



ATHENS PROPERTY MARKET

2nd Semester 2014



Economic Overview & Indices

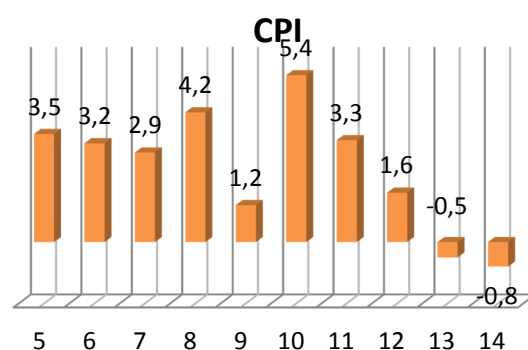
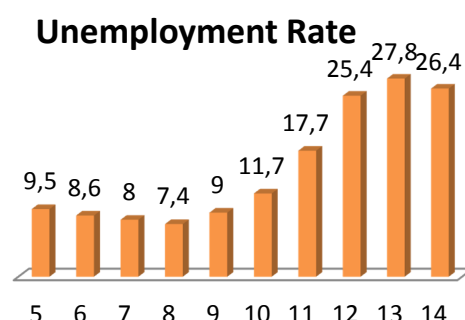
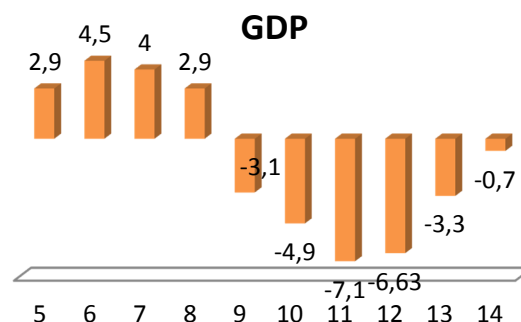
The substantial progress that Greece has made during 2013 and 2014 has been evident with the return of the Greek state and systemic banks to the international markets in 2014, as well as the successful completion of stress tests conducted by the ECB. The EU contribution in the funding for Greece's second program run out at the end of 2014, while IMF's funding continues until the end of the first quarter of 2016.

Additionally, on the back of the successful outcome of the stress tests and the new political situation in Greece the government is now in a better position to start negotiations with the Institutions, leading to the disbursement of the next loan installment. Consequently, the recent agreement and extension of the program gives time to Greece to negotiate the form and structure of the future international aid either as a 3rd program or an emergency facility line. This process is still ongoing and any prediction on the form of the outcome is very hard.

Due to the political situation in Q4 of 2014 the positive sign of GDP growth rate for Q3 2014 is not expected to hold, and deflationary pressures remain. Exports are expected to surge in 2015 due to the competitiveness gain and depreciation of the euro.

Overall, Greece's remarkable adjustment in the last four and a half years has led to 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 labor and product markets) were implemented successfully, boosting Greece's international competitiveness, as well as net exports, business and consumer sentiment.

Parts from Alpha Bank – Economic Research Division
November 2014



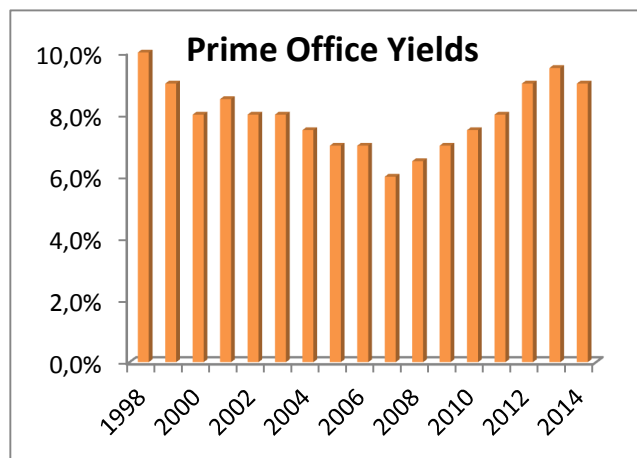
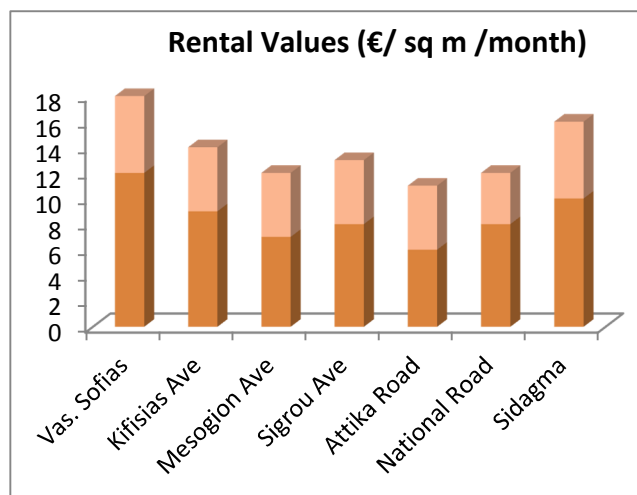
Office Sector

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€/sq m 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 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 8.5-9,5% range .



MARKET TRENDS	
RENTALS	→
YIELD	↓
VACANCY RATE	↓
ABSORPTION	↑

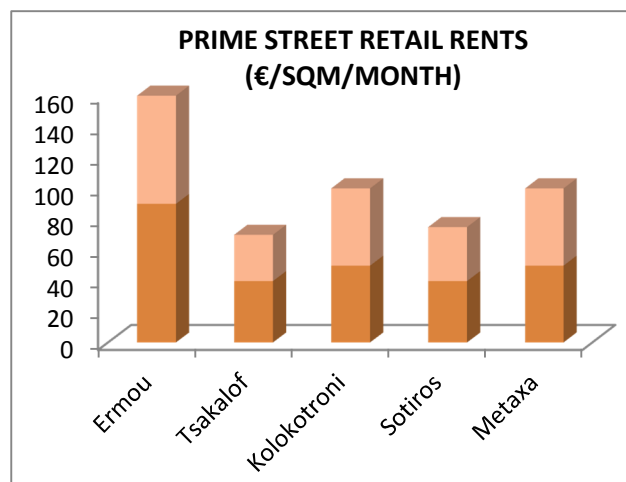


Retail Market

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 1st 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. The market is still segmented with yields ranging from 6,5% in Ermou str. up to 9%.



Source: DANOS, an alliance member of BNP PARIBAS REAL ESTATE

MARKET TRENDS	
RENTALS	→
YIELD	↓
VACANCY RATE	↓
ABSORPTION	↑



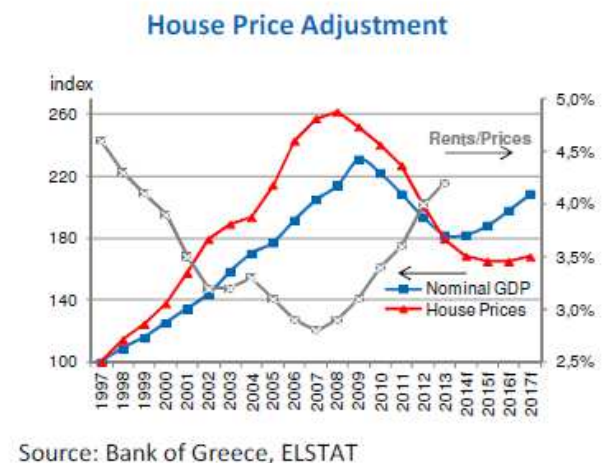
Residential Market

The residential market is still a deep sleeper with minimum transactions. The prices seem to have been stabilized from 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.

The property taxation has changed with increasing recurring taxation, affecting more the residential market.

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.



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 stabilizing. Yields remain stable while demand remains low. Though, expectations for the sector performance are positive, with projects in Piraeus Port

Moreover, the PMI index in manufacturing gained back its strength and climbed to 50.1 in August 2014 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 (Oct 2014: 97.4, 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€/sq m and the yields range from 11% to 13%.

MARKET TRENDS	
RENTALS	→
YIELD	→
VACANCY RATE	→
ABSORPTION	→



Hotel & Tourism

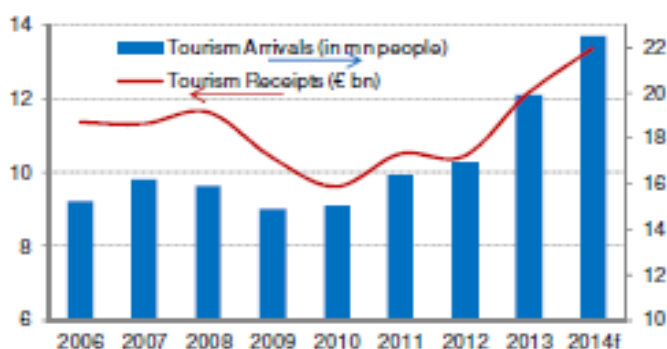
Despite the lingering economic challenges, tourism sector has shown a remarkable strength in 2013, which has been widely surpassed in 2014. Greece's unique geographical characteristics, in combination with its highly developed and still fast developing transportation infrastructure and also the development 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 Jan- Sept 2014 and grew by 14.3%, reaching 13.01 mil arrivals, compared to a increase by 9.9 % in Jan – Sept 2013. As a result, tourism arrivals were also increased remarkably by 22.1% in 2014 to 15.34 mil.

On the real estate side of the Tourism sector there is strong interest from private equity funds, private investors and international firms along with 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 a Rhodes Hotel by Invel.



Tourism Prospects



Source: Association of Greek Tourism Enterprises, Bank of Greece





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