

ATHENS 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.

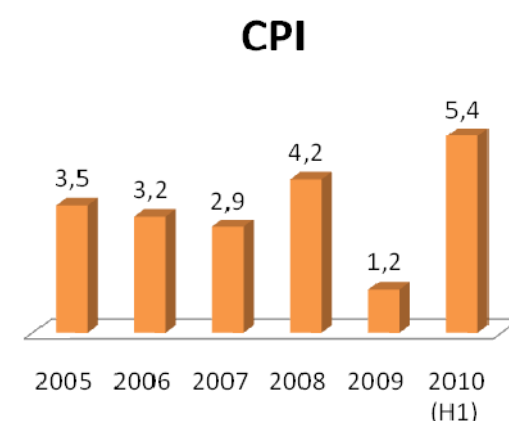
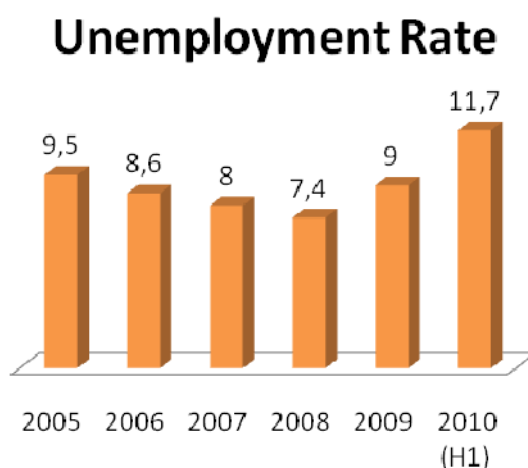
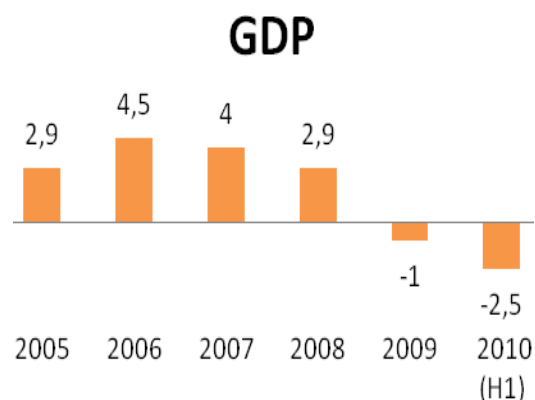
In response, the government, knowing that from 2010 – 2012, it has to refinance bonds worth of 110 bil. Euros, it adopted a stability program in order to bring public deficit to 3% of GDP by 2013. Unfortunately this program did not convince investment confidence.

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 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 in 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 break lease with one month notice and one month penalty fee.

Although investment activity is limited, many companies are looking to relocate, and therefore 2010 will be characterized year with many lease agreements. At least 30,000 sq m. are looking to relocate within the year. Greatest demand for new lease agreements comes from the banking and services sector.

KED (Hellenic Public Real Estate Cooperation) is merging with Olympic Properties. KED 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 SIEMENS ENTERPRISE COMMUNICATIONS to dispose a plot of 110.000 sq m in Thessaloniki, as well as for SIEMENS for which, we completed the relocation assignment to AAA Grade as well as the disposal of their office building in Marousi Area.

Furthermore DANOS company has been appointed as exclusive consultants for the disposal of 2 Carrefour galleries in Athens and Thessaloniki by Klepierre.

In the finance sector, Piraeus Bank announced its interest to merge with ATE Bank (Agricultural Bank of Greece) and TT (Hellenic Post Bank). The proposal has been forward to the Ministry of Finance to appraise, since the public sector is the major shareholder in both financial institutes. This strategic decision is taken to strengthen the economy, and achieve economies of scale. The government has 45 days to appraise, and in the near future more M&A deals are prepared to take place in this sector.

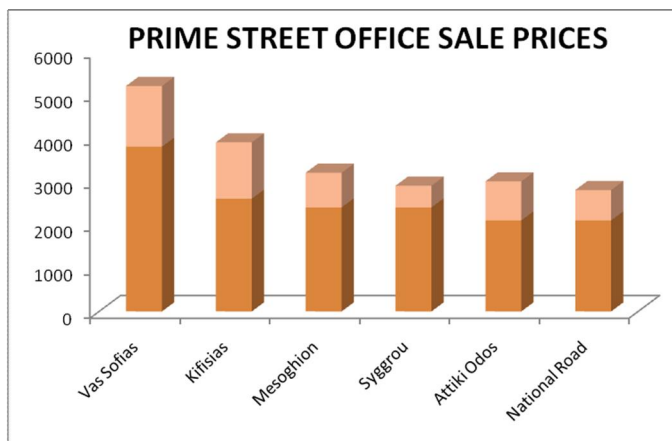


3. Office Market

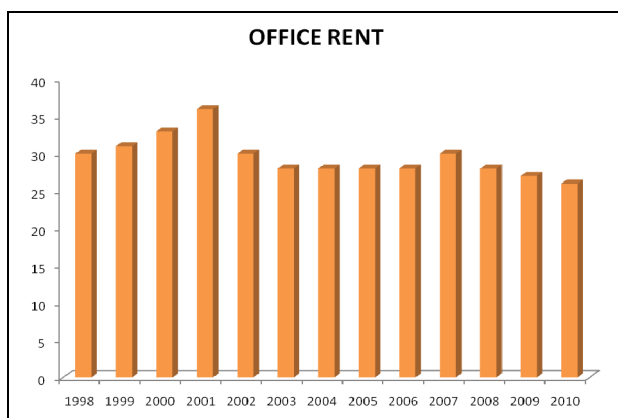


Following the economic recession, uncertainty has affected business confidence and business revenue, forcing companies to renegotiate their existing leases, or to consider relocating to small size office space. Vacancy rate in certain areas has reached 20%.

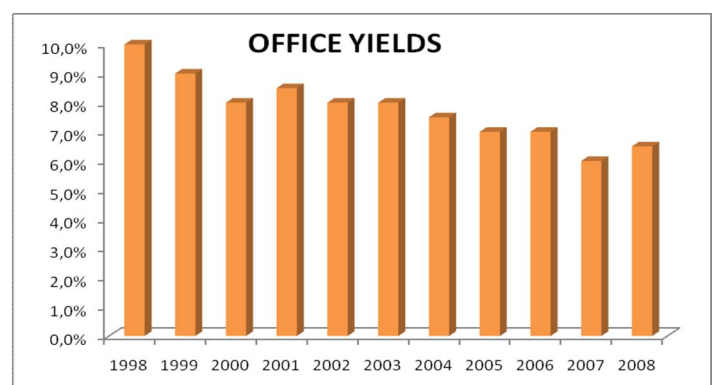
Prime office rental values decreased to 26 €/ sq m/ month. Current yields are estimated at 7.5% to 8.0%.



Demand	↓
Supply	↑
Prices	↓
Short Term Outlook	↓



Source: Danos



Source: Danos

4. Retail Market

Decrease of demand, decrease of rents, mainly through renegotiations and significant decrease of “Key Money” are the basic characteristics of the Retail Market during the first half of 2010.

Turnover of retail shops in the city centre has decreased by 30%-50% mainly due to the economic recession but also combined with the street riots that took place in the city centre of Athens during March 2010.

Rental values are anticipated to decrease further and in some locations up to 40%, during the following months, especially in the secondary markets, while rental decrease in shopping centers and prime retail markets is expected to be 10-20%.

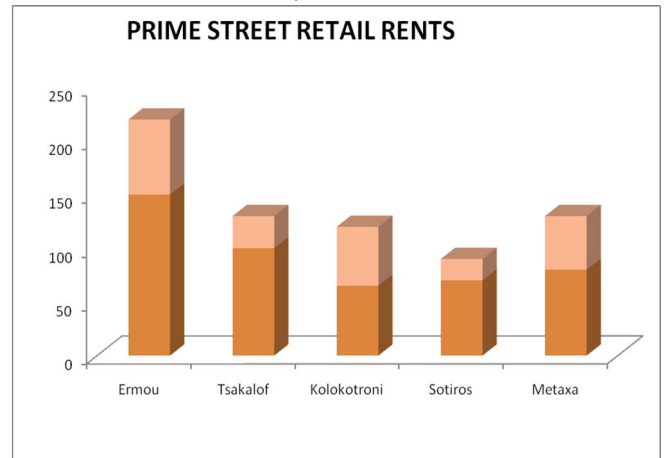
Prime retail locations are characterised by limited available space and currently generate a 7% to 8% yield. Projections for end of 2010 are for yields to be sustained at those levels.

As far as retail brands expansion is concerned, the market is more conservative than during the first six months of 2009.

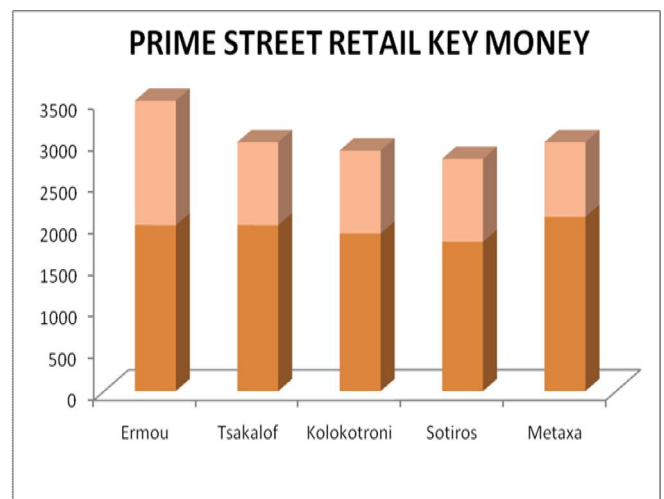


Ermou Street

€/ Sq m / Month



€/ Sq m



Source: Danos

4. Retail Market (cont.)

Although limited supply compared to other European countries, a number of large-scale centres, Leisure and Entertainment Centres have been recently developed.

The Mall Athens continues its successful operation, while Golden Hall at the IBC at Kifissias Avenue, and Athens Heart, have been tested by the market, since they operate for the past 2 years .

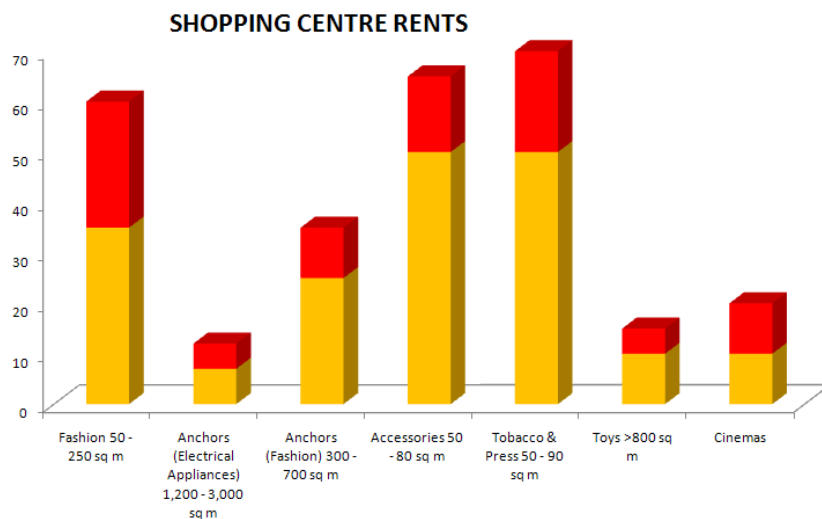
Golden Hall is under the operation of ECE Lamda Hellas (subsidiary of Lamda Development). The Mall Athens consists of 245 stores in a total area of 56,000 sq m.

Athens Heart, developed by Pasal Development, is located at 180 Piraeus Str, consisting of a total area of 24,000 sq m.

Other significant shopping centre developments that are expected to follow are: McArthurGlen discount Retail Park in Spata to be delivered in September 2011, Capitol and Viohalco Shopping Centre.



Golden Hall



Source: Danos



The Mall Athens

5. Residential Market

The Greek housing sector undergoes a slowdown in 2008-2010, in response to the extraordinarily high level of residential investment in 2006, following a building permit explosion in 2005 due to impending changes in the tax law affecting real estate transactions. However, it is now evident that this sector has also been negatively affected by uncertainty and tightening credit conditions due to the recession the economy has entered. Therefore, housing investment is now expected to fall further in 2010, by about -10%, from its already low level of 2009. Construction activity index has also decreased by -35% compared to relevant month in 2009.

Rental values in Athens range from €3/sq m/month to € 10/ sq m in prime properties. Market values have captured significant decreases, due to the overall negative climate, and oversupply from previous years.

The expansion of the Suburban Rail and Metro has increased the interest in residences even 50 and 100 km away from Athens (Korinthos, Ag Theodoroi, Kineta, Nea Peramos, Loutraki, Kiato). The market values of new residences in these areas fluctuate between 2,000 to 4,000 €/ sq m.



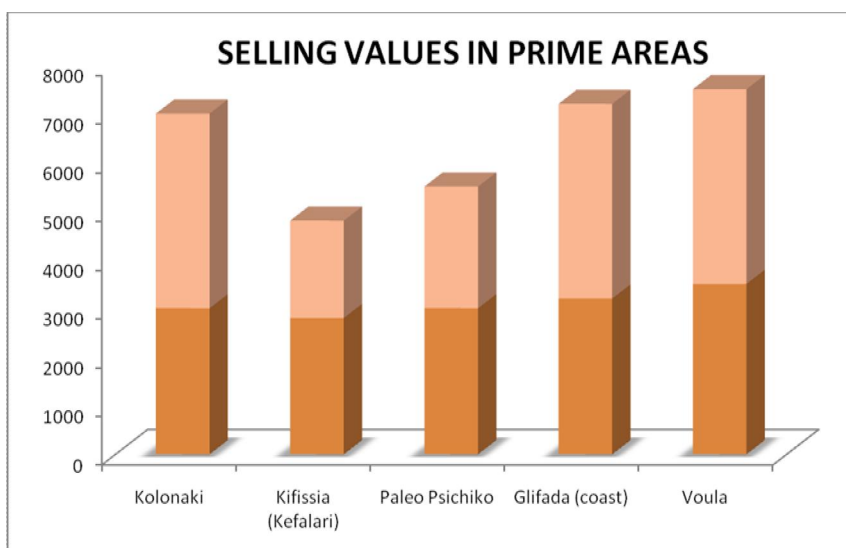
Apartments for sale in Metaxourgio



Summer House for Sale in Evoia



Summer House for Sale in Corfu



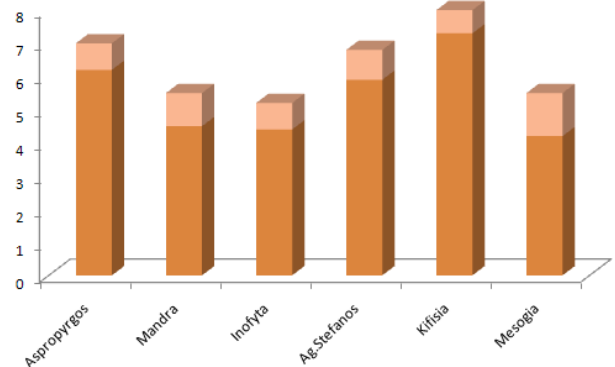
Source: Danos

6. Logistics & Industrial Market

Industrial and Logistics Sector has also slowed down due to economic conditions. Rental values have decreased from 6€ to 5 €/sqm for H1 2010. Vacancy rates have rapidly increased especially in facilities of 1,000 – 3,000 sq m. Yields increased from 9% to 10% within a 6 month period. And there are barely any actual transaction due to lack of finance and lack of confidence.

Demand	↓
Supply	↑
Prices	↓
Short term outlook	↓

PRIME INDUSTRIAL RENTS (€/SQM/MONTH)



7. Hotel & Tourism



Finally the hotel and Leisure industry has slowed down. City hotels occupancy rates decreased due to street riots and bad publishment the country experienced from foreign press, which took place in H1 2010. Furthermore hotels in islands and mainland (summer destinations) are facing a shrink in their working season; since domestic tourism is expected to be in average less this year by -15%. However there are islands that have taken advantage of the situation, offering significantly discounts and attracted tourists.



The second home holiday market is also slow, since the international crisis has barely recovered and potential international buyers are postponing purchases, for coming up years.

**ONE REAL ESTATE COMPANY
THAT'S INTERNATIONAL
AND LOCAL.**

Canada and USA



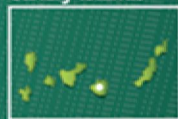
India



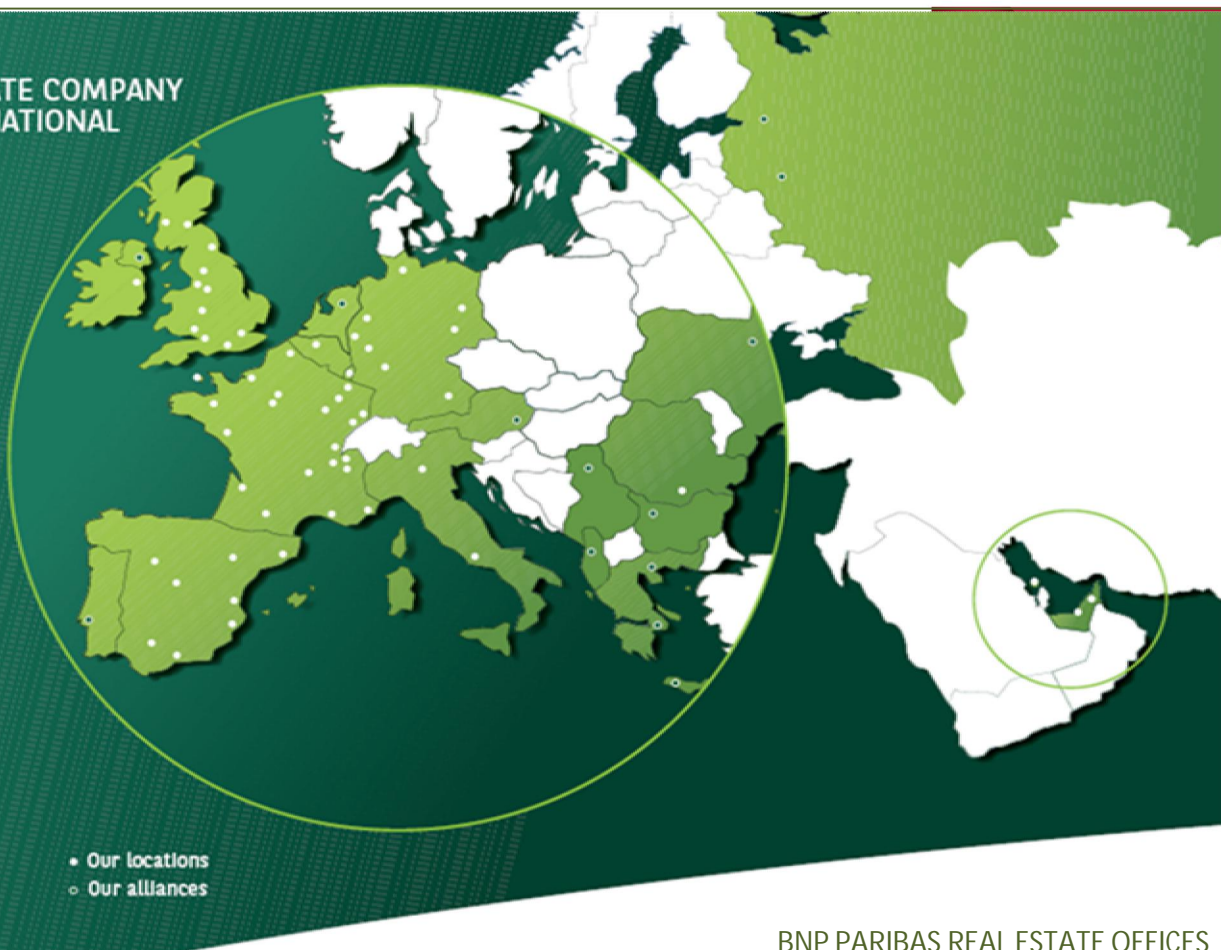
Japan



Canary Islands



Cyprus



- Our locations
- Our alliances

BNP PARIBAS REAL ESTATE OFFICES

GREECE

Athens

1 Eratosthenous Street &
Vas. Konstantinou Avenue, 116 35
Tel.: +30 210 7 567 567
Fax: +30 210 7 567 267
info@danos.gr

Thessaloniki

3 Ionos Dragoumi Street, 546 25
Tel.: +30 2310 244962
Fax: +30 2310 224781
info.thes@danos.gr

Crete

3, Iroon Polytechniou
731 33, Chania
Tel. :+30 – 28210 50900
Fax: +30 – 28210 59700
info.crete@danos-melakis.gr
www.danos.gr

CYPRUS

Nicosia

35 I. Hatziosif Avenue, 2027
Strovolos
Tel.: +357 22317031
Fax: +357 22317011
danosa@spidernet.com.cy

Limassol

69 Gladstonos Street, 3040
Acropolis Centre, Shop 10
Tel.: +357 25343934
Fax: +357 25343933
danosa@cytanet.com.cy

www.danos.com.cy

ALBANIA

Tirana

Blvd. Deshmoret e Kombit
Twin Towers, Building 2
Tel.: +355 4 22 80 488
Fax: +355 4 22 80 192
info@danos.al
www.danos.al

BULGARIA

Sofia

Blvd. Hristo Botev 28
Tel.: +359 2 953 23 14
Fax: +359 2 953 23 99
info@danos.bg
www.danos.bg

SERBIA

Belgrade

6 Vladimira Popovića Street
Office A102, 11000
Tel.: +381 11 2600 603
Fax: +381 11 2601 571
office@danos.rs
www.danos.rs

DISCLAIMER

This report is published for general information only. Although high standards have been used in the preparation of the information, analysis, view, and projections presented in this report, no legal responsibility can be accepted by DANOS or BNP PARIBAS RE for any loss or damage resultant from the contents of this document. As a general report this material does not necessarily represent the view of DANOS or BNP PARIBAS RE in relation to particular properties or projects. Reproduction of this report in whole or in part is allowed with proper reference to DANOS Research.