



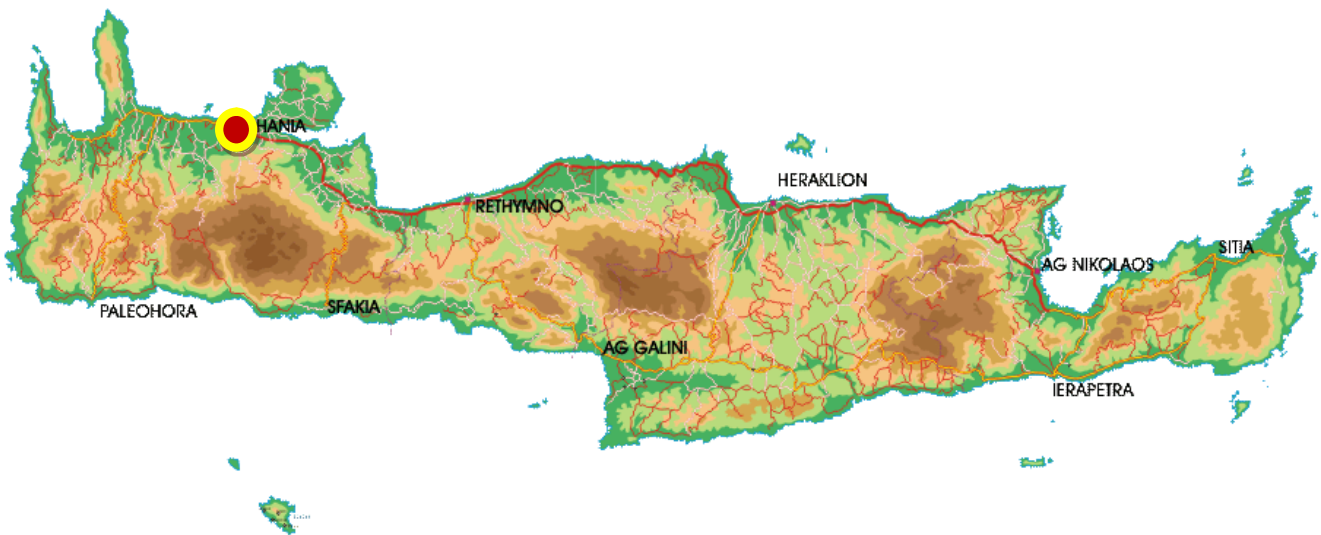
Danos

INTERNATIONAL PROPERTY
CONSULTANTS & VALUERS

CRETE

CHANIA PROPERTY MARKET

1H 2010



1. Economic Overview

Public deficit reached 12.7% and public debt 113.4% of GDP, instead of 9% as was officially announced from the previous government.

The Greek economy immediately entered a long period of confidence crisis, and 10 year government bonds CDS spreads increased from 100 to 800 base points, within an eight month period, making public refinance unbearable under these conditions.

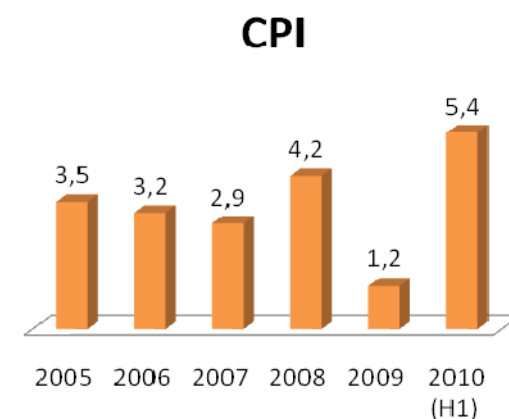
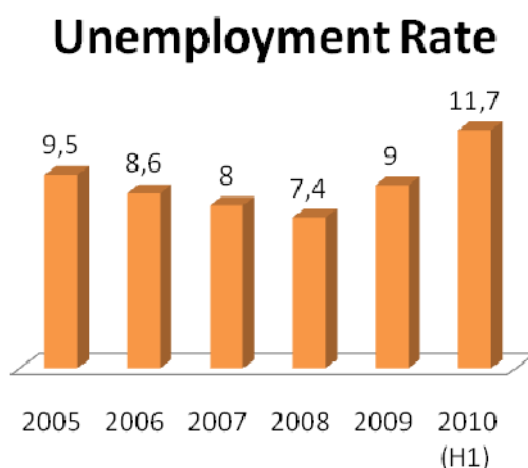
In response, the government, knowing that from 2010 – 2012, it has to refinance bonds worth of 110 bil. Euros, it adopted a stability program in order to bring public deficit to 3% of GDP by 2013. Unfortunately, this program did not convince investment confidence.

Due to lack of trust, from investors regarding Greek government bonds, and high spreads, the Greek government turned to the IMF, European Union, and European Central Bank for financial aid.

All EU members as well as the IMF rushed to provide financial aid to Greece, since the lack of trust, started shaking all EU economies, destabilizing the Euro currency, and fear for a domino effect was foreseeing.

Greece announced immediately the “Hellenic Stability and Growth Program 2010 -2013” which aims to limit public deficit to 3% of GDP. Quarterly inspections and reports are agreed to be published to show Greece’s improvement in public deficit figures.

These targets can be achieved if the government materializes the Stability and Growth Program. During this period Greek economy is entering the deepest recession the country has ever experienced. Some of the measures taken are: public servants wage cut by 20%, numerous government organizations are being merged, VAT increased from 19% to 21% and 23% from July onwards to increase tax revenue, leases on government buildings are being renegotiated with a reduction of 20%, pensions are being renegotiated and retirement period is expanding age limit from 60 to 65 years. Also health care supply chain is being renegotiated with discounts of 20-25%. Finally, local government (municipalities) are being merged from 1.060 currently to 370.



Indices

GDP has fallen to -2.5% for H1 of 2010. Forecasts show a further decrease of 0.5% – 1.0% for the second half, closing for 2010 to -3.0% – 3.5%.

Unemployment has increased to 11.7% from 9% end of 2009. This is caused due to the economic cycle effect. Further increase in unemployment is expected in the upcoming years, some pessimistic scenarios expect unemployment rate to reach 15%.

The consuming Price Index, increased to 5.4% mainly due to VAT increase from 19% to 21%, and 23% from July onwards. Also petrol, tobacco and alcohol have been introduced to higher taxation.

Regarding private consumption, all indices are decreasing, due to the recession. Products and services are entering a deflation period, with prices discounting from 20 to 50% in automobiles, traveling packages, clothing, electrical appliances, etc.



Office building at Pireos Ave.

2. Market & Corporate News

The market has taken a hit, with office and retail tenants renegotiating lease terms, with up to 20% reductions. Also due to cut down in consuming expenditure, retail chains have abandoned many shops since new tax law voted in May 2010 allows tenants to brake lease with three months notice and one month penalty fee.

Although investment activity is limited, many companies are looking to relocate. At least 30,000 sq m. are looking to relocate within the year. Greatest demand for new lease agreements comes from the banking and financial services sector.

KED (Hellenic Public Real Estate Cooperation) has recently been restructured to manage more efficiently property assets through PPP structure. Finally biggest challenge for KED is to exploit public property assets and estates which are estimated to be valued around 200 bil. €.

Nevertheless, significant business activity has materialized this semester, DANOS company in Alliance with BNP Paribas Real Estate, was chosen as an exclusive consultant from EPENDITIKI KRITIS to advice and promote Kokini Chani Retail Center in Iraklio, as well as Tripodakis Commercial Centre in Chania.



3. Office Market

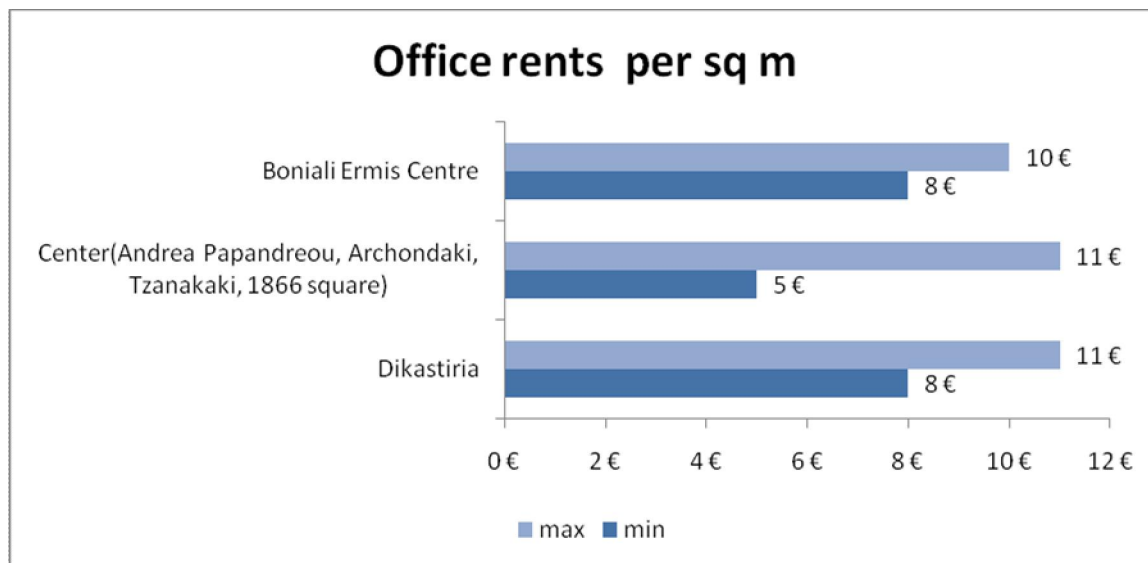
Based to official market reports and published statistic volumes, in the city of Chania, businesses have decreased their profits – impacted from the economical recession. Some tenants are considering to renegotiate their lease terms.

Around Dikastiria square lease is increased relatively with Chania center due to the privileged location of the square which is close to Courts, Prefectural Administration” building and the Town planning Directorate.

Rent in the particular area is 8-11 € per sqm, while in the center the prices range is 5-11 € per sqm.

Leasing prices mainly depend on the location, square meters and view of the offices.

In the office market, currently offer is increasing, while the demand remains stable.



Source: Danos Chania

4. Retail Market

According to market studies due to economical recession retail businesses have decreased their profits and are considering to renegotiate their lease terms or relocate. Landlords have decreased their rent demands in Chania by 7% - 20% .

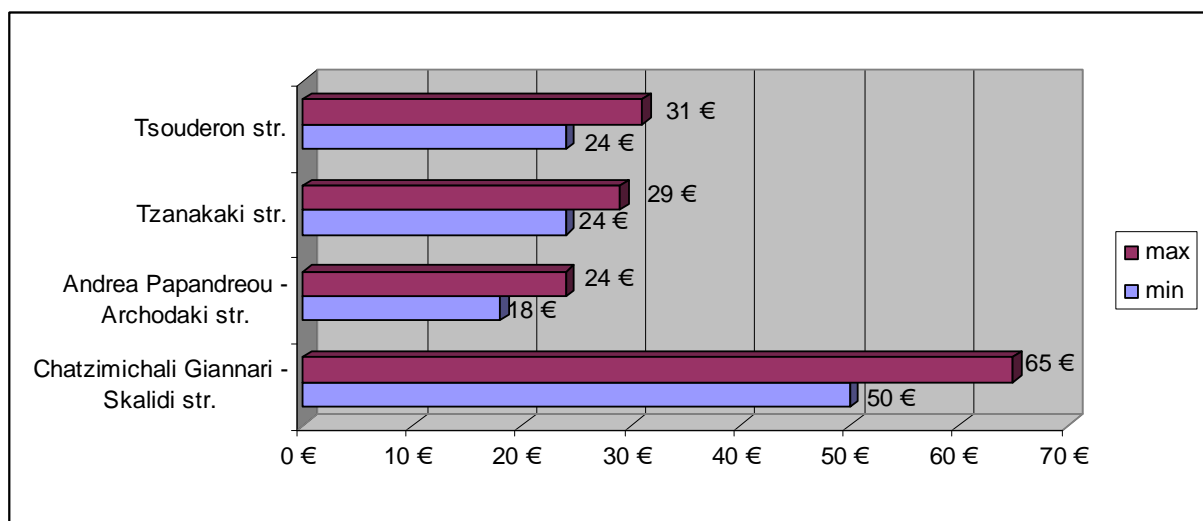
Although economic instability is a fact, a 30% of landlords are asking the same rental prices as in 2009. Due to economical crisis in the market, the offer is increasing and demand is stable. Certain Retail businesses are considering to postpone their expanding projects.

Zara's opening in Chatzimichali Giannari street moved the market centre from Tzanakaki and Dimokratias, to Skalidi street.

Competitors moved their retail operations near Zara store.



Retail asking prices per m2



Source: Danos Chania

5. Residential Market

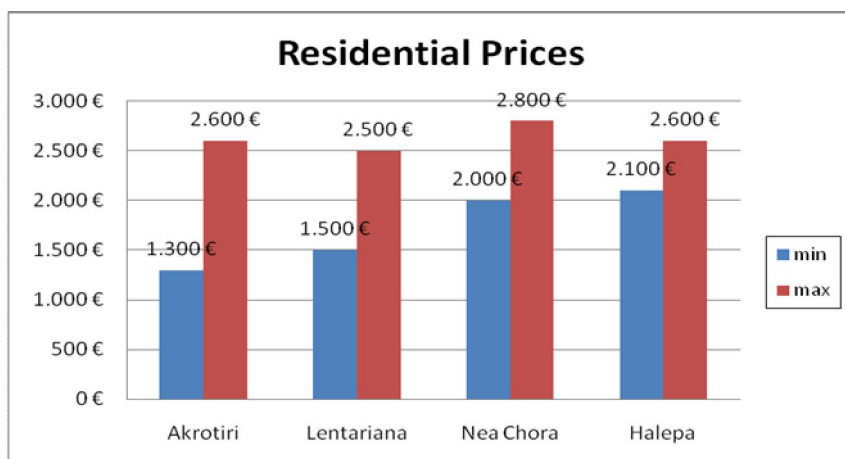
Residential offer in Chania is relatively high in the suburbs of the city and especially in Kounoupidiana, Aroni, Pithari, Kampani, Chorafakia where new constructions are located. Concerning the newly constructed villas in the suburbs of Chania the price reduction since 2009 is from 7% - 15% and in some occasions it can reach 20%.

In Akrotiri values are starting from 1,300 € /sq m. In Chania city, prices for newly constructed apartments vary from 1,500 – 2,500 € in Lentariana, 2000 – 2800 € /sq m in Nea Chora and 2100- 2600 € /sq m in Halepa.



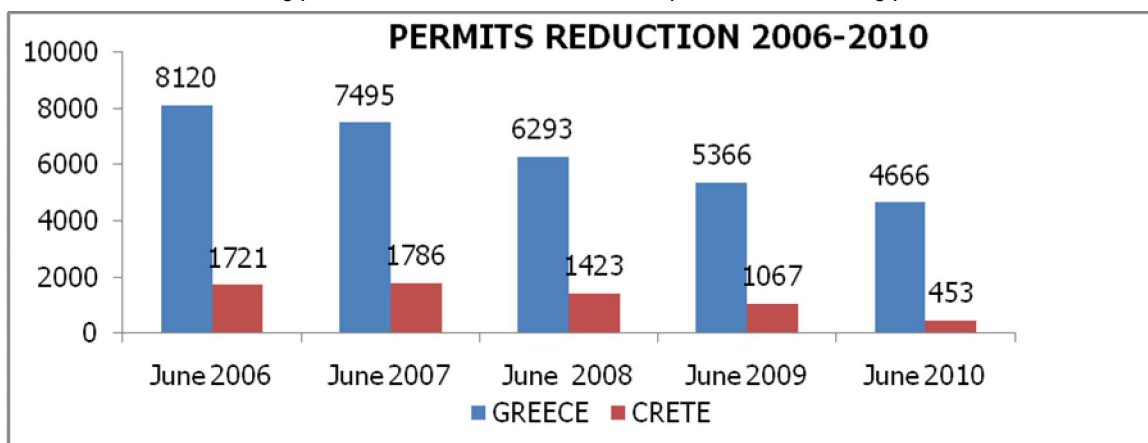
€ / Sq m

Residential complex in Chania



Source: Danos Chania

The reduction of building permits from 2006 in Greece compared with building permits reduction in Chania



Source: Danos Chania

6. Logistics & Industrial Market

Low interest in logistics and industrial market for the 1st semester in Crete in 2010. The sector of Logistics and Industrial buildings has slowed down.

Olive oil prices are defined by Italian demand. Many olive oil factories in the prefecture of Chania are for sale due to olive oil price reduction.

Demand	↓
Supply	↑

Source: Danos Chania



7. Hotel & Tourism

Leisure and hotel industry has slowed down since 2009

The economical situation in Greece and the measures taken by the Government led to demonstrations in the streets of Athens.

The instability of the economy and mainly the way it was presented by the media, prevented tourists to make reservations and affected all Greece, Crete included.

Tourist period began slightly late in Chania. Decrease on reservations reached 30%. On July Crete had increase of incoming abroad flights 2.03% while it had a decrease of incoming domestic tourism by 9.9%.

A very good month for Hotel operators was August as hotels were fully booked. September followed suit.



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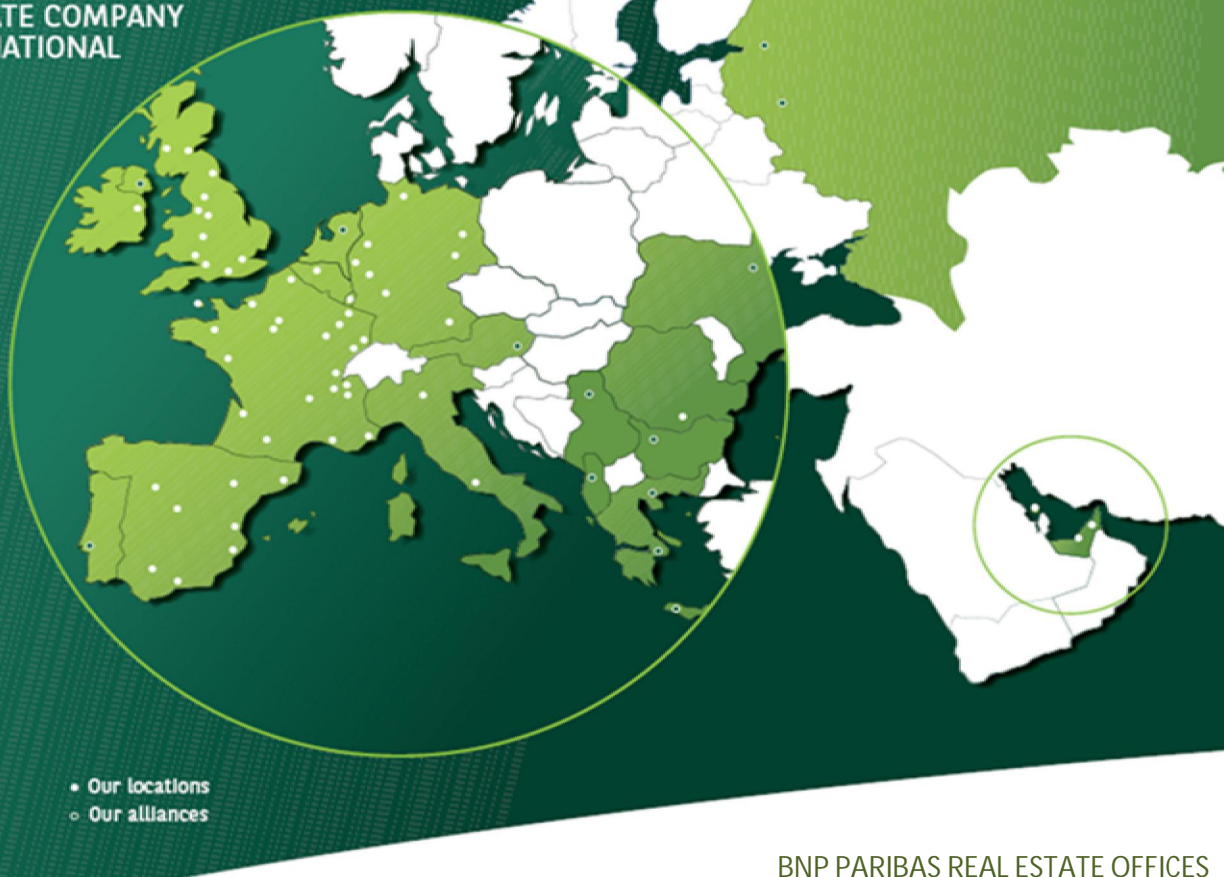
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