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INTERNATIONAL PROPERTY CONSULTANTS & VALUERS

CRETE PROPERTY MARKET

1st Semester 2019



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1. Economic Overview¹

Gross domestic product (GDP) increased by 1.9% in 2018, compared to 1.5% in 2017. The strong growth in exports of goods and services has been the driving force behind growth. Private consumption increased, supported by improved household disposable income, but fixed capital investments declined. The economy continued to grow in the first quarter of 2019, but at a slower pace, as GDP, seasonally adjusted and at stable prices, rose 1.3% year-over-year. Services exports (+ 1.2 percentage points), investment (+0.9 percentage points) and private consumption (+0.5 percentage points) made a positive contribution. On the contrary, the significant acceleration of imports, mainly goods and secondary services, had a negative contribution (-3.2 percentage points) to GDP development. At the same time, exports of goods (-0.7%) declined for the first time in eight consecutive quarters, widening the external sector's negative contribution to GDP (-0.1 percentage point). Public consumption also declined (-0.9 percentage points), which decreased by 4.1%.

In the first six months of 2019, average inflation was at 0.8%, as it closed in 2018, while 2017 was at 1.1%. The rise in the general level of prices is attributed to the rising trend in international oil prices, which has had an inflationary impact and offset the declining base effects on processed foods and energy goods.

In the labor market for the period January - June 2019, recruitment announcements amounted to 1,419,602 jobs and layoffs reached 1,123,136, of which 654,442 were the result of complaints of indefinite-term or fixed-term contracts and 468,694 voluntary departures.

As a result, the wage flow balance for the first half of 2019 is positive, with 296,466 new jobs being the second highest first half year since 2001.

The tourist season boosts the catering and accommodation sectors with a total of 143,297 hires, with a positive balance of 60,758 jobs.

According to the available indicators of expectations and short-term economic activity, the course of recovery continues in the second quarter of the year. However, export activity is expected to be affected by rising uncertainty and a slowdown in the global economy as a result of increased trade protectionism.

¹ Source: Monetary Policy-Interim Report, BoG, Dec '18, Economic Financial Outlook, Alpha Bank, Feb '19

With regard to public finances, in view of the expansive fiscal measures recently adopted by Parliament, the Bank of Greece's forecast for 2019, based on the data available so far, is that the primary surplus will be 2.9% of GDP. GDP, against a target of 3.5% of GDP.

Positive trends in the financial sector

Banking system liquidity continued to improve in 2018 and the first months of 2019. In particular, deposits continued to rise, sharply narrowed and banks' recourse to the Central Bank's Emergency Liquidity Assistance (ELA) mechanism was finally nullified and improved the access of banking institutions to the interbank market. These developments, coupled with improved confidence, have helped to ease banking system constraints, most recently with full liberalization of cash withdrawals from October 2018. Improved banking system liquidity and a gradual recession Non-performing loans, which, however, remain very high, have resulted in increased bank financing for non-financial corporations. In addition, the Greek government's credit rating has improved and Greek government bond yields have been declining since the beginning of the year. In this positive environment, it was possible for the Greek government to issue new reference bonds. It should be noted, however, that government bond yields, whose credit rating is lower than the investment grade, are vulnerable to occasional turbulence in international financial markets.

“Breath” of optimism seems to be taking Greek businessmen in the first half of 2019, compared to the second half of 2018. According to Grant Thornton's IBR survey, Greek businessmen's optimism over the next 12 months has increased by 5% to 29%. However, business optimism worldwide as well as in Europe declined to 32% and 26% respectively.

2. Office Market

The office market in Crete has risen steadily in the first half of 2019, as compared to 2018; the market moved upwards by about 5-10%. Despite the fact that asking prices are high, asking prices are still negotiable and can be decreased down by 5-10%. The performance of high-end offices is now at 6% and 7% respectively, and it is estimated that the availability of high-end empty spaces is now less than 5% and investment interest is increasing.

In **Chania**, rental values around the Court Square are higher relatively to the city center and vary from 6-8 €/sq.m, due to the privileged location of the square, which is close to the building of the Regional Union of Chania and the Court House, while the higher market values can be found at the city center (Skalidi & Giannari Streets, 1866 Square) and vary from 1300€-1800€/sq.m.

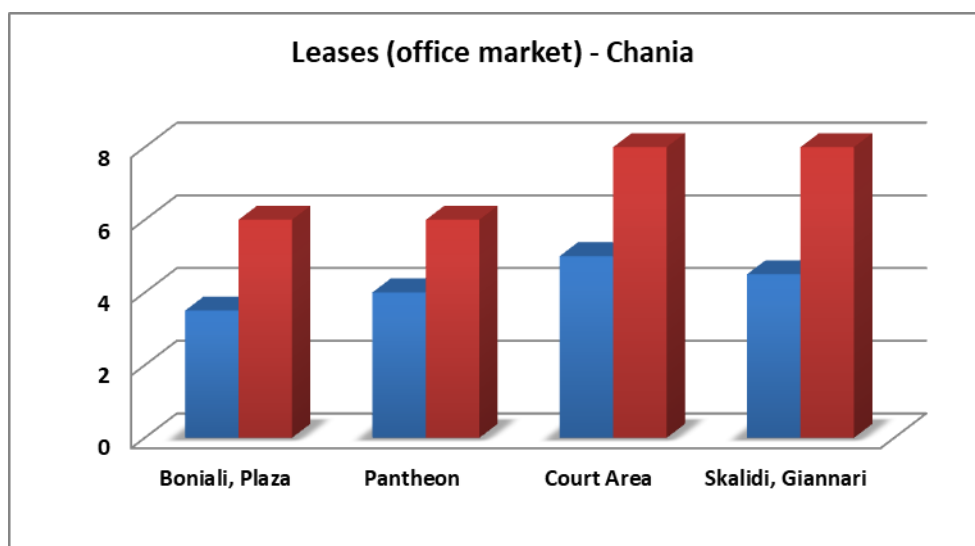


Trianon Center in Court Area, Chania

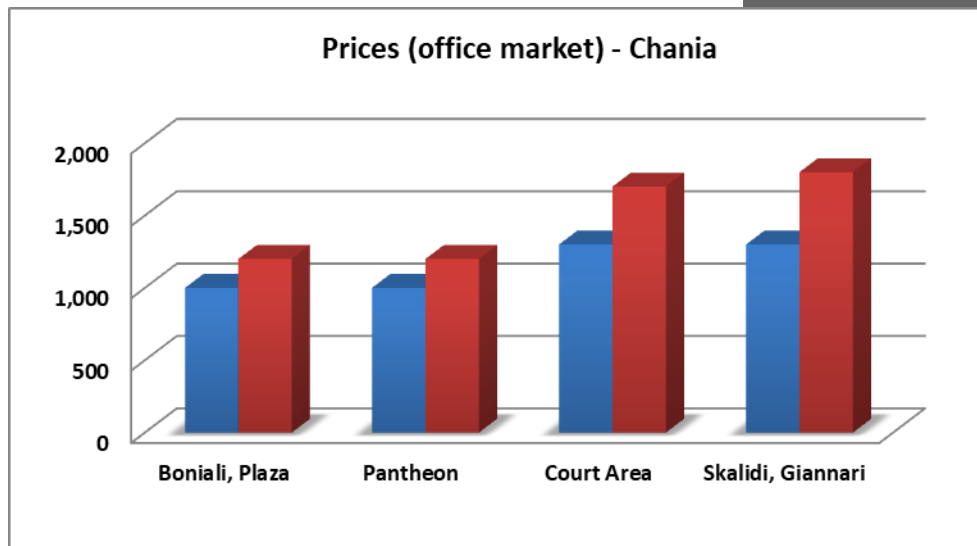
In **Heraklion**, the vast majority of office spaces are concentrated around the city center (Zografou Str., Daidalou Str., Dimokratias Str., Dikaiosinis Str., 25th August Str., Evans Str., Kalokairinou Str., Averof Str., Lontaria Square), where freelancers and businesses are highly interested due to the proximity to public services with rental prices varying from 6-11€/sq.m. On the other hand, there is no interest for offices spaces outside the city center and in low commercial streets. The market values vary from 700-2700€/sq.m. depending on the age and state of maintenance of the each building.

In **Rethymnon**, the main office market is around the CBD, the Old City and Iroon Polytechniou Square, close to the main retail market and public services buildings, while relatively new office spaces can be found at the main streets that lead to the CBD, i.e. Igoumenou Gavriil Avenue (west entrance) and Portaliou Avenue (east entrance). The market values vary from 1100-2100 € / sq.m. depending on aging, while rental prices vary from 6-10 € / sq.m.

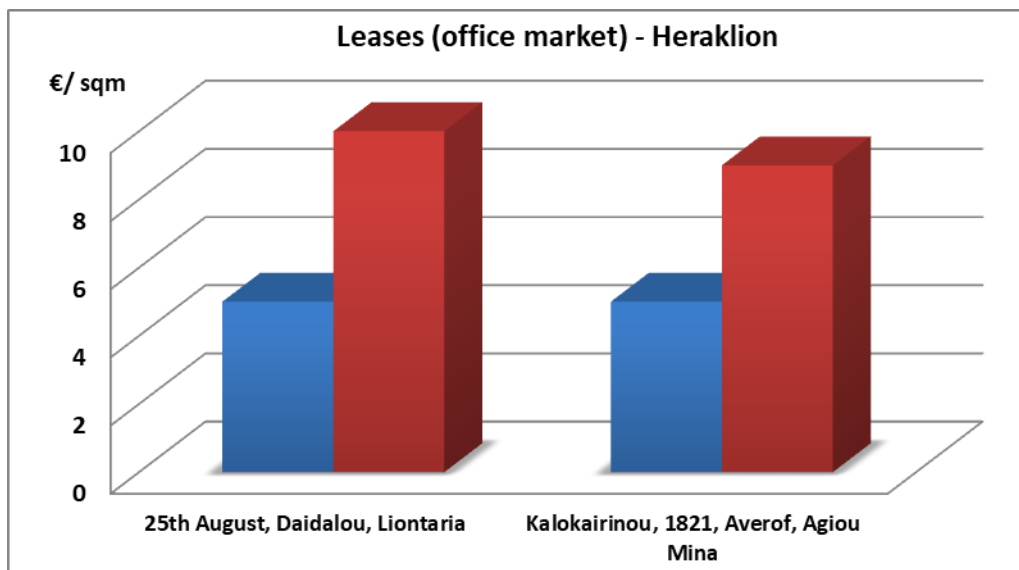
Finally, in **Lasithi**, due to the small size of the cities of Agios Nikolaos, Ierapetra and Sitia, office spaces are congregated only in the center of the cities.). The market values vary from 700-1500 € / sq.m. depending on aging, while rental prices from 3-7 € / sq.m.



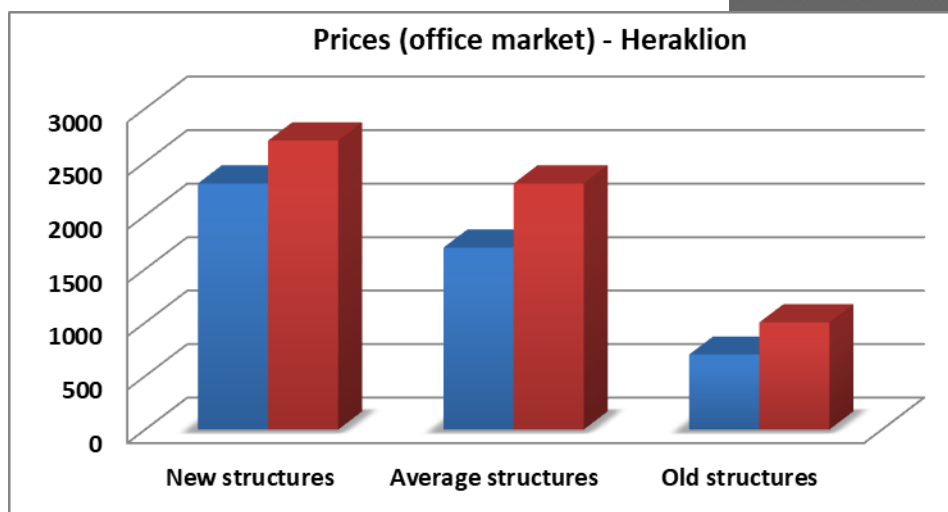
Source: Danos – Melakis Ltd



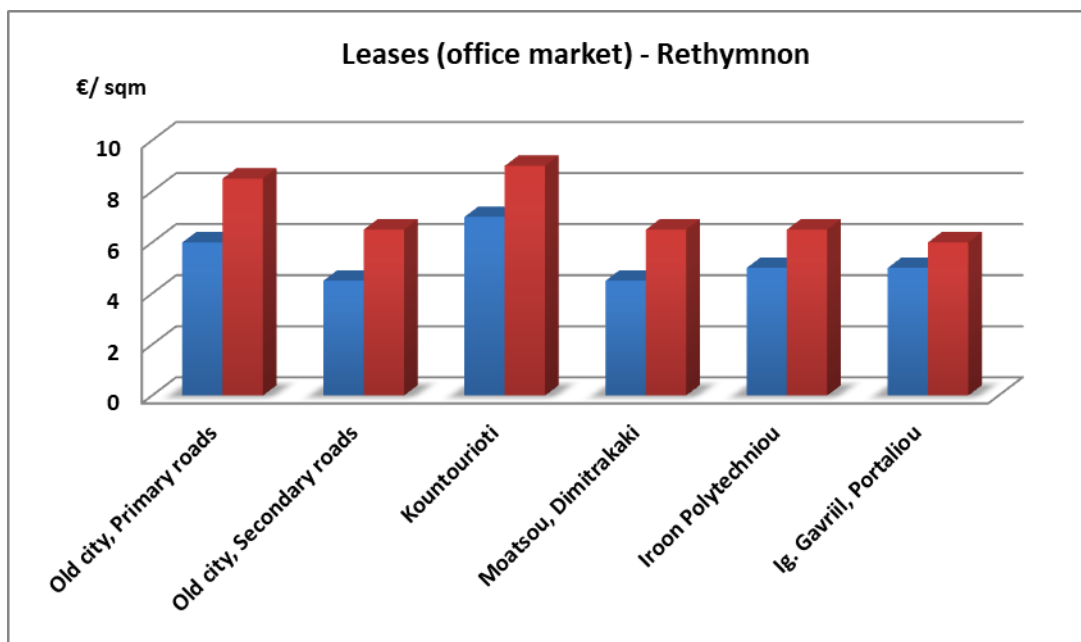
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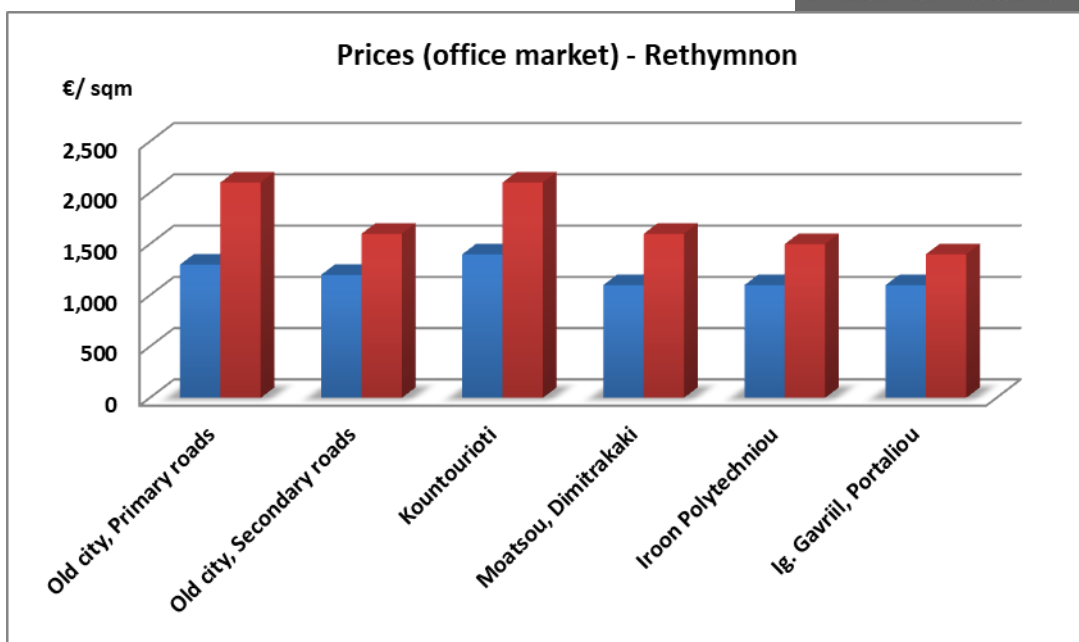
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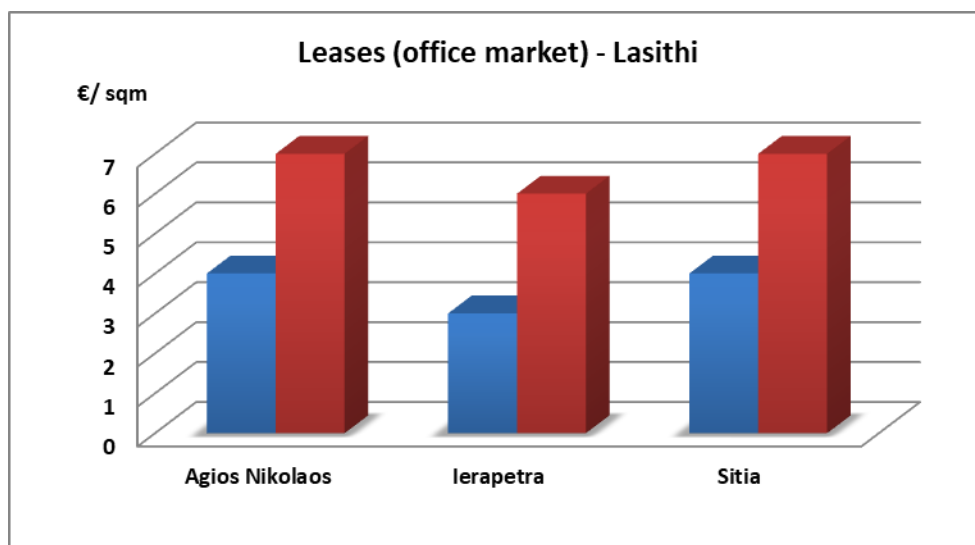
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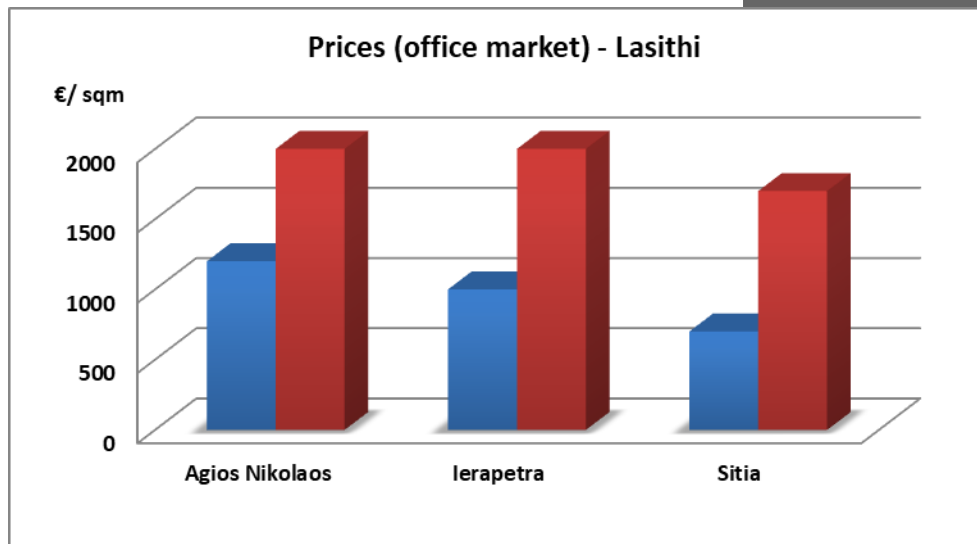
Source: Danos – Melakis Ltd



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Source: Danos – Melakis Ltd

* Leases and prices depend on the age, the condition and the location of the buildings.

3. Residential Market

Volume and values (for purchase and lease) are increasing in all regions, central and non-residential, of all sizes. It is noteworthy that the demanded prices increased in relation to 2018 to about 10% in central regions, while the downward negotiation is now moving to 5%.

As for the holiday residence sector, many investment opportunities can be found, due to the significant price decreases during the past years. The number of unsold holiday residences in Crete is gradually declining, due to increased interest from foreign or domestic investors, as well as the cessation of construction activity. At the same time, market values have remained stable compared to 2018.

In **Chania**, around CBD, the vast majority of residences are at least 30-40 year old and the price range is from 750 – 1.300 €/sqm, depending on the exact location, age and level of maintenance, while new structures' prices vary from 2.000€ – 2.500 €/sqm. The prices regarding new conventional structures in popular residential areas near CBD vary from 1.900 – 2.300 €/sq. m. in Chalepa, from 1.800 – 2.100 €/sq. m. in Lentariana & Aberia and from 1.900 – 2.200 €/sq. m. in Nea Chora. As for rental prices, due to the short-term rental “phenomenon”, there are there are no houses available, and the prices are rising compared to 2018.

In **Heraklion**, around CBD, the vast majority of residences are at least 25 years old, whose price range fluctuates from 800 – 1.200 €/sq.m., depending on the level of maintenance and the parking availability. The price range for new residences in popular areas near the CBD, such as Analipsi, Mastampas and Therissos, is from 1.800 – 2.200 €/sqm. The same price range stands also in the suburb of Agios Ioannis. Regarding the rest suburbs (Deilina, Koroni Magara, Mesampelies, Pateles, Poros, Katsampas and Mpenntevi), the price range is from 1.700 – 2.100 €/sq. m. As for rental prices, they remained almost stable and vary from 4 –6 €/sq.m. with the upper levels representing residences in the CBD or popular suburbs, such as Agios Ioannis.

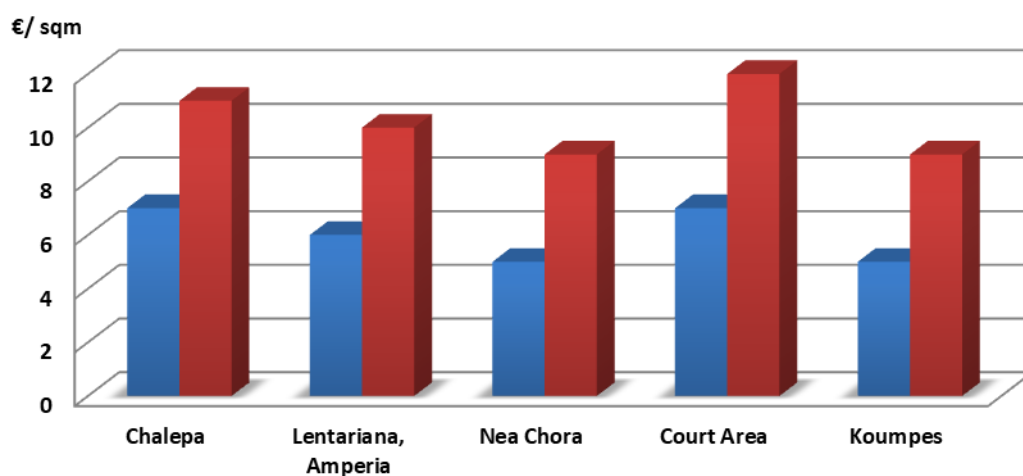
In **Rethymnon**, the vast majority of residences in the Old City are old structures whose price range is from 1.050 - 1.400 €/sq. m., mainly depending on the level of maintenance, while when renovated they cost from 2,000 € and above, depending on their location, projection and view. The price range for new conventional residences in areas near CBD, such as Kallithea, Mastampas and Koumpes, is from 1.600 – 2.000 €/sqm, depending on the characteristics of the property, such as location, floor level, view and size. As for rental prices, they are increasing relative to 2018, due to the reduced supply of houses for long term rentals.



New Apartment Complexes in Heraklion and Rethymno

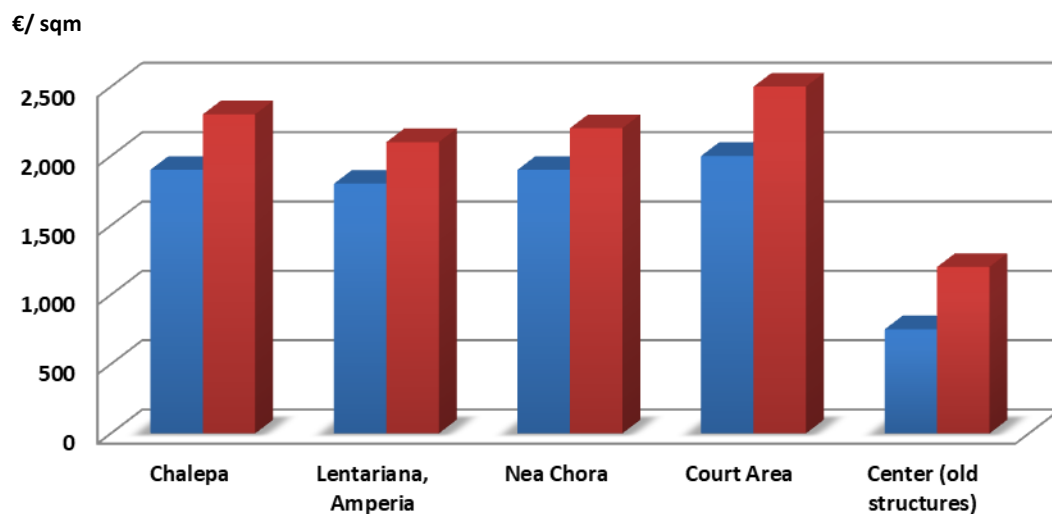
Finally, in **Lasithi**, the highest market values can be found at the coastal zone as well as the new suburbs of Agios Nikolaos, Ierapetra and Sitia, due to the most recent structures that can be found there, while market values at the old sections of the cities are slightly lower. Rental prices remained almost stable relative to 2018.

Leases (residential market) - Chania

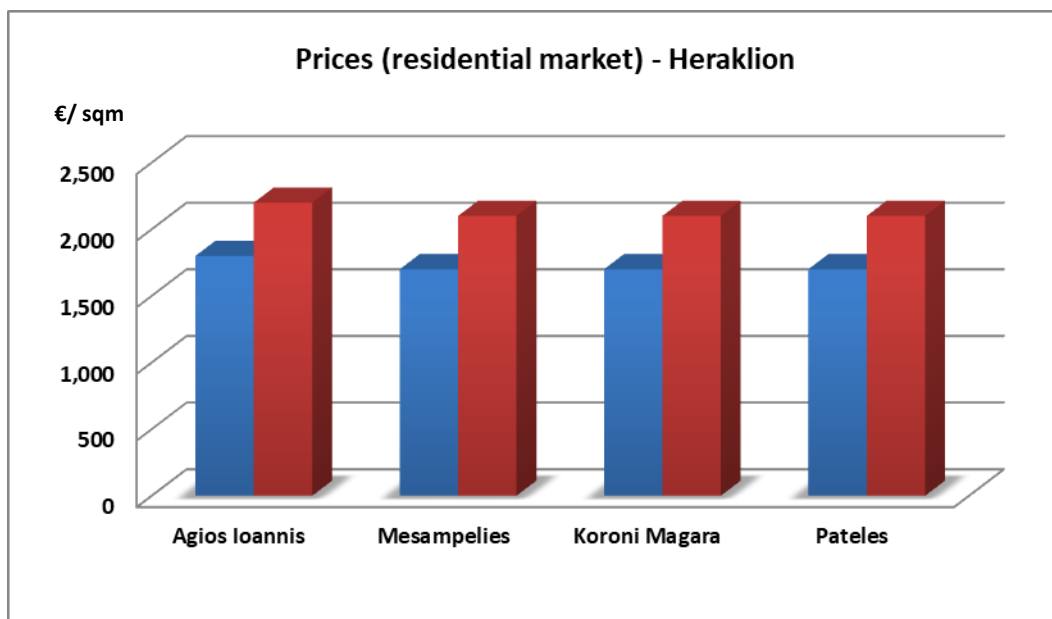


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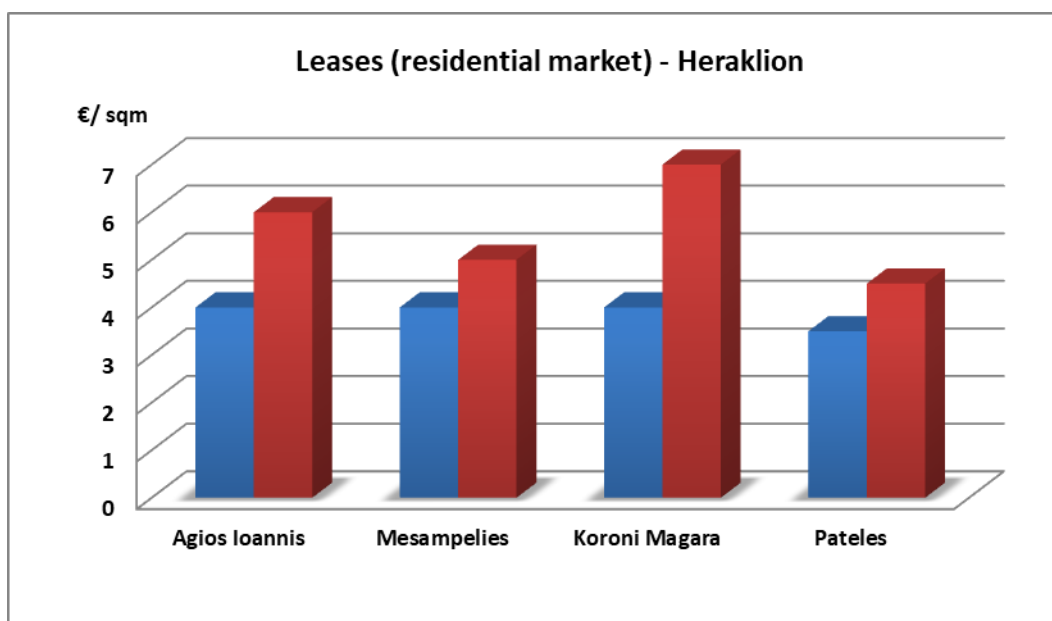
Prices (residential market) - Chania



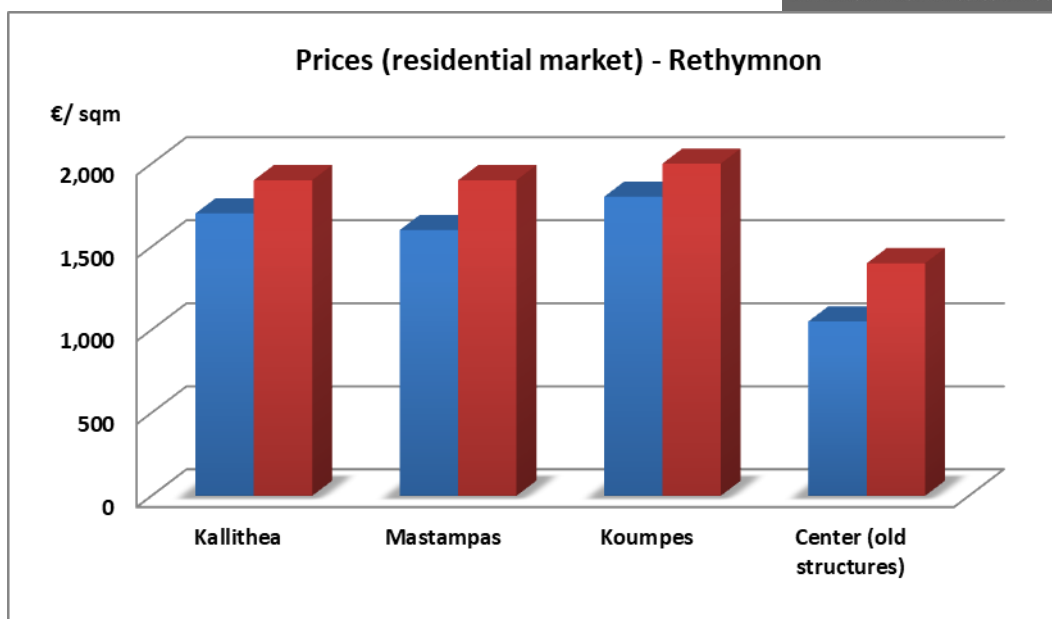
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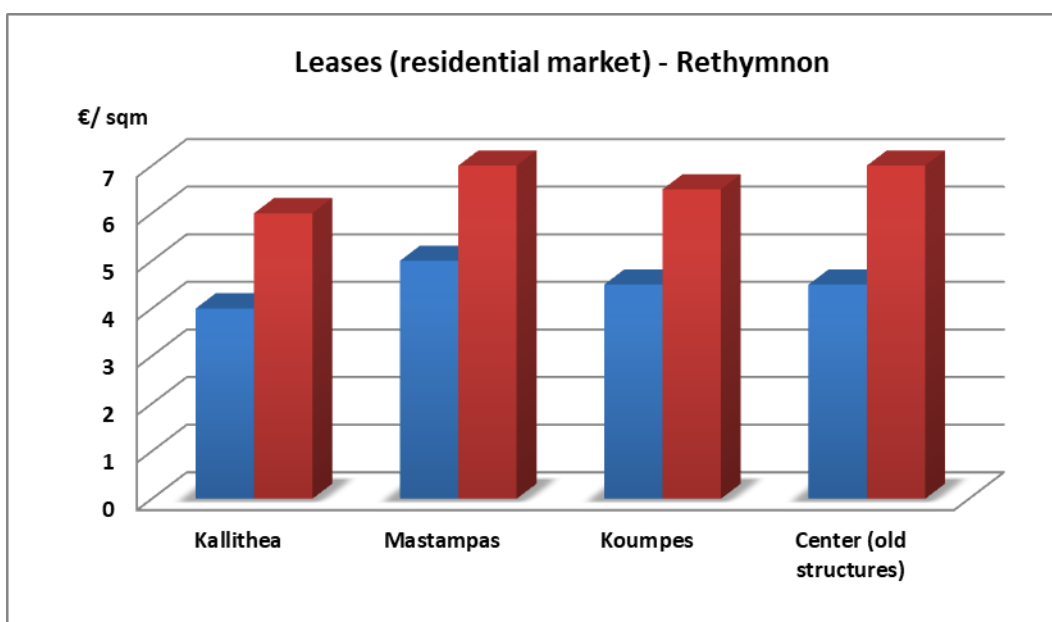
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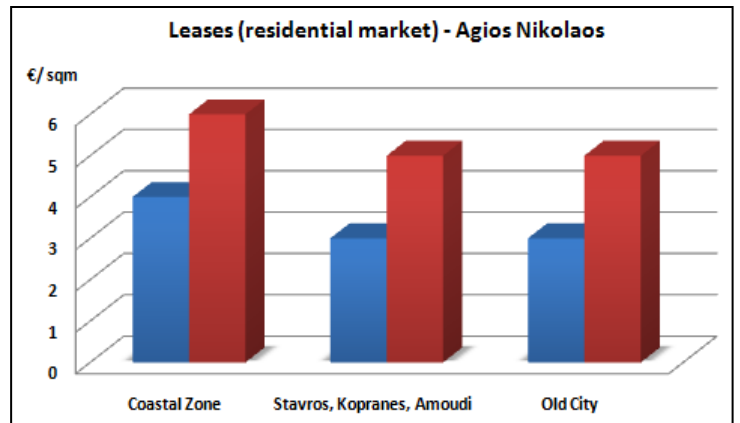
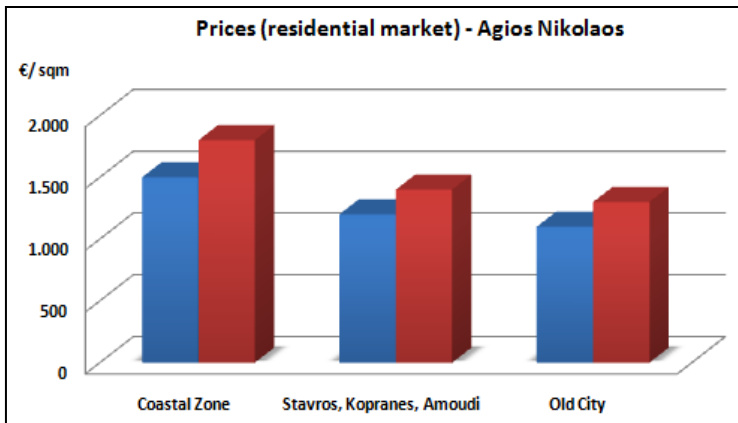
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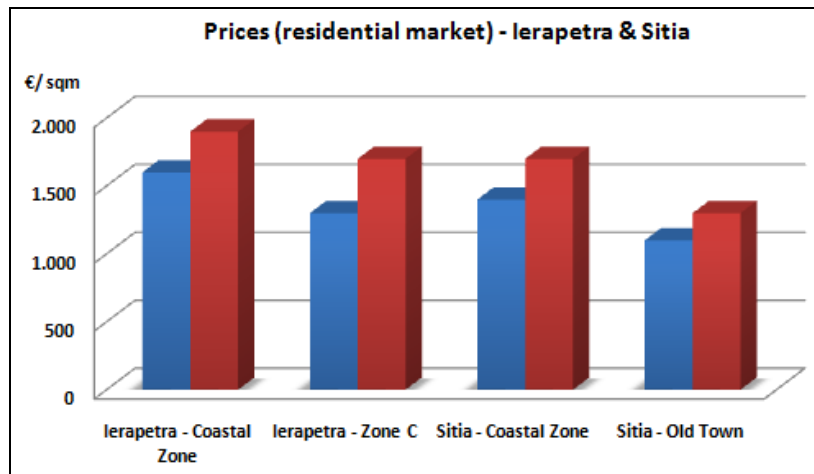
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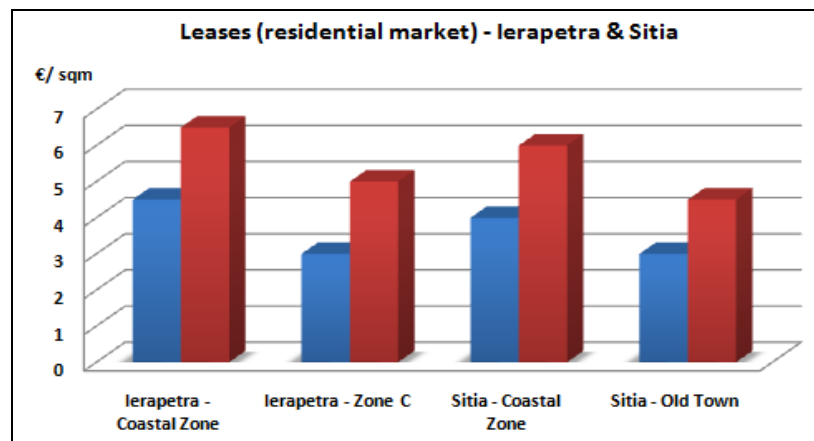
Source: Danos – Melakis Ltd



Source: Danos – Melakis Ltd



Source: Danos – Melakis Ltd



Source: Danos – Melakis Ltd

4. Retail Market

In **Chania**, the most commercial area is the Old Port, where rental values vary from 25 - 40 €/sq. m., while in specific small spaces can reach even 50 €/sq. m., with the most commercial roads being Chalidon, Chatzimichali Giannari and Skalidi Streets (main area of retail market), where rental values vary from 35 - 45 €/sq. m.. Tzanakaki street is becoming one of the best roads due to the shortage of finding anything to the main roads.

In **Heraklion**, there is a high interest for retail stores within the Old Walls and especially the CBD. The most commercial areas are Daidalou Street, 1866 Street and Lontaria Square, where rental values vary from 25 - 50 €/sqm. However, there are no stores available in Daidalou street as demand is uncontrolled and the store supply is almost zero, with few stores available in 1866 due to particularly high asking rentals.



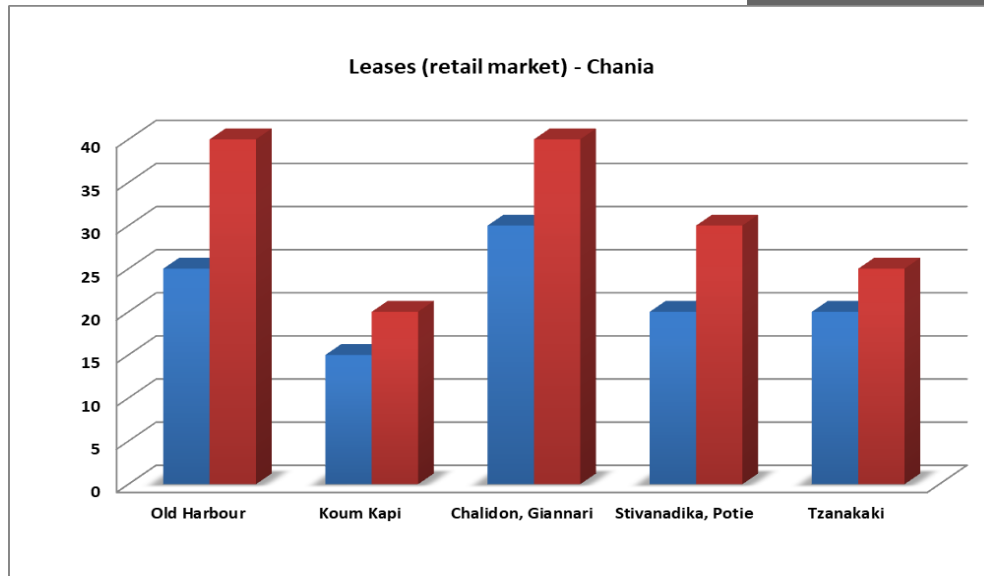
Shopping Center 'Olea' in Platanias



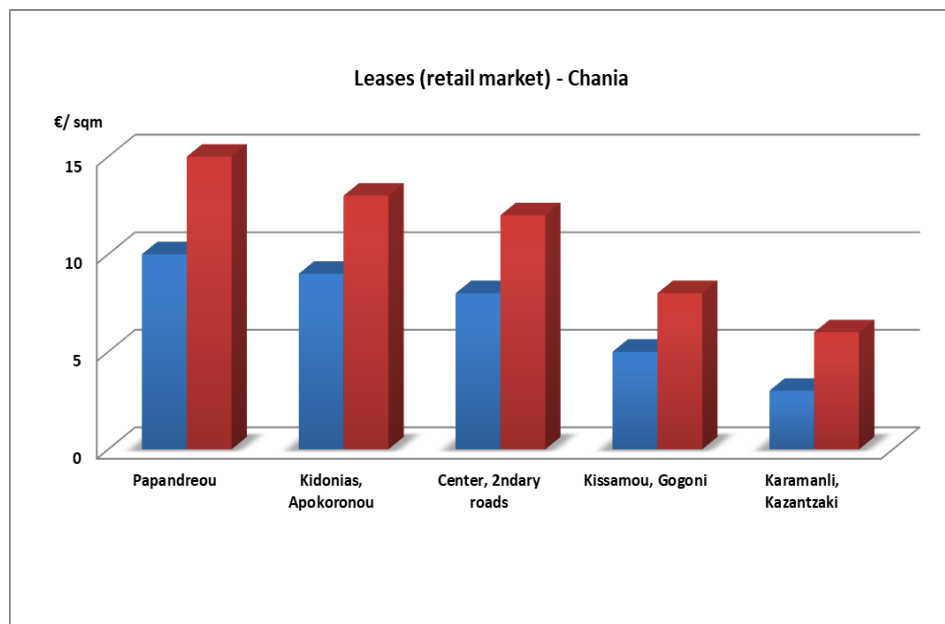
Shopping Center 'Talos Plaza' in Heraklion

In **Rethymnon**, within the Old Town, rental values vary from 15 – 30 €/sq. m. in Arkadiou Street (↑ prices at the north part) and from 10 – 15 €/sq. m. in secondary streets (Gerakari, Ethnikis Antistaseos).

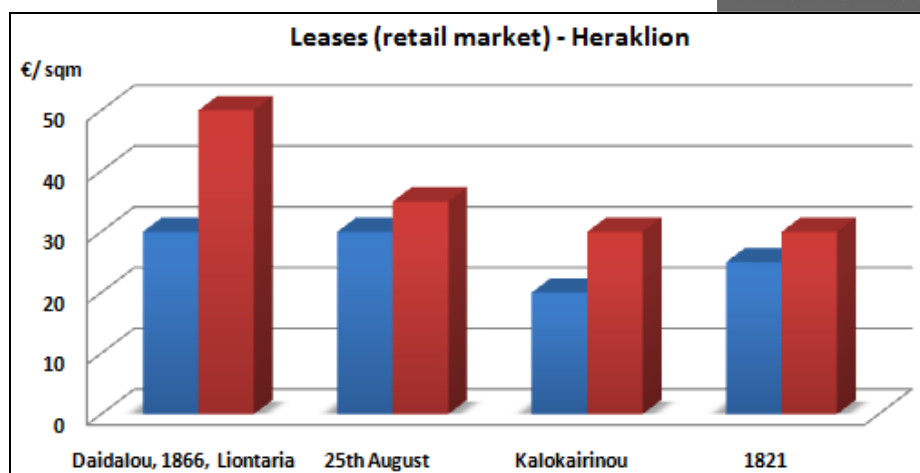
Finally, in **Lasithi**, commercial activity is found only in the cities' center and the coastal zones. The relatively small offer for retail stores has led to very high market and rental values in many cases.



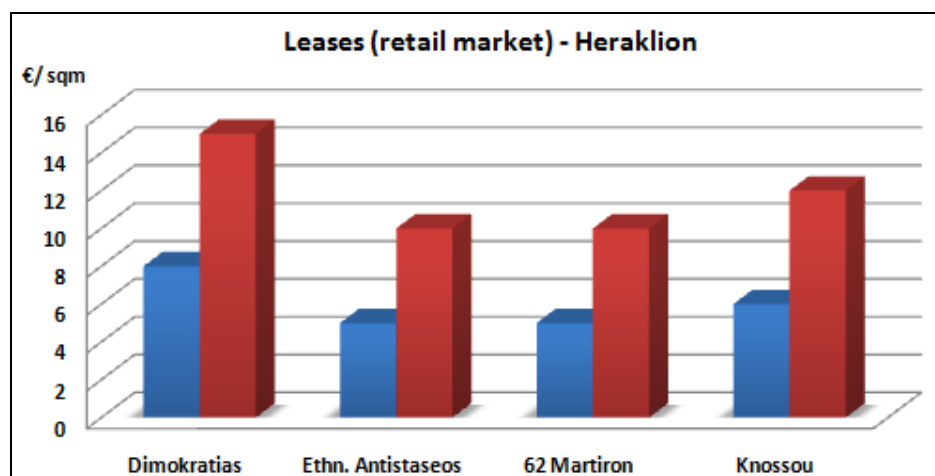
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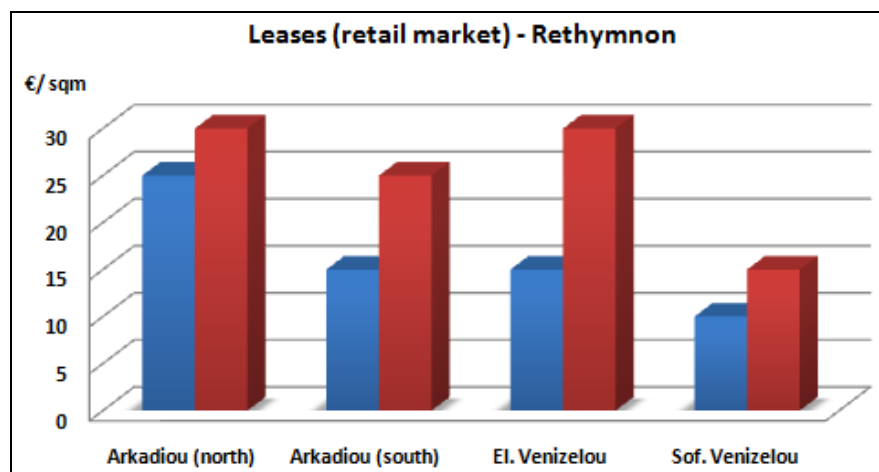
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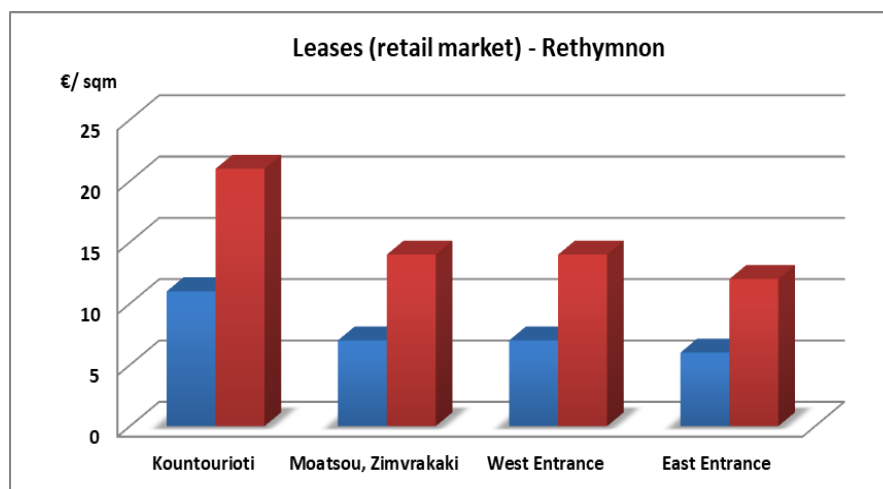
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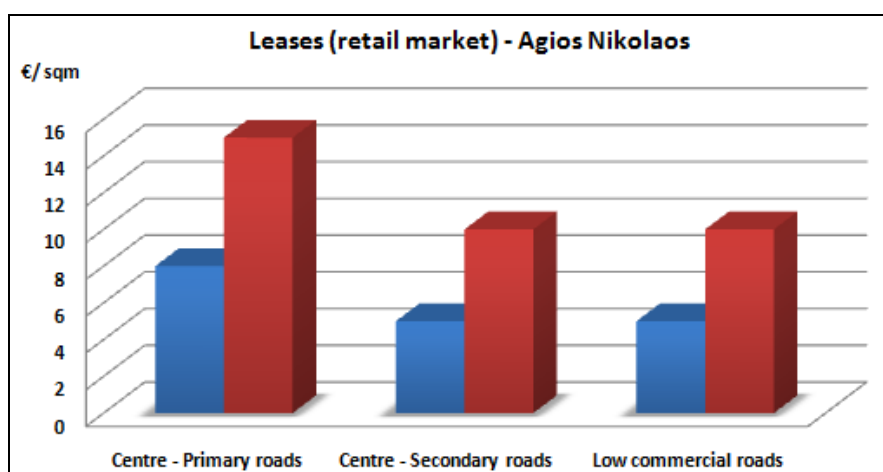
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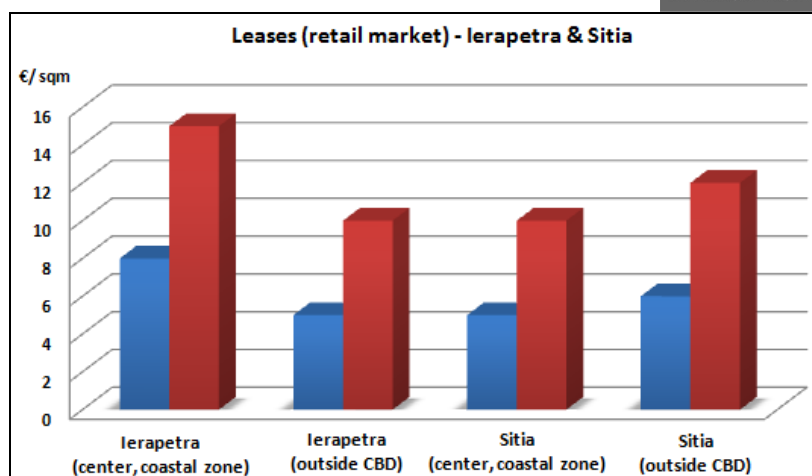
Source: Danos – Melakis Ltd



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Source: Danos – Melakis Ltd

5. Logistics & Industrial Market

In Crete, the interest observed in logistics and industrial market was particularly low, and we are slowly seeing a gradual increase in demand from a variety of companies. However, supply is low and as a result, the market in these sectors remained stable in the first half of 2019.

Large storage units can be mainly found in Heraklion and Chania, due to the presence of industrial parks, airports and large commercial ports in the two cities. Rental values vary from 1-3 €/sq. m. in Heraklion and from 2.5-4 €/sq. m. in Chania.

As for the regional units of Rethymnon and Lasithi, there is no formed real estate market in this sector, since the few large storage units are constructed upon request and based on the customer's needs. Finally as far as the industrial park of Rethymnon in the area of Agia Triadas is concerned, the total number of plots have been available since 2010 and there have been constructed complete infrastructure networks as well as public installations. However, only limited activity has been observed until today, which is a sign of the big crisis that the sector is facing nowadays.



6. Tourism

There was a decline in tourist traffic in January-May. According to the data of the Bank of Greece, the number of tourists who visited our country this year reached 2.34 million and decreased by 2.6% compared to the corresponding five-month period of 2018.

However, revenues from tourism industry were increased by 14.4% over the same period in 2018 to € 2,889 billion. This is due to a 5.5% increase in EU-28 residents' receipts totaling EUR 1.820 billion and a 36.1% increase in non-EU-28 residents' incomes, which amounted to EUR 968 million.

In more detail, euro area resident income increased by 6.0% to euro 1,230 million, while EU-28 non-euro area resident income increased by 4.5% and amounted to 590 million euros.

Tourists believe that the situation will be corrected, as September and October will be good and quality, and maybe there will be last-minute tourists in July and August bringing additional revenues to tourism incomes. Specifically, there is a prediction for a reduction of 5 to 6% touristic traffic.

Airports–Arrivals

Regarding the Tourism of Crete the projections were also optimistic for 2019, but were not fully confirmed because of the opening in Turkey and Egypt markets.

According to international arrivals data for January - May 2019, there is a decrease in passengers at Heraklion and Chania airport compared to the same period last year.

2018		Ηράκλειο	Χανιά	2019		Ηράκλειο	Χανιά
		Heraklion	Chania			Heraklion	Chania
Ιανουάριος	January	5,919	0	Ιανουάριος	January	1,738	1,465
Φεβρουάριος	February	10,513	281	Φεβρουάριος	February	6,587	1,498
Μάρτιος	March	30,130	12,661	Μάρτιος	March	10,228	2,017
Απρίλιος	April	160,787	72,893	Απρίλιος	April	185,666	71,079
Μάιος	May	431,086	159,436	Μάιος	May	402,172	152,538
Σύνολο	Total	638,435	245,271	Σύνολο	Total	606,391	228,597

(1): Τα στοιχεία αφορούν σε αφίξεις επιβατών με διεθνείς πτήσεις ανεξάρτητα τόπου κατοικίας.

Εξάιρεση αποτελούν τα στοιχεία για το αεροδρόμιο της Αθήνας τα οποία αφορούν αποκλειστικά σε κατοίκους εξωτερικού.

(1): The data refers to passengers on international flights, irrespective of place of residence,

with the exception of the data for Athens airport which only includes passengers residing outside Greece.

Πηγή: Υπηρεσία Πολιτικής Αεροπορίας (ΥΠΑ) και Διεθνής Αερολιμένας Αθηνών (ΔΑΑ) - Επεξεργασία: SETE Intelligence

Τα στοιχεία υπόκεινται σε αλλαγές λόγω δημοσίευσης πιο πρόσφατων στοιχείων από τις πηγές. (βλ. αν. "Τύπος")

Ports - Arrivals

The psychological limit of 5 million arrivals of passengers in Greek ports is expected to exceed this year's cruise in our country, with the increase to 8% -9% compared to 2018.

Chania

The cruise ship that is expected to show significant growth in 2019 is evolving for the region as a boost to Chania's tourism product.

In the port of Souda, 20 regular and 4 extraordinary cruise ship approaches have already taken place, with 29,027 passengers, with no crew members counted.

The Chania Port Authority estimates that according to existing data and data from seafarers, the year will close with 134 regular ship approaches and passengers will reach 220,000.

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Arrival number of cruise ships	21	72	54	47	31	59	86	84	90	134
Arrival number of cruise passengers	11509	158118	129087	124205	30366	96612	147915	127849	144074	220000

	2019		2018		2017		2016	
DESTINAT	Arrival number of cruise ships	Arrival number of cruise passenger s	Arrival number of cruise ships	Arrival number of cruise passenger s	Arrival number of cruise ships	Arrival number of cruise passenger s	Arrival number of cruise ships	Arrival number of cruise passenger s
HERAKLION	201	337885	187	297929	131	181693	165	238780

Regarding Heraklion, the total number of scheduled arrivals is up in 2019 compared to last year (201 cruise ships versus 187 in 2018, up 7%).

The Heraklion Port Authority estimates that there will be 201 regular ship closures this year and 337,885 thousand passengers will be booked this year.

Investments

Investing orgasm has been observed in Crete for the last two years. According to the Hellenic Chamber of Commerce (FCE), 11 new five-star hotels and 33 four-star hotels have been added in the island of Crete.



Among other things it is preparing to open in 2020 under the management of Chnaris Hotel Management the five-star GaliniPalace in Kolymbari, Chania.

Also, four new investment projects totaling EUR 333,872,600 were approved yesterday by the Inter-Ministerial Committee on Strategic Investments, which met under the chairmanship of Deputy Prime Minister and Minister of Finance Yiannis Dragasaki. Among the 4 is the investment project "CAPETHOLOS LUXURY RESORT (Complex Tourism - Resort in Tholos Kavousiou area, Lasithi)" by the Tourism Company SA. SA under the distinctive title "MarisHotels S.A" with a total cost of € 149.6 million. It is an investment project involving the construction of a holiday-tourist village, a complex tourist accommodation and 2 hotel units, and is expected to create at least 216 full-time and seasonal jobs.

According to Zacharia Hnaris, a hotel business consultant, the GaliniPalace, which opens next season in Kolymbari, will have 200 rooms and a total of 450 beds. This is an investment of EUR 20 million.

The "green light" for the location of the marina in Elounda, Crete, which is part of the investment of Elounda Hills, the Russian company Mirum, with a budget of 409m euros, was put on board by the City of Agios Nikolaos at a recent meeting. As it was stated at the meeting, the tourist port, which will be located on the Side, is similar in size to the same approved tourist ports in the area, with a forecast number of 64 vessels. The holiday resort village of Elounda Hills had received, just before expiration in 2018, a positive contribution to the Strategic Environmental Impact Assessment (SEP) under the Specific Strategic Spatial Development Plan (ESFASE). The Mirum investor bet, controlled by Russian businessman Vitaly Borisov, is set to begin in 2020. The development, in an 840-acre section of the merged sub-par, is divided into six separate units (Tsifliki, English, Koundouros, Akrotiri, Mikro Vathi and Vathi) and corresponds to a construction area of 130,000 sq.m. Mirum Hellas plans to build in addition to a hotel five stars and 200 beds, and more than 340 holiday homes, which will go on sale from 250,000 euros to 2 million euros.

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