



REV

Danos - Melakis

INTERNATIONAL PROPERTY CONSULTANTS & VALUERS

CRETE PROPERTY MARKET

2nd Semester 2018



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1. Economic Overview¹

Following the recovery in 2017, economic activity accelerated in the nine months of 2018, with GDP at constant prices recording a 2.1% increase over the same period in 2017.

Inflation, as reflected in the Harmonized Index of Consumer Prices, returned to positive territory in 2017, but in 2018 it slowed down due to the base effects on energy and processed food products. International oil prices have risen steadily, while non-energy commodity prices continued to record negative rates of change.

Private consumption increased by 1.0% y-o-y in the second half of 2018, contributing positively to GDP growth of 0.6 basis points in the first nine months of the year as a whole, supported by an increase in nominal household disposable income.

Business investment is expected to increase, especially in the export-oriented sector, including tourism, as a result of (i) the notable improvement in business sentiment across sectors, (ii) the positive impact from privatizations, especially those in regional airports and the Hellinikon area, (iii) easier access to capital markets for large corporates and (iv) the improvement of liquidity conditions that may come from both the clearance of state arrears including tax returns and the increase in loan disbursements from the banking system, supported by the rise in deposits and the efficient management of NPEs stock.

The labor market has been steadily improving since 2014, with employment rising by 1.8% in the first half of 2018 (compared with 1.9% in the same period in 2017) and the unemployment rate declining to 20.1% over the total period. The increase in employment and the decrease in unemployment are linked to the recovery of economic activity by 1.5% in 2017 and 2.1% in the first nine months of 2018, as well as to the good course of economic sectors employing a significant share of workers such as, tourism, trade and processing.

¹ Source: Monetary Policy-Interim Report, BoG, Dec '18, Economic Financial Outlook, Alpha Bank, Feb '19

Tax cuts remain the key condition for the country's GDP growth.

There was a loss of revenue from personal income tax, as the total amount of declared income in 2017 was lower than expected.

This amount, although initially expected to be higher than 2016 on the basis of the new tax measures introduced in 2017 (a new scale, a reduction in the tax-free and increased pre-tax for freelancers and farmers), was finally at the same level as 2016 due to a further decline in declared earnings.

Especially for freelancers and secondarily for farmers, a significant reduction in declared earnings was recorded in the 2017 tax returns. This development indicates that the current tax-based fiscal mix is not sustainable, as it shrinks the tax base.

Lastly, it should be noted that overruns of the fiscal target observed in recent years, although contributing to the containment of public debt, have a negative impact on the real economy. This is because the bigger than the required size of the budgetary contraction, which is based on a fiscal policy, results in significant resources being drawn from the production process, while at the same time the fiscal mix is not considered sustainable. The negative deviation of declared earnings in 2017 from the target set by the 2016 tax reform is an indication of the negative impact.

2. Office Market

The office market in Crete has risen steadily in the second half of 2018, as compared to 2017; the market moved upwards by about 5-10%. Despite the fact that asking prices are high, asking prices are still negotiable and can be decreased down by 5-10%. The performance of high-end offices is now at 6% and 7% respectively, and it is estimated that the availability of high-end empty spaces is now less than 5% and investment interest is increasing.

In **Chania**, rental values around the Court Square are higher relatively to the city center and vary from 5-8 €/sq.m, 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) and vary from 1300€-1800€/sq.m..

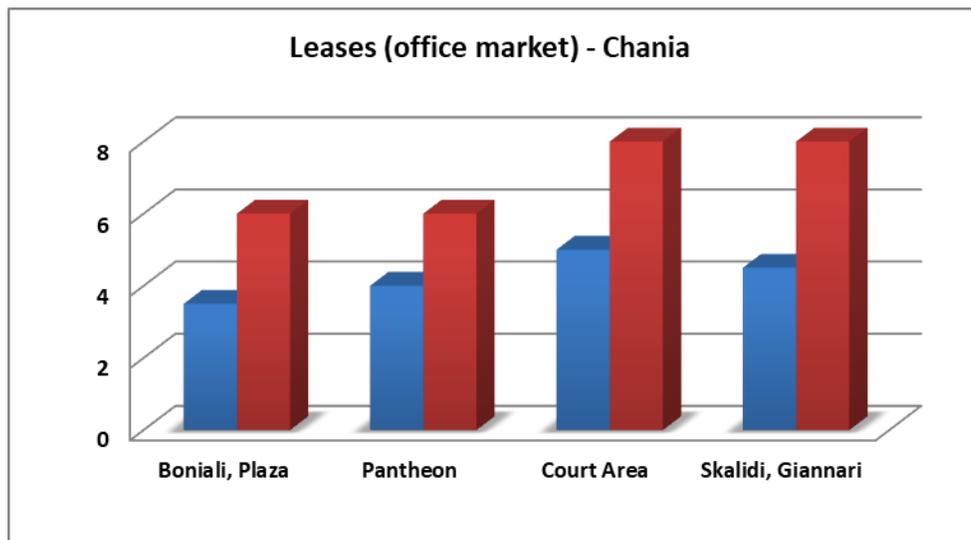


Trianon Center in Court Area, Chania

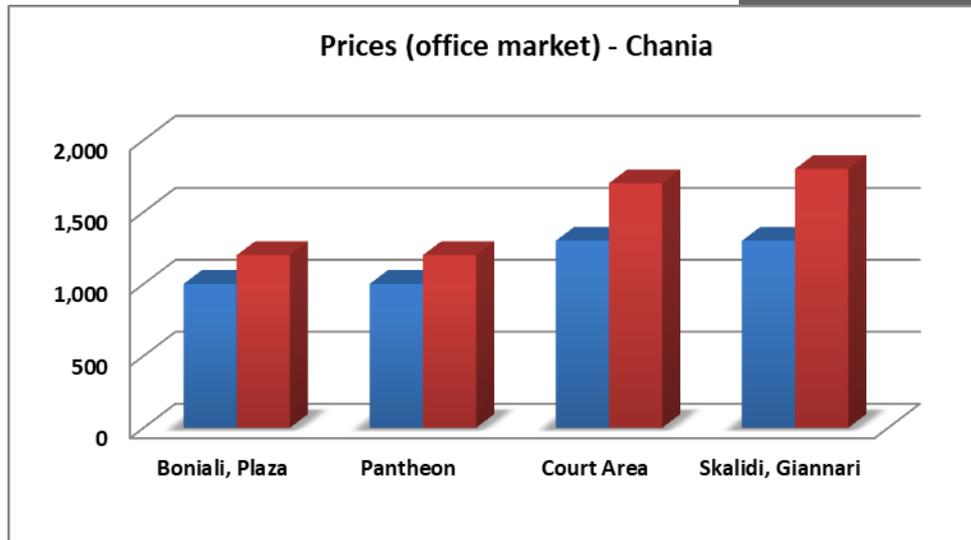
In **Heraklion**, the vast majority of office spaces are concentrated around the city center (Zografou Str., Daidalou Str., Dimokratias Str., Dikaiosinis Str., 25th August Str., Evans Str., Kalokairinou Str., Averof Str., Lontaria Square), where freelancers and businesses are highly interested due to the proximity to public services with rental prices varying from 5-10€/sq.m. On the other hand, there is no interest for offices spaces outside the city center and in low commercial streets. The market values vary from 700-2700€/sq.m. depending on the age and state of maintenance of the each building.

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). The market values vary from 1100-2100 € / sq.m. depending on aging, while rental prices vary from 5-10 € / sq.m.

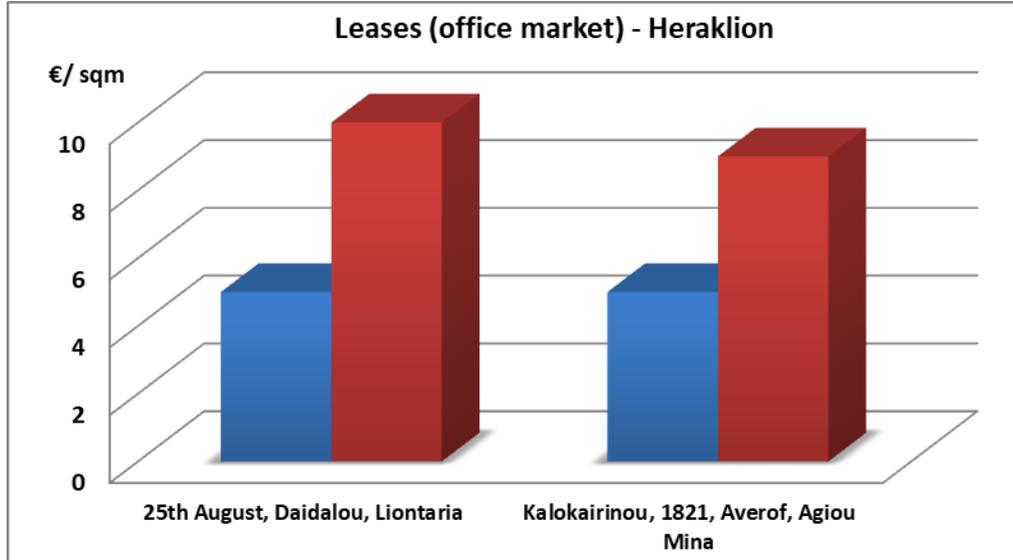
Finally, in **Lasithi**, due to the small size of the cities of Agios Nikolaos, Ierapetra and Sitia, office spaces are congregated only in the center of the cities.). The market values vary from 700-1500 € / sq.m. depending on aging, while rental prices from 3-7 € / sq.m.



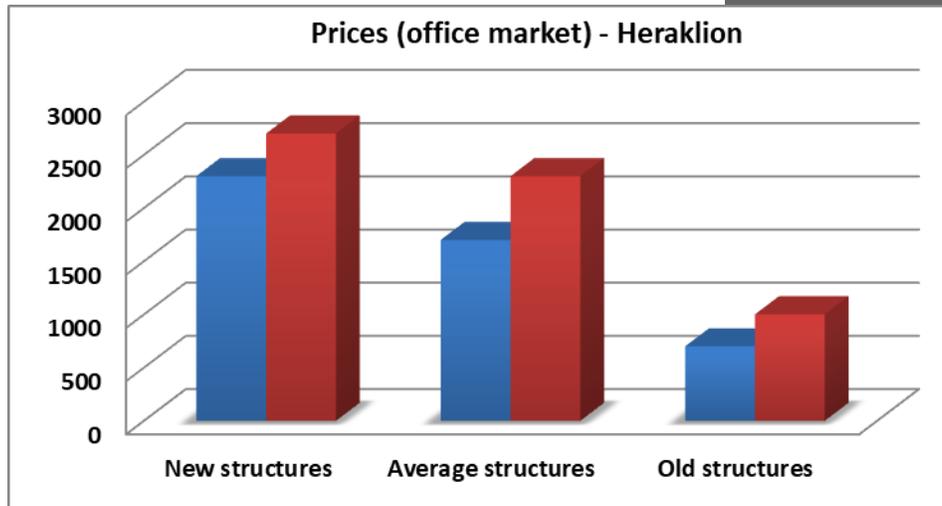
Source: Danos – Melakis Ltd



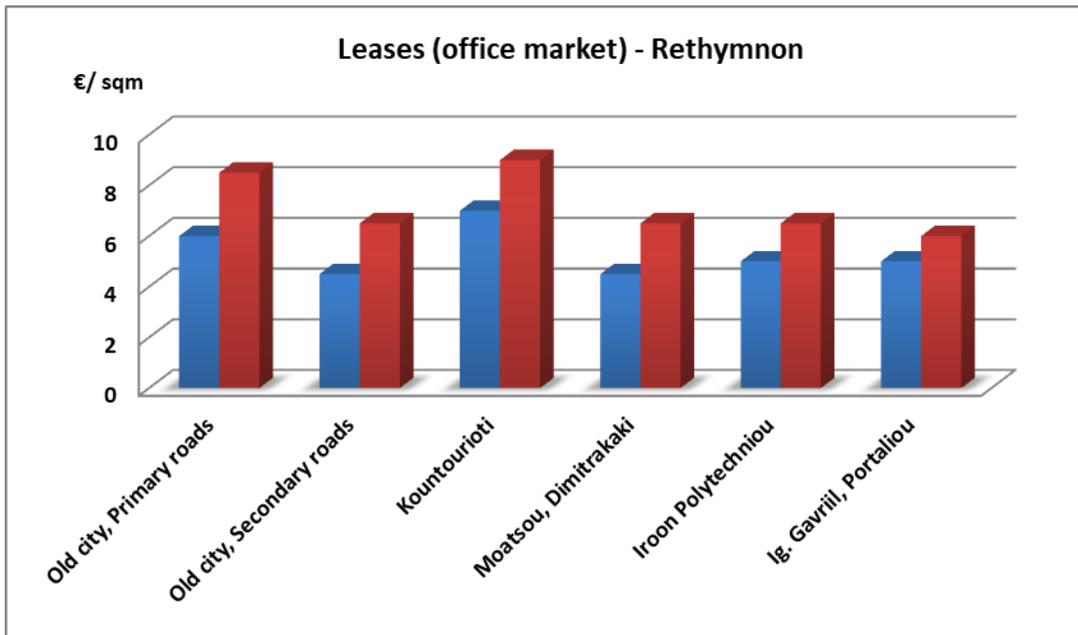
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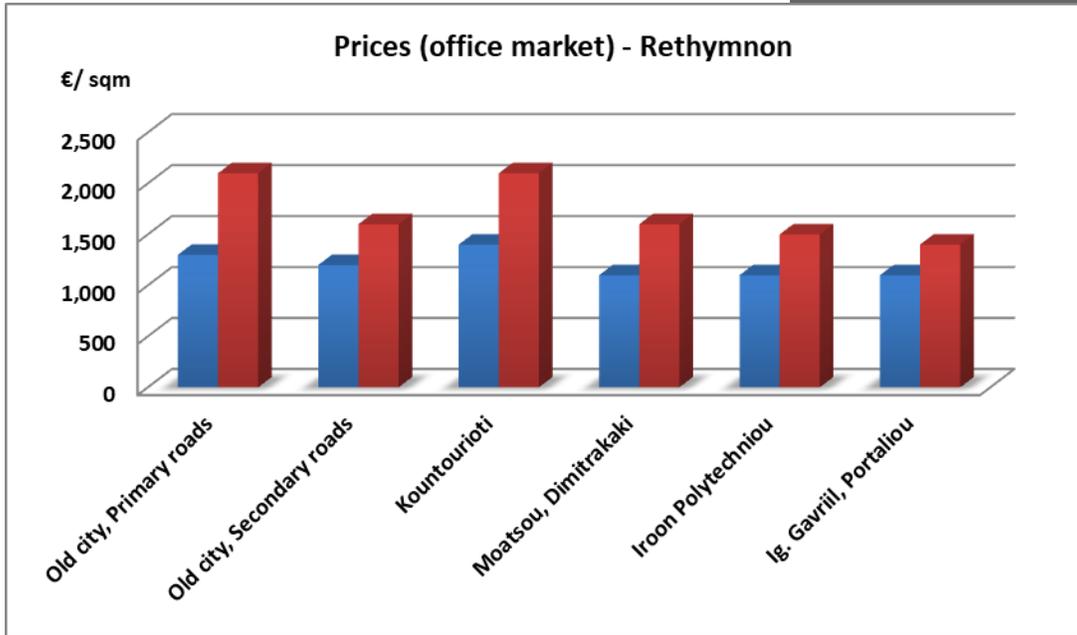
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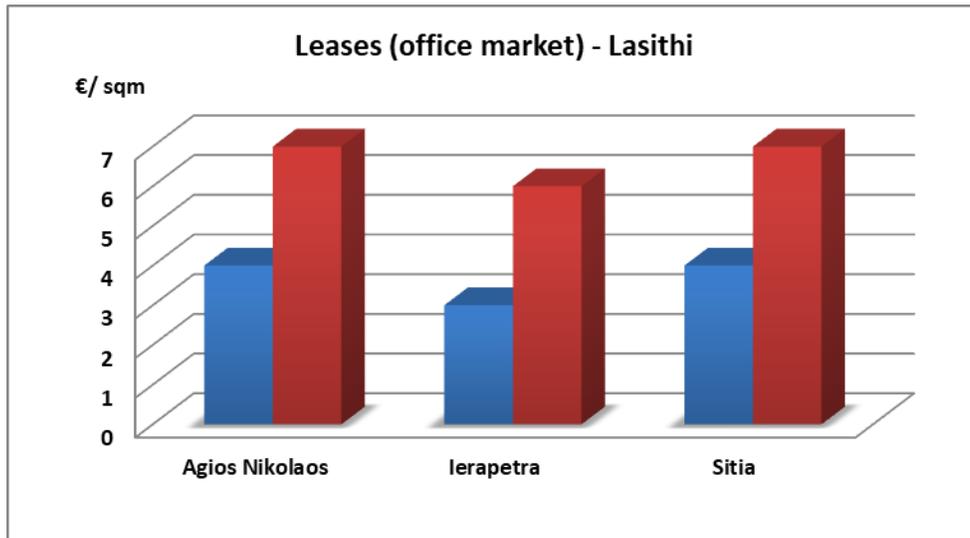
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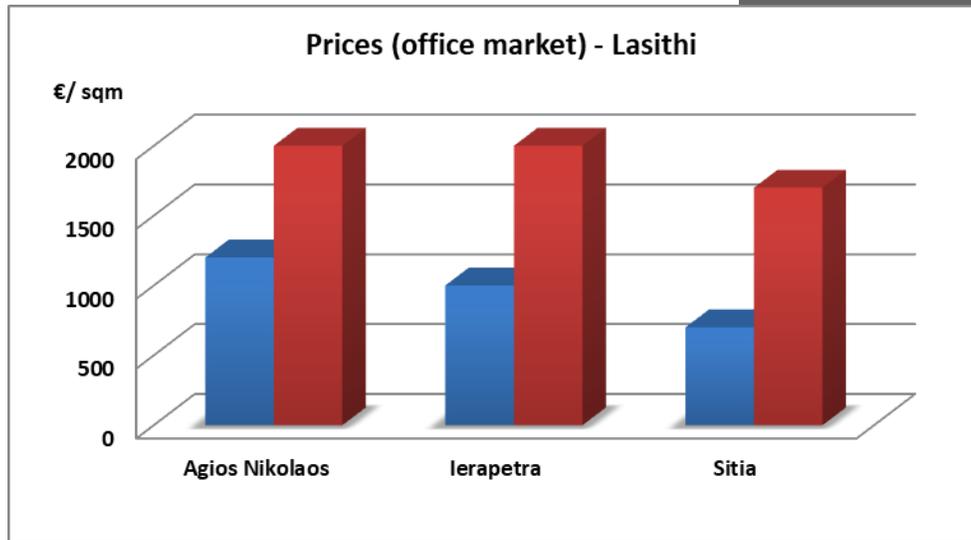
Source: Danos – Melakis Ltd



Source: Danos – Melakis Ltd



Source: Danos – Melakis Ltd



Source: Danos – Melakis Ltd

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

3. Residential Market

Volume and values (for purchase and lease) are increasing in all regions, central and non-residential, of all sizes. It is noteworthy that the demanded prices increased in relation to 2017 to about 5-10% in central regions, while the downward negotiation is now moving to 5-10%.

As for the holiday residence sector, many investment opportunities can be found, due to the significant price decreases during the past years. The number of unsold holiday residences in Crete is gradually declining, due to increased interest from foreign or domestic investors, as well as the cessation of construction activity. At the same time, market values have remained stable compared to 2017.

In **Chania**, around CBD, the vast majority of residences are at least 30-40 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 2.000€ – 2.500 €/sqm. The prices regarding new conventional structures in popular residential areas near CBD vary from 1.900 – 2.300 €/sq. m. in Chalepa, from 1.800 – 2.100 €/sq. m. in Lentariana & Aberia and from 1.900 – 2.200 €/sq. m. in Nea Chora. As for rental prices, due to the short-term rental “phenomenon”, there are there are no houses available, and the prices are rising compared to 2017.

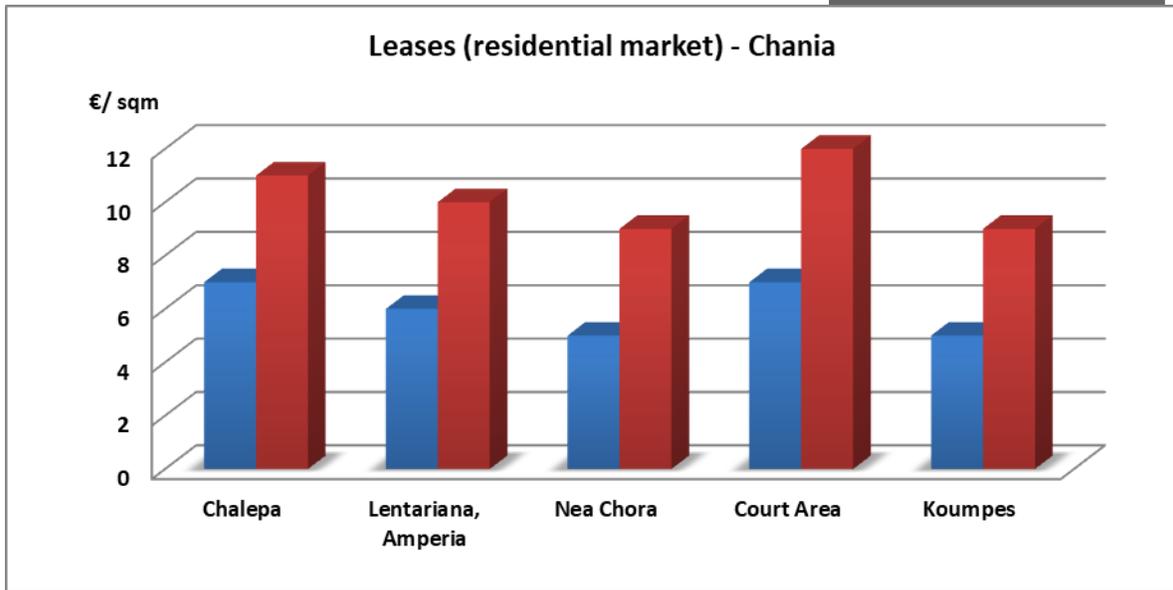
In **Heraklion**, around CBD, the vast majority of residences are at least 25 years old, whose price range fluctuates from 800 – 1.200 €/sq.m., depending on the level of maintenance and the parking availability. The price range for new residences in popular areas near the CBD, such as Analipsi, Mastampas and Therissos, is from 1.800 – 2.200 €/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 €/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 1.050 - 1.400 €/sq. m., mainly depending on the level of maintenance, while when renovated they cost from 2,000 € and above, depending on their location, projection and view. 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 are increasing relative to 2017, due to the reduced supply of houses for long term rentals.

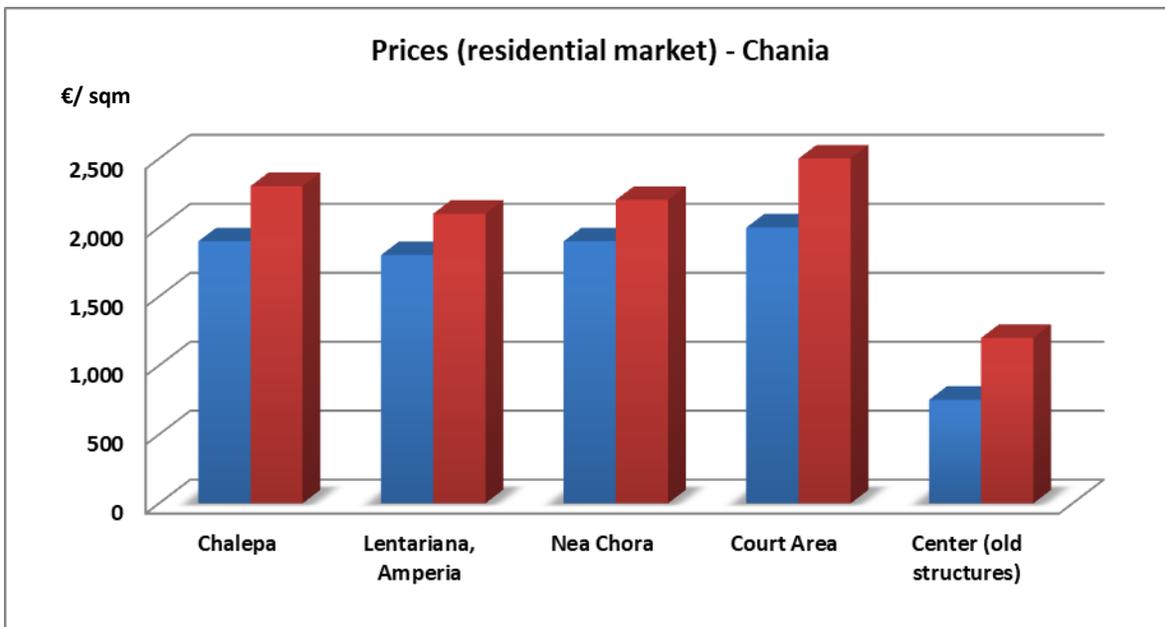


New Apartment Complexes in Heraklion and Rethymno

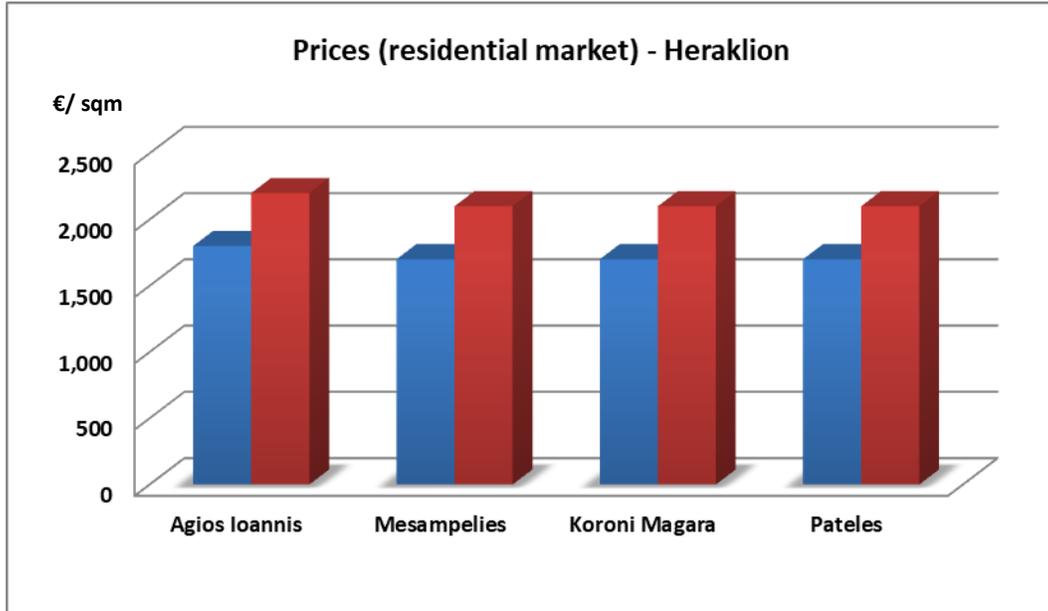
Finally, in **Lasithi**, the highest market values can be found at the coastal zone as well as the new suburbs of Agios Nikolaos, Ierapetra and Sitia, due to the most recent structures that can be found there, while market values at the old sections of the cities are slightly lower. Rental prices remained almost stable relative to 2017.



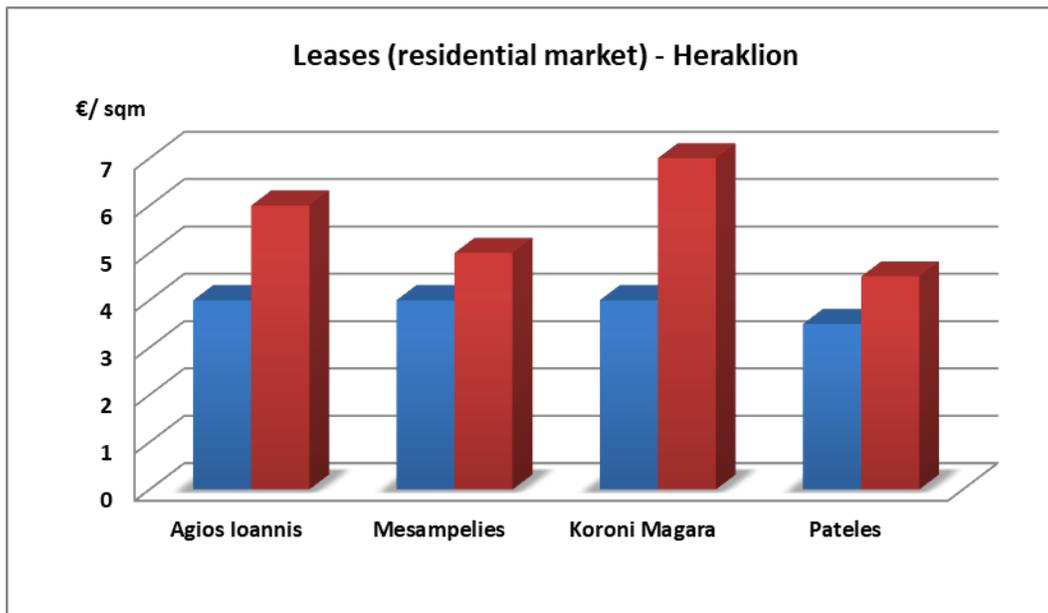
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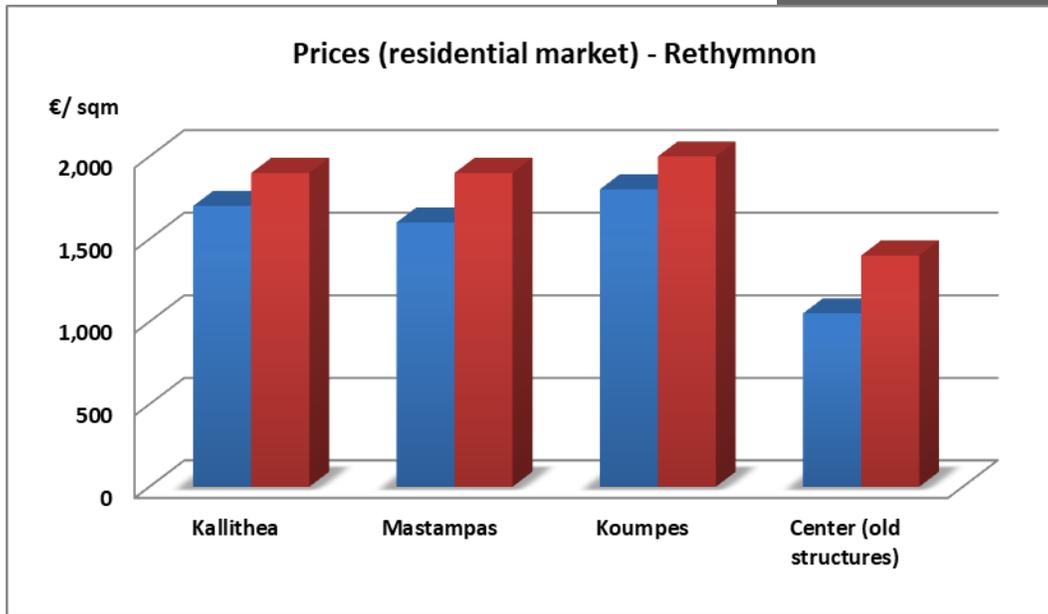
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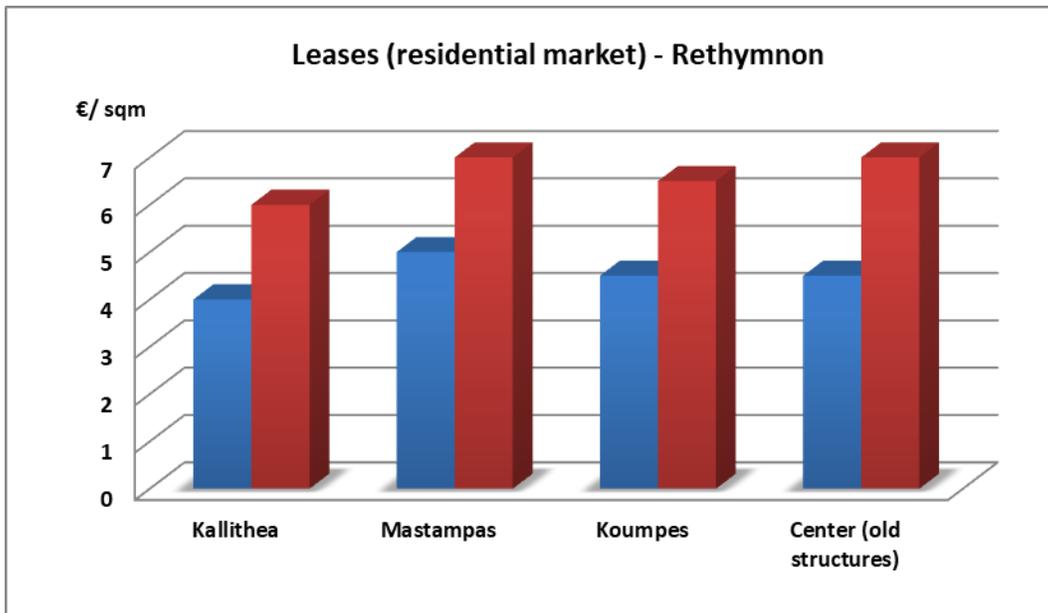
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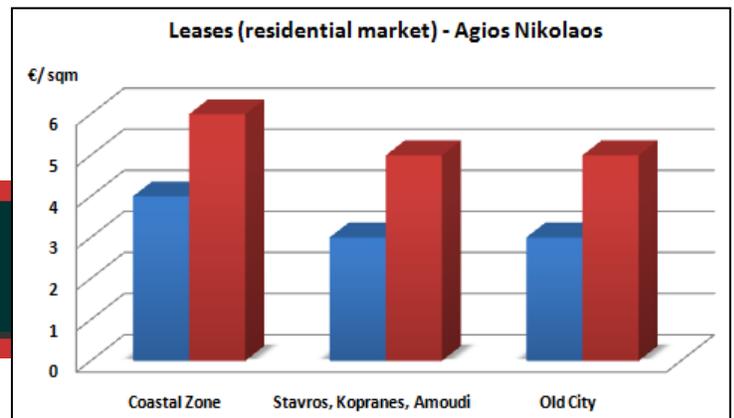
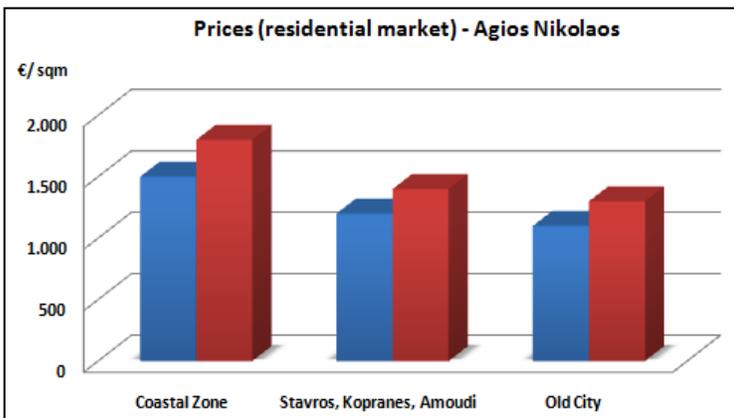
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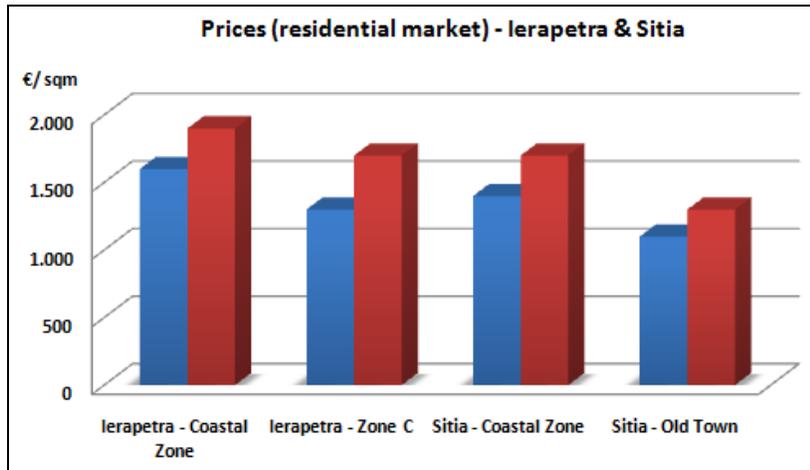
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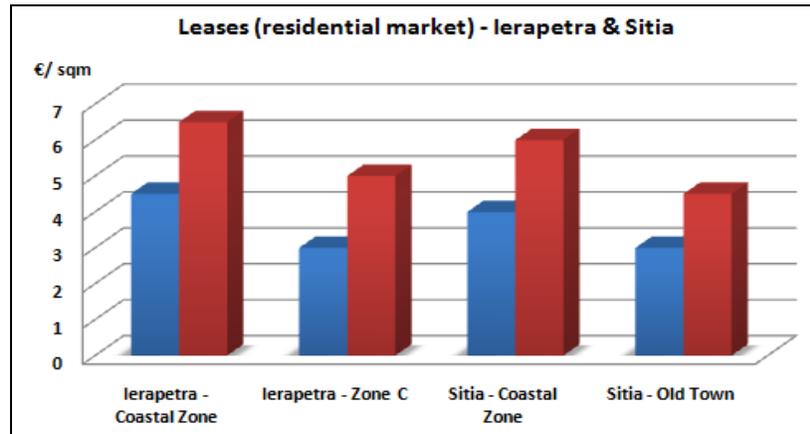
Source: Danos – Melakis Ltd



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4. Retail Market

In **Chania**, the most commercial area is the Old Port, where rental values vary from 25 - 40 €/sq. m., while in specific small spaces can reach even 50 €/sq. m., with the most commercial roads being Chalidon, Chatzimichali Giannari and Skalidi Streets (main area of retail market), where rental values vary from 30 - 40 €/sq. m.. Tzanakaki street is becoming one of the best roads due to the shortage of finding anything to the main roads.

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 20 - 50 €/sqm.



Shopping Center 'Olea' in Platanias



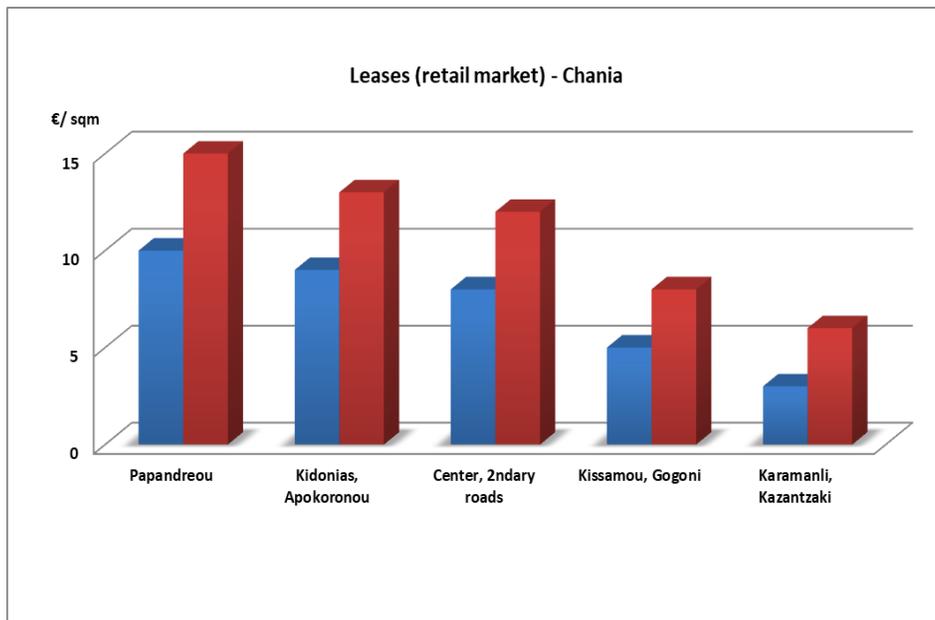
Shopping Center 'Talos Plaza' in Heraklion

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).

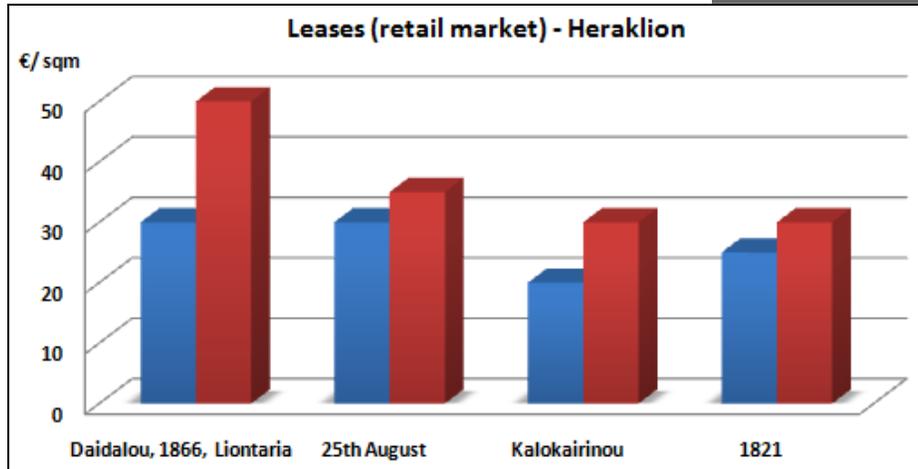
Finally, in **Lasithi**, commercial activity is found only in the cities' center and the coastal zones. The relatively small offer for retail stores has led to very high market and rental values in many cases.



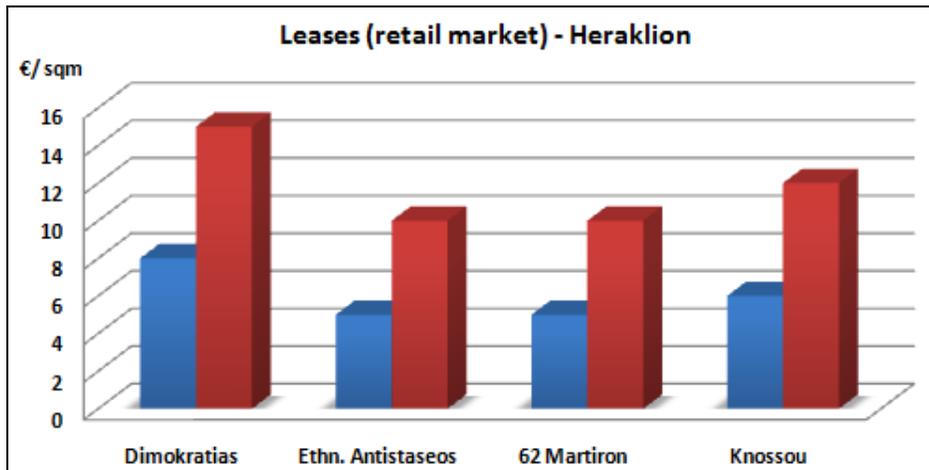
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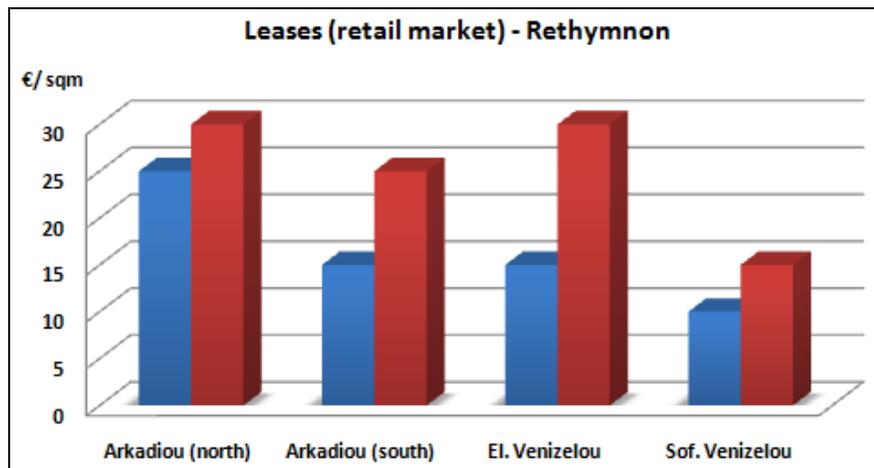
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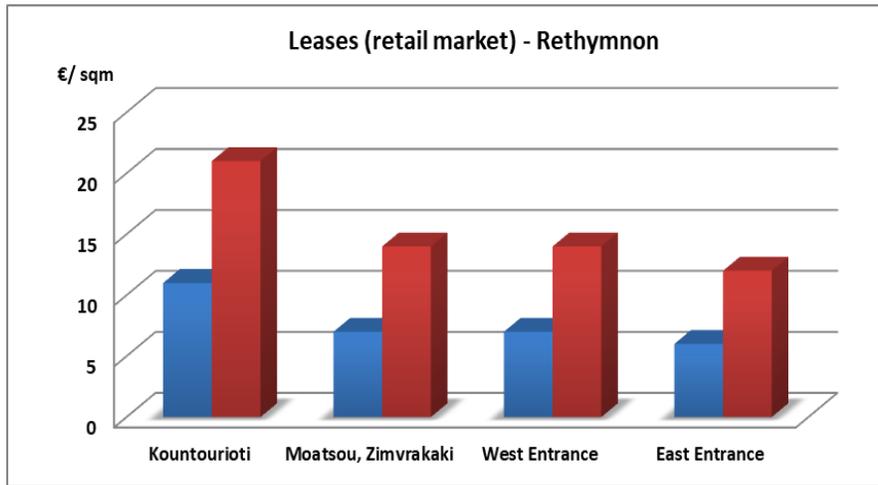
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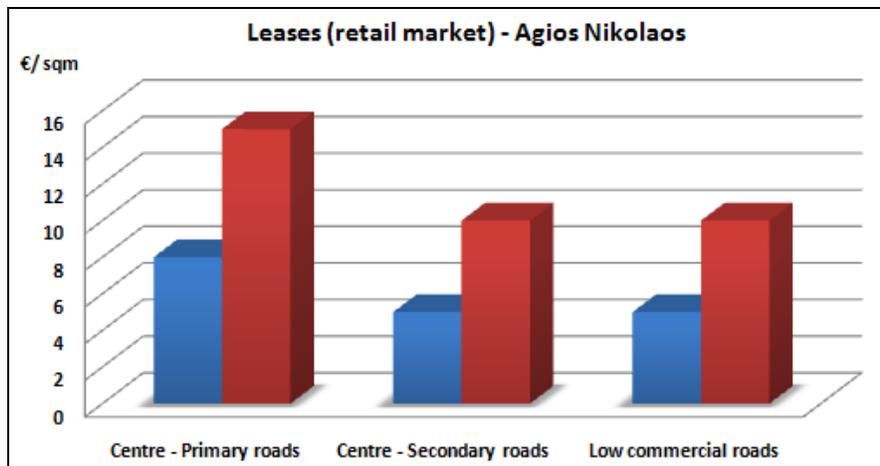
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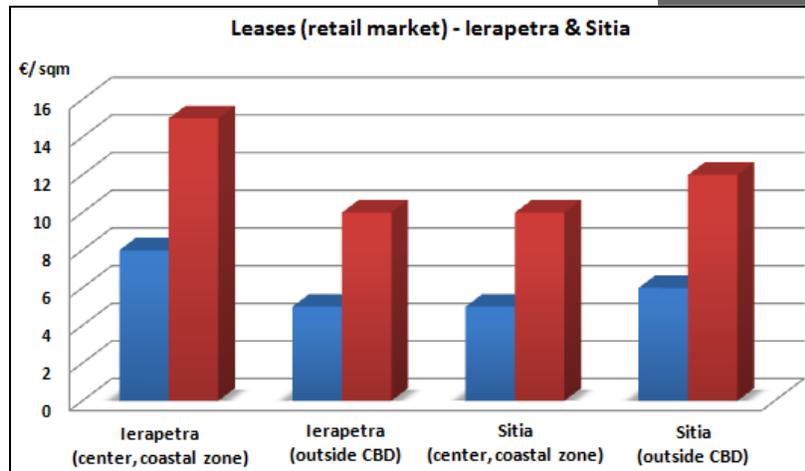
Source: Danos – Melakis Ltd



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Source: Danos – Melakis Ltd



Source: Danos – Melakis Ltd

5. Logistics & Industrial Market

In Crete, the interest observed in logistics and industrial market is very small; therefore the market has remained stable during the second semester of 2018.

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 1-3 €/sq. m. in Heraklion and from 2.5-4 €/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 Triadas 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 sectors of the Greek economy that is internationally competitive, as despite the continuing economic challenges, it has made remarkable progress in recent years. Greece's preferential geographic features, coupled with fast-growing infrastructure in the transport sector and the development and modernization of tourism-specific infrastructure, stand as a guarantee for the country to become one of the largest and safest destinations in the world.

The ministry of tourism has put even higher bar on tourism receipts, with the minister saying that this year revenues will be higher by 2 billion euros compared to last year, thus exceeding even 16.5 billion euros. Suffice it to say that over a five-year period in 2013, McKinsey's tourism survey predicted that the industry could exceed 24 million international arrivals by 2021, bringing an annual revenue of 18-19 billion euros, if the cost per capita reaches 800 euros. This would be the major turning point for Greek tourism, as, according to the data of the Bank of Greece, the cost per trip of foreigners in Greece remains firmly stuck around 545 euros (544 euros in the eight months of 2018, compared with 545 and 542 in the corresponding period of 2017 and 2016).

Airports–Arrivals

Regarding the Tourism of Crete the projections are significantly optimistic for 2018. According to provisional data regarding H2 of 2018, the international arrivals at the Heraklion airport are increased, while at the airport of Chania there is a small increase compared to the same period last year, resulting in an annual increase of 7,21% and 6,46% correspondingly.

INTERNATIONAL ARRIVALS 2017 - PROVISIONAL DATA

2018		Ηράκλειο	Χανιά	2017		Ηράκλειο	Χανιά
		Heraklion	Chania			Heraklion	Chania
Ιανουάριος	January	5,919	0	Ιανουάριος	January	771	1,930
Φεβρουάριος	February	10,513	281	Φεβρουάριος	February	1,118	1,749
Μάρτιος	March	30,130	12,661	Μάρτιος	March	3,794	8,312
Απρίλιος	April	160,787	72,893	Απρίλιος	April	160,359	67,391
Μάιος	May	431,086	159,436	Μάιος	May	373,126	135,465
Ιούνιος	June	549,484	201,544	Ιούνιος	June	511,146	186,055
Ιούλιος	July	661,141	233,678	Ιούλιος	July	637,254	228,983
Αύγουστος	August	647,810	203,482	Αύγουστος	August	627,677	196,303
Σεπτέμβριος	September	550,037	186,459	Σεπτέμβριος	September	511,924	178,649
Οκτώβριος	October	302,289	89,523	Οκτώβριος	October	305,068	88,618
Νοέμβριος	November	18,853	2,208	Νοέμβριος	November	11,049	247
Δεκέμβριος	December	6,455	2,230	Δεκέμβριος	December	4,418	0
Σύνολο	Total	3,374,504	1,164,395	Σύνολο	Total	3,147,704	1,093,702
Τρέχον έτος	ytd	226,800	70,693	Τρέχον έτος	ytd	539,168	214,847

(1): The data refers to passengers on international flights, irrespective of place of residence, with the exception of the data for Athens airport which only includes passengers residing outside Greece.

Source: Civil Aviation Authority and Athens International Airport (AIA) - Edit: SETE Intelligence

Items are subject to change due to the release of more recent data from sources. (see if "Type")

Ports - Arrivals



Based on the scheduled cruise ship reservations for 2018, so far there has been an increase in the number of cruise ship arrivals at Souda port at 90 with an improvement in the number of passengers to 144,074 compared to 2017 (source: Harbor Management Organisation of Prefecture of Chania).

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Cruise Ships	20	21	72	54	47	31	59	86	84	90
Passengers	7720	11509	158118	129087	124205	30366	96612	147915	127849	144074

Regarding Heraklion the total number of the scheduled arrivals appears to be increased in 2018 versus the last season (187 cruise ships versus 131 in 2017, 42,7% increase).

Destination	2017		2016		2015		2014	
	Arrival number of cruise ships	Arrival number of cruise passengers	Arrival number of cruise ships	Arrival number of cruise passengers	Arrival number of cruise ships	Arrival number of cruise passengers	Arrival number of cruise ships	Arrival number of cruise passengers
Heraklion	187	297929	131	181693	165	238780	170	219805

Investments

Big investments in new touristic and hotel units are in the process of development. New projects in Crete are going to change the Greek touristic industry. The case of the two top tours in Europe, TUI and Thomas Cook, is characteristic, as they have announced their intentions to acquire another 20 hotel units in our country (10 each).



One step closer to starting the implementation of the mega tourist investment, amounting to 408 million euros, according to the original planning, is the involvement of the Russian investors of Mirum Hellas. Following the modification of the plan and the "green light" to extend the area where the investment will take place of 115 acres, the environmental impact study is proceeding, which actually paves the way for the licensing process. As estimated by Russian investors, the construction phase of the project will start in 2019 and it will be completed within a certain period of time. The investment is thought to change the tourist profile and will raise the "shares" of the area, which already attracts high investment interest, as apart from the creation of hotels and supporting infrastructure, the project includes the construction of autonomous luxury villas for sale.

The project "Elounda Hills" moreover has been integrated in the strategic investment process since August. It was the second tourist investment in Crete that joined the fast track following the investment of "Itanos Gaia" on the site of the Sideros peninsula (from 2012). Of the 408 million of the investment, approximately 50 million are related to the land market (the Russian businessman began the process of buying the land in the Elounda area in 2007), while the rest are related to construction and infrastructure costs. The project is also funded by shareholders' equity of the Mirum Hellas joint venture and by bank loans. During the fully operational phase (the period up to the end of the project is estimated to last eight years), the investment will generate over 700 eight-month jobs. At the same time, investors have said that there will be significant rewards for the local and

wider region, such as grants to public utilities, scholarships, local youth training, as well as services and supply of local business products.

A new five-star hotel in Elounda is being prepared by ship-owner Spyros Ranis, who already owns the 5-star hotel Astir Odysseus Resort and Spa in Kos. The construction of the hotel will take place on a privately owned coastal area of about 170 acres in the Tsifliki area of Elounda and will have a capacity of about 800 beds. The cost of the investment is expected to reach 70 million euros. The hotel is expected to open in 2020. There is also a provision for an observatory amongst the facilities. The management of the hotel, according to the information, will be taken over by the AVRA Hotels Collection, based in Heraklion, Crete, already managing the Astir Odysseus Resort and Spa, as well as the Mirabello Beach Village, Hermes and Coral hotels. The area of Elounda is reinforced by the investment of a capacity of 176 beds, launched by Energeiaki Techniki Anaptyksiaki SA.

Another new five-star hotel owned by the Vantaris Group at the "Madaros" site in Rethymno is in the licensing process. The new hotel will be a "classic" type of 650 beds and will extend to a total area of 126,147.08 square meters. The investment is estimated to be over € 40 million. The group has three other units in Georgioupolis, named Vantaris Palace, Vantaris Beach and Vantaris Garden.

The new hotel investment of Pilotos SA is also in the licensing process, in the location of "Madaros" in the "Petres" location, near the settlement of Karoti of the Municipality of Rethymnon, which will exceed the amount of 30 million euros. The hotel has a capacity of 776 beds, which will be developed in 295 rooms and a total area of 97.062,37 sq.m.

Grivalia Properties Group, proceeded with a major acquisition of a hotel in Crete, through the Grivalia Hospitality S.A. in which they hold 25%. More specifically, Grivalia Hospitality S.A. through its 100% subsidiary proceeded with the acquisition of the hotel unit "Meli Palace" by Hellenic Palace SA. in Crete, which owns 100% of the property in which the hotel has been built. It is a luxurious hotel complex, located at a seaside location in the well-known tourist resort of Malia Crete, has 158 rooms on a plot of 104 acres and is leased to a well-known hotel operator. The consideration for the acquisition of shares of non-current liabilities and excluding other assets was EUR 9 million and was paid upon signing the contract. At the same time, an additional € 2 million has been agreed to be paid in installments up to 2022, as well as € 2 million, subject to specific conditions. It is worth mentioning that this property is the first hotel in operation that is part of the investment portfolio of Grivalia Hospitality.

The ministry of Tourism and the ministry of Environment approved the creation of a Composite Tourist Accommodation area consisting of a 5-star category hotel of 50 beds, 45 furnished villas, an existing 18-hole golf court, as a special tourist infrastructure along

with the additional projects, at the site "Vothoni and Sopata-Rousos Lakkos" of the Municipality of Hersonissos owned by the company "CRETAN GOLF AE".

The Construction Department Directorate of the Municipality of Chania issued a building permit for a new 5-star hotel property owned by "MARAKAS SA" in the Dramonero area of the Municipality of Platania. It also issued a building permit to AKTI KALIVES SA for a new 5-star hotel in the Kalami area.

Finally, the Mathioulaki Group has started the operation of a new five-star hotel unit with a capacity of 690 beds in the Skoutelona area of Kolimvari. The five-star hotel "Euphoria Resort" is located on a 60-acre coastline and the investment exceeds 40 million euros.

INTERNATIONAL COVERAGE FOR LOCAL SOLUTIONS



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