



Danos

INTERNATIONAL PROPERTY
CONSULTANTS & VALUERS

CRETE PROPERTY MARKET 2nd Semester 2013



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1. Office Market

During the 2nd semester of 2013, office market rental rates in Crete remained almost stable relatively to the 1st semester of the same year, while in comparison with 2012 prices were decreased up to 10 %. Despite the fact that prices are nowadays at sensible levels, asking prices are still negotiable and can be decreased up to 10%, at similar levels comparing to the previous semester. On the other hand, office market asking prices remain at relatively high levels within the cities' CBD and after negotiations with the seller, a final price can be agreed with a decrease up to 20%.

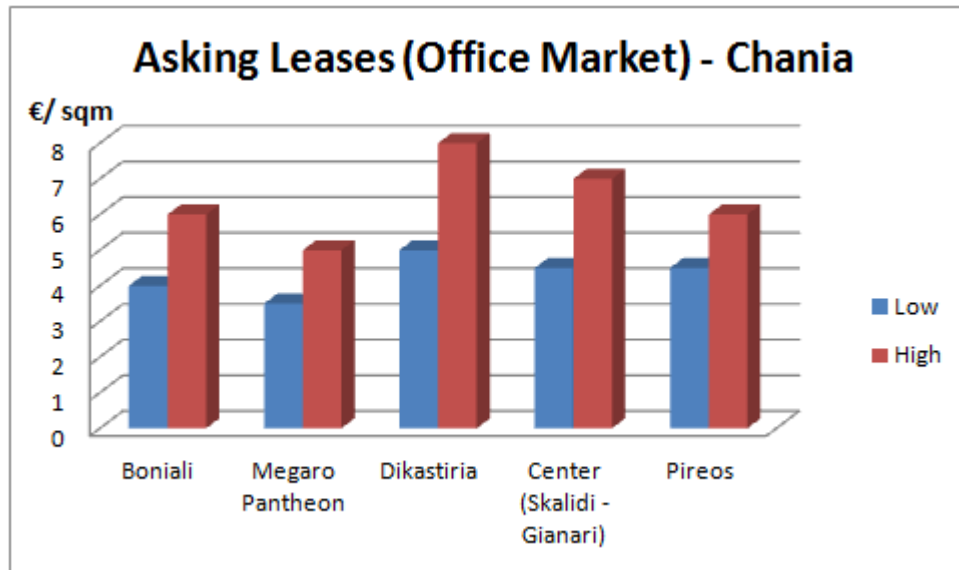
Demand is remaining at low levels as supply is being further increased. Companies have decreased their profits due to the economical situation and some of them did not manage to stay active, which led to more unoccupied office space.

It is worth mentioning that there is no interest from businesses and freelancers to move out of the CBD, where there are much more spacious buildings with office use. Due to the passing economic recession, bigger office blocks have remained empty for more than two years and it is more likely to remain at the same situation for the next one or two years. Nevertheless, in rare cases freelancers have leased small offices outside the CBD, but only next to hospitals or public services buildings.

In **Chania**, rental rates around the Court House area remain higher relatively to Chania center due to the privileged location of the square, which is close to the Court House and the Town Planning Directorate.

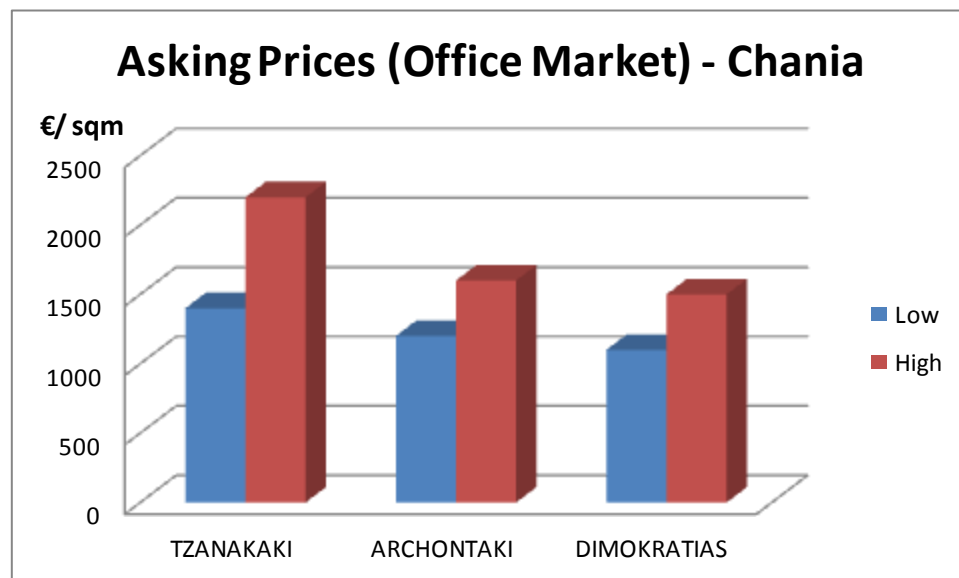
In Boniali Centre, asking rental prices vary from 4 – 6 €/sqm/month. In Megaro Pantheon, rental prices vary from 3,5 – 5 €/sqm/month, while around the Court area rental prices vary from 5 – 8 €/sqm/month and can go up to 10 €/sqm/month in cases of new and small office spaces. In Chania center (Skalidi & Giannari Streets), rental prices vary from 4,5 – 7 €/sqm/month and in Plaza building (Pireos Street), rental prices vary from 4,5 – 6 €/sqm/month.

In **Heraklion**, the vast majority of office spaces supply and demand is congregated around the Center Business District and especially at Zografou Street, Daidalou Street and Liontaria Square, where lawyers, doctors and accountants are highly interested due to the proximity to the CBD. The asking rental prices vary from 5 – 9 €/sqm/month at Thiseos, Karterou, Cosmon Streets, from 6 – 10 €/sqm/month at Zografou Street and from 8 – 11 €/sqm/month at Daidalou Street and Liontaria Square.

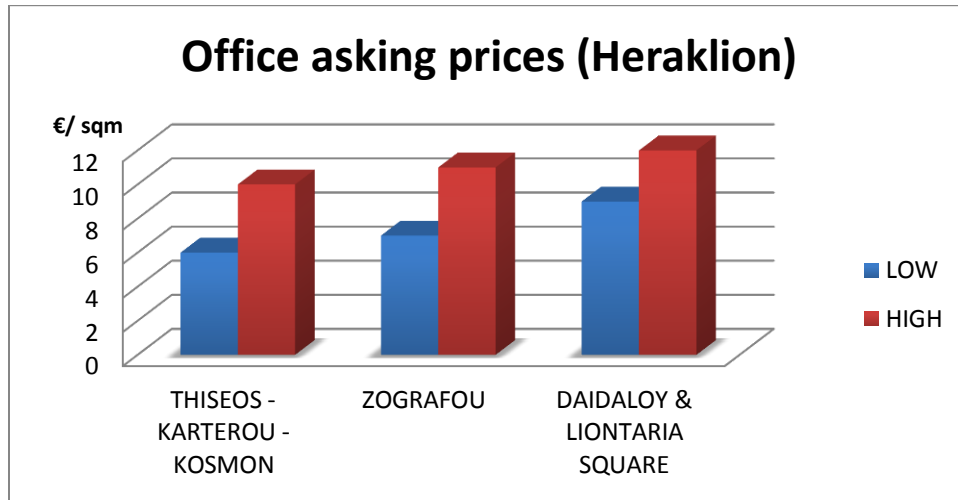


Source: Danos – Melakis Ltd

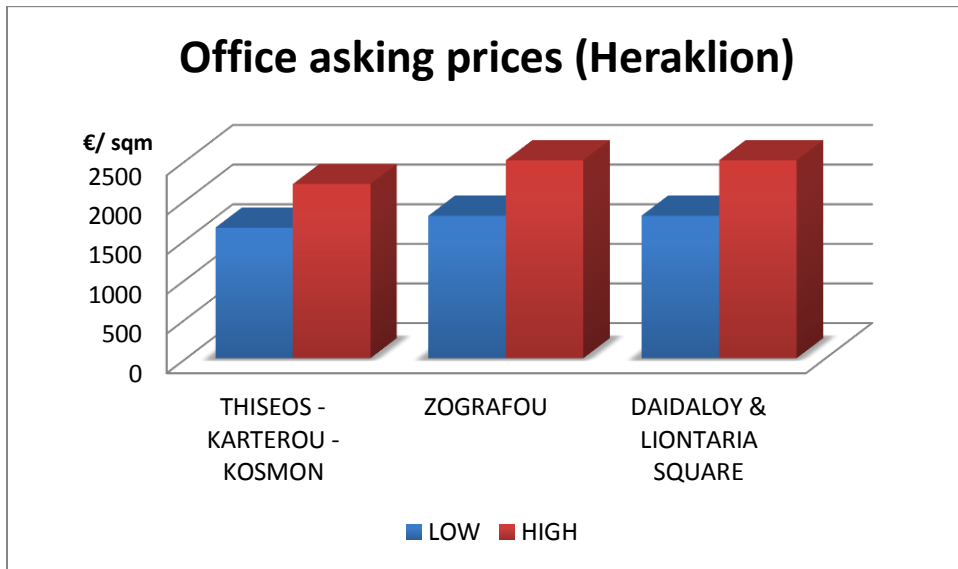
Rental rates depend on the age of the buildings, the condition and the location.



Source: Danos – Melakis Ltd



Source: Danos – Melakis Ltd



Source: Danos – Melakis Ltd

2. Residential Market

During the 2nd semester of 2013, the residential market condition remained almost stable, while in comparison with 2012 prices were decreased up to 10%.

Due to the continuous exacerbating economic climate, the demand side tries to exploit this circumstance and asks for properties with exclusive characteristics at very low prices. However, this demand cannot be matched from the potential sellers, but after negotiations the admittedly high asking prices can be reduced to an extent of 15 – 20 % in order to reach an agreement. House owners have not been in an urgent need of cash yet, so the levels of asking prices regarding the residential market are still at relatively high levels.

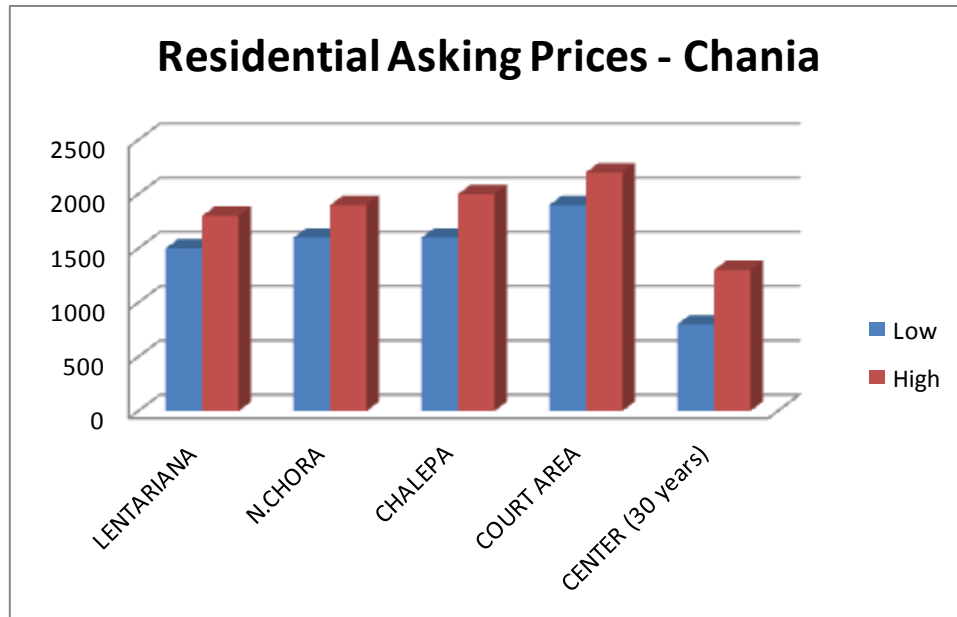
The demand for new structures remains at very low levels, since the potential buyers show preference to old residences with the future prospect of renovation.

In **Chania**, around CBD, the vast majority of residences are at least 25 - 30 year old and the price range is from 800 – 1,300 €/sqm, depending on the exact location, age and level of maintenance, while new structures' prices vary from 1,900 – 2,200 €/sqm. The prices range regarding new conventional structures in popular residential areas near the CBD vary from 1,600 – 2.000 €/sqm in Chalepa, from 1,500 – 1,800 €/sqm in Lentariana and from 1,600 – 1,900 €/sqm in Nea Chora. Exceptions in prices range do exist and depend on the location and offering view of the asset and the quality of the construction.

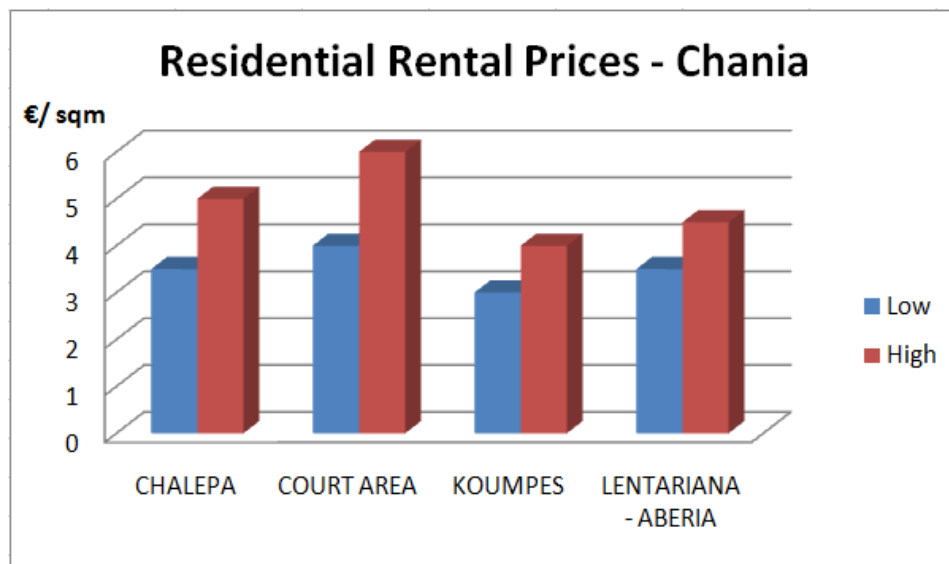
Rental prices at residential properties remained almost stable relatively with the previous semester, with a reduction of 10 % in comparison to 2012. In Chalepa, asking rentals for conventional residences vary from 3.5 – 5 €/sqm, around Court Area from 4 – 6 €/sqm/month, in Koumpes 3 – 4 €/sqm/month and in Lentariana & Aberia from 3,5 – 4,5 €/sqm/month. Around the Technical University of Chania, rentals are decreased up to 15 % from 2012.

In **Heraklion**, around CBD, the vast majority of residences are at least 25 year old homes whose price range is from 1,200 €/sqm to 1,600 €/sqm, mainly depending on the level of maintenance and the parking availability around the property. The price range, for recently built residences in popular areas near the CBD, such as Analispi and Mastampas, is from 1,800 €/sqm to 2,400 €/sqm depending on the exact location, the floor level, the construction quality, the view and the overall size of the property.

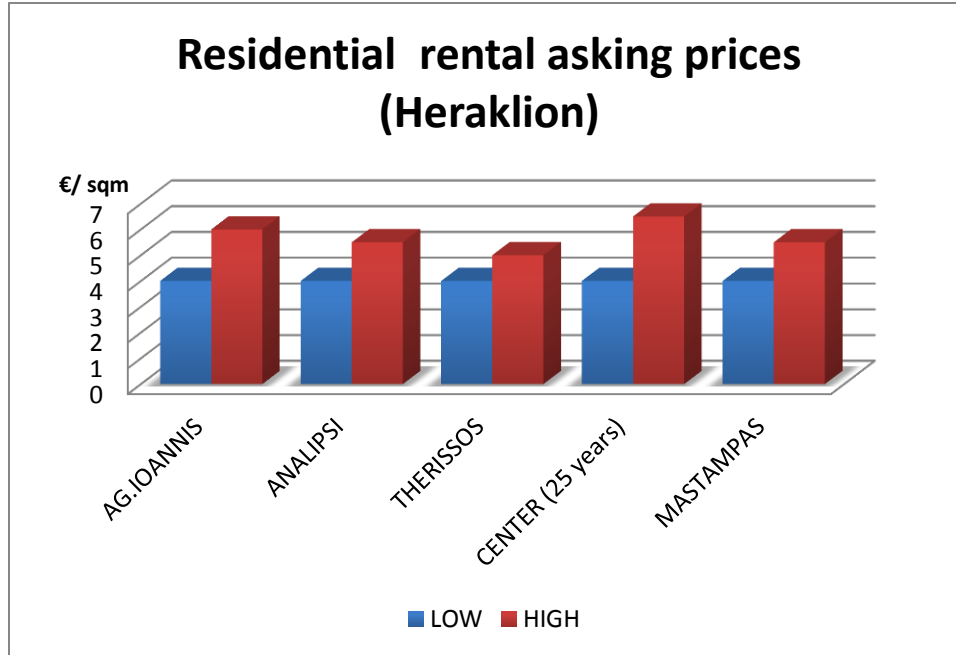
Rental prices at residential properties remained almost stable relatively with the previous semester. Asking rental prices vary from 4 €/sqm/month to 5,50 €/sqm/month in popular areas near the CBD and up to 6,5 €/sqm/month around CBD. The upper levels of the aforementioned ranges represent small new houses, with one or two bedrooms and size between 35 sqm and 60 sqm.



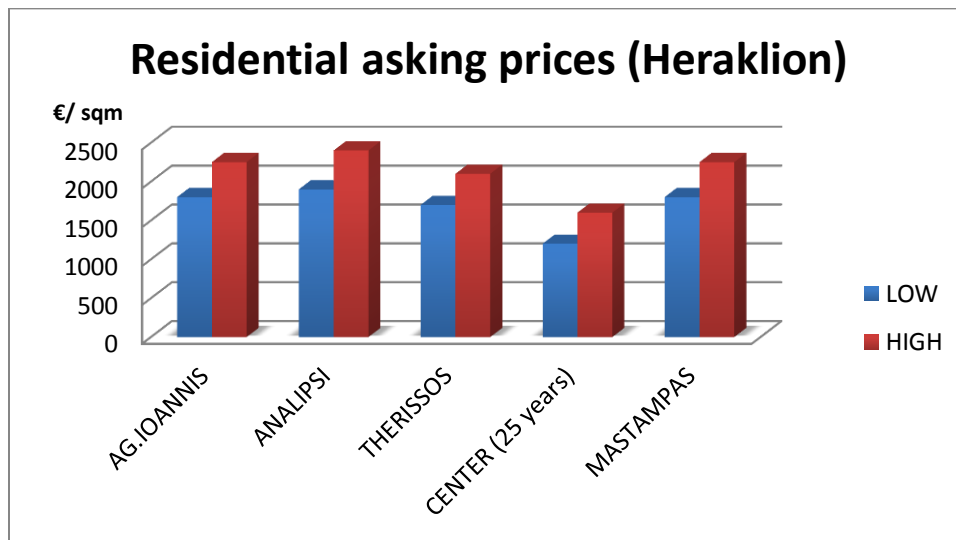
Source: Danos – Melakis Ltd



Source: Danos – Melakis Ltd



Source: Danos – Melakis Ltd



Source: Danos – Melakis Ltd

3. Retail Market

Due to the economic measures, salaries and pensions were diminished, so retail business profits were seriously decreased and many businesses did not manage to stay in market.

The 2st semester of 2013 was another tough one for the local market. Banks' recapitalizations have been successfully completed but money has not passed to the real economy yet. For this reason, an extension of the business hours has been decided but only a few retailers and local businessmen have implemented the decision. The local market relied on the speculation of a good tourism season, but despite the notable increase at the arrivals, revenues are still in low levels.

Facts of 2nd semester 2013:

- 7 out of 10 small or medium sized businesses that have some kind of bank loan, cannot afford paying the monthly payment because of their diminished revenue of their business operation. The commercial chamber has asked either a haircut or a restructuring of those corporate loans.
- There is a high rate of refusing decisions from the local retail employees to operate the retail shops on Sundays. This rate reached the level of 70 % in Heraklion and 90 % in Chania.
- There is a high promotional activity of new business incentive programs such as agricultural entrepreneurship, youth entrepreneurship, female entrepreneurship and other small and medium sized business programs which have led to slight counter urbanization and to fewer unoccupied retail stores between the prime streets of CBD and other main commercial streets outside the city centers.
- Many international and national retail enterprises are in search of retail properties in Chania and Heraklion as they are willing to expand their chain stores due to the forthcoming economic recovery. These enterprises have business in sectors like IT, young fashion, beauty products and men's and women's clothing.
- During the last semester, the expensive fashion retailers have not been affected as much as most people have imagined, as a straight result of the continuous salary cutbacks the last three years. Tourists and the extended tourism period (till middle of November) have enhanced this result and especially the Russian ones.

In both **Chania** and **Heraklion**, due to the fact that the prices are not formed based on objective factors but are driven by each landlord's personal will, cities' retail property market is quite unstable as far as prices is concerned and display unexpected differences on similar kind of properties. During the 2nd semester of 2013, the rental renegotiations have been depleted, many local retailers have moved to nearby properties, perhaps in better location and surely with comparably better rental price. This trend was also mentioned for the previous semester and still happens because business owners have the opportunity to decrease their fixed expenditure and simultaneously move either to better shopping streets or to more spacious retail properties.

According to our recent research of the retail market in Chania and Heraklion, there are some main streets around CBD and towards the suburbs of the city that used to be of high commercial importance, but due to the economic recession, we can nowadays typify them as streets with steady or low commercial interest. This has happened because many businesses have seized their operation and many retail properties have been empty for a long period such as two or more years.

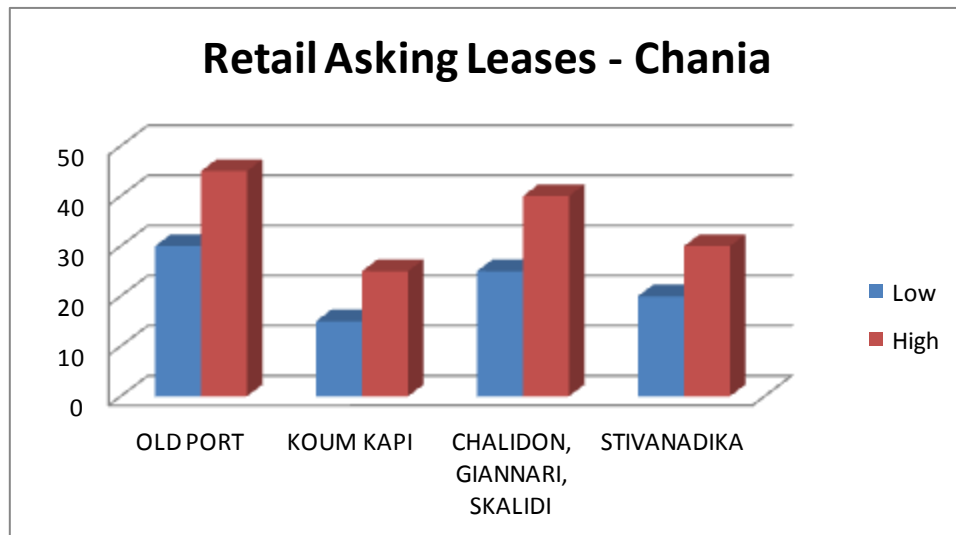
It is worth mentioning that for the aforementioned two categories, the level of unoccupied retail properties have lessened relatively to 2012 and the 1st semester of 2013, especially at the streets with steady commercial interest. Moreover, unoccupied retail shops have been dramatically decreasing, in streets between the prime commercial streets of CBD, because of small and medium sized business incentive programs that have been launched by the government. These programs have given the opportunity to subsistent businessman and unemployed people to create a business with low starting capital expenditure.

In **Chania**, asking rental prices at the old port vary from 30 €/sqm/month to 45 €/sqm/month (Enoseos, Tompazi, Kountourioti) and from 15 €/sqm/month to 25 €/sqm/month at the area of 'Koum Kapi', in Chalidon, Chatzimichali Giannari and Skalidi Streets (main area of retail market) from 25 €/sqm/month to 40 €/sqm/month, in the area of 'Stivanadika' from 20 €/sqm/month to 30 €/sqm/month, in Tzanakaki and Papandreou Streets from 12 €/sqm/month to 20 €/sqm/month, in Kidonias and Apokoronou Streets from 10 €/sqm/month to 15 €/sqm/month and in secondary streets of the city centre (Peridou, Sfakion, Karaiskaki, Plastira) from 8 €/sqm/month to 12 €/sqm/month.

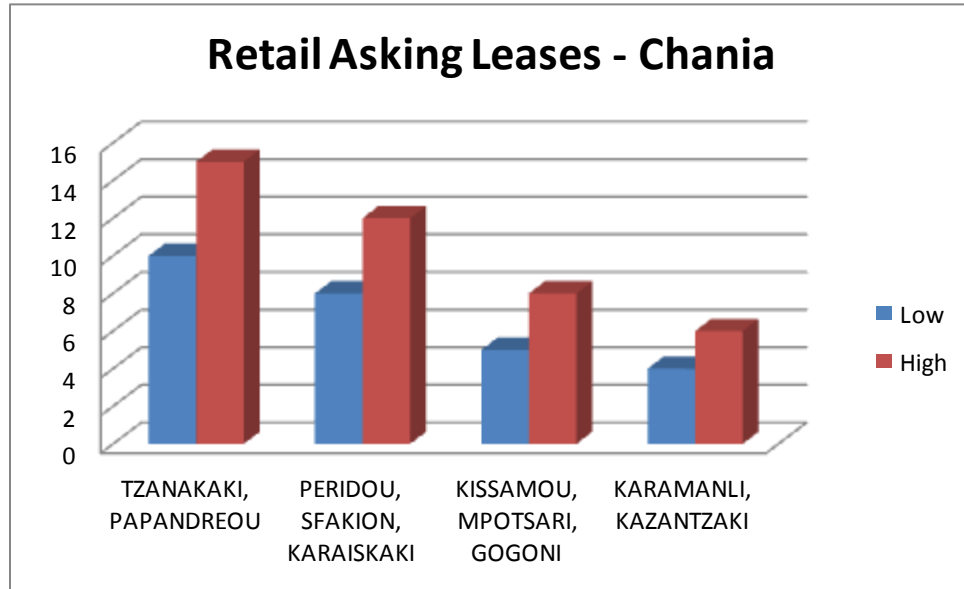
On the other hand, in low commercial interest streets prices vary from 5 €/sqm/month to 8 €/sqm/month (Kissamou, Mpotsari, Gogoni Streets) and from 4 €/sqm/month to 6 €/sqm/month regarding the city entrance roads (K. Karamanli & Kazantzaki Avenues).

In **Heraklion**, within CBD, asking rental prices vary from 25 €/sqm/month to 60 €/sqm/month, while in regional streets around CBD the range is from 20 €/sqm/month to 30 €/sqm/month as depicted below.

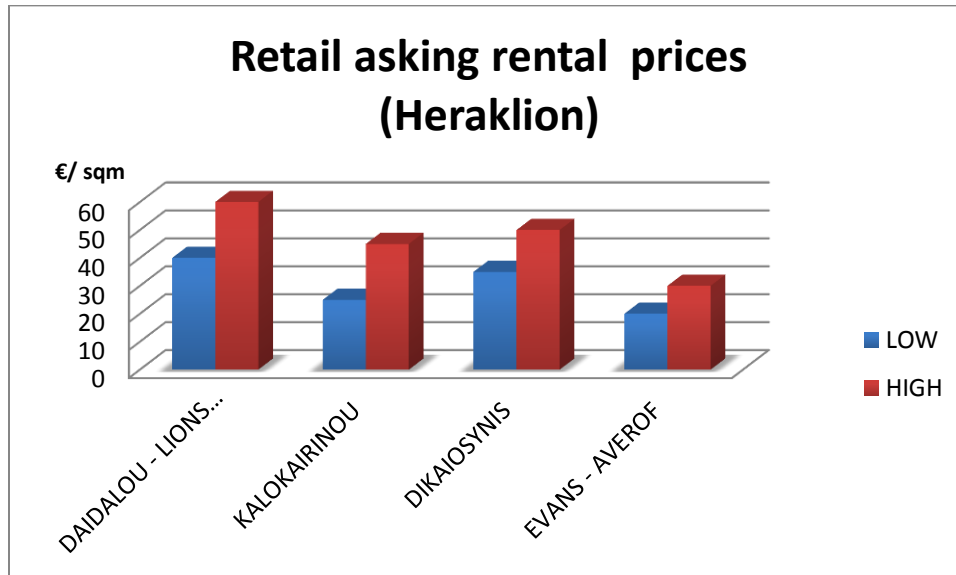
Streets with steady commercial interest are 62 Martyron Avenue, Knossou Avenue and Dimokratias Avenue where the average subsistent leases vary from 9 €/sqm/month to 15 €/sqm/month. On the other hand, the streets with low commercial interest are Etnikis Adistaseos Avenue, Ikarou Avenou and EOK Avenue where the average subsistent leases vary from 5 €/sqm/month to 8 €/sqm/month and the empty retail properties are much more in comparison with the steady commercial interest streets.



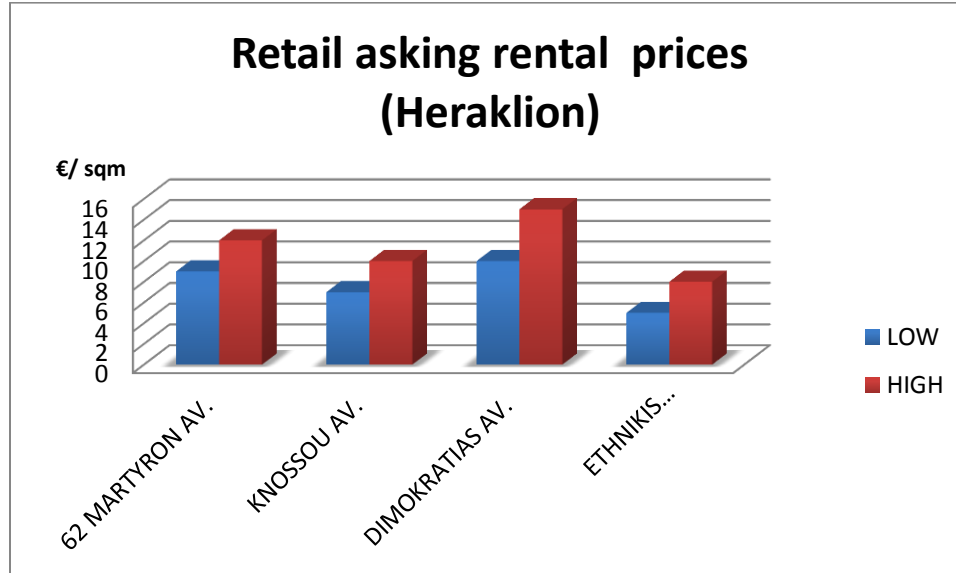
Source: Danos – Melakis Ltd



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Source: Danos – Melakis Ltd



Source: Danos – Melakis Ltd

4. Logistics & Industrial Market

In Crete, no interest is observed in logistics and industrial market; therefore during the 2nd semester of 2013 market has remained stable.

5. Hotel and Tourism

Tourism is one of the few sectors of the Greek national economy that is competitive at a global level. Compared to the rest of the world, Greek tourism has achieved satisfactory performance. According to the most recent data published by the World Tourism Organisation (WTO), in 2012 Greece was in 17th position as regards the number of international tourist arrivals and 23rd as regards of international tourism receipts, with the expectation of better rankings in 2013. Furthermore, according to the World Economic Forum (WEF), in 2013, Greece took the 32nd place among 140 countries regarding the Travel & Tourism Competitiveness Index and just the 91st place regarding the overall Competitiveness Index.

According to the most recent data published from the Association of Greek Tourism Enterprises (SETE), the contribution of tourism to Greek GDP amounted to 16,4 %, with 16,9 million international tourist arrivals and a 10,4 billion euros tourism income, while total employment in tourism (688.800 jobs) corresponded to 18,3 % of the workforce in 2012. (most of the above information regard to 2012, as 2013 stats have not yet officially announced)



The decision of ‘Ryanair’, the largest low-cost airline in Europe, to create a base in Chania in 2013 and a new base in Athens in 2014, has brought significant benefits in terms of tourism for the entire Crete. According to the most recent data published from the Irish company, it is expected that almost 730,000 tourists with 160 weekly flights will be handled per year from the base in Chania during the season from April to October, while 730 new working places will be created.

The international tourist arrivals for 2013 in **Chania airport** have reached the number of 859.580 with an increase of 19,79 % in comparison with 2012.

At the same time, in **Heraklion airport**, the arrivals during 2013 reached the number of 2.475.927 with an increase of 17,45 % in comparison with 2012.

As far as the cruise sector, Greece is the 3rd most popular tourist destination in Europe, following Spain and Italy. During 2013, 5.5 million passengers arrived at the Greek ports, with an extra income of 1 billion euro from the transit passengers and 2 billion euro from the passengers at home ports.

Due to the lack of infrastructure and the abandoned ships at the docks, **Souda port** did not manage to benefit from the overall raise in the cruise sector. According to the official statistics of Souda Port, 48 cruise ships visited the port during the period April – November 2013. Furthermore, in 2014, ‘Royal Caribbean’ has decided to withdraw its cruise ship ‘Navigator of the Seas’ from the Mediterranean Sea and is not planning to replace it with another one. The particular cruise ship drops anchor in Souda port every Friday with 3,000 passengers and crew members. Since now, 39 cruise ships are expected to visit the Souda port in 2014.

On the other hand, the end of season 2013 finds the Agency **Heraklion Port** to achieve increase visitor arrivals in Heraklion prefecture of 26 % compared with 2012. In particular, during 2013, from the port of Heraklion, a total of 272,149 passengers transported compared to 215,700 in 2012. While during the 2014 339,512 passengers are expected, on the basis of the tonnage of ships that have chosen Heraklion port as transit or homeport. According to local authorities, the expected growth for 2014 is up to 20 % compared with 2013, despite the competition from other countries in the region, such as Turkey.

Facts of tourism 2013-2014:

- The pre-season bookings from the English and the German market have increased approximately 20 %. Proportionally, the increase reaches 15 % from the Russian market and 6 – 7 % from the Dutch and Belgian market.
- According to international tour operator TUI's report, Greece and especially Crete and Rhodes was the most famous destination among the Austrian tourists. As a result, there is nothing to stop this trend happen during 2014.
- At 13.7 % increased this year, the travel expenditure in Greece in accordance with data of the Bank of Greece beyond the 13 billion euros in tourism revenues as estimated by the Association of Greek Tourism Enterprises (SETE). The tourism investments are in line with the amount of almost 3,3 billion euros that has to be invested annually in Greek tourism for each one of the next 8 years in order to achieve the 2021 goal of 24 million international arrivals.
- During the whole year of 2013, Heraklion's international airport 'Nikos Kazantzakis' counted 2,475,927 arrivals and Chania's international airport 'Ioannis Daskalogiannis' counted 859,580 arrivals, while the corresponding figure for the "El. Venizelos" stood at 2,619,455.
- The Association of Greek Tourism Enterprises has officially set the tourism target for 2014. That is over 18 million international arrivals and 13 billion euros in revenue.

INTERNATIONAL COVERAGE FOR LOCAL SOLUTIONS



GREECE

Athens

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

Thessaloniki

4 Ionos Dragoumi Str., 546 24
 Tel.: +30 2310 244962
 Fax: +30 2310 224781
 info.thes@danos.gr

Crete - Chania

3 Iroon Polytechniou Str., 731 33
 Tel. : +30 28210 50900
 Fax: +30 28210 59700
 info.crete@danos-melakis.gr

Crete - Heraklion

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

CYPRUS

Nicosia

35 I. Hatziosif Ave., 2027
 Strovolos
 Tel.: +357 22317031
 Fax: +357 22317011
 danosa@spidernet.com.cy

Limassol

69 Gladstonos Str., 3040
 Acropolis Centre, Shop 10
 Tel.: +357 25343934
 Fax: +357 25343933
 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
 office@danos.rs

www.danos.rs

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