

THESSALONIKI MARKET REPORT

2020 has been characterised as the year of the Covid-19 pandemic. Global markets and economies have struggled throughout with Lockdowns and Restrictions that have blown away all macro economic goals and indicators. 2021 is already seen as the first step to recovery.

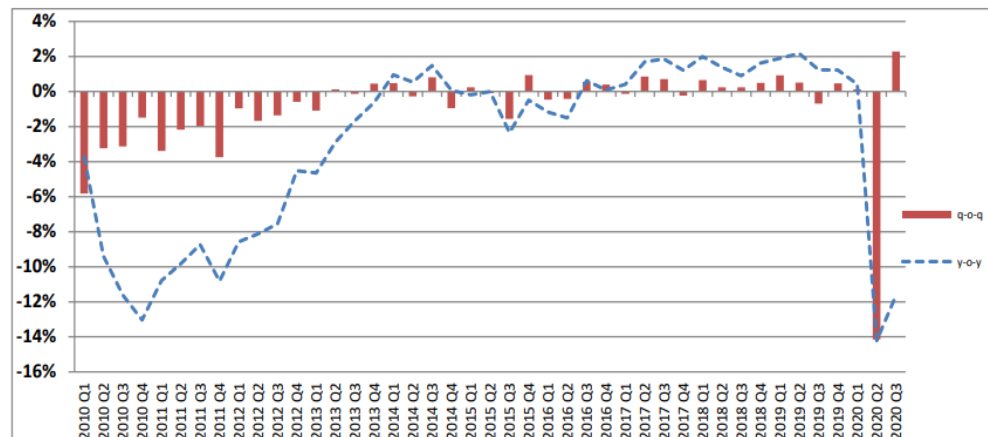
MACRO FIGURES

European and Global figures imply that economic impact of Covid-19 has led the economies to unprecedented economic crisis. Forecasts of 2021 are optimistic and most economists agree that we are headed to a recovery fuelled by the massive vaccination programs across the globe.

Greek Economy S2 Overview

Greece had to face the outcomes of a ten year economic crisis, which officially came to an end in 2019. Before yet witnessing the increases in macro figures, Covid-19 has trashed all hope for positive macro numbers in 2020. Recession in 2020 due to the pandemic has hit Greece hard and the unavoidable lock down measures and restrictions have worn out the Greek economy. In 2020 the fall in GDP was at 10% with the published figures so far. The slow down and shrinking of the economy is evident in all relevant indicators. The economy is expected to bounce back in 2021 and get into even more optimistic numbers by 2022.

GDP in Volume Terms/Seasonally adjusted figures
(q-o-q) and (y-o-y)



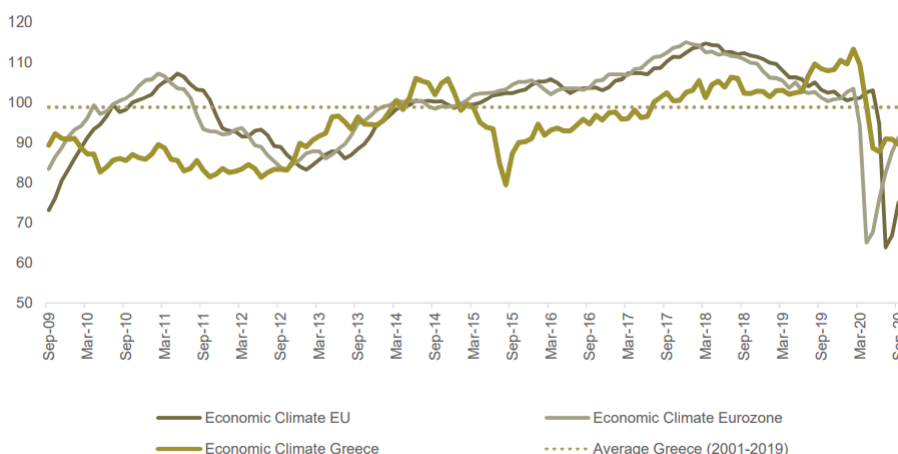
Source: Elstat

EUROPEAN COMMISSION FORECASTS				
ECONOMIC INDICATORS	2019	2020	2021	2022
GDP (%)	1,9	-10	5	3,5
Inflation (%)	0,8	-1,3	0,9	1,3
Unemployment (%)	17,3	18	17,5	16,7
Gvnt Balance Sheet (% GDP)	1,5	-6,9	-6,3	-3,4
Gross Public Debt (% GDP)	180,5	207,2	200,7	194,8

Source: ec.europa.eu



Economic Climate Index



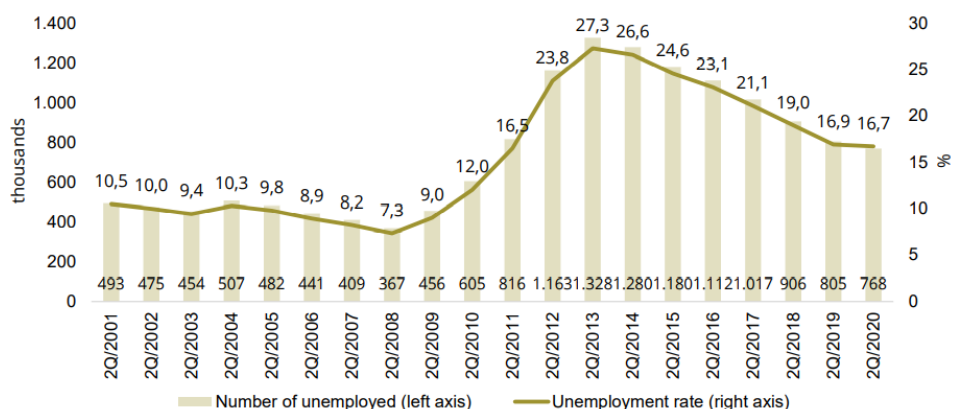
Sources: IOBE, European Commission

On the upside, the support measures adopted at EU level, including Next Generation EU, could significantly support demand in 2021 and strengthen economic fundamentals and resilience going forward. More specifically, the Commission forecast does not incorporate the impact of the Recovery and Resilience Plan as it is still at an early stage of development.

The coronavirus pandemic is taking a strong toll on the Greek economy. The economy contracted by -14.2% in the second quarter of 2020 as economic activity was constrained to stop the spread of the pandemic. The services sector was hit particularly hard also during the summer season due to the importance of international tourism. While the increase in the unemployment rate has been relatively muted so far, partly on account of the protection schemes put in place timely by the authorities, employment has suffered more markedly in view of the lower demand for seasonal workers. The slack in the economy, as well as falling energy prices, are expected to lead to a temporary decrease in consumer prices in 2020.

Once fully specified, adopted and implemented, the reforms and investments implemented under the Plan are expected to have a positive impact on the growth outlook. Greece's fiscal policy is expected to continue to support the recovery throughout 2021. While most of the measures taken in 2020 have targeted the direct impact of the pandemic (health care expenses, support for the lock-down period, tax deferrals etc.), the authorities have also announced temporary measures for 2021 which aim to support the recovery by stimulating demand and employment. Specifically, the authorities have also announced additional temporary measures reducing social security contributions by three percentage points for private sector wage earners and waiving the social solidarity tax for private-sector wage earners and self-employed

Number of unemployed and unemployment rate in Greece



Source: ELSTAT

Employment is negatively affected by the crisis, but the authorities have implemented measures to cushion the decline and to facilitate the recovery. Data on hiring and firing from the ERGANI system shows, that between March and June 2020, the labor market remained 'frozen', with very limited hiring and firing taking place.

Uncertainty and risks surrounding the outlook are very high, due to the uncertain developments of the global health crisis. In view of the recent developments regarding the pandemic and new nationwide lockdown announced on 5 November, economic activity could be significantly impacted in 2021.

S2 2020 MARKET INSIGHT REPORT

OFFICE MARKET REPORT S2 2020

Office market has been emerging over the last couple of years. Although 2020 is being a challenging year so far, there is still ongoing demand for quality office spaces.

Overview

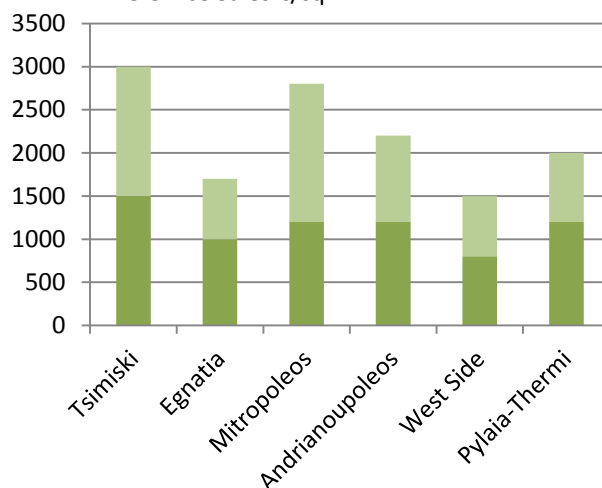
Thessaloniki office market has experienced strong mobility for the past one or two years, and the interest remained strong during H2 2020. This dynamic trend was starting at the end of 2018 and has not been influenced from COVID 19. The increase of demand, combined with steadily declining supply, increased also the absorption rate.

THESSALONIKI OFFICE MARKET

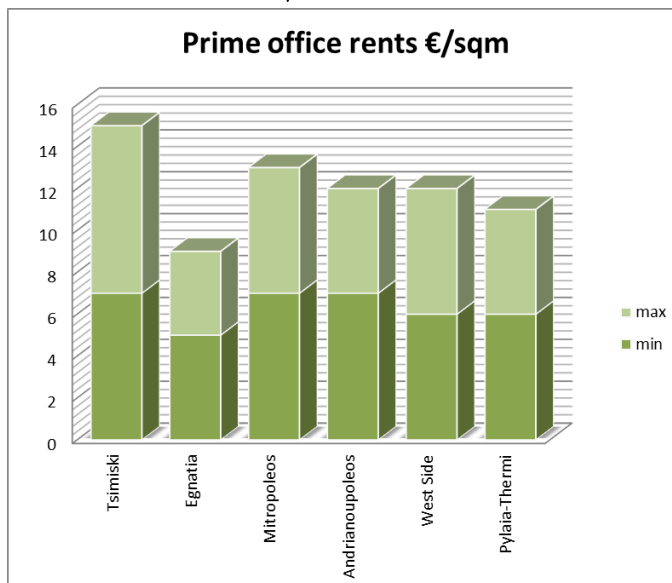
The pandemic may affect the completion of the agreements or in some other cases the pause of demand until traveling restrictions are lifted. However, the characteristics of the demand have changed, as now, having the experience, larger areas per employee are required and open plan spaces are probably not preferred by the companies.

The demand for green buildings, which will ensure the best working conditions as well as the reduction of fixed costs along with the need for parking spaces, connections to public transport etc., has favored the areas outside the city center. The main demand comes from pharmaceutical companies, technology and energy supply companies.

Prime Office Sales €/sqm



Prime office rents €/sqm



For the first time in years, the construction activity for office buildings returned, as developers have bought land with signed contracts for large office spaces or even entire buildings. As eastern Thessaloniki has already been developed during the last decade, western Thessaloniki is now attracting considerable interest.

Regus, which already operates in the center of Thessaloniki, is exploring the market of Thessaloniki for additional space in western and eastern side. That fact makes clear that the demand is getting higher.

Therefore, the characteristics of the real estate market of the offices for H2 2020 are:

- The investors queries are mostly focusing on stand alone buildings rather than partial office spaces, mostly as far as the city center concerns.
- Eastern Thessaloniki is the next choice, while the existing buildings are already high occupied, so western Thessaloniki acquires another dynamic as it is located at a shorter distance from the center and has good commute.
- In the city center the rentals fluctuate at € 8-15 / sqm / month for the most commercial part and in €7-12/sqm/month for the secondary streets. The rental levels are always in accordance to the specific characteristics of the property and the services provided.

Yields	Locations
6%-6,5%	Grade A Prime Locations
7%-7,5%	Grade B Prime Locations
8%-8,5%	Grade B Secondary Locations

Retail Market Trends

Rentals Yield Absorption Vacancy Rate



- In the eastern part the demand is mostly for Andrianoupoleos street, within the urban area of Kalamaria, that benefits with good commute to the rest of the city, followed by buildings in the Mediterranean Cosmos district; rental levels range between € 7 - 11/ sq m/ month.
- In western Thessaloniki, the office market has yet to develop although noteworthy development activity is recorded along October 26th str., in proximity with the newly developd building of the Region of Central Macedonia; rents range between € 6 - 10/ sq m/ month.



RETAIL MARKET REPORT S2 2020

The Retail Sector was the most affected sector of Covid-19 pandemic due to the domestic lockdowns. Even in the prime locations there are vacant spaces. The secondary markets are those, that suffering most.

Overview

In the second half of 2020, Covid – 19 affected mainly the retail market - except the super market sector.

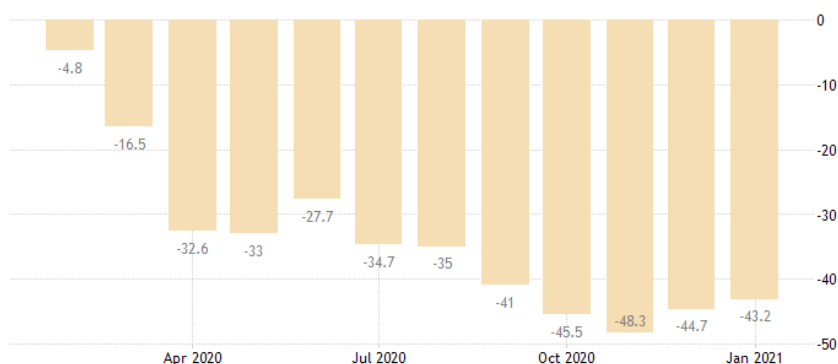
The F&B industry is the most affected one, as bars and restaurants remained closed even during the Christmas period.

THESSALONIKI RETAIL MARKET

Any forecast for the Retail Sector is very difficult at this period. Small business in local markets struggle to survive (areas such as Pylaia, Toumba and Evosmos).

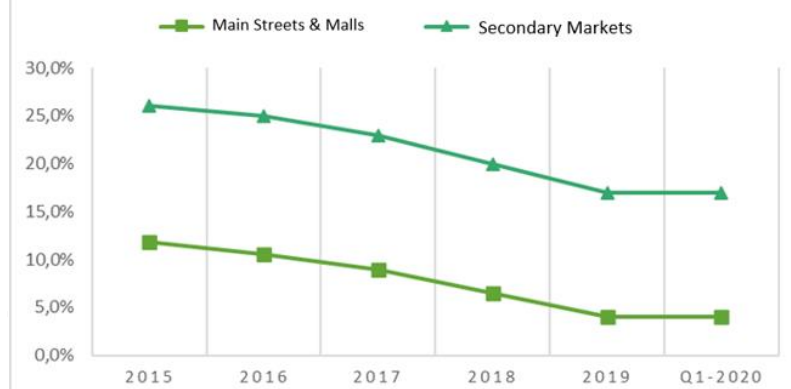
In the high streets such as Tsimiski street and Mitropoleos street the process of stabilization of the market depends on the vaccination schedule – the faster the population have it, the better for the market. It appears, that the retail sector is the category, which will suffer the largest losses.

Consumer Confidence Index



SOURCE: TRADINGECONOMICS.COM | EUROPEAN COMMISSION

RETAIL MARKET VACANCY RATES



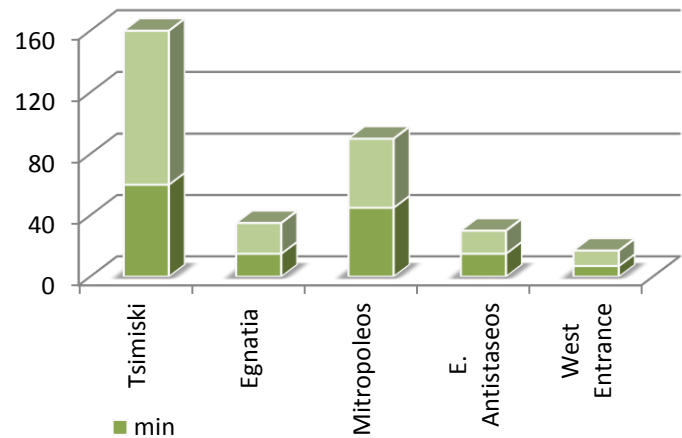
Although the values of the stores in high streets, such as Tsimiski, remain high, there are many owners who are now willing to reduce the asking rent, as there are some vacant retail stores on the street.

Due to the increased e-commerce activity, there are some international brands, which examine to minimize their presence to the commercial streets of the town and remain present only with smaller spaces, due to the increasing performance of their e-shops.

The retail market during the previous years and especially during 2018-2019 was one of the most successful markets, that gathered the investor interest as well. At the present time the demand for retail investments has decreased and there are not many transactions, which were finalized. The deals, that took place in previous time are continuing, taking into account further negotiations for the rental terms.

The secondary retail markets, such as Evosmos and Pylaia suffered more, as the interest remained low during S2 2020.

Shop rent values - Thessaloniki €/sqm



Investment Properties - Main yields

The yields, for investment properties – stores in the high street of Tsimiski str. range at the level of 5%-5.5%, while for the secondary markets the city center of Thessaloniki the yields range from 6%-7.0%.

In the case of peripheral retail markets such as Evosmos, Kalamaria and Pylaia the yields range from 6.5-7%. The interest of investors remain high – especially for properties, which are located in Tsimiski str.. In any case, the following criteria are mainly the basis for the evaluation of the available properties :

- Yield of the property
- Duration of the lease and amount of annual adjustment
- Tenant reliability (e.g. multinational)
- Time required to be leased again - in case of vacancy ,but also the level of the new rent

Retail Market Trends

Rentals Yield Absorption Vacancy Rate





LOGISTICS MARKET REPORT S2 2020

The industrial/ logistics market has been witnessing an impressive increase in volumes of transactions as well as rental levels. This trend is expected to continue throughout 2021 especially after Covid-19 pandemic and its impact in the Real Estate market.

Overview

E-commerce is showing a spectacular increase in Greece after the start of the restrictive measures due to Covid - 19. The important infrastructure works, which will be continued also in 2021 in Thessaloniki, will affect the development of the sector. The privatization of the port, the new terminal of the airport, which together with the completely renovated old terminal will give to the airport "Macedonia" a completely new look and will be able to serve more passengers and airlines. Also particularly important is the logistics center of DHL, in the area of the airport.

LOGISTICS REAL ESTATE MARKET

Logistics market is increasing its figures and gathers the attention of investors. Because of the Covid-19 the e-shops have been more popular and a lot of consumers are expected to follow this trend also in the future. Thus, the demand for logistics centers is expected to be *higher* the following months. Companies are interested to lease or to buy such properties. The surface sizes for rent range between 1,500-3,500 sqm in relatively urban areas. In some cases customers need office space as well.

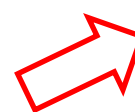


Industrial Market Trends

Rentals

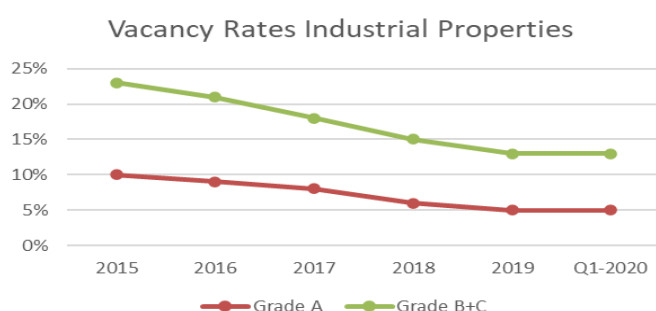
Absorption

Yields



The lack of a specialized logistics market was clearly depicted during the boom of e-commerce in the Lockdown period. Most courier and transport companies are willing to develop adequate logistics centers and last mile logistics so as to cut down transport times and handle larger volumes of products. Important investments are expected by the major transportation firms.

Logistics areas such as Kalohori and Sindos are already under the investors interest, trend, that is expected to be continued in the following months



	MARKET TRENDS LOGISTICS			
	RENTS	YIELDS	DEMAND	SUPPLY
GRADE A				
GRADE B				

The industrial market has been witnessing and impressive increase in volumes of transactions as well as rental levels. This trend is expected to continue throughout 2021 especially after Covid-19 pandemic and its impact in RE market.

S2 2020 MARKET INSIGHT REPORT

RESIDENTIAL MARKET REPORT S2 2020

The increase of Residential Market performance, in terms of lease, fueled by Airbnb has been stopped the last semester especially due the travel restrictions.

Overview

The demand for properties for lease, which have as a target market the students, has declined the last semester. This is also the case for the properties, in the city center, which are promoted through Airbnb. Such properties have witnessed noticeable decline due the travel restrictions imposed as a result of the spread of Covid—19. In many cases properties, which have been marketed for short leases, are now available for a lease period of at least 1 year.

THESSALONIKI RESIDENTIAL MARKET

The prices of the apartments in Thessaloniki's city center remained high for the last semester.

The demand was focused mainly for properties in the city center of Thessaloniki and also in the east side of the city.

On the other hand, the demand for summer houses was low because – due to the situation with covid 19 the priority for Greek people was not to buy a property next to the sea. Moreover, the potential buyers, for such properties, from abroad (e.g. Bulgaria, Serbia, etc) could not visit the houses because of covid 19.



In Thessaloniki's residential market, over the last semester, there was a high demand from investors, who want to buy flats in the city center, with surface from 50 sq m – 70 sq m. These are the factors that affect the prices in such properties:

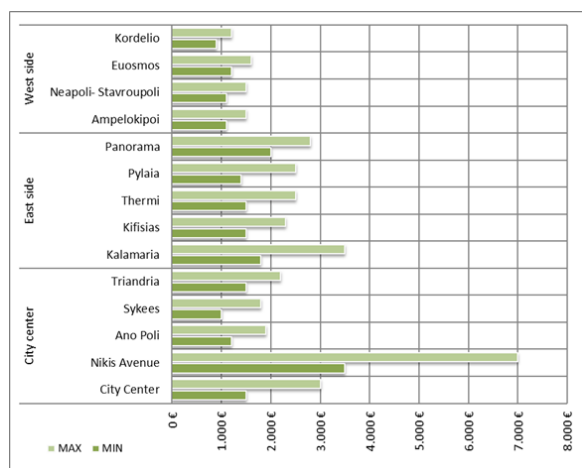
- The condition of the flat (renovated or not)
- The existence of elevator
- The floor of the property
- The competition
- The location of the property

As long as the banks have started to give loans in order apartments to be bought, the specific sector is doing well in Thessaloniki.

Many new apartments have started to be build over the last semester, mainly in the east side of Thessaloniki.

More specific, in Kalamaria area and Pylaia area many construction companies have started to develop new projects. The factors that affect the demand for new apartments, in Thessaloniki, the next semester are:

- The general economic situation in Greece
- How soon citizens will get the vaccine for covid 19
- If the banks will continue to support the sell of such properties
- If there will be any changes in the taxation
- Which are going to be the yields for such properties (when it is considered as an investment property)



Apartments sale values - Thessaloniki €/sqm





TOURISM & HOTEL MARKET REPORT S2 2020

Hotel and Tourism Industry has been one of the worst affected industries from the pandemic. Government measures have ceased all tourism activity and now the industry is in the process to welcome back tourists with the new health & safety protocols.

Overview

The downfall of the numbers for the industry started before the lockdown, witnessing large falls in RevPar and Occupancy rates from the end of February in most European cities. Specialists believe that ADR and RevPar will fluctuate on the downside for the following year and will stabilize around Q3 2021. According to published researches involving 1.719 Greek hotels the overall understanding is that there is a challenging period ahead, both for the hotel operations as well as the liquidity of the companies. However, COVID-19 crisis in the industry has not slowed down investment so far and most of the investors believe, that this is a short-term crisis and the demand for holidays in Greece, especially after successfully handling the pandemic crisis, will bounce back fast to last year's figures.

A very important issue for the tourism sector in Thessaloniki and in Northern Greece in general, has to do with the unemployment, which will rise in this sector. The professions, which will receive the biggest losses this summer, are the sectors of waiters and bartenders, cooks for hotel and restaurants.

Thessaloniki Hotel & Tourism Market

The tourism and hotels sector in Halkidiki and Thessaloniki remains in the radar of foreign investors, as it presents real investment opportunities in relation to other competitive destinations. In the short run (until the end of 2021), investors are expected to be on a wait-and-see attitude, waiting to reach potentially better deals. . The lack of target clients coming from Russia and the Balkans has shut several units in Chalkidiki and especially in Kassandra.

This summer the trend, as it appears for many properties in the holiday home category, is going to be single tenant for the entire season or for at least one month (the property will not be available for lease for a short period of time. e.g. one week)

Some analysts do refer to examples of the previous crisis (2008-2009 Economic Crisis), in order to measure implications and predict results, however the nature of this crisis is enormously different, since people were forced to isolation, psychological distress and phobia creating an invisible psychological factor, hard to measure, that will either bring tourism to be a priority for households or hold back until they feel psychologically stable and willing to travel far from the security of their home.



The third Wave of COVID-19 might delay the rebound in the sector.

Greece is one of the countries, which will be expecting a tourists' flow during this year's summer holiday season, and in conjunction with its relatively favorable epidemiological characteristics, is expected to claim a significant market share in tourism. This would also be the case for Halkidiki.

A Turn to local customers is also expected to be targeted the next summer

Experts believe that full recovery is yet to delay till 2022-2023.



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