

ATHENS PROPERTY MARKET

1st Semester 2016



Economic Overview & Indices

The outcome of the referendum in the United Kingdom in support of the exit from the European Union creates an unstable European environment, both economically and geopolitically with consequences that have not yet become fully evident. The diagram that Eurostat presents for years 2005-2015 shows the increased economy sizes since 2013. The impact of the exit decision will be shown later on 2017.

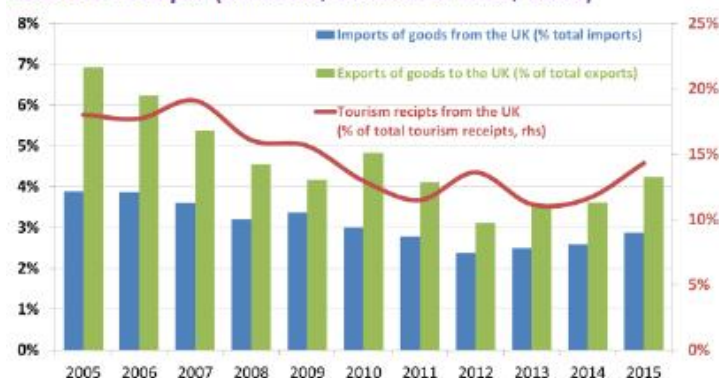
The conclusion of the first assessment of the adjustment program creates the market optimism that follows the payout of the first tranche of the 3rd program which is expected to bolster liquidity among businesses and, on the other hand, the concerns regarding the impact the new measures will have on the income of businesses and households.

Economic sentiment remained unchanged during June 2016 when compared to May (at 89.7). In spite of the decline of expectations in services and retail trade, business climate improved, as did consumer confidence (to -68 from -71.9 during the previous month), which, although remaining at low levels, improved for the second consecutive month.

Economic indicators:

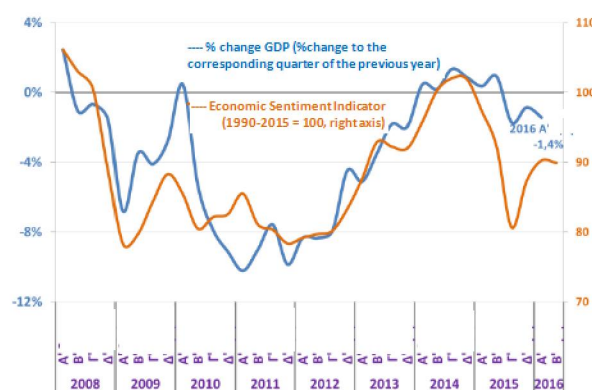
- Recession stood at -1.4% in the first 3 months of 2016, according to provisional data of ELSTAT, slightly stronger than the initial estimates (-1.3%), completing three consecutive quarters recession after six consecutive quarters development.
- Unemployment rate decreased at 23.3% in April 2016, from 23.7% in the previous month and 25.3% in the same month of 2015, showing a slight but steady decline. The youth unemployment rate also declined but remains at a very high level (47.4%).

Trade balance between Greece and United Kingdom & tourism receipts (Eurostat, Bank of Greece, 2015)



GDP

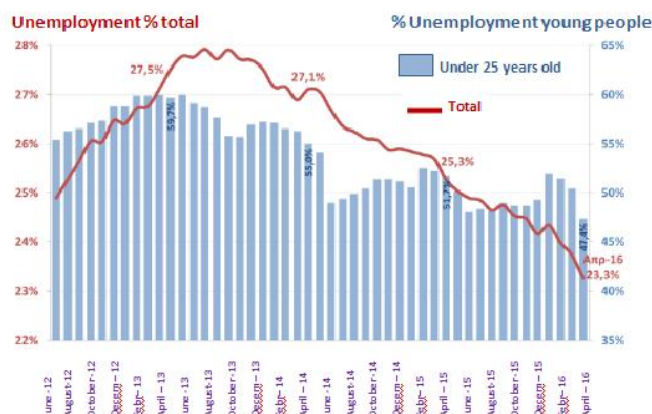
GDP change and Economic Sentiment (ELSTAT A' Quarter 2016, IOBE, June 2016)



Source: SEB (July 2016)

EMPLOYMENT

% Unemployment (ELSTAT, April 2016)



Office Sector

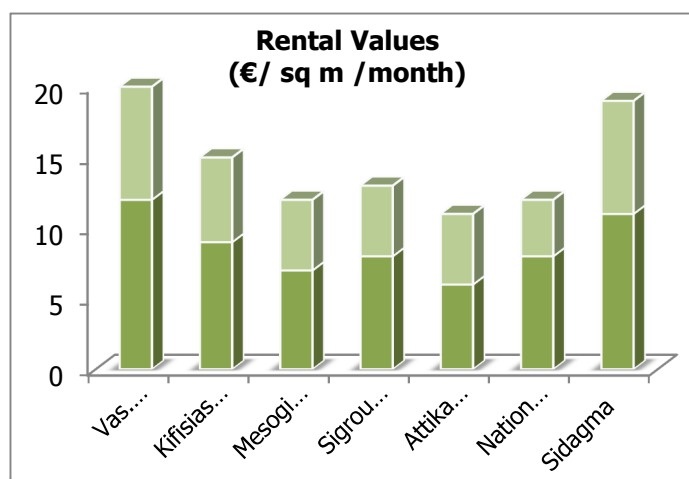
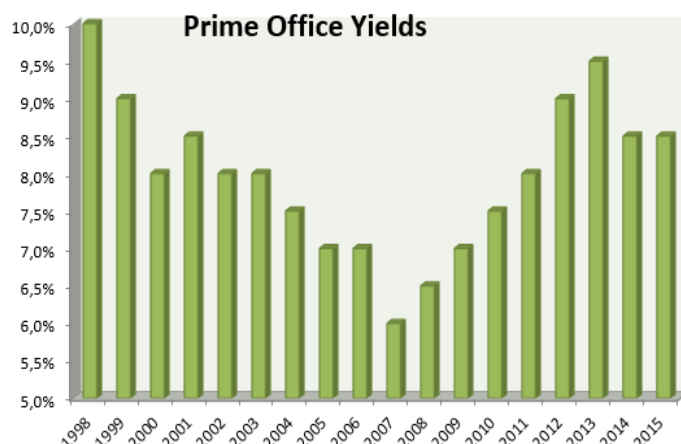
The debt crisis in Greece began in 2009 and is still not over. With the Troika back in Athens and the government having difficulty meeting the payment and budget constraints the economy look set to contract again in 2016.

The Office Market in Athens since 2008 has witnessed an average fall in capital and rental values of between 35% and 45% respectively. Occupiers' priority has shifted to downsizing in space and achieving more affordable rents.

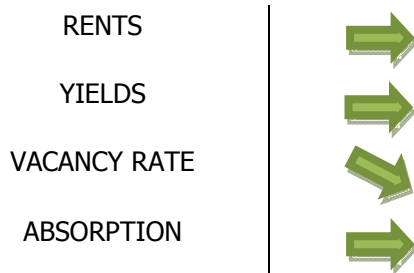
Occupier demand and activity levels further stagnated in Q1, with few leasing deals being completed. Kifissias Avenue and Athens CBD area are still the most popular office locations.

In the Athens office market, rents and yields for Grade A offices remained at 2014 levels, ranging from 12 € to 20 €/m² per month and from 8% to 9,5% yield.

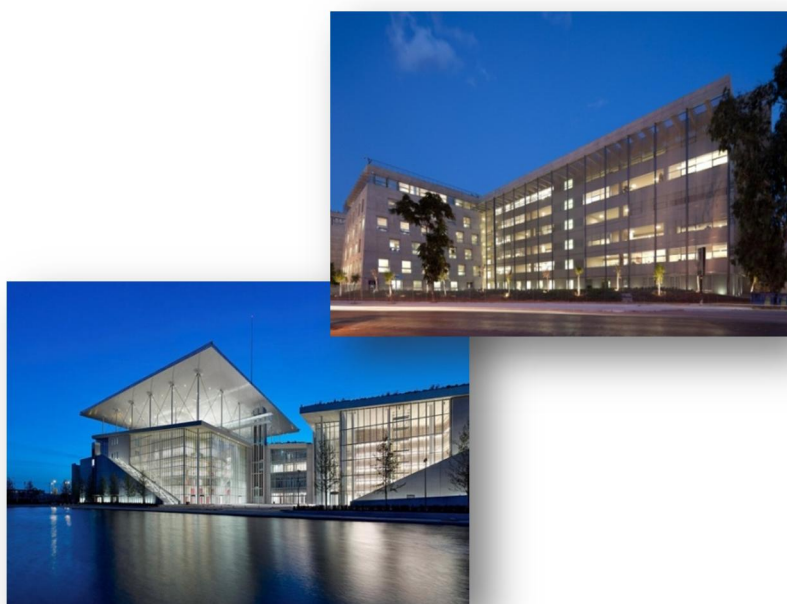
2016 is expected to be a year of correction in capital and rental values. A new normal is being created in the market and has already started to be evident. Opportunities are on offer for investors who buy now, at discount, and benefit from the gradual increase of capital and rental values



Office Market trends



Source: DANOS An Alliance Member of BNP PARIBAS REAL ESTATE



Retail Market

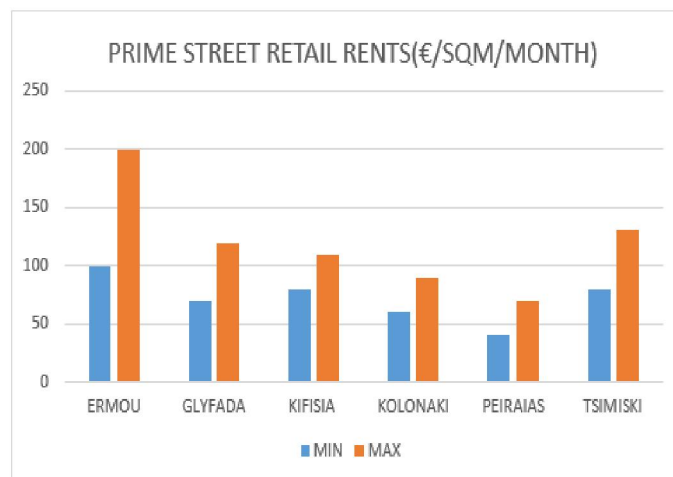
The activity in the retail sector during the first half of 2016 remained low.

The strongest growth took place from food and drink companies, mainly through franchise. Throughout Greece, retailers were active focusing in safe areas by opening small and medium-sized units in prime markets as well in the largest secondary markets.

The demands of the main commercial companies were mostly in prime areas such as Ermou, Glyfada, Kolonaki, Kifissia, Sotiros (Piraeus), Tsimiski (Thessaloniki) and the dominant shopping centers in Athens & Thessaloniki, where there are no available empty shops for rent. The asking rents increased and the norm for asking key money has returned, in many cases for shops in high street locations.

Regarding the demand in the largest secondary markets such as Kallithea, Peristeri, Halandri, Nea Smyrni, Corfu, Rhodes, Santorini and Mykonos the lack of empty stores and the increased demand resulted in rents to present upward trend and the norm for asking key money has returned.

Yields in the retail market have slightly dropped and we estimate that Ermou Str. is 6,5-7% at the moment, with other prime markets at 7-7.5%.



Source: DANOS An Alliance Member of BNP PARIBAS REAL ESTATE

MARKET TRENDS	
RENTALS	➔
YIELD	➔
VACANCY RATE	➔
ABSORPTION	➔

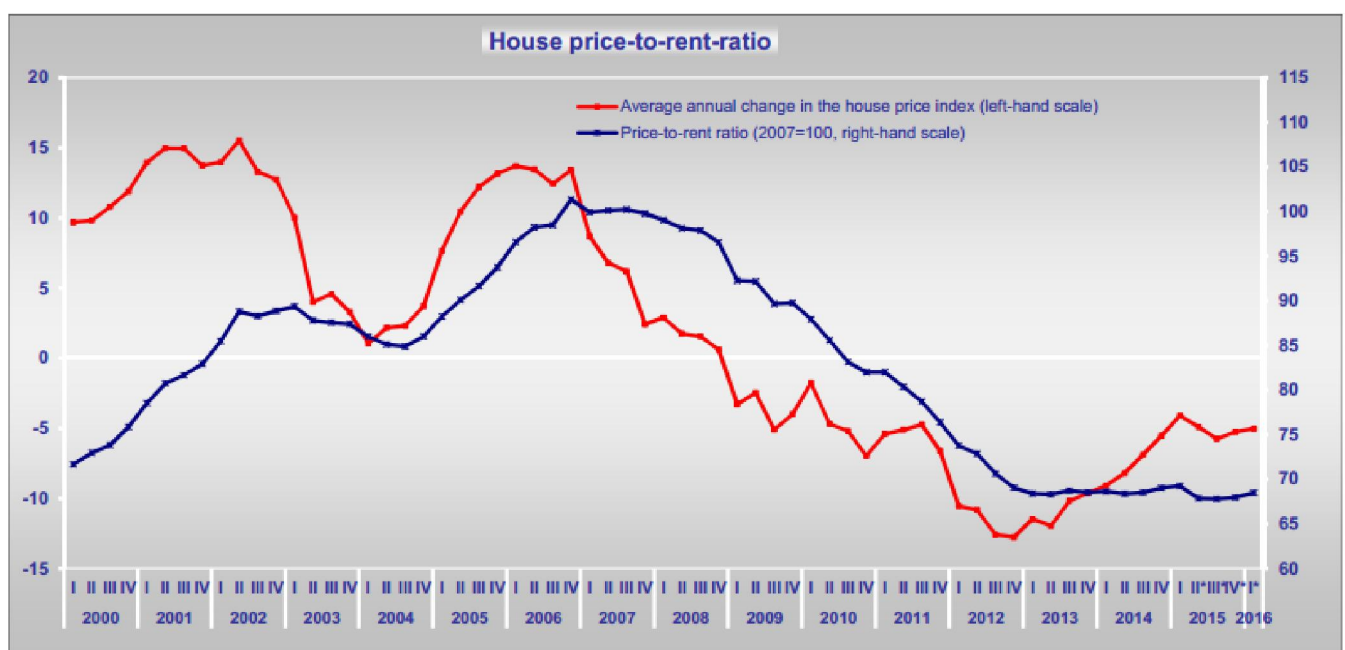


Residential Market

The residential market is still a deep sleeper with minimum transactions. The prices seem to have been continued to decrease slightly in most areas with only a few prime areas showing signs of stability. 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.

During the six years of recession, several factors led to the collapse of the housing market. The dramatic fall of income 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.



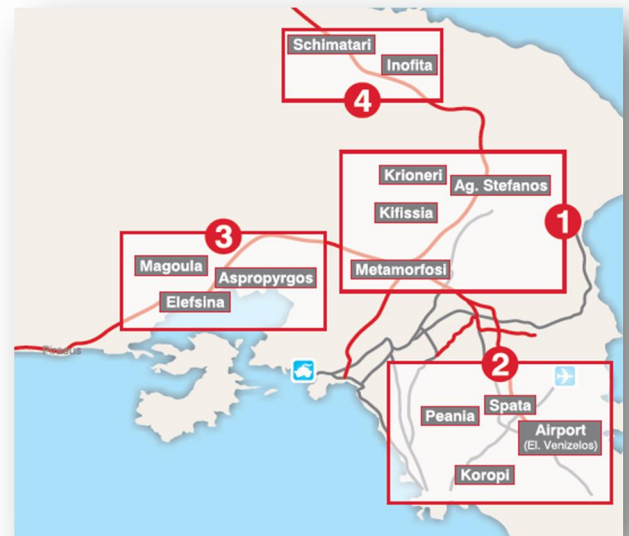
Source: Bank of Greece

Logistics & Industrial Market

The logistics property market which closely followed the growth of the Greek economy, increased considerably during the period 2005-2008, driving prime rents from €4.00/m²/month in 2004 to as high as €6.00/m²/month in 2008 for high quality logistics space in some areas. By 2009 the economic crisis had a major effect on the logistics property market with falling demand leading to prime rents decreasing by even € 1.00/m²/month in some cases. In 2015 rents reached a low and prime rents for Grade A logistics properties stabilised at € 3.00/m²/month.

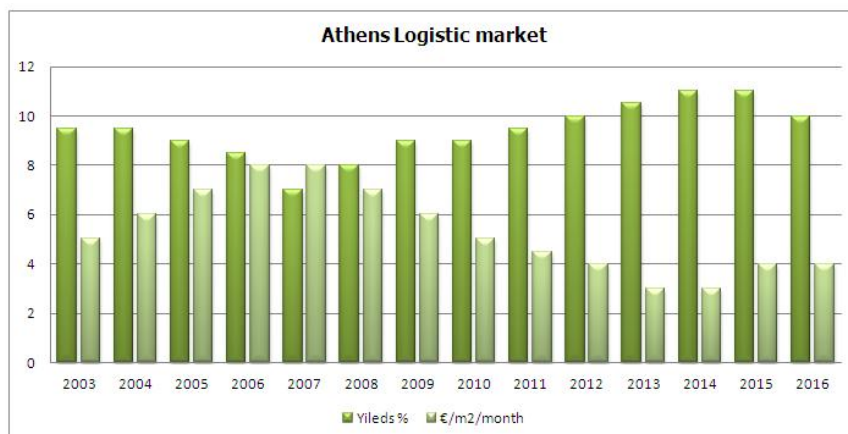
Any Leasing activity is being driven by relocations or renegotiations as some firms pursue cost optimisation strategies to take advantage of the weak market fundamentals. They are doing this by either moving to more modern and cost efficient space or by renegotiation existing leases to secure more favourable terms.

Prime rents were unchanged in H1 2016. Any development and reboot of the Greek logistic & industrial market is expected to be linked to the privatization of Piraeus port and the tender for the cargo centre in Thriasio (235,000 sq m buildable are) near Athens and Aspropyrgos area, where the owner is currently evaluating the only offer in place, coming from the consortium ETVA (PIRAEUS BANK-GOLDAIR).



Logistic & Industrial Market trends

RENTS
YIELDS
VACANCY RATE
ABSORPTION



Hotel & Tourism

The market for hotels remained hot in 2014, 2015 and H1 2016 as a result of the continuous growth in Greek tourism from 2013. New 5 and 4 star hotels have entered the market with new international operators establishing a presence and big players extending their positions.

The market values of hotel rooms in Greece are estimated to range between €35,000 to €65,000 for secondary 4 star hotels while prime 4 star hotel rooms range between €65,000 and €95,000. Market values of rooms of 5 star hotels are estimated to range from €100,000 to €160,000, depending on the location of the hotel. For the 5 star luxury category, market values of rooms are estimated to be far higher than that of the 5 star category, and range between €200,000 and €400,000.

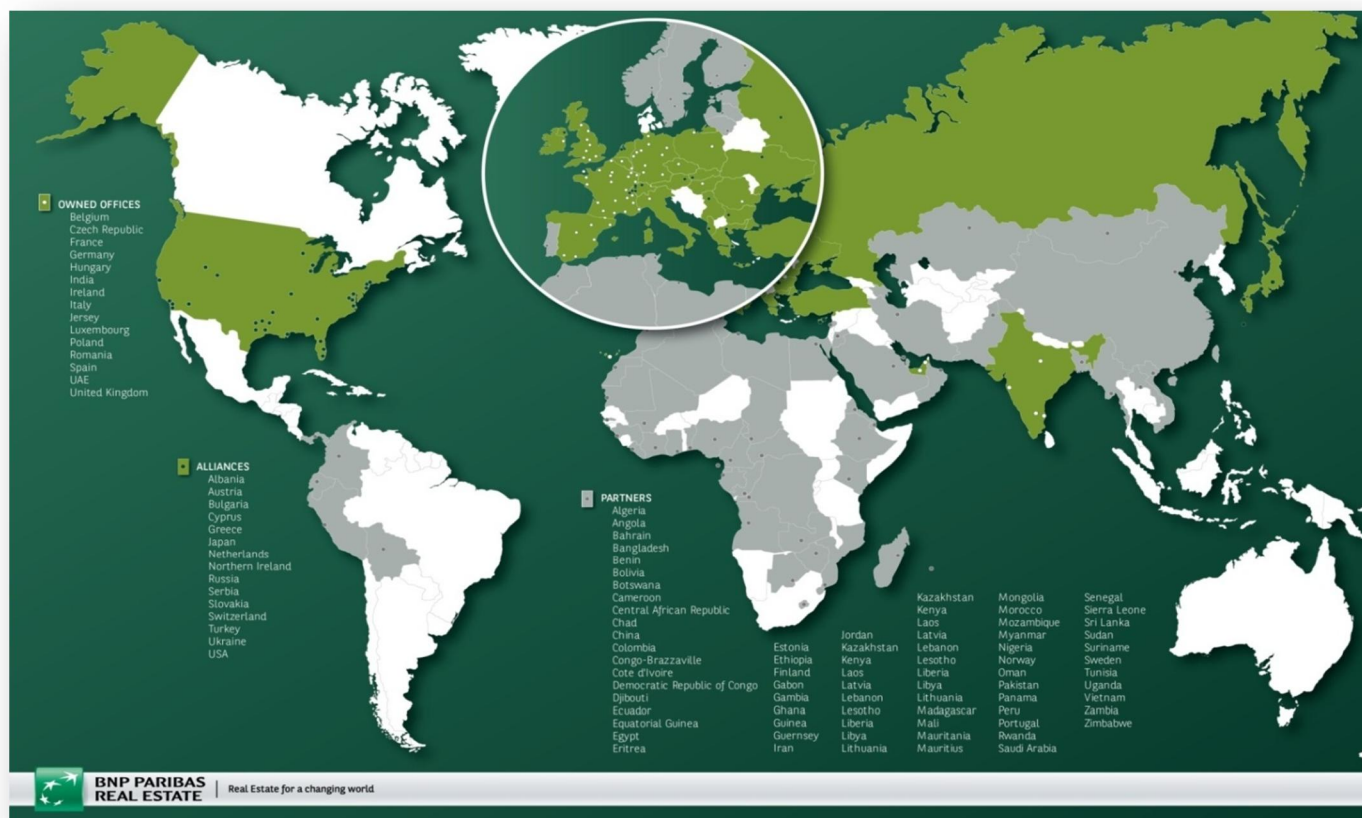
The 5 and 4 star hotel market in Greece has and is continuing to attract increased interest from national and international investors. Investors are also waiting for how the banks will ultimately begin to treat hotel NPLs. Greek institutional banks hold a significant portfolio of prime hotels and according to the Bank of Greece the value of those NPLs at the moment stands at €2.5bil while an additional €3.0bil. are in 90 days delay.

Tourism: Arrivals and Receipts



Source: Bank of Greece, SETE





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