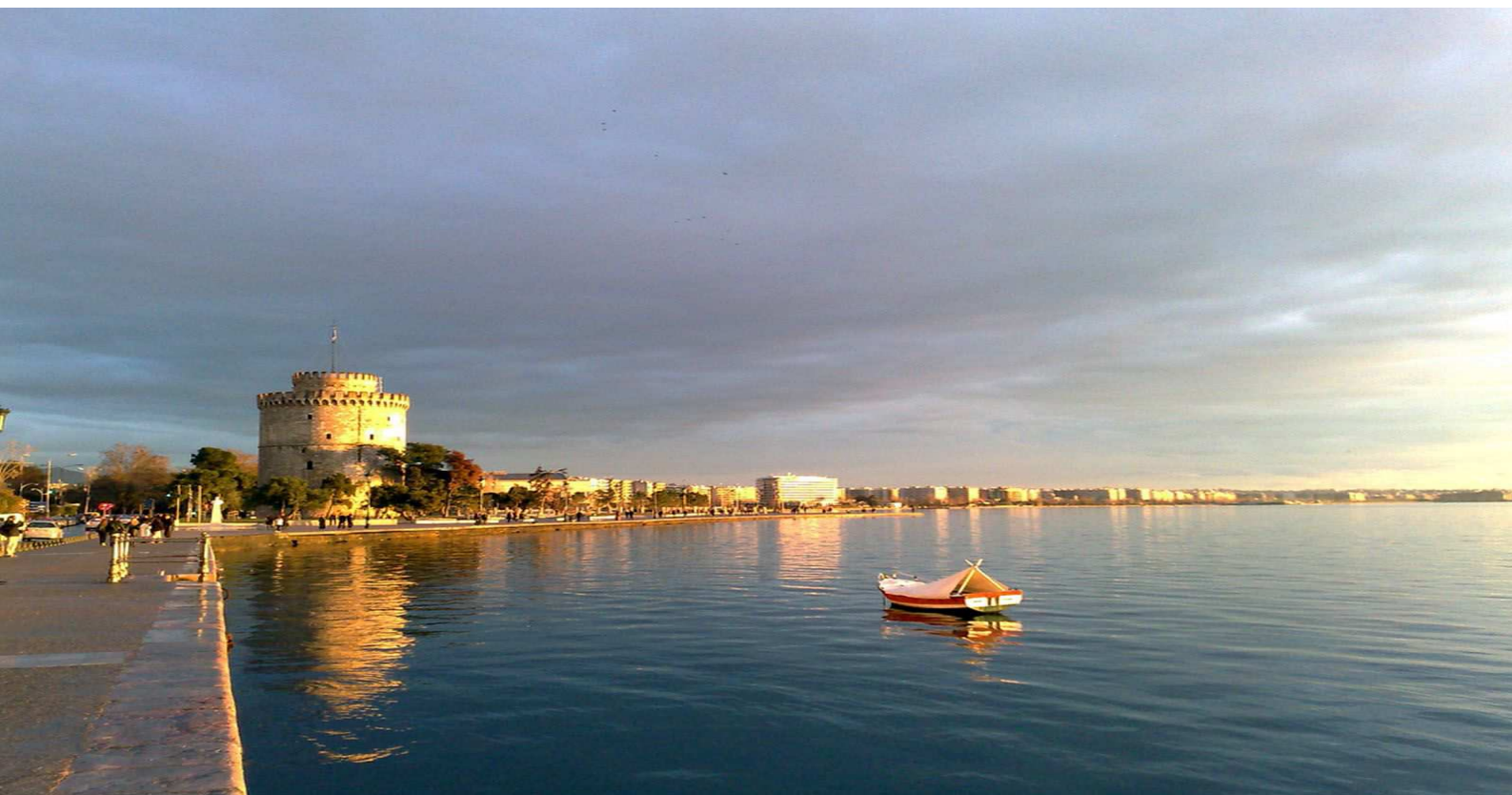




THESSALONIKI PROPERTY MARKET

1st Semester 2015

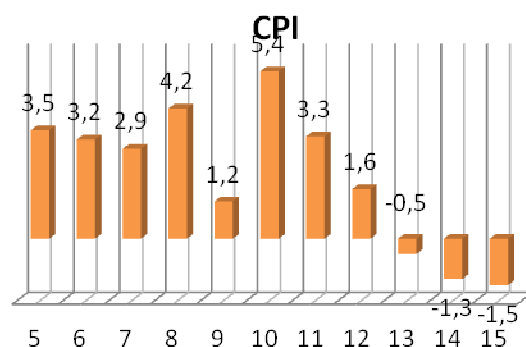
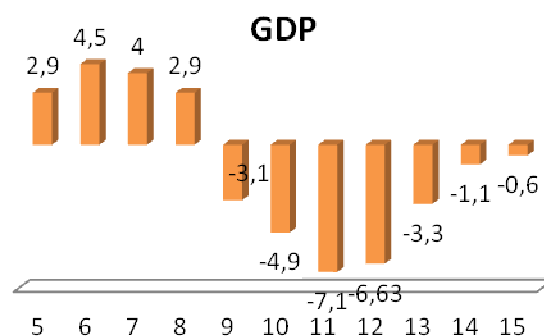


Economic Overview & Indices

Despite the favorable international economic environment, underpinned by the weaker euro and lower oil prices, economic recovery in Greece remains fragile. Economic sentiment and specifically consumer confidence indicators deteriorated in April and May 2015, as the political turmoil and the prolonged negotiations with the official creditors heightened uncertainty. This vulnerable environment led to a re-escalation of Greek government bond yields.

Based on the latest data available, Gross Domestic Product (GDP) decreased by 0.6% in Q2 2015 vs Q4 2014, due to the uncertainty imposed since the announcement of snap elections in December and the progress of negotiations with the creditors. CPI decreased by 1.5% the first semester of the year and unemployment decreased marginally mainly due to the Tourism sector. Economic growth is expected to slow down even further within 2015, as uncertainty related to the reform program and deteriorating liquidity conditions have undermined business confidence and investment; Greece remains on the verge of a new recession.

The recent events of the Bank Holiday and capital controls led to a very volatile economic environment, and even after the deal with the international lenders and the preliminary agreement on a third aid package it will take time for the economy to regain momentum. Yet the macro economic effects of all the political developments within June and July are yet to be evaluated and the final agreement that is expected within the summer period is the main milestone to determine the future of the Greek economy.



Office Sector

The office sector in general has been stabilized. The prime rental prices fluctuate between €5 and €8/sq m. Due to the decline of the rentals during 2014, there are some companies taking the opportunity to relocate in more commercial areas and qualitative upgraded office spaces.

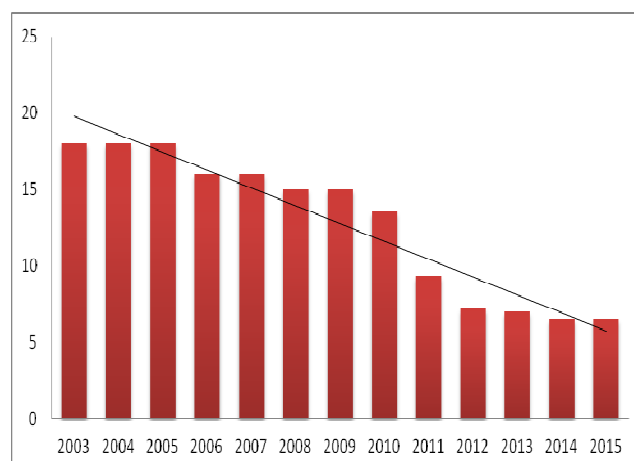
The range indicated on the diagrams is in accordance to the main characteristics of the office space, location, size and quality.

A recent relocation that took place in Thessaloniki is the one **booking.com** concluded. The new location is at one of the most commercial, modern and well known buildings on Tsimiski str., Plateia Business Center.

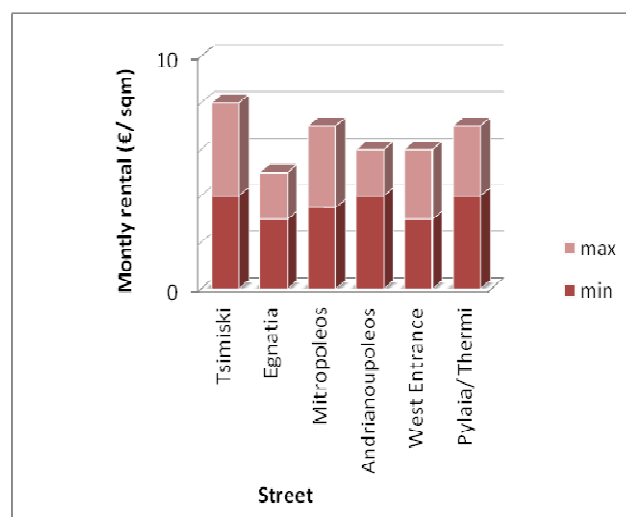
Since H2 2013 the relocations are the main characteristic of the office market sector. As shown on the diagram with the office rents since 2003, after 2012 the rentals are stable and fluctuate at average at €7/sq m monthly.

Sale prices are also at the same range since H2 2014, with small differences (decline) due to the taxes that lead the owners to sell in lower prices than the asking.

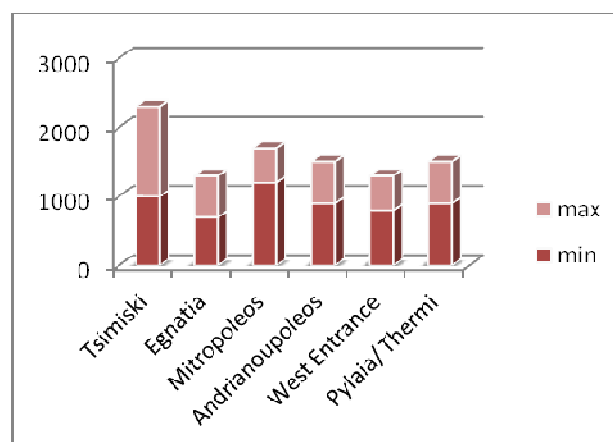
Finally, prime yields have remained stable with decline trend as there is no investment interest for that sector in Thessaloniki.



Office rents 2003-2015



Prime Office rents H1-2015



Prime Office sales H1-2015

Market trends

Rents	→
Yields	→
Vacancy rate	→
Absorption	→

Source: DANOS An Alliance Member of BNP PARIBAS REAL ESTATE

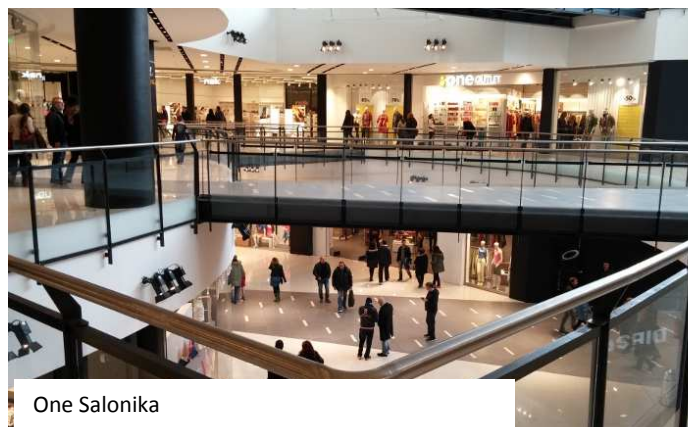
Retail Market

The retail market in Thessaloniki during H1 2015 is mostly characterized by stability, as far as the rental values are concerned. At the moment the vacancy rate on the commercial streets of Thessaloniki has been decreased.

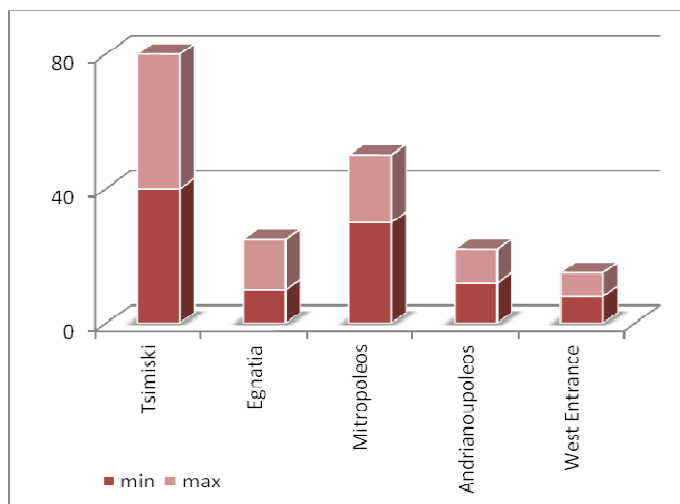
The same phenomenon exists in Mediterranean Cosmos, the most well known shopping center in Northern Greece. At the time the vacancy rate of Cosmos is less than 5% and the demand is high due to its successful operation since the opening.

ONE SALONICA OUTLET opened its gates on April. The location favors its successful operations, as it is situated near the city center and there is no similar development in the wider area.

During H1 2015 an investment transaction in the retail market took place. A retail unit, located on Plateia business center on Tsimiski str., was first leased from one of the leading consumer electronics retailers, KOTSOVOLOS, and then was sold to a private investor for 4.9 mil € (gross yield 7.6%).



One Salonika



Source: DANOS An Alliance Member of BNP PARIBAS REAL ESTATE

MARKET TRENDS	
RENTALS	→
YIELD	→
VACANCY RATE	→
ABSORPTION	→

Source: DANOS An Alliance Member of BNP PARIBAS REAL ESTATE



Plateia Business Center, Tsimiski

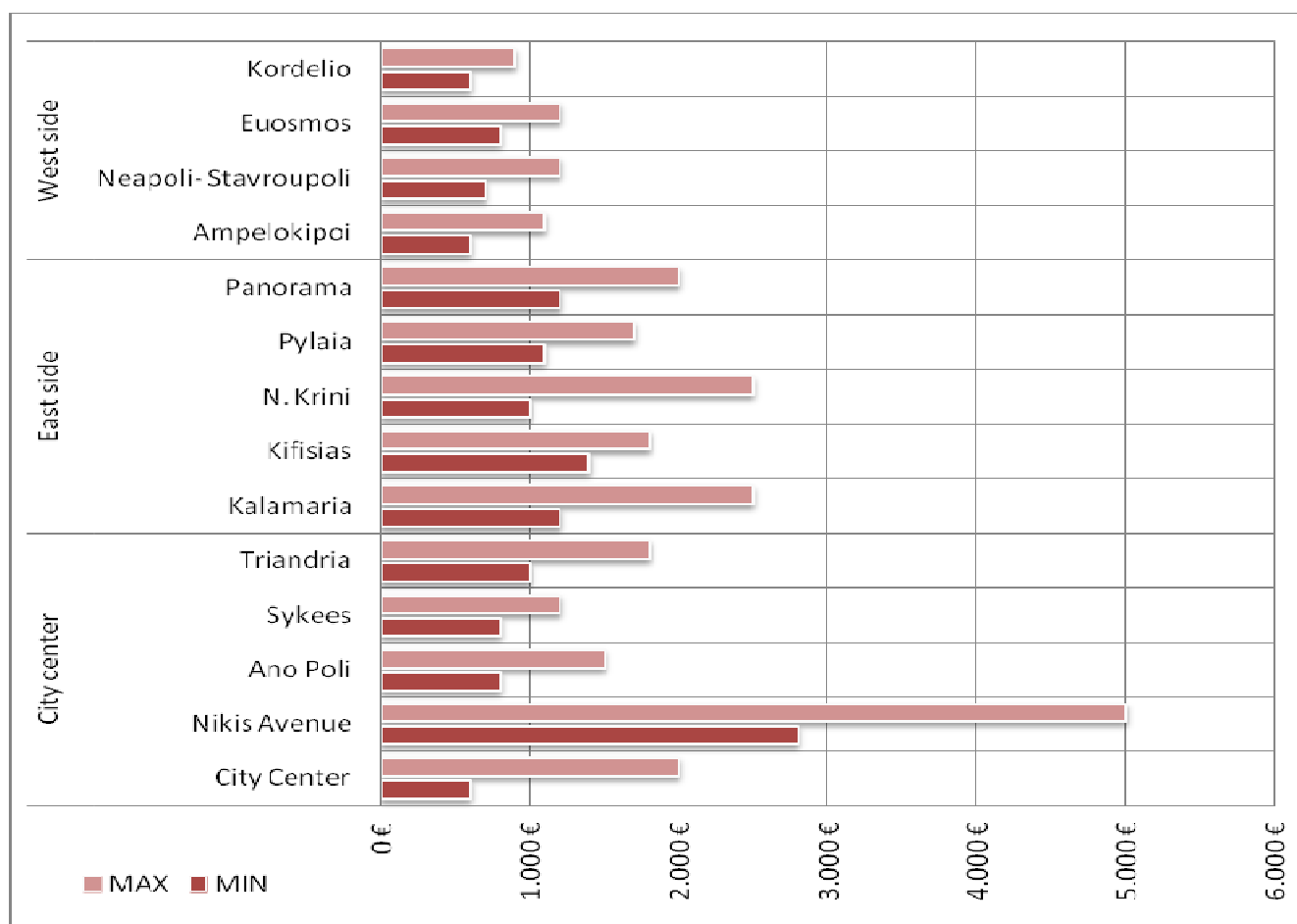
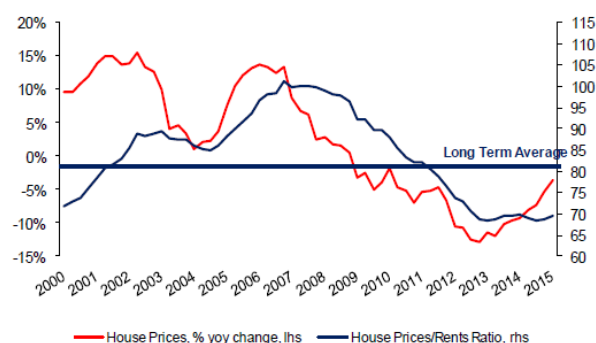
Residential Market

The residential market remains also stable with few transactions. The prices seem to have been stabilized from 2014, at a quite low level, with the trend for further decline.

The main reason is the minor demand as there is 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.

To the diagram below, we summarize the minimum and maximum market values of the old constructions in several areas of Thessaloniki (we should notice though, that these prices are indicative and more based and adjusted from the asking prices due to the lack of actual transactions).

House Price Adjustment







Source: DANOS An Alliance Member of BNP PARIBAS REAL ESTATE

Logistics & Industrial Market

The market is characterised by a dearth of activity with very few leasing deals occurring, linked to the economic uncertainty shrouding the Greek market.

Most of the companies located in the industrial areas chose to relocate to the Balkan countries (especially Bulgaria) in order to decrease their expenses.

The small demand concerns mostly the lease of industrial space. The super markets sector remains the main sector with activity in logistic market.

MARKET TRENDS	
RENTALS	
YIELD	
VACANCY RATE	
ABSORPTION	

	Old industrial buildings (€/sqm)	New constructions (€/sqm)
Sale price	150-200	300-500
Monthly Rentals	1.00-2.00	1.50-3.00
Yield	11-15%	
There is no investment activity in the industrial & logistic sector in Thessaloniki area.		



Masoutis Logistic Center, Kavalari



Hotel & Tourism

Ikos Olivia is the new 5* luxury hotel, located on Gerakini. The property is developed on a land plot of approximately 87,000 sq m. The owner, a JV of the fund Oak Tree and Sani, bought the property (the ex Gerakina Beach resort) from National Bank of Greece. The renovation, that took place, cost, according to the press, €30mn. Ikos Olivia opened its gates on May and includes 136 rooms, 159 bungalow suites. On its private beach area Ikos Olivia features 3 outdoor pools, 1 indoor pool and spa facilities, a tennis court, shops and 5 restaurants.

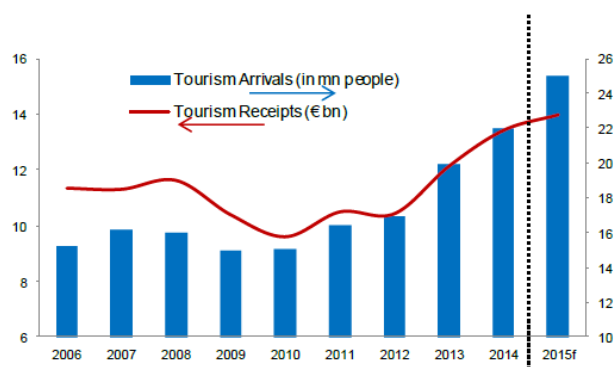
As far as Thessaloniki is concerned, it is worth mentioning that, according to Thessaloniki Hotel Association research (www.tha.gr), the overnight staying in Thessaloniki during H1 2015 has increased. However, the increase this year was less compared to last year's corresponding period. More specifically, the increase was about 10.74% compared to the first half of 2014 (1,006,654 overnight stays this year, 909,064 last year), while the last change compared with 2013 was bigger - 15.68%. The elements of THA include the beginning of the period of political and economic "turbulence".

According to a research prepared by GBR consulting, on behalf of Thessaloniki Hotel Association, there was an increase both in the average room rate of 5.3%, and in the revenue per available room (RevPar) of about 10.3%. Nevertheless, the RevPar still maintains at very low levels (€ 42.24).



Ikos Olivia Resort Sithonia

Tourism: Arrivals and Receipts



Source: Bank of Greece, SETE



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