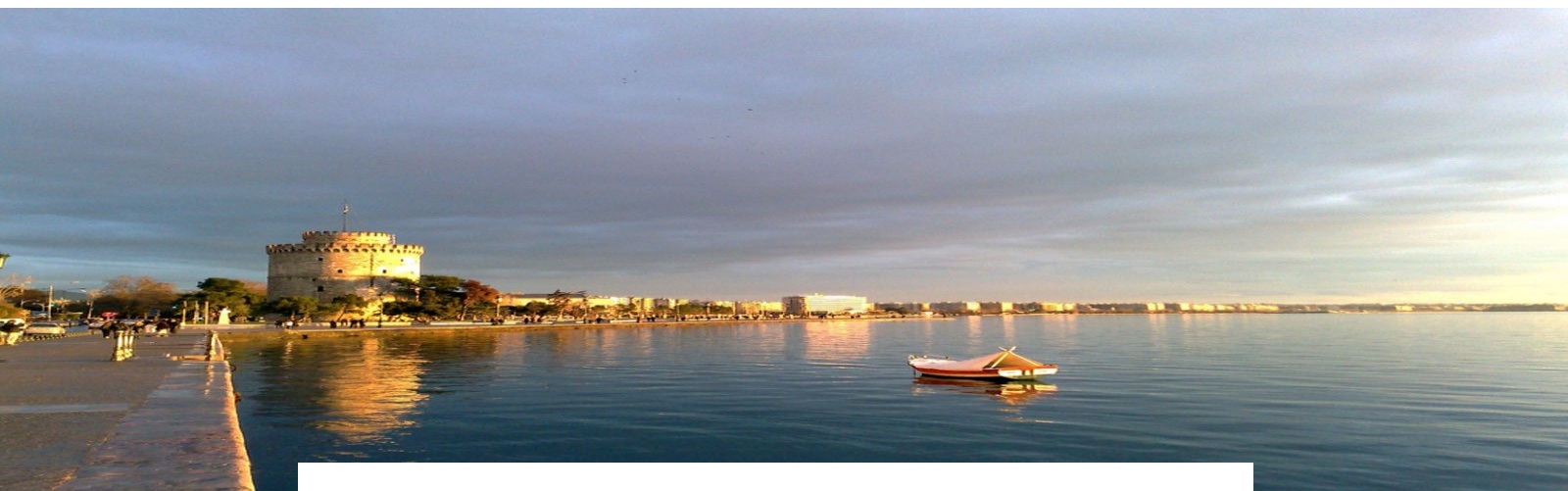


S1 2020 MARKET INSIDER REPORT



THESSALONIKI MARKET REPORT

2019 has been a prosperous year for the Real Estate market in Thessaloniki. The expectations for 2020 were high before the spread of the pandemic, however Covid-19 has created massive turbulence in the market overall.

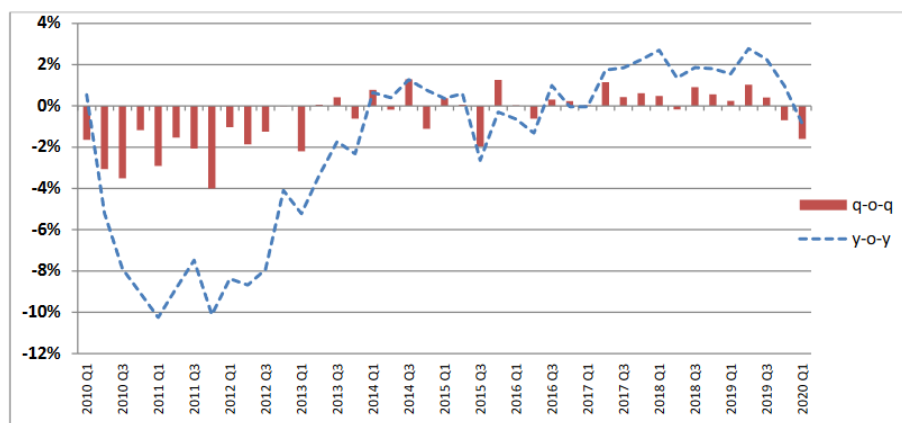
MACRO FIGURES

European and Global figures imply that the economic implications of Covid-19 are present and leading the economies to 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 low down in investment. According to the EU forecasts the Greek economy will fall in a short term recession following the global environment 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)

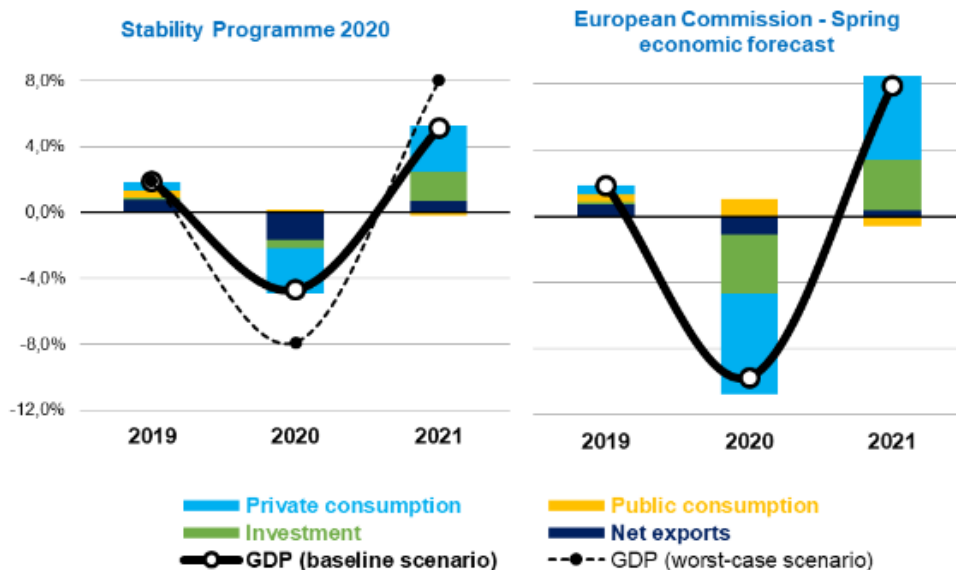


Source: Elstat

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 that 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 5th 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 pillars of the Greek Economy and at the same time one of the most affected sectors of 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 remains in disappointing levels.

Tourism in Numbers

Employment in Tourism is 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 Euro

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



S1 2020 MARKET INSIDER REPORT



OFFICE MARKET REPORT

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

OVERVIEW

The demand was high, over the last 2 years, in the Office Market in Thessaloniki. However, the next semester we have to examine how Covid-19 pandemic will impact the market.

THESSALONIKI OFFICE MARKET

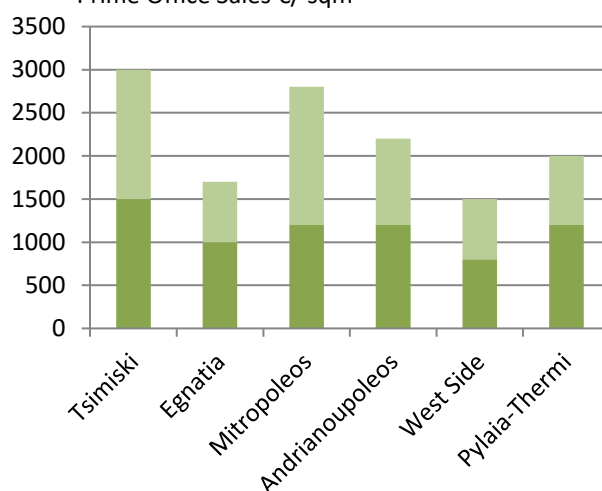
The demand, of high quality office spaces in the city center of Thessaloniki is still intense, either for relocation purposes or for new business activities (i.e. start-ups).

The lack of offices, of high quality, in the city center of Thessaloniki is a fact.

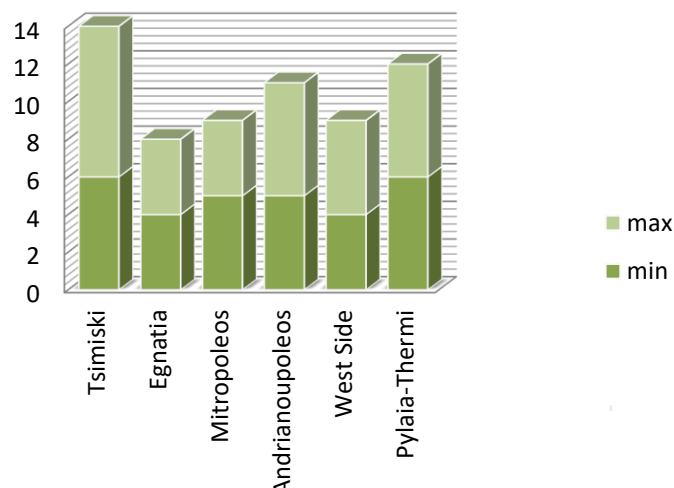
Thus, the potential tenants have to compromise with the available options, poor quality office stock, i.e. offices which are usually old and in most cases they have to be renovated.

This is not the case in the east side of Thessaloniki where Offices of high quality are available, with available parking spaces considered to be an important advantage. Another main advantage in these options is also the parking spaces provided.

Prime Office Sales €/ sqm



Prime office rents €/sqm



In the city center, of Thessaloniki, the rental values for the offices range at € 6- 14/sq/month, in the high streets such as Mitropoleos, Tsimiski, Aristotelous streets and Nikis Avenue. The asking price depends on the surface & the quality of the property. The low supply lead to the rentals increase primarily in the city center and then to the other office markets of Thessaloniki.





There is still little indication as to what the pandemic impact will be on the office sector. Some analysts believe that remote working is here to stay so demand for Offices will fall while others believe that demand will rise especially for offices that offer sustainability especially for hygienic purposes. For Thessaloniki our opinion is that only a few companies will choose remote working.

Greek REICs and real estate investors plus foreign private equity funds are looking at the market for properties with prime tenants. High quality single assets or property portfolios are sought-after. In Thessaloniki office market, the common practice is offices to be sold as a part of a building.

The lack of modern offices in Thessaloniki remains. Our opinion is that the implications of the upcoming economic crisis will not impact the office market due to the reduced pipeline and the fact that the demand remains higher than the supply. The investors are still searching for properties mostly in the city center or/and in a small distance from it, in order to renovate them and transform them to attractive modern office spaces.

The increase of the rental values, over the last two year lead the users to search for opportunities to buy and renovate an office space in order to establish their business.

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

Retail Market Trends			
Rentals	Yield	Absorption	Vacancy Rate
			

S1 2020 MARKET INSIDER REPORT



RETAIL MARKET REPORT

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

OVERVIEW

In the first half of 2020, Covid – 19 also affected the retail market in Thessaloniki.

The implemented Lockdowns have largely affected the operation of the retail market that is now in the process of stabilization and adaptation to the new norms. Next October is very crucial for the real estate market, because if new Lockdowns will take place, the impact will be larger to an already affected market.

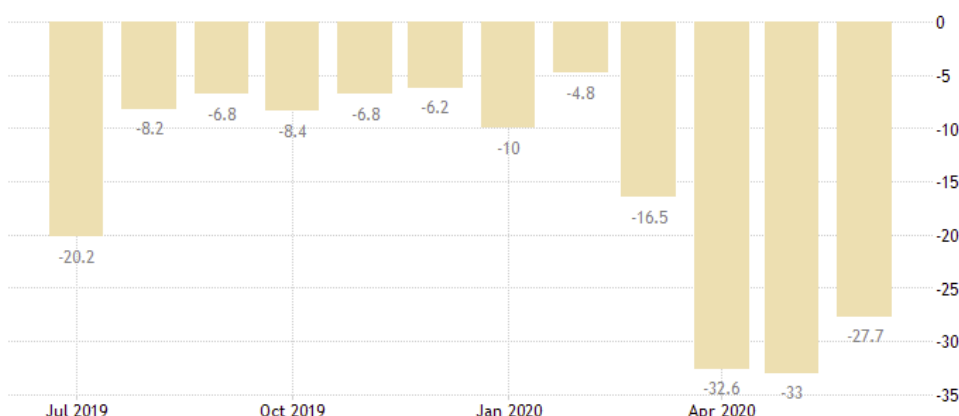
THESSALONIKI RETAIL MARKET

Retail Market is in a position where it has to fight off the results of Covid-19, whether these are related to the downfall of Consumer Confidence (as presented in the diagram) or the drop in disposable income or even the change in habits and spending.

Purchases from online companies have doubled from 21 percent in 2019 to 44 percent in the first week of April 2020, with online food deliveries also rising from 13 percent to 25 percent since last year.

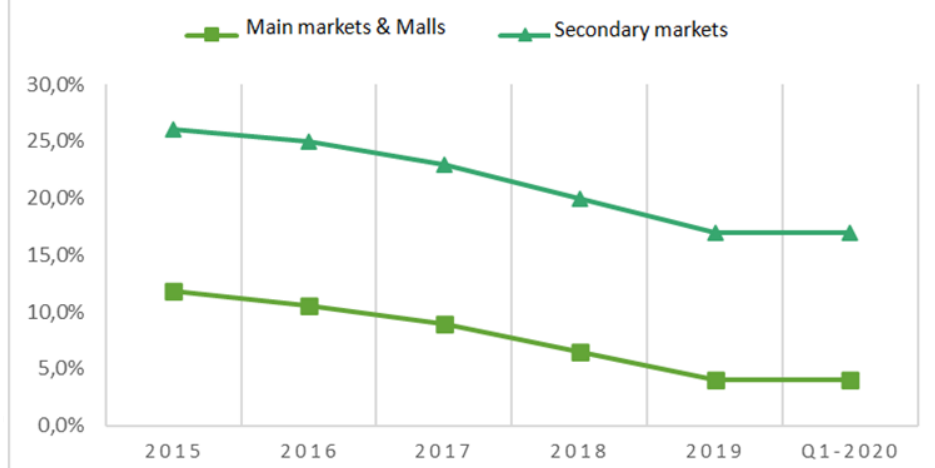
It remains to be seen how the prime locations will react to these changes combined with the imposed by the government 40% discount in rents.

Consumer Confidence Index



SOURCE: TRADINGECONOMICS.COM | EUROPEAN COMMISSION

RETAIL MARKET VACANCY RATES

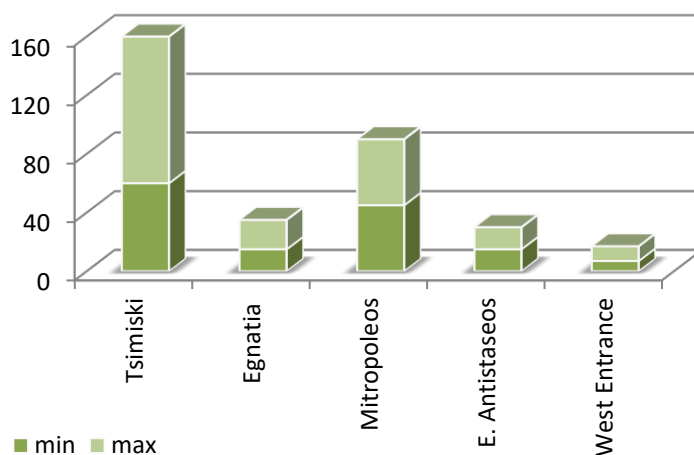


The increased demand, which was observed in the previous semester, in Thessaloniki, for autonomous buildings, which may operate as hotels or small apartments / dormitories, has been limited in the first half of 2020.

Retail has performed throughout the years in Thessaloniki. High streets have been very popular and sought after popular brands. Main areas such as Tsimiski, Mitropoleos, Aristotelous and Kalamaria have witnessed increases and are still considered as prime retail locations. In these areas the demand is high. In some cases even key money is required from the potential tenant.

Peripheral retail markets such as Evosmos and Pylaia also seem to be increasing their performances.

Shop rent values - Thessaloniki €/sqm



Investment Properties - Main yields

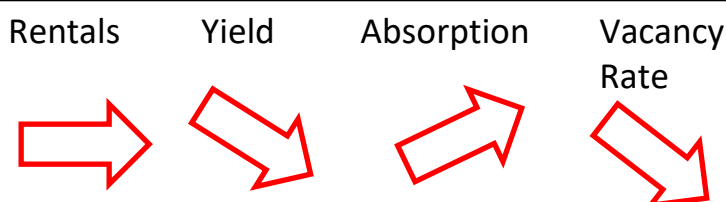
The yields, for investment retail units in the high street of Tsimiski range at the level of 5.0- 6.0% . These are the yields the potential investors look for, while for the secondary markets in the city center of Thessaloniki the yields range from 6.0-7.0%.

In case of peripheral retail markets such as Evosmos, Kalamaria and Pylaia the yields range from 6.5-7.0%.

The interest of investors remain high – especially for properties which are located in Tsimiski street. In any case, the following 4 criteria are important for the investor:

- ☐ Yield of the property
- ☐ Duration of the lease / annual adjustment
- ☐ Tenant reliability (e.g. multinational company or not)
- ☐ Time required for a potential re-lease (in case of vacancy)

Retail Market Trends



S1 2020 MARKET INSIDER REPORT

LOGISTIC MARKET REPORT

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

OVERVIEW

E-commerce is showing a spectacular increase in Greece after the start of the restrictive measures due to Covid - 19. Stores and businesses realized that this was the only way to sell their products, during the Lockdown period. Thus, a lot of companies organized an e – shop. For this reason, many companies had to deal more intensively with logistics, looking for places to store their goods.

LOGISTICS REAL ESTATE MARKET

Logistics market has shown an increased attention from the investors. E – shops are more popular (also due to the pandemic issue) and a lot of consumers choose this way to complete their transactions. Thus, the demand for logistics centers,, either for lease or sale, is expected to remain high the following months. The required surfaces (especially for rent) range between 500-1,500 sqm. In most of the cases additional office spaces inside the premises required.



Industrial Market Trends

Rentals

Absorption

Yields



The lack of a specialized 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 centers and last mile logistics. Important investments are expected also by the major transportation firms.

Logistics areas such as Kalohori and Sindos are expected to be under the investors interest in the following months

According to publications, the port of Thessaloniki will be promoted in the Chinese market as the main port of entry into Europe, within the framework of what was agreed by the companies Organization of the Port of Thessaloniki (OLTH SA) and China Merchants Port Holdings Co. Ltd (CMPort), which will carry out all the necessary commercial and operational actions, in order, to achieve this goal. The two companies, as well as the subsidiary of the second, "China Merchants Holdings Information Technology Co. Ltd (CMHIT), signed relevant bilateral cooperation agreements.



The main target of the new president of OLTH, Athanasios Liagos, according to publications, is to highlight the dynamics of the port of Thessaloniki and to attract as many customers as possible, from the Balkan countries.

Mr. Liagos said that "In order to be competitive, we must quickly complete basic infrastructure, such as the projects at the sixth pier and the connection of the port with the Egnatia Odos and the railway network. With the completion of these projects, within the next five years the port of Thessaloniki will acquire the role it deserves".

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

S1 2020 MARKET REPORT



RESIDENTIAL MARKET REPORT

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 appear 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. In many cases properties which have been promoted for lease for a short period of time, are now available for longer term leases.

THESSALONIKI RESIDENTIAL MARKET

In Thessaloniki, the residential market, over the last semester, reported a high demand from investors, who want to buy flats in the city center, with surface from 50 sqm – 70 sqm.

According to the Bank of Greece and the data collected from credit institutions,⁽¹⁾ nominal apartment prices are estimated to have increased, on average, by 6.9% year-on-year in the first quarter of 2020. According to revised data, the average annual rate of increase was 7.3% in 2019 (Q1: 5.5%, Q2: 7.6%, Q3: 8.3% and Q4: 7.6%), against an increase of 1.8% in 2018.

INDICES OF APARTMENT PRICES ^{(1) (2)}							
	2018	2019 *	2019 *				2020 *
			Q1	Q2*	Q3*	Q4*	Q1*
I. OVERALL							
Price index (2007=100)	60.1	64.4	62.6	64.3	65.3	65.6	66.9
(%) change over previous year	1.8	7.3	5.5	7.6	8.3	7.6	6.9

Source: Bank of Greece

More specifically, according to the Bank of Greece, in the first quarter of 2020, prices of “new” apartments (up to 5 years old) increased by 7.9% year-on-year, whereas prices of “old” apartments (over 5 years old) increased by 6.3% year-on-year. According to revised data, prices of “new” apartments increased by 7.7% on average in 2019, against an increase of 2.0% in 2018, whereas “old” apartment prices increased by 7.0% in 2019, against a rise of 1.7% in 2018.

According to regional data, in the first quarter of 2020, apartment prices are estimated to have increased by 10.6% year-on-year in Athens, 5.5% in Thessaloniki, 2.9% in other cities and 4.3% in other areas of Greece. For the whole of 2019, based on revised data, apartment prices increased on average by 10.4%, 7.0%, 4.0% and 4.6%, respectively, in the above-mentioned areas. Finally, as regards all urban areas of the country, in the first quarter of 2020, apartment prices increased by 7.3% year-on-year, whereas for the whole of 2019 the average annual increase was 7.4%, against a rise of 1.8% in 2018.

The prices of the apartments in Thessaloniki, the next period will depend on the following factors:

- ☐ Acquisition of real estate by electronic auctions
- ☐ Political stability
- ☐ Existence of attractive financing programs by banks
- ☐ General terms of the Greek economy
- ☐ Covid 19. The potential buyers from abroad face problems to view the properties. Thus, in many cases it is very difficult to visit the property.
- ☐ How the supply is going to be affected by the promotion of properties which have been available for short term lease

II. BY AGE							
1. New (up to 5 years old)							
Price index (2007=100)	61.9	66.7	64.5	66.3	67.4	68.7	69.6
(%) change over previous year	2.0	7.7	5.4	7.7	8.6	9.1	7.9
2. Old (over 5 years old)							
Price index (2007=100)	58.9	63.0	61.4	63.1	63.9	63.7	65.2
(%) change over previous year	1.7	7.0	5.6	7.5	8.2	6.7	6.3
III. BY GEOGRAPHICAL AREA							
1. Athens							
Price index (2007=100)	57.8	63.8	61.1	63.7	64.9	65.7	67.5
(%) change over previous year	2.8	10.4	8.0	11.1	11.3	11.2	10.6
2. Thessaloniki							
Price index (2007=100)	55.1	58.9	58.1	59.1	59.0	59.5	61.3
(%) change over previous year	1.1	7.0	6.5	7.7	7.7	6.0	5.5
3. Other cities							
Price index (2007=100)	62.2	64.7	63.4	64.6	65.6	65.1	65.2
(%) change over previous year	0.9	4.0	2.4	3.9	5.7	4.0	2.9
4. Other areas of Greece							
Price index (2007=100)	64.8	67.8	66.7	67.5	68.3	68.6	69.6
(%) change over previous year	1.1	4.6	3.6	4.5	5.4	5.0	4.3
5. Urban areas (total)							
Price index (1997=100)	152.3	163.6	158.6	163.1	166.0	166.9	170.2
(%) change over previous year	1.8	7.4	5.8	7.6	8.5	7.9	7.3

Source: Bank of Greece



TOURISM & HOTEL MARKET REPORT

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

OVERVIEW

Tourism has always been one of the 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 with further create problems in travel. The travel restrictions have not yet been eased to countries such as UK, USA, Russia that are the basic client pool of the Greek Tourism industry. The volume of travelling remains extremely low. After the new conditions (according to the regulations tourists from Balkan countries – in order to enter Greece by car, need to provide, to the Greek borders, medical proof that they do not have Covid – 19. That issue has affected the tourist sector – especially in the north Greece. The hotels in Halkidiki had 20% - 25% occupancy, at the last week of July.

Thessaloniki Hotel & Tourism Market

The tourism and hotel sector in Halkidiki and Thessaloniki remains in the interest of foreign investors as it presents real investment opportunities in relation to other options. It is expected that the next semester investors will remain at a wait-and-see position in order to reach a better price deals for significant assets. It is a very difficult year for the hotel sector, in Thessaloniki and in the North Greece, in general. In many cases the tourist accommodation and many hotels did not operate this summer, as their operation was unprofitable, according to the existing conditions and increased vacancy rates. This was the first time when hotels, in Halkidiki, which have started to operate for the summer season, finally closed, because the main target group was from Balkans countries and the occupancy was extremely low.. **Due to the pandemic we noticed that the demand for renting a country house increased. The demand is about short-term period or for the whole season. The supply is quite limited due to the fact that the owners also avoided this year to leave their houses. The rentals for appropriate properties (renovated and located in a small distance from the sea side) are fluctuated at 2,500 – 4,000€/ month**

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.



NEW HOTEL OPENINGS

The construction works of Olympus Naoussa on Nikis Avenue are in progress. From the old building, only the facade remained, as all the rest was demolished and will be rebuilt, while floors will be added. It will be a five-star class boutique hotel with about 65 rooms and will open its gates, probably on the 1st of September 2021. The historic listed building that from 1927 to 1994 hosted the famous restaurant "Olympus Naoussa", is located at 5 Nikis Avenue, almost next to Aristotelous square. The building was acquired in the summer of 2017 by the consortium consisting of Grivalia Hospitality and the TOR Hotel Group (Tornivuka hotel group: City Hotel in Thessaloniki, Eagles Palace and Eagles Villas in Halkidiki).

The construction of a 5-star city hotel on the pedestrian street of Kalapothaki is in progress, by "Olympion SA" Construction & Tourist Enterprises ". The construction works of the eight-storey hotel are expected to be completed, probably by the end of 2020. The capacity of the hotel, will be 27 rooms, with 57 beds. This is the second hotel created and managed by "Olympion SA", after the 5-star resort "Olympion Sunset Hotel", located in Fourka Halkidiki.

A new five-star hotel will open in the center of Thessaloniki on 45 Vas Irakliou Street, in the twin buildings. The new owner has signed a twenty-year lease with Ledra Hotels & Villas (Spanos group) and their first five-star hotel in Thessaloniki, will have a capacity of 100 rooms. Mr. George Spanos has a very strong presence in Crete with Domes of Elounda and Domes Noruz Chania, as well as other investments. The construction works of the hotel are expected to be completed at the end of 2020.

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