



Danos

INTERNATIONAL PROPERTY
CONSULTANTS & VALUERS

PROPERTY MARKET

ATHENS

1st semester 2018



An alliance member of
 **BNP PARIBAS
REAL ESTATE**

Economic Overview & Indices

The upward trend of the economy continued for the fifth consecutive quarter. Specifically, in the first quarter of 2018 real GDP grew by 0.8% compared to the fourth quarter of 2017, compared with the first quarter of 2017, showing an increase of 2.3%, which is the highest yearly.

According to the Bank of Greece estimates, economic activity is expected to accelerate over the medium term. GDP growth rates of 2.0% and 2.3% are projected for the years 2018 and 2019 respectively.

The inflation, as it is recorded by the harmonized index of Consumer Prices, came into positive numbers in 2017 (1.1%) 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.

Employment is expected to continue to grow as economic growth returns to positive growth, while the institutional framework in the labor market, following the implementation of structural reforms over the past years, is expected to continue to positively influence employment further, it is projected that the unemployment rate in 2018 will fall below 20%.



A critical condition for the Country's development, is *taxes reduction*

Changing the fiscal adjustment mix is a necessary condition for accelerating the development process in the post-memorandum, Alpha Bank notes. A key component of such a policy is a tax reform, which could include lower rates, simplification of the tax system and widening of the tax base through tax evasion. As stated in the bank's analysis, the completion of the third program, debt relief measures and a credible supervisory framework ensuring its sustainability over the medium term form a new landscape in which economic policy priorities need to be redefined.

The goal of faster growth in the Greek economy, which will bring it back to convergence with the other countries of the Eurozone, is de facto the focus of economic policy planning. In this endeavor, fiscal policy should be as helpful as possible. In 2017, the high primary government surplus, which exceeded the target by 2.45 percentage points of GDP, is attributable to high taxation and expenditure cuts, particularly the Public Investment Program.

Despite maintaining the very high targets for primary surpluses, the likelihood of their overruns and, consequently, the creation of budgetary space remains high.

The way of using the financial space is crucial. The choice of gradual reduction of tax rates and insurance contributions, on the one hand, directly boosts economic activity and, on the other hand, further strengthens investor confidence.



Office Market Overview

The office sector in general has been stabilized. Rental prices in prime office locations have been stable in general and fluctuate between 8 € and 19 €/sqm with few exceptions. Major Avenues like Syggrou have seen a slight decrease of activity and therefore in price levels while other business districts have seen quite some transactions.

In the relevant graph we can see the Rental Values and the price range for various prime location buildings. The price difference indicates the various qualities of buildings and the major inefficiency in the market due to low transaction volume.

Prime yields remain between 7.5%-9% with some transactions to be recorded during this period in that range.

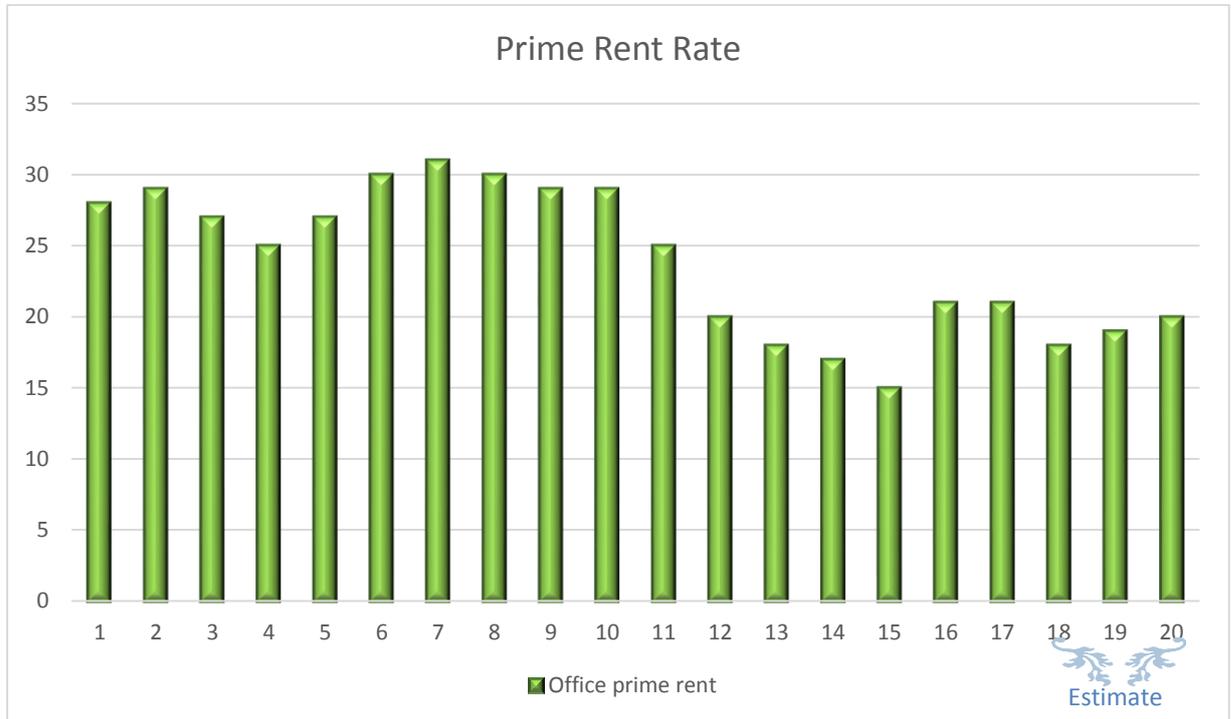


	Grade A			Grade B			Grade C		
	Rent	Yield	Vacancy Rate	Rent	Yield	Vacancy Rate	Rent	Yield	Vacancy Rate
Athens Center (C)	18	8.00%	6%	12	8.75%	24%	8	9.50%	25%
Athens West (W)	11	8.75%	n/a	8	9.50%	n/a	5	11,00%	n/a
Athens North (N)	16	7.75%	8%	10	8.50%	20%	7	9.50%	35%
Athens South (S)	14	8.25%	12%	9	9.00%	25%	6	10,50%	35%
Piraeus	12	8.50%	10%	9	9.25%	30%	6	11,00%	50%

Source: DANOS – an alliance member of BNP PARIBAS REAL ESTATE

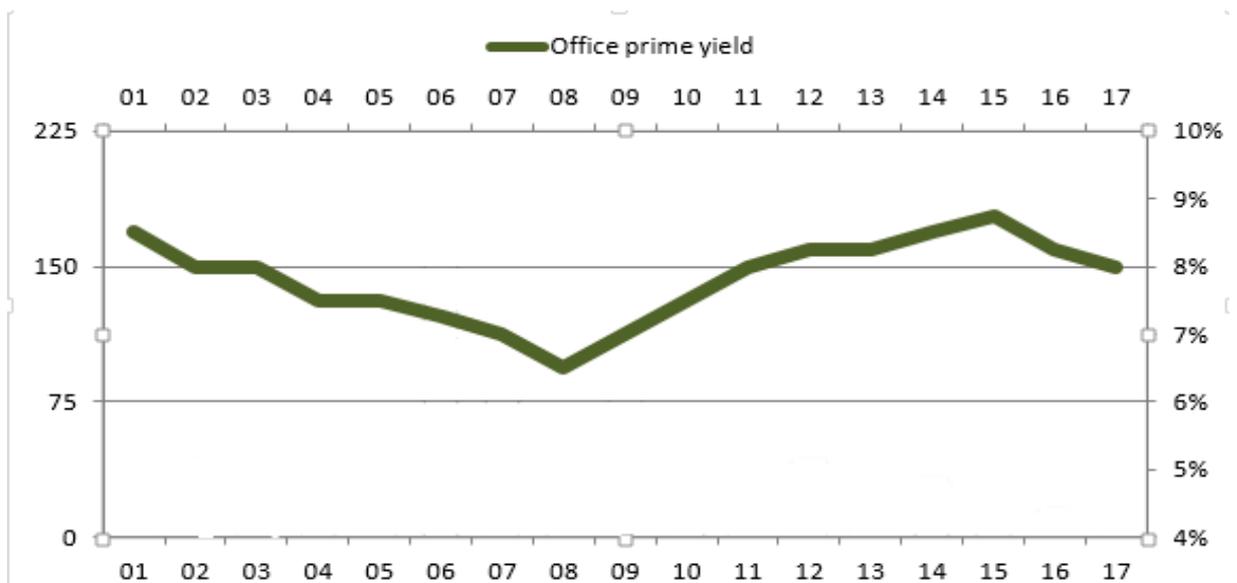
Overall and in 2018, rental levels will follow the general economic trend and are expected to increase together with the wider financial growth of the economy.

Prime Rent – Vacancy Rate



Source: DANOS – an alliance member of BNP PARIBAS REAL ESTATE

Prime Investment & Yield



Source: DANOS – an alliance member of BNP PARIBAS REAL ESTATE

Supply & Demand

In the greater Athens area the total Grade A and B office stock is ca. 2 million sqm mostly concentrated north and in the wider CBD area. The consecutive fall in rental values since the credit crunch in 2008, led to Grade A and Grade B office accommodation in prime locations becoming more affordable.

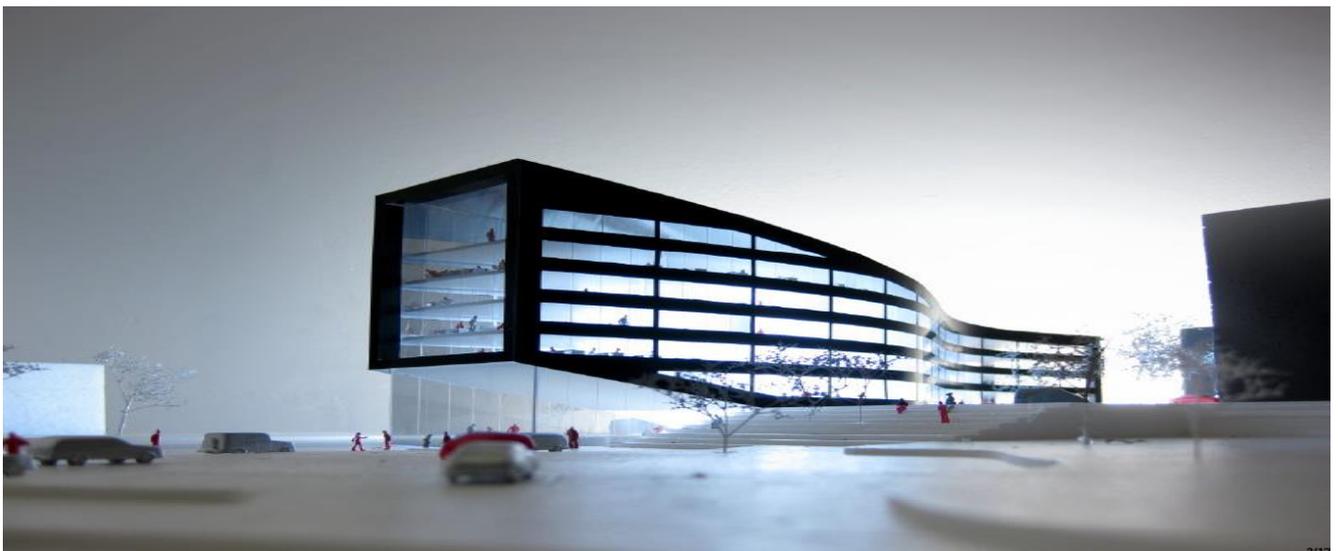
The outcome of this imbalance created an increase in demand for Grade A office space in prime locations and an excessive supply of Grade C office space, where also an upgrade of the space could be required (in return for rent free periods, in case the investment is covered by the tenant).

As such there is little supply and high demand for Grade A and B offices in the city of Athens, especially in prime locations, while on the other hand there is large supply of and almost zero demand for Grade C and D office space.

Vacancy rates of Grade A and B buildings are much lower than the vacancy rates of ageing Grade C and D offices.

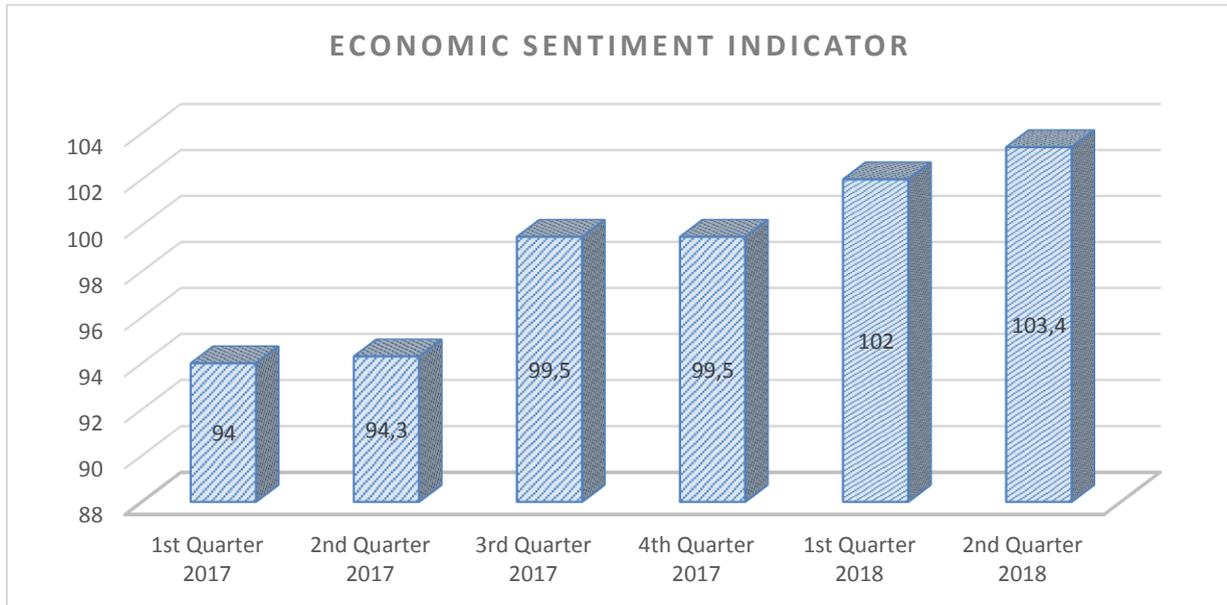
	Rents	Yields	Demand	Supply
Grade A				
Grade B				

Source: DANOS – an alliance member of BNP PARIBAS REAL ESTATE



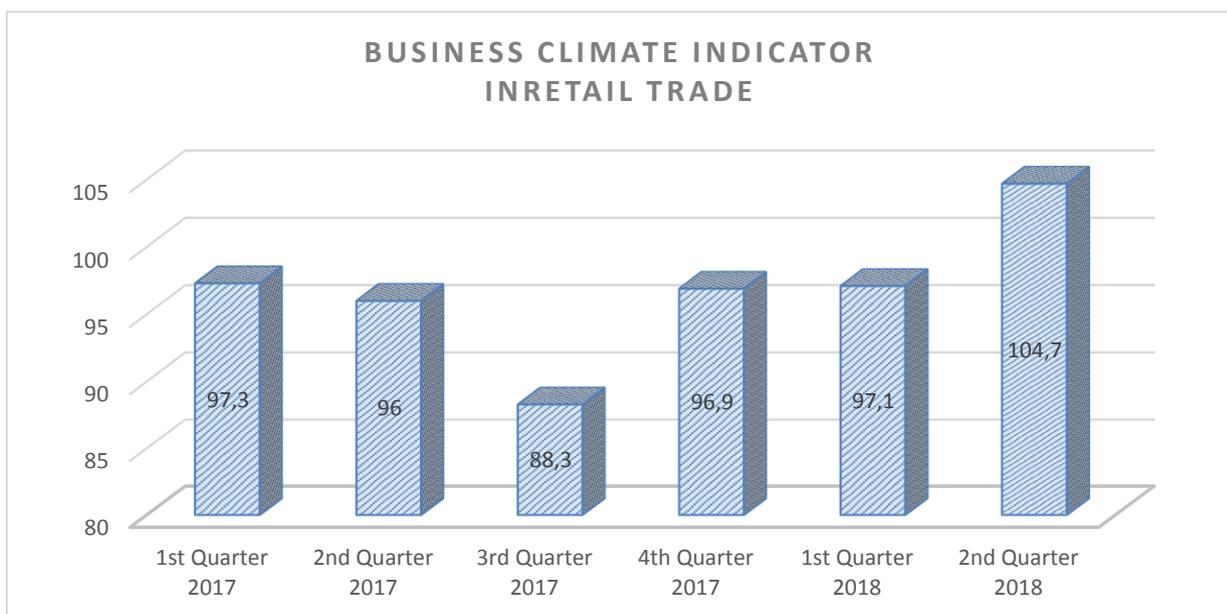
Retail Market

The Economic Sentiment Indicator increased in Greece in the first six months of 2018, quarter on quarter and year on year (to 103,4 from 102 and 94,3 points respectively).



Source: European Commission, DG ECFIN, IOBE

The Business Climate Indicator in Retail Trade increased, the first six months of 2018, quarter on quarter in the second quarter to 104,7 (from 97,1) points, at a similar level year on year (from 96).



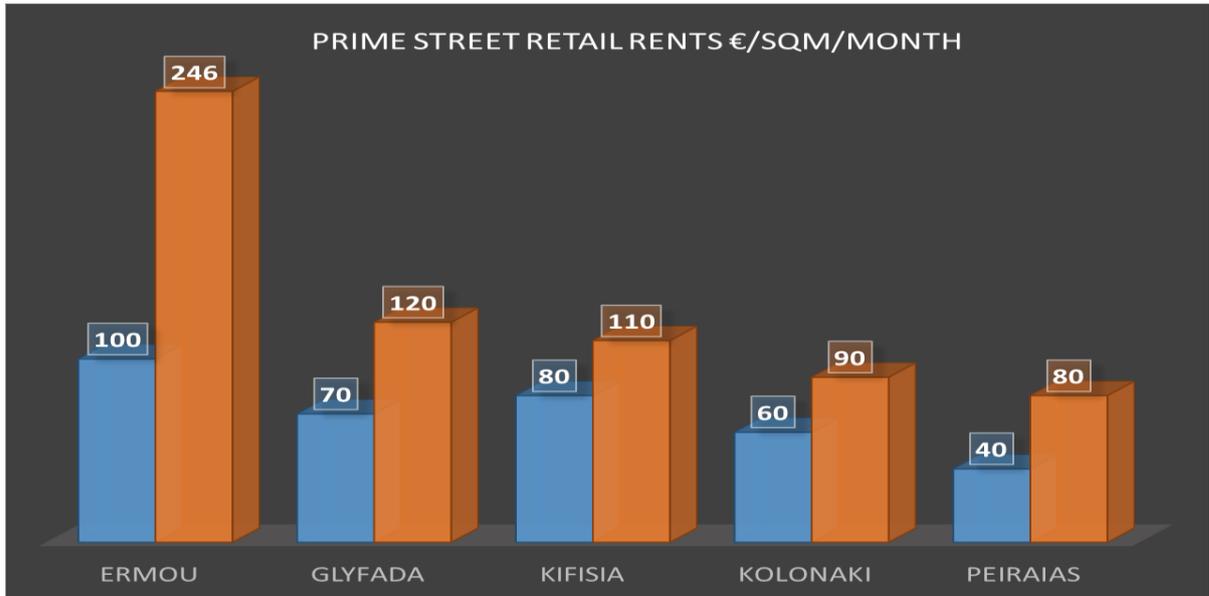
Source: European Commission, DG ECFIN, IOBE

Retail sales in Greece increased 1.3 percent year-on-year in April of 2018. Retail Sales YoY in Greece averaged -0.71 percent from 2001 until 2018, reaching an all-time high of 13.60 percent in December of 2006 and a record low of -19.40 percent in December of 2010.



Source: TRANDINGECONOMICS.COM | NATIONAL STATISTICAL SERVICE OF GREECE

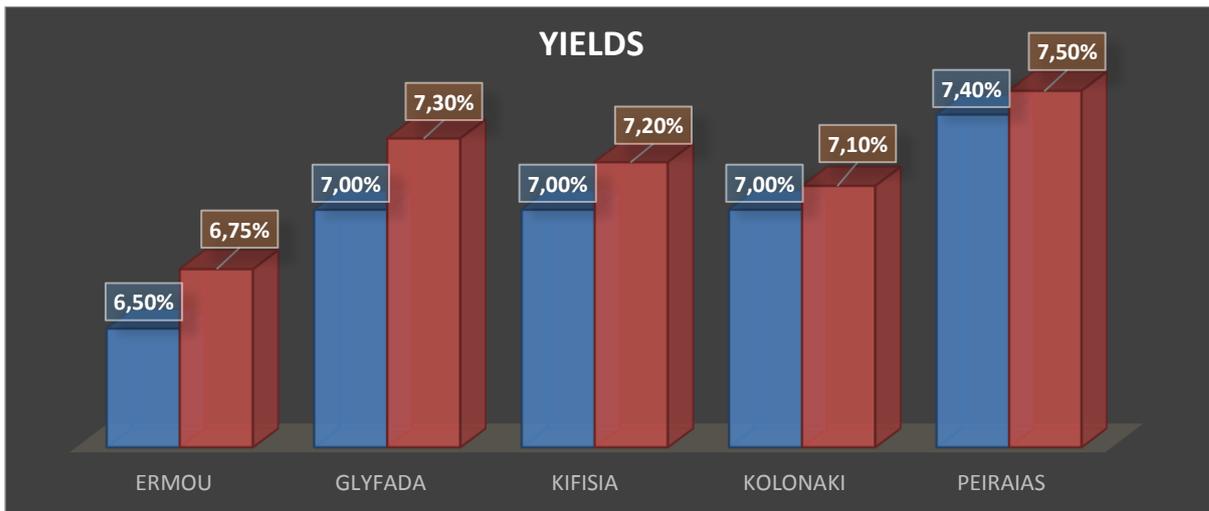
The demand of the main Greek & multinational commercial companies were rose mainly in prime retail markets. In the center of Athens on Ermou street the great demand resulted in the renting of a store with a monthly rent of 408 € / sqm and in a second case 246 € / sqm, there is also an increased interest in the rental of shops in the area near Omonia with the new arrivals of Galerie De Beaute & Tiger, completing the presence of Zara, H & M, Sfera, Hondos Center, Zackret, NYX and Calzedonia . Rents remained stable both in prime and secondary markets. Key money came back, but only for shops in prime locations. The percentage of empty stores in prime locations & shopping malls is still decreasing. Yields in Ermou str. range from 6.25% to 6.75%, while in other prime locations yields range between 7% -7.5%.



Source: DANOS – an alliance member of BNP PARIBAS REAL ESTATE

MARKET TRENDS	
RENTALS	↗
YIELD	↘
VACANCY RATE	↘
ABSORPTION	↗

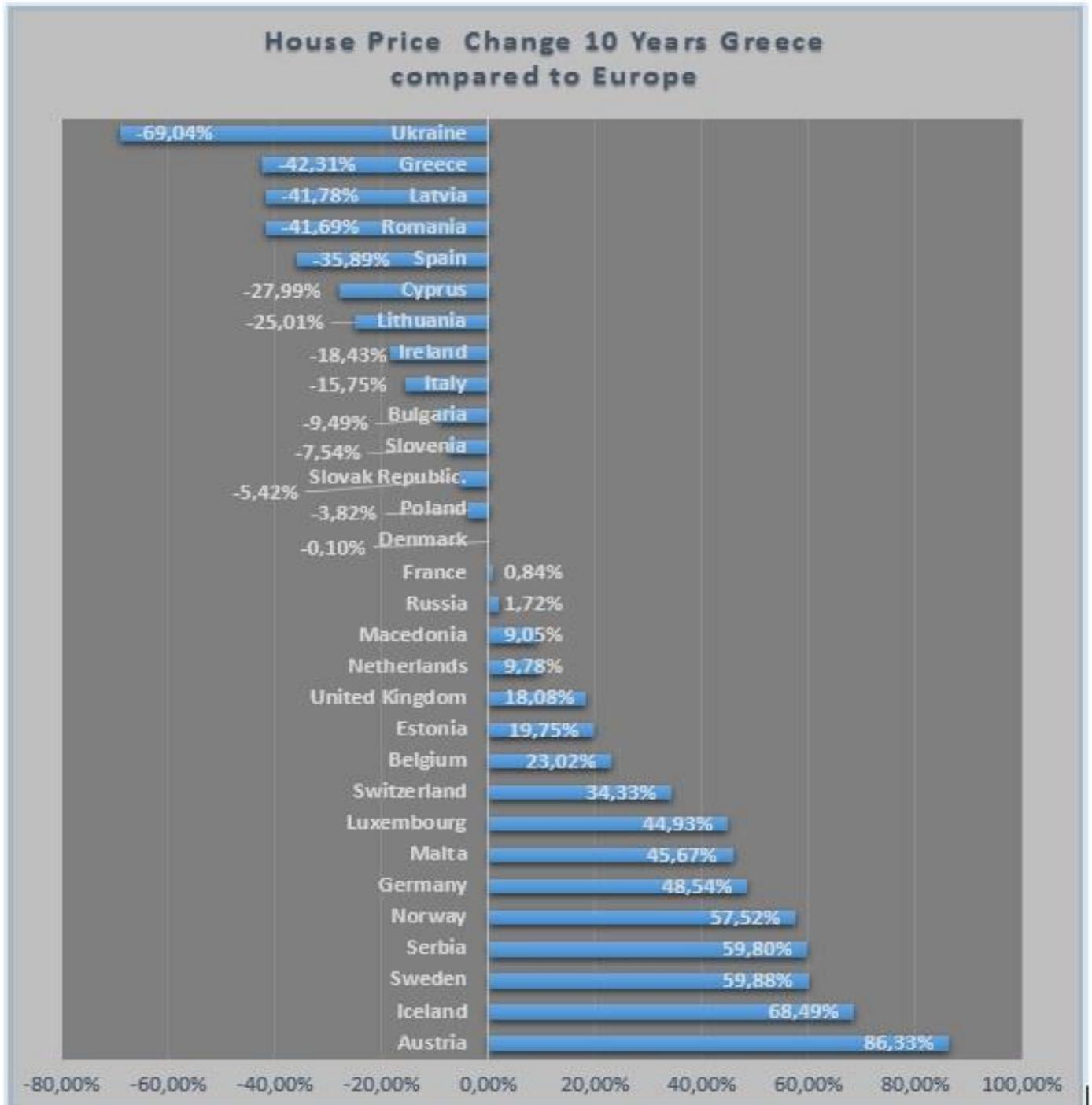
Source: DANOS – an alliance member of BNP PARIBAS REAL ESTATE



Source: DANOS – an alliance member of BNP PARIBAS REAL ESTATE

Residential Market

Residential prices in Greece, the last decade have decreased by -42,31%, as shown below. They have experienced the second largest decline among European Countries, after Ukraine, where the decrease is -69,04%, while the largest increase has been recorded in residential prices in Austria +86,33%.

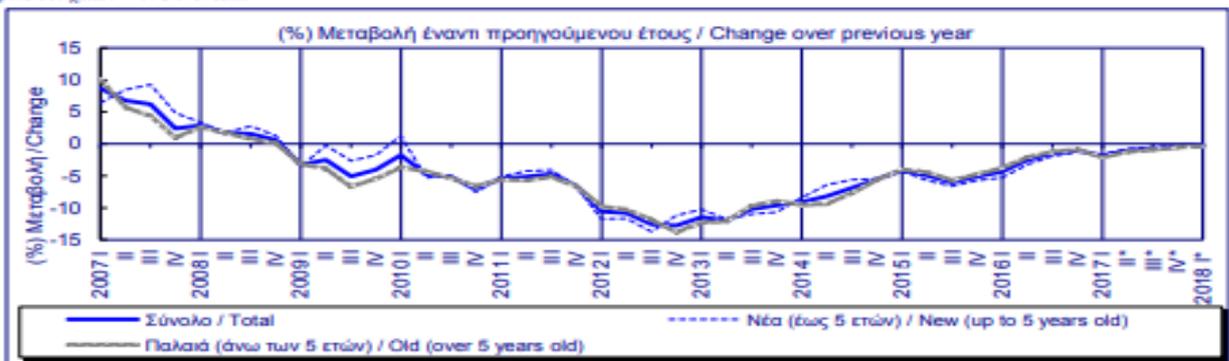


Source : Global Property Guide

Gradually the price decrease improved from 10.8% in 2013 to 2,4% in 2016 and 1% last year, while economists expect a price balance soon.

Low prices attract foreign investors such as Chinese, Russian, Israeli and others, who buy the available units, mainly in the area of the historic center of Athens, with the main target, after purchasing them, their management through Airbnb, Booking and other similar platforms. Greece's first-in-demand area for accommodation for Airbnb is Koukaki.

Πηγή: Τράπεζα της Ελλάδος, στοιχεία που συλλέγονται από τα πιστωτικά ιδρύματα. / Source: Bank of Greece, data collected from the MFIs.
*Προσωρινά στοιχεία. / Provisional data.



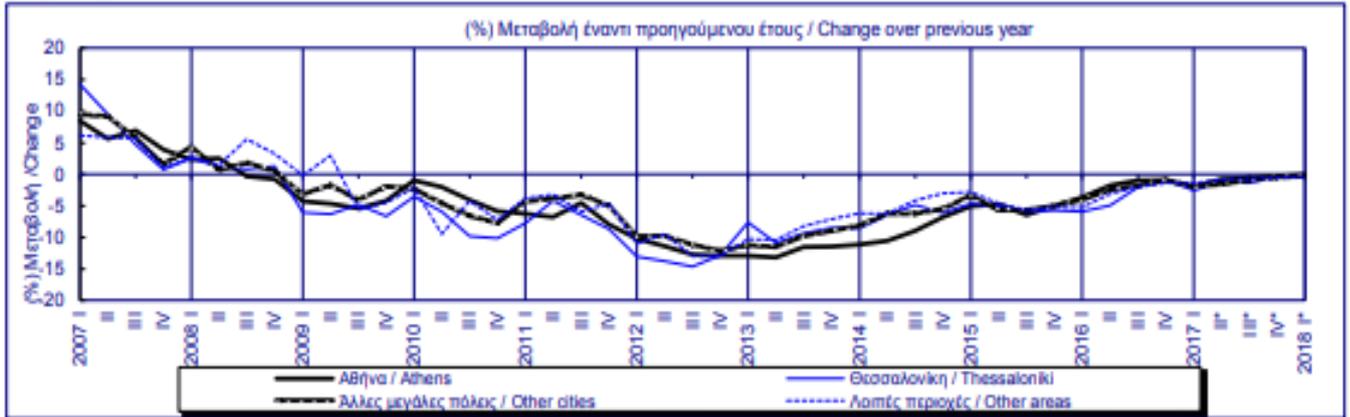
This has the effect of reducing the available apartments for rent in the center of Athens, especially in areas of the historical center such as Koukaki / Makrygianni, Syntagma, Monastiraki, Plaka, Psyrri, Philopappou, Acropolis, Thissio, Petralona, Metz, Fakx, Kolonaki, Lycabettus, Ilisia, Pagrati, or even Exarcheia, where the residential units supply for rent is very low, and the rental values are increasing.



According to the data collected by credit institutions, the residential nominal unit prices are estimated to have marginally decreased by an average of -0.2% in the first quarter of 2018 all over Greece, in particular -0.1% in the apartments up to 5 years and -0,3% in apartments over 5 years old. The change compared to last year is for Athens -0.1%, Thessaloniki -0.3% & in other areas -0.3% to -0.4%.

Πηγή: Τράπεζα της Ελλάδος, στοιχεία που συλλέγονται από τα πιστωτικά ιδρύματα / Source: Bank of Greece, data collected from the MFIs.

*Προσωρινά στοιχεία / Provisional data



The Residential yields in Athens range from 3,5% to 4,15% and in detached houses from 4,4% to 4,50%, while in the luxury tourist destinations of Greece, the yields of holiday homes available for rent, with a surface of more than 200sqm and a swimming pool are in Mykonos 8.5%, in Santorini 6.5% and in Rhodes 5.5%.



Logistics & Industrial Market

The market is characterized as a good activity with some new leasing deals occurring.

The take up of logistics space, that showed a positive trend, the lack of added supply, but also parameters like the increase of E-Commerce business and the privatization of the two major Greek Port Authorities, are leading to a conformity, that also in this asset class the rental values will probably increase, especially for the highquality product.

Prime rents are 2,50 €/sqm/month for industrial space in Athens and 3 – 4 €/sqm/month for logistic space and expected to remain stable.

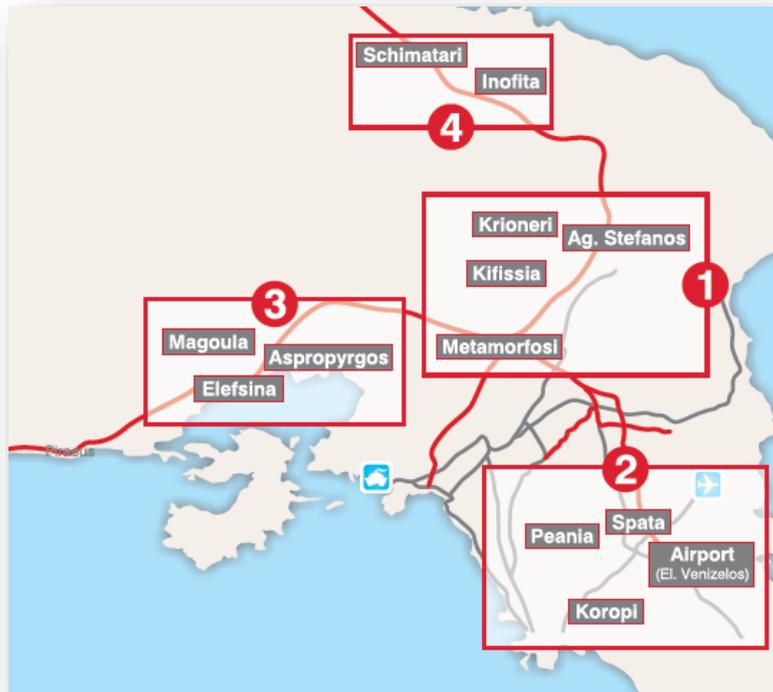
Based on the World Bank's LPI, Greece from its 47th position in 2016 climbed to 42th in 2018 among 160 countries included in the study by the World Bank. Germany held the top spot and in 2018 the best performers.



Source: DANOS – in alliance with BNP PARIBAS REAL ESTATE

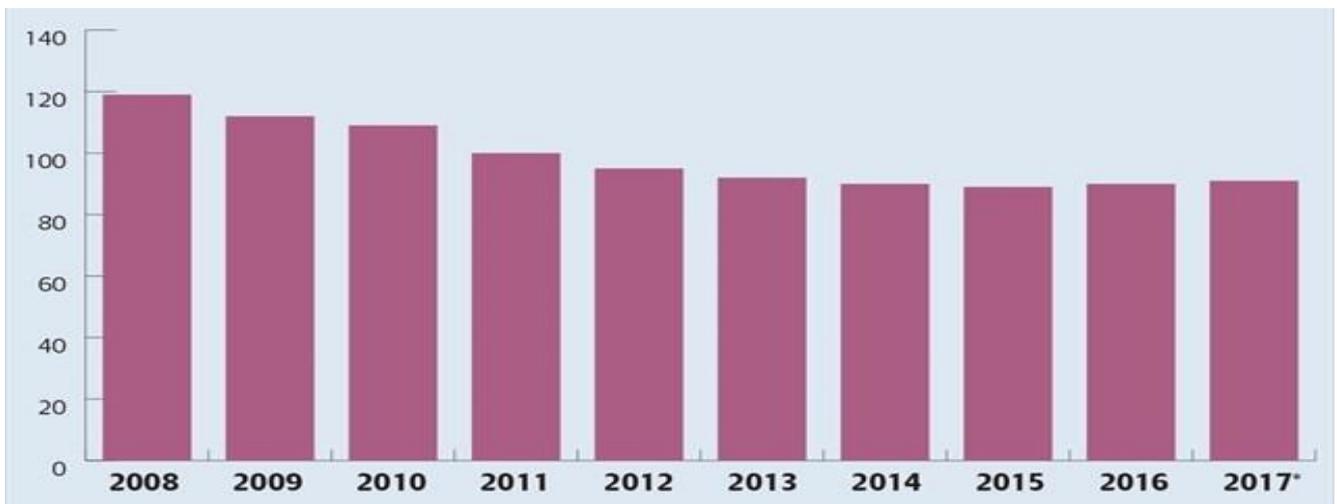
Athens Logistics & Industrial Map

The overall domestic market for 3PL services increased over the period 1998-2008 with an average annual growth rate of 19.7%. However, since 2009, it has started to show a downward trend, which is estimated to have stalled in 2016. It is worth noting that the total value of the 3PL market has cumulatively lost almost a quarter of its value in 2016/2008, showing a cumulative reduction 24% in the period 2008-2016.



- Athens North (1)**
 - Metamorfoosi
 - Kifissia
 - Krioneri
 - Agios Stefanos
- Athens East (2)**
 - Koropi
 - Spata
 - Markopoulo
 - Peania
- Athens West (3)**
 - Aspropyrgos
 - Magoula
 - Elefsina
- Viotia (4)**
 - Oinofyta & Schimatari

The Evolution of the domestic market size 3PL (2008-2017)



Hotel & Tourism

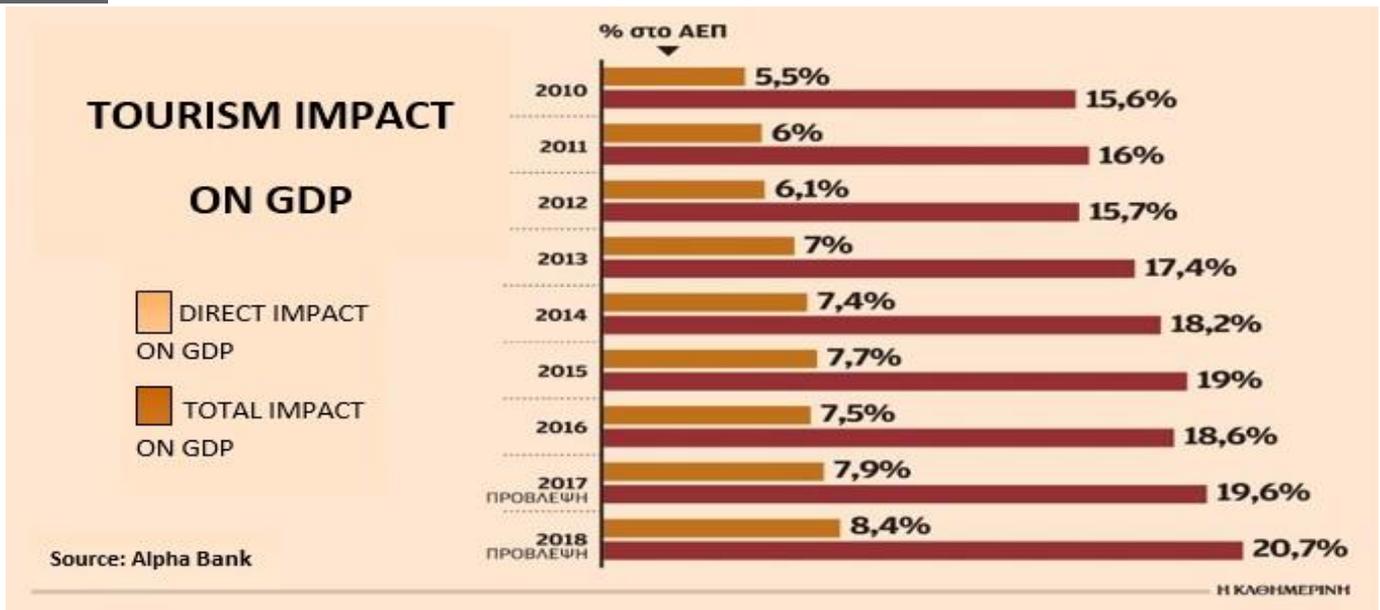
The Greek tourism industry continues to pose a positive sign and give optimistic messages in 2018.

From Civil Aviation Authority's statistics for the first half of 2018, it is clear that the air traffic of our country is booming with a significant increase in arrivals and passenger traffic at all airports.

More specifically, the number of passengers traveling is more than 2,330,860 compared to the same period last year. In particular, at Eleftherios Venizelos airport, in the January-July 2018 period, the traffic reached 13.3 million passengers, marking a double digit increase (+ 11.1%), with both domestic and foreign traffic increasing, in the order of 3.7% and 15%, respectively. Also, according to data from the Bank of Greece for January-July 2018, there was an increase in travel receipts of 23.1% (compared to the corresponding period of 2017), indicating that also the average cost per arrival is increasing.

Athens Hotels market continues to show a positive trend in terms of bookings and prices, resulting in an increase of RevPAR (Revenue Per Available Room) in the first half of 2018 by 13.5% (compared to the same period of 2017). The significant improvement of the climate in the hotel sector as well as the slow but stable introduction of Athens as a city break destination is also apparent from the significant demand of either ready-made hotel units or real estate assets, that can be converted into tourist accommodation (hotels / serviced apartments etc.) by investors, as well as the increase in the arrival of major brands in Athens and other tourist destinations.





Among the most important agreements recorded in the first seven months of 2018, the following could be mentioned:

- The acquisition of 70% of the share capital of "GOLF RESIDENCES SA" (company of the Sbokos family) by "Evergolf Tourist Investment SA" (Vassilakis family's company). This company owns 5 hotels in Crete with a total capacity of approximately 1,200 rooms.
- The acquisition of LAKITIRAS SA (owner of 3 hotels in Kos, with a total capacity of approximately 700 rooms) by the ATLANTICA HOTELS-TUI consortium against 62.9 million €.
- Acquisition of the hotel MELI PALACE in Crete (capacity of 158 rooms) by GRIVALIA HOSPITALITY, against € 9 million (with the prospect of paying a further € 4 million, after fulfilling specific terms).
- The acquisition of Amanzoe in Porto Heli by GRIVALIA HOSPITALITY by DOLPHIN CAPITAL INVESTORS, in an agreement worth more than € 82 million (including current debts).
- The strategic partnership of HARVARD INVESTMENT GROUP (HIG) with the ALDEMAR Group

Especially in the Athens area:

-The agreement was concluded and the contract for the long-term lease of the building on Kriezotou and Panepistimiou streets was signed by LAMPSA SA. The building will be converted into a hotel of approximately 170 rooms under the management of ACCOR HOTELS GROUP with the advent of the brand MGALLERY.

- ZEUS INTERNATIONAL continues its dynamic cooperation with WYNDHAM HOTEL AND RESORTS starting the operation of 3 new units in Attica, namely DOLCE ATTICA RIVIERA in Vravrona, RAMADA ATTICA RIVIERA in Nea Makri and WYNDHAM RESIDENCES AND SUITES at Karaiskakis Square, presenting more than 900 new rooms.

- The former ATHENS LEDRA, owned by HINES and HENDERSON PARK, will operate in August under the management of KOKKARI LTD and under the brand name GRAND HYATT (just the third HYATT franchise project in Europe).

- MARRIOTT is also continuing its expansion to Athens and after the management of the former METROPOLITAN HOTEL and its operation as MARRIOTT HOTEL, it has also negotiated with YAZBEK GROUP for the management of a hotel unit in a building on the streets of Akadimias and Omirou under the name ACADEMIA OF ATHENS AUTOGRAPH COLLECTION.

The forecasts remain auspicious and SETE's target is that in 2021 arrivals will exceed 35 million tourists and revenue will reach 20 billion (taking into account the results of an earlier study by PWC / RiMaKo), but special attention should be paid to the recovery of neighboring areas, which are also showing positive developments and to the structural problems of Greek tourism (seasonality, thematic tourism development, product quality, etc.).





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