



THESSALONIKI PROPERTY MARKET

1st Semester 2014



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.

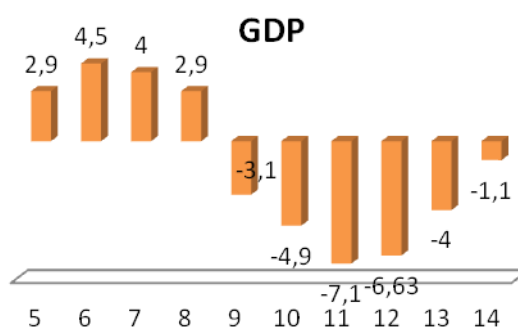
With internal devaluation since 2009, Greece has recouped in full competitiveness losses during the 2000s, while the restoration of flexibility in the labor market and strong economic performance implies further gains in competitiveness in the following years.

*Alpha Bank – Economic Research Division
June 2014*

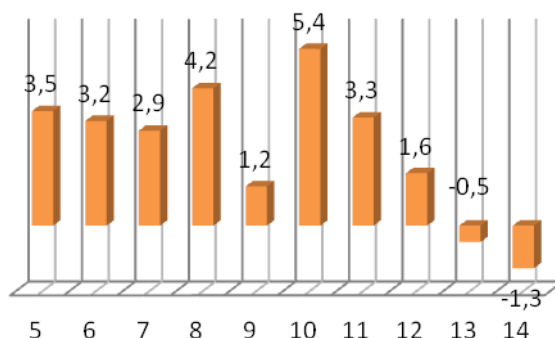
Unemployment Rate



GDP



CPI



2. Market & Corporate News

The real estate reforms and measures that were planned since last year are in the final stretch. The new legal framework provides an investment-friendly environment characterized by transparency and less bureaucracy. It also provides additional advantages to potential real estate investors.

The sector that seems to attract the majority of investment interest is the tourism. During H2 2013 the following tenders concerning this were concluded:

1. The exploitation of 253 acres in Ag. Ioannis, Sithonia Chalkidiki, with a final offer of the company Ioannis & George Mentekides. The offer was for €9.61m but the exploitation will have more significant profits, as it is expected that an investment of €50m. will take place.
2. The exploitation of total area of 322 acres in Paliouri Chalkidiki, with an offer of the company Donskoy Tabak for €14m. The exploitation of this particular asset is expected to exceed the amount of €80m. It includes the renovation of the old Xenia Hotel, with the entire necessary infrastructure.

In addition to the above during H1 2014 the fund Oaktree Capital Management and SANI S.A. acquired through contest from the National Bank of Greece the 3* Hotel "Gerakina Beach" which remained closed since 2012. According to publications the renovation of the property has already started and the hotel is expected to operate again on 2015.

An other huge investment of €720 m. is located on the mountain area of Chalkidiki and more specifically in Taxiarchis area. The investment concerns the construction of Pavita Estate, which will include four golf courts, three 5* hotels, residential complex, health and conference centers etc. According to publications Pavita Estate will be developed on an area of approximately 12.5 acres. The investor's group includes the Korean fund Han Chang Corporation and other foreign funds. For this project, the Board of "Invest in Greece" suggested to qualify it as **Strategic Investment** and to join the Fast Track Law. Indeed, the relevant decisions should be taken within in October by the Interministerial Committee for Strategic Investments (I.C.S.I.).

With the Law "Acceleration and Transparency of Implementation of Strategic Investments" or Fast Track Law the Greek Government provides the international and Greek investment community with a **stable and transparent set of** investment rules, procedures and administrative structures for the implementation of large scale public and private projects. The Law aims to abolish critical obstacles that have inhibited major investment in Greece. Bureaucracy, the complexity of legislation, and lack of transparency, all of which today deter investors and significantly delay the implementation of large scale projects, are being eliminated.



Gerakina Beach, Sithonia



Taxiarchis, Chalkidiki

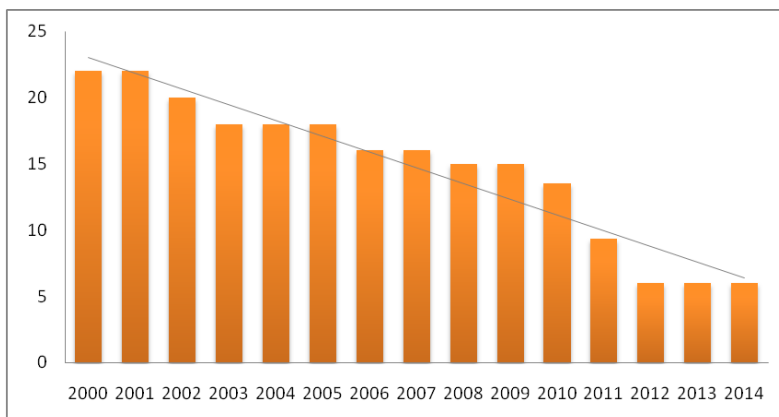


3. Office Sector

The key features in Office Market during the last year are:

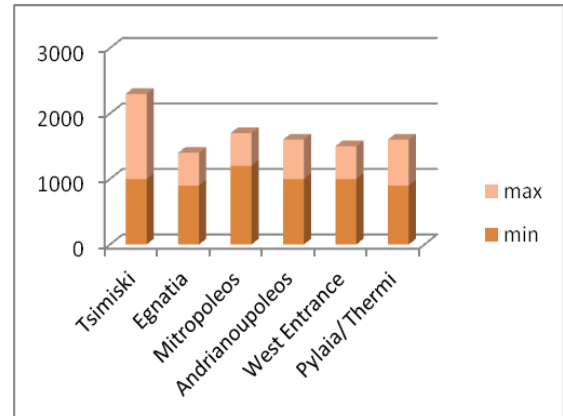
- Limited demand for office spaces.
- Small number of new agreements.
- The main activity is renegotiation.
- No activity on the corresponding construction activity, so the offer concerns old office spaces which must be renovated from the user.
- The rentals remained stable achieving the markets lowest since 2000.
- The demand is stable and mostly concerning small office spaces for relocation.
- The estimated yield is at 9%- 9.5%.
- The demand concerns mostly spaces of 100- 200 sqm.

OFFICE RENTS



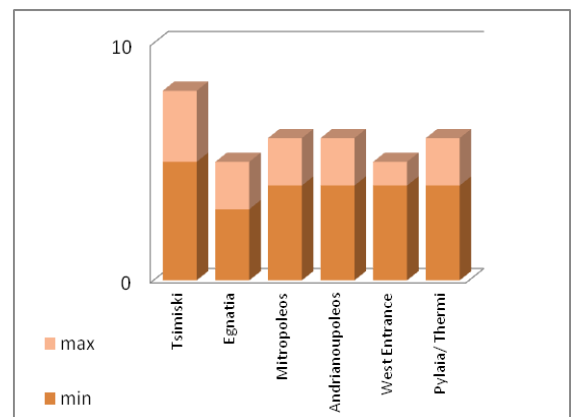
Source: DANOS An Alliance Member of BNP PARIBAS REAL ESTATE

PRIME OFFICE SALES (€/SQM)



Source: DANOS An Alliance Member of BNP PARIBAS REAL ESTATE

PRIME OFFICE RENTS (€/SQM/MOUNTH)



Source: DANOS An Alliance Member of BNP PARIBAS REAL ESTATE

OFFICE MARKET TRENDS

RENTALS	➡
YIELD	➡
VACANCY RATE	➡
TAKE UP	➡

Source: DANOS An Alliance Member of BNP PARIBAS REAL ESTATE

4. Retail Market

On April 2014 the biggest H&M store opened its gates on the junction of Tsimiski and Komninoi str. The building occupies an area of approximately 4,000 sqm and it is the first H&M store in town that includes a furniture sector.

Attica Department Stores is expected to start operation on Tsimiski str. on H2 2014. The new spot is on the most commercial street of the town and will occupy a building of approximately 7,000 sqm. It is estimated that the company will employ 250 people.

In general the retail market in Thessaloniki is mostly characterized by stability. We should note that especially Mediterranean Cosmos which is the largest mall of the town, but also Florida Park in the eastern side of Thessaloniki, present the lower vacancy rate in comparison to the commercial area in the city area. That proves that the comparison of the co operation of several retail brands which are well combined between them, with the parking area, food facilities and super market, attracts costumers.

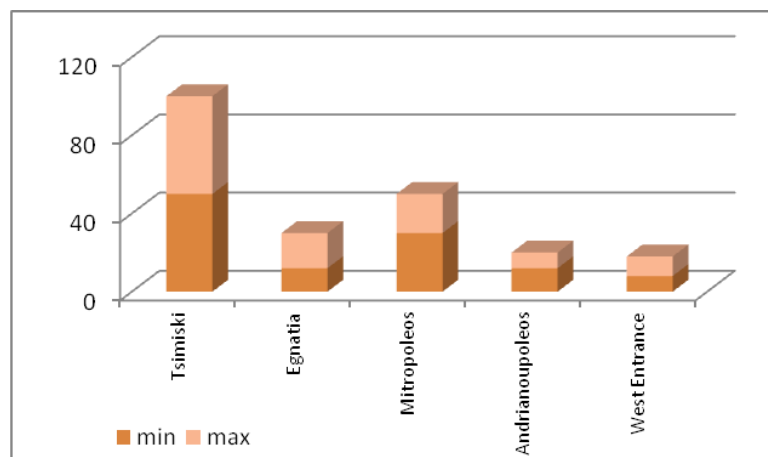
Due to the decrease of retail lease only the main commercial streets survived the crisis but with less period of vacancy than the past years.



H&M, Tsimiski Thessaloniki



Mediterranean Cosmos, Pylea Thessaloniki



Source: DANOS An Alliance Member of BNP PARIBAS REAL ESTATE

RETAIL MARKET TRENDS

RENTALS	➡
YIELD	➡
VACANCY RATE	➡
TAKE UP	➡

Source: DANOS An Alliance Member of BNP PARIBAS REAL ESTATE

5. Residential Market

In residential market, the period 2010-2013 was characterized by the pressure on market and rental values. The significant decline in demand was also followed by oversupply.

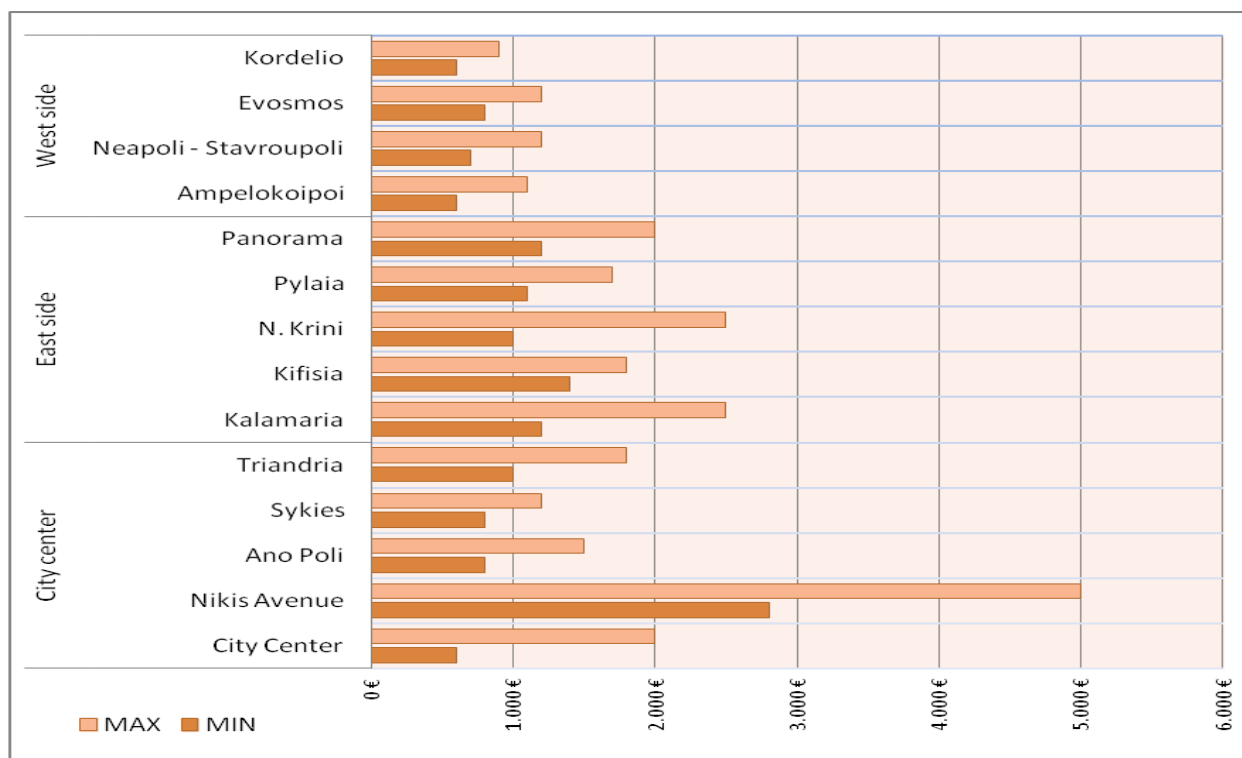
The decline is estimated around 40% in some cases and some of the reasons are:

- Greek taxation system is vast, not well balanced and creates liquidity incomes to real estate owners
- The unemployment and the reduction of available households incomes
- Lack of liquidity and strict conditions in Bank operation system
- Expectation for further decline on market values from the side of the potential buyers

According to the research that Bank of Greece concludes every 3 months with the support of real estate professionals, on 2013 only 17% of transactions took place with a partial mortgage loan participation (that percentage was 82% at the beginning of 2009), while the average lending rate is estimated at the 35% of the total market value of the property (vs. 70% in early 2009).

According to the same research the most affected properties are the luxurious and expensive residences. The demand concerns mostly old houses of surfaces of 100-130 sqm.

On the other hand there is interest from Russian and Chinese investors, who are looking to benefit from visa grants especially for properties in Greek Islands and Chalkidiki.



Source: DANOS An Alliance Member of BNP PARIBAS REAL ESTATE

6. Logistics & Industrial Market

In Greece, the logistics industry is estimated at around 10% of GDP, while there are many possibilities for further development of the sector due to its geographical location.

To improve the country's position on this sector a new law, that will include arrangements with a view to the modernization of transport and storage system, will be announced. At the same time, attempts to remove barriers and strengthening the competition are being in effort.

On June the new logistic center of "LIDL" started operating in the Industrial Area of Thessaloniki in Sindos. The property was bought from ALDI. Its construction is of great quality. It occupies an area of 200 acres. The buildings cover a total area of approximately 60,000 sqm and also include the central services of the company as well. The investment plan of the company has a total cost of €100mn and its time scale is for the next two years.

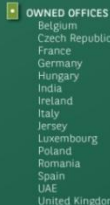
MARKET TRENDS	
RENTALS	↓
YIELD	↕
VACANCY RATE	↕
TAKE UP	↓



	Old industrial buildings	New constructions
Sale price €/sqm	200 - 250	300 - 600
Rentals €/sqm	1,00 – 2,00	1,50 - 3,00
Yield	11% - 13%	



Logistic Center in the Industrial Area of Thessaloniki.



ALLIANCES

Albania
Austria
Bulgaria
Cyprus
Greece
Japan
Netherlands
Northern Ireland
Russia
Serbia
Slovakia
Switzerland
Turkey
Ukraine
USA

PARTNERS

- Algeria
- Angola
- Bahrain
- Bangladesh
- Benin
- Bolivia
- Botswana
- Cameroon
- Central African Republic
- Chad
- China
- Colombia
- Congo-Brazzaville
- Cote d'Ivoire
- Democratic Republic of Congo
- Djibouti
- Ecuador
- Equatorial Guinea
- Egypt
- Falraa

Estonia	Jordan
Ethiopia	Kazakhstan
Finland	Kenya
Gabon	Laos
Gambia	Latvia
Ghana	Lebanon
Guinea	Lesotho
Guernsey	Liberia
Iran	Libya
	Lithuania

Kazakhstan	Mongolia
Kenya	Morocco
Laos	Mozambique
Latvia	Myanmar
Lebanon	Nigeria
Lesotho	Norway
Liberia	Oman
Libya	Pakistan
Lithuania	Panama
Madagascar	Peru
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