



Danos

INTERNATIONAL PROPERTY
CONSULTANTS & VALUERS

CRETE PROPERTY MARKET

2nd Semester 2016



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1. Economic Overview

Greek economy is gradually returning to positive development rates. The GDP was increased by +1,8% in the third quarter of 2016 on annual base (over +1,5% according to the initial valuations of ELSTAT), primarily due to the increase of private consumption by +5,1% (over -4,1% decrease in the third quarter of 2015), which was supported by the rise of salaries in the economy overall (+2,1% in real terms in the 3rd quarter of 2016). At the same time, activity in most of the sectors and specifically the industrial, retail and tourism is increased as Greek exportations seem to retrieve the dynamic they used to have in 2014.

More specifically within the positive progressions are included:

- The boost of industrial production in processing except oil products in October 2016 (+6,7% over -1,2% reduction in October 2015), for 5 months in row (+3,6% for the period January – October 2016), as well as in most of the industrial sectors (+8,9% in oil products, +8,9% in electricity, +2,6% in water provision).
- The rise in sales in processing except oil products for 4 months in row in September 2016 (+1,4% over -1,7% in September 2015), which resulted to the supplementation of large part of the losses of the first five months of 2016 (-0,7% overall for the period January – September 2016).
- The continuation of the increase of the exportable commodities apart from fuels in October 2016 (+2,6% in value and +4,6% in volume) for 4 months in row (+1,2% in value and +4,8% in volume for the period January – October 2016), especially food products and various industrial products (+10,5% and +7,3% respectively for the period Jan – Oct 2016).
- The boost of turnovers in most of the sectors during the third quarter of 2016, especially in wholesale (+3,2% after 7 continuous quarters of downward trend), tourism (+2,6% after decrease in the past 3 quarters and additional increase +4,8% in the third quarter of 2015), land and air transportations (+3,3% and +7,4% respectively) and the car sector (+18,6%).
- The improved conditions in services and retail in November 2016, with business expectations being on a positive track.
- The stable even though slow, decrease of the unemployment rate (23,1% in September 2016, from 23,3% of the previous month and 24,7% in September 2015). It is noted that the increase of the number of the registered unemployed by 12,3 thousand in October 2016, over 8,4 thousand who had been added in October 2015, is relevant to the end of the tourist period and the great number of recruitments made primarily by hotels and restaurants, the period prior to summer.

On the other hand, there are still recorded trends which show that economy is still facing difficulties such as:

- The decrease of consumptive trust to -66,9 units in November 2016, after a rise that took place the previous two months, as a result of the deterioration of the consumers' predictions regarding their economic situation and the country's situation as a whole the next 12 month period, apparently influenced by the impending over-taxation in 2017 and the new measures which are about to be implemented for the second assessment of the program.
- The deterioration of the entrepreneurial expectations in industry in November 2016, with the predictions about the production levels, the new orders and exportations slightly falling and the predictions regarding the employment progression being less promising. At the same time the PMI index in processing was formed to 48,3 units from 48,6 units the previous month, showing a relevant image regarding the production levels and new orders whereas the variation of job vacancies remained on positive track.
- The triple cost of businesses lending in comparison to the European average and the non-performing bank loans of ~107 billion.

Apart from the above issues, the country is implementing a strict fiscal policy which according to the Eurogroup's decision of the 5/12/2016 will be preserved even after 2018, creating concerns in the market for further increase of the over-taxation and attenuation of the developing dynamic which is formed. Definitely the achievement of the program's targets is necessary for the restoration of the credibility of the economic policy.

Conclusion

The austerity measures implementation process that Greece adopted since the signature of the first Memorandum is highly demanding. Having achieved a considerable decrease of the General Government Spending to 55.7 billion euros from 2008 till now (-30%) on one hand and an impressive shrinkage of the General Government Balance to 4.6% of GDP (from 15.4% in 2008) on the other hand, Greece still faces problems however, since GDP (175.6 billion euros) is consistently shrinking.

2. Office Market

Office market in Crete remained almost stable during H2 of 2016, 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%. Prime yields have seen a slight compression during the past semester, since the effects of the capital controls were not as severe as originally predicted and investors have been actively looking for opportunities.

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).

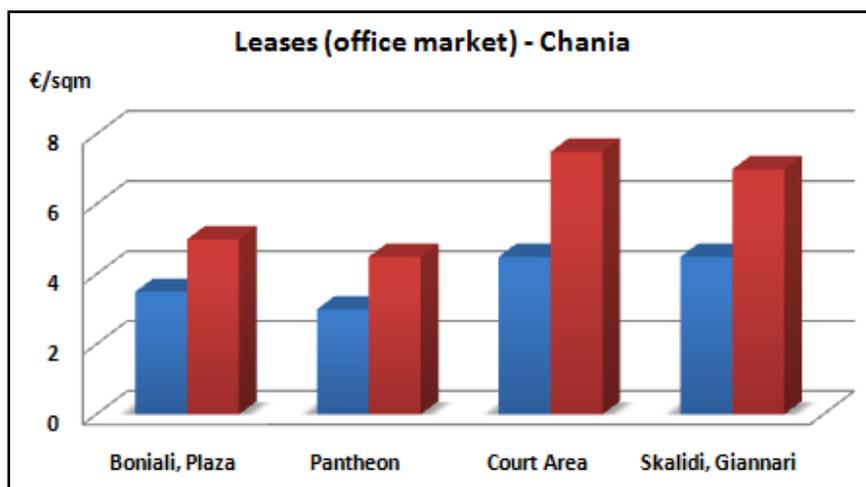


Trianon Center in Court Area, Chania

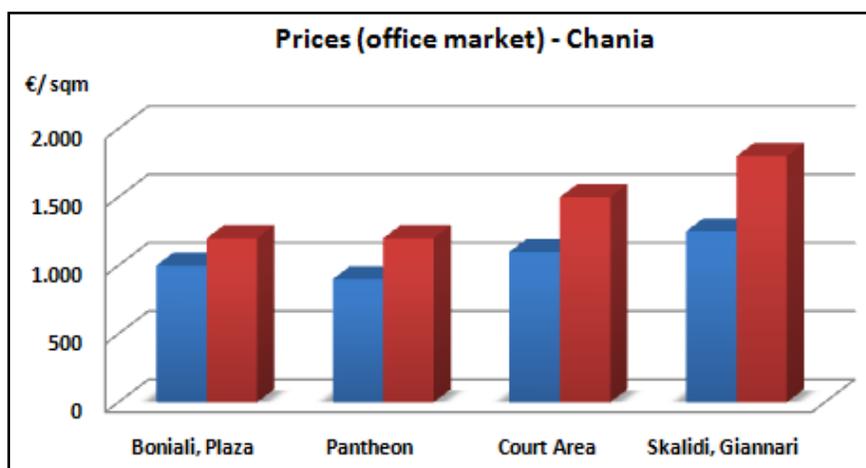
In **Heraklion**, the vast majority of office spaces are congregated around the city center (Zografou St, Daidalou St, Dimokratias St, Dikaiosinis St, 25th August St, Evans St, Kalokairinou St, Averof St, Lontaria Square), where freelances and businesses are highly interested due to the proximity to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

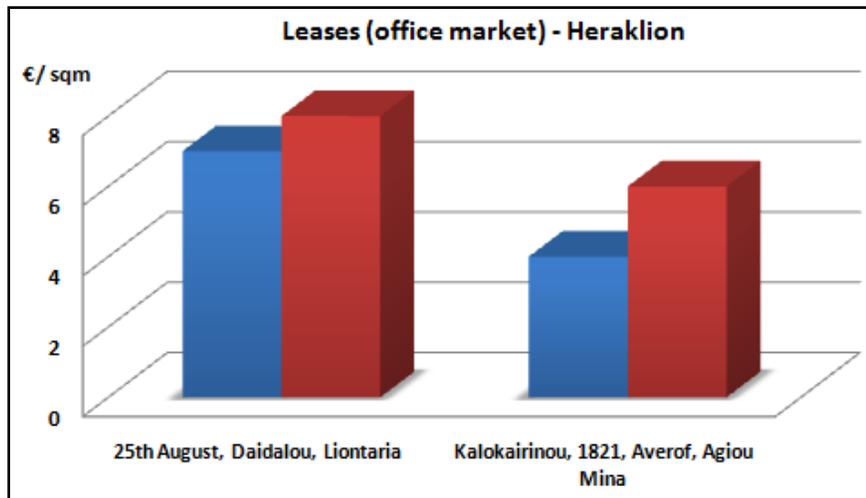
In **Rethymnon**, the main office market is around the CBD, the Old City and Iron Polytechniou Square, close to the main retail market and public services buildings, while relatively new office spaces can be found at the main streets that lead to the CBD, i.e. Igoumenou Gavriil Avenue (west entrance) 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.

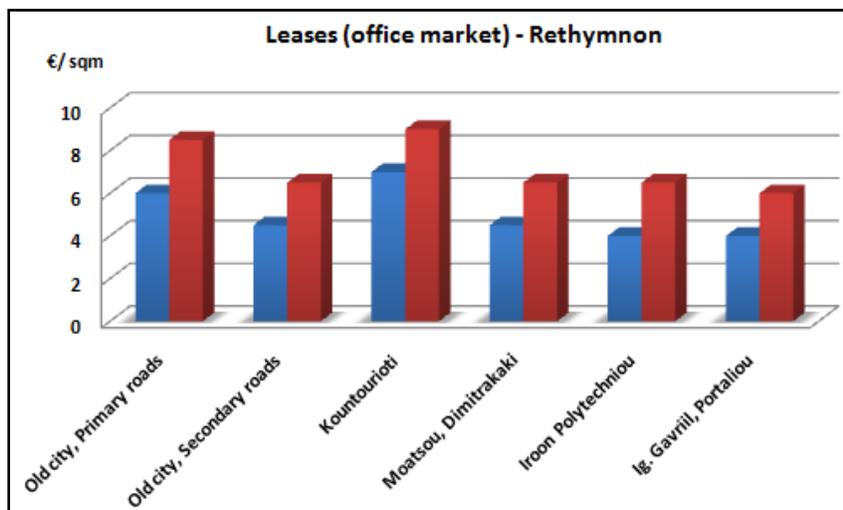
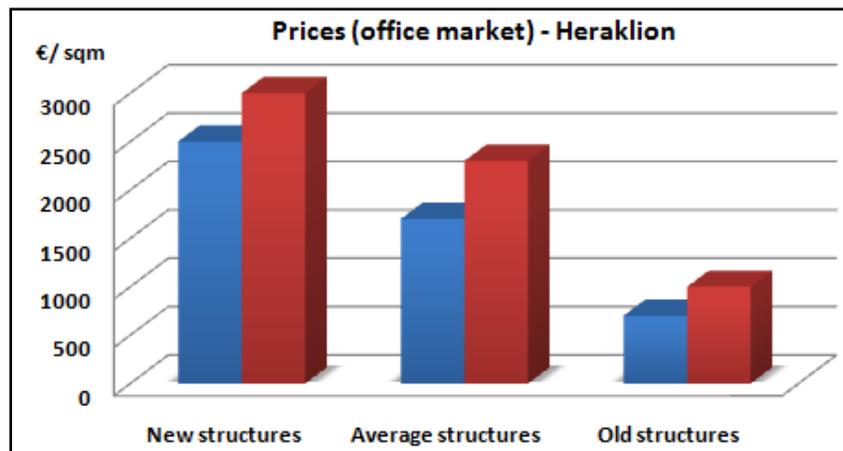


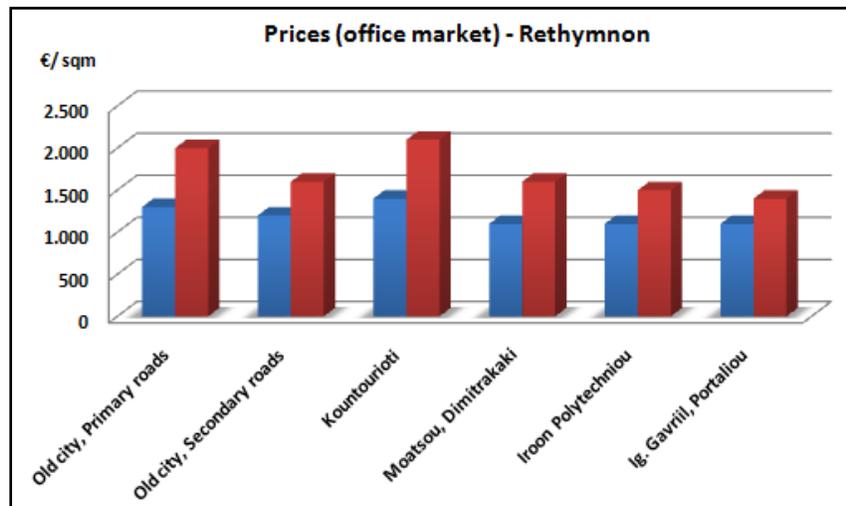
Source: Danos – Melakis Ltd



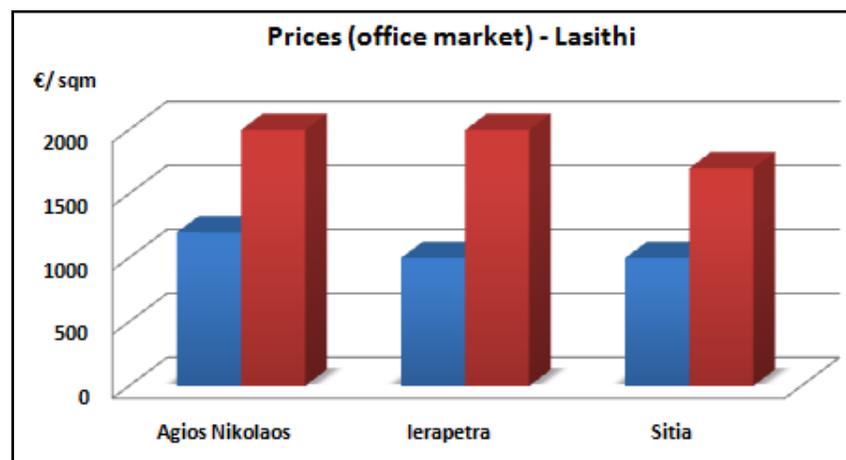
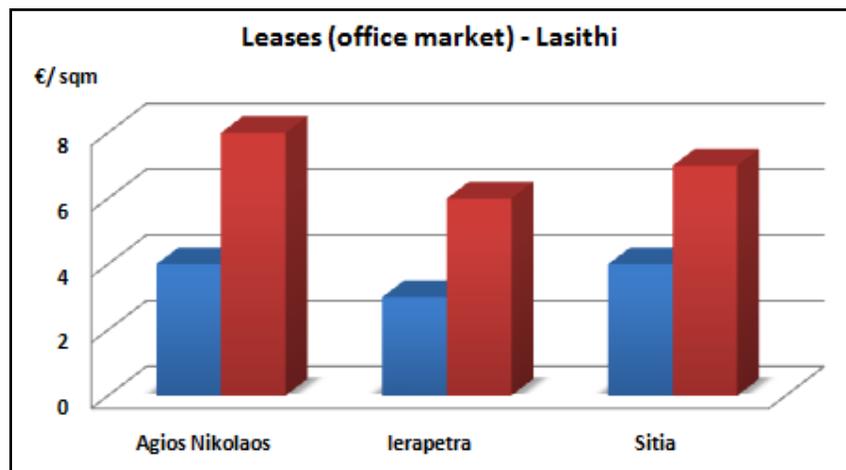


Source: Danos – Melakis Ltd





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

After the announcement of the national elections in January 2015, there was a significant increase in the demand for small apartments mainly, since many people decided to withdraw their deposits and invest them in old and economical apartments. The recent activity in the real estate market showed that residences turned into a safe investment for many people with anxiety and economic insecurity. However, this small activity did not manage to reverse the negative climate in real estate market and was sharply interrupted by the introduction of capital controls, while the main reasons that the market hasn't picked up yet are the lack of new bank loans and no recovery of the mortgage 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 general, it is believed that residential market has bottomed out during H2 of 2015 and has entered into a recovery path since the beginning of 2016, as the economy stabilizes, helping to reinforce the recovery of the economy as a whole.

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 €/sqm, depending on the exact location, age and level of maintenance, while new structures' prices vary from 1.800 – 2.100 €/sqm. The prices regarding new conventional structures in popular residential areas near CBD vary from 1.600 – 1.900 €/sqm in Chalepa, from 1.450 – 1.650 €/sqm in Lentariana & Aberia and from 1.550 – 1.800 €/sqm in Nea Chora. As for rental prices, they remained almost stable relative to 2015.

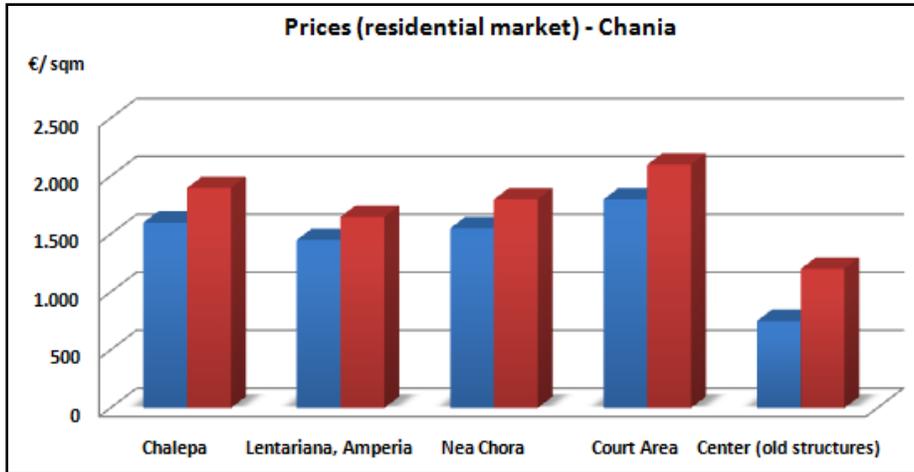
In **Heraklion**, around CBD, the vast majority of residences are at least 25 years old, whose price range is from 1.000 – 1.400 €/sqm, depending on the level of maintenance and the parking availability. The price range for new residences in popular areas near the CBD, such as Analispi, Mastampas and 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 €/sqm. As for rental prices, they remained almost stable relative and vary from 4 – 6 €/sqm, 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 €/sqm, 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 €/sqm, 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 2015, with a reduction of almost 10% since 2013.

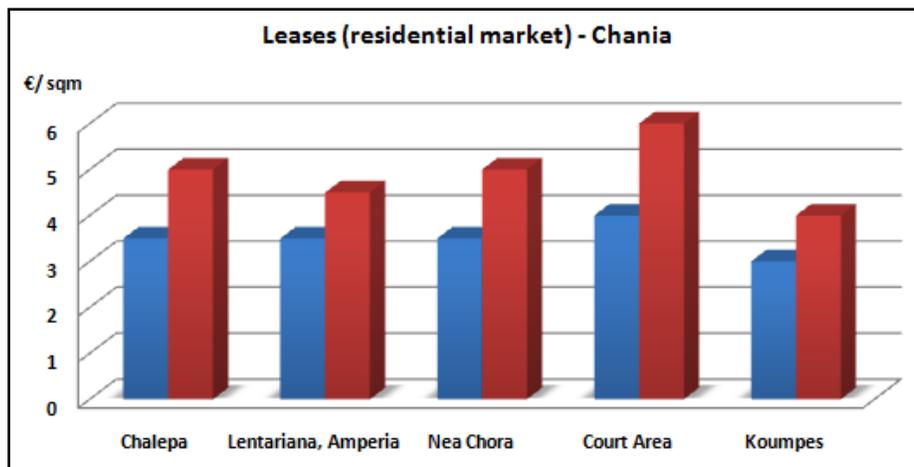


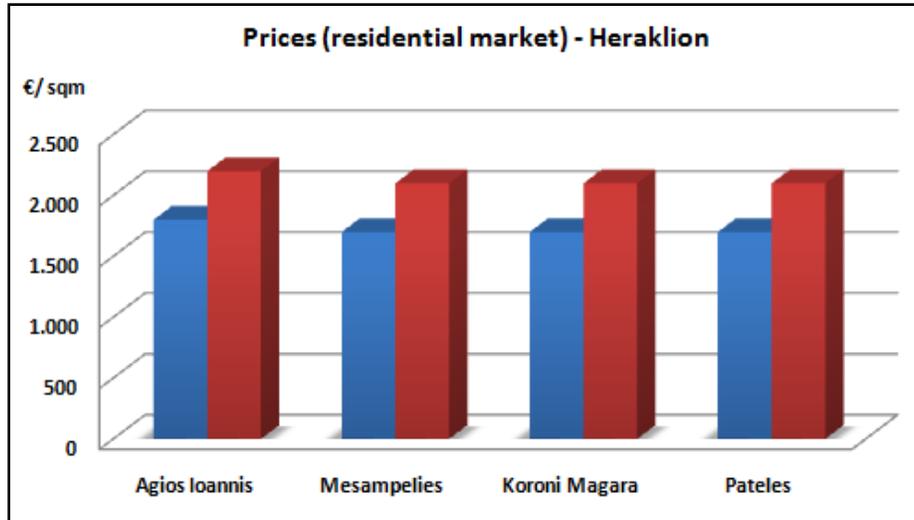
New Apartment Complexes in Heraklion and Rethymno

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 2015.

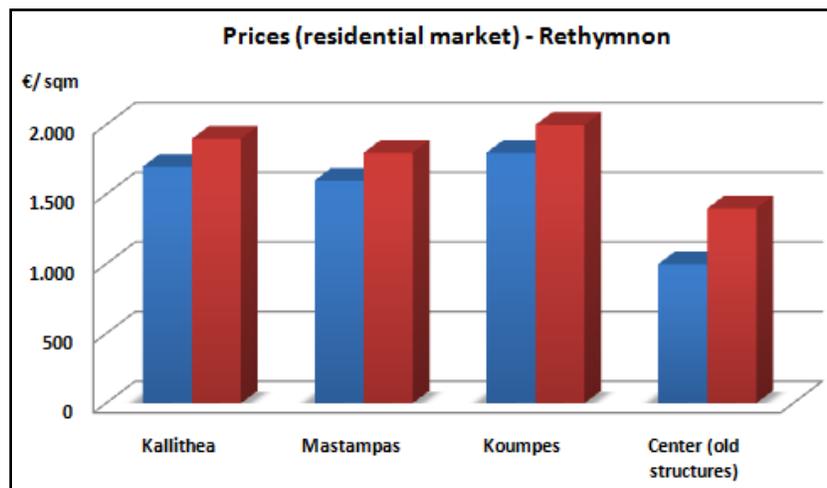
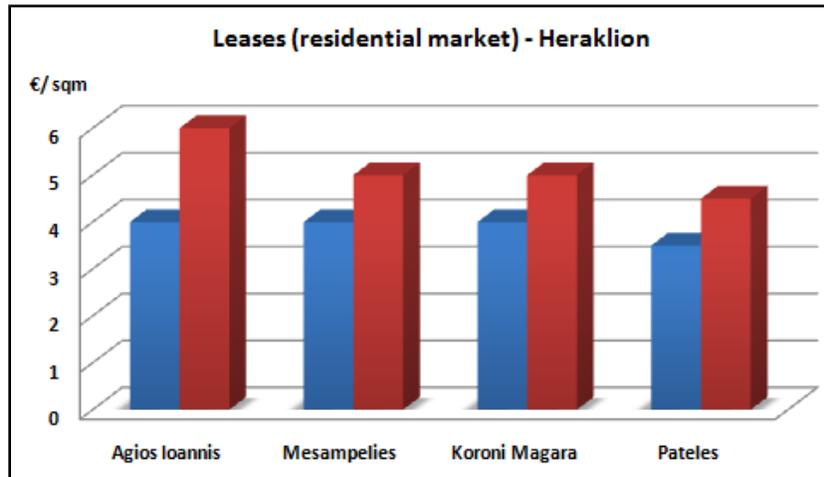


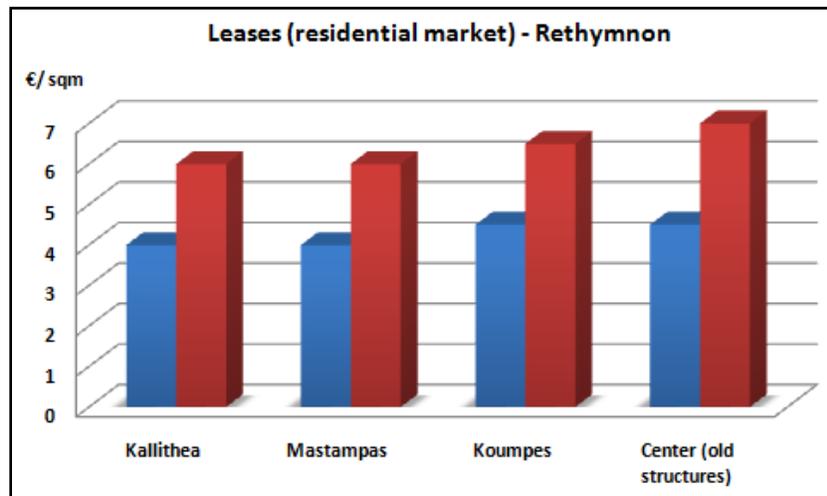
Source: Danos – Melakis Ltd



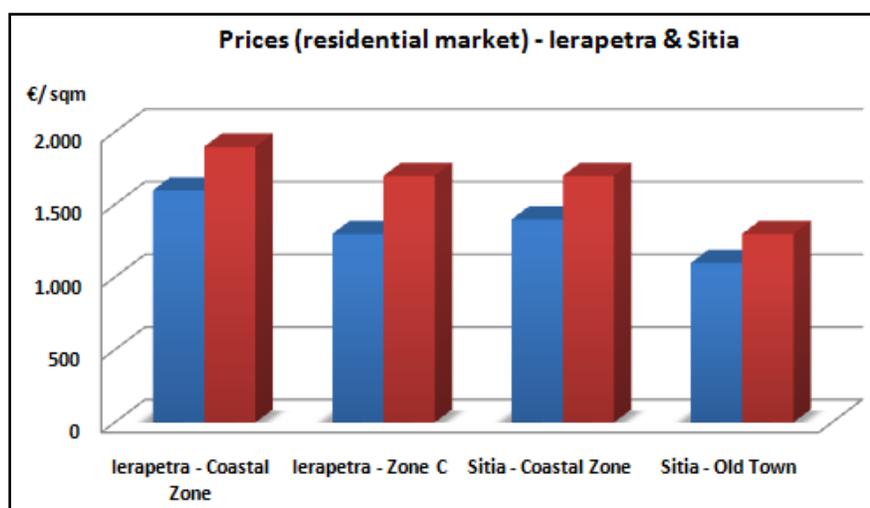
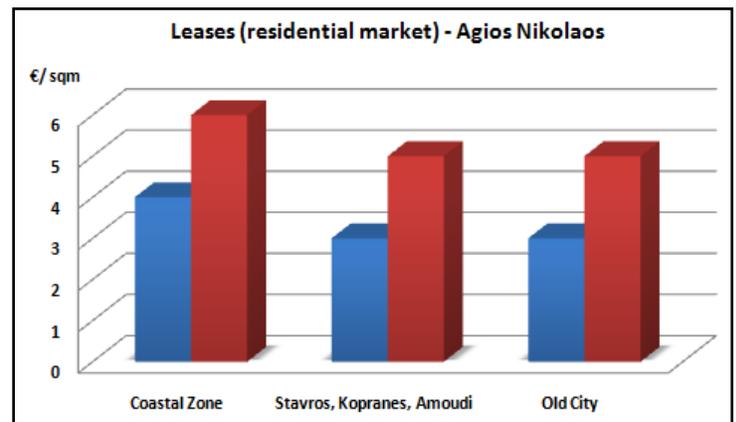
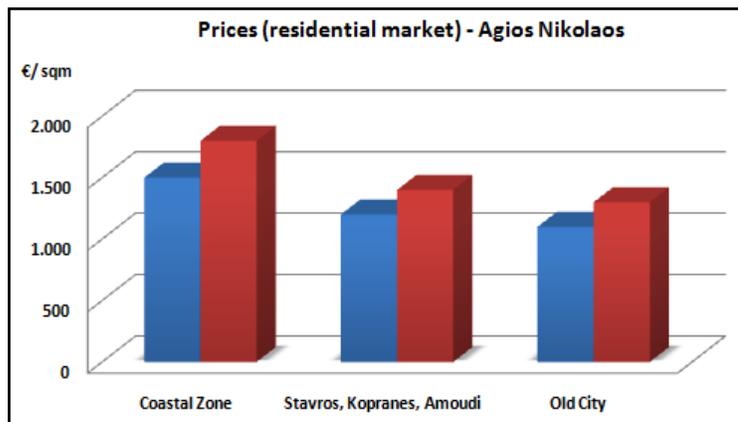


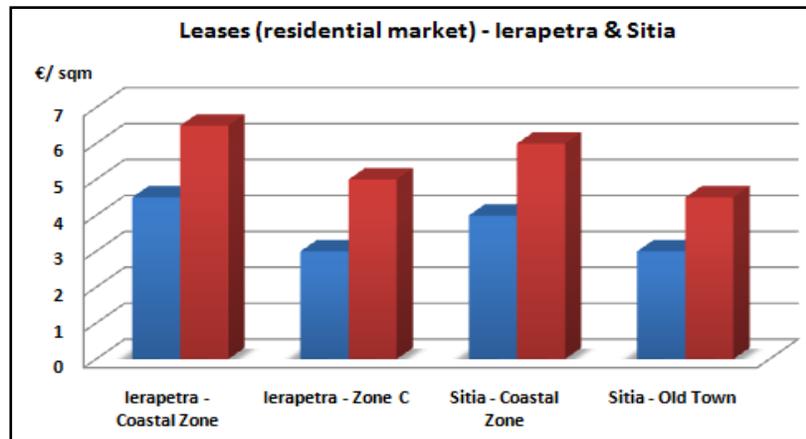
Source: Danos – Melakis Ltd





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 €/sqm and from 15 - 20 €/sqm 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 €/sqm. The new 'H&M' store at Tzanakaki Street and the pedestrianisation of Potie area have led to higher rental values and increased absorption in these two areas.

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 Liontaria Square, where rental values vary from 30 - 50 €/sqm.



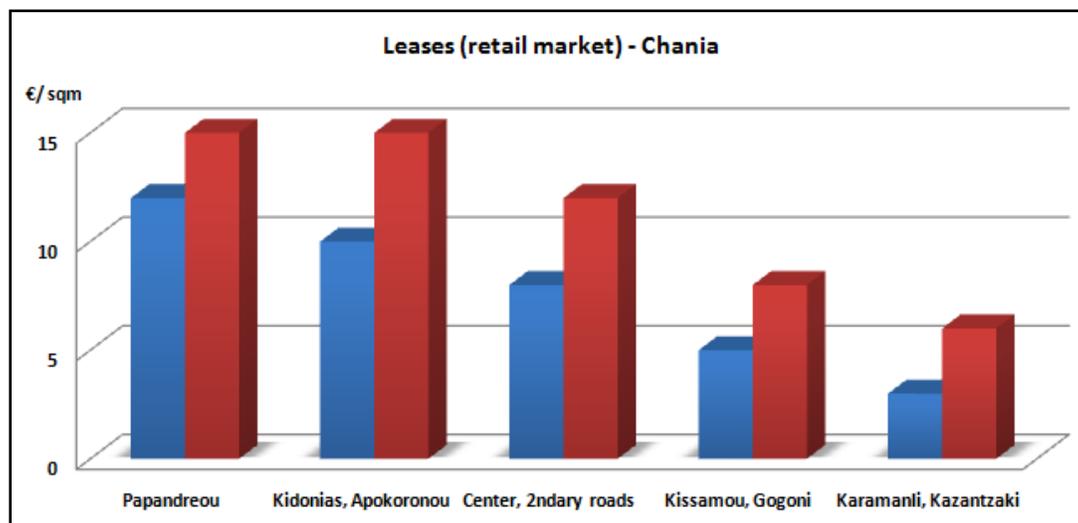
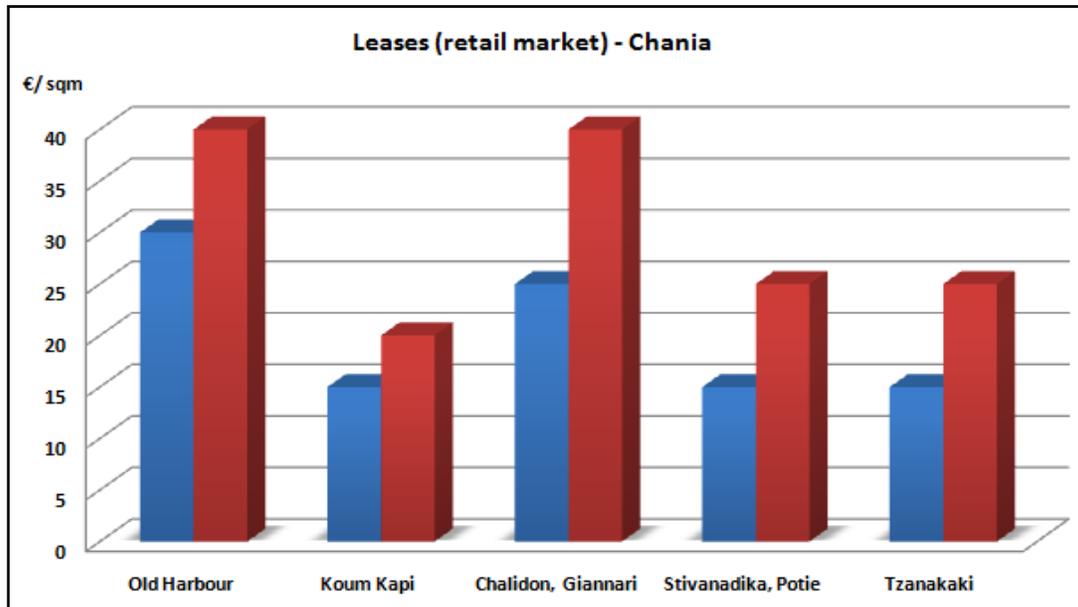
Shopping Center 'Olea' in Platania



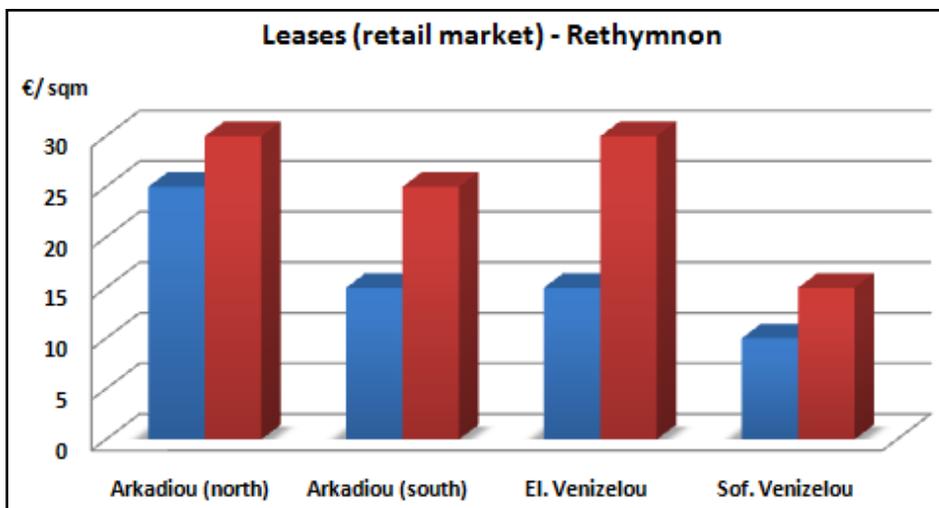
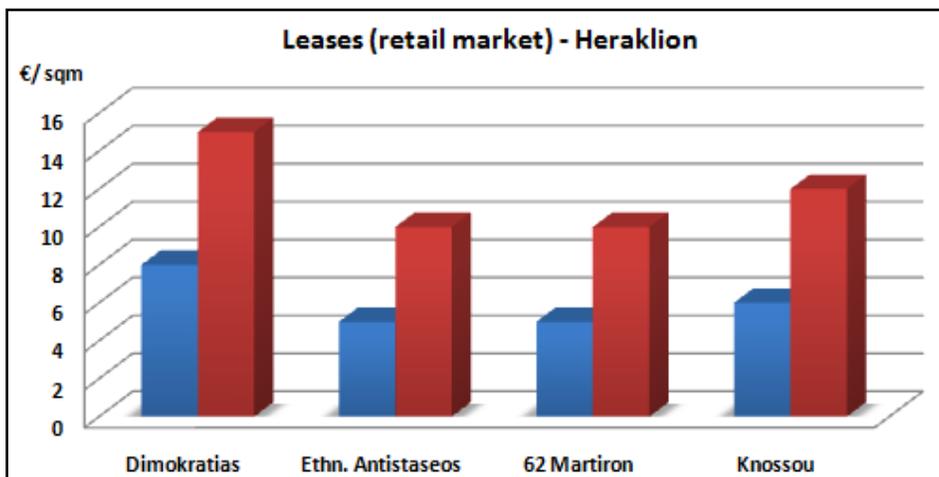
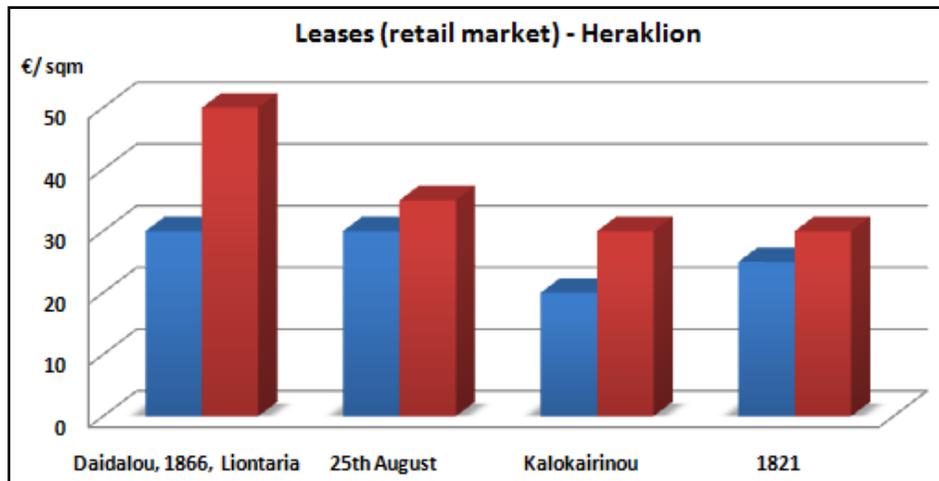
Shopping Center 'Talos Plaza' in Heraklion

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

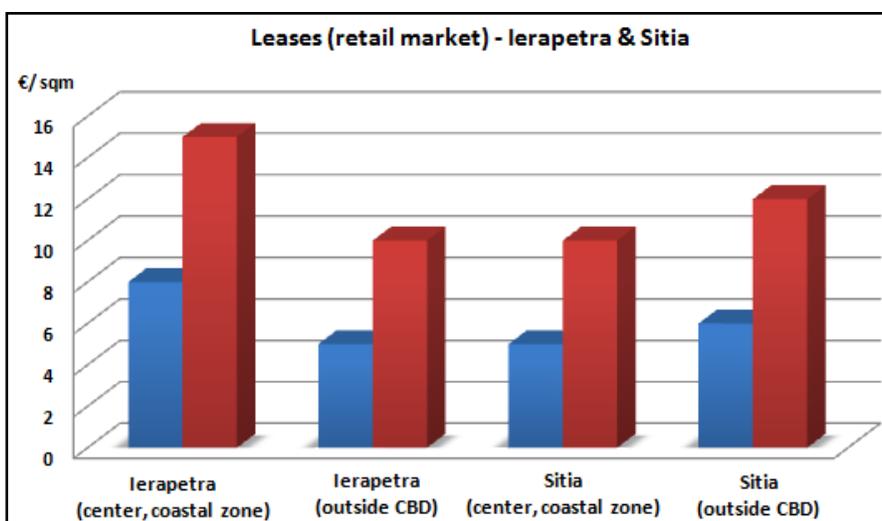
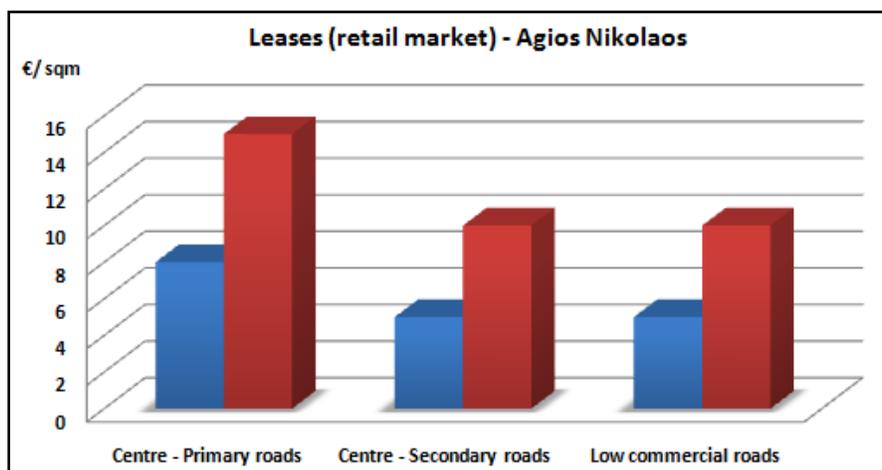
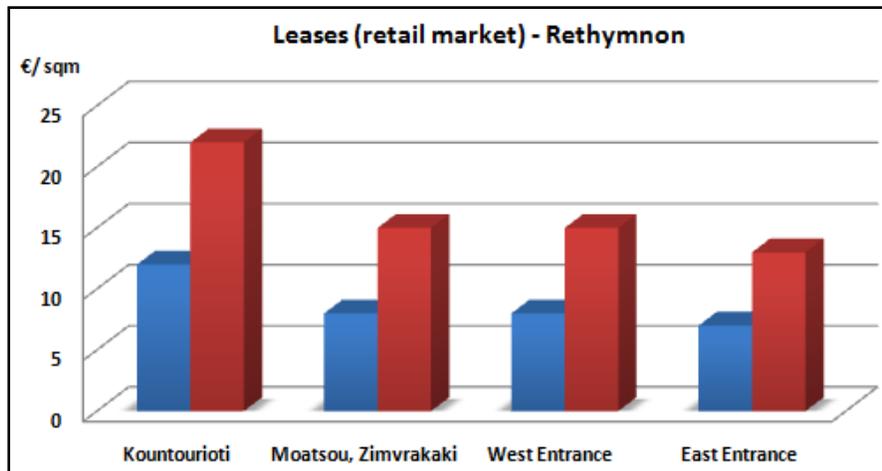
Finally, in **Lasithi**, commercial activity is found only in the cities’ center and the coastal zones. The relatively small offer of retail stores has led to very high market and rental values in some cases.



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 H2 2016.

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 €/sqm in Heraklion and from 1.5-3 €/sqm 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 Rethimno 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 one business has been installed 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 and the slow down due to the major politic developments, tourism sector showed remarkable strength and 2015 was a record year. 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 a major tourist destination in Europe and as an international transportation hub of European proportions.

Airports – Arrivals

As far as the city of Chania is concerned, during 2016, 881.514 passengers were transported within the country (437.574 arrivals, 443.940 departures), according to official data of the airport of Chania. 458.510 passengers were transported by Ryanair, 421.154 passengers by Aegean (Aegean and Olympic Air) and 1.850 passengers by other air companies.

It is observed increase in the number of all the main nationalities who visit western Crete except Danish, the arrivals of whom have been reduced by 4%. On the contrary the greatest rise is recorded by British with 34%, getting the 3rd place from Danish and as a result they win one of the first places as far as the total number of arrivals is concerned. As a matter of fact, the last 6 years has been recorded continuous rise by British, almost quadrupling their arrivals at Chania airport.

Half foreigner tourists who visit Chania airport come from non-Scandinavian countries confirming also this year the continuous increase of these nationalities. The upward trend which is observed since 2010 is mainly attributed to the dynamic presence of the low cost airline company Ryanair which occupies almost 30% of the total arrivals, 9 out of ten passengers of which come from non-Scandinavian countries, alternating the mixture of tourists who choose Chania airport as final destination.

Increase in the total number of foreigner tourists' arrivals is also observed at Heraklion airport, where 65% consists of German, British, French and Russians. The positive change is contributed to the increase of all the main nationalities who prefer Heraklion airport and specifically Russian tourists, who increase their arrivals by 42% in comparison to the high reduction of the former two years.

It is worth noticing, that as it is mentioned by executives of the Service of Civil Aviation, according to statistical data of the last year, the airport which recorded the highest percentage of increase of passengers transportation, (within the category of airports with passenger activity over 4 million), is the Heraklion airport with a rise of 13,3%.

Based on statistical data about December 2016, its results that the rise in inbound passengers was 10,5% and 19,1% for outbound passengers. Overall, at the airports of Athens, Thessaloniki, Heraklio, Chania and Rhodes, is recorded the greatest passenger activity for December 2016.

Based on temporary data of SETE, the monthly international arrivals for 2016 at the airports of Heraklion and Chania are as follows:

INTERNATIONAL ARRIVALS 2016		
	Herakleion	Chania
January	0	2,258
February	185	2,213
March	10,225	9,548
April	120,125	53,909
May	343,439	132,349
June	456,060	169,017
July	608,722	223,817
August	604,849	190,922
September	479,450	168,259
October	258,064	91,012
November	3,028	3,310
December	1,007	2,258
Total	2,885,154	1,048,872

Sete.gr

Ports - Arrivals

As far as the cruises are concerned, 2016 was a successful year for the city of Chania as there were conducted almost 100 cruise arrivals at the two ports (Souda port and the Venetian port). As a matter of fact, Chania is in the 8th place among the most popular cruise destinations in Greece while the arrival of more than 153.000 passengers by cruises in 2016 is a high record for the city. As far as the rest of Crete is concerned, in 2016, 165 ships with 238.780 passengers arrived. In Agios Nikolaos 49 ships with 26.560 passengers arrived and in Rethimno were conducted 3 cruise arrivals with 400 passengers.

Investments

There is strong interest from private equity funds and investors and international firms along with world calibre operators to expand in the Greek market, enhance infrastructure and attract more tourists, mainly of a higher level of income. The investment interest includes existing tourist hotel units of medium or large size, large seaside plots as well as small private islands. As for Crete, there is interest for large seaside plots mainly in Eastern Crete, while since the last two years there has been strong interest for small boutique hotels in the Venetian Port of Chania.

Within the second semester of 2016, the hotel ‘Olive Green Hotel’ operated in the city centre of Heraklion. It was first built in 1960 and was then reconstructed by the Hotel Group Karataraki to the first eco and smart hotel in Crete, 100% environmentally friendly. The hotel includes 48 rooms while the biggest part of the energy requirements is covered by solar panels and other innovative systems.



Olive green hotel Heraklion

It has been also initiated the construction of a new 5* hotel unit of 240 beds of Karantzis Group, in the area of Chersonisos. The hotel unit is being constructed on a seaside plot of 32 hectares. The investment which has been subsumed into the Investment Law is a 14,55 million budget with a financing rate of 30%. At the same time the affiliated company of the Group ‘Stell Polaris Creta’ is planning the construction of a new 5* hotel unit and of 597 beds in Agios Ioannis region in Ierapetra, an investment for which the Building License has been already issued.

As far as the area of Lasithi is concerned, the investment by the joint venture ‘MIRUM HELLAS’ is under consideration. The investment is of a budget of 400 million which includes the plan ‘Elounda Hills’ in Agios Nikolaos and is about the construction of residences, hotels and other infrastructures.

As for Chania, in 2016 there were added two investments in the luxury resorts category. The one is the Domez Noruz Chania Autograph Collection which has been offering unique services since July, having a merchant corporation with the Mariott Group. The other one is the new five-star hotel ‘Anemos Luxury Grand’ at Georgioupolis coast. The hotel consists of 240 luxury rooms, 4 shared pools, 60 private pools, 3 restaurants, 4 bars, conference rooms and a spa center.

At the same time the Mathioulakis Group has initiated a new five star hotel unit at the north coast of Chania. It consists of 300 beds while in the area is expected to be added another resort of half capacity but of equivalent category.



Anemos Luxury Grand Resort, Georgiopolis, Chania

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