



CRETE PROPERTY MARKET

1st Semester 2017



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1. Economic Overview

According to the data of the Greek Statistical Authority (provisional data, 1st quarter 2017), Gross Domestic Product (GDP) based on seasonally adjusted data showed an increase of 0,4%, compared to the fourth quarter of 2016. In comparison to the 1st quarter of 2016 there was an increase of 0,4% (QUARTERLY NATIONAL ACCOUNTS - ELSTAT, 2017).

The agreement for the consummation of the second evaluation seems to have positively affected the economic climate in June 2017, which creates stronger projects for recovery . The dynamism shown by exports, industrial production, retail sales and tourism may have a positive effect on the other sectors, and many investment opportunities are estimated to be tapped by private funds. If the smoothness of the economy is maintained, it is likely to confirm growth forecasts of more than 1.5% in 2017.

Macroeconomic Factors

In the first quarter of 2017, GDP grew by 0.4% compared with ELSTAT's initial estimations of -0.5%, mainly as a result of increased private consumption and investment stimulation, while growth increased of imports has been negative.



Source: ec.europa.eu

Finally, regarding the unemployment there is a slight decrease in the years 2016 and 2017.

GREEK ECONOMY – EUROPEAN COMMISSION PROVISIONS				
ECONOMIC INDICATORS		2016	2017	2018
GDP (%)		0,0	2,1	2,5
INFLATION (%)		0,0	1,2	1,1
UNEMPLOYMENT (%)		23,6	22,8	21,6
BALANCE OF STATE BUDGET (% GDP)		0,7	1,2	0,6
PUBLIC DEBT (% GDP)		179,0	178,2	174,6

A milestone agreement for the privatization program of the Greek Republic, with overall multiple benefits expected for the Greek economy, is concluded on 11th of April with the concession of the 14 regional airports by the Greek State to the FRAPORT AG - SLENTEL Ltd. Consortium.

The completion of the concession agreement of the airports for 40 years between the Greek government and Fraport Greece was signed by the competent ministers of Finance, Mr. Euclides Tsakalotos, Infrastructure and Transport, Mr. Christos Spirtzis, and National Defense, Mr. Panos Kammenos. On behalf of HRADF, the agreement was signed by its' CEO, Mr. Antonis Leousis.

Within the Consortium obligations falls the upgrading of the airports within the first 4 years of the concession, so as to comply with objectively defined Level C criteria, as specified by IATA and, subsequently, to maintain and preserve the said service levels for the whole duration of the concession. Infrastructure and facilities to be built by the investor are also placed under the ownership of the Greek government and are to return to the latter on the expiry of the concession.

2. Office Market

The office market in Crete remained almost stable during H1 of 2017, while relative to 2014, market and rental values were decreased up to 5-10%. Despite the fact that asking prices are nowadays at quite low levels, asking prices are still negotiable and can be decreased up to 10-15%. Yields are still considered relatively lower than expected due to the limited offer of income properties.

In **Chania**, rental values around the Court Square are higher relatively to the city center, 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).

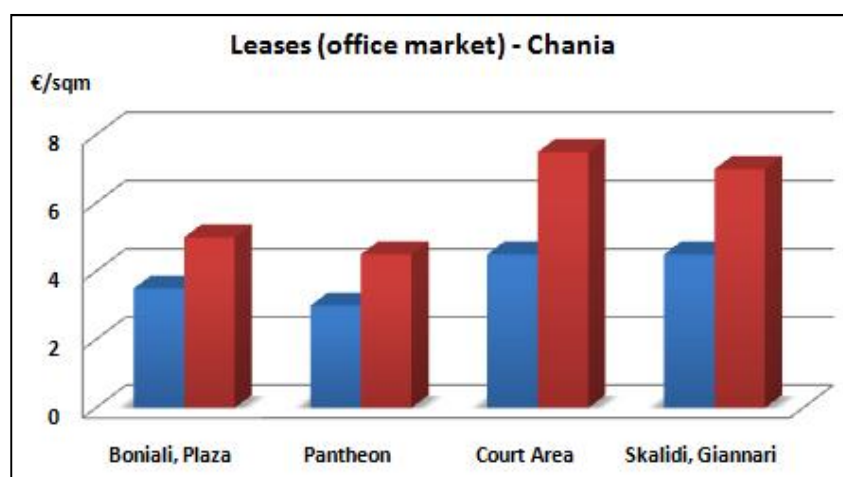


Trianon Center in Court Area, Chania

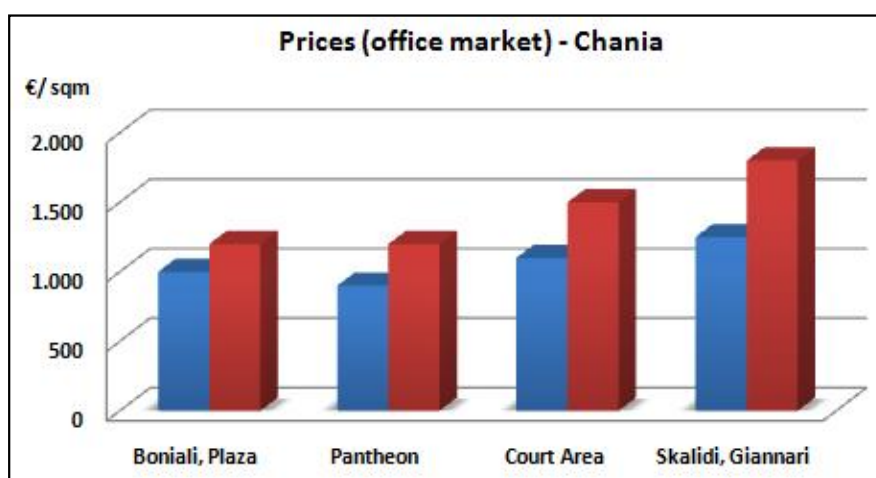
In **Heraklion**, the vast majority of office spaces are congregated around the city center (Zografou Str., Daidalou Str., Dimokratias Str., Dikaiosinis Str., 25th August Str., Evans Str., Kalokairinou Str., Averof Str., Lontaria Square), where freelances and businesses are highly interested due to the proximity to public services. On the other hand, there is no interest for offices spaces outside the city center and in low commercial streets.

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).

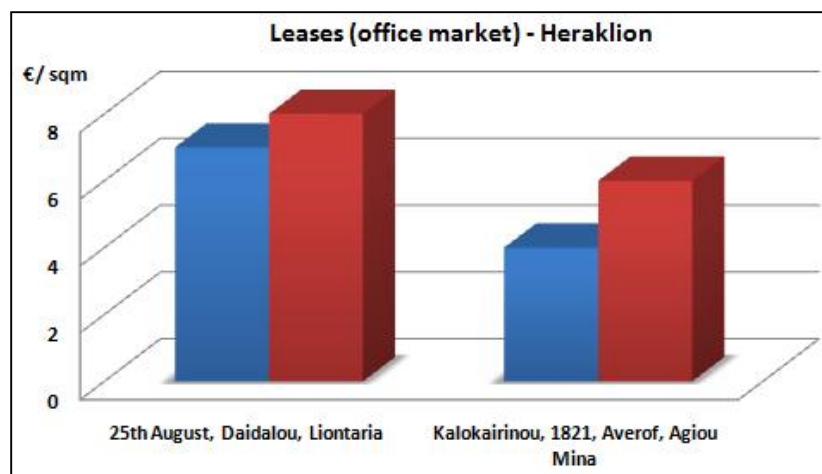
Finally, in **Lasithi**, due to the small size of the cities of Agios Nikolaos, Ierapetra and Sitia, office spaces are congregated only in the center of the cities.



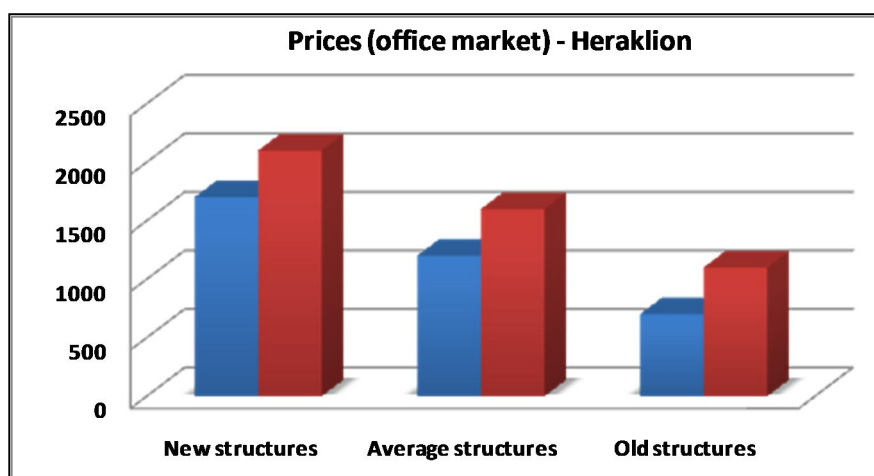
Source: Danos – Melakis Ltd



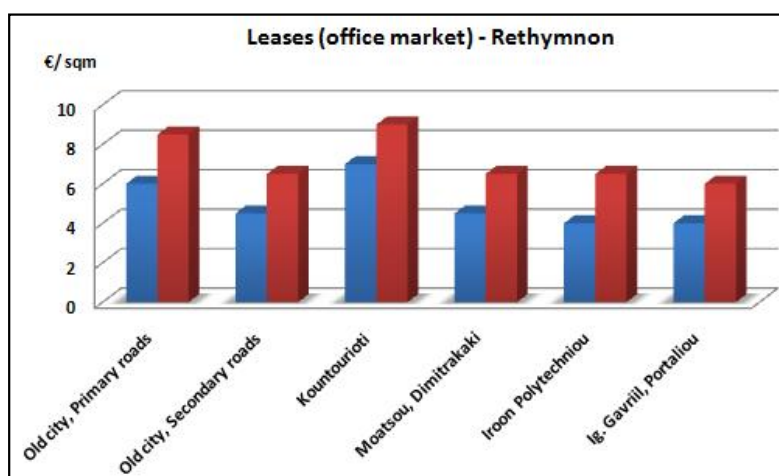
Source: Danos – Melakis Ltd



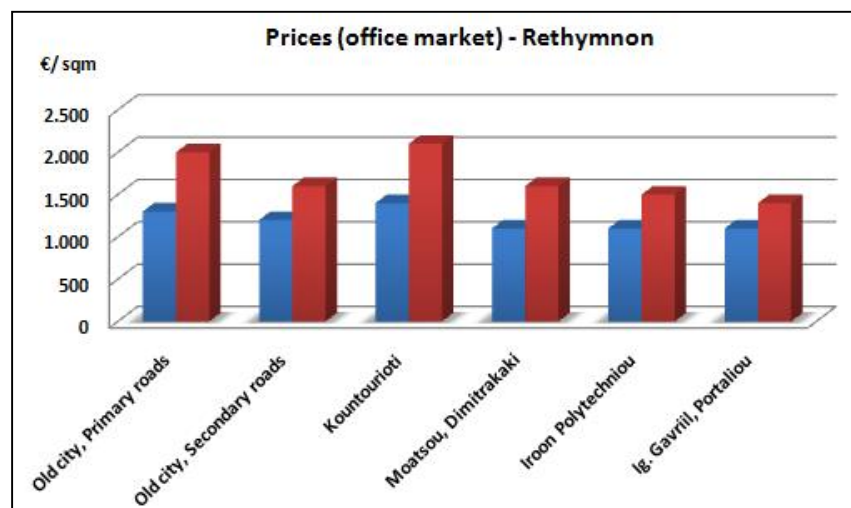
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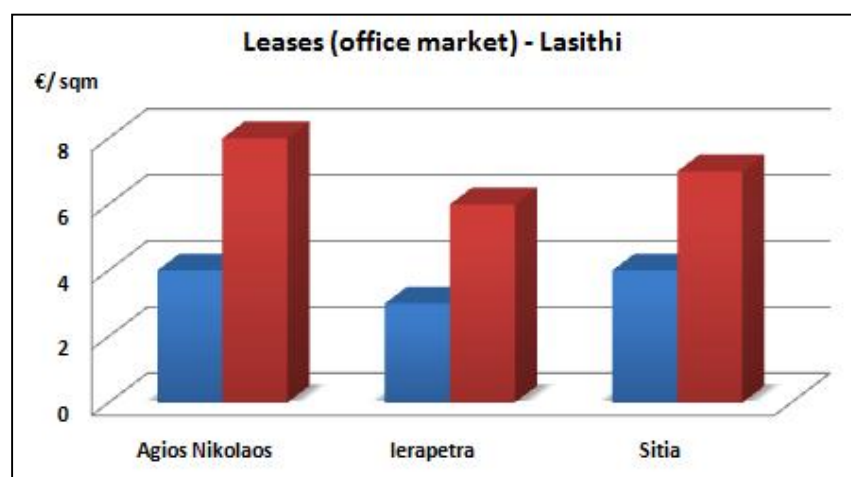
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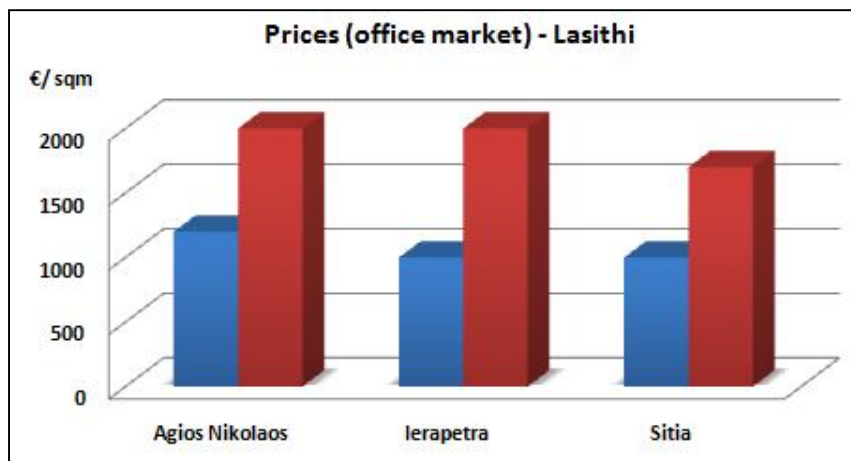
Source: Danos – Melakis Ltd



Source: Danos – Melakis Ltd



Source: Danos – Melakis Ltd



Source: Danos – Melakis Ltd

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

3. Residential Market

The residential market is still a deep sleeper with minimum transactions with prices decreased slightly in most areas, with only a few prime areas showing signs of stability. There was a pickup in rental activity with high demand for medium size and good quality homes. It is worth mentioning that asking prices have decreased up to 10% in comparison with 2014, while negotiations usually result in a price cut over 10-15%.

As for the holiday residence sector, many investment opportunities can be found, due to the significant price decreases during the past years. Almost 5,000 holiday residences in Crete are for sale, a number that remained almost stable during the last five years, since construction activity has stopped and investing interest still remains at low levels. At the same time, market values have decreased up to 40% and sometimes even more relative to the period before crisis.

In **Chania**, around CBD, the vast majority of residences are at least 25-30 year old and the price range is from 750 – 1.200 €/sq m, depending on the exact location, age and level of maintenance, while new structures' prices vary from 1.800 – 2.100 €/sq m. The prices regarding new conventional structures in popular residential areas near CBD vary from 1.600 – 1.900 €/sq m in Chalepa, from 1.450 – 1.650 €/sq m in Lentariana & Aberia and from 1.550 – 1.800 €/sq m in Nea Chora. As for rental prices, they remained almost stable relative to 2016.

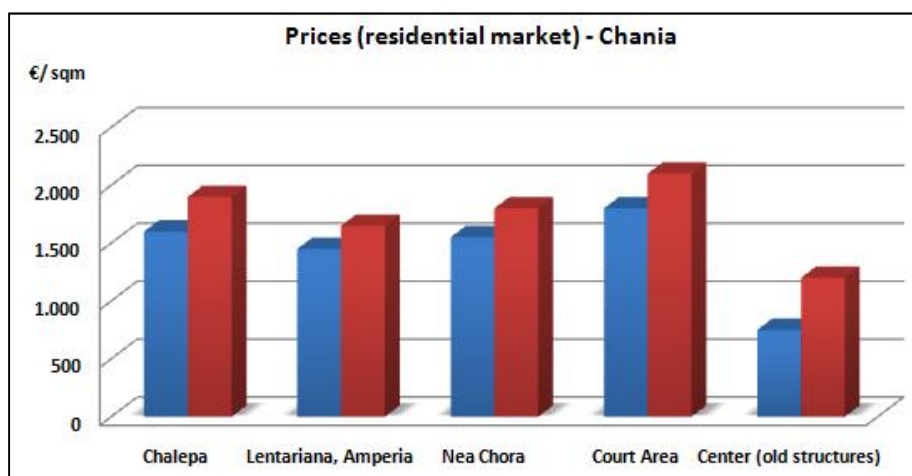
In **Heraklion**, around CBD, the vast majority of residences are at least 25 years old, whose price range is from 1.000 – 1.400 €/sq m, depending on the level of maintenance and the parking availability. The price range for new residences in popular areas near the CBD, such as Analipsi, Mastampas and Therissos, is from 1.800 – 2.200 €/sq m. 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 1.000 - 1.400 €/sq m, mainly depending on the level of maintenance. The price range for new conventional residences in areas near CBD, such as Kallithea, Mastampas and Koumpes, is from 1.600 – 2.000 €/sq m, depending on the characteristics of the property, such as location, floor level, view and size. As for rental prices, they remained almost stable relative to 2016, with a reduction of almost 10% since 2013.

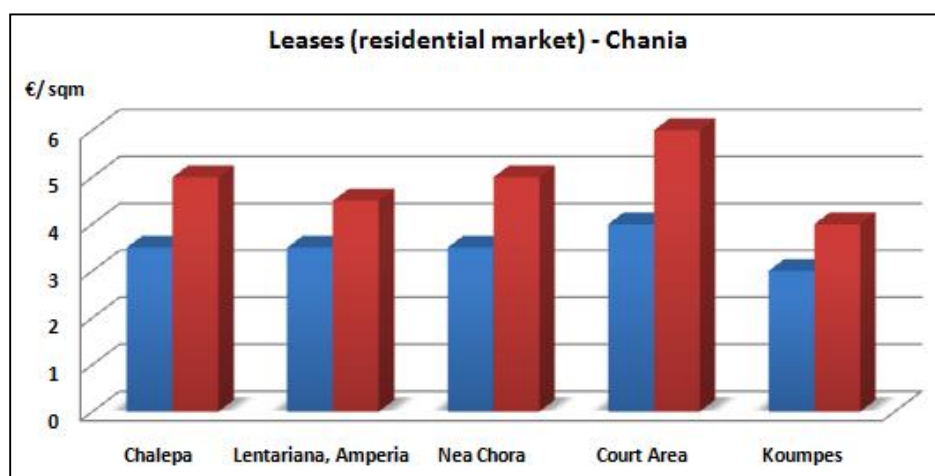


New Apartment Complexes in Heraklion and Rethymno

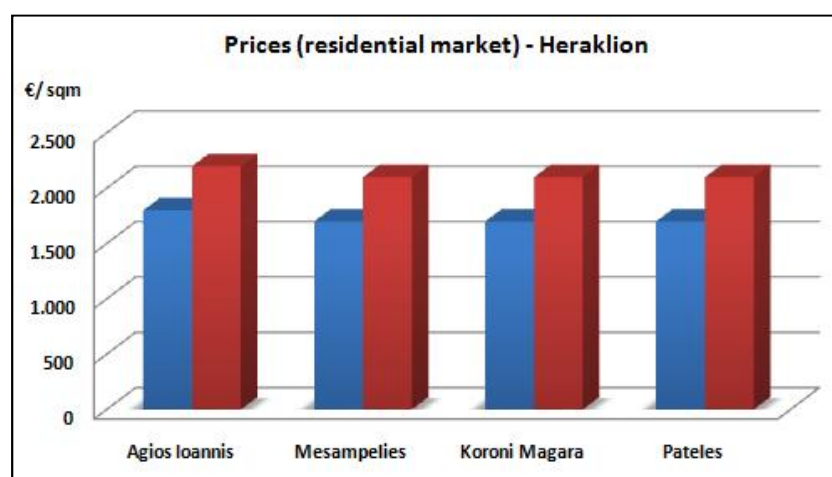
Finally, in **Lasithi**, the highest market values can be found at the coastal zone as well as the new suburbs of Agios Nikolaos, Ierapetra and Sitia, due to the most recent structures that can be found there, while market values at the old sections of the cities are slightly smaller. Rental prices remained almost stable relative to 2016.



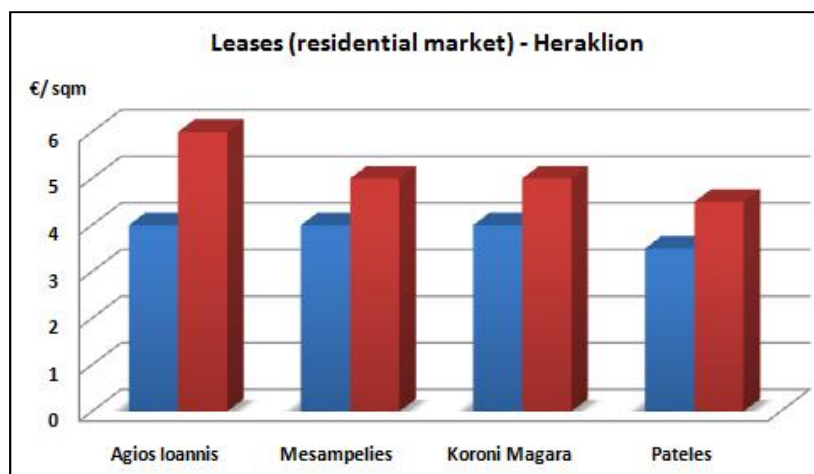
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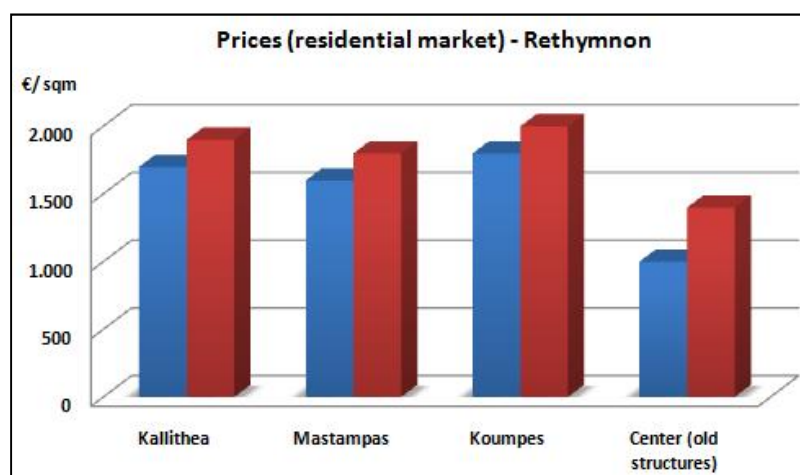
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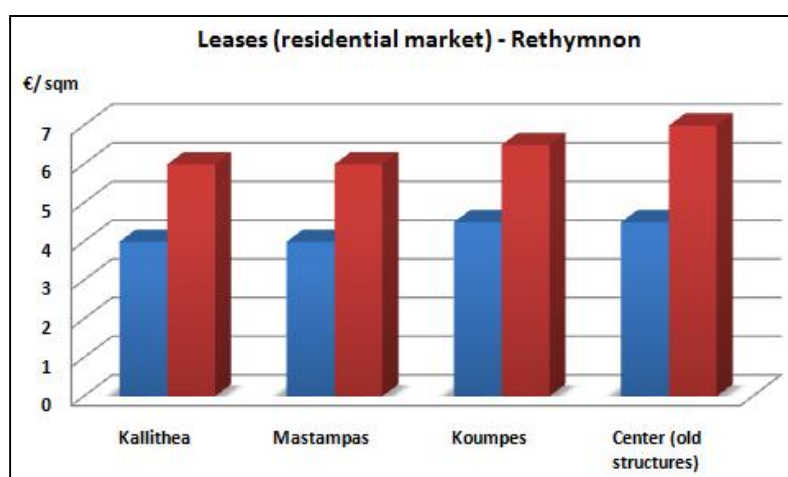
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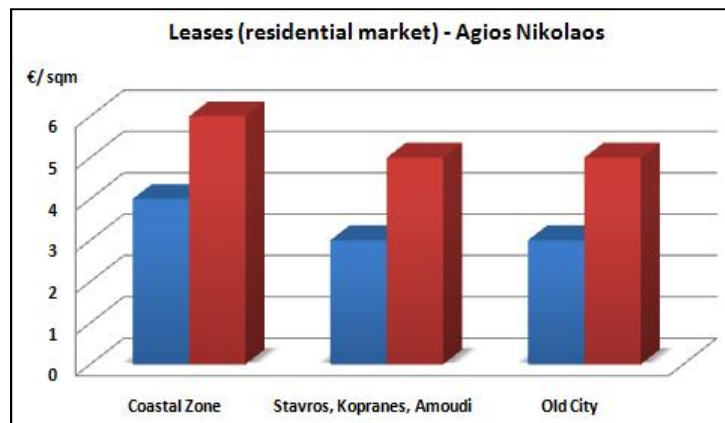
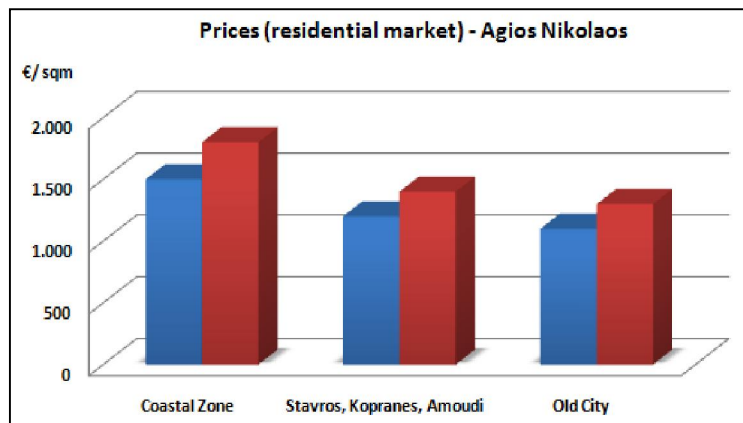
Source: Danos – Melakis Ltd



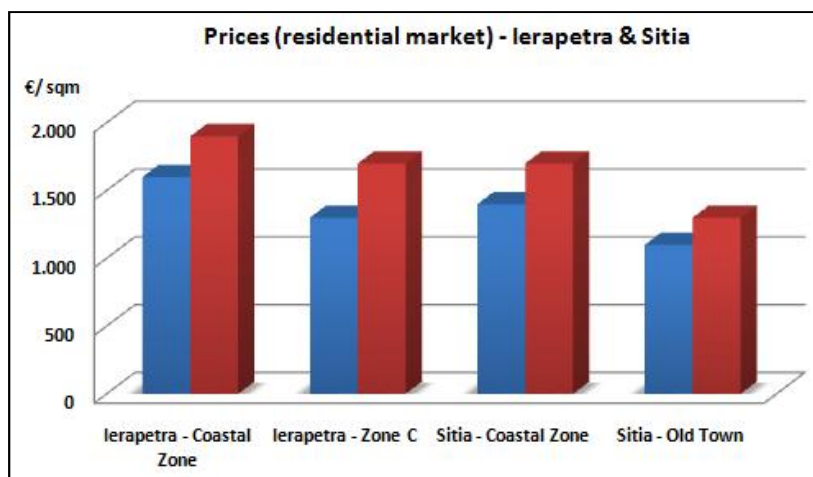
Source: Danos – Melakis Ltd



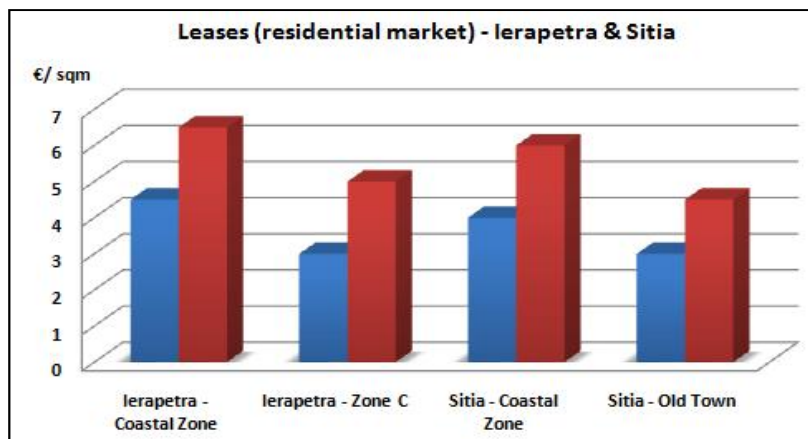
Source: Danos – Melakis Ltd



Source: Danos – Melakis Ltd



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 30 - 40 €/sq m and from 15 - 20 €/sq m at Koum Kapi, while the most commercial roads are Chalidon, Chatzimichali Giannari and Skalidi Streets (main area of retail market), where rental values vary from 25 - 40 €/sq m. The 'H&M' store at Tzanakaki Street and the pedestrianisation of Potie area which have led in higher rental values remained almost the same during this period as well.

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 20 - 40 €/sq m.



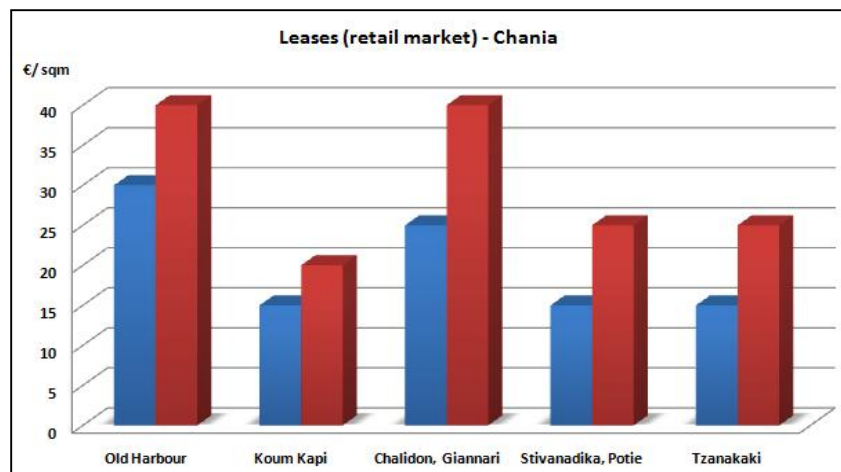
Shopping Center 'Olea' in Platani



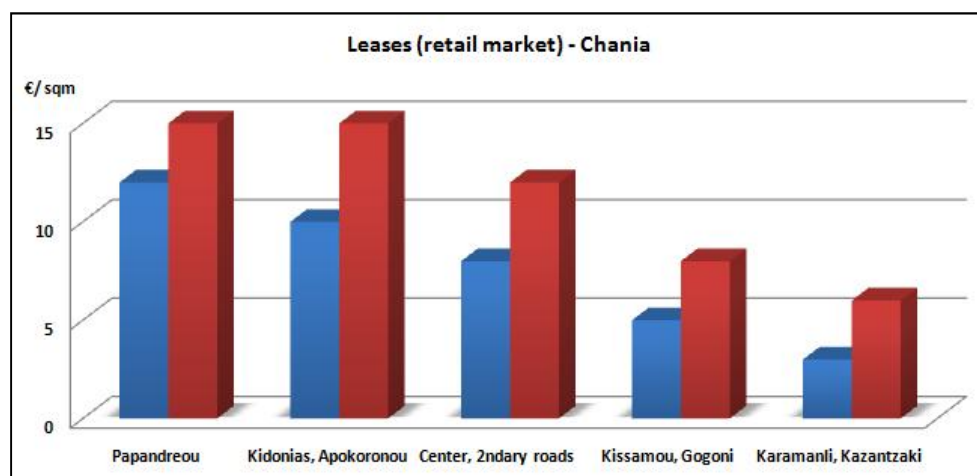
Shopping Center 'Talos Plaza' in Heraklion

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).

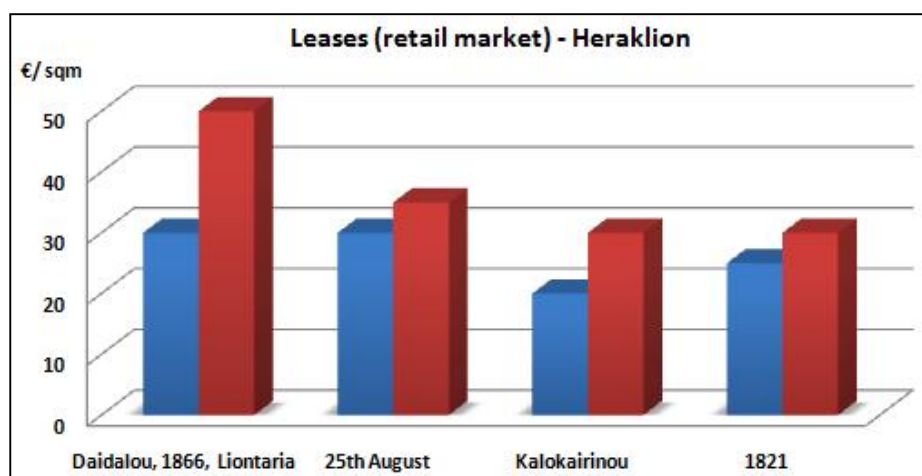
Finally, in **Lasithi**, commercial activity is found only in the cities' center and the coastal zones. The relatively small offer of retail stores has led to very high market and rental values in some cases.



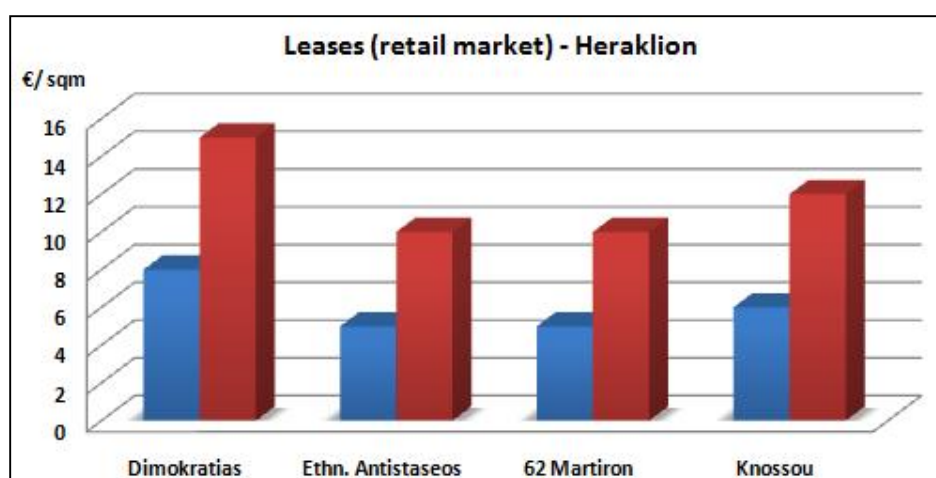
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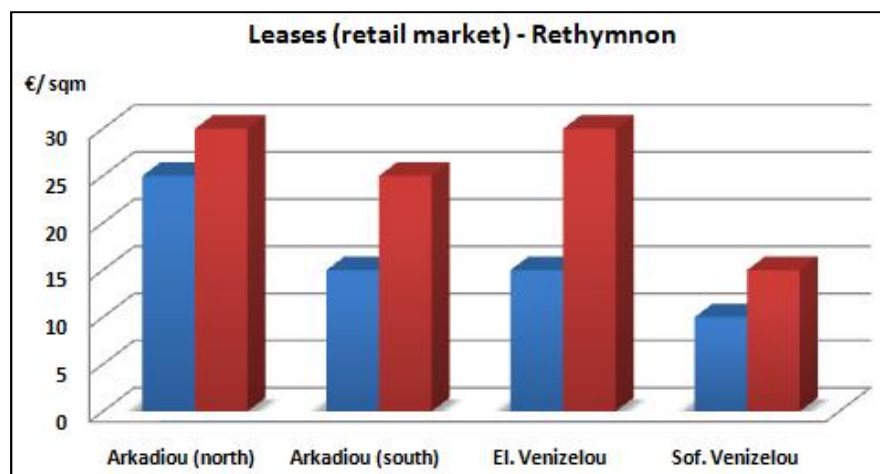
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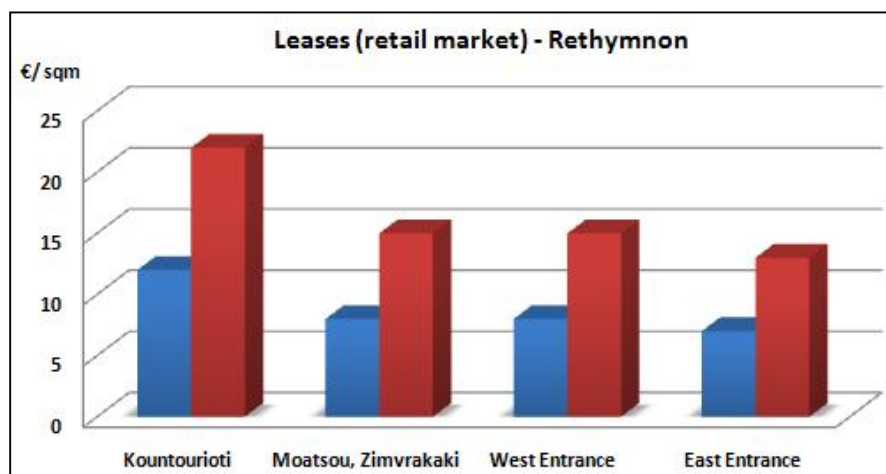
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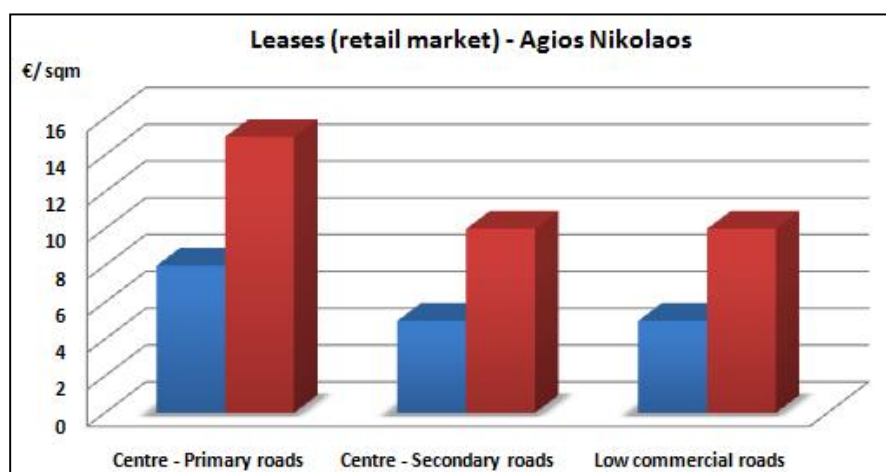
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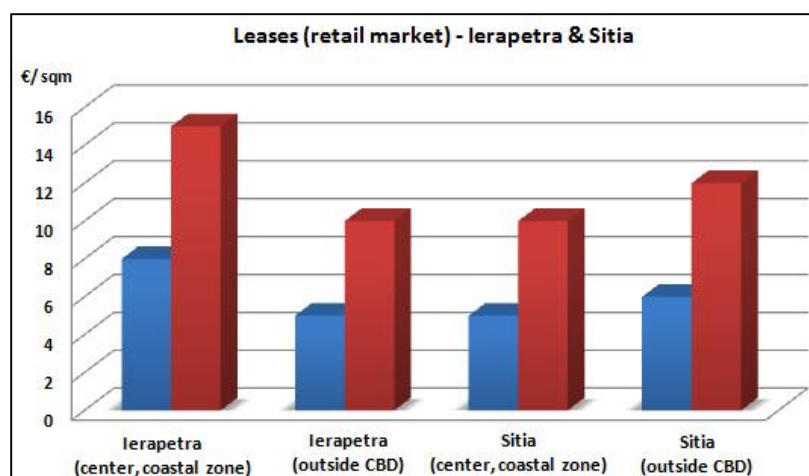
Source: Danos – Melakis Ltd



Source: Danos – Melakis Ltd



Source: Danos – Melakis Ltd



Source: Danos – Melakis Ltd

5. Logistics & Industrial Market

In Crete, no interest is observed in logistics and industrial market; therefore market has remained stable during H1 2017.

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 2 - 4 €/sq m in Heraklion and from 1.5 - 3 €/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 Triada 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

Tourism is one of the few sectors of the Greek national economy that is competitive at a global level. Despite the lingering economic challenges in the recent years, tourism sector showed remarkable strength. The unique geographical characteristics, in combination with the highly developed and still fast developing transportation infrastructure, the development and modernization of more specific tourist facilities, are expected to contribute to the development of Greece as one of the major and safest tourist destinations worldwide.

Airports – Arrivals

Regarding the Tourism of Crete the projections are significantly optimistic for 2017. According to provisional data regarding the first five month period, the international arrivals at the Heraklion and the Chania airports are increased by approximately 12% compared to the same period last year.

INTERNATIONAL ARRIVALS *, MAY 2017 - PROVISIONAL DATA							
	2017			2016			2017 vs 2016
	HERAKLION	CHANIA	CRETE	HERAKLION	CHANIA	CRETE	CRETE (%)
JANUARY	771	1.930	2.701	0	2.258	2.258	19,6
FEBRUARY	1.118	1.749	2.867	185	2.213	2.398	19,6
MARCH	3.794	8.312	12.106	10.225	9.548	19.773	-38,8
APRIL	160.359	67.391	227.750	120.125	53.909	174.034	30,9
MAY	373.126	135.465	508.591	343.439	132.349	475.788	6,9
TOTAL	539.168	214.847	754.015	473.974	200.277	674.251	11,8
(*)Source: Civil Aviation Authority (CAA) and Athens International Airport (AIA) - Processing: SETE Intelligence							

Sete.gr

Ports - Arrivals

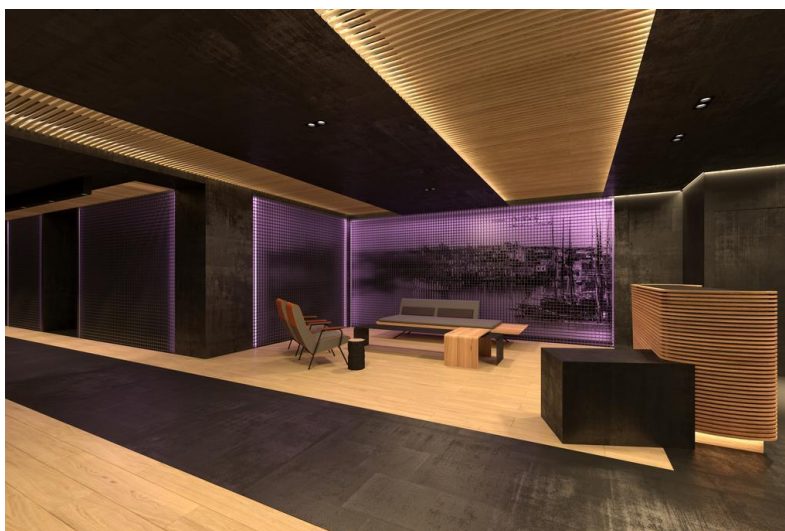
Based on the scheduled cruise ship arrivals at the island, Chania is predicted to maintain the high arrivals rate of 2016 after the impressive growth of the last years. Specifically at the port of Souda and at the external berth of the Venetian Harbor, it is expected that 87 cruises will ship the harbor of which 36 in the first semester and 51 during the rest of the year (source: Harbour Management Organisation of Prefecture of Chania).

Regarding Heraklion the total number of the scheduled arrivals appears to be slightly reduced in 2017 versus the last season (130 cruise ships versus 166 in 2016). More specifically, according to the Heraklion Port Authority S.A., the number of the scheduled arrivals is 56 in the first semester of 2017 while 74 arrivals are expected in the second half of the year.

Investments

There is strong interest from private equity funds and investors and international firms along with world caliber operators to expand in the Greek market, to enhance infrastructure and attract more tourists, mainly of a higher level income. The investment interest includes existing tourist hotel units of medium or large size and large seaside plots mainly in Northern Eastern Crete. At the same time, boutique hotels in the Venetian Harbor of Chania continued to attract the investors' interest this period as well. In addition, the recent development of the new management project of the Chania airport by Fraport is expected to reinforce the investment interest for Western Crete as a whole due to the resulting efforts towards the attraction of more airlines and the extension of the touristic season.

Within the first semester of 2017, the Accor Hotels Group launched the first ibis styles hotel unit in Greece, in the center of Heraklion. The specific investment of approximately €15 million concerns the use of an 8,000 sq m building which apart from the hotel unit (3,000 sq m) it includes, shops and an underground parking space of 11,000 sq m.



ACCOR HOTEL, Heraklion

In Sitia, after the recent decision of the Supreme Court, the touristic investment "Itanos Gaia" concerned with the property development of approximately 22,120 hectares owned by the Ecclesiastical Institution "Panagia Akrotiriani" was approved. This is one of the biggest investments in Crete of more than €100 million to be developed by the British company "Loyalward Ltd", which was selected through the procedure of an international competition. The investment relates to the design of touristic facilities including approximately 1,900 beds and infrastructure works aiming to attract quality and on an annual base tourism.

In Elounda area, Spyros Rani Group plans an investment of approximately €50 million concerning the construction of a new luxury hotel complex with 1,200 beds in a privately owned land of 170 hectares. In the same area, the "Decentralized Administration of Crete" recently approved the environmental provisions for the construction of a 5-star hotel unit, with 176 beds capacity by Energiaki Techniki Anaptyxiaki S.A. in an area of 22 hectares.

The procedures for the construction of a 5-star hotel in Prinios in Rethymnon to be developed by the company MEKAS L.V. Investments, a tourism and hotel company, are under way while the company BIRLIRAKIS S.A. plans to expand the boutique hotel Pepi Studios with 18 additional suites in the old town of Rethymnon.

In May 2017, the competition conducted by the Development and Management Company of the Property and the Technological Park of the Technical University of Crete for the development of the properties located in the old town of Chania and owned by the Technical University of Crete, was concluded. The contracted hotel company, Belvedere Monoprosopi Ltd, offered €8.9 million for a 25-year lease contract. Among other plans, the project includes the reconstruction of the square.



Properties of the Technical University of Crete, Kasteli area, old town of Chania

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