

## S1 2023 MARKET INSIGHT REPORT



### THESSALONIKI MARKET REPORT

A dynamic start for the Greek economy is recorded in the first semester of the year, with business turnover, exports and tourism showing a noticeable improvement, while private consumption is maintained despite inflationary pressures. 2022 was the second consecutive year, that the Greek Economy recorded high dynamics after the recession, that had preceded due to the pandemic. For this year, a slowdown is expected in the growth rate of the Greek economy, as in the rest of Europe.

### Macro Figures

The current magnification of the Greek economy is supported by the recovery of consumption after the pandemic, which was strengthened by household support measures, the strong dynamics of inbound tourism which seems to be maintained in 2023 as well as the gradual increase in exports of goods in recent years. Maintaining a satisfactory growth rate the next period is the main challenge for the Greek economy.

### Greek Economy Overview

The Greek economy maintained a significant part of its momentum during the first months of 2023 and is expected to continue to grow stronger, on the assumption that in the external environment, the geopolitical crisis will de-escalate, energy prices will decrease and that incoming tourism will keep on supporting the local income.

Inflation has already marked a significant slowdown, as early as the fourth quarter of the previous year, mainly due to the continued decline in the prices of energy goods. Economic growth, however, continued at a softer pace due to the slowdown in the growth rate of private consumption and was mainly based on investment and a strong rise in exports.

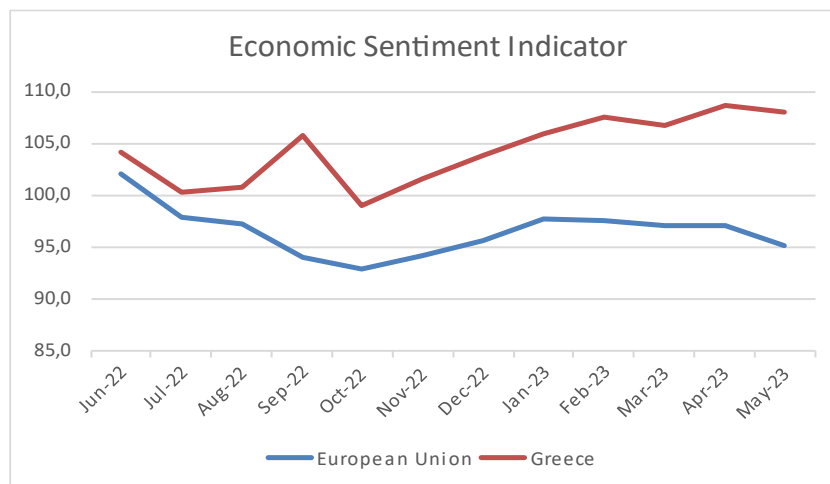
EUROPEAN COMISSION FORECASTS			
ECONOMIC INDICATORS	2022	2023	2024
GDP (% , yoy)	5,9	2,4	1,9
Inflation (% , yoy)	9,3	4,2	2,4
Unemployment (%)	12,5	12,2	11,8
General government balance (% GDP)	-2,3	-1,3	-0,6
Gross public debt (% GDP)	171,3	160,2	154,4
Current account balance (% GDP)	-11,8	-9,2	-7,8

Source: ec.europa.eu



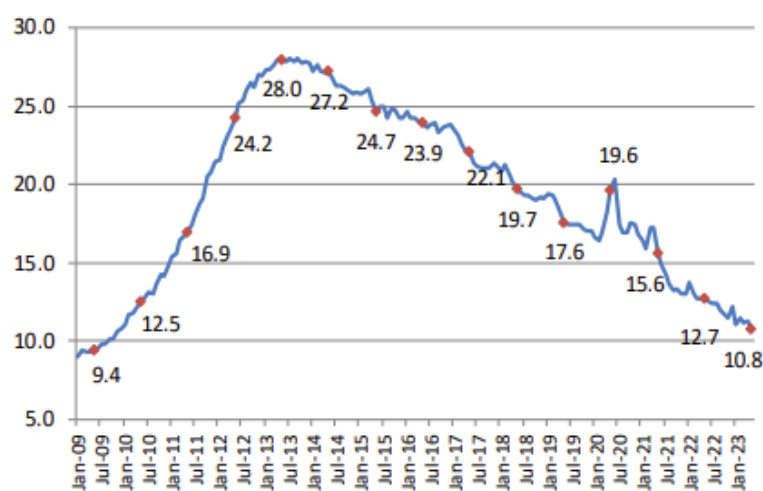
Source: ELSTAT

These developments, combined with the accumulated cash buffer and the rising contribution of investment to real GDP growth, are expected to support the regaining of the investment grade in 2023. The available seasonally adjusted data indicate that in the 1st quarter of 2023 the Gross Domestic Product (GDP) in volume terms decreased by 0.1% in comparison with the 4th quarter of 2022, while in comparison with the 1st quarter of 2022, it increased by 2.1%.



Economic Sentiment Indicator, Source: ec.europa.eu

The Economic Sentiment Index in Greece registered a significant increase during the first quarter of 2023 compared to the immediately preceding quarter (106.8 from 103.8 points). There is small decline compared to the corresponding quarter last year (111.7 points). However, it is expected that Greece in 2023 will have growth but in a much slower rate than the last year. This slowdown of the economic growth is projected to be a global phenomenon in 2023. The labour market has recovered after the pandemic and is expected to continue to improve in the medium term, despite high inflation, rising interest rates and increased uncertainty caused by the war in Ukraine. In 2022, total employment increased by 5.4% (versus 1.4% in 2021). There was a large increase in the number of people employed in tourism, education, manufacturing and construction. Based on the most recently published data the seasonally adjusted unemployment rate in May 2023 amounted to 10.8% compared to 12.7% in May 2022 and to 11.2% in April 2023.



Unemployment rate (%) by month, May 2009 – 2023, Source: ELSTAT

The banking turmoil in the US and Switzerland earlier this year, clearly demonstrated the swift transmission and spread of risks in the modern financial landscape. In the event of a shock to investors' and depositors' confidence, individual bank vulnerabilities are amplified and transmitted to other credit institutions at unprecedented speed, both at home and abroad, due to global financial interlinkages. Therefore, safeguarding financial stability requires further strengthening of the financial system. The Greek banking sector has made remarkable progress and has become more resilient over the past years, thereby being better placed to withstand potential turbulences and shocks. Although the near-term outlook remains positive, there are still challenges, including improving asset quality, achieving sustainable profitability and further enhancing banks' capital adequacy.

According to European Commission's Economic Forecast of Spring 2023, Greece's real GDP is expected to grow by 2.4% in 2023, higher than the EU average (1%), while, according to recent forecasts by the IMF and the Bank of Greece, it is expected to exceed 2%, far above the euro area, still below its 2022 growth rate.

The de-escalation of inflation in Greece, at a faster rate compared to both the European average and to last year's estimates, combined with the upward revision of the estimates for the rate of growth of the Greek economy in 2023, suggest that the risk of stagflation after the Russian invasion of Ukraine has most probably been averted.



## OFFICE MARKET REPORT

Office market in Thessaloniki has shown an increasing demand over the last semester despite the energy crisis and the rise of inflation.

### OVERVIEW

Thessaloniki's office market has experienced strong mobility over the last three years and the interest remained strong during the first semester of 2023. The demand for offices will remain high for at least 2 years more due to lack of modern product. The increased demand, during the first semester of 2023, combined with the declining supply, increased also the absorption rate.

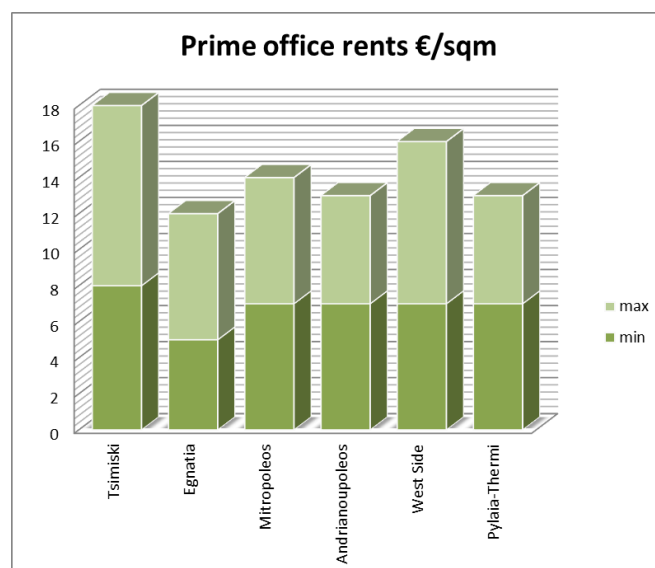
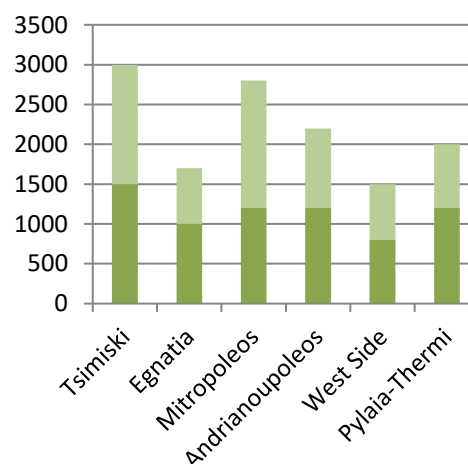
### THESSALONIKI OFFICE MARKET

Increased demand for Grade A office spaces and lack of supply leads to the increase of the relevant rental and sale values in the office market.

Close to the city center of Thessaloniki, at the western gate of the city (26<sup>th</sup> October street), next to the building of the Central Macedonia Prefecture and adjacent to the former Fix Brewery, a new project by Dimand / Prodea REIC is under construction. The first sustainable business park of Thessaloniki - **HUB 26** will consist of four blocks with a two-level joint underground parking and auxiliary spaces, with a total surface of approx. 31,000 sqm.

The total investment of the project, which is expected to be completed during H1 2024, is estimated at 35 mil €.

In most cases, the demand from international companies, close to the city center, refers to offices spaces from 1,000 sqm – 2,000 sqm, with easy access by the public transportation means and parking areas (which is extremely difficult for the assets, located close to the city center).



Source: Danos, an alliance member of BNP Paribas Real Estate



Thus, Thessaloniki is an attractive destination for multinational companies such as Chubb Insurance and Concentrix. According to publications, the new offices of Chubb in Thessaloniki will operate within the first semester of 2024.

Also, companies which are operating in the field of call centers and services have either already been located in the city, or looking for premises in order to relocate.

Last but not least **IWG** is still searching for expansion opportunities, as the demand for flexible co-working spaces is still high.

High demand for office spaces has boosted construction activity for office buildings and developers are searching either for plots for new developments or for buildings for conversion/ upgrade projects. The most demanded locations remain the city center and the East side of Thessaloniki, with the West side gaining attractiveness for such developments too, since the distance from the city center and access is easier.

Summarizing, the main characteristics of the office market, in Thessaloniki, for the first semester of 2023 are:

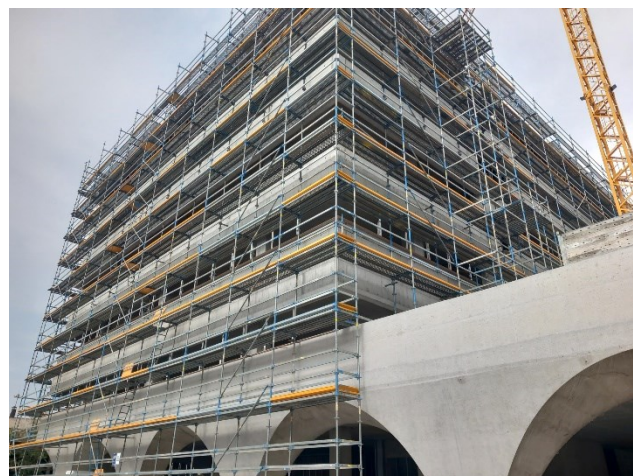
- The potential tenants want to rent offices usually in the city center of Thessaloniki
- The demand for modern “green” offices is high
- The demand for offices in the East side of Thessaloniki remains high
- Companies who are looking for offices in Thessaloniki are interested to rent or buy the properties as well
- Many multinational companies search or have already secured a place in Thessaloniki’s market
- Usually, the tenants are looking for a property, which is fully renovated, in order to move as soon as possible. If, this is not the case, they agree with the owner for a rent free period, in order to make the necessary works in the building
- The availability of parking spaces is a very important factor, when a company wants to lease an office (where parking spaces are present - usually a parking space is provided for 100 sqm of an office)
- The investors, who are interested for offices are looking for a minimum yield of 7%

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 € 9-17 / sqm / month for the prime areas (e.g. Tsimiski street) and in € 6-10 / sqm / month for the secondary streets (e.g. Venizelou street). The rental levels depend from the construction, the state of repair, the facilities, and the location of the property. For example, for an office space, which is located in the Plateia (business center) the rental is higher than a similar office, which is located at Tsimiski street – close to Plateia, due to the provided facilities / services
- In Western Thessaloniki, many new projects will be developed and the asking prices will increase within the next year due to the increased demand.
- In the Eastern Thessaloniki new projects will be developed over the next 3 years. Many developers are searching for suitable plots, in order to develop modern, sustainable, office buildings



HUB 26



## RETAIL MARKET REPORT

The Retail Market overcomes the challenge of COVID-19 pandemic, prime locations and shopping malls remain attractive and hold investors interest. The F & B sector had issues due to the increase of the raw materials cost, while e – commerce continues to increase its sale ratio.

### OVERVIEW

The Retail Market, especially the high street shops, remain with a positive sign in terms of the market / rental values and yields.

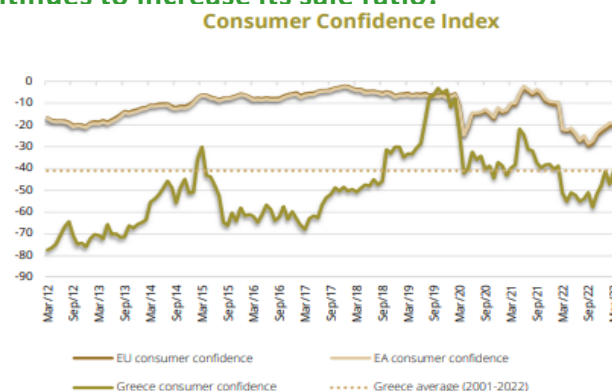
The same trend is for the F & B market as well, which after a difficult period comes back stronger. The specific market segment has also to deal with the increase of the raw materials cost, because of the energy crisis.

For the secondary retail streets the situation is different and there are quite many vacant units.

### THESSALONIKI RETAIL MARKET

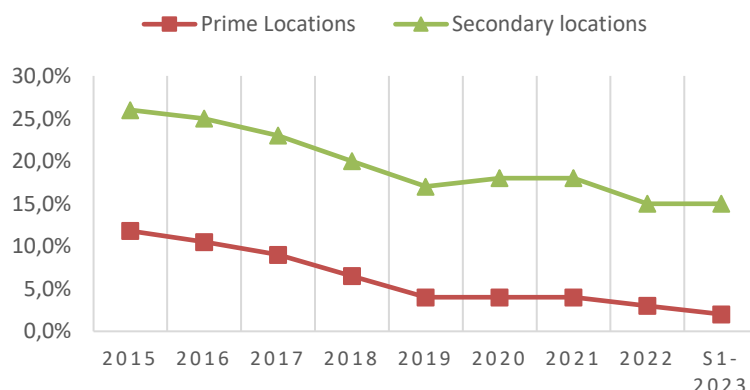
The rentals of the retail shops in the main commercial streets of the city center, have returned to 2019 levels with upward trends. In the most commercial part of Tsimiski str., which is limited between Palaion Patron Germanou str. to Komnion str., monthly rental prices range from 125-130 €/ sqm.

Over the last semester there is an increasing demand for shops in Egnatia street because of the expected Metro operation. In many cases, the owners negotiate with the potential tenants with two different rent levels, a rent until the Metro will operate and then a higher rent, when the Metro will be operational. The subject rent increase ranges from 35% to 50% and depends on the location of the retail unit.



Source: IOBE, European Commission

### RETAIL MARKET VACANCY RATES



Source: Danos an alliance member of BNP Paribas Real Estate



## Investment Properties - Main yields

The yields, for the first half of 2023, for high street retail units, fluctuate at the level of approximately 5.50% - 6.00%, while for the secondary markets in Thessaloniki, such as Toumba, Kalamaria and Pylaia, the yields range from 7.00% - 8.00%.

## New Openings & Trends

**Germanos** completed its relocation in Tsimiski str., leasing a store at 77 (Tsimiski str). A new entry in Tsimiski str. is **Sport Vision**, which is the new tenant for the shop number 75 (former "Zografos" pharmacy).

Sport Vision, has pre-agreed for one more store on the same street, while a new store - its second in a row - has opened recently the Portuguese accessories chain **Parfois** in Tsimiski 51.

The Polish **Pepco**, a discount chain of clothing, footwear and accessories (women, men and children), cosmetics and home decoration items, made its debut in Thessaloniki at the end of 2022. Its new store will start operation at the beginning of August in a total area of 676 sqm at the Florida 1 Commercial Park in Pylaia, Thessaloniki.

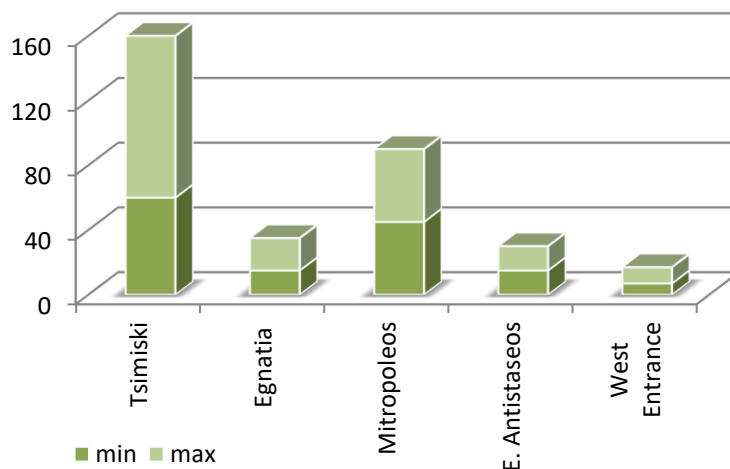
A new trend, which has been developed in Thessaloniki, in the Food Industry is called "ghost kitchen" or "cloud kitchen" with the following characteristics:

- Meals preparation, which will be delivered either in the house or in the office of the client
- The business is located not in well known streets, major criterion for a potential lease is the low rent
- The surface of the property has to be at least 350 sqm (in order economies of scale to be achieved)



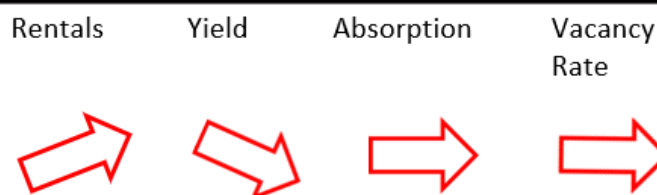
Kalamaria Poseidonos, PEPCO

## Retail Rental Values - Thessaloniki €/sqm



Source: Danos an alliance member of BNP Paribas Real Estate

## Retail Market Trends



77 Tsimiski str, Germanos



## LOGISTICS MARKET REPORT

The logistics market in Greece had impressive growth over the last years, due to the rising demand and the geostrategic position of the country. This trend is expected to continue in the 2nd semester of 2023 and the only factor that may affect the trend, could be the rise of the construction's cost for new warehouses or the increase continuation in the raw materials prices, which could lead to higher prices and lower demand for the end products.

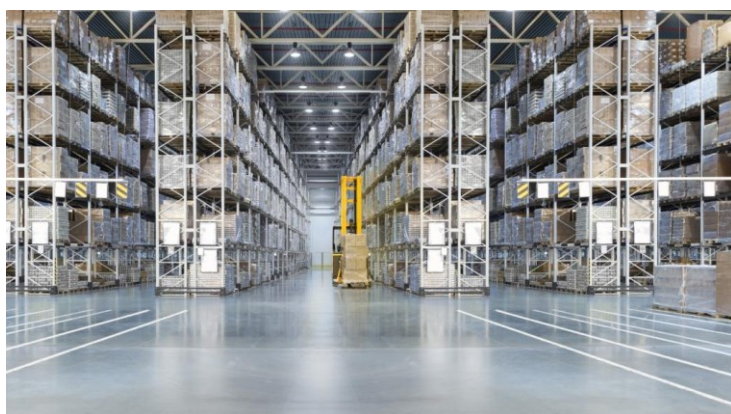
### OVERVIEW

The industrial / logistics market in Greece is providing a full range of supply chain services, with their main income coming from warehousing and distribution activities and in addition from organization and management of road transportation. Major projects in the country are under development, with Athens and Thessaloniki having the most important logistic markets.

### THESSALONIKI LOGISTICS MARKET

Over the last semester the logistics market in Thessaloniki is still increasing its figures and gathers the attention of investors. This explosive growth, in Central Macedonia in general, is proven by the many new licenses, most of which concern the Regional Unit of Thessaloniki. Out of the 319 licenses granted in this last four years, 242 centers are located in the Thessaloniki Region (on the west side) and 77 in the other regional units of the Prefecture.

The pandemic contributed to the development of the sector, which played a decisive role in the faster development of e-commerce, while the upgrading of the role of Thessaloniki as a transit trade center supported the subject trend. It is expected, that there will be an uprise in growth, within the next semester.



### Rentals In Thessaloniki's Logistics Market (€/sqm/month)

	MIN	MAX
GRADE A	3.5	4.25
GRADE B	2.5	3.4



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

The lack of a specialized logistics market was clearly depicted during the boom of e-commerce over the last years and that drives investments into the logistics sector. Thessaloniki is trying to increase attractiveness as a leading regional logistics hub and for that many of various scales new projects, are either under construction or in the planning phase.

More specifically the most important new projects are the following:

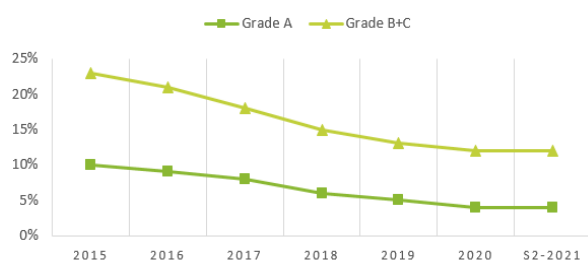
**DIMAND** - A new logistics center will be created in the western part of Thessaloniki on a plot of 355 acres (former Balkan Export). The total investment will range between 120 mil € and 150 mil €. In the first phase (till 2025), 55,000 sqm will be built, while by 2026 the goal is to add another 65,000 sqm.

**JUMBO** - The company has already purchased land in the municipality of Lagada, near Thessaloniki, with the aim to build a distribution center.

**Orilina Properties** - Brevan Howard's company, also gives a vote of confidence in Thessaloniki for its first own investment in logistics. The company recently acquired an area of 46.8 acres, at the 1st kilometer of the Chalastras - Sindou provincial road, for the development of a logistics facility.

**Ex Gonou** - HRADF is in the process of launching the tender for the creation and development, of a commercial / logistics center, in the former Gonou military camp in Thessaloniki, which will open the gates of the Greek market in the Balkans and highlight both the city and, more broadly, Northern Greece as international transit trade hub. The total surface of the ex military camp is 672 acres.

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 2023 especially after COVID-19 pandemic and its impact in Real Estate market.





## RESIDENTIAL MARKET REPORT

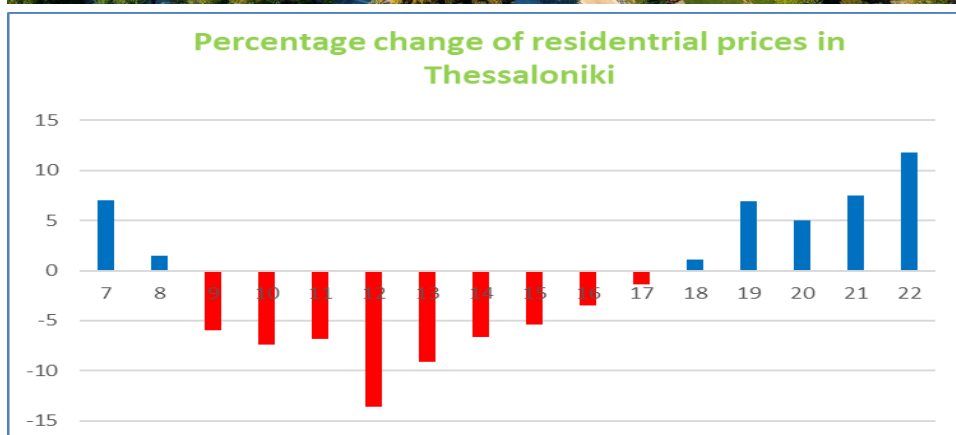
The increase of Residential Market performance has continued in the first semester of 2023. Residential Property Market, despite the rise of construction cost and the energy crisis, is showing another year of growth. The demand remained on high levels, while the prices in the market especially in popular areas continued the rising trend of the previous 4 years.

### OVERVIEW

Transactions activity in the Residential Market boosted in the past by Airbnb and Golden Visa and for that reason, there were many investors coming from abroad. The sector has managed to keep the uprising trend of the asset values, because many local players also seized the opportunity during pandemic partial stagnation to get into the market and after withdrawal of restrictions many foreign investors rebounded.

### THESSALONIKI RESIDENTIAL MARKET

The prices of residential units in Thessaloniki area remained on a rising path for the 1st semester of 2023, as shown on the side graph. The demand was focused mainly for flats in the center of Thessaloniki and in the east side of the City's municipality. The properties in the city center have been acquired mainly for investment purposes, while in the east municipality market, buyers profile is mainly an owner occupier one. Concerning the other areas besides the city center, the most popular for buyers are: in the east side -Thermi, Pylaia and Kalamaria and in the west side – Oraikastro, Sykies and Evosmos.



Source: Bank of Greece



The factors, that will affect the residential market in Thessaloniki, over the forthcoming months are:

#### -Operation of the metro

The now visible start of operation of the metro (December 2023) has already revived areas, especially in the center of the city.

#### -Reconstruction, infrastructure improvement and landmark projects

Local and hyper-local projects as the Metropolitan Parks in Pavlos Melas Municipality and in 2<sup>nd</sup> district of Thessaloniki Municipality, will boost the demand in the neighborhood's areas.

#### -High Demand / Low Availability

After 2007, when building activity was at its peak, there was a downtrend, which resulted in almost 15 times less new constructions. Although the construction activity is impressive, there is still a market gap and a lack of supply.

#### -Inflation / Zero deposit rates

Deposits yields have shrunk to just above 0% and in connection with the inflation's rapid increase, seems to "feed" the real estate market with funds, targeting safe investments and better returns.

#### -Mortgage Loans

The banks "opened" the tap of mortgages and, from 2019 onwards, an increasing trend is recorded year after year. Especially the new loan program for people aged 25-39 has given a new boost in demand for own residence.

#### -Acceleration of property auctioning

This gives opportunities to low income buyers to get into the house market and also offers the opportunity of substantial capital returns to investors.

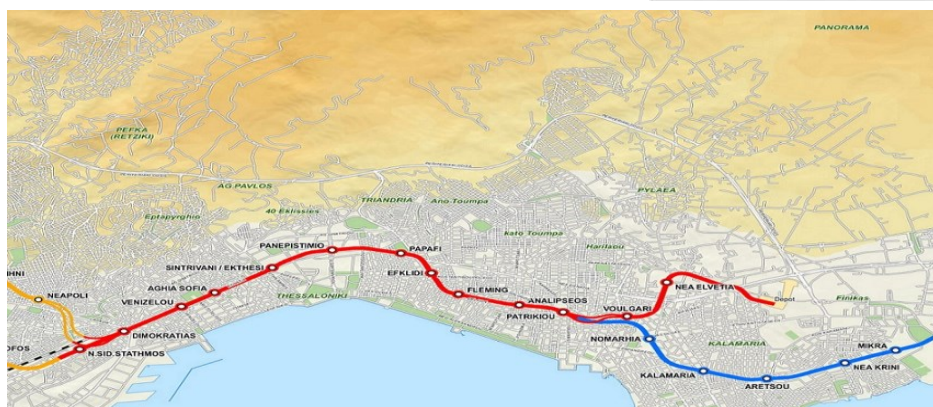
#### -Changes in Golden Visa Program

The down limit for granting a Visa, was decided to get in 2023 to 500,000 € from 250,000 €, for a property in the center of the city. But the measure was postponed till the end of July 2023 and this gave the chance for interested buyers to proceed with acquisitions. If the limit will finally get raised to 500,000 €, the interest of potential buyers will be probably channeled in areas around city center.

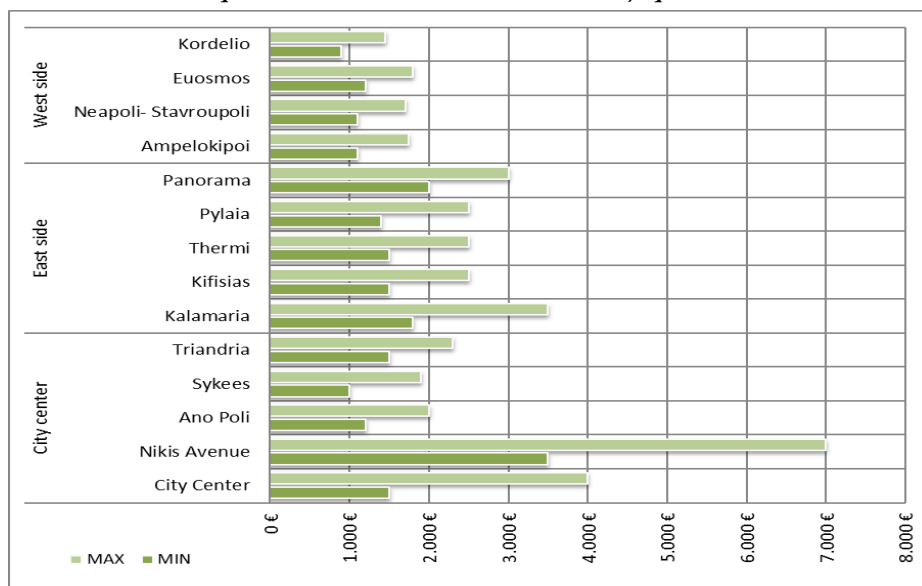
#### What we expect in the 2<sup>nd</sup> semester of 2023

The real estate market has turned a page, as sales prices record a cumulative increase of 32.2% in Thessaloniki from 2018 to date.

**Conclusively we expect the market to digest current price levels and get in a stabilizing base with small uprising trends.**



*Apartments sale values - Thessaloniki €/sqm*



Source: Danos an alliance member of BNP Paribas Real Estate





## S1 2023 MARKET INSIGHT REPORT



### TOURISM & HOTEL MARKET REPORT

The data so far indicate, that 2023 is keeping the positive momentum, driven by last year's good performance. There is a gradual improvement in consumer confidence and an increased willingness to travel internationally, despite the contractionary effect of inflation on disposable income.

#### OVERVIEW

The first forecasts for this year's tourism performance imply, that the revenue will be more, not only compared to last year, but also to the record year of 2019. The revenues in the first two months of the year spread smiles on the tourist market. According to the Central Bank, in January and February the spendings were 200 mil € higher, compared to the previous year.

The first 5 months of 2023 Thessaloniki welcomed more than 800,000 visitors, 30% more compared to 2022. For 2023, the objective of tourism professionals in Thessaloniki and Halkidiki is to increase both the number of overnight stays and the revenue per overnight stay, by attracting higher income visitors. The goal is to break the 2019 record high.

#### THESSALONIKI AIRPORT "MAKEDONIA" - 2023 vs 2022

Passengers	Domestic			International			Total		
Month	2023	2022	%Δ	2023	2022	%Δ	2023	2022	%Δ
JANUARY	153,303	97,811	56.7%	219,230	122,788	78.5%	372,533	220,599	68.9%
FEBRUARY	154,846	106,366	45.6%	197,237	128,441	53.6%	352,083	234,807	49.9%
MARCH	175,983	129,581	35.8%	244,210	189,332	29.0%	420,193	318,913	31.8%
APRIL	184,841	155,645	18.8%	387,962	306,015	26.8%	572,803	461,660	24.1%
MAY	182,933	166,483	9.9%	446,194	385,458	15.8%	629,127	551,941	14.0%
<b>TOTAL SKG</b>	<b>851,906</b>	<b>655,886</b>	<b>29.9%</b>	<b>1,494,833</b>	<b>1,132,034</b>	<b>32.0%</b>	<b>2,346,739</b>	<b>1,787,920</b>	<b>31.3%</b>

Source: FG Traffic Data Management-Fraport Greece

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

In the 1<sup>st</sup> semester of 2023 the new entries of hotels in Thessaloniki and Halkidiki were in total **33 units**, numbering **2,090** rooms and **4,651** beds. The 5 star hotels, which entered the market in Halkidiki are 5 and in Thessaloniki 2.

In total in Thessaloniki 21 five-star hotels operate daily in Thessaloniki, offering approximately 4,700 beds.

Ongoing projects and forthcoming big new entries in the 2<sup>nd</sup> semester of 2023 will be the following:

- Brown Hotels: Two new hotels, the first one will be ex Vienna Hotel, renamed in Brown Salonica, at Egnatia Street, with 82 rooms and the second one is at Kalapothaki street and will be under Lighthouse brand with 138 classic rooms and 51 condo rooms.

- 'NYX Thessaloniki', at the corner of Tsimiski 1 and Katouni streets, is under progress, a project with an estimated total investment of around 22 mil € (including the asset acquisition).

- The restoration and upgrade to the five-star category of the "Tourist" hotel (a preserved building) at the junction of Mitropoleos and Komnion streets.

**Beyond 2023** a new luxury hotel unit, with a total investment of 25-30 mil € will be added to the existing pipeline and will upgrade the tourist infrastructure of Thessaloniki.

The Electra group, which is already managing the iconic Electra Palace in the city since 1970, is proceeding with the construction of a new 5-star unit on a land plot at the corner of Tsimiski and Ethniki Amini streets. The investment plan of Electra Hotels envisages the construction of an 11-storey hotel with 165 luxury rooms and a total built-up area of around 6,500 sqm.



Regional Unity		5*	4*	3*	2*	1*	Total Sum
Thessaloniki	Hotels	2	4	2	-	-	8
	Rooms	138	147	68	-	-	353
	Beds	346	289	159	-	-	794
Halkidiki	Hotels	7	4	7	2	5	25
	Rooms	1,136	279	183	46	93	1,737
	Beds	2,610	605	378	67	197	3,857

Source: Hellenic Chamber of Hotels, Research Institute for Tourism



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