



Danos

INTERNATIONAL PROPERTY
CONSULTANTS & VALUERS

CRETE PROPERTY MARKET

1st Semester 2014



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1. Economic Overview & Indices

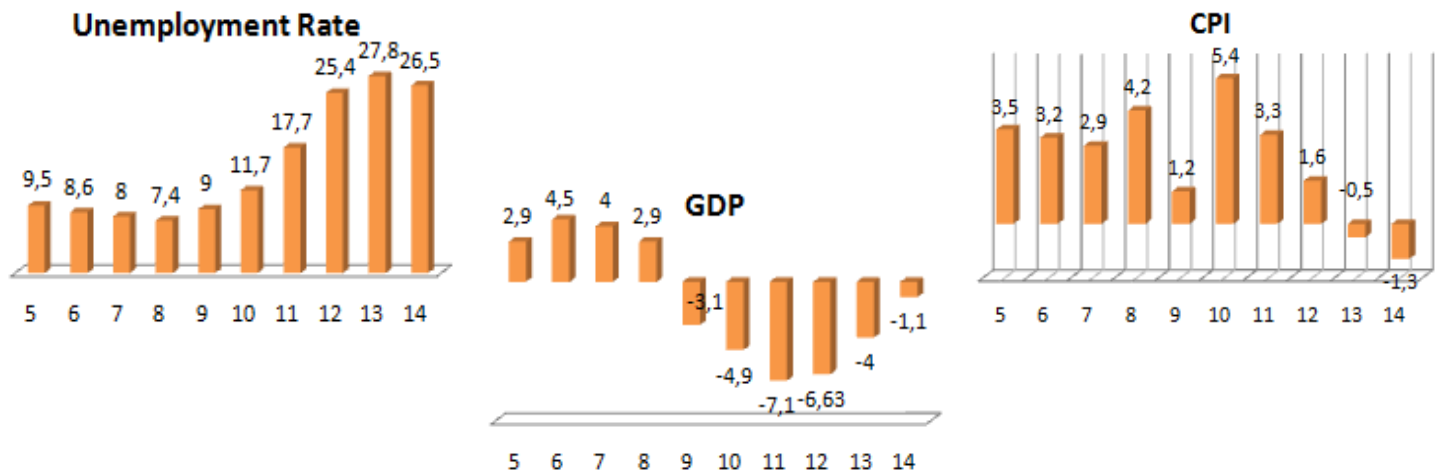
Greece's remarkable adjustment in the last four and a half years has led to the rebalancing of the economy. This was made possible through fiscal consolidation, mainly by reducing spending and expanding the tax base on a permanent basis. Moreover, substantial productivity-enhancing and employment-increasing 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*



2. Office Market

During the 1st semester of 2014, office market and rental values in Crete remained almost stable relatively to the 2nd semester of 2013, 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.

Demand remains 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 likely to remain at the same situation for the next year. Nevertheless, in rare cases freelancers have leased small offices outside the CBD, but only next to hospitals or public services buildings.

In **Chania**, rental values around the Dikastirion Square are higher relatively to the city center due to the privileged location of the square, which is close to the building of the Regional Union of Chania, the Court House and the Town Planning Directorate, while the higher market values can be found at the city center (Skalidi & Giannari Streets).

In Boniali Centre and Plaza Building (Pireos Street), asking leases vary from 4 – 6 €/sqm/month and asking prices from 1.000 – 1.400 €/sqm. In Megaro Pantheon, leases vary from 3,5 – 5 €/sqm/month and prices from 900 - 1.300 €/sqm, while around Dikastirion Square leases vary from 5 – 8 €/sqm/month and prices from 1.200 – 1.800 €/sqm and can go up to 10 €/sqm/month and 2.000 €/sqm respectively in cases of relatively new and small office spaces. In Skalidi & Giannari Streets, asking leases vary from 4,5 – 7,5 €/sqm/month and prices from 1.400 – 2.000 €/sqm.

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 Lontaria Square, where lawyers, doctors and accountants are highly interested due to the proximity to the CBD.

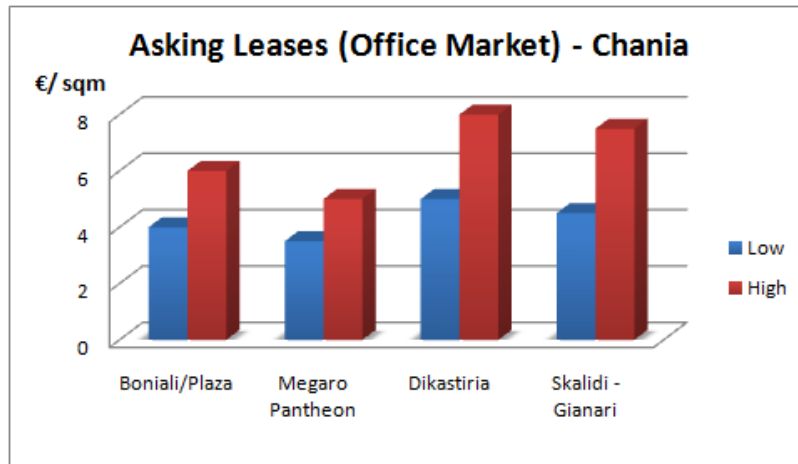
Asking leases and prices vary from 5 - 9 €/sqm/month and from 1.600 – 2.200 €/sqm respectively at Thiseos, Karterou & Cosmon Streets, from 7 - 10 €/sqm/month and from

1.700 – 2.400 €/sqm at Zografou Street and from 8 – 11 €/sqm/month and from 1.800 – 2.500 €/sqm at Daidalou Street and Lontaria Square.

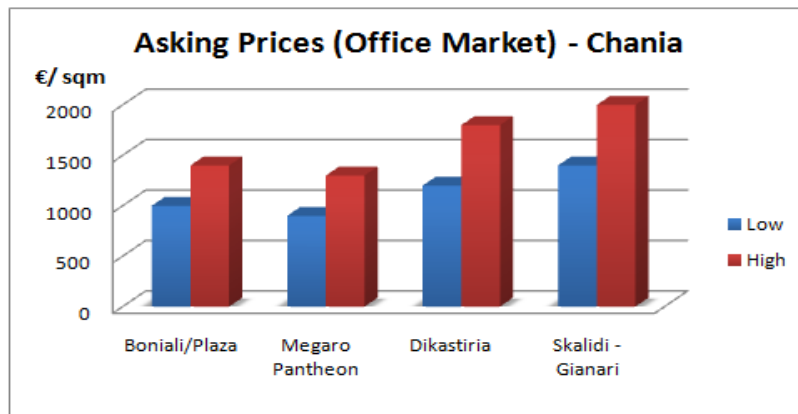


In **Rethymno**, the main office market is situated around the Center Business District, the Old City and Iroon Polytechniou Square, close to the main retail market and the public services buildings, while relatively new office spaces can be found at the main streets that lead to the CBD, i.e. Igoumenou Gavriil Avenue and Portaliou Avenue. Asking leases and prices vary from 7 – 9 €/sqm/month and from 1.400 – 2.200 €/sqm respectively at main streets and from 5 – 7 €/sqm/month and from 1.300 – 1.800 €/sqm at secondary streets in the Old City, from 8 – 10 €/sqm/month and from 1.500 – 2.400 €/sqm at the main street (Kountouriotou Avenue) and from 5 - 7 €/sqm/month and from 1.200 – 1.800€/sqm at secondary streets (Moatsou, Dimitrakaki) in the CBD and from 4 – 7 €/sqm/month and from 1,100 – 1.700 €/sqm around Iroon Polytechniou Square, Igoumenou Gavriil Avenue and Portaliou Avenue.

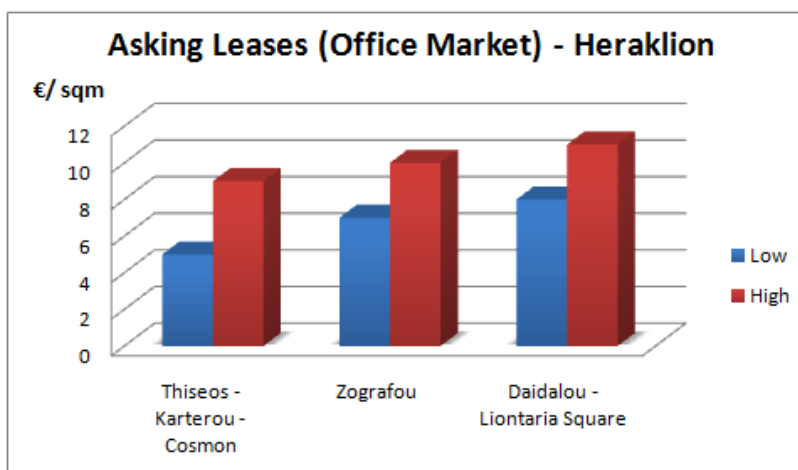
In **Lasithi**, due to the small size of the cities of Agios Nikolaos, Ierapetra and Sitia, office spaces are congregated only in the center of the cities. Asking leases and prices vary from 4 - 7 €/sqm/month and from 1.400 – 2.000 €/sqm respectively in Agios Nikolaos, from 6 – 8 €/sqm/month and from 1.400 – 1.800 €/sqm in Ierapetra and from 4 – 6 €/sqm/month and from 1.200 – 1.500 €/sqm in Sitia.



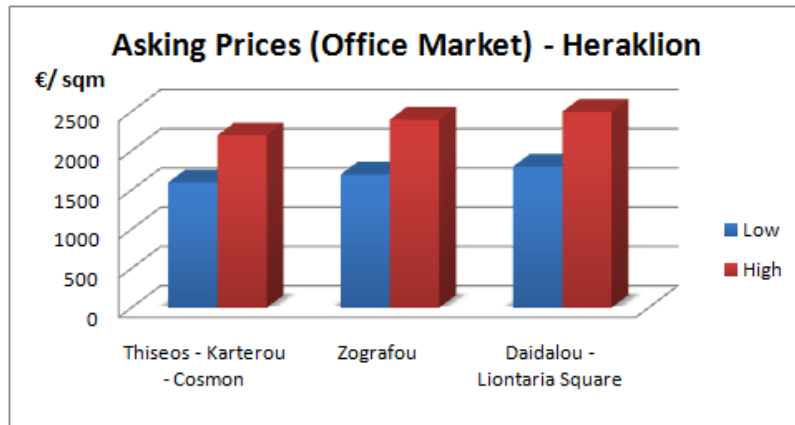
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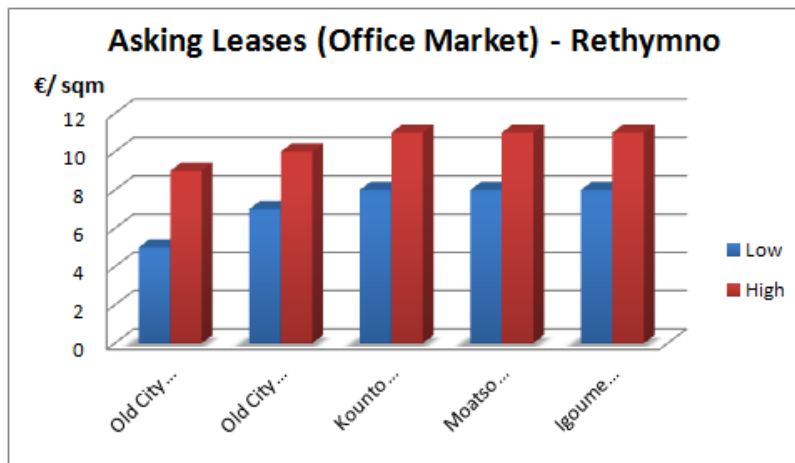
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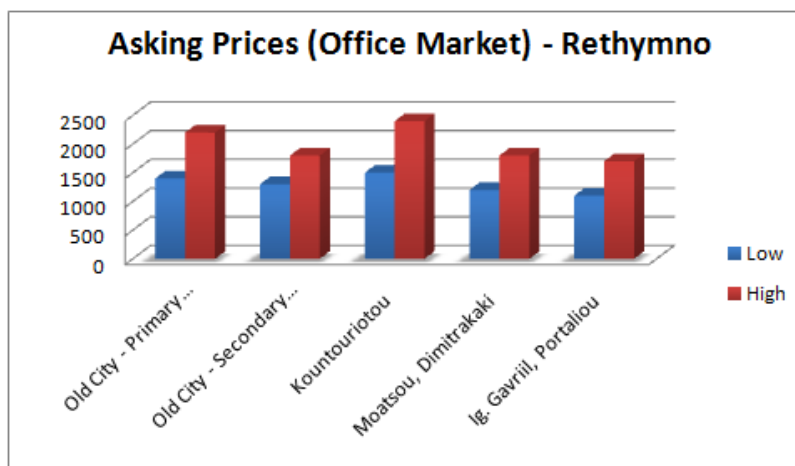
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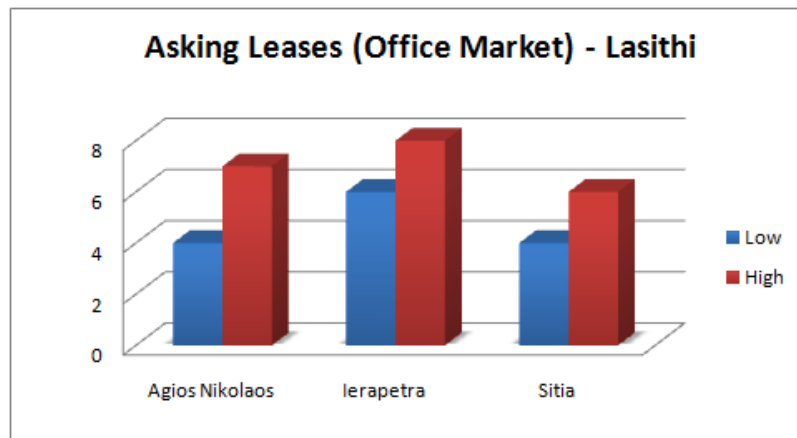
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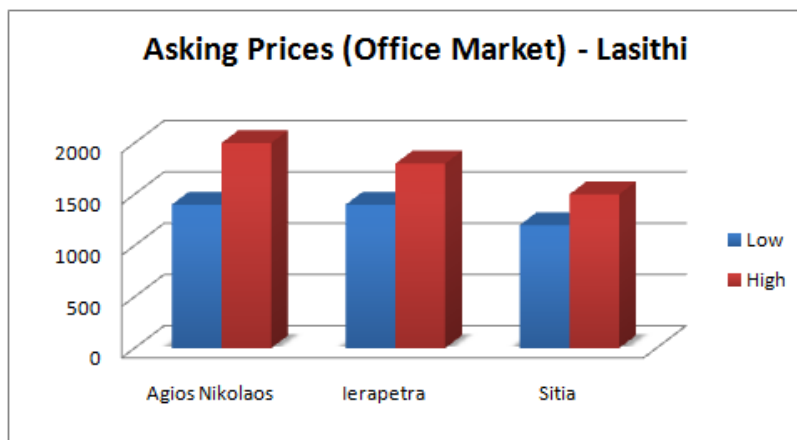
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Source: Danos – Melakis Ltd



Source: Danos – Melakis Ltd

* Leases and prices depend on the age, the condition and the location of the buildings.

3. Residential Market

During the 1st semester of 2014, the residential market remained almost stable in comparison with 2013, while in comparison with 2012 prices have 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. In many cases, house owners are not in an urgent need of cash yet, so the levels of asking prices 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 1.800 – 2.200 €/sqm. The prices regarding new conventional structures in popular residential areas near the CBD vary from 1.600 – 2.000 €/sqm in Chalepa, from 1.500 – 1.700 €/sqm in Lentariana & Aberia 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 remained almost stable relatively with 2013, with a reduction of almost 10% in comparison to 2012. In Chalepa, rental prices for conventional residences vary from 3,5 – 5 €/sqm, around Court Area from 4 – 6 €/sqm/month, in Koumpes from 3 – 4 €/sqm/month, in Nea Chora from 3,5 – 5 €/sqm/month and in Lentariana & Aberia from 3,5 – 4,5 €/sqm/month.

In **Heraklion**, around CBD, the vast majority of residences are at least 25 years old homes whose price range is from 1.200 - 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 – 2.300 €/sqm, depending on the location, the floor level, the construction quality, the view and the overall size of the property.

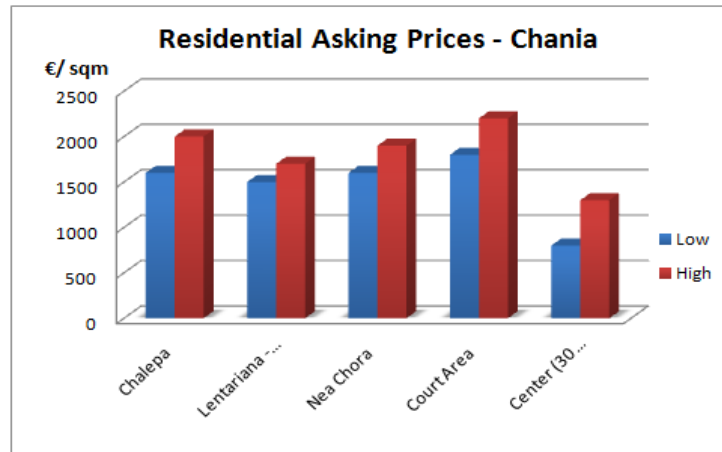
Rental prices remained almost stable relatively with the previous year. Rental prices vary from 4 – 5,5 €/sqm/month in popular areas near the CBD and up to 6,5 €/sqm/month around CBD. The upper levels of the aforementioned ranges represent small new houses, with one or two bedrooms and size between 35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

In **Rethymno**, the vast majority of residences in the Old City are old structures whose price range is from 1.000 - 1.500 €/sqm, mainly depending on the level of maintenance. The price range, for new conventional residences in areas near the CBD, such as Kallithea, Mastampas and Koumpes, is from 1.600 – 2.100 €/sqm, depending on the specific characteristics of the property, such as location, floor level, view and size. Rental prices remained almost stable relatively with 2013, with a reduction of 10% in comparison to 2012. In the Old City, rental prices vary from 4,5 – 7 €/sqm/month, in Kallithea and Mastampas from 4 – 6 €/sqm and in Koumpes from 4,5 – 6,5 €/sqm/month.

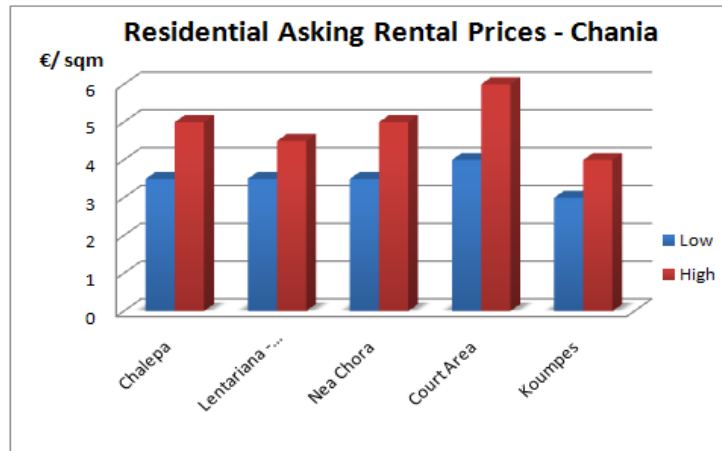
In **Lasithi**, in Agios Nikolaos, the price range for new residences is from 1.500 – 1.800 €/sqm in the coastal zone and from 1.200 – 1.400 €/sqm in the new city sections (Stavros, Kopranes, Amoudi), while the range for relatively new residences (10 years old) in the Old Town is from 1.100 – 1.300 €/sqm. In Ierapetra, residences' prices in the coastal zone vary from 1.700 – 2.000 €/sqm and in the new city section (zone C) from 1.300 – 1.700 €/sqm, while in Sitia, the price range is from 1.400 – 1.700 €/sqm in the coastal zone and the new city sections (Kserokamares, Kokkina) and from 1.100 – 1.400 €/sqm in the Old Town (older structures).

Rental prices remained almost stable relatively with the previous year. In Agios Nikolaos, rental prices vary from 3 – 5 €/sqm/month in the Old Town and in the new city sections and up to 6,5 €/sqm/month in the coastal zone, in Ierapetra rental prices vary from 3,5 – 5,5 €/sqm/month in Zone C and up to 6,5 €/sqm/month in the coastal zone, while in Sitia rental prices vary from 4 – 6 €/sqm/month in the coastal zone and the new city sections and from 3 – 4,5 €/sqm/month in the Old Town.

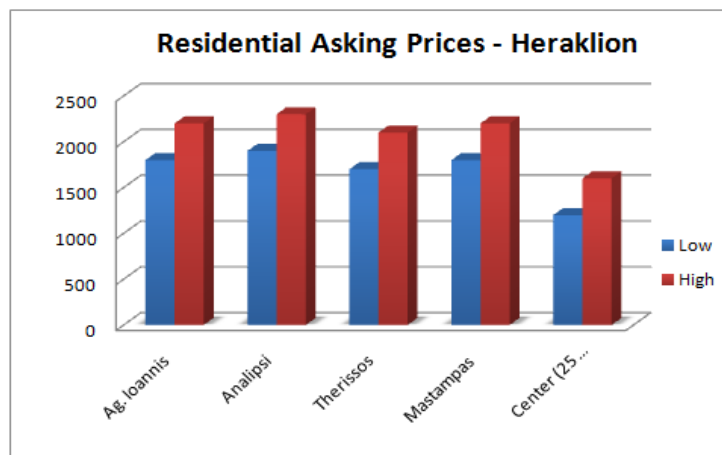




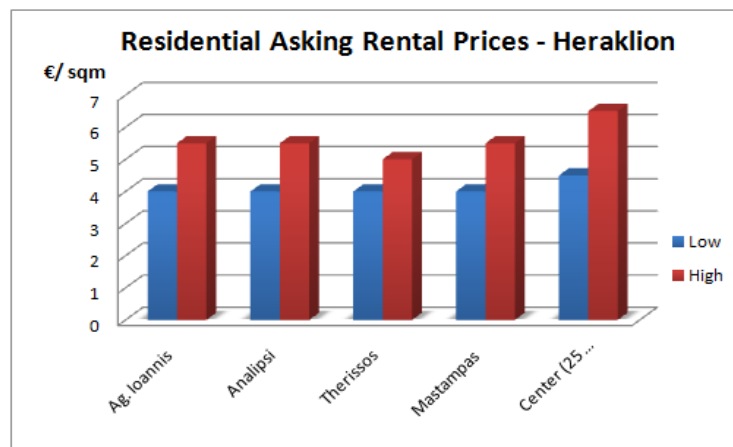
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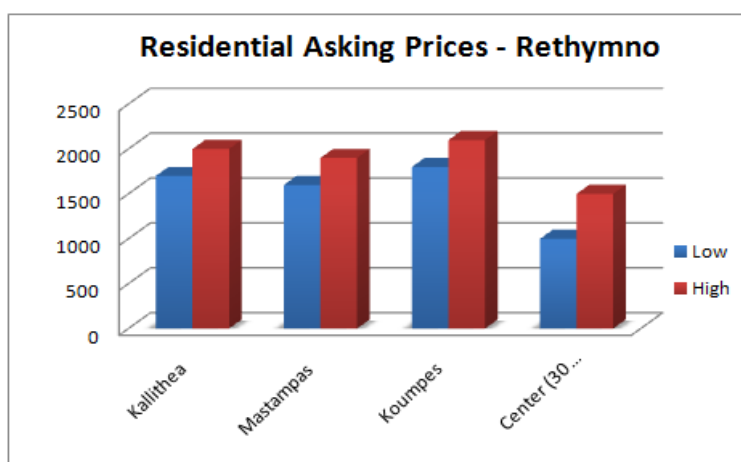
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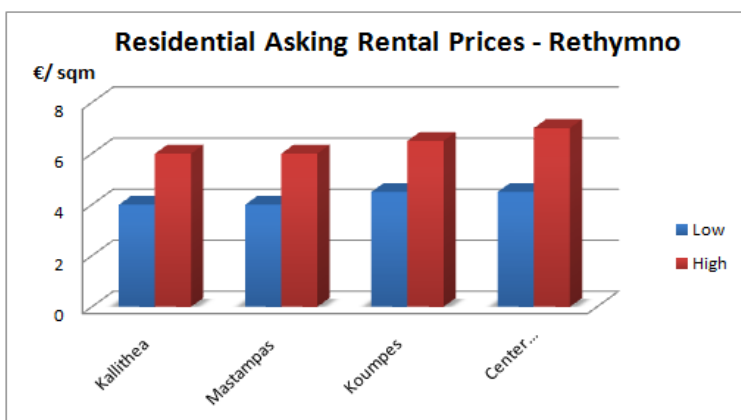
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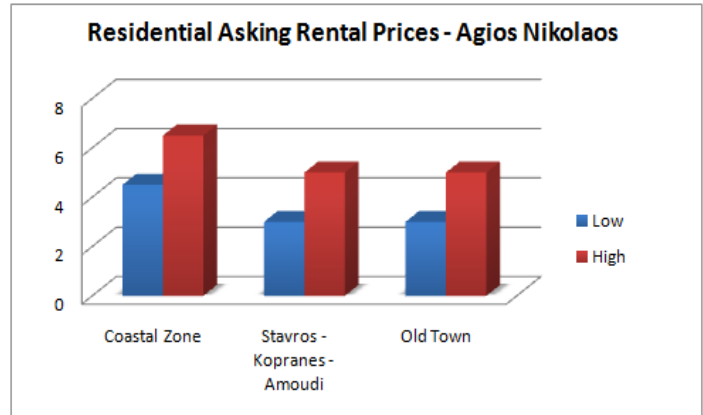
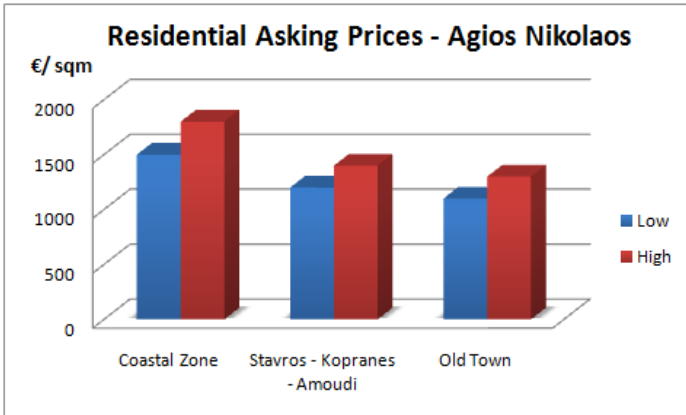
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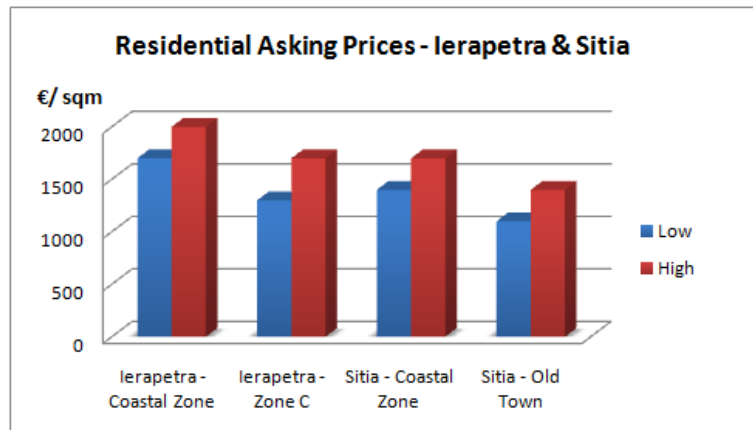
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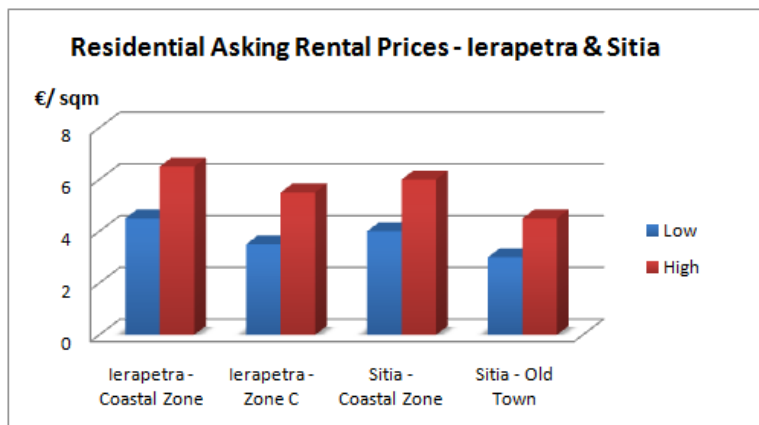
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Source: Danos – Melakis Ltd

4. Retail Market

During 2013, salaries and pensions were diminished, so retail business profits were seriously decreased and many businesses did not manage to stay in market. Banks' recapitalizations have been successfully completed but money has not passed to the real economy. 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 had relied on the speculation of a good tourism season, but despite the notable increase at the arrivals, revenues remained at low levels.

During the first semester of 2014, private consumption was stabilized and some activity took place. Big retail brands seem to take advantage of the historical low prices in the major retail streets. 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. Overall prices have been stabilized, vacancy has dropped and absorption has increased.

Facts of 1st semester 2014:

- 7 out of 10 small or medium sized businesses with bank loans, cannot afford paying the monthly payment because of their diminished revenue.
- There is a high rate of refusing decisions to operate the retail shops on Sundays. This rate reached the level of 65 % in Heraklion and Rethymno and of 75 % 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.
- Many international and national retail enterprises are in search of retail properties in Crete (especially Heraklion and Chania), 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 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 during the last three years. Tourists have enhanced this result and especially the Russian and Chinese ones.

In the large cities of Crete, 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 1st semester of 2014, 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 Crete, there are some main streets around CBD and towards the suburbs of the cities 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 happened because many businesses have seized their operation and many retail properties have been empty for a long period.

It is worth mentioning that for the aforementioned two categories, the level of unoccupied retail properties have lessened relatively to 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.

In **Chania**, rental prices at the old port vary from 30 - 45 €/sqm/month and from 15 - 25 €/sqm/month at the area of 'Koum Kapi', in Chalidon, Chatzimichali Giannari and Skalidi Streets (main area of retail market) from 25 - 40 €/sqm/month, in the area of 'Stivanadika' from 20 - 30 €/sqm/month, in Tzanakaki and Papandreou Streets from 12 - 20 €/sqm/month, in Kidonias and Apokoronou Streets from 10 - 15 €/sqm/month and in secondary streets of the city centre (Peridou, Sfakion, Karaiskaki, Plastira) from 8 - 12 €/sqm/month. On the other hand, in low commercial interest streets prices vary from 5 - 8 €/sqm/month (Kissamou, Mpotsari, Gogoni Streets) and from 4 - 6 €/sqm/month regarding the city entrance roads (K. Karamanli & Kazantzaki Avenues).

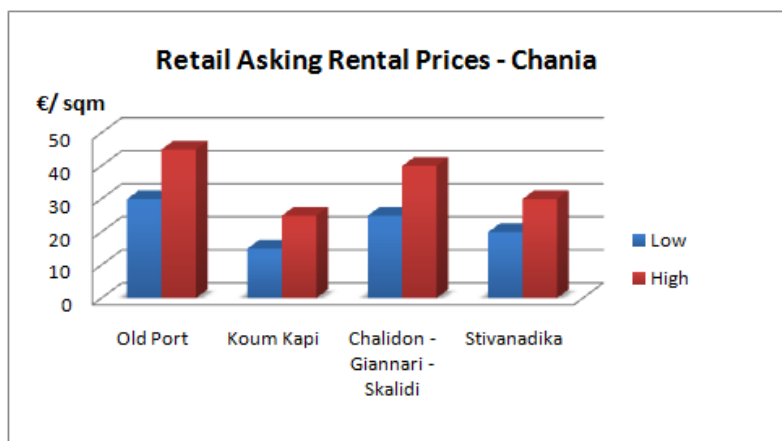
In **Heraklion**, within CBD, asking rental prices vary from 40 - 60 €/sqm/month in primary streets (Daidalou, Lontaria Square, Dikaiosinis, Kalokarinou Avenue – east part) and from 20 – 35 €/sqm/month in secondary streets (Kalokairinou Avenue – west part, Evans, Averof. 1821), as depicted below.

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

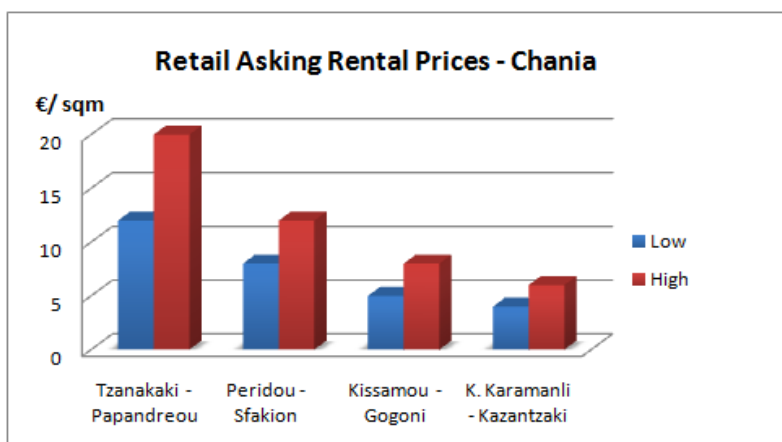
In **Rethymno**, within the Old Town, rental prices vary from 15 – 35 €/sqm/month in Arkadiou Street (↑ prices at the north part) and from 10 – 15 €/sqm/month in secondary streets (Gerakari, Ethnikis Antistaseos), in the coastal zone, from 15 – 30 €/sqm/month in El. Benizelou Street and from 10 – 18 €/sqm/month in Sof. Benizelou Street, within the CBD, from 12 – 22 €/sqm/month in Kountouriotou Avenue and from 8 – 12 €/sqm/month in secondary streets (Moatsou, Zimvrakaki), while in the city entrance roads, rental prices vary from 8 – 15 €/sqm/month in Stamathioudaki and Ig. Gavriil Avenues (west entrance) and from 10 – 15 €/sqm/month in Portaliou Avenue (east entrance).

In **Lasithi**, commercial activity is being found only in the cities' center. Rental prices in Agios Nikolaos vary from 25 – 35 €/sqm/month within the CBD and from 7 – 15 €/sqm/month in the coastal zone, in Ierapetra (center) from 7 – 15 €/sqm/month and in Sitia (center) from 5 – 13 €/sqm/month.

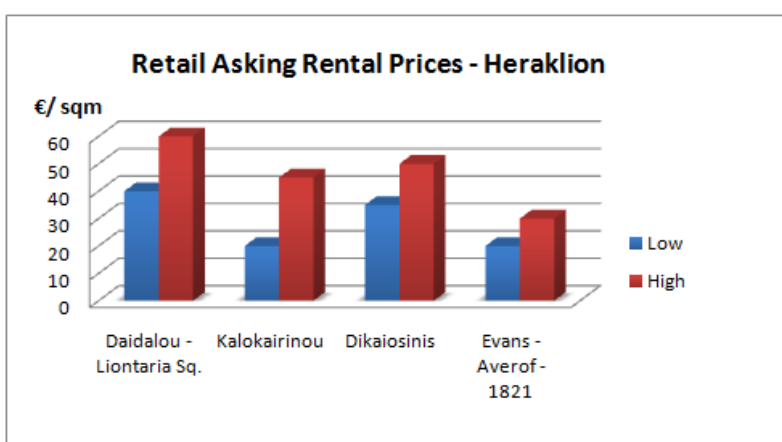




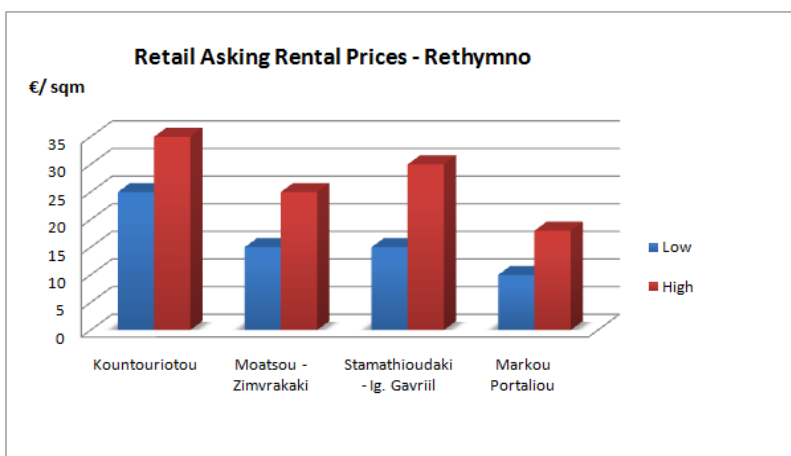
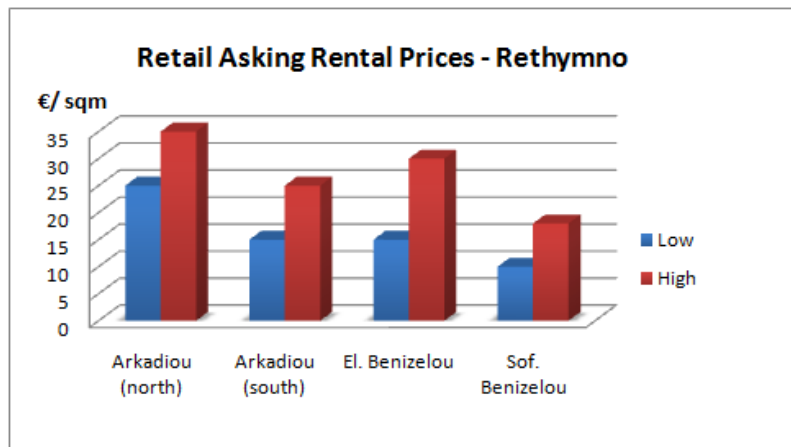
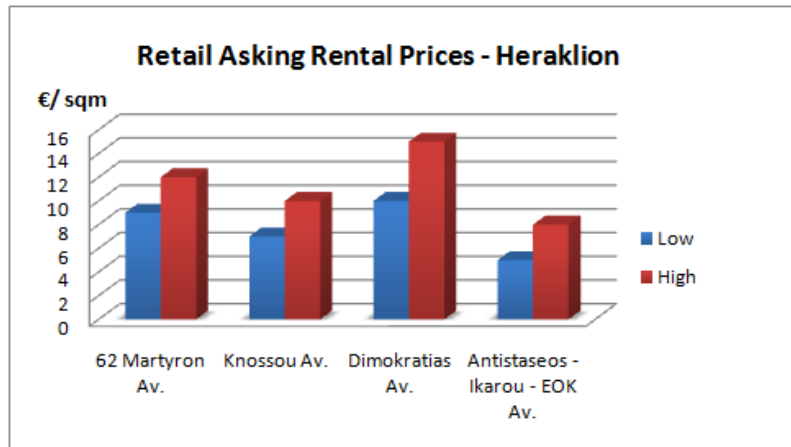
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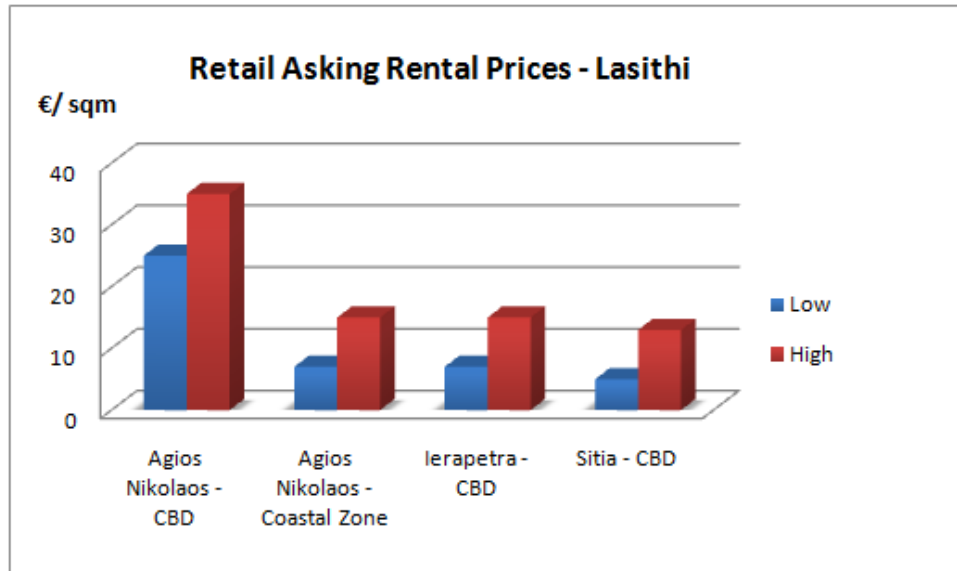


Source: Danos – Melakis Ltd



Source: Danos – Melakis Ltd





Source: Danos – Melakis Ltd

5. Logistics & Industrial Market

In Crete, no interest is observed in logistics and industrial market; therefore during the 1st semester of 2014 market has remained stable.



6. Hotel and Tourism

Tourism is one of the few sectors of the Greek national economy that is competitive at a global level. 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.

According to the most recent data published by the World Tourism Organization (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 and 2014 (stats for 2013 have not yet officially announced). 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 the 91st place regarding the overall Competitiveness Index.

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 Euros, compared to a fall by 0.6% to 10.44 billion Euros 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.



The decision of 'Ryan Air', 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 arrivals for 2013 in **Chania airport** have reached the number of 859.580 with an increase of 19,79% in comparison with 2012. In Q1 2014, arrivals grew by 137,90% reaching the number of 15.087 compared to 6.341 in Q1 2013. This increase is due to Ryan Air.

At the same time, in **Heraklion airport**, arrivals in 2013 reached the number of 2.475.927 with an increase of 17,45% compared to 2012. However, in Q1 2014, arrivals decreased by 86,80% reaching the number of 1.251 compared to 9.470 in Q1 2013.

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, while just 34 cruise ships have visited or are expected to visit the Souda port in 2014, i.e. there is a decrease of 30%.

On the other hand, the end of season 2013 finds the **Heraklion Port** to achieve an increase of 26% in arrivals compared to 2012. In particular, during 2013, from the port of Heraklion, a total of 272,149 passengers transported compared to 215,700 in 2012, while in 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. During the 1st semester of 2014, 70 cruise ships have visited the Heraklion Port, while 92 cruise ships are expected to drop anchor during the 2nd semester of 2014.

INTERNATIONAL COVERAGE FOR LOCAL SOLUTIONS



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