

## S1 2020 MARKET INSIDER REPORT



### CRETE MARKET REPORT S1 2020

2019 has been a record year for the Cretan Real Estate market with high investment volumes and improved figures across the sectors. The expectations for 2020 were high before the spread of the pandemic however Covid-19 has created massive turbulence in the market overall.

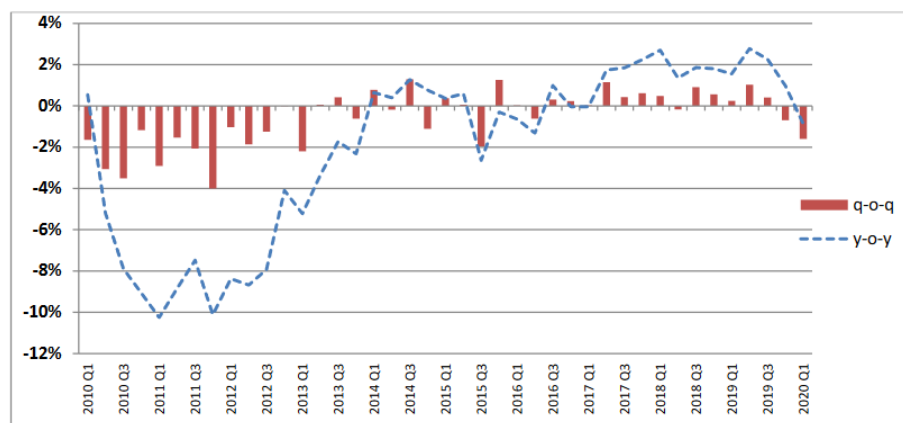
#### MACRO FIGURES

European and Global figures imply that the economic implications of Covid-19 are present and are leading the economies to an unprecedented economic crisis. Forecasts of 2020 are not optimistic and most economists agree that we are headed to a U shaped recovery.

#### Greek Economy S1 Overview

What started off as a very promising year for the Greek economy has turned out to be a very challenging year because of the wide spread of the pandemic Covid-19. Almost all economies worldwide will be experiencing a year of recession, low demand for commodities and a decline in investment. According to the EU forecasts the Greek economy will fall in a short term recession following the global conditions and will experience a 9,7% fall in GDP, an increase in unemployment and a general slow down in basic figures. The economy is expected to bounce back in 2021 and to revive its previous positive outlook by 2022.

GDP in Volume Terms. Seasonally adjusted figures (q-o-q) and (y-o-y)

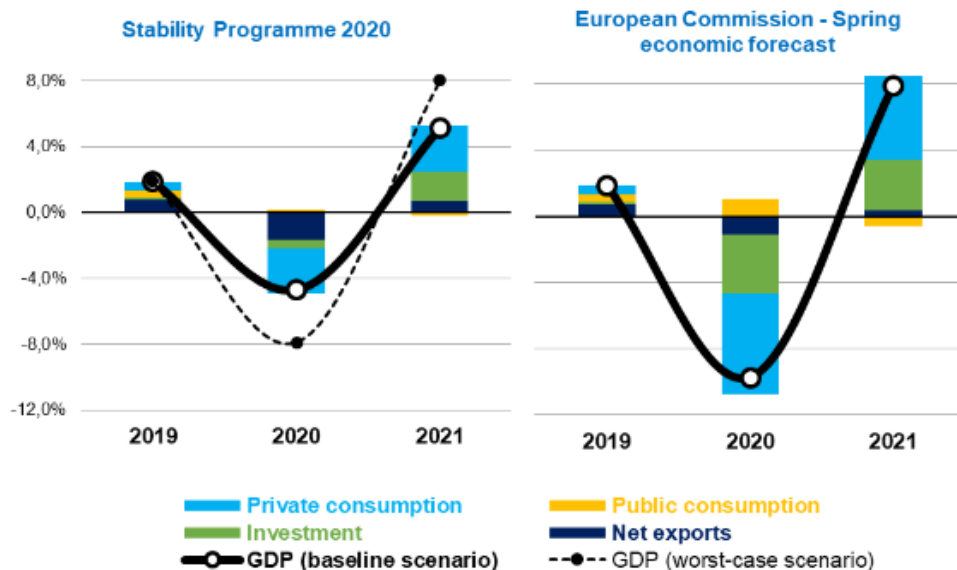


Source: Elstat

EUROPEAN COMMISSION FORECASTS					
ECONOMIC INDICATORS	2017	2018	2019	2020	2021
GDP (%)	1,5	1,9	2,2	-9,7	7,9
Inflation (%)	1,1	0,8	0,8	-0,6	0,5
Unemployment (%)	21,5	19,3	18,2	19,9	16,8
Gvnt Balance Sheet (% GDP)	0,7	1	1,5	-6,4	-2,1
Gross Public Debt (% GDP)	176,2	181,1	174,9	196,4	182,6

Source: ec.europa.eu

Dealing with the coronavirus pandemic will result in a temporary derailment of the fiscal path of high primary surpluses agreed with our European Union partners given the high public debt levels. Although the expansion of fiscal deficits in 2020 and 2021 is largely one-off, it nevertheless increases the gross financing needs of the Greek government, which are covered either by new borrowing or by liquidating government reserves (approximately €37 billion, of which about €21 billion is available to the Greek government). It is to be noted that debt sustainability requires gross financing needs as a percentage of GDP to remain below 15% of GDP in the medium term and below 20% in the long run. According to the 5<sup>th</sup> Enhanced Surveillance Report, the sustainability criterion is met. The unknown factor is now, however, the effect of the coronavirus on the debt sustainability exercise. As far as deficits are financed by government reserves, debt is not affected. This does not mean, however, that government reserves are unlimited. Thus, when used for good purposes such as for COVID-19, these reserves will need to be replenished through borrowing, if other ways are not forthcoming.



Source: ECB

## Tourism Sector

Tourism is one of the main pillars of the Greek Economy and at the same time one of the sectors that were most affected in the pandemic due to the lockdowns and the travel restrictions. The entire industry is facing challenges that are yet to be dealt with since after the partial opening of the borders to the tourists, the bookings and the sector activity remain in disappointing levels.

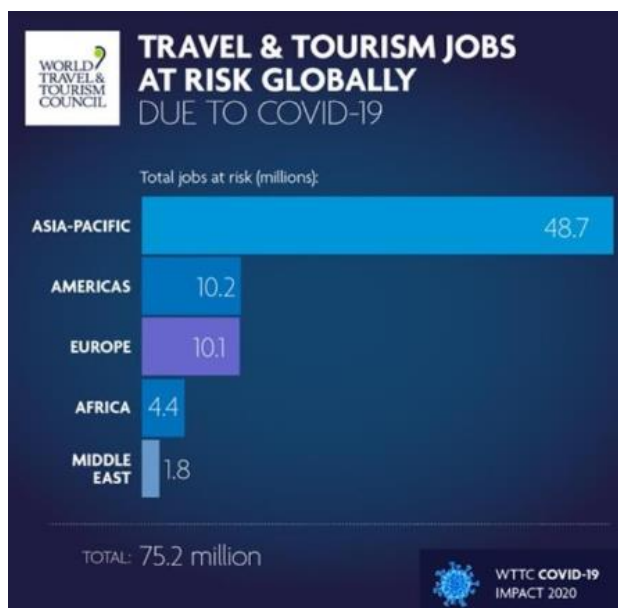
### Tourism in Numbers

Employment in Tourism consists 20% of the total country employment

Tourism Industry consists of 11,7% of GDP in direct revenues and reaches up to 25-30% of indirect impact to GDP

Projected turnover Losses for 2020 around 4.46 billion Euros

71% of Hotels expect they will require funding of around 31,1% of their Revenues



## S1 2020 MARKET INSIDER REPORT



### OFFICE MARKET REPORT S1 2020

Office market has been emerging over the last couple of years and although 2020 is being a challenging year so far, there is still ongoing demand for quality office spaces.

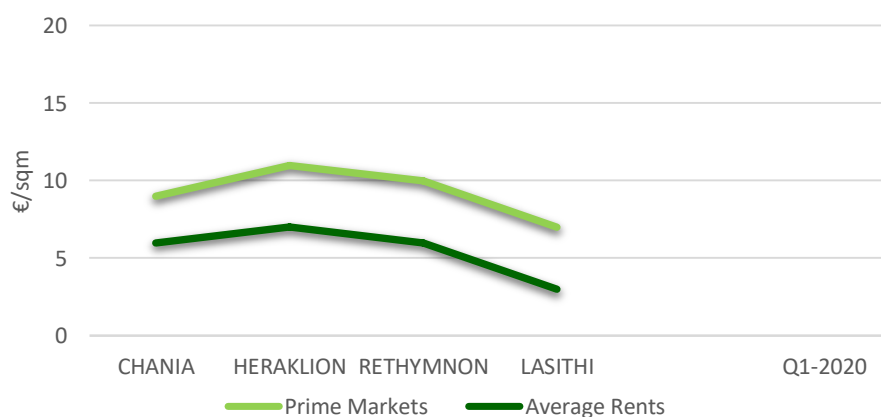
#### Overview

Crete Office Market has been in the investor radar for the past three years. Even though the investor interest has not ceased, it is yet to see how and whether the Covid-19 pandemic will transform the market.

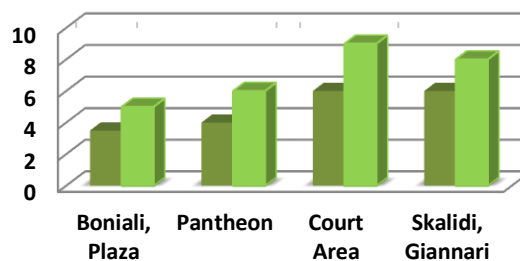
#### CRETE OFFICE MARKET

The office market is expected to be further affected by the downturn in economic activity, the looming blow to business and declining employment. However, the rapid adaptation of companies to teleworking, as well as the evolution of e-government and the digitization of a series of activities and processes in the public sector, which is taking place recently, may also have a significant impact on demand. In the short term but also in the greater depth of time, it is estimated that the need for spaces per business will be decreasing, providing, however, the financial margin for searching for spaces of higher quality and location standards. Therefore, the strongest negative effects are expected on the values of the secondary markets, while in the medium term, and under the condition of economic recovery, it is estimated that the value of high-standard offices will be further strengthened.

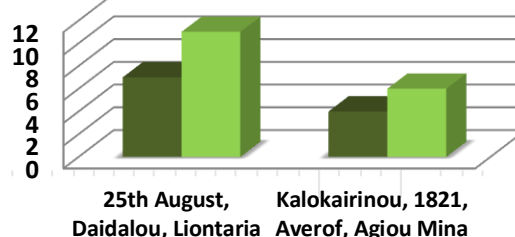
#### Office Market Rental Values



#### Leases (office market) - Chania



#### Leases (office market) - Heraklion



The lack of Grade A office space still remains an issue to the market supply, since there is a lack of quality spaces to meet investor demand. There are new developments that will offer some new Grade A spaces, however, there is still little indication as to what the pandemic's impact will be on the sector. Some analysts believe that remote working is here to stay and furthermore demand for offices will fall, while others believe that demand will rise especially for Grade A spaces that offer sustainability principally for hygienic purposes.



**Q1 2020 : 40 million Euro deals  
finalised by June 2020**

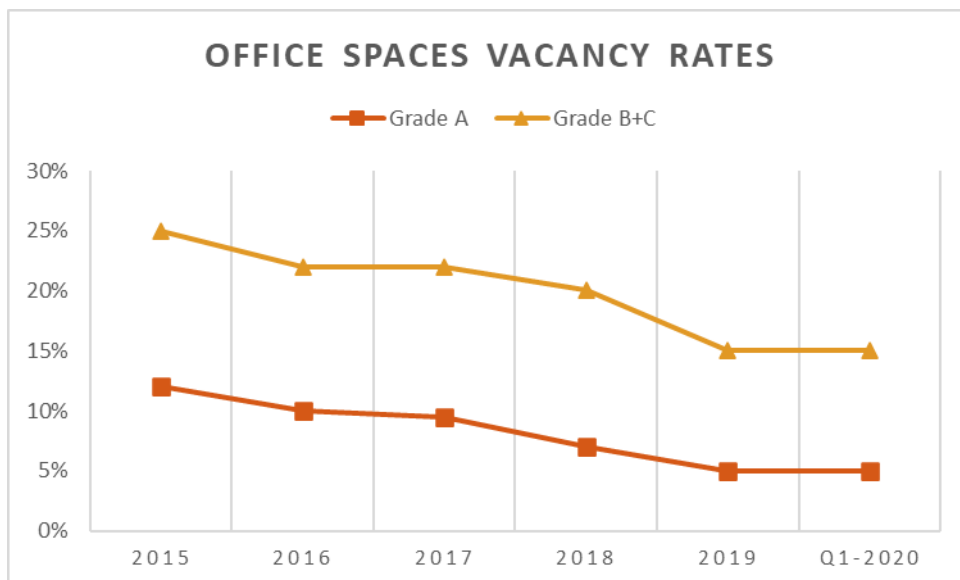


**Q1 2020 : 82 thousand sqm  
Take up in Office Space.**

Greek REICs and real estate investors plus foreign private equity funds are looking on the market for properties with prime tenants.

High quality single assets or property portfolios are sought-after, which led to yield contractions especially for properties in prime office locations to around 6%-7%, whereas in secondary locations if the property is leased to a prime tenant yields form to around 8%-8.5%.

Yields	Locations
6%-6,5%	Grade A Prime Locations
7%-7,5%	Grade B Prime Locations
8%-8,5%	Grade B Secondary Locations



MARKET TRENDS GRADE A OFFICES	
RENTALS	→
YIELD	↘
VACANCY RATE	↘
ABSORPTION	↗

The lack of modern spaces and the investor appetite for office spaces seem to be fortifying the sector against the challenges expected to be faced in the market as a result of the pandemic. There is recorded demand for office spaces and some major deals in the sector have come to completion as soon as the lockdown measures were lifted.

The implications of the upcoming economic crisis as a result of the pandemic is not quantified yet in the Real Estate market and it is yet to be seen if the office market will remain a leader in investor preferences, though so far it seems that there are willing investors and the short-term turbulence will not affect the long run investment criteria.

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## RETAIL MARKET REPORT S1 2020

The Retail Sector has been facing a challenge as a result of the Covid-19 pandemic, prime locations and shopping malls have been performing well over the last years and hold investors' interest.

### Overview

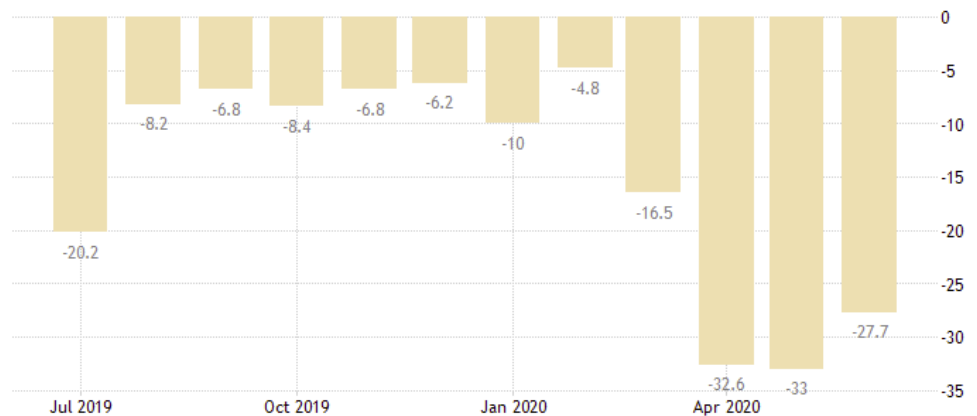
Retails have been challenged in the first Semester of 2020. Lockdowns and the spread of the pandemic have largely affected the operation of the retail market that is now in the process of stabilization and adaptation to the new norms.

### CRETE RETAIL MARKET

In the retail sector, there are already significant differences in the effects of the current crisis between different subcategories, such as small retail stores, shopping malls, large shopping malls ("big box" type properties) and food supermarkets (supermarkets). At the same time, the familiarity with e-commerce that has been achieved rapidly in recent months and the reluctance of consumers to be indoors where there is a large influx of customers, may create pressure on demand and lead to a change in the required specifications of store space, with a corresponding increase in demand for storage space.

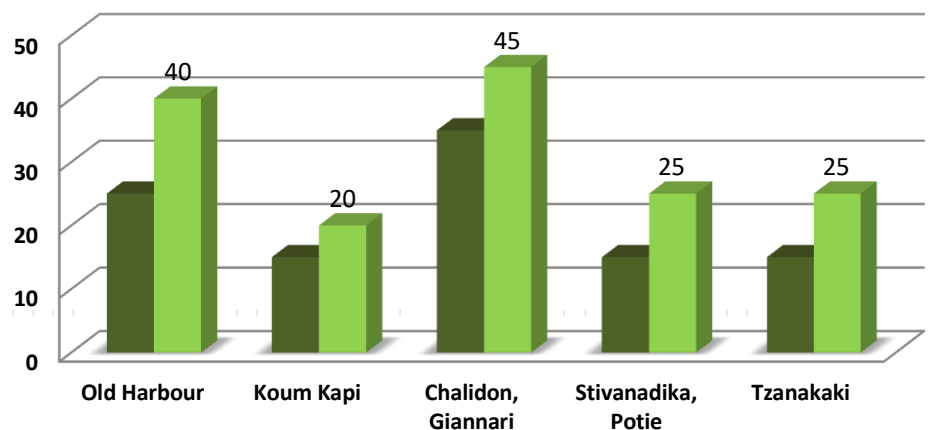
The effects are expected to be even worse in this case for the secondary store markets.

### Consumer Confidence Index



SOURCE: TRADINGECONOMICS.COM | EUROPEAN COMMISSION

### Leases (retail market) - Chania



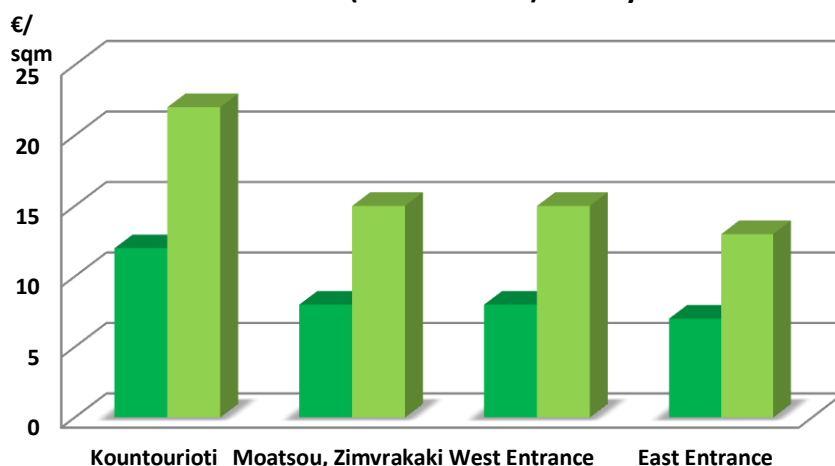
In **Chania**, the most commercial area is the Old Port, where rental values vary from 25 - 40 €/sq. m., while in specific small spaces can reach even 50 €/sq. m., with the most commercial roads being Chalidon, Chatzimichali Giannari and Skalidi Streets (main area of retail market), where rental values vary from 35 - 45 €/sq. m.. Tzanakaki street is becoming one of the best roads due to the shortage of properties in 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 22 - 60 €/sqm. However, there are no stores available in Daidalou street as demand is uncontrolled and the store supply is almost zero, with few stores available in 1866 due to particularly high asking rentals.

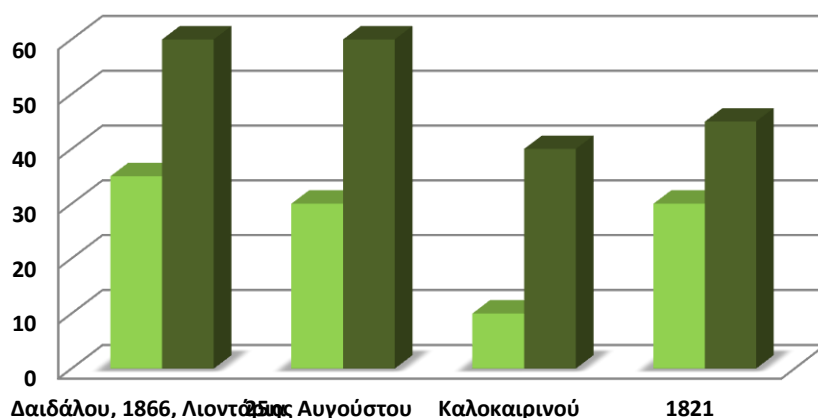
In **Rethymnon**, within the Old Town, rental values vary from 15 – 30 €/sq. m. in Arkadiou Street (↑ prices at the north part) and from 10 – 15 €/sq. m. in secondary streets (Gerakari, Ethnikis Antistaseos).

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.

### Leases (retail market) - Rethymnon



### Leases (retail market) Heraklion



MARKET TRENDS PRIMARY RETAIL LOCATIONS	
RENTALS	➡
YIELD	➡
VACANCY RATE	➡
ABSORPTION	➡

**Main yields:** The yields in the high streets of Crete (Heraklion and Chania) continued to compress for the second half of 2019, with the higher rates in the central roads of these two areas. However in the first semester of 2020 they show signs of stability since the retail market is challenged and the increased volumes of e-commerce have resulted in a drop in sales. Prime locations so far seem to remain unaffected and in the short term the market will define whether the changes in consumption and retail activity will resume to previous standards.

## S1 2020 MARKET INSIDER REPORT

### LOGISTIC MARKET REPORT S1 2020

The industrial market has been witnessing an impressive increase in volumes of transactions as well as rental levels. This trend is expected to continue throughout 2020 especially after the Covid-19 pandemic and its impact in the RE market.

#### Overview

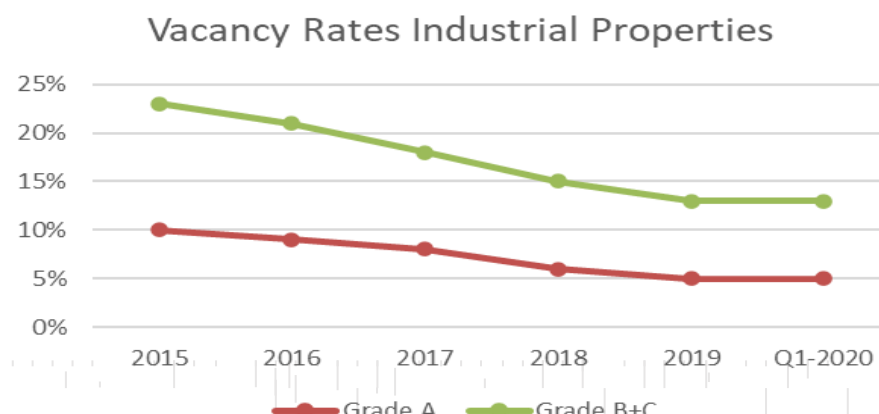
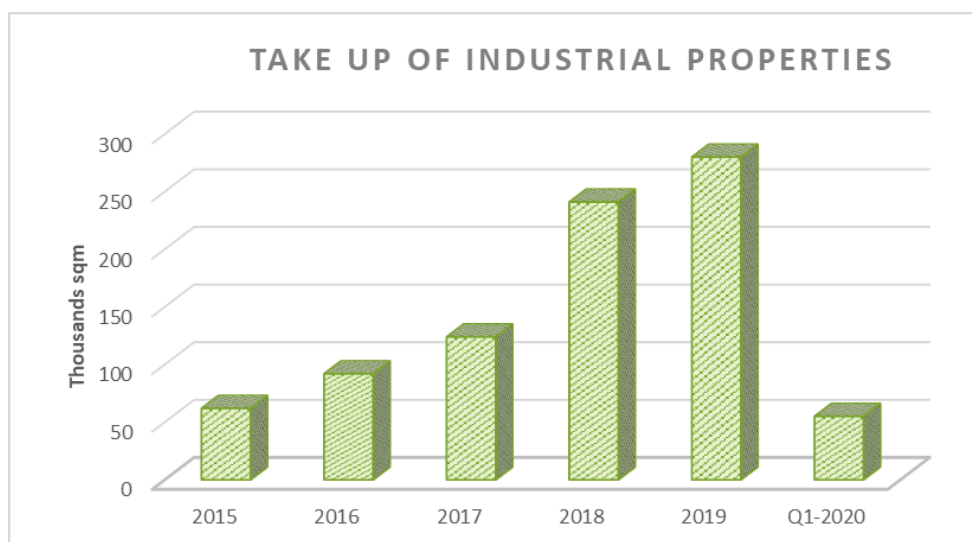
In Crete, the interest observed in logistics and industrial market was particularly low, though we are slowly seeing a gradual increase in demand from a variety of companies. However, supply is low and as a result, the market in these sectors remained stable in the first semester of 2020.

#### LOGISTICS REAL ESTATE MARKET

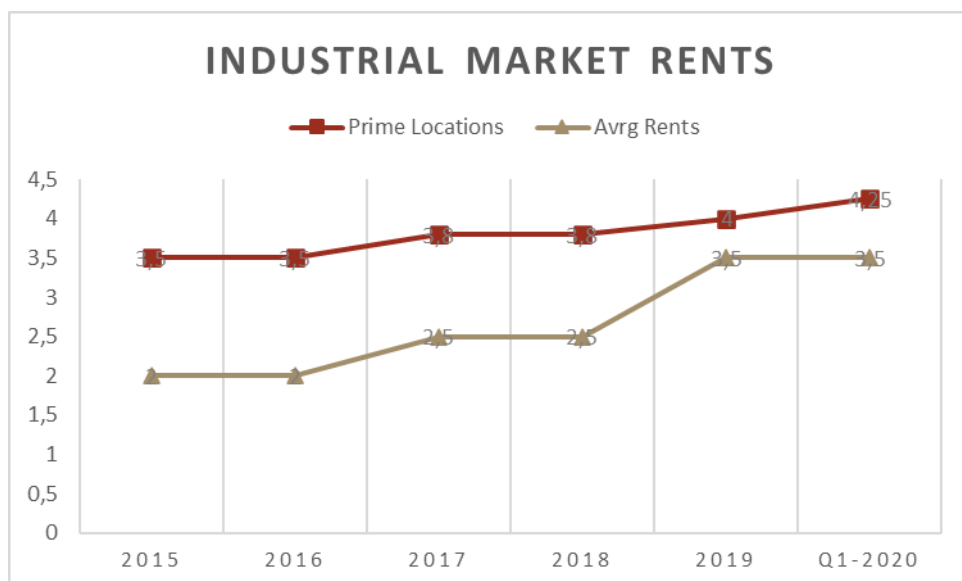
Logistics market is increasing its figures and gathers the attention of investors. The lack of supply for modern Grade A logistics is triggering the investors interests that are looking to invest in spaces suitable for logistic developments.

Large storage units can be mainly found in Heraklion and Chania, due to the presence of industrial parks, airports and large commercial ports in these two cities. Rental values vary from 2-3 €/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 such formed real estate market, since the few large storage units that exist are constructed upon request based on the customer's needs.



The lack of a specialised logistics market was clearly depicted during the boom of e-commerce during the lockdown period. Specifically it has been since the target of most courier and transport companies to develop adequate logistic centres and last mile logistics. Important investments are expected also by the major transportation firms.



	MARKET TRENDS LOGISTICS			
	RENTS	YIELDS	DEMAND	SUPPLY
GRADE A				
GRADE B				

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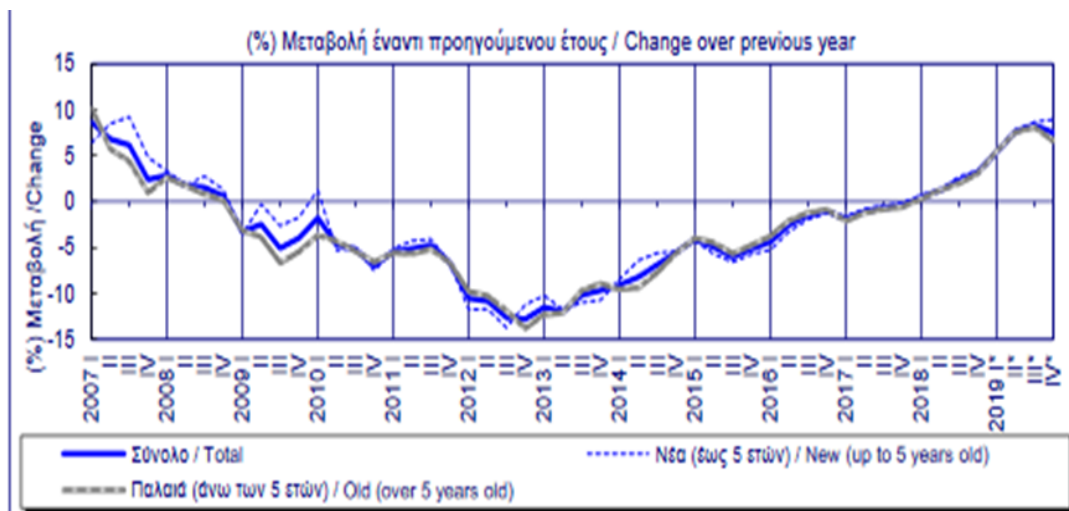


## RESIDENTIAL MARKET REPORT S1 2020

The increase of Residential Market performance fueled by Airbnb and golden visa is expected to slow down in the coming months but once the travel disruption and restrictions cease and the restrictions are lifted the market is expected to bounce back.

### Overview

Transactions activity in the Residential market appears to be dependent on Airbnb and Golden Visa, both of which have witnessed noticeable decline due the restrictions imposed as a result of the spread of Covid—19.



Source: Greek Central Bank

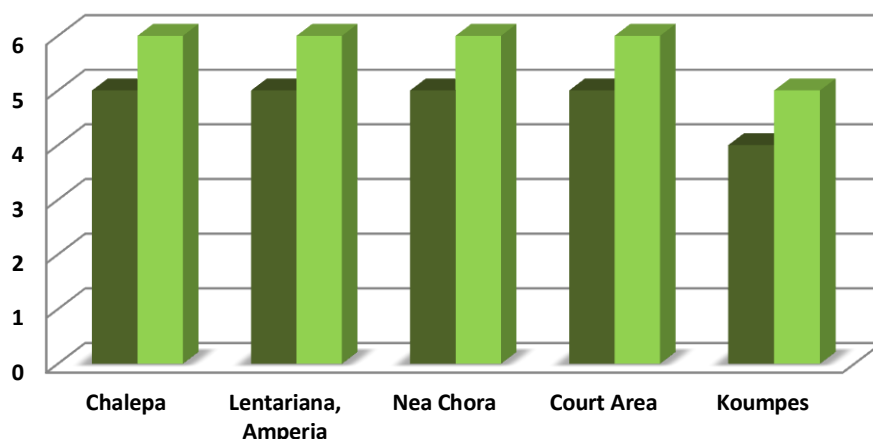
### CRETE RESIDENTIAL MARKET

In the residential market, there were upward trends until the first quarter of 2020, with a slight de-escalation of the rates, which may incorporate the adverse developments of March 2020. In particular, based on the data-estimates collected by credit institutions, nominal prices of apartments in the first quarter of 2020 were increased by 6.9% (provisional data) compared to the corresponding quarter of 2019. For the whole of 2019, apartment prices increased at an average annual rate of 7.3% (5.5%, 7.6%, 8.3% and 7.6% in a ' , b' , c 'and fourth quarter of 2019 respectively), compared to an increase of 1.8% in 2018. The current health crisis creates uncertainty in the residential market, as buying interest from abroad has been at least temporarily halted, while the suspension of the country's mortgage offices for the period from mid-March to the end of April 2020 contributed to the further weakening of the market.

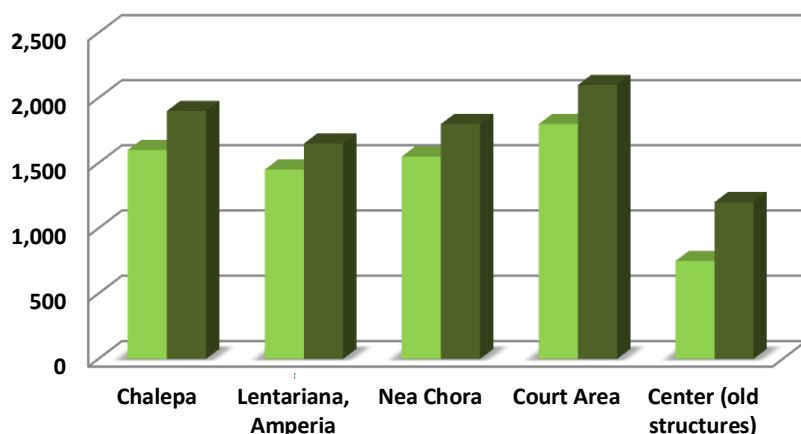
The effects of the crisis are expected to be reflected in both house prices and rents, with significant variations at a local level. In the short term, it is estimated that the market for apartments, especially in urban centers, will come under pressure, mainly due to the reduction of interest in short-term rental with a tourist character.

Golden Visa has been a significant market driver that has supported the market for the past three years. Cash injection and direct investment of foreign capital has been important to the market increases since local buyers have been facing problems with Income levels and Bank fueled financing. It remains to be seen how the travel bans and the overall Covid-19 measures will impact the Greek Residential Market.

### Leases (residential market) - Chania



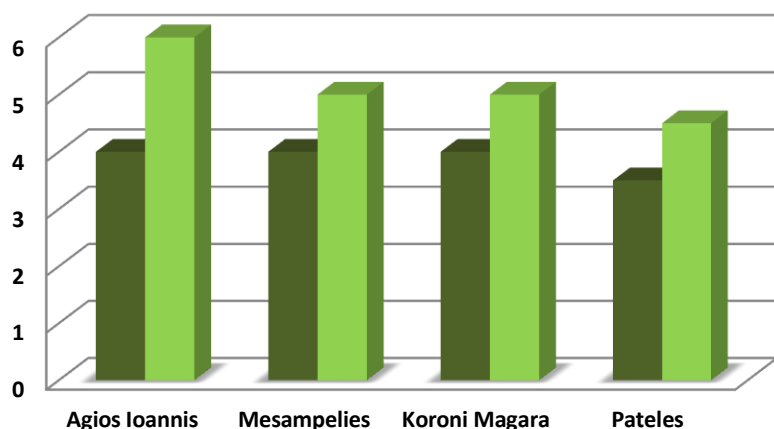
### Prices (residential market) - Chania



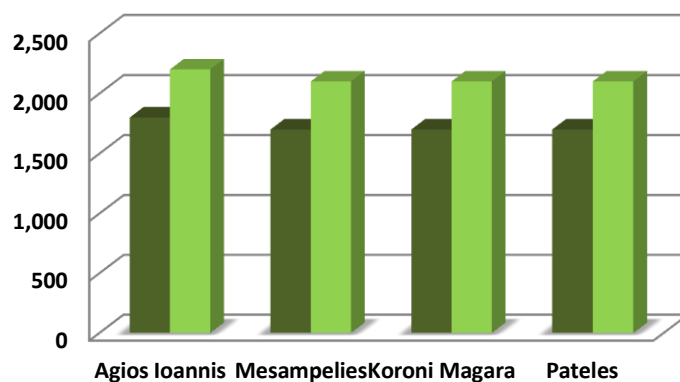
It has been recently observed that the supply of properties for Rent has increased substantially since many units available for short term rentals (Airbnb etc) are now being marketed for long term rentals since the Tourism sector has been witnessing a downturn because of Covid-19.

Source: Spitogatos.gr

### Leases (residential market) - Heraklion



### Prices (residential market) - Heraklion



## S1 2020 MARKET INSIDER REPORT



### TOURISM & HOTEL MARKET REPORT S1 2020

Hotel and Tourism Industry has been one of the most adversely affected industries from the pandemic of Covid-19. Government measures have ceased all tourism activity and now the industry is in the process of welcoming back tourists in line with the new health & safety protocols.

#### Overview

Tourism has always been one of the most significant pillars of the Greek Economy with an important contribution to the country's GDP and macro figures. The industry is expected to experience losses as the figures from international operators and advanced bookings show that the impact of the pandemic will create further problems in tourism. The travel restrictions have not yet been eased to countries such as the UK, the USA and Russia, which are the basic client pool of the Greek Tourism industry. The volume of travelling remains low as shown in the diagram below.

2020			2019		
	Heraklion	Chania		Heraklion	Chania
January	1,738	1204	January	1,738	1,465
February	8,837	1468	February	6,587	1,498
	11,000	1,055	March	10,228	2,017
April	35	6	April	185,666	71,079
May	0	1	May	402,172	152,538
June	0	0	June	543,179	203,092
July	0	0	July	646,822	223,940
August	0	0	August	651,055	205,323
September	0	0	September	536,058	181,111
October	0	0	October	299,069	95,557
November	0	0	November	16,178	2,378
December	0	0	December	3,471	1,436
Total	21,610	3,734	Total	3,302,223	1,141,434

(1): The data refers to passengers on international flights, irrespective of place of residence,

Source: Hellenic Civil Aviation Authority (HCAA) and Athens International Airport (AIA) – Processing: SETE Intelligence

Data are subject to change due to publication of more recent items from sources.

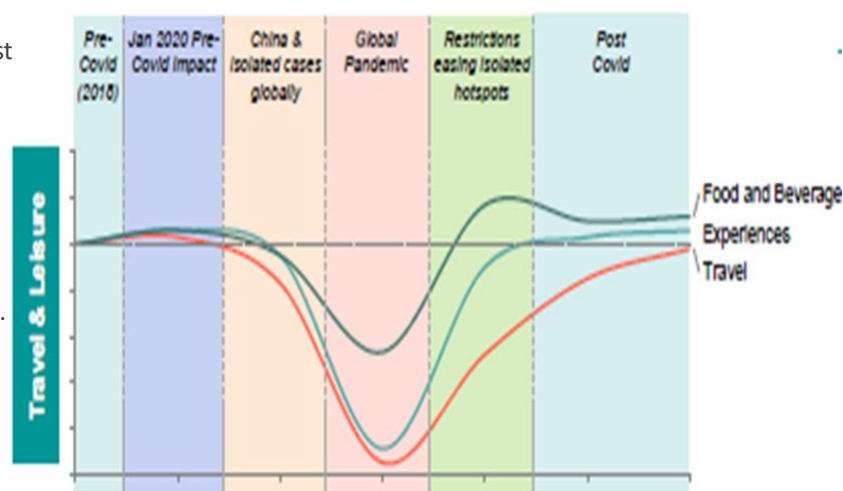
with the exception of the data for Athens airport which only includes passengers residing outside Greece.

## Crete Hotel & Tourism Market

The downfall of the numbers for industry started before the lockdown witnessing large falls in RevPar and Occupancy rates from the end of February in most European cities. Occupancy Rates are not measured at this point by Industry professionals since the industry remains in lock down. Specialists believe that ADR and RevPar will fluctuate on the downside for the following year and will stabilize around Q3 2021. According to published researches involving 1.719 Greek hotels the overall understanding is that there is a challenging period ahead, both for the hotel operations as well as the liquidity of the companies. However, the Covid crisis in the industry has not slowed down investment so far since most of the investors believe that this is a short term crisis and the demand for Greek holidays especially after successfully handling the pandemic crisis will bounce back fast to last years' figures.

Some analysts do refer to examples such as previous crisis (2008-2009 Economic Crisis), in order to measure implications and predict results, however the nature of this crisis is enormously different since people were forced to isolation, psychological distress and phobia creating an invisible psychological factor, hard to measure, that will either bring tourism to be a priority for households or hold back until they feel psychologically stable and willing to travel far from the security of their home. China which is the first country affected and already out of lock down seems to be on a pathway to recovery with a slow and steady pace, relying in domestic visitors to recreate Hotel activity.

- Travel disruptions might be taking a while longer to adjust to Covid-19 turmoil.
- Risk of Second Wave might delay the rebound in the sector.
- Experts believe that full recovery will be effected in 2022.
- Turn to local customers facilities are expected to be affected more (poor health care, people not eager to commute)



Source: OC & C Strategy Consultants

## New Hotel Openings in 2020

Multimillion-euro investment projects have been launched across the country, with Chania and Greek hoteliers at the forefront, expanding their presence in the tourist real estate, despite the difficult economic situation prevailing at an international level.

New high-standard units that will further upgrade the Greek tourist product are expected to join the hotel potential of Chania, one of the traditionally favorite travel destinations of the country, while at the same time extensions of existing units are being launched.

The Tsatsaronaki family, owner of the company "to Manna", which produces bakery products, in Falassarna, is also developing a new unit of high demands, while the Costa Nopia resort is created by the company Cretan Sun and Sea Development, a member of the Cypriot Leptos group of companies. The investment project, amounting to 300 million euros, envisages the development of an area of 1,130 acres in the greater area of Kissamos and the construction of two luxury hotel units, holiday homes, a tourist boat shelter, sports facilities and a golf course.

It is recalled that this investment is now part of strategic investments, as it recently received the "green light" from the relevant inter-ministerial committee, with the completion of licensing to be placed in time even in 2020.

At the same time, the expansion of the 4-star resort Amalthia Beach in Agia Marina was completed, while the Papadaki family, which owns the 5-star Pilot Beach Resort located in Georgiopolis, Chania, is expanding its activities. In 2020, the new 5-star family hotel in the same area, named Pilot Amphora Boutique Hotel, will operate at a distance of 2 km from Pilot Beach Resort and will have 30 rooms and suites.

A boutique hotel in Platanos by the businessman Fotis Giannenas is also in the process of implementation, while the Euphoria Resort group is expanding "Tomes Akinita SA", interests of the businessman Manolis Mathioulakis, in Kolimbari, Crete.

The luxury hotel, with a capacity of 700 beds, which has been operating for 1.5 years, has 165 double rooms, 75 junior suites and 47 two-room suites. Most of the rooms are developed around the main pool of the hotel, while many of them also have sea views. 70% of the ground floor rooms have a sharing pool.

The other new tourism investment, which was also approved a few weeks ago by the inter-ministerial committee for strategic investments, is being promoted by Maris Hotels SA. of the hotel group Metaxa. This is a project of 150 million euros, which includes the tourist development of a plot of land of 1,400 acres in the area of Tholos Kavousiou in Lassithi, Crete. It concerns the construction of a complex tourist accommodation, which will include two hotels, a holiday-tourist village with residences, but also a marina for yachts.

It is recalled that two more developments of complex tourist accommodation are already underway in Crete, with a total investment of over 650 million euros. These are more mature licensing projects, the construction of which may start at the end of 2020.

The first of these is promoted by the Russian real estate investor Mr. Vitaly Borisov, through the company Mirum Hellas. Elounda Hills will require around 420-450 million euros for the construction of a luxury hotel, with the signature of a branded hotel group abroad, as well as 350 holiday villas, with a total building area of 130,000 sq.m.

Close to securing building permits is the resort Itanos GAIA in Sitia, Crete (Kavo Sidero area). This is a project promoted by the British investor group Minoan Group. The Environmental Impact Study is currently being completed, the approval of which is the last step before the issuance of building permits.

This is an investment of 270 million euros, which concerns the tourist development of an area of more than 20,000 acres (belongs to the Toplou Monastery). Based on the urban planning conditions that have been approved, 108,000 sq.m. will be developed. The grants of two investment projects for hotels in Agios Nikolaos and Heraklion were approved by the Region of Crete.

**Covid- 19 disruption in the market is yet to be measured and quantified, in this uncertain environment we hold the option to review the data and any impact of the pandemic as of the third quarter of 2020.**

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