

THESSALONIKI PROPERTY MARKET

1st Semester 2016



Economic Overview & Indices

The outcome of the referendum in the United Kingdom in support of the exit from the European Union creates an unstable European environment, both economically and geopolitically with consequences that have not yet become fully evident. The diagram that Eurostat presents for years 2005-2015 shows the increased economy sizes since 2013. The impact of the exit decision will be shown later on 2016-2017.

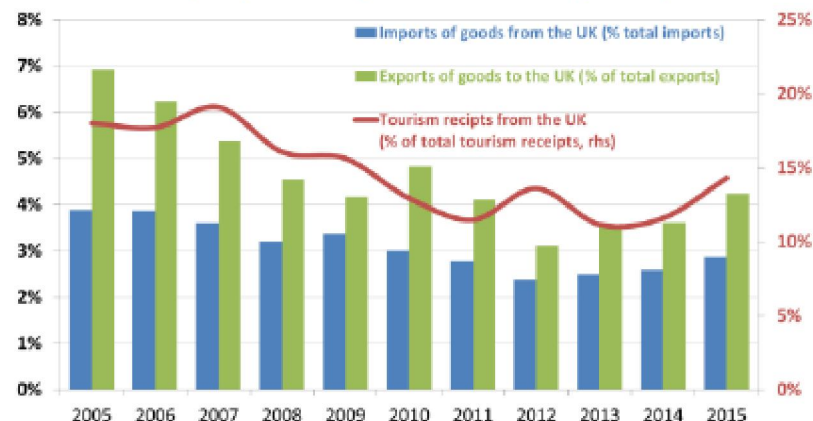
The conclusion of the first assessment of the adjustment program creates the market optimism that follows the payout of the first tranche of the 3rd program which is expected to bolster liquidity among businesses and, on the other hand, the concerns regarding the impact the new measures will have on the income of businesses and households.

Economic sentiment remained unchanged during June 2016 when compared to May (at 89.7). In spite of the decline of expectations in services and retail trade, business climate improved, as did consumer confidence (to -68 from -71.9 during the previous month), which, although remaining at low levels, improved for the second consecutive month.

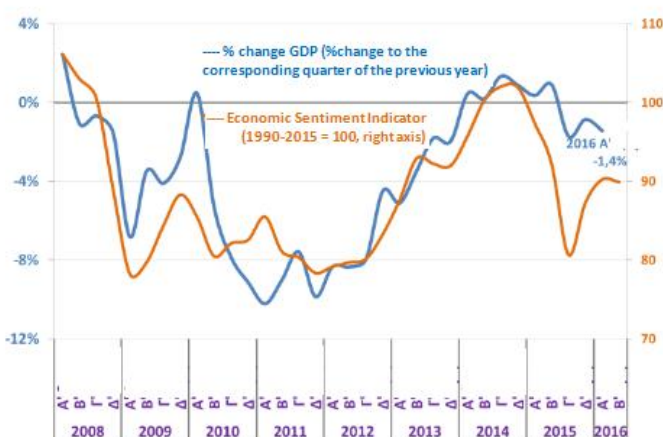
Economic indicators:

- Recession stood at -1.4% in the first 3 months of 2016, according to provisional data of ELSTAT, slightly stronger than the initial estimates (-1.3%), completing three consecutive quarters recession after six consecutive quarters development.
- Unemployment rate decreased at 23.3% in April 2016, from 23.7% in the previous month and 25.3% in the same month of 2015, showing a slight but steady decline. The youth unemployment rate also declined but remains at a very high level (47.4%).

Trade balance between Greece and United Kingdom & tourism receipts (Eurostat, Bank of Greece, 2015)



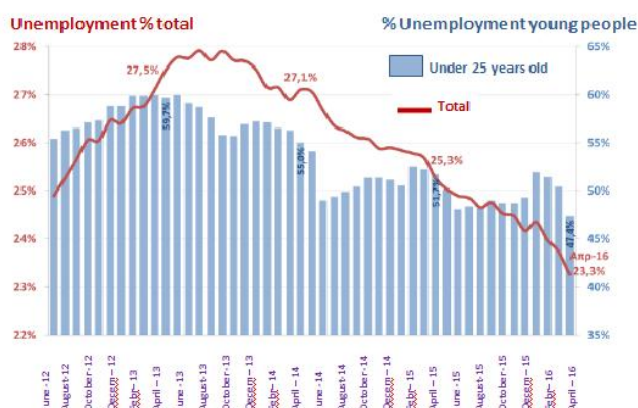
GDP GDP change and Economic Sentiment (ELSTAT A' Quarter 2016, IOBE, June 2016)



Source: SEB (July 2016)

EMPLOYMENT

% Unemployment (ELSTAT, April 2016)

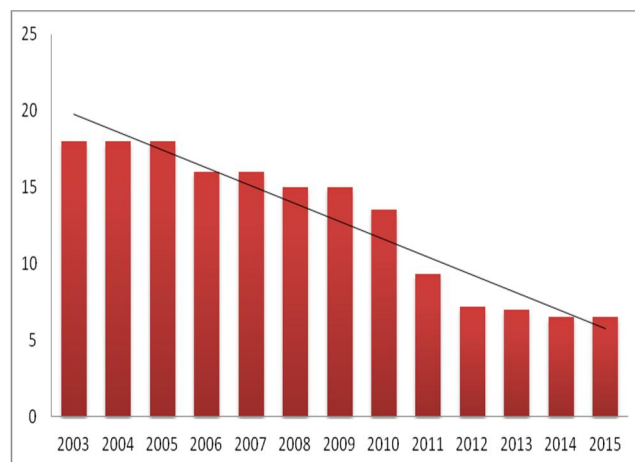


Source: SEB (July 2016)

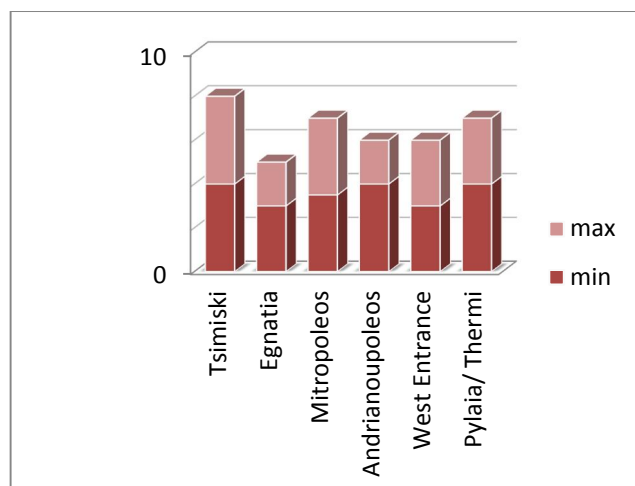
Office Sector

Thessaloniki's office is stable during the H1 2016. The main characteristics:

- ✓ Limited demand, especially from international companies.
- ✓ It is noted that many companies relocated to commercial streets, due to the fact that many renovated offices are available at lower prices.
- ✓ The requirements of the potential tenants are even higher at this period, especially as far as the office maintenance and services concern.
- ✓ The period favours the expansion to larger office spaces, due to the high supply.
- ✓ 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 properties, while few international companies operate in the city and attract investor's interest.
- ✓ Compared with 2015, market rents remain stable as the following table depicts.

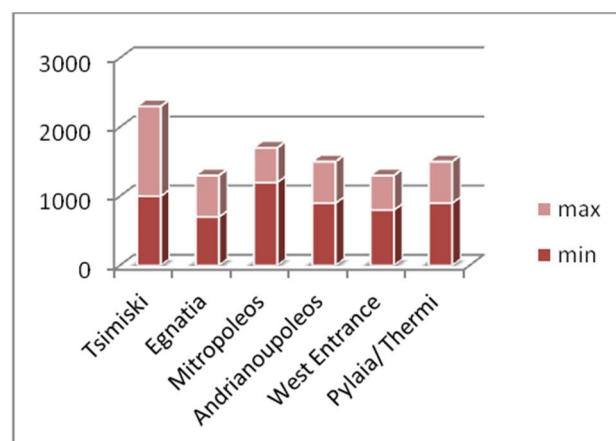


Office rents 2003-2015



Prime Office rents H1 2016

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



Prime Office Sales H1 2016

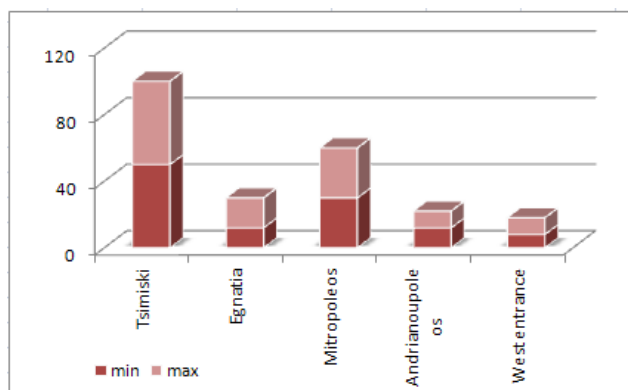
Retail Market

Since H2 2015 the retail market entered into a recovery period. The first sign was the vacancy rates on the prime retail streets which have been decreased. During the H1 2016, a slight increase on the rentals is noted.





During H1 2016, Ilectroniki Athinon, one of the most important retail chains on electrical equipment stopped operating. The company started to face financial difficulties mostly since the summer of 2015 when capital controls were imposed in Greece. The competition in the sector is strong and the private consumption limited.

The activity of the retail units which function in to a shopping mall or retail parks, remain successful.

One Salonika, outlet mall, which is located on the west entrance of Thessaloniki retains its successful activity after a year from its opening. The mix of the retail use and the events that take place during the year are some of the success keys of this project.



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

Masoutis S.A. is the biggest super market chain of the northern Greece, with 261 spots. The company is going to conclude an investment of €20million, concerning the renovation of its shops.

It is worth mentioned that during this financial crisis, Masoutis S.A. maintains and increases its share of the market and invests in new special applications [Business IT Excellence (BITE) Awards 2016].

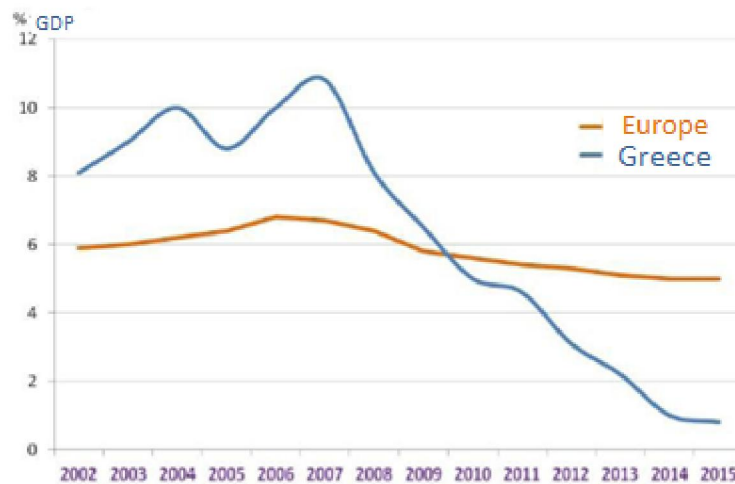
Residential Market

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 acquisitions, either for ownership occupancy or as an investment asset.

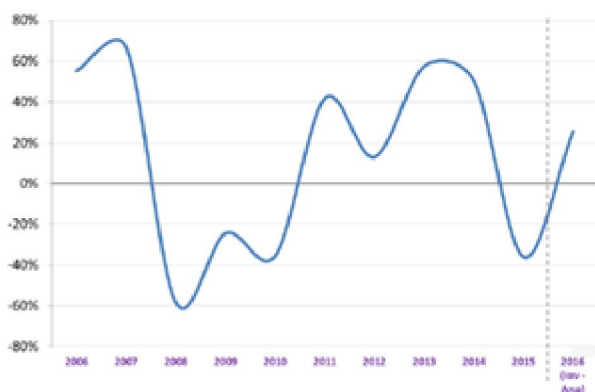
Also there is a reduction on the construction of new properties, which gradually will lead to a balance between demand and supply.

Residential Investment (Greece, Europe)
(Eurostat, 2015)



Residential investments as a share of GDP have declined in Greece by 10.8% in 2007 to only 0.8% in 2015. Milder reduction occurs in the Eurozone average.

Net inflow of funds from abroad to buy real estate in Greece
yearly % change (Bank of Greece, April 2016)



On the other hand, an increase of + 25.8% in the period of January - April 2016 (after an increase of + 15.1% in the period January-March 2016) is noted to the inflow of foreign funds who buy real estate in Greece. This trend is very encouraging for the progress of the sector in Greece as supply decreases by the inflow of foreign capital in the country.

The housing market from foreigners for Northern Greece, concerns mainly the tourism areas (Chalkidiki, Thasos) and less major towns.

Logistics & Industrial Market





The Greek state portofolio contains twelve (12) ports in the form of Societe Anonyme, namely the ports of Piraeus (OLP), Thessaloniki (OLTh), Volos, Rafina, Igoumenitsa, Patras, Alexandroupoli, Iraklio, Elefsina, Lavrio, Corfu and Kavala.

HRADF owns 74% of OLP and OLTH shares (both listed on the Athens Stock Exchange).

The privatization of the Thessaloniki port, which is expected to be completed in H2 2016, of the airport and of TRAINOSE, would aim to create synergies that will upgrade the location of Thessaloniki and Northern Greece and develop combined transport that will bring a better communication and contact with the rest of Europe.

By this logic, it is expected that the sector of Logistics and industry will flourish again as the position of Thessaloniki is unique.

	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 H1 2016.		

MARKET TRENDS	
RENTALS	
YIELD	
VACANCY RATE	
ABSORPTION	

Source: DANOS An Alliance Member of BNP PARIBAS REAL ESTATE



Hotel & Tourism

As far as Thessaloniki is concerned, according to a Thessaloniki Hotel Association research (www.tha.gr), the overnight staying in Thessaloniki during H1 2016 has increased slightly (2.81%). During that period it was observed a reduction of road arrivals, caused mostly by rural mobilization and deployment of refugees in Idomeni. On the other hand, acts of terrorism that occurred in other countries have created uncertainty to the tourists who seek security in their holiday time.

In late May, the 5* hotel Miraggio Thermal Spa Resort started its operation. This is an investment of 120 million euros made by the company Med Sea Health, with main investor the Greek- Russian businessman Andrew Ragoti. Its construction began in 2014 and ended with the construction of the marina which has the largest pier in kind (110 meters long) in Greece. For this project the company cooperated with the Aristotle University.

Another investment, which, according to paper announcements, exceeded the 15 million Euro is the one of Emmanuel Ledaki, in order to develop a 5* hotel in the listed tobacco warehouse Spirer in Drama.

The **Hydrama Grand Hotel**, overcame the bureaucratic difficulties and the technical requirements for such a major project and opened its gates in H1 2016. It is a listed building of 7,500 sqm building area.

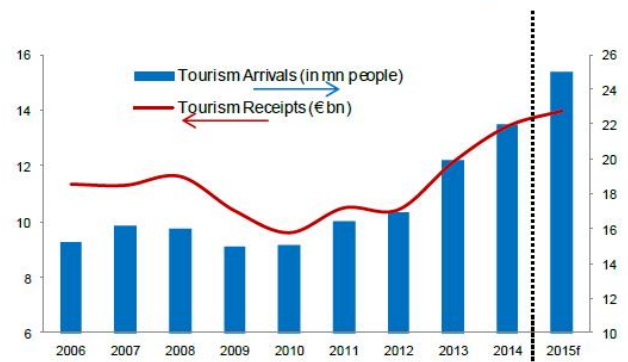


Miraggio Thermal Spa Resort



Hydrama Grand Hotel

Tourism: Arrivals and Receipts



Source: Bank of Greece, SETE



GREECE

Athens

15 Vouliagmenis Ave., 116 36
Tel: +30 - 210 7 567 567
Fax: +30 - 210 7 567 267
Email: office@danos.gr

Thessaloniki

4 Ionos Dragoumi Str., 546 24
Tel: +30 - 2310 244 962,3
Fax: +30 - 2310 224 781
Email: info.thes@danos.gr

Crete - Chania

3 Iroon Polytechniou Street, 731 32
Tel: +30 - 28210 50900
Fax: +30 - 28210 59700
Email: info.crete@danos-melakis.gr

Crete - Herakleio

7 D. Beaufort Str.
Tel: +30 - 2810 282822
Fax: +30 - 2810 282822
Email: info.crete@danos-melakis.gr

www.danos.gr

CYPRUS

Nicosia

35 I. Hatziosifos Ave., 2027 Strovolos
Tel: +357 22317031
Fax: +357 22317011
Email: sales@danos.com.cy

Limassol

69 Gladstonos Str., 3040 Acropolis Centre,
Shop 10
Tel: +357 25343934
Fax: +357 25343933
Email: limassoldanos@danos.com.cy

www.danos.com.cy

SERBIA

Belgrade

3 Spanskih boraca Str.
11070 New Belgrade
Tel.: +381 11 2600 603
Fax.: +381 11 2601 571
Email: office@danos.rs

www.danos.rs

DISCLAIMER

This report is published for general information only. Although high standards have been used in the preparation of the information, analysis, view, and projections presented in this report, no legal responsibility can be accepted by DANOS or BNP PARIBAS RE for any loss or damage resultant from the contents of this document. As a general report this material does not necessarily represent the view of DANOS or BNP PARIBAS RE in relation to particular properties or projects. Reproduction of this report in whole or in part is allowed with proper reference to DANOS Research.

www.danos.gr

www.realestate.bnpparibas.com
