



THESSALONIKI PROPERTY MARKET

1st Semester 2018



Economic Overview

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.

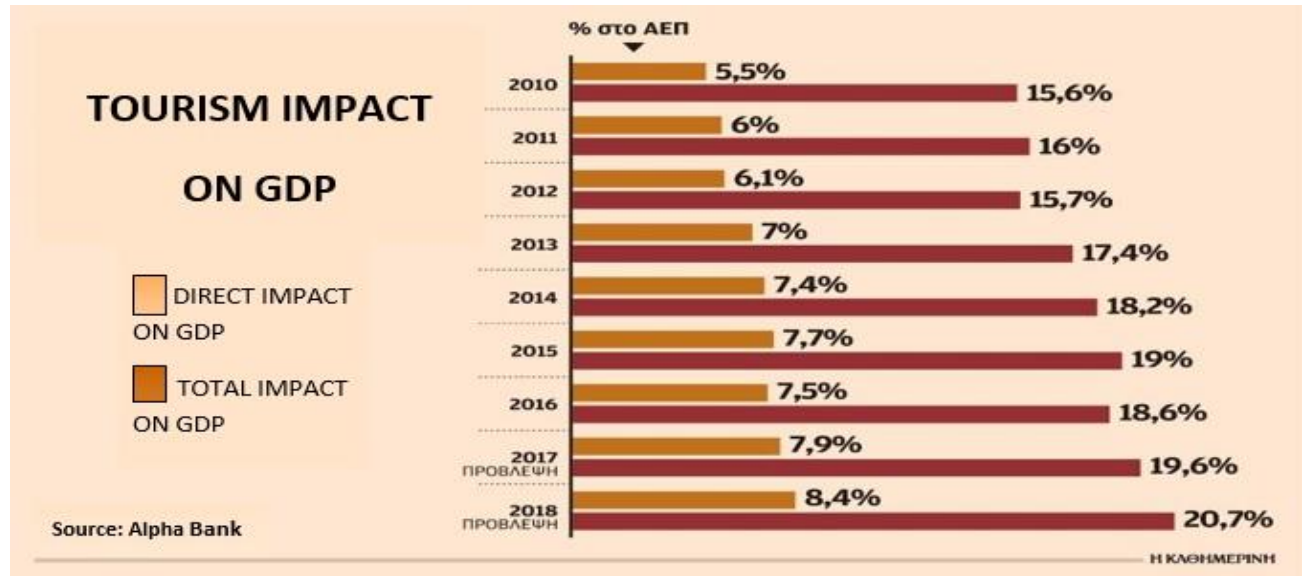
Employment is expected to continue to grow as economic growth returns to positive growth, while the institutional framework in the labor market, following the implementation of structural reforms over the past years, is expected to continue to positively influence employment further, it is projected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

A basic condition for the country's development, the reduction of taxes.

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.



Thessaloniki Real Estate

Major interest in the Thessaloniki Real Estate Market is coming from the Greek REICs.

Particularly:

- Trastor
- BriQ Properties
- Pangaea

These companies are looking for investment opportunities in Thessaloniki and in North Greece. Their focus is on retail, hotels and logistics.

The plans of these investors were presented during Prodexpo North, which took place with great success for the first time in Thessaloniki.

Pangaea, has already invested and is continuing to invest in Greece, Cyprus and Italy, having placed about 10% of its investments in Northern Greece. Pangaea is mainly interested in hotels and student homes in the Thessaloniki market, but also looks at the possibility of buying high street retail stores (yielding assets).

Trastor targets investment properties in the Thessaloniki market and has already bought the stand-alone building that used to operate as Fokas Sports on Tsimiski Street.

In addition, Trastor is interested in real estate in the logistics sector. Up to now, in its portfolio 56% are commercial real estate assets, 36% retail units and the remaining 8% other asset classes.

Also, there is increasing interest in the Thessaloniki market for the development of organized student accommodation from other, than the REICs investment vehicles (private equity funds, family offices etc.).



Thessaloniki Property Market

The Metro construction is now progressing fast. The completion of the tunnels of the Thessaloniki Metro was completed on the 31st of July 2018 with the completion of the second tunnel in the extension to Kalamaria.

Due to the above achievement, the Chairman of ATTIKO METRO SA, Mr. Mylopoulos said: "Today is a great day for Thessaloniki Underground. The completion of the tunnel opening to both lines, the main and the extension to Kalamaria, brings us one step closer to the completion of the project. "

Mr. Milopoulos thanked the citizens of Thessaloniki for their trust and patience.

Thus 100% of the tunnels were completed, 80% of the civil engineering works were built and 60% of the total project was executed in the extension of Thessaloniki's Kalamaria Metro station.

Finally, on Tuesday, July 31, 2018, begun the demobilization of the sites, as well as the restoration of the relative traffic of the vehicles at the junction of Vas. Olgas Avenue with the Moschonision str. and the Mitropoliti Grigoriou Kidonion str.

The last six months, several funds and other investment schemes from Greece and abroad have shown interest in purchasing autonomous buildings in the center of Thessaloniki, which should have the following characteristics:

- Surface - 1,000 sqm (at least)
- Autonomous entrance
- Be empty or able to be delivered empty
- Add value projects
- Need for renovation
- Be in the center of the city
- Have good access - OASTH (Bus) & METRO

In some cases, the long-term lease scenario is also considered. The aim is to use these properties through short-term rental platforms as well as the provision of high standard accommodation to Thessaloniki students, who are a particularly important target group.

Office Sector

For the first semester, the office market shows a steady course characterized by an increase in demand.

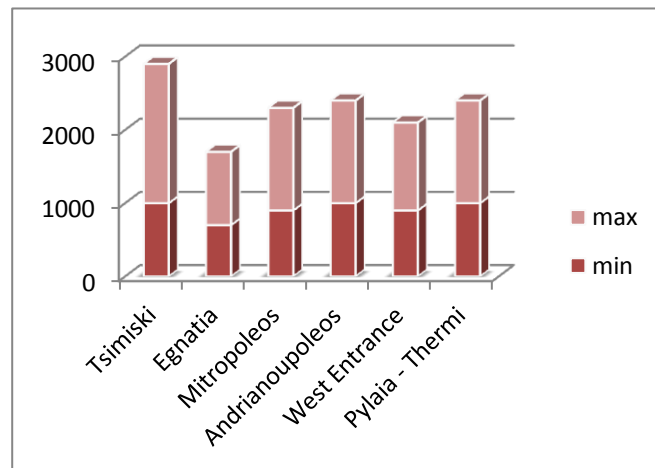
The demand in office properties by potential tenants range usually from 120 to 250 sqm.

The main interest is for the center of Thessaloniki, but also for the eastern side near the airport, as well as office spaces for the companies operating at the port at the western entrance of the city.

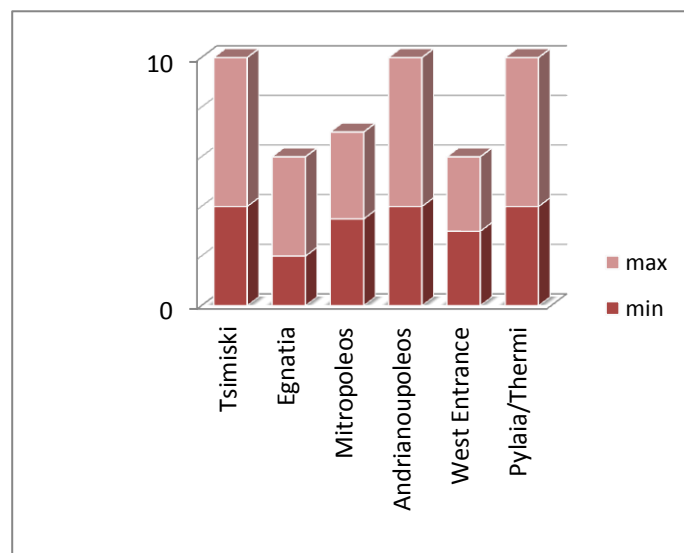
An issue is the lack of high-end office spaces in the city center, as the supply in these cases is limited.

Recently, the demand for offices is increasing from companies, which want to relocate, due to new needs that have arisen. In these cases, they are looking for new space mainly for rent. Preferred offices are real estate ready-to-use, i.e. without large interventions and increased Cap. Ex.

Finally, some companies operating in the Thessaloniki market are considering to buy offices, if they can find particularly attractive property options (usually for own occupation reasons).



Prime Office Sales €/ sqm



Prime office Rents €/sqm

Market Trends	
Rents	➔
Yields	➔
Vacancy Rate	➔
Absorption	➔

Retail Market

Trastor, one of the major Real Estate Investment Companies, is the new owner of the property, that used to be the former Fokas department store, on Tsimiski Street. Trastor leased the property to Inditex Group (Pull & Bear will be the new brand operating in the subject property). Reconstruction works have already begun on the building. The total leasable area is 2,322.7 sqm and its premises will be used as retail area (semi basement, ground floor, 1st floor) and secondary storage areas (basement).

Demand for shops on Tsimiski Street remains high. Several companies are looking to open a store on Tsimiski Street. A last entry is "En Karpo", which has expanded its existing network, opening a store at Tsimiski Street near Aristotelous Square.

Another company, that leased a retail unit in Tsimiski str., is Philip Morris, which leased a shop for its new brand called "IQOS".

There is also a very attractive commercial property, located at the junction of Tsimiski str. and Aristotelous square - owned by the Papageorgiou Foundation, which is still available. It is a shop with a total area of 530 sqm, which includes ground floor - basement - loft & 1st floor.



Plateia Mall



Thessaloniki

Retail Market

Furthermore, retail companies that want to be placed in the center, in some cases, choose locations near Tsimiski Street, such as the store opened by Calvin Klein at Mitropoleos Street.

The Retail Sector in Thessaloniki, remains on a positive track with regard to the commercial values, rental values and yields.

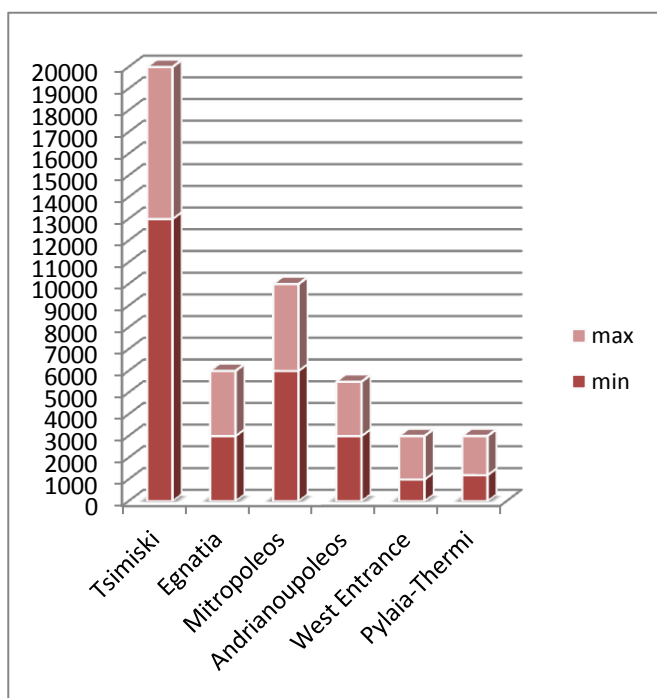
In some cases, the owners of shops in Tsimiski Street are now asking again for key money during the negotiations for the lease of a retail asset.

As for the secondary local markets, the expansion of Chinese entrepreneurs/ retail stores is continuing.

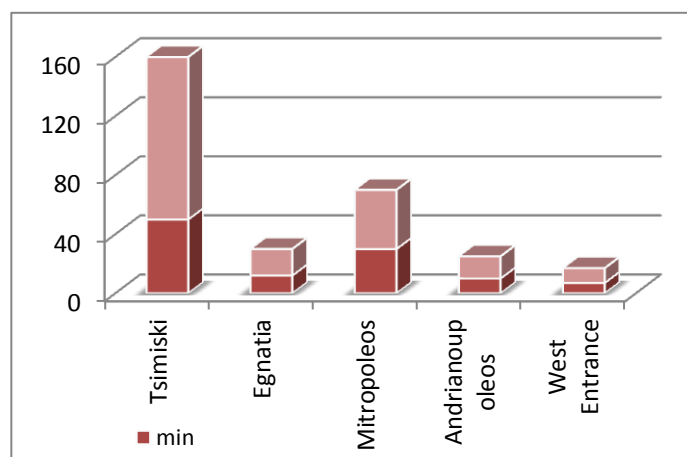
Market Trends	
Rents	↑
Yields	↓
Vacancy Rate	↓
Absorption	↑

The yields of the shops in Tsimiski range at a level of 6%, while for the secondary markets of the center the corresponding yield is 7.5-8%.

Shop Sale values - Thessaloniki €/sqm



Shop rent values - Thessaloniki €/sqm



Residential Market

According to the Bank of Greece, housing prices in Thessaloniki and Greece generally show a slight downward trend.

The analysis of data by geographical area shows that apartment prices in the first quarter of 2018 compared to the same quarter of 2017 were marginally reduced by 0.1% in Athens, 0.3% in Thessaloniki and 0.3% in other major cities and other areas of the country. These rates are very low compared to the housing sector's reductions since the beginning of the crisis.

Finally, for all the urban areas of the country, in the first quarter of 2018 the prices of the apartments did not show any change compared to the fourth quarter of 2017.

Source: Bank of Greece

INDICES OF APARTMENT PRICES ^{(1) (2)}							
	2016	2017 *	2017 *				2018 *
			Q1	Q2*	Q3*	Q4*	Q1*
I. Overall							
Price index (2007=100)	59.6	59.0	59.0	59.1	58.8	59.1	58.9
(%) change over previous year	-2.4	-1.0	-1.9	-1.0	-0.8	-0.4	-0.2
II. BY AGE							
1. New (up to 5 years old)							
Price index (2007=100)	61.2	60.7	60.8	60.8	60.4	60.8	60.7
(%) change over previous year	-3.0	-0.8	-1.6	-0.7	-0.5	-0.3	-0.1
2. Old (over 5 years old)							
Price index (2007=100)	58.6	57.9	57.9	57.9	57.9	58.0	57.8
(%) change over previous year	-2.0	-1.2	-2.1	-1.2	-0.9	-0.5	-0.3
III. BY GEOGRAPHICAL AREA							
1. Athens							
Price index (2007=100)	56.8	56.3	56.1	56.4	56.3	56.3	56.1
(%) change over previous year	-1.8	-0.9	-2.0	-0.8	-0.6	-0.3	-0.1
2. Thessaloniki							
Price index (2007=100)	55.3	54.5	54.5	54.5	54.1	54.8	54.4
(%) change over previous year	-3.5	-1.4	-2.6	-1.2	-1.3	-0.5	-0.3
3. Other cities							
Price index (2007=100)	62.3	61.6	61.8	61.5	61.3	61.7	61.6
(%) change over previous year	-2.3	-1.2	-1.9	-1.6	-0.9	-0.5	-0.3
4. Other areas of Greece							
Price index (2007=100)	64.6	64.0	64.3	64.1	63.6	64.0	64.0
(%) change over previous year	-3.0	-0.9	-1.5	-0.8	-0.7	-0.6	-0.4
5. Urban areas (total)							
Price index (1997=100)	151.2	149.7	149.6	149.9	149.6	149.9	149.5
(%) change over previous year	-2.4	-1.0	-1.9	-1.1	-0.5	-0.4	0.0

Logistics & Industrial Market

The privatization of OLTH (Thessaloniki Port Authority) has resulted the mobility from shipping companies and other companies, which want to locate their business at the western entrance of the city (like Cosco, which has rented an office space in Limani Center at the 26th October str.).

	Old Industrial Building (€/sqm)	New Constructions (€/sqm)
Selling prices	150-200	300-500
Monthly Rent	1,00-2,00	1,50-3,50
Yield	11,00-14%	
There is no investment interest in the purchase of industrial and storage spaces.		

Market Trends	
Rents	➡
Yields	➡
Vacancy Rate	➡
Absorption	➡

Hotel - Tourism

The upward trend in the tourist arrivals in Thessaloniki is a positive sign for the stimulation of the local economy. Thessaloniki and Halkidiki are now favorite destinations for Serbs, Bulgarians, Romanians and Turks. Thessaloniki has become one of the top destinations in the City Break category, giving the opportunity to increase domestic tourism, with big expectations for the city of Thessaloniki, as this city is a destination for the whole year.

Moreover in the next years an increase of the tourist arrivals from Israel is expected. The improvement of the road network from Thessaloniki to Halkidiki road and the development of the underground works will contribute to the betterment of the services to the tourists during their visit in Greece.

Unprecedented is the demand for residences, apartments and detached houses, through short-term rental platforms such as Booking and Airbnb, both for apartments in Thessaloniki and for second homes. Prices are differentiating according the surfaces, the services offered, but mainly due to the distance from the sea, if it is a seaside property.

Generally, it appears that the tourism sector continues to be a particularly important source of revenues for Greece. The trend in the number of tourists visiting our country remains increasing. In January-June 2018 there was an increase of 18% in the arrivals of foreign tourists in Greece. An increase also is considered in the corresponding revenues from tourism. Thus, in May 2018 there was an increase of + 34.7% of the revenues from tourism, compared to the same month last year (source: Bank of Greece).



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