

THESSALONIKI 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 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.

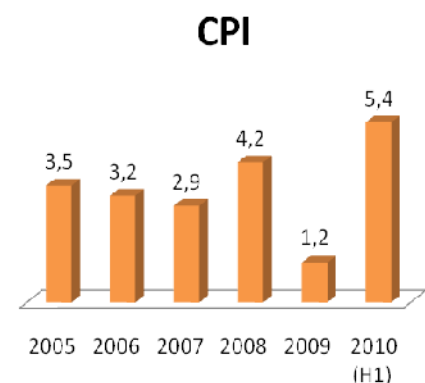
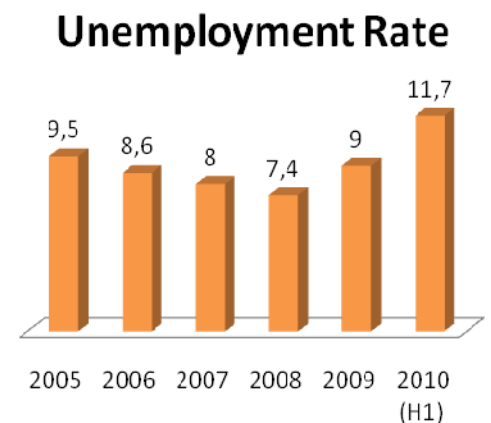
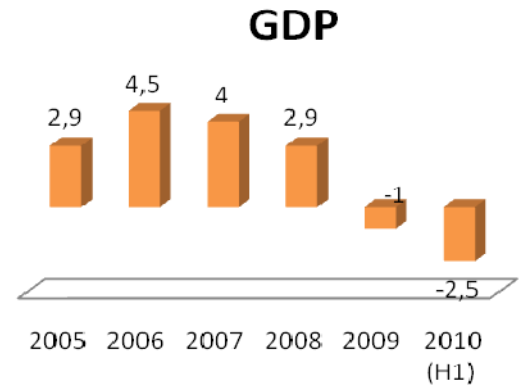
In response the government knowing that from 2010 – 2012, has to refinance bonds worth of 110 bil. Euros, it adopted a stability program in order to bring public deficit down to 3% of GDP by 2013. Unfortunately this program did not convince investment confidence.

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) is being merged from 1.060 currently to 370.



Basic Economic Indicators-Source: Alpha Bank

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.



2. Market Overview

Economic instability has affected all sectors of Thessaloniki's - and Northern Greece in general - real estate market. Not only retail companies, but also construction and service companies were hit by the impact of the financial crisis.

Several companies, which until recently were "active" in the market, were forced to reduce number of staff and stop or delay their plans to expand their activities.

According to research prepared by the National Bank, the construction activity in Greece has been significantly reduced (11.30%) during Q1 2010. Also foreign investments in the real estate sector have been approximately 28% (Q1 2010) reduced in comparison to 2009.

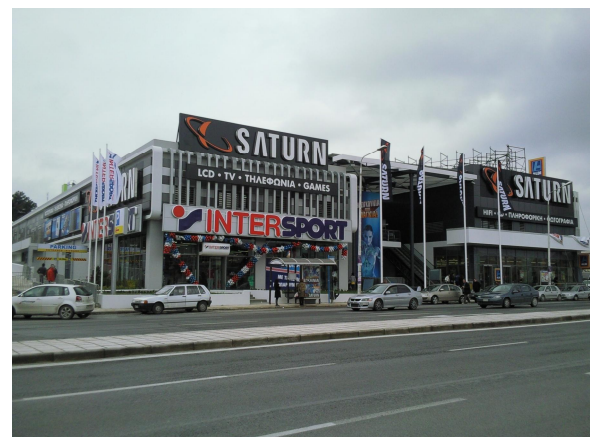
During the 2nd half of 2009 two significant properties (Siemens and Viamil) - both located in Eastern Thessaloniki - were offered for sale. Danos, in alliance with BNP Paribas, exclusively promoted the property owned by Siemens Hellas. Even though the difficult economic period, the subject property attracted high interest from investors and developers. The promotion of the property was successfully completed and Mentekidis Real estate Company purchased the property aiming at its exploitation.

The new owner has already completed his plans to develop a modern commercial project.



On the 4th of March, a new commercial project in Lagada str, opened its gates. The plot is strategically located on the main highway entering Thessaloniki from the north and next to the inner ringroad, with a planned underground station to be constructed very close in the near future.

The building was completed in March of 2010 and delivered to its main tenants (Media Markt-Saturn, Aldi, Intersport).



Commercial Property, Lagada street

Office building, eastern Thessaloniki

The construction works of the new Prefecture Hall of Thessaloniki have started. This project aims to bring together for the first time 31 prefectural governmental services.

The building will be built on a plot of 6,000 sq m - across FIX - enclosed by the streets 26 October, I. Kolettis, A. George and Kefalinias. The estimated budget is 57 million Euros and construction is undertaken by the Athoniki Techniki.

3. Office Market

In the office sector, supply remains higher than demand, mostly due to the fact that:

- many companies decided their relocation in smaller office space, in order to reduce their expenses
- the offered space, mainly in the city center, is dated
- the access to the city center has become too difficult during rush hours – traffic jam.
- even if the city center offers dated supply with no parking facilities, asking rent and sale prices are equal or even higher than those of eastern and western side, where there is supply of modern office buildings

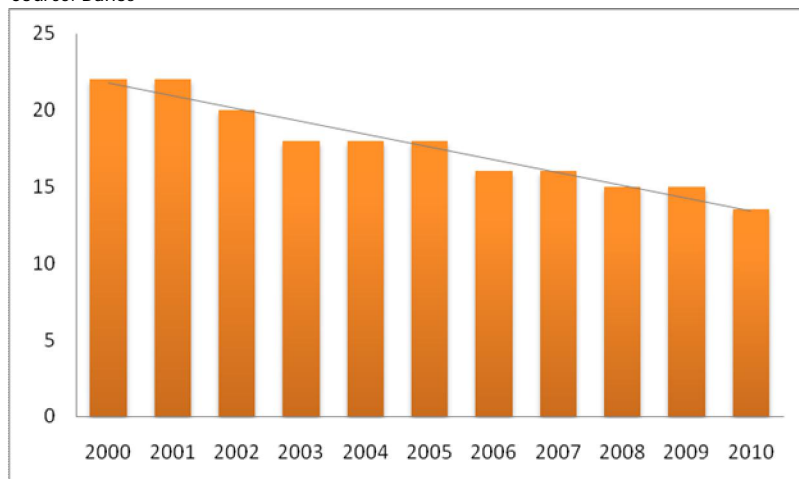
Sale prices have been decreased by 10% approximately. The demand for leasing offices remains higher than the demand for purchase, during the H1 2010.

In the city center, rental values are slightly decreased, due to increased vacancy rates compared to 2009.

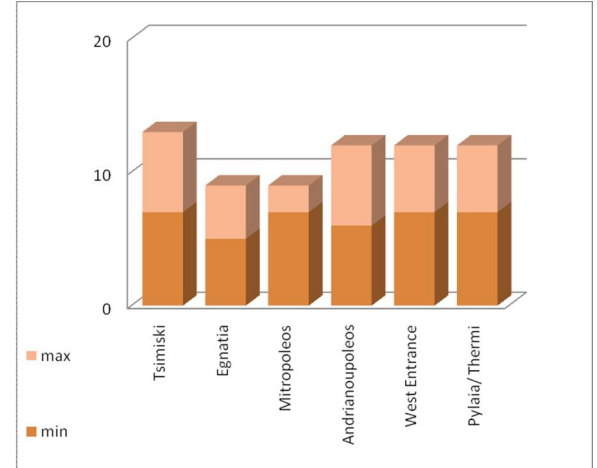
The construction of the Prefecture Hall will be concluded in approximately 4 years and it's expected to create opportunities in the greater area.

OFFICE RENTS IN KEY DISTRICTS

Source: Danos

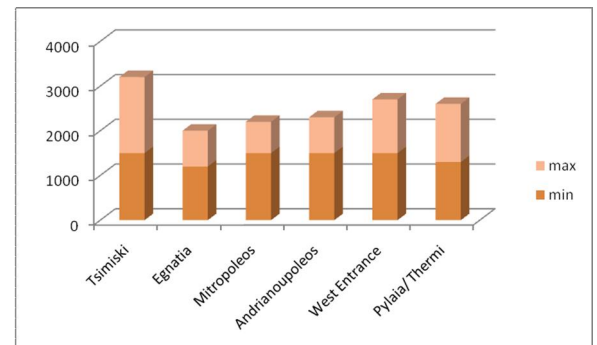


OFFICE RENTS IN KEY DISTRICTS – 1st SEMESTER 2010
(max and min limits in € /sq m/month)



OFFICE SALES – 1st SEMESTER 2010

(max and min limits in € /sq m/month)



Source: Danos

OFFICE MARKET TRENDS

RENTALS



YIELD



VACANCY RATE



TAKE UP



4. Retail Market

Vacancy rate for the retail market is still high during H1 2010, even in the city center.

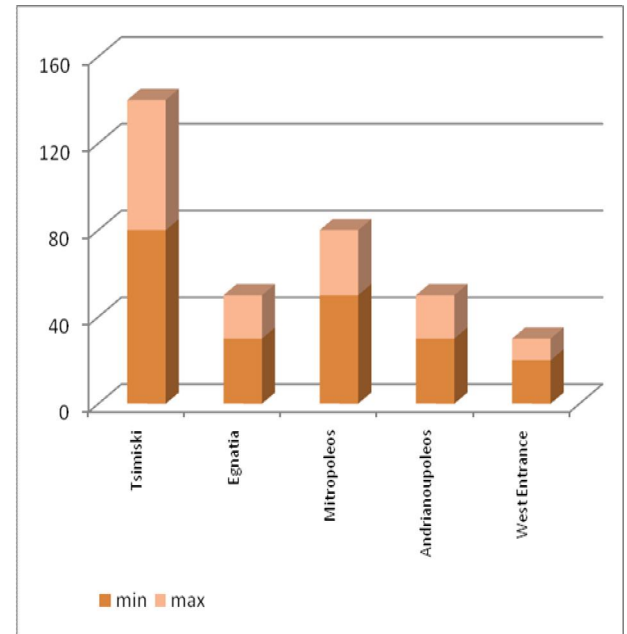
Reduction of Rent is estimated at the region of 10 – 30% in the major high street retail markets. However, owners do not hesitate to ask the same rental prices as they used to, without taking into account the current economic crisis. Asking key money for retail shops on major streets remains at the same levels as last year, on the secondary streets though key money does not exist.

Economic instability has created uncertainty regarding expansion plans of all major retail companies and it has postponed all kind of short to medium term retail projects.

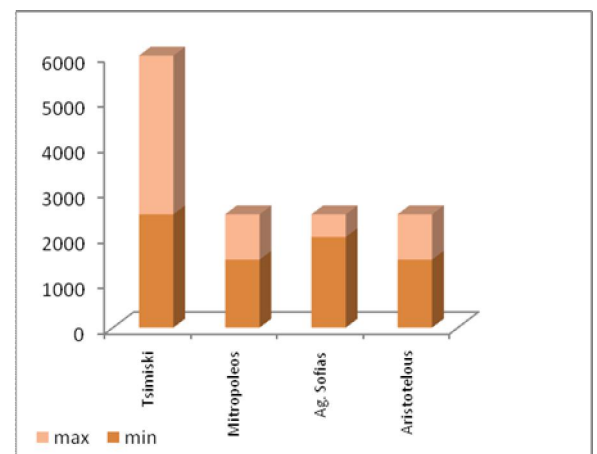
Developers are still looking for opportunities in Thessaloniki, and in northern Greece in general, in order to develop Shopping centers or other retail schemes. Before proceeding to any investment, developers are now more than ever more cautious, scanning each opportunity, and seeking advice from property consultants, in order to ensure tenants interest and their own profits.

A significant retail project “Flamingo retail park” is expecting to open its gates in H2 2010, in Xanthi. Danos, in alliance with BNP Paribas, have exclusively undertaken the commercialization of the subject project. Until today lease contracts for approximately 80% of the GLA of the project has been signed.

RETAIL RENTS IN PRIME STREETS 1ST SEMESTER 2010
(max and min limits in €/sq m /month)

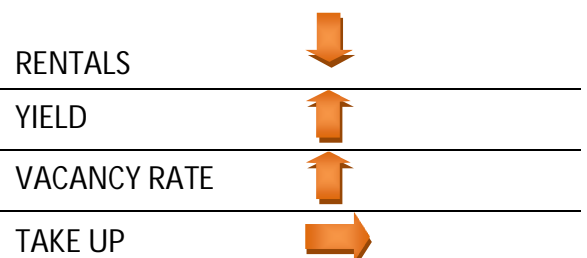


RETAIL KEY-MONEY IN PRIME STREETS 1ST SEMESTER 2010
(max and min limits in €/sq m)



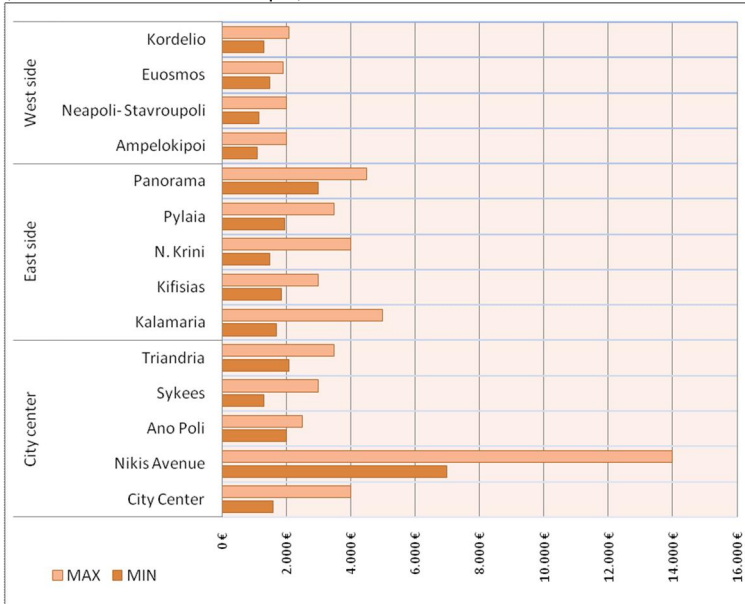
Source: Danos

RETAIL MARKET TRENDS

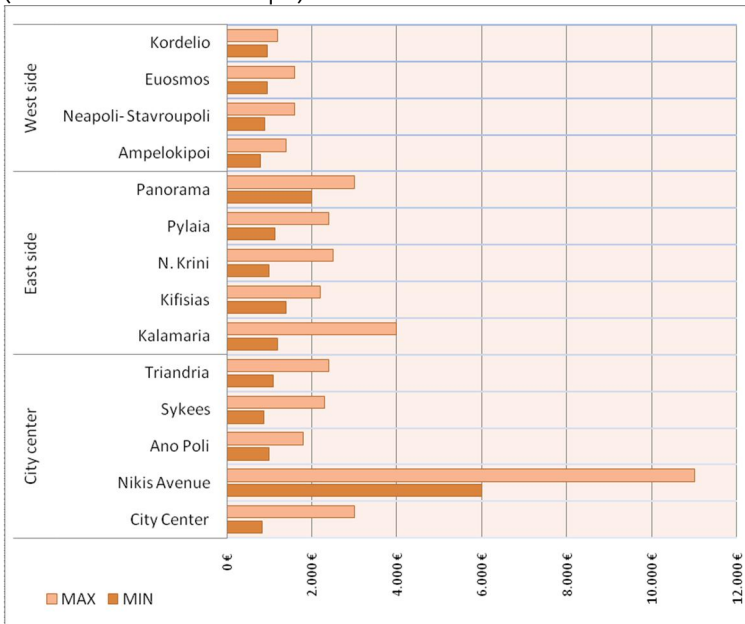


5. Residential Market

RESIDENTIAL SALE PRICES (NEW CONSTRUCTIONS – 1st SEMESTER 2010
(max and min limits in € /sq m)



RESIDENTIAL SALE PRICES (OLD CONSTRUCTIONS – 1st SEMESTER 2010
(max and min limits in € /sq m)



Source: Danos

Since 2006 supply remains significant higher than demand, mostly for newly developments. The majority of residential sales are related to old residences (built in the 90's). According to ownership studies in Thessaloniki, it is estimated that 75% of citizens own an apartment either for accommodation or as an investment.

Residential supply in Thessaloniki is higher in the areas of Pylaia, Agios Ioannis, Thermi (in the eastern Thessaloniki) and Evosmos (in the western side). These areas are dominated by a significant number of newly constructed buildings.

For apartments of space greater than 200 sqm, asking selling prices have a sharper decreasing trend. In the residential market owners and constructors are willing to decrease asking values, as they need liquidity for new investments.

Also the announcement of the Ministry of Finance, for the increase of "Objective values" during 2011 is an incentive for buyers to take their decisions earlier.

Finally we should note, that selling prices of residences had reached peak prices in 2005 and 2006, and seem to be correcting during H2 2009 and H1 2010.

6. Industrial / Warehouses Logistics

A German company which planned to invest in energy efficient solar sector, has postponed it's plans due to the economic crisis and instability in Greece. The company had negotiated with GEK SA a JV on a land plot of 100 acres in VIPATHE. The investment would employ 1,000 persons approximately. This was one of the lost opportunities during this period. Also many other companies decided to stop or delay their expansion plans in Thessaloniki.

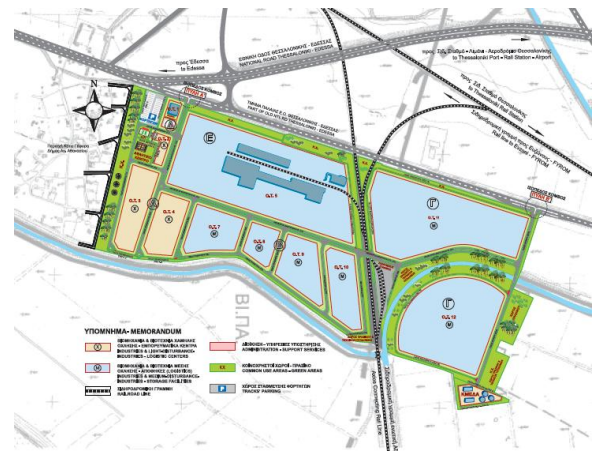
The major demand concerns the lease of completed buildings of surface up to 2,000 sqm or the purchase of land for tailor made developments of each company. In the Industrial Area of Thessaloniki, which is located in Sindos, land asking price is € 200/ sq m.

Rental values for industrial buildings are fluctuating between €2.5 - €4.5/ sqm. Market values are within the range of €700 - €1,000/ sqm. In both cases prices are correlated with the quality and the infrastructure available on the property.

The relocation of the International Fair of Thessaloniki from the city center to the western side of the town is expected to have a positive impact in the greater area. 10 optional locations were initially proposed (most of them in the western side) but only two of them (in Sindos and Lagada) are still under consideration. The two properties are in a distance of 10 and 15 km from the city center and they have a total area of more than 700,000 sqm. The importance of this relocation is high, since it is estimated that revenues from this activity is €500 million per year in benefit of the city. Summing up, the relocation will upgrade the economy of Thessaloniki and at the same time releasing an important area within the city center will be released.



International Fair of Thessaloniki



VIPATHE

Demand	Vacancy	Rents	Short term Outlook
➔	↑	➔	➔

ONE REAL ESTATE COMPANY
THAT'S INTERNATIONAL
AND LOCAL.

Canada and USA



India



Japan



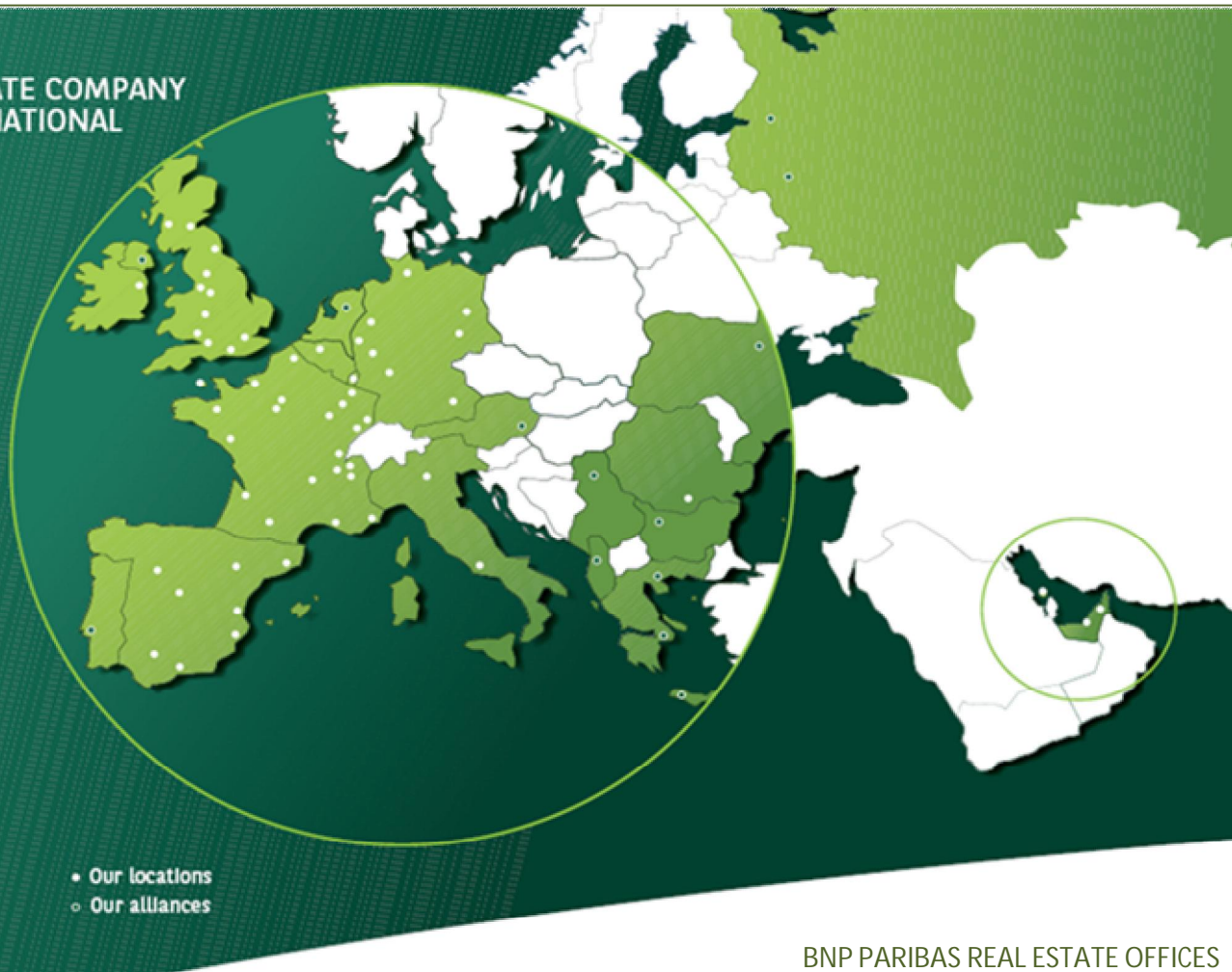
Canary Islands



Cyprus



- Our locations
- Our alliances



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