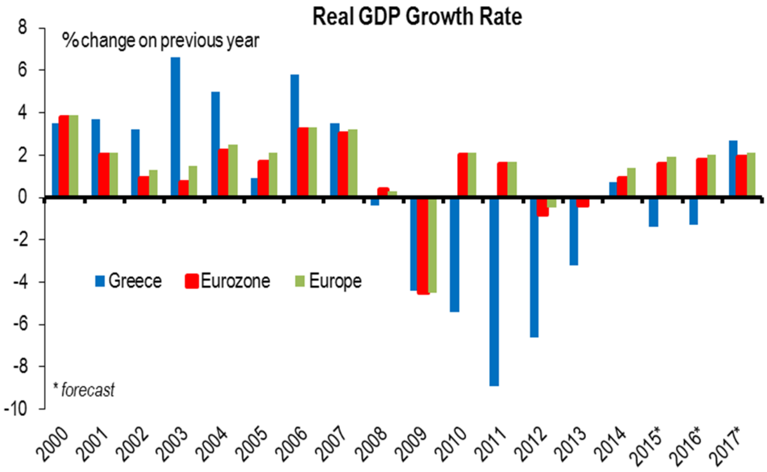
THESSALONIKI PROPERTY MARKET

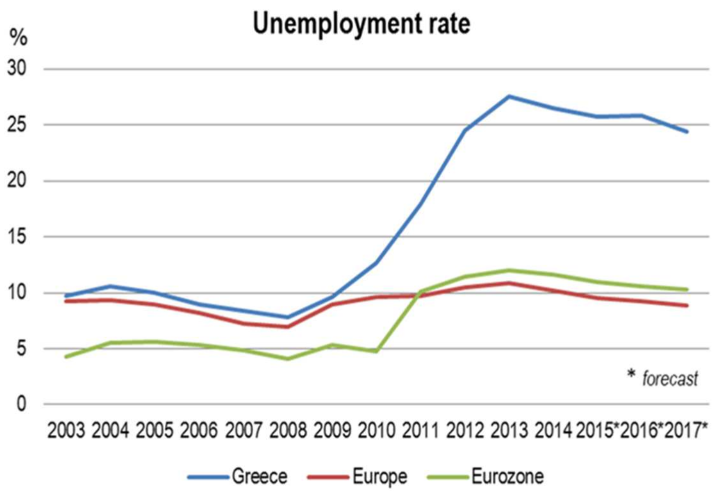
2nd Semester 2015

Economic Overview & Indices

2015 was crucial for Greece due to the progress of negotiations with its international creditors. As a result, the signs of improvement that the economy had shown during the H1 2014 were seriously dampened. The economy is expected to start recovering in the second half of 2016, according to the Bank of Greece, under specific circumstances; indeed, growth is totally subject to the successful implementation of reforms imposed by the bailout program. The Bank of Greece also predicts that economic activity could recover only subject to the banking NPL crisis being resolved, reforms in the market of goods and services being rapidly implemented, the labour market gradually recovering, the primary surplus remaining stable and actions being taken in order to increase the competiveness of the public sector.

Based on the latest available data, Gross Domestic Product (GDP) growth in Greece was positive over the first and second quarter of 2015 (0.4% and 0.9% respectively vs Q1&Q2 2014) but slipped by 1.1% in 2015Q3 (vs 2014Q3). Output is expected to slow down even further in 2016, as uncertainty related to the reform program and deteriorating liquidity conditions have undermined business confidence and investment; on the upside, GDP growth is anticipated to pick up substantially in 2017.





Danos
INTERNATIONAL PROPERTY CONSULTANTS & VALUERS

Thessaloniki Real Estate

In 2015 with the new approach by the Greek Government and the Minister of Infrastructure, the procedure for the construction of the Thessaloniki **Metro** changed. The construction of the project started in 2006 and its operation was expected in late 2012. At the end of 2014 the construction works were progressed only at 40%, and then they were interrupted due to a dispute with the constructor.

Source: Attiko Metro_November 2015

At the end of 2015 a new agreement between the contractor and the government has been achieved regarding the restart of the project and its completion by May 2020. Due to the fact that major archeological obstacles have been passed, this timetable appears to be reasonable. However based on the previous timetables and obstacles the level of uncertainty is high. The construction works are expected to restart during the 1st quarter of 2016.

After 37 years, the reconstruction of Rotonda monument, which is one of the most significant monuments of Thessaloniki, has been completed. The construction of the building dates back to 304 A.D. and was intended for the mausoleum of Cesar Galerius. Due to his death, Rotonda remained vacant until the 4th Century. During the 4th century, Rotonda converted into a Christian temple. In 1590 under the Ottoman Empire, Rotonda transformed into a mosque. The 1978 earthquake caused substantial damages which restored, in order Rotonda to be used as a museum. (source Lifo.gr).

Rotonda

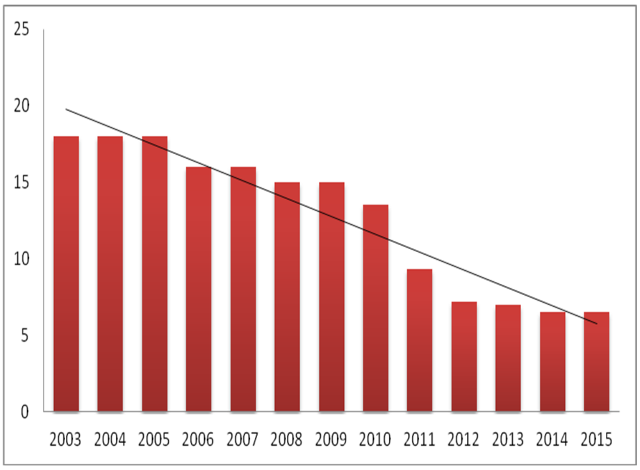
PAOK FC, leased and renovated as well, a 7-storey building in 95, Vas. Olgas Avenue. The reason as to why PAOK leased the 7-storey building is the accommodation of the youth team (under 17). The total gross internal area of the property is 1,260 sqm (180 sqm per floor) and after the renovation the building meets the student accommodation standars. The duration of the lease agreement is 5 years. The property belongs to Thessaloniki's Efxinos Leschi. The lease of the 7-storey building along with the letting of a property in Andrianoupoleos street is the most significant income sources for Thessaloniki's Efxinos Leschi.

Office Sector

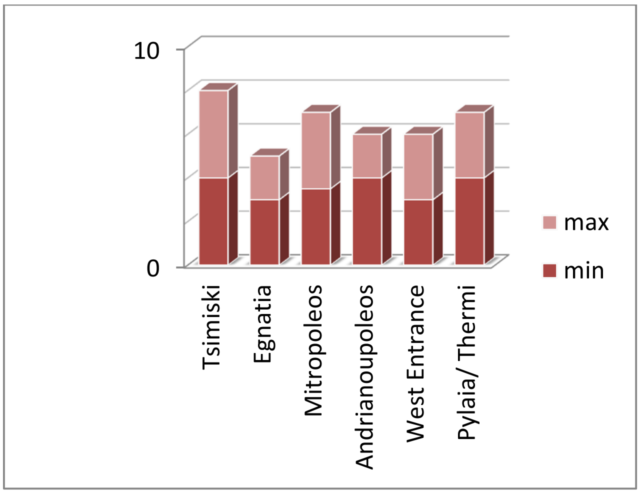
The main characteristics of Thessaloniki's office market for 2015 are:

- ✓ Limited demand, especially from international companies
- ✓ Limited number of new agreements
- ✓ The basic activity concerns mainly renegotiations
- ✓ It is noted that many companies are relocated in commercial streets, due to the fact that many renovated offices are available in lower prices.
- ✓ The office market in regional municipalities is limited as supply is much higher than demand in these regions.
- ✓ The prime yields for office spaces remained between 8.5 % and 9.0%. There is no investment interest for office spaces in Thessaloniki's market, mainly due to the poor quality of the spaces, while few international companies operates in the city and attract investor's interest.
- ✓ Compared with 2014, market rents remain stable as the following table depicts.

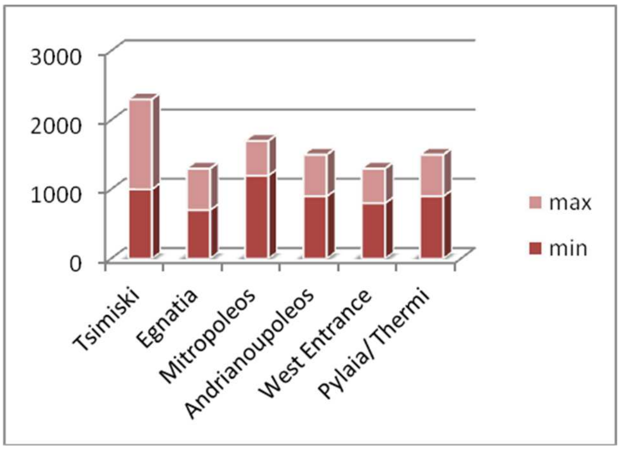
Market trends	
Rents	→
Yields	↗
Vacancy Rate	→
Absorption	→
Source: DANOS An Alliance Member of BNP PARIBAS REAL ESTATE	



Office rents 2003-2015



Prime Office rents H2 2015



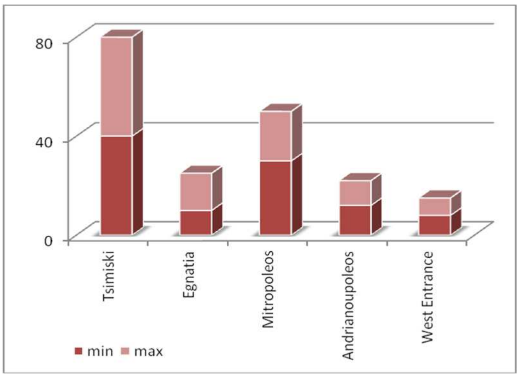
Prime Office Sales H2 2015

Retail Market

The market rents for retail units during 2015 remained steady. However, the vacancy rates on the commercial streets have been decreased. The vacant spaces, which are situated in a commercial spot, usually attract the interest for relocation or new operation, due also to the fact that no "key money" is asked.

Since April 2015, ONE SALONICA OUTLET started its operation. Within the mall the fist Cineplexx cinema in Greece with 8 modern screens, began its operation since November 2015. The Austrian company Cineplexx has Greece as a main target for its expansion in Southeast Europe. Up until now One Salonica Outlet's operation is successful.

JYSK -the Danish furniture company - opened its first store on the east side of Thessaloniki (Florida Park) next to IKEA. The store was the third one from the expansion of the company in Greece during the H2 2015. Its location seems to be ideal due to its close proximity with IKEA store and LEROY MERLIN.



Source: DANOS An Alliance Member of BNP PARIBAS REAL ESTATE

Jysk- Florida Park

Market Trends	
Rentals	→
Yield	→
Vacancy Rate	→
Absorption	→

Source: DANOS An Alliance Member of BNP PARIBAS REAL ESTATE

ProCredit Bank Thessaloniki

During H2 2015 many retail units in Thessaloniki were available which were leased by banks. According to its location, properties where either leased by new tenants or remained for disposal, mainly in the secondary markets of Thessaloniki.

Nevertheless ProCredit Bank of Bulgaria begun its operation with two new stores in Thessaloniki (13, Tsimiski str. and 54, 26th Octomvriou str.).

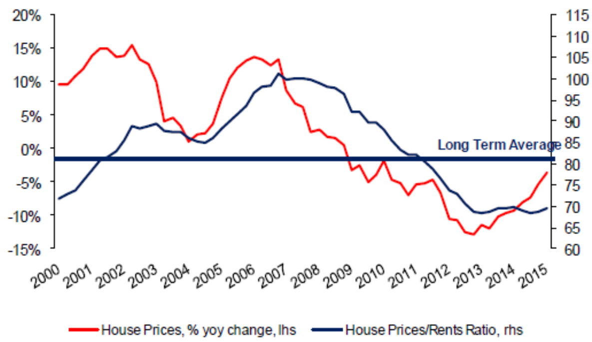
Residential Market

The housing market is in a downward trend with few completed transactions. The country's economic situation and the insufficient funding are the main factors of the limited demand.

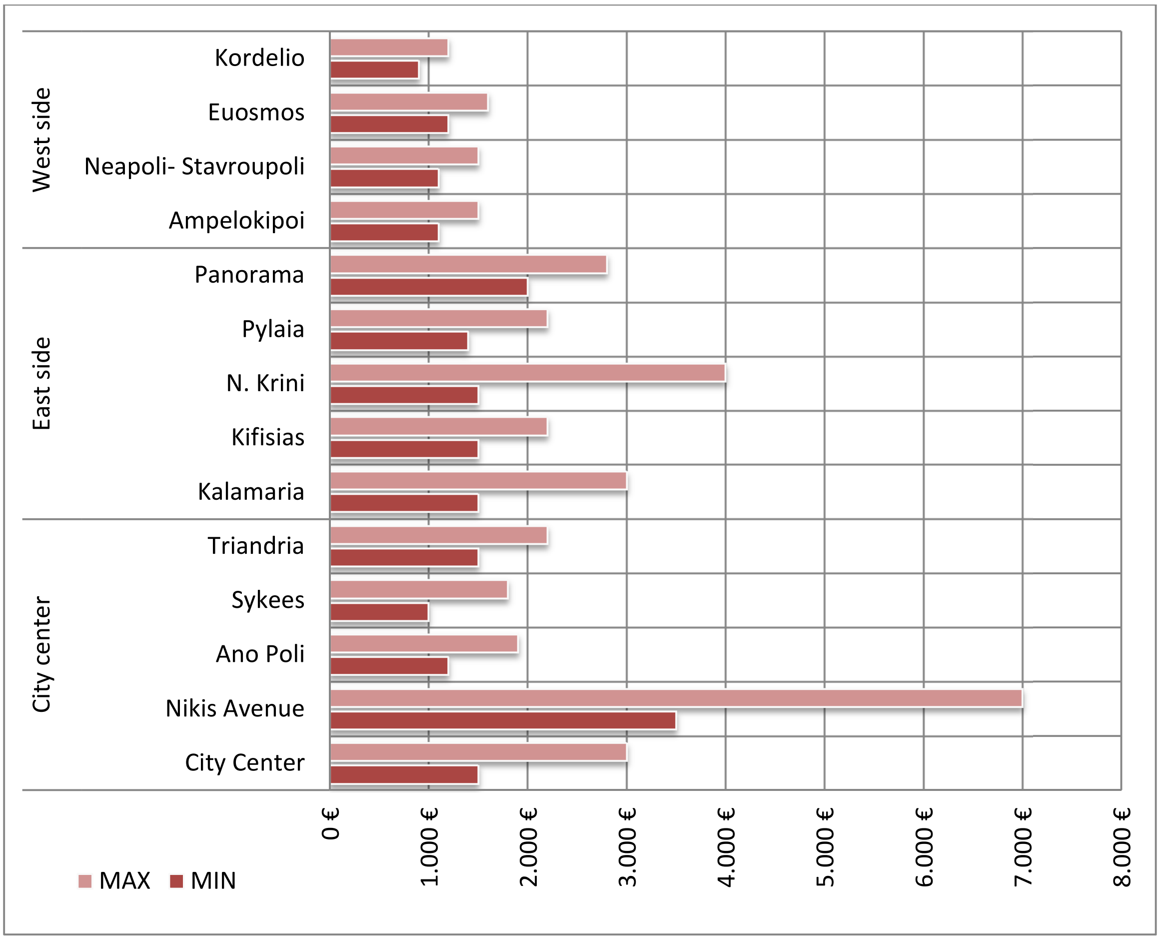
The increased property taxation is the major obstacle for aquisitions, either for ownership occupancy or as an investment asset.

To the diagram below, we summarize the minimum and maximum market asking prices in several areas of Thessaloniki. It concerns the new buildings (constructed during the last decade). It should be noticed though, that these prices are indicative and more based and adjusted to the property characteristics.

House Price Adjustment



Source: Bank of Greece



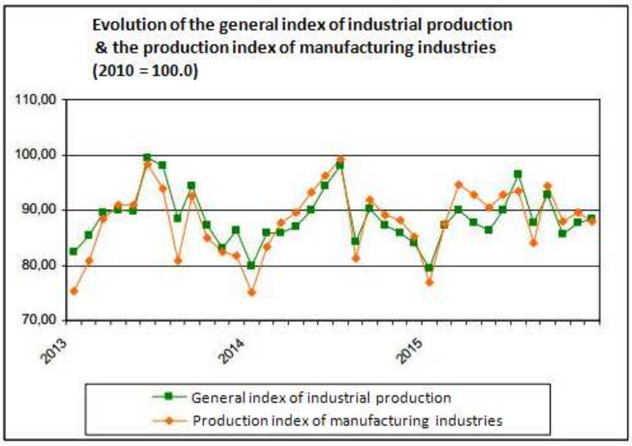
Source: DANOS An Alliance Member of BNP PARIBAS REAL ESTATE

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 & taxes.

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



	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 was no investment activity in the industrial & logistic sector in Thessaloniki area during H2 2015.		

MARKET TRENDS	
RENTALS	↘
YIELD	↗
VACANCY RATE	↗
ABSORPTION	↘

Hotel & Tourism

According to press articles, a very significant agreement was signed on the end of 2015, between SANI SA and IKOS SA., which both operate in Chalkidiki. The agreement aims to strengthen hotel brands Sani and Ikos, and expand their investment activities in the tourism market. Investments have already begun to Sani Asterias, Sani Club, Sani Marina and Ikos Oceania και Ikos Olivia, with a total budget of approximately €40 mn.

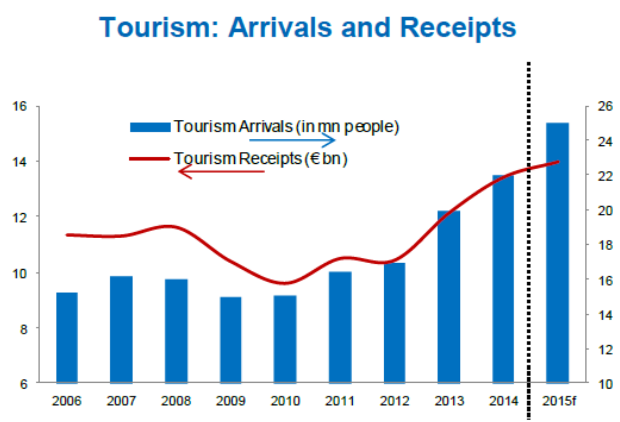
Sani resort

It should be mentioned that SANI SA took over the management of IKOS, which owns two luxury hotels in Chalkidiki (Ikos Olivia, Ikos Oceania).

Ikos Olivia Resort Sithonia

According to the president of the Hotel Association of Thessaloniki Mr Aristotelis Thomopoulos, the unstable political situation of the country affected the tourism of Thessaloniki during the summer period and September, mainly due to the capital controls. Most affected were the 4* and 5* hotels and less the 3* hotels of the town. In Thessaloniki Hotels there was an increase on the occupancy, during the first 8 months compared to the same period of 2014 (+7,57%, vs +18,87% on 2014 to 2013).

Also in Chalkidiki, there was an increase on the occupancy even though there were many cancelations from both Greek and foreign tourists. Its accessibility by car for the tourists from the Balkans is a huge advantage of the area.



Source: Bank of Greece, SETE

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