

## S2 2021 MARKET INSIGHT REPORT



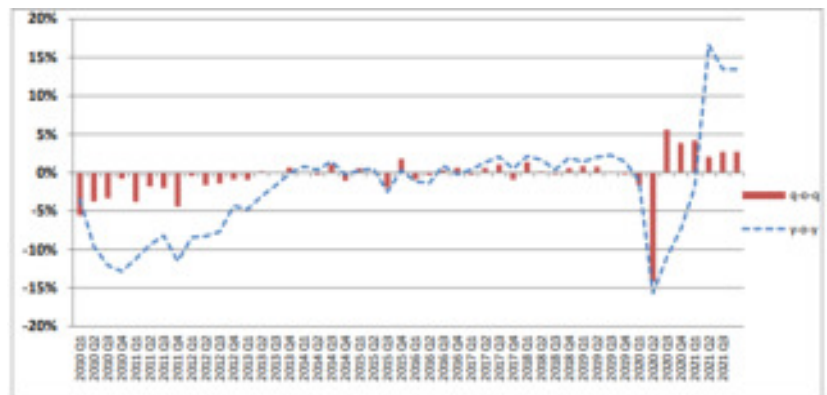
### THESSALONIKI MARKET REPORT

2021 was the year that the vaccination programs created a new defence system against the ongoing health crisis. Through out the year vaccination programs were racing, governments were trying to ease the restrictions of the COVID-19 amidst new variants and new challenges. However 2021 was a year, that the Economy did manage to restart and the macro variables definitely recorded increases and improved performance.

#### MACRO FIGURES

Massive vaccination across the globe fuelled hope and the economy against the stagnation impact of COVID-19 recorder in 2020. Forecasts for 2022 are even more optimistic although the energy crisis and the inflation recorded in most countries at the last quarter of 2021 might slow down the positive results.

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



Source: Elstat

#### Greek Economy Overview

2021 was a year with very good outcomes for the Greek economy although the pandemic bounced back with new variants and with increases in human losses and hospitalizations. The economy did not slow down and instead the investor appetite is strong and many new foreign and domestic investments kicked off. Growth exceeded expectations and reached 7% and the economic expansion is expected to continue in the following years marking a new era for the Greek Economy. 2022 will be the day after the pandemic and although optimism is depicted in the market the energy price increases create insecurity for the coming year.

#### EUROPEAN COMMISSION FORECASTS

ECONOMIC INDICATORS	2020	2021	2022	2023
GDP (%)	-9	8,5	4,9	3,5
Inflation (%)	-1,3	0,6	3,1	1,1
Unemployment (%)	16,3	15,3	15	14,5
Public Budget Balance (% GDP)	-10,1	-9,9	-3,9	-1,1
Gross Public Debt (% GDP)	206,3	202,9	196,9	192,1

Source: ec.europa.eu

The coronavirus pandemic took a strong toll on the Greek economy. However 2021 recorded as strong bounce back in 2020. The services sector and especially tourism sector which has a strong contribution to the Greek economy, has shown impressive increases. Greece enjoyed the vote of confidence among other countries and the Income from Tourism was well above its 9 billion target. The appearance of new variants created a level of turbulence that wasn't enough to significantly affect the market. The Economic Climate up turn has slowly started by the end of 2021 and is expected to further grow in 2022.

### Economic Sentiment Indicator

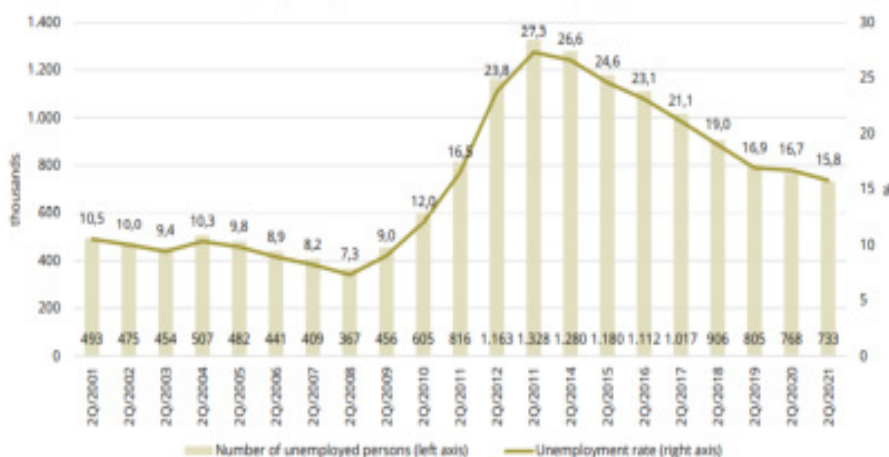


Sources: IOBE, European Commission

EU support measures are expected to continue as the energy crisis is expected to influence the economies further and as the impact of COVID-19 eases. The Energy plan as Commission states will try to absorb the increase so as to control inflation and help European Households.

EU and Greek government extend measures to support the households that were directly affected by the pandemic and its aftermath, most measures are extended through 2022 and with the support of banks so that we do not face a new era of NPL's. In addition to that the Government has successfully issued bonds so as to ensure liquidity in the market and proceed with the investment programs. The strong performance of the bonds has been achieved despite the context of the global crisis.

### Number of unemployed persons and unemployment rate in Greece



Source: ELSTAT

Employment was 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 during the pandemic the labor market remained 'frozen', with very limited hiring and firing taking place. However the second semester of 2021 and the boost in tourism were recorded as an increase in employment levels.

After a successful management of the health crisis and a meticulously organised vaccination campaign pprojections surrounding the outlook appear to be very optimistic and show an actual redirection of the Greek Economy to Sustainable development and Digital Transformation. Greece 2.0 comes as a response to the pandemic and the new challenges that the country has to face after the health crisis. Greece new investment program wishes to increase digitalization of the state while promoting public investment and large infrastructure projects.





## OFFICE MARKET REPORT

Office market in Thessaloniki shown a steady demand despite the COVID –19 impact and the remote work business models applied.

### OVERVIEW

Thessaloniki's office market has experienced strong mobility for the last three years and the interest remained strong during 2021. It seems, that the demand for offices will remain high for the next 2 years, at least. The increase of demand, during 2021, combined with steadily declining supply, increased also the absorption rate.

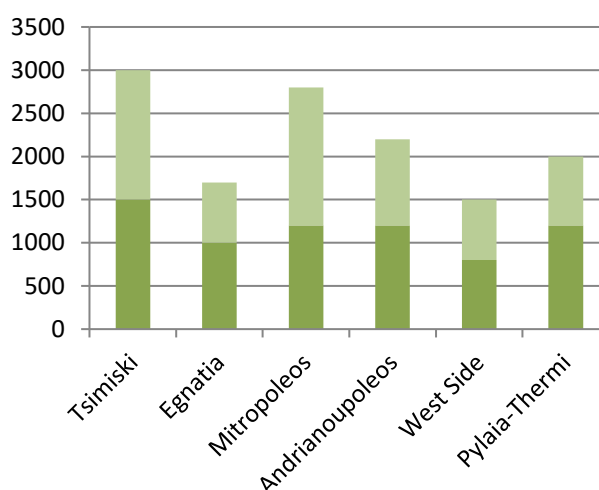
### THESSALONIKI OFFICE MARKET

The characteristics of the demand have changed, because of COVID-19. Thus, larger areas per employee are required and open plan spaces are becoming less popular by the tenants / occupiers.

New working models and remote working gave to the office sector a significant supply and the need of Grade A offices is increasing.

The pandemic has affected the completion of the transactions in many cases. Some potential occupiers (mostly multinational companies) searched for suitable office options in a suitable locations engaging in long negotiations with the owners, but they delayed the signing of the lease contract, because of the insecurity caused by COVID-19. In many cases the goal is the reduction of fixed costs along with the need for parking spaces, and the connectivity to public transport.

Prime Office Sales €/sqm



Prime office rents €/sqm



Source: Danos an alliance member of BNP Paribas Real Estate

High demand for office spaces has boosted construction activity for office buildings and developers are searching for plots, not only in the city center, in order to develop offices and entire buildings for renovation purposes. The West side of Thessaloniki seems more attractive for such developments, since it is difficult to find similar properties in the city center. In the East side of Thessaloniki many new offices are expected to be developed within the next 3 years.







The main characteristics of the office market for S2 2021 are:

- The remote work is used as a model from most companies
- In many cases international companies decide not to lease offices with long term contracts but to co operate with companies like Regus
- Companies are prioritizing the wellness of their employees, following new standards in the current or future facilities.
- The demand for offices in the city center of Thessaloniki remains high.
- The developers will develop new office projects, especially in the East side of Thessaloniki, in order to meet existing demand
- The investors prefer autonomous buildings rather than partial office spaces.

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

Source: Danos an alliance member of BNP Paribas Real Estate

## Office Market Trends

Rentals	Yield	Absorption	Vacancy Rate
			

- In the city center the rents range between € 9-16 / sqm / month for the prime areas and in € 6-11 / sqm / month for the secondary streets. The rental levels depend on the state and the characteristics of the property.
- In Western Thessaloniki an increased pipeline of projects (especially at 26<sup>th</sup> October street) is in progress and new Grade A offices will be offered soon.





## RETAIL MARKET REPORT

The Retail Sector has faced a challenge in the previous years as a result of COVID-19 pandemic, prime locations and shopping malls still hold investors interest. The F&B sector has many problems, while e-commerce made a rapid increase on sales caused by lockdowns.

### OVERVIEW

In the second half of 2021, COVID-19 continued to affect the retail market – with the exception of super markets.

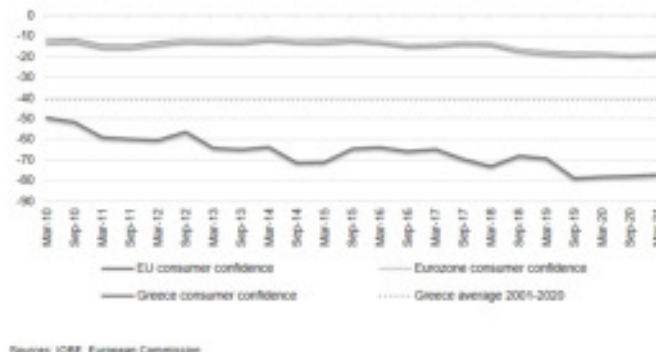
Furthermore, companies, which are in the health (care) sector, such as pharmacies and Diagnostic centers, increased also their turnovers.

The F&B industry had many problems because of the restrictions, due to COVID – 19. Bars and restaurants have been more affected, showing a decline to their turnovers, compared to previous years.

### THESSALONIKI RETAIL MARKET

Any forecast for the performance of the Retail Sector in 2022 is risky. Although there was an improvement, concerning the COVID-19 situation, with the vaccination schedule, that led to optimistic results, the new Omicron Variant has created again insecurity in the market. Especially in the local markets, such as Kalamaria and Evosmos, the retailers are facing great difficulties, because of the decreased visitors' numbers. In the high streets, such as Tsimiski street and Mitropoleos street, the situation is much better, the vacancy rate is very low and the demand is still higher than the supply. In the secondary markets the vacancy rates remain high and existing tenants negotiate rental level.

Consumer Confidence Index



RETAIL MARKET VACANCY RATES



Source: Danos an alliance member of BNP Paribas Real Estate

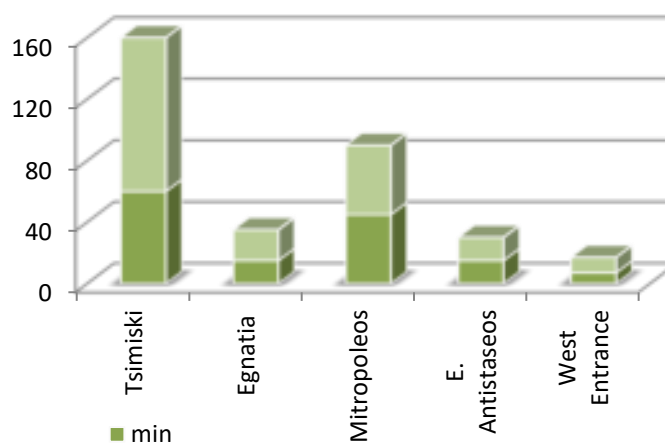


### Retail Rental Values - Thessaloniki €/sqm

The swift of consumption through e – commerce due to the pandemic has increased during 2021 substantially and since the lift of the measures, it appears, that some customers still show preference to the e-commerce use.

A factor, that currently affects the retail sector, in the secondary markets, such Kalamaria and Evosmos is the fact that upcoming occupiers due to the current market insecurity, engage in long negotiations in order to achieve the lowest possible rent. It is expected to take time for the sector players to find a balance of demand and supply and the current asking prices within a very insecure environment.

The F&B sector has faced the biggest challenges since restrictions did affect the day to day operations. Future forecasts in the sector are more optimistic due to the annulation of the measures and the vaccination program.



Source: Danos an alliance member of BNP Paribas Real Estate

### Investment Properties - Main yields

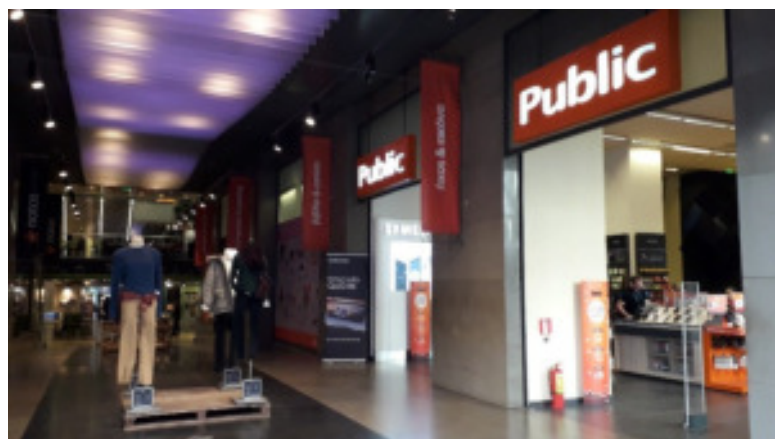
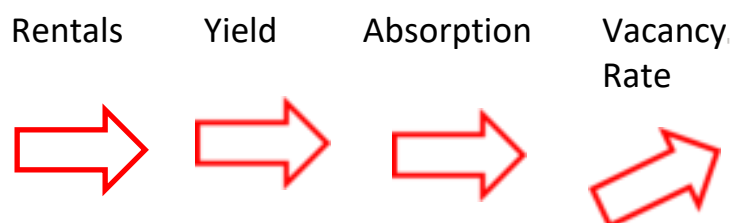
The yields, for investment properties – basically stores in the high streets, such as in Tsimiski str. range at the level of approximately 6%, while for the secondary markets in Thessaloniki, such as Evosmos, Kalamaria and Pylaia, the yields range from 6,5%-7,5%.

The interest of investors remain high – especially for properties, which are located in prime locations in the city center.

The investors criteria for assets located in Thessaloniki, are as follows:

- The main interest is usually for a retail unit
- The property should be close to the New Metro stations
- The tenant should be a reliable company (should pay the rent on time)
- The duration of the lease (min 5 years)
- The yield (depends on the location)
- The period of time, that will be needed for the replacement of a tenant

### Retail Market Trends





## LOGISTICS MARKET REPORT

The industrial/logistics market has been witnessing an impressive increase in volumes of transactions as well as rental levels. The urge for an organised logistics market has been evident with the increasing numbers of transport services and the impact of the pandemic in consumption.

### 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 2022 in Thessaloniki, will affect the development of the sector. The privatization of the port, the improvement in the roads infrastructure and the new terminal of the airport, along with the completely renovated old terminal providing the airport "Macedonia" a completely new look, are also positive factors for a gradually increasing demand.

### LOGISTICS REAL ESTATE MARKET

Over the last semester logistics market is still increasing its figures and gathers the attention of investors. The swift to e-shop consumptions as a result of the pandemic has created a boost in demand for logistics centers, that is expected to be higher the following months. Companies are interested to lease or to buy such properties with surface sizes for rent ranging between 1,500-3,000 sqm in relatively urban areas. In most cases occupiers requirements include office space as well.



### Industrial Market Trends

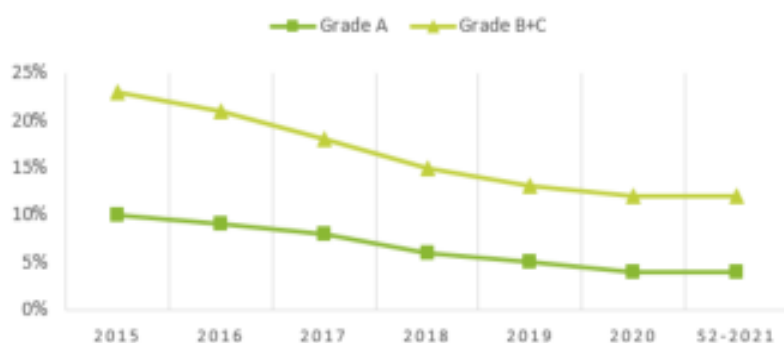
Rentals      Absorption      Yields



The lack of a specialized logistics market was clearly depicted during the boom of e-commerce in the lockdown period. Thessaloniki is trying to increase attractiveness as a leading regional logistics hub. In order to achieve that goal, should improve the international trade lines and expand, upgrade and build new logistic infrastructures. Finally, should invest in technology, innovation and human capital.

*Logistics areas such as Kalohori and Sindos are already under the investors interest, this trend is expected to be continued in the next year.*

**VACANCY RATES LOGISTICS & INDUSTRIAL SPACES**



Source: Danos an alliance member of BNP Paribas Real Estate



	MARKET TRENDS LOGISTICS			
	RENTS	YIELDS	DEMAND	SUPPLY
GRADE A				
GRADE B				

The industrial market has been witnessing an impressive increase in volumes of transactions as well as rental levels. This trend is expected to continue throughout 2022 especially after COVID-19 pandemic and its impact in Real Estate market.





## RESIDENTIAL MARKET REPORT

The increase of Residential Market performance fueled by Airbnb and Golden Visa has slowed down. Residential Property Market despite the pandemic has shown another year of growth. The demand remained on high levels, while the prices in the market were mostly steady, however in many cases especially in popular areas rates continued their rising trend.

### OVERVIEW

Transactions activity in the Residential Market appeared to be dependent, at some point, on Airbnb and Golden Visa, both of which have witnessed noticeable decline due the restrictions imposed as a result of the spread of COVID-19. However the sector has managed to maintain the asset values and many local players penetrated the market.

### THESSALONIKI RESIDENTIAL MARKET

The prices of residential units in Thessaloniki's city center remained high for the second semester of 2021.

The demand was focused mainly for flats in the center of Thessaloniki and in the east side of the city. The properties in the city center are bought mainly for investment purposes, while the east side market buyer profile is mainly an owner occupier one.

The landlords, who promote their properties through Airbnb, have faced problem with the illegal use of the assets (for example organization of parties, which were not allowed due to the COVID – 19 measures). In order to deal with such kind of problems they promoted their properties for a minimum lease period of 5 days.





Thessaloniki's residential market demand remained high over the last semester. The potential buyers are the following:

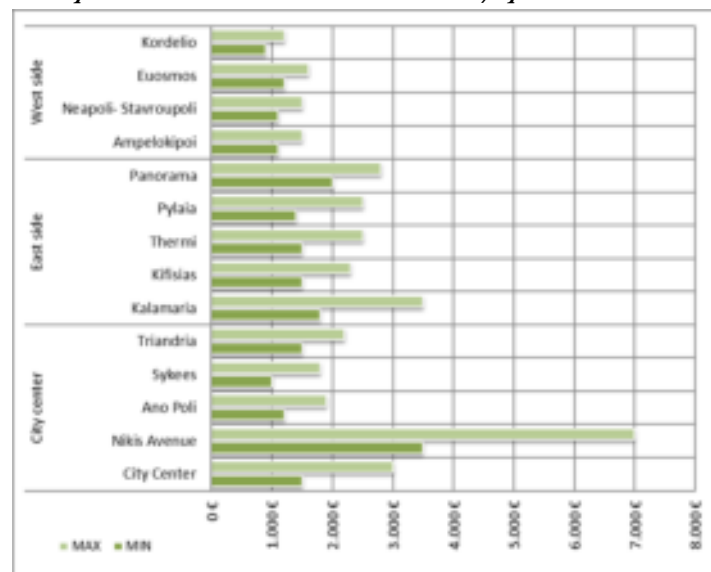
- Funds from Israel or the Balkans
- Local investors (looking for flats in the city center, with a surface from 40 sqm – 150 sqm)
- Developers, who are looking mainly for autonomous buildings, in order to develop studios for students or flats for limited stay (1-6 months)
- Parents, who try to take advantage of the new law concerning the tax free donation to their children - up to € 800.000. Thus, in this case they are looking for flats for their children
- Investors from other cities in Greece, who buy flats from 40 sqm – 70 sqm in order to rent them to students

The investors are looking for properties in top locations.

The factors, that will affect the residential market in Thessaloniki, over the next year, are:

- The increase in the mortgage loans numbers
- The supply increase, that will give to the potential buyer more options (many new flats will be offered from the developers. Moreover, many properties will be offered through e-auction processes).
- The taxation (e.g. the decrease of the Property Tax, ENFIA, will encourage potential buyers)

*Apartments sale values - Thessaloniki €/sqm*



Source: Danos an alliance member of BNP Paribas Real Estate





## S2 2021 MARKET INSIGHT REPORT



### TOURISM & HOTEL MARKET REPORT

Tourism Industry has been under continuous pressure since the beginning of pandemic. 2021 was a year with uncertainty for the sector, but as tourism in Greece is vital, government with measures and the vaccination program plan from endeavour to keep the spread of Delta and Omicron variant away in order to eliminate the issues.

#### OVERVIEW

The tourism industry in Greece according to 'Greek reporter' is on the upswing with a 135 % increase in earnings from 2020. The revenue for the first eight months of 2021 totaled 6.6 billion euros. The report is also mentioning that Greece welcomed more than two million visitors to its shores during just the months of July and August of 2021 more than any other European nation marking real success in its vital tourism industry despite the pandemic that is still raging across the world. 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. 2021 was a very promising year and the demand for Greek holidays was very high since the beginning of the year.

**THESSALONIKI AIRPORT "MAKEDONIA" - 2021 vs 2020**

Passengers	Domestic			International			Total		
Month	2021	2020	%Δ	2021	2020	%Δ	2021	2020	%Δ
JANUARY	30,924	153,751	-79.9%	21,326	248,065	-91.4%	52,250	401,816	-87.0%
FEBRUARY	29,364	148,266	-80.2%	14,993	225,299	-93.3%	44,357	373,565	-88.1%
MARCH	35,143	66,266	-47.0%	22,083	106,399	-79.2%	57,226	172,665	-66.9%
APRIL	44,358	2,599	1606.7%	34,426	550	6159.3%	78,784	3,149	2401.9%
MAY	73,226	15,113	384.5%	76,792	554	13761.4%	150,018	15,667	857.5%
JUNE	119,147	53,994	120.7%	169,836	20,937	711.2%	288,983	74,931	285.7%
JULY	171,364	110,912	54.5%	364,611	181,561	100.8%	535,975	292,473	83.3%
AUGUST	183,163	119,821	52.9%	451,540	263,471	71.4%	634,703	383,292	65.6%
SEPTEMBER	154,740	89,820	72.3%	366,201	198,648	84.3%	520,941	288,468	80.6%
OCTOBER	142,517	73,231	94.6%	317,530	154,072	106.1%	460,047	227,303	102.4%
NOVEMBER	129,003	14,515	788.8%	183,757	17,457	952.6%	312,760	31,972	878.2%
DECEMBER	132,516	25,333	423.1%	181,098	26,702	578.2%	313,614	52,035	502.7%
<b>TOTAL SKG</b>	<b>1,245,465</b>	<b>873,621</b>	<b>42.6%</b>	<b>2,204,193</b>	<b>1,443,715</b>	<b>52.7%</b>	<b>3,449,658</b>	<b>2,317,336</b>	<b>48.9%</b>



## Thessaloniki Hotel & Tourism Market

The tourism and hotel sector in Halkidiki and Thessaloniki remained in the radar of foreign investors, as it is providing interesting investment opportunities and competitive advantages.

### New Hotel Openings

By March of 2022, a new 5\* boutique hotel, will open in the city center of Thessaloniki, in Nikis Avenue, next to Aristotelous square. It consists of 65 rooms and two restaurants. One of them will be the famous Olympos Naousa restaurant, which has been operated in the same location, many years ago, in the ground floor of the building. The name of the hotel is «On Residence» and it is going to be in the listed building «Olympos Naousa» which is next to the sea.

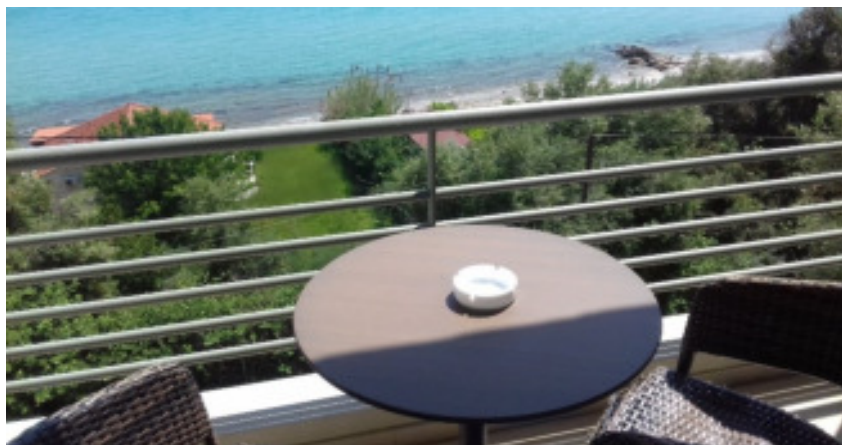
One new 5\* boutique hotel has started to operate in 2021 in the city center of Thessaloniki. The name of the hotel is No 15 Ermou Str. hotel and it is located in Ermou street. It has 45 premium rooms, a restaurant, spa, hamam, sauna, business centre and a gym.

S hotel has opened at the end of 2021, in Kalapothki street. The new 5\* hotel has 29 rooms and suites. The owner of the S hotel has also the 5\* Olympion Sunset hotel, which is located in Fourka, in Chalkidiki.

A new boutique hotel will be developed in Ptolemeon street next to Egnatia street in a listed building, which used to operate for many years as a hotel. The hotel has been operational for the first time at 1925, but it was badly damaged by the earthquake in 1978 and stopped the operation since then. The new hotel will have 33 rooms.

Vanoro Hotel has started to operate in Thessaloniki in 2021. It is a 5\* hotel and it is located in Dodekanisou street in number 6. The specific building, has been used for many decades as a storage place for tobacco. Now it has been fully renovated and the new hotel has 45 rooms and suites. It will also have the ANZA a lounge bar & restaurant and a Health Spa center.

The Marriott Group will operate the first hotel in Thessaloniki in Vasileos Irakliou street in number 45, next to PLATEIA Commercial-Business Center. It will be a 5\* hotel, with a capacity of 100 rooms over 9 floors, with a restaurant and a café-bar in the ground floor, meeting rooms, gym and a private dining area in the first floor and a café bar/ roof garden in the ninth floor.



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