic crisis had had a major effect on the logistics property market with falling demand leading to prime rents decreasing by even €1.00/m²/month in some cases. In 2013 rents reached a low and prime rents for Grade A logistics properties stabilised at €4.00/m²/month.



The market remained stable throughout 2014 however, with very few transactions taking place. Rents for logistics properties remained unchanged while yields showed an increase reaching 11.5%. During the past several years tenants have been re-negotiating rental levels and have managed to achieve notable discounts. Having said that the Greek logistics property market is mainly an owner-occupier market, a fact that limits the market's liquidity. Since 2008 and throughout, a number of owner-occupiers have been leasing part of their premises that remained unutilised in order to save on operating expenses.

Supply of newly constructed logistics buildings was very limited in 2014 as developers looked to pre-let or pre-sell before commencing any new developments. In 2014, Lidl Hellas began operating two new logistics centres. The first, opened in February 2014, is an ultramodern 50,000m² logistics centre in Kalivia, East Attica. The second, which opened in June 2014, is located in Sindos, Thessaloniki and cost €35.0mil. to develop. The Sindos logistics centre is a 60,000m² property, built on a 200 acre land plot that serves 60 of Lidl Hellas's retail stores in Macedonia and Thrace. This is the company's largest logistics centre in Europe.

During 2014, Grivalia REIC acquired two logistics properties in Aspropyrgos; a 13,000m² logistics property acquired for €5.9mil at an implied investment yield of 12.0% and a 19,000m² property for €8.3mil. at an implied investment yield 11.5%. Moreover, the hypermarket chain Jumbo acquired a 27,500m² logistics building on the old National Road 'Athens-Chalkida' for €11.3mil. from Vogiatzoglou Systems.

Lastly, Secure Development & Investment Plc, a South-eastern Europe focused property Investment Company, made its first acquisition in Greece in 2014. The acquisition was a 17,756m² income producing logistics complex in the west Attica industrial area bought from G.E. Dimitriou Ltd. The property is fully leased to several tenants with Kuehne & Nagel being its major occupier. The €1.85 mil. income producing logistics complex was bought for €15.0mil. at an implied investment yield of 12.0%.

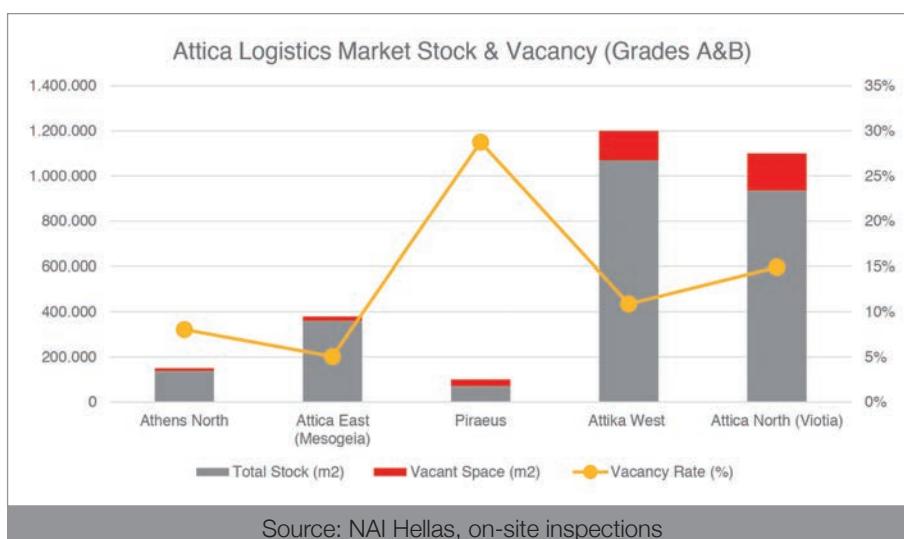
Locations, Stock & Vacancy Rates

The logistics zones of the greater Attica region are clustered in relatively few areas to the north, west and east entrances of the city of Athens and Piraeus. Access infrastructure is relatively poor and warehouse zones intermix with commercial and residential areas.



Attica Logistics Property Market	
1. Athens North	
Metamorfosi	
Likovrisi	
Kifissia	
Agios Stefanos	
Krioneri	
2. Attica East (Mesogeia)	
Markopoulo	
Koropi	
Spata	
Peania	
Airport	
3. Piraeus	
Port	
Drapetsona	
Perama	
Agios I. Rentis	
4. Attica West	
Aspropirgos	
Magoula	
Mandra	
Elefsina	
5. Attica North (Viotia)	
Inofita	
Schimatary	
Avlonas	

The western entrance to Athens has the highest concentration of logistics property stock followed by the entrance to the north. Together these areas comprise over 2mil. sqm of logistics space. Western and northern Attica have developed over the years into traditional logistics markets and offer a number of Grade A facilities. The Piraeus logistics market accounts for only 5% of the total logistics property stock and offers very little Grade A and B quality space. The eastern side of Attica has been evolving into a logistics area after the construction of the Athens International Airport in 2001.

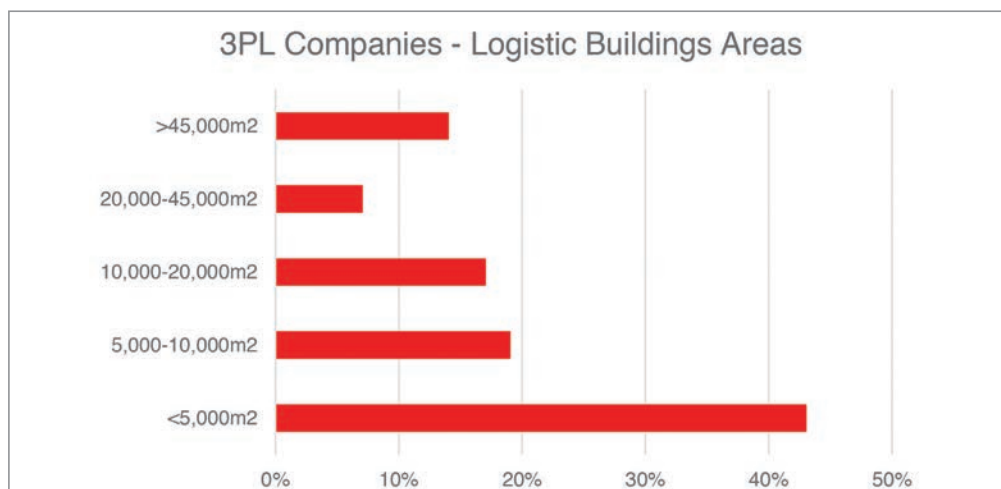


The Thessaloniki logistics market is concentrated in the industrial park of Sindos, the Agios Athanasios area, as well as locations that have immediate access to the port and international motorways (E75, E79). Sindos logistics park was developed more recently and, as such, it is located within a designated industrial zone and has the necessary designed layout with multimodal access.



Thessaloniki Logistics Property Market	
1. Sindos	
2. Agios Athanasios	
3. Kalochori	
4. Oreokastro	

As for the overall market's stock, according to research conducted by the University of Aegean (under the Ministry of Infrastructure, Transport and Networks) 62.0% of the 3PL companies have properties that do not exceed 10,000m², the minimum benchmark size for an adequate logistics property. This is largely a result of the restrictions and difficulties faced in gaining planning and licensing permission for large-scale developments. Properties in the market that are sized greater than 45,000m² are approximately 14.0%.



Source: PanHellenic Logistics Survey 2014-2020 University of Aegean, processed by NAI Hellas

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Rents & Yields

In prime locations of the greater Attica region (i.e. Aspropyrgos, Inofita, Mesogia and bordering the National Road) rents for Grade A logistics properties reach €4.50 - €5.00/m²/month. Contrastingly, there are relatively small sized warehouses with low specifications that are on the market for €1.00/m²/month. In the Thessaloniki region, the logistics park of Sindos claims the highest rents of €2.50/m²/month.

Logistics Property Market in Greece			
Attica Region			
	Rents (€/m2/month)		Yields (%)
	Grade A	Grade B	
Athens North	3.00 - 4.50	1.00 - 2.50	11.5% - 13.0%
Attica East (Mesogeia)	2.00 - 3.50	1.50 - 2.50	
Piraeus	n/a	1.00 - 2.00	
Attica West	3.00 - 4.50	1.00 - 2.50	
Attica North (Viotia)	2.00 - 3.50	1.00 - 2.00	
Thessaloniki Region			
Sindos	2.50 - 3.00	2.00 - 2.50	11.5% - 13.0%
Agios Athanasios	2.50 - 3.00	1.50 - 2.50	
Kalochori	2.00 - 2.50	1.50 - 2.00	
Oreokastro	2.00 - 2.50	1.50 - 2.00	

Disclaimer

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The logistics sector in Greece has very high growth potential with the capacity to offer new jobs and enhance Greece's ranking and competitiveness. Efficient logistics could play an important role in the country's recovery in a number of ways including reducing costs of importing and exporting, contributing to GDP growth as a service sector and reducing the fragmentation of the domestic economy, thus improving economies of scale and productivity.

To assist Greece in its attempt to become the most important logistics hub in South-eastern Europe, the Parliament passed a new law concerning the logistics sector L. 4302/2014. The law includes fast track procedures for the development of business parks on land plots of 500 acres or more and offers incentives to those willing to invest in the sector by harmonising licensing procedures for logistics properties and offering building coefficients equal to those of industrial properties. It is interesting to note that the new law for the first time establishes the terms 'logistics' and defines the sector's business activities (3PL-third party logistics). The law's intention is to reinforce competition, enhance investment and reduce the level of risk associated with investing in the sector.

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