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INTERNATIONAL PROPERTY CONSULTANTS & VALUERS

## CRETE PROPERTY MARKET

2nd Semester 2017



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## 1. Economic Overview

According to the seasonal data of the Greek Statistical Authority, in the 3<sup>rd</sup> quarter of 2017 the Gross Domestic Product (GDP) in volume terms increased by 0.3% in comparison with the 2<sup>nd</sup> quarter of 2017, while in comparison with the 3<sup>rd</sup> quarter of 2016, it increased by 1.3%.

At this point, it is crucial to refer that GDP for the previous quarters from 2014Q1-2017Q2 was revised on account of benchmarking to updated annual national accounts according to ESA 2010 (see ELSTAT Press Release of 17/10/2017), updated General Government data (EDP of October 2017) and updated Short-Term Indices data.

The inflation, as it is recorded by the harmonized index of consumer prices, came into positive numbers in 2017 due to the increase in international oil prices and the impact of the increase in some indirect taxes that came into effect from the beginning of the year.

### Forecast progress of the financial situation in Greece

The forecast household index for the country's economic situation has been improving in the next 12 months, reaching -42.5 (from -48.4) points. The 60% (from 64%) of consumers expect a slight or appreciable deterioration in the country's economic situation, in contrast with 9%, which expects a slight improvement. The respective indicators in the EU and the Eurozone stood at +0.1 and +5.7 points.

The positive environment for strengthening economic activity in the second half of 2017 and 2018 is mainly based on three reasons:

- i) the completion of the second evaluation accompanied by the disbursement of the associated tranche,
- ii) the symbolic dimension of the European Commission's recommendation for Greece to exit the excessive deficit procedure,
- iii) completing the third evaluation of the current program, without the protracted procedures of previous evaluations, but without the implementation of new budgetary measures, at least in the short term.

The consumer confidence index stood at a higher level in December than in the previous month, down from -50.3 (from -53.8) points, its highest value since June 2015. The rise in the index also reflects the new, significant improvement in the unemployment forecast, reflected in the official data, at least until the third quarter, weakening household pessimism and their financial situation.

## Improvement in the economic climate due to industry and consumer confidence

The Economic Climate Index moves at a higher level in December than in November, at 101 (from 98.4) points. The index is boosted after two months of retreat and is achieving the highest performance since November 2014. Overall, the index moved in 2017 at a higher level than in 2016 (96.2 units versus 91.8 points), a trend that is consistent and with the positive growth rate in the year. In the individual sectors of the economy, the stability of the Index in Construction and Services and its decline in Retail Trade is offset by the rise in Industry and Consumer Confidence. Improvements in industry expectations relate to strengthening export performance while rising consumer confidence reflects less pessimism about the course of unemployment and its effect on households.

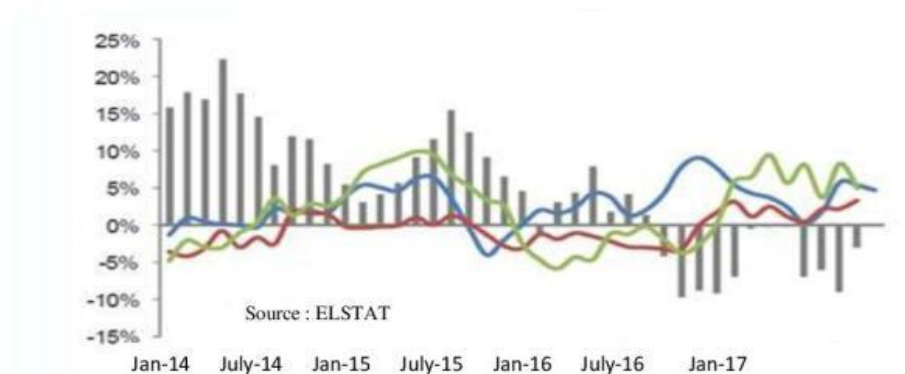


Chart 1 presents the course of some key economic variables. Based on the annual change in the three-month moving average, manufacturing output, non-fuel exports and retail sales excluding petroleum products have been upward since the start of 2017. In particular, the increase in exports of non-fuel goods, by 5.0% on an annual basis in April 2017 (moving average of three months).

## 2. Office Market

The office market in Crete remained almost stable during H2 of 2017, while relative to 2014, market and rental values were decreased up to 5-10%. Despite the fact that asking prices are nowadays at quite low levels, asking prices are still negotiable and can be decreased up to 10-15%. Yields are still considered relatively lower than expected due to the limited offer of income properties.

In **Chania**, rental values around the Court 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 and the Court House, while the higher market values can be found at the city center (Skalidi & Giannari Streets, 1866 Square).

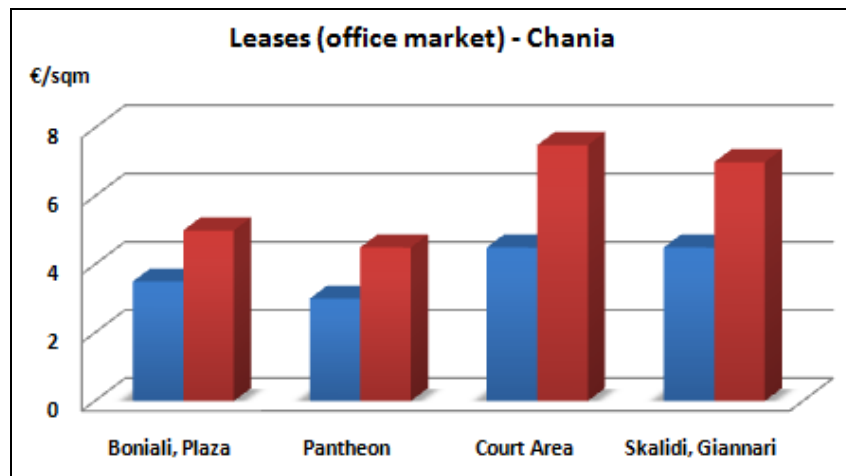


*Trianon Center in Court Area, Chania*

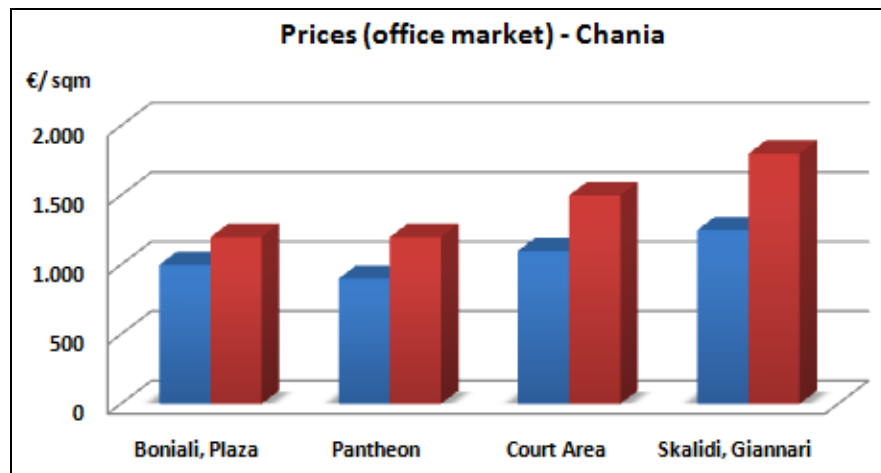
In **Heraklion**, the vast majority of office spaces are congregated around the city center (Zografou Str., Daidalou Str., Dimokratias Str., Dikaiosisinis Str., 25<sup>th</sup> August Str., Evans Str., Kalokairinou Str., Averof Str., Liontaria Square), where freelances and businesses are highly interested due to the proximity to public services. On the other hand, there is no interest for offices spaces outside the city center and in low commercial streets.

In **Rethymnon**, the main office market is around the CBD, the Old City and Iroon Polytechniou Square, close to the main retail market and 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 (west entrance) and Portaliou Avenue (east entrance).

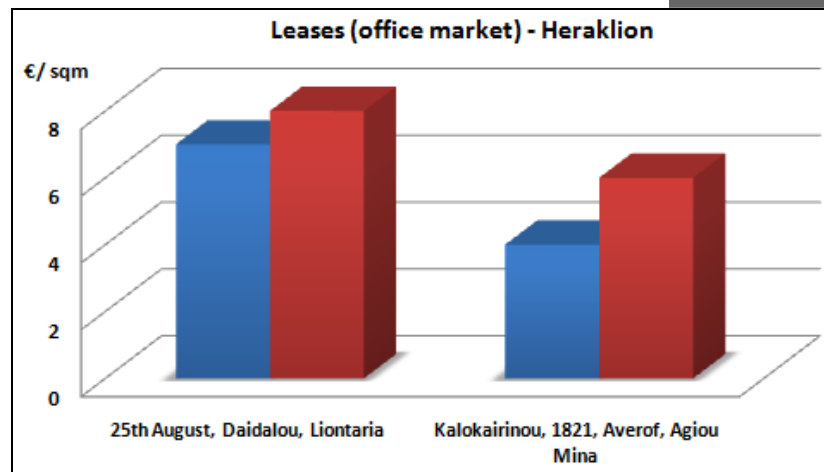
Finally, in **Lasithi**, due to the small size of the cities of Agios Nikolaos, Ierapetra and Sitia, office spaces are congregated only in the center of the cities.



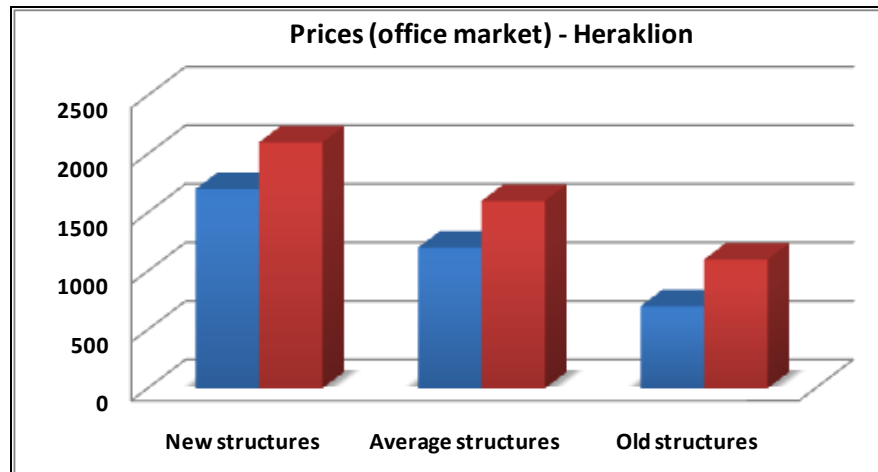
Source: Danos – Melakis Ltd



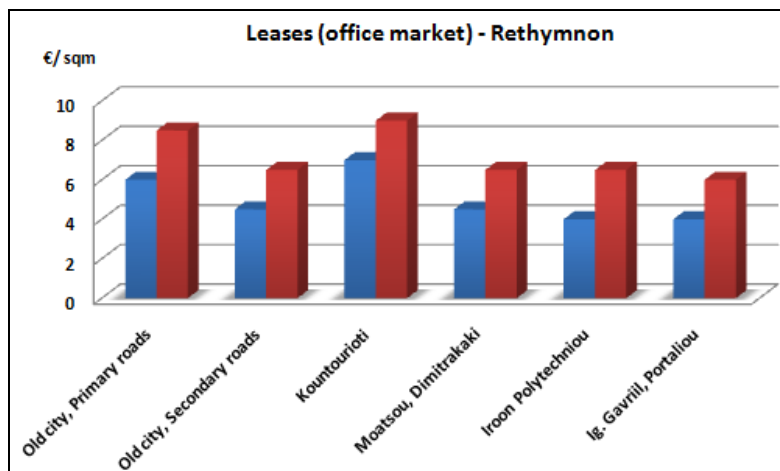
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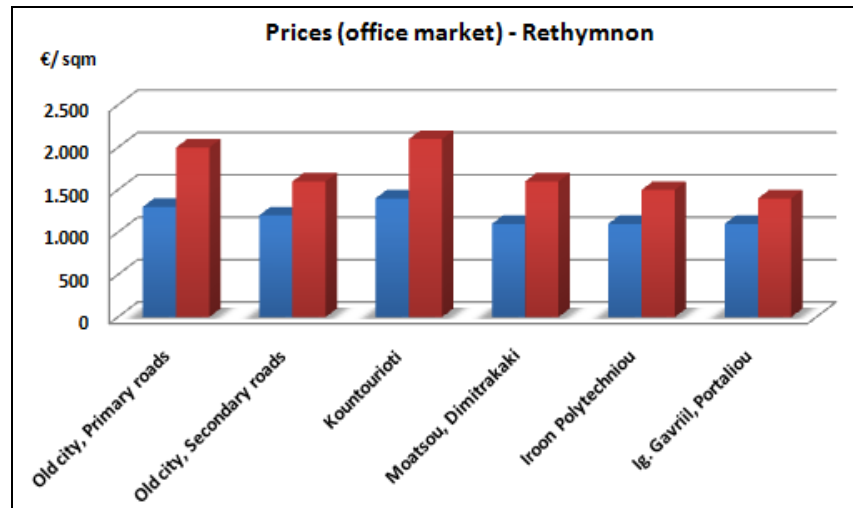
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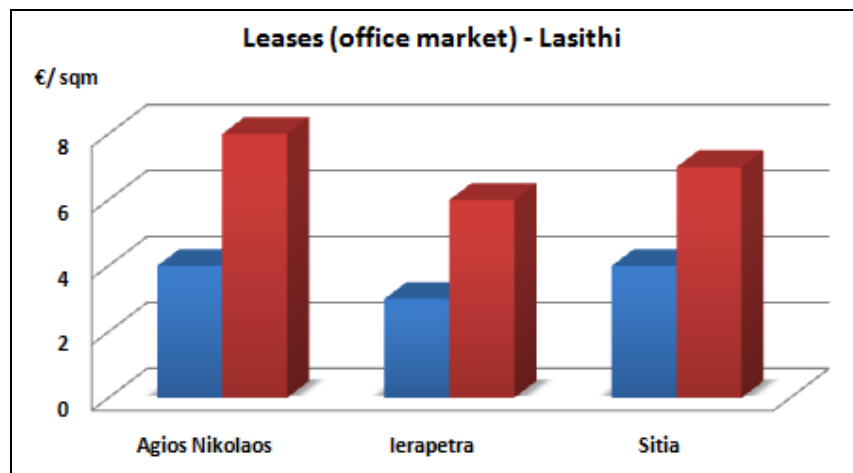
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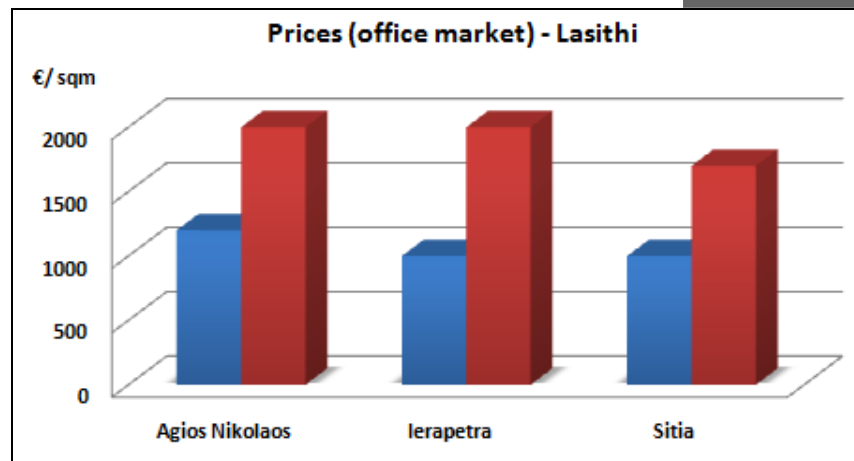


Source: Danos – Melakis Ltd



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

The residential market is still a deep sleeper with minimum transactions with prices decreased slightly in most areas, with only a few prime areas showing signs of stability. There was a pickup in rental activity with high demand for medium size and good quality homes. It is worth mentioning that asking prices have decreased up to 10% in comparison with 2014, while negotiations usually result in a price cut over 10-15%.

As for the holiday residence sector, many investment opportunities can be found, due to the significant price decreases during the past years. Almost 5,000 holiday residences in Crete are for sale, a number that remained almost stable during the last seven years, since construction activity has stopped and investing interest still remains at low levels. At the same time, market values have decreased up to 40% and sometimes even more relative to the period before crisis.

In **Chania**, around CBD, the vast majority of residences are at least 25-30 year old and the price range is from 750 – 1.200 €/sqm, depending on the exact location, age and level of maintenance, while new structures' prices vary from 1.800 – 2.500 €/sqm. The prices regarding new conventional structures in popular residential areas near CBD vary from 1.700 – 2.200 €/sq. m. in Chalepa, from 1.500 – 1.800 €/sq. m. in Lentariana & Aberia and from 1.600 – 1.900 €/sq. m. in Nea Chora. As for rental prices, due to the short-term rental “phenomenon”, there are not available houses and the prices are rising compared with 2016.

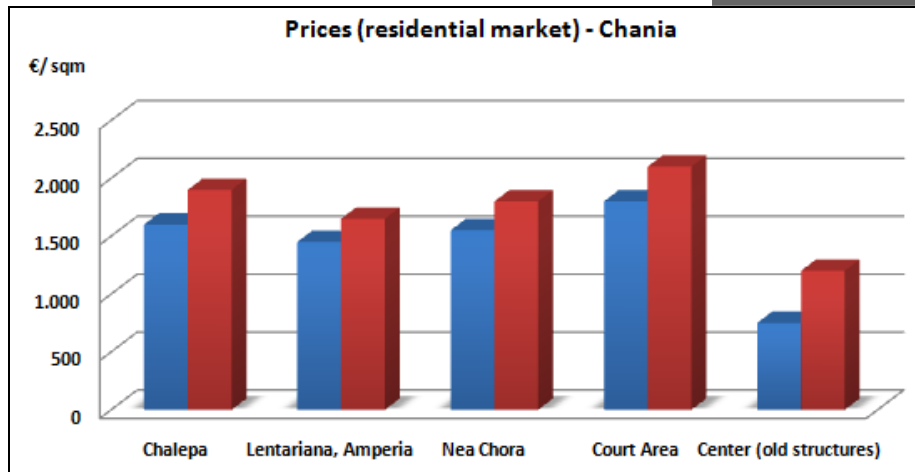
In **Heraklion**, around CBD, the vast majority of residences are at least 25 years old, whose price range is from 1.000 – 1.400 €/sq.m., depending on the level of maintenance and the parking availability. The price range for new residences in popular areas near the CBD, such as Analipsi, Mastampas and Therissos, is from 1.800 – 2.200 €/sqm. The same price range stands also in the suburb of Agios Ioannis. Regarding the rest suburbs (Deilina, Koroni Magara, Mesampelies, Pateles, Poros, Katsampas and Mpenntevi), the price range is from 1.700 – 2.100 €/sq. m. As for rental prices, they remained almost stable and vary from 4 –6 €/sq.m. , with the upper levels representing residences in the CBD or popular suburbs, such as Agios Ioannis.

In **Rethymnon**, the vast majority of residences in the Old City are old structures whose price range is from 1.050 - 1.400 €/sq. m., mainly depending on the level of maintenance. The price range for new conventional residences in areas near CBD, such as Kallithea, Mastampas and Koumpes, is from 1.600 – 2.000 €/sqm, depending on the characteristics of the property, such as location, floor level, view and size. As for rental prices, they are increasing relative to 2016, due to the reduced supply of houses for long term rentals.

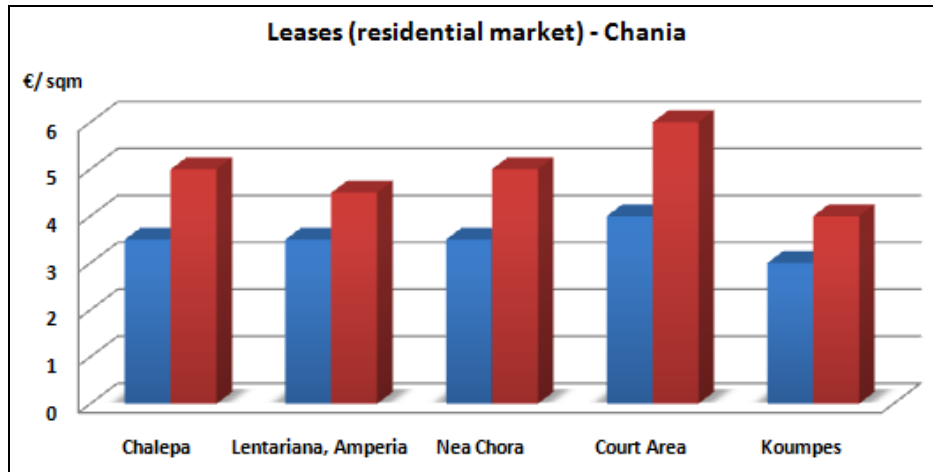


*New Apartment Complexes in Heraklion and Rethymno*

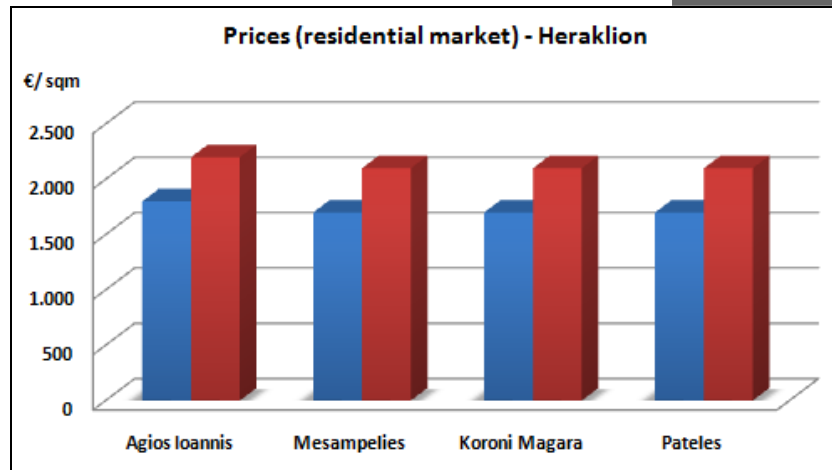
Finally, in **Lasithi**, the highest market values can be found at the coastal zone as well as the new suburbs of Agios Nikolaos, Ierapetra and Sitia, due to the most recent structures that can be found there, while market values at the old sections of the cities are slightly smaller. Rental prices remained almost stable relative to 2016.



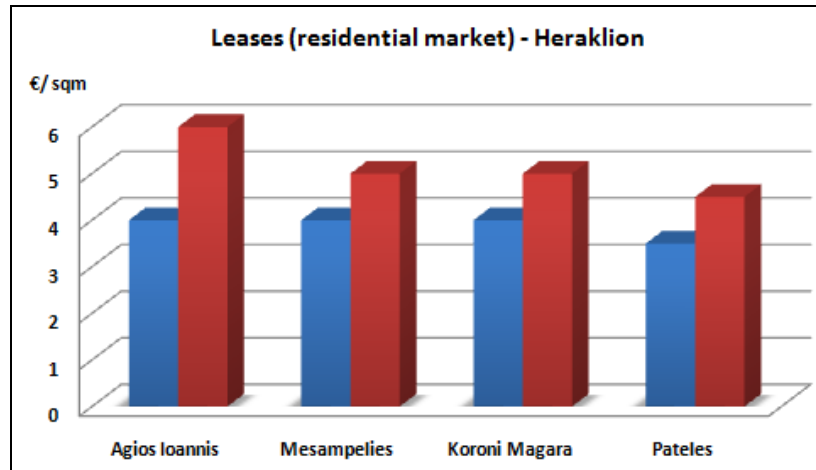
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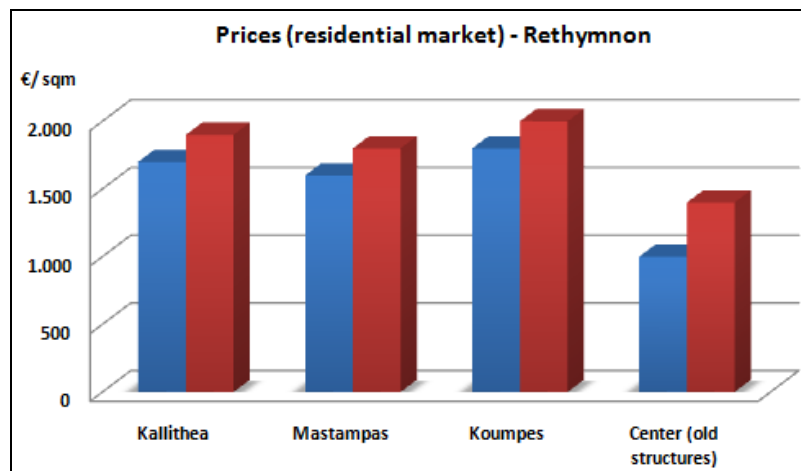
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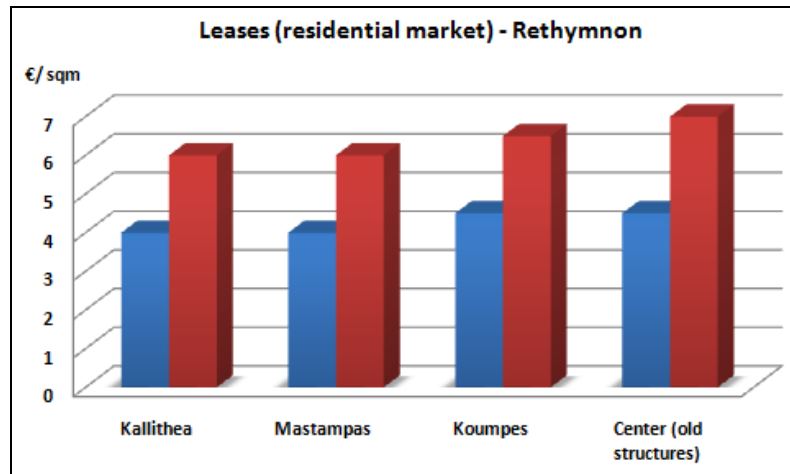
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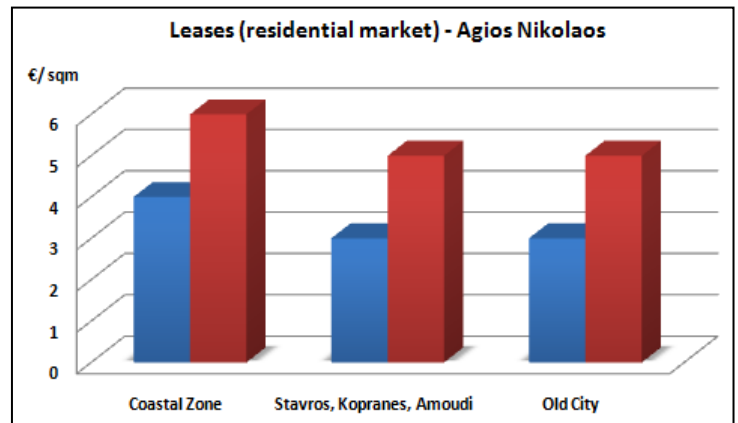
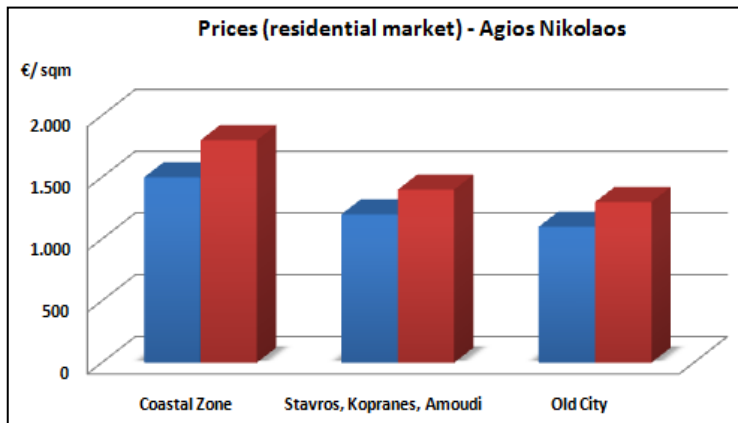
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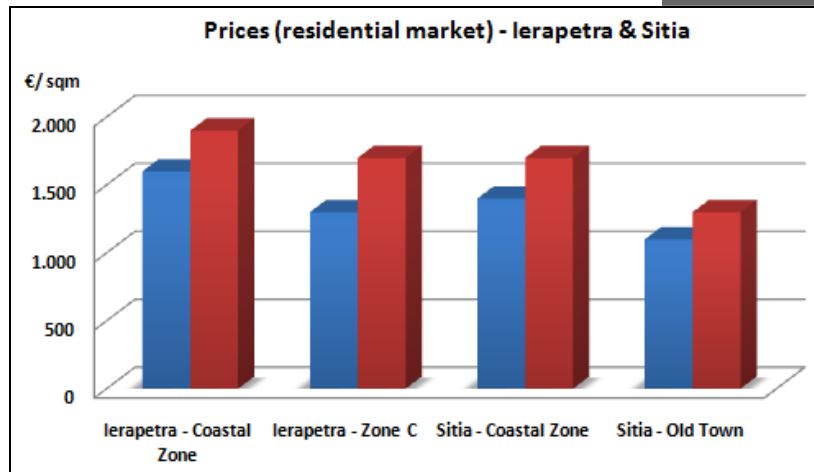
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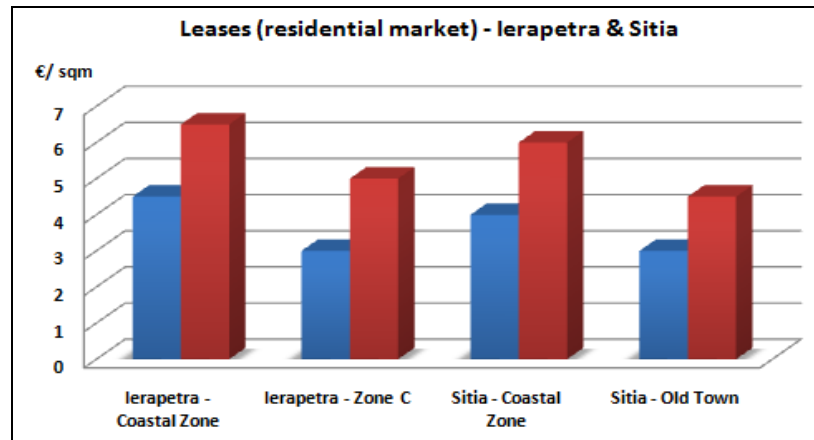
Source: Danos – Melakis Ltd



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Source: Danos – Melakis Ltd



Source: Danos – MelakisLtd

#### 4. Retail Market

In **Chania**, the most commercial area is the Old Port, where rental values vary from 30 - 40 €/sq. m., while the most commercial roads are Chalidon, Chatzimichali Giannari and Skalidi Streets (main area of retail market), where rental values vary from 25 - 40 €/sq. m. Tzanakaki street is getting one of the best roads due to the shortage of finding anything to the main roads.

In **Heraklion**, there is a high interest for retail stores within the old walls and especially the CBD. The most commercial areas are Daidalou Street, 1866 Street and Liontaria Square, where rental values vary from 20 - 40 €/sqm.



*Shopping Center 'Olea' in Platanias*

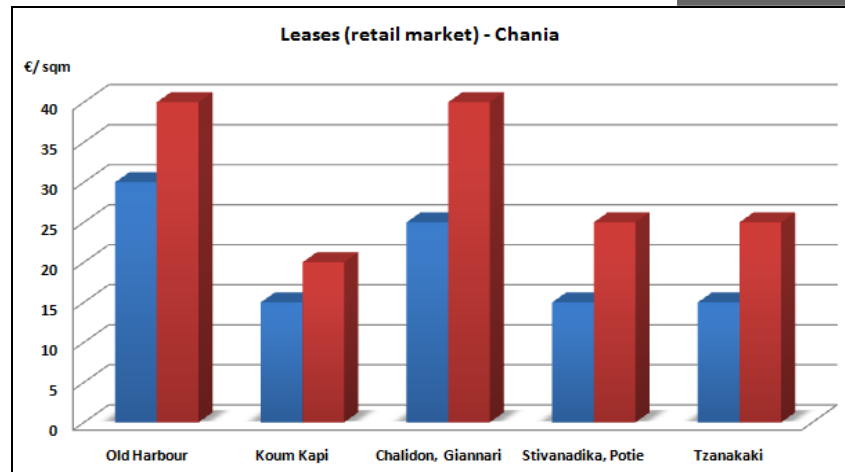


*Shopping Center 'Talos Plaza' in Heraklion*

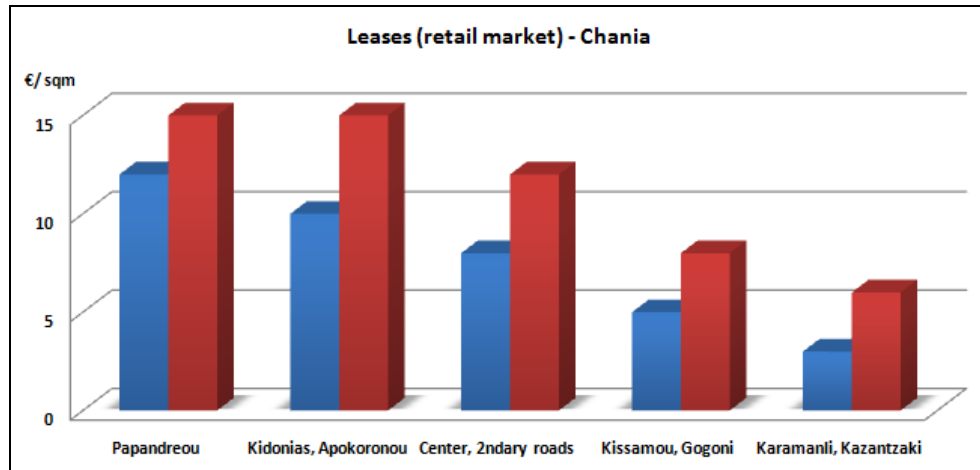
In **Rethymnon**, within the Old Town, rental values vary from 15 – 30 €/sq. m. in Arkadiou Street (↑ prices at the north part) and from 10 – 15 €/sq. m. in secondary streets (Gerakari, Ethnikis Antistaseos).

Finally, in **Lasithi**, commercial activity is found only in the cities' center and the coastal zones. The relatively small offer of retail stores has led to very high market and rental values in some cases.

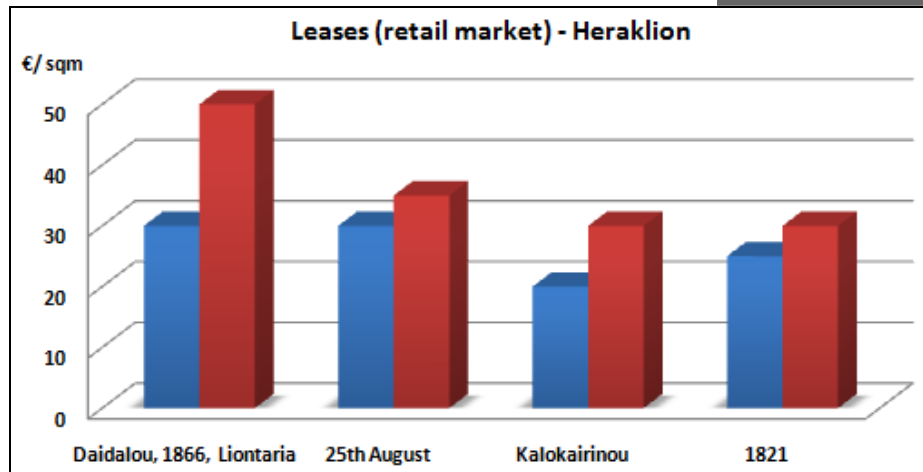




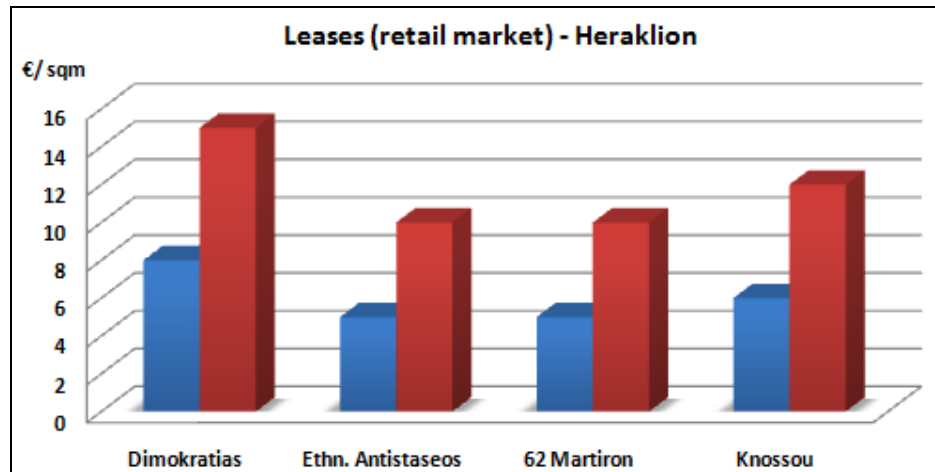
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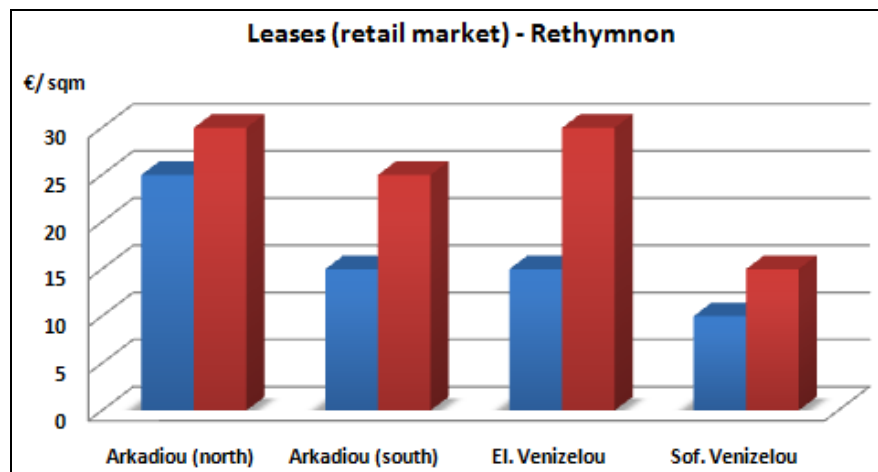
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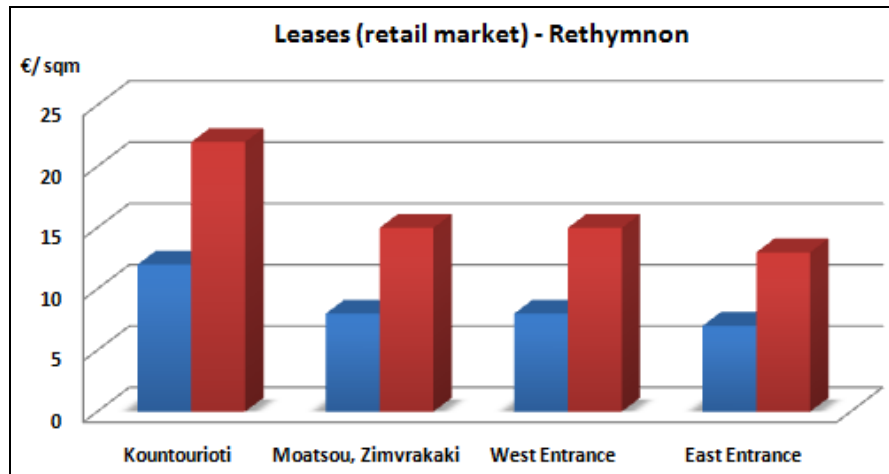
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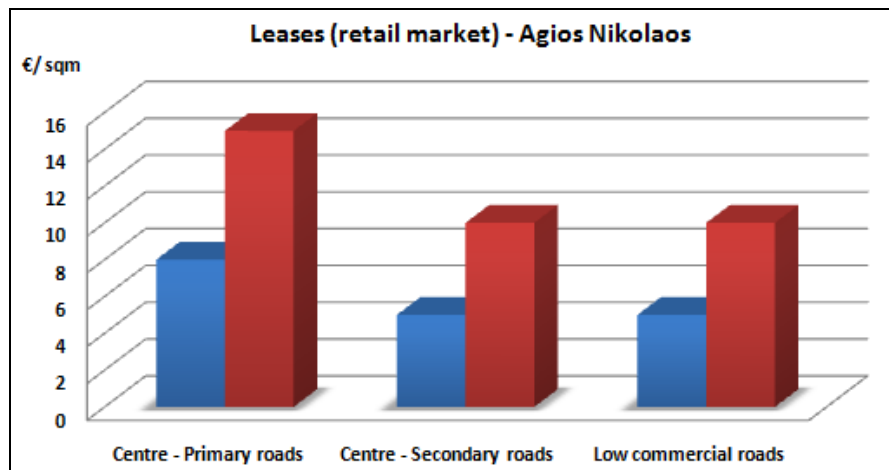
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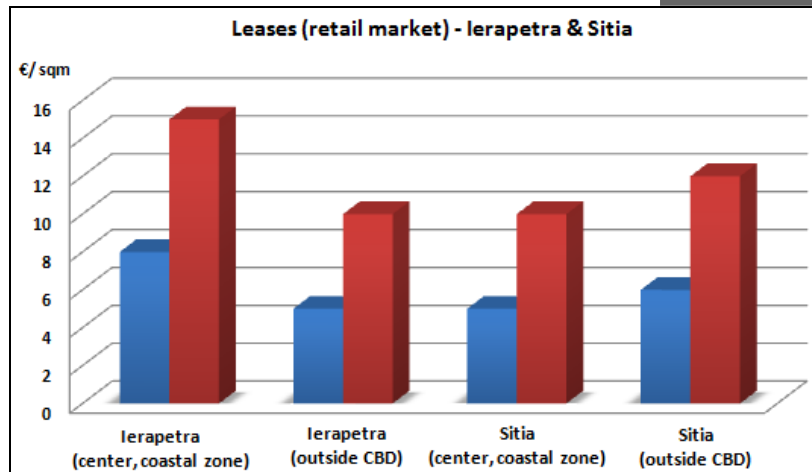
Source: Danos – Melakis Ltd



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 market has remained stable during H2 2017.

Large storage units can be mainly found in Heraklion and Chania, due to the presence of industrial parks, airports and large commercial ports in the two cities. Rental values vary from 2-4 €/sq. m. in Heraklion and from 2.5-4 €/sq. m. in Chania.

As for the regional units of Rethymnon and Lasithi, there is no formed real estate market in this sector, since the few large storage units are constructed upon request and based on the customer's needs. Finally as far as the industrial park of Rethymnon in the area of Agia Triadas concerned, the total number of plots have been available since 2010 and there have been constructed complete infrastructure networks as well as public installations. However, only limited activity has been observed until today, which is a sign of the big crisis that the sector is facing nowadays.



## 6. 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 in the recent years, tourism sector showed remarkable strength. The unique geographical characteristics, in combination with the highly developed and still fast developing transportation infrastructure, the development and modernization of more specific tourist facilities, are expected to contribute to the development of Greece as one of the major and safest tourist destinations worldwide.

### Airports–Arrivals

Regarding the Tourism of Crete the projections are significantly optimistic for 2018. According to provisional data regarding 2017, the international arrivals at the Heraklion and the Chania airports are increased compared to the same period last year.

#### INTERNATIONAL ARRIVALS 2017 - PROVISIONAL DATA

2017		Ηράκλειο	Χανιά	2016		Ηράκλειο	Χανιά
		Heraklion	Chania			Heraklion	Chania
Ιανουάριος	January	771	1.930	Ιανουάριος	January	0	2.258
Φεβρουάριος	February	1.118	1.749	Φεβρουάριος	February	185	2.213
Μάρτιος	March	3.794	8.312	Μάρτιος	March	10.225	9.548
Απρίλιος	April	160.359	67.391	Απρίλιος	April	120.125	53.909
Μάιος	May	373.126	135.465	Μάιος	May	343.439	132.349
Ιούνιος	June	511.146	186.055	Ιούνιος	June	456.060	169.017
Ιούλιος	July	637.254	228.983	Ιούλιος	July	608.722	223.817
Αύγουστος	August	627.677	196.303	Αύγουστος	August	604.849	190.922
Σεπτέμβριος	September	511.924	178.649	Σεπτέμβριος	September	479.450	168.259
Οκτώβριος	October	305.068	88.618	Οκτώβριος	October	258.064	91.012
Νοέμβριος	November	11.049	247	Νοέμβριος	November	3.028	3.310
Δεκέμβριος	December			Δεκέμβριος	December	1.007	2.258
<b>Τρέχον έτος</b>	<b>ytd</b>	<b>3.143.286</b>	<b>1.093.702</b>	<b>Σύνολο</b>	<b>Total</b>	<b>2.885.154</b>	<b>1.048.872</b>

(1): Τα στοιχεία αφορούν σε αφίξεις επιβατών με διεθνείς πτήσεις ανεξάρτητα τόπου κατοικίας.

Εξαιρέση αποτελούν τα στοιχεία για το αεροδρόμιο της Αθήνας τα οποία αφορούν αποκλειστικά σε κατοίκους εξωτερικού.

(1): The data refers to passengers on international flights, irrespective of place of residence,

with the exception of the data for Athens airport which only includes passengers residing outside Greece.

Πηγή: Υπηρεσία Πολιτικής Αεροπορίας (ΥΠΑ) και Διεθνής Αερολιμένας Αθηνών (ΔΑΑ) - Επεξεργασία: SETE Intelligence

Τα στοιχεία υπόκεινται σε αλλαγές λόγω δημοσίευσης πιο πρόσφατων στοιχείων από τις πηγές. (βλ. αν. "Τύπος")

## Ports - Arrivals

Based on the scheduled cruise ship reservations for 2018, there is a cautious optimism that cruise market sizes may show little improvement as in 2017 there was a slight decrease compared with last year's ship approaches (source: Harbor Management Organisation of Prefecture of Chania).

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Cruise Ships</b>	12	20	21	72	54	47	31	59	86	84
<b>Passengers</b>	5159	7720	11509	158118	129087	124205	30366	96612	147915	127849

Regarding Heraklion the total number of the scheduled arrivals appears to be slightly reduced in 2017 versus the last season (131 cruise ships versus 165 in 2016).

	2017		2016		2015		2014	
Destination	Arrival number of cruise ships	Arrival number of cruise passengers	Arrival number of cruise ships	Arrival number of cruise passengers	Arrival number of cruise ships	Arrival number of cruise passengers	Arrival number of cruise ships	Arrival number of cruise passengers
<b>Heraklion</b>	131	181693	165	238780	170	219805	160	242951

## Investments

There is strong interest from private equity funds and investors and international firms along with world caliber operators to expand in the Greek market, to enhance infrastructure and attract more tourists, mainly of a higher level income. The investment interest includes existing tourist hotel units of medium or large size and large seaside plots mainly in Northern Eastern Crete. At the same time, boutique hotels in the Venetian Harbor of Chania continued to attract the investors' interest this period as well.

Big investments in new touristic and hotel units, which exceed 4.1 billion euros, are in the process of development. Nine major projects (three in Crete) are going to change the Greek touristic product.

Specifically in Ierapetra, the leading German touristic group TUI, is going to build a new ROBINSON Club. Already TUI operates two ROBINSON hotels in Greece, ROBINSON Club Kyllini Beach in the Peloponnese and ROBINSON Club Daidalos in Kos.

Then ELOUNDA HILLS in Agios Nikolaos, Crete, worth's € 408 million. The specific tourist investment in the municipality of Agios Nikolaos was approved by the Interministerial Committee for Strategic Investments (ICSI) in August. The total cost of the investment is € 408.49 million, of which € 50.4 million relates to the land market and has been paid, while the remaining 358.09 relates to construction and infrastructure costs. In particular, it is planned to build 380 houses, three 5-star hotels and other infrastructure. The investment of Mirum Development SA will be the second realized touristic investment in Crete, having been integrated into the strategic investments after investing in Toplou.

Finally, Minoan Group plc, which develops the Itanos Gaia project in Sitia, Crete, after the "green light" it received from the State Council for the continuation of the investment in June. This touristic investment is one of the largest in Crete, totaling € 267.7 million, with a capacity of 1,936 beds in an area of approximately 22,120 acres and will create 1,200 jobs. In the first half of 2017, the first hotel in Greece with the Ibis Styles of the Accor Hotels group operated in the center of Heraklion. The specific investment of approximately € 15 m is for the mixed use of the 8,000 sq m building including 11,000 sq m outside of the hotel (3,000 sq m), shops and underground parking.

In May 2017, the competition conducted by the Development and Management Company of the Property and the Technological Park of the Technical University of Crete for the development of the properties located in the old town of Chania and owned by the Technical University of Crete, was concluded. The contracted hotel company, Belvedere Monoprosopi Ltd, offered €8.9 million for a 25-year lease contract. Among other plans, the project includes the reconstruction of the square.



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