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INTERNATIONAL PROPERTY CONSULTANTS & VALUERS

CRETE PROPERTY MARKET

1st Semester 2018



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1. Economic Overview

The upward trend of the economy continued for the fifth consecutive quarter. Specifically, in the first quarter of 2018 real GDP grew by 0.8% compared to the fourth quarter of 2017, compared with the first quarter of 2017, showing an increase of 2.3%, which is the highest yearly.

According to the Bank of Greece estimates, economic activity is expected to accelerate over the medium term. GDP growth rates of 2.0% and 2.3% are projected for the years 2018 and 2019 respectively.

The inflation, as it is recorded by the harmonized index of Consumer Prices, came into positive numbers in 2017 (1.1%) due to the increase in international oil prices and the impact of the increase in some indirect taxes that came into effect from the beginning of the year.

Employment is expected to continue to grow as economic growth returns to positive growth, while the institutional framework in the labor market, following the implementation of structural reforms over the past years, is expected to continue to positively influence employment further, it is projected that the unemployment rate in 2018 will fall below 20%.

A basic condition for the country's development, the reduction of taxes.

Changing the fiscal adjustment mix is a necessary condition for accelerating the development process in the post-memorandum, Alpha Bank notes. A key component of such a policy is a tax reform, which could include lower rates, simplification of the tax system and widening of the tax base through tax evasion. As stated in the bank's analysis, the completion of the third program, debt relief measures and a credible supervisory framework ensuring its sustainability over the medium term form a new landscape in which economic policy priorities need to be redefined.

The goal of faster growth in the Greek economy, which will bring it back to convergence with the other countries of the Eurozone, is de facto the focus of economic policy planning. In this endeavor, fiscal policy should be as helpful as possible. In 2017, the high primary government surplus, which exceeded the target by 2.45 percentage points of GDP, is attributable to high taxation and expenditure cuts, particularly the Public Investment Program. Despite maintaining the very high targets for primary surpluses, the likelihood of their overruns and, consequently, the creation of budgetary space remains high.

The way of using the financial space is crucial. The choice of gradual reduction of tax rates and insurance contributions, on the one hand, directly boosts economic activity and, on the other hand, further strengthens investor confidence.



2. Office Market

The office market in Crete remained almost stable during H1 of 2018, while relative to 2017, 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%. The performance of high-end offices is now at 7% and 8% 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 4-8 €/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 1100€-1600€/sq.m..



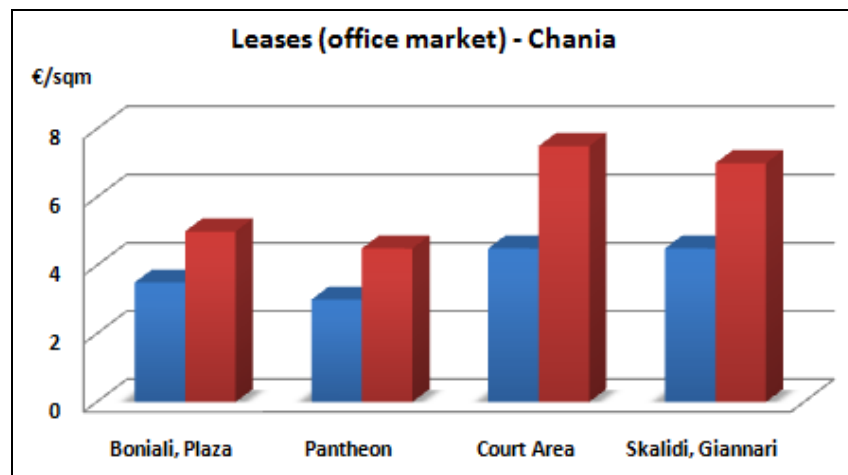
Trianon Center in Court Area, Chania

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., Liontaria Square), where freelances and businesses are highly interested due to the proximity to public services with rental prices vary from 3-8€/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 500-2700€/sq.m. depending on aging.

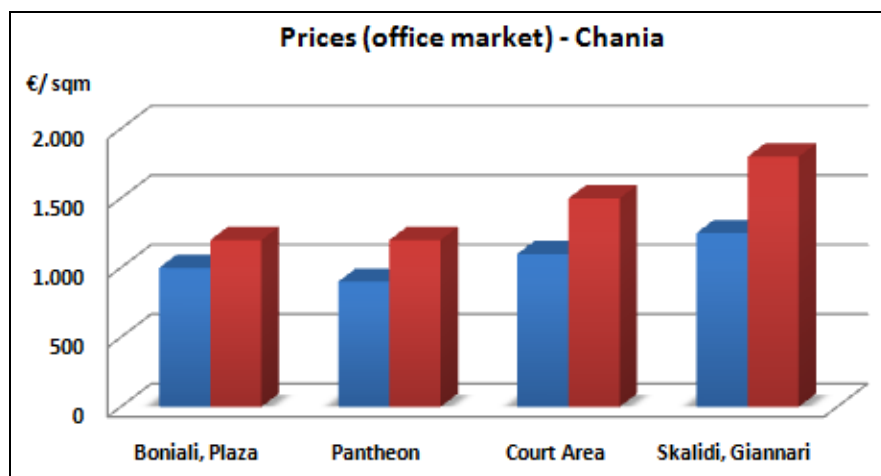
In **Rethymnon**, the main office market is around the CBD, the Old City and Iroon Polytechniou Square, close to the main retail market and public services buildings, while relatively new office spaces can be found at the main streets that lead to the CBD, i.e.

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 from 4-10 € / sq.m.

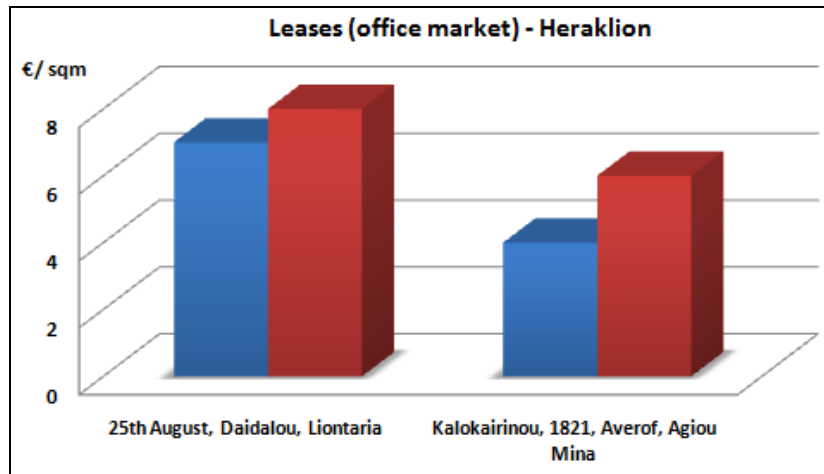
Finally, in **Lasithi**, due to the small size of the cities of Agios Nikolaos, Ierapetra and Sitia, office spaces are congregated only in the center of the cities.). The market values vary from 900-1500 € / sq.m. depending on aging, while rental prices from 3-7 € / sq.m.



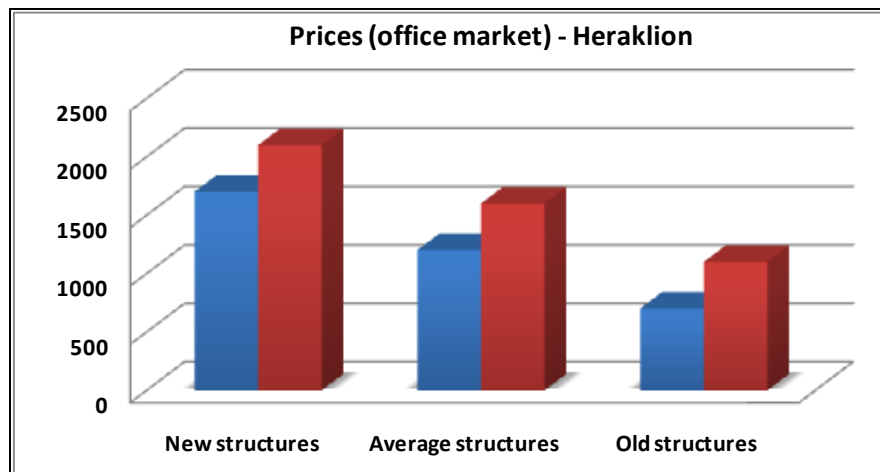
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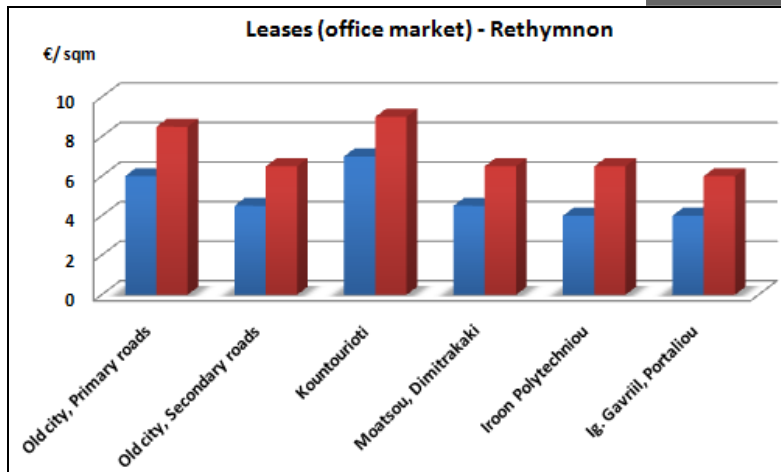
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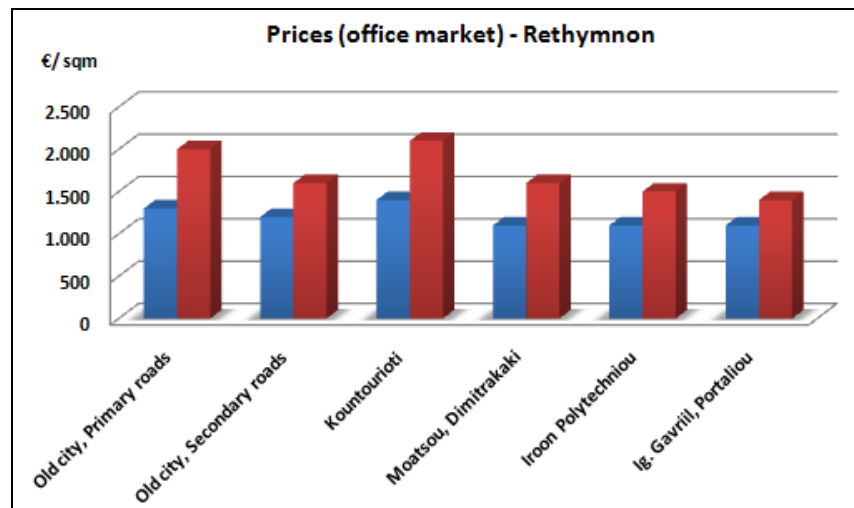
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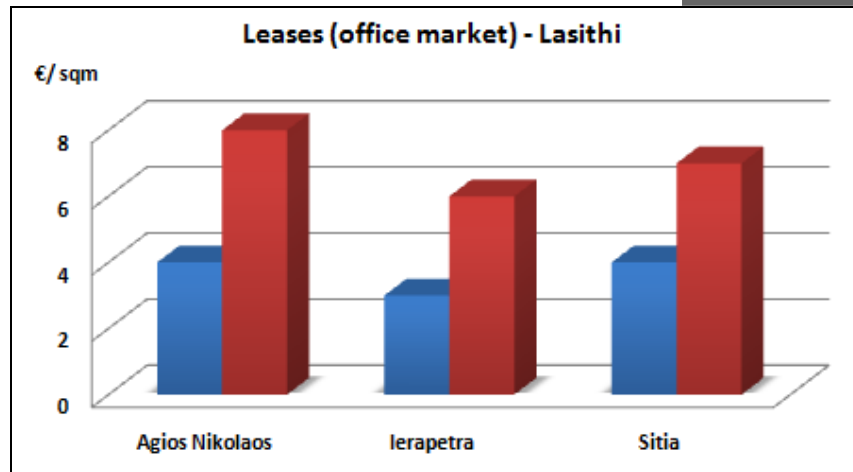
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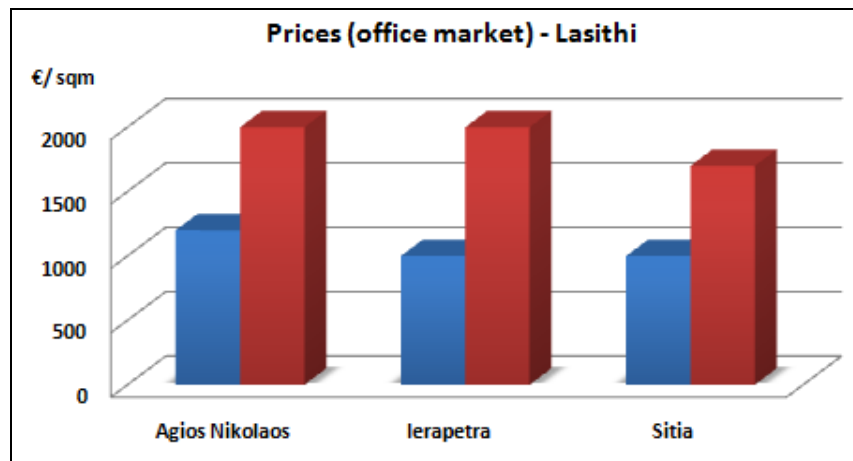
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* Leases and prices depend on the age, the condition and the location of the buildings.

3. Residential Market

The residential market is still a deep sleeper with minimum transactions with prices increased in most central areas and signs of stability in other regions. At the same time, there is a pickup in rental activity with high demand for all size homes. It is worth mentioning that asking prices have decreased up to 10% in comparison with 2017, 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. 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 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 – 2.500 €/sqm. The prices regarding new conventional structures in popular residential areas near CBD vary from 1.700 – 2.200 €/sq. m. in Chalepa, from 1.500 – 1.800 €/sq. m. in Lentariana & Aberia and from 1.600 – 1.900 €/sq. m. in Nea Chora. As for rental prices, due to the short-term rental “phenomenon”, there are not available houses and the prices are rising compared with 2017.

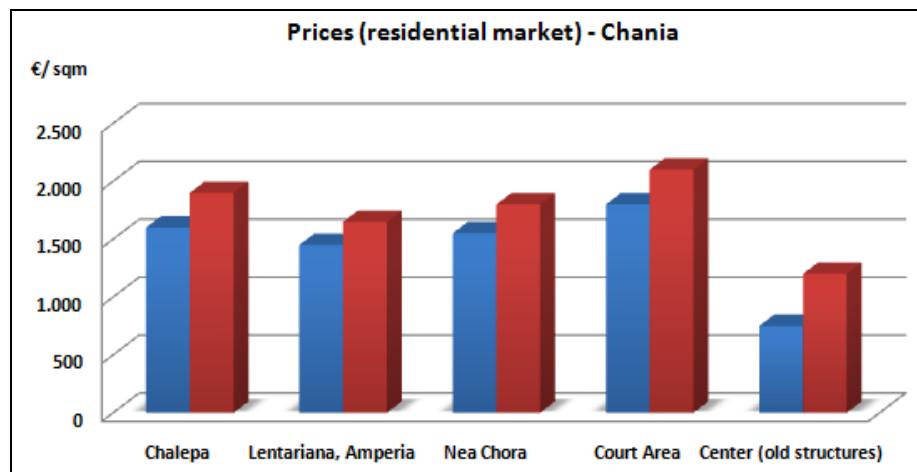
In **Heraklion**, around CBD, the vast majority of residences are at least 25 years old, whose price range is from 1.000 – 1.400 €/sq.m., depending on the level of maintenance and the parking availability. The price range for new residences in popular areas near the CBD, such as Analipsi, Mastampas and 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. 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.

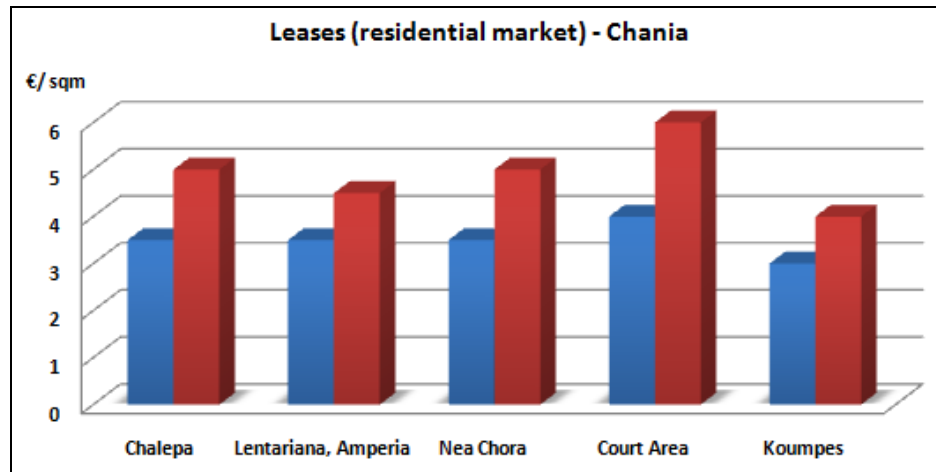


New Apartment Complexes in Heraklion and Rethymno

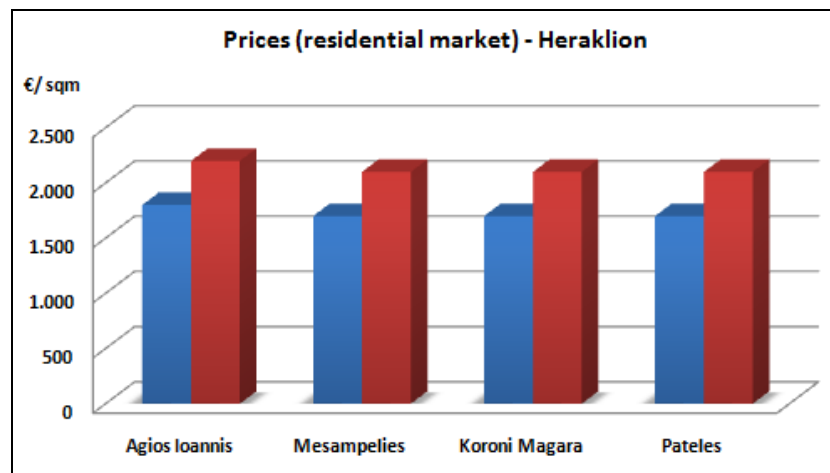
Finally, in **Lasithi**, the highest market values can be found at the coastal zone as well as the new suburbs of Agios Nikolaos, Ierapetra and Sitia, due to the most recent structures that can be found there, while market values at the old sections of the cities are slightly smaller. Rental prices remained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



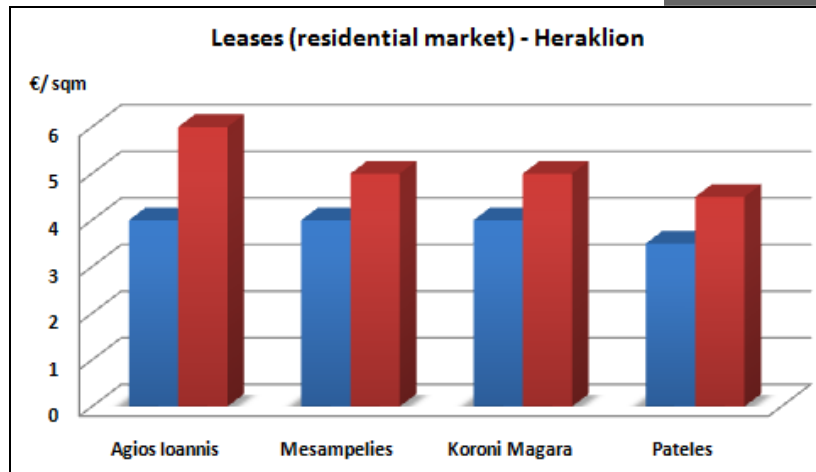
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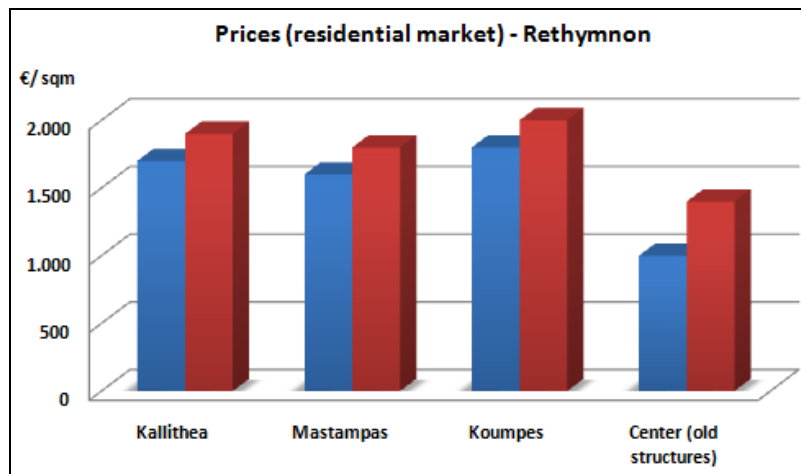
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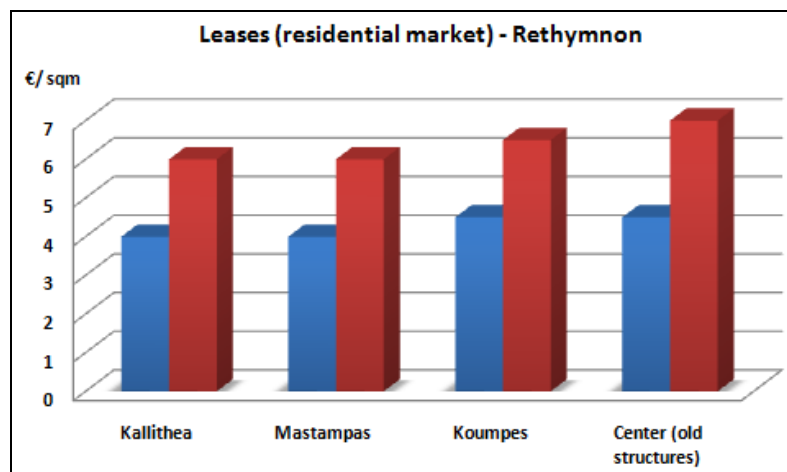
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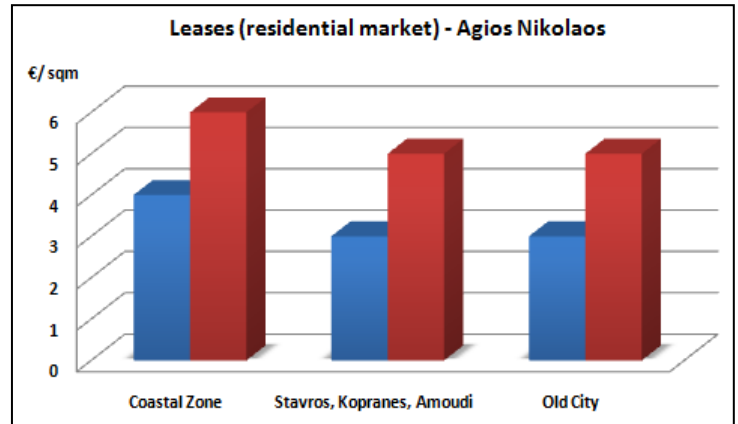
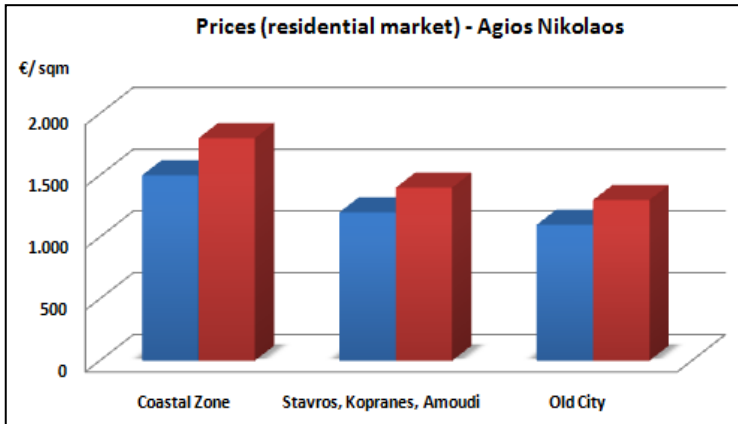
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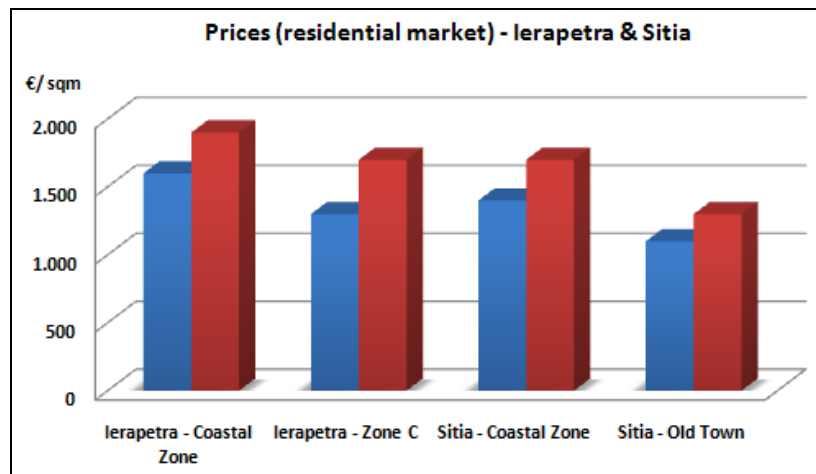
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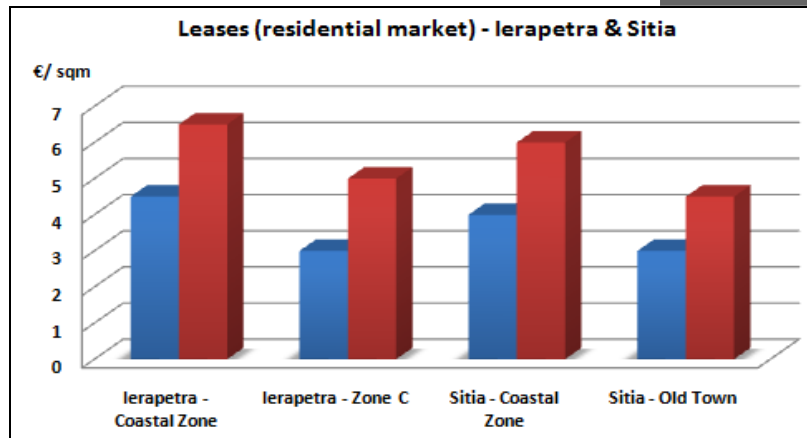
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4. Retail Market

In **Chania**, the most commercial area is the Old Port, where rental values vary from 30 - 40 €/sq. m., while the most commercial roads are Chalidon, Chatzimichali Giannari and Skalidi Streets (main area of retail market), where rental values vary from 25 - 40 €/sq. m. Tzanakaki street is getting 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 Lontaria Square, where rental values vary from 20 - 40 €/sqm.

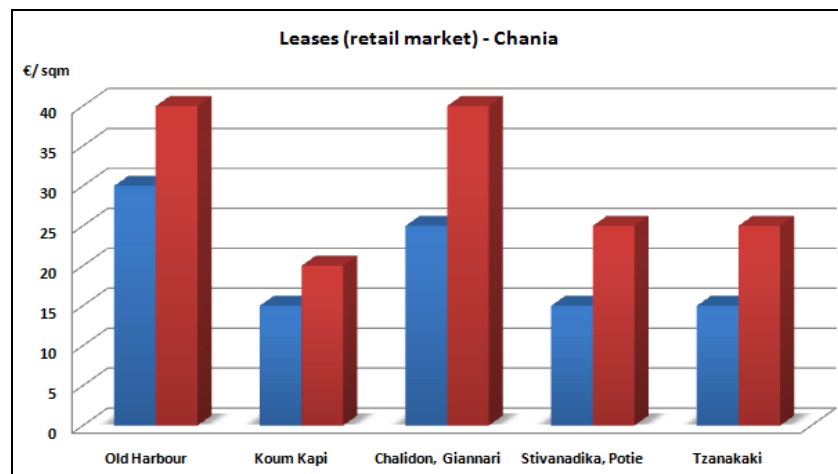


Shopping Center 'Olea' in Platanias

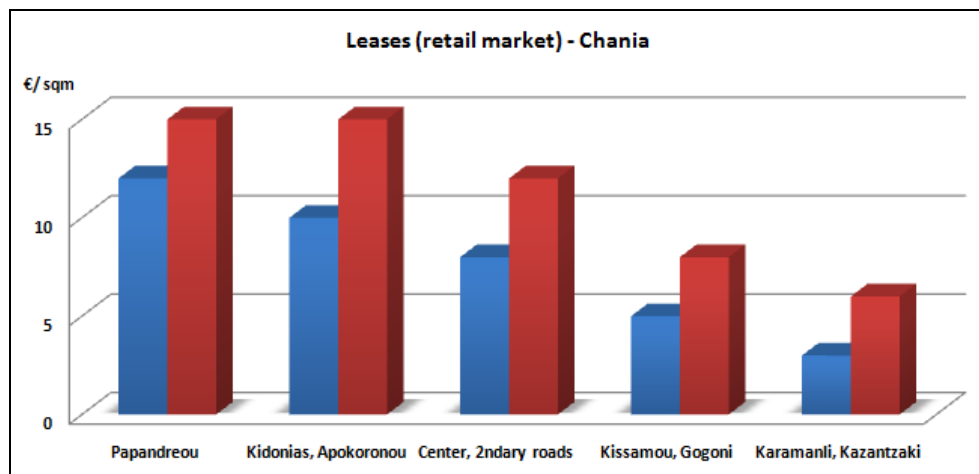
Shopping Center 'Talos Plaza' in Heraklion

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).

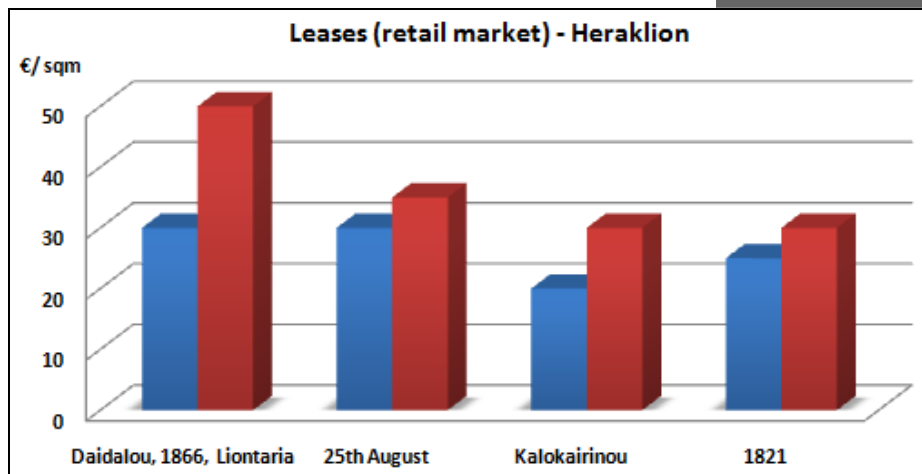
Finally, in **Lasithi**, commercial activity is found only in the cities' center and the coastal zones. The relatively small offer of retail stores has led to very high market and rental values in some cases.



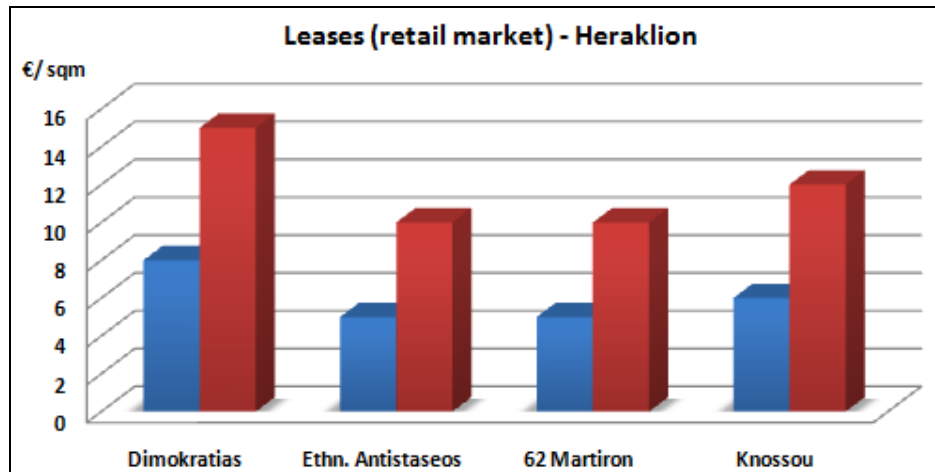
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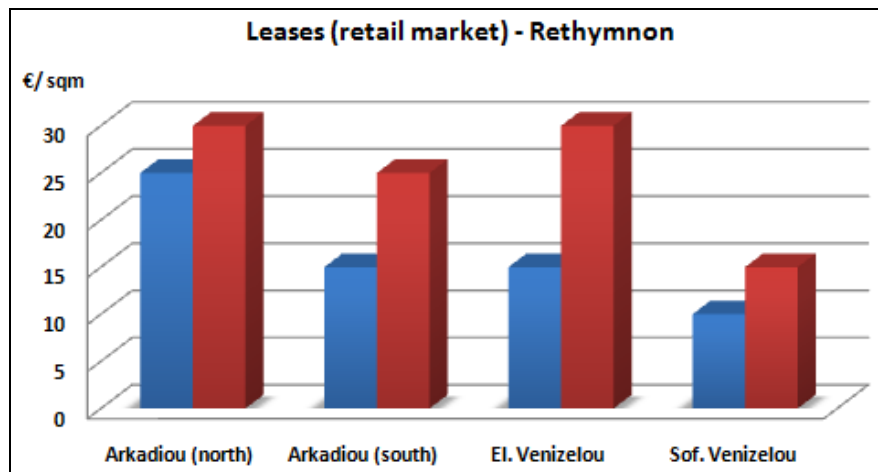
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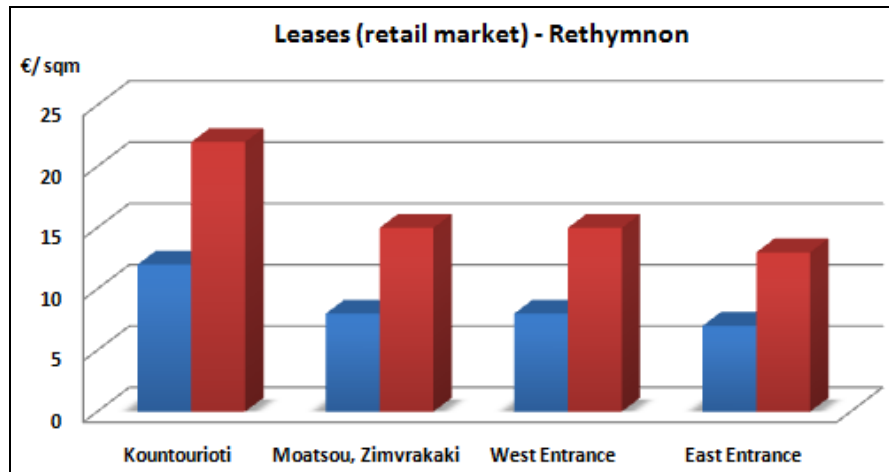
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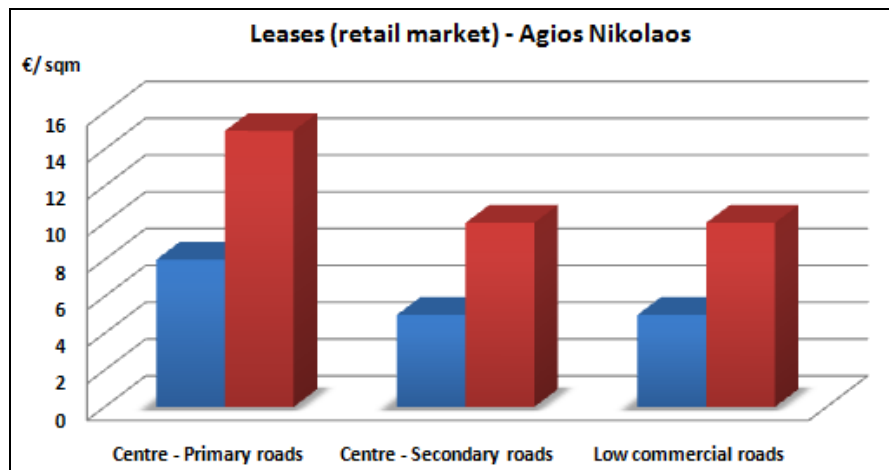
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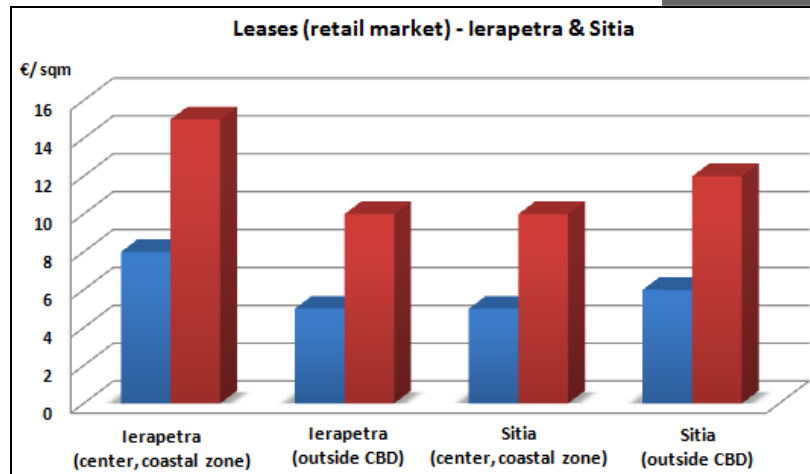
Source: Danos – Melakis Ltd



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Source: Danos – Melakis Ltd

5. Logistics & Industrial Market

In Crete, no interest is observed in logistics and industrial market; therefore market has remained stable during H1 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 2-4 €/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 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

In Retail Trade, the fall is associated with a moderate decline in household consumption, which was also reflected in the relative GDP figures as a result of the pressures on disposable income from the new direct and indirect taxation measures in 2018. The declining trend in the construction sector, mainly in the private projects segment, is recorded over a period of time in which, after many months of waiting, changes in the real estate values were announced, causing inactivity in certain parts of the ag until they assess the changes they make, the taxation of real estate and more.

In 2018 there is a lack of new taxes on indirect taxation (with the exception of hotel overnight stays and the harmonization of reduced rates of VAT on the remaining islands with those in the rest of the country). Consequently, the key effect is played by the exhaustion of base effects, by compressing general inflation, and by the new high oil prices that have an inflationary effect. The composition of these opposing forces is expected to bring general inflation to levels slightly below those recorded in 2017.

Tourism is one of the few sectors of the Greek national economy that is competitive at a global level. Despite the lingering economic challenges in the recent years, tourism sector showed remarkable strength. 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 one of the major and safest tourist destinations worldwide.

Airports–Arrivals

Regarding the Tourism of Crete the projections are significantly optimistic for 2018. According to provisional data regarding H1 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.

INTERNATIONAL ARRIVALS 2017 - PROVISIONAL DATA

2018		Ηράκλειο Heraklion	Χανιά Chania	2017		Ηράκλειο Heraklion	Χανιά Chania
Ιανουάριος	January	5,919		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			Ιούνιος	June	511,146	186,055
Ιούλιος	July			Ιούλιος	July	637,254	228,983
Αύγουστος	August			Αύγουστος	August	627,677	196,303
Σεπτέμβριος	September			Σεπτέμβριος	September	511,924	178,649
Οκτώβριος	October			Οκτώβριος	October	305,068	88,618
Νοέμβριος	November			Νοέμβριος	November	11,049	247
Δεκέμβριος	December			Δεκέμβριος	December	4,418	0
Τρέχον έτος	ytd	638,435	245,271	Σύνολο	Total	3,147,704	1,093,702
				Τρέχον έτος	ytd	539,168	214,847

(1): Τα στοιχεία αφορούν σε αφίξεις επιβατών με διεθνείς πτήσεις ανεξάρτητα τόπου κατοικίας.

Εξαιρέση αποτελούν τα στοιχεία για το αεροδρόμιο της Αθήνας τα οποία αφορούν αποκλειστικά σε κατοίκους εξωτερικού.

(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.

Πηγή: Υπηρεσία Πολιτικής Αεροπορίας (ΥΠΑ) και Διεθνής Αερολιμένας Αθηνών (ΔΑΑ) - Επεξεργασία: SETE Intelligence

Τα στοιχεία υπόκεινται σε αλλαγές λόγω δημοσίευσης πιο πρόσφατων στοιχείων από τις πηγές. (βλ. αν. "Τύπος")

Ports - Arrivals

Based on the scheduled cruise ship reservations for 2018, so far there is a reduction in the number of cruise ship arrivals at Souda port at 74 with an improvement in the number of passengers to 143,000 compared with 2017 (source: Harbor Management Organisation of Prefecture of Chania).

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Cruise Ships	12	20	21	72	54	47	31	59	86	84
Passengers	5159	7720	11509	158118	129087	124205	30366	96612	147915	127849

Regarding Heraklion the total number of the scheduled arrivals appears to be slightly increased in 2018 versus the last season (154 cruise ships versus 131 in 2017).

	2017		2016		2015		2014	
Destination	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	131	181693	165	238780	170	219805	160	242951

Investments

There is strong interest from private equity funds and investors and international firms along with world caliber operators to expand in the Greek market, to enhance infrastructure and attract more tourists, mainly of a higher level income. The investment interest includes existing tourist hotel units of medium or large size and large seaside plots mainly in Northern Eastern Crete. At the same time, boutique hotels in the Venetian Harbor of Chania continued to attract the investors' interest this period as well.

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.



One step closer to starting the implementation of the mega tourist investment, amounting to 408 million euros, according to the original planning, are 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 to buy the land in the Elounda area in 2007), while the rest 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 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.

New five-star hotels are planned or are at the first stage of their construction in northwest Crete, boosting the potential of the island that has seen great tourist development in recent years and constantly renews its infrastructure.

A new five-star hotel owned by the Vantaris Group at the "Madaros" site in Rethymno is in a 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, a major acquisition of a hotel in Crete, proceeded through the Grivalia Hospitality S.A. in which he holds 25%. More specifically, Grivalia Hospitality S.A. through its 100% subsidiary proceeded to the acquisition of the hotel unit "Meli Palace" by Hellenic Palace SA. in Crete, which owns 100% of the property in which the hotel was 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.

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 acres coastline and the investment exceeds 40 million euros.

INTERNATIONAL COVERAGE FOR LOCAL SOLUTIONS



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