



## ATHENS PROPERTY MARKET

1<sup>st</sup> Semester 2014



# 1. Economic Overview & Indices

Greece's remarkable adjustment in the last four and a half years has led to the rebalancing of the economy. This was made possible through fiscal consolidation, mainly by reducing spending and expanding the tax base on a permanent basis. Moreover, substantial productivity-enhancing and employment-increasing structural reforms (especially in the labour and product markets) were implemented successfully, boosting Greece's international competitiveness, as well as net exports, business and consumer sentiment.

Greece has benefited from the spectacular increase in external tourism in 2013 and in Jan.-April 2014, which, in combination with the continuing healthy increase in exports of goods, have contributed to the substantial deceleration of the falling trend of its GDP to -3.9% in 2013 and, more importantly, to -2.3% in Q4 2013 and to -1.1% in Q1 2014, from -6.0% in Q1 2013. A 1.0% GDP growth is now more likely in 2014.

In 2013, a significant improvement in the general government (GG) primary balance was recorded, with a surplus of 0.8% of GDP, compared with a planned zero balance, from -1.2% % of GDP primary deficit in 2012. For 2014, the GG primary surplus target has been set at 1.6% of GDP. In fact, the successful implementation of the 2013 budget and of the 2014 budget in Jan.-April 2014, have already set the ground for a better than expected implementation of the 2014 budget as well.

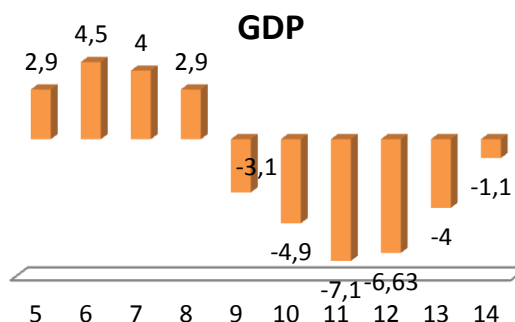
With internal devaluation since 2009, Greece has recouped in full competitiveness losses during the 2000s, while the restoration of flexibility in the labor market and strong economic performance implies further gains in competitiveness in the following years.

*Alpha Bank – Economic Research Division  
June 2014*

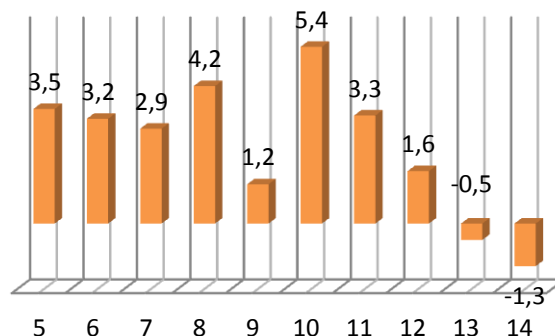
## Unemployment Rate



## GDP



## CPI





*Helliniko*

## 2. Market & Corporate News

The real estate reforms and measures that were planned since last year are in the final stretch. The new legal framework provides an investment-friendly environment characterized by transparency and less bureaucracy. It also provides additional advantages to potential real estate investors, most notable one the new law framework regarding the leases, which affects the duration and the inherited by the previous law breaking clauses.

Greece achieved stability over the last year and that has boosted investors' confidence towards Greece. The Hellenic Republic Asset Development Fund, through a sale and lease back program, achieved to perform a successful process for the privatization of the two biggest and most notable assets of the Greek government Helliniko site and Asteras Hotel.

Danos, an alliance member of BNP Paribas Real Estate was acting as real estate consultant to HRADF for the privatization of Helliniko with Happold Consulting. The task involved defining preliminary master plan options, costing of construction and infrastructure, estimating the phasing and timing of the whole process, evaluation of the various proposed uses at the proposed rental rate / sale / rate of absorption from the market, as well as recommendations for optimizing the recovery process and the project in general

The corporate real estate industry has seen a lot of developments with foreign funds heavily invest in the two biggest REIC's. The closing of the acquisition of PANGAEA by Invel and York Capital for €653 million being the most note worthy.

From the financial industry, it should be noted that the recapitalization process of the big 4 systemic Banks has been successful so far. But everyone is waiting for the results of the stress test that will determine the next round of capital increases required.

The Tourism sector has shown remarkable strength within 2013 exceeding all the expectations, and is expected to do so in 2014. New law framework has been establish that concerns new private development projects and simplify the procedures and gives more options to the investors/developers.

Summing up, the notable drop in real estate prices in Greece the last five years along with the stability that characterized the country the past year, have transformed Greece to an attractive destination for real estate investors.

### 3. Office Sector

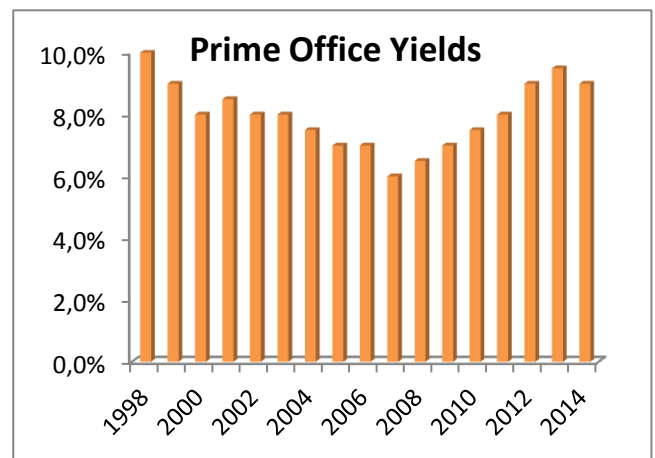
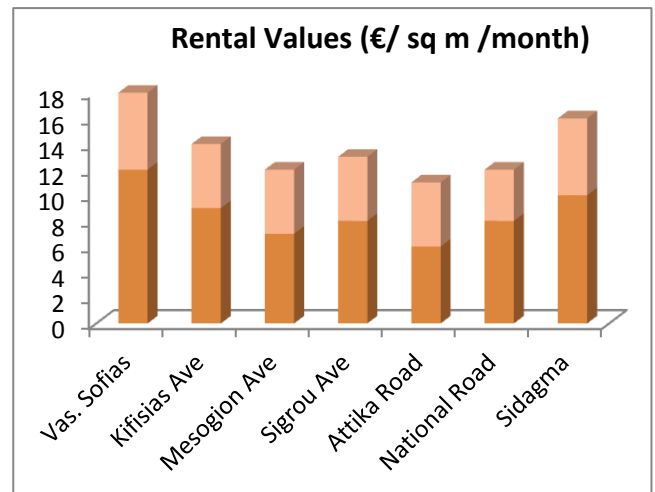
The office sector in general has been stabilized. As we can see in the relevant graph rental prices in prime office locations have been stable in general and fluctuate between 8€ and 14€/sqm with few exceptions. Major Avenues like Sigrou have seen a slight decrease of activity and therefore in price levels while other business districts have seen quite some transactions.

Business activity remains at low levels, more than 1,000 companies are in insolvency and banks are merging which lead to greater number of vacant office spaces. On the other hand, demand starts to emerge since a lot of business urge to abuse the low historical prices. In the relevant graph we can see the Rental Values as have been estimated by Danos Company and the price range for various prime location buildings. The price difference indicates the various qualities of buildings and the major inefficiency in the market due to low transaction volume.

Prime yields have seen a slight decrease since more investors are strongly searching the markets and quite few deals are in "closing" procedures. While yields from prime buildings had topped in 9,5-10% now we have seen them moving towards the 9-9,5% range .

Noteworthy leasing transactions are

- The leasing of 2,500 sqm office space in Kifisias Avenue by Corallia
- The leasing of 1,250 sqm by TAKEDA pharmaceuticals in Kifisias Avenue
- The leasing of 3,000 sqm by Cardiff Marine, in Kifisias Av.



Source: DANOS An Alliance Member of BNP PARIBAS REAL ESTATE

MARKET TRENDS	
RENTALS	→
YIELD	↓
VACANCY RATE	↓
ABSORPTION	↑





## 4. Retail Market

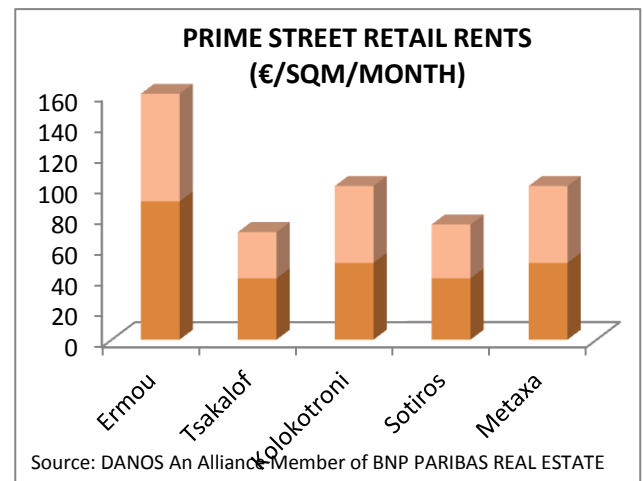
Also noted in our previous report, the most severely hit of the real estate market, is the retail sector. During the first semester of 2014, there was some activity. Big retail brands seem to take advantage of the historical low prices in the major retail streets. Overall prices have been stabilized, vacancy has dropped, and absorption has increased.

Private consumption has been stabilized the last quarter of 2013. Consumer spending was recorded to be significantly weak in the first nine months of 2013, due to high unemployment and fiscal austerity, but also due to the extensive restructuring that took place in the retail trade market with some big businesses ceasing operations completely. Nevertheless, recent encouraging developments in the labor market and a relative relaxation in fiscal adjustment effort imply that household spending will pick up further in the coming months. The above developments in the volume of retail sales and consumer confidence indicator point to an expansion in consumer spending from Q3 2014 onwards.

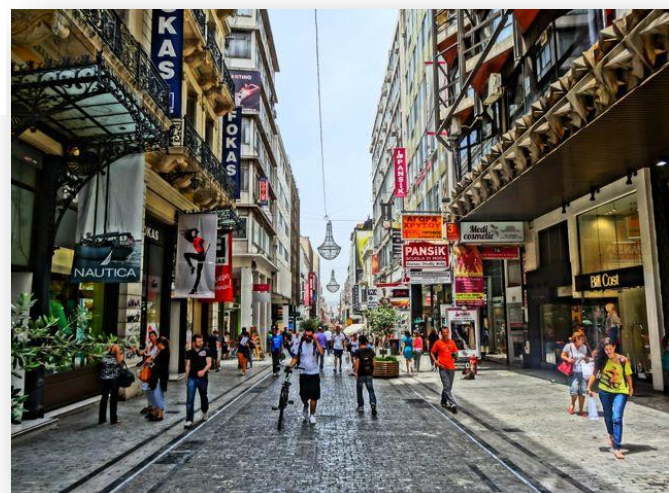
On a micro real estate note, there was a heavy focus on local and secondary retail markets the last 2 years that still persists. Retail markets such as Nea Smirni and Chalandri have very low vacancy rates in their main streets. But in the 1<sup>st</sup> semester of 2014 we've seen focus back in the main retail arteries with substantial leases in Ermou str, Kolonaki area and very strong demand for Glyfada.

Most notable leases the

- Follie Follie store in Ermou str.
- Attiki Fourni at Glyfada
- Chrysanthis (bakery) at Kifisia
- Imaginarium at Kifisia



MARKET TRENDS	
RENTALS	→
YIELD	↓
VACANCY RATE	↓
ABSORPTION	↑



## 5. Residential Market

The residential market is still a deep sleeper with minimum transactions. The prices seem to have been stabilized the first semester of 2014. There is a pickup in rental activity with strong demand for medium/good quality homes for rent, that mainly arise from people that try to take advantage of the low prices.

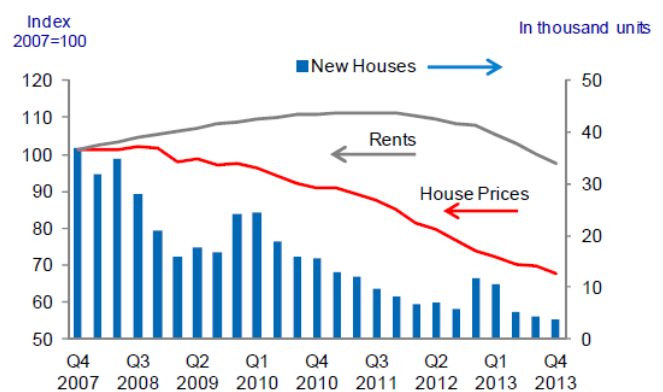
The main reason that the market hasn't picked up in sales/acquisitions yet is the lack of financing. The banks still haven't start giving new loans and should the mortgage market recover, demand will pick up on the same time taking advantage of the low sale prices.

Chinese and Russian investors, who are looking to benefit from visa grants have expressed their strong interest to invest in the residential real estate market of Greece, especially in Athens, Rhodes, Corfu and Crete. But only a few transactions have been realized yet.

In general, it is believed that the housing market has bottomed out in H1 2014 and it has the potential to enter into a recovery path, helping to reinforce the recovery of the economy as a whole from 2015. During the six years of recession, several factors led to the collapse of the housing market. The dramatic fall of incomes and of economic sentiment and in particular of consumer sentiment and the big increase and confusion caused in property taxes, contributed to a drastic fall of the demand for housing at abnormally low levels.



### New Houses, Prices, Rents



Source: DANOS An Alliance Member of BNP PARIBAS REAL ESTATE





## 6. Logistics & Industrial Market

The rent prices of Industrial and Logistics sector are forecasted to remain stable for 2014. The market will be characterized with flexible and shorter term period leases. Vacancy rates are still increased especially in facilities of 1,000 – 3,000 sq m. Yields remain stable while demand remains low. Though, expectations for the sector performance are positive, since the industrial production registered positive growth the first quarter of 2014 for first time since the crises.

Moreover, the PMI index in manufacturing gained back its strength and climbed to 51.1 in April 201. PMI index is poised to reach higher levels, while the level of the index is consistent with a more permanent recovery in the industrial production. This is also supported by the significant improvement of business expectations in industry (April 2014: 91.9, Jan 2014: 84.7, Dec.2013: 83.4) and therefore, points to positive growth of manufacturing production in 2014 as a whole. These developments in manufacturing production are taking place despite the fact that some sectors are still affected negatively by the continuing fall of activity in the housing market.

In general the rental levels in the main logistics & industrial markets range from 2,5€-4€/sqm and the yields range from 11% to 13%.

MARKET TRENDS	
RENTALS	➡
YIELD	➡
VACANCY RATE	➡
ABSORPTION	➡



## 7. Hotel & Tourism

Despite the lingering economic challenges, tourism sector has shown a remarkable strength in 2013, which is expected to be widely surpassed in 2014 and so far it's doing so. Greece's unique geographical characteristics, in combination with its highly developed and still fast developing transportation infrastructure and also the development and modernization of more specific tourist facilities, are expected to contribute to its development as a major tourist destination in Europe and also as an international transportation hub of European proportions.

In fact, tourism arrivals (including cruises) exceed expectations in 2013 and grew by 18.7%, reaching a record 20.1 mln arrivals, compared to a moderate increase by 3.2% in 2012. As a result, tourism receipts were also increased remarkably by 16.4% in 2013 to € 12.15 billion, compared to a fall by 0.6% to € 10.44 billion) in 2012.

On the real estate side of the Tourism sector there is strong interest from private equity funds and world calibre operators to expand in the Greek market. There is strong demand for big and medium size hotels by the sea. Already some transactions have been finalized most notable one the acquisition of Gerakina beach by Oaktree Capital and Andreadis family.



Source: Bank of Greece, Alpha Bank







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