Danos - Melakis

INTERNATIONAL PROPERTY CONSULTANTS & VALUERS

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S2 2024 MARKET INSIGHT REPORT

CRETE MARKET REPORT

In Greece, economic activity is expected to maintain a broadly similar to the past year's growth pattern in 2025 and 2026, supported by the implementation of the Recovery and Resilience Plan (RRP). Unemployment, that stands below 10%, is expected to keep declining but more slowly than in the past. Inflation is projected at 3% in 2024 and is expected to moderate only gradually to around 1.9% by 2026. The general government deficit is projected to keep decreasing driven by muted expenditure growth. Together with solid nominal GDP growth, this contributes to the steady decline in public debt-to-GDP to close to 140% of GDP by 2026.

Macro Figures

GDP growth in 2025 will be supported by a favourable carryover effect of +1.1 pps and positive fiscal and credit impulses of 0.4 and 0.3 respectively.

Greece's GDP increased by 2.4% y-o-y (+0.3% q-o-q) in constant price terms in Q3-2024, with solid private consumption, continuing accumulation of inventories and increasing exports being the main drivers.

Core inflation remained well above the euro area average by 1.7 pps and compensation per employee growth slowed down after several quarters of accelerating growth.

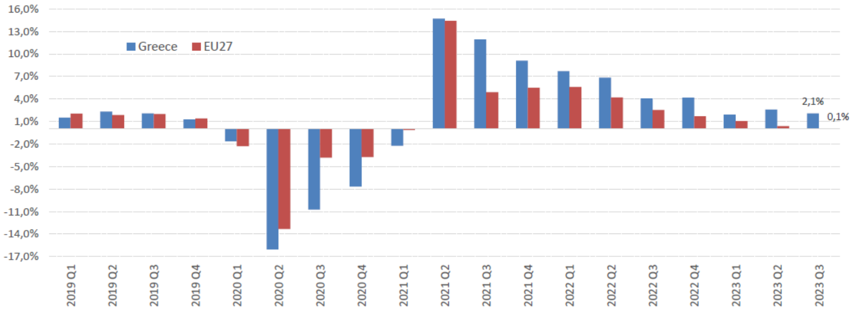
Indicators	2024	2025	2026
GDP growth (%, yoy)	2.1	2.3	2.2
Inflation (%, yoy)	3.0	2.4	1.9
Unemployment (%)	10.4	9.8	9.2
General government balance (% of GDP)	-0.6	-0.1	0.2
Gross public debt (% of GDP)	153.1	146.8	142.7
Current account balance (% of GDP)	-7.1	-7.5	-7.2

Source: ec.europa.eu

Greek Economy Overview

The annual inflation rate in Greece increased to 2.6% in December 2024, up from a five-month low of 2.4% in the previous two months. The main upward pressures came from a sharp rise in prices for housing (3.7% vs. 2.1% in November) and transport (3.6% vs. 1.7%). Inflation also accelerated for health (3.8% vs. 3.6%), communication (1.9% vs. 1.6%), and miscellaneous goods and services (2.6% vs. 2.2%). In contrast, prices for food and non-alcoholic beverages fell by 0.3%, following a 0.6% increase in the prior period. On a monthly basis, consumer prices rose 0.1%, reversing a 0.4% decline in November. For the entire year, the annual average inflation rate stood at 2.7%, the lowest in three years.

Quarterly real GDP (y/y growth rate)



Source: Eurostat, processed by IOBE

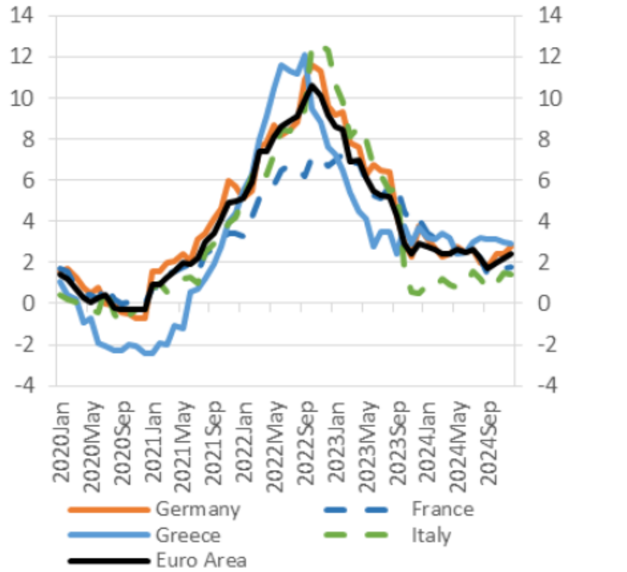
Private consumption increased by a solid 2.1% y-o-y in Q3-2024, buoyed by substantial increases in the compensation of employees (up by +9.1% y-o-y in Q3) reflecting higher real wages, working hours, as well as employment.

Labor market trends in the first 10 months of 2024 point to real disposable income growth above 3.5% y-o-y in 2024 following upon a solid 2.2% in 2023.

Going forward, private consumption is set to continue expanding at a robust pace supported by steady real income growth. Investment is forecast to accelerate further, peaking at close to 9% in 2025.

The labour market has been stronger than previously understood as the labour compensation level in the national accounts was revised upwards by 1.6% in 2023 and 3.8% in H1-2024 respectively, above the previous estimates.

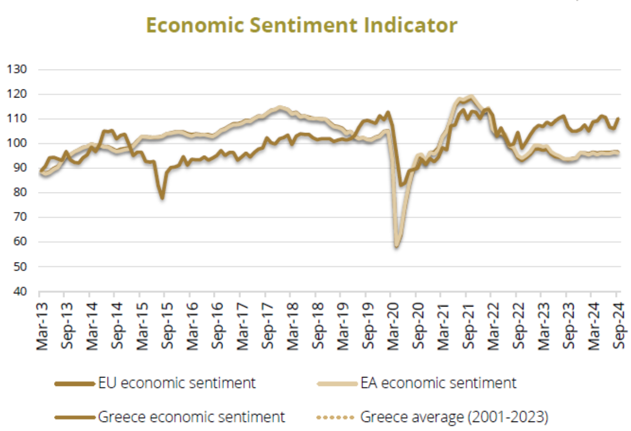
Export growth picked up to 3.3% y-o-y (-1.9% in H1-2024), on the back of strong exports of services (+5.1% y-o-y in constant prices terms) and resilient goods exports (+1.2% y-o-y), despite the unfavourable external conditions.



HICP Headline inflation, annual changes %, Source: Eurostat, Latest observation December 2024

Annual HICP headline inflation in the euro area increased to 2.4% in December 2024 from 2.2% in November, due to minor increases in processed food inflation and services inflation and to a significant upward move in the energy inflation rate. Core inflation remained stable at 2.7% for the fourth consecutive month.

Annual HICP headline inflation in Greece ticked down to 2.9% in December 2024 from 3% in November, as further declines in processed food, unprocessed food and non-energy industrial goods, inflation rates were partly offset by the significant pickup in energy inflation. Core inflation in Greece though continues exhibiting a significant positive difference of 1.7 percentage points compared to the euro area. It is expected to decline significantly over the next two years, standing at 3% in 2024, reflecting the sharp decline in energy commodity prices and the de-escalation of food inflation, and by the end of 2026 it will converge towards the 2% mark but will remain slightly above it.



Source: IOBE, European Commission

The Economic Sentiment Indicator (ESI) eased to a still solid 106.1, on average, in October-November 2024, compared with 107.6 in Q3-2024, but still exceeds its level in Q4:2023 (105.2), with the industry sector showing the largest y-o-y increase.

Despite a small seasonal pick-up in October, the unemployment rate remained in single-digit territory – at 9.8%, compared with 9.5% in Q3-2024 and 10.8% in October 2023 – corresponding to 67.7K additional employees on an annual basis. On that note, the labour force participation rate increased in October, to 61.2% from 60.5% on average in Q3.

Business turnover increased by 4.2% y-o-y in October, compared with 5.9% in Q3-2024.

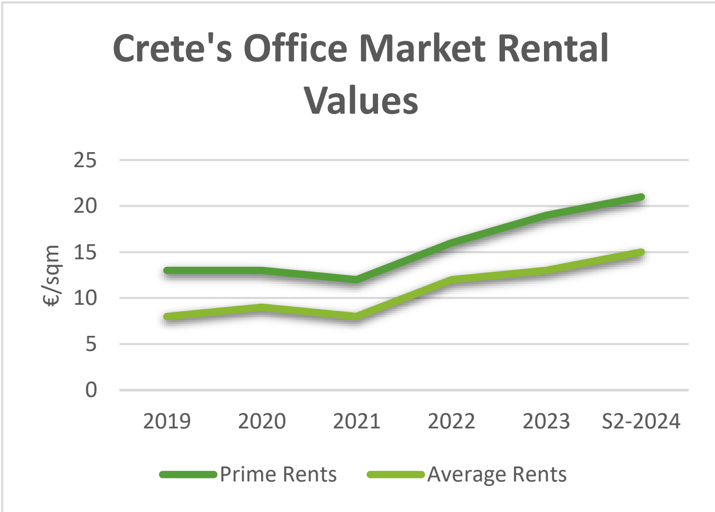
The Greek economy has been hit by the sovereign debt crisis after 2008, Covid-19, the war in Ukraine and the energy supply crisis. It has shown resilience but, over the years has not realized its high potential. Implementation of productivity enhancing reform policies are crucial for the economy's long-term prospects. The mix of prudent, while growth enhancing, fiscal and monetary frameworks are prerequisites. An immediate priority for the Greek economy is the specialization of production in areas of high value and innovation which are less vulnerable to international shocks.

With further geopolitical and financial instability regionally and internationally, scenarios of international energy prices escalation, and high deficit in the external balance, the Greek economy should focus on enhancing extroversion, while gradually increasing the domestic value added of exports.

OFFICE MARKET REPORT

OVERVIEW

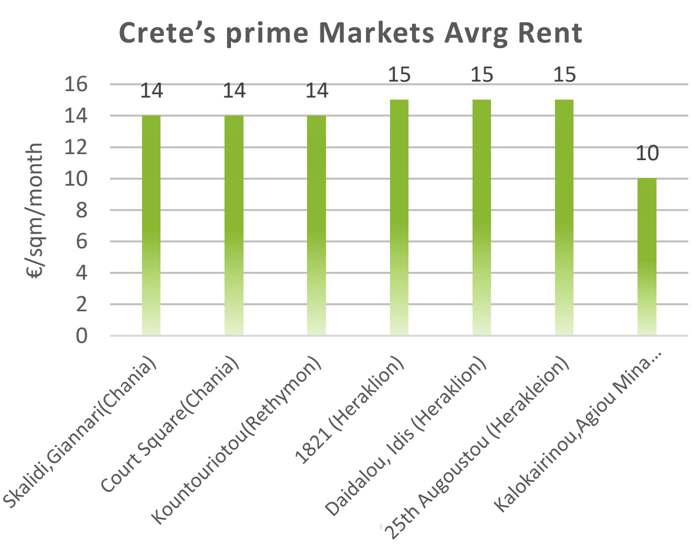
In 2024, the office market is undergoing significant changes and dynamic evolution, driven by a mix of economic, demographic, and technological influences. Prioritizing sustainability, cutting-edge technology, and adaptable workspaces is expected to shape the market's direction in the future.



Source: Danos an alliance member of BNP Paribas Real Estate

CRETE OFFICE MARKET

The office market of Crete is inextricably linked to the general outlook of the island in terms of international trade and investments due to its important geographical location and also due to the development presented by the two largest cities, namely Heraklion and Chania. All interest is concentrated in these two areas and less in the city of Rethymno, which however, presents strong dynamics in terms of the workforce.



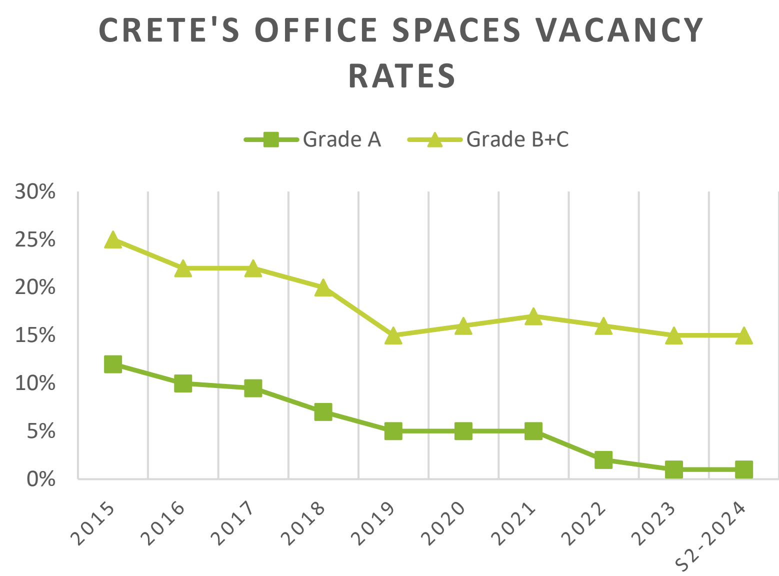
Source: Danos an alliance member of BNP Paribas Real Estate

Overall Market: Vacancy rates in Crete are relatively stable compared to the previous semester. However there is a significant demand for modern and functional office spaces. Purchasing interest is concentrated in areas with direct access and primarily in city centers.

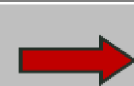
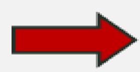
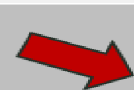
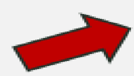
Opportunities: In the second half of 2024, there was a particular demand for office spaces, from companies that are established in Crete but also from companies that wish to step up to the Cretan market. These are companies that operate in the telecommunications and e-commerce sectors.

Challenges: The primary goal should be the modernization of existing office stock and the utilization of the stock that can fully meet the needs of demand.

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

MARKET TRENDS GRADE A OFFICES CRETE	
RENTALS	
YIELD	
VACANCY RATE	
ABSORPTION	

RETAIL MARKET REPORT

Greece's retail market in 2024 showed resilience with slight growth and stable demand for prime retail spaces, it continued to navigate economic pressures and evolving consumer behaviors. Despite these positive indicators, the retail sector faced challenges due to rising energy costs, which have impacted both businesses and consumers.

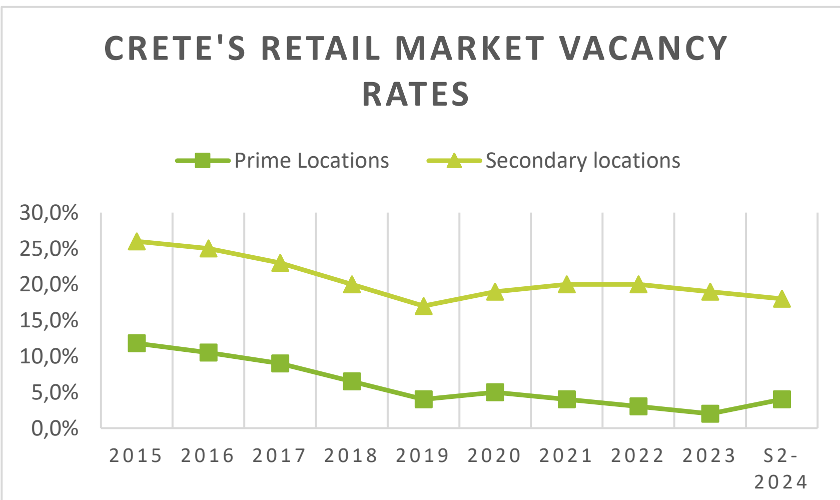
OVERVIEW

The indicators and prospects of the Greek economy, as well as the recovery of the investment grade, have created the appropriate conditions, strengthening buyer's confidence in high quality retail space for investments in Greece. The demand for retail space is highly matched by the supply of these spaces, with a range from traditional markets to shopping malls and luxury stores.

CRETE RETAIL MARKET

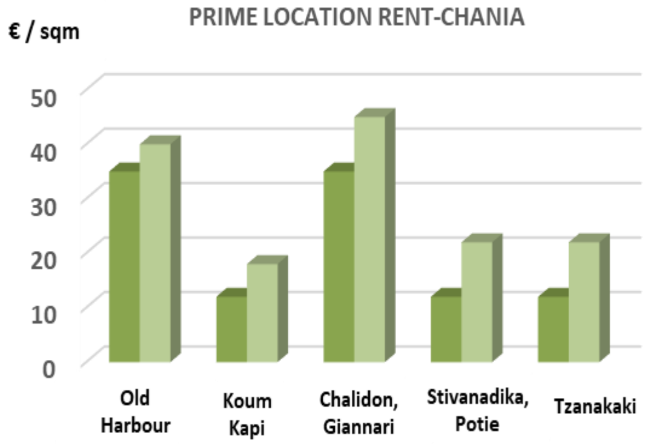
The retail market in Crete, confirms the enormous potential of the island, based on local consumer habits, the prospect of local trade and the advantages arising from one of the island's greatest sources of wealth, tourism.

The large amount of visitors to the island amplify retail sales which in turn feed up the local economy and the dynamics of the island in general.



Source: Danos an alliance member of BNP Paribas Real Estate

In **Chania**, the Old Port stands as the most commercial area, attracting significant leasing interest. Monthly rental values range from €35 to €40 per square meter, while streets such as Chalidon, Chatzimichali-Giannari, and Skalidi, home to major brands, see monthly rental values between €35 and €45 per square meter.

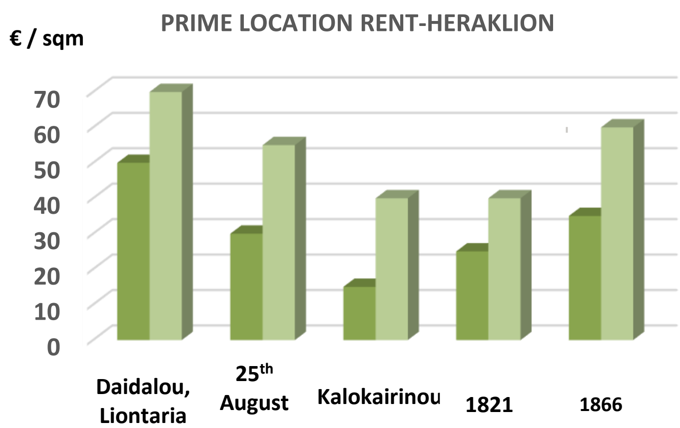


Source: Danos an alliance member of BNP Paribas Real Estate

In **Heraklion**, the prime commercial areas are Daidalou Street, 1866 Street, and Liontaria Square, with monthly rental values ranging from €50 to €70 per square meter.

In **Rethymno**, the Old Town and the northern part of Arkadiou Street, the most expensive area, have monthly rental prices ranging from €15 to €30 per square meter.

Lastly, in the primary zones of **Lasithi's** city center, prices can reach up to €15 per square meter.



CRETE'S MARKET TRENDS PRIMARY RETAIL LOCATIONS	
RENTALS	→
YIELD	→
VACANCY RATE	↘
ABSORPTION	↗

Source: Danos an alliance member of BNP Paribas Real Estate

Main Yields: For the second semester of 2024, yields in high street locations have remained stable, with major markets such as Chania and Heraklion continuing to exhibit strong rates. Prime locations have shown resilience and even a short-term increase, indicating a full recovery in consumption and retail activity.

Transactions: Lease transactions and rental rates across the island have generally stabilized in recent times, remaining however at a relatively high level. The robust demand from both local and international investors, bolstered by a renewed confidence following the COVID-19 pandemic, has contributed to this stability.

S2 2024 MARKET INSIGHT REPORT

LOGISTICS MARKET REPORT

Greece's logistics market in 2024 demonstrated robust growth, attracting significant investments and development, while also facing challenges such as staff shortages that need to be addressed to sustain its upward trajectory.

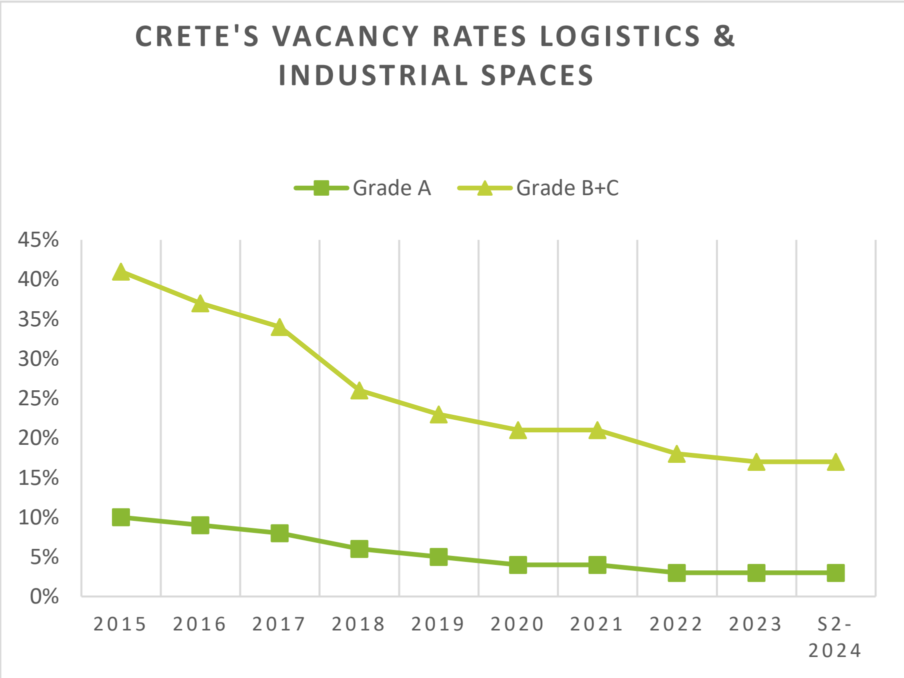
OVERVIEW

The sector attracted approximately €500 million in new investments, focusing on the development of state-of-the-art logistics centers to meet the rising demand for efficient supply chain solutions. The Logistics sector is an important feature of the Greek economy as it proves to be a particularly suitable ground for large investments.

The broader industry sector, which includes logistics, accounted for 10.4% of Greece's GDP as of October 2024.

CRETE LOGISTICS MARKET

Driven by e-commerce, logistics continues to experience rapid growth internationally, however, in Crete the prospects of the sector appear to be strong due to the important projects that are in progress with the aim of improving both transportation and the local economy. Currently, prime industrial and logistics properties can command rents exceeding €5 per square meter per month, while lease rates in other areas are generally lower, starting from €3 per square meter per month.



Source: Danos an alliance member of BNP Paribas Real Estate

The amount of existing logistics stock in Crete, is concentrated in the industrial areas and parks throughout the cities, however the lack of suitable spaces makes it difficult to decongest the vacancy rate.

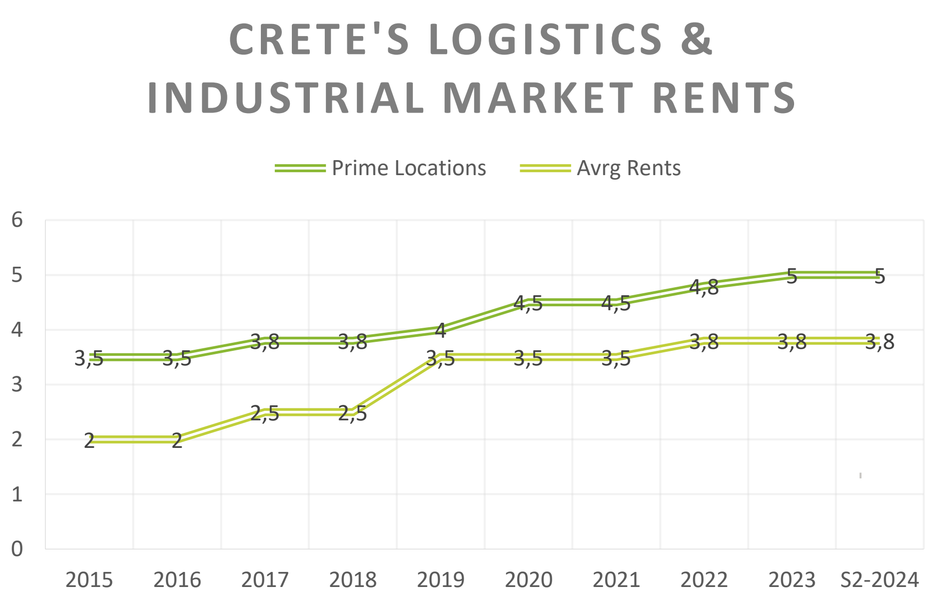
Crete's Potential:

Crete benefits from its strategic location and is currently experiencing significant development, including major projects like the new airport in Kasteli, Heraklion, and the new national road (BOAK). Investments in infrastructure, such as new transport links and warehousing facilities, are crucial to enhancing the island's market prospects.

Market Trends:

A limited supply of Grade A spaces on the island has led to increased rental values, particularly in major cities like Chania and Heraklion. The demand for both Grade A and Grade B spaces in Crete is expected to rise in 2025, reflecting an upward trend in the market.

Recently, there has been significant interest from pharmaceutical companies and bio-waste processing industries in the larger city market of Greece, in establishing their second bases in the region of Crete and this reflects the development prospects of the island.



	CRETE'S MARKET TRENDS LOGISTICS			
	RENTS	YIELDS	DEMAND	SUPPLY
GRADE A	↗	↘	↗	↘
GRADE B	→	→	↗	→

Source: Danos an alliance member of BNP Paribas Real Estate

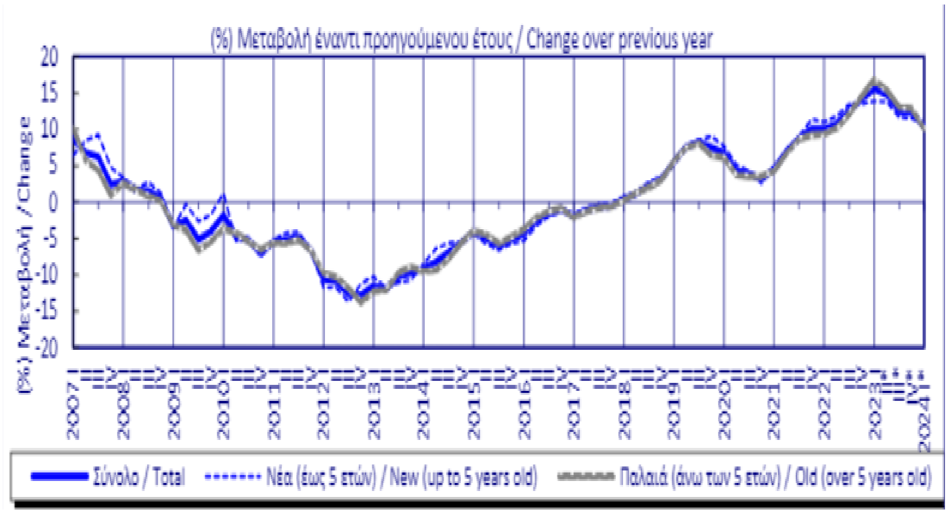
RESIDENTIAL MARKET REPORT

In the second half of 2024, Greece's real estate market has continued to attract new foreign investments, albeit at a slower pace. The increased demand from foreign investors also stems form their desire to diversify their portfolio due to the uncertainty of specific foreign markets, while at the same time they achieving better yields in Greece comparing to other markets.

OVERVIEW

The year of 2024, closes with a slight decline in the market, for new residential properties, with the main manifestation of this decline, in the market of newly built homes. This is a mainly result of the continuation of the increase in prices (on the last semester of 2024), as well as the expiration of the Golden Visa on 31st of August.

It is a fact that, despite the strong upward trend of the last semester, property prices in the Greek residential market are still attractive compared to other European countries, such as Spain, Italy, Portugal and France.



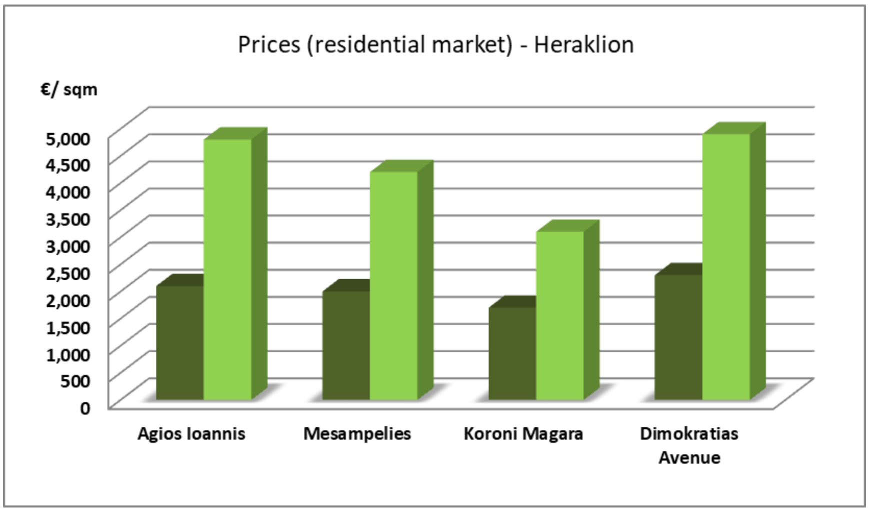
Source: Greek Central Bank

CRETE RESIDENTIAL MARKET

Crete, one of Greece's largest and most sought-after islands, boasts a distinctive residential market influenced by its robust tourism sector, dynamic local economy, and growing foreign investment interest. The island's stable economy benefits from agricultural exports, tourism, and a thriving real estate sector. With the year ending, residential property prices in Crete have continued to rise, with significant increases in popular areas such as Chania and Heraklion. Coastal and tourist-focused regions experience higher price growth compared to inland areas, with luxury properties featuring sea views or prime locations commanding premium prices.

For example, in some of the most popular areas of the city of Heraklion, property prices range from **2.000€** to **4.900€/ sq. m.** with the average asking price being **3.450€/ sq. m.** . In the region of Chania, property prices range from **2.000€** to **5.500€/sq. m.** , with the highest prices being recorded in newly buildings. In this case the average price reach the point of **3.750€/sq. m.** .

Additionally, the increased demand also led to soaring the real estate prices, which did not seem to be affected even by the fact that the number of new mortgage loans decreased.



Source: Danos an alliance member of BNP Paribas Real Estate & Indomio.gr

Observing the market at the end of the year it will be noticed that in November 2024, the asking price for properties sale in the Crete was highest in Chania, at **2.559€/sq. m**. . On the contrary, the lowest price was observed in Heraklion, with an average of **1.802€/sq. m.** . In the same month, the asking price for rental properties in Crete, was highest in the region of Crete, at **9.16€/sq. m.** per month. Respectively, the lowest price war recorded in the region of Lassithi, with an average of **7.29€/sq. m**. .

At this point, it should be mentioned that the upward trend in prices, has not completely discouraged the purchasing interest of foreign investors who continue to explore the Cretan market for the purchase or the development of real estate as they have realized the dynamics and progress of the economy on the island.

HOTEL & TOURISM MARKET REPORT

The hotel and tourism sector in Greece is set for robust growth in 2024, fueled by rising international visitor numbers, strategic investments, and a strong emphasis on sustainability and innovation. With its rich cultural heritage, diverse landscapes, and ongoing infrastructure improvements, Greece is well-positioned to leverage global tourism trends and solidify its reputation as a premier travel destination.

OVERVIEW

Greece's tourism sector is a key element of the country's economic activity. Tourism sector is a component of the country's economy, contributing significantly to GDP and employment. Significant investments continued throughout the period of 2024, in new hotel developments, particularly in luxury and boutique segments. International hotel chains and investors are showing increased interest in the Greek market, leading to new projects and renovations of existing properties.

It is indicative that in 2024, purchases and sales of over 320 million euros were recorded, when the amount of last year was up to 180 million euros.

KEY STATISTICS

Tourism Contribution to GDP: The tourism sector accounts for approximately 20-25% of Greece's GDP, reflecting its importance to the national economy.

Visitor Numbers: By the end of 2024, the previous semester's predictions for an upward trend in tourism sector were totally confirmed.

Key source markets include Germany, the UK, Italy, the United States, and France, with significant growth in visitors from China and the Middle East.

Hotel Performance: Average daily rates (ADR) and revenue per available room (RevPAR) have shown strong growth, particularly in popular destinations like Athens, Santorini, Mykonos and Crete.

CRETE HOTEL & TOURISM MARKET

International Visitors: The island continues to attract significant numbers of European travelers, notably from Germany, the UK, France, and Italy. Additionally, there has been a marked increase in visitors from the United States, China, and the Middle East.

Domestic Tourism: Greek tourists also contribute significantly, particularly during holiday periods and extended weekends, reinforcing Crete's importance as a key destination within Greece.

ACCOMODATION OPTIONS

Luxury Resorts: Upscale resorts are broadening their offerings, incorporating exclusive services, wellness centers, and sustainable practices to cater to discerning travelers.

Boutique Hotels: Their numbers are growing, with a focus on personalized experiences and distinctive, locally-inspired design.

Vacation Rentals: The growth of platforms like Airbnb has led to an increase in high-quality villas and private homes, which are increasingly popular with families and groups seeking unique accommodations.

Budget Options: Hostels and budget hotels are enhancing their amenities and services to appeal to younger travelers and backpackers, offering more value and comfort.

Hotel: New deal in Crete – Knossos Royal (Hersonissos)

At the end of October 2024, Aldemar (owned by Angelopoulos family) reached an agreement with Karatzis Group to purchase the “Knossos Royal” hotel located in Hersonissos of Heraklion, for a total price of 80 million euros. The Karatzis group will proceed with a radical renovation in this 391 rooms and suites hotel, to create an iconic hotel complex, which will be completed in 2026.

Hotel: New deal in Crete – Sunwing Makrigialos & Ocean Beach Club (Ierapetra)

Premia Properties reached an agreement with Sunwing Hotels Hellas for a long-term lease (15 years) of this hotel in Makri Gialos with a total capacity of 262 rooms.

Hotel: Blue Palace in Plaka of Elounda (Agios Nikolaos)

Expansion, complete renovation and integration of the resort to Rosewood Hotels& Resorts.

Real estate is inherently dynamic, influenced by economic conditions, risks, and global market trends. Nevertheless, the Greek real estate market, bolstered by its attractiveness as a premier tourist destination and investment hub, is showing a positive trajectory with significant growth potential.

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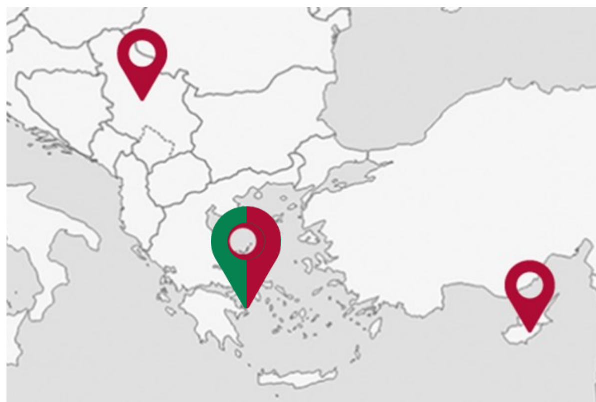
Locations



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