



## THESSALONIKI PROPERTY MARKET

2<sup>nd</sup> Semester 2017



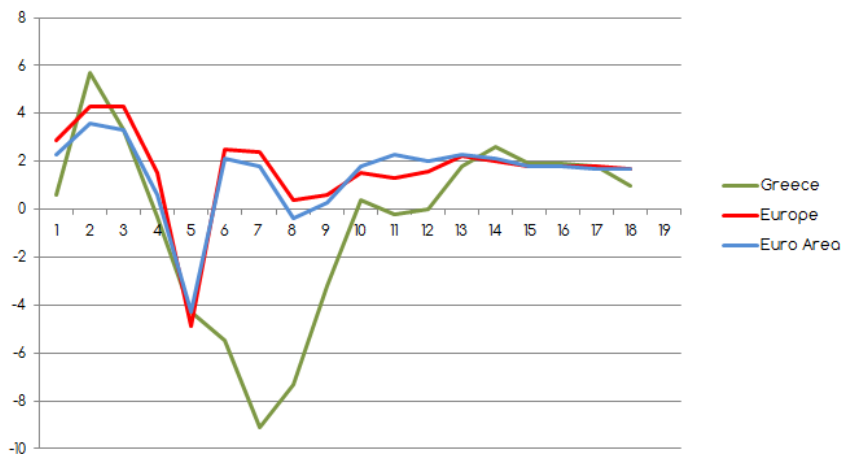
## Economic Overview & Indices

The completion of the second EU program review in June 2017 buoyed confidence, supporting activity. Employment growth is buttressing incomes and private consumption, although many new positions are temporary or part-time and are paid with the minimum wage.

Greece's improved competitiveness is boosting goods exports while the international recovery is supporting tourism revenue. Excess capacity remains significant and inflation and wage pressures weak.

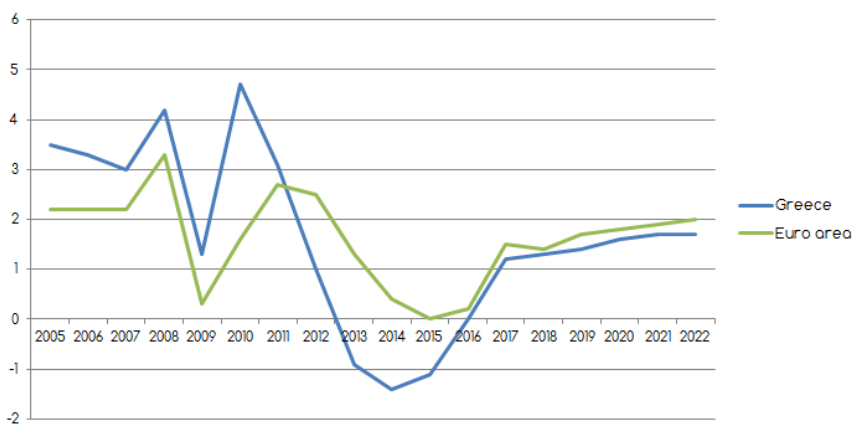
High levels of public debt and NPLs make Greece's economic outlook highly sensitive to any slippage in policy. Slower progress in addressing NPLs would lower confidence and investment and activity.

**Real GDP growth (Annual percent change)**



Source: IMF, processing by Danos An Alliance Member of BNP Paribas Real Estate

**Inflation rate, average consumer prices (Annual percent change)**



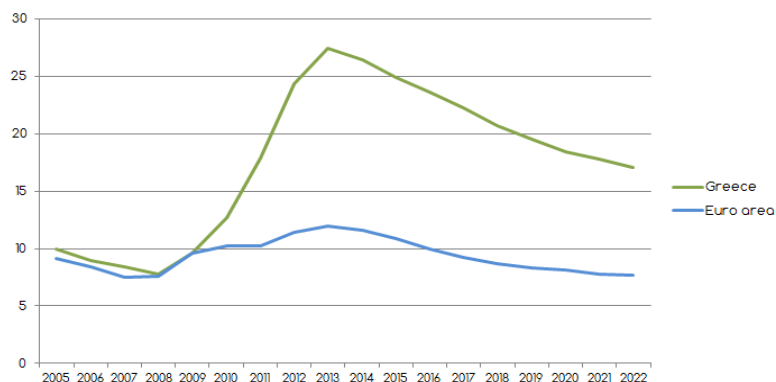
Source: IMF, processing by Danos An Alliance Member of BNP Paribas Real Estate

## Economic Overview & Indices

Higher public debt service costs, especially after the EU program will eventually conclude in August 2018, could adversely affect public finances and broader confidence, dragging down growth. Additional public debt restructuring would accelerate gains in access to finance and in activity.

Stronger progress on the reform program would raise productivity and investments more than projected.

Unemployment rate (Percent)



Source: IMF, processing by Danos An Alliance Member of BNP Paribas Real Estate

## Thessaloniki Property Market

On the 21<sup>st</sup> of December 2017 the agreement for the purchase of 67% the shares of THPA was signed between HRADF and South Europe Gateway Thessaloniki (SEGT) Limited, the company that established the investor “Deutsche Invest Equity Partners GmbH”, “Beltera Investments Ltd.”, and “Terminal Link SAS”.

The THPA is expected to start operating the first quarter of 2018 under the management and ownership of South Europe Gateway Thessaloniki (SEDT). It’s about a company based on the consortium of 3 investors, coordinated by Mr. Sotiris Theophanis, who mentioned in his interview the necessity for investments in the port as well as interventions concerning equipment and infrastructure.

Also, Mr. Theophanis analyzes the relationship between the harbor and the city as the interaction between the commercial and productive activities of the harbor in the economic community of Thessaloniki the development of the cruise (with the port as a start point from Thessaloniki) and the use of the spaces such as the first pier.

The historic building of Thessaloniki, Olympus – Naooussa on 5, Nikis Avenue is expected to regain it’s glory with the operation of a luxurious Boutique Hotel along with a restaurant. The building owned by Eurobank, in H1 2017 a competition took place where the highest bidder Gravalia Hospitality (65%) and Macedonian Hotels (35%) won with € 5.459.700



## Thessaloniki Property Market

The acquisition of 43.63% of the Modiano market is another major investment, completed in H1 2017 and will have a significant and positive impact to the Thessaloniki's market.

It is the first "Food Center" that operated in Thessaloniki since March 26, 1925 and included all kind of food products. Its operation was a springboard and neighboring stores have gained demand for similar use (sale-food industry-entertainment).

The last 20 years, the market's power has declined as it has been abandoned by most tenants, probably due to the poor state of the building.

According to the press reports, One Outlet intends to invest an additional € 5m so that Modiano market retains its traditional character and add modern features. After the approval of the building restoration study, the remaining stores will be closed so as the project will be delivered to the public by the end of 2019.

Modiano market today



Modiano market as it is planned



Generally, since the beginning of 2017 there is an investment interest from Greeks and foreigners for the purchase of long-term lease of independent buildings especially in the city center.

Thessaloniki, as a city break destination, and being the second largest city in Greece with a significant number of students and professionals from all areas of Greece and on the other hand the buildings in the city center with many owners makes the buildings of the city center investment friendly in the current period.

The interest concerns mainly the conversion of the buildings into tourist accommodation (hotels, hostels, outhouses), etc.



## Office Sector

Thessaloniki's office sector is stable during 2017 with small samples of growth in demand.

The increase in demand was mainly for the leasing of office spaces and high quality offices in the city center.

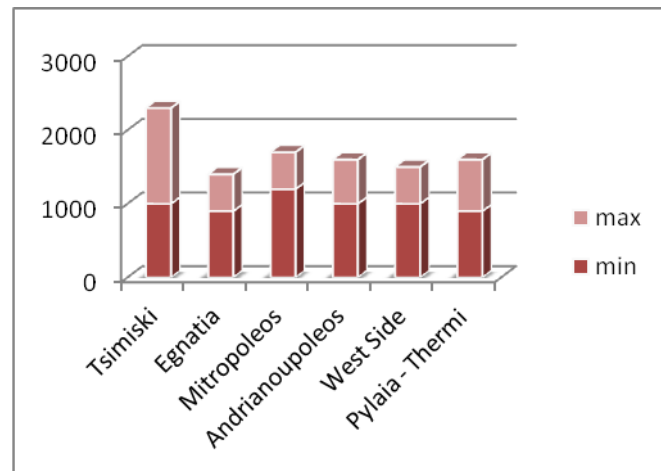
The demand is primarily for surface areas of 100 – 200 sq m, provided that they meet some basic requirements.

There are of course some investors that take advantage of the low values in the market in order to buy offices spaces.

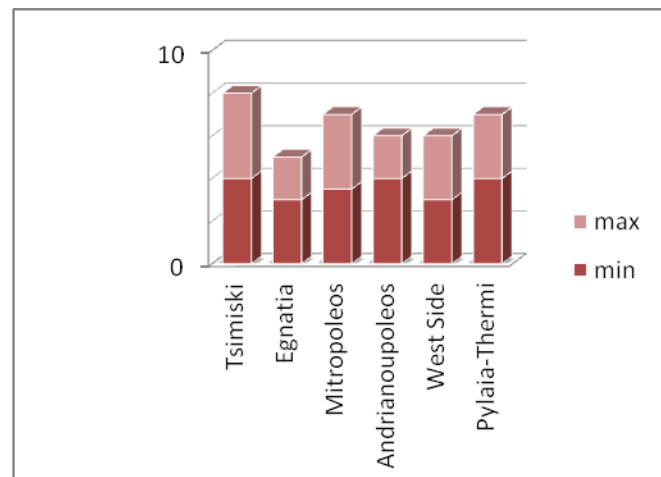
The prime yields for office spaces remained between 8.0 – 9.0%. There is no investment interest for office spaces in Thessaloniki's market, mainly due to the poor quality of the properties, down town while few international companies operate in the city and attract investor's interest.



OFFICES



Prime Office Sales €/sqm



Prime Office Rents €/sqm

Market trends	
Rents	➡
Yields	➡
Vacancy Rate	➡
Absorption	➡

## Retail Market

The competition that took place by Ethniki Leasing in 7<sup>th</sup> of July regarding the retail building “Fokas”, showed as a bidder, the REIC “**TRASTOR**”. The building has a total of 2.322.7 sqm divided into basement, ground floor and eight levels. At this time the building is with no tenant and the price of the transaction is 8.45 million €.

In the first half of 2017 there was a slight increase in the retail rents and the option of “key money” seems to be back during negotiations.

Another retail asset which competition will take place soon is the store in the junction of Tsimiski and Aristotelous str., owned by **Papageorgiou** foundation. It has basement, ground floor and “mezzanine” of total surface of 530 sqm. The competition will be held in the first half of 2018.



Tsimiski Street - Fokas



Kalogirou- One Salonica

The first store Kalogirou outlet opened its gates in the second half of 2017 at One Salonica Outlet. It is a store that includes the exclusive collections of internationally recognized designers, renowned domestic designers and the Kalogirou Private Label footwear series of past season at very good prices.

With the inclusion of Kalogirou store among the users, One Salonica, has made significant revenues as it is an everyday destination for Greek and foreign visitors.

In general, as the retail association of Thessaloniki announced, the market followed a negative course and that was because neither holiday's time nor Sundays met the expectations of the market.

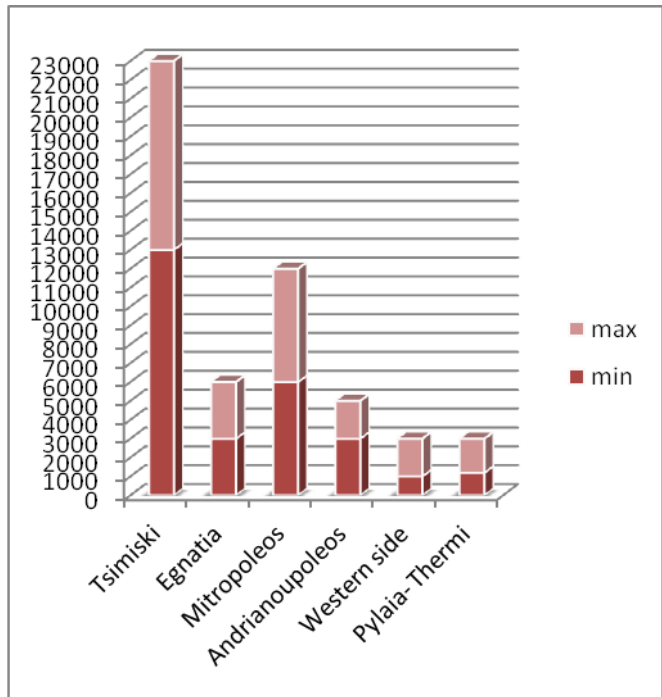
# Retail Market

The retail market, regarding the shops remains with a positive sign in terms of the commercial values, rental values and returns of center’s shops and shopping centers.

As far as the secondary local markets of the municipalities around the center, the trends are stable.



Shop sale values – Thessaloniki €/month

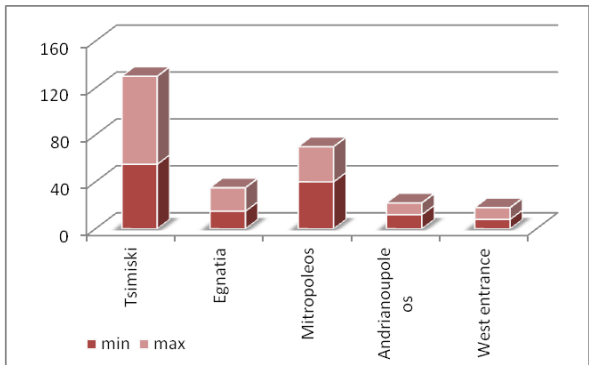


Market Trends	
Rents	↑
Yields	↓
Vacancy Rate	↓
Absorption	↑

The yields of the shops in Tsimiski have returned to 7% while the secondary markets of the center are estimated at about 7.5 – 8%.

In the regional shopping centers the yields are estimated at about 8 – 8.5%.

Shop rent values – Thessaloniki €/month





## Residential Market

According to the research of Bank of Greece the residential values in Thessaloniki and generally in Greece show a slight decline.

The analysis of the data according to the geographical area shows that house prices in the fourth quarter of 2017 compared to the same quarter of 2016 were reduced by 0.1% in Athens, 0.6% in Thessaloniki and 0.4% in other major cities and other areas of the country. These rates are very low compared to the housing sector's reductions since the beginning of the crisis.

For the whole of 2017, the decline in house prices in the same areas compared to 2016 was 0.9%, 1.4%, 1.3% and 0.8% respectively. Finally, for all the urban areas of the country, in the fourth quarter of 2017 house prices fell by 0.3% compared to the fourth quarter of 2016, while for the year 2017 the average annual decrease was 1.0%.

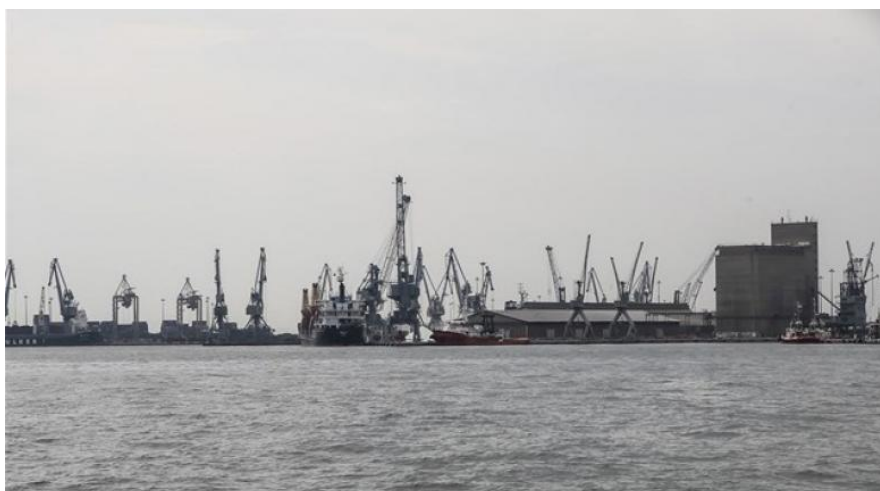
NEW INDEX OF APARTMENT PRICES (Source Bank of Greece)							
	2016	2017*	2016 $\delta$	$\alpha$	2017 $\beta$	$\gamma$	$\delta$
<b>I. TOTAL</b>							
Index of apartment prices (2007=100)	59,6	59,0	59,3	59,0	59,0	58,9	59,2
(%) change over the previous year	-2,4	-1,0	-1,0	-1,9	-1,2	-0,6	-0,3
<b>II. BY AGE</b>							
<b>1. New (&gt; 5 years)</b>							
Index of apartment prices (2007=100)	61,2	60,7	61,0	60,7	60,7	60,4	60,8
(%) change over the previous year	-3,0	-0,8	-1,3	-1,6	-0,9	-0,4	-0,3
<b>2. Old (&lt;5 years)</b>							
Index of apartment prices (2007=100)	58,6	58,0	58,3	58,0	57,9	57,9	58,1
(%) change over the previous year	-2,0	-1,1	-0,9	-2,0	-1,4	-0,8	-0,3
<b>III. BY AREA</b>							
<b>Thessaloniki</b>							
Index of apartment prices (2007=100)	55,3	54,5	55,1	54,6	54,5	54,1	54,8
(%) change over the previous year	-3,5	-1,4	-0,8	-2,4	-1,3	-1,2	-0,6

## Logistics & Industrial Market

The privatization of the Thessaloniki port, of the airport and of TRAINOSE, would aim to create synergies that will upgrade the location of Thessaloniki and Northern Greece and develop combined transport that will bring a better communication and contact with the rest of Europe. By this logic, it is expected that the sector of Logistics and industry will flourish again as the position of Thessaloniki is unique.

	Old Industrial Building  (€/sqm)	New Constructions  (€/sqm)
Selling prices	150-200	300-500
Monthly Rent	1,00-2,00	1,50-3,50
Yield	11,00-14%	
There is no investment interest in the purchase of industrial and storage spaces.		

Market Trends	
Rents	➡
Yields	➡
Vacancy Rate	➡
Absorption	➡



## Hotel - Tourism

There was a positive feedback regarding the touristic sector of Thessaloniki during the Philoxenia exhibition and moreover there is an increase in the city bookings during the second half of 2018.

This increase in Thessaloniki's tourism occurs gradually after the cooperation of all the organizations. The increase is mainly from countries like Balkans, Turks, Israely and Cypriot visitors. The facts show that this increase has permanent characteristics to the city's tourism because Thessaloniki except from exhibitionary and conference pole turns to be a city break destination. Finally this increase is expected to grow due to the airport's refurbish and the completion of the subway.

Especially for the changes that will take place at Macedonia Airport, Fraport announced:

- New terminal
- Terminal expansion by 30,998 m<sup>2</sup> , incl. new landside access
- Remodeling of existing Terminal
- HBS inline screening
- New fire station
- Expanding the waste water treatment plant or connection to municipal service
- Reorganizing the airport apron area
- Refurbishing airside pavement
- Terminal expansion by 31,380 m<sup>2</sup>
- 47 percent increase in the number of Check-in Stations (from 30 to 44)
- 75 percent increase in the number of security lanes (from 4 to 7)
- 50 percent increase in the number of departure gates (from 16 to 24)
- Doubling the number of security-check lanes (from 6 to 12)

Aspects of tourism have also a positive impact towards the house owners of the city. Hosting and sharing has left a good income to owners that lease their properties for short periods of time. The assets are rented fully furnished and equipped, with renting prices from 50 to 70 per night. In the Airbnb platform there are 324 houses ready to be rented in Thessaloniki and especially from the railway station to M. Mpotsari str. The surfaces of these assets vary from studios of 30 sqm up to houses of 100/120 sqm.



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