



ATHENS PROPERTY MARKET

1st Semester 2015

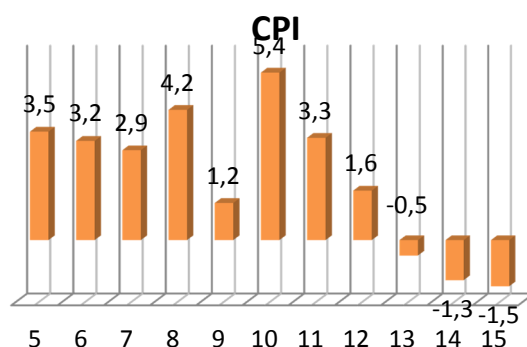
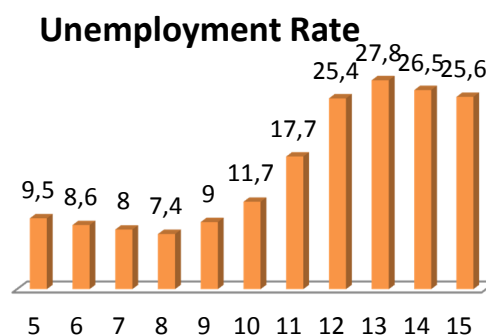
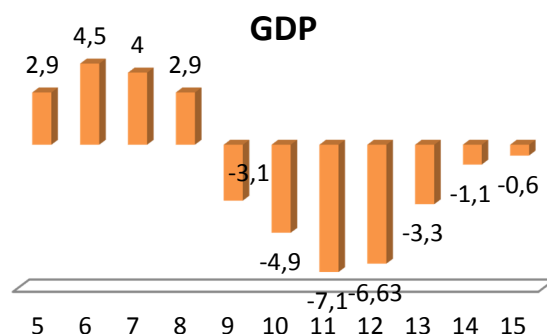


Economic Overview & Indices

Despite the favorable international economic environment, underpinned by the weaker euro and lower oil prices, economic recovery in Greece remains fragile. Economic sentiment and specifically consumer confidence indicators deteriorated in April and May 2015, as the political turmoil and the prolonged negotiations with the official creditors heightened uncertainty. This vulnerable environment led to a re-escalation of Greek government bond yields.

Based on the latest data available, Gross Domestic Product (GDP) decreased by 0.6% in Q2 2015 vs Q4 2014, due to the uncertainty imposed since the announcement of snap elections in December and the progress of negotiations with the creditors. CPI decreased by 1.5% the first semester of the year and unemployment decreased marginally mainly due to the Tourism sector. Economic growth is expected to slow down even further within 2015, as uncertainty related to the reform program and deteriorating liquidity conditions have undermined business confidence and investment; Greece remains on the verge of a new recession.

The recent events of the Bank Holiday and capital controls led to a very volatile economic environment, and even after the deal with the international lenders and the preliminary agreement on a third aid package it will take time for the economy to regain momentum. Yet the macro economic effects of all the political developments within June and July are yet to be evaluated and the final agreement that is expected within the summer period is the main milestone to determine the future of the Greek economy.



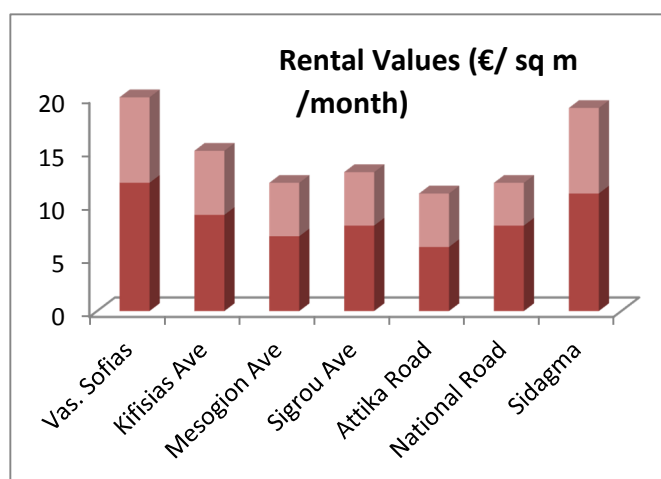
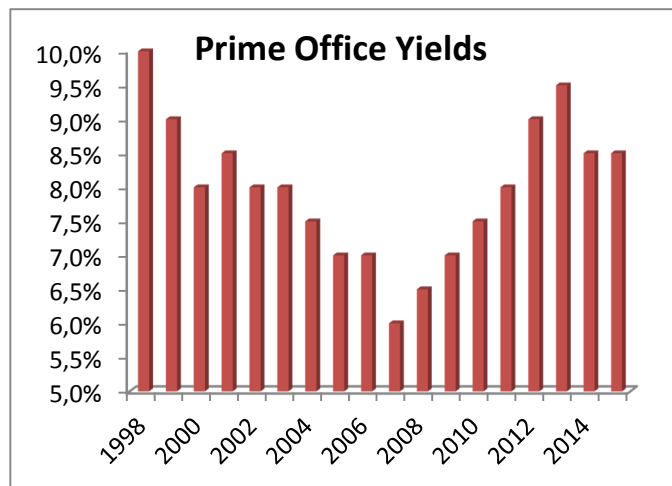
Office Sector

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 19€/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.

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 remained stable the last semester since most investors have halted any activity and wait to see the political developments before continuing with their investment schedules. Prime yields remain around 8,5% with only one transaction to be recorded during this period in that range.

The property market is expected to recover gradually, given that Greece will escape the recession cycle. In terms of investment interest, the most dynamic sectors appear to be that of hospitality, as a result of a projected substantial growth in tourism, as well as that of prime office buildings and retail properties, while an increasing shift of investment interest towards prime large warehouses is recorded. Based on the findings of ULI/PwC "Emerging Trends in Real Estate Europe 2015" report, Athens is one of the 5 leading cities for investment prospects in 2015.



Market trends	
Rents	→
Yields	→
Vacancy rate	→
Absorption	→

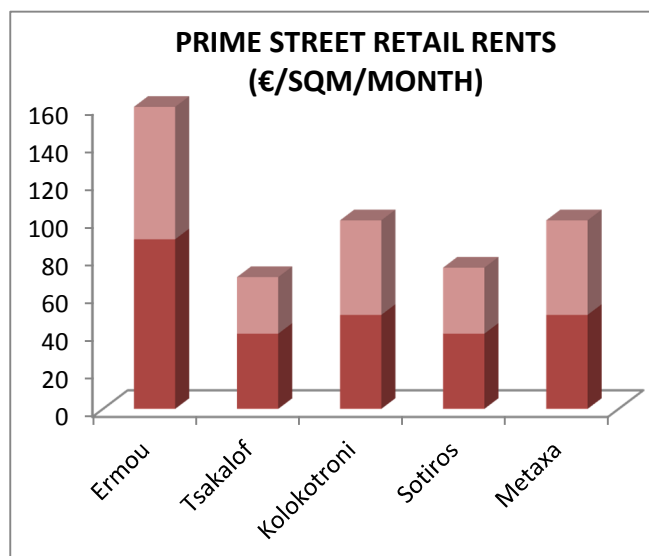


Retail Market

Also noted in our previous report, the most severely hit of the real estate market, is the retail sector. During the first semester of 2015, 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.

The volume of retail trade increased by 1.2% y-o-y in March 2015 (provisional data) against the 1.7% y-o-y decrease in February 2015. In the first quarter of 2015, retail sales stagnated on an annual basis, reflecting the fall in oil prices on a yearly basis, since retail sales excluding automotive fuel increased by 1.5% y-o-y. Though before the radical political developments it was expected a pickup in private consumption to occur, now any projections have to wait for the deal within summer to happen.

On a micro real estate note, there was a heavy focus on local and secondary retail markets the last 2 years that starts to fade away. Retail markets such as Nea Smirni and Chalandri have still low vacancy rates in their main streets but now primary markets have picked up significantly mainly in the sense of vacancy. We have seen substantial leases in higher prices in streets like Ermou and other main markets.



Source: DANOS An Alliance Member of BNP PARIBAS REAL ESTATE

MARKET TRENDS	
RENTALS	→
YIELD	→
VACANCY RATE	→
ABSORPTION	→



Residential Market

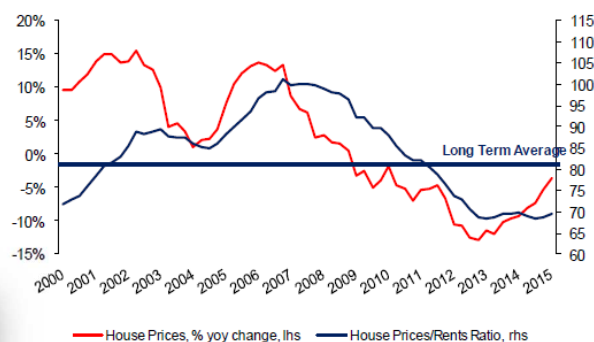
The residential market is still a deep sleeper with minimum transactions. The prices seem to have been stabilized from the first semester of 2014. There is a pickup in rental activity with strong demand for medium/good quality homes for rent, that mainly arise from people that try to take advantage of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

In general, it is believed that the housing market has bottomed out in H2 2014 and it has the potential to enter into a recovery path as long as the economy stabilizes, 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.



House Price Adjustment



Source: Bank of Greece



Logistics & Industrial Market

The market is characterised by a dearth of activity with very few leasing deals occurring, linked to the economic uncertainty shrouding the Greek market.





Deals that are closing stem from existing occupiers taking advantage of the weak fundamentals and either moving to secure better price space or indeed renegotiating their existing leases to be more flexible and at a lower rent.

Prime rents are 2,50 €/sq.m/month for industrial in Athens and 3 – 4 €/sq.m/month for logistic and expected to remain stable.

The PMI index in manufacturing increased marginally to 48,9 in March from 48,4 in February. However, is lower than the 49,4 in December 2014.

Supply over Q1 was more or less static with any rise attributed to the release of space by current occupiers. Developers have postponed plans linked to the fragility of the occupational market.

Investment activity was very subdued in Q1 2015 with deal negotiations lengthy. ACS in the greater Athens area has bought 21.400 sq m for approximately €7,3 million. Any of the limited activity that took place was between domestic investors on both sides of the deal.

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. During 2015 the Tourism sector started impressively but slowed down due to the major political developments. 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.

It is worth noting that international arrivals in 2014 increased to 22 million from 17,9 in 2013 (+23%) and 15,2 foreign visitors in 2006. In 2014, the contribution of tourism in external transactions was significant, since travel spending increased from €12,2 billion in 2013 to €13,4 billion in 2014 (10,2% y-o-y). This positive outcome is expected to continue in 2015 mainly supported by the euro depreciation. In the first quarter of 2015, tourism receipts increased by 12,7% on a yearly basis, while tourism arrivals increased by 45,6%. According to the Association of Greek Tourism Enterprises (SETE) international tourist arrivals at the airports increased by 29,4% in Q1 2015 y-o-y.

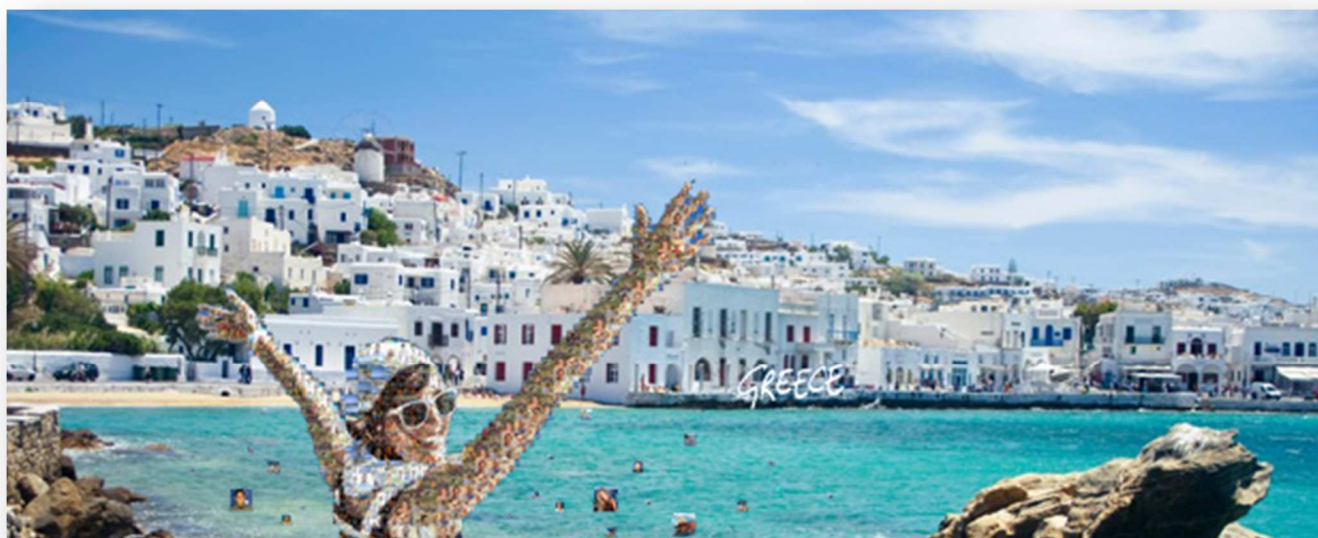
On the real estate side of the Tourism sector there is strong interest from private equity funds, private investors and international firms along with world calibre operators to expand in the Greek market. There is strong demand for big and medium size hotels by the sea.



Tourism: Arrivals and Receipts



Source: Bank of Greece, SETE





GREECE

Athens

15, Vouliagmenis Ave., 116 36
Tel: +30 - 210 7 567 567
Fax: +30 - 210 7 567 267
Email: office@danos.gr

Thessaloniki

4, Ionos Dragoumi Str., 546 24
Tel: +30 - 2310 244 962,3
Fax: +30 - 2310 224 781
Email: info.thes@danos.gr

Crete - Chania

3, Iroon Polytechniou Street, 731 32
Tel: +30 - 28210 50900
Fax: +30 - 28210 59700
Email: info.crete@danos-melakis.gr

Crete - Herakleio

38, Aretousas Str., 712 02
Tel: +30 - 2810 282822
Fax: +30 - 2810 282822
Email: info.crete@danos-melakis.gr

www.danos.gr

CYPRUS

Nicosia

35 I. Hatziosif Ave., 2027 Strovolos
Tel: +357 22317031
Fax: +357 22317011
Email: sales@danos.com.cy

Limassol

69 Gladstonos Str., 3040 Acropolis Centre,
Shop 10
Tel: +357 25343934
Fax: +357 25343933
Email: danosa@cytanet.com.cy

www.danos.com.cy

SERBIA

Belgrade

3 Spanskih boraca Str.
11070 New Belgrade
Tel.: +381 11 2600 603
Fax.: +381 11 2601 571
Email: office@danos.rs

www.danos.rs

DISCLAIMER

This report is published for general information only. Although high standards have been used in the preparation of the information, analysis, view, and projections presented in this report, no legal responsibility can be accepted by DANOS or BNP PARIBAS RE for any loss or damage resultant from the contents of this document. As a general report this material does not necessarily represent the view of DANOS or BNP PARIBAS RE in relation to particular properties or projects. Reproduction of this report in whole or in part is allowed with proper reference to DANOS Research.

www.danos.gr

www.realestate.bnpparibas.com